

Microeconomic Impact of COVID 19: Global Perspective

By

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Abstract

Pandemic as it was known and used has a more devastating effect compared to just diseases outbreaks which affect a portion of the globe. For pandemic in terms of its very nature was complex as it used to be an unknown ailment that defies known medical knowledge and therefore demands immediate research and intervention so also commitment on the part of the states in order to curtail its spread, effect and come up with its antidotes and other preventive measure. Also resources and efforts need to be channeled properly and be utilized to counter the scourge. Since December 2019, the world health governing body of the United Nations –the World Health Organization (WHO) received the information of an infectious disease linked to the viruses identified with some types of common cold and flu such as the Severe Acute Respiratory Syndrome (SARS) and Pneumonia which was discovered in Wuhan of the Peoples republic of China- then referred to as 2019-n Cov, later renamed COVID 19 as Co-stands for Corona; Vi fro virus and D for Disease. While 19 denotes the year it was discovered. Following these development, COVID 19 continue to spread to the extent that no part of the globe is immune from it. Thus, the Socio-economic impact is being felt as individuals rights were restrained and social gatherings were prohibited which in-turn slow down economic growth and development generally as: opportunities for individuals were narrowed, many businesses collapsed, jobs were lost, savings halted, dis-investment, low purchasing power of essential commodities, poor family health, and profits depletion and sometimes losses. It is in the light of the above issues aforementioned this paper would focus as the effect of the pandemic at the microeconomic level is concerned.

Tags: COVID 19, collapse of businesses, poverty, poor health, low purchasing power, non investments and poor savings, and decline in health status.

Introduction

The China's province of Wuhan was¹ the first place on the earth where symptoms relating to common cold which were later diagnosed as not the known cold but, rather, a different disease not fully understood and therefore categorized as Pandemic - since its sudden spread is spontaneous and if proper care is not taken to arrest the situation could wipe out a proportion of the earth's population. The fear among the other foreseeable sorrows regarding the new pandemic, led to the widespread intellectual and careful scientific investigations and analysis in health sciences and in epidemiology in particular with the aim to put halt to its spread and treat those infected so also prevent the rest of the world who have not yet contacted the disease. The outcome of such endeavour was the discovery of another form of respiratory disease called COVID 19. Most

people infected with COVID 19 Virus will experience mild to moderate respiratory illness and to some extent young people may not require treatment to combat the disease; while older people and those with underlying medical health problems such as: heart diseases, diabetes, cancer and other respiratory tract infections are more likely to develop serious illness and so often may die as a result.² So, in view of the above scenario, immediate proactive measures and advises were put forwarded and popularized so as to contains the situation. Apart from report to health authorities of any suspected case of the disease, the general public was enjoined to take actions as: hands washing on regular intervals, using sanitizers and antiseptics on public places like handles in a stairs and others, avoidance of crowd and social gatherings, and to practice respiratory etiquettes. For example: to cover your nose and mouth with cloth material

¹ H. Zhu., L. Wei., & P. Niu., 'The Novel Corona Virus Outbreak in Wuhan, China', in *Global Health Research and Policy* 5, no 6, 2020

² WHO: *There is a current outbreak of Corona Virus (COVID 19) Disease.* Available at www.who.int/health-topics/corona-virus#tab_1 Accessed 29/08/2021

when coughing or when one sneezes in public or coughing into a flexed elbow³ as the virus could be spread through easily.

Therefore, under listed and discussed hereunder are some of the microeconomic impacts of COVID-19 as thus:

Time Demand of the Health Personnel and Collapse of their Businesses

As it was well known by all those who are within the working age group that time was the most economic scarce resource at the micro-economic level; and perhaps without it we cannot accomplish our life's tasks. So, with the outbreak of COVID 19, the time demand on the part and duties of the health personnel in order to tackle the pandemic was increased by the authorities and other private health operators in the sector. For instance, there was a total number of 69807 medical staff in central areas of Wuhan Province⁴ were engaged actively to deliver information on the early symptoms of the disease. These number of health personnel were denied ample time to see to their personal business, which in turn serve to counter balance the financial deficits that cannot be met simply by serving under any organization. This limits their opportunities as vibrant economic drivers in the localities, as some of the personnel came out of the pandemic bankrupted and down financially to the extent that meeting one's needs seems to be a distant objective considering the time and effort made in the past to source the capital to start over the business again. This was not to suggest that the pandemic was peculiar to China only but also in European countries as evidence of workload on health workers especially nurses whose duties was doubled many times over. For in Belgium, COVID-19 significantly increases the nursing time in the intensive care unit and the ideal nurse to patient is close to 1:1 as oppose to the regulation of 1:3 as recommended by the health policy.⁵ Also nurses are required to maintain shifting duty after more than

10-12 hours per day. Therefore, this has clearly shown that COVID-19 patients require more time in the activities of monitoring and the time spent on each patient during the pandemic, and had sapped the nursing attendants' time which could be put to other productive economic venture instead.⁶ The effect of such time demanding due to the pandemic was that; some of the local pharmaceutical stores were owned and operated by these nurses and other lower and middle level health personnel. And due to that they could not have time to offer services and continue to ensure supply of stocks which is the basic of the business which finally led to the collapse of their businesses.

Jobs Losses, Retrenchment and Poverty

Jobs and employments are central and remain the basic means of sustaining families' in terms meeting daily needs and wants socially. Not only families and individuals rely on it for their existence, but also it promotes the sense of dignity and prestige in the society to employers and employee as well. However with the surge in the COVID-19 pandemic, some businesses and enterprises were forced to halt operations as a way to curtail its spread. Therefore, the resultant consequence was that as the businesses tend to record lower profits and sometimes no profit at all; the employers resorted to reduce the number of the employed so as to minimize profit losses. For according to the world economic monitoring bodies such as the International Labour Organization (ILO), World Bank and International Monetary Fund (IMF) analyzed the situation of job losses during COVID-19 and put it forward as:

Global unemployment increased by 33 million in 2020, with the unemployment rate rising by 1.1 percentage points to 6.5 per cent. While 81 million workers quit the ranks of labour markets altogether, and millions of enterprises

³ Ibid.

⁴ R. Zhang, M. Li, K Zhao, Impact of Wuhan's Epidemic Prevention Policy on the Outbreak of COVID 19 in Wuhan China, in *The Lancet-D-20-02744*

⁵ B. Arnaud, et al., 'Impact of COVID-19 on Nursing Time in Intensive Care Units in Belgium,' in *Intensive and Critical Care Nursing*, Vol. 62, February 2021.

⁶ Ibid.

were forced to close or sharply curtail their activities.⁷

From the above statement, it is enough to see the impact of the Pandemic as many people were retrenched due measures imposed by the authorities in order to curtail the spread of the virus, this action by many enterprises and businesses did not only spelt poverty in the society, but also widen the gap of inequalities due to ones economic status as global labour income decline by 8.3% which amounts to US \$ 3.7 trillion and is equals to 4.4 % of global GDP.⁸

In the field of businesses, most hit by the pandemic were sole proprietorship businesses. That is not to suggest that other group businesses were immune from the situation. For instance: the lockdown had caused many travel and hospitality businesses to close shop; as most hotels that closed counted losses for maintenance, while staff, most of who are breadwinners were laid off. According to an account of one employee who was a chef in one of the five star hotels in Abuja, the Nigeria's capital city, he lamented that: I was laid off unexpectedly after I was paid march salary.⁹ While some organizations cut the number of their employees and the few that remained had their salaries slashed.¹⁰

It is evident to say that small firms and medium enterprises have gone out of business. For instance; the Chinese small and medium businesses witnessed an estimated exit of about 18% of businesses between February and May 2020 and which account for about 14% of total employment.¹¹ Out of such proportion, women and youth whom constitute majority of the bulk within the class experienced sharpest drop in disposable income.

⁷ ILO: Annual Meetings of the World Bank and IMF, *Development Committee Meeting*, Washington D.C, 09 April 2021.

⁸ *Ibid.*

⁹ Olatokewa Ayoade, *The Economic Repercussions of Corona Virus Pandemic on Nigeria*, Kiss F.M Radio 99.9, June, 2020

¹⁰ *Ibid.*

Other parts of the world such as in Africa, it was reported that as a result of job losses and lockdown due to Covid-19 pandemic there was rising food and consumables prices which worsened due to lack of functioning social security system to bring succour to many families through cash transfers and food handouts as epitomized by Aniete Ewang, a Human Rights Watch researcher on Covid-19 who stated that: 'with people battling everyday for survival, the pandemic has highlighted the critical need for a functioning social security system...'. Such analysis was affirmed by the World Bank forecast in January 2021 which stated that 'the Covid-19 crisis will result in an additional 10.9 million Nigerians entering poverty by 2022.¹²

Poor Health Condition and Death

Good health care and delivery services are so central to the development of society and economy as well. Whereas, poor health condition of individuals especially workers will affect production quality and efficiency in the economy generally.

In regards to Covid-19 pandemic, due to international trade restrictions and work from home policy, many consumable products were allowed to be marketed and consumed globally including foods and drugs which have a direct consumer effect on health and well being of people. And in such situation, fake, counterfeit and unwholesome products find their ways into homes and perhaps the only easily accessible product available during the scourge. The resultant consequence of the situation was the decline in health status of people generally, and especially those above 65 years of age and the vulnerable toddlers. This was due to the suspension of some of the quality control measures in the actual production, packaging and transportation. For instance: the United States agency for Food and

¹¹ ILO, World Bank and IMF Development Committee, *Annual Meetings*, Washington D.C, 09 April, 2021

¹² Report of the Human Rights Watch (HRW) and Justice Empowerment Initiative (JEI), "*Between Hunger and the Virus*": The Economic Impact of the Covid-19 Pandemic on People living in Poverty in Lagos, Lagos-Nigeria, 28 July, 2021

Drug Administration FDA-the highest authority in food and medicine safety, during the time of Covid-19 pandemic announced that it would suspend the inspection of manufacturers,¹³ and this has affected the quality of consumables and imported raw materials and in turn such items could be widely circulated and consumed by the public as was noticed that during the period that: there was a high volume of fake and substandard medicines especially in developing countries and those products could lead both directly to further illness and death.¹⁴Based on this, an estimated total of value of counterfeit pharmaceuticals traded worldwide to be as much as EUR 4.03 Billion.¹⁵ To show the reality of this statement, there were reports of several deaths during the pandemic in the northern Nigeria's business hub-city, Kano.¹⁶ Though some part of the report was not accepted by the general public, but there is validity to suppose that fake drugs in circulation during the pandemic were responsible for the health complications leading to the deaths of many aged persons in the state.

Not only that, those in processing and manufacturing sectors by the provisions of the law were enjoined to maintain some level of personal hygiene and health status, but ironically some of them feared that if they disclosed their true health status to their employers, they may end up losing their job which may result in many of them not able to feed their families or save for investment.

On the part of the health workers themselves, due to their overexposure to Covid-19 patients and lack of safety measures in place, some of them became infected with the disease (Covid-19) and some of them were not able to survive it and they eventually died. Report of the World Health Organization

(WHO) highlighted the extent to which protecting health workers is key to ensuring a functioning health care in all communities.¹⁷

Low Purchasing Power

Simply put; purchasing power refers to the value of currency expressed in terms of the number of goods or services that a unit of currency can buy.¹⁸ From the time of the pandemic it was reported that many times people have switched to consuming only the essentials such as: hand sanitizers, detergents, soap base and perhaps cooking gas. Expenses as taxi cab charter, eating in a restaurant and night hangouts were reduced or nonexistent in many parts of the world. These activities were subsided due to loss of jobs, which spelt poverty across families and so often some family breadwinners became frustrated, fall sick and died as a result. This heightened the poverty level and poor living condition across the globe. For instance: the US economy contracted by 32.9% in 2020 as employment fell by 10.4% between February and June. Whereas, unemployment rate increased to 11.1% from 3.5% of the same year.¹⁹

The above scenario created a sense of experience not only in the US, but across major economies, as job losses and inflation rate continue to pose threat to many wage earners to the extent that it had tempted them to holding on to their earnings and cut down expenses except when necessary such as rents, food and medicaments; while it has become evident that the magnitude and duration of the pandemic seems to take too long to address. This assertion was aptly highlighted as:

The economic impact of COVID-19 continue to constrain food access for poor households

¹³ Ew-nutrition.com/8-ways-covid-might-impact-your-business/ Accessed 25/09/2021

¹⁴ OCED/EUIPO, *The trade in Counterfeit Pharmaceutical Products*, Paris, OECD Publishing, 2020

¹⁵ Ibid.

¹⁶ Nwachukwu. Oyinye, "FG Links 587 of Kano Strange Deaths to Covid-19, Business Day, June 8 2020

¹⁷ WHO: Keep Health Workers Safe to Keep Patients Safe, Geneva, 17 September 2020

¹⁸ www.investopedia.com/terms/p/purchasingpower.asp

¹⁹ Akrur Barua and David Levin., "What's weighing on the consumer spending: Fear of COVID-19 and its economic impact", Economic Spotlight, August 2020 in association with Deloitte Global Economist Network, India, 2020. See also S. Sebastian et al., Purchasing Under Threat: Changes in Shopping Patterns During the COVID-19 Pandemic, PLOS ONE 16(6): e0253231, 2021

in urban and rural areas across the region, primarily due to a decline in household purchasing power resulting from the loss of formal and informal employment, declining remittance, and above average staple food prices.²⁰

From the above, it is clear that job losses during the pandemic, industries closure, panic buying and above all inflation of staple foods coupled with individuals thrifty spending contributed immensely to limit the amount of money in circulation, and therefore low purchasing power which transformed to economic hardship at the microeconomic level.

Low Investment and Savings

Savings and investment of capital are the cardinal principles upon which many working age group relied on for meeting their short and term plans as their earn income is concerned. This idea revolves around three cardinal principles as thus: spending, saving and investment.²¹ However with surge of Covid-19 pandemic, these cardinal principle was shook right from its very foundation, as families and individuals within the working age group neither prepare nor ready for emergencies like pandemic which swept far across the world societies and affected their means of sustenance and financial plans.

For this reason, job losses and pay cuts result in non savings financially as many families continue to struggle to meet basic necessities as inflation rate and panic buying in preparation for the lockdown and restrictions had devalued the currency and the purchasing power was lessened. More so, it was reported that most individuals save a lot during the pandemic, but all the way investment in stocks, bonds and shares so also in consumer goods was relatively low; as there was the fear on how long has the lockdown will go coupled with the uncertainty in the magnitude and duration of the pandemic which deterred many of those who have capital to hold on to their capital.

In the raging situation of the Covid-19 pandemic, once a drastic change in the pandemic is discovered, investors go through the search engines to make quick and swift decisions. It was learnt that during severe market turbulence, investor's attention to the stock increases substantially, and avoid risks some investors divert their stocks and interests to a less risky stocks so as to ensure returns.²² Subsequently, epidemic stocks related to the pandemic assures quick returns in most search engine results such as Baidu and Google search engines.²³ So medical stocks related to the pandemic were most sought for and did not register shocks compared to crude oil markets which continue to dwindle and slipped to about less than \$29 per barrel.

²⁰ Famine Early Warning System Network: Central America and Caribbean; Household Purchasing Power Declines During the Lean Season and COVID-19 Pandemic, June-September, 2020 in Association with the USAID

²¹ Uma Shashikant., "New Rules of Personal Finance: How COVID Has Changed Income, Spending, Saving , Investing", The Economist Times, 25th May, 2020 (updated 27th May 2020).

²² Giray. Gozgor (ed.), Investor Sentiment and Stock Returns During COVID-19 Pandemic, Zhejiang, Univ. Press, 2021 see also Jiang B., Investor Sentiment and Stock Returns During the COvid-19 Pandemic, Available at Psychol. doi: 10.3389/fpsyg.2021.708537

²³ . Ibid.

Conclusion

In view of the foregoing financial and economic uncertainties as a result of Covid-19 pandemic, it could be learnt that unforeseen financial and economic meltdown could be contained with proper financial discipline and advice to families and individuals so as to curtail or even avoid some of the negative impact it might have caused. Not only that, economically wise, fortunes could be made from such pandemics and financial shocks no matter the situation especially through investing in related business as it has shown that some pharmaceutical giants as Johnson & Johnson, Pfizer, AstraZeneca, Swip et. al- have registered huge profits as a result of their investment in health related medicaments for the treatment and preventive purposes of the Covid-19 Pandemic.

Short Biography

Sulaiman Bashir is a graduate of History from Usmanu Dan-Fodiyo University Sokoto Nigeria and has interest in discussing global issues generally as no human sector that defies historical approach in its understanding and analysis so also suggestions on the way to tackle such universal issues. Other areas of interests, are in the history of the Middle-East both contemporary and the past history of the region regarding efforts at peace processes and why it continues to be an unending conflict despite efforts being made constantly to restore peace in the region.

He has served in different capacities including independent research, teaching assistant during the national youth service scheme, farming apprentice (crop production and animal husbandry) and voluntary community services. Currently, I am serving as a lecturer in the Department of History & Strategic Studies, Federal University Dutsin-Ma.

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