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Global Economics Intelligence

Critical trends and risks

Released August 2023 (data through July 2023)

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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

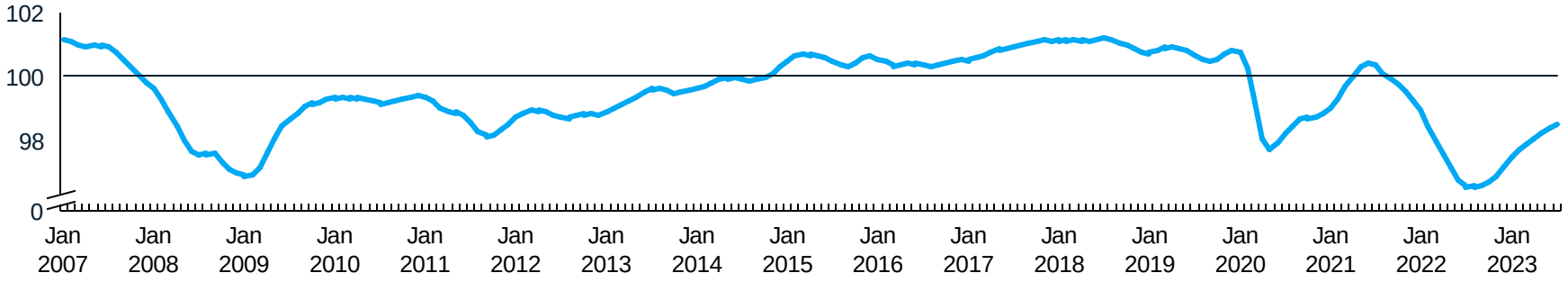
Versus previous period: Significant improvement | Some improvement | Some deterioration | Significant deterioration | No significant change

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 tradeGlobal 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

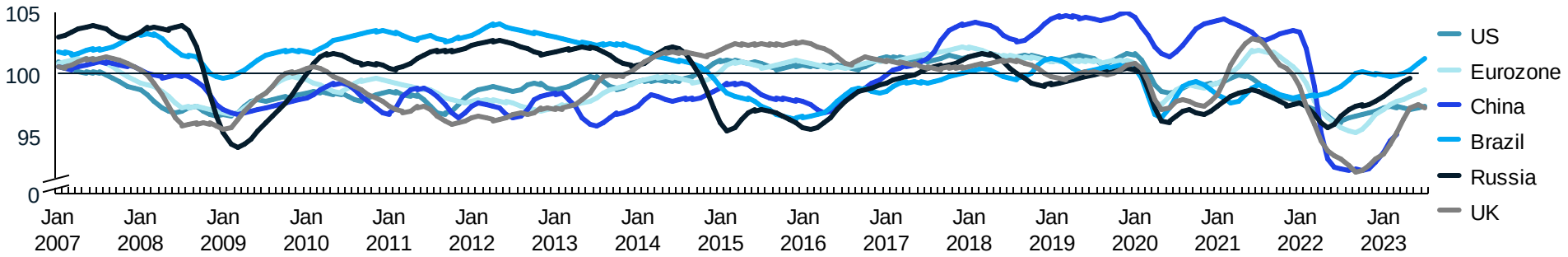
OECD global consumer confidence indicator

Index, long-term average = 100



OECD consumer confidence indicators for individual economies[1]

Index, long-term average = 100[1]



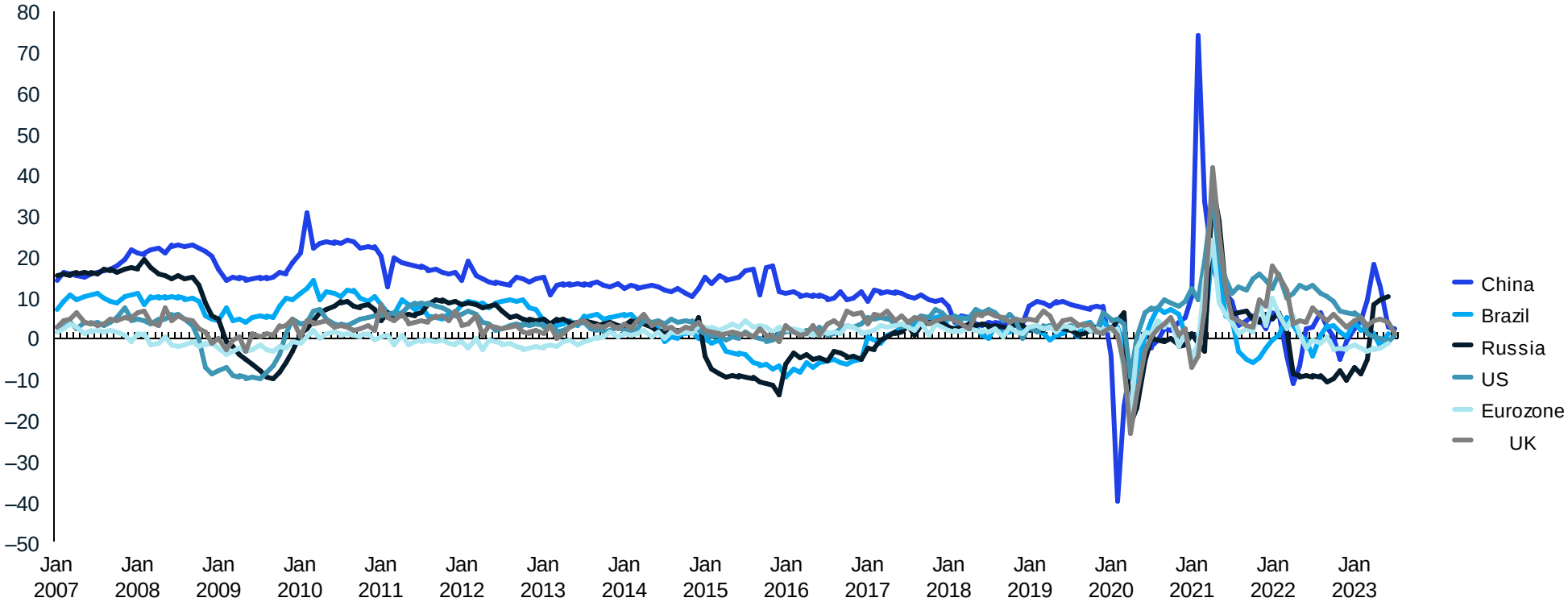
[1]Data for China through March 2023 and Russia through May 2023.

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]

Year over year (monthly)



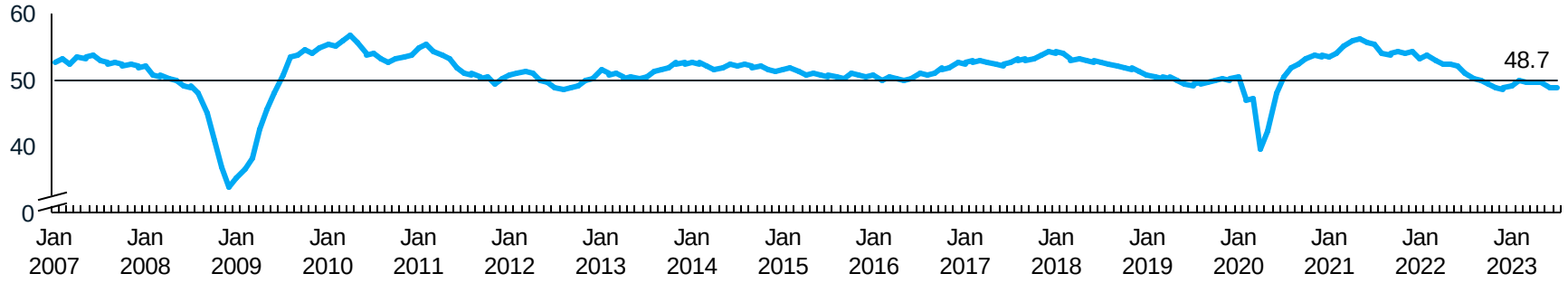
[1]Data for Brazil, Eurozone, and Russia through June 2023.

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

Global manufacturing sector remained stable in July, while some slowdown in expansion was also visible in services

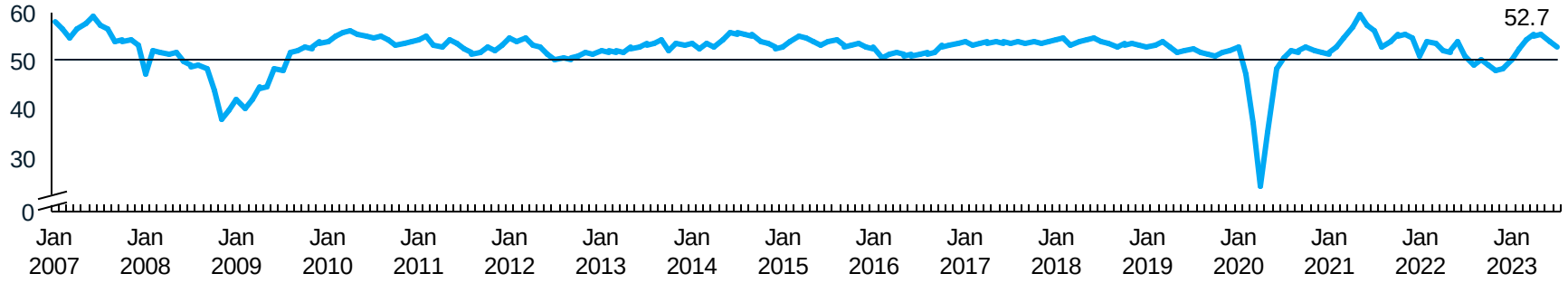
JPMorgan Global Purchasing Managers' Index (Manufacturing)

Diffusion index, seasonally adjusted (monthly)



JPMorgan Global Purchasing Managers' Index (Services)

Diffusion index, seasonally adjusted (monthly)



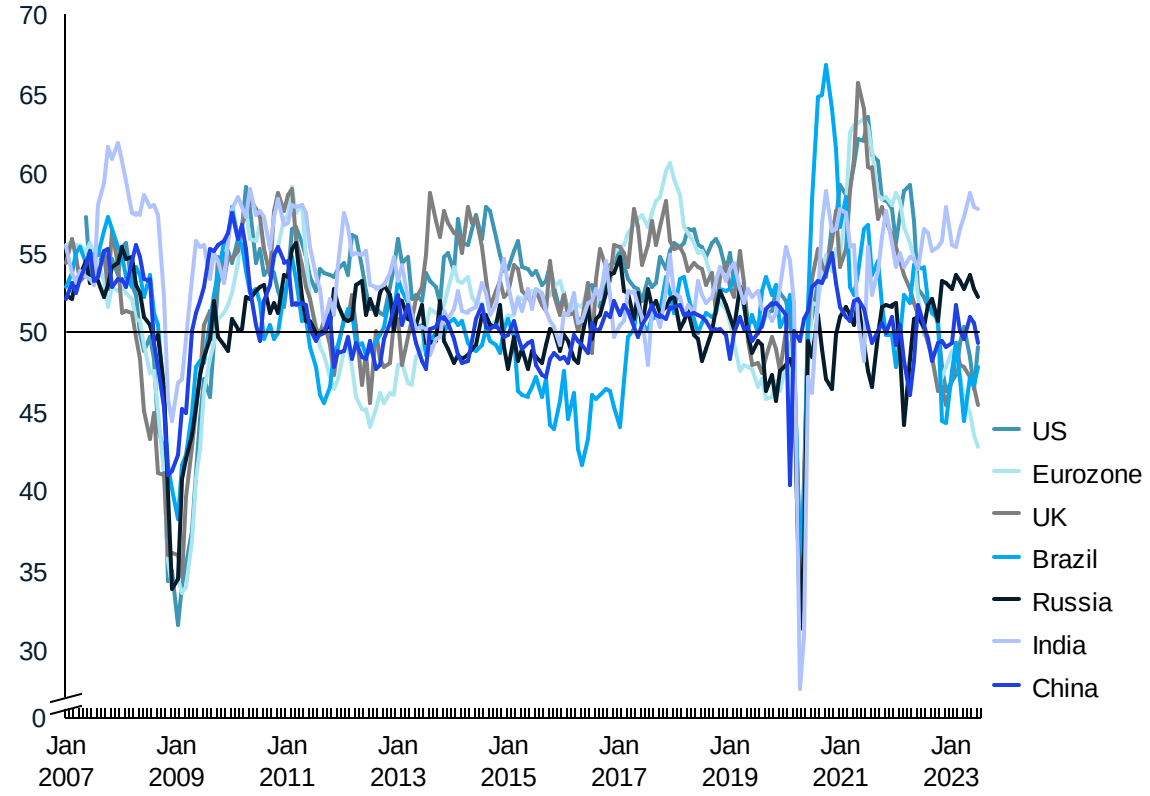
Note: A reading above 50.0 indicates an increase from the previous month, and a reading below 50.0 indicates a decrease. Country-level data are the PMIs for individual countries as sourced from Markit Economics or the Institute for Supply Management (ISM) and are not a breakdown of the JPMorgan Global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

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

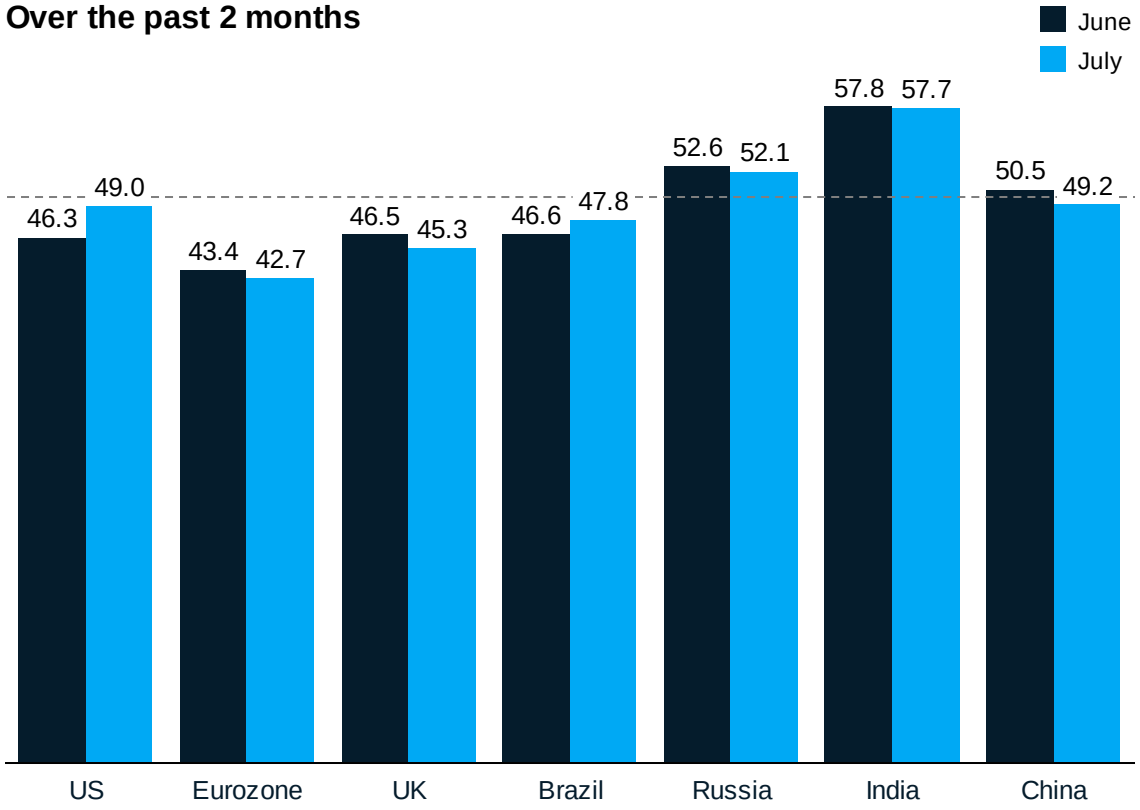
Manufacturers record either slowdown or further acceleration of contraction in the business

Purchasing managers' index (manufacturing)

Diffusion index (monthly)



Over the past 2 months



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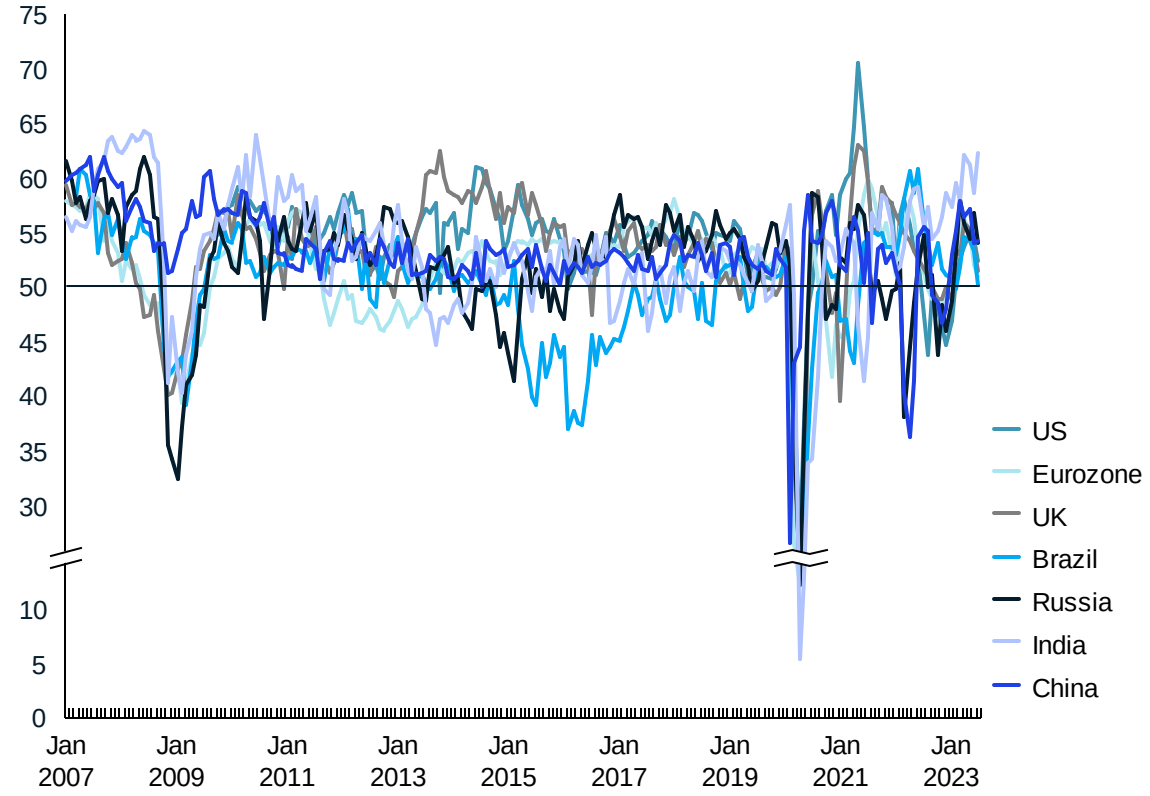
Source: S&P Global; McKinsey's Global Economics Intelligence analysis

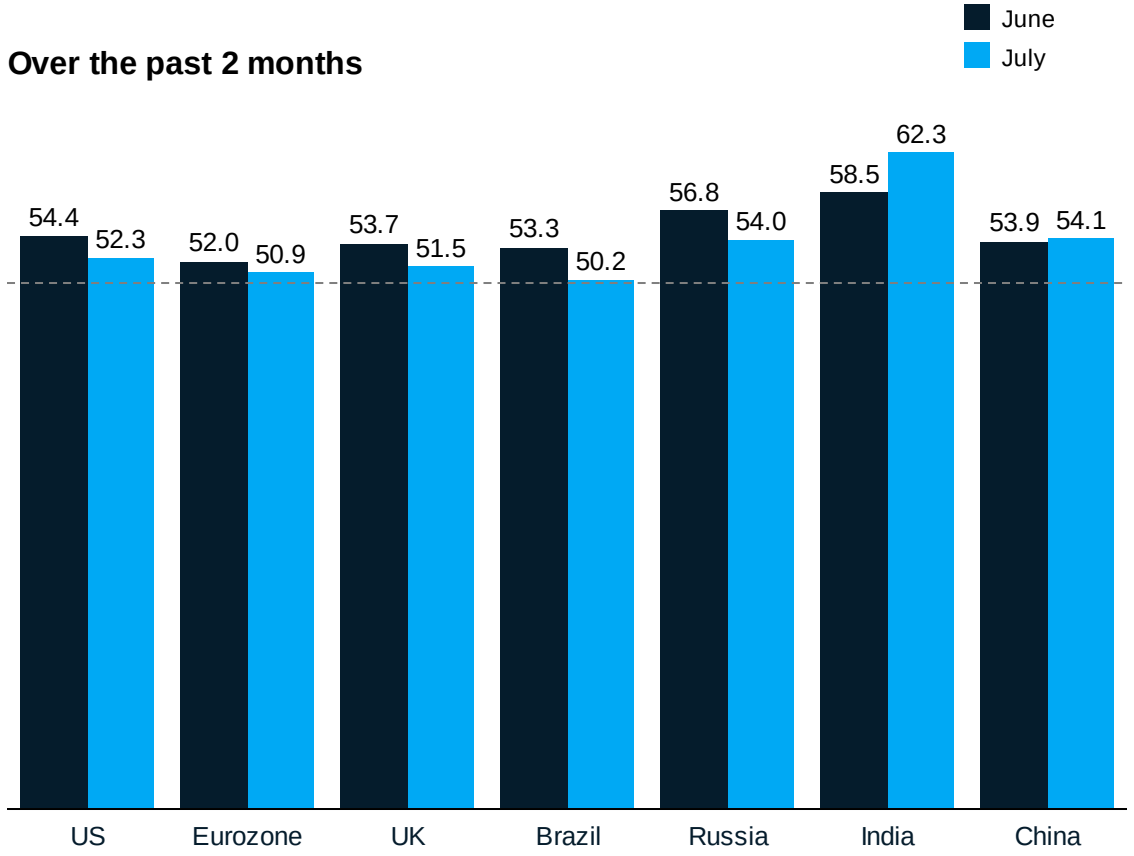
Downturn in services started in July; with the exception of India presenting the fastest growth in almost a decade

Purchasing managers' index (services)

Diffusion index (monthly)



Over the past 2 months



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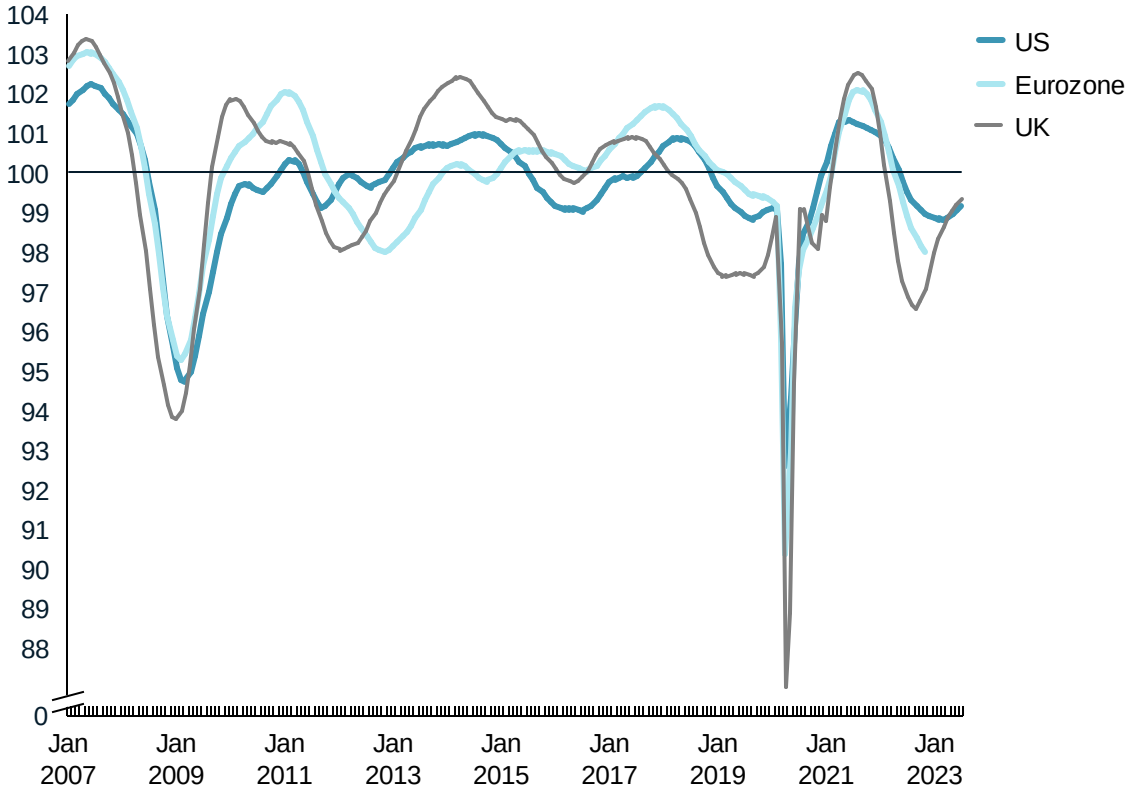
Source: S&P Global; McKinsey's Global Economics Intelligence analysis

OECD's CLI showed signs of rebound across economies, but majority are still below long-term trend

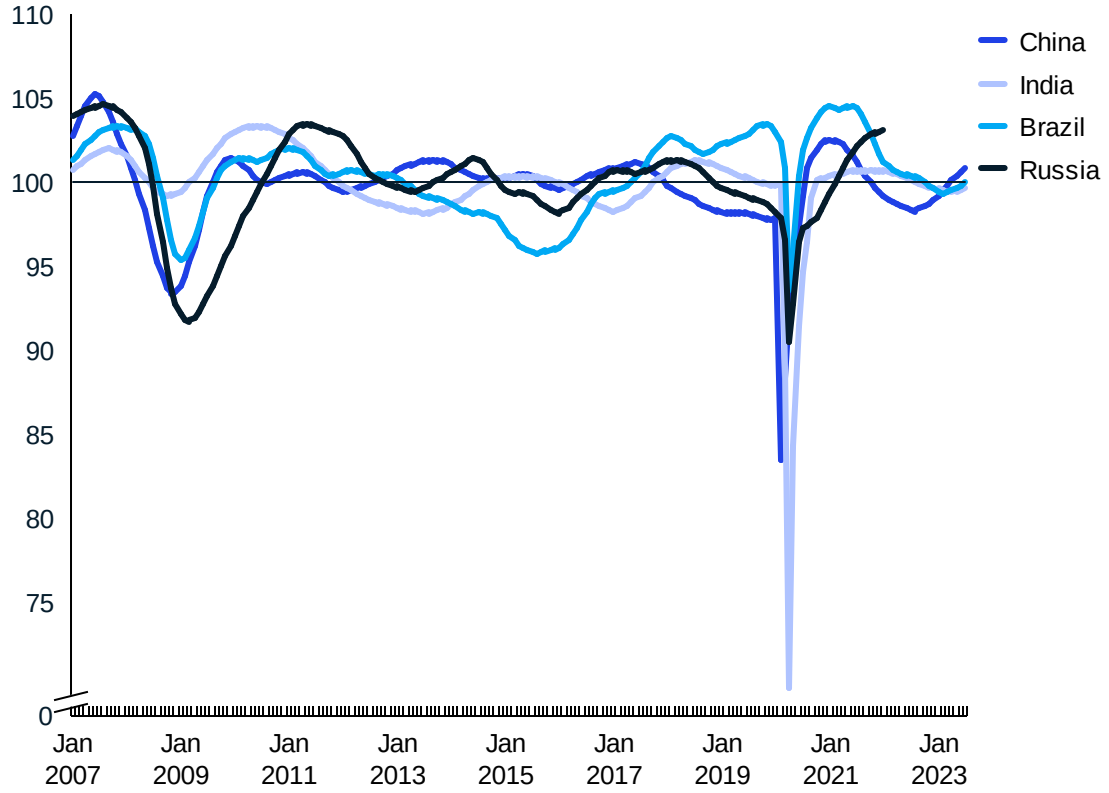
OECD growth indicators: Advanced economies

Monthly, index[1]



OECD growth indicators: Emerging economies

Monthly, index[1]

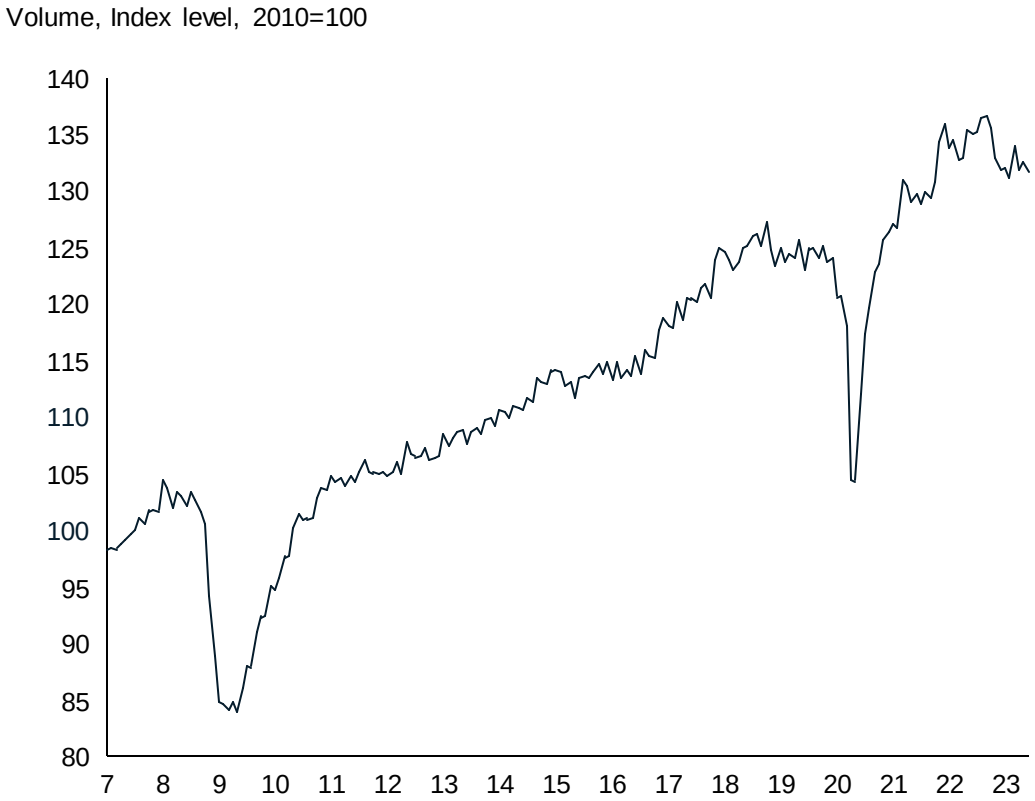


[1]Composite leading indicators (CLIs) attempt to identify turning points in economic activity approximately 6 months in advance. The horizontal line at 100 shows the long-term trend in industrial production (the reference series). An increase above 100 indicates expansion; a decrease but still above 100 indicates a downturn; a decrease below 100 indicates a slowdown; and an increase below 100 indicates a recovery.

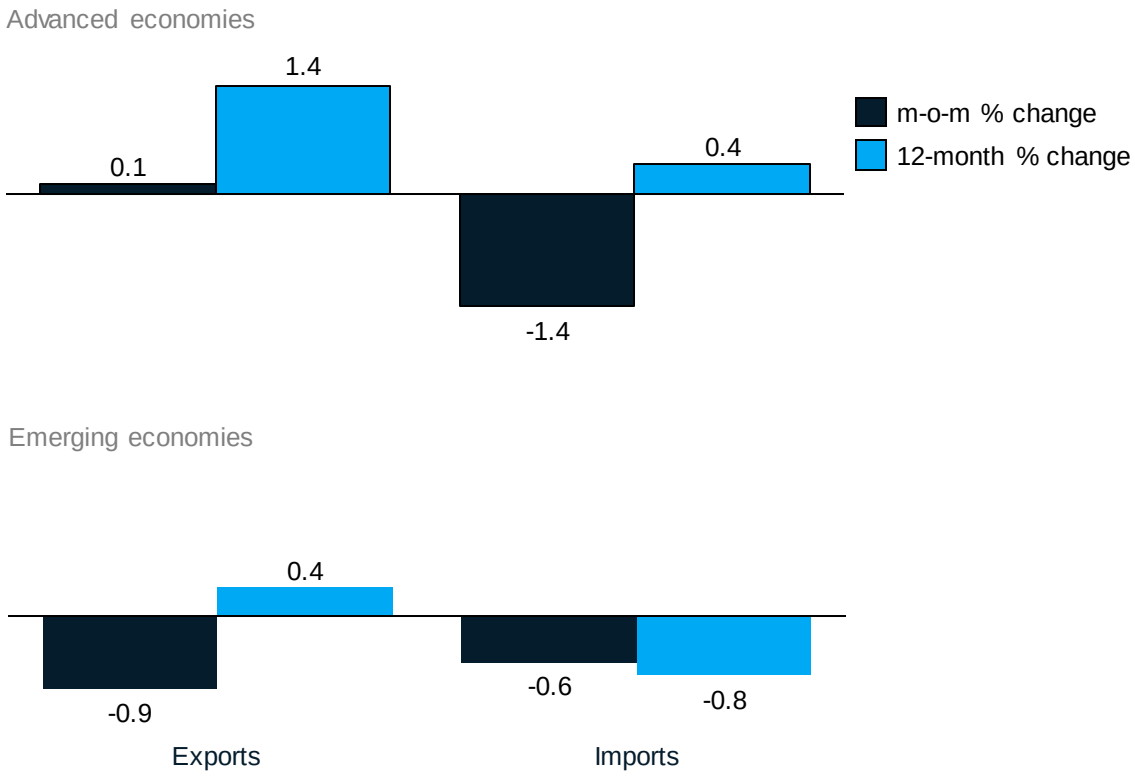
Source: OECD; McKinsey's Global Economics Intelligence analysis

World trade witnessed another monthly decline in June, with only exports among advanced economies recording some gains

CPB World Trade Monitor



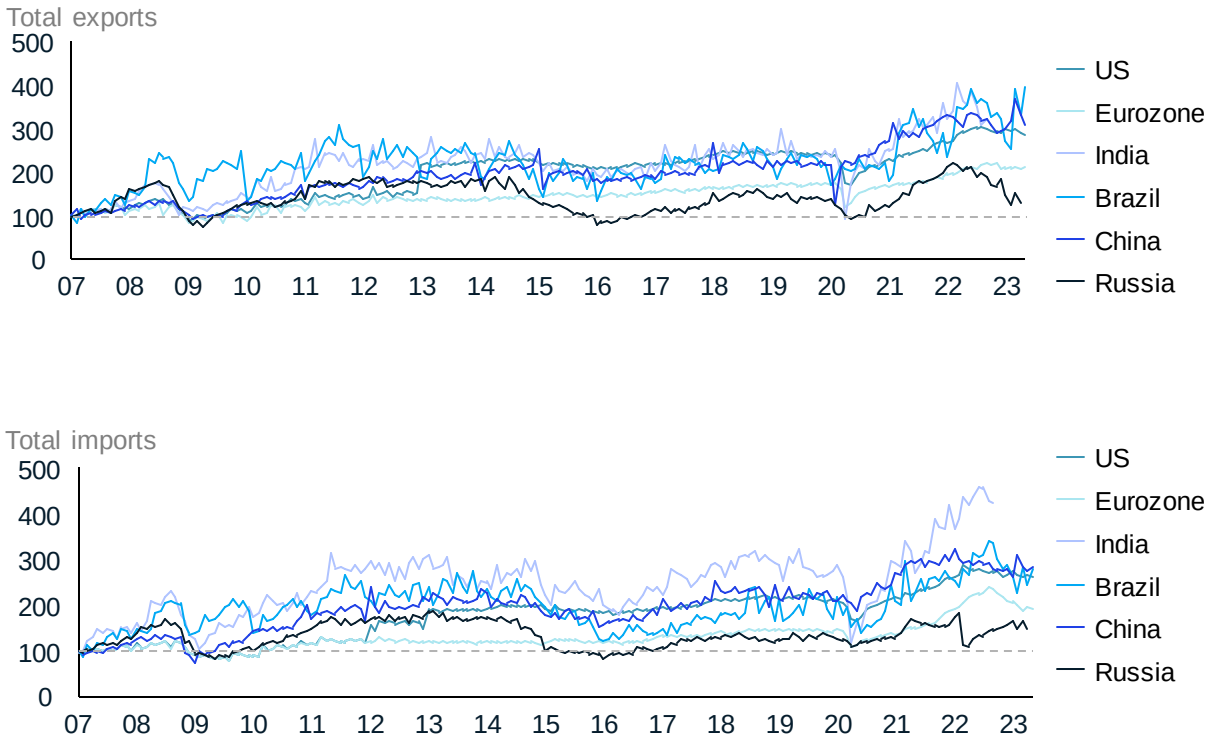
CPB World Trade Monitor details January 2023



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

Monthly index (January 2007 = 100)



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

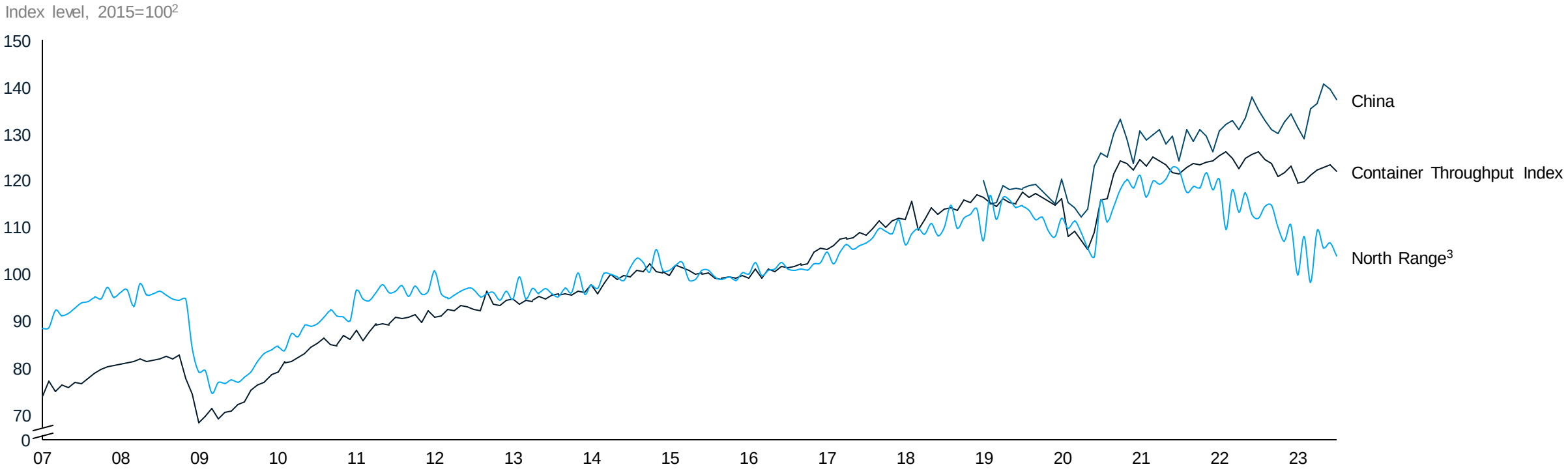
	% change from previous month[1]	12-mo. % change Jun. 2023–May. 2023 vs. Jun 2023–May. 2022
Exports		
US	–0.8	10.8
Eurozone[2]	2.9	12.4
China	–6.8	2.3
Brazil	18.6	12.6
India[2]	4.5	24.2
Russia[2]	–16.1	–8.9
Imports		
US	–2.3	5.0
Eurozone	–0.1	16.7
China	3.3	–4.6
Brazil	13.9	9.7
India	–1.2	38.8
Russia	–9.0	–5.2

Note: Exports and imports are not seasonally adjusted.
1 Data for May 2023 vs April 2023.
2. Latest data for Russia is April 2023; India is September 2022.

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

Overall container trade declined in July, with all regions, including Chinese ports, experiencing slower trade

RWI/ISL Container Throughput Index[1]



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.

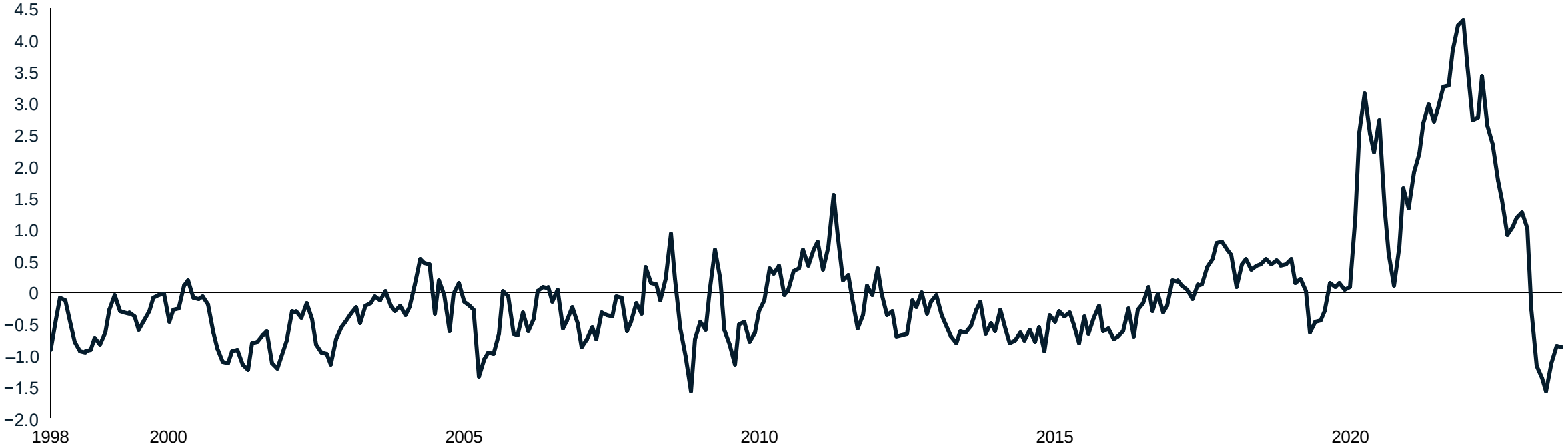
Note: The RWI/ISL Container Throughput Index provides timely information on short-term trends in international trade. The database covers 91 international ports, which handle about 60% of global container transhipment. The monthly data do not include figures for Dubai. Data is seasonally and working-day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

SOURCE: RWI/ISL; McKinsey's Global Economics Intelligence analysis

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

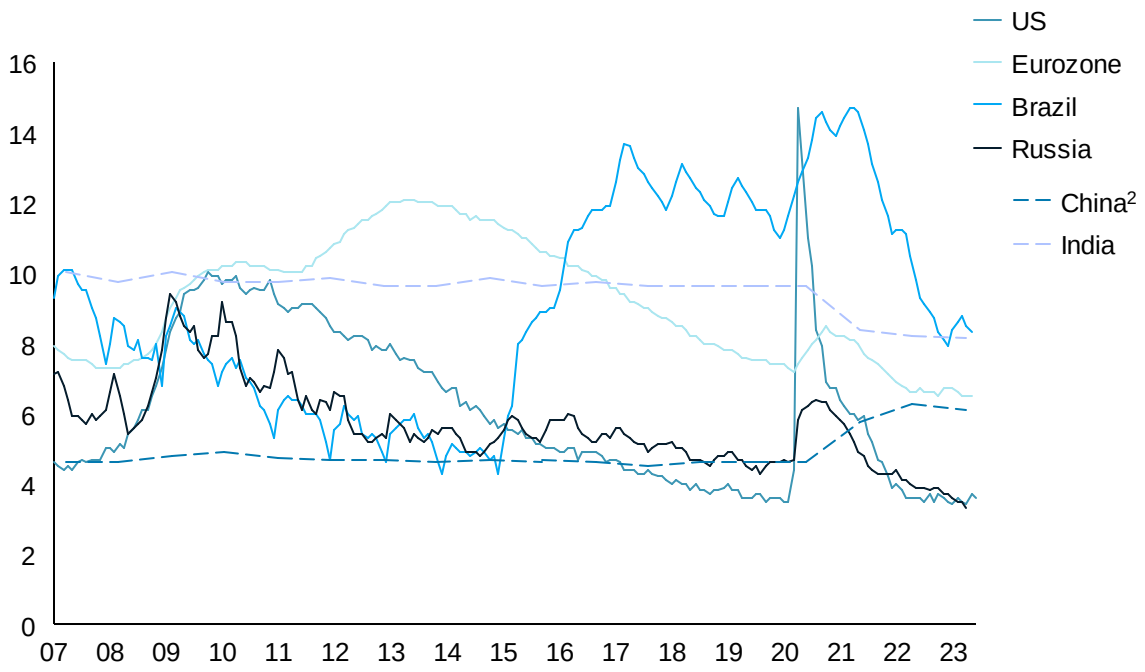


SOURCE: New York Federal Reserve; McKinsey's Global Economics Intelligence analysis

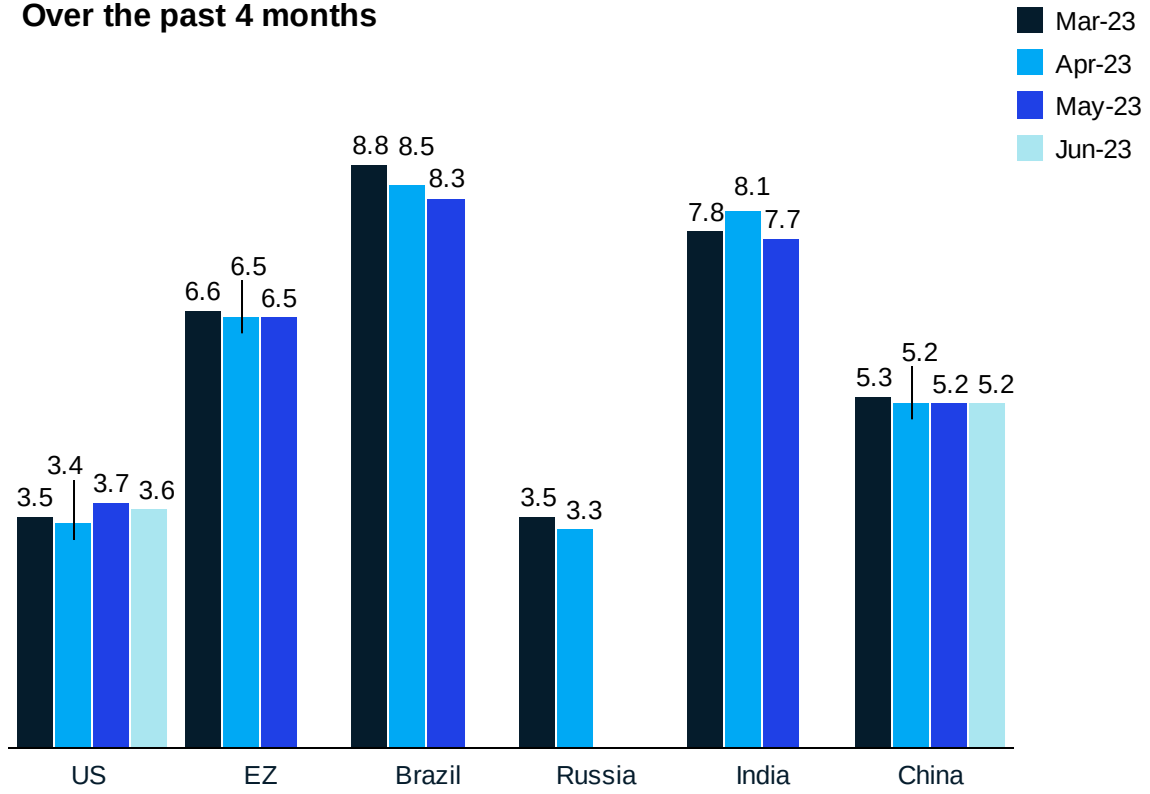
Unemployment rates remain stable across most surveyed economies, with slight decreases in Brazil and India

Unemployment rate 2007–23[1]

% of labor force (monthly)



Over the past 4 months



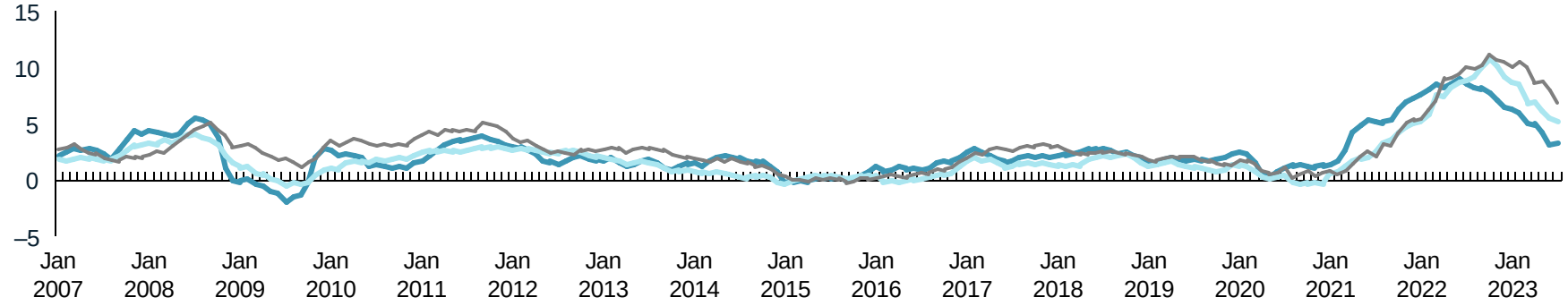
1 Data for India and China are annual and shown as a smoothed trend line.
2 China unemployment only shows urban rate.

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

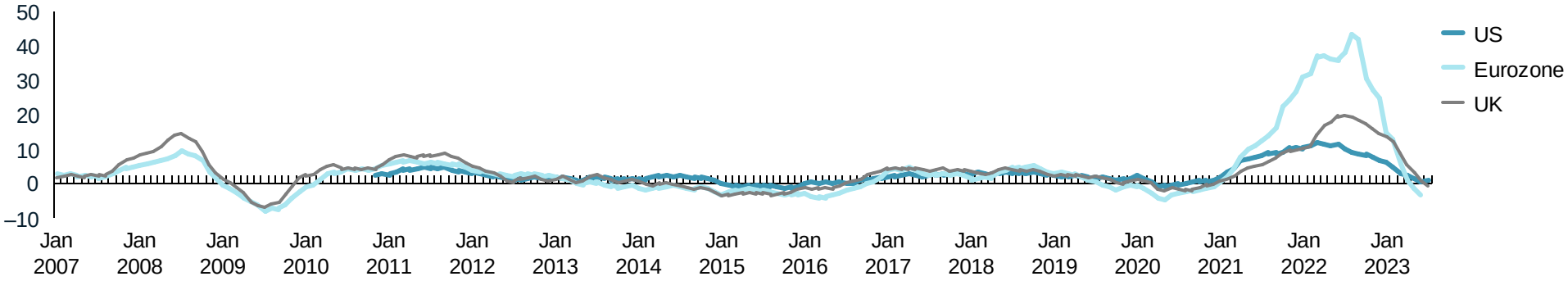
Consumer price indexes: Developed economies

% year over year (monthly)



Producer price indexes: Developed economies

% year over year (monthly)

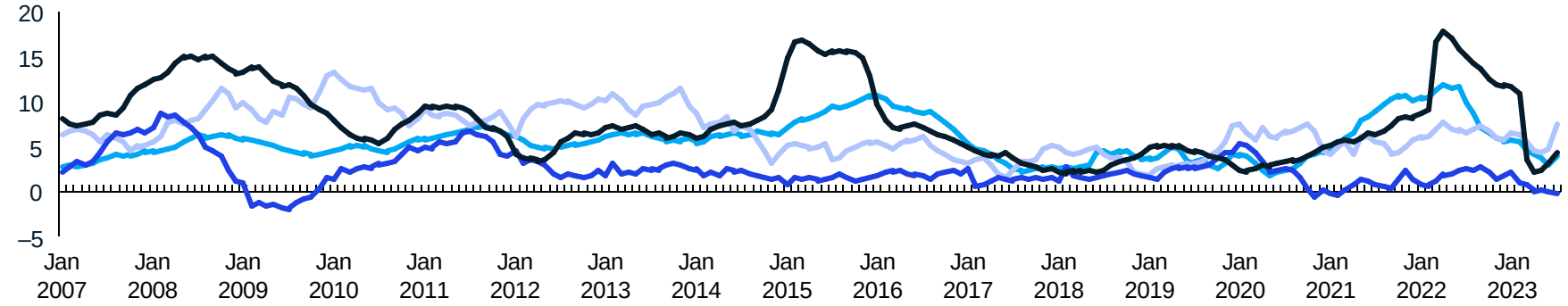


Source: Eurostat; national statistics websites; McKinsey's Global Economics Intelligence analysis

Consumer prices continued to gather momentum in Russia and India in July, whereas in China prices showed a decline of 0.3%

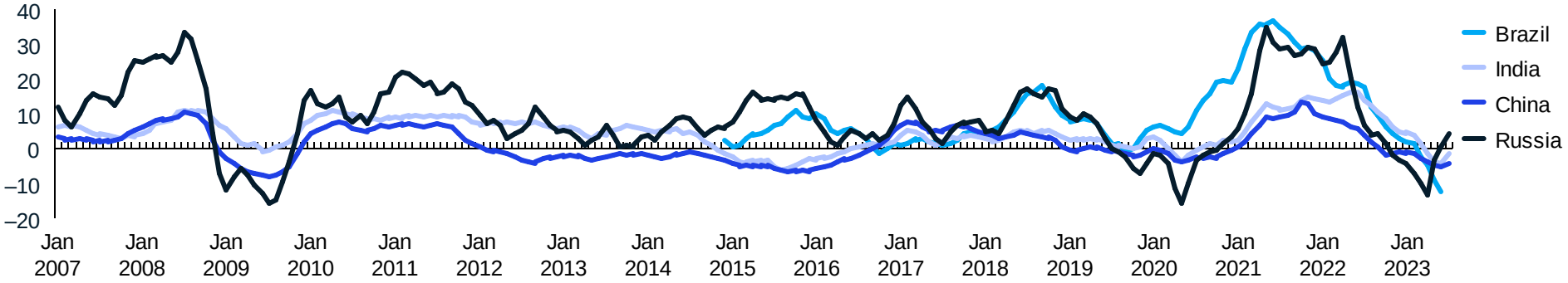
Consumer price indexes: Emerging economies

% year over year (monthly)



Producer price indexes: Emerging economies

% year over year (monthly)

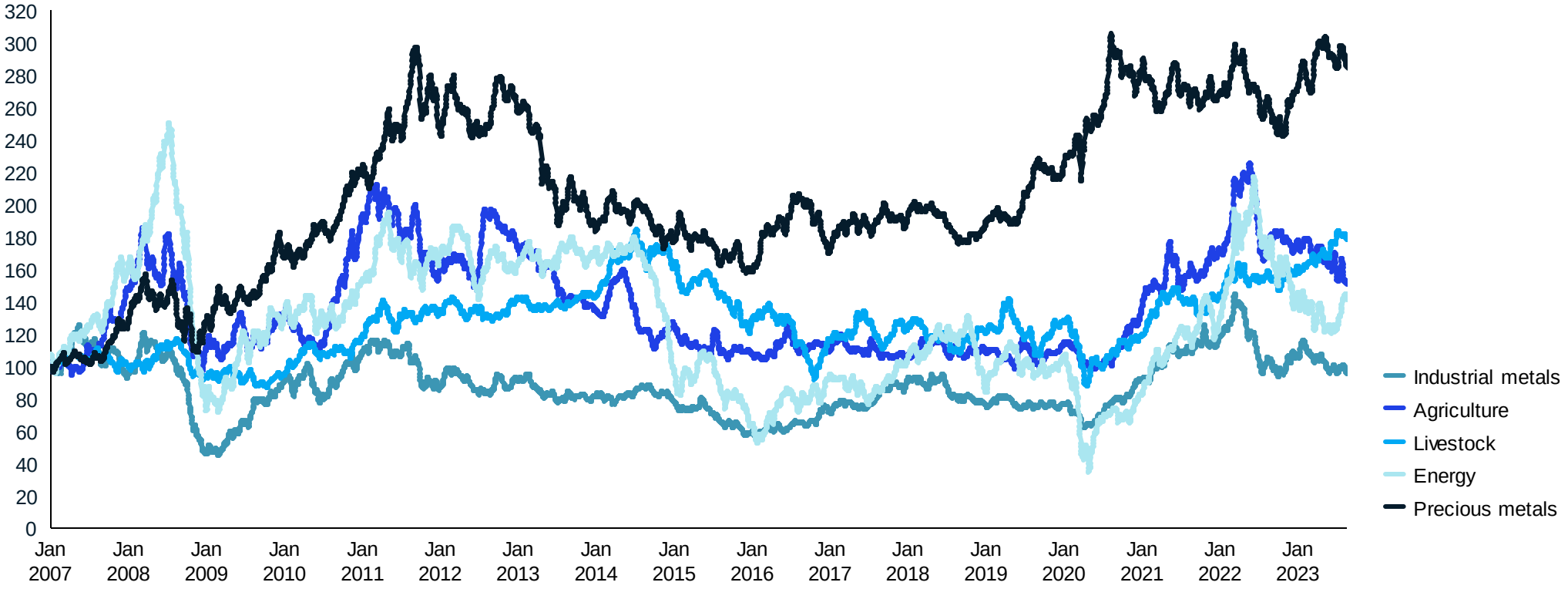


Source: National statistics websites; McKinsey's Global Economics Intelligence analysis

The majority of commodities remained relatively stable, while energy prices experienced a rebound

Commodities indexes[1]

Moving 5-day average, indexed to Jan 2007



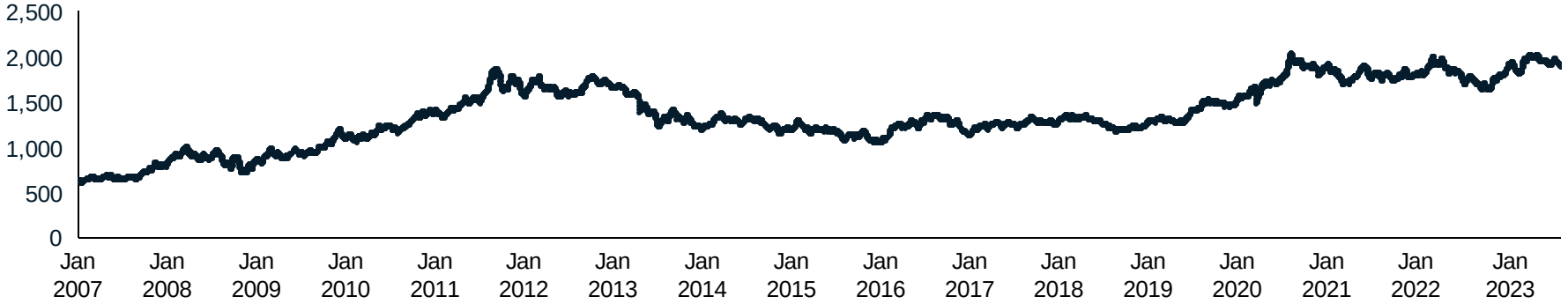
1. Updated through August 21, 2023; commodity data are taken from the GS Commodities Index, with components weighted by production. Precious metals: gold, 83%; silver, 17%. Energy: crude oil, 70%; oil products, 25%; natural gas, 4%. Agriculture: corn, 28%; wheat, 25%; soybeans, 15%; sugar, 14%; other, 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

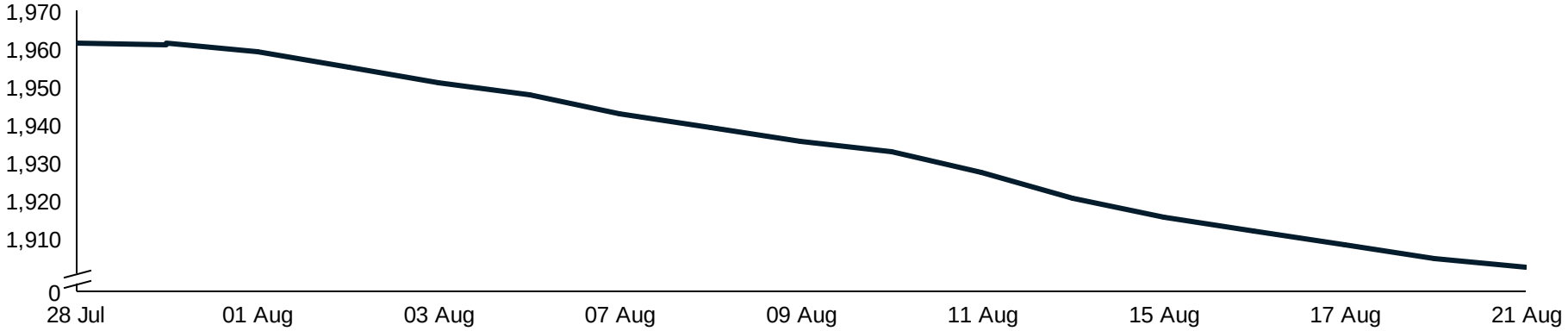
Gold spot price[1]

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



Gold spot price over past 3 weeks

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



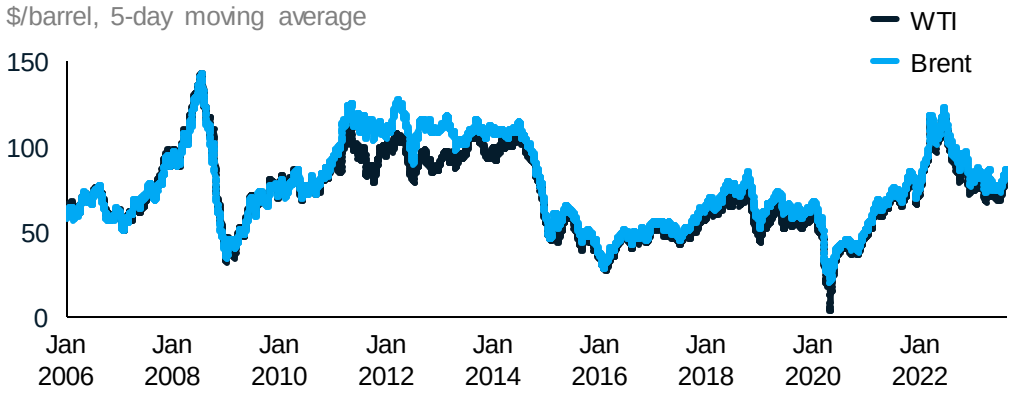
[1]Updated through August 21, 2023.

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

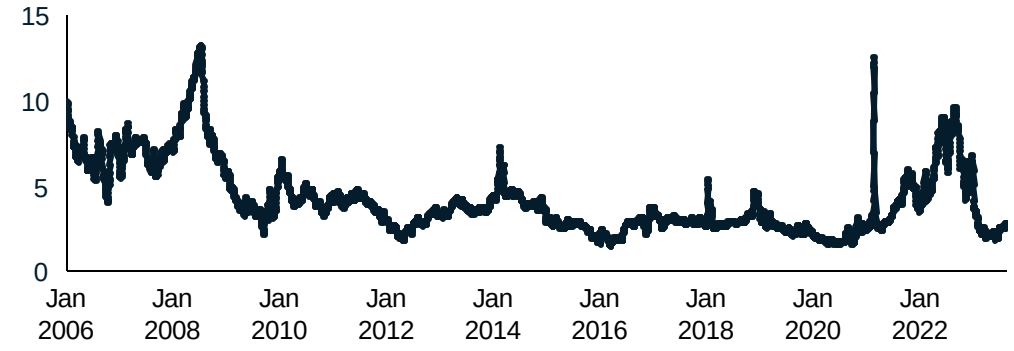
Oil price[1]

$/barrel, 5-day moving average



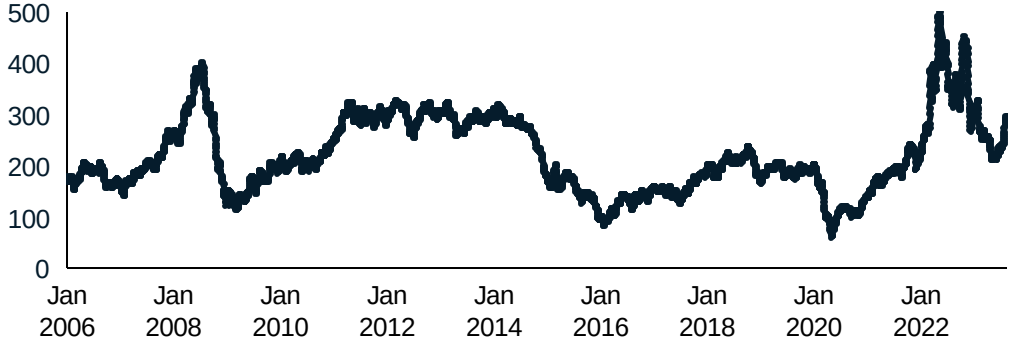
Natural-gas price[2]

$ per million Btu, 5-day moving average



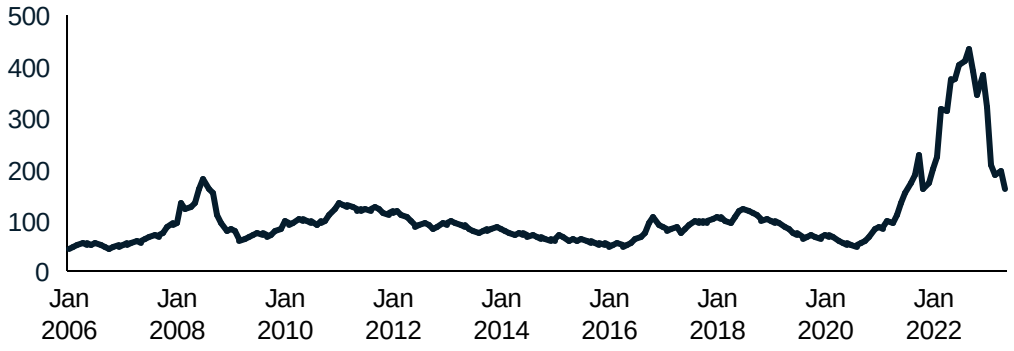
Heating-oil price[3]

US cents/gallon, 5-day moving average



Coal price[4]

$/megaton, monthly



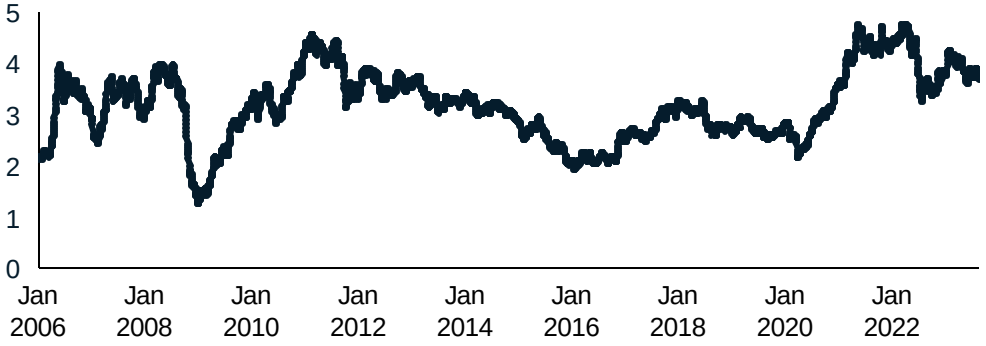
[1]Crude Brent, Henry Hub (Nymex). WTI (West Texas Intermediate) prices as of August 21, 2023.
[2]Henry Hub, LA; prices as of August 21, 2023.
[3]New York Harbor No. 2. heating-oil prices as of August 21, 2023.
[4]Australia coal prices; coal prices as of May 2023.

Source: Haver Analytics; US Energy Information Administration; World Bank; McKinsey's Global Economics Intelligence analysis

Industrial metals prices experienced another decline in August

Copper[1]

$/pound, 5-day moving average

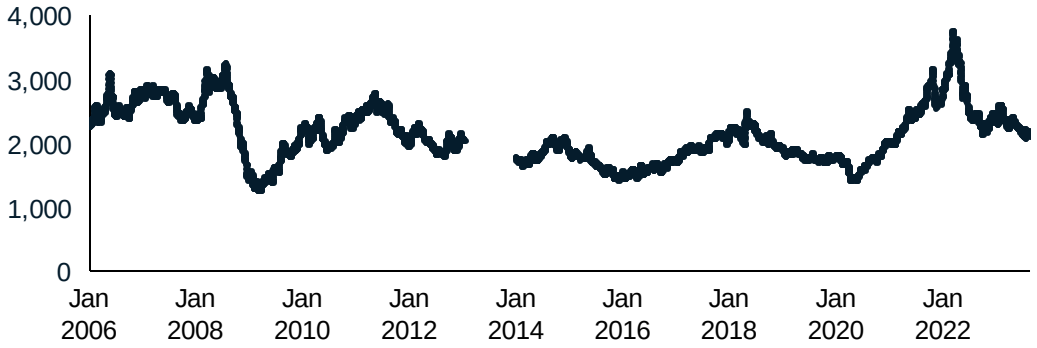


Steel[2]

$/gross metric ton (monthly)

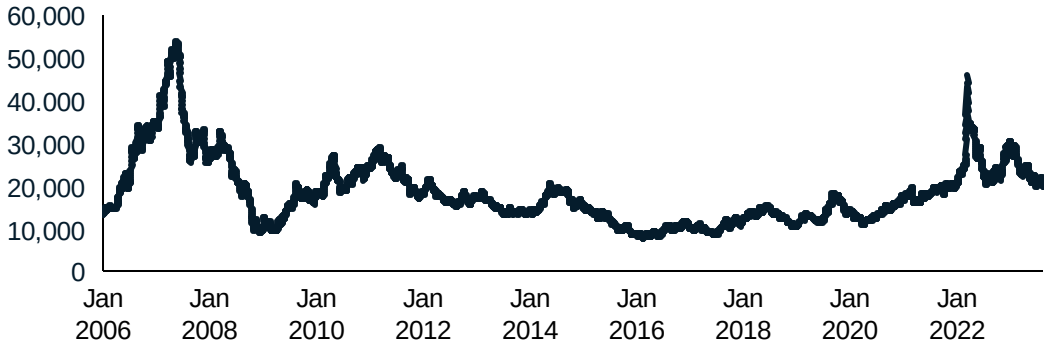
Aluminum[3]

$/Mt, 5-day moving average



Nickel[4]

$/Mt, 5-day moving average

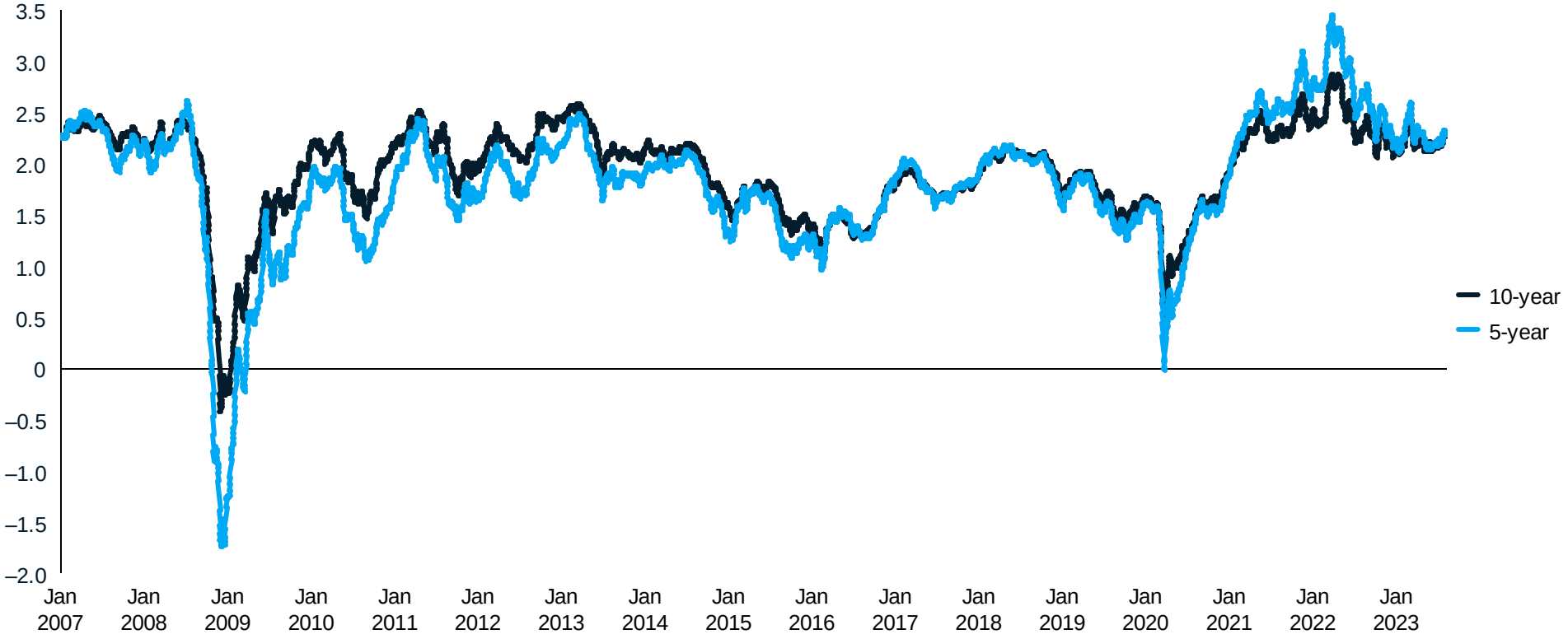


[1]Copper, high grade: COMEX Spot Price, updated through August 21, 2023.
[2]Steel, 2.75-millimeter hot-rolled coil ($/gross metric ton); data estimated since May 2012 using 0.5-millimeter cold-rolled sheet prices; data from July 2023.
[3]Aluminum, LME spot ($/metric ton), updated through August 21, 2023. [4]UK: LME nickel, closing cash price ($/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



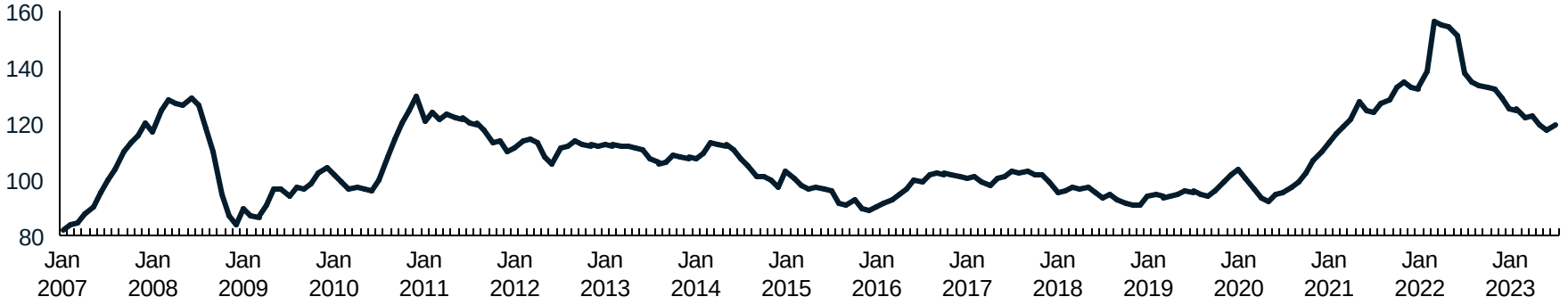
[1]Updated through August 11, 2023.

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

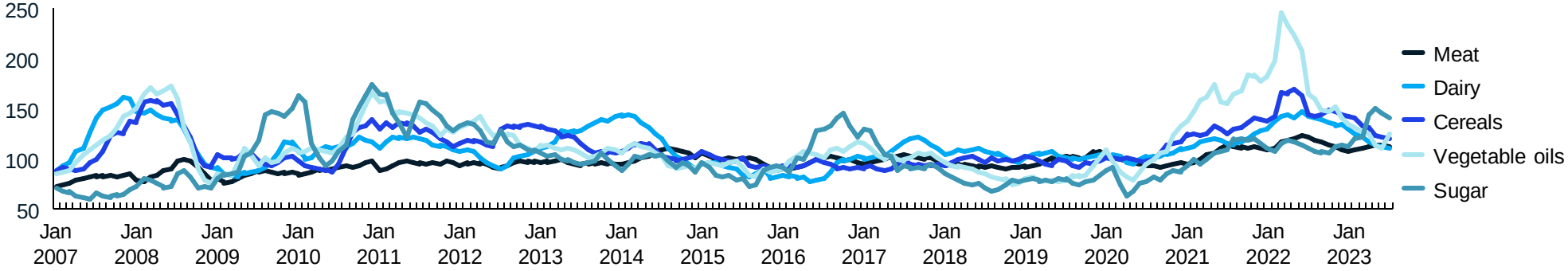
FAO Food Price Index by month, in real terms

Overall index, 2014–16 = 100



Component indexes[1]

Index level, 2014–16 = 100



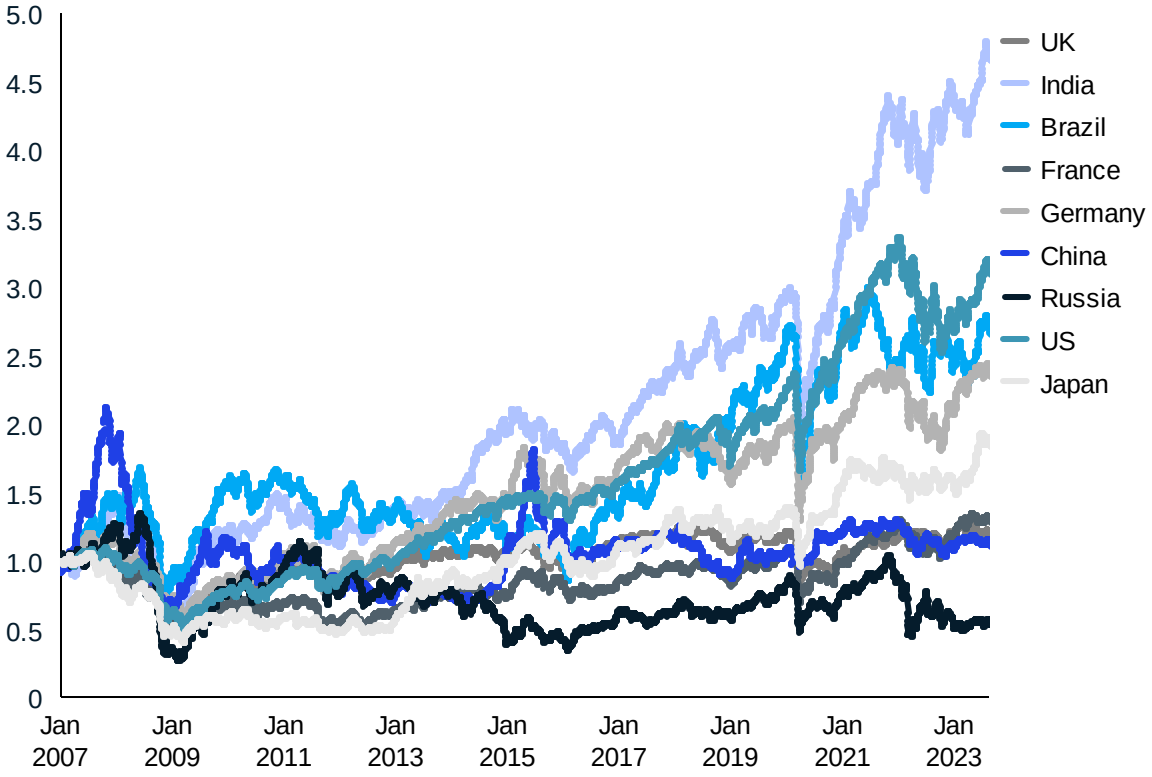
[1]The values of the 5 indexes are compiled and then weighted by the average export shares of each group in 2002–04. The final figure represents the current value of the FAO Food Price Index.

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)



Change from prior month

%

		July[2]	August[3]
US	S&P 500	3.7	–1.0
UK	FTSE 100	–0.6	–0.6
Germany	DAX	0.2	–1.4
France	CAC 40	1.1	–0.6
Japan	Nikkei 225	–0.2	–1.6
China	SSE Composite Index	0.0	–0.2
India	BSE Sensex-30	4.7	–0.8
Brazil	Bovespa	1.8	–1.1
Russia	RTS	–2.5	1.6

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 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

Relative change in currency value against previous month
USD as base

		% change[1]	Currency price	
Outperforming	GBP	2.07%	1.29	(USD per GBP)
	EUR	2.00%	1.11	(USD per EUR)
	AUD	0.45%	0.67	(USD per AUD)
	BRL	0.33%	4.83	(BRL per USD)
	USD		**Base currency**	
Underperforming	JPY	–0.01%	141.33	(JPY per USD)
	INR	–0.06%	82.28	(INR per USD)
	RMB	–0.33%	7.17	(RMB per USD)
	NEER	–0.75%	102.7	(index)
	RUB	–7.96%	90.52	(RUB per USD)

Relative change in currency value against 2007 values
USD as base

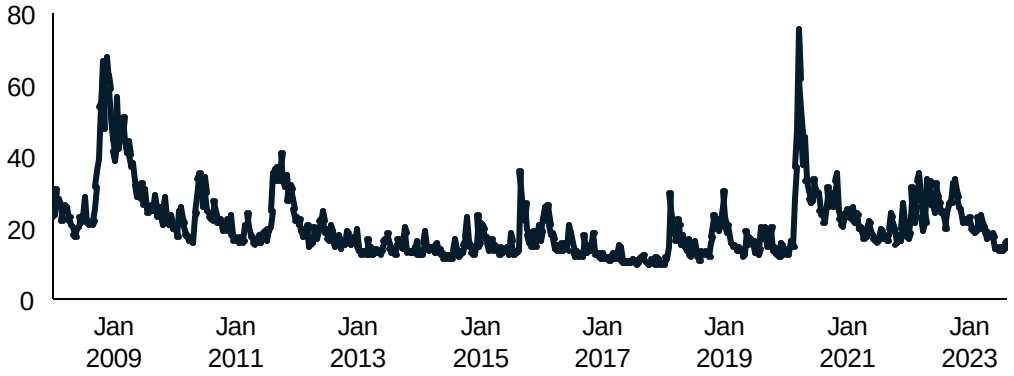
Currency ranking		% change
Outperforming	USD NEER	25.80%
	RMB	6.03%
	USD	**Base currency**
Underperforming	JPY	–16.75%
	EUR	–19.33%
	AUD	–19.65%
	GBP	–35.60%
	INR	–49.84%
	BRL	–59.85%
	RUB	–71.75%

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.

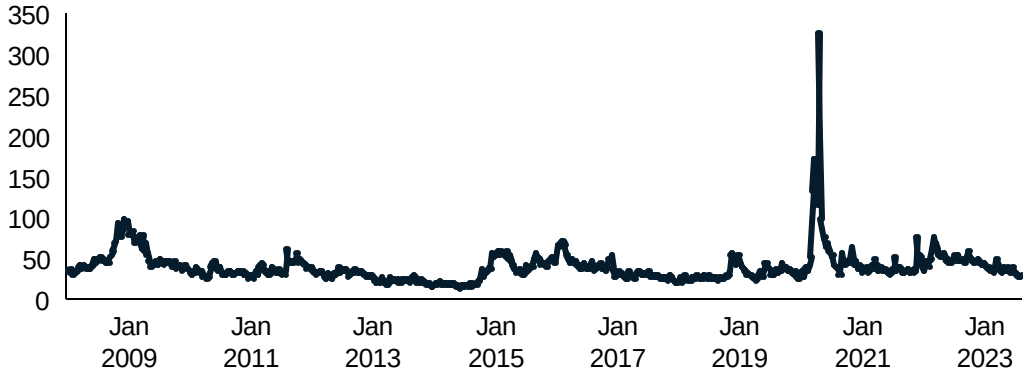
Source: BIS; Haver Analytics; McKinsey's Global Economics Intelligence analysis

Volatility across different assets subsided in August

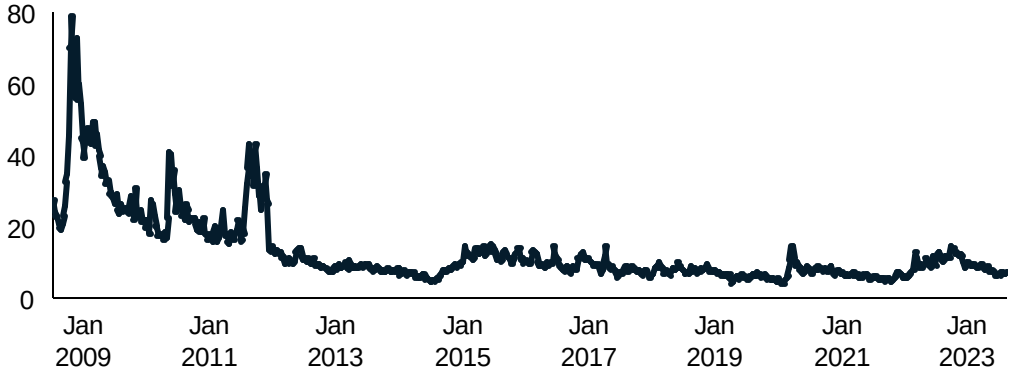
CBOE S&P 500 Index Option Volatility Index (VIX)[3]



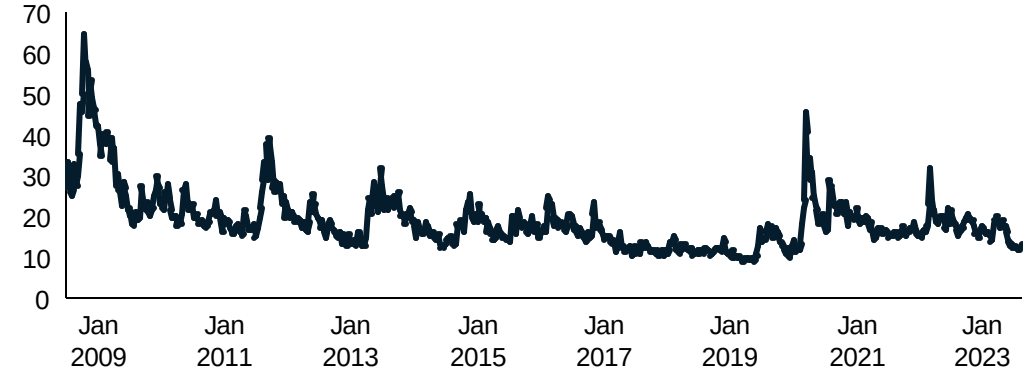
CBOE Crude Oil Volatility Index (OVX)[1, 3]



CBOE Euro Currency Volatility Index (EVZ)[3]



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



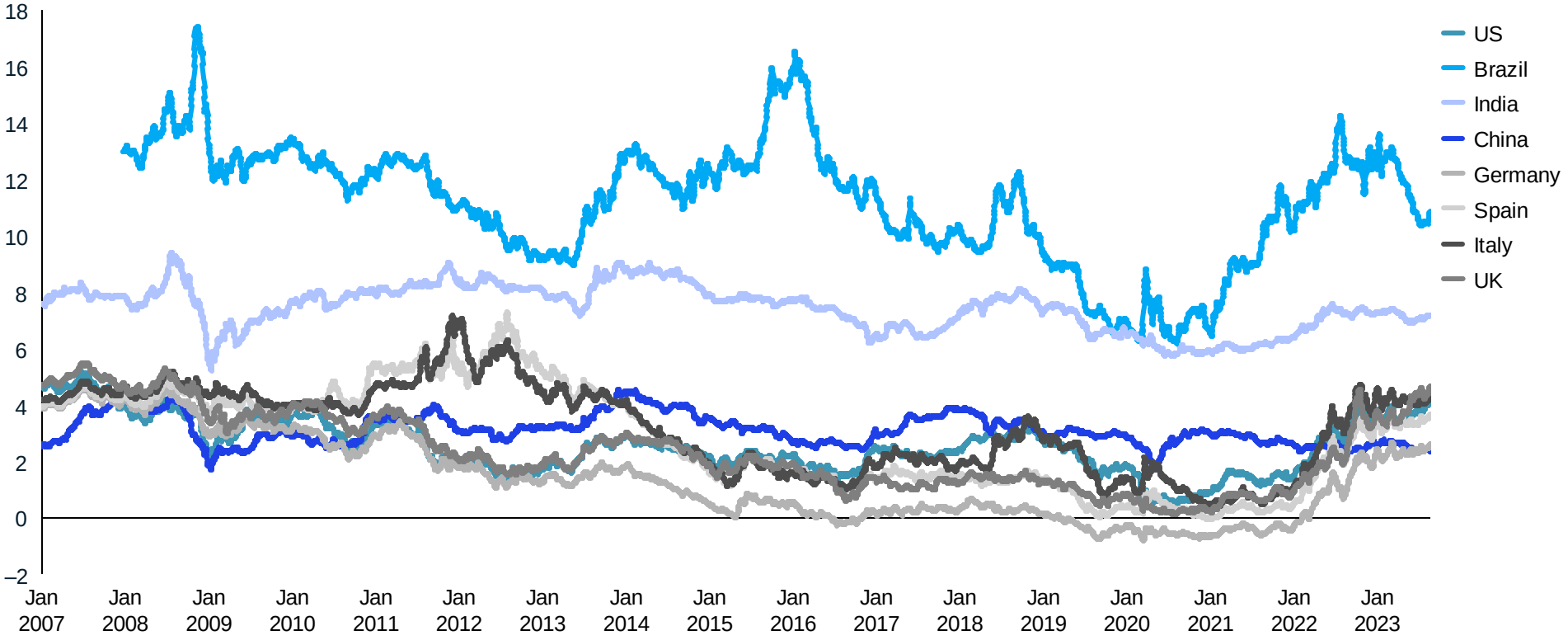
[1]Based on United States Oil Fund (USO) option prices.
[2]Based on SPDR Gold Shares (GLD) options.
[3]Updated through August 15, 2023.

Source: CBOE; McKinsey's Global Economics Intelligence analysis

Yields on 10-year government bonds remained consistent across the board

10-year government bonds[1]

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



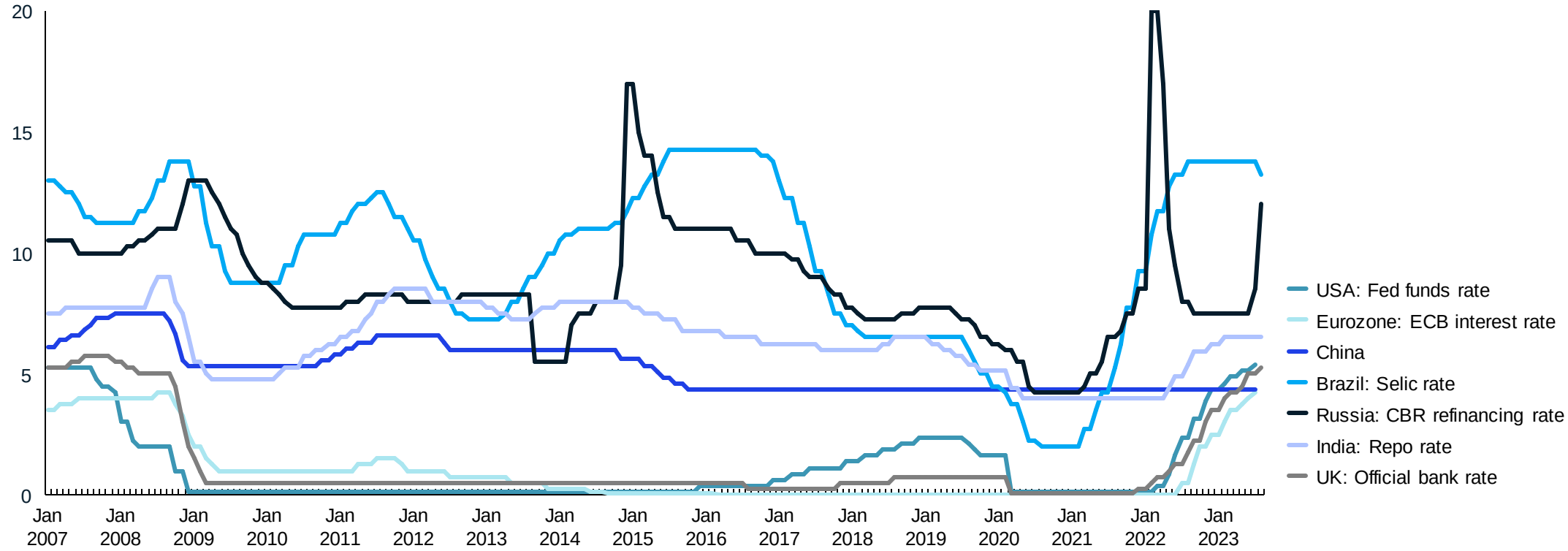
[1]5-year government bond yields used for China.
[2]Updated through August 21, 2023.

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

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

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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