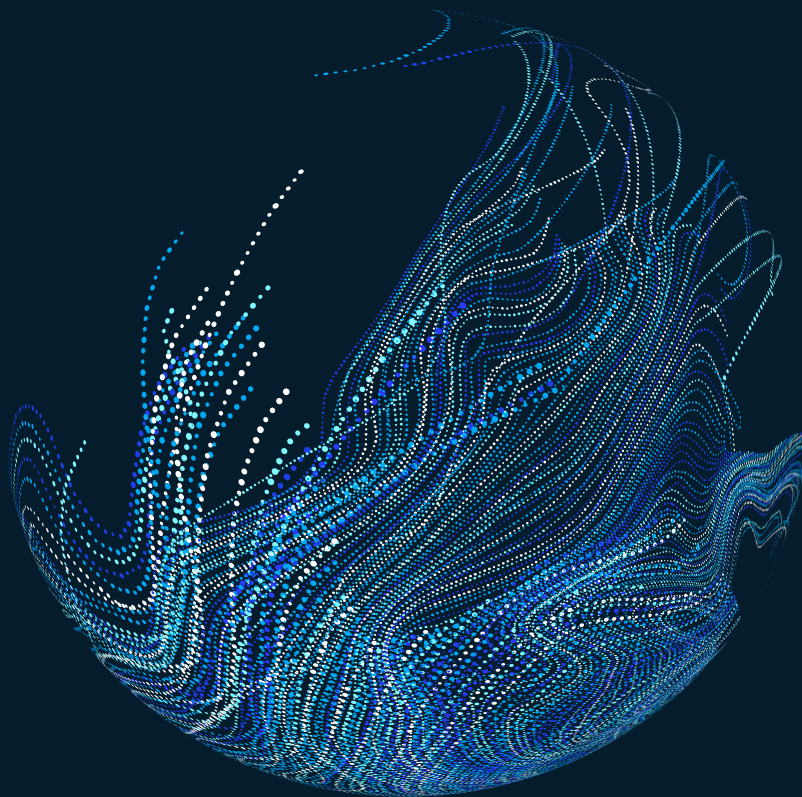


Strategy & Corporate Finance Practice

The coronavirus effect on global economic sentiment, December 2021

Executive sentiment ends the year on a generally positive note, with most survey respondents expecting 2022 to bring better economic conditions despite heightened risks from the pandemic and inflation.



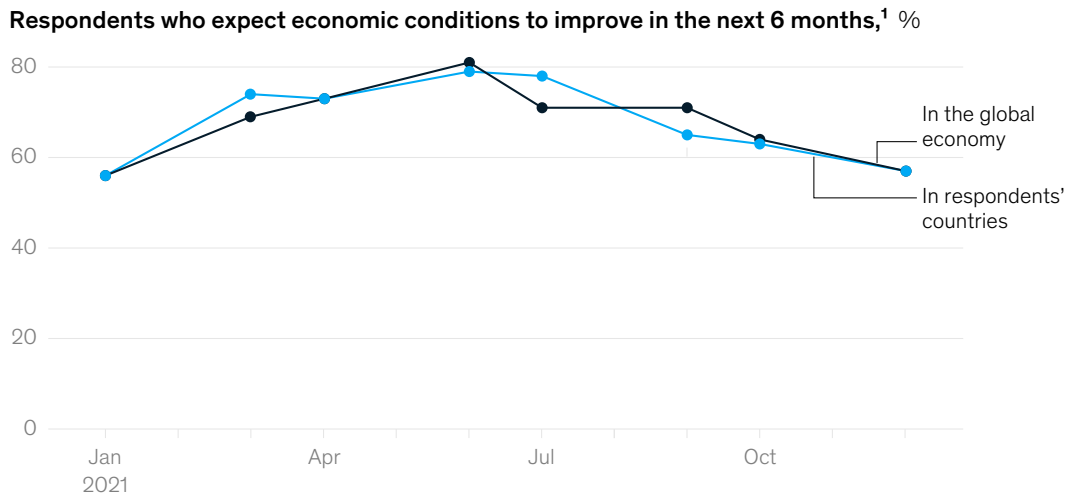
Respondents to the latest McKinsey Global Survey on the economy end a largely optimistic year with mostly positive expectations for 2022.¹ These relatively upbeat outlooks, both for the global economy and for respondents' countries, come despite a resurgence in concerns about the state of the COVID-19 pandemic: countries across Europe and North America had been reporting rising case numbers since early October,² and WHO declared the Omicron variant to be one of concern just days before the survey launched.³ Respondents—particularly those in Latin America and North America—also see inflation as a pressing economic threat.

A majority of respondents (57 percent) expect both the global economy and their countries' economies to improve in the next six months, though this proportion has declined since the summer (Exhibit 1). The shares of respondents predicting economic improvements, both globally and domestically, are similar in size to those in the December 2020 survey who expected improvement. Respondents in India, Greater China, and Asia–Pacific are the most optimistic: more than three-quarters in each of those locations predict improvements in their countries. Just 26 percent in Latin America say the same.

Respondents' expectations for their own companies tell a similar story: they are still largely positive even after trending downward since the summer. Sixty-four percent expect customer demand to increase in the next six months, down from 74 percent in the June survey. Nearly two-thirds of respondents expect profits to increase, compared with 74 percent in June and September.

Exhibit 1

Expectations for the global economy and respondents' home countries ended the year where they started in January.



¹In Jan 2021, n = 1,025; Mar 2021, n = 1,018; April 2021, n = 1,199; June 2021, n = 1,010; July 2021, n = 1,002; Sept 2021, n = 958; Oct 2021, n = 902; Dec 2021, n = 955. Respondents who answered "the same" or "worse" are not shown.

¹The online survey was in the field from November 29 to December 3, 2021, and garnered responses from 955 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.

²Global Economics Intelligence executive summary, November 2021," McKinsey, December 6, 2021.

³"Classification of Omicron (B.1.1.529): SARS-CoV-2 variant of concern," WHO, November 26, 2021.

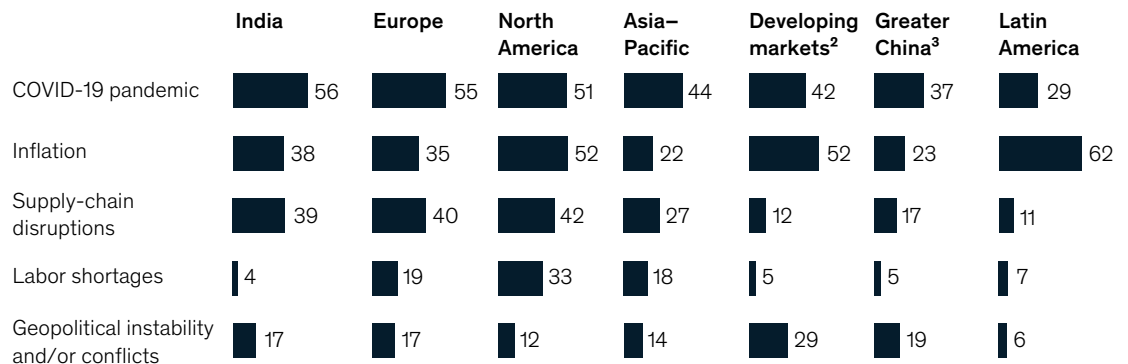
In a change from the October survey, respondents have once again cited the COVID-19 pandemic as a risk to domestic growth more than any other factor, as they have in every other survey since early 2020. In October, before the Omicron variant emerged, supply-chain challenges briefly replaced the pandemic as the top risk. The latest survey also asked executives to choose the likeliest of nine scenarios for the pandemic's economic and health impact, both globally and in respondents' countries. Compared with the October survey, a larger share selected global and domestic scenarios with recurrences of the COVID-19 virus than scenarios with effective control of the virus's spread.

Respondents also commonly express concerns about inflation. Respondents selected inflation as one of the top two most-cited risks to domestic growth, behind the pandemic. Respondents in Latin America were most apt to call inflation a threat to growth, as in October. Inflation has also become the primary concern of those in North America and developing markets (Exhibit 2). These concerns mark a striking change from one year ago, when geopolitical instability and high levels of national debt loomed as the second-most-cited threats to global and domestic growth, respectively, behind the pandemic.

Exhibit 2

In every region, the pandemic and inflation are considered top risks to domestic growth.

Potential risks to growth in domestic economies, next 12 months,¹ % of respondents



¹Out of 20 risks that were presented as answer choices. India, n = 71; Europe, n = 367; North America, n = 188; Asia-Pacific, n = 95; developing markets, n = 64; Greater China, n = 105; Latin America, n = 65.

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

³Includes Hong Kong and Taiwan.

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.

Designed by McKinsey Global Publishing
Copyright © 2021 McKinsey & Company. All rights reserved.