The pandemic continues to grow in breadth and depth and with it the commensurate economic damage it inflicts. At best, the global economic recovery will be “fragmented and constrained” (Christine Lagarde). In the US, the economic gains made in June are being erased by the surge in COVID-19 infection cases of the past few weeks. On a country-by-country basis, it’s important not to confuse a rebound with the recovery. Most major problems, in particular the surge in unemployment, are still ahead of us.

A large majority of experts assert that a COVID-19 second wave in the autumn is either a given or very likely in the Northern Hemisphere. This time, governments and societies will be better prepared, implying limited, less stringent lockdowns. However, the persistent uncertainty means that consumers are already retrenching (an increasing number of people say that they won’t travel before the end of the year), with devastating consequences for some industries.

The hardest hit are travel and tourism, along with all those that gravitate in their orbit. The resurgence of cases and a likely second wave (or even just the fear of it) will accentuate the already precipitous fall in global tourism: from an estimated 60% decline to 80% by year-end. Second-round effects will also prolong the pain of industries that are particularly dependent on international travel, like luxury (tourists account for 40% of luxury sales worldwide) and aviation.

The economic recovery won’t start in earnest before a vaccine is widely available. 200 vaccines are in development, 27 tested on humans and half a dozen in the advanced phase of clinical trials, with encouraging evidence that progress on finding and producing one is being made at an astonishing pace. Some investors now claim that a vaccine will be available at scale towards the end of the year. Most experts disagree, predicting that none can be ready before the second half of 2021. Furthermore, for diverse reasons, a vaccine is unlikely to be the silver bullet providing the total and long-lasting immunity that most people expect.

The “Next Generation EU” agreement represents a major breakthrough. The EMU already had a common currency and a central bank, but the deal provides the vital dimension previously lacking: a commitment to a unified fiscal policy. As always with Europe, it is the story of the half-full/half-empty glass. European skeptics point to the fact that the deal is far from perfect, requiring in particular unanimous consent from the 27 members that compose the EU. The opposite camp (the “believers”) retorts that the signing is in itself the surest sign of success. This is right! For the first time ever, the €750bn fund (comprised of €390bn in one-off pandemic relief grants and €360bn in longer-duration loans) paves the way for the large-scale issuance of pan-European bonds.

After years of years of talking about “internalizing externalities”, there is increasing evidence that companies may soon be compelled, if not forced by regulators, to make environmental and social impacts part of their balance sheet. In particular, Harvard’s “Impact weighted accounts initiative” aims to have “generally accepted impact principles” reflected in a company’s financial accounts. One plain example: if a company makes a profit of 5bn while generating environmental damage estimated at 6bn, does it still make a profit? Not under the new impact weighted account initiative.

By now, most agree that we need to address the grave environmental issues that beset our world, in particular climate change. Accordingly, a spate of new initiatives and mechanisms, like the International Platform for Climate Finance (dubbed the “public good investment bank” for all UN states), are being conceived to ensure that investible capital is deployed in ways that prioritize reaching net 0 as rapidly as possible. However, far fewer agree on the need to drastically change our personal habits despite new research showing that “true sustainability” can only be achieved through radical lifestyle changes (technology and more efficient use of resources aren’t enough). Efforts to reduce over-consumption in the pursuit of “building back better” risk coming into conflict with the need for economic growth.

The structural and long-term impact of the pandemic on our macro world remains underestimated – myopia about the true consequences of COVID-19 causes complacency. A useful (albeit slightly simplistic) way to think about what the pandemic does to the economy, society, and geopolitics is to use the domino effect metaphor. COVID tends to set in motion long series of tumbling dominos. The first to fall, starting the chain reaction, stems from the public health emergency and the fear and uncertainty it creates. In turn, with a lag, it topples other ‘dominos’ as it generates joblessness, magnifies inequalities, and amplifies all kinds of fractures. Social and geopolitical ‘troubles’ as different as the wave of social unrest in the US and the possible resumption of a war between Armenia and Azerbaijan wouldn’t have happened without COVID.

The same goes for the sharp and sudden deterioration of relations between the US and China. The growing rivalry between the two giants (the incumbent and the rising superpower) has been years in the making, but COVID has accelerated it by taking the two countries into a downward spiral, each scapegoating the other. Frictions extend beyond trade and include (on the US side) exhorting companies not to do business in or with China, and clamping down on Chinese presence. The fact that TikTok is turning into a sensitive issue (it might be banned in the US) shows that no business is off-limits. The prospect of the world being increasingly divided into two camps (+Europe) is ever more real.

To a considerable extent, COVID-19 is accelerating the digitization of the economy. More and more, we work, order, consume, interact, learn, exercise, and even socialize online. From an economic standpoint, there are likely to be three main effects: (1) the talent pool will become ever more global, pushing wages down; (2) the “winner-takes-all” principle will become ever more prevalent (for platforms, content and super-star individuals), exacerbating inequalities; (3) the need to scale-up will further favor large companies to the detriment of smaller ones.