

## Will big firms benefit from the covid crunch?

It's complicated, and the implications for competition uncertain.

Editor's note: Some of our covid-19 coverage is free for readers of The Economist Today, our daily newsletter. For more stories and our pandemic tracker, see our hub **AS THE PROSPECT** of a widely distributed vaccine draws nearer—this week AstraZeneca and Oxford University announced results for their jab (see article)—bosses and investors are turning one eye away from the immediate struggle of coping with the pandemic and looking instead at the longer-term competitive picture. Who has won and who has lost? Like viruses, recessions usually come for the weakest first. Companies with sickly balance-sheets or frail margins quickly succumb. As promising startups become crushed closedowns, it is often the incumbents that have the resources to wait it out.

Yet the covid-19 recession has been sharper than normal, and more complicated. The world economy is expected to shrink by over 4% this year, the deepest downturn since the second world war, and there is still a risk of a double-dip recession (see article). Bail-outs, central-bank stimulus and forbearance by banks and landlords have slowed the process of creative destruction and cut the number of defaults. Social distancing is laying waste to some industries while boosting others, as people find new ways to do old things.

As a result the normal pattern in which powerful firms gain more clout is less emphatic than you might expect—so far. Investors are struggling to get to grips with such an unusual outlook. This is partly why, although anticipated, the news on vaccines in the past few weeks has caused gyrations in financial markets as fund managers bet more heavily on firms they feared to touch just a few weeks ago.

What, then, is a good way to assess the winners and losers? In many businesses the incumbents will remain on top, because their entire industry has proved immune to online disruption. In other cases the incumbents will win—but because they have mastered new digital innovations.