

FORECASTS OF ECONOMIC RECOVERY IN THE POST- PANDEMIC PERIOD

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Abstract: *The globalized system brings with it global problems, solvable through solutions applied worldwide, with the involvement of global and regional actors. The COVID-19 pandemic that humanity has gone through has led to an integrative process of managerial policies and practices, through which competing states, and not only, that have so far developed on the idea of adversity, have become functionally compatible. This proves that the fundamental advantage at the end of the global pandemic can be determined, which is the ability of organizations to generate models, solutions and directions relevant to overcoming crises. Organizations have had to respond to a sudden, unforeseen crisis, the rapidly changing nature of which shows that organizational readiness depends on the ability to make use of human strengths, such as decision-making and adaptability, not just during a one-time crisis, but on a regular basis. It means constantly cultivating resilience, courage, judgment and flexibility to navigate a dynamic reality.*

Keywords: *digital economy, pandemic crisis, economic recovery.*

INTRODUCTION

We can say that there is no way to accurately calculate a figure that indicates the damage caused by the SARS CoV-2 virus in the global economy, because it covers all political, economic and social areas. However, there was a major negative impact especially on national economies, distinct economic branches such as tourism⁵⁶³, passenger and freight transport, regression in energy markets which led to a major decline in crude oil prices. Thus, on February 8, 2021, the OPEC basket amounted to US \$ 59.58 per barrel, compared to US \$ 60.56 for Brent oil and US \$ 57.97 for WTI oil⁵⁶⁴. Also, the global automotive industry is quite affected by the outbreak of COVID-19 in all major markets and experts believe that in the worst case, the gross value added of the industry decreased by 10.6% in 2020.⁵⁶⁵

Early estimates assumed that most major economies will lose at least 2.9 percent of their gross domestic product (GDP) in 2020. This forecast has now

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⁵⁶³ Revenue figures for the travel and tourism industry are from the following segments: cruises, hotels, vacation packages and vacation rentals.

⁵⁶⁴ Brent oil in Europe, WTI oil in the USA and the OPEC benchmark are three of the most important benchmarks used by traders as a reference for oil and petrol prices.

⁵⁶⁵ Economy & Politics»Economy, Impact of the coronavirus pandemic on the global economy - Statistics & Facts, Published by M. Szmigiera, Jun 11, 2021, <https://www.statista.com/topics/6139/covid-19-impact-on-the-global-economy/> accesat la 21.06.2021.

been updated to a loss of 4.5 percent of global GDP⁵⁶⁶. However, there are branches of the global economy that have grown and are compensating for the aforementioned damage, and we can call here e-commerce and online activities such as working from home, retailing food. Of course, the medical field cannot be excluded, which, in addition to its decisive role in preventing the spread of the pandemic, has had considerable economic growth. To this we add IT solution providers that have also increased their market shares.

Eventually the crisis may end and all restrictions will be lifted, a situation that could allow the global economy to experience a sharp return to the level and characteristics of what it was in 2019. But, as we shall see below, there are many variables that could affect such an economic recovery.

CURRENT FEATURES

Globalization imposes new concepts and actions - phenomena such as “digital divide”, “digital inequality”, “ethnic divide” - and the changes registered lead to the rapid development of the electronics industry, IT&C and to the construction of virtual activities and structures. We are talking here about a new type of office, a team formed mainly virtually, an organization that develops new relationships with employees and operates with other rules and principles (e-commerce, e-banking, e-government, Internet-shopping, e-education, Intranet-Internet, etc.), a different type of work and profitable virtual business. The world, as we know it, is no longer the same and one of the fundamental factors is the digital transformation. The global economy is going through such a transformation right now and it is happening at a dizzying speed.

The digital economy is taking shape and undermining conventional notions of how business is structured, how companies interact, and how consumers get services, information, and goods. Professor Walter Brenner of the University of St. Gallen from Switzerland states: "Aggressive use of data transforms business models, facilitates new products and services, creates new processes, generates greater utility and introduces a new management culture." As an example, “Uber, the largest taxi company in the world, does not own vehicles. Facebook, the world's most popular media owner, does not create content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest hosting provider, doesn't own any real estate... Something interesting is happening.”⁵⁶⁷

Now that the physical workplace has changed (tele shuttle, virtual office, tele-work, etc.) we all expect the emergence of a new, flexible, global enterprise

⁵⁶⁶ Economy & Politics>Economy, Impact of the coronavirus pandemic on the global economy - Statistics & Facts, Published by M. Szmigiera, Jun 11, 2021, <https://www.statista.com/topics/6139/covid-19-impact-on-the-global-economy/> accesat la 21.06.2021. To put this number into perspective, global GDP has been estimated at approx. 87.55 trillion US dollars in 2019 - which means that a 4.5% decrease in economic growth results in the loss of economic production of almost 3.94 trillion US dollars.

⁵⁶⁷ TechCrunch, an online magazine reporting on technology opinions, news, and analysis, <https://www.crunchbase.com/organization/techcrunch>, accessed at 20.06.2021.

that carries out e-activities (virtual community, tele-centers, cyber- marketing, tele-Education, tele-Shopping, tele-Medicine), online transactions, software-firmware products, generalizable computer program products. The digital economy contains different types of integrated systems at different levels (company, local, county, departmental, national, continental, global), of which the significant ones are national networks of computerized services, e-Conference, "Cyber Centers", data funds and digital libraries, information dissemination computer services, multimedia access centers, modernization of management processes. This society needs human resources ready to manage a dynamic ecosystem and enable next-generation digital businesses that are proving to be efficient, even when distributed in different places and time zones. This foreshadows the future of work and, why not, of education.

The 2020 pandemic has accelerated this transition in some respects, at least in the short term, and has also shown the need for organizations to take a more open and interactive path for long-term digital activities and for the adaptation of workforce to this new evolution. This proves that we are on the threshold of an era in which everything can be connected - people, companies, devices and processes, the physical and digital worlds.

“Work, labor and jobs respond to the development of technology at an exponential rate. Therefore, a strategy is needed to reformulate the aspects related to labor management - recruitment, employment, training, reward, knowledge level and employment relationships - which leads to a reconsideration of the human resources function from a support function as delimited so far to a structure that drives the digital transformations of the workforce in organizations.⁵⁶⁸” The basic principle specific to the digital economy emphasizes the generally valid principles of the development of the economy: accessibility, availability, persuasion, adequacy and the existence of human resources. All these transformations are based on the production and further sale of goods to be traded through the stated systems.

ECONOMIC RECOVERY

Economists are now analyzing the changes that have taken place in the global economy during 2020 and predict possible recovery patterns following the reduction and cessation of restrictions. A first option is considered to be the V-shaped recovery which involves a rapid return to the economic normalcy before the pandemic once all restrictions are lifted. Of course, it is a possible option, but given the directions already implemented by companies to manage the crisis,

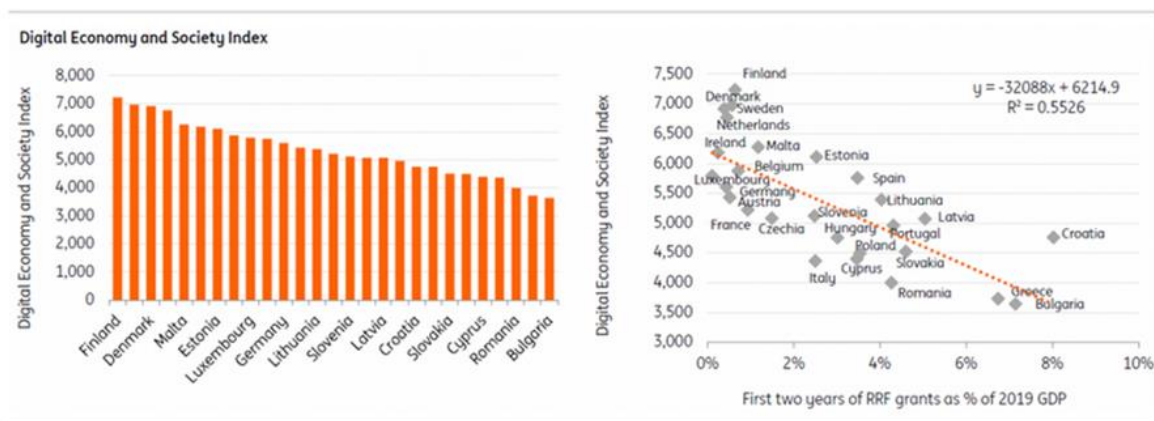
⁵⁶⁸Adrian Mamo - Senior Manager, leads the Human Capital service line at Deloitte Consulting., The social enterprise in a world disrupted. 2021 DELOITTE GLOBAL HUMAN CAPITAL TRENDS, <https://ilanz.org/resources/in-house-insider-articles/deloitte-global-human-capital-trends-2021-the-social-enterprise-in-a-world-disrupted/> accesat la 20.06.2021.

security measures, closed borders and fear, we believe that the world will not return so quickly and linearly to the economic scenario before the pandemic.

Dhara Ranasinghe, Ritvik Carvalho (2020) explained that the V-shaped recovery model is the best result. Similarly, a rapid recovery is accompanied by a collapse in production. "The April-June GDP contraction will likely be on a scale not seen for decades. But fiscal and monetary stimulus - over \$10 trillion and counting - could aid an equally swift rebound."⁵⁶⁹

A second option is the U-shaped economic recovery which envisages a slower return to the economic process that took place before the pandemic because this crisis has not yet ended and both its development and the state of economy prior to the beginning of this recovery are unpredictable. It is based on the theory of progressive opening with a different situation from the one before the appearance of the coronavirus. Ranashighe and Carvalho (2020) argued that "because economies have suffered a faster and deeper contraction than in 2008-09, this may be the likeliest outcome."⁵⁷⁰ However, there are also experts who warn that the impact of the blockades will last for a while after they are lifted. According to Brzeski, "looking beyond the pace of the immediate recovery, sustainable growth seems to be more dependent on digitalisation due to the crisis. This means that countries that have an edge in terms of digitalisation are even more likely to have a stronger structural growth path."⁵⁷¹

The digital economy is weaker in the eurozone's periphery, but EU funds could help



Source: Eurostat, European Commission and ING calculations

Figure 1: Digital Economy and Society Index⁵⁷²

⁵⁶⁹ Dhara Ranasinghe, Ritvik Carvalho, (2020) "Alphabet soup: How will post-virus economic recovery shape up?" Accessed on June 1, 2020. Available at: <https://uk.reuters.com/article/uk-health-coronavirus-economy-graphic/alphabet-soup-how-will-post-virus-economic-recovery-shape-up-idUKKCN21R25J?il=0>

⁵⁷⁰ Dhara Ranasinghe, Ritvik Carvalho, (2020) "Alphabet soup: How will post-virus economic recovery shape up?" Accessed on June 1, 2020. Available at: <https://uk.reuters.com/article/uk-health-coronavirus-economy-graphic/alphabet-soup-how-will-post-virus-economic-recovery-shape-up-idUKKCN21R25J?il=0>.

⁵⁷¹ Carsten Brzeski: The eurozone in 2021/ 17 November 2020, Available at <https://think.ing.com/articles/global-macro-outlook-eurozone-digital-fiscal-and-monetary-changes>

⁵⁷² https://think.ing.com/uploads/charts/_w1200/Digitalization.PNG, accessed on June 1, 2020.

It should also be noted that there is an advantage in Europe - the Recovery and Resilience Fund, which involves investing in digitalization as a requirement for disbursement of grants. Investing in the digital economy could be a game-changer in 2021.

We should also pay attention to the variant of W-shaped or double recovery, which has as a fundamental feature: the appearance of a new fall after a slight recovery and this will follow the evolution of the pandemic crisis in a scenario in which it returns. According to Ranasinghe and Carvalho (2020), " if the easing of lockdown restrictions initially boosts activity but the effects of unemployment and corporate bankruptcies then start to filter through".

Finally, the last variant is L-shaped, which means that the global economy will recover at a slow pace and will involve strong economic and social changes, specific to major economic collapses. Consequently, Ranasinghe and Carvalho explained: " L-shaped outcomes may be a risk for those emerging markets less able to engage big stimulus and often rely on commodity exports ⁵⁷³".

The analysis refers to the global economy, knowing that the regional and national ones are strongly connected and interdependent with the global one.

CONCLUSIONS

Accelerating digitization, as a requirement of the EU recovery and resilience plan, puts pressure on employment in this area. As far as industry is concerned, pressures are on supply chains - sales, rising prices and declining demand for goods.

The digital compass sets goals for achieving the EU's vision for the digital future. It uses the four points of the compass to identify the main goals to be achieved in the next decade: a digitally qualified population and highly qualified digital professionals, secure and substantial digital infrastructure, digital business transformation and digitalization of public sectors.

I emphasize that these directions will be valid only in the conditions of resumption of production and sale of material goods both by classical methods but especially by introducing robotics, artificial intelligence and digitization in the production process. Particular attention must be paid to the continuous correction and upgrading of the solutions adopted for overcoming the crisis.

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