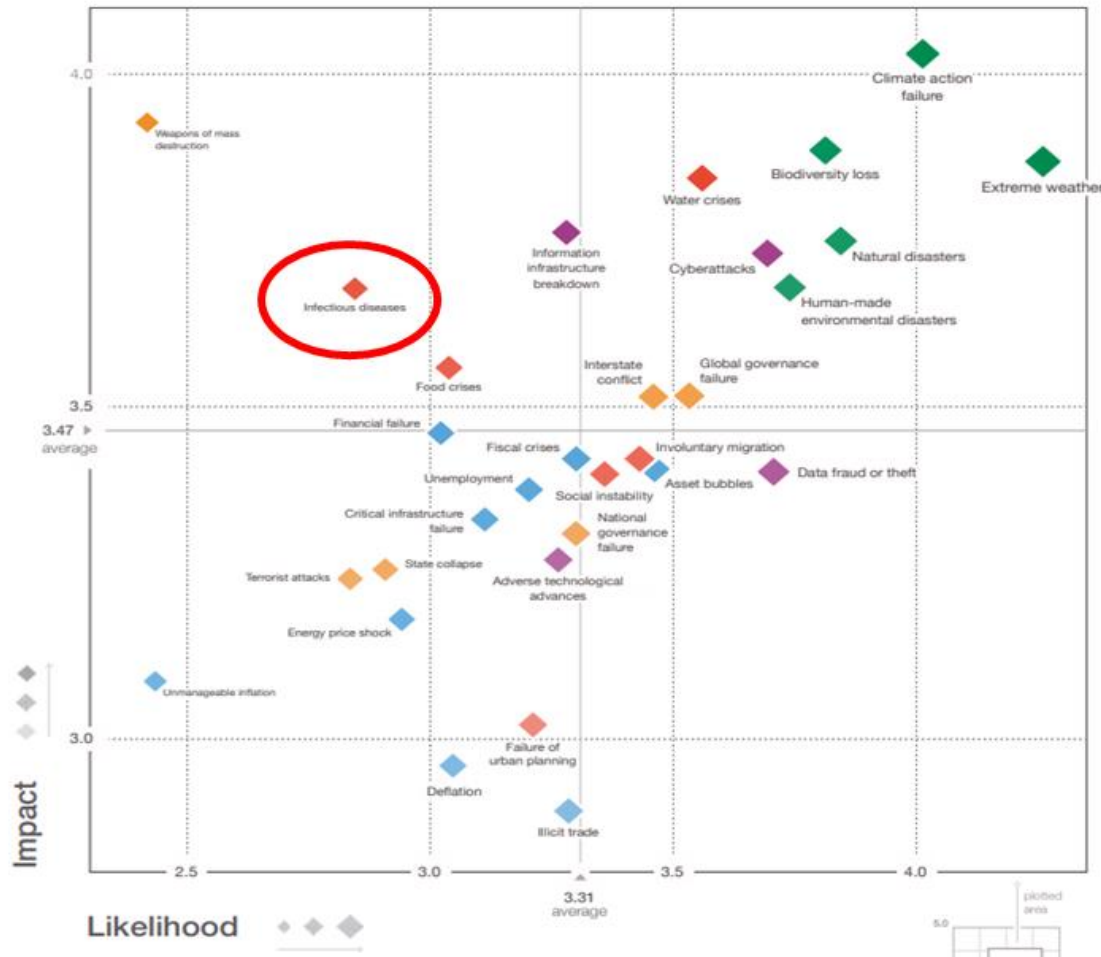




Embracing change to restart after the crisis:

Italy and Germany opportunities for growth

Figure II: The Global Risks Landscape 2020



The risk landscape Before COVID

The 15th edition of the World Economic Forum's Global Risks Report published in January 2020 showed that the global economy was facing an increased risk of climate change and fragmented cyberspace threats, all while citizens worldwide protest political and economic conditions and voice concerns about systems that exacerbate inequality. Infectious disease-related risks were “under the radar”.

The risk landscape

... then we came to know COVID-19

Every year, the World Economic Forum conducts its Executive Opinion Survey. Among other queries, the survey asks leaders to identify the top risks for doing business in their countries over the next decade. In 2020, the survey was conducted between January and July, in the middle of the global outbreak and spread of COVID-19. The survey received 12,012 responses from 127 countries.

What are the top 5 perceived 2020 business risks in Italy and Germany?



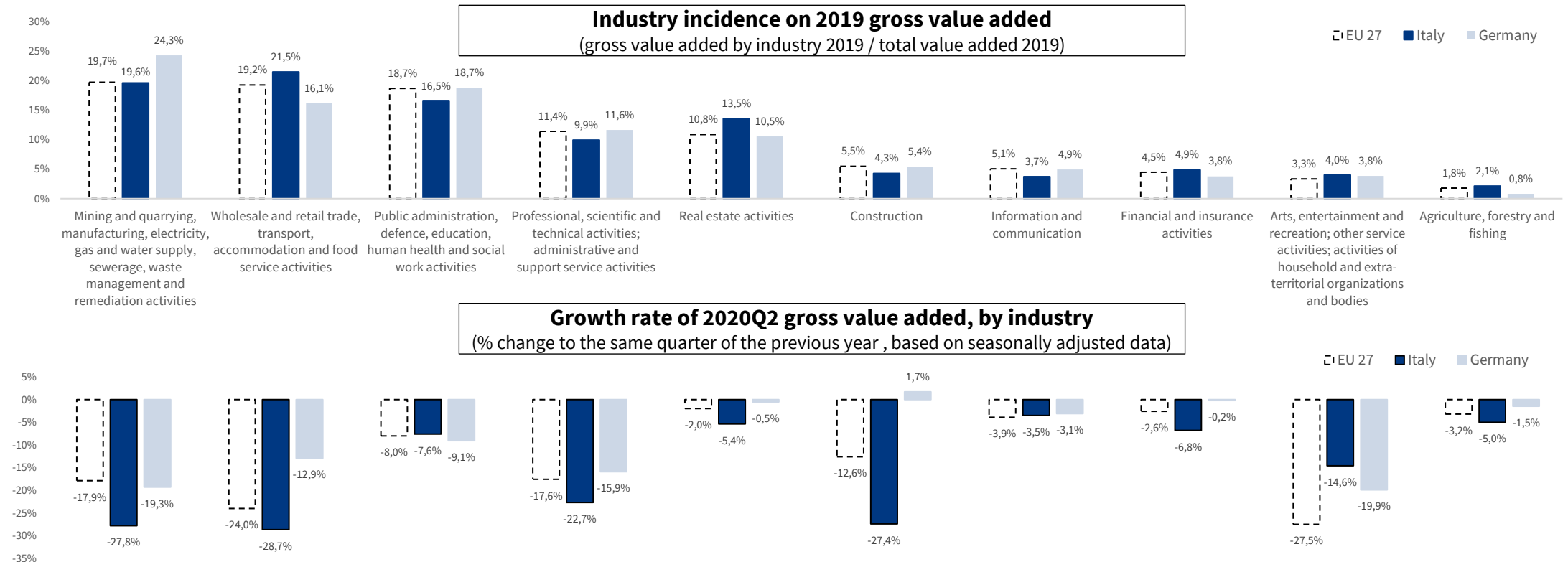
Real GDP Growth Rates % year-on-year

Top 10 Countries by GDP		2019	2020	2021
World		2.6	-4.5	5.0
1	U.S.	2.2	-3.8	4.0
2	China	6.1	1.8	8.0
3	Japan	0.7	-5.8	1.5
4	Germany	0.6	-4.5	4.6
5	U.K.	1.5	-10.1	7.6
6	France	1.5	-9.5	5.8
7	India	4.2	-10.2	10.7
8	Italy	0.3	-10.5	5.4
9	Brazil	1.1	-6.5	3.6
10	Canada	1.7	-5.8	4.0

Economic Outlook Projections

In both Germany and Italy, there is a significant impact on GDP in 2020 - **Italy being one of the most impacted countries**. Italy is not only in a worse position than Germany due to fiscal and economic reasons, but also due to a wider lack of trust in institutions, politicians, and the legal system.

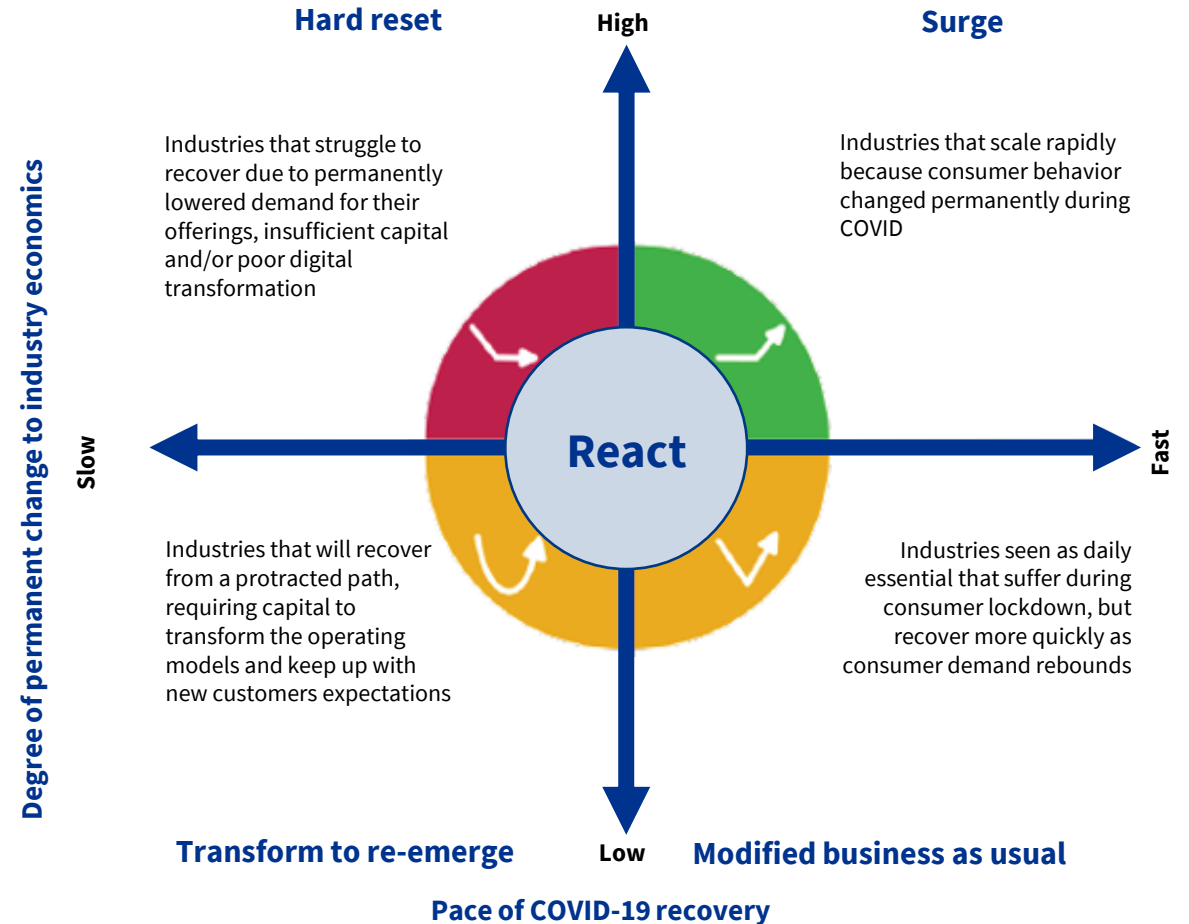
COVID-19 Economic impact by industry: Germany vs Italy



Industry and sector dynamics

Although companies will experience similar overall trajectories driven largely by the curve of the pandemic, **the impact will differ by industry, geography and company.**

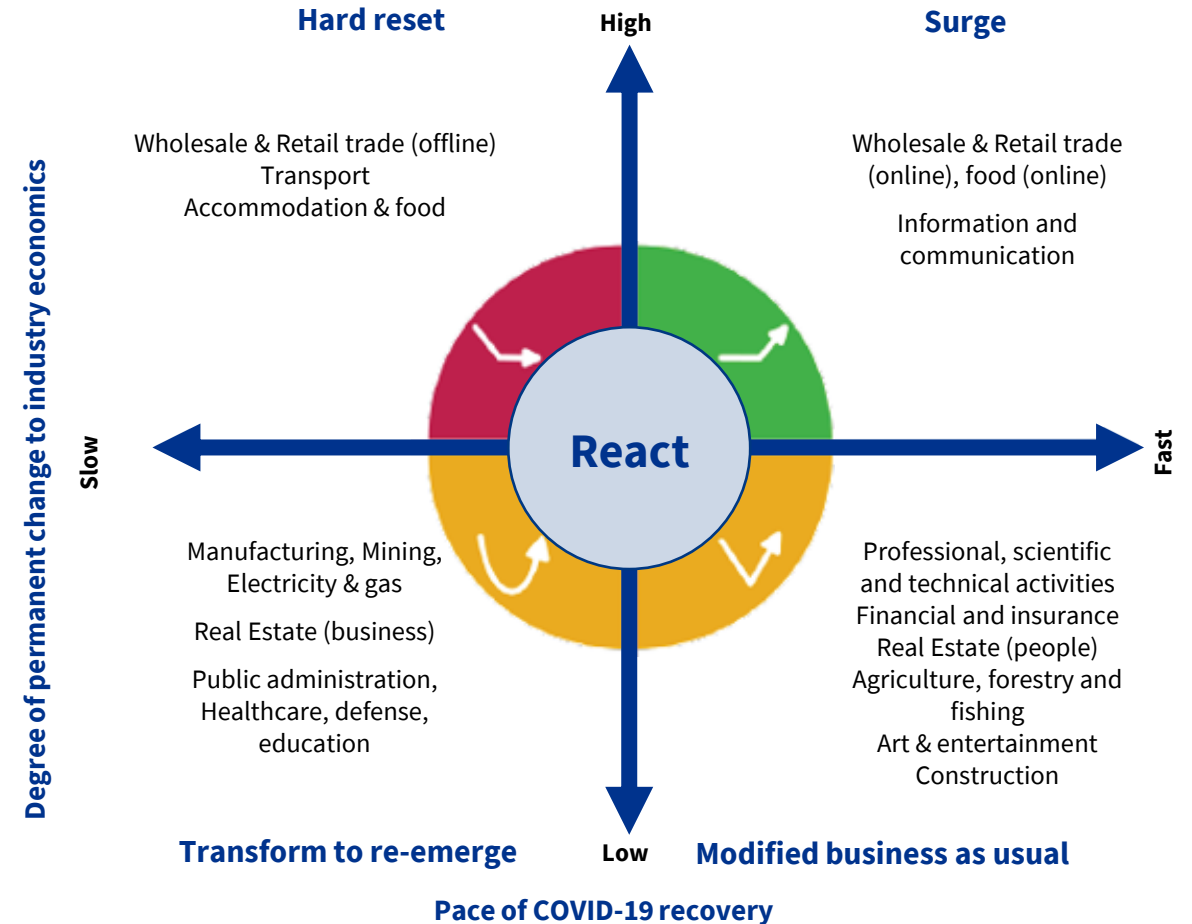
We have defined a model to define the impact based on the degree of change and the pace of recovery and we classified the 11 industries in both countries into **4 trajectories.**



Industry and sector dynamics

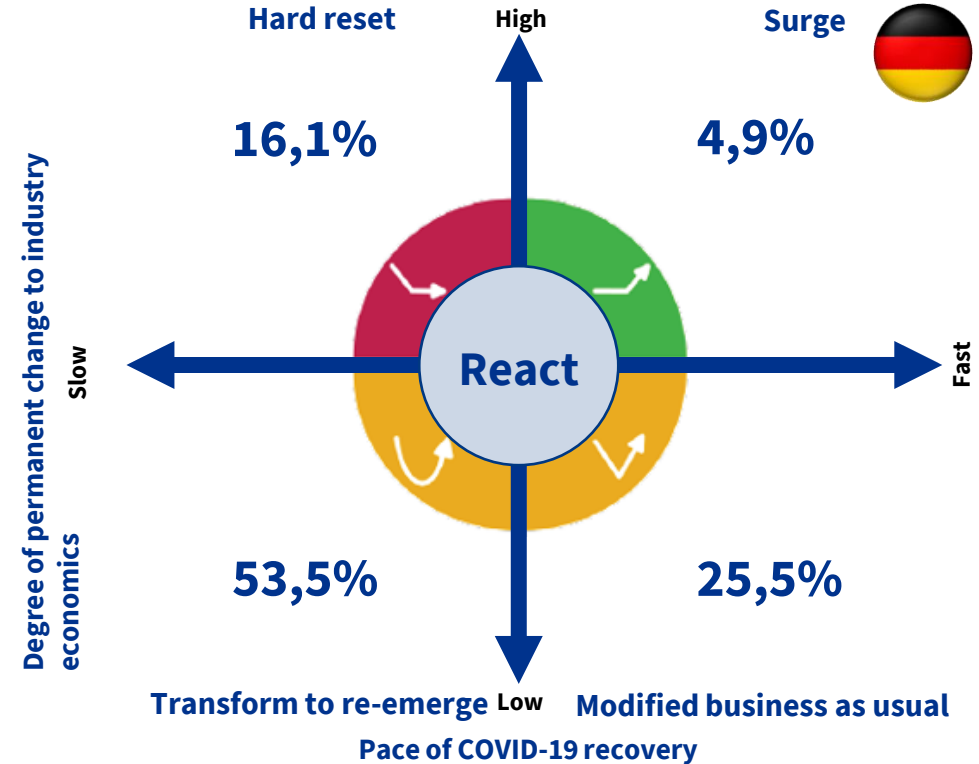
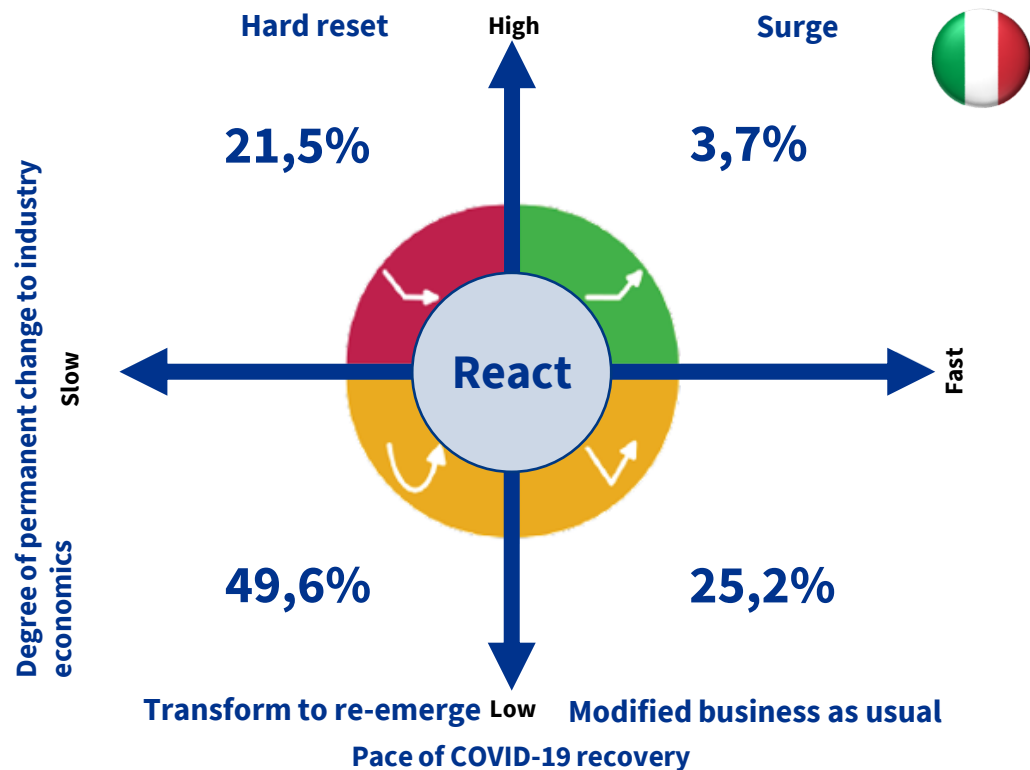
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Industry and sector dynamics

Using the Incidence of GDP% on 2019 by sector on slide 7 as a guide we classified the 11 industries of pag.7 into one of the 4 trajectories and compared the results between Italy and Germany.



What is the future of our organizations?

Purpose

CEOs must demonstrate that their organization's **purpose is meaningful, relevant and makes a difference**. For some, this will mean moving from generic purpose statements to more specific and measurable approaches. Listening to different stakeholders and encouraging dialogue will be important elements

Prosperity

Organizations will need a deep understanding of how customer behavior will shift and how to meet these emerging demands. **Data-driven insight and scenario modelling will be critical. Talent will be the key to driving long-term growth and building an organization that can thrive in the new reality**

Priorities

Companies can learn from how resilient (or not) their operating models proved to be during the crisis to understand what areas need strengthening in order to withstand future challenges. Robust ESG reporting programs, resilient and flexible supply chains and a talent strategy that focus on the people and skills needed for a more agile future, will be essential

Key Messages

1. Italy and Germany **complement each other** in terms of approach to risk: in order to reach a "new normal", the two perspectives should be combined in a more flexible approach, thus focusing on **contingent dynamics** while maintaining at the same time a **longer-term perspective**.
2. Short-term investment decisions are not enough to accelerate recovery: decision makers' focus needs to be shifted more decisively on strategic factors such as **sustainability**, process innovation (**digitalization**) and **infrastructure**.
3. Very specific **skills** (such as project management, but also agile methods) are required to manage successful investments: the public administration as well as companies must be prepared for this through appropriate **professional training**. Such training is a guarantee of success in terms of development and growth.

What is the Journey to the New Reality?

The COVID situation is similar in Italy and Germany in terms of response from businesses, which will generally undergo four phases in their journey to recovery

Where are we now?

01 Reaction

Crisis management and business continuity. Focusing on the “here and now”.

02 Resilience

Virus spread is seen as contained or curable. Consumer demand still constrained by lost wages, investment losses, and recessionary fears.

03 Recovery

Businesses operate under lockdown restrictions. As jobs are created, consumer consumption improves. Businesses more aware of ESG. Crisis-tested solutions continue to scale.

04 New Reality

Reopening in both social and economic terms allows businesses to fully re-emerge. Learned behaviors and technologies become standard. Irrevocable change.

