ECONOMIC FINDING

# COVID-19 Is a Persistent Reallocation Shock

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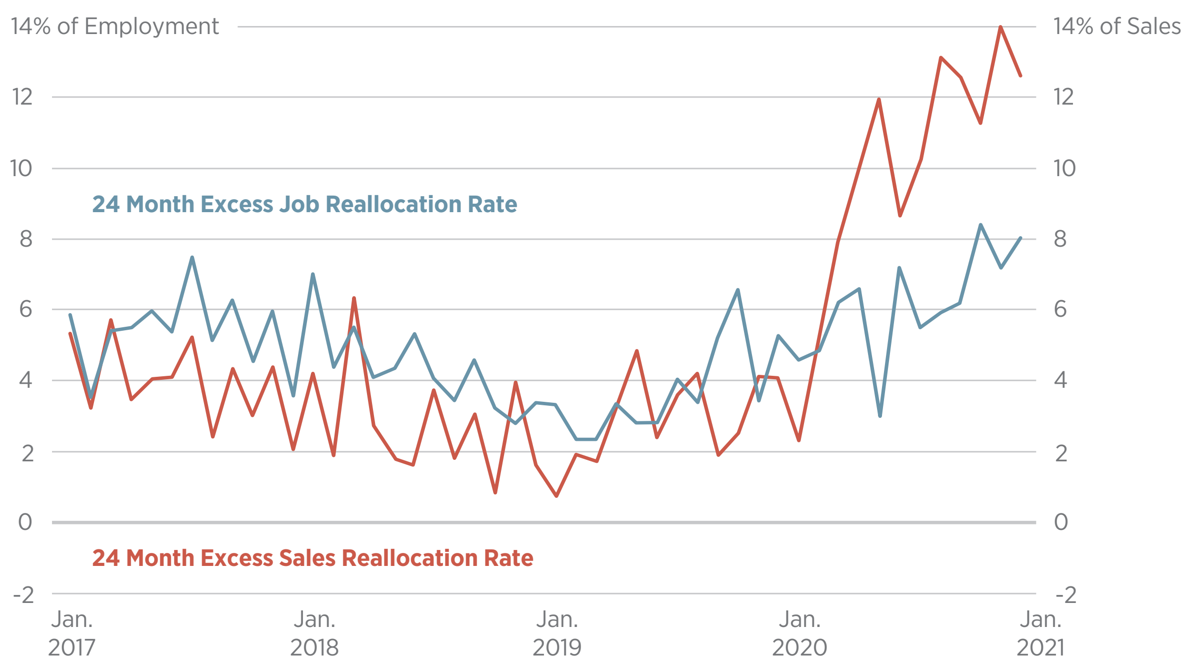
*Recent data from the firm-level Survey of Business Uncertainty reveal three pieces of evidence that COVID-19 is a persistent reallocation shock.*

COVID-19 and policy responses to the pandemic have generated massive shifts in demand across businesses and industries. The authors draw on firm-level data in the Atlanta Fed/Chicago Booth/Stanford Survey of Business Uncertainty (SBU)[1] to quantify the pace of reallocation across firms before and after the pandemic struck, to investigate what firm-level forecasts in December 2020 say about expected future sales, and to examine how industry-level employment trends relate to the capacity of employees to work from home.

The authors report three pieces of evidence on the persistent re-allocative effects of the COVID-19 shock:

- First, rates of excess job and sales reallocation over 24-month periods have risen sharply since the pandemic struck, especially for sales. The authors focus on rates of “excess” reallocation, which adjust for net changes in aggregate activity.

**Figure 1** · Excess Reallocation Rates Computed from Realized and Forecasted Firm-Level Growth Rates with One-Year Look-Back and Look-Ahead




Source: Authors’ calculations using data from the Survey of Business Uncertainty.

Notes: Data are monthly, and the sample period runs from January 2017 to December 2020, inclusive. See the text for an explanation of how we compute excess reallocation rates from firm- level outcomes and forecasts.

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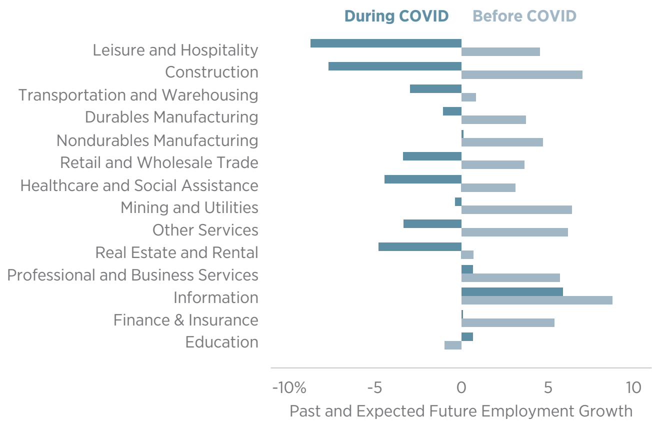
**Figure 2** · COVID-19 Shifted Employment Growth Rate Trends in Favor of Industries with a Greater Share of Jobs Suitable for Remote Work




Source: Authors' calculations using data from the Survey of Business Uncertainty and measures of teleworkable employment shares at the industry level from Dingel and Neiman (2020).

Notes: Industry groups are sorted by WFH capacity, from lowest to highest. For each industry group, we start with monthly observations on firm-level growth rates in the past 12 months and expected growth rates in the next twelve months. We then aggregate over firms to the industry level separately for the pre-COVID (9/2016–2/2020) and COVID (3/2020–12/2020) periods. Then we plot the average growth rate for each industry in the two periods.

- Second, as of December 2020, firm-level forecasts of sales revenue growth over the next year imply a continuation of recent changes, not a reversal. Firms hit most negatively during the pandemic expect (on average) to continue shrinking in 2021, and firms hit positively expect to continue growing.

- Third, COVID-19 shifted relative employment growth trends in favor of industries with a high capacity of employees to work from home, and against industries with a low capacity.

[1] The SBU is a monthly panel survey of U.S. business executives that collects data on own-firm past, current, and expected future sales and employment. The Atlanta Fed recruits high-level executives to join the panel and sends them the survey via email, obtaining about 450 responses per month. The survey yields data on realized firm-level employment and sales growth rates over the preceding twelve months and subjective forecast distributions over own-firm growth rates at a one-year look-ahead horizon.