

## Chapter 2

# Inflation and COVID–19 Supply Chain Disruption

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### ABSTRACT

*The distressful situation in the global economy is caused by the unforeseen peril introduced by the COVID-29 pandemic, including the rising inflation and its trajectory over the interruption of supply chain management and therefore encouraging all sorts of novel disruptions to maintain market equilibrium. The disruptive innovation in the supply chain management was inflicted due to the disparity of demand and supply in a few industries as a result of intermittent production and consumption and created a temporary bottleneck in the otherwise seamless supply chain management. Pandemic-driven containment forced people to accumulate savings and invest in alternative sources of incomes. This chapter explores the pandemic-caused economic bottlenecks.*

### INTRODUCTION

The unexampled encounters and aftershocks, summoned by the novel corona virus disease 2019 (COVID 19) and the following robust pandemic, inflicted by it, has adduced a havoc disturbance to the entire gamut of normal activities in the lives of most individuals across nations. The darkest side of the disease is the sudden and pathetic blow of negative events, those followed one after the other, without giving a chance to the people to adjust to this level of adversity. As a consequence, it has created a significant and spasmodic chaos in the psychological, behavioural, social and economic facets of life, jeopardising the balance of the Gaia Paradigm of the planet. As the part of such disturbances, the devastating impact of overall Inflation with its obvious impression on the economy has to be undeniable and obvious along with many other domains across the border, as an aftermath. The reasons have been manifolded. One of such reasons is the house bound condition for most of the individuals without any voluntary socialising, barring a few into the emergency services. Thus, the nature of the expenditure pattern, which was solemnly dependent on the lavish and extravagant social lifestyles, was drastically hampered and dropped below the average for the last few decades. It clearly reflected on the gradual increase of Inflation rate, to strike

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a balance and to save the economy from an obvious descending condition. It is more explainable through the norms of intermittent Lockdowns and its impact on the social behaviour. Such erratic and unsure series of events made many individuals completely insecure with the fear of unemployability, pay cut, unnecessary transfer and many of the negative apprehensive scenarios. It was reflected and aggravated through the Government imposed social distancing norms, making people more mentally vulnerable and pushed them to find a psychological recluse through more of individual savings. Hence suddenly there was a decline in consumer expenditure with an unusual increase in individual savings, especially, due to lack of travelling and outdoor recreational cost (Dunn, Hood, and Driessen 2020). During this pandemic period, people have been more inclined towards buying necessary household items rather than engaging into impulse and fad buying.

The disruption of Supply Chain has been another detrimental outcome of the pandemic. On one side, it diminished the production by the sudden shut down of the manufacturing plants and on the other hand, the consumption pattern got curtailed due to less of outside visits and lack of spending due to aforementioned causes. The only aberration has been information technology and the related industry, flourishing with the advent of the stochastic employment and thereafter strengthening the online aka digitised dependence in every field of business transactions like medical, service, recreation, academia and most visibly in retail industry (Kwan and Mertens 2020).

## **Background of COVID-19-Driven Pandemic**

The December 31<sup>st</sup> 2019 was the darkest day of recent history, as on the day China Health Authority alarmed the World Health Organization (WHO) to be vigilant of a new disease, spreading uncontrollably in and beyond the borders. By that time various cases of pneumonia of unknown origin started getting reported in Wuhan City in Hubei Province in central China. The cases started getting reported since December 8<sup>th</sup>, 2019 apparently in several neighbourhood hospitals and clinics, near to local Hunan Seafood Wholesale Market (an age old wet market, mainly meant for animal produce) though all patients were not from that exact location (Xinhuanet News Report, 2019). The Wuhan city has been always a transportation hub with an extremely large population dwelling there, therefore the chances of spread of infection was severe, followed by the predicted course of action. On 7<sup>th</sup> January, 2019, the novel coronavirus, which was initially abbreviated as 2019-nCoV by world Health organisation, was confirmed and collected from the throat swab sample of a patient for the first time in the same year beyond border (Yin, 2019). The pathogen was renamed as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) by the Coronavirus Study Group (de Wit et al., 2016) and the disease was renamed again as coronavirus disease 2019 (COVID-19) by the World Health Organisation. Till the time of 30<sup>th</sup> January, 2019, 7736 confirmed cases and 12,167 suspected cases had been already identified in China and 82 confirmed cases had been identified in eighteen other countries (Yin, 2019). On the same day, WHO alerted the SARS-CoV-2 outbreak as a Public Health Emergency of International Concern (PHEIC) (Yin, 2019).

As per the declaration of the National Health Commission of China on 4<sup>th</sup> February, 2019, the mortality rate in China was 2.1% (NHS press conference, 2020) and that of other countries was 0.2% (World Health Organization, 2020). Amongst the cases of hospitalization, the mortality rate was much higher and ranged between 11% and 15% (Huang et al, 2020), (Chen et al., 2020). COVID-19 was already known as moderately infectious disease with an extremely high mortality rate. The information available in public domain and plethora of available literatures were giving a clear indication of the severity of the disease.

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