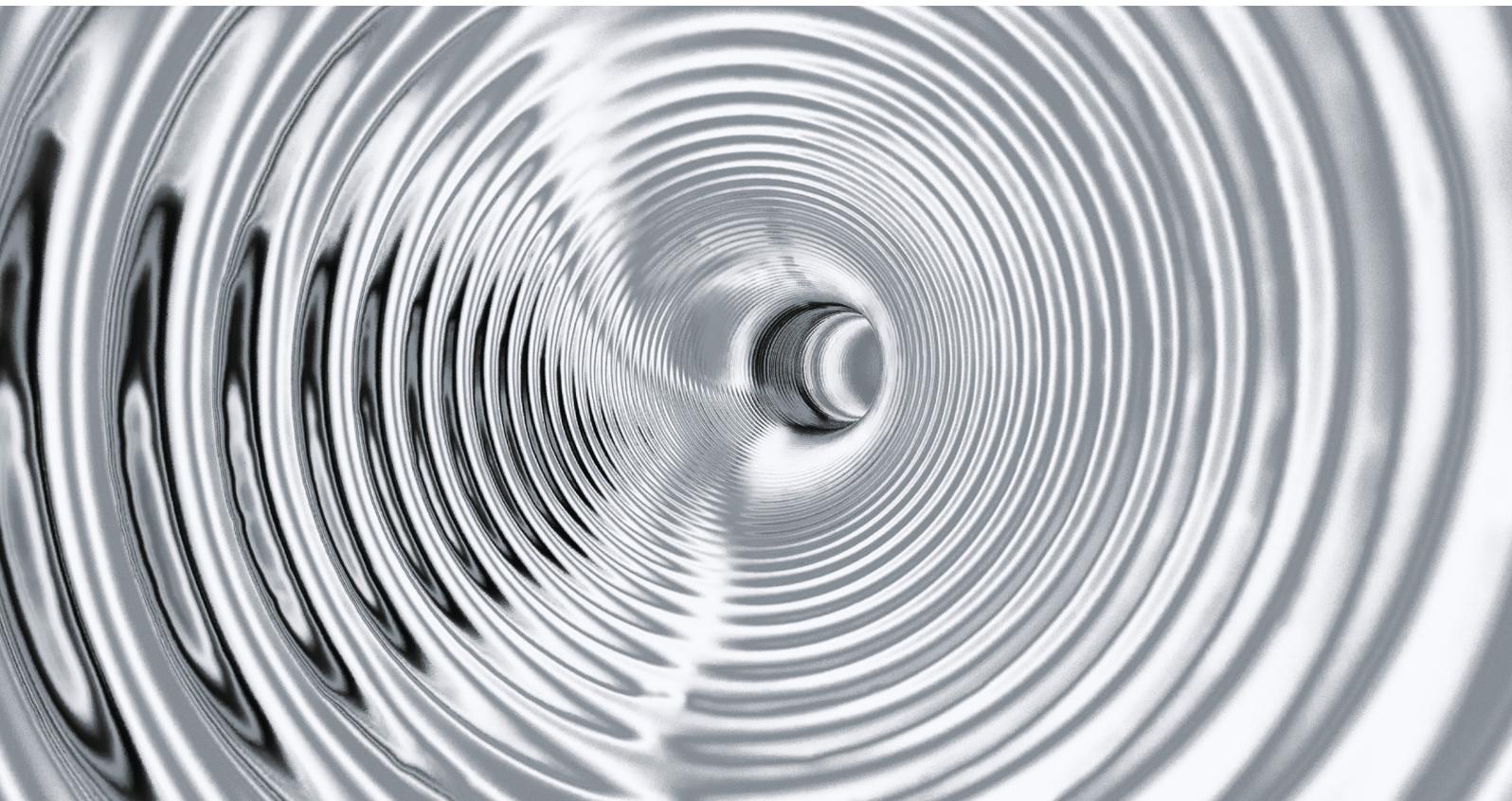


Strategy & Corporate Finance Practice

# In the tunnel: Executive expectations about the shape of the coronavirus crisis

In this McKinsey survey, more than 2,000 executives around the world share their views on the likely impact of efforts to control the virus and support economic recovery.

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Working from their homes, thousands of executives worldwide assessed McKinsey's scenarios on recovery from the coronavirus pandemic.<sup>1</sup> The nine scenarios were first presented in our article, "Safeguarding lives and livelihoods." They estimate three likely paths for the spread of the virus and the public-health response, and three potential levels of effectiveness for governmental economic response.<sup>2</sup>

These results come against the backdrop of a dramatic humanitarian crisis evolving at a global scale, with nearly two million infected by the virus, tens of thousands of lives lost, and tens of millions of people now unemployed in the midst of the fastest and deepest recession in living memory.

Out of the nine scenarios describing the economic impact of the crisis and the recovery period, the clearest survey result was the respondent preference for the scenario defined by a (regional) recurrence of the virus after containment, a muted recovery, and slower long-term growth. This scenario is labeled A1 in the exhibit below, where alphanumeric labels (not seen by the respondents) are overlaid. The shaded scenarios, labeled A1 to A4, reflect those outcomes in which both the public-health and economic-policy responses are adequate or better. The B1 to B5 scenarios reflect outcomes in which the responses are ineffective in one or both domains (public health and economic policy).

Respondents were asked to rank three scenarios in order of likelihood. The scenario they thought most likely, A1, suggests that respondents see interventions in both the public-health and economic-policy dimensions as partially effective in recovering our lives and livelihoods, and that the return to preoutbreak levels for GDP, income,

and corporate earnings will take time. After A1, the most prevalent choice was A3, a stronger scenario in which the virus is contained and the pace of economic growth slowly recovers toward preoutbreak norms.

All together, 59 percent of respondents selected more optimistic A scenarios as their lead choice, and 41 percent chose B scenarios. Of the executive respondents selecting B scenarios as their lead choice, 29 percent chose scenarios in the first column, suggesting ineffective economic-policy responses as the significant failing in this crisis; 14 percent chose scenarios emphasizing the failure of public-health interventions.<sup>3</sup>

Another notable result is that respondents from China, which moved through the crisis first, expressed more positive views, with 68 percent believing A scenarios to be more likely. Respondents from Europe, the United States, and Asia-Pacific strongly favored A1 as their most likely scenario, reflecting the general sober assessment of both viral containment and economic recovery.

Let's be clear: none of these scenarios is good news. All of them describe a global health and economic crisis of proportions not seen since World War II. Most executives seem to have internalized this assessment. They hold balanced views regarding possible outcomes, expressing the anxiety we all share toward possibly worse recovery paths, especially in developing economies.

The dual imperative of safeguarding lives *and* livelihoods is a challenge to the world to combat the virus and ensure that people can get safely back to work as soon as possible. The world is

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<sup>1</sup> The online survey was in the field from April 2 to April 10, 2020, and garnered responses from 2,121 participants representing the full range of regions, industries, company sizes, functional specialties, and tenures. The geographic breakdown of respondents is as follows: Asia-Pacific (including the Association of Southeast Asian Nations (ASEAN), Japan, South Korea, Australia, and New Zealand), 249; greater China (including mainland China, Hong Kong, and Taiwan), 143; Europe, 784; India, 151; Latin America, 134; Middle East-Africa, 79; North America, 490; other developing, 91.

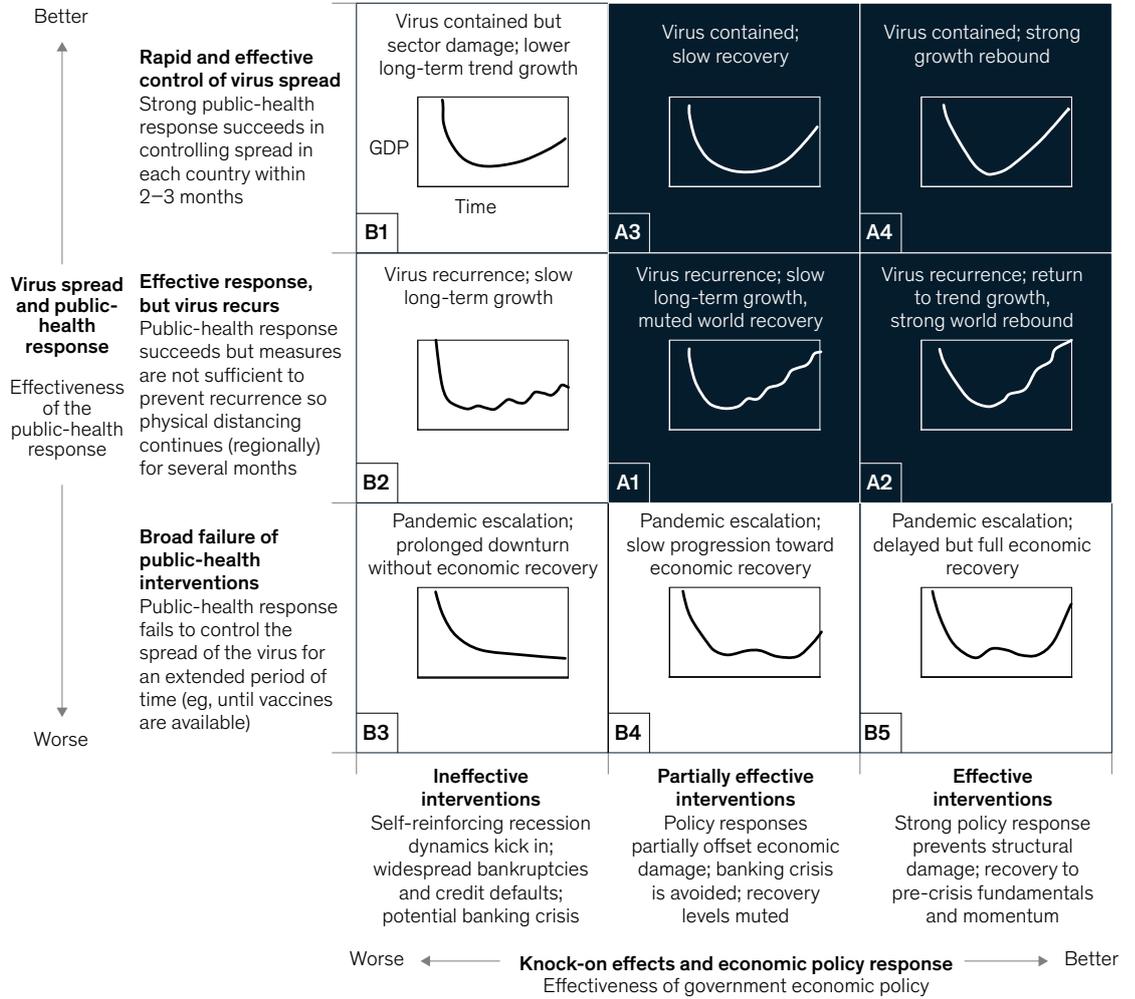
<sup>2</sup> Specifically, the two compound coordinates are:  $y$  = the spread of the virus and the public-health responses;  $x$  = the resulting economic effects and the economic-policy responses. The scenarios are situated on tripartite continua from less effective to more effective in each of the two dimensions.

<sup>3</sup> The 41 percent share in this category includes 3 percent of respondents choosing scenario B3, which foresees failures in both the public-health and economic-policy responses.

Exhibit

## Scenarios for the economic impact of the COVID-19 crisis.

### GDP impact of COVID-19 spread, public-health response, and economic policies



### Most likely scenario, % of respondents

	A1	A2	A3	A4	B1	B2	B3	B4	B5
	31	6	16	6	15	11	3	9	2
	59				100%				

Note: Figures may not sum to 100%, because of rounding.

now embracing this challenge. Governments and many private organizations are rapidly developing innovative public-health responses to fight the virus and help those affected. Governments are deploying their vast resources at record speeds,

to cushion the economic blow of the lockdowns. Corporate leaders around the world are now working on the safety protocols to be followed once they are allowed to restart their businesses. The virus will be present for months to come.

Coexisting with it while operating businesses safely for employees and customers will be the most important step for getting the economy back on a path to recovery.

We will continue to report on this survey, with more depth and data by scenario. The results form a baseline against which we shall follow and evaluate perceptions of the crisis around the world.

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