WORLD ECONOMY POST COVID-19

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Abstract : Epidemics have huge impact on economy as the countries spends a lot to control it and makes sure to function the economy as efficient as possible with the available budget. Such diseases were always costly to control and had a great impact on economy which took nations years to solve or overcome it. The main question is whether the country will relish progression or stagnation (in case of huge crisis) or undergo recession or depression.

I. INTRODUCTION

With the countries witnessing the decrease in GDP growth prior to covid-19 and fall of economy post crisis, the countries will be striving for the 'V' curve of economic growth.

Due to the lockdown many businesses suffered a huge loss while some of it secured profits, E-commerce, entertainment and gaming, pharmaceutical and non-cyclical products were the industries which got a chance for making surplus profit as some of production and manufacturing remains inelastic. Industries like Airlines, tourism, hotels, automobile, share market, investments had surge in losses. The government's income tax collection has seen dropped with the less industries operating and the government's budgeted expense to battle the epidemic will result in cash crunch.

The world biggest economies are advocating strategies and making key decisions to balance or equalize the negative outcome of this pandemic. Having conflict among these two super powers USA and China, their bailout from this crisis will be kept in track or watch by the economists. The viewpoint of their role and situation can be look in this manner.

II. COUNTRIES BEING EFFECTED ON A BIGGER SCALE

2.1) United States of America

Finance ministry and central bank has a very important role to play to reduce the risk with regard to covid-19 specifically and maintain the level of economic structure. The government should do what it may to control its spread and treat its sick to end the spread of disease any further which may return later and have consequences on economy. The United States of America stands for 69th position in health care index according to WHO (world health organization) with scarce bed facilities (29 for 100) for treatment. If the lockdown and social distancing works, it would take 2 to3 months to fully recover from the virus covid-19.

The pre-crisis economic situation level would be recovered by the first quarter of 2023 for the USA and third quarter for Europe of the same year. The GDP growth rate before covid-19 crisis was 2.3% (2019) when compared to 2.9% (2018) a significant decrease combined with virus crises will require the government for a better strategy and planning. Consumption make nearly 70% of the USA's GDP, as the businesses are shut the consumption has slumped whereas investment constitutes for 20% of GDP. The major risk to the economy is the financial risk accompanied by health risk as managing both is crucial.

2.2) CHINA

According to many economy experts china's GDP will drop sharply followed by the quick recovery basically a 'V' shape recovery though it would be hard for china to come out of this crisis as it did back in 2008 financial crisis with its money power being low. It may depend on the other major economies for its economic rise post covid-19 crisis. Prior to the covid-19 slowdown of the economy, the GDP growth reported in 2018 was 6.6% which was decreased to 6.1% in the following year.

This pandemic has impacted China's projects like Belt and Road Initiative adopted by the Chinese government in 2013 which involves many countries from Asia, Africa, South America, Europe etc., and the economic corridor between China and Pakistan. As the travel facilities were limited or halted, the Chinese were unable to continue the projects considering social distancing and lockdowns. It hampered china's supply of its goods for the projects as they rely more on their own manufactured goods and less on other local material. The china's economy is returning back to normal after the less new pandemic cases were reported and the economic damage can be observed in this quarter.

2.3) UNITED KINGDOM

The OBR said a three-month lockdown followed by three months of partial restrictions would trigger an economic decline of 35.1 per cent in the quarter to June alone, following growth of 0.2 per cent in the first three months of this year. While the UK economy would contract by 12.8 per cent this year under this scenario, it is expected to get back to its pre-crisis growth trend by the end of 2020.

The OBR have been clear that if we had not taken the actions we had, the situation would be much worse. In other words our plan was the right plan. Besides the economy, the Cabinet minister gave the latest health update and revealed a daily rise of 778 to the country's COVID19 death toll, taking the total to 12,107. This scenario also assumes almost no scarring or lasting impact on the economy from this recession, which history shows is unlikely to be the case.

The OBR said public sector net debt could exceed 100% of gross domestic product during the 2020/21 financial year but end it at around 95% of GDP. Before the government shut down the economy from March 20 to slow the spread of the coronavirus, the OBR had forecast debt would be 77% of GDP in 2020/21.

2.4) EUROPE

According to the Economist Intelligence Unit the global economy will shrink by 2.5% in 2020 as a result of the pandemic. While in Europe, the effects could be even more severe – a drop in Eurozone GDP of up to 7% has been predicted. In the midst of the COVID-19 crisis, the European Union is looking at how it can rebuild the continent's economies in the years after the pandemic – and it says a plan implemented in the aftermath of World War II could provide a model to follow.

According to von der Leyden, Europe's economic response to COVID-19 has been the strongest anywhere in the world. "We have made our state aid rules more flexible than ever before so that businesses big and small can get the support they need. But this strategy is not without its critics. Economists from some of Europe's wealthier nations, such as Germany and the Netherlands, have expressed concerns about the idea. Michael Huther, head of the German Economic Institute in Cologne, warned against the Eurozone issuing common bonds to deal with sovereign debt. His fear was that it could undermine national fiscal policies and even discourage sound economic planning in some countries.

2.5) INDIA

The economic impact of the 2019-20 coronavirus pandemic in India has been hugely disruptive. World Bank World Bank credit rating agencies have 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. The former Chief Economic Advisor to the Government of India has said that India should prepare for a negative growth rate in FY21 and that the country would need a ₹720 lakh crore (US$10 trillion) stimulus to overcome the contraction. However, the International Monetary Fund projection for India for the Financial Year 2021-22 of 1.9% GDP growth is the highest among G-20 Nations. Within a month unemployment rose from 6.7% on 15 March to 26% on 19 April. During the lockdown, an estimated 140 million (140 million) people lost employment. More than 45% of households across the nation have reported an income drop as compared to the previous year.

Under complete lockdown less than a quarter of India's $2.8 trillion economy is functional. Up to 53% of businesses in the country will be significantly affected. Supply chains have been put under stress with the lockdown restrictions in place; initially there was a lack of clarity in streamlining what is an "essential" and what isn't. Those in the informal sectors and daily wage groups are the most at risk. A large number of farmers around the country who grow perishables are also facing uncertainty. Various businesses such as hotels and airlines are cutting salaries and laying off employees.

III. ASSUMPTION OF UNITED NATIONS ON GLOBAL ECONOMY

The global economy could shrink by up to 1 per cent in 2020 due to the coronavirus pandemic, a reversal from the previous forecast of 2.5 per cent growth, the UN has said, warning that it may contract even further if restrictions on the economic activities are extended without adequate fiscal responses.

The analysis by the UN Department of Economic and Social Affairs (DESA) said the COVID-19 pandemic is disrupting global supply chains and international trade. With nearly 100 countries closing national borders during the past month, the movement of people and tourism flows have come to a screeching halt.

The analysis noted that before the outbreak of the COVID-19, world output was expected to expand at a modest pace of 2.5 per cent in 2020, as reported in the World Economic Situation and Prospects 2020. Taking into account rapidly changing economic conditions, the UN DESA's World Economic Forecasting Model has estimated best and worst-case scenarios for global growth in 2020.

In the best-case scenario - with moderate declines in private consumption, investment and exports and offsetting increases in government spending in the G-7 countries and China - global growth would fall to 1.2 per cent in 2020.

"In the worst-case scenario, the global output would contract by 0.9 per cent - instead of growing by 2.5 per cent - in 2020," it said, adding that the scenario is based on demand-side shocks of different magnitudes to China, Japan, South Korea, the US and the EU, as well as an oil price decline of 50 per cent against our baseline of USD 61 per barrel.

The severity of the economic impact will largely depend on two factors - the duration of restrictions on the movement of people and economic activities in major economies; and the actual size and efficacy of fiscal responses to the crisis.

According to the forecast, lockdowns in Europe and North America are hitting the service sector hard, particularly industries that involve physical interactions such as retail trade, leisure and hospitality, recreation and transportation services. Collectively, such industries account for more than a quarter of all jobs in these economies.

IV. WINNING THE POST PANDEMIC ECONOMY

COVID-19 is putting the global economy into a tailspin. Many countries are heading for very sudden and unprecedented recession. This crisis will catalyze some huge changes. Few industries will avoid being either reformed, restructured or removed. Agility, scalability and automation will be the watchwords for this new era of business, and those that have these capabilities now will be the winners.

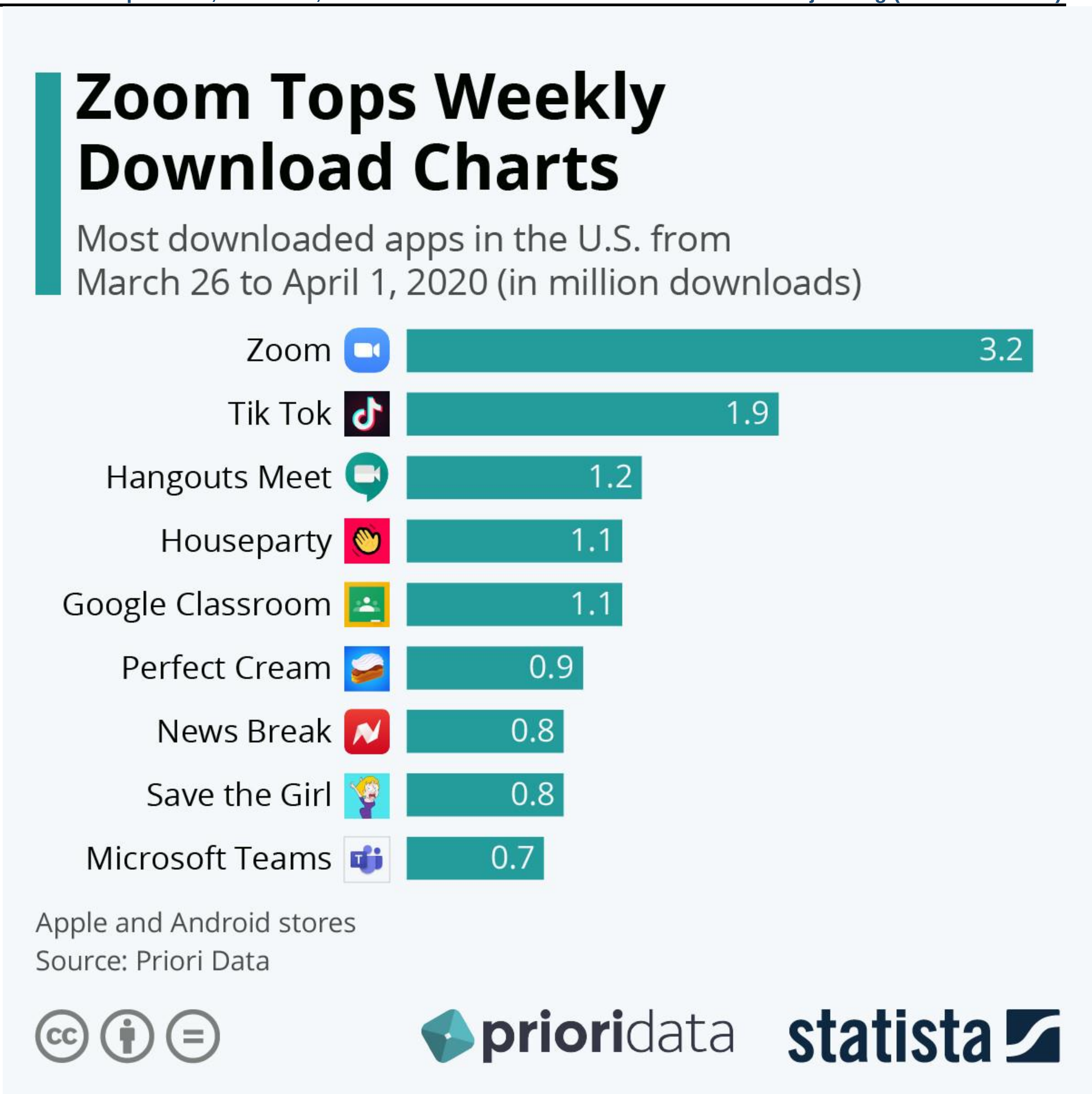
Thanks to government stimulus packages, liquidity is coming back to the market. It will keep enough of the economy afloat so that it can climb out of recession rapidly once the various lockdowns are lifted. But the way much of it is structured means that it will likely benefit already better capitalized larger businesses, over the smaller operators who may struggle.

It would be an over-simplification, however, to paint this new era as one of “big” versus “small”, or “incumbents” versus “upstarts”. The past decade’s tropes that pitted fintechs and digital natives against big banks and consumer brands will seem dated by the middle of this year.

Indeed, one could see the current times as the first real test of the digital-first business mantras that have been extolled over the first part of this century. COVID-19 will force a rebirth of many industries as we all sit at home in lockdown, re-assessing and re-imagining modes of consumption, supply, interaction and productivity. As president of a global technology firm, what intrigues me is where there will be paradigm shifts, as opposed to just existing trends either accelerating or decelerating.

For instance, the shift from cash to digital payments is clearly accelerating. My WEF Council colleague Huw Van Steenis, who is chair of the sustainable finance committee at UBS, highlighted that 31 countries have lifted contactless payment limits this year to support social distancing measures. In the UK, ATM usage was already falling between 6% and 14% a year, but has now plummeted by more than half. As he argued in his “Future of Finance” report, this has major implications for: the resilience of payment forms – young and old; for banks’ business models; and society, as we work to ensure no-one is left behind in an increasingly digital economy.

In the workplace we’re already seeing a super-charging of the nascent bring your own device (BYOD) trend in business technology. As people scramble to work and socialize remotely, previously niche tools such as Zoom, Slack, Microsoft’s Teams, and even the Houseparty app, are suddenly supporting millions of personal and corporate interactions every minute.



V. CONCLUSION

It takes a while for the world economy to recover from the contraction. It seems that this pandemic will lead to a permanent shift in the world and its politics, especially in health, security, trade, employment, agriculture, manufacturing goods production and science policies. Since this new world might provide great opportunities for some countries that did not dominate world production before, governments should develop new strategies to adjust the new world order without much delay.

In the short-term, it is highly likely that the COVID-19 pandemic will lead to a period of economic recession. The Dutch Bureau for Economic Policy Analysis (CBP) was amongst the first national agencies to officially adapt its economic outlook. The agency reported that an economic recession is "unavoidable", with GDP declining between 1,2% to 7,7% in 2020.

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