

# The COVID-19 Pandemic: Unveiling the Transformative Impact on the Economy with Future Predictions

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**Abstract.** The economy has faced major setbacks after the spread of COVID-19, and the inconvenience brought by the pandemic has caused a recession in the global economy. The pandemic has resulted in high unemployment rates, with workers having to work online, which has proven to be inefficient and has decreased productivity. The purpose of this paper is to predict the possible economic trend after the pandemic and how it will possibly recover from the declining Gross Domestic Product (GDP) growth rate. The paper also discusses the role of e-commerce during the pandemic, highlighting its crucial role during lockdowns and predicting how it will develop in the future. To promote credibility and accuracy, this paper has utilized secondary sources such as books, journal articles, and technical reports. The paper has determined that the global economy faced a major downturn during the pandemic, while the e-commerce field thrived. However, the global economy is recovering slowly and steadily after the end of the lockdown, while e-commerce continues to grow.

**Keywords:** Covid-19; Global economy; Local Economy.

## 1. Introduction

COVID-19 caused various problems in the economy, resulting in economic imbalances. The World Bank reports that the pandemic precipitated the most significant global economic crisis witnessed in over a century. The main affected areas of the global economy are global trade, productivity and employment rates in the labor market, and the supply of energy and minerals. The research paper also focuses on the e-commerce field and its relationship to the broader economy. The research aims to understand the economic situation during the pandemic and the changes it brought about. By introducing e-commerce as an extension of the overall economy, the paper will present future predictions for the recovery of the economy after the pandemic-induced recession.

## 2. Impact of COVID-19 on the Global Economy

### 2.1. Overview of the Impact of COVID-19 on Market Economy

#### 2.1.1 Impact of COVID-19 on Global Trade

The COVID-19 pandemic has profoundly impacted global trade, causing disruptions across various sectors worldwide. According to UNCTAD, 2020 was the worst year for global trade as the pandemic was at its peak. Widespread lockdowns and restrictions on movement aimed at containing the virus led to significant disruptions in the production and transportation of goods [9]. Consequently, many countries experienced sharp declines in both imports and exports as factories shut down, ports closed, and international travel restrictions hindered the movement of goods and personnel [12].

Characterizing the extent of the impact, a report by the United Nations Conference on Trade and Development notes that the COVID-19-induced economic meltdown was almost like the financial crisis of 2008 and 2009, but worse than the recession experienced in 2015. The severe decline was due to a reduction in global demand for commodities, occasioned by logistical disruptions such as international travel restrictions and port closures [14]. As a result, international trade declined by 9 percent in 2020, with the demand for non-essential items decreasing, while that for essentials like foodstuffs home equipment, and pharmaceuticals increased.

The COVID-19 restrictions also influenced trade in services. Services like travel were disrupted, with the tourism industry bearing the brunt of the pandemic [6]. The restrictions put in place such as quarantine and social distancing led to a steep decline in cross-border tourism, with international tourism arrivals reduced by 73 percent in 2020 for some countries and 90 percent for others. This created a spillover effect to other related sectors such as hospitality, recreation, and food and beverages [6]. Consequently, trade related to the tourism and travel industry declined by more than 50 percent, amounting to \$2.4 trillion losses.

The pandemic also affected the investment aspect of global trade significantly. Reports indicate that foreign direct investment (FDI) subsided steeply at the beginning of the pandemic in 2020, only accounting for not more than \$1trillion. However, the investments proved resilient in 2021, increasing rapidly by 68 percent from 2020 [13]. For instance, FDI to developed countries grew by more than double due to international mergers and acquisitions as well as international financing deals. On the other hand, FDI to developing nations shot by 30 percent, with Asia, Latin America, and the Caribbean reporting highest growth.

The global pharmaceutical sector witnessed a great deal of investments during the pandemic, with merger and acquisition transactions rising by 30 percent while deals increased by 6 percent to 223. The increased investment is due to the increased demand for pharmaceuticals amid the pandemic [6]. According to UNCTAD (2023) is the highest number ever recorded in the context of deals. For example, the largest investment deal at the height of COVID-19 in 2020 was in the pharmaceutical sector, when AstraZeneca acquired Alexion Pharmaceuticals at a cost of \$39 billion [12].

As a result of the pandemic, the prices of commodities shot up due to the supply and demand restrictions that ensued. According to the monthly food index for January to September 2020 reduced by 4 percent due to reduced prices of food times due to their supply being greater than their demand. On their part, fuel prices declined rapidly at the beginning of the pandemic but recovered in 2021 [8]. Exemplifying the decline in prices, UNCTAD reports that the January to April 2020 monthly fuel index reduced by 56 percent to reach its lowest in 18 years. The agency attributed the sharp decline to the plummeting of oil prices due to oversupply in the market amid reduced demand caused by the compression of the global economy.

Beyond these disruptions in global trade, Coquidé et al. observe that the pandemic exposed vulnerabilities in the global trading system, prompting countries to reassess their trade policies and strategies. By March 2022, countries had implemented an estimated 450 trade policies. For instance, protectionist measures, such as export bans and import tariffs, were implemented by some nations to protect domestic industries. Some countries also imposed trade policies to prohibit the import of products that were deemed as COVID-19 carriers such as second-hand clothing and wild animal products.

While a good number of the trade policies implemented were protectionist, a section of them was also meant to create a favorable environment for doing business. They included tariff exemptions and reductions that were aimed at reducing the domestic prices of essential commodities such as foodstuffs and pharmaceuticals. Other trade policies were non-tariff measures to facilitate trade such as faster clearance customs and lower importing restrictions for essential products. The non-tariff measures were especially popular among developing countries, which were striving to ensure that the population had access to the essential items needed at the lowest costs possible [12].

### **2.1.2 Impact of COVID-19 on Labor Market**

In addition to its impact on global trade, the COVID-19 pandemic also exerted significant effects on the global labor market in terms of productivity levels and employment rates. According to the International Labor Organization (ILO), as of January 2021, 93% of global workers were residing in countries with restrictions impacting their work performance. In 2020, there was a loss of 8.8% in global working hours compared to the last three months of 2019, amounting to approximately 255 million full-time job equivalents. This impact was particularly notable in Latin America, Southern Asia, the Caribbean, and Southern Europe.

Regarding the magnitude of the COVID-19 pandemic's influence on the labor market, the ILO highlights that the decrease in working hours in 2020 was approximately four times greater than that observed following the 2009 financial crisis. Further, the reduction in work hours in 2020 caused job losses and reduced work hours for the few employees who retained their jobs. In total, ILO estimates that in 2020, there were unparalleled global employment declines, amounting to the loss of 114 million jobs compared to the previous year, with women and young workers being disproportionately affected.

Despite the significant decrease in economic activities, labor productivity in developed countries saw an average increase of 1.1% in 2020, a trend that mirrors that of the past decade. This phenomenon occurred because the decrease in total hours worked exceeded the decrease in real output. According to Blit et al, the decreases in working hours mainly resulted from support programs for businesses and employee furlough programs implemented by governments to alleviate the pandemic's short-term impact on business closures and employment. Consequently, the average hours per worker annually in developed countries decreased by over 3%, albeit with significant variations among nations and industries.

### **2.1.3 Impact of COVID-19 on Supply of Energy and Minerals**

The COVID-19 pandemic also negatively affected the demand and supply of energy and minerals across the world due to fluctuations in the prices of commodities [9]. The fluctuations were as a result of the steps taken to reduce the pandemic's spread [12]. For instance, Bakas and Triantafyllou observe that the continued pandemic uncertainty led to a rise in volatility within the gold market, which coincided with a decrease in volatility across the global commodity market [6].

Amidst uncertain conditions and nationwide closures, the decreased demand for oil led to a decline in prices [9]. Conversely, the demand for precious metals like gold surged, driven by motives of hedging and risk diversification, thereby serving as a safe haven [12]. While the demand for precious energy and minerals such as gold surged, the demand for others reduced, causing a significant decline in their prices. These metals and minerals include aluminum and copper, whose price decline matched the decline in share value of major mining multinationals [11].

Besides the price volatility, there are other factors that affected the supply of energy and minerals during the pandemic. For instance, the pandemic's prevention protocols such as social distancing disrupted mining activities, thereby causing reduced productivity due to low sales and disrupting the supply chain [6]. Another factor was the decreased demand for metals and minerals amid the pandemic. During the pandemic, people limited their purchases to essential items such as foodstuffs and pharmaceutical items [12]. Thus, sales for non-essential items such as metals and minerals were reduced due to the low demand. This affected the supply chain as companies grappled with inventory buildup and the resulting costs [6].

## **2.2. E-Commerce During the COVID-19 Pandemic**

E-commerce, short for electronic commerce, involves the exchange of goods and services via the internet among organizations and individuals [12]. On his part, Sardjono et al. consider e-commerce as the use of the internet and technology to mediate between customers and businesses. Owing to the restrictions imposed to curb the spread of the pandemic, many people turned to online platforms to shop causing a boom in e-commerce [12] [9]. The World Trade Organization (WTO) noted that the pandemic was an ideal opportunity for e-commerce to save the global economy [13].

According to UNCTAD, the total sales share of online retail stores increased from 16 percent in 2019 to 19 percent in 2020. Further, e-commerce grew sharply in 7 countries whose combined GDP amounts to half of the global GDP, rising to \$2.9 trillion in 2021 from \$2 trillion in 2020. These countries include Australia, Canada, the UK, US, Singapore, Korea, and China. At the same time, increased uptake of e-commerce was witnessed among consumers in emerging economies as they shifted from traditional in-person shopping to online shopping [13].

According to Galhotra and Dewan, during the pandemic, e-commerce platforms were mainly being used to purchase foodstuffs, pharmaceutical products, fitness items, and electronics and facilitating

door-to-door deliveries (864). Amid the restrictions, many people were keen on remaining indoors, with 52 percent of them avoiding any physical shopping [13]. Consequently, local retailers reported a 30 percent growth in sales after adopting e-commerce during the pandemic [14]. On its part, Walmart reported a 74 percent increase in e-commerce grocery sale [12].

Before the COVID-19 pandemic hit, a large number of small businesses had limited integration of digital technologies, which made them adapt to e-commerce faster. The same phenomenon was witnessed among female-owned small and microenterprises and retail businesses. With a third of such businesses globally being female-owned, reports indicate that a large number of women shifted to e-commerce when cross-border travel restrictions were affected, thereby making it hard to do business.

### 3. Future Predictions

The global economy continues to recover amid the pandemic's aftershocks, with some sectors reporting a return to pre-pandemic growth levels while others remain unpredictable. For instance, while global trade growth levels improved from 2022 onwards, recent reports paint a grim picture. According to Global Trade Update, global trade remains "highly uncertain and generally pessimistic" in 2024 due to various factors such as extensive economic uncertainty, increasing debt, and geopolitical tensions. Other factors contributing to the uncertainty in global trade include reduced trade in East Asia, increase in trade restrictions, volatility of commodity prices, and reduced demand of commodities in developed countries.

On its part, the global labor market has bounced back as the economy continues to recover from the pandemic. However, the bouncing back has come with its own set of challenges, as countries are reporting significant labor shortage [13]. The shortage is occasioned by the increased demand for labour as companies resume operations. However, the International Labour Organization (ILO) predicts increased rates of unemployment in 2024, increasing to 5.2 percent up from 5.1 percent in 2023. ILO also predicts slowed productivity due to a shortage of skills, investment in less productive economic sectors, and dominance of large digital companies thus preventing the adoption of technologies.

Despite becoming popular during the pandemic, e-commerce is projected to continue growing post-pandemic. Business-to-business (B2B) businesses are expected to hit \$36 trillion by 2026 while business-to-customer (B2C) businesses are expected to produce a total revenue of \$ 5.5 trillion by 2027 [6]. The expected increased growth is due to the availability and accessibility of technological platforms, thereby making it easy for businesses to adopt.

### 4. Conclusion

This paper has analyzed the impact of the COVID-19 pandemic on various sectors of the global economy such as global trade, employment and productivity, supply of energy and minerals, and e-commerce. It has been determined that the pandemic negatively affected all these sectors, except e-commerce. The resulting restrictions resulted in a decline in global trade, high unemployment rates, and unproductivity, and disrupted supply of energy and minerals. However, the restrictions led to the booming of e-commerce as people resort to shopping online due to the restrictions that prevented in-physical shopping. Looking ahead, global trade remains unpredictable while the global labor market continues to struggle with high unemployment rates and low productivity. On its part, the e-commerce sector looks promising as technological advances make it popular.

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