



The Economic Impact of Coronavirus

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Why in News

The **Coronavirus outbreak** is having a negative impact on the various sectors of the economy.

Impact on Indian Economy

- **GDP Growth Rate**

The **Organisation for Economic Co-operation and Development (OECD)** has slashed India's growth forecast for 2020-21 by 110 basis points (bps) to 5.1%, warning that the impact of the Covid-19 outbreak on business confidence, financial markets and the travel sector, including disruption to supply chains, could shave 50 bps off global growth in 2020.

- **Pharmaceuticals:** Given the pharmaceutical industry's deep linkages to China, the supply chain of raw materials of drugs has taken a hit.

- The production facilities in Himachal Pradesh — largest pharma hub of Asia — have warned of suspension.
- Active Pharmaceutical Ingredients (APIs), also called bulk drugs, are significant ingredients in the manufacture of drugs. The Hubei province of China, the epicentre of the coronavirus, is the hub of the API manufacturing industry.
- India is heavily import-dependent for APIs from China. India's API imports stand at around \$3.5 billion per year, and around 70%, or \$2.5 billion, come from China.

- **Automobile Industry**

- China is one of the leading suppliers of auto components in India, accounting for 27% of the total imports.
- The coronavirus is expected to have an impact on the Indian automotive industry and therefore also on the automobile component and forging industries, which had already reduced their production rate due to the market conditions and on account of the impending change over to BS-VI emission norms from BS-IV from April 2020.

- **Stock Market**

- On 28th February, the Indian stock market registered one of its worst crashes in a single day. Indian indices fell over 3.5%, marking the second biggest fall in Sensex history.
- The Sensex plunged 1,448.37 points to close at 38,297.29, while the Nifty tanked 3.711% or 431.55 points to settle a little above the 11,200 mark.
- The Sensex's worst fall in history was on 24th August, 2015, when the indices fell 1,624 points on the back of a slump in the Chinese markets and rising crude oil prices.

- **Currency**

- The month of March is typically good for the Indian currency as remittances, from both overseas citizens and companies, tend to boost the exchange rate.
- In the past decade, the rupee has appreciated seven times against the dollar in March. But March 2020 could be hard on the exchange rate and the rupee's sharp drop to 73.25 per dollar on 3rd March, 2020 is evidence of this. One of the reasons is an increase in the number of reported cases of coronavirus in India.

Global Scenario

- **Global Growth:** The world's economy could grow at its slowest rate since 2009 this year due to the coronavirus outbreak, according to the Organisation for Economic Cooperation and Development (OECD). The OECD has forecast growth of just 2.4% in 2020, down from 2.9% in November 2019
- **Fall in Customer Demand:** Some people are choosing to avoid activities that might expose them to the risk of infection, such as going out shopping. Restaurants, car dealerships and shops have all reported a fall in customer demand.
- **Travel Industry:** The number of cases diagnosed is increasing around the world every day. Thus, many countries have introduced travel restrictions to try to contain the virus's spread, impacting the travel industry massively.

- **Beneficiaries**

- Consumer goods giant Reckitt Benckiser, for example, has seen a boost in sales for its Dettol and Lysol products. The disinfectant is seen as providing protection against the spread of the disease, although its effectiveness has not yet been scientifically proven.
- The price of gold - which is often considered a "safe haven" in times of uncertainty - has also increased. Its spot price hit a seven-year high of \$1,682.35 per ounce in February 2020.

Global Response

- The COVID-19 outbreak was declared a Public Health Emergency of International Concern by the WHO on 30th January 2020.
- According to recommendations by the World Health Organization, the diagnosis of COVID-19 must be confirmed by the Real Time- Polymerase Chain Reaction (PCR) or gene sequencing for respiratory or blood specimens, as the key indicator for hospitalisation.
- \$15 million dollars has been released from the UN's Central Emergency Fund to help fund global efforts to contain the spread of the COVID-19 coronavirus, particularly vulnerable countries with weak health care systems.
- Vaccines are being developed.

Indian Response

- The Indian government arranged for the evacuation of 366 Indian citizens from Wuhan in a special Air India flight on 31st January 2020. The passengers were placed under quarantine for a period of 14 days.
 - A second batch of passengers, including seven Maldivan citizens evacuated by the government, arrived from Wuhan on 1st February 2020. The repatriated passengers were also monitored.
- The government has already introduced travel restrictions and suspended visas from affected countries.
- A detailed containment plan has been shared with states. States have been asked to identify possible isolation areas in hospitals that can accommodate larger numbers.
- The Indian health minister advised people to approach the government helpline numbers regarding the doubts related to symptoms of the deadly disease. The situation is being monitored at the highest level.
- PCR Test: If PCR test is positive, the sample is sent to the National Institute of Virology in Pune, which is the only government laboratory currently doing genome sequencing, for final confirmation.

National Institute of Virology

- The National Institute of Virology is one of the major Institutes of the Indian Council of Medical Research (ICMR).
- It was established at Pune, Maharashtra State in 1952 as Virus Research Centre (VRC) under the auspices of the ICMR and the Rockefeller Foundation (RF), USA.

Way Forward

It is critical to mount a coordinated and coherent response. This not only means involvement of both public and private sectors but also allopathic and non-allopathic medical systems, different departments such as police, fire, transportation, tourism, food supplies and other sectors.

Source: TH