# Impact of Corona Virus on Economic Slowdown

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**Abstract**: Corona Virus Pandemic has brought an immense slowdown in the growth of the economy and also created a high rate of unemployment in different Industries. Investors fear the spread of the coronavirus will destroy economic growth and that government action may not be enough to stop the decline. This pandemic has led to major fall down towards the stock market, supply chain, consumer demand etc. With rising unemployment, interest rates, and fiscal deficit, the **economy** in India has seen better days. Adding fuel to this fire is the novel **Coronavirus** that is sending tremors down Indian trade markets dependent on China for imports. The authors attempt to present through this study the impact of corona virus that has also affected the stock market.

**Key words:** Coronavirus (COVID-19), Economy, Unemployment, Stock market.

## Introduction:

The Corona Virus Pandemic, which was first detected in China has people in 185 countries. Its spread has left businesses around the world counting the costs. Investors fear the spread of the coronavirus will destroy economic growth and that government action may not be enough to stop the decline. It is very likely that the coronavirus crisis will be comparable with the Great Depression period of devastating economic decline between 1929 and 1939, which saw mass unemployment, factory closures and the accompanying personal trauma. The coronavirus outbreak will bring an economic slowdown that is severe and prolonged economic decline with high levels of unemployment. The pandemic has led to massive supply chain inefficiencies, dipped consumer demand, crashed stock markets, paused economic and industrial activity and brought about drastic changes in lifestyle and social behaviour. The three major contributors to India's GDP- domestic consumption, investment and external trade have all been severely impacted by Coronavirus.

The factor of uncertainty afflicting the economic system and the capacity of decision makers to respond to the shock of the COVID-19 pandemic in a timely and effective manner is significant. The accelerated spread of COVID-19 has brought the world economy to a end. Projections of the impending impacts of the COVID-19 shock on the global economy vary considerably. Yet there is near unanimous compromise that the world economy is facing the most serious challenge of the post-war era due to the sudden halt in economic activity in both advanced and developing countries. **Coronavirus** is impacting business and subsequent tax reforms in India. With rising unemployment, interest rates, and fiscal deficit, the **economy** in India has seen better days. Adding fuel to this fire is the novel **Coronavirus** that is sending tremors down Indian trade markets dependent on China for imports.

**Objective of the Study:**

The Authors have considered the following objectives for the study:

1. To determine the effect of corona virus on the various sectors of the Indian economy.
2. To evaluate the effect of corona virus on the stock market

## Research Design & Methodology

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| **Research Design:** Descriptive Research Design |
| **Data Collection:** Secondary Data |

**Table No. 1** (**Research Design & Methodology)**

## Discussion

### To determine the effect of coronavirus on the various sectors of the Indian economy.

- **Impact of Coronavirus on the Indian Economy:**

The **economic impact of the 2019–20 coronavirus pandemic in India** has been hugely disruptive. World Bank and credit rating agencies have downgraded India's growth for fiscal year 2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s. However, the International Monetary Fund projection for India for the financial year 2021-22 of 1.9% GDP growth is the highest among G-20 nations. Within a month unemployment rose from 6.7% on 15 March to 26% on 19 April. During the lockdown, an estimated 14 crore (140 million) people lost employment. More than 45% of households across the nation have reported an income drop as compared to the previous year.

Up to a large extent, it will impact the Indian industry. **In imports,** the dependence of India on China is huge. Of the top 20 products (at the two-digit of HS Code) that India imports from the world, China accounts for a significant share in most of them. India's total **electronic imports** account for 45% of China. Around one-third of machinery and almost two-fifths of **organic chemicals** that India purchases from the world come from China? For automotive parts and fertilisers China's share in India's import is more than 25%. Around 65 to 70% of active **pharmaceutical** ingredients and around 90% of certain **mobile phones** come from China to India.

Therefore, we can say that due to the current outbreak of coronavirus in China, the import dependence on China will have a significant impact on the **Indian industry.**

**In terms of export,** China is India's 3rd largest export partner and accounts for around 5% share. The impact may result in the following sectors namely organic chemicals, plastics, fish products, cotton, ores, etc.

We also can't ignore that most of the Indian companies are located in the eastern part of China. In China, about 72% of companies in India are located in cities like Shanghai, Beijing, provinces of Guangdong, Jiangsu, and Shandong. In various sectors, these companies work including Industrial manufacturing, manufacturing services, IT and BPO, Logistics, Chemicals, Airlines, and tourism.

It has been seen that some sectors of India have been impacted by the outbreak of coronavirus in China including shipping, pharmaceuticals, automobiles, mobiles, electronics, textiles, etc. Also, a **supply chain** may affect some disruptions associates with industries and markets. Overall, the impact of coronavirus in the industry is moderate**.** According to CLSA report, pharmacy, chemicals, and electronics businesses may face supply-chain issues and prices will go up by 10 percent. The report also says that India could also be a beneficiary of positive flows since it appears to be the least-impacted market. Some commodities like metals, upstream and downstream oil companies, could witness the impact of lower global demand impacting commodity prices.

According to CII, GDP could fall below 5% in FY 2021 if policy action is not taken urgently. It is said that the government should take some strong fiscal stimulus to the extent of 1% of GDP to the poor, which would help them financially and also manage consumer demand. In the third quarter (October-December) growth is slowed down to 4.7% and the impact of COVID-19 will further be seen in the fourth quarter. FICCI survey showed 53% of Indian businesses have indicated a marked impact of COVID-19 on business operations. And 42% of the respondents said that up to three months could take for normalcy to return.

## ➢ Sector-Wise Impact on Indian Industry

**1. Chemical Industry:**

Some chemical plants have been shut down in China. So there will be restrictions on shipments/logistics. It was found that 20% of the production has been impacted due to the disruption in raw material supply. China is a major supplier of Indigo that is required for denim. Business in India is likely to get affected so people securing their supplies. However, it is an opportunity. US and EU will try and diversify their markets. Some of the business can be diverted to India which can also be taken as an advantage.

**2. Shipping Industry:**

Coronavirus outbreak has impacted the business of cargo movement service providers. As per the sources, per day per vessel has declined by more than 75-80% in dry bulk trade.

**3. Auto Industry:**

Its impact on Indian companies will vary and depend upon the extent of the business with China. China's business no doubt is affected. However, current levels of the inventory seem to be sufficient for the Indian industry. If the shutdown in China continues then it is expected to result in an 8-10% contraction of Indian auto manufacturing in 2020.

**4. Pharmaceuticals Industry:**

Despite being one of the top formulations of drug exporters in the world, the pharma industry of India relies heavily on import as of bulk drugs. Due to the coronavirus outbreak, it will also be impacted.

**5. Textiles Industry:**

Due to coronavirus outbreak, several garments/textile factories in China have halted operations that in turn affecting the exports of fabric, yarn and other raw materials from India.

**6. Solar Power Sector:**

Indian developers may face some shortfall of raw materials needed in solar panels/cells and limited stocks from China.

**7. Electronics Industry:**

The major supplier is China in electronics being a final product or raw material used in the electronic industry. India's electronic industry may face supply disruptions, production, reduction impact on product prices due to heavy dependence on electronics component supply directly or indirectly and local manufacturing.

8. **IT Industry:**

The New Year holidays in China has been extended due to coronavirus outbreak that adversely impacted the revenue and growth of Indian IT companies. India’s giant IT services companies will see a significant slowdown in growth during this financial year as they grapple with the upheaval wrought by the Covid-19 pandemic, according to analysts. Top software exporters – Tata Consultancy Services, Infosys NSE -2.23 % and HCL Technologies NSE -4.06 % — will be impacted by the reduced technology spending by clients in the US and Europe following lockdowns across the globe, experts said.

9. **Tourism and Aviation:**

Due to the coronavirus outbreak, the inflow of tourists from China and from other East Asian regions to India will lose that will impact the tourism sector and revenue.

## To evaluate the effect of coronavirus on the stock market.

### ➢ Effect of Coronavirus on stock market:

**ORIGINALLY, COVID-19,** the respiratory disease caused by the coronavirus, was a bit like the trade war: A market-moving catalyst that Wall Street seemed to ascribe more or less importance to on a daily basis. The early stages of China's coronavirus outbreak sparked some degree of fear on Wall Street. Then, markets essentially ignored the deadly virus even as it spread globally. By late February, investors had graduated from the denial phase; the S&P 500 suffered its fastest-ever 10% decline as the impact of the virus on the global economy was finally acknowledged in prices.

The outbreak has caused major concerns about public health around the world. At the same time, there are growing concerns about the economic consequences as households are required to stay home to slow the spread of the virus. The impact that ’pausing’ the economy may have on supply chains, household demand, and the financial stability of the economy is largely unknown. As a result, policymakers, businesses, and market participants are trying to revise growth expectations in the short run and the long run. Equity markets in the EU and US dropped by as much as 30%. This is an extraordinary amount. To interpret this decline, it is useful to recall that the value of the stock market is equal to the sum of the discounted value of all future dividends. For the stock market to decline by 30% only due to revised growth expectations, the shock to future dividends needs to be large and highly persistent. To see this, we can sum the dividend prices over the first ten years and find that this accounts for about 20% of the value of the stock market. This implies that if discount rates do not move and the economic impact on dividends lasts no more than ten years, a 30% decline in the stock market would mean that firms pay no dividends in the next ten years – seemingly a rather extreme scenario. However, this is typically not the right way to interpret movements in the stock market. The seminal works by Shiller (1981) and Campbell and Shiller (1988) show that most of the variation in the value of the stock market is due to changes in expected returns, not revisions in expected future growth rates.

Today, the ides of March are right around the corner and volatility is essentially a feature of the markets. On March 9, stocks quickly lost more than 7%, triggering the rarely needed circuit-breaker rule, with all trading halted for 15 minutes. Whether the brunt of the sell-off is behind us or not, there are certainly still a number of coronavirus stocks that are being materially hit by the viral outbreak. The virus, which first appeared in Wuhan, China in late 2019, is a close cousin to the severe acute respiratory syndrome, commonly known as SARS. Although there are a handful of stocks that could benefit from coronavirus, it's equally important for the average investor to be cognizant of stocks hurt by the coronavirus.

By no means are the following companies an all-encompassing list. But hopefully it gives investors an idea of the most at-risk parts of the market. Keep in mind that a number of these names are likely to be extremely volatile, and due to large declines, they can also be more likely to enjoy short-term rallies when markets discount the impact of COVID-19's spread. All the same, these underlying businesses are vulnerable to the outbreak.

From household names to overseas firms, what follows are a handful of businesses feeling the pain as the impact of the coronavirus ripples throughout the global economy. Not all stocks are impacted by the news of the outbreak. However, those who are, will be hit hard. U.S. companies doing business in China will be negatively affected, but a lot of the brunt will be felt by travel companies. Companies like United Airlines Holdings Inc. (Nasdaq: UAL), American Airlines Group Inc. (Nasdaq: AAL) and Southwest Airlines Co. (NYSE: LUV) are all taking a beating in Monday trading. In the last month, American Airlines shares are down more than 5% while United Airlines has dropped more than 8%.

Here are five stocks most affected adversely by the coronavirus:

- Carnival Corp.
- Wynn Resorts
- Yum China Holdings
- United Airlines Holdings
- Nike

**1. Carnival Corp. (CCL)**

Diamond Princess, a cruise ship owned and operated by Princess Cruises, which is in turn owned by Carnival, was quarantined for weeks, parked at a dock just off of Japan after one of its former passengers tested positive for coronavirus. And now, there's yet another cruise ship outbreak on the Grand Princess, a Carnival vessel docked in Oakland, California, with thousands of passengers on board. The cruise ship did unload several hundred people on Monday after nearly a dozen on board tested positive for COVID-19.

Down 55% year-to-date through March 10, CCL stock has been punished by the markets as the unfortunate situation has developed. Cratering demand for cruises has only compounded an already bad scenario.

**2. Wynn Resorts (WYNN)**

Gambling giant Wynn Resorts is also one of the coronavirus stocks suffering financially from the outbreak. Once synonymous with Las Vegas, Wynn and other big-name gaming players have shifted their core businesses to China's Macao territory, which quickly became a gambling haven and now does about seven times more business than Vegas.

So it hurts when the government makes every Macao casino shut down, even if it's for a few weeks. That's what happened to the industry in February, and while the government allowed casinos to come back online in phases, gaming revenue in the gambling haven still cratered an incredible 88% in February.

Wynn Resorts was "losing $2.6 million a day" when casinos were shut down, says Kevin Koehler, associate portfolio manager at Miracle Mile Advisors.

Wynn, as well as many of its competitors, has felt the swift wrath of Wall Street.

The stock is now down about 45% from its peak.

**3. Yum China Holdings (YUMC)**

Yum China, which owns fast-food chains like KFC, Pizza Hut and Taco Bell, is down about 10% year-to-date in 2020. It turns out quarantining tens of millions of Chinese citizens isn't good news for its businesses.

It's no shock that a company with the word "China" in its name might be impacted more by coronavirus than the average U.S. stock, but it is alarming to fathom just how material this viral scare – which still only affects a small segment of China's population – can be to a near $20 billion company.

"Thirty percent of their stores have already shut down, which will undoubtedly hurt the company's forecasted revenue going forward," Koehler says. The last news from the company on this topic came in early February when the company said it wasn't sure when those stores would reopen.

All things considered, YUMC stock's 10% year-to-date slump seems like a modest setback for all the uncertainty surrounding COVID-19 and its spread in China.

1. **United Airlines Holdings (UAL)**

Needless to say, the travel industry is going to suffer anytime a pandemic is brewing. Quarantines in China and a total lockdown in Italy will naturally limit United's international flights, but widespread cancellations of conferences, concerts and other events are also eating into demand for air travel.

On top of that, an airline cabin surrounded by strangers is arguably one of the last places most cautious people want to find themselves as a temporarily symptomless disease rampages across the world. The result? Through March 10, UAL stock is down a whopping 43% year-to-date. Along with rivals Delta Air Lines (DAL) and American Airlines (AAL), United is cancelling flight change and cancellation fees for new March bookings.
One reason UAL is in a slightly worse position than other major airlines is its debt load, which is higher than both Delta and American, with a debt-to-equity ratio of 1.29.

2. **Nike (NKE)**

Last and certainly not least by market cap, the roughly $137 billion Nike is an example of how retailers, and even globally formidable retailers, can be hit by a black swan event like the coronavirus.

Nike has temporarily closed about half of (its) company-owned stores and stores managed by partners in China," Gupta says. "The stores that are open are operating under reduced hours and have seen reductions in foot traffic. There's no timetable for the closures and reduced hours." This has ostensibly been the case since Nike first announced these measures in a press release on Feb. 4. Since then, the company hasn't released any updates on this situation.

About 17% of Nike's revenue comes from China, which is also its fastest-growing region, Gupta says, noting that China produces about 20% of Nike's products as well.

In early March more developments arose, as the company temporarily closed both its global headquarters in Beaverton, Oregon, and its European headquarters in the Netherlands. The first was done out of what the company called "an abundance of caution," while the second was done after one of the company's workers came down with COVID-19.

**Conclusion**

This study is conducted to understand the overall impact of coronavirus on economic slowdown. The pandemic has affected various sectors of the economy as the day to day work has stopped due lockdown in various areas of the country where the cases are being found. It has also affected the stock market which consists of various major stocks impacting the share prices. The coronavirus has caused almost every Fortune 1000 company to experience an interruption of their routine business operations. Across every industry, multinational companies are confronting the stark reality that business will not go on as usual. Specifically, experts expect that technology companies, apparel makers and industrial-equipment manufacturers, as well as shipping companies, hospitality chains, airlines and the luxury goods sectors will be among those hardest hit by the coronavirus.

Although it is difficult to determine the exact impact the coronavirus will have on the world's economy, it is clear the impact will be substantial and pervasive. And it appears the worst is yet to come. Investors worldwide are closely watching the coronavirus impact on world markets. Even the tide turns quickly and the virus's spread is curtailed, its impact will likely be long-lasting.

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