



UNIVERSITI TEKNOLOGI MARA

THE EFFECTS OF COVID – 19 TOWARDS THE ECONOMY IN THE US

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ABSTRACT

The Covid-19 has been the centre of attention since the start of the year and since then this health crisis has been the cause of many problems occurring all around the world including what some may call an economic crisis that is happening lately. According to Thankom Arun (2020), the reason that this health crisis has also turned into an economic crisis is that the spread of the virus has stimulated societal isolation, leading to the closure of capital markets, corporate offices, companies and activities. Another explanation is that the exponential pace at which the virus spread and the increased confusion as to how bad the situation could get led customers, investors and foreign trading partners to flight and protection in consumption and investment.

This health crisis has caused problems for not only in the medical sector, but it also affects the economy as well. According to Miltiadis G. Staboulis (2020), since the start of the pandemic, the global supply chains and international trade has been disrupted and in North America, many industries that involve physical interactions such as retail, trade, leisure and many more are facing numerous complications. As businesses lose their profits, unemployment is likely to increase affecting many people who are losing jobs. Banks are also may be forced to reduce lending, adding to downward pressures in the credit market. Due to travel bans being implemented, the tourism sector is greatly affected, causing the overall GDP to fall. With many restrictions such as travel bans and closure of shops, the growth of GDP will also be affected. Not only that, the stock prices have also fall. In mid-March, the stock market crashed, and in the US, the Dow Jones Industrial Average and S&P 500 index suffered the greatest single-day percentage fall since the 1987 stock market crash. Given that the US is the world's largest economy, the effects of the economy crisis in the US will also affect economies of many countries all across the globe.

The dependent variable is the Gross Domestic Product (GDP) of US. The independent variables are the total number of Covid-19 cases, total new cases and the total deaths cases of Covid-19 in the IS. The sample is in the United States and the data is obtained from the January to October 2020 that is collected from Our World in Data and Ycharts. The study involved the use of panel data, which are multi-dimensional data involving measurements over time. The data is from January to October 2020 in the US.

The expected findings are that there are negative relationships between the variables the total number, total new and total deaths of Covid-19 cases with the GDP of US.

TABLE OF CONTENTS

CONTENT	PAGE
ABSTRACT	2
CHAPTER 1: INTRODUCTION	
1.1 Introduction	5
1.2 Background of the study	6
1.3 Problem statement	7
1.4 Research questions	8
1.5 Research objectives	8
1.6 Significance of the study	8
1.7 Scope of the study	8
1.8 Limitations of the study	9
1.9 Definition of terms	9
1.10 Summary	10
CHAPTER 2: LITERATURE REVIEW	
2.1 Introduction	11
2.2 Literature review on Topic	12
2.3 Literature review on GDP	15
2.4 Literature review on unemployment rate	17
2.5 Literature review on inflation rate	18
2.6 Literature review on bank lending rate	19
2.7 Summary	19
CHAPTER 3: RESEARCH METHODOLOGY	
3.1 Introduction	20
3.2 Data collection	20
3.3 Variables	21
3.4 Research Design	22

3.5 Conceptual framework	23
3.6 Hypothesis statement	24
3.7 Research methodology	24
3.8 Summary	27
CHAPTER 4: DATA ANALYSIS	
4.1 Introduction	29
4.2 Descriptive analysis	29
4.3 Correlation test: Covariance analysis	30
4.4 Multiple linear regression model	30
4.5 Normality test	33
4.6 Auto correlation test: Serial correlation test	33
4.7 Heteroskedasticity test – Variance of error term test	34
4.8 Multicollinearity test	34
4.9 Summary of hypothesis statement	35
4.10 Summary	35
CHAPTER 5: CONCLUSION & RECOMMENDATION	
5.1 Findings	36
5.2 Conclusion	36
5.2 Recommendations	37
REFERENCES	38
APPENDIX	41

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Ever since December of last year, the world was shaken by the coronavirus, which triggers the current pandemic, Covid-19. Almost every country all over the world are affected by the virus where there are reported cases everywhere every day. This virus is dangerous as it fatal especially people who are high risks if exposed to this virus such as the elderly, children and people who are chronic patients such as diabetic, heart patients and so on.

This virus is highly contagious as it can be spread by touch and airborne within a 1-meter distance as this virus is apparently the biggest virus thus heavier than other viruses. However, the virus does not only cause a health crisis, but it also causes economic crisis as well because the virus has muffled economic activities. Social distancing has caused the shutdown of several important economic activities such as the financial markets, businesses and events and corporate offices. Uncertainty by the rate of the virus is spreading has caused the flight to safety in consumption and investment.

The Chinese government had to close down the major processing centres in order to contain the spread of the epidemic, and China, as a manufacturing hub, has created a crisis in the global supply chain that affects almost all industries. The global prices of raw materials such as metals fell due to Chinese industries had stopped production causing a major slowdown in many metal producing economies. Experts also estimated that by 2020, from 2.9% to 2.4%, the pandemic would cut global gross domestic product growth by half a percentage point. The longer the pandemic, the greater the effect on economic growth.

The Congressional Budget Office (CBO) forecasted the economic effects in the United States in a report on May that states that the economic impact of the country was expected to hit smaller and new businesses tougher. The real GDP was expected to