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Economic Impact of COVID-19: A Historical Trail

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ABSTRACT
In the article, the author focused on the global technology forum: The Covid-19 pandemic and quarantine will cost the world dearly: the corona crisis has already begun and is predicted to be the most devastating crisis of the century. The economic downturn will inevitably affect all countries in the world. The restrictions imposed due to the coronavirus led to a decline in the consumer services sector: the volume of paid services provided to the population decreased by more than a third. World economists expect that in the second quarter of 2020, the decline in trade turnover will slow down as restrictive measures are lifted. Now the main task of the world's states will be to overcome this pandemic and economic crisis without a disaster. The economic crisis has already led to an increase in unemployment. Rising unemployment could lead to hunger and crime in the future.
Keywords: *covid-19, economy, corona crisis, Internet resource, online shopping, coronavirus*

1. INTRODUCTION

The coronavirus has strangled the global economy, but it will soon loosen its grip, and business activity will quickly recover. It will not be without consequences: the crisis will be the worst since the Great Depression almost a century ago, and the bill for treatment will exceed $ 9 trillion, the International Monetary Fund recently calculated. A month later, fund admitted that it was wrong.
Everything turned out to be much more serious.
"The crisis is only gaining momentum, and the forecast is worse than even our pessimistic expectations," said IMF chief Kristalina Georgieva. "If medicine does not overcome the virus, many economies will suffer even more."
IMF economists became discouraged a couple of weeks after the West began to go into isolation. In mid-April, they lost faith soon and predicted a 3% decline in the global economy this year, while the last autumn economists expected it to grow by the same 3%.
For the first time in modern history, the forecast has changed so dramatically in such a short time. But the IMF remained optimistic and believed in the best: it predicted a rebound of almost 6% already the next year but warned that, firstly, this would not compensate for the fall, and secondly, it would only happen if the virus does not return in a second wave, and quarantine does not have to be re-entered.
While most countries were better prepared for the crisis than before, not all of them were able to rebuild their economies, take security measures, and stay out of debt. No developing country has become a developed country in the past ten years. Poor countries have been hit by the "perfect storm" due to the coronavirus. These countries are economically weaker, and while the rich say goodbye to their usual comforts, others struggle to survive.
"Two thirds of the world's population lives in developing countries. The corona crisis will inflict unprecedented damage on them" the UN warns.
In the past, for most poor countries, the developed economy of China served as a source of development. But now these countries have their own problem, so they are attracting capital by reducing imports and turning their backs on migrant workers.
As a result, developing countries are losing their ability to survive on credit. Commodity incomes are shrinking due to lower demand for oil and metals. The money for working abroad has dried up, and there are no more tourists. Budget revenues are declining, and the cost of supporting people and businesses, as well as the cost of drugs and services, is increasing. As a result, development stops, which promises failure and a return to an unequal past.
"It is possible to prevent the return of world history to half a century ago for 2.5 trillion dollars," the UN believes. The organization called on developing countries to support the crisis package and "move from expressing international solidarity to concrete actions."

2. RESEARCH METHODOLOGY

But why should rich countries think about the poor ones?
If they do not cope with the virus and its socioeconomic impact, the developed world will not return to the second wave of cholera alone. It will also face growing poverty and instability in the world, unrest, hunger, a new influx of refugees, and weakened trade, as well as reduced access to natural resources.
An unequal fight. About 80 countries have restricted the export of medical equipment and protective equipment, and this fact led to shortages of the epidemic's main products and rising prices.

The main producers of all this are the world's leading economies. Germany, the United States, and Switzerland account for a third of the world's supply of drugs and equipment for hospitals, and 40 percent of protective equipment is produced by China, the United States, and Germany.

The amount of money in circulation is significant - the global market for medical supplies is estimated at 2 trillion $ a year, which is 5% of all international trade in goods.

“Ignoring the needs of developing countries can have dire consequences not only for them but for the entire world,” the UN warns.

Even rich countries are battling the virus. The West isolated itself in mid-March and only now carefully goes to the streets. The best medicine in the world is fighting the epidemic. How about countries with less access? In the United States, health care per person costs more than 10,000 $ a year, while Germany, Australia, and other wealthy countries spend about half of that amount.

In developing countries, purchasing power prices are even worse: annual medical costs are five hundred in Russia, just over a thousand in Mexico, Turkey, Brazil, and South Africa, 700 $ per person in China, and 200 $ a year in India.

The problem is that poor countries depend on foreign capital, especially Western capital; the majority depends on loans in foreign currency. The impact of the corona crisis was twofold: it not only prevented the flow of investment but also significantly increased the cost of loans. Countries with growing economies have sharply slowed as they have not received the support they need from their dependent neighbors.

"The sudden cessation of employment in low- and middle-income countries is related to the situation in developed countries" say researchers at the Peterson Institute for World Economy (PIIE).

"The pandemic has caused a lot of problems: a boom in health care spending, a collapse in taxes and export earnings, the disappearance of capital and paralysis in debt markets, hampering refinancing," the researchers say.

There was no good news on this front during the corona crisis. Everyone recognized the seriousness of the problem: a moratorium on debt collection was one of the themes of the April meeting of the IMF and the World Bank. It was the first virtual meeting of world officials, economists, and bankers. The meeting ended with the decision of a large group - the G20 - to postpone the repayment of loans to poor countries until the end of this year. The amount is about tens of billions of dollars that 76 countries will pay.

The largest economy in the world, the United States, spends $ 36 trillion, the same as the current budget. And it's not just spending the money you've earned: the budget deficit will hit $ 4 trillion this year. Americans who lose themselves will either borrow or print new money.

Developing countries are deprived of this opportunity.

Most developing countries do not have enough money for development and, they depend on the inflow of foreign capital. The two main Western recipes for dealing with a crisis - printing money and increasing government spending - can lead to a loss of capital.

3. RESEARCH RESULTS

The flow of money from developed countries to emerging markets is driven by their high income, which balances the risk of losing investments, for example, in India or Russia.

For example, before the crisis, in February, if a Western pension or investment fund provided money to grow in the United States, the United States would receive half of its annual return on capital invested in Treasury bonds.

At the same time, borrowing from Russia, Brazil or India brought in about 6 percent per year. Except for local inflation, in local currency - that is, the real ratios were lower and the investor took on the currency risk.

If these countries follow the path of Europe and the United States and decide to provide cash concessions to the economy affected by the virus (by restoring credit relations and printing money), real income from debt will drop. This carries the risk of falling into inflation, after which investors will lose not only the risk premium but any income in general. Their investments will dry up before our eyes.

In many developing countries, real central bank interest rates (regulated by inflation) are already negative. For example, this has happened in Turkey, Brazil, India, and China. Although these countries now want to attract Western investors to the domestic debt market, it is not easy for them.

The second Western recipe is direct subsidies, distribution of money, soft loans, and tax breaks at the taxpayers' expense. This is bad for poor countries.

To borrow money to combat the crisis, developing countries will be forced to raise premiums, which are already costly and undermine creditworthiness, in order to raise capital.

Will COVID-19 have a negative impact on global food security?

Livelihoods as well as lives are at risk during this pandemic.

And if in some countries the spread of the pandemic is slowing down and the number of infection cases is decreasing, in others COVID-19 either appears or continues to spread rapidly. This remains a global problem requiring a global response.

We know that sooner or later, it will retreat, but we do not know how quickly this will happen. We also know that this shock is not entirely normal, as it affects important components of both the demand and supply of food at the same time.

We risk facing an impending food crisis if urgent action is not taken to protect the most vulnerable groups of the population. It is also important to maintain the functioning of the global food supply chains and mitigate the effects of the pandemic throughout the food system.

Border closures, quarantines, and disruptions to markets, supply chains, and trade restrict people's access to a varied and nutritious food source, especially in countries hit hard by the virus or already facing high levels of food insecurity.

But there is no need to panic. All over the world, there is enough food for everyone. Policymakers around the world must be careful not to repeat the mistakes made during the 2007-2008 food crisis and do not let this health crisis become a food crisis, it's completely preventable.

FAO is particularly concerned about the situation with citizens' access to food in the medium and longer term. A significant slowdown in economic growth in all countries, and especially in the most vulnerable - (unemployment has risen and the economic impact of COVID-19 will be felt even more strongly) - will put countries, especially those, who depend on food imports, in a situation where it will be difficult for them to find the necessary resources for food purchases. In turn, as food demand falls in the coming months, food prices should fall in 2020, with negative consequences for farmers and the agricultural sector.

We continue to anticipate disruptions in food supply chains, in particular for valuable commodities (fruits, vegetables, meat, fish, milk, etc.). For example, restrictions on movement, as well as the elementary unwanted behavior of workers, can discourage farmers from farming and food processors who process the vast majority of agricultural products from processing them. Lack of fertilizers, veterinary drugs, and other resources can negatively affect agricultural production. Restaurant closures and fewer grocery store visits reduce demand for fresh and fish products, negatively impacting manufacturers and suppliers. The agricultural, fisheries, and aquaculture sectors have been hit even harder by tourism restrictions, the closure of restaurants and cafes, and the suspension of school feeding programs.

In any event, the most affected will be the poorest and most vulnerable populations (including migrants, displaced persons, and those affected by conflict). Countries in crisis are also facing under-investment in public health, which will exacerbate the impact of the pandemic.

4. THE DISCUSSION OF THE RESULTS

The general situation is sad. Therefore, foreigners are withdrawing their money from emerging markets. Since the start of the crisis, nearly $ 100 billion has been seized, according to the International Finance Organization (IFO) and the international association of financiers.

This is about four times more than in each of the three previous financial crises. And despite capital inflows to China, the main emerging market is thanks to non-viral financial freedom.

The rate of devaluation of "soft" currencies, as well as capital losses, exceed the indicators of the previous crisis. The ruble, peso, hryvnia, rupee, and other analogs have depreciated by 5 percent since the beginning of the year. “They are in almost the same situation everywhere, and the difference in the rate of devaluation shows that some countries are spending their reserves to protect the exchange rate, while others allow the currency to float freely and refrain from interfering,” the international financial institutions said.

The devaluation reduced the ability of developing countries to buy technology, attract foreign investment, and pay off external debt. Thus, this situation delayed the transition to the developed camp.

The deteriorating solvency will affect the debt rating, and many countries will be unable to repay or borrow again. Others, faced with the choice of paying off creditors' debts or saving their populations, would prefer default.

How much poorer will we become.

Before the coronavirus coming, economists had expected the global economy to grow by about three percent in 2020. Now they predict a recession and the only difference in their estimates is about its duration: it all depends on how the pandemic will develop.

If the economy does not grow by the end of the year, the world will miss about $ 4 trillion. That's more than the GDP of Germany, Europe's largest economy, and two and a half times the GDP of Russia.

Of the three leading world economies - the United States, the European Union, and China - two are still counting on an increase in wealth, albeit less than expected, and one - the European Union - is preparing to tighten its belt.

European officials said in early March that the latest estimates suggest a decline by about 1% for the year.

The US economy, the largest in the world, is still on the path to growth, but economists in America are gradually starting to revise their forecasts. In a March poll by the University of Chicago, they turned out to be slightly less pessimistic than their European colleagues: 62% see the likelihood of a large-scale recession in the world due to the coronavirus against 82% of European economists, mostly locked at home in quarantine.

Since the United States, China, and the EU account for two-thirds of the world's economic activity, a slowdown in Europe and a significant slowdown in China will be enough to slow down the entire global economy. And if we add to this the threat to commodity countries from falling prices for oil and metals, the picture becomes depressing.

The scale of the problems in the West has not yet been reflected in statistics, but we can roughly judge it by the leading indicators from China, where activity in both industry and the service sector stopped in February. The recession turned out to be more significant than at the beginning of the previous crisis ten years ago.

5. CONCLUSIONS

Many people who have lost access to private capital will turn to international donors and lenders - the West, China, and anyone else who wants to help.“In the two months after the epidemic left China, the virus hit developed countries hard in the form of capital inflows, more expensive loans, currency devaluation, falling commodity prices and loss of export earnings due to a lack of tourists,” said in the UN statement.

"Many of these problems are more serious than the last crisis in 2008. Besides, we do not appreciate the chances of developing countries to recover quickly under the 2009-2010 scenario, "the UN said.

The economic recovery is expected to be slow and uneven and is likely to lag behind the pace of the US economic recovery. Capital Economics experts, for example, predict that eurozone GDP may not return to pre-crisis levels until 2022.

The economies of the countries of Southern Europe have been most significantly affected by the coronavirus pandemic. The debt burden of Italy, as well as Greece and Spain, is expected to reach record highs, the European Commission predicts.

The COVID-19 pandemic has demonstrated how everything in this world is interconnected. Nobody is safe until everyone is safe. Only by acting together, demonstrating a spirit of solidarity, we can save lives and overcome the devastating socio-economic consequences of this virus. In partnership with the United Nations, people around the world are committing acts of humanism, giving us hope for a better future.

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