Member's Survey – Part 3: Long-Term Impact of Covid-19

In our previous two articles about the CFA Institute Member Survey on Covid-19, we highlighted the key findings of the global survey and identified how the Swiss responses differed from those of their peers. In this third and final article, we address the long-term impact of the pandemic by assessing the forward-looking questions of both the Institute's survey as well as the CFA Switzerland / Credit Suisse Financial Market Survey Switzerland. We conclude by offering our own Advocacy Committee perspective.

CFA Institute Member Survey

In the Institute's survey of May 2020, global members identified the three biggest long-term impacts of Covid-19:

- Large-scale bankruptcies (39%)
- Acceleration of operations automation and scaling through outsourcing to reduce fixed costs (38%)
- Large scale consolidation of firms (34%)

Swiss respondents scored large-scale bankruptcies at 35% and operations automation at 31% -- both slightly below the global average.

In contrast, Swiss members ranked large-scale consolidation along with less globalization of financial markets and investment flows as the two most important long-term impacts, each with 37%. This rating was higher than their global peers who scored the two items at 34% and 32%, respectively. Interestingly, Swiss members also expressed the most confidence in financial markets by giving the lowest rating on the question of expecting a loss of investor and public confidence in financial markets and the financial industry (14%) compared to the global average of 20%.

WHAT, IF ANY, WILL BE THE BIGGEST LONG-TERM IMPACT(S) OF COVID-19 AND MARKET CONDITIONS ON THE FINANCIAL SERVICES INDUSTRY?

	GLOBAL	EMEA	UNITED KINGDOM	SWITZERLAND	GERMANY	NETHERLANDS	UAE	SPAIN	FRANCE	ITALY	GREECE
Large-scale bankruptcies	39%	40%	45%	35%	43%	38%	40%	46%	33%	32%	38%
Acceleration of operations automation and scaling through outsourcing, to reduce fixed costs	38%	40%	42%	31%	35%	24%	53%	32%	36%	40%	60%
Large-scale consolidation of firms	34%	36%	37%	37%	43%	28%	39%	48%	39%	37%	34%
Further divergence of economic/financial development paths between developed and developing (emerging) markets	33%	35%	32%	30%	34%	31%	32%	32%	24%	26%	36%
Less globalization of financial markets and investment flows (e.g. fewer transnational trading operations and lower international activity)	32%	32%	33%	37%	35%	46%	30%	29%	28%	32%	34%
Loss of investor and public confidence in financial markets and the financial industry	20%	17%	15%	14%	15%	20%	26%	20%	33%	18%	15%
Return of active investing	20%	18%	18%	20%	15%	19%	20%	16%	17%	15%	25%
Deregulation that will reduce disclosures which investors need to make informed decisions	3%	2%	2%	3%	2%	2%	0%	2%	3%	1%	2%
Other	5%	4%	5%	6%	4%	5%	5%	2%	5%	0%	2%
I don't expect a major long-term impact	6%	6%	5%	7%	9%	6%	2%	6%	4%	6%	0%

CFA Switzerland / Credit Suisse Financial Market Survey Switzerland
In August 2020, CFA Society Switzerland and Credit Suisse conducted an economic survey on the pandemic with a focus on the Swiss financial market. As part of the survey, participants were asked to reply to three key questions:

- Where do you expect to work until the end of 2021?
- How do you expect the EU to handle the additional debt?
- How do you expect Switzerland to handle the higher debt level?

In response to the first question, respondents gave a combined total of 70.9%, expecting either to work mostly from home or equally from home and the office. For the second question, the top two replies were tolerating the higher debt level (65.5%) and anticipating higher inflation (25.5%). For the final question, participants replied similarly in terms of tolerating the higher debt level (63.6%), but gave a higher response to expecting a reduction in future government spending (21.8%), in contrast to the answer for the EU (3.6%).

Advocacy Committee's View
CFA Switzerland's Advocacy Committee also offers its own assessment of the long-term impact of Covid-19 on financial markets. Although we do not see any new major trends arising from the pandemic, we do anticipate a dramatic acceleration of four existing trends in the years ahead:

- Rising debt level in combination with aging populations
- Asian economic growth
- Growing prominence of technology sector
- Shift to ESG

Governments have responded to Covid-19 with aggressive monetary and fiscal stimulus to mitigate the short-term shock of shutting down their economies. Although boosting public spending was certainly necessary for propping up economies, it is also exacerbates the already high debt levels that existed prior to the crisis. The long-term risk is that greater indebtedness will pose a mounting challenge for countries with an unfavorable combination of aging populations and slower economic growth. This is in stark contrast to some emerging economies -- particularly in Asia where countries have lower Covid-19 infection rates per 100'000 inhabitants -- that are poised to resume their pre-pandemic strong growth trajectories thanks to more favorable demographics with younger populations and rising middle classes.

The global health crisis is accelerating digitalization as technology has become even more critical to the world economy. Not only have trends such as "Work From Home" and online shopping gained momentum, but emerging technologies such as artificial intelligence, autonomous driving, personalized medicine, block chain technology and 5D data networks will further benefit those firms that master those technologies to deliver superior products and services at lower cost.

Finally, the pandemic is hastening the trend towards ESG (Environmental, Social and Governance) Investing, as there is an even greater awareness of the importance of climate change, social justice and corporate responsibility.

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