

The ravaging coronavirus and its's economic implications

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Have you ever thought of economies also getting ill with viruses? Well, here it's!

To begin with, I would like to represent the present situation as an economic boom akin to the one following World War 2.

As is with war, a small percentage of the population is fighting on the front lines (In this case Doctors and medical staff). Businesses, small and large are facing the heat as the country's resources are being directed towards the destruction of the common enemy. The only difference this time around is that the enemy happens to be an invisible virus. During World War 2 there was a desperate need to accelerate the output of items such as ships and tanks, and so, several companies were tasked with mobilizing their existing resources and equipment to produce these alternate goods. Today we are no longer producing guns and tanks. But we are facing an uphill task to manufacture and stock medical equipment/supplies to battle the contagion. As face masks, test-kits and ventilators begin running out, we are seeing governments ask (sometimes force) private companies to step in and fill the gap. Automobile companies such as Fiat and General Motors are using their car plants to make ventilators. Luxury fashion brands like Louis Vuitton are using their perfume distilleries to manufacture hand sanitizers. And on Friday, President Donald Trump invoked the Defense (defence) Production Act to boost the production of ventilators as part of efforts to deal with the coronavirus outbreak. And it doesn't stop at that.

Coming to Indian economy, I think our Finance Minister's dream of achieving 5 trillion economy is at stake. How can it be fulfilled when we can seek the roots of economic contraction because of crippling supply chains, shrink in retail, dips in spending, reduction in productivity, rise in unemployment and reducing ability of business to function?

On bringing the worst hit sectors, AUTOMOBILES which is already seeing the worst slump in nearly 2 decades. China one of the leading suppliers accounted for 27% of total imports of auto components into India(acc. To ICRA).THE HOSPITALITY SECTOR is estimated to bear a loss of \$4.2 bn in revenues. But as tourism accounts for 10% of India's GDP, we can hence estimate the downfall of GDP. We should expect GDP growth at 3.2%-3.5% in FY21down from 4.8% in FY 20.

The pandemic has suppressed oil demand in China, Europe and other parts of the world, Saudi Arabia wants to go all out. To out price Russia and the U.S., the kingdom has declared that they will be boosting oil supply to 12.3 million barrels per day in April, even if it means drawing on existing stock. The U.S. is now taking advantage of low prices to fill up its strategic reserves in Louisiana and Texas. Prices might be driven down to negative levels. Yes, that's right. Consumers might be paid to buy the commodity.

For countries like India that import most of their oil, it would translate to a reduction in petrol and diesel prices. However, even a slight reduction in oil prices will have a direct bearing on the production and transportation costs of industrial and agricultural goods, and therefore, their prices. So, maybe we will see other benefits across the board? It's possible.

As the markets would recover, there will be a lot of redemption pressure on the equity funds will face that pressure, today the debt funds are facing that pressure.

The longer the paralysis persists, the more painstaking the recovery. WE NEED TO DRAW AN ECONOMIC PLAN. BUCKLE UP!IT'S TIME TO BE PRO ACTIVE

Earlier I believed that economics only relates to economy in monetarily way but never thought of behavioural, psychological connection with it as well. People need to be well aware with BEHAVIOURAL ECONOMICS

There is a need to draw attention of the global world and Indian Government especially towards "nudges ". Nudges are an outgrowth of the important field of behavioral

economics. When the Government provides people with health related information, it nudges. A warning is a nudge. A reminder is a nudge.

Coronavirus is hitting humanity where it hurts the most complex way — the mind. Once we acknowledge the power of individual behavior insights are not a choice but a necessary in our collective action against deadly COVID- 19. People seldom behave in a rational and unbiased manner in taking cost benefit decisions. They often use mental shortcuts that affect the risk perception and reaction to a sudden outbreak like these.

Firstly, addressing availability bias and hindsight bias by only communicating facts, action plans and the expected role of citizens. Provide clarifications on misinformation visibly on ministry websites. Secondly, making it easy for people to find authentic information on COVID-19. Help people locate the nearest COVID-19 diagnostics center via Google Maps, websites or dedicated WhatsApp facility. Moreover, make a color coded risk monitor (green for mild, yellow for medium, red for severe) available on information websites.

Following the critical analysis of Rs 1.5 trillion, RBI still needs to have an arrangement for providing liquidity to mutual funds and may be to NBFC'S (Non Banking Financial Institutions)

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