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Economic and Site Location Predictions in the Age of the COVID-19 Virus

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Before and during the 2008-2009 Great Recession, the inability to find skilled talent was not as pronounced as it has been over the last five years. Yes, labor was and is important then as it is now, but survey after survey showed transportation access and overall operating costs in the top three variables of importance by (manufacturing) companies, with labor either rated 2nd or 3rd.

The end of the Great Recession saw unparalleled economic growth, especially in the last 4 years, and finding skilled talent became the most important variable for companies to operate effectively.

What's next?

- After this COVID-19 **"Great Pause"** (a term coined by my friends at DCI) concludes with the reset button pushed, Garner Economics believes that in the short term, unemployment will be in the double digits (20-30%), that some, perhaps many small businesses that are capital deficient will not survive and close (especially those in the hospitality sector and food and beverage establishments). Retailers will most likely be taking the biggest hit, including stores selling non-essentials, movie theaters, gyms, and entertainment venues. Thus, in the short term, finding skilled and semi-skilled talent may not be as challenging as it has been. This talent surplus will be a short-lived phenomenon. Once the pandemic is over, the continued implementation of augmented reality (AR), artificial intelligence (AI), and digitization will spark high demand for skilled and technical talent. Shortages will once again persist in many occupations, but it may be a few years for us to see those shortages.

- We believe the labor force participation rate (employed or actively seeking employment) could increase from a current U.S. average of 63% to a high of 70% based on significant financial losses to nearing retired or formerly retired workers and their savings plans. Thus, creating a larger pool in the workforce until the economy once again stabilizes.

- The supply chain will be significantly reshaped, especially in medical equipment and supplies, pharma and consumer products. The pandemic will accelerate the regionalization of supply chains. The current bipartisan Made in America efforts to protect the supply chain will receive significant Congressional support (it has already started) and success. Companies are risk averse. Both companies and the U.S. government see the challenges with the global supply chain. The opportunity for EDO's and the reshoring of supplier related companies to North America may be immense. If you work for a local EDO, make sure you have product. Remember, *No product – No project*™.

- China will be the biggest loser of this supply chain restructure. The U.S., Mexico and Canada (USMCA countries), and countries with friendly bilateral trade agreements with the U.S. will benefit. Mexico may benefit the most because of the availability of labor and overall low operating costs.
- There will be significant pent up consumer and industrial output demand once the virus disruptions subside. GDP should see positive growth in the first half of 2021.
- From the "Great Pause" will come the **"Great Pivot"**. For many of us, how we did business just two months ago will not be how we do business months or years from now. How we socialize, vacation, work, recreate, will all change. Over the last several years, the experiential economy grew exponentially. People, driven mostly by the millennial generation, spent more money on experiences rather than "things". In the long term, all of this is a huge question of what's next. Will a vast number of people be apprehensive to travel? The cruise industry may never be the same. Will airlines ever be at full capacity again? Government leaders had to chide GEN Z on their spring break activities and social distancing during the early days of the outbreak in the U.S., which then forced venues to close.
- As a continuation of the Great Pivot, there has been voluminous research over the years, both positive and negative, on the value and effectiveness of company employees working remotely. As the COVID-19 outbreak forced millions of workers to work remotely, companies will evaluate the productivity of their employees during this phase. If productivity stays comparable to working in an office environment or even improves, this could have serious negative consequences to developers/brokers as the demand for certain types of office space will diminish. The remote workforce might see an uptick, but the predilection of millennials and GEN Z to socialize may mandate that companies have attractive physical space for the preponderance of employees. Or, those two generations may socially adjust to a new normal. Time will tell.

Predictions are educated guesses and these are no different. I want to thank Dennis Donovan of Wadley Donovan Gutshaw Consulting, LLC (a fellow Site Selectors Guild member) for his contribution to this article.

Stay safe and healthy out there folks. With adversity comes opportunity!

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About Garner Economics: *We are data driven strategists helping companies, communities and organizations, large and small, urban and rural, achieve success.*

We offer site location advisory services, analytical research, industry targeting, strategic action plans and organizational assessments with a wealth of expertise to companies, communities, and organizations globally. Jay Garner is a member and current chairman of the Site Selectors Guild, Inc. https://garnereconomics.com/