ECONOMIC RECOVERY MEASURES TAKEN IN US IN THE CONTEXT OF THE COVID 19 PANDEMIC

ROXANA-LOREDANA AVRAM, COSTIN DANIEL AVRAM
TIBISCUS UNIVERSITY OF TIMISOARA, FACULTY OF ECONOMIC SCIENCE,
UNIVERSITY OF CRAIOVA, FACULTY OF ECONOMY AND BUSINESS ADMINISTRATION,
roxana7avram@yahoo.com, avramcostindaniel@yahoo.com

Abstract:
The recent Covid-19 pandemic has caused significant decrease in the economy of every country, each sector being affected with unprecedented contractions. The costs of the pandemic are represented by losses of significant human lives and also, important economic losses. The market volatility has raised concerns about a Covid-19 induced recession. In order to understand the present situation of economy, the businessmen and entrepreneurs need to take a careful look at market signals, but also, to study the history of epidemics and the measures that were taken in that period.

Key words: *COVID-19 pandemic, financial market, economy*

JEL classification: *E44, 051*

1. Introduction

The new coronavirus crisis (COVID-19) broke out in China, in the city of Wuhan (Hubei region) and is soon becoming a global health crisis. As of March 11, 2020, the virus has already affected more than 100,000 people in more than 100 countries. This evidence led the World Health Organization (WHO) to declare a new coronavirus pandemic. Two months later, cases of infection exceeded 5 million people and several hundred thousand deaths were reported globally. At the same time, stock markets have experienced several shock waves since February 2020, while financial volatility has continued to increase in the context of COVID-19 uncertainty.

Even in its pre-pandemic phase, COVID-19 severely affected the real economy, with a negative impact on trade, tourism and the transport industry, generating local food shortages. In addition, in the presence of stock market price bubbles, the impact of COVID-19 on the financial system could not be ignored. Also, several early papers focus on the effects of COVID-19 on the profitability of stock markets, while only a few papers highlight the impact of COVID-19 on financial volatility.

2. The economic impact of the COVID-19 pandemic in North America. The impact of the financial market.

US President Donald Trump led various forms of communication during the COVID-19 pandemic in the United States, including through social media, interviews and press conferences with the White House Coronavirus Task Force. President Trump has been optimistic for most of the pandemic and he expressed this public, his optimistic message being different from the one of his administration's public health officials. From January to mid-March, Trump downplayed the coronavirus threat to the United States and the severity of the outbreak. In his first comment on the coronavirus in a major address, Trump, in his state on February 4, promised that his administration will take all necessary measures to protect our citizens from this threat. On February 28, Trump said that "we are doing everything we can to keep the infection and for those who have the infection from entering the country."

On March 11, 2020, after the World Health Organization declared COVID-19 a global pandemic, President Trump said his administration "organizes the full power of the federal government and the private sector to protect the American people." He announced that the United States suspends all travel from Europe to the United States for the next 30 days, except for travel from the United Kingdom, which includes extraordinary amount of trade and goods. Trump also listed several economic policy proposals designed to provide tax breaks to workers, help small businesses, and combat the spread of the virus. Trump said that insurance companies agreed to waive all co-payments for coronavirus treatments. After the speech, America's Social Security Plans clarified that the waivers were for tests only, not for treatments, but by March 10, treatment was also covered. On March 16, President Trump issued new recommendations, entitled "15 Days to Slow the Spread." These recommendations included physical distances and hygienic instructions, as well as instructions to states regarding school closures, nursing homes, and regular public places.

Financial volatility has different sources, related to economic conditions, institutional problems or market uncertainty.

The Dow Jones Industrial Average (DJIA) is a stock index that measures the stock market performance of 30 large companies listed on U.S. stock exchanges. Although it is one of the most frequently watched equity indices, many consider Dow index to be an inadequate representation of the global US stock market compared to broader market indices, such as the S&P 500 or Russell 3000 index, as it includes only 30 of companies with large capitalization. The S&P 500 is a stock index that measures the stock market performance of 500 large companies listed on U.S. stock exchanges. It is one of the most frequently watched equity indices.

On February 27, 2020, the Dow Jones Industrial Average (DJIA) fell 1,191 points, the largest one-day decline in the index's history at the time, the decline being connected with the epidemic situation. On the same day, the S&P 500 declined 4.4%. Since then, the record has been broken five more times during the outbreak of March 9 (2013), March 11 (1,465), March 12 (2,353) and, finally, setting the current record for most points lost in one day by losing 2,997 points on March 16th. On March 13, the stock market returned, gaining 1,985 points after Trump declared a state of national emergency. The six business days required for the S&P 500 to fall by 10% (February 20-27) marked the fastest 10% decline from an all-time high in the index's history. Until March 18, investors avoided even assets considered safe havens during economic crises, such as government bonds and gold, switching to cash positions. The NASDAQ index also fell.

The pandemic, along with the stock market crash, led to a recession in the United States after the peak of the economic cycle in February 2020. The economy contracted by 4.8% from January to March 2020, and the unemployment rate increase to 14.7% in April. The total cost of health care to treat the epidemic could be between $ 34 and $ 251 billion, according to the analysis presented by The New York Times. In the second quarter of 2020, the US economy suffered the largest decline, with GDP falling at an annualized rate of 32.9%. In June 2020, the US economy was over 10% smaller than in December 2019.

3. Case study: analysis of the main sectors of the North American capital market

In our case study, we have made an analysis for companies listed on the NASDAQ stock exchange, during the period 2015-2020. Therefore, for the automotive field we chose Tesla, being the second most frequently traded in terms of the volume of the US dollar, for the IT field we chose Nvidia, for the financial services field we chose Bank of America, being the largest bank in United States of America, for the utility field we chose an oil company, Callon Petroleum and for the sanitary field we chose Vertex Pharma. Considering the fact that the context of the pandemic involved an isolation of citizens at home, we chose to analyze the evolution of Netflix, a company that offers streaming video subscriptions, offering a library of movies and television programs.

According to official data provided by the New York Times website, at the beginning of 2019, **Tesla** suffered a sharp drop in sales at the beginning of the year, the company was in a hurry to raise cash, reduce costs and close dealerships. Expenditures and investments in the new models have slowed down. But despite the coronavirus pandemic, Tesla sales are holding up fairly well, with growth in China and other overseas markets offsetting a slowdown in the United States, where the virus remains a serious obstacle to the economy. It had sold 88,496 cars in the first quarter of 2020, when most of the company's operations were largely unaffected by the virus. The decline was considerably smaller than many analysts expected and much better than the number reported by established carmakers. The modest drop in deliveries is surprising, as local officials forced Tesla to close in March its main car factory in Fremont, California. Two months later, the company resumed production earlier than it was allowed to do. Tesla appears to have made up for the shutdown in Fremont by accelerating deliveries to China, where it recently began producing Model 3 sedans at a Shanghai plant. The new plant allowed the company to sell cars in China, the world's largest electric car market, without paying import duties that had previously limited sales there.

According to the chart no. 1, the value of Tesla assets shows a significantly increase trend for 2020, despite of COVID-19 pandemic.

In respect of the IT field, according to data provided by The Wall Street Journal, **Nvidia** registered an increase in sales, as the pandemic supports the demand for games. IT manufacturer Nvidia Corp. continued its strong financial performance during the coronavirus pandemic, recording significant sales in the last quarter driven by strong demand for online games and remote services. Nvidia has also benefited from increased demand for cloud computing infrastructure, as more companies have moved to remote work, helping to grow vendors such as Amazon.com Inc. and Microsoft Corp.

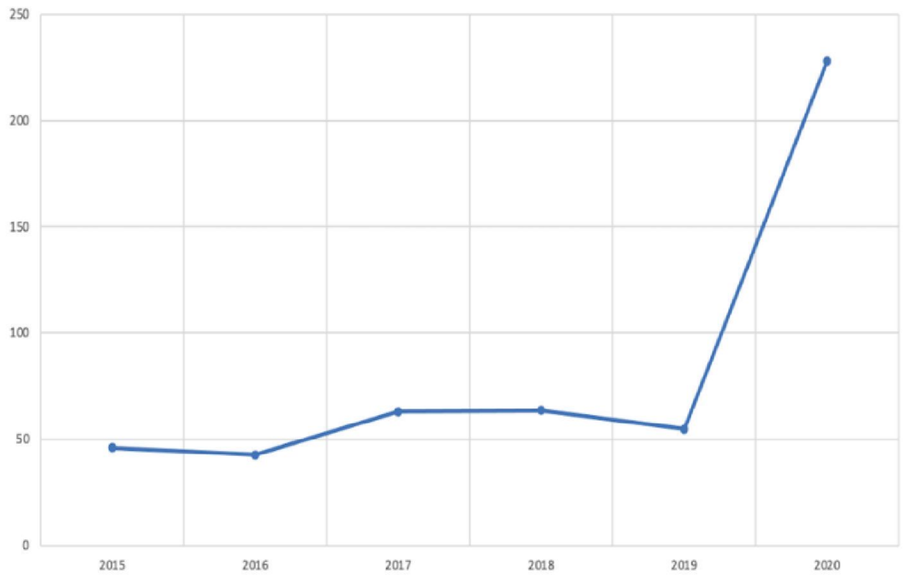

Chart no. 1 Tesla stock price fluctuation on the NASDAQ stock exchange for the period 2015-2020

Source: own interpretation

According to the Chart no. 2, the average price per share in 2015 was $ 23.71. The share price followed an upward trend in the next years, in 2018 a share worth $ 232.38, reaching its peak in 2020, at a price per share of $ 360.50. This value is influenced by the evolution of the market, but also by the financial position of the issuer. High value can reflect the market's confidence in the way the company operates and in its prospects.

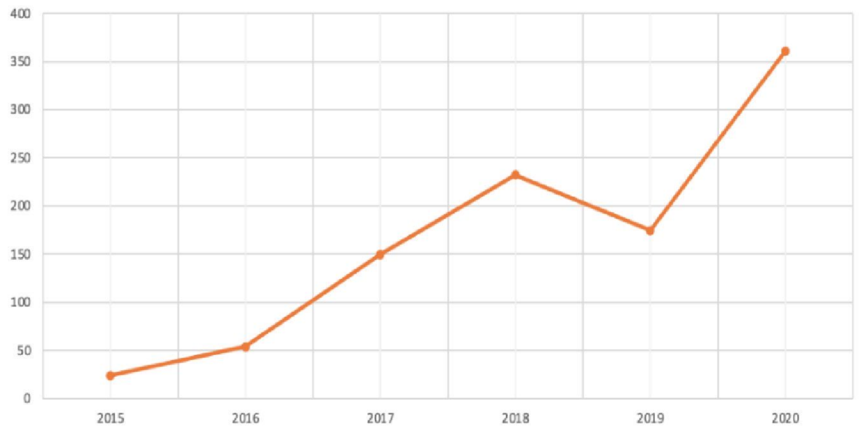

Chart no. 2 Nvidia stock price fluctuation on the NASDAQ stock exchange for the period 2015-2020

Source: own interpretation

The coronavirus pandemic has caused the closure of many companies, including banking services for **Bank of America** customers in Southern California and California. COVID-19 has generated significant instability and high volatility in global capital markets. The financial sector was one of the most affected sectors, with bank ratings falling in all countries around the world. According to data provided by KPMG, bank stocks were affected during COVID-19. In 2020 most banks recorded a decrease in prices in mid-March.

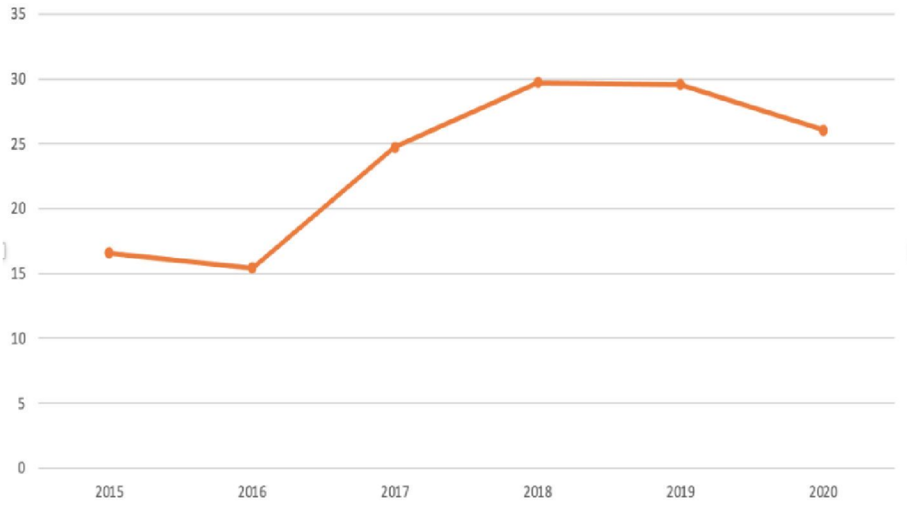

Chart no. 3 Bank of America stock price fluctuation on the NASDAQ stock exchange for the period 2015-2020
Source: own interpretation

According to the chart no. 3, the average price of a share from Bank of America in 2015 was \$ 16.57, the price fluctuating over the years, with an upward trend, relatively stable, for 2018 registering a value of the price per share of \$ 29.69. If in 2019 a price per share valued \$ 29.56, in 2020 suffered a sharp decrease, the price of a share reaching \$ 26.

In an official statement issued by **Callon Petroleum**, they declared that in response to the collapse in commodity prices and the global impact of the coronavirus pandemic, Callon has taken a number of measures that include material reductions in overhead costs including 35% reduction in compensation for members of the Management Board, 35% reduction in compensation to the Executive Director and at least 25% reduction in cash compensation by all other officers. To these are added the previously planned staff reductions and the suspension of employment.

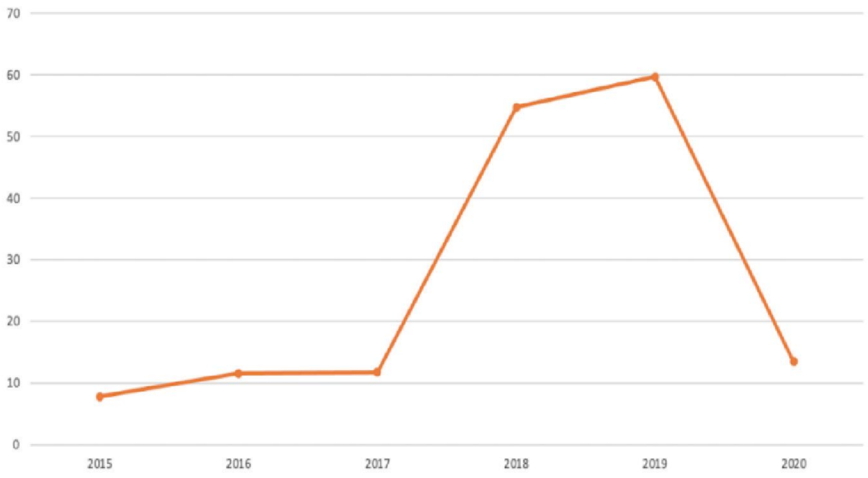

Chart no. 4 Callon Petroleum stock price fluctuation on the NASDAQ stock exchange for the period 2015-2020

Source: own interpretation

According to the chart no. 4, the average price of a Callon Petroleum share was \$ 7.83 in 2015, followed by an upward trend until 2017 when it reached \$ 11.80 per share, the highest value being reached in 2019, when the price of a share was \$ 59.68. As we can observe from the chart, the share price in 2020 has been steadily declining, reaching the value of \$ 13.47 per share.

As expected, the pandemic had a positive impact on **Vertex Pharmaceuticals**, which set an impressive record, with an estimate of earnings of over 21.76% over the same period last year.

As we can observe from the chart no. 5, the average value of a share in 2015 was \$ 123.78, followed by a decrease in 2016 in the company's shares by approximately 42%, reaching the value of \$ 88.17. This significant decrease was due to the sale of drugs designed to treat cystic fibrosis, which are not very popular on the market. Starting with 2017, the share price followed an upward trend reaching a price per share of \$ 184.74, and in 2020 the value of a share increased by approximately 41% compared to 2019, reaching \$ 259.12.

As for **Netflix**, the representatives described the impact of the pandemic on their company as unpredictable. First, the increase in subscriber numbers has been temporarily accelerated due to home isolation leading to approximately 7 million international subscribers, but at the same time international revenues will be lower than previously forecast due to the gross rise of the dollar. At the same time, the pandemic led to the cancellation or postponement of filming for certain productions, leading to delayed receipts.

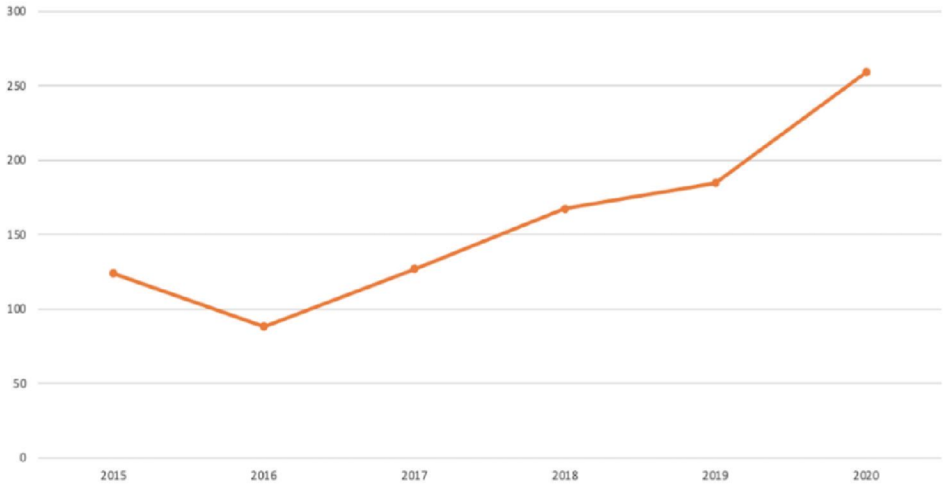

Chart no. 5 Vertex Pharmaceuticals stock price fluctuation on the NASDAQ stock exchange for the period 2015-2020

Source: own interpretation

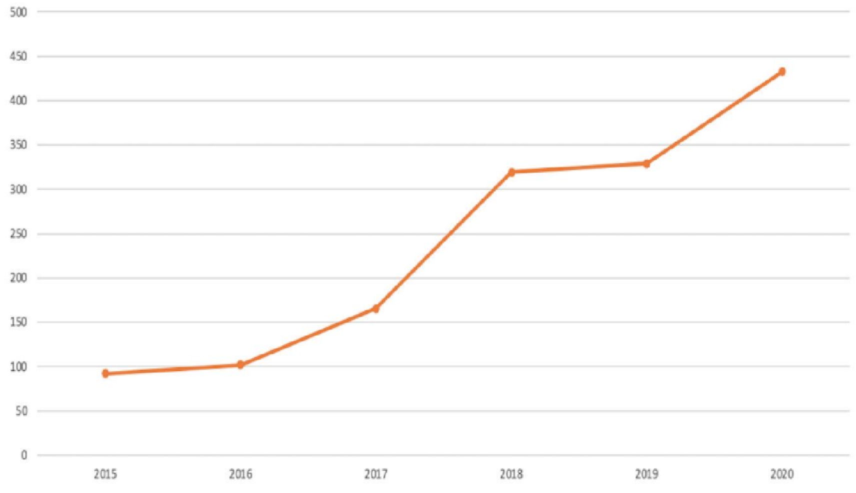

Chart no. 5 Netflix stock price fluctuation on the NASDAQ stock exchange for the period 2015-2020

Source: own interpretation

It is known that in 2015 the average value of a share was \$ 91.89, followed by an increase in the average value of a share every year, reaching an increase of more than 400% in 2020 compared to 2015. Therefore, the average value of a share in 2020 was \$ 432.69.

4. Conclusions

In conclusion, as we can observe from the charts presented above, Netflix recorded the most significant increase from all the companies listed on the NASDAQ stock exchange analyzed in this paper, in the period 2015-2020. Two other areas that registered significant increases were the IT and automotive fields, the year 2020 representing a peak in terms of stock market quotation. The sector that suffered the most from the health crisis was the oil industry, the average value of an action decreasing dramatically. The banking field was not significantly affected, the trend remaining constant throughout the analyzed period.

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