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GLOBAL MACRO-ECONOMIC IMPACTS AND PERSPECTIVES OF COVID-19

Abstract

The COVID-19 outbreak (previously 2019-nCoV) was caused by the SARS-CoV-2 virus. This outbreak was triggered in December 2019 in Wuhan city in Hubei province of China. COVID-19 continues to spread across the world. Initially, the epicenter of the outbreak was China with reported cases either in China or being travelers from China. At the time of writing this paper, at least four further epicenters have been identified: Iran, Italy, Japan and South Korea. Even though the cases reported from China are expected to have peaked and are now falling (WHO 2020), cases reported from countries previously thought to be resilient to the outbreak, due to stronger medical standards and practices, have recently increased. While some countries have been able to effectively treat reported cases, it is uncertain where and when new cases will emerge. Amidst the significant public health risk COVID-19 poses to the world, the World Health Organization (WHO) has declared a public health emergency of international concern to coordinate international responses to the disease. It is, however, currently debated whether COVID-19 could potentially escalate to a global pandemic. In a strongly connected and integrated world, the impacts of the disease beyond mortality (those who die) and morbidity (those who are incapacitated or caring for the incapacitated and unable to work for a period) have become apparent since the outbreak. Amidst the slowing down of the Chinese economy with interruptions to production, the functioning of global supply chains has been disrupted.

Key words: COVID-19; pandemic period; global impact; macroeconomic impacts

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COVID-19-un qlobal makro-iqtisadi təsirləri və perspektivləri

Xülasə

COVID-19 epidemiyasına (əvvəllər 2019-nCoV) SARS-CoV-2 virusu səbəb olub. Bu epidemiyaya 2019-cu ilin dekabrında Çinin Hubei əyalətinin Uhan şəhərində baş verib. COVID-19 bütün dünyaya yayılmaqda davam edir. Başlanğıcda, epidemiyanın episentri ya Çində, ya da Çindən gələn səyahətçilərin olduğu bildirilən Çin idi. Bu sənədi yazarkən ən azı daha dörd zəlzələnin mərkəzi müəyyən edilib: İran, İtaliya, Yaponiya və Cənubi Koreya. Çindən bildirilən halların pik həddə çatacağı və indi azalacağı gözlənilsə də (ÜST 2020), daha güclü tibbi standartlar və təcrübələr səbəbindən əvvəllər epidemiyaya davamlı olduğu düşünülməyən ölkələrdən bildirilən hallar son vaxtlar artmışdır. Bəzi ölkələr bildirilmiş halları effektiv şəkildə müalicə edə bilsələr də, yeni halların harada və nə vaxt ortaya çıxacağı qeyri-müəyyəndir. COVID-19-un dünya üçün yaratdığı əhəmiyyətli ictimai sağlamlıq riski fonunda, Ümumdünya Səhiyyə Təşkilatı (ÜST) xəstəliyə beynəlxalq reaksiyaları əlaqələndirmək üçün beynəlxalq narahatlıq doğuran ictimai səhiyyə fəvqəladə vəziyyəti elan etdi. Bununla belə, hazırda COVID-19-un potensial olaraq qlobal pandemiyaya çevrilə biləcəyi müzakirə olunur. Güclü əlaqəli və inteqrasiya olunmuş bir dünyada, xəstəliyin ölümdən (önlər) və xəstələnmədən (əmək qabiliyyəti olmayan və ya əlillərə qulluq edən və bir müddət işləyə bilməyənlər) təsirləri baş verəndən bəri aydın oldu. Çin iqtisadiyyatının istehsalda fasilələrlə yavaşlaması fonunda qlobal təchizat zəncirlərinin fəaliyyəti pozulub.

Açar sözlər: COVID-19, pandemiya dövrü, qlobal təsir, makroiqtisadi təsirlər

Introduction

The process of the global spread of coronavirus (COVID-19) continues. Countries are forced to impose sanctions in various areas to prevent the spread of the virus. This weakens economic activity globally, worsens overall economic growth, and exacerbates the geopolitical situation.

The suspension of flights due to the virus, the minimization of exports of products, the closure of the borders of countries lead to stagnation in tourism, processing industry, and other economic sectors and disruption of the sustainability of the value chain.

Economic stagnation is pushing economic centers such as the United States and the Eurozone, including China, where the virus is spreading, into recession. The weakening of global economic activity also has a negative impact on the economies of countries that depend on the export of those raw materials, reducing the demand for them.

In this regard, the spread of COVID-19 has led to a sharp decline in demand for energy products and disagreements among energy exporters. As a result, oil prices have fallen sharply in international markets.

As the decline in oil prices has a direct impact on the Azerbaijani economy, it is important to analyze the economic impact of the spread of the coronavirus. Therefore, it is very important today to study the global macroeconomic effects of the coronavirus on the world's most powerful economies in general.

Many studies have found that population health, as measured by life expectancy, infant and child mortality, and maternal mortality, is positively related to economic welfare and growth (Pritchett and Summers, 1996; Bloom and Sachs, 1998; Bhargava and et al., 2001; Cuddington et al., 1994; Cuddington and Hancock, 1994; Robalino et al., 2002a; Robalino et al., 2002b; WHO Commission on Macroeconomics and Health, 2001: 46; Haacker, 2004: 57). There are many channels through which an infectious disease outbreak influences the economy. Direct and indirect economic costs of illness are often the subject of health economics studies on the burden of disease.

Humanity has been exposed to many epidemics that have caused many health problems, as well as causing the death of a large number of people affecting large geographies. Although there have been many diseases in history, not every disease has been accepted as an epidemic.

In order for a disease to be an epidemic, if it occurs with a new virus and spreads among people, it must be defined as a pandemic by the World Health Organization (WHO). In order for this to happen, the virus that caused the epidemic must have emerged for the first time, the virus must spread rapidly and continuously among people and pass from person to person, causing dangerous consequences.

Epidemics are health events that cause radical changes and global effects in the history of humanity in social, political, and economic terms. Epidemics have caused many radical changes from nutrition to management and lifestyle. So much so that the epidemics even caused the collapse of empires.

The Black Death, which started in Italy in the 1300s, surrounded Europe and North America and caused the death of approximately 75 million people, causing the collapse of feudalism in Europe. The coronavirus (COVID-19) epidemic, which was first seen in Wuhan, China in December 2019 and spread all over the world in a short time, became a global health crisis and affected the whole world.

It is estimated that this crisis, which negatively affected both the business world and the economy in a short time, will have more devastating consequences than the Great Depression of 1929. Undoubtedly, developing countries will suffer more in this process.

Especially due to the risk, there will be a decrease in the flow of foreign direct investment, a decrease in the trade volume, an increase in the prices of intermediate goods and raw materials, and depending on this increase, the production volume will decrease and the prices will increase.

The decrease in production will also cause price increases and a contraction in demand, especially in some sectors (textile, technology, etc.). However, with the rise in exchange rates, especially in developing countries, the national currency will lose value.

Research Model

Despite having a low death rate, the COVID-19 virus, which has a high spread rate, has caused an intense anxiety and panic environment, unlike previous epidemics.

The reason for this intense concern is that people are more in touch thanks to development, science and technology, international mobility of people increases due to advanced transportation networks, and countries are more affected by each other due to intense global trade.

When we look at the historical process of the countries, it has to go through five stages (traditional society stage, preparation for take-off, take-off, maturation and mass consumption stage) until it reaches the level of development (Sevda, 2018: 57).

In order to complete these stages, countries must fulfill the requirements of the age. Especially in recent years, rapid developments in science and technology have made global competition more difficult in many fields. During the development process, countries may be exposed to many wars, natural disasters and epidemics (Engin, 2019: 34).

Natural disasters and epidemics, in particular, cannot be foreseen and easily controlled. An emerging epidemic or a disaster can turn the whole order upside down. The history of humanity has witnessed these events and has undergone many changes.

When the 1918 Spanish Flu emerged, approximately 1/3 of the world's population was infected with this virus and caused the death of more than 80 million people. So much so that the number of people who lost their lives in the Spanish Flu was more than those who lost their lives in the First World War (Engin, 2019).

The spread of the Spanish flu had an impact in the war. The Ebola epidemic, which was first seen in Africa in 2013, also caused great losses. According to the World Health Organization (WHO) report, approximately 11 thousand people died from Ebola between 2013 and 2016. The Ebola epidemic has adversely affected the West African economy.

Accordingly, it has been reported that it caused a loss of approximately 53 billion dollars in the country's economy and reduced the national income of 2015 by 20%. A large number of people died in the SARS epidemic, which first appeared in China in 2003, affecting Taiwan, Singapore, the USA, and Canada. According to the World Bank report, the economic growth of 2003 decreased by 0.5% -1% (Engin, 2019: 47).

The SARS epidemic cost the global economy 54 billion dollars. Due to the plague epidemic that emerged in Europe, the rural population decreased, which led to a decrease in agricultural production. The decrease in the population engaged in agriculture caused famines.

However, animal husbandry began to develop with the grazing of animals in the vacant agricultural lands and pastures. In addition, due to the death of many people due to the plague, the workforce decreased, which led to an increase in wages. During this period, workers were working less and earning more. This, in turn, led to the emergence of the slave trade and the formation of a production structure based on the wage labor system.

Apart from this, people who wanted to escape from the plague started to trade to distant and overseas countries, and as a result, overseas voyages were made and large ships were built to be used in these voyages.

The plague did not only affect the economy, but also many cultural changes occurred. The Latin, which was widely used at that time, was gradually replaced by English and French. Significant reforms also took place in terms of religion. People have sought freedom and knowledge.

The COVID-19 epidemic, which emerged in China for the first time in December 2019 and affected the whole world in a short time, caused the death of many people and continues to do so.

When the epidemic diseases experienced throughout the history of humanity are examined, there are many common features. Accordingly, it has some common features such as affecting all humanity, not making age and gender discrimination, negatively affecting the economy, being contagious, deadly, limiting, and isolating the society.

The COVID-19 epidemic has affected many countries and many sectors in a short time. The economic effects of the epidemic are called Black Swan. The COVID-19 outbreak is both medically contagious and economically contagious (Cengiz, 2019).

With the emergence and spread of the virus, many businesses have stopped their activities; There have been many economically important developments such as decreases in production volume in many important sectors, the collapse of stock markets, decrease in interest rates.

The COVID-19 pandemic has affected the whole world and negatively affected the global economy. Starting from China, the country where the case was first seen, the whole country caused heavy damage to the economies and dragged them into economic recession.

While production and foreign trade decreased as a result of the isolation measures taken specially to prevent the spread of the epidemic; investments have almost come to a standstill and activities in many sectors have been stopped. Along with the decrease in production and trade, there has been a serious decrease in employment due to the rupture of supply chains (15).

According to the researches, the damage caused by the COVID-19 epidemic to the global economy has been more than the damage of the 2008 global crisis. It is expected that this epidemic will have profound effects on the economy, similar to the 1929 crisis.

During periods of uncertainty and intense stress in the economy, the markets are adversely affected by this situation. In the previous 2008 crisis and the crises before it, sharp decreases were observed in the markets.

Although the reason for the decline in the markets is financial and economic factors, the fear of loss experienced by investors triggers negativities. The COVID-19 epidemic also created uncertainties similar to the financial crises experienced before, causing sharp declines in the markets (15).

As a result of the countries taking intense protectionist measures against the COVID-19 epidemic, anti-globalization tendencies have started to increase, and instability and conflicts have begun to emerge in many regions. While the consequences of the epidemic threaten globalization, these threats can be reduced by international cooperation.

To understand the damage that the pandemic has done to the world economy, some economists have compared its effects to the profound recession of the world economy in the 1930s.

So, if we look at this issue in terms of time compared to different periods, we can say that this crisis is about 3 times worse than the world crisis of 2008 in terms of GDP decline. Granted, this was no worse than the Great Depression of the 1930's (Candan, 2020).

During that period, production declined for 3-4 years and the unemployment rate in the United States rose to 25%. In this pandemic, unemployment in the United States rose to 14.7% in April and gradually declined in the following months. The economic downturn in this period is the lowest in the world since 1930 (Candan, 2020: 56).

Analyses

In general, if we look at the changes that have taken place so far, we can see that China is still relatively harmless in this pandemic. There has been almost no technical recession in the Chinese economy. Only in the first quarter of 2020, negative economic growth was observed (15)

At the same time, it can be said that countries such as South Korea and Taiwan are in a better position than other countries. So, these countries have managed to control a lot of things by doing a lot of experiments with the virus and watching them. In this regard, the death toll was higher in countries such as the United States, Brazil, and India, which spend fewer resources on the fight against the virus (Candan, 2020: 56).

From an economic point of view, the European economy has been more affected, as the recession in Europe is worse than in the United States, Canada, or Japan. Especially the cooling of the weather in the last month; indicates an increase in the number of infections with this virus worldwide (Candan, 2020: 57).

In this regard, Europe is in a worse position among these regions. In particular, France, Italy, Spain and the United Kingdom are among the leading countries in the number of infections.

The pandemic has also affected the Azerbaijani economy. Thus, the country's economy, which began the first months of 2020 with positive economic growth, later declined as a result of the pandemic.

One of the interesting reasons is the trend of changing the yield of Eurobonds issued by the Azerbaijani government for foreign markets. In general, the most active and liquid of these bonds is the bond with a maturity of March 2024 and a total issue of \$ 1.25 billion.

Of course, in such conditions, the areas of activity that depend on the mass gathering and number of people in connection with the activity have suffered the most. For example, airlines are one of the most affected areas. Hotel services are another example. The cruiser has suffered heavy losses in the service sector. Sufficient time is required for the restoration of these areas.

We can show high technologies to the areas that have shown good results. Many companies are trying to increase their digital development to grow their business, depending on the current situation. At the same time, the field of health services is one of the developing areas in response to the growing demand due to the current situation.

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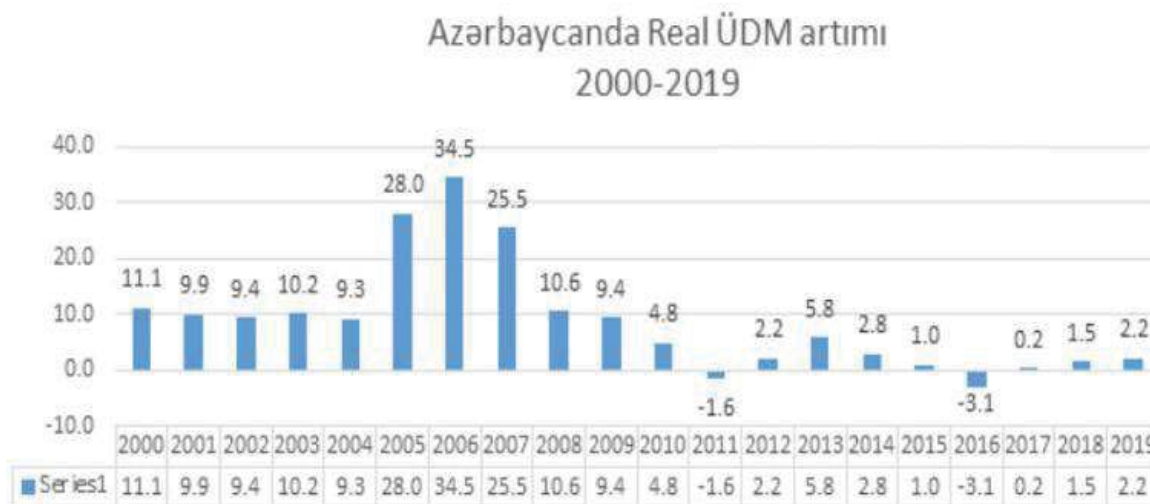
Figure 1 Real economic growth and forecast in developing countries



Source: <https://marja.az/63730/covid-19-pandemiyasi-dunya-iqtisadiyyatina-nece-tesir-edir-ve-iqtisadi-gozlentiler-nedir> - pandemic and expected results 2021.

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By the end of 2022, economic growth is projected at minus 3.5 to minus 4.5%. It should be noted that in the current situation, this figure is not so bad compared to other developed and neighboring countries.



Source: <https://marja.az/63730/covid-19-pandemiyasi-dunya-iqtisadiyyatina-nece-tesir-edir-ve-iqtisadi-gozlentiler-nedir> - pandemic and expected results 2021

The economic recession in Azerbaijan is expected to be short-lived and positive economic growth will be restored by the end of 2022.

The following information was obtained on the impact of the pandemic and war on the country's capital markets. In capital markets, we do not see much of an impact. In particular, these effects are not felt in the domestic market. There are some reasons for this. We can point to excess liquidity as the primary reason

Conclusion

The Covid-19 crisis has spread rapidly all over the world. Combined with the oil war and travel barriers between Saudi Arabia and Russia, this has put the stock markets in their worst condition since 1987. The world today is facing an entirely new crisis. Under these conditions, global recession seems inevitable. But how deep and long the decline will be depends on the success of the measures and policies implemented by the government to prevent the spread of Covid-19, the extent to which liquidity problems in SMEs can be alleviated, the government that will be implemented to support financially distressed families and secure their jobs. dependent on the effects of its policies. The depth of the crisis also depends on how companies respond to the crisis and how long the current lockdowns will last. Central banks follow different strategies during the crisis. In March, the US Federal Reserve, the Bank of England and many of the central banks lowered interest rates. Governments around the world are in a hurry to announce their liquidity increase programs. However, a lot of work falls on the government and central banks to calm the markets and improve the economy. The economic costs of the Covid-19 crisis are not the same for countries around the world. Unemployment, which already exists globally, has increased even more. As in previous crises, younger and less educated workers will be more likely to lose their jobs in this crisis. Unfortunately, it is not possible to clearly reveal the economic effects of Covid-19 under these conditions. This will depend on the pace at which the pandemic progresses over the coming time, how serious it will be, how countries respond, and what policies and measures governments take.

In the 21st century, where science and technology come to the fore, corona virus has re-emerged as an epidemic disease in the historical process. The frequent occurrence of such diseases arising from bacteria and viruses in certain periods is actually due to negative externalities that ignore the natural balance and are created by the ambition to obtain more income and rent. Therefore, the Covid-19 epidemic will lead to a rapid change in health, education and socio-cultural fields, especially in socioeconomic life, and will cause the lifestyles of individuals to differ. In this context, while there is still a chance, it should be tried to create solutions that constitute continuity in every field from science to art, from production to consumption, and political, social and economic reforms that are needed by the states should be implemented.

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