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Global Economics Intelligence

Critical trends and risks

Released November 2023 (data through October 2023)

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Global economic uncertainty remains elevated, as the high-interest rate environment begins to impact households and companies

Versus previous period: ■ Significant improvement ■ Some improvement ■ Some deterioration ■ Significant deterioration ■ No significant change

Consumer and households
- In October, overall consumer confidence declined, primarily due to elevated interest rates. Notably, households in Brazil are the exception, as they remain more inclined to spend than save.
- Retail sales growth in various countries remained relatively stable, with Russia's rebound standing out.

Business and industry
- The manufacturing sector has shown contraction for the 14th month in a row, while services momentum decreases.
- In services, most countries have shown a flat trend in recent months; Russia and India stand out with important growth in services.
- Composite leading indicators have pointed to a rebound after 2022.

Trade and external
- World trade saw slight recovery in August, by 0.4%, mainly explained by increases in exports across all economies and imports in emerging markets.
- In September, exports rose across all economies; imports decreased across most economies and increased in Brazil.
- Supply chain pressures reached an historical low at the end of October.

Prices
- Consumer inflation continues to decline in October, after period of high inflation.
- Commodity prices, including energy commodities, fell in November. However, overall energy prices continue to trend up in recent months, rebounding from high 2022 inflationary periods.
- Recent months show a decline in metal prices, mostly driven by China's lower demand for the construction sector.
- Overall food prices continue to trend down, with sugar prices rise being the exception.
- Inflation expectations have stabilized at 2.0–2.5% for both the medium and long term.

Employment
- Unemployment rates stable across most surveyed economies, with decreases in India and China, and slight increase in the US and eurozone.

Financial markets
- Equity markets showed mixed performance in November, after declines across the board in October.
- Government bond yields continue to trend up, as higher rates for longer periods of time seems to be the common strategy.
- After a weaker October, the global currencies appreciated against the US dollar.

Government and policy
- Central banks are further tightening monetary policy, with Brazil and China being the exceptions.

In October, overall consumer confidence declined, primarily due to elevated interest rates
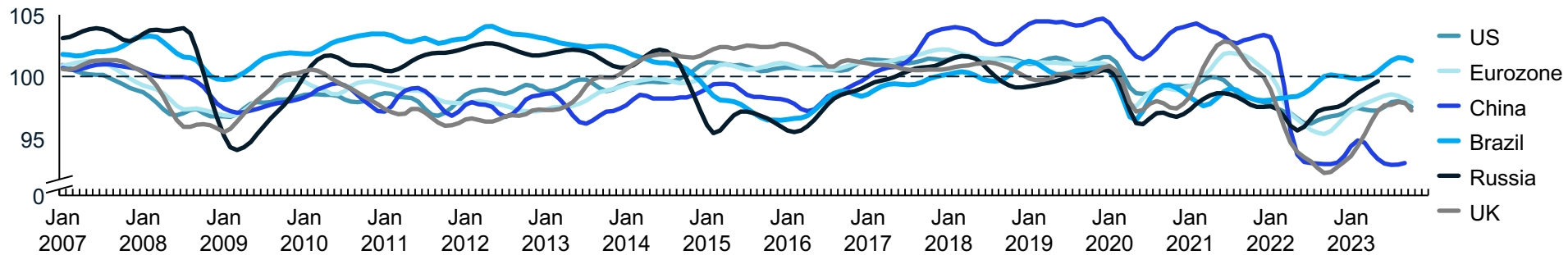
OECD global consumer confidence indicator

Index, long-term average = 100
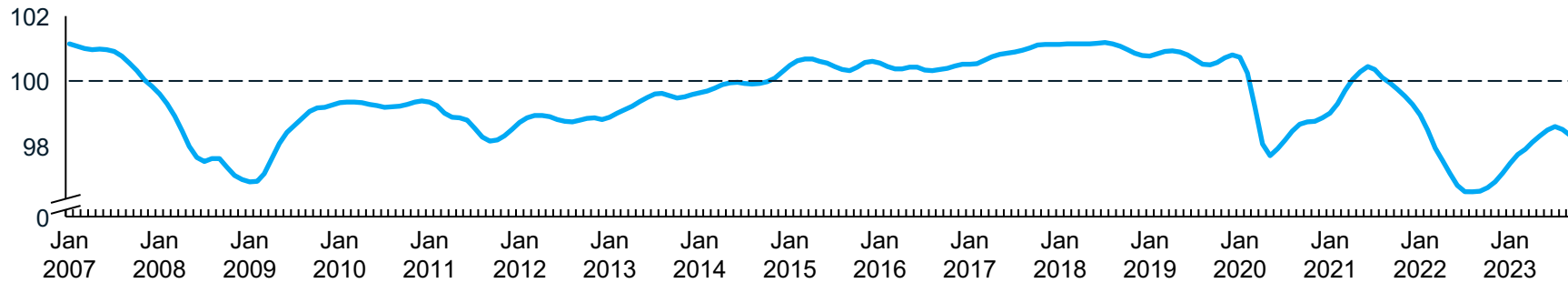
OECD consumer confidence indicators for individual economies[1]

Index, long-term average = 100[1]

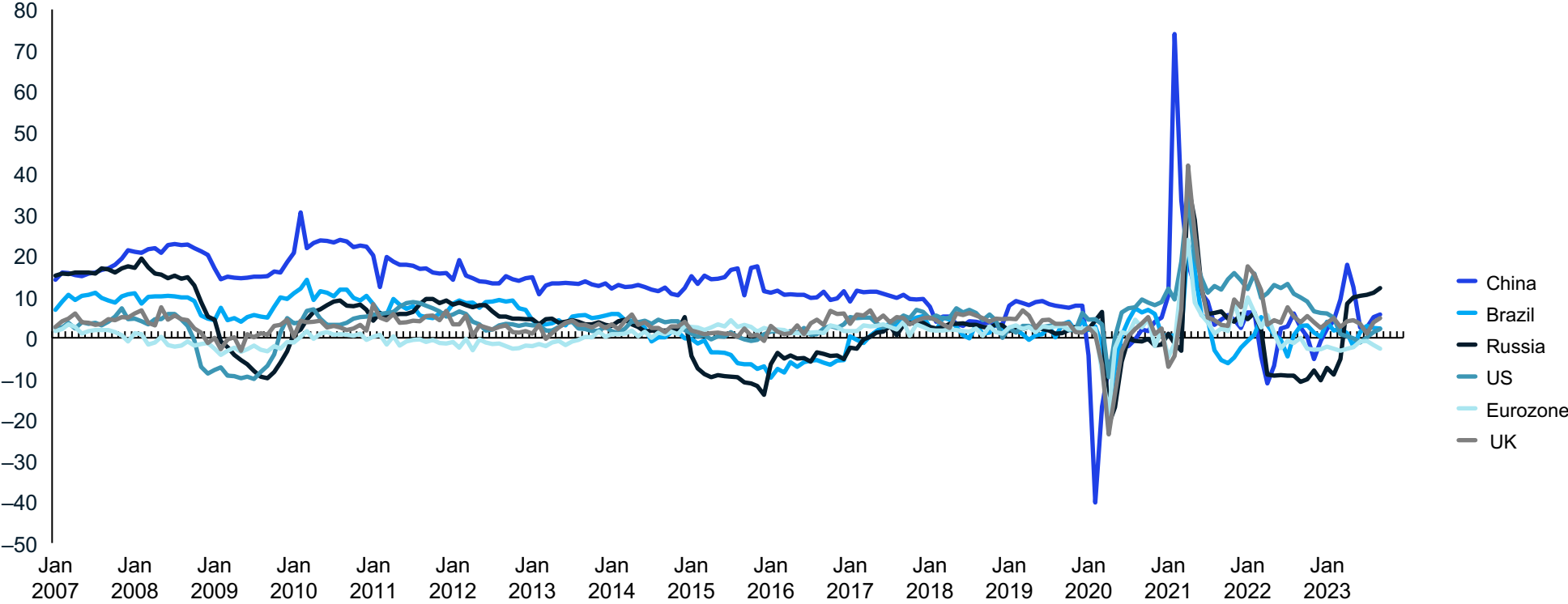Legend: US, Eurozone, China, Brazil, Russia, UK

[1]Data for China through September 2023 and Russia through May 2023.

Retail sales growth in various countries remained relatively stable, with Russia's rebound standing out

**Retail sales growth[1]**

Year over year (monthly)

Legend: China, Brazil, Russia, US, Eurozone, UK

[1]Data through September 2023.

Source: Banco Central do Brasil; Eurostat; National Bureau of Statistics of China; Rosstat; UK Office for National Statistics; US Census Bureau; McKinsey's Global Economics Intelligence analysis

The manufacturing sector has shown contraction for the 14th month in a row, while services momentum decreases
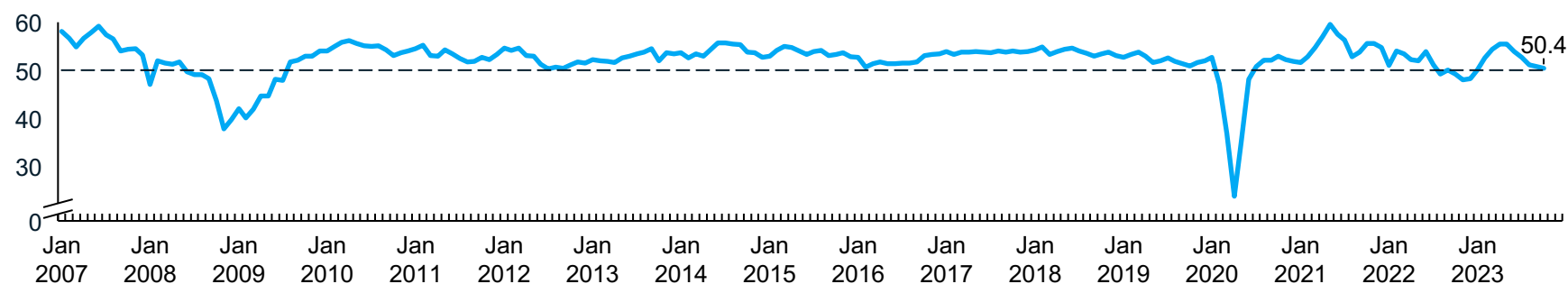
JPMorgan Global Purchasing Managers' Index (Manufacturing)

Diffusion index, seasonally adjusted (monthly)
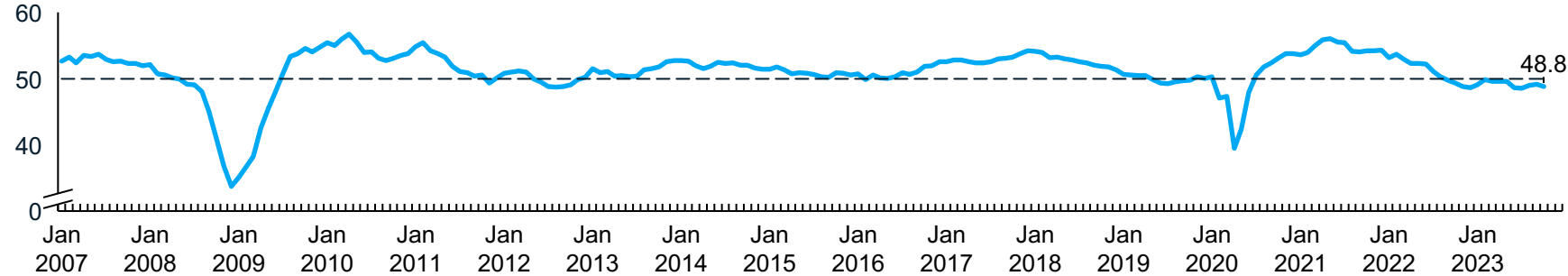
JPMorgan Global Purchasing Managers' Index (Services)

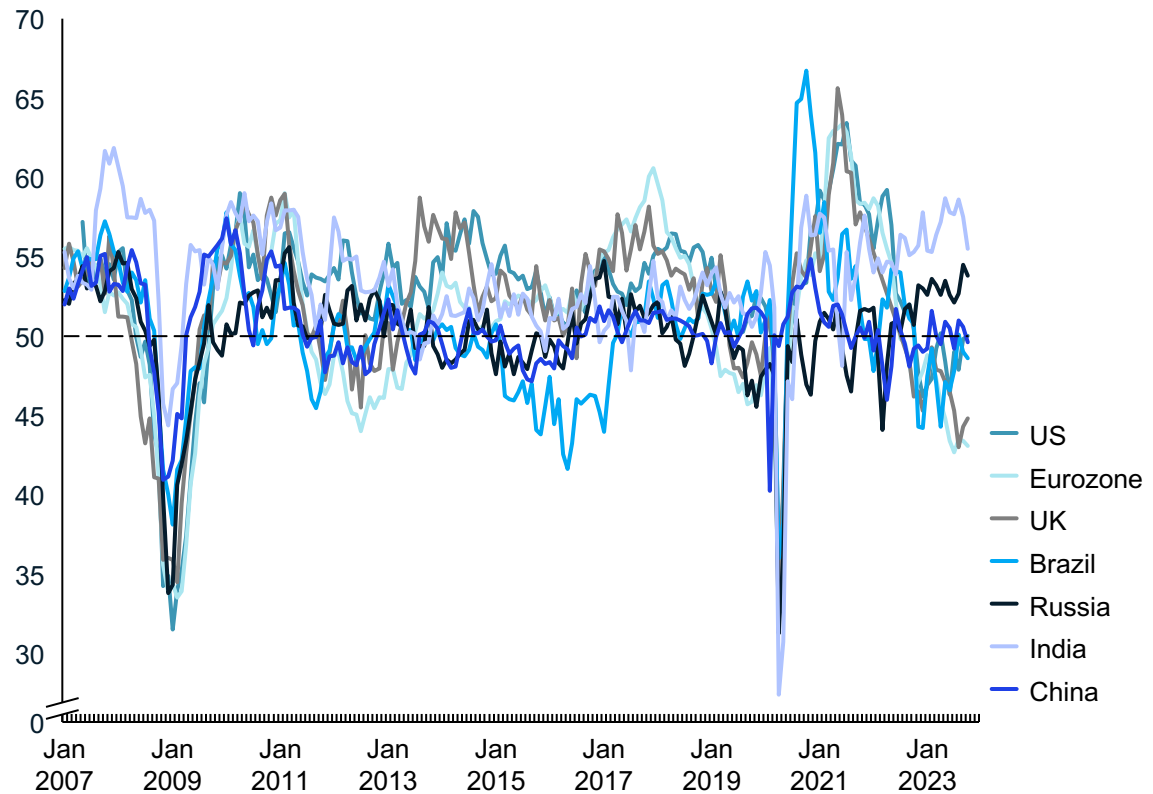Diffusion index, seasonally adjusted (monthly)

Note: A reading of more than 50.0 indicates an increase from the previous month, and a reading of less than 50.0 indicates a decrease.
Country-level data are the PMIs for individual countries as sourced from Markit Economics or the Institute for Supply Management (ISM) and are not a breakdown of the JPMorgan Global PMI.
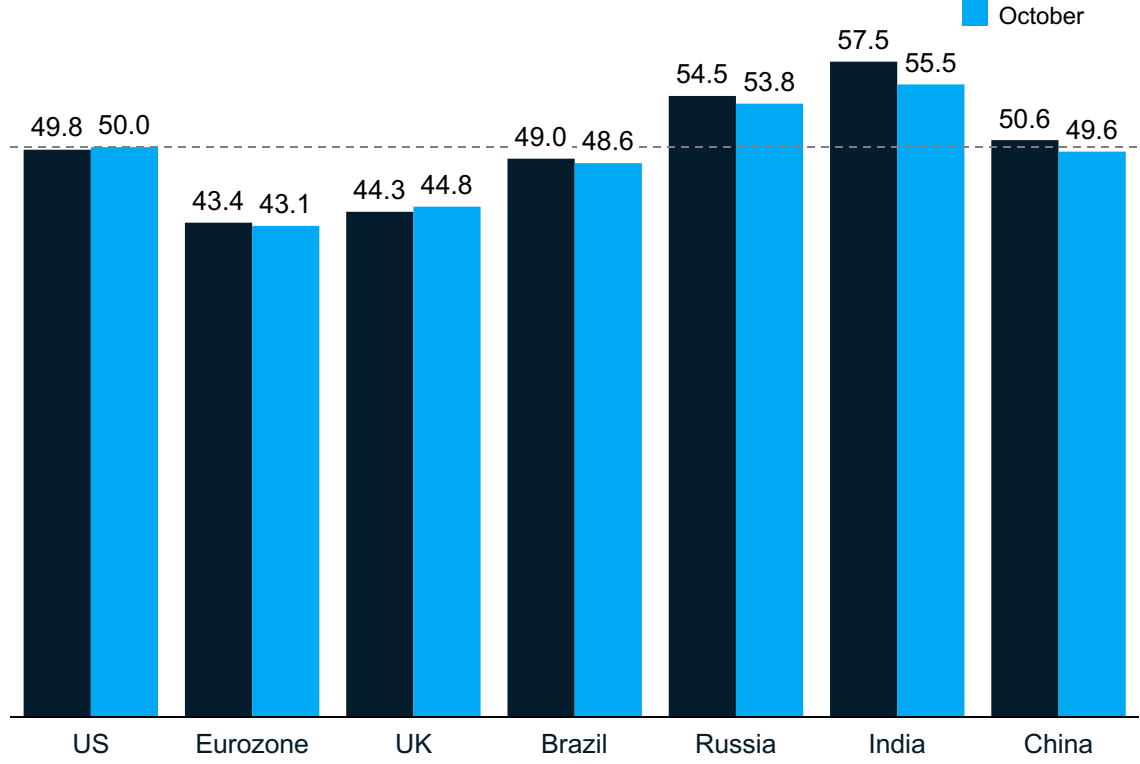
Developed countries witness a recent contraction in the manufacturing sector, while emerging markets grow

Purchasing managers' index (manufacturing)

Diffusion index (monthly)

Legend:
- US
- Eurozone
- UK
- Brazil
- Russia
- India
- China

Over the past two months

Legend:
- September
- October

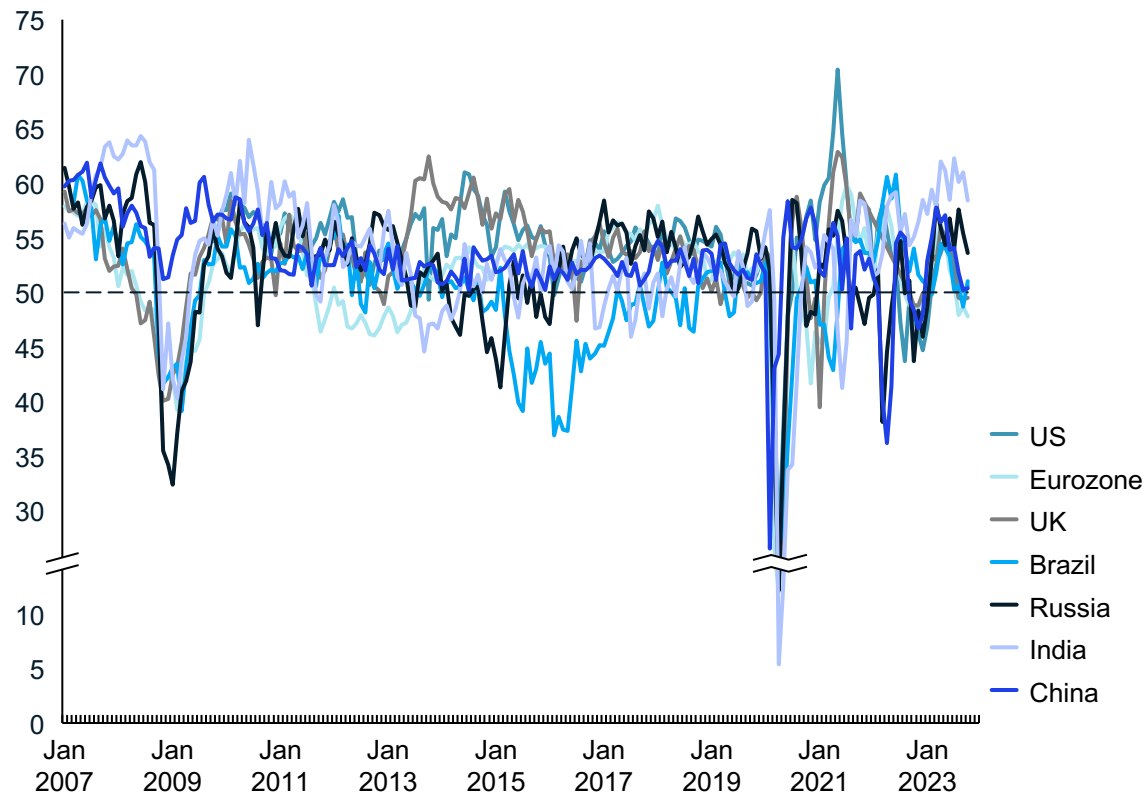|	US	Eurozone	UK	Brazil	Russia	India	China
September	49.8	43.4	44.3	49.0	54.5	57.5	50.6
October	50.0	43.1	44.8	48.6	53.8	55.5	49.6

Note: A reading of more than 50.0 indicates an increase from the previous month, and a reading of less than 50.0 indicates a decrease. The country-level data are the PMIs for individual countries as sourced from Markit Economics and are not a breakdown of the JPMorgan Global PMI.
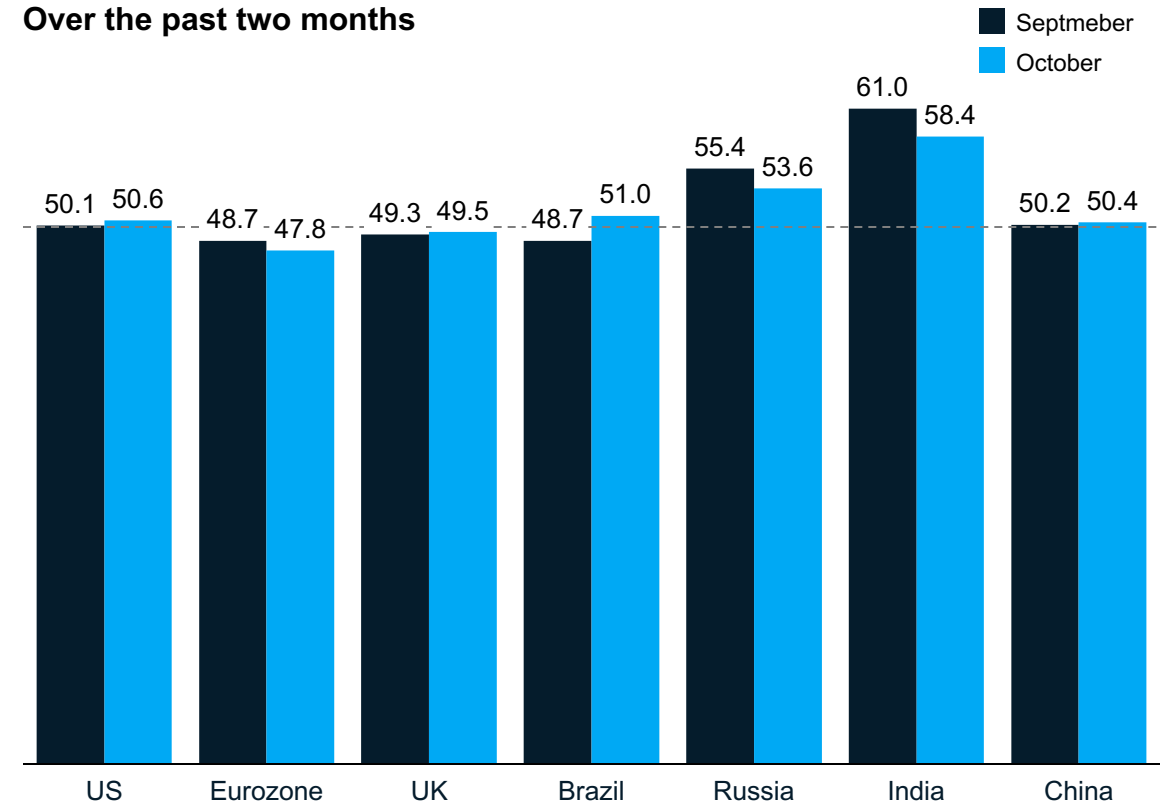
Most countries have shown a flat trend in recent months; Russia and India stand out with important growth in services

Purchasing managers' index (services)

Diffusion index (monthly)

Legend:
- US
- Eurozone
- UK
- Brazil
- Russia
- India
- China

Over the past two months

- September (dark)
- October (light blue)

|	US	Eurozone	UK	Brazil	Russia	India	China
September	50.1	48.7	49.3	48.7	55.4	61.0	50.2
October	50.6	47.8	49.5	51.0	53.6	58.4	50.4

Note: A reading of more than 50.0 indicates an increase from the previous month, and a reading of less than 50.0 indicates a decrease. The country-level data are the PMIs for individual countries as sourced from Markit Economics and are not a breakdown of the JPMorgan Global PMI.

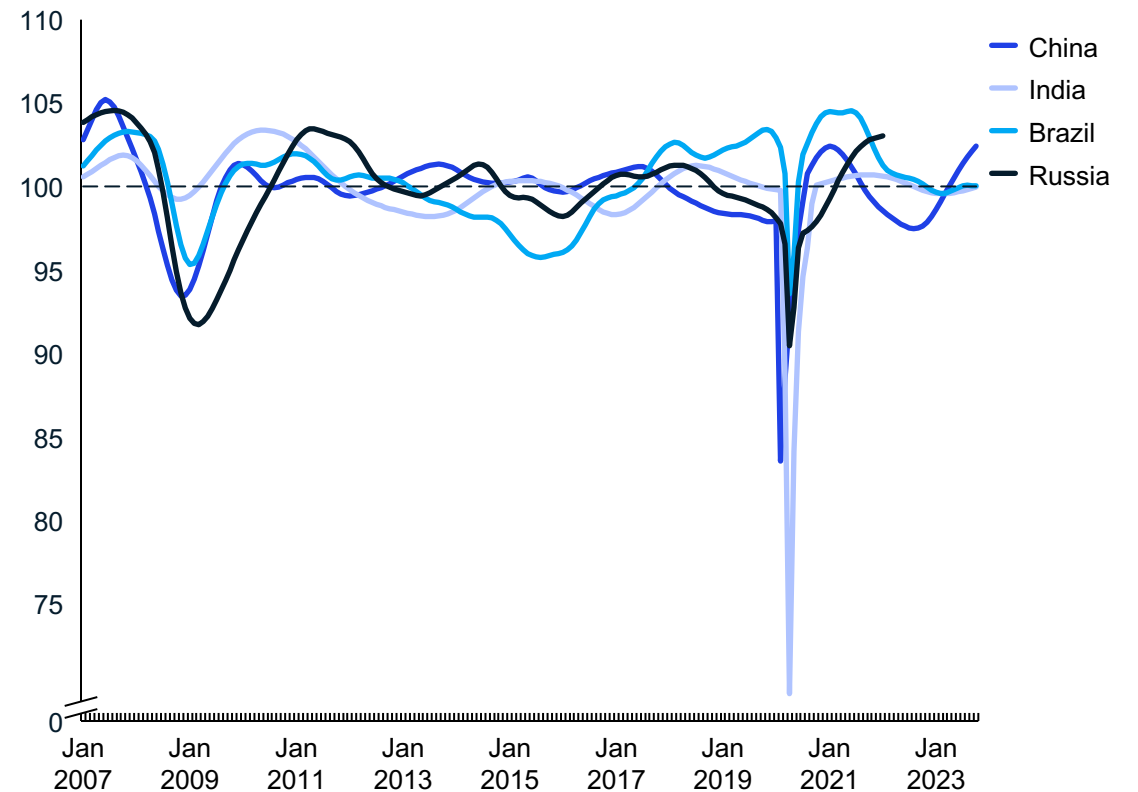# Composite leading indicators have pointed to a rebound after 2022

OECD growth indicators: Advanced economies

Monthly, index[1]

Legend: US, Eurozone, UK
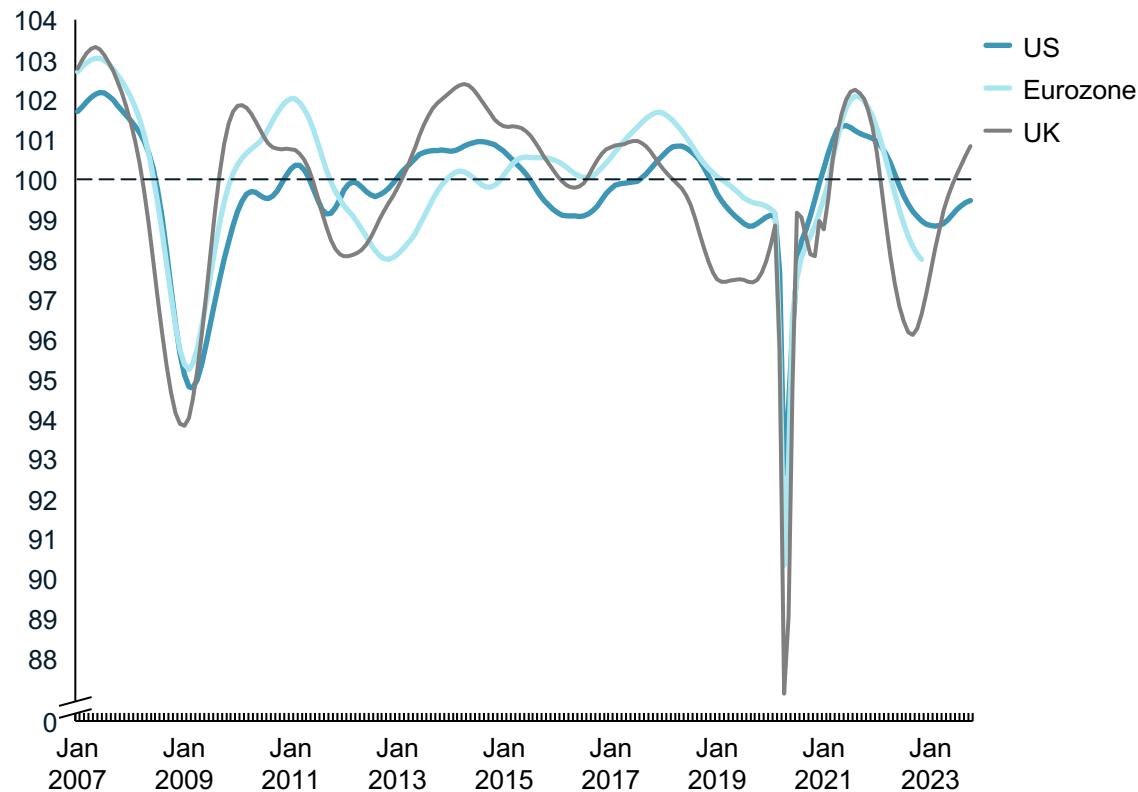
OECD growth indicators: Emerging economies

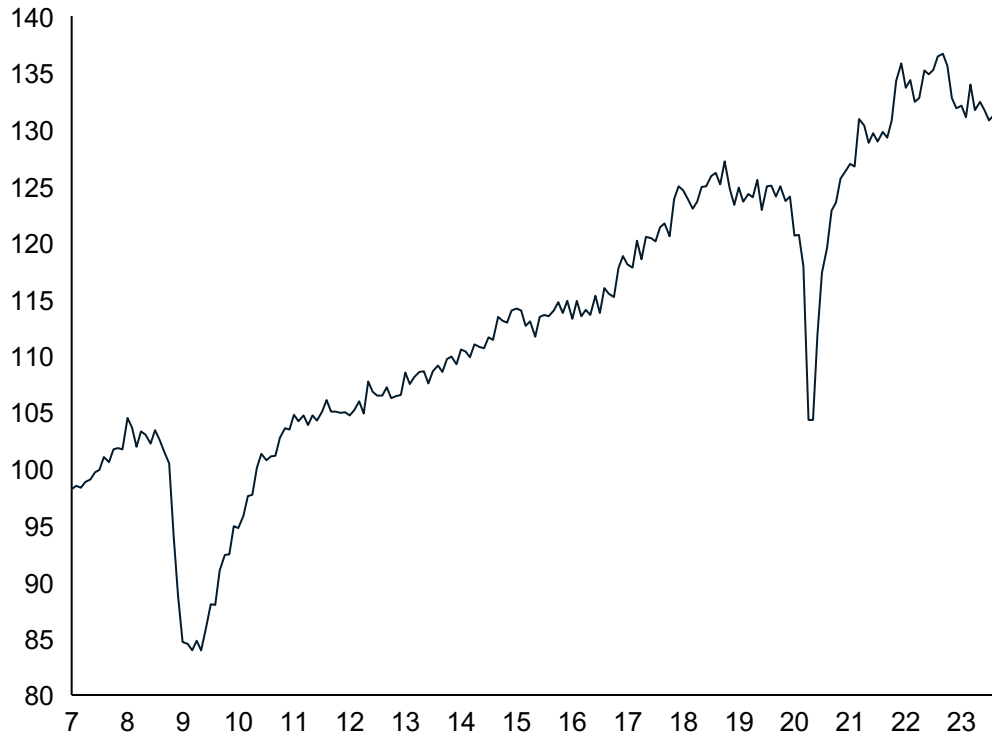Monthly, index[1]

Legend: China, India, Brazil, Russia

[1]Composite leading indicators (CLIs) attempt to identify turning points in economic activity approximately six months in advance. The horizontal line at 100 shows the long-term trend in industrial production (the reference series). An increase to more than 100 indicates expansion; a decrease but still more than 100 indicates a downturn; a decrease to less than 100 indicates a slowdown; and an increase less than 100 indicates a recovery.

World trade saw slight recovery in August, by 0.4%, mainly explained by increases in exports across all economies and imports in emerging markets
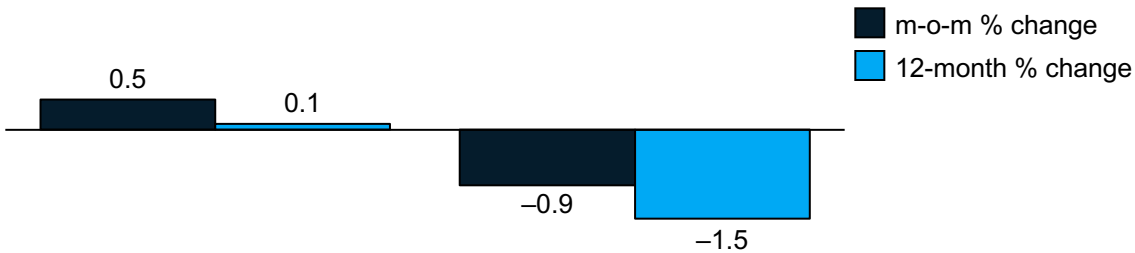
CPB World Trade Monitor
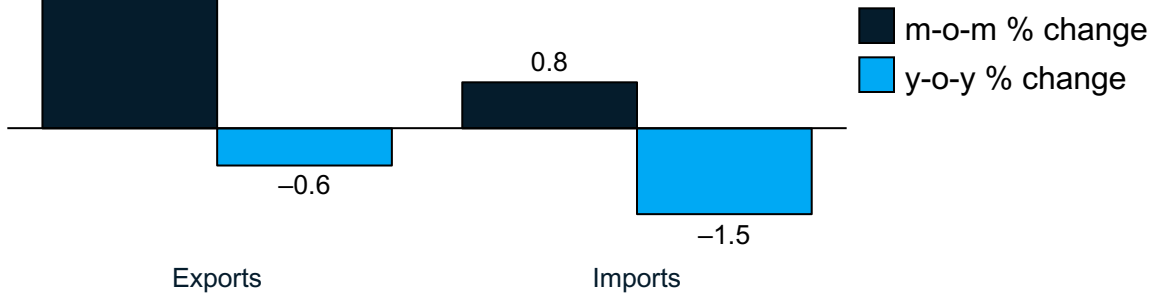
Volume, Index level, 2010=100

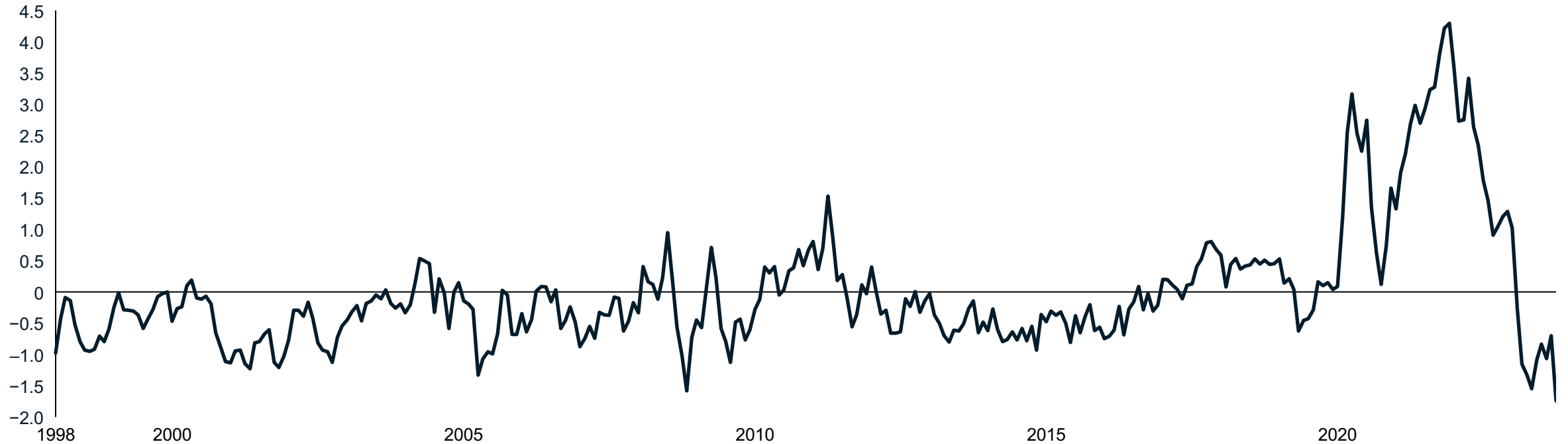**CPB World Trade Monitor details August 2023**

Advanced economies

■ m-o-m % change
■ 12-month % change

0.5   0.1   −0.9   −1.5

Emerging economies

■ m-o-m % change
■ y-o-y % change

2.2   −0.6   0.8   −1.5

Exports   Imports

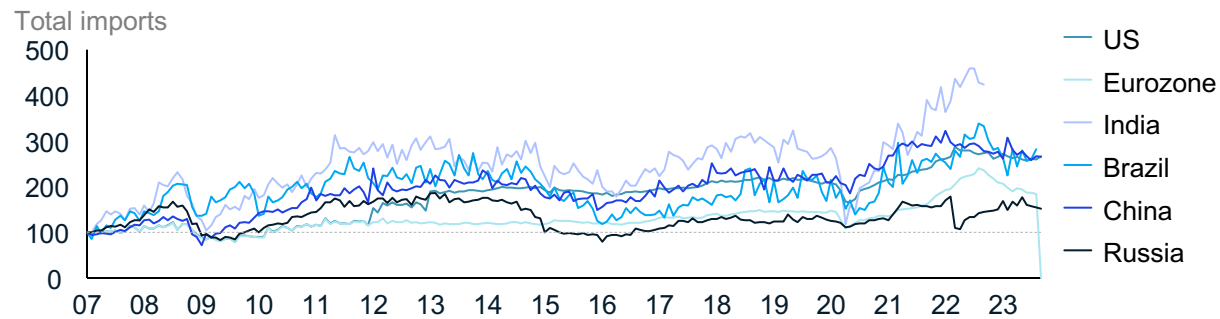# Supply chain pressures reached historical low at the end of October
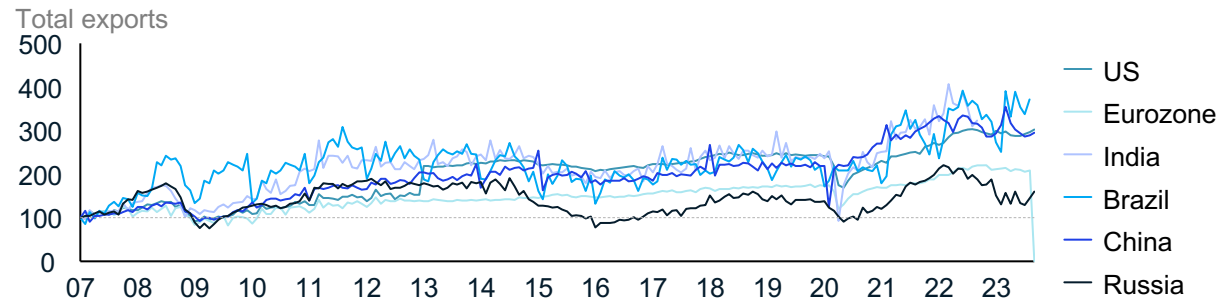
Supply-chain pressure index

Standard deviations from average value

In September, exports rose across all economies; imports decreased across most economies and increased in Brazil

Versus previous period:
- **(dark blue)** Significant increase
- **(light blue)** Increase
- **(orange)** Decline
- **(red)** Severe decline
- **(gray)** No significant change

Monthly index (January 2007 = 100)

Total exports

Legend: US, Eurozone, India, Brazil, China, Russia

Total imports

Legend: US, Eurozone, India, Brazil, China, Russia

Note: Exports and imports are not seasonally adjusted.
1 Data for August 2023 vs July 2023.
2. Latest data for India is September 2022.

	% change from previous month[1]	12-mo. % change Oct. 2022–Sep. 2023 vs .Oct 2021–Sep. 2022
Exports		
US	2.2	3.0
Eurozone	1.6	6.7
China	1.8	−6.0
Brazil[3]	9.8	6.8
India[2]	4.5	24.2
Russia	10.4	−24.0
Imports		
US	−1.8	−0.5
Eurozone	−2.0	0.4
China	−0.5	−7.4
Brazil	8.2	−1.7
India	−1.2	38.8
Russia	−1.7	9.9

September's Container Throughput Index was up to 128.0 points (previous month 124.0 points revised); throughput rose significantly in China (12 points), but European ports experienced another decline

RWI/ISL Container Throughput Index[1]

Index level, 2015=100[2]
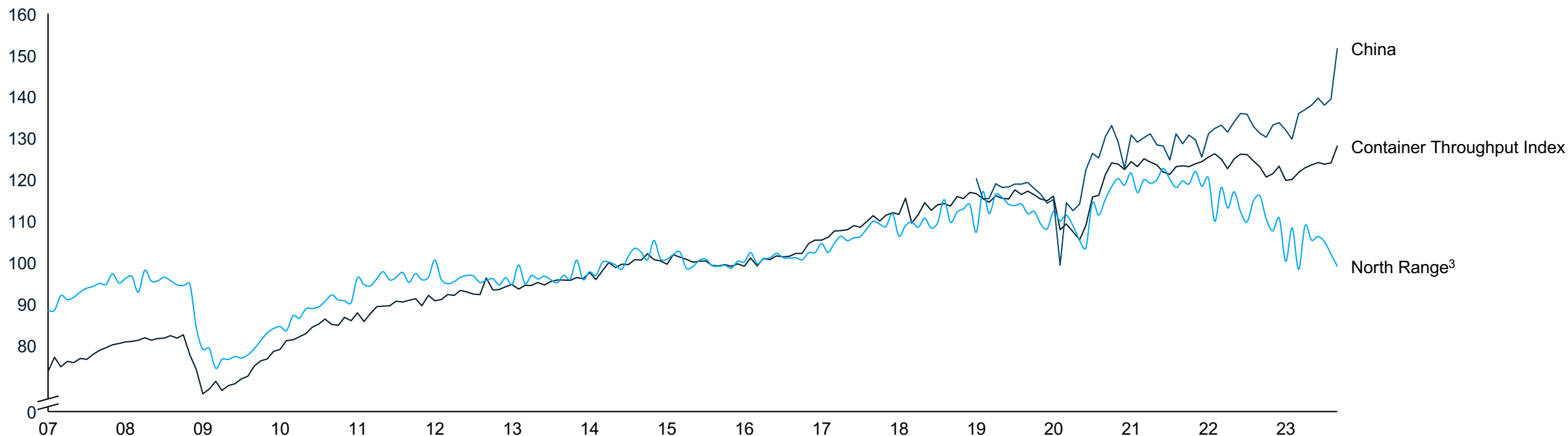
1. The current flash estimate for the Container Throughput Index is based on data from 64 ports, which account for about 85 percent of the handling represented in the index.
2. On January 2020, the RWI/ISL Container Throughput Index changed its base year to 2015.
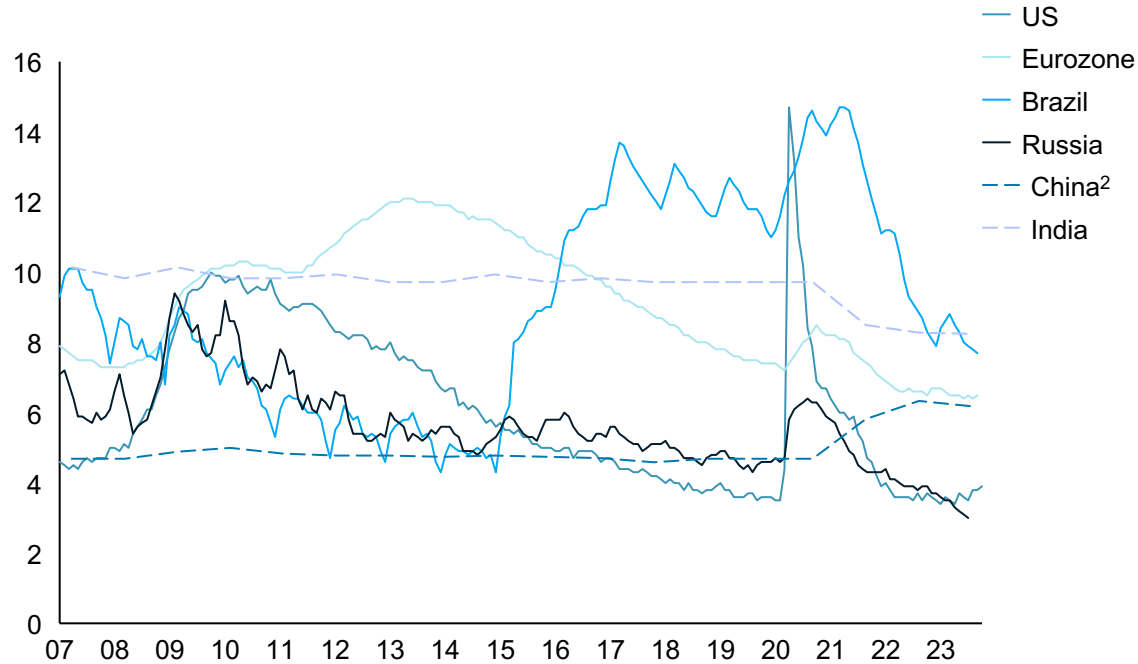3. The North range index summarizes throughput for the ports of Antwerp, Bremen/Bremerhaven, Hamburg, Le Havre, Rotterdam, and Zeebrugge.

Note: The RWI/ISL Container Throughput Index provides timely information on short-term trends in international trade. The database covers 91 international ports, which handle about 60% of global container transhipment. The monthly data do not include figures for Dubai. Data is seasonally and working-day adjusted.

Unemployment rates stable across most surveyed economies, with decreases in India and China, and slight increase in US and eurozone
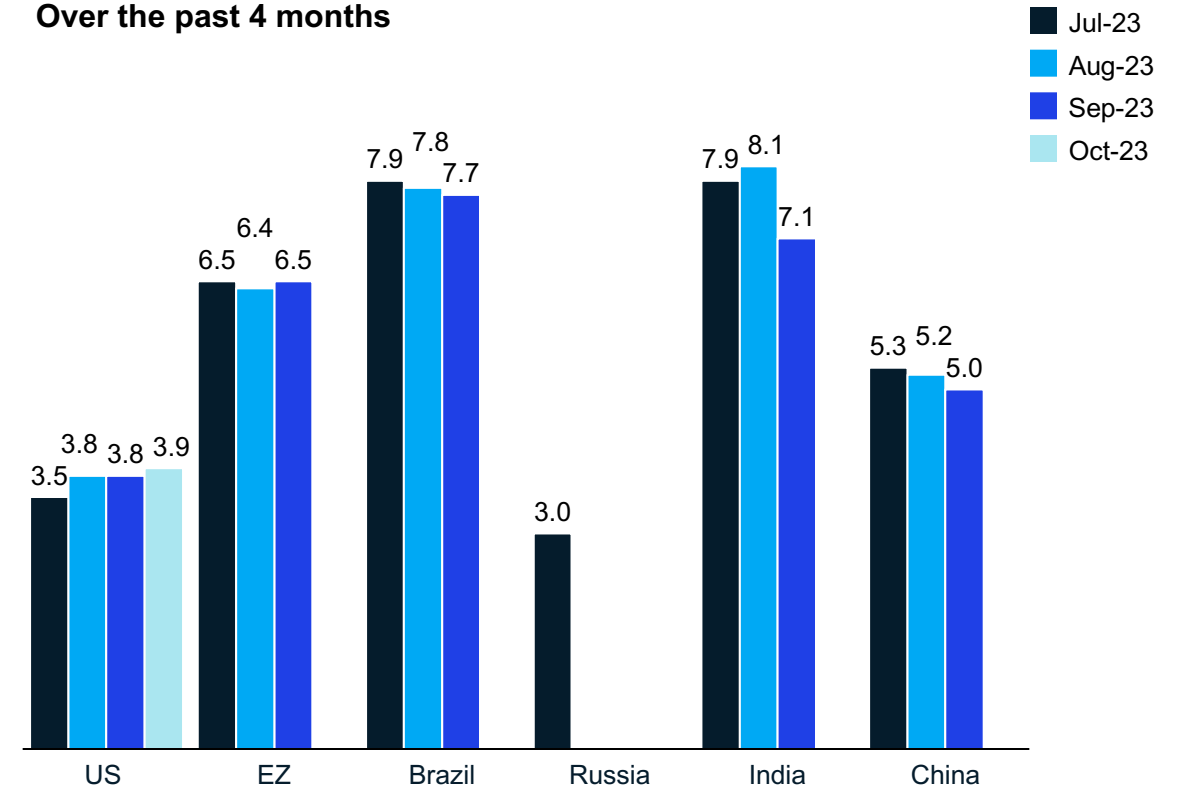
Unemployment rate 2007–23[1]

% of labor force (monthly)

Legend:
- US
- Eurozone
- Brazil
- Russia
- China[2]
- India

Over the past 4 months

Legend:
- Jul-23
- Aug-23
- Sep-23
- Oct-23

|	Jul-23	Aug-23	Sep-23	Oct-23
US	3.5	3.8	3.8	3.9
EZ	6.5	6.4	6.5	
Brazil	7.9	7.8	7.7	
Russia	3.0			
India	7.9	8.1	7.1	
China	5.3	5.2	5.0	

1 Data for India and China are annual and shown as a smoothed trend line.
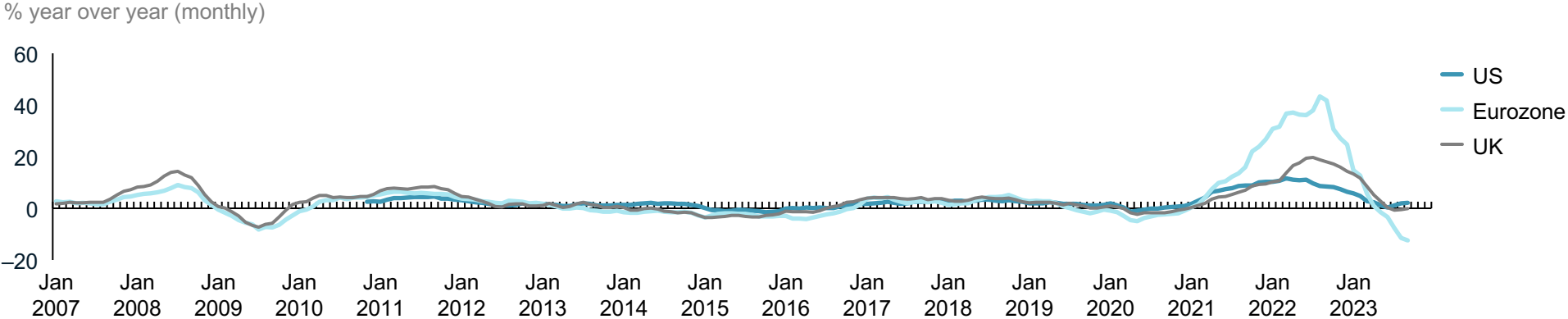2 China unemployment only shows urban rate.

Consumer inflation continues to decline in October, after high inflationary period

Consumer price indexes: Developed economies

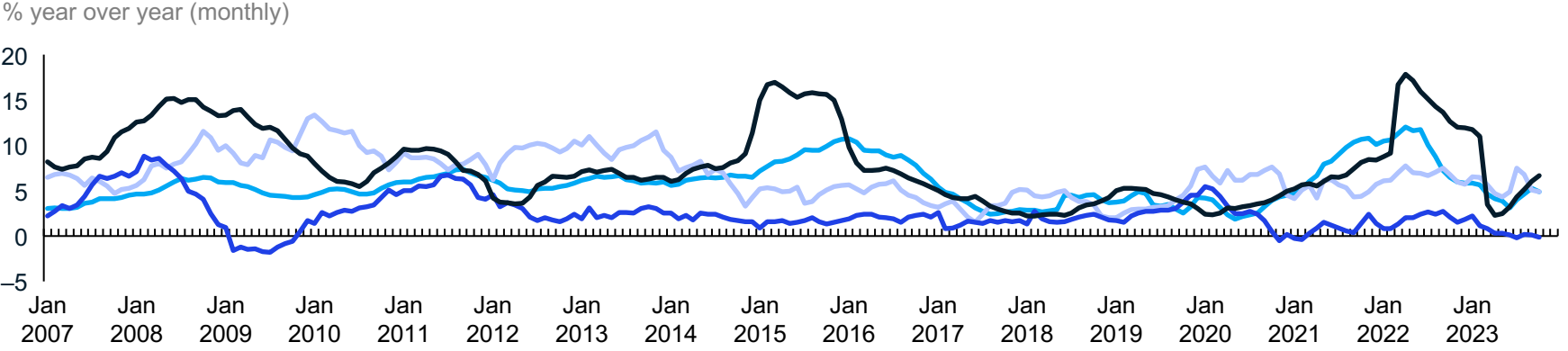% year over year (monthly)
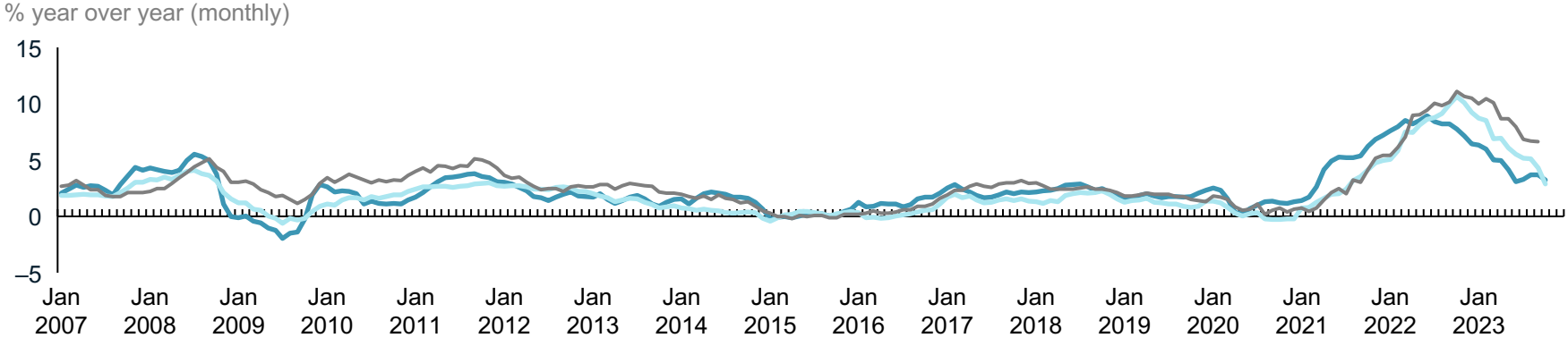
Producer price indexes: Developed economies

% year over year (monthly)
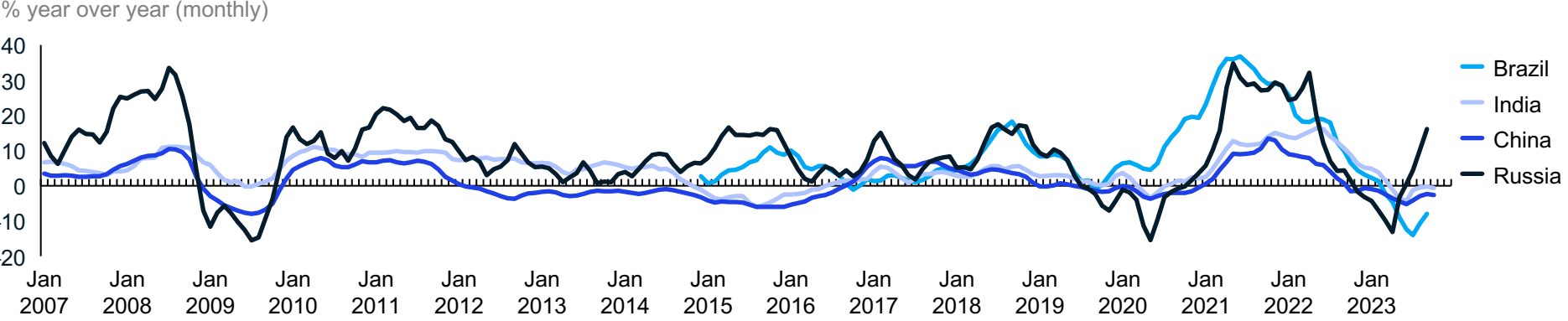

US
Eurozone
UK

Inflation resurged in various countries, with only China experiencing a steady lack of growth in overall prices

Consumer price indexes: Emerging economies

% year over year (monthly)

Producer price indexes: Emerging economies

% year over year (monthly)

Brazil
India
China
Russia

Commodity prices, including energy commodities, fell in November

Commodities indexes[1]

Moving five-week average, indexed to Jan 2007

Legend:
- Industrial metals
- Agriculture
- Livestock
- Energy
- Precious metals
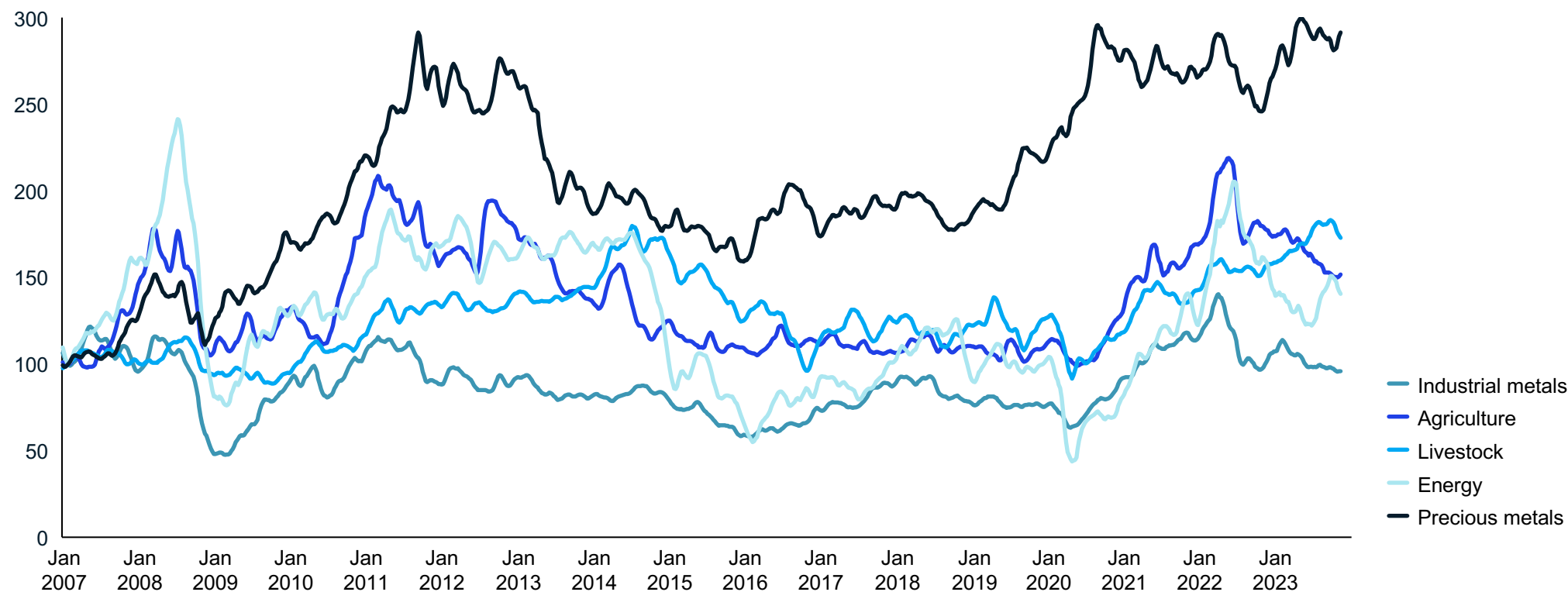
1. Updated through November 12, 2023; commodity data are taken from the GS Commodities Index, with components weighted by production.
   Precious metals: gold, 83%; silver, 17%. Energy: crude oil, 70%; oil products, 25%; natural gas, 4%. Agriculture: corn, 28%; wheat, 25%;
   soybeans, 15%; sugar, 14%; other, 19%. Livestock: cattle, 66%; hogs, 34%. Industrial metals: copper, 46%; aluminum, 31%; other, 23%.
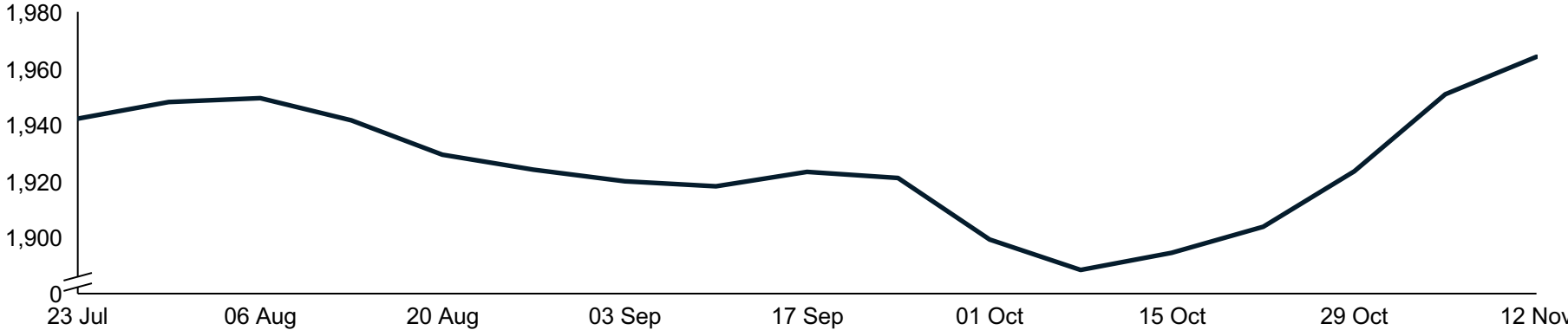
Gold prices slightly increased in the last month

Gold spot price[1]

Five-week moving average, USD/troy ounce (weekly)
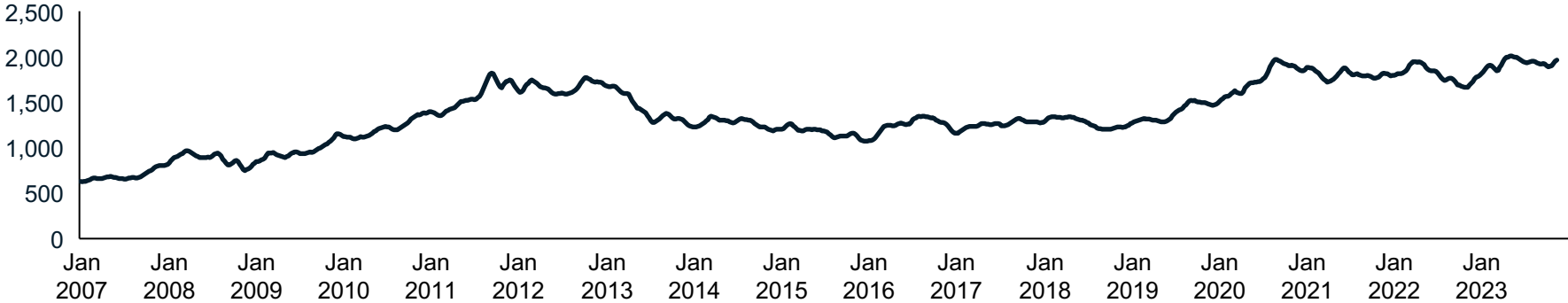
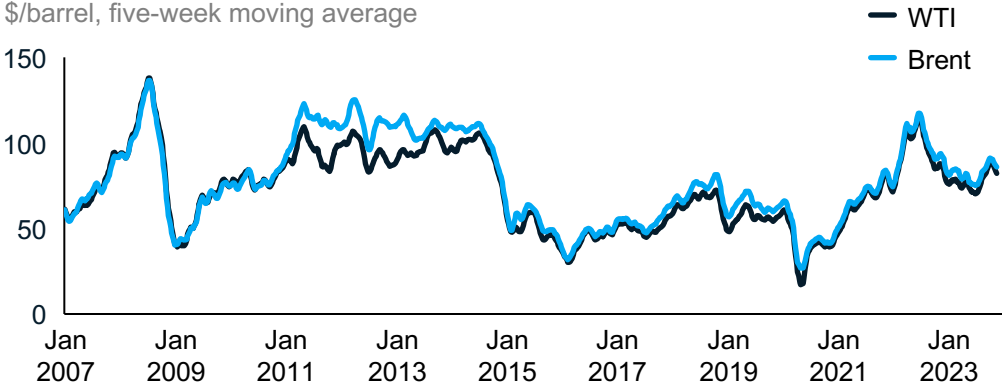**Gold spot price over past 4 months**

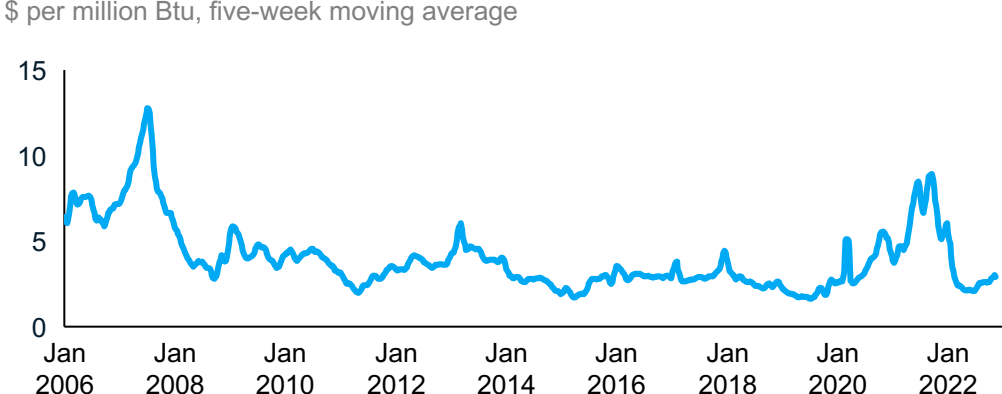Five-week moving average, USD/troy ounce (weekly)

[1]Updated through November 12, 2023.

Overall energy prices continue trend up in recent months, rebounding from high 2022 inflationary periods

Oil price[1]

$/barrel, five-week moving average

WTI
Brent

Natural-gas price[2]

$ per million Btu, five-week moving average

Heating-oil price[3]

US cents/gallon, five-day moving average

**Coal price[4]**

$/megaton, monthly

1. Crude Brent, Henry Hub (Nymex). WTI (West Texas Intermediate) prices as of November 12, 2023.   2. Henry Hub, LA; prices as of November 5, 2023.
3. New York Harbor No. 2. heating-oil prices as of November 10, 2023.   4. Australia coal prices; coal prices as of August 2023.

Recent months show a decline in metal prices, mostly driven by China's lower demand for the construction sector

Copper[1]

$/pound, five-week moving average

Steel[2]

$/gross metric ton (monthly)
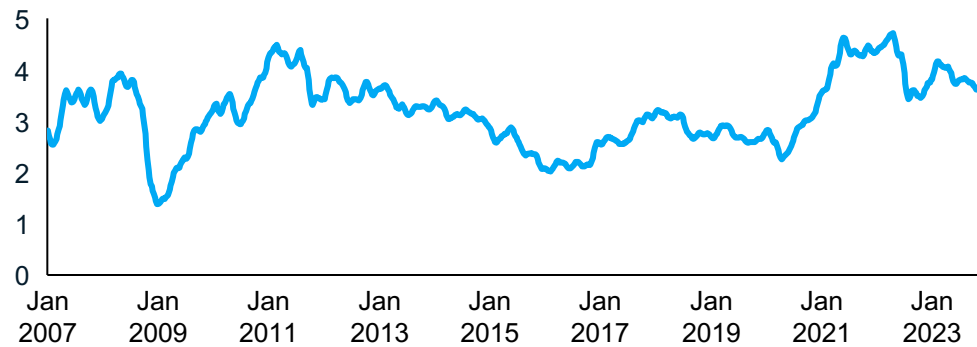
Aluminum[3]

$/Mt, five-week moving average

Nickel[4]

$/Mt, five-week moving average

1. Copper, high grade: COMEX Spot Price, updated through November 12, 2023.
2. Steel, 2.75-millimeter hot-rolled coil ($/gross metric ton); data estimated since May 2012 using 0.5-millimeter cold-rolled sheet prices; data from November 2023.
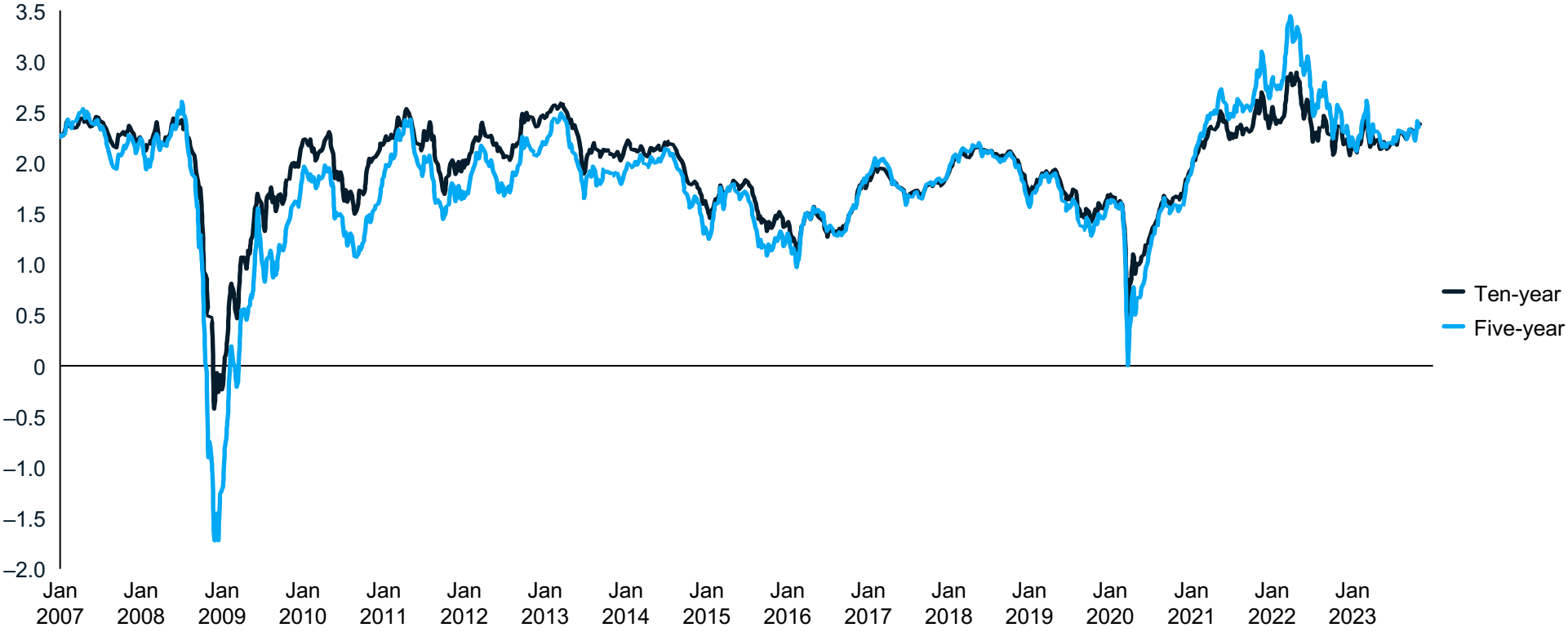3. Aluminum, LME spot ($/metric ton), updated through November 12, 2023.
4. UK: LME nickel, closing cash price ($/metric ton), updated through November 12, 2023.

Source: Haver Analytics; McKinsey's Global Economics Intelligence analysis

Inflation expectations have stabilized at 2.0–2.5% for both the medium and long term

Implied inflationary expectations from five- and ten-year TIPS yields[1] (spread between T-bill and TIPS of same maturity)
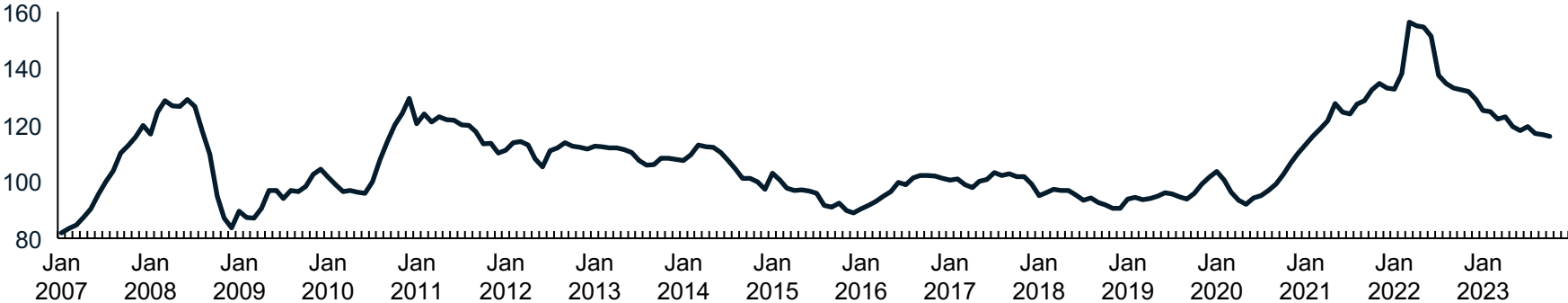
% (daily), five-day moving average

Legend: Ten-year, Five-year

[1]Updated through November 3, 2023.

Source: Haver Analytics; McKinsey's Global Economics Intelligence analysis

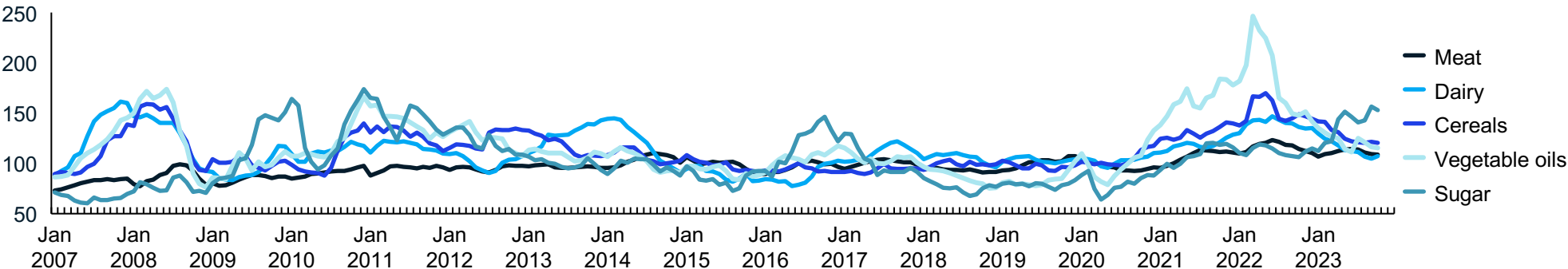# Overall food prices continue to trend down, with sugar prices rise being the exception

FAO Food Price Index by month, in real terms

Overall index, 2014–16 = 100

Component indexes[1]

Index level, 2014–16 = 100
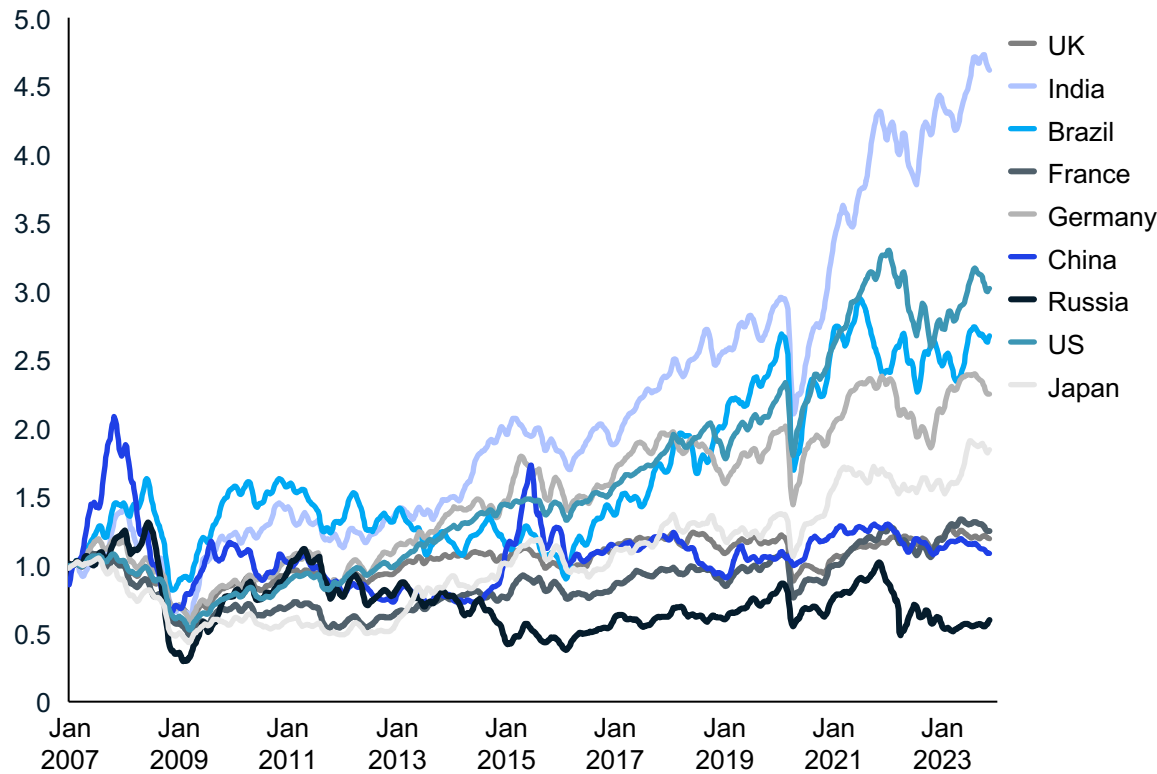

Legend: Meat, Dairy, Cereals, Vegetable oils, Sugar

[1]The values of the five indexes are compiled and then weighted by the average export shares of each group in 2002–04. The final figure represents the current value of the FAO Food Price Index.

Equity markets showed mixed performance in November, after declines across the board in October

Equity markets[1]

Five-week moving average, daily, index (Jan 2007 = 1)

Legend: UK, India, Brazil, France, Germany, China, Russia, US, Japan

Change from prior month
%

		October[2]	November[3]
US	S&P 500	−3.2	2.1
UK	FTSE 100	−1.2	−1.0
Germany	DAX	−3.7	0.9
France	CAC 40	−3.5	0.9
Japan	Nikkei 225	−4.1	3.1
China	SSE Composite Index	−3.0	0.3
India	BSE Sensex-30	−1.7	−1.1
Brazil	Bovespa	−2.2	3.9
Russia	RTS	2.2	5.7

Versus previous period:
- Significant increase
- Increase
- Decline
- Severe decline
- No significant change

1. Brazil: Bovespa; China: SSE Composite Index; France: CAC 40; Germany: DAX; India: BSE Sensex-30; Japan: Nikkei 225; Russia: RTSI Index; UK: FTSE 100; US: S&P 500.
2. Growth rate calculated as average value of each index in October over average value in September.
3. Growth rate calculated as average value of each index in November (November 12) over average value in October.

Source: Haver Analytics; McKinsey's Global Economics Intelligence analysis

After a weaker October, the global currencies appreciated against the US dollar

Relative change in currency value against previous month
USD as base

	% change[1]	Currency price	
Outperforming			
RUB	5.18%	92.35	(RUB per USD)
BRL	3.03%	4.91	(BRL per USD)
NEER	1.36%	105.16	(index)
EUR	1.08%	1.07	(USD per EUR)
AUD	0.92%	0.64	(USD per AUD)
GBP	0.82%	1.23	(USD per GBP)
RMB	0.01%	717.78	(USD per RMB)
USD		**Base currency**	
Underperforming			
INR	−0.23%	83.23	(INR per USD)
JPY	−0.89%	150.93	(JPY per USD)

Relative change in currency value against 2007 values
USD as base

Currency ranking		% change
Outperforming	USD NEER	28.31%
	RMB	5.95%
	USD	**Base currency**
	JPY	−22.04%
	EUR	−22.10%
	AUD	−23.58%
Underperforming	GBP	−38.72%
	INR	−50.41%
	BRL	−60.52%
	RUB	−72.31%

Note: Data updated to November 12, 2023; data for NEER from September 2023.
[1]Positive change indicates appreciation, and negative change depreciation, of the currency against the US dollar.

Volatility indicators start to slightly increase, due to recent tight socioeconomic conditions
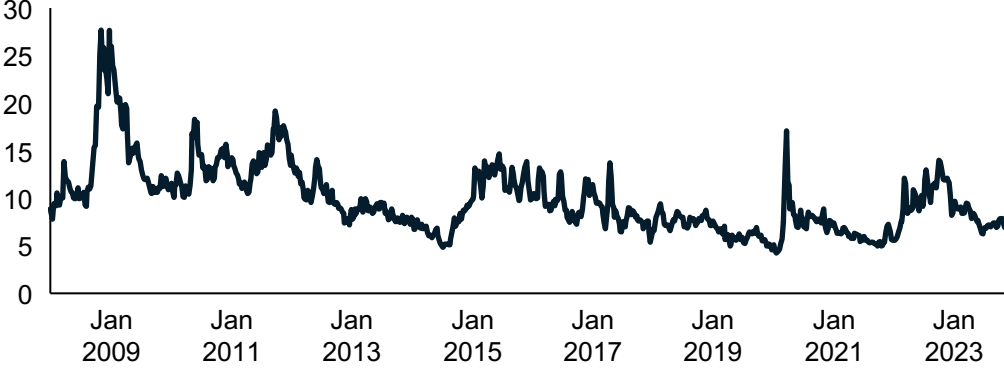
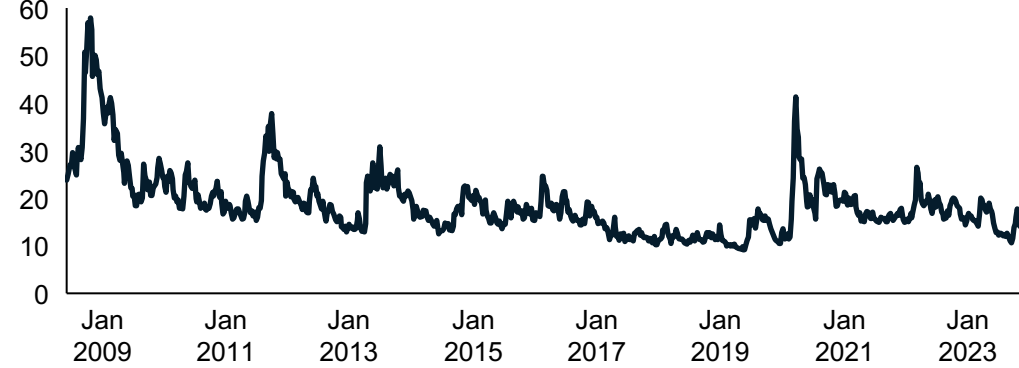**CBOE S&P 500 Index Option Volatility Index (VIX)[3]**
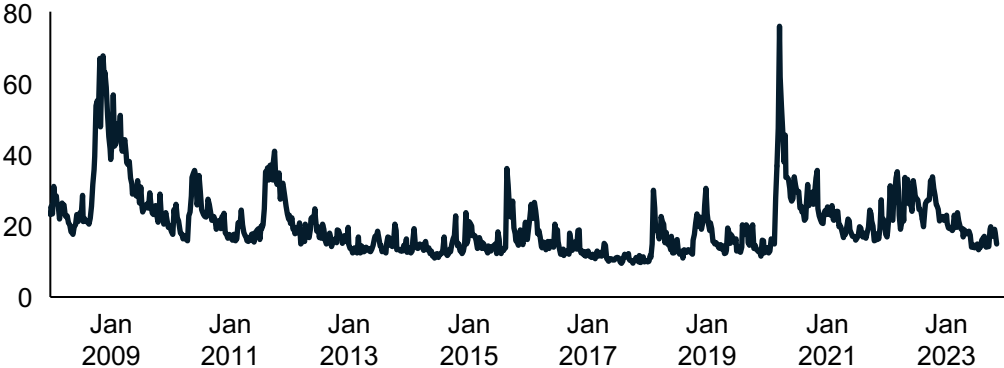
CBOE Crude Oil Volatility Index (OVX)[1, 3]
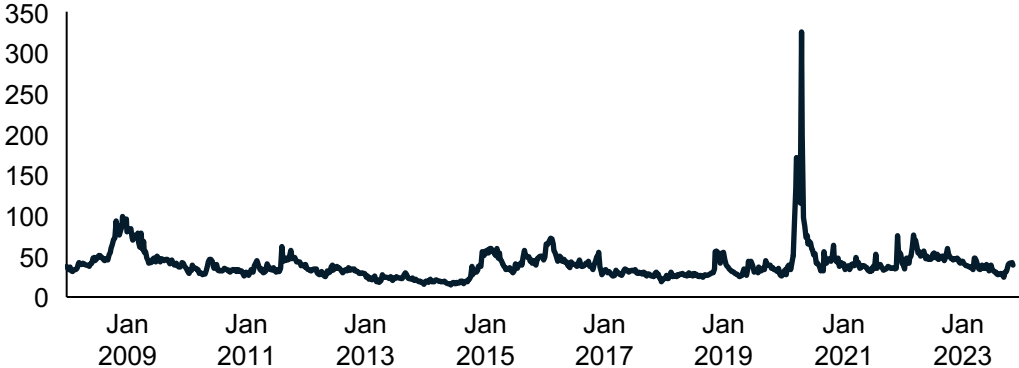
CBOE Euro Currency Volatility Index (EVZ)[3]

**CBOE Gold Volatility Index (GVZ)[2, 3]**

1. Based on United States Oil Fund (USO) option prices.
2. Based on SPDR Gold Shares (GLD) options.
3. Updated through November 7, 2023.

Government bond yields continue to trend up, as higher rates for longer periods of time seems to be the common strategy
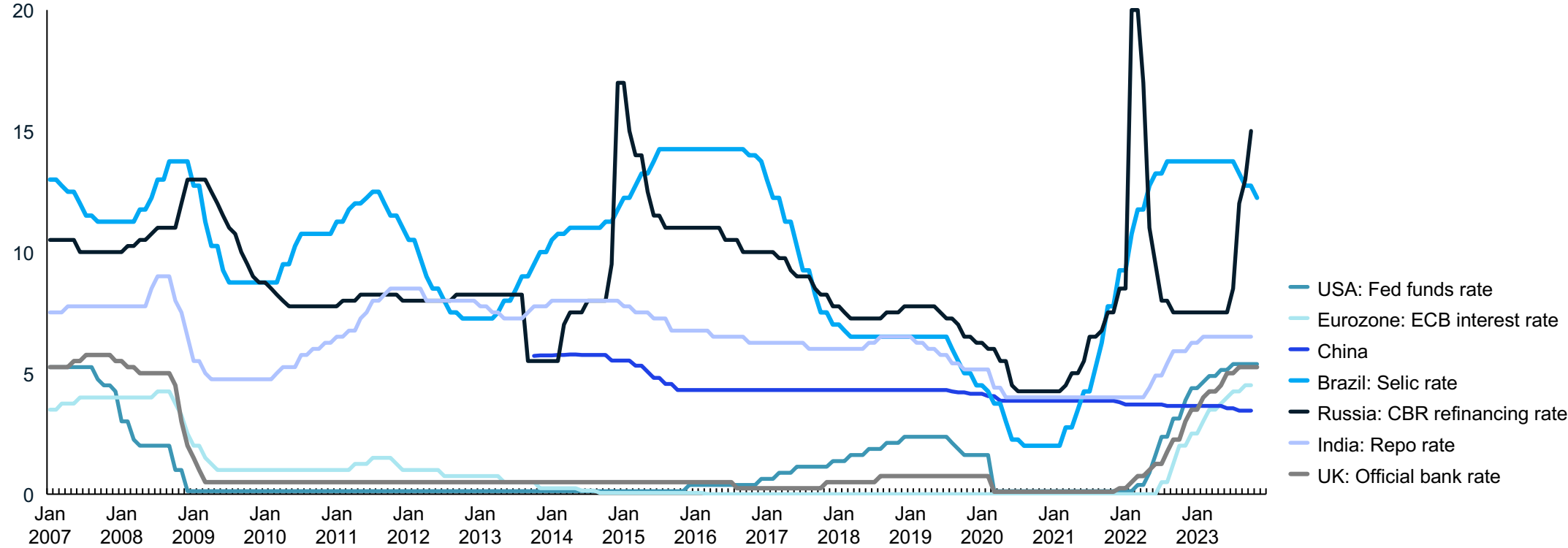
Ten-year government bonds[1]

Five-day moving average,[2] % (daily)

Legend: US, Brazil, India, China, Germany, Spain, Italy, UK
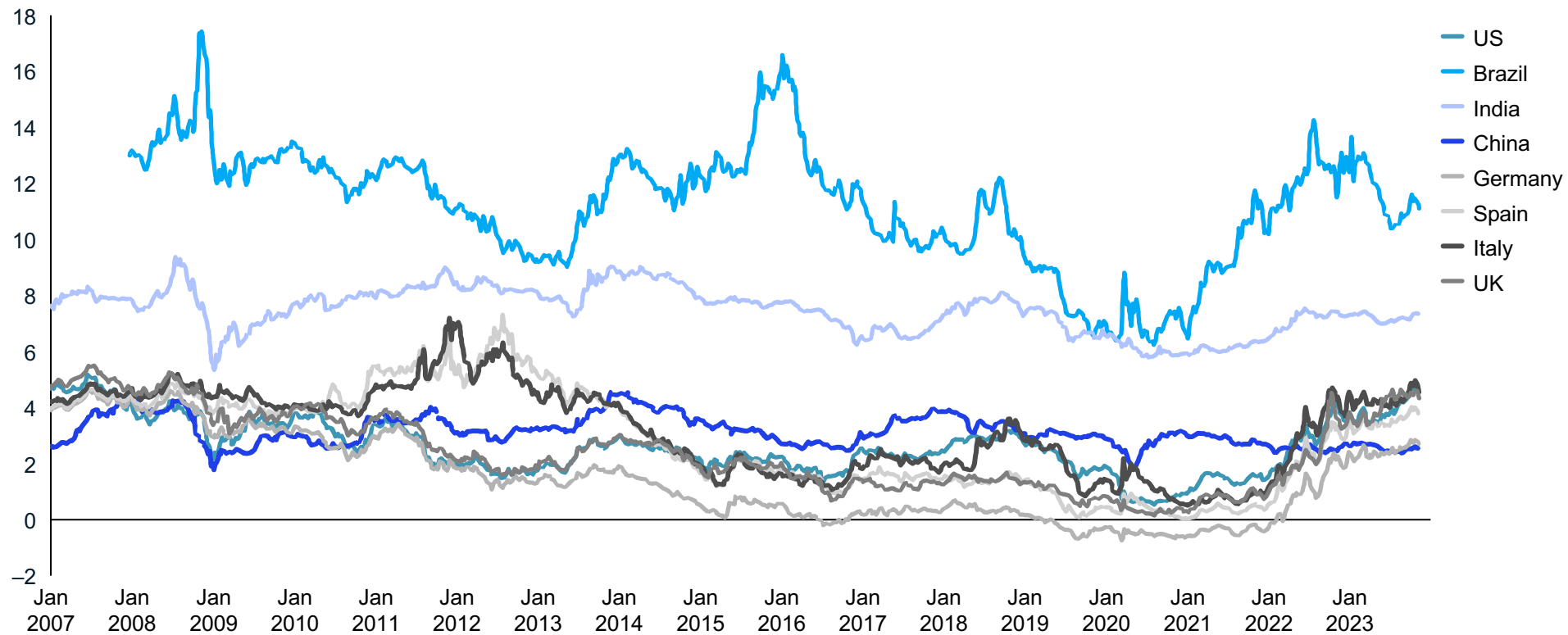
1. Five-year government bond yields used for China.
2. Updated through November 13, 2023.

Source: Haver Analytics; McKinsey's Global Economics Intelligence analysis

Central banks are further tightening monetary policy, with Brazil and China being the exceptions

Central-bank interest rates

% (monthly)

Legend:
- USA: Fed funds rate
- Eurozone: ECB interest rate
- China
- Brazil: Selic rate
- Russia: CBR refinancing rate
- India: Repo rate
- UK: Official bank rate

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