



Beyond the Corona Virus

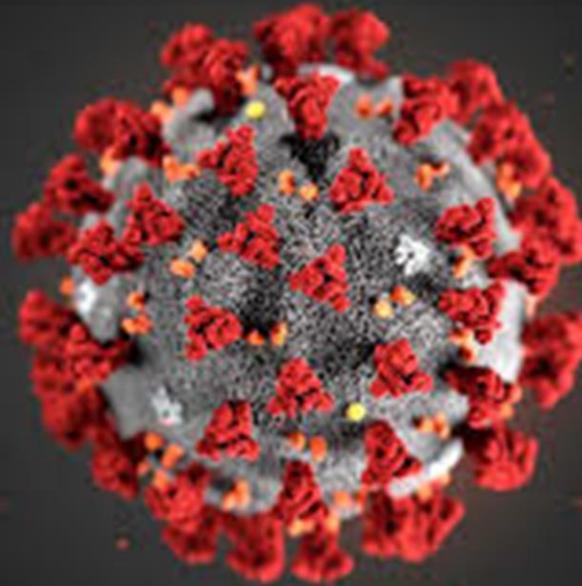
"COVID - 19"

COVID-19

Last Quarter 2019, the global economy seemed to be on the way to recovery, financial markets seemed bullish, growth projections were positive and trade and political tensions were somewhat “subdued”. Now all bets are off. As COVID-19 spreads around the globe, it has become clear that it has the potential to derail the world economy.

Coronaviruses (most recent discovery as **COVID-19**) are a large family of viruses found in both **animals** and **humans**

causing **common colds** and more severe diseases such as **Middle East Respiratory Syndrome (MERS)** and **Severe Acute Respiratory Syndrome (SARS)**.



Contracted through contact with **respiratory droplets** from an infected person

- Coughing
- Sneezing
- Kissing
- Etc.



Confirmed cases

185,445

+13,287 from yesterday

Deaths

7,177

+525 from yesterday

Recovered

78,753

+722 from yesterday

Countries Affected

144

+7 from yesterday



Health Pandemics and its measured impacts

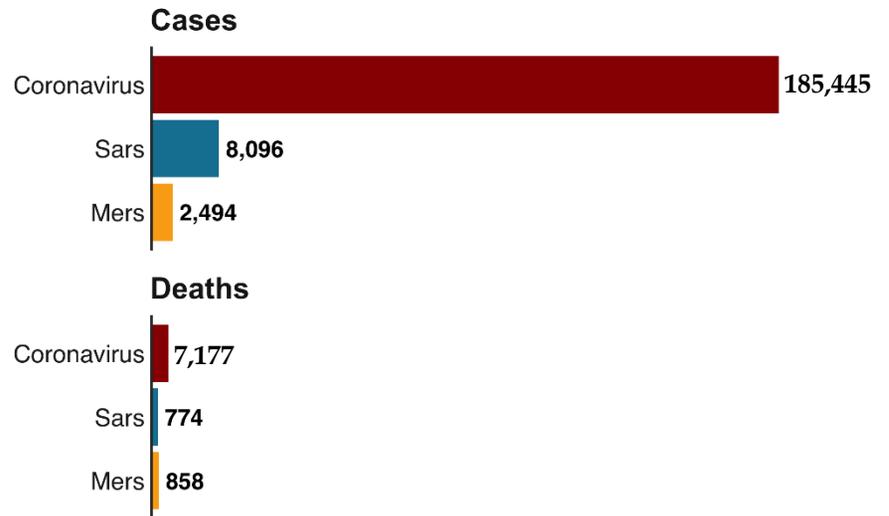
MORTALITY

The 21st century has witnessed several pandemic outbreaks: Avian Flu, Swine Flu, Mers, SARS, etc. only the 2002–2003 SARS outbreak seems truly comparable.

So far, the novel coronavirus appears:

- ❑ Less deadly to those infected: with estimated mortality rate of **2%-3%** vs SARS' rate of **6.6%**
- ❑ More Contagious: **8x** more cases and deaths

New coronavirus compared with similar outbreaks



Source: ECDC/WHO, Updated 19 Feb



Virus (year identified)	Infections	Deaths
H1N1** (2009)	762,630,000	284,500
Ebola* (1976)	33,577	13,562
MERS*** (2012)	2,494	858
SARS (2002)	8,096	774
H7N9 Bird Flu (2013)	1,568	616
H5N1 Bird Flu (1997)	861	455
Nipah (1998)	513	398
Marberg (1967)	466	373
2019-nCoV* (2020)	11,871	259
Hendra (1994)	7	4

Health Pandemics and its measured impacts

FINANCIAL TERMS - Global

The economic effect of this pandemic is different from similar pandemics. The hardest hit countries make up a majority of the **top 10 economies** in the world, accounting for: 60% of global GDP, 65% of global manufacturing, 40% of global manufacturing exports.

While a short-and-sharp crisis is still possible, it's looking less like the most likely outcome. Recent containment approaches are hindering global production and productivity, leading to macroeconomic drops in aggregate demand and delays in purchase and investments by consumers and firms.

The below snapshot shows the forecasted global costs of covid-19 compared to the cost of 2003 SARS pandemic



Estimated 1-year impact of SARS on Global GDP in select countries & territories

Estimated impact of COVID-19 on the growth of global GDPs (2020 projections)

Health Pandemics and its measured impacts

FINANCIAL TERMS - China

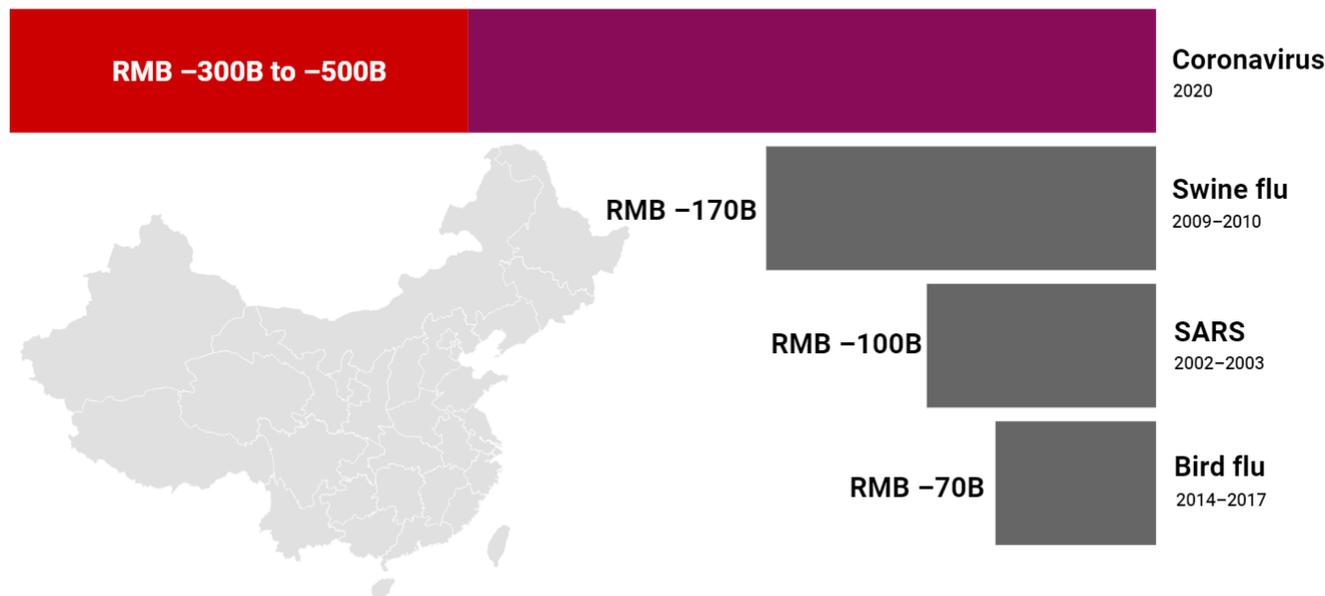
In **2003** China's economy which represented **~4%** of global GDP was only RMB 13.74 trillion and SARS reduced her GDP by almost **1% or approximately 100 billion**

With an economy size of almost RMB 100 trillion today, China's economy is **50x** larger than it was in 1980 and **7x larger** than 2003 and makes up about **16%** of global GDP

Current estimates of coronavirus's economic impact call for a **0.2%-0.5%** reduction in China's GDP, which could cost as much as **RMB 500 billion ~\$71million.**

Coronavirus to cost China more than previous outbreaks

Impact of past epidemics on China's annual GDP



Sources: UBS, Goldman Sachs, Citibank, JP Morgan, BOC International and Bain analysis for coronavirus; Morgan Stanley data for previous outbreaks

Forecasted Impact on **Sectors and Industries**



Financial Markets

- ❑ There will be gainers and losers (*\$5 trillion was wiped from global financial markets as at end of 6th March 2020*).
- ❑ As of Feb end, stock markets had fallen by 8% in America, 7.4% in Europe & 6.2% in Asia
- ❑ Widespread country Interest rate cuts (*US, China, Canada, Thailand*)
Greater negative impact in sectors such as consumer discretionary and gains in health care



Supply Chain

- ❑ Considering China is the world 2nd largest economy aka the **“world's factory”**
- ❑ Companies sourcing from china experience a halt in production activities
- ❑ At least 51,000 companies worldwide, 163 of which are in the Fortune 1000, have one or more direct or “tier 1” suppliers in the impacted region.
- ❑ A 30% drop in Baltic Dry Index and +15% in TAC index



Luxury goods

- ❑ **1/3** of global spending on luxury brands comes from china
- ❑ Closures in luxury brand subsidiaries headquartered in Hong Kong resulting in a "material negative" effect on luxury demand



Energy: Oil, coal

- World's **largest energy consumer**
- ❑ Transport sectors will be affected in a major way.
 - ❑ Fall in commodity prices (crude, coal, etc.)
 - ❑ Reduce demand for fuel.
 - ❑ Oil prices have already declined, from \$68 per barrel (Brent crude) to \$54 at end of February 2020 and currently **\$33**, with most of the decline over the past two weeks. A reduction in oil demand of 20% is expected (Durden, 2020)

Forecasted Impact on **Sectors and Industries**

Automobile



- ❑ Data from the China Association of Automobile Manufacturers (CAAM) has revealed that auto sales declined by **18%** in January, as reported by Reuters

Tourism



- ❑ Weaker demand for global travel
- ❑ Tourist spend spent an average of **\$277bn** on tourism in 2018 and **\$300bn** in 2019 forecasted to decline by over **20% in 2020**

Trade/Production



- China share of global trade was **5%** in 2003 and currently **16%**
- ❑ Forecasted **\$50 billion** drop in exports across global value chains
 - ❑ Subsequent shutdown of huge swathes of China could impact more than **5 million businesses** worldwide
 - ❑ Chinese provinces most impacted by the virus are intricately linked to the global business network with almost half (49%) of the companies with subsidiaries in impacted regions are headquartered in Hong Kong,

Aviation



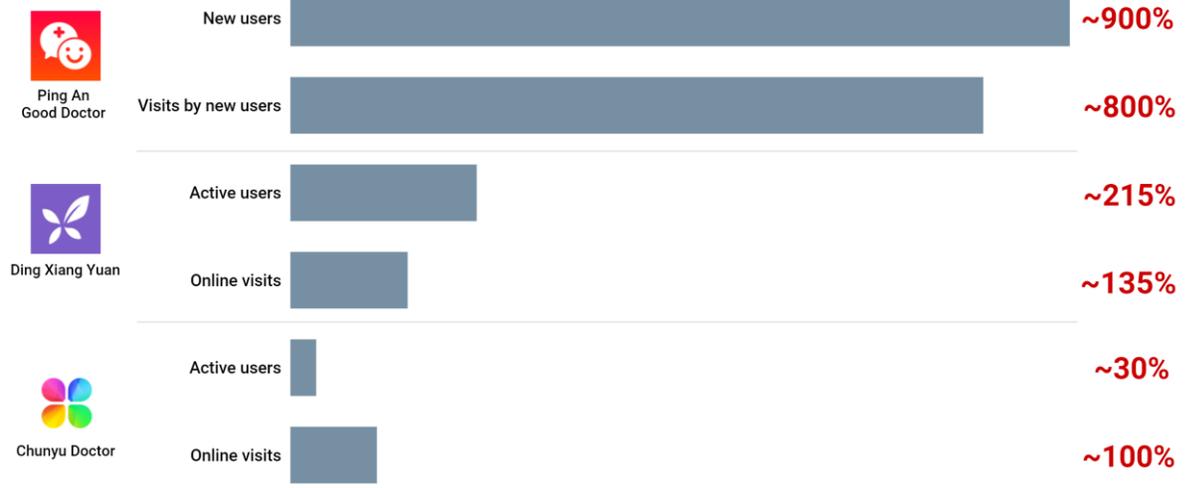
- ❑ Forecasted to take about **\$113billion hit**
- ❑ Over **13.8%** decline & change of flights bookings
- ❑ Airlines are banning flights and their stock prices are declining
- ❑ These airlines will need to offer refunds or rebook on to different flights

Forecasted Impact on **Sectors and Industries**

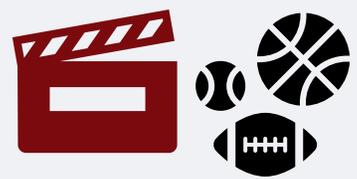
Digital



- ❑ Spike in use of online video conferencing platforms - zoom, slack, google hangouts, etc.
- ❑ Health Care goes Digital
 - Accelerated growth in online medical platforms - % increase Dec 19-Jan 20



Entertainment & Sports



Entertainment

- ❑ Global film industry forecasted to face a \$5 billion loss
- ❑ Production delays/Postponements of movie releases by *Disney, Sony, Warner Bros, Universal*
 - ❑ 6 Month - postponement of James Bond Movie which grossed \$1,110,526,981 and \$879,620,923 in in 2012 and 2015 respectively
- ❑ Reduction/closures of theaters, cinemas, clubs and recreational centers

Sports

- ❑ Forecasted Cancellation/Postponement of TOYKO Olympics
- ❑ Cancellation of Arctic Winter Games
- ❑ Cancellation of NBA, Football and Soccer games

Possible Economic Ramifications for Africa

Africa is much **more exposed** to the China market than other regions around the world in terms of Trade, Infrastructure Initiatives, Investments & Exports.

China is Africa's largest trading partner; hence the aggregated potential economic impact of reduced exports could contribute to **~\$4 billion** in lost revenues. Specifically:

CHINA STOPS BUYING WHAT AFRICA HAS TO SELL

- ❑ Consumer spending expected to slow down due to potential high health care costs
- ❑ Directly immediate impact on demand for Energy and African agricultural exports like cotton, Namibian beef, Rwandan coffee, Kenyan tea and South African wine and citrus

DECLINE IN AFRICAN TOURISM

- ❑ Chinese leisure and Business travel will halt hence significant downturn in passenger traffic between China and Africa
- ❑ Several African airlines have built sizeable business ferrying students, workers & tourists e.g. Ethiopian Airline, Kenya Airways,
- ❑ Significant cancellations of Festivals, Arts Exhibitions, Resort Bookings, Safari's, etc.

GLOBAL INVESTOR FREAK OUT

- ❑ Stock exchange plunges – steady decline due to local companies' exposures to china (JSE, Kenya, NSE)
- ❑ Pressures on African Currencies (Nigerian NGN, Kenyan KES & South Africa ZAR)
- ❑ Dumping of stocks by global investors who view Africa's reliance on the Chinese market as a significant liability

INFRASTRUCTURE TAKES A HIT

- ❑ Slow down/halt of Infrastructural projects
- ❑ Decline in Projected Returns from these investments
- ❑ Longer time to repay infrastructure induced debts
- ❑ Potential reduced funding for future infrastructure projects

Potential Impact on Africa - “Nigeria”

The spread of the coronavirus virus has curbed demand in China, driving oil prices down nearly **15%** this year to **\$33pb**, significantly below the **\$57pb** pegged by the Nigerian government in its 2020 budget. For Nigeria which depends on crude for **90%** of its export revenue, this could mean a high probability for **currency devaluation** due to a continuous shrinkage of foreign reserves amongst others.

- ❑ Further slash in growth projection to **2%** from **2.5%** because of a decline in oil prices - IMF
- ❑ **Negative Impact** on the Nigerian Construction, Telecommunication, Oil & Gas, Automobile Industries
- ❑ Halt in Companies Operations - Manufacturers, Importers, Agro-Allied
- ❑ Borrowing Costs **Expected to Rise**, May affect Nigeria’s ability to **Service Debts**



For companies: The time to act is now

While it is too early to know for sure how severe the human and financial cost of coronavirus will be in **China, around the globe particularly Nigeria**, the companies that will fare best during this crisis and be best positioned during the recovery will be those that act now.

Start with the end in mind 

 Review and adjust your long-term strategy

Adjust your 2020 plan 

 Protect your people first

Protect talent 

 Prepare now for your future talent needs

Cash is King 

 Cut cost & Manage Cash

Monitor your supply chain closely 

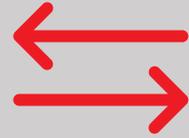
For companies: The time to act is now



Stabilize supply chain



Stress-test Financials

Keep up with the change 



Monitor and adjust commercial levers quickly



Invest for the long term

Be ready for opportunities as well as challenges 



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With over 130 years of collective management consulting and management experience, Execution Edge has deep knowledge of the Nigerian business environment, with proven experience in taking enterprises to leadership positions in their chosen markets.

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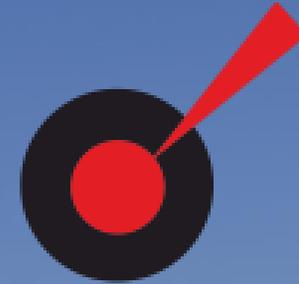
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