

Impact of Covid-19 on Global Economy

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Abstract

The effects of the CoVD-19 pandemic on the global economy were studied in this study. Statistics from throughout the world, the cost of oil, government responses, and stock market information were analysed for Covid-19. More than 200 countries have been found to be infected with Covid-19, and the economic impact may outlast any negative health effects. To put it another way, it was a disaster for the economies of oil-dependent countries. To put it another way, the shock of Covid-19 isn't going to have as much of an impact on the spread as the severe steps used to stop it. These results suggest that governments should coordinate on the creation of medical procedures to curb the disease's spread, as well as economic policies aimed at the productive sectors of the economy. In order to alleviate the suffering of consumers and businesses, greater aid will be needed.

The world economy came to a near standstill in 2019 as a result of the Covid-19 pandemic, which originated in Wuhan city, Hubei province, China, and spread spontaneously to over 200 countries across Europe, the United States, and Africa [1]. There were an estimated 3.60,000 fatalities and 2.4 million cures as of May 28, 2020, out of a total of around 5.8 million verified cases of the virus. Amid the economic and health difficulties caused by the epidemic, there is growing concern about the world economy. Public health was threatened by the Covid-19 outbreak, therefore on January 30, 2020, the World Health Organization declared a global emergency, and on March 11, 2020, a global outbreak was reported [2, 3, 4, 5].

Every nation on Earth has implemented some form of lockdown, border closure, quarantine, travel restriction, or business shutdown in an effort to "flatten the curve" of the virus's spread [6, 7]. As a result of people's inaction, supply was reduced, which worsened the panicky stockpiling and demand slump that followed. Even more urgently needed are supplies of medical equipment and supplies of medical people to meet the soaring demand in countries with underfunded health systems, including many developed nations. The first line of defence against the transmission of the disease is increased hygiene, such as the use of face masks and hand washing, as well as social distancing and self-isolation.

Journal of Coastal Life Medicine

Businesses all throughout the world will be affected by these changes. An unprecedented worldwide economic downturn may be on the horizon if the Corona virus spreads. Macroeconomic policymakers have a difficult time coming up with the correct strategy since the virus is so unpredictable. Covid-19 may be as economically contagious as it is physically; it is causing widespread economic distress around the world [8]. Despite the fact that the full extent of the pandemic's impact is unclear, the shock it has caused is likely to last for quite some time and may even cause significant structural changes in world economies. It has had an impact on the supply of goods and vegetables because of the shift from physical commerce to online shopping. However, the first major shock to the world came in the form of the steepest one-day drop in oil prices in nearly three decades. A 24 percent drop in the price of Brent crude oil was recorded in March 2020, when it fell from \$34/barrel to \$25/barrel [2]. Over \$6 trillion was wiped off the value of global stock markets during the week of February 24–28, 2020, as a result of widespread anxiety about the economy. The S&P 500 index also suffered a \$5 trillion loss within the same time period [9].

Because of the supply chain disruptions caused by the closure of the majority of China's export factories as a result of the country's economic slowdown, global commodity markets have been thrown off balance [9, 10]. Countries like Nigeria, which import a lot of commodities from China, are seeing their prices rise. Because of the decrease in inputs, several businesses have had to reduce production or shut down completely. There has been an increase in joblessness, an increase in inflation, and an increase in poverty [11, 12, 5]. Shocks have had a significant impact on global financial markets, with major stock indices declining as a result [13]. Economist Fernandes claims the Covid-19 pandemic is unprecedented in history since it presents a supply and demand issue unlike any seen before and is unresponsive to central banks' fiscal stimulus or monetary measures [12]. This research examines the economic impact of the Covid-19 epidemic.

1. Global Data on Covid-19

Using data from Worldometer, Table 1 depicts the global diffusion of Covid-19 by nation as of 5th July 2020 [14]. With over 3 million cases reported, the United States led all countries except Brazil (1.578.576), India (695.396), Russia (681.251), and the United Kingdom (681.251). (285,416).

Table 1 World Covid-19 Statistics Countries

	Total Cases	Total Deaths	Total Recovered	Population
World	11,467,740	535,048		6,489,415
USA	2,955,345	132,394	1,261,420	331,023,450
Italy	241,611	34,861	192,108	60,460,552
Iran	240,438	11,571	201,330	84,000,693
Germany	197,460	9,085	181,700	83,787,168
South Africa	187,977	3,026	91,227	59,314,150
France	166,960	29,893	77,060	65,275,320
China	83,553	4,634	78,516	1,439,323,776

Journal of Coastal Life Medicine

Nigeria	28,167	634	11,462	206,144,243
Ghana	20,085	122	14,870	31,074,883
Japan	19,282	977	16,959	126,470,615
UK	285,416	44,220	N/A	67,889,941
Mexico	252,165	30,366	152,309	128,944,098
Brazil	1,578,376	64,365	978,615	212,574,666
India	695,396	19,692	423,001	1,380,122,667
Russia	681,251	10,161	450,750	145,935,301
Saudi Arabia	209,509	1,916	145,236	34,817,001
Turkey	205,758	5,225	180,680	84,346,550
Canada	105,317	8,674	68,990	37,745,217
Pakistan	231,818	4,762	131,649	220,920,226
Cameroon	12,592	313	10,100	26,548,238

Source: Worldometers 2020

There have been various pandemics, some of which have spread over the globe, while others have been limited to a specific location. Each has a fundamental character, a root cause, and a chain of associated causes. One such example is the Asian flu pandemic of 1957–58, which originated in China but ultimately claimed the lives of over a million individuals around the world. The number of deaths from the 1968 Hong Kong flu epidemic was around the same. It was only in West Africa that the Ebola Virus pandemic had a significant impact.

2. The Effects of Covid-19 on Oil-Reliant Countries

Oil prices dropped dramatically globally right before the pandemic broke out as a result of the price war between Saudi Arabia and Russia. The two nations failed to reach an agreement at the March 6, 2020, OPEC conference in Vienna [2, 1]. The upshot was an excess of oil on the market, which caused oil prices to plummet to all-time lows, devastating the economies of oil-producing nations like Nigeria, Venezuela, and Angola. [9]. After the Gulf War ended in 1991, oil prices dropped by about 30

percent, the greatest reduction since the beginning of Covid-19. By April of next year, oil prices are expected to rebound after restrictions on transportation eased and OPEC members agreed to reduce production [1].

If the price of oil drops, Covid-19 will have a significant influence on oil-producing countries. It's likely that Covid-19 was the main reason for the decline in demand and the shutdown of the Chinese economy, despite the fact that other factors played a role. About 14% of the world's oil consumption comes from China, while more than 75% of the growth in consumption is due to China [15]. China's economic problems have caused widespread concern and alarm because the country serves as the centre of the global supply chain. A deteriorating oil crisis was exacerbated by the inability of people to travel about, the closure of airports and borders, and the suspension of production at many enterprises. Because standards were placed well beyond the realities of the situation, budget adjustment became imminent, as it was in Nigeria. Accounts related to the balance of payments were also impacted. The current account deficits of countries like Nigeria

Journal of Coastal Life Medicine

necessitated a search for external borrowing. Investing in healthcare infrastructure, equipment, and employees is a significant undertaking for the epidemic.

Oil prices plunged from around \$70 per barrel on January 2, 2020, to around \$10 per barrel on May 2, 2020, a level of decline never before seen in the industry. As a result, the storage capacity has been reduced by around 70 percent. One of the greatest shocks to the energy market since the one in 1973 has taken place. Because of this, oil-producing nations are in a precarious economic position because their ability to raise taxes using foreign money has been reduced. Especially in countries like Nigeria, where the external reserve is so low, a fiscal crisis is inevitable. As a result, most governments are forced to rely on foreign loans to cover their budget shortfalls. When compared to its all-time high of \$60 per barrel on January 2, 2019, the price of WTI crude oil has since dropped to a low of \$10 per barrel on May 2, 2020. Which is a drop of 83% in a matter of hours.

3. The Economic Effects of the Government's Response to Covid-19

Policymakers, academics, and scientists are at a loss as to how to mitigate Covid-19's effects on the global economy. There are no pre-existing plans or medical or economic models to deal with this epidemic, which is a major issue. Origins, mutations, impacts, and results of the pandemic, as well as any potential treatments, are all shrouded in mystery. More and more people are sharing their knowledge and experiences as the disease and governmental responses evolve [3]. Covid-19 looks to be pushing the boundaries of what medical research and economics can do, and this may mean that neither field has the solutions we need to deal with it successfully from an economic or medical standpoint. Because of this new virus, we must discover medical and economic solutions in order to avoid a repeat of the global financial catastrophe.

More significant than the initial shock of Covid-19 will be the extreme measures used to slow the spread and prevent a large outbreak [5] (Zhang, Hu et al. 2020). The fatality rate associated with this virus has been shown to be roughly equivalent to that of the common cold [16]. As of July 20th, 2020, there were

a total of 14,749,675 cases of Covid-19, with 8,805,250 (94 percent) surviving and being released, 59,701 (1 percent) being classified as serious or critical, and only 610, 834 succumbing to the virus (6 percent). There is a huge disparity in death toll between countries, with the United States accounting for around 143,515 (or 24 percent) of all deaths, while other countries had a death toll of just one or even zero. In China, where the virus originated, there were only 4,634 deaths from the disease [14] (Worldometers, 2020). Policies that restrict people and commodities mobility or shut down enterprises could have a greater and longer-lasting impact on economies than the pandemic itself, depending on whether countries implement them. For Weder di Mauro, this pandemic could turn into a worldwide economic crisis that would slow down globalisation if it is not adequately managed with the appropriate economic policies [16].

After the 2008 stock market crash in the United States, the Federal Reserve adopted a policy of zero interest rates and issued at least \$700 billion in Quantitative Easing (QE). As a result of the market's reaction, the QE was prolonged for a further week [5]. Following the Covid-19 outbreak, the OECD lowered its forecast for global economic growth in 2020 to 2.4% and cautioned that if the pandemic gets out of hand, it could lower the forecast for global GDP in 2019 to 1.5%. (OECD, 2020) [7].

The government of the United Kingdom took several legal measures in the wake of the Covid-19 outbreak, including the Coronavirus Job Retention Scheme (JRS), to provide financial support to workers who had been forced to take unpaid leave. Using this method, employers can cut the number of hours worked by employees without having to lay them off and incur the additional expenditures of locating and rehiring new personnel. The eight-month lifespan of the plan is anticipated to cost \$60 billion [17].

Economic harm that could endure for years has been done as a result of governments enacting increasingly harsh restrictions on corporate activity, travel, border closures, and plant closures in an attempt to slow the flood [18, 19, 20]. There is no way to know how widespread the fear will be, how long it will last, when vaccines will be available, or how people's policies and actions will change as a

Journal of Coastal Life Medicine

result [21]. Consider alternate methods that could reduce the slope of the curve without causing an overheated economy.

The global economy could be affected by the Covid-19 Pandemic in three primary ways: demand, supply, and consumer trust. Disruption to the worldwide supply chain has resulted as a result of the stringent procedures implemented in an attempt to narrow the spread. It's certain that demand will decline as a result of layoffs, limits on migration, schools closing and a decline in the tourism and entertainment industries. Consumer and producer confidence have been badly impacted by this uncertainty. If people delay or reduce their purchases of products and services, businesses and individuals will lose out on potentially lucrative new investment opportunities [22].

4. The Effect of Covid-19 on Global Financial Markets

In the wake of the Covid-19 outbreak, major global financial indices have recorded losses totaling trillions of dollars [7]. Market declines can be caused by both economic and non-economic factors, such as diseases and the global financial crisis of 2008. The S&P 500, Dow Jones Industrial Average, and NASDAQ all plunged as investors fled the world's financial capital in the wake of the Corona virus outbreak until the U.S. government passed the Corona virus Aid, Relief, and Economic Security (CARES) Act [2]. In March of 2020, for the first time since the market's inception in 1997, the United States stock exchange tripped its circuit breaker four times in ten days [5]. The stock markets in China, Hong Kong, South Korea, and Australia are all falling by more than 5% every day, while the stock market in China is falling by roughly 3% per day [10]. On March 12, 2020, the FTSE in the United Kingdom dropped by over 10%, its worst performance since 1987. From its 2019 high to the current day, the Nikkei 225 index of Japan's stock market has dropped by more than 20% [5]. As a result of the Covid-19 pandemic, the world stock market lost about \$9 trillion in value between January 2020 and May 2020, a loss of 12.35 percent [1].

To provide just one example, on January 2nd, the Dow Jones Industrial Average was at 29,000 points;

by March 18th, it had dropped to 19,000. Investors will suffer a significant loss, due to the fact that this results in a negative margin of around 10,000 points and a loss of almost 35% of the stock's value. It's the biggest drop since the financial crisis of 2008. Since then, it has risen to around 27,000 points, assuming a long-term trend, on August 2, 2020. Wagner notes that March 16 was the second worst trading day in Dow Jones Industrial Index history; nonetheless, three of the 15 worst trading days in US market history occurred between March 9 and 16 [21]. The market value of the S&P 500 declined by 30% between January 2nd and March 18th, 2020, as the index dropped from around 3300 points to around 2300 points. However, Zhang et al. claim that the 20th of March was the lowest point. After the initial drop, the index steadily increased until it had restored to its pre-crash level [5]. NASDAQ's peak point on January 2nd was about 9800 points, and it fell to roughly 6800 points on March 18th, a loss of about 30%. In response to news that the Covid-19 outbreak in the United States will last through the months of February and March in 2020, the stock market jumped. Changes from the beginning of March to the end of April mirrored the governmental responses to the outbreak, especially monetary and fiscal policies [19].

5. Conclusion

In this study, the effect of Covid-19 pandemic on the economies around the world is investigated. The outbreak has thrown the global economy into disarray as a result of disruptions to the supply chain caused by the Chinese government's shutdown. There have been many cases and deaths around the world, with the US reporting the most. The finances of countries heavily reliant on oil have been under risk since the Gulf War in 1991, when oil prices witnessed their largest drop since the pandemic began. Covid-19's effect on the economy is expected to be smaller than that of the severe government measures taken to reduce the curve's steepness in the long run. Due to the epidemic, global stock markets have fallen at their steepest rate since the 2008 financial crisis. There is a need for all countries to work together in adopting the medical regimen for stopping the spread and an immediate budgetary response to help kick-start the economy. In order to alleviate the suffering of consumers and businesses, greater aid will be needed.

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Journal of Coastal Life Medicine

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