

# Covid 19 and the Future

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**Abstract.** Corona virus outbreak was first reported in Wuhan, China on 31 December, 2019. The world continues to wage its war against COVID-19. This pandemic will significantly affect external social behavior, spending pattern, travel habits, supply chain, country interdependence and service delivery model with consequential impact of lifestyle, market and global economy. This paper mainly focuses on the impact of COVID 19 on Indian economy and also explains the way we face this challenge in a positive manner.

**Keywords:** COVID 19, Macroeconomic forces, Linkages, Broadband access to internet, Ethics.

## INTRODUCTION

Corona virus outbreak was first reported in Wuhan, China on 31 December, 2019. The world continues to wage its war against COVID-19. As nations sweep down their streets with various forms of restrictions and lockdowns, the stall on the growth of global economy feels more pronounced than ever. This pandemic will significantly affect external social behavior, spending pattern, travel habits, supply chain, country interdependence and service delivery model with consequential impact of lifestyle, market and global economy

For India, despite a slower curve of infection, the impact has been ruthless in many ways. The initial 21-day lockdown period had been estimated to cost nearly \$4.5 billion every single day. Despite about half of the nation's businesses being adversely affected, and supply chains having fallen victim to the pandemic, there does appear a silver lining in the dark clouds. Recently an industry survey that is jointly conducted by industry body Ficci and tax consultancy Dhruva advisors and took responses from about 380 companies across the sectors. It is said that businesses are grappling with "tremendous uncertainty" about their future. According to the survey, COVID-19 is having a 'deep impact' on Indian businesses, over the coming month's jobs are at high risk because firms are looking for some reduction in manpower. Further, it is added that already COVID-19 crisis has caused an unprecedented collapse in economic activities over the last few weeks.

## IMPACT OF COVID-19 ON THE INDIAN ECONOMY

There are three major channels of impact for Indian businesses according to the report namely

### linkages,

The data of the Dun & Bradstreet shows that at least 6,606 Indian entities have legal linkages with companies in countries with a large number of confirmed COVID-19 cases. And business activity in the foreign markets is slow which implies a negative impact on the top line of these companies. Sectors that would be much affected includes logistics, auto, tourism, metals, drugs, pharmaceuticals, electronic goods, MSMEs and retail among others

### Slowdown in demand & supply

The lockdown in India will have a sizeable impact on the economy mainly on consumption which is the biggest component of GDP. Reduction in the urban transaction can lead to a steep fall in the consumption of non-essential goods. It can be severe if disruption causes by the 21-day lockdown and affect the availability of essential commodities. Due to weak domestic consumption and consumer sentiment, there can be a delay in investment which further add pressure on the growth. We can't ignore that post-COVID-19, some economies are expected to adopt de-risking strategies and shift their manufacturing bases from China. This can create opportunities for India. Corona virus has disrupted the demand and supply chain across the country and with this disruption, it can be seen that the tourism, hospitality, and aviation sectors are among the worst affected sectors that are facing the maximum impact of the current crisis. Closing of cinema theatres and declining footfall in shopping complexes has affected the retail sector by impacting the consumption of both essential and discretionary items. As the consumption of any product or services goes

down, it leads to an impact on the workforce. In the current scenario, with all the retailers closing down their services, the jobs of the employees are at a huge risk.

### Macroeconomic factors.

**Implications on the workforce-** Job losses and salary cuts are likely in the high-risk services sector, including airlines, hotels, malls, restaurants, and retailers, which have seen a sharp, fall in demand due to lockdowns across the country. If the current global and domestic economic slowdown persists, it will impact demand and realization. Undoubtedly, with this crisis impacting the business around the country, it will create very challenging situations for the workforce. Companies are not meeting the revenue targets hence, forcing employers to cut down their workforce. The World Travel & Tourism Council has predicted 50 million tourism jobs getting eliminated because of the pandemic. Not only the employees of multinational companies, but daily wage workers have been impacted the most during this crisis. The International Labour Organization has called for urgent, large-scale and coordinated measures across three pillars - protecting workers in the workplace, stimulating the economy and employment, and supporting jobs and incomes.

**Trade** - China is the world's largest exporter and second-largest importer. It accounts for 13% of world exports and 11% of world imports.

Up to a large extent, it will impact the Indian industry. **In imports**, the dependence of India on China is huge. Of the top 20 products (at the two-digit of HS Code) that India imports from the world, China accounts for a significant share in most of them.

India's total **electronic imports** account for 45% of China. Around one-third of machinery and almost two-fifths of **organic chemicals** that India purchases from the world come from China? For automotive parts and fertilizers China's share in India's import is more than 25%. Around 65 to 70% of active **pharmaceutical** ingredients and around 90% of certain **mobile phones** come from China to India.

Therefore, we can say that due to the current outbreak of corona virus in China, the import dependence on China will have a significant impact on the **Indian industry**.

**In terms of export**, China is India's 3<sup>rd</sup> largest export partner and accounts for around 5% share. The impact may result in the

following sectors namely organic chemicals, plastics, fish products, cotton, ores, etc.

We also can't ignore that most of the Indian companies are located in the eastern part of China. In China, about 72% of companies in India are located in cities like Shanghai, Beijing, provinces of Guangdong, Jiangsu, and Shandong. In various sectors, these companies work including Industrial manufacturing, manufacturing services, IT and BPO, Logistics, Chemicals, Airlines, and tourism.

Organic chemicals	37%
Inorganic chemicals	13%
Medicinal & Pharma products	36%
Dyes	28%

Source: <https://commerce.gov.in>

**GDP-** In its "South Asia Economic Update: Impact of COVID-19", the World Bank estimated the Indian economy to decelerate to 5 per cent in 2020 and projected a sharp growth deceleration in fiscal 2021 to 2.8 per cent in a baseline scenario. The Covid-19 outbreak came at a time when India's economy was already slowing, due to persistent financial sector weaknesses. In the third quarter (October-December) growth is slowed down to 4.7% and the impact of COVID-19 will further be seen in the fourth quarter.

"India could be first time, since financial year 1980, witness a negative GDP."

### LET US HAVE A LOOK AT THE SECTOR-WISE IMPACT ON INDIAN INDUSTRY

**Chemical Industry:** Some chemical plants have been shut down in China. So there will be restrictions on shipments/logistics. It was found that 20% of the production has been impacted due to the disruption in raw material supply. China is a major supplier of Indigo that is required for denim. Business in India is likely to get affected so people securing their supplies. However, it is an opportunity. US and EU will try and diversify their markets. Some of the business can be diverted to India which can also be taken as an advantage.

**Shipping Industry:** Corona virus outbreak has impacted the business of cargo movement service providers. As per the sources, per day per vessel has declined by more than 75-80% in dry bulk trade.

**Auto Industry:** Its impact on Indian companies

Will vary and depend upon the extent of the business with China. China's business no doubt is affected. However, current levels of the inventory seem to be sufficient for the Indian industry. If the shutdown in China continues then it is expected to result in an 8-10% contraction of Indian auto manufacturing in 2020.

**Pharmaceuticals Industry:** Despite being one of the top formulations of drug exporters in the world, the pharmacy industry of India relies heavily on import as of bulk drugs. Due to the corona virus outbreak, it will also be impacted.

**Textiles Industry:** Due to corona virus outbreak, several garments/textile factories in China have halted operations that in turn affecting the exports of fabric, yarn and other raw materials from India.

**Solar Power Sector:** Indian developers may face some shortfall of raw materials needed in solar panels/cells and limited stocks from China.

**Electronics Industry:** The major supplier is China in electronics being a final product or raw material used in the electronic industry. India's electronic industry may face supply disruptions, production, reduction impact on product prices due to heavy dependence on electronics component supply directly or indirectly and local manufacturing.

**IT Industry:** The New Year holidays in China has been extended due to corona virus outbreak that adversely impacted the revenue and growth of Indian IT companies.

**Tourism and Aviation:** Due to the corona virus outbreak, the inflow of tourists from China and from other East Asian regions to India will lose that will impact the tourism sector And revenue. An outbreak of COVID-19 impacted the whole world and has been felt across industries. The outbreak is declared as a national emergency by the World Health Organization. In India the three major contributors to GDP namely private consumption, investment and external trade will all get affected. World and Indian economy are attempting to mitigate the health risks of COVID-19 with the economic risks and necessary measures needed will be taken to improve it.

## **INDIAN ECONOMY AFTER COVID-19: A POSITIVE OUTLOOK**

"In the middle of difficulty lies opportunity" -- Albert Einstein

However, several factors are already playing in, or might play out, during the course of these events, and these might prove to be favorable for India to become a major trade and commerce player in the world.

### **An outsourcing hub**

The global economic slowdown will mean that first world economies – such as the US – will be looking out for low-cost outsourcing solutions. Whether it is IT, finance or non-core items, India can rise up to the challenge.

### **Supply basket**

Globally, buyers have already shifted to India to source ceramics, home, fashion, and lifestyle goods. The drive to look for alternatives can be beneficial for India to enter multiple trade channels as a supplier of raw materials and manufactured goods.

### **A shift in manufacturing**

Around a thousand foreign manufacturers want to relocate their production to India, a country they see as an alternative to China. Reportedly, at least 300 are already talking with the Indian government for production in a wide range of sectors, including electronics, medicine, and textiles. Impact? Infrastructural development around manufacturing facilities and a boost to employment.

### **Supporting the cause**

This year, the government has proposals to hike import duties on more than 300 products, such as an increase of 30 percent in furniture import from the current 25 percent price. This can provide an opportunity for local production to break out within the market, especially OMEs, SMEs, and even the ever-so-varied handicrafts of India.

### **Of dependencies and actions**

Much of the world has had China as its resource, assembly and manufacturing hub, especially in the case of electronics and mobile accessories. However, given the source of pandemic and actions taken over it, the world is paying a heavy price. There is no easy way to put it: the pandemic has instilled a shift in consumer psychology, and the outcome will be an altered behavior towards the market, especially China and its products. However, before India leaps to fill this global void, it needs to cut the shackles of its dependencies. India has had an over-reliance on Active Pharmaceutical Ingredients (APIs) supplied from China. The shutdown of supply chains, however, has

called for a need to shift the market or become independent. Thankfully, the government has planned to boost local production of these APIs and emerge as a global alternate supplier. Undoubtedly, there are many hitches to overcome, some which will require other countries to lift themselves up from the pandemic before entering trade negotiations. Future however is difficult to predict, but anticipating where a single seed can be planted to bear a massive fruit-bearing tree is what we need to do. The COVID-19 pandemic will, undoubtedly, continue to keep us all on our toes until a vaccine comes out. But hope is what we have, so it is what we shall use.

### LESSONS WE MUST TAKE FROM THE CORONAVIRUS CRISIS

We need an early warning system for future crises.

Digital access must be seen as a utility, like electricity and plumbing.

**1. Speed and trust.** Too clearly, we learned how much we need an early warning system for future crises, whether from climate change or pandemics. Future global crises may not just come from disease – which is why a warning system like the World Health Organization's proposed Epi-Brain offers a comprehensive model. Having a system we can trust is critical: only through trust will citizens act as they did to self-isolate. In truth, we acted together by staying apart.

**2. Broadband access to the internet.** As tele-health illustrated, digital access is now like oxygen. For years, our social workers have been advising cancer patients on how to access their own health data and treatment plans online. Now all our patients who have financial difficulties are in need of that advice. Students throughout the world could not access online learning tools without broadband. The Forum's work on emergency spectrum access has been critical. Digital access must be seen as a utility, like electricity and plumbing.

**4. Health assurance.** COVID-19 proved that the “Internet of You” can support a new era of health assurance. I call it “healthcare with no address”, where sophisticated medicine can be delivered to people at home. People want to live happy and productive lives without healthcare getting in the way. We now know we can do that. In many countries, notably India, this is the future. As futurist Vinod Khosla observed, it would take an infinite amount of money to provide traditional hospital support

to every person on the globe. Instead, it must be done with digital health.

**5. Ethics and equity.** The promise of digital medicine is the promise of the Fourth Industrial Revolution, where the tools of artificial intelligence transform all professions. At the same time, healthcare is the ultimate argument for the difficult lesson: that the digital future cannot simply make the wealthy healthier. Digital medicine gives us an unparalleled opportunity to address the social determinants of health and provide access to everyone in their own neighborhoods.

**6. Shift towards localization:** The supply chain disruption is expected to lead greater localization of supply chains, especially of essential commodities as well as for sectors that are perceived to be strategically important

I conclude my paper with Rabindranath Tagore's Quote

“The secret of getting ahead is getting started. Optimism is the faith that leads to achievement. Nothing can be done without hope and confidence. The will to win, the desire to succeed, the urge to reach your full potential... these are the keys that will unlock the door to success.”

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