BUSINESS ACUITIES

INTERNATIONAL BUSINESS

JUNE-2020

CONTENTS

EDITORIAL BOARD

GLOBAL ECONOMIC RECOVERY:

1**. Gradual Reopening of Economies:**

Many countries began lifting lockdown measures and gradually reopening their economies in June 2020. This allowed businesses to resume operations, although often with safety protocols and capacity restrictions in place.

2**. Varying Recovery Pace**:

The pace of economic recovery varied across countries and regions, depending on the effectiveness of containment measures, the structure of the economy, and the level of government support. Some countries experienced a quicker rebound, while others faced more significant challenges.

3. **Improvements in Economic Indicators**:

Some economic indicators showed signs of improvement compared to the depths of the crisis in previous months. This included positive trends in employment figures, industrial production, and consumer spending, albeit from significantly reduced levels.

4. **Stimulus Measures and Policy Support**:

Governments and central banks continued to implement fiscal and monetary stimulus measures to support the economy. These measures aimed to provide liquidity, support businesses, protect jobs, and stimulate demand. Government support packages, such as direct cash transfers and wage subsidies, helped cushion the economic impact for individuals and businesses.

5. Uneven Recovery by Sectors:

Different sectors of the economy experienced varying degrees of recovery. Sectors such as technology, e-commerce, and healthcare demonstrated resilience and even growth, while industries such as travel, tourism, and hospitality faced significant challenges due to ongoing travel restrictions and reduced consumer demand.

6. International Trade Challenges:

Global trade continued to face challenges as supply chain disruptions, travel restrictions, and weakened demand persisted. The pandemic's impact on trade flows and global supply chains remained a concern, leading to discussions on diversification, reshoring, and supply chain resilience.

7. **Ongoing Uncertainties**: The recovery process in June 2020 was accompanied by uncertainties and risks. Concerns about potential second waves of the virus, the effectiveness of containment measures, and the long-term impact on employment and consumer behaviour contributed to cautious optimism.

It's important to note that the global economic recovery process is complex and subject to various factors. The situation has evolved since June 2020, and for the most up-to-date information on the current state of the global economy, it is advisable to refer to recent economic reports and analysis from reliable sources.

UNEMPLOYMENT AND JOB MARKET:

1. **Elevated Unemployment Rates**:

Many countries experienced high levels of unemployment as a result of widespread business closures, layoffs, and reduced economic activity. Industries such as hospitality, travel, retail, and manufacturing were particularly hard-hit.

2**. Job Losses and Furloughs:**

Numerous companies faced financial difficulties and were forced to lay off or furlough employees to cut costs. This resulted in a significant number of individuals losing their jobs or being temporarily out of work.

3. Government Support Measures:

Governments implemented various measures to support workers affected by the pandemic. These included wage subsidy programs, expanded unemployment benefits, and other financial assistance to help individuals and families cope with the economic challenges.

4. Uneven Impact on Different Sectors:

The impact on the job market varied by industry. Sectors heavily dependent on in-person interactions, such as hospitality, entertainment, and non-essential retail, experienced more significant job losses. On the other hand, sectors like healthcare, technology, and e-commerce often demonstrated more resilience or even growth.

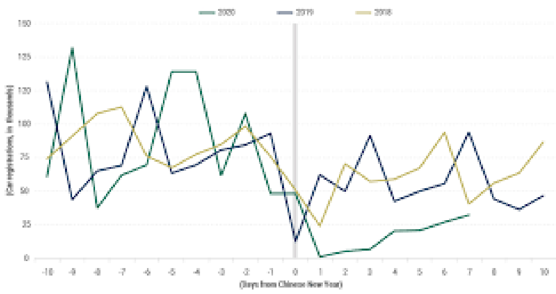
5. Shifts in Employment Patterns:

Some industries experienced shifts in employment patterns as remote work and online services became more prevalent. Companies in sectors such as technology and digital services increased hiring to meet the demand for online platforms, telecommunication services, and remote collaboration tools.

6. Challenges for Youth and Vulnerable Groups:

Younger workers and vulnerable groups, such as low-income earners and those in the informal sector, faced significant challenges in the job market. These groups often experienced higher unemployment rates and were more likely to be employed in sectors heavily impacted by the pandemic.

7. Gradual Recovery:



While some countries began reopening their economies in June 2020, the pace of recovery in the job market was gradual. Hiring activity started to pick up in certain sectors, but it often remained below pre-pandemic levels, and full recovery would take time.

It's important to note that the employment situation and the impact of the pandemic on the job market have continued to evolve since June 2020. For the most up-to-date information on the current state of unemployment and the job market, it is advisable to refer to recent employment reports and data from reliable sources.

FISCAL AND MONETARY POLICY:

Fiscal Policy:

1. Stimulus Packages: Governments worldwide introduced significant fiscal stimulus packages aimed at providing financial support to individuals, businesses, and industries affected by the pandemic. These packages included measures such as direct cash transfers, expanded unemployment benefits, wage subsidies, tax relief, and grants to impacted businesses.

2. Business Support:

Various fiscal measures were implemented to support businesses. These included loans with favourable terms, grants, and financial assistance to help businesses retain employees and maintain their operations during the crisis. Specific support was often directed towards small and medium-sized enterprises (SMEs) that were particularly vulnerable.

3. Healthcare Funding:

Governments allocated substantial funds to bolster healthcare systems in response to the pandemic. Investments were made to enhance medical infrastructure, increase testing capacity, and support the development and distribution of vaccines and treatment.

4. Infrastructure Investment:

Some governments announced infrastructure investment plans to stimulate economic activity and create jobs. These plans involved funding for construction projects, transportation infrastructure, and digital infrastructure development.

MONETARY POLICY:

1. Interest Rate Adjustments:

Central banks employed monetary policy measures, including interest rate cuts, to provide liquidity, support borrowing, and stimulate economic activity. These rate cuts aimed to lower borrowing costs for businesses and households.

2. Quantitative Easing (QE):

Central banks also implemented quantitative easing programs to inject liquidity into financial markets and support lending. These programs involved purchasing government bonds and, in some cases, corporate bonds and other financial assets.

3. Bank Support:

Central banks provided support to banks and financial institutions to ensure the stability of the financial system. Measures included providing liquidity facilities, relaxing capital requirements, and offering loan programs with favourable terms to banks.

4. Exchange Rate Management:

Some central banks monitored and managed exchange rates to support their economies' competitiveness and export sectors. Interventions in foreign exchange markets were employed to stabilize currencies and prevent excessive volatility.

5. Coordination with Fiscal Policy:

Monetary policy actions were often coordinated with fiscal policy measures to maximize their effectiveness. Collaboration between central banks and governments aimed to provide comprehensive support to the economy and ensure policy coherence.

It's important to note that the specific fiscal and monetary policies implemented in June 2020 varied across countries and depended on the severity of the pandemic's impact, the country's economic conditions, and the available policy tools. Furthermore, policies and measures have evolved since then as the global economic situation has continued to develop. For the most up-to-date information, it is recommended to refer to recent policy announcements and economic reports from reliable sources;

TRADE AND SUPPLY CHAIN DISRUPTIONS:

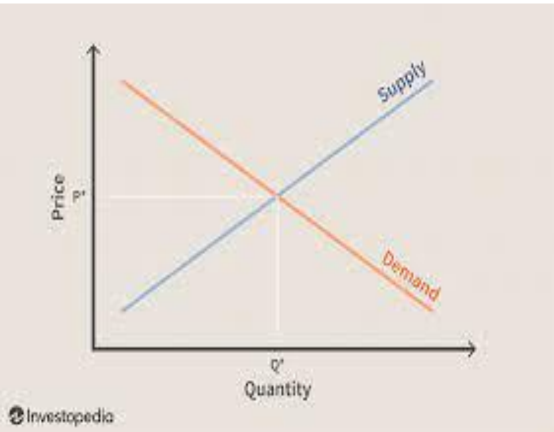
1. Disruptions in Global Trade:

International trade experienced disruptions as countries implemented travel restrictions, lockdown measures, and other containment measures to curb the spread of the virus. Border closures, reduced transport capacity, and logistical bottlenecks affected the movement of goods across borders.

2. Supply Chain Challenges:

Supply chains faced various challenges, including disruptions in production, shortages of critical inputs, and difficulties in transportation and logistics. Restrictions on the movement of goods and labour, as well as temporary closures of factories and warehouses, contributed to supply chain disruptions.

3. Shifts in Demand Patterns:



The pandemic led to shifts in consumer demand patterns, with increased demand for essential goods such as medical supplies and food, while demand for non-essential goods declined. Industries like healthcare, pharmaceuticals, and food and beverage experienced increased demand, while sectors such as fashion, luxury goods, and automotive faced reduced demand.

4. Supply Chain Resilience Initiatives:

Businesses and governments began revaluating supply chain strategies to enhance resilience and reduce dependence on single sources or regions. Discussions around diversification of suppliers, nearshoring or reshoring, and building robust contingency plans gained prominence.

5. Digital Transformation:

The pandemic accelerated the digital transformation of trade and supply chains. Technologies such as e-commerce, online platforms, and digital documentation gained increased adoption. Digital solutions played a vital role in facilitating remote work, online transactions, and contactless delivery methods.

6. Trade Policy and Protectionism:

Some countries implemented trade policy measures to safeguard their domestic industries and address supply chain vulnerabilities. These measures included export restrictions on critical goods, increased scrutiny of foreign investments, and discussions around reshaping global trade relationships.

7. International Cooperation:

International organizations, such as the World Trade Organization (WTO) and World Customs Organization (WCO), focused on promoting cooperation, ensuring the flow of essential goods, and addressing trade-related challenges arising from the pandemic. Discussions around trade facilitation and reducing trade barriers continued.

8. Resumption of Trade:

As countries started to ease lockdown measures and reopen their economies, efforts were made to facilitate the resumption of trade. Governments and organizations worked on harmonizing protocols, enhancing health and safety measures, and establishing guidelines to ensure the safe movement of goods and personnel.

It's important to note that the trade and supply chain landscape continued to evolve beyond June 2020, and the specific challenges and developments may have changed since then. For the most up-to-date information, it is recommended to refer to recent reports, trade data, and analysis from reliable sources.

STOCK MARKETS AND INVESTOR SENTIMENT:

1. Volatility and Recovery:

Stock markets continued to exhibit volatility as investors reacted to evolving news about the pandemic, economic indicators, and government responses. While some markets showed signs of recovery from the significant declines experienced earlier in the year, others remained more volatile and uncertain.

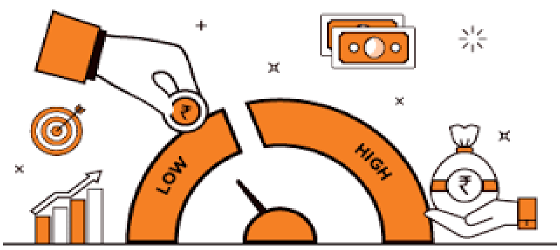
2. Tech Sector Resilience:

The technology sector, which had already been performing well prior to the pandemic, demonstrated resilience and attracted investor interest. Tech companies providing services such as cloud computing, e-commerce, and remote work solutions benefited from increased demand and favourable investor sentiment.

3. Sector-Specific Performance:

The performance of different sectors varied significantly. Sectors such as healthcare, technology, and consumer staples were relatively more resilient and showed signs of strength. On the other hand, sectors heavily affected by the pandemic, such as travel, tourism, and energy, faced continued challenges and struggled to recover.

4. Investor Risk Appetite:



Investor risk appetite fluctuated, with periods of risk-on sentiment followed by risk-off sentiment. Heightened uncertainty regarding the duration and impact of the pandemic influenced investors' decisions. Some investors opted for safer assets, while others sought opportunities for potential growth in sectors perceived to be undervalued.

5. Government Stimulus Impact:

The stock markets were influenced by the fiscal and monetary stimulus measures implemented by governments and central banks. News of stimulus packages, interest rate cuts, and liquidity injections had the potential to boost investor sentiment and drive market rallies.

6. Geopolitical Factors:

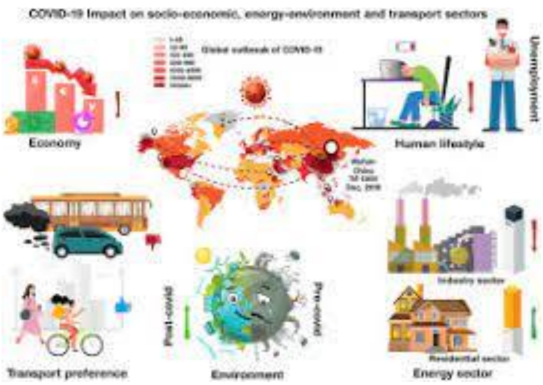
Geopolitical factors, including trade tensions between the United States and China, influenced investor sentiment. News related to international relations, trade negotiations, and geopolitical developments had the potential to impact stock markets globally.

7. Uncertain Economic Outlook:

The global economic outlook remained uncertain, contributing to cautious investor sentiment. The pace and shape of economic recovery, as well as concerns about potential second waves of infections and the effectiveness of containment measures, weighed on investor confidence.

It's important to note that market conditions and investor sentiment are subject to change, and the situation has evolved since June 2020. For the most up-to-date information on stock market performance and investor sentiment, it is recommended to refer to recent market analyses, financial news, and reports from reliable sources.

SECTOR SPECIFIC IMPACTS:



1. Technology:

The technology sector demonstrated resilience and even benefited from the increased reliance on digital solutions during the pandemic. Companies providing services such as cloud computing, e-commerce, video conferencing, and remote work solutions experienced strong demand and saw their stock prices rise.

2. Healthcare:

The healthcare sector played a critical role in responding to the pandemic. Pharmaceutical companies, biotech firms, and medical equipment manufacturers were at the forefront of efforts to develop treatments, vaccines, and diagnostic tools. The sector experienced increased demand and investor interest.

3. Consumer Staples:

Consumer staples, including food and beverage, household essentials, and personal care products, were relatively more resilient. As people focused on essential needs during the pandemic, companies in this sector experienced stable demand, and their stock performance remained relatively steady.

4. Travel and Tourism:

The travel and tourism sector faced significant challenges as travel restrictions and lockdown measures severely impacted the industry. Airlines, cruise lines, hotels, and travel agencies experienced sharp declines in revenue and saw their stock prices drop. Recovery in this sector was expected to be gradual and dependent on the easing of restrictions and restoration of consumer confidence.

5. Energy:

The energy sector, including oil and gas companies, faced a dual impact of reduced demand and a price war between major oil-producing nations. Lockdown measures resulted in decreased global travel and economic activity, leading to a significant drop in oil demand. This, combined with the price war, resulted in lower oil prices and financial strain on energy companies.

6. Retail and Apparel:

Retailers, particularly those reliant on brick-and-mortar stores, faced challenges as lockdown measures forced temporary closures and reduced consumer footfall. E-commerce sales, however, experienced a surge as more consumers shifted to online shopping. Retail companies with a strong online presence or essential goods offerings fared relatively better.

7. Financial Services:

Financial institutions faced challenges related to market volatility, loan defaults, and potential disruptions to their operations. Central bank measures, such as interest rate cuts and liquidity injections, aimed to provide stability to the financial system. Banks also had to adapt to changes in customer behaviour, with an increased focus on digital banking and remote services.

8. Manufacturing and Industrial Sectors:

Manufacturing and industrial sectors were impacted by disruptions in supply chains, reduced demand, and temporary closures. Companies reliant on international trade faced challenges due to restrictions and logistical bottlenecks. However, some manufacturers supplying essential goods or operating in sectors such as technology or healthcare experienced relative stability or growth.

It's important to note that the sector-specific impacts described above reflect the situation in June 2020 and may have evolved since then. The extent of recovery or ongoing challenges may vary across sectors and depend on factors such as regional differences, government policies, and the ability to adapt to changing circumstances. For the most up-to-date information on sector-specific impacts, it is recommended to refer to recent reports, industry analyses, and news from reliable sources.