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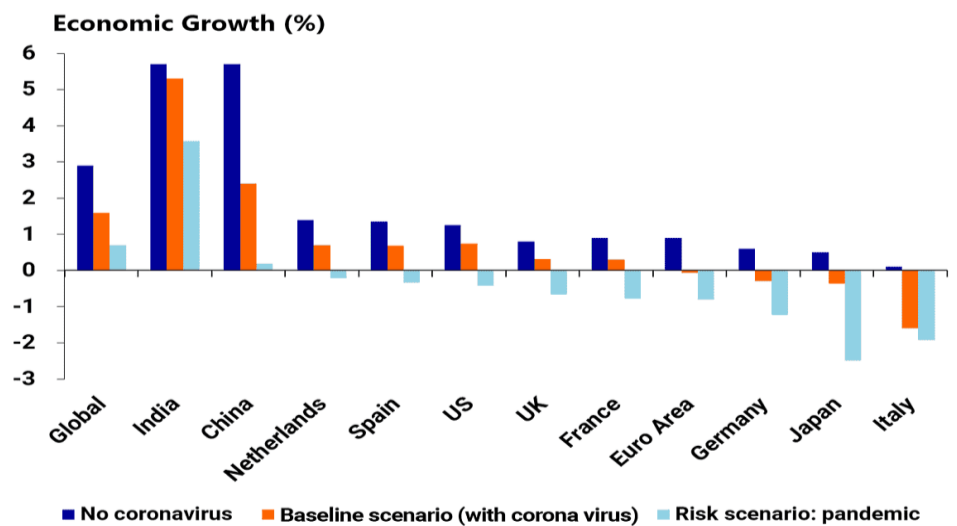
- Tourism, Aviation and Retail.
- GDP Growth Rate
- Migrant Labour
- MSMEs & Start-ups



The Economic Impact of COVID-19.

The outbreak of COVID-19 impacted nations in an enormous way, especially the lockdowns which brought social and economic life to a standstill. The world which forever buzzed with activities fell silent and all the resources were diverted to meeting the never-experienced-before crisis. There is a multi-sectoral impact of the virus as the economic activities of nations have slowed down. What is astonishing and worth noting is an alarm bell which was rung in 2019 by the World Health Organization (WHO) about the world's inability to fight a global pandemic. A 2019 joint report from the WHO and the World Bank estimated the impact of such a pandemic at 2.2 per cent to 4.8 per cent of global GDP. The prediction seems to have come true, as we see the world getting engulfed by this crisis.

Global Economic Impact of COVID- 19



source: Rabobank, Macrobond

Bloomberg | Qu

POST COVID ECONOMIC RECOVERY

The impact of the pandemic could cause a structural downshift in the potential output of Indian economy, the RBI said on in its 2019-20 annual report. "As in the rest of the world, India's potential output can undergo a structural downshift as the recovery driven by stimulus and regulatory easing gets unwound in a post-pandemic scenario," the RBI said. Moreover, the economic recovery is likely to be different – the GFC (global financial crisis) occurred after years of robust growth with macroeconomic stability; by contrast, COVID-19 has hit the economy after consecutive quarters of slowdown, the RBI said. COVID-19 has impacted the economy hard with growth across all segments contracting. The prolonged lockdown has caused major income losses across segments. Indian economy is projected to contract by as much as 9 per cent in 2020-21. Explaining further, the RBI said while the GFC was essentially a financial meltdown whereas the pandemic is a health crisis, which have deleterious ramifications across real and financial sectors. "So far, policy authorities have responded with an unprecedented defence, involving conventional and unconventional measures in order to mitigate the unconscionable human and economic casualties," the RBI said. According to the central bank, the pandemic will inflict deep disfigurements on the world economy. The shape of the future is heavily contingent upon the evolving intensity, spread and duration of COVID-19 and the discovery of the elusive vaccine. Post-COVID-19, the overwhelming sense is that the world will not be the same again and a new normal could emerge.

Impact on Tourism, Aviation and Retail

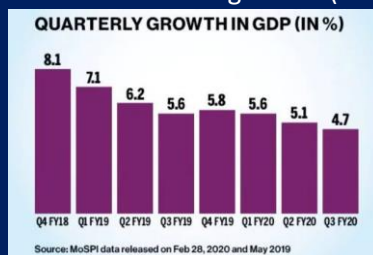
The tourism industry is the worst affected due to the COVID crisis, internationally. The World Tourism Organization (UNWTO) (2020) estimations depict a fall of 20–30 per cent in international tourist arrivals. These figures too are based on present circumstances and are likely to increase or decrease in future. Millions of people associated with industry are likely to lose their jobs. In India, the travel and tourism industry are flourishing and is contributing sizably to the economy.



The aviation sector in India currently contributes US\$72 billion to India's GDP. Foreign tourist arrival has been down in the first quarter. The lockdown will have a significant impact on arrivals in the second quarter. If we estimate a conservative 25 per cent decline in the contribution of the aviation sector, it will amount to 18 billion. Railways contributed US\$27.13 billion in 2019 to GDP. A 21-day lockdown period will bring down the revenue by US\$1.56 billion.

Impact on GDP Growth Rate

While the COVID-19 pandemic is constantly growing and showing little signs of containment as of 15 April 2020, its adverse impact on economic growth of the country will probably be very serious. The UN warned that the coronavirus pandemic is expected to have a significant adverse impact on global economy, and most significantly, GDP growth of India for the present economy is projected to decline to 4.8 per cent (United Nation 2020). Similarly, the UN 'Economic and Social Survey of Asia and the Pacific (ESCAP) 2020 reported that COVID-19 would have extensive socio-economic consequences in the region with inundate activities across borders in the areas of tourism, trade and financial linkages (United Nations, 2020).



Economic Survey 2019–2020 had provided advance estimates for growth in real GDP during 2019–2020 at 5.0 %, as compared to the growth rate of 6.8 per cent in 2018–2019.

The nominal GDP is estimated at ₹204,400 billion in 2019–2020 with a growth of 7.5 per cent over the provisional estimates of GDP (₹190,100 billion) for 2018–2019.



Impact of Covid-19 on Migrant Labour

The International Labour Organization in its report describes the coronavirus pandemic as 'the worst global crisis since World War II'. About 400 million people (76.2% of the total workforce) working in the informal economy in India are at a risk of falling deeper into poverty due to catastrophic consequences of the virus. As half of the world is in lockdown, it is going to be a loss of 195 million full-time jobs or 6.7 per cent of working hours globally. Many are in low-paid, low-skilled jobs where sudden loss of income is catastrophic.

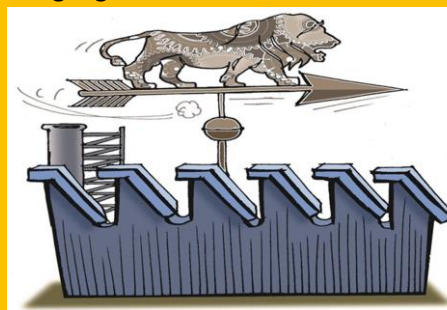


During lockdown, 92.5 per cent of labourers have lost 1 to 4 weeks of work. A survey done by Jan Sahas, of 3196 migrant workers across northern and central India, between 27 March

and 29 March, reveals that 80 per cent of migrant workers feared that they will run out of food before lockdown ends on 14 April and will not get their job back thereafter. The survey revealed that 55 per cent of migrant workers get a daily wage between ₹200 and ₹400, and 39 per cent of the workers get it between ₹400 and ₹600, which is below minimum wage rate. Only 4 per cent of the workers get ₹600 and above, which is close to minimum wage rate.

Impact on MSMEs & Start-ups

Micro, Small and Medium enterprises, which have created more than 90 per cent of the jobs in India, employing over 114 million people and contributing 30 per cent of the GDP (Radhika Pandey, 2020), are at the risk of having a severe cash crunch if the lockdown is extended to 8 weeks. Many of these MSMEs have loan obligations and monthly EMIs to pay. Many of them might just disappear if their cash cycle is disturbed because of the lockdown, with fixed costs dangling over them in such a situation. They need a



moratorium for loan repayments. RBI has released funds to non-banking financial corporations, some of whom provide finance to MSMEs.

In addition to that, movement of perishable goods is hampered and thus, these businesses stare at huge losses. India cannot have a real and sustainable growth without having a thriving MSME sector. The COVID-19 crisis will also test the resilience of start-ups in India. Start-ups have to rely on cross-border fund raising. Several founders are seeing their businesses grinding to a halt. Receivables are spiralling and they have to undertake painful cost-reduction measures in their ventures.