



Short Case 50

COVID-19 AND ITS IMPACT ON THE GENERAL ENVIRONMENT

Diego Corrales-Garay
Antonio Montero-Navarro
Universidad Rey Juan Carlos

In December of 2019, a new disease which caused severe respiratory problems, along with effects over some other organic systems, started to spread from the Chinese city of Wuhan. Its effects were initially underestimated, though in the beginning of 2020 it started to show its devastating capacity, initially in China and then in the rest of the world. In Spain, the 14th of March of 2020 the Government declared the State of Alarm, which meant important restrictions of mobility, with just a few exceptions such as the main supplies and critical economic activities. Which initially started as a local public health problem had turned into the event with a largest impact over the business environment in the first decades of the 21st century.

From a political-legal perspective, many countries put restrictive measures into practice, which concentrated the decisions on their governments, reducing the activity of their parliaments. In Spain, a succession of Royal Decrees was approved in order to board the sanitary crisis, but also dealing with some other aspects not so directly related with it. Later on, once the first wave of the health crisis was over, a certain degree of deconcentration took place, and the parliaments and regional governments recovered some decision power.

As for the economic aspects, the immediate cease of many activities caused a drop in the GDP of all the countries. In Spain, in the second term of 2020, this contraction reached a 18,5% compared with the previous term. Many people were affected by temporary labour regulation proceedings, which resulted in a reduction of their purchasing power. This effect was especially noteworthy in a country which has a service-based economy, with a critical importance of tourism. Though the third term of 2020 gave place to some level of recovery of the economic activity, the regrowth of the disease and new restrictions to mobility seem to point at new falls in the economic activity.

Demographically, an increase in the rate of mortality, mainly in the older sectors of the population, must be remarked. Until the 11th of November of 2020, 40.105 deaths directly associated with COVID-19 had happened in Spain, according to the Ministry of Health. There was also a reduction in the international mobility, which will probably generate a drop in migratory movements. Nevertheless, in Spain, the practice of remote work made many people leave big cities and urban locations for medium populations and even small towns, revitalizing what has been called the "emptied Spain".

In the social-cultural dimension, a sudden change in the way of life and the social relationship habits must be stressed. The initial lockdowns caused a cease in direct interpersonal relationships, which in turn generated a raise in the number of contact through the Internet and, initially, the complete elimination of many presential activities such as concerts and sports events. When the contention measures were loosened, there was a limited degree of reactivation of these events, though the mistrust of some people, along with new restrictions associated to the second wave meant a new step back.

From a technological point of view, the crisis caused by COVID-19 has meant a critical test for some developments which were tiptoeing into people's lives. The use of both e-commerce and m-commerce has dramatically increased, and remote work, streaming or e-learning are now a common part of our daily





activities. Many small firms have had to face an accelerated digital transformation to be able to continue serving their customers, with an important risk of losing a high percentage of their sales and, therefore, their viability.

Finally, in the environmental dimension, the reduction of urban traffic, as well as a massive drop in the use of planes and other transportation means, has resulted into a reduction of greenhouse gases emissions. Globally, the decrease of emissions of CO₂ until the 30th of April of 2020 has been estimated by an 8% compared with the same moment of the previous year. On the other hand, starting from a deep concern about environmental issues, some security elements, as the individual protection equipment (EPIs) require the use of non-returnable plastics which wouldn't have been accepted a few months before the crisis. Also, in spite of the positive environmental impact of the reduction of air traffic, the reluctancy to use massive urban transportation means can generate a negative effect.

COVID-19 has caused an extraordinary growth of the degree of uncertainty of the environment, putting on the table a big number of variables which cannot be easily understood, controlled and foreseen, accelerating the changes, making them more unpredictable and requiring the firms an unprecedented degree of flexibility.

Question: Identify two industries which have experienced a mainly favourable impact from the situations caused by COVID-19, along with two industries for which it has generated a relevant menace. Identify also two companies belonging to the same industries which have experienced opposite-sign effects of this crisis.

Information sources:

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www.iata.org

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