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IRD 218: ELEMENTS OF CONTEMPORARY GLOBAL STUDIES

**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 institutions, for example, the IMF.

The coronavirus COVID-19 pandemic is the defining global health crisis of our time and the greatest challenge we have faced since World War Two. Since its emergence in Asia late last year, the virus has spread to [every continent](https://www.undp.org/content/undp/en/home/covid-19-pandemic-response.html#covid19dashboard) except Antarctica. Cases are rising daily in Africa the Americas, and Europe. Countries are racing to slow the spread of the virus by testing and treating patients, carrying out contact tracing, limiting travel, quarantining citizens, and cancelling large gatherings such as sporting events, concerts, and schools. The pandemic is moving like a wave—one that may yet crash on those least able to cope. But COVID-19 is much more than a health crisis. By stressing every one of the countries it touches, it has the potential to create devastating social, economic and political crises that will leave deep scars. Every day, people are losing jobs and income, with no way of knowing when normality will return. Small island nations, heavily dependent on tourism, have empty hotels and deserted beaches. The International Labour Organization estimates that 195 million jobs could be lost.

This pandemic has had various impacts on global economy, when a crisis hits, investors often choose less risky investments. Gold is traditionally considered a "safe haven" for investment in times of uncertainty. But even the price of gold tumbled briefly in March, as investors were fearful about a global recession. Likewise, oil has slumped to to prices not seen since June 2001. Investors fear that the global spread of the virus will further hit the global economy and demand for oil. The oil price had already been affected by a row between OPEC, the group of oil producers, and Russia. Coronavirus has driven the price down further. The coronavirus has severely reduced oil demand around the world due to large declines in airline, car, shipping, and trucking traffic as well as manufacturing production.

When oil prices are negative, it means traders holding oil futures are paying buyers to take it off their hands or risk having to take physical delivery of the oil, which most are incapable of doing. Oil is still a valuable commodity, but the selloff followed a huge oversupply in the market after [major producers refused to lower their output](https://www.cnbc.com/2020/04/07/oil-markets-coronavirus-crude-output-in-focus.html) creating fewer places to store the liquid.

The travel industry has been badly damaged, with airlines cutting flights and tourists cancelling business trips and holidays. Governments around the world have introduced travel restrictions to try to contain the virus. The EU banned travellers from outside the bloc for 30 days in an unprecedented move to seal its borders because of the coronavirus crisis. In the US, the Trump administration has banned travellers from European airports from entering the US. Data from the flight tracking service Flight Radar 24 shows that the number of flights globally has taken a huge hit.

The current stock market crash consisting in a strong overestimation of valuations of shares, other securities, gold, oil and other commodities confirms the highly probable negative scenario about the possibility of recession and serious problems in financial systems in a significant part of countries in 2020.

In the absence of treatment or a vaccine, ceasing most human contact is really the only way to stop the spread of the virus. Essentially, the less contact people have with each other, the less the virus can spread. Given the rapid spread of the virus, social lockdown is urgent to bring overall transmission down, and see whether testing followed by isolation could be effective – this is all in an attempt to ‘flatten the curve’ or reduce infections and spread cases out over a longer time frame to avoid overwhelming health systems.

The lockdown to contain the spread of COVID-19 is having and will have a huge impact on other healthcare provisions and outcomes. Considering the high multiple and untreated morbidity prevalence in India, it will adversely a huge number of people. In fact, out of the total deaths caused due to COVID-19, most have been reported in co-morbid patients. Ignoring other healthcare services further aggravates the chances of a large section of the population whose immunity is compromised with existing ailments being infected with COVID-19.

The closing down of private healthcare facilities, especially in the smaller towns and cities that take care of a considerable proportion of the total healthcare burden will have severe implications for those with chronic diseases and those who need emergency care. At the national level, on an average, some 6.9 million people visit outpatient care on a daily basis, out of which, government hospitals, private hospitals, private doctors/clinics, and other (Charities and NGOs) healthcare service providers treat 30%, 23%, 43%, and 4% of cases, respectively. Thus, private healthcare service providers cater to 66% of daily healthcare needs. Further, the lockdown has hit hard the poor and lower middle-income classes who don’t have their own vehicles to reach hospitals in emergencies.

Mobility restrictions and excessive fear have also hit the attendance of frontline health workers to basic healthcare provisions during pregnancy, delivery care and new-born healthcare. The lockdown panic and crisis are certainly going to affect outcomes for pregnant women. For instance, the limited mobility and stigmatisation of frontline health workers are harming the nutritional needs of pregnant women and new mothers and their babies. As many as 49,481 births take place per day, of which private hospitals perform 55% of the caesarean sections and complicated deliveries.

Globally, China is the second-largest exporter of pharmaceutical products. The shutdown of drug-manufacturing plants in China has delayed supplies to world factories for producing generic medicines. Further, the lack of access to medicine and regular healthcare among patients with non-communicable and chronic diseases results in severe healthcare issues which might be more fatal than COVID-19 in the days to come.

The IMF sees GDP per capita shrinking across 170 nations due to the coronavirus pandemic, but the projection "may actually be a more optimistic picture than reality produces." The IMF noted that even a short-lived outbreak would drag the world into a 3% GDP contraction.A resurgence of COVID-19 in 2021 could leave economies struggling for years to come.

The International Monetary Fund recently announced the "Great Lockdown" recession will drag global GDP lower by 3% in 2020, but its managing director now thinks the gloomy outlook could be too positive. The coronavirus pandemic is set to leave 170 countries with lower GDP per capita by the end of the year, but the projection "may be actually a more optimistic picture than reality produces," Kristalina Georgieva told the BBC in an interview.

"Epidemiologists are now helping us make macroeconomic projections. Never in the history of the IMF have we had that," she added. "And what they're telling us is that the novel coronavirus is a big unknown, and we don't know whether it may return in 2021."

The combination of a longer initial pandemic and a 2021 resurgence would yield an even worse downturn, the organization said. Global GDP would sharply contract in 2021 and leave "additional scarring" as credit health deteriorates.

The IMF saw a far more optimistic scenario as recently as January. The pre-outbreak economic situation was poised to improve GDP per capita in 160 countries. Yet the pandemic has quickly plunged the world into "a global recession we have not seen in our lifetimes," the director said, leaving governments racing to avoid a total meltdown. The organization has pledged to use its $1 trillion lending capacity to aid nations through the health crisis, but Georgieva emphasized the importance of nations getting ahead of the economic damage. Major economies have already unleashed trillions of dollars in stimulus and central bank easing, but rampant aid needs to be kept in check for long-term recovery, she added.

"It is the time that governments should spend as much as they can afford and more, but keep the receipts. We don't want to lose accountability and transparency during this crisis," Georgieva said. Even as the virus runs rampant around the globe, some nations hit hardest by the pandemic are already planning for economic reopening. President Donald Trump revealed details of the US's reboot on Thursday evening, including a three-phase plan to be followed at governors' discretion. Yet widespread testing is needed before any reboot can take place, Georgieva said. A virus-ravaged nation is unlikely to see an upswing in consumer confidence, and a premature reopening would place significant strain on already hammered health care operations.

"Saving lives and saving livelihoods go hand in hand with stopping the pandemic," the managing director added. "We simply cannot restart the economy to the fullest, and without restarting the economy, finance ministers are not going to have the revenues they need, including for their health services."

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