

Social Science

Impact on World's Economy by Corona virus

Layman thinking about this Crisis...?

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Things are suddenly changing since start of 2020, we have seen Corona pandemic impacts on our daily lives and on world's economy as well. IMF has recently issued a report in which it has projected that economic growth of the world for 2020 will be negative (-3 % GDP) and for developed countries like USA, UK, Germany forecast is (-6.1% GDP).

Due to current lock down with limited mobility these days due to drastic spread of Corona 2019 all the countries worldwide are facing the impacts on their economy, we can dissect it in below main industries which are affected worse heading towards financial and industrial crisis



Latest economic outlook issued by IMF in Apr 2020

Oil & Gas (Petroleum) Industry

Due to corona virus starting from China (Wuhan-industrial city closed 2+ months) and resulting less oil demands, and price war in Mar between Saudi and Russia were increasing their production of Crude Oil to keep their revenue maximum in lower prices time.

Later on major shutdown of all industries due to lock down in USA, UK, Germany, Italy, France and other countries also closed their industries to save their masses of population but this has resulted that crude price has fallen sharply to its lowest 2nd time in last 30 years as below price history graph.



Air Line Industry

If you notice the main cause of huge spread of Covid-19 from one country to other was air travel and changing the connecting flights from all the main airports, this has made all airports to shut down all the passenger flights operations worldwide resulting huge losses to Air lines, impacting all the aviation related services and staff to either go on unpaid long leave or to cut/control their operating costs to offset the loss of revenues from air tickets etc.

Although many countries still carrying on the cargo flights which are bare minimum and most important for medical or operating industries.

In future we can expect increase in airline tickets once this industry is open again after this pandemic is over.

Tourism & Hotel Industry

Tourism and Hotel industry is also severely impacted as it's directly linked with mainly Air industry from international and domestic prospective. Due to closure of airports, seaports, cruise companies and all the associated small services are under huge financial stress due to loss of revenue despite their high fixed expenses in past 4 months. Staff working in this sector also worried about their monthly paychecks due to ongoing uncertain conditions of economies.

Real Estate & Construction industry

Due to financial recession on all the main industries these days, this is forecasted that the future pace of real estate and construction industry will be slower than it was before start of this corona spread.

Due to financial crises on large companies will be losing many jobs and which will reduce the prospects for new built houses/flats and also it will not on a profitable pricing for constructors.

Also rent industry will slow down due to less active shifting (due to less hiring and less transfers expected going forward in all employment sectors), again this pressure may result in reduction in rental charges responding to decrease in demand.

Restaurants and Luxurious Food Industry

All the luxury items foods industry also has a major business cut due to limited travel and public movements. People are not allowed to roam in public with limited permissions for day-to-day groceries, medicines or utility items, so all luxury and non-essential food items like coffee, ice cream, chocolates and dining in restaurants are also sealed and closed for avoiding corona spread due to general public gathering.

This industry includes items like cakes, coffee, ice cream, chef signature items etc will also result in losses to owners of these business points in airports, shopping malls or main food streets of all the cities worldwide.



Automobile Industry

With current financial picture where everyone is worried of Corona and losing business and job, all the car manufacturers will have also to shut their production units, which will be in respond to environment in the economy. It is forecasted that the new car sales will also slow down once this challenging phase of our life is over.

The practical analysis of the above industries shows us that the near future will be a challenging time for all of them to recover back earlier as they can once this Corona is defeated by world.

Dairy Industry

Due to controlled purchases for groceries and limited travel, consumption of dairy products has gone down, especially dairy milk which has a daily consumption of millions of gallons alone in US and worldwide it will be in billions of gallons per day. Recently many dairy milk growers have started dumping the excess milk daily basis (20,000 to 30,000 gallons per day) which further can reach up to 3 million gallons per day due to massive can drop in milk. Farmers or Agriculturists can't maintain their high operating costs from current level with decrease in revenue.



Fashion & Style Industry

In current emergency situation you will not be buying any costly branded items for fashion to follow on daily basis.

Fashion and Perfumes hub Paris is also in severe impact of Corona and as all travel is restricted and thus its impacting the overall business of fashion industry.

All the large malls are closed, only are selling through online stores with very necessity items.

This will also result in price hikes once this tuff time is over and life is back to normal business.

Banking, Investment, Finance Industry

We have noticed due to current stop on economy, all major financial institutions are now more vigilant and have or will change their strategy to finance any new business, on personal finances, lot of instable job market hardly few people will decide to finance a new loan.

Also, we have noticed a big change in banking industry, as mostly they have reduced their banking hours and many branches of many banks are already closed and they prefer to support and grow the usage of online banking options by their consumers.

While this is noticed that some strategic branches will be kept active with high operating expenses and low business in current scenario.