JSEG

JOURNAL OF SMART ECONOMIC GROWTH

www.jseg.ro ISSN: 2537-141X Volume 5, Number 3, Year 2020

THE EFFECT OF THE CORONAVIRUS (COVID-19) PANDEMIC ON THE GLOBAL ECONOMY

Abdelkader Derbali, Ahmed K Elnagar, Monia Ben Ltaifa, Lamia Jamel

Abstract: Today, the world is living with the consequences of the spread of the HIV epidemic, which has affected various sectors, as it has caused a great shock to the global economy, which may actually transform the rates of global growth in the world's growth rates. For this year 2020, as this crisis is not the first supply shock experienced by the world, there are oil shocks in the seventies, the tsunami of Thailand and the earthquake of Japan in 2011 and so forth. It has a specific geographical scope, without physical expansion, as well as a time frame during which it culminated and then ceased; However, Coronavirus has demonstrated that it is not controllable, as it is spreading in all parts of the world to leave the effects of the shock on most economies, as well as there is no frame of time. This epidemic ends like other crises the world has witnessed, as in this paper we show the effects of the Covid-19 virus on the world economy, and this is by virtue of the occurrence of a landing economy.

Key words: global economy, crisis, coronavirus, covid-19.

JEL Classification: G01, F02

JOURNAL OF SMART ECONOMIC GROWTH

JSEG

www.jseg.ro ISSN: 2537-141X Volume 5, Number 3, Year 2020

1. Introduction

Since the emergence of the virus Covid-19 (late of 2019 and the beginning of the year 2020) in the Wuhan region of China, the world is living in a state of fear and fear. Soon this virus will spread in the different countries in the world. Led to the emergence of a global economic crisis from which no country, whether developed or developing countries, was extradited, and by virtue of the global interdependence between the economies of the countries, led to the entry of the world economy in a situation of extreme stagnation.

It has caused great turbulence and shock to the global economy, affecting the various sectors that led to the collapse of the global stock exchanges, and recording the losses of billions of dollars in various parts of the world, with the prospect of having a decades-old prospect.

As it is not the first supply shock that the world has ever seen, there are oil shocks in the 1970s, the tsunami of Thailand and the earthquake of Japan in 2011 and others, but all these shocks are crises and crises. Specific, without physical expansion, as well as a time frame during which the peak reached and then stopped, but Coronus virus proved to be uncontrollable. There is no clear timeframe during which the epidemic will end, as do other crises in the world.

As a result of this crisis, the Organization for Economic Cooperation and Development reduced its forecast for growth by 2020 to half from 2.9% to 1.5%, and the International Monetary Fund expected a rise in growth from 2.9% in 2019 to 3.3% in 2020, and there were many reasons to be optimistic about it.

Between China and the United States, that the outbreak was caused by a major shock to the global economy, and countries must develop substantive policies to help economies overcome the spread of this epidemic. Maintaining the integrity of the network of economic and financial relations between workers, businesses, and others.

Considering this, we ask the following question: *What is the reality of the global economy on the impact of the emergence of the Coronavirus Covid-19?*

2. Results and discussion

2.1. The reaction of financial markets

Financial crises paralyze supply in the economy. After the recovery and optimistic growth prospects that I have witnessed, it has turned after the spread of this virus, which can extend to the problems of liquidity and capital to include the real economy, and this affects you. Trumpet. Also, if the double risks of financial and real liquidity shocks were not enough, because of their correlation, they could increase the risks (Szlezak et al., 2020).

Capital markets in several countries also recorded major losses that followed the collapse in oil prices, which fell by 20%, which constituted a severe blow to the Gulf economies that depend on raw materials as a main source.

As a result of the interconnectedness of all sectors and their relationship to political decisions, the disruption of movement and movement through the quarantine imposed on hundreds of millions of people has affected the workers. In the near future, fewer consequences are expected in the long term, the marked decrease in Chinese consumption, pressure on multinationals in many sectors, including mining and aviation, Tourism, entertainment, hospitality, electronics and consumer and luxury goods.

The Chinese economy has become lacking in employment and spare parts, which has disrupted the supply chains in the time and energy supply Consumer goods, medicines, and other industries fell, and commodity prices fell as a result of lower consumption of raw materials by China, as producers think of the reduction of production (Richard and Kavha, 2020).

2.2. World GDP

According to the new OECD projections, strict and continuous containment will lead to significant short-term declines in the GDP of many of the major economies (OECD, 2020). The cold, which is represented by these economies in China, Korea, Japan, Germany, and WOMA are part of the global value chains, so their crises will produce the supply chain infection in all of them (Chenguel and Derbali, 2020).

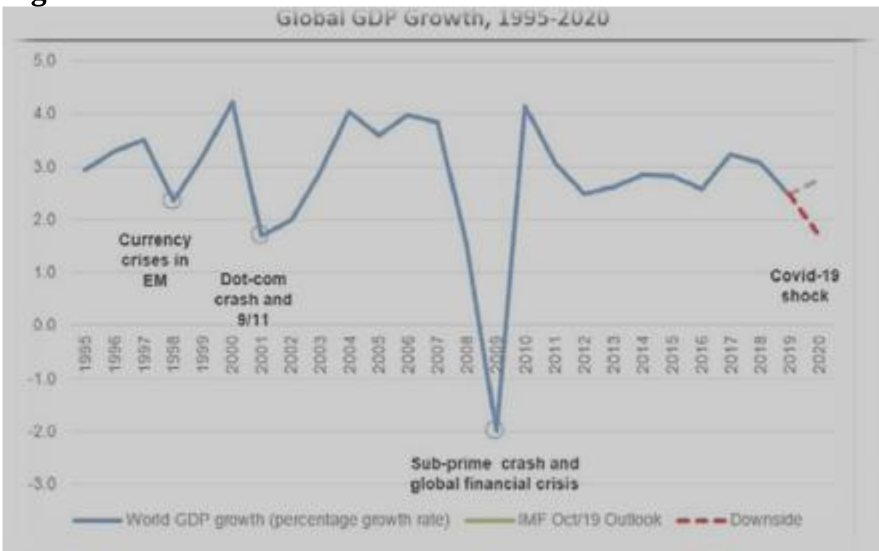
“Crystalina Georgia”, Director General of the International Monetary Fund, stated: “The country is witnessing heavy losses so far from the Corona virus, and all of it is for the sake of foreign exchange.” In 2020, China's GDP has slowed by 0.5% this year, with at least 0.1% excluding global GDP growth. This will be extended through the developed and emerging markets that are highly dependent on the economy (Richard & Kavitha, 2020).

The Secretary-General of the Organization for Economic Cooperation and Development, “Angel Gurria” revealed that there will be a loss of 2% in the annual GDP growth (OECD), (2020, as warned by the United Nations and the United Nations Conference United Nations trade, from slowing global growth to less than 2% this year, resulting in $ 1 trillion in global economic value (Hutt, 2020) as GDP is affected by crises. As in the case of the 2008 mortgage crisis, this is what we see from the following figure:

JOURNAL OF SMART ECONOMIC GROWTH

www.jseg.ro ISSN: 2537-141X Volume 5, Number 3, Year 2020

Figure 1: The crash of GDP in crises



Source: (UNCTAD, 2020)

The effects on annual GDP growth depend on factors including low demand for goods and services due to stagnation and a decline in the overall economy, and so on. The state of anticipation and delay in the purchase that controls consumers and investors, and the speed of trading of monetary support and can result from the effect of business closure. With a ratio of 15% to 25%, this is according to the difference in the composition of the GDP of each country, and it is possible that many countries affected by tourism are important.

Relatively more due to the imposition of travel restrictions, as the tourism sector alone faces a production decrease of up to 70% (as in the UAE shares). The tourism sector has a GDP in 2019, about $ 45 billion).

According to what many economies are expected to fall into recession (OECD, 2020) from various aspects, such as agricultural sectors, oil production and low demand. In the World Commodity (OECD, 2020), as far as the industrial sector is concerned, it has not been in any country from countries, given that the Coruna epidemic was centred in China.

JOURNAL OF SMART ECONOMIC GROWTH

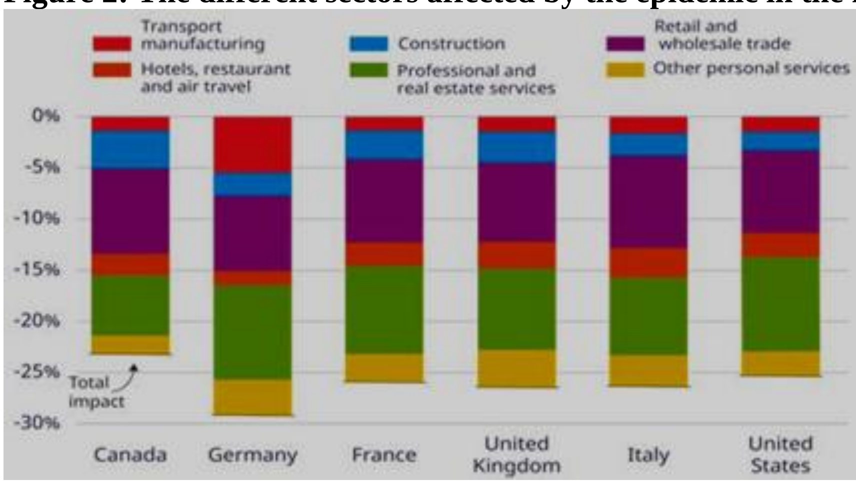
JSEG

www.jseg.ro ISSN: 2537-141X Volume 5, Number 3, Year 2020

Besides Japan and Korea were the most affected countries, given the centrality of these countries in the global supply chains in many manufactured goods, Global supply, which has caused the disruption of direct supplies that will hinder production, and infection in the supply chain will amplify direct supply shocks.

The manufacturing sectors in the least affected countries will find it more difficult and more costly to obtain industrial inputs imported from the severely affected countries, and then some of them. They explain each other, and the following figure explains this.

Figure 2: The different sectors affected by the epidemic in the major economies

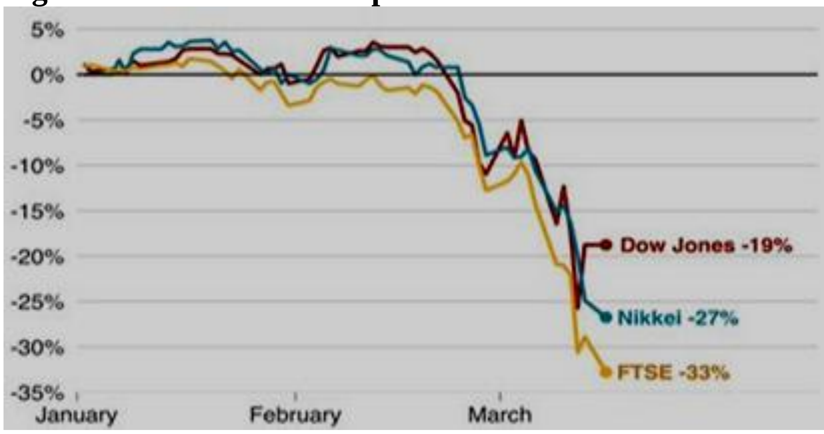


Source: (Secretary-General of the OECD, 2020)

2.3. Financial system risks

The Covid-19 shock has already exerted pressure on capital markets, prompting a strong response from central banks while continued liquidity problems will affect capital formation substantially, thus affecting stagnation and causing stagnation, along with stagnation and stagnation. (Philipp et al., 2020)

Figure 3: Corona Virus Impact on Market Indices



Source: (Kevin, 2020)

Through the above figure, we notice the decline in the three largest indicators from the beginning of the emergence of the crisis sources and their global spread in March, where the Dow Jones index lost about 19% of the American shares, the Al-Muntasir FAMI in the UAE The Japanese index, NILKKEI, decreased by 27%.

2.4. The real economy

The Covid-19 crisis over time as a result of social divergence may lead to a disruption in capital formation, which slows job creation on income growth, weak productivity growth, and the emergence of multiple instances of disruption. The financial system must manage it. What Real Credit Really Dies (Philipp et al., 2020).

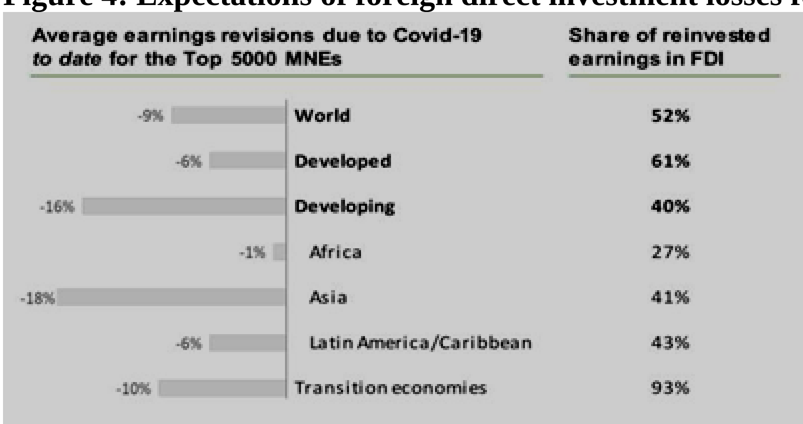
The prohibition of roaming and restricting the movement of citizens and travel will reduce the volume of market demand by a percentage, at the consumer level. At the investor level, a state of caution and anticipation will prevail, which will prevent them from injecting any funds into new projects or investments.

2.5. Effects on foreign direct investment

The spread of the Covid-19 virus will adversely affect global FDI inflows. With the epidemic scenarios ranging from short-term stability to year-long persistence, the pressure you see on foreign direct investment is declining by (-5%) to (-15%) compared to forecasts. A forecast that expects marginal growth in the direction of foreign direct investment for the period (2021-2020 on average), according to the expectations of the United Nations (Stephanie and Dylan, 2020).

Multinationals (the pro-form), which represents a large share of global foreign direct investment, according to estimates of earnings 2020, decreases by 9%, and among the industries most affected are the car industries (-44%), aviation companies (-42%), energy and basic materials industries (-13%) (FDI, 2020).

Figure 4: Expectations of foreign direct investment losses for the year 2020



Source: (UNCTAD, 2020)

2.6. Effects on corporate investment

Firms may be forced to face intense political, economic, and security health risks. Failure of faltering growth in emerging markets to absorb the fast-growing workforce, leading to societal unrest, political uncertainty, and inability to invest in health systems, as epidemics pose a commercial risk, K Ghoria in the G-20 Summit Statement: “The high costs imposed by public health measures today are necessary to avoid more catastrophic consequences and worse impacts on our economies tomorrow.” (OECD, 2020).

In addition to amplifying current trends and vulnerabilities in the long run, COVID-19 may be another reason besides the protection regulations and energy efficiency needs of companies to re-evaluate the subject area of the problem in the display of the problem in the subject area. Standard concerns regarding business continuity, employee protection and market preservation that require companies and countries. (Richard & Kavitha, 2020)

2.7. Flights

The share prices of airlines have decreased by approximately 25% since the disease outbreak, which is more than 21% more than the downturn that occurred during the SARS crisis in 2003, and the International Air Transport Association (IATA) expected losses in global revenue for passenger business between $ 63 billion and $ 113 billion. Due to COVID-19 of lost revenue as fewer people take trips (Maria et al., 2020).

Brian Peiris, chief economist of the International Air Transport Association, said, "There are a lot of airlines that have relatively narrow margins and that they spend a lot, so much of that can be spent, It is very difficult". On March 16, British Airways said it would reduce aviation capacity by at least 75% in April and May, as other British airlines, Including Virgin Atlantic and EasyJet, for radical cuts.

The travel and tourism industries have been affected by the economic turmoil from the outbreak of this virus, as well as the impact on aviation companies, and the Organization of Civil Aviation (ICAO) expected According to the United Nations, Japan may lose $ 1.29 billion in tourism revenue in the quarter. The first is because of the low number of Chinese travellers, while Thailand may lose $ 1.15 billion (Hutt, 2020).

2.8. Facing economic risk

Countries will face substantially different experiences for two reasons: the structural resilience of economies to accommodate these shocks - named by fate - and the ability of high-level, high-resilience researchers Unprecedented - called innovation.

Therapeutically, there will be a need for organizational innovation to free up the ability to meet resource demand, such as optimal mobilization of medical professionals, re-use of medication, re-use of Tripartite to prioritize the crisis COFID-19.

On the economic side and to alleviate the crisis, the Danish government announced in March that it would assist private companies struggling to manage the consequences of the epidemic by covering 75% of the employees 'salaries, if the companies failed to agree. On March 20, 2020, the United Kingdom announced radical financial spending measures to counter the economic impact of a worsening crisis, and the government said it would pay up to 80% of Employee wages across the country that are unable to work, with most companies closing their doors to help combat the spread of the virus.

On March 25, the US Senate approved an unprecedented stimulus plan in the amount of $ 2 trillion, including direct payments to millions of Americans. The Rescue Council is expected to approve the rescue package as the Ministry of Labour released statistics showing that more than 3 million people filed requests for benefits last week. In the United States - the largest ever in a week (Hutt, 2020).

But policy innovation must also happen. For example, central banks operate so-called “discount windows” that provide unlimited financing in the short term to ensure that liquidity problems do not lead to a problem. The banker. By providing unlimited liquidity to healthy families and companies by giving them loans without interest throughout the crisis period; Stop paying the mortgage premiums for residential and commercial borrowers (Philipp et al., 2020).

The Organization for Economic Co-operation and Development predicts the largest downturn in growth for countries that have a relationship with China, especially South Korea, Australia and Japan. Major European economies will also suffer from unrest as the virus spreads and countries adopt restrictive responses that limit manufacturing activity in regional hubs, including northern Italy (Stephanie and Dylan, 2020).

2.9. The post-epidemic economy

It is expected to weaken global growth this year and recover gradually in 2021. Household spending is still supported by improving labour market conditions, but the slowdown may affect the slowdown. Income growth, and weak productivity growth and continued investment will verify the strength of real wage gains. Uncertainties are likely to remain high, with trade and investment remaining very weak. Likewise, a decline in financial market risks and a decline in tourism may constrain demand growth for some time, resulting in disastrous policies and reactions.

Expectations are based on the assumption that the epidemic peaked in China in the first quarter of 2020, with a gradual recovery during the second quarter with the help of a significant mitigation of domestic policy. In addition to the recent noticeable deterioration in global financial conditions, this leads to a decline in global GDP growth in the first months of the year and may push it below zero in the first quarter of the year 20-20. The effect of COVID-19 gradually faded until 2021, while if it gets out of scope, global growth will be significantly weakened (OECD, 2020).

2.10. Economic Outlook for 2021

These shocks are assumed to decrease gradually until 2021 and other economies less integrated with China are expected to be relatively mild, particularly in the United States and Canada, although they are low, although they are low, though Supply chains and weak external demand have moderated growth prospects. Growth in the euro area is

JSEG

JOURNAL OF SMART ECONOMIC GROWTH

www.jseg.ro ISSN: 2537-141X Volume 5, Number 3, Year 2020

expected to remain subdued, at around 1% per year on average in 2021-2020, although the impact of the outbreak will weaken results in the first half of the year 2020.

Expectations for the United Kingdom and the Eurozone assume that the basic free trade agreement for goods will enter into force as of the beginning of the year 2021. Even if all these licenses are implemented, non-tariff exports of services and administrative barriers to exports and output growth until 2021. A gradual, albeit modest, recovery is expected in many of the economies of the emerging market in the period 2020-2021, through monetary policy in India and Brazil, and well-focused policy measures in Mexico and Turkey promote sustainable growth and a gradual recovery in these two commodities.

Figure 5: Real GDP growth% on an annual basis

	2019	2020	2021
World	2.9	2.4	3.3
Australia	1.7	1.8	2.6
Canada	1.6	1.3	1.9
Euro area	1.2	0.8	1.2
Germany	0.6	0.3	0.9
France	1.3	0.9	1.4
Italy	0.2	0.0	0.5
Japan	0.7	0.2	0.7
Korea	2.0	2.0	2.3
United Kingdom	1.4	0.8	0.8
United States	2.3	1.9	2.1

	2019	2020	2021
G20	3.1	2.7	3.5
Argentina	-2.7	-2.0	0.7
Brazil	1.1	1.7	1.8
China	6.1	4.9	6.4
India[1]	4.9	5.1	5.6
Indonesia	5.0	4.8	5.1
Mexico	-0.1	0.7	1.4
Russia	1.0	1.2	1.3
Saudi Arabia	0.0	1.4	1.9
South Africa	0.3	0.6	1.0
Turkey	0.9	2.7	3.3

downward by 0.3 pp and more · downward by less than 0.3 pp · no change · upward by less than 0.3 pp · upward by 0.3 pp and more

Source: (Boonet, 2020, p. 3)

3. Conclusion

Through our study, we conclude that the Corona pandemic is causing a change in the global economic balance. Which will accelerate the process of globalization, the abolition of convergence, and the redefinition of production and consumption around the world, as the economies of the countries and the local product that the epidemic is touching on Of the informal and unexpected risks that affect the economy in varying proportions due to the difference in the structure and dependence on economic diversification, and perhaps most of the economies that rely on the import Tourism-dependent, it will not be easy to restart a modern, interconnected global economy after the crisis has ended, and that the recovery of the economy will begin when health officials can assure that people has been contained the virus and the immunity from the disease it causes has increased. We are facing an exceptional state of uncertainty regarding the depth and duration of this crisis. We expect the worst economic repercussions since the years of the Great Depression "Kristina Georgieva".

References

Boonet, L. (2020). OECD Interim Economic Assessment Coronavirus: The world economy at risk. Organisation for Economic Co-operation and Development.

Chenguel, M.B., & Derbali, A. (2020). Coronovirus Propagation and Its Impact on the World Economy (May 21, 2020). Technology Transfer: Innovative Solutions in Social Sciences and Humanities, 2020. Available at SSRN: https://ssrn.com/abstract=3606832

FDI. (2020). Investment trends monitor, impact of the coronavirus outbreak on global. united nations, UNCTAD.

Hutt, R. (2020). world economic forum. Consulté le 04 04, 2020, sur https://www.weforum.org/agenda/2020/02/coronavirus-economic-effects-global-economy-trade-travel/

Kevin, P. (2020). BBC. Consulté le march 17, 2020, sur https://www.bbc.com/news/business-51676600

Kristalina Gurgieva. (2020) International Monetary Fund. Redemption Date 25-25-2020, from Press Release No. 98/20. https://www.imf.org/ar/News/Articles/2020/03/23/pr2098-imf-managing-director-statement-following-a-g20-ministerial-call-on-the-coronavirus-emergency

Maria, D., André, S., Simone, T., & Wolff, G.B. (2020). An effective economic response to the coronavirus in Europe. Policy Contribution, Issue No. 6, pp. 1-10.

OECD. (2020). New OECD outlook on the global economy. Consulté le 03 27, 2020, sur https://www.oecd.org/coronavirus/en/

Richard, S.B., & Kavitha, H. (2020). World Economic Forum. Consulté le 03 25, 2020, sur https://www.weforum.org/agenda/2020/02/why-is-coronavirus-a-global-business-risk/

Secretary-General of the OECD. (2020). Evaluating the initial impact of COVID-19 containment measures on economic activity Updated. the OECD Economics Department.: the OECD Economics Departmen.

Stephanie, S., & Dylan, G. (2020). Center for strategic and international studies. Consulté le 03 27, 2020, sur https://www.csis.org/analysis/global-economic-impacts-covid-19

Szlezak, P.C., Reeves, M. & Swartz, P. (2020). What Coronavirus Could Mean for the Global Economy, Harvard business review. Consulté le 03 27, 2020, sur economy: https://hbr.org/2020/03/what-coronavirus-could-mean-for-the-global-economy

UNCTAD. (2020). Trade and development report update the coronavirus shock. united nations.

UNCTAD. (2020). Trade and development report update the coronavirus shock. united nations.

UNCTAD. (2020). Investment trends monitor: Impact Of The Coronavirus Outbreak On Global FDI. United Nations.

.