

An Analysis of the Global Economy under the Epidemic

Ziyao Xue^{1,a,*}

¹International Academy, Hebei University, Hebei Province, China, 071000

a. 15369990811@163.com

*corresponding author

Abstract: COVID-19 is a major challenge facing the world economy. Under the circumstances of the epidemic, the macro economy has been greatly impacted, and the global economic development model has changed. So the author aims to analyze the global economy based on existing literature and statistical data. The result shows that in the early days of the epidemic, enterprises were greatly affected. Due to the sluggish development, enterprises had to lay off workers, causing a wave of unemployment. In the middle of the epidemic, the world economy is experiencing severe inflation and unemployment is constantly rising. At the same time, the company continued to reform, transform, and upgrade. Enterprise management has been upgraded, the production structure has changed, and some enterprises have made great contributions to solving social problems, slowing down the economic downturn. In the post-epidemic period, enterprises gradually completed their transformation. At the same time, the government provided relevant policy support and financial guarantees for the recovery of enterprises.

Keywords: enterprise, economy, epidemic, finance

1. Introduction

In the face of the epidemic, global economic development has been hindered, the economy is under great downward pressure, and inflation and unemployment have been rising. In this situation, some enterprises are eliminated, some enterprises are declared bankrupt, and some enterprises are absorbed by other enterprises. The epidemic brings not only a crisis to enterprises but also a condition for a new round of screening and promotion of their transformation and upgrading. In the case of many enterprises, more and more scholars pay attention to this problem and mainly study the economic changes in a certain region and the response measures of individual enterprises. So the author aims to analyze the global economy based on existing literature and statistical data. Specifically, this article provides a detailed analysis of the impact on the global economic model during the early, mid-term, and later stages of the epidemic outbreak, as well as the changes faced by enterprises under this impact. Finally, the author discusses the relevant support and guarantees provided by the government for the recovery of enterprises. The article aims to help enterprises learn from their successful experiences and better recover from the epidemic economy. In addition to this paper, entrepreneurs can also study the obstacles encountered in the economic recovery of enterprises.

2. Early Outbreak

Under the influence of COVID-19, the global economy has been hit for some time. The epidemic has greatly restricted people's activities. The tertiary industry was the first to be affected. The primary and secondary industries are relatively less affected. The tourism industry, catering industry, hotel industry, and other industries closely related to human life cannot be spared. The tourism industry has suffered the most as a result of the epidemic, with many tourism businesses losing money or closing down. The tourism industry, which includes the hotel catering industry, as well as film and television entertainment, has experienced a downturn [1].

Under the influence of the outbreak, everyone closed doors, which greatly suppressed consumer demand; the most direct impact is close to the consumer service enterprises, such as catering, tourism, training, retail, etc., and the demand, even after the outbreak, still needs a period of time to return to normal, even though the influence of the outbreak changed the consumption habits. According to a social research report, 69 percent of respondents said they would often use online shopping during the epidemic, and e-commerce platforms and food delivery platforms were dependent on consumers. When asked which category of consumption has increased, up to 68 percent of respondents chose fresh fruits and vegetables, while more than 50 percent also chose disinfection and cleaning products. As many as 69% of the respondents adopted the concept of rational consumption during the epidemic, believing that shopping on demand was the most suitable way for them. Only 20% of the respondents said that they would prevent unexpected hoarding consumption, which shows that the epidemic has not brought about a large-scale hoarding boom [2]. So some industries may not be able to return to their former levels.

The influence of service enterprises will inevitably be transmitted upstream. Influence can enter manufacturing enterprises, leading to unsold products. Then it will continue to be transmitted to raw material supply enterprises. At present, the upstream raw material supply and manufacturing enterprises' resumption of work situation is better than downstream. But if downstream demand does not come up, even if work resumes, the operating rate will still be insufficient. Enterprises can only save themselves by reducing employees and expenses through contraction.

An increase in unemployment will affect some of people's spending power. In addition, after the outbreak of the epidemic, not only enterprises and individuals, but also their risk capabilities must be aware. This may affect people's consumption attitudes and increase the proportion of savings to cope with future uncertain events. These factors may cause people to want to spend more after the outbreak of consumer demand retaliatory growth, which is not as expected.

3. Middle of the Outbreak: A Series of Corporate Reforms

In the middle of the epidemic, the market is depressed, the unemployment rate is rising, the market supply is greater than the market demand, and the downward pressure on the economy is increasing. In this case, the strategy and tactics of enterprise development began to be adjusted.

Firstly, enterprises should pay more attention to the needs of customers, never abandon customers, bring customers a more comfortable consumption experience during the crisis period, pay more attention to the relationship construction of customers, take the initiative to contact customers, and serve customers.

Secondly, the transformation of enterprise marketing models not only enables organizations to connect with customers in a flatter way, but also enhances the business development capabilities of the enterprise. Comprehensive marketing enables people who understand the product to be on the front line. In the prosperous era of Taiping, the main force for most enterprises to obtain orders is often only the sales team. In the middle of the epidemic, more and more enterprises are starting to reach out to customers through live streaming, videos, press conferences, search engines, and other

channels, and closely perceive customer needs. Enterprises with sufficient advertising budgets also focus on bidding marketing for online marketing promotion.

Third, build the ultimate cost capacity. Cost is the long-term behavior of the enterprise rather than the emergency behavior, and the enterprise should carry out structural optimization under effective coordination. Under the impact of the epidemic, many enterprises have begun to organize high-level and cross-departmental teams to introduce scientific methods to carry out collective cost reduction actions and form a long-term and effective operation mechanism.

Fourth, improve organizational efficiency. Under the epidemic, reducing costs and increasing efficiency, as well as improving personnel efficiency, are the main themes of enterprise reform. Before the outbreak of the epidemic, many enterprises had accumulated a lot of problems due to various departments' prevarication, neglect, and miscellaneous personnel. Since the outbreak, companies have re-examined how many people are most effective in some businesses and identified the true busyness of each business. Make appropriate layoffs in some departments, and expand enrollment in others.

Fifth, pay attention to the in-depth development of the core business. In the outbreak period, many enterprises began to identify the essence of the market and key control points, such as supply continuity management ability, depth insight ability, demand management ability, product innovation ability, quality management ability, and even project management ability, to reduce all non-core raw material costs or research and development costs [3].

4. Late Epidemic Period

From the perspective of temporary fiscal policy, the financial relief policies adopted by various economies play a direct and significant role in maintaining the operation of economic and social life. In terms of monetary policy, the central banks of the world's major developed economies have continuously maintained ultra-low interest rates and mainly relied on unconventional monetary policies such as quantitative easing, negative interest rates, and zero interest rates during the response to the impact of the epidemic. These policies have produced positive effects and also added uncertainty to global economic growth [4].

The outbreak of the epidemic has spawned new demands, such as the gradual increase in consumption in medical care, health care, and health, which has also driven the development of the industry. The increase in industries has also provided more jobs for people, alleviated the pressure of social unemployment to a certain extent, and injected new impetus into the economy. The global economy has gradually recovered since the late period of the epidemic and has shown strong growth momentum. However, we should also be aware that the continuing impact of the epidemic and the uncertainty of the international situation have brought some pressure and challenges to the global economy. Therefore, it is also necessary to actively promote structural reform, transformation, and upgrading to adapt to the new economic situation and enhance the ability of the national economy and enterprises to resist risks [5].

While the epidemic has brought challenges to enterprises, it also puts forward higher requirements for enterprises. Under the new economic situation, the competitive pattern of enterprises has undergone new changes: First, digital competitiveness [6]. Digital competitiveness is mainly reflected in two aspects: in terms of users, enterprises use digital means to generate better connections and interactions with users. In terms of employees, enterprises use digital to carry out remote and efficient collaboration to promote business progress. The epidemic has limited the people's consumption, and the headquarters need to delegate resources to various regions, cities, stores, and the smallest business units to operate efficiently, which requires a mature empowerment system. Second, the growth force against the trend. Mr Inamori believes that the recession is the best chance to create great companies. In more difficult times, good companies have bucked the

trend [7]. Young people are divided into two groups: one is young users, and the other is young employees. Young people born in the era of science and technology are the main force behind enterprises in the new economic situation, and they can often drive the public's enthusiasm for consumption [8].

5. Discussion

The short-term and long-term impact of the epidemic on global economic entities is mainly reflected in the global supply chain. For businesses, the trade tensions between major economies in the world, the near paralysis of the multilateral trading system, frequent climate and natural disasters, and frequent cyber attacks increase the likelihood of supply chain disruptions in different dimensions. Due to the progress and diffusion of technology, especially the digitization of production, there is an unstoppable trend, and the space for labor cost arbitrage is gradually shrinking. With the popularity of online shopping, consumers' demand for fast delivery continues to rise, and fast delivery has become an important component of enterprise competitiveness [9]. The impact of the epidemic has made companies realize that thoroughly reassessing the value chain, shortening the supply chain, and investing in more resilient supply chains may be more valuable. At the national level, some countries have introduced or plan to introduce a series of policies aimed at increasing self-sufficiency or localization rates to encourage the return of manufacturing or diversify their supply chains. All of these will affect the new global supply chain layout [10].

6. Conclusion

The results showed that in the early stages of the epidemic, enterprises were greatly affected. Due to slow development, companies have had to lay off workers, resulting in a wave of unemployment. In the middle of the epidemic, the world economy experienced severe inflation and the unemployment rate continued to rise. At the same time, the company continues to carry out reforms, transformations, and upgrades. Enterprise management has been improved, production structure has changed, and some enterprises have made significant contributions to solving social problems, slowing down the speed of economic decline. During the post pandemic period, enterprises gradually completed their transformation. At the same time, the government has provided relevant policy support and financial guarantees for the recovery of enterprises. In general, under the epidemic situation, intelligent transformation enables enterprises to improve efficiency. On the basis of the birth of new marketing models, the online platform can also accurately target product customer groups for enterprises and achieve marketing goals such as live broadcast sales of goods. But Many physical industries, such as catering, tourism, and cinema, have been greatly affected by the epidemic, and this impact is difficult to recover in the short term. However, if they can speed up their transformation and upgrading, strive to build an online operation system, and constantly optimize and improve themselves, the economic transformation and upgrading of various industries will be more sufficient. This paper only mentions the improvement of enterprises and the change of management mode, and future study will research other thrusts for the transformation and upgrading of enterprises.

References

- [1] Borio, C. *The Covid-19 economic crisis: Dangerously unique*. *Business Economics*, 55, 181-190. (2020).
- [2] Kerschner, C. *Economic de-growth vs. steady-state economy*. *Journal of cleaner production*, 18(6), 544-551. (2010).
- [3] Batra, R., & Keller, K. L. *Integrating marketing communications: New findings, new lessons, and new ideas*. *Journal of marketing*, 80(6), 122-145. (2016).
- [4] Mankiw, N. G. *The savers–spenders theory of fiscal policy*. *American economic review*, 90(2), 120-125. (2000).

- [5] Bös, D. *Public enterprise economics: theory and application*. Elsevier. (2014).
- [6] Liu, Y., Lee, J. M., & Lee, C. *The challenges and opportunities of a global health crisis: the management and business implications of COVID-19 from an Asian perspective*. *Asian Business & Management*, 19, 277-297. (2020).
- [7] Kobayashi, T., Xu, K. Q., Li, Y. Y., & Inamori, Y. *Evaluation of hydrogen and methane production from municipal solid wastes with different compositions of fat, protein, cellulosic materials and the other carbohydrates*. *International journal of hydrogen energy*, 37(20), 15711-15718. (2012).
- [8] Szromek, A. R. *Transformation of business models in Spa enterprises for medical purposes in situations of epidemic threats*. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(2), 143. (2021).
- [9] Hale, T., Angrist, N., Kira, B., Petherick, A., Phillips, T., & Webster, S. *Variation in government responses to COVID-19*. (2020).
- [10] Adelman, I. *The role of government in economic development*. In *Foreign aid and development* (pp. 53-75). Routledge. (2000).