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Global Economics Intelligence

Critical trends and risks

Released February 2024 (data through January 2024)

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

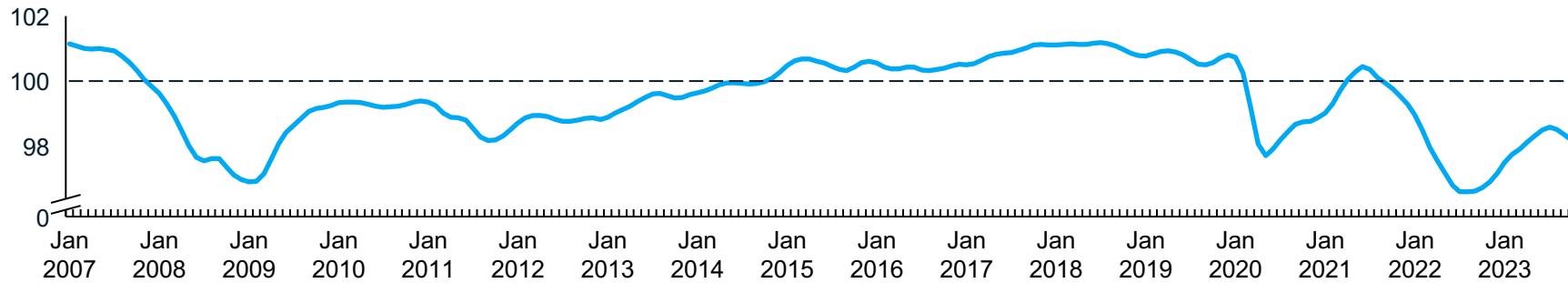
Versus previous period: ■ Significant improvement ■ Some improvement ■ Some deterioration ■ Significant deterioration ■ No significant change

<p>■ Consumer and households</p>	<ul style="list-style-type: none"> • Retail sales in main economies have experienced steady growth even in face of elevated prices and the interest rate environment. • Consumers remain upbeat—despite decline in overall consumer confidence towards end of 2023 (November 2023 data).
<p>■ Business and industry</p>	<ul style="list-style-type: none"> • Manufacturing performance stabilized in the month of January after more than a year of contraction—performance across countries showed an increase, except in the eurozone and UK. • The services sector maintains a robust growth trajectory across the main economies, with the exception of the eurozone.
<p>■ Trade and external</p>	<ul style="list-style-type: none"> • World trade volumes rose by 1.0% in December, with increases across all flows and economies. • The global supply chain situation has normalized in recent months while the pressure index is close to its long-term average. • December’s Container Throughput Index was stable at 125.1 points versus the previous month’s 125.4 points (revised); throughput weakened slightly in China but increased in European ports.
<p>■ Prices</p>	<ul style="list-style-type: none"> • Consumer prices in developed economies still easing after 2022 high inflationary period, though levels remain higher than pre-pandemic era. • Prices steadier in emerging economies after 2022 high inflationary period, while China’s deflation continues to be the exception. • Most commodity prices continue to ease, while still maintaining high levels compared to pre-pandemic periods.
<p>■ Employment</p>	<ul style="list-style-type: none"> • Unemployment rates remain stable across most surveyed economies, and continue to decrease in India.
<p>■ Financial markets</p>	<ul style="list-style-type: none"> • Equity markets have shown muted growth over the past two months, except for Japan and the US. • Government bonds continue to follow last months’ rising trend, with the exception of Brazil and China.
<p>■ Government and policy</p>	<ul style="list-style-type: none"> • Central banks refrain from cutting interest rates due to persistence of elevated inflationary pressures—Brazil being the exception.

In November, overall consumer confidence declined, with all main economies following this trend

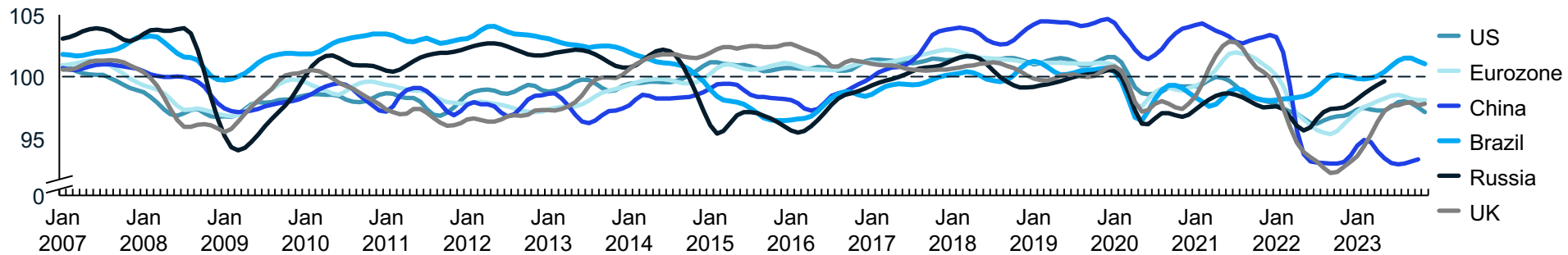
OECD global consumer confidence indicator

Index, long-term average = 100



OECD consumer confidence indicators for individual economies¹

Index, long-term average = 100¹

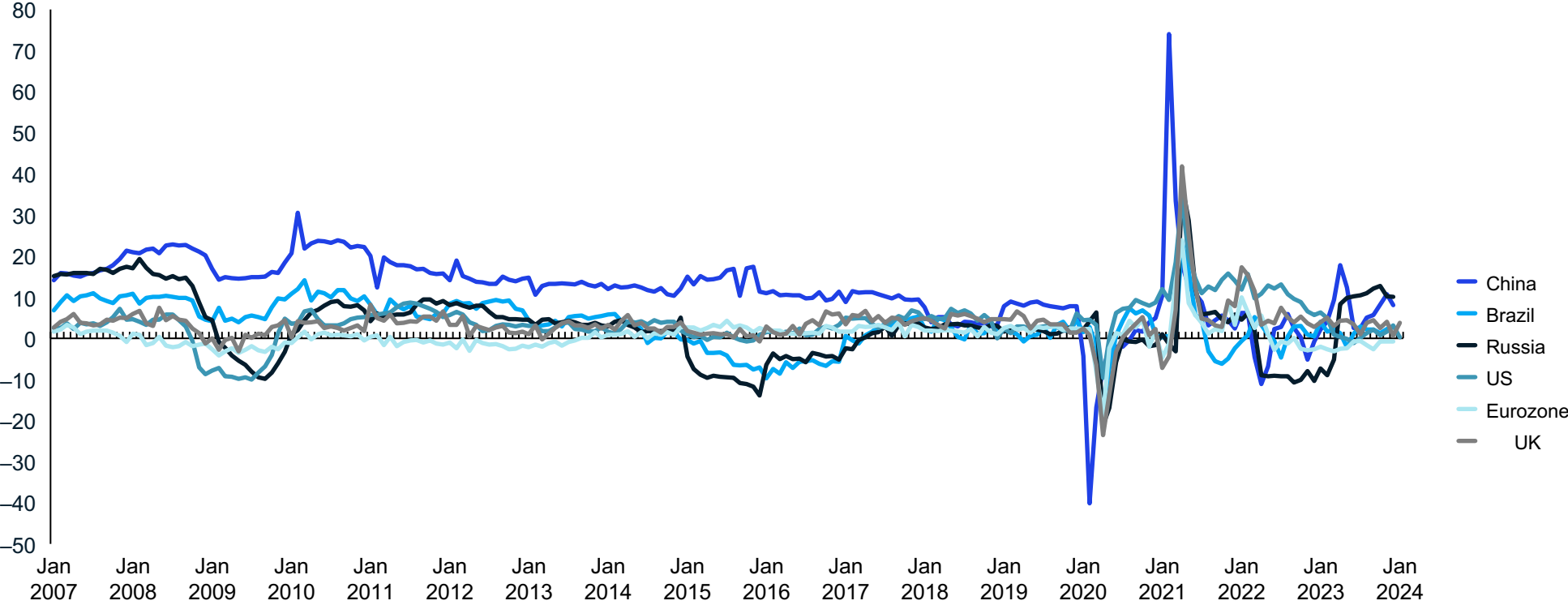


¹Data for China through October 2023 and Russia through May 2023.

Consumers remain upbeat as retail sales in main economies have experienced steady growth, despite elevated prices and interest rate environment

Retail sales growth¹

Year over year (monthly)

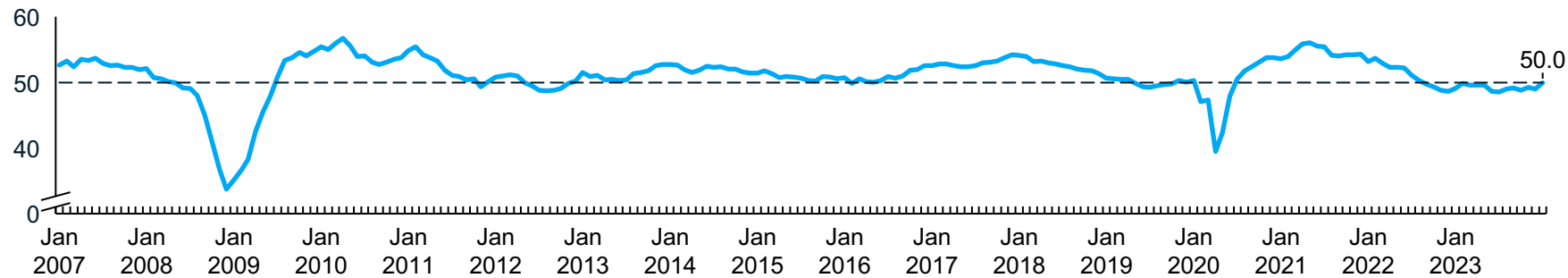


¹Data through December 2023.

Performance in manufacturing stabilized in the month of January after more than a year of contraction

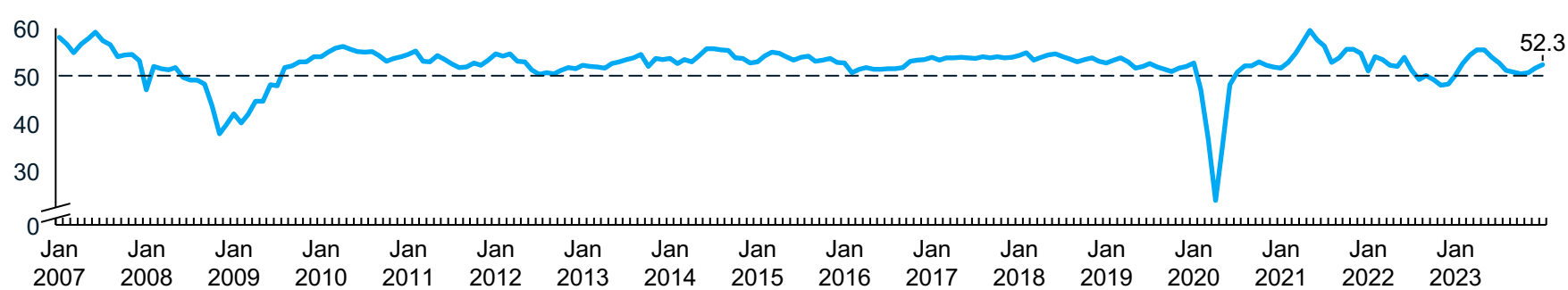
JPMorgan Global Purchasing Managers' Index (Manufacturing)

Diffusion index, seasonally adjusted (monthly)



JPMorgan Global Purchasing Managers' Index (Services)

Diffusion index, seasonally adjusted (monthly)

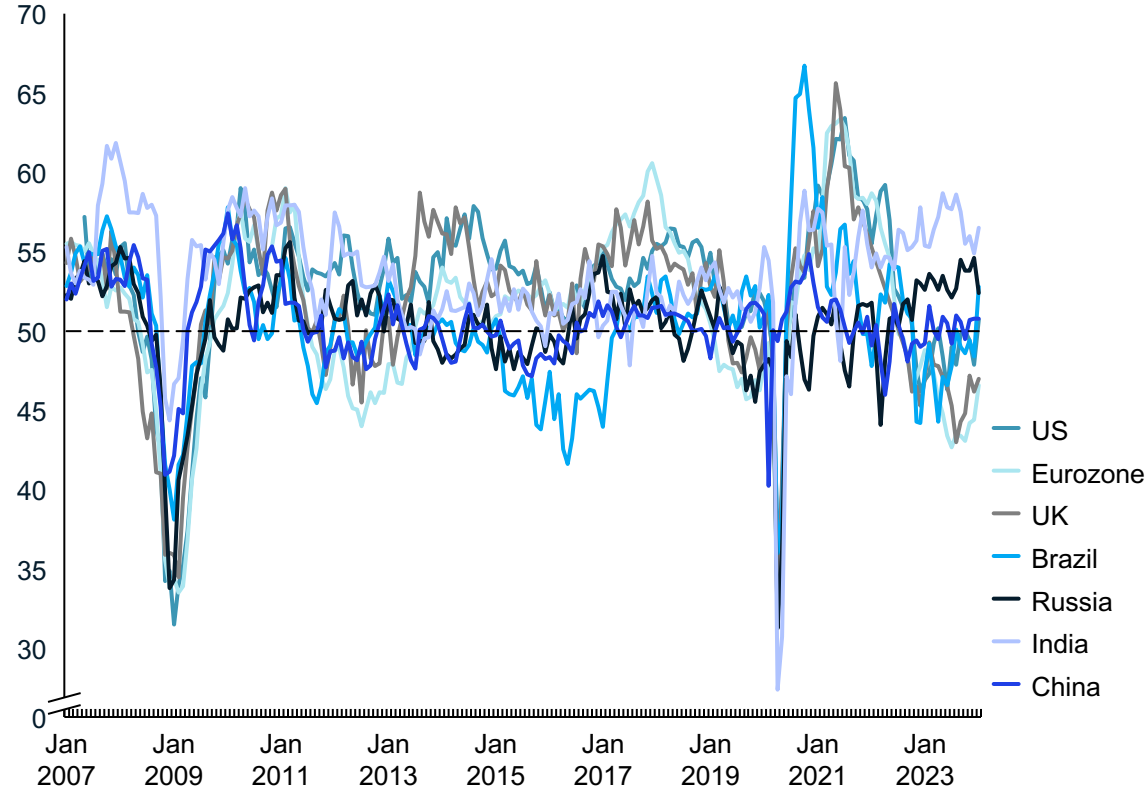


Note: A reading of more than 50.0 indicates an increase from the previous month, and a reading of less than 50.0 indicates a decrease. Country-level data are the PMIs for individual countries as sourced from Markit Economics or the Institute for Supply Management (ISM) and are not a breakdown of the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

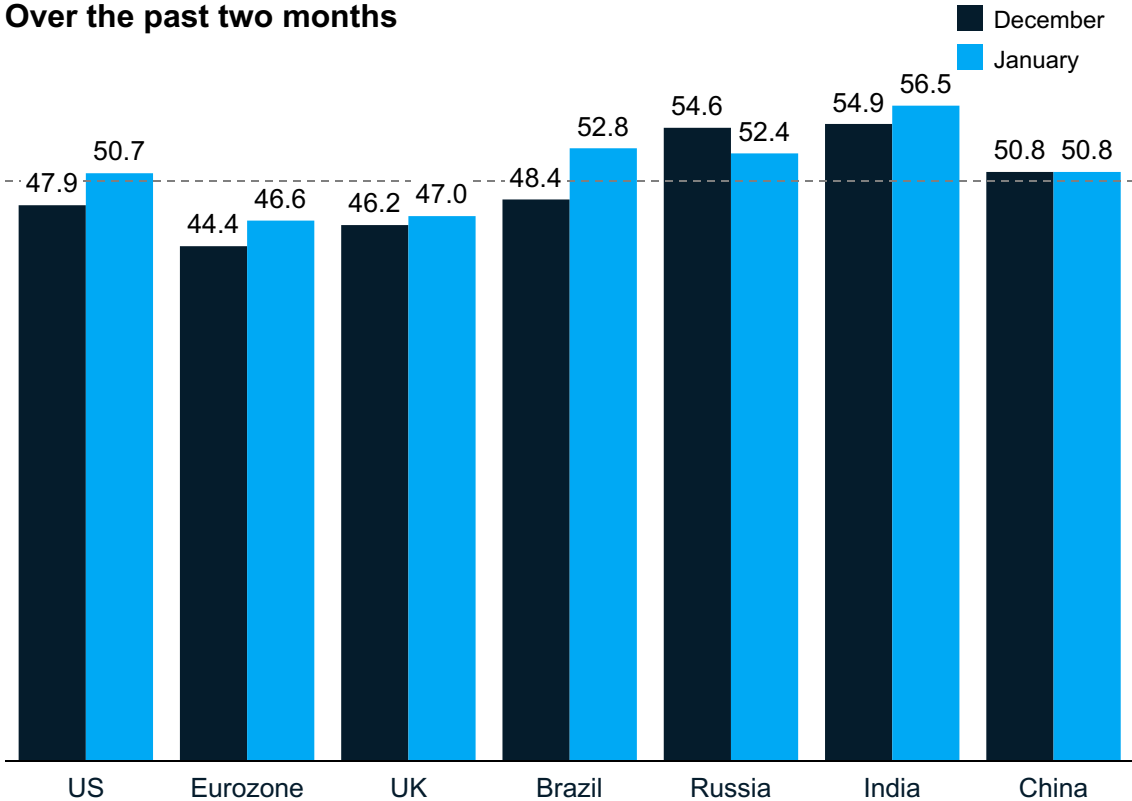
Manufacturing performance across countries showed an increase in January, except in the Eurozone and UK

Purchasing managers' index (manufacturing)

Diffusion index (monthly)



Over the past two months

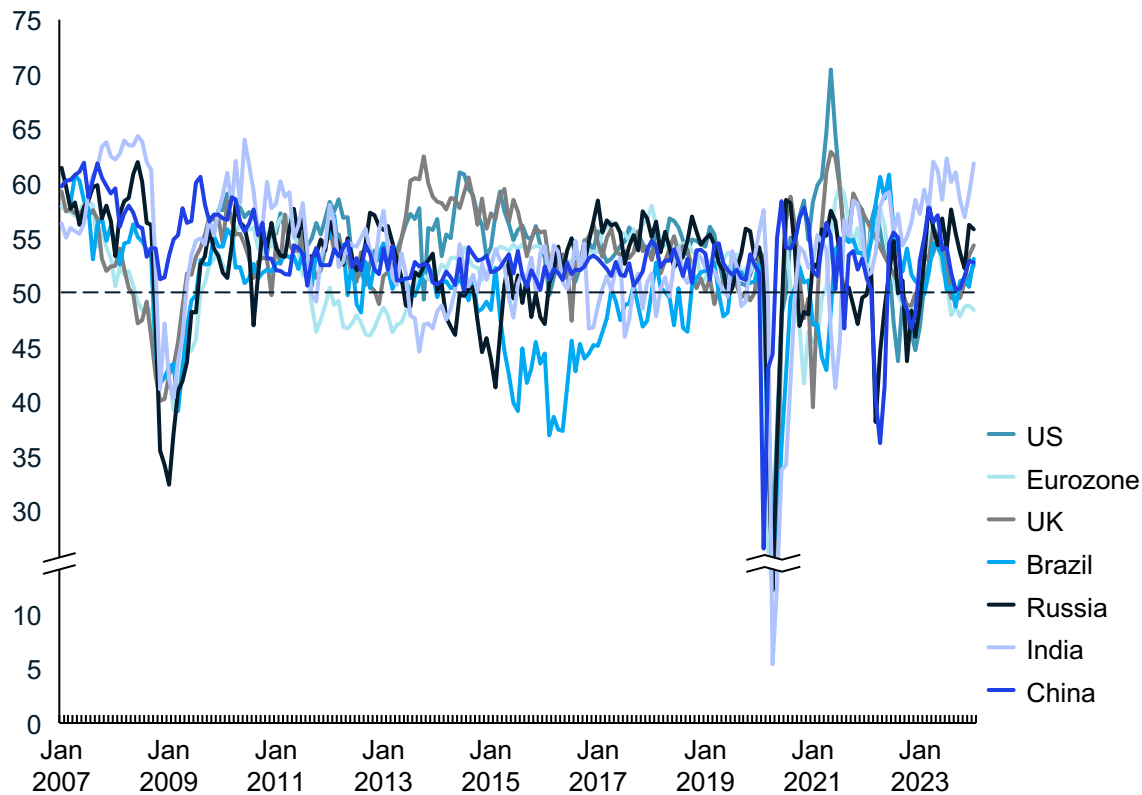


Note: A reading of more than 50.0 indicates an increase from the previous month, and a reading of less than 50.0 indicates a decrease. The country-level data are the PMIs for individual countries as sourced from Markit Economics and are not a breakdown of the JPMorgan Global PMI.

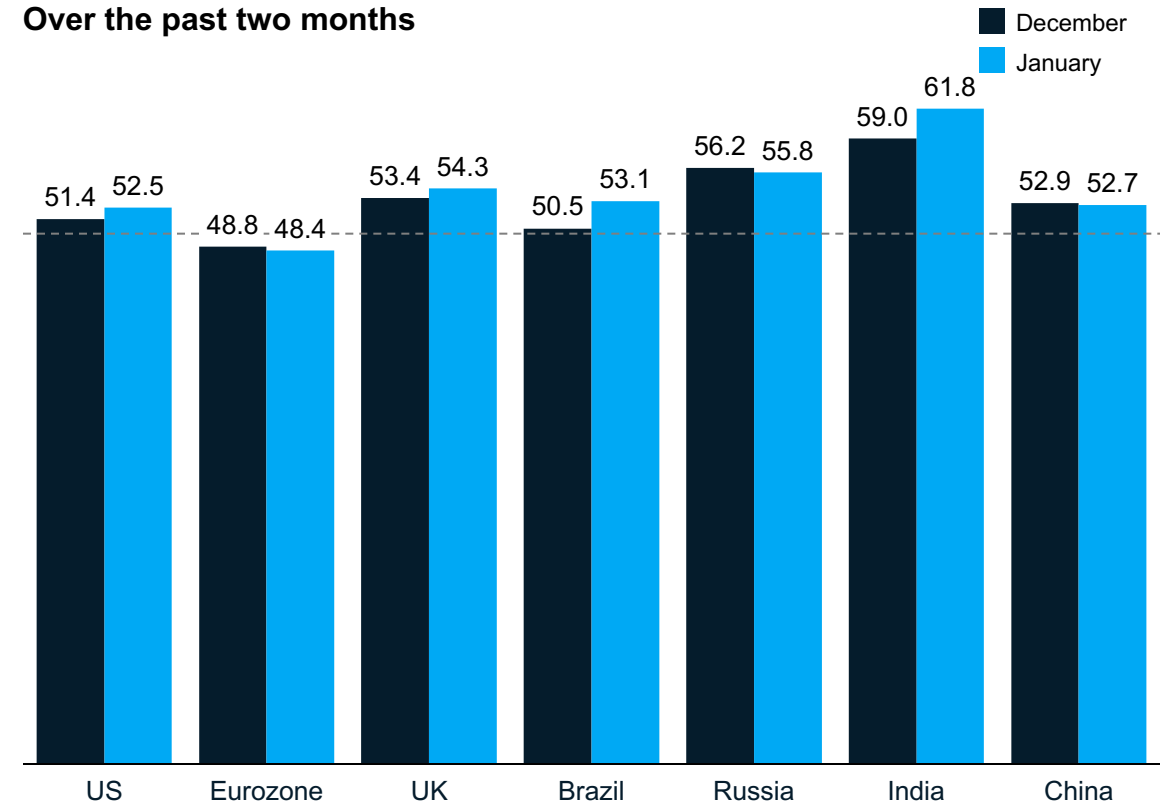
The services sector is maintaining a robust growth trajectory across the main economies, with the eurozone the only exception

Purchasing managers' index (services)

Diffusion index (monthly)



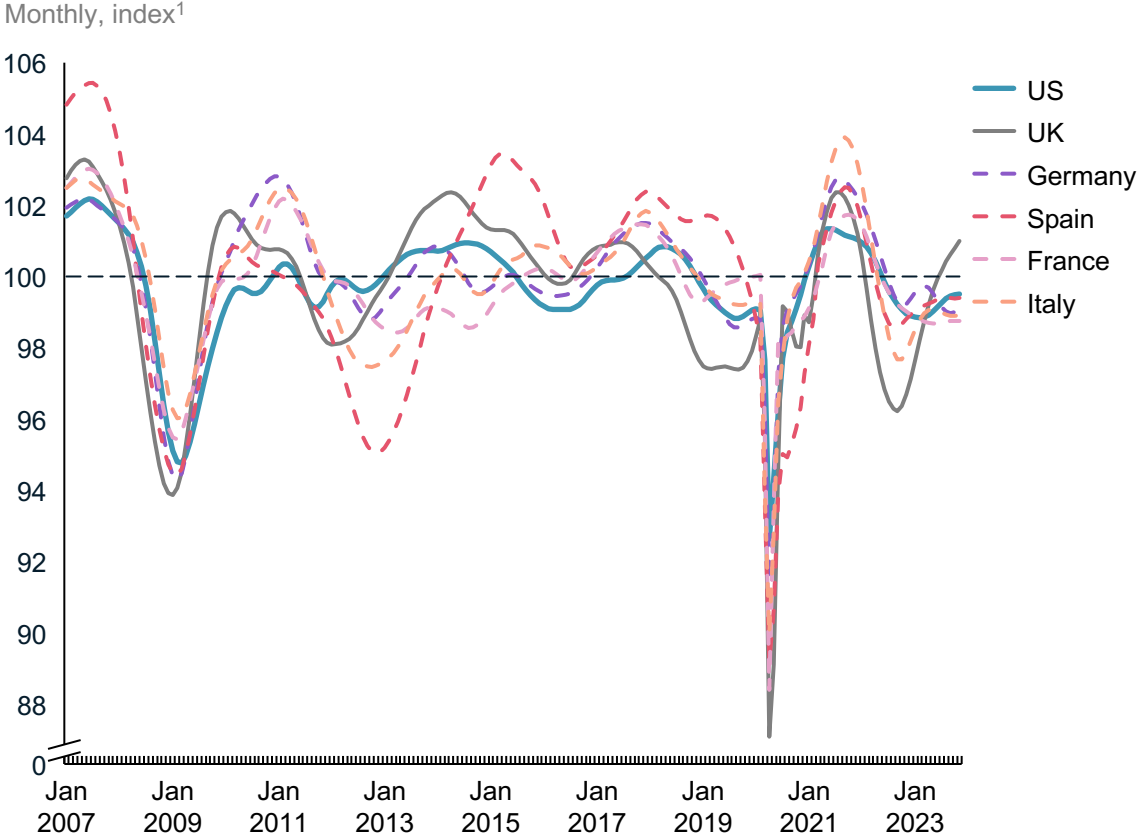
Over the past two months



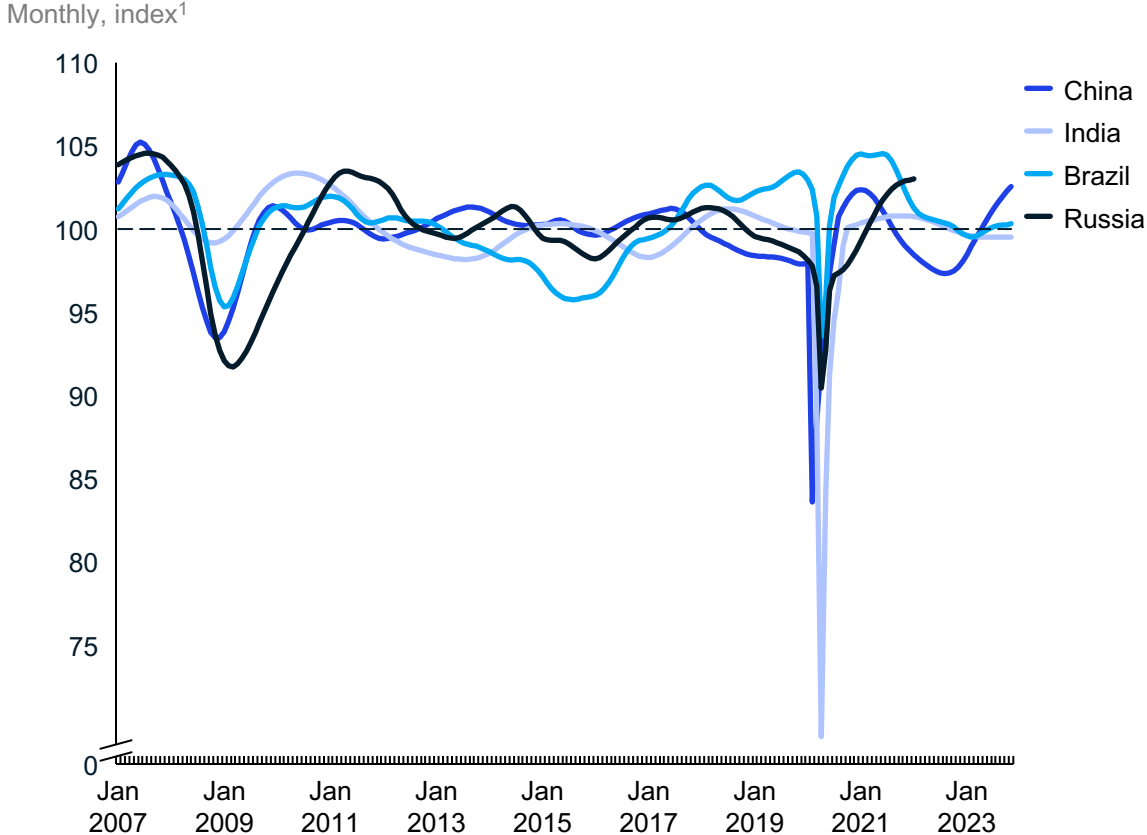
Note: A reading of more than 50.0 indicates an increase from the previous month, and a reading of less than 50.0 indicates a decrease. The country-level data are the PMIs for individual countries as sourced from Markit Economics and are not a breakdown of the JPMorgan Global PMI.

Economic activity continues to grow despite high prices and interest rate environment

OECD growth indicators: Advanced economies



OECD growth indicators: Emerging economies

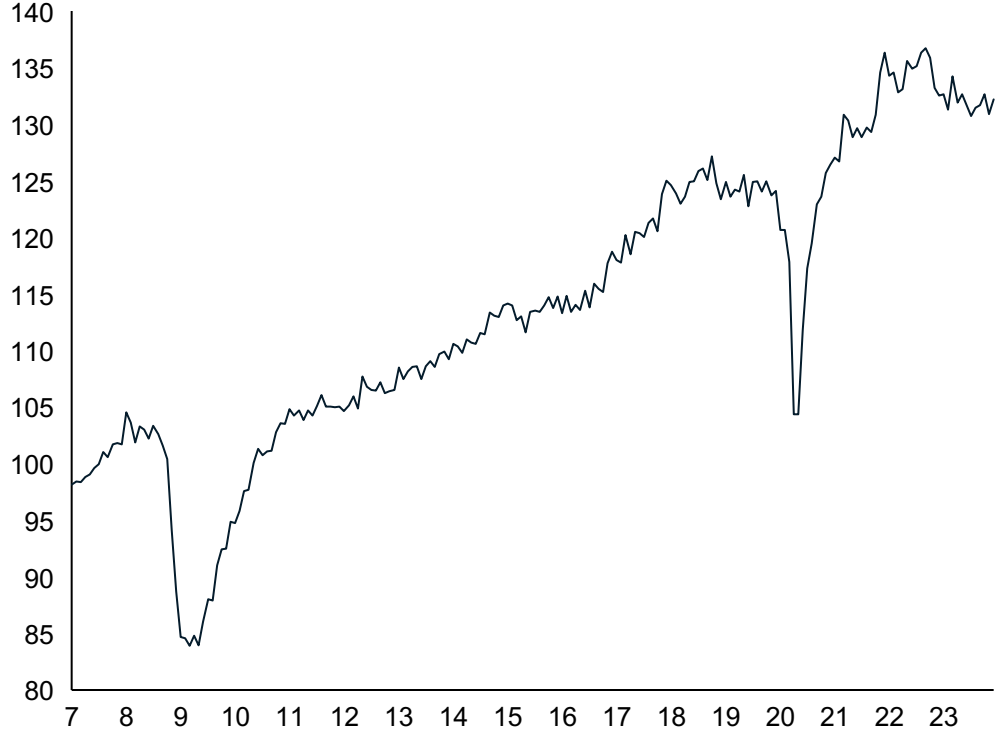


¹Composite leading indicators (CLIs) attempt to identify turning points in economic activity approximately six months in advance. The horizontal line at 100 shows the long-term trend in industrial production (the reference series). An increase to more than 100 indicates expansion; a decrease but still 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 volumes rose by 1.0% in December, with increases across all flows and economies

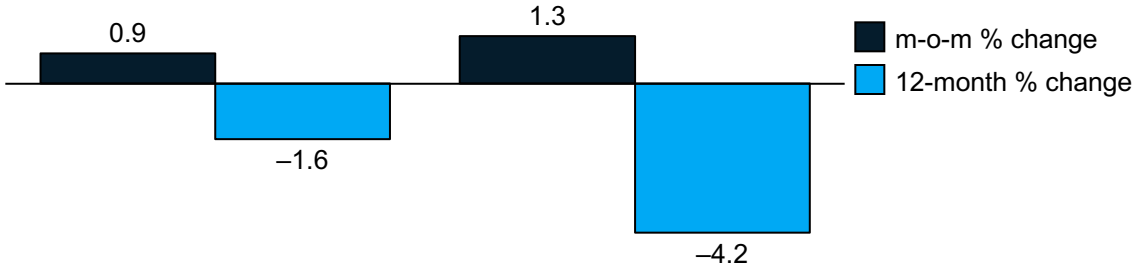
CPB World Trade Monitor

Volume, Index level, 2010=100

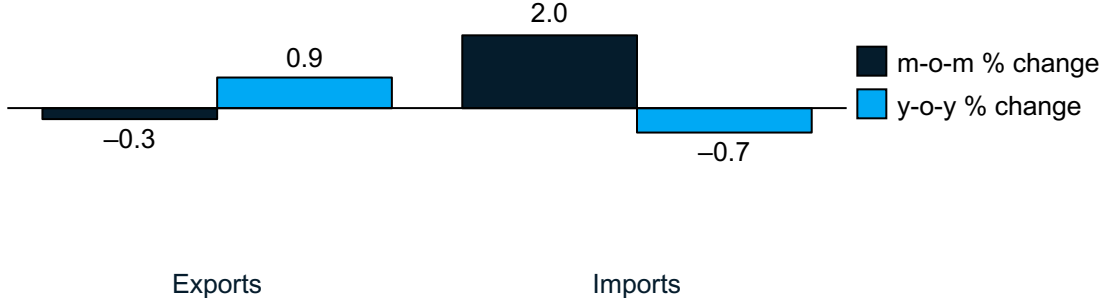


CPB World Trade Monitor details December 2023

Advanced economies



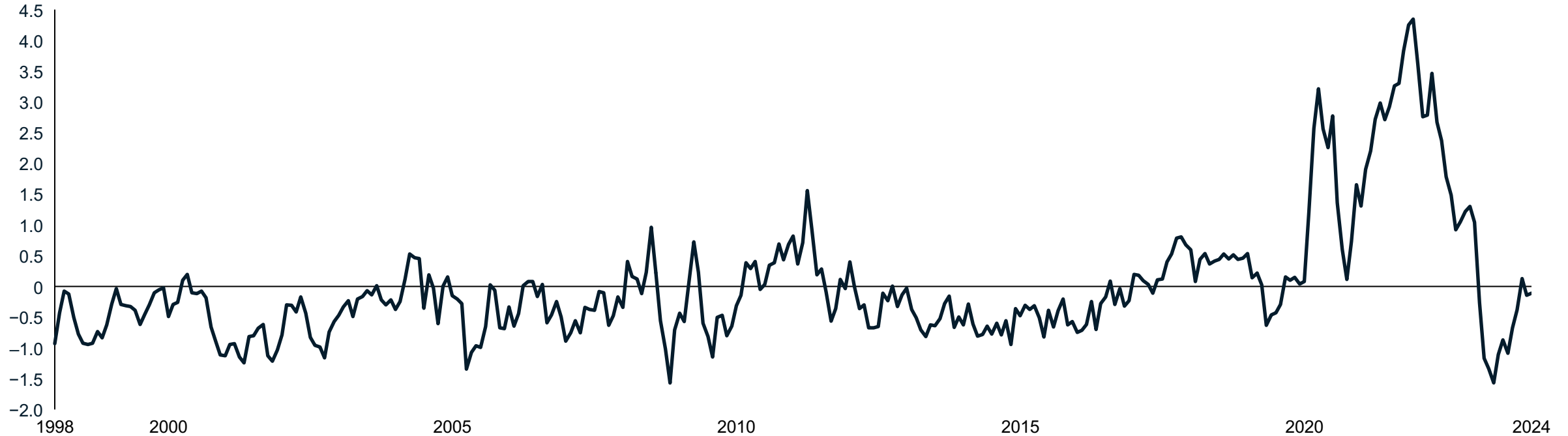
Emerging economies



The global supply chain situation has normalized in recent months and the pressure index is close to its long-term average

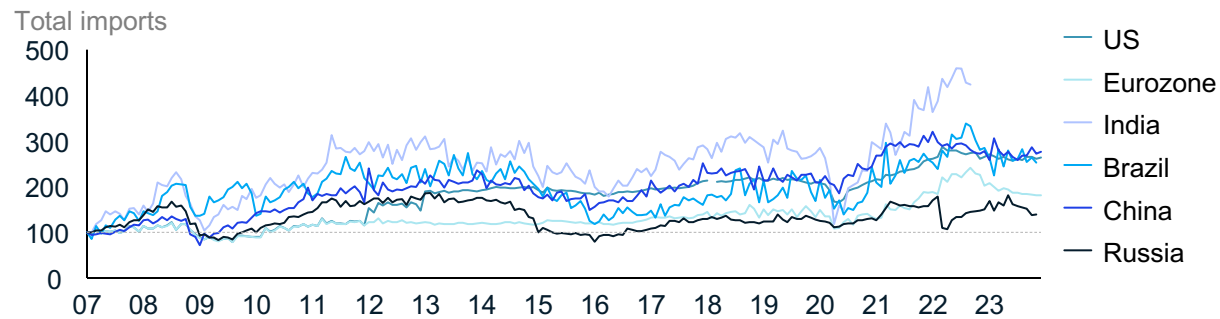
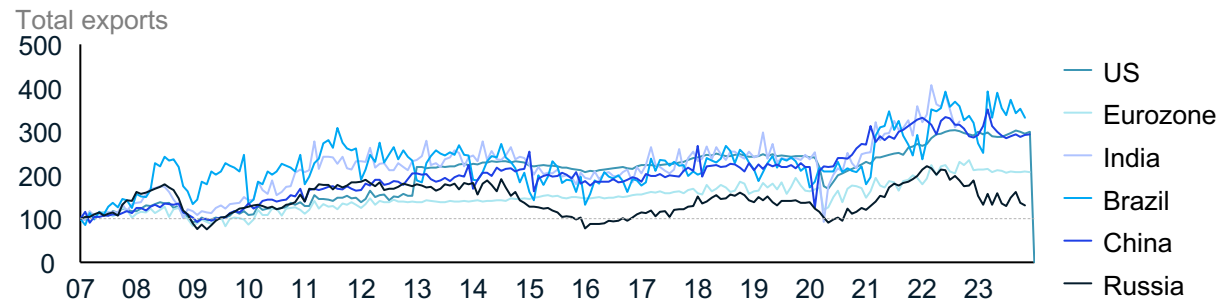
Supply-chain pressure index

Standard deviations from average value



In December, exports rose in the US and remained stable in China and the eurozone; imports were down in China and the US

Monthly index (January 2007 = 100)



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

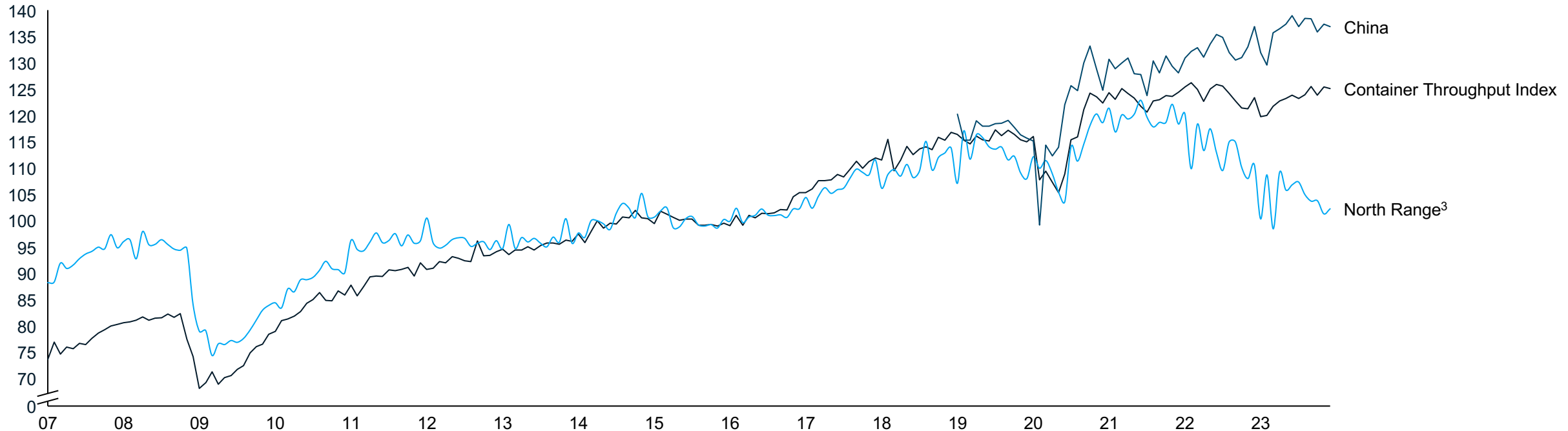
Versus previous period:
■ Significant increase ■ Increase ■ Decline
■ Severe decline ■ No significant change

	% change from previous month ¹	12-mo. % change Dec. 2023–Jan. 2023 vs .Dec 2022–.Jan. 2022
Exports		
US	1.5	1.2
Eurozone	–0.8	–1.4
China	0.5	–4.5
Brazil	–5.8	1.3
India ²	4.5	24.2
Russia	–4.6	–26.6
Imports		
US	1.3	–3.6
Eurozone	0.0	–12.9
China	1.7	–5.3
Brazil	3.9	–9.4
India ²	–1.2	38.8
Russia	0.9	10.4

December's Container Throughput Index was stable at 125.1 points versus the previous month's 125.4 points (revised); throughput weakened slightly in China, but increased in European ports

RW/ISL Container Throughput Index¹

Index level, 2015=100²



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 RW/ISL Container Throughput Index changed its base year to 2015.

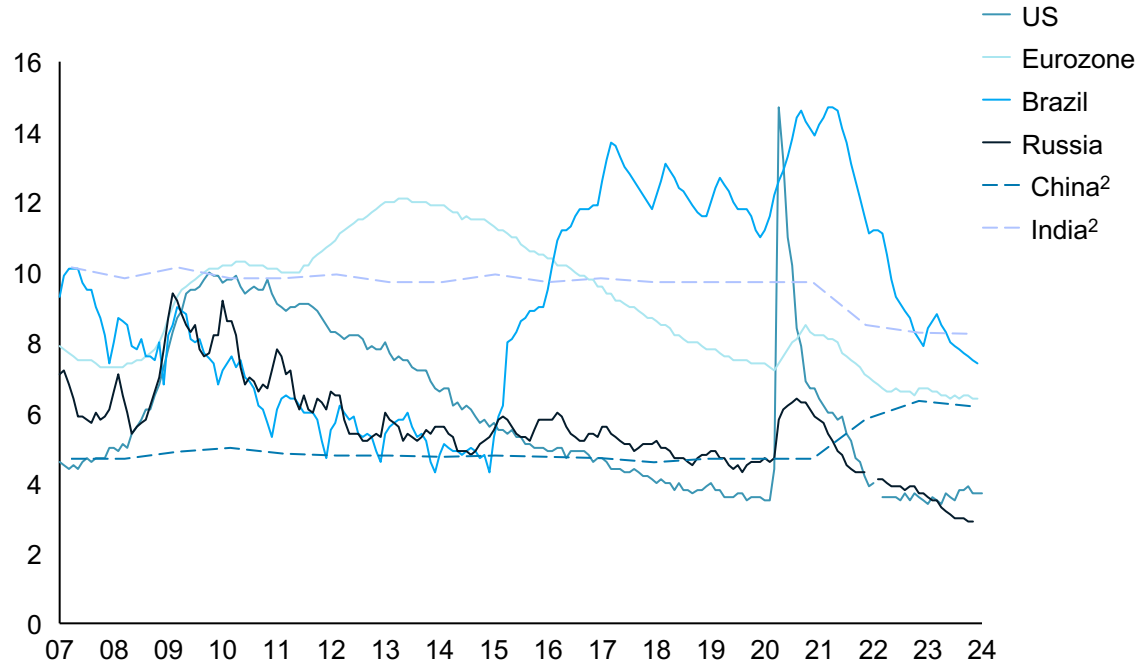
3. The North range index summarizes throughput for the ports of Antwerp, Bremen/Bremerhaven, Hamburg, Le Havre, Rotterdam, and Zeebrugge.

Note: The RW/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.

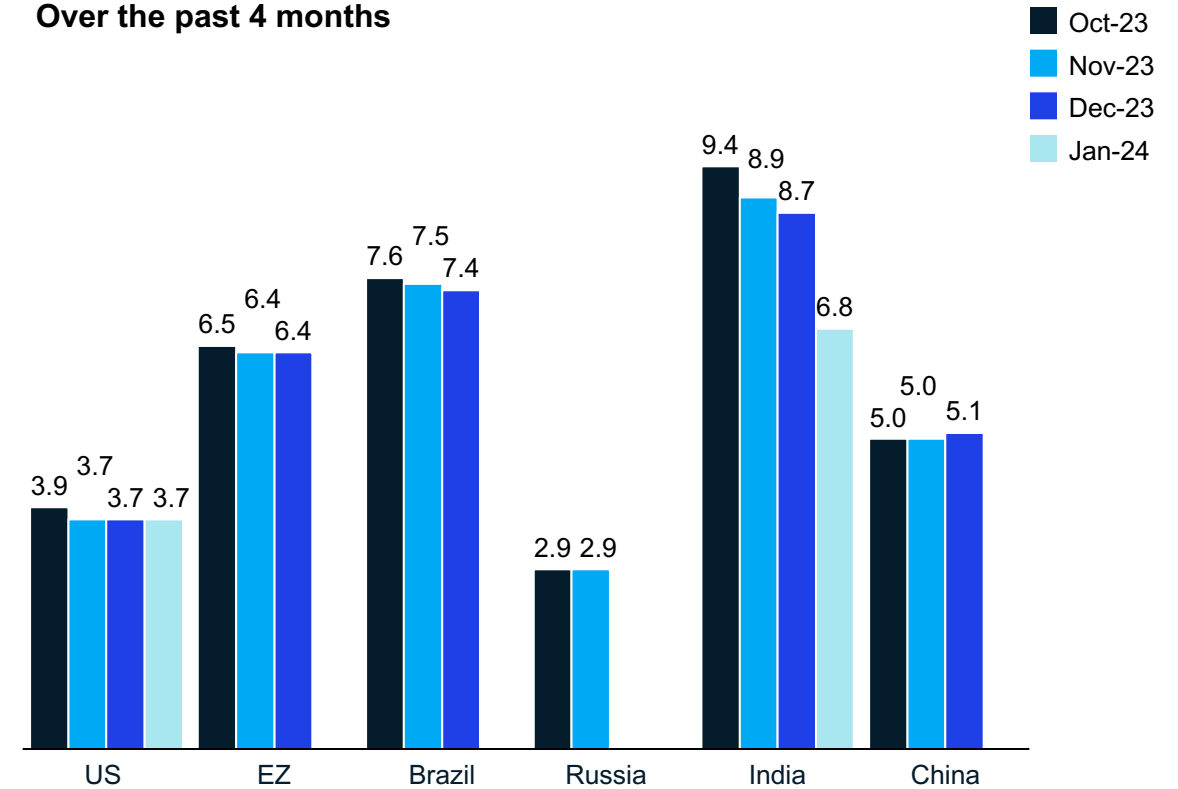
Unemployment rates remain stable across most surveyed economies, and continue to decrease in India

Unemployment rate 2007–24¹

% of labor force (monthly)



Over the past 4 months

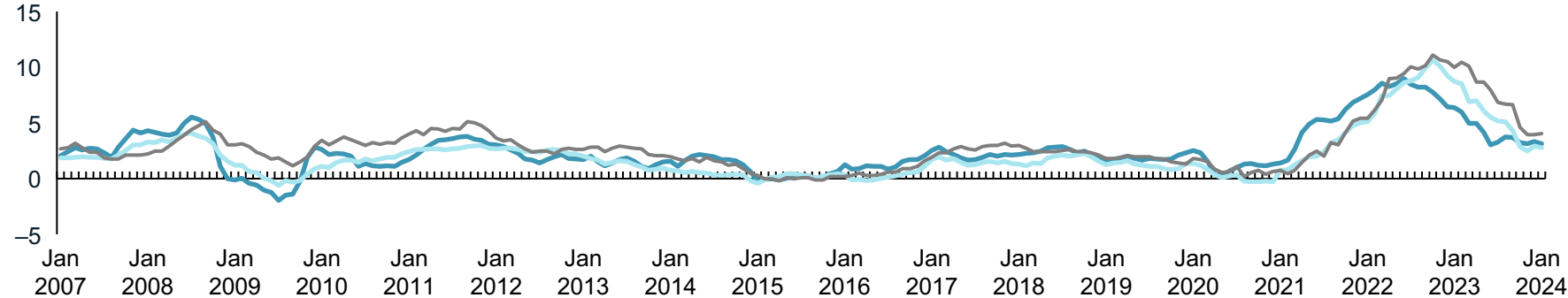


1. Data for India and China are annual and shown as a smoothed trend line.
 2. China unemployment only shows urban rate.

Consumer prices in developed economies still easing after 2022 high inflationary period, though levels remain higher than pre-pandemic era

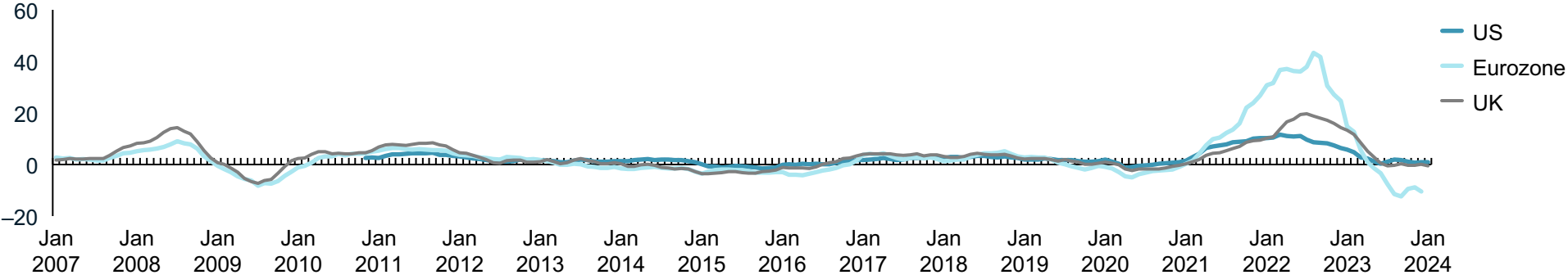
Consumer price indexes: Developed economies

% year over year (monthly)



Producer price indexes: Developed economies

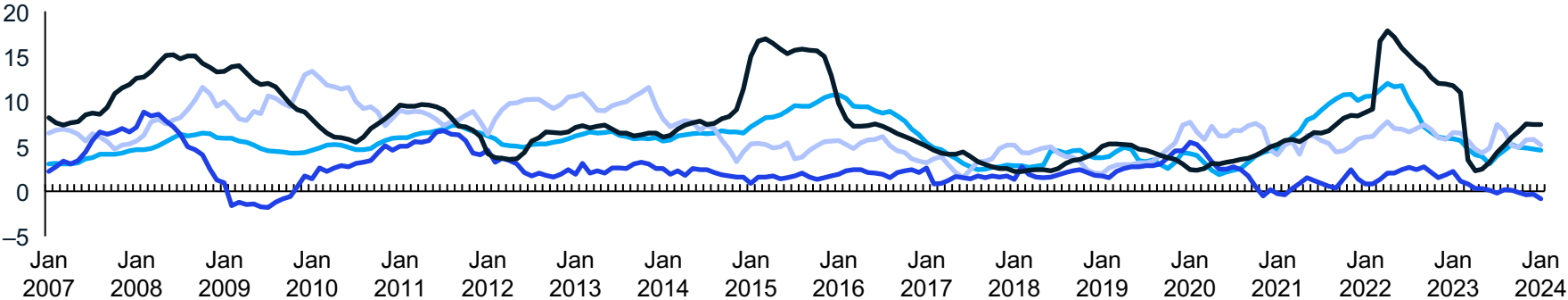
% year over year (monthly)



Prices steadier in emerging economies after 2022 high inflationary period, while China's deflation continues to be the exception

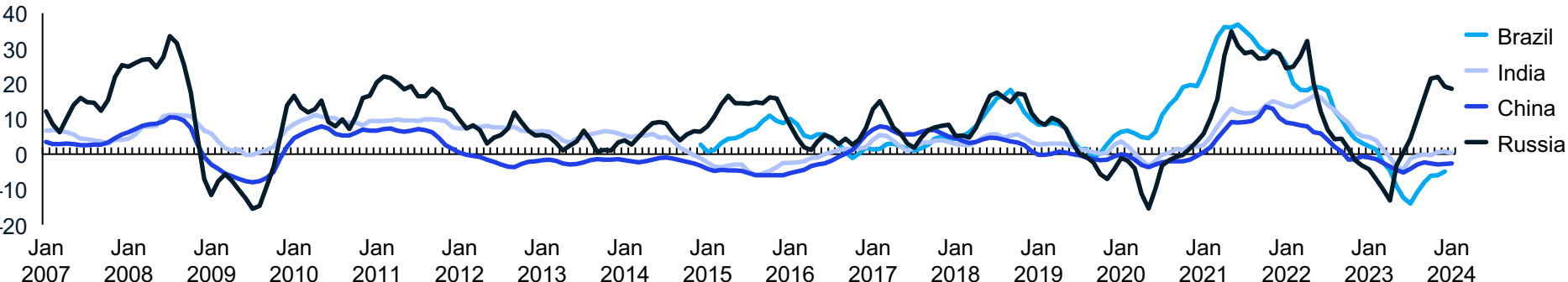
Consumer price indexes: Emerging economies

% year over year (monthly)



Producer price indexes: Emerging economies

% year over year (monthly)

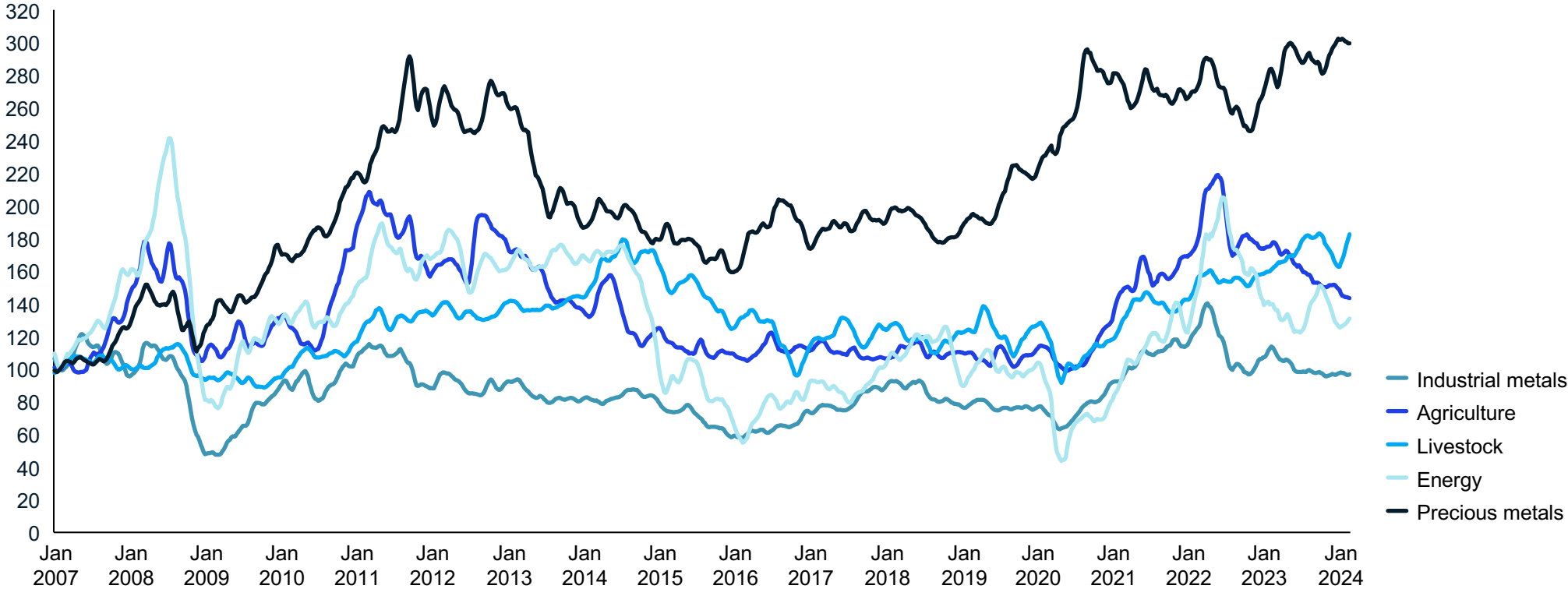


Source: National statistics websites; McKinsey's Global Economics Intelligence analysis

Most commodity prices continue to ease, while still maintaining high levels compared to pre-pandemic periods

Commodities indexes¹

Moving five-week average, indexed to Jan 2007

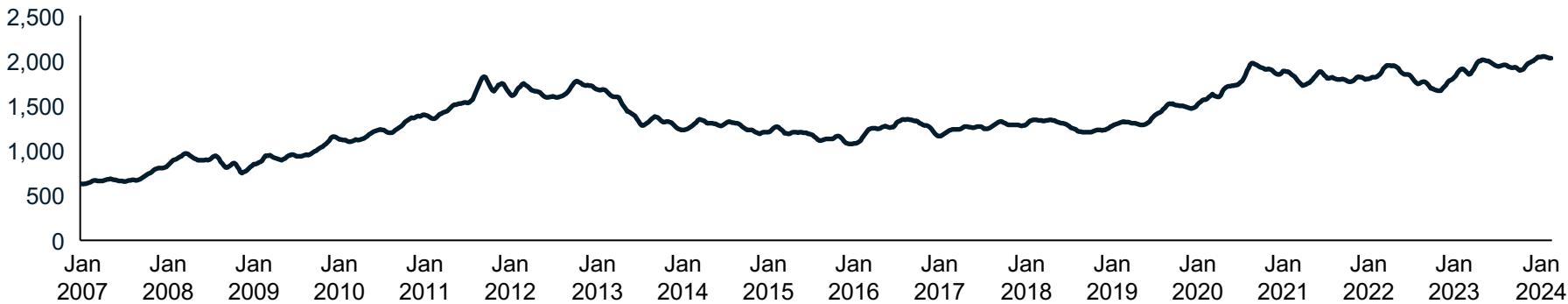


1. Updated through February 18, 2024; commodity data are taken from the GS Commodities Index, with components weighted by production. Precious metals: gold, 83%; silver, 17%. Energy: crude oil, 70%; oil products, 25%; natural gas, 4%. Agriculture: corn, 28%; wheat, 25%; soybeans, 15%; sugar, 14%; other, 19%. Livestock: cattle, 66%; hogs, 34%. Industrial metals: copper, 46%; aluminum, 31%; other, 23%.

Gold prices continued to grow steadily during February

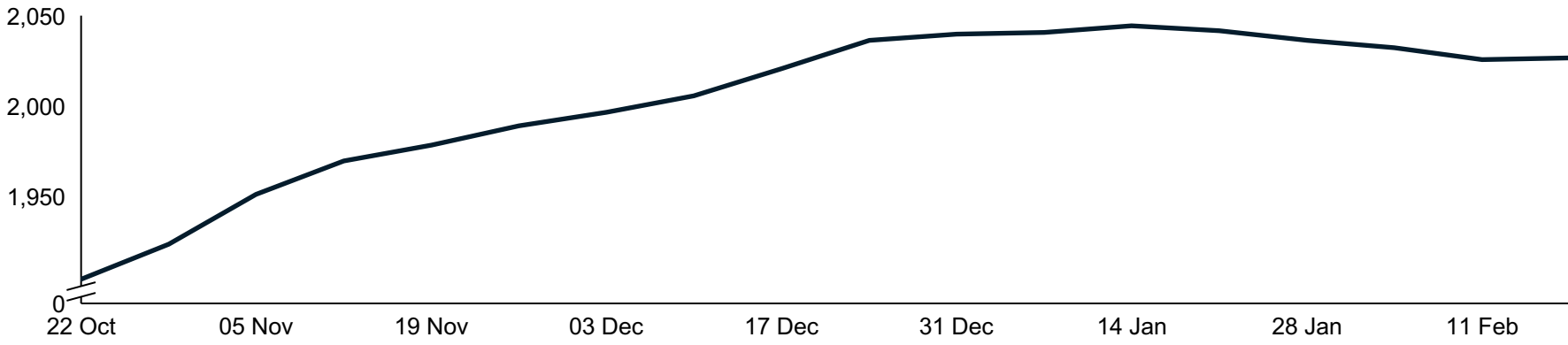
Gold spot price¹

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



Gold spot price over past 4 months

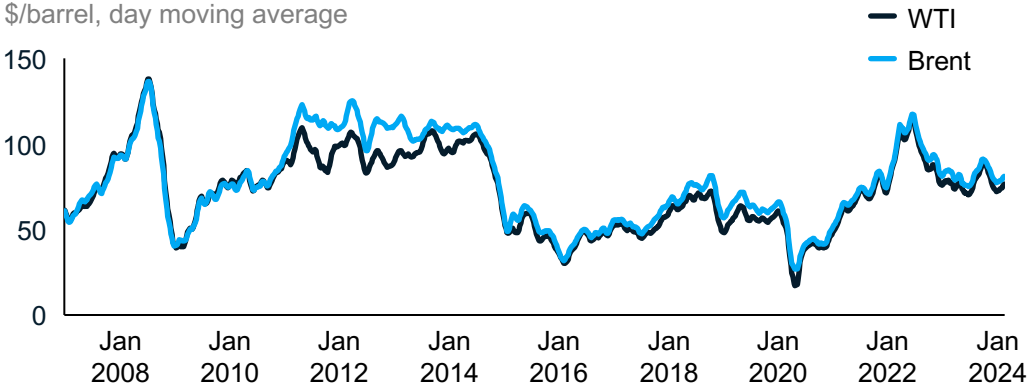
Five-week moving average, USD/troy ounce (weekly)



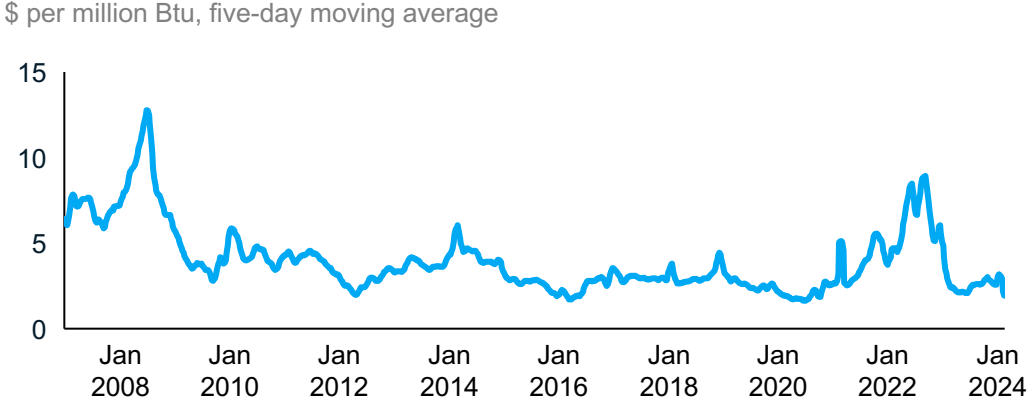
¹Updated through February 18, 2024.

Energy prices continue to settle after high inflationary periods, while still maintaining high historical levels

Oil price¹



Natural-gas price²



Heating-oil price³



Coal price⁴

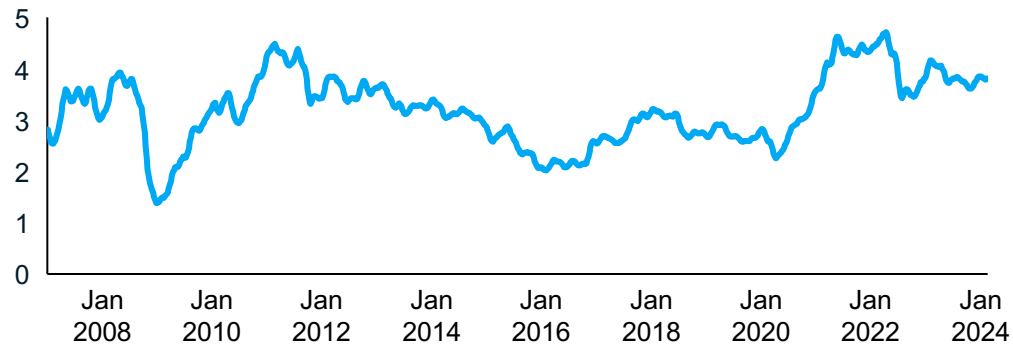


1. Crude Brent, Henry Hub (Nymex). WTI (West Texas Intermediate) prices as of February 18, 2024. 2. Henry Hub, LA; prices as of February 18, 2024.
3. New York Harbor No. 2. heating-oil prices as of February 18, 2024. 4. Australia coal prices; coal prices as of August 2023.

Metal prices stabilizing after recent high inflationary period

Copper¹

\$/pound, five-week moving average



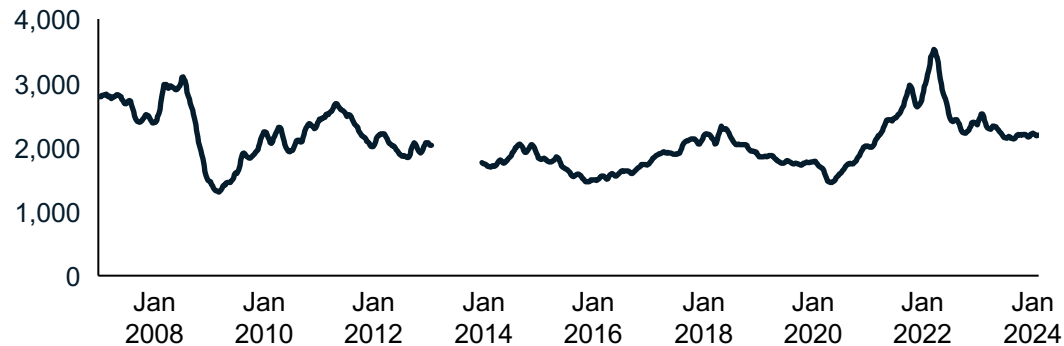
Steel²

\$/gross metric ton (monthly)



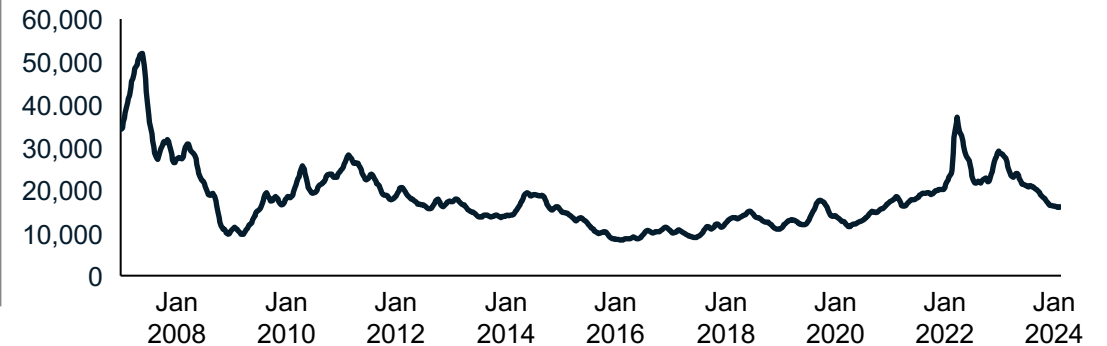
Aluminum³

\$/Mt, five-week moving average



Nickel⁴

\$/Mt, five-week moving average



1. Copper, high grade: COMEX Spot Price, updated through February 18, 2024.

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.

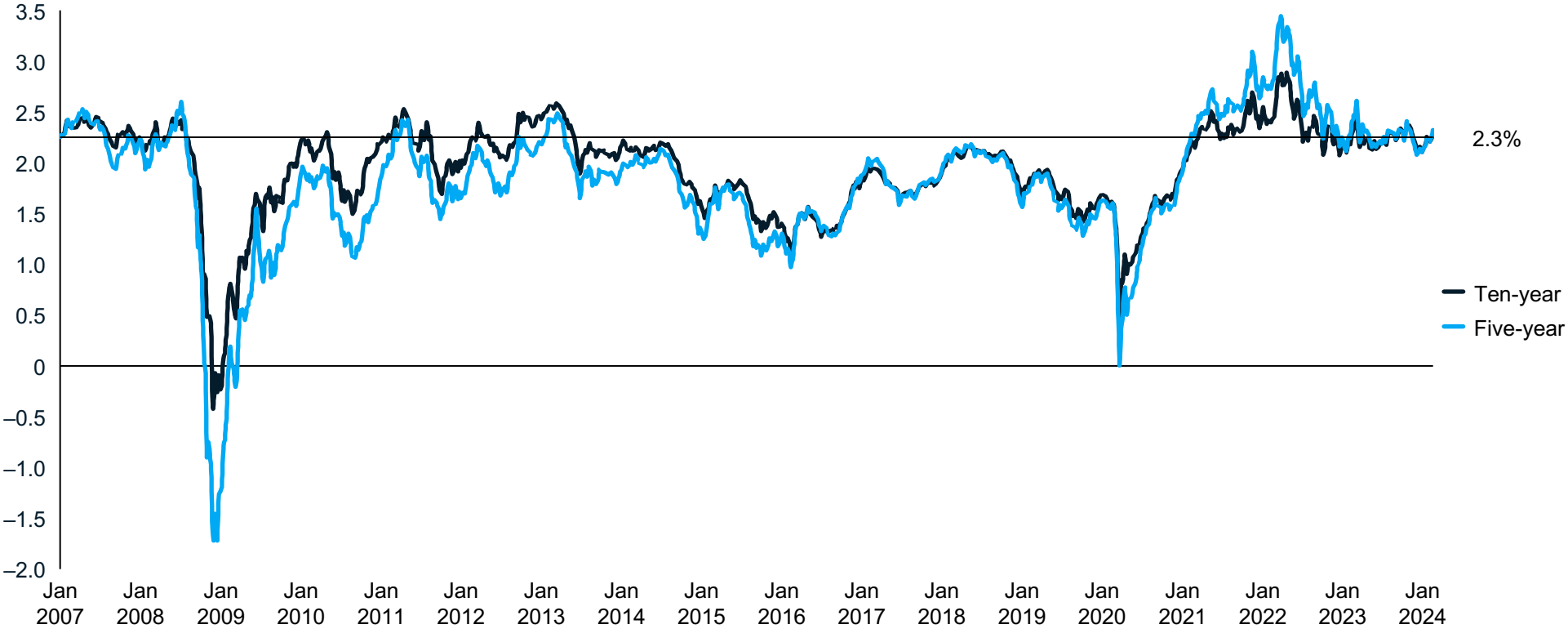
3. Aluminum, LME spot (\$/metric ton), updated through February 18, 2024.

4. UK: LME nickel, closing cash price (\$/metric ton), updated through February 18, 2024.

Expectations around inflation have been in the 2.0–2.5% range for a year

Implied inflationary expectations from five- and ten-year TIPS yields¹ (spread between T-bill and TIPS of same maturity)

% (daily), five-day moving average

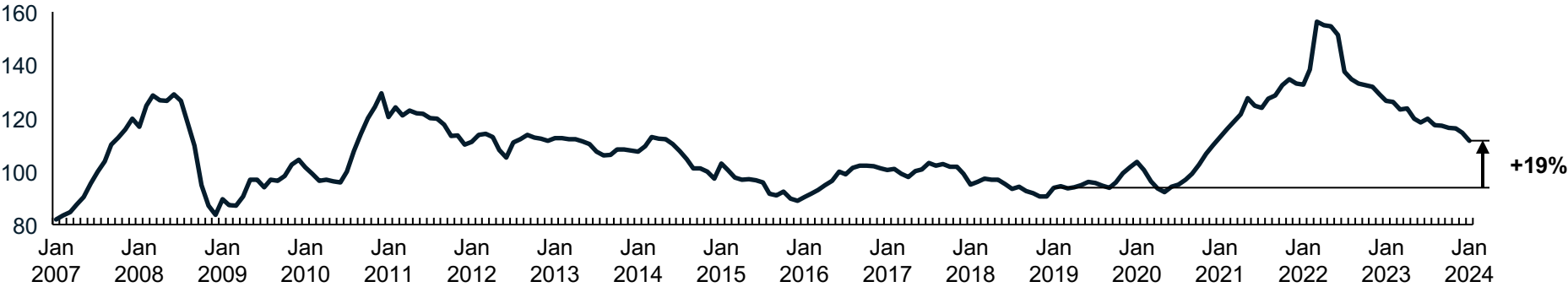


¹Updated through February 16, 2024.

Food prices continue to fall, but are still approximately 19% higher compared to pre-pandemic levels

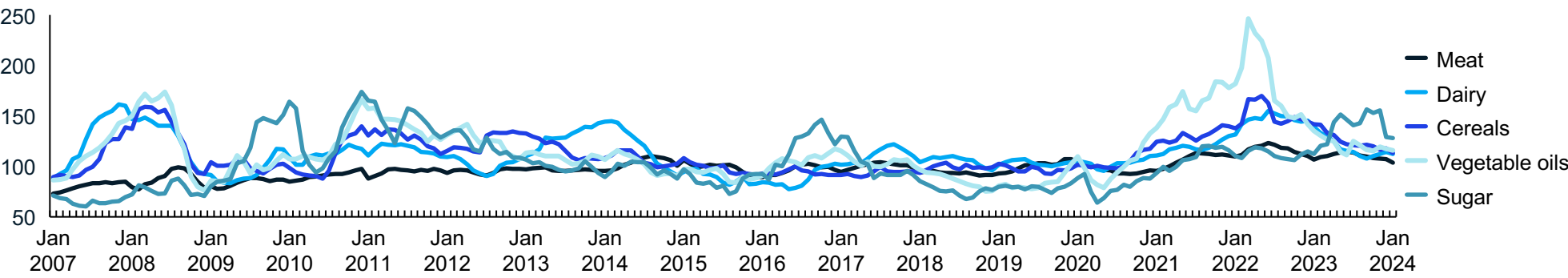
FAO Food Price Index by month, in real terms

Overall index, 2014–16 = 100



Component indexes¹

Index level, 2014–16 = 100

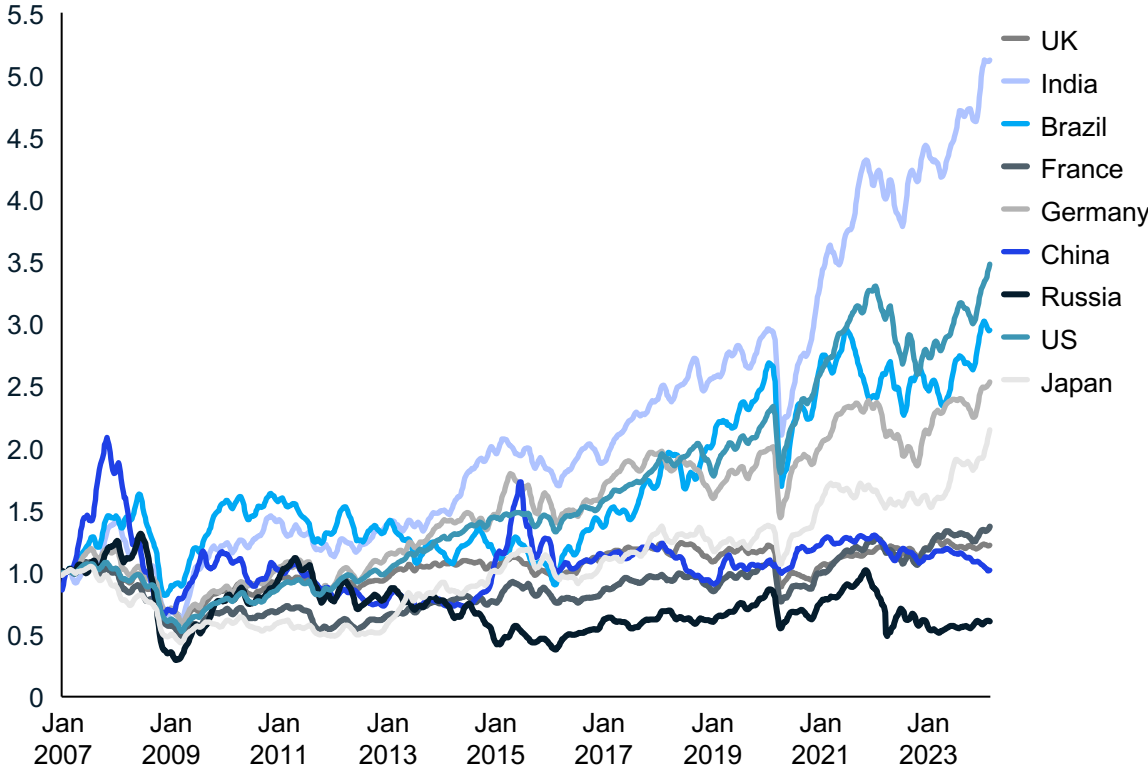


¹The values of the five indexes are compiled and then weighted by the average export shares of each group in 2002–04. The final figure represents the current value of the FAO Food Price Index.

Equity markets have shown muted growth over the past two months, except for Japan and the US

Equity markets¹

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



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 January over average value in December.

3. Growth rate calculated as average value of each index in February (February 18) over average value in December.

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

Change from prior month %

US	S&P 500	2.5	3.8
UK	FTSE 100	-0.1	0.4
Germany	DAX	0.1	1.8
France	CAC 40	-0.7	3.1
Japan	Nikkei 225	7.0	5.5
China	SSE Composite Index	-2.8	-0.4
India	BSE Sensex-30	1.8	0.7
Brazil	Bovespa	0.0	-0.7
Russia	RTS	5.0	-0.7
		January ²	February ³

Versus previous period: Significant increase (Dark Blue), Increase (Light Blue), Decline (Orange), Severe decline (Red), No significant change (Grey)

Most currencies have depreciated compared to last month; Chinese yuan is the only currency to have depreciated compared to 2007

Relative change in currency value against previous month

USD as base

Currency ranking	Country	Currency	% change ¹	Currency price	
Outperforming	Japan	JPY	1.30%	145.97	(JPY per USD)
	Australia	AUD	0.07%	1.50	(AUD per USD)
	China	RMB	0.02%	7.11	(RMB per USD)
	United States	USD		Base currency	
Underperforming	Brazil	BRL	-0.02%	4.90	(BRL per USD)
	India	INR	-0.14%	83.16	(INR per USD)
	Eurozone	EUR	-0.22%	0.92	(EUR per USD)
	UK	GBP	-0.36%	0.79	(GBP per USD)
	Nominal Effective Exchange Rate	NEER	-1.27%	103.48	(index)
	Russia	RUB	-2.43%	88.66	(RUB per USD)

Relative change in currency value against 2007 values

USD as base

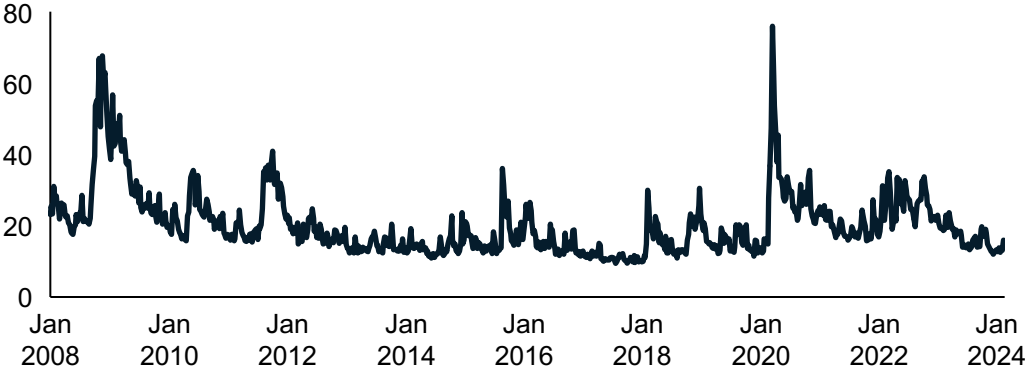
Currency ranking	Country	Currency	% change
Outperforming	Russia	RUB	246.53%
	Brazil	BRL	151.39%
	India	INR	101.12%
	UK	GBP	57.59%
	Nominal Effective Exchange Rate	USD NEER	26.26%
	Australia	AUD	25.31%
	Eurozone	EUR	25.26%
	Japan	JPY	23.95%
	United States	USD	Base currency
	Underperforming	China	RMB

Note: Data updated to January 19, 2024; data for NEER from December 2023.

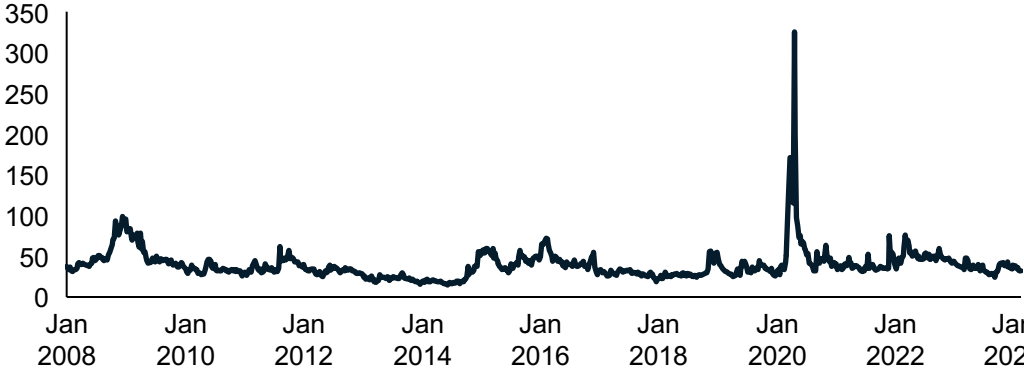
¹Positive change indicates appreciation, and negative change depreciation, of the currency against the US dollar.

Volatility indexes remain similar to pre-pandemic levels

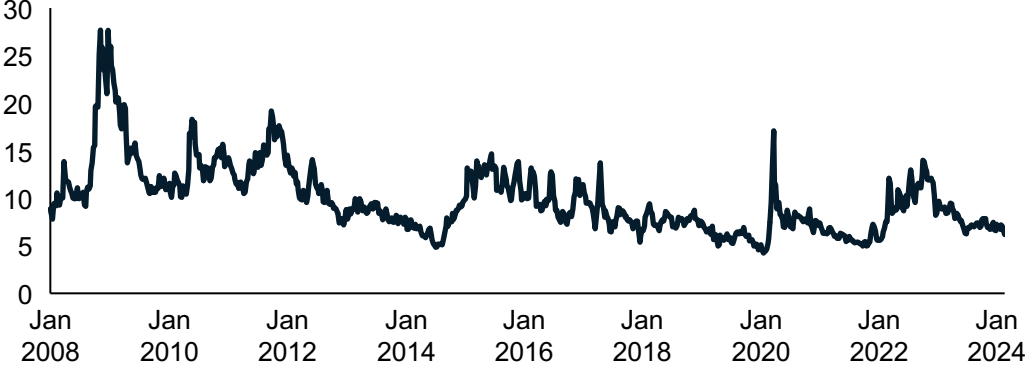
CBOE S&P 500 Index Option Volatility Index (VIX)³



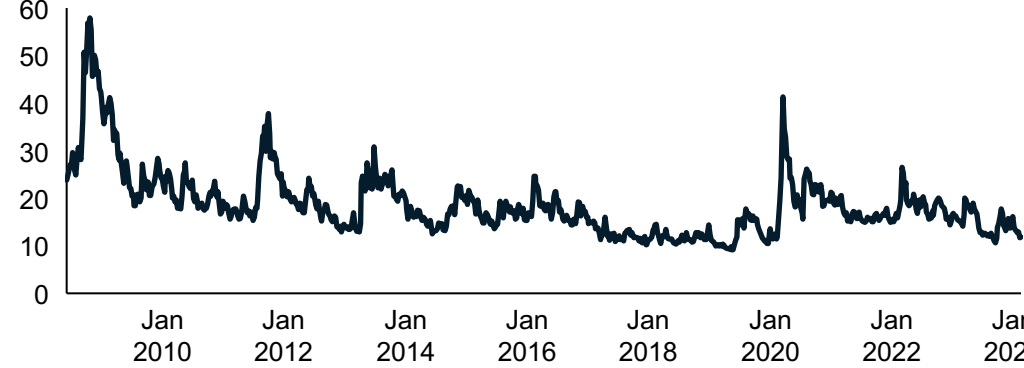
CBOE Crude Oil Volatility Index (OVX)^{1, 3}



CBOE Euro Currency Volatility Index (EVZ)³



CBOE Gold Volatility Index (GVZ)^{2, 3}

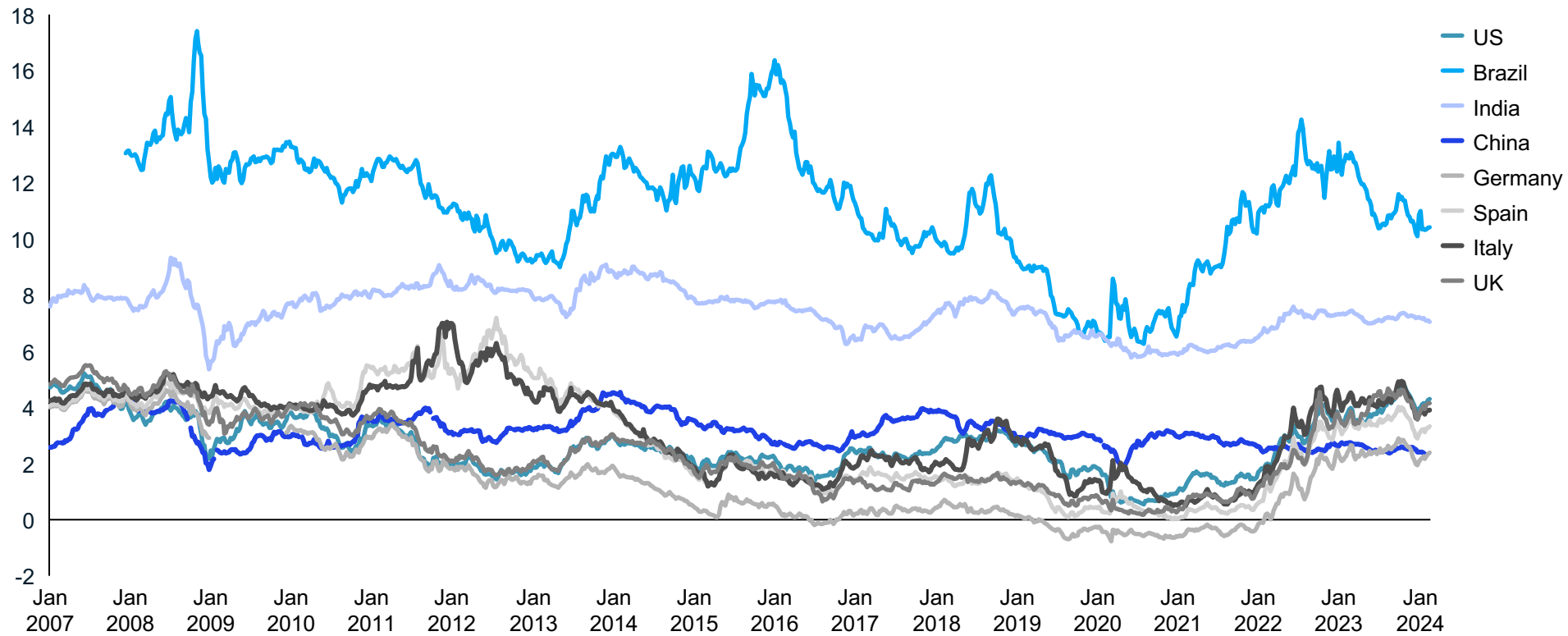


1. Based on United States Oil Fund (USO) option prices.
 2. Based on SPDR Gold Shares (GLD) options.
 3. Updated through February 20, 2024.

Government bonds continue to follow last months' rising trend, with the exception of Brazil and China

Ten-year government bonds¹

Five-day moving average,² % (daily)

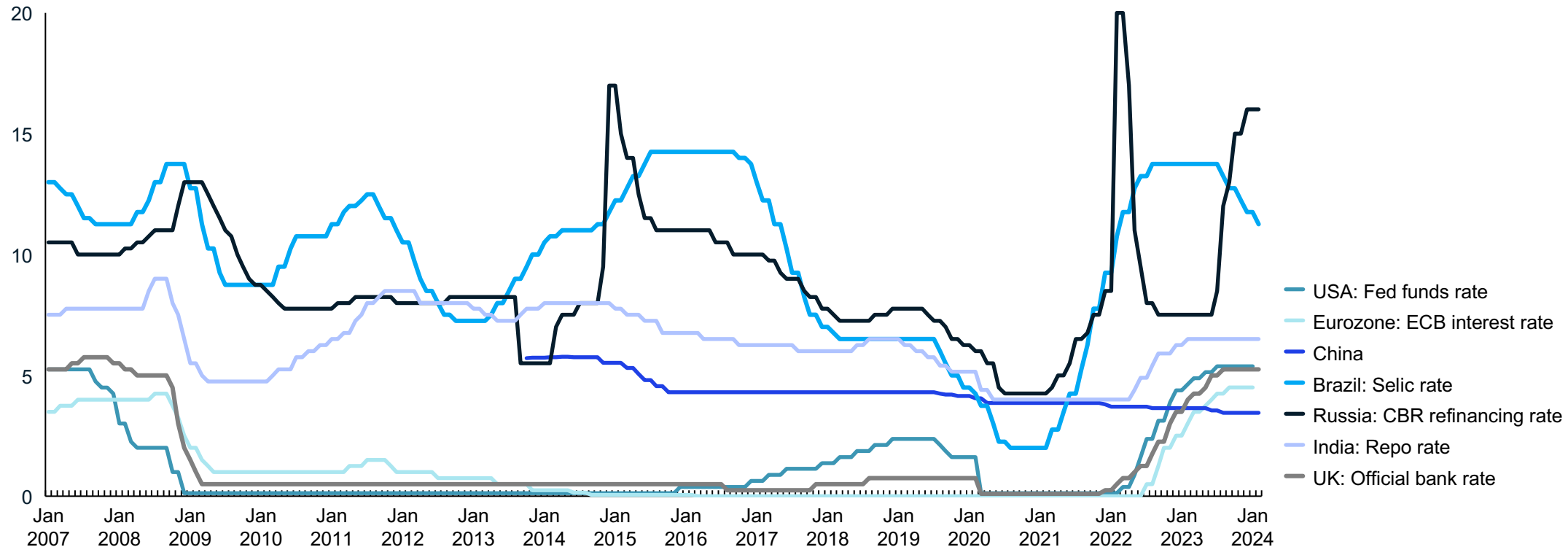


1. Five-year government bond yields used for China.

2. Updated through February 18, 2024.

Central banks refrain from cutting interest rates due to persistence of elevated inflationary pressures

Central-bank interest rates
% (monthly)



Source: Banco Central do Brasil; Bank of England; Central Bank of Russia; European Central Bank (ECB); New York Fed; Reserve Bank of India; McKinsey's Global Economics Intelligence analysis

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