

Impact of Coronavirus (Covid-19) on the Global Economy

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Abstract

The purpose of this research article is to study the impact of the coronavirus pandemic on the world economy. The article explores the impact of the coronavirus epidemic on the state of the world economy and international economic relations. The authors examine the state of affairs in the tourism industry, the situation on commodity markets, financial sector, and analyze the impact on international production and trade.

Keywords: Coronavirus, epidemic, quarantine, economy, epidemic, pandemic, self-isolation, decline in production, world economy, tourism

1. INTRODUCTION

2020 began on a gloomy note for the whole world: on December 31, 2019, the Chinese authorities announced an outbreak of unknown pneumonia in Wuhan, the causative agent of which was subsequently recognized as a new coronavirus called COVID-2019. Further events develop rapidly: if as early as January 15 the number of officially confirmed cases of infection did not exceed 50 people, and only 1 person died, then by January 26 the number of infected people exceeded one thousand, and by the morning of February 28, according to the latest data, it was 84,132 people. , of which every tenth is in serious condition, and the number of deaths has reached 2876 people [1].

At the same time, the virus managed to penetrate all continents of the Earth with the exception of Antarctica. The World Health Organization, at a meeting in Geneva on January 30, recognized the outbreak of a new type of coronavirus in China as an international emergency, and on February 28 raised the global risk assessment to "very high" [2].

Data on the impact of the SARS outbreak that occurred in Asia in 2003 can be used to understand the magnitude of the loss. The total losses of the economies of the worst affected China, Hong Kong, South Korea and Taiwan amounted to about \$ 20 billion, and Asia as a whole - \$ 28 billion, of which the tourism industry lost \$ 11 billion [3]. The total damage suffered by the world economy amounted to \$ 59 billion according to the Asian Development Bank [4].

2. INVESTIGATIONS

When assessing the potential damage, it is worth considering the fact that over the past 16 years, China's role in the world economy has changed significantly: the GDP of the national economy has grown 8.5 times, turning China from a country on the periphery into the second economy in the world, the volume of national exports has increased by 5, 5 times [5]. Many

multinational corporations such as Apple have moved their production to China to save on labor. In addition, the purchasing power of citizens has increased significantly, due to which a significant effective demand for goods and services has formed in the country, which will inevitably decrease against the backdrop of the outbreak of the panic virus: many international companies report a drop in sales and multi-million dollar losses [6].

Microsoft officials also said the impact of the coronavirus outbreak would be large enough for Windows-centric software and Surface devices. The company warns of possible financial losses amid the situation with the spread of the disease. "Although we are registering strong demand for Windows, the current commit system is returning to normal performance at a significantly slower pace than predicted," Microsoft said. The software developer adds that in the fiscal quarter, the rate of return will not meet earlier expectations. At the same time, a noticeable negative impact is predicted for the main lines of the American manufacturer, exceeding previous concerns in this area. The outbreak of coronavirus in the PRC has led to the closure of production sites and stores in the regions affected by the epidemic. In total, the situation may affect over 5 million companies located around the world [7].

As for Russia, a drop in business activity in industries such as retail, transport and tourism, coupled with lower oil prices, market volatility and the withdrawal of investors from risky assets, will slow down GDP growth in 2020 by at least 0.1-0.2 %, according to experts interviewed by the TASS news agency. If a negative scenario is realized, in which the active spread of the disease continues and stretches in time in the coming months, then the "viral" factor may slow down the growth rate of the Russian economy in the first quarter from 0.2-0.4% to 0.8-1% GDP [8].

To understand the scale of the problem: according to the World Travel & Tourism Council due to the SARS virus in 2003, tourism in China, Hong Kong, Vietnam and Singapore lost about 3 million people. For example, Hong Kong airport reported a 69%

drop in passenger traffic in April 2003 from a year earlier [9]. Hotel occupancy in the epidemic-stricken region has dropped from a seasonally average 75% to 21%. A similar depth of fall is likely in the current situation: there are few people who want to spend a vacation in a region where an epidemic is raging, about which the front pages of all world media are writing. After the SARS outbreak, it took 16 months to fully recover.

The oil market is also under great pressure. In China, which is the world's largest oil importer, consumption fell by about 20% [10] or 3 million barrels per day. To understand the scale, this is 60% of the total volume of Russian oil exports.

On March 6, 2020, the OPEC + countries could not agree on the extension of the agreement to reduce oil production. Since April 1, none of the members of the Alliance has become obliged to limit oil production. And Saudi Arabia (later offered to sell oil to the EU countries at a price of \$ 25 per barrel) intended to increase production and reduce oil prices. But will Saudi Arabia itself be able to cover the country's budget deficit at low energy prices? According to forecasts, the reduction in world oil consumption may amount to 10-25%.

March 12 ("Black Thursday") saw the collapse of global markets

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(especially the United States). During trading, the American Dow Jones index fell by 9.99% (this is the largest collapse since 1987, when this indicator fell by 22.61%, reaching the lowest level in history), S @ P500 - by 9.43 %, while the NASDAQ plunged nearly 10%, the biggest drop in 33 years.

3. CONCLUSION

The coronavirus epidemic has become one of the main threats to the global economy and financial markets. The virus quickly spread throughout the world, seriously affecting the economies of many countries. From an economic point of view, a negative role is played by the number of people infected and by the economic consequences that are associated with measures taken against the spread of the virus. The coronavirus has been officially recognized as a global crisis. Despite the fact that there are sectors of the economy that are positively affected by the current situation, the overall economy has suffered a big blow. Experts hope that the situation will change with the arrival of hot weather or after the discovery of the vaccine. But after the epidemic subsides, the economy has a long way to recover.

Thus, the world will look different by the end of 2020. He has changed. And we will all change with him.

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