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Coronavirus Disease (COVID-19) Pandemic and Global Economic Circumstance

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Abstract

This research investigates the influence of the Coronavirus Disease (COVID-19) Pandemic event on the evolution of global economic circumstances, particularly among developed countries, including the United States. The research findings showed that COVID-19 has a widespread impact on inflation expectations and individuals' lifestyles and social life remarkably. These findings have consequences for actual activity, whereas careful monitoring of inflation expectations may indicate inflation anticipations un-anchoring dangers. According to these outcomes, providing a comfortable situation for finding the right job and managing life in the individual and social part by governments or any in charge organizations or workplaces is sincerely recommended. Additionally, taking care of individuals' mental health and treating suffering individuals must be considered.

Keywords: Coronavirus, Coronavirus Disease (COVID-19), Economic Inflation, Pandemic

Introduction

The coronavirus that causes EARS-2, the most severe form of the acute respiratory syndrome, is 19th in the world per-capita death rate, with 90,367,064 incidences and 1,026,883 all-time fatalities in the United States. The COVID-19 pandemic tops the list of American oversight regarding the death toll. It will surpass cancer and coronary heart disease as the third largest cause of death in the United States by 2020. By considering this outcome, Chowell and Mizumoto (2020) stated life expectancy in the United States will decline by three years for Latinos, 2.9 years for African Americans, and 1.2 years for whites in 2021. A cluster of pneumonia cases was discovered in Wuhan, China, on December 31, 2019, as Mehrad (2020) stated in her study. Then after a couple of weeks, the cases appeared in different countries, particularly Italy, Spain, and the United States. The public health emergency was reported on January 20, as Thorbecke (2020) mentioned. At first, the USA's reaction to the epidemic was delayed, with restrictions placed on aircraft from China and other travel stopped, and tests still needed to be completed.

According to the reports, the first American deaths began to be recorded in February 2020. Therefore, the Defense Production Act of 1950, a United States federal law legislated on September 8, 1950, was employed to justify large-scale purchases of scientific equipment by the federal government. Due to rising cases, all states and territories had filed disaster declarations by the middle of April. Following the relaxation of bans in some states, there were 60,000 instances recorded per day in June. Midway through October, there was a third rise in cases; from December 2020 to January 2021, more than 200,000 new cases were reported daily, as mentioned by Sharif, Aloui, and Yarovaya (2020).

With this situation, the COVID-19 vaccines were licensed by the Administration of Food and Drugs (FDA) on August 23, 2021, which permitted the country's immunization program to begin in December 2020, with emergency use of the vaccines allowed. Several scientific investigations have revealed that they are a practical obstacle against life-threatening illnesses, hospitalization, and even death. Centers for "Disease Control and Prevention (CDC)" conveyed unvaccinated individuals had a 5 to 30 times higher likelihood of suffering or being hospitalized than those who had received all of the vaccines, according to CDC. Even though vaccine adverse effects are infrequent, vaccine resistance has developed. It is also reported that the inpouring of unvaccinated COVID-19 patients has strained hospital resources nationwide, forcing some to turn away patients in life-threatening situations. In Shapiro's (2022) study, which analyzed a simple framework to monitor inflation, the researcher explained that the COVID-19 pandemic fetched short and harsh supply and demand disturbances to economic movement. In particular, mandatory and voluntary social distancing likely reduced demand while supply disruptions ensued. Specifically, many employees could not safely go into their workplace, reducing production in specific sectors below total capacity. To explore the separate roles of supply and demand factors, the researcher divided the categories within the COVID-sensitive inflation group. He trusted the basic microeconomic approach of how prices and quantities respond to demand versus supply shifts. Transformations in need should move prices and quantities in the same direction, while changes in supply should carry them in opposite directions. And, from the beginning of the pandemic in the United States when various mandatory and voluntary social distancing, stay-at-home orders, or supply chain disruptions came into place.

Economic Circumstances and United States Inflation

Inflation refers to an expansion in market prices caused by miscellaneous economic issues, which lead to a fall in the purchasing value of the currency. Due to the quarantine, the US population purchased food and other necessities in bulk to store them to ensure they would not run out of provisions during the pandemic. For instance, oil prices peaked during this time, reaching 5.60$ per gallon. This caused an increase in the price of all various products, namely food, transportation, and clothes (Sharif et al., 2020).

While due to the social distancing and the quarantine mandates, Americans spent less on transportation, restaurants, and hotels. However, spending on food, the internet, and health care increased, especially during the low-productivity period, as evidenced by Apergis and Apergis (2021). Therefore, this represented an extreme change for consumers and the market. A global health emergency is the COVID-19 outbreak, which is now developing into a pandemic. However, the methods made by nations to battle this disease result in an unimaginable economic catastrophe. Numerous types of research on the socio-economic impacts of the global economy have addressed the global pandemic, specifically COVID-19. Almost 90% of the world's population experiences some form of social isolation, including closing workplaces, banning flights, and dismissing people.

Consumer Inflation and Pandemic Duration/History

Inflation tracking during a pandemic is challenging, as bankers, academics, and other financial industry members learned during the COVID-19 epidemic in 2020. Fast rules and social estrangement affect spending patterns, yet these sudden shifts may lead to skewed inflation estimates. The National Bureau of Economic Research's Working Paper, July 2020, "Inflation with Covid Consumption Baskets," by Alberto Cavallo, investigates the impact of altering spending habits due to the 2020 coronavirus outbreak on inflation measures. The welfare repercussions "extend to nations suffering divergent sectoral inflation rates," regarding the author, and "is particularly important for lower-income consumers." The phrase "sectoral inflation" refers to the elevation in prices occurring in diverse commercial sectors of each country. For instance, the industries in the transportation sector contain new vehicles, motor fuels, used cars and trucks, and car and truck rentals. For this investigation, Cavallo also utilized debit and credit card transaction data from the Opportunity Insights Tracker (a mechanism that measures the daily change in U.S. consumption patterns). The investigator created COVID-19 consumer price index (CPI) indexes by combining real-time spending projections with official inflation data from January 2019 to May 2020 that needed to be seasonally adjusted. The USA Bureau of Labor Statistics (BLS) delivered the index statistics utilized in this data collection for several nations. Cavallo found comparing the Opportunity Insights Tracker data to data from other statistical agencies worldwide challenging.

In addition, Cavallo's findings showed that in the US during January and February 2020, his computed COVID-19 CPI and the official CPI from the BLS were remarkably similar. However, the COVID-19 inflation estimate was more significant than the official CPI in March of that year, even though both measures indicated deflation. The epidemic spread coincided with a rise in the gap between the two inflation rates. In contrast to the COVID-19 CPI, which declined by only 0.09 percent between March and April, the official CPI decreased by 0.69 percent. Additionally, the COVID-19 CPI saw positive inflation in May 2020, while the official CPI experienced deflation. Due to drastically varying price changes across different commodities, certain countries saw more considerable COVID-19 inflation. Spending on food and fuel accounted for most of the variances between the official inflation measurements and the COVID-19 inflation indicators. The COVID-19 CPI employed real-time spending data instead of weights for expenditures, which are typically lagged. According to these notes, the "Core CPI" index eliminates food and fuel, yet in May 2020, the "Covid core" was still more significant than the official object's less food and energy CPI. These discrepancies were caused by lower deflation and less weight given to no non-energy transportation sectors subcategories like public transportation or new and used motor vehicles (Works, 2021).

Relation Between Covid-19 and Inflation

Most people have spent enormous amounts of their family budgets on food and accommodation during the pandemic; this budget is specified for these two items because of lockdowns, working from home, and physical separation. Because of the decline in earnings caused by the failure of hundreds of thousands of positions, consumers will be less likely to spend money on frivolous things in the future. Because the CPI weights aren't revised regularly, these sudden shifts in spending habits need to be reflected in the CPI. By reducing spending on non-essential items, for example, the CPI may be lowered. CPI weights were recalculated during the epidemic based on expenditure estimates drawn from savings and debit card data. It has been discovered that the first three months of the epidemic had more inflation than previously anticipated. The graphic of the week compares a COVID-19 fee index that adjusts the CPI weights depending on the impact of COVID-19 on expenditure in Canada with an index with unaltered CPI weights from February to May. The CPI is lower than the COVID-19 index in seven locations. The gap is 0.23 share points when looking at the total for all regions, as mentioned by Jordà et al. (2022).

Meals and transportation make 0.16 percent of the COVID-19 index's difference with the CPI, the most consequential fine contributor. Rising food prices are a factor in the COVID-19 index growing faster across all eight areas. All regions are seeing a faster rise in the COVID-19 index due to lower transportation costs, as Victor et al. (2021) mentioned. To put it another way, the two main contributors to the globe hole are housing and clothes, which account for –0.03 and –0.08 percentage points, respectively. COVID-19's charge index is so close to the CPI average that increasing its weight does nothing to divert COVID-19 from CPI. Housing has a more significant weight in COVID-19 than in CPI. Seasonal fees will have reduced weight in the COVID-19 basket, so clothes will have a lower influence in the next year. CPI weights overestimated inflation in the early months of the epidemic, but a rapid replacement of CPI weights to match spending patterns during the outbreak would be impracticable. The accuracy of an index may be reduced in the long term by using weighs heavily reliant on a short period. Statisticians could do better by increasing the consequences of an additional index replicating expenditure patterns during an outbreak. As a result, policymakers would better understand how inflation affects consumers' costs.

Comparing Inflation in the USA and Other Countries According to Coronavirus Disease (COVID-19) Pandemic

Li (2021) reported Inflation in the US regarding its causes, status, and future trend. Though much scholarly attention has been gathered on the coronavirus crisis and its connections to the Inflation witnessed in the US, opinions about the future inflation trend have yet to be divergent. Moreover, while previous investigators and studies might have explained the topic of Inflation during the COVID crisis, a systematically arranged interpretation of this event, from the causes to the current and future trends, may need to be revised. Thus, the aim is to provide a thorough interpretation of Inflation. The research focused on the US, as it is the most extensive economy in the world; its central bank, the Federal Reserve (FED), may be seen as the center of other central banks around the world because of the dominant position that the USD holds in the global economic and financial system. Understanding and projecting Inflation in the US can be an essential step in understanding the economic challenges and financial risks that the COVID-19 crisis brought to the world. The devastating economic consequences of the pandemic resulted from a dramatic crumble in economic activity and loss of employment worldwide. The US introduced unprecedented fiscal and monetary policy responses to provide fast financial relief. The "Covid-19 Aid, Relief, and Economic Security" (CARES) Act was autographed into law in March 2020. In the same month, the Federal Reserve decreased the mark range for the federal funds rate to 0–¼% and presented further efforts to reduce liquidity (Jordà, Schularick, & Taylor, 2020).

In the third year since the pandemic's start, the U.S. economy has reflected astonishingly, the same as most other countries in that period. Unemployment was retrieved from a high of 14.7% in April 2020 to 3.8% in February 2022. Meanwhile, the Congressional Budget Office estimated that the gap between actual GDP and its possible rate has almost reached less than 0.5%. Nevertheless, global supply chain distortions persist, and continuous waves of COVID-19 infections continue to disrupt service-oriented industries. There are many reasons to expect Inflation to be higher than usual (Barnichon, Oliveira, & Shapiro, 2021). In this Economic Letter, the authors have widened the recent analysis with an international comparison. Though many pandemic disfigurements are common to other countries, this paper indicated that U.S. inflation had risen more rapidly and increasingly diverged from Inflation in other OECD (Organization for Economic Co-operation and Development) countries. In seeking an explanation, this study further turns to the combination of direct fiscal support presented to compensate for the economic devastation caused by the pandemic. Notably, it delineates the effect of these measures over time. The interplay between when assistance was delivered and how households reacted to successive COVID waves created complex economic dynamics. Building these dynamics into a simple model suggests they contributed to about three percentage points of the mound in U.S. inflation by the end of 2021 (Jordà et al., 2020).

Worldmeter manually analyses, validates, and aggregates data from thousands of sources in real-time and provides global COVID-19 live statistics for a broad audience of caring people worldwide. The U.S., according to the Worldometer, surpasses all with the highest number of infected citizens and deaths. When Inflation spiked in the Spring/ earlier summer of 2021, it was mainly due to the so-called base effect, reversing the pandemic cooling impact on consumer prices a year earlier. The coronavirus crisis has damaged the U.S. economy. This paper uses the stock returns of 125 sectors to investigate its effects, as Chen et al. (2020) mentioned. It decomposes returns into components driven by sector-specific factors and by macroeconomic factors. The essential elements harmed industries such as airlines, aerospace, real estate, tourism, oil, brewers, retail apparel, and funerals. Thus, there are large swaths of the economy whose recovery depends not on the macroeconomic environment but on controlling the pandemic. Macroeconomic factors generated losses in industries such as production equipment, machinery, and electronic and electrical equipment. Therefore, reviving capital goods spending requires ending the pandemic and a macroeconomic recovery.

Generally, the COVID-19 pandemic has had a devastating impact on the global economy; and most countries are faced with massive inflation worldwide. For instance, Phillips, Nigeria, and Canada face macroeconomic change, and the unemployment rates increased for all these three countries. Nonetheless, Canada could control and reduce the unemployment rate during the COVID-19 pandemic. In contrast, Nigeria and South Africa have been unable to control the unemployment rate and did not return to the pre-COVID-19 level (Nia et al., 2022). Therefore, based on their policies and strategies, countries endeavored to control the situation, some of them were almost successful, and some still stayed in the same place.

Methodology

This study developed based on a qualitative research method that collected second-hand data accordingly to previous investigations in the part of quantitative, qualitative, and mixed methods; likewise, it focused intensely on the articles and research that discussed the U.S. inflation and global economic situation. Additionally, it analyzed the studies based on the research understanding and attitude in this subject.

Overview and Analyses

The current study concerns the effects of the Covid-19 pandemic on Inflation in the U. S and global circumstances. The Covid-19 pandemic negatively affected the U.S. economy in various ways. One of the significant ramifications was Inflation. The leading cause of Inflation was the lockdown implemented when the World Health Organization (WHO) declared COVID-19 a pandemic and a global emergency. The effects of Covid-19 on Inflation were severe, and this research study spoke about that. For instance, oil prices peaked, reaching $5.60 per gallon. This caused an increase in the price of various products, namely food, transportation, and clothing (Sharif, 2020).

The U.S. economy encountered the pandemic and is still endeavoring to tolerate it now. There is some information about street life in the U. S. during the quarantine from American newspapers and citizens complaining on social media about how high the prices became and how hard it is to find some kinds of products. The researchers of this study decided to speak mainly about the United States because it was one of the countries that had been suffering a lot because of COVID-19 and its consequences, such as Inflation, lack of products, unemployment, deterioration in medical care for citizens and large numbers of deaths and infected people. The American Times published all this information that would give you, and CNN channel representatives presented some others. Those sources had been chosen to be the two most trusted news outlets in the U.S. by American adult surveys. They have got a governmental publishing assurance. The researchers specified the United States also because of its high infection rate, which reached 94.6 million cases and reported around 1.04 million deaths from 2020 to 2022 only because of COVID-19 (Chowell & Mizumoto, 2020). The inflation rate reached its peak throughout U.S. history as it was never, so the inflation rate had been increased from the average rate in U.S. (2.0%) to record one of the highest inflation rates through the past happened crises (31.40%) according to The White House published statistics (Schmitt-Grohé & Uribe, 2022). Therefore, the U.S. was one of the most-harmed countries worldwide by the pandemic and COVID-19 economic consequences. This research attempts to make it easy for scholars to understand the U.S.'s situation and their intentions to solve this crisis.

Conclusion

Prior to the epidemic, the American economy was doing well. Unemployment descended to a 50-year low, yet inflation fell short of the Fed's target of 2.0%. Nevertheless, because we closed a large portion of the U.S. economic system, 'real' GDP growth (i.e., the percentage increase/decrease in monetary growth compared to the previous 365 days, 'net' of inflation) plummeted during the duration of the second area by an astounding 31.40%. Because of the Great Depression, these figures are no longer observable. At 14.7 percent, this year's unemployment rate was the highest post-World War II. Even if the price has fallen over the last five months, it is still much higher than the 3.5 percent projection from February by Ilzetzki, Reinhart, and Rogoff (2020). The U.S. economic system is naturally compelled via ways of patron spending. When purchasers spend, groups' earnings and the economic system are good. Currently, there are 6.9 million more unemployed people than in February. Can the economic system flourish with such a lot on the side-line? Assuming Washington passes every other stimulus invoice at a few points (a close to certainty), patron spending will only fall as awful a lot as it would have with the assistance. Even so, there is a chance of being ready too long. It appears clear that the exertions marketplace might be all the time:

1. Despite agencies already including era instead of people, this has intensified during the pandemic.
2. This will increase in addition as groups search to maximize profits.
3. With much running from home, a few groups will retain this practice, lowering the call for the actual business estate. This erosion of call for ought to reason a decline in CRE fees and hire rates.
4. Many groups have closed constantly, leaving their personnel to locate different activity opportunities. More people looking for fewer jobs may create an exertion marketplace that favors the company and results in sluggish salary increases (Armantier et al., 2021).

Consequently, by considering all changes and challenges during the pandemic, all the governments and countries must find a workable solution for people's affairs in the case of economics mainly; because people suffered many difficulties in that era in which governments must care and offer a good solution for having better society and high level of outcome.

Recommendations and Limitations of the Study

Because of the importance worldwide of this topic, this study intensely focused on and emphasized Covid-19 pandemic outcomes based on the previous research and analytics that came during these recent years from 2020. Moreover, precisely, consider the U.S. economic situation and inflation. In comparison, focusing on and analyzing all the countries, specifically those such as China, Italy, Iran, Spain, Etc., that suffered a lot must be evaluated and discussed more to have more evidence and documents about the effect of this unforeseen disease and worldwide dreadful situation. It recommended that readers understand how problematic the situation was facing the American economy and how it affected the American citizens so they can avoid themselves and their country from this experience in the future and how to be protected from it and take some experience and advantage by studying and understanding the pandemic and after pandemic circumstances that will be helpful and workable, globally.

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