

Strategy & Corporate Finance Practice

# Economic Conditions Snapshot, September 2019

*McKinsey Global Survey results*

Respondents' views are subdued on the current state of the global economy, and on their home economies in the months ahead. Trade conflicts and trade-policy changes remain the most commonly cited threats to growth.



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**In McKinsey’s latest survey** on economic conditions, executives’ views on the current global economy and expectations of future global growth are less favorable than they have been in years.<sup>1</sup> In sizing up their home economies, respondents are evenly split, with roughly one-half taking a positive or stable stance. Overall, trade conflicts and changes in trade policies remain the foremost concerns for global and domestic economic growth.

While respondents in emerging economies report sluggishness in the global economy and at home, they are more optimistic than their developed-economy counterparts about future global and domestic prospects. In India, a bulwark of positive sentiment over many past surveys, views have turned negative about current domestic conditions, although most expect improvement or a leveling out in the months ahead. By contrast, respondents in developed Asia–Pacific economies and in Latin America offer brighter views than in the previous survey about current conditions.<sup>2</sup>

## Increasingly uneasy views of the global economy and its prospects

Respondents’ perspectives on the current global economy have become more subdued over recent months. Seventy-four percent of respondents say global economic conditions are worse now than six months ago—the highest share since we began regularly asking in March 2012. The share of respondents saying the global economy is worse now than six months ago has increased over the past year (Exhibit 1).<sup>3</sup>

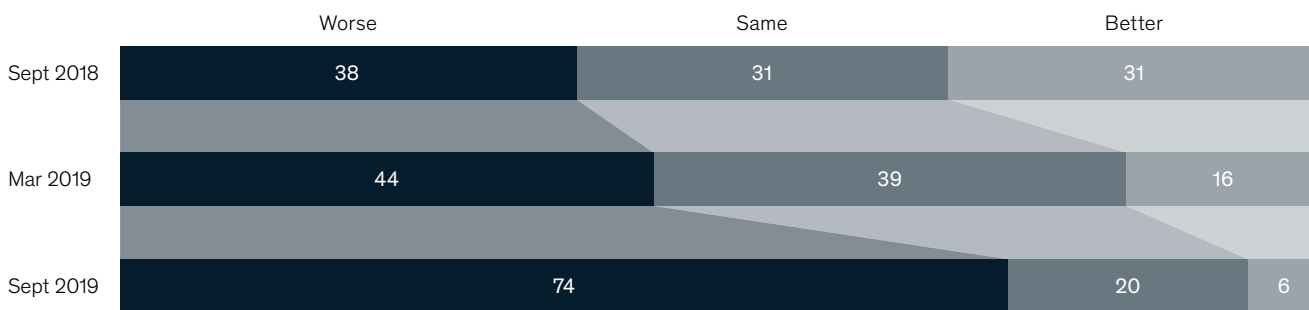
Respondents in developed economies are more likely than their emerging-economy peers to say global economic conditions stayed the same over the past six months, while emerging-economy respondents are more likely to say conditions declined.

Expectations for the coming months also are less rosy than in all previous surveys, dating back to March 2011. Two-thirds of respondents say they

Exhibit 1

### The share of respondents saying the global economy is worse now than six months ago has grown over the past year.

Current global economic conditions, compared with 6 months ago, % of respondents<sup>1</sup>



<sup>1</sup>Figures may not sum to 100%, because of rounding. In Sept 2018, n = 1,158; in Mar 2019, n = 1,482; and in Sept 2019, n = 1,363.

<sup>1</sup> The online survey was in the field from September 2 to September 6, 2019, and garnered responses from 1,363 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.

<sup>2</sup> Includes respondents in Australia, Hong Kong, Japan, New Zealand, the Philippines, Singapore, South Korea, and Taiwan.

<sup>3</sup> “Economic Conditions Snapshot, September 2018: McKinsey Global Survey results,” September 2018, McKinsey.com.

expect global economic conditions to worsen in the next six months, a larger share than in March 2019 (Exhibit 2).<sup>4</sup> Similarly, two-thirds predict that the global growth rate will contract in the next six months, compared with 44 percent who said so in March—although most of these respondents say they expect a minimal contraction. Concern about future economic conditions is more pronounced among respondents in developed economies: 70 percent

of those respondents predict declines over the next six months, compared with 59 percent of emerging-economy respondents.

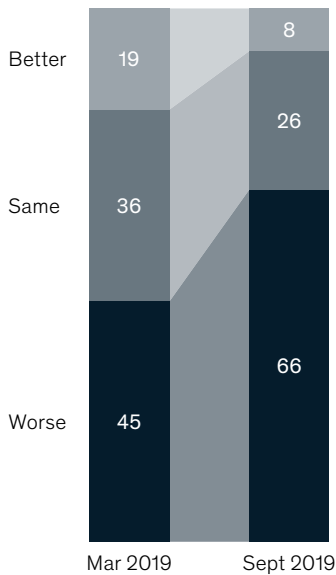
In addition, respondents have become more negative about the global economy's momentum over the long term. When asked to rank the likelihood of four global scenarios in the decade ahead,<sup>5</sup> 70 percent of respondents said the

Exhibit 2

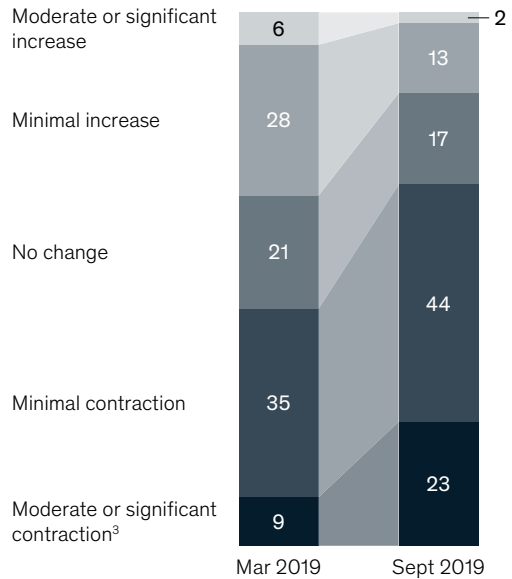
### Respondents are likelier now than in March to report negative expectations for the world economy and future global growth.

% of respondents<sup>1</sup>

**Expected global economic conditions, next 6 months**



**Expected change in global economy's growth rate, next 6 months<sup>2</sup>**



<sup>1</sup>In Mar, n = 1,482; in Sept, n = 1,363.

<sup>2</sup>Respondents who answered "don't know" are not shown, so figures may not sum to 100%.

<sup>3</sup>That is, a recession or depression.

<sup>4</sup> "Economic Conditions Snapshot, March 2019: McKinsey Global Survey results," March 2019, McKinsey.com.

<sup>5</sup> The four scenarios, from highest to lowest growth and economic convergence, are "global synchronicity" (rapid, globally distributed growth underpinned by broadening increases in productivity), "pockets of growth" (uneven and volatile but high global growth), "global deceleration" (low but more stable global growth), and "rolling regional crises" (volatile and weak global growth). For more, see Jonathan Ablett, Luis Enriquez, and Sven Smit, "Shifting tides: Global economic scenarios for 2015–25," September 2015, McKinsey.com.

most likely was one of two—global deceleration or rolling regional crises—that involve lower levels of growth. That's up from 60 percent who ranked either of these scenarios as most likely in June and 52 percent who did so in September 2018.

### **At home, economic perceptions are more evenly split**

Compared with perceptions on the global economy, respondents' latest views on current economic conditions in their home countries are more evenly split, although assessments have grown more negative since the previous survey. The 52 percent who say their home economies are worse than six months ago represent the greatest share to have said this since we began regularly collecting data

on this question in February 2010. In the latest survey, 30 percent say there has been no change in the past six months, while 18 percent say conditions improved.

As in the previous survey, larger shares of emerging-economy respondents than developed-economy respondents say their home economies have worsened (59 percent, compared with 49 percent among developed-economy respondents). That sentiment among emerging-economy respondents is more negative than respondents in those economies predicted earlier this year.

In particular, in India—the area that in the previous six surveys had the highest percentage of respondents with positive viewpoints—economic

**Larger shares of emerging-economy respondents than developed-economy respondents say their home economies have worsened.**

conditions are not meeting expectations from six months ago. In March, just 14 percent of respondents in India said they expected their economy to worsen in the six months ahead. But in the present survey, nearly eight in ten respondents say it has worsened, up from roughly three in ten who offered that assessment in June (Exhibit 3). Looking ahead, though, two-thirds of respondents there expect improvement or a leveling out in the next six months. By contrast, respondents in developed Asia–Pacific and in Latin America offer brighter assessments of current conditions than in the previous survey.

Sentiments also vary by sector. Respondents in manufacturing are significantly more likely than those in all other sectors to have negative views on their countries' current economic conditions. Of respondents in manufacturing, 72 percent say conditions have worsened, compared with 41 percent of respondents working in high tech and telecommunications.

Looking at the next six months, respondents are generally split in their expectations of economic conditions in their countries. Overall, a quarter of respondents predict their countries' economies will

Exhibit 3

**In India, respondents' views of current conditions at home have turned negative since June, while the opposite is true among respondents in Asia–Pacific and Latin America.**

**Current economic conditions in respondents' countries, compared with 6 months ago, % of respondents, by office location<sup>1</sup>**

	June 2019			Sept 2019		
	Worse	Same	Better	Worse	Same	Better
India	31	38	30	79	11	10
North America	32	42	26	49	34	17
Europe	36	39	24	50	30	20
Latin America	51	29	20	47	19	34
Developing markets <sup>2</sup>	57	25	18	61	28	11
Asia–Pacific <sup>3</sup>	59	30	11	46	36	18

<sup>1</sup> Figures may not sum to 100%, because of rounding. In June 2019, in Asia–Pacific, n = 144; in developing markets, n = 167; in Latin America, n = 97; in Europe, n = 420; in North America, n = 245; and in India, n = 115. In Sept 2019, in Asia–Pacific, n = 163; in developing markets, n = 164; in Latin America, n = 86; in Europe, n = 513; in North America, n = 315; and in India, n = 122.

<sup>2</sup> Includes China, Middle East, and North Africa.

<sup>3</sup> Includes respondents in Australia, Hong Kong, Japan, New Zealand, Philippines, Singapore, South Korea, and Taiwan.

improve, and a similar share expect the state of their economies to remain the same (Exhibit 4). However, unease about the future has increased: roughly half of all respondents expect their countries' economic conditions to worsen in the next six months. That's the highest this measure has reached since we began regularly asking the question, in February 2010.

Emerging-economy respondents are much less likely than their counterparts in developed economies to predict their economies will worsen and their countries' growth rates will contract in the next six months, as was also true in March.

### The trouble with trade

Trade conflicts remain the most commonly cited risk to global economic growth, as they have been throughout 2019. In line with the June findings,

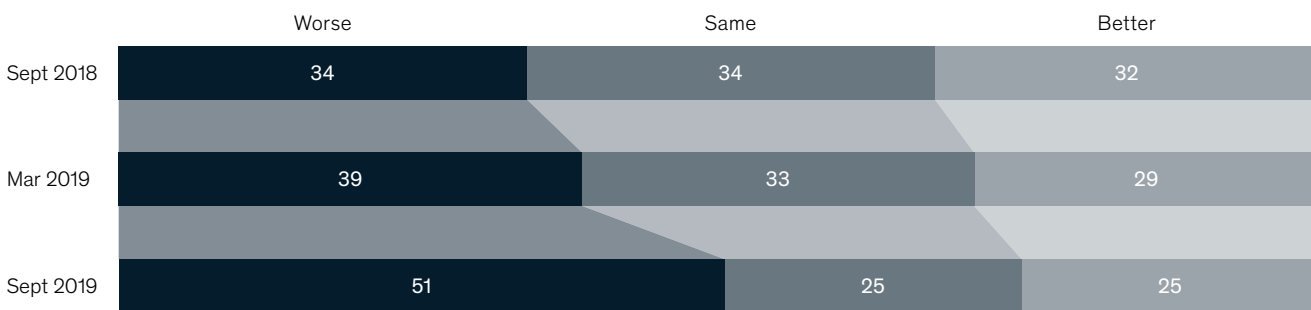
about three-quarters of respondents rank trade conflicts as one of the biggest potential risks to economic growth in the global economy over the next year. Similarly, when asked about the biggest risks to their home economies over the next year, respondents, for the second survey in a row, most often cite changes in trade policy as a top risk.

As we've seen since March 2018, changes in trade policy continue to be an outside concern in developed economies, where they are cited by 49 percent of respondents as a top risk to their economies, compared with 34 percent of respondents elsewhere. Meanwhile, concerns about the risks of economic volatility are on the rise among emerging-market respondents. In a change from previous surveys, emerging-economy respondents are twice as likely as others to cite increased economic volatility as the biggest potential risk to

Exhibit 4

## The share of respondents who say they expect conditions in their countries to decline in the next six months has increased since last September.

Expected economic conditions in respondents' countries, next 6 months, % of respondents<sup>1</sup>

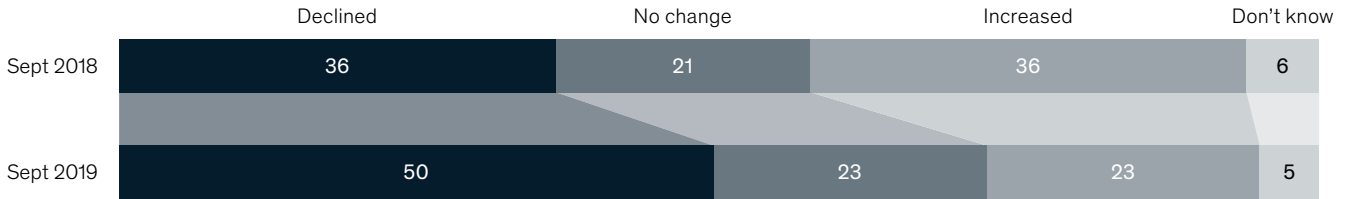


<sup>1</sup>Figures may not sum to 100%, because of rounding. In Sept 2018, n = 1,158; in Mar 2019, n = 1,482; and in Sept 2019, n = 1,363.

Exhibit 5

**Respondents are more likely than they were one year ago to say trade levels between their countries and the rest of the world have declined.**

**Change in level of trade between respondents' countries and rest of world, past 12 months, % of respondents<sup>1</sup>**



<sup>1</sup>Figures may not sum to 100%, because of rounding. In Sept 2018, n = 1,158, and in Sept 2019, n = 1,363.

global economic growth. Just under one-third in emerging economies list volatility as a top concern, compared with 16 percent of others.

These ongoing concerns over trade coincide with respondents reporting declines in trade levels between their countries and the rest of the world, as well as expectations that the volume of trade will

continue to decrease. Respondents are much more likely than they were one year ago to say trade volumes have declined in the past 12 months (Exhibit 5). Looking ahead, about half of all respondents predict that the level of trade will decline over the next 12 months, as the findings also showed in June.

The survey content and analysis were developed by **Alan FitzGerald**, a director of research in McKinsey's New York office; **Vivien Singer**, a knowledge expert in the Waltham, MA, office; and **Sven Smit**, a senior partner in the Amsterdam office.

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