

New Socio-economic Picture of the World: Consequences and Challenges of Coronavirus

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Abstract: The subject of this research is to study the impact of the socio-economic consequences caused by the coronavirus pandemic on the state and development of the world economy. The aim of the study is to identify factors, highlighting the features of their influence on the state and development of the world economy, as well as analyzing the socio-economic consequences of the spread of COVID-19 and highlighting the main changes that the world economic system is undergoing today. The study involved a set of methods of practical analysis, including the analysis of statistical data, forecast estimates of changes in the GDP growth rate, as well as macroeconomic modeling of the possible consequences of the coronavirus pandemic on the state and development of the world economy. The result of the study is the identification of the features of the current situation, as well as the determination of the economic and social changes taking place in the world economic system. As a conclusion, it should be noted that in the new emerging conditions, it is important for national governments and international institutions to quickly and efficiently respond to global challenges and threats that the modern world faces.

1 INTRODUCTION

For almost two years now, the world community has been living in completely new conditions. On March 11, 2020, WHO officially stated the emergence of a new coronavirus infection and announced a pandemic.


Nowadays, discussions of the consequences and challenges of the coronavirus (COVID-19) and new strains that have negatively affected the established socio-economic processes around the world are of increasing interest in scientific circles.

Most large research centers and international analytical companies around the world are actively conducting research to study the nature of the coronavirus, which is new to mankind, and the emergence of new strains against its background in order to find ways to hold and control it. However, at the moment, there are not many large scientific works in the form of author's or collective monographs, which is probably due to the novelty of the problem. In most cases, there are some reviews of international organizations or financial institutions on the

development of economic processes during a pandemic period.

Today it becomes obvious that the world community is dealing not just with a new type of biological virus that caused a pandemic, but with a certain threat that led to profound and irreversible changes around the world, affecting almost all areas of activity at the global level – international and legal, political, financial, social, etc. The consequences of the coronavirus pandemic were especially painful for the national economies and social spheres of most countries of the world, whose government was unable to reasonably respond to the “new viral challenge”. Despite the fact that the 21st century is the century of digital and highly developed technologies in all spheres of activity, including biomedical one, at the same time, humanity turned out to be almost helpless in front of the new coronavirus infection COVID-19. It remains only to admit that we are entering a new “viral-biological era”, which is beginning to radically change today's world (The Global Risks..., 2021; Economics..., 2020).

The formation of a new socio-economic picture of the world caused by the worldwide spread of

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coronavirus infection (COVID-19) makes the world community take a fresh look at the mechanisms for achieving socio-economic stability and the prospects for the development of global and national economic systems (Yarovova, 2020).

In this regard, the purpose of this study is to identify factors and highlight the features of their influence on the state and development of the world economy, as well as to analyze the socio-economic consequences of the spread of COVID-19 and highlight the main changes that the world economic system is undergoing today.

The infection of a new type of coronavirus continues to spread, wreaking havoc on the entire system of domestic and international interaction. In this regard, it is necessary to make competent and balanced management decisions based on economic and social research. It is necessary to take the most effective measures that will help to preserve and maintain not only the level of social security of citizens, but also to preserve the very system of socio-economic relations in the country and the world as a whole. That is why the issue of identifying the main trends in the transformation of economic processes in a pandemic and their further analysis in the context of ensuring a qualitative improvement in the socio-economic component is the most urgent (Economic, 2020), (Yuval, 2020).

2 RESEARCH METHODOLOGY

Using various information sources, the author made an attempt to analyze the events that appeared as a result of the impact of the pandemic and its consequences on the processes occurring at the global level in the social and economic spheres of public life. When analyzing the current situation, a set of methods of practical analysis was used, including the analysis of statistical data, forecast estimates of changes in the GDP growth rate, as well as macroeconomic modeling of the possible consequences of the coronavirus pandemic on the state and development of the world economy.

According to experts from the largest financial agency Bloomberg Economics, the global economic losses from the coronavirus pandemic in 2020 amounted to about \$ 5 trillion, which confirms the fact that the national economies of most countries of the world have experienced the deepest crisis since the Great Depression, and, by forecasts, countries will be able to return to pre-crisis indicators no earlier than in 2022 (Gordeev, 2020).

The consequences for the world economy, according to UN experts, turned out to be more significant than from the crisis of 2008-2009. Thus, the level of global GDP decreased by 4.3% compared to the "pre-pandemic" period (The UN, 2020). The situation is complicated by the slow pace of vaccination. For example, it cost European countries 90 billion euros in additional costs in 2021 alone (Europe, 2021). The report of the United Nations Conference on Trade and Development (UNCTAD), released at the end of November 2020, warns that the crisis will significantly exacerbate the situation of social inequality in society (Trade and Development, 2020).

The authorities of many countries have tried to provide massive financial support to legal entities and individuals. In total, since March 2020, according to some estimates, about \$ 12 trillion has been spent for these purposes (Veselovsky, 2021). However, government financial and social support provided in most of the countries affected by COVID-19 did not prevent the global economic crisis caused by restrictions on business and travel, disruption to supply chains, and a number of other factors (Prospects, 2021), (Country policy, 2021).

A comparative analysis of published studies showed that "even before the COVID-19 pandemic, the world economy was ready for a recession: stock markets overheated, economic growth in developed countries slowed down, and D. Trump's aggressive protectionist policies contributed to the destruction of global supply chains and increased global risks. Already in the second half of 2019, it became obvious that the world economy was gradually entering another recession, demonstrating slow economic growth, but there was a widespread expectation that in 2020 the situation would improve at the expense of large developing economies, and by 2021 there would be a return to global growth. Such sentiments postponed the structural reform of many national economies. The IMF has published a forecast for global GDP growth in 2020 at 2.7%. Now all forecasts are being adjusted downward (in particular, the forecast of the World Bank given below in Table 1)" (Smirnov, 2020).

Table 1 presents the forecast data of GDP growth for the key economies of the world, compiled by the World Bank.

Forecast data in Table 1 show that the highest GDP growth rates are expected from China, India and the United States. According to the World Bank, the growth drivers of the global economy in 2021 will be deferred demand in China and large-scale cash injections into the US economy. But many

developing countries will not be able to compensate for the decline in their incomes.

Table 1: Real GDP (World Bank forecast) for 2021-2023, %.

Region / country	2020 (fact)	Forecast		
		2021	2022	2023
The whole world	-3.5	5.6	4.3	3.1
USA	-3.5	6.8	4.2	2.3
Eurozone	-6.6	4.2	4.4	2.4
Japan	-4.7	2.9	2.6	1.0
China	2.3	8.5	5.4	5.3
India	-7.3	8.3	7.5	6.5
Russia	-3.0	3.2	3.2	2.3
Turkey	1.8	5.0	4.5	4.5
Brazil	-4.1	4.5	2.5	2.3
Argentina	-9.9	6.4	1.7	1.9
Saudi Arabia	-4.1	2.4	3.3	3.2

Source: World Bank data (<https://www.rbc.ru/economics>).

We can observe a similar situation below in Fig. 1, as in the conditions of the global financial and economic crisis of 2008-2009, developed economies suffer the greatest losses, the drop in real GDP of which will be 6.5%, and for an economy with transformational markets – 2.4% (Lysenko, Mechnikova, 2020).

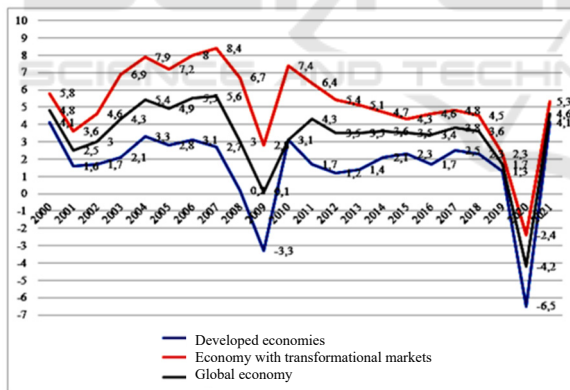


Figure 1: World real GDP growth rates.

Based on the above and taking into account the increase in the rate of recessionary processes in the global economy, we can assume a further deterioration in the forecast scenarios of the economic and social situation. At the same time, it has been proven that timely effective measures of anti-crisis policy can reduce the depth of crisis processes and minimize negative socio-economic consequences for society (Lysenko and Mechnikova, 2020).

3 RESEARCH RESULTS

The COVID-19 pandemic, which swept through all countries in 2020, clearly demonstrated to humanity that it is not completely immune to global cataclysms. Experts believe that the huge number of victims, significant economic losses associated with the global slowdown in economic activity as a result of the introduction of strict restrictive measures aimed at preventing an increase in the number of diseases, self-isolation and the transfer of activities online indicate that the world will truly never be the same.

Today we are witnessing how in the short-term period of a pandemic, the national economies of most countries of the world suffer enormous economic damage, trying to support business and citizens in a stable position by all available means.

As a result of the coronavirus pandemic, there is a previously unknown intense combined negative supply and demand shock with a negative impact on production. Analysts estimate that such double shocks will lead to multiple domino effects. For example, companies with a high level of fixed costs are threatened with bankruptcy, as a result of which the banks that lend to these companies will also experience serious difficulties with the return of funds, which will lead to a possible banking crisis (Smirnov, 2020), (Economics, 2020).

Analysis of the special literature allows systematizing and highlighting the key factors that have a devastating effect on the state of the world economy (see Table 2).

Thus, we see that the consequences of the coronavirus pandemic have gone beyond the purely medical and biological perception of this phenomenon and are increasingly acquiring economic and social changes based on the following facts presented in Table 3.

Thus, I would like to note that the COVID-19 pandemic has become only a phenomenon that has exposed the accumulated problems in the world community. In the economic sphere, COVID-19 has transformed into a coronavirus recession, in the social sphere it has shown problems of poverty and social justice, which have long been “pushed” into the background under the pretext of the priority of market mechanisms in the distribution of the social product. The pandemic has demonstrated that the basis for overcoming the crisis will be a community of sovereign interests, and that the object of anti-crisis measures is not “rallying efforts to jointly resist the crisis”, but saving the national economy in order to ensure the social well-being of the population (Shcherbakov, 2021).

Table 2: Key factors of the consequences of the pandemic on the state of the world economy.

Key factors of the pandemic consequences	Characteristic features of the consequences of the pandemic on the state of the world economy
On the demand side	The consequence of the pandemic is a huge reduction in employment of the population, especially in the sectors of the sphere of consumer services and a number of sectors of the production of goods. The consequence of a huge reduction in employment is a reduction in the income of the population due to the lack of income from enterprises for the sale of products or the possibility of obtaining loans. A decrease in the population's income affects a decrease in consumer demand and the volume of production of consumer goods and market services, which will lead to a reduction in production even after the abolition or reduction of the regime of self-isolation and quarantine.
On the supply side	Due to the regime of self-isolation and quarantine, entire sectors of the economy are sharply reducing the volume of production, up to almost completely stopping it. This applies, first of all, to the sphere of consumer market services: public catering and retail trade in non-food products, domestic and foreign tourism, urban and intercity passenger transport, hotel industry, and other consumer services. In developed countries, these industries currently account for more than 50% of GDP.
On the financial stability side	The difficult financial situation of most commercial enterprises should inevitably lead to an increase in non-payments to credit institutions and a drop in the volume of loans provided by them, which puts them in a critical situation. The same applies to physical depositors and borrowers. All this without taking into account the government's measures to support the economy. To mitigate the economic consequences of the pandemic, developed countries resorted to unprecedented measures to support the economy by increasing public debt, which requires an increase in taxation of individuals and legal entities and a reduction in costs, mainly the largest ones – social services. Obviously, this is associated with a huge reduction in the real income of the population.

Source: compiled by the author.

Table 3: Impact of socio-economic changes on the world economy.

Key changes	Features of the impact on the world economy
1. Economic changes	
1.1. Coronavirus pandemic triggered another global economic crisis	The COVID-19 pandemic has become a catalyst for powerful processes of socio-economic transformation that occur every 7-10 years, precipitating another global economic crisis. Already in the 1st quarter of 2020, almost all national economies showed negative growth. According to the UN, in 2020, the decline in the world economy was 4.3% compared to the world economic crisis of 2008-2009, when the global GDP reduced by 1.7%.
1.2. A noticeable feature of the pandemic was the speed and scale of the crisis coverage of the main participants in the world economy	Given the synchronicity of countries entering a recession (Q1 2020), as well as the speed of this process, it is difficult to determine which country's economic problems have turned into a global trend. For this reason, only China, where an outbreak of a new coronavirus infection was recorded, can be identified as the source of the crisis or the country of the "first wave".
1.3. The world economy is in the process of forming a new configuration of centers of economic growth against the backdrop of the growing economy of China and a number of other rapidly developing economies	Nowadays, there is an emergence of new and strong participants in the world market, such as China, India, South Korea, etc., where economic processes in terms of the main macroeconomic indicators (share in world production, labor supply, positive GDP dynamics, etc.) will in a certain way affect the development of the world economy, gradually changing the existing ideas about the centers of influence in the modern economic system.
1.4. Impact of the coronavirus pandemic may have a longer lasting impact on economic activity than is commonly believed	There is a possibility that the global economic crisis caused by the COVID-19 pandemic could end quickly thanks to active containment measures. However, historical data show that long-term economic consequences can persist for a generation or more, which logically fits into the basic provisions of N.D. Kondratyev's long cycle theory.
2. Institutional shifts	
2.1. The spread of the COVID-19 virus and the measures taken by national governments to control it did not live up to the main principle of the development of the world	The globalization of the world economy, according to its supporters, makes it possible to consolidate the efforts of the world community in the face of threats and challenges, including epidemics and pandemics. However, nothing of the kind happened: at the very beginning of the spread of COVID-19 between the countries of the Atlantic Alliance (USA - Western Europe), there was a complete

economy - the principle of globalization	contradiction in the measures taken to protect and control the new coronavirus infection, and the European Union, as a supranational entity, "isolated itself" from the problems of its members by giving way to anti-epidemiological actions by the national authorities.
2.2. In the context of the fight against the pandemic, the authority of the national authorities is noticeably strengthening	Every government is faced with difficult choices: what restrictions to impose and when to weaken them, where the money will be spent and how it will be collected, what national interests may be limited in favor of international cooperation, etc. This process can be accompanied by miscalculations and abuses. In such cases, the main accused may be the socio-economic system as a whole, which has shown its inability to guarantee socio-economic stability for the majority of citizens (Shcherbakov, 2021).
2.3. State anti-epidemic measures have led to "restrictive measures that have no precedents in modern human history" or "the total curtailment of basic rights and freedoms", meaning, first of all, the compulsion to a quarantine regime and restriction of the movement of citizens (Shcherbakov, 2021)	Of course, the quarantine, self-isolation, and permissive system of movement of citizens introduced all over the world are measures that directly affect the quality of the business environment. They are applicable only in extreme circumstances, which undoubtedly include the danger of the global spread of COVID-19. However, it is important that the state for the first time put the epidemiological safety of society and citizens above the interests of the economy and business.
3. Social changes	
3.1. All over the world, against the backdrop of the economic crisis caused by the pandemic, the process of social inequality in society has exacerbated, fraught with increased social tension.	According to the UN, "the pandemic has increased inequality - there are 131 million more people living in poverty in the world." Poverty hinders the successful development of the individual, determines the limited access to development resources: high-paying jobs, high-quality education and health services, the possibility of successful socialization of children and youth. The low income level of a significant part of the population, combined with an excessive polarization of income, causes a social rift in society, causes social tension, and forms crisis processes in the domestic political sphere.
3.2. As a measure to support citizens, the national governments of the countries used "helicopter money"	So, in the United States in March 2020, as a measure to stimulate the economy and social support for the population in the context of the COVID-19 pandemic, there were direct payments of \$ 1.2 thousand for adult citizens (with an annual income of up to \$ 75 thousand) and \$ 0.5 thousand for each child (Shcherbakov, 2021).

Source: compiled by the author.

4 DISCUSSION OF THE RESULTS

During the lockdown, the world's most developed countries experienced their deepest recession in recent years. Nevertheless, financial panic was averted. Banks have remained surprisingly resilient. This is partly a consequence of the post-global financial crisis regulation: if policies were carried out in accordance with the same principles as in 2008, banks could fail. But huge fiscal stimulus, government loan guarantees, and central bank action have prevented many losses from crystallizing. The Federal Reserve has entered the treasury and corporate bond markets, reflecting the growing importance of capital markets as a source of credit.

The global economic recovery has been uneven. Among the major economies, only China is showing positive growth rates in 2020. US economic performance outperformed forecasts thanks to generous stimulus packages and a flexible labor

market. In other words, the US economy is likely to be able to avoid a crisis similar to those experienced during previous recessions. Meanwhile, many developing countries have fewer financial resources to avert a prolonged economic downturn.

It should be noted that the Russian economy, along with the United States and China, will reach a pre-pandemic level in 2021. At the same time, it is expected that after a rapid recovery in 2021–2022, Russian GDP is likely to return to pre-crisis growth rates of around 2% if measures are taken to provide socio-economic and financial support to individual sectors of the economy and institutional units. Now the most vulnerable to economic shocks are households, small and medium-sized enterprises, and the financial sector of the economy, in respect of which a wide range of government regulators and incentives should be applied (Lysenko and Mechnikova, 2020).

However, regardless of country or region of the world, a pandemic will shape economic prospects for

years to come. The national governments of the countries faced huge budget deficits and the burden of public debt. As in the past decade, inflation rates remain low, but some economists fear that fiscal stimulus and demographic trends could trigger further inflation.

However, the pandemic has had some positive economic impact, since it has encouraged companies to adopt new technologies and processes that can improve productivity and economic growth in the long term. However, leveraging new private sector investment in innovative technology and know-how requires governments to ensure a rapid recovery in demand, additional investment in public goods, such as broadband, and a focus on addressing the educational failure that plagues many students today due to school closures and transition to online education.

In finance, COVID-19 has accelerated digitalization, shifting payments and banking from the physical to the virtual sphere. The growing financial clout of tech-savvy millennials could accelerate digital transformation. With the growth of the financial technology market share, more attention has been paid to this area. Many central banks have begun to seriously consider launching their own digital currencies. In the fall of 2020, the Central Bank of Russia issued a draft digital ruble, which will represent an additional form of the national currency of Russia, issued by the Central Bank of the Russian Federation in digital form. It is planned that the digital ruble will become available to all economic entities and will combine the properties of both cash and non-cash rubles. On the one hand, like non-cash money, the digital ruble can be used for remote payments and online payments. On the other hand, the digital ruble can also be used offline, like cash. Like cash and non-cash rubles, the digital ruble will combine all three functions of money: a means of payment, a measure of value, and a store of value.

Today we are witnessing a unique phenomenon when the coronavirus pandemic is completely changing the world. Much is being transferred into the format of Internet service and remote communication. Coronacrisis creates new professions and forms of activity. Remote work, or "work from home", is becoming the new norm for the work of government, educational and cultural institutions. Many museums are already actively introducing lecture cycles (in online format) and virtual on-line tours.

In this regard, we can confidently say that the pandemic is shaping a new world – the world of virtual and remote communication, which means new

types of activities and needs of humanity (Maslakova-Klauberg, 2020).

5 CONCLUSIONS

Summing up the results of the study, it should be emphasized that the scale and depth of changes transforming socio-economic processes in the world indicate the long-term nature of the consequences of the COVID-19 pandemic in the development of the global economic system. In the newly emerging conditions, it is important for national governments and international institutions to quickly and efficiently respond to the global challenges and threats that the modern world faces.

Until the public has a better understanding of when and how the public health crisis caused by COVID-19 will be resolved, economists cannot predict the end of the recession that is currently ongoing. At the very least, the socio-economic uncertainty about how people and politicians will behave in the near future is as significant as the uncertainty surrounding the coronavirus. The results of numerous studies prove that people are successfully adapting to the current situation against the background of universal vaccination, and that many new directions in social development will be relevant even after quarantine measures.

It should be noted that the world will no longer be the same as it was before the coronavirus pandemic, which, in turn, has become a powerful stimulus for creating new horizons and prospects for the formation of a new world order of the 21st century.

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