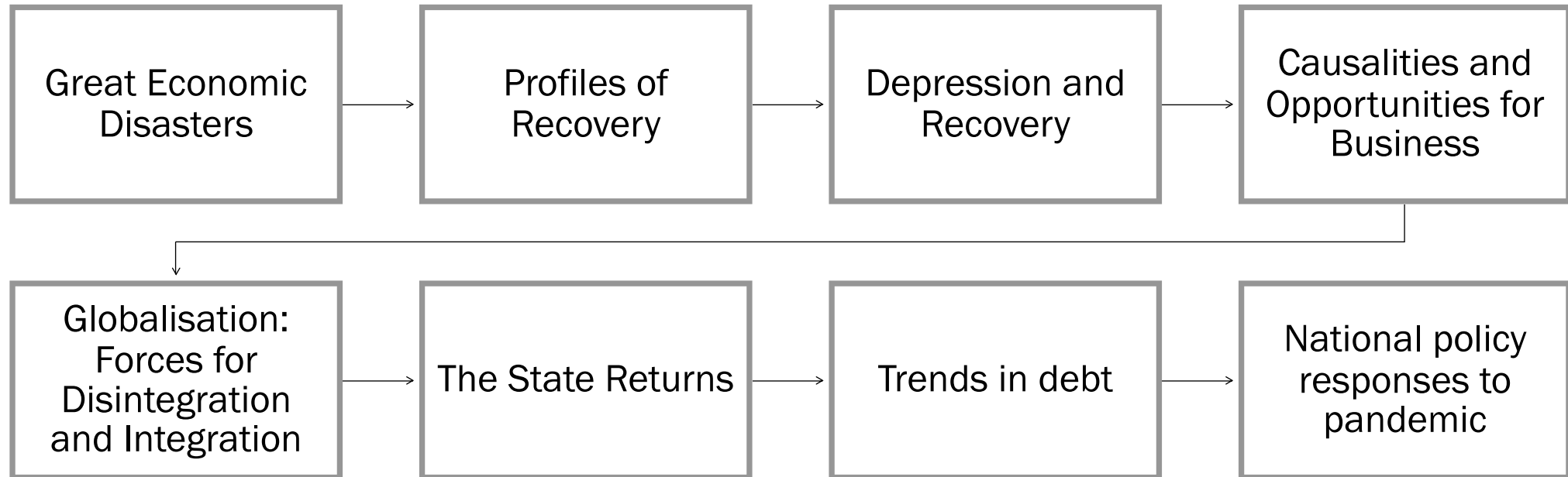


THE ECONOMY AFTER CORONA

RECOVERY OR INTENSIVE CARE?

Professor Sir Vince Cable

Agenda



Great Economic Disasters (decline in Annual GDP)

Break-up of Austro-Hungarian Empire	circa 60%
Break-up of Soviet Union Russia	circa 50%
Great Depression: USA	30%
Eurozone Crisis: Greece	30%
End of Communism: Poland	20%
Financial Crisis 2008/2009; UK and USA	5%

Profiles of Recovery

Four profiles: V | U | W | L

V

Rapid recovery

Trace and test

Strong government/social cohesion

Korea, Taiwan, Germany, now China

U

gradual recovery

rolling lockdowns until vaccine

slow supply chain/inventory/finance adjustment

lighter touch government

Most of Europe, N. America

W

Second wave of virus or mutation

Economic relapse

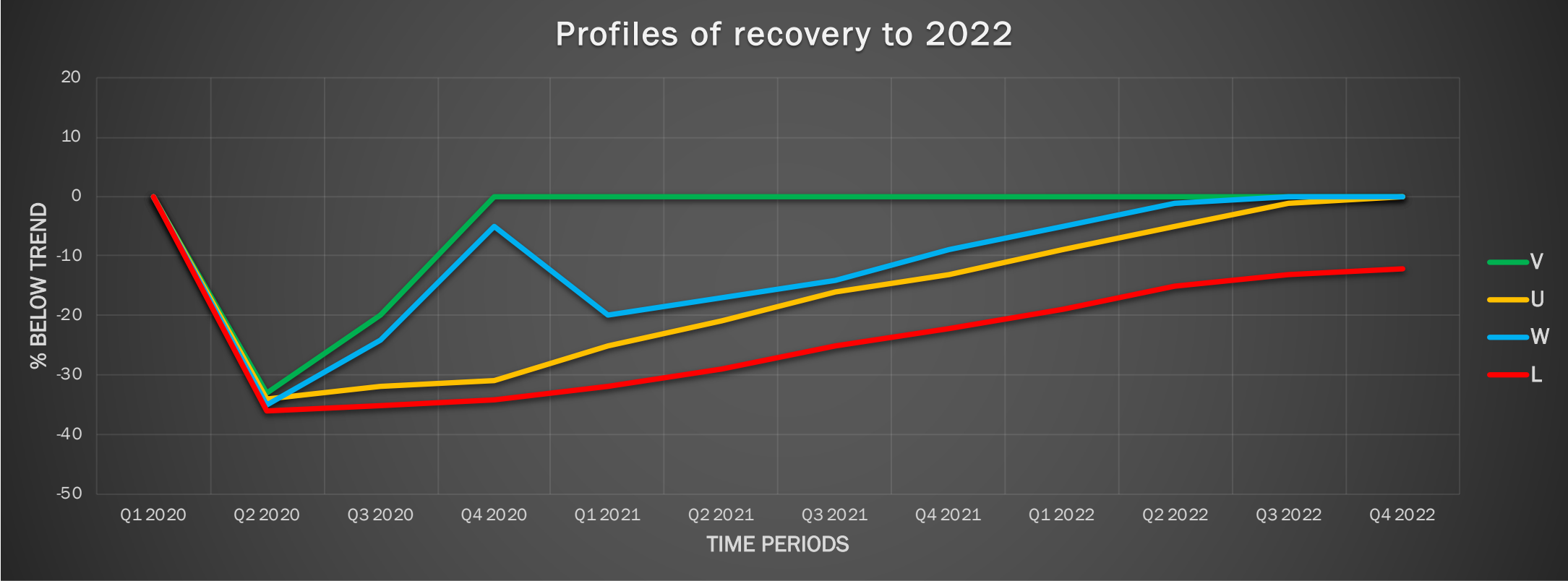
L

Virus wins. Containment largely fails

Long term damage to supply chains; financial system; free trade

Low confidence: balance sheet depression and debt

Profiles of recovery to 2020



Four profiles: **V** | **U** | **W** | **L**

V
 Rapid recovery
 Trace and test
 Strong government/social cohesion
 Korea, Taiwan, Germany, now China

U
 gradual recovery
 rolling lockdowns until vaccine
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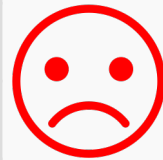
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Depression and Recovery

Depression



- Mass unemployment (10% +)
- Destruction of SMEs
- Collapse of consumption
- Collapse of business investment
- Chronic uncertainty
- Policy failures: USA; Eurozone



Recovery



- Lockdown lifted
- Government rescue
- Government stimulus
- International coordination
- China/East Asia lead
- 'Roaring twenties' again



Casualties and Opportunities for Business 1/2

Casualties (general)

- Cash poor
- Small
- Face-to-face (customer)
- Staff contact
- Conservative/Analogue

Opportunities (general)


- Cash rich
- Big
- E-commerce
- Remote working
- Innovative/Digital

Casualties and Opportunities for Business 2/2

Casualties (sectoral)

Hospitality (Hotels; Restaurants; Conferences)	Property (Commercial; Estate Agents)
Spectator Events	Cultural
Travel & Tourism (Airlines; Public Transport; Cruises)	Most manufacture Some construction (50%)
Leisure (e.g. Gyms)	Oil; Upstream and down
Most High Street Retail	Universities

Opportunities (sectoral)

Supermarkets	Farming
Tech companies	Bio-science
IT services	Ed-tech
Online retail & services	Computer games & animation 
Logistics & delivery	Pharmacy
Food manufacture	Home entertainment

Globalisation: Forces for Disintegration and Integration

Disintegration

- Collapse of travel, tourism & aviation
- Supply Chain disruption | onshoring
- Protectionism and National Security
- Weakness of WTO
- Splinternet
- Populist nationalism
- New Cold War | China – USA
- EU/Eurozone non-cooperation

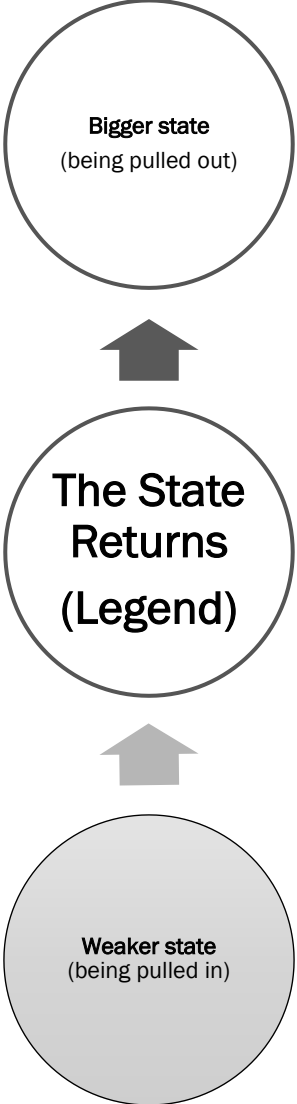
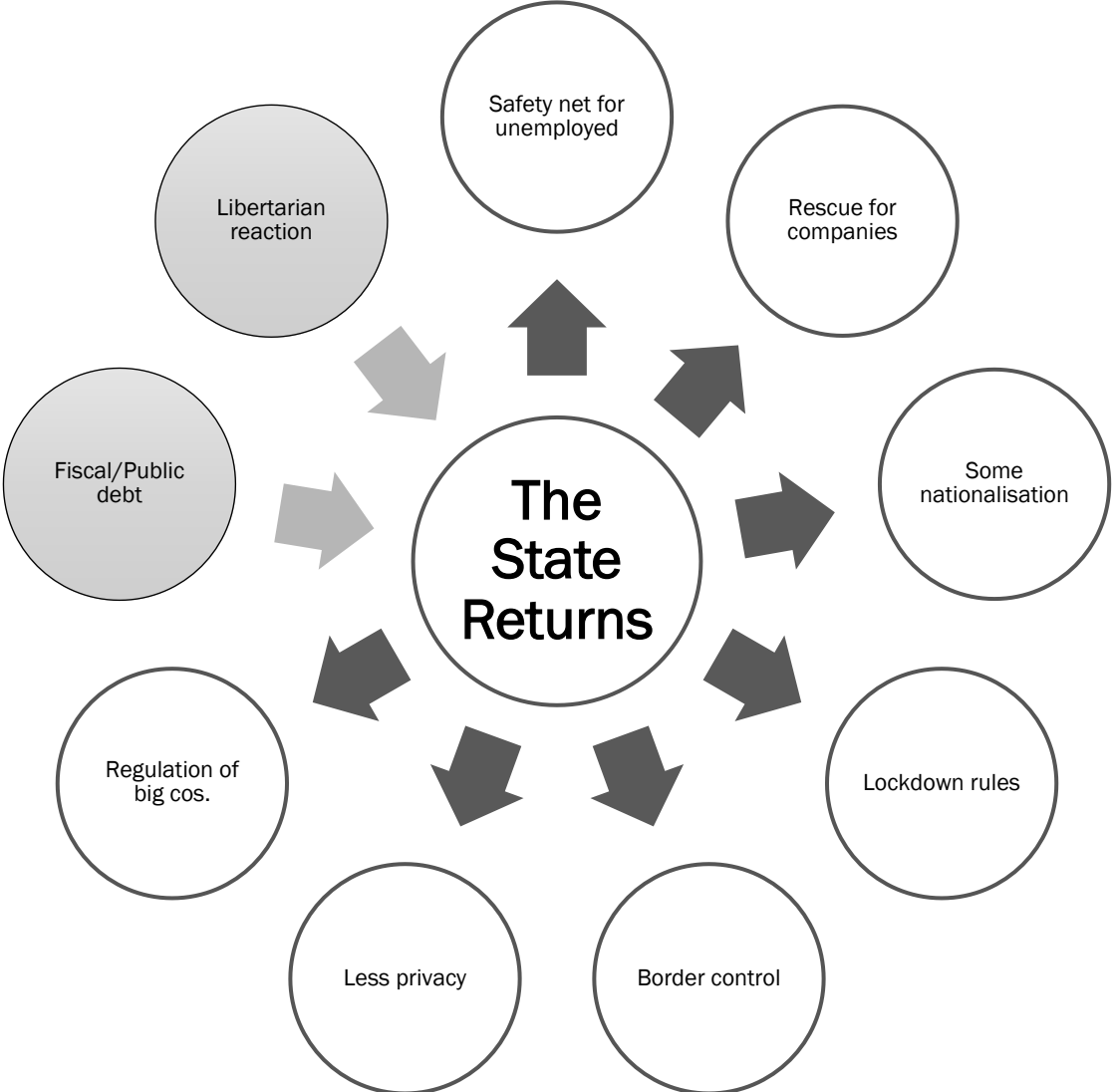


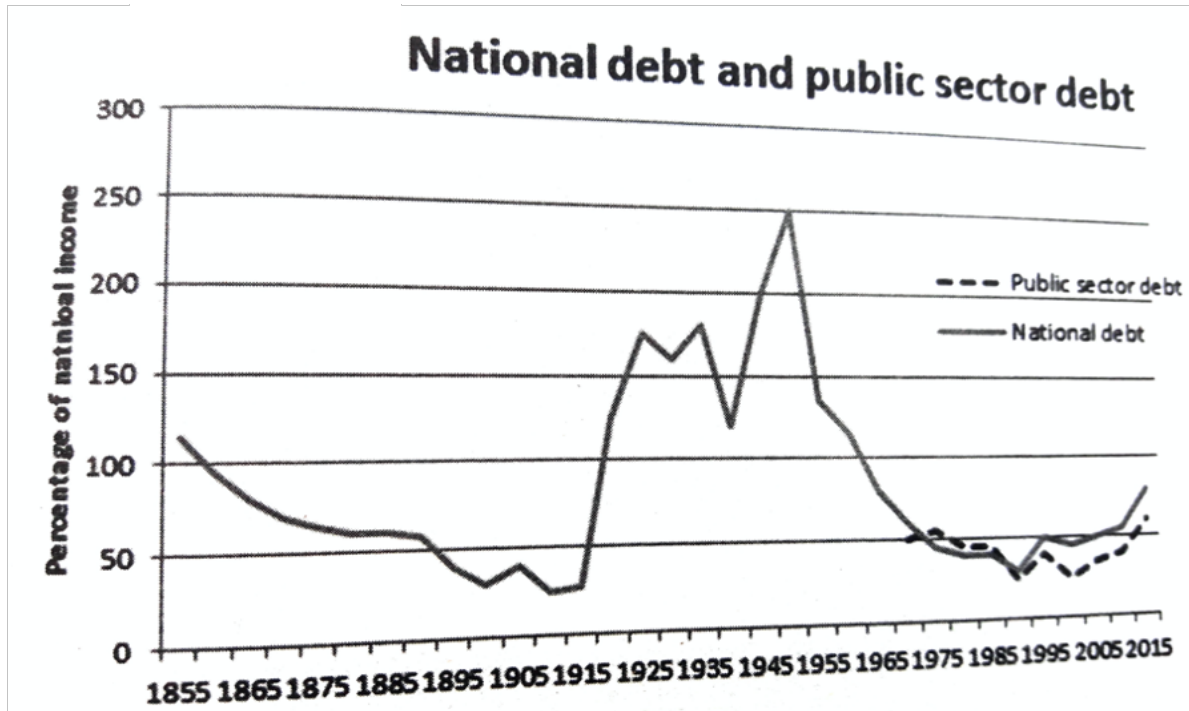
Integration

- Big Data Companies
- 5G – New global standards
- Scientific cooperation
- Shared cultural experiences | Netflix
- Improved conferencing
- Virtual education
- Easier payments and transfers
- IMF response



The State Returns





Source: HM Treasury, *Pre-Budget Report 2008*, and OBR

Trends in debt

—

National debt
and public
sector debt

National policy responses to pandemic

