# How to Fix the Post-Covid Economy

## Introduction

Covid-19 led to the most significant reductions in trade and output volumes resulting in a global trade plunge but recovered sharply in 2021 (OECD, 2021). In 2020, the global economic growth declined to an annual rate of -3.2%, recovered at a rate of 5.9% in 2021, and has a projected rate of 4.9% in 2022 (Jackson et al., 2021). The trade structure was changed, leading to substantial imbalances across trade partners. After the pandemic, some vital financial and economic measures recovered, but not all of the accumulated losses recuperated. This indicates that the diverse trade impacts and trade flows changes across countries, products, and sources, implying augmented adjustment and uncertainty costs. It also signifies more incentives for governments, companies, and customers to intensify existing or implement new risk alleviation strategies. Covid-19 highly impacted the global economy, and this paper describes how it influenced it and points out three recommendations to fix the most destroyed industries.

## How Covid Influenced World Economy

Containment measures enacted by governments virtually shuttered some sectors of the economy, such as mechanical machinery and fuels, and other sectors were relatively unaffected while others increased. This reduced the global GDP by 3.5% and international trade by 8.5% in 2020, although the impacts varied across regions and countries (OECD, 2021). Ariola et al. (2022) state that the varied policy responses and unanticipated changes in consumer demand resulted in unprecedented heterogeneity in the global trade across merchandized goods and partners. Policy response exposed undetected blockages and susceptibilities on the ability to source inputs, components, parts, and other products, marking high adjustment costs and uncertainty (OECD, 2021). Effects also varied regarding the structure of the economy due to factors such as differences across sectors in productivity effects due to disruption in supply chains and new working environment, changing consumer preferences, and diverse levels to which production and consumption of various products depend on people contacts (Priya et al., 2021). Covid-19 also messed up with the traditional cash flow sources, threatening industries such as hospitality and travel, retail, fashion, and beauty. External cash flows decreased with the fall in foreign income from investments, e-commerce, supply chain, and remittance, and the number of tourists and business travelers (Arriola et al., 2022). The decline lowered internal consumption and governments’ ability to service debts, which may disrupt operations and governance.

## Recommendations

### Accelerating Digital Transformation

Governments must allocate resources to develop digital infrastructures and classify them as reasonable public expenditures where services may be switched to online operation and communication. Hossain and Rahaman (2021) recommend shifting into a digital economy where governments should upsurge digital venture to cope with a more digitalized world. Hence, digital transformation is a feasible solution to create business opportunities, accelerate finance infrastructures, and enable a lower marginal expansion cost. Technology solutions that can fix the post covid economy include 5G and mesh network, cellular network and satellite, and digitalizing fiat currency. Mesh network is recommendable since it is cheaper and can expand with fewer hindrances; thus, it will create and improve business opportunities in areas with poor connection and remote areas with inadequate internet infrastructures (Subramaniam et al., 2021). An alternative would be a satellite network to provide a more affordable connection, enhancing product traceability or changes linked to farming conditions and crop growth. According to Subramaniam et al. (2021), information and data about crops and farmers reduce financial risks, offer transparency, and improve quality and branding, increasing the supply chain. Central banks can also move to digital currencies to boost a low-priced delivery and remittance forms, improving speed and efficiency in the exchange of value and payment system.

### Spending More to Accelerate Recovery

Countries should start planning for more tailored programs to reinstate demand and hasten economic recovery. Again, governments must implement new labor policy and support industries to function under flexible structures. They can also turn conditional cash transfer programs that support vulnerable individuals and households into global income changes connected to new employments in government-led agendas for industrial reconversion, housing, and infrastructures (Jung & Murphy, 2020). Countries should relax governing systems to assist industries reopen and grow, and develop innovative policies that provide financial incentives to draw abiding venture capitalist. Again, aid programs that encourage competition should be introduced to promote innovative learning techniques, agile organizational structures, new business channels, and leaner operations (Jung & Murphy, 2020). It is also possible for governments to have initiatives that reinstate goods and services demand and nurture investment in innovative trade models. Initiatives could include stimulating exportation, promoting agri-business development, easing investment conditions, digitizing government services, fast-tracking private investment, and accelerating infrastructure projects.

### Spending Deeply To Sustain Economy

Governments need to estimate the least level of liquidity banks want to support defaults, liquidity that businesses require to protect longstanding solvency and cover costs, income that families require to meet their needs, and money required to supply minimum levels (Subramaniam et al., 2021). In context, governments need to identify support levels required by every population segment, and the suitable supply networks for quick distribution. Countries can also use innovative instruments to safeguard employment, such as capitalizing domestic reinsurance organizations to insure several projected losses from the new loans necessary to link working capital and salaries. Subramaniam et al. (2021) indicate that governments need to implement monetary expansion instruments that were successful in other financial crises, such as differentiating banks in accordance with their credit portfolios to help businesses to restructure.

## Conclusion

Covid-19 affected the regional and international trade, employment, financial market, and supply chain, impacting the global economy. The pandemic marked the most considerable trade reduction and decline in output volumes in 2020. Total trade flows are currently above the pre-covid levels, but the trade impacts across certain trade partners, services, and products are highly varied, creating pressures on particular sectors and supply chains. Again, the impact of covid-19 varied across regions and countries, with Euro areas recording higher GDP decline than the United States and others such as China recording positive growth. Therefore, it is recommendable for governments to accelerate digital transformation and spend more and deeply in some sectors to fix the post-covid economy.

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