

Секция «Актуальные проблемы мировой экономики и международной торговли»

## Threats to the global economy amid the evolving COVID-19 pandemic

Научный руководитель – Третьякова Галина Викторовна

*Переверзева Елизавета Олеговна*

*Student (specialist)*

Финансовый университет, Факультет международных экономических отношений,  
Москва, Россия

*E-mail: elizaveta.pereverzeva@yandex.ru*

The emergence of a new coronavirus infection, COVID-19, has jeopardized all global economic activity due to restrictions imposed by countries in order to prevent the spread of the virus in the global environment. As the COVID-19 pandemic progresses, the global economy has fallen into a deep economic shock over the past decade, causing increasing damage to virtually every industry.

This article will reveal the most acute and major threats that have arisen in the face of the world economy, and in particular Russia, caused by the emergence of the new coronavirus COVID-19. The relevance of the work is due to the need to develop measures to reduce damage during the period of economic recession by analyzing the formed difficulties.

First, it is worth highlighting the fact that the rapidly developing virus has affected all countries of the world, has even more clearly marked the boundaries of inequality between countries, aggravated the process of globalization, and deepened the conflict of wealth and poverty. From World Bank's requests, 2020 will be a turning point for many countries and will turn into global recessions. Dynamics of the share of economies in recession for the period 2000-2020 is shown in Figure 1. Analyzing the presented data, we can conclude that the share of economies in a state of recession will reach its maximum value over the past two decades.

According to preliminary estimates of experts, the drop in the gross domestic product (GDP) of large states will be at least 2.4% at the end of 2020. This, in turn, will entail a decline in overall global economic growth to 2.4% in 2020, compared to 3.0% in previous years. [5] According to analysts, the drop in the Middle East and Africa will amount to 4.2%, in Europe and Central Asia about 4.7%, and in Latin America, respectively, will decrease by 7.2%. [5] Such a sharp downturn in the global economy will reverse many of the results of progress, putting many emerging market economies back in a situation of hunger and extreme poverty. It will not do without consequences for developed countries: a decline in world trade and a decline in tourism, restrictions on capital flows and tightening conditions on the part of financial institutions.

Secondly, the result of the spread of COVID-19 can be called a sharply aggravated crisis in the market for energy and other industrial goods, which is especially important for Russia due to its existing dependence on the oil and gas market, which is reflected in Figure 2. Currently, there is a significant collapse in demand and oil prices. This decrease in demand and prices for oil, petroleum products, natural gas, timber, etc. for Russia is the largest component of the decline in Russian GDP, since compared to 2019, such raw materials accounted for more than 75% of exports. As a result, there is a collapse in investment in minerals, consumption in regions with a large number of energy exporters is decreasing, and governments have to tighten their fiscal policy.

Thirdly, one of the factors of the rapid deterioration of the economic condition of countries is a massive drop in demand in all sectors. This trend can be easily traced by the example of the tourism business: the ban on flights causes a decline in demand for airline services. Those, in turn, are forced to resort to government assistance and staff cuts in order to reduce growing losses. This situation creates a downward global economic spiral: falling demand -

rising unemployment - even more reduced demand due to the unemployed, unable to leave the previous level of consumption. Shown in Figure 3. Moreover, unlike the retail sector, which can compensate for itself by development on online platforms, such areas of economic activity (tourism, the sphere of everyday services, the global energy market) cannot exclude a decline in economic growth in the context of global uncertainty, a pandemic and a recession associated with spheres of the economy.

Fourthly, the situation with COVID-19 directly affected the global flows of foreign investment. To date, UNCTAD has announced a fall in investment in the range of 30% to 40% for 2020-2021. [2] Due to the critical decline in demand, new investment projects are postponed and disrupted, investments in projects in the extractive sectors of the economy are suspended, and investments in production capacities, which are closely linked to global value chains, have negative effects. All the above processes lead to a concomitant decrease in the income of subsidiaries and branches. [3]

The developing crisis actualizes the need for urgent action by Governments to protect the most vulnerable sectors of the economy, create an environment for overcoming the crisis and mitigate the negative impact of the COVID-19 pandemic on the global economy. [4] Thus, the recession underscores the importance of the institution of the state for the harmonization of economic, political relations, and also focuses on the fragility of the entire system of global value chains.

## References

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## Illustrations

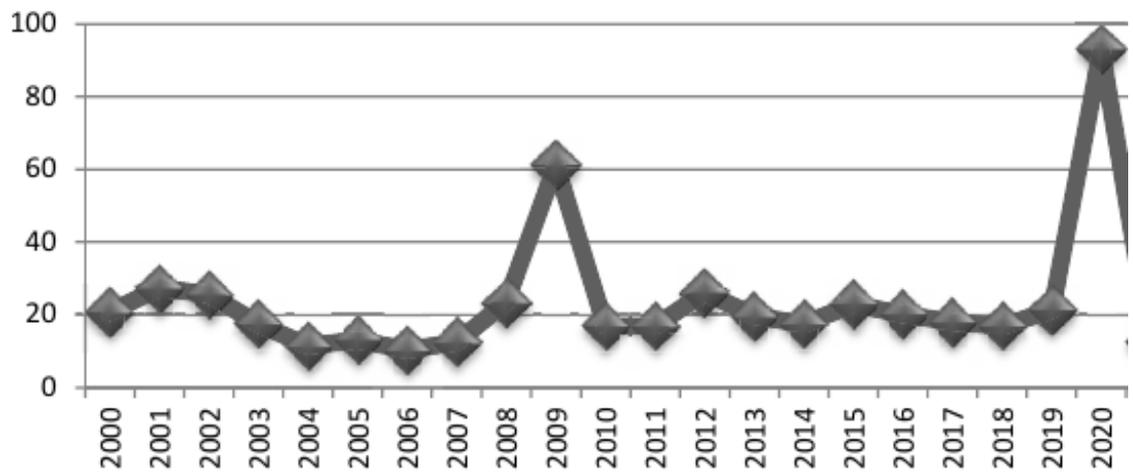


Рис. 1. Figure 1. Share of economies in recession for 1971-2020

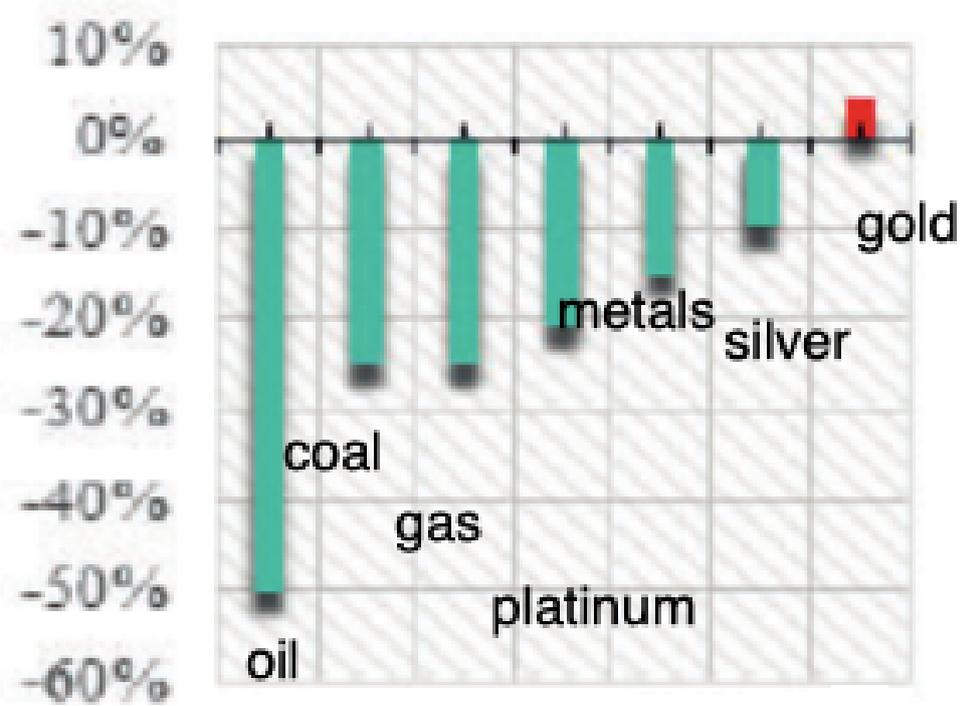


Рис. 2. Change in commodity prices, January 2020, in%;

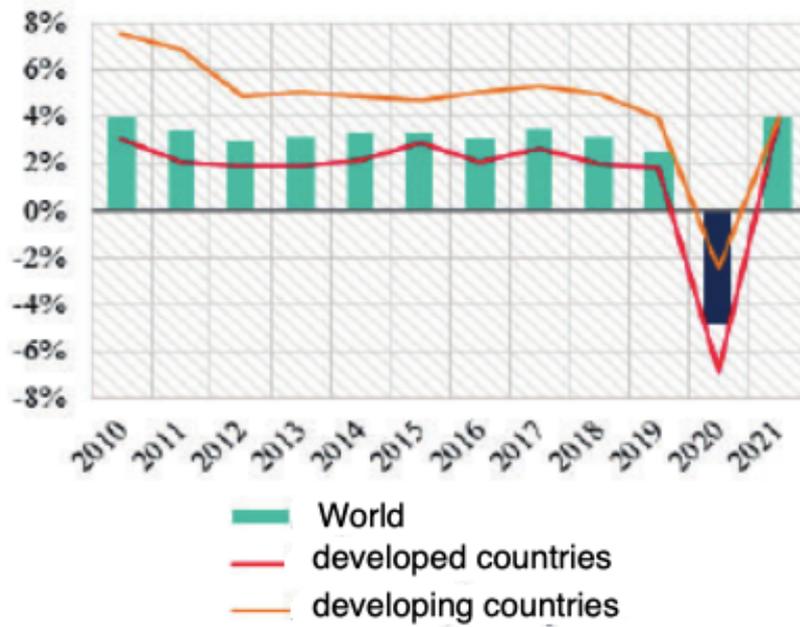


Рис. 3. World economic growth, in%