

THE NEW NORMAL IN THE GLOBAL ECONOMY

The time we live today in is not simple. Humanity faces grave challenges almost every year. Among the strongest of them are the coronavirus pandemic, which started at the end of 2019 and has continued up to this day, Russia-Ukraine conflict which began on February 24th, 2022. These acts changed the world and caused a global economic slowdown. Therefore, many specialists say that the low economic growth rates are the current trend in the global economy. It is our new normal.

For discovering the essence of the new normal, this work undertakes three tasks: to define the term, to confirm the presence of it in the global area and to identify ways to deal with it.

The term “new normal” firstly appeared after the Global Financial Crisis of 2008. American economists M. El-Erian and B. Cross were the founding fathers of this concept [1]. The phenomenon of the “new normal” includes the following statements:

1. The low economic growth rates are not temporary condition.

The global economy, still reeling from the pandemic and the conflict between Russia and Ukraine, is facing an increasingly gloomy and uncertain outlook. Growth shows slowing down from last year's 6,1 to 3,2 % this year and 2,9 % next year, downgrades of 0,4 and 0,7 percentage points from April. This reflects stalling growth in the world's three largest economies — the United States, China and the euro area — with important consequences for the global outlook [2].

2. The public debt will reach its maximum for many countries.

In order to prove the above-mentioned, let us consider the United States' practice. Nowadays America's debt problem has reached a critical point. Public debts outstanding has surpassed \$31 trillion for the first time ever [3]. Moreover, according to a forecast from credit ratings agency Fitch, global government debt will reach \$88 trillion by the end of 2022.

3. Low interest rate policies designed to stimulate economic growth do not always work.

This statement follows from the first point. Bank profitability tends to go hand-in-hand with economic activity. In the current situation, banks became unprofitable to lend economic entities. Due to that, they are beginning to scale back rather than expand.

Thereby, we come to conclusion that the world is actually entering the new normal. At present, it causes more negative effects than the positive ones. For example, there is a high probability that a global recession is likely to start in 2023 or around, but it is impossible to predict how severe it will be or how long it will last. However, we can have no progress without change, even if the change is painful.

To sum up, in the «new normal» environment, where the competition of producers in world markets is increasing, macro-level regulation of the economy

should take the national policy structure into account, identifying priority industries and economic activities to produce goods and services for domestic and external markets. This process will help every country to deal with the new normal.

References

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