

Covid-19: Pandemic of the 21st Century

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Since the outbreak of Covid-19 that first emerged in China, the highly contagious disease has spread to almost every country in the world, infecting more than a million people and killing tens of thousands. Many experts believe those numbers have not peaked and are urging governments to intensify their efforts in containing and combating the deadly pathogen.

More than two months after its first outbreak in Wuhan, the capital city of Hubei province in China, COVID-19 was officially recognised as a pandemic by the World Health Organization on 11 March 2020.

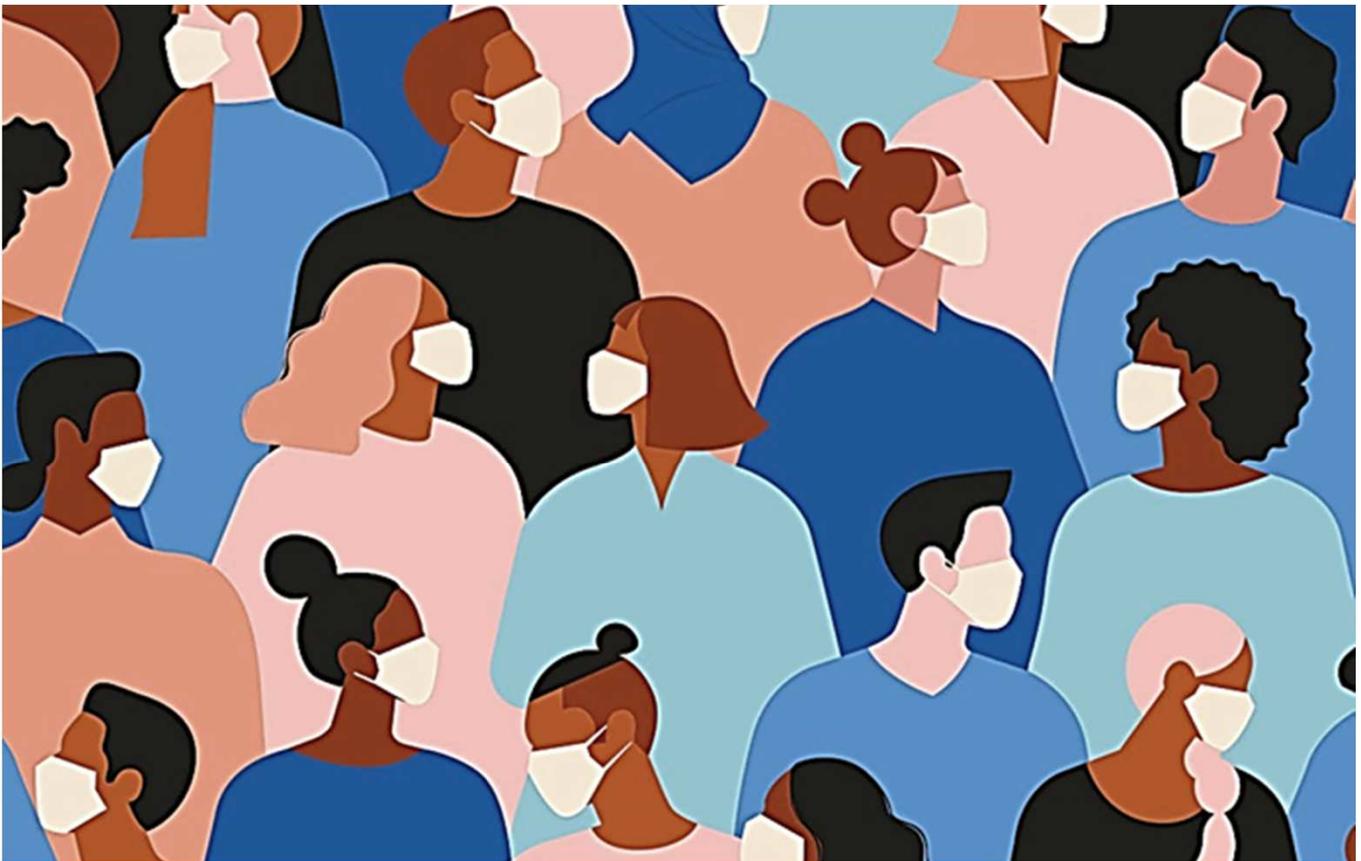
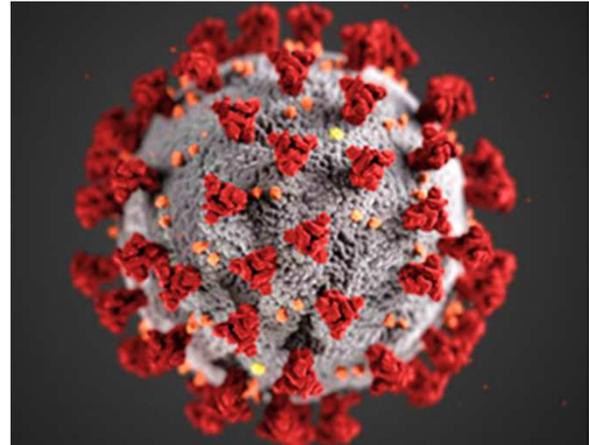


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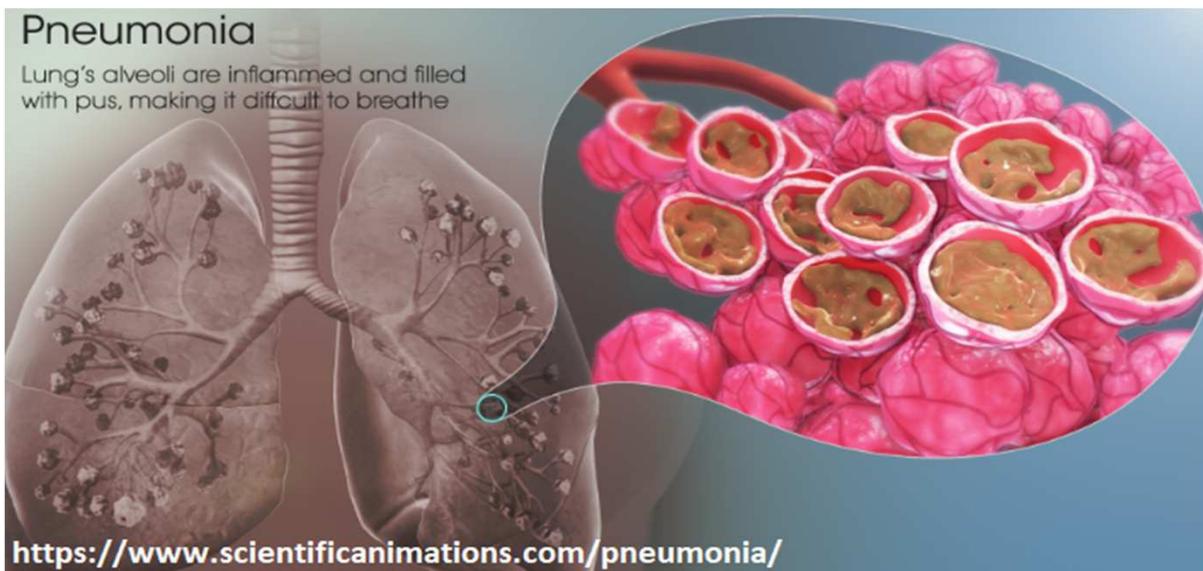
What is Covid-19 ?

Covid-19 stands for coronavirus disease 2019, which was the year it was first identified. It is caused by the Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), which is a virus strain related to that found in the SARS outbreak in the early 2000s.



Coronavirus a family of viruses that causes diseases in mammals and birds. Examples include the severe acute respiratory syndrome (SARS) and the Middle East respiratory syndrome (MERS). Its name is derived from the word corona, which means crown in Latin, in reference to the crown-like spikes of the virus when seen under a microscope.

The virus latches its proteins to receptors on healthy cells, especially those in the lungs. Once inside, it will hijack healthy cells, take command and eventually kill some of the healthy cells. If the lungs became inflamed, ability to inhale and exhale will reduce and this could lead to pneumonia, an infection of the tiny air sacs called alveoli where blood exchanges oxygen and carbon dioxide.



Why is it referred to as a pandemic?

There are different stages of degree to which a disease is spread: outbreak, endemic, epidemic, and pandemic.

An outbreak is declared when there is an unexpected rise in infections of a particular disease among a population within a specific area.

An epidemic is similar to an outbreak, but larger in scale and more widespread to several populations in a city, region or country.

When an outbreak of infectious disease occurs at a predictable rate, to a point where it has become somewhat of an annual or seasonal event, it would be recognized as an endemic.

A pandemic refers to a worldwide spread of a newly identified contagious disease that infects and kills millions across the globe, which is made easier with greater global interconnectivity thanks to improvement in travel by land and sea.

The Covid-19 outbreak began in the central Chinese city of Wuhan, before spreading to other parts of the country. It later morphed into pandemic as the virus infected populations in almost every corner of the world. Some medical experts and scientists have predicted that Covid-19 will eventually evolve into an endemic in the form of a seasonal flu.



How does it compare with other pandemics?

There have been numerous pandemics throughout human history. They vary in nature of the disease involved, scale of infection, mortality rates, and aftermath.

Spanish Flu

- 1918-1919
- Infected 500 million people – about a quarter of the world's population at the time.
- Death toll: between 17 million to 50 million
- Caused by H1N1, a subtype of influenza A virus found in swine/pigs
- Named “Spanish Flu” because Spain was the only Western country at the time that allowed the pandemic to be reported freely

Asian Flu

- 1957–58
- Death toll: 1.1 million
- Caused by H2N2, a subtype of influenza A virus, which is believed to have originated from wild ducks and combined with a human strain

Hong Kong Flu

- 1968-1970
- Estimated death toll: 1 million
- Caused by H3N2 strain of influenza A virus, which contained genes from bird flu viruses

HIV/AIDS

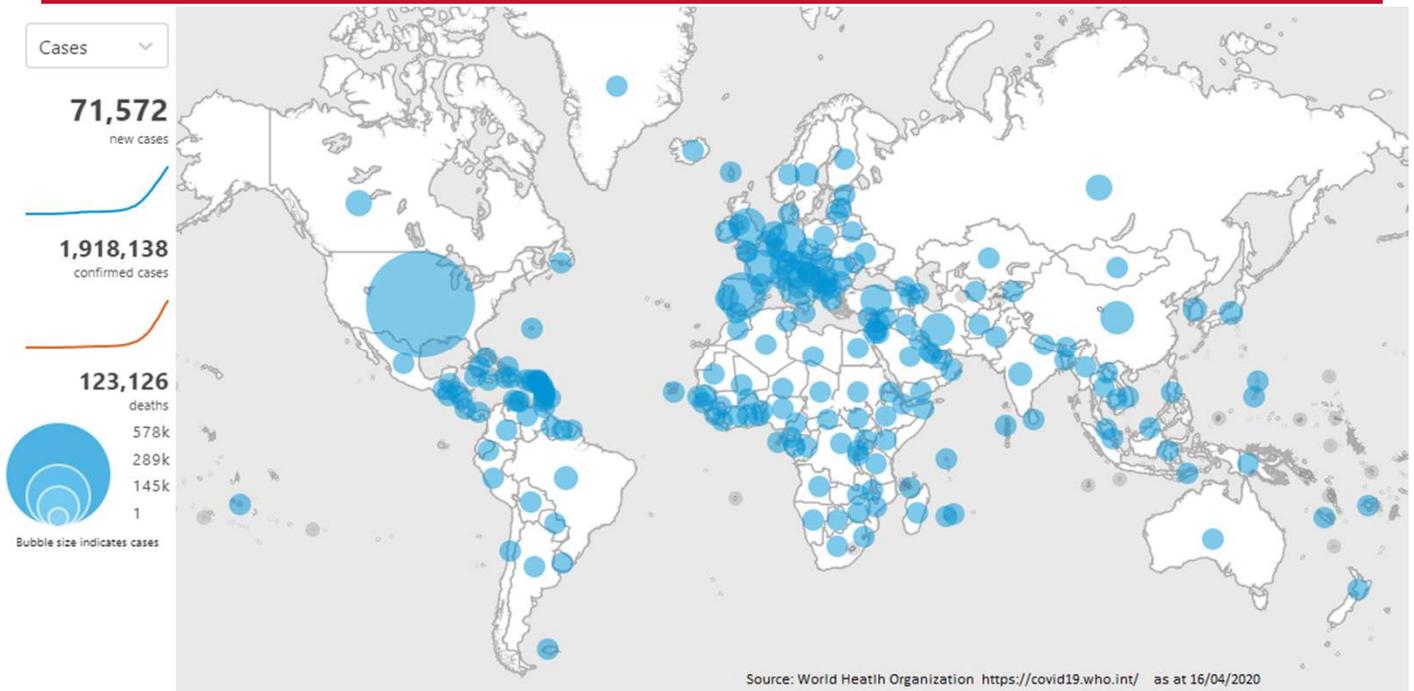
- 1981-present
- In 2018, an approximately 37.9 million people were infected globally
- Death toll: 770,000 in 2018
- HIV stands for human immunodeficiency viruses which later develops into acquired immune deficiency syndrome

Swine Flu

- 2009-2010
- Infected around 700 million to 1.4 billion people
- Estimated death toll: between 150,000 to 575,000
- The second pandemic after the Spanish Flu to involve the H1N1 virus



COVID-19 Pandemic by Country World Map



Case Comparison

WHO Regions

Europe 977,596 confirmed cases

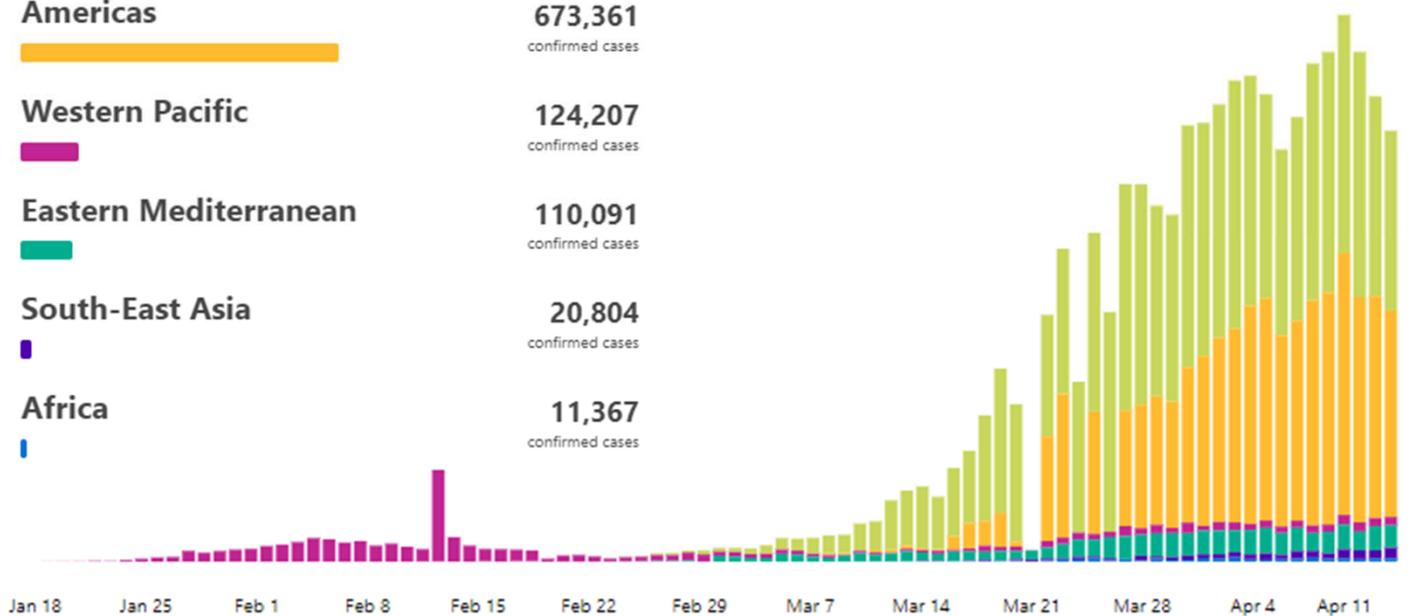
Americas 673,361 confirmed cases

Western Pacific 124,207 confirmed cases

Eastern Mediterranean 110,091 confirmed cases

South-East Asia 20,804 confirmed cases

Africa 11,367 confirmed cases



Source: World Health Organization



What impact can a pandemic inflict on the modern economy?

Supply disruption

Due to transmissibility of Covid-19 between humans, primarily through droplets produced by sneezing and coughing, jurisdictions and businesses have put in place preventive measures in the form of social distancing, by way of avoiding congregation of crowds and limiting person-person contact. This has led to partial or complete closure of factories, offices and industries, grinding the economic engine to a halt.

Unlike advanced economies, which are service-driven and where social distancing can be more effectively enforced, this is especially traumatic to emerging markets, whose economies depend on traditional manufacturing that are labour-intensive.

The global automotive supply chain was severely disrupted due to shutting down of factories and sales channels in China at the height of the country's Covid-19 epidemic. Since many different components, most of which are sourced from China, are needed to manufacture a vehicle, the supply side shock affected major automakers around the world, even if their automobiles are not assembled in China. Karex, a maker of one of every five condoms globally, was forced to suspend their operations due to a movement control order imposed by the Malaysian government, which may result in a worldwide shortage of the condoms.



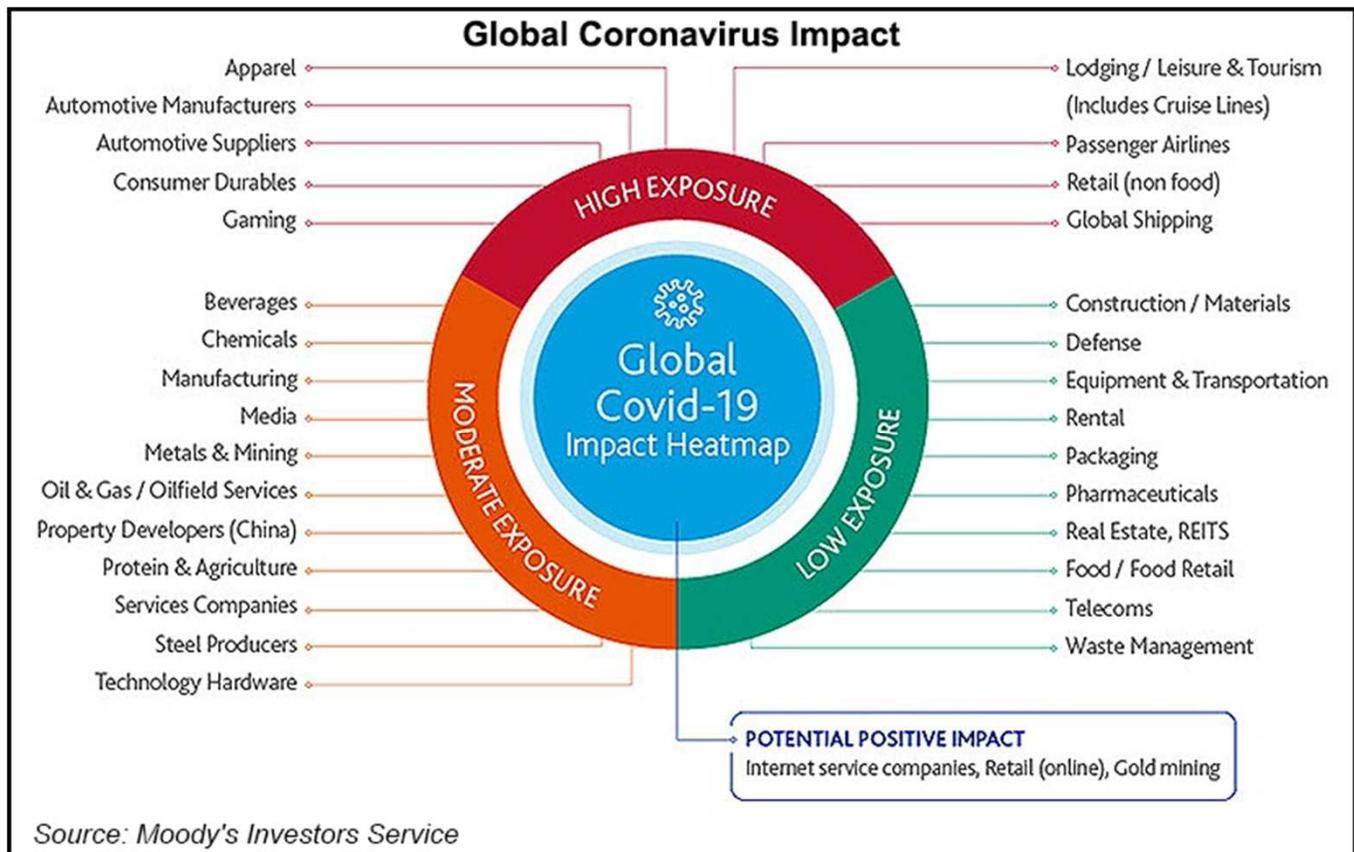
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Demand shock

As much as supply chains are disrupted by lockdowns, the restriction of movement leads to an overall decrease in consumption, even if businesses remain open. Service-driven advanced economies are more vulnerable to demand shocks, as delivery of services often involves intimate human-to-human contact.

A demand-side disruption may have a broader impact on the economy than a supply-side disruption. Almost all sectors and demographics are likely to be affected by a pandemic by a change in consumer behaviour and purchasing power.

Below is an illustration of the impact of Covid-19 on certain sectors:

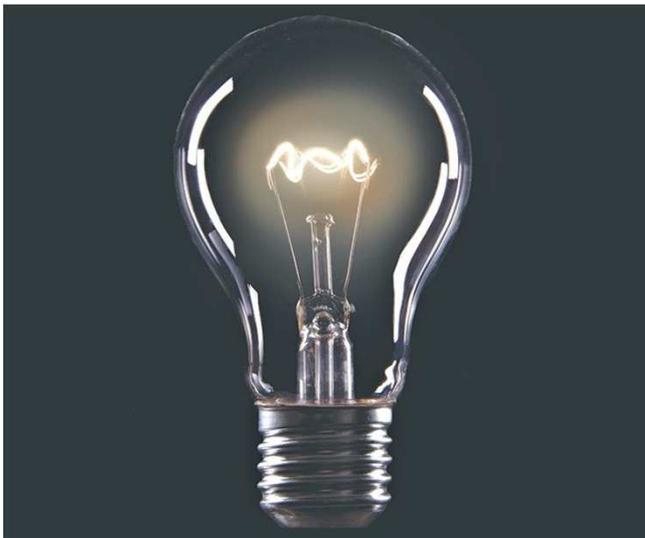


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Impact on sectors

As seen in the diagram above, the service sector is more vulnerable to the demand shock resulting from Covid-19. Tourism and travel-related industries are suffering directly from the pandemic as people naturally avoid coming into close contact with each other unless if necessary. Air carriers, hotels and casinos have reported dramatic declines in bookings and revenues, with some moving closer to bankruptcy. Some manufacturers are adversely affected as lockdowns and movement restrictions have dented consumer discretionary spending. Economy-sensitive sectors such as financial services, real estate/property and energy are also expected to experience indirect consequences of the slowdown.

Thank you !



Thank you for reading.

In part II of the special report, the impact of Covid-19 on financial markets will be discussed.

Please visit our website :
www.kenangafutures.com.my for more reading material.

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