

Scenario Matrix – June 2020

Positive China / Western Economies Relationship

"Healthcare Cooperation"

ME: Global GDP < -1%, enduring damage to airline, hotel, entertainment sectors, strengthening of global organizations
I: Supply > erratic demand, business remains 'at home' and 'on line'
EW: 2nd wave forced lockdowns; China / West olive branch extended
RM: Continued investment in online capabilities and supply flexibility

"Return to 2019"

ME: Global GDP ~2%, smoother supply chains, 'normal' tariff levels
I: Supply constraints will re-appear in our specific markets
EW: Vaccine discovered / approved; US China Phase II Trade Deal
RM: Be prepared to flex increase manufacturing capacity

Pandemic persists strongly through 2021

"Escalation"

ME: Global GDP < -2.5%, Western cohesion in approach to China
I: Significant suppliers, customers and technology blocked; global organizations fracture; industry supply chains retrench
EW: 'Red Lines' declared, then crossed; COVID hot spots persist; vaccine failures through Q4 '20
RM: Prioritize Key Accounts; Secure new RM suppliers now; revise standard contracts (MFN and FM clauses); develop CDS capability and position now

Pandemic perceived as contained during Q3 2020

"Economic Cold War"

ME: Global GDP 1-2%, target companies blacklisted in respective markets, significant supply chain disruption / shortages
I: Raw Material ex China no longer viable; sales to China uncompetitive; bad debt risks increases
EW: Western major blacklisted (e.g. Boeing); US China Phase I rolled back
RM: Prepare RM sourcing ex SE Asia now; minimize working capital exposure

Contentious China / Western Economies Relationship