

THE OUTCOME OF GREAT LOCKDOWN ON THE GLOBAL ECONOMY

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***Abstract:**No doubt COVID-19 has created a big impact on global economy such as health crisis, economic crisis and financial crisis. The aim of the study is to examine the outcome of post COVID-19 in the world economy. The secondary data, employed chart as well as the table is used to show the magnitude of impact in all regions of the world. The study reveals that this great lockdown has created massive impact on our economy when considering the worst recession,output loss, downgraded of the economy, reduced real GDP growth and created unfavourable conditions in the economy.It also reveals that the economy is comparatively worst thanthe great depression and global financial crisis of 2009. The study also suggests that the government should restrict the spread of covid-19; countries must spend heartily on their health systems, taking collaborative effort from world institutions to reduce the impact of COVID-19 and to boost up the recovery from worst downturn in the global economy.*

Keyword: COVID-19, outcomes, real GDP, global economy.

1. Introduction

The world economy has been running with an uncertainty after the globalization policy as the economic growth could be influenced by both the external and internal factors. Particularly, external factors will have greater influence on the country's economic growth such as trade policy, foreign government policy, foreign country's national income, world peace etc. If any one of these factors is unfavourable then the domestic economy growth affects at the larger extent. Moreover, it will decrease the country's national economic growth and standard of living of the people. Yet so far, the global economy has been faced two big unfavourable uncertainties like global financial crisis 2009 and global lockdown due to COVID-19.No doubt, the financial crisis 2009 has made big impact on the developing and developed countries. During financial crisis, the first quarter of 2009 in the

developed countries, the annualized rate of decline in GDP was 14.4% in Germany, 15.2% in Japan, 7.4% in the UK, 18% in Latvia, 9.8% within the Euro area and 21.5% for Mexico.¹

On the other hand, some developing countries that had seen a strong economic growth saw significant slowdowns. For example, growth forecasts in Cambodia fell from more than 10% in 2007 to close to zero in 2009, and Kenya was expected to realize only 3–4% growth in 2009, down from 7% in 2007. According to the research by the Overseas Development Institute, the GDP growth rate reduction were due to the decline in trade, commodity prices, investment and remittances sent from migrant workers. By September 2009, this led to a dramatic rise in the number of households living below the poverty line, be it 300,000 in Bangladesh or 230,000 in Ghana.²

In the present scenario, the world economy has been changing dramatically day by day because the corona virus pandemic has created an impact on each country's economy. This lockdown has created substantial uncertainty about its impact on people's lives and livelihoods. Moreover, many countries are facing multiple crises in health, finance and collapse in commodity prices. The policy makers have brought many supporting measures for strong recovery from the impact of the lockdown. This paper highlights the magnitude and outcomes of great lockdown in the world economy.

2. Objectives of the study

1. To examine the outcome of global financial crisis 2009 and great lockdown 2020 in terms of real GDP growth in the global economy.
2. To suggest the immediate policy measures to the policy makers.

3. Methodology of the study

This study is based on the secondary data which has collected from various issues like IMF report, World Economic outlook 2020 and economic time. To examine the post covid-

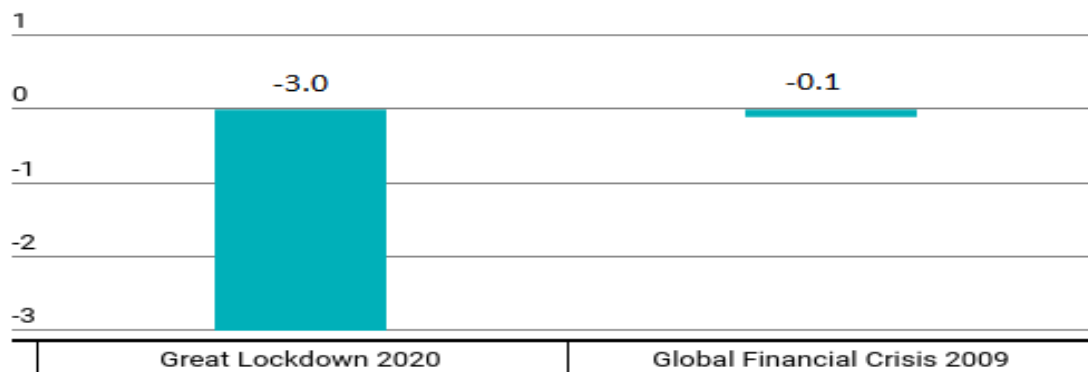
¹ "Untold Stories: Latvia: Sobering Lessons in Unregulated Lending". Pulitzer Center. May 18, 2009.) (Baily, Martin Neil; Elliott, Douglas J. (June 15, 2009). "The U.S. Financial and Economic Crisis: Where Does It Stand and Where Do We Go From Here?". Brookings Institution.

² "The global financial crisis and developing countries: taking stock, taking action" (PDF). Overseas Development Institute. September 2009

19 impact on the world economy the available data have been processed and presented in suitable chart and tables.

4. Outcome of the great lockdown 2020 in terms of real GDP growth in the global economy

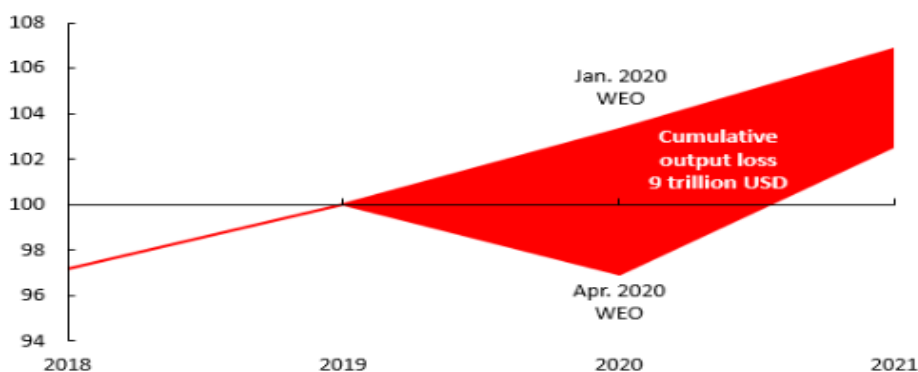
Outcome: 4.1- Great lockdown 2020 has created the worst recession since the great depression



Source: IMF, World Economic outlook.

The above chart shows that the GDP growth year on year percentage changes during the time of global financial crisis 2009 and great lockdown 2020. The IMF's world economic outlook has projected that the global economic growth in 2020 to fall to -3 percent. This is as low as of 6.3 percentage points from January 2020, a major revision over a very short period. During the time of global financial crisis 2009, the global GDP has went on -0.1%. Therefore the chart clearly shows that this great lockdown is the worst recession than the global financial crisis.

Outcome: 4.2- Great lockdown 2020 created an Output Loss in the Economy

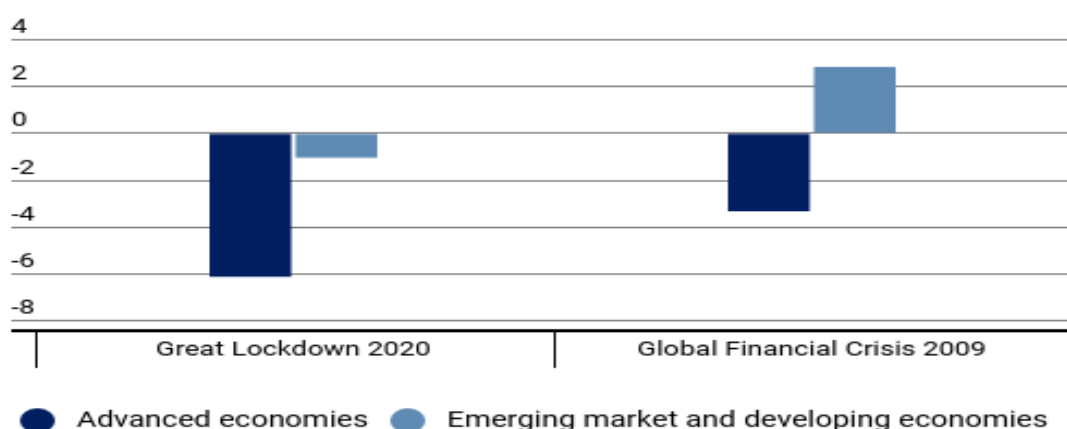


Source: IMF, World Economic outlook and IMF staff calculations 2020

The above chart reveals that global real GDP cumulative output level during the time of global financial crisis 2009 and great lockdown 2020. The IMF's world economic outlook has projected that the cumulative loss to global GDP over 2020 and 2021 from the pandemic crisis could be around 9 trillion dollars, greater than the economies of Japan and Germany, combined.

Outcome: 4.3- Great lockdown 2020 has been significantly downgraded the economy the both advanced economies and developing economies

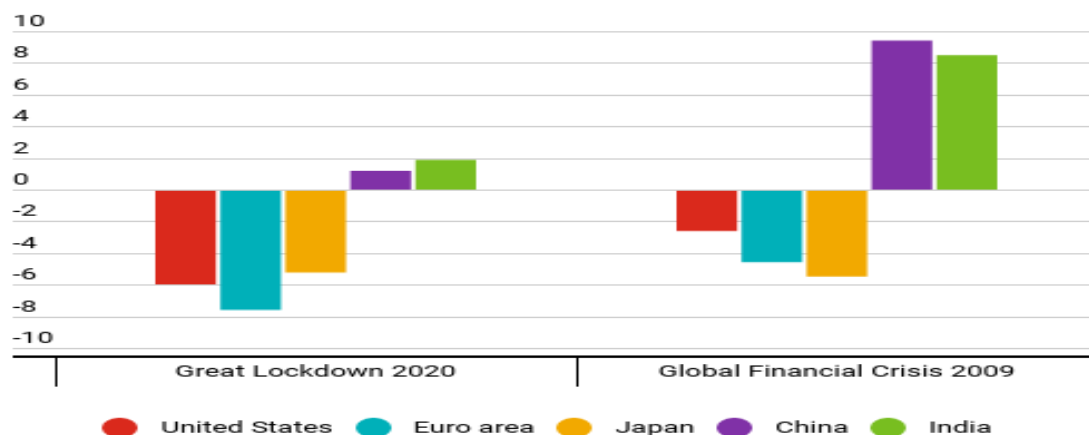
Chart A:



Source: IMF, World Economic outlook and IMF staff calculations 2020

Chart-A indicates that the real GDP growth year on year percentage changes between overall advanced economies, overall emerging market and developing economies during the time of global financial crisis 2009 and great lockdown 2020. The IMF's world economic outlook has proposed that the growth in advanced economies is -6.1% whereas, the Emerging market and developing economies with normal growth levels well above the advanced economies i.e. negative growth rates of -1.0 % in 2020. The Income per capita over the 170 countries has projected that the both advanced economies and, emerging market and developing economies are expected to partially recover in 2021. In the case of global financial crisis 2009, it has reduced the advanced economies GDP to -3% whereas the developing economies have got almost 2% GDP during the crisis. Comparing both the economies, the advance economies have affected the worst impact than developing economies.

Chart B:



Source: IMF, World Economic outlook 2020.

Chart-B reveals that the real GDP growth year on year percentage between advanced economy countries like USA, Euro Area and Japan, emerging market and developing economy countries like china and India during the time of global financial crisis 2009 and great lockdown 2020. During covid-19 lockdown The IMF's has projected that the countries like USA, Euro Area and Japan have been getting negative GDP of -6%, -7% and -5% respectively. On the another hand, the emerging economy and developing countries like china has almost 1% GDP and India has 2% GDP. In the global financial crisis time , the advanced countries have got negative GDP like -2% and -4% respectively however the emerging economy and developing economy have got GDP like Japan -5%, china 9% and India 8%. With the comparison of the both crisis, the advanced and emerging economy have faced worst impact than developing economy.

Outcome -4.4: Great lockdown 2020 has reduced real GDP growth across all regions

The COVID-19 pandemic will severely impact growth across all regions. (real GDP, annual percent change)	PROJECTIONS		
	2019	2020	2021
World Output	2.9	-3	5.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3

Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Market and Developing Economics	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN - 5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and Central Asia	1.2	-2.8	4.0
Saudi Arabia	0.3	-2.3	2.9
Sub-Saharan Africa	3.1	-1.6	4.1
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6

Source:IMF, World Economic Outlook, April 2020

Note: For India, data and forecasts are presented on a fiscal year basis, with FY2020/2021 starting in April 2020. India's growth is 0.5% in 2020 based on the calendar year.

The table reveals the real GDP annual percentage growth between the different regions of the world economy. World economy Output was 2.9% before covid-19 and during lockdown it is at -3% whereas the projected GDP will be 5.8% on the global economy in the year 2021.

Among the Advanced Economies countries such as USA, Euro Area, Germany, France, Italy, Spain, Japan, United Kingdom and Canada, countries like Italy and Spain has least output level of -9.1 and -8.0 GDP in 2020 whereas other countries has almost -5% to -7% GDP level. In the year 2021, it has proposed that advanced economies countries

will have 4% to 5% GDP level except Japan which will have less than 3% which is comparatively low.

In the case of the Emerging and Developing Asia regions in the 2019, the countries had 5 to 6 % level of GDP and during the year 2020 less than 2%. But, the projected growth will have 7% to 8% GDP in the year 2021. Particularly, China and India in 2020 will possess less than 2% GDP level whereas in the year 2021 both the countries will have more than 9.2 % and 7.2% GDP level. The projected GDP shows that China GDP will be more than Emerging and Developing Asian regions in 2021. The Emerging and Developing European countries like Russia, Latin America, Brazil and Mexico have less than 2% GDP in the year 2019. Due to COVID-19, it has been reducing the country's GDP tremendously to -5% to -6 % in the year 2020. The projected GDP for these countries are almost 3% GDP in the subsequent year 2021.

Due to COVID-19 the Middle East and Central Asia country like Saudi Arabia, Sub-Saharan Africa, Nigeria and South Africa they got less than 3% level GDP in the year 2019 which attained a negative GDP in the year 2020. Particularly, the countries like South Africa and Nigeria have been getting very low GDP than other countries like -5% and -3 % as well. In the year 2021 the projected GDP indicates that these countries are going to possess the less than 4% GDP growth. Before, during and after COVID 19 the low income developing countries, have got 5% GDP in the 2019 and reaches to -2% GDP level during lockdown. In the year 2021, the projected GDP growth is expected to 5.6% which is almost the same growth found before 2020.

No doubt, The COVID-19 pandemic is creating severe impact on economic growth across all regions in the global economy. But, the magnitude of the impact on the GDP growth level is deferred between the regions. Remarkably, the advanced countries GDP growth will be less than the world output level and The Emerging and Developing European countries. But, in the case of the Emerging and Developing Asian regions GDP growth will be higher than any other region of the global economy in the year 2021.

Outcome: 4.5– Great lockdown 2020 created unfavourable condition of present and future scenario in the global economy

UN warned that the global economy will be shrinking by up to 1% in 2020. It may reduce even more if restrictions on the economic activities are extended without

adequate fiscal responses. Then, there is a possibility of more reduction of business activity. Further, the UN Department of Economic and Social Affairs (DESA) have remarked that this pandemic has been disrupting the global supply chains and international trade. In such cases, global GDP will reduce even further: an additional of 3 percent in 2020 if the pandemic is more protracted this year, while, if the pandemic continues into 2021, it may fall next year by an additional of 8 percent compared to the world bank baseline scenario. With nearly closed national border of many countries, it has been reducing the tourism business lot and further no more hope during these days. So, there are many people losing their job and their income level.

5. Immediate action from policy makers to improve the performance of the economy

- Countries must spend heartily on their health systems by importing medical requirements and vaccines by reducing trade retractions.
- The policy maker should need to ensure that people from all categories are able to meet their needs like credit assurance; running capital, offer loan, provide unemployment insurance and improve the profits and tax release.
- The government should sustain in recuperating the economy by hiring, and repairing balance sheets in all sector.
- International financial institution like World Bank, WTO and central banks should offer concessional finance, donation and debt relief for the countries struggling with lack of financial availability.
- The bold activities of doctors and nurses should be in correspond with the government which will help us to overcome this health and economy crisis.

5. Conclusion:

Covid-19 has created big consequence on all regions in the global economy. The outcome of the this pandemic are like the worst recession since the great depression, output loss in the Economy, significantly downgraded the economy the both advanced economies and developing economies, reduced real GDP growth across all regions. In

addition, it has created unfavourable condition of present and future scenario in the global economy. The study suggest thatthe government should restrict the spread of covid-19 by using lockdowns and maintain affordable health care,countries must spend heartily on their health systems,the policy maker should need to ensure that people are able to meet their needs,Fiscal stimulus should coordinate across countries with fiscal space,This collaborative effort will help to strengthen health care system and recovery the economy,the international monetary fund can actively lend to vulnerable countries.The policy maker can consider the suggestions while making the policy which willhelp in overcomingthe challenges and improve the economic parameters. Particularly, the global GDP will recover very soon.

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