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EFFECT OF COVID-19 ON WORLD ECONOMIES

Ogidi, Armstrong Emmanuel, Ph.D
Department of Agribusiness, University of Agriculture, P.M.B. 2373, Makurdi, Benue State, Nigeria | Email: armstrongogidi@gmail.com

Alum Charity, Ph.D
Senior Lecturer, Department of Public Administration, Abia State Polytechnic, Aba

Dr. (Mrs) Chidinma Udo-Orji
Skillmark Media Ltd, Owerri

ABSTRACT
The objective of the study was to examine the effect of COVID-19 on economies. Economies need to implement a reconstruction and development program for their countries. At the individual level, citizens should not waste this crisis. This is a time for us to enrich our physical, spiritual, and emotional health, and not just focusing on avoiding the coronavirus. Create a new normal daily routine by eating well, exercise, and get sufficient rest. Enrich our mind by reading some great books, learning a new skill, visualize and document your long-term goals and plan to pursue those goals with passion when the Covid-19 pandemic is over. Spillover of Covid-19 pandemic into countries declined oil prices, which was an external shock, caused by the pandemic. The structural problems in countries at the time prolonged the economic crisis. The scope and severity of the economic crisis is a clear signal that growth and development reforms are needed in countries. In retrospect, some Governments used fiscal and monetary stimulus package as a partial solution to revive falling aggregate demand.

Keywords: *Economies, Effect of COVID-19*

INTRODUCTION

The outbreak of pandemic Covid-19 all over the world has disturbed the political, social, economic, religious and financial structures of the whole world. World's topmost economies such as the US, China, UK, Germany, France, Italy, Japan and many others are at the verge of collapse. Besides, Stock Markets around the world have been pounded and oil prices have fallen off a cliff. In just a week 3.3 million Americans applied for unemployment and a week later another 6.6 million people started searching for jobs. Also, many experts on economic and financial matters have warned about the worsening condition of global economic and financial structure. Such as Kristalina Georgieva, Managing Director of International Monitory Fund (IMF), explained that "a recession at least as bad as during the Global Financial Crisis or worse". Moreover, Covid-19 is harming the global economy because the world has been experiencing the most difficult economic situation since World War-II. When it comes to the human cost of the Coronavirus pandemic it is immeasurable therefore all countries need to work together with cooperation and coordination to protect the human beings as well as limit the economic damages. For instance, the lockdown has restricted various businesses such as travelling to contain the virus consequently this business is coming to an abrupt halt globally.

The public health sector in Nigeria has poor infrastructure such as poor emergency services, few ambulance services, ineffective national health insurance systems, insufficient primary health care facilities, and these problems in the public health sector have often been linked to the high maternal and infant mortality rates in the country (Muhammad et al, 2017). Currently, Nigeria operates a two-tiered healthcare system with a large public healthcare sector and a smaller private healthcare sector. Compared to developed countries, the private healthcare sector in Nigeria is very small because of the limited funding for private health insurance. Also, the majority of Nigeria's healthcare spending is still dominated by out-of-pocket expenditure which account for 70% of total health expenditure8, which suggest that most Nigerians either do not rely or trust the health insurance systems in the country or they are unaware of the availability of health insurance. Despite the introduction of the National Health Insurance Scheme (NHIS) in 2004, the population covered by health insurance in 2019 was about 5 percent of the total population.

The Nigerian pharmaceutical industry also has its own problems. The Nigerian pharmaceutical industry is one of the largest in West Africa, and accounts for about 60% of the market share in the region. But most of the active pharmaceutical ingredients (API) used in Nigeria are imported from China, and only 10% of the drugs used in Nigeria are manufactured locally in the country. The industry is facing many problems such as poor infrastructural and unreliable utilities, scarcity of skilled workers, poor access to finance, lack of appropriate government incentives, policy incoherence by the government, poor demand due to robust competition from Asian companies particularly China, high cost of doing business as a result of imported and expensive production inputs, regulatory problems, among others. Nigeria has a drug market that is almost unregulated because the health agencies have difficulty in preventing the importation of illegal drugs and difficulty in tracking informal drug sellers that operate without a registered license (Fatokun, 2016). It is estimated that informal drug sellers in the country account for more than 70% of the pharmaceutical market and these informal agents import substandard and falsified drugs through informal channels. Research shows that 78% of low-quality medications came from private facilities compared to public facilities9, and most of these private facilities are unregulated. The unregulated drug market in Nigeria is the major factor responsible for the circulation of low-quality medicines in the country (Klantschnig and Huang, 2019).

The failings in Nigeria's public health sector made it difficult for Nigeria to cope with the fast-spreading Covid-19 disease during the outbreak. Local drug manufacturers could not manufacture drugs that could temporarily suppress coronavirus in infected patients because the APIs used to manufacture suppressant drugs could no longer be imported because China had shut down its factories and closed its borders to control the coronavirus pandemic that was ravaging China at the time. Also, there were insufficient isolation centers in many states including in Abuja and Lagos. The number of infected patients in Lagos grew worse to the extent that a stadium had to be converted to an isolation center. In the end, the Covid-19 outbreak overwhelmed the poor public health infrastructure in Nigeria.

Keeping in a view the staggering situation G-20 nations called an emergency meeting to discuss worsening conditions and prepare a strategy to combat Covid-19 as losses could be reduced. The spread of the epidemic is picking up speed and causing more economic damages. It is stated by the U.S. official from federal reserves that American unemployment would be 30% and its economy would shrink by half. As far as the jobs of common people are concerned, there is also a real threat of losing their jobs because with business shutting down that shows that companies will be unable to pay to workers resultantly they have to lay off them. While when it comes to the stock market, it is severely damaged by Covid-19 such as the stock market of the United States is down about thirty percent. By looking over the existing condition of several businesses, most of the investors are removing its money from multiple businesses in this regard $83 billion has already removed from emerging markets since the outbreak of Covid-19. So, the impact of Covid-19 is severe on the economic structure of the world because people are not spending money resultantly businesses are not getting revenue therefore most of the businesses are shutting up shops.

It also observed that the economic recovery from this fatal disease is only possible by 2021 because it has left severe impacts on the global economy and the countries face multiple difficulties to bring it back in a stable condition. Most of the nations are going through recession and collapse of their economic structure that points out the staggering conditions for them in this regard almost 80 countries have already requested International Monetary Fund (IMF) for financial help. Such as Prime Minister of Pakistan Imran Khan also requested IMF to help Islamabad to fight against Novel Coronavirus. Furthermore, there is uncertainty and unpredictability concerning the spread of Coronavirus. So, the Organization for Economic Cooperation and Development (OECD) stated that global growth could be cut in half to 1.5% in 2020 if the virus continues to spread. Most of the economists have already predicted about the recession to happen because there is no surety and still no one knows that how far this pandemic would fall and how long the impact would be is still difficult to predict. Besides, Bernard M. Wolf, professor, Economics Schulich School of Business, said that “it is catastrophic and we have never seen anything like this, we have a huge portion of the economy and people under lockdown that’s going to have a huge impact on what can be produced and not produced”.

As Covid-19 has already become a reason for closing the multiple businesses and closure of supermarkets which seems empty nowadays. Therefore, many economists have fear and predicted that the pandemic could lead to inflation. For instance, Bloomberg Economics warns that “full-year GDP growth could fall to zero in a worst-case pandemic scenario”. There are various sectors and economies that seem most vulnerable because of this pandemic, such as, both the demand and supply have been affected by the virus, as a result of depressed activity Foreign Direct Investment flows could fall between 5 to 15 percent. Besides, the most affected sectors have become vulnerable such as tourism and travel-related industries, hotels, restaurants, sports events, consumer electronics, financial markets, transportation, and overload of health systems. Diane Swonk, Chief Economist at the Advisory Firm Grant Thornton, explained that “various nations have multinational companies that operate in the world because the economy is global. For instance, China has touch points into every other economy in the world, they are part of the global supply chain. So one should shut down production in the U.S. by shutting down production in China”.

ECONOMIC EFFECT OF COVID-19

In December 2019, a cluster of pneumonia cases from an unknown virus surfaced in Wuhan, China. Based on initial laboratory findings, the disease named Coronavirus disease 2019 (abbreviated as COVID-19), was described as an infectious disease that is caused by severe acute respiratory syndrome coronavirus. The COVID-19 outbreak has since spread to about 196 countries and territories in every continent and one international conveyance across the globe. While there are ongoing efforts to curtail the spread of infection which is almost entirely driven by human-to-human transmission, it has accounted for over 400,000 confirmed cases with over 18,000 deaths.

Beyond the tragic health hazards and human consequences of the COVID-19 pandemic, the economic uncertainties, and disruptions that have resulted come at a significant cost to the global economy. The United Nations Trade and Development Agency (UNCTAD) put the cost of the outbreak at about US$2 trillion in 2020. Most central banks, finance ministries and independent economic experts around the world have taken solace in the prediction that the impacts might be sharp but short-lived, and economic activities would return to normal thereafter. This line of thought mirrors the thinking of the events that shaped the 2007 global financial crisis. However, it is quite instructive to note that the 2007 crisis which emanated from the United States' subprime mortgage crisis was mainly an economic phenomenon, with its fallout spreading across many regions of the world. When compared to COVID-19, the 2007 crisis could be described as minor and manageable. The tumultuous events that COVID-19 had spread across the globe cut across every facet of human existence and the consequences may linger beyond the second half of 2020.

LACK OF SOCIAL WELFARE PROGRAMS

Before the Covid-19 outbreak, there were major social problems in Nigeria which include child abandonment, armed robbery, homelessness, mental health problems, divorce, and problems of single parenting. These social problems can only be addressed with serious social welfare policy and program. But, currently, social welfare activities in Nigeria is under developed, poorly funded and is unavailable to majority of those who need them (Ahmed et al, 2017). Nigeria does not have a national social welfare program that offers assistance to all individuals and families in need such as health care assistance, food stamps, unemployment compensation, disaster relief and educational assistance. The consequence of not having a national social welfare program became evident during the coronavirus outbreak of 2020. During the outbreak, people had little to rely on, poor citizens did not have welfare relief that could help them cope with the economic hardship at the time. There were no housing subsidies, energy and utilities subsidies, and assistance for other basic services to individuals that were most affected by the coronavirus outbreak. There are debates on the benefit of using social welfare programs to alleviate poverty and to help citizens cope with disasters (Luenberger, 1996; Dolgoff et al, 1980; Abramovitz, 2001), and social welfare theories provide different perspectives on how social welfare can be designed to meet the basic needs of the people (Fleurbaey and Maniquet, 2011; Arrow et al, 2010; Andersen, 2012).

So far, the provision of social welfare services to vulnerable citizens in the population is the most proven way to protect them from economic hardship in bad times (Ewalt and Jennings Jr, 2014), and the lack of such welfare services for vulnerable people, households and poor individuals during the coronavirus outbreak in Nigeria caused severe pain and economic hardship to households and poor individuals. The implication of this is that social welfare is not a policy priority by policy makers in Nigeria.

EFFECT ON BUSINESS SHUTDOWNS

The immediate impact of the lock-down is visible, with entire sectors more or less shut down. There is an expectation of private sector economic activity to be down by more than 20% in most European countries. The economic consequences will go beyond the immediate impact. The lockdown generates demand and supply shocks, impacting the entire economy –even after the lockdown is lifted.

IMPACT ON INDIVIDUAL COMPANIES CAN BE MAPPED OUT:

•Place of operation and the way the national economy is affected by the lockdowns.

•The industry the company operates in, and the spill-over effects from the industries it transacts with.

Company specific drivers:

- Supply effects: Disruptions in the value chain for goods (e.g. network equipment from China) have direct impact on production capacity.

- Demand effects: specific for the company, including competitive considerations. For example, increased need for network solutions due to lock-down.

FUNDAMENTAL CHALLENGE TO SOCIETY

Primary challenge is to get the reproduction number, or R0 , below 1.

- This implies that each infected person infects less than 1 person, resulting in the virus dying out.
- Without any containment measures, R0 takes a value between 2 and 3.

EXIT STRATEGY

Three main elements to exit strategies

1.Limit contagion: Identify sick and isolate population to prevent contagion.

2.Immunise the population: The *R*0 is likely to drop below 1 naturally, with the rate depending on epidemiological factors and containment strategies.

3. Develop vaccine: Theoretically, a lockdown could continue until a vaccine is developed.

Illustrative path of recovery in the three scenarios

The recovery path is expected to depend on the length of the lock-down; supply and demand effects become increasingly pronounced.

•***Supply effects:*** Value-chain disruptions –both domestic and global. Also, otherwise healthy companies go into default due to lack of revenue or value chain disruptions, leading to increasingly lower production capacity.

•***Demand effects:*** Loss of income has a direct negative effect on the demand for goods and services, or the propensity to consume. Also, uncertainty about the development of the pandemic make households and companies hold back on investments. Finally, the global crash in the stock market and possible decline in property prices leads to increased propensity to save.

USING MONETARY AND FISCAL POLICY MEASURES

In response to the Covid-19 outbreak, the monetary authority, the Central bank, said it would provide support to affected households, businesses, regulated financial institutions and other stakeholders to reduce the adverse economic impact of the Covid-19 outbreak. The central bank provided support in six ways. One, it granted extension of loan moratorium on principal repayments from March 1, 2020. This meant that any intervention loan currently under moratorium would be extended by one year. Two, it offered interest rate reduction on all intervention loan facilities from 9% to 5% beginning from March 1, 2020. Three, it offered a NGN50bn (US$131.6m) targeted credit facility to hotels, airline service providers, health care merchants, among others. Four, it provided credit support to the healthcare industry to meet the increasing demand for healthcare services during the outbreak. The loan was available only to pharmaceutical companies and hospitals. Five, it provided regulatory forbearance to banks which allowed banks to temporarily restructure the tenor of existing loan within a specific time period particularly loans to the oil and gas, agricultural and manufacturing sectors. Six, it strengthened the loan to deposit ratio (LDR) policy which allowed banks to extend more credit to the economy. On the other hand, the fiscal authorities had to review and revise the 2020 national budget of N10.59 trillion (US$28 billion). The government announced that the budget was reduced by NGN1.5 trillion ($4.90 billion) as part of the measures to respond to the impact of coronavirus on the economy and in response to the oil price crash. The new budget was benchmarked at US$30 per barrel from US$57 per barrel in the previous budget.

A WEAK AND UNDERDEVELOPED DIGITAL ECONOMY

Before the Covid-19 outbreak began, Nigeria already had a weak and underdeveloped digital economy. There were hardly any university or school that offered a full educational curriculum online from start to finish. Most businesses, including banks and technological companies, operated using the traditional ‘come-to-the office-to-work’ model as opposed to the ‘working-from-home’ model. The outbreak of the novel coronavirus brought challenges to the business environment in Nigeria. It impacted industries and markets in the short term. The operations of these markets and industries would have been minimally affected if they had a large digital operation infrastructure. The only services that were offered through the existing digital infrastructure during the Covid-19 outbreak were telecommunication services, digital bank transfers and internet services.

The digital economy would have played a major role in driving recovery from the economic crisis if Nigeria’s digital economy was robust and well-developed. For instance, in Nigerian schools and universities, educators can put coursework online so that students quarantined at home don’t have to miss out on key aspects of their education while school is closed or when students can’t get to school. E-commerce apps that enable online buying and selling can allow buyers and sellers to make purchases and sales while staying in their homes. Also, telehealth apps for health and wellness checks can allow individuals in all affected areas to take extra precautions to monitor their vital signs and learn how to reduce their risk of infection. Also, family members can visually check on their parents, grandparents and siblings without physically visiting them which provides a level of comfort that would be impossible over the phone. Online delivery businesses can use virtual assistants to help ensure that goods purchased from online grocery stores are delivered when customers need them. Businesses that don't want their workforces to travel or whose employees are uncomfortable taking trips can stay connected with team members, clients and prospective clients around the world using software platforms video conferencing technologies. All these are possible when there is a robust and well-functioning digital economy.

Outside Nigeria, digital technology helped many businesses in developed countries survive the effect of the Covid-19 outbreak, and it created an opportunity to enhance the country's digital economy. In the future, a well-developed digital economy in Nigeria, achieved through intense digital technology penetration, will play a greater role in reducing the effect of recessions in the country, and will also help in supporting economic activities, social activities, the development of good health care systems.

CONCLUSION

Economies did implement reconstruction and development programs for their countries. At the individual level, citizens should not waste this crisis. This is a time for us to enrich our physical, spiritual, and emotional health, and not just focusing on avoiding the coronavirus. Create a new normal daily routine by eating well, exercise, and get sufficient rest. Enrich our mind by reading some great books, learning a new skill, visualize and document your long-term goals and plan to pursue those goals with passion when the Covid-19 pandemic is over. Spillover of Covid-19 pandemic into countries declined oil prices, which was an external shock, caused by the pandemic. The structural problems in countries at the time prolonged the economic crisis. The scope and severity of the economic crisis is a clear signal that growth and development reforms are needed in countries. In retrospect, some Governments used fiscal and monetary stimulus package as a partial solution to revive falling aggregate demand.

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