Covid-19's Repercussions on Global Economic and Financial Sectors During the First Semester of 2020

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Abstract:

This research aims to shed light on devastating effects that Corona pandemic has on many economic and social sectors in most countries of the world. It becomes clear that hospitality, tourism, transportation, energy, retail and international trade sectors, as well as financial markets, were among the activities and sectors that witnessed a massive collapse as a result of Covid-19, which caused a deep shock in the real economy, disrupted supply chains and pushed the global economy into recession, a decline in global growth and a rise of risks. All this has resulted in an unprecedented unemployment levels, and almost complete paralysis in various world economies.

Key Words *: Coronavirus, Services Sector, The Global Economy, Unemployment, Financial Markets.*

JEL Classification: *G2,I10,J65,P33*

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1. INTRODUCTION

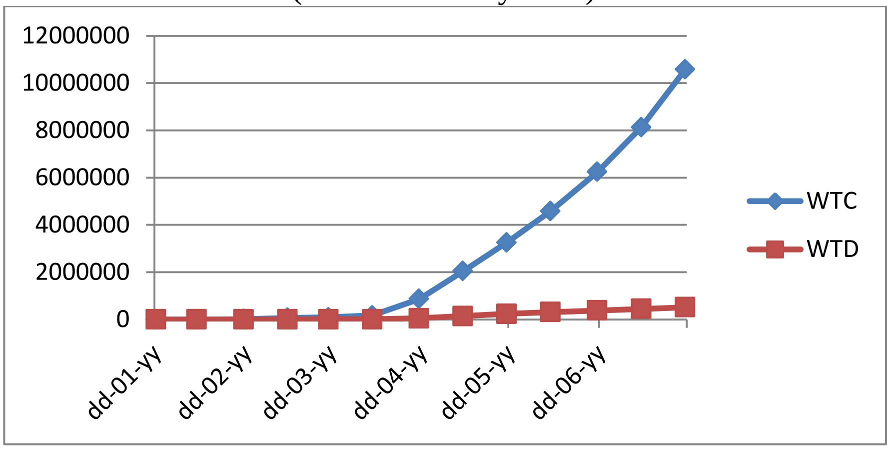
Coronavirus pandemic appeared in Wuhan, a Chinese city, in December 2019 and then spread to all countries of the world, without exception, in a relatively short period of time and affected all countries to the point of complete paralysis in some cases and sectors, which prompted the World Health Organization, WHO, to declare it as a global pandemic on March 11, 2020. Covid-19 was not the only pandemic that strikes humanity with this brutality. It was preceded by the plague pandemic that killed two-thirds of the population of Europe in Middle Ages, the Spanish flu that killed 50 million people in 1918 and 1919, SARS in 2002, Ebola in 2003 and other pandemics that differ in terms of location, number of victims, severity, and duration (Boissay & Rungcharoenkitkul, 2020).

However, Coronavirus has some specific characteristics, such as that it affected developed and developing countries alike, despite the enormous material and human capabilities that developed countries have; its human and economic costs are heavy and unforeseen. It was also distinguished by the fact that it came in completely different economic and financial conditions, mainly the unprecedented interconnection between global economies, low interest rates, until they became zero or even negative in some countries. It has also affected the supply and demand for goods and services simultaneously; and coincided with two trade wars, namely the one between China and US and the other between Russia and Saudi Arabia, which led to an unprecedented decline in oil prices.

This pandemic led to a shock in the five continents, being a health crisis (exogenous variable) that suddenly turned into an unprecedented economic, financial and humanitarian catastrophe with a relatively high human cost, as it hit hard on US, India, Brazil, Russia, Italy and tens of other countries. This required all countries to take strict measures to protect their populations and prevent the spread of the pandemic, which negatively affected various economic, social and strategic sectors. They closed educational institutions, reduced jobs to a minimum and encouraged work from home, closed land and sea borders, and airspace (airports), and imposed strict restrictions on the movement of individuals, as cities and entire regions were isolated, with the aim of preventing the virus from spreading. It also closed shops and unnecessary activities and made it mandatory for their populations to enter home quarantine and social distancing.

Fig.1. Evolution of the number of cases, WTC, and the number of deaths, WTD, in the world during the first half of 2020

(On a bi-monthly basis)



Source: Authors' calculations based on statistics available at: *https://www.worldometers.info/coronavirus/*

These measures have had a severe impact on various economic and social sectors, especially the services sector, such as tourism, both national and international, as the demand for services related to it suddenly collapsed to the point that there is no potential demand in some cases, as is the case when travel and hotel reservations are canceled. The transportation industry has collapsed, as has the airlines and their related services, hotels, restaurants, and retail trade; The costs of international export and import deals rose, that is, the costs of international trade rose, due to reduced production of goods and services and the disruption of global supply chains. All this resulted in an unprecedented rise in unemployment rates in all countries, especially those economies that heavily depend on services and those that depend mainly on tourism. For instance, the number of laid-off workers increased to unprecedented levels in the second quarter of 2020, where it reached 17.7 million, when the effects of the pandemic first became noticeable, which made the total income decline, Consumption widely decreased and consumer confidence subsequently collapsed (US Bureau of Statistics, 2021).

In order to protect their populations and economies from this devastating pandemic, affected countries have taken many other measures, as they canceled trade fairs, sport competitions and religious activities. They also adopted expansionary monetary and fiscal policies to provide liquidity to their economies and facilitate credit for banks and investors. Despite all this, the human and economic costs were enormous and unprecedented, which necessitates that various countries should coordinate with each other to circulate the available vaccines and share information and experiences to mitigate its devastating effects.

Financial markets also collapsed with the pandemic reaching different parts of the world, and their levels decreased in developed and emerging countries alike, fearing a slowdown in global economic growth, or even negative growth rates and a deep recession. Markets were also affected by fears due to financial default of tens of millions of people who lost their jobs and millions of companies that have ceased activity (AIMD, 2020).

1.1 Objective of the study

This study mainly aims to show the devastating effects of Covid-19 and how it is transformed from a health crisis into a multi-faceted crisis: economic, social, financial, and investment crises; and to what extent it impacted the global economy, its various sectors and aspects, especially its human side. At the time of writing, (early October 2020), the number of confirmed cases in the world has reached 36,131,000, and the number of deaths 1,043,000. Moreover, the number of cases in US, considering as the country most affected in the world, reached 7,688,600, and the number of deaths 215,175, which is a heavy human loss, that the world has not seen since world war 2 (WW2). We also try, to address the most affected economic sectors separately, and their effects on the global economy.

1.2 Previous studies

In a relatively short period of time, a considerable mass of literature and writings appeared on Covid-19 and its effects on various countries and economic and social sectors, as well as about the methods that countries used to confront its repercussions. The US Congressional Research Service, CRS, and others: Stewart, 2020; AIMD, 2020; Sarkodie and Owusu, (Sarkodie & Owusu, 2020) 2020; Gruszynski, 2020; have published numerous studies and reports on the devastating effects of Covid-19 on the global economy, which is estimated at 90 trillion Dollar, pointing out that it is difficult to define precisely these impacts, and thus the challenges that decision-makers face when choosing the appropriate policies to face it. Most estimates confirm that the global economy will decline at unprecedented rates during 2020, ranging between 6% and 7.6%, and that the recovery will not be before 2021 or even 2022. The World Bank, WB, also believes that 90% of global economies will witness a recession in 2020 deeper than that which the world witnessed during The Great Depression of the late twenties and first half of the thirties of the last century (CRS, IN11493, 2020). These reports also indicate the collapse of financial markets, the deterioration of global trade, the flight of capital from some developing countries to safer havens, the slowdown in economic growth, the decline in oil prices to unprecedented levels, the collapse of the entire services sector, and other disastrous effects.

Maliszewska et al, 2020; Atekso, 2020; Chen et al, 2020; Akbulaev et al, 2020 and others have dealt with the precautionary measures taken by various countries to avoid the spread of the pandemic on their territories, such as limiting the movement of individuals, quarantine, social distancing and closing institutions and places of gathering. These measures led to disastrous effects on national economies, negative social consequences, and unforeseen human and economic costs, such as a decrease in GDP, an increase in unemployment rates, a collapse of the hospitality sector, a decline in the production of goods and services, or what is known as the supply and demand shock; a disruption of foreign trade in terms of imports and exports in tandem with a disruption of global supply chains, and high volatility of the financial sector, including banks, and other activities that are negatively affected by the pandemic on the five continents.

Some researchers such as Fernandes, 2020; Baker et all, 2020;Yan et al, 2020; World Bank (WB), 2020; Sansa, 2020; Ramelli and Wanger, 2020; Çitak et al, 2020; CRS, (IN11309)2020; Zhang et al. 2020; UN, 2020, indicated the state of the global financial markets, GFM, at the beginning of 2020, and how some of them ignored the emergence of Covid-19 and achieved the highest levels ever, then those markets collapsed as it spreads in Europe, especially Italy, then in the US and other parts of the world. Accordingly, GFMs incurred heavy losses in a few weeks, which pushed financial authorities to close their markets several times and prevented some risky deals in order to reduce those losses and wide fluctuations in prices. Examples include short selling, stock buybacks, and individual trading (as only electronic trading is maintained). As a result, GFMs returned to acceptable levels by the end of the first half of 2020.

Other writers such as Corbet et al, 2020; Conlon and McGee, 2020; Gil-Alana et al, 2020; Ji et al, 2020, analysed safe havens in periods of crisis, that is, those assets that are used to hedge against severe risks that invaded GFMs, since the spread of Covid-19. It was resorted to cryptocurrencies, especially bitcoin; some relatively stable currencies such as the Japanese yen and the Swiss franc, gold, oil (WTI), and soy.

Finally, studies by Gondwe, 2020; Ozili, 2020; AIMD, 2020; and Kochhar, 2020, were subjected to policies to confront this pandemic using programs and stimulus packages provided by Governments to support affected sectors. Among these are reducing interest rates, deferment or exemption from taxes, pumping trillions of dollars into the economy, including direct payments to companies and individuals who lost their jobs. In short, those countries have adopted monetary and fiscal policy tools to save what can be saved from Covid-19, and provide liquidity to the economy. Many countries have also increased spending on health care and coordinated with each other to manage the crisis .

The remainder of the paper was organized as follows: Section two deals with the services industry in detail, centering mainly on its various branches such as tourism, transportation, hospitality and so on. After reviewing the issue of unemployment caused by the pandemic, this section also analyzes other concerns namely oil, international trade, and financial markets, as they are among the branches that have been severely hit by Covid-19. Section three concludes.

2. Repercussions of Covid-19 on economic and financial sectors

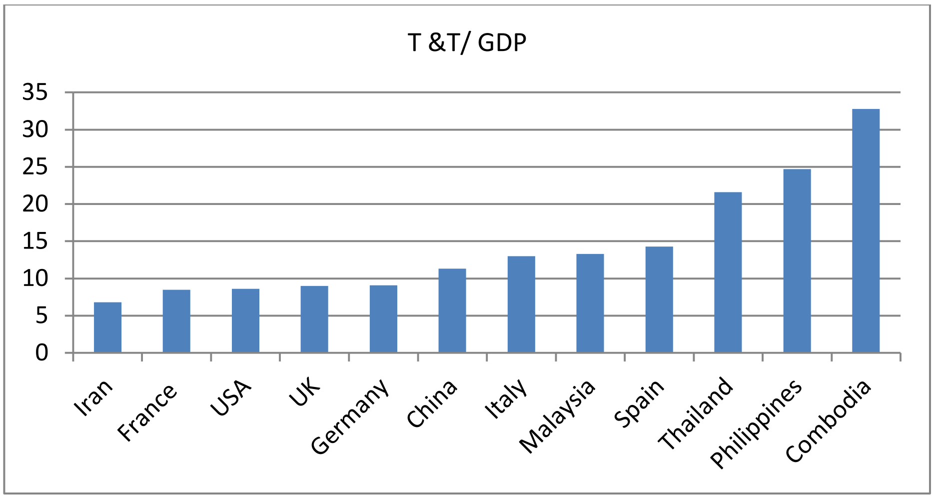
The economic impact of this pandemic was evident in many economic sectors and in all countries of the world, according to their economic structures and the precautionary measures they took to avoid the spread of the pandemic. This resulted in a sharp decline in economic activity, severe disruption in the supply and demand for goods and services, a slowdown in global economic growth, widespread volatility in financial markets, temporary or permanent layoffs of tens of millions of workers, and other aspects of the crisis. The following are the most important activities and sectors negatively affected by this pandemic:

2.1 Tourism

The tourism industry is the backbone of many economies, in both developed and developing; That is why, once this industry and other complementary industries and sectors collapsed, the entire global economy collapsed in the first weeks of the pandemic. This came as an inevitable result of stopping the movement of transport in all its forms, especially air transport, and putting strict restrictions on the movement of individuals for fear of the spread of the pandemic from one country to another and from one region to another. The cancellation of hundreds of thousands of flights led to the cancellation of millions of reservations and travels towards global tourism destinations, which made the tourism sector, and of course the countries that mainly depend on this industry, among the most affected countries and destinations, including tourism agencies and small and medium-size enterprises operating in this industry. This collapse has had unprecedented devastating effects on hotels, collective housing establishments for tourists, entertainment companies, car rental companies, museums, cruise companies, national and international forums and conferences, cultural and sport activities, tour guides' activities, thousands of stores located in airports, tour operators, and rail companies, as well as some technology companies, such as ticketing platforms in hotels, stadiums, transportation companies and other activities. It is expected that these activities will bear record losses, as well as massive job losses either temporarily or permanently.

According to the World Travel and Tourism Council (WTTC), the tourism industry contributes for 10% of the global GDP, and it is not possible to return the sector to what it was before the crisis until 10 months after the pandemic completely ends, and more than 50 million workers may lose their jobs in this sector as a result of this pandemic, more than half of them are in Asia, 7 million in Europe and 5 million in America (Virginia, 2020).

Fig.2. The travel and tourism sector, T&T, share (%) of GDP for some countries



Source: Authors' calculations based on "Statistica", (2020), World Travel and Tourism Council, WTTC, available at:*https://www.statista.com/chart/21391/total-contribution-of-travel-and-tourism-to-gdp-of-selected-countries/* ; and*http://www.wttc.org/*

This is what pushed the World Travel and Tourism Council (WTTC) urge various countries to lift restrictions on the movement of tourists and individuals in general, whenever circumstances permit, and without exposing public health to any danger. While the United Nations World Tourism Organization (UNWTO) believes that there will be a decrease in the number of tourists ranging between 20-30% in 2020 compared to 2019, the OECD believes that the matter will be worse than that, and the tourism industry will lose between 45-70% in 2020. Also, according to the International Civil Aviation Organization(ICAO), the decline in international tourism will lead to a sharp decline in the revenues of this important branch of tourism between 910 and 1170 billion dollars compared to 1.5 trillion dollars in 2019 (ICAO, 2020)**.**

The tourism sector and its related sectors have benefited from stimulus packages and programs launched by affected countries, and they were in huge sums in many cases, as is the case in US and European countries. As companies in these sectors benefited from direct cash transfers or in the form of easy loans or guarantees by governments, tax deferrals, canceling interests on loans, facilitating access to liquidity and other forms of incentives. All this aim to remove barriers against travelers and tourists and take health measures to prevent the spread of this pandemic on the one hand, and to restore consumer confidence in the sector and its services on the other. Large advertising campaigns and sound precautionary measures are enough to raise demand for tourism services, and from there to the recovery of the sector, even after a while, especially local tourism that is expected to recover before international one.

2.2 Transport industry

Transport industry is one of the activities most affected by Corona pandemic, due to some drastic measures, such as home quarantine, the reduction of the movement of individuals and the decrease in the demand for travel during the first months of 2020, as well as the suspension of most of the means of transport around the world. This sector includes many forms such as air and sea transports, cruise companies, and air freight, as its prices have increased; international mail, urban mass transport, taxis, car rental, rail transport, buses, metros, tramways and other means of transport that witnessed a significant decline in their activities affected by these measures. The negative impact on this sector did not stop to this extent, but extended to include aircraft manufacturers such as Boeing and Air Bus, as these giants reduced production and suspended it in some branches and even closed some others, postponing some orders, canceling others, and laying off a considerable number of their workers. This led Rolls Royce, which makes aircraft engines, to scale back its production and give up services of thousands of its employees.

In addition to airlines, large sectors related to transport industry have also been affected, especially the so-called contractors, mainly consisting of catering companies, luggage receiving and handling companies, passenger transport companies from one terminal to another, or from one airport to another, providing assistance to travelers, ensuring security at airports, inspection companies, passenger registration and boarding, flight attendants' crews, airport cleaning and maintenance, duty free shops, aircraft cleaning and refueling, aircraft arrival and take-off organization teams, and other activities and contractors affected by the quasi-paralysis of the transport industry (Velan, 2020).

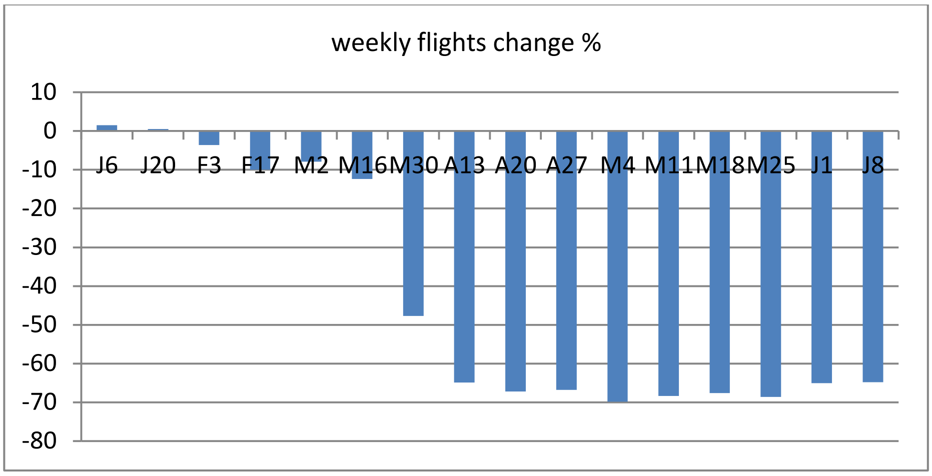
While an increase in the number of passengers at 3.5% was expected in 2020 compared to 2019 internationally and locally, ICAO's estimates of the effects of Corona pandemic on the transport industry were disappointing, and rather catastrophic, and therefore it is expected that (ICAO, 2020):

- the overall decrease in the number of seats available by airlines ranges between 40% and 53% in 2020 compared to the normal level (of which 48% - 63% for international travelers; and 33% - 45% for domestic passengers);
- the number of passengers is estimated to decrease between 2,291 million to 3060 million passengers (of which: 1105 million - 1437 million international travelers; and 1,186 million to 1623 million domestic travelers);
- the total operating losses of airlines ranges between 302-400 billion dollars in 2020 compared to the normal level (of which 195-254 billion losses of international airlines, and 107-146 billion losses of domestic airlines).

In spite of the low fuel costs for airlines, following the collapse of oil prices, these companies did not benefit from this as a result of the decline in their activity to a large extent, and thus recorded huge losses, as previously mentioned. Moreover, the Colombian airline *Avianca* and the American aircraft leasing company *JetSuite* filed for bankruptcy, due to their inability to bear the consequences of Coronavirus.

Fig.3. The weekly change in the number of flights by international airlines for the period from January 2020 to June 8, 2020

Unit: %

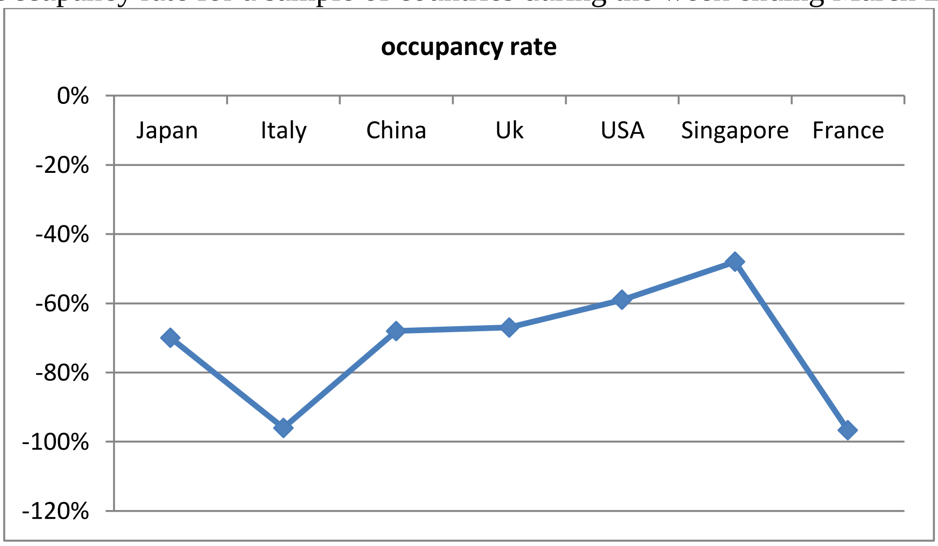


Source: Authors' calculations based on "Statistica", available at: *https://www.statista.com/statistics/1104036/novel-coronavirus-weekly-flights-change-airlines-region/*

2.3 Hospitality industry

With all countries adopting measures of social distancing, home quarantine, and stopping national and international travel, hotels, restaurants and entertainment industry, known as the hospitality industry, has been greatly affected, to the point of the complete closure of hundreds of thousands of restaurants, hotels and affiliated swimming pools, in various countries of the world. The three basic indicators to measure the performance of the hotel sector translates this collapse, namely: occupancy rates, room return, and the average daily rate (ADR). For example, the occupancy rate in Europe decreased to 11.1%, in Asia and the Pacific to 28%, in the Middle East to 31.2%, Africa to 12.5%, and the American continent to 11.6%, in April 2020 compared to the results of April 2019. Note that the average occupancy rate in US has exceeded 63% during the years 2010-2019. This is more evident when we look at each country separately (AHLA, 2020); (STR, 2020).

Fig.4. Occupancy rate for a sample of countries during the week ending March 21, 2020



Source: Authors' calculations based on "Statistica", available at: *https://www.statista.com/statistics/1109521/hotel-occupancy-coronavirus/ and: https://hospitality.economictimes.indiatimes.com/news/hotels/coronavirus-impact-cuts-japan-hotel-occupancy-rate*

This deep, multi-dimensional crisis has led to a decrease in the hospitality industry and even the closure of millions of restaurants, cafes and clubs around the world, fearing the spread of the pandemic. For example, France has shut down 75,000 restaurants, 3,000 clubs and 40,000 cafes, employing a total of one million workers, who have either been laid off or referred to technical unemployment. Almost the same can be said about US, where the hotel industry has witnessed a complete collapse and it is recorded that out of every 10 hotel rooms, 8 rooms remain empty, and that the occupancy rate is the worst in the history of this industry. Consequently, 70% of the sector workers have been laid off, i.e., 8.3 million workers (who represent 4% of the workforce in the US), or were sent to forced holidays or furloughed, especially after the collapse of hotel revenues (AHLA, 2020). As a result, this industry has kept the fewest possible number of workers and employees in order to reduce labor costs, while preparing to take off after Covid-19.

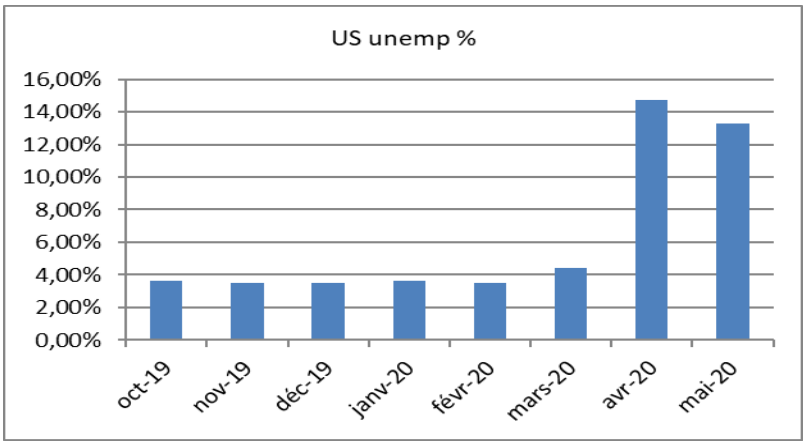
What can also be noticed here is the damage to small and medium-size companies, SMEs, related by nature of their activity to hotels and restaurants around the world, such as suppliers of many goods and services necessary for the functioning of this industry. That is why all countries urged to help this industry and related SMEs, as well as their workers, as everyone benefited from the support programs, whether in the form of direct financial aid or credit facilities, or delaying the payment of loan services, or canceling interests and other aspects of assistance.

2.4 Unemployment

Unemployment is one of the features and even results of economic and financial crises. But with the Corona virus, layoffs and job losses were widespread, sudden and collective, and touching major, emerging and developing economies alike; and consequently, hundreds of millions lost their jobs in the real and financial sectors. As a result of the closure of factories and companies and the imposition of social distancing and workers remaining at home, for fear of virus transmission among workers, unemployment rates in the world jumped to unprecedented rates, whether compared to the Great Depression that hit most industrialized countries during the period 2007-2009, or the 1987 crisis, Or other crises during the last half century.

The US, for example, after recording an unemployment rate of 3.8% before the outbreak of Covid-19, the lowest unemployment rate since World War II, this percentage jumped to 14.7% in April 2020, the highest rate since 1939. Thus, more than 42 million people lost their jobs in 10 weeks, from mid-March to the end of May 2020 (KOCHHAR, 2020). Categories of workers in US, such as working women, black workers, immigrants, and the 16-24 age group (who work mainly in service activities), have been affected more than other groups of workers. The International Labor Organization (ILO) of the United Nations also estimates that 1.6 billion informal workers will be affected in one way or another, and that 305 million jobs will be lost in the formal economy sectors in the world during the second quarter of 2020, as a result of the pandemic (Kretchmer, 2020).

Fig.5. Evolution of the unemployment rate in the US during last months of 2019 and first months of 2020



Source :Authors' calculations based on "tradingeconomics", available at: *https://tradingeconomics.com/united-states/unemployment-rate*

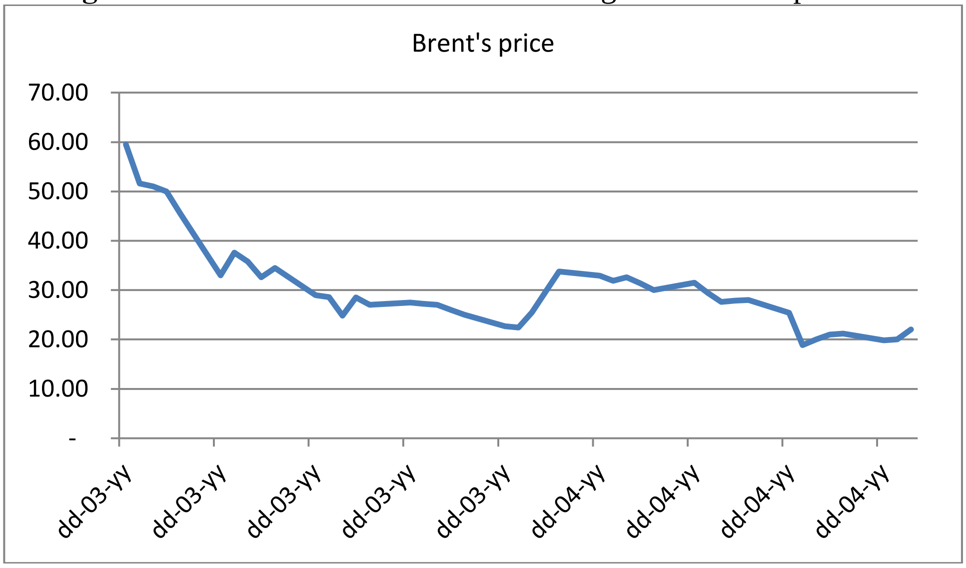
That is why governments in various countries of the world have rushed to assist the workforce by various means and methods, especially in the form of wages fully paid or paid at 80%, as is the case in Britain, or other percentages, or in the form of unemployment safety nets that have been approved by those governments since the pandemic exploded.

2.5 Oil

Oil prices have declined sharply since the beginning of 2020, and continued to decline until they reached unprecedented levels in April of the same year. This is for multiple reasons, namely: home quarantine and travel restrictions, due to the outbreak of the pandemic; the stopping of hundreds of millions of vehicles and hundreds of thousands of aircrafts and mass transport means; decline in economic activity, and stopping factories in many countries of the world, especially in China; the oil price war between Russia and Saudi Arabia; the failure of the consortium between the Organization of Petroleum Exporting Countries, OPEC, and some non-member producers, known as OPEC+, to reach a production cut of about 10 million barrels per day starting May 1, 2020, i.e. 10% out of 100 million barrels consumed per day in the world during 2019; fears of a further spread of the pandemic in the world as a second wave; the glut that hit the markets due to oversupply of crude oil; global economic downturn and fear of entering a recession. These and other reasons led to a sharp drop in global demand for oil by about 29 million barrels per day (Kubursi, 2020) & (Desjardins, 2020), which made prices collapse in a few weeks.

What attracts attention here is that futures and forwards on oil, derivatives that are settled monthly, are traded at negative prices for the first time in history, as a result of market saturation and a wide increase in crude oil supply, in parallel with a severe lack of demand or no customers at all. On April 20, futures contracts were traded on West Texas Intermediate crude, WTI, which is the reference price for US oil, for May 2020 delivery, at a negative price of -37.63 dollars, as a unique precedent in the history of this strategic commodity, as validity dates of these contracts reached their end. This, in addition to other raisons mentioned earlier, is attributed to the arrival of global storage capacities, whether on land or floating tankers, to their maximum, which pushed holders of those derivatives, who were shocked as the latters approached their dates of its confirmation on April 20, 2020, to dispose of those quantities of oil subject to contracts. Thus, those holders are prepared to add an amount of $ 37.63 for each barrel that buyers accept to receive free of charge on the due date, which is the end of May 2020, from the Cushing Storage and Delivery Center in Oklahoma, US. This is a strange phenomenon that has never happened before. What supported this trend was the expectation of the International Energy Agency, IEA, that global oil demand would drop by a third in April and May 2020 (Dew, 2020).

Fig.6. Price evolution of Brent crude during March and April 2020



Source: Authors' calculations based on "statistica", available at: *https://www.statista.com/*

Brent crude, which represents two-thirds of traded oil in the world in terms of quantity, and is also the reference price for many types of oil at the international level, suffered greatly from the lack of demand, limited storage capacity and sharp disputes between main producers, especially between Saudi Arabia and Russia, as well as intense competition from renewable energy sources. As it was sold for less than the cost of its production, storage and transportation, in many cases, which made major consuming countries such as US, China, India and Korea, seize this opportunity and raise their stored quantities to maximum limits.

2.6 International Trade

As previously mentioned, all countries imposed strict preventive measures to limit the spread of Corona pandemic, especially home quarantine and preventing workers from going to factories and workplaces, which reduced industrial production partially or completely, and thus negatively affected international trade and raised global deals' costs. World Bank experts expected that costs of global exports and imports of goods and services would increase by 25%, and consequently, a rise in prices (Maliszewska, Matoo, & Mensbrugghe, 2020). For its part, the World Trade Organization (WTO) expected a decrease in international trade of goods ranging from 13% to 32% during 2020, compared to the normal situation, as a result of this pandemic that disrupted the economic activity of all countries. In addition, the WTO believes that (Azevêdo, 2020):

- trade is expected to recover in 2021, although this depends on the extent of the pandemic and the effectiveness of the measures taken؛
- almost all regions will suffer from reduced trade volumes, with exports from North America and Asia most affected؛
- sectors most affected are those associated with other complex value chains, such as electronic and vehicle industries؛
- global goods trade was previously affected by -3% in 2019, following the trade war between China and US.

In the same context, the United Nations Conference on Trade and Development(UNCTAD) published on June 11, 2020, that commodity trade decreased by 5% in the first quarter of 2020, and the decline will reach 27% in the second quarter and about 20% for 2020 as a whole. The director of this conference, Coke Hamilton, confirmed that the recovery of the global economy during the second semester is not guaranteed, and that the level of international trade will be lower than it was in 2019. She also believes that the sectors most affected are the vehicles sector (-49%) and energy (-39%), despite the increase in some countries' exports of medical supplies and products (UNCTAD, Global trade continues nosedive UNCTAD forecasts 20% drop in 2020, 2020).

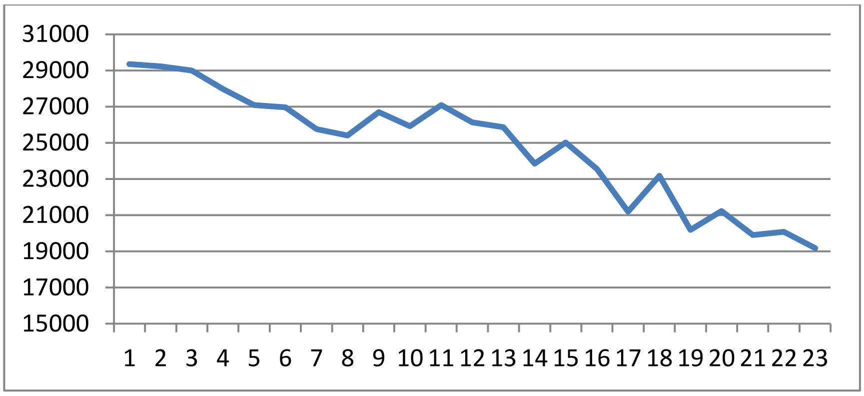
What attracts attention here is that foreign direct investments, FDI, were also affected by Covid-19, as foreign investments to most developing countries (except China), decreased by 45% in 2020, and the reinvestment of returns decreased as well. Foreign capital outflows from some developing countries have also been recorded due to conditions of uncertainty that have become a characteristic of the investment climate (UNCTAD, Investment flows to developing countries in Asia could fall up to 45% in 2020, 2020).

2.7 Financial markets

As previously mentioned, global financial markets ignored the emergence of Covid-19 in China and achieved the highest levels ever. However, as soon as the pandemic spread in Europe and then in the US and the rest of the world, they were shocked and collapsed in a short while. For example, the New York Stock Exchange index rose to 29,551 points for the first time in history on February 12, 2020, then collapsed and fell to 18,591 points on March 23, 2020. Fluctuation of stock prices also increased, and the global markets witnessed a wide correction process, in response to the information they received about the development of Covid-19, the precautionary measures taken by countries and resulting decline in economic activities, on the one hand; and the support programs and economic recovery packages adopted by affected countries on the other.

As a result of all this, stock markets incurred about 6 trillion dollars in a single week, i.e. from 24-28 February 2020, and the S&P 500 lost more than 5 trillion dollars of its value during the same week (Ozili & Thankom, 2020). Moreover, during the period from February 19 to March 20, 2020, Dow Jones lost 34.67% of its value, the British FT lost 31.35%, the German Dax lost 34.72%, the Italian FTSEMib 37.90%, the French CAC 33.52% and the Spanish Ibex 33.67%. This considerable drop in prices led to trading suspension in many global stock exchanges during March 2020. For instance, Dow Jones lost 2999 points on March 16, 2020, its highest loss in a single day in history, which pushed authorities of the New York Stock Exchange, NYSE, to close the trading floor for nearly two months, and kept electronic trading. It reopened it on May 29, 2020 (CRS, IN11493, 2020); (Fernandes, 2020).

Fig.7. Evolution of Dow Jones from 12/ 02/ 2020 to 23/ 03/ 2020



Source: Authors' calculations based on statistics available at: *https://www.worldometers.info/coronavirus/*

As a result of Covid-19, investors in financial products such as stocks, bonds and other securities incurred heavy losses, especially after most central banks in developed countries reduced interest rates to nearly zero. The pandemic also led to the collapse of shares of affected companies, such as airlines and financial institutions, especially banks; as well as energy and industrial companies, which pushed investors to resort toward other investment tools they saw as safer, namely treasury and sovereign bonds, some stable currencies, and cryptocurrencies, especially bitcoin and some commodities such as soy (Conlon & McGee, 2020); (Corbet, Larkin, & Lucey, 2020); (Ji, Zhang, & Zhao, 2020). Because of uncertainty and wide fluctuations that have characterized most important and largest financial markets, FM, since the outbreak of Coronavirus, contagion has spread to the rest of emerging and developing markets, and led to higher risks, borrowing costs and capital flight to less risky areas. All these factors impacted the real economy in various countries. For example, foreign investors have withdrawn more than $16 billion from India and nearly $26 billion from other Asian emerging economies (Stewart, 2020).

3. Concluding remarks

Covid-19 appeared and spread throughout the world to become a global health problem (that is, an external variable) that turns into an economic, financial, social, and even a strategic crisis that deeply strikes the entire world and causes an unprecedented human and economic costs. Its effects are deepened as a result of the international economic, trade and financial close ties, that is, globalization in its economic, commercial and financial aspects that the world has witnessed, particularly in the last three decades.

This shock that surprised the world, negatively affected all aspects of life, from a simple worker in the informal economy to giant companies, and caused the suspension of global production, disruption of international supply chains, quarantine of most of the world's population, restrictions on travel and the movement of individuals, and hundreds of millions of workers lost their jobs and led to a slowdown in the global economic growth and global recession. Among the most affected were the producers of primary and intermediate commodities in developing countries such as China, India, and oil-producing countries, as well as many developed and emerging countries.

The analysis shows that the astonishing increase in the number of confirmed cases and the daily deaths made it necessary for the affected countries to adopt huge support and recovery packages with astronomical sums (trillions of dollars), in the form of direct payments to workers and affected companies, credit facilities, postponements or even tax exemptions, increasing spending on health care, and social protection networks in general; providing liquidity to the economy, lowering interest rates, and adopting expansionary fiscal and monetary policies.

And after taking good strides in vaccinating a considerable part of the population in the world, and assuming that it can be eliminated during the year 2021, and given that it is not difficult to eliminate the new variants, Covid-19's economic and social effects may remain in the short or even medium term. Therefore, international cooperation and coordination are necessary, firstly to eradicate the pandemic by sharing experiences and information, and supplying vaccines to all countries of the world; and secondly by solidarity in mitigating its effects in the long term by lifting pressures on developing economies from rich countries and international monetary institutions. And then, we can ensure the recovery of the global economy, the stability of capital markets, and a return to growth again.

Finally, the main lesson that can be learned from this pandemic is that globalization, in its various aspects, has proven its limitations during global crises, which calls for a review of the international division of labor and international specialization in production of goods and services, especially primary and intermediate goods. This global health catastrophe also shows that the State's role in economic and social life has returned with force, to save the world from this pandemic on the one hand, and to provide aid to large categories of affected populations, on the other. While the Private

Sector, as the heart of the modern global economic system, did not play any role in this crisis, at least directly. All this led us to think more about establishing a new-old economic model based on the relocation of most important strategic industries, which settled in other countries such as China and India during the last decades. i.e. the desintegration and relocalisation of activities and basic sectors in the global economy. In this way, the saying "When a country sneezes, the world catches a cold", which is mainly related to globalization and the interconnection of global economies, which reached its peak at the beginning of this decade, is not always valid. It also requires us to think about developing modern methods of forecasting global economic and financial crises, such as early warning systems, known as EWSs, which we have already discussed in a previous article.

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Appendices

Appendice No. 1. Some information about Corona pandemic as of 30/ 06/ 2020

Country	Nbr cases	Nbr deaths	Date first case	Date first death
US	2729060	130313	22/ 01/ 2020	29/ 02/ 2020
UK	283253	43730	31/ 01/ 2020	05/ 03/ 2020
Germany	195832	9052	27/ 01/ 2020	09/ 03/ 2020
Italy	240599	34767	31/ 01/ 2020	21/ 02/ 2020
France	164801	29818	24/ 01/ 2020	15/ 02/ 2020
Spain	296351	28355	01/ 02/ 2020	03/ 03/ 2020
China	83531	4634	22/ 01/ 2020	22/ 01/ 2020
World	10573550	517121	22/ 01/ 2020	22/ 01/ 2020