

The Science and Business of COVID-19 Webinar Series

Webinar Highlights

Webinar

**The Economic Shock of COVID-19:
How Can Businesses and Communities Remain Resilient?**
27 April 2020 (Mon) | 12.30pm - 1.30pm (SGT)

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Introduction

A joint effort of the SingHealth Duke-NUS Global Health Institute (SDGHI), Saw Swee Hock School of Public Health (SSHSPH) and the American Chamber of Commerce (AmCham) in Singapore, The Science and Business of COVID-19 Webinar Series draws on expertise located across these organizations and brings together other international experts to provide a rich multidisciplinary discussion across the public and private sectors. Through this Series, the connection between medicine and science to economic and business interests will be explored – where possible, strategies that can be adopted by businesses to be better prepared will be outlined.

In the third session, the experts shared more about how the COVID-19 containment and mitigation will affect growth, trade and economic outlook in Asia. They also explored the economic sectors and groups that are most affected as well as the government strategies to help businesses and workers. The session also dived into what businesses can do to adapt to an environment of “distancing” and a new way of working/conducting business.

You can access the recording of the webinar [here](#).

Pre COVID-19 Economic Context

Where we are going is hugely dependent on where we are coming from.

Coming into this crisis, the global economy was not at its best.

- Low growth momentum, malaise in global electronics cycle, slow investments.
- Exceptionally high valuation and asset markets – plenty of leeway for the price of assets to fall.
- High debt - 10 to 12 years ago, China had a debt-to-GDP ratio of about 115 on a consolidated basis; it is about 250 today. Malaysia had a ratio in the range of 150, it's about 190 today. South Korea – from 160 to 200 today.
- Steady rise in protectionism in the last decade or so, independent of the arrival of Donald Trump.

Therefore, the current health crisis is set to worsen our fiscal and economic health considerably, regardless of how quickly or slowly we come out.

COVID-19 – A Dual Contagion

As proposed by Yale University's Robert Shiller, there are two pandemics currently at play. First, there is a health contagion spreading through the world at historic pace and extent.

Consequently, a pandemic-induced economic anxiety leads to a parallel contagion of economic shock and distress.

- Before COVID-19, the global economy was projected to grow at about 3.5% in 2020. Now, the International Monetary Fund's (IMF) projection is - 3%. A difference of 6 percentage points of GDP growth constitutes a \$6 trillion shock to the world economy, which is double the decline of world GDP during the global financial crisis.
- Historically large capital outflows from emerging markets such as Argentina, Brazil, India, Indonesia due to market unrest. A \$400 - \$500 billion shortfall is projected for emerging market financing this year – the worst we've ever seen

Related: Poor Labour Market Outlook

With widespread lay-offs and reduced hiring, labour markets are undergoing severe strain, especially in the face of large loads of fresh graduates in more advanced countries. This is particularly so for smaller companies. Larger businesses will still see their opportunities and are likely to continue their normal hiring stream.

But from a business cycle and long-term stability perspective, it is conventional wisdom to minimize retrenchments. Countries that actively tried to prevent massive lay-offs during the 2008 global financial crisis found it easier to come out of debt.

Several governments have stepped up to issue advisories, introduce job-matching schemes and incentives (like wage subsidy schemes) to help reduce the loss of human capital. Examples include Singapore's Resilience Budget, U.S.' Paycheck Protection Program et cetera.

Current Situation in ASEAN Markets

ASEAN is made-up of a heterogeneous group of countries with a broad spectrum of development, wealth, etc., so there's no way to generalise. The countries within ASEAN have different capacities and capabilities in balancing the trade-off between lives and livelihood in terms of COVID-19 crisis management

- For example, Singapore – deep reserves; stringent lockdown measures are therefore coupled with large stimulus packages to deal with the economic fallout.
- But this is not replicable in less well-off ASEAN countries like Indonesia and Vietnam. They are high on the stringency index as well (in terms of lockdown measures), but their packages are not even a fraction of those of Singapore or Malaysia, leading to more severe economic distress.

ASEAN has benefited tremendously over the last two decades or so from foreign direct investments (FDI) and global portfolio inflows, but these are expected to contract substantially for the rest of this year. This would put pressure on countries without large buffers to deal with external payments, such as Malaysia and Indonesia.

Potential redirection of Chinese investments – given that the fiscal moves in China have been quite modest compared to their global financial crisis response, in time to come, we can expect China to increase their focus on domestic investments and recovery. This is likely to signify less financing for overseas investments, which might further reduce FDI inflows into ASEAN.

Globalization Versus Isolationism

It is natural for companies to self-preserve and start off inward-looking, but in this current pandemic context, competition is starting to become unimportant. Organizations cannot afford to focus purely on themselves and remain isolationist.

It will be crucial for organizations to collaborate to find cures and therapeutics from a healthcare perspective; and for other industries, to collectively figure out the best way forward.

From the point of view of developing economies – sure, there might be some reconsideration about the issue of globalization and resilience, and most will end up with little cottage industries and mass production at some point.

However, in the bigger picture, it's highly unlikely for developing economies to head in the isolationist direction. They simply cannot afford to be left out of global value and supply chains.

It is hard to have any sort of turnaround in global fortune without demand from the big economies of the world, such as U.S. and China, particularly if a country's economy depends on exports.

Silver Linings – The Positives of COVID-19

Strong Global Response

- Within two weeks after WHO's declaration of a global pandemic, a G20 meeting was held. World leaders pledged \$5 trillion dollars, or 10% of their GDP, to COVID-19 related measures.
- Contrast to policy response during the global financial crisis, where it took 6 months for the G20 to even get together.

Digital Transformation

- For many years now, companies have been faced with a dilemma of how to perform, drive current businesses and transform at the same time. Digital transformation has often been spoken about as a solution and there has been a lot of activity, but not really a lot of effectiveness.
- With COVID-19, digital transformation has become more than a theoretical affair – it is now a necessity. We're all learning much more about virtual collaboration, virtual change, presence, automation and the like.
- The pandemic is inadvertently a driver of said transformation as companies are forced to change the way they do business.

Silver Linings – The Positives of COVID-19

Rising SMEs

- SMEs, which are currently facing a lot of pressure, have turned out to be quite intrepid.
- Many Chinese SMEs have recalibrated their production lines from producing sneaker/ clothes to manufacturing PPEs; machine tool companies are coming up with ways to expedite the manufacturing of ventilators; a small Gaza start-up is now producing hundreds of medical face shields using 3D printers – the intersection of newer technological capabilities and entrepreneurship has thus turned out to be a silver lining.
- They don't necessarily resolve the bigger questions around supply chain disruption issues, but at some level, it offers a hopeful lead.

New Job Opportunities

- COVID-19 disruptions to global supply chains provides lessons for inventory management, as current inventory processes are very lean and easily flushed out in shocks like this.
- Organizations are going to need professionals to redesign and remodel their supply chains, so employment in the warehouse and logistics industries is likely to see a huge pick-up.

Employee Engagement – A Leadership Challenge

Employee engagement has shifted from conceptual nice-to-haves to actionable priority.

Historically, employee engagement was a non-priority; largely measured by HR surveys without much tangible outcomes for company leaders. Now, with the rise of telecommuting structures, leaders are increasingly recognizing the practical importance of keeping employees engaged and motivated. And this really boils down to regular communication, which should be kept simple, honest and kind. Engagement will be 'measured' by how effective employees are in jumping in to help create the future for the organization. Virtual collaboration is likely to form the future of work. Organizations need to help their employees prepare for it by checking in regularly and collating feedback, in order to identify the structures they need to enable employees to continue working from home at times.

For example, leaders will need to provide more flexibility for their teams in terms of working hours – it does not mean a reduction in said hours, but a greater freedom for employees to engage and disengage in ways that might even boost productivity.

Concluding Remarks

A global crisis like this requires globally coordinated solutions.

Many people seem to think that we are heading into a future world of isolationism and redundancy.

The real solution is to recognize and embrace the interconnectedness of our world today, whether it's for a virus or for trade.

Even when there was no jet-setting travel going on the 14th and early 20th century, pandemics still spread worldwide, so keeping borders up to prevent viruses from entering a country is not really a solution. Borders are merely artificial and arbitrary in the face of viruses.

The path towards normalcy will be long and there might be some setbacks along the way, so we must be resilient and mentally prepared for a long-haul battle.

To deal with this crisis, we must cooperate, coordinate and deal with it on a class collective. Short of that, till even a single country is left fighting this battle, nobody would have won the battle comprehensively.