



Addressing the impact of COVID-19 Using economics to understand the potential impact from the virus

As the virus (SARS-CoV-2) that causes the COVID-19 disease continues to spread to other countries—with new cases emerging daily—the trajectory is still a matter of speculation. There are currently no vaccines to prevent the virus, posing a key risk to the global economic outlook and making containment a top priority for governments around the world.

Stock markets in Europe, Asia, and America plunged after the number of COVID-19 cases surged in Italy and South Korea, the world's 8th and 12th largest economies, raising fears of a pandemic that would affect global economic growth. Notwithstanding the UN trade agency estimates that COVID-19 is likely to cost the global economy \$1 trillion during 2020, it is difficult to assess at this stage what the actual economic impact might be. There is, however, a demand for comment on the current economic impact of the outbreak and expectations for the future at a macro level as well as at the level of individual organizations.

Despite the uncertainty surrounding the impact of the outbreak, governments need to deploy all the necessary measures to contain the virus and revive the economy. At the same time, private sector companies will have to think about their direct and indirect vulnerabilities and take appropriate measures.

Questions companies should be asking

1. How will the current crisis unfold?
2. Will the economy fall into recession and how deep will it be?
3. What are the scenarios for growth and recovery?
4. Will there be lasting structural impact from the virus outbreak? That is, will this create an opportunity to permanently reset business travel (less), supply chains (shorter, more diversified, transparent), and working practices (more remote)?
5. What are the implications of the virus on the sectors of the economy?
6. What is the impact on global supply chains?
7. What measures can the government take to stimulate economic growth?
8. How do businesses build greater resilience in the face of uncertainty?

Actions companies can take using economic capabilities

Scenario planning

- Scenario modelling helps businesses understand how their business will be impacted under possible future developments.
- Businesses therefore need to define scenarios under different assumptions on how the crisis might unfold, paying attention to supply chains, second-round effects, and potential regulatory changes.

Economic and social impact assessment

- To assess what the potential economic and social impact from the outbreak might be, one must take a careful look at the history of epidemics and shocks as well as the market signals and recovery patterns to understand how the current outbreak might evolve, i.e., its impact in people's behaviors, consumer demand, supply chain challenges, commodity prices, etc.

Policy design and program evaluation

- Implementing policies that promote economic growth and can protect public health is the best option for policymakers to counter the impact of the outbreak.

Monetary & fiscal impact analysis

- As the global economy slows down the International Monetary Fund is calling for substantial stimulus to offset impacts from COVID-19.
- Governments need to deploy targeted monetary and fiscal measures to stimulate growth in the sectors that have been mostly affected by the outbreak. There are significant sectoral implications from the outbreak and some sectors are more exposed than others, such as transportation.
- It is important to understand the impact government policies have on key metrics such as GDP, productivity, private investment, etc., and how these measures can lead to economic recovery.

Contact:

For more information on how to respond, recover and thrive:

- Connect to Deloitte leaders www.deloitte.com/COVID-19-leaders
- Visit www.deloitte.com/COVID-19

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the "Deloitte organization") serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 312,000 people make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, workforce or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.