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THE CORONAVIRUS (COVID-19) PANDEMIC: ECONOMIC IMPLICATIONS AND CHALLENGES

Summary

The COVID-19 pandemic is an unstoppable worldwide epidemic. As of mid-September 2021, there have been more than 44 million confirmed cases of COVID-19. World Bank estimates show the deepest global recession since World War II, with millions out of work. Quarantines and other extreme restrictions cannot be sustained in the long term in the hope that there will be an effective vaccine or treatment for COVID-19. Rather, these restrictions give countries time to reduce disease incidence and take robust but sustainable measures to prevent and control transmission. When and how a country eases restrictions are common challenges facing governments around the world as they try to balance various health, social and economic challenges.

Keywords: COVID-19, World Bank, economy

Giriş

2020 has been a truly exceptional year in human history. The coronavirus disease (COVID-19) pandemic has so far killed more than 3 million people, had a devastating impact on the global economy, and fundamentally changed all areas of human life.

Prior to the COVID-19 pandemic, progress had been made toward goals in critical areas such as reducing poverty, improving maternal and child health, expanding access to electricity, and achieving gender equality. However, with the advent of the pandemic, problems and setbacks began in all areas around the world.

In many parts of the world, the pandemic is still ongoing, undermining decades of development efforts, and has already had a significant impact on several sectors [2].

The economic downturn caused by the pandemic has done little to slow the climate crisis. Preliminary data for 2020 show that the concentration of major greenhouse gases in the atmosphere has increased and the average global temperature is about 1.2°C above pre-industrial levels, dangerously close to the 1.5°C limit set by the Paris Agreement. In addition, the world has fallen short of its 2020 targets to end biodiversity loss, and between 2015 and 2020, forest cover has declined by 10 million hectares per year [McKibbin & Fernando, 2021].

The COVID-19 crisis has affected some of the delivery tools needed to promote sustainable change. Global foreign direct investment flow

decreased by 40 percent compared to 2019. The value of global merchandise trade was projected to decrease by 5.6 percent in 2021 compared to 2020. The multiple financial consequences of the pandemic are leading to debt crises in many countries and territories. While net official development assistance (ODA) rose to \$161 billion in 2020, it was not enough to respond to the pandemic and meet the long-established target of 0.7 percent of gross national income. [3].

Local communities have shown incredible resilience, governments have taken decisive action, social safety nets have expanded rapidly, digital transformation has accelerated and unprecedented partnerships have been forged to develop life-saving vaccines and treatments in record time. Quarantine measures were devoted to the prevention of the pandemic to the maximum extent, and although these measures prevented the pandemic, they froze the education system, collapsed the economy, and caused millions of people to become unemployed.

The sharp decline in activity dealt a crushing blow to the global labor market. A few countries (especially in Europe) have been able to limit its impact through effective short-term employment programs. However, according to the International Labor Organization, the global decline in working hours in the first quarter of 2020 compared to the fourth quarter of 2019 was equivalent to the loss of 130 million full-time

jobs. The decline in the second quarter of 2020 was equivalent to more than 300 million full-time jobs [1].

The damage to the labor market was particularly severe in the case of low-skilled workers who could not work from home. The International Labor Organization estimates that the crisis has affected about 80 percent of the estimated 2 billion informal workers worldwide.

The simultaneous nature of the recession exacerbates the disruptions in the domestic economies of countries around the world. Trade fell by about 3.5 percent (year-on-year) in the first quarter due to weak demand, a sharp drop in cross-border tourism and supply disruptions due to business closures (in some cases exacerbated by trade restrictions).

Around the world, self-isolation regimes were most intensively and widely used in the period from about mid-March to mid-May. For example, movement data from mobile phone signal monitoring shows that economic activity in retail, leisure, transit and workplaces in most countries remains weak, although it appears to be returning to baseline levels in some areas.

During most recessions, consumers spend their savings or rely on social safety nets and family support to offset spending, and consumption fluctuates relatively less than investment (Yıldırım S., 2020: p.1331-1351). But this time, the consumption and production of services has decreased significantly. This feature reflects a unique combination of factors: voluntary social distancing, the self-isolation required to slow transmission and the inability of health systems to cope with the rapidly growing disease burden, a sharp decline in incomes and weakening consumer confidence. Companies have also scaled back their investments amid lower demand, supply disruptions and uncertainty about future earnings. Thus,

Inflation in advanced economies decreased by about 1.3 percentage points from the end of 2019 to 0.4 percent (annualized) in April 2020, while in emerging market economies it decreased by 1.2 percentage points to 4.2 percent. Downward pressure on prices due to reduced aggregate demand, combined with the impact of so far low fuel prices, appears to more than offset any upward trend in costs due to supply cuts (1).

According to the European Commission's (EC) summer economic forecast, despite measures taken at both the EU and national level, the EU economy is in deep recession in 2020 due to the coronavirus pandemic [2].

According to the published summer forecast, Eurozone GDP contracted by 8.7% in 2020 and is forecast to grow by 6.1% in 2021. EU GDP as a whole fell by 8.3% in 2020 and is projected to grow by 5.8% in 2021. Thus, the forecast notes that the decline in 2021 is projected to be more significant than the expected 7.7% for the Eurozone and 7.4% for the EU as a whole. Economic growth in 2021 will also be slightly less stable than forecast in the spring [4].

The pandemic has reduced activity in global and national economies and limited investment opportunities. The implementation of social isolation measures to minimize the impact of the coronavirus on citizens' health naturally also affects the economy of Azerbaijan. In 2020, the nominal income of the population of Azerbaijan decreased by 1.8% compared to the previous year (3).

Tourism has become one of the sectors most affected by the new coronavirus pandemic in the world. Due to the closure of borders and suspension of flights, 4 times less foreigners and stateless persons arrived in Azerbaijan in 2020 than in 2019. In 2020, the turnover of mutual tourism services decreased by 4.3 times, a deficit was created as a result of the import exceeding the export of tourism services. The crisis caused serious economic losses not only to the tourism sector but also to other related industries.

Since the second quarter of 2020, a sharp decrease in the turnover of tourism services has been observed. Thus, if tourism services were exported in the amount of 457 million US dollars in the second quarter of 2019, they were worth 5 million US dollars in the second quarter of 2020, this decrease compared to 2019 continued in the third and fourth quarters of 2020 [4].

The economic and social upheaval caused by the pandemic has had a devastating effect on the situation in most countries of the world. Tens of millions of people are at risk of extreme poverty, and the number of undernourished people currently listed at around 690 million could rise to 132 million by the end of this year.

Millions of private companies and industries are threatened with closure. About half of the world's 3.3 billion employed workers are at risk of losing their livelihoods. Without financial assistance during the quarantine, many are in danger of not being able to support themselves and their families. For many, the lack of stable income has led to malnutrition and hunger.

The pandemic has affected the entire global food system and exposed its shortcomings. Border closures and trade restrictions have prevented farmers from accessing global markets [2].

Urgent and targeted measures to save lives and protect livelihoods must include expanding social protection through health coverage for socially vulnerable and low-wage workers, including migrants. Particular attention should be paid to the situation of women working in low-wage jobs [3].

During the outbreak of the pandemic, the negative impact of COVID-19 was especially felt by vulnerable countries that are already experiencing humanitarian crises or emergencies. In such countries, it is extremely important to deliver aid to the most needy sections of the population as soon as possible.

A number of factors suggest that the governments of the region will face serious obstacles and fiscal pressures to find a way out of the current crisis and support the recovery of the private sector. Perhaps most pressing is the risk of a new outbreak. In August 2021, the public health situation remained unstable not only in the region, but globally. Vaccination has been slow, and the risk of new strains like Delta spreading faster and infecting more people than the original strain of the coronavirus does not rule out the possibility of new outbreaks. This means that

Table 1.
Comparison of the retail trade turnover of Azerbaijan in 2015-2020 (including the pandemic period) with other countries Retail trade turnover in international comparison

billion national currency units

Countries	2015	2016	2017	2018	2019	2020
Azerbaijan, manat	25.7	30.2	35.3	37.1	39.4	40.2
Armenia, drama	1 346.0	1 281.0	1 377.0	1 452.0	1 596.0	1 330.0
Belarus, Belarusian ruble	347 240.0	36.9*	40.2*	45.2*	49.6*	53.1*
Kazakhstan, tenge	6 556.0	7 974.0	8 893.0	10 046.0	11 328.0	11 572.0
Kyrgyzstan, Kyrgyz som	293.8	307.2	336.9	364.1	385.3	340.2
Moldova, ley	42.4	48.5	52.9	41.1	55.2	61.7
Russia, ruble	27 527.0	28317.0	29 813.0	31 579.0	33 624.0	33 555.0
Tajikistan, somoni	14.4	16.2	18.4	20.5	24.5	26.6
Uzbekistan, sum of Uzbekistan	71 184.0	88 072.0	105 768.0	133 195.0	161 173.0	189 625.0
Ukraine, hryvnia	1 031.7	1 175.3	815.3	930.6	1 094.0	1 210.8

*) Taking into account the denomination of the Belarusian ruble in 2016

Source: https://www.stat.gov.az/menu/2/quality/az/lecture/trd_07.xls, 01.01.2021

The policy measures implemented by Azerbaijan to first prevent the spread of COVID-19 and then to mitigate its social and economic impacts were similar to those of OECD countries, with the scale of interventions reflecting the government's fiscal capacity. Azerbaijan imposed severe restrictions on foreign travel starting in the first quarter of 2020,

and most of these restrictions remained in effect until the summer of 2021.

The result

Adopting and successfully implementing a comprehensive Action Plan to achieve sustainable development, including reducing the negative impact of the pandemic on the country's economy and employment. As a result of the

measures taken, the economy shrank by only 2.8 percent in 7 months.

2. Despite the impact of COVID-19 on the country's economy, the economic growth rate (0.2%) has increased due to the economic reforms implemented in the past years and the created potential;

3. The support program (\$1.47 billion – estimated at 3.1% of GDP) is not only an anti-crisis measure, but also a program of economic expansion, credit expansion and aggregate demand stimulation. This comprehensive package of support adopted by the government serves the goals of sustainable development, including the preservation of social balance and economic development in the post-pandemic period.

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KORONAVİRUS (COVID-19) PANDEMİYASI: İQTİSADİ MƏZMUNU VƏ YARATDIĞI PROBLEMLƏR

Xülasə

COVID-19 pandemiyası dünya üzrə qarşısızalmaz bir epidemiyadır. 2021-ci il sentyabrın ortalarına qədər 44 milyondan çox təsdiqlənmiş COVID-19 hadisəsi baş vermişdir. Dünya Bankının hesablamaları İkinci Dünya Müharibəsindən bəri ən dərin global tənəzzülü göstərir və milyonlarla insan işsizdir. COVID-19 üçün effektiv peyvəndin və ya müalicənin olacağı ümidi ilə karantinlər və digər həddindən artıq məhdudiyyətlər uzunmüddətli perspektivdə davam etdirilə bilməz. Əksinə, bu məhdudiyyətlər ölkələrə xəstəlik hallarını azaltmaq və ötürülmənin qarşısını almaq və nəzarət etmək üçün möhkəm, lakin davamlı tədbirlər görmək üçün vaxt verir. Bir ölkənin məhdudiyyətləri nə vaxt və necə yüngülləşdirməsi bütün dünyada müxtəlif sağlamlıq, sosial və iqtisadi problemləri tarazlaşdırmağa çalışan hökumətlərin üzləşdiyi ümumi problemlərdir.

Açar sözlər: COVID-19, Dünya Bankı, iqtisadiyyat

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Резюме

Пандемия COVID-19 представляет собой неудержимую мировую эпидемию. По состоянию на середину сентября 2021 года зарегистрировано более 44 миллионов подтвержденных случаев COVID-19. По оценкам Всемирного банка, это самая глубокая глобальная рецессия со времен Второй мировой войны, когда миллионы людей остались без работы. Карантин и другие крайние ограничения не могут поддерживаться в долгосрочной перспективе в надежде, что появится эффективная вакцина или лечение от COVID-19. Скорее, эти ограничения дают странам время снизить заболеваемость и принять надежные, но устойчивые меры по предотвращению и контролю передачи инфекции. Когда и как страна ослабляет ограничения, это общие проблемы, с которыми сталкиваются правительства во всем мире, пытаюсь сбалансировать различные проблемы здравоохранения, социальные и экономические проблемы.

Ключевые слова: *COVID-19, Всемирный банк, экономика.*