



LEAD

# **Record Covid-19 Cases in the South and West Could Put Economic Recovery at Risk**

**Housebound consumers flocked to restaurants and malls when they opened-- and took the virus with them. It's not so much a 'second wave' as it is the pathogen's geographical progress.**

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Over the past month and a half, as U.S. states launched into reopening plans, many small-business owners readied themselves for a return to something resembling normalcy.

They may need to keep waiting. The coronavirus that so devastated the Northeast is gathering pace in the South and Southwest at the very worst moment--as restrictions are further relaxed and summer weather is luring people out of their homes. The result: States such as Florida, Arizona, Alabama, and Texas are reporting record numbers of daily Covid-19 cases.

Some restaurants and stores in those states have already shut their doors again after employees or customers reported infections. According to some health officials, this is less a second wave and more a progression of the first: States in the South and West were among the first to reopen and consumers responded, piling into reopened malls, restaurants, and hair salons. Indeed, on Tuesday, the U.S. Department of Commerce reported a 17.7 percent jump in retail sales last month, the biggest jump since the government started tracking such data in 1992.

The retail recovery could come with a higher price. "A substantial pickup in new cases could snuff out any kind of incipient economic recovery," says **Bernard Baumohl, chief global economist at Princeton, New Jersey-based forecasting firm the Economic Outlook Group**. "As far as the small businesses are concerned, it's a question of how long they can maintain their financial solvency. Especially the mom-and-pop stores--many of them are really strapped for cash."

States that didn't experience severe surges of infections when the country shut down in March now face a particular Covid conundrum, says Daniel Kuritzkes, chief of the division of infectious diseases at Brigham and Women's Hospital in Boston. "They saw more of the economic pain and less of the health benefit of the shutdown," he says. "But the epidemic has clearly migrated, and I think that the reopening coincided with the migration."

That seems to be the case in Texas, which reported a state record 2,622 new daily cases on Tuesday. Last week, Governor Greg Abbott told a Tyler, Texas-based CBS affiliate that there's "no real need for us to ratchet back on the opening up of businesses."

The rise in infections could do it for him, though, as businesses close again to keep employees and customers safe. Jeff Moseley, CEO of the

Texas Association of Business, says his state's small-business owners now have more questions than answers. "There's no doubt that small businesses are really facing very extreme and difficult decisions," Moseley says. "There is a pent-up demand for services, and you're going to see a lot of consumers coming back to the marketplace."

Many of those consumers have been less inclined to socially distance or wear masks--and while Moseley acknowledges that a spike in new Covid-19 cases could imply a need for some restrictions, he says broad lockdown orders could be problematic for the state's vast and diverse economy. "Nobody wants to go back to the across-the-board lockdown," he says. "That's the guiding hope--that data will show us where there is a need to isolate and let us decide on a sector basis."

Some businesses say they're more prepared for a second lockdown, thanks to their experiences earlier this year. Podium, a Lehi, Utah-based enterprise software startup, went remote in mid-March. Co-founder Dennis Steele says the company's 750 employees performed well enough that the company will be "more remote" long term. That's already being put to the test: Last Thursday, Utah paused its reopening plans after reporting its own record high for daily Covid-19 cases, 522, on June 6.

Podium, which appeared on the Inc. 5000 list of fastest-growing companies in America in 2018 and 2019, helps local businesses connect with customers through digital messaging platforms--meaning it recently got a whole lot more popular. Steele says he's seen a "broad embrace" of those digital tools in the past three months, adding that the company's sales leads have tripled since the pandemic began. "People embraced it because they had to, but they're also continuing to go forward with it, which is encouraging," he says.

Still, the resurgent retail numbers show that people are hungry for in-store experiences and personal services like beauty care. Kuritzkes says

two policies can help governments and business owners alike minimize the damage and whiplash: Make sure everyone wears masks and enforce social distancing protocols. "Most businesses, whether they are retail outlets or manufacturing or office work, can find ways of reopening and working very effectively and without major risk," he says. He cautions, though, that as long as people travel from state to state, we can expect waves of infections of varying degrees until there's a vaccine.

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