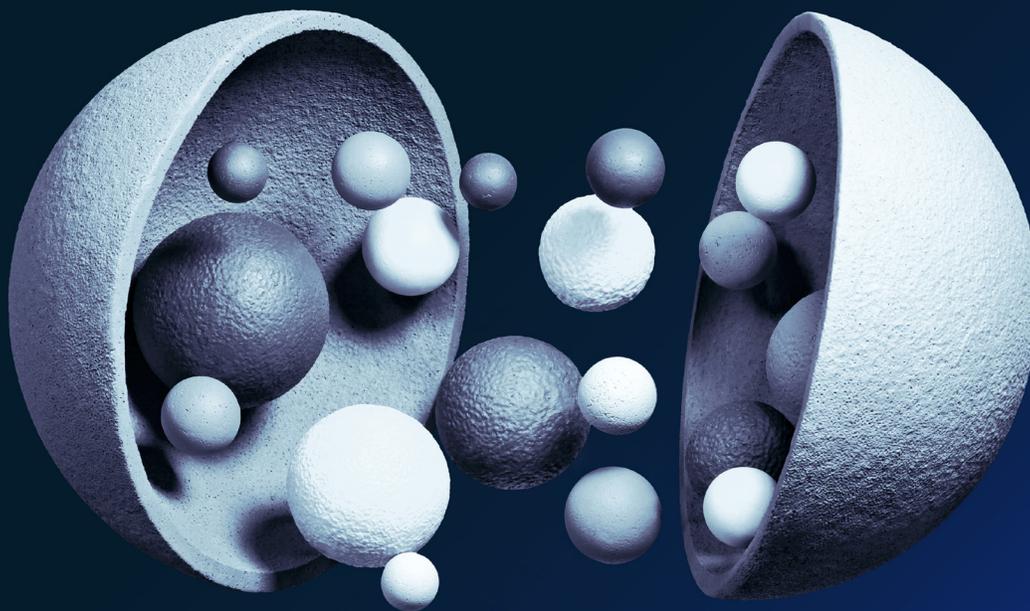


Risk Practice

COVID-19: Briefing note #75, October 6, 2021

Some problems are relentless and call for an unrelenting response.



As the COVID-19 crisis drags on, executives, particularly in developed economies, are feeling worse about the state of the economy and their own companies' prospects. It's natural that a challenge as unremitting as the pandemic should produce alternating hope and despair. This week, McKinsey examined the backslide in executives' views, and a variety of similar issues that require problem-solving as dogged as the problems themselves, including vaccine development, transport decarbonization, employee needs, and the extraterrestrial junkyard.

Just as the rise of the Delta variant ushered in a fresh wave of COVID-19 cases, so it appears to have resuscitated executives' worries about the economy. In our latest McKinsey Global Survey, 65 percent of respondents say that they expect improvements in their home economies, down from a range of 73 to 79 percent who have said so since March 2021.

By region, the pandemic is the top risk to growth in every region except Latin America and cited most often by those in developing markets and Asia-Pacific (exhibit).

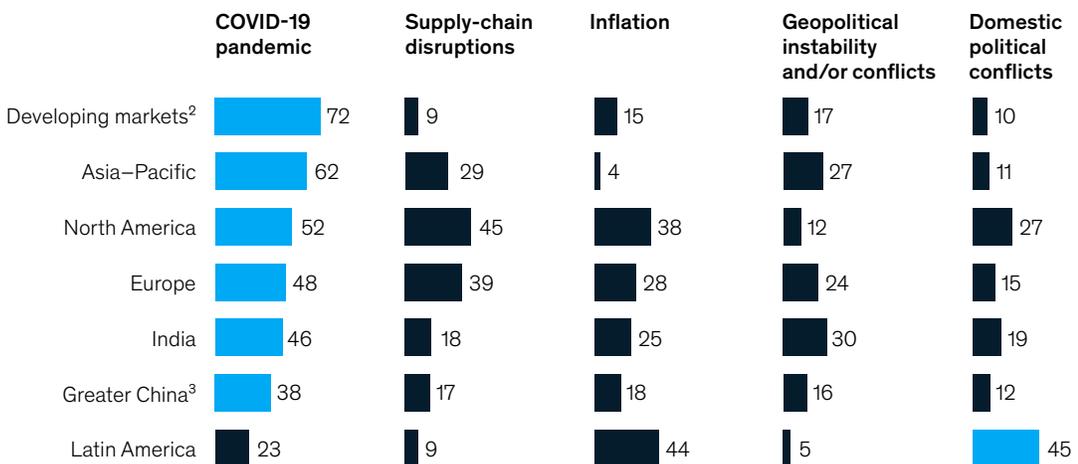
In a wide-ranging interview with McKinsey, Richard Hatchett, CEO of the Coalition for Epidemic Preparedness Innovations, or CEPI, discusses the work of the largest vaccine-development initiative focused on viruses that are potential epidemic threats. Among other big challenges, there is still work to be done to optimize existing COVID-19 vaccines. CEPI is evaluating mix-and-match dose strategies, where first and second doses could be from different manufacturers, to improve the performance, as well as fractionated, or dose-sparing strategies, to boost coverage.

Exhibit

In most parts of the world, the COVID-19 pandemic poses the biggest risk to domestic growth.

Potential risks to economic growth in respondents' countries, next 12 months,¹ % of respondents

■ Top cited risk



¹ Out of 18 risks that were presented as answer choices. Developing markets, n = 59; Asia-Pacific, n = 141; North America, n = 197; Europe, n = 331; India, n = 67; Greater China, n = 92; Latin America, n = 71.

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

³ Includes Hong Kong and Taiwan.

The organization is also examining the optimal intervals between doses and whether two or three doses are required.

What will it take to move the transport infrastructure industry toward carbon zero? Globally, more than \$2 trillion of transport infrastructure investments will be needed each year until 2040 to fuel economic development. The transport sector is the largest contributor of greenhouse-gas emissions within the European Union, and emissions are still growing. McKinsey's road map lays out changes needed in planning, design, tender, procurement, and operations that can help the industry forge a more sustainable path forward.

What do workers want? Our research is clear: workers are hungry for purpose, to feel their work is valued, and their opportunities are growing, all in a comfortable physical and digital environment with the right work–life balance. It is possible to deliver an excellent employee experience, but organizations may need to profoundly reorient themselves away from a traditional top-down model to one based on the fundamentals of design thinking.

Even in space, we need to clean up after ourselves. About 11,000 satellites have been launched since Sputnik 1 in 1957. In the next few years, roughly 70,000 satellites could enter orbit if proposed plans come to fruition—an explosion of interest based on potential new markets and more sophisticated technologies. Unless actively deorbited, they will remain there for months to hundreds of years. McKinsey's Aerospace & Defense Practice examines how to handle the four main types of extraterrestrial trash.

Here are some of this week's other key findings from our sector research:

- It's not science fiction; it's the tech-enabled insurance industry of the future. In auto insurance, risk will shift from drivers to the artificial intelligence and software behind self-driving cars. Satellites, drones, and real-time data sets will give insurers unprecedented visibility into risk. As part of our research into the ten tech trends reshaping industries, McKinsey explored their impact on insurance and which five are poised to reshape the insurance landscape.
- McKinsey analyzed regulatory frameworks around the world for the burgeoning digital banking sector, examining how various approaches have shaped the development of digital banking.
- On the *Inside the Strategy Room* podcast, Obi Ezekoye, a leader in the Strategy & Corporate Finance Practice, Anthony Luu, an expert in M&A and strategy transformations, and Andy West, the global coleader of McKinsey's M&A Practice, discuss why companies struggle to make portfolio decisions, especially on the divestment side, and often make them too late.

Our Author Talks series features Parag Khanna, founder and managing partner of FutureMap, speaking about his book Move: The Forces Uprooting Us (Simon & Schuster, October 2021). The globalization scholar discusses the migration patterns he expects will occur over the next ten to 30 years and how societies should prepare.