



The Economic and Financial Impact of COVID-19

**BioMedical Studies in the Age of Pandemics:
The COVID-19 Impact on Science**

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Economic & Financial Impact at a Glance

The Biggest Drop Since the Great Depression

Global GDP in 2020

▼ 4.5%

Euro Zone ▼ 7.9%

Japan ▼ 5.8%

USA ▼ 3.8%

China + 1.8%

Historical Public Debt

Magic Money

Free Money

Less Open
Less free
Less Prosperous
More Competitive

Stop, Reflect
& Think Ahead

Great Reset
Sustainable
Inclusive
Equitable

The Landscape of the Global Economy

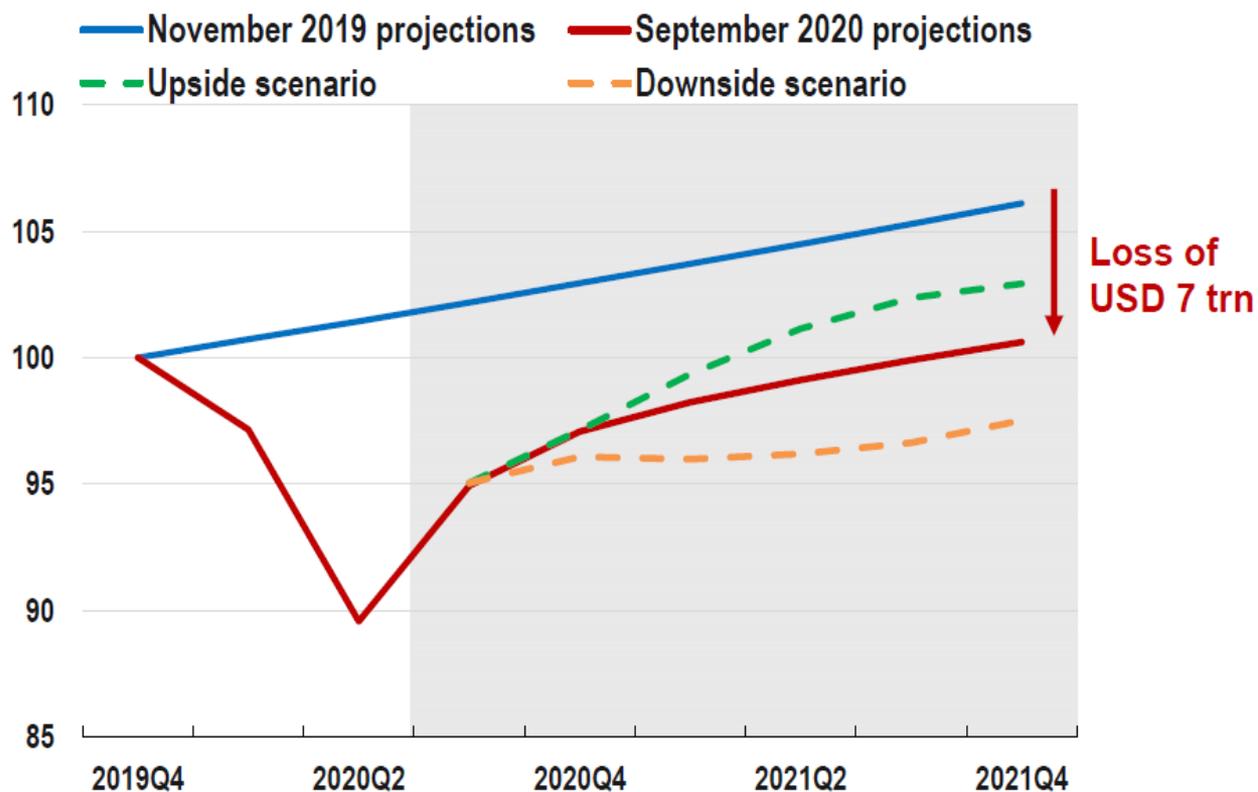
- In human history, there has been no global crisis of this magnitude occurring in such a very **tightly connected world**.
- No individual, no company, and no government can remain unaffected.
- Already, the global economy is showing the largest drop since **the Great Depression of the 1930s**.
- The situation will continue to change very quickly, and it will still be too early to predict what the post-COVID 19 world may look like.
- For the time being, at least, **the four key features** below presented by Professor Stephen M. Walt of Harvard Kennedy School will be the most likely case:
 - ① Less open-----The current divisive trends will be reinforced.
 - ② Less free-----Governments will have greater power over their citizens.
 - ③ Less prosperous-----The global economic growth will be lower.
 - ④ More competitive---The competition will intensify over limited opportunities.

GDP Growth Projections

- The OECD analysis (on the right) shows a **serious collapse** in the first half of 2020.
- Q3 recovery reflects the effects of the initial containment measures and the fiscal support such as cash transfers.
- Restoring **confidence** will be crucial for further recoveries.
- OECD stresses that recovery plans are a once-in-a-lifetime opportunity toward **sustainable, inclusive and green growth**.

Global GDP projections

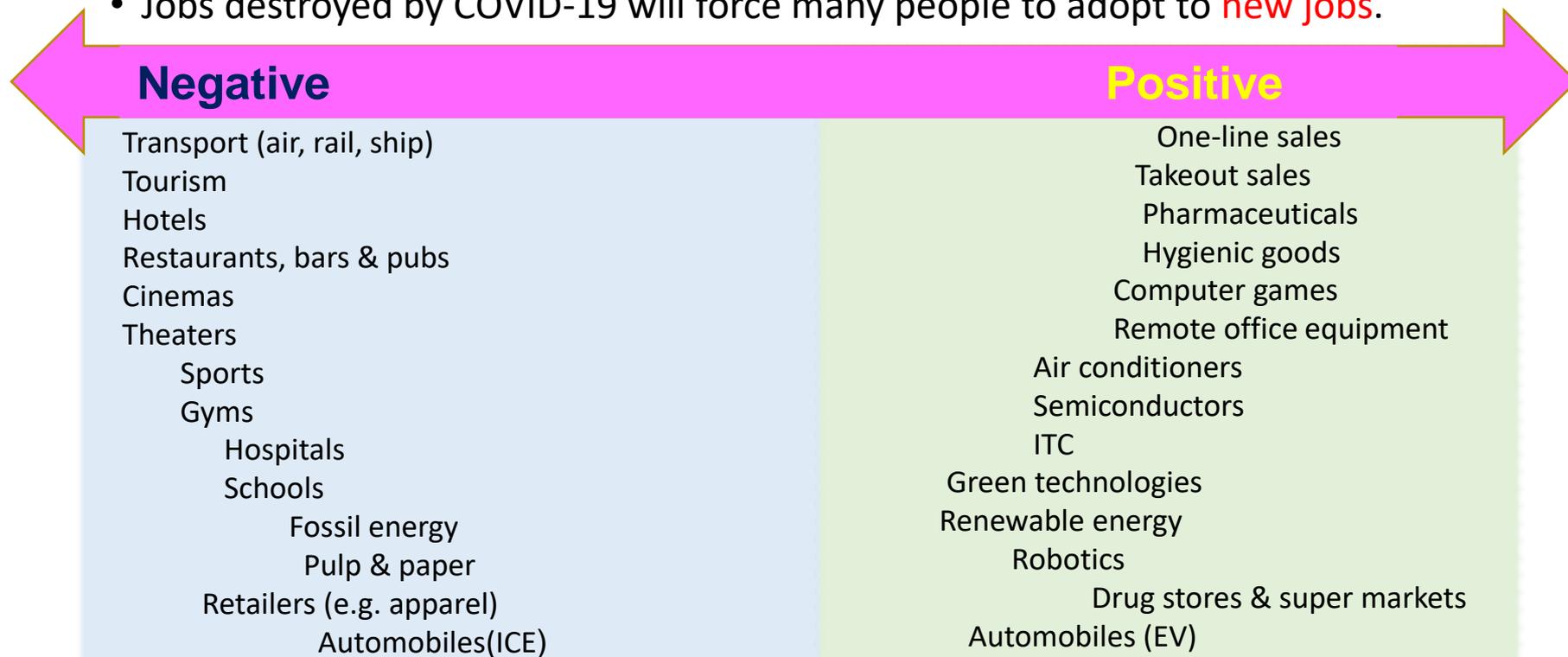
Constant prices, index 2019Q4 = 100



Source: OECD

Impact on Businesses

- **1/3 of major companies** in the world operating at a loss (2Q in 2020).
- The uneven impact on businesses (as below) from initial **shutdowns and lockdowns**, followed by the transition to “**new normal**” (new life and business styles).
- In some economies, the **stock markets** recovered quickly by partially the strength of winning companies and largely the effect of public money injection.
- Jobs destroyed by COVID-19 will force many people to adopt to **new jobs**.



Financial Impact

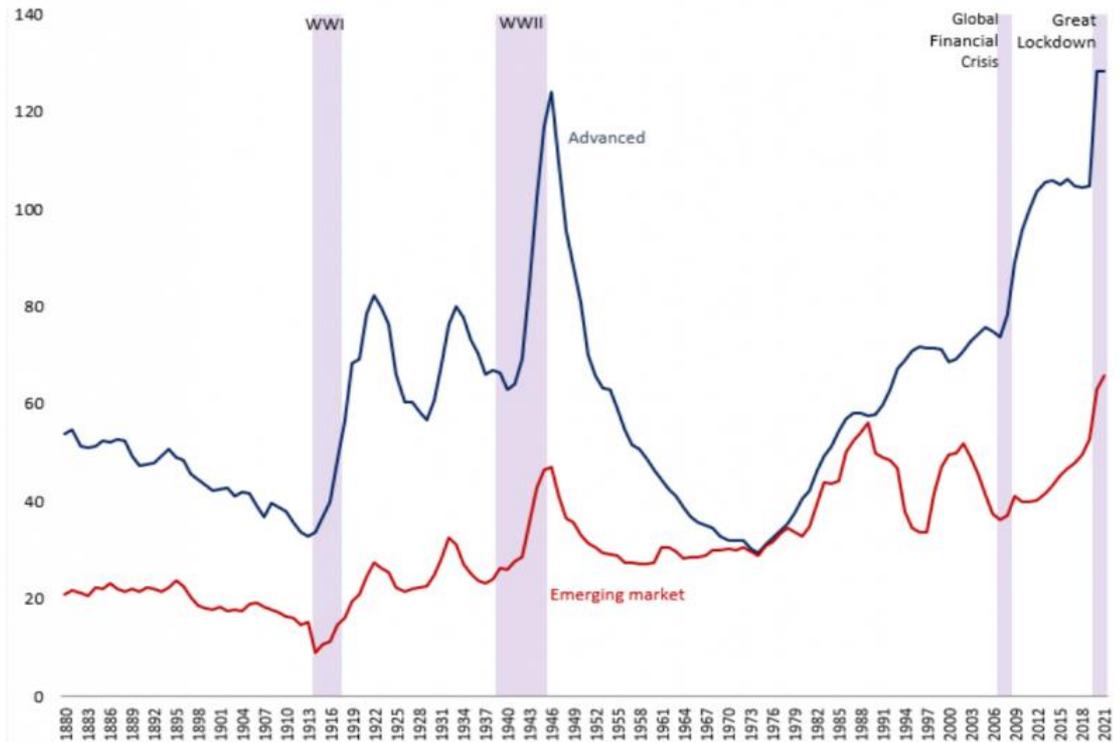
- Historical public spending in many countries with **\$11 trillion** already spent.
 - The global public debt is the highest since World War II.
 - As **the Lehman Shock** was perceived as **a man-made disaster**, there were certain breaks on public spending.
 - As **COVID-19** is perceived as **a natural disaster** with serious health risks, there is no consideration on putting breaks on public spending yet.
 - The perception of “**Free Money**” or “**Magic Money**” is spreading in the society, which may persist even after COVID-19.
- ↓ ↓ ↓
- Governments seem to have no other choice than public spending right now.
 - Leaving **snow-balling burdens** on the future generations is a betrayal to them.
 - Serious consideration should be made to limit to truly effective spending without being driven by populism.

Public Debt

- The IMF graph (on the right) indicates **the highest level** of global public debt per GDP.
- Fiscal support has been split almost evenly between ① **above-the-line support** (e.g. cash transfers) & ② **below-the-line support** (e.g. public sector loans).
- The IMF expects that public debt per GDP will stabilize in 2021 supported by low interest rates and a strong rebound in economy.
- However, there is a serious doubt about IMF's optimism given the complexity of the impact and shaken confidence.

Soaring public debt

Global public debt is projected to reach 101.5 percent of global GDP in 2020 – the highest level ever.
(percent of GDP)



Sources: Historical Public Debt Database, IMF WEO, Maddison Database Project; and IMF staff calculations.
Note: The aggregate public debt-to-GDP series for advanced and emerging market economies is based on debt-to-GDP data for a constant sample of 25 countries and 27 countries, respectively. The averages are calculated using weights derived from GDP in PPP terms.

Great Reset

- Various initiatives are underway to rebuild and fix the world.
- Among those, a “**Great Reset**” advocated by Dr. Klaus Schwab, Founder of the World Economic Forum, seems worthy of attention as our future will not clearly be the extension of the past.
- It calls for the following specific actions:
 - ① To steer the market toward **fairer and equitable** outcomes through, among others, the changes to wealth taxes and new rules governing competitions.
 - ② To ensure that investments advance **shared goals** such as equity and sustainability in line with ESG.
 - ③ To harness **innovations** of the Fourth Industrial Revolution to support the public good, especially by addressing health and social challenges.
- The greatest challenge to this initiative will be if the world can act jointly and swiftly towards the same direction.



Source: World Economic Forum

The Way to Reboot Businesses

- Most businesses are struggling with the initial impact of COVID 19 and huge uncertainties ahead.
- As a navigation tool, Deloitte presents a **conceptual model** for businesses to learn to emerge stronger (on the right).
- The point is to “**stop, reflect and think ahead**”.
- This model is compact and practical, which could be applied to various institutions not limited to businesses.

Reboot – HR and People Operations Priorities

and realign the HR function and people operations with the most pressing business and workforce priorities and pivoting towards exponential HR.

Reflect

on what has worked, what has been learned, and what has been missed in the response — bringing in different perspectives and voices.

Recommit

to workforce wellbeing and purpose through a focus on physical, psychological and financial concerns — at home and in the workplace.



Rethink work, workforces, and workplaces

to leverage the experiences of the COVID-19 response and the opportunity to accelerate the future of work.

Re-engage

and redeploy the workforce to maximize their contribution and potential for rapidly evolving organizational priorities.

Source: Deloitte

Observations

- **The worst phase seems to be over** in terms of economic impact of COVID 19 thanks to the robust containment measures and massive financial support.
- The impact on businesses are **extremely uneven** from some suffering fatal blows to others grasping windfall opportunities.
- Sooner or later, the market will become increasingly nervous about the impact of **snow-balling public debt** on financial and monetary stability.
- There could be more people left behind the **social safety nets** and more workforce unable to find or adopt to **new jobs** than Governments may think.
- So far as I see throw a narrow window of a manufacturing company, there are **more risks** associated with uncertainties than opportunities.
- Under such unprecedented uncertainties, we may have to **stop** for a while, then **think big and act carefully**.