

A Study of the Levels of Developed & Developing Countries GDP Growth Rates in Relation to the Global Economic Recovery During COVID-19

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COVID-19, GDP Growth Rates, Developed Countries, Developing Countries, Global Economy

The global COVID-19 pandemic disease has wreaked havoc on every aspect of global society, including the financial, political, social, and economic institutions. It has a profoundly negative impact on the world's economically developed nations, including but not limited to the United States of America, China, the United Kingdom, Germany, France, Italy, and Japan. The COVID-19 pandemic and the depression resulting from it pose immense obstacles, raise many unanswered questions, and force painful trade-offs. Although both crises are global in extent, localized effects are nonetheless affected by them. According to the World Health Organization, as of October 2022, the new Coronavirus has killed 65.9 lakh people worldwide and infected almost 63.1 crore people worldwide, including 4.47 crore people in India. The brand-new virus was discovered for the first time in December of last year in the city of Wuhan, located in China. The virus outbreak has evolved into one of the most severe threats to the economy and financial markets of the worldwide planet. The Organization for Economic Co-operation and Development (OECD) was one of the most recent prominent agencies and banks to reduce its projections for the current state of the worldwide economy (OECD). Meanwhile, concerns about the Corona virus' effect on the international economy have shocked markets everywhere, driving stock prices and bond rates down. The present paper discusses the levels of developed & developing countries' GDP growth rates regarding the global economic recovery during COVID-19

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The authorities have taken action to stop the virus's further spread in reaction to the corona virus epidemic in China and its subsequent global spread. Experience with comparable diseases shows that although there are considerable human costs, most economical costs may be attributed to preventative measures done by people and government transmission control measures (Brahmbhatt and Dutta, 2008). There is nothing at all different about the current experience. Several nations have already implemented policies of social isolation to slow the spread of the virus as it has spread over the world. Others will do similarly in the future. These policies affect people's freedom of movement, employment opportunities, and educational institutions. Through the channels of trade and tourism, the preventative measures have had an immediate and major effect on all economies and partner economies.

We mainly focused on two possible outcomes, the first being a global pandemic and the second being a global pandemic that has become more severe. If a pandemic has spread over the world, it is projected that individual nations will only be responsible for enduring one-half of the global China shock. When it comes to the heightened global pandemic, the impacts of the shocks are the same across the board in every country. In this case, if a baseline global pandemic occurred, the globe's Gross Domestic Product (GDP) would decline two percent below the baseline level. In comparison, the GDP of developing countries would fall by two and a half percent, and the GDP of industrialized countries would fall by one and a half percent. The declines are about twice as substantial under an intensified pandemic, where containment is thought to take longer.

Based on all the statistical data that is currently available, it is much too early to draw any conclusions regarding the virus's effects. The high-frequency data offer some insights, but it is

impossible to precisely forecast how long it will take for nations to recover to normal activity levels and gauge the depth and breadth of the pandemic as it spreads. This impact attempts to provide light on COVID-19's transmission pathways and the many ways it has affected commerce and production in various contexts. The results presented here should be considered scenario assessments rather than forecasts. The shocks used are based on historical examples of global epidemics or preliminary data, and they are just intended for demonstration reasons.

Epidemiological forecasts do not support the assumptions about the disease's spread. They also do not account for the quality of the healthcare systems in the affected countries, the transportation countries that link them, or the reactions of health policy to the epidemic.

Except for losses in tourism and other activities that need close human contact, the model accounts for the fall in demand resulting from lower production and incomes. Still, it does not entirely account for the fall in demand that happened on its own. Additionally, it does not account for any financial repercussions or a decline in investor confidence. When it comes to global trade value chains, we cover some ground, but a more thorough analysis would need a larger amount of data. As we improve our scenarios in light of early effects and look at other potential outcomes regarding the spread of the virus, this study will continue to advance.

Global Economy

In the worst-case pandemic scenario, full-year GDP growth "could plummet to zero," according to Bloomberg Economics. As a result of this pandemic, several industries and economies seem to be most vulnerable. One example is how the virus has affected supply and demand, resulting in lower activity. There is a chance that flows of foreign direct investment might decline by between five and fifteen percent. The sectors

that have been struck the hardest, such as those related to “travel and tourism, hotels, restaurants, athletic events, consumer electronics, financial markets, transportation and already over crowded health care systems,” have also become very vulnerable.

The Economy of Developed Countries

The United Nations has issued a warning that the pandemic caused by the Corona virus might bring about a collapse of up to one percent of the global economy in the year 2020. The original prediction of a 2.5 percent gain has been revised downward to reflect this new information. In addition, the United Nations has issued a warning that if restrictions on economic activity are strengthened without adequate adjustments being made to the budget, the economy may collapse much more.

The COVID-19 pandemic is creating disruptions in both global supply chains and international commerce, according to research done by the “UN’s Department of Economic and Social Affairs (DESA).” The movement of people and the flow of visitors have completely and utterly ceased as a result of the closing of national borders in around 100 countries during the last month “Millions of people who work in these countries must face the dreadful possibility of losing their jobs. Governments from all sectors of the economy are currently considering and implementing extensive economic stimulus initiatives in an attempt to prevent a sharp downturn in their individual economies, which might lead to a lengthy depression in global economic activity. If the worst-case scenario materializes, the global economy might fall by 0.9 percent in 2020.” In 2009, the global economy contracted by 1.7% as a direct consequence of the global financial crisis, according to the “Department of Economic and Social Affairs (DESA)”.

It continued by stating that if governments did not help boost consumer consumption and provide financial assistance for their population, the drop may be even more severe.

According to the World Economic Situation and Prospects report for 2020, prior to the COVID-19 pandemic, it was anticipated that global output will increase in 2020 at a slow pace of just 2.5 percent. This projection was made before the pandemic.

The UN DESA’s World Economic Forecasting Model has made projections for both the best-case scenario and the worst-case scenario for the development of the global economy in the year 2020. These hypothetical situations take into consideration how quickly the economic climate is changing.

It is projected that global growth will slow down to 1.2 percent in 2020 in the best-case scenario, with modest declines in private consumption, investment, and exports, along with increases in government spending within the G-7 countries and China to counteract any negative effects that may be caused by those trends.

The scenario is predicated on demand-side shocks of varied magnitudes to China, Japan, South Korea, the US, and subsequently the EU, as well as a decrease in oil prices of 50% from our baseline of USD 61 per barrel, the report noted. “The worst-case scenario calls for a 0.9 percent decrease in worldwide output in the year 2020,” the author writes. In the most optimistic case scenario, it was projected that there would be a 2.5 percent rise in global output by the year 2020. The length of time that major economies are required to impose limitations on the movement of people and the economic activities they participate in, as well as the extent and efficacy of such reactions to the crisis, will decide how severe the impact will be on the global economy.”

In the research, it is said that “a well-designed fiscal stimulus plan, prioritizing health spending to stop the virus’ spread, and providing income assistance to those most affected by the pandemic would help to attenuate the probability of a large economic collapse.”

The service industry is significantly being impacted by lockdowns in Europe and North

America, according to the projection. These lockdowns are especially having a big impact on physical interaction-based businesses including retail, leisure and hospitality, entertainment, and transportation services. When taken as a whole, these firms account for more than a quarter of all employment in these countries.

According to the “Department of Economic and Social Analysis (DESA)”, if businesses experience revenue losses, unemployment is predicted to rise swiftly, resulting in a stronger demand-side shock for the economy. In light of this, the “UN Department of Economic and Social Affairs (UN-DESA)” has joined other UN systems in urging for “well-designed fiscal stimulus packages that prioritize health spending” and give assistance to those who are most affected by the pandemic.

According to Under-Secretary-General for Economic and Social Affairs Liu Zhenmin, “urgent and strong policy actions are needed.” He said, “Not just to control the pandemic and save lives, but also to safeguard the most vulnerable members of our society from insolvency and to maintain the economic process and financial stability.” These policy changes must be quick and audacious.

The research also issues a warning that developing countries will ultimately experience negative effects from prolonged economic restrictions in wealthier nations via trade and investment channels.

There will be less merchandise imported from developing countries as a consequence of a sharp decrease in consumer spending inside the European Union and, therefore, here in the United States. “Developing countries are subject to substantially greater levels of economic risk, particularly those that largely depend on tourism and commodity exports. Since the tourism sector in tiny island developing nations employs a high number of people with low levels of education and training and might suffer as a consequence of the potential major decline in global manufacturing

output “it said.

In the meantime, the possibility that many countries may struggle to pay their debts is growing due to the fall in revenue associated with commodity prices and the reversal of capital flows. Additionally, there is a chance that governments will face pressure to reduce public spending at a time when they must raise spending to stop the pandemic’s spread and promote investment and consumption.

The warnings given by UN-DESA are in line with those given in a different report that was released on March 31. In that report, United Nations experts made a strong case for a “large-scale, coordinated, comprehensive international response” that would account for at least 10% of the world’s GDP (GDP).

The Economy of Developing Countries

The demand from the consumer’s own customers is anticipated to fall significantly in the majority of developing nations.

There is a chance that demand for food, medical care, and many other necessities may rise; however, this would likely be more than offset by a fall in demand for non-essential items like clothes and other services.

There would be less demand, which would result in a reduced price, due to other variables including overseas purchasers postponing or withdrawing orders, domestic and international visitors canceling vacations, and stock market drops, which reduce people’s wealth and desire to spend.

The flow of remittances to countries like the Philippines, India, Pakistan, as well as Somalia, which has a substantial diaspora is anticipated to slow down due to layoffs and postponed salary payments in “Europe, the Middle East, and the United States”, where the bulk of these people reside and work. These countries include Pakistan, India, and the Philippines.

Production and employment levels will be negatively impacted by a general impact in domestic consumer demand. If enterprises working in this

sector have access to funding, they may increase their completed products inventories rather than reduce production and employment levels, which might reduce the impact of the fall in consumer demand on the manufacturing industry. However, the services provided by the micro services sector are anticipated to be rather amazing.

There will probably be disruptions on the supply side in developing countries. This is due to potential shortages of imported raw materials and substitute parts. Contrarily, this is probably going to be a far less pressing issue in developed countries where significant supply chains are more or less the norm rather than the exception. Additionally, lower gasoline prices would be advantageous for developing countries, the majority of which are energy net importers.

The degree and duration of the short-term effects on supply and demand will depend on the steps that various governments take to halt or stop the virus's spread. Governments will start closing businesses and shops that sell non-essential goods if the pandemic shows signs of swiftly spreading, as it is now doing in Europe and the US.

In parts of Pakistan and India, a lockdown has already been put into effect. Under these conditions, there would be a significant decline in GDP and wages. It's also feasible that it will exceed the 3-5% predicted for Italy. The people in society who are already having the greatest financial difficulty, such as those who work as day laborers in both urban and rural areas, would be most negatively impacted by a decline of this size. In many developing countries, there are no governmental-managed social safety nets. The vast majority of people will turn to their friends, neighbors, or relatives for support when they are in need.

There is sometimes a significant rise in the amount of money contributed by private people to charity organizations during times of crisis, like the one we are now going through. The private sector offers direct financial help in the form of

cash and food supplies, as well as assistance with medical costs. Additionally, even when they are unable to report to work, affected workers' earnings are kept the same.

However, the bulk of it is given in the form of organizations to "non-governmental organizations (NGOs) and civil society organizations", as well as mosque or church committees. These organizations are already well on their way to establishing food distributions and other assistance programs in major cities like Karachi. They have exceptionally well-established capacities to serve the poorest people in many countries.

Even while there are still a lot of unknowns about how the pandemic will develop, it is plainly clear that the private support mechanisms may not be able to fully respond. Additionally, owing to the scattered nature of the population in rural areas, which makes it difficult to reach individuals who are affected, such mechanisms tend to be fairly unsuccessful.

Effects of COVID-19 on Global Economy

Due to the global nature of the economy, Diane Swonk, Chief Economist at Grant Thornton, said that "multinational firms from a variety of different nations operate around the world." For instance, China has a footprint in every other economy in the world and participates in the global supply chain. As a result, it is recommended to halt production in China and the United States simultaneously.

In addition, oil prices have fallen to new lows and stock markets throughout the world have been crushed. The majority of investors are now withdrawing their funds from several businesses due to the existing status of many of those businesses. The Covid-19 pandemic has already cost developing markets \$83 billion since it first emerged. Because of this, Covid-19's effects have a global negative impact on the structure the world economy is structured. Businesses do not make money because people do not have access to disposable cash. As a result, the bulk of

businesses are shutting down.

The majority of nations are going through recessions and seeing their economic systems fall apart, which emphasizes how insecure their structure is. While taking this into account, the International Monetary Fund has already received requests for financial help from around 80 countries (IMF).

The research's conclusions indicate that the gross domestic product growth forecast for China received the most significant downward adjustment. The economic powerhouse of Asia is anticipated to grow by 4.9% in 2015, which is less than the prior forecast of 5.7% growth, according to the OECD.

The estimate predicts a 2.4% growth rate for the world wide economy in 2020, down from the previously predicted 2.9% growth rate. The slow down in manufacturing sector activity. The virus outbreak has had a significant detrimental impact on China's manufacturing sector.

Based on a survey of private businesses, the Caixin/Markit Manufacturing Purchasing Managers' Indicator revealed that factory activity in China dropped in February, reaching a score of 40.3, a record low for the index. A score less than 50 indicates that contraction is taking place.

The slowdown in Chinese manufacturing has had a negative impact on the economy of numerous countries with close economic relations to China, notably Vietnam, Singapore, and South Korea, which are all part of the Asia Pacific.

Numerous analysts claim that the time it takes for manufacturers in China to resume regular operations is longer than expected. This, together with the rapid spread of COVID-19 outside of China, according to economists, may cause a lasting decline in global manufacturing activity.

Services Contraction

The decline in consumer spending that occurred in China as a direct result of the virus epidemic had a negative effect on a variety of service services located inside the nation. These

industries include, amongst others, restaurants, retail shops, and airlines. The Caixin/Markit Services PMI for China registered at only 26.5 in February, which was the lowest reading since the survey's inception more than 15 years ago and the first time the index dropped below the 50-point threshold. Additionally, this was the first time the index had fallen below the level that indicates expansion. The strength of the services sector has decreased in not only China but also in a number of other countries as well. According to IHS Markit, which is in charge of collecting the monthly PMI data, the performance of the services sector in the United States, which is the biggest consumer market in the world, deteriorated in the month of February.

IHS Markit claims that one of the elements that caused the U.S. services sector to decline was a decrease in "new business from outside as customers held back from placing orders amid global economic anxiety and hence the corona virus outbreak."

Declining oil prices

As a result of a global slowdown in economic activity throughout the world, there has been a decline in the demand for oil, which has led to prices falling to multi-year lows. This was already the case before the most recent drop in oil prices was brought on by a debate between OPEC and its allies on output curbs. According to the analysts working for the Singaporean bank DBS, the "double whammy" that the virus outbreak has caused for the oil markets is an expected rise in supply coupled with a projected decline in demand for oil. This phrase literally translates to "two blows in one." The most significant importer of petroleum in the world is China, which is also the hub of the corona virus outbreak. The analysts from DBS wrote in a study that the development of the virus in Italy and other parts of Europe is very concerning and may likely have an effect on demand in OECD nations as well.

Stock market rout

The unease that investors feel about

COVID-19's possible implications on the economy as a whole has had a negative influence on investor sentiment, which has resulted to a decline in stock prices across a variety of global markets. According to Cedric Chehab, head of national risk and global strategy at Fitch Solutions, there are three different ways in which the outbreak of the corona virus might effect the attitude of the market. On CNBC's "Street Signs Asia" last week, he stated, "We have identified three paths through which the COVID-19 outbreak was starting to weigh on markets, so that's the slowdown in China, the slowdown from local outbreaks, and thus the third channel was financial markets stress."

Lower Bond yields

Investors are bidding up bond prices due to concerns over the worldwide spread of the new corona virus. This has resulted to a minor decrease in interest rates in countries that are considered to be essential. During times of extreme market volatility and uncertainty, investors often go for refuge in assets that are considered to be safe havens, such as the United States Treasury, which receives support from the United States government.

It has never occurred before, but over the previous week the interest rates on all U.S. Treasury contracts went below 1%. This has never happened before. Additionally, the benchmark 10-year contract dropped to its all-time lowest percent, which was 0.3%. Many analysts think that the Federal Reserve System would lower the interest rates it now maintains if the yields on U.S. Treasury securities decline. Last week, the American financial institution unexpectedly cut its target funds rate by fifty basis points, bringing it down to 1.25% from 1.25 percent. According to a note that Bank of Singapore strategists sent to investors, "We believe that the Fed is cognizant that it's limited policy space for conventional cuts today versus past recessions and may look to maneuver more aggressively and before market expectations to extract the utmost efficacy from

its rate cuts." "We think the Fed is cognizant that it has less policy room for conventional cuts currently than it had during previous recessions."

Global Economic Impact

Economists are almost unanimous in their prediction that this will have a materially large and adverse effect on the economy of the global world. Early forecasts predicted that, should the virus spread internationally, the majority of big nations would witness at least a 2.4 percent decline in the value of their GDP by the year 2020. As a consequence of this, the projections that economists have made for the expansion of the global economy in 2020 have already been reduced from around 3.0 percent to 2.4 percent. Estimates put the global gross domestic product at around 86.6 trillion dollars in the year 2019.

This suggests that a decline in economic activity of merely 0.4 percent would result in a loss of economic output of more than 3.5 trillion dollars. The outbreak has also caused sharp declines in global financial markets, and as a consequence, on March 16, 2020, the Dow Jones announced its largest-ever single-day drop of just under 3,000 points, breaking its previous record of 2,300 points established in 2008 and setting a new record for the worst one-day performance in the index's history.

The "Organization for Economic Cooperation and Development (OECD)" forecasts that global growth would drop to 1.5% in 2020, a 50% decrease from its current rate, if the virus spreads at its present rate. Because there is no impact to predict how this pandemic will spread or how long the effects will last, the majority of economists have already predicted that there would be a recession. The Schulich School of Business' Bernard M. Wolf, an economist, said that "it is disastrous and we have never seen anything like this, we have a significant sector of the economy and people under lockdown that is going to have a tremendous impact on what can be produced and what cannot be produced."

Impact on Europe

Within the United States, influence In the United States, 3.3 million people applied for unemployment benefits in only one week, while 6.6 million people started searching for job in the following week. The official working for the Federal Reserve in the US predicted that the unemployment rate would increase to 30% and that the economy of the nation would shrunk by 50%. Normal people may potentially lose their work, which is a big risk in terms of their jobs. This is because the fact that businesses are shutting down suggests that these businesses won't be able to pay their employees, forcing them to be let go. However, the result of Covid-19 on the stock market has been disastrous. As an example, the American stock market has dropped by roughly 30%.

Research Methodology Global computable General equilibrium Model Envisage

The study findings were obtained by simulations using a version of the "Envisage model that was calibrated to GTAP Version 10A". With 2014 serving as its reference year, the latter makes use of the model in its comparative static specification (Aguiar et al (2019). "Envisage is a computable general equilibrium (CGE) model that is comparatively standard". In order to create a temporary closure, the following assumptions have been included into the model:

- There is very little space for substitution among the different production inputs since production elasticities are now so close to zero.
- The trade elasticities for goods have been scaled down from their original levels to reflect the short-term impossibility of substituting domestically produced goods for imported components and finished goods. In order to reflect the often enduring link that occurs throughout global value chains, this is done. The elasticity between domestic and imported goods will be calculated using a value of 0.4. For the elasticity of substitution across all import sources, a value of 0.8 has been set.

- Since the labor supply is an exogenous element, pay rates must adapt to keep the demand for and supply of labor in balance. While the supply of capital is governed by endogenous causes, the rate of return on capital is constant.

Transmission Channels

Although the shocks have been divided into four groups, it is anticipated that they will all occur at once. As a result, all prior shocks will be included in the fourth and final shock. The duration of the shocks is yet unknown, but based on past events, it is anticipated that they will last between eight and twelve weeks and most likely not be unsynchronized among countries.

1. The first shock is a reduction in employment that is 3% below the baseline. Despite the fact that there will be a smaller pool of available labor, which will lead to higher salaries, we are assuming that the rate of return on capital will stay the same. A smaller labor force also means that there is less demand for capital, since businesses require both labor and capital to produce goods and services.

A multitude of factors, such as factory closures (which force workers to stay at home, resulting in idle capital and natural resources), and social alienation (which forces workers to stay at home), may be responsible for the underutilization of capacity. We are making the cautious assumption that the underutilization of the labor force will be about 3% on average throughout the entire year across all different sectors of the economy due to the increased rates of contagion, the immediate effects of business closures related to COVID in the form of increased unemployment, and the negative demand shock. These hypotheses are surrounded by a great deal of uncertainty, and the effects of the pandemic on employment will differ from one country to the next depending on factors like the length and severity of the pandemic, the containment measures, the sectoral makeup of employment, and the labor market's adaptability.

2. The first shock increases the whole costs of international commerce, including imports and

exports, by 25% when paired with the supply shock. Everything is affected by the shock, including goods and services. Financial costs are associated with commerce when goods cross international borders.

The main causes of the anticipated increase in the costs of transport and transactions in international commerce are thought to include more inspections, fewer hours of operation, road closures, border closures, rises in transport costs, etc. Evans et al. (2015) estimated that the costs related to international commerce may rise by 10% as a consequence of an Ebola epidemic. We worsened the shock by increasing the costs of international commerce with imports and exports to a level of 25% since COVID-19 is affecting a bigger number of countries and the containment measures seem to be more severe as a consequence of the efforts to control the virus.

3. A sharp decline in the number of persons going abroad is the third shock. A consumption tax of 50% is levied on all goods and services related to overseas travel, including travel, lodging, and other related services. As a consequence, the concerned nations get an amount of revenue that is often small and is subsequently given as a lump payment to families. The export tax is imposed on both incoming and leaving (tourist) services and includes expenses for lodging, eating, and other service activities; lodging by land, sea, and air; as well as recreational and other services.

The impact that COVID-19 had on the tourism, hospitality, and leisure industries was unprecedented in the annals of human history. The income generated by the lodging and motel industries during the most recent quarter fell by 75%. By March of the year 2020, the number of people using travel agents to book reservations has dropped by a factor of half. By the year 2020, it is predicted that global airlines would have lost a combined total of 113 billion dollars in revenue. At its height, the outbreak resulted in the cancellation of more than seventy percent of China's regularly scheduled flights. According to

the World Travel and Tourism Council (WTTC), the number of people traveling internationally would drop by at least 25 percent in the year 2020. By the middle of March of that year, all international travel had come to an immediate and full halt. We put a tax on the export of trade-related services that was equal to fifty percent in order to compensate for the impact that the decline in tourism, hospitality, and leisure services had. As a direct result of this, global sales of tourism-related goods and services dropped by between twenty and thirty two percent.

4. The fourth shock is a change in demand brought on by families that choose to spend less money on services that entail direct connection with other people, such public transport, domestic tourism, eating out, and leisure activities, in demand of the consumption of goods and other services. It is anticipated that demand for the services in question would drop by 15%. This leads in a reallocation of house hold demand across a variety of different sectors, despite the fact that aggregate expenditures are still dictated by previous shocks and the relative prices of the commodities in the consumption basket.

Anecdotal evidence shows that the impacts of social alienation and a general reduction in economic activity will have considerable repercussions for the individual industries in question, despite the fact that it is difficult to foretell the future. As a consequence of social distance regulations and the closure of enterprises that were not essential, the number of reservations made via the Opentable network dropped by one hundred percent during the latter part of March (data form the United States, the United Kingdom, and Germany). The yearly impact may vary significantly from one case to another, depending on the length of time that the businesses were shuttered. Given that it has been going on for some time, a decline of 15% per year is a reasonable estimate for how much it has decreased.

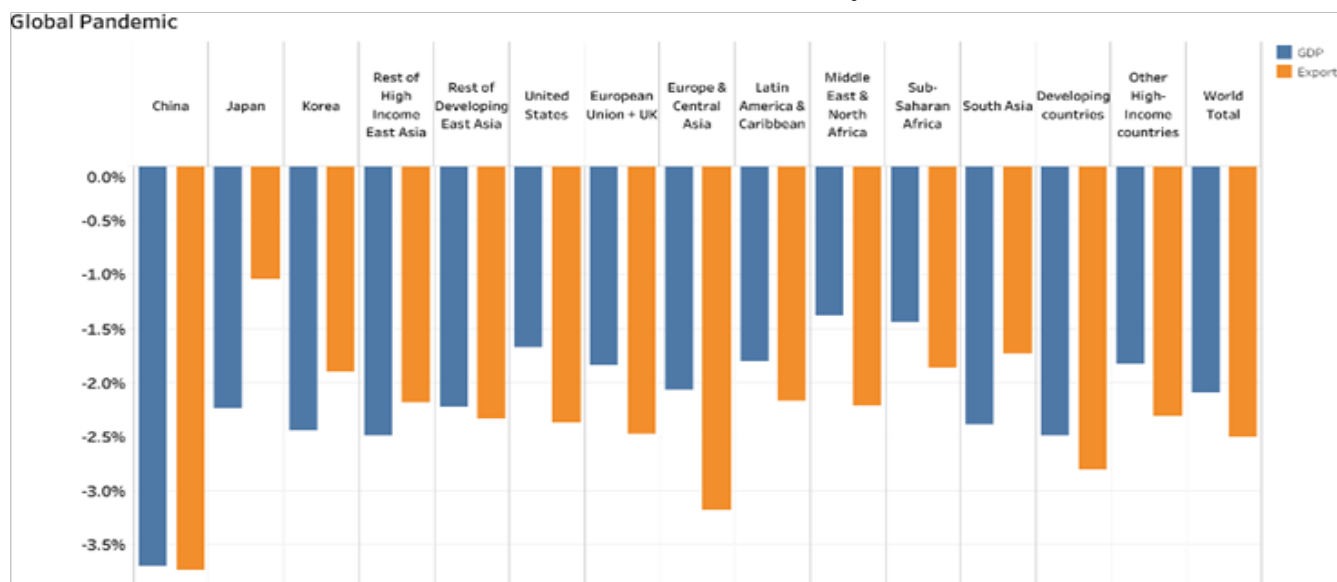
Impacts of COVID-19

Macroeconomic Impacts

We will use China as an example to demonstrate how the pandemic would affect other countries since the global pandemic scenario suggests that the pandemic would have the biggest impact on China but would also negatively affect other nations. "China's GDP is anticipated to drop by 3.7% as a result of the worldwide pandemic (all percentage changes are reported in relation to the baseline)". As an impact of the cumulative effects of the shocks, China will have greater negative effects. First, the supply shock causes a decline in GDP due to a result in employment (and capital), which in turn causes a result in production, exports, and imports due to a decrease in family income and declining production.

Second, as a result of an increase in the expenses associated with international commerce, the price of one unit of both imported and exported goods goes up. The increasing costs connected with exporting and acquiring inputs, as well as the rising prices of finished items, all contribute to a

reduction in the competitiveness of manufacturing in China. The growing expenses of international trade result in decreased productivity as a direct consequence of the extra inputs that are required to carry commodities to their respective customers. Otherwise, these inputs may be utilized toward investments or personal spending. Additionally, there is a significant decline in both domestic and foreign tourism, which lowers China's GDP and exports even more. Last but not least, the composition of production is changing toward manufacturing as a result of lower demand for industries that have been badly affected by social distancing (transportation, hospitality), and much increasing demand for goods. Overall exports see a decline of 3.5%, while imports experience a decline of 3.2%, as a result of a decrease in revenue and loss of competitiveness. The nation's exports of activities connected to tourism suffer a 29% decline, while the nation's imports of these same activities experience a 37% decline. Actual household consumption of goods and services decreased by 7.2%.



Source: Envisagesimulations

Figure1: "GD Pandexportim plications of the Global pandemic sce Nario (%deviation from the bench mark)"

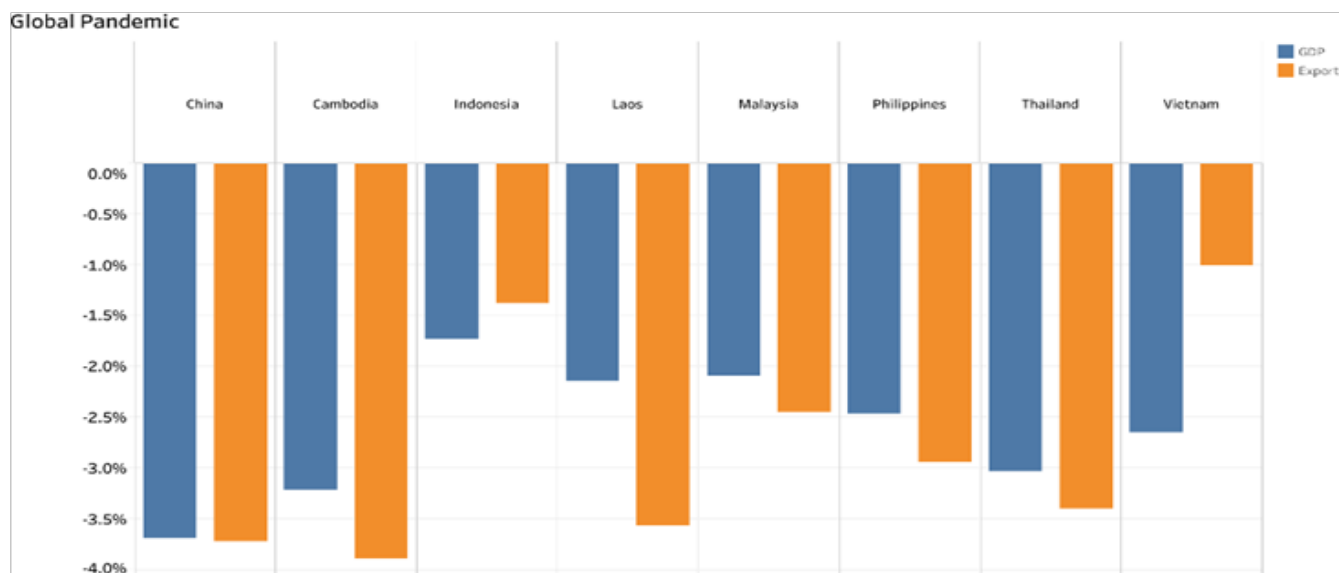


Figure 2: “GDP and export implications of global pandemic scenario for EAP countries (% deviation from the benchmark)”

When a pandemic spreads throughout the world, the loss to global GDP rises to 3.9%, while the loss to Chinese GDP rises to 4.3%. The regions that experience the greatest levels of economic trade as a result of trade and those that get a significant portion of their GDP from the tourism sector have had the steepest GDP reductions. It is anticipated that the GDP of Cambodia and Thailand would decrease by more than 6%, while the GDP of Singapore, Hong Kong Special Administrative Region of China, China, Taiwan, the Republic of Korea, Malaysia, and the Philippines will decrease by more than 4.5%. Furthermore, the magnitude of these losses will be far higher than the losses sustained in China. There is a possibility that high-income countries will experience significant decreases in their GDP; it is anticipated that the European Union will experience a loss of more than 3.4%, Japan will experience a loss of 4.6%, the United States will experience a loss of 3.4%, and Canada will experience a loss of 3.2%. In both the global pandemic scenario and the enhanced global pandemic scenario, the countries of Sub-Saharan Africa (SSA) and the Middle East and North Africa (MENA), which are expected to experience a GDP loss of 3%, are expected to be the least impacted.

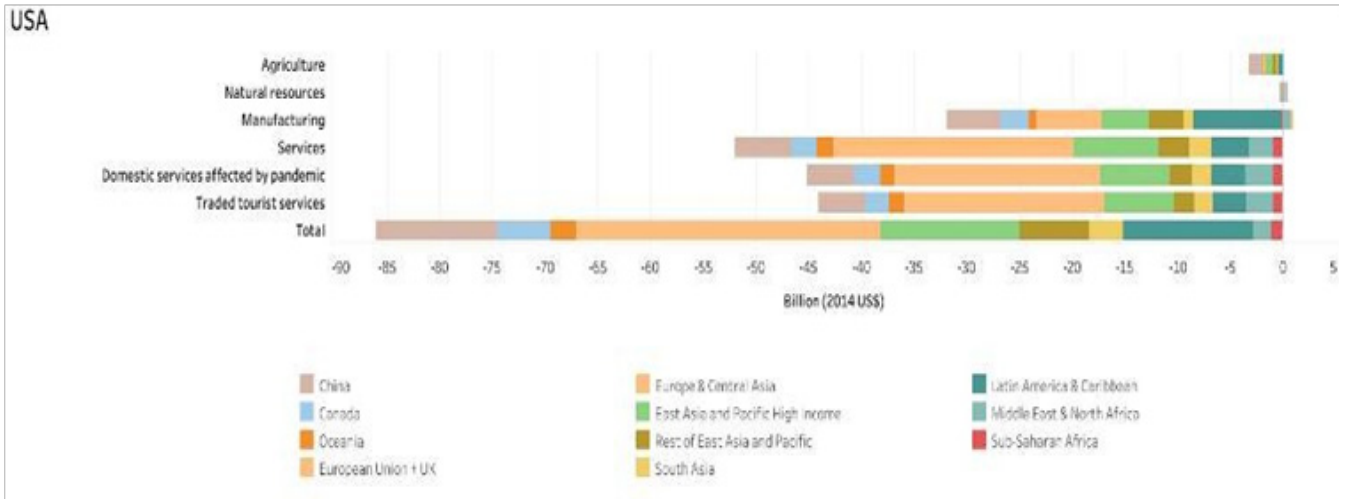
The entire value of global exports decreases by 4.6% in the event of an amplified pandemic. More than the norm for the world, some EAP nations are seeing export losses. China (98.8%), Hong Kong Special Administrative Region (SAR), Cambodia (7.4%), Singapore (8.5%), Lao People's Democratic Republic (7.3%), and Thailand (6.4%) are among them. Additionally, exports to the Russian Federation and the Philippines are down as much as 6.4%, while exports to Canada, Europe, and the United States are down around 4.5%. As a result of the virus's accelerated spread around the world, all regions are seeing a decline in their global exports; however, the regions that are least integrated through trade and tourism, are the ones that are feeling the least impact. However, the scenario in which the global pandemic is amplified is the one that will have the greatest of an impact on the decline of exports for all countries, including Vietnam, Japan, and Korea. Some EAP countries are probably less likely to be affected by this scenario than others.

Trade Impacts

The shocks that occur in our example simulations are the same everywhere, and the severe recession that is brought on by the magnified global pandemic scenario has a negative

impact on exports in almost every sector and to the vast majority of countries. The initial split of a country's production and exports according to their unique sectors and destinations has a significant impact on the precise results that are

produced. Other variables, such as the degree of openness that the nation has as well as changes in the relative competitiveness of the exporting country and its trade partners, are also essential.

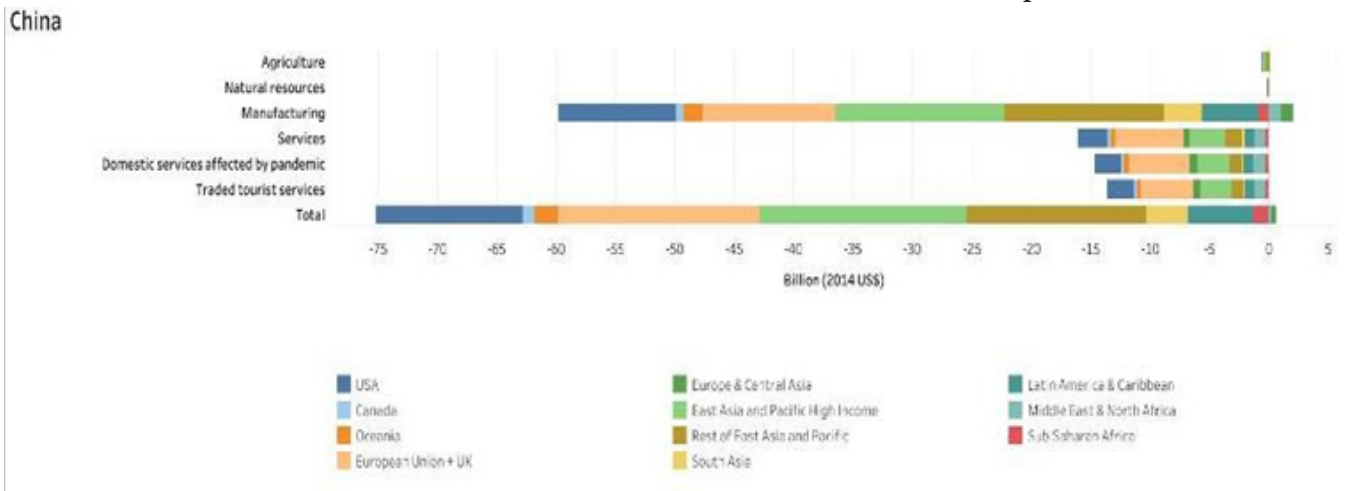


Source:Envisagesimulations

Figure 3: “Impacts on US exports in the amplified global pandemic scenario (difference from the benchmark)”

The overall exports of the United States are anticipated to decline by close to \$85 billion (in terms of 2014 USD) under the scenario that the global pandemic is amplified (Figure 3). The services exports that would suffer the most are

those that need face-to-face interaction, such as tourism and other services. Exports to Europe and EAP are anticipated to have the biggest drops because of the economic slump and decreasing demand in those countries, which are the main services of U.S. service exports.

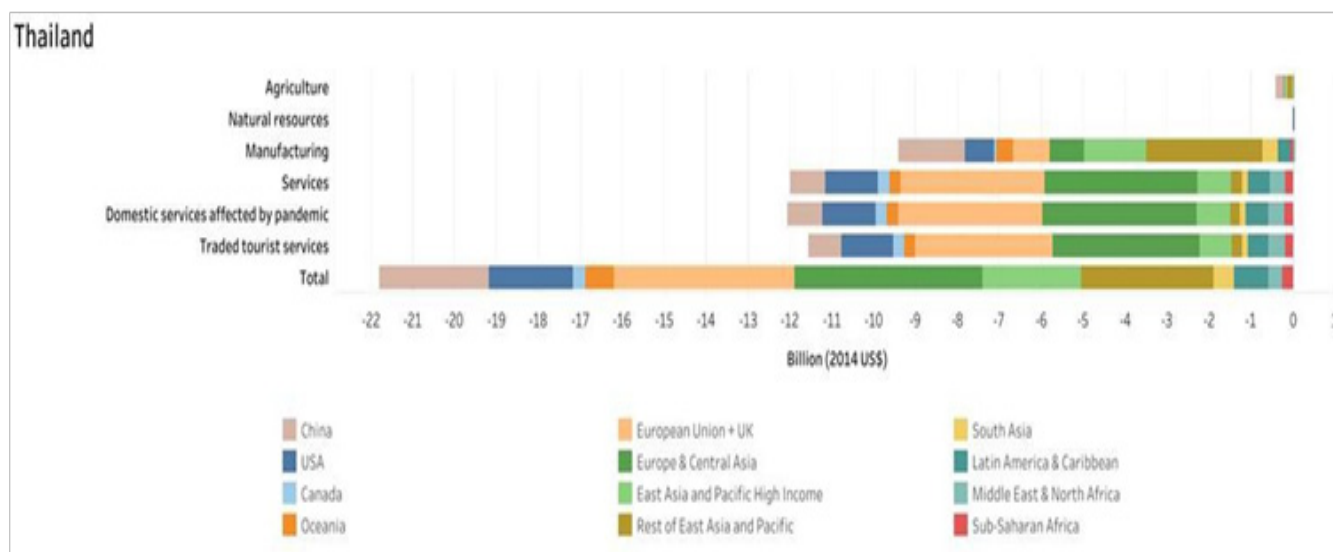


Source:Envisagesimulations

Figure 4: “Impacts on Chinese exports in the amplified global pandemic scenario (difference from the benchmark)”

In the case of China, the production of manufactured products as well as exports from China that are destined for the markets of the United States, Europe, and EAP countries exhibit the biggest decline in exports (Figure 4). The exports of Chinese goods to countries in Eastern and Central Africa, the Middle East, and North

Africa (collectively referred to as ECA and MENA) have seen a slight increase. These are regions of the world where Chinese goods are becoming relatively more competitive in comparison to those of other suppliers, and where domestic producers are unable to fully satisfy domestic demand.

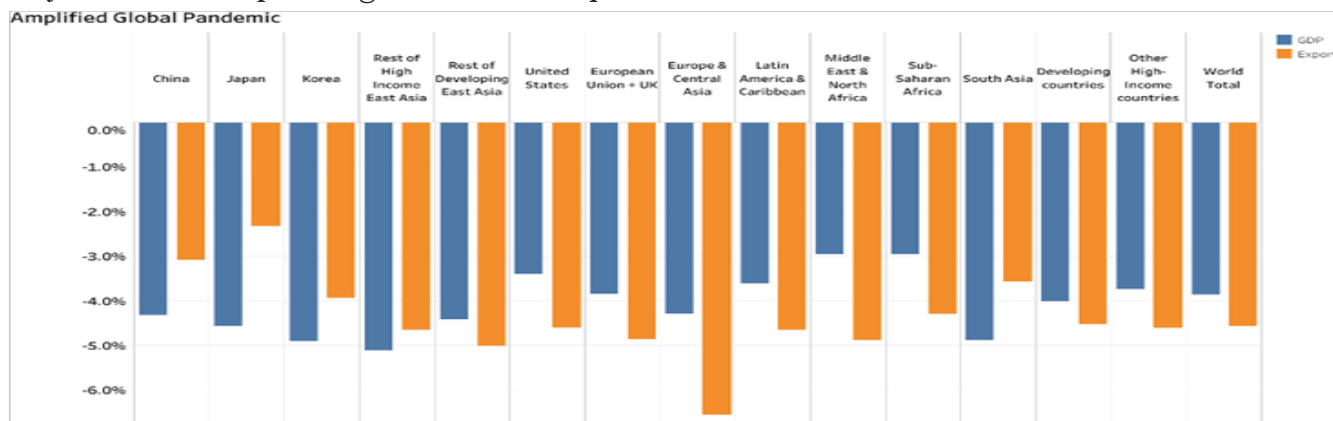


Source: Envisagesimulations

Figure 5: “Impact on Thai exports in the amplified global pandemic scenario (difference from the Bench Mark)”

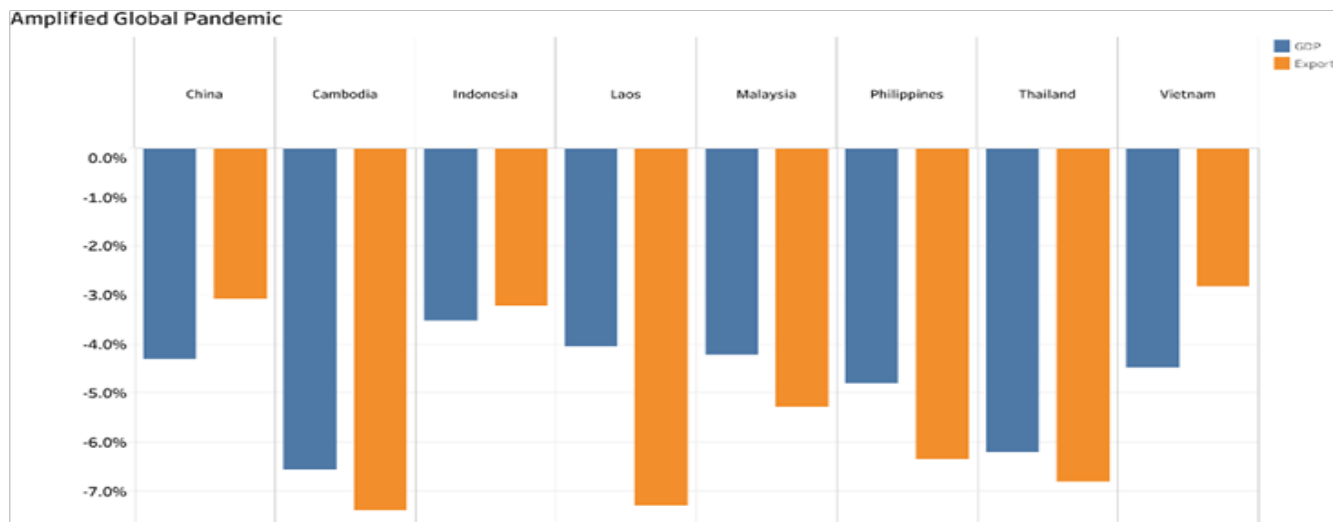
Last but not least, in the case of Thailand, the country’s exports of manufactured goods and services exhibit the greatest benefits, while those of agricultural goods and natural resources show very little of an impact (Figure 5). While exports

of manufactured goods to China and other EAP partners suffered the greatest losses, exports of services to the United States and Europe saw the worst declines.



Source: Envisagesimulations

Figure 6. “GDP and export implications of amplified global pandemic scenario (% deviation from the bench mark)”



Source: Envisagesimulations

Figure 7. “GDP and export implications of amplified global pandemic scenario (% deviation from the bench mark)”

The reallocation of output that is brought about by each transmission channel is relatively distinctive and different from one another due to changes in demand and supply. Since the first shock decreases the quantity of labor and capital available, it affects all sectors similarly, although it is likely to have a bigger impact on those that depend largely on human labor. Trade costs have an impact on both potentially traded industries and goods and services that rely heavily on imported components. A decline in tourism is brought on by an increase in the tourist tax, but all other firms that provide the raw materials for the production of tourism services will also suffer a negative demand shock as a result of the adjustment. Last but not least, social distancing produces a drop in demand for certain industries, although it does result in some substitution toward goods and the remaining service sectors. Overall, compared to agriculture and industry, services see a higher decline as an impact of the sectoral effects of the amplified global pandemic scenario. It has been shown that the pandemic's direct services on domestic service output as well as traded tourist services caused the greatest shock. At the global level, the pandemic's effects might result in a 9.3% drop in service output,

an 8.8% drop in tourism service output, and a 3% drop in the production of manufactured and agricultural goods.

Conclusion

The COVID-19 virus is spreading quickly around the world. The World Health Organization estimates that by October 2022, the new corona virus has killed 65.9 lakh people globally and infected roughly 63.1 crore people worldwide, including 4.47 crore people in India. Therefore, the primary focus must be on controlling the outbreak, provide treatment to those who are ill, and helping communities cope with the pandemic. With the global GDP potentially decreasing by up to 3.9% and impoverished countries being the most negatively impacted (4% on average, but some surpassing 6.5%), our hypothetical examples indicate that the potential revenue loss in the affected countries may be considerable. Governments will need to provide a lot of support to the impacted people and businesses.

As a result of our study, we are probably calculating the potential economic costs of the outbreak to be lower than they really are. Our model does not adequately account for all of the possible outcomes of a financial shock, including

(Continued on Page No. 28)

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वेब सूची :

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some significant pathways, such as the reduction in demand and FDI that is caused by uncertainty, as well as other potential ramifications. In order to replicate key features of global value networks trade, we make use of input-output linkages and assumptions that simulate the lifetime of links between firms in value chains, but we want to expand the analysis in the near future by employing a larger data set. Although both the impacts of rising domestic trade costs and the demand shift away from pursuits requiring face-to-face contact with others have been studied, no conclusions have yet been reached on either of these people. As we strive to align our assumptions and potential results with the most recent economic and health facts, our analysis will change.

Due to the magnitude of the potential consequences and the first estimates of the economic implications, it is very necessary for there to be a concerted effort made all over the globe to address the problem. A global problem requires a global response, and global cooperation is necessary not just in the field of health but also in the fields of trade, finance, and macroeconomic policy. Thankfully, global organizations are starting to coordinate their efforts on a global scale and aid countries who are dealing with the impacts of the outbreak on their economy and economic health with both technical and financial support.

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