

## **IMPACT OF PANDEMIC ON GROWTH OF ECONOMIES**

### **Mrs Indu Bala**

Assistant Professor, S.D College (Lahore), Ambala Cantt  
Mob. No.8950377119, verma.indu90@gmail.com

### **Ms. Mamta Guglani**

Assistant Professor, S.D College (Lahore), Ambala Cantt  
Mob. No.9416113870, Meenuarora211@gmail.com

### **Abstract**

The outbreak of pandemic COVID-19 across the world has completely disrupted the political, social, economic, religious, and financial structures of the world. According to the data of April 22nd, 2020, more than 4.6 million people have been screened, in which the infection has made more than 2.7 million people positive, in which 182,740 people have died due to infection. More than 80 countries have closed their borders from transitioning countries, ordered businesses to close, instructed their populations to self-quarantine, and closed schools to an estimated 1.5 billion children. The world's top ten economies such as the United States, China, Japan, Germany, United Kingdom, France, India, Italy, Brazil, and Canada stand on the verge of complete collapse. The full impact will not be known until the effects of the epidemic occurred. This research analyses the impact of COVID-19 on the economic growth. The aim of this research is to present how well COVID-19 correlated with economic growth

### **Introduction**

Economic growth is an increase in the production of goods and services over a specific period. Economic growth creates more profit for businesses. As a result, stock prices rise. That gives companies capital to invest and hire more employees. As more jobs are created, incomes rise. Consumers have more money to buy additional products and services. Purchases drive higher economic growth. For this reason, all countries want positive economic growth. This makes economic growth the most-watched. But a year and a half since the onset of the COVID-19 pandemic, the global economy is poised to stage its most robust post-recession recovery in 80 years in 2021. But the rebound is expected to be uneven across countries, as major economies look set to register strong growth even as many developing economies lag.

### **What is Economic growth :-**

**Economic growth** is an increase in the production of goods and services in an **economy**. ... **Economic growth** is commonly measured in terms of the increase in aggregated market value of additional goods and services produced, using estimates such as **GDP**.

### **Influence of PENDING on GDP or Economic Growth**

An in-depth study on past epidemics identified several reasons that may account for the economic slowdown. Loss of the productive workforce through mortality and disease which is a major factor is particularly prominent in severe epidemics such as 1918 influenza [2]. But previous epidemiological studies provide useful insights on many of their economic consequences, including costs due to weak consumer sentiment, service providing sections (like, tourism, etc.) under high risk due to the impact of social distancing policies, and potential financial amplification. All these factors are still relevant today, to varying degrees. Table 6 summarizes selected study methods and findings on the economic costs of past epidemics. Many insights emerge. Some very general lessons from the study of these past epidemics may be relevant to the current COVID-19 epidemic. First, when an epidemic causes a great loss of life and property on a global scale, in that situation the world can suffer a huge economic loss that can lead to a prolonged economic recession. This means that more expensive measures become costly, also have economic benefits in preserving the workforce. These are relevant to the cost-benefit assessment of alternative capacitive policies, in addition to the primary purpose of saving lives. The literature also makes it clear that the interaction between supply and demand broadcast channels is not specific to COVID-19, but is characterized by epidemic shocks in general.

Coronavirus was initially identified in Wuhan China, and it gave rise to a pandemic all over the world. Initially maximum number of cases were identified in China but the virus spread across Europe and then to the Americas. Italy had experienced a devastating impact of the virus and has 233,836 COVID-19 positive cases with 33,601 deaths [2] at the time of this paper. Spain has also experienced a devastating effect of the virus with 287,406 cases and 27,128 deaths [2] at the time of this paper. There were several reasons why the effect of the virus in Italy and other European Union countries was so severe. Firstly, there was a delay or ignorance to analyze the conditions that led to the spread of the virus and there also was indecisiveness to enact the 'stay-at-home' isolation requirement. There was also insufficient information given by the policy makers to the people. In the absence of proper information and proper communication, people were

unable to take proper prevention measures to deal with the pandemic. Also the virus is more fatal for elderly population. This is because the immune system of elderly people is already compromised which makes them more vulnerable to the effect of the virus. There is a very large number of old people in Northern Italy [3]. In Italy during the initial stages of the pandemic, hospitals and retirement homes were more severely affected by the virus. Hospitals were perplexed with the huge number of cases they were receiving daily and due to shortage of masks and other protective clothing, nurses and hospital staff, who were essentially the front line workers, continued to help patients without adequate protection [4]. Also Italy is a very densely populated country and the people are not very accustomed to social distancing. The population density in Italy is 533 people per square mile [5]. This can be another reason for the spread of the virus in Italy. In Milan's main cemetery, graves were indicated by a white plastic cross marked with surname, initial or first name of the deceased. As the capacity of morgues were exhausted and there was shortage of burial ground due to large number of deaths occurring as a result of the virus, the authorities had no other option but to bury the unclaimed bodies in this manner [6]. Spain also has a record number of COVID-19 positive cases and deaths. A certain type of virus strain, the S-Spain cluster was already in Spain by February 14, 2020 and another type of virus strain the G-Spain cluster was prevalent in Madrid, Spain by February 18, 2020 [7]. In Spain all COVID-19 cases were not accompanied with fever, but in some cases virus spread from one person to another without displaying any symptoms. A Champions League soccer match was held between Atalanta B.C., the Italian team, and Valencia CF, the Spanish team, on February 19, 2020 in Milan, Italy. This is determined to be one of the major reasons why the virus spread to such a great extent in Italy and Spain. This Champions League match was considered to be a "biological bomb" as there were about 2500 Valencia supporters who attended the match to cheer for their team and around 35% of Valencia's soccer team was tested COVID-19 positive [8]. This Champions League soccer match, a delay in government action, people crowding in beaches and cafes' were the major reasons for the rapid spread of the coronavirus in Spain. Initially the Spanish Government did not take any major steps to limit the freedom of the people, not did they issue a complete lock-down order initially. These two measures were absolutely essential to curb the transmission of the virus. Instead, people were allowed to move around freely as they desired. People were allowed to visit cafes' and bars. The weather was sunny and comfortable which encouraged people to go out on the streets. There were International Women's Day rallies taking place in Spain on March 8, 2020 which brought thousands of people on the street across Spain [9]. Due to a considerable delay by the Government in imposing

complete lock-down measures, Spain has been badly affected by the virus as the virulence of the virus could not be comprehended initially and many cases were asymptomatic for several weeks. This is why Spain suffered such a devastating impact of the virus. Among the emerging nations, Brazil has experienced a very large number of COVID-19 positive cases with 560,737 cases and 31,417 deaths [2] at the time of this paper. Brazil is a developing country and the common people have less regard for safety and social distancing practices. Brazil has a very high rate of inequality. Healthcare access is not uniform for all people within the country. Brazil has a large number of indigenous communities many of whom reside in small areas of the Amazon rain forest with no proper healthcare facilities and sanitation arrangements. These communities are particularly vulnerable to the coronavirus pandemic. The coronavirus is expected to create a severe economic impact in Brazil. The economy is expected to go into a major recession with decreasing income among a large proportion of working population who are unable to work from home, and who work in the informal sector. The proportion of people surviving in abject poverty is expected to face a hunger crisis. In São Paulo, Brazil, Intensive Care Unit (ICU) beds are full upto 90% capacity. In Rio de Janeiro the number of people waiting for hospital beds exceeded 1000 with the second week of May and the emergency facilities were full to 90% capacity [10]. Also, in Brazil around 11 million people live in 'favelas' which are low income slum neighborhoods on the outskirts of big cities. These areas have cramped houses with lack of space to move about. Also these areas have lack of water and lack of safe and clean working environment. As a result of these deficiencies, these areas were severely affected by the virus [10]. Despite the substantial rise in the number of COVID-19 positive cases in Brazil, President Jair Bolsonaro showed little concern. Bolsonaro had initially stated that the coronavirus was nothing more than a "little flu", and he did not believe that the coronavirus restrictions were very important. He also suggested that Brazilian's follow some uncommon remedies such as praying to God to save themselves from the virus. Bolsonaro had suggested that Brazilian's use chloroquine, which is a drug primarily used to cure malaria, in order to treat COVID-19 positive patients. But, in reality there has been no substantial proof that chloroquine is an effective drug to treat COVID-19 patients. It is estimated that hundreds of COVID-19 positive patients have died in their homes after using chloroquine without proper medical supervision. Many healthcare officials in Brazil have determined that the number of COVID-19 positive cases in Brazil is actually 15 times higher than it is stated in the available data and in the absence of hospital vacancy, a large number of coronavirus positive patients are passing away in their homes [11]. The United States of America has recorded the largest number of

coronavirus cases with 1,928,412 COVID-19 positive cases and 110,347 deaths related to coronavirus. The coronavirus spread rapidly throughout the world. The pandemic created severe economic impact in different sectors of the economy and economic growth as well.

### **IMPACT ON SOME SECTORS:**

#### **Aviation Industry:**

The COVID-19 pandemic has severely affected the airline industry due to restrictions on travel and cancellation of flights in order to mitigate the effect of coronavirus. The aviation industry as well as airports are facing a huge slowdown as a result of lack of air traffic and loss of revenues. Airports Council International(ACI) World determines that there would be a fall of around 2 billion airline passengers globally in the second quarter of 2020, and a reduction of around 4.6 billion passengers for the entire 2020 year. The profit of airports has experienced severe contraction due to the imposition of travel restrictions. The fall in airport revenues globally is determined to be \$39.2 billion in the second quarter of 2020 and around \$97 billion for the entire 2020. Oxford Economics Study, predicts that there will be an estimated \$ 519 billion reduction in travel expenditure in U.S. for 2020. Due to this, the economic output will decline by \$1.2 trillion. In the second quarter of 2020, it is estimated that around 6.9 million jobs in the travel area could be lost. Approximately 57% of wide body aircrafts, narrow body aircrafts and regional jets are in storage.

#### **Oil Industry:**

The shock from COVID-19 pandemic and disruptions in negotiations between Organization of the Petroleum Exporting Countries(OPEC) and its associates resulted in a fall in oil prices. On March 5, 2020 OPEC planned a 1.5 million barrel 5 A PREPRINT - JULY 27, 2020 per day (mb/d) drop in production on the second quarter of 2020. Out of this, 1 mb/d would be production cut for OPEC countries and 0.5 mb/d would be the production cut from non OPEC but associated producers, mainly including Russia. The next day, the plan was disapproved by Russia resulting in the world's most prominent exporter of oil, Saudi Arabia, to enhance production to 12.3 mb/d, which is its full capacity. Saudi Arabia declared discounts of approximately 20% in major markets. This resulted in a fall of approximately 30% in oil prices and the declines continued since then. The dual shock of COVID-19 and fall in oil prices are interlinked, yet different. The demand portion of oil shock is related to a fall in consumption of oil as a result of safety practices to curb the spread of coronavirus. This has occurred due to 'stay-at-home' orders which has caused severe slowdown to the global economy.

### **Tourism Industry:**

On a worldwide basis, as a result of COVID-19 pandemic, a few countries are striving to recover themselves from extensive lock-downs, while other countries have the stay at home order in place to curb the spread of coronavirus. The COVID-19 pandemic will have a long standing effect on worldwide tourism, and it is still uncertain if tourist destinations in Europe or North America will have sufficient tourists to maintain the local industries.

### **Financial Sector:**

Towards the end of February 2020, there was uncertainty, volatility and risk observed in the financial markets. There was an abrupt decline in the equity markets and there loss in market value was approximately 30% within a few weeks and the sell-off speed was more than that of the Global Financial Crisis(GFC) which occurred in 2008-09

### **Healthcare Sector**

In the past, healthcare has not been much affected by crisis and economic slowdown. Regardless of whether the economic conditions are favourable or unfavourable, people still need healthcare. People who possess health insurance 13 A PREPRINT - JULY 27, 2020 do not have much out of pocket expenses and are able to receive quality medical treatment. But the COVID-19 pandemic control measures encourage people to stay at home under lock-down, so people who would normally avail healthcare are at home under lock-down.

### **Education Sector:**

Biggest public health risk, the world today facing is leading to biggest and fastest restructuration or re orientation of the Indian education order. End of the month march 2020 recorded the spread of covid 19 pandemic to over 185 countries and resulted in closure of over 95 percent of all schools, colleges and universities impacting close to approx. 350 million students.

### **CONCLUSION:-**

The coronavirus spread rapidly throughout the world. The pandemic created severe economic impact in different sectors of the economy negatively affecting global trade, interest rates, financial market liquidity and creating demand . and supply Stocks. It is uncertain when the economies around the world will recover from the global pandemic or how long the recovery efforts would take. In my research I have analyzed the economic

impact of COVID-19 on five economic sectors. But there are many other sectors adversely affected by the pandemic and my paper will help the readers do additional research on various other sectors. This paper will help readers understand how the COVID-19 pandemic has created a widespread economic slowdown and has affected different sectors of the economy. A deep analysis of each of the sectors discussed in this paper has been conducted which will give readers a clear understanding of the severe economic and financial downturn faced by each sector as a result of the pandemic.

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