

# GAUGING THE ECONOMIC IMPACT OF THE GREAT LOCKDOWN AND THE CORONAVIRUS PANDEMIC

InfoSphere

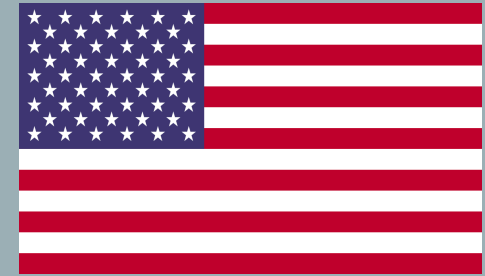
**A Centre for New Economics Studies (CNES) Initiative**

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# INTRODUCTION

- **The economic impact** of the COVID-19 pandemic and the response measures (lockdowns, shut-downs) has caused much hardship to the populations of affected nations and is worse than any other crisis-shock seen in the recent past.
- The economic path ahead, for most nations, remains a precarious one, driven by high epidemiological uncertainty, the resulting supply and demand-side shocks- all added to the “preexisting conditions” (low productivity, high debt, fiscal & liquidity constraints etc.) present in the global economic landscape.
- This Issue of *InfoSphere* looks to study & interpret shock-effects of the COVID19 pandemic on identified **Three sectors (Travel and Tourism, FMCG/Retail, Financial Sector)** across **Three countries (United States, China and India)**.

UNITED STATES OF AMERICA



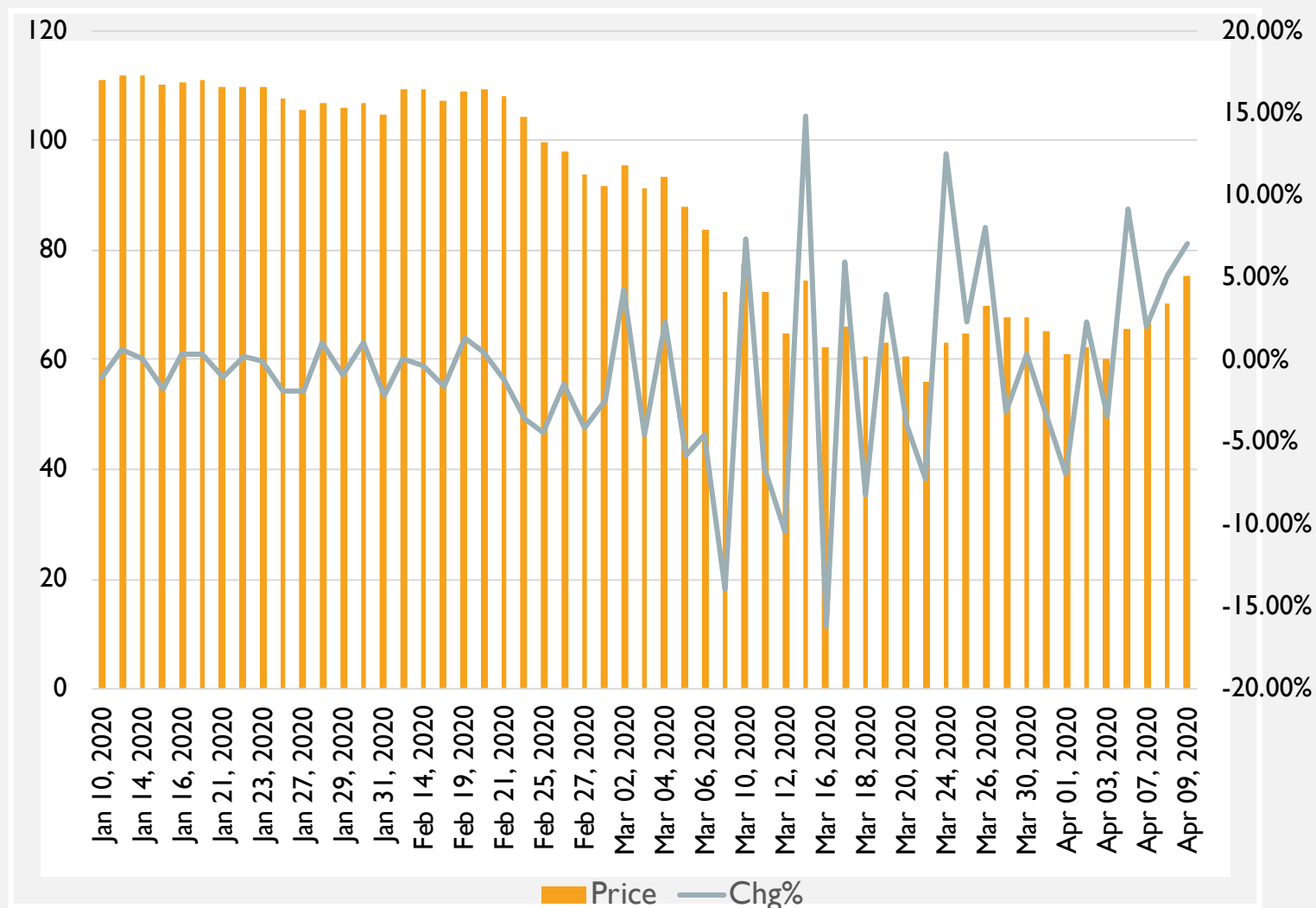
# ANALYSIS OF FINANCIAL SECTOR

The KBW Bank Index is a benchmark stock index of the financial sector pulse. The stocks represent large U.S. national money-center banks, regional banks, and other thrift institutions.

In 2020, KBW index of big banks sank by the most since 2009, according to Bloomberg, after the Fed slashed its benchmark rate for the second time within a month.

We can see that the index has fallen sharply, and percentage change is volatile in recent months, due to the rippling effect of the pandemic.

KBW Nasdaq Bank Index fell 16% in trading after sinking as low as 17% to 62.23; ended session at 62.47.



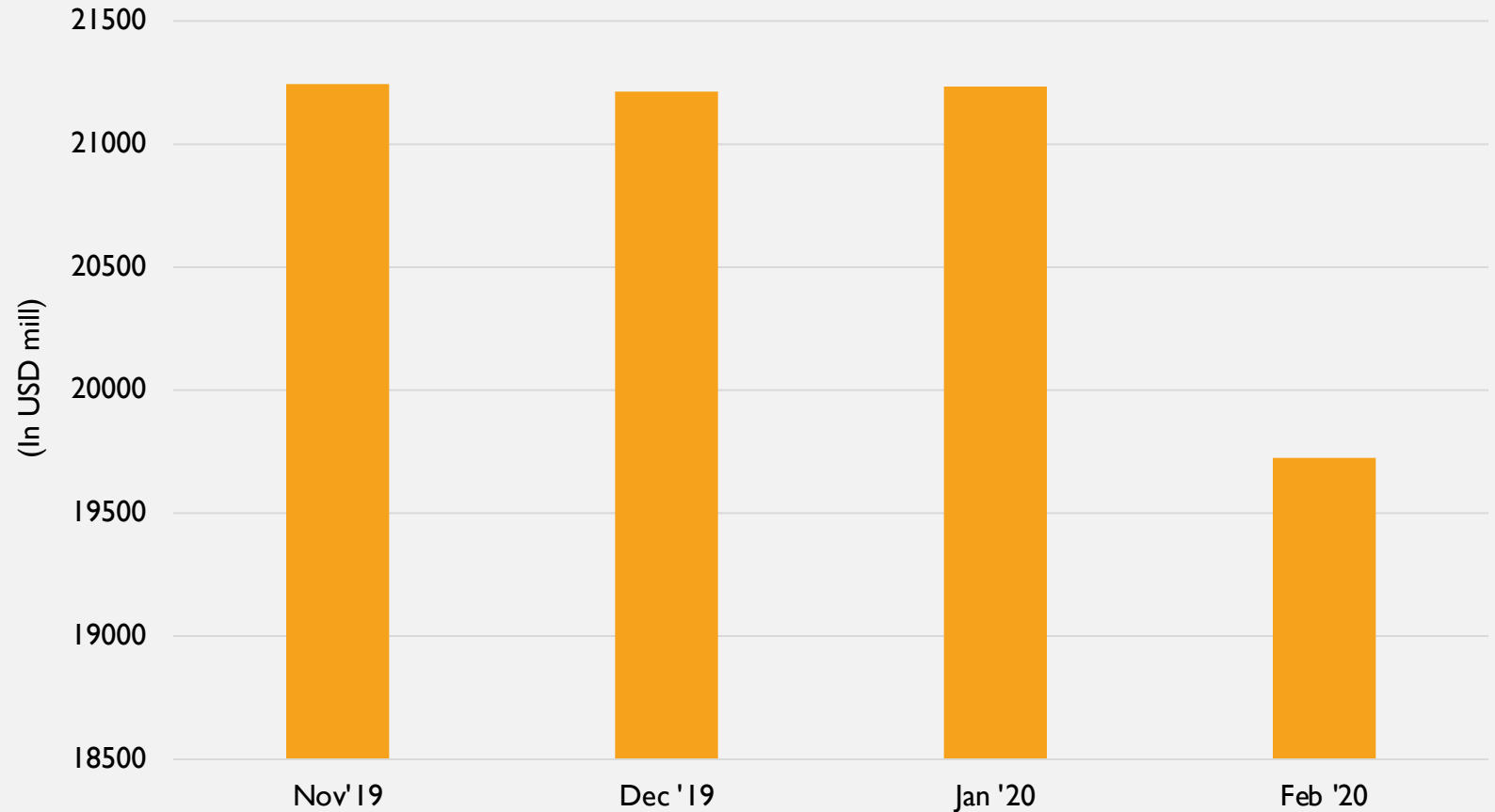
# US: TRAVEL AND TOURISM

Travel and tourism sector in the United States has witnessed a sharp decline due to a fall in travel revenue spending, travel related jobs, and tax realized on such service from January 2020 onwards.

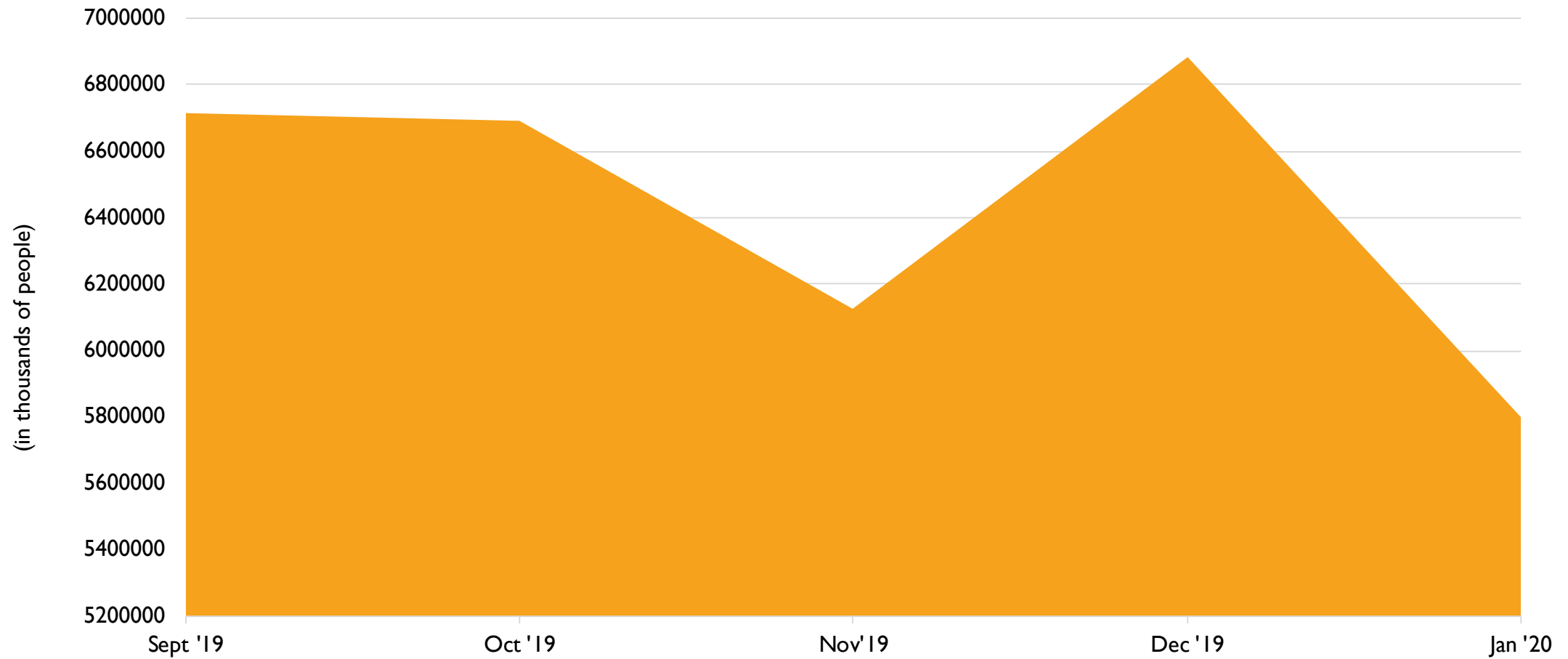
It is forecasted that this year there will be a decline in travel spending by \$400 billion. This, if imputed roughly culminates into a total economic loss of \$910 billion (in economic output).

It is also estimated that employment under travel and allied sector is expected to fall by 4.7 million resulting in a total employment loss of 5.9 million jobs in the US (including indirect impacts).

## UNITED STATES TOURISM REVENUE



# UNITED STATES VISITOR ARRIVALS

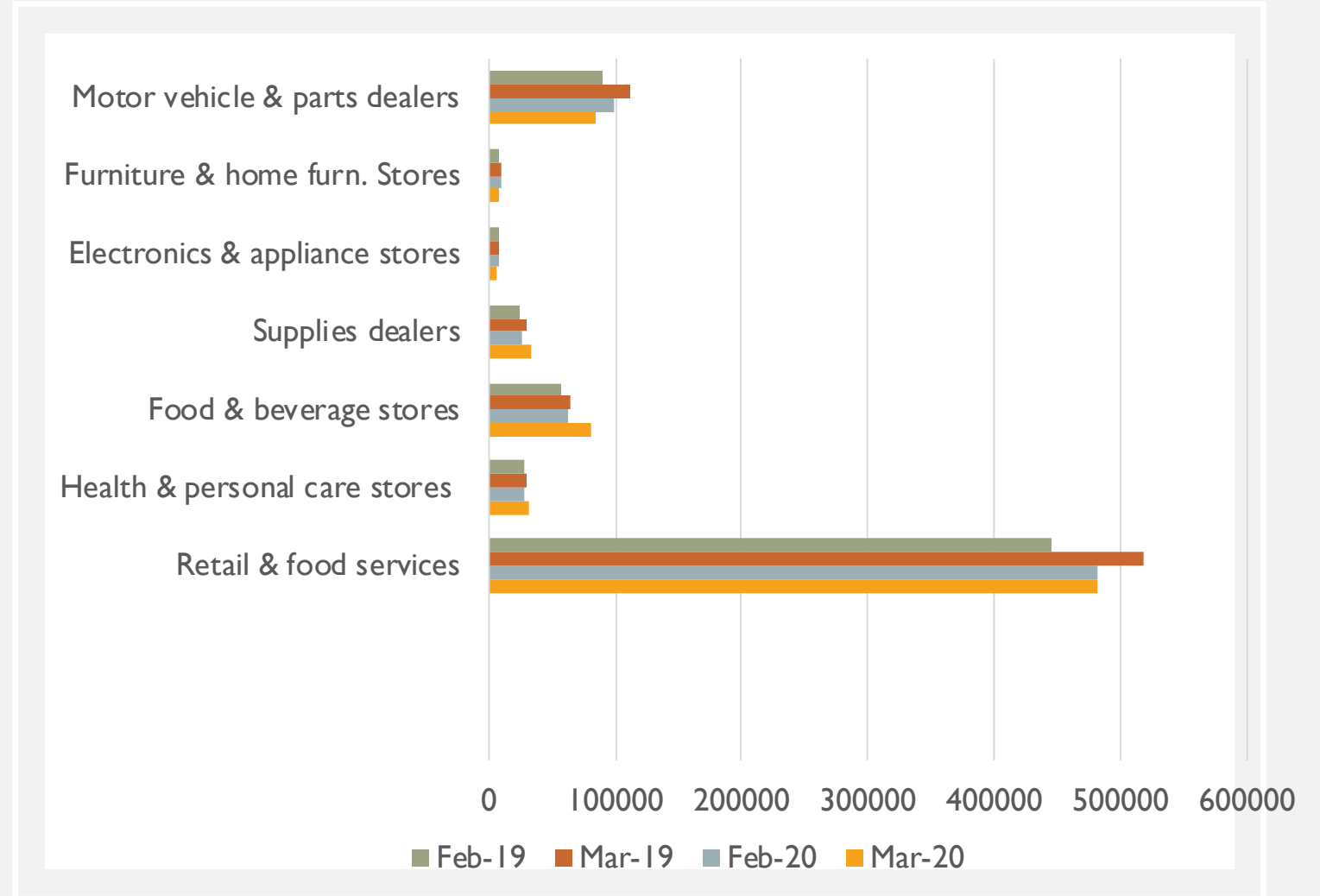


## ANALYSIS OF FMCG (FAST MOVING CONSUMER GOODS) SALES

On the production side , supply-chain disruptions make it difficult for U.S. firms to complete the production contracts on their products.

On demand side of the market consumers are willing to also buy less of some goods and services -afraid of potential exposure to the virus or due to uncertain/low incomes.

Forced closure of firms have resulted in fall in real wages of the average worker and rendered many jobless. Due to the circular nature of the economy, these workers will be less likely to spend, cutting overall demand.



CHINA



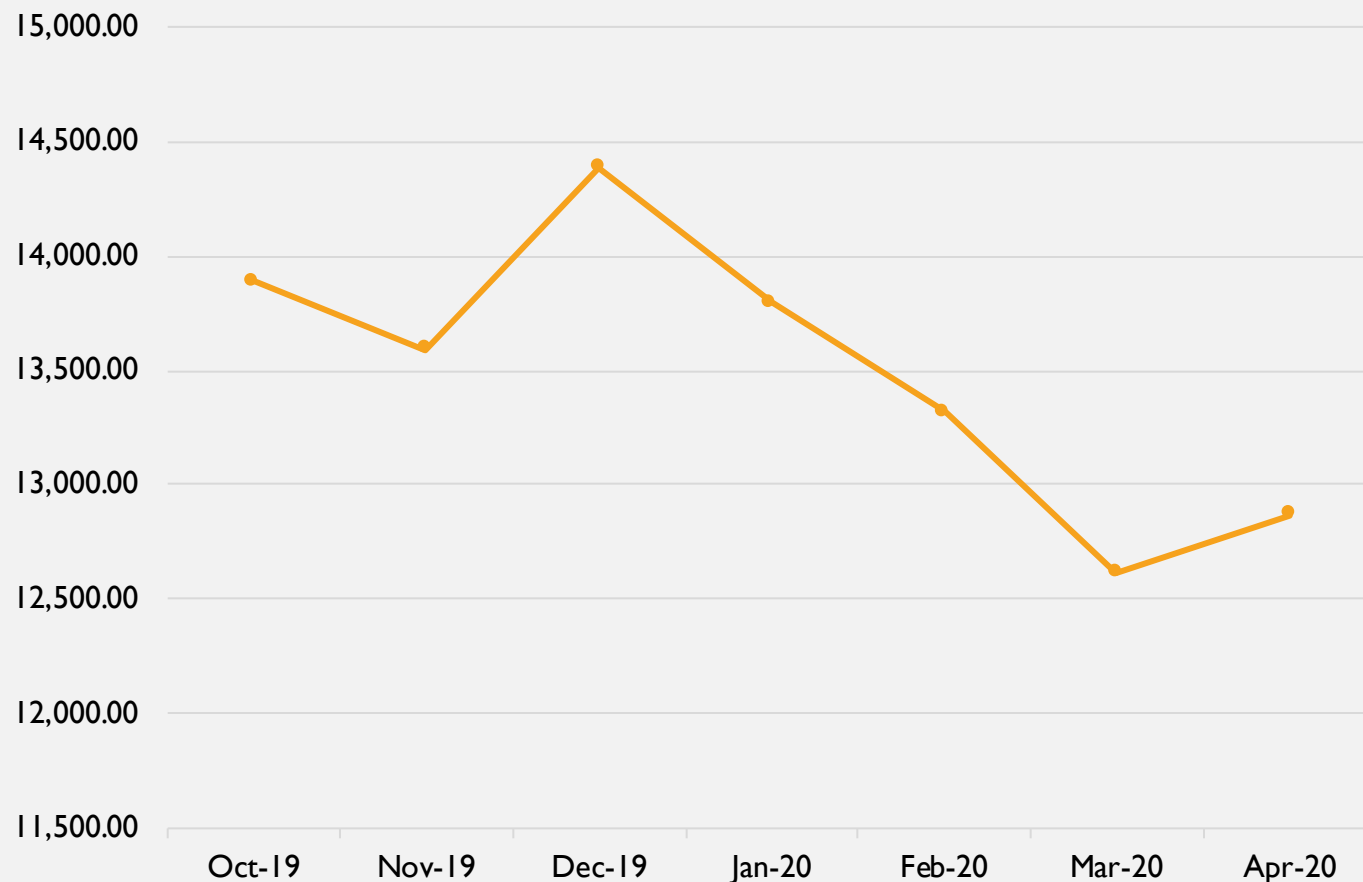


## ANALYSIS OF FINANCIAL SECTOR

The FTSE China A50 Index is the benchmark for investors to the Chinese domestic financial market through A Shares – securities of companies incorporated in mainland China and traded by Chinese and institutional investors under the Qualified Foreign Institutional Investor and Renminbi Qualified Foreign Institutional Investor (QFII & RQFII) regulation.

Some forecasters see China's economic growth dipping below 4% in the first quarter of 2020 – a two percentage point drop on previous estimates – and more slow quarters will follow if the virus is not contained.

### Performance of FTSE China A50 Index

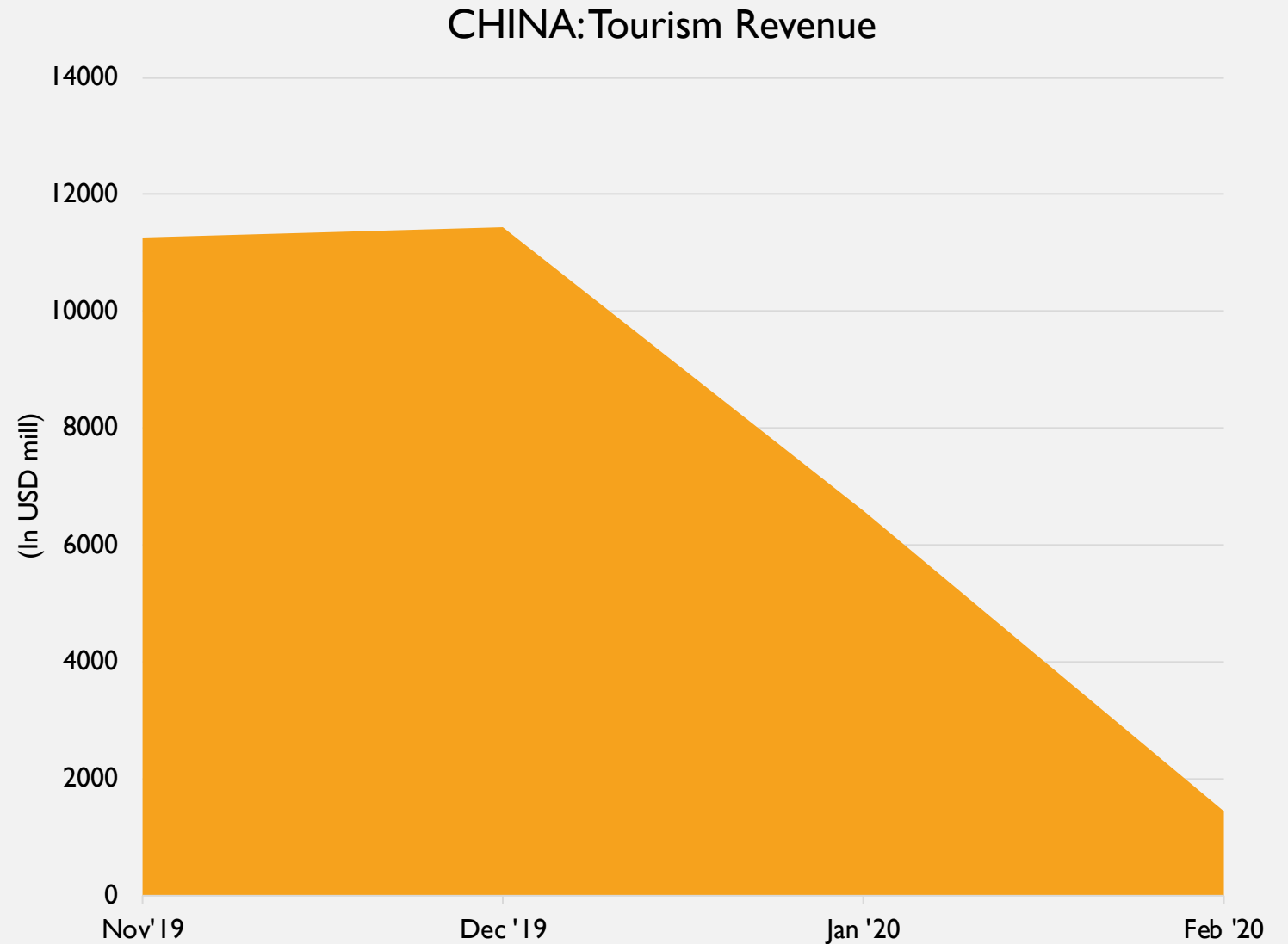


## ANALYSIS OF TRAVEL AND TOURISM

Travel is severely affected by the COVID-19 outbreak. The outbreak emerged right before the busiest season for the tourism industry that is around the Chinese New Year.

It is estimated that tourism during this period accounts for income that is equivalent to 10% of the industry's total annual income.

Lodging is one of the most adversely impacted sectors within the travel industry. Platforms are also restricting their services for travel allied sectors.

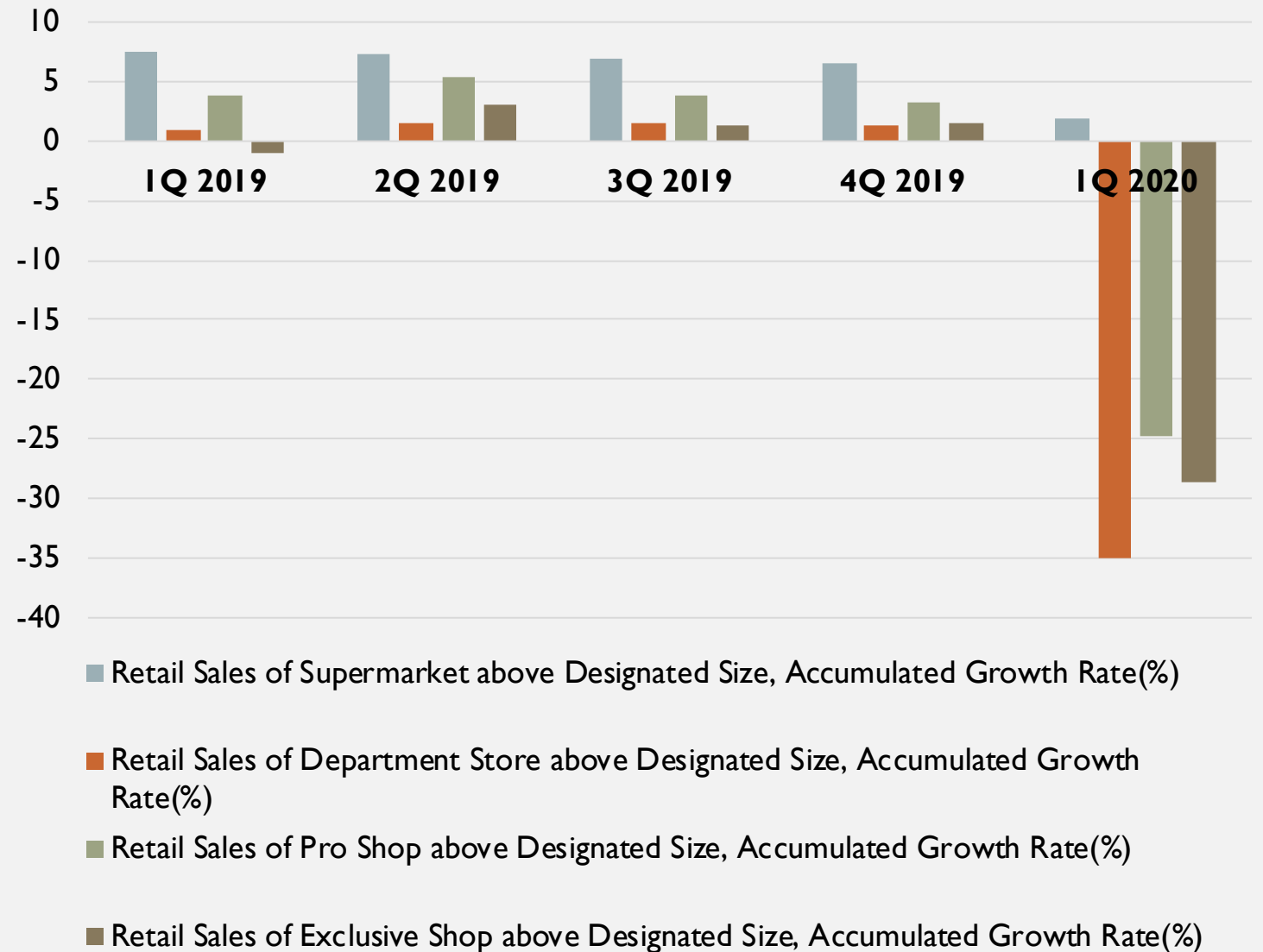


## ANALYSIS OF FMCG (FAST MOVING CONSUMER GOODS) SALES

FMCG –Retail sector has seen dramatic downturns in the short term. These include areas of travel, consumer goods, foodservice, alcoholic drinks and luxury products.

Industries that have benefited so far includes- consumer health, home care, tissue and hygiene, and online gaming.

The overall retailing space is going through polarized performances: non-grocery offline retailers plummeted, while O2O platforms boomed.



INDIA



# EQUITY MARKET INDEX

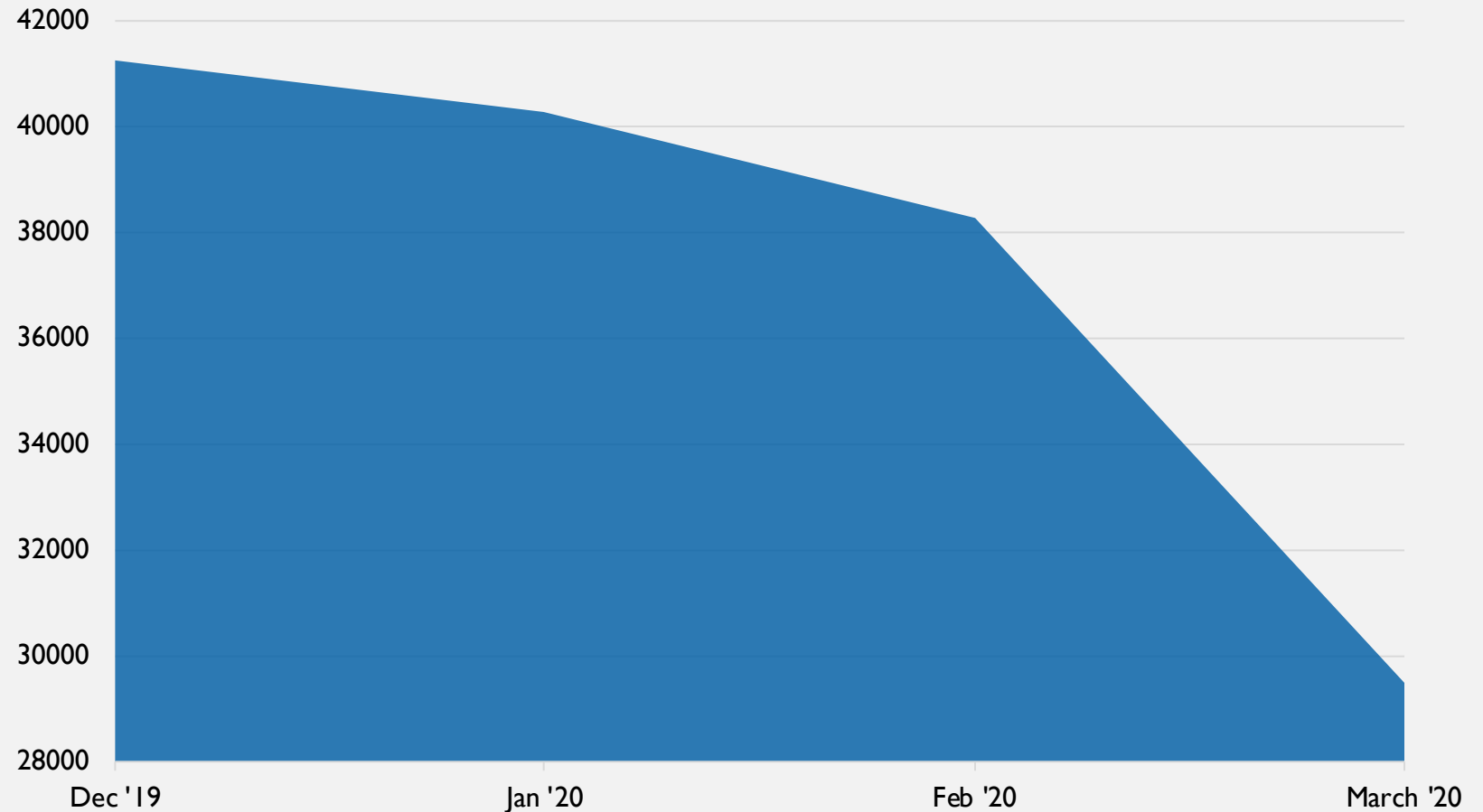
Sensex comprises 30 of the largest and most actively-traded stocks on the Bombay Stock Exchange, providing an accurate gauge on India's financial wealth performance.

India's SENSEX closed at 29,468.5 points in Mar 2020, compared with 38,297.3 points at the previous month end.

As coronavirus cases rise, foreign portfolio investors (FPIs) pulled a record \$15.9 billion or Rs 1.2 lakh crore out of the Indian debt and equity markets in March--the most in Asia--according to NSDL data.

Many companies which have low cash reserves are staring at a default in payments, if the lockdown continues.

Bombay Stock Exchange: Index; S&P BSE: SENSEX

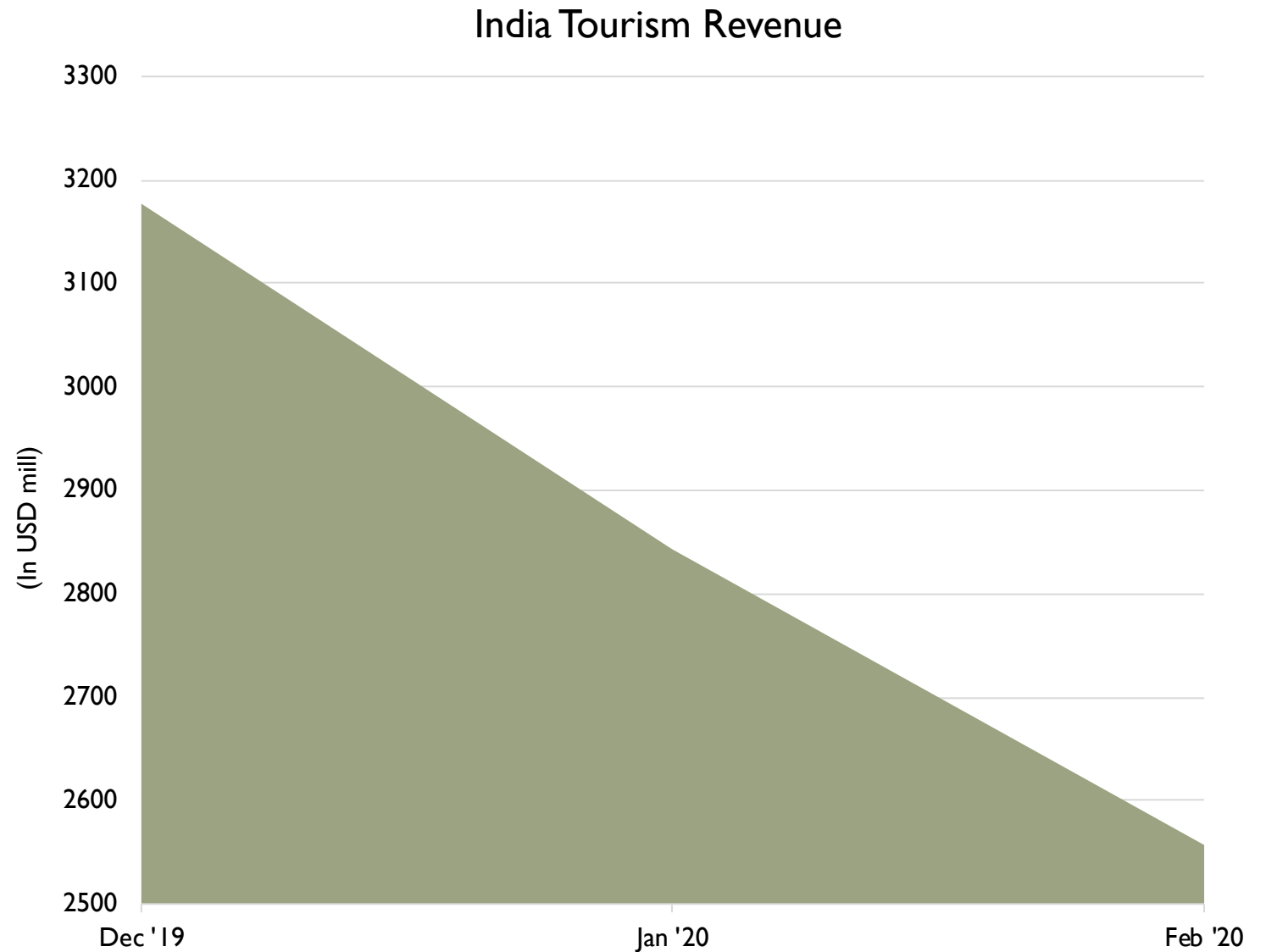


## TRAVEL AND TOURISM

Over two months, tourism revenue in India has fallen drastically.

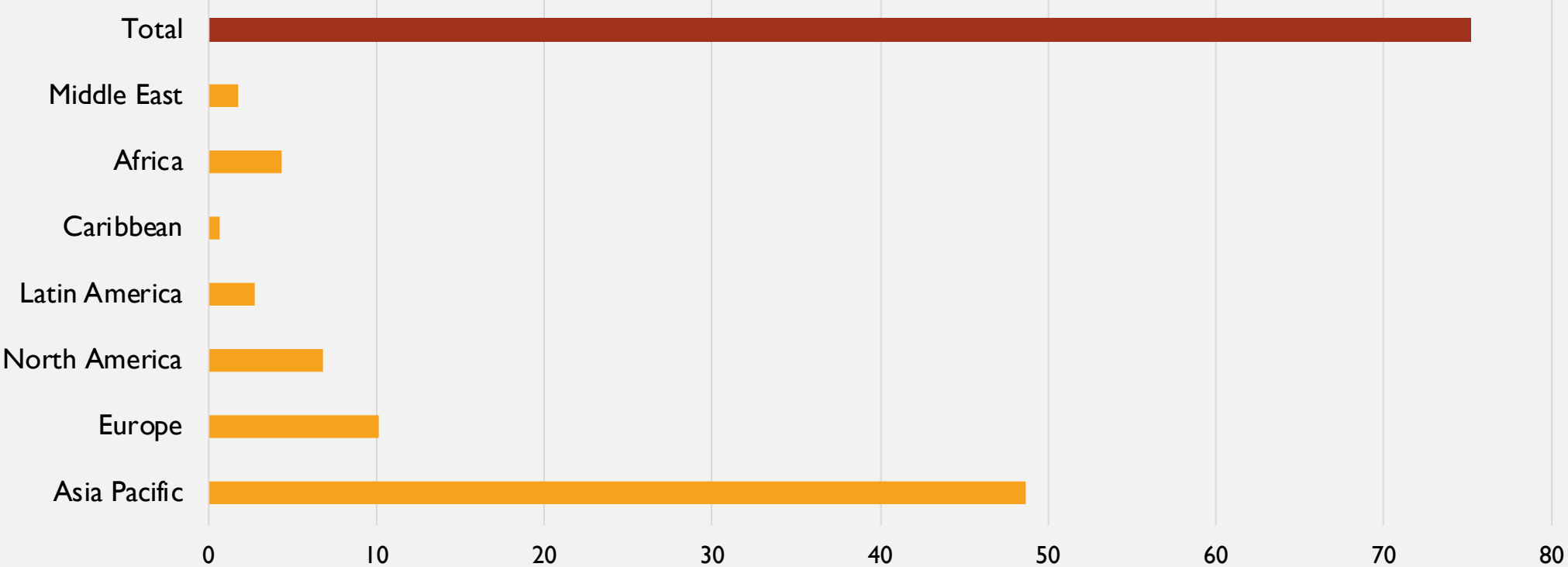
Indian Association of Tour Operators (IATO) estimates the hotel, aviation and travel sector together may incur loss of about ₹85 billion due to travel restrictions imposed on foreign tourists.

On account of Covid-19, the Indian tourism and hospitality industry is staring at a potential job loss of around 38 million, which is around 70 per cent of the total workforce.



# IMPACT ON REST OF THE WORLD

# PREDICTED EMPLOYMENT LOSS IN THE TRAVEL AND TOURISM INDUSTRY DUE TO THE CORONAVIRUS PANDEMIC WORLDWIDE IN 2020



(job loss in millions)

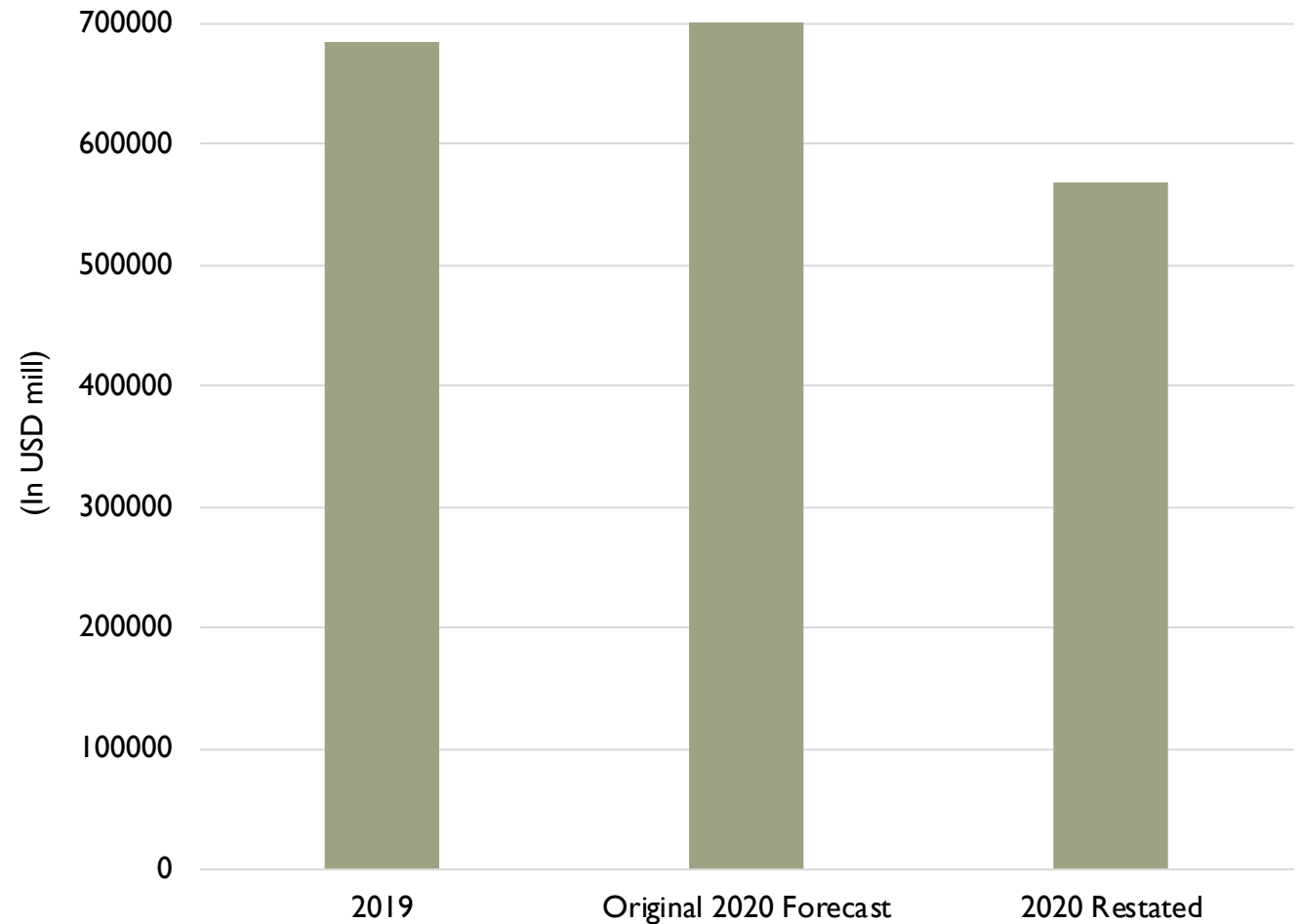


## GLOBAL IMPACT DUE TO COVID-19

With 96% countries worldwide introducing travel restrictions in response to the coronavirus pandemic, the travel and tourism industry is one of the worst affected.

The World Travel and Tourism Council (WTTC) estimates the crisis to cost the tourism sector at least US\$22 billion, the travel sector shrinking by up to 25 per cent in 2020, resulting in a loss of 50 million jobs.

### FORECASTED CHANGE IN REVENUE FROM TRAVEL AND TOURISM INDUSTRY





## CONCLUSION

The Covid-19 outbreak is going to change the way in which the world functions. It is clear from some of the facts seen here that some sectors will suffer more than others. This will perhaps change the economic landscape and geo-economic structure, with greater importance probably given to essential goods (or those with an inelastic demand).

With people in the aviation and hospitality industries losing jobs worldwide, the high degree of uncertainty around the virus and its cure, has made the employment scenario in many allied sectors more vulnerable.

The pandemic and the economic crisis seen thus far has also forced nations to look inward and reassess their social, economic priorities and shifted focus on considering more sustainable practices of production-consumption of essentials and ensuring public-delivery and safeguarding of healthcare and food security with greater cooperation from the private sector.



For any inputs, comments or clarifications please contact The Centre for New Economics Studies at [cnes@jgu.edu.in](mailto:cnes@jgu.edu.in).



Thank you!