

COVID-19 and its effect on Nepal

The persistent drumbeat of positive tests and reported deaths in other countries due to novel coronavirus (COVID-19) has created widespread concerns in Nepal also. Nepal is starting to suffer the most abrupt and widespread cessation of economic activity due to outbreak of this virus. As per the analysis by the Asian Development Bank, the outbreak of this deadly disease will hit almost every sector of the Nepali economy, shaving up to 0.13 per cent off the gross domestic product and rendering up to 15,880 people jobless.

The impact has already started to surface in number of sectors like tourism, trade and production linkages, supply and health. Especially the entire service industries: tourism, aviation and hospitality sector have been hit hardly by the outbreak. With the launch of visit Nepal 2020 campaign in January, the country was in hope to attract two million visitors, but due the corona pandemic the campaign got cancelled which has shattered the hospitality and tourism related business sector. With this the tourist arrival rate has declined to below 10 percent, from 70 percent before the Covid-19 outbreak. Tourism sector, being one of the largest industry has been contributing 8 percent to Nepal' s economy. Likewise, cancellation of all spring mountaineering expeditions, including Everest ascents, has resulted job loss of around 13,000 tour, trekking and mountain guides. The outbreak has affected people's lives as well as private and public sectors. Banks are suffering in loss of their investments in hospitality and aviation due to the coronavirus tourist slump. Not only this, the impact has been also visible in the manufacturing industries. As most raw materials including pharmaceutical chemicals come from China, supply of these raw materials has decreased drastically.

Foreign employment has not only been addressing the Nepal 's unemployment issues but has also been contributing significantly to the country's economy in the form of remittance. The money that labour migrants sent back in 2019 contributed 26 percent to the country's GDP. Increase rate of the virus has impacted remittance inflow and government revenue collection as majority of the destination countries attractive for the outbound workers have announced a lockdown while the import has also started to decline as of late. In the current situation, coronavirus' effect on remittances is disastrous. In these two months the remittance source has been contributed less than 1percent in country's economy. The downturn in remittance has created severe impact on overall consumption in the country.

The wholesale and retail sector is the second largest contributor to the economy, after agriculture. The sector contributes 14.37 percent to the economy, which is already being affected by the drastic downfall in imports from China following the outbreak of the disease. While these are the prevailing state, looking ahead there is also a high risk of general inflation. In the situation of limited supply from China, Nepal may have to import from third countries, which results the products to become more costly.

The situation is alarming. Although we are yet to experience full impact and aftermath of the coronavirus, this worldwide threat has already created economic uncertainty among all of us. People are worried as still we don't know much about this deadly virus and how deep and widespread the economic fallout will be.

