

[Survey Report] The World after Covid-19

Global economy faces a double-dip recession from a resurgence of COVID-19 in 2nd half 2020

- Business associations in 18 major economies joined a survey on Global Economic Outlook post-COVID-19
- Year 2020 global growth forecasted at -4% or lower, and cross-border free movements to be resumed after 2021
- Shifts in global value chains expected, reshoring trend growing stronger
- The post-pandemic restructuring needs to meet flexible labor markets and robust retraining programs

The Federation of Korean Industries (FKI) conducted a survey - “A.D. (After Disease) year 1, Global Economic Outlook post-COVID-19.” Respondents from the global business community expressed concerns over the possibility of a double-dip recession, triggered by a second wave of COVID-19 in the second half of this year. They also predicted Asia’s relative rise in face of global economic downturn.

The survey was conducted at leading economic organizations in eighteen economies¹, whose combined GDP represents 54 percent of the total GDP of the world. The international business organizations such as Global Business Coalition (GBC), Business Europe, and Business at OECD (BIAC) also joined the survey.

[Global Economic Outlook] At least 2 years before global economy returning to normal, with global growth worsening by -4% in 2020

For post-Covid19 economic scenarios, over half (52%) of the respondents estimated a double-dip(W-shaped) scenario in which a second wave of the COVID-19 outbreak would occur in upcoming autumn and winter season, leading to a second massive economic lockdown. The global economy would have to sit still until the second half of 2022 to return to normalcy.

<A.D. World Economy Scenarios>

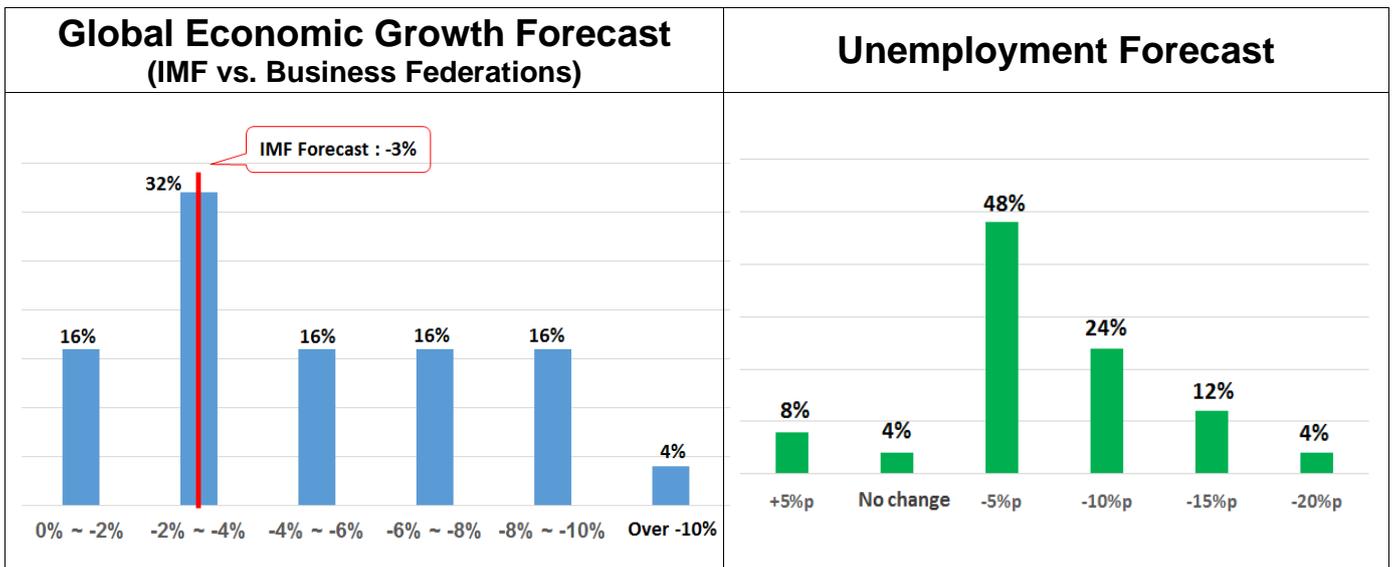
[Scenario 1] U-shaped	<ul style="list-style-type: none"> • Lockdown end by summer, social distancing remains a feature for 6~12 months • After the lockdown end, trade normalization and gradual U-shaped recovery • 2020 GDP Growth: US (-7%) Eurozone(-5%) 	36%
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¹ Member associations and companies from GBC(Global Business Coalition) and ABAC(APEC Business Advisory Council)

<p>[Scenario 2] W-shaped</p>	<ul style="list-style-type: none"> • Lockdown end by summer but come back over winter • Social distancing remains a feature for 12 months • 2nd wave of outbreak in the autumn/winter • 2020 GDP Growth: US (-8.1%) Eurozone(-5.8%) • Virus under control by April 2021, begin to return to normality • Most economies return to their pre-crisis level in late-2022 	<p>52%</p>
<p>[Scenario 3] L-shaped</p>	<ul style="list-style-type: none"> • Lockdown remains largely in place until year-end • Social distancing remains a feature for 12~18 months • 2020 GDP Growth: US (-14.9%) Eurozone(-13%) • Severe, L-shaped Recession • Returning to normal from 2021 summer, but taking until 2023 before most economies return to their pre-crisis level. 	<p>12%</p>

Source : ING

On global economic growth this year, 52% of the respondents expected negative growth of at least 4%, articulating more pessimistic outlook than the IMF’s forecast of -3%. 40% of the respondents predicted that unemployment rate in their respective countries would deteriorate by over 10%p this year.

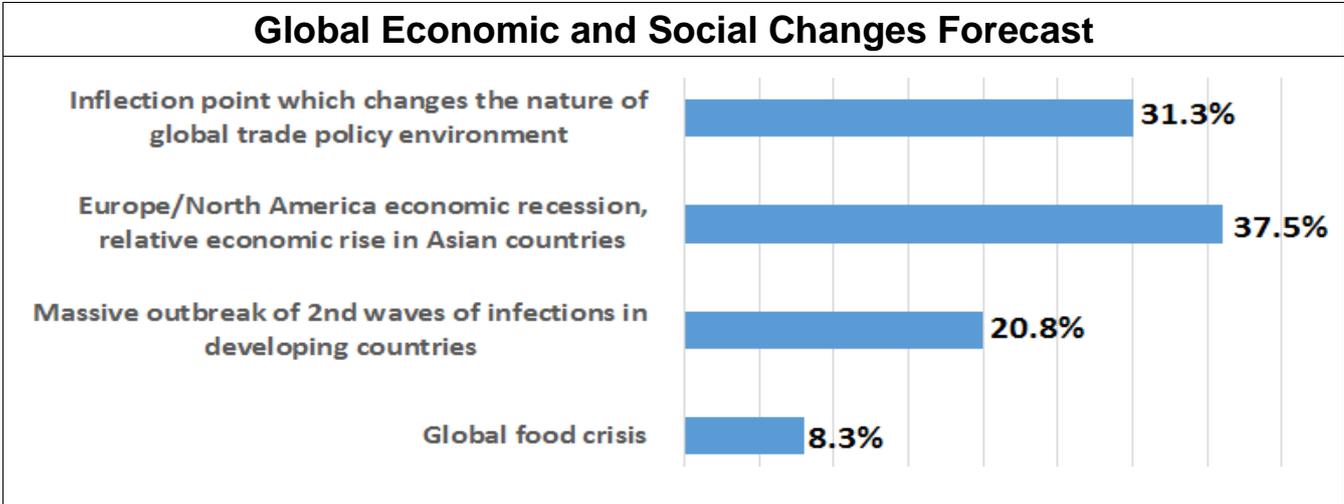


Over half (56%) replied that face-to-face business activities cannot be resumed until next year, given the current restrictions on cross-border movement and expanding no-contact economy. Only 24% anticipated free cross-border movements in the second half of this year, while almost 20% replied it is impossible to predict due to high uncertainties.

[Global Trade System] A new trade regime may replace the WTO

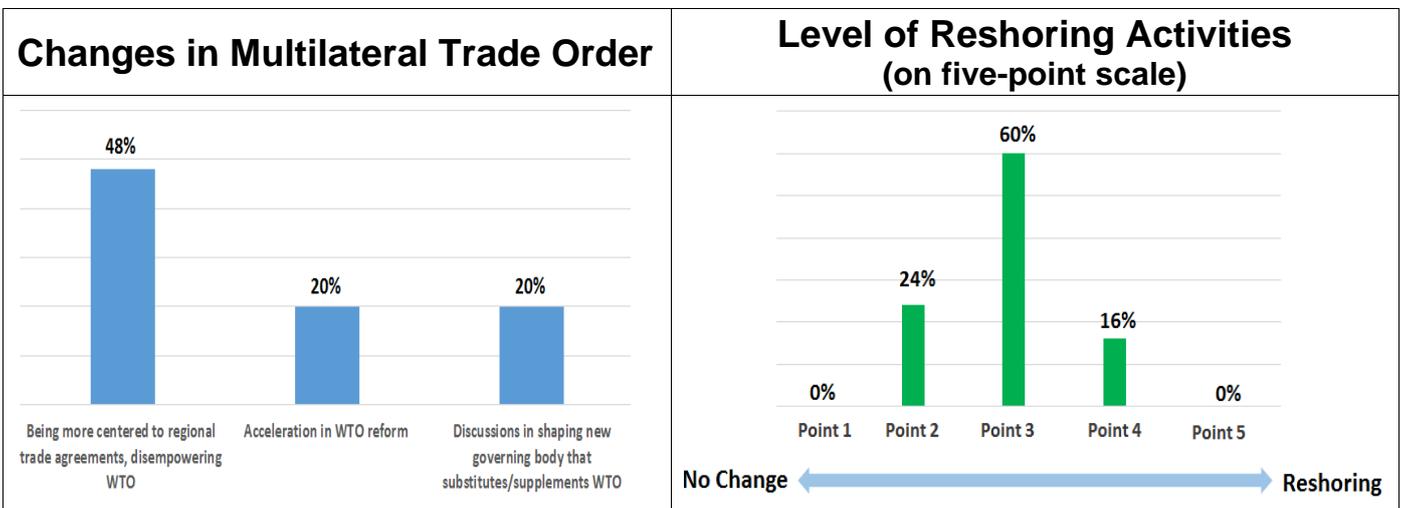
The survey respondents predicted major shifts in the existing global trade landscape in the post-COVID-19 world. Around 40% predict the North American

and European economies would face severe downturn after the pandemic, while Asian countries could expect a relative surge. About 31.3% replied the world has come to an inflection point in global trade history where the traditional WTO-led system operating since 1995 is on the verge of collapse.



Moreover, almost half (48%) anticipated that global trade order landscapes would increasingly become centered around regional economic blocs², eventually disempowering the WTO. About 20% foresee that discussions on shaping new multilateral governing body that could substitute/supplement WTO would soon get under way.

Many countries were striving to reduce their dependency on overseas manufacturing, leading to global supply chains being reshaped. 76% of those surveyed replied their economies would expect modest to high level reshoring effects. Consequently, changes in global value chains will become much more visible in the post-COVID-19 era.

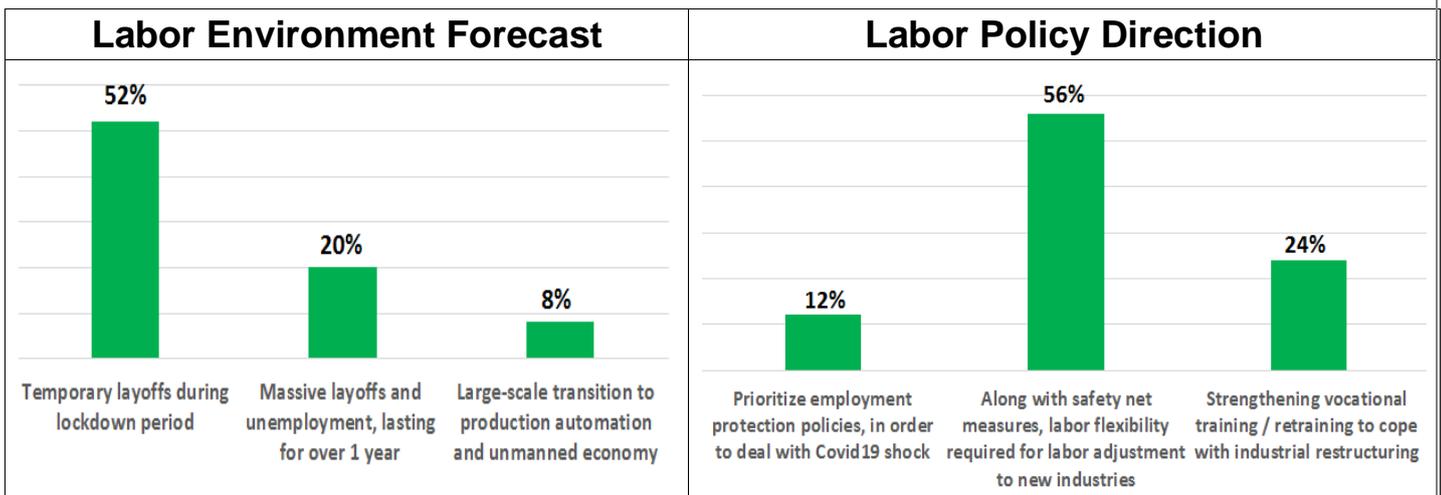


² e.g., bilateral FTAs, EU, USMCA, CPTPP

[Post-pandemic Employment] Labor market flexibility is essential to survival through industry reshuffling

The majority (56%) ranked flexible labor market along with safety net measures as top priorities in post-COVID-19 employment policies, as they are crucial for industry restructuring. Remaining 24% replied change is needed in the labor market towards strengthening vocational training/retraining in order to cope with industrial restructuring.

More than half of respondents (52%) replied that the worldwide lay-off trend is only temporary, lasting during the lockdowns, and the employment would steadily recover when economy restarts. This is somewhat more optimistic outlook than the 20% projecting massive layoffs and consequent unemployment continuing more than a year, and 8% forecasting a full-scale transition to automation and unmanned production.



Overall, the survey results revealed that the economic impact of the pandemic felt among business associations that has been constantly communicating with their member companies were severe than anticipated. In particular to Korean economy, The Federation of Korean Industry stressed that tackling lingering growth-inhibitors, improving business environment, and bringing more flexible labor market is required in order to survive Covid-19 economic distress.

[Survey Results] The World after Covid-19

- ◆ **Survey dates** : May 18th ~ June 3rd, 2020
- ◆ **Respondents**
 - : Business federations and members of GBC(Global Business Coalition) and ABAC(APEC Business Advisory Council)
 - Country representation(18) : Argentina, Australia, Brunei, Canada, Egypt, France, Germany, Hong Kong, Italy, Japan, Singapore, South Korea, Spain, Thailand, Turkey, United Kingdom, USA, Vietnam
 - Organizations(3): GBC, Business Europe, OECD-BIAC

This year, the world has passed B.C. (Before Corona) era and entered A.D.(After Disease).
What is your outlook on the world and economy after Covid-19?

[World Outlook]

1. In the year 1 A.D.(After Disease), how do you estimate post-covid19 economic scenarios?

- ① (Scenario 1) U-shaped **(36%)**
- ② (Scenario 2) W-shaped **(52%)**
- ③ (Scenario 3) L-shaped **(12%)**

<A.D. World Economy Scenarios>

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Source : ING

2. What is your forecast on global GDP growth for 2020?

0%~-2%	-2%~-4%	-4%~-6%	-6%~-8%	-8%~-10%	Over -10%
①	②	③	④	⑤	⑥
16%	32%	16%	16%	16%	4%

3. Various outlooks in relation to Covid19 are published by different research organizations/media. What are the most probable predictions? (Choose 2 options)

- ① Global food crisis (FAO) *due to supply chain disruption, slowdown of cross-border flows of agricultural labor, food export restrictions, etc. **(8.3%)**
- ② Massive outbreak of 2nd waves of infections in developing countries, causing enormous harm (The Times/Bill Gates) **(20.8%)**
- ③ Europe/North America economic recession, relative economic rise in less-affected Asian countries (Deloitte Group) **(37.5%)**
- ④ Inflection point which changes the nature of global trade policy environment (Ernst&Young) **(31.3%)**
- ⑤ Others(Please Specify) **(2.1%)**

- Global demand slowdown by lack of trust in the future

4. Which new industry sectors would emerge in Post-Covid19 economy? (Choose 2 options)

- ① Bio & Healthcare (ex. telemedicine) **(36.4%)**
- ② Artificial Intelligence **(10.9%)**
- ③ Education & Home-office related (ex. Distance education) **(25.5%)**
- ④ Contents & Entertainment (ex. AR, VR) **(3.6%)**
- ⑤ Intelligent Networks (ex.5G) **(14.5%)**
- ⑥ Mobility (ex. Autonomous vehicle, ride-sharing) **(0%)**
- ⑦ Big data **(5.5%)**
- ⑧ Drone & Robotics **(5.5%)**
- ⑨ Others(Please Specify): **(1.8%)**

- New sectors not likely to emerge. Instead likely to see a greater emphasis on remote/digital provision of services.

[Trade System]

5. After Covid19, countries are motivated to lower the degree of dependency to global supply chain, especially from China, by participating in reshoring/nearshoring efforts. What would be the level of reshoring of your respective countries?

Re-shoring	←—————→				No change
5	4	3	2	1	
0%	16%	60%	24%	0%	

6. After Covid19, what changes would appear to WTO multilateral trading system?

- ① Countries being more centered to regional trade agreements, consequently disempowering WTO (48%)
- ② Acceleration in WTO reform (20%)
- ③ Discussions in shaping new multilateral governing body that substitutes/supplements WTO (20%)
- ④ Others(Please Specify) (12%)

- More protectionism and more trade and market distortive subsidies arising from massive state aid programs which will erode the level playing field in the international markets

7. What international cooperative efforts are required for global value chain and international trade recovery?

- ① Modernizing WTO rules & Improving dispute settlement efficiency (36%)
- ② Adopting GVC facilitation measures <ex> Expediting customs (20%)
- ③ Extending trade agreements <ex> Opening up to additional countries to join CPTPP (12%)
- ④ Cooperation among international bodies to cope with non-tariff barriers and export restrictions (32%)

[Employment]

8. Compared to previous year, how do you estimate the unemployment rate of your respective countries this year?

Over -30%p	-30%p	-25%p	-20%p	-15%p	-10%p	-5%p	No change	+5%p	+10%p
①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩
0%	0%	0%	4%	12%	24%	48%	4%	8%	0%

9. What would be the magnitude of changes Covid19 would bring to labor environment?

- ① Large-scale transition to production automation and unmanned economy (8%)
- ② Long-term massive layoffs and unemployment, lasting for over 1 year (20%)
- ③ Temporary layoffs during lockdown period, gradual recovery of employment when the economy reopens (52%)
- ④ Others(Please Specify) (20%)

- 2 and 3 mixed together - rises in unemployment take 10 years to mend - new entrants to labor market miss opportunities and older workers find it harder to find a new job

10. Post-Covid19 world would witness changes and restructuring in industries. In terms of labor policy, what direction is more suitable way for response?

- ① First prioritize employment protection policies, in order to deal with Covid19 shock (12%)
- ② Along with safety net measures, labor flexibility required for labor flow/adjustment to new industries (56%)
- ③ Strengthening vocational training/ retraining to cope with industrial restructuring (24%)
- ④ Others(Please Specify) (8%)

- Option 2 and 3 mixed together

[Pop-up Question]

Q1. Threats around Covid19 bring ‘rally-round-the-flag’ effect in some countries, and it is affecting approval ratings of world leaders and governments. As the only G20 country to be holding presidential election this year, how would U.S. presidential election be affected?

- ① It increases chances for President Trump’s re-election, who places more emphasis on America First Policy over international cooperation in times of crisis (56%)
- ② More favorable to the Democratic Party - as it shades Trump administration’s economic score, brings focus to healthcare reform agenda (20%)
- ③ Others(Please Specify) (24%)

- Hard to predict at this moment as the election is still months away. A lot depends on state of US economy and protection of American workers and households
 - The result in the US elections will depend on how effective is the response to the pandemic and on the level of deterioration of the economy and the labor market

Q2. When do you think current travel restrictions/no-contact economy be eased and cross-border, face-to-face interactions could be resumed in doing business?

End of 2020	First half, 2021	Second half, 2021	First half, 2022	High uncertainty, cannot predict
①	②	③	④	⑤
24%	28%	24%	4%	20%