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WEBINAR

The Heart of Resilient Leadership Responding to COVID-19

April 15, 2020



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Speakers



Dimitris Koutsopoulos
CEO
Deloitte Greece



Ian Steward
Partner
Chief Economist



Vassilis Kafatos
Partner
Clients & Industries
Leader



Christos Theocharopoulos
Principal
Public Policy
Consulting



Theodore Papakonstantinou
Principal
Strategy
Consulting

WEBINAR

The Heart of Resilient Leadership Responding to COVID-19



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COVID-19:

Economic Outlook / Ian Steward

15 April 2020

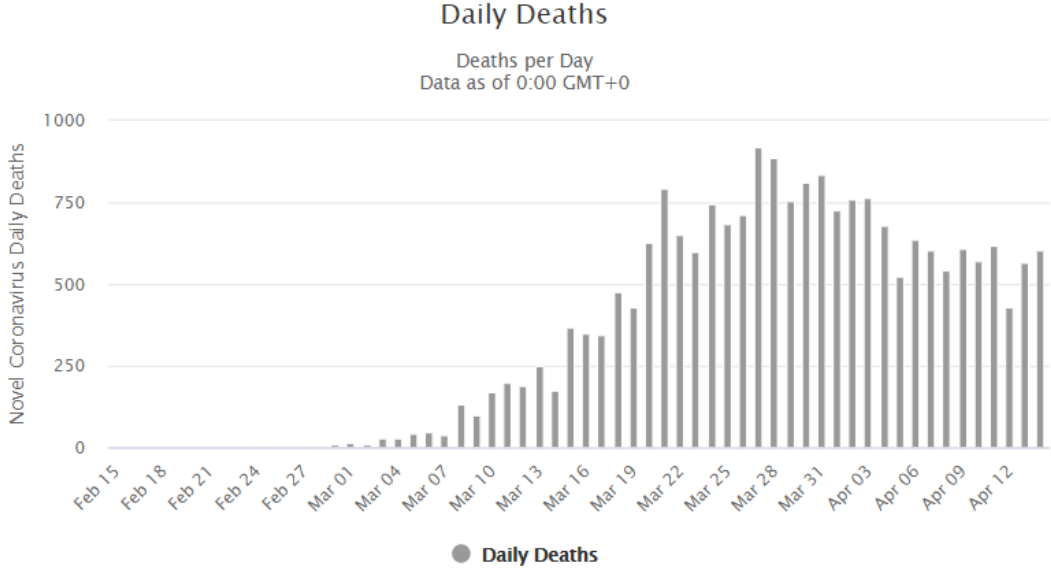
COVID-19: a human health crisis

	Deaths per 1m population	Tests per 1m population
Spain	390	12,833
Italy	348	17,758
France	241	5,114
UK	178	5,637
US	79	9,367
Germany	42	15,730
Greece	10	4,682
Croatia	8	4,472
South Korea	4	10,426
China	2	N/A
Singapore	2	12,423

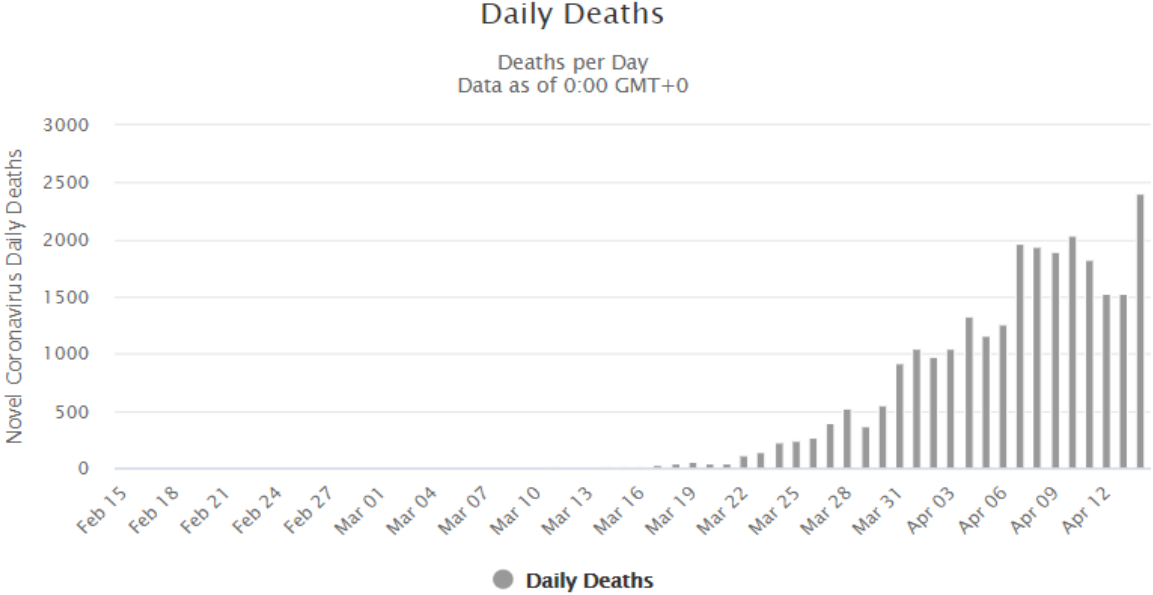
Source: Worldometer

Key to judging progression of the virus

Daily New Deaths in Italy



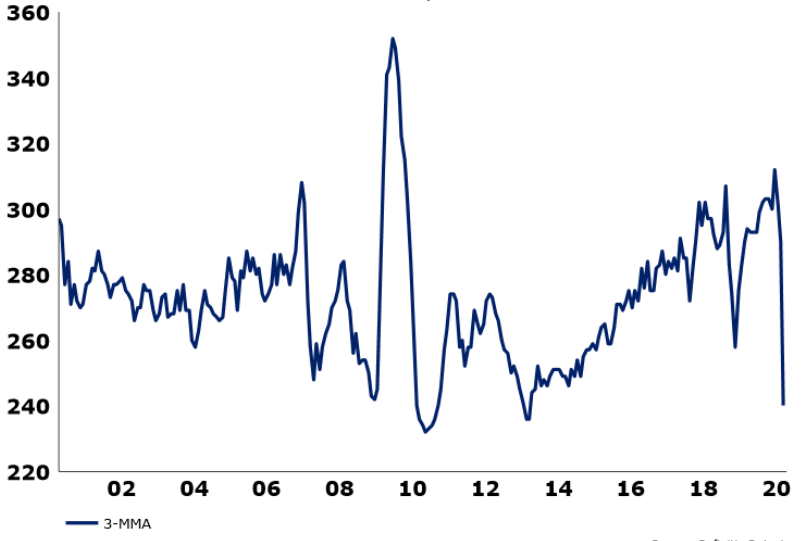
Daily New Deaths in the United States



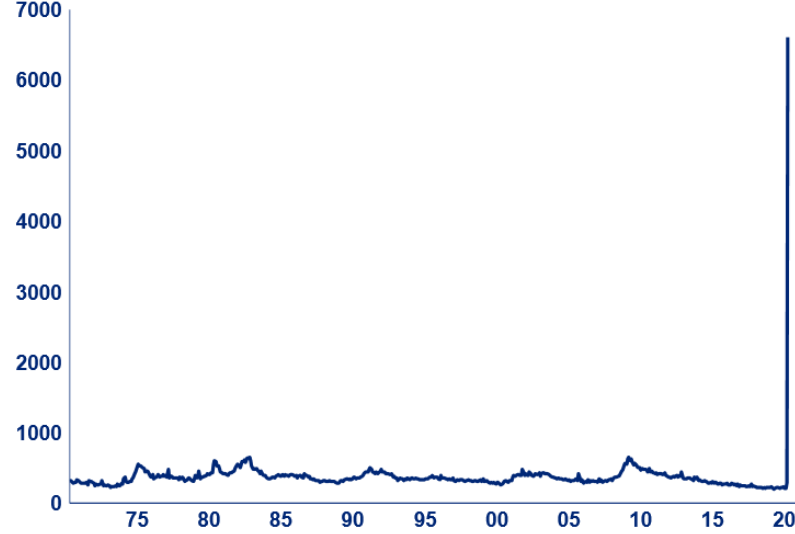
Dramatic effect on activity

Germany new car registrations

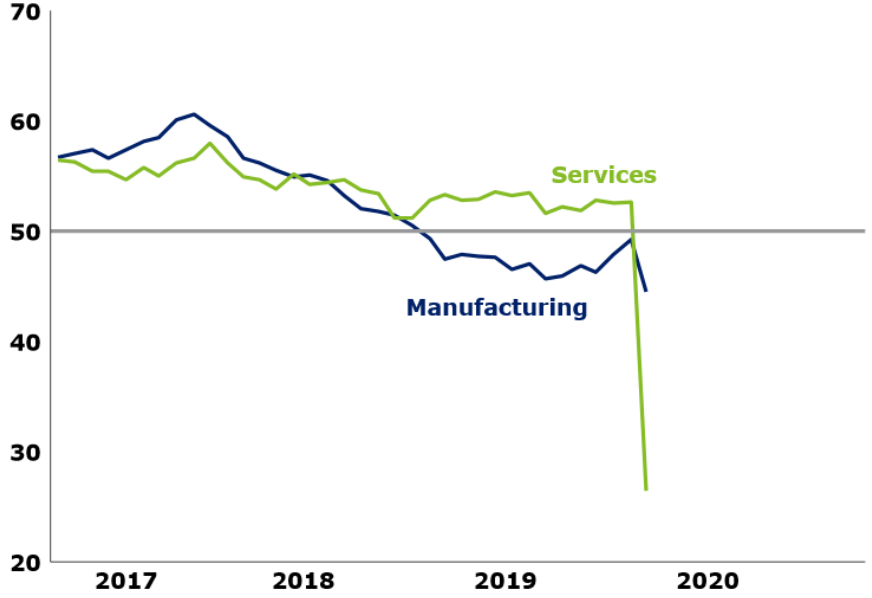
Thousands, DS SA



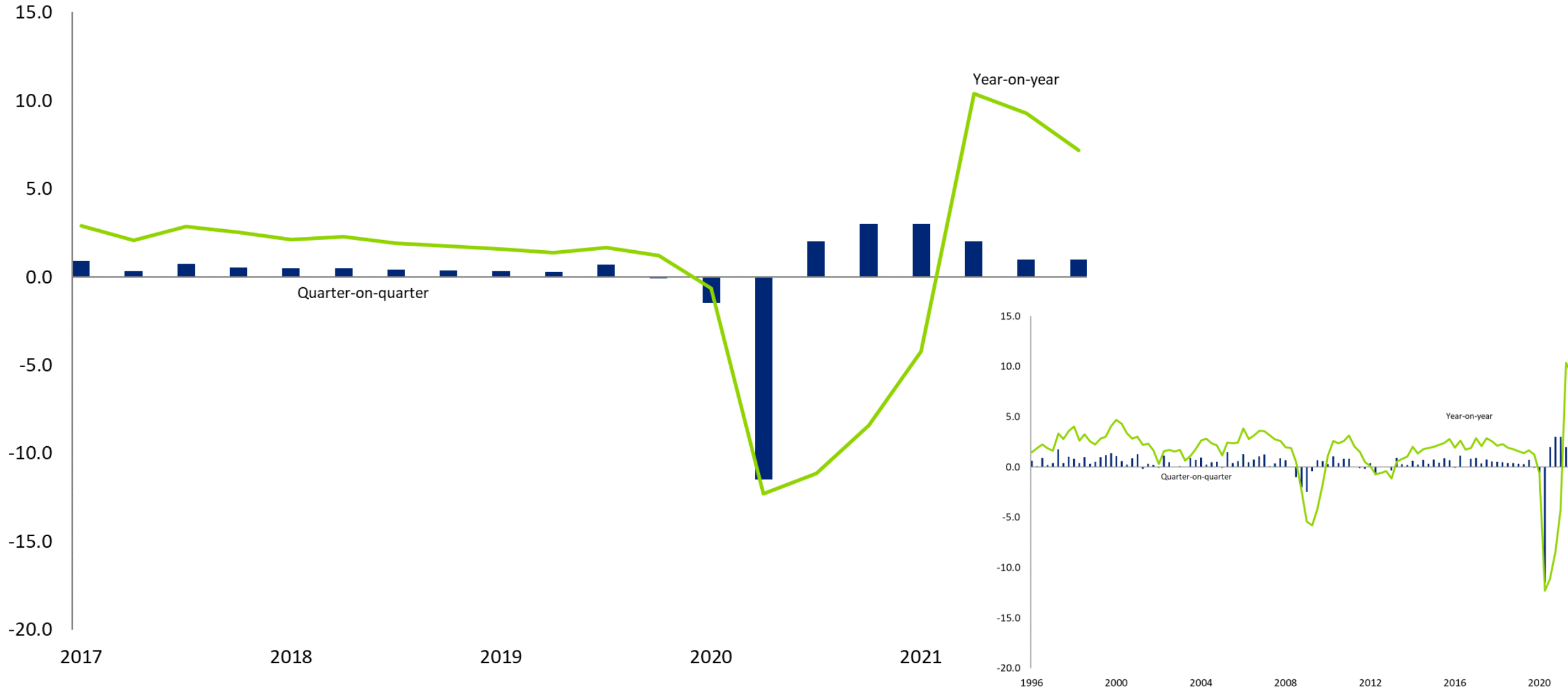
US weekly jobless claims, 000s



Eurozone Market PMIs

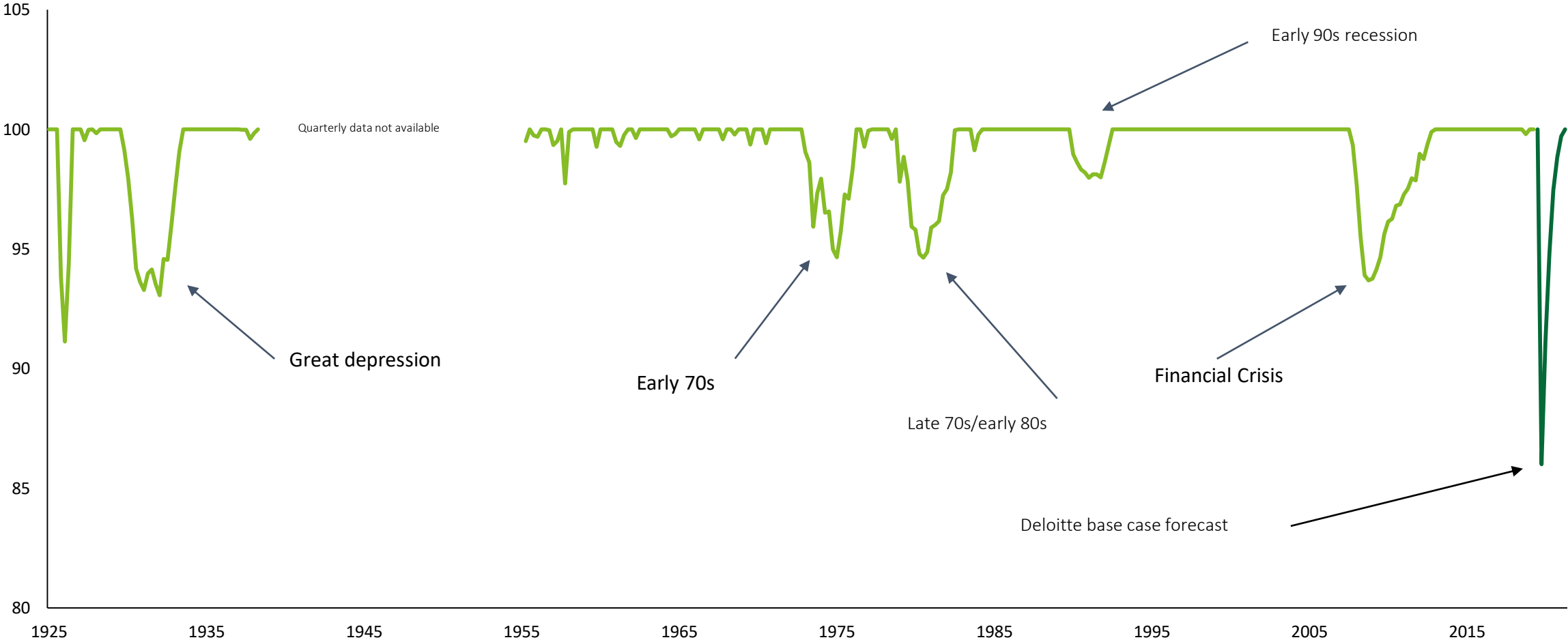


EU GDP growth: Deloitte forecast



UK downturns since 1925: a comparison

Depth and time to recover to previous peak



Source: Bank of England, Millennium of Macroeconomic Data; ONS; Deloitte calculations. Quarter preceding a downturn = 100

Fiscal and monetary policy responses to COVID-19

	Fiscal package (share of GDP)	Loan Schemes	Grant schemes	Cost deferrals	Other	Monetary
France	4%	€312bn loan guarantees (14% GDP)	Employment, Business, Self-employed support	Tax deferrals	Additional health spend	ECB QE €120bn PPEP €750bn ESM Credit €240bn EIB Liquidity €200bn
Germany	4.9%	€825bn loan guarantees (25% GDP)	€50bn grants to small businesses and self- employed	Tax deferrals	Additional health spend	
Greece	7.5%	Loan guarantees	Employment, Business, Self-employed support	Tax deferrals	Additional health spend	
Ireland	2.3%	Liquidity support €0.2bn (0.1% GDP)	Employment support €6.0bn (1.8% GDP)	Tax deferrals	Health spend €2bn (0.5% GDP)	
Italy	1.4%	Credit supply support €5.1bn (0.3% GDP)	Employment support €10.3bn (0.6% GDP)	Tax and utility deferrals €6.4bn (0.4% GDP)	Health spend €3.2bn (0.2% GDP)	
Netherlands	1-3%	Loan guarantees	Employment, Business, Self-employed support	Tax deferrals €35- 45bn		
Spain	1%	Loan guarantees for companies and self employed up to €100bn	Employment, Business, Self-employed support	Tax deferrals	Health spend €3.9bn	
UK	4.4%*	£330bn loans to small, medium cos and Inv Grade	Business Support (£27bn) Employees support (£40bn)	Tax payment deferrals	NHS Spend £5bn Welfare £7bn	QE £200bn 65bp rate cut to 0.1%

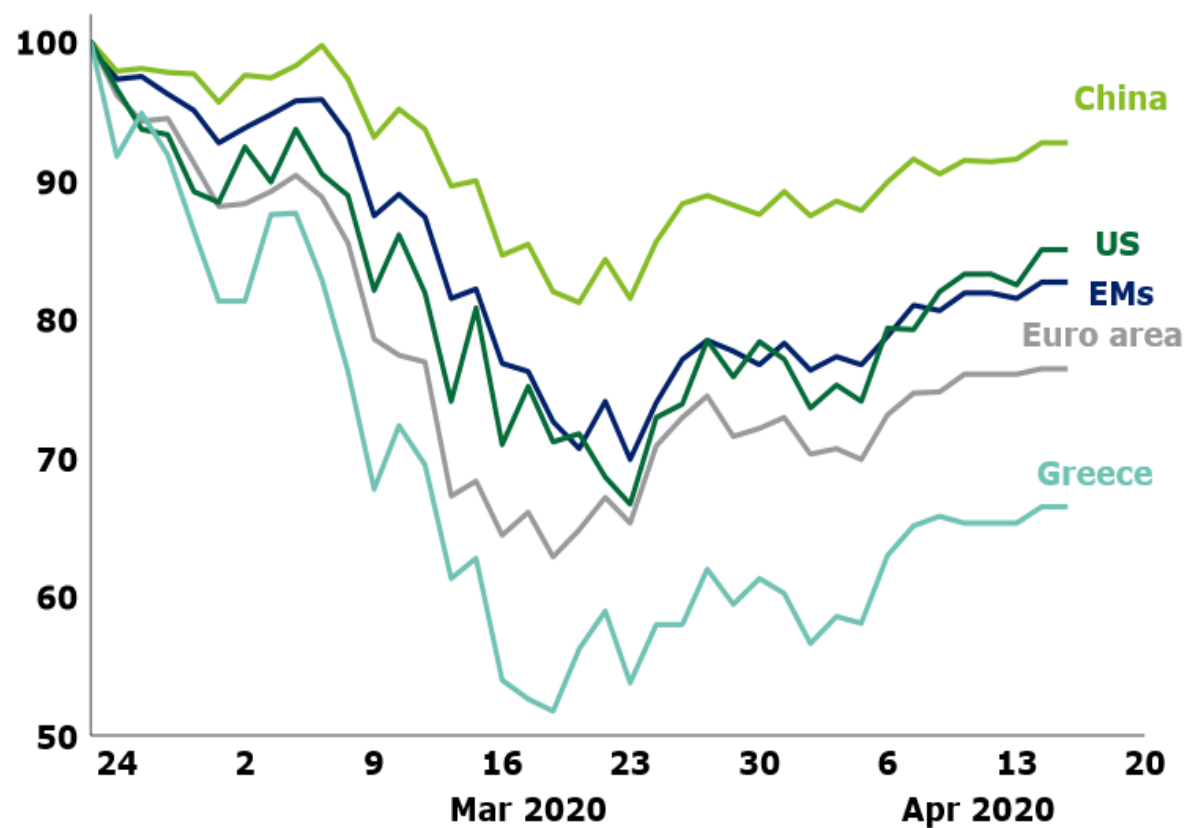
Source: IMF

*Fitch estimate for UK fiscal package share of GDP

Financial markets: some stabilisation

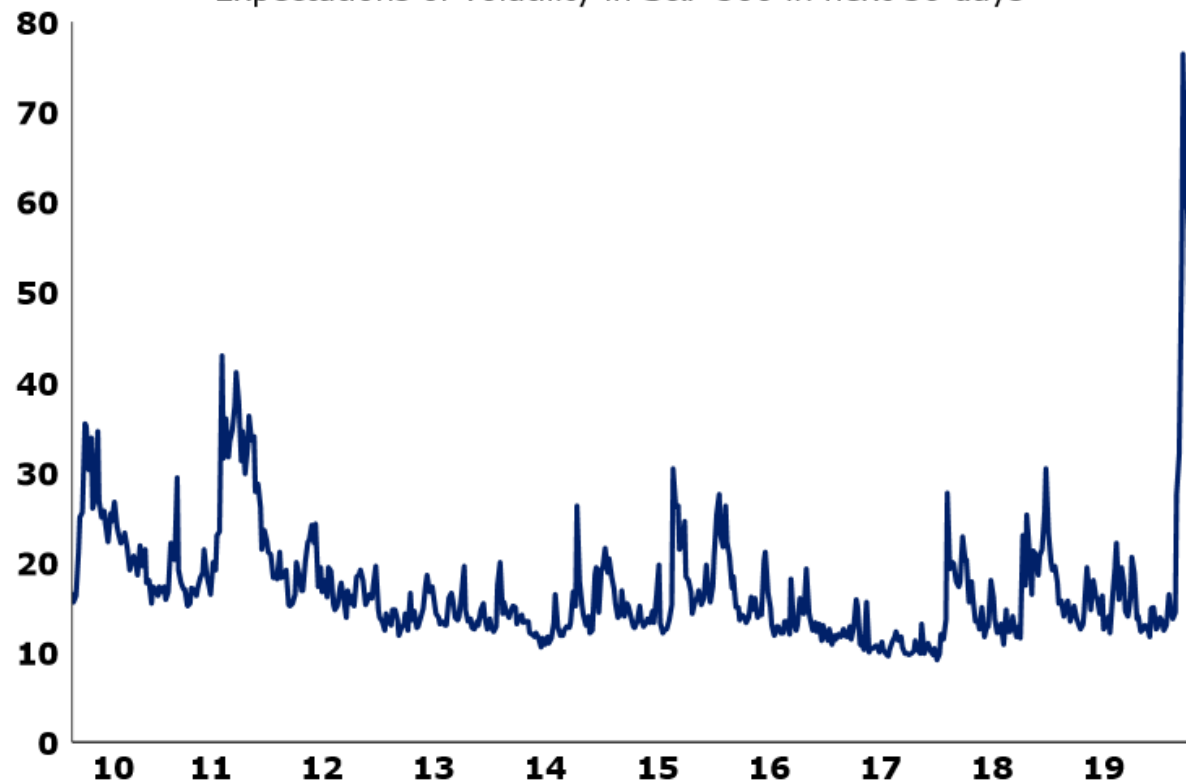
MSCI Country equity indices

Rebased to 100 at 21 February



VIX volatility index

Expectations of volatility in S&P 500 in next 30 days



European countries look to ease lockdowns

EU countries take first cautious steps out of coronavirus lockdown

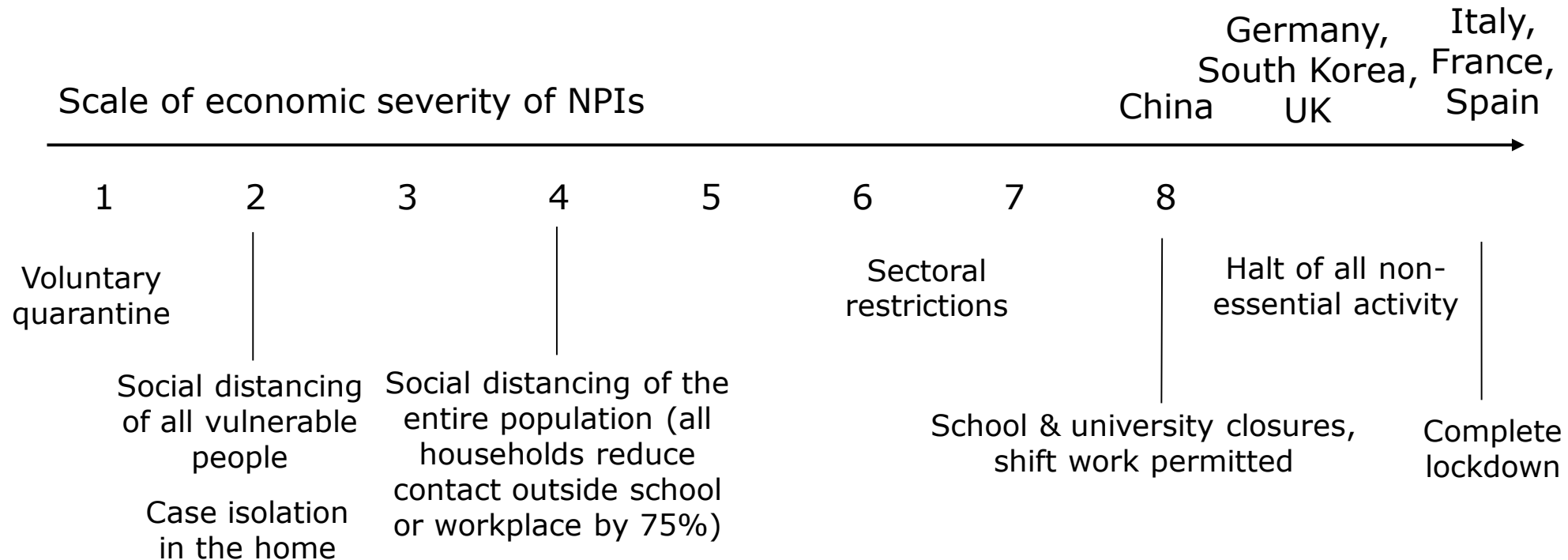
Certain shops reopen in Italy and Austria, while some Spanish workers return as country proceeds 'with utmost caution'

Austria set to be first European country to ease lockdown

Lockdown: How France will reopen its schools after May 11th

Denmark proposes faster easing of lockdown as coronavirus cases fall: PM

Economic impact of non-pharmaceutical interventions (NPIs)



NPI modifiers (produces containment effect of an NPI x points higher on the economic severity scale):

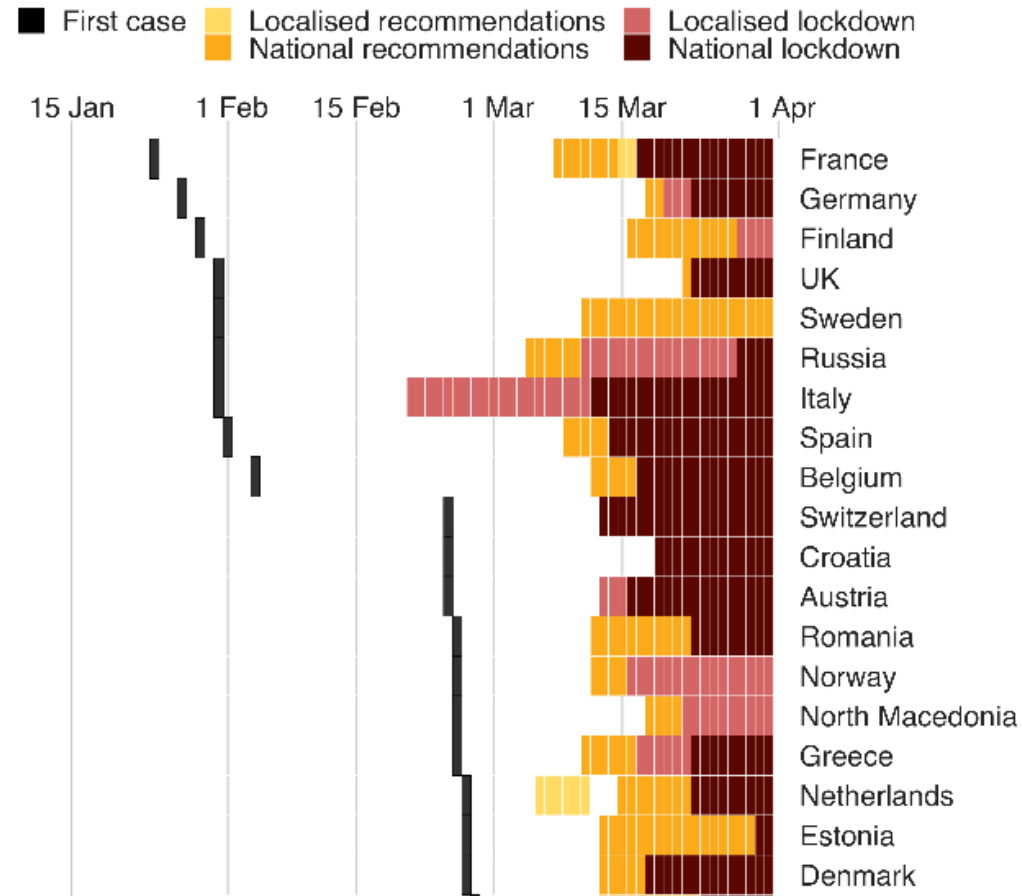
- +1 Antigen tests (whether you have the virus)
- +2 Track & trace & antigen tests
- +2 Antigen & antibody tests (whether you have had the virus and are likely to now be immune)
- +3 Track & trace, antigen & antibody tests

For example: School & university closures (8) with antigen tests (+1) gives you a health impact of 9

Dates and severity of lockdown

European countries in lockdown

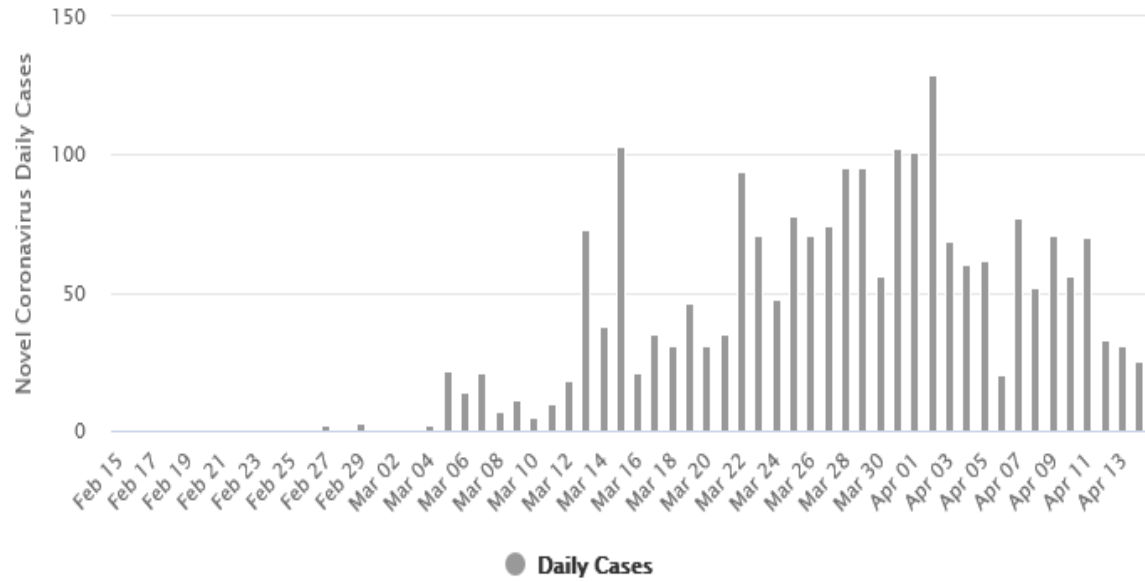
Dates and severity of restricted internal movement by country



Greece COVID-19 cases

Daily New Cases

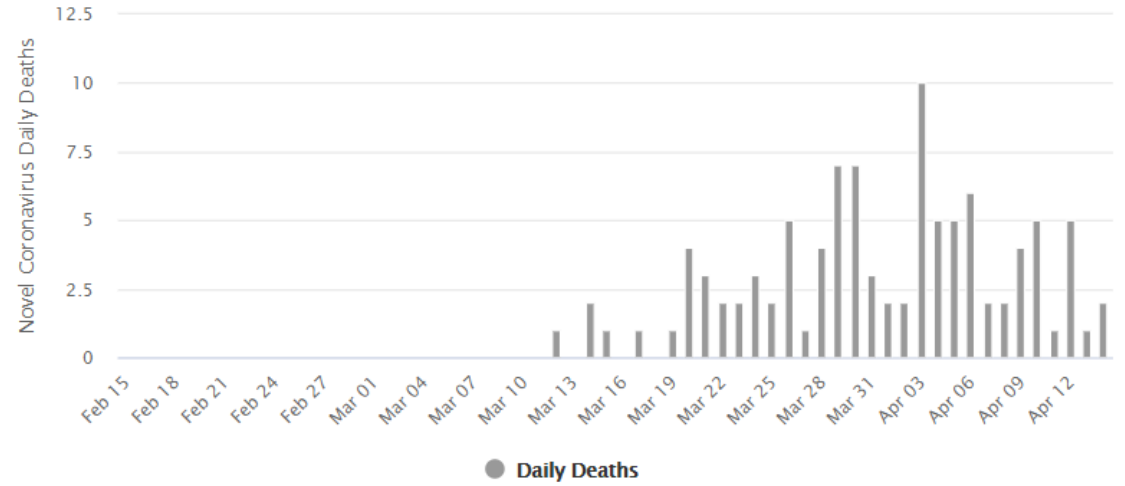
Cases per Day
Data as of 0:00 GMT+0



Daily New Deaths in Greece

Daily Deaths

Deaths per Day
Data as of 0:00 GMT+0



Source: Worldometer

Conclusions

Decline in European GDP in 2020 set to far exceed financial crisis

Response: unlimited, act-now-pay-later, rapid

Aims: mitigate stress, protect balance sheets, support financial markets

Virus peaks April-June in *Europe...cautious, partial* unwinding of lockdown

Easing of restrictions + massive stimulus => 2020H2 recovery

Upside: vaccine, testing, tracking, new treatments, ICU capacity

=> 2020Q3 bounce

Downside: dislocation, damage, 2nd waves

=> No recovery till 2021



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COVID-19:

Resilient Leadership – Responding to COVID19

Economic Cases & Scenarios

15 April 2020

In the crucible of crisis, resilient leaders are defined *first* by **who they are**....

Five qualities of a leader that distinguish between surviving and thriving amidst crisis

MISSION FIRST

Stabilize today, and harness both the **energy and the constraints** of volatile conditions to spark innovation tomorrow.

- *How are you turning the COVID-19 crisis into an opportunity to emerge stronger?*

SPEED OVER ELEGANCE

Decisive action – with courage – is often more essential than getting it perfect.

- *How are you empowering your teams to take courageous action in a volatile environment?*

DESIGN FROM THE HEART

Seek and reinforce solutions that align to **your purpose, your societal obligations,** and serve the heart of the organization.

- *How are you demonstrating to your employees, customers, communities and ecosystem that you have their best interests at heart?*

OWN YOUR NARRATIVE

Paint a picture of a compelling future and **path forward** that your stakeholders can support and rally around

- *How are you proactively filling the information vacuum to combat the spread of misinformation and rumor?*

EMBRACE THE LONG VIEW

Stay focused on what's on the horizon to instill confidence and steadiness across your ecosystem

- *How are you anticipating and responding to the new business models likely to emerge post COVID-19?*

Resilient leaders are then defined by *what they do* along three dimensions



Detailed briefings further covering these priority areas can be found on [Deloitte.com](https://www.deloitte.com).

Resilient Leaders are preparing now for *what the future may hold*

Each of the economic cases posits a potential future state—including trends in **epidemiology, society, technology, policy, and the environment**—leading to corresponding economic implications. These economic cases are not predictions about what will happen; they are hypotheses about what could happen, to guide leaders in strategic, financial, and operational planning over **the next 18–24 months**, as the Respond time frame emerges into Recover.



Mild economic case

Epidemiology

- Relatively constrained disease dynamic and effective health system response
- Outbreak recedes in China and North Asia; supply chains begin to recover
- Virus spreads rapidly in European Union and United States
- Warmer weather in summer helps to limit the outbreak
- Revival of virus in autumn is dealt with through testing and tracking rather than shutting down the economy
- Overall stifled human movement limits spread of virus

Society, technology, policy, environment

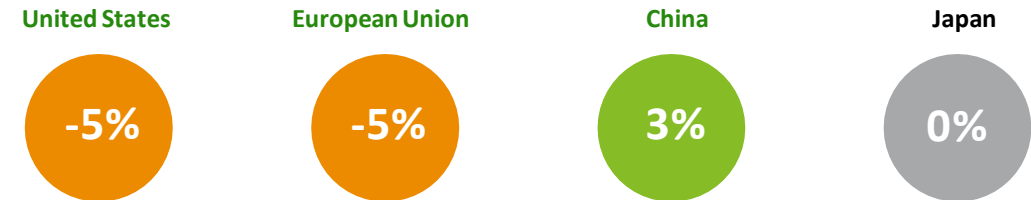
- Increased social cohesion emerging from periods of quarantine
- Acceleration in tech development, with more businesses' models shifting online
- Growing respect for public institutions and local government as their efforts appear to slow the pandemic

Economy

Economic activity rebounds in late 2020 as the virus dissipates. Recovery initially slow, but speeds up in second half of 2021 as consumers become more confident

- Dramatic change in behavior and public policy
- Deep but quick recessions in European Union and United States; small and medium businesses disproportionately impaired
- Substantial fiscal programs in European Union and United States help to limit damage

Real GDP growth in 2020



Industry impact (supply side)	Production cuts in European Union and United States, disruption of supply chains
Industry impact (demand side)	Weak demand in European Union and United States spreads globally; multiple industries hurt
Duration from 1/1/20	6 quarters
Recovery	Slow recovery begins in second half of 2021
Impact on FY 2021 global GDP	0.0%

Harsh economic case

Epidemiology

- Outbreak in China mostly contained, but some revival due to inbound travel
- European Union and United States have severe outbreak, which comes in waves and lasts until early 2021
- Virus contained by early 2021

Society, technology, policy, environment

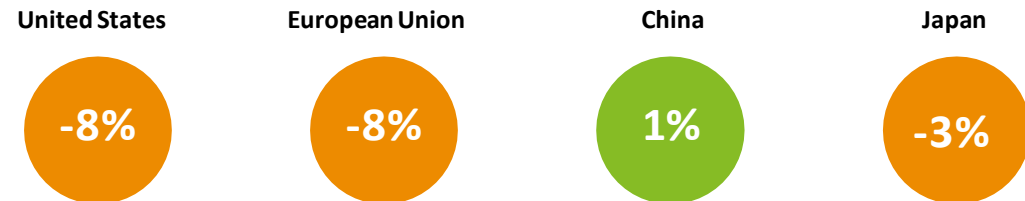
- Extended and severe virus leads to all things virtual as the norm
- Comfort with life online increases, even among previous holdouts
- Technologies of the fourth industrial revolution accelerate in development due to greater demand
- Mixed environmental impact occurs
- Centralized surveillance mechanisms become more prominent

Economy

The virus follows a wave pattern, abating and then peaking again in multiple global geographies. Economic recovery begins late 2021. Recovery slow in early 2022 and speeds up by second half of 2022

- Chinese economy rebounds slowly
- Deep and prolonged recession in the West affects supply chains and consumer demand
- Fiscal stimulus limits business failures, but does not boost spending

Real GDP growth in 2020



Industry impact (supply side)	Deep drop in output; supply chains disrupted
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Industry impact (demand side)	Severe decline in global demand; financial stress akin to 2008
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Duration from 1/1/20	9 quarters
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Recovery	Recovery starts in second half of 2021
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Impact on FY 2021 global GDP	-3.0%
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Severe economic case

Epidemiology

- Outbreak returns to North Asia, with negative economic consequences
- European Union and United States outbreak prolonged, coming in multiple waves
- Efforts at stifling activity are only partly successful
- Near-complete shutdown of society
- Health care system severely disrupted
- Severe outbreak in emerging countries; possible feedback to West
- Containment is achieved in the West by late 2021, largely due to herd immunity

Society, technology, policy, environment

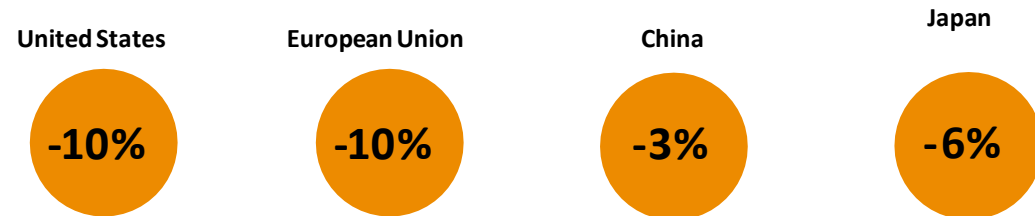
- Social cohesion begins to unravel; suspicion of others becomes the norm and xenophobia rises
- Technology advances to meet society's virtual demands; government obliges data-sharing
- Economic recovery prioritized over fighting climate change
- Isolationism practiced globally, with strict border controls and shortened supply chains

Economy

The epidemic continues with severe infection rates into 2021 until either crowd immunity and/or a vaccine reduces the virality. Economic recovery by mid-2022. Significant risk of cascading outbreaks with feedback loops, limiting recovery

- Financial system breaks down despite central bank efforts
- Fiscal stimulus is substantial, but fails to boost spending
- Many business failures and household disruptions occur
- Widespread and enduring nationalization of industries takes hold

Real GDP growth in 2020



Industry impact (supply side)

Severe drop in output, supply chains break down

Industry impact (demand side)

Severe decline in demand, many business failures, some nationalization

Duration from 1/1/20

12 quarters

Recovery

Starts in 2022

Impact on FY 2021 global GDP

-6.0%

In such uncharted waters, Resilient Leaders are envisioning *the next normal*


Our view is based on scenarios—stories about the future created to spark insight and spot opportunity – on how the world may develop over **the next three to five years**.



“The greatest danger in times of turbulence is not the turbulence itself, but to act with yesterday’s logic.”

Peter Drucker


Making Sense of the future: Four distinct scenarios based on critical uncertainties



The passing storm

The pandemic is managed due to effective responses from governments to contain the virus, but is not without lasting repercussions, which disproportionately affect SMBs and lower- and middle-income individuals and communities.

- Relatively constrained disease dynamic
- Effective health system and policy response



Lone wolves

Prolonged pandemic period, spurring governments to **adopt isolationist policies**, shorten supply chains, and increase surveillance.


- **Severe, rolling pandemics**
- **Insufficient global coordination and weak policy response**



Good company

Governments around the world struggle to handle the crisis alone, with **large companies stepping up as a key part of the solution** and an acceleration of trends toward “stakeholder capitalism.”

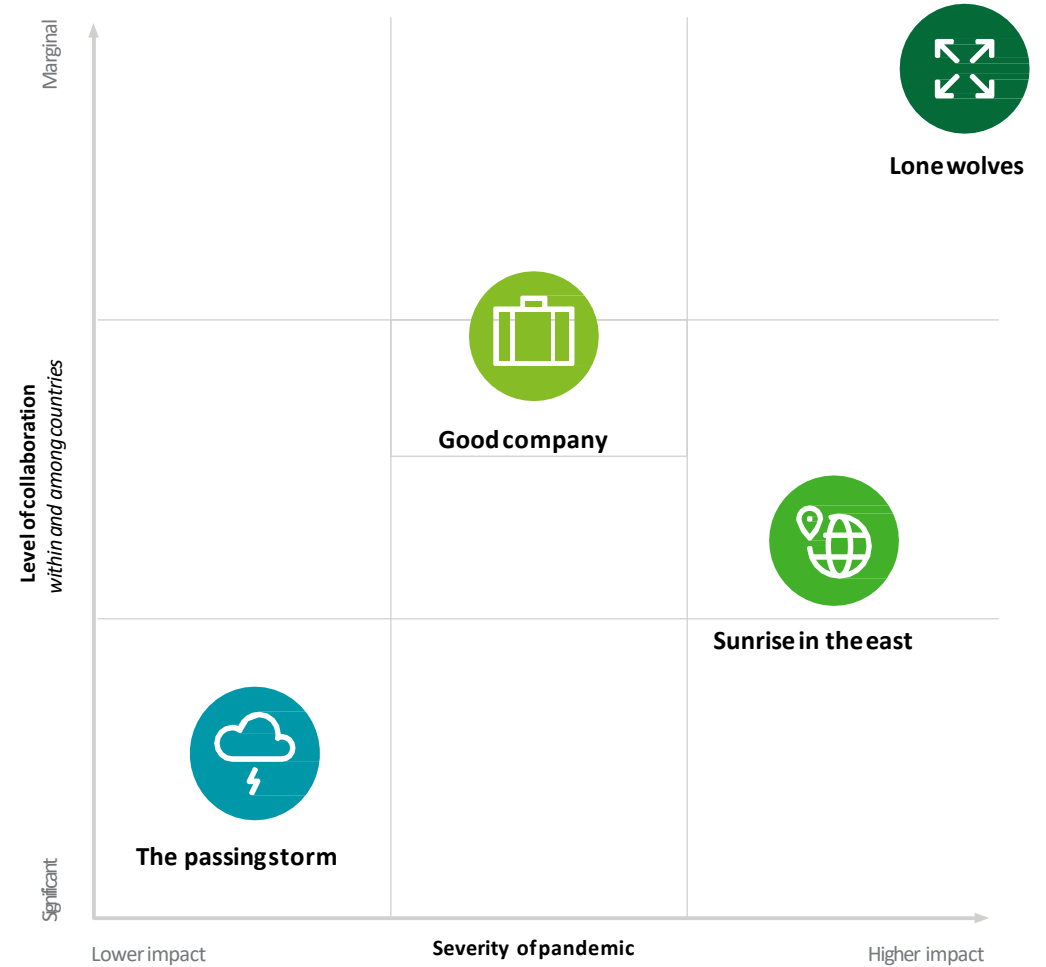
- More prolonged pandemic
- Collaboration to control the pandemic led by large companies



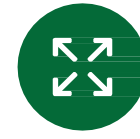
Sunrise in the east

China and other East Asian nations are more effective in managing the virus and take the reins as primary powers on the world stage.

- Severe pandemic
- Collaborative health response led by East Asian countries



These scenarios illustrate different ways in which the world could unfold...



	The passing storm	Good company	Sunrise in the east	Lone wolves
Society Social cohesion...	... rises , with a heightened appreciation for interpersonal and familial relationships	... is maintained , as society shifts to become more “purpose-driven”	... shifts to an increased emphasis on the “good of the whole”	... falls , as xenophobia and suspicion of others become the norm
Technology Technology advances...	... stay on course , as previous holdouts move online	... take the center stage , with large companies driving solutions in areas such as health tech and biotech	... are accelerated , as more data-sharing allows for advances in AI and other advanced tech capabilities	... are divergent among different markets, with a focus on advances in surveillance and control measures
Economy Worldwide economies...	... enter an extended recession , with increased income inequality	... are disrupted , with a growing concentration of power among large companies	... shrink , due to the prolonged nature of the virus	... are left in turmoil , as global supply chains are disrupted
Environment Focus on climate change...	... is renewed , as global collaboration provides hope for progress	... is mixed , with some sustainability-minded companies investing in renewable energy	... is deemphasized , as economic recovery is prioritized	... declines , as countries shift toward energy independence
Politics Governments around the world...	... gain trust , and international organizations such as WHO grow in relevance	... partner with large corporations, who step up as part of the solution	... look to the east for guidance, as Asian countries effectively manage the virus	... adopt isolationism , as they attempt to contain the virus within



3

COVID-19:

Greek market considerations

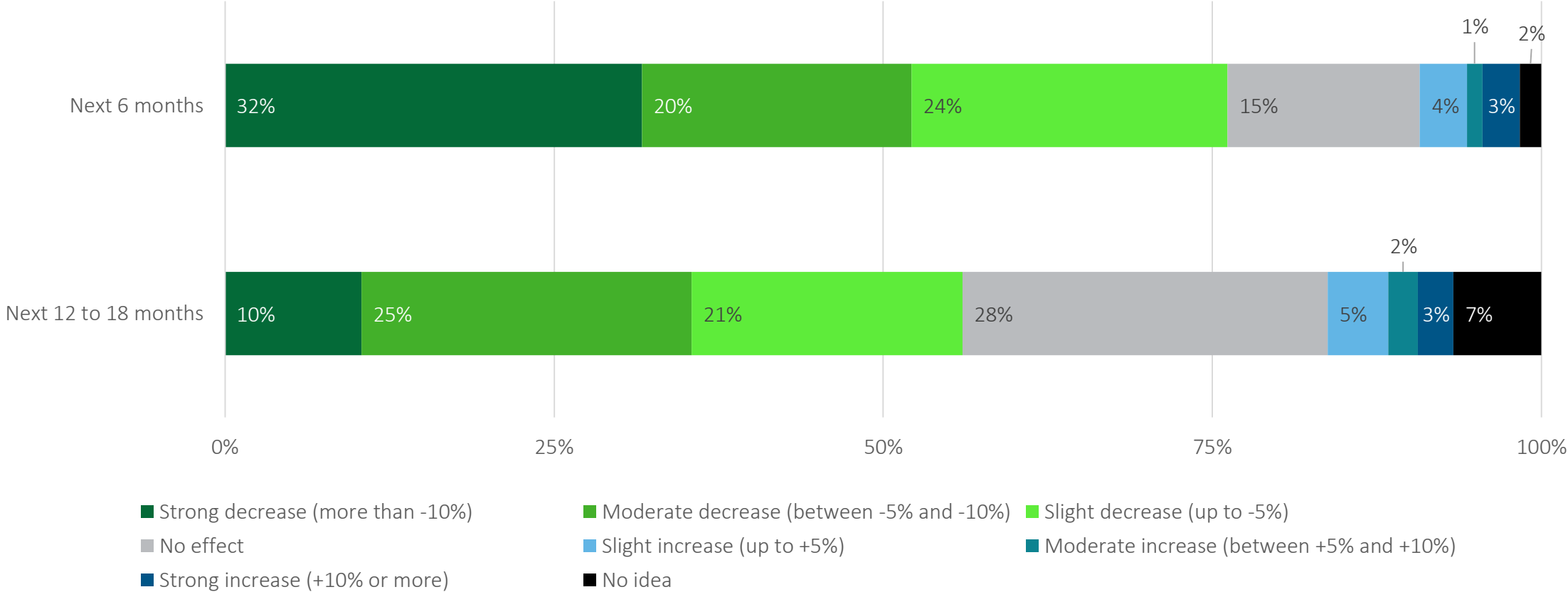
15 April 2020

Recently published estimates of COVID-19 effect on Greek economy

Source	Date	GDP 2020	GDP 2021
Morgan Stanley	23 March	- 5.3%	+ 6.3%
OECD	25 March	- 34% decline in the level of output while lockdown remain in place	
Goldman Sachs	27 March	- 9%	
Citi	1 April	- 4.4% to - 12.4%	
Scope Ratings	1 April	- 7% to - 18%	
Unicredit	2 April	- 18.6%	+ 15.5%
HSBC	6 April	- 6.0%	+ 5.8%
MoF Mr. Staikouras	12 April	- 5 to - 10%	
IMF	14 April	- 10%	+ 5.1%

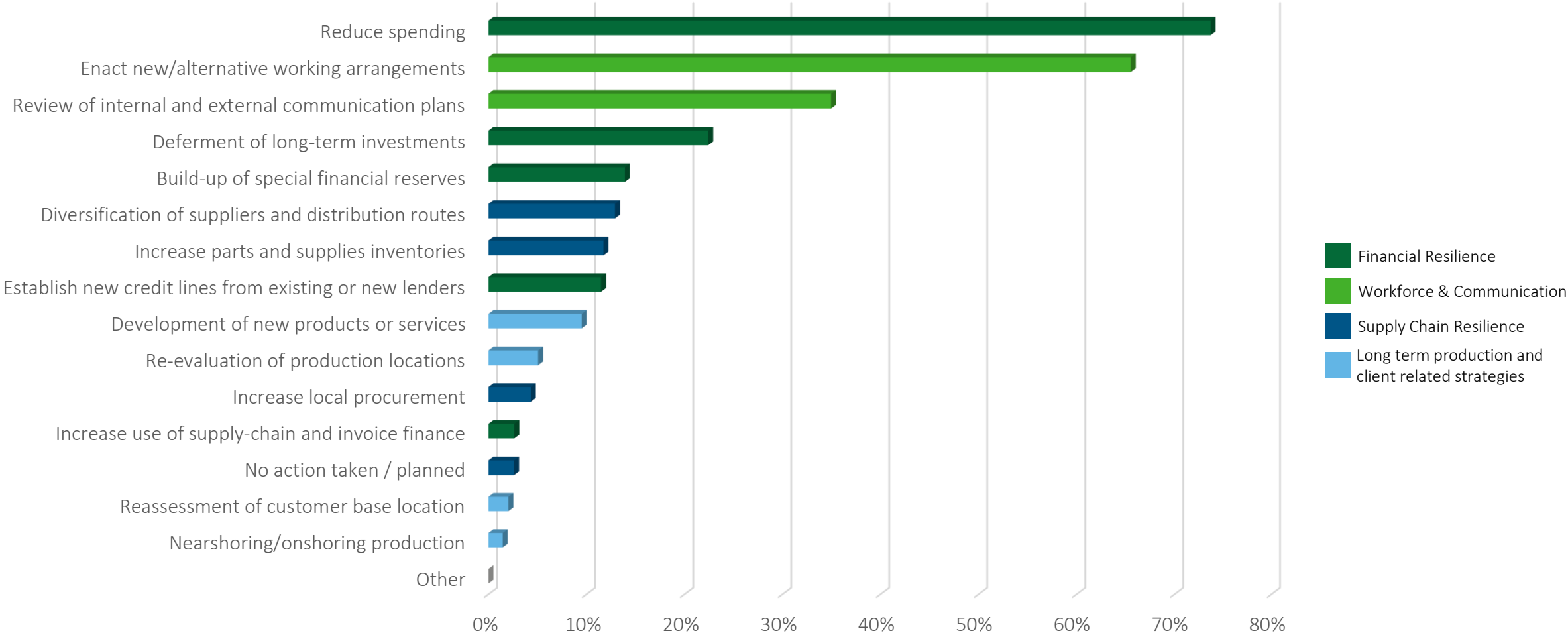
Deloitte European CFO survey, March 2020

Expected effect of the COVID-19 pandemic on your company revenues in the next 6 months and in the next 12 to 18 months

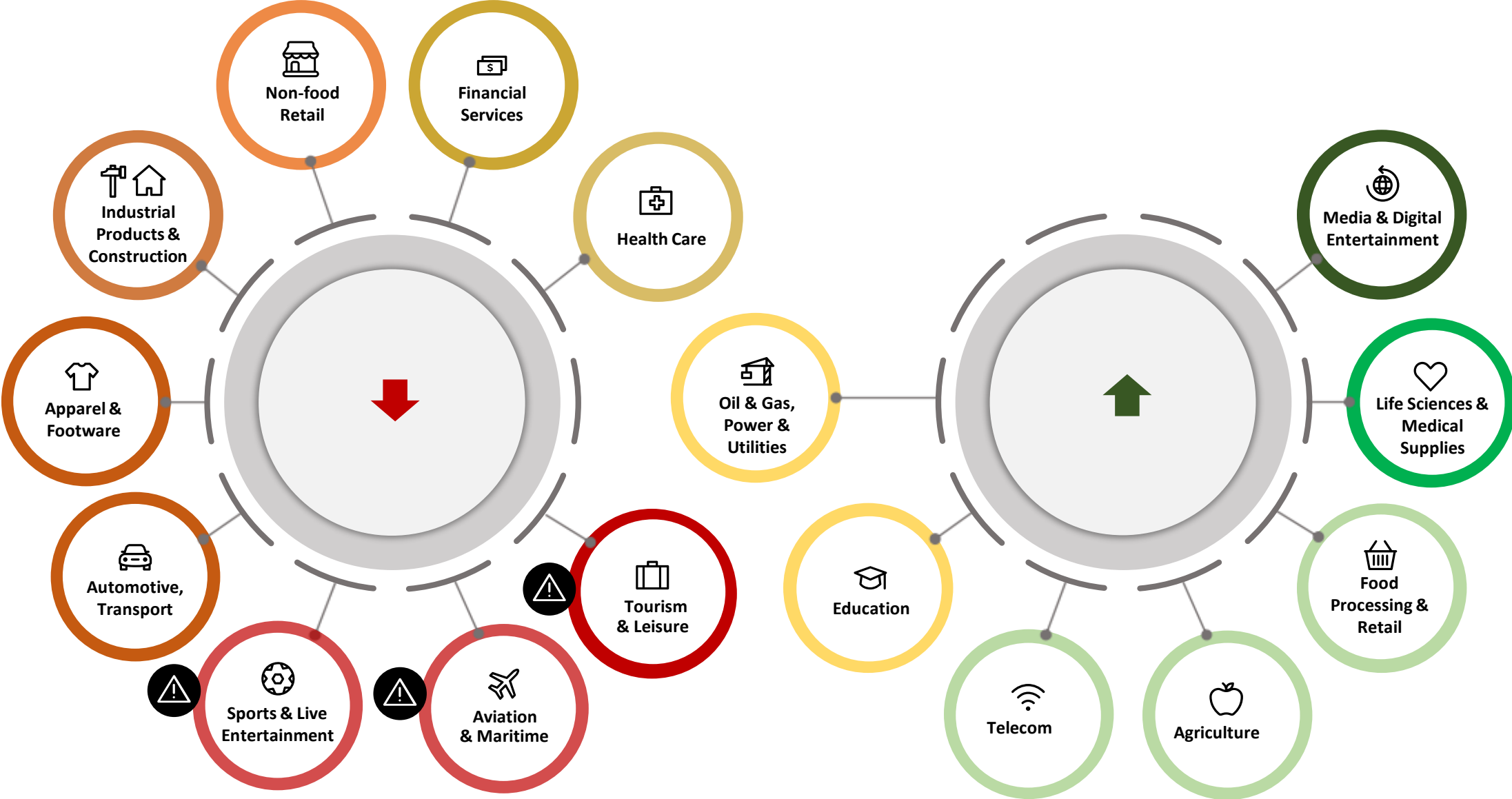


Deloitte European CFO survey, March 2020

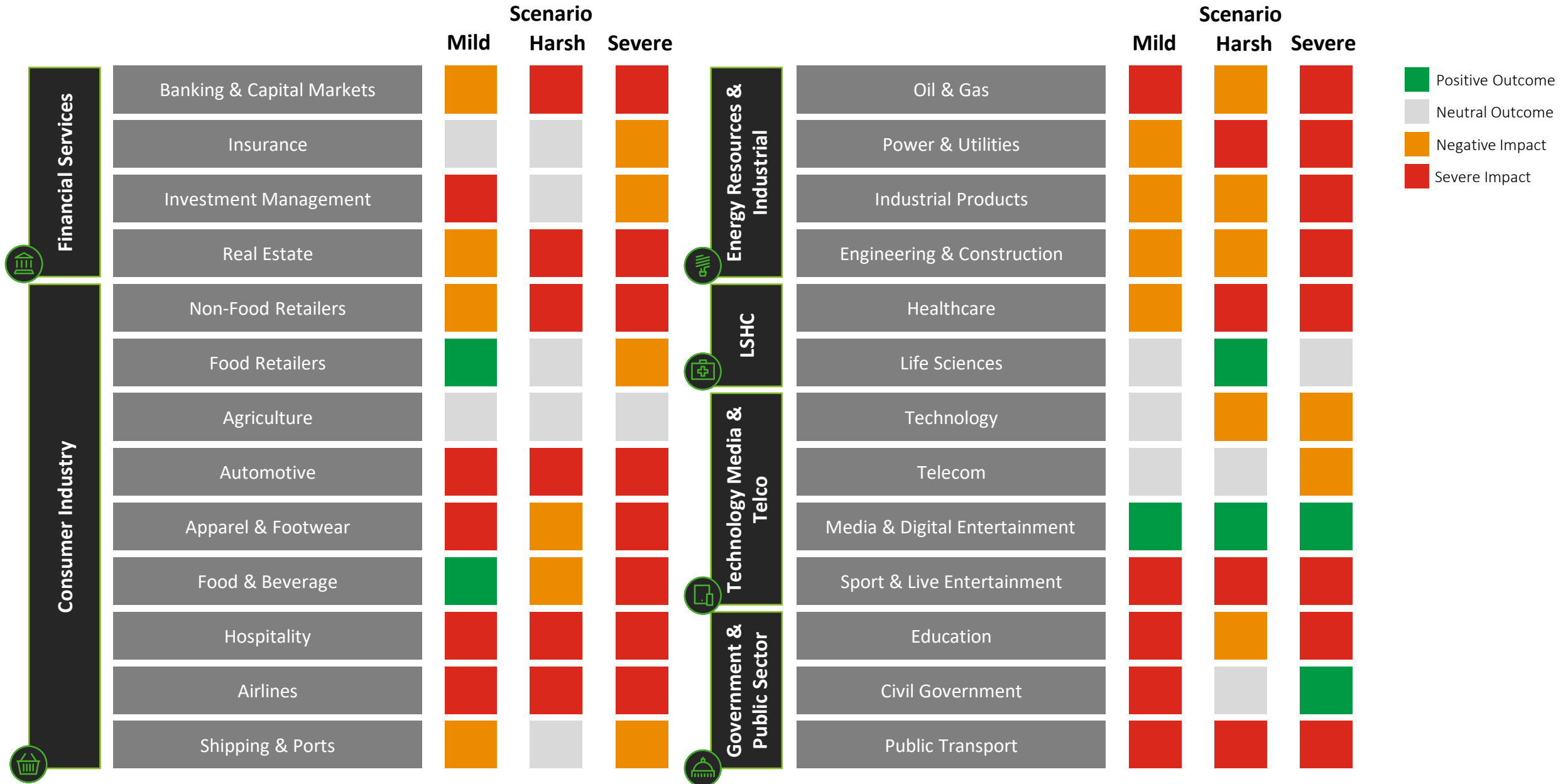
Actions already taken / likely to take as a consequence of the spread of the coronavirus epidemic? (Top 3 based on priority)



COVID-19 Impact on sectors of the Greek economy



“Heatmap” of Sector impacts



A deeper look into some important Greek economy Sectors

	Scenario		
	Mild	Harsh	Severe
Hospitality	Red	Red	Red
Airlines / Coastal Shipping	Red	Red	Red
Food Retailers	Green	Grey	Orange
Non-Food Retailers	Orange	Red	Red
Apparel & Footwear	Red	Orange	Red
Food & Beverage	Green	Orange	Red
Banking & Capital Markets	Orange	Red	Red
Healthcare	Orange	Red	Red
Life Sciences	Grey	Green	Grey
Industrial Products	Orange	Orange	Red
Construction	Orange	Grey	Red

- Very strong dependence on **Tourism**

- Strong impact on **private consumption**

- Wholesale and Retail, Transport, Accommodation and Food Service negatively affected

- **Banks** under NPL pressure

- Upside on **Pharma**, but private **Health Care** negatively affected

- Cash flow issues

- Supply chain issues

4

COVID-19:

Confronting uncertainty through & beyond the crisis

The power of scenario-thinking to enhance decision-making

15 April 2020

For at least a generation, business leaders have been operating in and living through what everyone believed were uncertain times.

The COVID-19 pandemic, however, is changing – or has already changed – our collective calculus of uncertainty. The reality is, there exists no reference case for the COVID-19 crisis in living memory.



As a result, business leaders have many questions but get very few answers

Abundant questions; very few answers



How the COVID-19 pandemic will evolve;? How long it will last and what will be its health consequences?



What will be the impact of the measures taken to contain COVID-19 on the economy (local, regional, global) and on the industry we operate in? What will be our industry's landscape after the COVID-19 crisis?



How will the crisis influence the way we live and work in the future?



How might the crisis influence relations within and between countries and thus global trade and supply chains?



What will be the impact of the crisis on regulation and on the roles of the private and public sector?



How COVID-19 may influence consumer behavior and preferences in the long run? What new players, business models and ecosystems might emerge? What strategy and capabilities are needed to be best positioned for success?



What are the biggest threats to our current business and our main risks and vulnerabilities in relation to the COVID-19 crisis?



Where should we focus our business continuity efforts? How should we prioritize our actions?

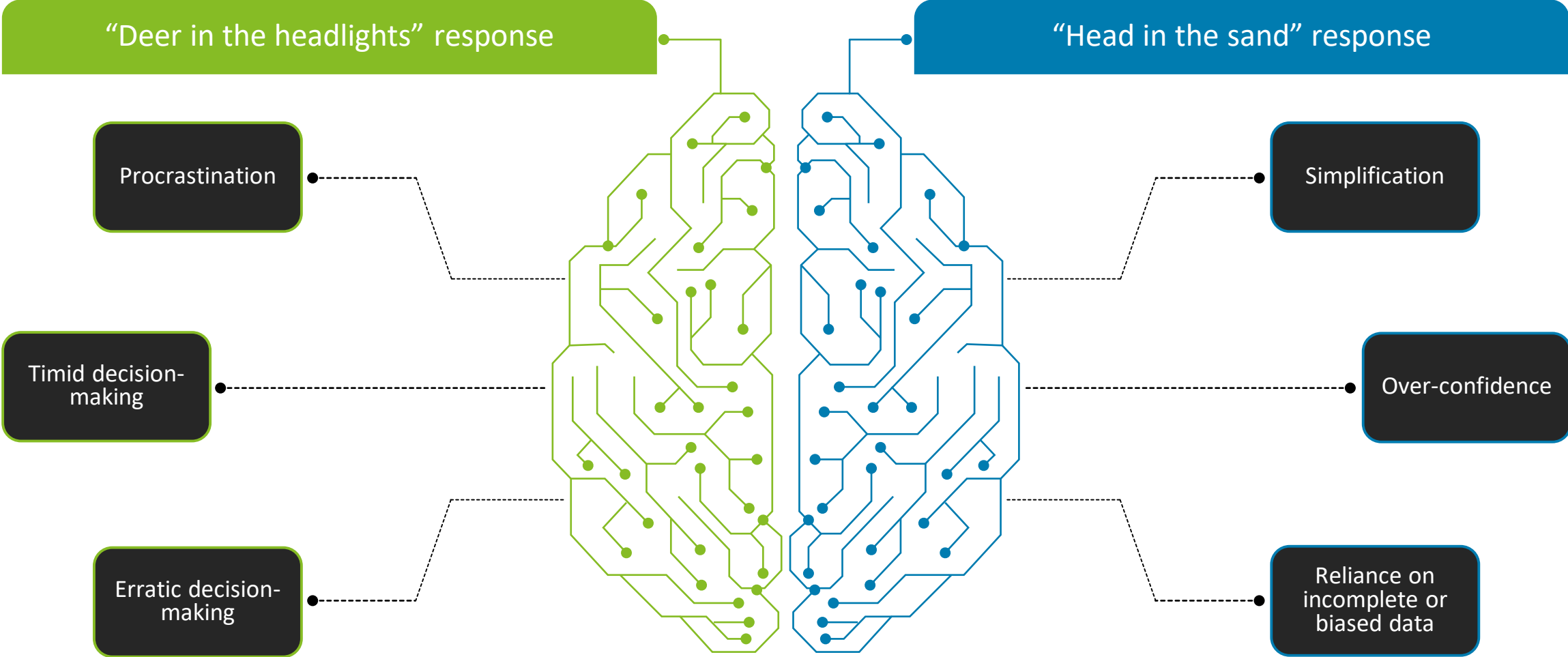


How is the COVID-19 crisis impacting our organization? What can be the long-term impacts and strategic implications?



Can we identify, and respond to, potential opportunities deriving from the COVID-19 crisis?

Typical responses to uncertainty



Why scenario thinking?

Scenario thinking can help us prepare for a future no one can predict and clarify the potential implications of our choices.

Exceptional circumstances, such as those of COVID-19, require and blend of **courage**, **clarity** and **humility**. The biggest enemies of good decision-making is neither uncertainty nor ambiguity; they are, rather, **over-confidence**, **procrastination** and **incomplete or biased data**. Intelligent scenario-thinking, when executed well, can take on and beat those enemies.

Resilient leaders **embrace** uncertainty and **confront** it heads-on by building it into their decision-making through scenario thinking.

What are scenarios?

Scenarios are stories about what the future may be like, created through a structured process to stretch thinking, challenge conventional wisdom, spark insight, and drive better decisions today. They are not predictions about what *will* happen. They are hypotheses about what *could* happen, designed to open our eyes to new opportunities or hidden risks.

Scenario thinking is necessary across the organization

Embracing and confronting uncertainty

is critical across and at all levels of the organization.



Boards

Help the organization confront uncertainty by ensuring management is alert to future possibilities and actively considering divergent scenarios.



CEOs & leadership teams

Weigh enterprise risk and opportunity in relation to both the stress of the situation today and the different ways industries and company positions might be reshaped after COVID-19.



CFOs

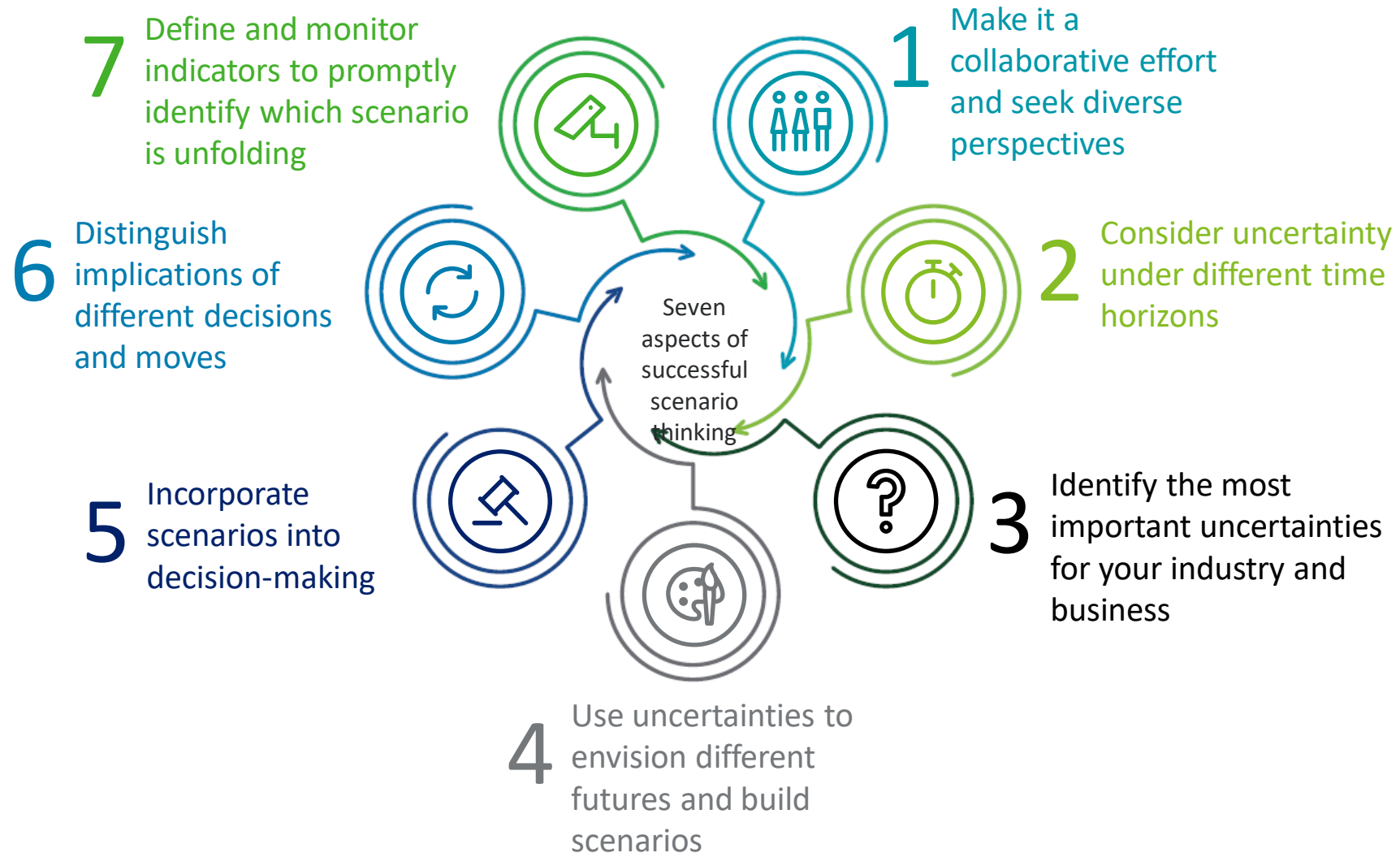
Weigh liquidity, balance sheet strength, and financial forecasts through a scenario lens, while also using scenarios to provoke thinking about M&A and partnership opportunities and other offensive strategies.



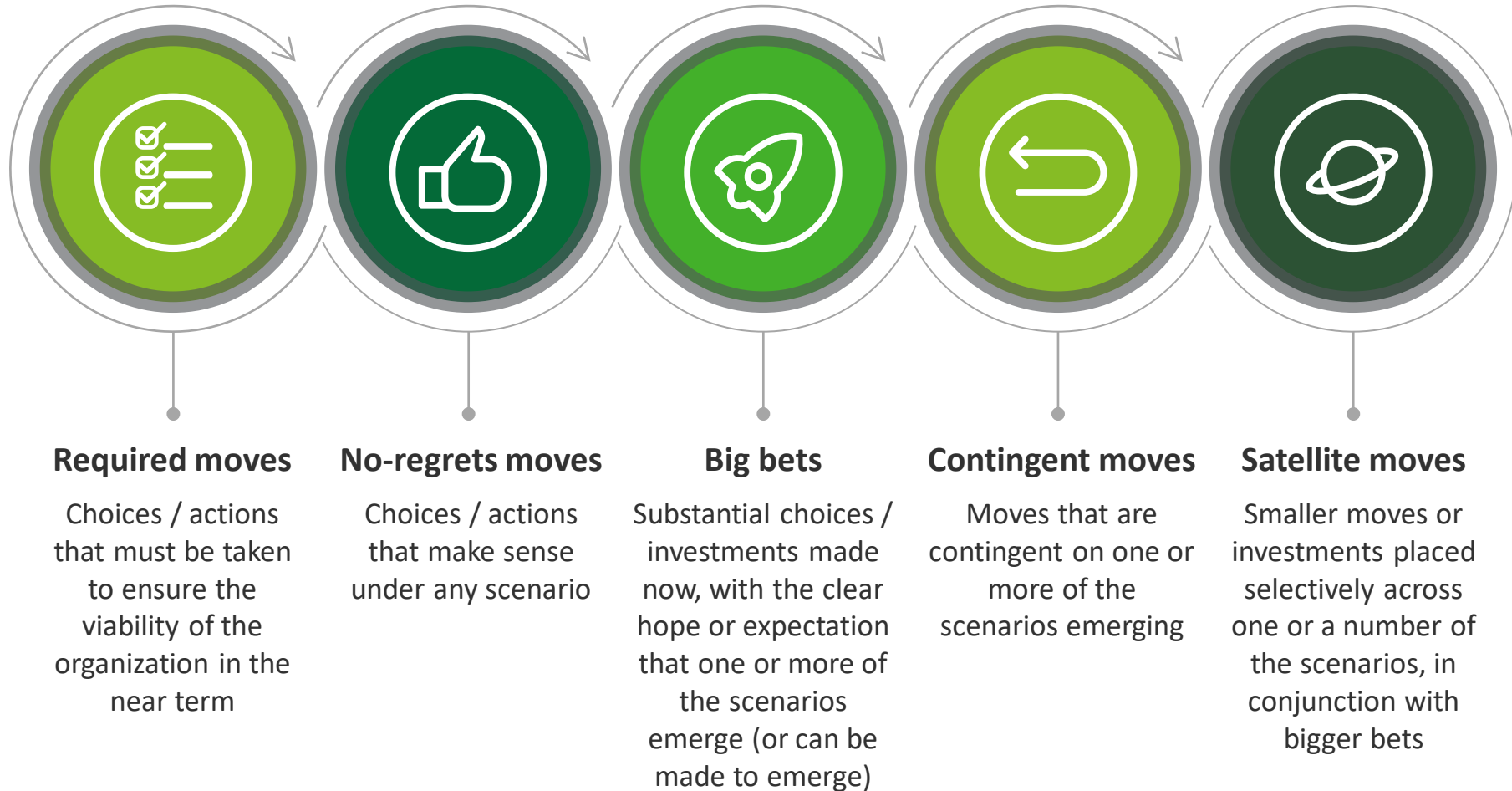
Functional leaders

Anticipate shifts in markets and input factors providing foresight on questions like: How will supply chains evolve? How talent models of the future will look like? How will consumer expectations evolve? what might change about how to best reach and engage them? Which new technologies will emerge and what digital capabilities will be needed as a result of the crisis?

Key aspects of successful scenario thinking



Making decisions based on scenario thinking





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