



Economic Impacts of Epidemics: Managing the Risk

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Abstract

Epidemic is “The occurrence in a community or region of cases of an illness, specific health-related behaviour, or other health-related events clearly in excess of normal expectancy. Epidemics have tormented human civilizations for eternities. It has postured many challenges to the economies of the globe. There are multiple causes for 21st century epidemics like New lifestyles, Globalization, Exploitation of natural environment etc. Epidemics has given birth to many problems like fall in economic activities, unemployment, fall in income and consumption level. Present article has suggested some remedies to deal with Epidemics like Banks should reduce borrowing rate, reduction in tax rates, promotion of indigenous products etc. and conclusions are drawn accordingly.

Key Words: Epidemic, Economies, challenges and remedies.

Introduction

An epidemic is the swift binge of disease to a huge number of people in a given inhabitants within a quick period of time. First, the spread of infectious diseases involves close and recurrent contact between persons. Second, deprived sanitation and hygiene allow bacteria, viruses, parasites, and the vectors of transmission to flourish. Third, scrawny physiques are simply infected and less able to fight infection; where populations are malnourished, left weak by other health setbacks, or have a high proportion of very young or very old members, epidemics have the potential to thrive. Fourth, epidemics tend to occur where health systems are weakest and therefore incapable of detecting and responding to rapidly evolving health threats. Finally, poverty conditions can lead individuals to engage in behaviours that facilitate disease transmission.¹

Epidemic is “The occurrence in a community or region of cases of an illness, specific health-related behaviour, or other health-related events clearly in excess of normal expectancy. The community or region and the period in which the cases occur are specified precisely. The number of cases indicating the presence of an epidemic varies according to the agent, size, and type of population exposed; previous experience or lack of exposure to the disease; and time and place of occurrence. Generally, a disease that exhibits large inter-annual variability can be considered as epidemic.”²

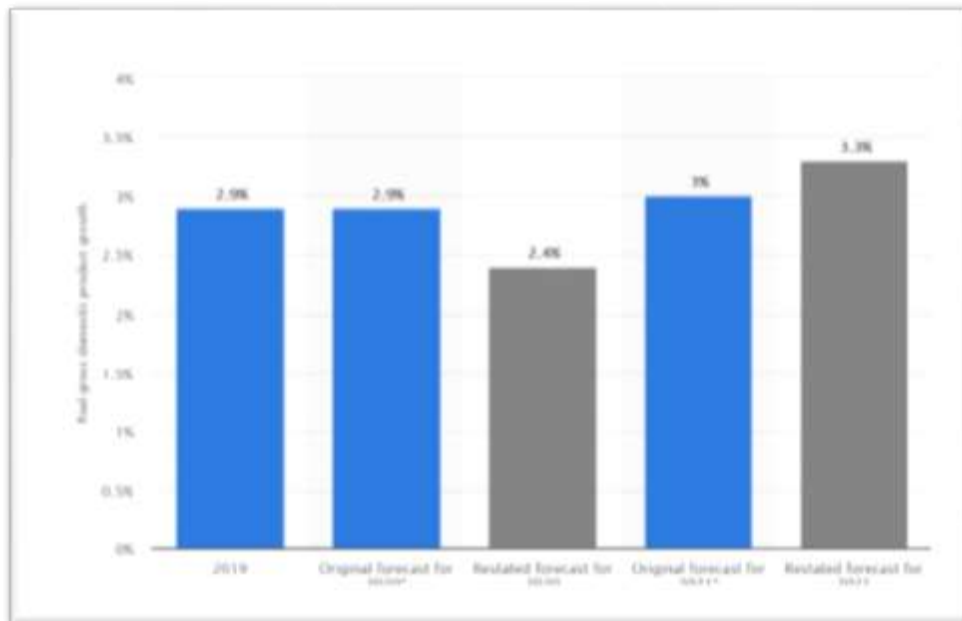
Effects of Epidemics on Economic Wealth of Globe:

Epidemics have tormented human civilizations for eternities. The challenge they present has not always been met, and many millions have died as epidemics have ravaged populations with no effective means of resistance. Although better sanitation, rapid response measures, and specific medical advances have given humanity new tools to resist epidemics, the forces of "globalization" have, at the same time, abetted the spread of epidemics. Similarly, increased international trade during the last couple of decades has meant that disease-causing agents from one area

can more easily find their way to regions that were previously thought immune to a particular disease. Recently known epidemic is COVID-19 that has shattered economy of globe to a very large extent.

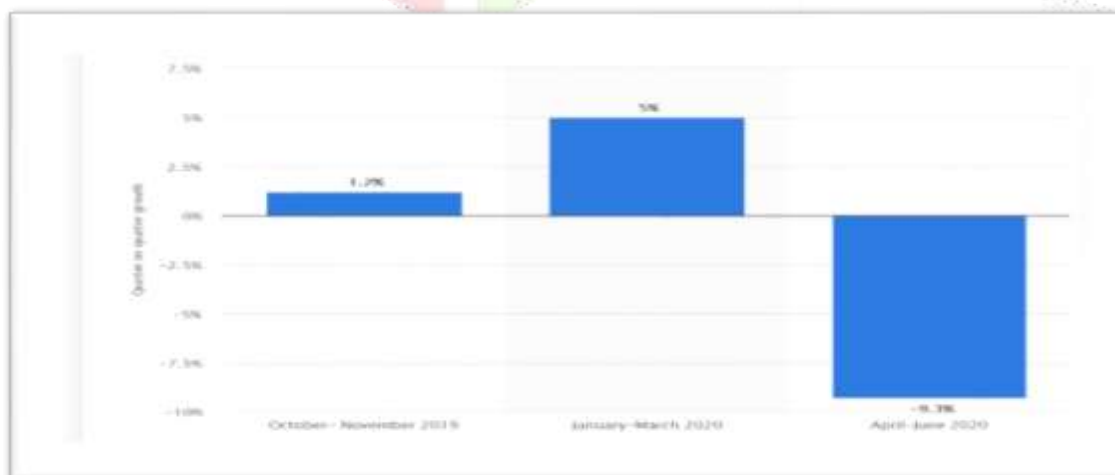
Forecasted global real Gross Domestic Product (GDP) growth due to the coronavirus (COVID-19), from 2019 to 2021

The novel coronavirus pandemic, is predicted to have a deep effect on the global economy. Where the global real Gross Domestic Product grew by 2.9 percent in 2019, it is forecasted that COVID-19 will cause the global real GDP growth to decrease by 0.5 percent in 2020 compared to the previous year, to 2.4 percent growth. Global GDP was estimated at around 86.6 trillion U.S. dollars in 2019 that just a 0.4 percent drop in economic growth amounts to almost 3.5 trillion U.S. dollars in lost economic output.



Source: STATISTA ,Erin Duffin,

Estimated impact from coronavirus on India's GDP in 2020



Source: STATISTA ,Erin Duffin,

Impact of Epidemics on Global GDP:

OECD Interim Economic Outlook Forecasts, 2 March 2020

Real GDP growth
Year-on-year % change

	2019	2020		2021	
		Interim EO projections	Difference from November EO	Interim EO projections	Difference from November EO
World ¹	2.9	2.4	-0.5	3.3	0.3
G20 ^{1,2}	3.1	2.7	-0.5	3.5	0.2
Australia	1.7	1.8	-0.5	2.6	0.3
Canada	1.6	1.3	-0.3	1.9	0.2
Euro area	1.2	0.8	-0.3	1.2	0.0
Germany	0.6	0.3	-0.1	0.9	0.0
France	1.3	0.9	-0.3	1.4	0.2
Italy	0.2	0.0	-0.4	0.5	0.0
Japan	0.7	0.2	-0.4	0.7	0.0
Korea	2.0	2.0	-0.3	2.3	0.0
Mexico	-0.1	0.7	-0.5	1.4	-0.2
Turkey	0.9	2.7	-0.3	3.3	0.1
United Kingdom	1.4	0.8	-0.2	0.8	-0.4
United States	2.3	1.9	-0.1	2.1	0.1
Argentina	-2.7	-2.0	-0.3	0.7	0.0
Brazil	1.1	1.7	0.0	1.8	0.0
China	6.1	4.9	-0.8	6.4	0.9
India ³	4.9	5.1	-1.1	5.6	-0.8
Indonesia	5.0	4.8	-0.2	5.1	0.0
Russia	1.0	1.2	-0.4	1.3	-0.1
Saudi Arabia	0.0	1.4	0.0	1.9	0.5
South Africa	0.3	0.6	-0.6	1.0	-0.3

Note: Projection based on information available up to February 28. Difference from November 2019 Economic Outlook is percentage points, based on rounded figures.

1. Aggregate using moving nominal GDP weights at purchasing power parities.

2. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right.

3. Fiscal years, starting in April.

Source: OECD Interim Economic Assessment Coronavirus: The world economy at risk 2 March 2020

It has been observed from the above tables that global economy is facing immense financial shocks due to epidemics like covid-19 and there is strong need to put some robust effective measures on time so that economy may reverie soon on development path.

Factors Responsible for 21st Century Epidemics

There are many factors that are responsible for rising of epidemics across the world. Some of these are discussed below:

Changing Lifestyles Spread Diseases Further

Globalization means increased trade among countries as well as greater movement of people within and between them. For decades, more and more people have been migrating from the countryside into cities, in search of better jobs and improved living standards. The unprecedented levels of urbanization and swelling populations of city dwellers inescapably pose greater risks of infectious disease transmission.

Lack of Modern Control Measures

Many traditional containment measures are no longer efficient. They should therefore be re-examined in the light of people's expectations of more freedom, including freedom of movement.

Human population dynamics and behaviour

As more people populate the planet, there is a greater possibility someone will encounter a virus that will spread to others. And, as we are traveling greater distances today than before, this allows viruses to spread more rapidly over greater distances more quickly.³

Weather and Climate Changes

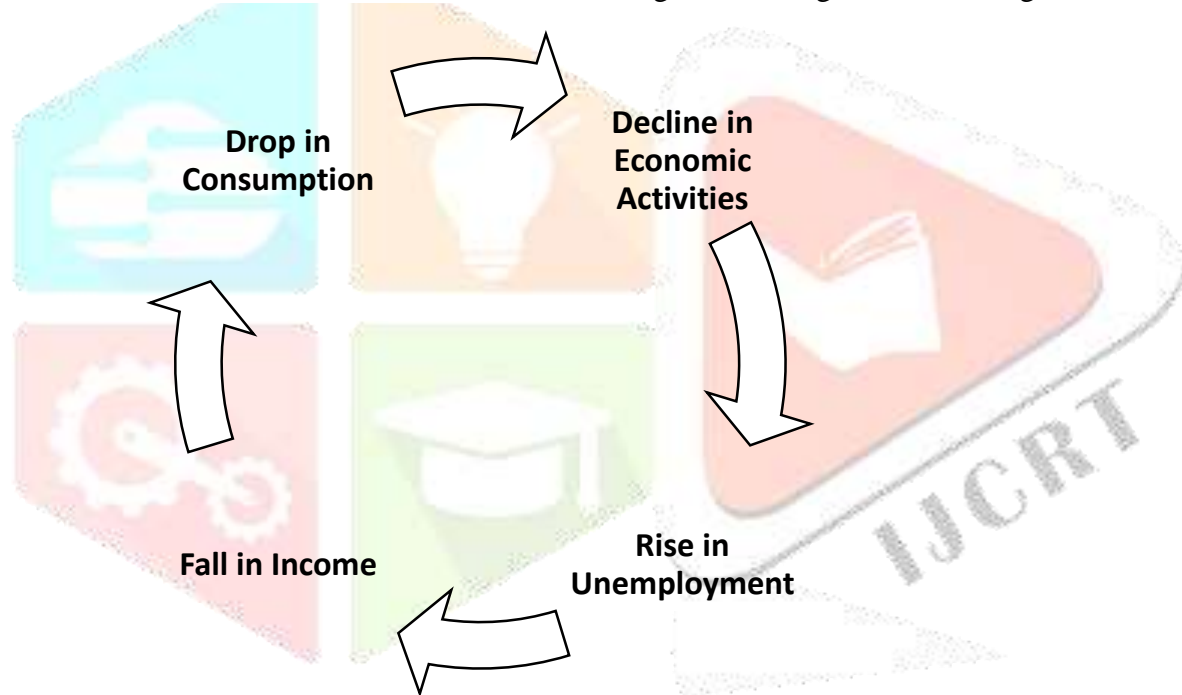
Changes in weather and the climate can drive some animals carrying viruses to different areas, where they could spread disease to people.

Changes to the viruses themselves

Sometimes, a change in a virus itself allows it to become an epidemic. The flu virus is a great example of how mutations can allow viruses to spread widely among populations.⁴

Consequences of Epidemics

Epidemic can cause short-term fiscal shocks as well as long-term damage to economic growth:



Travel restrictions and quarantines affecting hundreds of millions of people that resulted in shortage of labour and disrupted supply chains of other industries. Commodity prices have declined in response to a fall in world's consumption of raw materials, and producers are considering cutting output. The mobility and work disruptions have led to decline in world consumption that led to contraction of trade in multinational companies in several sectors that includes aviation, education, infrastructure, tourism, entertainment, hospitality, electronic consumer and luxury goods.⁵ Above parameters are discussed below:

Rise in Unemployment

Reduction in economic activities give birth to unfavourable conditions in the country that results in employment in the various countries.⁶

Outflow of Capital and reduction of Foreign Direct Investment

When there is less work in the country and low inflow of capital then foreign companies are less likely to invest in any country through direct investment.⁷

Possibility of Indebtedness and Default

When there is lower inflow of capital in the country it gives way to indebtedness

Trouble in global value chains and supply chain contamination⁸

It leads to lesser production and that deteriorate various manufacturing industries.⁹

Remedial measures required to deal with economic slowdown due to Epidemics:

- Digitalization, e-Commerce and e-Governance should be given emphasis. Schemes like Jan Dhan needs to be promoted further.
- Central banks are providing the banks with essentially liquidity, and it is also buying bonds at greater scale which will help tranquil credit soogs. Banks should also take measures by changing the lending rates to promote consumption levels.
- Tax reliefs for corporates and individuals could help in boosting economic activities further.
- Promoting indigenous products and industries will help in maintaining business cycle .
- Greater use of technology and remote working are some of the solution being witnessed at large scale. It increases the scope for more induction of technologies for improved productivity like Artificial Intelligence .
- Focused measures to support the agriculture activities and rural consumption are very much required.
- Revitalise key labour-intensive sectors such as textile, automobile, electronics and affordable housing. Financial support and easy pay-out options would be required, especially for micro, small and medium enterprises.

Conclusion

Regardless of the trouble to forecast how economy will react in coming years towards epidemics ; this battle of "hominid vs epidemics" would determinedly place our stakes on human revolution and suppleness. Epidemics has long term impact on the economy of globe, including India. New ways of Lifestyles and exploitation of environment has paved way to different unknown virus. It has increased many economic challenges for many countries. If all above mentioned remedial actions will be implemented prudently then to some extent countries across the world will be able to overcome the stress on the economy to some extent.

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