

COVID-19 and the Detroit Economy

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Covid-19 has significantly hit the world economy. Most industries have experienced a long period of recession, especially those that depend on the international markets. This fact holds water in the Detroit economy, with sectors like automotive and manufacturing presenting instances of resilience throughout the year. Small businesses which were severely affected by the pandemic include the leisure industry. Comparative studies show that the Detroit manufacturing and transport industry has remained more resilient than the US manufacturing industry. Since manufacturing and transport industries are the backbones of economic prosperity, likely, Detroit will completely recover from the impacts of COVID-19 faster than the US. The unemployment rate in Detroit has also gone down over the past years, indicating that Detroit employs excellent strategies to fight the impacts of COVID-19. Currently, the unemployment rate in Detroit stands at 9.6%, and it has reported a job market growth rate of 07% over the last year. Detroit projects that the job market will have grown to 29.3% (Ray et al., 2021). Despite the global market recession, Detroit has remained optimistic, and thus it has a warm future for its investors. Factors like high returns are expected to attract investors worldwide, ensuring sustainable growth for the foreseeable future.

The main reasons small businesses were hit by the COVID-19 more than the big business enterprises are that most of them are still growing. They have not employed excellent technology in the production, and thus it is hard for them to shift to online services. They were thus forced to close their operations, awaiting the market to boom up. These businesses are financially fragile, and therefore, slight changes in the economic situations have significant impacts on their going concern (Ray et al., 2021). Again, the small businesses have a limitation of the human resources; it is costly to employ a skilled workforce as it would be highly costly, draining much of the

business earning. Therefore, most of these businesses are managed by family members, and they may take long before expanding.

The Recession

Before the onset of COVID-19, Detroit did quite well and had a steady rate of unemployment which remained below 5%. However, when the pandemic hit the nation, Detroit realized a significant rise in the unemployment rate, which skyrocketed to around 25% in 2020. The rate started going down in 2021, and now things are showing up for a better economic situation. The main reason for the unemployment trend is that, when COVID-19 hit the world, most businesses closed down, laying off employees. As the pandemic decreased, these business organizations returned their employees to work. The only reason that Detroit did not experience a complete closedown of the businesses is that it turned most of its activities online, therefore continuing with the business. However, income reduced significantly as consumers were the previously laid-off employees. The purchase of commodities was not as usual for people who purchased only basic products like food. International travel was cut, interfering with the businesses that depend solely on transport. The survival of businesses in Detroit relies on the level of education. Those without education had their business closed up. Around 41% of the people in Detroit are holders of either master's degree or Ph.D. (Ray et al., 2021). This percentage of people helped sustain business activities through online transactions.

Detroit encourages blue-color jobs to rekindle the economy to its pre-pandemic level. These jobs include the ones related to the manufacturing and construction industries. The service industry is also expected to return to its level of operation within a short period. The jobs that require fewer levels of education are also improving in response to the improvement of the blue-color jobs. As the industry brings back employers to their employment status, more investments

will increase opportunities for people without education. The prices for the Detroit products are already going down following the opening of the transport channels. Opening the transport sector raises the rate of acquisition of raw materials and selling finished products (Ray et al., 2021). The reduced cost of transport reduces the cost of production, which encourages the companies to offer relatively low prices for goods and services. Detroit is therefore putting forth strategies to ensure quick recovery from the impacts of the pandemic.

The recovery of small businesses is crucial for economic prosperity. As Detroit puts forth strategies to uplift operations in the big companies, the small and medium business entities are improving. The curve of the impacts of COVID-19 is now flattening, and the small businesses are quickly recovering. Money from the big companies flows to the small businesses through economic cycles, making it possible for the economy to realize balanced growth (Ray et al., 2021). Some of the owners of the small businesses are the employees in the big companies; this implies that part of their salaries will be used to cushion the small businesses from the impacts of the pandemic.

Reference

Ray, R., Morgan, J. F., Wileden, L., Elizondo, S., & Wiley-Yancy, D. (2021). Examining and addressing COVID-19 racial disparities in Detroit. *Washington, DC: Brookings Institute.*

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