Economic Recession During COVID-19

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Abstract

The novel Coronavirus, or COVID-19 negatively impacts our global economy. Therefore, this crises is causing an economic recession and may lead to depression. Also, this pandemic is effecting all people in whole world. Moreover, COVID-19 is a serious problem that affected people’s physical and mental health. Furthermore, I chose that source due this topic is a current event and this is happening in a world today. In my research I used news and financials articles and some economic reports that describes the current global situation. In addition, I have learned from this crisis that we should save money and have a financial nest-egg to reduce or avoid the impact for this devastating situation in the future. Covid-19 effects are inevitable and there are no one solution can eliminate them. However, there are a combination of multiple solutions that can reduce the gravity of those effects. Up to date, no one can know how long this crisis is going to last or how deep this it is going to re-shape how we live, travel and trade.

Key words: COVID-19, Recession, Pandemic, Unemployment, Quarantine.

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The novel Coronavirus, or COVID-19, is in a family of hundreds of viruses that can cause fever, respiratory problems, and sometimes gastrointestinal symptoms too. It causes diseases in mammals, birds and humans. Until now, researchers have been trying to understand how SARS-CoV-2 spreads between humans. In fact, this virus has a two- to fourteen-day incubation period. That means people could be infectious before they manifest symptoms. According to preliminary estimates from the Centers for Disease Control and Prevention (2020), the 2019 -2020 flu caused 19 million to 25 million illnesses and up to 25,000 deaths. That is mean flu is not as threatening as than SARS-COV-2, so people must take care about themselves and their family. In addition, scantiest and doctors not sure from where this disease come, but it appears to have originated in bats. Moreover, the first cases were identified or discovered at the end of 2019 was in Wuhan the capital city of Chain. Nowadays, it’s speared in whole world and become a pandemic that effect all people. In short, COVID-19 does not just effect humans health, but also has impact on all aspects of humans life.

Besides on COVID-19 has effected people’s day to day life, financial or economic aspect one of the most important part of humans life. The important question what is economic. According to Chappleow (2019), “Economics is a social science concerned with the production, distribution, and consumption of goods and services” (p. 1). That is mean economic effect our life. On the other hand, COVID-19 cause economic recession. There many different definitions for recession. According to Amadea (2020), “A recession is a significant decline in economic activity, lasting more than a few months.1﻿﻿ There's a drop in the following five economic indicators: real gross domestic product, income, employment, manufacturing, and retail sales” (p. 3). In addition, Lui (2020) writes that “A recession is a period in the business cycle when economic activities are in a general decline, typically accompanied by elevated unemployment, falling income and consumer spending, rising business failures, and falling stock markets.” (p. 2). Therefore, the basic definition for recession is a general decline on economic. To soften the dire consciences of the recession caused by COVID-19 Employers/ educational institutes should adapt to 100% online interaction to help end the pandemic in a shorter time, secondly the government ought to thoroughly support the people who lost their jobs, banks could decrease the interest rate to almost 0% to encourage the private sector to invest and expand, to create more jobs.

Causes

First, the main causes for COVID-19 economic recession is the unprecedented surge in the unemployment rates. Data at U.S. Bureau of Labor Statistics from April 3, 2020, shows that “the Jobless claims rose dramatically from an average of 250K to over 6 Million claims within one month” (p. 5). Secondly, Due to the high unemployment rates, the overall spending will plummet, which will make other business to go bankrupt, which will increase the unemployment further more. This vicious cycle will continue to crush the economy until it gets stopped or reach to rock-bottom. The data provided by Department of commerce shows that “the overall personal consumption in US during 2008 recession is almost 10% less than 2007”. As per the Colorado satay at home order, all dine in areas in restaurants have to be closed, which made all waiters lose their tips and many lost their jobs. Shopping malls, cinema, salons and bars were totally shutdown. In addition, freelancers/ serves providers lost most of their work such as, Lyft/Uber drivers, House cleaners, contractors and moving helpers.

Second, Lack of preparation is other causes of Coronavirus. Because COVID-19 is a dieses that will impact the health field more than any other field. Therefore, there is Shortage of naris and doctors. According to Harris, MD, president of the American Medical Association (AMA), "I just heard a story this morning about a number of physicians, nurses, and other healthcare professionals becoming ill and infected, which puts them out of the workforce” (p. 1). It is proven that health institutions faced a real problem of lack preparation because of COVID-19. Also, there is Personal protection equipment shortage. For example, People were terrified when they heard about this new pandemic, so they start hording. That mean with this health crisis the personal protection equipment shortage and not enough for all people. In short, reduction or lack of preparation is a really problem that happen or appear during this pandemic. Europe and US had time to prepare but they lost that precious time by underestimation the pandemic, and the consequences were horrifying. In the other hand South Korea they took it very seriously since day one, even though they had a shorter time to prepare, They manage the crises perfectly.

Third, overwhelmed medical personnel system became one factor in the economic impact of COVID-19. People underestimated the importance of self-isolation. “Containment typically involves isolating and testing suspected cases, tracing their contacts, and quarantine in case any of these people are infected. The more thorough the testing and contact tracing early on, the better the chance of containment” ( Klepac, 2020, p.10). That data shows the importance of self-isolation in giving birth to the disease and not overwhelming the health staff fighting this disease. Moreover, doctors/nurses get sick, exacerbating the understaffing. “In Washington state, 25 health care workers are under observation after interacting with a people who were not diagnosed with COVID-19, the disease caused by the virus, until after they died. In Northern California, three health care workers tested positive for the virus, and dozens are in isolation” (Westsmar, 2020, p.1). That data shows the dangers of COVID-19 because it effect medical staff and that will weak the effectiveness of the health system in the country. As a result, the fatality rates will increase since there are no enough health care providers, which will force politicians to extend the “stay at home” orders which will crush more businesses and jobs.

Effects

  COVID-19 is a current infection that effected the whole world in a short amount of time. Also, it is continuing to impact our life cycle. Moreover, business must close to slow the spread of the disease. Therefore, many. According to Stebbins (2020), “the unemployment rate stood at a multi-decade low of 3.5%. Now, according to estimates released by Economic Policy Institute, a nonpartisan think tank, the unemployment rate may hit nearly 16% by July – higher than at any point since the Great Depression” (p. 2). This data shows that, because of COVID-19 many people lost their jobs, so the unemployment rates are increasing. In addition, the investors are halting their investments due to this global epidemic. Therefore, investors expect the market to stagnate, so they keep their money. And this is one of the reasons for the economic recession caused by this epidemic.

Consequently, fewer people have money to spend, so the economy slows down even more and that effect caused by COVID-19. Therefore, it's a vicious cycle! Moreover, most people during this crises try to save their money. According to Radriguez (2020), “the United Nations' Global Goals aim to end extreme poverty by ensuring everyone has the tools to reach their full potential. Disease outbreaks like COVID-19 coronavirus create a new set of issues to address to protect the world’s most vulnerable people” (p. 4). It is already evident that COVID-19 will increase the poverty in the entire world. Also, people will spend and consume less during this crisis. In fact, Nutting (2020) writes that, “16% of GDP consists of non-food goods consumption that could be at risk if consumers don’t want to go out shopping” (p. 2). This data shows that GDP will have negative effect because most people will reduce their consumption during the Coronavirus. In short, COVID-19 impacts economy and cause recession because people will save their money during this situation.

Next, one of the effects that COVID-19 caused is the real-estate price drop because people will not be able to pay their mortgage then eventually will lose their houses, then banks will sell it for lower prices. In particular, all real-estate market will be effected. According to Andrews (2020) “The most recent housing market data has already shown signs of this playing out in the United States. Web traffic to real estate portals like Zillow and Redfin have dropped by almost 40 percent. New listings of homes for sale have dropped by as much as 70 percent in some markets like New York and East Bay, California. Weekly mortgage applications dropped 17.9 percent” (p. 3). This demonstrates the low demand on real-estate, and there are worries, that will repeat 2008 real-estate crash. On the other hand, there are even lower real-estate supply which will hopefully balance the real-estate market.

Solutions

However, any problem in life must end and have a solution. COVID-19 is a disease that was identified in late 2019 and was declared a pandemic on March 11. COVID-19 is an international pandemic. This global pandemic is in the process of finding the best solution for it to reduce and eliminate it. Unital now there isn’t a real solution of this cries, but there are some temporary solutions that could help to reduce the impact of Coronavirus. One of the best solution to avoid COVID-19 is working online. Also, a financial government support and decrease loans interest rate.

First, working online and using the Internet is the best solution to avoid the spread of COVID-19. Currently most people use internet to work during this crisis. According to Beech (2020), “COVID-19 Pushes Up Internet Use 70% And Streaming More Than 12%, First Figures Reveal” (para. 1). This data shows the growth of internet usage because of COVID-19.People use the Internet to increase productivity and to continue doing businesses to reduce the impact of the potential recession due to this crisis. Additionally, this solution is very easy to implement. As of January 2019, according to the Global Digital (2019) report, there were 7.676 billion people that populated the globe. Of this 7.676 billion, 4.388 billion people used the internet in some type of way. That's 57% of the entire population. This data prove that internet is very accessible to employees and students, especially in first world countries. As a result, using internet is the most convenient solution to keep business running during COVID-19.

However, some People may argue that, not all jobs can be accessed online, such as farming and construction. Even though, not all jobs are accessible online, but by making the majority of people work from home, the chances of infection in less populated areas are far lower than overcrowded areas.

Next, one of the effective solution during this pandemic is government aid. Some people are unable to work because they are sick, quarantined or need to care for children because of COVID-19. According to Fay (2020), “The first signs of financial assistance from the $2.2 trillion stimulus package the federal government is throwing at the coronavirus have trickled into a U.S. economy starving for help” (p. 1).This data shows that US government support and help their citizens by give them a financial aid to improve their financial situation during this crisis. Moreover, Fay (2020) writes that “ Every individual making $75,000 or less will receive a stimulus check from the U.S. Treasury for $1,200. A couple that makes under $150,000 and files taxes jointly would each receive $1,200 for a total of $2,400 Married couples will get an additional $500 per child” (pare. 5). This data demonstrates the amount for the financial assistance for each person in the United State.

Indeed, all businesses effected by COVID-19 because there are some expenses they must to pay. For example, bills to pay, mortgages to make, loans to repay, payroll to maintain—without money coming in the door, these businesses are in big trouble. In addition, small businesses have been affected more than large companies by this global crisis. According to Fay (2020), “ Banks have approved $182 billion in loans approved for the Paycheck Protection Program that will help companies with less than 500 people stay open and pay employees. That is slightly more than half the $349 billion available for the program run by the Small Business Administration” (pare. 8). This data shows that banks in the United State will provide loans to help companies and small businesses to stay standing on their feet. In short, COVID-19 financial assistance is a good solution for this crisis.

Financial aid is not enough to support businesses or companies. Therefore, decreasing loans’ interest rate is other solution to decrease COVID-19 effects. According to Chappelow(2020), “In modern times under central banking and fiat money as the universal norms, interest rates typically fall during recessions due to massive expansionary monetary policy.” (p.2). This global financial low implies that, to stop market shrinking and move towards expiation, the Fibral banks should lower the interest rates to give manufacturers and suppliers a chance to recover from the pandemic’s effects. Moreover, that will give them the opportunity to add new manufacturing lines, and to supply to new territories.

Obviously, COVID-19 is not the first pandemic that interrupted the global economy. Back in 1918 – 1920 there was a Spanish influenza outbreak that caused wide spread rescission. It infected over 500 million people and that was almost third the world population back then. The infection occurred in many waves. Whenever people underestimate the vires and back to normal life, another wave of infections happens. Nevertheless, the following decade is called the “Roaring 20s” which was the dawn after the dark. Our civilization eventually will pull through with a stronger economy and new solutions which next generation can learn from when another pandemic arise.

In conclusion, the pandemic effects on our global economy are severe and there are no one solution can eliminate them. However there are a combination of multiple solutions that can reduce the gravity of those effects. In fact it is a mixture of technological, humanitarian and financial solutions. By mixing working online, governmental financial aids and lowering the loans interest rates, the economy will pass these hard time with minimum losses.

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