



The Repercussions of COVID-19 and its Negative Effects on the Global Economy, Algeria Case Study

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Abstract :

This study aimed to review the economic effects of the Corona pandemic at the global level, while shedding light on the case of Algeria, and the study found that the Corona pandemic has caused dire effects on the global economy as well as on the Algerian economy, which has been exacerbated by the pandemic due to the deterioration of global oil prices and the decline in demand for Fuel, as the study concluded that the economic policy of Algeria is valued in its response to the repercussions of the pandemic, and a set of solutions were proposed to enhance the ability of the Algerian economy to overcome the effects of this crisis, as the study emphasized the importance of the new economic model in achieving prosperity and development.

Key Words: Corona virus, Global economy, Algerian economy, International trade.

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Introduction:

Noday, the world is witnessing an unusual situation. Most of the population of the world has not witnessed events similar to that of today's epidemic known as Corona or COVID-19, which is exceptional in various respects and will inevitably be a major turning point in the history of all humanity. Not only is it dangerous, but also has serious economic, social and political consequences, affecting international human, commercial and political transactions directly, as the spread of the epidemic has forced people to take a range of precautionary measures, isolation, quarantine, social exclusion and travel prevention. This has adversely affected the economy, where it is experiencing a severe recession and sudden deflation, thus creating an unexpected global economic crisis.

The issue of the impact of the Corona virus on the global and Algerian economy is one of the most prominent issues that appeared on the international and local arena in the last days of 2020, and is the concern of many economists and intellectuals around the world to know how it affects the economy, how does the Corona virus affect the world and Algerian economy?



To respond to his problematic situation, the following questions must first be answered:

- What is the Corona virus?
- What is the situation of international trade in the face of the crisis?
- What is the impact of the virus on the global economy in general and the Algerian economy in particular?
- What measures has Algeria taken to keep its economy from deteriorating?

According to the above, the study answers the discussions raised in the research problem: The situation of the world economy and the Algerian economy in the light of the crisis of Corona and the measures taken by countries, especially Algeria, against the virus of Corona until it is peacefully out of its crisis.

This study relied in its approach on the inductive approach, the principles of which revolve around observing the reality of the Corona pandemic and its impact on the economic conditions in the world and in Algeria and is also based on observing the efforts of countries, especially Algeria, to confront this epidemic and get out of it with the least losses.

I-The appearance and definition of the virus:

Corona-viruses are a large group of viruses that can cause disease to animals and humans, and a number of kuru viruses have caused respiratory infections in humans that range from common cold to more severe and severe diseases, such as respiratory syndrome and severe acute respiratory syndrome (SARS). The recently discovered COVID-19 virus is a contagious disease caused by the new Corona virus, and there was no knowledge of the virus before the outbreak of the pandemic in China's Wuhan city in December 2019 (Bouaissa, 2020, p. 105) COVID-19 is a contagious disease caused by the latest virus detected from the Corona virus. There was no knowledge of the new virus and its disease before its outbreak in the Chinese city of Wuhan in December 2019, and Covid-19 has now become a pandemic affecting many countries in the world (Myoclink, 2020, p. 01).

Corona viruses are a group of viruses that can cause diseases such as colds, severe acute respiratory infection (SARS) and Middle East respiratory syndrome (MERS), a new type of corona virus was discovered after it was identified as a cause of the spread of a disease that began in China in 2019. .

The virus is now known as severe acute respiratory syndrome Corona 2 (SARS Cove 2), and the resulting disease is called Corona virus disease 2019 (COVID 19), in March 2020, the World Health Organization announced that it had classified Corona virus disease as a pandemic.

So, what are the symptoms of COVID-19? The most common symptoms of COVID-19 are fever, fatigue and dry cough, and other less common symptoms may include some patients: Pain and aches, nose puffiness, headache, inflammation, throat pain, diarrhea, loss of taste or smell, rash or the appearance of a rash or change in the color of fingers or feet, these symptoms are usually mild and begin gradually, and some people are infected without symptoms (Myoclink, 2020, p. 01)



II- The impact of the Corona virus on the global economy:

The Corona virus Covid-19 pandemic has caused severe turmoil in the global economy at all levels, financial conditions have intensified sharply in various parts of the world, and emerging markets witnessed unprecedented capital inflows in terms of size and speed (a record number of 100 billion US dollars) and froze. In some cases, the markets were actually active, this created a tremendous demand for liquidity, with a severe shortage of liquidity in emerging markets, and the general atmosphere that prevailed in this crisis led to fog, turmoil and intense anxiety, especially about what the situation could result in light of extreme uncertainty. The complexity, forcing some to reconsider their expectations from time to time (Ahmed Fayeze, 2020, p. 121) and the spread of the virus was reflected in economic growth and global demand for oil, but the spread of this epidemic negatively affected investor sentiment, which prompted many They are directed towards safe-haven assets similar to gold, which is viewed as a safe haven for hedging in times of crisis

The Corona virus affected the world economy (El Khater, 2020, p. 20) through several channels:

- Trade, which hinders production, impedes supply and weakens global demand.
- Financial interdependence, having a material and moral impact on global financial markets that have experienced the worst and most severe collapses since the global financial crisis erupted in 2008, gives financial markets a negative indicator of investors' sense of the impact of the virus on the global economy.
- Tourism and transport, with the reduction in the rate of flights and the closure of many airports around the world, affect the international supply and demand, while at the level of the domestic economy of the countries; three channels have affected the virus:
 - Obstructing economic activity by impeding production, services, transport, transport, tourism and shopping, weakening supply and demand, and cities are under curfew and have become ghost towns, as in China and Italy.
 - Costs of coping with and containing savings, support and precautionary measures for the health sector and the economic and social sectors at high and rising costs.
 - Confidence and certainty, confusion and uncertainty weaken confidence, resulting in a reluctance to invest, spend, and tourism.

The Corona virus has paralyzed the global economy, if there are expectations of a decline in growth in China, a recession in Japan, a recession in France, a closure of industrial areas in northern Italy, and an emergency reduction of interest rates to zero.



1-The economic impacts of the Corona pandemic on various economic sectors:

One of the most prominent effects of Corona virus at the international level is that it raises many legal problems in industrial, commercial and operational contracts, financial obligations, and related tax issues, as many international companies specializing in various fields such as energy, gas, air transportation, shipping, auto industries, spare parts and petroleum materials have paid And technology, in the presence of exceptional circumstances in order to temporarily suspend the implementation of its contractual obligations and re-arrange its obligations in accordance with the emerging circumstances without imposing fines for delay or compensation for delay in the implementation of these contracts (Mansour.j, 2020, p. 486) The Corona virus Covid-19 crisis had many repercussions on Economies: The following is an overview of the most important economic impacts and indicators of the Corona pandemic (Ahmed Fayez, 2020, p. 122):

- Lower oil prices
- The price of flame rises.
- Lack of supply for medical supplies and tools
- increasing demand for strategic food commodities
- Fluctuating currency exchange rates
- The tourism sector has been affected
- Disruption of business movement
- Increase in unemployment and job losses
- The aviation sector has been adversely affected
- Significant losses for factories and companies
- Low and weak State revenues

As uncertainty about the economic environment has increased, firms have become more cautious in long-term spending and global purchases of machinery and equipment have declined. Household sector demand for durable goods has also declined, despite the improvement achieved in the second quarter of 2019. This was particularly evident in the demand for cars, where sales in many countries have been affected by some regulatory changes.

2- The situation of international trade in the context of the Coruna crisis:

The spread of the Corona virus has a major impact on international trade during 2020, both in commodity and service trade. Because of disrupting global supply chains in many countries, international commodity and service trade levels are projected to decline during 2020, and its general recovery, predicated on the decline of the pandemic in 2020. (Arab Monetary Fund, 2020)

-The pandemic affected demand and supply of primary commodities: They had direct repercussions from the closure and disrupted supply chains

-Oil prices have plunged sharply, and demand is expected to decline by an unprecedented amount in 2020



-The suspension of economic activities has been affected by industrial primary commodities such as copper and zinc, and it is generally expected that metal prices will decline this year. The World Trade Organization indicated, in its latest forecast, that global trade movement could decline between 12.9% and 31.9%, And that depends on the path of the global economy, and whatever the rates of decline, all regions of the world will suffer a decline in exports and imports by two decimal places during the year 2020.

Emerging market economies and developing countries that depend on primary commodities will be among the most vulnerable countries to the economic effects of the pandemic, in addition to the health and human losses that these countries may suffer. The effects of global economic recession, declining demand for exports, and disruption of supply chains will all harm the economies of these countries. (El Haouas, 2020, p. 67).

3- Global growth in the Corona crisis:

According to the International Monetary Fund's estimates of the rate of growth of the world economy, which it declared within the framework of the World Economic Outlook report, it is expected that the world economy will contract to negative 3% in 2020 with the possibility of recovery in 2021 by achieving a growth rate of 8.5%. The decline in global economic growth is due to the decline in US economic growth in 2020 as a result of the spread of the virus to a negative 9.5% due to the decline of public and private consumption. Uncertainty over asset prices as well as closures due to the outbreak of the Corona virus in the United States, which is experiencing the world's largest casualty and death rate in the euro zone, economic growth is expected to fall to negative 1.7% due to lower exports and slower consumption for the Japanese economy, it is expected to shrink In 2020 about 9.5%. The Chinese economy showed a growth rate of 2.1% in 2020 with a contraction of negative 9.4%, and there are still other negative risks to the global economy, given the uncertainty prevailing in the world during this period (El-Walid Ahmed, 2020, p. 08):

III-The impact of the Corona virus on the Algerian economy:

The Corona crisis is a crisis not seen in history as it has led to a major worldwide depression. Just as the current crisis affects not only human health, but also all the different economic sectors within the country, as a result of the epidemic, and the fallout from any country Many sectors, such as tourism and inter-state air transport, have been shut down to confront the Corona virus, leading to global economic recession. Algeria was among the countries affected by the epidemic.

1- Situation of the Algerian economy in the context of the crisis of Corona:

With the outbreak of the COVID-19 epidemic, the Algerian economy found itself affected in all sectors, and perhaps one of the most important economic sectors in Algeria affected by the consequences of the Corona pandemic is the following (Boulaars. S, 2020, p. 168):

**1-1-Tourism sector:**

Tourism and travel agencies in Algeria have been greatly affected by the consequences of the 19 covid crisis since the suspension of flights, and because the essence of their activity is related to travel, movement and freedom of movement, as they were the most affected sectors because of the Koruna pandemic, which coincided with the holiday season and trips inside and outside the country. In particular, Ramadan Omrah flights, on which a large number of dealers depend, which represented a real crisis in their activity, which made all tourism and travel agencies in Algeria stop activity, and they have to close their doors and head for compulsory unemployment. The same applies to the hotel sector, which has been suspended because of the disruption of tourism activity, and the rest of the commercial and service activities that depended on the movement of tourism in increasing its income have also been greatly affected, and will continue to decline as the crisis lasts longer and lasts longer.

1-2- The fuel sector:

Algeria depends 98% on its earnings from hard currency on its oil and gas exports, and the country's tax revenues also depend on 50% of the oil tax, and 70% of the salaries are paid on the basis of these inputs. Unfortunately for Algeria, its two main customers In Europe and the world, Italy and Spain are currently the two most affected by the Corona virus crisis, which raises concerns about the possibility of a decline in demand or a disruption in payment in these two countries, knowing that the country is linked with two gas pipelines to Spain, and another towards Italy. Thus, the financial situation of Algeria will be very critical, as before the Corona crisis it was expected a deficit of 13 billion dollars in the budget, and today with the arrival of this crisis may double, and if the Corona crisis continues, the oil tax that was expected at 2800 billion dinars will be reduced in half, which is This means an additional deficit of 1400 billion dinars, in addition to the expected original deficit of 1500 billion dinars, meaning that the deficit will almost double to reach a value of 2900 billion dinars, which is equivalent to approximately 26 billion dollars (El Abssi and Tijaniya, 2020, p. 96).

1-3– Services sector:

The services sector in Algeria provides 60% of jobs, 44% of GDP, and 2.2% of value added here observers expect that the services sector will be affected by the consequences of the Corona virus, the third major sector of GDP, including banking and tourism services, insurance, and the government. The Algerian government, for its part, has approved air flight restrictions and a closure of the air, sea and land borders, causing widespread contraction in the hotel and transport sector, and financial transactions due to the decline in port and airport traffic.

It should be noted that some public facilities and hotels have become quarantine centers for overseas travelers.

Like the hotel sector, the tourism agencies sector is experiencing many difficulties, especially those active in religious tourism, such as El- Haj and Omrah, where Saudi Arabia decided to suspend Omrah until further notice within the framework of measures to prevent the outbreak of the Corona epidemic.



The catering sector provides a labor market, both organized and daily employers, which is one of the sectors that has been particularly traumatized by the epidemic, and it is worth recalling that the government has decided to suspend coffee shops and restaurants within the prevention of the spread of the epidemic.

1-4-The tax sector:

The tax base will lose part of the tax contributions, and will worsen as economic activity continues to stall.

The agricultural sector the agricultural sector has remained untouched by this economic recession, and it is often not subject to tax collection.

1-5- Foreign exchange reserves:

The Algerian government expected that the exchange reserves will erode and decrease from its level from 6.51 billion dollars as specified in the 2020 Finance Law to 2.44 billion dollars in the supplementary law, and this is equivalent to a full year of import, and therefore the Algerian government will lose more Of 7 billion in foreign currencies due to the Corona virus, by the end of 2020.

1-6- Transport sector:

The different transport sectors have been affected by the kronor pandemic separately as follows (Boulaars. S, 2020, pp. 169-170):

a- Maritime transport: The government announced in mid-March the suspension of passenger shipping under the measures to protect against the outbreak of the COVID-19 epidemic, losses was recorded for the Algerian Maritime Transport Complex estimated at 50% of its business number. Since the suspension decisions coincided with the summer season, which is the peak season in passenger transport.

b- Maritime transport of goods: The cargo transport activity was reduced at the beginning of quarantine but soon resumed because of its economic importance in maintaining supply lines, ensuring the stability of markets and supplying their distribution networks. Thus, merchandise exchanges at the level of Algerian maritime transport have not been much affected and have continued to maintain their pattern of transport of industrial materials such as iron, spare parts and chemicals.

c- Air transport: The outbreak of the COVID epidemic of 19 has largely had an impact on all international airlines. The International Air Transport Association declared that the crisis of Corona virus has caused the world's airlines to lose revenues that reached 314 billion in 2020, down 55% compared to 2019, and for Algeria, the Algerian airport corporation recorded losses estimated by 3.1 billion dinars. Since international flights were suspended from March 22 and domestic flights on 19 of the same month, except for essential goods transport flights, this has negatively affected the entry of the Airports Management Corporation, which declined by 96% compared to the registered income during the same period in 2019.

d- Rail transport: Since the beginning of the suspension of its movement due to the Corona pandemic until the end of last April, the losses of the National Railway Transport Company amounted to nearly 1 billion DZD, which is an estimated 50% of the company's turnover compared to the same period in 2019.



1-7- Impact on investment and international trade:

The OECD expects a decline in global FDI inflows of at least 30% in 2020 compared to 2019 before returning to pre-crisis levels by the end of 2021, and the resulting supply and demand shocks are expected, along with lower oil prices and lower confidence Investors led to a further drop in foreign direct investment in the MENA region. The United Nations Economic and Social Commission for Western Asia estimate that the Arab region will likely lose 45% of foreign direct investment flows.

2- Growth prospects in Algeria:

Economic activity is expected to be affected by a number of factors, including the rise of the state's general budget deficit, and by challenges on the level of external situations, as it is expected that the rise of the deficit in the balance of transactions will continue in the level of trends in the operating conditions. Economic conditions were reflected in the unemployment rate trends that fell to 4.11% in May 2019 against 7.11% in September 2019 Algeria is expected to be affected by developments in the international oil and gas markets, the consequences of the spread of the Corona virus and the economic costs associated with it in particular In the light of the need for further stimulus measures and reforms to the business environment that are attractive to domestic and foreign investment (the Arab Economic Outlook, April 2020).

In light of the challenges facing the Algerian economy as a result of oil prices remaining at relatively low levels compared to the levels prevailing before 2015, and the need to stimulate and push economic growth, the Bank of Algeria adopted a mechanism represented in the "unconventional financing mechanism for the budget deficit" through quantitative easing programs that entered It comes into force after the amendment of the Currency and Loan Law at the end of 2017 so that the Bank of Algeria exceptionally, for a period of five years, purchases directly the securities issued by the government in order to contribute to the payment of the general budget deficit, meet the requirements of financing the public debt, and finance the National Investment Fund to help Containing the internal and external economic imbalances within the framework of Algeria's implementation of the structural economic reform program. The Central Bank of Algeria kept the monetary policy interest rate at a level of 3.75% during 2019 to support economic growth, while raising the legal reserve ratio to 12% compared to 10% in 2018. In addition to achieve its goals, especially in light of the challenges posed by high inflation rates (Outlook, April 2020, p. 41)

3- Objectives set by Algeria to achieve economic recovery:

The new Corona virus pandemic has been a major challenge for the Algerian government at several levels, and the Algerian government has taken several measures to address the impact of the pandemic on the economy, taking three types of measures (Khaled, 2020, p. 11), measures to stimulate the economy and employment, measures to support companies, jobs and income, measures to protect workers in their workplace. At the start of the Covid virus outbreak in Algeria, the



government quickly drifted toward a series of objectives of a more poetically and structural nature within its plan of action: (Boulaars. S, 2020, p. 171):

Achieving a sober and prudent management of public finances by limiting tasteful use of resources and rationalizing management and equipment expenditures, by eliminating sources of waste, extravagance and expenditures that do not have a significant impact on improving the citizen's living framework.

- Strengthening foreign exchange reserves by giving mobility to economic development and upgrading the economy while maintaining the state's commitments in the area of financing development.

Enhancing the citizen's purchasing power, while ensuring that the national market is regularly supplied with basic products and raw materials.

- Activating the necessary basic legal measures to improve the business climate and reinvigorate investment with high benefit in a manner that ensures improving the balance of payments position, by opening up to serious foreign investments, encouraging and accompanying national solidarity initiatives and reviving the national economy.

Improving the tax return of the state by focusing mainly on establishing and developing start-ups by granting them a set of tax privileges and diversifying the financing instruments directed to them

- The authorities announced their intention to reduce current spending by 30%, equivalent to US \$ 12 billion (2.7% of GDP), while maintaining a stable level of wages, and protecting spending on health and education (Talha Ahmed, 2020, p. 40)

On the level of monetary policy and the banking sector, the Central Bank of Algeria lowered the reserve requirement ratio from 10% to 8%, and its main policy rate by 25 basis points to 25.3%.

In the area of the exchange rate and the balance of payments, the authorities announced several measures to reduce the import bill by at least \$ 10 billion (6 % of GDP).

Conclusion

Through the previous analysis of the world and Arab economies (the case of Algeria) in a number of economic aspects and sectors affected by the outbreak of the Corona virus. Unlike other historical shocks that have affected one side of the macroeconomic (supply or demand), it is evident that:

The Corona virus has directly affected both demand and supply sides, requiring a broad monetary and fiscal policy response to support demand and provide funding to the various sectors most affected by the outbreak of the Corona virus (health sector, services sector). An immediate financial response is therefore essential by boosting spending in the sectors.



On the economic level, the policies launched by most countries came through their central banks or through the establishment of financing funds and special accounts established specifically for this purpose with the participation of a group of commercial banks. This step was reinforced by the rounds of cuts in monetary interest rates announced by central banks and monetary institutions.

Resulted in the rapid spread of the virus Corona growing reliance on technology as the main alternative to going everyday life, so that became the work and distance education, the situation of the new terms of work within the institutions and government departments continued, but remotely, from free government systems smart that provide services to citizens online Many schools and universities also continued to provide scientific content for their students through direct broadcasts on the internet, and the companies and the private sector continued to be active in offering video conference services, video clips, and applications.

The state of global fear, of which Russia has found itself, has led the world to a profound economic crisis, which, beginning with the decision-making process and the procurement of consumer goods, has never been seen before. With regard to the control mechanisms and the economic mechanisms to be adopted, the spread of the new Corona virus has been rapid, with the surprise of all the Nations of the world.

For Algeria, this global health crisis has been favorable to economic and political reform, which can be implemented with a greater chance of success. The first reforms launched during the period 1991-1998 were set back by the fact that no large class of society, whether political or educated, had become undone. It collapsed with the first real crisis it faced, but the introduction of ICT and the need to generalize the digitization of the economy could be a major factor in the success of these reforms.

Overall, it is still too early to predict comprehensively the impact of the pandemic on the States of the Middle East and the Maghreb, particularly Algeria, but there is sufficient evidence that it will have a high economic cost and many social and political consequences.

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