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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 SHUTDOWN, LOOKING AT THE STATISTICS OF GLOBAL FINANCIAL INSTITUTIONS, FOR EXAMPLE, THE IMF.

**INTRODUCTION**

The World Health Organization (WHO) first declared COVID-19 a world health emergency in January 2020. Since the virus was first diagnosed in Wuhan, China, it has been detected in over 190 countries and all U.S. states. In early March, the focal point of infections shifted from China to Europe, especially Italy, but by April 2020, the focus shifted to the United States, where the number of infections was accelerating. The infection has sickened over 2.1 million people, with thousands of fatalities. More than 80 countries have closed their borders to arrivals from countries with infections, ordered businesses to close, instructed their populations to self-quarantine, and closed schools to an estimated 1.5 billion children. In late January 2020, China was the first country to impose travel restrictions, followed by South Korea and Vietnam. While there are ongoing efforts to curtail the spread of infection which is almost entirely driven by human-to-human transmission, it has accounted for over 400,000 confirmed cases with over 18,000 deaths. Beyond the tragic health hazards and human consequences of the COVID-19 pandemic, the economic uncertainties, and disruptions that have resulted come at a significant cost to the global economy. Over the period from mid-March to mid-April 2020, more than 22 million Americans filed for unemployment insurance, raising the prospect of a deep economic recession and a significant increase in the unemployment rate.

After a delayed response, central banks are engaging in an ongoing series of interventions in financial markets and national governments are announcing spending initiatives to stimulate their economies. Similarly, international organizations are taking steps to provide loans and other financial assistance to countries in need. 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 2008-2009 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. On March 11, the WHO announced that the outbreak was officially a pandemic, the highest level of health emergency.

**GLOBAL IMPACTS**

A growing list of economic indicators makes it clear that the outbreak is having a significant negative impact on global economic growth. The United Nations Trade and Development Agency (UNCTAD) put the cost of the outbreak at about US$2 trillion in 2020. Most central banks, finance ministries and independent economic experts around the world have taken solace in the prediction that the impacts might be sharp but short-lived, and economic activities would return to normal thereafter.

Similar to conditions during the 2008-2009 financial crisis, the dollar has emerged as the preferred currency by investors, reinforcing its role as the dominant global reserve currency. the dollar appreciated more than 3.0% during the period between March 3 and March 13, 2020, reflecting increased international demand for the dollar and dollar-denominated assets. Since the highs reached on March 23, the dollar has given up some of its value against other currencies, but has remained about 10% higher than it was at the beginning of the year. According to a recent survey by the Bank for International Settlements (BIS), the dollar accounts for 88% of global foreign exchange market turnover and is key in funding an array of financial transactions, including serving as an invoicing currency to facilitate international trade. It also accounts for two-thirds of central bank foreign exchange holdings, half of non-U.S. banks foreign currency deposits, and two-thirds of non-U.S. corporate borrowings from banks and the corporate bond market. As a result, disruptions in the smooth functioning of the global dollar market can have wide-ranging repercussions on international trade and financial transactions. The international role of the dollar also increases pressure on the Federal Reserve essentially to assume the lead role as the global lender of last resort.

The slowdown in the global economy and lockdown in some countries, such as Italy, Spain and most Eurozone economies and beyond, as a result, COVID-19 has also taken its toll on the global demand for oil. The decline in industrial activity has reduced demand for energy products such as crude oil, causing prices to drop sharply, which negatively affects energy producers, renewable energy producers, and electric vehicle manufacturers, but generally is positive for consumers and businesses. The decline in oil demand is estimated to surpass the loss of nearly 1 million barrels per day during the 2007-08 recessions. This is also coming at a time when two key players in the global oil industry, Russia and the OPEC cartel, are at loggerheads on the decision to cut output. The unequivocal oil price war started between these two global oil market giants may have more dire consequences on the oil price that has started to dive. Oil prices continued to fall as oil producers appeared to be in a standoff over cuts to production. On April 9, OPEC and Russia reportedly agreed to cut oil production by 10 million barrels per day. The combined impact of COVID-19, an increase in the value of the dollar, and an oil price war between Saudi Arabia and Russia are hitting developing and emerging economies hard. Not all of these countries have the resources or policy flexibility to respond effectively. On April 15, G-20 finance ministers and central bank governors announced their support for the proposed agreement by Saudi Arabia and Russia to reduce oil production. They also announced an agreement to freeze government loan payments until the end of the year to help low-income developing countries address the pandemic and asked international financial institutions to do likewise.

Between late February and April, 2020, financial markets from the United States to Asia and Europe have been whipsawed as investors have grown concerned that COVID-19 would create a global economic and financial crisis with few metrics to indicate how prolonged and extensive the economic effects may be. Investors have searched for safe-haven investments, such as the benchmark U.S. Treasury 10-year security, which experienced a historic drop in yield to below 1% on March 3, 2020. In response to concerns that the global economy was in a free-fall, the Federal Reserve lowered key interest rates on March 3, 2020, to shore up economic activity while the Bank of Japan engaged in asset purchases to provide short-term liquidity to Japanese banks; Japan’s government indicated it would also assist workers with wage subsidies. The Bank of Canada also lowered its key interest rate. The International Monetary Fund (IMF) announced that it was making about $50 billion available through emergency financing facilities for low-income and emerging market countries and funds available through its Catastrophe Containment and Relief Trust (CCRT).

Similar to the 2008-2009 global financial crisis, central banks have implemented a series of monetary operations to provide liquidity to their economies. These actions, however, initially were not viewed entirely positively by all financial market participants who questioned the use of policy tools by central banks that are similar to those employed during the 2008-2009 financial crisis, despite the fact that the current and previous crisis are fundamentally different in origin. During the previous financial crisis, central banks intervened to restart credit and spending by banks that had engaged in risky assets. In the current environment, central banks are attempting to address financial market volatility and prevent large-scale corporate insolvencies that reflect the underlying economic uncertainty caused by the pandemic.

**INTENDED AND UNINTENDED CONSEQUENCES OF THE SHUT DOWN**

The intended and unintended consequences of current policies are vast, in both human and economic terms. The general intention of the shutdown is to stop the rise and spread of COVID-19. This however is at the expense of many important aspects of life. The unintended consequences include;

* The decision to close educational institutions and schools around the globe in an attempt to contain the pandemic has also led to a soaring number of children, youth and adults not attending schools. According to UNESCO Monitoring report on COVID-19 educational disruption and response, the impact of school closures in the over 100 countries that have implemented the decisions around the world has impacted over half of the global students’ population. These educational disruptions are being escalated particularly for the most vulnerable members of society.
* In the UK, the government's independent economics forecaster, the Office for Budget Responsibility (OBR), warned on 14 April that the country's economy could shrink by a record 35% by June 2020. It also estimates UK unemployment could to rise by 2.1 million, to 3.4 million, by the end of June. Bloomberg reports that around half of jobs in Africa are at risk as a result of the outbreak, according to the United Nations Economic Commission for Africa.
* The pharmaceutical industry, bracing for disruption to global production since February, reported fears of drug shortages as India faced lockdowns 24 March. India supplies nearly half of the generic drugs for countries such as the U.S.

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