Lasting Economic Effects of the Pandemic

By: www.ProfitableInvestingTips.com

As the USA emerges from the depths of the Covid-19 pandemic, investors can expect a boost to the economy in the range of 6% GDP growth for a year. The economic boom may last longer if infrastructure spending at any reasonable level comes to pass. Meanwhile, inflation has become a concern as well as increased capital gains taxes. Something that needs to be taken into consideration as well is the lasting economic effects of the pandemic. This does not have to do with recovery of the lower arm of the "K2 of the k-shaped recovery but rather structural changes in cities, change in how we work, and how the workforce may have changed.

Cities Worst Hit by the Pandemic

The New York Times business section looked at lasting economic toll of the pandemic on New York City as well as other major population centers. They published a table of percentage of job losses for the twenty largest cities in the USA with New York City, San Francisco, Philadelphia, and Los Angeles leading the pack with job loss rates from 11.8% to 9%. Of the largest twenty cities Austin, Dallas, San Antonio, and Jacksonville are the least worst hit with job loss rates ranging from 2.4% to 1.5%.

Part of the issue is that the pandemic taught us that working from home is not only OK but an efficient way to do business. Then the fallout from people not commuting to work is that restaurants and other service sectors suffer. Small businesses have closed and their closing has a domino effect on other businesses. *The Times* notes that some New York neighborhoods look like Sunday afternoon on weekdays. There will be lasting economic effects of the pandemic in cities like New York, San Francisco, Los Angeles, and Philadelphia, and San Francisco and these effects will ripple out across the economy changing businesses, profits, and stock values.

A flip side of this is the lowering of rents in major metropolitan centers like New York and San Francisco. That in itself could lead to economic changes and investment opportunities.

Investing in a Home-based Supply Chain

One of the side effects of the pandemic has been the realization that outsourcing everything that America needs to foreign countries is not necessarily a good thing. Businesses flocked to China and other offshore locations to produce at low cost and then import back into North America and Europe. It was a wakeup call when we could not get protective gear like masks during the pandemic. It is a real pain now when auto production has fallen because there are not enough computer chips made in America.

We expect that the push for US-based infrastructure will not only fix roads, bridges, and airports but will also move towards rebuilding a US-based supply chain. That should be an investment focus for anyone looking to benefit from the post-pandemic recovery. The realization that giving so much production to China has endangered the USA has also come out of the pandemic and is likely to define US foreign policy and economic policy for years to come. Again, investors should factor this into their thinking.

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