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THE CORONAVIRUS COVID-19 EFFECT ON GLOBAL ECONOMY

The article is devoted to the consideration of the economic situation in most world countries in connection with the COVID-19 coronavirus pandemic, as well as to the analysis of the factors of economic decline in various sectors of the economy, industry and service provision. The outbreak of coronavirus has already caused suffering to humanity and led to significant economic shock. The decline in output in China is felt worldwide, reflecting China's key and growing role in global supply chains, as well as in financial and tourism markets. Outbreaks elsewhere in the world have similar effects, albeit on a smaller scale. Today, the prospects for economic growth remain uncertain, in particular, according to the forecast, the annual growth of global GDP as a whole until 2020 will fall to 2.4% compared to 2.9% predicted in 2019. The longer and more intense phase of the coronavirus outbreak, which is spreading widely in Asian region, Europe and North America, will significantly weaken economic expectations. In this case, global growth may drop to 1.5% in 2020, which is twice the projected rate of COVID-19 outbreak. There are also serious concerns that the continued spread of COVID-19 could jeopardize food security. Those are issues that make the work relevant. The theoretical and practical importance of the work is the need to consider as soon as possible the impact of negative risks on the economies of the world, the development of the most effective and proactive measures to prevent the infection of the virus, as well as the introduction of clearly targeted policies to support health systems and its workers, to protect the income of vulnerable social groups and enterprises during the pandemic. Activities aimed at maintaining macroeconomic policies can help restore confidence and encourage renewed demand and help to implement coordinated multilateral actions to ensure better health policies, deter and mitigate business controls, support businesses and ordinary low-income citizens. The conclusion was made that assessing the economic consequences of the virus outbreak is not an easy task due to uncertainty. However, it is possible to try to model scenarios for further restructuring of the world economy and its recovery.

Keywords: COVID-19; coronavirus outbreak; economic recession; economic growth prospects; economic expectations.

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ВПЛИВ КОРОНАВІРУСУ COVID-19 НА СВІТОВУ ЕКОНОМІКУ

Стаття присвячена розгляду економічної ситуації, що склалася в більшості світових країн у зв'язку з пандемією коронавірусу COVID -19, а також проведенню аналізу факторів економічного спаду в різних галузях економіки, промисловості та сфері надання послуг. Спалах коронавірусу вже заповділя страждання людству і привів до значного економічного шоку. Скорочення випуску продукції в Китаї відчуватися у всьому світі, відображаючи ключову і зростаючу роль Китаю в світових колах поставок товарів і послуг, а також на фінансових і туристичних ринках. Спалахи в інших країнах світу мають аналогічні наслідки, хоча і в меншому масштабі. На сьогоднішній день перспективи економічного зростання залишаються невизначеними, зокрема за прогнозом, щорічний приріст світового ВВП в цілому до 2020 року впаде до 2,4% в порівнянні з прогнозованими в 2019 році 2,9%. Більш тривала і інтенсивна фаза спалаху коронавірусу, який широко поширюється в Азійському регіоні, Європі та Північній Америці, значно послабить економічні очікування. В такому випадку глобальний приріст може знизитися до 1,5% в 2020 році, що в два рази перевищує прогнозований темп спалаху COVID-19. Існують також серйозні побоювання, що подальше поширення COVID-19 може поставити під загрозу продовольчу безпеку. Саме ці питання обумовлюють актуальність роботи. Теоретичне і практичне значення роботи полягає в необхідності якомога скоршого розгляду впливу негативних ризиків на економіку світових країн, розробці найбільш ефективних і проактивних заходів для попередження зараження вірусом, а також введенню чітко спрямованої політики з підтримки систем охорони здоров'я та її працівників, захисту доходів уразливих соціальних груп і підприємств під час пандемії. Заходи, спрямовані на підтримку макроекономічної політики можуть допомогти відновити довіру і сприяти відновленню попиту допомогти здійснювати скоординовані багатосторонні дії для забезпечення більш ефективної політики в сфері охорони здоров'я, стримування і пом'якшення заходів контролю діяльності бізнесу, підтримки суб'єктів господарювання і звичайних громадян з низьким рівнем доходу. Зроблено висновок, що оцінити економічні наслідки спалаху вірусу - завдання непросте через невизначеність. Однак можливо спробувати змоделювати сценарії подальшої перебудови світової економіки і її оздоровлення.

Ключові слова: COVID-19; пандемія коронавірусу; економічний спад; перспективи економічного зростання; економічні очікування.

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ВЛИЯНИЕ КОРОНАВИРУСА COVID-19 НА МИРОВОЮ ЭКОНОМИКУ

Статья посвящена рассмотрению экономической ситуации, сложившейся в большинстве мировых стран в связи с пандемией коронавируса COVID -19, а также проведению анализа факторов экономического спада в различных отраслях экономики, промышленности и сфере оказания услуг. Вспышка коронавируса уже причинила страдания человечеству и привела к значительному экономическому шоку. Сокращение выпуска продукции в Китае ощущается во всем мире, отражая ключевую и возрастающую роль Китая в мировых цепях поставок товаров и услуг, а также на финансовых и туристических рынках. Вспышки в других странах мира имеют аналогичные последствия, хотя и в меньшем масштабе. На сегодняшний день перспективы экономического роста остаются неопределенными, в частности по прогнозу, ежегодный прирост мирового ВВП в целом до 2020 года упадет до 2,4 % по сравнению с прогнозируемыми в 2019 году 2,9 %. Более продолжительная и интенсивная фаза вспышки коронавируса, который широко распространяется в Азиатском регионе, Европе и Северной Америке, значительно ослабит экономические ожидания. В таком случае глобальный прирост может снизиться до 1,5 % в 2020 году, что в два раза превышает прогнозируемый темп вспышки COVID-19. Существуют также серьезные опасения, что дальнейшее распространение COVID-19 может поставить под угрозу продовольственную безопасность. Именно эти вопросы обуславливают актуальность работы. Теоретическое и практическое значение работы состоит в необходимости как можно скорейшего рассмотрения влияния негативных рисков на экономику мировых стран, разработке наиболее эффективных и проактивных мер для предупреждения заражения вирусом, а также введению четко направленной политики по поддержке систем здравоохранения и ее работников, защите доходов уязвимых социальных групп и предприятий во время пандемии. Мероприятия, направленные на поддержание макроекономической политики могут помочь восстановить доверие и способствовать возобновлению спроса помочь совершать скоординированные многосторонние действия для обеспечения более эффективной политики в сфере здравоохранения, сдерживания и смягчения мер контроля деятельности бизнеса, поддержки субъектов хозяйствования и обычных граждан с низким уровнем

дохода. Сделан вывод, что оценить экономические последствия вспышки вируса – задача непростая по причине неопределенности. Однако возможно попробовать смоделировать сценарии дальнейшей перестройки мировой экономики и ее оздоровления.

Ключевые слова: COVID-19; пандемия коронавируса; экономический спад; перспективы экономического роста; экономические ожидания.

Introduction. The COVID-19 pandemic has spread with alarming speed, infecting millions and bringing economic activity to a near-standstill as countries imposed tight restrictions on movement to halt the spread of the virus. As the health and human toll grows, the economic damage is already evident and represents the largest economic shock the world has experienced in decades.

The June 2020 Global Economic Prospects describes both the immediate and near-term outlook for the impact of the pandemic and the long-term damage it has dealt to prospects for growth. The baseline forecast envisions a 5.2 percent contraction in global GDP in 2020, using market exchange rate weights—the deepest global recession in decades, despite the extraordinary efforts of governments to counter the downturn with fiscal and monetary policy support. Over the longer horizon, the deep recessions triggered by the pandemic are expected to leave lasting scars through lower investment, an erosion of human capital through lost work and schooling, and fragmentation of global trade and supply linkages.

Formulation of the problem. So, the coronavirus pandemic is a shock situation in the world, the far-reaching consequences of which we are beginning to imagine only today. Since this disease has changed lives, disrupted markets, and revealed the competence (or incompetence) of governments, this will lead to constant shifts in political and

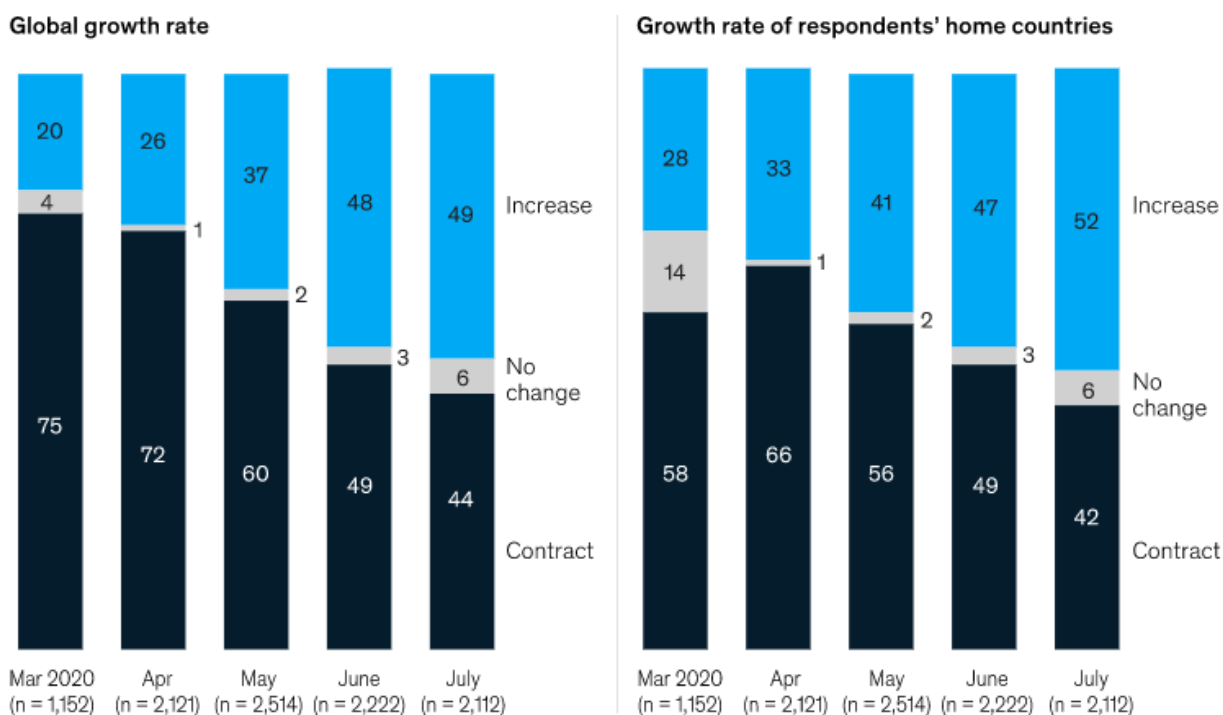
economic power, which will become apparent only over time. It is likely that the pandemic will strengthen the state and nationalism. Governments of all countries are taking emergency measures to overcome the crisis, and many will not want to give up new powers when the crisis is over.

In the context of the above, the logical question arises: is it possible to determine the economic consequences of COVID-19? What urgent concrete measures need to be taken to support the world economy and resolve the crisis as soon as possible?

Research results. Nations around the world are struggling to contain the COVID-19 pandemic and its economic impact, and responses to the latest Global Survey on the economy highlight the magnitude of the challenge—especially in certain geographies. Thus In North America and in developing markets, executives have become less hopeful since early June about their countries’ economies and more cautious than others in their views on potential scenarios for COVID-19 recovery. [2]

Overall expectations on these scenarios also suggest growing caution and uncertainty. Even so, respondents’ outlook for their own companies continues to brighten. For the first time in 2020, respondents are more likely to expect their companies’ profits to increase than decrease in the months ahead.

Exhibit 1. – Expected changes to growth next 6 month (% of respondents)



The crisis highlights the need for urgent action to cushion the pandemic’s health and economic consequences, protect vulnerable populations, and set the stage for a lasting recovery. For emerging market and developing countries, many of which face daunting vulnerabilities, it is critical to strengthen public health systems, address the challenges posed by informality, and implement reforms that will support strong and sustainable growth once the health crisis abates.

On the whole, executives maintain the more positive than negative outlook they reported in June, for both the world economy and their home countries, and they are less likely than in previous months to expect declining growth rates globally and at home.

While respondents’ outlooks about their countries’ economies have improved in most regions over the past four surveys, responses in North America and developing markets have taken a negative turn since June (Exhibit 2). What’s more, when asked about COVID-19’s effects on domestic GDP, respondents in North America and developing markets are much less likely than last month to select one of the more optimistic options out of nine scenarios.

Globally the pandemic is expected to plunge most countries into recession in 2020, with per capita income contracting in the largest fraction of countries globally since 1870. Advanced economies are projected to shrink 7 percent. That weakness will spill over to the outlook for emerging market and developing economies, who are

forecast to contract by 2.5 percent as they cope with their own domestic outbreaks of the virus. This would represent the weakest showing by this group of economies in at least sixty years. So, the crisis highlights the need for urgent action to cushion the pandemic’s health and economic consequences, protect vulnerable populations, and set the stage for a lasting recovery.

Every region is subject to substantial growth downgrades. East Asia and the Pacific will grow by a scant 0.5%. South Asia will contract by 2.7%, Sub-Saharan Africa by 2.8%, Middle East and North Africa by 4.2%, Europe and Central Asia by 4.7%, and Latin America by 7.2%. These downturns are expected to reverse years of progress toward development goals and tip tens of millions of people back into extreme poverty.[1]

Emerging market and developing economies will be buffeted by economic headwinds from multiple quarters: pressure on weak health care systems, loss of trade and tourism, dwindling remittances, subdued capital flows, and tight financial conditions amid mounting debt. Exporters of energy or industrial commodities will be particularly hard hit. The pandemic and efforts to contain it have triggered an unprecedented collapse in oil demand and a crash in oil prices. Demand for metals and transport-related commodities such as rubber and platinum used for vehicle parts has also tumbled. While agriculture markets are well supplied globally, trade restrictions and supply chain disruptions could yet raise food security issues in some places. [1]

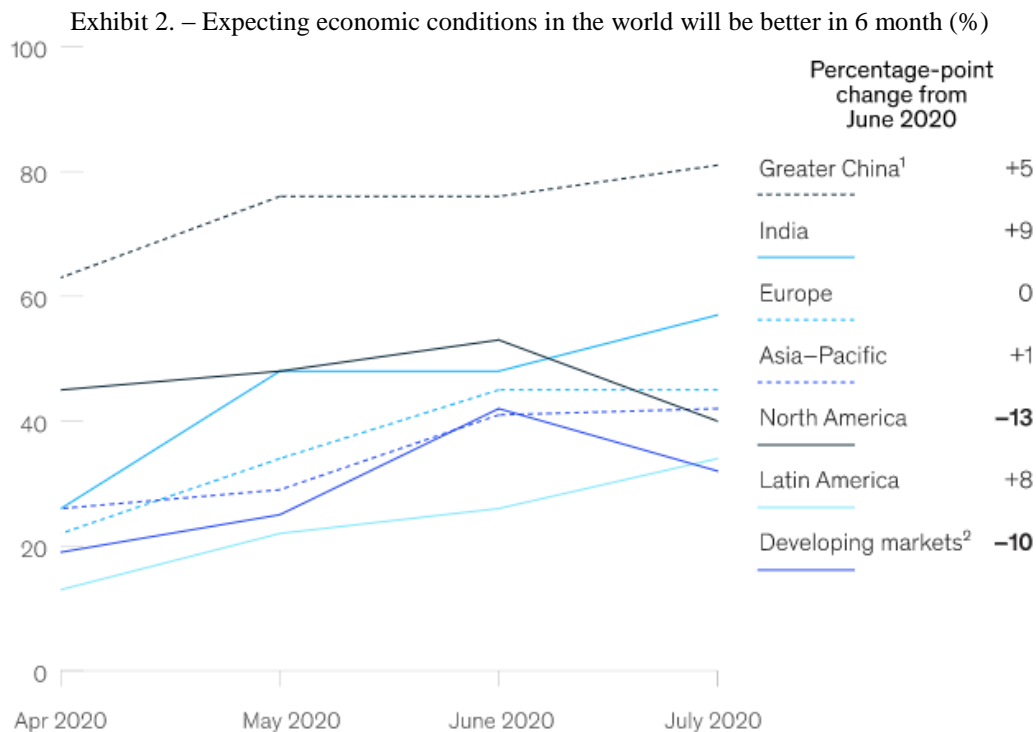
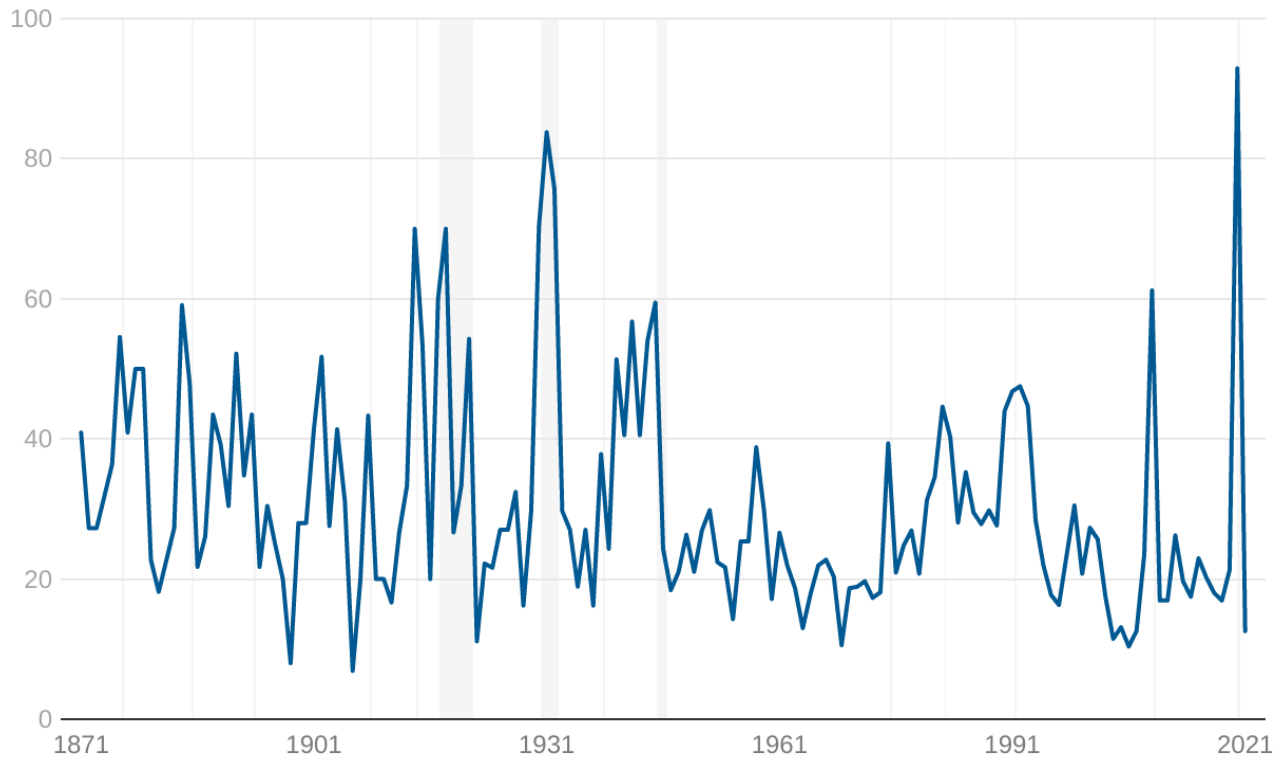


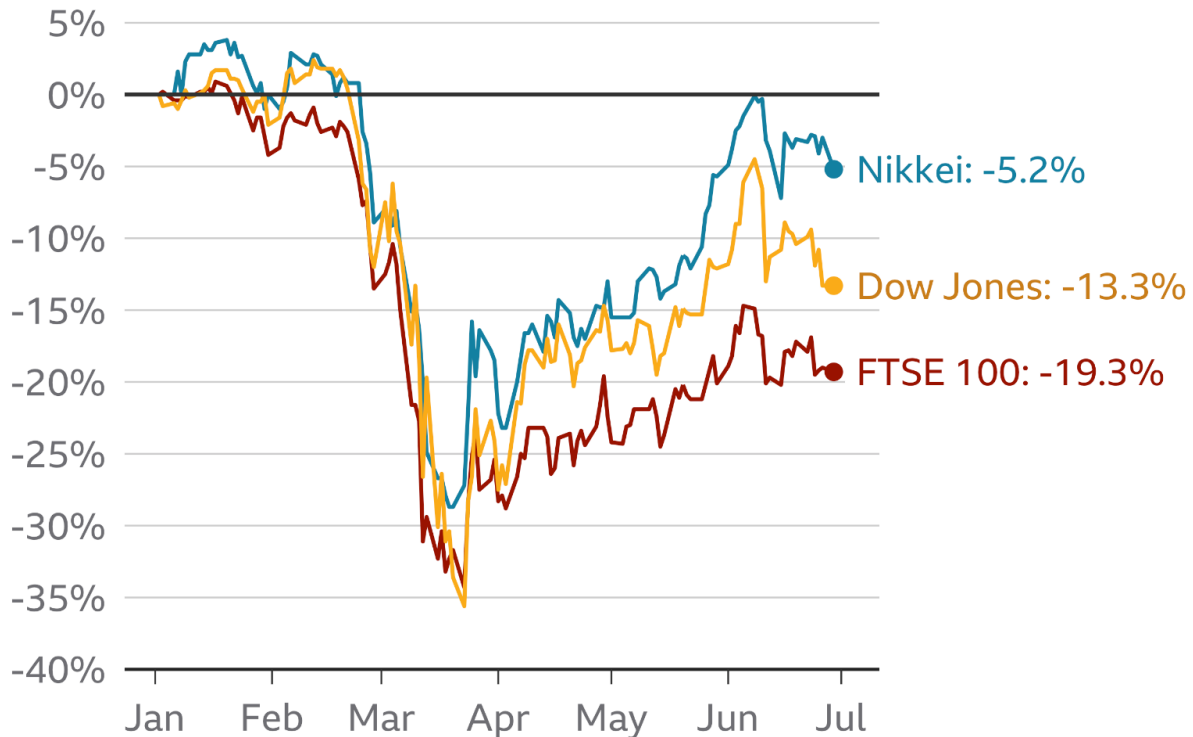
Exhibit 3. Most countries are expected to face recessions in 2020



In turn, speaking of global stocks in motion, it should be remembered that significant shifts in stock markets where company shares are bought and sold can affect the value of pensions or individual savings accounts (ISAs). To

date, the FTSE, Dow Jones Industrial Average and Nikkei have fallen sharply as the number of Covid-19 cases has risen. The Dow and FTSE showed the largest quarterly drop in the first three months of the year since 1987.[3]

Exhibit 4. The impact of coronavirus on stock markets since the start of the outbreak



In response, central banks in many countries, including the UK, slashed interest rates. That should, in theory, make borrowing cheaper and encourage spending to boost the economy. Global markets have since recovered some ground as governments have intervened. But some analysts have warned that they could be volatile until fears of a second wave of the pandemic are eased.

Also, long-term damage to potential output and productivity growth to what may be lingering repercussions of the deep global recession: setbacks to potential output—the level of output an economy can achieve at full capacity and full employment—and labor productivity. Efforts to contain COVID-19 in emerging and developing economies, including low-income economies with limited health care capacity, could precipitate deeper and longer recessions—exacerbating a multi-decade trend of slowing potential growth and productivity growth. Many emerging and developing economies were already experiencing weaker growth before this crisis; the shock of COVID-19 now makes the challenges these economies face even harder.

Another important feature of the current landscape is the historic collapse in oil demand and oil prices. Low oil prices are likely to provide, at best, temporary initial support to growth once restrictions to economic activity are lifted. However, even after demand recovers, adverse impacts on energy exporters may outweigh any benefits to activity in energy importers. Low oil prices offer an opportunity to oil producers to diversify their economies. In addition, the recent oil price plunge may provide further momentum to undertake energy subsidy reforms and deepen them once the immediate health crisis subsides.

As the world grapples with the COVID-19 pandemic that continues to affect a growing number of countries and people, the responses to the latest McKinsey Global Survey on the economy suggest increasing optimism. Executives

report ever-more-positive expectations for company demand and profitability—two months after reporting record pessimism on both fronts—and for their countries’ economic prospects.[1]

While executives’ views on company profits remain more negative than positive, the share expecting increased profitability has grown. Respondents are more likely to expect customer demand will increase than decrease; two months ago, the opposite was true.

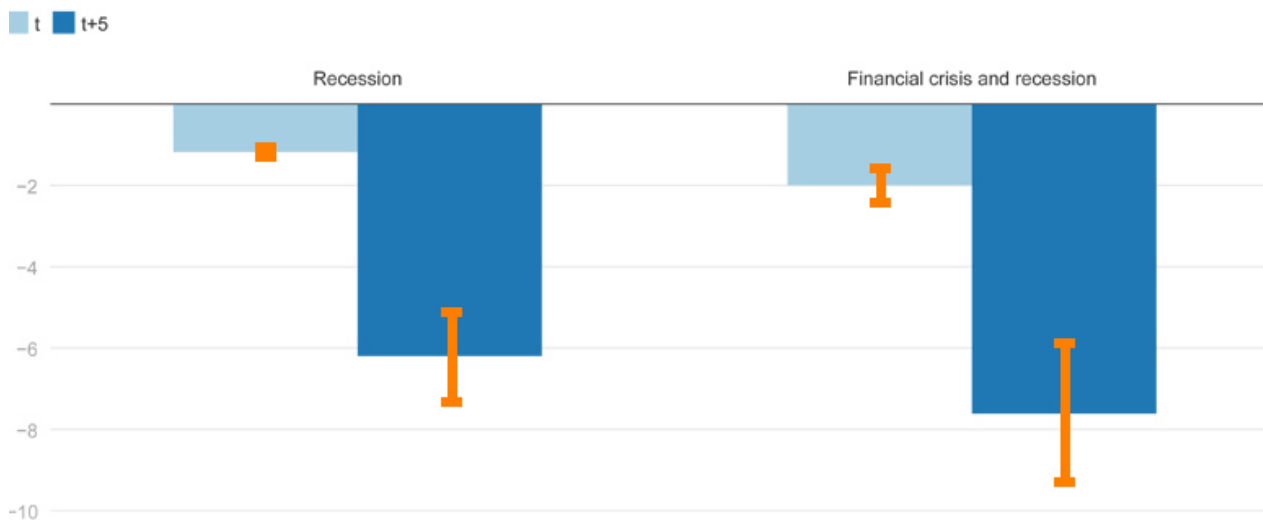
By industry, more than half of respondents in retail and in high tech and telecom expect demand to rise. Retail executives also report a much more optimistic view on demand since the April 2020 survey, as do those in capital projects and infrastructure. Except in Greater China, India, and Latin America—where respondents’ outlooks have held steady—executives in every region are more likely than in May to expect improvements.

What’s more, the share of experts expecting global and domestic growth rates to increase in the next six months has grown since April and May.

Conclusions. Thus, one can unequivocally say that the world economy is already in recession, since the effects of the coronavirus pandemic on economic activity are increasing. So in the face of this disquieting outlook the longer term, authorities need to undertake comprehensive reform programs to improve the fundamental drivers of economic growth once the crisis lifts.

Policies to rebuild both in the short and long-term entail strengthening health services and putting in place targeted stimulus measures to help reignite growth, including support for the private sector and getting money directly to people. During the mitigation period, countries should focus on sustaining economic activity with support for households, firms and essential services.

Exhibit 5. – Cumulative EMDE potential output response after recessions (%)



Global coordination and cooperation—of the measures needed to slow the spread of the pandemic, and of the

economic actions needed to alleviate the economic damage, including international support—provide the greatest

chance of achieving public health goals and enabling a robust global recovery.

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