

COVID-19: AFFECTING THE ECONOMIES AND THE ECOSYSTEM

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ABSTRACT

The COVID-19 pandemic has resulted in over 5.59 million confirmed cases and over 3,52,886 deaths globally. This sudden outbreak of new virus named coronavirus, which is causes COVID-19 initially began in China where more than 110 countries and territories got infected by 1,24,000 people around the world. What studies shows that coronavirus is a group of RNA viruses which cause diseases in mammals and birds, still there are different theories about its biological formation or man-made deliberate spread of virus. This disease has been a global pandemic and being faced by every person in the world. Globally, economies are facing a lot of problems because of this. The outbreak of coronavirus has settled fears in the eyes of people over the economic crisis and recession going on globally. People are insecure about their jobs as because of maintaining social distancing, keeping self-isolation, and travel restriction has made decrease in workforce across all economic sectors. To stabilize the situation, immediate relief measures need to be adopted globally by the government to control the outburst situation. Economist have to make plans for short -medium- & long-term planning for re-balancing and re-energizing from this crisis. A socio-economic development plans to be implemented so that for individual sector development, which will impose the robust impact over the various business model.

Keywords: Ecosystem, Economic Stability, Global Economic Impact.

INTRODUCTION

According to the research, COVID-19 is an infectious disease caused by a newly discovered coronavirus. Most common symptoms of the virus observed in infected people is moderate respiratory illness and cure of the infection is only by special treatment. Older people with medical illness like diabetes, cardiovascular disease, chronic respiratory disease, and cancer are more prone to get them into this serious illness.

The best way to prevent the disease is to slow down the transmission of the

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disease by maintaining social distancing and self-isolation to protect from the infection, it's suggested to wash your hands or use an alcohol-based sanitizer and use it properly and avoid touching your face. Primarily the virus is spread through droplets of saliva or discharge from the nose when an infected person coughs or sneeze. So, it is advised that people should sneeze or cough through a flexed elbow. At present scientist are working on the vaccine of the virus but till date we don't have however it could be cured by medical treatment if a person reports for medication on time.

OBJECTIVE OF THE STUDY

The purpose of the study is to understand how COVID-19 is affecting the economies globally and how the ecosystem is also being affected due to this. To find out various measures to overcome the pandemic situation and how various economies in the world is responding for the same. Also to diagnose the situation and taking out the probable outcomes about how globally economies are dealing with the uncertain situation going on in the world and how are they fighting back by making various policy formations and providing financial aids to the people and putting all their efforts to bring back and fight from these recession time.

Health, economic stability and nature are interconnected

This pandemic situation has trapped every economy and has not leaved any corner of the world. This ongoing pandemic has undeniable human and economic impacts. Till date, there are more than 3, 52,886 deaths worldwide, millions of people are facing job losses & stock markets are crashing. The outburst of COVID-19 which has taken a shape of pandemic has stark a reminder of dysfunctional relationship with we possess nature. The prevailing scenario shows a great impact over the natural environment and the unfolding has shown domino effect that is observed when any one element in this interconnected ecosystem is destabilized. By talking about the environment community, it's important to address multiple and often observed threats that are interacting with ecosystems and wildlife.

This pandemic has been seen a great impact over the environment as there was seen a significant drop in air pollution worldwide. Mostly seen in developed, or developing, industrial nations and economies like China, Europe and other countries too, the drop shows how much industrial activity has been brought down and shut as of late. Satellite images from NASA and the European Space Agency (ESA) has been seen by many experts as have said that it's the largest scale experimentation over nature ever seen in terms of reduction in emissions and pollution around the world. Data taken from various satellites over last few weeks like the ESA's Sentinel-5P Satellite shows a significant drop in gases that cause pollution like nitrogen dioxide (NO₂). Greenhouse gas emissions have fallen drastically because in countries lockdown has caused an order the closedown of schools, shops and factories, which has led emissions to fall. The last time this scenario of fall in carbon emissions was during the financial crisis in 2008-2009.

World Economic Forum's Nature Risk Rising Report highlighted reports, more than half of the world's GDP is highly or can say moderately dependent on nature. Nature provides vast opportunities for businesses and governments.

Figure 1 explains about the global economic impact of COVID-19 and how it has made countries suffered the economic growth.

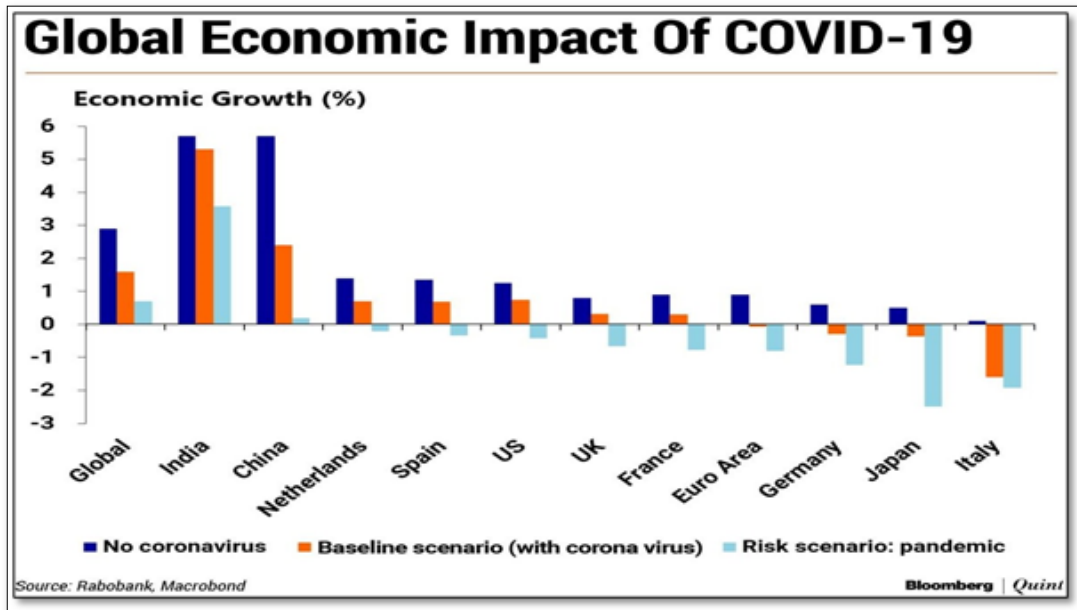


Figure 1. Global economic impact of COVID-19.

ECONOMIC FORECAST

Global growth

We can see highly fluid situation prevailing globally at present. The uncertainty of crisis situation where no one knows till what end it will go as everyone is uncertain over the length and depth of the pandemic which has caused crisis to relate to health and also a volatile effect over financial markets and corporate decision-making. By looking at the concerning ongoing situation the effective public policies made by the government would intend to curtail its spread are adding to market volatility. An economic contraction in 2020 has been forecasted by the advanced economies of 7.8% of GDP, also projected outcomes by IMF for U.S economy shows a decline of 5.9%, which would be twice rate of fall experienced in 2008-2009 crisis also indicated in the figure below. It's the common problem faced by the economies globally of decline in the economic growth rate of 2%, which reflects the tightening of the global financial condition and falling global trade with its commodity prices. IMF has also stated that the recovery of the global economic crisis would be much weaker than projected, which has resulted in lingering uncertainty about possible contagion, permanent closure of businesses and shifting behavior of firms and household. The effect of the financial crisis will vary country to country, thus reflecting differences in the timing and degree of containment measures (**Figure 2**).

GLOBAL TRADE

According to the reports presented by World Trade Organization (WTO), as on April 8, 2020, its forecasted that the global trade volumes are projected to decline by 13%-32% this year which is because of the COVID-19 the pandemic going. This will adversely affect the economies.

Studies of WTO states that there's wide range of high degree of uncertainty which concerns the length as in the duration of economic impact of the financial and the actual economic outcome could be outside the range (higher or lower).

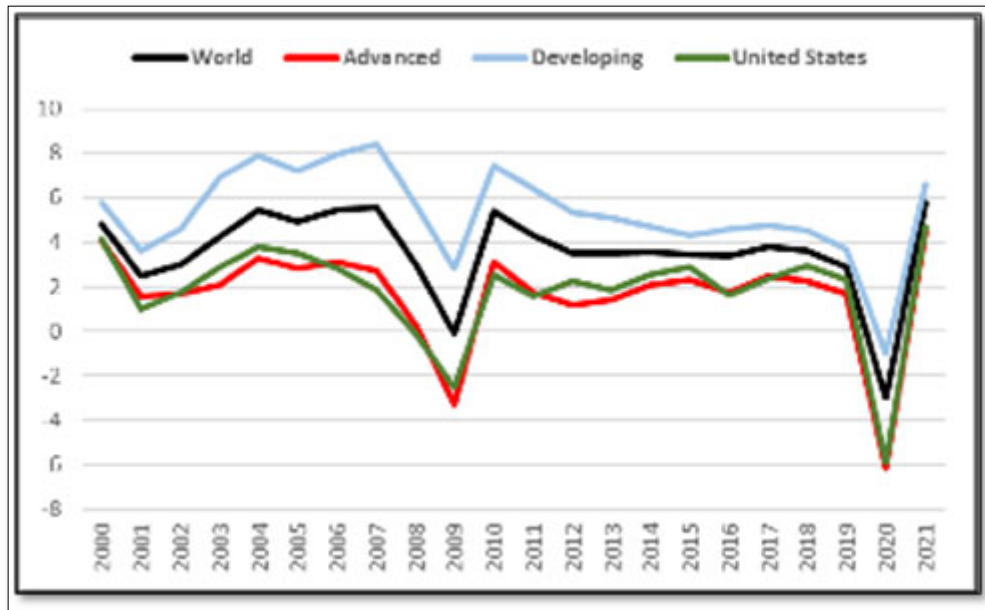


Figure 2. Gross Domestic Product, Percent Change.

Source: *World Economic Outlook*, International Monetary Fund, April 14, 2020. Note: Data for 2020 and 2021 are estimates

- Business closures. Could reduce economic output in advanced and major emerging economies by 15% or more; other emerging economies could experience a decline in output of 25%
- Countries dependent on tourism could be affected more severely, while countries with large agricultural and mining sectors could experience less severe effects

There's an optimistic theory shown by WTO which shows, that globally economies will experience a V-shaped recovery. The more pessimistic scenario assumes a partial recovery that lasts into 2021, or that global economic activity will experiences recover in U-shaped. In conclusion, WTO states that the impact on the global trade volume could exceed the drop in global trade experienced during 2008-2009 global financial crisis (**Table 1**).

CHALLENGES IN POLICY MAKING

Policy makers have got many challenges in formulation by targeting the short term and long-term problems without creating any distortions in economies and again balancing and re-energizing the economy that had outlast the impact of the virus itself. Policy makers are trying to make one of implementing targeted policies that would solve the problem of the economy.

But due to the over changing economic environment and the pandemic situation changing day by day, policymakers are overwhelmed by the drastic changing nature of global health crisis which is seen as a turning into a global trade and crisis situation for the economies which has affected globally. Earlier, there was difficulties faced by the policymakers are constrained to their ability to respond to the crisis which has resulted in limited flexible position of economist to provide monetary and fiscal support within their convectional standards, which provides broad based synchronized slowdown in the economic growth globally, specially it can be seen in manufacturing trade which was developed before this pandemic. As long as the crisis persist, there would be

Table 1. WTO Forecast: Merchandise Trade Volume and Real GDP 2018-2021.

	Historical		Optimistic Scenario		Pessimistic Scenario	
	2018	2019	2020	2021	2020	2021
Volume of world merchandise trade	2.9	-0.1	-12.9	21.3	-31.9	24.0
Exports						
North America	3.8	1.0	-17.1	23.7	-40.9	19.3
South and Central America	0.1	-2.2	-12.9	18.6	-31.3	14.3
	2.0	0.1	-12.2	20.5	-32.8	22.7
Europe	3.7	0.9	-13.5	24.9	-36.2	36.1
Asia	0.7	-2.9	-8.0	8.6	8.0	9.3
Other regions						
Imports						
North America	5.2	-0.4	-14.5	27.3	-33.8	29.5
South and Central America	5.3	-2.1	-22.2	23.2	-43.8	19.5
	1.5	0.5	-10.3	19.9	-28.9	24.5
Europe	4.9	-0.6	-11.8	23.1	-31.5	25.1
Asia	0.3	1.5	-10.0	13.6	-22.6	18.0
Other regions						
Real GDP at market exchange rates						
	2.9	2.3	-2.5	7.4	-8.8	5.9
North America	2.8	2.2	-3.3	7.2	9.0	5.1
South and Central America	0.6	0.1	-4.3	6.5	-11.0	4.8
	2.1	1.3	-3.5	6.6	-10.8	5.4
Europe	4.2	3.9	-0.7	8.7	-7.1	7.4
Asia	2.1	1.7	-1.5	6.0	-6.7	5.2
Other regions						

Trade Setto Plunge as COVID-19 Pandemic Upends Global Economy, World Trade Organization, April 8, 2020

greater impact over the economies which are likely to be observed as an effect spread through trade and financial linkages to every broadening group of countries, households and firms. Situations in growing economies would be a bit tough as they'll be having liquidity crisis and credit market tightening at global markets, as firms holding cash, which would have negative impact and fallout effects would result in economic growth.

At the same time , we can see that there's a factoring increase in the financial market in case of government bond issuance in U.K., Europe & other government debt levels are also rising up to meet its spending obligation during this unexpected recession and increase in fiscal spending to combat fight with COVID-19. Policymakers are facing issue in liquidity and credit market with different sets of challenges nationally and globally which would address supply side constraints, which has resulted in more focus by government in there policy formulation while making policies in this health crisis to macro-micro economic and financial market issues which area being addressed through government policies with a combination of monetary, fiscal and other policies which will include border closure, restrictions over social interaction and quarantines.

If we compare 2020s crisis with 2008-2009, at initial stage household did not experience same wealth losses as before, as the value of primary resident dropped sharply. But as we all can see employment graph as increased at a rapid scale, people are losing their jobs, as a result would reflect in default on mortgages and delinquencies on paying bills, rent payments , unless financial institution provide some sort of aids or loan forbearance or there is a mechanism to provide some financial assistance. Such volatility is adding to uncertainties about what governments can do to address weaknesses in the global economy.

FINANCE INDUSTRY

There was an observation of disruption in demand-supply chain because of lockdowns and uncoordinated actions towards the crisis by the government. Businesses, communities, and organizations globally, inadvertently affected due to COVID-19 and has shaken up financial markets and global economy. Though government is trying hard to take situation under control somehow, they are failing to do so, but to overcome from all the failure due to this pandemic, governments globally are trying and adopting various policies measures.

Due to lockdown there is decrease in product supply of commodities and self-isolation policies has resulted in decrease in consumption, of products and services. Since COVID-19 is affecting the world but it has been seen that China is recovering from the crisis, they will hold an advantageous position to acquire western counterparts, which are greatly dependent and will be inevitably affected by the stock market. Market situation prevailing globally are very volatile with critical liquidity levels. To overcome and control the situation, the central banks globally are bringing up various measures to maintain liquidity and mitigate economic shocks.

European response

To dampen and make some relief in the economy among the citizens, Europe has announced a rescue package of €1.7 tn to overcome from the financial crisis due to COVID-19 and stabilize the situation in the Eurozone with contribution from all members states the U.K as well as countries in the area which do not for

part of the European Union like Switzerland.

The European Central Bank (ECB) has also announced a €750 bn asset-purchase programme in a hope of stabilizing and strengthening the Euro from this pandemic and overcoming the situation and helping out their citizens. An investment of €25 bn has been announced by The European Commission, for the ongoing crisis and has also proposed relaxation in the policies on budget rules to encourage public spending and the support of affected businesses by their corresponding government. In Germany also, the state development bank has announced to provide €500bn in loan as an aid to companies whose businesses have been affected because of this pandemic.

UK Response

Chancellor of United Kingdom, Rishi Sunak announced a package of £330 bn as emergency loan which will help in this financial crisis. Fiscal support of £20 bn to be provided on top of £7bn financial aid already issued, an attempt to save businesses in U.K. Following measures were included in package:

- Job retention scheme because of COVID-19
- Package designed for SMEs (Small and Medium sized Enterprises) as Statutory Sick Pay relief package.
- For all retailers, hospitality, leisure and nursery businesses in England to get 12-month business rate holiday.
- Tax payments to be deferred along with VAT.
- Funding of £10,000 made for small businesses in the name of rural rate relief
- Along with 12-month business rate holiday retail, hospitality and leisure businesses are granted funding of £25,000 with a property with a value between £15,000 and £51,000
- For SMEs businesses can avail the benefit of Coronavirus Business Interruption Loan scheme that will offer loans up to £5 million for SMEs through British Business Bank
- Firms to help in the recash flows disruptions because of coronavirus, Bank of England to come up with new lending facility through loans
- HMRC Time To Pay Scheme

US Response

As an attempt to soften the U.S economy, which is blown by the deadly virus, US Federal Reserve has announced to decrease interest rates by 0.5%. Various announcements were made on 23rd March 2020, one of them states that government has proposed that they will provide future aid in the market by purchasing \$125 billion in bonds. The offering of a \$300 billion to Main Street businesses as a lending programme also they have ensured an Asset Backed Loan facility which was used earlier in 2008-2009 financial crisis that will be started again. A 'virus-aid package' - the CARES Act announced on 27th March 2020 of about \$2 trillion to support economy in this crisis situation. They will cover every American adult within come less than \$75,000 or couples less than \$150,000 to be given \$1,200 as a financial aid.

- Children aged below 17 to be provided \$500.
- An employment compensation (in case of any) of \$600 per week, also unemployment benefit support increased by 13 months and have also

- increased eligibility of self- employed and independent contractors.
- Students loan payments on loans deferred till 30th September without penalty charges.
 - US Treasury Department to issue \$500 bn in loans and loan guarantees to small and large businesses. Businesses who will receive this aid as an obligatory to keep employees up to 90% of employees until September 30th 2020 and repay loan within 5 years and are restricted to issue any dividends till 1 year of full repayment of loan.
 - For food assistance \$25bn will be provided.
 - For health care about \$100 to be given
 - For Disaster Relief Fund \$45 to be provided.
 - Also \$17 provided for national security. and many more in the list

CONCLUSION

In this ongoing pandemic scenario, where no one knows when this will end there's eyes and heart full of fears which are thinking about how this recession and financial collapses will go and how will the economies will manage and survive in such a condition. This is a time which calls for resilient and strong leadership & faith in healthcare, business and government. Government is trying their best by taking immediate measures to control the situation by announcing relief packages to be implemented and adjusted for those that may fall through the cracks. Economists are doing medium- and longer-term planning which is needed for economies to be rebalanced and re-energized from the economic slowdown. Socioeconomic development plans are made including sectorial plans and an ecosystem that would encourage entrepreneurship so that those with robust and sustainable business models can be allowed to flourish and also sustain this pandemic. The quickly evolving nature of the COVID-19 crisis creates a number of issues that make it difficult to estimate the full cost to global economic activity. These issues include, but are not limited to How long will this pandemic last? How many workers and businesses will get affected temporarily and permanently? How the economic activity will be saved from the loss as a result of the viral outbreak What will be the most effective monetary and fiscal policies at the national and global level to overcome and address in this crisis?

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