Windfall profits and losses caused by the COVID-19 pandemic

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Abstract

The outbreak of COVID-19 pandemic is a great economic shock, both for the European countries and for the entire world. The subject of the study is the unexpected profits or losses connected with the coronavirus pandemic. The authors of the article focus on the areas affected by losses and the areas, which achieved windfall profits during the discussed period. The purpose of this article is to analyze and evaluate the profits and losses resulting from the ongoing SARS-CoV-2 pandemic. The world economy has been struggling with epidemic phenomena, varying in intensity and extent, since at least the Roman Empire. This is also the case when the global economy is affected by the pandemic. The business environment has radically evolved. The pandemic contributed to losses in many areas, the most influenced fields are the following: aviation, hospitality and tourism. Profits, on the other hand, relate to the Zoom company, which enables and facilitates videoconferencing, it is so important in the case of remote work. Online shops, such as Amazon, have also recorded an increase, especially during the closure of brick and mortar shops. Stock market increases were also observed among companies supplying food and food products. It should be emphasized, however, that the financial situation of individual companies also depends on the principals and permanent contracts.

Keywords: crisis, pandemic, collapse, economy, industry, COVID-19 pandemic.

Introduction

The global reality is constantly changing, causing functioning in different conditions. Uncertainty is one of the consequences of a pandemic, which is also associated (apart from discomfort) with the abandonment of entrepreneurial activities, and thus, with taking conservative decisions. (A. Dolot, 2020). With regard to the number of cases, global scope or time of occurrence, the COVID-19 pandemic appears to be much more severe and endless than the epidemics in the 19th or 20th century. It seems that the economic consequences of today’s pandemic may be underestimated due to globalization. (ł. Ambroziak and others, 2020).

Material and methods

In the study it is used the method of observation, including the method of statistical analysis.

The COVID-19 epidemic began in November 2019. Although, it was initially predicted that some parts of China and Asia would be affected, the spread of the virus has increased over time. March 11, 2020 the World Health Organization declared the COVID-19 epidemic to be a pandemic. In Poland, the first case of COVID-19 was confirmed on March 4, 2020 (A. Dolot, 2020).

The chart below shows the loss of revenues in the transport sector in the first half of 2020.

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during the coronavirus pandemic.

**Chart 1. Revenues loss in the transport sector (freight transport) in the first half of 2020**

Initially, the sea cargo transport was decreasing, followed by the decrease in the number of road freight forwarding and rail freight (also intermodal transport) (M. Koralewski, 2020). Transport is an area of the economy that is extremely important in the period of the crisis related to the effects of COVID-19. It is worth noting that the situation of freight carriers is varied, which results mainly from the structure of the portfolio in terms of permanent contracts, as well as from the condition of customers. The situation of freight carriers is also influenced by the prospect of increased economic activity over the next few weeks (M. Koralewski, 2020).

The crisis and pandemic losses have not only affected the freight transport sector. Air transport, including our national carriers, also recorded a deficit. At the early stage of the COVID-19 outbreak, carriers transported people who were returning to the country. The aviation industry has almost come to a halt. Losses in the case of Polish air carriers can be observed on the basis of the stock chart presented below.

**Chart 2. LOT – stock market chart, 2018-2021**

At the same time, it is worth pointing out that the aviation industry in Asia is returning to its initial level which was before the outbreak of the pandemic (M. Koralewski, 2020).

As it can be seen from the stock chart during the COVID-19 pandemic, the stock quotes of the LOT air carrier have dropped drastically.

When analyzing the profits related to the COVID-19 pandemic, one should take into account the Zoom company. Zoom’s share price rose from nearly $ 60 to $ 570. However, in the third quarter of 2020, revenues increased by 367%, thus, net profit increased by 1079%. At the same time, however, the position of Zoom increased its sensitivity to signals coming from the market. The situation is illustrated by the Zoom stock chart showing the company’s results in 2019-2021. (investing.com, 2021).

**Chart 3. Zoom stock quotations market in 2019-2021**

However, many people use the Zoom platform free of charge and it may lower the gross margin. It has been observed for the last few months. It is indicated nowadays that Zoom has nearly 433,000 customers who employ more than 10 employees. It constitutes an increase of approx. 485%, compared to the year preceding the COVID-19 pandemic. Zoom’s competitor is Microsoft company, which offers the Teams platform, as well as Cisco, which offers the Webex platform (K. Bogacki, 2021).

As it was mentioned, the passenger transport sector experienced significant negative effects
during the first lockdown. Nevertheless, significant profits have been observed for the food delivery. In the third quarter of 2020, there was an increase of 190% compared to the previous year, thus revenues constituted 1.14 billion dollars (Financial Services, 2021).

The chart below shows the Uber’s stock prices in 2019-2021. In 2020, almost from the beginning of the COVID-19 pandemic, it has been observed a steady and significant increase.

Chart 4. Uber stock-exchange price in 2019-2021

The Uber’s competitor is Lyft company, which recorded the similar growth during the pandemic. Lyft stock exchange price is presented in the chart below (Financial services, 2021).

Chart 5. Lyft stock exchange price in 2019-2021

Each of these companies reacted to market information following the Pfizer company announcement regarding the completion of works on the vaccine. This was only a temporary reaction, as they returned to the increase, as a service sector plays an important role in the global vaccination (Financial Service, 2021).

Amazon company has also recorded an increase in profits. It is an American trading company, operating in the form of a joint stock company that was founded in Seattle in 1994. Amazon deals with B2C e-commerce and runs an online store, which is considered the largest in the world (J. Kopeć et al., 2021).

Undoubtedly, it can be observed that traders recorded significant profits during the COVID-19 pandemic. The longer brick-and-mortar stores were closed, the greater were growth shares of such companies, as Zalando and Amazon. The pandemic outbreak was beneficial for online trading companies. At the very beginning of the economic shock, their shares went up. The longer the brick-and-mortar stores were closed, the more they increased.

Chart 6. Amazon stock exchange quotations in 2018-2021

In addition to the above profits, many industries experienced significant losses because of the COVID-19 pandemic. Hospitality is one of the industries that was significantly affected by the coronavirus. The Marriott International chain, which is the largest luxury hotel chain in the world, can serve as an example. Marriott’s stock market has still not recovered to pre-coronavirus level. The
situation was not also improved when the restrictions started to be gradually lifted, as people travelled less during summer holidays (J. Kopeć et al., 2021), in comparison to the previous year. The Marriott stock chart is presented below.

Chart 7. Marriott stock chart in 2018-2021

![Marriott stock chart in 2018-2021](Source: Financial services, stooq.pl [Access: 24.03.2021.])

In the early months of the COVID-19 pandemic, hotels were lowering prices. But Airbnb company, on the contrary, did not lower the prices, but even increased them in many cities (e.g. in Venice). (J. Kopeć and others, 2021).

Tourism companies have also reported losses. An example of such company is TUI, but its financial results were still unsatisfactory before the COVID-19 pandemic. TUI’s debt in September 2020 amounted to nearly EUR 4.2 billion. TUI’s revenues decreased by approx. 58% at that period, which resulted in loss of EUR 3.2 billion. (ttg.com.pl, 2021).

The situation of the households and their impact on the economies of individual countries also seem to be of great importance. The first results of the study on this phenomenon show that the number of people working remotely has increased by 100% since the pandemic. At the same time, people missed the daily social interactions and had a fear of social isolation.

Although remote work quite efficiently reconciles work and private duties, it also blurs the line between work and intimate life (J.K. Solarz, 2020). In addition, the household budget study from 2018 showed that about 330 thousand student accommodation did not have a computer with Internet access, and 1,320 thousand had less than one computer. This indicates the scale of educational exclusion at the level of over 1.65 million, that is over 35% of all students in Poland (J.K. Solarz, 2020).

Chart 8. The possibility of maintaining the household budget until financial problems arise

![The possibility of maintaining the household budget until financial problems arise](Source: Coronavirus throws people out of work, 2020 [Access 19.06.2021.])

Almost every fifth respondent said that he/she has accumulated funds for a maximum of one or two months. The number of the respondents, who said that their savings would allow them to live for three months was comparable. People who did not have any resources for living were the most concerned about financial resources, because they spent all their monthly salary and ran out of money (Chart 8).

The data analysis shows that the pandemic has led to a critical global recession. The first quarter of 2021 is recessionary and the same predictions are for the second one, perhaps the second half of the year will show an accelerated pace.

In case the pandemic will be brought under control, national economies of some countries will flourish, but there is little chance of a rapid V-shape revival. It seems necessary to take measures to neutralize global disruptions in international trade, such as the abolition of customs duties introduced by the US or China, as well as consistent liberalization of trade.

It may seem interesting from an economic point of view that the probability of a deep stagnation in Poland is considered to be lower. Explaining their point of view, the analysts
emphasize that compared to German economy, Poland is less dependent on export, it has a loose economic connection with China, the tourism and entertainment sector do not have such a significant share in GDP, in comparison to European countries. Moreover, Polish economy is very heterogeneous. According to analysts, faster economic growth in Poland compared to Germany or other Western countries seems to be an additional economy impact factor, and this is a kind of protection against the possible stagnation.

The forecasts of the European Commission and International Monetary Fund of 2020 assume great economic growth in 2021 in the EU countries. As for Poland, the forecasts are slightly weaker, and according to these forecasts, we may be one of the least affected by COVID-19 countries in Europe, together with Ireland and Lithuania. The European Commission expects Polish GDP to be slightly below the level from 2019 (-0.2%). The International Monetary Fund estimated data for Poland (from November) within Article IV consultation and forecasts a decrease of 0.8% compared to 2019. This estimation also coincides with the OECD (Organization for Economic Cooperation and Development) forecast for December and predicts that in 2021 Poland’s GDP will be 0.7% lower than in 2019. According to the available data, the impact on the economy of the second wave may be weaker than that of the first wave. The prolonged difficulties in the economy may result in a delay in economic recovery. Additionally, the further aid instruments for industries announced with the extension of the restrictions may significantly strain the previous forecasts (A. Łaszek et al., 2021), (A. Sieroń, 2020).

Despite the relatively great reduction of gap in relation to the world’s leading economies, in the projections of the European Commission or OECD estimates, Poland remains an undercapitalized country, in comparison to other countries. Even the rapid economic growth has not improved the situation of Poland. It was in the eighth place from the end among the 27 countries of the European Union in 2019. Bulgaria, Croatia, Romania, Greece, Latvia, Slovakia and Hungary turned out to be poorer (A. Łaszek et al., 2021).

Results and discussion

The global SARS-CoV-2 pandemic, which has affected the whole world, is an unusual and, unfortunately, a negative phenomenon. It resulted in decline in GDP and in a foreign trade exchange, confusion on stock and commodity exchanges, freezing of labor markets, damaging tourism, gastronomy and hotel industries, as well as media, entertainment, sports and recreation market. The predictions that are slowly coming true indicate that GDP in 2020 and 2021 is lower than that in 2019, and this may result in a recession in the global economy. Its reconstruction will be a long and multi-staged process, and it will be influenced by the mutant virus and by economies of the following countries on the world map: China, the USA or the EU (M. Antonowicz, 2020), (Polish Chamber of Statutory Auditors, 2020).

Undoubtedly, since the outbreak of the COVID-19 pandemic, the countries all over the world have been forced to comply with many restrictions imposed by the authorities. A significant number of people were deprived of previous sources of income. The priorities of the consumers themselves have also changed. Summing up the considerations undertaken in this paper, a sudden decline can be observed in the tourism industry, as well as among manufacturers of travel accessories, such as suitcases. The introduced restrictions have also resulted in the decrease in sales - fashion business and wedding fashion sectors, and the demand for wedding dresses, party dresses and suits was also lower because of cancellation of special events (A. Załęska, 2021), (J. Kopeć et al., 2021).

The sales of enterprises, which were not focused on online sales, have also declined. It has led to closure of brick-and-mortar stores. As consumers are deeply concern about the impact
of COVID-19, they are less interested in purchasing the items in shops (A. Załęska, 2021).

Thus, it should be emphasized once again that the decrease in income of the companies is influenced by portfolio of regular customers, as well as by financial ability of contractors and employers. Although it was extremely difficult to predict the outbreak of the COVID-19 pandemic, one should create a specific security facility when running a business (regardless of the industry) and determine the procedures to be followed during a crisis. Nearly each type of industry has been affected by pandemic to a greater or lesser extent. It should be remembered, however, that regardless of the main goal of the enterprise, one cannot ignore the signals of the crisis, take ineffective measures, make wrong choices and have no flexibility in actions. If the company has adequate human resources, it would be beneficial to create a crisis team, including employees who are responsible for the basic processes in the company (E. Rutkowski, 2021).

It goes without saying that the spread of the virus itself, as well as restrictions on the movement of people caused a kind of economic shock.

The pandemic has affected the economy in two ways. Consumption during the lock down periods shrinks, because people either get sick, or make efforts to protect themselves from infection. Under the influence of media reports or conversations with each other, citizens who are negatively prejudiced against hospitalization, self-quarantine without being tested and getting confirmation of the disease. They prefer to stay at home in any case. It results in abandoning their potential travels for various purposes (including tourism) or visiting shopping centers, which in recent years have actually become places of spending their free time. Tourism, transport, catering, leisure and entertainment industries were severely affected by the pandemic in a relatively short time. The best example of the demand effect is the fall in demand for crude oil (less demand, for example, for transport services) and the fall in price. It turned out unexpectedly that for the first time in the history of crude oil trading, the price of a barrel in transactions with a load date for May 2020 in the USA turned negative (M. Antonowicz, 2020), (B. Hadasik, 2021).

The algorithms, intentions or premises, which were successfully used in the past, are unlikely to work. In order to get the pre-collapse state, the giant corporations, as well as small companies and businesses have to act quickly. Surely, one should take into account such obstacles as legal acts and regulations that are subject to systematic changes, depending on the adopted policy of a particular country, unstable distribution, negative emotional states of people or changes in consumer behavior with a tendency to limit spending money. The determined business owners who are interested in the stabilization process should focus on action-oriented strategy, including four elements:

1. Setting specific organizational goals, that is specifying common approaches to functioning enterprise in the “normal” operative mode, and fulfillment of immediate actions that will accelerate the entire operation.

2. Prognostication of effects that define the stakeholders’ expectations.

3. Focus on efficient temporary solutions.

4. Skillful time disposal and deliberate choice of the right time to start a business (deloitte.com/pl, 2021).

Many Western companies are aiming at diversification of their sources of partner supplies, marginalizing China’s “mission” as a “global conglomerate”. This may lead to reshoring of production to Western countries, that is Europe, the USA / Canada.

Reshoring the supply chains is an idea that coincides with the emergence of globalization, and in the context of the pandemic, it has become very popular due to the widespread opinion that the more articles, goods or products are produced at the local level, the better the economy will be. (Z. Bentyn, 2015).

The World Bank breaks down the costs of a pandemic into three categories: 12% of total...
costs is connected with mortality, 28% is caused by absenteeism, and unfortunately, 60% is caused by behavior (fear and avoidance of contagion). The above figures make you think that the COVID-19 pandemic does not need to have the characteristics of a ruthless killer with a high death rate like Ebola, Marburg, HIV, SARS in order to be economically expensive (A. Sieroń, 2020).

Conclusions

1. An important consequence of the epidemic from an economic point of view is a negative supply shock. All cataclysms that the current pandemic involves lead to decline in the supply of labor force. It is a temporary phenomenon. It is influenced by illness of the employees or their forced quarantine. The decrease in production, existence of fixed costs, the need to maintain an employee (salaries, insurance) send countries into a kind of debt spiral. As a result, liquidity problems arise and the risk of bankruptcy increases significantly.

2. In the present epidemiological impasse, it seems important to protect sectors of strategic significance for individual economies, as well as assets, technologies and infrastructures, and above all, to focus on protection of employees and their jobs.

3. The enormous costs and expenditures incurred by states to overcome the COVID-19 pandemic illustrate, in a sense, the benefits: human life has become the most important value; the economic growth of individual EU Member States has generated assets for mitigating actions, even as drastic as the quarantine of entire regions, individual sectors and industries; it enables “existence” of business under shared management by providing ongoing liquidity to companies that have been affected by the crisis.

4. The pandemic shows that making savings is very important nowadays (private and public) for rainy days. The pandemic should also make people and businesses aware of the need to diversify. It goes here about sources of income and supply. The problem of many companies was the fact that they were relying on one Asian sub-tier supplier.

5. Economic impasse gives no quarter for many syndicates, corporations, companies, individual or group business activities; despite everything, there are branches to which the reduced tariffs are applied; in some situations, the pandemic rushes and initiates innovative, unusual solutions; following trading profit analysis, one can see which companies are making money from the pandemic; there is troublesome and risky deduction for which businesses are only periodic fluctuations in demand, and not permanent changes; in the future one can see which of the companies will adequately take into account the present situation and turn failures into success.

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