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# **Economics Internal Assessment**

**Sample**

*Rapid deterioration' in  
global investment flows as  
Coronavirus spreads*

## IB IA

“Article link: <https://news.un.org/en/story/2020/03/1060412>”

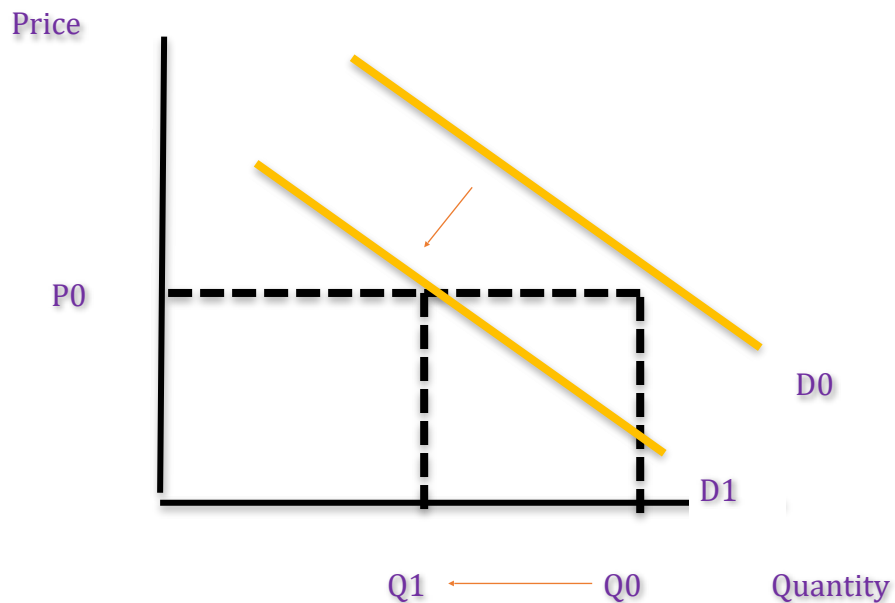
The Coronavirus pandemic has affected so many countries of the world adversely. Over 210 countries of the world are suffering due to this deadly and highly contagious virus. Economies have also had to go into lockdown in an attempt to slow down the speed of this virus spreading at a fast pace. Many companies have gone out of business; the unemployment rate all over the world has risen because many employees have been fired. The global economy has gone into a serious recession as of now because of the lack of aggregate demand in the global economy. Some countries have been affected more than others, but they have been affected.

The article that I have chosen talks about how global investment has taken a downward trend. People are not wanting to invest anywhere as of now, given the unfortunate situation of the economy. People are trying to save up as much as possible because uncertainty is lurking around everywhere. People have no idea what is going to happen next, and it is this uncertainty that is haunting most people. No one knows what exactly can and should be done about this. People only choose to invest in other countries when they can be sure of the kind of returns that they are going to get. In uncertain times, people refrain from investing because there is the fear of them going into a considerable loss. That is precisely the kind of doubt the Coronavirus pandemic has put into the hearts of most people. People are not sure of whether or not they will get any returns when they make investments, and that is why they are not investing.

This article also predicts that global foreign investment will continue to drop in the year 2020. Even when the Coronavirus pandemic ends, it will take some time for people to regain confidence in the economy. It is not something that is going to happen over a few days or a few months. No one knows how the situation is going to unfold, but what can be said is that the near future seems dark. A source reported that “Ultimately, the decline will depend on the severity and duration of the pandemic across different regions and countries, and the scope of containment measures that Governments are forced to put into place.”

The graph below shows how aggregate demand in the global economy is further expected to decrease as time progresses.

**Figure 1: Low demand in the global economy**



From the graph above, it can be seen that aggregate demand in the economy will further go down as a result of this pandemic. Since all economies are severely affected, people have become unemployed, and ultimately the purchasing power has gone down. Before the pandemic hit the world, the aggregate demand in the global economy was at D0, where a quantity of Q0 was demanded at a price of P0. But as a result of this pandemic, the aggregate demand has seen a downward trend and has dropped to D1. This means that at the same price level of P0, a quantity of Q0 is now demanded. It is yet to be seen how long it takes for the economy to revive fully. But what can be said for sure is that it is not going to be soon.

Multinational companies all over the world are said to be those companies that account for a considerable amount of foreign direct investment. These companies have said that their earnings are predicted to fall by around 30% this year, given the situation that prevails. UNCTAD has said that this virus is going to be here for a while now and that most people have to bear with it. The stakeholders most affected the most by this kind of low global investment flows are governments. Their revenues will significantly be going down, which implies that they will not be able to invest in the economy like they used to. This will, in turn, impact most people. In terms of the companies that will suffer the most, it can safely be said that these will be multinational corporations since a lot of their revenue comes from different countries of the world (Massoi).

## References

Massoi, Assumpta. 'Rapid deterioration' in global investment flows as Coronavirus spreads: UN trade body. 26 3 2020. <<https://news.un.org/en/story/2020/03/1060412>>.



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