

# COVID-19 & Esports - Part 1 - The Economic and Industry Impact

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While the health risks and impact of the COVID-19 virus are, appropriately, the priority of everyone, the virus has also harmed the worldwide economy on an unprecedented scale. It has shut down or curtailed the operations of the majority of businesses, frozen or decimated available labour pools, severely constrained social interaction and mobility, forced change in the supply of and demand for numerous products and services, reduced and reoriented consumer spending and motivated a flight to liquidity. Many industries (travel, commuter transportation, film, hospitality, theatre, traditional sports, automotive, etc.) have essentially ground to a halt.

Leading stock markets reacted quickly, particularly as the virus spread beyond China to the rest of the world. Over the first three months of 2020, the TSX Composite Index dropped by 22%, the NYSE by 26%, the NASDAQ by 15%, the London Stock Exchange by 25%, the Amsterdam Stock Exchange by 21% and the Tokyo Stock Exchange by 17%. While the majority of these losses were felt in March, and the markets have largely recovered, the general economic outlook remains uncertain.

A few industries have proven counter-cyclical. For example, video-conferencing services, tele-health businesses, delivery companies, sanitization/disinfectant products and services businesses, and providers of food staples have, relatively speaking, managed to maintain their operations, and in some cases expand them. None of these examples would be a surprise to anyone under the circumstances.

However, a less publicized result has been the virus' impact on the gaming and esports industry. One can note the following in these respects:

- Activity on the online game platform Steam surged in March, with more than 24 million people playing at peak time. Microsoft Corp's Xbox and Mixer services are seeing record numbers;
- A mid-March report from Verizon showed that web traffic related to video game usage during peak hours was up 75% in one week, compared to an increase of 12% for video streaming and a flattening for social media;
- Twitch, which allows gamers to live-stream videos of their game-play, saw its average viewership more than double;
- In March 2020, the World Health Organization (WHO) launched the 'Play Apart Together' campaign, supporting the use of video games as a safe social activity that can connect people during the pandemic. Leading esports companies around the world immediately voiced their support for and made a commitment to facilitate the initiative;
- While every other live sports and entertainment event across the globe was closing down in March – and for the foreseeable future – the European Championship Tournament in Berlin for League of Legends, a leading esports title, continued via remote play (even though the stadium the event was originally scheduled to occur in had been locked down);
- As it closed its regular racing schedule, Formula 1 set up a series of virtual races, including top current and retired drivers in the competition and ESPN committed to televising Torque Esports' All-Star Cup pitting top virtual race drivers against stars from IndyCar, Formula E and Formula 1;

- Professional Spanish footballers from La Liga joined esports teams and began competing in FIFA 20 virtual games;
- Product promotions by games publishers and online retailers dramatically increased; and
- During the same three month period cited earlier in this article, the leading gaming and esports ETFs remained stable or dropped minimally in comparison to the rest of the market, while a number of individual gaming and esports companies saw their stock value rise anywhere from 15% to 40%.

Naturally, not all of the news in gaming and esports has been rosy. Stadium events have been cancelled or re-imagined as online-only affairs. A number of new titles have had their publication dates pushed back. New production has slowed. However, on the whole, the industry has managed the situation much better than have others. Should we interpret these more favourable circumstances as purely situational in nature, unlikely to be indicative of any deeper or lasting socio-cultural or economic change, and inevitably to be rolled back once self-isolation periods end, a vaccine is found and the world returns to “normal”? In Part 2 of the article, I will consider why this may not be the case.

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