Countries ready for a post-pandemic world

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Much has been written about the coronavirus pandemic. The toll on mankind in terms of cases, hospitalizations, long-term organ damage and deaths is heartbreaking. The economic damage from the pandemic has already caused a global recession that could become a depression. Many countries are still struggling to control the spread of infections, including the US where I reside.

Some countries have responded better than others, with Denmark, Thailand, Latvia, South Korea and Taiwan leading the way. Malaysia has also responded very well, and is among countries leading the **Global COVID Index**.

I have a warm place in my heart for Malaysia. It makes me proud that the country is both doing well and providing global leadership.

To my many friends in Malaysia: congratulations and thank you!

Despite all that has been written about the pandemic, relatively little has been reported about the economic consequences.

Given the massive impact, especially including job losses among people in low-paying jobs, the topic should be given more attention.

A broader discussion could clarify whether a good healthcare response to the pandemic is helpful or harmful to the economy.

Some have claimed that the advice of medical people should be discounted as the medical professionals do not understand economics and, hence, make recommendations that have too adverse an impact on jobs and the ability of families to survive. I want to explore this issue.

Any discussion of economic impact starts with metrics which can be leading, coincident or lagging indicators. Lagging indicators confirm what happened in the past — one such example is gross domestic product.

Coincident ones explain what is happening now, such as the occupancy level at hotels. Leading ones provide insight into the future, with the prices of stocks traded on an exchange being a prime example.

The price of a stock tends to be correlated with the present value of the expected future profits from the company. If a company's prospects improve, the price of the stock should increase.

If a company faces an obstacle right now, but it is expected to go away soon, then the impact on the price of the stock should be small.

The major countries of the world have stock exchanges.

The overall performance of all companies listed on the exchange is a leading indicator of the expected future performance of a company and, to an extent, the economic prospects for the country.

For 46 of the major countries of the world, there is a financial product where an investor can participate in the performance of that country's stock exchange (or stock exchanges).

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These products are called exchange-traded funds (ETFs). As an example, one ETF for Malaysia is called iShares MSCI Malaysia ETF, and it trades on the US exchanges under the symbol 'EWM'.

These 46 countries can be divided into two groups with the 23 countries demonstrating better pandemic responses (per the Global COVID Index) in one group and the remaining 23 countries in the other group.

In a hypothetical scenario, an investor could have bought one of these two groups of ETFs.

If at the beginning of the year, this investor had bought equal amounts of the ETFs representing the first group of countries, this investor would have been far better off at the end of June than if the same investment had been used on the second group of countries.

This analysis should help refute the contention that a strong and effective response to the pandemic causes unnecessary economic damage. If anything, this analysis indicates that a more effective medical response does less harm to the economic prospects of a country.