COVID_19_and_US_economy.edited.docx

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How will the coronavirus impact the U.S economy?

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How Will the Coronavirus Impact the US Economy?

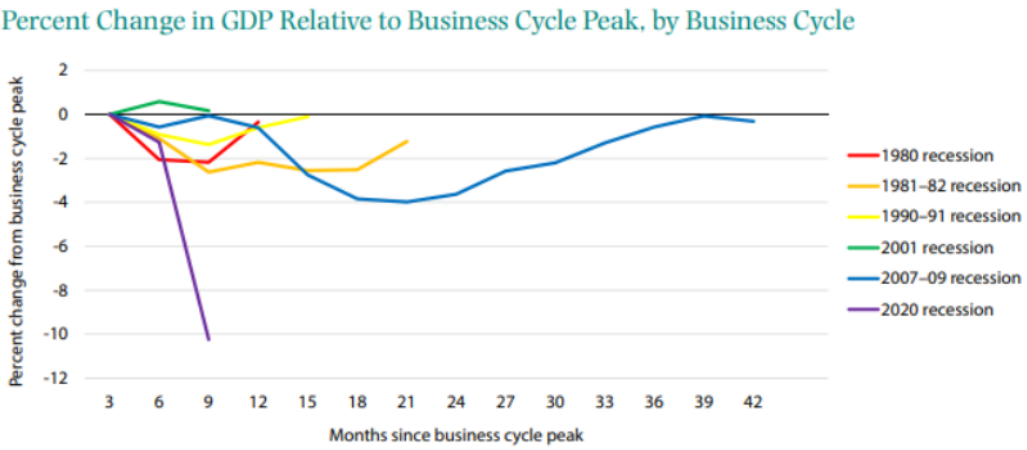
The economy plays a critical role in individuals' life because it ensures the markets are stable since people will be employed. Businesses will have consumers that will demand their products and services. Nevertheless, since 2019, when the coronavirus disease was identified in Wuhan, China, people's lives have changed tremendously from working, playing, and spending. A coronavirus is a group of viruses that can result in infections such as the common cold and acute severe respiratory symptoms (Baig, 2020). in early 2020, the world health organization mentioned the disease as a pandemic because of the high number of people infected. Nevertheless, the United States was hit the hardest because it has recorded the highest number of deaths from the disease. However, the vaccines reduced the number of deaths, the measures taken to combat the spread of the virus resulted in significant impacts on the United States economy. Therefore, this paper will concentrate on how the virus impacts the American economy.

The Reduction in Gross Domestic Product

Before the COVID-19 pandemic, the American economy was progressing well because unemployment and inflation were low. Nevertheless, when the pandemic emerged, several measures were created and implemented to combat the infection of the disease. For example, many nonessential businesses were forced to close, and many companies reduced their employees to maintain the social distance in the company premises. This social distancing and lockdowns across the states reduced the infections rate but resulted in a severe financial decline. The request tremor from isolation, joblessness, and closure of businesses significantly impacted consumer services (Patton, 2020). Moreover, the government restricted travel to ensure people remained in their region avoid interacting with others; this made the business operations deteriorate because they could not generate goods and services.

A substantial portion of the United States economy was closed, which made the actual Gross Domestic product reduce by the second quarter of 2020 by 31.4 percent (Bauer et al., 2020). furthermore, the same source claimed that the peak in economic events happened in America in March 2020, which represented the culmination of the elongated American expansion to be documented that started in 2009. therefore, the American economy will take more time to recover from the effects of the coronavirus despite its continuing to evolve,

generating more variants. The graph below indicates the percent change in actual GDP from the top of the corporate series over the quarter when it returned to the past recession.



Source: Bauer et al. (2020)

Increase in the Unemployment Rate

The coronavirus pandemic has resulted and will continue leading to increase unemployment. Since the pandemic emerged, the nonessential businesses were closed, and companies were forced to reduce the number of employees to maintain their businesses. Nevertheless, after the vaccines were obtained and lockdown eliminated, many companies were already unable to sustain their operations. Similarly, those in the process have reduced the employees and struggle to meet their needs and implement government measures. All these factors have resulted in a surge in the employment rate in America to the highest rate after World War II at 14.7 percent by early 2020 (Patton, 2020).

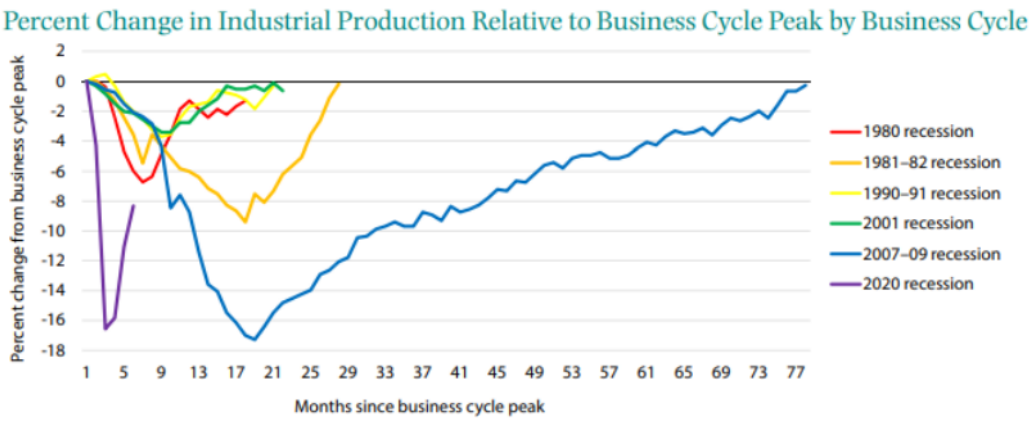
The pandemic has already caused a significant number of job losses. Patton (2020) emphasized that the pandemic reduced nonfarm employment by over twenty million jobs. Also, the American labor market will forever change because despite the corporation's utilizing technology in their operations, it increased the organizations' ability to maximize their profits. The majority of the organizations will persist with workers working from home, decreasing the demand for commercial real estate. This will lead to deterioration in prices and occupancy rates, resulting in most companies closing down completely, leaving the workers to find other job

opportunities. Also, more workers will be applying for few options available in the market resulting in employers providing a slow wage.

Consumer Spending

Coronavirus disease will result in a shift in consumer spending. Coibion et al. (2021) defined consumer spending as the overall money individuals use on concluding products. The American economy is controlled by consumer spending because it aids organizations in realizing which goods and services have the most value in the economy. When individuals spend, the business's profit and the economy will move well. The United States will have more than six million unemployed people in 2019 (Coibion et al., 2021). the same source stated that retail sales deteriorated by 8.7 percent between February to March 2020. Nevertheless, several businesses received a surge in demand after the lockdown, such as pharmaceuticals and grocery stores. Other companies such as clothing, sports experienced a deterioration in the market.

Moreover, the pandemic has had significant impacts on industrial production in America. When the infection spiked, industrial production reduced sharply, as indicated in the graph below. Since more variant continues to emerge and the situation is expected to continue, this might cause several industries to shut down because only a few of the organizations have recovered. The weakening creates several problems for the American manufacturing segment, which has incorporated approximately thirteen million people, particularly those reliant on employees whose roles cannot be operated on remotely. Furthermore, the impacts of the pandemic on the economy are different based on the industry division because the construction apparatus part had less severe effects than what they experienced in the 2007-2009 monetary crisis because of the anticipated administration infrastructure incentives and a surge in e-commerce (Bauer et al., 2020). On the other hand, those sectors in plastic industries and steel have significant adverse effects.



Source: Bauer et al. (2020)

In summation, the coronavirus pandemic has changed the way people live, work and play. Therefore, since the United States is the most affected with the most significant number of deaths caused by the infection, the administration implemented procedures to reduce the increase of the disease. The steps include lockdowns, social distancing, and closure of nonessential businesses. These measures had a substantial consequence on the American economy. First, the United States GDP reduced significantly in the first quarter of 2020. Also, the employment rate has increased in the United States, and since many businesses may not recover from the impact soon, the labor market might change forever. Also, the United States economy is controlled by consumer spending, but the pandemic altered household spending.

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