

Socio -Economic Implication of Coronavirus Pandemic

Vikash Kumar, Marya Ahmad

Abstract: *COVID - 19 is not only a global pandemic and public health crisis; it has also severely affected the global economy and financial markets. Significant reductions in income, a rise in unemployment, and disruptions in the transportation, service, and manufacturing industries are among the consequences of the disease mitigation measures that have been implemented in many countries. It has become clear that most governments in the world underestimated the risks of rapid COVID - 19 spread and were mostly reactive in their crisis response. As disease outbreaks are not likely to disappear in the near future, proactive international actions are required to not only save lives but also protect economic prosperity.*

Keywords: Covid, Coronavirus, Pandemic, Economic effects of coronavirus, SARS

1. Introduction

Labelled as a black swan event and likened to the economic scene of World War Two, the outbreak of COVID - 19 (the disease caused by Severe Acute Respiratory Syndrome Coronavirus 2 (SARS - COV - 2)) has had a detrimental effect on global healthcare systems with a ripple effect on every aspect of human life as we know it. World Health Organisation (WHO) declared the COVID - 19 outbreak as a global emergency on January 30, 2020. In a response to 'flatten the curve', governments have enforced border shutdowns, travel restrictions and quarantine in countries which constitute the world's largest economies, sparking fears of an impending economic crisis and recession. In an attempt to understand the turmoil effect on the economy, we summarise the effect of COVID - 19 on individual aspects of the world economy, focusing on **primary sectors** which include industries involved in the extraction of raw materials, **secondary sectors** involved in the production of finished products and **tertiary sectors** including all service provision industries.

2. Primary sectors

2.1 Agriculture

The resilience of the agricultural sector has been tested by the COVID - 19 outbreak. A global crash in demand from hotels and restaurants has seen prices of agricultural commodities drop by 20%. Countries around the world have imposed a number of protective measures to contain the exponentially increasing spread. This includes social distancing, avoiding unnecessary travel, and a ban on congregations. Advice on self - isolation upon contact with suspected carriers of the virus is likely to impact the number of available inspectors and delivery staff critical to ensuring verification and transportation of products. This will have pronounced implications for perishable goods such as meat and vegetables. Furthermore, markets have gone a step further by shutting down floor trading which has impacted the ability to exchange commodities. The Chicago Mercantile Exchange is a recent example. 'Panic buying' is further complicating shortages beyond supermarket shelves. The American Veterinary Medical Association (AVMA) have expressed concern over low levels of animal pharmaceuticals from several large drug suppliers.

2.2 Petroleum & oil

During a meeting at the Organisation of the Petroleum Exporting Countries (OPEC) in Vienna on March 6th, a refusal by Russia to slash oil production triggered Saudi Arabia to retaliate with extraordinary discounts to buyers and a threat to pump more crude. Saudi, regarded as the de facto leader of OPEC, increased its provision of oil by 25% compared to February – taking production volume to an unprecedented level. This caused the steepest one - day price crash seen in nearly 30 years – On March 23rd, Brent Crude dropped by 24% from \$34/barrel to stand at \$25.70. Although a deceleration in the number of COVID - related deaths has caused some stabilisation of oil prices, there is still much uncertainty.

3. Secondary sectors

3.1 Manufacturing industry

A survey conducted by the British Plastics Federation (BPF) explored how COVID - 19 is impacting manufacturing businesses in the United Kingdom (UK). Over 80% of respondents anticipated a decline in turnover over the next 2 quarters, with 98% admitting concern about the negative impact of the pandemic on business operations. Importation issues and staffing deficiencies stood out as the key concerns for businesses due to disruption to supply chains and self - isolation policies. Indeed, for many roles within a manufacturing company, 'working from home' is not a viable option. As the UK is adopting similar protective measures to the rest of the world, and due to the global overlap of supply chains, we can expect these anxieties to transcend borders.

4. Tertiary Sectors

4.1. Education

COVID - 19 has affected all levels of the education system, from pre - school to tertiary education. Different countries have introduced various policies, ranging from complete closure in Germany and Italy to targeted closure in the United Kingdom for all but the children of workers in key industries. Additionally, over 100 countries have imposed a nationwide closure of educational facilities. UNESCO

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estimates that close to 900 million learners have been affected by the closure of educational institutions.

Whilst the intention of these closures is to prevent spread of the virus within institutions and prevent carriage to vulnerable individuals, these closures have had widespread socioeconomic implications.

COVID - 19 has had an impact on social mobility whereby schools are no longer able to provide free school meals for children from low - income families, social isolation and school dropout rates. It has also had a significant impact on childcare costs for families with young children. Additionally, there exists a wide disparity amongst populations with a higher income who are able to access technology that can ensure education continues digitally during social isolation. In Dubai, 13, 900 people have signed a petition to decrease independent school fees by 30% as parents struggle to source these funds amidst recent pay cuts reaching as high as 50%, and high costs of living. Furthermore, parents are being asked to provide schools with confidential information such as bank statements and profit and loss company statements.

4.2 Finance industry

COVID - 19 has affected communities, businesses and organisations globally, inadvertently affecting the financial markets and the global economy. Uncoordinated governmental responses and lockdowns have led to a disruption in the supply chain. In China, lockdown restrictions significantly reduced the production of goods from factories, while quarantine and self - isolation policies decreased consumption, demand and utilisation of products and services. As COVID - 19 has progressed to affect the rest of the world, China will begin to recover faster than the rest of the countries, strengthening its trade negotiating power against the US. In fact, Chinese companies will be in the advantageous position to acquire their western counterparts, which are greatly dependent and will be inevitably affected by the stock market.

4.2.1. European response

Europe has pledged a €1.7tn rescue package in an attempt to dampen the economic effects of COVID - 19 on the Eurozone with contributions from all member states, the UK, as well as countries in the area which do not form part of the European Union (e. g. Switzerland).

The European Central Bank (ECB) has announced a €750bn asset - purchase programme with an aim of stabilising and strengthening the Euro through the pandemic. Moreover, the European Commission has collated a €25bn investment fund for the cause and has agreed to a more relaxed policy on budget rules to encourage public spending and the support of affected businesses by their corresponding government.

In Germany, the state development bank (KfW) is to provide €500bn in loans to aid companies affected by the pandemic, dubbed the 'biggest post - war aid package'.

4.2.2. UK response

In the UK, Chancellor Rishi Sunak announced a £330bn package of emergency loan guarantees to help those in financial difficulty. A further £20bn of fiscal support has been issued in attempts to save UK businesses. The package of measures includes:

- A Coronavirus Job Retention Scheme
- Deferring VAT and Income Tax payments
- A Statutory Sick Pay relief package for SMEs (Small and Medium sized Enterprises)
- A 12 - month business rates holiday for all retail, hospitality, leisure and nursery businesses in England
- Small business grant funding of £10, 000 for all business in receipt of small business rate relief or rural rate relief
- Grant funding of £25, 000 for retail, hospitality and leisure businesses with property with a rateable value between £15, 000 and £51, 000
- The Coronavirus Business Interruption Loan Scheme offering loans of up to £5 million for SMEs through the British Business Bank
- A new lending facility from the Bank of England to help support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows through loans
- The HMRC Time To Pay Scheme
- The Bank of England has cut interest rates to 0.1 pc, an unprecedented response, in an attempt to dampen the effects of COVID - 19 as well as an attempt to maintain the confidence of unnerved investors.

4.2.3. US response

The US Federal Reserve (the Fed) has recently decreased interest rates by 0.5% in an attempt to soften the blow of the virus on the US Economy. On March 23rd, the Fed also announced that it would further aid the market by purchasing \$125bn in bonds. It will also offer a \$300bn lending programme for Main Street businesses as well as ensure that Asset Backed Loan facility which was used in 2008–2009 would be restarted. The Trump administration has managed to secure on the 27th March a \$2 trillion 'virus - aid package' - the CARES Act, to support the economy through these times. This bill is to cover:

- \$1200 to be given to every adult American with an income less than \$75, 000 or couples less than \$150, 000.
- \$500 for every child under the age of 17
- Increase unemployment compensation by \$600 per week, increase unemployment benefit support by 13 months and extend eligibility to the self - employed and independent contractors
- \$500bn in loans and loan guarantees to be issued by the US Treasury Department to small and large businesses. Businesses who receive such aid are obligated to keep 90% of their employees until September 30, must pay their loans back within five years and are prohibited to issue dividends for up to a year after the full amount of their loan is repaid.
- \$377bn to provide small businesses with loans and grants, \$10bn for emergency grants and \$17bn will also be made available to enable deferral of existing payments.

4.2.4. China and Japan response

China and Japan took similar action with the People's Bank of China (PBoC) and the Bank of Japan (BoJ) providing the equivalent of \$240bn and \$43bn to maintain bank liquidity, respectively. Leaders from the G20 (Group of 20) expect recovery from the economic crisis to take the form of a 'V' shaped curve, with a sharp and short - lived dip, followed by a rapid recovery and economic growth.

4.3 Healthcare and the pharmaceutical industry

4.3.1. Healthcare

The COVID - 19 pandemic has caused an unprecedented challenge for healthcare systems worldwide. In particular, the risk to healthcare workers is one of the greatest vulnerabilities of healthcare systems worldwide.

Considering most healthcare workers are unable to work remotely, strategies including the early deployment of viral testing for asymptomatic and/or frontline healthcare staff is imperative. High healthcare costs, shortages of protective equipment including N95 face masks, and low numbers of ICU beds and ventilators have ultimately exposed weaknesses in the delivery of patient care. In the US, there is concern regarding uninsured individuals, who may work in jobs predisposing them to viral infection which may lead to significant financial consequences in the event of illness.

4.3.2. Pharmaceutical industry

Profound changes to the dynamics of healthcare are likely to ensue, leading to massive investment into disease prevention infrastructure, and the accelerated digital transformation of healthcare delivery. Nicola et al. have highlighted the change in healthcare policy and clinical management as new evidence emerges. In the US, active pharmaceutical ingredients are imported largely from India (18%) and the EU (26%), while China accounts for 13%. China is also the biggest exporter of medical devices to the US, accounting for 39.3%. Production slow - downs and limitations in supply would inadvertently lead to revenue loss. In the UK, AstraZeneca have indicated that COVID - 19 is likely to affect its 2020 revenue growth.

4.4. Hospitality, tourism and aviation

4.4.1. Hospitality

The hospitality and travel industry have perhaps been most hard - hit, with hourly workers facing potentially devastating hardships. Marriott International (approximately 174, 000 employees) is poised to place tens of thousands of workers on furlough. Hilton Worldwide has also notified lenders on March 5, 2020 that they would be borrowing a precautionary \$1.75bn under a revolving loan to preserve money and to maintain flexibility "in light of uncertainty in the global markets". Hotel industry revenue per available room in the United States fell 11.6% for the week ending March 7, 2020, whilst in China occupancy rates fell 89% by the end of January 2020. Other United States hotel companies are seeking approximately \$150bn in direct aid for employees due to an unprecedented fall in demand, along with an estimated \$1.5bn loss since mid - February. MGM Resorts International have also announced a temporary suspension in operation at its Las Vegas properties, with casino operations

closing on 16th March, followed by hotel operations. Since March 1, 2020, hotel occupancy in Germany decreased by over 36%.

4.4.2. Tourism

The tourism sector is currently one of the hardest - hit by the outbreak of COVID - 19, with impacts on both travel supply and demand. As a direct consequence of COVID - 19, The World Travel and Tourism Council has warned that 50 million jobs in the global travel and tourism sector may be at risk. In Europe, the European Tourism Manifesto alliance, encompassing over 50 European public and private organisations from the travel and tourism sector, have highlighted the need to implement urgent measures. These include temporary state aid for the tourism and travel sector from national governments as well as fast and easy access to short - and medium - term loans to overcome liquidity shortages, including funds made available by the EU through the Corona Response Investment Initiative, and fiscal relief. The alliance has also called for the launch of the European Unemployment Reinsurance Scheme.

Internationally, Vietnam received approximately 1.45 million Chinese visitors in the first quarter of 2019, dropping by 644, 000 in January of 2020. It is estimated that Vietnam's tourist sector will suffer a \$5bn loss should the COVID - 19 pandemic extend into the second quarter of 2020. Moreover, the Philippines is projecting a 0.3–0.7% slowdown in the country's full year GDP. In the United States, restriction of all non - essential travel, US - Canada border closure, and the suspension of visa services may accelerate disruption of the American economy. In the UK, many parks are now closing to further enforce social distancing as they have in Italy.

4.4.3. Aviation

The travel industry is grappling with an unprecedented wave of cancellations and a significant drop in demand amid strict governmental instructions to implement social distancing and the restriction of unnecessary travel. Globally, border closures are on the rise. In the US, all foreign nationals from China, Iran and certain EU countries are barred from entering. This ban includes anyone who visited these countries within the 14 days prior to their US trip. The UK Foreign Office has also advised UK nationals against all but essential international travel. In Europe, the president of the EU commission has proposed all non - essential travel from outside the EU be suspended for 30 days. Travel suspensions have also been implemented across Asia and Africa.

In light of these events, Malaysia Airport reported a 30% decline in international passenger traffic for February. More recently, Airlines for America sought a government bailout encompassing \$25bn in grants, \$25bn in loans, and significant tax relief to ensure survival. UK airlines have also called for an immediate £7.5bn emergency bailout to prevent a widespread shutdown.

4.5 Real estate and housing sector

The real estate industry is facing great uncertainty due to COVID - 19. At an individual level, social distancing precautions have reduced house views, a key part of the

selling process, and both buyers and sellers are having to reconsider their plans. Increasingly, sellers are looking for reassurance regarding the health of potential buyers coming to view properties. Some brokers are offering house tours via Skype and FaceTime to minimise the risk of infection propagation. Brokers around the United States are also asking potential buyers to preregister for viewings in order to gauge their level of interest and likelihood of purchase.

Additionally, thousands of workers around the world have been made redundant or have been placed on temporary, unpaid leave of absence. Inevitably this will have a significant impact on individuals' abilities to pay rent, mortgages and various household expenditures. To tackle this, part of the £350bn lifeline the United Kingdom (UK) government has released will be used to allow mortgage lenders to offer a three - month mortgage holiday to those in financial difficulty. The government has also recommended that buyers and lenders delay negotiations during the lockdown, bringing transactions to a halt. Many are worried that we will face another financial crisis, similar to that of 2008 that will impact confidence in real estate. Banks within the UK have begun to take precautions; high street lenders require up to 40% deposits for a new mortgage to be approved. It is however too early to speculate on the impact of COVID - 19; as of yet, the infection has not had a significant impact on the housing market.

4.6 Sports industry

COVID - 19 is having a substantial impact on sporting schedules as some of the world's largest sporting events come to view in 2020. Football's much anticipated Euro 2020 tournament has been postponed for 12 months while play - offs have been postponed till June 2020 at the earliest. The international Olympic committee was committed to staging the Tokyo 2020 Olympics this summer without delay. However, they have now made the decision to postpone the games to 2021, a decision that is supported by athletes and their respective nations. In a similar vein, the Australian Formula one Grand Prix has been postponed with Bahrain and Vietnam opting to cancel their fixtures until further notice.

4.7 Information technology, media, research & development

With the WHO raising COVID - 19's status to a pandemic, 35 companies and academic institutions are racing to develop an effective vaccine. Four potential vaccines are currently being tested on animals with the biotech firm Moderna entering human trials imminently. The Coalition for Epidemic Preparedness Innovations (CEPI), is leading various efforts to finance and coordinate COVID - 19 vaccine development. They have announced a \$4.4m partnership fund with Novavax and University of Oxford to develop a viable solution. The Gates Foundation, Wellcome and Mastercard have also committed \$125m to find new treatments for COVID - 19.

Social distancing precautions are paramount to the containment effort. Additionally, COVID - 19 has left several hospitals in turmoil, having reached maximal

capacity. As a result, various countries are turning towards technological solutions, to care for patients and at the same time, minimise the risk of person to person transmission. In various cities across China, tele - response bots powered by fifth - generation wireless networks are being utilised that allow health care staff to communicate with patients, monitor their health and deliver medical supplies. Drones that deliver medication and work - from - home apps are also being adopted. Automation of services has been a major goal for China. COVID - 19 has helped to accelerate uptake and has taken them one step closer to this goal.

4.8 Food sector

The food sector, including food distribution and retailing, has been put under strain as a result of people panic - buying and stockpiling food. This has led to increased concerns about shortages of food products such as long - life milk, pasta, rice and tinned vegetables. Panic - buying has resulted in an increase of £1bn worth of food in UK homes. This high demand on food products has also affected online food delivery. Companies are struggling with excessive bookings, with deliveries arriving late or not at all. Moreover, food banks have also been affected by panic - buying and food stockpiling as donations have reduced. Concerns about food running out also means that vulnerable populations who can not afford to stockpile, may not find food.

In response to these concerns, the UK government has made efforts to provide certain populations with food parcels and free meals to collect and take home. These populations include high - risk vulnerable individuals such as the elderly who have no support network, and school children of low - income families.

The UK government has also reduced restrictions on delivery hours for retailers in order to allow stores to restock with basic food products. Furthermore, the British Retail Consortium (BRC) has reassured the public that despite low inventory of certain food products in local stores, there are no such shortages of food. Similar statements have been made by the US Food and Drug Administration (FDA).

5. Social Impact

5.1 Family dynamics: domestic violence & home video - gaming

Lockdown and social distancing measures to prevent spread of COVID - 19 have heightened fears of increasing levels of domestic violence, which includes physical, emotional and sexual abuse.

Refuge, one of the UK's domestic abuse charities, has reported a 25% increase in calls made to its helpline since lockdown measures were announced.

The concentrated time spent in lockdown means that vulnerable people are more exposed to abuse and it is more difficult for them to seek help. In response to increasing concern, the UK government has published guidelines on how to recognise domestic abuse, how to report it and where, with a list of all the services available.

In addition, a significant impact of the COVID - 19 pandemic has been seen within the video - gaming industry. With many individuals self - isolating and/or remaining home under strict governmental regulations, online gaming has seen the emergence of record numbers of players, which has facilitated a boost in revenue for many companies. Conversely, negative impacts include cancellation of the annual and major trade event E3 2020, alongside the rescheduling and/or cancellation of popular Esport leagues.

6. Conclusion

With fears of a new recession and financial collapse, times like these call for resilient and strong leadership in healthcare, business, government and wider society. Immediate relief measures need to be implemented and adjusted for those that may fall through the cracks. Medium and longer term planning is needed to re - balance and re - energise the economy following this crisis. A broad socioeconomic development plan including sector by sector plans and an ecosystem that encourages entrepreneurship is also needed so that those with robust and sustainable business models can flourish. It is prudent that governments and financial institutions constantly re - assess and re - evaluate the state of play and ensure that the '*whatever it takes*' promise is truly delivered.