

The COVID-19 Pandemic Impact on Global Economy

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Abstract

The COVID-19 pandemic has affected the global economy in different ways. While some sectors such as aviation and tourism experienced a sharp decline in demand, others felt some growth. For example, the media and food retail industry are some of the sectors that have benefitted from the pandemic. They experienced a rise in demand for products and services as lockdowns and other measures to reduce the spread of the coronavirus forced people to remain at home and use online channels for entertainment and to order goods. Nevertheless, the COVID-19 pandemic has severely affected the globalization of consumption by lowering people's incomes and reducing the demand for goods and services. It indicates the need for governments to use a fiscal policy that involves changes to taxes and higher spending to boost people's incomes and trigger growth through higher consumption. Thus, the economic challenges of the COVID-19 pandemic have caused a decline in the globalization of consumption but a fiscal policy will be useful in overcoming the problems and enabling nations to resume growth.

Keywords: COVID-19 pandemic • Media • Food retail • E-commerce • Globalization

Introduction

According to the globalization describes the increased interconnectivity and interdependence of countries and people [1]. It is a process that has led to the greater movement of people, goods, services, capital, and ideas, resulting in the integration of societies and economies. Globalization exists in various forms such as political, cultural, and economic globalization. Political globalization concerns the adoption of similar policies by countries as a way to facilitate commerce and international trade. Cultural globalization stresses the social influences that lead to the cultures of various societies merging, for instance, through transportation and communication. Finally, economic globalization concerns the unification of international markets as well as multinational enterprises.

Globalization also has several aspects, and they include the socio-cultural, economic, and political. Globalization plays a critical role as it facilitates the interconnectedness of countries and people. It can be considered the outcome of the continued opening up of the international economy, allowing greater interactions and trade. As a result, globalization can be viewed as allowing the liberalization of economies that allows economic benefits such as the free movement of goods and foreign investment. It can also be viewed from the perspective of the theory of comparative advantage. The theory states that nations are good at making certain goods due to a variety of factors, for example, low cost. It means that some countries have an advantage when it comes to producing certain goods due to internal factors. Such countries can export their products to other places due to globalization. Globalization has also played a big role in motivating countries to adopt the rule of international bodies such as the International Monetary Fund (IMF) and World Trade Organization, facilitating trade [2].

In terms of its history, globalization is a process that has occurred over many years, starting with the movement of people with the expansion of maritime abilities. Western monarchies had shown a significant interest in obtaining precious metals and other goods that were considered status symbols. Consequently, they encouraged voyages that were supposed to explore the availability of these goods from other territories. At the same, it encouraged a mercantile policy, involving the exchange of goods. The explorations led to

the discovery of new regions, for example, America. As a result of the Western expansion enabled by the development of maritime abilities, Western powers started to create new economic systems, especially colonial economies.

The development of the colonial economy could be considered an exploitative form of globalization. In this case, the Western powers took raw materials and products in the intermediary phase and manufactured them into final goods that were sold to the colonies. The exploitative nature of the system arose from the fact that intermediary goods and raw materials were often taken for low payment or through force from the people in the colonies. The period laid the foundation for the modern economy as intense capital and labor flows occurred. As a result, the period of exploration and colonialism led to countries acquiring the economic power that they possess today.

Further, the growth of globalization can be considered through its second phase. This stage arose as a response to the financial and economic pressures facing Europe. European powers had established and stabilized the capitalist system, but it encountered problems that necessitated economic restructuring. The restructuring was given a new name, imperialism. Although some changes occurred in the economic systems of Western powers, they retained the exploitation of colonies through the removal of raw materials and other products from the territories. Imperialism increased the roots of Western powers in their colonies, but it also created conflicts among them as they attempted to show their superiority. The conflicts led to growing tensions resulting in the First World War. The hostilities and resulting war also led to the stagnation in globalization. The Great Depression and the Second World War also slowed the process of globalization considerably.

However, these events did not manage to end globalization since it continued its advancement although it shifted economic power. The post-Second World War period saw Europe lose its economic power as its production capacity was devastated in the war. While Europe was busy rebuilding its production capacity, the United States, as the major political and economic power, pushed for neo-liberal policies. Thus, it led to the creation of international bodies to guide the global economy. As a result, it led to the establishment of various international bodies, for instance, the IMF and World Bank. The post-Second World War period has seen countries exposed to strict trade regulations that aim to provide an environment that allows the free movement of goods. It has also led to the lessening of restrictions on people's movement by some countries, allowing the sharing and adoption of new cultures and political ideologies.

This analysis intends to examine the way the COVID-19 pandemic has impacted the global economy. Globalization facilitated the movement of people and goods to different regions, but the pandemic has slowed this process. The COVID-19 pandemic is the outcome of the outbreak of the coronavirus that started in Asia in 2019 [3]. It led to countries imposing lockdowns that affected businesses. Accordingly, the COVID-19 pandemic reflects the globalization of

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Received 11 March 2021; **Accepted** 25 March 2021; **Published** 01 April 2021

consumption since it affected businesses, resulting in economic downturns in various parts of the world. The present paper intends to examine the impacts and implications of the pandemic on globalization, particularly trade.

The paper comprises two additional sections: the discussion/analytical part and the summary and conclusions section. The discussion/analytical part of the paper will provide a detailed demand and supply analysis of the impact of the pandemic on consumption. In this regard, it will discuss the sectors that have been affected by the pandemic, and the investigation will involve examining the implications and consequences of the pandemic on consumption through a demand and supply analysis. The summary and conclusions section will discuss the findings from the analytical part. It aims to provide reasonable conclusions on the way the pandemic has affected the globalization of consumption. Thus, the paper will focus on understanding the way the COVID-19 pandemic has affected globalization from a consumption viewpoint.

Discussion/Analytical

The following section identifies the sectors that have been affected by the COVID-19 pandemic and examine its impact on demand and supply.

Sectors affected by the pandemic

The COVID-19 pandemic affected a variety of industries in several parts of the world, but some sectors felt the impact more than others. According to the tourism sector is one of the most affected by the COVID-19 pandemic [4]. As a way to prevent the further spread of the coronavirus, countries implemented lockdowns and other restrictions including banning flights to international destinations. Consequently, it led to a decline in the number of tourists visiting different destinations. The phenomenon led to a decline in the demand for various goods and services, for example, agricultural products (used as food items) and hotel services. The decline of tourism has affected export revenues that are estimated to have fallen by \$910 billion to stand at \$1.2 trillion in 2020 [2]. The problem has had a wider impact because it has reduced the international GDP. The pandemic has also affected jobs that are the direct outcome of tourism such as food and accommodation services. It shows the decline in tourism has led to a decline in the demand for goods and services associated with the industry.

The aviation industry is another sector that has been severely affected by the COVID-19 pandemic. As a way to curd the further spread of the virus, flight restrictions and cancellations halted travel to international destinations. It has led to aviation companies taking measures to enable them to remain in the market. They adopted a variety of strategies including cost-reduction measures that involved reducing the number of workers in the enterprises. It indicates that the pandemic led to a decline in demand for aviation services, and it resulted in a reduced need for aviation companies to hire or maintain their workers. The aviation industry is a key feeder of other downstream sectors, for instance, the hotel and tourism industry. It facilitates economic activities in the form of selling goods and services to visitors. As a result, the impact the COVID-19 pandemic has had on the industry has been felt by the downstream industries that depend on the aviation sector.

While industries such as aviation and tourism felt the negative impacts of the COVID-19 pandemic, some sectors were positively impacted by the health crisis. The media and culture industry is among the few sectors that benefitted from the pandemic. The imposition of lockdowns and other measures to control the spread of the virus led to an increase in the number of subscribers for different media outlets. Companies such as Netflix saw a considerable rise in the number of users of the digital services as people found alternative forms of entertainment for the lockdown. However, the media and culture industry also felt some negative impacts. For example, movie theaters and the creative and performing arts industries were affected by the pandemic as the number of people going to theaters fell. It led to reduced demand that necessitated the companies operating in the sectors to scale down their operations.

Finally, the COVID-19 pandemic also impacted the food retail industry. The impact on this sector was positive because lockdowns and other measures

used to curb the spread of the coronavirus led to a surge in the demand for food items. Non-perishable foods such as rice, wheat, and corn experienced a significant rise in demand as people bought these items as a way to preserve food due to the anxiety and concern that arose in the earlier stages of the pandemic. The fear of running out of food drove individuals to purchase these items in large quantities to prepare. According to the some places such as India experienced a 100 percent increase in the demand for rice and wheat while processed foods, sweets, and spices saw a 15-20 percent rise in demand [5]. The rise in supply motivated farmers to produce more, leading to an increment in the supply of the products at the end of the year.

Demand and Supply Analysis

Tourism industry

The tourism sector felt a negative impact as the number of visitors to different locations, hotels, and other tourism-related areas reduced due to the containment measures adopted by governments across the world. In this case, the demand curve for the industry shifted considerably as shown in Appendix 1. The graph shows the way the COVID-19 pandemic affected demand for goods and services in the tourism industry. In this case, the demand of the industry can be estimated to have been at D with the prices at P and quantity at Q. The decline in demand for products and services offered in the sector would lead to the demand curve shifting to the left (to D1). It means that the price also changed from P to P1, and the reason for the alteration in the price was the efforts made by various companies to attract tourists, particularly domestic visitors. However, the quantity that people were demanding reduced despite the changes in price since the pandemic had affected the economy leading to declining incomes. Consequently, the movement of the demand curve led to the reduction in the quantity being demanded from Q to Q1. In this case, it can be argued that the reduction of demand for products and services from the tourism industry led to a decline in the quantity although the prices remained the same. Thus, the COVID-19 pandemic resulted in a decline in demand, leading to a shift of the demand curve to the left. The problem can be blamed on the lockdown measures imposed by governments as well as a reduction in people's incomes as the global economy felt a slowdown of economic activities. However, the COVID-19 pandemic did not have a considerable impact on the supply of these goods and services. Businesses in the tourism industry continued to operate, but they could not find buyers. As a result, it can be concluded that the COVID-19 pandemic did not have a significant impact on supply within the sector.

Aviation industry

The impact of the COVID-19 pandemic on aviation can be likened to its effect on the tourism sector. The similarity arises from the considerable link between the two industries. In most cases, the people requiring the goods and services offered by businesses in the tourism industry arrive at their destinations using airplanes. The connection indicates that the COVID-19 pandemic led to a reduction in the demand for the services offered by the aviation industry. In this case, the imposition of lockdowns and other measures to contain the spread of the virus led to a reduction in the need to travel. Therefore, it led to the aviation industry experiencing a decline in travel demand. The impact of the reduction on the demand curve would be to shift it to the left, which would lead to lower quantities being sold. It signifies that the quantity being demanded dropped and the demand curve would resemble the one for tourism as shown in Appendix 1. Nevertheless, the level of reduction in demand for passenger air services was not the same in the cargo business. Airlines remained relevant during the COVID-19 pandemic as they played a critical role in the logistics of goods. Although countries had restricted the entry of foreigners into their territories, they allowed the free movement of goods to maintain the supply of essential commodities. It resulted in the aviation businesses continuing their operations as they kept moving goods across the world. However, the number of goods being transported by the industry declined for several reasons. First, people's incomes were affected by the pandemic resulting in a sharp decline in the demand for goods, particularly non-essential items. Second, the fall in demand for goods resulted in businesses requiring fewer inventories of goods in certain

categories. These factors led to a reduction in the number of goods being moved to various parts of the world. As a result, the aviation industry also felt a reduction in cargo being transported although the fall did not resemble the one in the passenger business. Nonetheless, the situation led to a considerable reduction in overall demand, and it led to the demand curve shifting to the left, which signifies a reduction in the quantity sold by the aviation industry during the COVID-19 pandemic. In terms of supply, the aviation sector did not experience changes in supply. The majority of aviation businesses maintained their operations, but they had difficulties attracting passengers and cargo. In this regard, it can be argued that the supply curve did not move. The situation indicates a significant similarity between the tourism and aviation sectors that experienced declines in demand and constant supply due to the COVID-19 pandemic.

Media and culture

According to the culture and creative sectors were among the industries affected by the pandemic together with the tourism industry [6]. OECD countries felt a 0.8 to 5.5 percent decline in the employment level in the cultural and creative sectors [6]. The explanation for the considerable decline in employment arises from the implementation of social distancing and lockdown measures meant to reduce the spread of the virus by limiting the number of people in places such as theaters. As a result, the measures to a decline in the demand for performing arts, live music, cinema, festivals, and museums. In this case, the decline in demand can be explained using Appendix 1. The original demand for the services offered by the culture and creative sectors is represented by the demand curve (D) with the price at P and quantity at Q. The reduction demand causes the demand curve to shift to the left, and the new curve is represented by D1. Consequently, the price moved from P to P1 and quantity from Q to Q1. The pandemic caused an abrupt reduction in earnings that put the financial sustainability of the industry at risk. It has also caused a reduction in the wages of the people employed in the sector with the repercussions felt by suppliers of the industry. Nevertheless, the media and culture industry was not entirely negatively affected by the pandemic. Some sectors, for example, online content platforms benefitted from the pandemic due to the increase in demand. In this case, the lockdown and other measures used to control the spread of the virus led to people staying at home and opting for alternative forms of entertainment. Online platforms such as Netflix were the major beneficiaries of the new of life. They experienced a rise in demand that can also be explained using the demand curve as shown in Appendix 2. In this case, the original demand stood at D0 with the price at P0 and quantity at Q0. The increase in demand would lead to a shift in the demand curve to the right. As a result, the price changes to P1 and the quantity moves to Q1. The significant growth of online entertainment platforms has been attributed mainly to international markets, and it shows that the global market has played a vital role in increasing the demand for the services offered by these businesses.

Food retail industry

He asserts that food retailers and grocery businesses have responded to a high level of demand that has strained the industry [7]. Consumers from various demographics have changed the method of buying products to use digital platforms to place orders. It signifies that the food retail sector has experienced an increase in demand, and it has led to a growing number of enterprises in the industry shifting to the use of e-commerce to reach their customers. The disruption has beneficial since it has aided these firms to experience growth in the demand for food items. In this case, the demand curve shown in Appendix 2 can be used to demonstrate the impact of the COVID-19 pandemic on the industry. Thus, the original demand stood at D0 with the price at P0 and quantity at Q0. The increase in demand would lead to a shift in the demand curve to the right. The alteration of the level of demand leads to the price changing from P0 to P1 and the quantity moves from Q0 to Q1. The growth of e-commerce in the industry has been beneficial to the industry by allowing customers to purchase items from their homes, and it shows the potential of this channel in helping businesses continue to grow the globalization of consumption. According to Businesses are banking on the continued growth of e-commerce as a means to purchase food items [7]. As a result, they have continued to invest in this means of reaching customers,

and it is expected that the strategy will increase the supply of food items through online selling channels. In this regard, the supply curve of the food industry is likely to shift to the right as shown in Appendix 3. The original supply curve has been labeled S with the quantity at Q and price at P. The entry of more businesses into the market increases supply moving the supply curve to the right at S1 and the quantity at Q1 and price at P1. It shows that the higher supply of food items through e-commerce channels will lead to a drop in the prices of these commodities as the quantity increases. Accordingly, e-commerce will lead to the entry of more companies, increasing supply and allowing consumers the benefit of lower prices for food items.

Discussion and Conclusion

Based on the analysis of the supply and demand aspects of various industries affected by the COVID-19 pandemic, it is evident that the health crisis has had a major impact on demand and supply. The demand for various products and services has been affected by the measures taken by governments to curb the spread of the virus. For example, the tourism, aviation, and culture industries have been severely affected by the pandemic. They have experienced a decline in demand due to the restrictions on visitors and social gatherings. It indicates a reduction in consumption since tourists no longer visit attractions and people cannot attend the theater. However, some industries have been positively affected by the pandemic. The media and food retail industries are some of the beneficiaries of the COVID-19 pandemic. They have seen a growth in the demand for their services driven by several factors. The imposition of lockdowns led to people needing alternative forms of entertainment that did not require socializing, as a way to prevent the spread of the virus. Furthermore, they required new ways of delivering food items without the need to go outside their homes. These requirements have led to an increase in the demand for online streaming services and food items sold through the Internet. Therefore, the pandemic has allowed the businesses operating in these sectors to continue growing despite the decline in the economic performance of most nations.

Consumption is an important element of globalization. It is the basis for international trade as countries export and import goods and services to meet the demand for these products. However, the COVID-19 pandemic has affected this aspect of globalization. The pandemic has led to the adoption of measures such as lockdowns and restrictions on visitors entering other countries. In this regard, the pandemic has led to a slowdown in the globalization of consumption due to the decline in the market for goods and services offered by certain industries, for example, the tourism and aviation sectors. However, the pandemic has also facilitated other industries to experience a growth at a time that most countries have been affected by the COVID-19 pandemic resulting in weaker economies. Some of the sectors that have seen growth are the food retail and media sectors. In this regard, it is clear that the pandemic has had a positive impact on the globalization of consumption because it facilitated increased demand for certain goods and services. The information shows that the COVID-19 pandemic has impacted the global economy in different ways, but it has resulted mostly in the slowdown of economic activity. As a result, governments can employ a fiscal policy to overcome the challenges caused by the pandemic. In this case, the manipulation of the level of taxes and government expenditure can aid in increasing people's incomes and stabilizing the economy. Therefore, the use of a fiscal policy can help in overcoming the problems caused by the COVID-19 pandemic to the globalization of consumption.

Conflict of Interest

None

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How to cite this article: Ileka, Gerald, and Massomeh Hajilee. "The COVID-19 Pandemic Impact on Global Economy" *J Glob Econ* 9 (2021): 367