

Impact of COVID19 Outbreak on The Global Economy: A Case of Iraq

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Abstract

In the first quarter of 2020, the global economy experienced serious tensions due to the spread of the Corona pandemic. The world economy was badly damaged, the prospects for economic growth fell dramatically, trade movement slowed, and global financial markets recorded sharp losses. As a result, global oil markets were troubled, with oil losing about 50% of its value, coinciding with OPEC's lack of agreement and weakening global demand. Moreover, unemployment has risen sharply in most countries of the world. The developed countries, in cooperation with the international financial institutions, were quick to take measures and measures to contain the spread of the virus and revitalize the economy. The paper aims to shed light on the economic effects of the Corona virus outbreak on the global economy in general and on economic activity in Iraq in particular. The results show that the current crisis resulting from the outbreak of the coronapandemic has led to negative effects on the Iraqi economy, directly or indirectly, so that the economy falls in the midst of a complex and compound triple crisis (political, social, economic). The results also show that there are other political reasons that exacerbated the economic crisis in Iraq, represented by the lack of approval of the country's general budget and the absence of a government. In addition, the results indicate the growing health effects of infecting a number of people in most of the governorates of Iraq, in light of the lack of a healthy infrastructure capable of containing the disease. Whereas, the economic crisis was represented by the sharp decline in oil prices, which is the main source of financing budget revenues.

Keyword: Corona Pandemic, COVID-19, Global Economy, Iraqi Economy, Compound Triple Crisis

Introduction

The spread of the new Corona virus Covid-19 has repercussions on the global economy, as economic growth rates decline, global trade volume decreases and unemployment rates increase. Also, the global financial markets witnessed severe turbulence and achieved very large losses, in conjunction with a recession in the global economy and a trade war between the United States of America and China. The effects of Corona's outbreak to most of the countries of the world, and global demand shrank. As a result, its effects are expected to extend to most countries of the world in the short and medium terms. In this context, fears of a widespread outbreak have rocked the global economy. Expectations of economic growth fell by nearly half, trade declined, financial markets were disrupted, and most of the main

indicators fell. In the same context, the International Currency Organization announced the possibility that there will be 25 million unemployed people in the world. In addition, the World Tourism Organization indicated that the tourism sector daily loses one million jobs. For this reason, international financial organizations and developed countries have rushed to launch massive initiatives and programs to stimulate and support their economies by reducing interest rates to near zero levels, providing financial support and loans, and adopting concessional policies to support economic activity.

In Iraq, the economy was clearly affected by the repercussions of the spread of Corona, as a large number of people were affected by this pandemic throughout the country, which led to the imposition of a curfew in order to control it. This coincided with a stifling political crisis and widespread popular protests, with the lack of approval of the country's general budget, as well as a severe drop in oil prices, which reached 57%. Consequently, it may lead to a suffocating economic crisis because Iraq relies mainly on oil revenues to finance budget revenues.

The Global Outbreak of the COVID -19

On December 31, 2019, the WHO Regional Office was informed of cases of acute pneumonia, causing an unknown disease that was discovered in Wuhan, Hubei Province of China. On January 7, 2020, the emerging coronavirus was declared as the main cause of these cases from the Chinese authorities. The virus has been identified by genetic sequence and declared to be from the coronavirus family. On February 22, the name was changed to Covid-19, which is the name adopted by the World Health Organization. The disease spread in some Chinese cities, causing panic and terror in the Chinese community, because a deadly virus was not found to be cured, then the disease spread to many Countries of the world. The virus strongly imposed itself and became an emergency threatening the lives of millions of people, and infected more than 300,000. It has already killed many people and nearly 25,000 people have died (as of the end of February). Although China recently announced the control of the disease, the World Health Organization announced on March 11, 2020 that the virus is a global pandemic, which is understood to be a difficult outbreak to control and spread quickly. Then a global health emergency was declared.

In a rapid globalization of this disease, this pandemic has spread across the continents of the entire world, causing a state of global panic, and its consequences have appeared quickly on the global economy. From an economic perspective, the main issue is the measures and measures taken to contain the widespread outbreak of the virus. These measures have caused fear and fear among investors and consumers, and have created uncertainty in the global economy. The outbreak of the disease has led to serious societal and economic repercussions and repercussions on the global economy on both sides of supply and demand due to the uncertainty. Economic impacts have moved across borders, and because shocks coincide in a large number of countries, the impacts have deepened through international trade and financial links. This weakens global economic activity and pushes commodity prices down. Indeed, oil prices have fallen dramatically, and the entire world will face a health and economic crisis different from previous ones in light of an economy that suffers from fragility and poor performance.

The Economic Cost of COVID-19 Virus to The Global Economy

This pandemic differs from an economic point of view and differs from previous pandemics (such as SARS because others) and the number of infections is around 15 times higher than the number of SARS cases, and most countries will be affected, either directly or indirectly. The G7 industrial countries and the United States of America have become a sanctuary for this virus. They represent about 60% of global supply and demand (GDP), 65% of manufacturing and 41% of global industrial exports.

The virus has caused widespread global anxiety and fear, and this anxiety has been reflected in the performance of the global economy. United Nations experts announced that the costs and damage caused by the disease reached about 50 billion dollars during the month of February 2020 in the manufacturing sector (15.6 billion European Union, 5.8 billion United States of America, 5.2 billion Japan, 4.8 billion South Korea, 2.6 billion Taiwan Province, 2.3 billion Vietnam). The outbreak of the virus was reflected in the decline in the Chinese supply of intermediate inputs, which affected manufacturing and productivity. For example, European automakers have faced a shortage of basic components of their operations. In addition, Japan may find it difficult to obtain spare parts for assembling digital cameras.

The fears of Corona's outbreak have shaken the global economy, upset the markets, and slumped prospects for economic growth. International organizations and financial institutions have reduced their economic growth forecasts for 2020, and foreign trade has become very weak. Industrial and service activities have declined dramatically, and global oil markets have been subjected to a complex shock due to the lack of agreement of the oil-producing countries OPEC + and weak global demand due to the outbreak of the virus. Therefore, companies and institutions laid off workers and granted them unpaid leave to increase unemployment numbers around the world. In addition, tourism and aviation activity decreased, and airlines suffered losses due to the cancellation of flights. The Covid-19 diffusion effect channels can be identified through the following:

1. The Economic Growth

The global economy is facing a double shock (supply and demand shock), which has been reflected in the economic growth rates. The outbreak also caused a sharp drop-in economic activity. In this context, international economic and financial institutions from the consequences of the pandemic has warned on the prospects for global economic growth.

An OECD report indicated that economic growth may drop from 2.9% to about 1.5% in 2020 in light of this accelerating pandemic, which is pushing Japan and Europe to fall into a strong economic recession. According to the report, China's GDP growth witnessed the largest decline in volume, and showed that the Chinese economy is expected to grow by 4.9% this year, which is slower than the previous forecast, which was at 5.7% (Sapovadia, 2020).

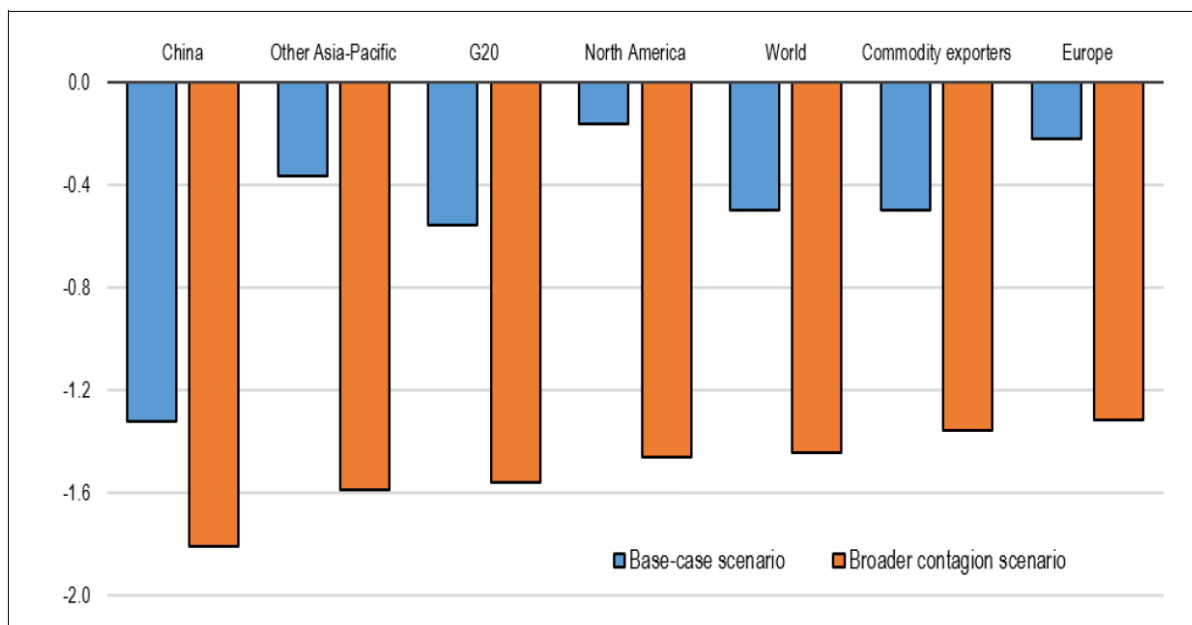


Figure 1. COVID-19 implications on the Global economy

Source: Lea (2020)

In the same context, the International Finance Institute lowered its estimate of economic growth in the United States in 2020 from 2% previously to 1.3%, with weakness concentrated in the second quarter. Meanwhile, China's economic growth reduced to just under 4% from 5.9%. The institute shows that the global growth rate in 2020 can approach 1%. It is much lower than the 2.6% growth in 2019 and is considered the weakest since the global financial crisis (Singh, 2020). Whereas, the Director of the International Monetary Fund at the conference call of the Group of 20 ministers on the emergency resulting from the Corona virus, that the recession is expected at the same degree as bad as it was during the global financial crisis or worse. She also indicated that it is difficult to predict how far global growth will decline and for how long. In the Arab region, ESCWA expected, in its initial economic assessment of the repercussions of the pandemic, that the gross domestic product would decline by at least \$ 42 billion in 2020. It has also been shown that losses can be multiplied as a result of the collapse of global oil markets and the closure of public sector institutions (Khan & Faisal, 2020). In this context, the technical note of UNCTAD indicates that the global economic slowdown to less than 2% in 2020 may cost the global economy about \$ 2 trillion. This is contrary to what was expected in September 2019. That is, the world is on the threshold of a deep recession in a global economy suffering from fragility and vulnerability.

2. The Global Trade

Foreign trade is one of the most important channels affected by the Corona pandemic, as it works to create a supply shock (low production) and a shock to demand (low purchases). Currently, global trade has become very poor, as has reduced port and air freight activity, and the volume of freight has declined for the first time since 2009 (Selmi & Bouoiyour, 2020).

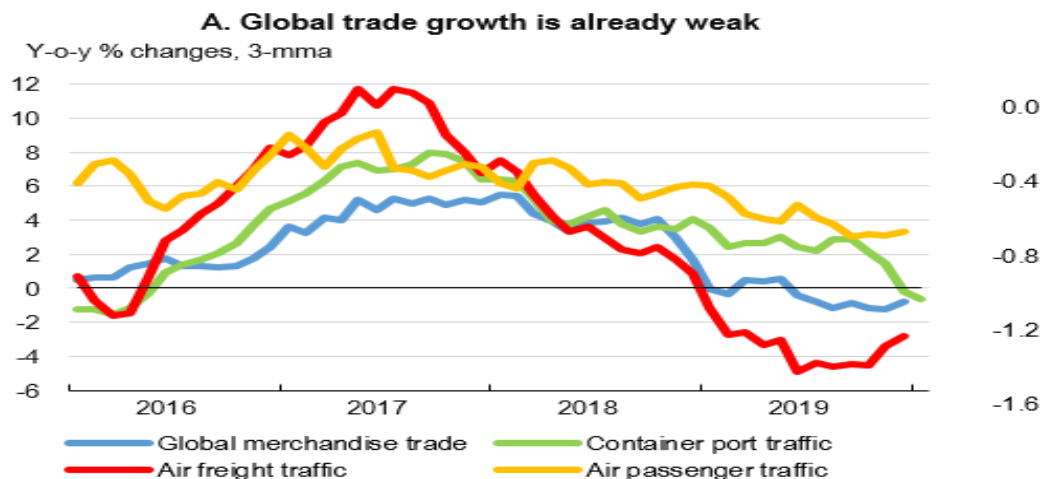


Figure 2. The volume of global trade in light of the outbreak of the Corona virus

On the production and industrial front, with the end of February, the Global Manufacturing PMI, which reflects the level of demand for goods in the world, fell to its lowest level since 2009. The index fell to about 46.1 points. This indicates a contraction in global demand (Figure 2). Moreover, the decline in the Chinese supply of intermediate inputs has affected production capacity and hence the exports of countries depending on the extent to which their industries depend on Chinese suppliers (Jandoc, Mendoza, & Quimbo, 2020). In general, the most affected economies will be as follows:

- European Union (machinery, cars, chemicals).
- United States (machinery, cars, precision tools)
- Japan (machinery and cars).
- South Korea (machinery and communications equipment).
- Taiwan (communication equipment and office machinery).
- Vietnam (communication equipment).

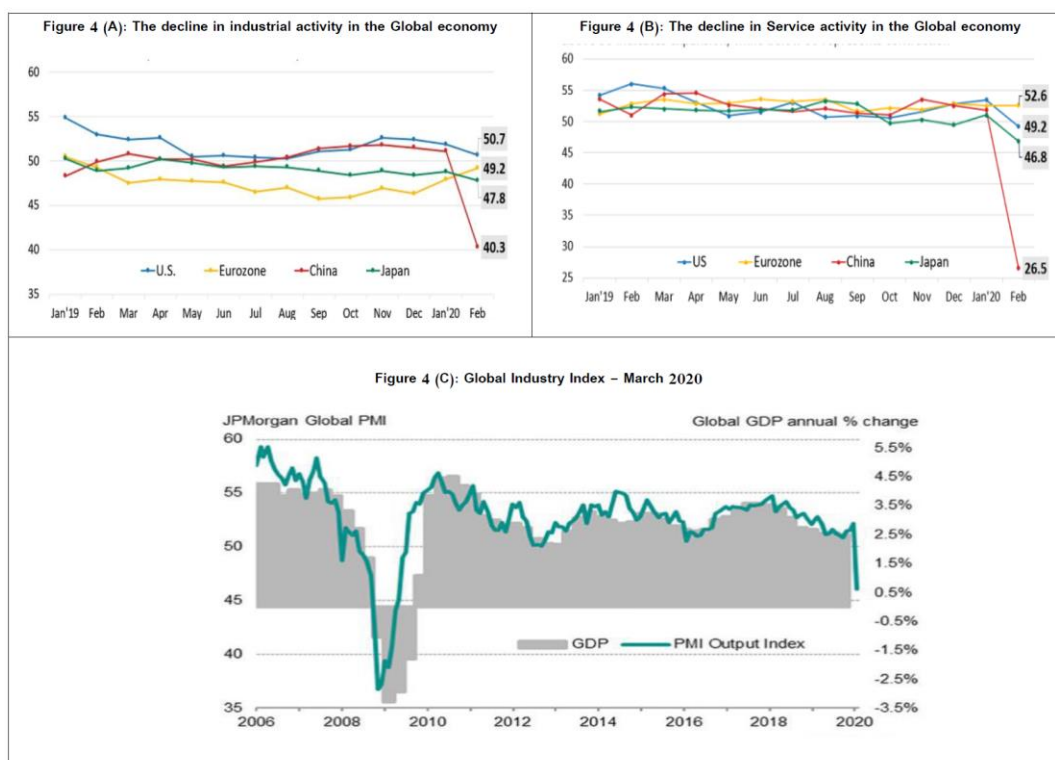


Figure 3. Industrial and service activities internationally during the Corona crisis

Although the duration of the virus has spread is the beginning of the annual holiday to China, reports indicate that containment of the virus in China has already caused a significant reduction in production (Ayittey, Ayittey, Chiwero, Kamasah, & Dzuovor, 2020). Moreover, the number of container ships has decreased from 300 to 180 as well as a decrease in export growth about 2%. As for the countries of South America, the Caribbean and Central America, there has also been a substantial fall in export revenues, whether due to lower oil prices or lower exports. In particular, it focuses on China, Europe and the United States, all of which are significant trading partners for the region. Therefore, the oil exporting countries in particular will be affected by the sharp drop in oil prices. In addition, the measures to contain the pandemic will be reflected in the reduction of economic activity in the services and manufacturing sectors in these countries. It is also possible, in light of the rapid spread of the virus to many countries in the world, that international foreign trade will be affected more than it is. These countries will witness a deep recession, much stronger than the effects of pandemics and diseases that have spread during the past few decades.

3. The impact of the Corona pandemic on employment

The spread of the pandemic led to a shock in the labor market, and there was a supply shock (a shock in production) and a shock of demand (consumption and investment), which was reflected in the loss of jobs in many economic sectors. It also reflects on small and medium-sized companies as a result of the restrictions and measures that countries have followed to cope with the outbreak. In a recent report by the International Labor Organization, it shows that the shock has far-reaching effects on the labor market as well as concerns about worker health (Dayrit & Mendoza, 2020; Linh, Khiem, & Dung, 2020). The report also indicates that the shock will affect three main dimensions, which are:

- Job size (unemployment and underemployment)
- Quality of work (wages and access to social welfare)
- Effects on specific groups are vulnerable to negative consequences in the labor market.

The organization expected unemployment rates to range from 5.3 million (low scenario) to 24.7 million (high scenario). Therefore, this crisis will push millions of people to unemployment, underemployment and working poverty. The International Labor Organization has proposed several measures for a decisive, coordinated and immediate response to the negative effects of the Corona pandemic.

Table 1. The decline of labor income

Income group	low	mid	high
Labor (us \$ billion)	-860	-1.720	-3.440
Extreme and moderate working poverty (millions)			
World	8.8	20.1	35.0
Low income	1.2	2.9	5.0
Lower-middle income	3.7	8.5	14.8
Upper-middle income	3.6	8.3	14.5

Source: (Organisation, 2020)

In the Arab region, ESCWA expects the region to lose at least 1.7 million jobs in 2020, with expectations that unemployment rates will rise by about 1.2%. The region is also expected to lose approximately 1.7 million jobs. Contrary to the effects of the global financial crisis in 2008, an pandemic is affecting employment opportunities in all sectors, particularly the services sector. Given that this sector is the main source of employment opportunities in the Arab region, any severe impacts affecting it will lead to significant job losses (Ahmad & Al-Ghouti, 2020).

4. The Financial Markets

Global financial markets are under unprecedented pressure, as they witnessed widespread turmoil in equity and bond funds and the displacement of \$ 36 billion in just one week. The global financial markets lost 15 trillion of the value of the high-risk assets around the world in one month. On the other hand, risk averse investors withdrew \$ 5.3 billion from emerging market stocks, which is the highest level in 30 weeks. Likewise, the world's supply and demand for stock exchanges of dry materials, such as building materials and primary commodities, has decreased, as happened in the most severe stages of the global financial crisis, due to the decline in economic activity associated with making unprecedented efforts to contain the disease. This decline is unparalleled in previous outbreaks or even after the September 11 attacks. Moreover, the indicators of financial markets across the world have retreated, the biggest losses were in the Gulf stock exchanges and oil companies, Aramco lost a tenth of the value of its shares in its trading, and the share prices on the Tokyo Stock Exchange fell by 5%, and Sydney by more than 7%. In the same context, the New York Wall Street has incurred heavy losses since the 2008 crisis. The Dow Jones Industrial and Standard

& Poor's indexes lost nearly 8% of their value, and the Nasdaq lost 7% of its value. American companies also lost billions of dollars in value listed in financial markets.

Table 2. Performance indicators of Global financial markets

Index	Country	Performance up to 20/3/2020
S&P500	United States of America	%25.4-
FTSE100	Britain	%31.7-
CAC 40	France	%35.5-
DAX	Germany	%35.0-
EURO STOXX50	Europe	%34.5-
Nikkei 225	Japan	%30.0-
SSE	China	%9.8-

Although the general index of Chinese financial markets is the lowest loss compared to the major financial markets in the world, the industrial production index and the retail sales index witnessed its worst performance in 30 years, as shown in Figure 4.

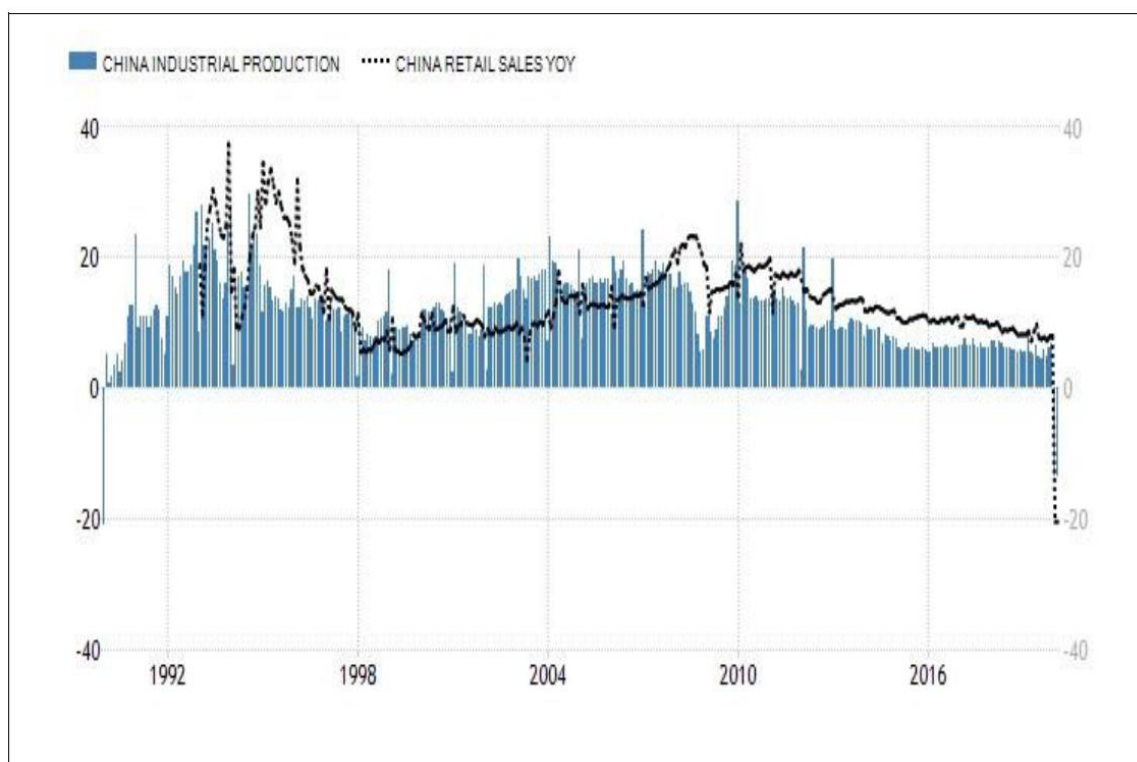


Figure 4. Chinese Industrial production index and retail sales index

Despite the gains achieved by the US stock markets in 2019, which reached about 29%, despite trade tensions with China and recession warnings, they returned to record losses amounting to about \$ 11.5 trillion. The S & P500 index declined by 25.4% from the beginning of 2020 to 20/3/2020, and the CAC 40 index in France recorded the strongest decline this year by about 35.5%, and then Germany and Japan by about 35% and 30%, respectively. This is due to the increased risk of the Corona virus and the global oil price war.

Therefore, it is natural that the movement of air transport and aviation is affected, and this may translate into a decrease in shares. According to the S&P 500 index, the aviation sector witnessed a decrease in share prices by 45%, shares of United Air Lines decreased by 58% and shares of American Airlines Group by 33%. In the same context, the shares of European companies decreased significantly, for example IAG by 25%, Ryanair by 18%, EasyJet 17% and in the same way to the Air France KLM Group. On the other hand, the DOW JONES GLOBAL SHIPPING index fell to its lowest level in the last three years. In the Middle East and Central Asia, portfolio investment flows have declined due to risk aversion and capital flight to safe assets to the region by about \$ 2 billion since mid-February 2020. While recent weeks have seen significant inflows and yield differentials for bonds widened, tight financial conditions pose a challenge Massive. Estimates indicate that foreign sovereign debt that is due in the region in 2020 will reach \$ 35 billion. Between December and mid-March 2020, companies in the Arab region experienced huge capital market losses of approximately \$420 billion. Moreover, the losses recorded by the wealth of these companies are equivalent to 8% of the total wealth of the region (Ahmad & Al-Ghouti, 2020).

5. Global Oil Markets

The outbreak of the pandemic has destabilized the world oil markets, which were already facing major challenges in the demand side before the effects of Corona. The growth in oil markets in 2019 was less than expected. On the demand side, markets were suffering from an increase in supply, which prompted OPEC producers to reduce production. This situation is expected to continue with the perpetrators of supply and demand in 2020 due to the corona rebound. In this context, oil prices have decreased significantly due to the concern that has dominated its dealers, especially in China, which is the largest energy consumer in the world. Oil prices fell at the beginning of the virus outbreak to less than \$ 60 a barrel. Hence, it lost more than 57% of its value due to the rapid outbreak of the disease and the lack of agreement of OPEC + producers to stabilize production, reaching below 30 dollars, in addition to the high volatility of oil prices. This was reflected in the Arab oil-exporting countries, which led to the region losing oil revenues with a net value of about \$ 11 billion between January and mid-March 2020. If oil prices remain the same, the region will lose approximately \$ 550 million every day (Bénassy-Quéré et al., 2020). The future outlook for the oil market will depend on how quickly governments move to contain the outbreak and how successful their efforts are, and what is the continuing impact of the global health crisis on economic activity (McKibbin & Fernando, 2020).

6. Services and Tourism Sector

The tourism sector faces a set of challenges and crises during the previous years in which deficit growth will be achieved, such as the events of next September 11, to a decline of 3.1%, SARS 0.5% and the global financial crisis 4%. This sector has overcome all these crises, which indicates its resilience in the face of shocks. However, this crisis (the Corona Corruption COVID-19), which started from China and spread to various countries of the world by all measures, will have long-term negative repercussions on the tourism sector in the context of the strict measures that the countries of the world have imposed from imposing curfews, closing institutions, banning aviation, and wide closures. For business and services, layoffs and granting some of them unpaid vacations ... etc. Besides the lack of vaccines, eliminating the virus, which generates fear and insecurity, even after the epidemic has

receded for a long time. In this context, the expectations of the World Tourism Organization UNWTO and the World Travel and Tourism Council WTTC to decrease the number of tourists globally by 20-30% during 2020 compared to the figures achieved in 2019 according to the latest evaluation of the tourism situation as a result of the impact of the Corona virus and the subsequent restrictions on travel around the world. Accordingly, revenues from the tourism sector globally may decrease by about 50%, which is approximately 350-400 billion countries during 2020 (i.e. the loss of seven years of continuous growth) due to the spread of Corona virus because the worst crisis on the tourism sector during the past five decades. It is expected that approximately 100 million jobs will be lost in the sector globally, and in this context, the leaders of the World Tourism and World Tourism Council urged the G20 to take decisive measures to save the tourism and travel sector and allocate resources and coordinate efforts to save the sector and region companies, airlines, cruises, hotels and distribution companies Global, technology companies. As well as small enterprises such as travel agents, tour operators, restaurants, independent workers and supply chains that save jobs for the 330 million people who depend on the tourism and travel sector as a livelihood.

Naturally, the movement of air transport and aviation will be affected, and this has already been achieved, as these flights are clear and significant. According to the S&P 500 index, the aviation sector witnessed a decrease in share prices by 45%, shares of United Airlines decreased by 58% and shares of American Airlines Group by 33%. Likewise, for European companies 'shares, as they are AIG shares by 25%, Ryan air by 18%, IZJ 17% and the same proportion for Air France KLM Group. On the other hand, the Dow index indicates the Jones Global Transport Index, the Dow Jones International Shipping Index, issued by Standard & Poor's Corporation, to measure the performance of the global freight sector, and includes the lowest level. Meanwhile, the IATA Civil Aviation Organization estimated passenger revenues to drop by approximately \$ 252 billion (about 44% of revenue compared to 2019). Meanwhile, ICAO, ICAO, said in a statement that it expects global airline revenues to drop by 4-5 billion dollars in the first quarter of 2020 due to cancellations of flights linked to the spread of the Corona virus.

Procedures Adopted to Fix COVIT-19 implications

The world has witnessed a significant decline in the volume of foreign trade and global financial markets after the pandemic broke out strongly in some countries. This decline led to the paralysis of the global economy, a decline in most indicators of the economy, and the turmoil in the oil markets. Growth prospects are bleak with indicators of a new global economic recession and developing countries will be hardest hit(Khan & Faisal, 2020).Accordingly, institutions, organizations, financial bodies, and countries (especially the United States of America and the European Union) were quick to launch initiatives and financing packages in order to calm the markets and dispel the concerns of investors and consumers.In this context, the World Bank and the International Monetary Fund announced the provision of aid to developing countries. The International Monetary Fund has announced \$ 50 billion in aid through its financing facilities that allow urgent disbursement of resources in emergency situations to low-income countries and emerging market countries that are likely to request support. The fund provides the poorest member countries with \$ 10 billion at zero interest through rapid credit facility. While the World Bank announced the availability of an initial financing package immediately worth up to \$ 14 billion to help countries

overcome the health and economic effects of the outbreak of the Corona virus. The following table shows the incentive measures that some countries have taken to face the Corona crisis, in an effort to reassure markets, companies, investors and consumers.

Table 3. Incentive procedures adopted throughout the world

Country	The Economic Procedures
USA	<ul style="list-style-type: none"> ▪ US \$ 2 trillion (about 10% of GDP) approved as economic reform package. ▪ \$ 8.3 billion in funding for hospitals and healthcare infrastructure. ▪ Suspending federal student loan obligations for 60 days and postponing tax deposit deadlines. ▪ The Federal Reserve cut benchmark interest rates by 150 basis points, ranging from 0.25-0%. ▪ Boost its bond holdings by \$ 700 billion. ▪ The Federal Reserve provided facilities to support the flow of credit.
European Union	<ul style="list-style-type: none"> ▪ Support to monetary policy in the countries of the Union through the purchase of additional assets of 120 billion euros until the end of 2020. ▪ The purchase of assets worth 750 billion euros of public and private securities and the relaxation of additional criteria for European system refinancing operations. ▪ Germany has presented a plan for economic aid estimated at least 550 billion euros in principle. ▪ Italy, the government adopted a 25-billion-euro emergency package (1.4 per cent of gross domestic product). ▪ France revised Budget Law introduced a 45 billion euro (2% of GDP) financial package including liquidity support measures and 300 billion euros (13% of GDP). ▪ Spain has decided to provide support amounting to approximately 8.9 billion euros (0.7% of the GDP) in order to support health measures, unemployment benefits, and tax exemptions that represent 50% of the employer's contributions to social security.
UK	<ul style="list-style-type: none"> ▪ Providing adequate funding for national health services and other public services (5 billion pounds). ▪ Business support measures (£ 27 billion). ▪ The central bank cut interest rates by 65 basis points to 0.1%. ▪ Extending the central bank ownership of British government and non-financial corporate bonds by 200 billion pounds. ▪ Additional incentives for lending to the real economy, especially for SMEs. ▪ Providing £ 330 billion in loans and guarantees to companies (15% of GDP).
Canada	<ul style="list-style-type: none"> ▪ Providing direct assistance to families amounting to \$ 23.6 billion (1% of GDP) ▪ Increasing the tax exemptions ▪ Extending the bond repurchase program across all maturities ▪ Launch the bank acceptance purchase facility that will make secondary purchases in the market, ▪ Supporting the Canadian Mortgage Bonds (CMB) market by purchasing CMBs in the secondary market
China	<p>The government provided a emergency grant to support the economic sectors by about 1.3 trillion yuan (or 1.2 percent of gross domestic product) of financial aid, including the following:</p> <ul style="list-style-type: none"> ▪ Increasing the spending on epidemic prevention and control and the production of medical equipment ▪ Accelerating unemployment insurance, tax exemption and waived social security contributions. ▪ Target interest rate cuts of 50-100 points. ▪ Infusion of liquidity into the banking system including 3 trillion yuan in the first half of February. ▪ Extending 800-billion-yuan re-lending and rebate facilities to support medical supplies manufacturers. ▪ Reducing 7 days and 14 daily reverse repurchase rates plus 10-year medium-term loan facilities by 10 points.
Japan	<p>The government of Japan has adopted two emergency response packages with a total amount of 446 billion yen (0.1 percent GDP).</p>
South Korea	<ul style="list-style-type: none"> ▪ The government provided around 16 trillion Korean won support to support health care, treatment and loans, and support medical institutions. ▪ The central bank cut key interest rates by 50 basis points to 0.75%. ▪ The Korean central bank raised the bank's intermediary lending facility by a total of 5 trillion Korean won (about 0.26% of GDP).
Australia	<p>In March 2020, two economic stimulus packages were approved, amounting to approximately A\$ 189 billion (9.7% of GDP) by 2020.</p>
Brazil	<ul style="list-style-type: none"> ▪ Temporary support to the authorities and corporate tax exemptions. ▪ Reducing interest rates by 50 points to a historical level of 3.75% to increase liquidity.

	<ul style="list-style-type: none"> ▪ The central bank has interfered many times in the foreign exchange market with a total of approximately \$ 22 billion (6 percent of total reserves).
New Zealand	The central bank cut key interest rates by 75 basis points to 0.25%.
Hong Kong	Reducing interest rates by 64 basis points to 0.86%
Malaysia	The government announced two sets of financial incentives worth Rs 33.2 trillion (about 0.2% of GDP).
KSA	<ul style="list-style-type: none"> ▪ The private sector support package of SAR 70 billion (\$18.7 billion or 2.7 per cent of GDP) was announced on 20 March. ▪ The Saudi Arabian Monetary Agency (Sama) twice cut its policy rates in March. ▪ The Saudi Arabian Monetary Agency announced a package worth 50 billion Saudi riyals (\$ 13.3 billion (1.9% of GDP) to support the private sector.
Iran	<ul style="list-style-type: none"> ▪ Providing support to around 1.5 million poor families from March to June 2020. ▪ Providing an additional funding for the National Committee on COVID-19, representing 0.06% of GDP. ▪ Postponing the loan repayment for three months
UAE	The authorities announced 26.5 billion dirhams (\$ 7.2 billion, or 1.8% of GDP) in various financial aid.

Source: prepared by authors based on Henning (2020), Schwarzer and Vallée (2020)

The Iraqi Economy under COVIT-19 Outbreak: A Compound Triple Crisis

The current economic crisis comes after the Iraqi economy has recovered relatively from a double suffocating crisis and shock (ISIS terrorist organization and low oil prices) during the period 2014-2018, and once the price of oil returns gradually to stabilize above the \$ 60 barrier in 2019 and the beginning of 2020 to achieve the general budget. The country has a surplus of 17 trillion Iraqi dinars in 2018. However, the Iraqi government did not benefit from the experience and learned lessons from the double crisis and then did not take any precautionary measures for similar future crises. After the first quarter of 2020 began to be nearing completion, he returned to find the Iraqi economy itself in front of a complex crisis and shock this time triple (political - health - economic). The first was the resignation of the government of Adel Abdul Mahdi without approving the country's general budget and entering the cycle of lack of government and the absence of a public budget. The Iraqi budget is still between the government hammer and the anvil of Parliament, which negatively affected the economic activity of the country, as well as the continuing crisis of popular protests that started in November of 2019 due to poor economic conditions and lack of job opportunities. The poorest and most disadvantaged governorates were the protesting governorates (Maysan, Muthanna, Al-Qadisiyah, Basra, and DhiQar), where the highest rates of poverty are found, according to official estimates issued by the Ministry of Planning since 2008. Poverty reached 34.6% in 2007, and decreased by Slight to 33.6% in 2012, and to 31.1% in 2018. It is a higher rate than the provinces that were subjected to terrorism, where the poverty rate in 2018 was 27.5%. The most prominent achievement during these years is the redistribution of poverty towards high convergence rates. The increase in the poverty rate in the governorates that were exposed to ISIS terrorism by more than five percentage points since 2012. The same applies to unemployment rates. These governorates have known the highest unemployment rates, and unemployment rates exceed 10%. We found in Maysan, the highest unemployment rate in 2016, about 17%. In DhiQar and Muthanna, the ratio approaches 15%, and in Basra the unemployment rate exceeds 12% and approaches this last figure in Qadisiyah. In Baghdad, it has about half the number of the poor, and the unemployment rate is 9.8%, and it has borne the brunt of terrorism over the past years.

On the other hand, the health crisis was represented by the transmission of Corona virus to Iraq and the injury of more than 600 people in separate areas of the country until the end of March 2020. In addition to the presence of deaths due to infection with the virus, which resulted in a state of panic and panic among people. This is due to the lack of a healthy

infrastructure and environment to control the disease and reduce its consequences, the weak health system, the weak government capacities, and the lack of financial resources. This challenge will be a huge challenge and will have devastating effects on the Iraqi economy, as it is a fragile country affected by conflicts and disputes, which causes societal and economic turmoil whose consequences are dire and long-term. The already stagnant Iraqi economy will enter into a deeper recession, and the Iraqi state and the people will bear the consequences and repercussions of this outbreak of the Corona virus. In this context, the Crisis Cell formed to face the pandemic outbreaks has taken a number of measures, the most prominent of which is the imposition of a curfew. This ban includes most of the country's governorates, according to which flights were suspended, shops, stores and markets were closed, and business stopped. However, vulnerable groups with limited incomes and daily wages were the most affected by these measures. The economic shock was the sharp decline in oil prices due to the pandemic, its transmission to many countries of the world, and a slowdown in economic activity. Moreover, as a result of the dispute between Saudi Arabia and Russia, oil markets witnessed a price drop of more than 50%, ranging between 30-38 dollars, which negatively affected the conditions of the Iraqi economy.

The drop in oil prices has confused the financial conditions in the country, which is the engine of economic activity. Financing the public spending in the country has become facing great challenges and difficulties, and the tightening of the financial conditions will lead to revealing major weaknesses in the public finances and thus the widening of the budget deficit. Looking at all budgets after 2003, it is noted that fiscal policy is not based on macroeconomic development, but rather in a large part of it directing resources to the operational side of the general budget. The effect of the budget on the gross domestic product can be seen in what is reflected in the deteriorating proportions of the agricultural and industrial sectors. Data for 2019 indicates that the gross domestic product size is 251 trillion dinars at current prices. The proportion of the oil sector reaches almost 60%, and service activities are 20%, while the distributions amount to approximately 20%, and the industrial and agricultural sectors do not exceed 10% of the GDP. The imbalance is greatly evident in the structure of foreign trade by looking at the structure of Iraqi exports. This image reflects the reality of the distorted gross domestic product, as oil exports constitute about 99%, while non-oil exports do not exceed 1% (Pitakdumrongkit, 2020). The drop in oil prices and the failure of financial policies and excessive spending policies led to Iraq entering the economic risk zone. The deficit in the 2020 budget may reach more than 60 trillion Iraqi dinars. Public debt, which has reached more than \$ 120 billion, may escalate, and the government becomes unable to provide salaries and wages benefits to employees. A combination of low oil prices, as a result of declining global demand, the spread of Corona virus and the instability of the political situation in the country, may herald a new economic crisis in which the Iraqi people will be the biggest loser. The Iraqi economy is expected to remain under the control of the oil price, unless urgent measures and effective and rational economic policies are taken to counter the decline in oil prices. Therefore, the government may resort to severe austerity measures that will have long-term negative effects on the economy.

The Procedures Adopted to Face Triple Crisis: Monetary Policy vs Economic Shock

The Iraqi economy has been severely affected by the repercussions of this shock, so there is no financial budget that manages the country's economic situation. There are no financial

resources available to cope with the outbreak of the Cornapandemic, no financial allocations to the dilapidated health sector to mitigate the health effects that afflicted the injured, and no fiscal policy able to support the economy in light of a sharp and strong drop in oil prices (almost the only resource to finance the economy). In this context, monetary policy has attempted to counter the shock and mitigate this shock by supporting the efforts of the Ministry of Health to combat the COVID-19 pandemic. The Central Bank of Iraq has established a fund to collect donations from financial institutions, with initial donations of \$ 20 million from the Central Bank of Iraq itself and \$ 5 million from the Commercial Bank of Iraq. The Central Bank also announced the freezing of interest and major payments from small and medium-sized companies through the targeted lending initiative ("one trillion Iraqi dinars" initiative), and encouraged banks to extend the maturities of all loans as they see suitable. Moreover, the central bank encouraged the use of electronic payments to contain the transmission of the virus, and instructed sellers to cancel commissions on these payments for the next six months (Hafiz, Oei, Ring, & Shnitser, 2020).

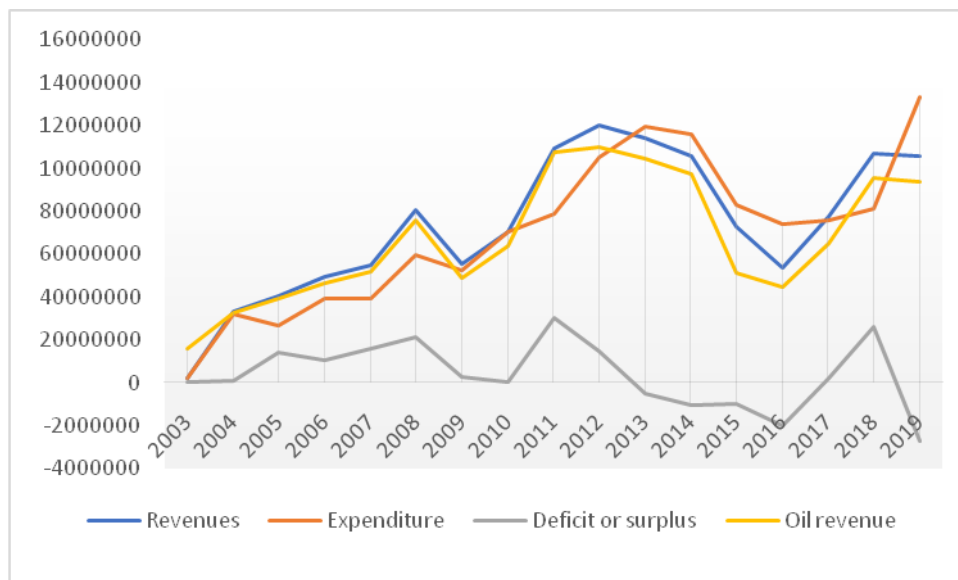


Figure 5. Budget revenues, expenditures and oil revenues (2003-2019)

As soon as the first incident occurred in Iraq on 24 February, and after growing cases of infection and taking precautionary steps, the economic effect of the outbreak of the disease started to be worrying in the light of the procedures adopted by the Iraqi government to tackle the spread of the virus. The shock really began when the OPEC + meeting failed to maintain the oil agreement, so oil prices would decline in a terrible way, and Basra (crude and light) crude oil would lose more than 50% on average, foreshadowing an outbreak of a crisis and strong shock to an economy that relies almost entirely on oil revenues to finance budget revenues. The fragile situation in which the Iraqi economy lives and its association with fluctuations in oil prices is an increasingly difficult dilemma in the time of coronavirus and its costs are difficult for Iraq. Besides, the public financial situation in the country can be identified and in light of the failure to approve the general budget until the end of the third month of 2020, we have four scenarios that show the state of the Iraqi budget, we will adopt assumptions (exchange rates 1182, and the rate of barrels exported from oil daily 3880, And the lack of increase in state employees, the stability of non-oil revenues, and that public spending remains the same for the year as in the 2019 budget

1- **The first scenario** (the current situation): In light of oil prices averaging \$ 26 per barrel, the conditions of the federal public budget will reach a deficit of approximately 59% of total spending, or approximately 78.4 trillion dinars, because the total revenue generated will reach 54.7 trillion dinars, of which 43 A trillion dinars in oil revenues.

2- **The second scenario** (the pessimist): Assuming the end of the epidemic crisis and the gradual return of economic activity to a situation before its spread, oil prices are expected to remain in the range of \$ 30 and accordingly, the total revenue will reach 61.4 trillion dinars, of which 49.5 is oil revenue, and a budget deficit of 71.7 One trillion, which represents 54% of public spending.

3- **The third scenario** (the scenario of 2019): the price of a barrel of oil was 56 dollars, and the total revenue was 105.6 trillion dinars, of which 93.7 was oil revenue, and the expenditures were 133 trillion dinars, the current expenditures comprising 100 trillion dinars, and a planned deficit of 27.5 trillion dinars.

4- **The fourth scenario** (optimist): In light of the global economic recovery from the repercussions of Corona and the return of industrialized countries and China to the conditions before the outbreak of the virus (China is the largest importer of Iraqi oil). In addition to the return of the OPAC + agreement and the rebalancing of global oil markets, then the demand for oil in the markets rises and prices rise higher than before. It is expected that oil prices will reach approximately \$ 70, and then the total revenue will reach approximately 127 trillion dinars, of which 115.6 trillion dinars will be oil revenues. The budget deficit will reach 4.3% of spending, or 5.7 trillion dinars.

It is clear from the previous scenarios, that even in light of the best scenarios of oil prices approaching the \$ 70 barrier, the public budget will continue to suffer from a deficit due to its dependence on the movement of increased public consumption spending, which indicates a strong financial crisis that will deepen the stagnant Iraqi economy. The government may resort to further austerity, to make compulsory savings for state employees, and may work to reduce unnecessary spending (as it deems appropriate to reduce), and to stop investment spending, which exacerbates the conditions of unemployment and poverty and increases levels and deprivation. The country's monetary reserves may be eroded, as happened in light of the double crisis (decreased to nearly 30 billion compared to about 65 billion before the crisis). Consequently, it may threaten monetary stability, and may resort to internal and external debt (which exceeded \$ 120 billion) that would exacerbate financial sustainability. It is also expected that the government will resort to measures to devalue the currency against foreign currencies and increase inflation rates, which will aggravate the negative effects of the stagnant economy, to fall under the pressure of deeper and stronger recession.

Conclusions

Corona virus has negative repercussions on the global economy. It has shaken fears of the spread of the virus to most countries of the world from entering the global economy in a severe and deep recession similar to the stagnation of the mortgage crisis 2007. The current year 2020 will be a difficult year for the global economy in light of the losses that occurred in the financial markets, trade and tourism, and the prospects for economic growth in half, and the increase in unemployment rates that may reach about 25 million unemployed (ILO

expectations). In this context, international organizations, major and developed countries, have taken steps to confront the economic and social impact of the virus outbreak. The International Monetary Fund has announced the provision of a zero-interest credit facility package for developing and emerging countries. While the World Bank announced the provision of rapid financing packages amounting to 14 billion dollars. At the level of countries, developed and industrialized countries were quick to take financial measures and policies that were to provide support for their health systems, protect social security networks, tax exemptions that amounted to about 50% in some countries, and protect and support workers with low incomes, in addition to providing financial packages. Huge epidemic. On the monetary policy front, central banks reduced interest rates to levels close to zero in order to conduct economic activity, and they repurchase financial assets, facilitate lending, and provide incentives to small and medium-sized companies.

In Iraq, the Iraqi economy faced a complex and complex triple shock and shock (political, health, and economic). The political crisis was represented by protests and the absence of a government, as well as the lack of approval of the country's general budget. While the health crisis was represented in the spread of the epidemic in a number of Iraqi cities, in light of the lack of health infrastructure capable of facing the epidemic. The economic crisis was represented by the sharp decline in oil prices due to the impact of non-OPEC + agreement and the weakening of global demand resulting from the repercussions of the epidemic, which reflected on the size of financial revenues. Apparently, Iraq has not benefited from the repercussions of the double crisis (ISIS and low oil prices). Therefore, the government may resort to further austerity, to make compulsory savings for state employees, and may work to reduce unnecessary spending (as it deems appropriate to reduce), and to stop investment spending, which exacerbates the conditions of unemployment and poverty and increases levels and deprivation. In addition, monetary reserves may erode, internal and external debt may be resorted to, and the country may resort to exchange rate changes to reduce the budget deficit that may reach unsustainable levels.

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