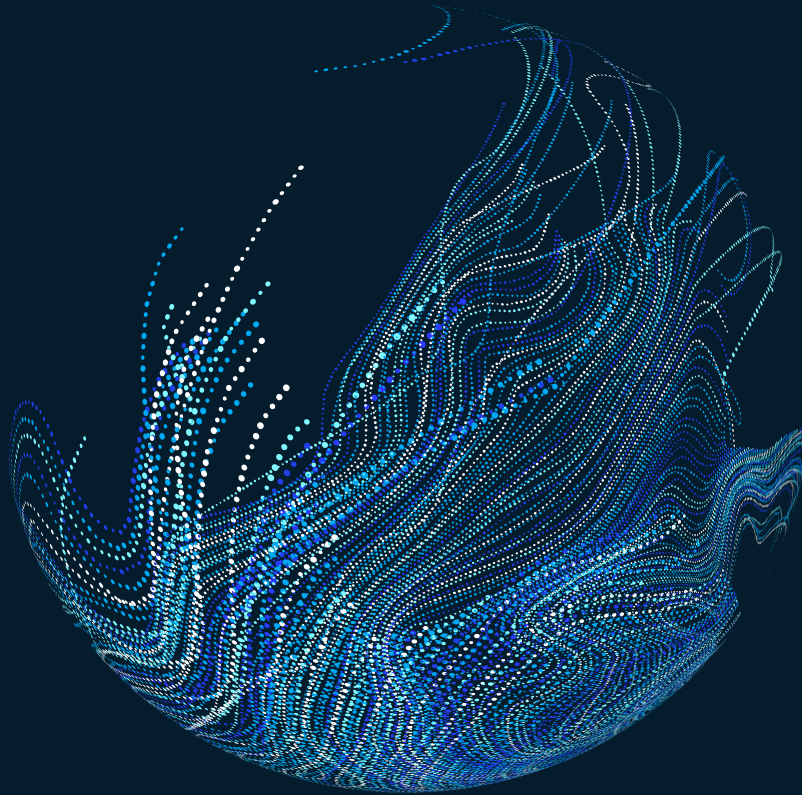


Strategy & Corporate Finance Practice

The coronavirus effect on global economic sentiment, April 2021

Though the pandemic overshadows other risks to growth, optimism about the economy persists and company prospects continue to brighten, especially on the hiring front.



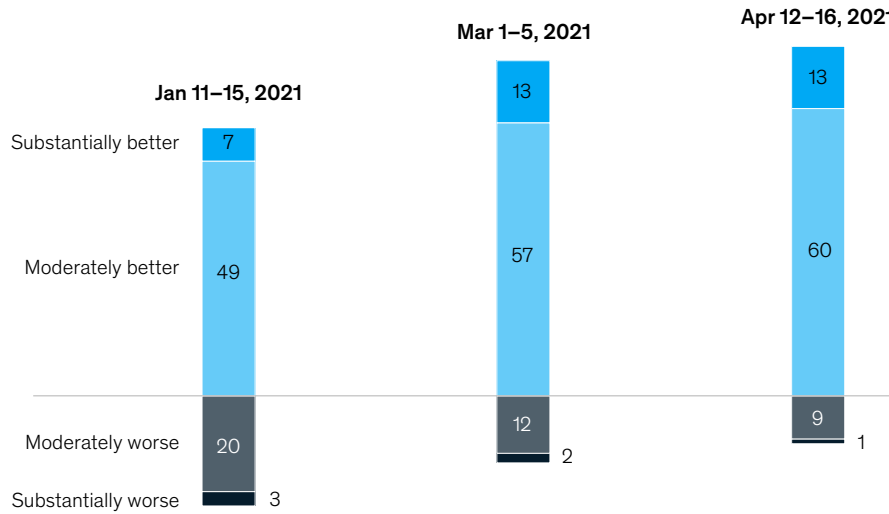
In our latest McKinsey Global Survey on the economy,¹ executives' views are as decidedly positive as they were in March—even as the pandemic continues to dwarf other risks to growth. It's an especially acute risk in India, where the week after the survey was in the field, the number of daily COVID-19 cases set a new world record.²

Globally, 73 percent of all respondents believe that conditions in the world economy will improve in the next six months. It's the largest share to say so all year, while the share of executives expecting worsening conditions has shrunk by more than half in the past three months: 10 percent say so now, down from 23 percent in January (Exhibit 1).

Exhibit 1

So far in 2021, executives' outlook on the global economy is increasingly rosy.

Expected conditions in global economy, next 6 months,¹ % of respondents



¹ Respondents who answered “the same” are not shown. Jan 2021, n = 1,025; Mar 2021, n = 1,018; Apr 2021, n = 1,199.

The domestic outlook is equally upbeat and consistent across regions (Exhibit 2), even outside of Greater China³ or India—where, for eight surveys in a row, respondents were the most optimistic about their own economy’s prospects. Notably, respondents in India reported the biggest shift in sentiment since the previous survey. Though they are still more positive than not about their economy, the share expecting improved conditions in the next six months dropped from 86 percent in March to 64 percent currently.

¹ The online survey was in the field April 12 to April 16, 2021, and garnered responses from 1,199 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.

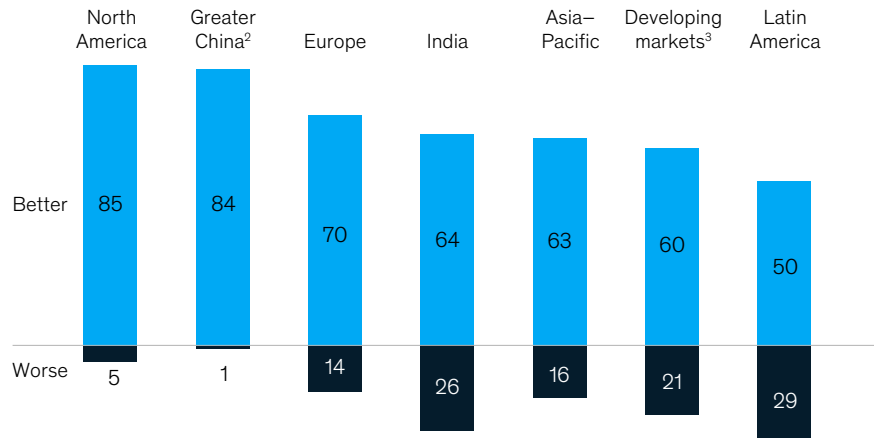
² During the week of April 19, the number of new COVID-19 cases per day exceeded 300,000 in India. As of April 27, 2021, India has recorded more than 5.7 million new COVID-19 cases in the month of April; Coronavirus world map: Tracking the global outbreak, *New York Times*, April 28, 2021, nytimes.com.

³ Includes Hong Kong and Taiwan.

Exhibit 2

In every region, respondents report a positive outlook on their economies' prospects.

Expected economic conditions in respondents' countries, next 6 months,¹
% of respondents by region of office



¹Respondents who answered "the same" are not shown. North America, n = 276; Greater China, n = 123; Europe, n = 433; India, n = 87; Asia-Pacific, n = 133; developing markets, n = 88; Latin America, n = 59.
²Includes Hong Kong and Taiwan.
³Includes Middle East, North Africa, South Asia, and sub-Saharan Africa.

The pandemic is an especially acute concern in India, where 77 percent now cite the crisis as a risk to domestic growth. In the previous survey, only 28 percent said the same.

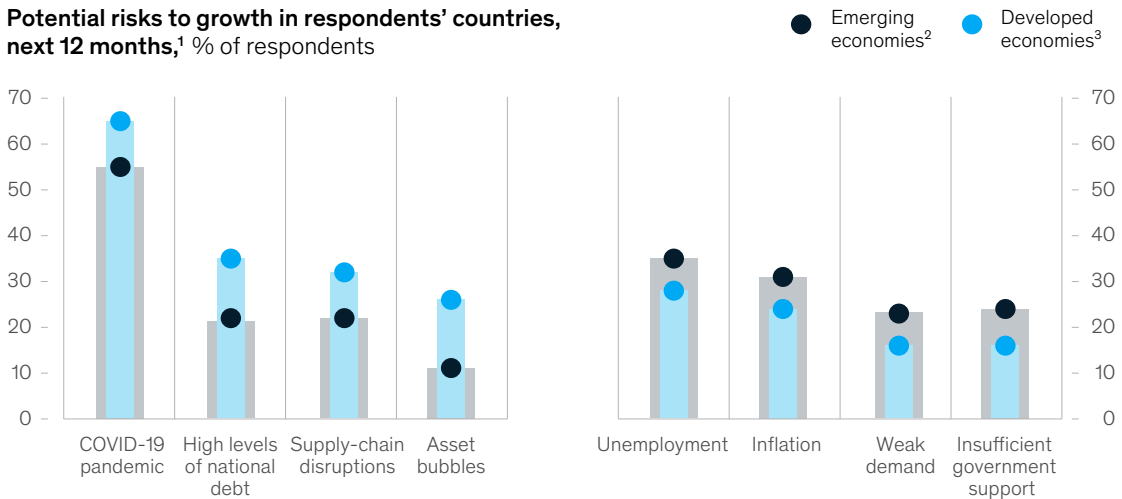
As we saw in March, the COVID-19 pandemic continues to overshadow all other risks to domestic growth and now tops the list in every geography.⁴ The pandemic is cited as a risk by 48 percent of all respondents, while the second most common risk—unemployment—is cited by only 17 percent. It’s an especially acute concern in India, where 77 percent now cite the pandemic as a risk to domestic growth; in the previous survey, only 28 percent said the same, and unemployment was the most common risk then.

When asked about all potential risks to growth that executives foresee, there are some regional differences of note (Exhibit 3). Respondents in developed economies are more likely than their peers to cite the pandemic (65 percent, versus 55 percent), as well as asset bubbles, high levels of national debt, and supply-chain disruptions. At the same time, concerns over insufficient government support, unemployment, inflation, and weak demand are more top of mind in emerging economies.

Exhibit 3

Executives’ views on potential risks to growth vary across emerging and developed economies.

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



¹Out of 18 potential risks that were offered as answer choices.

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

³Includes developed Asia, Europe, and North America.

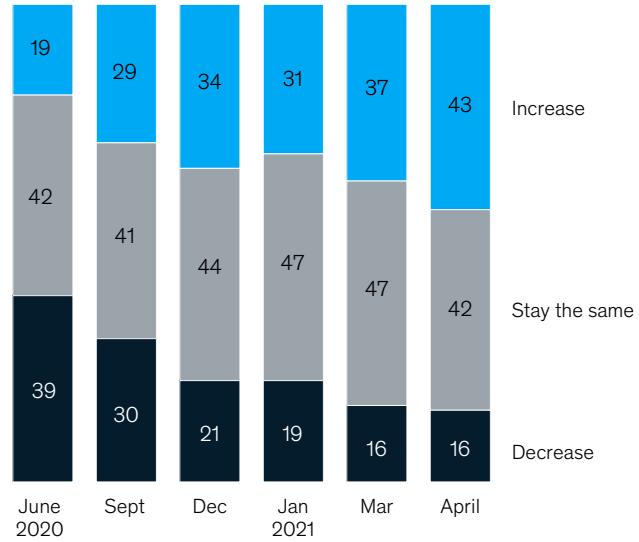
On the company front, expectations for consumer demand continue to improve, and those for profits remain buoyant. Workforce expectations are on the rise as well, with 43 percent of respondents saying their companies’ head count will increase in the next six months. It’s the first time since the pandemic began that a plurality of respondents have said so, in a mostly steady rise since our June 2020 survey (Exhibit 4).

⁴In the March 2021 survey, the COVID-19 pandemic was the most cited risk to growth in respondents’ countries in every region but India (“unemployment”) and Latin America (“domestic political conflicts”).

Exhibit 4

For the first time since the pandemic began, a plurality of respondents predict that their companies' head counts will increase.

Expected changes in company's workforce or department size, next 6 months,¹
 % of respondents



¹ Respondents who answered "don't know" are not shown, so figures may not sum to 100%. June 2020, n = 2,222; Sept 2020, n = 1,138; Dec 2020, n = 1,382; Jan 2021, n = 1,025; Mar 2021, n = 1,018; Apr 2021, n = 1,199.

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.

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