In March 2020, millions of office workers around the globe packed up their desks and almost overnight became remote workers. They left behind daily train journeys, coffees with colleagues, and crowded meetings for a new world of virtual meetings, makeshift home offices, and juggled teaching with emails.

Now many firms are struggling to survive an unavoidable global recession. However, they also need to react now to the longer-term risks facing the economy.

- COVID-19 will act like a fast-forward button, accelerating long term trends such as a shift to home working, rising economic nationalism, and corporate sustainability.
- Long-term structural shifts in the economy will permanently reduce demand for many sectors. New working and social patterns will threaten sectors such as airlines, entertainment, restaurants, and international tourism.
- Shocks like COVID-19 create recession, mass unemployment, and most likely major political aftershocks. However, shocks also trigger innovation, ingenuity, and new opportunities.

Globalization was already under threat from nationalism and trade wars like the US-China disputes. When COVID-19 first appeared in Wuhan at the end of 2019, the main concern in the West was around disruption to supply chains that originated in China. Companies dependent on supplies from China faced and experienced shortages of pharmaceuticals, PPE, and many other goods.

These problems may ease soon. However, long-term firms may seek to make their supply chains more resilient. This could mean more “inshoring”, shortening and simplifying these often complex, opaque chains. Economic nationalism or economic independence may also see barriers raised to prevent shortages of critical medical supplies or the supply of goods deemed strategic or valuable such as rare minerals, oil, and food.

A new world means new opportunities and markets. Tech companies that provide work from home services like video chat should have a bright future, as should domestic tourism in a world scared to fly and online delivery services. Zoom, a digital communications firm specializing in video meetings, had 10 million daily meeting participants in December 2019. In April 2020, just four months later, Zoom counted more than 300 million daily meeting participants.
Less obvious niches like drive-in cinemas could also enjoy a boom. The collapse and retreat of many firms due to COVID-19 will result in a wave of consolidation and restructuring. The successful firms of the future will be those that prove resilient now.

COVID-19 and climate change

The prospect of economies in ruins, unprecedented recession, and mass unemployment will prompt many to assume that action on climate change is no longer a priority. However, a COVID-19 recession is a stark reminder of how nature can deliver a deadly shock. COVID-19 is a dress rehearsal of how climate risks may soon affect society.

Disruption is a harbinger of change. Deep recession is the time and opportunity to remodel the economy on sustainable lines. This means building back better, sustainably. Kristalina Georgieva, MD of the IMF commented, “If this recovery is to be sustainable - if our world is to become more resilient - we must do everything in our power to promote a green recovery.”

governments and firms can build on policies already in place:

- Invest in green resilient infrastructure that can cope with a changing planet. The world will experience more heat waves, sea level rise, and extreme weather as climate change becomes more intense.

- Mandate measures like the Task force for Climate Related Financial Disclosures (TCFD) reporting which identifies climate risks in banks’ portfolios. Canada launched the Large Employer Emergency Financing Facility (LEEFF) designed to support employment during a COVID recession. Any firms receiving funding will have to publish climate-related disclosures (TCFD).

- Use renewable energy sources to help mitigate climate change.

- Encourage green infrastructure: cycle paths, electric vehicle charge points, and a faster broadband to make it easier to work from home

- New stimulus packages combined with a restructured economy could be the impetus for a more sustainable economy. The world will look closely for green credentials in China’s forthcoming economic recovery package. The EU is pushing ahead with its EU Green New Deal in conjunction with its COVID-19 emergency response package.
the long-term risks for a “brown” recovery

A “brown” recovery is one based upon traditional energy sources such as oil and coal. These energy sources feed resource intensive sectors such as cement and heavy industry; these activities magnify climate risks through greenhouse gas emissions. A world of more extreme weather events, deadly heatwaves, and sea level rise will disrupt economies in way that dwarfs the current crisis.

Companies that are not reducing emissions may be penalized by governments or consumers. France has made reduction in emissions and domestic flights a condition of its bailout of Air France. Consumers could increasingly shun firms that are not acting responsibly on reducing emissions or taking sustainability seriously.

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