

# Pandemics, Trade & Global Change: A rapid assessment of COVID-19

International Webinar:

Mother Theresa College  
Thiruvananthapuram  
Kerala, INDIA

Friday, Nov 6, 2020

'... the novel corona virus has created  
an opportunity for lasting change...  
There is reason for **HOPE** ...'

(Trade & Development Report 2020,  
UNCTAD)



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# Presentation Agenda

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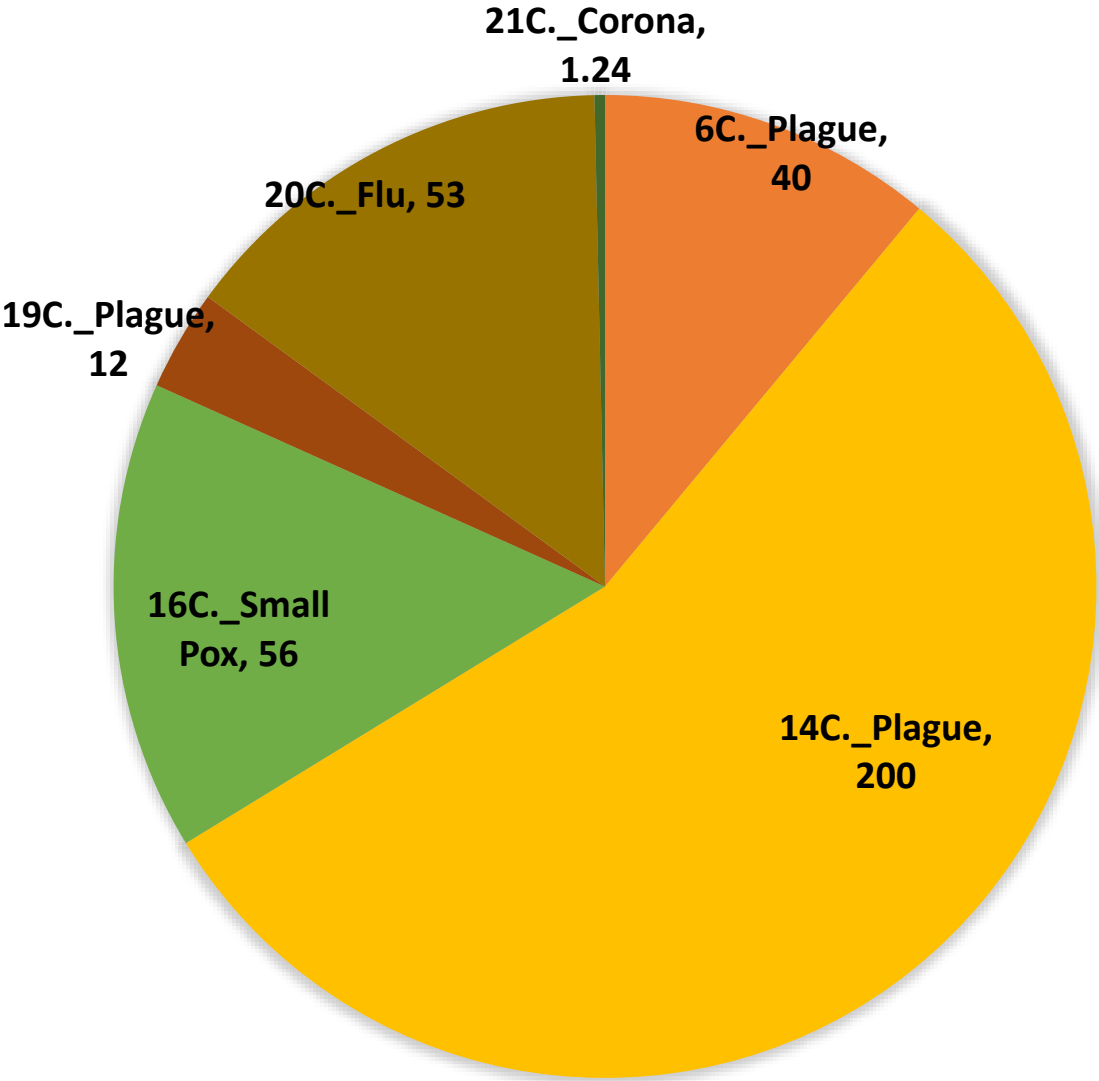
## Section 1

# Pandemics – An Overview



# Major Pandemics Occurred Overtime

Death toll (mn)



Origin, Spread & Means

Pandemics	Origin	Spread	Means
Justinian Plague (541~750 CE)	Egypt	Alexandria, Palestine, Europe (killed 1/4 of world pop)	Bacteria ↔ Rats & Fleas
II Bubonic Plague- Black Death (1347~1899 CE)	China	Asia, Africa, Europe (killed 1/3 of world pop)	Bacteria ↔ Rats & Fleas
Small Pox (1519~1820 CE)	Latin America	Europe, America, Asia	Virus ↔ Human
Third Plague (1885~1940 CE)	China	Europe, Asia, America	Bacteria ↔ Rats & Fleas
Influenza - Russian, Spanish, Asian, Hong Kong(1889~2009 CE)	Russia	Whole world	Virus ↔ Human (H1N1, H2N2, H3N2)
Corona - SARS, MERS, COVID19 (2002-Present)	China	Whole world	Virus ↔ Bats & Civet cats

Source: <https://www.history.com/topics/middle-ages/pandemics-timeline>

## Section 2

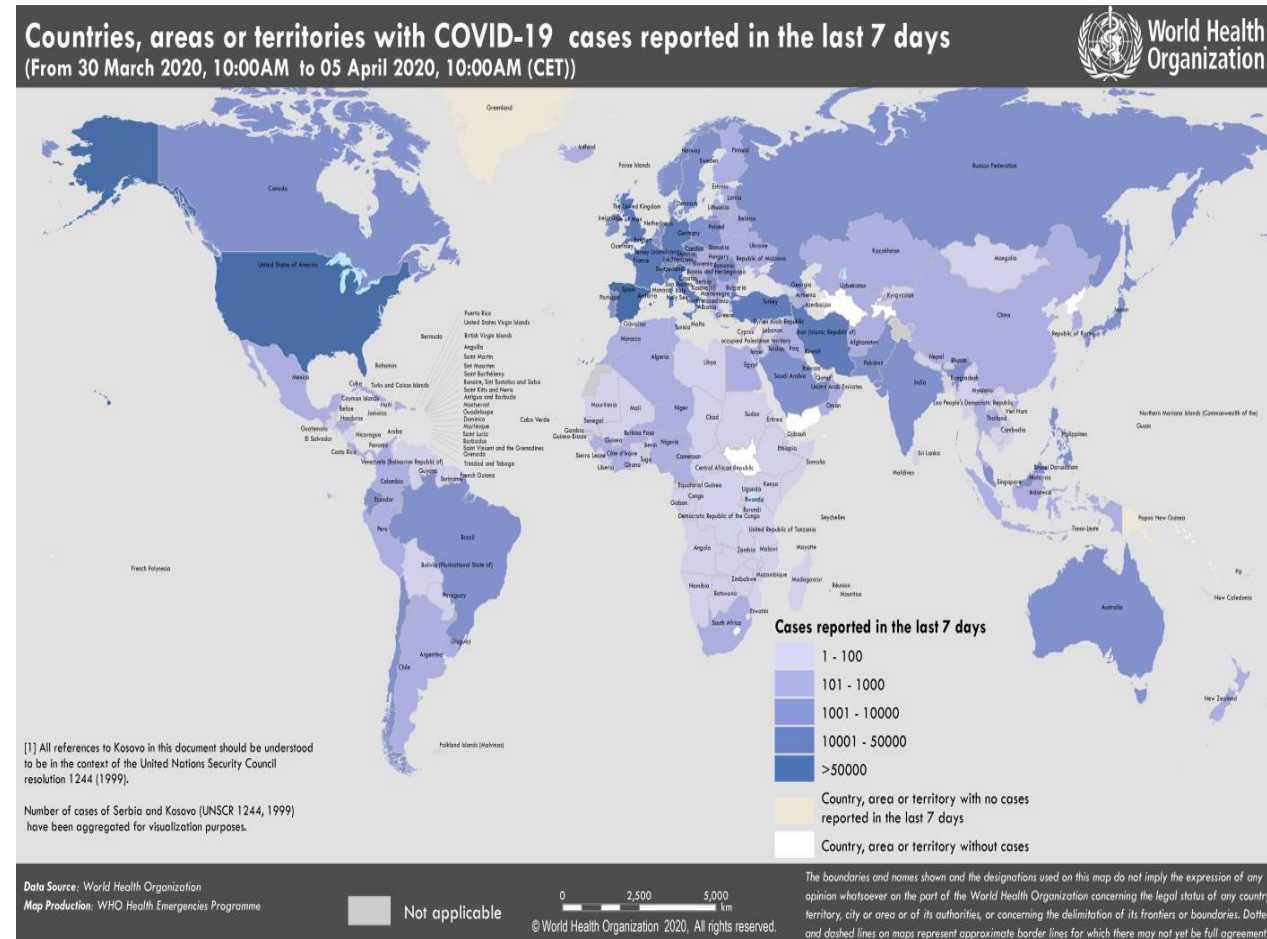
# Covid19 – Origin & Spread





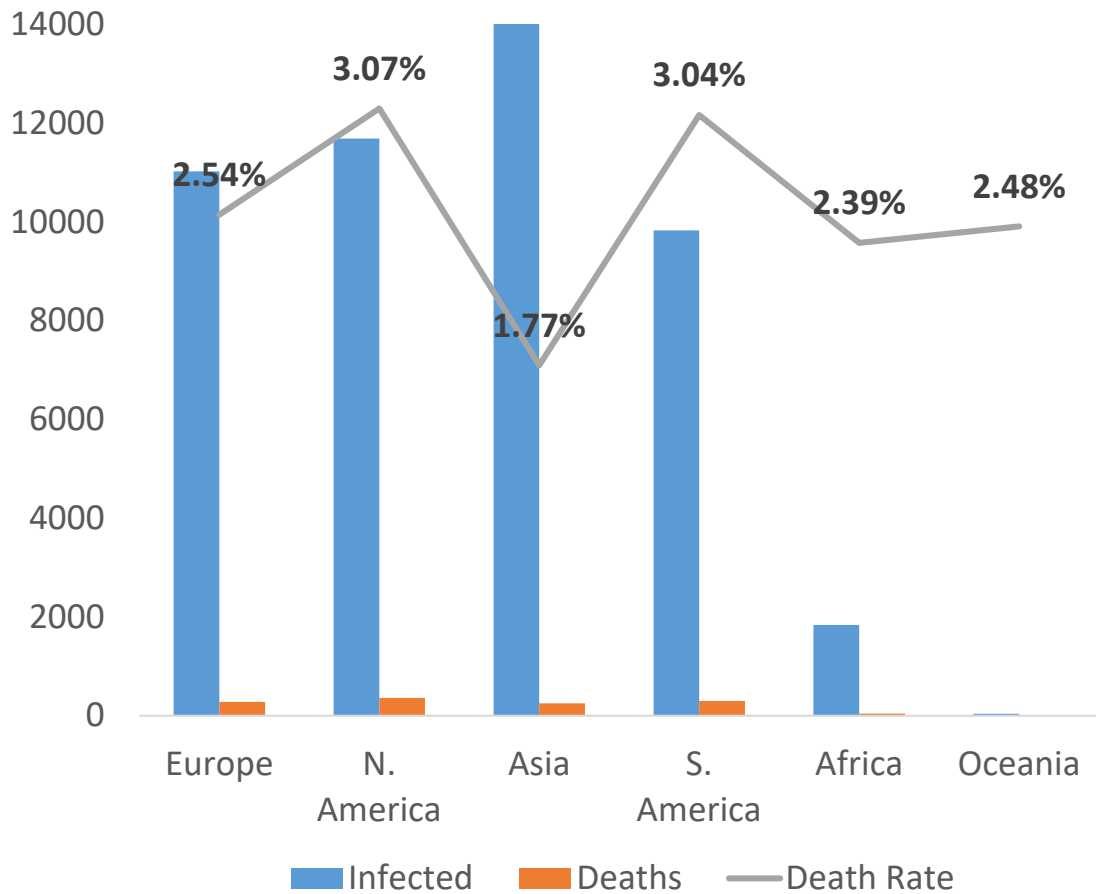
# Novel Corona virus Covid19: Origin & Spread

- First case reported in **Wuhan, China** to the WHO on Dec. 31, 2019.
- In Jan 2020, 41 patients admitted to hospitals in China.
- China declared lockdown and quarantine and by mid-Feb 2020 the case number in **China is stabilized around 80,000**.
- By then, global air-transport has carried the virus to all continents, by mid-March 2020, established in **146 countries**.
- The infection rate accelerated by mid-April 2020- **confirmed cases 2mn; deaths 125,000; over 200 countries**.



Source: WHO

# Covid-19: Cases, Deaths & Death rate as of Nov 5, 2020



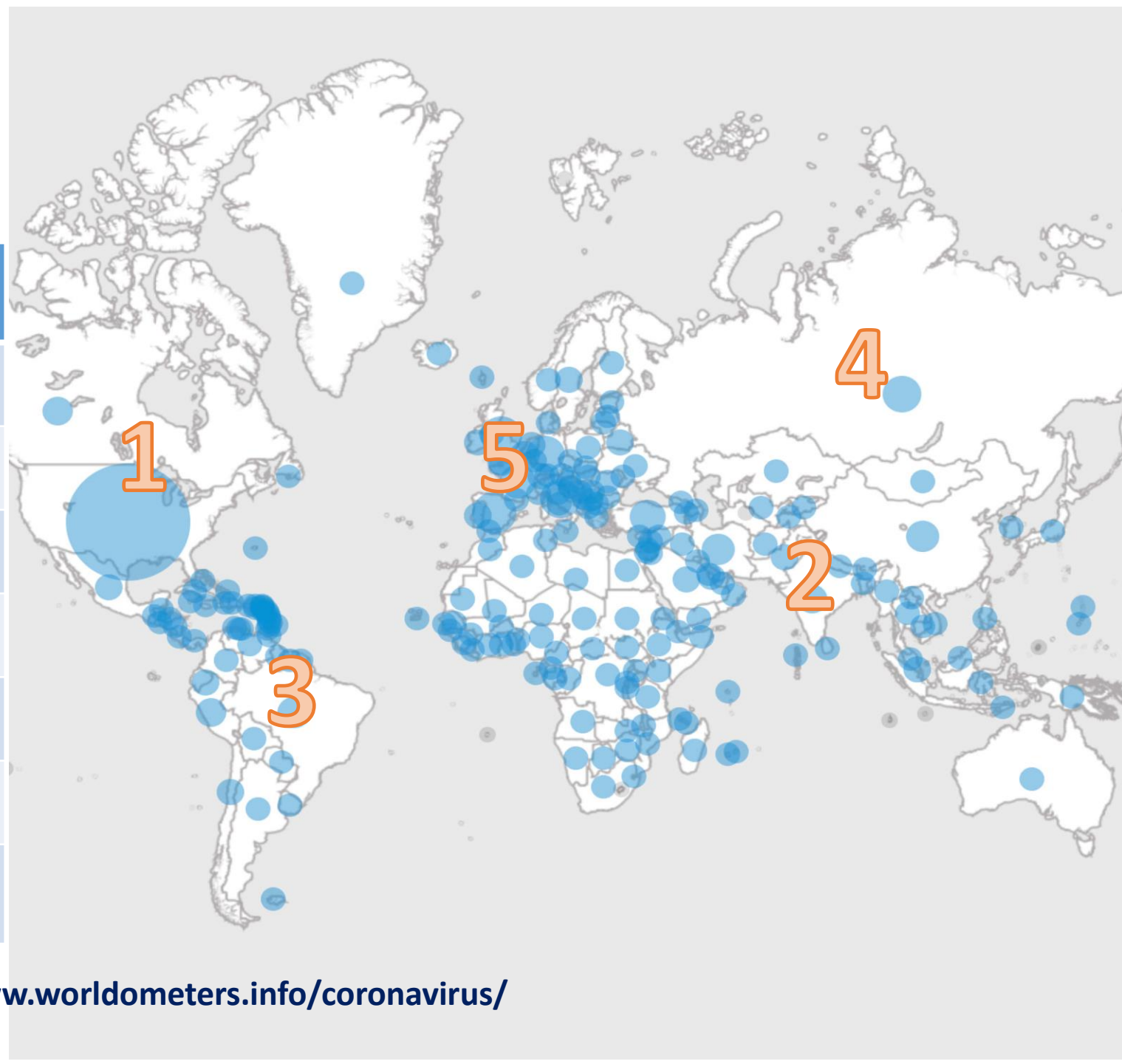
Continent	Cs & Ts (#)	Cases ('000s)	Deaths ('000s)	Death Rate
Europe	48	11,024	280	2.54%
N. America	39	11,687	359	3.07%
Asia	49	14,045	249	1.77%
S. America	14	9,828	299	3.04%
Africa	57	1,839	44	2.39%
Oceania	9	40	1	2.48%
<b>Total</b>	<b>216</b>	<b>48,463</b>	<b>1,232</b>	<b>2.54%</b>

Source: <https://www.worldometers.info/coronavirus/>



# Top 5 Countries in Covid19 as on Nov 5, 2020

Rank	Count.	Pop. Mn	Cases Mn	CFR %	TR %
1	USA	331.67	9.801	2.45	46
2	India	1384.7	8.365	1.49	8
3	Brazil	213.08	5.591	2.88	10
4	Russia	145.96	1.693	1.73	43
5	France	65.32	1.543	2.51	26
56	China	1439.3	0.086	5.39	11
147	Thailand	69.86	0.004	1.55	1



Source: <https://www.worldometers.info/coronavirus/>

## Section 3

# Covid19 & Economic Impact



# 3 Biggest Economic Shocks of 21<sup>st</sup> Century before COVID19

1. Integration of **China** into the World trading system- **by its entry in WTO 2001.**
  - Chinese workers left rural poverty for factories; Cheap goods flowed west and financial assets flowed east; Rich world lost manufacturing jobs; China's share of int. trade grew from under 10% to over 30%.
  - Collapse in demand; lowered interest rate; an interruption in globalization. From 2015 there began a change from globalization to slowbalization.
2. The financial crisis of **2008-2009**
3. The rise of **digital** economy.  
(smart phones & social media in 2000s; Cloud computing & AI in 2010s)
  - 'super-star firms' amassed valuable know-how (**FAANG**); decline in the share of GDP accruing to workers in wages; By-pass tensions between East & West.

# The Story of the Pandemic Covid19 Begins with Trade

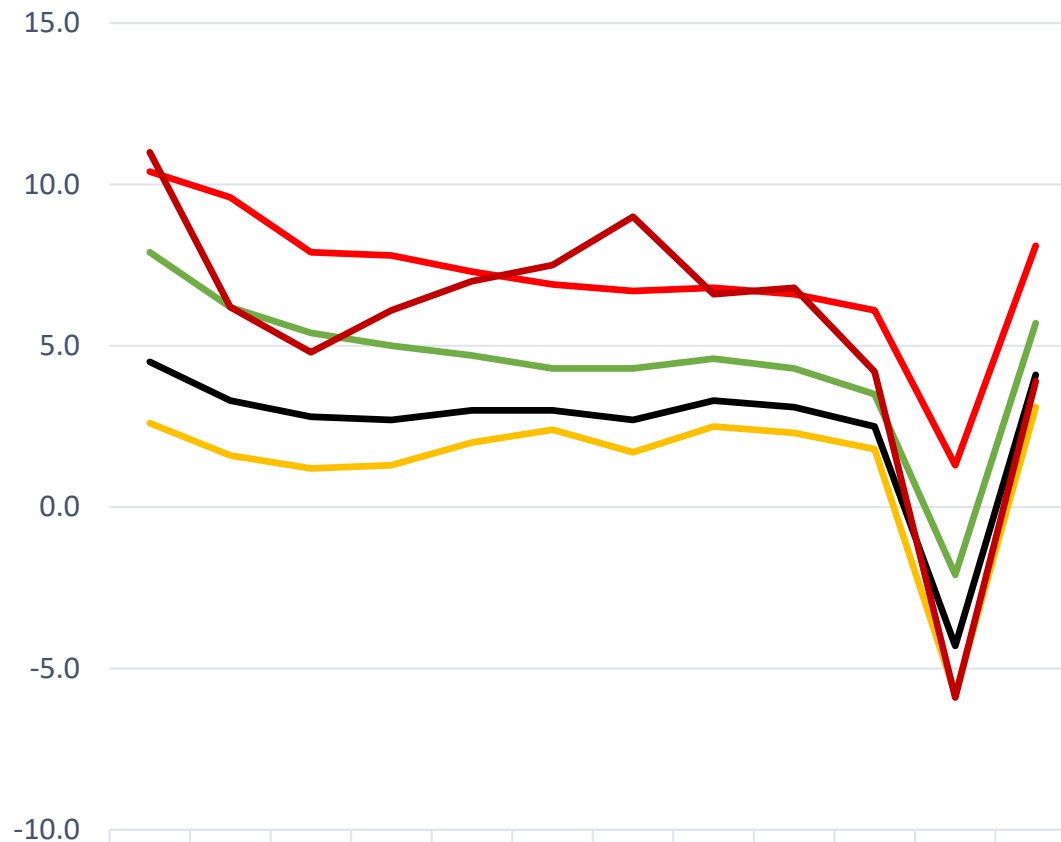
- The trade war between **US** and **China** on Soya Bean- started in 2016; Tariffs increased on both side; America's share of Chinese I&E fell to its lowest level in 27 years.
- War on **5G** technology and **Tiktok**, collapsed investment of Chinese cos in America.
- Both these countries are **diversifying away** from each other in Trade
- Covid-19 will be accelerating (long-term acceleration) **changes in trade, technology, finance, and economic policy.**

Source: The Economist, Oct 10, 2020





# World Output Growth 2010-2021: Annual percentage Change

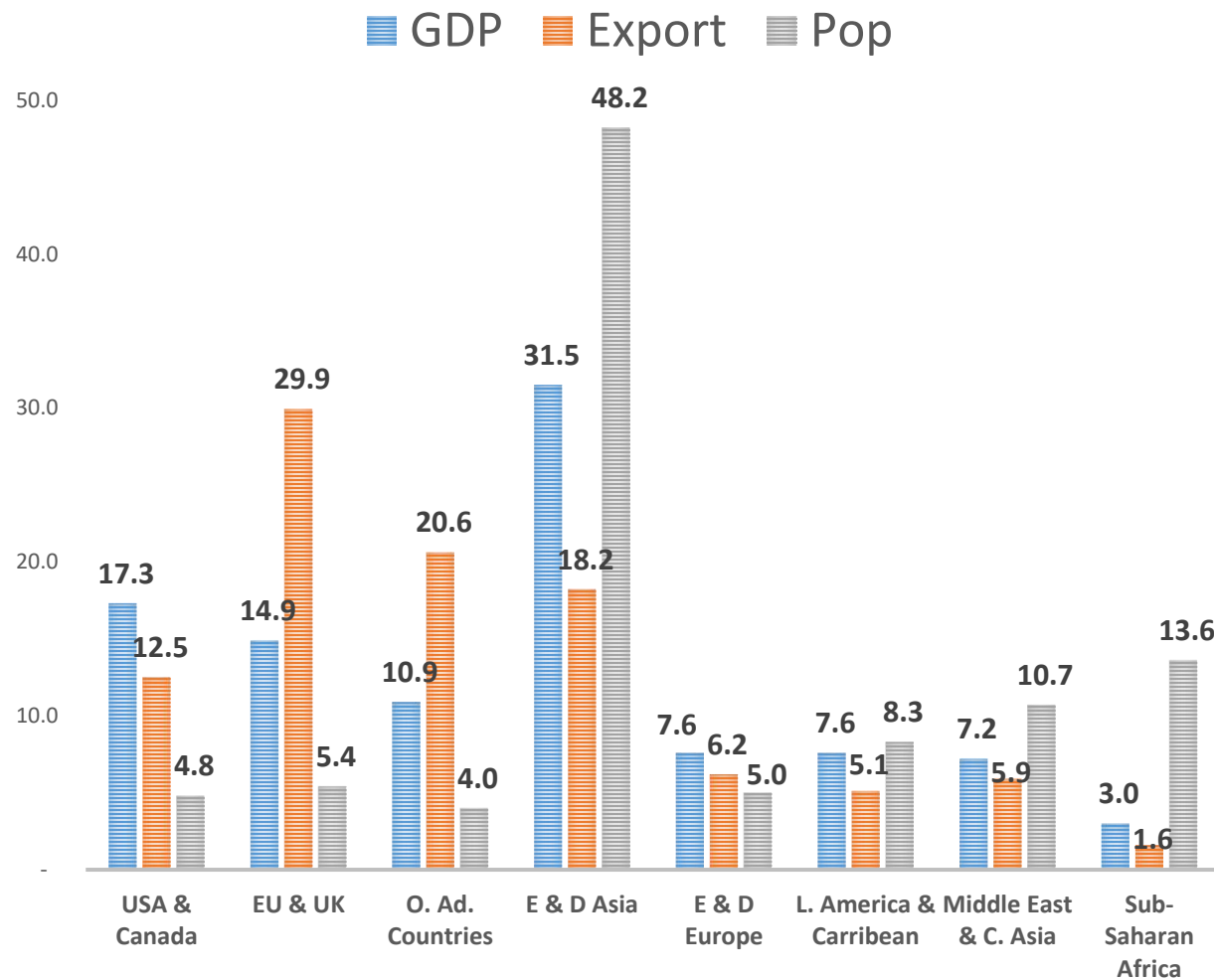


- World output indicates 4.3% contraction in 2020 and 4.1% expansion in 2021. (?)
- The contraction is very high in India than the average of developing countries or even higher than that of developed countries.
- China eventually wins from the aftermath of covid19.
- The forecasts of 2021 are based on UN Global Policy model. (?)
- Recovery is not assured if the pandemic continues in 2021.

Source: Trade and Development Report, 2020, UNCTAD

# Share of Aggregate GDP, Exports, & Population, 2019-

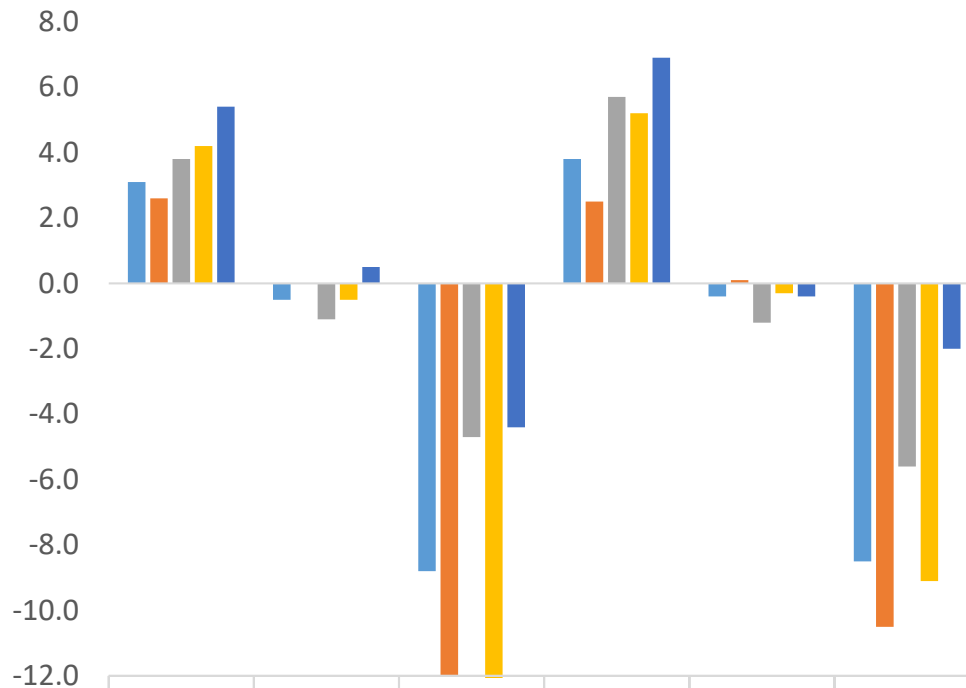
Percent of total for World - No. of Countries 195



- The 39 Adv. Economies' share of GDP is 43.1%; Pop – 14.2%; Exports-63%.
- Hence, the size of GDP is over 3 times of Pop in Adv. Economies
- The 156 Em. & Dev. Economies' share of GDP-56.9%; Pop-85.8%; Exp-37%.
- Hence, the size of GDP is just 2/3<sup>rd</sup> of the Pop in E&D Economies.
- Covid19 will impact export-oriented growth for Adv. Economies.

# Exports & Imports, Volumes of Goods, 2018-2020

Percentage change over previous year

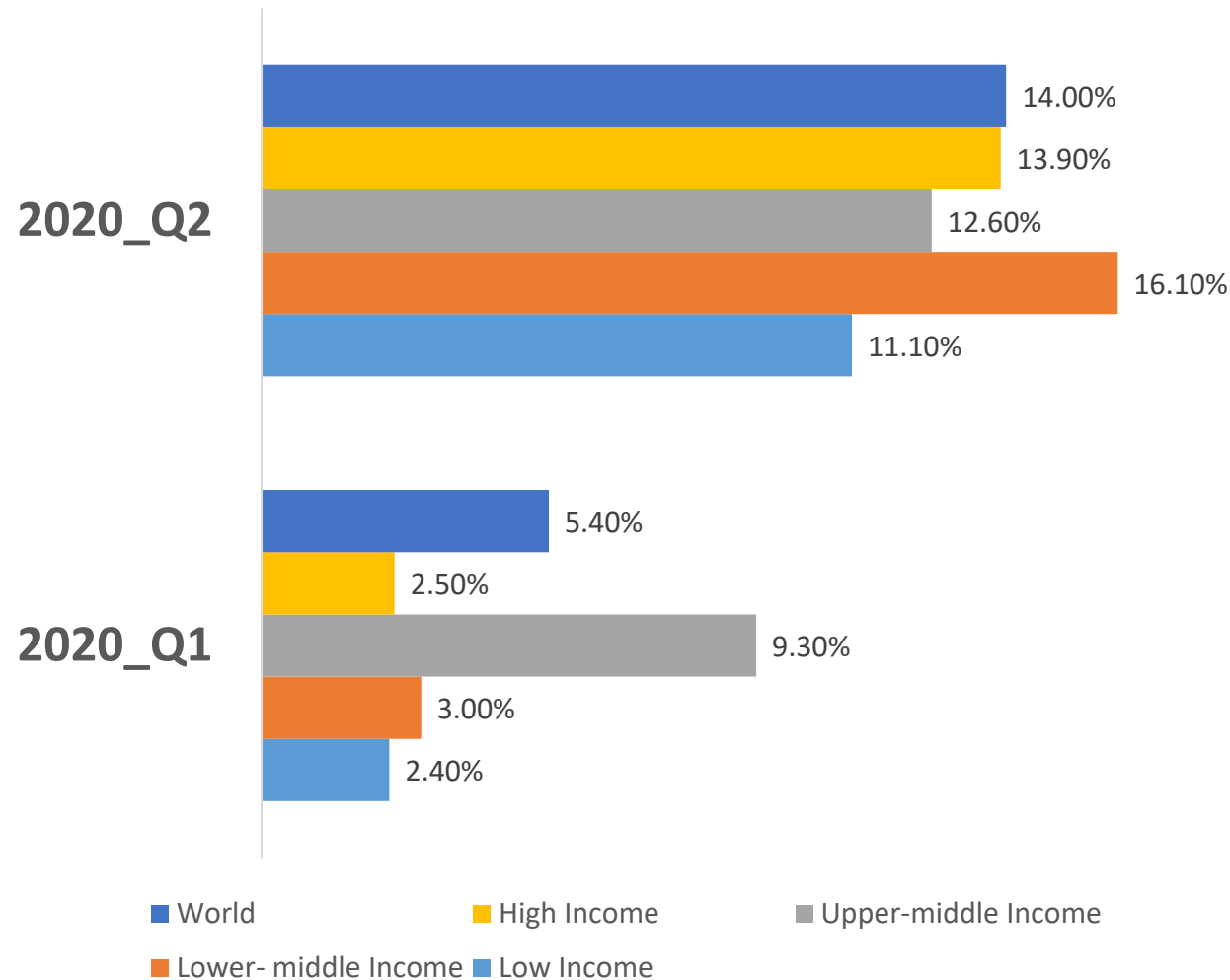


	2018	2019	2020	2018	2019	2020
	Volume of Export			Volume of Imports		
World	3.1	-0.5	-8.8	3.8	-0.4	-8.5
Developed Countries	2.6	0.0	-12.0	2.5	0.1	-10.5
Developing countries	3.8	-1.1	-4.7	5.7	-1.2	-5.6
USA	4.2	-0.5	-12.1	5.2	-0.3	-9.1
China	5.4	0.5	-4.4	6.9	-0.4	-2.0

- The impact of Covid19 on trade volumes goes beyond the sharp contraction in economic growth.
- The region exhibiting the largest drop in volume of exports and imports is the Euro area.
- China, the country first hit by Covid19 pandemic only shows a relatively moderate decline in volume of imports.

# Estimated Working hours drop in 2020 compared to 2019 Q4

(Source: How Covid19 is changing the World: A Statistical Perspective Volume II, UN DESA, Sept., 2020)



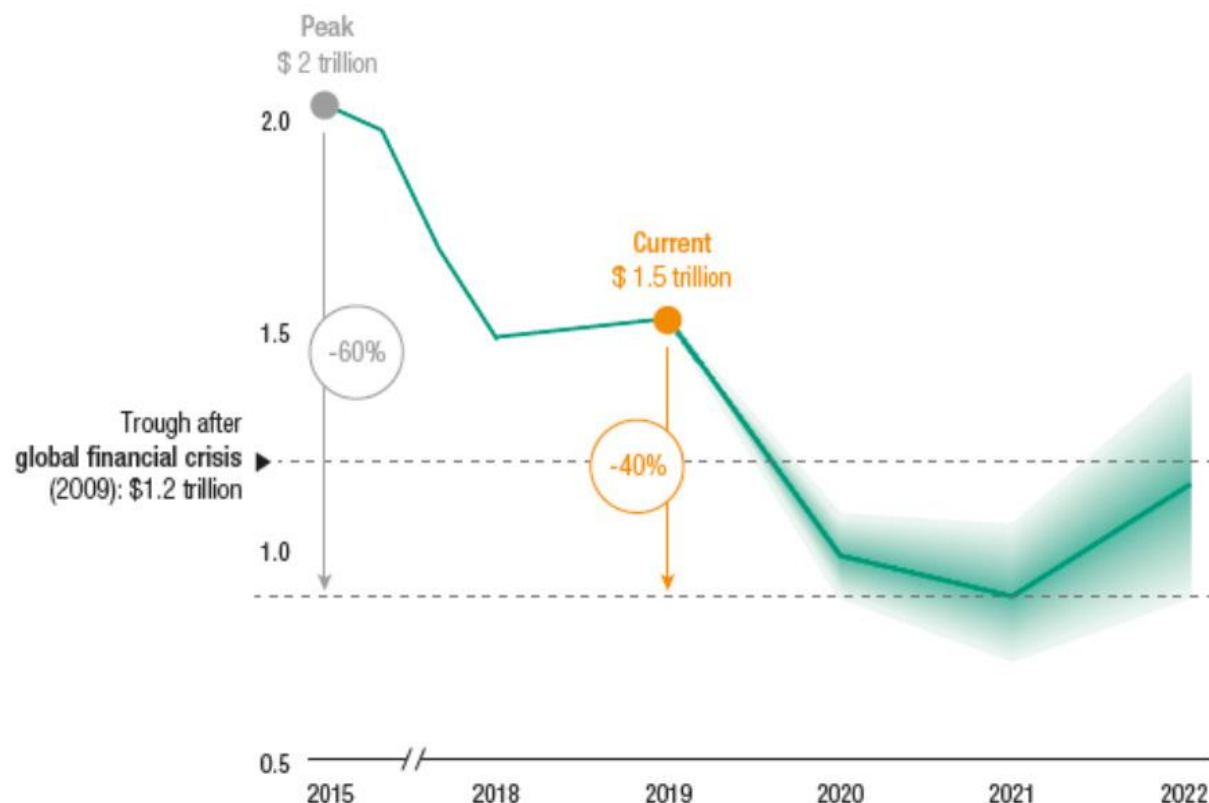
- Aggregate global working hours reduction is 14% in Q2,2020
- The worst affected economies are the Lower-middle income (16.1%)
- The reasons for massive drop-  
rapid deterioration of economic conditions, closure of workplaces, and containment measures.
- The drop of 5.4% global working hours in Q1 2020 estimated equivalent to a loss of 155 million and in Q2 2020- 400 million full-time jobs.

Source: How Covid19 is changing the World: A Statistical Perspective Volume II, UN DESA, Sept., 2020



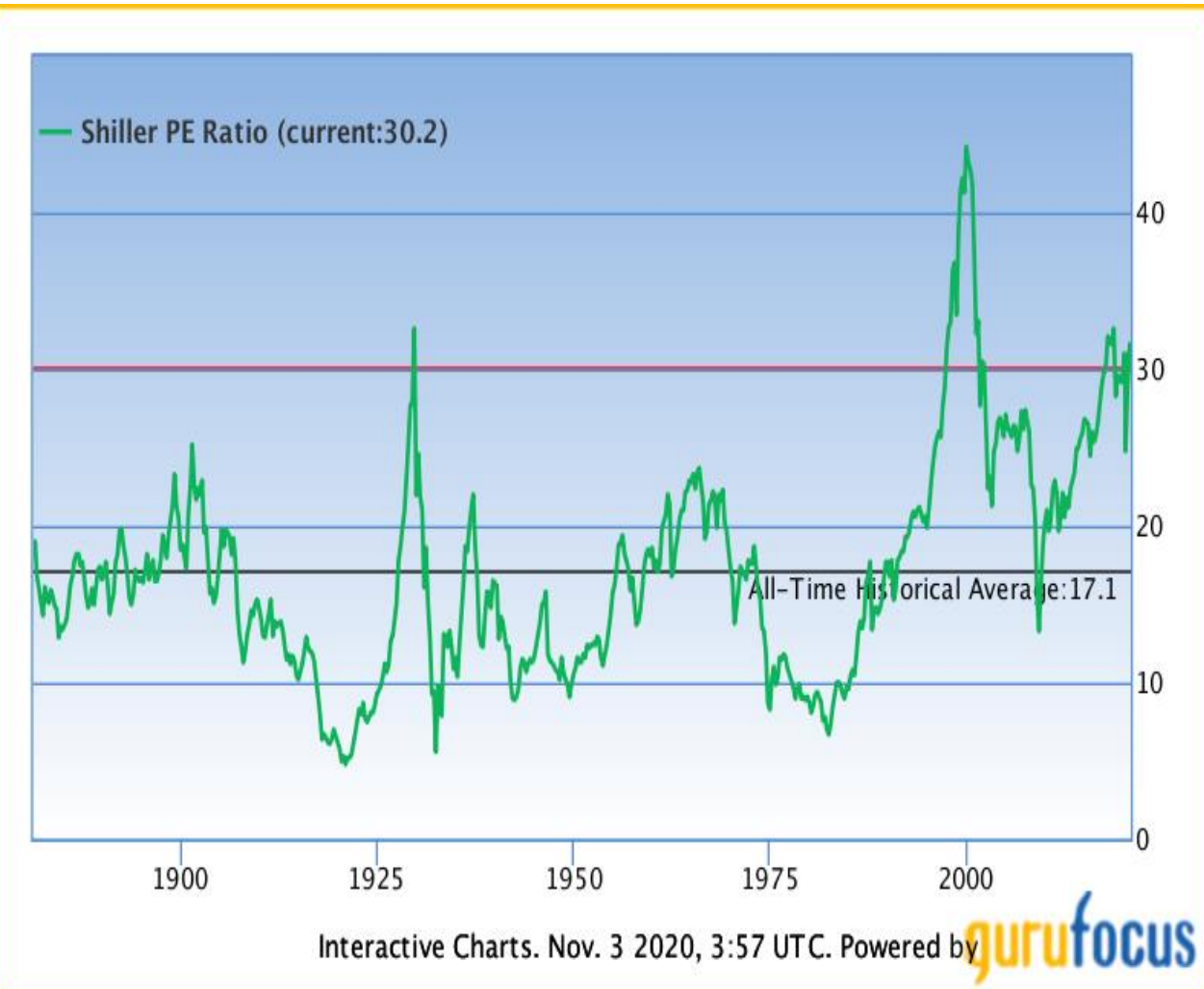
# Dramatic drop of foreign direct investment (FDI) in 2020 and 2021

FDI inflows, 2015-2019 and 2020-2022 (trillion dollars)



- Covid19 has had immediate effect on FDI and **will have potentially lasting consequences.**
- UNCTAD forecasts that global FDI flows will fall by 40% in 2020, compared with 2019 value of \$1.5trn.
- **This would bring FDI below \$1trn for the first time since 2005.**
- The decline would be -25 to -40% in developed economies and -35 to -45% in developing economies.

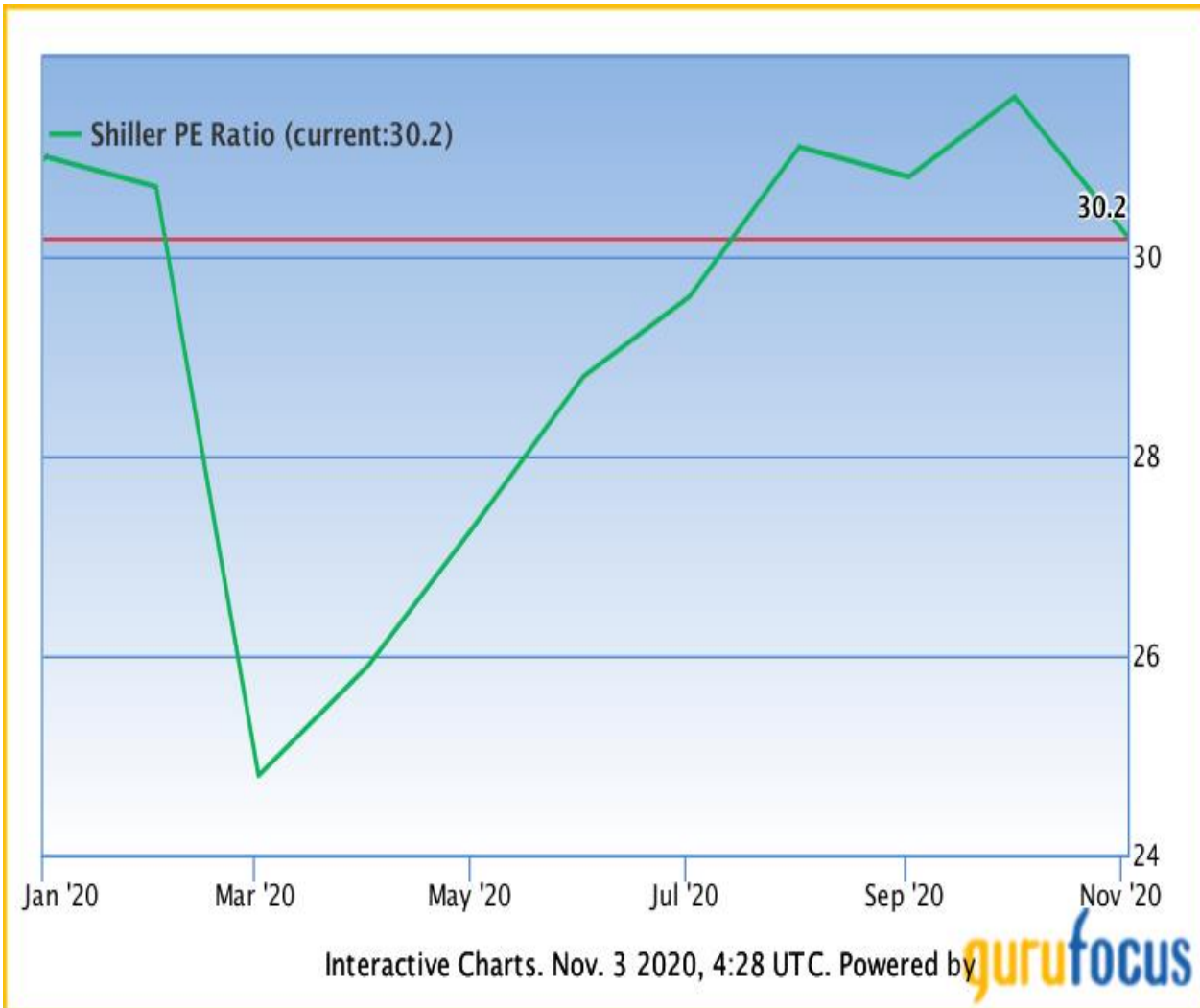
# US Stock Market scenario – Shiller P/E Ratio



Date	Marked as	Shiller PE ratio
Dec 1, 1920	Lowest point ever in 100 years	4.80
Sept 1, 1929	Biggest bubble in the decade	32.60
Dec 1, 1930	Steep decline	16.10
June 1, 1932	Lowest point in 1930s (GD)	5.60
June 1, 1982	Lowest point in the decade	6.70
Mar 1, 2000	Dotcom crisis bubble	43.20
June 1, 2007	Housing crisis bubble	27.40
Mar 1, 2009	Lowest point in Fin. crisis	13.30
Sept 1, 2018	Biggest bubble of the decade	32.60

Source: <https://www.gurufocus.com/shiller-PE.php>

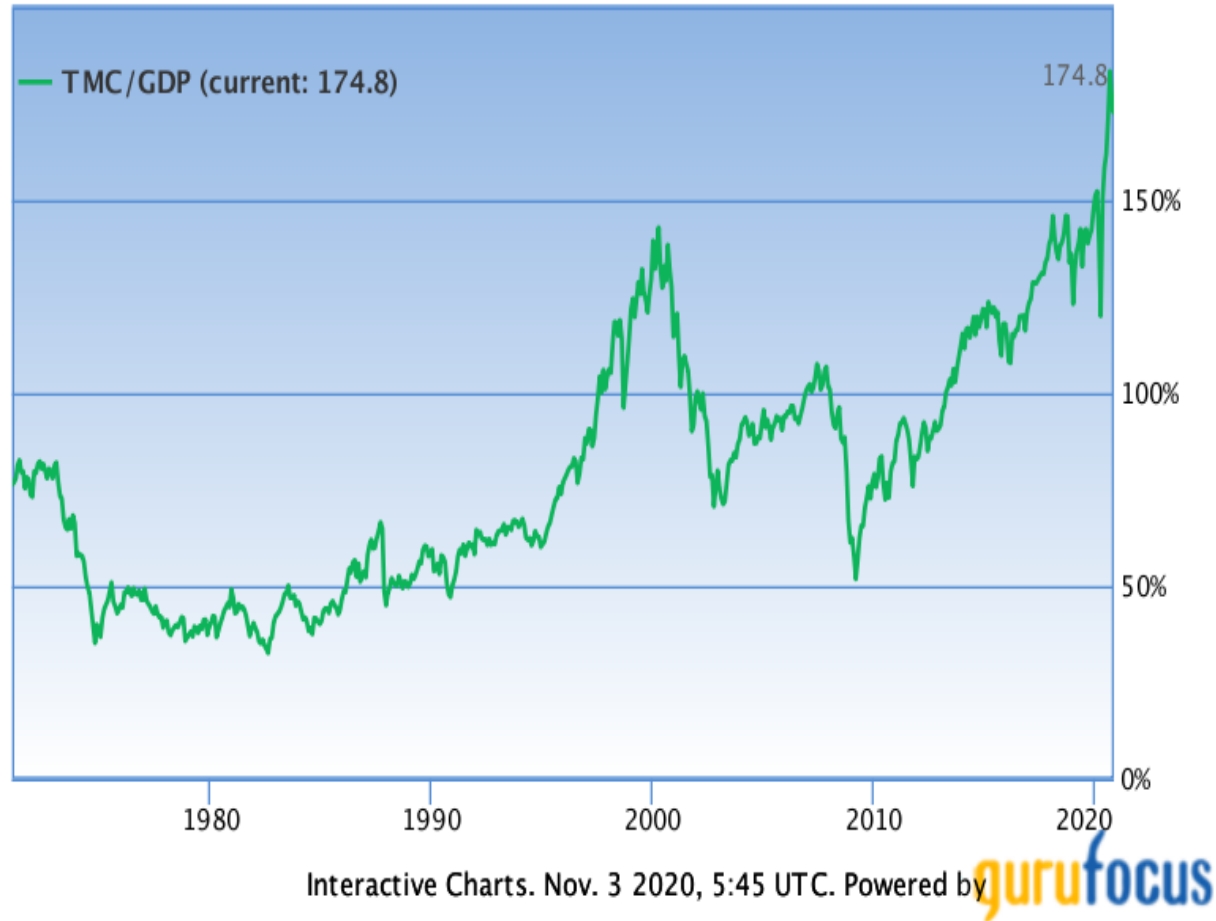
# US Stock Market scenario- Shiller P/E Ratio



- This is the share value relative to its earnings
- All time historical average 17.1
- A healthy ratio is 15 to 16
- As of right now it is at 30.2, hence the stock market is massively over valued.
- 17 is the average, therefore below 17 is a buying indicator.
- 20 is a selling indicator
- 30 is the maximum limit above it is a danger signal.

# US Stock Market scenario- Buffet Indicator

The ratio of Total Market Cap to US GDP



Based on historical valuations, market valuations are divided into 5 zones-

Ratio  $\leq 73\%$  -Significantly undervalued

73.1% – 94% - Modestly undervalued

94.1% - 114% - Fair valued

114.1% - 135% - Modestly overvalued

Ratio  $> 135\%$  - Significantly overvalued

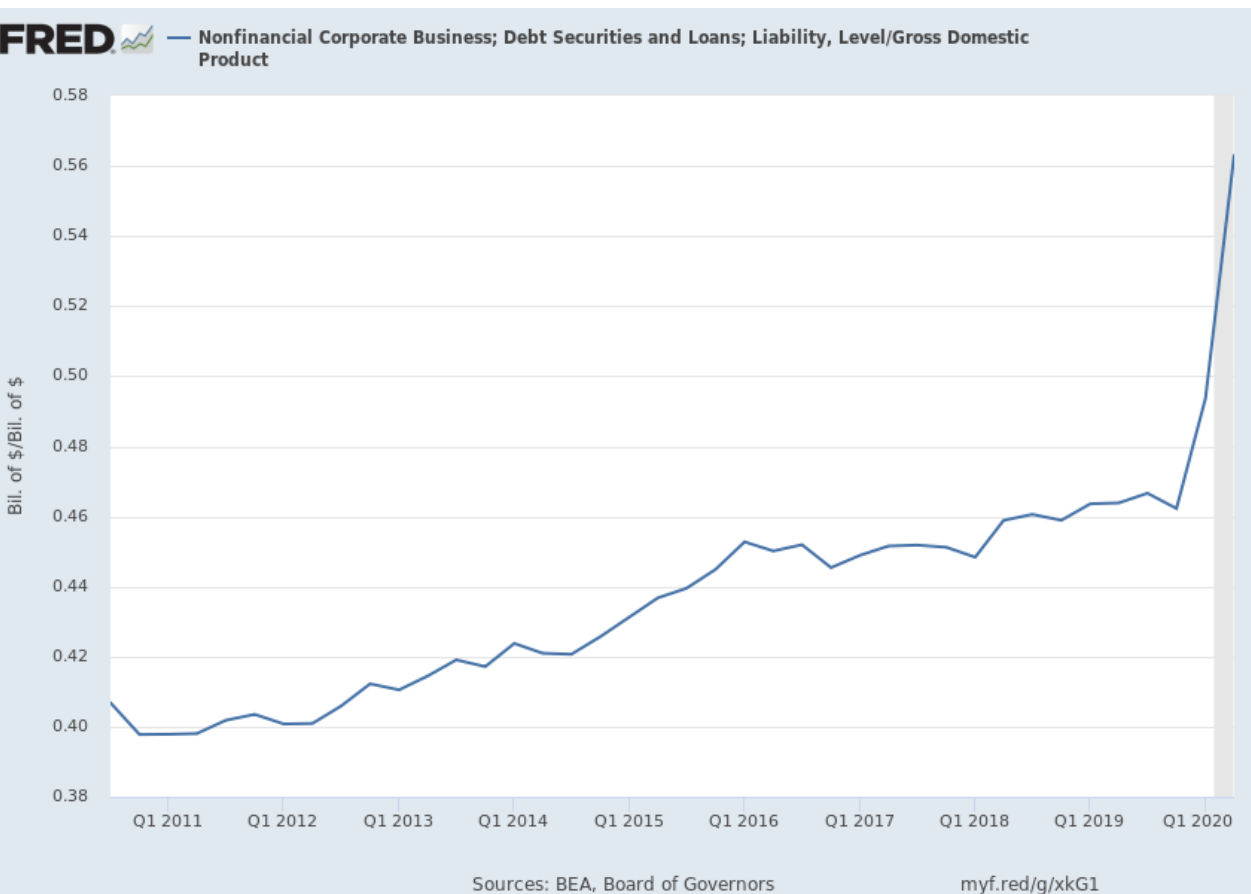
Today the ratio = **174.8%**,

**Significantly Overvalued**



# US Stock Market scenario- Corporate Debt / GDP Ratio

## The ratio of Nonfinancial Corporate Debts to US GDP

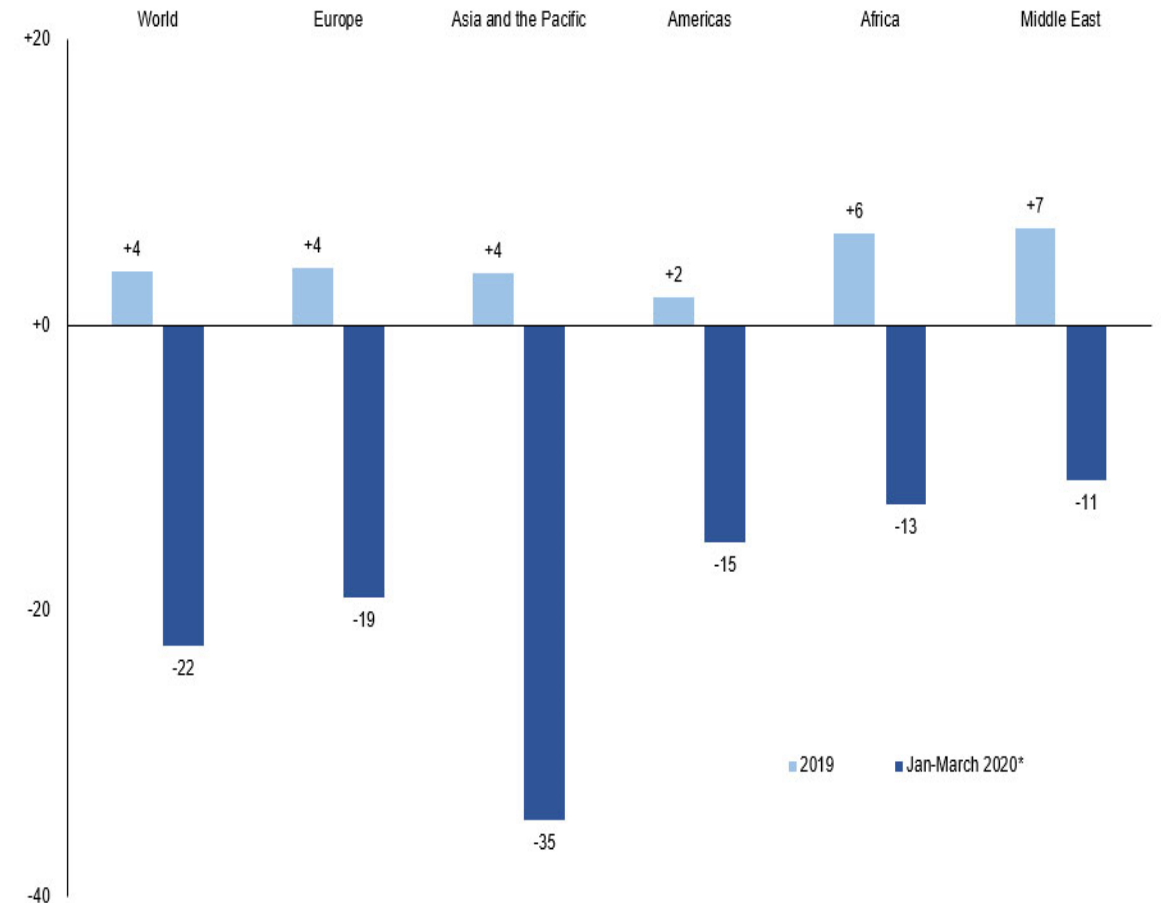


- The Lowest point is in Q1 2011 – 0.3975
- In Q1 2020 – 0.49373
- In Q2 2020 – 0.56326
- Corporate debt is exploding to a huge level that never happened in the history of the US
- Not going to repay all these debts.
- They did not invest this money for improving productivity of their cos.
- Just used to buy back their shares to protect the share values.
- Stock market is not booming, only the big players are booming, which are overvalued.
- This all happened due to Fed policy of low interest to corporates.

# Covid19 and Tourism

Int. tourist arrivals in 2019 & Q1 2020 (% change)

- Cruise ships became the carriers of Covid19, from Feb to Mar 2020 , 25 cruise ships were confirmed.
- Int. tourism fall 22% in Q1 2020, the most affected region Asia-pacific (35%)
- Export loss in Q1 2020- US\$ 80 bn
- Millions of livelihoods at risk, threatens the progress made in SDGs.



Source: UNWTO

# Covid19 and Tourism in Thailand

- Tourism as share of GDP – 7% (2017)
- Tourism as share in total exports – 20% (2019)
- Int. tourism as share of total tourism – 39% (2018)
- Thailand is the 5<sup>th</sup> in the top destinations of Asia-Pacific region.



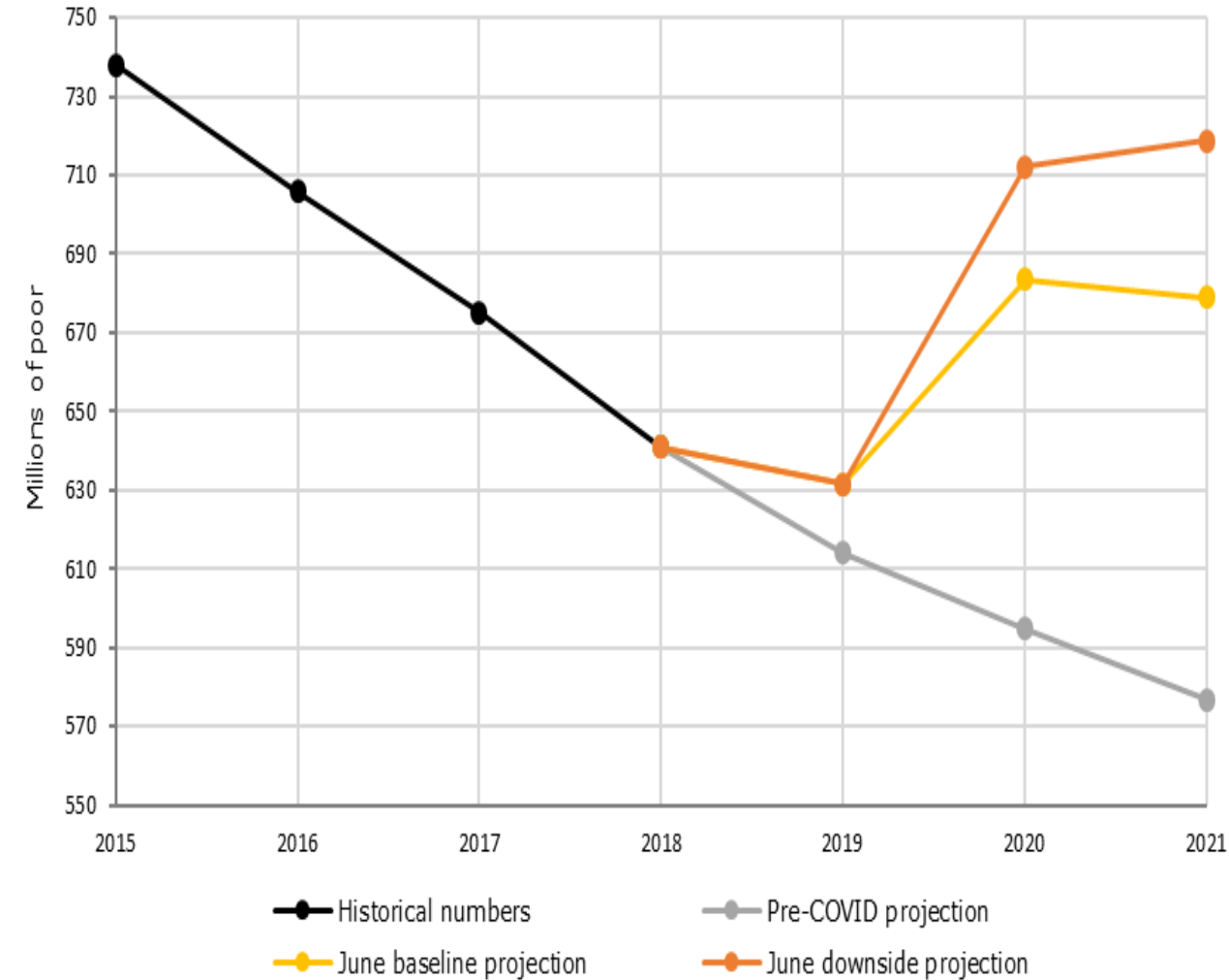
## Section 4

# Covid19 & Social Impact



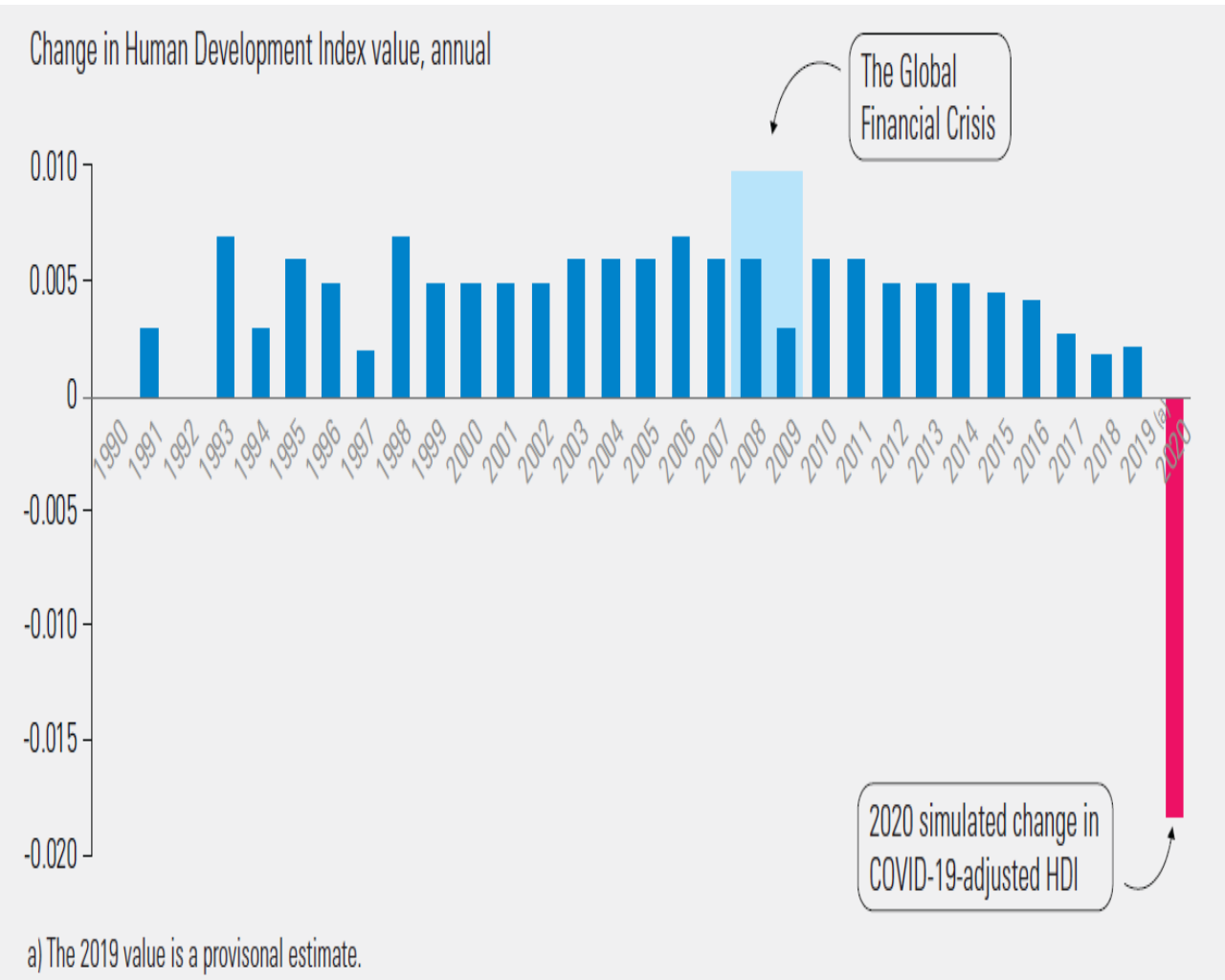


# Impact of Covid19 on global Poverty



- Pushing about 71 to 100mn people to extreme poverty.
- Hardest hit regions might be South Asia & Sub-Saharan Africa.
- **The first increase in global poverty since 1998.**
- Increase in world pop living in less than US\$1.90/day from 632mn people in 2019 to 684mn in 2020.

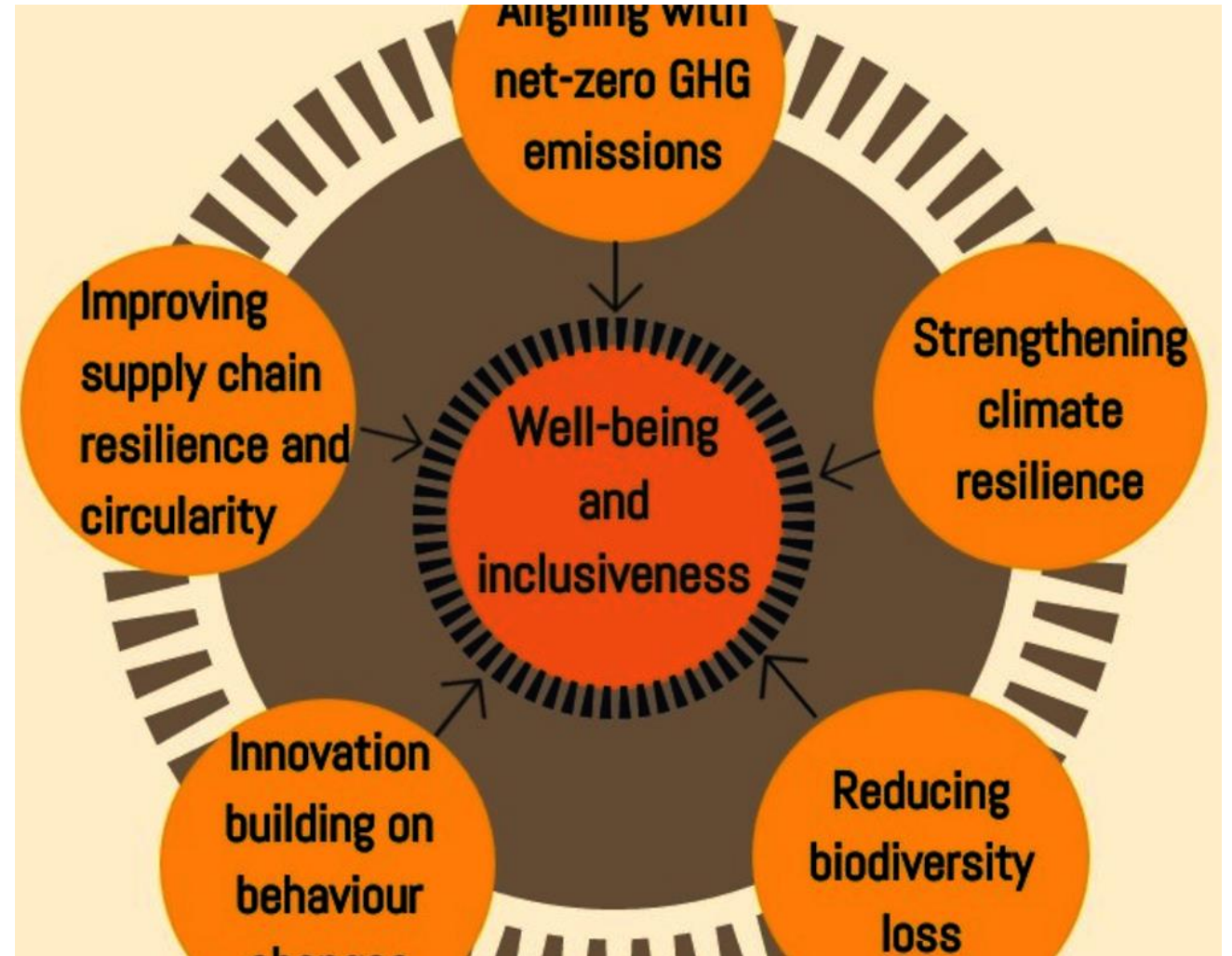
# Human Development to decline for the first time since 1990



- Covid19 with its triple hit in health, education, and income, is causing decline in HDI.
- **A steep unprecedented decline equivalent to 6 years progress.**
- During Q2-2020, 86% of children of primary school were out of school in low HDI countries and 20% in very high HDI countries.
- *Covid19 may be leading fewer babies in rich countries and a baby boom in poor countries* (The Economist, Oct 28, 2020)

## Section 5

# Covid19 & Global Changes



# Global changes in post-pandemic Covid19 ...

- Pandemic will leave economies less globalized, more digitized, and less equal.
- In 2021 US economy will be the same as in 2019, China will be 10% larger, Europe and Japan will go down (OECD)
- Covid19 pandemic is intensifying gender inequality and deepening gender based discrimination and vulnerability (Results of 40 Rapid Gender Assessment Surveys of UN Women since March 2020).
- An increase in domestic violence against women
- **‘The covid-19 pandemic will accelerate change in the world economy. That brings both opportunity and danger’- says Henry Curr**

Source: The Economist, Oct 10, 2020

# Global changes in post-pandemic Covid19 ...

- Predicts a new era of slow growth, low inflation, and high debt a common feature of advanced economies for decades.
- So far this year G20 countries have announced stimulus programs worth around US\$ 11 trillion.
- These fiscal measures have helped many companies to stay alive, kept workers employed, and stabilized financial markets.
- However, it will push fiscal deficits on an average of 17% of GDP across OECD countries, public-debt to GDP ratio will rise fast to around 140% across developed economies.
- The number of 'zombie firms' will increase.
- Pandemic may not last once a vaccine is found, however, the post-coronavirus zombification of advanced economies will remain.



# From the Land of Buddha- Khob Khun Krap



# THANK YOU