

# *Research on the Effect of COVID-19 on the Real Economy*

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**Abstract:** In 2020, COVID-19 spread across the country, which had a huge impact on people's lives. In order to control the continued spread of the epidemic, the country has adopted a policy of production, suspension of work, and home quarantine, thus reducing the movement and contact of people. The emergence of COVID-19 has had a huge negative impact on China's current economy, especially the real economy. In this article, we will discuss the impact of the emergence of COVID-19 on China's real economy and how we should respond to it in order to promote social progress and support the country's economic development.

**Keywords:** Real Economy, COVID-19, Sudden Public Events, Opportunities and Challenges

## 1. Introduction

The 2020 COVID-19 pandemic has had a dramatic impact on the structure of the global economy. Since the outbreak of COVID-19, consumers have unconsciously changed their spending habits. The outbreak of COVID-19 is both an opportunity and a challenge for the real economy. COVID-19 has had some negative impact on the real economy, the extent of which depends on the duration and severity of the health crisis [1]. In order to control the epidemic, the country has adopted some policies, such as shutting down, suspending production and quarantining houses. Many people face unemployment, which has a huge negative impact on China's real economy. The real economy is the total value of the goods produced in a particular country, which is the basis of the national economy and the economy that people create on Earth by thinking and using tools. Including the production and circulation of material and spiritual goods and services. This includes the production of materials and services, such as agriculture, industry, transport and communications, business services, construction and culture. It also covers the manufacturing and service sectors of spiritual products such as education, culture, knowledge, information, art and sports. By analyzing the opportunities and challenges brought by COVID-19, the author explores the impact of COVID-19 on the real economy. The author makes some suggestions to deal with the impact of COVID-19 on the real economy and to find a way forward for the real economy in the context of the pandemic.

## **2. Challenges Brought by COVID-19**

### **2.1. Restrictions on Travel Contribute to the Depression of Real Economy**

The three-year epidemic has had a huge impact on the offline real economy. The three-year epidemic has led to individual companies in the brick-and-mortar offline economy facing life risks beyond their capabilities and even going bankrupt. For industries such as manufacturing, industry and agriculture that rely heavily on offline production, as well as offline service industries such as restaurants and shopping malls, the society-wide move to separate families has put a pause button on those real economies. Due to the spread of COVID-19 and the release of national, provincial, or municipal epidemic prevention and control reports, all major businesses need to buy or install prevention and control equipment, making it even more difficult for the real economy. Consumers strictly implement personal epidemic prevention and control and quarantine at home, and people often adopt the practice of social distancing[2]. High-risk and epidemic areas are more isolated from cities, communities, and villages, which is a serious blow to the real economy. The epidemic has had a huge impact on all sectors of the real economy, and the arrival of the novel coronavirus has had a huge negative impact on the real economy, which is one link after another.

### **2.2. Safety and Quarantine of Purchase Channels in Food and Catering Industry**

The sudden disaster of the COVID-19 pandemic has disrupted economic and social mobility, shuttered factories and shops, left consumers worried about spending, incapacitated workers and disrupted businesses' finances. Capital is a basic element of the real economy. Only with capital can we invest and grow our economy. For the catering industry, due to the dismal customer flow resulting in high housing rents, workers' wages, and food storage pressure, these are urgent problems to be solved. The outbreak of COVID-19 requires the food and catering industry to put forward higher requirements on the procurement channels of food raw materials and quarantine issues. Zhengzhou Erqi Square "shrimp lover incident" is a good example. When the restaurant opened during the pandemic, it failed to closely supervise and control the procurement channels of Ecuadorian white shrimp and purchased ingredients that tested positive for the novel coronavirus, resulting in heated discussions on social media such as Douyin and Weibo, which had a serious negative impact on the company. Therefore, during the epidemic period, food and catering enterprises should pay special attention to monitoring food safety, closely checking the procurement channels, and strictly testing food materials to ensure safety, so as to reduce the losses caused by the epidemic.

### **2.3. Consumer Stereotypes**

Consumer stereotypes during COVID-19 are also having an impact on the real economy. First, during the sensitive period of the COVID-19 pandemic, consumers will reject the product for a long time when there is a problem with the product, including related products. Zhengzhou's shrimp lovers reflect this problem. Shrimp lovers bought white shrimp toppings, a sign that a brick-and-mortar store in Zhengzhou has tested positive for COVID-19, causing panic among consumers who were there at the time. Consumers who don't eat white shrimp also refuse to eat it for a long time. Consumers don't even want to buy white shrimp with inspection certificates. This is the so-called consumer stereotype, and COVID-19 has led to a sharp drop in consumption levels[3]. This consumer mentality has taken a heavy toll on restaurants, including shrimp lovers, shrimp freezing mills, processed food producers and intermediates containing shrimp and white shrimp crops. This is a special mentality during the COVID-19 pandemic, which will have a huge impact on the real economy. Second, consumers will become more skeptical during the COVID-19 pandemic. Some large shopping malls have taken careful measures to reduce damage and keep customers busy during the pandemic, such as placing

placards inside the stores to remind customers to keep a safe distance of at least one meter, setting up health code scanning areas at the entrance of the stores, and providing free hand sanitizer, disinfectant and other epidemic prevention items. Even if shopping malls take proper quarantine measures, consumers may still be sensitive during the COVID-19 pandemic and generally perceive public places as dangerous, thus reducing the number of visits to public shopping places such as shopping malls, which poses a big challenge to shopping malls.

### **3. Opportunities Brought by COVID-19**

#### **3.1. The Demand for Protective Equipment Surges**

Due to the massive and prolonged nature of the COVID-19 pandemic, many people are in a prolonged state of panic. The demand for protective products such as protective clothing, masks, disinfectants, thermometers and gloves has increased dramatically, creating unprecedented opportunities for the real economy. In terms of short-term market opportunities, the COVID-19 pandemic has led to a surge in demand for epidemic prevention products, and products in the industry are in short supply. Some powerful enterprises are even required to produce related products across borders to meet the market demand. In the long run, the demand for quarantine and protection products will be significantly lower than during the pandemic. However, the epidemic has significantly raised the public's awareness of personal protection, and medical protective equipment represented by masks will be transformed into daily protective equipment. In addition, relevant materials can be listed as national strategic material reserves in the future to cope with possible future public health crises. These two factors will increase the future market demand of the medical protective equipment industry in order to maintain the rapid growth rate, thus promoting the future development of enterprises in the industry.

#### **3.2. Consumption Rebound during the Epidemic Lull**

When the COVID-19 epidemic was severe, medical institutions had no confidence due to the influence of epidemic prevention and consumer panic policies [4]. Consumer purchasing power has temporarily declined. However, with the gradual warming of the weather, the development of COVID-19 vaccines and drugs, and the role of the government's effective epidemic prevention policies in the outbreak, these factors have eased the disease and caused a pause in the outbreak. This lull in the epidemic has brought great opportunities for the real economy. At the height of the epidemic, the imposition of domestic quarantine orders dampened consumers' desire to spend at the border. When there is a pause in the epidemic, consumers' desire to spend will increase significantly compared to before the epidemic, and when the epidemic is severe, consumption will reverse significantly. After experiencing a negative shock, the economy will recover [5]. Due to the psychological effect of consumers, they will buy many goods to maintain their inner balance. In addition, coupons issued by third-party payment platforms such as wechat and Alipay will encourage consumers to buy products. If producers in the real economy can make sound plans for the production, distribution, sale and supply of their products, they will be able to cope with the impact of the pandemic and take advantage of the opportunities it presents for long-term healthy development.

### **4. Solution**

#### **4.1. The Government Provides Financial Policy Support**

By intervening in the market through fiscal policies, the government can play a macro-control role in special periods to achieve the purpose of sustainable and stable economic development [6]. The

government can use the COVID-19 pandemic as an opportunity to promote reforms and consolidate and improve national governance. The epidemic is also an opportunity for the government, which should seize it. We will promote reform policies and improve the country's economic governance system. The government's expansionary fiscal policy is likely to boost the real economy during the COVID-19 pandemic. Especially during the economic downturn during the COVID-19 pandemic, the government implemented an expansionary fiscal policy, reducing taxes and tax rates to reduce the capital pressure on companies, while increasing the available consumer income to stimulate more consumer consumption. In an environment where the global trend of the novel coronavirus pandemic is still unclear, corporate tax cuts can save companies. In the case of the city of Dennis Davidson, the turnover of real economy companies dropped sharply during the COVID-19 pandemic, resulting in difficulties in corporate capital flow. At the same time, the government's introduction of tax cuts and other expansionary fiscal policies will ease the financial pressure on companies in the real economy, thus promoting sustainable and stable business development. Second, by increasing fiscal expenditure, the government plays a key role in economic restructuring and sustainable development, which can effectively promote the development of the real economy.

#### **4.2. Preserve Strength and Mitigate the Impact of the Epidemic**

In an extraordinary economic period like the COVID-19 pandemic, real economy companies need to adjust their strategies accordingly to maximize their strengths if they want to survive and grow. There are several ways for companies to stay strong. The first is to reduce staff accordingly. Downsizing is a measure a company must take in extreme cases of capital shortage or capital disruption during the COVID-19 pandemic. Layoffs are both good and bad for the company. The company should make a decision after careful analysis. The emphasis here on "sufficient" downsizing means that companies should try to get rid of redundant or low-skilled, low-motivated and low-performing employees, and retain as many employable employees as possible. If a company wants to preserve its strength, it can also preserve it by eliminating some of its businesses accordingly. For restaurant chains, supermarkets and grocery stores, managers may close some low-wage stores with poor service to ease the pressure. Dennis Group closed underperforming stores during the pandemic. For manufacturing companies, they can cope with the impact of COVID-19 by closing some workshops or cancelling some low-sales and low-income production lines, thus reducing capital consumption and maintaining strength.

#### **4.3. Guide Consumers to Improve their Awareness of Online Consumption**

Media is the medium of information transmission and the channel of information acquisition. Traditional media include TV, radio, magazines, weekly magazines, newspapers and so on. Thanks to the development of modern technology, modern society has electronic magazines, electronic newspapers, online social media software and so on. The main functions of media are to coordinate social relations, supervise social environment, inherit different cultures, provide entertainment and education for people, and provide the latest important information. During the COVID-19 pandemic, the government can use the media to properly guide consumption and help businesses in the real economy survive and develop. When the epidemic was severe, the government reported the latest news about the epidemic through social media, reminding people to pay attention to protection and try not to leave. In order to provide people with a normal quality of life and help real economy enterprises overcome difficulties, the government can promote and guide real economy enterprises in online sales and other modes through the media, and encourage consumers to shop online. This will not only ensure the normal lives of consumers, but also help enterprises in the real economy mitigate the loss of business due to the COVID-19 pandemic. Scientific assessment of the outbreak and timely disclosure to the public will help reduce people's concerns. During the period of remission of COVID-

19, the government can inform consumers in a timely manner through social media to ease consumers' fear of the epidemic. For example, when they have to shop, consumers will not be afraid to show up because of pandemic panic, which will contribute to the sustained and stable development of merchants in the real economy.

## 5. Conclusion

Looking at the bigger picture: in the context of shared prosperity, we must capture the dividends of the next era in these highly uncertain times and satisfy people's aspirations for a better life by improving quality. Externally, this is a new global competition that will affect our position in the future industrial chain and global value chain. "Don't miss the crisis" was first applied to finance, and today it can be said: "Don't miss the changes that the crisis has brought, and the future that lies behind us." In fact, the pandemic is a crisis that depends on how we face it. Every crisis hides an opportunity. The greater the crisis, the greater the opportunity. This crisis is an opportunity for many to excel. Really smart people never miss a crisis. This crisis is an inflection point for the real economy. Determining a person's final height is often not the starting point but the inflection point; opportunities are at the inflection point.

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