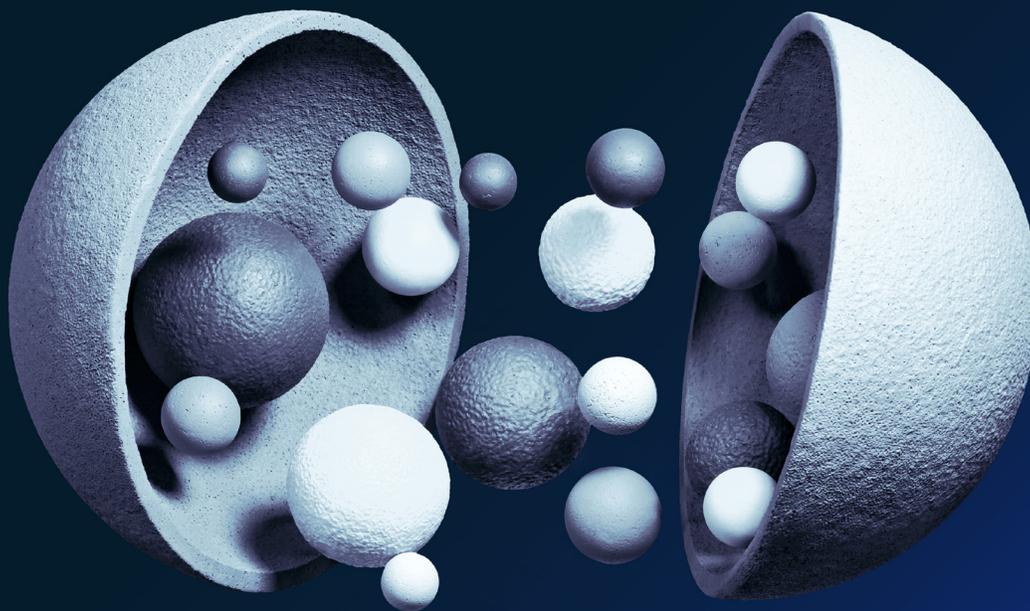


Risk Practice

COVID-19: Briefing note #64, July 21, 2021

How does it end—and where does it leave us?



Case numbers are resurging in parts of the world where the COVID-19 pandemic was waning, falling in places that saw huge surges recently, and just beginning to rise in previously little-impacted parts of the globe. Trying to determine the end of a story while the plot is still twisting is difficult. But this week, McKinsey sought answers to the burning questions of how the pandemic can finally be vanquished and how vaccines can reach the world, as well as what companies can do to mitigate new geopolitical risks and cope with inflation and volatility.

The world is unlikely to ever reach global herd immunity, but it can contain the virus with a combination of vaccines, improved testing, and smarter quarantining, based on known outbreaks, rather than large, blunt lockdowns. This was one conclusion of an interdisciplinary panel of global-health, national-security, and technology experts that McKinsey assembled to envision how the pandemic might end. By 2025, COVID-19 will have cost the world between \$16 trillion and \$35 trillion. A multifaceted approach to solving this pandemic and averting others should include scaling nanobiophysics technology in order to create precision molecular testing and improving data-sharing systems.

Dr. Seth Berkley, CEO of Gavi, the Vaccine Alliance (a public–private global-health partnership that works to increase access to immunization in poor countries), spoke with McKinsey about the effort to get COVID-19 vaccines into arms across the

world. Through a partnership with 193 countries and territories, Gavi has been involved in securing two billion doses of COVID-19 vaccines for the second half of 2021, with the goal of immunizing every healthcare worker in the world. Obstacles to worldwide vaccination remain huge: while 49.6 percent of inhabitants of high-income countries had received at least one dose of the vaccine as of July 14, only 1 percent of those in low-income countries had.

The velocity of change coming out of the pandemic is generating new forms of financial and operational risk as companies grapple with inflation, capacity constraints, and supply-chain disruptions. Higher inflation has returned to the United States and the European Union, with volatility in prices for commodities including lumber and steel. To strategize for both the near and long term, companies are wise to establish procurement nerve centers that bring together specialists in supply chain, planning, finance, operations, and engineering.

In the next two decades, competition for global influence is likely to reach its highest level since the Cold War. Current tensions are most apparent in the unfolding competition between China and the United States, the homes of 76 of the world's 100 most valuable companies. To manage geopolitical risk, boards should devote time to big-picture questions. Companies also need to think critically about their corporate narratives and decide whether they are global entities or whether ties to a specific country or region are more important.

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Other key findings from our sector research this week:

- Car sales and production have come roaring back, but today's consumers, suppliers, and dealers demand more digital, connected, and electric vehicles. Automakers will have to hire more software engineers and reskill up to one-quarter of their current workforces.
- Climate change poses specific risks for urban areas, 90 percent of which are coastal. By 2050, more than 800 million urban residents could be affected by sea-level rise and coastal flooding. A report cowritten by McKinsey and C40 Cities Climate Leadership, a network of large cities committed to addressing climate change, identifies 15 high-potential actions that can work for many types of cities.
- Investors apply risk premiums too aggressively when assessing emerging markets, McKinsey research finds. Business leaders can rely on the same valuation principles and approaches they would use to assess investments in developed markets.

Our Author Talks series features Melody Wilding, an executive coach, licensed social worker, and professor of human behavior about her book Trust Yourself: Stop Overthinking and Channel Your Emotions for Success at Work. She addresses the complexity of being both highly sensitive and high achieving, a combination she says can be a competitive advantage in those who know how to overcome self-doubt. Our most recent edition of McKinsey for Kids introduces younger audiences to mangrove forests and explains why building a "business case" for mangroves can help protect Bengal tigers and king cobras. For more perspectives, please see the full collection of our coronavirus-related content, visual insights from our "chart of the day," a curated collection of our first 100 articles relating to the coronavirus, our suite of tools to help leaders respond to the pandemic, and how our editors choose images that help readers visualize the impact of an invisible threat.

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