



## ECONOMIC IMPACT OF COVID-19 WITH SPECIAL REFERENCE TO INDIA

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### Abstract:

The covid-19 pandemic has resulted in over 3.5crore confirmed cases. It has also resulted in over 10 lakh deaths. It has created a fear of recession and economic crisis like situation. Many jobs have been lost due to the complete lockdown, partial lockdown, travel restrictions, social distancing, self –isolation and other acts to contain the virus. Many people have been trapped into the vicious circle of poverty. Schools, colleges have been shut worldwide. The demand has fallen. As a result production of commodities and manufactured goods has fallen. Contrastingly, the requirement for medical supplies has considerably increased. The food sector has also seen a rise in demand due to panic-buying and stockpiling of food products. In an answer to this global outbreak, the article summarizes the socio-economic effects of COVID-19 on individual aspects of the world economy.

**Key Words:** Economy, economic impact, COVID-19, SARS-CoV-2, Corona Virus

### Introduction:

Global pandemics are not new for mankind as there are number of pandemics has also occurred in the past. Termed as black swan event and also compared to world wars Covid-19 (caused by Severe Acute Respiratory Syndrome corona virus 2 (SARS-CoV-2)) has a cascading effect on human life. World health organization declared COVID-19 as global pandemic on 30<sup>th</sup> January 2020 since then it has taken a heavy toll on every aspect of life related to human beings. In response to this global pandemic nearly one third of global population are under full or partial lockdown. India, china, Italy, France, New Zealand, Poland and the UK have implemented most restrictive and the largest lockdown to counter the spread of Noble Corona Virus. Many countries have also imposed complete shutdown of Airlines, Railways and Buses. This global pandemic has severely damaged the global economy. All sectors of economy be it primary, secondary or tertiary have been damaged severely by this pandemic. This study is an attempt to discover the economic implications of Covid-19 and to suggest the solutions for quick revival of Global economy.

Table 1: Major Pandemics of 20<sup>th</sup> Century

Pandemic	Time Period	Death Toll	Causative Agent
Spanish Flu	1918-1919	Nearly 50 Million	H1NI strain of Influenza A virus
Asian Flu	1957-1958	1.1 Million	H2N2 strain of Influenza A virus
Hong- Kong Flu	1968-1970	1 Million	H3N2 strain of Influenza A virus
HIV/AIDS	1981-present	About 32 Million	Human immunodeficiency Virus
Covid-19	2019-present	346,761 (25 <sup>th</sup> May 2020)	SARS-CoV-2

### Economic Impact of COVID-19 on Primary Sectors:

#### Agriculture:

Although share of agriculture in total employment has fallen from 40.2 per cent to 26.8 per cent over the past two decades globally, agriculture is providing livelihood to more than one billion people globally and is the backbone of many low and middle-income countries, accounting for nearly 60 per cent of employment and contributing up to two-thirds of gross domestic product in some of those countries. The agriculture sector is particularly important in Africa and Asia, where its employment share is 49 and nearly 30 per cent, respectively. It is a major source of employment for women, who account for 41.9 per cent of the agricultural workforce in the developing world. The current health crisis of Covid-19 has touched upon all walks of life. COVID-19 has negatively impacted all the processes which connect farm production to final consumer. Moreover, it has damaged the food production system and food value chain. The negative shock of pandemic on supply and demand for food might lead food security at risk. Many countries have imposed strict or mild lockdown, travel bans, home confinement and business closure to flatten the spread of Covid-19 Curve. Such travel restriction has affected every stages of food supply chain with food distribution facing larger brunt. The lockdowns have also impacted the labour intensive crops have been affected due to shortage of labour. On 2 April 2020, the European Commission had issued practical guidance for member States to assist cross-border travel for seasonal workers in vital occupations, which include food sector workers, while putting in place all necessary measures to flatten further spread of the pandemic. The pandemic has also affected significantly livelihoods of millions of plantation workers engaged in export-oriented, labour-intensive agricultural production in developing countries. If prolonged further it could have further devastating effect on local, regional national and international agricultural production. Panic-buying and food stockpiling by buyers, and national policies in response to

pandemic, especially any limitations on exports, may result in price spikes and increased price volatility, destabilizing international markets. Not only agriculture but also its allied activities like fishery, animal husbandry have been affected.

The supply of milk and dairy products has been hit hardest by COVID-19. Dairy farmers are forced to dump milk and milk product after significant decrease in supply of milk and closure of milk processing company. Fish farmers are not capable to sell their harvest as there is complicatedness in aquaculture production due to lack of seed and feed. Market of perishable agricultural goods has also been hit very hard. When lockdown was imposed rabi season was on peak in India and crops like Wheat, gram, lentil, mustard were at harvestable stage or almost reaching maturing. This has affected farm harvests to reach Mandi and has created irreparable damage to all actors in the supply chain.

#### **Petroleum and Oil:**

After Second World War there is the largest decline in the carbon emission in 2020 due to less use of carbon intense fuel. Compared to the first quarter of 2019 in 2020 there is 5 percent decline in carbon emission. This certainly shows that there is a decline in the demand of carbon intense fuel as many large nations have imposed complete lockdown in their countries. Oil demand has also bitten the dust, as the demand is down by nearly 5% in the first quarter, mostly by curtailment in mobility and aviation. Global road transport activity was almost 50% below by the end of the March and aviation 60% below. The brunt of the pandemic on gas demand was more moderate, at around 2%, as gas-based economies were not powerfully affected in the first quarter of 2020. During a meeting at the Organization of the Petroleum Exporting Countries (OPEC) in Vienna on 6<sup>th</sup> of March 2020, a denial by Russia to slash oil production triggered Saudi Arabia to hit back with unexpected discounts to buyers and a threat to pump more crude. Saudi, considered as the de facto leader of OPEC, heightened its provision of oil by a quarter more than February – taking production volume to an unparalleled level. This caused the steepest one-day price crash seen in nearly 30 years, On March 23rd, Brent Crude dropped by 24% to \$34/barrel to stand at \$25.70. Although a slowdown in the number of COVID-related deaths has caused some stabilization of oil prices, there is still much uncertainty. India's energy demand has fallen by nearly 32 percent. And if lockdown further increases each week it will add to a fall of 0.6 percent in the energy demand.

#### **Manufacturing Industry:**

Manufacturing industry is one of the major parts of global economy. It accounted for nearly 16 percent of the Global GDP in 2018. Hence government across the world gives importance to this sector. Emerging economies like India and China have started schemes like Make in India and Made in China to promote their manufacturing industry. China's manufacturing industry has become a major catalyst in propelling its economy to astonishing heights over the years. In 2018, the Chinese manufacturing industry produced USD 4 trillion and was 30% of the nation's total economic output. The country overshadowed the US, to become the global leader of manufacturing, accounting for nearly 28% of global manufacturing output in 2018. With the COVID-19 crisis restricting mobility and slowing down demand globally, China's manufacturing sector suffers an economic loss of nearly USD 50 billion. Though the country is gradually on the road to recovery from the pandemic, its impact will leave long-term effects on the industry. Since 2009, China has become the leading chemical producer in the world, crossing the EU. The chemical industry is also an important contributor to the country's economy, with sales counting for USD 1.32 trillion in 2018. Hubei, in particular, is home to many major chemical industries. Being at the center of the COVID-19 outbreak at the end of 2019, china's chemical industry has been severely dented. As of March 2020, the industry has suffered an output loss of 14% and profits slumped by 39%. This will surely dent the global manufacturing of chemicals. Covid -19 has also affected electronics industry. China accounts for approximately 85 percent of the total value of components utilized in Smart phones and approximately 75 percent in the case of televisions. Nearly all critical components of electronics industry such as mobile displays, LED chips, memory chips, open cell TV panels, Capacitors, printed circuit boards are mostly imported from China. Due to this global pandemic Chinese factories were shut down. As a result in January 2020, Chinese vendors have increased prices of these components nearly by 2 to 3 percent. It was on the account of shortage of supply. It has negatively affected the whole electronics industry globally. The recent pandemic has forced many companies to shift their manufacturing base to other countries to reduce their dependence on China. Japan has already given USD 2.2 billion to help its manufacturers shift out of China. Japanese carmaker Mazda swiftly shifted out a part of its production from Jiangsu in China to Guanajuato in Mexico due to the emergent outbreak. Though installation costs were very costly, the move is anticipated to be beneficial in the long run. Microsoft and Google are searching production units in Thailand and Vietnam for the production of their new phones, computers and other devices. The COVID-19 impact is estimated to pave the way for more foreign investments in developing economies like Thailand, India, and Vietnam. The post-COVID-19 world is expected to result in diversification of resources rather than monopolization. Developing nations mainly in Southeast and ASEAN regions are likely to get the economic boost they need to catch up with China.

**Tertiary Sector:  
Education:**

Universities and colleges across the globe have been shut down due to spread of Corona Virus. These are the places where students live and study in close proximity. Universities and colleges across the globe are cultural hubs where students are brought from different parts of world. Due to this pandemic this chain of students have been impacted significantly by the rapid spread of Covid-19, Creating uncertainty regarding the implications for higher education. Over last few months, education officials have been forced to cancel classes and close the doors of university and college campuses have been closed. In response to this, Institutions across the world have started online classes to compensate the academic loss. Noble corona virus has disrupted the higher education system for long term. The economic impact of this virus on education can't be overlooked. One of the biggest concerns for the education sector at large is the percentage of students who were from abroad. In the US alone, Chinese students make up nearly 35 percent of the foreign student population while Indian students comprised nearly 20 percent. Lockdowns, travel bans have left students stranded.

**Healthcare and Pharmaceutical Industry:**

The noble corona virus has caused an unprecedented challenge for the health care system worldwide. Particularly, the risk to healthcare workers is one of the greatest vulnerabilities of healthcare systems worldwide. Considering most healthcare workers are not able to work remotely, strategies including the early use of viral testing for asymptomatic and or frontline healthcare staff is imperative. High healthcare costs, shortages of protective equipment including N95 face masks and low medical capacity, ICU beds and ventilators have ultimately uncovered weakness in the delivery of patient care. Significant changes to the health care system are likely to ensure, leading to massive investment into disease prevention infrastructure and the accelerated digital transformation of health care delivery. Active pharmaceutical ingredients in US largely imported from India (18%) and the European Union (26%) while China accounts for 13 percent. China is sending medical devices to US in large amount also. Not only these industries but also hospitality and travel industries, hotel industries, Tourism have been impacted badly and are hardly hit. Real estate and housing sector has also suffered badly too.

**Conclusion:**

There is a panic in the global market that a recession is on cards. Times likes this call for resilient and strong leadership in health care system, business governance and wider society. Immediate relief measures need to be implemented soon. A good financial package is the need of the hour. Medium and long term economic planning should be done bring back the economy on track. The poor and downtrodden should be given direct cash to generate demands so that production limps back to normal and economy rebalances itself in the right direction.

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