



# **COVID-19 Business Impact Update**

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## Introduction

In the final months of 2019, the World Health Organization (WHO) reported the first cases of the COVID-19 virus occurring across the globe. In 2020, COVID-19 declared a global health emergency, officially classifying the worsening cases of COVID-19 as a pandemic. As of January 2021, COVID-19 continues to affect the lives of millions of people across the globe with more than 100 million people having contracted the virus and over two million people having died from the virus. This report will explain in-depth the effects that the COVID-19 pandemic has had on various business sectors within the United States.

## Agriculture

Throughout the COVID-19 pandemic, empty shelves at grocery stores have become a common sight, which may have led many to believe that the American agriculture industry must be faring well. However, the reality is that it is quite the opposite, as the Farm Bureau has been working to acquire a \$23.5 billion aid package for farmers and ranchers.

With a high change in consumer purchasing behaviors, prices for many goods have sharply decreased with the cost of milk dropping 40%, ethanol by 35%, and cattle by 25% to name a few, greatly affecting the businesses of farmers and ranchers.

Additionally, there has been an impact on the availability of farm markets as some local governments have ordered them to be suspended. As a result, many farmers and ranchers who depend on direct sales to the consumer rather than to a restaurant business have seen a decrease in revenue and continue to struggle to stay afloat.

## Food Service

According to the National Restaurant Association (NRA), American foodservice is expected to take a \$225 billion impact, with roughly 5 million to 7 million jobs being lost due to the COVID-19 pandemic. As a result, the NRA is asking for a \$145 billion restaurant and foodservice industry recovery fund.

As the industry continues to struggle, the NRA has discovered in a new study that 17% of restaurants have either “permanently closed” or have closed “long-term” due to the COVID-19 pandemic, with only 48% of the former restaurant owners who believe they will be able to reopen in the coming months. As a result, those restaurants who have been able to remain open have had to shift their business models to take-away or delivery options in order to continue to conform to the new way of life. Additionally, restaurants have also had to enforce much stricter workplace safety protocols in order to protect themselves and their customers. With many restaurants consulting with local health departments, limiting menu items, and limiting workplace clutter between employees.

## Healthcare

The COVID-19 pandemic has had a tremendous impact on the United States healthcare system. With the ever increasing number of cases, many hospitals are struggling to stay afloat and accommodate those who have contracted the virus or who have other medical conditions. Across the country, many hospitals are being pushed to their limits with more than one-fifth of U.S. hospitals with intensive care units reporting that at least 95 percent of their I.C.U. beds were full. Additionally, 79 percent of I.C.U beds in hospitals will be occupied by the end of the first week of 2021 according to The New York Times. Many hospitals are running low on ventilators and personal protective equipment (PPE) which are used to keep both hospital staff and patients safe.

With the release of the new COVID-19 vaccine by Pfizer and Moderna, there has been a resurgence of hope as many believe the end to the pandemic is near. However, there is still much to be fixed within the United States healthcare system, as the COVID-19 pandemic revealed the long-ignored problems which must be addressed in order to prevent such future disasters and struggles.

## Manufacturing

The COVID-19 pandemic has created a whole new set of challenges to US industrial manufacturers, especially those that depend on workers whose jobs cannot be carried out remotely. The manufacturing sector currently accounts for 12 percent of the United States economy. According to a recent survey by the National Association of Manufacturers (NAM), about 80 percent of manufacturers expect that the pandemic will have a financial impact on their business, compared to the 48 percent of cross-industry companies that are concerned about the same impact.

The unemployment rate in the manufacturing sector was 4.3 percent in December 2020, and has been in a steady decline since September 2020 (6.2 percent). The Producer Price Index for manufacturing in Q4 2020 increased 1.21 percent from the previous quarter. It is estimated that within the United States, the ten most affected states could see a decrease of USD \$400 billion from the manufacturing industry alone, this type of impact having long term effects for the entire country.

On January 25, 2021, President Joe Biden signed an executive order aimed at closing loopholes in existing “Buy American” provisions, which apply to about a third of the USD \$600 billion in goods and services the federal government buys each year. This was an effort to strengthen domestic manufacturing, as well as create markets for new technologies. The executive act was only a part in President Biden’s plan, as he plans to increase wages, create more union jobs, support minority-owned businesses, and strengthen U.S. supply chains, White House officials say.

## Retail

Given the loss of jobs nationwide, consumer spending has dropped significantly during the pandemic, the retail sector being one of the most affected in the country. U.S. retail sales plunged 20 percent from February 2020 to April 2020, with very large declines in categories like clothing and accessory stores (down 89 percent) and department stores (down 45 percent). Global retail sales fell 5.7 percent overall in 2020.

During the first months of the COVID-19 crisis, there was a surge in digital retail as consumers shopped online with their items being delivered straight to their doors. Retailers with strong online platforms and sophisticated data analysis succeeded in connecting with consumers and offering them additional services and value. Retailers have rapidly rolled out conveniences such as buy online, pick up in-store (BOPIS), curbside pickup, and delivery options for consumers, and this trend still continues today, the number one reason being that it is safer (the second being convenience). E-Commerce retail sales have also increased substantially over the course of the past year, from USD \$160 billion in Q1 of 2020 to USD \$209 billion in Q3 of 2020.

## Technology

During the pandemic, the technology sector within the United States has not been hit as hard as some of its counterparts. This is mostly the result of cloud services being in higher demand than ever, as well as how videoconferencing and remote collaboration use are at all-time highs as companies scramble to keep employees productive. At the same time, companies have a fresh appreciation for the scalability and resilience of the public cloud and have been rapidly shifting to cloud services.

The Consumer Technology Association predicts that the technology industry retail sales revenue will reach \$406.8 billion in 2020 in the U.S. - a 2.2 percent decline year-over-year as consumers struggle with economic uncertainty from the COVID-19 pandemic. This year's revenue decline marks the industry's first since 2009. However, this also reflects the tech industry's strength relative to the overall U.S. economy's anticipated rate of decline. Looking ahead to 2021, CTA projects tech industry revenue will rebound with projected annual revenue growth of 5.2 percent.

## Conclusion

Overall, just about all sectors of the U.S. economy were impacted in some way, shape, or form due to the COVID-19 pandemic, some areas being more affected than others. The economy is currently gradually bouncing back from these adverse effects, this progress is slow, and is bound to take some time to heal the devastating short-term and long-term effects on the economy. As President Biden's Administration takes concrete steps in the right direction toward combating the coronavirus, the possibility of the resurgence of business in all sections of the economy is something that is very viable and possible.

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