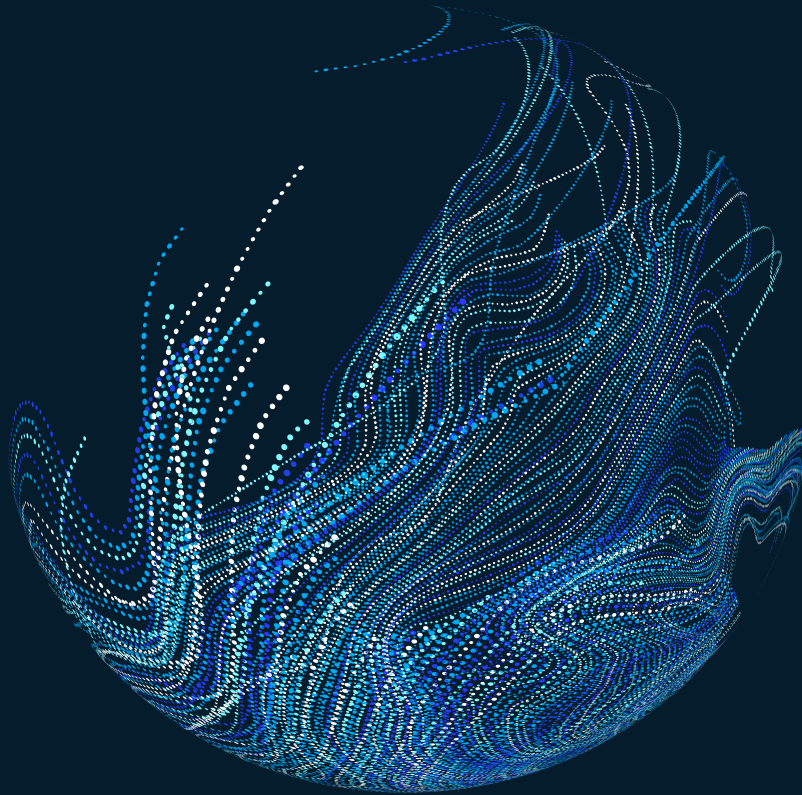


Strategy & Corporate Finance Practice

The coronavirus effect on global economic sentiment, December 2020

Executives' views on the economy continue to brighten as they look ahead to 2021.



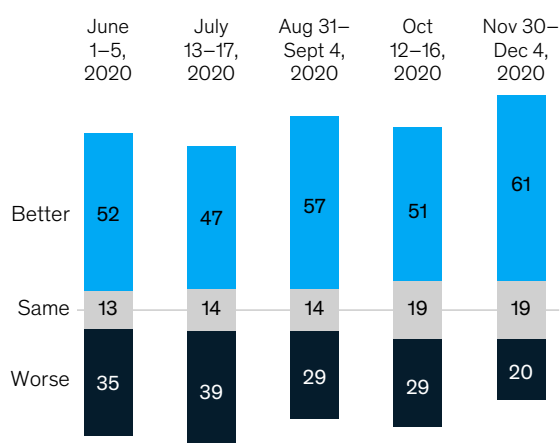
In our latest McKinsey Global Survey on the economy,¹ executives are ending a year of global crisis and profound uncertainty on a relatively positive note. Their predictions for the future, and for their own companies' prospects, remain much more optimistic than not. Executives in Europe, North America, and developing markets² report more acute concerns than others about the economy, and those in Europe remain especially worried about unemployment. But even these respondents are less downbeat than they were in the previous quarter. At the same time, executives cite a couple of growing risks to their companies' growth in 2021: industry-wide competition and disruptions.

Looking ahead to next year, respondents' expectations for their home economies are increasingly positive: 63 percent say economic conditions in their countries will be better six months from now, up from 54 percent who said the same in mid-October. Meanwhile, the global outlook has bounced back. After some peaks and valleys in recent surveys, 61 percent of respondents now predict global conditions will improve in the months ahead (Exhibit 1). What's more, respondents are the likeliest they've been in the last three years to expect the global economy's growth rate will increase. Sixty-eight percent predict increasing growth now, with only 24 percent predicting a contraction—the smallest share to say so all year.

Exhibit 1

Respondents' outlook for the global economy has again improved, after peaks and valleys in recent survey results.

**Expected conditions
in global economy,
next 6 months,
% of respondents**



Note: Figures may not sum to 100%, because of rounding. In June 2020, n = 2,222; in July 2020, n = 2,112; in Sept 2020, n = 1,138; in Oct 2020, n = 2,264; in Dec 2020, n = 1,382.

¹ The online survey was in the field from November 20 to December 4, 2020, and garnered responses from 1,382 participants representing the full range of regions, industries, company sizes, functional specialties, and tenures. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP.

² Includes Middle East, North Africa, South Asia, and sub-Saharan Africa.

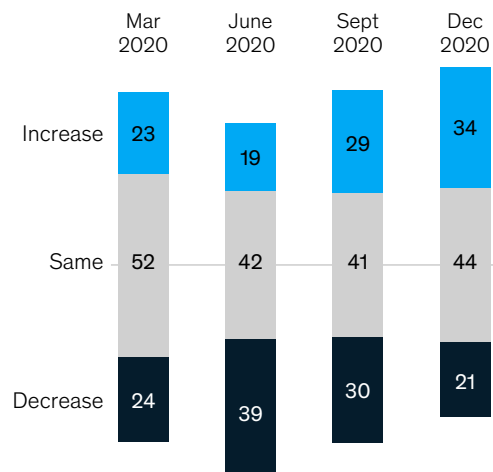
Interestingly, amid the rising positivity in other results, respondents' views on nine crisis-related economic scenarios are holding fairly steady.³ As in the previous survey, scenario A1 (characterized by localized recurrences of the virus and partially effective economic-policy responses) is cited most often as the likely scenario for the global economy and for respondents' own economies. That said, the share of executives selecting A1 as the most likely global scenario has declined. One-quarter of all respondents now identify it as most likely, down from the 31 to 36 percent who have said so since our April 2020 survey. After A1, the largest share of respondents cite B1 as the most likely global scenario (20 percent), then B2 (cited by 16 percent).

With respect to their companies' prospects, executives remain optimistic—and increasingly so. For the first time this year, respondents are more likely to say the size of their workforces will increase than to predict a decrease (Exhibit 2).

Exhibit 2

Respondents are more likely to predict growth than decline in their companies' workforce size.

Expected changes in organizations' workforce size, next 6 months, % of respondents



Note: Figures may not sum to 100%, because respondents who answered "don't know" are not shown. In Mar 2020, n = 1,152; in June 2020, n = 2,222; in Sept 2020, n = 1,138; in Dec 2020, n = 1,382.

³ Between the October and December surveys, McKinsey updated the GDP predictions for its nine COVID-19 economic scenarios to reflect GDP changes to date since March 2020, when the scenarios were first developed. For more on the original scenarios, see Kevin Buehler, Arvind Govindarajan, Ezra Greenberg, Martin Hirt, Susan Lund, and Sven Smit, "Safeguarding our lives and our livelihoods: The imperative of our time," March 2020, McKinsey.com.

Yet responses to our latest survey also suggest some emerging threats to company growth (Exhibit 3). While weakening demand and changing customer needs remain the top-two risks (as they have been in the previous four surveys), the share of respondents citing demand concerns is the lowest it has been since March. At the same time, industry competition has risen in the ranks: it's now selected fourth most often, compared with ninth in October. Competition and another industry-wide issue, business-model disruptions within respondents' sectors, together are now cited by 44 percent of respondents, up from 34 percent previously.

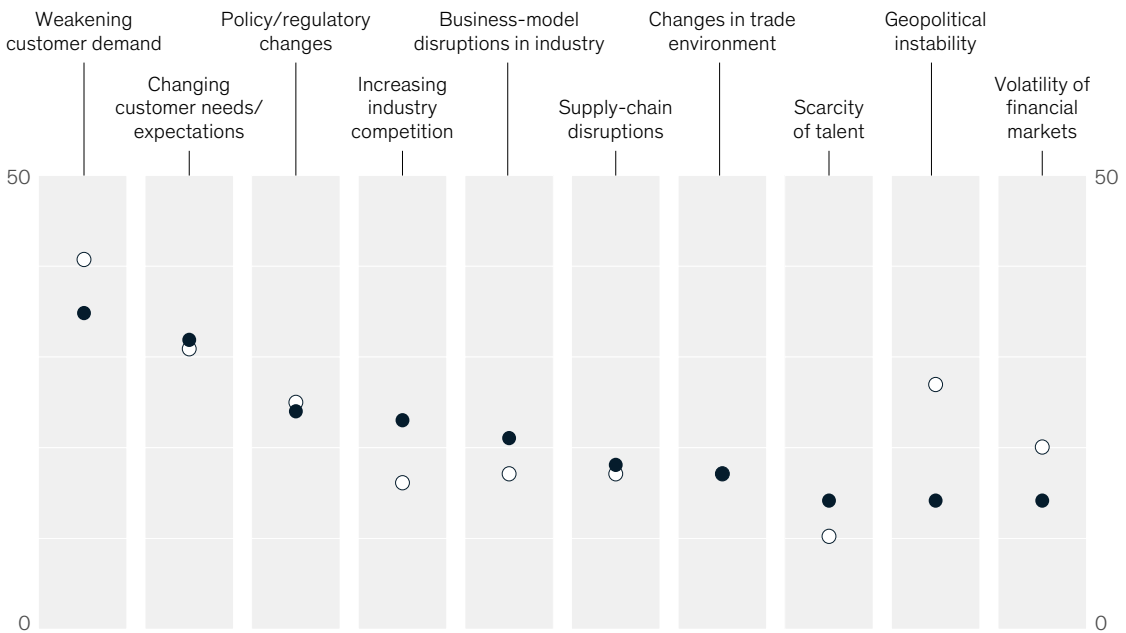
Exhibit 3

Respondents' concerns about potential risks to company growth have shifted since the previous survey.

Biggest potential risks to companies' growth, next 12 months,¹ % of respondents

○ Oct 2020 (n = 2,041)

● Dec 2020 (n = 1,239)



¹Out of 16 risks that were presented as answer choices.

The survey content and analysis were developed by **Alan FitzGerald**, a director of client capabilities in McKinsey's New York office; **Vivien Singer**, a capabilities and insights expert at the Waltham Client Capabilities Hub; and **Sven Smit**, a cochair and director of the McKinsey Global Institute and a senior partner in the Amsterdam office.

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