

The impact of the COVID-19 pandemic on sectoral output

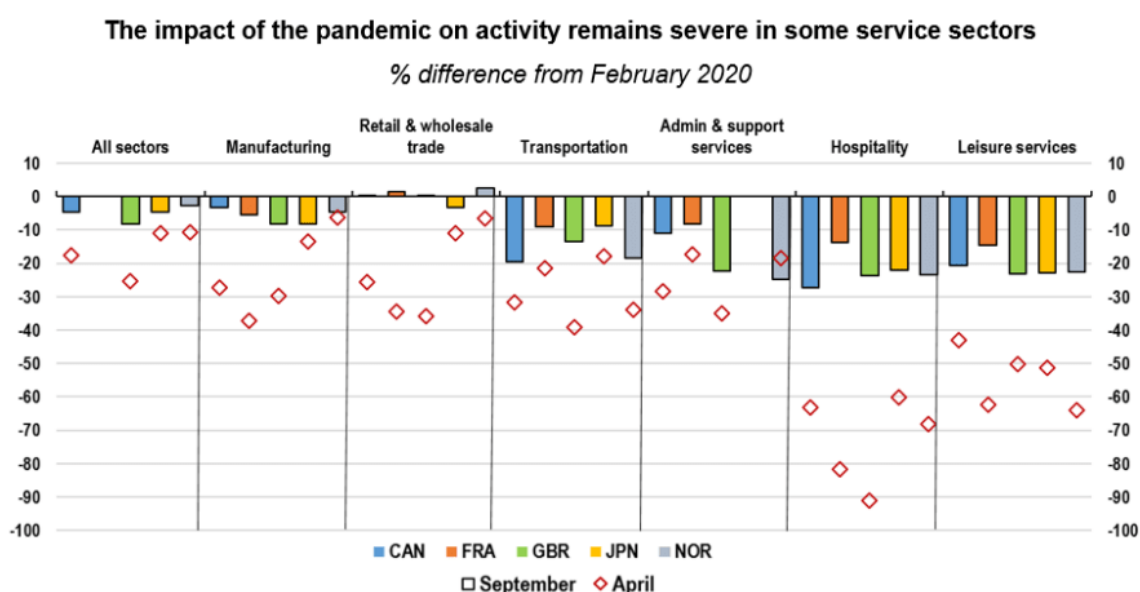
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The economic impact of the pandemic has varied significantly across different industries. Monthly economy-wide output data and the special business surveys being undertaken in some countries provide a timely indication of the different impact of the pandemic across types of activity, both in the early stages of the crisis and subsequently. As shown in the December *OECD Economic Outlook*, the containment measures used in response to the pandemic and underlying changes in consumer behaviour have both had a significant impact on activity, particularly in many service sectors.

In the first wave of the pandemic, output fell especially sharply in countries such as the United Kingdom and France, where full economy-wide confinement was required for an extended period (see first figure). By April, retail and wholesale trade volumes in these countries were over one-third lower than in February, prior to the pandemic. Retail output also declined by over one-quarter in Canada. In contrast, many other countries, particularly in Asia and Northern Europe, made greater use of targeted measures on regions and sectors and relied more extensively on effective test, trace and isolate systems to control the virus.

Service sectors requiring close proximity between consumers and producers or between large groups of consumers, including hospitality services, leisure activities and cross-border

travel, were hard hit across all economies, with output declining by 60-80% in several countries by April. Output in many other parts of the economy, including manufacturing and most other market-based services also tumbled, although the extent of the decline was more varied, reflecting the mix of containment measures being imposed and differences in specialisation. Declines in these sectors were also typically larger in Canada, France and the United Kingdom than in Japan or Norway.



Note: Monthly GDP in Canada, Norway and the United Kingdom, monthly output in Japan and France. Data based on national industrial classifications. Data on all sector output are not available for France, and data on administrative and support services are not available for Japan. Transportation data for Norway exclude ocean transport.

Source: Office of National Statistics, United Kingdom; Ministry of Economy, Trade and Industry, Japan; Insee, France; Statistics Canada; Statistics Norway; and OECD calculations.

In the subsequent recovery output gradually picked up in all sectors, with many containment measures relaxed until recently, although economy-wide activity and manufacturing output still remained below pre-pandemic levels as of September (see first figure). The rebound was particularly marked in wholesale and retail trade, where output returned quickly to the immediate pre-pandemic level, helped by a rebound in consumer spending.

A weaker recovery occurred in the service sectors most affected initially, pointing to the risk of persistent costs from the pandemic in these sectors. Activity in hospitality, leisure, and transportation, particularly air travel services, continues to be impacted by physical distancing requirements and border closures, with output in September remaining 20-25% below that in February in some countries. The recovery has also been slow in administrative and support services, a category of output that includes travel agencies, where demand is extremely weak.

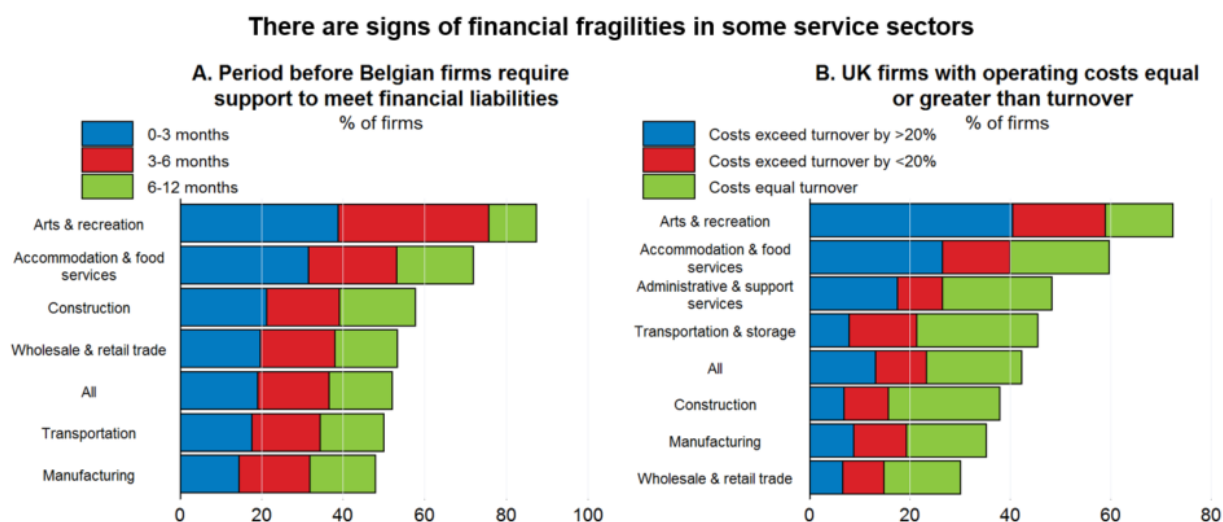
The special business surveys being undertaken by some national statistics offices and central banks provide additional insight into the effects of the pandemic across sectors, including on workforce arrangements, the extent to which government support schemes are being used, investment plans, and corporate finances. Even prior to the tighter containment measures implemented in the past two months in most European economies, survey information was already highlighting the pressures that firms in the hardest hit sectors were facing.

In Belgium, around one-fifth of responding firms indicated that they could not meet their financial liabilities for more than three months without receiving additional equity or credit (see second figure, Panel A). An additional sizeable share of firms indicated that financial liabilities could only be met for between three and six months. Such financial pressures were most evident in the arts and recreation (leisure) sector, and the accommodation and food services (hospitality) sector, with around 40% and 30% of firms respectively indicating that financial liabilities could not be met for more than three months.

In the United Kingdom, around one-fifth of responding firms

reported that their operating costs were currently exceeding turnover, with the excess being over 50% in half of these cases (see second figure, Panel B). A further one-fifth indicated that operating costs were equal to turnover. Financial fragilities again appeared to be strongest in the hardest hit service sectors.

These findings highlight the message in the December *OECD Economic Outlook* that flexible and state-contingent government support remains necessary to help sustain viable firms and lower the risks of significant long-lasting costs from the pandemic.



Note: Data in Panel A are responses in September to the question “How long can you still meet your current financial obligations without having to rely on additional equity or credit?”, weighted by the number of responding firms. Data in Panel B are responses, weighted by turnover, to the question “In the last two weeks, how did your business's turnover compare to its operating costs?”, and refer to the period September 21 to October 4. Firms replying not sure are excluded from the calculations.

Source: National Bank of Belgium; UK Office for National Statistics; and OECD calculations.

Further reading:

OECD (2020), *OECD Economic Outlook, Volume 2020 Issue 2: Preliminary version*, OECD Publishing, Paris, <https://doi.org/10.1787/39a88ab1-en>.