

IMPACT OF CORONAVIRUS ON THE WORLD ECONOMY: IN CASE RUSSIA

Alladustov Rustam Djonmurotovich

Ph.D, Ministry of Economic Development and Poverty Reduction
Deputy Head of Department for Analysis and Forecasting of Labor Market, Demography and Migration Processes, Tashkent, Republic of Uzbekistan

Abstract. *COVID-19 is a dangerous disease that is rapidly spreading around the world, having a negative impact on the entire existence of mankind. This crisis will bring not only behavioral transformations in relation to material values, but also very significant value shifts. Most people will understand that health, family values are a priority. Accordingly, it can be assumed that in the future the main investment flows will be directed to human capital, the area of health protection and life extension.*

Keywords: *Russia, recession, crisis, economic growth, investments, Covid-19, government support measures.*

1. INTRODUCTION

What is happening in the world this year, experts do not refer to the usual cyclical crisis that occurs every 8-10 years. This is a more significant transformational event - akin to those that usually happened as a result of world wars or comparable systemic events, when global institutions, financial systems and the human worldview were fundamentally changed. Such transformations are called "epochal", but they occur much less often, about once every 25-50, or even 100 years. Therefore, now they often recall the Great Depression, the Bretton Woods Agreement of 1944, the creation of the Jamaican monetary system in 1976 - events that led to a radical reevaluation of material (and not only) values.

Earlier, at least since the time of the conquistadors, during periods of turmoil and economic crises, gold has always been at the highest price. People kept their wealth in coins, ingots, jewelry. After all, gold does not oxidize, it dissolves only in "aqua regia", does not burn in fire, although, it must be admitted, it still sinks in water, which the same conquerors of America knew very well. Gold was easy to sell, exchange, or pay off with. This went on for centuries. After Bretton Woods, the appeal of gold faded somewhat. But until now, in times of crisis, it is considered a "safe haven". And now the demand for it is growing. This, for example, can be seen in inflows to ETFs (exchange-traded funds) investing in gold: since the beginning of the year, inflows amounted to \$ 40 billion in five months, which exceeds the record of annual inflows in 2014 (\$ 24 billion). These funds already hold the equivalent of 3,510 tons of gold.

2. LITERATURE REVIEW

Theoretical and practical aspects of improving the financial support of investment potential Foreign economists S. Fisher, J. Keynes, A. Smith, U. Sharp [2], J. Litner [3], J. Dunning, D.D. Dengin, S.V.Zenchenko, A.E.Dvoretzkaya, S.Belousova.

A.Marshall [1], G.Markovits, J.Tobin, J.Linter, Ya.Mosin [4], J.V.Douglas [5], M.E.Blyum [6], F.Blek [7] In the scientific works of M. Jensen, M. Scholes, J. Macbeth, S. Basu [8], R. Benz, D. Ctantman, B. Rosenberg, R. Merton and others, the financing of investment projects, the economics of relations related to foreign investment activities and the legal basis is studied.

Some directions and special aspects of the dissertation topic were studied by our local economists - A.V.Vakhabov [11], Burkhanov A. [12], Tursunov B. O. [9], Yuldashev, N. K. [10], N.H.Haydarov [13], N.H.Jumaev [14], Sh.M.Mustafakulov, N.R.Kuzieva, F.O.Dodiev, E.Nosirov, A.Sabirov, B.S.Mamatov, M.A.Raimjonova, U.R.Khalikov, G.A Karimova, studied in the scientific works of OA Haydarov.

Article 3 of the Law of the Republic of Uzbekistan "On Investments and Investment Activities", adopted on December 14, 2019, states: rights, including rights to intellectual property, as well as reinvestments ". Thus, "investment" means all types of property, financial and intellectual wealth invested by investors in various sectors and industries of the economy in order to obtain future income (profit) or social benefits.

Investment is the process of raising funds for the use of the state, individuals and legal entities in various future activities in the form of valuable and tangible assets. Also, representatives of the scientific school, M. Keynes, I. Fisher, noted that the investment is a scientific approach, as it is the cost of obtaining the expected return in the future. In particular, the investment here is basically seen as the main purpose of any investor is to invest in future earnings.

D.J. Keynes describes investment as follows: "The current increase in the value of capital as a result of production activities in a given period, the remainder of the use of income for a specified period." There is more to be

said about savings than investment. After all, part of the unused income for consumption is the fund, and the fund is not always an investment. To turn a fund into an investment, the money must be directed to a business activity, and as a result, that money must bring income to its owner.

According to D.Jorgenson, the starting point of investment theory is an economic instrument that solves the problem of optimization of the enterprise. The approach put forward by the economist is aimed at optimizing the cash flow of the enterprise.

Understanding investment behavior plays a central role in describing economic activity and the implications of monetary policy, thereby repeatedly forming a topic of interest to policymakers and researchers.

As Baddeley points out, investment activity not only supports current and future economic prosperity, but also affects employment, aggregate demand, as well as national income and GDP.

Economists of our country, prof. N.G.Karimov and H.H.Hoshimov acknowledged that investment is a long-term investment. This means that investments determine the development prospects of any country in the near and long term by maintaining the value of capital and achieving the desired effect.

Prof. N.H. Haydarov defines the essence of investment as follows: "Investment is the investment of individuals and legal entities, regardless of the form of ownership, or the state in any business entity within the law in order to obtain economic and social benefits."

The socio-economic development of any country depends not only on the volume of investments and financial resources, but also on the growth of gross domestic product, export growth trends and the mechanism of stimulating imports in the context of the combination of mutual financial interests.

The National Encyclopedia of the Republic of Uzbekistan defines investment as follows: "investment (Lat. Investio - wrapping) - long-term capital investment in various sectors, socio-economic programs, innovations, business projects in order to develop the economy.

It emphasizes the attraction of investments in the country's economy, development of production, ensuring economic stability. It should be noted that the solution of socio-economic problems in the country is to attract investment in the most important areas, increase the attractiveness of investment potential, the implementation of an active investment policy. It can be called "investment - the driver of the economy." Indeed, achieving large-scale investment in the economy will serve as a huge foundation for the development of many industries.

In particular, it is recognized that the following categories of investments, which study the scientific and theoretical basis of investment, are studied as historical, economic, social, legal, philosophical categories, while the main emphasis is on the socio-economic nature of investment.

3.ANALYSIS AND RESULTS

The coronavirus, rapidly spreading across countries and continents, is becoming a global phenomenon, exerting a powerful impact on the human existence of specific countries and the entire world community. According to the World Health Organization (WHO), the number of people infected with the new coronavirus in the world at the beginning of April 2020 exceeded 1 million people. The leader in the number of confirmed cases was the United States. Italy is in second place, Spain is in third. China, where the pandemic began, ranks fourth in terms of the number of infected. Next come Germany and France. Most of the deaths from coronavirus in Italy, China and Spain. In total, more than 50 thousand people have died from coronavirus in the world.

The epidemic began in China and then spreads to other countries. And Russia also falls into its orbit with all the ensuing consequences.

For this and subsequent years in Russia, economic growth was planned at the level of 2% or more. The growth rates of real disposable incomes of the population should have increased by 2.2 - 2.4 percent. The average annual exchange rate was calculated at the level of 63.9 rubles / \$ 1. The average annual price of the Urals brand for 2020 was estimated at \$ 57.7 per barrel. (2, p. 10)

However, everything is changing dramatically.

The impact of the coronavirus on the Russian economy manifests itself in different directions, in different forms, with different severity of consequences, but it affects all spheres of activity, the entire population.

It all started with a reduction in the flow of Chinese tourists, which affected the income of the entertainment economy, air travel, and the spending of non-residents in Russia. Further, the export of raw materials to China began to decline - both mineral (70% of Russia's total exports to China) and non-raw materials (food, timber). At the same time, imports from the contaminated territories and stopping enterprises also decreased, which affected the trade balance of Russia and the provision of a number of imported Chinese goods.

The decline in demand from China for Russian energy resources has become a factor in slowing down their production.

Against the background of the spread of the coronavirus and the failure of agreements with the OPEC + countries to limit oil production, the price of the latter went down sharply, dropping below \$ 25 per barrel at the end of March. It is quite understandable how this will turn out for Russian oil companies, the budget and the income of the population. [18]

Due to the spread of the coronavirus, borders are closed, foreign economic relations are terminated, and production chains are broken. And world trade today is trade in high-tech products. The offering of such products is the result of the concentrated efforts of many manufacturers from different countries. And Russia does not stand aside from these processes, although to a lesser extent. But we feel more negative processes in the demand for our natural resources on world markets as a result of the slowdown in production in the importing countries of our raw materials.

The global economy may receive less than \$ 2.7 trillion due to the coronavirus. in 2020, while Russia may miss 4.35 trillion. rubles. This follows from the forecast prepared by analysts at Bloomberg Economics. In it, they drew up four scenarios for the development of the situation with the coronavirus and gave their assessment of how this or that scenario will affect the economic growth of different countries. In two out of four scenarios, Russia will experience a recession. [18]

The state has identified nine industries most affected by the coronavirus-related deterioration in the economic situation. They need government assistance more than others. These industries include:

- Air transportation, airports, road transportation.
- Culture, organization of leisure and entertainment.
- Physical culture and recreation activities and sports.
- Activities of travel agencies and other organizations providing services in the field of tourism.
- Hotel business.
- Public catering.
- Organizations of additional education, non-state educational institutions.
- Organization of conferences and exhibitions.
- Provision of household services to the population (repair, laundry, dry cleaning, services of hairdressers and beauty salons).

The proposed measures included the creation of an anti-crisis fund for 300 billion rubles, tax incentives for tour operators and airlines, as well as the abolition of restrictions on the transport of retail chains in cities.

The government announced measures to support the Russian economy due to the coronavirus on March 16. Among the main measures were the creation of an anti-crisis fund in the amount of 300 billion rubles, the introduction of tax incentives for the tourism and aviation industries, as well as access to preferential loans.

In addition, the Cabinet of Ministers proposed to provide loans to enterprises at 0% to pay salaries to employees. A pilot lending project is planned to be launched jointly with Sberbank and VTB.

It also follows from the plan that the government has proposed to simplify the access of foreign medicines and medical devices to the domestic market, to partially abolish preferences for Russian pharmaceutical companies at state auctions, to control prices for food and essential goods, to subsidize the rates of loans to enterprises, to compensate for losses of transport and tourism companies. support cultural and sports institutions, provide leasing companies with additional capitalization and postpone the payment of insurance premiums for small and medium-sized businesses for three months.

The worst negative impact due to the situation with the coronavirus in Russia is felt by small businesses engaged in a wide variety of services. The government and the leadership of the country understand this and are trying to focus their efforts on giving small business the opportunity to "wait it out" and are developing comprehensive support measures. Minister of Economic Development M. Reshetnikov noted that situations like a pandemic are temporary, then the economy will return to the growth trajectory. However, what trajectory this will be will depend on how adequately and quickly measures are taken now.

Earlier, the Cabinet of Ministers approved a plan of priority measures and actions to ensure sustainable development of the economy in the face of a worsening situation in connection with the COVID-19 pandemic. It also reflects support for small and medium-sized businesses.

In particular, ministries and departments should provide financial support to transport companies affected by the coronavirus, approve the procedure for compensation for losses of tour operators associated with non-refundable air fares, introduce a moratorium for small and medium-sized businesses on the payment of insurance premiums for 3 months. A draft law on a moratorium on bankruptcy of enterprises has been prepared.[18]

In the banking sector, measures are being developed to refinance and restructure old loans.

The President's non-working period (from March 30 to April 30) with salary retention is hitting small businesses and service industries hard. Some, even well-known enterprises (Teremok), are forced to suspend their work. Sales in Teremka fell 15 times, 3.5 thousand people are out of work, part of the workers are satisfied with the delivery company. According to the chain's founder, it is not possible to pay wages in full, and so far the support measures taken by the authorities have not affected Teremok.

Due to five non-working weeks, the total losses in the Russian economy may amount to about 2-2.5% of GDP. But by the end of the year, the decline will be less, if only the infection can be contained, the economy may even start to grow.

Due to the closure of the borders, Russia will be under intense pressure. The EU countries account for 43% of foreign trade turnover. Weekend mode means the closure of all entertainment venues, restaurants both shopping malls and analysts suggest that business will return to work only after the May holidays. They suggest that this will practically freeze small and medium-sized businesses in the service sector and, in general, reduce economic activity in April by 20%. [18]

In the southern regions of Russia, representatives of agricultural enterprises faced difficulties. Due to measures to prevent coronavirus, they are not given permits to go to work and passes for special equipment.

There are also problems with distance learning in schools and universities, connected both with technical problems and with the lack of experience of a significant part of the teaching staff of secondary, professional and higher educational institutions to work using modern technologies. And if until recently this almost did not raise questions, now this very question has become an edge. Self-isolation will be a test not only for students, but also for teachers, mainly for teachers who will have to face modern technology face to face. It will be especially hard for children who have to take an exam this year, the deadline for the main delivery of which has already been pushed back to June 8 (USE) and June 9 (OGE). The problem is that it is impossible to move these dates indefinitely. This will lead to a failure in the entire mechanism of education. But the situation with the coronavirus epidemic remains unclear until the end, so all students can expect unique methods of solving such a significant problem.[18]

The government is also worried about the situation in the regions, where the situation is developing in different ways, and the negative effect may sink into those constituent entities of the Federation where everything is relatively stable so far. It is recommended, as the situation develops, to promptly respond to emerging challenges, adjust economic policy, seek a compromise between quarantine measures and the needs of the functioning of life-supporting spheres, enterprises with continuous production.

You can take a closer look at the impact of the coronavirus on oil exports to China.

The coronavirus that swept China in late 2019 was already in full swing by January. China was in quarantine, enterprises, transport, and the non-production sphere were stopped. The demand for energy resources dropped sharply. Against this background, Russian oil exports to China in January 2020 fell by 28% compared to January 2019, i.e. from \$ 2.8 billion to \$ 2 billion. In physical volume, exports fell even more - by 36%.

The average price for Urals oil, according to the Ministry of Finance, in January-February 2020 amounted to \$ 58.13 per barrel. In January - February 2019, it was higher - \$ 61.76 per barrel.

Despite the decline in supplies, China continues to maintain its leadership among the importers of Russian oil. In second place in January purchases is the Netherlands (\$ 1.3 billion), followed by Germany (about \$ 1 billion) and Italy (\$ 0.6 billion), according to the Federal Customs Service. Last year, Russia significantly increased its oil exports to the United States, Britain and Turkey. This happened, in particular, due to US sanctions against Venezuela and Iran.

The restoration of supplies to China, where the virus is gradually weakening, will be hampered by the negative impact of the pandemic on the global economy, since China is a large exporter of various products to the world market. And as long as the coronavirus does not weaken in most countries, until business life is restored there, China will not be able to restore its production activity and, accordingly, the demand for Russian energy resources. And the second important factor in exports to China will be the future oil price, which depends not only on a possible compromise between Russia and the OPEC + countries, but also on the US energy policy. (eight)

4. CONCLUSIONS

The modern economy has definitely not faced such a global problem yet. This disease leaves an imprint not only on the economy, but also on the social life of society. People, states, employers are beginning to realize which spheres of activity are really important for society, in which direction it is necessary to carry out structural transformations in the future, responding to modern challenges.

The state must learn the "lessons of the crisis" and subsequently substantially revise the tax burden and regulatory requirements during a period of stability in relation to those business segments that, as the crisis showed, collapse literally within a few weeks of downtime.

At the moment, there are many uncertainties in terms of the development of the situation, but it is unambiguously clear that this is one of the most difficult tests.

References:

1. Marshall.A. (1937). Liquidity Preference as Behaviour Towards Risk. *The Review of Economic Studies*, Vol.25, No.2, pp.65-86;
2. Sharpe, W. F. (1964). Capital asset prices: A theory of market equilibrium under conditions of risk. *Journal of Finance*, Vol.19, No.3, pp. 425-442;
3. Lintner, J. (1965). The Valuation of risk assets and the selection of risky investments in stock portfolios and capital budgets. *The Review of Economics and Statistics*, Vol.47, No.1, pp.13-37;
4. Mossin, J (1966). Equilibrium in a Capital Asset Market, Vol.34, No 4, pp.768-783;
5. Douglas, G.W. (1969), "Risk in the Equity Markets: An Empirical Appraisal of Market Efficiency", *Yale Economic Essays*, Vol.9, No.1, pp 3-45;
6. Blume, M.E., (1970). Portfolio theory: A step toward its practical application. *Journal of Business*, Vol. 43, No.1, pp. 152-173;
7. Black, F., Jensen, M., and Scholes, M. (1972) *The Capital Asset Pricing Model: Some empirical tests. Studies in the Theory of Capital Markets*. Ed. New York: Praeger Publishers;

8. Basu, S. (1977). Investment Performance of Common Stocks in Relation to their Price–Earnings Ratios: A Test of the Efficient Market Hypothesis, *Journal of Finance*, Vol.32, No.1, pp. 663–682;
9. Tursunov, B. O. (2020). Aspect of financial security of industrial enterprises under influence of global crisis. *Asian Journal of Technology & Management Research* [ISSN: 2249–0892], 10(01).
10. Yuldashev, N. K., Nabokov, V. I., Nekrasov, K. V., & Tursunov, B. O. (2020). Modernization and intensification of agriculture in the republic of Uzbekistan. In *E3S Web of Conferences* (Vol. 222, p. 06033). EDP Sciences.
11. Vakhobov A.V., Khajibakiev Sh.X., Muminov N.G. Foreign investment. - T.: Finance, 2002. - 204 p.;
12. Aktam, B., & Bobir, T. (2019). Features Of Investment In Mutual Fund: In Case Of Russia (No. 2019-29-12).;
13. Haydarov N.H. Issues of improving the financial and tax relations in the investment activities of enterprises in the context of economic liberalization (on the example of enterprises with foreign investment): dissertation abstract for the degree of Doctor of Economics.-Tashkent, 2003.-22p .;
14. Jumaev N.H. The global financial and economic crisis: the essence, causes and impact on Uzbekistan. - Tashkent, 2009;
15. Maksimova E.V., Morozov V.V. (2019) Economic growth and integration in a new model of the global economy: conclusions for Russia. *Scientific and analytical journal "Innovations and Investments"*. Vol. 11. - pp. 64-68.
16. (2020) Forecast of the socio-economic development of the Russian Federation for the period until 2024.
17. Vadim Loginov. (2021) New values: what to invest in after the pandemic. *Forbes*. <https://www.forbes.ru/finansy-i-investicii/403003-novye-cennosti-vo-chto-nuzhno-investirovat-posle-pandemii>
18. Maksimova E.V., Ryabtsev A.G., Sazonova O. (2020) Impact of coronavirus on the Russian economy. *Innovation and investment*. pp.283-286.

IJSER