

-THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE UNIVERSITY OF ECONOMICS

INTERNATIONAL CENTER OF GRADUATE EDUCATION

MASTER DISSERTATION

on the topic

**“THE MACROECONOMIC EFFECTS OF COVID-19 PANDEMIC IN
AZERBAIJAN”**

Dunyamaliyev Islam Elshen

BAKU - 2022

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**Head of the International Center for
Graduated Education**

Assoc. Prof. Dr. Ahmedov Fariz Saleh

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AZERBAIJAN”**

Code and name of the specialty: 060404-Economics

Specialization: Macroeconomic Policy

Group: 56

Master’s Student:

Dunyamaliyev Islam Elshen

_____ signature

Supervisor:

Ph.D in Econ. Aida Quliyeva Aydin

_____ signature

Program Manager:

Ph.D in Econ. Humbatova Sugra Ingilab

_____ signature

Head of the Department:

Dr. of Econ.Prof.

Kalbiyev Yashar Atakishi

_____ signature

BAKU – 2022

Elm andı

Mən, İslam Dünyamalıyev Elşən oğlu and içirəm ki, “The macroeconomic effects of COVID-19 in Azerbaijan” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

AZƏRBAYCANDA COVID-19 PANDEMİYASININ MAKRO İQTİSADI TƏSİRLƏRİ

XÜLASƏ

Tədqiqatın aktualığı: Koronavirusun (COVID-19) global yayılması prosesi davam edir. Ölkələr virusun yayılmasının qarşısını almaq üçün müxtəlif sahələrdə sanksiyalar tətbiq etmək məcburiyyətindədir. Bu, global miqyasda iqtisadi fəallığı zəiflədir, ümumi iqtisadi artımı pisləşdirir və geosiyasi vəziyyəti gərginləşdirir. Qlobal iqtisadi fəallığın zəifləməsi həmin xammalın ixracından asılı olan ölkələrin iqtisadiyyatına da mənfi təsir göstərir, onlara olan tələbatı azaldır. Bununla əlaqədar olaraq, COVID-19-un yayılması enerji məhsullarına tələbatın kəskin azalmasına və enerji ixracatçıları arasında fikir ayrılığına səbəb olub. Nəticədə beynəlxalq bazarlarda neftin qiyməti kəskin şəkildə aşağı düşüb. Neftin qiymətinin düşməsi Azərbaycan iqtisadiyyatına birbaşa təsir göstərdiyindən, koronavirusun yayılmasının iqtisadi təsirini təhlil etmək vacibdir. Ona görə də koronavirusun dünyanın ən güclü iqtisadiyyatlarına, ümumilikdə dünya iqtisadiyyatına və ümumilikdə Azərbaycan iqtisadiyyatına necə təsir etdiyini düşünmək və düzgün təhlil etmək çox vacibdir.

Tədqiqatın məqsəd və vəzifələri: Dissertasiya tədqiqatının məqsədi xarici mühitin qeyri-sabit iqtisadi şəraitində, eləcə də pandemiya dövründə müxtəlif inkişaf mərhələlərində fəaliyyət göstərən iqtisadiyyatın böhran əleyhinə idarə olunması üçün metodiki vasitələrin işlənilməsi və hazırlanmasıdır.

Tədqiqat üsulları: Tədqiqat zamanı sintez, təhlil və ümumiləşdirmə üsullarından istifadə edilmişdir.

Tədqiqatın məlumat bazası: Tədqiqat bazasına Azərbaycan, türk, rus və ingilis dillərində məqalələr, kitablar və jurnallar daxildir.

Tədqiqatın məhdudluğu: Tədqiqatın aparılmasında yaranan ən böyük çətinlik bu pandemiyanın yeni olması və bu bərdə kifayət qədər kitabların dərc olunmaması və bu sahədə praktiki təcrübənin olmamasıdır.

Nəticələrin praktiki əhəmiyyəti və tətbiqi sahələri: Alınan nəticələr iqtisadi təkmilləşdirmə tədbirlərinin həyata keçirilməsində tətbiq oluna bilər.

Açar sözlər: COVID-19, pandemiya dövrü, virus, makroiqtisadiyyat, Azərbaycan

THE MACROECONOMIC EFFECTS OF COVID-19 IN AZERBAIJAN

SUMMARY

The actuality of the subject: The process of the global spread of coronavirus (COVID-19) continues. Countries are forced to impose sanctions in various areas to prevent the spread of the virus. This weakens economic activity globally, worsening overall economic growth and exacerbating the geopolitical situation. The weakening of global economic activity also has a negative impact on the economies of countries that depend on the export of those raw materials, reducing the demand for them. In this regard, the spread of COVID-19 has led to a sharp decline in demand for energy products and disagreements among energy exporters. As a result, oil prices have fallen sharply in international markets. As the fall in oil prices has a direct impact on the Azerbaijani economy, it is important to analyze the economic impact of the spread of the coronavirus. Therefore, it is very important to consider and properly analyze how the coronavirus affects the world's most powerful economies, the world economy in general, and the Azerbaijani economy in general.

The purpose and objectives of the study: The purpose of the dissertation research is to develop methodological tools for anti-crisis management of the economy operating in unstable economic conditions of the external environment, as well as at different stages of development during the pandemic.

Research methods: Synthesis, analysis, and generalization methods were used during the research.

The information base of the study: The research database includes articles, books, and articles in Azerbaijani, Turkish, Russian, and English languages.

The limitation of the study: The biggest difficulty in conducting the research is that the pandemic is new and there are not enough books published about it and no practical experience in this field.

Practical significance of the results and areas of application: The obtained results can be applied in the implementation of economic improvement measures.

Keywords: COVID-19, pandemic period, virus, macroeconomics, Azerbaijan

ABBREVIATIONS

EU	European union
GDP	Gross domestic product
ILO	International labour organization
UK	United kingdom
USA	United states of america

CONTENTS

INTRODUCTION	8
CHAPTER I. PANDEMIC EPIDEMICS, POVERTY, AND SOCIO-ECONOMIC BALANCE	11
1.1. COVID-19 and income distribution, socio-economic life	11
1.2. COVID-19 and world poverty	17
CHAPTER II. THE IMPACT OF THE CORONAVIRUS PANDEMIC ON THE WORLD ECONOMY	31
2.1. The impact of the Covid-19 pandemic on different countries globally.....	31
2.2. The consequences of the Covid-19 pandemic in the energy sector globally and locally	39
CHAPTER III. ANALYSIS OF THE EFFECTS OF THE CORONAVIRUS (COVID-19) PANDEMIC ON THE AZERBAIJANI ECONOMY	47
3.1. Economic assessment of the effects of the coronavirus pandemic on the country's economy	47
3.2. Analysis of the results of monitoring of the real sector in the pandemic period (i and ii quarters of 2020)	54
CONCLUSIONS AND RECOMMENDATIONS	61
REFERENCES	63
APPENDIX	71
List of tables	73
List of figures	73

INTRODUCTION

Relevance of the research topic: The process of the global spread of coronavirus (COVID-19) continues. Countries are forced to impose sanctions in various areas to prevent the spread of the virus. This weakens economic activity globally, worsening overall economic growth and exacerbating the geopolitical situation. The suspension of flights due to the virus, the minimization of exports of products, the closure of the borders of countries lead to stagnation in tourism, processing industry, and other economic sectors and disruption of the sustainability of the value chain. Economic stagnation is pushing economic centers such as the United States and the Eurozone, including China, where the virus is spreading, into recession.

Statement of the problem and learning level: The weakening of global economic activity also has a negative impact on the economies of countries that depend on the export of those raw materials, reducing the demand for them. In this regard, the spread of COVID-19 has led to a sharp decline in demand for energy products and disagreements among energy exporters. As a result, oil prices have fallen sharply in international markets.

As the fall in oil prices has a direct impact on the Azerbaijani economy, it is important to analyze the economic impact of the spread of the coronavirus. Therefore, it is very important to consider and properly analyze how the coronavirus affects the world's most powerful economies, the world economy in general, and the Azerbaijani economy in general.

Many works by local and foreign authors explore the risks associated with economic crises, uncertainties, and pandemics. These local authors include Rahmanov F., Gojayeva E., Suleymanov E., Huseynova Sh., Abdullayeva F., and foreign authors include Young B. E., Ong S. W. X., Peterson C., and others.

Purposes and objectives of the research: The purpose of the dissertation research is to develop methodological tools for anti-crisis management of the economy

operating in unstable economic conditions of the external environment, as well as at different stages of development during the pandemic.

This goal dictates the following tasks:

- systematization of factors of economic uncertainty in the activities of small enterprises and determination of the role of anti-crisis management in increasing the stability of the economic results of their activities;

- to analyze the foreign experience of anti-crisis management in increasing the stability of the economic results of small business;

- to propose a systematic concept of anti-crisis management of a small business in unstable economic conditions;

- to develop a matrix approach to the diagnosis of the situation of small business to justify the need for crisis management;

- to justify the use of scenario technologies for the implementation of anti-crisis management in small business in the context of the consequences of the pandemic;

- to develop indicators for assessing the effectiveness of state programs such as the provision of the economy against the crisis.

Object and subject of the research: The object of research is the micro and macro effects of the coronavirus pandemic on the emergence of economic uncertainty. The subject of the study is the organizational, managerial, and economic relations that arise as a result of the implementation of procedures and models of anti-crisis management and the adaptation of organizations to changes in the external environment.

Research methods: Synthesis, analysis, and generalization methods were used during the research.

Research database: The research database includes articles, books, and articles in Azerbaijani, Turkish, Russian, and English languages.

Research limitations: The main difficulties are that there are few number of published books about COVID-19 and lack of practice.

Scientific novelty of the research: The theoretical significance of the research is the development of methodological approaches to anti-crisis management of the global and local economies in the face of unforeseen circumstances, including the consequences of the shock of the pandemic.

Scientific and practical significance of the results: The practical significance of the work is determined by the application of developed approaches to anti-crisis management to increase the adaptability and survival of small businesses during the pandemic and its consequences. The obtained independent scientific results summarize, specify and add anti-crisis management provisions in terms of developing anti-crisis management technologies and models aimed at rescuing small businesses from crisis situations or maintaining stability in the face of manifestations. economic uncertainty. The proposed methodological provisions and recommendations on anti-crisis management of a small business can serve as an effective tool for the preparation and implementation of sound management decisions, as well as can be used as methodological recommendations by line ministries and business associations. Dissertation materials include Management, Crisis Management, Small Business Management, Risk Management, etc. can be used in the teaching of subjects such as. The obtained results can be applied in the implementation of economic improvement measures.

CHAPTER I. PANDEMIC EPIDEMICS, POVERTY, AND SOCIO-ECONOMIC BALANCE

1.1. COVID-19 and income distribution, socio-economic life

From the perspective of historical development, people have gradually developed their socioeconomic life. Today, financial, and financial values such as securities, banking, crypto money have been added to this system, and it has reached a more complex and modern economic stage. However, with the COVID-19 pandemic, the global supply network, which is seen as indispensable with this process, and the international production site understanding based on the multi-location principle have begun to be questioned. Thus, there are economic reasons behind the scenes of COVID-19 and many other diseases, which affect the economy as much as people's health. First of all, people's race to share scarce resources leads to the deterioration of the natural balance, and thus the possibility of viruses being exposed and infecting people. This situation forces the economic perspectives that have dominated until now to change.

From the industrial revolution to the present, countries have been exposed to various shocks that will affect their economies in different ways. Various financial crises and recessions in the past had lasting effects on underdeveloped and middle-income countries. Thus, structural problems occurred in these countries and these problems continued in a vicious circle. Endemic, epidemic, and pandemic diseases make the work of countries experiencing these problems even more difficult. Indeed, despite the existence of laboratories equipped with advanced technologies, there are still various human diseases of unknown etiology. The majority of these diseases are caused by viruses or bacteria. Today, the treatment of some diseases is difficult or even impossible. These diseases also impose great costs on the economy in the field of health. The COVID-19 family is also an example of such viruses (Hoek L. & Pyrc K. Jebbink F.M. 2004).

In the modern era, the global effects of regional problems began to come to the fore. Especially during the pandemic process, it becomes more difficult for poor and vulnerable people to cope with the health and economic problems brought by the virus. Social distance and restrictions affect this segment most negatively. In this respect, only measures for macroeconomic balances are insufficient during the pandemic process. In addition to these macro measures, it is imperative to take micro measures for the poor.

Adam Smith, who pioneered the acceptance of economics as a science, did not directly mention poverty in his work titled “The Wealth of Nations” (1776). He simply emphasized that people should have sufficient economic resources to maintain their dignity in society. However, at that time, the poverty and slavery system constituted a significant part of the world's population.

On the other hand, especially after the 1950s, the problem of poverty is frequently brought to the agenda by non-governmental organizations, the UN, the World Bank, and universities through various written and visual publications, and the public's attention is being drawn to this problem. In this context, the concept of poverty is a well-intentioned characterization developed to draw attention to income injustice and class discrimination. Thus, the existence of a certain percentage of people with a low-income level in society has taken its place in the socioeconomic literature. On the other hand, when the situation of poor people is evaluated within the framework of the homo oeconomicus (economic human) approach in economics, poor people have to decide according to the conditions of the day instead of acting rationally due to their socioeconomic conditions. Because living conditions are limited by certain restrictions. For example, they may not be able to find a job even though they are looking for a job, or they may not be paid enough to earn their living even though they work. Instead of making such rational decisions, they may not have options other than trying to adapt to a condition-indexed process. All these make poverty a problem in both developed and developing or underdeveloped countries.

In this context, after the First World War, politicians and governments started to give special importance to the poor population. For this purpose, UNHCR was established within the UN body and the World Bank poverty fund was established. This special importance given to the poor is not because they think about the poor, but because the poor are seen as a potential vote, as well as being a threat to the social order with consequences such as crime, migration, and disease. Especially with the COVID-19 pandemic, the socio-economic situation of poor people gains special attention in terms of controlling the disease. Otherwise, the size of the epidemic may increase and it may spread further in society indiscriminately.

On the other hand, in developed countries, there is a significant poverty rate among their citizens, and they are faced with a mass of poor who constantly migrate from underdeveloped countries. On the other hand, especially with the development of democracy, the perception of poor people as having voting potential has drawn the attention of politicians. Thus, governments tend to evaluate the poor class as a tool to hold power or to seize power. Various approaches have been developed in this regard. In this context, according to Zastrow, correctly defining the problems that cause poverty and producing solutions accordingly is a policy issue. Politicians see poverty as an important option to gain power (Zastrow M. 2017: s.176).

If production, consumption, and distribution of resources in society take place according to the principles of justice and equality, there will be no high-income gaps between individuals and classes. Thus, profits and costs will be determined according to more equitable criteria. This situation can be seen as a utopian approach in today's conditions, as expressed in the "Pareto optimum" theory. Because for the increase in welfare in the economy to be considered realistic, no one from the society should be deprived of it while benefit or profit is provided. However, in the neo-liberal theories that dominate the economic understanding today, the minimum cost and maximum profit motive are acted on.

As such, economic agents follow strategies that will keep their costs low (low wages, cheap raw materials, etc.) and increase their earnings, including deceiving each other. Thus, the majority of the working people and the people dealing with agriculture do not get the full return of their labor and the farmer is forced to sell what he produces at a low price. This strategy, in turn, leads to poverty and the continuation of the inequality of income distribution between different layers of society.

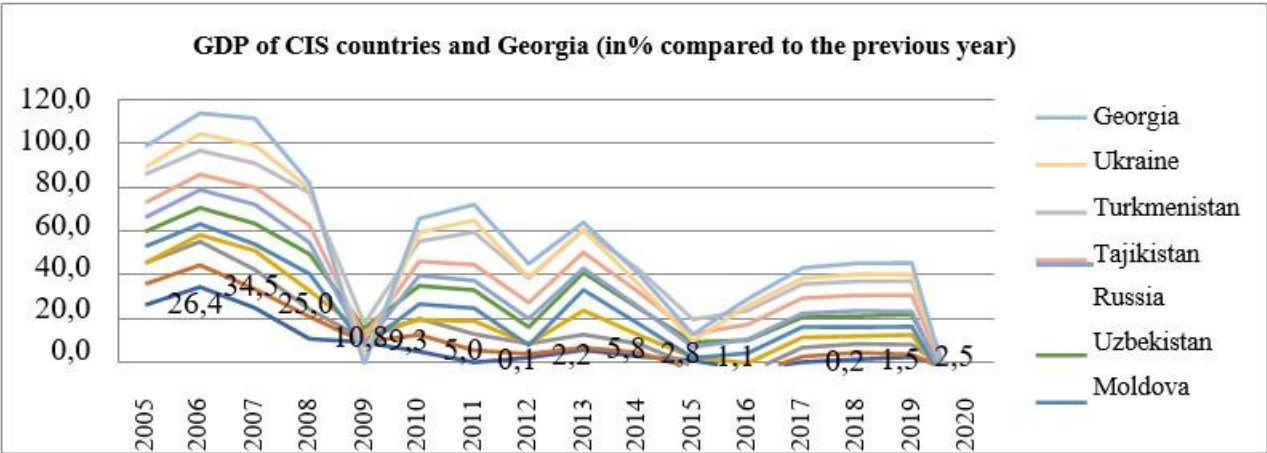
If effective and adequate measures are not taken in societies where poverty is increasing, this situation becomes chronic and deepens, and a culture of poverty can be formed from generation to generation. In such a culture, poverty is considered a destiny or a way of life, and no special effort is required to get out of it. We can also define it as accepted poverty or poverty syndrome. According to Oscar Lewis, in societies that assimilate poverty as a culture or lifestyle, ghetto, slum life, keeping a distance from education and cultural developments, violence against women and children, using brute force instead of negotiation, and male violence in the family should be accepted as legitimate. Instead of providing job and investment opportunities to poor people, the state's tendency towards temporary solutions such as daily food aid and soup kitchens is accepted as the unwritten law of this culture and lifestyle.

Thus, the poor always remain poor. In this context, it is necessary to provide motivation and discipline to get rid of the culture of poverty. To achieve this, a special effort and effective programs must be developed, while in some regions and countries, the administrations use faith, systematic pressure, and restraint tools to prevent this vicious circle from being broken (Peterson C. 2011).

The increase in poverty increases the economic burden of the public and society in the fight against pandemic diseases and makes it difficult to control health problems. On the other hand, poverty has different dimensions and consequences. There are many social and social consequences behind the fact that some people live in prosperity and some of them have to live below the poverty line.

The coronavirus crisis has directly and indirectly affected the CIS (Commonwealth of Independent States) and the Azerbaijani economy. Anti-crisis measures have minimized the negative effects of the pandemic, and isolation measures have saved many lives. In countries other than Belarus, the government has imposed general quarantine. The closure of borders has hampered trade and tourism flows, as well as seasonal activities. At the same time, the decline in world commodity prices has directly affected Azerbaijan and Belarus, and the decline in remittance inflows has exacerbated the negative effects of what is happening in the region.

Figure 1: Impact of the pandemic on the labor market



Source: <https://knoema.ru/atlas/ranks>

According to statistics, in 2019, low GDP growth in Belarus (1.2%), Russia (1.3%) and Azerbaijan (2.5%), in Turkmenistan (6.3%), Tajikistan (7.5%). %) and Uzbekistan (5.6%). As a result of the state's anti-crisis policy in 2020, economic activity decreased by 4%, although macroeconomic and financial stability was ensured in Azerbaijan (Fig. 1).

Measures to support the social welfare to minimize the impact of the pandemic and on several measures to reduce the negative impact on business entities” on April 4, 2020.

1. The Action Plan envisages three main programs: "Support to Economic Growth and Entrepreneurship", "Support to Employment and Social Welfare" and "Support to

Macroeconomic and Financial Stability". Social programs have a special place among the support packages implemented during the pandemic, being large-scale. To maintain the jobs of 304,000 employees working in 20 areas affected by the pandemic, the bulk of their salaries are covered by the state and are regularly monitored through an electronic portal. A total of 910,000 employees were employed in the public sector and 719,000 in the private sector. To protect jobs, a total of 292.4 thousand, 248.5 thousand individual entrepreneurs, and 43.9 other micro-entrepreneurs have been provided with financial support. One of the measures taken to ensure social protection is the provision of one-time benefits for 190 manat, which is the living wage in the country. Lump-sum payments under the special quarantine regime were applied to those who lost their jobs as a result of the pandemic and those who worked informally. According to the tightened quarantine regime, 600,000 low-income people received lump-sum payments totaling 450 million manats over six months. One of the measures was the allocation of special funds to cover the tuition fees of students belonging to families belonging to socially vulnerable groups. For this purpose, about 40 million were allocated from the budget and covered the tuition fees of at least 20,000 students (Плющиков В.В. 2020: с.163-168).

Thus, the study shows that Azerbaijan, like other countries, is experiencing a major crisis in the world economy in the context of the coronavirus pandemic. In countries whose economies depend on services, tourism, transport, and catering have collapsed. The waves of the pandemic's decline have harmed the Azerbaijani economy, including the labor market and declining incomes. However, ensuring the negative effects of the pandemic and social protection has been a priority of state policy.

The state has taken preventive measures to close fewer jobs in Azerbaijan. As a result of providing financial support to entrepreneurs affected by the pandemic and the introduction of tax incentives, a small number of jobs were lost by entrepreneurs. To maintain jobs, a certain part of the salaries of employees working under an employment contract was paid. Changes in the structure of employment in response to the challenges

of the pandemic have made the introduction of digitalization necessary. The need for a skilled workforce in the field of information technology is expected to increase and the trend to work remotely will continue in the post-pandemic period. To ensure sustainable development in the social sphere, the state maintains priorities in the areas of social reforms, increasing the level of official employment and increasing the income of the population.

1.2. COVID-19 and world poverty

When COVID-19 first appeared in China, the Chinese government did not inform the world public. One of the most important reasons for the late announcement of the COVID-19 outbreak by the Chinese government is that it aims to protect the tourism sector. Because SARS almost only negatively affected the tourism sector, China managed to control the SARS virus within 6 months before it turned into a pandemic. Looking at the SARS epidemic in 2003, the epidemic affected the tourism industry the most in the Chinese economy. As a matter of fact, with SARS, tourism demand decreased between 175 and 1742 people for each disease situation. In other words, there has been a decrease in the number of tourists due to the increase in the number of patients (Cong Y., Duan L., Huang K., Bao J. & Zhang J.Z. 2020: p.1-12).

COVID-19 has been the trigger of a process that started in the field of health and paralyzed socioeconomic life. Following the minimum cost and maximum profit strategy, China and other countries of the world, distant Asian countries such as China, had become production centers due to cheap labor force. In this strategy, health, product quality, and the rights of working people were put in the background. But with the COVID-19 pandemic, health concerns have overshadowed economic priorities. Because the epidemic has started to show itself as a vital threat to everyone, regardless of status such as poor, rich, working, businesspeople. Realizing that COVID-19 is out of control, Chinese authorities both increased their precautions and started to share information with the world public about the source and risks of the epidemic (OECD

2020: TÜBİTAK ve Oslo Kılavuzu Yenilik Verilerinin Toplanması ve Yorumlanması İçin İlkeler. OECD ve Eurostat Ortak Yayını).

The pandemic has affected socioeconomic life more, especially in China, the USA, Germany, and other G15 countries. Since these countries are the biggest stakeholders of the global supply chain and thus export-import and FDI flows, it affects the global economy quite negatively. COVID-19 has caused disruptions in global supply chains and even production has come to a standstill due to the reasons arising from these disruptions. As a result of this, the USA and EU member states, which are among the leading economies of the world, will be able to partly give up moving their production sites to countries such as the Far East in the future for reasons such as cheap labor, to prevent the problems arising from supply and demand shocks from recurring. Thus, with the decrease in investments towards developed and underdeveloped countries, it is possible that poverty will increase, and income distribution will further deteriorate throughout the world.

Table 1: Impact of COVID-19 Pandemic on GDP and Consumption

Area	GDP Loss Million Dollars	Consumption Loss Million Dollars
EU	290,315	271,887
USA	267,700	272,118
China & Hong Kong	111,261	96,630.90
North America	43,713	45,146.50
Latin America	69,981	73,014.50
Middle East and North Africa	47,230	71,475.40
Subsahara-Africa	20,937	26,239.70
South Asia	29,096	21,302.60
East Asia	115,599	100,730
Southeast Asia	30,227	29,591
Australia	22,437	25,034
Antarctica	3,217	3,232.25
Others	53,536	69,710.30

Source: https://www.statista.com/topics/6139/covid-19-impact-on-the-global-economy/#topicHeader_wrapper

As can be seen in Table 1, there have been decreases in GDP and consumption rates according to the size of the economies. If there was no government support in this process, the consumption loss would have reached more dramatic proportions. There are two main reasons for the consumption loss in the economy. The first is due to the lack of income of the consumer, and the second is due to the decrease in production. In this crisis, both situations are experienced at the same time, and the public sector intervenes and aims to keep the decrease in consumption and production at certain rates and to control the contraction.

On the other hand, if the epidemic lasts for a long time, countries that initially preferred the closed economy model will require stronger global cooperation, coordinated globally, due to the need for external debt and mutual dependence on goods and services. International institutions such as the IMF and the World Bank can play an active role in such a process. The course of the socioeconomic crises triggered by the health problems that started with COVID-19 has been indexed to the course of the epidemic. In this respect, it can be interpreted that the degree of measures taken to control the virus and the stricter the measures taken, the greater the impact on the global economy will be.

Countries should do all they can to protect their workforce, including workers who work purely on daily wages and in the informal sector, and support their employment and incomes. This should be the target of coordinated financial and monetary actions. With effective socioeconomic policies, the COVID-19 epidemic can play a positive role in the development of a sustainable understanding based on the environment, income balance, and social peace. Here, governments, academic institutions, businesses, employers, workers' organizations, non-governmental organizations, communities can achieve this goal by acting in coordination. In addition, measures regarding the effects of COVID-19 on the country's economies, asymmetric effects on society, environment, and climate aspects (especially after COVID-19) should be

included in investments. Improvements must be made to the public health systems and social protection system (for example, based on basic income programs) so that COVID-19 does not turn into a humanitarian crisis. Thus, it is important to be prepared for such pandemics in case the virus becomes permanent or in the future.

Table 2: Possible Impacts of the COVID-19 Outbreak on GDP and Unemployment in the Short, Medium and Long Term

Scenario	Decrease in GDP (%)	Unemployment Rate (Million People)
Scenario 1 (Optimistic)	2	3 to 7 million
Scenario 2 (Middle)	4	7.7 to 18.3 million
Scenario 3 (Psychedelic)	8	13 to 36 million

Source: ILO, 2020, <https://www.ilo.org/global/topics/coronavirus/lang--en/index.htm>

According to Table 2 data, unemployment figures will increase rapidly if the virus continues to spread. Against the definition of COVID-19 as a pandemic by the World Health Organization and the fact that this virus has brought socioeconomic life to a standstill in developed countries, especially in Europe and America, governments have made social life a necessity, which has come to a standstill, accompanied by curfews and measures based on the protection of social distance. they have brought. These measures not only restricted local, national and international human mobility but also halted the supply of goods and services, leading to the breaking of supply chains on a global basis. These restrictions have reduced the spread of the virus, but have come with serious economic consequences.

In this process, shocks were experienced in the supply and demand of goods and services, and the aviation sector, in particular, lost its function in this period, the role it played in the globalization process, and its time-saving feature. International airlines predict 503-607 million passenger reductions and 112- 135 billion dollars loss in the first half of 2020. To alleviate the effects of the deepening economic crisis with COVID-19, governments have put in place various aid and support programs. There are several factors involved in the design of economic packages. These are the long-

term economic multiplier effect, their contribution to production and national income, speed of implementation, simplicity, impact on inequality, and various policy considerations. The main purpose of any bailout is to balance expectations, rebuild confidence and channel it into productive investment (Hepburn C., O'Callaghan B., Stern N., Stiglitz J., Zenghelis D. 2020: p.36).

One of the important results of the pandemic is the increase in the importance of studies in the field of social work with the increase in poverty. Namely, these services should be developed and made more effective and widespread in the context of solving the socio-psychological problems that are likely to increase with the COVID-19 pandemic.

COVID-19 is deeply affecting socioeconomic life. Existing economic, health and social life infrastructures and policies cannot function as predicted by the three main assumptions of liberal economy, and there is an orientation problem. According to the first assumption of the free market economy, economic agents always make optimal decisions that will provide maximum profit and minimum cost. With the COVID-19 pandemic, the realization of this assumption in practice is seriously hampered on a global basis, as the supply chain is broken, uncertainties increase, and decision-making processes are overshadowed by health problems and concerns.

According to the second assumption on which liberal economic policies are based, economic expectations can be calculated and all data are shared transparently to make these calculations sound.

The pandemic has made it a necessity that risk groups should be supported. For example, people who are sick, over a certain age not only face greater health risks but are also less able to support themselves in isolation. Homeless people are highly exposed to the virus as they cannot fit safely into their place. It is difficult for people with disabilities to participate in active life without vital support due to social distance. Prisoners, persons in immigration detention centers, or mental health institutions may be at risk of contracting the virus due to the limited nature of the facilities.

Curfews and movement restrictions are important practices in the fight against the epidemic worldwide. However, the implementation of these policies presents particular challenges in the poor region due to limited access to water, hygiene, and sanitation, overcrowding of urban slums, and the need for frequent interaction for income-generating activities. The health and socioeconomic consequences of the epidemic are often particularly affected by the urban poor, the elderly, and people with disabilities living in overpopulated camps and settlements.

According to the data of the International Labor Organization, there is a significant increase in unemployment and underemployment in proportion to the spread of the virus and the measures taken to prevent it. Thus, it shows that there is an increase in global unemployment between 5.3 million (low scenario) and 24.7 million (high scenario). The medium-impact indicates an increase of 13 million (7.4 million in high-income countries) compared to the scenario. Although these estimates are rather uncertain, all figures point to a significant increase in global unemployment. By comparison, the 2008-9 global financial crisis increased unemployment by 22 million. Again, according to ILO estimates, there is a linear relationship between GDP and the unemployment rate. Accordingly, if GDP growth declines by around 2 percent, global unemployment will increase by 3.5 to 7 million. According to the medium scenario, in which GDP growth will decrease by 4 percent, global unemployment will increase between 7.7 and 18.3 million. But GDP growth would decline by 8 percent if COVID-19 had severe devastating effects. Under this high scenario, global unemployment will increase from 13 million to 36 million (ILO. 2020: 29.ILO, COVID-19 and the world of work: Impact and policy responses, ILO Monitor 1st Edition, 18 March 2020).

The COVID-19 pandemic is the first epidemic in the 21st century that has shocked international trade and capital flows. Reports available so far indicate that trade and capital flows have slowed significantly. As China's trade partners such as the USA and Europe, as well as other countries in the region of Japan, South Korea, Vietnam, India, and Singapore, have experienced significant decreases in the flows of goods and

services, the international circulation of goods and services has entered a period of recession throughout the world. As a result of shocks in production, supply chain, supply, demand and human movement, it has been a difficult period for globalization in terms of unlimited freedom and free trade.

Due to the isolation with COVID-19, fragile economies with low production and accumulation rates were more affected when they had a character similar to famine periods. China, the USA and EU countries aimed to reduce the negative effects of the virus on the economy with their economic support programs and to gain time for the economies to find the opportunity to revive. It is observed that COVID-19 affects the southern hemisphere countries less. However, since the weight of the world economy is in the northern hemisphere, the global economy is greatly affected. Indeed, the USA, China, Japan, Germany, England, France and Italy, considered as the northern hemisphere's G7 economies, represent 60% of world supply and demand (GDP), 65% of world manufacturing and 41% of world exports. COVID-19 has affected these countries the most. Both the death rate and the rate of spread was seen mostly in these countries.

The COVID-19 epidemic has a different character than other global crises such as the 2008 financial crisis. In this crisis, countries faced a series of new challenges. In this global epidemic, especially underdeveloped and developing countries had to deal with new problems in addition to their previously existing structural problems. This current crisis disrupted supply chains, accelerating the spread of the crisis, disrupting demand and supply at the same time. In addition, this crisis was a natural test that tested the validity, strengths, and weaknesses of the global system, which was dominated by globalization and high technology, and international trade, unlike crises such as the 29th Depression, for the first time in history. Health is fundamental to a successful and productive society; Panic and sickness can hinder production, consumption, recreation, travel, and general well-being.

The fact that the southern hemisphere is less affected by the virus or that the virus is lower in these countries compared to the northern hemisphere has been a lifesaver for African countries. However, the low role of these countries in the world economy prevented them from turning this into an advantage. On the other hand, if the virus exists in these countries in the long term, the most loss of life can be seen in this region. Because 56 percent of the urban population is concentrated in overcrowded and poorly serviced slums (excluding North Africa), only 34 percent of households have access to sanitation and regular hygienic hand washing (Young B. E., Ong S. W. X., Kalimuddin S., Low J.G., Tan S.Y., Loh J., Lau S.K. 2020: p.148-149).

COVID-19 has simultaneously affected the world's economies and caused worldwide uncertainty. However, the economic effects of this uncertainty and recession differ from country to country. Especially in developing and underdeveloped countries with structural problems, economic problems began to become more evident. In this respect, countries were forced to borrow again despite their existing foreign debts by seeking international debt, especially IMF loans. Although countries have begun to relax the bans they have put in place against the virus with the summer months, the end of the epidemic remains uncertain and this uncertainty causes uncertainty especially about the future of international investment and commercial activities.

The macroeconomic effects of this uncertainty are likely to be felt on the production and consumption process in general, and economic growth is slowing. In the face of this uncertainty, the world economies, which are indexed to continuous growth and commercial activity, have entered into the expectation of ending their waiting positions as soon as possible and entering a normal process. However, it is clear that public support and intervention, which has become mandatory in the economies since the beginning of the epidemic, will continue until the epidemic is completely over. The main reason for this is that getting rid of the disease is the primary goal and the economy is the secondary goal. However, if these mandatory policies of governments continue for a long time, an economic depression may become inevitable.

In addition to the consequences of the economic damage exceeding trillions of dollars, the COVID-19 epidemic has created a traumatic effect on people, causing millions of suffering and costing hundreds of thousands of lives. Governments have tried to support economies with monetary and fiscal policies to mitigate the economic effects of the virus. In this context, cash aids in the form of grants have been supported with low-interest loans. Thus, it aims to alleviate the impact of the epidemic, especially on low-income social groups and businesses. Thus, it is aimed to alleviate supply and demand shocks by supporting expenditures and the production process.

The transformation of COVID-19 into a pandemic is also important in terms of local problems reaching international dimensions. In this respect, it makes it more necessary to deal with problems such as poverty. Because poverty has an important place in the spread of the disease and the implementation of the measures taken. In addition, none of the problems such as diseases of poverty is unique to itself. Each of them has a past and a future. Poverty and diseases have been a threat to humanity throughout history. Therefore, as in the past, various studies on poverty are carried out today, and countries and NGOs carry out various programs on poverty reduction.

The concepts used in the evaluation of social problems in our age have been shaped according to the evaluation of socio-economic developments. While the concept of famine has come to the fore in history, the concepts of poverty and inequality in income distribution are more widely used today. Indeed, in the 21st century, famine and starvation are almost non-existent, with some special circumstances and exceptions. On the other hand, relative poverty, which is seen as having to live in poor quality and unhealthy conditions, which can also be called urban poverty, comes to the fore. Inconsistencies and difficult situations prevail, especially in the solution of problems in the fields of justice, income distribution, and human rights and freedoms.

Poverty can be tackled locally, nationally, and internationally, so this vicious circle can be broken. When we look at natural events, problems are solved as a result

of processes that complement each other. That is, seasonal and climatic changes bring new life opportunities. Thus, no positive or negative natural development in nature remains static but takes place within the framework of a continuous dynamic cyclical circulation. When the reality of poverty is evaluated according to this law of nature, it will be seen that poverty is a result of some negative processes and if this process is changed positively, poverty will end or, in a more realistic approach, it can be reduced to a bearable level. Thus, the fight against epidemics that threaten all humanity, such as COVID-19, will bring more successful results.

One of the most important problems behind poverty and underdevelopment is that the power centers in the regions and countries where this situation is experienced are helping each other in terms of evil and enmity instead of peace and goodness. As a result, cooperation gains a bad character and leads to poverty, conflict, and wars. Thus, as Lewis points out, a culture of poverty and war is formed and this situation drags the society into vicious circles that will last for years. On the other hand, in the background of the acceptance of the culture of poverty as a social reality and its settlement in a society, there is inequality of income distribution, colonialism, and the environment of constant conflict. Especially in regions struggling with conflicts and problems, poverty turns into a vicious circle and is accepted as an unchangeable destiny and settled in society as a version of tradition, custom, and lifestyle. In this case, women, children, and disadvantaged groups suffer the most. Especially in conflict zones, the abuse of women and children becomes routine. Thus, poverty and inequality not only affect people's economic and social lives, but also harm their rights, law, personality, health, and human values. COVID-19 adds an even more inextricable dimension to this situation and makes it necessary to take steps to resolve distorted situations such as poverty, conflict, and income inequality immediately.

Poverty is a problem that threatens the future of humanity and its peaceful living. In this respect, it is imperative to find global solutions. According to Sen, who draws

attention to the inequality of income distribution, the degree of GNP of a country is far from giving healthy and realistic information about the extent of poverty. Poverty is still a problem in the USA, EU, and other industrialized countries. Accordingly, a global humanist perspective should be developed in order for each individual to have sufficient economic and social opportunities in the region or country they live in for a life worthy of human dignity.

As can be seen in Table 3, poverty is seen more intensely in underdeveloped countries. Although developing countries such as the USA and the EU keep poverty reduction as a political priority on their agenda, it cannot be said that they have achieved success in this regard and that they have taken adequate precautions. On the other hand, the United Nations has determined the broad lines of the economic development agenda in underdeveloped countries within the framework of the "Millennium Development Goals". Poverty reduction has always been a key goal of social policy in Latin America as well.

In 2008, the poverty rate reached almost a third of the population, of which 13 percent were classified as extremely poor. Most Latin American countries have invested large resources in poverty reduction programs and these have been financed by the World Bank. However, poverty and inequitable income distribution in these countries have not been improved so far. The most important reason for this is that the measures are not based on sustainable solutions.

In order to reduce poverty, first of all, individuals and society should be empowered to find solutions to their own problems with permanent and sustainable measures. In this regard, medium and long-term programs need to be implemented. On the other hand, poverty in the world is mainly due to insufficient capital accumulation. Indeed, the source of poverty depends on the value of money and the amount of money earned. In other words, poor people work, make effort and save like everyone else, but working conditions are not fair and money earned or income is insufficient to meet their

needs. As a result of this fact, individuals who have to work harder and have to reduce their expenditures, even more, wear out. Thus, while the income obtained decreases, provided that it is spent on increasing health problems, the working energy of the individual decreases. Therefore, the resources allocated to education, health, cultural and social life remain very low. In this case, it leads to economic and social inequalities in the world where there is maximum profit-oriented competition. As a result, multifaceted and permanent poverty becomes permanent (Luca D., Rodríguez-P. A. 2015: p.151-159).

Table 3: Regional Poverty Rates (%)

Areas	1990	2005	2015	2020*
East Asia & Pacific	54.7	16.8	5.9	4.0
Chinese	60.2	15.9	5.1	4.0
Europe Central Asia	2.0	3.7	1.7	1.2
Latin America	11.3	8.2	5.0	4.3
O. East, N. Africa	4.3	3.6	1.8	1.5
South Asia	51.7	40.3	22.8	19.4
India	51.3	42.6	23.6	20.3
South Africa	57.6	50.9	38.0	32.8
Average	41.7	25.2	15.0	12.8

Source: World Bank. 2016,

<https://openknowledge.worldbank.org/bitstream/handle/10986/25078/9781464809583.pdf#page=55>

Despite the rapid spread of the virus, online studies have started to be carried out for the continuation of daily life in Azerbaijan, as in many countries, and as a result, the use of digital media has reached high levels. E-commerce is a method that minimizes physical interaction other than accepting cargo. People are increasingly using e-commerce and online shopping as the virus spreads faster in crowded environments. Thanks to the use of electronic channels in digital commerce, the risk of contamination are reduced to zero. In addition, taking the product directly is important not only for health but also for saving time and energy (Suleymanov E., Abdullayeva F. 2021).

Asian Development Bank (ADB) said that due to certain challenges in Azerbaijan's economic diversification, economic growth prospects will continue in the near future due to oil prices as well as falling oil prices and restrictive measures against Covid-19.

He expresses his forecasts for supply and demand for Azerbaijan for the years 2020-2021 as follows:

Table 4: Estimates for Asian Development Bank Azerbaijan

Direction oriented			Demand driven
	Forecasts for 2020	Forecasts for 2021	
			The expectation of an increase in public consumption at the expense of revenues from public services and an increase in personal consumption expenditures at the expense of a 34% increase in the minimum wage;
Industry sector	0.50%	2.00%	Projecting a decline in total investment in 2020 against the background of declining public investment driven by lower oil prices;
Agriculture	4.50%	4%	Projected growth in total investment in 2021 due to increased private investment;
Services sector	Decreasing	1%	Increasing gas production in 2021 will not only increase net exports but will also contribute positively to economic growth;

Source: <https://www.adb.org/what-we-do/data/main>

Changes in the field of e-commerce due to Covid-19 did not bypass Azerbaijan. According to economists, the volume of e-commerce in Azerbaijan increased by about 3.2 billion manats in the first 11 months of this year. This is a turnover that has not been achieved in the last ten years. This is because movement restrictions have been introduced due to the pandemic.

According to the latest report of the United Nations Trade and Development Organization, Azerbaijan ranks 65th among 152 countries in e-commerce. According to this indicator, Azerbaijan decreased by 2 points compared to the previous year. During the preparation of the rating, UNCTAD evaluated the state of internet usage in the country, access to banking services, mobile payment systems, secure servers, number of online stores, postal status, delivery service, the delivery time of packages. Belarus is a leader in e-commerce among the CIS countries. Belarus ranks 35th, Russia 41st, Georgia 47th, Ukraine 51st, Moldova 53rd, Kazakhstan 60th, and Armenia 84th (Rahmanov F., Gojayeva E., Suleymanov E., Huseynova Sh. 2020).

In another international report, Azerbaijan was ranked 5th in the world for the cost of shutting down the internet. For this reason, our country lost 123 million dollars last year.

The negative effects of the Covid-19 pandemic on the global economy adversely affected the activities of the tourism sector, which is one of the leading sectors of the non-oil sector in the country and posed a serious threat to the future development of this sector. The preventive decisions taken by the Azerbaijani government as part of these anti-virus measures and the adequate response of travelers around the world to the threat (postponing or reversing travel dates) have resulted in a sharp drop in demand. As a result, about 100 000 people directly or indirectly employed in tourism-related sectors created serious risks in terms of GDP production, foreign exchange earnings, and social security. (Travel intentions after COVID-19: A comparative assessment of tourist motivation and willingness to travel. Europe-Asia Studies. CEAS-2021-0100), **Table 5**.

CHAPTER II. THE IMPACT OF THE CORONAVIRUS PANDEMIC ON THE WORLD ECONOMY

2.1. The impact of the Covid-19 pandemic on different countries globally

The downturn in the world economy caused by the coronavirus has led to a substantial reduction in global economic growth forecasts. According to the Organization for Economic Cooperation and Development (OECD), global economic growth will reach 2.4% by the end of the year. This is 0.5% less than the previous forecast. For the first quarter of this year, global economic growth is expected to be below 0%. Moody's cut its global growth forecast for the year to 2.1% from 2.4%. Other financial institutions and experts are more pessimistic. For example, the International Monetary Fund predicts that global growth will slow to 1% in 2020, while Morgan Stanley's economists predict annual growth of 0.9% at best and 0.6% at worst.

The United Nations Trade and Development Agency (TIDA) estimates that the economic downturn caused by the virus will cost the world economy at least \$ 1 trillion (hereafter). The sound of various figures is due to the continuing spread of the virus, the difficulty of predicting the extent of its spread and economic impact. Therefore, these forecasts can be taken as an initial forecast. One of the main reasons why the spread of COVID-19 has had a profound effect on global economic development is that its epicenter is China, the world's second largest economy, and the virus has spread rapidly to the eurozone and the United States (Armstrong A., Davis E.P., Liadze I., Rienzo C. 2013: p.19).

The eurozone, China and the United States together account for about 45-50% of world GDP, and the resulting economic downturn has had a significant impact on the global economy. Only the rapidly growing share of China in various sectors of the world economy in recent years allows us to imagine the extent to which the virus will affect the world economy. Thus, in 2002-2019, China's share in global industrial production increased from 8% to 21%, in Global Gross Domestic Product (GDP) from

6% to 17%, and in global trade from 4% to 11%. increased. In addition, China is the world's largest exporter. China's growing share in the world economy and the development of economic ties with other countries with strong economies have increased its ability to influence global economic processes.

Despite the fact that the spread of the virus in China has stopped, the rapid spread of the virus in the United States and Europe, and the associated economic problems will continue to negatively affect the growth of the global economy for a long time. Another important reason why the spread of the virus creates economic problems at the global level is the dependence of production in different countries on the global supply chain and the high concentration of this chain in terms of countries. As we know, China is one of the most important players in this supply chain, and the problems in its economy are disrupting the sustainability of the global supply chain. This, in turn, has a negative impact on the production process in other countries. Despite the resumption of the supply chain in China to prevent the spread of the virus, the majority of buyers of products in the chain are the United States and European countries, and the stagnation in their economies will result in a sharp decline in demand for these products. This, in turn, will take a long time for the supply chain to fully recover. According to TIA estimates, the slowdown in the processing industry will lead to a \$ 50 billion decline in exports from China within the global value chain. Problems in the global supply chain are affecting more and more industries, including technology, precision instruments, machinery, automobiles and communications equipment. Problems in the supply chain will cost the European Union \$ 15.6 billion, the United States \$ 5.8 billion, Japan \$ 5.2 billion, Korea \$ 3.8 billion, Taiwan \$ 2.6 billion and Vietnam \$ 2.3 billion. However, the extent of this damage may vary depending on how the virus is prevented from spreading and how countries can use alternative sources of supply (Barron A., Hultén P., Hudson S. 2012: p.45).

After the global processing industry, the area most affected by the spread of the coronavirus is tourism. Because the tourism sector accounts for 10% of global GDP,

the virus is expected to create up to 50 million jobs in the global tourism sector. Therefore, it is projected that the tourism sector will need at least 10 months to recover. According to the International Civil Aviation Organization, the total revenues of global airlines will decrease by \$ 4-5 billion in the first quarter of 2020. All the negative developments in the tourism sector are due to the ban on travel in more than 100 countries around the world due to the virus. Impact on China's economy as a result of the economic problems caused by COVID-19, China is expected to have the lowest growth rate in 40 years this year. According to OECD forecasts, the Chinese economy will grow by 4.9% by the end of the year, compared to the initial forecast of 5.7%. In the first two months of this year, the Chinese economy has experienced a sharp decline due to the spread of the coronavirus. According to the National Bureau of Statistics (NBS) of China, industrial production decreased by 13.5%, services by 13%, retail sales by 20.5% and fixed assets by 24.5% compared to the same period last year. Calculations based on all these setbacks show that in the first two months of the year, China's GDP fell by 13%. One of the main problems posed by the spread of the virus for the Chinese economy is rising unemployment. The weakening of economic activity has reduced the demand for labor in various enterprises and organizations. In addition, unemployment has risen in major industrial cities as the spread of the virus has created problems with internal migration in China. According to the CBA, the urban unemployment rate rose to 6.2% in February.

At a time when the virus was just beginning to spread, Chinese migrant workers lost their jobs because they could not return to the cities where they worked. Despite the improvement in the situation with the spread of the virus in China, the sharp decline in economic activity suggests that the problem of unemployment will not disappear in the short term. The economic problems that will arise in the near future for the Chinese economy due to the virus will also be due to the decline in economic activity abroad. The rapid spread of the virus in Europe and the United States, and the related sanctions,

will also reduce demand for Chinese products by reducing economic activity. The Chinese economy has suffered significantly from supply chain disruptions. The next blow will be taken by the sharp decline in global demand for various processing products. Initially, the spread of the virus in China caused problems with supply. The rapid spread of the virus in other countries is creating demand problems. Therefore, despite the prevention of the spread of the virus in China, it will not be possible to restore economic activity in the short term. It will largely depend on the extent to which other countries can reduce the damage that the spread of the virus can do to their economies (Held D.A. 2008: p.61).

The Chinese government has been taking measures since mid-March to prevent economic problems with the spread of COVID-19. Thus, as a first step, the interest rate on reserve funds for banks was reduced in order to expand the financing opportunities of companies affected by the spread of the virus. This will allow \$ 79 billion to be released and directed to affected businesses through banks. In addition, although not officially announced, the Chinese government will provide additional support to the economy in the amount of \$ 394 billion to ensure the sustainability of the planned infrastructure projects. To support the economy, these funds are expected to be transferred to economic entities mainly through local government securities. This step will lead to an undesirable increase in the state budget deficit. However, the lack of financial support for the economy in the current situation could lead to more damage in the long run. Impact on the US economy The rapid spread of the coronavirus has also affected the world's most powerful economy, which has close ties to China. Both the sharp decline in producers' supply as a result of supply chain disruptions and the decline in global demand for manufacturing products are having a major impact on the US economy. The stagnation in the economy due to the spread of COVID-19 is more harmful than the 2008 financial crisis.

The large share of the service sector in the US economy increases the economic potential for the spread of the virus. In the United States, travel, tourism, and catering account for 7% of GDP. Therefore, calculations show that if spending in these areas decreases by 10% within 3 months, it will lead to a 0.7% decrease in GDP. However, if the virus continues, spending is expected to fall further. The impact of the spread of COVID-19 on the economy in many ways has led to a sharp decline in US GDP forecasts. Credit Suisse cut its growth forecast for the second quarter from 2.8% to -0.9%. Goldman Sachs predicts that GDP in the United States could fall by 24% in April-June if the virus continues to spread. The impact of the spread of the coronavirus on the US economy is also related to problems in the labor market. The majority of labor market participants do not have the right to receive compensation from the state in the event of dismissal due to illness, and do not have the opportunity to receive treatment from the state. This causes these workers to go to work. As a result, the spread of the virus is accelerating and socio-economic discontent is growing. The closure of jobs in many areas has left some citizens unemployed and unable to receive free medical care. Unemployment claims are expected to reach 2.25 million by the end of March, according to Goldman Sachs. This is an 8-fold increase compared to the previous report. According to other forecasts, this figure is expected to be 3 million, and at best 1 million. In general, most service sector workers will face unemployment problems (Feintzeig R., Thomas P. 2020).

The US government is preparing to implement a \$ 2 trillion stimulus package to prevent the economic problems and possible economic downturn caused by the spread of COVID-19. The package covers many sectors of the economy. According to the package, citizens with a total annual income of less than \$ 75,000 will receive a lump sum of \$ 1,200, couples with a total annual income of less than \$ 150,000 will receive a one-time allowance of \$ 2,400, and families will receive a one-time allowance of \$ 500 per child. According to the rules set out in the package, citizens with a total annual income of more than \$ 99,000 and couples with a total annual income of more than \$

198,000 will not be eligible for assistance. In addition, this package provides for the expansion of unemployment insurance. The federal government will provide an additional \$ 600 per week to citizens who lose their jobs over the next four months. The incentive package also includes \$ 500 billion to support businesses. These funds will be directed to businesses in the form of loans, loan guarantees and investments. Of this amount, \$ 25 billion will be allocated for airlines carrying passengers, \$ 4 billion for cargo airlines and \$ 17 billion for national security companies. The remaining funds are intended for various businesses, states and municipalities. In addition, \$ 117 billion will be allocated to hospitals to increase their capacity to fight the virus.

Along with the government's stimulus package, the US Federal Reserve has also begun to take measures to support the economy. First, the FRS lowered interest rates to 0-0.5%. In addition, the FRS has launched its largest incentive program in history. Earlier, a \$ 700 billion limit was set for the program, but it was later lifted. Despite various support measures taken by the government and the FRS, many economists believe that it will not be possible to prevent a slowdown in economic growth. The impact on the economies of the European Union COVID-19 is spreading rapidly in Europe after China.

Europe's largest economies have been forced to crack down on the virus. This has led to an increase in economic problems in the European Union (EU). According to OECD forecasts, by the end of 2020, the annual GDP growth in the Eurozone will be at best 0.8%. However, the OECD forecasts that if the virus crisis continues for a long time, then the eurozone economy will face recession. According to the European Central Bank, it will fall to 5% of GDP in the European Union by the end of the year. In the second quarter, the decline is expected to be 22%. Despite the general forecasts for the eurozone, differences in the prevalence of the virus in the countries of the eurozone and the economic situation in these countries result in different economic

impacts of COVID-19. Therefore, let's consider the economic effects of the spread of coronavirus in different countries.

Italy, where the virus is most prevalent in Europe, has already experienced serious economic problems as it has gone through several economic crises in recent years. The spread of the virus has worsened the economic situation. Therefore, the spread of the virus will hurt Italy more economically in the long run. Currently, there are problems with public funding in Italy. Therefore, experts predict that the spread of the virus will reduce Italian GDP to 3.1% at best and 6.5% at worst. In this situation, the Italian government has allocated 25 billion euros to repair the economic damage of the virus and stimulate the economy.

1. In France, one of the European countries where COVID-19 is most prevalent, the economic situation is expected to deteriorate significantly. The ongoing and mass protests in the country in 2019 have already had a negative impact on France's economic development. At a time when economic indicators began to improve in early 2020, the spread of the virus prevented positive economic trends. As a result of the spread of the virus, the Central Bank of France forecasts that by the end of 2020, GDP growth will fall to 0.1%. Central Bank experts believe that the economic downturn will be temporary, despite the severity. The French government will introduce a 45 billion euro stimulus package to address the damage to the economy. The main goal is to provide funding for businesses that have suffered in various economic sectors due to the spread of the virus. In addition, the government will support the organization of lending by banks in the amount of 300 billion euros. The spread of the virus is also affecting Germany, the EU's strongest economy. The export-oriented nature of the German economy increases the virus's ability to affect the economy. In the early days of the virus, the weakening of the Chinese economy was already having a negative effect on Germany. As a result, the decline in demand for German products has negatively affected German companies by up to 56%. In addition, global demand for German

products fell to 44%. However, Germany's low dependence on the tourism sector will allow its economy to recover as soon as the virus is eradicated. Because the demand for products of the processing industry will increase rapidly. As a result of the problems caused by the virus, experts predict that Germany's GDP will decline by 2.8% at best and 5.4% at worst. In Germany, the government has developed a \$ 810 billion stimulus package to offset the economic damage caused by the virus. As a result of the package, the German government will borrow for the first time since 2013 (<http://www.fao.org/3/i9540en/I9540EN.pdf>).

Spain is the second most widespread country in Europe for COVID-19. This allows us to say that the Spanish economy will face serious problems. The large share of self-employment and small businesses in the Spanish economy will exacerbate the socio-economic consequences of the spread of the virus. In addition, the tourism sector in Spain accounts for 15% of GDP. At a time when the tourist season is beginning, the spread of the virus will result in huge losses in this area. Therefore, experts predict that annual GDP in Spain will decline. In the best case, a decrease of 0.8% is predicted, and in the worst case - up to 3%.

To prevent the expected economic problems, the Spanish government has announced the largest aid package in history. Initially, 14 billion euros were allocated, but later, as the spread of the virus accelerated, the government was forced to allocate an additional 200 billion euros. This is 20% of Spain's annual GDP. The high level of self-employment in Spain has forced the government to provide assistance to this group of people as part of the announced support package. In order to eliminate the damage caused to them, the government will help them by classifying them as unemployed. However, until now, very few self-employed people had this right. Despite the implementation of various economic assistance programs by individual countries, various financial institutions and organizations in the European Union have also begun to implement economic assistance measures. The European Central Bank has launched its Pandemic Emergency Procurement Program.

The program envisages the acquisition of \$ 820 billion in public and private sector assets. In addition, other incentive programs are being discussed. Eurozone finance ministers have reached a preliminary agreement to provide countries with loans at 2% of GDP through the European Stability Mechanism. Through this mechanism, funds will be allocated from the Bailout Fund established after the 2008 crisis. At the same time, proposals for assistance from the European Investment Bank and the issuance of corona bonds are being discussed. In case of issuance of coronobonds, the obligations arising from this instrument will be distributed among the Eurozone countries. In addition, the European Commission has established a € 37 billion Corona Investment Fund. Businesses operating in various fields, especially in the field of health, will be able to use the funds of this fund. The EU Investment Fund will provide 8 billion euros in loans to small and medium-sized businesses.

2.2. The consequences of the Covid-19 pandemic in the energy sector globally and locally

One of the areas affected by the spread of the coronavirus is the energy sector. The weakening of the Chinese economy due to the spread of the virus, the closure of factories and plants have reduced energy demand, and volatility in energy markets has resulted from China's failure to use growing supplies in energy markets. Beijing is the world's largest energy consumer, and the country's declining energy demand has a direct impact on global energy markets. COVID-19 has affected almost all sectors of the energy sector, such as oil, natural gas, renewable energy sources, coal and oil products.

World oil prices have fallen to their lowest level in 20 years as a result of a disagreement between Saudi Arabia and Russia, the world's largest oil consumers, in early March amid the spread of the COVID-19 pandemic. According to the International Energy Agency, this year's decline in demand for oil will be accompanied

by the damage caused by the COVID-19 virus to the world economy. The quarantine situation applied by countries is one of the main factors influencing this process. As noted above, all sectors of the energy sector, especially the oil sector, have significantly weakened. The suspension of freight and passenger traffic between the countries is one of the main negative factors affecting the oil market. More than 100 countries have already imposed travel bans, which has led to a sharp decline in demand for aviation fuel (Taymaz E. 2020: s.105).

Incomplete use of the growing supply in the oil market is a major problem from the supply point of view. With oil prices falling below \$ 30, the focus is on a possible OPEC + new deal. In the current situation, almost all countries are on standby. The disagreement between Saudi Arabia and Russia over the extension of the OPEC + agreement is a clear example of this. If oil prices continue to fall, oil-dependent economies will be hit hard. The main uncertainty is how long the current situation in the oil market will last. In addition, the spread of the COVID-19 virus has a negative impact on global oil production and supply, which creates an incentive for continued uncertainty.

In view of the above, we can say that the changes in the oil market in the short term will depend mainly on how countries fight the COVID-19 virus and how countries resume freight and human travel. Positive results have already been achieved in China to stop the spread of the COVID-19 virus, and it seems that Beijing will soon resume production. This process, in turn, will stimulate energy demand in China.

Currently, world demand for oil has dropped significantly. There are various forecasts for oil demand. However, the International Energy Organization presents two main scenarios in this direction. First, the fight against the COVID-19 virus is underdeveloped and global oil demand is declining. Second, the steps taken against COVID-19 are yielding positive results in the short term, and global oil demand is

growing. It seems that in the short term, changes in oil prices will be directly related to COVID-19.

In general, the impact of COVID-19 on the energy market has affected all energy entities. Energy producers and suppliers have once again realized the importance of building more optimal energy connections in the future. These negative effects are not limited to oil. As mentioned above, this includes other energy sectors. These areas are mainly as follows;

Alternative and renewable energy sources. The development of alternative and renewable energy sources has already become a topical issue in many countries. The main components of energy production in this area are produced in Asian countries, and China has made significant progress in this area. Beijing produces solar panels and wind turbines and is one of the world's leading exporters. For example, the share of Chinese companies in the sale of solar panels is about 50%. The stagnation in this direction will be felt in the global supply. Market research also shows that the recession in Asian markets has had a significant impact on this area, leading to lower demand and prices. Companies are mainly waiting for the recovery of the global supply chain.

Natural gas. The decline in the oil sector, of course, did not go unnoticed in this sector. Therefore, the decrease in energy demand is accompanied by a decrease in demand for natural gas. The decline in demand for natural gas, mainly in China, has created uncertainty in the natural gas market and created conditions for more natural gas supplies in the short term. In the gas sector, it is also important to reduce the supply of LNG (natural liquefied natural gas) to Asian markets. Thus, there will be a decrease in LNG sources exported to China, and the presence of additional LNG market share will be accompanied by lower prices. With the resumption of China's LNG share (starting in June-July), the LNG market will also stabilize.

Oil products. The negative processes observed in the oil and natural gas sector have had a direct impact on the production of oil products. As noted, the spread of

COVID-19 has led to the cessation of both human travel and cargo transportation. This is accompanied by a decline in demand for oil products. Jet fuel, diesel and gasoline are the most affected fuels. With this in mind, a number of petrochemical plants have already reduced production to prevent further fall in prices. Large petrochemical plants and energy companies are "on standby." They mainly hope for market regulation in the second half of 2020 and expect stabilization of demand for oil products.

As an energy exporter, Azerbaijan also depends on trends in global energy markets. Dependence on oil and natural gas export revenues is the weakest point of the country's economy. The recent drop in oil prices and the discovery of the COVID-19 virus in the country will be a very serious test for the country's economy. Falling or falling oil prices will also raise new challenges. There are three main scenarios in this direction. First, as a pessimistic option, if the OPEC + countries do not reach an agreement on oil and COVID-19 spreads sharply both in the world and in the country, as a result, economic ties will be delayed for a long time and oil prices may fall further. If this happens, oil revenues will decline and the government will have to take additional measures. Second, if the OPEC + countries reach an agreement, but the consequences of COVID-19 do not disappear soon, there will be a slight increase in oil prices.

The economic problems caused by the spread of the coronavirus will continue to affect the growth of the world economy for a long time (at best until the end of the year). The forecasts for global economic growth also show this. Therefore, world demand for oil will remain low for a long time. Therefore, the second scenario is likely to happen. Third, according to the optimistic scenario, OPEC + countries will agree, the consequences of COVID-19 will be eliminated in a short time, and the operation of production facilities and transportation in the world will be restored. In this case, the demand for energy will increase and energy-exporting countries will be able to keep the market stable. This process will eliminate uncertainty in terms of both price and

demand. It should also be noted that these scenarios are related to the challenges that will be formed on the basis of the complications caused by the COVID-19 virus. China's current share of the energy market makes the energy market sensitive and stimulates tensions. All energy markets and investments are expected to mitigate the effects of the COVID-19 pandemic. This is primarily due to the stabilization of the global economic situation and the resumption of the global supply chain (Barron A., Hultén P., Hudson S. 2012: p.54).

The spread of the coronavirus in China, the world's second-largest economy, and its subsequent spread to the United States and Europe, two of the world's leading economies, has had a profound effect on global economic development. In general, in the history of the world, such a recession has not been observed in most economic sectors in different countries at the same time. The economic problems associated with the coronavirus have revealed the shortcomings of the system of international economic relations formed on the basis of globalization. Although the current system of international economic relations is global in nature, it is heavily dependent on the economies of several countries. The presence of such a concentration reveals the sensitivity of this system during crises. As a result, the economic stagnation caused by the spread of the virus in China has slowed production in countries that depend on raw materials and parts from China, sharply reduced demand for products in countries that export most of their products to China, and economic problems in the US and Europe. There is a sharp decline in demand for the products of the leading processing industry. The concentration in the supply chain plays an important role in this process.

At the same time, the stagnation caused by the spread of the virus has once again shown that dependence on exports is economically dangerous. Countries that base their economic system on exporting to other countries face severe economic challenges during times of crisis. In this sense, dependence on the service and tourism sectors also exacerbates economic problems. The spread of the coronavirus coincides with the beginning of the tourist season, with a sharp decline in the incomes of countries whose

economies depend on tourism, and the economic impact of these losses will become more pronounced in the coming months.

The impact of the virus on the tourism and service sectors will be more long-term than in the processing industry (Balios D., Daskalakis N., Eriotis N., Vasiliou D. 2016: p.8).

This is because as soon as the spread of the virus is prevented, the demand for processing products that are less likely to carry the virus will increase rapidly, which will allow the industry to recover more quickly. However, as the tourism sector is more interconnected and offers more recreational and entertainment services, people will be less interested in the sector in the early stages, which will take longer for the sector to recover. Therefore, countries dominated by the processing industry will be able to resume economic development sooner, and countries dominated by the service and tourism sectors will be able to resume economic development later.

The shortcomings of the spread of COVID-19 in the system of international economic relations will allow this system to change in the coming decades. Already in recent years, especially after the financial crisis of 2008, there has been an increase in anti-globalization tendencies and the expansion of the use of protectionist economic policies because of the spread of populism. In such a situation, the economic problems created by the current crisis will further accelerate this process. This will lead to a further deterioration of attitudes towards the neoliberal system, which has played a leading role in the system of international relations since the 1980s and began to lose its credibility after the 2008 crisis. This will be especially evident in the United States, which will exacerbate the debate over the sustainability of its economic system.

It can be assumed that from now on countries will try to reduce the existing concentration in the international supply chain in order to reduce the sensitivity of their economies. Already in recent years, a number of political and economic factors, including the trade war, have begun to diversify the supply chain. The economic crisis caused by the virus will accelerate this process. This could lead to a reduction in China's

role in the world economy and a weakening of its expansionary policy. This, in turn, will allow the United States to gain an advantage over China in a trade war (Beliaeva T., Shirokova G., Wales W., Gafforova E.).

At the same time, accusations against China for spreading the virus suggest that once the spread of the virus is prevented, various countries around the world, especially the United States, will take strong action against China and seek sanctions and compensation. Although it is difficult to say to what extent this will be achieved, it is clear that the economic problems associated with the spread of the virus will significantly affect China's role in the system of international economic relations. In general, the world economy cannot be expected to recover rapidly in the coming months. Because all the leading countries of the world are facing huge economic losses. The gradual recovery of global production and demand will have a significant impact on the annual growth of the world economy.

The economic problems posed by the virus will also lead to a growing debate in recent years about the effectiveness of the European Union. With the advent of Brexit, the process of declining confidence in the European Union can be expected to accelerate further. Eurosceptics have already begun to voice concerns that the European Union has failed to stem the spread of the virus and that EU member states have not been able to help each other economically. The fact that the virus has hit Italy, which has become more Eurosceptic in recent years, harder, could lead to an increase in Italy's tendency to leave the European Union. However, Italy and other members are unlikely to leave the EU.

The global economic problems caused by the spread of the virus affect the Azerbaijani economy mainly through volatility in the oil market. Although the rapid decline in oil prices is not directly related to the spread of the virus, the reducing effect of the spread of the virus on oil prices has prevented OPEC + countries from extending their consent. The current situation in the oil market is the result of a political struggle that will not last long. Because the current level of prices is not profitable for any of the

competing parties. Therefore, it can be expected that these countries will reach an agreement in the short term. However, even if an agreement is reached, oil prices will not rise to previous levels. The economic problems caused by the coronavirus will keep oil prices low while keeping global demand low for a long time to come. Therefore, we can say that in the short term, Azerbaijan's oil revenues will be low. In the medium term, it can be assumed that oil prices will not exceed \$ 35-40, even if they increase.

The fight against coronavirus has led to an increase in budget expenditures in Azerbaijan. Because of the quarantine regime due to the spread of the coronavirus, many economic entities were forced to suspend their activities. This has led to losses for various economic entities, especially entrepreneurs. In this case, 1 billion manat was allocated from the state budget to eliminate the damage to the economy. This will increase the budget deficit for 2020. While this is not a positive development as it increases government spending, Azerbaijan's strategic foreign exchange reserves allow it to meet the burden that will be formed.

CHAPTER III. ANALYSIS OF THE EFFECTS OF THE CORONAVIRUS (COVID-19) PANDEMIC ON THE AZERBAIJANI ECONOMY

3.1. Economic assessment of the effects of the coronavirus pandemic on the country's economy

Perhaps for the first time in history, a non-economic event is creating such a deep crisis. The world economy is currently in deep recession, and it is difficult to say how long it will last. This crisis has not only degraded the economy, but also increased psychological tensions and reduced prosperity. Currently, the virus is spreading to more than 200 countries around the world, threatening the economy and human health of these countries. This crisis, in turn, has had negative consequences for the economy of our country.

It is aimed to convey the experiences of tourism enterprises operating in Azerbaijan during the COVID-19 process. Based on this aim, the economic and social effects of the pandemic, which deeply affects the whole world, on Azerbaijan tourism will be examined in depth. It is thought that the results of the research will guide tourism businesses about the precautions they should take and the strategies they should follow under pandemic conditions. For this purpose, in the literature part of the research, after the impact of the COVID-19 pandemic on the Azerbaijan tourism sector is determined based on concrete data, the findings obtained based on the analysis of the data will be interpreted and various suggestions will be made with theoretical and practical implications in the conclusion part of the research.

Traditionally, the tourism and recreation industry has been adversely affected by external shocks. Due to the inward closing of countries due to the pandemic, travel for tourism purposes has been greatly restricted. Due to the COVID-19 pandemic, the Azerbaijani tourism sector has shrunk significantly, as it is all over the world. It is possible to count military conflicts, terrorist threats, climate change, natural disasters,

sharp changes in oil prices, currency fluctuations, financial and economic crises among the external factors that especially suppress the global hotel industry.

The expenditures of foreign tourists coming to Azerbaijan for tourism purposes were 1,411,300 manats in 2016, 2,285,300 manats in 2017, 2,661,600 manats in 2018, and 2,971,400 manats in 2019.

Table 6: Expenses of foreign tourists coming to Azerbaijan for tourism purposes
Distribution of expenses by years

2016	1,411,300 manats
2017	2,285,300 manats
2018	2,661,600 manats
2019	2,971,400 manats

Source: Statistical indicators of Azerbaijan 2019. Azerbaijan State Statistics Committee.

The expenditures of Azerbaijani citizens traveling abroad for tourism purposes were 1,970,300 manats in 2016, 1,678,900 manats in 2017, 2,387,400 manats in 2018, and 2,407,600 manats in 2019. Hotels and hotel-type businesses in Azerbaijan have been the most affected by the pandemic crisis.

Table 7: The expenditures of Azerbaijani citizens traveling abroad for tourism purposes
Distribution of expenses by years

2016	1,970,300 manats
2017	1,678,900 manats
2018	2,387,400 manats
2019	2,407,600 manats

Source: Statistical indicators of Azerbaijan 2019. Azerbaijan State Statistics Committee.

In 2006, the number of hotels and hotel-type enterprises in Azerbaijan increased to 285, in 2016 this number increased to 548, in 2017 to 563, and in 2018 to 596. These figures are important in terms of showing the development in the field of tourism in Azerbaijan.

By 2019, there was a significant increase in the number of hotels and hotel-type businesses in Azerbaijan, and it rose to 642. The number of hotel rooms, which was 11,403 in 2006, has more than doubled in 2019 to 23,865. When the number of people

placed in hotels is examined, it increased from 291,617 in 2006 to 1,919,765 in 2019. The number of employees, which was 4,338 in 2006, increased nearly three times to 12,481 in 2019. When the negative results of the COVID-19 pandemic are evaluated in Azerbaijan, while the income from the activities of accommodation establishments in Azerbaijan was 74.3 million manats in 2006, this figure increased approximately sevenfold in 2019 to 450 million manats. VAT and other taxes paid to the budget by hotel businesses increased every year, and the amount of 9.4 million manats paid to the government in 2006 reached 42.2 million manats in 2019. However, important developments in the field of tourism have been reversed with the COVID-19 pandemic. The number of domestic tourists, which was 841,000 in January-June 2019, decreased to 297,000 in the same period of 2020, and tourism revenues decreased by 2.7 times in January-June 2020 and remained at the level of 532.8 million manats.

When the opinions and figures given by the Azerbaijani statistics office are examined in the studies investigating the effects of the problems arising from the COVID-19 pandemic on the Azerbaijan tourism sector, it is understood that the tourism sector of Azerbaijan was adversely affected, as in other countries, regarding the COVID-19 pandemic. Since March 2020, when the effect of the pandemic began to be seen, significant decreases have been experienced in tourism activities. It can be argued that the tourism sector, which is having a hard time due to the pandemic, is trying to survive with the support of the state. With the Azerbaijan-Armenia war that started in September (2020), it can be argued that the said support was cut off, thus causing the sector to be left alone with bigger economic and social problems. In addition, the participants expressed their concerns about the contraction in the sector and the increase in unemployment in the country due to the layoffs in order to reduce costs and thus the emergence of various social problems. Even if the priorities and depths of social events change, the fact that they cannot be handled independently from each other in terms of

economic, social, political and cultural nature seems to be repeated in the example of Azerbaijan (WTO, 2018).

According to the research findings, it is understood that the tourism sector in Azerbaijan is facing economic and social problems due to the crisis, and it is face to face with the direct effects of the pandemic, especially unemployment. It is understood that there are concerns that the problems experienced will deepen if the epidemic continues. In addition, it is understood that unemployment resulting from bankruptcies in the sector will cause various social problems. In the researches, it was determined that the comfort of life of people decreased not only due to travel restrictions but also due to economic inadequacies. It can be argued that these results are important in terms of showing the multidimensional effect of the crisis. It is seen that the tightening of the measures within the framework of the strategy of combating the pandemic causes people not only economic, but also various psychological and social problems.

In order to reverse all the negative views in the Azerbaijan tourism sector and to eliminate the negative effects of the pandemic, both businesses, citizens and the state have important duties. It can be said that the support to be made by the state in order to reduce the income losses caused by the pandemic is in the form of tax reductions, postponement of tax payments, and explanation of compensatory support packages.

It is understood that the decrease in the tourism revenues due to the pandemic and the decrease in the number of tourists coming to the country due to the war caused the problems of the sector to deepen. In conclusion, this research is a qualitative study conducted with a limited participant group due to the pandemic. It can be argued that repeating the study with quantitative and mixed studies and with a larger sample group will be beneficial in terms of better understanding and grounding the subject. In addition, expanding the subject in a way that reflects the views of state officials will also contribute. The subject needs to be repeated with larger samples with quantitative and mixed studies. It can be argued that it would be beneficial to repeat the results

obtained in this cross-sectional study with longitudinal studies in order to reflect more than necessary (Taymaz E. 2020).

In fact, the main problem of the pandemic was the parallel handling of 3 important problems that are not subject to the economic law, which are mutually hostile. The quarantine regime, which has been implemented to counter the spread of the virus, has been made mandatory to limit the activity of people's movement and the business sector. On the other hand, minimizing the economic damage, taking the opposite of the bankruptcy of the corporate officers, ensuring the social defense of the people who are pushing their work because of the quarantine.

Of course, the threat posed to human health by the virus outweighs all other problems. The President imposed a quarantine regime on March 24 to protect the health and safety of citizens. With the introduction of a strict quarantine regime, the activities of companies in the production and service sector were restricted, the free movement of people, the holding of mass events was banned, domestic and international transport links in passenger transportation were suspended. All this was aimed at preventing the spread of the virus and protecting the health of the country's citizens. Of course, it is natural that restrictions lead to a weakening of economic activity, economic decline, and economic decline continues around the world. Because along with restricting the movement of people, it is impossible to continue economic activity. The work and movement of people means the creation of benefit, economic growth.

According to the Action Plan approved by the Cabinet of Ministers in connection with the implementation of paragraph, 10.2 of the Decree of the President of the Republic of Azerbaijan dated March 19, 2020, 87.7 million manat (as of June 7).

Also, 60.8 million manat was allocated for the implementation of the financial support program for individual (micro) entrepreneurs. In general, it is planned to allocate 3.5 billion manat in Azerbaijan.

At this stage, the damage caused by the pandemic to the Azerbaijani economy is difficult to quantify (due to the lack of operational statistics and the continuation of the pandemic). With the introduction of the quarantine regime, catering, transport, tourism and other areas of interaction have been severely affected. One of the most affected areas is micro and small business (Баринова В.А., Земцов С.П., Царева Ю.В. 2020: с.18).

Restrictions imposed on the business sector to prevent the spread of coronavirus infection and to minimize human activity have had a negative impact on macroeconomic indicators. Production of goods and services fell sharply in April, when a strict quarantine regime was imposed. If we look at the change in the production of goods and services in 2020 by months, we will see a sharp decline in April. Thus, compared to the previous months of this year, in March-April there was a decline in gross domestic product (GDP).

According to the Ministry of Finance, in January-April 2020, the state budget received 9574.2 million manat, 7267.7 million manat was spent from the budget, a budget surplus of 2306.5 million manat was created. In January-April 2020, state budget revenues increased by 27.6% and expenditures by 0.7% compared to the same period of the previous year. The budget surplus amounted to 10.3% of GDP.

In March, 1.5 billion manat was transferred from the oil fund. In general, compared to January of this year, in April, budget revenues decreased by 3.1%, while expenditures increased by 43.4%. If we do not take into account the transfer from the oil fund, we can see that revenues have decreased even more.

In January-April of the current year, 18.1% of budget funds were spent on education and health, 17.8% on social protection and social security, 17.8% on general public services, 16.5% on economic activity, 11, 3% was spent on defense and national security, and 18.5% on other areas.

According to the International Monetary Fund, as a result of the pandemic, the global economy will shrink by 3 percent in 2020, and the economies of oil-exporting

countries in the Middle East and Central Asia will shrink by 3.9 percent, while Azerbaijan's economy will shrink by only 2.2 percent. Of the 11 oil and gas exporters in the Middle East and Central Asia, Azerbaijan's economy is among the top three least affected by the pandemic.

The World Bank said in a statement on Azerbaijan: “The country's foreign exchange reserves (about GDP) and low foreign debt open up opportunities to restore economic activity. However, if the pressure on the exchange rate increases or macroeconomic policy changes, the economic crisis may deepen. In addition, scientifically sound measures should be taken to address existing risks in the financial sector.

At present, in addition to protecting people's health, states (governments) are taking various measures to overcome the crisis with less damage, to restore economic activity in a shorter period, and are developing programs and concepts based on fundamental economic research. The Azerbaijani government is also looking for ways to end the pandemic period with minimal damage (uncertainty over the end of the pandemic continues) and to restore economic activity in the post-pandemic period as soon as possible. According to the Decree of the President of the Republic of Azerbaijan dated June 4, 2020, favorable conditions have been created for entrepreneurs to obtain loans with state guarantees and subsidize part of interest on loans, restructure in case of force majeure, extend the term of credit obligations.

3.2. Analysis of the results of monitoring of the real sector in the pandemic period (i and ii quarters of 2020)

Similar measures are being taken all over the world to slow down and prevent the Covid-19 epidemic. One of these measures is “social distancing”. Places where people gather to ensure social distancing are closed.

In this part of the study, we will briefly evaluate the possible economic effects of social distancing measures.

Many measures have been taken since March 10, when the first Covid-19 case was officially announced in Azerbaijan. In this context, the activities of workplaces such as entertainment venues, sports facilities and restaurants were stopped, and restrictions were imposed on transportation by air.

1. When the activities of some workplaces are stopped, there will naturally be a decrease in the production of the sectors that provide input to these workplaces.

2. For this reason, there will be contraction and loss of employment not only in the sectors whose activities are stopped, but also in the sectors that provide input to them. In addition, unpaid leave and dismissal practices will be experienced in shrinking sectors, and the incomes of employees in these sectors will decrease.

3. As a result of this, consumption demand will decrease and production of consumer goods sectors will decrease. We can define the first two of these three effects as “direct effect” and the third as “indirect effect”.

Input-output (IO) tables show the inter-sectoral flows of goods and services necessary to predict these effects. The last IO table for Turkey was prepared for 2012. Using this table, under certain assumptions, the effects of discontinued sectors on the entire economy can be estimated.

Demand for the products of the industries has four key components:

1. Input demand (Demand of sectors that will use the product as input),

2. Consumption demand (Consumption demand is generally divided into two groups as household consumption and government consumption.)

3. Investment demand (demand of sectors that will use this product as an investment good), and

4. Export (external demand).

We assume that household consumption demand and exports will be directly affected as a result of the suspension of some activities due to Covid-19 measures. Input demand depends on the final demand of the industry using that input. In case of economic contraction and uncertainties, investment demand also decreases rapidly, but since the decrease in investment demand is not directly caused by Covid-19 measures, we do not take this effect into account and assume that investment demand will not change. In addition, it is assumed that government consumption does not change.

The extended curfew has had a great impact on the economy:

- While the oil sector fell by 6.4%, the overall economy contracted by 3.9%. Crude oil production was 7.6% lower compared to the January-September period of 2019. Compared to the previous month, it decreased by 11.5% to 2.7 million tons. The decrease in production is mainly related to the realization of Azerbaijan's commitment to the OPEC+ agreement. Meanwhile, natural gas production increased by 8.3%.

- GDP excluding oil decreased by 2.4%, amounting to 70% of total GDP. If the construction sector, which contracted by 9.6% compared to the previous year, is excluded, the sector excluding oil decreased by 1.4%. The tourism sector recorded a 55.5% decline due to the curfew, which also forced the non-oil GDP growth.

- The fastest growing industry of the economy was non-oil manufacturing (13%), mainly due to the effect of formalizing public investments in certain segments of the industry such as chemicals, metallurgy and pharmaceuticals.

The negative demand shock caused by the curfew puts downward pressure on the low inflation level:

- Price levels increased by 0.1% in September and annual inflation was 2.6%. It remained lower than 4%, which is the middle of the Central Bank's target band (2%-6%).

- The prices of 80% of the products and services included in the consumer basket (416 out of 520) increased compared to the previous year, 10.4% decreased and 9.6% remained unchanged. The price increase of 52.5% (273) of the items is lower than the annual headline inflation of 2.6%.

- If it is distributed to the consumer basket, food prices increased by 4.3%, non-food items prices increased by 1.4% and services prices increased by 1.2% compared to the previous year. The contribution of food and non-food products and services to annual inflation was 1.8, 0.4 and 0.4 (2.6% in total), respectively.

- In general, low global food prices due to the curfew and shrinking demand had a disinflationary effect.

While the lower oil price led to a further deterioration in the balance of trade, there is still a surplus equal to 9% of total GDP:

- In the January-June 2020 period, total exports decreased by 29% and imports* decreased by 5%. As a result, the trade surplus* decreased by 58%, corresponding to \$2,756 million, or 9% of total GDP.

- The decrease in exports is mainly related to crude oil exports. The sharp drop in oil price had a strong impact as crude oil exports decreased by 36.5% in nominal and 6.5% in real.

- The main contributors to the decrease in imports are fuels, machinery and equipment products, textiles, clothing and footwear products:

- ✓ Fuel imports fell by 69% as the restrictions stemming from the curfew hurt the demand for transportation;

- ✓ Imports of machinery and equipment decreased by 4%, contributing one-fifth to the total decrease in imports;

✓ As consumer demand turns to food and drugs due to COVID-19, imports of textile, clothing and footwear products decreased by 14%, while imports of food products increased by 3%, while imports of pharmaceutical products increased by 31%.

- In the analyzed period, non-oil exports decreased by 9% compared to the previous year and amounted to \$1,282 million, 16.4% of total imports.

- The trade surplus contributed to the reserves of the Central Bank of the Republic of Azerbaijan (ACMB). \$6,491.4 million in ACMB reserves at the end of September; i.e. 7.6% or \$457.3 million (3.7% or \$233.4 million year-to-date) compared to the same period in 2019.

- At the end of June, the assets of the State Oil Fund of the Republic of Azerbaijan (SOFAZ) increased by 1.8% compared to the same period of 2019, amounting to 43,289 million USD or 94% of the total GDP.

*Note: HS code 71- semi-manufactured gold, which is the gold import of the State Oil Fund of the Republic of Azerbaijan, is excluded.

While the loan portfolio grew, deposits decreased; The loan guarantee support program for industries affected by the government's COVID-19 containment measures has been ongoing since July:

- In September, the sector's total assets decreased by 6.4% year-on-year to AZN 30.6 billion. Total assets decreased slightly by 2.4% in April-May, excluding the re-licenses of four banks, AtaBank, AmrahBank, AGBank and NBC. Gross loans decreased by 2.7% year-to-date (Arnold G. p.90).

Loans increased by 4.1% year-to-date, excluding banks whose licenses were revoked.

- Corporate loans portfolio, while loans extended to industry (36.3%↑) grew, while loans extended to transportation and communication (25.9%↓), energy and natural resources (16.5%↓) and construction (9.1%↓) companies contracted by 0.3% year-to-date due to the decline in loans.

- Loans to households decreased by 2.8% year-to-date, including an 11% drop in consumer loans. The growth rate of the consumer loan portfolio compared to the previous year decreased to 1.6% from 48.3% at the end of 2019 due to the macro-prudential intervention in November 2019.

- Compared to the end of 2019, there was a 16% decrease in non-performing loans (NPL). The overall NPL ratio remained at 7.2%, 1.1 basis points lower than at year-end 2019. The withdrawal of licenses of troubled banks with high NPLs was the main reason for this decline.

- Deposit base was AZN 22.5 billion, following a year-to-date decrease of 9.1%. Except for the banks whose licenses were revoked, the deposit portfolio contracted by 6%. Since the beginning of the year, time deposits decreased by 13.2%, while demand deposits decreased by 5.7%, totaling AZN 9.7 billion. Licenses revoked and cash requirements of households and firms due to the curfew's decline in revenues were the main reasons for the deposit outflow. Household deposits and deposits in national and foreign currency decreased by 9.3% and 12.1%, respectively, from year-to-date (Acemoğlu D. s.48).

- The dollarization rate of the total deposit portfolio decreased by 3.4 basis points compared to December 2019 and remained at 57.6%. Compared to December 2019, the dollarization of time deposits increased by 2 basis points, while the dollarization of demand deposits decreased by 3.8 basis points. Equity efficiency in the banking sector, calculated as total net profit relative to end-September own funds, was 14.8%. While interest income increased by 0.2% compared to the previous year, as a result of fewer transactions in branches due to the pandemic, non-interest income decreased by 5.2% and decreased by 50% compared to the service fee of non-cash transactions.

Both the life insurance and non-life insurance segments contributed to the growth of the insurance industry:

- Total insurance premiums increased by 11.3% year-on-year to AZN 581.5 million in the January-September period of 2020. There was a 14.7% decrease in net

premiums (premiums minus claims), corresponding to 0.8% of non-oil GDP (January-September 2019: 0.9%). In the economy, this indicator is considered one of the main sources of investment:

- Based on market segment analysis, life insurance (HS) total premiums increased by 17.2% to AZN 239.3 million. The share of HS premiums in the market's total premiums grew by 2.1 basis points and constituted 41.2%.

- ✓ Voluntary life insurance premiums increased by 17.4% to AZN 197.4 million. The share of voluntary life insurance in total life insurance premiums remained stable at just over 82%.

- Premiums of non-life insurance premiums increased by 7.5%. The share of non-life insurance in total premiums decreased by 2.1 basis points to 58.8%.

- The ratio of claims to premiums in the life insurance market was 77.7% (January-September 2019: 40.5%) and 35.6% in the non-life insurance market (January-June 2019: 34.4%)

ACMB cut the refinancing rate by 50 basis points to 6.5% in the July-October period:

- The upper limit of the interest rate corridor was reduced by 50 basis points to 6% to support liquidity, and the upper limit was lowered by 175 basis points to 7%.

- The Central Bank stated that inflation-reducing factors keep inflation below the center of the target range ($4\pm 2\%$).

- However, the ACBM's assessment that global economic conditions are deteriorating due to the next lockdown imposed by the leading economies due to the potential second wave of COVID-19, rising geopolitical tensions, oil market volatility and uncertainty in the region, resulted in the Central Bank's reduced rate being limited.

- The Central Bank stated that the concessions in macro-prudential regulations will improve the conditions of loans to be given to the real sector until the end of the

year (previously September 30), and economic activities will be supported by fiscal and monetary policies as well as macroprudential relaxation measures.

- ACMB predicts that inflation will remain in the range of 2.8-3% until the end of 2020 and in the range of 3.6-4% in 2021.

- Updated inflation forecasts, the dynamics of macroeconomic indicators and the risks posed by the pandemic will affect the next interest rate decision of the Central Bank (COVID-19 Stats - Realtime coronavirus statistics with charts (epidemic-stats.com)).

In order to alleviate these problems, it is necessary to urgently pay short-time working allowance and unemployment insurance (by increasing the payment ceiling) to workers who lost their jobs temporarily or indefinitely, and to provide additional income support to retirees and low-income families. Due to the special situation of the Covid-19 measures, income supports should be applied automatically without any conditions such as minimum working hours.

In addition, since these workplaces do not have conditions to pay their (credit) debts, credit payments should be postponed. The widespread bankruptcy of businesses under the burden of debt will also cause major problems for creditors. Especially in small and medium-sized enterprises, additional measures should be taken to ensure the continuity of employment. Similar measures are being taken rapidly in many countries (Алтуфьева Н.В. 2020: с.6).

Income supports will both provide social support for those who have lost their jobs and income due to the measures taken by the public, and will prevent the Covid-19 measures from further shrinking the economy.

CONCLUSIONS AND RECOMMENDATIONS

In the globalization process, where information and technological advances reach their peak, the international flow of goods and services takes place unhindered at lower costs. This increases the volume of world trade. Despite these positive developments, poverty continues, almost by leaps and bounds, due to reasons such as pandemics. The vicious circle of poverty, which cannot be broken, continues to be a permanent problem due to problems such as internal conflict, war and economic crisis.

Especially in the last months of 2019, the COVID-19 pandemic has brought poverty and income distribution to a new level. So far, governments have been trying to prevent the deterioration of the economic balance and to prevent the increase in the poverty rate with the temporary economic supports they have announced. However, the long-term effects of the pandemic and its socioeconomic effects on economic and social life remain uncertain. This situation leads to the exclusion of poor individuals and poor societies, and to a more fragile state of inter-individual and inter-communal relations.

Considering that this problem is not a current problem, on the contrary, the fact of poverty and disease is as old as the history of humanity, it is of particular importance to approach the event within the framework of historical integrity in order to understand the problems correctly. In every age, society has faced various obstacles in its search for healthy nutrition, clothing, shelter and to have a certain status and value in the environment in which it lives. In the periods when unprocessed natural resources were rich, inadequacies in processing these resources, natural conditions, wars and epidemic diseases were among the leading causes of poverty. However, scientific and technological advances have accelerated the processing of natural resources and their presentation to the goods and services market.

As a result, none of the problems such as diseases or poverty is unique to itself. Each of them has a past and a future. All the diseases that have been seen since the existence of the world and will emerge from now on, and the antidote, medicine and

treatment method that will cure these diseases are always the same. In other words, cancer, tuberculosis, etc., including COVID-19 we face today. All of the diseases have existed in the world since the life of living things and have reached the present day by metamorphosis. Especially viruses, like a living species, are as old as human history. Many sources supporting this theory are also available above.

For example, according to medical historians, the coronavirus is actually another version of the plague epidemic that took the lives of millions of people in the middle ages. Pope Clemens VI during the plague epidemic. He isolated himself in his residence in Avignon so that the plague would not infect him, and surrounded his residence with a constantly burning ring of fire. In addition, human feces were used to heal people whose bodies were bruised during the plague epidemic. This indicates the antibody characteristic that is immune to the plague. In addition, it has been observed that the virus or bacterium that causes the plague is not resistant to heat.

After the COVID-19 pandemic, it is necessary to redefine the concept of poverty and to address this phenomenon with a new approach. COVID-19 has shown that every individual is a candidate for poverty, isolation and desperation, regardless of his or her office, status, income. Another important point that the virus teaches is that when buildings, roads and bridges that are human works are built in their place by destroying the green, trees and rivers, which are the works of nature, this leads to mass poverty instead of wealth. This artificial life also shows that some senses and emotions, such as smelling, tasting, distinguishing colors, being able to move, crying and laughing, are dependent on the existence of nature, and that these can be atrophied if nature is destroyed. States and individuals are in a race to leave more wealth to their future generations, and in fact, they do not do much except darken their future now.

People who are known with the understanding of maximum profit and minimum cost both cause income injustice and waste resources, unnecessary production, and most importantly, the destruction of nature. However, when acting within the

framework of minimum artificial life and maximum nature understanding, there may be more to be left to future generations.

Ultimately, with the COVID-19 pandemic, the socioeconomic status of people and their adaptation to new conditions will force social classes to redefine. In this context, the definition of being poor and wealthy will include the criteria of how safe individuals and societies are in terms of health, as well as economic status.

1. Structures in which the regulatory and balancing role of the state is strengthened and democratic institutions and rules are dominant make the solution of problems easier and sustainable. Contrary practices may solve some problems, but lead to new problems and raise the issue of sustainability.

2. The expectation that uncertainties will increase in the upcoming period and that confidence and stability will deteriorate seems to threaten both the economy and the social structure. The way to minimize these effects is to identify the risks well and take quick measures.

3. The financing of social expenditures has always been controversial. The above suggestions will increase social expenditures, but it is recommended to be preferred as it will support demand and prevent social problems. Resource can be created by considering alternatives such as new income-based taxes, austerity measures, revision of investment plans, and borrowing.

4. Undoubtedly, claiming the opposite and reducing social expenditures is a choice, but this choice has its costs. It is possible to reduce the damage of the crisis by focusing on production, taking savings as a basis, increasing efficiency, and determining policies in a timely and effective manner.

The claim that if these policies are implemented, the negative indicators in the report will change and normalization will take place in a shorter time after the pandemic will not be misleading.

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APPENDIX

Appendix 1

Table 5: The effects of the Covid-19 pandemic on the tourism sector in Azerbaijan

N	Indicators	indicator for 2019	forecast for 2020	Projected decline		
				I (March-June 01.03.2020-01.06.2020)	II (March-August 01.03.2020-01.08.2020)	III (March-December 01.03.2020-31.12.2020)
1	Number of trips for foreigners, units	3170000	3743770	-861975	-1666124	-3311289
2	Number of domestic tourists	4352900	4675015	-1077100	-2081941	-4137692
3	Foreign currency inflow, million USD equivalent	1935.6	2285.9	-526.3	-1017.3	-2021.9
4	GDP in areas typical for tourism, million manats	3693.4	4280.4	-1072.3	-2072.8	-4119.5
5	Dynamics of GDP production in tourism characteristic areas, percent	6.4	13.4	-25.1	-48.4	-96.2
6	Number of workers in areas typical for tourism, people	56362	59462	-13705	-26490	-52648
7	Dynamics of jobs hired in tourism-specific areas, percent	5.9	12.3	-23.0	-44.6	-88.5
8	Employment in the tourist accommodation sector, people	82800	87354	-20134	-38916	-777343
9	Employment dynamics in the tourist accommodation sector, percent	5.9	12.3	-23.6	-44.6	-88.5

10	Total losses in resettlement activities, million manats	0	0	56.5	109.3	217.2
11	Net losses from resettlement activities, million manats	0	0	25.8	49.8	98.9
12	Total losses in the activities of travel agencies and tour operators, million manats	0	0	6.6	13.0	26.4
13	Net losses in travel agencies and tour operator activities, million manats	0	0	3.9	7.8	6.0

Resource: <https://www.adb.org/what-we-do/data/main>

List of tables

Table 1: Impact of COVID-19 Pandemic on GDP and Consumption.....	18
Table 2: Possible Impacts of the COVID-19 Outbreak on GDP and Unemployment in the Short, Medium and Long Term.....	19
Table 3: Regional Poverty Rates (%).....	28
Table 4: Estimates for Asian Development Bank Azerbaijan.....	29
Table 5: The effects of the Covid-19 pandemic on the tourism sector in Azerbaijan.....	72
Table 6: Expenses of foreign tourists coming to Azerbaijan for tourism purposes.....	49
Table 7: The expenditures of Azerbaijani citizens traveling abroad for tourism purposes.....	49

List of figures

Figure 1: Impact of the pandemic on the labor market.....	14
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