



The world remade: COVID-19 and beyond
2021 scenarios for resilient leaders

February 2021



Short-term scenarios for resilient leaders

As the COVID-19 pandemic and its challenges have continued into 2021, leaders are planning for the economic impacts of the upcoming year.

The decisions leaders make in the near term will drive how their organizations are sustained in the long term. Now is the time for leaders to take decisive action to soften the shocks, and at the same time prepare for what may change as the future unfolds.

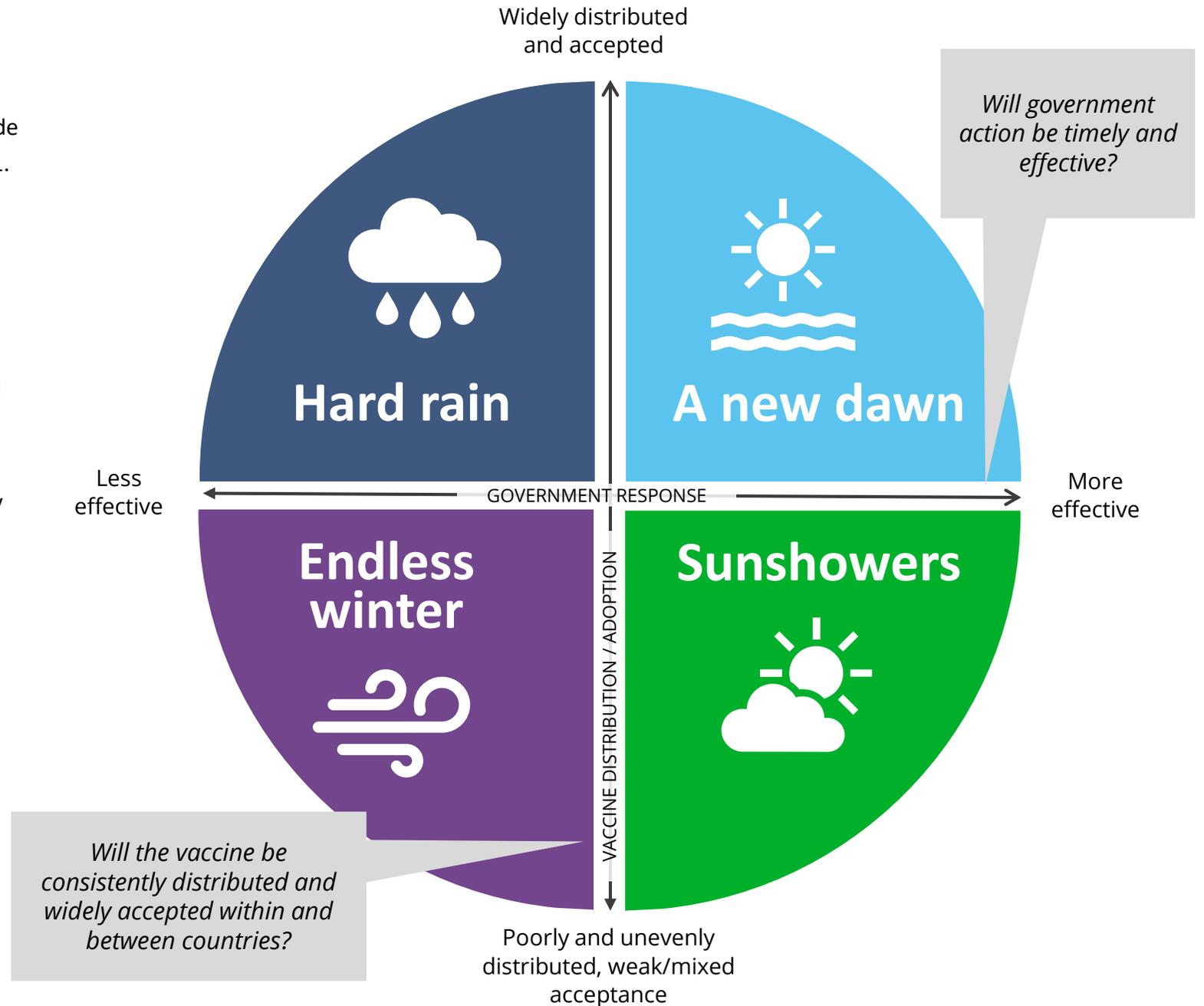
This document is a follow-up to the Economic Cases published in April 2020.

Four scenarios for 2021

The **short-term scenarios** in this document are designed to guide leaders in strategic, financial, and operational planning for 2021.

Each of the scenarios posits a potential future state leading to corresponding **economic implications**. These **scenarios are not predictions** about what will happen nor do they express our expectation of what should happen. Rather, they are **stories about what *could* happen** under different conditions, designed to frame planning discussions.

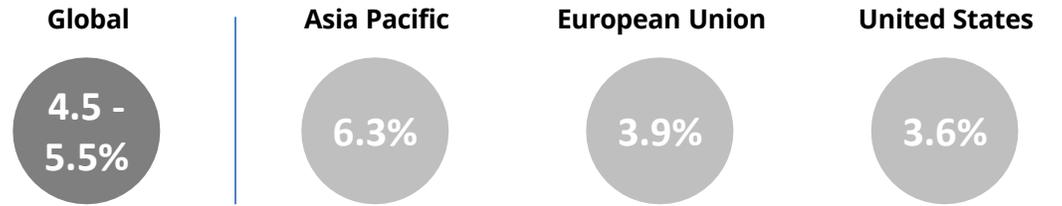
The four scenarios are based on **two critical uncertainties** likely to shape economic conditions over the course of 2021: the **government response** to the pandemic and its economic consequences, and the levels of **vaccine distribution and adoption**.



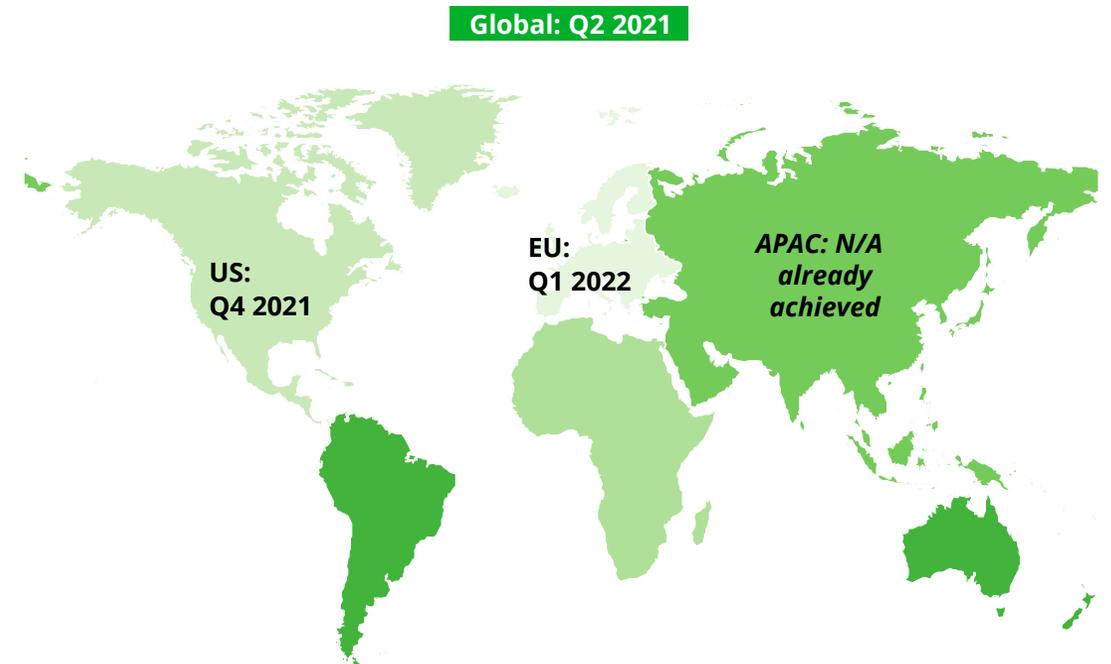


The year 2020 was remembered for its string of big surprises, but 2021 delivered its share of the unexpected, too. The most disappointing surprise was that even with a growing number of approved vaccines, reaching billions in need proved far harder than expected. The science that created multiple vaccines in record time had been impeccable. However, the **compounding weaknesses of distribution, distrust, and a disease that began spreading faster** than human response were implacable. But there was another surprise in store, more positive if just as unexpected: **growing political confidence in some of the world's largest and most influential markets**. Strong government support of business and workers in the US and **strong and consistent health mandates** helped maintain economic activity despite a divided electorate. Post-Brexit, the EU was renewed in its commitment to mutual support to get through the pandemic. Global trade, particularly between the east and west, was rekindled, fanning **more economic growth than pessimists had feared**, even as the vaccines struggled to rein in the pandemic. People yearned to be free of COVID and the many restrictions it put on their lives and livelihoods, but the **supports created through effective policy** bought time for the vaccines to begin to make a difference.

Expected GDP growth in 2021



Timing of return to pre-COVID-19 GDP by region

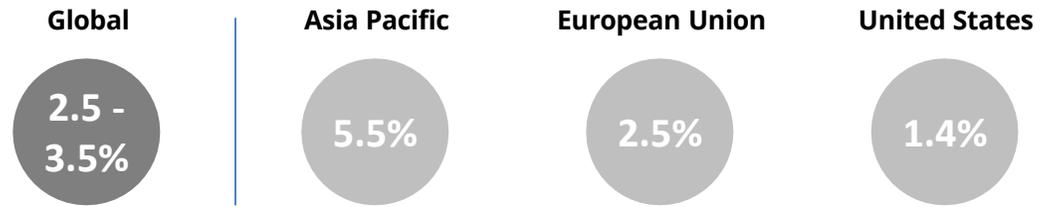


Endless winter

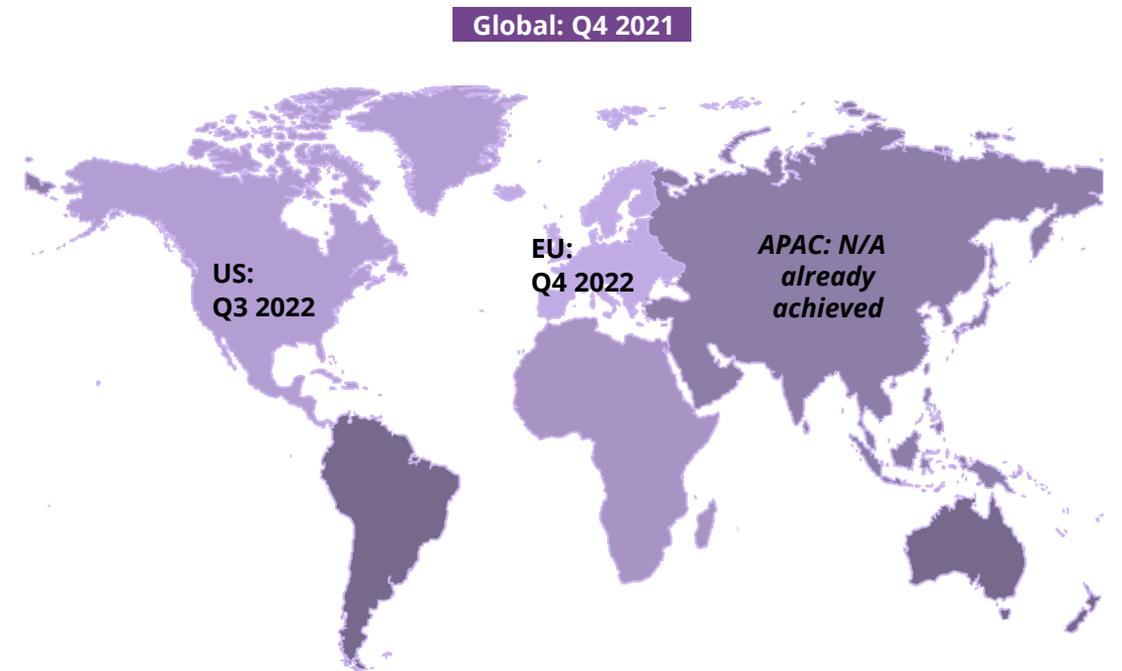


The hopes that marked the turn of the year turned out to be a false dawn. Yes, there were vaccines, but **ongoing distribution challenges** meant far fewer received them than was needed to control the pandemic. Vaccine nationalism and production challenges meant that globally, **dozens of middle income countries couldn't get enough doses of the vaccine**, and their economies suffered from both slumping supply and demand as a result. **Widespread skepticism** of the vaccine meant that even places that had access couldn't reach herd immunity. As a result, the **pandemic and its restrictions were felt globally far into 2021**. **Continued mutations** of the virus spread more quickly than the vaccine, keeping lockdowns in one place or another for much of the year. The tensions between and within countries around effective policy to “flatten the curve”—**mask mandates, lockdowns, travel restrictions**—meant few places were able to keep the virus in check long enough to give the vaccine a chance. By year's end, travel, hospitality, traditional retail and services are still suffering in much of the world, and even places that maintained their vigilance and success in keeping case counts low (e.g., Taiwan, New Zealand, Vietnam, and South Korea) find that being healthy when their trading partners aren't **keeps a lid on growth**.

Expected GDP growth in 2021



Timing of return to pre-COVID-19 GDP by region



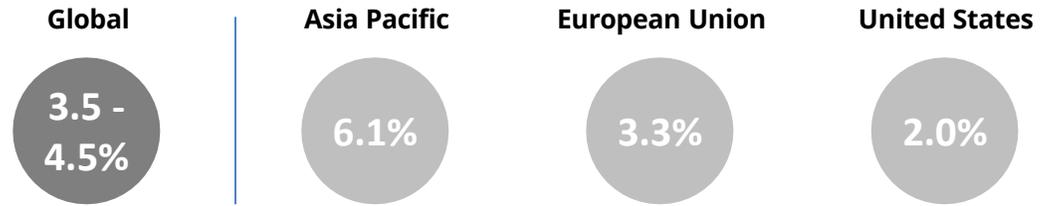


Hard rain

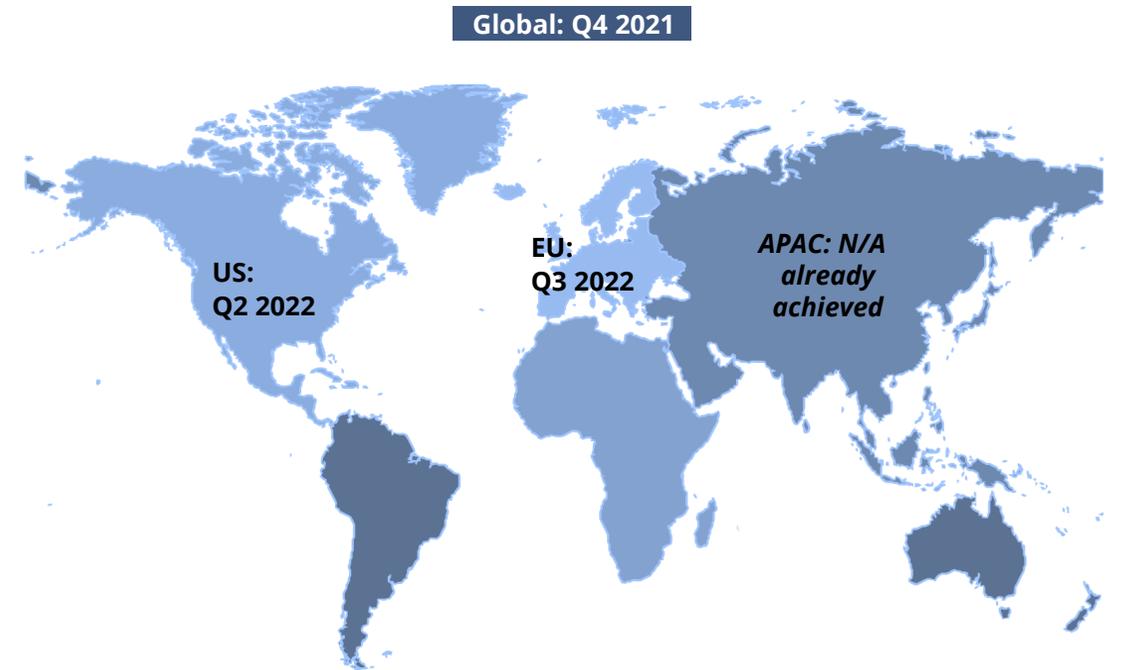


After some **initial bumps getting vaccines rolled out** in early winter, vaccination programs accelerate and are embraced, so by late spring, a significant number of people in the advanced economies are **ready to get back to a sense of normal**. There's only one problem: normal isn't ready for them. **Many small and medium businesses haven't been able to survive** 12 to 15 months of pandemic. Bankruptcies become common, debt burdens have become unmanageable, and there's a growing wave of defaults. The **impacts are uneven**, and in many places, there are not enough jobs to go back to. Some people can no longer afford their rent or mortgage payments and **default on personal debts**. The resulting demand-side shock in some of the world's largest economies sends ripples around the world. **Financial markets and tech fly high**, so investors are happy, but the visible gap between happy investors and frustrated workers threatens to boil over into new waves of populist uprising. On the streets, there's **growing dissatisfaction with business and politics**, and voters—healthy, yes, but hungry, too—are turning again against mainstream parties and “business as usual.”

Expected GDP growth in 2021



Timing of return to pre-COVID-19 GDP by region





A new dawn

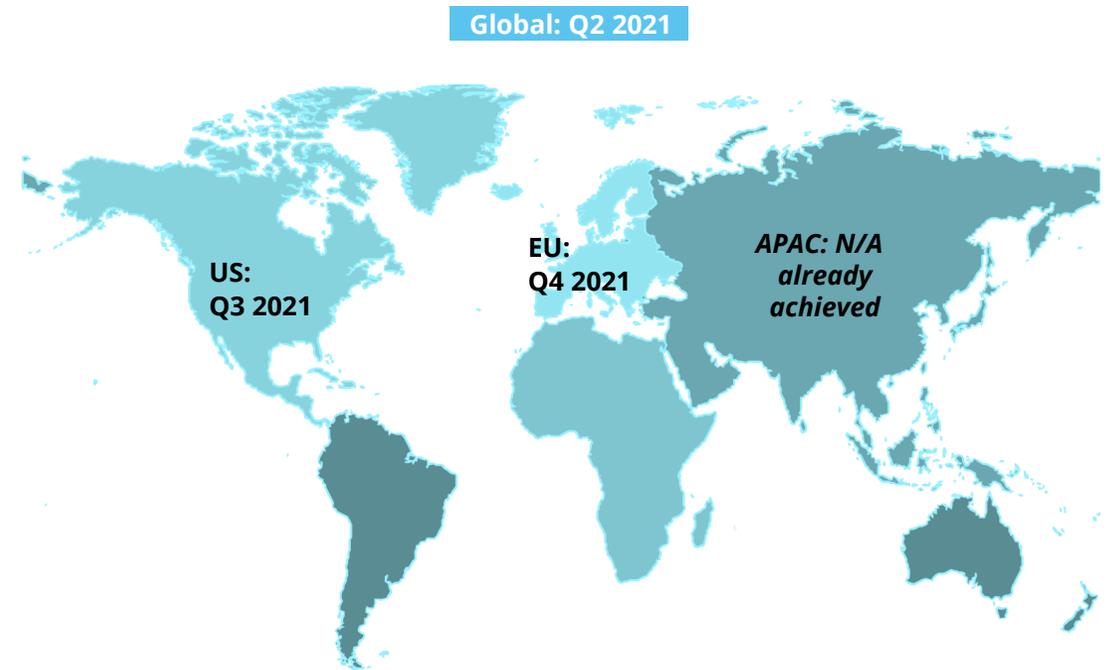


If **2020 seemed to be one low after another**—from a global pandemic that shut down the global economy in a matter of weeks to devastating wildfires on multiple continents—**2021 seemed to be the antidote**. As the year started, **COVID vaccines were introduced** in countries around the world, and the roll-out grew increasingly effective through the spring. Policymakers and central banks responded with strong stimulus, allowing businesses to remain stable, to steady employment, and **to maintain consumer confidence and social cohesion**. While some people remained cautious about the vaccine, herd immunity is reached over the summer for wealthy countries and is on track for most emerging countries. The measures to suppress the virus open the door for economic activity to rebound, and in some areas thrive. The result is a **wave of confidence that unlocks new business investment**, new consumer spending, and new public infrastructure. Disrupted businesses remain challenged but are solvent with government support. By summer and early fall, the lockdowns in most places are over. Travel has begun and consumers are making up for lost time. Stock markets rally. There are **new protocols everywhere**—immunization passports, contact tracing—but they seem a small price to pay to people around the world already **looking forward to the new roaring 20s**.

Expected GDP growth in 2021



Timing of return to pre-COVID-19 GDP by region



Contacts

These scenarios for 2021 represent a range of possible economic circumstances for the near-term future of the COVID-19 crisis. For more information, or to explore the implications of these scenarios on the future of your organization, please contact us:

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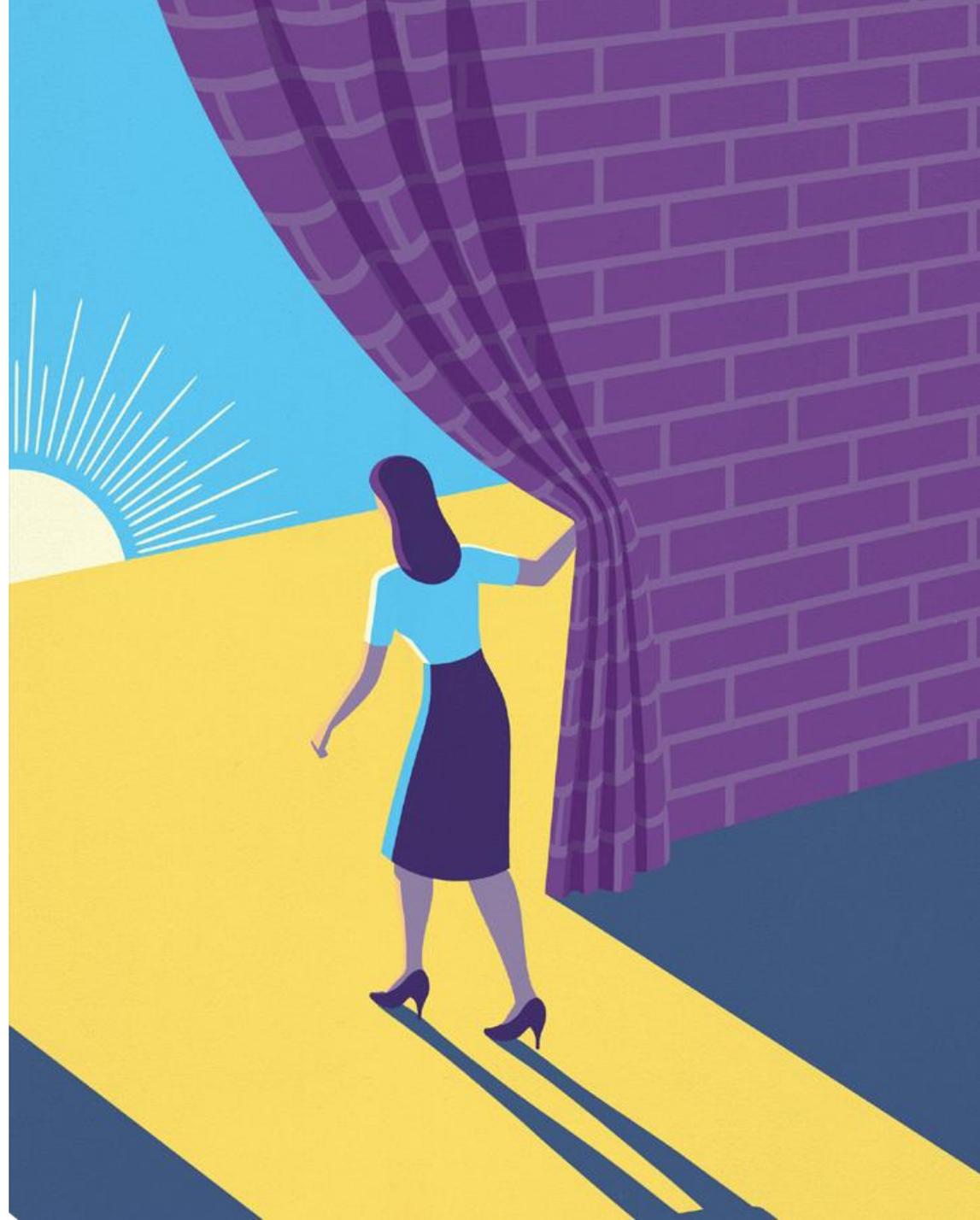
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