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Deloitte Asia Pacific Webcast

REsilience Series

REdefining Business Continuity to Thrive

30 April 2020, 12.00 – 13.00hrs (GMT +8)

MAKING AN IMPACT THAT MATTERS since 1845

Agenda

Opening Remarks

Economist Briefing

Panel Dialogue

Cindy Hook
CEO
Deloitte Asia Pacific

Nicki Hutley
Partner
Deloitte Access Economics

Guest Panel
Making bold plays in a crisis to emerge stronger to thrive in the future

Opening remarks

Cindy Hook
Chief Executive Officer
Deloitte Asia Pacific

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CEO
Deloitte Asia Pacific

It is incredible how much the world has changed in the last few months. As a leader I have never faced such uncertainty yet there is a big change in the pace of how we make decisions and move forward.

To help business manage through these times, Deloitte has developed a framework for leaders to plan on how they can 'Respond, Recover and Thrive' through this pandemic. We believe there is tremendous opportunity ahead for us to do things differently and reposition.

However, having the vision and making strategic choices now so that we can thrive in the future is no easy feat. This webinar series has been created to bring content and a range of leaders together, to share thinking on how they are planning and positioning their organisations during these unprecedented times.

> How can we all **respond, recover and thrive?**

Economist Briefing

Nicki Hutley
Partner
Deloitte Access Economics

Economist Briefing

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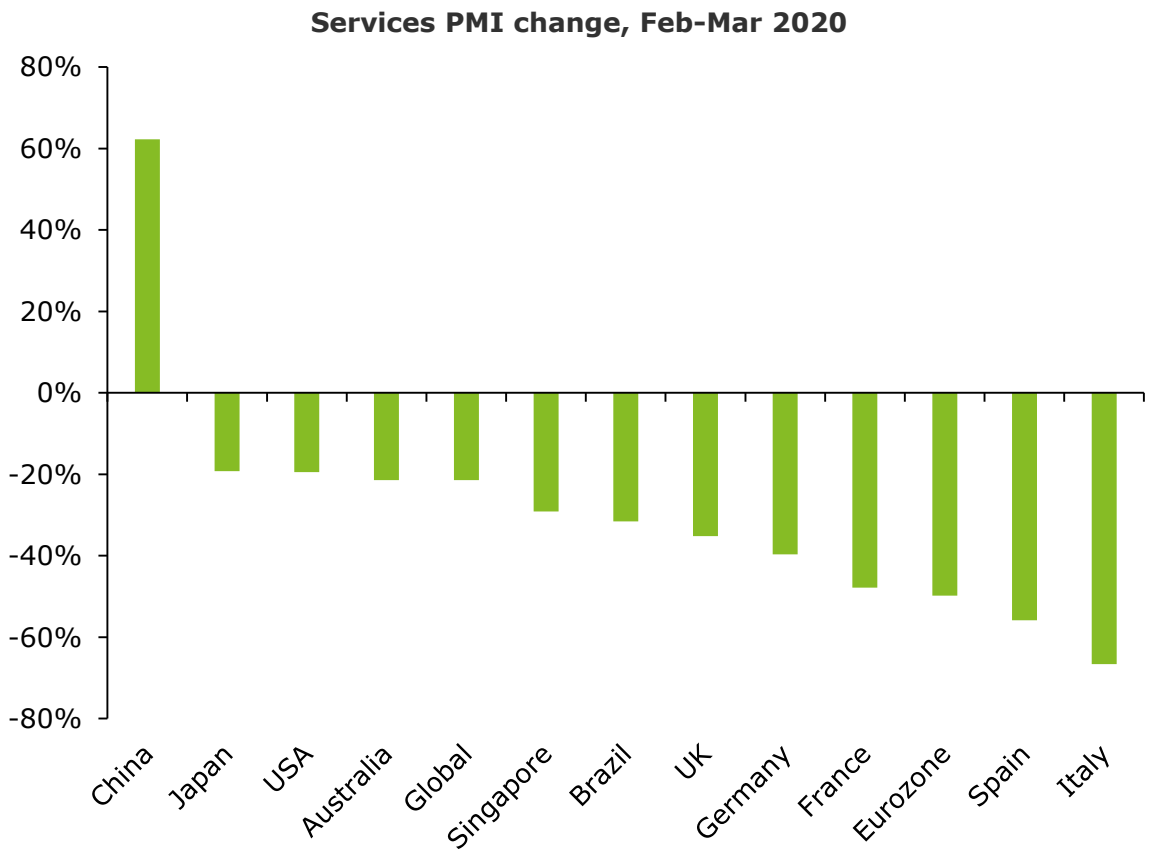
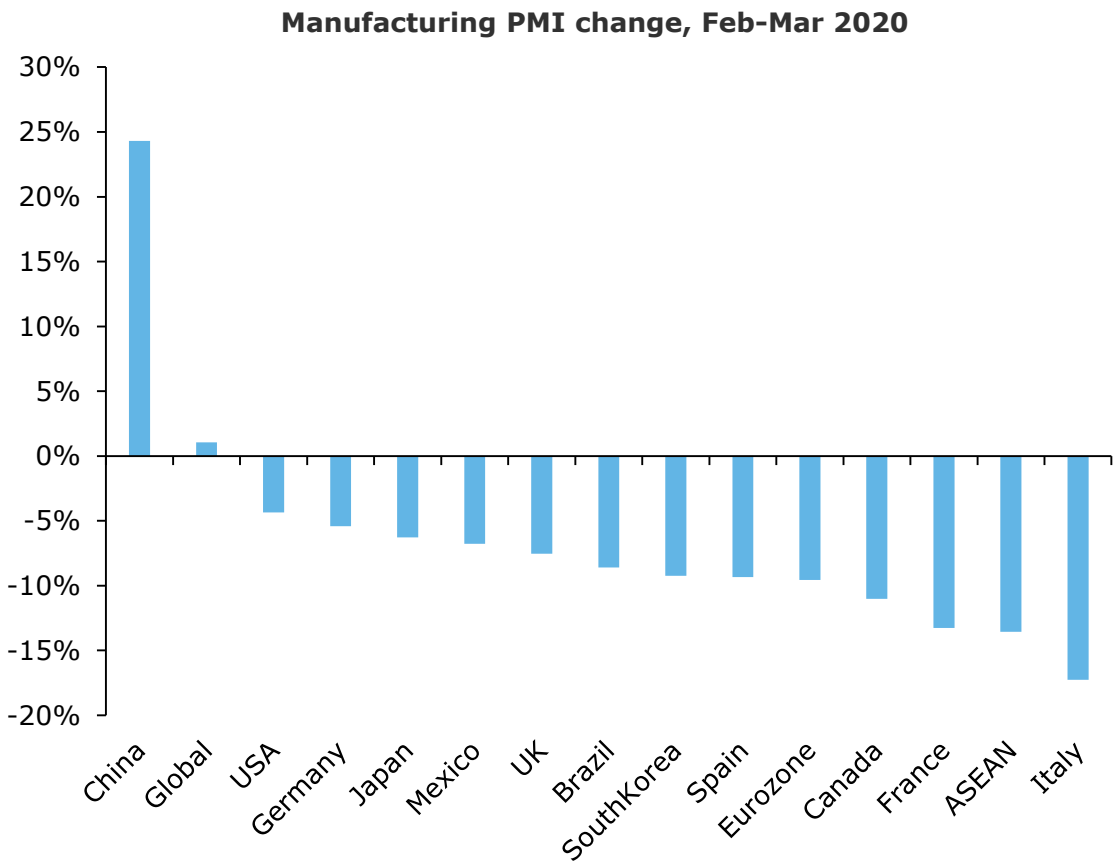
Key messages:

- In terms of impact, we need to think through what the pandemic means as a health crisis with *economic consequences.*
- We are not working with the usual models that economists operate under – and it can make it difficult to predict what might happen.
- We are seeing that as countries impose restrictions on the movement of people, there are certain sectors being harder hit than others.
- The services sector has been the worst impacted in Europe, with nearly an 80% fall in the index from February to March.
- This is in contrast to the manufacturing sector for that same time frame, with a drop of 20%.
- The restriction of movement means that those service related sectors are hit first – but it then flows through – *a multiplier effect.*
- As people are laid off from those sectors hit first, it then starts to feed through to the broader economy.
- When it comes to individual sectors, it can depend on the location/country. For example, the Construction industry in Australia is at an operational level of 94%.
- The biggest impacts are in the Arts and Recreation Services area – half of those surveyed have ceased operations.
- Depending on the economy in a particular country, the impact will be different.

Services are facing the brunt of shutdowns, more than manufacturing

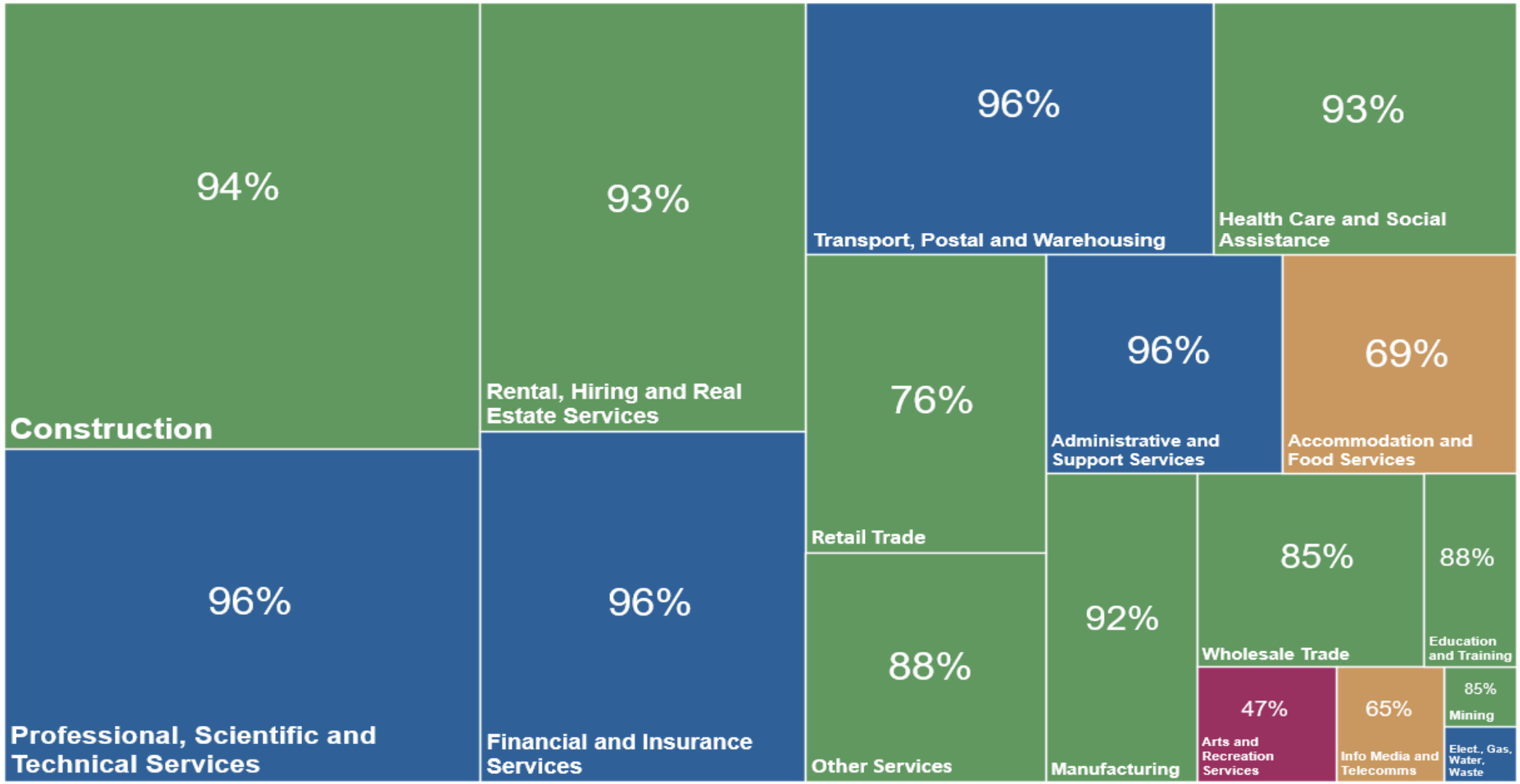
Consumer-related services hit harder than business or financial services





Sectoral impacts (Australia as an example)

Share of each Industry in the Australian Business Population and the Proportion of businesses that are currently operating



Economist Briefing

Nicki Hutley

Partner

Deloitte Access Economics

Key messages:

- What is the *good news in China?* The dark red line (on the following slide) shows how the economy has progressed – flatlining much of February and then starting to improve over March and April.
- It is still below the muted grey line of last year – but we are seeing improvement.
- There are signs of the economy coming back to life – whether that be in energy usage or other services.
- China's economic recovery offers some hope – with signals of economic activity improving.
- The IMF forecasts show large numbers in the negative for 2020 – with China and ASEAN--5 least impacted.
- We're likely to see a bounce back in 2021 – though might be potentially too optimistic.
- Everything depends on what happens with restrictions. Rather than focusing on forecasts on numbers, we are focusing on scenarios.
- These scenarios are viewed as *mild, harsh and severe* economic cases – each with their own impacts, duration and recovery timeframes.

> There are signs of the economy coming back to life.

China's economic recovery offers some hope

There are early indications that economic activity is improving

Forecasting is difficult

IMF forecasts suggest a swift, V-shaped recovery… this is optimistic

Real GDP (annual % chg)	**2019**	**2020**	**2021**
World	2.9	-3.0	5.8
US	2.3	-5.9	4.7
Eurozone	1.2	-7.5	4.7
Japan	0.7	-5.2	3.0
UK	1.4	-6.5	4.0
China	6.1	1.2	9.2
ASEAN-5	4.8	-0.6	7.8
Australia	1.8	-6.7	6.1

Global economic short-term scenarios with varying levels of disruption

	Scenario 1 *Mild* economic case	Scenario 2 *Harsh* economic case	Scenario 3 *Severe* economic case
Description	• Dramatic change in behaviour and public policy • Deep but quick recessions in EU and US; small and medium business disproportionately impaired • Substantial fiscal programs in EU and US help to limit damage	• Chinese economy rebounds slowly • Deep and prolonged recession hits in the West affects supply chains and consumer demand • Fiscal stimulus limits business failures, but does not boost spending	• Financial system breaks down despite central bank efforts • Fiscals stimulus is substantial, but fails to boost spending • Many business failures and household disruptions occur • Widespread and enduring nationalization of industries takes hold
Industry Impact *(Supply side)*	Production cuts in EU and US, disruption of supply chains	Deep drop in output; supply chains disrupted	Severe drop in output, supply chains break down
Industry Impact *(Demand side)*	Weak demand in EU and US spreads globally; multiple industries hurt	Severe decline in global demand; financial stress akin to 2008	Severe decline in demand, many business failures, some nationalization
Duration *(from 1/1/20)*	6 quarters	9 quarters	12 quarters
Recovery	Slow recovery begins in second half of FY21	Recovery starts in second half of 2021	Starts in 2022
FY20 Real GDP Growth	US -5% EU -5% China 3% Japan 0%	US -8% EU -8% China 1% Japan -3%	US -10% EU -10% China -3% Japan -6%
FY21 GDP Impact	0.0%	-3%	-6%

Panel Dialogue

Making bold plays in a crisis to emerge stronger to thrive in the future

Jiak See Ng
Financial Advisory Leader
Deloitte Asia Pacific

Dawei Duan
Senior Vice President & CFO
iFLYTEK Co. Ltd.

Francis Liekens
Vice President
Atlas Copco (China) Investment Co. Ltd.

N. Muthukumar
Managing Director & Group CFO
Olam International Limited

Panel Insights

Spotlight #1:
What have been the challenges during the lock-down/post-lockdown period?

Key messages:
Challenges include…

- Supply chain disruption – especially with overseas suppliers.
- Ensuring that the safety and wellbeing of employees is put front and centre – getting them the right tools and equipment as their tasks unfold.
- Working through the challenges and difficulties (at times) of remote working – and driving a sense of adaptability and agility across a business.
- Making *quick decisions* based on the information at hand - driving the need for accurate and timely data.
- Supporting customers through the lock-down/post-lockdown period in the sense of ensuring they are provided with the right solutions.
- Using communication to the best of its ability – whether this be tailoring messages for your employees/teams or how online solutions are communicated to customers.
- Ensuring employees are engaged, motivated and inspired to not let the interruption issues impact their work.
- Having the right infrastructure and technology in place to meet the needs of clients.
- Adapting to the volume of calls, queries, issues and response times.
- Shifting the organisation's mindset in order to see what's possible.
- Achieving a state of workforce readiness.
- Cross-skilling/up-skilling employees to meet the needs of the business.

Panel Insights

Spotlight #2:
How can we all reimagine the opportunities going forward?

Key messages:
We can unlock opportunity by…

- Ensuring organisations are continuing to be environmentally friendly and good corporate citizens.
- Producing quality outcomes/services /solutions that meet the needs of consumers who are focused on for example, energy efficiency and sustainability.
- Seeing how customers are looking at the world and helping to drive solutions that reduce the overall environmental footprint.
- Driving digitalisation across businesses – in order to leverage best practices when it comes to connectivity and productivity.
- Harnessing the M&A opportunities out there as the landscape continues to change and evolve.
- Seeing the potential in technology, innovation and transformation – all with a key role to play.
- Ensuring we have the right infrastructure in place – from 5G technology to AI and more – as important foundations for society and the economy.
- Investing in long term opportunities by making considered transformations – over the coming five, ten and twenty years.
- Realising that AI technology should be as fundamental as water and electricity.
- Using technology to create new job opportunities across the workforce.

Panel Insights

Spotlight #3:
How can businesses and leaders work together as COVID-19 unfolds?

Key messages:
Collaboration is about…

- Helping those in need across the community and working together to achieve the best outcome.
- Thinking how we can share best practice, innovation, excellence and new ideas.
- Making services and solutions available across different sectors/industries – for example technology applications, AI etc.
- Seeing the potential in how we can work together across geographies – to drive solutions and to make an impact.
- Sharing resources, insights and technology – whether that be for example from an AI/tech perspective or across the board.
- Learning from each other about the different methods and styles of communication.

> Together, we can solve this crisis faster.

Poll question #1

What's the major threat to Asia's recovery?

- 2nd wave of COVID-19 (57%)
- A far deeper recession in the US and the EU (20%)
- Inadequate counter-cyclical measures in the region (7%)
- Disruptions of supply chain (or value chain) (15%)

Poll question #2

Aside from protecting your employees, what is the biggest business challenge facing your business now?

- Supply chain challenges (16%)
- Finding alternative markets **(8%)**
- Customer engagement (18%)
- Digital capabilities (9%)
- Business Continuity, Cash flow, Liquidity (50%)

Poll question #3

What are the top three areas you will be focusing on in the next 12 months? (Top three selected – multiple choice)

- Build more resilient supply chain (44%)
- Change customer mix (23%)
- Invest in products and offerings development (42%)
- Engage and retrain workforce for new way of working (69%)
- Digital transformation (69%)
- Fund raising to strengthen financial position (29%)

Overall tips from the panel

- Collaboration is key
- Lead from the front
- Maintain confidence
- Be transparent
- Prune the trees but don’t cut the roots
- Opportunity is there for the taking

Thank You

Vivian Jiang
Clients & Industries Leader
Deloitte Asia Pacific

For COVID-19 related insights and resources, scan the QR code
Or visit: https://www2.deloitte.com/global/en/pages/about-deloitte/topics/combating-covid-19-with-resilience.html

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