



Assessing the Potential Impact of COVID- 19 on the North American Economy

Proposing recommendations for
various Industry Sectors...

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<https://hrsagacity.com>



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Foreword

Fight your way back through this global pandemic – Responding to the new normal!

With the beginning of the New year celebrations, the Novel Coronavirus (COVID-19) has tightened its claws not only in China but across the globe – in all the major economies. It has infected more than 2.5 million people around the world, and led to number of deceased to be over 160 thousand in more than 150 countries¹. This pandemic has directly or indirectly impacted multitude of spheres in people's lives, their lifestyles, businesses, relationships as well as global economies, industries and businesses.

The global market, especially North American market has been highly impacted in terms of the number of increasing patients, stressed health care sector, pressurized front-end workers and locked down businesses. Though, China has been the epicentre of the disease, but the pandemic has been brutal in states like New York, California and Washington. Almost 47 million professionals² have been laid off due to businesses going through a rough phase and around 20 million have filed for financial aid in the U.S. Over 500,000 people³ have filed for EI in Canada. The situation seems to worsen and its impact can be seen on stock markets, businesses seeking financial aid and dropping GDP's of various nations.

This report is an attempt to address key issues and concerns arising in the North American economy and job market. While consolidating your resources to fight the economic impact of the pandemic is vital for survival, but responding to the new norm of remote work, change in relevance and importance of the sectors, tapping the new potential and opportunities in certain sectors is also quite important. This paper predicts the ways in which the businesses are going to transform and also provides certain recommendations for businesses to respond to such changes.



Boost local businesses – Move from globalization to localization



Accelerate digitalization efforts



Impacted sectors can partner with other sectors with opportunities



Enhance agility in operations



Strategize and modify your service / product catalogues



Liquidity is essential in today's times



Maintain adaptable supply chains



Adopt variable cost models

Adaptability is the key in the present time and having an empathetic approach towards the people who are being laid off is also quite important. Accepting the new normal and building resources that fit into the new normal is the need of the hour.



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¹ COVID-19 Coronavirus pandemic, Worldmeter, accessed on 20 April 2020

² Coronavirus job losses could total 47 million, unemployment rate may hit 32%, Fed estimates, CNBC, accessed on 30 March 2020

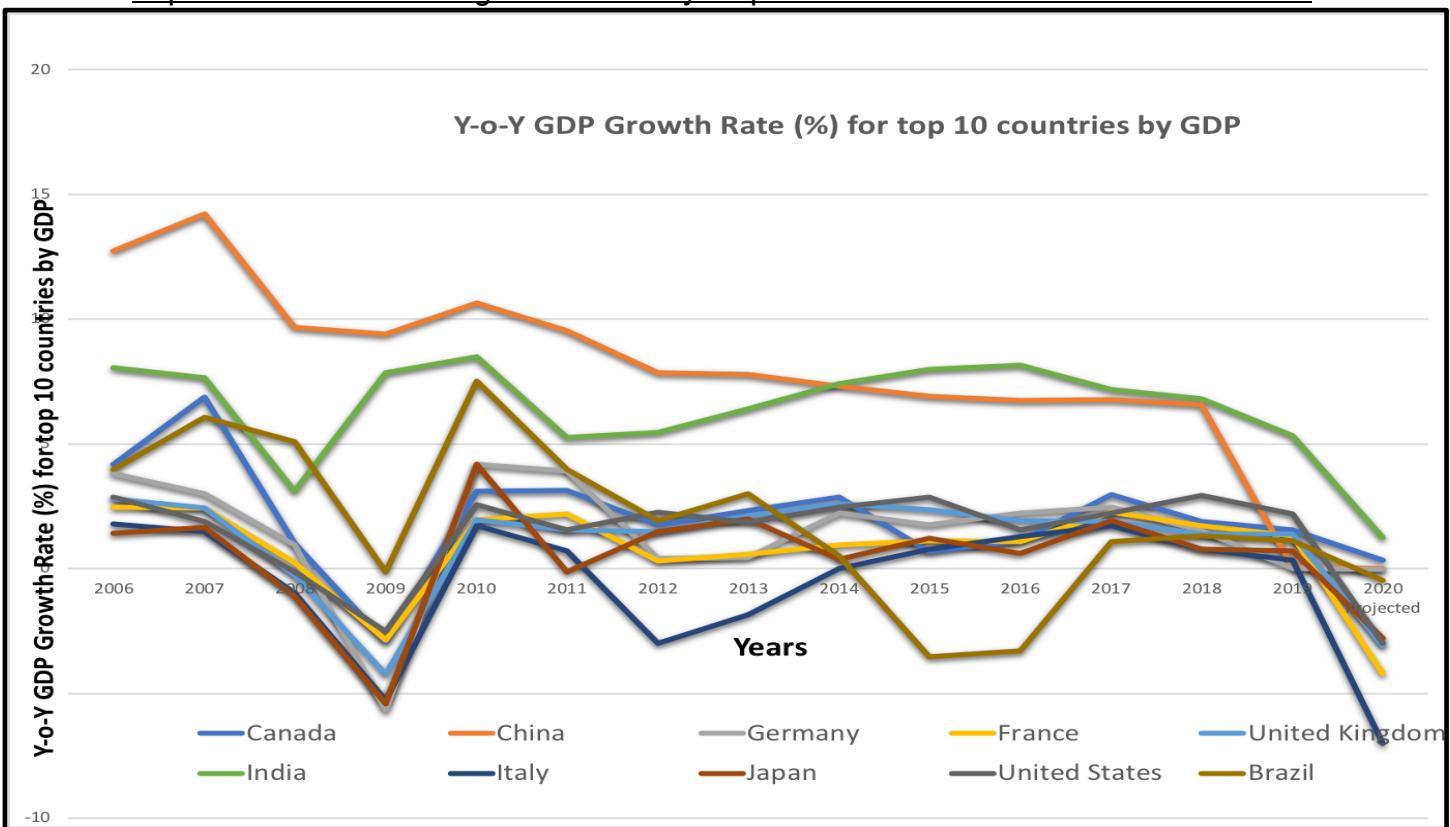
³ Coronavirus: 500,000 Canadians have filed for EI this week, Global News, accessed on 22 March 2020

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Impact on the global economy (1/4)

Impact of COVID-19 on global economy is quite evident in Y-o-Y GDP Growth Rate



Description: Y-o-Y GDP Growth Rate (%) for top 10 countries by GDP

Source: Annual GDP Growth on Respective countries' Statistics office, World Bank, HR Sagacity's analysis 2020

Delving deeper into Y-o-Y GDP Growth Rate (%) estimations for 2020

Countries	2017	2018	2019	2020 Estimates
U.S.	2.32%	▲ 2.93%	▲ 2.20%	▼ -3.00%
China	6.8%	▼ 6.57%	▼ 6.23%	▼ 1.20%
Japan	2.12%	▼ 0.78%	▼ 0.7%	▼ -2.80%
Germany	2.78%	▼ 1.53%	▼ 0.61%	▼ -3.40%
U.K.	1.89%	▼ 1.38%	▲ 1.42%	▼ -3.10%
France	2.366%	▼ 1.73%	▼ 1.30%	▼ -3.90%
India	6.61%	▲ 6.81%	▼ 5.32%	▼ 1.20%
Italy	1.72%	▼ 0.77%	▼ 0.35%	▼ -5.80%
Brazil	1.16%	▲ 1.32%	▼ 1.11%	▼ -0.48%
Canada	3.02%	▼ 1.89%	▼ 1.55%	▼ 0.34%

Source: Annual GDP Growth on Respective countries' Statistics office, World Bank, HR Sagacity's analysis 2020 based on market research and secondary data

- Global economy could contract by around 2.4% in 2020 as a combined effect of COVID-19 and previous financial conditions aggravated by COVID-19
- Major impacted countries, such as Italy, U.S., Spain are going to take a hit of around -3% to -6% on their Y-o-Y GDP growth rate, depending upon the country's preparedness and the time it takes to cope up from the COVID-19 hit.

Impact on the global economy (2/4)

Impact of COVID-19 is evident in PMI (Purchasing Managers' Index) data – Plummeting PMI

Country-wise PMI Data	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
North American Region					
Brazil	52.9	50.2	51	52.3	48.4
Canada	51.4	50.4	50.6	51.8	46.1
Mexico	48	47.1	49	50	46.9
United States	52.6	52.4	51.9	50.1	49.1
European & Middle East Region					
France	52.1	52	51.1	50.4	35
Germany	44	43.7	45.4	48	38
Italy	48	49.3	48.9	48.7	40.3
Spain	48	47.4	48.5	50.4	44.7
United Kingdom	48.9	48	50	51.7	47.8
Asia & Pacific Region					
Australia	49.7	49.6	50.6	49	39
China	51.8	51.6	51.1	37	50.4
Japan	48.9	49.4	48.7	46.8	34.2
Korea	49.4	50.1	50.1	48.7	44.2
India	51.2	53.7	56.3	57.6	50.6
Singapore	49.8	50.1	50.3	48.7	45.4

Recessionary conditions are being seen in several countries as a result of COVID-19 that spread from China globally. A degrading PMI value is an indication of this.

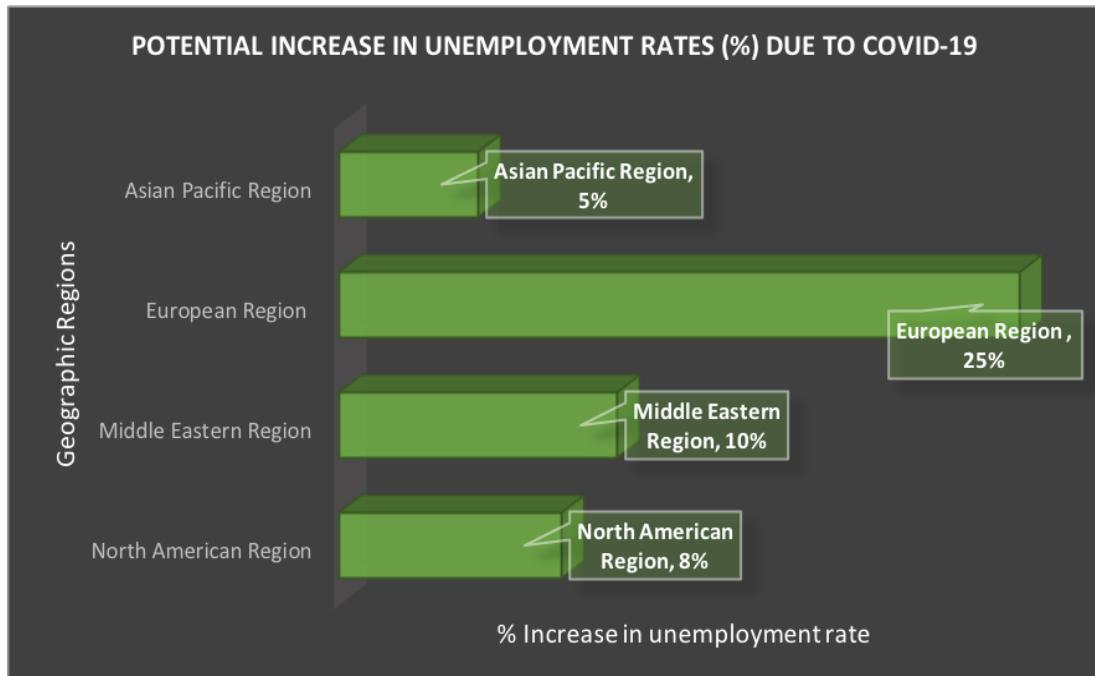
The pandemic has hindered manufacturing facilities and supply chain of several companies.

The waves of pandemic are also being felt in the service sector

Description: PMI (Purchasing Managers Index) is a monthly survey based on 19 industries and it indicates the prevailing direction of economic trends in manufacturing and service sectors. It is a diffusion index whose value if greater than 50 indicates expansion, and lesser than 50 depicts contraction.

Source: Global Economy, IHS Markit, HR Sagacity's 2020 Analysis based on Secondary Research

Impact of COVID-19 on Employment & Job-loss: Unemployment and Reduced Work hours



As social-distancing measures hit the various sectors, the unemployment rates are experiencing a huge surge by over 5 percent in all geographic regions.

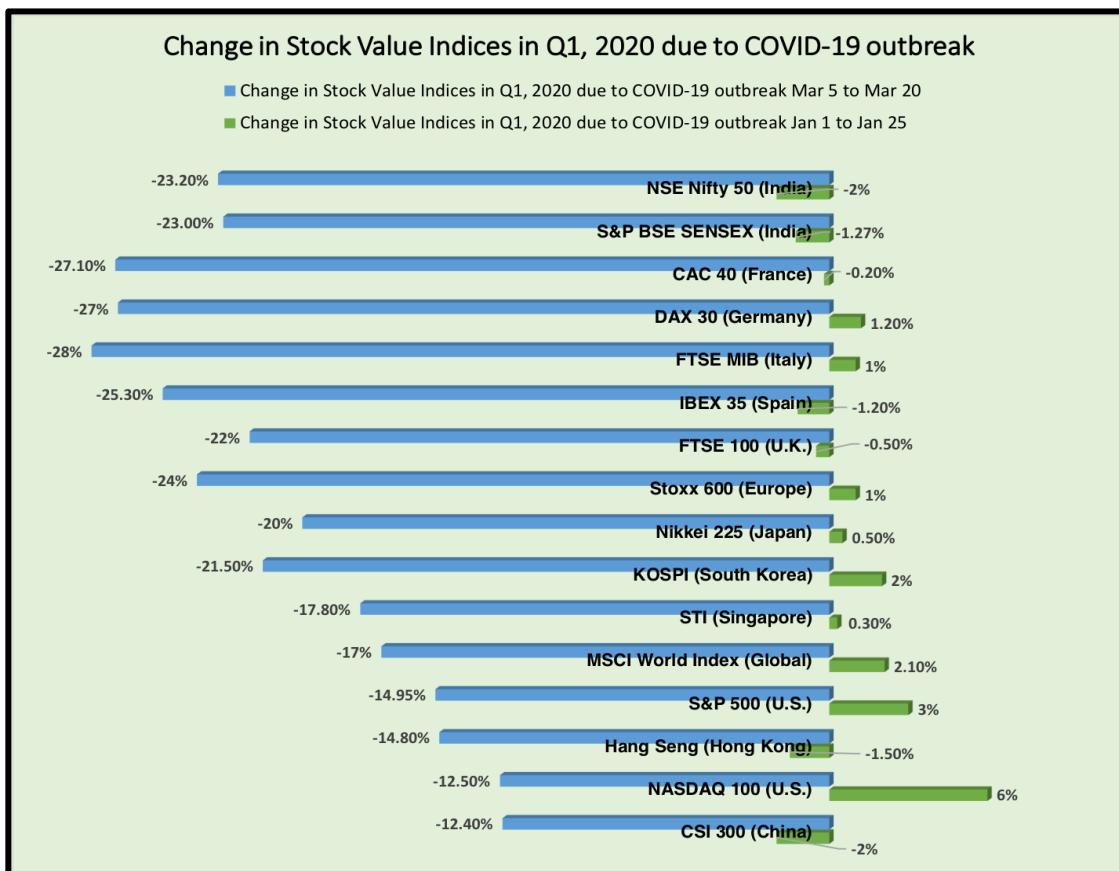
It is largely impacted by the immense slowdown in hospitality, retail, travel, tourism, foods and entertainment sectors.

It is expected that the gap between the poor and rich would also widen as a result.

Source: Bloomberg, Employment Data on the countries' websites, HR Sagacity's 2020 Analysis based on Secondary Research

Impact on the global economy (3/4)

Impact of COVID-19 on Global Stock Markets (Increased Market Volatility)



Brutal 1st Quarter - All the major stock markets globally lost value in the first quarter 2020 due to COVID-19 pandemic spreading across the globe.

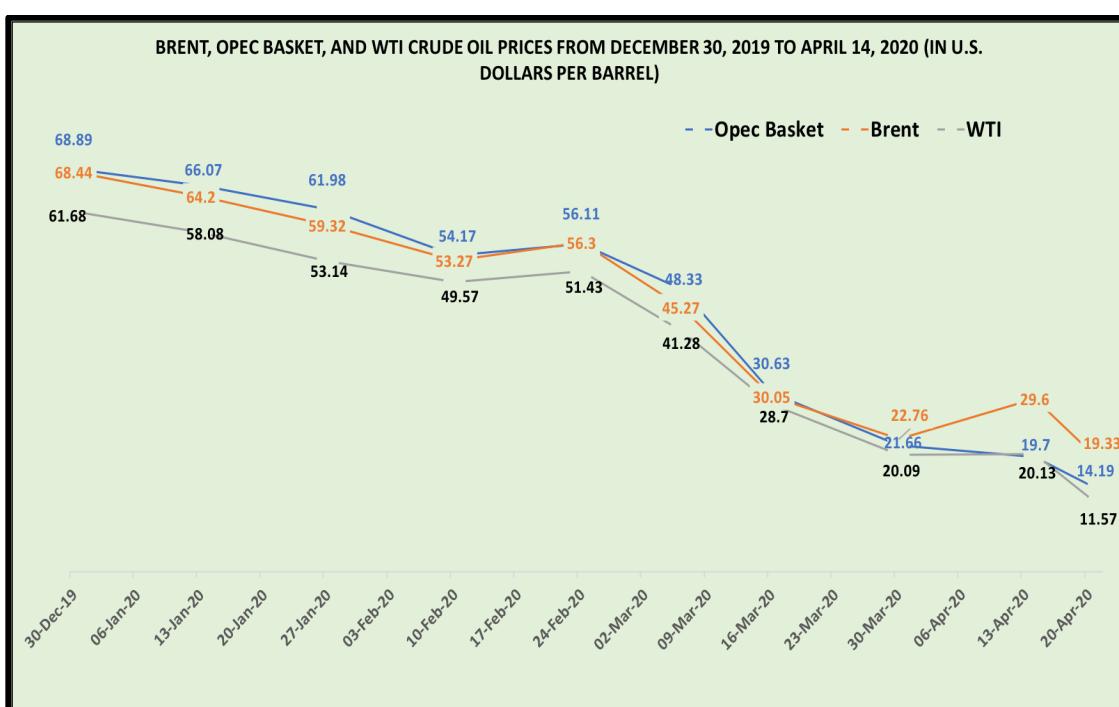
The VIX index (Volatility index) – a measure of stock market's expectation of volatility has risen sharply

March 2020 has been marked as the most volatile month for the key stock markets since 1992.

A decline in bank shares as well as falling crude oil prices had an impact on the stocks.

Source: Individual Stock Market's project data, HR Sagacity's 2020 Analysis based on Secondary Research

Impact of COVID-19 on Crude Oil Prices



U.S. Oil prices turned negative in third week of April.

The dramatic slump in the oil prices is a result of a declined consumer demand as a result of lockdowns amidst COVID-19.

This fall in oil prices can hurt pension savings that are often invested in major oil companies through funds that track equity markets.

It has a direct impact on storage of excess oil, shipping and getting insurance.

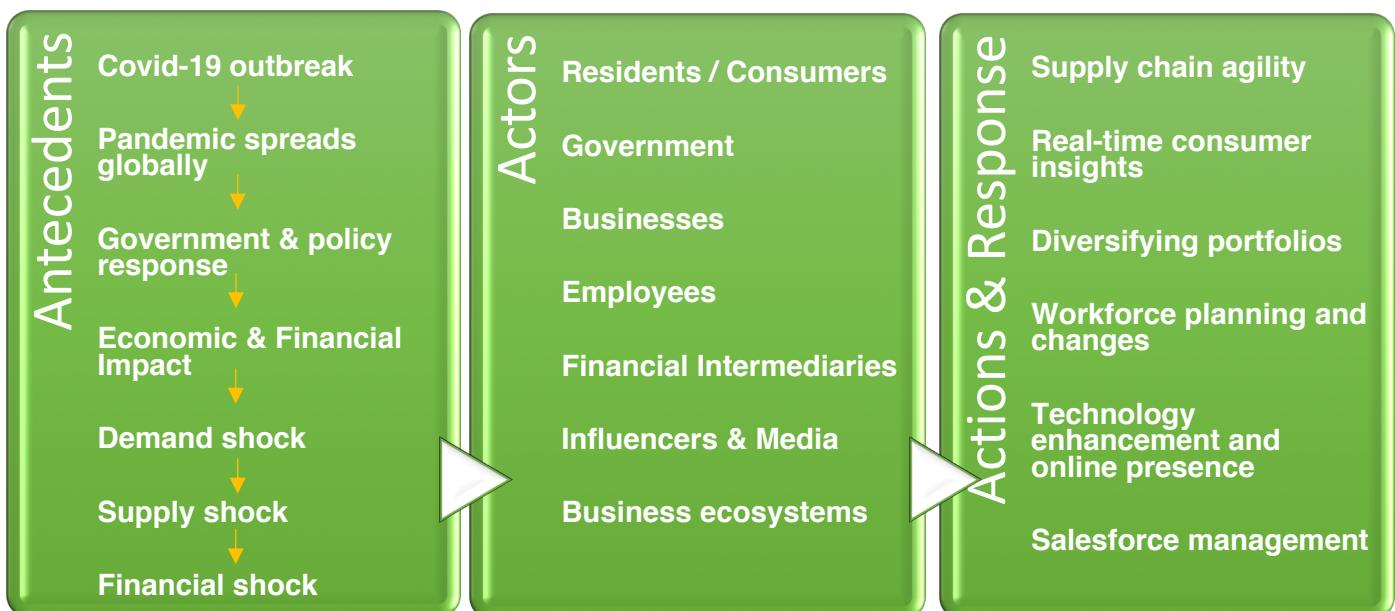
Source: Oil Price.com, HR Sagacity's 2020 Analysis based on Secondary Research

Impact on the global economy (4/4)

Impact on consumer demands – Risk and Opportunities

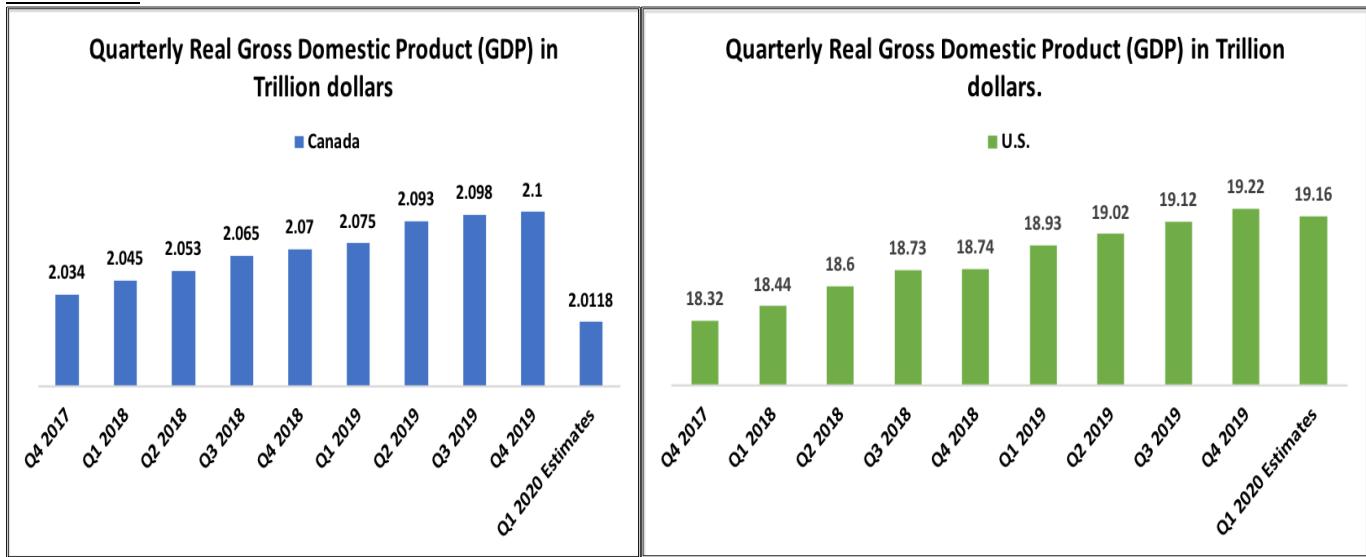
 Panic Buying	→ Evolving consumer behaviours →	Stockpiling groceries, grocery assortments, pantry preparation, demand increases for shelf-stable goods
 Health Awareness	→ Holistic wellness management →	Proactive (purchasing preventive health & wellness products); Reactive (purchasing PPE's, masks, and sanitizers)
 Shoppers Behaviour	→ e-Commerce demands increase sharply; Local stores with online options & delivery options get traction	Restricted living, limited shopping trips, online shopping of essential items spike – groceries & healthcare
 Changing Supply chain	→ Essentials' demand surge; companies diversify to fulfill the demand for essentials	Dynamic demand of goods, companies are moving towards sensing such demand and making supply changes; Companies are also diversifying product portfolios to make sanitizers, ventilators and PPE's

Source: HR Sagacity's 2020 Analysis based on Secondary Research



Impact on the North American economy

Overview



- Shutdowns and reduced functional corporate sector, ranging from factories to overall employment, have led to an initial dip in the real GDP for the entire North American region.
- These lockdowns have led to a dysfunctional customer base – who were once buoyant consumers and who were the driving wheels of America's economy. These customers now look vulnerable as wealth and disposable incomes shrink amid job losses and stock market collapse as a result of pandemic spread.
- Due to plummeting business incomes and shrinking disposable incomes, business' investments are decreasing at a sharp rate.
- Initial financial stimulus offered by the governments might reduce the hit on households and businesses. Also, Financial reserve's relaxation policies might support the financial intermediaries and allow financial markets to remain functional.
- These trends might reduce the Real GDP for North American countries by around 3-4 percent.

State of Affairs in the U.S.



Net Job Loss
of 701 K
by March, 2020



Expected Increase in
unemployment rate
by 3-5% in 2nd Quarter

State of Affairs in Canada

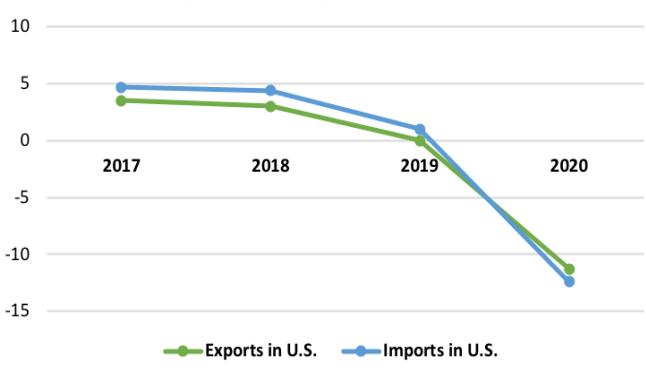


Net Job Loss
of 1 million
in March, 2020

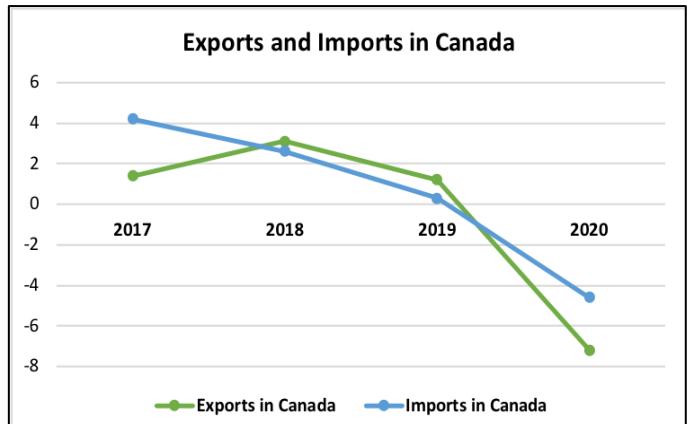


Increase in
unemployment rate
to 7.8% from 2.2%

Exports and Imports in the U.S.



Exports and Imports in Canada



Source: HR Sagacity's 2020 Analysis based on Secondary Research

Sectoral Impact

1. Aviation Industry



2. Automobile Industry



3. BFSI Sector
(Banking,
Financial
Services &
Intermediaries)



4. Building &
construction
Industry



5. Chemicals and
Petrochemicals



6. Consumer,
Retail and
e-Commerce



7. Energy and
Resources



8. Healthcare &
Pharmaceuticals



9. High-tech and
Telecommunications



10. Media and
Entertainment



11. Food
Services



12. Tourism



1. Aviation Industry



Sectoral Overview	
Sectoral contribution to GDP and employment	<ul style="list-style-type: none">• ~5 percent⁴ contribution to U.S. Gross Domestic Product,• \$1.6 trillion contribution to total economic activity in U.S.,• 11 million jobs supported in U.S. Aviation industry• Civil aircraft manufacturing continues to be the top net export in the U.S. with a positive trade balance of \$70.9 billion. <ul style="list-style-type: none">• Over \$31 billion⁵ contribution to Canadian GDP,• Generates around 213K jobs in Canada,• 93% of aerospace manufacturers were exporters and export 75% of their output.
Current State and Potential Impact	
Supply-side Impact	
Cash flow reduction	<ul style="list-style-type: none">• Due to lockdown situation and travel restrictions to pandemic affected regions, there are large scale flight cancellations.• 40% of flights⁶ have been impacted due to flying restrictions to Asian and Schengen regions.• To hedge against these domino effects of the pandemic on the aviation industry, U.S. airlines have requested around 60 billion dollars. <ul style="list-style-type: none">• It has been estimated that Canadian Airlines companies would need between 5 billion dollars and 10 billion dollars to bail out from the pandemic losses.
Labour force	<ul style="list-style-type: none">• Several American airlines have also laid off around 25,000 to 30,000 workers. Over 15000 pilots and flight attendants have taken voluntary leaves. <ul style="list-style-type: none">• Canadian airlines companies have laid off over 30000 workers and temporarily laid off around 20000 flight attendants. Over 2000 pilots have been temporarily laid off.
Demand-side Impact	
Lockdown / travel restrictions	<ul style="list-style-type: none">• Due to lockdown and travel restrictions, airlines have reduced their capacities by around 97%.• Customers' fear of catching the disease has led to fearsome flight cancellations. A decline of 38% in revenue passenger kilometres or RPKs⁷ has been estimated by IATA, leading to over 252 billion loss to airlines industry.

⁴ Federal Aviation Administration Report – January 2020

⁵ State of Canada's Aerospace Industry Report 2019

⁶ HR Sagacity's secondary research, Guardian, CBC News, The Star

⁷ IATA Press Release – Deeper Revenue Hit from COVID-19

1. Aviation Industry



Key Recommendations		
Recommendations	Short-term	Medium-term to Long-term
A. Diversification into Freight Operations		<ul style="list-style-type: none"> Diversifying airlines to freight operations until this lockdown lifts and the pandemic fears lift up, might offset a percentage of the lost passenger revenue.
B. Consolidation of international inbound flights	<ul style="list-style-type: none"> To help the airlines cut their losses, government and airlines should try consolidating the international flights to a few cities. This can cover up for the dropping number of passengers. 	<ul style="list-style-type: none"> The consolidation efforts should continue until the situation improves for airports and airlines from the impact of lockdown and global pandemic.
C. Ensuring health and hygiene for end-customers	<ul style="list-style-type: none"> Conduct health checks of all travellers before boarding. Denial of boarding for symptomatic passengers, or passengers who have been refused boarding in the past 14 days due to a medical reason linked to COVID-19. 	<ul style="list-style-type: none"> Make the customers feel safe by publicising the health and safety measures taken by the airlines companies and government. Publish the health assessment of the airlines and the destinations. Insurance incentives can be provided for travelling customers.
D. Marketing campaigns	<ul style="list-style-type: none"> Airlines can adopt promoting campaigns for customers, such as "<i>Postponing travel up to period of 12 months is an option at 5 percent discount. Do not need to cancel your travel plans immediately</i>". 	<ul style="list-style-type: none"> Long-term marketing campaigns could include promotional offers for future bookings with discounted stay plans. This might help airline industries partner with the hospitality industry to offer a good stay and travel plan.
E. Ease provision of financial aid (by financial intermediaries to reduce financial stress)	<ul style="list-style-type: none"> Moratorium period for loans provided to airline industries might be extended without any conditions for the time being. 	<ul style="list-style-type: none"> Policy of not classifying loans as NPA. Airline can be listed for Priority sector lending by banks. Loans at preferential rates. Deferment of loan repayment contracted with government.
F. Compliance and Tax related measures by government	<ul style="list-style-type: none"> Taxes levied by state governments as well as ground lease rentals for airports should be relaxed. 	<ul style="list-style-type: none"> Grants and subsidies to be provided by the government. Relaxation in policies for airports and airlines.



2. Automobile Industry

Sectoral Overview	
Sectoral contribution to GDP and employment	<ul style="list-style-type: none"> Number of vehicles operational in the U.S.: ~270 million Revenue (U.S.) for Vehicles & Parts (Retail): 1250 billion USD U.S. Manufacturing industry gross output: ~750 billion USD Number of Employees⁸: ~1.5 million people Contribution of Canadian Automotive Industry to GDP⁹: \$19 billion Automotive industry accounts for 10% of manufacturing GDP and 23% of manufacturing trade in Canada Number of Employees: ~525K people
Current State and Potential Impact	
Supply-side Impact	
Finance & liquidity	<ul style="list-style-type: none"> Spread of COVID-19 in the last few weeks of Q1 has hindered analyses and finalizing of financial statements of businesses Operational disruptions and financial unpreparedness might lead to problems in recoverability of receivables, restructuring actions and/or liquidity issues
Labour force	<ul style="list-style-type: none"> The labour force is largely impacted by the pandemic wide-spread across the North American and European continent. Finance personnel are being reactive – either directly impacted by the virus or trying to mitigate the impact of COVID-19.
Import of Raw Material, Auto Production	<ul style="list-style-type: none"> Automotive industry is disrupted due to several countries, such as China, Japan and Korea who are exporters of vehicles' parts to U.S. Automotive companies are dysfunctional. The trade and manufacturing is restricted due to COVID-19 and thus need operational resilience to make a comeback.
Supply chain & Operations	<ul style="list-style-type: none"> Several Tier 2 and 3 suppliers are impacted due to the supply chains being impacted. Depth and breadth of impact needs analyses and assessment.
Demand-side Impact	
Consumers	<ul style="list-style-type: none"> As quite evident in the fuel industry, the impact of lockdown is being felt in the automakers' businesses as well. The consumers are emphasizing more on cash savings and spending less on new vehicles and vehicular maintenance due to decrease in consumer spending power.
Commercial vehicle consumers	<ul style="list-style-type: none"> The demand for commercial vehicles has also plummeted due to disruptions in other industries.
Trade (Exports)	<ul style="list-style-type: none"> Lockdowns globally and production disruptions have impacted U.S. Automobile Exports to a very large extent.

⁸ Bureau of Labour Statistics Report, U.S.

⁹ Canadian Automotive Industry – Government of Canada

2. Automobile Industry



Key Recommendations		
Recommendations	Short-term	Medium-term to Long-term
A. Moving to local suppliers	<ul style="list-style-type: none"> Companies with international supply chains for significant and critical auto parts, specifically brakes, wheels, steering components and electronic installations should look for local partners. 	<ul style="list-style-type: none"> The supply chain disruption's depth needs to be dealt with alternatives and local partnerships for the next 2-3 years' period.
B. Analysing supply chain disruptions	<ul style="list-style-type: none"> Daily self-reporting with critical suppliers Clear and transparent communication can aid in tackling labour issues and raw material supply disruptions. 	<ul style="list-style-type: none"> In-depth analytics of the supply chain disruptions and potential ripple effect. Developing agility and a dynamic supply chain through digital supply chain transparency solutions that can reveal disruptions sooner.
C. Financial and cash issues	<ul style="list-style-type: none"> Liquidity challenges need to be addressed by stress-testing and sensitivity analyses of cash statements. All the accounting and reporting information should be completed and validated. Reducing interest rates and deferring tax payments. 	<ul style="list-style-type: none"> Alternate financial resources need to be assessed along with analysing capital allocation. Budgeting programs and assessing their impact on liquidity constraints is another step for auto manufacturers. Lay out a clear cash flow and working capital plan to handle any commercial shocks.
D. Compliance and Tax related measures by government	<ul style="list-style-type: none"> Provide relaxation to OEM's and automobile manufacturers in case there are license expirations or approaching deadlines to previously approved conditions – a relaxation of 3-6 months. 	<ul style="list-style-type: none"> Grants and wage subsidies to be provided by the government. Relaxation in policies for manufacturers and dealers. Provision for tax deferrals.
E. Strategizing and developing execution plan	<ul style="list-style-type: none"> Develop a clear, timely and transparent communication plan. Be proactive in dispensing information. Consider workforce' health & wellness. Educate front-line workers about the disease and preventive measures. 	<ul style="list-style-type: none"> Modify financial hedges if there are operations' disruptions to absorb the shocks. If companies have planned budgets and ready to access capital, this is a good opportunity for Mergers and acquisitions.



3. BFSI Sector

Sectoral Overview

Sectoral contribution to GDP and employment	<ul style="list-style-type: none">~7.5%¹⁰ (around 1.6 trillion) Contribution to the U.S. GDPMore than 6.4 million people employed in U.S. BFSI SectorU.S. Exports in Financial Sector in 2019 mid were ~115 billion~3.3%¹¹ Contribution to the Canadian G.D.P.More than 400K people employed by Canadian BFSI SectorTaxes paid by 6 key top players in BFSI Sector: ~13 billion
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Current State and Potential Impact

- Risks emerging at Business Partners and stressed customers directly influence the BFSI Sector. As market volatility soars, banks need to re-evaluate their portfolios.
- Employee wellness is critical for the sector as delivery of services are dependent on human interaction.
- Majority of the financial services' work entails travelling which is restricted amidst the lockdown situation; thus industry is struggling to find new ways of working.
- As the customers have adopted a more cautious outlook amidst these recessionary conditions, there would be reduced offtake of loans from the BFSI sector. This trend is also impacted by fewer investments in real estate, consumer goods and housing assets and working capital financing.
- There are probable chances of increased delinquencies post the moratorium period.
- There is a potential risk of increase in defaults and insolvencies as the hospitality, travel, airline and tourism industry take a major hit due to COVID-19 unless the regulatory framework is tweaked by the BFSI players to address these changing circumstances that other sectors are witnessing.
- Industry might experience liquidity concerns due to heightened amount of delinquencies in Q1 & Q2.
- A large number of borrowers might require their credit facilities to be restructured once based on re-estimated business cash flows, thus paving the need of one-time restructuring of loans post COVID-19.
- Banks might also need to address their internal operations and control measures for two reasons – first, increased cyber security risks as most of the transactions go digital; second, revisiting their internal borrower rating systems as several sectors take the hit due to COVID-19.

¹⁰ Financial Services Spotlight Report by Select USA

¹¹ Canadian Bankers Association

3. BFSI Sector



Key Recommendations		
Recommendations	Short-term	Medium-term to Long-term
A. New approach for credit approvals and financing	<ul style="list-style-type: none"> Several sectors, such as travel, tourism, hospitality, food services, automobile, oil and gas have been highly impacted due to disruption of their value chains. BFSI players can accelerate their process of identifying these sectors and adopting a new approach to approve immediate and subsidized loans for these sectors. This accelerated approach might lead to increased number of default cases, deterioration of credit quality and intensified monitoring measures. Financial sectors can adopt D&A methods and digitalization to track such scenarios and take data-backed decisions. 	<ul style="list-style-type: none"> One-time restructuring window can be provided to businesses as they wish to tweak them according to their change in cash flows due to the pandemic. On a long term basis, banks need to rethink of calibrating measures for pandemic-specific scenarios when certain known sectors have been highly impacted by the pandemic.
B. Adequate liquidity management	<ul style="list-style-type: none"> Liquidity managers need to orient themselves from short-term ad-hoc actions to long-term liquidity management actions. Liquidity frameworks established in 2008 crisis do not prove good enough in current scenarios. They need to be reassessed to see how these frameworks can be tweaked to work for a pandemic situation. 	<ul style="list-style-type: none"> Credit models need to be reassessed and might need a second layer of prudence whereas loan models might require added flexibility as the consumer behaviour changes.
C. Digital Payments	<ul style="list-style-type: none"> Merchants, retail channels can be incentivised by Financial sector to adopt or maximize the use of digital payments. 	
D. Increased operational resilience	<ul style="list-style-type: none"> There is an existential crisis for several businesses due to value chains being disrupted. At this time, the key to come back is flexibility and resilience. Customers and businesses need to be educated for heightened risks of cyber security (remote working, fraudulent), IT Security risks, Project Quality, Project Management, Resources Risks and Reputational damages. 	<ul style="list-style-type: none"> Banks need to re-evaluate their models to check operational resilience, risk profiles, various risk scenarios and business continuity plans.



4. Building & Construction

Sectoral Overview

Sectoral contribution to GDP and employment	<ul style="list-style-type: none">• ~4.5% (around 1.4 billion) Contribution to the U.S. GDP.• More than 10 million people employed in U.S. BFSI Sector.• Outputs utilized by sectors, such as Manufacturing, Utilities, Real Estate, Transportation and Warehousing.• ~7%¹² Contribution to the Canadian G.D.P.• ~ 1.3 million people employed by Canadian Construction Industry.• Fifth largest construction market in the world.• Over 300 billion dollars investments made in Canadian Construction Sector.
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Current State and Potential Impact

- Several construction projects have been delayed, others have been disrupted or cancelled as a result of this unprecedented pandemic whose end cannot be predicted as yet.
- Supply chain disruptions due to trade restrictions and lock down has contributed to work stoppages. Overall supply hauls include Asian glass, cement, steel, and other materials.
- Sub-contractors are highly impacted by these work stoppages and lock down even for weeks. Several of these sub-contractors might be on the verge of filing for bankruptcies.
- Weakening situation in aviation, hospitality and retail sectors might impact the cash flow for construction from these sectors.
- In addition to the direct impact of pandemic, the construction industry is also facing the indirect impact via plummeting prices in the oil and energy sector. This is creating a chain reaction as this sector is delaying the expenditures in construction projects linked to mining, refining, exploration or production.
- Though, there is an initial stimulus being provided by federal and state / provincial governments; but if the interest rates continue to be at low levels, the government might not have enough to offer this stimulus any further as was done after 2008 crisis in 2009-10.
- The downward pressure might continue owing to changing consumer behaviour, evolving demands and disrupting supply chains.
- The construction industry's workforce is more prone to the illness as there is no scope for remote work and the workers need to work on-site along with others.
- Companies might need to adopt staggered workforce and smaller team measures along with social distancing for ensuring work continuity along with employee wellness at the same time.

¹² Industry and Business - The Canadian Construction Industry



4. Building & Construction

Key Recommendations		
Recommendations	Short-term	Medium-term to Long-term
A. Revisiting concerns of subcontractors	<ul style="list-style-type: none">Government should work closely with federal as well as state-based subcontractors to derive measures for work continuity and certain emergency measures that can assist amidst this sudden disruption of construction work.	<ul style="list-style-type: none">Financial services sector and government can re-evaluate how revolving credits, easy loans, and cash-flow reserves can aid subcontractors to tackle operating expenses (both current and forecasted).
B. Ensuring worker's safety	<ul style="list-style-type: none">The contractors and sub-contractors should work closely with federal and state / provincial governments to devise plans for workers' and consumers' safety, while ensuring work continuity.	
C. Restructuring opportunities	<ul style="list-style-type: none">Review budgets (capital and cost budgets) to identify discretionary items that can be cut at this point of time.	<ul style="list-style-type: none">Consider divesting non-performing or under-performing assets and evaluate mergers and acquisition scenarios.
D. Utilise D&A and implement workforce contingency plans	<ul style="list-style-type: none">Explore data-backed methodology to predict workforce needs and take concrete measures to develop workforce contingency plans, including strategic action plans for diminishing demands and activity.	

5. Chemicals & Petrochemicals



Sectoral Overview

Sectoral contribution to GDP and employment	<ul style="list-style-type: none">Chemical & Petrochemical industry manufactures goods that are building blocks for wide range of consumer and industrial products.Market size of Petrochemical manufacturing industry in the U.S. ~ 60.2 Billions¹³ in 2020; employing over 850K employees in U.S.Including pharmaceutical output, the chemical output value was over 780 billion U.S.D. in 2018.~1% (~14 billion dollars) Contribution to the Canadian G.D.P.Directly employs over 90,000 workers and supports another 600K jobs in related sectors.
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Current State and Potential Impact

- Operational and Supply chain disruptions due to the outbreak in key regions have a direct impact on the chemical and petrochemical industry.
- Demands are falling due to cautious consumer behaviour and recessionary conditions as the uncertainty increases in the capital markets globally.
- Health and wellness risks to workers has led to several restrictive measures taken by government and companies alike. There is no scope for remote work in this industry. In fact this industry has worker-dense atmosphere and it would be quite difficult to implement social distancing measures.
- A new opportunity from personal health and household product manufacturers for chemicals and petrochemicals might give a boost to the demand in this industry.
- Disruption of necessary supply chain and raw materials might jeopardize the chemicals' manufacturer's ability to fulfil the finished goods' demands.
- Due to falling oil prices, the industry might have an indirect influence while manufacturing petrochemical products. Raw material prices also are falling majorly driven by crude prices. But, supply tightness due to trade restrictions might push the raw material prices high.
- Majority of petrochemical manufacturers and chemical suppliers face cash flow issues due to sudden supply disruptions and staggering demands.
- The end-product price for petrochemicals is expected to face pressure due to declining demands and market uncertainty whereas for other chemicals, prices are expected to be medium to high as the supply tightness continues and products are needed in the personal health sector.
- Impact on exports for certain chemicals is also going to feel the hit due to lockdown restrictions and trade barriers.

¹³ IBIS World, Statistia and HR Sagacity's Secondary research

5. Chemicals & Petrochemicals



Key Recommendations		
Recommendations	Short-term	Medium-term to Long-term
A. Revisiting concerns of chemical and petrochemical manufacturers	<ul style="list-style-type: none"> Government should work closely with federal as well as state-based petrochemical & chemical manufacturers to derive measures for work continuity and certain emergency measures that can assist amidst this sudden disruption of construction work. 	<ul style="list-style-type: none"> Financial services sector and government can re-evaluate how revolving credits, easy loans, and cash-flow reserves can aid petrochemical and chemical industry players to tackle operating expenses (both current and forecasted).
B. Ensuring worker's safety	<ul style="list-style-type: none"> The companies should work closely with federal and state / provincial governments to devise plans for workers' and consumers' safety, while ensuring work continuity. It might entail reducing the workers in each team, staggering shifts and inducing forced social distancing measures at worksite. 	<ul style="list-style-type: none"> Evaluate automation measures to reduce worker density in the work site. The areas that could be considered for automation could be automating movement (forklifts, cranes, etc.), automating repetitive tasks including assembly line (robotics and motor robots), and predictive maintenance (data and analysis backed prediction using AI, Machine Learning and IoT).
C. Financial reporting measures	<ul style="list-style-type: none"> Review budgets (capital and cost budgets) to identify discretionary items that can be cut at this point of time. Consider disclosing information beyond financial statement, such as current and future liquidity analysis, forecasted risks and current as well as future judgements (e.g. receivables collectability, inventory obsolescence, debt covenants and impairment). 	
D. Utilise D&A and implement workforce contingency plans	<ul style="list-style-type: none"> Explore data-backed methodology to predict workforce needs and take concrete measures to develop workforce contingency plans, including strategic action plans for diminishing demands and activity. 	

6. Commerce, Retail & e-Commerce



Sectoral Overview

Sectoral contribution to GDP and employment	<ul style="list-style-type: none">Online spending accounted for 16%¹⁴ of total retail sales in U.S. in 2019. Consumers spent over \$601.75 billion online in 2019.Total retail sales in U.S. in 2019 were around ~\$3.76 trillion.This industry directly employs over 29 million people and supports another 42 million jobs.~\$ 610 billion sales in 2019 Canadian retail sector. B2C e-Commerce sales accounted for ~ 1.6 trillion dollars in 2019.Directly employs over 2 million workers and supports another 500K jobs.
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Current State and Potential Impact

- U.S. retail industry saw a surge in online orders and Y-o-Y revenue increase by 68% as of mid-April, higher than the earlier peak of 49% achieved in January.
- Over 129% Y-o-Y growth in the U.S. and Canadian e-commerce orders as of mid-April and around 150% growth in all online retail orders.
- Nearly 95% of the North American population has been impacted by the lockdown and stay-at-home orders, which has increased online conversion rates by over 8.5% as of mid-April.
- Around 72% of the consumers¹⁵ are using mobile devices to place their orders, and this number is higher by a wide margin from other devices.
- This pandemic situation would eventually lift, but meantime the need of buying essentials is creating and reinforcing a new wave of online buying behaviours and habits. It is advocated that in majority of the families, online grocery shopping, apparel and online entertainment would replace mall visits, grocery chain visits and Cinemax / movie halls until a new vaccine is found for COVID 19.
- The retail industry would have evolved a lot due to these changing consumer behaviours and a significant consolidation of retailers during the pandemic situation would fundamentally change the competitor and partner landscape.
- As majority of products, such as flour, toilet paper, soaps, cleansing agents are rapidly vanishing from shelves, the brand loyalty would erode as consumers would buy any brand.
- Retailers such as Amazon, Costco, Walmart, Metro, Loblaws that sell essentials which are much needed at these times would stand strong during this pandemic whereas retailers, such as Shopify, Sephora, Macy's who sell lifestyle products, non-essentials are taking the hit.
- Consumers are becoming risk-averse health conscious and demand touchless self-service shopping options whether it is online or in-store purchase.
- AI-enabled and IoT powered personalized marketing and content management would be the priority for consumers as they do not want to waste time searching for products they need.
- Retail stores would also see spike in demand and face supply chain challenges as the trade barriers still persist until the disease ends.
- Retail stores with physical footprint would also gauge their budgets, cost effectiveness in operations, supply chain adequacy and assess whether to keep the stores open or close.

¹⁴ HR Sagacity Secondary Research (IRI, IBIS, Digital Commerce 360), SelectUSAGov, International Trade Analysis

¹⁵ PYMNTS' 2020 Remote Payments Study

6. Commerce, Retail & e-Commerce



Key Recommendations		
Recommendations	Short-term	Medium-term to Long-term
A. Handling supply chain disruptions during demand spikes	<ul style="list-style-type: none"> Some retail stores have reportedly shut down due to falling footfall whereas others are seeing demand spikes for certain products – especially, pharma and groceries. The criticality of filling the shelves can be understood. It is not enough to fill in the stores but use data to predict the future needs and ensure supply management is imperative. 	<ul style="list-style-type: none"> Predictive insights powered by Data and Analytics along with IoT can aid the retail channels to invest in supply chain and manage them in advance. This can also aid in predicting resources' needs – hiring workforce, temp workers and gig workers for peak times.
B. Ensuring safety and showing that you care – Raise touchless, self-service options for consumers	<ul style="list-style-type: none"> The companies should work closely with federal and state / provincial governments to devise plans for workers' and consumers' safety, while ensuring work continuity. Sanitization of carts, self-service checkouts and shelves is critical for consumers and workers alike. 	<ul style="list-style-type: none"> The consumers are more health conscious than ever, this time paves way for touchless, self-service shopping solutions for consumers whether it is in-store purchase or e-commerce check out.
C. Powering online digital platforms for your retail stores	<ul style="list-style-type: none"> Digital shopping and e-commerce are here to stay as consumers would have built new behaviours and habits of online shopping. Now, is the time for retail stores to invest in online retail channels. 	<ul style="list-style-type: none"> Agile and flexible value chains is the answer to the falling footfall at physical stores.
D. Convenience and consumer experience should not have to compromise with user security	<ul style="list-style-type: none"> As personalized web content, offers, promotions and pricing adapt to each consumer's buying preferences and history, the account controls and security should also adapt on similar lines. 	<ul style="list-style-type: none"> All users cannot be treated alike. A microsegmentation-based strategy can be adapted based on user purchase history, user type, device specifics, IP risks, geolocation, custom internet protocols.
E. AI and Machine Learning powered customized User-experience	<ul style="list-style-type: none"> AI and ML can be used to segment customers based on their profiles, purchase history, geolocation. This segmentation can be utilized for targeted sales and personalized content as well as marketing. 	<ul style="list-style-type: none"> A combination of AI, Robotics, Machine learning can go a long way in transforming the consumer experience while shopping.
F. Assessing your financial reports and cash reserves	<ul style="list-style-type: none"> Stores with falling footprints can rethink their strategy, re-evaluate their cash reserves and financial reports. 	<ul style="list-style-type: none"> Diversification into products with high demand and platforms with high traction is an answer to survival of retail channels.



7. Energy and Resources

Sectoral Overview

Sectoral contribution to GDP and employment	<ul style="list-style-type: none"> • U.S. is a leader in the production, supply and consumption of energy. U.S. energy companies produce oil, natural gas, coal, renewable fuels, as well as electricity from clean energy sources, including wind, solar, hydropower, geothermal, and nuclear power. • Total investment in the U.S. energy sector was valued at \$350 billion in 2018¹⁶ (the second-largest in the world). That same year, total foreign direct investment in the U.S. industry reached \$172.8 billion. • Canada accounts for 7%¹⁷ of world's renewable water (Hydroelectric energy resources); 3rd largest oil reserves and 3rd largest reserves of Uranium. • Canada is ranked 6th in terms of energy production globally, and exports energy products to 145 countries. It contributes around 10.6% to G.D.P. (~\$213 billion) and employs 4.9% (~900,000).
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Current State and Potential Impact

- The energy sector is facing unprecedented challenges due to declined demand stemming from the pandemic. The impacts have been exacerbated by Saudi Arabia and Russia price wars.
- As indicated in the IEA Oil Market Report – April 2020, global **oil demand** is expected to fall by a record 9.3 mb/d year-on-year in 2020. Demand in April is estimated to be 29 mb/d lower than a year ago, down to a level last seen in 1995. Similar fall in demand & price can be felt in electricity sector.
- Companies have tried to cut down on expenses; cease construction of new facilities, decrease expenditures wherever possible. Non-critical investments have been suspended.
- Renewable sector is highly impacted due to trade restrictions globally and exports / imports of energy resources being hindered.
- The drop in investments has a direct impact on the North American economy and threatens jobs of those employed directly in those invested sites. In Canada alone, it threatens over 500,000 jobs.
- The industry is in survival mode and is trying its best to come back with lesser harm done due to pandemic and price wars. The import and exports of energy and resources is taking a hit which would directly have an impact on the G.D.P. In Canada alone, this sector generated about \$110 billion in direct real gross domestic product in 2019.
- Governments are taking measures to support the energy sector and to mitigate the negative effects of the crisis. There are myriad challenges that policy makers, regulators, TSOs and DSOs need to address to ensure energy security.
- As it has been put forth by International Energy Agency, the cheaper oil and energy might put clean energy transitions at risk. Cheaper energy reduces the appeal of buying more energy efficient cars or retrofitting buildings. Thus, policymakers need to keep in mind the “green” agenda.

¹⁶ SelectGovCanada, International Trade Agency, HR Sagacity's Secondary Research

¹⁷ NRCAN Factsheet Energy Sector



7. Energy and Resources

Key Recommendations		
Recommendations	Short-term	Medium-term to Long-term
A. Reducing financial stress in the Energy and Resources Sector	<ul style="list-style-type: none"> Though, the government has provided initial stimulus to this sector, yet these companies might potentially need short term borrowings to manage the current crisis situation. Banks can aid in easing such financial stress as this sector is marked as one of the essential services. 	<ul style="list-style-type: none"> Policy of not classifying loans as NPA. Energy sector can be listed for Priority sector lending by banks. Loans at preferential rates. Deferment of loan repayment contracted with government.
B. Financial reporting and assessing your cash reserves	<ul style="list-style-type: none"> The companies need to focus on cutting out unnecessary investments and expenditures; suspend any non-immediate projects until the situation improves for the sector in particular. 	
C. Manage supply disruptions for certain energy products	<ul style="list-style-type: none"> Illuminate the extended supply network. Understand and activate alternate supply channels. Companies can work on regularly updating inventory policies and planning parameters. 	<ul style="list-style-type: none"> Prepare for intermittent plant closures as the demand for certain resources decline. Stress upon production scheduling agility.
D. Adjusting to changing demand for energy, fuel and other resources	<ul style="list-style-type: none"> Companies should gauge the demand impact on their business. They should adopt short-term demand-supply synchronization strategy. Companies should also evaluate alternate in-bound and out-bound logistics. 	<ul style="list-style-type: none"> Companies should also be prepared for the rebound once the situation changes, followed by the demand changes. Company officials should work closely with the government and keep open channels of communication with the customers and government.
E. Ensuring worker's safety	<ul style="list-style-type: none"> The companies should work closely with federal and state / provincial governments to devise plans for workers' and consumers' safety, while ensuring work continuity. It might entail reducing the workers in each team, staggering shifts and inducing forced social distancing measures at worksite. 	

8. Healthcare & Pharmaceuticals



Sectoral Overview

Sectoral contribution to GDP and employment	<ul style="list-style-type: none">Together with Canada, U.S. and Mexico, the North American Pharma market represents the largest continental pharma market worldwide.The United States alone holds over ~45 percent of the global pharmaceutical market.The reported spending on healthcare in 2019 in U.S. has been estimated to be more than \$3.6 trillion (~19% of its GDP).On the other hand, the total healthcare spending in Canada in 2019 was around 11.6% in Canada (~265 billion).Canadian pharmaceutical industry accounts for ~23 billion dollars.Over 2 million employees are directly employed in health care sector in Canada and more than 16 million people in U.S. work in the healthcare sector.
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Current State and Potential Impact

- The outbreak of pandemic has imposed positive and negative consequences in the healthcare sector, pharmaceutical distribution, retail and health insurance.
- Billions of dollars have been pledged for research pertaining to the medicines and development of vaccination for COVID 19. Companies, such as Gilead, Johnson & Johnson, Sanofi, Takeda, GSK and Moderna are a few companies working on developing potential therapies for COVID 19.
- North America pharma industry has a potential threat of research and manufacturing work stoppages, owing to patients unable to travel to clinical test sites, resource reduction for testing, non-availability of labour, transport interruptions and physical distancing bottlenecked production volumes.
- There are continual delays in manufacture and import of active pharmaceutical ingredients (APIs) and excipients, and manufacturing facilities are stretched by employee absences.
- Normal patients who do not have COVID 19 are restricted from visiting clinics, doctors and health centres. This has increased discomfort for people and also decreased the sales for Chronic disease drugs.
- There is supply shortage for certain drugs which rely on import channels as the trade is restricted in the Q1 and Q2 for North America.
- Consumers in offline pharmacies and health centres have decreased to avoid cross-infection.
- Governments are taking measures to support the stressed healthcare sector to mitigate the increased pressure for ventilators, PPE's and medical supplies.
- Due to the emerging need of the hour, there is a stress on fast development of Internet of Medical things that might be a positive value addition for healthcare in future.
- Supply-side investments and structural reforms might accelerate the pace of research and manufacturing in-house within the countries, thus strengthening the positioning in the global healthcare industry.
- There is an opportunity for pharma companies to invest in convenient digital apps to search, order and deliver drugs. This might be a new transformation in 2020.
- Virtual and social media promotion has become even more critical as healthcare providers avoid any noncritical promotions in healthcare facilities, clinics, and hospitals.

8. Healthcare & Pharmaceuticals



Key Recommendations		
Recommendations	Short-term	Medium-term to Long-term
A. Ensuring support for consumers	<ul style="list-style-type: none"> • Ensure availability of generic drugs and essential medicines for the consumers. • Promote digital checkout mechanisms and online ordering of drugs to avoid unnecessary visits to health centres. 	<ul style="list-style-type: none"> • Strengthen checks and validations along with FDA verification for preventing counterfeit medicines.
B. Supply disruption and Labour shortages	<ul style="list-style-type: none"> • Though, healthcare and pharma sector has already been classified as essential service, government and companies should collaborate on meeting FDA standards with appropriate documentation for imported drugs. • Labour shortages can be tackled by taking workers' safety measures, such as alternate shifts, enforcing distancing measures and recruiting contingent healthcare workforce. 	<ul style="list-style-type: none"> • If the drug shortages are unavoidable, product sponsors must ensure that they have functioning processes for shortage notifications and if there could be alternate measures to mitigate shortages – such as, expiration date extension, alternative suppliers,
C. Tackling delays in clinical trials for drugs	<ul style="list-style-type: none"> • Companies need to assess the locations of their clinical trial sites to understand how those sites may be affected and whether virtual contact may be a substitute for in-person study visits. • Certain policies and protocols for remote work need to be established and modified to allow remote monitoring and independent drug delivery. 	<ul style="list-style-type: none"> • In order to avoid disruptions in clinical trials, if certain licensing and funding mechanisms are needed, then review of relevant corporate policies and documents should be done followed by early discussions with key stakeholders and business partners. • Revisions in Investigator brochures and informed consent forms along with additional procedures to ensure data integrity in view of staff/monitoring shortages or remote visits should be further considered.

9. High-tech and Telecommunications



Sectoral Overview

Sectoral contribution to GDP and employment	<ul style="list-style-type: none"> High-tech industries are very important for the North American Economy. This industry account for around 23%¹⁸ in the U.S. GDP. It employs around 17% of workforce (~ 16.9 million jobs). As per a new report by CTIA, the U.S. Wireless industry alone contributes \$475 billion to U.S. GDP and supports ~5 million jobs. The Canadian High-tech sector employs over 1 million employees (~6.1% of the total employment). It generates around \$118 billion revenue. Canada's wireless industry contributes \$49 billion to its GDP, which represents ~2.5% of the total Canadian GDP.
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Current State and Potential Impact on High-Tech Industry

Overall Impact	<ul style="list-style-type: none"> COVID-19 has had a significant impact on the high-tech industry. The positive aspect is the accelerated digitalization, transformation for remote working and de-risking the end-to-end value chain. The negative impact is supply disruption of the raw materials, disruption to the electronics value chain and potential risk of inflation on products. Another aspect is the potential of reduced carbon emissions, that might stress upon the sustainability practices in the high-tech sector. The good news here is that Tech industry is one of the few industries better prepared for remote work and digital transformation.
Semiconductors	<ul style="list-style-type: none"> Short term effects would be supply disruption of raw materials, such as copper, aluminium and chemicals – that, might further delay the manufacturing and impact the go-to-market strategies of the products. Long term effects – Increased use of cloud computing and work from home might technologies might increase the demand for chips in PC's and servers. Go-to-market strategies might change for certain products owing to supply chain disruptions and changes in value chain.
Hardware / Software	<ul style="list-style-type: none"> Short term effects would be supply chain disruptions for smartphones, reduction in new or renewal of orders for smart phones. Software would be the growth catalyst for several companies as they seek solutions for remote work, such as Zoom, Slack, Jeera, Confluence, Asana. Long term effects would be increase in demand for laptops, mouse and other mobile solutions. Software demands would also increase for IT Security, cloud, mobile solutions and network enhancement.
Enterprise Technology	<ul style="list-style-type: none"> Enterprise demand for cloud infrastructure, mobile solutions (laptops, routers), IT Security, and remote work technologies would be high.
Consumer Technology	<ul style="list-style-type: none"> Recessionary conditions for consumers might push the demands on the lower side, but many people working from home might actually stream more content, advertise more and explore more remote work software / apps.
Network Equipment	<ul style="list-style-type: none"> 5G and network updates would be most likely deferred to the next term until the supply disruptions are resolved. On the other hand, investments in network would be on the rise to support cloud and mobile usage, which further powers remote work and home entertainment.

¹⁸ Report by Bureau of Labour Statistics – Beyond the Numbers

9. High-tech and Telecommunications



Current State and Potential Impact on Telecommunications Industry	
Overall Impact	<ul style="list-style-type: none"> Companies are re-assessing their investments in 5G and other network changes. High amount of data usage and streaming due to people working from homes. Network resilience is a high priority action item for the telcos. Data is finding newer uses in tracking COVID-19 and backing research.
Financial Impact	<ul style="list-style-type: none"> Similar to other industries, a few telco companies might face financial issues due to reduced cash flows. Telecom companies who facilitate sports, media entertainment might see a negative impact due to event cancellations, and sports' disruptions.
Data usage for tracking Covid-19	<ul style="list-style-type: none"> Large amount of data is being utilized by smart apps, government and other organizations to track infected individuals due to Covid-19. This might actually raise privacy concerns in near future.
Network resilience	<ul style="list-style-type: none"> Network usage is increasing manifolds as consumers use data for various purposes. Voice calls are also seeing a surge. Network resilience, infrastructure reliability are a concern for several telcos. Several companies are collaborating with smart start-ups to enhance their tech-capabilities.
Consumerism	<ul style="list-style-type: none"> Promotional offers from various remote work tool providers are on the rise. Several offers for customers such as free unlimited minutes, data streaming etc. to improve consumer experience. Self-service is being encouraged to sell and rate products by telcos. Launch of new smart phones and investments in 5G have been deferred.

Key Recommendations

Recommendations	Short-term	Medium-term to Long-term
A. Tackle value chain disruptions	<ul style="list-style-type: none"> Tech leaders should evaluate the varied alternations to tackle supply chain disruptions. They should reassess the value chain and find out methods in which the disruption could be mitigated in near future. 	<ul style="list-style-type: none"> Companies should evaluate and list potential demand shocks as well as supply-side disruptions. They should prepare their inventories to mitigate disruptions and prepare for market volatility.
B. Be ready for future of work scenarios	<ul style="list-style-type: none"> Guide your teams for remote work. Drive innovation and technology adoption to support new ways of work from home – whether it is investing in remote work tools, network, IT capabilities or training. 	<ul style="list-style-type: none"> Companies can consider Mergers and Acquisitions to enhance their tech capabilities.
C. Low-no touch options for consumers	<ul style="list-style-type: none"> Telcos need to assess low-touch self-service options for their consumers. 	<ul style="list-style-type: none"> This time presents opportunities for M&A with creative start-ups to enhance tech capabilities and better the consumer experience.
D. Network resilience	<ul style="list-style-type: none"> Companies should and must invest in network reliability and infrastructure for work from home. 	
E. Customer care readiness	<ul style="list-style-type: none"> As the customers' usage increases; their customer call centres should be well-equipped to handle high volume of calls and queries. 	

10. Media and Entertainment



Sectoral Overview

Sectoral contribution of the industry	<ul style="list-style-type: none"> Media and entertainment industry includes broader segments of motion pictures, television programs and commercials, online streaming content, music and audio recordings, broadcasts, radio, video games, book publishing, and ancillary services and products. The U.S. Media and Entertainment industry, that accounts for \$717 billion¹⁹ market, represents 1/3rd of the global Media & Entertainment industry. The Canadian Media and Entertainment industry accounts for ~\$50 billion²⁰ market.
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Current State and Potential Impact on Media and Entertainment Industry

Overall Impact	<ul style="list-style-type: none"> COVID-19 has a significant impact on the advertising, marketing, supply and consumption of content around the world. As the people are stuck at their homes, demand for streamed content, new episodes, programs, live events and multi-layered content is rising sharply. On the other hand, new content creation is hindered due to the pandemic spread, whether it is live streaming, new events, sports' events or sitcoms. Companies, such as Netflix, eSport leagues, Amazon Prime, Disney, Hotstar, Star are finding new ways to entertain and engage their customers. Some companies, such as Netflix, Facebook, Google are seeing high activity. Several other companies impacted by the pandemic have ceased their advertising campaigns as their services are not relevant in the crisis times.
Increased demand for content	<ul style="list-style-type: none"> Demand for any kind of content – streamed, video gaming, live events, movies, music streaming etc. has risen sharply.
Disruptions in streaming content, live events and entertainment	<ul style="list-style-type: none"> Supply for new content, specifically for sitcoms, new episodes for certain dramas, live entertainment events, sports leagues etc. is limited due to production activities under shut down for the time being. Disney has reported a loss of around \$1.2 billion owing to closure of theme parks and stores. Similar losses are being reported by museums, theme parks, concerts, movie theatres, sports events etc.
Reduction in production and advertising revenue	<ul style="list-style-type: none"> Many online platforms, including Facebook have reported a decline in their advertising revenues. The advertising content is also being tweaked considering current pandemic situation to gain consumers' attention.
Enhanced scope for Mergers and Acquisitions	<ul style="list-style-type: none"> Companies with excess of capital might see this as a good opportunity for increasing their audience and technological capabilities.

¹⁹ SelectUSAReport, HR Sagacity's Secondary Research

²⁰ HR Sagacity's Secondary Research and Estimations

10. Media and Entertainment



Key Recommendations		
Recommendations	Short-term	Medium-term to Long-term
A. Tackle supply of content and production disruptions	<ul style="list-style-type: none"> Companies should invest in alternatives that are readily available for streaming. Leaders should plan for future production stoppages along with their employees, external stakeholders to plan their content. 	<ul style="list-style-type: none"> Companies can look at creative start-ups for content creation and live streaming. Companies can assess how they can leverage automation in each aspect of their production and advertising.
B. Advertising changes	<ul style="list-style-type: none"> Companies should assess how they can adjust their content and advertising capabilities to reflect the current pandemic situation and work around with the consumer sentiments. 	<ul style="list-style-type: none"> Companies can also evaluate how they can collaborate with their partners, alliances to differentiate their advertising capabilities from their competitors.
C. Network resilience	<ul style="list-style-type: none"> Companies should and must invest in network reliability and infrastructure for undisrupted streaming of their content. 	
D. Financial assessment	<ul style="list-style-type: none"> Companies can re-assess their financial reports, budgets and cost structures to offset any revenue decline. 	<ul style="list-style-type: none"> Companies can also consider government stimulus and incentives to back their businesses in case of reduced revenues.

11. Restaurants and Food Services



Sectoral Overview

Sectoral contribution of the industry	<ul style="list-style-type: none"> Restaurant & Food Services Industry is a key driver for the U.S. economy. It accounts for ~5% contribution to GDP²¹ with sales of around ~\$1.5 trillions. This industry also accounts for (15 million) ~10% of the overall employment, and ~11% of US consumers' disposable personal income (DPI). The Canadian Food Services Industry generates around \$80 billion²² annually in sales, which represents around 4.1% of this GDP
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Current State and Potential Impact on Media and Entertainment Industry

Overall Impact	<ul style="list-style-type: none"> COVID-19 had a marked impact on the restaurants and food services industry as governments closed restaurants and bars to slow the pandemic spread. Customers' fear of contracting the disease further reduced the take-away orders and home deliveries. Closure of restaurants had a ripple effect on related industries like food production, liquor, wine, beer production, F&B shipping, fishing and farming. Several meat processor industries were forced to close their factories as their workers contracted diseases from one another due to lack of social distancing. Online orders for home deliveries has still shown spike from past few weeks, but out-of-home food ordering accounted for a major portion of revenues which has hit the rock bottom in Q1 and Q2, 2020. Even when the pandemic is contained, there is little probability that the increased ordering would be able to normalize the lost sales in Q1 and Q2. Seeing the trade restrictions and varying commodity pricing as well as costs-to-serve, companies might have to re-assess pricing and promotion strategies.
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Key Recommendations

Recommendations	Short-term	Medium-term to Long-term
A. Handling supply chain disruptions and market demand volatility	<ul style="list-style-type: none"> Several companies (especially ones with just-in-time supply fulfillment strategy) must re-evaluate their sourcing strategies, re-assess their product ranges and SKU's, evaluate their supply chain's resilience and route-to-market channels. 	<ul style="list-style-type: none"> Companies should search for alternative supply arrangements in case of demand surge. They can also plan their inventories after calculating their business needs using data from recent sales in early Q2 and predictive analytics.
B. Evaluate alternative route-to-market channels	<ul style="list-style-type: none"> Companies can assess various alternatives for route-to-market channels and find out the roadblocks in switching to those channels. 	<ul style="list-style-type: none"> Companies can formulate contingency plans for varied scenarios that might cause supply disruptions or demand fluctuations.
C. Financial assessment	<ul style="list-style-type: none"> Companies can re-assess their financial reports, budgets and cost structures to offset any revenue decline. Companies can talk to key customers and partner with businesses to support business continuity 	<ul style="list-style-type: none"> Companies can also consider government stimulus and incentives to back their businesses in case of reduced revenues.

²¹ Economic contribution of F&B Industry by Committee for Economic Development (CED)

²² UFCW Statistics



12. Tourism Industry

Sectoral Overview

Sectoral contribution of the industry	<ul style="list-style-type: none"> U.S. travel and tourism industry generates over \$1.6 trillion²³ and accounts for ~ 3 percent of GDP. It employs around 7.8 million people directly. Canadian tourism revenues account for around \$40 billion (~6%)²⁴ contribution to its GDP. Over 1.8 million people (~10% of all employed individuals in Canada) are employed in the tourism industry.
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Current State and Potential Impact on Media and Entertainment Industry

Overall Impact	<ul style="list-style-type: none"> COVID-19 has hit hardest on the travel, tourism and hospitality industry. Due to the fear of pandemic spread, governments have restricted travel from almost last 3 months. The hospitality industry has reported reduced occupancy falling from >80% to <5%. As the situation is not curtailed, travel (both personal and business) is restricted; airlines are grounded in summer, which is usually a busy time for the tourism industry. Even, when the restrictions are lifted, vacations won't be the same for another 1-2 years due to social distancing measures. A report from the U.S. Travel Association and Oxford Economics has estimated that around 8 million Americans have already lost their jobs in the tourism industry.
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Key Recommendations

Recommendations	Short-term	Medium-term to Long-term
Financial Relief and support by government	<ul style="list-style-type: none"> Government needs to provide initial stimulus and induce relaxation measures (taxes, fees and regulations) to support the industry. 	<ul style="list-style-type: none"> Gradually, the government can relax trade restrictions and introduce favourable fiscal policies to help this sector sustain the pandemic.
Ease in getting loans for businesses	<ul style="list-style-type: none"> This industry majorly comprises of small to medium-sized businesses, which might require loans to survive the pandemic as their businesses would be majorly hit by the pandemic. 	<ul style="list-style-type: none"> Ease of getting loans would aid businesses to survive and keep a few of their employees intact.
Financial impact mitigation	<ul style="list-style-type: none"> Companies can re-assess their financial reports, budgets and cost structures to offset revenue decline. Companies can talk to key customers and partner with businesses to support business continuity 	<ul style="list-style-type: none"> Companies can assess the debt and equity funding sources Companies need to be transparent with the lenders and can even involve them in mitigating strategies and continuity plans.
Communication strategy	<ul style="list-style-type: none"> Be transparent with your HR personnel, various employees and communicate your plan of action clearly. This time would be difficult for both the company and the employees alike – transparency and team work would be the key for survival. Employee engagement and uplifting morale would be a key challenge. 	<ul style="list-style-type: none"> Various companies who have pre-bookings with them can offer their customers / guests with alternate options for cancellations to retain the customers for long-term.

²³ SelectUSAReport, HR Sagacity's Secondary Research

²⁴ HR Sagacity's Secondary Research and Estimations

Research Calendar – HR Sagacity

Awaited Reports:

Assessing the Impact of COVID – 19 on North American Economy.....	May 2020
Applications of People Analytics on Hiring.....	May 2020
Report on Remote Work Tools & Technologies 2020.....	May 2020
Report on The Future of Work.....	June 2020
Applications of People Analytics on Performance Management.....	June 2020
Report on Workday – How is it different from other HCM Suites.....	July 2020
An Account of Successful Mergers and Acquisitions.....	July 2020
Employment Legislative Changes in North America.....	July 2020

Awaited Articles & Thought Papers:

Remote Work Wiki and Policy Guidelines.....	May 2020
Remote Work Expectations and Behaviours.....	May 2020
Remote Work Culture – Key Aspects to Consider.....	May 2020

Awaited Training Programs to be Released

Managing Employee Compensation & Benefits Program.....	June 2020
Recruiting 101.....	August 2020

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