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TOPIC: The COVID –19 pandemic continues to ravage the world. Briefly assess the pandemic's impact 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 Coronavirus that emerged from a Chinese city, Wuhan, as a disease affecting just a part of the population has now grown into a global pandemic affecting over 100 countries across the globe. Indeed the situation can be described as ravaging. The pandemic already has had a massive impact on the global economy and according to world financial institutions as well as economic forums, this impact will possibly worsen in a few months. This is due to larger amounts of public funding being redirected from other sectors like the manufacturing sector, to mainly the health sector. Measures to curb the spread of the disease put in place by countries massively affected by the pandemic, such as 'quarantine shutdown' poses a risk to its economy. With more than a few countries (even in the developed world) experiencing economic stagnation, it is bound to have a ripple effect on the rest due to globalisation. Global economy refers to the interconnectedness of economic activities operating in multiple countries. These activities could be in forms of trade (international trade) as countries are increasingly becoming interdependent on other countries largely as a result of comparative advantage, in other words, globalisation. This paper will be looking at the intended and unintended consequences of the government imposed shutdowns which serve as a way to curb the spread of the virus, and the impact this initiative will have on the global economy—referencing statistics of the various global financial institutions.

Intended and unintended consequences

The Coronavirus pandemic has caused the government of some countries to implement necessary practices to contain the spread, such as quarantine, social distancing and lockdown.

This means businesses that do not give "essential services" will be shut down until further notice and nonessential workers have been asked to stay home. In turn, this will limit potential exposure to the disease. Therefore, the health care systems of these countries will not be burdened by a high rate of sick patients and will not have to worry about any surge in new cases of coronavirus. This is regarded as one of the benefits of the lockdown. However, the lockdown poses a threat to the economy of single countries and eventually the global economy.

According to the World economic outlook, the International Monetary Fund (IMF) projects global growth to fall to –3%. This is due to different factors caused by the pandemic and measures put in place to curb it. Factories and manufacturing companies have been shut down temporarily putting numerous people out of work with no source of income in this period. Production has declined thus net exports have declined as supply chains for exports have been disrupted because of factories closed. Also, demand for exports has drastically fallen, as most of the world is experiencing low demand for goods and services. More still, border closure of non-essential trade has been implemented in some countries to help their failing economies. Net exports contribute to a country's Gross Domestic Product (GDP), a popular way to measure a country's economic growth. Furthermore, Consumer spending is at its lowest as people are advised to stay home and limit physical interaction; people will go out less to purchase goods or services. It is important to note that consumer spending takes up 70% of overall GDP. With low consumption combined with low exports, a country's growth rate will fall. Italy is a good example, as a large amount of its revenue is gotten from tourism. Due to the temporary ban of international flights coming into the country as well as lockdowns implemented in neighbouring countries, revenue from tourism has dropped, so has consumer spending and the country's economic growth rate.

The lockdown has also put a large number of people out of jobs. Revenue of businesses have fallen hence, these businesses are unable to pay workers and have to lay them off. In the United States alone an estimate of 22 million citizens are unemployed, mostly due to the pandemic. This figure is worse than that of the financial crisis (2008–2009). Australia's unemployment rate is set to rise to 13% in a few months. According to the African Union, unemployment is set to rise in Africa too. In fact, low economically developed countries (LEDCs) like most African countries will be hit worst. People out of their jobs will have no viable source of income, this will reduce the overall standard of living and that has an adverse effect on the economy.

In addition, countries on lockdown like Italy, the United States and most of Europe as a result of COVID –19 pandemic have caused the global demand for oil to decline. Worst still, Russia and Saudi Arabia (OPEC) are still engaging in price wars. Countries reliant on oil revenue, for example, are to expect a reduction in revenue. This has greatly affected the Nigerian economy and that of other oil-exporting countries and they might worsen in a few months. The World Bank on April 17 acknowledged the pandemic on Africa calling it "devastating". According to the African Union chairperson, H. E. Cyril Ramaphosa, it is a setback for the progress made to "eradicate poverty, inequality and underdevelopment". However, although the pandemic and lockdowns are inevitably going to affect world economies especially Africa's, there is no better time for initiatives such as the African Continental Free Trade Agreement (AfCFTA) to be up and running. If it is impossible to fully execute such now, at least after shutdowns in various African countries have been lifted. This will be of benefit to the African economy, individual countries will be open to a larger market and this can mitigate the effects of a recession.

On a lighter note, however, apart from the lockdown helping to reduce the number of cases, it has helped reduce the number of harmful gasses in the air. Factories that emit waste have been closed and vehicles are less on the road. This can be seen as an unintended consequence of the economic slowdown and lockdown.

CONCLUSION

The lockdowns will have an adverse effect on Small and Medium Enterprises (SMEs), individuals with temporary and menial jobs that provide little security, as they might be put out of their jobs. There is a low demand for goods thus suppliers get low incomes, exports have dropped, Consumer spending is low and the GDP of different countries is set to fall due to the Coronavirus pandemic. Funds that could be used to boost other sectors of the economy have been shifted to health. As states and their economies depend on others, the global economy is heading to a recession. The World Bank has advised African states to not easily copy other States by imposing lockdowns as that will harm their economy. If States must impose a lockdown then these States need to find ways to combat a possible recession. Bretton wood institutions the IMF and World Bank have relaxed their conditions for borrowing, to help member countries in these times. However, to countries with high debts incurred, this is not so helpful.

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