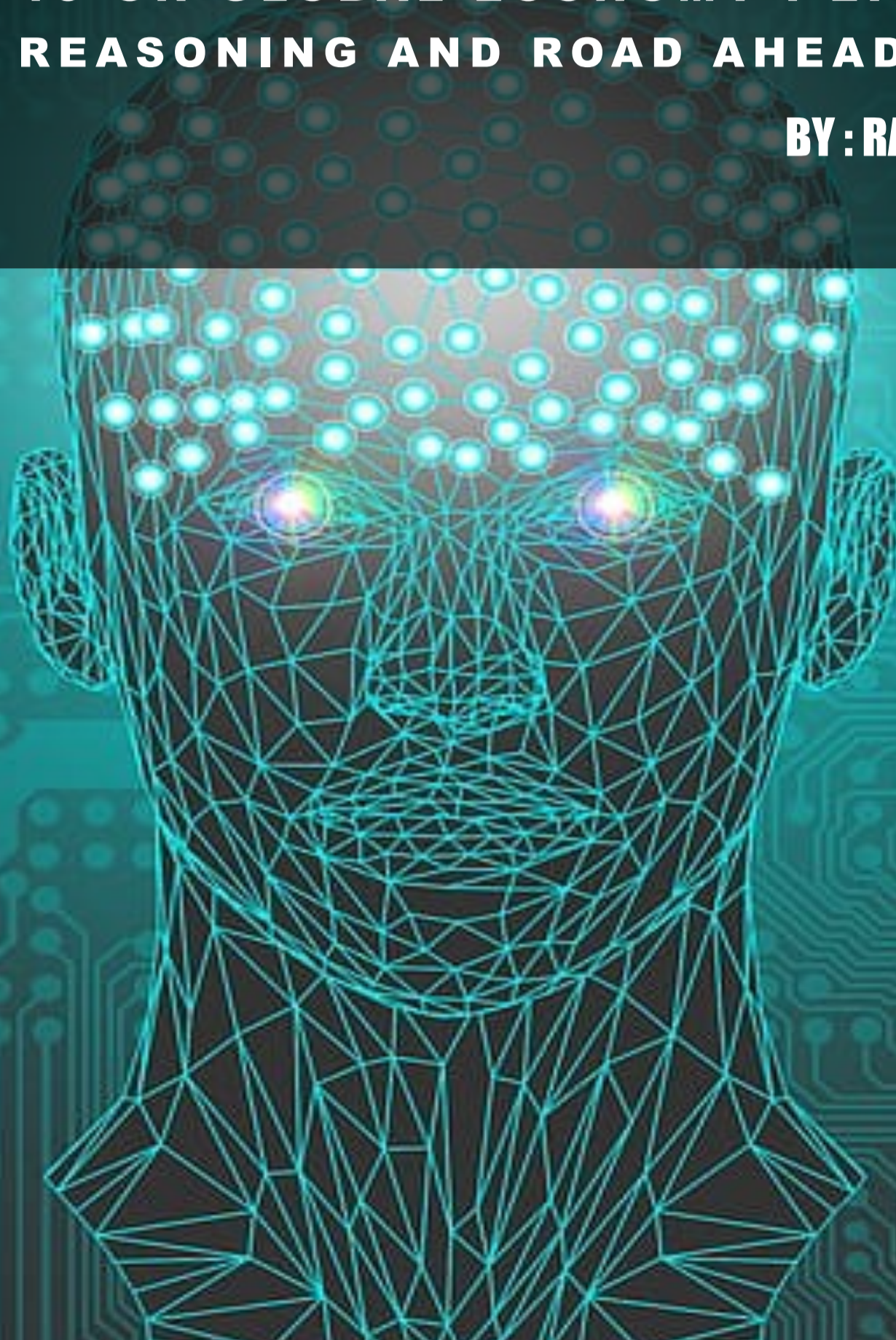


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**COVID-19 ON GLOBAL ECONOMY : EFFECTS,  
REASONING AND ROAD AHEAD**

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## Abstract:

Within a few months, a pandemic that was caused due to a microscopic virus has today affected 188 countries and taken more than 7 million lives. This unforeseen alteration of routine life in a technologically advanced century has not only induced fear among general population, managing to confine the world within four walls, but has also served as a radical challenge for the global economy. Today's CEOs are navigating through uncharted waters. Successfully navigating these challenges may not guarantee a promising future, or any future at all. This is because once we get through this pandemic, we will emerge in a very different world compared to the one before the outbreak. It is hence very important to not only recover from the loss that this pandemic has inflicted but also adapt to future trends and new market scenario. Every industry has been impacted due to COVID-19, while the magnitude of the impact may vary from sector to sector, there are some industries that have suffered the most and continue to suffer. Then there are those industries that have achieved growth trends which they could never imagine, like in the case of IT, pharmacy and health sectors. On the other hand, there are industries like tourism and hospitality that have slim to no chance of recovery in the near future.

**Keywords :** COVID-19, Global economy, effects on IT, Pharmacy and health sector.

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## **AVIATION SECTOR**

**LOSS INCURRED :** Aviation is the worst-hit sector, with both international and domestic flights cancelled on account of lockdown. Evidently, with the halt of the aviation sector, the economy at large is suffering miserably. Globally, commercial airlines generated combined revenue of around 838 billion U.S. dollars in 2019. The United States, Brazil, China and the European Union were ranked among the most important markets for air travel in 2019 . The aviation sector provided 4 million jobs in USA and contributed approx. \$ 850 billion in economic activity while it contributed \$35 billion to India’s GDP annually while generating 1.34 million jobs. The crippling effect of restricted operations is immediately visible on the income-expenditure table of airlines. In the absence of demand, 95 per cent of commercial aeroplanes remain grounded since the pandemic. A grounded plane makes no money and instead, in addition to the fixed costs, they demand more money in terms of extended maintenance and parking fees. With no revenue earnings, keeping them parked in the airworthy condition proves more expensive . According to estimates from the International Air Transport Association (IATA), airlines may lose \$113 billion in sales globally. Covid-19 has also accelerated the process of bankruptcy filing by several companies like Virgin Australia ,Air Mauritius and Ravn Air. Virgin Atlantic has filed for bankruptcy protection while laying off 3,550 staff. Miami Air International has also ceased operations. A 30% drop in domestic bookings is witnessed in India.

**REASONING :** Airlines have a regular loan or lease liability depending on how the planes were acquired. Even before the pandemic, the aircraft lease rentals or EMIs on loans were hardly serviced by the money that the airlines were making. With no income, it is impossible for most airlines to retain their planes. As a result, a few airlines are shutting down while others are downsizing or returning their planes to their lessors. The industry has to pay not only the high amount of fixed cost but along with it the hangar cost , salaries, maintenance cost and much more. This accompanied with no revenue generation has proved fatal . Social visits , business trips, leisure and vacation trips constitute more than 70% of reason for the revenue of the sector. With the ongoing trend of social distancing and the decline in tourism industry resulted in a loss for the sector that might last for a long period. Business trips too show no hope of revenue generation due to the concept of “Work From Home “. The fear of contamination is what caused and will continue to be the driving force to keep people away from travelling.

**FUTURE PLAN :** Aviation will always remain an indispensable part of life . With the sector being blamed for the spread of the virus worldwide, governments across the globe prioritised community health over the economy. In order to attain future growth, the aviation sector will have to provide certain travel guidelines that provide assurance to the safety of customers. A new set of rules adhering to the social distancing norms have to be made effective on a global scale. Social distancing norms have a double fold effect on the future

plans. Not only will they increase the cost for basic screening and health sanitization but also translate to fewer passengers as flights will work at 50 percent capacity. The recent sharp decline in crude prices is positive for the aviation sector. However, the benefit of lower aviation fuel can come only when airlines operate at optimum utilization. Since health sanitization at airports will be an absolute necessity and a mammoth task, countries may require the creation of Aviation Health Authorities (AHAs) analogous to the Aviation Security organizations created post 9/11 in the US and elsewhere. These AHAs will be responsible for the creation and implementation of protocols in aviation. These protocols may be time-consuming, requiring passengers to reach airports many hours before the flight. In order to ensure that the aviation sector does not lead to a second wave of transmission of COVID-19, it may be essential that all passengers are required to produce a coronavirus negative medical certificate obtained from authorized centres a day or two before the flight. This certificate, akin to 'COVID VISA' may become the minimum eligibility to travel. With the advent of quick testing kits, it has become possible to get results within 10 minutes. This could possibly be available to last-minute travellers who are willing to risk their tickets if they are suspected to be a case of COVID-19. Although these processes may appear regressive, they would work satisfactorily in such times, as only essential travel would be encouraged.

## **TRAVEL AND TOURISM**

**LOSS INCURRED :** For the year 2019, Travel and tourism has contributed USD 8.9 trillion to world's GDP and 330 million jobs globally. Worldwide 44 countries depend on tourism for their total share of employment, most of which are island nations. Hence, even though island nations have been out of contamination zones but due to travel bans and restrictions, their economies are affected severely and for a longer period of time. The United Nations World Tourism Organization estimated that global international tourist arrivals might decrease by 20–30% in 2020, leading to a potential loss of US\$30–50 billion. Several tourist attractions had to shut down operations. Australia has reported a loss of 600 million dollars on account of loss of tourists. Tourism in China and Italy have hit hard on account of fear of contamination. The Indian tourism and hospitality industry is expecting a potential job loss of around 38 million. In the third week of March 2020 itself, the hotel sector saw a decline of more than 65% in occupancy levels as compared to the same period in 2019. Foreign arrival in Hong Kong fell by 98.6% in the month of March 2020. Mexico is the most vulnerable of the world's largest economies, as 15.5% of its GDP relies on the travel and tourism industry, followed by Spain and Italy. Spain and Italy are among the few countries with maximum covid cases and hence have no hope for recovery in the tourism industry in the near future due to the fear of

contamination and social distancing norms in place. It will take years for both China and Italy to rebuild their tourism industry. International tourism is set to decline by 60-80 % by the end of 2020.

**REASONING :** The main factors that played detrimental role in the downfall of tourism sector during the pandemic are :

- **Fear of contamination :** The movement of people via air travel increases the risk of the spread of viruses at a much faster pace than normal. Thus, tourism is both a catalyst for the spread of viruses and a victim of the spread. Tourist destinations increase the risk of catching the disease and has been seen as one of the reasons for the fast spread of COVID-19.
- **Travel ban :** The closure of tourism sites and attractions, the cancellation or postponement of major festivals and events, and restrictions on public gatherings have caused a steep decline in the sector's revenue generation. Travel restrictions and containment measures are likely to be in place for longer, and are expected to be lifted only gradually.
- **Economic growth :** The pandemic has turned out to be the reason for millions of people around the globe to be unemployed . Even without the fear of virus, tourism is a luxury which is considered non-essential . The population will be more inclined towards working for recovering from the losses and maintaining their usual lifestyle . Tourism takes a backseat when global economy is suffering and poverty and unemployment prevails.

**FUTURE PLAN :** It is assumed that Once the outbreak is over, it could take up to 10 months or more for the industry to recover. Lifting travel restrictions and applying new health protocols for safe travel along with diversifying the market may help the sector . Promotion of domestic industries can play a key role in assuming a strategic position in the future growth goals. Restoring traveller confidence and stimulating demand with new safe and clean labels for the sector, information apps for visitors and domestic tourism promotion campaigns.

## ENTERTAINMENT INDUSTRY

**LOSS INCURRED :** In 2019, Hollywood set a new worldwide box office record with more than \$42 billion in ticket sales while in 2020, it is facing its worst financial year in more than 20 years. The Events and Entertainment Management Association has urged the government seeking urgent intervention as the industry that employs 60 million people has come to a standstill following the national lockdown. Due to postponement and cancellation of events, 10 million people were directly affected due to this, along with losses of Rs.3,000 crore. Bollywood has seen a loss of more than Rs.1,300 crore during this period. Several upcoming films have been forced to hold release and with cinema halls shut for unknown period of time, the industry seems to have lost a huge market and ticket sales, both domestically and in the International markets. The only benefactor during this pandemic has been Subscription video on demand platforms like Netflix and Disney+. Netflix has seen an unexpected increase with 16 million new subscribers. Netflix has doubled its number of viewers within 3 months while Disney+ has introduced more than 22 million new subscribers. The annual turnover for Netflix is said to rise by more than 50% for this annual turnover.

### REASONING :

**NEGATIVE IMPACT** - With theatres under **lockdown**, shootings stalled and promotional events and interviews on hold due to the spread of coronavirus, the television and film industries are facing huge losses. Postponement of release for several movies and box office remaining shut have caused a steep decline in ticket sales. Cinemas are also expected to remain shut post lockdown in certain regions. Several production houses have ceased operations including Sony Pictures, that closed its offices in London, Paris, and Poland after an employee was thought to have been exposed to the virus.

**POSITIVE IMPACT** – With the world's population stuck at home under social distancing, quarantine, and mandatory lockdowns, consumer the global demand for entertainment and escapism has created a windfall for streaming platforms. Chinese citizens are getting creative with streaming entertainment, streaming concerts, and setting up digital clubbing and digital gyms in their living rooms. movies, TV shows, and live sporting and other events is another factor promoting the market growth.

**FUTURE PLANS :** Most SVOD platforms like Netflix, Amazon Prime and HBO Now, use a fixed-rate pricing model, the increased consumption during the coronavirus pandemic may not directly affect their revenue. It is so because people may watch more streaming content compared to the pre-pandemic situation, but they don't have to spend anything extra to access it. According to study, the global video streaming market is expected to reach USD 102.0971 billion by 2023. The emergence of 5G network and other digital technologies can also serve as a factor for future growth. Digital Transformation, often considered to be

secondary strategic business goal, has suddenly become relevant, and it is obvious that in the post COVID-19 scenario, companies that take advantage of emerging of already-built digital capabilities, will be in the position to emerge as leaders.

## **IMPACT ON HEALTH**

With the ongoing pandemic, the pharmaceutical sector has hit an all time high. This is due to the demands of the healthcare industry. Even though there has been no proper development of vaccines yet, the generic medicines are used to cure the disease as far as possible. India is a global leader when it comes to exporting drugs and vaccines. The Indian pharmaceutical is the 3<sup>rd</sup> largest in the world and it produces 60% (dandekar, 2020) of the vaccines used worldwide for some of the major diseases like tetanus, diphtheria etc. as suggested by the World Health Organisation (WHO). Measles is another disease which requires vaccines on a large scale which is again fulfilled by the Indian pharmaceutical market which completes 90% of the global demand for its vaccine. A major reason for this is development of various schemes by the Indian government to focus on the healthcare sector like the Ayushman Bharat scheme. There are millions of people who use Indian drugs but with the ongoing disruption caused due to covid 19 there has been a widespread lack in production as factories are shut down because the workers are affected with covid. Another reason for the fall-back could be that the major drugs produced in India rely heavily on China for key starting materials (KSMs), intermediate and APIs with China catering to nearly 70-80% per cent of Indian pharmaceutical companies' requirements. The prices of the raw materials have shot up and the halt in movement and transportation of goods has also caused a great disruption. But despite these negatives the industry is expected to grow and generate \$6 billion by the end of 2020. Considering the worldwide crisis situation, the Indian stand-off with the Chinese military at the lac, the Indian ban on the Chinese application and the ongoing digital strike, India cannot rely further for its medical supplies. Therefore, the only feasible solution in this case is to mass produce raw materials on our own soil. This can be done with heavy investment from both public and private sector and already existing greater pharmaceutical companies like SUN, Cipla, Zydus, Dr, Reddys etc. can play a big role in this revolution. The government can also introduce various schemes to help cater the production of these vaccines.

## **IMPACT ON IT SECTOR**

The IT sector is one of the most severely hit industries due to COVID-19. There are several companies that have declared bankruptcy due to consistent losses after the pandemic struck. Within India, numerous citizens employed in the IT sector have lost their jobs, and the graduating batch of 2020 is also facing high problems due to a lack of jobs in the said sector. TCS is expected to see a revenue drop of 6 per cent, Infosys NSE -2.16 % by 5 per cent, HCL Technologies 8 per cent, Tech Mahindra by 9 per cent, and Wipro by 7.5%, according to brokerage firms' reports. Various brokerage companies have calculated the revenue growth of the big companies in India. Tata Consultancy Services, the largest IT sector company in India, is expected to see a revenue drop of 6%, Infosys by 5%, HCL Technologies by 8%, and Wipro by 7.5%. Also, 55% of our electronic devices are imports from China, which will severely drop, giving a chance to Indian companies to make way for competition. There has been a ban on Chinese applications by the government, some of which were heavily popular within the country like TikTok, WeChat, and these contributed fairly well to the Chinese economy. Because of this ban, the government has also come up with the Aatmanirbhar App Challenge so as to use Indian applications. Within weeks of the ban, several Indian applications like Roposo, Jio-Meet etc. saw a heavy no. of downloads, leading to the creation of job opportunities for IT graduates, which was a silver lining after the losses incurred. While this pandemic is not an appreciated situation, there are hopes for a better future after the lockdown is over and everything is back to normal. As of now, this is the new normal.

## **IMPACT ON TELECOMMUNICATIONS**

After the COVID-19 pandemic and the stay-at-home and work-from-home days, telecommunications have taken their game a level up. With remote working, video conferencing being the new normal and Netflixing and chilling the go-to entertainment way, telecommunications companies have turned out to be profitable and have started earning greater revenues. By the government, the telecom industry is considered an essential industry, just like the healthcare and food sector, because of its connectivity facilities. It was also exempted from the lockdown by the Ministry of Home Affairs. However, the speed of existing networks has gone down due to immense traffic, and consumers have heavily criticised these companies for the same. In some cases, the streaming quality of websites like Netflix, Amazon, Zee5 has had to be reduced to watch without buffering. These telecom companies have started streaming ads in high numbers so as to increase revenue, considering that people are using these streaming sites more now than ever.



## **IMPACT ON MANUFACTURING SECTOR**

Manufacturing sector has been hit in many ways due to the covid crisis. While manufacturing of some goods have severely increased like healthcare products, sanitisation products, there has been a sharp decline in the production of other goods. There are some manufacturers who have stopped production due to deferred payment. In some cases the factories and industries are shut due to government initiatives and the national lockdown and in some cases due to the workers being affected due to the crisis. All in all it can be said that the manufacturing sector as a whole is facing certain challenges and has to come up with various strategies to cope up with it. They can either reduce the cost, increase revenue or introduce new products. But the balance period in the financial year is going to be tough to achieve not only for manufacturing but all other industries as well.

## **CONCLUSION**

There are certain businesses that might not see a recovery even in the next 5 years while there are others that might go back to normal with the end of lockdown period. It is important to understand that the world will not be the same after this pandemic, at least for the next couple of years , and adapting along with finding new ways to stay in the competition is the need of the hour. The Corona virus issue has affected the business sector and the economy worldwide. It has had several implications on humanity, and the hardships it has caused will be borne by generations to come. But, at this hour we can only hope, hope for a better future or rather work towards making a better future .

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