How the pandemic accelerated us into the digital economy

By James Pomeroy

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The coronavirus pandemic has pivoted the world to be a more digital place. For the first time, many of us worked remotely, bought groceries online and stayed in touch with family through video.

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Digital consumption in the global economy was rising before the crisis, driven by gradual shifts in consumer tastes, demographic change and new technologies. However, the pandemic will accelerate that trend.

Young people use more digital goods and services than older generations. About 22% of developed-world workers were born after 1990, so most of their learning has been on digital platforms. This could reach 43% by 2030. So even if nobody changes their personal habits by then, changing global demographics mean the share of economic activity done digitally will probably double.

Some behavioural switches driven by Covid-19 will be reversed, but if others become permanent, governments will need to invest in digital infrastructure and upgrade existing systems – especially in countries where a paucity of digital devices or slow internet speeds limit digital services.

While mobile-phone adoption has risen sharply in emerging countries, most lag developed nations' standards of home broadband or internet devices suitable for home teleworking. Korea and Norway are well-connected, India and Indonesia not so.

All this could cause significant disruption to lifestyles and have huge economic implications − some positive, some negative.

Potential changes include:

- Increasing online purchasing. Some 10% to 30% of retail sales are currently online in most developed countries with double-digit growth over the past year. We estimate that about half of goods consumption could be online in many developed markets by 2030.
- Working from home becoming the norm – at least part-time – which could lead to truly flexible working. Increased productivity might mean shorter working weeks.
- With less time wasted commuting or queuing, we can spend more time socialising.
- People turning to technology for entertainment alternatives to cinemas, sporting events and concerts during the pandemic. Virtual reality facilitates games or meetings but it also permits us to 'experience' travel without leaving home, and many closed museums offered virtual tours. Meanwhile, patients have become used to internet medical consultations.
- Cash payments shrank during the pandemic. Ultimately this may lead to faster adoption of bank accounts and mobile money in many countries.
- A more digital economy should lower costs for businesses and improve price transparency, depressing inflation.
- Measuring the economy may be harder. Some digital transactions are harder to track than physical ones and as goods become services – streaming music instead of buying CDs – industrial production and goods-trade data will be fewer valuable measures of activity.
- More businesses will invest in automation − cutting costs and helping social distancing. Falling prices of industrial robots could see their use increase fourfold by 2030.
- But automation could threaten jobs and reduce wage growth for low-skill workers.
- Inequality could thus widen. Policies such as universal basic income may be more widely discussed but higher taxes on tech companies may provoke international disputes. And data security and cybercrime are risks. That might lead to greater international co-operation − or to increased tensions.

ABOUT THE AUTHOR

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