U.S. Risk, LLC

How a Second Shutdown Could Impact Big Cities

The coronavirus pandemic of 2020 has caused dramatic upheavals in everyday life. The spread of the potentially deadly COVID-19 virus necessitates new ways of conducting business operations – if keeping businesses open is even possible in the wake of the pandemic. During and after an initial shutdown, businesses throughout the United States faced dire economic conditions. A second shutdown looms on the horizon as the virus spreads unchecked, and this second shutdown could devastate the economies of some of the country's largest cities. COVID-19 impacts will be felt long after the pandemic is over. Business owners need to take steps to understand the potential of another COVID-related shutdown and how it will affect business operations.

Economic Uncertainty in the Wake of COVID-19

Beginning in February 2020, COVID restrictions had an almost immediate effect on world economies. Businesses were shut down, causing the losses of millions of jobs and hundreds of thousands of furloughs. Consumer spending decreased dramatically, with a decline of nearly 9%. Although COVID restrictions began to be lifted in some states in May, the economy was slow to gain its footing. Numerous businesses were forced to operate at partial capacity to comply with social distancing and stay-at-home orders. Thousands more businesses were unable to survive the initial lockdown. Will a second COVID lockdown be the final nail in the coffin of the businesses that are struggling to survive?

Second COVID Shutdown Looming

Since businesses were allowed to resume operations, the United States has experienced a sharp increase in the number of COVID infections and deaths. By October 2020, the average seven-day daily infection rate reached 69,000 individuals, with as many as 3,000 people succumbing to the virus every day—more than two a minute. Many businesses and schools remain closed from COVID impacts, and restrictions on movement mean that people are spending less, further weakening an already strained economy.

Public health officials are calling for tighter restrictions, including a second shutdown. The result of this move could be devastating, including the loss of even more jobs and billions of dollars in revenue. Those businesses that were able to survive the first lockdown—and were on the road to recovery when restrictions were lifted—may not be able to withstand a second. Larger cities throughout the U.S. are feeling the economic pinch. Federal subsidies, like interest-free loans as part of the Payroll Protection Program and extensions of unemployment benefits, have not been renewed by Congress. As these sources of emergency income are depleted, the economic prospects for many business owners are grim.

Phased Restrictions: The "Circuit Breaker" Approach

The European Union, facing economic hardships in many of the largest European cities, has explored the concept of "circuit breakers," a series of short-term lockdowns lasting two to three weeks and occurring once every two to three months. These short lockdown periods would allow infection rates to fall. Reopening businesses after the short lockdowns would become a priority, allowing business owners to resume operations.

Studies have indicated that a two-week "circuit breaker" shutdown could potentially halve the deaths associated with COVID impacts. While this model is not perfect, it makes more economic sense than a longer lockdown of uncertain duration that would crumble cities' struggling economies. Based on early research into the circuit-breaker concept, U.S. lawmakers are examining their options.

Summary

For now, business owners must make do with the revenue and subsidies they can access. Business protection insurance, particularly general liability, and business continuity policies will help manage existing and emerging risks. COVID impacts will continue to alter the way American companies do business. By avoiding another full shutdown, and with approved coronavirus vaccines nearing public release, the economies of large U.S. cities may once again regain their status as global drivers of commerce.

Sources

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