Global Economics Intelligence

Critical trends and risks

Released December 2023 (data through November 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 November, overall consumer confidence declined, with all main economies following this trend.
- Retail sales growth in various countries remained relatively stable, with Russia and China rebounds standing out.

**Business and industry**
- The manufacturing sector has indicated contraction for the 15th month in a row, while services momentum decreases.
- Manufacturing sector continues a similar trend across countries.
- Most countries have shown a flat trend in services, with India standing out in recent months.

**Trade and external**
- In September, exports rose across all economies; imports decreased across most economies and increased in Brazil.
- The global supply chain situation has normalized in recent months and the pressure index is close to its long-term average.
- In October, the Container Throughput Index ticked down to 125.0 points versus September’s 125.5 points (revised); throughput increased in China (after a decrease the previous month), but there was another decline in European ports.

**Prices**
- Consumer inflation in developed economies continued to decline in November, after high inflationary period; inflation resurged in various emerging economies, with Russia’s significant rebound standing out.
- Commodity prices continued to fall in December, with the exception of precious metals; gold prices rose slightly in the last month to $1,992 an ounce.
- Overall energy prices continued to trend up in recent months, rebounding from high 2022 inflationary periods.

**Employment**
- Unemployment rates remained stable across most surveyed economies, with slight decreases in India and the US.

**Financial markets**
- Equity markets continued to grow in December, with the exception of China and Russia.
- All main global currencies have depreciated against the US dollar compared with their 2007 levels.
- Government bond yields continue to be high versus historical levels.

**Government and policy**
- Central banks are further tightening monetary policy, with Brazil and China the exceptions.
In November, overall consumer confidence declined, with all main economies following this trend.

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 October 2023 and Russia through May 2023.

Source: OECD; McKinsey’s Global Economics Intelligence analysis
Retail sales growth in various countries remained relatively stable, with Russia and China rebounds standing out.

1Data through October 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 indicated contraction for the 15th 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.

Source: S&P Global; McKinsey’s Global Economics Intelligence analysis
Manufacturing sector continues a similar trend across countries

Purchasing managers’ index (manufacturing)
Diffusion index (monthly)

Over the past two months

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.

Source: S&P Global; McKinsey’s Global Economics Intelligence analysis
Most countries have shown a flat trend in services, with India standing out in recent months.

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.

Source: S&P Global; McKinsey’s Global Economics Intelligence analysis
Composite leading indicators have pointed to a rebound since 2022

OECD growth indicators: Advanced economies
Monthly, index

OECD growth indicators: Emerging economies
Monthly, index

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.

Source: OECD; McKinsey’s Global Economics Intelligence analysis
World trade volumes increased by 0.7% in September, mainly explained by a rise in exports across all economies and for imports in advanced economies.
The global supply chain situation has normalized in recent months and the pressure index is close to its long-term average.
In September, exports rose across all economies; imports decreased across most economies and increased in Brazil

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

SOURCE: Haver Analytics; national statistics websites; McKinsey’s Global Economics Intelligence analysis
In October, the Container Throughput Index ticked down to 125.0 points versus September’s 125.5 points (revised); throughput increased in China (after a decrease the previous month), but there was another decline in European ports.

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.

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 remain stable across most surveyed economies, with slight decreases in India and the US

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

**Unemployment rate 2007–23\(^1\)**

% of labor force (monthly)

**Over the past 4 months**

- **US**
- **Eurozone**
- **Brazil**
- **Russia\(^3\)**
- **China\(^2\)**
- **India**

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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
Consumer inflation in developed economies continues to decline in November, after high inflationary period

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
Inflation resurged in various emerging economies, with Russia’s significant rebound standing out

**Consumer price indexes: Emerging economies**

*% year over year (monthly)*

**Producer price indexes: Emerging economies**

*% year over year (monthly)*

Source: National statistics websites; McKinsey’s Global Economics Intelligence analysis
Commodity prices continue to fall in December, with the exception of precious metals

Commodities indexes
Moving five-week average, indexed to Jan 2007

1. Updated through December 10, 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
Gold prices rose slightly in the last month, to $1,992 an ounce.

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

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

1Updated through December 10, 2023.

Source: Haver Analytics; World Gold Council; McKinsey’s Global Economics Intelligence analysis
Overall energy prices continued to trend up in recent months, rebounding from high 2022 inflationary periods.

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

Source: Haver Analytics; US Energy Information Administration; World Bank; McKinsey’s Global Economics Intelligence analysis
Recent months show a decline in metals prices, mostly driven by China’s reduced demand for the construction sector.

Copper
$/pound, five-week moving average

Steel
$/gross metric ton (monthly)

Aluminum
$/Mt, five-week moving average

Nickel
$/Mt, five-week moving average

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 December 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

\(^1\)Updated through December 8, 2023.

Source: Haver Analytics; McKinsey’s Global Economics Intelligence analysis
Overall food prices continue to trend down, although levels are similar to 2011 high inflationary period

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 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.

Source: Food and Agriculture Organization of the United Nations; McKinsey’s Global Economics Intelligence analysis
Equity markets continued to grow in December with the exception of China and Russia

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 November over average value in October.
3. Growth rate calculated as average value of each index in December (December 10) over average value in November.

Source: Haver Analytics; McKinsey’s Global Economics Intelligence analysis
All main global currencies have depreciated against the US dollar compared with their 2007 levels

<table>
<thead>
<tr>
<th>Relative change in currency value against previous month</th>
<th>% change¹</th>
<th>Currency price</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD as base</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outperforming</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPY</td>
<td>2.29%</td>
<td>146.33 (JPY per USD)</td>
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<tr>
<td>NEER</td>
<td>1.44%</td>
<td>106.67 (index)</td>
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<tr>
<td>AUD</td>
<td>1.27%</td>
<td>0.66 (USD per AUD)</td>
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<tr>
<td>GBP</td>
<td>1.22%</td>
<td>1.26 (USD per GBP)</td>
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<tr>
<td>Underperforming</td>
<td></td>
<td></td>
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<tr>
<td>USD</td>
<td>Base currency</td>
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<tr>
<td>INR</td>
<td>−0.10%</td>
<td>83.35 (INR per USD)</td>
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<tr>
<td>EUR</td>
<td>−0.12%</td>
<td>1.08 (USD per EUR)</td>
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<tr>
<td>RUB</td>
<td>−0.45%</td>
<td>90.98 (RUB per USD)</td>
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<tr>
<td>BRL</td>
<td>−0.45%</td>
<td>4.92 (BRL per USD)</td>
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<tr>
<td>RMB</td>
<td>−1.52%</td>
<td>7.11 (USD per RMB)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relative change in currency value against 2007 values</th>
<th>% change</th>
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</thead>
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<tr>
<td>USD as base</td>
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<tr>
<td>Outperforming</td>
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<tr>
<td>USD NEER</td>
<td>30.15%</td>
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<tr>
<td>RUB</td>
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Note: Data updated to December 13, 2023; data for NEER from October 2023.

¹Positive 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 indicators continue to be under control in the last few months

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.

Source: CBOE; McKinsey’s Global Economics Intelligence analysis
Government bond yields continue to be high versus historical levels

Ten-year government bonds¹
Five-day moving average,² % (daily)

1. Five-year government bond yields used for China.
2. Updated through December 12, 2023.

Source: Haver Analytics; McKinsey's Global Economics Intelligence analysis
Central banks are further tightening monetary policy, with Brazil and China the exceptions.