



# COVID-19 Business Recovery

Council Report  
November 2020

The situation around COVID-19 is highly dynamic, evolving rapidly, subject to significant uncertainty. These materials are shared “as is” without any representation or warranty. Statements of expectation, forecasts and projections relate to future events and are based on assumptions that may not remain valid for the whole of the relevant period. Consequently, they may be used only at the user’s sole risk and responsibility and no guarantee or opinion is made or offered. These materials do not constitute, and should not be interpreted as, policy, accounting, legal, medical, tax or other regulated advice, or a recommendation on any specific course of action, and the user is solely responsible for its compliance with applicable laws, rules and regulations. Consider seeking advice of legal and other relevant certified/licensed experts prior to taking any specific steps.

# **COVID-19 is, first and foremost, a global humanitarian challenge.**

Thousands of health professionals are heroically battling the virus, putting their own lives at risk. Governments and industry are working together to understand and address the challenge, support victims and their families and communities, and search for treatments

## **Organizations around the world need to act promptly.**

This document is meant to help senior leaders understand the COVID-19 situation and how it may unfold, and take steps to address.

- 1. Global & local economic trends overview**
2. Learnings from other jurisdictions
3. Relevant opportunities

# Scenarios for the Economic Impact of the COVID-19 Crisis

## GDP Impact of COVID-19 Spread, Public Health Response, and Economic Policies

### Virus Spread & Public Health Response

Effectiveness of the public health response in controlling the spread and human impact of COVID-19

#### Rapid and effective control of virus spread

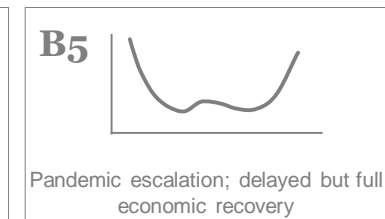
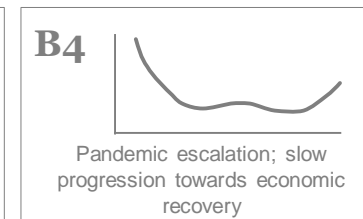
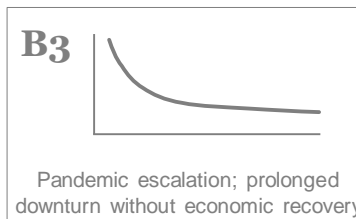
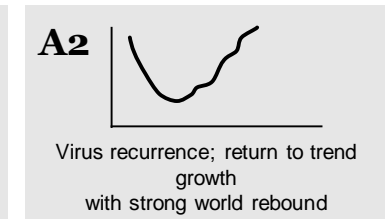
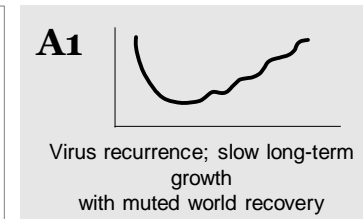
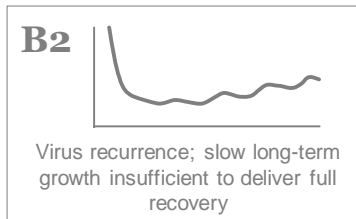
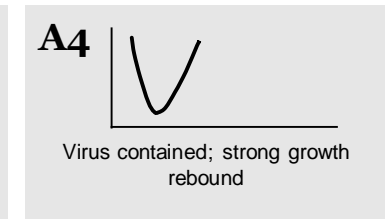
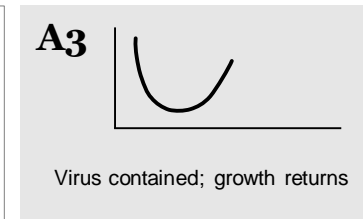
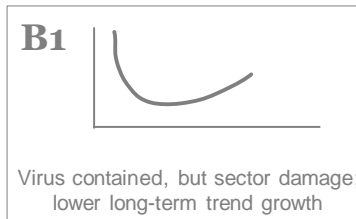
Strong public health response succeeds in controlling spread in each country within 2-3 months

#### Effective response, but (regional) virus recurrence

Initial response succeeds but is insufficient to prevent localized recurrences; local social distancing restrictions are periodically reintroduced

#### Broad failure of public health interventions

Public health response fails to control the spread of the virus for an extended period of time (e.g., until vaccines are available)



#### Ineffective interventions

Self-reinforcing recession dynamics kick-in; widespread bankruptcies and credit defaults; potential banking crisis

#### Partially effective interventions

Policy responses partially offset economic damage; banking crisis is avoided; recovery levels muted

#### Highly effective interventions

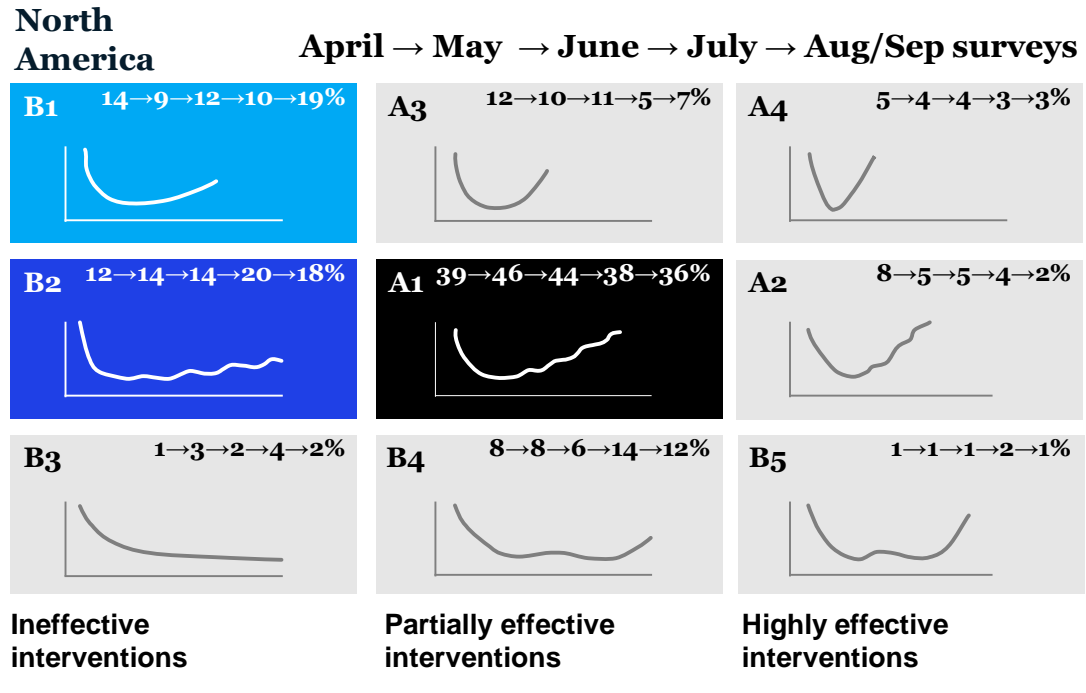
Strong policy responses prevent structural damage; recovery to pre-crisis fundamentals and momentum

### Knock-on Effects & Economic Policy Response

# A plurality of executives believe the public health & economic response will be moderately effective

A survey of global executives suggests scenarios B1, A1 and B2 are now the most likely<sup>1,2</sup>

AS OF SEPTEMBER 4, 2020



## Knock-on effects and economic policy response

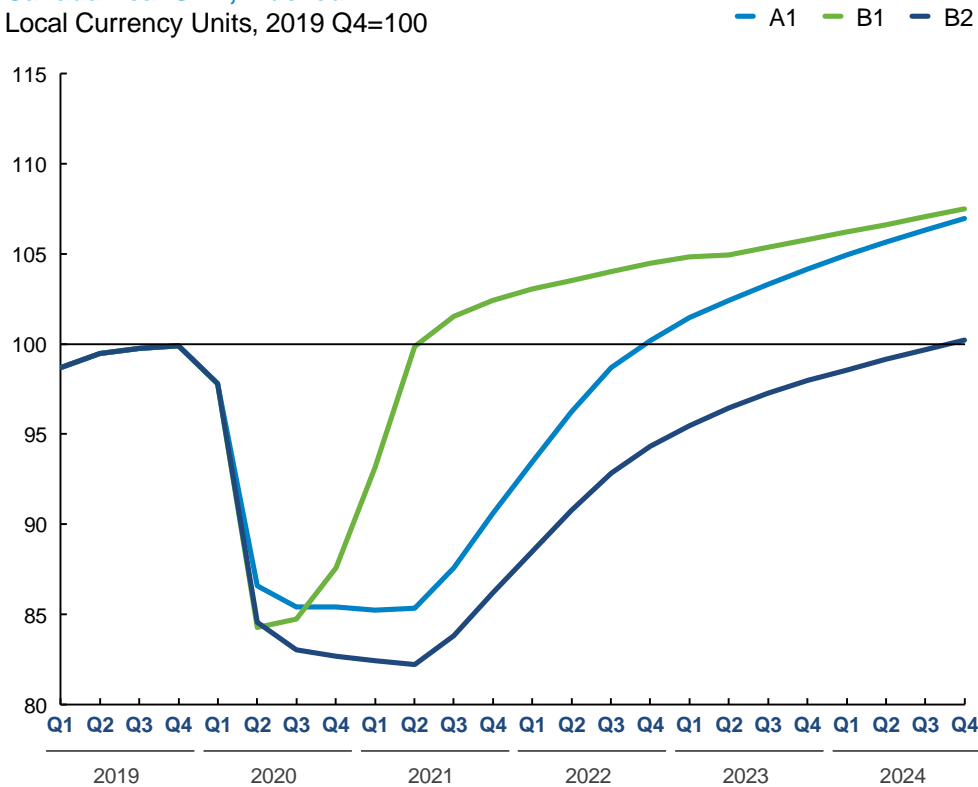
1. Monthly surveys: April 2–April 10, 2020, N=2,079, 481 in North America; May 4–May 8, 2020, N=2,452, 587 in North America; June 1–5, N=2,174, 525 in North America; July 13-17, N=2,071, 530 in North America; August 31 – September 4, N=1,116, 256 in North America
2. “Thinking globally, please rank the following scenarios in order of how likely you think they are to occur over the course of the next year”; % of total global respondents

Source: McKinsey & Company survey of global executives

# Canada's economic recovery to pre-COVID-19 level is estimated to take ~1 to ~4 years depending on the scenario

AS OF JUNE 9, 2020

**Canada Real GDP, indexed**  
Local Currency Units, 2019 Q4=100

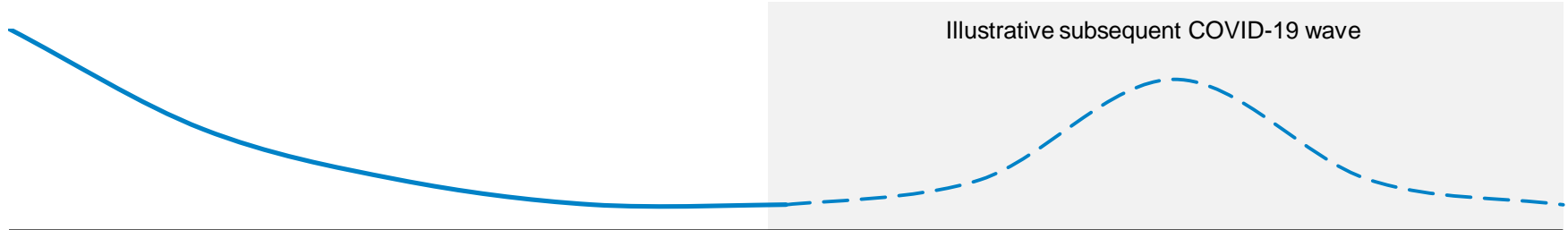


Scenarios	Real GDP Drop 2019Q4-2020Q2 % Change	2020 GDP Growth % Change	Return to Pre-Crisis Level Quarter (+/- 1Q)
<b>A1</b>	<b>-13.3%</b>	<b>-10.7%</b>	<b>2022 Q4</b>
<b>Scenario A1 parameters</b>			
Effective health response but (regional) virus recurrence			
Partially effective economic interventions			
<b>B1</b>	<b>-15.7%</b>	<b>-10.9%</b>	<b>2021 Q3</b>
<b>Scenario B1 parameters</b>			
Rapid and effective control of virus spread			
Ineffective economic interventions			
<b>B2</b>	<b>-15.3%</b>	<b>-12.5%</b>	<b>2024 Q4</b>
<b>Scenario B2 parameters</b>			
Effective health response but (regional) virus recurrence			
Ineffective economic interventions			

Source: McKinsey & Company analysis, in partnership with Oxford Economics (<https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business>)

# Public confidence likely to be tested during potential subsequent COVID-19 waves

Potential actions in preparation and during potential subsequent COVID-19 waves



## Preparation for potential additional waves

Ensure effective public communications to set **appropriate expectations** around a secondary wave and other possible complications

Prepare a set of **escalating interventions** to address public health needs (e.g., closure of public spaces)

**Begin dialogue** with provincial and federal government around potential economic interventions in the event of a second wave



## Implementation of refined COVID-19 response plan

Ensure effective public communications to maintain public trust and confidence

Advocate & implement economic relief measures to minimize economic pain

Work with **all levels of government** to implement **refined reopen & recovery plan**

- ① Scale, stabilize, maintain health system capacity
- ② Scale & deploy public health capacity
- ③ Protect vulnerable populations
- ④ Safeguard society & industry
- ⑤ Maximize social adoption of protective measures
- ⑥ Preserve and promote economic health

**Leading cities plan to keep public (consumer & employee) confidence high through appropriate communications efforts prior to and during potential subsequent COVID-19 waves**

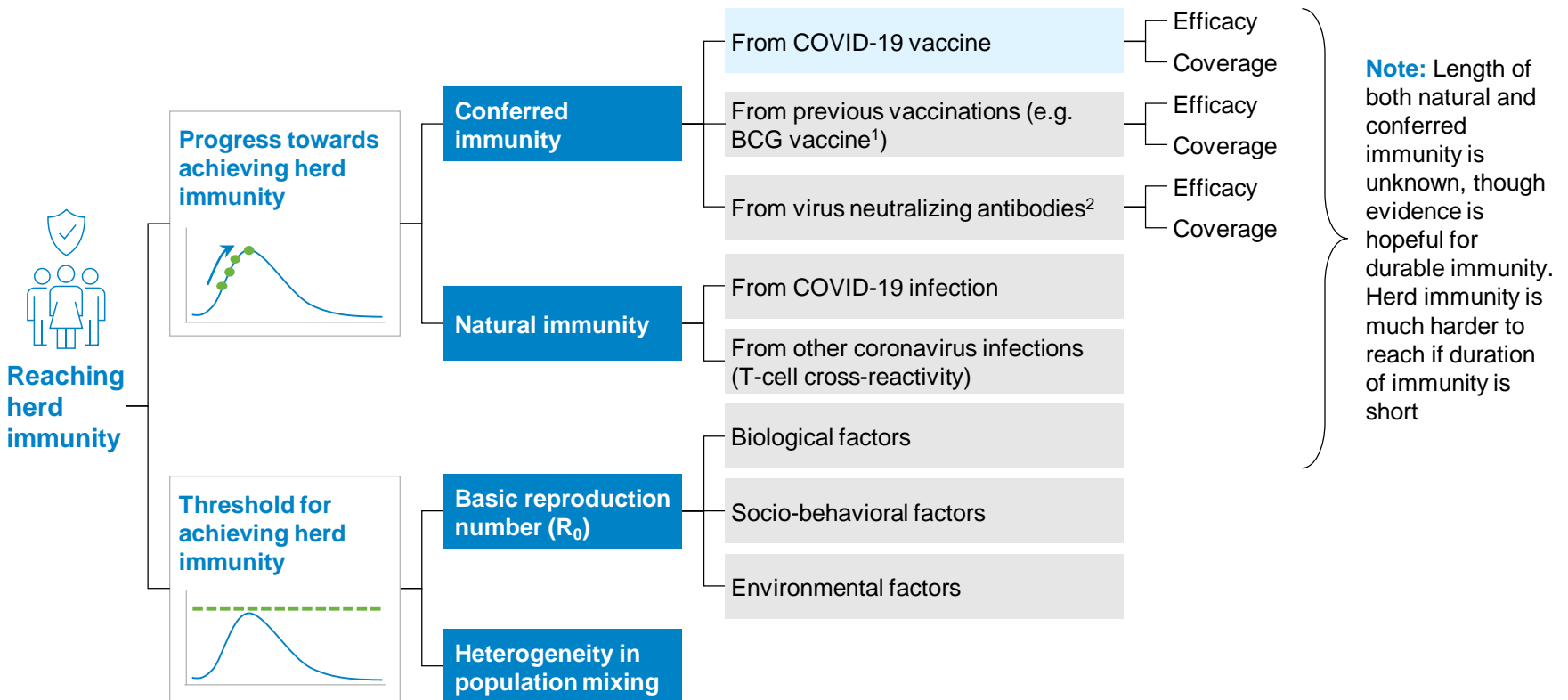
# Factors influencing the timeline to a “return to normal” through herd immunity

AS OF AUGUST 25, 2020

Factor most countries are expecting to be key to achieving herd immunity

**Herd immunity** is the point at which enough people in a population have immune protection so that sustained transmission is no longer possible

Several factors influence the threshold for achieving herd immunity and our progress towards achieving it:



1. Countries with higher levels of BCG vaccination have correlate with slower infection and death rates, but causation has not been proven

2. Through monoclonals or polyclonals / plasms products

Source: Information compiled from a variety of public statements and sources as well as surveys conducted by McKinsey and others, and interviews with relevant experts

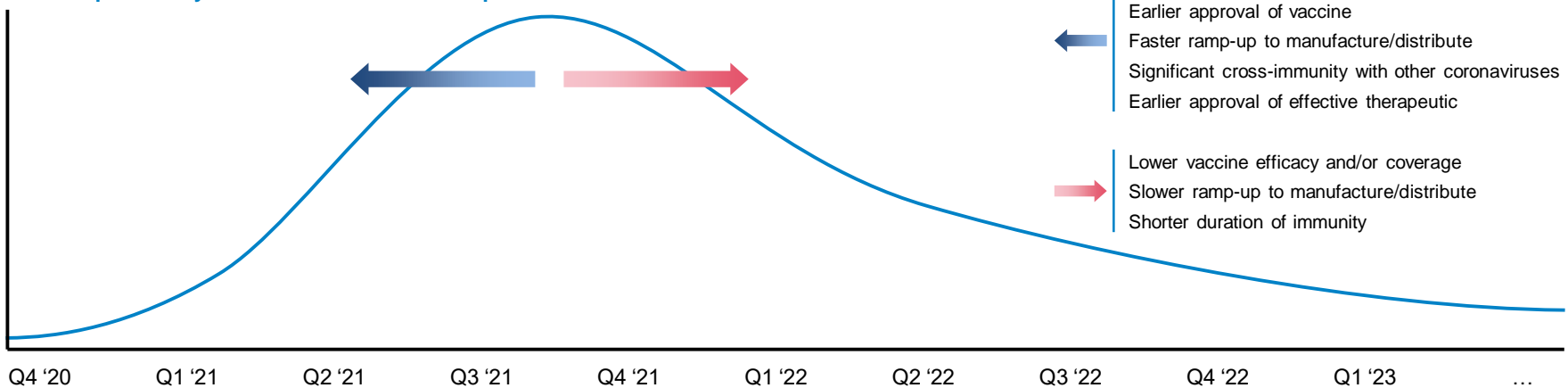


# Probability of when COVID-19 might “functionally end”<sup>1</sup> in the US currently seems to be highest in Q3-4 2021



NOT COMPREHENSIVE DIRECTIONAL & ILLUSTRATIVE  
AS OF AUGUST 24, 2020

Relative probability of a functional end to the epidemic in the US<sup>2</sup>



What you have to believe on epidemic trajectory	Low probability of reaching herd immunity	Some probability of functionally ending the pandemic, driven by either: <ul style="list-style-type: none"> <li>Significant cross immunity from other coronaviruses</li> <li>Arrival of a highly effective therapeutic (e.g. PEP or PrEP) enabling a return to normal without significant immunity</li> </ul>	Peak probability of functional end if an effective vaccine is approved in Q1 or Q2 2021 and ramp-up to widespread coverage takes approximately 6 months  Ongoing possibility of high-impact therapeutic	Vaccine arrives, however, lower levels of efficacy or coverage require a longer ramp-up time to reach herd immunity  Ongoing possibility of high-impact therapeutic	Long tail possibility that society is still battling hyper-endemic levels of COVID-19 from end of 2022 onwards, likely due to a combination of factors, which may include: <ul style="list-style-type: none"> <li>Low efficacy vaccine &amp; therapeutics</li> <li>Short duration of immunity</li> <li>Significant mutation of SARS-CoV2 in a way that impacts vaccine efficacy</li> </ul>
---	---	--	---	---	--

1. A functional end to the epidemic is defined as reaching a point where significant, ongoing public health measures are not needed to prohibit future spikes in disease and mortality (this might be achieved while there are still a number of people in particular communities who still have the disease, as is the case with measles)
2. Timeline to functional end is likely to vary somewhat based on geography

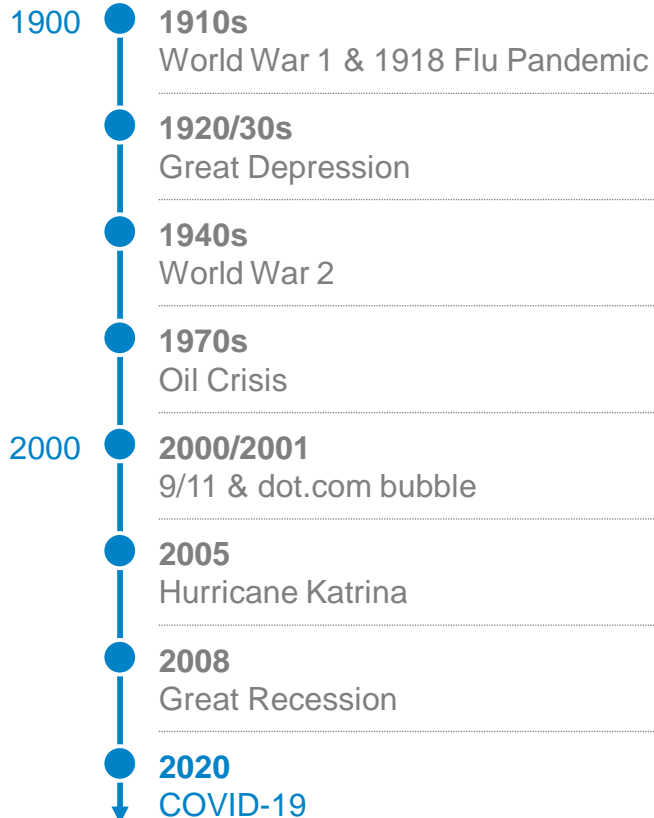
Source: Information compiled from a variety of public statements and sources (e.g., CDC, FDA, Nature Reviews (August 2020, July 2020), Cell (June 2020), Science Immunology (June 2020), PNAS, Science Advances; MedRxiv, Nature, WHO, Science, NY Magazine, Oxford Academic, The Atlantic) as well as surveys conducted by McKinsey and others, and interviews with relevant experts

1. Global & local economic trends overview
- 2. Learnings from other jurisdictions**
3. Relevant opportunities

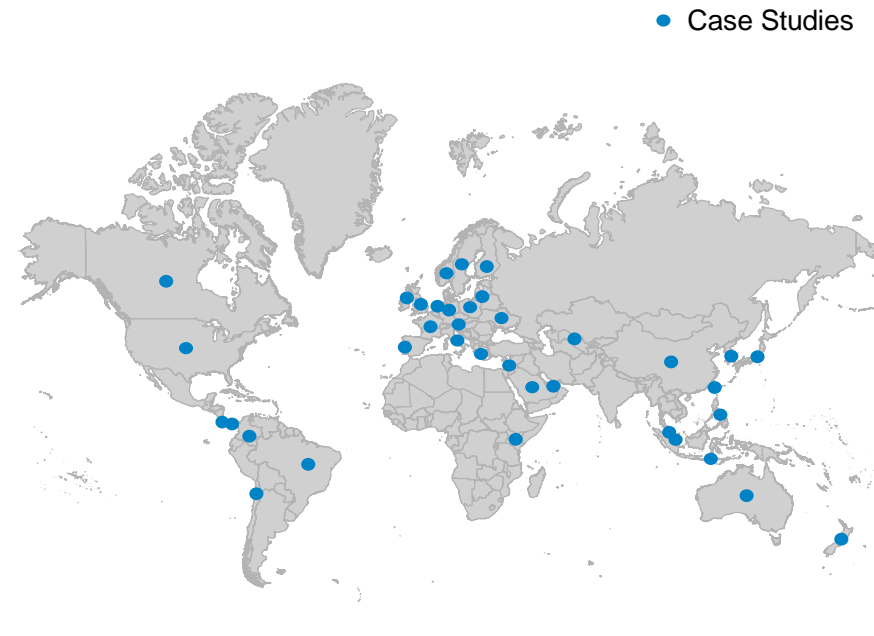
# Learnings can be pulled from past crises & other jurisdictions

NON-EXHAUSTIVE

## A Learnings from past crisis



## B Learnings from other jurisdictions



Case studies taken from over +40 geographies & jurisdictions across the world

# A Past recessions and crises suggest lessons for economic recovery to be undertaken by all actors

PRELIMINARY, PROPRIETARY, PRE-DECISIONAL

NON-EXHAUSTIVE

● Government ● Non-profits ● Business

## Learnings

## Likely Leaders

### Prioritize lives and livelihoods

#### Human capital is a key lever

Governments can help individuals by ensuring they are quickly reskilled to fill jobs that remain open



#### Vulnerable populations are often most negatively impacted

Lower-paid, less-educated workers were hardest hit in the 2008 crisis



### Accelerate business recovery

#### Companies that make aggressive strategic moves tend to be most resilient in downturns

Companies that did better through the 2008 financial crisis moved faster and made bigger changes to preserve productivity and capacity for growth



#### SMEs need special focus

SMEs<sup>1</sup> collectively employed 10M in Canada. One-third of jobs at risk from COVID-19 are in SMEs



### Allocate resources well

#### Prioritize scarce resources for investment

As sectors face different levels of challenges (e.g., tourism, travel), prioritizing investment from a sector, company, and regional need lens is critical



#### Shovel-ready projects are precious ... but few and far between

Rapid mobilization of short term projects (e.g., roadworks) can help recover demand



### Understand impacts on existing and emerging trends

#### Crises tend to accelerate longer term trends and disruptions

Digitization and automation will likely accelerate with COVID-19, especially in the workplace and manufacturing settings



#### Long-term and nuanced economic response is critical

As the global pandemic is both a humanitarian and economic challenge, there is a risk that governments may stop relief early or do not provide enough for long-term recovery



#### Process is equal to the answer

Leaders should engage with the private sector while crafting economic response for greater buy-in



#### Dare to reimagine

Consider what current crisis measures may mean in long-term and how best to prepare for the future







1. Employees under 100 people

Source: Marketplace by American Public Media; National Conference of State Legislatures; Federal Reserve Bank of Minneapolis; Kaiser Family Foundation; UK Department for Work and Pensions; US Bureau of Labor Statistics; CPAnalytics; Capital IQ; Institutional Investor; "Cash is King: Flows, Balances, and Buffer Days. Evidence from 600,000 Small Businesses." JP Morgan Chase & Co Institute. September 2016; FEMA,. Industry Canada; McKinsey & Company (<https://www.mckinsey.com/industries/public-and-social-sector/our-insights/lessons-from-the-past-on-how-to-revive-the-us-economy-after-covid-19>)




## B To be competitive post-COVID-19, economies will likely need to meet some basic requirements

Hypotheses on what regional economies must deliver on in order to be economically competitive

	Trend post-COVID-19	Potential implications for governments
 <b>Opportunity for all</b>	Broad-based opportunity creation will accelerate the recovery	Design initiatives/programs that put extra emphasis on historically underserved and vulnerable populations to drive “inclusive growth”
 <b>Stronger public health infrastructure</b>	Consumers and workers need confidence they will be safe	Consider investments that will improve and maintain public health
 <b>Widespread dependable broadband</b>	Businesses are pursuing greater digitization and households need to enable remote work and education	Partner with telecom providers and others to expand access to affordable, reliable, high speed broadband
 <b>Fiscal flexibility</b>	Greater resident needs and revenue shortfalls will force governments to be creative in balancing budgets and funding new initiatives	Judiciously cut costs (vs. across-the-board reductions) and explore new revenues sources (e.g., asset monetization, PPP)

## **B To compete for companies and talent, regions will likely need to differentiate themselves along a few dimensions**

Hypotheses on factors that will help some regional economies recover faster than others

	<b>Trend post-COVID-19</b>	<b>Potential implications for governments</b>
 <b>High productivity</b>	Businesses are likely to locate where they can improve productivity given the recession (e.g., lower input costs, higher skill labor, digitization, automation)	Attract, develop, and retain a highly skilled workforce while supporting efforts by the private sector to embrace new technologies
 <b>Effective workforce development</b>	Labor market disruption will likely put a premium on upskilling and reskilling	Promote high quality education including training programs that equip residents with the skills employers are seeking
 <b>Greater premium on innovation</b>	Winning companies will likely be able to adapt to an ever-shifting market and will want to be near other innovative companies and hotbeds of strong talent	Foster a thriving innovation ecosystem, including robust R&D at local universities, strong start-up culture, and clustering of related companies

## B Some facets of the long-term economic impact of COVID-19 are still to be determined

Areas of uncertainty that have the potential to (re-)shape regional economies over the long term



### The future of cities

What kind of live/work/play environments will businesses and residents prefer (e.g., greater vs. less urban density)?

- Will remote working become the new norm, putting pressure on commercial real estate as companies reduce their office footprint?
- Will cities no longer entice young people seeking economic opportunities due to lasting fears about public health and/or a desire for more space?



### Reshoring

Will companies bring back supply chains given the economics and risks?

- Given the experience during the pandemic, how will businesses make their supply chains more resilient?
- How will shifting global geopolitical factors continue to affect the free flow of goods, data, and people?



### Sector disruption

How will consumption habits change, and what will that mean for hardest-hit sectors?

- Will consumers go back to the industries most affected by COVID-19 (e.g., tourism, hospitality, travel)?
- How will those industries transform themselves to remain viable?

## **B** COVID-19 recovery is a pivotal moment where governments could accelerate zero-carbon transition

Governments across all levels can help advance the climate agenda in 3 ways



**Government actions could be focused on decarbonization to stabilize the climate, but could also address biodiversity, pollution and climate resilience**



## B Across jurisdictions, municipal COVID-19 response has focused on 3 target areas

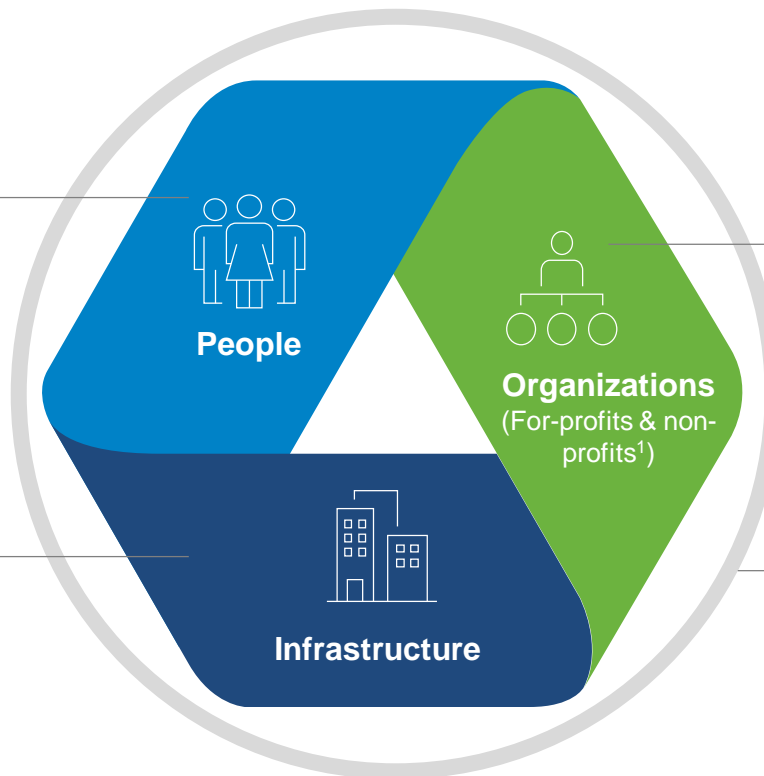
In addition to crisis response, cities have worked to maintain core municipal services

### People

Maintain social, economic, physical & mental wellbeing of **residents**

### Infrastructure

Maintain stability of the **infrastructure** (mobility and transit, public spaces, buildings, utilities)



### Organizations

Help **organizations** survive the crisis

### Core Municipal Services

Continue to provide fundamental & critical city services

**While COVID-19 is still a threat to lives globally, cities are already responding to mitigate the economic /financial, social and physical impacts on the livelihoods of residents, organizations and the functioning of their infrastructure to avoid the long-term negative socio-economic effects of the crisis**

1. E.g., social enterprises, NGOs, charity organizations

1. Global & local economic trends overview
2. Learnings from other jurisdictions
- 3. Relevant opportunities**

# Relevant opportunities were highlighted based on 3 main criteria

■ More information to follow

## Alignment with strategic goals



Opportunity helps achieve a long term strategic goal set out by the city of Vancouver

## Strong potential for multiplicative impact given Vancouver context



Opportunity has potential to create strong impact given Vancouver's financial, economic, social context

## Ability to implement or influence



CoV & VEC are the main actors or strong contributors to the opportunity that benefit Vancouver economic recovery

**Opportunities were examined from other jurisdictions, past crises, and proposed ideas**

# Business recovery can play a critical role in achieving long term strategic goals

---

## City of Vancouver Corporate Plan Long Term Goals

- 1 Addressing affordability and the housing crisis
  - 2 Working to build & protect the Vancouver economy
  - 3 Increasing focus on diversity, equity and social issues/opportunities
  - 4 Accelerating action to address climate change
  - 5 Working to keep Vancouver a safe city in which people feel secure
  - 6 Offer and enable extraordinary civic amenities
  - 7 Ensure our assets and infrastructure are well-managed and resilient
  - 8 Strive to be financially healthy and administratively efficient
  - 9 Inspire excellence in our workplace and among our employees
- 

**COVID-19 business recovery can be used to reimagine a new ways of working in the “new normal” aimed to accomplish the CoV Corporate Long Term Goals (e.g., working to build & protect the Vancouver economy)**

# Highlighted opportunities for CoV & VEC

PRELIMINARY

NON-EXHAUSTIVE

■ Potential VEC involvement

# Corporate Plan Long Term Goal

Corporate Plan Long Term Goals	Highlighted Opportunity	Description
<b>2 Working to build &amp; protect the Vancouver Economy</b>	<b>Small, Medium Enterprise</b>	<b>PPE procurement</b> Create centralized PPE procurement to supply low cost PPE for SMEs ( <i>case study #45</i> )
		<b>Business permits/licenses</b> Temporarily lift of renewal requirements for business permits/licenses ( <i>case study #31</i> )
		<b>Storefront renewal</b> Work with SMEs via permitting and business regulations to help reimagine the role of city storefronts given push to online (e.g., pedestrian pickup windows, contactless customer service)
	<b>TV &amp; Film</b>	<b>Attract film &amp; TV HQs</b> Accelerate advocacy of OTT content creators (e.g., Netflix) to grow corporate/HQ functions in Vancouver given their growing importance due to accelerating shifts to online consumption
		<b>Safe filming location</b> Increase partnership with health & film organizations to promote Vancouver as early location for safe filming and a leader in “new normal” filming practices
	<b>Technology</b>	<b>Talent attraction</b> Accelerate work with tech firms to maximize local workforce utilization and attract skilled foreign talent
		<b>Broadband internet access</b> Increase facilitation of broadband infrastructure rollout (e.g., permitting on fibre or tower installation and promote comprehensive coverage of residential & commercial high speed internet)
	<b>Tourism</b>	<b>Domestic tourism</b> Partner with Destination BC and other organizations in promoting domestic tourism within the City of Vancouver
	<b>Real Estate /Construction</b>	<b>Renovations &amp; refurbishments</b> Incentivize business and residential renovations and refurbishments via expedited permitting & rezoning ( <i>case study #15</i> )
	<b>1 Addressing affordability &amp; the housing crisis</b>	<b>Property tax stabilization</b> Work with residents & federal/provincial government on an expanded COVID-19 property tax stabilization program (similar to BC deferred property tax loan and similar to proposed California rent stabilization program; <i>case study #57</i> )
<b>3 Increasing focus on diversity, equity and social issues &amp; opportunities</b>	<b>Talent upskilling</b> Work with education firms to implement talent upskilling of vulnerable populations (e.g., partnership with Coursera for low income, young, indigenous; <i>case study #1</i> )	
<b>4 Accelerating action to address climate change</b>	<b>Environmental retrofitting</b> Accelerate existing Vancouver retrofit program to increase deep environmental retrofits for significant share of building stock via zoning and construction permitting	

# Summary Takeaways

---

COVID-19 is, first and foremost, a global humanitarian challenge. The first priority is to protect lives and health.

**The COVID-19 global crisis has severely impacted the people, organizations, and communities of Vancouver.** In addition, the City of Vancouver's (CoV) financial position has deteriorated & revenues streams have been impacted

CoV and Vancouver Economic Commission (VEC) **have already started the process of supporting economic recovery & increasing engagement with the business community.** For example:

- Repurpose of public spaces to help local businesses reopen safely (e.g., Temporary Expedited Patio Program, pop-up plazas)
- Shift of paper-based building development and permit application process to digital
- Creation an online COVID-19 resource portal for businesses and workers
- Deadline extension of 2020 property tax payments until September 30, 2020

Incremental to CoV's and VEC's current business recovery initiatives, **additional opportunities exist to help economic and business recovery stemming from learnings from past crises & other jurisdictions**

- CoV & VEC have direct municipal levers to achieve some potential opportunities (e.g., extension of existing business permits)
- For other opportunities, CoV & VEC will need to leverage it's ability to advocate with senior levels of government and other organizations to implement

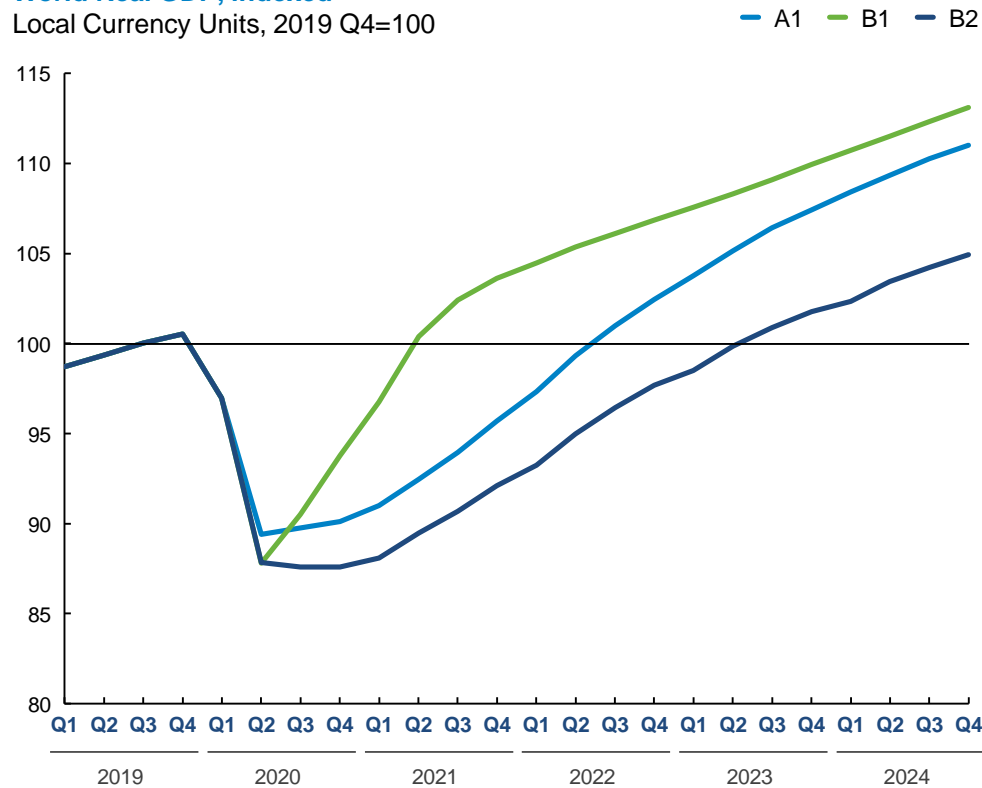
**COVID-19 is a rapidly evolving situation** with many known unknowns and CoV & VEC can **play a role as thought leaders** to help guide Vancouver's economic and business revitalization and reimagining

# Appendix

# Global economic recovery to pre-COVID-19 levels is estimated to take 1-3 years depending on the scenario

UPDATED: JUNE 9, 2020

**World Real GDP, indexed**  
Local Currency Units, 2019 Q4=100



Scenarios	Real GDP Drop 2019Q4-2020Q2 % Change	2020 GDP Growth % Change	Return to Pre-Crisis Level Quarter (+/- 1Q)
<b>A1</b>	<b>-11.1%</b>	<b>-8.1%</b>	<b>2022 Q3</b>
<b>Scenario A1 parameters</b>			
Effective health response but (regional) virus recurrence			
Partially effective economic interventions			
<b>B1</b>	<b>-12.6%</b>	<b>-7.4%</b>	<b>2021 Q3</b>
<b>Scenario B1 parameters</b>			
Rapid and effective control of virus spread			
Ineffective economic interventions			
<b>B2</b>	<b>-12.6%</b>	<b>-9.7%</b>	<b>2023 Q3</b>
<b>Scenario B2 parameters</b>			
Effective health response but (regional) virus recurrence			
Ineffective economic interventions			

Seasonally adjusted by Oxford Economics

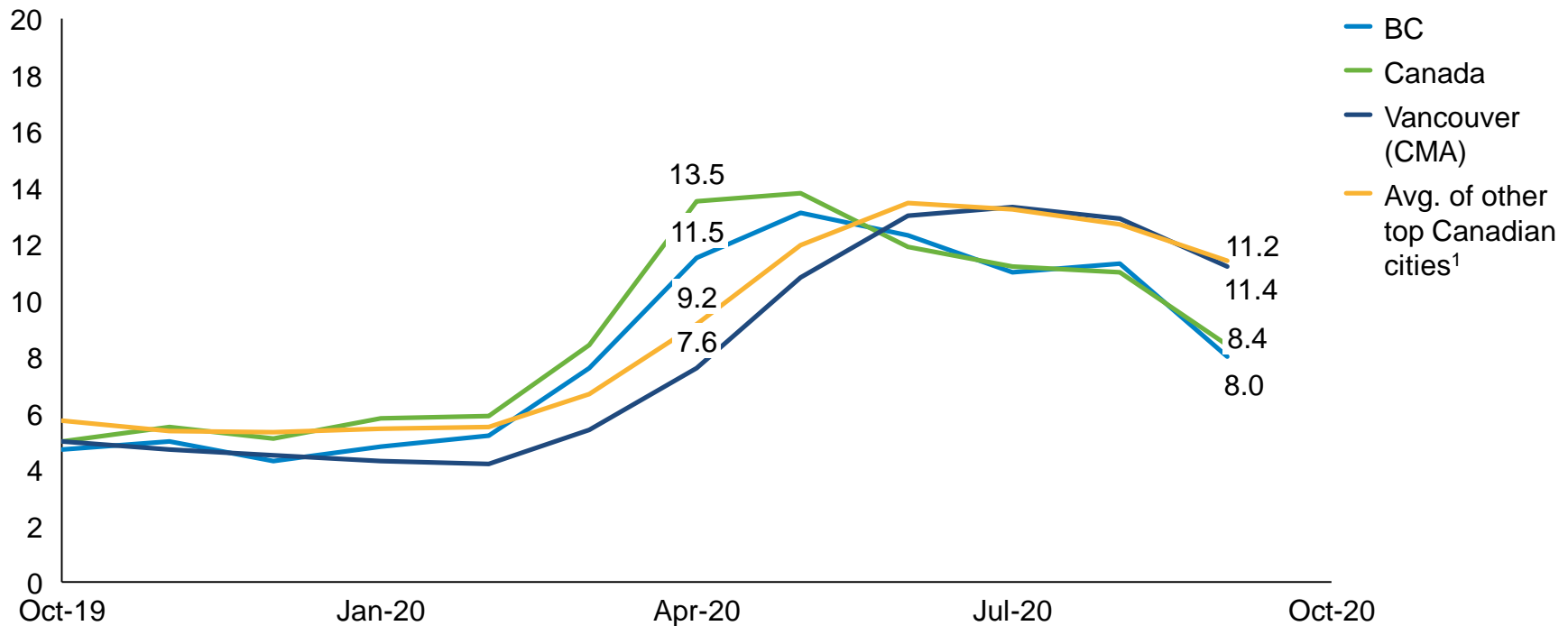
Source: McKinsey & Company analysis, in partnership with Oxford Economics (<https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/safeguarding-our-lives-and-our-livelihoods-the-imperative-of-our-time>)



# Vancouver's unemployment rate has grown along with other Canadian cities over the past 4 months

Updated: October 2020

## Unemployment Rates across Canada during COVID-19, %



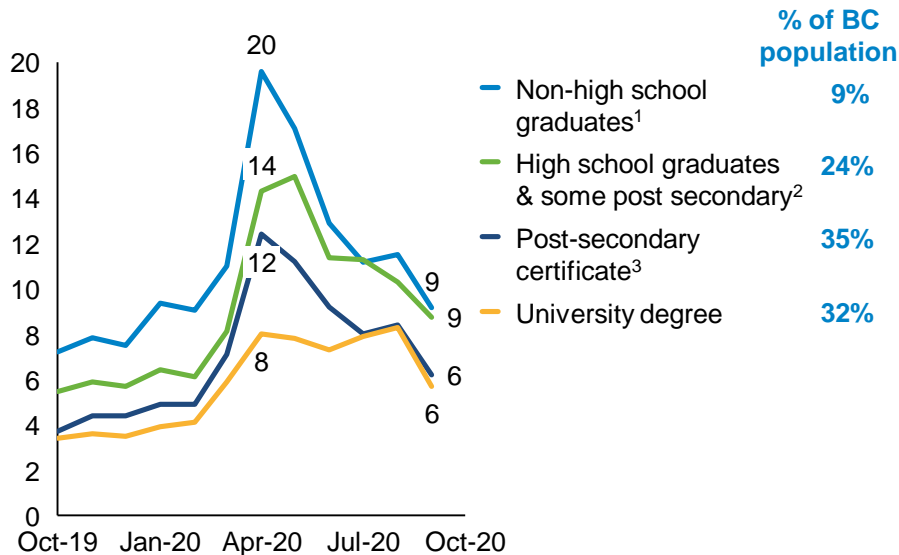
1. Calgary, Montreal, Toronto, Ottawa

Source: Statistics Canada

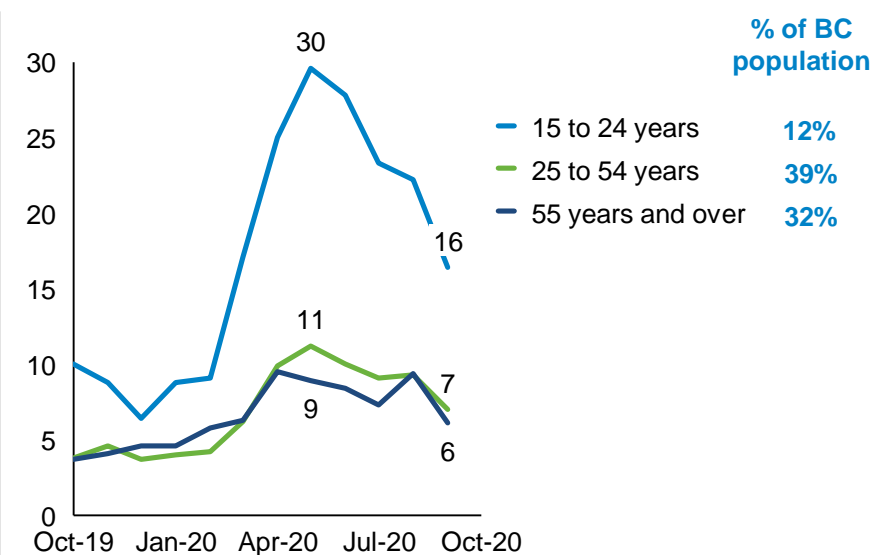
# COVID-19 has increased employment disparity between groups

Updated: October 2020

## BC Unemployment Rate by highest educational attainment, %



## BC Unemployment Rate<sup>4</sup> by age, %



High school graduates in BC have **~50% higher unemployment rate** when compared to university graduates

High disparity in employment exists between younger workers (15-24 years) and older workers (+25 years)

1. Has primary education or some high school education but did not complete graduate high school
2. Has graduated high school with no further education or has graduated high school with some post-secondary education
3. Has received a certificate or diploma from a vocational school, apprenticeship training, community college, school of nursing, or a certificate below a bachelors degree from an university
4. The unemployment rate is the number of unemployed persons expressed as a percentage of the labour force. The unemployment rate for a particular group (age, sex, marital status, etc.) is the number unemployed in that group expressed as a percentage of the labour force for that group.