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**Question: The covid19 pandemic continues to ravage the world. Briefly assess the pandemic impact on the global economy between December 2019 and April 2020.**

**Basically and explain both the intended and unintended consequences of the shutdowns looking at the statistics of global financial institutions for example the IMF.**

The extent of the damage will depend on how quickly the virus is contained, the steps authorities take to contain it, and how much economic support governments are willing to deploy during the epidemic’s immediate impact and aftermath.

Early indications of COVID-19’s impact on the Chinese economy are worse than initially forecast. Surveys of China’s manufacturing and services sector plunged to record lows in February, automobile sales sank a record 80 percent, and China’s exports fell 17.2 percent in January and February. The official data confirmed a widespread slowdown in economic activity foreshadowed in low pollution levels and depressed shipping traffic, among other informal barometers. Analysts have sharply revised down estimates of Chinese growth, with many now predicting a drop in first quarter GDP, the first contraction since China began reporting quarterly data in 1992. As COVID-19 spreads, China’s economic recovery will be challenged as demand from other countries drops as they cope with the virus.

Although the outbreak appears to have slowed in China, COVID-19 and its impacts have gone global. Infections are mounting in Europe, South Korea, Iran, the United States, and elsewhere, with authorities implementing increasingly restrictive measures to contain the virus. Europe and Japan are likely already in recession territory given their weak fourth quarter performance and high reliance on trade. While the United States entered the crisis with a tailwind, some analysts are forecasting a contraction in U.S. GDP in the second quarter. Estimates of the global impact vary: early last week, the Organization for Economic Co-operation and Development (OECD) predicted that COVID-19 will lower global GDP growth by one-half a percentage point for 2020 (from 2.9 to 2.4 percent); Bloomberg Economics warns that full-year GDP growth could fall to zero in a worst-case pandemic scenario.

The COVID-19 outbreak has generated both demand and supply shocks reverberating across the global economy. Among major economies outside of China, the OECD forecasts the largest downward growth revisions in countries deeply interconnected to China, especially South Korea, Australia, and Japan. Major European economies will experience dislocations as the virus spreads and countries adopt restrictive responses that curb manufacturing activity at regional hubs, including in Northern Italy. As a result of depressed activity, the United Nations projects that foreign direct investment flows could fall between 5 and 15 percent to their lowest levels since the 2008-2009 global financial crisis.

At the sectoral level, tourism and travel-related industries will be among the hardest hit as authorities encourage “social distancing” and consumers stay indoors. The International Air Transport Association warns that COVID-19 could cost global air carriers between $63 billion and $113 billion in revenue in 2020, and the international film market could lose over $5 billion in lower box office sales. Similarly, shares of major hotel companies have plummeted in the last few weeks, and entertainment giants like Disney expect a significant blow to revenues. Restaurants, sporting events, and other services will also face significant disruption. Industries less reliant on high social interaction, such as agriculture, will be comparatively less vulnerable but will still face challenges as demand wavers.

While there is no way to tell exactly what the economic damage from the global COVID-19 novel coronavirus pandemic will be, there is widespread agreement among economists that it will have severe negative impacts on the global economy. Early estimates predicated that, should the virus become a global pandemic, most major economies will lose at least 2.4 percent of the value their gross domestic product (GDP) over 2020, leading economists to already reduce their 2020 forecasts of global economic growth down from around 3.0 percent to 2.4 percent. To put this number in perspective, global GDP was estimated at around 86.6 trillion U.S. dollars in 2019 – meaning that just a 0.4 percent drop in economic growth amounts to almost 3.5 trillion U.S. dollars in lost economic output. However, these predictions were made prior to COVID-19 becoming a global pandemic, and before the implementation of widespread restrictions on social contact to stop the spread of the virus. Since then, global stock markets have suffered dramatic falls due to the outbreak, and the Dow Jones reported its largest-ever single day fall of almost 3,000 points on March 16, 2020 – beating its previous record of 2,300 points that was set only four days earlier

Introduction

In 2019, there was anxiety about the impact of a US-China trade war, the US presidential elections and Brexit on the World Economy. On account of these, the IMF had predicted moderated global growth of 3.4 percent. But COVID-19 – the disease caused by SARS-CoV-2, a novel strain of coronavirus from the SARS species, changed the outlook unexpectedly. Due to fear and uncertainty, and to rational assessment that firms’ profits are likely to be lower due to the impact of COVID-19, global stock markets erased about US$6 trillion in wealth in one week from 24th to 28th of February. The S&P 500 index lost over $5 trillion in value in the same week in the US while the S&P 500’s largest 10 companies experienced a combined loss of over $1.4 trillion,1 although some of these were recovered in the subsequent week. Some of the loss in value was due to rational assessment by investors that firms’ profits would decline due to the impact of the coronavirus. The International Air Transportation Association (IATA) stated that the air travel industry would lose US$113 billion if the COVID-19 outbreak was not quickly contained2. The IMF downgraded its growth projection for the global economy as the COVID-19 outbreak threw its earlier projection into serious doubt. The tourism industry was affected as the travel opportunities for Chinese tourists, who usually spend billions annually, were severely curtailed. There were increased flight cancellations, cancelled hotel bookings and cancelled local and international events worth over $200billion. The flow of goods through Global supply chains vastly reduced significantly given that China was the world’s largest manufacturer and exporter, and the Chinese government ordered the closure of major factories. Countries like Iran, Italy and France issued stay-at-home nationwide policies to control the spread of the virus, which had already caused multiple deaths and was putting pressure on the national public healthcare infrastructure. This triggered a global recession in developed countries. There was a general consensus among economists that the coronavirus pandemic plunged the world into a global recession (Financial3 Times, 2020).3 The International Monetary Fund in March stated that it expected a global recession that would be at least as bad as the 2007-8 global financial crisis followed by a recovery But the cause of the 2020 global recession was novel in modern history. The coronavirus triggered a new type of recession that was different from the past triggers of recession.

The unintended consequences of current policies are vast, in both human and economic terms. The governments of Taiwan, Japan, and South Korea seem to have shown that even a democracy can manage a health crisis directly, by seeking to minimize spread of the disease, in ways that won’t cripple the economy.

Rules vary by country and jurisdiction, but – especially in urban centers – the following generally apply. On leaving home, you must wear a mask. On entering an office building or store, your temperature is taken. If it’s elevated, you will be tested. Apart from that, if you are not feeling well, you can get tested at a convenient location. If you test positive, they will ask about whomever you’ve seen in the past week, and will test them, too. You are then placed on mandatory home quarantine, as are those who live with you. Hospitalization is reserved for serious cases. Direct and unambiguous.

Today, as the coronavirus – and governments’ responses to its chilling consequences – infects the global economy to the point of virtual shutdown, daily predictions of GDP decline in the second quarter are getting worse by the day. Predictions that the world’s output could decline by at least 25% might be optimistic. Buffers were designed to help banks withstand an unprecedented downturn. As it turns out, the scale of what was coming was far beyond the imagination of even the most hawkish regulator.