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**COURSE: IRD218- ELEMENTS OF CONTEMPRARY
GLOBAL STUDIES**

ASSIGNMENT QUESTION:

The COVID-19 pandemic continues to ravage the world.

Briefly assess the pandemic's impact on the global economy between December 2019 and April2020. Basically explain both the intended and unintended consequences of the shutdowns, looking at the statistics of global financial institutions, for example, the IMF.

WHAT IS A CORONAVIRUS?

Corona viruses were first identified in the 1960s, but we don't know where they come from. They get their name from their crown-like shape. Sometimes, but not often, a corona virus can infect both animals and humans. Most corona viruses spread the same way other cold-causing viruses do through infected people coughing and sneezing, by touching an infected person's hands or face, or by touching things such as doorknobs that infected people have touched. Almost everyone gets a coronavirus infection at least once in their life, most likely as a young child. In the United States, corona viruses are more common in the fall and winter, but anyone can come down with a corona virus infection at any time, COVID-19 (corona virus infectious disease 2019), according to world health organization (WHO), corona viruses are a family of viruses that cause illnesses ranging from the common cold to more severe diseases such as severe acute respiratory syndrome(SARS) and the middle east respiratory syndrome(MERS). These viruses were originally transmitted from animals to people. SARS, for instance, was transmitted from civet cats to humans from type of camel. The name corona viruses comes from the Latin word corona, meaning crown or halo. A corona virus is a kind of common virus that causes an infection in your nose, sinuses, or upper throat. Most corona viruses aren't dangerous. But In early 2020, after a December 2019 outbreak in China, the World Health Organization (WHO) identified a new type, 2019 novel corona virus (2019-nCoV), which can be fatal. The outbreak quickly moved from China around the world. It spreads the same way other corona viruses do: through person-to-person contact. Symptoms can show up anywhere from 2 to 14 days after exposure. Early on, they're a lot like the common cold. You might notice:

- Fever

- Dry Cough
- Shortness of breath
- Tiredness

Infections range from mild to serious. The virus can turn deadly if it leads to pneumonia, respiratory failure, or septic shock. Those most at risk of death are the elderly and people with weakened immune systems. Under an electron microscope, the virus look like it is surrounded by a solar corona the virus on march 11 2020 was declared by the WHO as a pandemic.

INTENDED AND UNINTENDED CONSEQUENCES OF THE SHUTDOWN

Confirmed cases of COVID-19 have now hit nearly 2.5million globally. Businesses are coping with the lost revenue and disrupted supply chain factory shutdowns and quarantine measures spread across the globe, restricting movement and commerce, unemployment is skyrocketing, while policymakers across countries race to implement fiscal and monetary measures to alleviate the financial burden on citizens and shore up economies under severe strain. The international monetary fund(IMF) on 9th of April 2020 said the corona virus pandemic had instigated an economic downturn the likes of which the world has not experienced since the Great depression here are some of the ways the outbreak is sending economic ripples around the world.

Predicted slump of Asia- on the 15th April. The IMF warned economies in Asia would see no growth this year, for the first time in 60 years, with the service sector particularly under pressure. National lockdown across the region have meant airline, factories, shops, and restaurants have suffered the greatest economic shocks. Just a day after the IMF warning, officials data showed the Chinese economy had contracted

in the first quarter – the first time since quarterly records began in 1992. GDP in the world 's second largest economy fell 6.8% in January-march year-on-year-more than the 6.5% forecast by analysts and the opposite of the 6% expansion in the fourth quarter of 2019. The Chinese economy is likely to be hit further by reduced global demands for its products due to the effect of the outbreak on economies around the world .Data released on the 16th march showed china's factory production plunged at the sharpest pace in the three decades in the first two months of the year. For 2020, the country's economic growth is expected to fall to 2.5%, according to a Reuter poll-its slowest in almost 50 years.

Impact on employment- in the UK, the government's independent economic forecaster, the office for the budget responsibility(OBR), warned on the 14 April that the country's economy could shrink by a record 35% by june2020. Its also estimated UK employment could to rise by 2.1million, to 3.4million, by the end of June. more than 5million American filed new claims for unemployment benefits in the new claims for unemployment benefits in the week ended 10 April, according to the U.S department of labour, bringing the total number of Americans who have lost their jobs in four consecutive week to over 22 million. Data from Spain shows nearly 900,000 people have lost their jobs since its lockdown started in mid-march. The official unemployment figure has risen to 3.5% million the highest level since April 2017. Meanwhile, Bloomberg reports that around half of jobs in Africa are at the risk as a result of the outbreak, according to the united Nations Economic commissions for Africa.

Impact on air travel- on 5th march- before the US travel ban was announced, the international Air transport Association(IATA) predicted the COVID-19 outbreak could cost airline\$113billion in lost revenue as fewer people take flights. “ the industry remains very fragile” Brian Pearce, the IATA 's chief economist , told the

association press . there are lots of airline that have got relatively narrow profit margins and lots of debts and this could send some into a very difficult situation. On march 16, British Airway said it would cut flying capacity by at least 75% in April and May . other UK airline, including virgin Atlantic and easyJet also announced drastic cuts. The travel and tourism industries were hit early on by economic disruption from the outbreak. Besides the impact on airline, the UN's international civil aviation organization(ICAO) forecast that japan could lose \$1.29 billion of tourism revenue in the first quarter due to the drop in Chinese travelers, while Thailand could lose \$1.15billion .

CONSEQUENCES OF THE SHUTDOWN ON GLOBAL FINANCIAL INSTITUTIONS FROM DECEMBER 2019 TO APRIL2020

The world has changed drastically from December 2019-April2020, a rare disaster, a coronavirus pandemic, has resulted in a tragically large number of human lives being lost. As countries implement necessary quarantine and social distancing practice to contain the pandemic, the world has been put in a great lockdown. The magnitude and speed of collapse in activity that has followed is unlike anything experienced in our lifetime. This is a crisis like no other, and there is substantial uncertainty about its impact on people's lives and livelihood. A lot depends on the effectiveness of containment measures, and the development of therapeutics and vaccines , all of which are hard to predict. In addition, many countries now face multiple crisis- a health crisis, financial crisis, and a collapse in commodity prices, which interact in complex ways, policymakers are providing unprecedented support to household, firms, and financial markets and while this is crucial for a strong recovery. There is a strong recovery, there is considerate uncertainty about what the economic landscape will look like when we emerge from this lockdown, under the assumption that the pandemic and required containment peaks in the second quarter for most countries in

the world, recedes in the second half of this year, in the April *world Economic outlook* in 2020 to fall to 3 percent. This is a downgrade of 6.3 percentage point from January 2020, a major revision over a very short period. This makes the great lockdown the worst recession since the great depression, and far worse than the global financial crisis. Assuming the pandemic fades in the second half of 2020 and that policy action taken around the world are effective in preventing widespread firm bankruptcies, extended job losses, and system wide financial strains, we project global growth in 2021 to rebound to 5.8 %. This recovery in 2021 is only partial as the level of economic activity is projected to remain below the level we had projected for 2021, before the virus hit. The cumulative loss of global GDP over 2020 and 2021 from the pandemic crisis could be around 9 trillion dollars, greater than the economies of Japan and Germany, combined . this is truly global crisis as no country is spared. Countries reliant on tourism, travel, hospitality, and entertainment for their growth are experiencing particularly large disruptions. Emerging market and developing economies face additional challenges with unprecedented reversals in capital flows as global risk appetite wanes, and currency pressures, while coping with weaker health systems, and more limited fiscal space to provide support, moreover, several economies entered this crisis in a vulnerable state with sluggish growth and high debt level.

The **OECD** estimates that china's emergence as a global actor makes a significant departure from previous global health episodes, china's growth , in combination with globalization and the interconnectedness nature of economies through capital flow, supply chains, and foreign investment, magnify the cost of containing the spread of the virus through quarantines and restriction on labour mobility and travel. China's global economic role and globalization means that trade is playing a role in spreading

the economic effect of COVID-19. More broadly the economic effects of the pandemic are affecting the global economy economic through three trade channels;

- Directly through supply chains as reduced economic activity is spread from intermediate goods producers to finished goods producers
- As a result of a drop overall in economic activity, which reduces demands for goods in general , including imports and
- Through reduced trade with commodity exporters that supply producers, which in turn, reduces their imports and negatively affects trade and economic activity of exporters.

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