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COVID-19, IMPACT OF THE CORONAVIRUS AND GLOBAL CHALLENGES

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Abstract. Despite of the fact that expectations are different, generally, huge economic effects will be suffered by the countries where there had been the highest indicator of spreading of COVID-19 registered, followed by the countries with the economics much depended upon tourism, export of petroleum products and other goods, and finally the negative impact will be reflected on the economics of their partner-countries. These are the key issues which will be analyzed in the present article.

The most serious damage was inflicted to the states where the pandemics had caused an extremely complicated situation due to its spreading, and rather strict regulations had been enforced as a result of the stated. We talk about the states which are significantly dependent upon the world trade, tourism, exports of goods and international funding. Despite of the fact that an extent of the shock is different among regions all states with developing economics have their own weaknesses that had been worsen much more by external shocks. In addition to the above-mentioned, interruption of school (auditory) education and poor availability of the primary health care will expectedly have a long-termed negative impact on development of the human capital.

A forecast of the World Bank and world experts is based on assumptions that the recession caused by the pandemics will be overcome, that negative global impacts will be weakened in the second half of the current year and destruction of financial markets will be stopped. On their opinion, in the year of 2021 the development of the global economics will be restored and reach 4,2% and in the leading economics it will amount to 3,9%. In the developing states the economics rise will be accelerated up to 4,6%. On top of all, it is noteworthy, that the prospect is rather ambiguous and unclear against the background of existing negative risks. Last year economics of the USA was decreased by 6.1%, economics of the European zone – by more than 9%. All this was resulted by the epidemics which had a negative effect on business activities. In Japan, the economics was decreased as well and preventive activities implemented in the state decreased economic activity by 6.1%.

From different viewpoints, the recession caused by the COVID-19 pandemics is unique and, probably, the deepest one. According to the assessment made by Director of the Economics Development Prospects Researching Department of the World Bank, current events have already caused unprecedented behavioral reviewing of the forecast of rise of the world economics that is unprecedented from the standpoint of its speed and stridency.

The current crisis leaves behind a very deep trace and global problems; thus, the top challenge is overcoming health global and more complicated economic state. Following this, the world community should integrate mutual efforts to obtain ways of restoration of their economies in a maximally rapid and sustainable way to prevent increasing the poverty and non-employment rates.

KEYWORDS: GLOBAL ECONOMICS, ECONOMIC DEVELOPMENT, RISKS, INVESTMENTS, NON-EMPLOYMENT.

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INTRODUCTION

Covid-19 (corona virus) has turned to be a rather complicated challenge and serious danger not only for the world health care system, but for the global economics as well. A virus originated in Wuhan in November-December of 2019, just in some months, transformed into the pandemics with a focal negative impact on the world economics which is irreversible. Definitely, it is very difficult to make a forecast on the economic impacts caused by the pandemic process and epidemic states existing in different countries from the viewpoint of the global economics.

In connection with the issue being under consideration, too many works have already been published; they were analyzing the negative impact caused by the COVID-19 virus pandemics on the global economics. On top of all, it seems to be a very complicated challenge and serious danger not only for the world health care system, but for the global economics as well. After the initial shock, researchers started analyzing the results of the recession resulted by the pandemics more actively. However, there is no exact information on the extent of impact of these processes on the global economics, geopolitics, social relations, and unemployment rate. Researches and reports conducted by international organizations give

an inhomogeneous assessment of the pandemics' impact on the global economics.

Despite the fact that expectations are different, generally, huge economic effects will be suffered by the countries where there had been the highest indicator of spreading of COVID-19 registered, followed by the countries with the economics much depended upon tourism, export of petroleum products and other goods, and finally the negative impact will be reflected on the economics of their partner-countries. These are the key issues which will be analyzed in the present article.

Impact of the coronavirus and key challenges

The Coronavirus pandemics and quarantine measures implemented for its elimination turned to be dramatic and horrifying for the global economics as a result of which it entered into a deep recession. According to the World Bank, global economics had been decreased by 5,2 % in 2020. It is the deepest fall since the times of the Second World War and is the most large-scaled decrease in quantity of products per capita in majority of countries since the year of 1870. The stated problem was discussed in the report of the World Bank issued in June 2020.

Against the background of the huge shock having an effect on domestic (internal) supplies and demand, trade and funds, economic activity was decreased by 7% in the states with developed economics, and by 2,5% in the states with developing economics last year. This is the first all-embracing recession in economics of this group within the last sixty years at least. Income per capita was decreased by 3,6%, that will drag millions of people in the uttermost poverty.

The most serious damage was inflicted to the states where the pandemics had caused an extremely complicated situation due to its spreading, and rather strict regulations had been enforced as a result of the stated. We talk about the states which are significantly dependent upon the world trade, tourism, exports of goods and international funding. Despite the fact that an extension of the shock is different among regions, all states with developing economics have their own weaknesses that had been worsen much more by external shocks. In addition to the above-mentioned, interruption of school (auditory) education and poor availability of the primary health care will expectedly have a long-termed negative impact on development of the human capital. (Gelashvili, 2017, 4).

A forecast of the World Bank and world experts is based on assumptions that the recession caused by the pandemics will be overcome, negative global impacts will be weakened in the second half of the current year and destruction of financial markets will be stopped. On their opinion, in the year of 2021 development of the global economics will be restored and reach 4,2%, and in the leading economics it will amount to 3,9%. In the developing states the economics rise will be accelerated up to 4,6%. On top of all, it is noteworthy, that the prospect is rather ambiguous and unclear against the background of existing negative risks; they include a wide-spread pandemics that is connected with its third wave

and new strains about which we obtain rather severe information and it is difficult to believe to such forecasts. If the events are developed according to the pessimistic scenario, a definite part of experts will talk about trends of recession of the world economics again (Gourinchas, 2020, 6).

Last year economics of the USA was decreased by 6.1%, economics of the European zone – by more than 9%. All this was resulted by the epidemics which had a negative effect on business activities. In Japan, the economics was decreased as well; preventive activities implemented in the state decreased economic activity by 6.1%.

From different viewpoints, the recession caused by the COVID-19 pandemics is unique and, probably, the deepest one. According to the assessment made by the Director of the Economics Development Prospects Researching Department of the World Bank, current events have already caused unprecedented behavioral reviewing of the forecast of rise of the world economics that is unprecedented from the standpoint of its speed and stridency. "Proceeding from the past experience, perhaps we should review the further decline of our forecasts concerning economic rise that considers that politicians probably had been ready for implementation of additional measures to stimulate business activities", - stated Aihan Kose. A report of the World Bank under a title "Prospects of the World Economics" has discussed and analyzed key aspects of this historical economic shock. What is the extension of the recession caused by the COVID-19 pandemics, what are the expected scenarios for economic development? Short-termed forecasts of rates of the economic rise are characterized with preternaturally high ambiguity and accordingly alternative scenarios are being under consideration:

- What is the extension of aggravation of the pandemic impact by the informal economics? Probably, pandemics will have more malicious effect on health care sector and economics of the states having informal economics. The most severe outcome will be observed in life of citizens and economics of poor countries;
- Macroeconomic results are unclear in separate regions: each region has its own weaknesses, that make it vulnerable in front of the pandemics and the economic crisis connected with it;
- A depth of horrifying impact of the pandemics on trade, industrial and financial markets in the global industrial-commercial chain is an issue of great importance;
- Deep recession caused by the pandemic effect may cause an abrupt decreasing of long-termed investments, exhausting the human capital as a result of unemployment, hindering the global trading and supply links;
- Low petroleum prices which are established by an unprecedented decreasing the demand is not expected that will relieve the pandemic outcomes, but to some extent, may enhance economic restoration.

The pandemics underscored a necessity of responding the health care and economic politics, including the global collaboration to facilitate its impact. For the purpose of protection of vulnerable population and enhancing the state

opportunities, prevention the similar events in future and overcoming the events support of developed states and their efforts made to neutralize the critical situations is rather important. Developing economics are especially vulnerable and enforcing the health care system, settlement of informal economics and limited social safety networks, implementation of reforms to provide a strong and sustainable economic development after the existing crisis are very essential.

Impact of the pandemics on the global economics

Implementation of additional stimulating measures may be considered in the developing countries having sufficient budgetary opportunities and able to attract funding under favorable conditions in case of maintaining of results of the pandemics. Implementation of such measures without reinforcing the fiscal system is impossible. It is focal to mobilize internal (domestic) resources, to increase efficiency of spending of funds and providing transparency in the fiscal and credit (loan) environment. Transparency of all financial obligations of the Government, instruments of quasi-loans and investments is one of the key precondition for formation of an attractive investment climate.

According to regions the results caused by the pandemics are as follows:

- **Eastern Asia and Pacific Ocean** – in 2020 economic rise in the region was decreased to 0,5% that is the lowest rate since the year of 1967; all this reflects the shocks connected with the pandemics;
- **Europe and Middle Asia** – according to the forecast, economics of the region was decreased by 4,7% and the recession covered almost all countries of the region;
- **Latin America and Caribbean Region** – the horrifying impact of the pandemics caused a deep decrease of economic activities in the region, in 2020 – by 7,2%;
- **Middle Eastern and Northern Africa** – economic activity was decreased by 4,2% that was caused by the pandemics and a situation on the petroleum markets;
- **Asia** – economic activity in the region was decreased by 2,7% in 2020 as decreasing the consumption and restriction of the service sector activity, future risks and unclearness caused by the pandemics forced private investments to decrease their activity;
- **Africa** – in 2020, economic activity was decreased by 2.8% in the region that is the most abrupt decrease in the history of the region.

In fact, we can make definite conclusions which are logically proceeding from current challenges and relevancy of activities implemented by governments of different world countries.

First of all, it should be mentioned that, generally, in February, a slow increase was observed in the Chinese economic activity. According to the Blumberg, based on different sources, by the end of February – beginning of March the Chinese economics was operating at a normal level, - 65% and 75%. The economics managed to reimburse some losses in production. Covid-19 global economic impact really exceeds the SARS- epidemics of 2002-2003 in its scale (it was originat-

ed in China as well). This, most particularly, was caused by a current 20% share of the Chinese economics in the world economics that significantly exceeds an indicator registered in 2003 (Baldwin, 2020, 10).

Secondly, nowadays the Chinese economics is in closer connection with other economics of the world than 10 or 20 years ago. For many countries China is:

- Important export market;
- Source of tourism;
- Supplier of intermediary commodity.

For years, area of international business has been disintegrated and spread all over the world, China turned into the world “factory”. For instance, the largest part of the consumer electronics (mobile telephones, notebooks, house holding equipment) as well as automobile spare parts, raw materials for definite medicines and other goods are manufactured in China.

Proceeding from the fact that the Chinese production has been significantly slowed against the background of explosion of the virus pandemics, too many goods are not available for entrepreneurs of different states and business is forced to continue its activity based on its own resources. The term of maintenance of deficiency in supply of these goods probably will have a negative impact and lead to empty shelves; all this will be resulted in increasing of prices and shortage of funds in the consumers’ pockets. On top of all, it will suspend manufacturing process in factories using intermediary raw materials (goods) imported from China. To summarize all this we should state that a chain of global values with a decisive role of China is abruptly interrupted due to explosion of COVID-19 and negative economic results are expecting all over the world, that currently has a place.

Despite of this, breaching the international trade caused by the coronavirus, destructive results of the trading tension and China may force international business to diversify production in many countries, such as Thailand, Malaysia and Vietnam. However, it should be mentioned that relevant effects will appear after passing a definite period of time.

Developing countries, especially in the region of Southern-Eastern Asia, are still suffering from the most negative results of the virus epidemics. Majority of the Southern-Eastern Asian countries are strongly dependent upon China and they, in fact, are experiencing a risk of the wide-spread pandemics. In the Southern-Eastern Asia a high risk of spreading the virus, on top of other issues, is connected with increasing the density of population and poorly developed medical service in comparison with majority of Western countries. For instance, in the Southern-Eastern Asia an average number of hospital beds and physicians per 1000 persons amounts to 0,7 and 1.5, accordingly, in comparison with the EU indicator, - 5.6 and 3.6 (OECD, 2020,14).

Besides, developing countries oriented on export of raw materials, such as Brazil (oil, soya, ironstone), Russia (petroleum products and gas), or Chili (copper) are suffering from deficiency of incomes from export products, prices on majority of goods have been significantly decreased due to explosion of the virus.

Currencies of the developing countries are being under pressure as well, as investors decrease risks of their invest-

ment portfolio due to negative attitudes existing all over the world, and, accordingly, they, to some extent, cut their share in developing countries. Currency devaluation is a serious problem because imported products became more expensive (due to worsening the commercial (trading) conditions). On top of all, currency loan service is significantly complicated that is problematic for such countries as Argentina, Turkey, Ukraine, not to speak of our country in which this problem is much more severe due to abrupt devaluation the national currency. According to the world experts' assumptions, it is expected that a currency of developing countries and commodity prices will continue their fluctuations in the further period that, definitely, is a result of a total negative influence of COVID-19.

The epidemics which had been started in China created very serious difficulties to all countries of the world where COVID-19 had heavy outcomes and where a quantity of diseased people was comparatively low. Here, the key impact is represented by the China's economic shock. For instance, insufficient protection and fear of the virus forces people to postpone their holidays and to avoid places of mass collection of people. Business cancels its activities, forbids traveling of its employees. Accordingly, virus inflicted the hugest damage to tourism and its related sectors: transport, air flights and hospitality.

Financial instability is another rather serious challenge. This, first of all, relates to the countries in which corporative credit level was quickly increasing (for example, United States) or which were very unprotected (for instance, Italy). In case if banks and other financial institutes significantly worsen the quality of the credit portfolio, there is a danger that the COVID-19 crisis will initiate a financial crisis. It is not a part of risk scenario and it can be avoided if central banks and governments will make necessary, proactive, sustainable

political resolutions. Analysts state that these resolutions, in any case, should include targeted financial measures, for example long-termed refinancing by central (national) banks of relevant states.

CONCLUSION

Accordingly, it may be mentioned definitely, that the world economics has already been in recession as an impact of the coronavirus pandemics restricts the economic activity and has a negative effect on it. There is no doubt that only global and wide-spread struggle against the pandemics will have a result. It is confirmed by majority of experts that situation may be controlled rapidly and influence of the virus on the global economics will be essential, but short-termed, as it used to be in case of the SARS virus appeared in 2003. In the second quarter, economic rise will be stabilized if we receive this scenario as a base like majority of analysts, an impact on the global economic will be negative, but limited. In addition to it, a key issue remained in the economic forecast is a depth and duration of recession which should be slowed significantly in 2021. Here, active assistance to the health care sector and a struggle using epidemiological global vaccination is an issue of great importance that will give a possibility to the states to facilitate regulations and to enable business to apply the whole potential of its resources. The current crisis leaves behind a very deep trace and global problems; thus, the top challenge is overcoming health global and more complicated economic state. Following this, the world community should integrate mutual efforts to obtain ways of restoration their economics in a maximally rapid and sustainable way to prevent increasing the poverty and non-employment rates.

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