INTERNATIONAL RESEARCH JOURNAL ON ADVANCED SCIENCE HUB
e-ISSN : 2582 - 4376
Open Access
RSP SCIENCE HUB
(The Hub of Research Ideas)
Available online at www.rspsciencehub.com

Special Issue of First International Conference on Advancements in Management, Engineering and Technology (ICAMET 2020)

Global Economy with comparative study of India and China in a pandemic situation

[1]Chetan. K, [2] Dr. S.N. Yogish
[1]Research scholar, Department of Economics, Kuvempu University.
[2]Professor, Department of Economics, Kuvempu University.
kchetan13@yahoo.com[1]

Abstract

As countries placed tight restrictions on travel to curb the spread of the virus, the COVID-19 pandemic spread with alarming ease, infecting millions and bringing economic activity to a practical standstill. The Global Economic Prospects for June 2020 define both the immediate and short-term outlook for the effects of the pandemic and the long-term harm it has spread to growth prospects. Despite the unprecedented efforts of governments to fight the slowdown with fiscal and monetary policy support, the baseline projection envisages a 5.2 percent contraction in global GDP in 2020 using market exchange rate weights, the worst global recession in decades. The deep recessions caused by the pandemic are projected to leave lasting scars over the long view through lower investment, the depletion of human resources through a job and school losses, and the breakdown of global trade and supply links.

Keywords: Global economy, Recession, COVID-19, Market.

1. Introduction

A health crisis is engulfing the global economy. We have seen governments around the world react in a fast but still uncoordinated manner to the health and economic crisis, which is unsurprising considering that there is a 'one size fits all' policy solution to this situation. A scheme that aimed to reduce the economic harm of COVID-19 by allowing the virus to go through the population (relatively) unchecked was at one end of the policy response continuum, with the result of such a strategy being a poorer health outcome with stress on the health system. An alternate solution to addressing health risks has been to carry out a government-engineered deliberate recession in the economy. In universal, this solution included the closure of boundaries, the implementation of social distancing and quarantine steps and the prohibition of particular practices.

We are now starting to understand how these various health programmes are filtering through to the actual economies in various nations and territories. What remains uncertain, however, is how sharp the short-term decline in economic activity and Employment will be and, conversely, how easily and when economic activity and employment will recover. The main scenario involves an optimistic assumption that in Q2 2020 the worst of the health crisis that we all have been struggling with peaks for most countries and territories is set to Recover from Q3 2020 onwards; While the downside scenario allows for a more pessimistic outlook where the COVID-19 virus re-emerges in a second wave (or extended fibre) in many economic and environmental waves.

Early estimates predict that most developed economies will lose at least 2.4 percent of the output of their gross domestic product (GDP) by 2020 if the epidemic becomes a global pandemic, leading analysts to slash their global economic growth predictions for 2020 from about 3.0

percent to 2.4 percent. The global GDP is estimated to be approximately 86.6 trillion U.S. To place this statistic in context, dollars in 2019 suggest that only a 0.4 percent decline in economic growth translates to around 3.5 trillion U.S. Dollars in economic production losses. However, these predictions were made before COVID-19 became a global pandemic, well before the implementation of broad limits on internet media to prevent the transmission of the virus. Since then, due to the outbreak, global stock markets have experienced.

The IMF's prediction that the global economy will rise by -3% in 2020 is a much worse solution than the global financial crisis of 2009. Economies like the United States, Japan, the United Kingdom, Germany, France, Italy and Spain are projected to contract by 5.9, 5.2, 6.5, 7, 7.2, 9.1 and 8% respectively this year. Advanced economies have been hit harder and are contrived to rise by -6% in 2020. It is estimated that emerging markets and developed economies will contract by -1 per centime. The growth rate for 2020 is projected to be -2.2 percent if China is removed from this pool of lands.

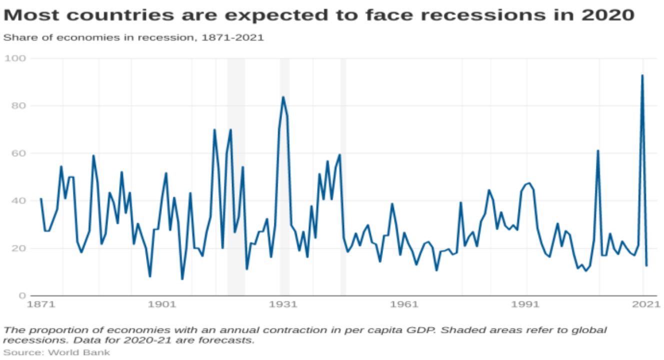


Fig.1. Recessions in 2020

As a result of the corona virus pandemic, the global economy could shrink by up to 1 percent in 2020, a reversal from the previous estimate of 2.5 percent expansion, the UN said, warning that if limits on economic activity are extended without appropriate fiscal responses, it could contract even further. The UN Department of Economic and Social Affairs (DESA) study has suggested that the COVID-19 pandemic is threatening global supply chains and foreign trade.

The movement of people and tourist flows have come to a screeching halt with almost 100 countries closing national borders over the past month. "In these nations, millions of workers face the grim prospect of losing their employment. Governments are contemplating and introducing massive stimulus programmes to avert a sharp decline in their economies that could potentially plunge the global economy into a deep recession. The world economy could contract by 0.9 percent in 2020 in the worst-case scenario," the DESA said, adding that the worldwide economy could contract by 0.9 percent in 2020. It added that if governments fail to provide income support and help improve consumer spending, the contraction could be even higher. The study noted that global production was expected to grow at a moderate rate of 2.5 percent in 2020 before the outbreak of COVID-19, as reported in the World Economic Situation and Prospects for 2020.

The study noted that, as stated in the World Economic Situation and Prospects for 2020, global production was projected to increase at a moderate rate of 2.5 per cent in 2020 before the outbreak of COVID-19. The UN DESA World Economic Forecasting Model has predicted the best and worst-case scenarios for global growth in 2020, taking into account the rapidly evolving economic conditions. In the best-case scenario, global growth will fall to 1.2 percent in 2020, with modest decreases in private consumption, investment and exports and offsetting rises in government spending in the G-7 countries and China. "In the worst-case scenario, global production will decline by 0.9% in 2020, instead of rising by 2.5%," he said, adding that the scenario is focused on demand-side shocks of varying magnitudes for China, Japan, South Korea, the US and the EU, as well as a 50 percent decrease in oil prices compared to our baseline of USD 61 per barrel. Two factors would primarily depend on the magnitude of the economic impact: the length of restrictions on the movement of people and economic activity in major economies; and the actual scale and effectiveness of fiscal responses to the crisis.

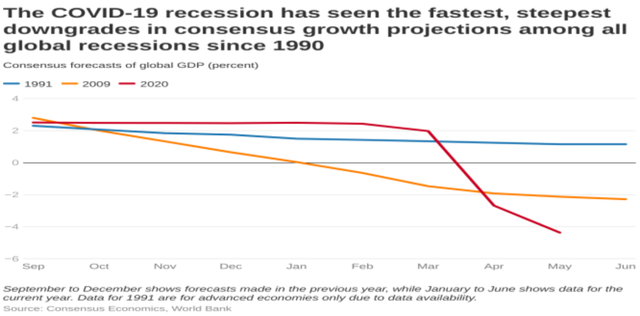


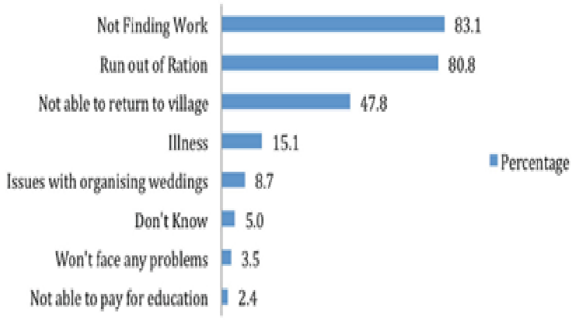
Fig.2. Global Recessions since 1990

2. The Economic Situation in India:

Unlike the global economy, Indian economy was already in a recession process before the pandemic affected and there were hopes that the economy is on a recovery course. But, with the COVID-19 such expectations are not only dented very down turn turning out to be much deeper. There are different estimates that suggest a sharper slowdown. Some projections also indicate negative growth, which has not been seen in the past five decades. The instability in the economy has increased in several ways with the lockdown and with rising infections.

The response is mixed on the basis of recent decisions and India may need much more to resolve the distress generated by the pandemic across sections of society. Indeed, India declared a national lockdown relatively quickly, and rightly so, and took swift precautionary steps compared to Most countries are reeling from the rapid growth of infections. There are also early indicators in India that it is very similar to 'flattening the curve,' which has become an important target in these COVID-19 wars. While this could mitigate the loss of lives, there are concerns that its adverse impact on livelihoods may have a significant second round effect.

Different steps have been taken on a regular basis by the Government and the RBI not only to ensure liquidity in the financial markets but also to shift money to Jan Dhan accounts in order to partially offset the loss of income to poor and daily wage earners. A fiscal support of Rs 1.7 lakh crores has already been declared by the government, which is in addition to the support steps taken by other state governments so far. As it may turn out, however, the steps taken so far may not be adequate if the lockdown is further prolonged or for the post-lockdown economy.



Source: Jan Saahas Survey (2020)

Fig.3.The impact of corona virus on India's migrant population

In the thick of the country's lockdown, the crisis experienced a frightening mass exodus of such a floating refugee population on foot. Their issues mainly stem from the lack of jobs and the absence of a social safety network. They kept walking back to their houses, despite government promises. In this sudden crisis among marginalized communities, it is a store of injustice, poverty and social exclusion that seeks to work out.

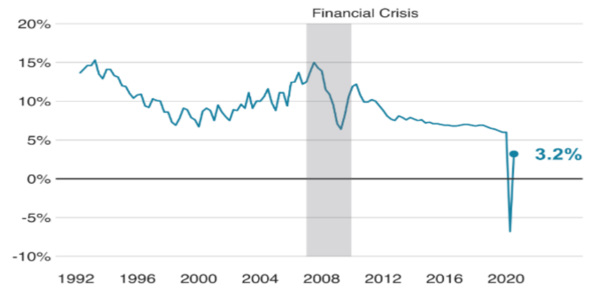
The Supreme Court has ordered a status study from the Centre on the measures taken to discourage mass relocation of migrant workers to their villages. There will be far-reaching effects for the Indian economy as a result of the rapid relocation of workers due to the corona virus. Any of these workers could not return to play in the manufacturing cities of Gurugram, Surat and Mumbai. They may seek jobs in or in the neighbouring countries of their marginal farms. As labour will not be available long after the lockdown, the consequences of behavioural changes forced by lockdown will bring pressure on small and medium-sized businesses and the agriculture sector. The socioeconomic problem triggered by the COVID-19 pandemic may also raise inequality, alienation, racism and global unemployment in the medium and long term, unless the policy is adequately handled.

3. The Economic Situation in China:

China is a few weeks ahead of most other nations on the 'curve' of the creation of the virus as the first country to be embroiled in the COVID-19 pandemic. As such, many other countries are closely monitoring the developing situation in China. While statistical methods for recording infections and deaths have vary across countries, it is generally agreed that at the current stage, China has a pandemic, relatively under control, with new cases increasing at a rate of less than 100 per day. There is, of course, some worry that asymptomatic cases are not diagnosed adequately, but the fact that the number of new symptomatic cases is fixed (hospitals are therefore not overwhelmed) acts as a kind of surrogate to give the general public trust that the condition has significantly improved.

The outcome of COVID-19 on China's economic development would be very evident in the short term. Estimates have been provided by a variety of domestic and foreign organizations since the epidemic. Most of them believe that GDP growth would be almost 4% in the first year, a decrease of around 2 percentage points. Growth rates will steadily rise over the next three years, depending on when the outbreak ends, and annual GDP growth will show a "V-shaped" pattern. All aspects considered; this crisis will have much overshadowed the economic growth result of SARS 17 years earlier. In the one hand, as of today, the size of this outbreak is still far bigger than that of the previous one, whether in terms of confirmed cases or deaths.

In the other hand, as opposed to the SARS period, there have been very different shifts in the environment of development, the economic system and the potential for policy support, which are less beneficial than years ago to mitigate the consequences. However, the impact of the epidemic of Novel Coronavirus is likely to be transient, as is any catastrophe. When the outbreak is over, economic growth, as determined by the general course of events, will easily return to normal. It is expected that, if the outbreak is essentially over by the end of March or the beginning of April, the growth rates for the four quarters of this year will be 4.5%, 5.0%, 5.8% and 5.7% respectively, considering the prevalent estimates and predictions of domestic and foreign organisations. The annual growth rate may be 5.2-5.3 per cent.



Source: China's National Bureau of statistics.
Fig.4.Chinese economy bounces back into growth

The figure is greater than expected by experts and points to a V-shaped recovery-that is, a sharp fall accompanied by a fast recovery. It also implies that China is preventing a technical recession, which is supposed to be two consecutive periods of negative growth. The bounce-back follows in the first quarter of the year a steep 6.8 percent downturn, which was the highest contraction since the beginning of quarterly GDP records. For most of this time, the factories and businesses of the country were shut down as China imposed strict measures to reduce the spread of the virus.The government has been introducing a number of steps, including tax cuts, to help improve the economy.

4. Discussion:

The pandemic of COVID-19 has prompted us to rethink these processes. Integration of global supply chains also renders land vulnerable to interruption in global supply. Since no other nation can equal China in the abundance of its labour power, we must catch the space that is empty in labour-intensive sectors. As the movement of Chinese migrant workers was reduced and the construction activity was halted, the COVID-19 pandemic posed a significant threat to the centre of global growth. Half of mankind is currently locked out, and if the lockout lasts, a fall in Chinese companies' income in the rest of the world will lead to unemployment, government spending cuts, and a significant recession. Increased demand for commodities will increase costs until the outbreak is moderated, even though there is a global supply disruption and unemployment rates are strong, and that is where stagflation sets in. The Indian economy will be largely insulated from these economic upheavals because, with the exception of a few industries, Indian manufacturers are not participating in global supply chains.

Large corporations have left themselves needlessly vulnerable to risks to the supply chain in an attempt to force down costs. The global economy depends on 'Just in Time,' product refurbishment and thus retains very low stocks. With 16% of global exports and 7% of global mining imports, China is an industrial superpower. For example, Wuhan and Shanghai, the area most affected by COVID-19, are the locations in which multinational mobile, car and fibre optic manufacturers rely for assembly line operations. Before they start sourcing from the world or merge their supply chains with global supply chains, Indian businesses should evaluate their supply chain threats.

As a result of the health crisis of COVID-19 and resulting global shocks to aggregate supply and aggregate demand, world GDP is predicted to fall significantly in the first half of 2020, with KPMG's Central and Downside scenarios indicating actual declines of 11 per cent and 12 per cent, respectively, between the December quarter of 2019 and the June quarter of 2020.

It is expected that various countries and territories will undergo different aspects of the recovery process, with each area being impacted by the interplay between their undergo of capturing and controlling the spread of COVID-19 and the inherent socio-economic features of each nation or territory.

Conclusion:

The likelihood of a global recession in 2020 and 2021 due to COVID-19 would be exceedingly high, as it has been reported internationally that all economic operations to track the spread of COVID-19-production, disease loss and trade are inevitable. Due to a supply shock, a demand shock and a market shock, the nub of the shutdown is especially in the case of COVID-19. The economic recovery depends on the timing and extent of government funding, the amount of corporate debt and how lower demand is coped with by businesses and securities industries. Government assistance to those most in need (mainly unorganized industries, refugees and disadvantaged communities) is a vital instrument for saving many lives.

However, each crisis provides a specific opportunity to rethink the direction taken through the growth of a human person, society and community. For the Indian economy, the COVID-19 pandemic has a clear message of pursuing sustainable development models that rely on self-reliance, inclusive and environmentally friendly fabrics.

References:

[1]. Economic Survey. (2020). *Key indicators*. Government of India.

[2]. Godman Sachs. (2020). *Goldman Sachs estimates India's GDP growth rate at 1.6%, predicts RBI will reduce interest rates by another 50 basis points*.

[3]. IIPS. (2001). *Major net migration flows*. Indian Institute of Population Sciences.

[4]. KPMG. (2020). Corona virus: India's GDP growth may fall below 3% if lockdown extends, says KPMG report. *Business Today*.

[5]. Sonal Verma, A. N. (2020). *COVID-19's impact on the world economy*. Nomura.

[6]. https://www.pwccn.com/en/covid-19/macroeconomic-impact-covid19-policy-suggestions.pdf