

## **THE IMPACT OF CORONA VIRUS ON THE FUTURE OF GLOBAL ECONOMY**

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### **ABSTRACT:**

The effect and impact of the corona virus cannot be over emphasized as it has affected almost every industry worldwide. The world economy is in a state of decline due to the impact and effect the pandemic has on SME. The visible impact is demonstrated in rise in unemployment, decline in the service industry, slump in manufacturing industries, fall in global trade and shrinkage of global economy, among other. The most affected industries worldwide include Aviation, Tourism, Hospitality, Manufacturing, Transportation, Health, Agriculture, Sports. This paper examines the state of global economy before and after the pandemic and focuses on the disaster recovery plan in order for the world global trade and economy to gradually rise and surpass forecast

### **INTRODUCTION:**

The devastating effects and negative impact of the corona virus pandemic on individual's economies and global economy as a whole is quantified in trillions of dollars. Every industry has been hit hard, millions of jobs have been lost, millions have died with the threat of more to follow, and the global economy is in a total mess at the moment. Though individual countries have taken drastic measures based on the effect and impact on their economy, the truth is it will take the world considerable amount of time to recover. A lot of businesses have shut down and are desperately in need of bail out from governments of their respective countries in order for them to come alive again. The government cannot support everyone because they are also handicapped and so the comes to the fact that most small or medium sized organisations and businesses will indeed take time to come alive. The global economy is in distress in order to be able to really quantify the depth, there is a critical needs to examine the global economy before the pandemic and further equate it with the current state. This will help in identifying the depth of damage the corona virus pandemic has caused and how the global economy will recover and become stabilized.

## GLOBAL ECONOMY BEFORE THE PANDEMIC:

Many will wonder what the state of global economy was before the pandemic broke out late 2019. The reality is that the economy has long been sick before the corona virus pandemic broke out. As described by Kate (2020) "Many of those upon whom our survival depends are not paid accordingly". She further explained saying "Care workers, cleaners, nurses, truck drivers, supermarket cashiers and fruit pickers continue their work as advertising executives, marketers, stockbrokers and football players stay at home". The implication of this is that the labour market became divided into two main categories: essentials and non-essentials. Individual economies worldwide were already having serious problems ignited by the fact that China and the United States had a trade war that lasted for a while.

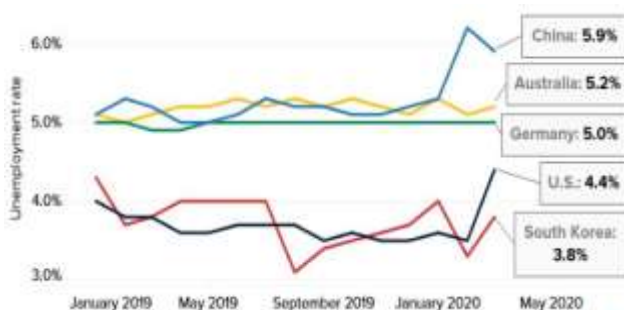
The trade war restructured alliances worldwide, created new business partners, new distribution channels and markets and as well created new emerging economies while some slipped deeper into recession. All these already caused a disruption in global business and caused a slip in global economy which needed time to improve. In all, the clear picture was that the global economy was not as healthy as it was painted and then the corona virus pandemic struck. This just basically exposed the already fractured global economy which the world is yet to recover from. In view of this, there is a need to examine and evaluate the effects and impacts of the corona virus pandemic on the global economy with the aim of identifying a recovery plan that is sustainable in long term.

## EFFECT AND IMPACT OF CORONA VIRUS PANDEMIC:

The effect and impact of the pandemic is devastating as described by Yen (2020) saying "the corona virus disease has spread to 185 countries and territories, infecting more than 2.7 million people and killing over 190,000 globally". The figure is expected to rise over time due to the fact that the virus is very contagious. The reality is the fact the global economy might not return back to the way it was before the pandemic. According to Richard (2020) "The world's economy is unlikely to return to pre-pandemic levels before 2022 at the earliest". The effects and impact are as follows:

### Rise in Unemployment:

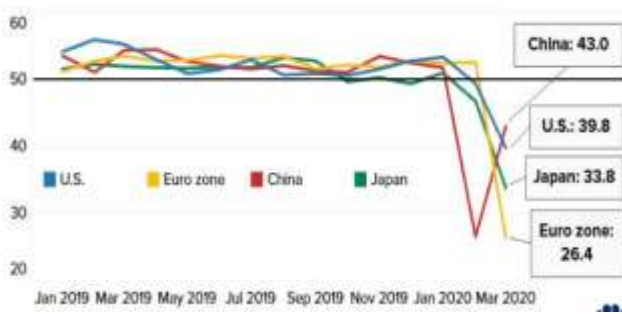
One of the most devastating effects and impact of this pandemic is the fact that so many companies had no choice than to temporarily suspend operations. This led to a lot of employees losing their jobs especially in small and medium sized organisations. The lockdown measure to contain the virus spread has also helped in escalating record job losses worldwide. In the US alone, about 26 million jobs were lost over a period of five weeks. Australia and South Korea also recorded a rise in the rate of unemployment. This is a significant reality as the graph shows the rise in unemployment across the world



### Service Industry Down:

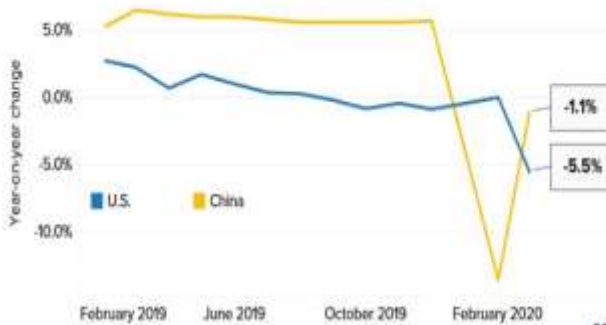
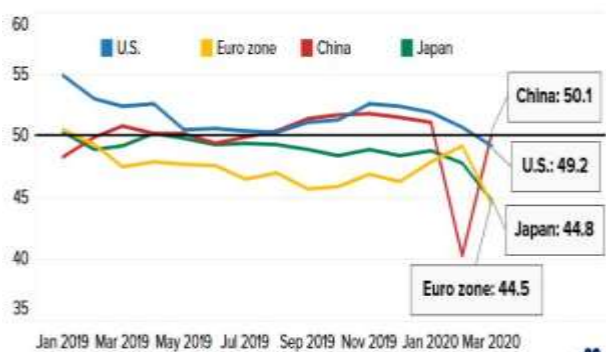
The service industry is a very significant part of any country's economy especially the US and China which happens to be two of the largest economies as well as consumer market in the world. The service industry has been a major source of growth and employment. The lockdown measure has led to

the point where both economies reported a very sharp decline especially in retail sales. Though there was an increase in online sales, this has not been enough to shoulder the overall impact of the fall.



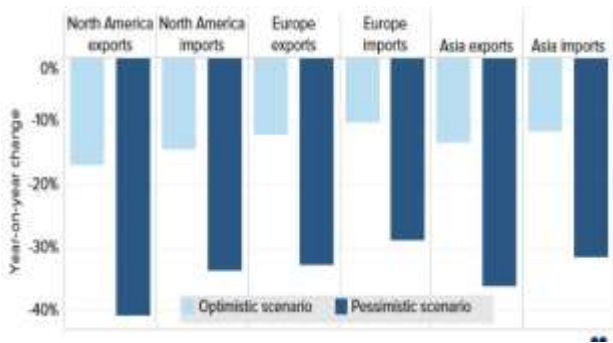
**Slump in Manufacturing Industries:**

Manufacturing is a very important part of any nation’s economy as it allows them to produce their goods and sell on the global market to generate money. The trade war between the US and China has hit hard the manufacturing industry and the outbreak of corona virus just dashed the recovery hopes of an industry that has been under pressure. As the number of countries that has imposed the lock down measures continue to rise, a greater number of manufacturing companies would be hit hard. In some instances, some have been forced with no other choice than to shut down and other that are open, have been able to do so under a lot of restrictions



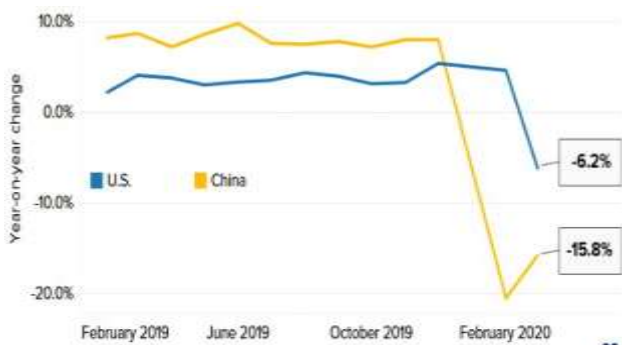
**Fall in Global Trade:**

Global trade in 2019 already showed that it was slowing down, the outbreak of the corona virus will only make the situation worse. This because according to the World Trade Organisation (WTO) “global trade volume could plummet by 12.9% or 31.9% in 2020”. Furthermore, more forecast predict that “all regions will suffer double-digit declines in exports and imports in 2020”. The outbreak of the pandemic has confirmed that it would be far worse than the earlier made predictions. This means export and import will fall drastically. Revenue will drop drastically and the thought of this alone has already created a bleak future for global trade.



**Shrinkage of Global Economy:**

It is no news that economic activities worldwide has been hot hard due to the outbreak of the pandemic. This has led to many institutions to the point where forecast for global economy have been slashed. Furthermore, The International Monetary Fund (IMF) expect " global economy to shrink by 3% this year" and only a handful of economies is likely to grow. The implication of this is that recovery will also and only be partial because the level of economic activities that was expected to remain low before the pandemic will get worse. According to Yen (2020) "The cumulative loss to global GDP over 2020 and 2021 from the pandemic crisis could be around 9 trillion dollars". This according to financial advisers is a big deal.



**MOST AFFECTED INDUSTRIES:**

The effect and impact of the corona virus pandemic has also in a way affect industries across every nation and region bringing some industry to a total stand still. In order to be able to measure the extent of the damage the pandemic has caused on the global economy, there is a need to critically examine and evaluate the most affected industries.

**Aviation:**

This is one of the most affected industries in the world. Millions of people travel from one point to another between cities in a states, between states in a country, between countries in same regions and between the different regions of the world amounting to billions of dollars in revenue. The pandemic has caused most airline to stop operations with some still operating at about. The implication of this is that there is already a decline in travel and revenue since the pandemic. Apart from that, thousands of jobs created in the airline industry are now under threat if the pandemic continues. Most airlines are already at the point of bankrupt and are seeking huge bail out from their respect governments to be able to survive the pandemic.

**Tourism:**

Millions of tourist travel across the world every year in search of top tourist destinations. Since the pandemic started, one of the measures to curb the spread is social distancing which means people are expected to keep a reasonable amount of distance to themselves to reduce the risk of spreading or infecting other people. Apart from that, people have been asked to stay home with total lock down in some countries. The impact of this is that the tourism hot spots have become main target where the virus could easily spread because of the high number of people that are always there interacting with each other. Beside the airline industry has been halted and so there are actually no flights to these destinations for the time being. Decline in Sales, and revenue as well as the thousands of jobs on the line are among the reality of the pandemic on the industry

**Hospitality:**

The hotel industry is also hit and is very similar the effect the pandemic has on tourism industry. If no one is travelling to tourist destinations, it means no guest or tourist will be staying in the different hotels that provide hospitality for millions of tourist across tourist destinations worldwide. This means decline in number of tourist, means decline in hotel reservations and eventually decline in revenue. Millions of jobs created by the hospitality industry across the world are also under threat and care is not taken, some hotels will total run out of business.

**Manufacturing:**

The manufacturing industry is hit in a way because people cannot go work especially in manufacturing operations that involves interaction of people in close proximity. This in a way has impacted manufacturing as less people can only be at the production area at a given time. The impact of this is that there is a decline in production which resulted in decline of sales of product and eventually loss in revenue. In areas where most operations are automated, operations has also been impacted and there is a growing decline.

**Transportation:**

This is the most hit industry across the world. Transportation involves movement of people and goods from one point to another. In both, logistics plays and important role but because movement have been restricted in so many places, movement of people and goods have been disrupted. Companies that runs fleets of trucks used for deliveries across cities and states have their businesses brought to a halt.

**Health:**

Another industry that was hit hard is the health industry. The pandemic really exposed the health industry in a way many never expected. At the height of the pandemic, the number of health professionals worldwide could not match number of patients who needed medical attention in one way or the other. Another area exposed was the fact that medical equipment were not enough and in some cases, some patients were left unattended to. Because of the rapid increase in infected people, regular medical supplies were quickly used up and the rate of manufacture and production to replenish stock and inventory could not cope because the manufacturing industry had been handicapped. A lot of medical staff also died in the course of trying to save others.

**Agriculture:**

Agriculture was also hit hard and the restriction of movement of people affected those in the agricultural sector. Many could not go their various farms and even if were able to, they couldn't achieve much. Meanwhile, food stock by individuals were gradually finish and needed replacement. In some areas, cities and country, some basic food items became short in circulation. The implication of this is the ones that were left had their prices inflated which made the cost of living go up. Distribution of the available products become different with movement already halted in most places. This lead to shortage of food stuff everywhere.

**Sports:**

The sports industry is another industry hit hard. In terms of revenue generated from the sales of tickets sold in stadium where most of these sport takes place, it has declined drastically. In football, some players even had to take pay cut in order for the clubs to remain alive. Merchandise sales for these clubs have also declined as people now spend less on those accessories because the future is still not sure when the pandemic will be over. The pandemic has also affected sponsorships across all sport, advertisement and media broadcast. The revenue that been lost will take a reasonable amount of time to be recovered. Major sports competitions that is expected to generate billions of dollars in revenue and TV rights and broadcasts have all been postponed.

In reality, most of the industries have been affected in one way or the other but the effects are light in some industries while others experience in-depth impact. The questions that comes to mind is how will the world recover from the effect and impact of the corona virus pandemic? This call for the need to review disaster recovery plan that is implementable across regions that would help industries bounce back from their respective losses.

**DISASTER RECOVERY PLAN:**

In the heat of everything the pandemic has brought, the only question been asked now is that "How soon will global economy recover from this current state?" There might be some good news according to Hao (2020) as he described the future from Chinese experience and point of view saying "Going by China's experience, it could take countries over three months after lock down restrictions are eased to get their economies back on track". Furthermore, he went to stress the fact that "Economic activity could return to normal levels by the last quarter of 2020"

The pandemic has been able to push people towards reconsidering how people work remotely. This has also restructured the internet infrastructure. According to Lei (2020) "Since the outbreak of COVID-19, the new infrastructure has played a critical role in China's overall economy". Furthermore "Retail platforms based on a solid supply chain ensure that the supply of products accurately matches people's needs"

In addition to that Lei (2020) further describe that "Offline retail stores are exploring online sales opportunities, which accelerates the recovery in production and orders". In terms of health services, further explanations revealed that "online medical advice and online pharmacies provide convenient online healthcare services, addressing medical resource shortages". These twist in internet infrastructure, provide more e-services is attributed to the fact that there is an enabling support which includes the 5G networks, Internet of Things (IoT), data centres and artificial intelligence.

In the peak of the pandemic, work from home rose drastically as a lot of companies had to keep offering essential services to customers. This in a way also opened up and laid more emphasis on the prospect of working remotely which has become more effective over time, since the start of the pandemic. More organisations are beginning to tap into the idea of remote working which has a lot more benefits.

**CONCLUSION:**

The pandemic was unprecedented and has in one way or the other affected almost everything that makes up our daily domestic and business operations. The global effect of the pandemic can be in the shrinkage of global economy, fall in global trade, slump in the manufacturing industries, decline in the service industry, lost of millions and jobs and most significantly, rise in unemployment worldwide. The most affected industries includes aviation, tourism, hospitality, manufacturing, transportation, health, agriculture and sports. Even though the facts, figures, statistics and forecasts shows that it might take a while for individual economies to stabilise, the pandemic has also opened up streams of opportunities and new areas and lines of businesses that companies are beginning to tap

into. These line of businesses involves less capital and infrastructure, less man power, more automation but high dependent on internet technologies and solutions. The future is slowly here.

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