POV ON INDUSTRY RECOVERY POST - COVID-19

Overall Economy Impact & Projections

With stock market drops and job losses being felt worldwide, the financial impact of COVID-19 cannot be understated. The question on everyone's mind is when will recovery begin and what will it look like. Consumers in Canada, the US, and Australia put the end date of the crisis in September 2020. Italy, who has been fighting COVID-19 longer, believes the end date will fall in the summer, July 2020. [Source: IMI International]

Global Perspective: Italy Relative to USA, Canada, UK, and Australia

Consumer reality	March 30 th 2020 Reality	USA	CANADA	UK	ITALY	AUSTRALIA
Comparing the response of Italians to other nations showcases that the country that has been fighting COVID-	Expected End Date	Sept 2020	Sept 2020	Nov 2020	July 2020	Sept 2020
19 longer, shows no heightened level of concern.	Personal Health Concern	85%	83%	92%	88%	82%
Italy has a much shorter expectation of 'end date' than newer entrants. Consumers ability to accurately forecast their future behavior will be very suspect given current levels of concern and unknown. Biggest issues faced over next 3 months showcase significant physical and psychological risk to people globally.	Financial Concern	79%	76%	74%	66%	76%
	Intention to attend a LIVE event when COVID is over (morease-becrease)	-1%	-3%	+8%	+24%	+11%
	Search for an Update within an Hour of Waking	50%	47%		47%	
	Biggest Issue Faced in the Next 3 Months	Fear, Confinement, Isolation, Money to Live, Social Connections, Emotional and Health.				

Canadians specifically are looking to a number of factors that will signal the end of the public health crisis. Over half say that when a vaccine is available and social distancing is eliminated, it will be a sign that they can return to their normal activities. Businesses being open, and mass events returning are also strong signals for Canadians. [Source: IMI International]











For Canadians, vaccine related announcements, the end of social distancing and business openings will signal the end of COVID-19.

Social Distancing is eliminated	52 %
All business are back open	43%
WHO announces the threat is over	39%
The CDC announces the threat is over	31%
Mass events are in my community	31%

A Vaccine is available to everyone	54%
Vaccine is announced	48%
A Vaccine has been successful in trials	36%
There are no more COVID-19 related deaths	31%
Headline are something other than COVID-19	28%
There are no more COVID-19 related cases	25%
The Surgeon General announces its over	24%
Shaking hands return to being acceptable	23%
Go back to work/school/daycare	19%
Shopping malls are open to the public	17%
There is no 'normal' in the next few years	15%
The President/Prime Minister announces its over	15%
Restaurants are open	13%
Sports return to Venues across my country	12%
Traffic returns to normal	10%
Bars and clubs are open	9%
Concerts return to Venues across my country	9%
Nothing needs to happen, there's no risk now	0%

To you personally which actions/signals are necessary to let you know that COVID-18 is over, and you can return to your normal activities?

Despite a potential return to normalcy this year, the world economy will take some time to return to the levels seen pre-COVID-19. Projections from the Centre for Economics and Business Research (CEBR) propose that GDPs will return to their 2019 levels by the end of 2021, however many countries will struggle even beyond 2022. [Source: CEBR]



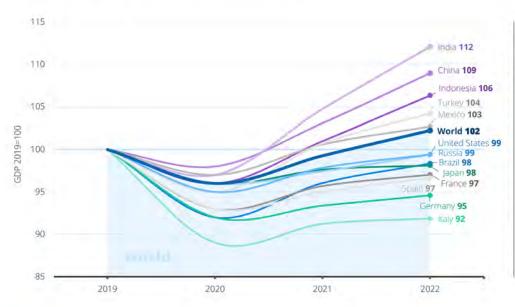






The world will not return to its 2019 GDP level before the end of 2021; for many major economies, it might take even longer

COVID-19 impact on gross domestic product compared to 2019 level



In case of a heavy global recession of 4 percent, as expected by the CEBR, strong growth in the period following the pandemic is required to return to the GDP level of 2019. According to the forecast, the world will return to its 2019 GDP level sometime in 2021, but many developed economies will not.

As the COVID-19 pandemic hits countries differently, the economic impact will also occur in various shapes and forms.

European economies' long-term growth prospects are hit severely as the region is growing slowly anyway. France, Spain, Germany, and Italy will need much longer to reach their 2019 levels again. Also, the United States is not expected to return to its 2019 level by 2022.

Source(s): Statista, CEBR

We can gain some insight on what economic recovery might look like by studying financial crises of the past. An analysis done by J.P. Morgan has shown that a *V-shaped curve has defined six out the past seven recessions in the US*. A V-shaped curve implies a steep decrease followed by a recovery that lasts the same number of months or fewer than the recession's duration. The major exception here is the Global Financial Crisis (GFC) seen in the late 2000s, which lasted for 18 months, but took 21 to recover, with the unemployment rate lasting even longer. [Source: J.P. Morgan]



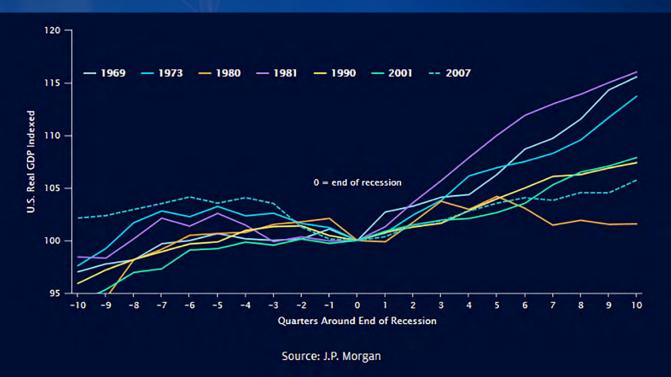




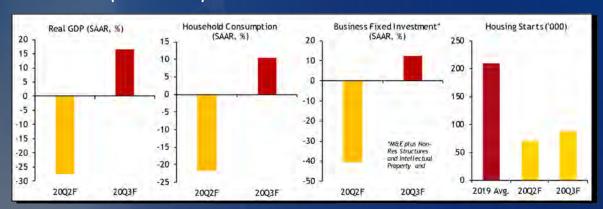


CIBC forecasts that a V-shaped recovery is simply not possible because of how long social distancing measures will be in place, even as the curve flattens, as to not initiate a secondary wave of infections. Economic recovery is still expected to begin in Q3 2020, but will be a slower process than initially hoped. [Source: CIBC]

The V-shape has defined every episode apart from the GFC



CIBC Forecast (2020Q2-Q3)



With many countries still on the first side of the curve, it remains to be seen how long the crisis will continue and the overall impact it will have on the world's economy.









Sector Specific Impacts

The response following COVID-19 is difficult to predict, as the situation continues to change day by day. However, there are some initial insights allowing us to understand which industries might see a quick return to force and others that will need more time to recover.

An analysis from Moody's Investors Service has identified the impact COVID-19 will have on various industries. Those businesses that rely on trade and the uninhibited movement of the population have been most severely impacted so far, such as travel and non-food retail. Other industries will continue to be impacted as a result of supply chain disruptions, such as automotive suppliers and gaming consoles. [Source: Moody's Investors Service]



Quickest Recovering Sectors (Snap Back)

Despite the impact the virus has currently, many of the industries hit the hardest are likely to see a quick turnaround once in a post COVID-19 society. Canadians are desperately missing gathering with friends and family, attending events, and going shopping. A study from IMI reveals that about a third of Canadians miss going out to a restaurant and a quarter miss meeting friends at a coffee shop, while going shopping (21%), and attending different entertainment venues (14-16%) are also desired. [Source: IMI International]







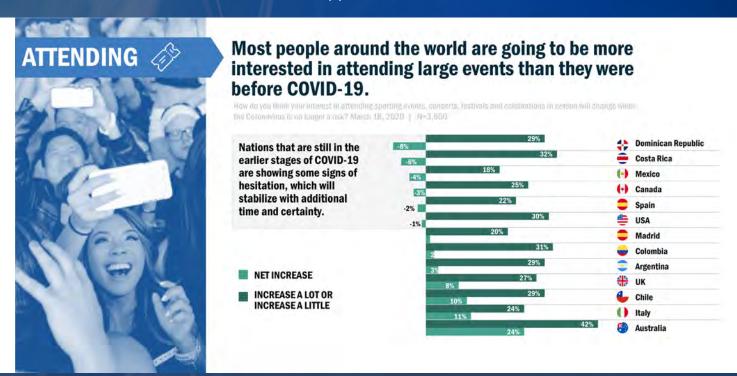


But first... The void of face-to-face social connection is being felt across the country.

The activities people are missing most at this time offer an eventual silver lining for restaurants, coffee shops, shopping, bars/clubs, sports, concerts and events.

	Going to meet up with friends and family	35%	Going for walk with friends	20%
Ī	Going out for dinner to a restaurant	31%	Watching sports with friends and family	19%
	Feeling safe going outside	28%	Going to bars and clubs	16%
	Getting together with friends	27%	Going to the movies	15%
	Not being fearful of getting people sick	26%	Seeing friends at sporting events	14%
	Meeting friends at a coffee shop	26%	Going to concerts, events, festivals	14%
	Going out on the weekend	23%	Going to the bar to watch a game	14%
	Playing sports	22%	Watching family play sports	8%
	Going shopping	21%		

The same study also took a deep dive into event attendance, and found that most consumers across the globe are more interested in attending large events than they were previously. Countries that remain in the earlier stages of the crisis, including Canada, show more hesitation, but this is expected to stabilize as an end date becomes more apparent. [Source: IMI International]



We can expect to see that local gathering spots, retail, and outdoor entertainment venues will see an immediate boost in business as Canadians are able to eliminate social distancing and freely travel outside their homes.









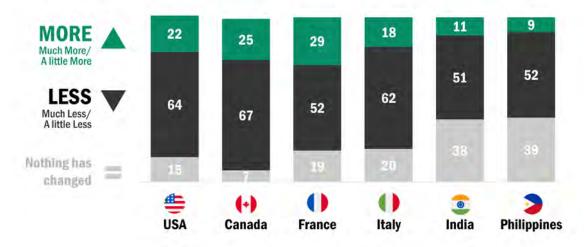
Neutral Sectors (Bounce Back)

As supply chains move back towards typical output, we can expect to see a recovery in many industries. The automotive industry is currently at a standstill as many factories have shut down and others have devoted their resources to making PPEs. As they shift into a post-COVID-19 world, automakers expect that their biggest moneymakers, such as pickup trucks and SUVs, will still be profitable, however launches will be later than initially planned. [Source: USA Today]

However, with current economic uncertainty, many consumers have said they are less likely to purchase a road or aquatic vehicle in the next 12 months than they were three months ago. Canadians are the least likely to consider these purchases, with 67% saying their likelihood has decreased. [Source: IMI International]

Impact on Shopping: Given mass uncertainty 50%+ people globally are less likely to make a major purchase on a hard good vs. 3 months ago. Trending will continue to be shared.

Q. Relative to 3 months ago, how likely are you to purchase a Car, Truck, SDV, Motorcycle, Boat, ATV or Personal Waterstatt in the Next 12 months, IMI 2474, N=500 per Country among intended purchasers. Completed March 200 to 241, 2020



We can expect similar patterns in other industries, including gaming, manufacturing, and luxury goods, among others, where delays in production and personal financial uncertainty produce shockwaves that will ultimately slow the rebound, but not stop it.

Slowest recovering sectors (Walk Back)

It goes without saying, that the travel and tourism industry has been devastated by COVID-19. With government imposed travel restrictions and consumers reducing contact to a minimum, many flights have been cancelled, and stock prices have fallen in sync. Statista has reported that major airlines, such as United Airlines, have fallen to a third of their value. [Source: Statista, Yahoo Finance]





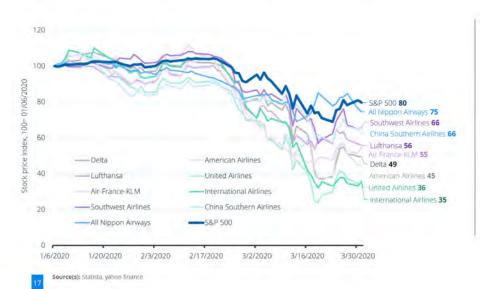




As to be expected, this has had a ripple effect through other sectors of the tourism industry. Hotels, travel agencies, and cruise lines have also experienced massive financial losses as well. [Source: Statista, Yahoo Finance]

As air traffic declined globally due to travel bans, the stocks of all major airlines experienced a major downfall

Stock price indexes of major airlines, 100 = price on 01/06/2020



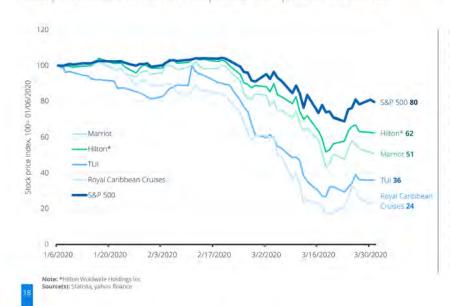
Traveling has been reduced to a minimum, as passengers try to avoid human contact and governments introduce travel restrictions. Airlines were forced to cancel most flights, which has a major impact on their stock prices.

Among the largest airlines, the Japanese All Nippon Airways has seen the slightest drop in its stock prices, which is in line with the relatively slight outbreak in Japan, its main market.

The stocks of United Airlines and International Airlines, on the other hand, are currently only worth approximately one-third of their January value.

The various sectors of the tourism industry are all suffering from the pandemic as people are cautious to travel or plan ahead

Stock price indexes of selected companies, 100 = price on 01/06/2020



No matter the business model, companies that are active in the tourism industry have been hit especially hard by the pandemic.

The stocks of the leading hotel chains, Hilton and Marriot, are currently only worth about half of their value at the beginning of the year.

The losses of travel agency, TUI, were even greater, the value of its stocks has dropped by 64 percent by end of March.

Among the examples presented, the stocks of Royal Caribbean Cruises have experienced the largest drop, they are only worth 24 percent of their original value as of mid-March.

The stocks of all selected companies saw a slight increase on March 24, due to the U.S. stimulus package announcement.









This sector is expected to see some of the slowest rebound times of all industries, **though we are likely to see domestic travel rebound faster than international**. McKinsey & Company predict that the travel industry will not see an economic restart until well into 2021. [Source: McKinsey & Company]

The hardest hit sectors may not see restart until 2021 Preliminary views on some of hardest hit sectors based on partially effective scenario - subject to change Commercial Air & Travel Insurance Oil and gas **Automotive** Apparel/fashion/ Aerospace luxury carriers **Estimated degree** of impact, in terms Longest of duration Estimated Q3 / Q4 2021 Q3 2020 Late Q2 / Q3 2020 Q1 / Q2 2021 Q4 2020 Q3 2020 global restart Avg. chang -44% -44% -33% -48% -32% -28% in stock price Overall decline in private US insurers have been Deep, immediate demand Oil price decline driven by **Existing vulnerabilities Industry specific** Preexisting industry shock 5-6x greater than Sept 11; ~70-80% near-(e.g., trade tensions, examples challenges, a quick drop in strongly affected, both short-term demand consumption and exports declining sales) amplified impact and supply overhang from OPEC+ possible revenue, and high of services especially reinsurers and by acute decline in fixed costs cause nearterm demand erosion due life & health insurers Demand for apparel Chinese demand, term cash flow and longto int'l travel bans & Reduced interest rates categories down sharply production term growth uncertainty. quarantines now prevalent continued supply chain and and investment overall and expected to in 130+ nations production disruption (in Oversupply expected to remain in the market performance impacting take longer to return than It may take years to China, rest of Asia, EU) to recover from production N. Hemisphere summer returns - esp. for longereconomic restart; online amplify impact despite travel peak season deeply impacted since pandemic tail lines growth exists (though hampered by labor and supply chain even after demand ongoing Chinese economic recovery, and post 2020, stoppages, due to critical vendors located in areas Disruptions expected in restart unless OPEC+ decides to fears coincide with peak shortage) new business and booking period cut production impacted by the virus. Headwinds to persist into underwriting processes Retail stores temporarily Q3 given tight inventories Recovery pace faster for due to dependence on closed in many parts of Long order backlogs (<6 weeks), supply chain domestic travel (~2-3 paper applications and the world - high regional mitigate some concerns, complexity (therefore, quarters); slower for long-haul and int'l travel (6+ though rapid adoption of medical underwriting variation minimal ability to shift) remote work technologies

Consumers are still wary of travel in this time of uncertainty, and have understandably stalled plans for future excursions. 76% of Canadians say there is no chance of them taking a leisure flight within Canada in the next four weeks, and over 80% say they will not take an international or business flight. [Source: Angus Reid]

Even when things are back to normal, 33% of Canadians say they will travel abroad less and 30% say they will travel by air less often than they used to. [Source: Angus Reid]







may put a dent in high-

profitability business travel.

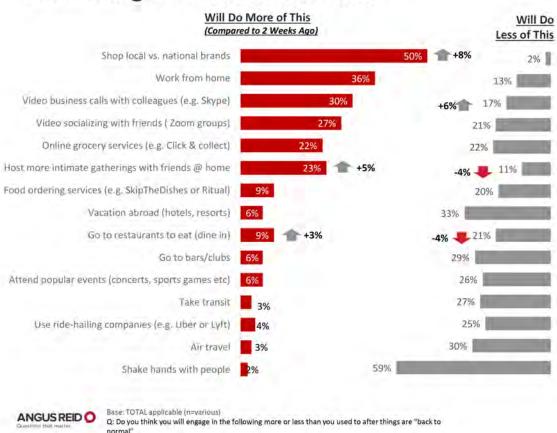
quarters)







When Things Are "Back To Normal"











The Thriving Sectors

Of course, not all businesses need to recover. Essential businesses, such as grocery stores and pharmacies, are receiving a lot of footfall from consumers, and have had less of an economic impact as we have seen with other industries. Beyond these, certain sectors have entered a boom period during this time. The "from home" sectors, including connectivity, home comforts, and e-commerce have seen massive stock price growths. Consumers have been video conferencing with coworkers, ordering delivery from restaurants, and shopping online in order to stay at home as much as possible. [Source: Statista, Yahoo Finance]

The beneficiaries of the pandemic appear to be from the "from home" market

Stock price index, 100= price on 03/02/2020



Once stay at home measures are lifted, it will be interesting to see if these companies will remain in the minds of consumers and become part of their routines. Video conferencing may be one of the biggest winners following this period, with 30% of Canadians saying they will partake in video business calls more often than they used to, and 27% saying they will have video chats with friends more often. [Source: Angus Reid]

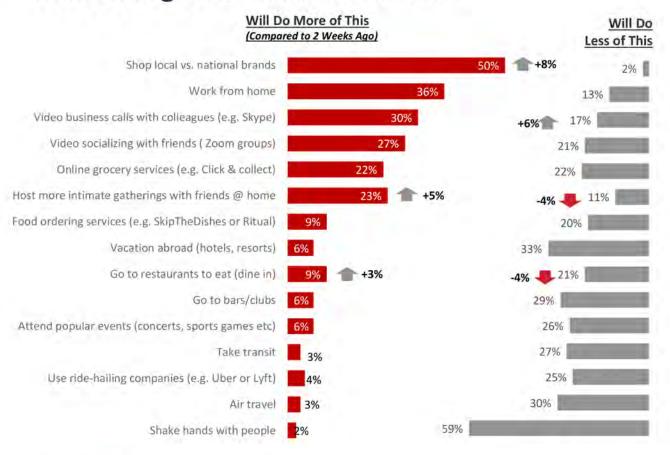








When Things Are "Back To Normal"





Base: TOTAL applicable (n=various)

Q: Do you think you will engage in the following more or less than you used to after things are "back to normal"

Final Thought

The journey to recovery will certainly vary across sectors, and some may have challenging times ahead. In a post COVID-19 society, Out-of-Home will be a great partner, providing large reach in familiar touchpoints for consumers, and assisting brands navigating the landscape in a new normal.









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