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IMPACT OF THE COVID-19 PANDEMIC ON THE GLOBAL ECONOMY AND ON THE WORLD PRODUCTION OF PASSENGER AIRCRAFT

In April 2020, the IMF was forced to radically revise its forecasts for the development of the world economy. “The world has changed dramatically in the three months that have passed since the release of our last edition,” says the emergency issue of the report “World Economic Outlook: The Great Self-Isolation” [1, p. 5]. IMF estimates, the world economy to face the greatest fall since the Great Depression of the 1930s. The total loss of world GDP as a result of the so-called "Great Self-Isolation" could reach, according to the IMF, \$ 9 trillion. International experts emphasize that the current crisis is unlike any previous crisis in history for several reasons.

First, in terms of scale. The production cuts caused by the health emergency and the need to contain it are causing losses that are greater than during the 2008-2009 global financial crisis.

Second, as during a war or political crisis, there is a very high level of uncertainty about the duration and strength of the shock.

Third, in the current environment, economic policy plays a completely different role. During classic crises, policymakers try to support economic activity as soon as possible by stimulating aggregate demand. This time, the crisis is largely due to the adoption of the necessary measures to contain the virus. This makes

stimulating economic activity more difficult, and in the case of the most affected sectors, even undesirable [1, p. 5].

It is possible that the baseline scenario of 2020 will be followed by a new wave of the virus in 2021. Then, instead of recovery growth, one should expect a decrease in GDP by another 2.2% for the second year in a row. The worst case is that the epidemic will continue throughout the current year and a new outbreak next year will lead to a decrease in global GDP for 2020–2021. by 8% [1, p. 15-16]. In all of these scenarios, the rate of recovery will be lower than in the baseline, and countries will suffer even more damage. Financial conditions in this development will not be easy, and companies' bankruptcy and long-term unemployment will leave numerous scars on the economy.

The Fitch rating agency, according to the published forecast, expects by the end of 2020 more than in the baseline scenario of the IMF, the fall of the world economy - 3.9%. At the same time, the losses of individual countries and regions are assessed differently than in a similar forecast by the IMF. In particular, it is assumed that the GDP of advanced economies will decrease slightly to a lesser extent (the eurozone states - by 7%, the United States - by 5.6%, and the United Kingdom - by 6.3%). At the same time, according to the agency's estimations, economic growth in China and India will not exceed 1% [2, p. 1].

The international consulting company McKinsey, analyzing the economic consequences of the pandemic, has developed and presented a matrix of nine possible scenarios for the development of the economic situation and the recovery of world GDP. The worst scenario assumes the impossibility of taking control of the spread of the epidemic over a long period of time and a protracted recession with large-scale bankruptcies, defaults and a potential financial crisis, that is, the development of the situation in an L-shaped manner. In fact, this scenario repeats the pessimistic forecast of the IMF, but does not contain specific figures. Most experts are still leaning towards the options for a full economic recovery - a fast or slower V- or U-shaped type. Moreover, in both cases, there is a possibility that the rebound will occur unevenly and have a wavy line. It should be noted that the forecasts described above

are world averages and can vary significantly depending on the country and region [3, p. 23].

The world's largest manufacturers of passenger aircraft Airbus and Boeing will reduce aircraft deliveries in 2020 by 57% compared to 2019 due to the coronavirus crisis, according to a study by the insurance company Euler Hermes.

In 2021, the decline in production volumes will be 26% compared to 2019, which will lead to the need to reduce the monthly production of airliners to 40 instead of 60 in the pre-crisis time.

The market will need fewer aircraft due to the decline in global aviation traffic. Euler Hermes has downgraded its earlier forecast and, according to new estimates, in 2020 the passenger turnover of all airlines will decrease by 60% instead of 40% compared to 2019.

The traffic level in 2021 will be 35% less than in 2019, and is likely to return to pre-crisis levels only by 2024.

The new market situation will change the demand for aircraft types. Airlines will buy fewer wide-body airliners. The drop in supplies in this segment will be -67% and -57% in 2020 and 2021, respectively. The number of narrow-body aircraft transferred will decrease by -51% and -11% in 2020 and 2021. As a result, the share of single-aisle aircraft delivered will increase from 70% to 84% between 2020 and 2022.

Euler Hermes predicts that the crisis will lead to negative margins for aircraft manufacturers of -2.5%, while operating profit was 9% of turnover two years earlier.

The situation will also affect suppliers of aircraft parts and engines. On average, their margins will decrease from 11% to 3%. That being said, engine suppliers will be the hardest hit as airlines tend to park older aircraft, which require more maintenance to operate, due to declining traffic.

Reference list:

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