

The impact of the Covid-19-pandemic in South Tyrol

The Covid-19-pandemic will cause a global recession in 2020. In fact, the European Commission expects a decline of the Italian GDP by 9.5 %. The present report, which was written by the IER (Institute for Economic Research of the Chamber of Commerce of Bolzano) in collaboration with EURAC Research, examines the impact of the emergency on the South Tyrolean economy and presents firms' first reactions to the crisis.

The Covid-19-pandemic has a dramatic impact on the South Tyrolean economy, which even exceeds the consequences of the great financial crisis of 2008. Almost all firms (94%) stated that their turnover and profitability were negatively affected by the Covid-19-emergency. Apart from tourism, the sectors which are mostly affected by the crisis are the automotive supply industry, the wine production, personal services, retail and wholesale trade. The crisis touches all aspects of firms' activities, from financial- and HR-management to supplier relations and logistics. About three firms out of four report financial problems, mostly in connection with short-term liquidity bottlenecks.

In addition, the entrepreneurs face great uncertainty. Almost two thirds of them are unable to predict when their activities will return to normal levels. Only 22% believe that this will happen within this year.

The reactions of the firms to the emergency vary considerably according to size and sector. In the first phase of the crisis, firms usually applied short-term measures to overcome the sudden

economic shock. Those enterprises which were able to continue their activities have adapted to the new situation, mainly through organisational changes, such as e-commerce and home delivery. The emergency also led many firms to introduce smart working solutions.

The survey also examined the possible impact of the current Covid-19-pandemic on globalization and digitization. Firms associate globalization primarily with the access to new markets, the removal of trade barriers as well as better and faster exchange of information. 87% of them believe that the current situation will influence the global dynamics, especially those concerning technological aspects. Indeed, due to the emergency, firms are relying more on new technologies and new working methods, such as digital communication, e-commerce, home delivery and social networks.

From this work, some economic policy proposals can be derived to support the recovery of the South Tyrolean economy.

- > Within the next months, it will be of crucial importance to support firms restarting their activities. Above all, it is essential to timely provide the necessary liquidity in order to avoid firms' crises and boost the economic recovery. Particular attention should be paid to the needs of small entrepreneurs such as craftsmen and retailers. On the one hand, these companies often have greater financial

difficulties, on the other hand, as suppliers and customers of larger companies, they are at the bottom of the value chain.

- > Supporting the tourism will also be of great importance. It plays an essential role for the South Tyrolean economy because it is closely linked to many other sectors, such as agriculture and food production, wholesale and retail trade, crafts and construction.
- > Both firms and the public administration should continue to invest in digitization. Digital infrastructures will play a crucial role in the future as far as it comes to other possible emergencies of this kind.
- > The lockdown has highlighted the delicate balance between traditional retail stores, which are essential for local supply, and e-commerce. In this context, consumers must be made aware of the importance of local economic cycles.