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Mixed economic picture with patchy positives; consumers cautious but confidence rising; inflation in developed economies slows, while producer prices decline; trade volumes down

Consumer and households
- Confidence among consumers improved, but they still remain cautious when making major purchases.
- Most countries recorded a contraction in consumer spending versus a year ago, with consumption in China slowing down significantly.

Business and industry
- Global manufacturing sector remained stable in July, while some slowdown in expansion was also visible in services.
- When examining different countries, manufacturers have reported either a slowdown or a further acceleration of contraction in the business sector, while in the services sector, a downturn began in July.

Trade and external
- World trade witnessed another monthly decline in June, with only exports among advanced economies recording some gains.
- Overall container trade declined in July, with all regions, including Chinese ports, experiencing slower trade.
- Global supply chains are currently experiencing very low pressures, but pressures have been increasing over the past few months.

Prices
- Inflation among developed countries has slowed to the lowest level since the middle of 2021, but disparities among countries persist.
- The majority of commodities remained relatively stable, while energy prices experienced a rebound.
- Energy prices rebounded, primarily propelled by one of the most substantial inventory drawdowns in years.

Employment
- Unemployment rates remain stable across most surveyed economies, with slight decreases in Brazil and India.

Financial markets
- Equity markets exhibited mixed performance, showing gains in July and predominantly declines in August.
- Volatility across different assets subsided in August.

Government and policy
- Central banks in Russia and the UK raised interest rates again, whereas Brazil’s central bank reduced interest rates for the first time since 2021.
Confidence among consumers improved, but they still remain cautious when making major purchases

OECD global consumer confidence indicator
Index, long-term average = 100

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

1Data for China through March 2023 and Russia through May 2023.

Source: OECD; McKinsey’s Global Economics Intelligence analysis
Consumer spending contracted compared to the previous year, with a particular slowdown in consumption observed in China; Russia stood out with the fastest growth among countries, owing to a low-base effect.

Retail sales growth\(^1\)

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.

\(^1\)Data for Brazil, Eurozone, and Russia through June 2023.
Global manufacturing sector remained stable in July, while some slowdown in expansion was also visible in services

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 above 50.0 indicates an increase from the previous month, and a reading below 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.

Source: S&P Global; McKinsey’s Global Economics Intelligence analysis
Manufacturers record either slowdown or further acceleration of contraction in the business

Purchasing managers’ index (manufacturing)

Diffusion index (monthly)

Over the past 2 months

Note: A reading above 50.0 indicates an increase from the previous month, and a reading below 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.

Source: S&P Global; McKinsey’s Global Economics Intelligence analysis

McKinsey & Company
Downturn in services started in July; with the exception of India presenting the fastest growth in almost a decade.

Note: A reading above 50.0 indicates an increase from the previous month, and a reading below 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.

Source: S&P Global; McKinsey's Global Economics Intelligence analysis
OECD’s CLI showed signs of rebound across economies, but majority are still below long-term trend

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OECD's CLI showed signs of rebound across economies, but majority are still below long-term trend. Composite leading indicators (CLIs) attempt to identify turning points in economic activity approximately 6 months in advance. The horizontal line at 100 shows the long-term trend in industrial production (the reference series). An increase above 100 indicates expansion; a decrease but still above 100 indicates a downturn; a decrease below 100 indicates a slowdown; and an increase below 100 indicates a recovery.

Source: OECD; McKinsey’s Global Economics Intelligence analysis
World trade witnessed another monthly decline in June, with only exports among advanced economies recording some gains.

**CPB World Trade Monitor**

Volume, Index level, 2010=100

**CPB World Trade Monitor details January 2023**

**Advanced economies**

- Exports: 0.1% m-o-m growth, 1.4% 12-month growth
- Imports: -1.4% m-o-m growth, 0.4% 12-month growth

**Emerging economies**

- Exports: -0.9% m-o-m growth, 0.4% 12-month growth
- Imports: -0.6% m-o-m growth, -0.8% 12-month growth

SOURCE: Netherlands Bureau for Economic Policy Analysis; McKinsey’s Global Economics Intelligence analysis
Exports rose for the eurozone and Brazil but fell for China and Russia; imports decreased for US and Russia and increased for China and Brazil.
Overall container trade declined in July, with all regions, including Chinese ports, experiencing slower trade

**RWI/ISL Container Throughput Index**

Index level, 2015=100

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 transshipment. The monthly data do not include figures for Dubai. Data is seasonally and working-day adjusted.

SOURCE: RWI/ISL; McKinsey’s Global Economics Intelligence analysis
Global supply chains are currently experiencing very low pressures, but pressures have been increasing over the past few months.

**Supply-chain pressure index**

Standard deviations from average value

![Graph showing supply-chain pressure index from 1998 to 2020. The index is represented by a line that fluctuates above and below the zero line. The graph indicates an increase in pressure over time.]

*SOURCE: New York Federal Reserve; McKinsey's Global Economics Intelligence analysis*
Unemployment rates remain stable across most surveyed economies, with slight decreases in Brazil and India

Unemployment rate 2007–23
% of labor force (monthly)

Over the past 4 months

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

SOURCE: BLS; CMIE; National Bureau of Statistics of China; EIU; Eurostat; Haver Analytics; IBGE; NBS; McKinsey's Global Economics Intelligence analysis
Inflation among developed countries has slowed to the lowest level since the middle of 2021, but disparities among countries persist.

**Consumer price indexes: Developed economies**
% year over year (monthly)

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

Source: Eurostat; national statistics websites; McKinsey’s Global Economics Intelligence analysis
Consumer prices continued to gather momentum in Russia and India in July, whereas in China prices showed a decline of 0.3%
The majority of commodities remained relatively stable, while energy prices experienced a rebound.

Commodities indexes

Moving 5-day average, indexed to Jan 2007

1. Updated through August 21, 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%.

Source: Haver Analytics; McKinsey’s Global Economics Intelligence analysis
As inflation decelerates and stabilizes around the world, gold prices are experiencing a retreat

Gold spot price
5-day moving average, USD/troy ounce (daily)

Gold spot price over past 3 weeks
5-day moving average, USD/troy ounce (daily)

1Updated through August 21, 2023.

Source: Haver Analytics; World Gold Council; McKinsey’s Global Economics Intelligence analysis
Energy prices rebounded, primarily propelled by one of the most substantial inventory drawdowns in years

**Oil price**

$/barrel, 5-day moving average

**Heating-oil price**

US cents/gallon, 5-day moving average

**Natural-gas price**

$ per million Btu, 5-day moving average

**Coal price**

$/megaton, monthly


2Henry Hub, LA; prices as of August 21, 2023.


4Australia coal prices; coal prices as of May 2023.

Source: Haver Analytics; US Energy Information Administration; World Bank; McKinsey’s Global Economics Intelligence analysis
Industrial metals prices experienced another decline in August

**Copper**

$/pound, 5-day moving average

**Steel**

$/gross metric ton (monthly)

**Aluminum**

$/Mt, 5-day moving average

**Nickel**

$/Mt, 5-day moving average

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1Copper, high grade: COMEX Spot Price, updated through August 21, 2023.
2Steel, 2.75-millimeter hot-rolled coil ($/gross metric ton); data estimated since May 2012 using 0.5-millimeter cold-rolled sheet prices; data from July 2023.
3Aluminum, LME spot ($/metric ton), updated through August 21, 2023.

Source: Haver Analytics; McKinsey’s Global Economics Intelligence analysis
Inflation expectations continue to be firmly anchored within the range of 2.0% to 2.5%

**Implied inflationary expectations from 5- and 10-year TIPS yields**¹ (spread between T-bill and TIPS of same maturity)

% (daily), 5-day moving average

³Updated through August 11, 2023.

Source: Haver Analytics; McKinsey's Global Economics Intelligence analysis
Food prices stayed relatively steady in July, although there was a slight upward trend in vegetable oil prices.

FAO Food Price Index by month, in real terms
Overall index, 2014–16 = 100

Component indexes¹
Index level, 2014–16 = 100

¹The values of the 5 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.

Source: Food and Agriculture Organization of the United Nations; McKinsey’s Global Economics Intelligence analysis
Equity markets exhibited mixed performance, showing gains in July and predominantly declines in August.

Equity markets\(^1\)
5-day moving average, daily, index (Jan 2007 = 1)

<table>
<thead>
<tr>
<th>Country</th>
<th>Index</th>
<th>July (^2)</th>
<th>August (^3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>S&amp;P 500</td>
<td>3.7</td>
<td>-1.0</td>
</tr>
<tr>
<td>UK</td>
<td>FTSE 100</td>
<td>-0.6</td>
<td>-0.6</td>
</tr>
<tr>
<td>Germany</td>
<td>DAX</td>
<td>0.2</td>
<td>-1.4</td>
</tr>
<tr>
<td>France</td>
<td>CAC 40</td>
<td>1.1</td>
<td>-0.6</td>
</tr>
<tr>
<td>Japan</td>
<td>Nikkei 225</td>
<td>-0.2</td>
<td>-1.6</td>
</tr>
<tr>
<td>China</td>
<td>SSE Composite Index</td>
<td>0.0</td>
<td>-0.2</td>
</tr>
<tr>
<td>India</td>
<td>BSE Sensex-30</td>
<td>4.7</td>
<td>-0.8</td>
</tr>
<tr>
<td>Brazil</td>
<td>Bovespa</td>
<td>1.8</td>
<td>-1.1</td>
</tr>
<tr>
<td>Russia</td>
<td>RTS</td>
<td>-2.5</td>
<td>1.6</td>
</tr>
</tbody>
</table>

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: RTS Index; UK: FTSE 100; US: S&P 500.

\(^2\) Growth rate calculated as average value of each index in July over average value in June.

\(^3\) Growth rate calculated as average value of each index in August (August 21) over average value in July.

Source: Haver Analytics; McKinsey’s Global Economics Intelligence analysis.
USD depreciated against most developed-economy currencies, but showed relatively stronger performance versus emerging-economy currencies.

<table>
<thead>
<tr>
<th>Currency</th>
<th>% change</th>
<th>Currency price</th>
</tr>
</thead>
<tbody>
<tr>
<td>GBP</td>
<td>2.07%</td>
<td>1.29 (USD per GBP)</td>
</tr>
<tr>
<td>EUR</td>
<td>2.00%</td>
<td>1.11 (USD per EUR)</td>
</tr>
<tr>
<td>AUD</td>
<td>0.45%</td>
<td>0.67 (USD per AUD)</td>
</tr>
<tr>
<td>BRL</td>
<td>0.33%</td>
<td>4.83 (BRL per USD)</td>
</tr>
<tr>
<td>JPY</td>
<td>-0.01%</td>
<td>141.33 (JPY per USD)</td>
</tr>
<tr>
<td>INR</td>
<td>-0.06%</td>
<td>82.28 (INR per USD)</td>
</tr>
<tr>
<td>RMB</td>
<td>-0.33%</td>
<td>7.17 (RMB per USD)</td>
</tr>
<tr>
<td>NEER</td>
<td>-0.75%</td>
<td>102.7 (index)</td>
</tr>
<tr>
<td>RUB</td>
<td>-7.96%</td>
<td>90.52 (RUB per USD)</td>
</tr>
</tbody>
</table>

**Currency ranking**

<table>
<thead>
<tr>
<th>Currency ranking</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outperforming</strong></td>
<td></td>
</tr>
<tr>
<td>USD NEER</td>
<td>25.80%</td>
</tr>
<tr>
<td>RMB</td>
<td>6.03%</td>
</tr>
<tr>
<td><strong>Underperforming</strong></td>
<td></td>
</tr>
<tr>
<td>JPY</td>
<td>-16.75%</td>
</tr>
<tr>
<td>EUR</td>
<td>-19.33%</td>
</tr>
<tr>
<td>AUD</td>
<td>-19.65%</td>
</tr>
<tr>
<td>GBP</td>
<td>-35.60%</td>
</tr>
<tr>
<td>INR</td>
<td>-49.84%</td>
</tr>
<tr>
<td>BRL</td>
<td>-59.85%</td>
</tr>
<tr>
<td>RUB</td>
<td>-71.75%</td>
</tr>
</tbody>
</table>

Note: Data updated to July 21, 2023; data for NEER from July 2023.

1 Positive change indicates appreciation, and negative change depreciation, of the currency against the US dollar.

Source: BIS; Haver Analytics; McKinsey's Global Economics Intelligence analysis
Volatility across different assets subsided in August

1 Based on United States Oil Fund (USO) option prices.
2 Based on SPDR Gold Shares (GLD) options.
3 Updated through August 15, 2023.

Source: CBOE; McKinsey’s Global Economics Intelligence analysis
Yields on 10-year government bonds remained consistent across the board

10-year government bonds¹
5-day moving average,² % (daily)

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

¹5-year government bond yields used for China.
²Updated through August 21, 2023.
Central banks in Russia and the UK raised interest rates again, whereas Brazil’s central bank reduced interest rates for the first time since 2021.