A new survey finds that inflation now tops the list of perceived economic hazards in respondents’ home countries and geopolitical conflicts remain a top threat to the global economy.
Just one quarter after geopolitical conflicts and instability overtook the COVID-19 pandemic as the leading risk to economic growth, survey respondents’ concerns over inflation now exceed their worries about the effects of geopolitical issues on their countries’ economies. In the latest McKinsey Global Survey on economic conditions, respondents also see inflation as a growing threat to the global economy and continue to view geopolitical instability and supply chain disruptions among the top threats to both global and domestic growth.¹

Amid this disruption-crowded environment, respondents report uneasy views on economic conditions, both globally and in their respective countries. For the fourth quarter in a row, respondents to our latest survey—conducted the first full week in June—are less likely than those in the previous survey to say economic conditions have improved. Overall, pessimism about the second half of 2022 is on par with the early months of the pandemic in 2020. Exceptionally, however, the mood is much more positive among respondents in Asia-Pacific and Greater China, who report improvements and continue to be upbeat about their economic prospects.

Inflation, geopolitical, and supply chain concerns all loom large
Respondents’ views of the top threats to their home economies have shifted since March 2022,² and they now most often cite inflation as a risk over the next year (Exhibit 1). While geopolitical conflicts were top of

Exhibit 1
Survey respondents increasingly cite inflation as a risk to their countries’ economies, and more see it as a threat than they do geopolitical conflicts.

![Graph showing the percentage of respondents citing potential risks to economic growth in their countries over the next 12 months, with inflation, geopolitical instability or conflicts, and supply chain disruptions plotted over time from September 2021 to June 2022.]

1Out of 20 risks presented as answer choices in Dec 2021 and 18 risks presented as answer choices in Sept 2021, Mar 2022, and June 2022. In Sept 2021, n = 958; in Dec 2021, n = 955; in Mar 2022, n = 785; and in June 2022, n = 899.

Source: McKinsey Global Survey on economic conditions, 899 participants at all levels of the organization, June 6–10, 2022

²The March 2022 survey was the first survey since December 2019 in which the COVID-19 pandemic was not one of the top five most-cited risks to domestic growth. From March 2020 through December 2021, the pandemic was the most-cited risk all but once. In the latest survey, it is the seventh-most-cited risk.
For the second survey in a row, more than three-quarters of respondents expect interest rates in their countries to increase in the next six months.

mind in the previous quarter’s survey, which ran four days after Russia had invaded Ukraine, respondents are now nearly half as likely to cite geopolitical issues as a risk to their countries’ economies. Geopolitical conflicts and instability remain an outsize concern in Europe, where 50 percent list it among their top risks. But even in Europe, inflation is the risk cited most often—as it is in every geography except Greater China. There, respondents most often point to the COVID-19 pandemic.

Geopolitical instability remains the top-cited threat to the global economy (see sidebar, “Respondents predict extended disruption related to the Ukraine invasion”), as it was in the March survey, and inflation has overtaken volatile energy prices to become the second-most-cited concern. Supply chain disruptions round out the top three global risks, followed by volatile energy prices and rising interest rates. For the second survey in a row, more than three-quarters of respondents expect interest rates in their countries to increase in the next six months. Respondents also see supply chain disruptions as major obstacles for their companies’ growth. In the latest survey, that answer choice has overtaken geopolitical instability as the most-cited risk to companies’ growth. These supply chain concerns—and those about the changing trade environment and relationships—are much more common among respondents who say at least some of their companies’ essential materials are produced in China than among those who don’t source materials from China.

Respondents are largely pessimistic about the global economy but more positive about their countries’ prospects

Nearly two-thirds of respondents say the global economy is worse now than it was six months ago—the highest share to say so since the June 2020 survey. That appraisal is much more negative than what respondents predicted six months ago: in our December 2021 survey, nearly six in ten respondents expected to see economic improvements over that time period. At the same time, respondents’ takes on both current and future conditions in the global economy have grown progressively gloomier since June 2021, with half of all respondents expecting conditions to worsen in the second half of 2022 (Exhibit 2).

---

3 “Greater China” includes respondents in Hong Kong and Taiwan.
4 In comparison, in the September 2021 survey, 51 percent of respondents said they expected interest rates in their countries to increase, and 64 percent said the same in the December 2021 survey.
5 We define “essential materials” as any components that are necessary to produce new products or services.
Respondents predict extended disruption related to the Ukraine invasion

We asked survey respondents about their expectations for how the war in Ukraine might affect lives and livelihoods outside the conflict zone. When asked about the war’s effects on the global economy, a plurality of respondents—37 percent—select a scenario called 2B, in which hostilities either end or are easing within the next six months and the global response is moderate, with a continued exit from stimulus policies related to the COVID-19 pandemic, reduced decarbonization goals, and a restart of fossil-fuel investments (exhibit).

Survey respondents most often select a scenario for the Ukraine invasion’s impact that is marked by extended disruption and moderate responses.

Potential scenarios and responses resulting from invasion of Ukraine

1 Contained
Disruption contained in duration and scale, with no escalation in sanctions; refugee situation and energy, food, and commodity markets stabilize

2 Extended
Disruption grows in duration and scale; refugee situation and sanctions escalate moderately; energy, food, and commodity markets adapt and then stabilize

3 Severe and escalating
Pronounced disruption in duration and scale; refugee situation and sanctions escalate; energy, food, and commodity markets severely disrupted

C Restrained
Accelerated pace of monetary measures to limit inflation; lower long-term global growth prospects

B Moderate
Exit from current stimulus policies continues; decarbonization goals reduced; investment in fossil fuels restarts

A Robust
Exit from current stimulus policies slows; new fiscal support for energy and food costs and for investments in energy infrastructure

Exhibit: Survey respondents most often select a scenario for the Ukraine invasion’s impact that is marked by extended disruption and moderate responses.

Source: McKinsey Global Survey on economic conditions, 899 participants at all levels of the organization, June 6–10, 2022
The findings about respondents’ respective countries also have grown more somber over the past year (Exhibit 3). For the first time since the September 2020 survey, respondents are more likely to say economic conditions in their countries have worsened than improved over the past six months. Views vary widely.

Exhibit 2
Survey respondents’ views on both the current global economy and expectations for the future have continually grown gloomier since June 2021.

Global economic conditions, % of respondents

![Graph showing changes in global economic conditions]

1 Respondents who answered "the same" not shown. In June 2021, n = 1,010; in Sept 2021, n = 958; in Dec 2021, n = 955; in Mar 2022, n = 785; and in June 2022, n = 899.
Source: McKinsey Global Survey on economic conditions, 899 participants at all levels of the organization, June 6–10, 2022

Exhibit 3
Survey respondents’ appraisals of their countries’ economies have grown more somber, but that outlook is still brighter than that for the global economy.

Economic conditions in respondents’ countries, % of respondents

![Graph showing changes in economic conditions in respondents’ countries]

1 Respondents who answered "the same" not shown. In June 2021, n = 1,010; in Sept 2021, n = 958; in Dec 2021, n = 955; in Mar 2022, n = 785; and in June 2022, n = 899.
Source: McKinsey Global Survey on economic conditions, 899 participants at all levels of the organization, June 6–10, 2022

Economic conditions outlook, June 2022
by region, however. In both Asia–Pacific and Greater China, about two-thirds of respondents say their countries’ economies have improved. The responses from Europe and North America are much more downcast: just one in five respondents in each region report recent improvements in their economies.

That said, respondents’ expectations for their home countries over the next six months are somewhat more hopeful than their outlook on the global economy: 39 percent expect their economies to improve in the near future. However, this is the first survey since the one in September 2020 in which less than half of respondents expect improvements in their home economies. Now, they are just as likely to expect economic conditions will improve as decline.

Most respondents in Asia–Pacific and Greater China expect their economies to improve in the second half of 2022, although overall optimism has declined since the previous survey (Exhibit 4). Over the same time period, respondents in Europe and North America have become much more pessimistic about the future.

**Exhibit 4**

*Most survey respondents in Asia–Pacific and Greater China expect economic improvements at home, although overall optimism has declined.*

<table>
<thead>
<tr>
<th>Share of respondents who expect economic conditions in their countries to improve in next 6 months, % of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater China</td>
</tr>
<tr>
<td>Asia–Pacific</td>
</tr>
<tr>
<td>Other developing markets</td>
</tr>
<tr>
<td>North America</td>
</tr>
<tr>
<td>Europe</td>
</tr>
</tbody>
</table>

March 2022 | June 2022

1 In March 2022: in Greater China, n = 99; in Asia–Pacific, n = 98; in other developing markets, n = 145; in North America, n = 179; and in Europe, n = 274. In June 2022: in Greater China, n = 88; in Asia–Pacific, n = 99; in other developing markets, n = 171; in North America, n = 246; and in Europe, n = 305.

Source: McKinsey Global Survey on economic conditions, 899 participants at all levels of the organization, June 6–10, 2022.

The survey content and analysis were developed by Krzysztof Kwiatkowski and Vivien Singer, capabilities and insights experts in McKinsey’s Waltham, Massachusetts, office, and Sven Smit, the chair and a director of the McKinsey Global Institute and a senior partner in the Amsterdam office.