

# VIRAL ECONOMIES: THE HINDU EDITORIAL ON CORONAVIRUS IMPACT ON GLOBAL ECONOMY

Relevant for: Developmental Issues | Topic: Health & Sanitation and related issues

The global economy appears headed for [uncharted, troubled territory](#) thanks to the second wave of the [coronavirus](#) that has now spread to countries as far apart as Nigeria and New Zealand. The virus has crippled global supply chains, hit air travel and [convulsed markets](#) as it appears all set to adversely impact the U.S. economy, the global economic engine. This, when the Chinese economy is already in deep trouble due to the impact of the virus. A slowdown or worse, recession, in the two global economic engines is bad news for the world economy, which may well tilt into recession. Markets reflected these concerns last week as indices plunged and investors stampeded for the exit, dumping stocks. Big money moved to the relative safety of government bonds, pushing prices up and yields down. The U.S. markets experienced their worst week since the 2008 global financial crisis as the Dow Jones Industrial Average and the S&P 500 fell by over 12%. Interestingly, investors seemed to boycott even that ultimate refuge during troubled times, gold, whose prices also fell during the week. They seemed to place greater faith in the sovereign guarantee of the U.S. government reflected in its Treasury bills. But there is trouble ahead for the U.S. economy as companies ranging from Apple and Nvidia to Procter & Gamble and Adidas are in difficulty because of their large exposures to the Chinese market or their reliance on suppliers from China. This is a crisis unlike any other. It is not a financial crisis that can be sorted out with time-tested measures such as rate cuts and bail-outs. The challenge of the virus attack is that it is immune to financial solutions.

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For India, the troubles could not have surfaced at a worse moment just when there are some tentative signs of a return to growth. [Policymakers are sanguine about the impact](#) on the domestic economy and how they can manage the situation by resorting to airlifting of materials if the supply chain is disrupted. But the problem extends beyond supply chain disruptions, which, by the way is serious for industries such as pharmaceuticals, electronics and automobiles. In a situation of a global recession, exports, which are not growing even now, could take a hit, further slowing down one of the economic engines. And risk averse foreign investors could hold back fresh investments in India. What augurs well though is that Indian companies are not major participants in the global supply chains originating in China. And second, crude oil prices are slipping which is good news for the macro economy and inflation. The government needs to watch the developing situation and, for now, do all it can to support industries that are reliant on Chinese inputs.

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