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Edited by

Irina Tatomyr

Zenovii Kvasnii

THE ECONOMICS OF POSTPANDEMICS: PROSPECTS AND CHALLENGES

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Drohobych State Pedagogical University after Ivan Franko (Ukraine)

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Precarpathian Institute named of M. Hrushevsky of Interregional Academy of Personnel Management (Ukraine)

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IX. SHIFT IN BALANCE OF THE GLOBAL AND DOMESTIC COMMERCE MARKETS IN THE PANDEMIC PERIOD

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Introduction. In 2020, one of the main factors influencing on economic processes was the factor of the COVID-19 pandemic spread. The coronavirus officially appeared in March 2020, but it arose long before this time in mid-December 2019 in China. It has changed the lives of both people and the economy in the whole world. Unfortunately, not for the better. As of April 2020, the estimated economic impact of the coronavirus in the world will be at least $ 5 trillion, according to Bloomberg [1]. The last time we saw such large-scale effects of a pandemic in the 14th century during the plague epidemic, when Europeans faced labor shortages and rising taxes. Coronavirus pandemics has changed global markets dramatically with a significant shift in commerce. Such shift became twofold. On one hand, the global export operations value has decreased from $19 trillion in 2019 to $ 17,6 trillion in 2020 [2]. From the other hand, the COVID-19 triggered the digital and e-commerce turning point. Amid slowing economic activity, pandemics has led to a surge in e-commerce and accelerated digital transformation. As lockdowns became the new normal, businesses and consumers increasingly "went digital", providing and purchasing more goods and services online, raising e-commerce's share of global retail trade from 14% in 2019 to about 17% in 2020 [3]. The analysis of such shifts on the global scale and domestic market in particular is of crucial importance.

Literature review. There is a wide range of publications dedicated to the study of how the pandemic has changed the world economy. These changes touched mainly the global financial markets [4, 5], the global tourism industry [6, 7], and the world commerce markets [8, 9, 10]. The impact of pandemic on the Ukrainian economy has been highly discussed in the papers [11, 12, 13]. In the present paper, we are examining the COVID-19 impact on the domestic and global commerce markets from the analytical perspectives.

Results. In the context of pandemic impact, e-commerce became the fastest and most convenient way to trade for both sellers and buyers. More and more people are choosing simple and time-saving ways to buy or sell a product. E-commerce is spreading to different world market areas every day. Economic effect is achieved by reducing staff costs, rent and other factors. Therefore, the pandemic has shifted significantly the balance of commerce markets with the dominance of e-trading and stagnation of brick-and-mortar businesses.

E-commerce is now shaping the way people shop. The e-commerce market has gained great popularity among the western countries, including Europe and the United States. The current e-commerce trend is encouraging companies to shift the traditional business model, which focuses on "standardized products, a homogeneous market and long product life cycle", to a new business model, which focuses on "diverse and individual products". E-commerce requires a company to be able to meet the needs of different customers and provide them with a wider range of products.

Simultaneously with the announcement of quarantine, businesses in the world faced new challenges of today, which led to a change in business approaches, guidelines and tools in doing business. In recent years, Ukraine has seen a steady growth of the e-commerce market. However, the outbreak of the COVID-19 pandemic, which caused the economic crisis in many countries around the world, also affected the activities of business structures in the field of e-commerce.

According to global market analysts, sales reached $ 3.8 trillion in 2020 [14]. The list of world leaders in e-commerce has not changed dramatically over the past few years; the first three positions are still occupied by the United States, Japan and China. The top ten "giants" of e-commerce also include Germany, South Korea, Britain, France, Canada, India and Italy.

Small and medium-sized businesses with low or volatile cash flow become particularly vulnerable during crises as they struggle for profitability. Research reveals the relationship between finance and strategy, especially with a focus on entrepreneurship and the market. In turn, a combination of business and market orientation can lead to frugal and flexible marketing efforts, which are especially valuable during a pandemic, opportunity search and resource management.

At the same time, retailers who have not adapted and taken COVID-19 into account are now facing an existence crisis. However, research has shown that such traders can minimize current and future business consequences by addressing four major emergencies as follows [15]:

1. Retailers can identify and perform controlled actions. They need to identify, optimize and re-access existing technologies and business models. In particular, they need to understand how their competitors work and interact with customers to reduce response time and optimize communication channels.

2. All retailers, but especially grocery stores, are reviewing their business continuity plans to reassure customers that their needs are being met and to cope with the inevitable constraints caused by volatile demand. In this situation, it is advisable to give priority to the most important business activities and make contingency plans.

3. Businesses need to understand their financial needs as well as the important role they play in the market. For some regular customers, it is an open and detailed online supermarket that will assure them that their needs will be met.

4. Messages that retailers spread on the Internet during emergencies, should contain information about the products availability on the shelves and in digital outlets; control panic purchases by limiting the amount that consumers can buy; develop and implement consumer and employee protection plans; to promote the general health of the population; and use surveillance measures to limit the spread of the virus.

With so many people stuck in their homes, online shopping has become a fact of life. This means that many companies that give people what they want and need see an increase in traffic and revenue. According to the survey, 58% of decision-makers said that their online income has increased through COVID-19. By industry, 75% of childcare companies saw an increase in revenue. This is probably due to an increase in panic purchases. Families do not know how long the situation will last, so many of them want to stock up on essentials such as diapers and baby wipes. Packaging delivery is another channel that has grown since then last year – 73% of companies in the sector have grown. Consumer electronics is also very popular now, and 69% of companies have seen an increase in revenue. 65% of companies producing cosmetics and personal care products showed growth, and 18% of them grew by more than 51%, which is higher than in any other category. According to respondents, revenue growth during this period also depends on how much the company sells online. Although many e-commerce companies have seen an increase in sales of certain products, 48% of respondents said they see a reduction in consumer spending. Other barriers to revenue are supply chain delays (48%) and cybercrime (46%) [15].

To combat this, the vast majority (72%) said that at this time they were promoting more sales and incentives. 88% of editorial and entertainment companies are engaged in this, followed by companies in the production of consumer electronics (86%), medical (84%), personal care products (82%) and companies in the production of household goods (80%).

Overall, 59% of respondents said they would invest more in e-commerce channels in the nearest future as a result of COVID-19. Companies in these categories are more likely to do this [15]:

- consumer electronics (78%);
- packaged food and beverages (77%);
- child care products (75%);
- personal hygiene products (74%).

Many of these companies are preparing for the e-commerce future after COVID-19. Because of the virus, people order goods online, which they usually buy in a store. Some say it takes about two months to form a new habit. In this situation, people already had enough time to form new shopping habits that could go beyond COVID-19. This recession is affecting everyone, but smart companies are using this time to move forward and stay in the minds of their customers. Those who can now contact buyers will become the ones who will get their business as soon as the economy starts to recover.

The pandemics greatly influenced the world economy development trends. In response to the COVID-19 pandemic, significant changes have taken place in the life of many countries around the world, including Ukraine. Consequently, a state of emergency has been declared in general in countries or in individual regions or areas; sanitary and epidemiological measures have been introduced in almost all countries (quarantine zones, temperature check, cancellation of mass events, closing of educational and cultural and entertainment institutions); there are restrictions on travel / entry to countries and travel within countries; strengthened the role of the state emergency management; established restrictions on employment; introduced new distance forms of work and education. Such unprecedented steps have led to a slowdown in economic development in the countries worldwide.

Table 9

GDP growth of the leading countries from 2019 to 2020

№	Name of the country	2019(%)	2020(%)
		A	B
1	United States	2.2	-4.272
2	China	5.9	1.851
3	Japan	0.7	-5.273
4	Germany	0.6	-5.983
5	United Kingdom	1.5	-9.762
6	India	4.2	-10.289
7	France	1.5	-9.757
8	Italy	0.3	-10.645
9	Canada	1.7	-7.141
10	Korea	2.0	-1.878

Source: [16]

GDP is an indicator that shows the level of well-being of the country's population. It is also the total value of everything produced in a given area over a period of time. Ideally, this figure should grow every year. Unfortunately, in 2020, GDP growth rate was negative, or lower than in the previous year.

Table 9 shows how the GDP level of the leading countries has changed from 2019 to 2020. It should be said that the level of GDP of all countries has dropped significantly. Out of 193 economies, 167 economies will see a negative growth rate in 2020[17]. COVID-19 is a global challenge, there are no countries - developed or developing - that would not suffer economic losses. In this sense, it is such a unique event. However, there are countries that have lost less, such as New Zealand and Denmark. They had minimal losses. And there are countries such as Great Britain, the United States, Brazil, and Italy where the losses were extremely large. Therefore, it makes no sense to say that some countries have benefited from the pandemic. But we can study the experience of countries that have been able to minimize their losses.

With regards to Ukraine, it is not an exception in negative GDP indicators. Figure 1 shows changes in GDP from 2019 to 2020. The most difficult month in the second quarter of 2020 was April, a period of the most severe quarantine measures.

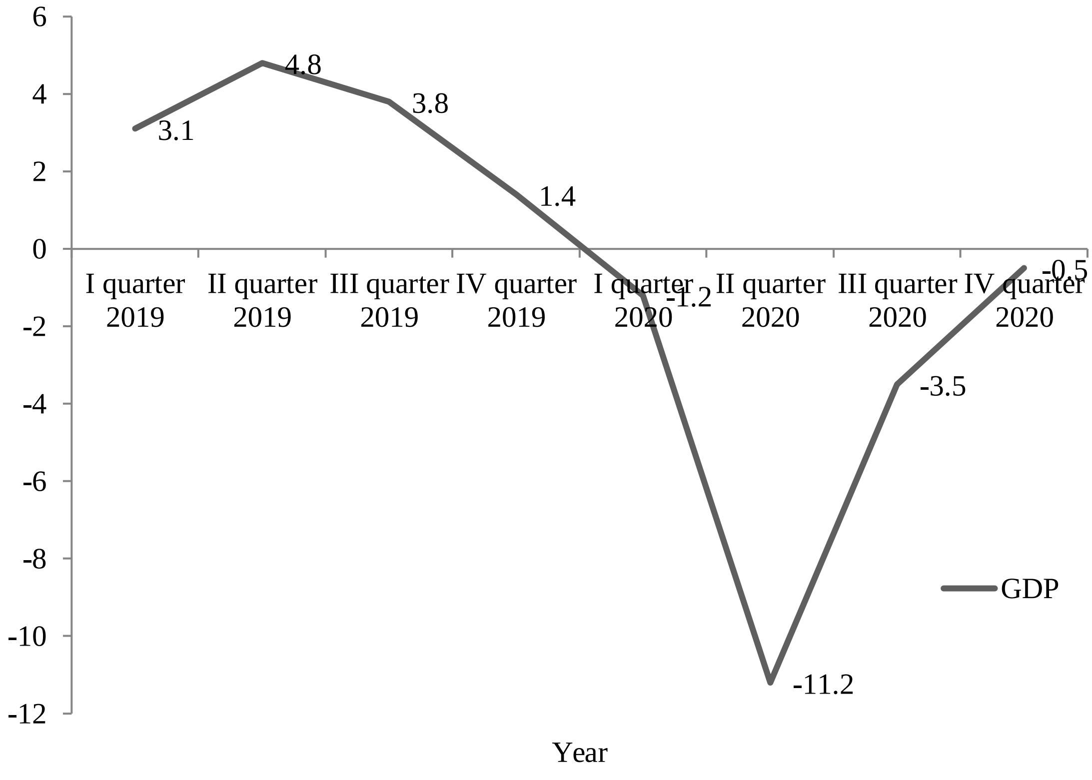

Figure 13. Changes in the volume of GDP from 2019 to 2020(%)

Source: developed by the authors based on [18]

Extraordinary shocks to the pandemic have led to a sharp decline in real GDP in Ukraine. Ukraine's real gross domestic product fell by 4% in 2020. This happened after the growth during 2016-2019, according to the State Statistics Service. The State Statistics Service points out that in 2019 Ukraine's GDP grew by 3.2%, a year earlier - by 3.4%, and in 2017 and 2016 it grew by 2.5% and 2.4%, respectively. A decline of 9.8% was recorded in 2015, by 6.6% – in 2014.

In 2020, compared with 2019, global exports of goods and services decreased by 7, 8%. Following the results of 2020 export of the goods and services in relation to 2019 decreased by 5,008.3 million dollars.

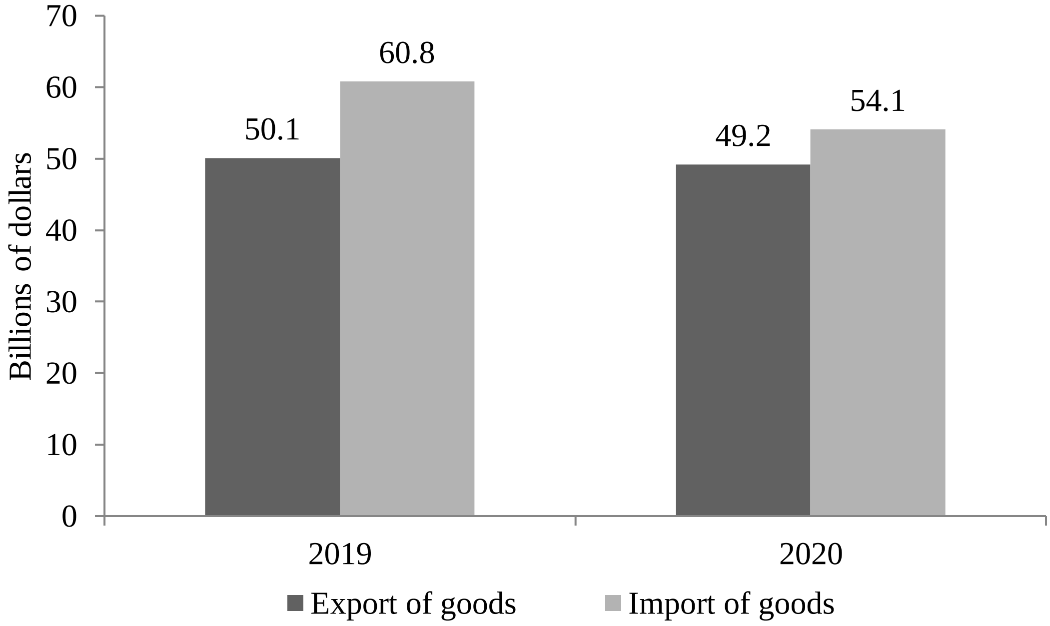

Figure 14. Export and import of goods of Ukraine for 2019-2020, billions dollars

Source: developed by the authors based on [19]

In 2020 exports of goods decreased by 1.7% and imports of goods decreased by 11.0% compared to 2019. According to the official data of the State Statistics Service of Ukraine, in the first half of 2020 Ukraine slightly reduced the volume of exports of its goods abroad. In general, in the first 6 months of this year, which saw the peak of the economic crisis and the harshest quarantine, Ukrainian exports fell by 6.4% (compared to the first half of last year) or one and a half billion dollars.

Imports of goods to Ukraine suffered much more significantly - they fell by 14.3% or more than four billion dollars. In total, Ukraine exported goods worth $ 23 billion and imported goods worth $ 24 billion from abroad. Regarding to the structure of exports of goods in 2020, the products of agriculture and food industry increased by 0.2% compared to 2019, the products of the metallurgical complex decreased by 11.9%, mechanical engineering products decreased by

2.2%, exports of mineral products increased by 9,6%, products of the chemical industry - by 1.9%.

Perhaps the largest decline in exports occurred in metallurgy. Exports of ferrous metals and steel and cast iron products account for almost one-fifth of all Ukrainian exports. Due to the suspension of infrastructure projects and the freezing of construction around the world, the demand for metal products has decreased significantly.

Regarding to the structure of imports of goods in 2020, the products of agro-industrial complex and food industry increased by 13.2% compared to 2019, the products of the metallurgical complex decreased by 14.3%, the products of mechanical engineering decreased by 9.7%, exports of mineral products decreased by 35,3%, products of the chemical industry decreased by 2.8%.

Ukraine's largest trading partner is still remaining the European Union. In the first half of 2020, Ukraine sold goods worth a total of $ 8.52 billion (37% of total exports) and imported $ 10.34 billion (almost 43% of total imports). Exports to China have been developing very rapidly in recent years. Last year, it surpassed Ukrainian exports to Russia, which has been Ukraine's largest trading partner for a long time.

The COVID-19 pandemic has a clear negative impact on trade in services. All leading exporters and importers have restricted foreign travel and introduced social distancing within the country. People could not physically provide services or use services due to quarantine or lockdown. Unlike goods, services cannot be produced, put into storage and sold later. Unearned revenues from canceled flights, bookings, sporting events, trips to the restaurant have been lost forever and cannot be recovered. Together, this accounts for more than 40% of world exports of services directly affected by the coronavirus. This is especially true for tourism. Coronavirus has had an unprecedented impact on supply and demand in this market. US tourism exports in March were 53% lower than in the same month last year, and in April - 73%. China's tourism spending has fallen by 60% in recent months.

However, there is one area of services that the pandemic seems to have benefited from. These are IT services, the demand for which has grown due to the increasing number of people working from home. If in March the decline in trade with the largest exporters of services reached 15% (and in April even more), in those countries where a significant part of exports are IT services, the decline was milder or even zero. In Ireland (51% of exports of services - in the field of information technology) growth was recorded by 8%, in India - by 1%, in Ukraine - by 3%.

With regard to trade in services in Ukraine, during the pandemic, negative trends in these areas were much greater than in trade in goods. In case of trade in services, as in trade in goods, imports were the first thing to decline. But unlike commodity trade, imports of services began to decline in March 2020. This was largely due to a reduction in travel costs of Ukrainians - more than 30% compared to March 2019 - and a reduction in imports of transport services - by 19.5% compared to the same period last year. In contrast to imports, exports of services in general remained fairly stable throughout the first quarter of this year. Note that the reduction in exports of transport services, especially in the use of pipelines due to reduced transit of energy through Ukraine, was offset by a significant increase in exports of computer services compared to the first quarter of 2019.

In April-May 2020, exports and imports of services declined, but imports fell much faster than exports. The reason is the reduction of trade in transport services (exports and imports of transport services decreased simultaneously by 35.5%) and the reduction of international tourism due to the closure of borders. One of the few services which exports grew before and after the beginning of quarantine in Ukraine was the export of computer services. Its value increased by 12% when the total export of services from Ukraine decreased by 12% compared to the same period in 2019.

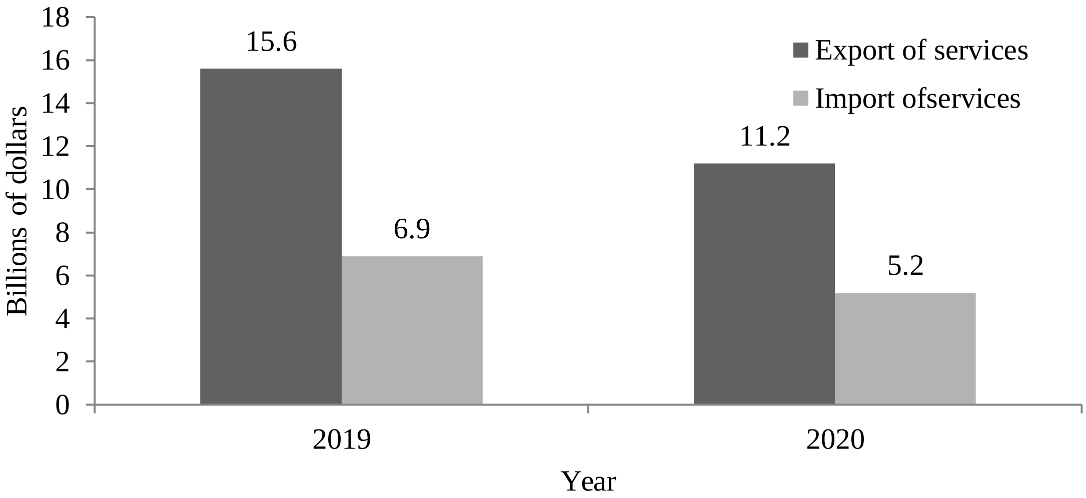

Figure 15. Export and import of services of Ukraine for 2019-2020, billions dollars

Source: developed by the authors based on [19]

In general, it should be noted that the pandemic has had a significant impact on services that require the physical crossing of the border. Trade in services that are somehow provided via the Internet has grown even under quarantine. As the rate of the pandemic does not decrease, but only increases, the popularity of online services will continue to grow. Obviously, the growth of digital services requires the state to adequately respond to two challenges. The first challenge is to regulate the digital market. The second challenge is the taxation of the income of companies that provide digital services. Thus, the EU is currently considering the possibility of introducing a tax on large companies who render digital services in certain location, rather than in place of official registration. Similar type of law has been registered in the Verkhovna Rada of Ukraine, but the discussion on the future regulation of activities and taxation of companies providing digital services is only gaining momentum today.

Conclusion. Thus, according to various statistics, we can say that the coronavirus has made a significant contribution to the deterioration of the economy of Ukraine and the world as a whole. It has become one of the factors shaping the economies of different countries. The deployment of the COVID-19 pandemic worldwide has led to significant changes in vital activity of many states (strengthened the role of public administration in emergency conditions; sanitary and epidemiological measures have been introduced; restrictions on the movement of citizens and their employment have been established; introduced distance forms of education and work). There was also a decrease in commercial activity of industrial enterprises and a reduction in production in all countries where measures were taken against COVID-19 proliferation, which led to a global decline in demand and, as a consequence, falling prices in world commodity markets. In general, it can be stated that during the quarantine period Ukraine and its trading partners faced a significant reduction in trade in goods and services. It is clear that international trade has been negatively affected by both the introduction of quarantine, which has made it difficult to sell many goods to final consumers, and uncertainty about the future income of households and entrepreneurs. These factors, combined with the expectation of a new wave of coronavirus, negatively affect demand for all goods except basic necessities.

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