

Window On

The K-Shaped Recovery

March 24, 2021



Some of the critical questions and issues we will be answering today



- Visualize what the K-Shaped recovery is all about.



- Learn which countries are scheduled to return to pre-pandemic levels first, and when others are likely to follow suit.



- Discover which industries, from retailers to residential builders to higher education, will be the most disrupted by the pandemic.



- Understand what the differences in economic recoveries and industry disruptions mean for consumers and businesses.



Today's Presenters



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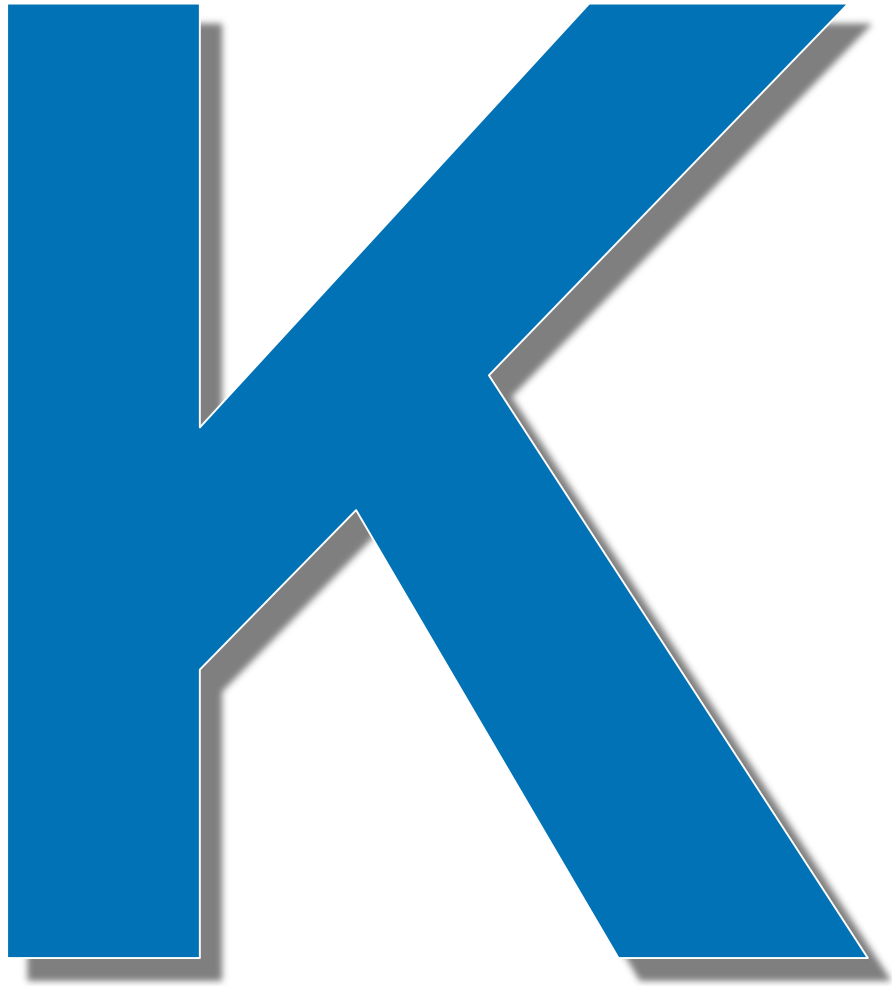


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What is the K-Shaped Recovery? - Economies



Upside

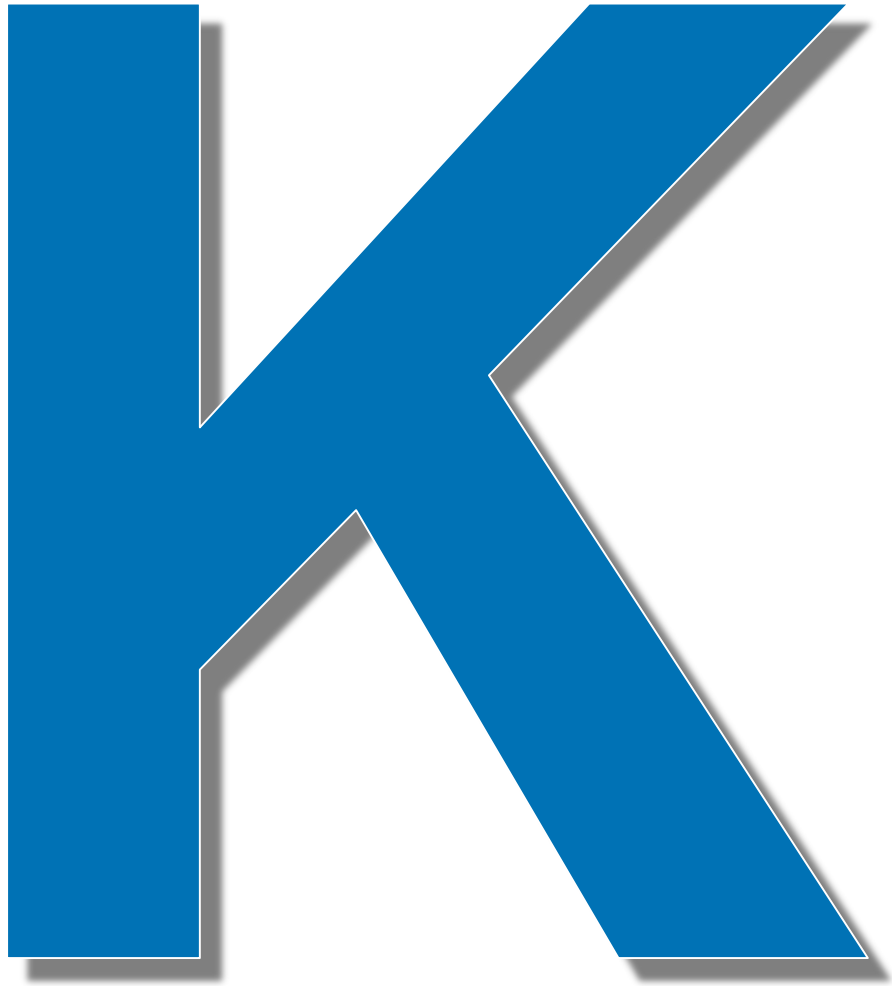
- ✓ Arrested virus quickly
- ✓ Rapid vaccine rollout
- ✓ High-Tech producers
- ✓ Comparative advantage in international goods trade
- ✓ Degree and duration of restrictiveness

Downside

- ✓ Unable to tackle virus quickly
- ✓ Slow vaccine rollout
- ✓ High concentration of in-person services
- ✓ Dependent upon tourism/sensitive to travel bans
- ✓ Uneven monetary and fiscal policy supports



What is the K-Shaped Recovery? - Industries & Households



Upside

- ✓ **Firms:** Goods and on-line services
- ✓ **Firms:** Amenable to remote work
- ✓ **Firms:** Highly automatable
- ✓ **HH:** No interruptions in employment and/or income
- ✓ **HH:** Owners of assets (e.g., stocks, real estate)

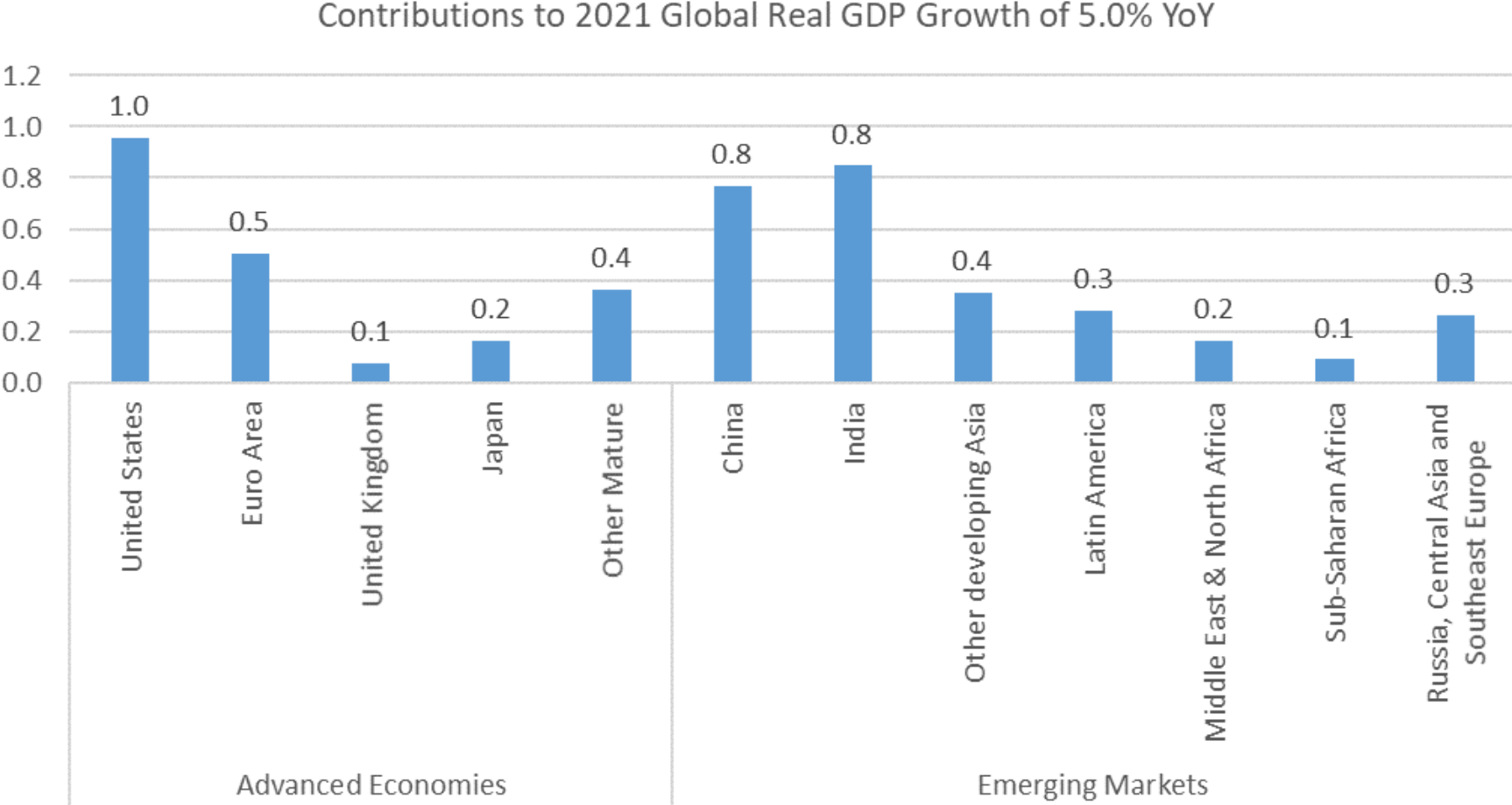
Downside

- ✓ **Firms:** In-person services
- ✓ **Firms:** Not amenable to remote work
- ✓ **Firms:** Limited capacity for automation
- ✓ **HH:** Interruptions in employment and/or income
- ✓ **HH:** Demographics (e.g., race, age, education, gender)



Audience Poll Question 1

Asia, US Anticipated to Drive Contributions to 2021 Global GDP Growth

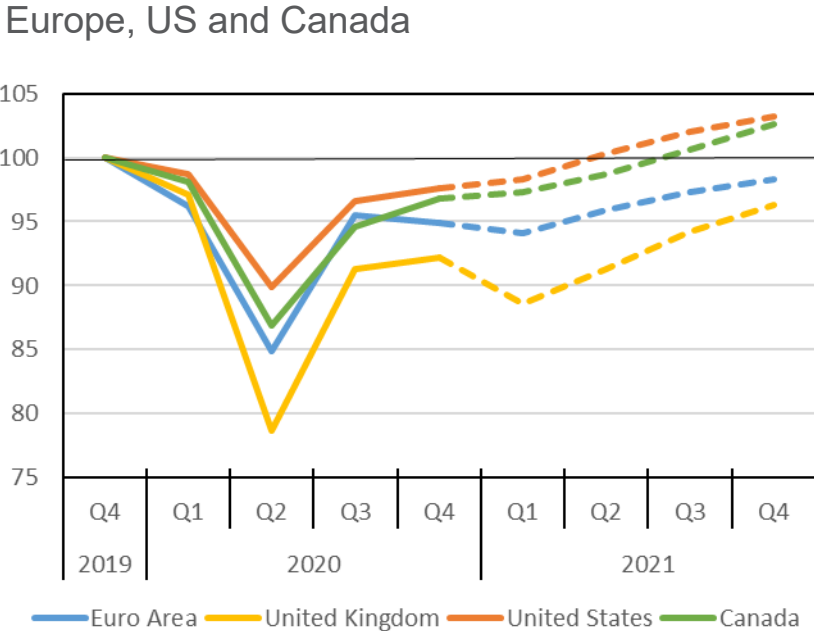
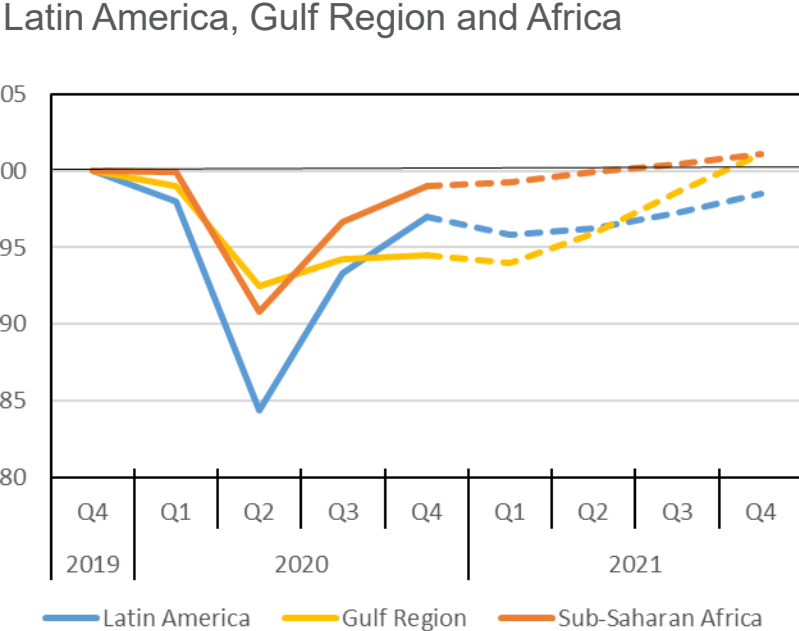
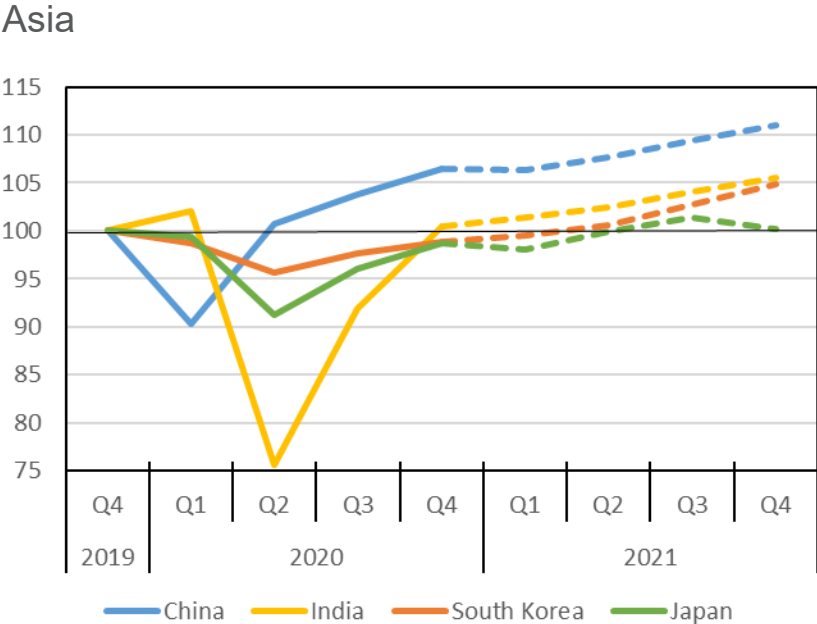


Source: [The Conference Board Global Economic Outlook \(March 2021\)](#)



Return to prepandemic levels of economic activity varies widely across the world

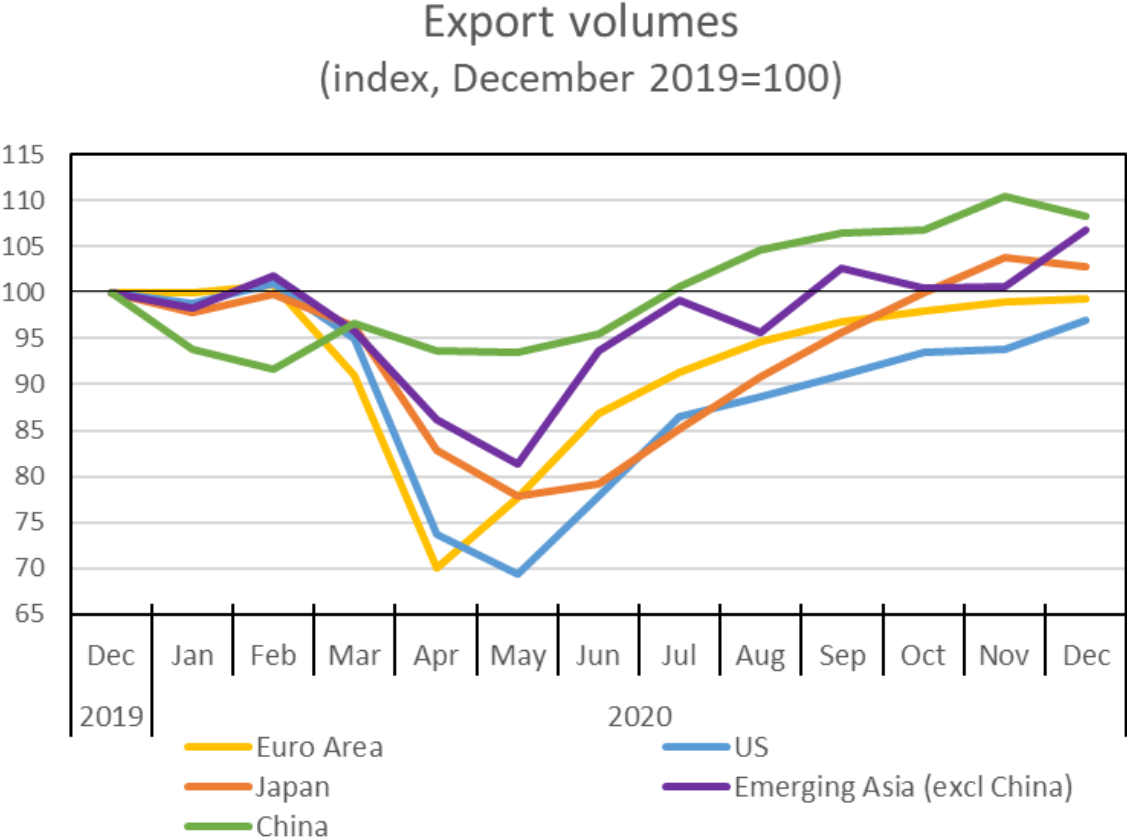
Real GDP (2019Q4=100)



Source: [The Conference Board Global Economic Outlook \(March 2021\)](#)



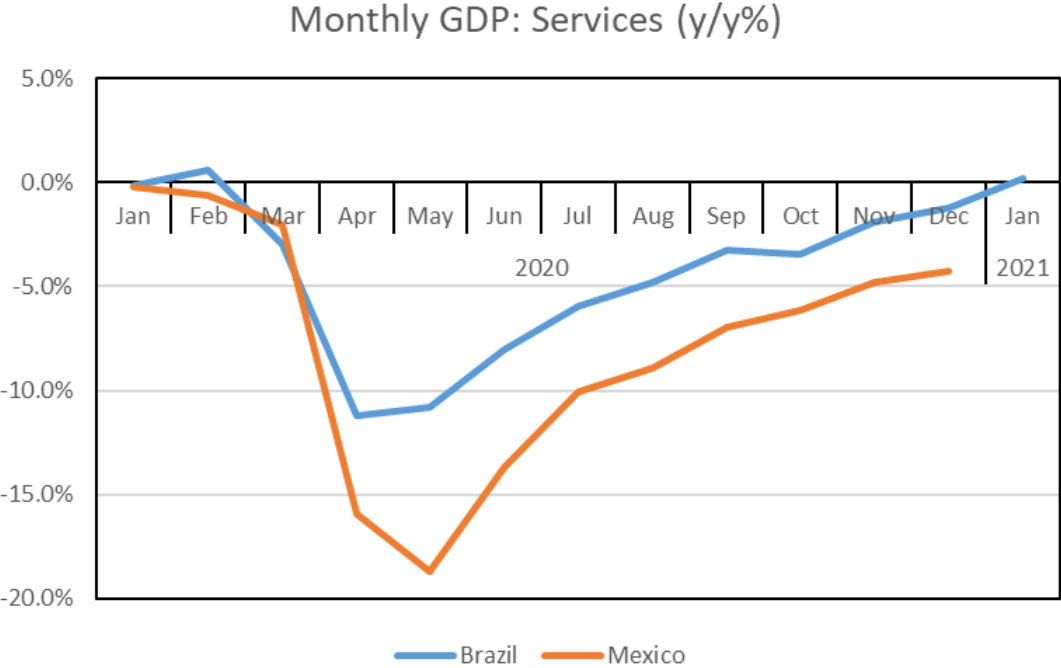
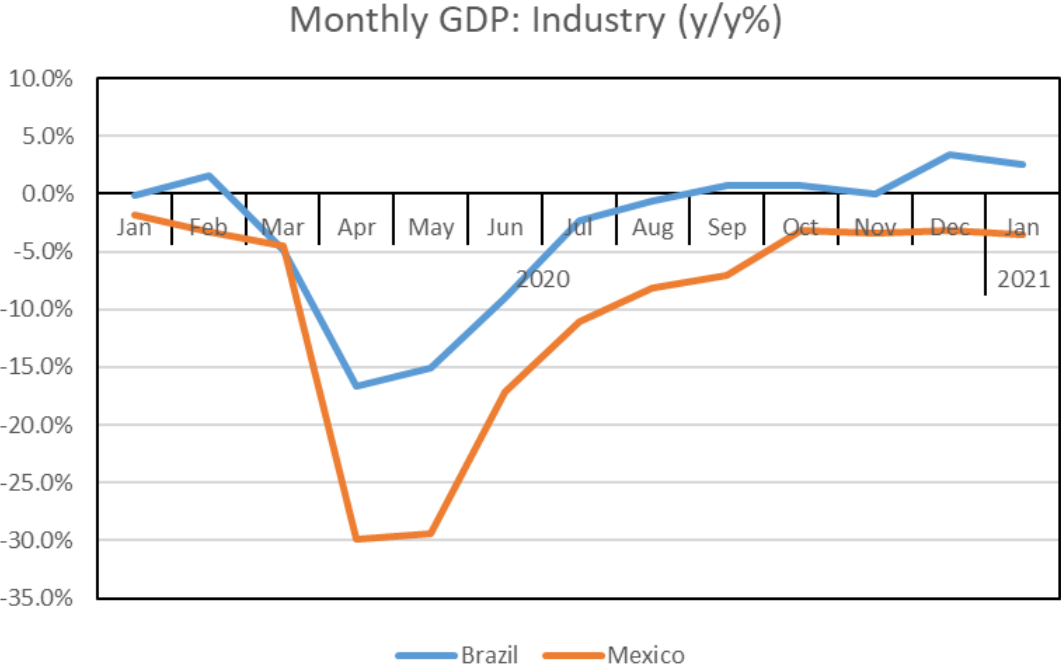
Export volumes rebound in Asia outpaces western economies



Source: The Conference Board calculations using CPB’s World Trade Monitor data sourced through Haver analytics



Looser restrictions and more fiscal stimulus give Brazil a lead over Mexico

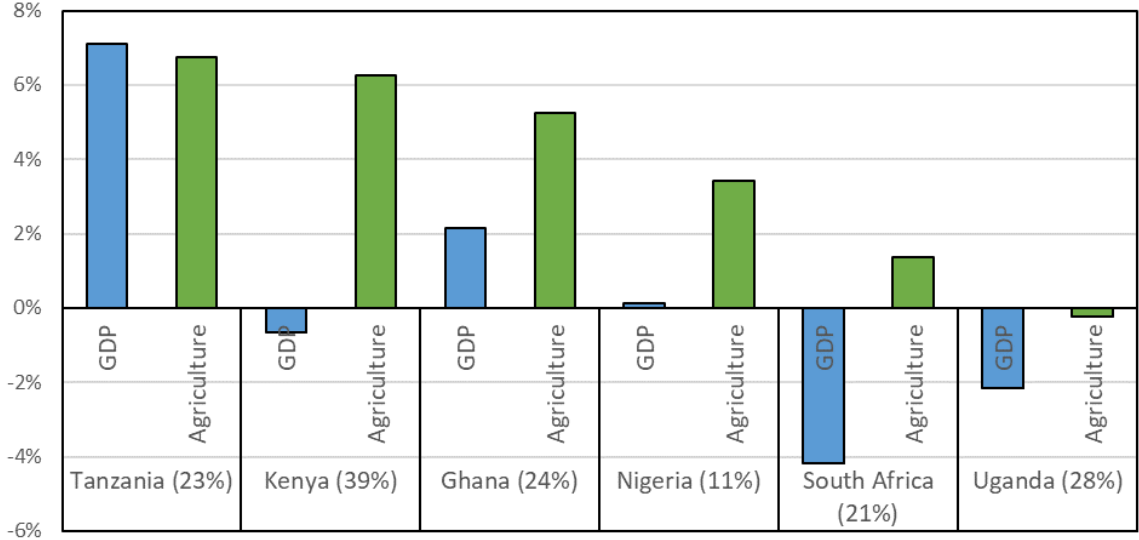


Notes: Data for Brazil are from the FGV GDP monitor; data for Mexico refer to INEGI's Economic Activity Indicator, which is a close proxy to GDP
 Source: The Conference Board calculations using data sourced through Haver analytics

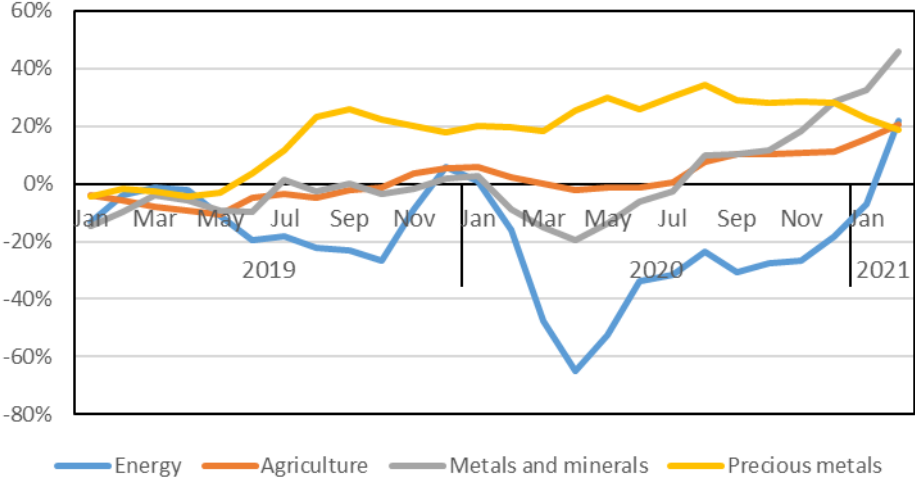


Large share of agriculture in GDP and benign global environment for farming products helped soften the blow for sub-Saharan African economies

Real GDP & Agricultural value added
Q3, 2020 (Y/Y % change)



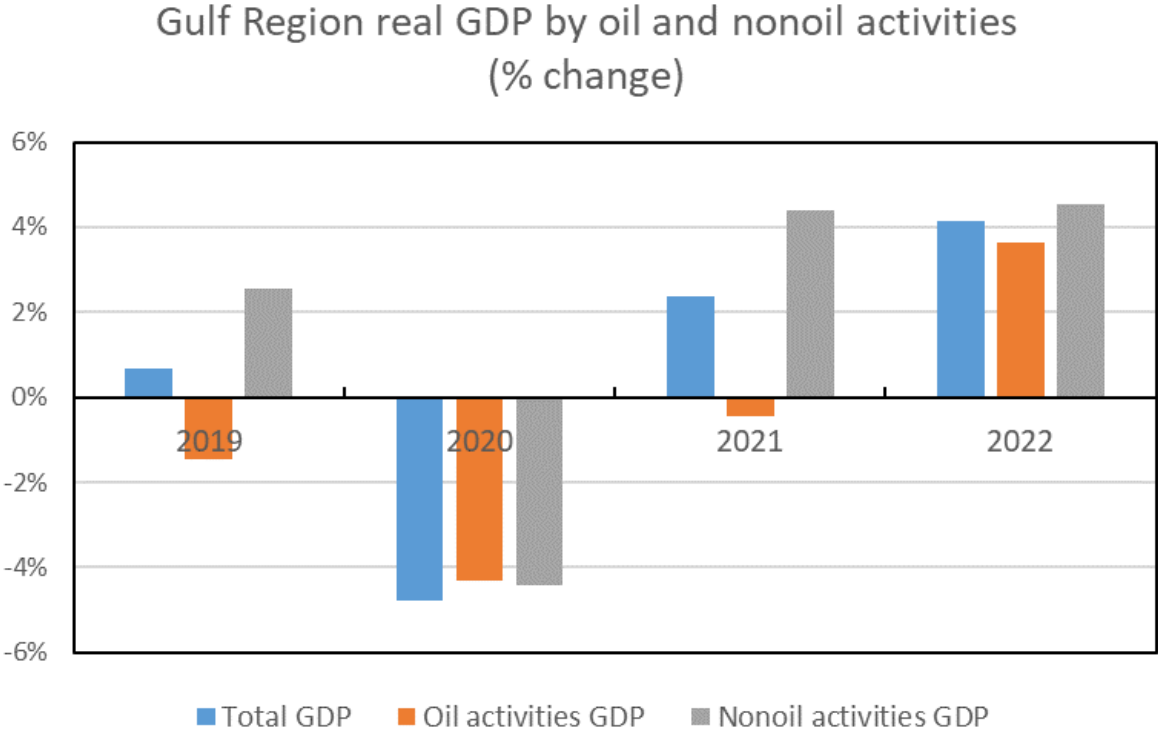
World Bank commodity price indices for emerging countries (y/y %)



Notes: In brackets share of agriculture value added in total GDP; Data for Nigeria and South Africa refer to Q4, 2020
Source: The Conference Board calculations using National Statistics Institute’s data sourced through Haver analytics



Gulf region recovery this year will be driven by nonoil activities

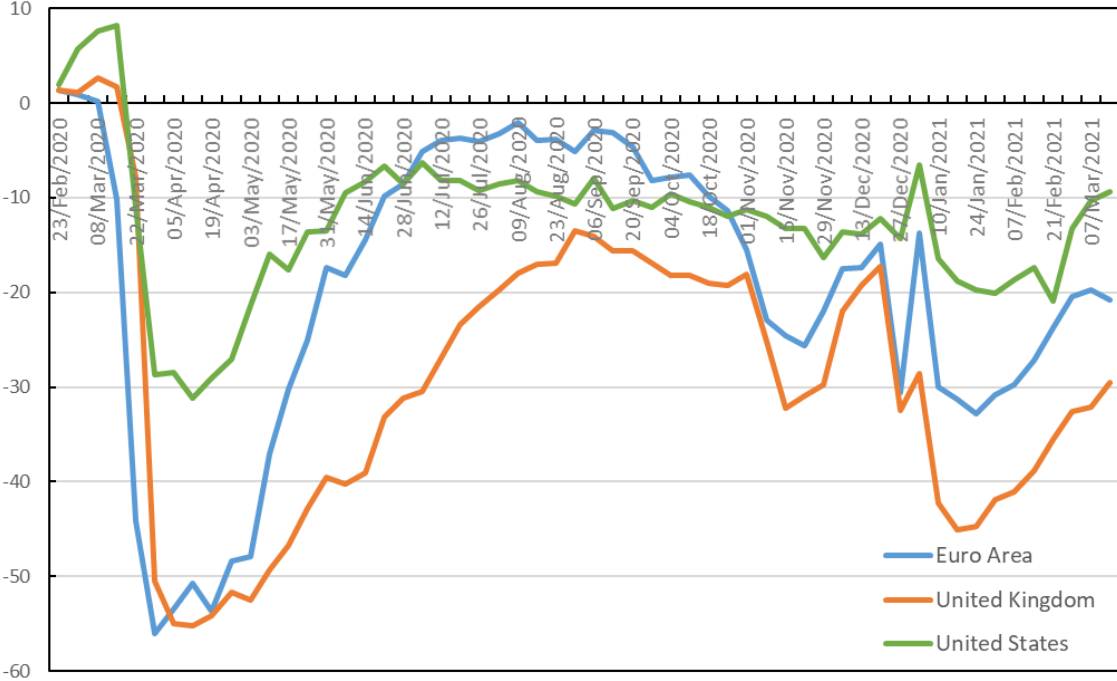


Source: [The Conference Board Gulf Economic Outlook \(Q1 2021\)](#)



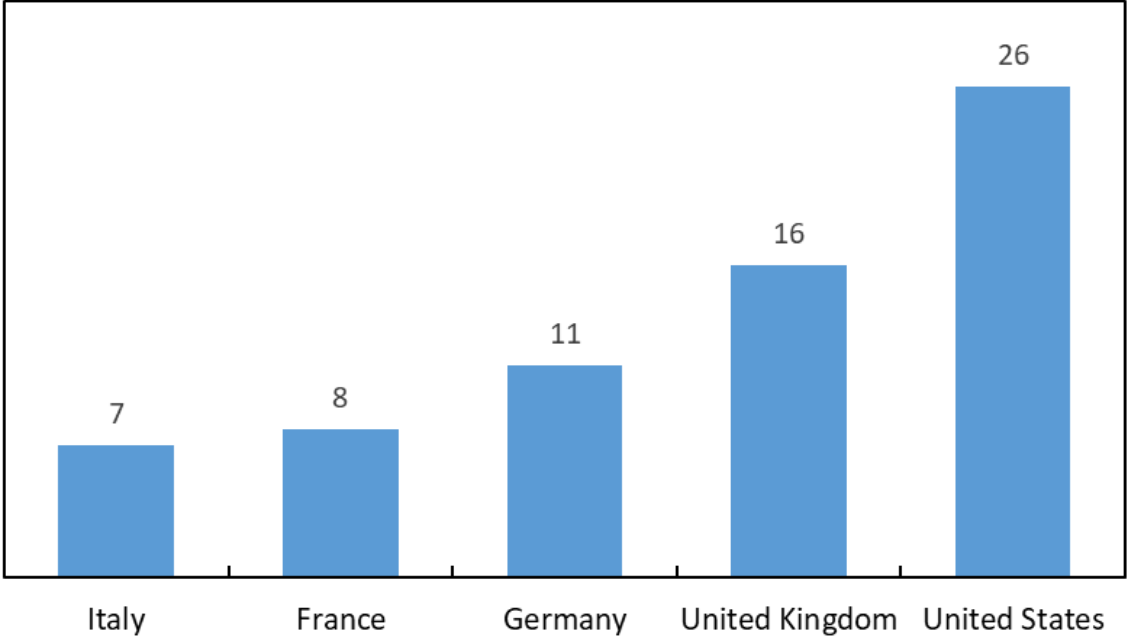
Milder lockdown and larger fiscal stimulus

Mobility: weekly averages of trips to Grocery & Pharma and Retail & Recreation (% change from baseline)



Notes: Euro Area aggregate weighted by nominal GDP shares
 Source: The Conference Board calculations using Oxford University data sourced through Haver analytics

Fiscal stimulus as a share of 2020 GDP (%)



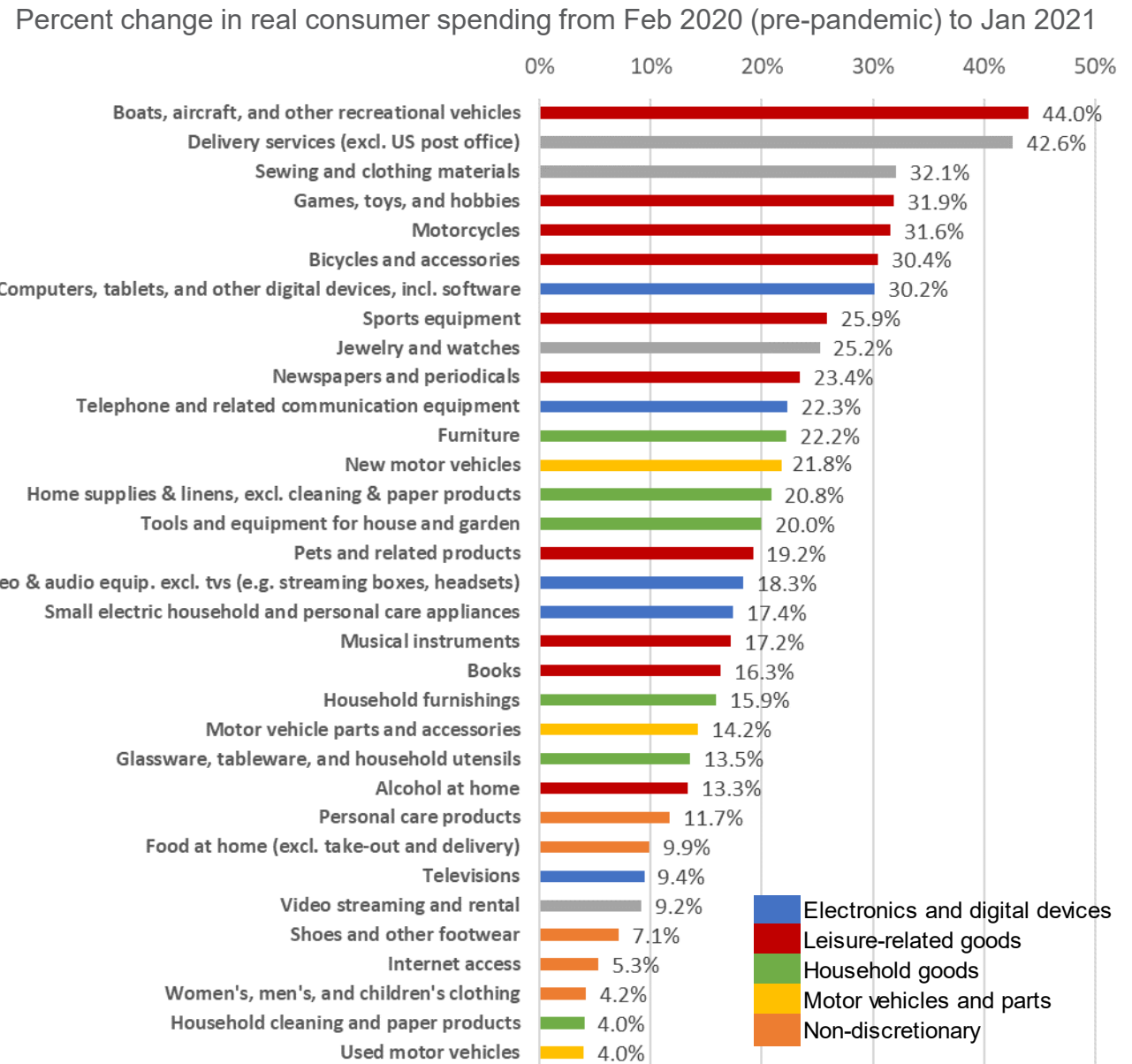
Notes: US estimate based on data as of 22 March 2021, other economies based on data as of 31 December 2020.
 Source: The Conference Board calculations using IMF Fiscal Monitor January 2021 update



Audience Poll Question 2

Lasting disruption in **retail** will be driven by the rise in e-commerce and increasing industry concentration

- Lasting shift to online shopping
 - ✓ Reallocation between purely online, brick-and-mortar, and “click-and-collect”
- Rise in remote work
 - ✓ Relocation away from city centers
 - ✓ Reduced retail footprint/foot traffic will reduce demand
- Rising industry concentration
 - ✓ Online retail giants get bigger
 - ✓ Rising store closures, bankruptcies and M&A
- Jobs more susceptible to automation
 - ✓ Rise of no-touch shopping technologies
 - ✓ Robotics powered fulfillment centers
 - ✓ e.g. cashiers, salespersons, shipping and receiving clerks



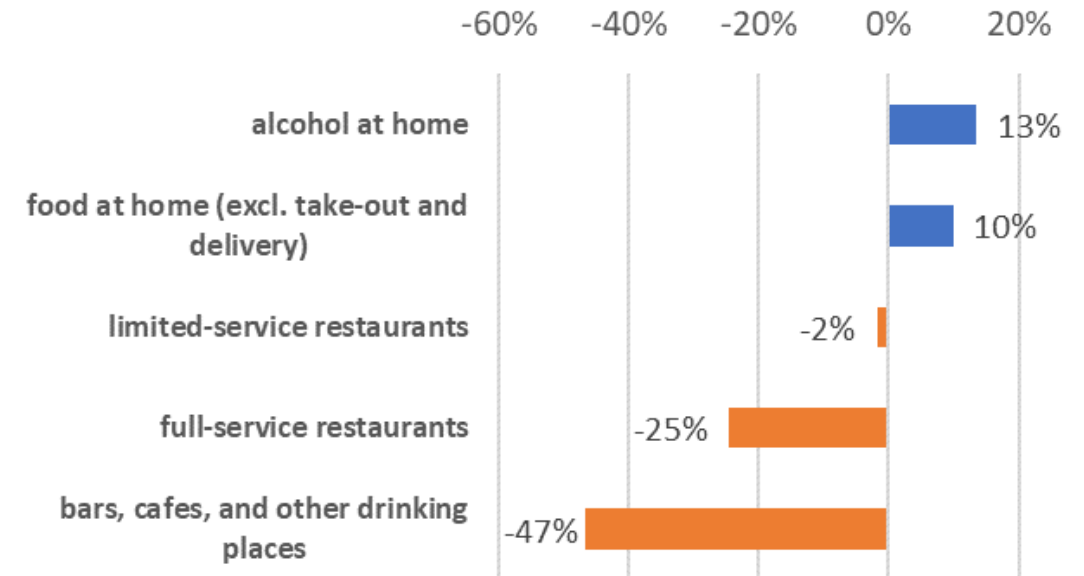
Source: The Conference Board using Real Personal Consumption Expenditures by Type of Product from the US Bureau of Economic Analysis



While **restaurant** spending may recover, pickup and delivery may rise at the expense of full-service spending

- Lasting **shift to online** ordering
 - ✓ Reallocation between take out/delivery and service-oriented spending
 - ✓ Changes in **consumer behavior** likely to stick
- Rise in **remote work**
 - ✓ **Relocation** away from city centers
 - ✓ Reduced lunch and happy hour spending
- Rising **industry concentration**
 - ✓ Fast food chains get bigger
 - ✓ Despite many closures, new mom-and-pop and full-service restaurants will emerge
- Jobs more susceptible to **automation**
 - ✓ Due to rise in digital ordering, new business models (e.g., ghost kitchens), and high risk of infection
 - ✓ e.g., hosts/hostesses, waiters/waitresses

Percent change in consumer spending from February 2020 (pre-pandemic) to January 2021



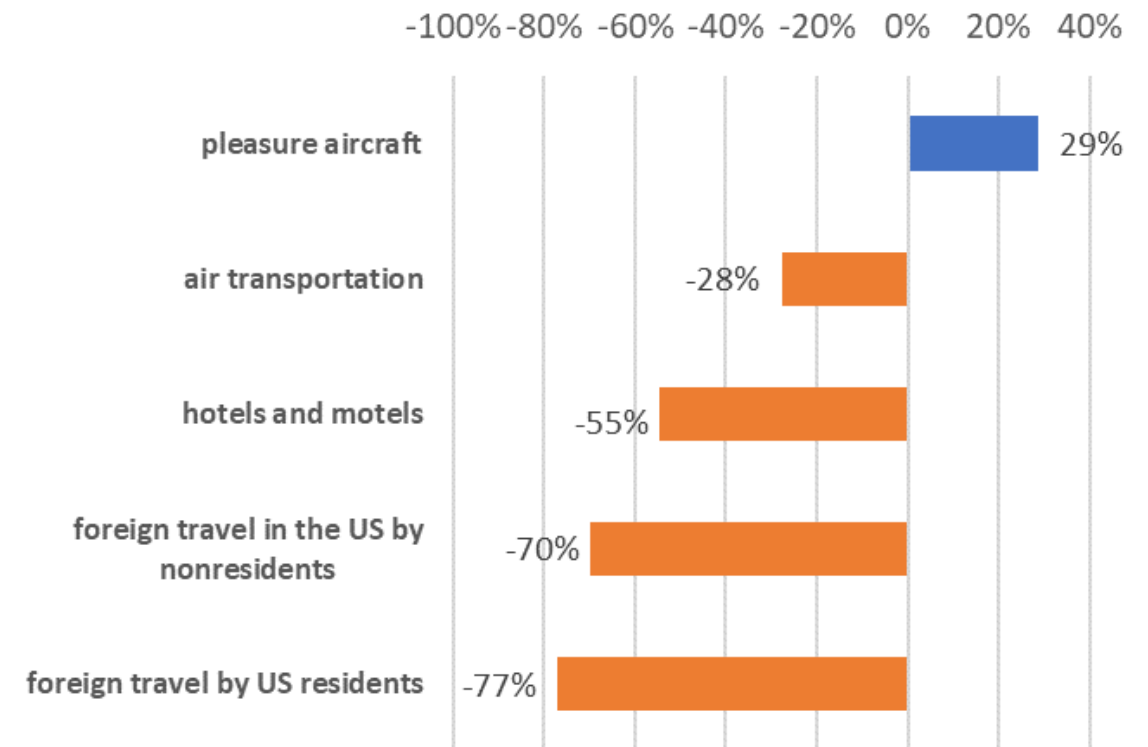
Source: The Conference Board using Real Personal Consumption Expenditures by Type of Product from the US Bureau of Economic Analysis



Virtual meetings and cost cutting will permanently reduce demand for business air travel and lodging

- Rise in **remote work**
 - ✓ **Business travel** will remain depressed
 - ✓ But domestic leisure travel expected to recover
- Rising **industry concentration**
 - ✓ Airline and hotel industries will likely emerge smaller than before
 - ✓ Looming bankruptcies will likely spur M&A activity as large airline carriers and hotel brands look to regional carriers or smaller hotels focused on domestic leisure travel
- Jobs more susceptible to **automation**
 - ✓ Layoffs by airlines and hotel chains
 - ✓ Increased use of AI-enabled customer service, digital check-in, and autonomous cleaning robots
 - ✓ e.g. airline customer service agents, hotel front desk, clerks, housekeepers

Percent change in consumer spending from February 2020 (pre-pandemic) to January 2021



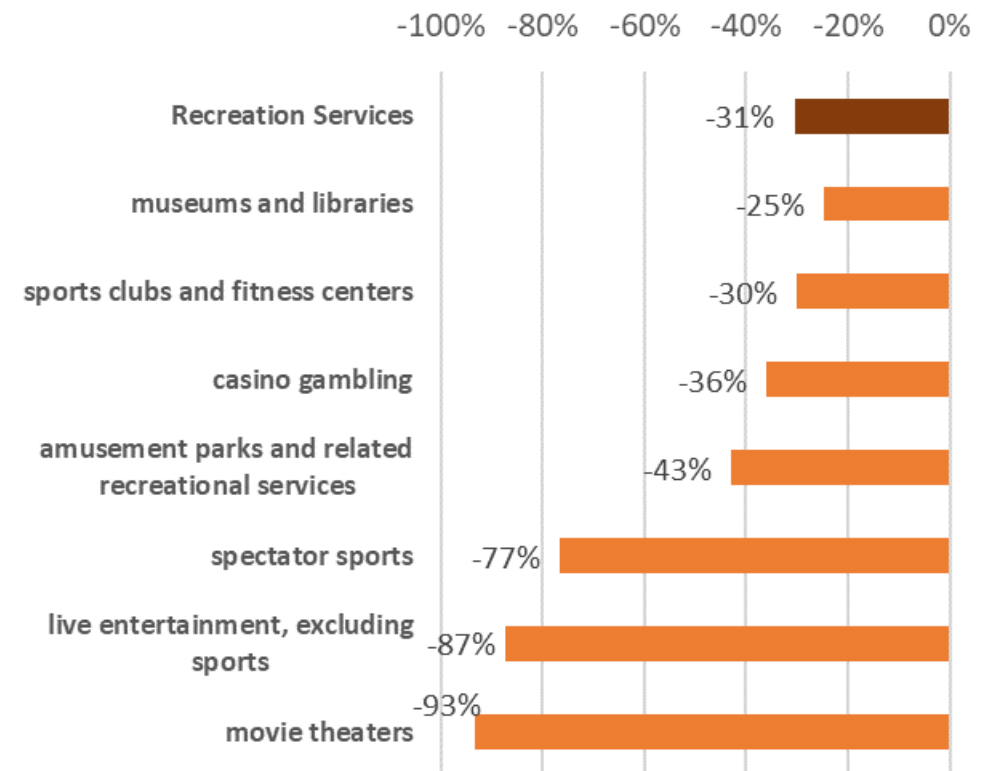
Source: The Conference Board using Real Personal Consumption Expenditures by Type of Product from the US Bureau of Economic Analysis



Pent-up demand for social interaction and collective experiences will likely drive spending on **leisure and entertainment** back to pre-pandemic levels

- Lasting **shift to online** entertainment
 - ✓ Video streaming
 - ✓ Traditional offline experiences may become more infused with digital elements
- Rising **industry concentration**
 - ✓ A smaller number of larger companies will likely emerge post-COVID (but with more innovative products and services)
 - ✓ M&A driven by smaller players e.g., river cruise lines, cinemas, theaters, cultural centers, and media entertainment companies
- Jobs more susceptible to **automation**
 - ✓ Due to cost cutting, routine tasks, and high risk of infection
 - ✓ e.g. ushers, lobby attendants, and ticket takers

Percent change in consumer spending from February 2020 (pre-pandemic) to January 2021



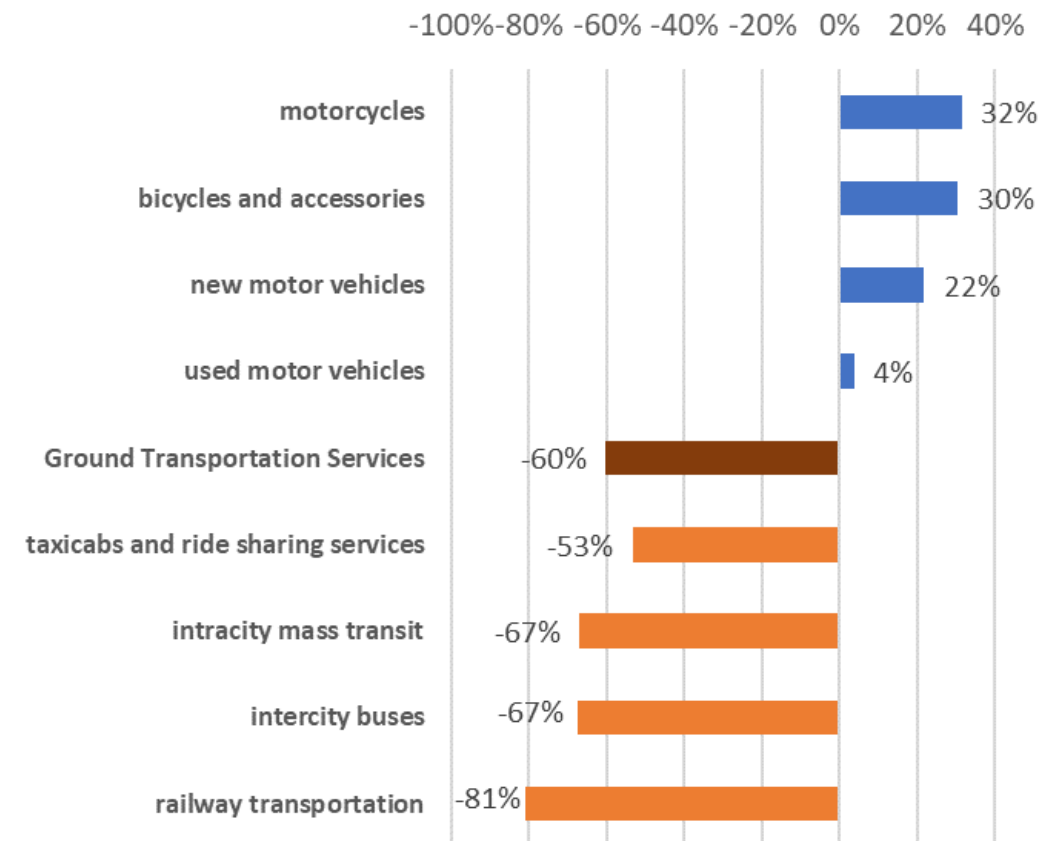
Source: The Conference Board using Real Personal Consumption Expenditures by Type of Product from the US Bureau of Economic Analysis



Demand for transit and ground transportation will likely not recover to pre-pandemic levels

- Rise in **remote work**
 - ✓ Reduced **commuting** and **business travel**
- Changes in **consumer behavior**
 - ✓ Reduced demand for car- and ride-sharing
 - ✓ Shifting consumer preferences for personal vehicles or micro-mobility
- But some jobs less susceptible to **automation**
 - ✓ Public investments in **autonomous vehicles** likely to be delayed
 - ✓ Transit authorities may instead develop new public-private partnerships focused on micro-mobility options (e.g., bikes, scooters)

Percent change in consumer spending from February 2020 (pre-pandemic) to January 2021



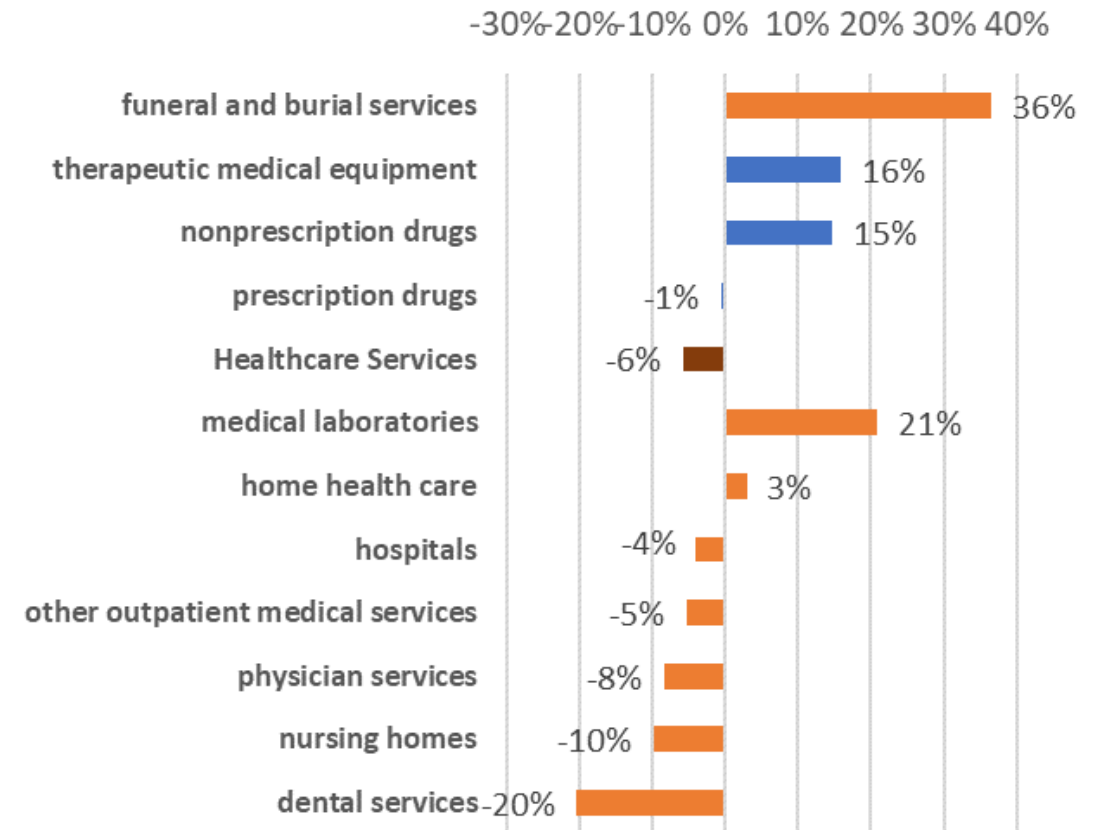
Source: The Conference Board using Real Personal Consumption Expenditures by Type of Product from the US Bureau of Economic Analysis



An aging population and rising demand for a combo of in-person and virtual services will lead to a rebound in **health care** spending

- Lasting **shift to online care**
 - ✓ Infusion of telehealth for certain types of consults or at certain points of treatment, e.g., remote monitoring
- Rising **industry concentration**
 - ✓ Large health systems with previous telehealth investments positioned to grow
 - ✓ Many small rural hospitals will likely go bankrupt or drive M&A activity
- Jobs more susceptible to **automation**
 - ✓ Due to virus exposure, cost cutting, and rising use of AI, robotics, and at-home diagnostic equipment
 - ✓ e.g., RNs and medical assistants

Percent change in consumer spending from February 2020 (pre-pandemic) to January 2021



Source: The Conference Board using Real Personal Consumption Expenditures by Type of Product from the US Bureau of Economic Analysis



Greater access to online higher education may help college enrollment recover faster

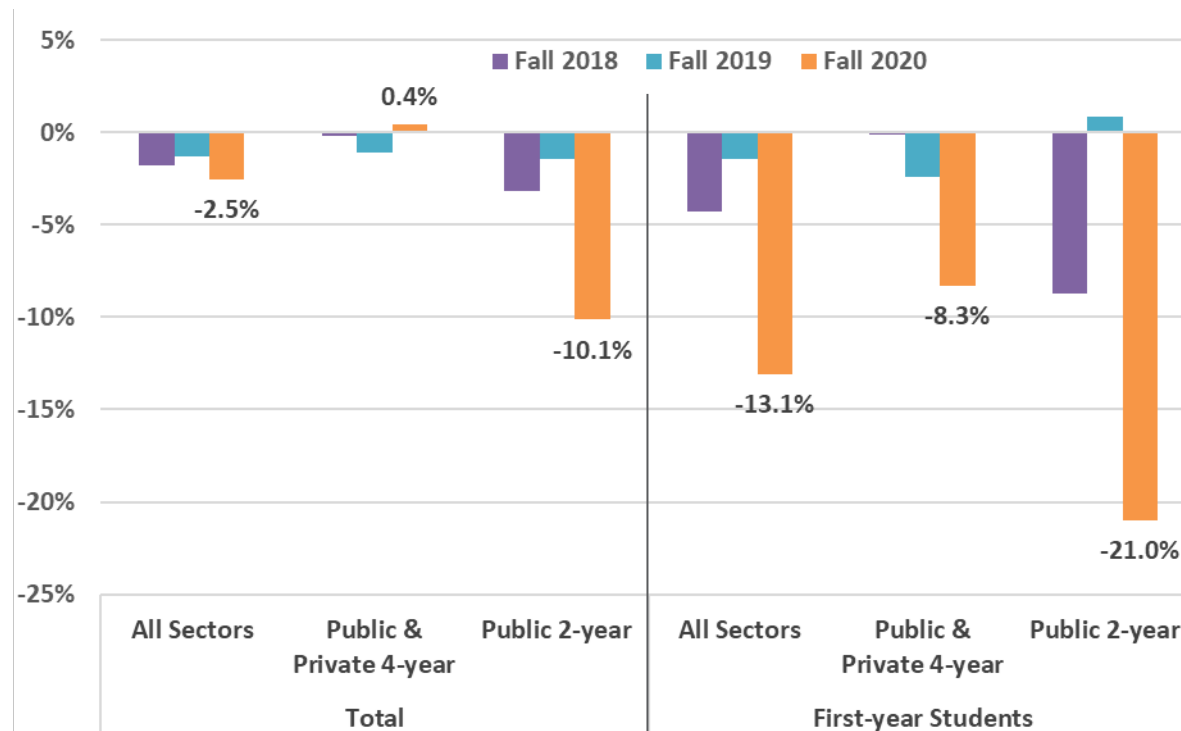
■ Lasting shift to online education

- ✓ During COVID, a portion of student demand shifted to lower-cost online options
- ✓ Widespread online offerings at a lower price point may increase access (esp. online MBAs)
- ✓ Hybrid models for large undergrad courses
- ✓ Post-pandemic need for re-skilling and up-skilling among adult learners

■ Rising industry concentration

- ✓ Elite colleges with large endowments will prosper
- ✓ Many small private colleges will go bankrupt due to reduced revenues and rising costs for online education

Percent Change in College Enrollment from Previous Year

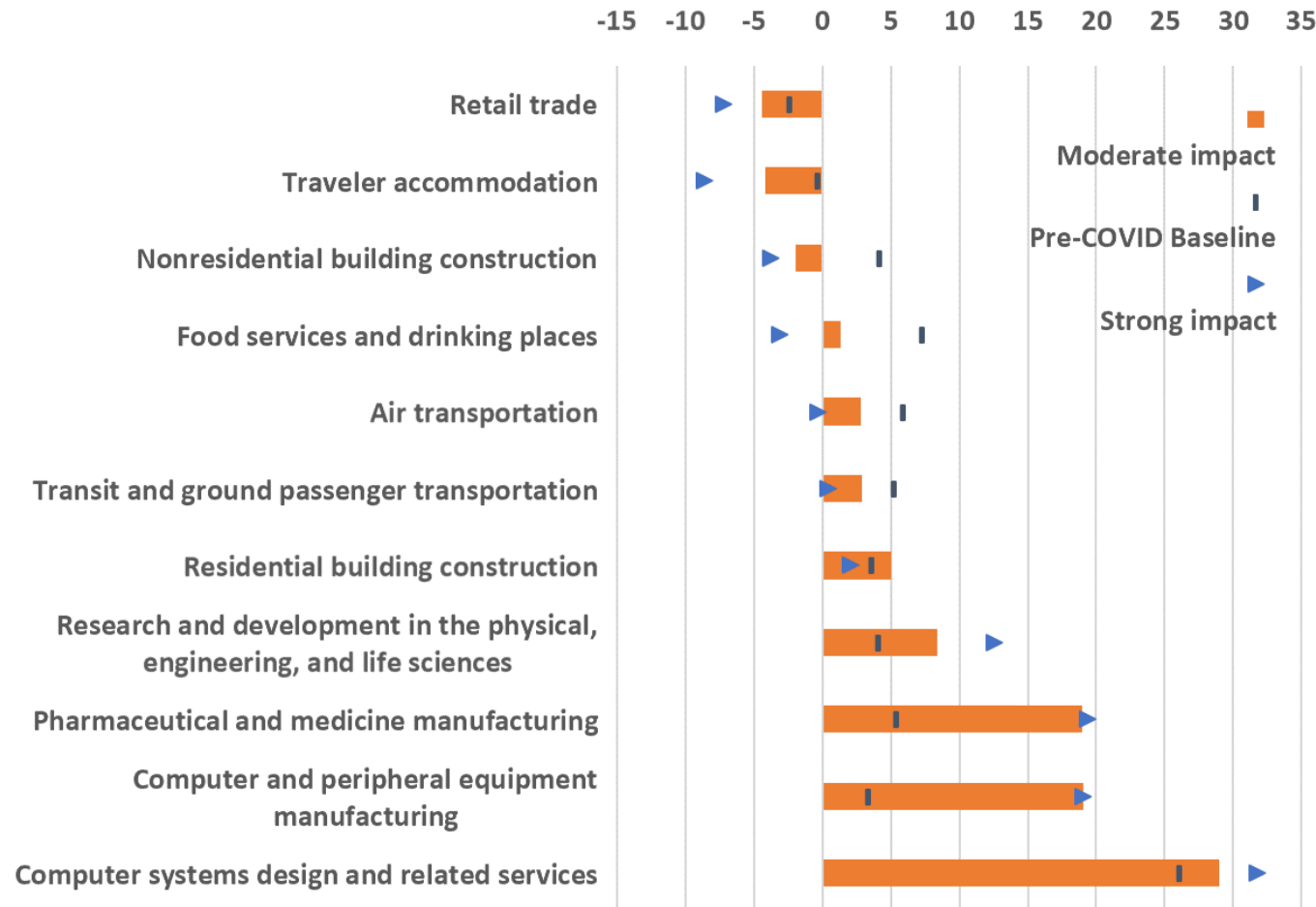


Source: National Student Clearinghouse Research Center [Current Term Enrollment Estimates Fall 2020](#) and calculations by The Conference Board



Employment in retail, hotels, and nonresidential construction is expected to fall over the next decade; jobs in health-science, pharma, and tech will grow fastest

Projected percent change in employment assuming a “moderate” COVID-19 employment impact, compared to the pre-COVID baseline projection and a “strong” impact scenario, by selected industries, 2019–29



Note: The "pre-COVID baseline" refers to BLS employment projections for 2019–29 assuming no employment impacts stemming from the pandemic. The "moderate impact" and "strong impact" scenarios assume long-term changes in employment resulting from the pandemic, primarily from changes in consumer demand due to increased telework. In the "strong impact" scenario, changes in consumer and firm behaviors are amplified and more widespread.

Source: US Bureau of Labor Statistics, "[Employment projections in a pandemic environment](#)," February 2021



Audience Q&A

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Hosted by:



Dana Peterson

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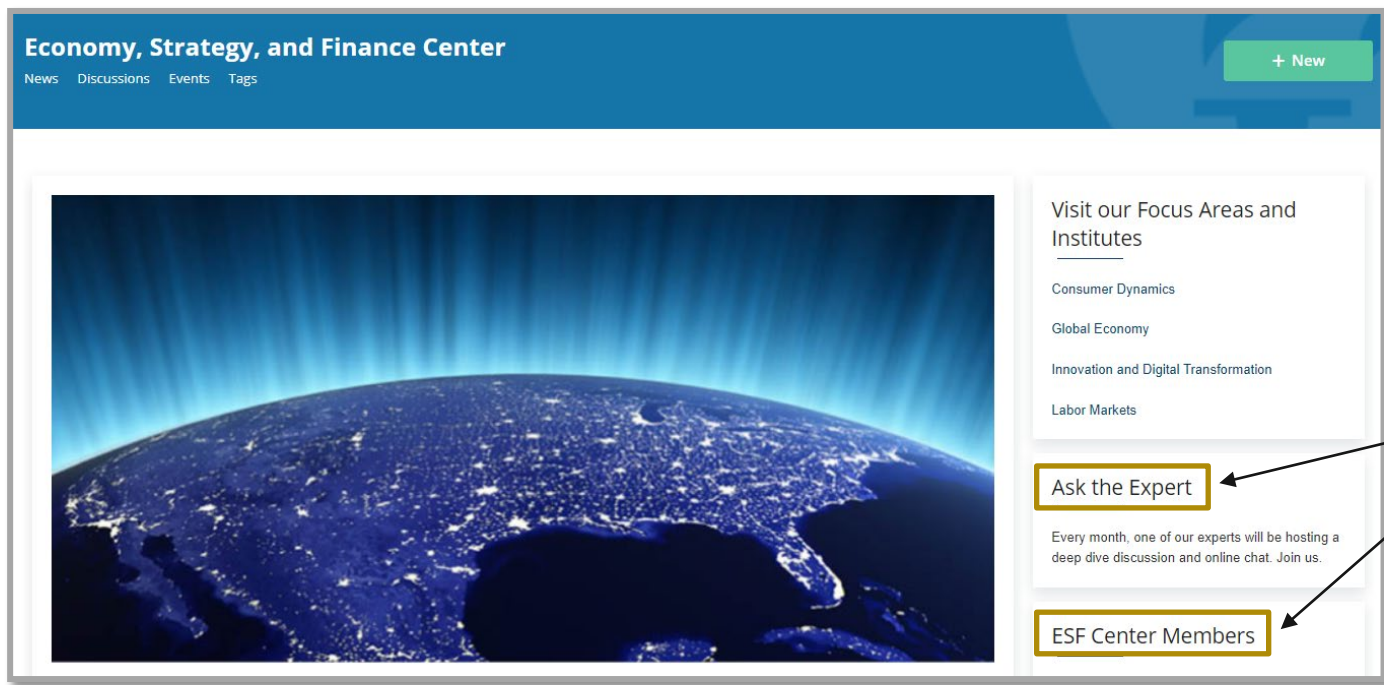
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