

The Impact of Pandemic on Firms' Performance

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Abstract:

This paper examines the changes in performance in two most affected industries, airlines and hotels, and two least affected industries, pharmaceutical manufacturing and communications equipment manufacturing sectors from pre- to post-Covid period. We find that airlines have experienced a decline in earnings but an increase in earnings persistence. We attribute it to severe damage to the industry by the outbreak of Covid and then the successful industry adaptation to post-Covid market pressure. We only observe a temporary (one year after Covid) decrease in earnings for hotels, suggesting the hotels rebound quickly from the crisis. As the least affected industries, pharmaceutical manufacturing and communications equipment manufacturing sectors do not experience a change in earnings or earnings persistence. Our result corroborates the argument that earnings persistence relies on the fundamental performance, besides proving airlines are more hit by Covid than other industries using accounting earnings to measure the impact.