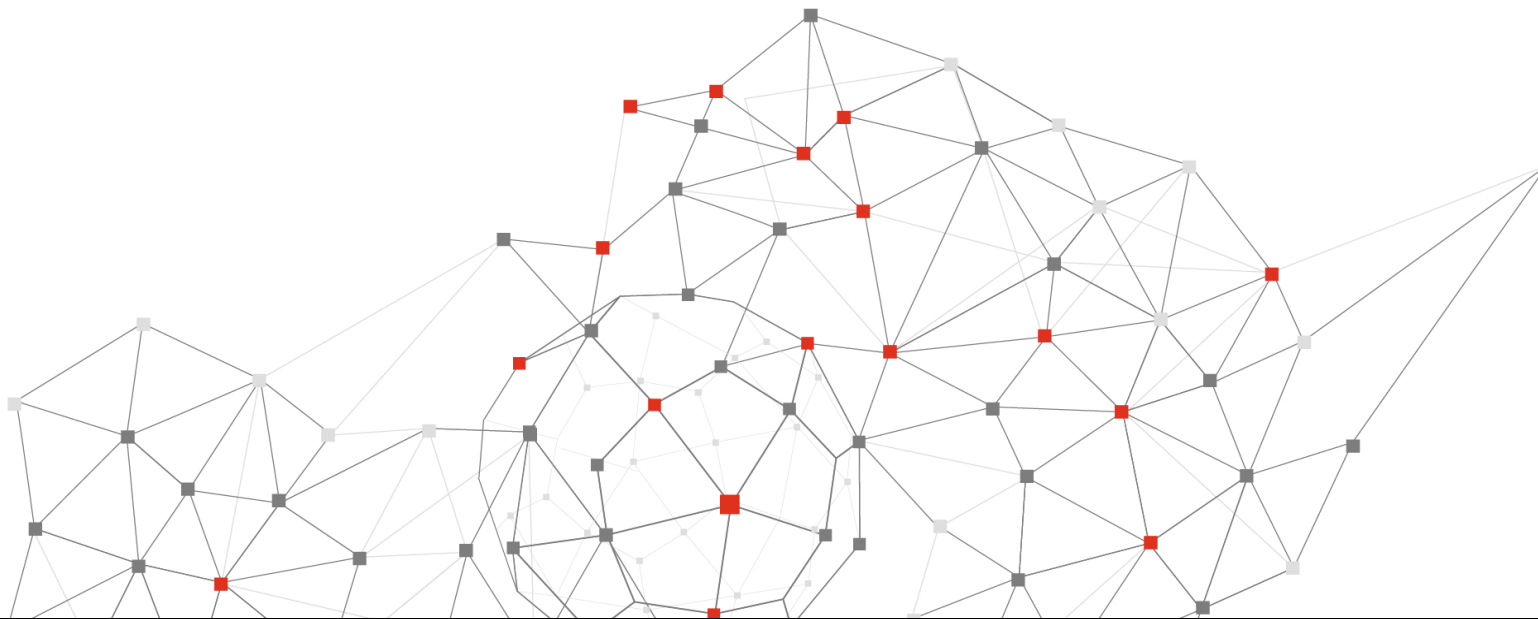




MINISTRY OF ECONOMY OF THE
REPUBLIC OF ARMENIA



COVID-19 Joint Study by the Ministry of Economy of the Republic of Armenia and PwC Armenia

**Decisive moves and lasting changes are
on the finance and business leaders agenda
to reboot business**

PwC is tracking sentiment and priorities about the COVID-19 outbreak among finance and business leaders (F&BL). We surveyed 871 F&BL from 24 countries and territories during the week of 20 April. This survey is our second look across the globe. F&BL from Armenia also took part in the survey and their responses are presented in this report together with an analysis of the responses collected globally.



The government of the Republic of Armenia responds to COVID-19

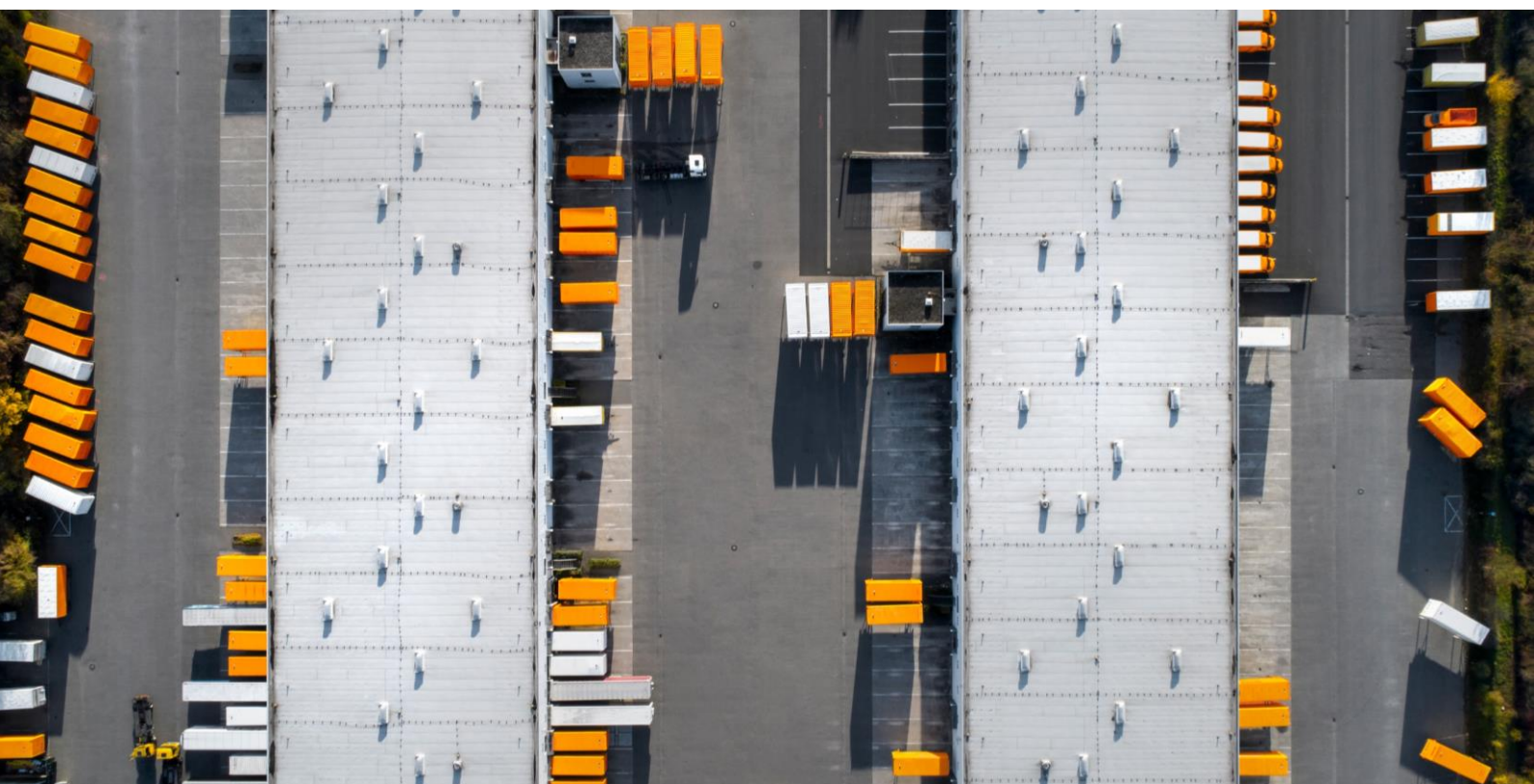
The government of Armenia declared a national state of emergency on March 16, and adopted strict containment measures, including school closures and travel bans on foreign citizens from high risk countries, and imposed fines on those who violated isolation orders during the state of emergency. The state of emergency was extended until May 14, further till 13 June, and encompassed movement restrictions. Nevertheless, from 4 May, the Armenian government progressively softened the restrictions, allowing certain types of businesses to return to “business as usual” while taking precautionary measures to prevent the spread of COVID-19. Failure to comply with these measures may lead to legal liability. The government announced an assistance package of USD 300 million (2 percent of GDP) to mitigate the socio-economic issues related to the pandemic, although this includes a variety of direct spending, state-sponsored loans and increased investment.



Finance leaders respond to the latest COVID-19 developments

The message among global CFOs is clear: most companies have moved beyond the short-term, reactive phase of their responses to the novel COVID-19 pandemic. During that first phase, companies mobilised plans to address immediate concerns, such as health and well-being. Today, they still need to do what it takes to ensure the safety of their people and the survival of their business, but they are also thinking about how to stabilise and take tactical steps that will prepare them to operate in “the new normal”.

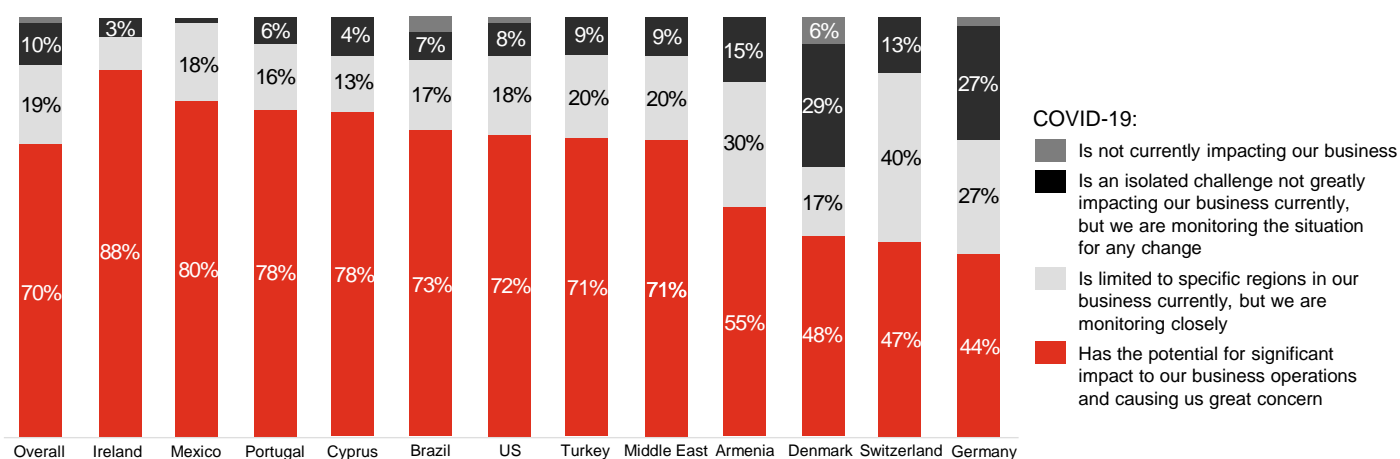
These moves come as the news about COVID-19 ebbs and flows around the world. Many countries in the EU have now passed the peak of the initial wave of transmission, and several European countries, including Czech Republic, Denmark, Germany, and Spain, have begun to ease restrictions. In the Middle East and North Africa, the COVID-19—combined with oil price volatility—has led the IMF to project a 3.3% economic contraction in 2020. In the US, Congress has passed a USD 484 billion COVID-19 relief package to help small businesses and hospitals, while the Congressional Budget Office has predicted that the federal budget deficit will reach USD 3.7 trillion in FY 2020. Japan has declared a national state of emergency, with plans to provide JPY 100,000 (USD 930) to all citizens.



Limitations in analysing the Armenian FB&L responses

The methodology applied in the current survey prescribes that a certain number of respondents should provide their answers from each territory (generally, at least 30). Since the number of responses from Armenia was lower than 30, we present the information of Armenian FB&L as indications and sentiments and not as a statistically reliable data. The users of this report should acknowledge that if the number of respondents had been higher, other results could have been received.

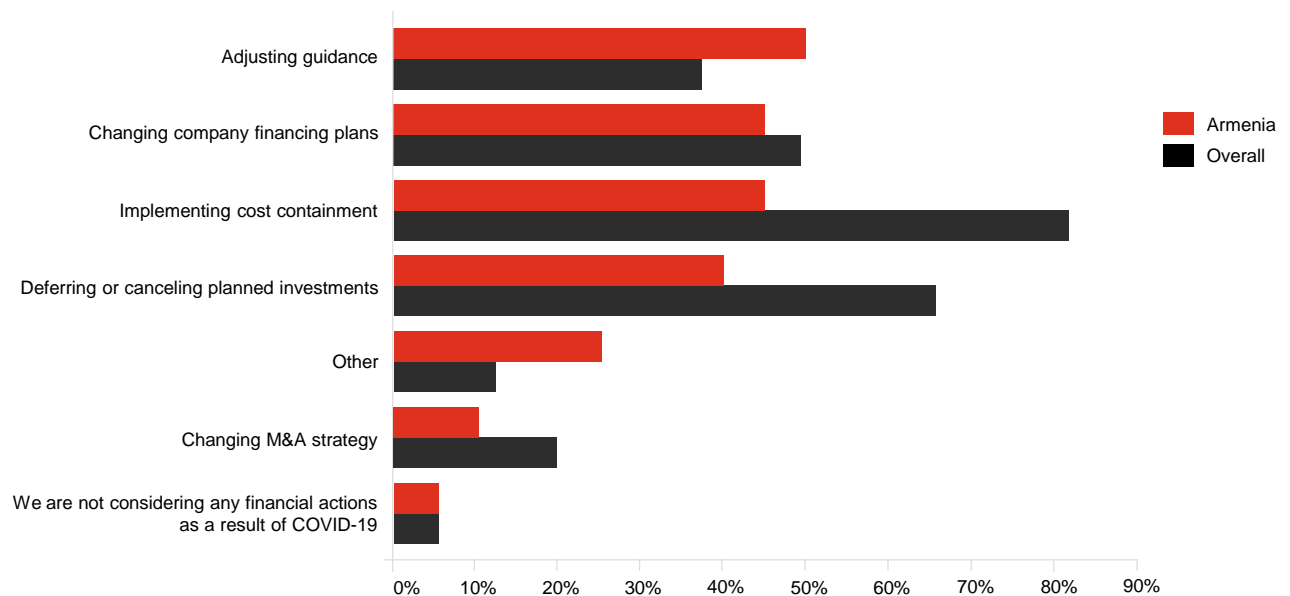
Q1: What is your company's current level of concern related to COVID-19?



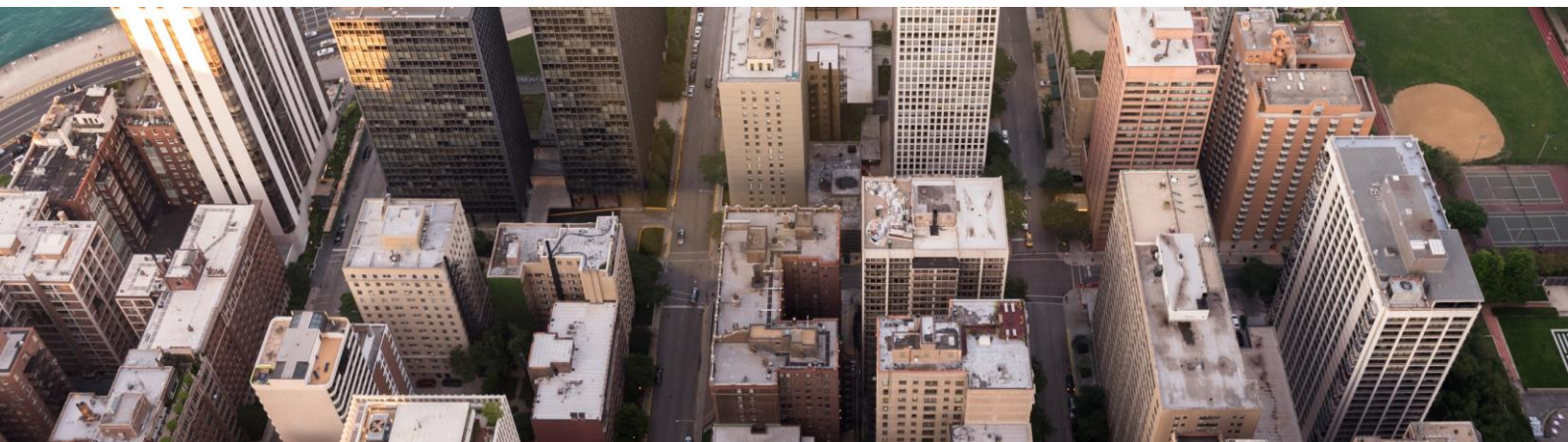
We see the complexity reflected in our current F&BL Pulse results. Finance leaders are worried — the overall percentage (70%) who report being greatly concerned about the potential business impact of the COVID-19 is roughly the same as in our previous survey. In some countries, however, the percentage of those greatly concerned is now less than 50%.



Q3: Which of the following financial actions is your company considering as a result of COVID-19?

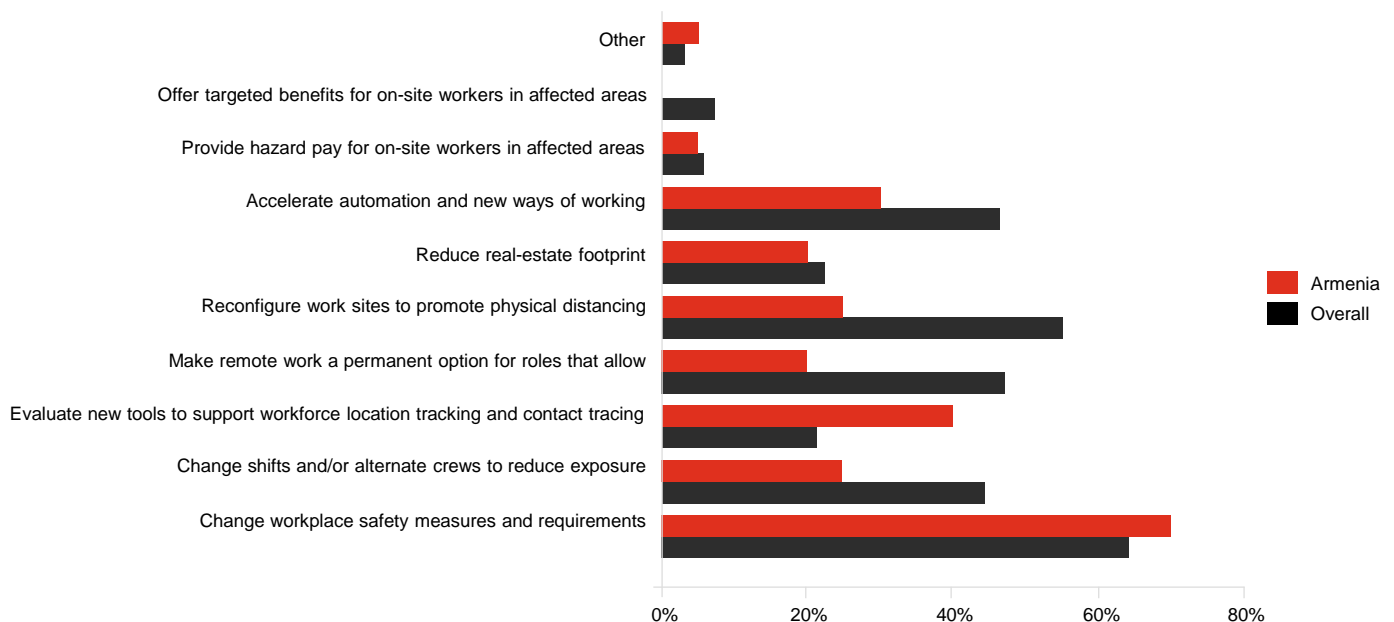


We heard from over 20 F&BL in Armenia who agreed that COVID-19 has the potential to impact their business operations (55%). Most F&BL are still considering cost containment measures, but they are also planning various actions around work sites, supply chains and investments that will position their companies to succeed in the post-crisis world and to emerge stronger and better prepared to face future crises. F&BL in Armenia are mainly considering adjustment of the guidance (50%).



The return of on-site work

Q12B: Which of the following is your company planning to implement once you start to transition back to on-site work?



F&BL will look for alternative sourcing options (52%) and to understand the financial and operational health of their suppliers (50%). In Armenia, 60% of respondents plan to develop additional, alternate sourcing options. Another 34% plan to extend visibility into their suppliers' networks.

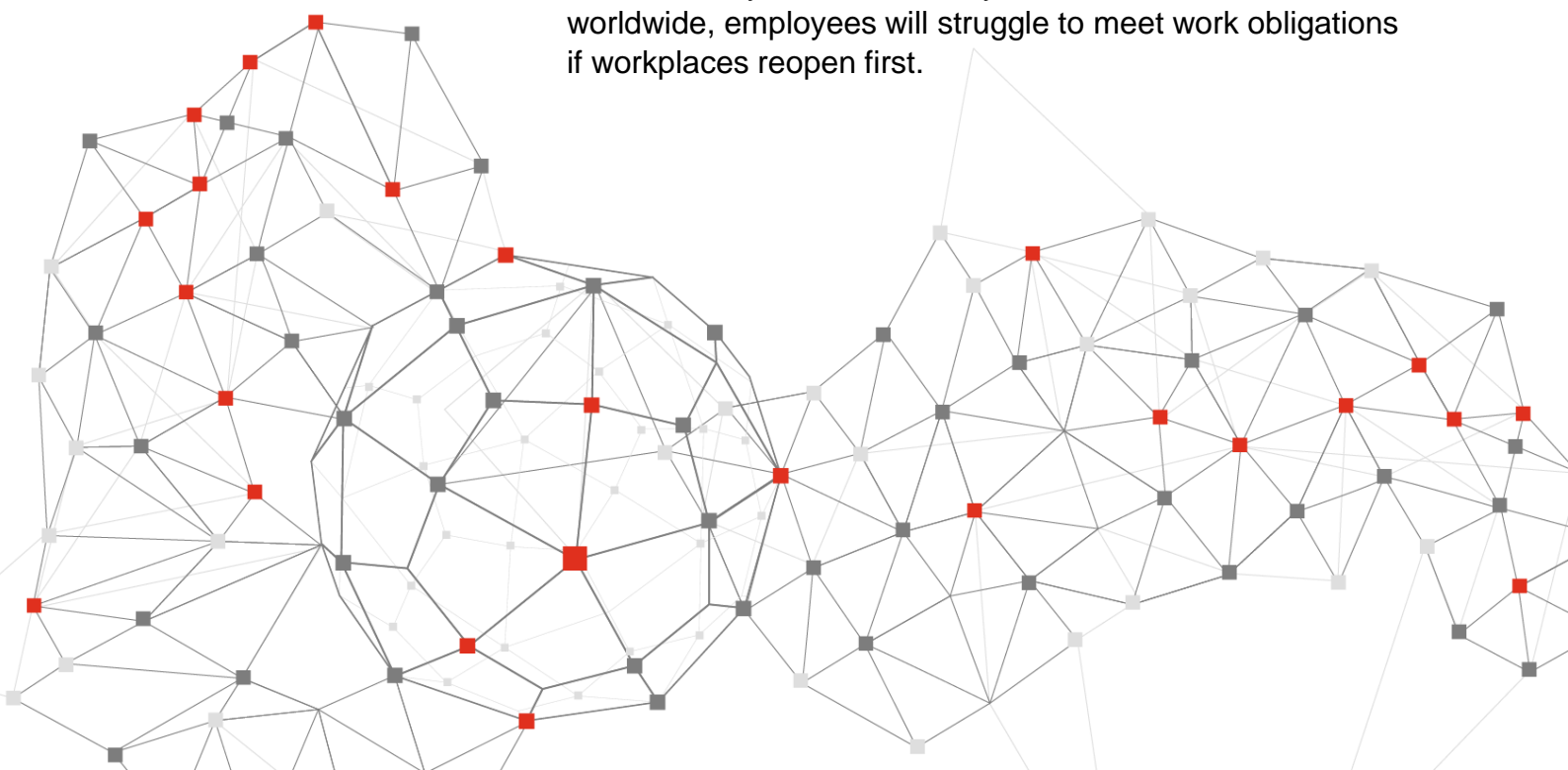
Just less than half (49%) of CFOs believe their operations could return to normal within three months if the COVID-19 pandemic were to end today; that said, 70% are greatly concerned about the potential business impact of the crisis.

An essential part of stabilising business operations is the reopening of offices, factories and other work sites. Of course, doors cannot simply be flung open, and company leaders are determining how best to protect their employees and customers. The top two measures that F&BL are considering include changes to workplace safety measures and requirements (64%) and reconfiguring work sites to promote physical distancing (55%). In **Armenia**, these measures were mentioned by 70% and 20% of respondents, respectively. Around 40% of F&BL are going to evaluate new tools to support workforce location tracking and contact tracing. There was some variation among countries. For example, 77% of US CFOs report safety measures as a top three choice, compared with 33% of Switzerland F&BL.

Among industries, F&BL in energy, utilities and resources are most likely to pursue safety measures (70%), while technology, media and telecommunications CFOs are more likely than average to consider reducing their real estate footprint (41%).

Other F&BL are weighing how technology will help ease their transition back to on-site work. Overall, 46% of F&BL say they will accelerate automation and other new ways of working; at least 60% of F&BL in Germany and Mexico cite automation and remote work among their top three actions. Remote work is also a top three choice for financial services F&BL, selected by 56% of respondents. Another 21% of F&BL are evaluating tools that enable contact tracing and geo-tracking. In Armenia, it's the second most cited action once companies start to transition back to on-site work (40%). These are critical but complicated actions, given privacy concerns. Governments may struggle to enforce the use of such tools among their citizens, leaving an opening (and perhaps even an imperative) for corporations to develop technologies to fill the gap.

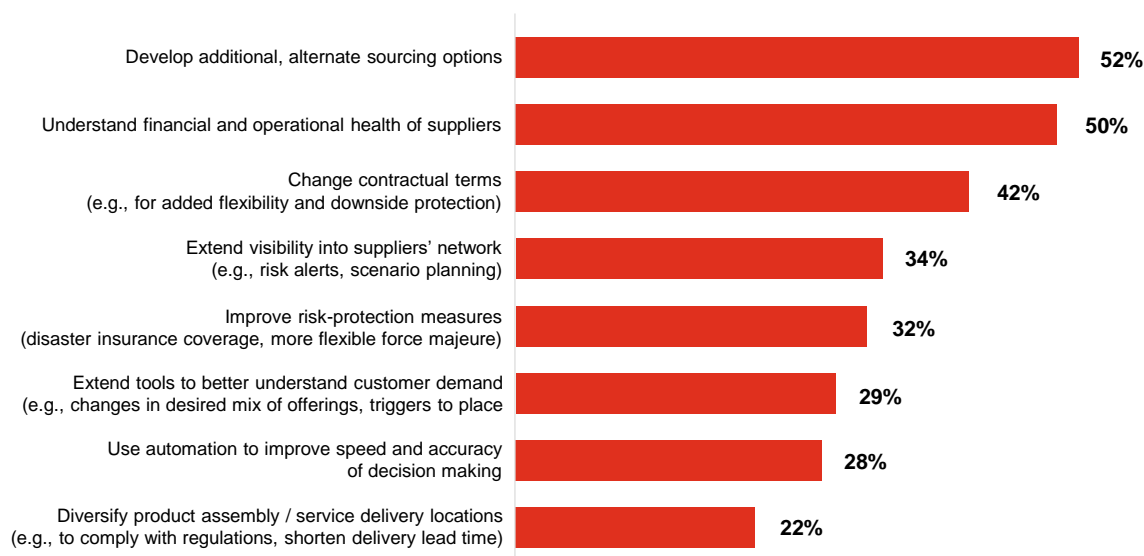
Even as organisations consider measures to allow employees to return to work safely, 20% of F&BL are concerned about insufficient staffing to accomplish critical work. Only 7% say they are considering targeted benefits such as on-site childcare. Yet with many schools and day care centres still shuttered worldwide, employees will struggle to meet work obligations if workplaces reopen first.



Know your suppliers, and your risk

Another key to stabilising your organisation during the crisis is ensuring a high-functioning supply chain. As F&BL turn their attention to supply chain issues, about half say they will prioritise the development of alternate sourcing options (52%) and understanding the financial and operational health of their suppliers (50%). German respondents (54%) are most likely to place a premium on extending visibility deeper into suppliers' networks to assist in risk assessment and scenario planning. This action, along with increased flexibility, will help build resilience. In Switzerland (50%) and Portugal (47%), F&BL are more likely than average to cite improving risk-protection measures.

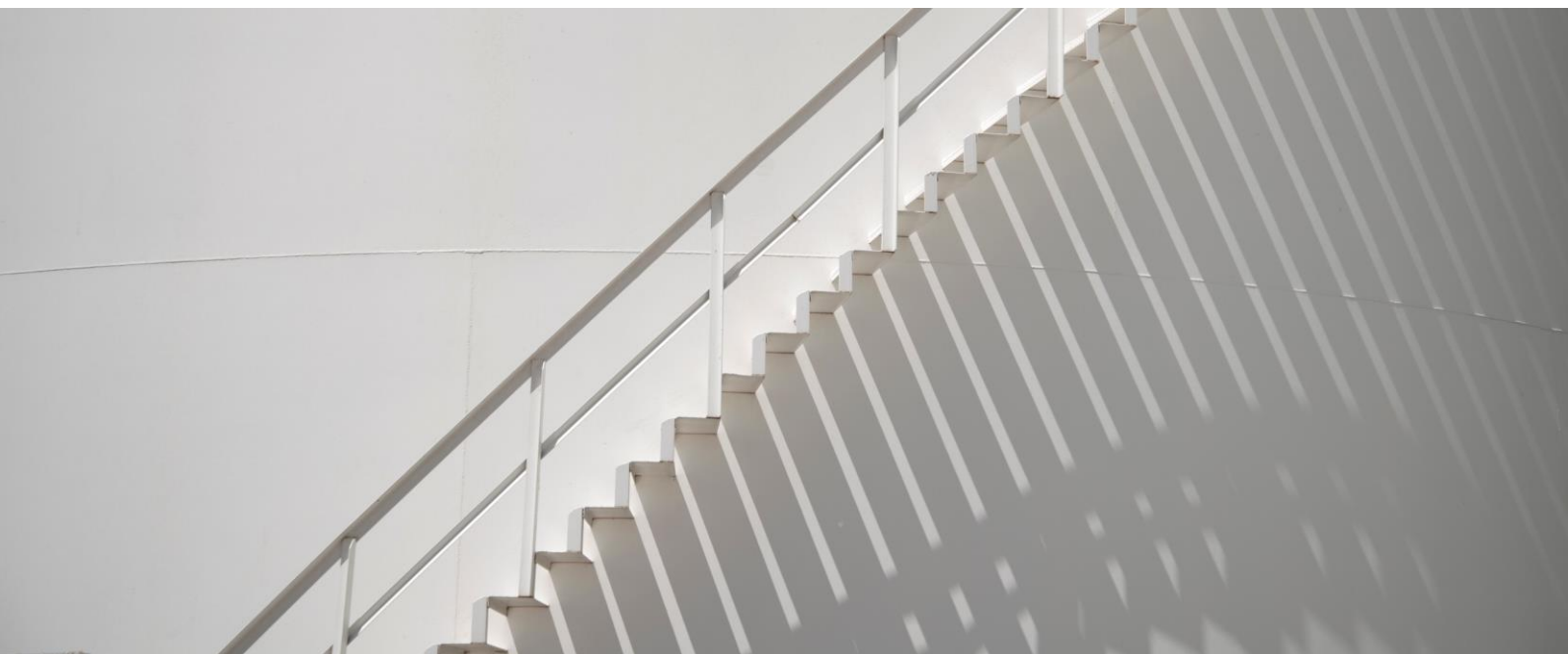
Q7B: As a result of COVID-19, in which of the following areas are you planning changes to your supply chain strategy?



Armenian respondents placed developing additional, alternate sourcing options (60%) and extending visibility into their suppliers' network (40%) at the top.

F&BL across industries align with the territory view on top sentiments, but energy, utilities and resources and industrial manufacturing and automotive F&BL consider understanding the health of their suppliers as their top priority (60% and 58% respectively). F&BL in healthcare industries (40%) and the retail and consumer sector (36%) are more likely than average to plan to extend tools on consumer behaviour in these segments. F&BL in financial services are more inclined than those in other segments to plan to use automation to improve decision making (40%).

Generally, organisations with supply chains that are highly integrated both internally and externally will be better equipped to develop alternative sourcing or extend visibility to suppliers. Companies that fit this profile have already automated most of their supply chain processes and decisions, both inside the organisation and with external partners. Yet, in a recently published PwC report, “Connected and Autonomous Supply Chain Ecosystems 2025”, only 36% of companies surveyed were operating at this level of integration (this figure increases to 81% among “digital champions”, i.e. companies that are ahead of the curve when it comes to supply chain excellence).

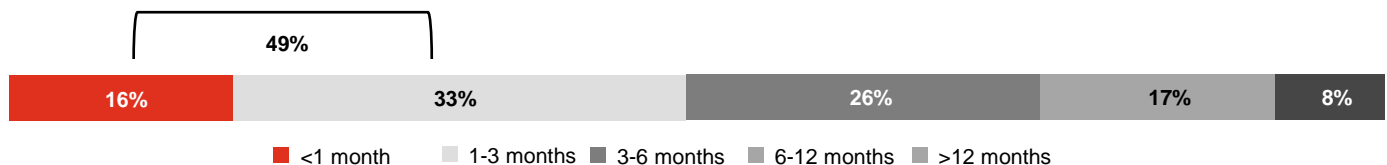


Financial and business leaders prepare for a return to “business as usual”

Nearly half (49%) of F&BL say that their organisation could return to business as usual within three months if the crisis ended today. This number was only slightly higher (56%) in our previous global survey; many finance leaders maintain a positive perspective on their company’s ability to rebound. About half of Armenian F&BL responded that it would take one to three months to get back to “business as usual” (45%).

Viewing this question through an industry lens reveals that energy, utilities and resources F&BL are most likely to believe operations would return to normal within three months (62%), with more than half of F&BL from healthcare industries (54%) and the retail and consumer sector (51%) saying the same.

Q8: If COVID-19 were to end today, how long would you estimate it would take for your company to get back to “business as usual”?

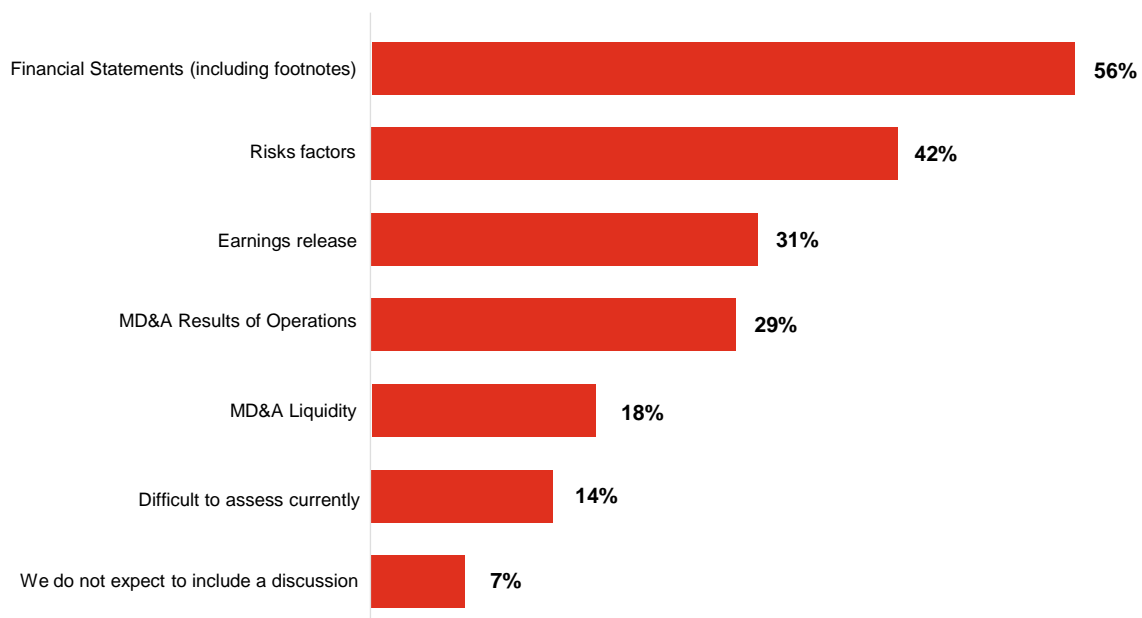


Of course, the crisis is not ending today. And we’ve seen that even in countries that appear ready to relax restrictions, such as Singapore, new waves of infection can emerge. Around the world, governments are struggling to balance protecting the safety of citizens with restarting the economy. Some F&BL may take encouragement from hard-hit countries in the EU that have been able to slowly lift some restrictions and open parts of the economy. Finance leaders may also find reason for optimism in the growing amount of stimulus funds set to become available. On April 23, EU leaders agreed to a EUR 1 trillion (USD 1.1 trillion) recovery fund to help Europe’s economy, though they will not settle specific details of the package until mid-May, and many individual countries have announced assistance programmes and tax relief.

The big picture is still one of great concern

Despite the sizable percentage of respondents who feel that “normalcy” is within reach, finance leaders recognise that the global economy is facing dire challenges. In mid-April, the IMF predicted that the global economy will shrink by 3% in 2020, ushering in the worst economic downturn since the Great Depression. The World Bank has reported on shocks to the commodities market, with oil and the food supply at gravest risk. These and other indicators are reflected in the responses of global F&BL, with 70% expecting significant impact to their business operations. Finance executives are also considering how to communicate concerns about the crisis to shareholders. A majority (56%) plan to include discussion of the COVID-19 in their financial statements, led by CFOs in Portugal (78%) and Cyprus (76%). Many F&BL in Armenia have also decided to include discussion of COVID-19 in financial statements (40%).

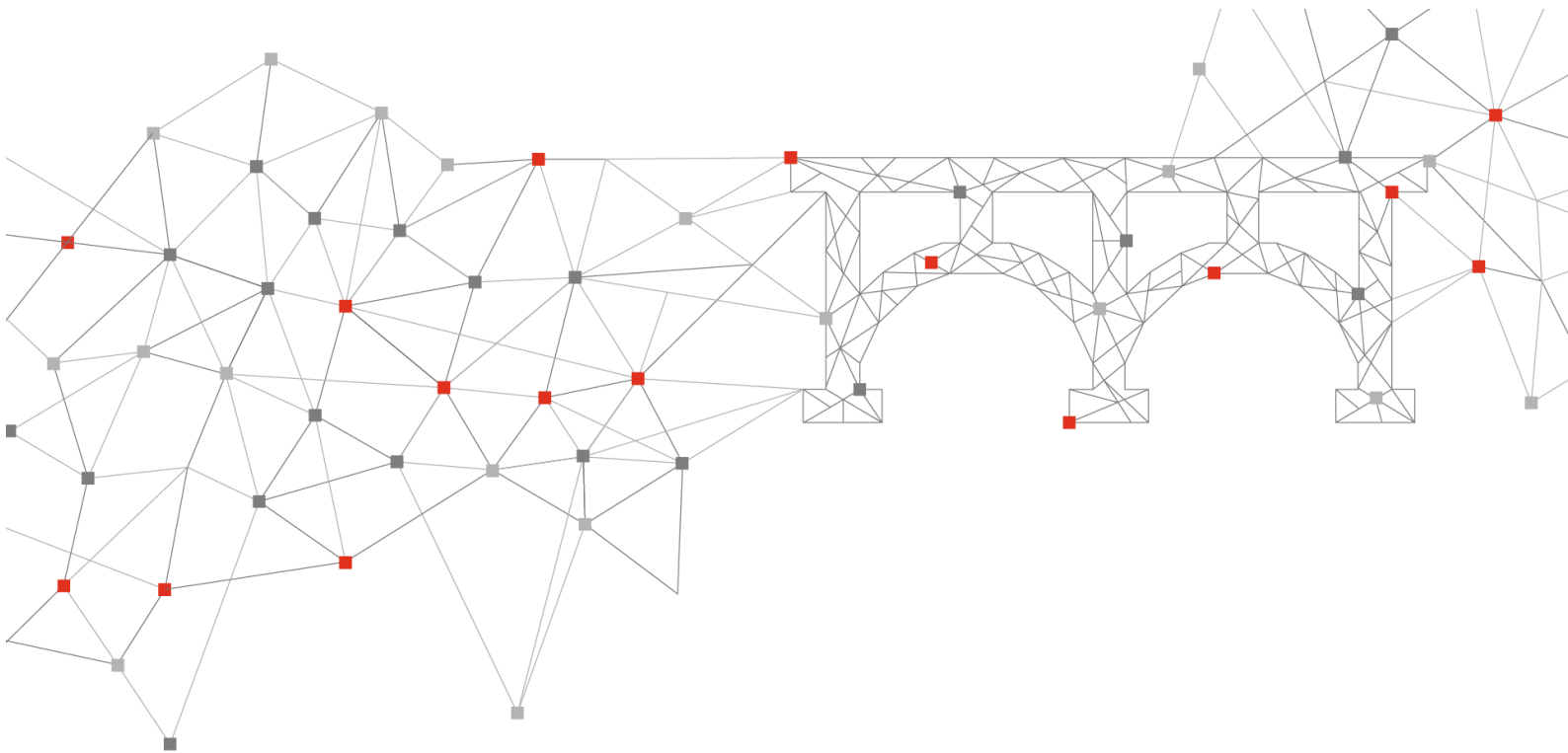
Q9B: In which sections of your upcoming external reporting do you expect to include a discussion of COVID-19?



The big picture is still one of great concern

There is significant variation in the level of concern among countries, with a clear separation developing between F&BL who still see the potential for major impact and F&BL who believe the situation is starting to ease. F&BL in Denmark (48%), Switzerland (47%) and Germany (44%) report much lower levels of concern than the overall share. In Germany, despite the prediction that the country's economy will contract by nearly 10% from April to June, the outlook among F&BL may be lifted by high levels of government investment in COVID-19 crisis recovery, efficient medical treatment of COVID-19 patients, and thorough safety measures, including disease monitoring and management.

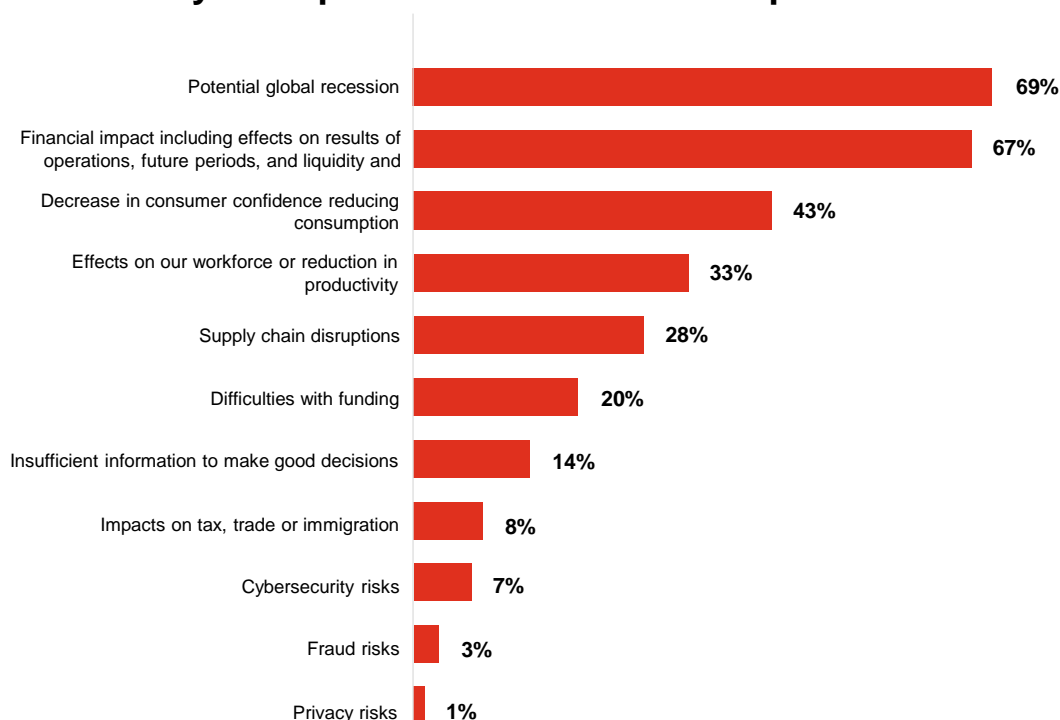
From an industry perspective, retail and consumer CFOs report the highest level of concern (75%), which aligns with the mass closing of retail stores and more consumers staying at home, perhaps with drastically reduced disposable income. (And 58% of retail and consumer CFOs also cite a decrease in consumer confidence reducing consumption as a top concern.) The lowest level of concern about potential business impact was reported by energy, utilities and resources CFOs (57%), although this number is significant as well.



The top concerns? Global recession and company financials

Among CFOs' top COVID-19 concerns are the looming potential for recession (69%) and the financial impact on operations (67%). In countries with lower levels of overall concern, such as Denmark, Switzerland CFOs are more likely to rank worry about a global recession, signalling that although they may feel confident about their own organisation's prospects for recovery, they are still worried about how the global economic downturn could affect them. Specific concerns vary by territory, with F&BL in Turkey (80%), Mexico (80%) and the US (71%) more likely to cite financial impact as their top concern, while leaders in Portugal (69%), Cyprus (58%), Brazil (57%) and Armenia (40%) are more focused on the decline in consumer confidence. Unsurprisingly, CFOs in the financial sector are most likely to be concerned about recession (74%) and financial impact (72%).

Q9: What are your top three concerns with respect to COVID-19?

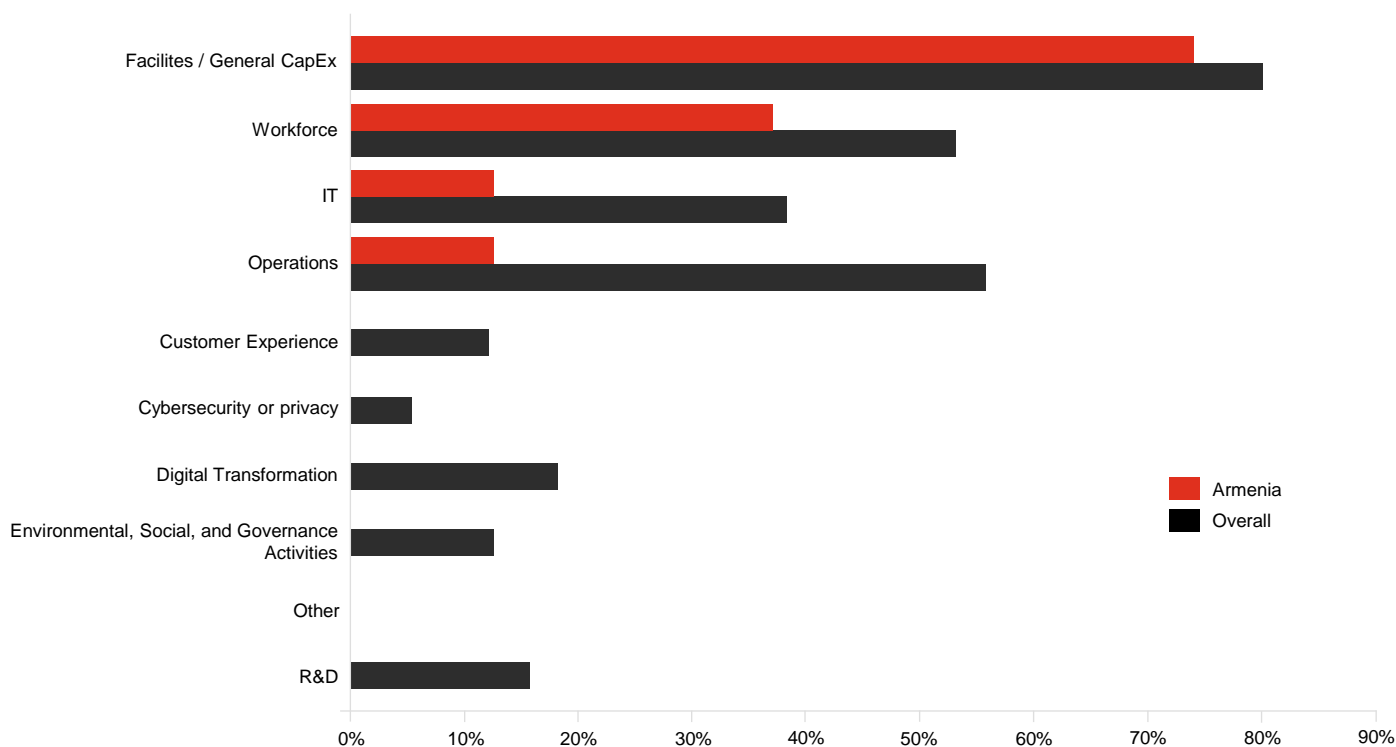



Most F&BL (80%) across all territories expect a decrease in revenues and profits. F&BL in Ireland take the most hard-line view, with 98% saying they expect the crisis to lead to a decrease. Even in countries with a more optimistic outlook, F&BL take it as a given that the economic impact of the COVID-19 will reduce revenues and profits, with finance leaders in Switzerland (80%), Denmark (73%), Germany (66%) and Armenia (60%) all reporting that they expect to see a decrease. Among industries, financial industries (86%), industrial manufacturing and automotive (86%), and retail and consumer (80%) have the highest share of F&BL who expect a decrease in revenue.

Placing investments on hold, but not digital transformation

The most favoured action across countries is cost containment, which 82% of F&BL report they are considering in response to the COVID-19 crisis. However, just 20% say they would change their M&A strategy. Overall, 40% of F&BL across all territories indicate that the COVID-19 is not affecting their M&A outlook, with 11% stating they plan to increase M&A activity. The perception of CFOs toward M&A strategy is comparable across industries.

Q4: You mentioned your company is considering deferring or cancelling planned investments as a result of COVID-19. Which of the following investment types are being considered in that regard?





Of those F&BL across all territories who say they are planning cost containment measures, capex investments are the most likely to be deferred or cancelled, led by F&BL in Mexico (97%) and Armenia (75%). Middle East F&BL indicate they are more likely to consider layoffs, in line with the fact that they are more likely (70%) to cite workforce investments being cancelled or deferred. In Armenia, this percentage is 38%. Capex is also the top choice to be deferred or cancelled across industries, led by industrial manufacturing and automotive F&BL at 93%.

Significantly, relatively few global F&BL (18%) say they plan to defer or cancel investments related to digital transformation. At the industry level, this ranged from 24% of energy, utilities and resources F&BL to just 11% technology, media and telecommunications F&BL. This overall reluctance is unsurprising, given that digital transformation stands to play a large and critical role in the latter stages of the mobilise-stabilise-strategise continuum of crisis response — especially as organisations accelerate automation or other new ways of working on-site, consider contact-tracing technologies to ensure workplace safety and look to create more integrated and tech-enabled supply chains.

Monitoring finance leaders' evolving response

Finance leaders in Armenia and all around the world are starting to think about the future of their organisations, both through the intermediate phase of the COVID-19 crisis and in the new normal that ultimately emerges. They are planning tactical moves to ensure safe reopening of their physical work sites and a strong, secure supply chain. As new recovery milestones are reached, we'll continue to monitor how F&BL react and respond.

About the survey

PwC surveyed 871 F&BL from Armenia, Azerbaijan, Bahrain, Brazil, Cyprus, Denmark, Egypt, France, Germany, Ireland, Japan, Jordan, Kazakhstan, Kuwait, Lebanon, Malta, Mexico, The Netherlands, Oman, Qatar, Palestine, Philippines, Portugal, Saudi Arabia, Singapore, Slovakia, Sweden, Switzerland, Thailand Turkey, United Arab Emirates, United States and Vietnam between April 20 to 22, 2020. The survey is conducted biweekly to track changing sentiments and priorities. The first multi-country inaugural survey was conducted from 6-8 April.

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