

The Impact of Covid 19 Lockdowns on Western Balkan's Economic



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ABSTRACT: Just a few years and a few months ago no one had heard of the coronavirus. Today this disease has profoundly changed the lives of millions of people. Thus, policy makers have been thinking about finding the answer to the economic crisis it has caused. What impact COVID-19 will have on the economy is immediately understood to be negative, but the extent of the damage will depend on the speed with which the authorities have undertaken to improve it and how willing governments have been to establish a kind of economic support for the immediate impact during the epidemic and the consequences it has caused.

March 2020 Covid-19 immediate lockdowns played a crucial role in controlling the fast rise in cases. Countries that had failed to implement an immediate lockdown oversaw the immediate rise in cases, with worst-affected countries including Italy, the United States, UK, and Spain. Former US President Donald Trump insisted that the pandemic would not have been lethal if the countries engaged in immediate lockdown. Lockdown measures also bore positive results in European countries and finally Western Balkan. However, despite the low cases in Balkan, countries that implemented immediate lockdowns, such as Greece, Romania, Montenegro, Serbia, and Slovenia, saw a rise in unemployment. Unemployment rose from 4.8% to 46%, illustrating the negative impact of the pandemic towards socio-economic welfare, with primarily the disruption of SMEs and MNEs being a significant concern.

BACKGROUND

Western Balkan occupies Eastern Europe, a region that experienced political upheavals between the early 80s to early 2000s; as such, the region has remained relatively backward as compared to the rest of Europe. The region features relatively large oil, minerals and metals deposits and good grain and livestock production (Export.gov, 2020). Subsequently, the eventual collapse of the Soviet Union paved for the growth of Western Balkan regional economies. In addition, there is a railway linking Asia and Europe, majorly passing via Western Balkan. The region features a large service sector, with retail, tourism, technology, and gambling. The region can be considered an emerging economy (Trade.gov, 2021) and (Sabha and Yan, 2021), with an increase in external trade investments, foreign direct investments, intellectual property/ artificial intelligence, and machinery, as well as featuring a good investment climate. The western Balkans state comprises Albania, Bosnia, Herzegovina, Croatia, Greece, Montenegro, Romania, North Macedonia, Slovenia, Kosovo and Serbia. The region occupies 666,700 km² (257,400 sq mi) and has a population of at least 72 million per the 2020 estimate (World Bank Group 2021).

In general, the countries of the Western Balkans, including Kosovo as the main indicator of economic growth have consumption which accounts for more than 60% of total growth. Since Kosovo ended 2019 with higher government deposits and relatively low public debt, there was little fiscal space to mitigate the effects of the pandemic, although this space was limited by the simultaneous increase in current expenditures. Forecasts made by local institutions show that there is a decline in the economy in the country. Initial projections for budget revenues for 2020 are projected to be around € 2,020.0 million, now revised down to € 1,788.0 million. During the period January-July 2020, € 928 million were realized, or 84% of the initial plan, respectively 96% of the revised plan taking into account the estimates as a result of Covid-19. While compared to 2019 we notice a significant decrease for this period of about 12.3% less revenues generated. On the other hand, budget expenditures have been revised upwards from € 2,357.1 million, now to € 2,620.4 million. Realization of budget expenditures for this period amounted to € 1066 million, reaching the execution rate of about 92% of the initial plan, respectively about 83% of expenditures according to the revised plan. So far, there is no accurate data on how much the economy of Kosovo has been affected by the measures taken by the government to prevent the spread of the coronavirus, but from the forecasts made by institutions and experts, it is a matter of great damage. Large economic losses will require adequate recovery strategies. According to the 2020 budget review, non-refundable donations are planned for budget support of around € 35 million, of which by August about 1/3 of them have arrived. Also without return it is foreseen that about 12 million € will be transferred in the form of grants determined by donors, which are intended for

The Impact of Covid 19 Lockdowns on Western Balkan's Economic

predetermined expenditures, by August has reached about 1/2 of them. All the rest of the funds planned for expenditures are repayable borrowing-debts. Based on the revised budget law this year the level of public debt is planned to reach 1.682 million or about 24.8% of GDP, currently it is estimated that the debt has exceeded 20% as% of GDP, only this year until August it is estimated that they are taken as debts about 200 million €, where 2/3 of them are from domestic borrowing dominated by the assets of the Pension Fund. It remains to be hoped in these financial means for the purpose of economic recovery during the years 2020/2021, which in total is planned to reach over 400 million €.

The region PPP and GDP are as follows:

Country	GDP in USD Billions	PPP
Albania,	14.034	20,411
Bosnia and Herzegovina,	18.893	20,942
Croatia,	56.768	40,582
Greece,	194.376	38,727
Montenegro,	4.943	28,371
Romania,	248.624	44,177
North Macedonia,	12.510	23,423
Kosovo	21,299	11,87
Slovenia	51.802	52,977
Serbia	51.999	28,395

However, despite the reliance on energy, mining, and industry, the service sector has been the worst hit, significantly affecting Western Balkan economic potential. From one look, the service sector accounts for 61% of the GDP, meaning the economy was the worst hit. Governments of the region declared massive lockdowns to control threats emanating from central European countries such as Italy. Quarantine, restrictions, and roadblocks placed in the entrance of significant cities in the region controlled the rise in cases. Gambling centers, nightclubs, arenas, and shopping malls were immediately closed. In addition, governments imposed a curfew, further restricting the movement of individuals arriving and departing various countries. Like other countries, governments imposed a mandatory quarantine for individuals arriving from an international destination.

COVID-19 EFFECTS ON WESTERN BALKAN ECONOMY

Unemployment

Covid-19 lockdowns immediately caused economic unemployment when companies, factories, institutions, entities, and organizations had to either go at minimal or no labor at all (Worldbank Group. 2021). However, the volume of production and small and medium-sized firms dropped. Primarily the unemployment was distributed as 53% and 45% in transport—however, the following section details how each sector was affected. In comparison, official unemployment ranged from 4.8% to 5.2%, the unemployed category (OECD, 2021).

Following changes and challenges due to increased unemployment from 4% to 46% percent, the following was considered (Worldbank Group, 2020, OECD, 2021).

- Staying Safe- Governments first measure to emphasize healthy by introducing and extending measure guidelines to ensure a safe return to work. The requirements support and implement workplace health and safety practices. World Bank's (2021) extraordinary approach aims to extend groups of workers and promote measures that prevent labor mobility. Connecting workers and occupation rehabilitation maximizing long-term labor maneuverability.
- Adapting Job Retention Schemes - Governments enrolled a model of the gradual reopening of constrained sectors to improve sustainability, cost management, and mobility and safety. The time-bound approach promotes workers' mobility while subsidizing and subsidizing jobs.
- Adequate Income Protection - Effective targeting of minimum income benefits promoting a fiscal approach aimed at continuous support of unemployed citizens. The Balkan governments engaged in measures aimed at helping jobseekers to get better opportunities online. The job readiness programs and job assistance options have been supportive during the lockdown.

The Impact of Covid 19 Lockdowns on Western Balkan's Economic

- Job creation - Through macroeconomic policies, the Balkan governments have improved policies aimed at re-employment, promoting appropriate job creation. The policymaking framework looks for fairer, safer and greener, most effective cushioning while hoping to resolve the future crisis, jobs, and incomes. As a result, they are building back better and stronger hopes at overseeing employment, economic and social policies improving the vulnerable groups.

Microeconomy and Macroeconomy

Mining

Covid-19 greatly disturbed the region's transport industry, with lockdowns in over 90% of global urban centers. Airlines, railways, and roads were greatly disturbed, by the lockdowns, lowering the oil demand. Equally, the hospitality industry was the worst hit, local hotels stopped operating, and Liquefied Natural Gas's demand went down equally. Although oil prices have remained unstable since the 2009 economic recession, mainly because of demand-related factors and geopolitical status, the current crisis has dramatically affected Western Balkan supply-side potential. Workers were unable to continue working, especially in concentrated positions. Western Balkan governments promoted work at home policies, and organizations were required to lower or even zero the need for employees on site. The oil industry had not prepared for this shock. Moreover, much of the working population in the sector are older adults who were most vulnerable to Covid-19.

OECD (2020) noted Covid-19 saw multiple governments suspend taxes on oil refining to spur demand; however, further evidence illustrates that the reduction in oil industry earnings was unmatched with infrastructure bonds and relief measures provisions. Besides about global lockdown, China was the worst hit during the early days of the pandemic; being the leading importer of oil from Western Balkan, there was a slow recovery when Western Balkan was finally hit (Globalmonitor.us, 2021). Changes in the supply and demand affecting both countries forced OPEC to engage in price revisions; the New Agreement reduced supply to 10%. So earnings and volume dropped, yet governments were issuing tax reliefs to contain the negative impact of the virus, especially to the service industry. The Brent Oil price of 2020 saw the drop in prices to \$30 per barrel, up from \$60 previously (Sharma, 2021), with OPEC and other stakeholders fearing the possible outbreak of an economic recession.

Service Industry

As previously mentioned, the Western Balkan service industry contributes to 61% of the total GDP; it is also the region's largest employer. However, the service industry features different sectors; the hospitality industry, as noted, was the worst hit by the lockdowns, it has not recovered to date. Oecd.org (2020) documents how the spiral and marginal impact influenced hospitality/ tourism, banking finance, and industrial services. Meanwhile, United Nations strategies on sustainable development aim to maximize achievements for the full enjoyment of human rights. The UN proposed interventions for vulnerable communities in the Western Balkan Society, primarily those who had lost jobs.

Unocha.org (2021) listed some of the vulnerable groups considered by the UN, which included support to people with disabilities, drug and HIV-related complications, LGBT, refugees, IDPs, and immigrants. Such communities were highly vulnerable, considering they either lacked incomes or targeted by militia. Un.org (2021) further acknowledged UN efforts in minimizing income inequalities by promoting fair taxation policies. Besides, the medical system can be considered as part of the service industry. However, the industry was the worst hit, considering globally, it was at the forefront towards fighting the pandemic. As a result, governments were heavily pressured to expand their infrastructure, hoping to control the outcomes witnessed in central European countries.

Manufacturing

Equally, the manufacturing sector suffered supply and demand constraints. As a result, Western Balkan governments issued compliance measures requiring all most manufacturing houses to halt activities and control congestion at the factory floor (Worksafe.vic.gov.au, 2021). Western Balkan manufacturing industry can be classified as food and beverage, electrical, machinery, chemical, metal, aviation, pharmaceutical, and medical equipment. While it might not have advanced the equipment manufacturer, its supply to the Chinese manufacturing giant has equally faced shocks.

A decline in aggregate demand for goods manufactured, supplied, and demand worsened inflationary rates. Although governments' entities, industrial managers and policymakers, placed appropriate policies and strategies for improving production and consumption patterns, Covid-19 has affected both sides of the distribution channel, primarily crippling the supply chain. Worksafe.vic.gov.au, (2021) models bests illustrate how the fall in nonessential products and services for Western Balkan, the manufacturer of the equipment, and machinery has dramatically declined.

Finance and Banking

Western Balkan has a reasonably large banking and finance industry, a sector that the pandemic has indirectly hit. Drawing from the challenges coupling the rest of the economy, primarily manufacturing, mining, hospitality, and transport,

The Impact of Covid 19 Lockdowns on Western Balkan's Economic

followed by shocks in Agriculture, the finance industry has had to stretch significantly to accommodate these changes. The financial recovery featured approaches of credit facilities, guarantees, and subsidies, deferral on loan repayment from banks and other subsidized loans for SMEs, and a fiscal relief plan that considers relief on income, property, land, and VAT taxes. In addition, governments have assisted microfinance with USD 2.4 bn loans to small businesses in the region (OECD, 2021). Governments further controlled interests rates below 15% annually. There is no ceiling for borrowing; however, business applicants have to specify the industrial they are borrowing. Furthermore, the state will be covering 9% of interests payments, meaning the borrows will be paying loans with only 6%. This keeps both the banks and the firms at business considering the pressures instituted by Covid-19.

Ideally, governments have had to revitalize the fiscal and monetary policies, lowering down interests on households and firms borrowing. Meanwhile, the Western Balkan economy is expected to recover by 2.5 percent in 2021; investment is only expected to rise below 1.0 (Worldbank, 2019), while inflation is expected to grow upper bound above the national average. Furthermore, governments have expanded funding to SMEs, providing an extra 1.5 billion to some small businesses receiving as much as they could have earned if the pandemic was not present. SME loans are priced at 8% with a maturity period below one year. The funds are channeled to critical areas, for instance, paying employee wages, suppliers, taxes, and dividends.

Insurance

The insurance industry occupies a delicate segment within the financial and banking industry, considering firms in the insurance sector will be indirectly but insignificantly following Covid-19. Essentially, all countries and sectors of the economy have been equally affected, while economic conditions have challenged the business models. Although few organizations are insured against economic changes, there lacks a specific product that meets the Covid-19 status (Shaw, 2020). However, multiple products such as Health Insurance, Housing, or Education have maintained a standard insurance cover. Although promises of economic recovery 2021. However, Garonna et al. (2021) notice that relatively undiversified product range concerns within a marketplace primarily lack the appropriate and competitive motivation to the insurance companies.

Media

While The Covid-19 has worst-hit tourism, Media and Housing would have taken a different position. Tourism, as discussed earlier, was the first and hardest hit since visitors would no longer visit Western Balkan for their beautiful mountains. While social distancing encouraged the growth of social media (van Dijck & Alinead, 2020), musicians began performing online to keep up their fan base. Social distancing further triggered office closings, requiring employees to work remotely. Nonetheless, evidence from (Waddell 2020) illustrates remote work, social distancing, and online education create demand for products and services delivered within the media industry.

Real Estate

Covid-19 has affected different industries significantly; housing and real estate were significantly affected. Due to lockdown measures, the loss of business meant high unemployment and poor ability to pay rent or mortgage returns. Although efforts to subsidize the households have been expanded, the monetary policy through the banks has not provided sustainable loans to individuals. Documents1.worldbank.org (2018) also notes the underperformance of the housing market threatened the share prices for leading real estate organizations, with retail being worst affected pre-Covid-19. Back in 2008, real estate faced significant market leverage, withstanding a challenging position within the stock. Diebold (2020) illustrates that the 2020 pandemic and possible recession has not affected real estate as such significantly. Direct cash transfers and survival mode of some sectors.

CONCLUSION

Covid-19 related lockdowns had a significant impact on the socio-economic welfare, worsening how the Balkans thrived. As illustrated, the loss of jobs/ income due to paralyzed activities affected food supply chains and the micro economy. From the economic point of view, lockdowns extended mining, manufacturing, insurance, agriculture, and mining complications. Equally, as evidenced, the social situation in Western Balkan has worsened, families and societies were deprived of their incomes. Although there is an imbalance between the merits and demerits of covid-19 to the economy, the disadvantages outweigh the advantages. The only positive impact was the growth of social media communities and family network growth. Meanwhile, governments have played a critical role in bettering business systems, policing, and community welfare programs by directly funding institutions, entities, and individuals. Although this has gradually improved the business model, some of the changes would indeed improve the Covid-19 status.

The Impact of Covid 19 Lockdowns on Western Balkan's Economic

Recommendations

Ideally, the Balkan governments have worked around the clock to have a stable and socio policy aimed at easing the challenges caused by Covid-19 as much as, it is vital to build a bridge of initiatives and score feedback.

Case Analysis

Governments should learn the exact figure of individuals who have suffered economically and socially due to the Covid-19 pandemic. The Balkan government's platform should understand the daily epidemiological figures to confirm the presence of unemployment best and understand the best reliable model of returning to work. Besides, multi-sectoral learning presents up-to-date information on the best containment measures while placing recommendations on what should be done. As such, the researcher takes the honor of completing a dissertation of this study to best cluster the problems, and have better recommendations.

Evaluate the ease of Economic Recovery Plans

Governments should analyze the ease of economic recovery schemes, addressing the impact of Covid-19 on the economy. Balkan Ministry of Economy and Ministry of Finance analyzes the emergency plan, evaluating the policy responses issued through Covid-19 fiscal and monetary engagement. As a result, the Balkans governments limit the socio-economic impact for Covid-19 and dedicate a policy for alternative economic growth, for instance, better service industry.

Continuous Support for Business

Governments should continue supporting local businesses supporting the Balkan governments for the small and medium-sized organizations. By consulting regional governments on economy, political engagement, planning, and finance the region should form an economic block, and possibly one region state part of the European Union.. Policy responses evaluate the best approaches that enhance competitiveness within the local economy.

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The Impact of Covid 19 Lockdowns on Western Balkan's Economic

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