



## **Viewpoint: Covid-19 and a Global Recession**

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The danger to the global economy from the Covid-19 outbreak is slowly being recognized all over the world. A global recession emanating from China now looks imminent. Although China has so far borne the brunt of the virus's economic and human cost, its repercussions are increasingly being felt around the world. China's supply chains have largely broken down, leading to small businesses in India and many other countries

struggling for survival. In contrast to previous global recessions driven mainly by a demand constraint, the challenges posed by a dislocation of the supply side are quite different. It could result in sharp declines in production and widespread supply-demand mismatches, leading to rising inflation. China is today one of the most leveraged economies of the world, and so, its problem becomes everyone's problem. It is also worth noting that the Covid-19 outbreak is hitting the global economy when growth is already compromised, and so its impact is likely to be even greater. Under the circumstances, policymakers need to recognize that besides the standard interest rate cuts and fiscal stimulus, special attention also needs to be paid to address the huge shock to global supply chains. A silver lining – at least for India – may be the outbreak's so-called demographic dividend. The bulk of the deaths caused by Covid-19 around the world have occurred in the age group of 60-plus, and the majority of India's population is well below that. However, we need to develop a better strategy visible at the grassroots level to undertake the massive task of screening and testing large populations. Global investors living through this tenuous scenario will need to tread carefully in a situation where industry predictions become increasingly difficult. It is to be hoped that the world's leading economy – America – exhibits statesmanship by scaling down its trade war rhetoric, thereby calming markets and helping to defuse the fragile situation. A global recession is a time for international cooperation, not one-upmanship.

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