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CORONA BUSINESS, GEOGRAPHY OF LOSSES

This article reviews the impact that the COVID-19 coronavirus infection has had on the business activities of economic entities around the world. The pandemic has made its own adjustments and caused enormous damage to such industries as air transportation, holding mass events (concerts, exhibitions, etc.), the service sector (beauty salons, travel agencies, hotels), catering, small and medium-sized businesses also suffered losses. The relevance of this topic lies in the fact that entrepreneurship is the basis of a market economy.

Keywords: crisis, COVID-19, economics, damage, company, tourism.

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"КОРОНА-БИЗНЕС", ГЕОГРАФИЯ ПОТЕРЬ

В данной статье рассматривается влияние, которое оказала короновирусная инфекция COVID-19, на бизнес-деятельность экономических субъектов во всём мире. Пандемия внесла свои коррективы и нанесла колоссальный ущерб таким отраслям как авиаперевозки, проведение массовых мероприятий (концерты, выставки и т.д), очень сильно пострадала сфера предоставления услуг (салоны красоты, туристические фирмы, отели), общепита, предприятия малого и среднего бизнеса также понесли убытки. Актуальность данной темы заключается в том, что предпринимательство является основой рыночной экономики.

Ключевые слова: кризис, COVID-19, экономика, ущерб, предприятие, туризм.

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Today, governments around the world are searching for a balance between saving lives and saving economies. GDP in most countries of the world is predicted to fall by an average of 6-15% in 2021.

Bloomberg, citing a Wall Street financial analyst, found out how much damage the coronavirus pandemic has done to the global economy: "The coronavirus pandemic will deprive the global economy of more than $5 trillion over the next two years".

Analysts believe that the economy will not fall for too long. But its rehabilitation will take quite a lot of time and money (recovery to the previous level may last until 2022).

The Organization for Economic Cooperation and Development (OECD) predicts that by the end of 2021, the total damage to the world economy from the coronavirus pandemic will reach seven trillion dollars. This compares with the combined annual budgets of the United

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States ($4.1 trillion) and China ($3.2 trillion). The economy suffered the hardest blow in the first half of the year due to mass shutdowns of businesses as part of quarantine measures. Governments of developed countries invested trillions of dollars in business support measures to bring the economy back to normal, but it was clearly not enough.

Many countries and businesses were prepared for the difficulties in different ways. Many companies found themselves on the verge of bankruptcy. However, there are enterprises that have managed to adapt in the face of the pandemic. Governments have initiated programs to support national economies and businesses. For example, in Russia, the government has allocated subsidies to support small and medium-sized businesses. Loan tranches were allocated with no interest.

The most vulnerable were service enterprises. A wave of bankruptcy overtook this sector and, as a consequence, mass unemployment, growth of poverty and social inequality. Emerging market economies are most at risk. Russia is considered to be one of these countries.

However, Russia experiences the epidemic more easily than other countries. This relative stability was influenced by the sanctions imposed in 2014. The country became less dependent on foreign capital and import substitution took place. According to preliminary calculations, the Russian economy will shrink by 4.8% in 2021 [5].

To cope with quarantine measures, 46% of businesses in Russia switched to online mode, 8% mastered the sale of goods on marketplaces. According to Tinkoff magazine, nearly 25% of companies have reduced staff, 16% of entrepreneurs have closed several outlets, 9% have opened additional outlets [6].

In the first quarter of 2021 37% of companies earn mostly or only through traditional offline outlets, 23% of businesses receive most or all of the turnover through online channels, 40% of entrepreneurs work directly with companies and receive money immediately to the account.

Affected business sectors are gradually recovering

More than half of the businessmen in 2020 and 2021 had a drop in turnover. For 20% of respondents the turnover in 2020, on the contrary, has increased. The same number of entrepreneurs noted that they have not had significant changes.

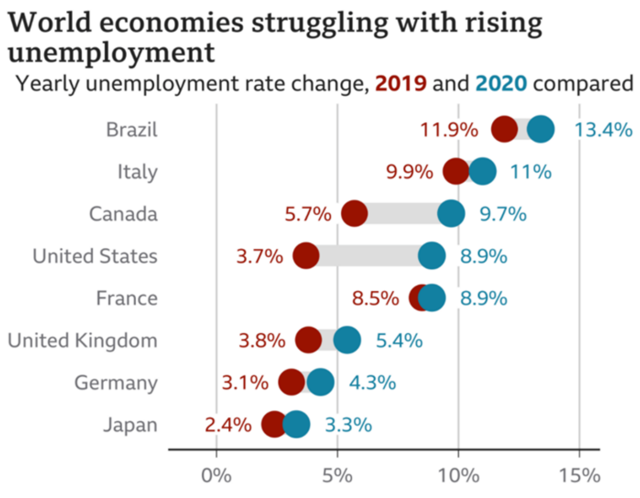
By April 2021, according to the study, business in general is recovering.

According to the International Monetary Fund (IMF), the unemployment rate in the United States reached a total of 8.9 percent a year, marking the end of a decade of job expansion.

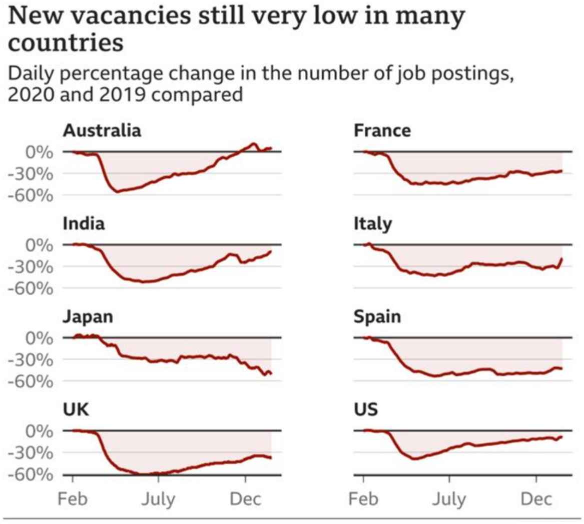
Millions of workers have also been drawn to government-supported job preservation programs as industries such as tourism and the hospitality industry have virtually come to a halt.

The number of new jobs in many countries is still very low.

Job openings in Australia have returned to the same level of 2019, but they lag behind in France, Spain, the U.K. and several other countries.



Picture 1 – Yearly unemployment rate change 2019–2020 compared [1]



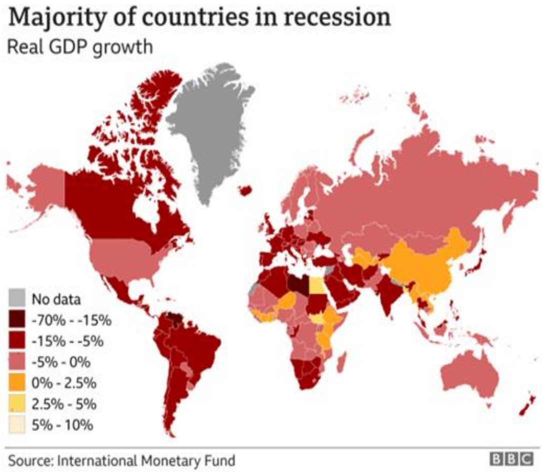
Picture 2 – Daily change in the number of job ads 2019–2020 [1]

The only major economy to grow in 2020 was China. It registered growth of 2.3%.

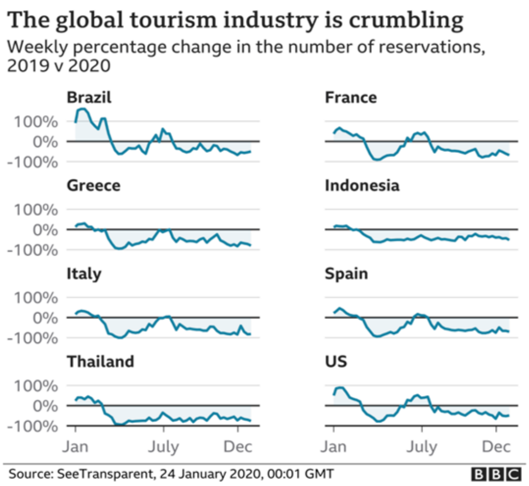
However, the IMF predicts global growth of 5.2% in 2021.

This will be driven primarily by countries such as India and China, which are projected to grow by 8.8% and 8.2%, respectively.

Recovery in large, service-dependent economies that have been hit hard by the outbreak, such as the United Kingdom or Italy, is expected to be slow.

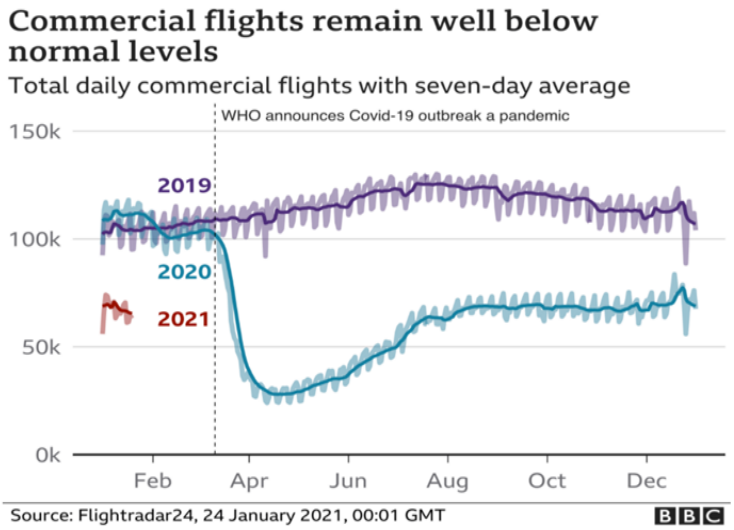


Picture 3 – Real GDP growth



Picture 4 – Weekly percentage change in the number of reservation 2019–2020

Tourism is still far from taking off. The tourism industry has been hit hard, with airlines cutting flights and customers canceling business trips and vacations. New varieties of the virus, detected only in recent months, have forced many countries to impose stricter travel restrictions. Data from Flight Radar 24, a flight-tracking service, shows that the number of flights worldwide in 2021 has been severely reduced, and recovery is still a long way off [3].



Picture 5 – Total daily commercial flights with seven-day average [1]

The impact of COVID on China, restrictions and ways to combat the spread of the infection

The COVID-19 outbreak has severely disrupted China's economy, limiting the supply chain of businesses, and quarantine, further slowing down business activity. Under such conditions, many enterprises, especially small and medium-sized ones with weak risk resilience, face the difficult dilemma of lack of finances and employees. The government took a number of targeted measures to help ensure the survival and development of these enterprises during the outbreak. The cost of financing enterprises has been reduced, reflecting the fact that banks have lowered the threshold for lending to enterprises, increased loan amounts and lowered interest rates on loans for the duration of the epidemic. Businesses severely affected by the epidemic are eligible to apply for numerous tax credits, and the government has also created special funds to provide subsidies to the hardest-hit industries, such as the aviation and transportation industries. Workers in businesses that have returned to work from other areas have also received government support and subsidies for chartered planes and buses. We also witnessed many businesses actively pursuing corporate social responsibility during the outbreak. These enterprises donated large amounts of money and medical equipment to areas of the epidemic, some of which, such as China National Petroleum Corporation, converted production lines to produce medical protective equipment, including masks, protective clothing and ventilators.

As the world's largest manufacturer and exporter of medical protective equipment, China's protective measures to get businesses back to work have been linked to progress in global infection prevention and epidemic control. Community-based control measures have become the most important part of resident quarantine. In many areas of mainland China, so-called community-based "networked closed control" was introduced. An outdoor restriction measure was introduced whereby only one resident from each household was allowed to leave the community every two days, and foreign personnel were strictly prohibited from entering the community. Only one entry and exit point remained open in each community, and checkpoints were set up for community staff to conduct identification and temperature tests on each resident entering and leaving the community. Anyone who went outside had to wear a mask. Big data and communications technology were also used to support control measures. WeChat and AliPay, two widely used mobile apps in China, provided a health code system in which all willing residents had to register and receive a colored QR code displaying green, yellow or red to indicate their health status. Residents were required to scan the QR code as they entered and exited any public place, hence the routes of confirmed outdoor cases were traced, and their close contacts could also be identified. While this may lead to a debate about whether personal privacy and human rights were violated, these measures did help to effectively and quickly identify confirmed cases and contacts in order to control the spread of the epidemic in China. To reduce delays in learning due to the outbreak, schools have used Internet technology to introduce innovative teaching methods based on online learning rather than in-person instruction, which also provides a rare opportunity to develop online education platforms. Many universities have also taken significant initiatives in taking on social responsibility, opening up educational platforms to students for free.

The impact of the virus on the U.S. economy

Before the pandemic, the U.S. economy was growing steadily. Unemployment was at minimal levels and inflation was below 2%. But due to the shutdown of much of the U.S. economy, "real" GDP growth fell 31.4% in the second quarter. Such figures have not been seen since the Great Depression.

At the beginning of 2020 the U.S. unemployment rate reached its highest level since World War II at 14.7%.

The U.S. economy exists primarily on consumer spending. When consumers spend, companies make a profit and the economy performs well. There are currently 6.8 million more people unemployed than in February 2021. Assuming Washington passes another stimulus bill at some point (which is almost certain), consumer spending won't fall as much as it would without the bailout. Even so, there is a risk of waiting too long.

Obviously, the labor market will change forever. For one thing, corporations were already adopting technology instead of workers, a process that intensified during the pandemic. Moreover, this process may accelerate further as companies seek to maximize profits. Secondly, since many people work from home online, some companies will introduce this format on a permanent basis, thereby reducing the demand for commercial real estate. This decrease in demand could lead to a drop in commercial real estate prices and rental rates. Finally, many companies have closed permanently, leaving their employees looking for other jobs. With more workers looking for fewer jobs, this can create an employer-friendly labor market and lead to slow wage growth.

Small businesses make up nearly 50 percent of U.S. workers, and this new survey of nearly 6,000 firms shows the financial fragility of many of these businesses and signals a warning to policymakers, as most respondents expect the crisis to last beyond spring and into summer.

The survey, conducted in late March 2020, focused on assessing the current financial condition of small businesses, the extent of temporary closures and employee layoffs, expectations of duration and impact on decision-making, and whether businesses plan to apply for CARES Act funding and how such a decision might affect closures and layoffs. Overall, the survey showed the following:

- disruption in U.S. small businesses is severe, with 43% of respondents temporarily closed. Downsizing was 40% among all respondents. Regionally, Mid-Atlantic states, including New York, reported 54% closures and 47% layoffs. Industry response varied widely, with service sector firms reporting employment reductions of more than 50 percent;
- many small U.S. businesses stand on financially shaky ground, and the average firm with spending more than $10,000 a month retains just enough cash to last two weeks. For 75% of respondents, there was enough cash to cover expenses for two months or less;
- U.S. small businesses are generally unsure of when the crisis will end, with half expecting the crisis to last until mid-summer, meaning that many firms expect this economic problem to persist well beyond their available cash levels.

For policymakers, the following results are particularly notable:

- more than 13% of respondents had no plans to apply for CARES Act financing because of problems with applications, a lack of confidence that loans will be forgiven, and difficulty with eligibility;
- if the crisis lasts more than four months, many firms, especially many in the service sector, do not expect to remain viable;
- extrapolating from the 72 percent of businesses that apply for CARES Act funding, and assuming that all businesses will request maximum loans (2.5 months of spending), total loans from all U.S. businesses would approach about $410 billion, on top of the $349 allocated in the CARES Act at the time of the survey;
- the economic impact of the outbreak will depend on its duration and severity. Turmoil in global value and supply chains could accumulate if containment measures have to be extended. The impact could be greatest for the economies most connected to or dependent on China.

Researchers recognize that the COVID pandemic could cause long-term and possibly irreversible economic damage, and urge policymakers to move beyond policies that protect existing businesses and adopt policies that encourage productivity growth. Globalization, labor mobility, and small firms could still fall victim to the crisis if the world fails to reopen borders, refrain from trade and currency wars, and focus on productivity-enhancing policies. On the other hand, widespread adoption of new technologies, such as IT skills during the epidemic, and strong redistributive pressures could provide independent productivity growth as the crisis recedes.

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