

Potential Impact of Covid-19 on Economic Growth

Dr. Sujeet Kumar Sharma
Department of Commerce,
and Business Administration,
L.N.Mithila University, Darbhanga.

Introduction

The outbreak of the coronavirus, covid-19, has been declared a pandemic by the WHO. The structures of social contact critically determine the speed of the infection and, in the absence of vaccines, the control of these structures through large-scale social distancing measures appears to be the most effective means of mitigation. Here we use an age-structure SIR model with social contact matrices obtained from surveys and Bayesian imputation to study the progress of the covid-19 epidemic in India. The basic reproductive ratio R_0 and its time-dependent generalization are computed based on case data, age distribution and social contact structure. The impact of social distancing measures - workplace non-attendance, school closure, lockdown- and their efficacy with durations are then investigated. A three week lockdown is found insufficient to prevent a resurgence and, instead, protocols of distance lockdown with period relaxation are suggested forecasts are provided for the reduction in age-structured morbidity and mortality as a result of these measures. Our study underlines the importance of age and social contact structures in assessing the country-specific impact of mitigatory social distancing.

The virus that triggered a localized shock in China is now delivering a significant global shock. This study simulates the potential impact of covid-19 on Gross domestic product and trade, using a standard global computable general equilibrium model. It models the shock as underutilization of labour and Capital, Increase in International trade cost, a drop in travel services, and redirection of demand away from activities that require proximity between people. A baseline global pandemic scenario sees gross domestic product fall by 2 per cent between the benchmark for the world, 2.5 per cent for developing Countries, and 1.8 percent for Industrial countries. The declines are nearly 4 percent below the benchmark for the world, in an amplified pandemic scenario in which containment is assumed to take longer and which now seems more likely. The biggest negative shock is recorded in the output of domestic service affected by the pandemic, as well as in Traded tourist services. Since the model doesn't capture full the social isolation induced Independent contraction is demand and the decline in investors confidence, the eventual economic Impact may be different. This exercise is illustrative, because it is still too early to make an Informed assessment of the full Impact of the pandemic. But it does convey the likely extent of Impending global economic pain, especially for developing countries and their potential need for assistance. This year's ASEAN Investment Report features FDI in the service sector, with a special focus on the healthcare Industry. The report analyses FDI, corporate players and start-ups in the healthcare industry. In the region, ASEAN is strengthening regional co-operation in healthcare through the implementation of various sectoral agreement and strategic action plans. Efforts to further open up the market to private sector and to improve the investment for the sector is also progressing. FDI flows into ASEAN rose for the third consecutive year reaching an all-time high of \$155 billion in 2018 as compared to \$147 billion in 2017. The region's share of

global FDI in flow also increased from 9.6 per cent in 2017 to 11.5 per cent in 2018. This trend is expected to continue given the dynamic industrial developments and improvement of Investment and business environment in the region. Service sector is the largest recipient of FDI in ASEAN. In context of global average, the share of services sector in total FDI grew from 50 per cent in 1999-2003 to 66 per cent in 2014-2018. This is higher than the share of services in the region's Gross Domestic Product (GDP). A significant part of FDI in service flows into financial service, link wholesale and retail; and real estate activities.

Media reports estimate that India's aggressive 40-day lockdown could bring the country's growth down to 2% from the 4% it had earlier estimated. As Prime Minister Sri Narendra Modi said in his address to the nation when he announced a 40-day lockdown. On 14 April 2020, the prime minister of India extended the lockdown to 3 May. A new set of guidelines for the calibrated opening of the economy and relaxation of the lockdown were also set in place, which would take effect from 20 April. On 17 April, the RBI Governor announced more measures to counter the economic impact of the pandemic, including 50,000 crore (US\$7.0 billion) special finance to NABARD, SIDBI, and NHB. On 18 April, to protect Indian companies during the pandemic, the government announced India's foreign direct investment policy.

The Department of Military Affairs put on hold all capital acquisition for the beginning of the financial year. The Chief of Defence Staff has announced that India should minimize costly defense imports and give a chance to domestic production, also making sure not to "misrepresent operational requirements." On 12 May, the prime minister announced an overall economic package worth 20 lakh crore (US\$280 billion), 10% of India's GDP, with emphasis on India as a self-reliant nation.

If the pandemic is not contained, it could set us back by 20 years. The government of India has announced a variety of measures to tackle the situation, from food security and extra funds for health care, to sector-related incentives and tax decline extensions. On 03 April, the Reserve Bank of India also announced a number of measures which would make available 3,75,000 crore to the country's financial system. On 03 April, the government allowed the movement of all essential as well as non-essential goods during the lockdown. ICRA Rating on 30 April sharply cut the country's GDP for cost amid the COVID-19 crisis and expects the economy to grow at just 2% in the current fiscal. It said the nationwide lockdown announced to contain the Corona virus outbreak has impacted industries and their operations have come to a standstill. According to some media reports, "The Indian economy is likely to witness a sharp contraction of 4.5% (de-growth) during Q4Y20 and is expected to recover gradually to post a GDP growth of just 2% in FY21." It says the concerns on account of COVID-19 have morphed from the impact of imports from China on domestic supply chains, into a domestic and external demand shock, with social distancing and lockdown leading to production shutdowns and approximately 25% job losses in some sectors.

COVID-19 pandemic has hit the world at a scale and speed that we have only seen so far in Doomsday Hollywood movie's reality, as we are witnessing it today, is way more frightening than fiction. The human cost of the corona virus is going to be unimaginably high as reported by WHO on 8th April, 2020. Total confirmed cases of COVID-19 in the world is 1,80,432 of which total deaths recorded 84,735 whereas in India total confirmed cases are 9,460 of which total deaths are recorded 149. In 2019, a joint report from the World Health Organization

(WHO) and the world Bank estimates the impact of such a pandemic at 2.2 %to 4.8% of global GDP (US \$3 trillion) that waswell before the world knew of covid-19.

Air fares have also come under pressure due to nearly 30 per cent drop in bookings to virus affected destinations.asaresultair fares to such destination have fallen by 20-30 per cent Domestic traffic growth is also gradually being affected with domestic travellers post phoning or cancelling their travel plans.some companies have reported more then 30 per cent drop in domestic travel this summer compared with lost year.avation is among the worst affected sector amidst the covid-19 crisis that has taken the scale of a pandemic according to theInternational Air transportAssociation,Airlines globally can lose in passenger revenues of up to\$113 billion due to the crisis.

The out break of corona virus is having a sever impact of people,economy and business.as responsible corporate s ,all retail players are adopting necessary probative action to ensure safety of their employees and customers.the end objective is to ensure easy and uninterrupted availability of essential food and grocery products to affordable prices so that people don'tpanic during the critical times,it is imperative for all stakeholders effect of covid-19 business across sectors is looking gloomy, impacting economy at large.shutting down of malls and shops has severely lead to major job losses as companies won't be able to sustain this for to long.

India is big an cultural and historical tourism, attracting domestic and foreign national throughout the year .It doesn't come as a surprise that a large number of confirmed govind -19 case in India include foreign tourist's. But with visas being suspended and tourist attractions being shut indolinitely,the hole tourism value chain, which includes hotels, restaurants, attractions, agent's, and operators is expected to face losses worth thousand of crores.Expertsbelive the tourism industry is likely to take a massive hit,and it could end up crippling the Industry for the foreseeable future.

Nearly 55% electronic impact by India originate from China .These imports have already slide down to 40%in light of the coronavirous out break and subsequent lockdown.As a countermeasure ,India is considering the promotion of indigenous production in a bid to reduce dependency on a single market.Additionally china is India's third largest export partner for export of raw materials like organic chemicals, mineral fuels,,etc', and a lockdown of the countries in likely to lead to a substantial trade deficit for India. even through some of the factories in China have restored operations ,shortage of some critical electronic parts and raw material still exists.thisadversely affecting the margins and profitability of Indian companies importing medical devices and small components to manufacturer finished product .This can also put up ward pressure on proses of medical device in the short term.

The Medical devices Industry has also taken a hit. The country Imports consumables, disposable and capital equipment including orthopaedic implants gloves ,syringes,bandages ,computer tomography and magnetic resonance imagine device form china due to the current crisis in China . The medical device manufacturer across India are finding if difficult to source import and raw materials and electronic components from chines factory.

Private Healthcare :

While the private healthcare sector is fully prepared for every eventuality, it is also a reality that, our link other sectors, the sector is facing a twin-burden (a) investing additional manpower, equipment, consumables and other resources to ensure 100 percent preparedness for safety in the hospitals and eventual treatment of patient's, if needed.

(b) Experiencing a sharp drop in International patient's

- It is likely that whenever the government announce any fiscal stimulus, this industry will be looked at favourably. The Industry will be looked at favorable. the industry is likely to benefit from increase awareness about healthcare and the more government focus that the endemic is likely to result in.

Pharmaceutical Industry :

News report indicated that Indian pharma companies are trading at their lowest value in the post 8-10 year, and the falling Rupee against the US Dollar is expected to boost pharma exports. The recent Hydroxychloroquin incident underscores the importance of India retaining control over technology. Further, it has been reported that the Chinese central Bank now holds more than 1 percent share holding in HDFC Ltd. and the Industrial and Commercial Bank of China and China Investment Corporation are reportedly exploring investment opportunities in different sectors of world. Given the pandemic has weekend Companies in technology, Infrastructure and other unregulated sectors, the government may consider reviewing FDI regulations to ensure that appropriate checks are in place in relation to acquisition of such Companies including by government's funds.

The fall on the pharmaceutical Industry is of significant concern for India mainly as 70% of active pharmaceutical ingredients (API) are imported for China. These active pharmaceutical ingredients are essential to a large number of pharmaceutical manufacturing companies in the country. As COVID-19 is rapidly marking its way through India medication is going to be number one consumer demand, and because there are not nearly enough APIs to manufacture drugs, the subsequent traders and the market are witnessing skyrocketing prices. The prices vitamins and penicillin alone already see 50% surge.

- The World Bank and rating agencies had initially downgraded India's growth for Fiscal year 2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s.
- However after the announcement of the economic package in mid-May, India's GDP estimates were downgraded even more to negative figures, signalling a deep recession. Within a month, unemployment rose from 6.7% on 15 March to 26% on April.
- During the lockdown, an estimated 14 crore (140 million) people lost employment. More than 45% of households across the nation have reported an income drop as compared to the previous year.
- Supply chains have been put under strength with the lockdown restrictions in place; Initially there was a lack of clarity in streamlining what an "essential" is and what is not.
- Up to 53% of businesses in the country were projected to be significantly affected.
- Media Report.