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COURSE CODE: - IRD 218

DEPARTMENT: - INTERNATIONAL RELATIONS AND DIPLOMACY

MATRIC NO: - 18/SMS09/035

ASSIGNMENT

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.

INTRODUCTION

The 2019–20 coronavirus pandemic is an ongoing pandemic of coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The outbreak was identified in Wuhan, China, in December 2019. The World Health Organization declared the outbreak to be a Public Health Emergency of International Concern on 30 January 2020, and recognized it as a pandemic on 11 March 2020. As of 22 April 2020, more than 2.59 million cases of COVID-19 have been reported in 185 countries and territories, resulting in more than 179,000 deaths. More than 698,000 people have recovered although there may be a possibility of relapse or reinfection.

The virus is primarily spread between people during close contact often via small droplets produced by coughing sneezing, or talking. While these droplets are produced when breathing out, they usually fall to the ground or onto surfaces rather than remain in the air over long distances. People may also become infected by touching a contaminated surface and then touching their eyes, nose, or mouth. The virus can survive on surfaces for up to 72 hours It is most contagious during the first three days after the onset of symptoms, although spread may be possible before symptoms appear and in later stages of the disease Common symptoms include fever, cough and shortness of breath Complications may include pneumonia and acute respiratory distress syndrome. The time from exposure to onset of symptoms is typically around five days, but may range from two to fourteen days.

INTENDED AND UNINTENDED CONSEQUENCES OF THE SHUTDOWN

Education

The pandemic has affected educational systems worldwide, leading to the near-total closures of schools, universities and colleges. As of 21 April 2020, approximately 1.723 billion learners have been affected due to school closures in response to the pandemic. According to UNESCO monitoring, 191 countries have implemented nationwide closures and 5 have implemented local closures, impacting about 98.4 percent of the world's student population. On 23 March 2020, Cambridge International Examinations (CIE) released a statement announcing the cancellation of Cambridge IGCSE, Cambridge O Level, Cambridge International AS & A Level, Cambridge AICE Diploma, and Cambridge Pre-U examinations for the May/June 2020 series across all countries International Baccalaureate exams have also been cancelled.

School closures impact not only students, teachers, and families, but have far-reaching economic and societal consequences. School closures in response to COVID-19 have shed light on various social and economic issues, including student debt digital learning food insecurity, and homelessness, as well as access to childcare, health care, housing internet and disability services The impact was more severe for disadvantaged children and their families, causing interrupted learning, compromised nutrition, childcare problems, and consequent economic cost to families who could not work.

In response to school closures, UNESCO recommended the use of distance learning programs and open educational applications and platforms that schools and teachers can use to reach learners remotely and limit the disruption of education.

Socio-economic: Supply impact

The coronavirus outbreak has been blamed for several instances of supply shortages, stemming from globally increased usage of equipment to fight outbreaks, panic buying (which in several places led to shelves being cleared of grocery essentials such as food, toilet paper, and bottled water), and disruption to factory and logistic operations. The technology industry, in particular, has warned of delays to shipments of electronic goods. According to WHO director-general Tedros Adhanom, the demand for personal protection equipment has risen a hundredfold, leading to prices up to twenty times the normal price and also delays in the supply of medical items of four to six months. It has also caused a shortage of personal protective equipment worldwide, with the WHO warning that this will endanger health workers.

The coronavirus outbreak has had various impacts around the world. The virus created a shortage of precursors used in the manufacturing of fentanyl and methamphetamine. The Yuancheng

Group, located in Wuhan, China, is one of the leading suppliers of these chemical raw materials. Price increases and shortages in these illegal drugs have been noticed on the street of the UK US law enforcement also told the New York Post that Mexican drug cartels were having difficulty in obtaining precursors.

Economic impact

The outbreak is a major destabilizing threat to the global economy. Agathe Demarais of the Economist Intelligence Unit has forecast that markets will remain volatile until a clearer image emerges on potential outcomes. In January 2020, some analysts estimated that the economic fallout of the epidemic on global growth could surpass that of the 2002–2004 SARS outbreaks. One estimate from an expert at Washington University in St. Louis gave a $300+ billion impact on the world's supply chain that could last up to two years. Global stock markets fell on 24 February due to a significant rise in the number of COVID-19 cases outside mainland China. On 27 February, due to mounting worries about the coronavirus outbreak, various U.S. stock indexes posted their sharpest falls since 2008, with the Dow falling 1,191 points (the largest one-day drop since the financial crisis of 2007–08) and all three major indexes ending the week down more than 10 per cent. On 28 February, Scope Ratings GmbH affirmed China's sovereign credit rating, but maintained a Negative Outlook. Stocks plunged again due to coronavirus fears, the largest fall being on 16 March. Many consider an economic recession likely.

Tourism

is one of the worst affected sectors due to travel bans, closing of public places including travel attractions, and advice of governments against travel. Numerous airlines have cancelled flights due to lower demand, and British regional airline Flybe collapsed. The cruise line industry was hard hit and several train stations and ferry ports have also been closed.

The retail sector has been impacted globally, with reductions in store hours or temporary closures. Visits to retailers in Europe and Latin America declined by 40 per cent. North America and Middle East retailers saw a 50–60 per cent drop. This also resulted in a 33–43 per cent drop in foot traffic to shopping centers in March compared to February. Shopping mall operators around the world imposed additional measures, such as increased sanitation

Oil and energy market

In early Feb. 2020, Organization of the Petroleum Exporting Countries (OPEC) "scrambled" after a steep decline in oil prices due to lower demand from China On Monday, 20 April, the price of West Texas Intermediate (WTI) went negative and fell to a record low of -$37.63 a barrel, due to traders offloading holdings so as not to have to take delivery of and incur storage costs for it. June prices were down but were in the positive range, with a barrel of West Texas trading at above $20

Culture

The performing arts and cultural heritage sectors have been profoundly affected by the pandemic, impacting organizations' operations as well as individuals both employed and independent globally. Arts and culture sector organizations attempted to uphold their (often publicly funded) mission to provide access to cultural heritage to the community, maintain the safety of their employees and the public, and support artists where possible. By March 2020, across the world and to varying degrees, museums, libraries, performance venues, and other cultural institutions had been indefinitely closed with their exhibitions, events and performances cancelled or postponed. In response there were intensive efforts to provide alternative services through digital platforms.

Recent and rapidly accelerating fallout of the disease is the cancellation of religious services, major events in sports, and other social events, such as music festivals and concerts, technology conferences, and fashion shows. The film industry has also experienced disruption.

The Vatican announced that Holy Week observances in Rome, which occur during the last week of the Christian penitential season of Lent, have been cancelled. Many dioceses have recommended older Christians to stay at home rather than attending Mass on Sundays; some churches have made church services available via radio, online live streaming or television while others are offering drive-in worship. With the Roman Catholic Diocese of Rome closing its churches and chapels and St. Peter's Square emptied of Christian pilgrims, other religious bodies also cancelled services and limited public gatherings in churches, mosques, synagogues, temples and gurdwaras. Iran's Health Ministry announced the cancellation of Friday prayers in areas affected by the outbreak and shrines were later closed, while Saudi Arabia banned the entry of foreign pilgrims as well as its residents to holy sites in Mecca and Medina.

The pandemic has caused the most significant disruption to the worldwide sporting calendar since the Second World War. Most major sporting events have been cancelled or postponed, including the 2019–20 UEFA Champions League 2019–20 Premier League, UEFA Euro 2020, 2019–20 NBA season, and 2019–20 NHL season. The outbreak disrupted plans for the 2020 Summer Olympics, which were originally scheduled to start at the end of July; the International Olympic Committee announced on 24 March that they will be "rescheduled to a date beyond 2020 but not later than summer 2021".

The entertainment industry has also been affected, with various music groups suspending or cancelling concert tours. Many large theatres such as those on Broadway also suspended all performances. Some artists have explored ways to continue to produce and share work over the internet as an alternative to traditional live performance, such as live streaming concerts or creating web-based "festivals" for artists to perform, distribute, and publicise their work. Online, numerous coronavirus-themed Internet memes have spread as many turn to humour and distraction amid uncertainty.

Financial stability

The COVID-19 pandemic has caused an unprecedented human and health crisis. The measures necessary to contain the virus have triggered an economic downturn. At this point, there is great uncertainty about its severity and length. The latest Global Financial Stability Report shows that the financial system has already felt a dramatic impact, and a further intensification of the crisis could affect global financial stability.

Since the pandemic's outbreak, prices of risk assets have fallen sharply. At the worst point of the recent selloff, risk assets suffered half or more of the declines they experienced in 2008 and 2009. For example, many equity markets—in economies large and small—have endured declines of 30 percent or more at the trough. Credit spreads have jumped, especially for lower-rated firms. Signs of stress have also emerged in major short-term funding markets, including the global market for U.S. dollars.

Volatility has spiked, in some cases to levels last seen during the global financial crisis, amid the uncertainty about the economic impact of the pandemic. With the spike in volatility, market liquidity has deteriorated significantly, including in markets traditionally seen as deep, like the U.S. Treasury market, contributing to abrupt asset price moves.

To preserve the stability of the global financial system and support the global economy, central banks across the globe have been the first line of defense. First, they have significantly eased monetary policy by cutting policy rates—in the case of advanced economies to historic lows. And half of the central banks in emerging markets and lower income countries have also cut policy rates. The effects of rate cuts will be reinforced through central banks' guidance about the future path of monetary policy and expanded asset purchase programs.

Second, central banks have provided additional liquidity to the financial system, including through open market operations.

Third, a number of central banks have agreed to enhance the provision of U.S. dollar liquidity through swap line arrangements.

And finally, central banks have reactivated programs used during the global financial crisis as well as launched a range of new broad-based programs, including purchasing riskier assets such as corporate bonds. By effectively stepping in as "buyers of last resort" in these markets and helping contain upward pressures on the cost of credit, central banks are ensuring that households and firms continue to have access to credit at an affordable price.

To date, central banks have announced plans to expand their provision of liquidity—including through loans and asset purchases—by at least $6 trillion and have indicated a readiness to do more if conditions warrant.

As a result of these actions aimed at containing the fallout from the pandemic, investor sentiment has stabilized in recent weeks. Strains in some markets have abated somewhat and risk asset prices have recovered a portion of their earlier declines. Sentiment continues to be fragile, however, and global financial conditions remain much tighter compared to the beginning of the year. As it often happens at times of financial distress, emerging markets risk bearing the heaviest burden. In fact, emerging markets have experienced the sharpest portfolio flow reversal on record—about $100 billion or 0.4 percent of their GDP—posing stark challenges to more vulnerable countries.

The COVID-19 pandemic has pushed the world into a recession. For 2020 it will be worse than the global financial crisis. The economic damage is mounting across all countries, tracking the sharp rise in new infections and containment measures put in place by governments.

China was the first country to experience the full force of the disease, with confirmed active cases at over 60,000 by mid-February

The economic consequences of the pandemic are already impacting the United States with unprecedented speed and severity. In the last two weeks in March almost 10 million people applied for unemployment benefits. Such a sharp and staggering increase has never been seen before, not even at the peak of the global financial crisis in 2009 Disruptions caused by the virus are starting to ripple through emerging markets. After showing little movement early in the year, the latest indices from purchasing manager surveys (PMIs) are pointing to sharp slowdowns in manufacturing output in many countries, reflecting drops in external demand and growing expectations of declining domestic demand. On a positive note, China is seeing a modest improvement in its PMI after sharp declines early in the year, despite weak external demand. The modest improvement in economic activity in China is reflected in daily satellite data on nitrogen dioxide concentrations in the local atmosphere—a proxy for industrial and transport activity (but also the density of pollution as a by-product of fossil fuel consumption). After a steep decline from January to February during the acute phase of the pandemic, concentrations have increased as new infections have fallen, allowing China to gradually relax its strict containment measures. The recovery in China, albeit limited, is encouraging, suggesting that containment measures can succeed in controlling the epidemic and pave the way for a resumption of economic activity. But there is huge uncertainty about the future path of the pandemic and a resurgence of its spread in China and other countries cannot be ruled out.

To overcome this pandemic, we need a global, coordinated health and economic policy effort. The IMF—in collaboration with other partners—is doing everything it can to ensure rapid support is available to impacted countries through emergency financing, policy advice, and technical assistance.

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