

## **The coronavirus crisis and its impact on the global economy**

Prof. Dr h.c. Lothar Erik Siebler (Venlo University B.V. Netherlands)

The coronavirus crisis is comparable to the economic crises of 1929 and 2008. Many investors have underestimated the impact of the coronavirus pandemic for a long time. Fears of a global recession are growing. The DAX and S&P 500 have both witnessed the largest and fastest drops in a long time. Many investors compare the current economic developments with the global economic crisis of 1929 and the debt crisis of 2008, which started in the US.

The impact on the economy will be dramatic as central banks and governments will become increasingly aggressive. The drastic measures taken by the Federal Reserve and the ECB failed to calm the situation. In a shock move, the Federal Reserve cut interest rates by 1.0 percentage point (100 basis points) conveying a sense of urgency about the US economy rapidly sliding into recession as a result of the coronavirus pandemic.

In the fastest ever sell-off, it took the S&P 500 only 16 days to fall 30 per cent from its record high reached on 19 February to find itself in bear market territory. A bear market occurs when prices in the market fall by 20% or more from their recent highs. The DAX and its constituents operating in cyclical industries plummeted by 40 per cent from the record high reached on 19 February.

In China, retail sales collapsed by 20.5 per cent in February compared to the previous year. At the same time, industrial production dropped by 13.5 per cent and investments fell by 24.5 per cent.

The speed at which the coronavirus pandemic has been spreading across the globe since mid-February, in particular, in European countries such as Italy but also South Korea and the US, has shaken many investors. In many countries, the economy has ground to a halt. A growing number of experts are warning of a global recession.

References: Haid, Egmont (2020): Böse Erinnerungen werden geweckt 1929, 2008, 2020: So schlimm ist die Corona-Krise im Vergleich [Evoking bad memories the past: How bad is the coronavirus crisis of 2020 compared with the crises of 1929 and 2008]; published in Focus Money online on 19 March 2020.



Professor Lothar Erik Siebler

Born 5 March 1966 in Tiengen/Hochrhein, Germany

Professor at Venlo University B.V., the Netherlands

Member of the Business Administration Faculty's examination committee for doctoral students (PhD programme).

Honorary Professor in the Business Administration and Management Faculty at the N. Isanov Kyrgyz State University of Construction, Transport and Architecture, Bishkek.

Lecturer and instructor at IB Internationaler Bund, Bad Säckingen.

Member of various examination boards at the Hochrhein-Bodensee Chamber of Commerce and Industry.

Chief Juror for the Youth Chamber of the Waldshut-Tiengen Regional Court.