

The Post-Coronavirus Economy of the World and Georgia

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Coronavirus has a significant impact on the world economy, which is reflected in the decline of international trade, the restriction of the labor market and investment activity, the undermine of public finances and the monetary system and change of human behavior. Under these conditions, states face two main tasks: first, to localize the virus in the hope that world medicine will create an antivirus, and second, to rationally manage the economy under these conditions. Otherwise, in the post-coronavirus period, rapid and less harmful resuscitation of the economy will be difficult.

Keywords: Coronavirus, economy, postvirus crisis, scenarios, resuscitation of economy.

JEL Codes: I10, I11, I18

It is clear that the pandemic is the enemy of humanity, but no less dangerous is the economic downturn, which poses no less a great threat to the dynamic development of mankind. Generally, there are up to 800 thousand viruses on Earth, which pose a potential threat to humanity, because they destroy human immune system. In the last 40 years, about 70 dangerous viruses have reached the human body. Under these conditions, the countries of the world face two main tasks: localizing the virus in the hope that world medicine will create an antivirus and rational management of the economy. Otherwise, the world community may come out of the coronavirus medical consequences, but it will take years for the economy to resuscitate. Under the conditions of the coronavirus economy, the state must transfer the main financial resources to the medical field, that is we must tolerate the idea that a significant part of the state budget in this extraordinary situation should be allocated to health care, second and most important is the social protection. Under conditions of

quarantine, the population needs strong social support from the state due to total unemployment. This is the behavior of all the advanced states of the world, including those that have reached an unprecedented, relatively small scales of coronavirus spread, or have localized it.

The World Health Organization declared a coronavirus epidemic a pandemic on March 11, 2020, that has puzzled prominent economists. What will be the economic consequences of the coronavirus? Prediction of these processes is the most important task for the world. The more accurate these forecasts are, the faster countries with large or small economies will be able to overcome post-viral crisis.

As early as February 2020, scientists were making their predictions based on the SARS-CoV virus model. It was believed that China's economic growth would slow by 1%, the economic growth of Southeast Asian countries would also slow down, and the rest of the world would continue to experience dynamic economic development. It is already clear today that this model of economic development has turned out overly optimistic.

Coronavirus is characterized by various economic shocks that have a significant impact on the economic system:

- International trade is declining;
- Labor market is limited;
- public finances and the monetary system are undermined;
- human behavior is changed, which affects the structure of consumption.

In early March 2020, the scenario of the impact of the coronavirus epidemic on the world economy, taking into consideration all the shocks, was published by the Washington Research Institute Brookings, which is based on the hypothetical model of the epidemic of flu that was created in 2006 [1].

The largest financial agency Bloomberg presented its vision for the development of the economy, based on three forecast scenarios:

According to the first, only China will incur losses because of the epidemic. It is based on the optimistic assumption that the second wave of the spread of virus will be localized in countries as a result of restrictions on the movement of citizens and the protection of "social distance" that is the implementation of strict quarantine measures. As a result of these measures, the resumption of production in China was expected in April 2020. Moreover, in the epicenter of the epidemic – in the province of Hubei – the economic downturn will continue until the end of the third quarter. Local economic hardships should have been

also expected, which arise over a specific period of time due to labor shortages in companies, as labor migrants from agricultural provinces are unable to return to cities immediately after quarantine is abolished. It is unknown how consumer and industrial demand will recover as individuals and companies may purchase products and semi-finished goods not in the amount that was the case before the epidemic. China's economic growth, with this model, is less than 1 percent per year. It is also clear that this scenario is unrealistic today.

In addition to China, at least four centers of pandemics have occurred in regions around the world:

- ❖ in East Asia, with South Korea as its center;
- ❖ in the Middle East, centered in Iran;
- ❖ Europe, centered in Italy-Spain;
- ❖ and the largest – in the U.S. and Russia.

It is clear that the epidemic itself and the struggle against it, through the negligence of the Chinese communist government, spread beyond its borders. It is impossible to accurately predict the pandemic area, but it is already clear that the economic consequences will be dire. International economic relations are collapsing between countries: for example, on March 11, 2020, U.S. President Donald Trump completely abolished traffic between the U.S. and Europe. The largest shipping companies of Europe and Asia have suspended operations due to the coronavirus, large enterprises will be closed, the service sector and the tourism sector are in the heaviest situation, Europe and the U.S. started the process of partial economic resuscitation in late April.

According to the moderate forecast, Restriction of the pandemic will be based on the example of China, the government of the countries will defeat the spread of the coronavirus by imposing strict restrictions on the movement of citizens and contacts.

There was a lot of uncertainty in these scenarios: there was assumption that the epidemic in the Northern Hemisphere would be seasonal, meaning that it would end by itself as soon as warming began, which is now unreal. It is possible that the coronavirus may continue to spread to warmer regions, such as India and Africa, where signs of it have appeared. It is also clear that not all states have a developed system of medicine. In countries with poor medicine, the consequences of an epidemic will be more severe. In addition, citizens of all

countries are not ready to easily accept the restrictions due to the pandemic, because this process is accompanied by a significant change in lifestyle, unlike the Chinese, civil liberties are important for Europeans and Americans (for this reason, USA, Italy, Spain, France, UK And in other European countries the virus began to spread widely, becoming the cause of the spread of the pandemic), which led to a deep crisis of demand in these countries.

Today it is unclear how fast international transport will recover. Airlines and travel agencies have been forced to miss the summer peak of their business, causing them to face a serious crisis in the third quarter of 2020. This has led to a significant reduction in demand for fuel, causing oil prices to fall sharply (by the end of April 2020, US low-octane fuel prices were below zero).

The epidemic has caused an imbalance in global finances. Consistent with predictions of Morgan Stanley, one of the largest investment banks, since the beginning of April 2020, the central banks of developed countries, which are trying to support the economy, have reduced interest rates to a minimum that exceeds a similar rate of liberal monetary policy during the 2008-2009 crisis. This led to a reduction of price of money. This process will deepen in countries where governments are pursuing fiscal stimulus policies. So for example, Trump has signed a \$ 200 billion business and social support program, China has allocated \$ 120 billion for this purpose, Italy \$ 40 million, and other European countries are similarly addressing the issue. Such economic policies lead to rising inflation, or that is to say “stagflation” – a mixture of stagnation and high inflation, which developed countries have not had since the 1980s, the global economy growth will reduce by 1-2% by the end of 2020. By overcoming pandemic, the economy reviving Will start in the third quarter of 2020. Nevertheless, air transport and tourism will find themselves in a difficult crisis which they will not be able overcome until the end of the year [3].

When forecasting a bad scenario, economists predict that a catastrophe will look like an average scenario, but it will last until the end of 2020 that is throughout the year. At the same time, new independent centers of the epidemic will be created in the world. According to this scenario, the spread of the coronavirus is non-seasonal, that is in the Northern Hemisphere this process will also continue in the summer.

Economic scenarios based on the spread of the coronavirus in the global economy show that recession will deepen in the world- that is, the global economy will not grow until at least the end of the year. Organization for

Economic Co-operation and Development, in its report: “Coronavirus. The global economy is in danger, represented” domino fall” scenario according to which the peak of economic losses will be revealed at the end of the year. Currently loss is only caused by fall of demand, but soon the deep crisis of stock, commodity and investment exchanges will be added to it. The annual growth of the world economy will be minimal – 0.5-1%, or equal to zero (according to Bloomberg). The loss to the global economy in 2020 alone will be about \$ 2.7 trillion. This is equal to to the losses of the Great Recession of 2008-2009, when the world economy shrank by two trillion in the first six months of the crisis. [2]

Major world exchanges (Tokyo, Shanghai, London, Frankfurt, New York reacted to the coronavirus with adequate panic. Major stock indexes (Dow Jones, NASDAQ, FTSE, DAX, Shanghai Composit, Nikkei) fell on average by 10%-12% in the second half of March 2020. On March 2 2020, after the collapse all major world stock exchanges began recovery process:

- In the United States, on March 6, the stock indexes changed with the following dynamics: S&P 500 increased by 3.19%, NASDAQ – by 4.07%, Dow Jones Industrial Average by 4.75%. The price of Brent crude oil increased by 5%.

- China Shanghai Composite Index rose by 3.2%.

- Weaker growth was observed in the Japanese and European markets. The Japanese Nikkei increased by 1%, the British FTSE 100 –by 1.13%, the French CAC 40 –by 0.44% [3].

What caused such positive dynamics? The first reason for this was China’s success in fighting the epidemic. Second, and most importantly, the world’s leading central banks (US Federal Reserve, Bank of Japan) have officially stated that they are ready to help increase market liquidity. This means that central banks will strengthen their purchase policies of securities, as they did to stimulate economic growth after the 2008-2009 crisis. The US Federal Reserve announced a cut in key rates in March and April 2020.

It is impossible to solve common problems in real sector of global economy in the short-term for several reasons: First – as early as December 2019, industrial production in the euro area fell by 2% (by 3.5% in Germany), Japan’s GDP fell sharply by 6.3% in the fourth quarter, and Growth in China also slowed significantly at the end of the year. The real recession in the largest economies began before the spread of the coronavirus. Second, central banks try to fill markets with money to avoid default, but it is unclear whether this effect lasts for long time, the lower the rates are, the harder it is to stimulate the real sector of the economy. Third, it will take a few more months to determine how well the

world will be able to fight the virus. During this period, investors will not invest risky assets on stock exchanges and developing countries [6].

What impact will the coronavirus have on the Georgian economy? Imports from China have decreased significantly, this is important food reserve, as China is the largest importer of food in Georgia. Imports from the US and EU countries have decreased significantly (Georgia is an import consuming country, that is the country's economy is not minimally satisfied with local production, which is why it is characterized by a chronic trade imbalance). Under such conditions, it is clear that the country's exports have declined (due to production delays), remittances have decreased (due to the repatriation of migrant workers), and the coronavirus has a severe impact on foreign investment, leading to a significant depreciation of the lari. The National Bank tried to stop this process with the results of the dollar intervention, but this did not have a significant impact on the depreciation of the lari. Forecast data of economic growth decreased significantly in country (The European Bank for Reconstruction and Development (EBRD) estimates that Georgia's economic growth forecast for the year 2020 is minus 5.5%, that of Armenia – 3.5%, and that of Azerbaijan – 5%. According to forecasts of Georgian government, economic growth will be minus 4%). Unemployment reached a peak, the country's external debt increased catastrophically (18 billion 222 million Lari in April 2020), which was negatively reflected in the economic downturn and eventually in its crisis. It will take at least 2-3 years to overcome post-coronavirus effects in the Georgian economy.

One thing is clear, the Georgian government did not have a proper anti-crisis plan for the coronavirus or other crisis situations. Risk management is foreign to the government, the anti-crisis plan is written for viruses, earthquakes, floods and other natural and unnatural cataclysms before these crisis situations arise and not post factum.

Summary

Predicted scenarios of the spread of Coronavirus in the global economy show that a recession will occur in the world, that is, the global economy will not grow at least until the end of the year. Because of the influence of Coronavirus on the Georgian economy, imports from China, which is an important food reserve for the country, and imports from the USA and the European Union, will decrease. Due to the slowdown in the economy, the pace of exports will

decrease significantly, due to the repatriation of labor; remittances will be reduced, because in conditions of economic instability, investors will try to limit economic activity in countries with unstable economic dynamics, which will lead to a further depreciation of GEL. It will take at least 2-3 years to overcome the consequences of post-Coronavirus in the Georgian economy.

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მსოფლიოსა და საქართველოს პოსტკორონავირუსული ეკონომიკა

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გლობალურ ეკონომიკაში კორონავირუსის გავრცელებაზე დაფუძნებული პროგნოზული სცენარები აჩვენებს, რომ მსოფლიოში მოხდება რეცესია - ანუ გლობალური ეკონომიკა არ გაიზრდება მინიმუმ წლის ბოლომდე. ეკონომიკაში მნიშვნელოვნად შემცირდება მოთხოვნა, რასაც დაემატება საფონდო, სანედლეულო და საინვესტიციო ბირჟის ღრმა კრიზისი. მსოფლიო ეკონომიკის წლიური ზრდა იქნება მინიმალური - 0.5-1%.

გლობალური ეკონომიკის ზარალი, მხოლოდ 2020 წელს, 2008-2009 წლის დიდი რეცესიის ტოლფასია. საქართველოს ეკონომიკაზე კორონავირუსის ზეგავლენის შედეგად შემცირდება იმპორტი ჩინეთიდან, რაც ქვეყნის მნიშვნელოვანი სასურსათო რეზერვია, რადგანაც ჩინეთი წარმოადგენს საქართველოში სურსათის უმსხვილეს იმპორტიორს, შემცირდება იმპორტი აშშ-დან და ევროკავშირის ქვეყნებიდან, ეკონომიკის დაპაუზების გამო, მნიშვნელოვნად შემცირდება ექსპორტის მაჩვენებელი, სამუშაო ძალის რეპატრიაცია, შემცირდება ფულადი გზავნილები. კორონავირუსი მძიმედ აისახება უცხოურ ინვესტიციებზე, რადგანაც ეკონომიკური არასტაბილურობის პირობებში ინვესტორები შეეცდებიან შეზღუდონ ეკონომიკური აქტივობა არასტაბილური ეკონომიკური დინამიკის მქონე ქვეყნებში, რაც გამოიწვევს ლარის კურსის შემდგომ ვარდნას. ეკონომიკური ზრდის საპროგნოზო მაჩვენებლები ქვეყანაში შემცირდება, უმუშევრობის დონე მიაღწევს პიკს, სახელმწიფო ბიუჯეტს ელოდება დევალვაცია, გაიზრდება ქვეყნის საგარეო და საშინაო ვალი, რაც საბოლოოდ აისახება ეკონომიკის დაცემასა და მის კრიზისში. საქართველოს ეკონომიკაში პოსტკორონავირუსის შედეგების დაძლევის სულ მცირე 2-3 წელი დასჭირდება.

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განერილი ანტიკრიზისული გეგმა. ხელისუფლებისათვის უცხოა რისკ-მენეჯმენტი, ანტიკრიზისული გეგმა იწერება ვირუსების, მიწისძვრის, წყალდიდობის და სხვა ბუნებრივი და არაბუნებრივი კატაკლიზმებისათვის ამ კრიზისული სიტუაციების დადგომამდე და არა პოსტფაქტუმ.

საკვანძო სიტყვები: კორონავირუსი, ეკონომიკა, პოსტვირუსული კრიზისი, ეკონომიკის რეანიმაცია.

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