

WAYS TO RISE FROM THE CRISIS AS A RESULT OF PANDEMY IN THE WORLD

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ABSTRACT

The article discusses the measures taken by states to prevent a pandemic, measures to overcome the recession in the economy and pay attention to the state of uncertainty in the economy and measures to prevent it. The Central Bank noted that economic activity in the country and internationally is recovering. In May, cash inflows from trade and paid services to commercial banks also began to recover.

KEYWORDS: *Pandemic, Economic Condition, Recession, Devaluation, Investment Activity, Helicopter Money Policy, Non-Payment Crisis, Sharp Decline In General Demand, Bank Liquidity.*

INTRODUCTION

Analyzes have shown that a pandemic can completely destabilize the world economy, depending on its continuation. Its consequences can be seen in the statistics on the situation in Uzbekistan in 2020. At the end of 2020, the country's economy grew by 1.6% compared to 2019 and amounted to 580.2 trillion soums. GDP growth was 0.76% in agriculture, 0.55% in construction, 0.18% in industry and 0.04% in services.

As a result of the impact of the coronavirus pandemic on international markets, foreign trade turnover amounted to 36.3 billion. dollars, a decrease of 13.1% compared to 2019. In particular, exports decreased by 13.4% and imports by 12.8%. As a result of the decline in investment activity in 2020, the volume of investments in fixed assets decreased by 8.2% compared to 2019. [1]

It should be noted that despite the impact of the pandemic, state budget revenues amounted to 132.9 trillion. The forecast was fulfilled by 4.2 trillion soums more than 128.7 trillion soums. Public expenditures in 2020 amounted to 144.1 trillion soums, or 24.8% of GDP. During the reporting period, the state's social expenditures amounted to 74.2 trillion soums, which is 51.5% of total expenditures. In relation to GDP, it was 12.8%. 85.1% or 63.2 trillion soums of these expenditures were spent on the social sphere and social support of the population.

As of January 1, 2021, the country's external debt amounted to \$ 21.1 billion, which is 36.5% of GDP. Public debt on behalf of the Government of the Republic of Uzbekistan amounted to \$

15.1 billion and external debt guaranteed by the Republic of Uzbekistan amounted to \$ 6.0 billion.

The Uzbek economy has emerged from the pandemic with relatively few casualties. Economic growth was 5.6% in 2019 and 1.6% in 2020. In the first quarter of 2021, GDP grew by 3%, with growth in all sectors of the economy. According to analysts at Bloomberg Economics, global economic growth in the first quarter of 2021 is projected at 13%. In the mining industry, a decline in volumes of 13.3% in 2020 compared to 2019 was restored in 2021 and 0.1% growth was achieved, while in the processing sector it was achieved 4.6% growth. The automotive sector also grew during this period. In April 2021, Uzauto Motors issued \$ 300 million in international bonds. [2]

Production of consumer goods increased by 2.7% compared to the same period in 2020. Growth in agriculture was also 3.1%. In addition, services and trade grew by 21.3% and finance by 19.1%.

There is a decline in exports. The overall trend is due to a decline in oil products and energy by 53.1%, ferrous metals and their products by 22.7%, and services by 25.7%.

We mentioned that there have been dramatic changes in the investment sector as well. From 2021, the trend began to change, and the volume of state-guaranteed investments decreased by 6.2%, direct investment increased by 30.6% compared to 2020, private investment increased by 20% and enterprises by 6.3%.

The income of the population will also grow by 2021, with an increase of 3.9% in industry, 7.5% in education, 19.4% in finance and insurance, 16.0% in communications, 13.7% in trade, 17.6% in construction and 13.1% in health and social services. Increased by%. Foreign currency inflows to Uzbekistan are recovering. The Central Bank noted that economic activity in the country and internationally is recovering. In May, cash inflows from trade and paid services to commercial banks also began to recover. In particular, in April, banks received 3.4 trillion soums in cash, while in May this figure increased by 44% to 4.9 trillion soums. At the same time, in May, the volume of payments through terminals in trade and paid services increased by 25% compared to April and reached 5.2 trillion soums.

A similar situation was observed in the trades of the Commodity Exchange of the Republic of Uzbekistan. In April this year, sales fell 9.4 percent from the previous month, but rose 39.7 percent in May.

In addition, the flow of cross-border remittances has begun to recover, which in turn has a positive impact on the consumer mood. In particular, the volume of remittances in May increased by \$ 234 million compared to April and amounted to \$ 484 million. [3]

If we look at the causes and consequences of the current pandemic, the measures taken in other countries around the world, we can see the following:

As a result of the U.S. helicopter monetary policy, disruptions in the economy have diminished. In enterprises with less than 500 employees, workers are required to pay 2 weeks of coronavirus leave, employees are entitled to 10 weeks of leave (subject to payment of 2/3 of their salary), employees with an annual income of less than \$ 75,000 are paid \$ 1.4 thousand and their children are paid \$ 500. billion. The total amount of US spending on coronavirus is \$ 5.2 trillion,

or 25% of GDP. Where were the allocated funds used? Mainly for the purchase of securities, utility costs. Used for food and to pay off mortgages. However, this situation has also led to negative consequences. There is currently a shortage of manpower in the United States. As a result, there are more and more cases of untimely delivery of goods and services, components, and disruptions in the production process. This can be clearly seen in the problems in the semiconductor market, oil and energy markets. In 1970, semiconductors accounted for 5% of the total value of a car, now it is said to be 35-40%, and in 2030 it will be 50-55%. The reasons for its decline are labor shortages, reduced demand from the auto industry during the pandemic period, and environmental problems. To address the problem, the EU is allocating \$ 50 billion, through which 20% of the total semiconductors produced by 2023 are expected to be manufactured in Europe;

In the UK, small businesses, the hotel industry and tourism have been exempted from taxes during the pandemic. 3-month vacation on mortgage payments;

Germany has introduced a 15,000-euro subsidy for private entrepreneurs in 2020, with 50 billion euros allocated for these purposes. In addition, an unlimited amount of credit was made available to tenants, and tenants were barred from canceling contracts even if no payments were made;

Parents working in Italy were given a voucher for 600 euros to hire a nanny to look after their children. The working Italians, whose income does not exceed 40,000 euros a year, were given 100 euros. A total of € 10 billion has been allocated to support families and businesses;

In Turkey, too, the minimum pension was distributed to 1,500 lira (\$ 230) and a total of 2 billion lira (\$ 308 million) to poor families; In the UAE, the state has provided 0% loans to banks on the condition that the borrower will not repay for 6 months. [4]

The economy was in deep recession during the quarantine period. This period covers 30-40% of the economy and labor force and leads them to deviate from the economic cycle. In addition, many investment projects will be frozen, and the freezing of construction projects will lead to huge losses. During the period of strict quarantine, production facilities, plants and factories will cease operations. Extending the quarantine period by 2-3 months will result in a 50% reduction in GDP per quarter. The quarantine period, ie in the second phase, the economy will partially recover, so it is expected to be the deepest recession in the entire economic history, given the annual decline in GDP by at least 20%. This crisis is not a cyclical economic crisis caused by a decline in production or a decline in demand during a pandemic period. This is an epidemiological and medical crisis. States are forced to shut down their economies to prevent an epidemic, with no chance of reviving the economy until the pandemic is over.

Therefore, the sooner the epidemiological and medical problems are resolved, the faster the economic crisis will be compared to 2008-2009, while the 10% unemployment rate in the U.S. during the previous crisis has been gradually reduced over several years.

As a result of a 20% decline in GDP, people will be forced to reduce their consumption of goods and services by the same amount. This leads to a 20% reduction in wages, profits, capital investment and income in the economy. To prevent this crisis, states are using the practice of economic aid to a certain extent to maintain the daily consumption of the population, temporarily minimizing losses in business. A reduction of 20% means a quarterly loss of this annual salary,

profit and earnings. However, the onset of the crisis is likely to be driven by economic disruptions, not by oversupply, but by medical problems.

Given that the distribution of losses in the economy varies and falls on key service sectors, a crisis of the national system can occur as a result of record levels of bankruptcy and unemployment in these sectors. Therefore, the first main task of the state should be to try to equalize losses by industry, to provide adequate financial assistance to the unemployed, to provide financial assistance to companies that do not want to lay off workers, in both cases to cover 60-70% of lost income. Of course, those working on a temporary contract should not be excluded.

It is important to understand the two major problems in the implementation of state aid to the economy, namely the implementation of direct financial assistance to firms to prevent debt crises and breakdowns. The stability of the banking system is ensured by the state direct financing of losses during the period of debt repayment to borrowers during the period of debt repayment, which is extended by half or one year. In addition, it is advisable to finance all companies if they have sufficient funds, then to overcome the potential crisis, ie unemployment, economic conflicts and insecurity among the population.

The difference between the current crisis and the previous ones is that the sooner significant government fiscal and monetary interventions are taken to mitigate the effects of declining production as a result of declining aggregate demand and rising uncertainty and rising investment liquidity in banks, the better. will be. At this point, it is important to understand that the more effective the economic measures, the higher the probability of a second wave of the disease as a result of the lack of a layer of the population that has developed immunity to the virus. If the second wave of the disease occurs, it could do more harm than the first wave, as it did in the 21st century and in history under the name "Spanish".

Prior to the spread of the COVID-19 epidemic, there were not many studies aimed at studying the economic aspects of its spread. But based on the results of these few studies, it has been proven that the more developed the economy, the higher the rate of disease spread.

At present, in addition to the study of the social and medical aspects of the application of measures against the pandemic, the study of numerical models of its economic impact is becoming more widespread. For example, the Thunstrom et al (2020) model proved that in the U.S., the scenario of keeping the distance between people fully realized would lead to a net gain of \$ 5 trillion. In this case, it has been proven to lead to continuous qualitative success when viewed from the point of view of human health.

In addition, the use of such models suggests that it is advisable to use specific measures other than general quarantine and non-targeted measures in the fight against the virus. For example, in a study by Berger et al (2020), forcing the entire population to take the test justified a reduction in mortality and a reduction in economic costs. In addition to these measures, measures may be taken to monitor those who come in contact with infected people. It is worth noting that such measures have yielded good results in South Korea, as well as in Singapore and Taiwan, and it should be noted that the implementation of these measures has yielded good results.

One of the peculiarities of the current economic crisis is the uneven distribution of economic costs aimed at preventing the pandemic and slowing its spread. First of all, the transport, tourism

and service sectors are suffering from the measures taken. In addition, industries that produce goods for long-term use (such as the automotive industry) will also suffer significantly, as consumers will reduce their spending on these goods under conditions of uncertainty. Telecommunications companies, online gaming and online reading companies are more likely to benefit from the mandatory measures.

Companies that are small in size, such as small businesses and private enterprises, suffer more because their cash flows are greater than their assets and they do not have the “airbag” that large enterprises have. Therefore, having a constant turnover to maintain its activities and to fulfill its obligations, and the suspension of turnover for a short period of time can also turn enterprises into bankruptcy. This means that in countries where the level of development of small and medium-sized businesses is relatively low, the amount of damage will be less.

The current crisis resulting from the COVID-19 epidemic is a non-financial economic one. The fight against the virus primarily affects wages and the profits of companies. Financial institutions also suffered as a result of this decline in profits. Therefore, the state's fiscal policy is of primary importance in overcoming the crisis, and the government's monetary actions also play an important role in achieving a positive result.

In times of these crises, government economic support programs are needed to recover people's losses to a certain extent, to prevent the loss of aggregate demand, and thus to provide the real and financial sectors with the necessary liquidity. The solution of these three issues is important for the rapid recovery of the economy in the future and the prevention of losses in the long run. For small and medium-sized businesses with a strong tendency to bankruptcy, the timing of government support will also be important. That is why economists recognize the rapid and comprehensive implementation of government assistance as a key factor in the effectiveness of its positive impact on the economy. From the point of view of supporting aggregate demand, the main factor is how much the government agrees to increase its spending. It is desirable that the amount of expected debt is equal to the amount of GDP reduction. In the current situation, it is difficult to predict the extent to which the economy will shrink, based on the fact that it will shrink by 10% of GDP.

It is very difficult to make any predictions about the spread of the coronavirus and its impact on the economy in the current abstract period. However, it is possible to comment on the direction in which the world economy, and in particular the Uzbek economy, can move after the crisis. First of all, the question of the role of the state in the economy is the main one. The role of the state increases during a crisis and does not return to the previous state even after the crisis. However, given its very high role in developing countries, further strengthening its position could have negative consequences for the economy, so it is to be hoped that the increased role of the state will have a positive impact on the economy in terms of quality, such as increasing the efficiency of targeted social payments. In addition, the crisis could be a strong impetus for the development of the digital economy and the development of online industry activities. Another important indicator of the crisis is the growth of international cooperation and confidence in nationalism. On the one hand, it showed that biological threats do not choose borders, on the other hand, it shows that the spirit of nationalism is growing and humiliation is on the rise. Therefore, it is recommended to pay attention to the cases mentioned and possible in the study of the impact of the crisis at the state level.

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