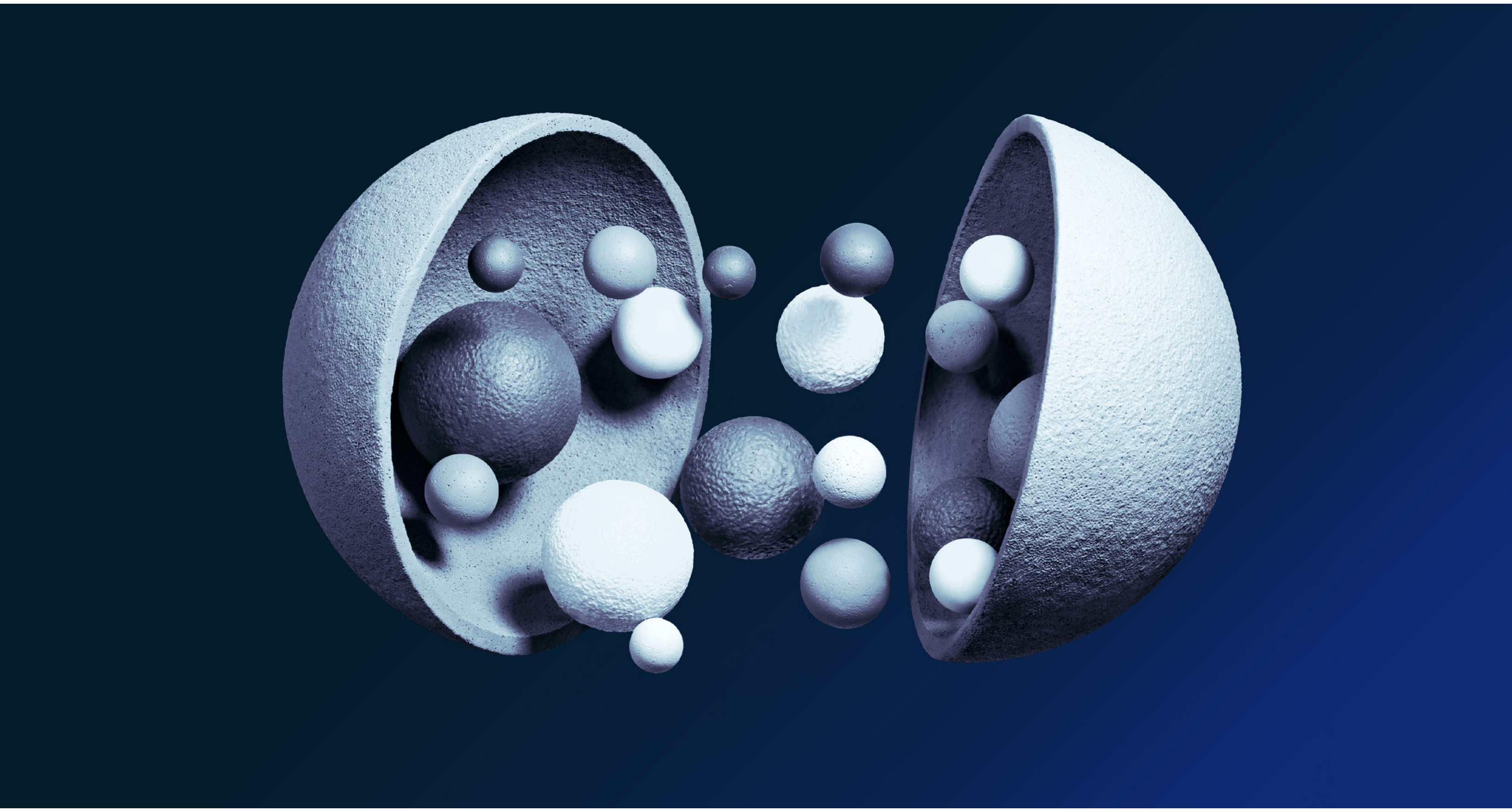
McKinsey & Company

Risk Practice

COVID-19: Briefing note, July 2, 2020

One step forward, two steps back: the pandemic is giving new depth of meaning to that well-worn expression. Our new research explores both parts of it.



July 2020

McKinsey continues to track economic and epidemiological developments around the world. For an overview, read our latest briefing materials (June 1, 2020). In 94 pages, we document the situation, show how countries and companies can transition toward the next normal, and offer planning advice across multiple horizons. You can also see the full collection of our coronavirus-related content, visual insights from our “chart of the day,” a curated collection of our first 100 coronavirus articles, and our suite of tools to help leaders respond to the pandemic. *New this week:* a look at how our editors choose images that help readers visualize the impact of an invisible threat.

In a week when the global pandemic seemed to gather strength, our new research both shows the grim economic news and reveals a streak of optimism that many are starting to feel. Our monthly global economic conditions snapshot indicates that 52 percent of executives now say that their national economies are doing substantially worse, up from 10 percent in March 2020. Yet the proportion of executives who expect profits to rise within six months rose by four percentage points, and leaders in retail, high tech, and telecom are increasingly optimistic about the return of customer demand. In June, many more executives around the world said that the economies of their home countries would soon be doing better than had said so in May.

Another new global survey examined sentiment among people who make financial decisions for their households. Across the globe, they are reporting lower income, savings, and spending. In most countries, 20 to 60 percent of these decision makers say they fear for their own jobs. Roughly half have no more than four months of savings.

These grim statistics present a challenge for banks and other consumer-facing businesses, such as telecom companies, retailers, health systems, and utilities. A delicate balancing act awaits these organizations as they work to ensure that customers receive the necessary support—and that lenders can continue to cultivate relationships with their borrowers—while preserving shareholder value in the longer term. A detailed perspective on utilities considers this and other conundrums. So does a new look at African banks.

The virus’s spread is accelerating, but businesses everywhere are both coping with their urgent needs and looking ahead to the time when their employees can safely return to work. As that moment comes closer—let us hope—three new research efforts show, first, how leaders can seize the moment to support their employees by building on the trust their early efforts have engendered and, second, how they can engage employees through clear and inspiring communication. And our survey of US companies shows that same insistent streak of optimism: respondents expect most employees to be working onsite by December.

One lesson of the crisis is the need for speed: the pandemic obeys no speed limits, so businesses have had to adapt through quick fixes and

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workarounds. How can they keep these successful innovations going over the long term? Our new research suggests nine ways to reinvent the organization for speed.

This week, we also looked at how companies can reset their capital spending, demystified the role of quantitative models, and talked with two McKinsey experts about how to choose the right path to unlock the economy.