



The impact of COVID-19

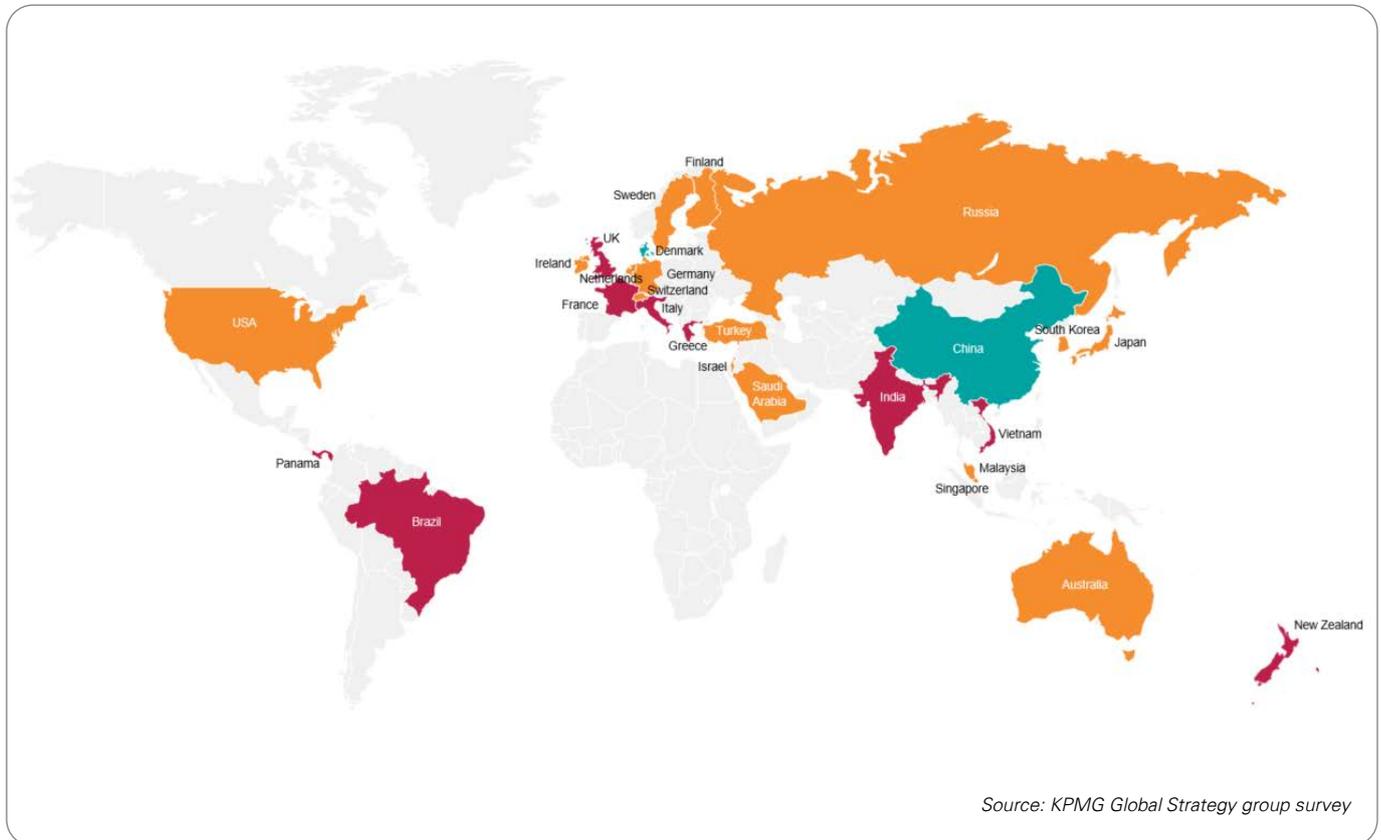
A global to local overview

July 2020



How is the world responding to the impact of COVID-19?

On 31st March, KPMG in Singapore conducted a global survey with strategy professionals from 28 countries to gain insight into how businesses and governments are responding to the COVID-19 pandemic.



Legend

Partial lockdown: restrictions on international travel, crowd limitations, school closures (limited exceptions), and partial closures of selected businesses/services

Full lockdown: significant restrictions beyond partial lockdown measures, with narrowly limited reasons permitted for leaving the home, and total closure of non-essential businesses/services

Easing lockdown restrictions

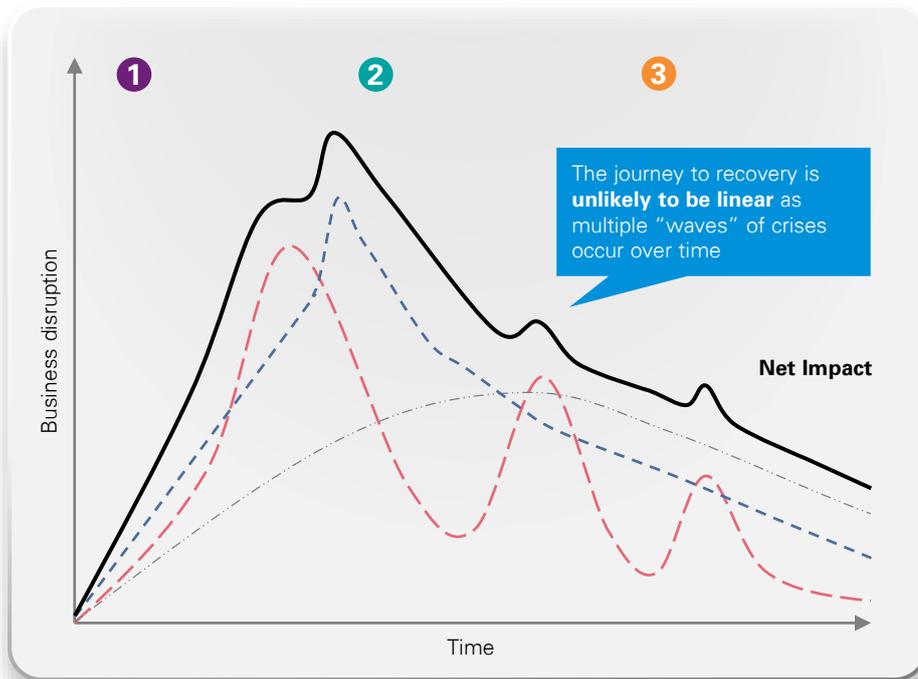
Outside survey scope

Our key findings

- All countries surveyed have pursued **near-total prohibitions on international travel** and large gatherings
- There is a **slight divergence with regard to school closures**, with Singapore, Sweden and Australia each stopping short of full closure
- As of March 31st, respondents expected their local restrictions to endure for one to three months, but in the past fortnight these **expectations have already changed to anticipate a potentially longer duration**

How is the world responding to the impact of COVID-19?

Businesses have been forced to confront challenges of viability, cost-reduction and prioritization – in parallel with critical obligations to stakeholders' health.



Health Crisis

Direct and indirect impacts of the COVID-19 pandemic and related social distancing measures on the physical and mental health of the Australian community

Economic Crisis

Financial impacts experienced by households, businesses and government largely as a result of shutdowns both domestically and globally

Geopolitical Crisis

Rising geopolitical tensions and growing nationalism as COVID-19 causes synchronized economic downturns with the potential for further crises (eg oil pricing)

Horizons Key challenges and trends

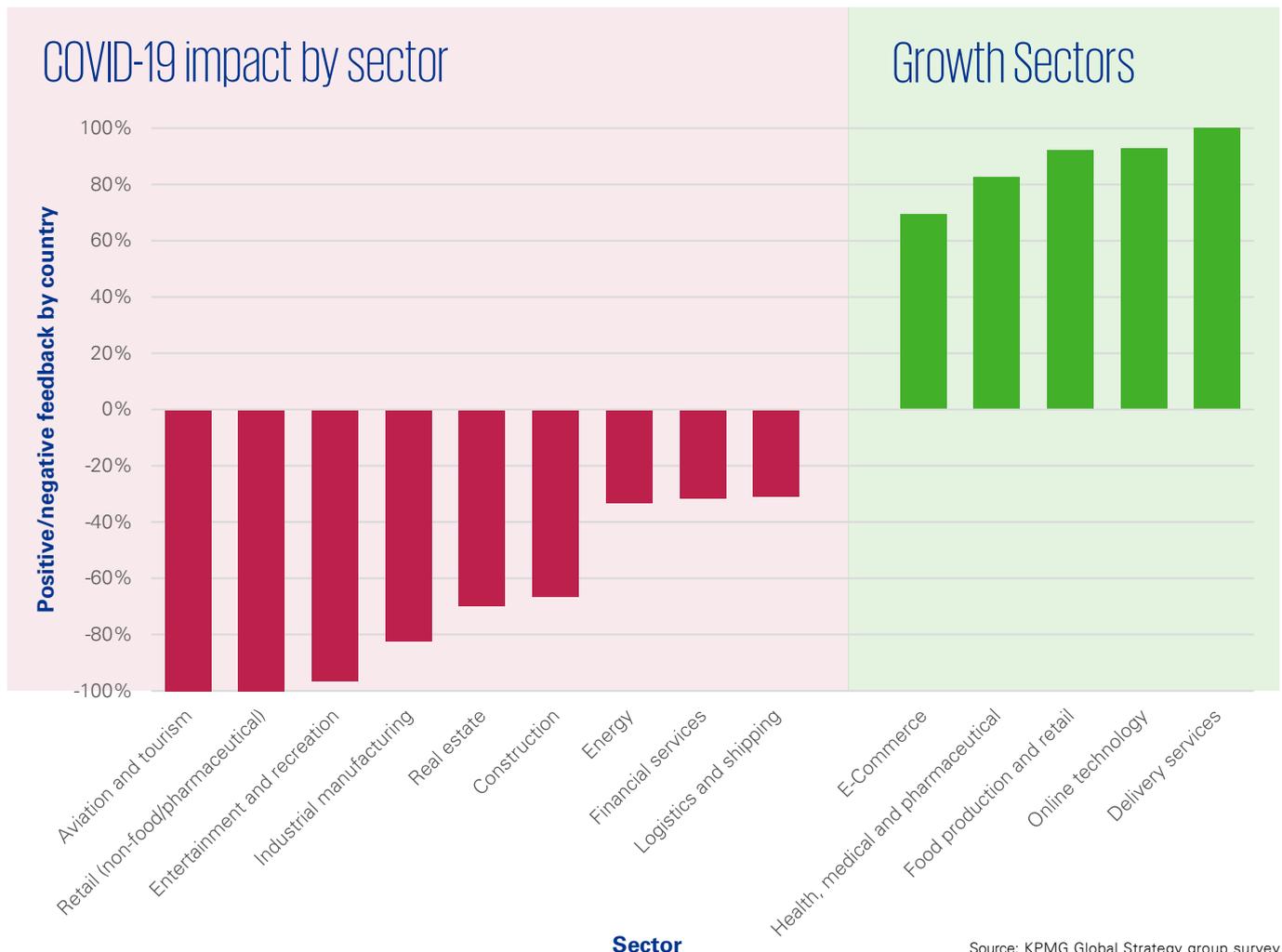
	Health / Social	Economic	Geopolitical
1	<ul style="list-style-type: none"> On-site safety for employees and/or customers Availability of staff and permissibility to work 	<ul style="list-style-type: none"> Immediate shuttering of high-risk business types Sufficient liquidity to trade and pay employees Ability to service customers during lockdown 	<ul style="list-style-type: none"> International and domestic travel bans Shortages and delays in international supply of crisis-related goods
2	<ul style="list-style-type: none"> Requirement for remote working Sustained illness and absence across global supply-chain participants Pressure on social licence through crisis conditions 	<ul style="list-style-type: none"> Dramatically altered demand patterns and service priorities Pressure to right-size cost-base through rationalization and restructuring Urgency to develop capacity and pivot to digital channels 	<ul style="list-style-type: none"> Heightened price volatility in globally-traded commodities Political intervention in supply and pricing of critical products Humanitarian demands in emerging markets
3	<ul style="list-style-type: none"> Demand for appropriate flexible working arrangements to attract and retain talent Long-term focus on hygiene and health Impetus to continue minimizing air-travel 	<ul style="list-style-type: none"> Altered market structures and competitive dynamics Long-term suppression of demand in critically impacted sectors Growth in nationalization and public part-ownership models for struggling businesses 	<ul style="list-style-type: none"> Exacerbation of poverty-driven conflict and social issues Potential bias towards domestic or regional supply chains Disruption of trade talks and negotiations

Global snapshot: sectors

Key economic sectors may diverge as innovation evolves differently in each market and local responses to global trends emerge.

Key findings

- In the countries surveyed, **economic sectors were impacted by COVID-19 consistently**, reflecting the global nature of the crisis
- Survey respondents identified aviation, tourism, discretionary retail and entertainment as the most negatively impacted, consistent with the expected **consequences of widespread lockdown**
- Sectors that are showing a consistently positive impact across surveyed geographies are those with a **direct link to online activity** (especially commerce), or the stockpiling of food and medicine
- As countries evolve their lockdown arrangements at varying rates, and the impact of innovation becomes clearer, **sector performance may begin to diverge by geography**
- **Split performance in the energy sector** – between export-led and consumption-based markets – is weakly evident and likely to increase, along with **divergence in logistics** between large domestic markets and internationally-focused hubs



Regional snapshot: government support

Most governments have initiated substantial public investment to protect jobs, with Malaysia emerging as the highest in the scale of investment (relative to GDP).

Key findings

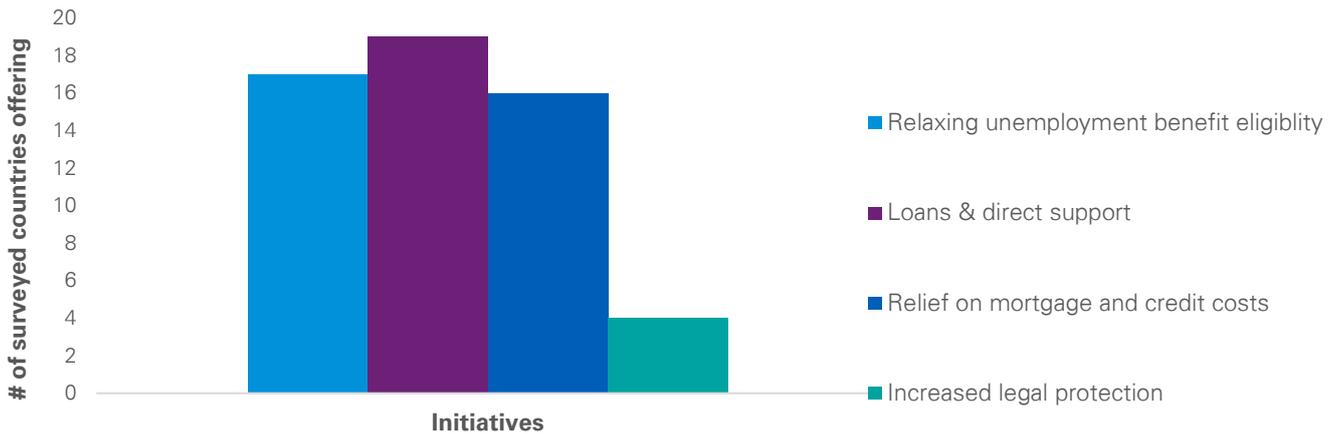
- Direct **stimulus support for businesses and individuals is now widespread** across both developed and growth economies, although the scale of this investment (relative to GDP) varies widely
- Although governments have extensively leveraged existing mechanisms by deferring tax obligations and enhancing eligibility for unemployment benefits, there has also been **increasingly widespread adoption of more direct interventions** in the form of cash subsidies and direct grants

Total government stimulus in response to COVID-19 (ASEAN)

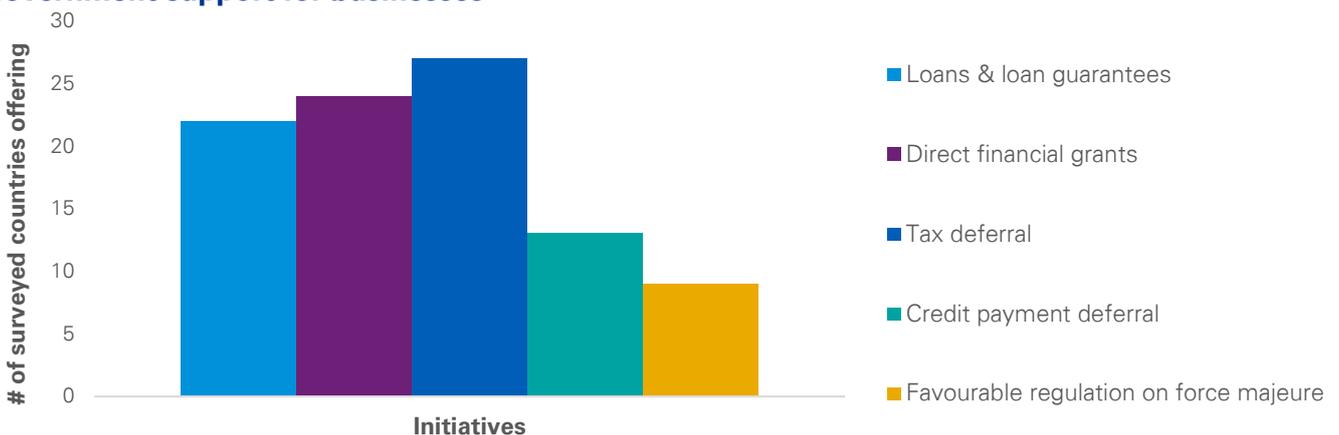
These figures are subject to constant change, and some respondents may have had only partial visibility of the full scale of public stimulus in their country



Government support for employees



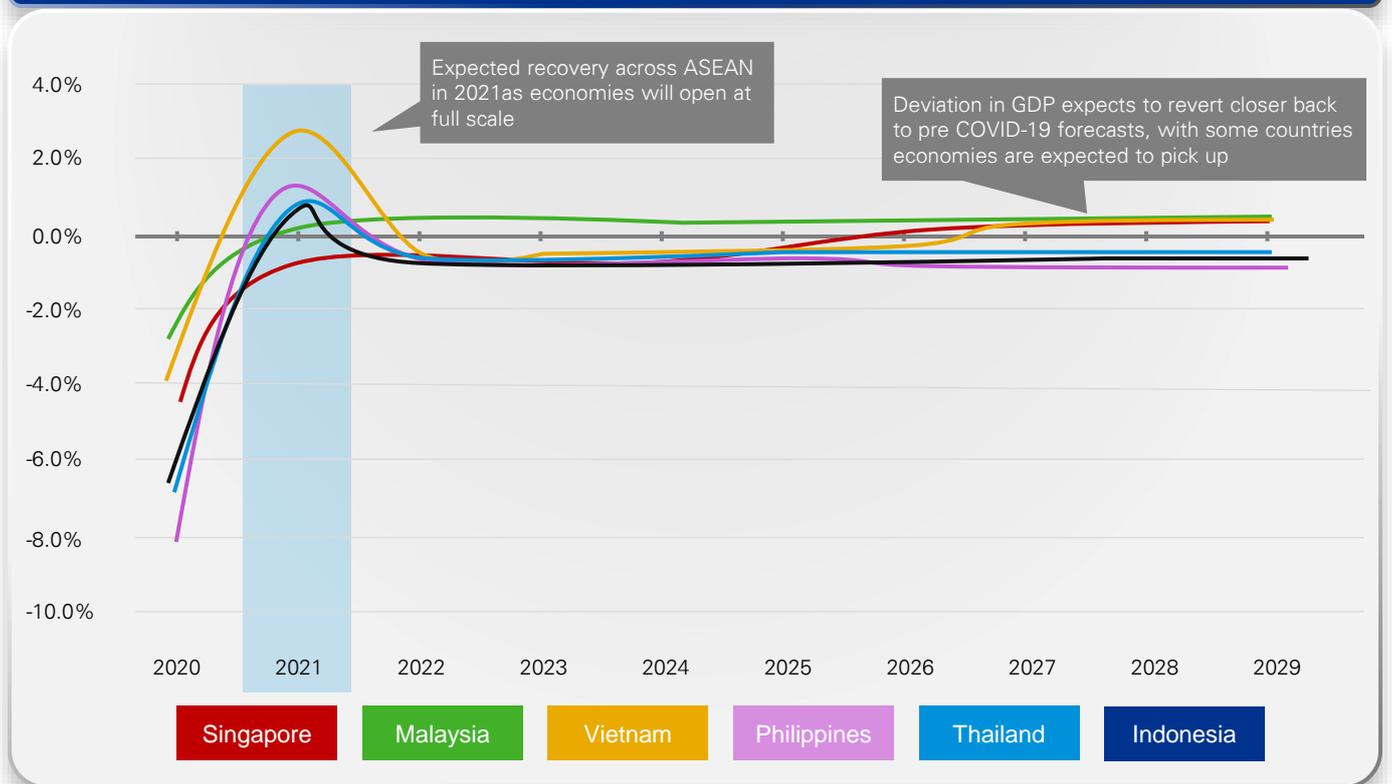
Government support for businesses



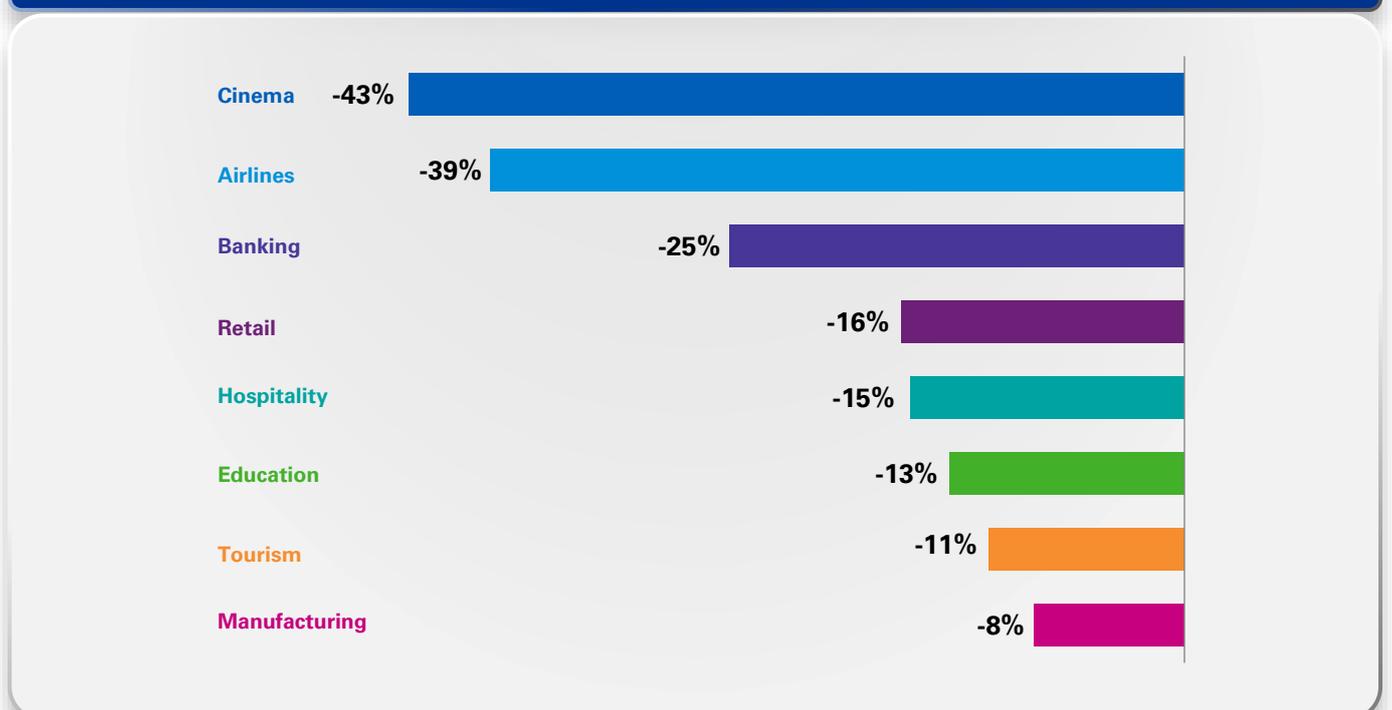
The impact on ASEAN

The economic impact on ASEAN economies will be felt for years to come, but the negative impact of disease, travel bans and social distancing is likely to differ across sectors.

Deviation in base-case forecast ASEAN GDP due to COVID-19 (pre-stimulus package) from 2020 to 2023



Average ASEAN stock price change by sector since COVID-19 impact from 1 Jan 2020 to 13 May 2020



The impact on Singapore

Singapore's ways of working have been transformed overnight along with an economic impact that could be lasting, but questions remain about the depth and permanence of other trends.

8 emerging macro-trends associated with the impact of COVID-19 in Singapore

Demand trends

1

Curbed demand

Need for rethinking business models

Social distancing and travel bans have adversely affected demand requiring businesses to revisit business models to meet new sources of demand and to diversify supply chains to support resilience.

2

Technology adoption

Accelerated adoption of digital channels

The 'stay-at-home' economy necessitated by COVID-19 has led to greater utilization of technology leading to changes in consumer demand patterns and the need to consider new channel strategies.

3

Employee practices

Agile working the new norm

Adoption of remote working arrangements to mitigate virus transmission may lead to more permanent shifts requiring greater investment in collaborative tools and potential decline in productivity.

4

Nationalism

Geopolitical agenda impacting trade

Governments are prioritizing national needs over global outlook and closing national borders, which may lead to an enduring outcome with implications for the flow of goods, labor and capital markets.

Supply trends

5

Supply chain disruption

Need for diversification

Curtailed demand for exports and disruption of imports may lead to product and raw material shortages and has revealed an over-reliance on China.

6

Market consolidation

Increasing competitive intensity

Degradation in financial performance may lead to a surge in bankruptcies and market consolidation, which will alter competitive intensity and drive an increase in merger and acquisition activity globally.

7

Climate change

Ensure sustainability of current impacts

While reduced travel and manufacturing activity is showing immediate and significant beneficial impact, climate change concerns have been deprioritized relative to health and the economy, at least temporarily.

8

Debt burden

Building resilience during a crisis

Reduced demand will have impacts on revenue, funding and liquidity resulting in impacts on short-term cash flow and flow-on effects longer term, with funders potentially resisting renegotiation of existing commitments.



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