

# US highlights

## Global Capital Confidence Barometer



**William M. Casey**  
EY Americas Vice Chair  
Strategy and Transactions  
Ernst & Young LLP  
[william.casey@ey.com](mailto:william.casey@ey.com)  
+1 212 773 0058  
Follow me on Twitter:  
[@BillMCasey](https://twitter.com/BillMCasey)

A note from William M. Casey, EY Americas Vice Chair, Strategy and Transactions

## What's now, next and beyond: US execs position their companies for a new normal that's both unprecedented and unpredictable

One persistent theme we've seen in a decade of surveying C-suites for the EY *Capital Confidence Barometer* is that the United States is often "ahead of the curve": trends in macroeconomics, business confidence and dealmaking tend to appear here before reaching other global economies. We saw it throughout the 2010s: M&A activity came back sooner after the Great Recession in the US than elsewhere, and US boardrooms first contended with shareholder activism and with the tech-driven blurring of sectors.

The 2020s, at least for now, are different: The US finds itself in catch-up mode as COVID-19 has reached our shores after already rampaging through Asia and continental Europe, upending daily realities and instigating a shock to business unseen in the modern era. We are all quickly learning that there is no handbook for a pandemic-triggered business slowdown that affects human health and well-being all at the same time.

Speaking of the lack of a handbook, this edition of our *Barometer* is itself unusual: It does not offer our regular US-level data breakdown, for the simple reason that COVID-19 changed everything in the middle of our survey period. Perspectives are evolving week by week and even day by day, with US business leaders seeing the most acute impact later than their global counterparts. For the record, before we shut down our survey, US executives were fairly bullish on dealmaking, with nearly 60% telling us they were planning to pursue deals in the next 12 months. For companies with the healthiest balance sheets, these M&A plans may well hold steady, but for the moment, most are focused on protecting cash and shoring up their own businesses. Market observers expect this to be the slowest M&A year in at least a decade but are nonetheless optimistic dealmaking will boomerang back within 12 to 18 months, if not sooner.

Regardless, executives know soon enough a new normal will emerge, with sectors and companies more and less affected by this crisis. And all the best practices the *Barometer* has revealed over the last decade – from the value of relentless portfolio review, to the balancing of both organic and inorganic growth measures – come into play in a crisis like this. Even as the ultimate outcome is both unprecedented and unpredictable, the US business leaders we talk to know they must take action.

### **Now, we find executives most acutely focused on assessing and stabilizing their business.**

Liquidity is an immediate concern for many organizations, with access to credit equally essential. We have observed well-run enterprises setting up virtual crisis-command centers to come up with rapid decision-making protocols and to remain nimble. More than ever, we are recommending consistent communications to all stakeholders.

## Next, we expect to see many businesses looking toward recovery – no matter how deeply their industries are affected by the pandemic.

Smart boardrooms and C-suites are setting themselves up for success when consumer demand returns, and they know historical models are not always helpful. Rigorous scenario planning, informed by predictive analytics, is essential.

### Q What economic scenario is your company currently operating under?

Global respondents

A return to normal economic activity in the third quarter of 2020 – a V-shaped recovery



A longer period of slower economic activity extending into 2021 – a U-shaped recovery



A sustained period of recession, with economic activity not picking up until 2022 at the earliest – an L-shaped recovery



## Beyond the pandemic, many companies will reimagine the very core of their business.

Models will change, and “business as usual” when consumer demand comes back may look quite different. Some companies may need to consider what to divest and where to refocus. Far-sighted companies are setting up program management offices and positioning themselves to pivot and capitalize on opportunities.

To be sure, we are all hoping for a relatively short-lived coronavirus impact: first and foremost, for our fellow citizens, and secondly for business confidence. When the pandemic passes, many expect a rapid recovery – our respondents say they are predicting either a U-shaped (54%) or even V-shaped (38%) resurgence. But in the here and now, we are reminded that crises like this one are tests of core principles – that even extraordinary challenges must be met with decisive action.

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