

1. The Economic Impact of Coronavirus

Prelims Syllabus: Economy - Growth, Development.

Mains Syllabus: GS-III Indian Economy and Issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.

Why in News?

- The outbreak of Corona virus in China and its spread to neighbouring countries has been having a devastating impact on the various sectors of the economy at both global and national level.
- Thus the impact of this spread on various sectors has been discussed here.

Global Scenario:

- 1. Slowdown in Global Growth:** The world's economy could grow at its slowest rate since 2009 this year due to the corona virus outbreak, according to OECD. The OECD has forecast growth of just 2.4% in 2020, down from 2.9% in November 2019.
- 2. 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.
- 3. 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.
- 4. 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.

Impact on Indian Economy:

1. GDP Growth Rate:

- ✓ OECD has slashed India's growth forecast for 2020-21 by 110 basis points 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.

2. Automobile Industry:

- ✓ China is one of the leading suppliers of auto components in India, accounting for 27% of the total imports.

- ✓ The corona virus 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.

3. Impact on Pharmaceuticals Sector:

- ✓ 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.
- ✓ 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.

4. 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.

Response at Global level:

- Vaccines are being developed.
- The COVID-19 outbreak was declared a Public Health Emergency of International Concern by the WHO.
- According to recommendations by the World Health Organization, the diagnosis of COVID-19 must be confirmed by the Real Time- Polymerase Chain Reaction (PCRT-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 corona virus, particularly vulnerable countries with weak health care systems.

Response at National Level:

- 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.

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- 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.
 - **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.

