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

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
Index, long-term average = 100

Data for China through September 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’s rebound standing out

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

Note: Data through September 2023.
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.

Source: S&P Global; McKinsey’s Global Economics Intelligence analysis
Developed countries witness a recent contraction in the manufacturing sector, while emerging markets grow.

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 recent months; Russia and India stand out with important growth in services.
Composite leading indicators have pointed to a rebound after 2022

OECD growth indicators: Advanced economies
Monthly, index\(^1\)

OECD growth indicators: Emerging economies
Monthly, index\(^1\)

\(^1\)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.

Source: OECD; McKinsey’s Global Economics Intelligence analysis
World trade saw slight recovery in August, by 0.4%, mainly explained by increases in exports across all economies and imports in emerging markets.

Supply chain pressures reached historical low at the end of October

**Supply-chain pressure index**

Standard deviations from average value

SOURCE: New York Federal Reserve; McKinsey’s Global Economics Intelligence analysis
In September, exports rose across all economies; imports decreased across most economies and increased in Brazil

Note: Exports and imports are not seasonally adjusted.

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US</td>
</tr>
<tr>
<td>Exports</td>
<td>3.0</td>
</tr>
<tr>
<td>Imports</td>
<td>-0.5</td>
</tr>
</tbody>
</table>

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

SOURCE: Haver Analytics; national statistics websites; McKinsey’s Global Economics Intelligence analysis

1 Data for August 2023 vs July 2023.
2. Latest data for India is September 2022.
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 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 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.

SOURCE: RWI/ISL; McKinsey’s Global Economics Intelligence analysis
Unemployment rates stable across most surveyed economies, with decreases in India and China, and slight increase in US and eurozone

Unemployment rate 2007–23¹
% of labor force (monthly)

Over the past 4 months

SOURCE: BLS; CMIE, National Bureau of Statistics of China; EIU; Eurostat; Haver Analytics; IBGE; NBS; McKinsey’s Global Economics Intelligence analysis

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)

Source: Eurostat; national statistics websites; McKinsey’s Global Economics Intelligence analysis
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)

Source: National statistics websites; McKinsey’s Global Economics Intelligence analysis
Commodity prices, including energy commodities, fell in November

Commodities indexes¹
Moving five-week average, indexed to Jan 2007

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, 68%; hogs, 34%. Industrial metals: copper, 48%; aluminum, 31%; other, 23%.

Source: Haver Analytics; McKinsey’s Global Economics Intelligence analysis
Gold prices slightly increased in the last month

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 November 12, 2023.

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

Oil price
$/barrel, five-week moving average

Heating-oil price
US cents/gallon, five-day moving average

Natural-gas price
$/per million Btu, five-week moving average

Coal price
$/megaton, monthly

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 metal prices, mostly driven by China’s lower demand for the construction sector.

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.

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 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

\(^1\)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.

Source: Food and Agriculture Organization of the United Nations; McKinsey’s Global Economics Intelligence analysis
Equity markets showed mixed performance in November, after declines across the board in October

**Equity markets¹**
Five-week moving average, daily, index (Jan 2007 = 1)

**Change from prior month**

<table>
<thead>
<tr>
<th>Country</th>
<th>Index</th>
<th>October²</th>
<th>November³</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>S&amp;P 500</td>
<td>-3.2</td>
<td>2.1</td>
</tr>
<tr>
<td>UK</td>
<td>FTSE 100</td>
<td>-1.2</td>
<td>-1.0</td>
</tr>
<tr>
<td>Germany</td>
<td>DAX</td>
<td>-3.7</td>
<td>0.9</td>
</tr>
<tr>
<td>France</td>
<td>CAC 40</td>
<td>-3.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Japan</td>
<td>Nikkei 225</td>
<td>-4.1</td>
<td>3.1</td>
</tr>
<tr>
<td>China</td>
<td>SSE Composite Index</td>
<td>-3.0</td>
<td>0.3</td>
</tr>
<tr>
<td>India</td>
<td>BSE Sensex-30</td>
<td>-1.7</td>
<td>-1.1</td>
</tr>
<tr>
<td>Brazil</td>
<td>Bovespa</td>
<td>-2.2</td>
<td>3.9</td>
</tr>
<tr>
<td>Russia</td>
<td>RTSI</td>
<td>2.2</td>
<td>5.7</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Currency</th>
<th>% change</th>
<th>Currency price</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUB</td>
<td>5.18%</td>
<td>92.35 (RUB per USD)</td>
</tr>
<tr>
<td>BRL</td>
<td>3.03%</td>
<td>4.91 (BRL per USD)</td>
</tr>
<tr>
<td>NEER</td>
<td>1.36%</td>
<td>105.16 (index)</td>
</tr>
<tr>
<td>EUR</td>
<td>1.08%</td>
<td>1.07 (USD per EUR)</td>
</tr>
<tr>
<td>AUD</td>
<td>0.92%</td>
<td>0.64 (USD per AUD)</td>
</tr>
<tr>
<td>GBP</td>
<td>0.82%</td>
<td>1.23 (USD per GBP)</td>
</tr>
<tr>
<td>RMB</td>
<td>0.01%</td>
<td>717.78 (USD per RMB)</td>
</tr>
</tbody>
</table>

**Relative change in currency value against previous month**

**Outperforming**

<table>
<thead>
<tr>
<th>Currency</th>
<th>% change</th>
<th>Currency price</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>Base currency</td>
<td></td>
</tr>
<tr>
<td>INR</td>
<td>–0.23%</td>
<td>83.23 (INR per USD)</td>
</tr>
<tr>
<td>JPY</td>
<td>–0.89%</td>
<td>150.93 (JPY per USD)</td>
</tr>
</tbody>
</table>

**Underperforming**

<table>
<thead>
<tr>
<th>Currency</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>JPY</td>
<td>–22.04%</td>
</tr>
<tr>
<td>EUR</td>
<td>–22.10%</td>
</tr>
<tr>
<td>AUD</td>
<td>–23.58%</td>
</tr>
<tr>
<td>GBP</td>
<td>–38.72%</td>
</tr>
<tr>
<td>INR</td>
<td>–50.41%</td>
</tr>
<tr>
<td>BRL</td>
<td>–60.52%</td>
</tr>
<tr>
<td>RUB</td>
<td>–72.31%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Currency ranking</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outperforming</td>
<td>USD NEER 28.31%</td>
</tr>
<tr>
<td>Underperforming</td>
<td>GBP –38.72%</td>
</tr>
</tbody>
</table>

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.

Source: BIS; Haver Analytics; McKinsey's Global Economics Intelligence analysis
Volatility indicators start to slightly increase, due to recent tight socioeconomic conditions

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

CBOE Crude Oil Volatility Index (OVX)

CBOE Euro Currency Volatility Index (EVZ)

CBOE Gold Volatility Index (GVZ)

Source: CBOE; McKinsey’s Global Economics Intelligence analysis

1. Based on United States Oil Fund (USO) option prices.
2. Based on SPDR Gold Shares (GLD) options.
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

Five-year government bond yields used for China.

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

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