STRATEGIC TREASURER

2020
TREASURY UPDATE
NEWSLETTER

From Crisis to Recovery: A Look at Treasury's Impacts & Response During COVID-19

About the Monitor

For eight weeks, the Global Crisis Monitor gathered and distributed up-to-date data on treasury's concerns, sentiments, expectations and areas of impact from COVID-19. The Monitor continues to run, but its ninth iteration marked the transition from crisis to recovery.

The frequent mini-survey was born out of a rapidly changing crisis and the realization that, while there will be plenty of time afterward to dissect the event in retrospect, financial professionals need data now. An after-the-fact analysis has its own use in preparing for future events, but if there are insights to be had now, then the sooner they can be collected and distributed, the more help they will be to those wading through the crisis.

In order to launch this kind of rapid reporting, Strategic Treasurer formed the Treasury Coalition. The Coalition is a group of treasury-related organizations and service providers who have laid aside their competition to join together in supporting the industry. With these companies distributing the Monitor each week, the project has been able to reach across the globe, with over 1,350 responses and more than 50 industries represented so far.

FROM CRISIS TO RECOVERY

Throughout the life of the Monitor, the Treasury Coalition has watched for inflection points. Some came just a few weeks in, such as the sentiments surrounding the pandemic's impact on community & family and on the organization. Others were anticipated as imminent, but always slightly out of reach, such as the inflection point for the virus itself.

As the survey neared eight weeks, however, it became clear that sentiments and outlooks were, on the whole, improving. The words rising to the top of the free-form questions shifted from concerns directly related to the handling of the crisis to those related to reopening and recovery. Areas of consistent, deep pessimism began to steadily ease towards neutral. Economies and the financial community seemed to be looking up from the crisis at their feet to scan the path ahead and begin taking steps forward.

To keep in step with the altering concerns and changing environment, the Coalition decided that the time had come to shift gears. After eight weeks of the Global Crisis Monitor (GCM), the survey relaunched as the Global Recovery Monitor (GRM). This new mini-survey keeps a similar format, similar length and many of the same questions, but its focus is more on recovery rather than on the initial crisis response. In addition, whereas the GCM was a weekly survey, the GRM is released only every other week.

While the data gathered is too extensive to exhaustively report on in this article, you will find highlights from the eight weeks of the Global Crisis Monitor and from the Global Recovery Monitor's first three periods below. For more detailed statistics and for data on every issue covered by the Monitor, visit *go.strategictreasurer.com.*

THE DATA SO FAR

In order to gather a variety of statistics while keeping each iteration short enough to be taken in around five minutes, the Monitor cycles through certain questions while keeping a steady week-over-week pulse on others. Most or all of the questions, however, fall into one of four primary areas of inquiry:

1) **the top-of-mind issues for finance professionals,**
2) **the health impact of COVID-19,**
3) **the financial and economic impact and**
4) **the operational impact on organizations.**

1. Top of Mind

The survey asked a forced-ranking question most weeks and collected free-form responses to provide a view into the evolving concerns of finance professionals during this disruptive time. While the rest of the questions show the industry's views of specific issues, these questions showed what was on respondents' minds each week.

For the forced ranking, the top concerns began with business continuity plans (BCP) in first place, direct financial impact to the business second and staff safety protocols in third. However, as organizations successfully "battened down the hatches," established new processes and updated their BCP, their concerns shifted from the emergency to the fallout. Accordingly, the initial second place issue—direct financial impact to the business—took the lead in week two and has topped the list consistently until a drop back to second in period 11. Additionally, later weeks saw heightened concern for access to liquidity and for recession in operating regions. Interestingly, however, staff safety protocols leaped from seventh (last) place to second place in the first period of the Global Recovery Monitor, possibly due to a number of firms beginning to return to the office and considering the safest way to do so.

AREAS OF INQUIRY	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Period 9	Period 10	Period 11
Business Continuity Plan Completeness	1st	2nd (tie)	Not Asked	3rd	4th	4th	4th (tie)	5th	6th	6th	6th
Staff Safety Protocols	3rd	4th	Not Asked	6th	6th	5th (tie)	6th	7th	2nd	4th	4th
Staff Awareness of Plans	6th (tie)	5th	Not Asked	7th	7th	7th	7th	6th	7th	7th	7th
Country Preparedness	6th (tie)	6th	Not Asked	5th	5th	5th (tie)	4th (tie)	4th	5th	5th	5th
Direct Financial Impact to the Business	2nd	1st	Not Asked	1st (tie)	1st	1st	1st	1st	1st	1st	2nd
Access to Adequate Liquidity	4th	2nd (tie)	Not Asked	1st (tie)	2nd	2nd	2nd	3rd	3rd (tie)	2nd	1st
Recession in the Regions We Operate In	5th	7th	Not Asked	4th	3rd	3rd	3rd	2nd	3rd (tie)	3rd	3rd

Figure 1

Combining these forced rankings with free-form entries, the Monitor was able to identify a single top-of-mind concern for respondents each week. The progression tells a story of crisis management giving way to emerging problems with new processes, then weariness and a desire for a return to normalcy, concerns about long-term effects, and hope for the future.

WEEK 1: *The completeness of business continuity plans*

WEEK 2: *Cross-training*

WEEK 3: *Work from home issues*

WEEK 4: *Quarantine end date*

WEEK 5: *Economic impact*

WEEK 6: *Normalcy*

WEEK 7: *Liquidity*

WEEK 8: *Recovery*

The Global Recovery Monitor shifted away from these free-form questions, and the most recent period introduced a new set of forced rankings. The diagram shows the results, with COVID 19's health impact as the unsurprising first place leader:

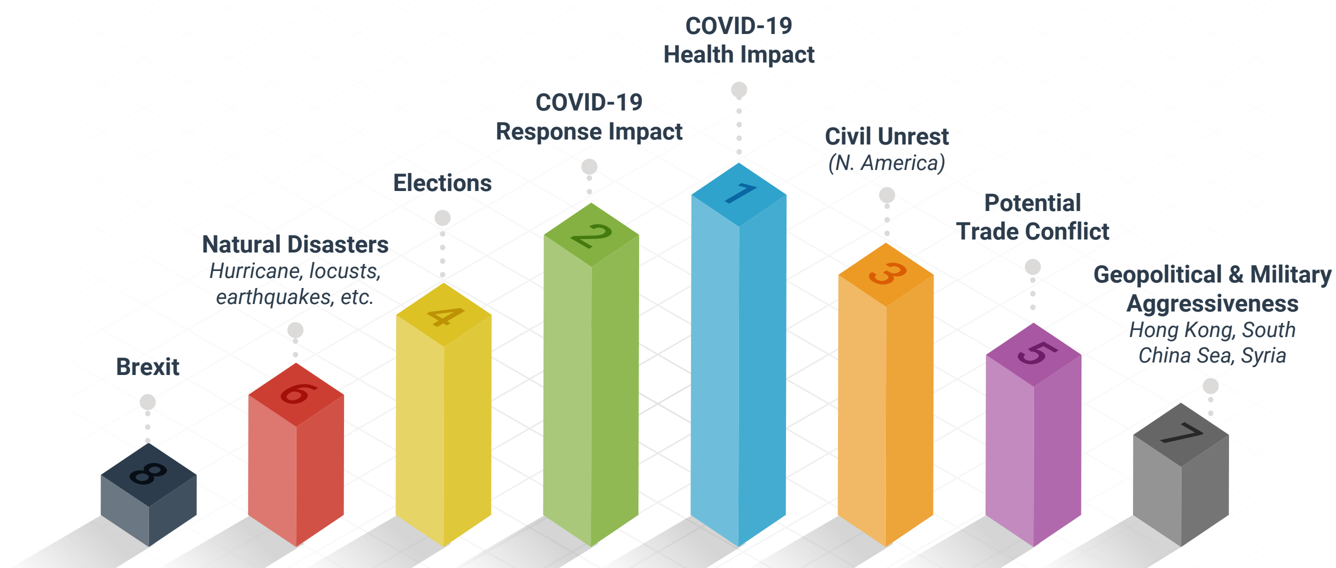

Figure 2

2. *The Health Impact*

Questions over health impact sought to gauge both the current sentiment and expectations of respondents. In terms of sentiment, one weekly question asked respondents to rate how much their impression of the impact to their community and family had shifted in a positive or negative direction compared to the prior week. For the first few weeks of the Monitor, the averages of the responses were slightly negative. In week 4, however, sentiment shifted positive, and it has remained so each week since.

When asked when they expected COVID-19 to reach an inflection point and when they expected it to cease being a significant health issue, the average responses were less linearly positive. The inflection point estimate began at just over two months out and steadily moved closer and closer (although not a whole week at a time) until week 8, when it abruptly shot back up to over two months again. The following periods have slowly moved closer.

Similarly, the expected timeframe for the end of COVID-19 as a significant health issue began around five months and continued to fluctuate in that range until week 6, at which point it doubled to ten months. It has remained in the nine-to eleven-month range in the weeks since, with its most pessimistic reading yet in the most recent period.

While financial professionals might not be the first group one would look to for medical data and expectations, their insights into the impact on their own families and communities is informative. In addition, we hope that over the course of multiple crises, the data we collect can help us identify any biases native to the industry.

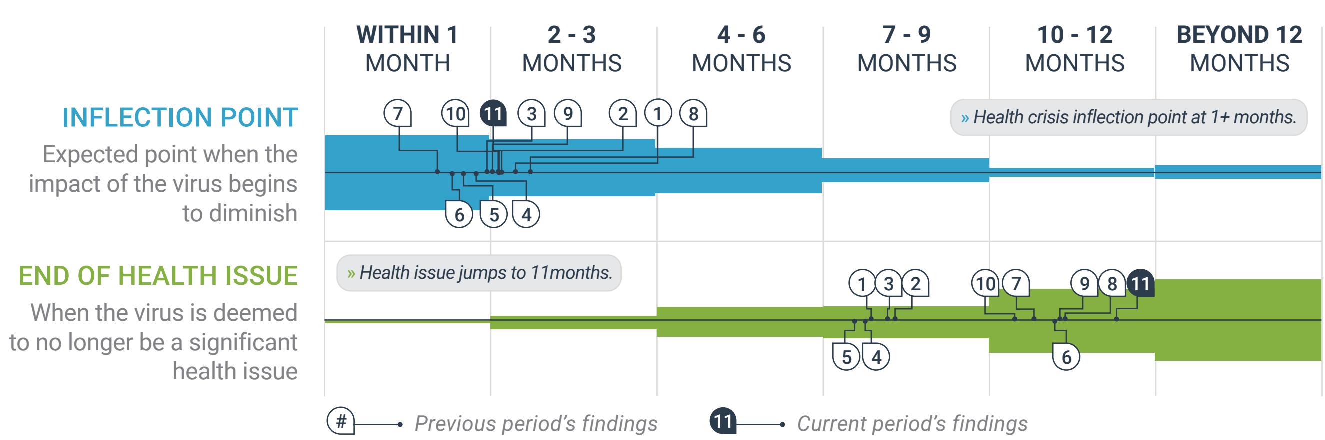

Figure 3

3. The Financial, Economic and Operational Impacts

As with the health issue, respondents were asked to estimate how long it would be until the economy recovered and financial normalcy was reestablished. The median responses varied greatly within the range of 5-11 months. Since the transition to the GRM, these estimates have sat around 10 to 11 months.

At the same time, a different set of questions asked for the 3-month and 12-month outlooks. Based on these (of which the 3-month outlook was consistently negative, and the 12-month consistently positive), another view of the expected inflection point for financial normalcy could be extrapolated. As of the most recent period, that extrapolated data has shifted optimistically to estimate reaching an economic turning point in October of 2020.

Debt and liquidity are the topic of another set of questions asked weekly. While most of the measurements in this list (bank line of credit, commercial paper, covenant requirements and fiscal policy) fluctuated between positive and negative over the weeks, accounts receivable received an unsurprising but overwhelming negative outlook every single week from March until mid-June. In some weeks, the AR outlook received over 10x more negative than positive responses. In the most recent period of the GRM, however, AR happily lost its streak, becoming only the second most negative after fiscal policy. We will be watching to see if the outlook for AR continues to improve.

Meanwhile, sentiment surrounding central bank liquidity was the only measurement in the debt and liquidity sector that remained in positive territory for the entire eight-week run of the GCM.

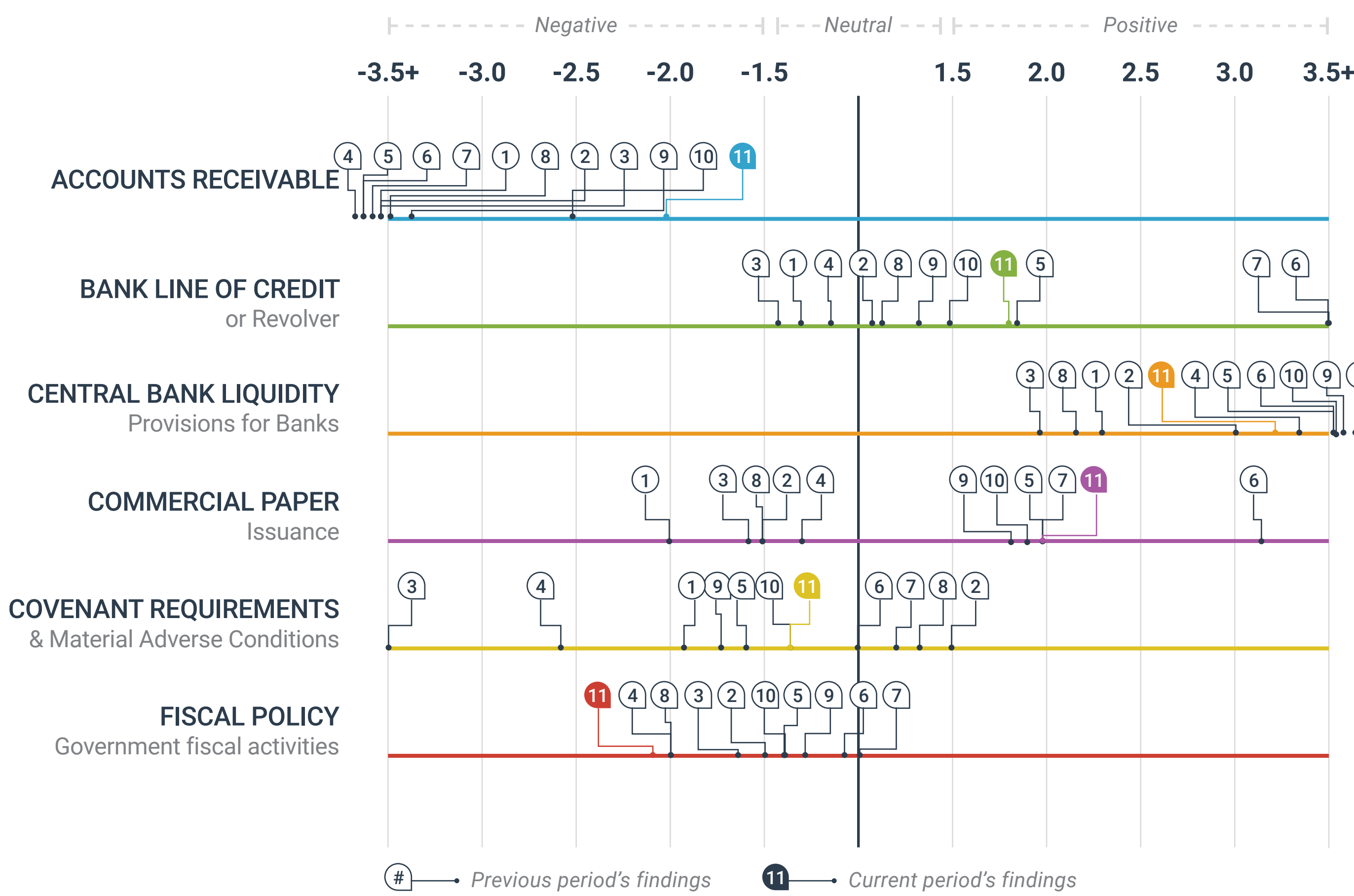

Figure 4

4. Operational Impact

Most of the questions noted thus far have been those asked weekly to keep a pulse on changing sentiments and outlooks. For gauging impacts to the business operations, however, the Monitor employed more nuanced questions that explored new issues each week. While many of the top-of-mind concerns mentioned previously addressed operational issues such as BCP, respondents were also asked for their perspectives and experiences in the following areas:

a. **Projects:** While many projects had been paused or cancelled, 81% of respondents noted that, because of the crisis, they were reconsidering certain projects previously dismissed.

19% have NOT reconsidered topics during the current disruption.

Of the 81% that HAVE reconsidered topics, here are their answers:

Select all that apply

Topic	%
Liquidity Planning & Forecasting	56%
Counterparty Risk Management	42%
Payment Process/ System Security (RELATED AREAS)	40%
Payment Security Training (RELATED AREAS)	28%
Visibility & Communication with Banks	31%
Hedging	17%
Other	8%

Figure 5

Unsurprisingly, the top types of projects reconsidered included liquidity planning and forecasting, counterparty risk management, and fraud and security, all areas brought into the limelight by the current economic crisis and WFH (work from home) situation.

b. **Fraud:** There have been plenty of predictions that fraud attempts would rise to take advantage of disrupted payment processes, so one iteration of the Monitor investigated to see the actual results on the ground. The short answer is that the predictions were correct. Excluding "Unsure" responses, 36% of respondents noted that their organizations had seen an increase in attempted fraud, with the remaining 64% saying levels seemed about the same. In response to the anticipated threat and the felt increase, organizations have increased their level of communication surrounding fraud and attempted fraud 55.7% in the WFH environment.

c. **Staffing:** One iteration of the GCM asked about past and anticipated staffing adjustments. As expected, past changes involved significant layoffs and furloughs, and the short-term outlook appeared similar. However, the three-month outlook showed more firms expected to hire than to lay off. Following up on this, the first period of the GRM asked for a breakdown of staffing level decreases. Of the 30% of organizations that decreased their staffing during the pandemic, 62% had layoffs, 54% furloughed employees and 23% lost contractors.

	PAST 4 WEEKS	**NEXT** 4 WEEKS	**IN** 3 MONTHS
Laying Off	21%	15%	18%
Maintain	75%	81%	56%
Hiring	4%	5%	26%
Gap	-16%	-10%	-9%

Figure 6

Tracking the Recovery

In the midst of the crisis, the rapid reporting has proven beneficial to organizations, as they have had a more real-time view of what others were anticipating and how they were responding. As the weeks and months go by, the Treasury Coalition will continue to keep a pulse on industry sentiment and outlooks, tracking as nations reopen, businesses return to some form of normal and economies recover. When COVID-19 is history, the Global Crisis and Recovery Monitors will prove a valuable industry "journal" of sorts, tracing the progressions and inflections of a crisis and recovery.

While we've covered many highlights of the Monitor in this article, we invite you to explore the rest of the data so far and to keep watching this unfold with us. To see complete results from March through present, *click here.* To register for future results and to listen to podcasts released with each Monitor, visit the Treasury Coalition *website.* Our thanks to all the respondents and to our fellow Coalition members for their contributions and work on behalf of the profession.

SOURCES

- **Figures 1-6:** *2019 Global Crisis & Recovery Monitor Survey Reports*

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STRATEGIC TREASURER

ABOUT STRATEGIC TREASURER

ATLANTA / WASHINGTON D.C. / CLEVELAND

Strategic Treasurer was founded in 2004 by Craig Jeffery, a financial expert and trusted advisor to executive treasury teams since the early 1990s. Partners and associates of Strategic Treasurer span the US, the UK, and continental Europe.

This team of experienced treasury specialists are widely recognized and respected leaders in treasury. Known for their expertise in treasury technology, risk management, and working capital as well as other cash management and banking operations, they efficiently identify issues, creatively explore ideas and options, and provide effective solutions and implementations for their valued clients.

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