

# The current crises are negatively affecting the business and macroeconomic stability

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**Abstract.** The authors of this article aim to highlight how current crises (health, economic and financial, energy, food, etc.) have an effect on domestic and, especially, international affairs. At the same time, the aim is to identify and specify how the crises we are facing are jeopardizing macroeconomic stability. A number of study authors on the trend of the world economy have already stated that the world economy is practically in recession. This conclusion was reached based on the fact that, in addition to the crises affecting the world situation, the effect of the pandemic Corona virus, and the Russian-Ukrainian war (Russian-Ukrainian armed conflict) which is expected to be long-lasting. The prospect of a Russian-Ukrainian armed conflict leads to the conclusion that, at the European Union and individual level, each and every state will face difficulties with negative effects on maintaining macro-stability and the development of domestic and international affairs at a convenient pace. In order to determine these aspects, we set out to use the widest possible methodology of international comparisons, the use of statistical indicators calculated and obtained from the European Union, Eurostat, the National Institute of Statistics and the application of statistical-econometric methods / models to obtain the parameters that will form the basis of the future comparison and, especially, of establishing the evolutionary trend of the world, European economy and, especially in this case, of Romania.

## 1 Introduction

In this article, the authors started from the fact that the world economy, the European Union and each state is very seriously affected by the accumulation of crises that currently affect the evolution of national economies and that act in conjunction. In this sense, the health crisis is presented (Covid-19), then the economic-financial crisis, which in fact derogates from the health crisis. Later, there were other crises regarding the existence of limited energy resources in the world, a context in which the energy crisis developed, which in turn led to other crises, namely the food crisis.

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Above all, as a negative element of influence, is the crisis caused by the war in Ukraine as a result of the occupation of this country by the Russian Federation, which has extended its effects on the entire economy of Romania and at least all European countries and the US.

These crises have the effect of reducing the results obtained by each state with an immediate impact on the standard of living of the population in most countries of the world. In this context, the authors address issues of change that need to take place and are currently manifesting themselves in international trade and transactions, which are, of course, on the path of modernization and digitization, respectively.

The digitization of trade will be an important element that will influence domestic and international transactions in goods and services. The digitization of trade will have socio-economic effects, meaning that digitized international trade will become a predominant institution that will manifest itself fully in terms of international trade.

## 2 Literature review

Over time, a number of breeders have raised issues that we have studied and presented in this article. As a consequence, a number of works are directed in this direction. An important number of international bodies have also taken into account the economic development of the Member States of the European Union. Thus, Baldwin and Forslid (2019) were concerned about the situation of international trade and showed that their future depends on the speed of digitization [1]. Bańkowski et al. (2021) are concerned about the macroeconomic impact of the Next Generation EU instrument on the euro area [2]. Becker (2021) is concerned about the European Union budget on the multiannual financial framework 2021-2027 [3]. A similar theme is presented in the work of Begg (2017) [4]. Bonatti and Tamborini (2021) discuss the issue of rising inflation, which has become practically a challenge for central banks [5]. Cirlig (2019) focused its studies on Brexit and its implications for the evolution of the European Union [6]. Corti and others (2021) are concerned with comparing and evaluating recovery and resilience plans [8]. The Committee of the Regions (CoR) and the European Council of Municipalities and Regions (CEMR) presented the results of their ancestral research in a paper on the involvement of municipalities, cities and regions in the preparation of National Recovery and Resilience Plans [7]. D'Alfonso (2021) is concerned about the effect of the decision on own resources at national level [9]. D'Alfonso and Sapala (2015) are concerned about payments made from budgets adopted by the European Union [10]. Darvas (2020) is concerned about the ability of EU member states to absorb and spend funding well for recovery and resilience [11]. Freund et al (2019) tried to indicate that digitized trading services will lead to an increase in the speed of actions [12]. Hallak et al. (2021) are concerned about the results of the trade and cooperation agreement between the European Union and the United Kingdom of Great Britain and Northern Ireland [13]. Margaras (2020) is concerned about specific flexibility measures regarding ESI funds in response to the coronavirus outbreak [14]. Mazur (2019) is concerned about the steps being taken by the European Parliament in adopting the annual budgets of the European Union [15]. A similar theme is analyzed by Sapala (2020), analyzing in this respect the flexibility of the European Union budget in the multiannual financial framework [16]. Šlander and Wostner (2018) who analyze the cohesion policy in the European Union [17], and Verblane (2016) makes a study that highlights the usefulness of structural funds in the European Union [18].

## 3 Methodology, data, results and discussions

### 3.1 Research methodology

The world economy, the European Union and each individual state are currently facing a series of crises, which are acting in concert, causing great difficulties for national economies. After the onset of the coronavirus or Covid-19 health crisis in 2019, the world economy has entered an unfavorable progress in reducing the activity and the results obtained. The measures taken by each state, with a view to limiting the infection of the population, have had particular effects on macro-stability and economic growth.

In 2020, there have been successive losses in terms of economic growth due to this crisis. The crisis we are talking about was then combined with an economic and financial crisis that deepened the crisis of national economies even more.

The year 2021 and the beginning of 2022 continued in the same line. Gradually the armed conflict (war) between Ukraine and the Russian Federation appeared in February 2022. The crises were conjugated and in this way the energy crisis was immediately triggered. The energy crisis, however, at the stage of attention given the rather small resources internationally (oil, gas and coal), has led to rising prices.

However, the armed conflict has led to the imposition of reciprocal restrictions by the countries of the European Union, the United States and the rest of the countries affected in relation to Russia on the cessation of imports of natural gas and oil, replaced by imports of liquefied gas from the United States. Of course, in turn, the Russian Federation has imposed a number of conditions, especially with regard to the supply of natural gas to the Member States of the European Union.

These reciprocal restrictions have had catastrophic effects on the economic situation of each state, leading to an unprecedented energy crisis, which has led to an increase in their price from producer to consumer with a major effect on the deterioration of quality of life in all states, but especially in those that depend on imports from the Russian Federation.

Gradually the effect of the unprecedented rise in the price of natural gas and oil led to an alarming rise in the prices of other products, triggering a food crisis.

All these crises that act in concert on national economies have led on the one hand to the disruption of international trade relations and on the other hand to the reduction of the results obtained by each state. Thus, the galloping inflation is in the process of increasing and affects the real value of the macroeconomic indicators obtained. On the other hand, unemployment has also emerged as a result of the reduction of jobs in some areas, such as tourism, domestic and international transport and even other activities. On the other hand, resources are limited and states are thinking of foreshadowing some strategies to help recovery and resilience to avoid the even more harmful effects of the crises we mentioned.

One by one we will consider these aspects to see how they have evolved. First of all, we must note that the countries of the world are in the process of adopting the introduction of artificial intelligence, which will play an important role in the future on micro and macroeconomic activity. Digital innovation has been made possible by increasing the role of research in this field. Many companies have already moved on to this issue.

The application or introduction of digital applications in the economy is of particular importance and involvement. Digital technology is based on changes in the way of thinking and action of the wider population. Developments and analyzes in the database lead to the conclusion that in the future there will be a real revolution in the transition to digital services.

### 3.2 Data, results and discussions

A first and fundamental change will take place in terms of trade, transaction efficiency and consumption, which will become much easier and more relevant. In this sense, a significant number of people will have to be made available to find work, to find jobs, and this must lie in the ability of states to invest in job creation.

Digitization in trade and industry will have socio-economic effects. In this context, the development of technologies will produce a clear alternative to replacing the workforce with aspects of the digital economy. The digitization of trade will be an essential element that will produce special effects in domestic and international transactions of goods and services.

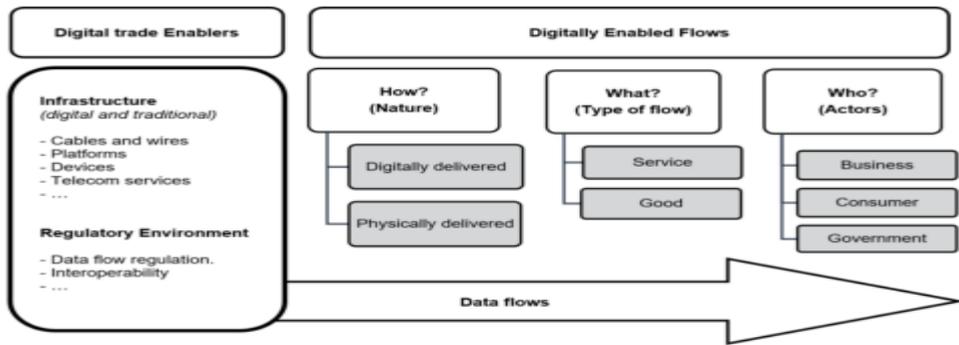


Fig. 1. Typology of digital trade (Source: European Commission).

The digitization will make trade and transactions much faster, equivalent to a reduction in the number of employees on the one hand, and on the other hand to increase labor productivity. The goods and services will be traded in this way in order to ease the conditions regarding the international commercial transaction, but also domestically.

The digitization of trade will have socio-economic effects, meaning that digitized international trade will become an institution that will have special effects in terms of the efficiency of national and international transactions. Unfortunately, this will lead to the release of a significant number of employees from the economy, but there is no problem that this will be done without a negative effect because the professional retraining that needs to be done will mitigate the effect of digitizing trade.

However, as some researchers Baldwin and Forslid have shown, the future of international and national trade will be digitalization. Manufacturing production, distribution production needs new technology specific to this digitized trade standard. Of course, the services and goods that will be digitized in international trade will be affected by the Covid-19 crisis, but at the same time it will be necessary to intensify this process precisely to eliminate the effects that this crisis entails.

The question is whether in this phase of globalization, which is being questioned at the moment by the prospect of a new global setting, it will be able to be less slowed down than expected by the crises acting in a unitary way.

With regard to international trade policy, both intra-Community and extra-Community, it is expected that digitized services will reach a very high level in order to maintain the efficiency of these activities.

In line with Freund's assessment of the OECD, it is clear that digitized trade services will lead to a rapid and concrete increase in activity between countries around the world. In this context, economic negotiations on production, sales, management, delivery of goods and services by electronic means will have the effect of increasing production because the

barriers imposed by some states are reduced. It is also recognized that the digitization process will be somewhat hampered by the crises facing humanity.

With regard to international trade based on the laws underpinning this international trade activity and the perspective of digitalization of trade, it follows that digitized trade refers to the use of artificial intelligence in particular, as well as the fact that the use of information systems creates some advantages and disadvantages. In this way, a few remarks seem important to me.

The rules of the international trade concern the possibility of the international agreements being concluded by companies, multinational entities and as well as many other aspects concerning the performance of such transactions. The artificial intelligence can be incorporated into a variety of forms, such as artificial intelligence and its outcome in transactions.

There are also some barriers in international trade in goods and services that need to be integrated into the vision of artificial intelligence. In this sense, we must see that the localization of regulations in international trade is done according to the legislation provided in the contractual situation.

With regard to the use of digitized issues in international trade in services, it must be borne in mind that this requires a well-defined application. Of course, international trade in goods, but especially in services, must take into account a number of issues such as nations, the treatment encountered in each country in connection with this development of services, the individual legal treatment in each country, regulations of a country, as well as access to the international market for each good. For example, location is important because we know under what conditions these transactions can be performed, the rules that apply must be observed all the more in the digitized system and also the transfer of services and goods must be justified, to ensure its realization in conditions security, public moral attitude and respect for the conditions of confidentiality.

These aspects are very important because the agreement on the technological information provided in the contract must be respected and then take into account the exceptions that may occur in situations of entry into the customs territory from one country to another, prohibitions or the location of technological measures that may there is the protection of data and information sources in contracts, which also need to be well developed.

The free international trade is the current form in which goods and services can pass from one country to another on the basis of trade agreements that must be made in close accordance with international provisions. In this respect, there are Canada-European Union agreements in the field of trade. There are also provisions for trans-Pacific and trans-Atlantic trade.

Some aspects of digitized international trade relate to the fact that they must be considered part of a policy used by partner states. Digitized international trade is a policy that will develop in the coming period. Given the European Union regulations on some aspects of the confidentiality of international transactions, they must be respected and taken into account.

The European Union should increase its competitiveness and introduce a strategy in international trade in services and have the most convenient methods of delivering them.

We have talked several times about digital commerce and, in this sense, we can consider that it has the following advantages. First of all, delivery services from one country to another can be done absolutely online. The consumption of companies that produce these services, especially tourism, must enjoy a national process of digitization in the first place. Foreign companies that have branches in other countries and produce services must use the services of a bank with a branch located in that country. With regard to international

tourism, it follows that it must be fully digitized and meet the requirements of this form of digitization of trade.

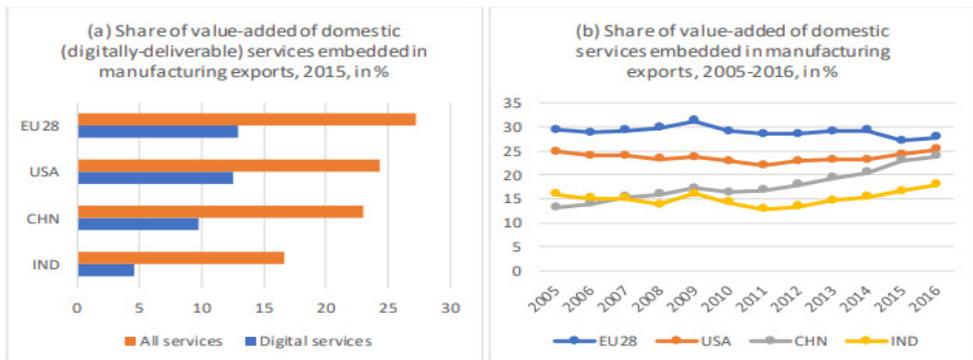
We must also keep in mind that international trade in goods and services globally is in fact a chain of operations that takes place from the negotiation, preparation, application and performance of contracts. Thus, the OECD's view of international trade in services has developed more in some countries and less in others.



**Fig. 2.** OECD Statistics on International Trade in Services (Source: OECD, Balance of Payments).

The comparison of the values regarding the domestic services exported in the system with 27 countries shows that in the European Union the intra exchanges take place as in a national framework of realization from one entity to another. In other words, when they go beyond the national framework, another situation is shown. Thus, from figure number 2 it results that the increase of exports in the period 2005-2019 between the countries of the European Union, the United States, China and India had a certain evolution. Thus, the goods traded in China and India were quite high, and in the European Union and the United States lower. The services have also been highly developed in India.

The balance of the foreign trade balance expressed in millions of dollars is shown in this figure, resulting in the United States having the largest deficit in this balance. The only one that has positive effects on exports and imports is the European Union of the 28 states before Brexit. Also, the added value of the exported services is presented in figure number 3 in which on the same comparative structure the European Union, USA, China and India show the share of the manufactured services, exported in the period 2005-2016 the data being expressed in percentages.

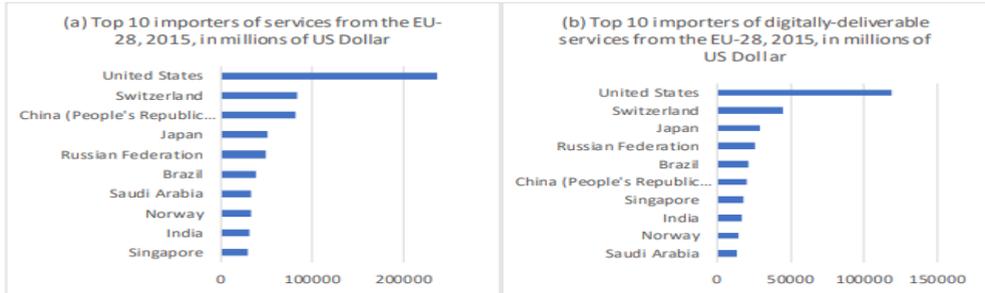


**Fig. 3.** Value added of services embedded in manufacturing exports (Source: OECD).

Figure number 3 shows the increase in commercial services produced in 2010-2018, comparing imports and exports in terms of digitized delivery and physical delivery. In this

sense, we will see that imports have a fairly high degree of digitalization, but exports are also in this situation.

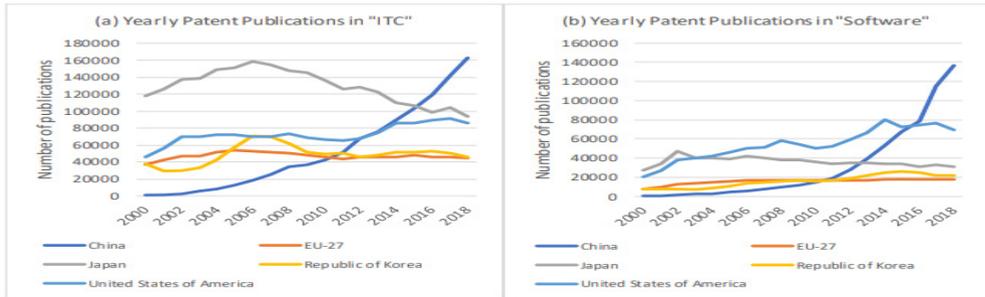
Another important situation with regard to international trade between the European Union and other non-member states is shown in Figure 4.



**Fig. 4.** Top importers of service from the EU-28 (Source: OECD).

We find that the United States is the largest importing country in the European Union, followed by other countries, such as Switzerland, China, Japan, Brazil, Saudi Arabia, which have quite high shares in trade with the European Union of the 28 states. The same trend is maintained in the current conditions when the member states of the European Union have been reduced to 27.

Another key aspect is the advertisements that are made regarding the export of goods, especially in the online system using the software capacity to promote such a policy.

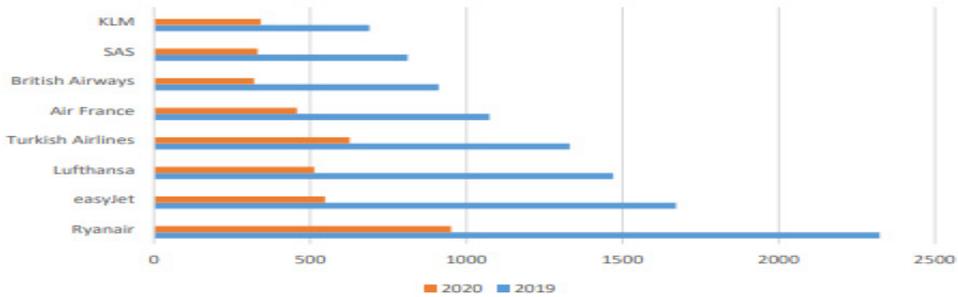


**Fig. 5.** Yearly patent publications in ITC goods and software (Source: European Commission).

Figure 5 shows that all 27 member states of the European Union, as well as China, Japan, the United States and Korea, have a certain evolution, of which China has the largest explosion in this field, surpassing all other states. It is found that the European Union of the 27 Member States and Korea have a somewhat similar course.

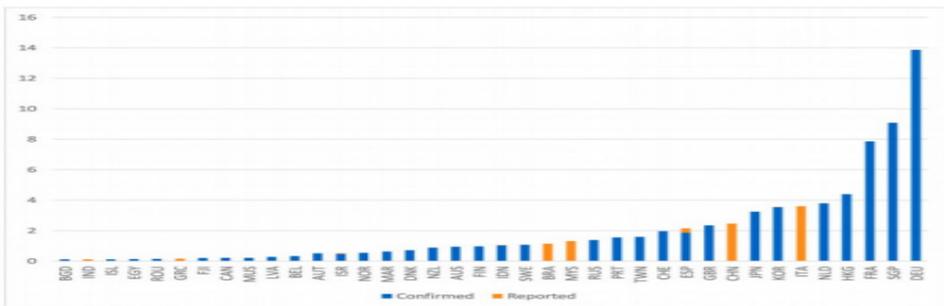
It is worth noting that in international trade those trends have been maintained, but they have been seriously affected by the problem of restrictions given by the crises that humanity is currently facing. In this respect, the geopolitical aspects of digital commerce are quite significant. The crises that have disrupted international trade, which in the case of Romania leads to a deficit of the trade balance of payments of over two billion euros every month. Other countries in the European Union have also recorded such balances which are sufficiently detrimental to the evolution of that trade.

In other words, we find that tourism and international transport have been most affected by the crises facing the world economy and specifically each country. In this respect, air transport decreased in 2020 alarmingly compared to 2019. Figure 6 graphically shows this decrease.



**Fig. 6.** Europe Top 8 aircraft operators (Source: European Commission).

The restrictions imposed primarily by coronavirus have led to the closure of some airports, the closure of some countries in terms of international transactions and a substantial reduction in the profitability of international trade.



**Fig. 7.** Government support to airlines in the aftermath of the COVID-19 pandemic (Source: European Commission).

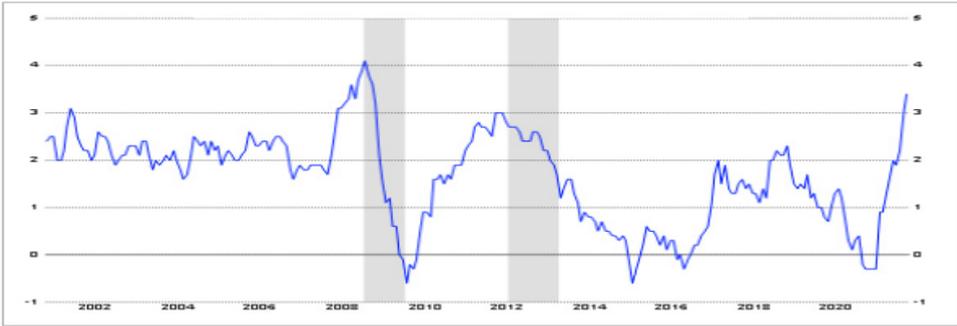
Figure 7 shows the situation of the effect that the Covid-19 measures on reducing the infection of the population on the states of the world had. In this sense, we can see from this figure 7 that governments individually have sought, but without much success, to support the recovery and maintenance of international transport at an acceptable level.

The European Green Agreement is a concern of the world's states, taking into account primarily the natural climatic conditions up to 2050 to be taken into account in determining the efficiency of international air transport.

Two economic phenomena are determined and have high increases due to the crises that humanity is currently facing. Thus, an analysis of inflation shows that it has destructive effects on most countries in the world.

According to the European Central Bank, which conducted a recent analysis, it is shown that this crisis has had devastating effects on revenue growth in countries that use this banking system consistently. Of course, the revision of the inflation target has suffered in the last period of time. The Covid-19 crisis has imposed an increase in unemployment in most countries of the world, reaching very high figures in 2021 and especially in 2022. In Romania, for example, in May this inflation figure was around 15%, and researchers anticipate that it will increase even more by the end of 2022, not excluding the possibility of increasing in the next period.

The strategy behind this alarming rise in inflation has been unproductive because this uncontrollable outbreak has had far-reaching effects.



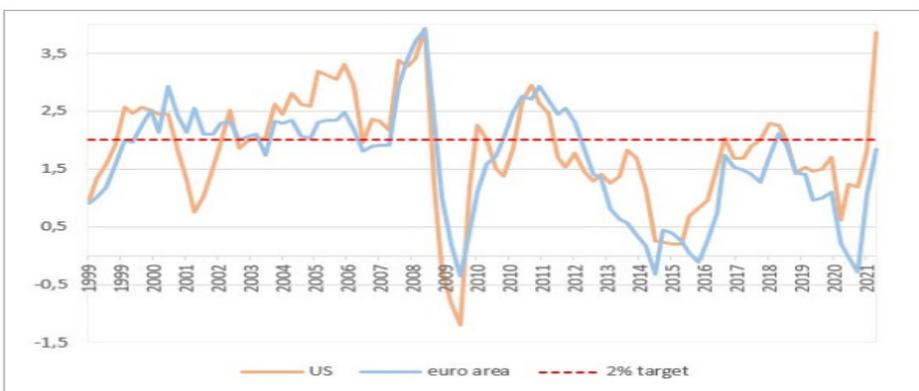
**Fig. 8.** Euro area annual HICP inflation rate (Source: European Commission).

Figure number 8 shows that such a situation was encountered in the period 2008-2010 when it was written in economic and financial, and in 2021-2022 it has a much larger volume affecting the entire economic evolution.

Based on rising inflation, the real incomes of the population have fallen sharply. Price control cannot be done because the effects from producer to consumer are increasing, and the budget revenues of most states, including Romania, are totally insignificant.

There is a danger that this inflation rate will increase in the next period as well. From this point of view, the problem is that the states of the world use the resources they have as economically as possible, to engage them in really efficient projects in order to be able to achieve a lever in the way of this inflation.

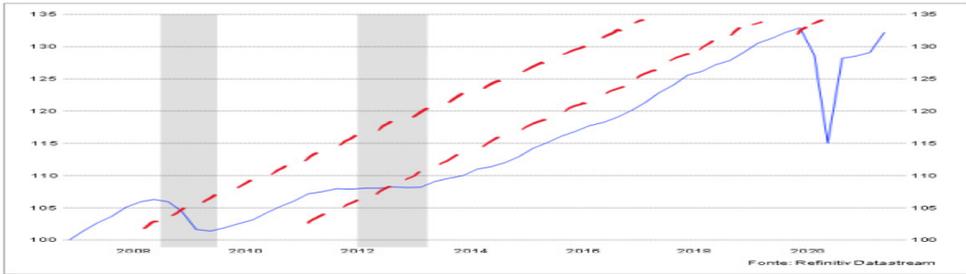
Inflation has evolved rapidly, especially in the United States between 2021 and 2022, but also in the euro area when there is an increase of about 2% per year. In the United States, this increase exceeded 3.5% per year.



**Fig. 9.** Inflation rates in the US and in the euro area (Source: European Commission).

The point of view of all states is that we must intervene quickly through programs that will stop the accelerated pace of inflation and avoid the shift to hyperinflation, to which we are very close.

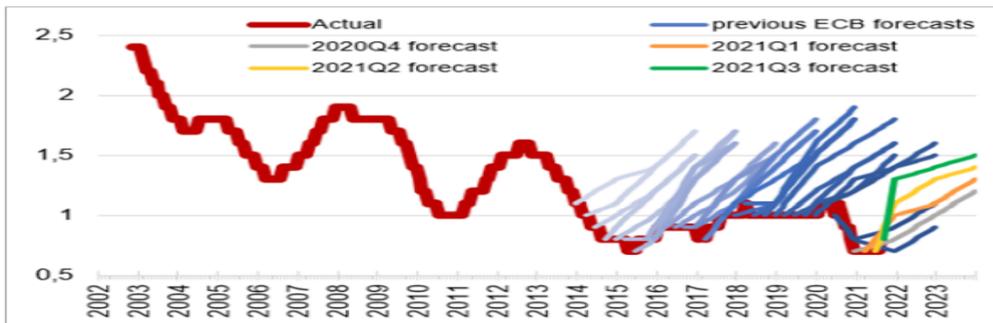
The Gross Domestic Product in the period 2008-2021 had an interesting evolution with an extraordinary fall in 2020 and a recovery then starting slightly with the second part of 2021 and this was achieved mainly due to the exaggerated rate of inflation.



**Fig. 10.** Euro area nominal GDP (Source: European Commission).

The data in figure number 10 clearly express the way in which inflation has evolved and especially the way in which the Nominal Gross Domestic Product has evolved, there are elements that considered in the evolution strategies accordingly will have the required results.

One problem that arises today is that if this particular rise in inflation and the deterioration of macroeconomic performance in almost all countries of the world raises the question of a new reset. The European Central Bank in 2021 has shown that monetary policy and strategy are the result of a framework in which the effects of the crisis make it difficult to establish a reasonable exchange rate. Monetary policy is justified by the structure of changes in economies that have advanced since 2003, and in 2019-2022 reached a very special situation. The biggest change occurred after 2014 in which an attempt was made to maintain a reasonable inflation, but which in 2019 broke out again. Monetary policy is negatively influenced by how inflation has acted and degraded results around the world. Thus, figure 11 shows that macroeconomic projects for the euro area where inflation is high make these targets somewhat discussed and jeopardized by the evolution of inflation.



**Fig. 11.** ECB staff macroeconomic projections for euro area core inflation (moving 12-month average rate of change) (Source: European Commission).

There are three objectives of stopping inflation, namely firstly to adopt a stable policy in most countries of the world, use the monetary policy framework to stop the inflationary jump and thirdly the role of central banks that can hold and better control the monetary situation.

Financial stability is the decision of monetary policy that must be guided in order to maintain a balance between the money supply needed and the money supply on the market.

## 4 Conclusions

From the study of this article entitled *The current crises negatively influence business and macroeconomic stability*, some theoretical and practical conclusions can be drawn. Thus, it is for the first time in the world after 1944 a combination of crises that have a direct and immediate effect on the evolution of the economy of each state in the world.

The pandemic crisis correlated with the economic and financial crisis, determined by the first, have already produced effects between the fourth quarter of 2019 and the first quarter of 2022. These must be the basis of programs, such as a recovery and resilience program through which states Member States of the European Union to be supported in overcoming the effects of these crises more quickly.

An energy crisis then erupted due to reduced resources. That is why there is the problem of expanding exploration to discover other energy resources and the use of appropriate international exchange as much as possible.

The crisis caused by the war in Ukraine imposed an unprecedented energy crisis due to reciprocal measures taken by the two sides, the Russian Federation on the one hand which stopped the export of natural gas and oil to European Union countries in the first place, but also to other states. of the European Union, the United States and others that have imposed restrictions on relations with the Russian Federation. These restrictions lead to the conclusion that they have a boomerang effect on all economies. The conclusion is that in the current conspiracy all these crises that act in conjunction produce great difficulties for national economies.

The comparative study shows that the member states of the European Union and in this context of each state, including Romania, are more seriously affected than others, for example India, China, Japan, which feel more easily the effect of sanctions imposed by both parties.

The conclusion is that similar to the recovery and resilience plan, other rapid measures must be taken to stop the effects of these crises, namely inflation, unemployment, reduced production, affecting international trade and thus trying to return to macro stability, ensuring - thus maintaining macroeconomic proportions and correlations.

Another conclusion is that the measures to be taken must take into account the standard of living of the population which at the time of writing is seriously affected, but an even greater degradation is anticipated in the future. We must immediately reach a more active cooperation within the European Union in which the projects to be undertaken will include mainly a number of countries, including the poorest (the last to join the European Union) and thus create a climate at least morally internationally that no longer produce the effects we mentioned.

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