**ELEMENTS OF INTERNATIONAL ORGANISATIONS (IRD 218)**

**COURSE ASSIGNMENT**

**Research 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.

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**INTRODUCTION**

The quagmire of coronavirus (COVID-19), is now pervasive to all, being the defining phenomenon of our time. Breaking out in late 2019 in Wuhan, in the Hubei Province of China, this disease has now spread through almost every region of the world, leaving tens of thousands of people dead or incapacitated, while the rest of the world has come to a halt—either through one form of quarantine or self-isolation or the other as a means of combating the highly contagious disease.

As at the time of this research (21st April,2020), in over 230 regions/countries there have been 2,531,804 confirmed cases, 174,336 deaths and providentially, 665,458 recoveries. *(WikiData,2020)*

Being a disease that is so largescale, it has had effects on everyone in the society, politicking, the world economy, science and technology, etc. For instance, there is huge wave of unemployment, an increased number of people are suffering from acute hunger, there has been a plummet in energy demand, a halt has been put on certain scientific experiments, protests have erupted by certain sects against lockdown laws, inexplicable China-Africa relations have ensued and so much more.

Particularly, the world economy has taken a huge toll in this period i.e. with the disruption of many business activities in Nigeria, Africa and in the globe at large, the virus has made a huge impact on their markets. Many nations’ GDP growth has been stifled, the United Nations says we might see about a $2 trillion-dollar shortage in global income and a $220 billion hit to developing countries, the Organization for Economic Co-operation and Development (OECD) could be cut in half, making it 1.5% in 2020 if the virus keeps spreading*. (Center for Strategic and International Studies,2020)*

**ACCESSING THE VIRUS’ IMPACTS ON THE GLOBAL ECONOMY**

The economic effects of the pandemic are distressing the global economy mainly through three trade channels. Firstly, directly through supply chains, as reduced economic activity is spread from intermediate goods producers to finished goods producers. Secondly, as a result of a drop overall in economic activity, which reduces demand for goods in general, including imports. Thirdly, through reduced trade with commodity exporters that supply producers, which, in turn, reduces their imports and negatively affects trade and economic activity of exporters. After a delayed response, central banks are now 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.

Although it broke out in 2019, the effect of this virus became pronounced from the year 2020, in what some quarters now call the Coronavirus Recession. In January, it started a staggering unemployment wave of about 2.5 million Chinese. By February 2020, global stock markets fell due to a significant rise in the number of COVID-19 cases outside mainland China and by 28th February 2020, stock markets worldwide saw their largest single-week declines since the 2008 Financial Crisis. (*Forbes,2020*)

Global stock markets crashed again in March 2020, with falls of several percent in the world's major indices, making it overall, the worst stock market crisis since 1987. In response, countries like the U.S and Canada had to cut their Federal Reserve interests to almost zero. 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. *(Financial Times,2020)*

In April, data showed the first contraction by 6.8% in the world’s second largest economy (China’s) since 1992, when official quarterly GDP records were first published. 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*. (OECD,2020)*

On the other hand, it also led to a steep decline of oil prices which, even though it spells doom for oil exporting countries, the majority of countries which are oil consumers can actually take a breather from all the economic pressure, giving the world economy so sort of relief in the short run.

**CONCLUSION/PROJECTIONS**

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. However, how the coronavirus will truly impact the world economy is dependent not only on its severity or duration, but also on whether consumers start to change their spending behaviors based on that fear.

Prospectively, according to the World Bank, global [remittances](https://twitter.com/search?src=hash&q=%23remittances) are projected to fall by about 20% due to the impact of the [COVID-19](https://twitter.com/search?src=hash&q=%23COVID19) [pandemic](https://twitter.com/search?src=hash&q=%23pandemic), marking it the sharpest decline in recent history. Advanced economies as a group are forecast to experience an economic contraction in 2020 of 7.8%, with the U.S. economy projected to decline by 5.9%. The rate of economic growth in the Euro area is projected to decline by 7.5%. Most developing and emerging economies are projected to experience a decline in the rate of economic growth of 2.0%, reflecting tightening global financial conditions and falling global trade and commodity prices. In contrast, China, India, and Indonesia are projected to experience small, but positive rates of economic growth in 2020. The IMF also argues that recovery of the global economy could be weaker than projected as a result of: lingering uncertainty about possible contagion, lack of confidence, and permanent closure of businesses and shifts in the behavior of firms and households. *(WeForum,2020)*

The IMF is forecasting a sharp bounce back in 2021, with growth of 5.8%, but acknowledges that “the risks for even more severe outcomes, however, are substantial”. Its outlook shows a more pessimistic scenario, in which shutdowns last longer this year, and there is a second outbreak in 2021. In that scenario, the IMF expects world GDP to be almost 8% lower next year than in its base case.

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