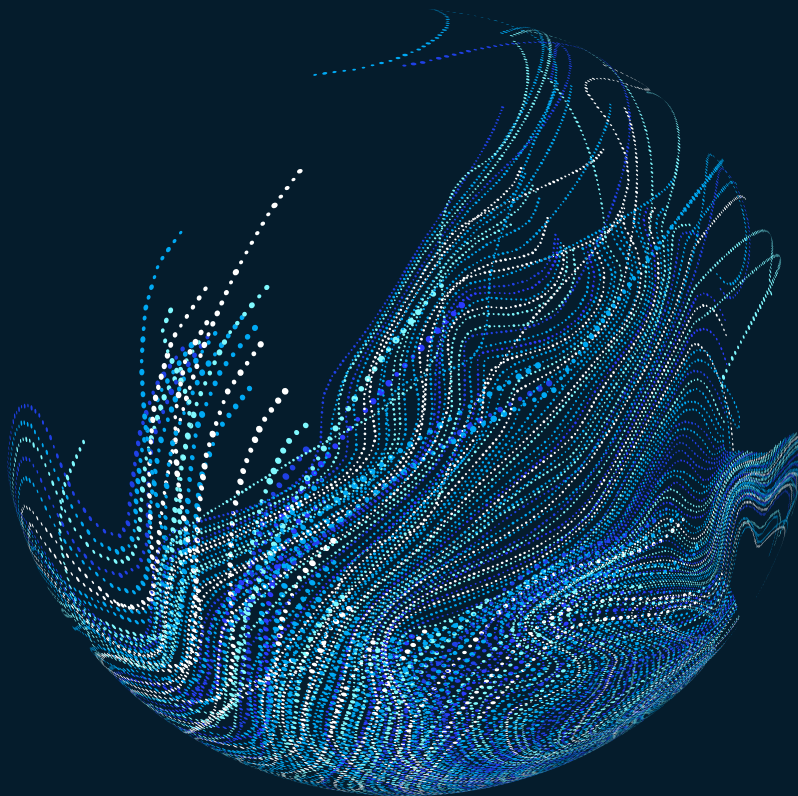


Strategy & Corporate Finance Practice

The coronavirus effect on global economic sentiment, September 2020

Executives are more hopeful about the economy—and their own companies' performance—than they have been since the COVID-19 crisis began.



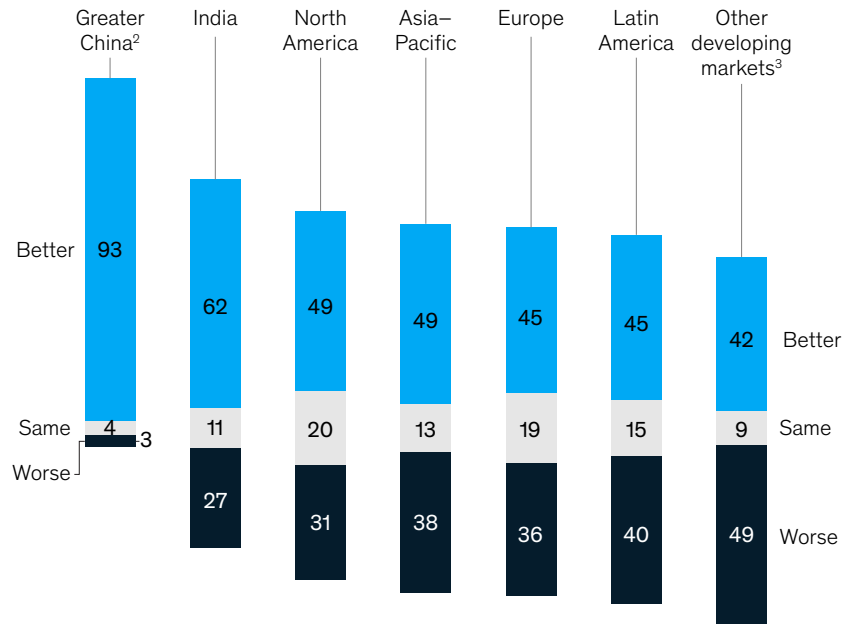
Six months after WHO declared COVID-19 to be a global pandemic,¹ the responses to our latest McKinsey Global Survey suggest a positive shift in economic sentiment.² More than half of all executives surveyed say economic conditions in their own countries will be better six months from now, while another 30 percent say they will worsen: it's the smallest share of respondents all year to expect declining conditions. And except for those in developing markets,³ respondents in every region are more likely to predict that conditions will improve than that conditions will worsen (Exhibit 1). That is even true of those in North America, where, between June and July 2020, respondents' outlooks had taken a negative turn.

The share of respondents predicting improvements in the global economy has also grown over the past few months (Exhibit 2). Now 57 percent say so, compared with 52 percent in June and 25 percent in March. Across regions, emerging-economy respondents report more positive views on the global economy than

Exhibit 1

In nearly every region, respondents have a more optimistic than pessimistic outlook on their own economies.

Expected economic conditions in respondents' countries in next 6 months,
% of respondents by office location¹



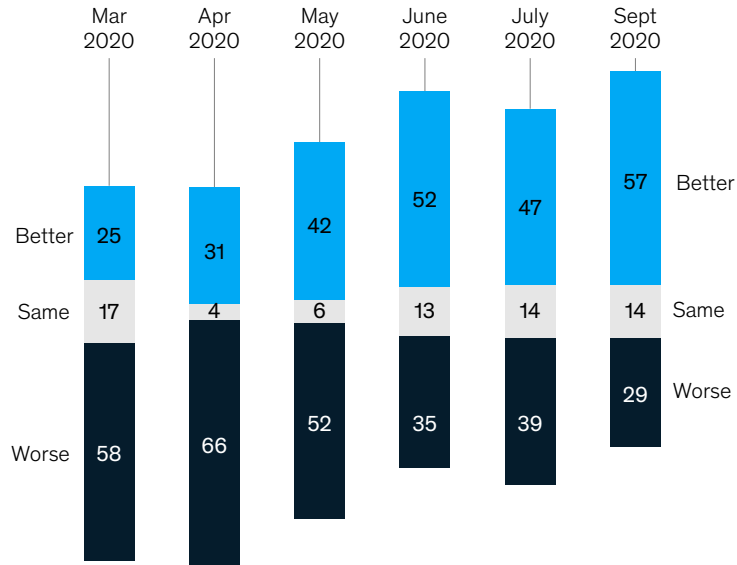
¹Greater China, n = 103; India, n = 74; North America, n = 259; Asia-Pacific, n = 136; Europe, n = 402; Latin America, n = 80; other developing markets, n = 84.
²Includes Hong Kong and Taiwan.
³Includes Middle East, North Africa, South Asia, and sub-Saharan Africa.

¹ "Timeline: WHO's COVID-19 response," WHO, July 30, 2020, who.int.
² The online survey was in the field from August 31 to September 4, 2020, and garnered responses from 1,138 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.
³ Includes respondents in the Middle East, North Africa, South Asia, and sub-Saharan Africa.

Exhibit 2

A growing share of respondents believe global economic conditions will improve in the months ahead.

Expected global economic conditions in next 6 months, % of respondents¹



¹Figures may not sum to 100%, because of rounding. Mar 2020, n = 1,152; Apr 2020, n = 2,121; May 2020, n = 2,514; June 2020, n = 2,222; July 2020, n = 2,112; Sept 2020, n = 1,138.

their peers do: 73 percent expect global conditions to improve in the next six months, compared with 49 percent in developed economies—a much greater gap than previous surveys this year (Exhibit 3).

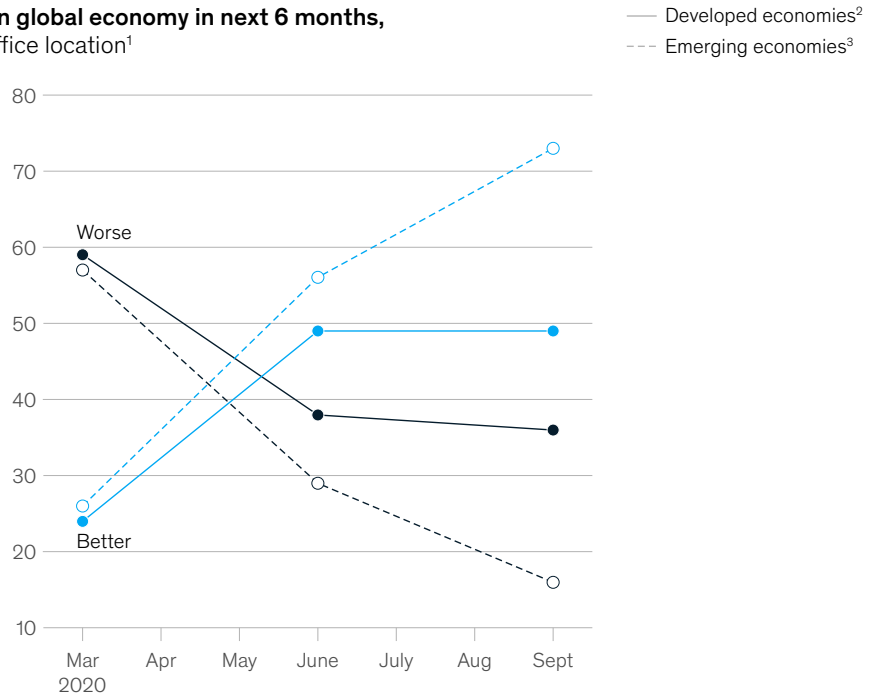
Likewise, hopes are increasingly high for respondents' own companies. For the first time in 2020, majorities predict that both demand and profits will increase in the months ahead (Exhibit 4).

Emerging-economy executives report an increasingly more positive outlook for the world economy than their peers do.

Exhibit 3

On the world economy, executives in emerging economies are increasingly optimistic compared with their developed-economy peers.

Expected conditions in global economy in next 6 months,
% of respondents by office location¹



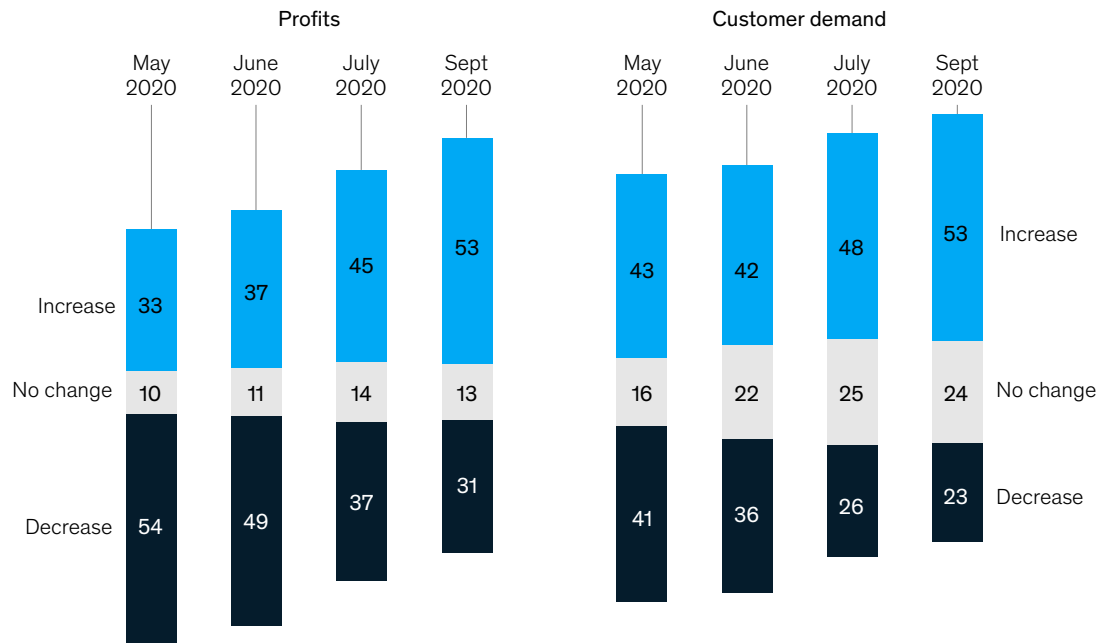
¹ Respondents who answered "same" are not shown.
² Mar 2020, n = 815; June 2020, n = 1,541; Sept 2020, n = 779.
³ Mar 2020, n = 337; June 2020, n = 681; Sept 2020, n = 359.

The survey results also suggest shifting views about the COVID-19 pandemic's impact on GDP, at least close to home. When asked which of the nine pandemic-related scenarios is most likely, respondents continue to pick the same scenario for the global economy as they have since the spring: A1, characterized by partially effective policy and public-health responses and a years-long economic recovery. But for respondents' own economies, executives now select a scenario that involves virus containment, sector damage, and a lower growth rate over the long term (B1) most often.

Exhibit 4

Executives report increasingly upbeat expectations for their companies' profitability and demand for their offerings.

Expected changes at respondents' companies in next 6 months, % of respondents¹



¹Respondents who answered "don't know" are not shown. May 2020, n = 2,290; June 2020, n = 1,985; July 2020, n = 1,900; Sept 2020, n = 1,010.

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 Capability Hub; and **Sven Smit**, a senior partner in the Amsterdam office.

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