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## COVID-19 and its Socio-Economic Implications on the World Economy

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### Abstract:

The world is currently facing unique and extremely challenging circumstances as a result of a deadly Coronavirus (COVID-19). It appears that the threat of COVID-19 has spread to nearly 190 countries and territories, with additional reports coming up every day. Those negative effects have been observed worldwide, particularly in emerging and developed countries. Tourism, restaurants, hotels, and other food and beverage businesses are severely affected by the economic downturn. In this paper we conduct in-depth analysis of how this infectious disease is affecting various sectors, such as transportation, food and beverage, lodging, and the stock exchanges.

**Keywords:** COVID-19 Pandemic, world economy, stock market, transportation sector, food and beverage

### 1. Introduction

The Coronavirus (COVID-19) first observed in the Wuhan city of China in December 2019 and thereafter spread in the whole world, till March 2020, more than 39,000 people have been dead. The disease starts from Wuhan city's marine market, which trades many wilderness animals such as rabbits, snakes, calves, etc. In China, where these animals are considered delicacies, the culture of eating wild animals is quite old. There have been claims that the Wuhan market is an epicentre of this disease with many victims reporting previous visits. It has been declared a health emergency by the World Health Organization (WHO) and designated it as COVID-19. This infectious virus has the potential to affect the whole world monetarily and non-monetarily; WHO and World Bank have rated this risk as "very high." Nevertheless, China has been applying numerous anti-coronavirus measures, but the terrible situation is becoming prevalent in Europe, such as, Italy, France, and Germany, where the virus is on the rise. Due to this, Europe has once again become the epicentre of the COVID-19 crisis. Besides the United States and Europe, other European countries are also facing severe consequences due to this lethal virus.

The COVID threat has reached various parts of the world, and the governments of numerous countries are making a significant effort to deal with it. Aside from its effect on people's lives, this crisis could prove to be the most challenging for the global economy. Tourism has fallen

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victim to the virus. Countries are losing money. Factories and businesses in China are halting production. Millions of people are unemployed. With respect to the global economic activities, the impact of this virus must be investigated because of the current pandemic. The following article will discuss the economic implications of COVID-19.

As a result, China's economy has been seriously damaged, and this ripple effect has spread across the globe. However, the most significant growth slowing has taken place in the service industries. Many industries are affected by COVID, such as transportation, hospitality, and food and beverage. Employees are having the freedom to work from home are allowing multinational corporations to stop the spread of this virus. Nevertheless, there are adverse effects. It should be noted that working from home is not possible in every industry.

## **2. COVID-19 and Transportation Sector**

To prevent the spread of the COVID-19, Governments throughout the world have advised their citizens to avoid needless travel to stop the further spread of COVID-19, many countries have withdrawn passengers' visas from countries that are subject to COVID-19. People are afraid to travel because of the fear-mongering environment; as a result of all of these factors, the transportation sector is on the verge of shutting down. The global aviation is predicted to lose between 62 billion and 112 billion dollars in a major impact. There have been huge drops in airline stock prices of 25%. As a result, the COVID-19 outbreak has had a significant impact on the airline industry. Most airlines operate on a reduced capacity and implement measures to reduce costs immediately, such as closing premium lounges and the shipment of unpaid leaves to staff. This is expected to be even more severe than the Financial Crisis of 2008.

A large percentage of the number of flights from major airlines like Lufthans and Cathay Pacific have been cancelled. Because of low travel demand, most of the Chinese flights were cancelled in February and March of this year. Furthermore, a 10.3 percent reduction in Singapore Airlines' planned capacity as well. UAE government has declared a ban on the entire UAE, and non-UAE-residents from leaving the country, until the COVID-19 outbreak is controlled. As a result of the reduced flights, Etihad and Emirates airways have asked their employees to stay home and the airlines may initiate downsizings. To ensure that the virus does not affect the industry, government officials must take appropriate measures. Airlines are doing everything they can to stay in business while performing the vital mission of connecting the world's economies.(Riley, 2020).And the public transportation is on the verge of collapse as well. Advisory and precautionary measures are causing a decline in the use of most commuter rail, subway, and bus services.(Hawkins, 2020). As a result, less riders translate to slower business activity in main cities.

## **3. COVID-19 and Hospitality Sector**

As countries are restricting or limiting the movement at national and international levels, the hotel and restaurant industries are affected greatly.As a result, the occupancy levels for major hotel chains have fallen drastically.Top-tier restaurants in the United States, such as Le Bernardin, Daniel, and Union Square Hospital Group's restaurant, have closed for an indefinite period. 50 million jobs in the travel and tourism is expected to be lost worldwide as a result of these hotel cancellations.Future room occupancy rates have been reported to have dropped 50% and the pandemic continues to spread across the world.Major hotel chains like Hyatt and Marriott have lost 16% of their stock market share.Walt Disney Company predicts that it will lose \$175 million because of the COVID-19 contamination (Creswell, 2020).Conversely, however, government regulations may require businesses to operate at half capacity.Customers decide to stay at home either out of choice or due to imposed restrictions of lockdown.Most of the sporting events are suspended or cancelled to prevent the amount of people from gathering.Major sporting events, including Wimbledon, the Pakistan Super League, Indian

Premier League, and various premier league soccer competitions are all being under threat because of the darkening cloud of impending crisis in the tourism industry.

#### **4. COVID-19 and Food Sector**

Transport and hospitality businesses are struggling with COVID-19, food and beverage companies are already experiencing the shortage. Food and beverage is another significant segment that has been negatively affected. Due to restricting circumstances worldwide, all café, bars, quick services restaurants, casual and dining restaurants, pubs, and lounges have shut out of business. These consequences have been observed in two different ways. The first factor affecting supply is the unemployment in the hospitality and retail industries, and the second was the lack of demand from the stakeholders in the supply chain. The customers and suppliers will not be able to order new products or make payments for previously issued orders. It will eventually affect all farmers. Furthermore, food delivery companies discontinue their services as well. The local suppliers and staff participate in delivery services experience its damaging effects. Thus, COVID-19 severely affects a long supply chain including farmers, value-added services (e.g. packaging, classifying and storage), bulk distributors, transporters, and retailers. Fears are growing for major companies like Pepsi, Coca-Cola, and General Mills as well as other multinationals like Mondelez and Unilever (McCarthy, 2020). Fresh meat, particularly chicken, is another closely related sector in the food segment. Fresh meat, particularly chicken, is another linked sector in the food segment. The whole poultry sector experienced a downturn in demand. In the event of mandatory lock-down, people are typically sequestered at home, and the price of perishable food rises abruptly, particularly for essential goods. People from underprivileged sections will be burdened with higher costs due to these high prices. Shipping and logistics costs have been increased, which has prevented the manufacturing companies from increasing production.

#### **5. COVID-19 and Stock Markets**

Many foremost stock exchanges have declared a bear market due to the recent COVID-19 pandemic (Cheung, 2020). The global market capitalization has dropped by 30%. In the whole month of March, international stock markets have experienced increased volatility and uncertainty across all the world. The entire US stock market is plunged into the worst crash since 1987 due to COVID-19. Similarly, the Chinese and Chinese markets also have witnessed an unprecedented fall. Corporate retail sales, industrial output, all of which recorded negative growth in major economies, has created panic in the investment community. Major economies have reduced interest rates, but the confidence of investors has not been restored. Tourism-linked companies will be severely affected. Investors have dumped their stock and leading stocks have fallen substantially. Nevertheless, the World Bank has started to assist countries in easing the consequences of the global COVID-19 shock and announced a \$14 billion funding package. It will offer financial assistance to member states so that they can support health facilities and structure and to detect the fatal virus at the right time.

#### **6. Conclusion**

In these economically turbulent times, healthcare, business, government, and more resilient leadership is needed. Emergency measures must be put in place and adjusted quickly for those who may slip through the net. A wide-ranging socioeconomic development plan that includes sector by sector planning and a business entrepreneurial ecosystem is also essential for thriving business models which are robust and sustainable. To be financially sound, governments and financial institutions must regularly re-examine and re-confirm their commitments.

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