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QUESTION:

The COVID 19 Pandemic continues to ravage the world. Briefly assess the pandemic’s impacts on the global economy between December 2019 and April 2020.Basically explain both the intended and unintended consequences of the shutdowns, looking at the statistics of global financial institution for example, the IMF

COVID 19 AND THE GLOBAL ECONOMY:

The corona virus infectious diseases outbreak was first detected in china and has spread all over 190 countries and all US states, the central point of infections shifted from china to Europe, especially Italy, but by April 2020 the attention shifted to the united states where the number of infections were accelerating. Due to this fact many countries have closed their boarders to arrivals of countries with infections and also instructed their population to self-quarantine themselves, Government bodies also prescribed lockdown of all organizations around the world for the purpose of protecting citizens across the world.

The pandemic is having a noticeable impact on global economic growth, estimates so far indicate the virus could trim global economic growth by as much as per month if current conditions persist. It is visible that Global trade could also fall depending on the depth and extent of the global economic downturn and the impact on the effect of the global economy during the ongoing COVID 19 period will not be shown until the pandemic reach its peak.

Similarly, international organizations are taking steps to provide loans and other financial assistance to countries in need and the response by governments and international institutions to address these effects were basically using central banks were in ongoing series of interventions in financial markets and national governments are announcing spending initiatives to stimulate their economies. The International Monetary Fund (IMF)estimated that government spending and revenue measures to sustain economic activity adopted through mid-April 2020 amounted to $3.3 trillion and that loans, equity injections and guarantees totaled an additional $4.5 trillion. As a result, the IMF estimates that the increase in borrowing by governments globally will rise from 3.7% of global gross domestic product (GDP)in 2019 to 9.9% in 2020.

Among central banks, the Federal Reserve has taken extraordinary steps not experienced since the global financial crisis to address the growing economic effects of COVID-19,and the U.S. Congress approved a historic fiscal spending package In other countries, central banks have lowered interest rates and reserve requirements, announced new financing facilities, and relaxed capital buffers and, in some cases, countercyclical capital buffers, financial crisis, potentially freeing up an estimated $5trillion in funds. Capital buffers were raised after the financial crisis to assist banks in absorbing losses and staying solvent during financial crises. In some cases, governments have directed banks to freeze dividend payments and halt pay bonuses.

The World health Organization announced that the outbreak was officially a pandemic, the highest level of health emergency was needed, a growing list of economic indicators makes it clear that the outbreak is having a significant negative impact on global economic growth. Global trade and GDP are forecast to decline sharply at least through the first half of 2020. The global pandemic is affecting a broad swath of international economic and trade activities, from services generally to tourism and hospitality, medical supplies and other global value chains, consumer electronics, and financial markets to energy, transportation, food, and a range of social activities, to name a few. The health and economic crises could have a particularly negative impact on the economies of developing countries that are constrained by limited financial resources and where health systems could quickly become overloaded. Without a clear understanding of when the global health and economic effects may peak and some understanding of the impact on economies, forecasts must necessarily be considered preliminary. Similarly, estimates of when any recovery might begin and the speed of the recovery are speculative. Efforts to reduce social interaction to contain the spread of the virus are disrupting the daily lives and adding to the economic costs.

UNINTENDED AND INTENDED CONSEQUENCES OF THE SHUT DOWN

Governments across the world issued various lockdown orders forcing people to remain in their homes in order to save lives and blunt the spread of the virus COVID 19, While the goal to save lives and prevent hospitals from becoming overwhelmed with those sickened by the virus has become our government’s primary focus, the unintended consequences of such actions are now beginning to present themselves.

First and foremost is the obvious problem of lost jobs due to the economic slowdown. As the shutdowns and quarantines drag on, more and more people suffer lost wages and lost employment, and they’re essentially left powerless to do anything about it. This kind of situation only serves to ratchet up people’s stress levels, and that increased stress may reveal itself in dangerous ways, a miserable example exposing this rise in stress has been a significant uptick in domestic violence. This has everything to do with stress over the virus itself, stress over lost employment, and stress over mounting debt. Combine all this with the lack of the usual socializing outlets and people can start to lose it.

The bilateral response to the coronavirus pandemic seems to shutter the economy and then the ability to bail out everyone who is suffering the economic pain. Instead of directly confronting the cause of the pandemic spread of COVID-19, we are inflicting vast damage on great swaths of the economy, likely bankrupting millions of small businesses, which we then seek to fix with massive fiscal and monetary stimulus. Stimulus can only bolster economic activity when slack resources including the newly unemployed can be put back to work in a timely way, to produce goods and services. As the lockdown continues, we can expect to see more of these consequences come to light.

The intended consequences of the shut down was not a foreshadowed pandemic and the government bodies are shocked with the fact that they are in a moment of fear and with the fact that it is seriously affecting the global economy and there is no cure to the infectious diseases at the moment.

THE GLOBAL FINANCIAL INSTITUTION IMPACTS ON THE CONSEQUENCES OF THE SHUTDOWNS:

The challenge for policymakers has been one of implementing targeted policies that address what had been expected to be short-term problems without creating distortions in economies that can outlast the impact of the virus itself. Policymakers, however, are being overwhelmed by the quickly changing nature of the global health crisis that appears to be turning into a global trade and economic crisis whose effects on the global economy are rapidly growing. As the economic effects of the pandemic grow, policymakers are giving more weight to policies that address the immediate economic effects at the expense of longer-term considerations such as debt accumulation.

Classifying the predicted decline in global economic activity as the Great Lockdown, the IMF released an updated forecast on April 14, 2020. The forecast concluded that the global economy would experience its worst recession since the Great Depression, surpassing that seen during the global financial crisis a decade ago. The IMF forecasts that the global economy could decline by 3.0% in 2020, before growing by 5.8% in 2021; global trade is projected to fall in 2020 by 11.0% and oil prices are projected to fall by 42%, The forecast assumes that the pandemic fades in the second half of 2020 and that the containment measures can be reversed. The IMF also concluded that many countries are facing a multi-layered crisis that includes a health crisis, a domestic economic crisis, falling external demand, capital outflows, and a collapse in commodity prices. In combination, these various effects are interacting in ways that make forecasting difficult.

Initially, many policymakers had felt constrained in their ability to respond to the crisis as a result of limited flexibility for monetary and fiscal support within conventional standards, given the broad-based synchronized slowdown in global economic growth, especially in manufacturing and trade that had developed prior to the viral outbreak. The pandemic is also affecting global politics as world leaders are cancelling international meetings and some nations reportedly are stoking conspiracy theories that shift blame to other countries. Initially, the economic effects of the virus were expected to be short-term supply issues as factory output fell because workers were quarantined to reduce the spread of the virus through social interaction. The drop in economic activity, initially in China, has had international repercussions as firms experienced delays in supplies of intermediate and finished goods through supply chains. Concerns are growing, however, that the virus-related supply shock is creating more prolonged and wide-ranging demand shocks as reduced activity by consumers and businesses lead to a lower rate of economic growth. As demand shocks unfold, businesses experience a decline in activity, reduced profits, and potentially escalating and binding credit and liquidity constraints.

While manufacturing firms are experiencing supply chain shocks, reduced consumer activity through social distancing is affecting the services sector of the economy, which accounts for two-thirds of annual U.S. economic output. In this environment, manufacturing and service firms are hoarding cash, which affects market liquidity. In response, central banks have lowered interest rates where possible and expanded lending facilities to provide liquidity to financial markets and to firms potentially facing insolvency. The longer the economic effects persist, the impact spreads through trade and financial linkages to an ever-broadening group of countries, firms and households. This potentially increases liquidity constraints and credit market tightening in global financial markets as firms hoard cash, with negative fallout effects on economic growth.

In conclusion, the corona virus infectious diseases continues to devastate the world and individuals are not free among other species because of the fear of getting infected by others so it continues to ravage the world and its public peace. In assessing the situation December 2019 in china during this period of time it was not visible around the world but by April 2020 Italy and united states started experiencing this issue and infection started accelerating due to this fact countries were forced to close their boarders and issued self-quarantine to the population of its countries and till date there is lockdown of all organization for the purpose of not spreading the virus.

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