

The 16th Economic International Conference
New Challenges and Opportunities for the Economy 4.0
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The new global economic crisis and economic measures adopted

PhD Student Iulia Balan
„Ștefan cel Mare” University of Suceava,
Romania

Introduction

- The world has changed dramatically since the beginning of the year , with the crisis caused by COVID 19 having a negative impact on the world economy as a whole
- The economic crisis caused by COVID-19 is the most burning topic in the world, and only a series of economic measures adopted by each state could save or diminish the effects of pandemic.
- Rare disaster, a soft, a cure-free, this coronavirus pandemic, has led to the tragic loss of human lives and a major economic decline

Economics crises in history of humanity

It seems that the history of the economy has been marked so far by 2 major economic crises:

- The Great Depression of 1929, which lasted 4 years, characterized by a dramatic decline in economic activity, having as a trigger the collapse of the US stock market, following the decline prices, the bankruptcy of banks and businesses, the rapid rise in inflation and unemployment globally; the most affected country was the USA

Economics crises in history of humanity

- The economic crisis of 2007, called the Great Recession, when banks' financial problems plunged the economy into recession. Banks sold overvalued mortgages, which led to the inability of the population to pay and to the provision of non-performing loans, followed by industrial collapses
- The world's largest banks were affected, with profound repercussions throughout the economy.

Economics crises in history of humanity

- In 2020, we are once again facing an economic crisis caused by an acute health crisis, which seems to be hitting the whole world harder than previous economic crises... and we still don't know the consequences of this crises
- What will the economy be like at the end of the year? Good question, without answer

Measures and actions imposed by the state

- All the states have already been implemented measures aimed at economic reorganization at the global level, common collaboration and interaction is needed to ensure that the world does not de-globalize, and that recovery is rapid, without astonishing losses of productivity.
- Globally, the International Monetary Fund will urgently provide \$ 1 trillion in loans to support its 189 member states, and emergency measures will be taken for poor states to reschedule debt
- In Romania, the establishment of a state of emergency at national level to prevent the spread of the disease already has important economic consequences on the business environment. In the first phase, there were massive decreases in revenues in the areas of tourism, foreign and passenger transport, horeca, organizing events, construction - especially residential and retail businesses (except for food or medicine).

Economic actions and measures adopted by the private environment

Commercial credit can save the business environment if it is granted intelligently

- Commercial credit is the main element for financing working capital and current activity, which cannot be consistently postponed because it generates the domino effect. At a turnover consolidated by the entire business environment of about 1,600 billion lei at the end for the year 2019, the commercial turnover with the suppliers represents about 70% (1,120 billion lei), resulting in a payment balance of about 373 billion lei (invoices reached due);
- The bank credit is 3 times lower, given that the balance of loans taken by companies from all credit institutions is 117 billion lei at the end of January 2020, according to the NBR report; most companies have interrupted or diminished their activity, being in the inevitable situation of payment of debts to suppliers, employees, tax contributions and banks

Economic actions and measures adopted by the private environment

The IMM INVEST ROMANIA program, grants to the companies credit guarantees by FNGCIMM on behalf and account of the Romanian state, through the Ministry of Public Finance

- As a short-term solution, it would be to access a loan for working capital / supporting current activity, guaranteed by the state, with the grace period and commission and interest 0 until the end of the year 2020
- The maximum guaranteed ceiling is 15 billion lei. The advantages of these loans are represented by costs, period, interest and public guarantee, but it remains to be observed if only this opportunity offered by the state will be sufficient for the continuation of the commercial activity.

The role of the banks in economy

Commercial banks become the main economic pillar of connection between the state and commercial companies, granting these financing based on the guarantees established by FNCIMM, respecting the norms and procedures in force, being supported by the commercial experience in lending and the necessary logistics.

- The experience of the bankers will remove the abusive behavior of the companies, which will surely try to create artificial conditions for accessing the loans
- By accessing loans, companies will be supported for the payment of salaries, suppliers, tax contributions, credit / leasing rates, rents and other short-term debts, so that the domino effect in the economy will be diminished.

The role of the bank in economy

Regarding bank loans and leasing granted by banks to companies prior to the economic crisis, measures will be taken regarding credit lines - by avoiding closing them until the end of the year, delaying the rates for working capital and investment loans for a period of 3 to 9 months

These measures, as well as supporting the granting of loans with FNGCIMM guarantee, canceling the restructuring of loans in order not to create bank provisions, postponing or free of charge of commissions for remote bank products in order to carry out the activity without continuously interacting with the bank would have the purpose recovery of trading companies and keeping in portfolio of clients the companies considered healthy.

Conclusions

Economic measures for the recovery of the economy must be taken early and implemented globally, so that the effects of the crisis will not be felt in the long term. If the state institutions together with the private environment will support each other, the economic crisis will have serious economic effects in the short term, but if there are no ways to support the private environment, it seems that we will be the spectators of an economic crisis like the one in 1929 or 2007.

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CONCLUSIONS

THANK YOU FOR YOUR ATTENTION!