

Chapter 10

A SECTOR BASED ANALYSIS OF SUPPLY AND DEMAND SHOCKS DURING COVID-19 PANDEMIC

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INTRODUCTION

In the history of the world, the 20th and 21st centuries have witnessed many epidemics which were declared to be pandemics. These pandemics have affected the world in economic, political, and demographic terms and played a leading role in the initiation of various transformations. These transformations have led to permanent changes in working conditions, lifestyles, and management methods, and even climatic improvements have been observed. In December 2019, a new virus, which was identified to have originated from the coronavirus family and therefore was called the new coronavirus (COVID-19), was detected in Wuhan province of China (Baldwin and Mauro, 2020, p. 5). As of March 11, 2020, the World Health Organization announced that due to the virus that affected the whole world in such a short period as three months, 118 thousand cases were confirmed in 114 countries, and 4,291 individuals lost their lives and that this rate was expected to increase, and for that reason, they declared COVID-19 as a pandemic. As of the end of August 2020, the number of those who lost their lives exceeded 817 thousand and the number of infected patients approached 24 million.

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tries such as Turkey, has become incapable of production can not sell goods to China. Thus, a supply crisis arose. On the other hand, social isolation has also changed consumption habits. Demand fell due to loss of income, fear of contagion, and uncertainty, people spent less and this created a demand shock. When the supply and demand shock experienced a lot of information, international trade and virtual connections had greater effects, which further damaged global economic activities. Although the measures that can be taken to get out of this situation are limited, it is vital that governments and policymakers take concrete, comprehensive, and targeted fiscal, monetary, and financial measures and quickly implement these measures to help affected households and companies. Cash support, wage incentives, and tax reductions can be given to damaged households and companies to survive. In addition, supply chains can be diversified and geographic diversity can be created to distribute risk. Where possible, creating local alternatives can be prioritized, digital channels such as marketplaces (e-commerce) can be included in the chains, shortening the chains and increasing their efficiency can be prioritized.

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