ONWUCHURUBA CHIOMA MERCY

18/SMS09/077

IRD 218

200L

THE COVID-19 PANDEMICS CONTINUES TO RAVAGE THE WORLD. BRIEFLY ASSESS THE PANDEMICS IMPACTS ON THE GLOBAL ECONOMY BETWEEN DECEMBER 2019 AND APRIL 202. BASICALLY EXPLAIN THE INTENDED AND UNINTENDED CONSEQUENCES OF THE SHUTDOWNS, LOOKING AT THE STATSTICS OF GLOBAL FIANCIAL INSITUTION, FOR EXAMPLE THE IMF.

Coronavirus disease known as covid 19 is an infectious disease caused by a newly discovered coronavirus. The virus spreads through contact. It is mainly transmitted through droplets generated when an infected person coughs sneezes or exhales. These droplets are too heavy to hang in the atmosphere so they fall on surfaces and rest there. it can go from one individual to another if an infected individual comes in contacted with anyone and the uninfected to take in the same breathing space of an infected individual has to do most with the respiratory organs. Government of nations have seen the harm of this infection and also how fast it spreads and have advised citizens globally to remain indoors and to also take their hygiene more serious than they did in the past. Since the COVID-19outbreak was first diagnosed, it has spread to over 190 countries and all U.S. states. The pandemic is having a noticeable impact on global economic growth. Estimates so far indicate the virus could trim global economic growth by as much as 2.0% per month if current conditions persist. Global trade could also fall by 13% to 32%, depending on the depth and extent of the global economic downturn. The full impact will not be known until the effects of the pandemic peak. This report provides an overview of the global economic costs to date and the response by governments and international institutions to address these effects.

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 190countries and all U.S. states.1In early March, the focal point of infections shifted from China to Europe, especially Italy, but by April2020, the focus shifted to the United States, where the number of infections was accelerating. The infection has sickened over2.1millionpeople, 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. Over the period from mid-March tumid-April 2020, more than 22million 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 a non going 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 those loans, equity injections and guarantees totalled 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 developed economies, the fiscal balance to GDP ratio is projected to rise from 3.0% in 2019 to 10.7% in 2020; the ratio for the United States is projected to rise from 5.8% to 15.7%. For developing economies, the fiscal balance to GDP ratio is projected to rise from 4.8% to 9.1%.According to the IMF, France, Germany, Italy, Japan, and the United Kingdom have each announced public sector support measures totalling more than financial crisis, potentially freeing up an estimated $5trillion in funds. Capital buffers were raised after the financial crisis to assist banks in absorbing losses and staying solvent during financial crises. A growing list of economic indicators makes it clear that the outbreak is having a significant negative impact on global economic growth. Global trade and GDP are forecast to decline sharply at least through the first half of 2020. The global pandemic is affecting a broad swath of international economic and trade activities, from services generally to tourism and hospitality, medical supplies and other global value chains, consumer electronics, and financial markets to energy, transportation, food, and a range of social activities, to name a few. The health and economic crises could have a particularly negative impact on the economies of developing countries that are constrained by limited financial resources and where health systems could quickly become overloaded. Without a clear understanding of when the global health and economic effects may peak and some understanding of the impact on economies, forecasts must necessarily be considered preliminary. Similarly, estimates of when any recovery might begin and the speed of the recovery are speculative. Efforts to reduce social interaction to contain the spread of the virus are disrupting the daily lives of most Americans and adding to the economic costs.

Before the COVID-19 outbreak, the global economy was struggling to regain a broad-based recovery as a result of the lingering impact of growing trade protectionism, trade disputes among major trading partners, falling commodity and energy prices, and economic uncertainties in Europe over the impact of the UK withdrawal from the European Union. Individually, each of these issues presented a solvable challenge for the global economy. Collectively, however, the issues weakened the global economy and reduced the available policy flexibility of many national leaders, especially among the leading developed economies. In this environment, COVID-19 could have an outsized impact. While the level of economic effects will eventually become clearer, the response to the pandemic could have a significant and enduring impact on the way businesses organize their work forces, global supply chains, and how governments respond to a global health crisis. According to an April 8, 2020, forecast by the World Trade Organization (WTO), global trade volumes are projected to decline between13% and32% in 2020 as a result of the economic impact of COVID-19, as indicated in Table 2.The WTO argues that the wide range in the forecast represents the high degree of uncertainty concerning the length and economic impact of the pandemic and that the actual economic outcome could be outside this range, either higher or lower. The WTO’s more optimistic scenario assumes that trade volumes recover quickly in the second half of 2020to their pre-pandemic trend, or that the global economy experiences a V-shaped recovery. The more pessimistic scenario assumes a partial recovery that lasts into 2021, or that global economic activity experiences more of a U-shaped recovery. The WTO concludes, however, that the impact on global trade volumes could exceed the drop in global trade during the height of the 2008-2009 financial crises.The economic damage caused by the COVID-19 pandemic is largely driven by a fall in demand, meaning that there are not consumers to purchase the goods and services available in the global economy.

This dynamic can be clearly seen in heavily affected industries such as travel and tourism. To slow the spread of the virus, countries placed restrictions on travel, meaning that many people cannot purchase flights for holidays or business trips. This reduction in consumer demand causes airlines to lose planned revenue, meaning they then need to cut their expenses by reducing the number of flights they operate. Without government assistance, eventually airlines will also need to reduce lay off staff to further cut costs. The same dynamic applies to other industries, for example with falling demand for oil and new cars as daily commutes, social events and holidays are no longer possible. As companies start cutting staff to make up for lost revenue, the worry is that this will create a downward economic spiral when these newly unemployed workers can no longer afford to purchase unaffected goods and services. To use retail as an example, an increase in unemployment will compound the reduction in sales that occurred from the closure of shop fronts, cascading the crisis over to the online retail segment (which has increased throughout the crisis). It is this dynamic that has economists contemplating whether the COVID-19 pandemic could lead to a global recession on the scale of the Great Depression.