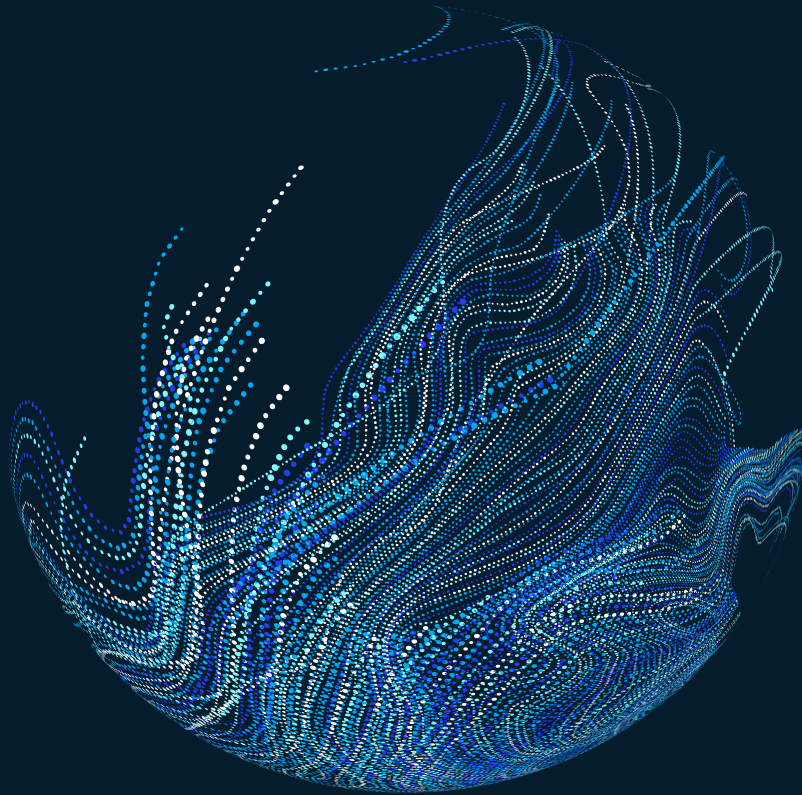


Strategy & Corporate Finance Practice

The coronavirus effect on global economic sentiment, October 2021

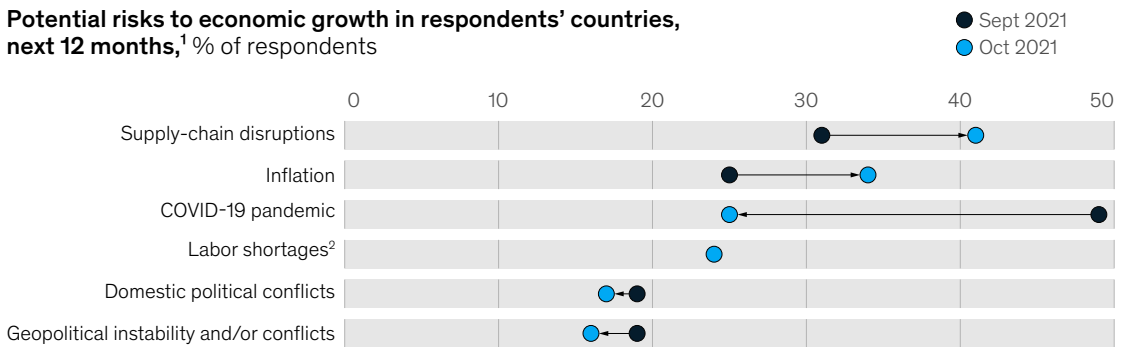
Supply-chain disruptions now outweigh COVID-19 concerns as the biggest risks executives see to domestic and corporate growth.



In a change from the first three quarters in 2021, uncertainty over COVID-19 is no longer a foremost economic concern to executives, according to the latest McKinsey Global Survey.¹ When asked about threats to growth in their countries' economies, executives now cite mounting fallout on the supply chain—which is also the most common risk to *company* growth—and inflation more often than the pandemic itself. Having endured as the most-cited risk to domestic growth since March 2020, the pandemic is now cited by just one-quarter of respondents: half the share who did so in September 2021 (Exhibit 1).

Exhibit 1

Supply-chain disruptions, inflation, and labor shortages emerge as risks to domestic growth as concerns about the COVID-19 pandemic recede.



¹Out of 18 risks that were presented as answer choices in September and 19 risks that were presented in October. Sept 2021, n = 958; Oct 2021, n = 902.
²Only asked in October 2021.

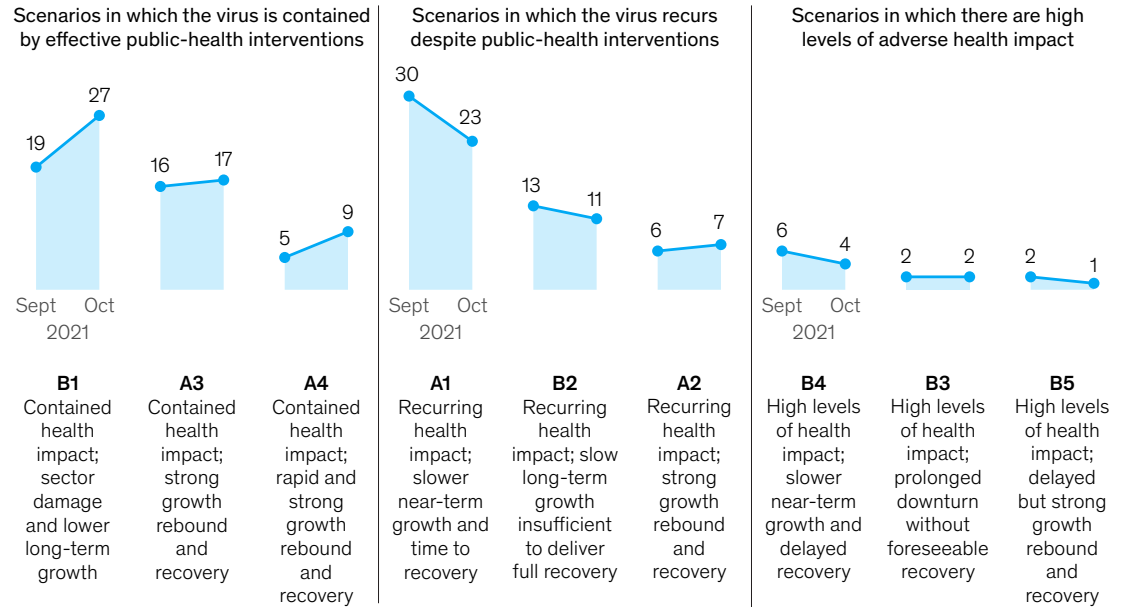
A larger share of respondents also now anticipate that the virus's effect on public health will be reined in over the coming months. When asked about nine scenarios on the pandemic's GDP effects in their countries, they are much more likely than in the previous survey to select a scenario in which the effective public-health responses contain the virus's impact (Exhibit 2). This month's most commonly chosen scenario, B1, assumes virus containment as well as ineffective economic intervention. In the previous two surveys, respondents most often ranked the A1 scenario, which envisions recurrences of the virus, as the likeliest one.

¹ The online survey was in the field from October 11 to October 15, 2021, and garnered responses from 902 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.

Exhibit 2

Since September, respondents have become more likely to predict scenarios in their countries in which the coronavirus is contained.

Scenarios for the COVID-19 pandemic's impact on respondents' countries,¹
 % of respondents who rank each scenario most likely



¹Sept 2021, n = 916; Oct 2021, n = 872.

By the same token, many respondents expect their companies to emerge from the pandemic more resilient than before. Nearly three-quarters (74 percent) of respondents say their companies are more prepared for future crises now than they were before the pandemic. These reflections come as executives' outlooks for their companies' profits and customer demand continue to be largely positive. For the first time since July 2004, half of respondents expect their organizations' workforces to grow over the next six months.

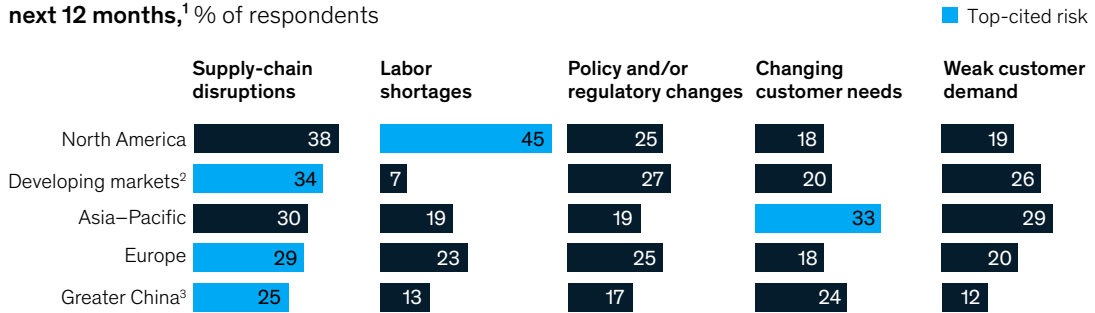
At the same time that hiring is expected to increase, respondents also anticipate talent shortages. After supply-chain disruptions, labor shortages are the second-most-cited risk to company growth over the next year, and they are the top concern among respondents in North America (Exhibit 3).² These shortages also rank as a top-five risk to economic growth in respondents' own countries.

² In the October survey, we asked about labor shortages for the first time in both questions about risks to growth.

Exhibit 3

Supply-chain disruptions are a top risk to company growth in most regions, and labor shortages are an outside concern in North America.

Potential risks to growth for respondents' companies, next 12 months,¹ % of respondents



¹Out of 16 risks that were presented as answer choices. North America, n = 170; developing markets, n = 166; Asia-Pacific, n = 98; Europe, n = 265; and Greater China, n = 100.

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

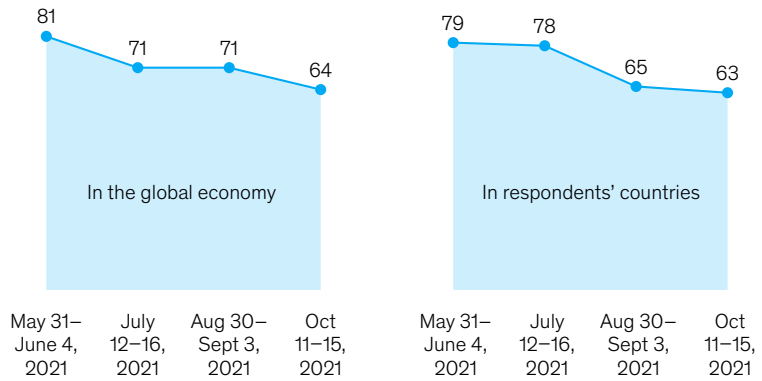
³Includes Hong Kong and Taiwan.

And while overall expectations for the global economy and respondents' countries remain rosy, respondents' optimism has declined since the summer (Exhibit 4). Sixty-four percent of respondents expect global conditions to improve over the next six months, down from 71 percent in July and September.

Exhibit 4

While expectations for global and domestic conditions remain predominantly positive, optimism has declined since the summer.

Respondents who expect economic conditions will improve, next 6 months,¹ %



¹Respondents who answered "the same" or "worse" are not shown. June 2021, n = 1,010; July 2021, n = 1,002; Sept 2021, n = 958; Oct 2021, n = 902.

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.