



COVID-19 Vaccines: The Trillion-Dollar Question

Description

In 2021, COVID-19 vaccines are widely available. Four major vaccines have been approved by Health Canada, and 5% of the country has been vaccinated. We've seen significant progress. Yet the economic question posed by the vaccine rollout remains. If mass vaccination doesn't end the COVID-19 pandemic, then trillions of dollars of wealth could be lost. In this article, I'll explore the economic costs of the COVID-19 pandemic and how vaccines could finally put an end to the damage — *if* they succeed.

The March 2020 stock market crash cost at least \$16 trillion

A simple way to illustrate the wealth that has been lost in the COVID-19 pandemic is to look at stock market losses. Stocks are not the economy, but they do represent a sizable share of economic activity. Therefore, they're a good proxy for economic growth.

In March 2020, global stocks [shed \\$16 trillion in value](#) in under a month — that is, a \$16 trillion loss of publicly traded market cap in fewer than 31 days. Later, stocks rebounded and even set new highs. But the economic reality underlying the \$16 trillion stock market crash remained. Investors were selling stocks in March 2020 because companies were losing real money. Sectors like banking, energy, hotels, and air travel got hit hard in the pandemic. **Air Canada** ([TSX:AC](#)), for example, lost \$4.5 billion in 2020 alone.

Lately, investors have been bidding up stocks in anticipation of the future economic recovery. But that all depends on the vaccine rollout being successful. If the vaccines don't end the pandemic, then lockdowns and other public health measures will continue to be necessary. That will call into question the bullish thesis on stocks most investors have adopted in 2021.

Vaccines: The key to economic recovery?

Vaccines are widely seen as the key to a lasting economic recovery from COVID-19. There has been progress here and there in re-opening the economy. But in many cases, the progress was reversed

when a new outbreak of COVID emerged and governments were forced to lock down again. In Ontario, a new lockdown was initiated in December 2020 following months of “re-opening.” As long as COVID is out there, it could happen again.

At this point, many industries have learned how to cope with COVID. Between online sales, outdoor dining and delivery services, various innovative strategies have emerged. But some industries cannot cope with the pandemic as it is today — airlines, for example. To return to Air Canada briefly: the company suffered a 90% reduction in flights in 2020. Thanks to the 14-day self isolation orders in most provinces, demand for domestic travel cratered. International travel was in many cases banned outright. In October 2020, Denmark banned non-essential travel from Canada. A company like Air Canada cannot turn a profit in such an environment. It’s therefore not surprising that its stock only [recovered from its 2020 slump](#) when the **Pfizer** vaccine was announced. AC really does need the pandemic to end before it can return to business as usual.

Foolish takeaway

It’s impossible to put an exact number on the value of COVID-19 vaccines to the global economy. But one thing is certain: trillions of dollars in wealth are riding on their successful rollout. In March 2020, investors collectively removed \$16 trillion in market cap from the world’s biggest companies in response to the pandemic. If the vaccines are successful, perhaps that crash will become a faint, distant memory. For now, uncertainties remain.

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