How COVID-19 Affects the Economy: A View of the World

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General Information about COVID-19

Coronaviruses are a family of viruses that can cause respiratory illnesses in people[1]. One of the most recent versions of a coronavirus, previously unidentified in humans, is the 2019-nCoV, better known as COVID-19. COVID-19 spreads through respiratory droplets produced when an infected person breathes, typically between people who are within about 1.8 meters of each other. The particles can be inhaled or transferred by touch[1]. As of November 28th, 2020, approximately 62,146,025 COVID-19 cases were present in the world, along with 1,452,181 deaths and 42,932,926 recoveries[2]. In more depth, these were statistics during that time[3]:

- Asia: 15 517 742 cases, 269 569 deaths (1.74%)
- Europe: 17 645 187 cases, 400 949 deaths (2.27%)
- Africa: 2 135 789 case, 51 240 deaths (2.40%)
- Americas: 26 364 628 cases, 721 343 deaths (2.74%)
- Oceana: 51 077 cases, 1 127 deaths (2.21%)

Notable Responses and Economic Consequences – General Overview

Americas

COVID-19 triggered a deep economic recession for the United States in 2020. The GDP contracted by 5% in the second quarter and weekly applications for jobless aid reached a new historic high.[10] Canada's GDP dropped 32.8% during the second quarter of 2020 compared to the first quarter but increased 31.4% the third quarter because of government efforts to reopen businesses and resume economic activity.[11] Latin America and the Caribbean was on a low-growth trajectory prior to COVID, but faces negative supply and demand shocks, translating into its worst economic crisis in 120 years.[12]

Asia

Most Middle Eastern and North African countries placed economic lockdowns or curfews and reopened during the summer.[7] The East Asia and Pacific region used a combination of mobility restrictions, testing-based strategies, and information programs to slow the spread of COVID-19. However, it led to a significant curtailment of economic activity.[12] Some businesses in Asia are heavily dependent on tourism are contracting.[8] The EAP region's economy is heavily dependent on the rest of the world. Therefore, uncertainty about economic change in other parts of the world hurts its economy.[9]

Europe

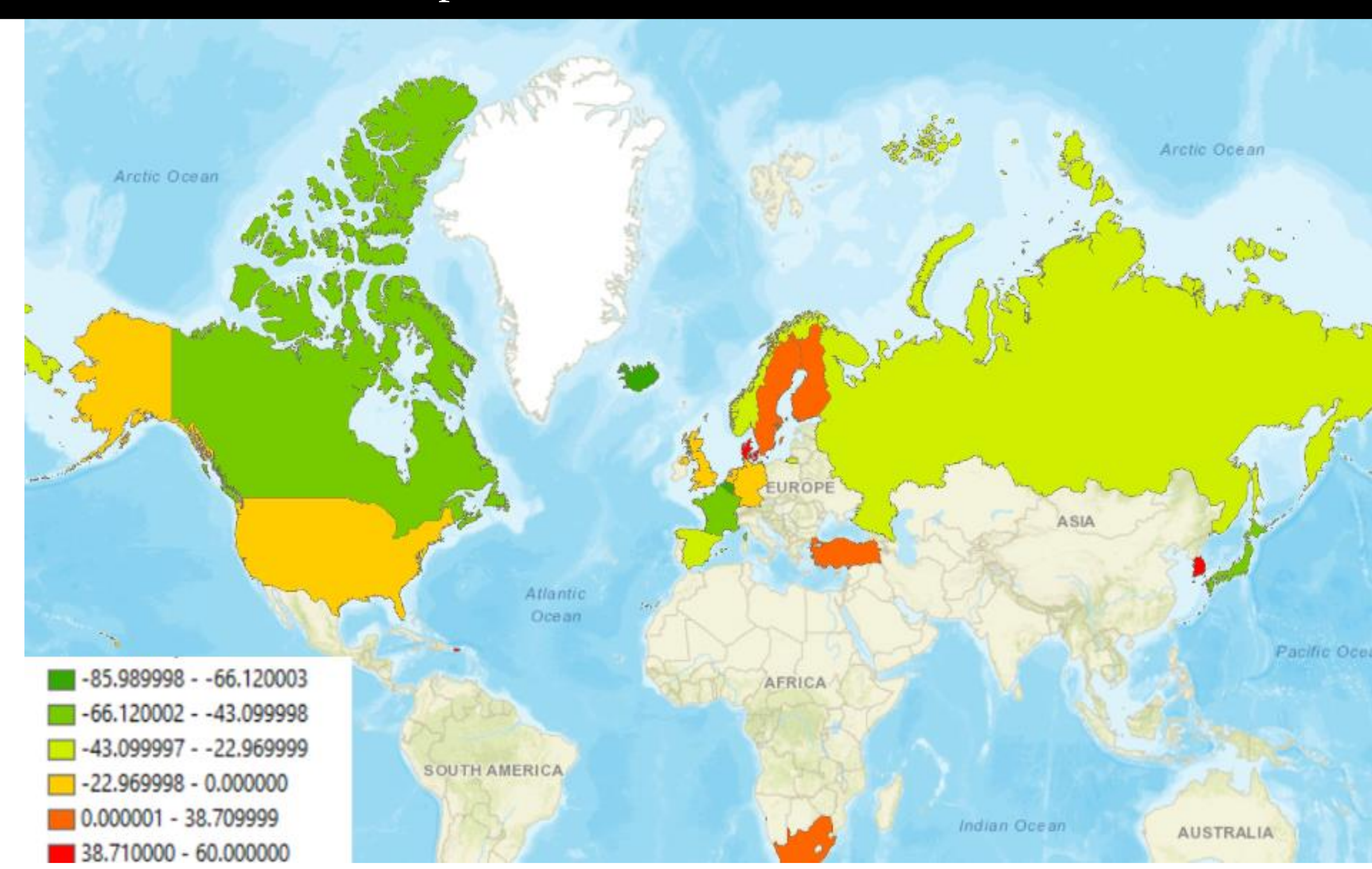
Bankruptcies in EU states dropped significantly in comparison to pre-COVID times during the first half of 2020 due to national governments and European organizations reacting to COVID-19 with increased monetary support for businesses.[13] East European countries had considerably higher success in controlling the virus during its first wave due to strict policies, but loosening stringency during the second wave led economic and public health devastation.[14]

Africa

Many countries in South Africa shut down businesses, enforced curfews, and passed strict policies during the early stages of the pandemic. This had a negative effect on businesses, but an outstanding effect on controlling the virus.[4] Most of Africa's economy depends on exporting raw materials and tourism. As the world experiences uncertainty, the values of goods fluctuate and the amount of tourism declines.[5] The economic fallout driven by COVID-19 can lead Africa into its first economic recession in 25 years.[6] Less resource-intensive countries such as Nigeria and Kenya are expected to experience a more moderate economic decline. One side effect of the pandemic is that 25% of African firms have increased investments in digital solutions.[6]

COVID-19 Management Tactics and Bankruptcies

This map displays a four-month time period unique to each country. It shows the percent change in the number of bankruptcy filings from the first month of COVID contact in that country to the month succeeding three months later. However, due to lack of specific monthly data, the UK, Finland, and Spain represent the change between the quarter preceding COVID and during COVID, and Switzerland and the US represent the same concept in years instead of months. In essence, this map represents the early impact of COVID on countries. According to the figure, Denmark and South Korea's businesses seem to be impacted by COVID-19 the most. South Korea's percent change in bankruptcies looks intimidating, but it is quantitatively minor. The government enforced a limited lockdown and provided generous fiscal support to its businesses[15] and saw an increase from 15 businesses going bankrupt in January 2020 to 24 in April. Denmark enforced a solid lockdown to maintain the virus, but as it loosened restrictions, infections expanded, and the economy declined further in 2021.



In general, the reason for significant increase in bankruptcies can be traced to either a strong initial restriction in activity to contain the spread of the virus as seen in South Africa or Denmark, or it can be traced to a poor containment of it, indirectly affecting businesses through poor public health, as seen in Puerto Rico. Data analysis substantiates that countries that initially place strict regulation usually face an increase in bankruptcy rates but can recover from the impacts of the pandemic faster than countries that delay the priority of public health after reopening. However, the time and way of reopening can affect the resuming of normal activity; for example, Germany's bankruptcy rates significantly improved after loosening policies in the summer, while Russia experienced a second wave of COVID.

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