






Impact of COVID-19 on the Welfare of Russian Enterprises

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Abstract: For people around the world, the situation with the coronavirus COVID-19 has shown that all sectors of the economy, including the activities of companies, ranging from micro-enterprises to large holdings were not prepared to such issues. The world economy is in deep crisis. Starting from the first quarter of 2020, there was a decrease in activity in the economies of most of the market leaders. These include the EEC, USA, Japan, China. The collapse of the ruble and oil prices, a decrease in revenues to the country's budget, an increase in the share of unemployment, a decrease in household income, an increase in the share of divorces and suicides, a drop in the quality of education due to the transition to self-isolation, an increase in mortality due to COVID-19 disease, have led to uncertainty and destabilization of the situation in the country. Since the beginning of the coronavirus crisis, there has been a significant decrease not only in jobs, but also in population income. The self-isolation regime has had a significant impact on the lives of ordinary citizens. The world was not ready for such shocks. The crisis continues to the present. The article reflects information on the dynamics of the development of Russian entities during the pandemic, examines and analyzes the consequences of the impact of coronavirus on the welfare of citizens. The consequences of the impact of the pandemic on various spheres of an individual's life, provided statistical data and proposed solutions outlined in this article, make it possible to realize the importance of development of preventive measures in response to similar situations. The analysis of the expected consequences of the pandemic in the economic sphere of the state is also carried out, the measures applied by the government in the current situation are considered.


1 INTRODUCTION


Over the last year, COVID-19 has caused more than 1 million deaths and has infected more than 26 million people. World gross domestic product (GDP) is decreased by 5%. For most of the leading minds of the country, it has become obvious that COVID-19 is not just an emergency, but a crisis that grips the humanitarian, social and economic aspects of the life of the country in general and of each person in particular. Despite the timely and general mobilization of all resources in the fight against the


virus, the consequences are disappointing: a general decrease in the standard of living of people, an increased share of the unemployed, an increase in prices for goods and services, an increase in the share of debt on loans to banks. The crisis caused by the pandemic continues up to date. The consequences of the impact of the pandemic on various spheres of human life, as well as the statistical data presented in this article, make it possible to realize the importance of development of preventive measures in response to such situations.

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2 PROBLEM STATEMENT

The purpose of this study is to review and analyze the impact of COVID-19 on human well-being.

Objectives:

- to consider the consequences of the pandemic in Russia;
- to study the family budget of the population during pandemic;
- to analyze the income of population during pandemic.

Research hypothesis: it is assumed that if we analyze the consequences of the impact of COVID-19 on the well-being of the country's citizens over the past year and, having made the right conclusions, direct efforts to develop preventive measures in the future, then such situations will be minimized.

3 RESEARCH QUESTIONS

In this study, the method of analysis and classification has been used as a methodological basis for the study. Internet publications on the impact of COVID-19 on the welfare of the country's citizens have been used as a basis for the theoretical study.

4 MATERIALS AND METHODS

The negative consequences of COVID-19 are still felt in many sectors of the Russian economy, from industrial companies of various sizes to the agro-industrial complex. Since the beginning of 2020, the demand for many types of goods and services has changed significantly. The purchasing power of the citizens of the country has significantly decreased. If we analyze the negative consequences of the pandemic, then significant "damage" was caused to meat and milk processing industries, as well as to fish farms. However, companies that are engaged in crop production have suffered less due to significant export volumes. Before the pandemic, demand for dairy products tended to decline. This was especially noticeable in premium dairy products. In the minds of many people, the pandemic was associated with uncertainty, so many people in our country became more frugal and thrifty. However, the spring of 2020 has allowed many food companies to increase production due to increased demand. With the start of the coronavirus crisis, the prices for imported vitamins, which were part of the compound feed,

have been increased. And this, in its turn, led to an increase in prices for all meat and dairy products, where imported vitamins account for more than 70%.

5 RESULTS

All this ultimately led to a natural increase in prices for all meat and dairy products. Since the beginning of the coronavirus crisis, there has been a significant decrease not only in jobs, but also in the incomes of the country's population. It could not but affected the decrease in demand for products that belong to the expensive segment, including: fish and various seafood, exotic fruits and vegetables, cold cuts and flowers. Due to a decrease in the purchase price for products grown in greenhouses by retailers, prices for vegetable crops decreased by 15-20% (see Figure 1).

Changes in demand for products manufactured by agro-industrial enterprises could be well tracked in retail chains [6,7].

The category of citizens who purchased products in premium segment stores such as Land or Azbuka Vkusa will continue to shop there. However, most of the citizens with middle or low income have reduced their consumption of meat and dairy products. In 2020, prices for all main types of products from the consumer goods basket have been increased as a result of the weakening of the ruble and falling of the price for oil. For example, prices for bakery products increased by 5%, seafood by 4%, dairy products by 5.5%, eggs by 6.5%, and cereals and legumes rose in price by almost 26%. Thus, a significant increase in prices has been observed only for legumes and cereals, while prices for meat products increased by only 0.7%.

The COVID-19 pandemic has covered the world, creating unusual conditions that have affected all areas of human life. These changes have dealt a devastating blow to production and the field of entrepreneurship, and therefore the consequences of the pandemic for the global economy are already obvious. Russian economic experts are concerned about the impact of unfavourable factors on the domestic economic system. According to their assumptions, as a result of the spread of the pandemic and the subsequent reduction in production, Russia's GDP will decline by about 10-20%. Moreover, oil, which is considered one of the main commodities supplied by Russia to the world market, has dropped significantly in price due to the decrease in transport activity around the world. Experts assume that the

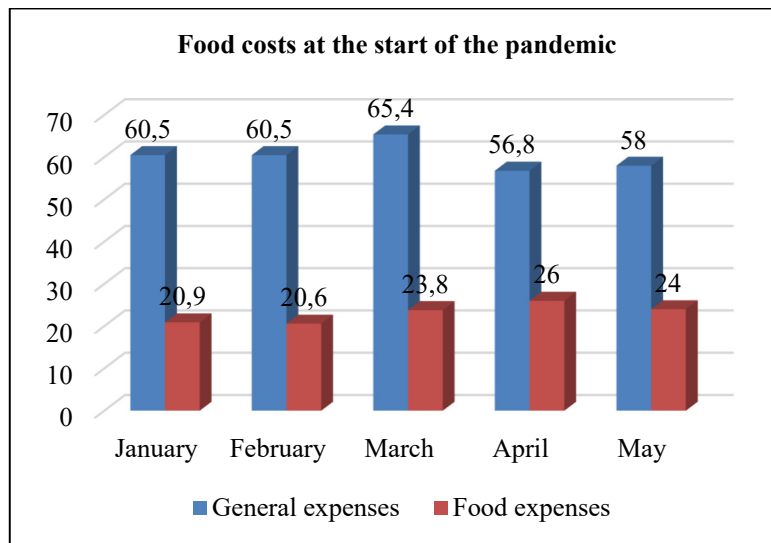


Figure 1: Food costs at the start of the pandemic.

average annual rates for this fuel resource will not exceed \$ 25.

It shall be admitted that the coming crisis was expected. Back in 2014-2015 experts predicted the onset of a global economic recession due to overcapitalization of market systems and monopoly trends in economic structures. This stage of the economic cycle was considered inevitable, but its onset came much closer with the advent of the viral infection COVID-19.

The impact of the pandemic turned out to be so strong that in the face of the difficulties that arose, major political conflicts receded into the background, including the confrontation between China and the United States, as well as the Brexit process in the UK. Universal involvement in solving problems caused by the pandemic has led to a change in course of solving political, social and economic problems. Due to a new round in the development of events, other goals, tasks and issues have emerged that need to be addressed.

Considering the future of Russia in the context of the impact of the pandemic, experts identify five possible shock conditions that the country's economy may undergo.

The first option is the emergence of difficulties in establishing international relations and contacts with other states. The reason for this phenomenon may be the negative consequences of the impact of the pandemic on the micro- and macroeconomics of the state.

The second option is associated with a decrease in oil demand. As one of the main exported products, oil provides an inflow of funds to Russia. A decrease in demand for this resource and a general drop in prices

can lead to a weakening of the cash flow directed to the state budget, which will entail a decline in the economic system.

The third option is the outflow of funds from Russia. From the experience of the past decades, it can be understood that during periods of recession, funds are transferred from the country to other states – funds are sent to more developed and promising systems, or transferred to offshore accounts.

A fourth option is to consider the risk of increased controls and restrictions that governments may impose to support overall security. The restrictions associated with the self-isolation regime generally reduce the intensity of freight traffic, trade and sales. The purchasing power and the activity of entrepreneurs are decreasing. There is a gradual decline in the incomes of citizens of the country, which leads to adverse consequences for the economic system.

Experts say that the fifth option is a decrease in the level of trust of legal entities and entrepreneurs in the government and legislative bodies. As a result of the loss of mutual trust, certainty will be lost, and the level of protection of entrepreneurship will decrease. Business development planning will become much more difficult, since in unstable conditions it is difficult to make assumptions and forecasts [8,9].

According to statistics from the United Nations (UN) report "World Economic Situation and Prospects", as a result of the introduced protective measures designed to prevent or slow down the spread of the COVID-19 virus, the global economic system has decreased by 4.3%. The pandemic-related

crisis is reported to be greater than any economic recession in last 90 years.

Crisis situations have already happened in Russia. For example in 1998 the economy was reduced by 5.3%, in 2009 by 7.8%. In 2020, the decline in economic activity reached 3.1%. The decline in the volume of GDP is associated with absolute and relative factors. In absolute terms, the decline in production indicators is associated with a decrease in resource extraction, transportation system, commercial activities and the service sector. In relative terms, large losses were incurred by the catering sector, which decreased by 24%, as well as by the spheres associated with holding mass events (cultural and sports segments, which suffered losses by 11.4%).

The main factor associated with both the risks and the hopes of the Russian economy is oil, because the intensity of raising funds depends on the level of its exports. The government is pinning its hopes on an increase in oil prices, in particular on Urals products, but this factor depends on many conditions. Oil can rise in price only after the full resumption of transport links between the countries, as well as the return of production facilities to their previous level of activity [5].

At the same time, most experts in the field of economics come to the general opinion that the pandemic inflicted the least damage on China. This country was the first to face an exacerbation of the epidemiological background and quickly overcame it. In addition, a large number of large industrial complexes, equipped with the latest technology, operate in China. In combination with the high working capacity and the level of responsibility of the population, China can quickly recover as well as come to positive results.

In other countries, the situation remains uncertain. This is also true for Russia, since there is a general decline in epidemiological safety in our country. At this stage, accurate forecasting of further events in Russia is not possible.

6 FINDINGS

The self-isolation regime has had a significant impact on the life of an ordinary citizen of our vast homeland, including their daily expenses. None of us faced a similar situation before and, therefore, for the first time after the declaration of self-isolation, many citizens continued to live in the same regime, in the hope that it would end soon.

On the one hand, the transition to home mode allowed significant savings on fuel and lubricants and transportation costs to and from work, payment of monthly fees for school and kindergartens, and visits to coffee houses and restaurants. But on the other hand, there has been an increased expenditure of the family budget for food. Most of the population began to purchase food, clothing and other basic necessities from online stores. Scrolling the ribbon with beautiful, appetizing pictures encouraged people to make rash purchases. Therefore, part of the population continued to live as usual, replacing visiting food courts with orders via the Internet.

In addition to the increase in food costs, which at the beginning of the pandemic were fueled by the artificial rush for the purchase of all cereals, tomatoes and toilet paper, there have been serious trends in job cuts due to a decrease in overall demand. In every second family, there was a 2 times decrease in income due to a reduction in one of the breadwinners, a general decrease in income, especially during the period of illness of one of the family members [10].

Despite the pandemic, it was necessary to pay monthly fees for previously taken loans. However, many banks, in order to reduce the risks of economic damage, have taken measures that allowed citizens to softly withdraw from credit obligations. The measures were: reduction of refinancing rates, issuance of credit loans on favourable terms, debt restructuring, cancellation of penalties on previously issued loans.

7 DISCUSSION

The pandemic has made its own adjustments in the incomes of the population. Many companies were not ready for such situation, and most of the company owners did not have a strategy for further development in the current situation. As a result, some of the companies that could not promptly react and adapt to the current situation left the market. Here is the data on the number of registered and liquidated companies during the pandemic (see Figure 2).

All this could not but affect the income of the population. Many company owners sent their staff to work remotely, someone found a way out to layoffs or send them on indefinite leave without pay. As a result of a decrease in demand for goods and services, the establishment of restrictions on movement, interruptions in the supply of necessary raw materials, all this led to a decrease in production volumes, which

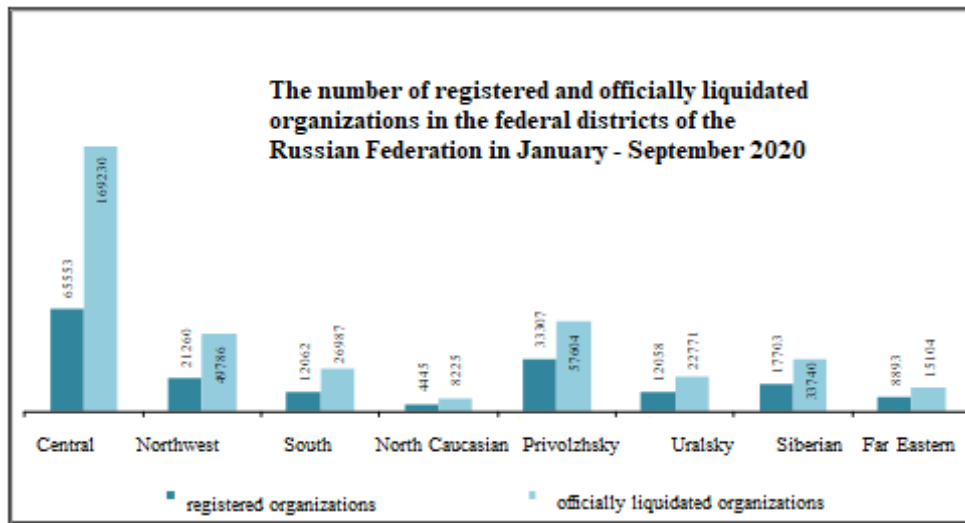


Figure 2: The number of registered and officially liquidated organizations in the federal districts of the Russian Federation in January-September 2020.

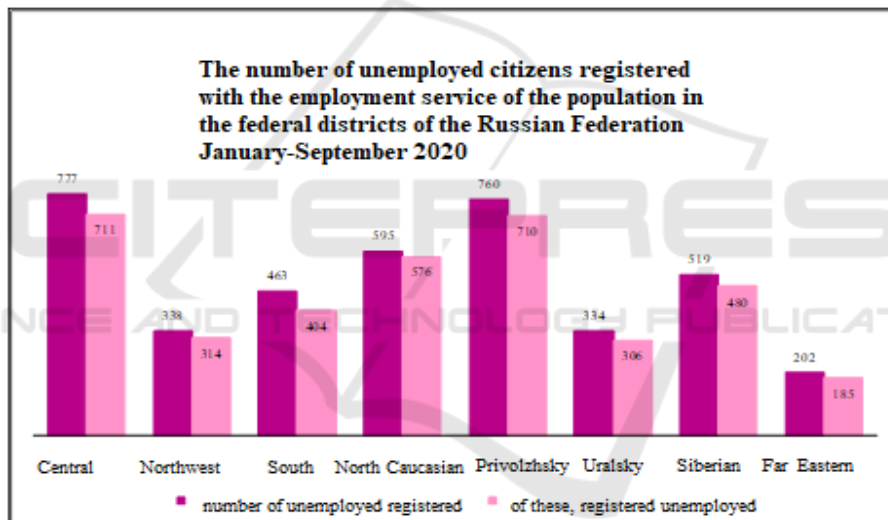


Figure 3: The number of unemployed citizens registered with the employment service of the population in the federal districts of the Russian Federation at the end of September 2020, thousand people.

also negatively affected the income of the self-employed and small enterprises [11] (see Figure 3).

If we analyze the situation in the Central Federal District, then by the end of the 3rd quarter of 2020 there were almost 941,000 people in active search, in other words it is an unemployed category of citizens. More than 711,000 people were registered in the employment services.

But due to the state policy to support the population and business during the pandemic, the income of the population did not fall below the level of the consumer basket (see Figure 4). Among the measures of state support, the following can be distinguished:

- increased unemployment benefits;
- increasing benefits for caring for children of different ages;
- various subsidies, preferential lending programs, deferrals.

And if we consider the situation with payroll in the Central Federal District, then in the period from the beginning of 2020 to the 3rd quarter of 2020, the nominal wages of company employees amounted to 62,600 rubles, which exceeded the indicators of 2019 by 6% [12].

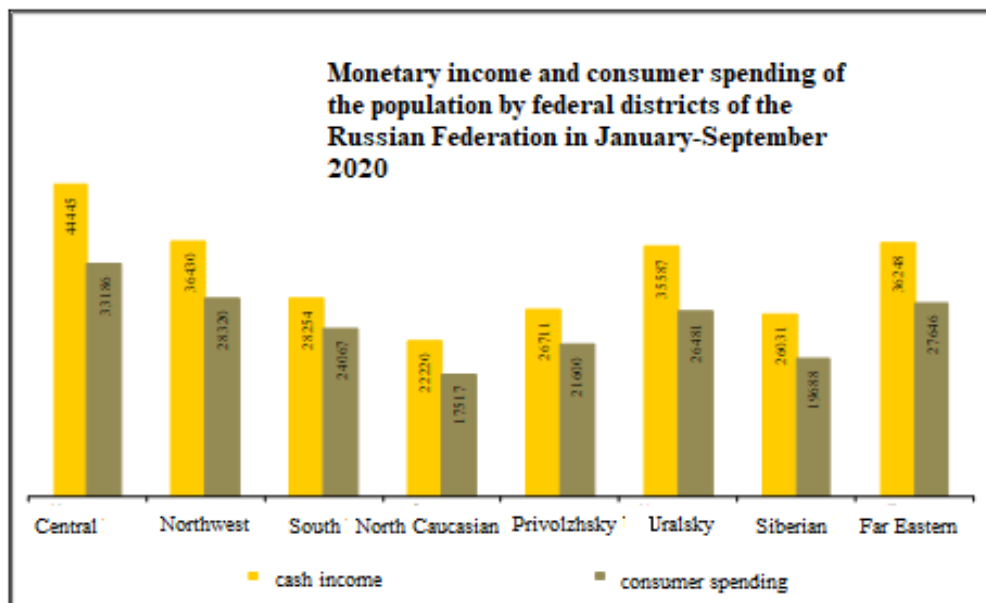


Figure 4: Average monthly wages of employees of organizations by federal districts of the Russian Federation in January-September 2020, rubles.

8 CONCLUSION

Thus, in our opinion, such situations in the world should force the governments of all countries to reconsider the issues of state support for the healthcare sector and other leading sectors of the economy in order to carry out timely respond and take appropriate measures, as well as strive to reduce the number of unemployed in any area.

The behaviour of a person as a consumer of goods and services cannot be changed in the short time. For this reason, that part of the citizens who were able to adapt to the current conditions, competently approach the distribution of the family budget and spending, use the current situation for their own benefit, will be able not only to survive this difficult period with dignity, but also to find new ways out, thereby increasing their income. The consequences of the pandemic will be felt for some time in every country. As preventive measures, it is necessary to develop such steps that will be aimed at covering of all segments of the country's population. The more economically stable the state is, the easier it will be to go through such situations. The coronavirus crisis has become a turning point for the entire world, forcing great minds to think wider and deeper.

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