

FLU-CONOMICS AND ITS IMPACT GLOBALLY WITH SPECIAL STUDY HOW TO OVERSTRIP FROM THIS GRIM FOR INDIA

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ABSTRACT

The outbreak of coronavirus, named as COVID19 by World Health Organization (WHO) has stunned all the nations. This has shown that the world is not prepared for such kind of biological threats. Every nation is trying to mitigate the challenges posed by this disease in their capacity but there is no ray of hope to come out from this crisis. Lockdown and social distancing has posed numerous challenges and affecting the various sectors. Unemployment is at its peak within few months since the outbreak of this pandemic. So, this paper has tried to analyzed the economic impact on GDP across the globe with special reference to its effect on India. The sectors on which it has the maximum impact and those on which this pandemic has the least effect is also studied. On the basis of the study undertaken in reviving the economies from the recession of 2007-08 a concrete model has been reframed that can help the nation in overcoming the grim of COVID19. So this study has tried to discuss the economic impact on the nation but also tried to provide the solution from overcoming of this problem that can help the countries to again revive their economies.

Keywords: COVID19, Global, GDP, Pandemic

INTRODUCTIONS

“Stop it at the start; it is late for medicine to be prepared when disease has grown strong through long delays.” (Ovid, around 17 AD) (Bloom & Canning, 2006)

The word flu-conomics is coined by (Begley, 2013) to study the impact of global pandemics especially SARS (Severe Acute Respiratory Syndrome) on the economic system. Coronavirus named as COVID19 by WHO that was originated in China in 2019 is now throttling the global economy. Economists are forecasting the impact of this virus is much greater than that of the global depression of 2007-08 and other historical pandemics. This contagious disease has forces the both developed and developing economies to shut their doors nationally without any outside intervention. This disease has already taken lakhs of lives globally but still no one knows the end towards this disastrous pandemic. The economic effects of this pandemic can be seen worldwide now. Various manufacturing industries has been shut down, crude price, empty restaurants, low internal and negligible external trade, declining

crude rates, widened fiscal deficit of the nation etc. India has taken the bold decision of lock down to maintain social distancing timely before this deadliest disease will reach across the nation. Undoubtedly, India has managed to control the disease in its limit but at the cost of life the nation has to be ready to face the economic distress in the coming years. The lockdown has impacted the nation from demand side, supply side and international trade. However, Government of India has also announced a good number of fiscal stimulus to boost the economy and to help the affected people but this fiscal stimulus will directly increase the fiscal deficit of the nation. This paper has tried to show the impact of this disease globally with special reference to India. Moreover, this paper will come forward with the concrete model to boost the economy in the coming years after analyzing the in depth literature review.

RESEARCH OBJECTIVE

This pandemic has slaughtered various lives across the globe and also impacting the global economies. This study is undertaken with the primary motive to study the decline in global GDP along with the special study on India. This paper will try to analyze the impact on various sectors and external trade with respect to India and will also try to give the recommendations how to overcome from the coming economic crisis by providing an economic redefining model.

Various institutions like FICCI, KPMG, McKinsey, UNCTAD etc. have published their reports on the impact of COVID globally but this study will analyze the feasible

recommendations along with global impact and its relation to India to put forward to the concerned authorities of India.

HISTORY AND EFFECTS OF GLOBAL PANDEMICS

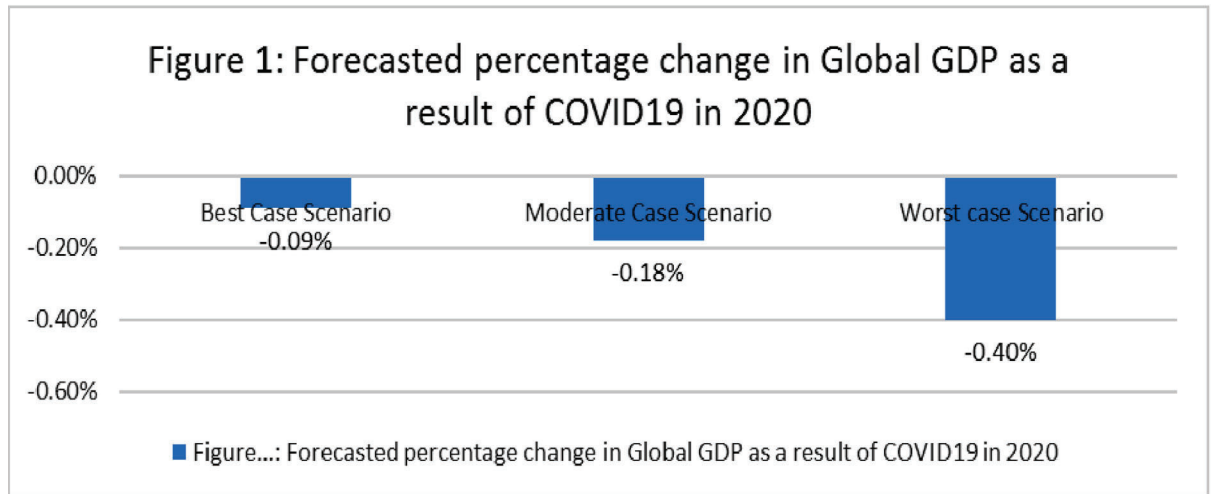
History and effects of global pandemics: Infectious diseases and its impact on the human being is prevailing since centuries. Nowadays when the economies across the globe are interlinked with each other, it poses numerous challenges along with the various benefits. Recent pandemic of coronavirus named by WHO as COVID19 pandemic has hard hit almost all the countries in the world. The disease originated in China in the city of Wuhan and now spread across the globe (Fernandes, 2020). But this kind of infectious disease spread is not new to the mankind. (Baldwin & Mauro, 2020) discussed the history of diseases in his report in which they have categorized 3 global pandemics in the 20th century namely 'Spanish Influenza 1918', 'Asian Flu 1957', 'Hong Kong Flu 1968'. In 21st century before COVID19, history of mankind has witnessed four pandemics namely N1H1 bird flu in 2009, Severe Acute Respiratory Syndrome (SARS) in 2002, Middle East Respiratory Syndrome (MERS) in 2012 and Ebola in year of 2013-14. Among all these Spanish Flu had hard hit USA as because of this disease millions of lives have been affected and lakhs of people has lost their lives.

GLOBAL IMPACT OF COVID19

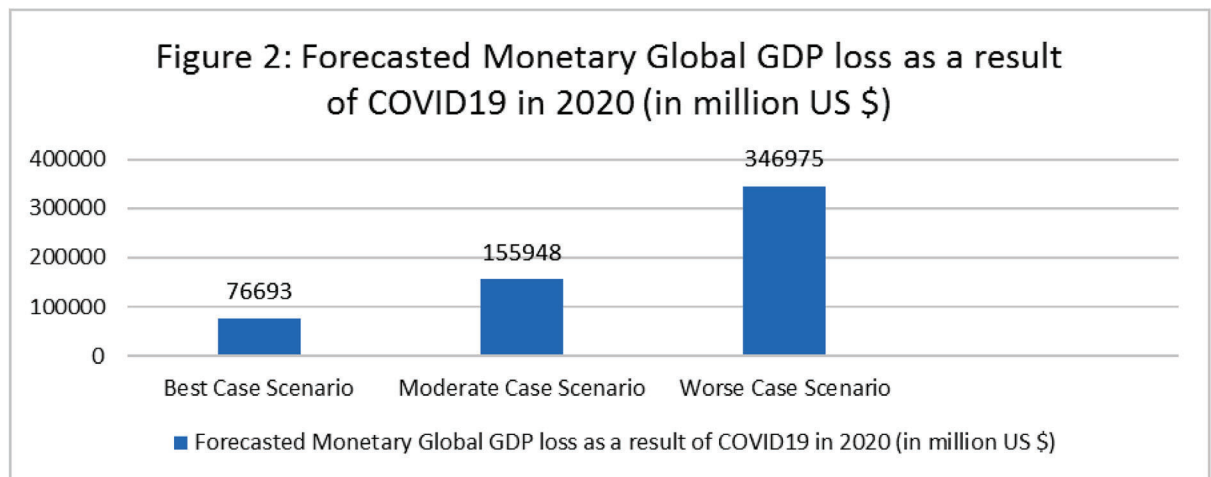
The pandemic of COVID19 that incepted in China in December 2019 is now affecting maximum nations across the globe and

experts comment that economic downturn is inevitable due to the lockdowns and social distancing measures taken by Government of various countries (Anderson, Heesterbeek, Klinkenberg, & Hollingsworth, 2020) (Atkeson, 2020). After hard hitting the Chinese economy because of the stringent lockdown of

three months now various developed countries are undergoing from this shock (Baldwin & Mauro, 2020). The below data clearly shows the decreasing trend forecasted Global GDP as a result of COVID19 in best case scenario, moderate case scenario and worst case scenario:



Source: (Statista, 2020)



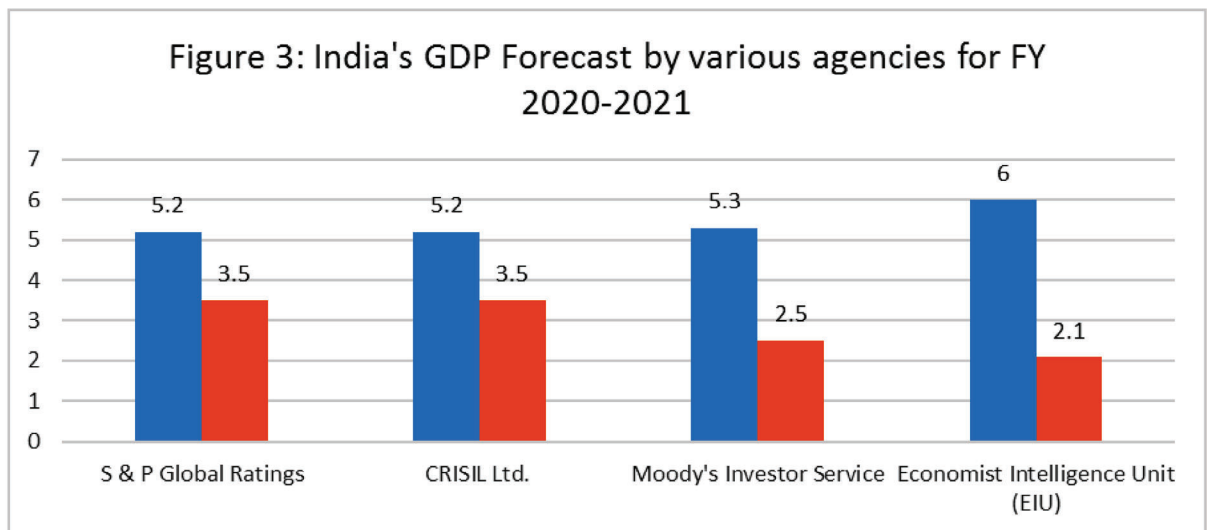
Source: (Statista, 2020)

Figure 1 clearly depicts that global GDP can fall from -0.09% to -0.40% due to this pandemic.

Figure 2 also shows that the loss in monetary GDP due to COVID19 is 76693 million US\$ if government of various nations are able to manage in less period of time but if it extend beyond 2-3 months the loss can be increased up to 155948 Million US\$ but if it extend up to 6 months the loss can be rocketed to 346975 million US\$.

FLU-CONOMICS AND IMPACT ON INDIA

The outbreak of contagious COVID19 in the city of Wuhan in China has crossed the borders of its national territory and reached to India in January and but it has spreaded its wings domestically in the whole nation in the month of March 2020. The central government has announced whole country lockdown for fifteen days initially and after that the lockdown has been extended for more than a month. This bold decision of the central government has received the support from various countries but on the one hand it acts as life savior for the nation, while on the other it has impacted the nation negatively in various sectors (Ohri, Sitaram, & Gopalswamy et al., 2020). The below figure clearly shows the GDP forecast of India before and after impact of COVID19 on India:



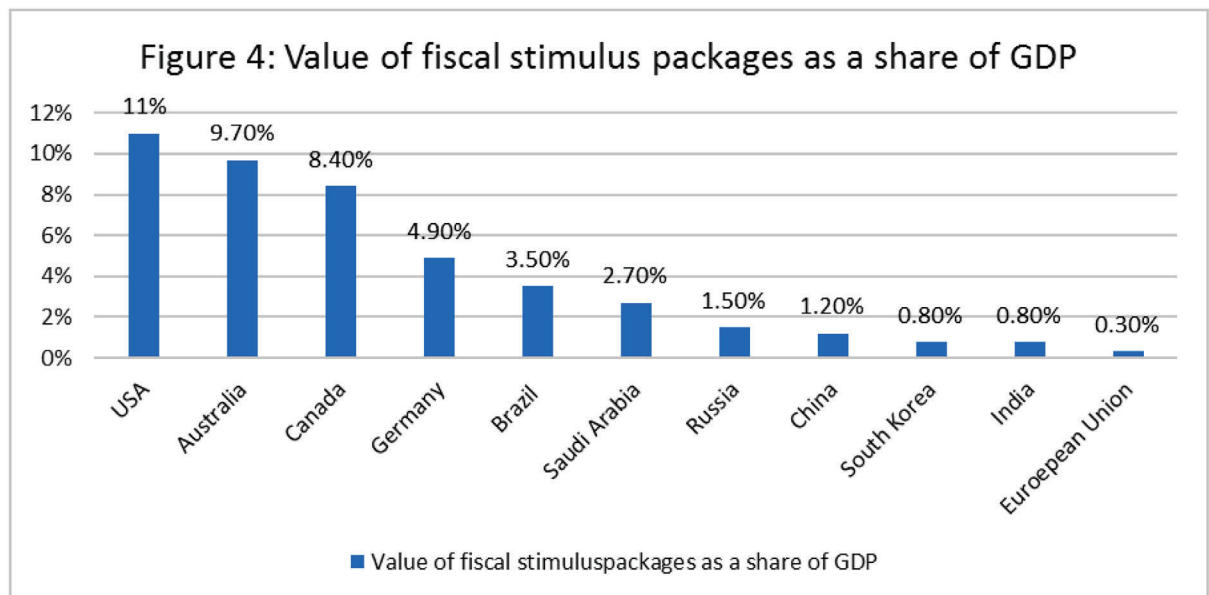
Source: (Boston Consulting Group, 2020)

The above figure depicts that every global analytics company has forecasted the downward trend for GDP of India, EIU has forecasted that the pandemic has the capacity to downturn the economy by 3.9%, while S & P Global Ratings and CRISIL Ltd has forecasted the GDP for the year 2020-21 to be at 3.5%. As consumption and investment demand is hampering due to COVID19 so it is also outstretching the Fiscal and Current Deficit of India.

Due to lockdown the employees are forced to work from home and manufacturing sector is at standstill, the jobs becomes more vulnerable due to this pandemic. As per the report of (ILO, 2020) the sectors that are having less impact of unemployment due to COVID19 are: education, human health and social work activities, public administration and defense, utilities. On the other hand the sectors on which moderate risk will be there agriculture, forestry and fishing, construction, financial and insurance activities, mining and quarrying. The sectors that are more vulnerable towards unemployment are accommodation and food services, real estate, manufacturing, wholesale and retail trade, transport, storage and communication. This pandemic will not only impact the Indian economy internally but it will affect the external trade of the nation. (UNCTAD, 2020) has stated that the trade impact due to COVID19 would be US\$348 million in this year.

RECOMMENDATION TO OUTSTRIP FROM THIS PANDEMIC:

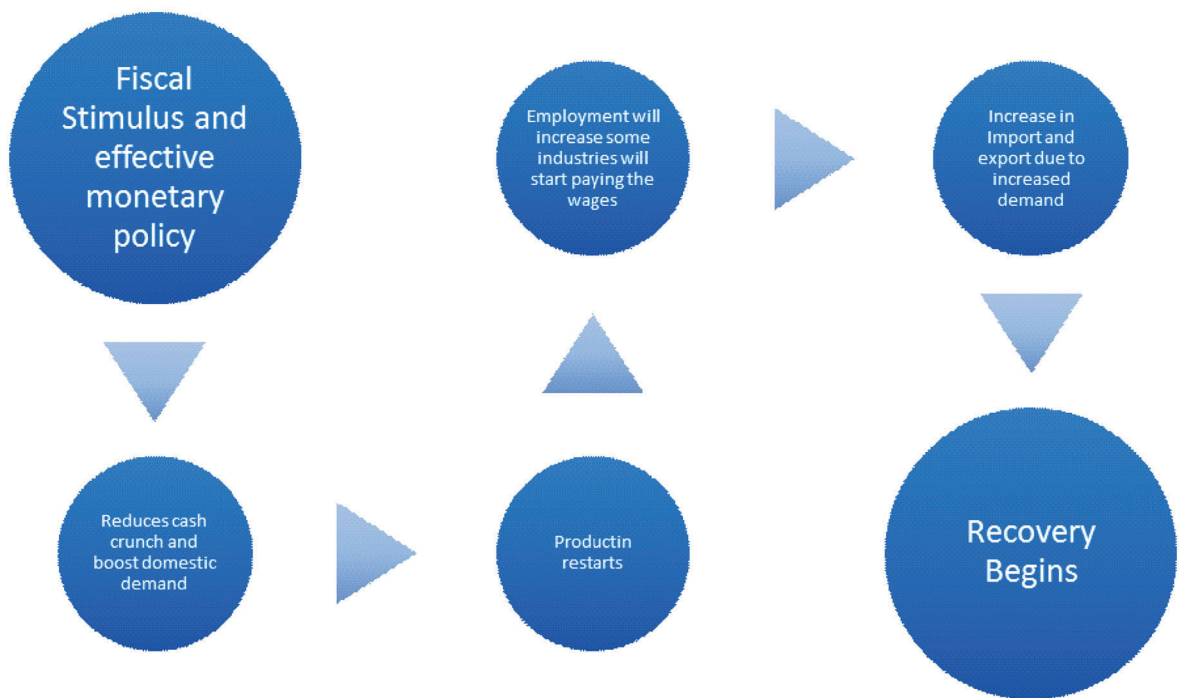
COVID19 patients are increasing drastically globally and has crossed more than 20 lakhs (Worldometer, 2020). This depressing figure is posing the challenges globally to revive the economic system. Layoff, retrenchment and fall of demand has already being started (Ohri, Sitaram, & Gopalswamy et al., 2020). This is the time when every economy is trying to push the demand with the help of fiscal stimulus. The below figure shows the value of fiscal stimulus package announced by various nations across the globe:



Source: (Statista, 2020)

Figure 4 depicts that USA has announced the maximum fiscal stimulus as compared to other nations, while India and European Union numbers are dissatisfying. India with the population of 1.3 billion, announced the stimulus package of 0.8% of GDP is really underwhelming (Dhar, 2020). Fiscal stimulus packages play a very important role in the revival of the economy and it has shown significant success in uplifting the economy from great depression after World War II or whether at the great recession of 2007-08 worldwide (Foster, 2009). Liberal and sound monetary policy is also proved as an important factor in overcoming the economies from the 2007-08 recession (Jannsen, Potjagailo, & Wolters, 2019). So the effective combination of both monetary and effective policy can be helpful in overcoming this slack due to COVID19. A model has been developed for this purpose in outstripping the economy from the coming year crisis is as follows:

Figure 5: Recovery model from pandemic COVID19



Source: Self compiled

The above recovery model suggests that with the help of sound fiscal and monetary policy in appropriate amount in the economy will reduce the cash crunch in the economy and with the help of transfer payments and reduction in interest rates will boost the consumption and investment

demand in the economy. Increased demand will kick start the production in the economy that will lead to more employment opportunities and the existing production houses will be in the position to pay the wages to the existing employees. If the government is able to cope up with this pandemic timely, the restriction on social distancing can be relaxed and with this global trade and travelling can restart again and with this country will be able to preserve the export import activities that will recover global demand and overall within the few years the recovery can be seen in numbers.

CONCLUSIONS

Since the World Health Organization (WHO) declares COVID19 a world health emergency in January 2020. This pandemic again has taken world of pre globalization when the boundaries of the countries are not vulnerable. The lock down and social distancing policies has forced the nations to close their doors towards other countries. This policy has not only impacted the trade activities domestically but it has a huge impact internationally as well. This paper has

identified the potential loss to the global GDP due to this pandemic along with its impact on Indian economy. Numerous sectors have been identified globally as well as domestically on which the impact of this pandemic can be seen directly and indirectly. This shows the economic slowdown is unavoidable and to overcome from this pandemic a recovery model has been designed through which the economies can again regain the momentum and the worldwide recovery can be secured.

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