McKinsey & Company

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
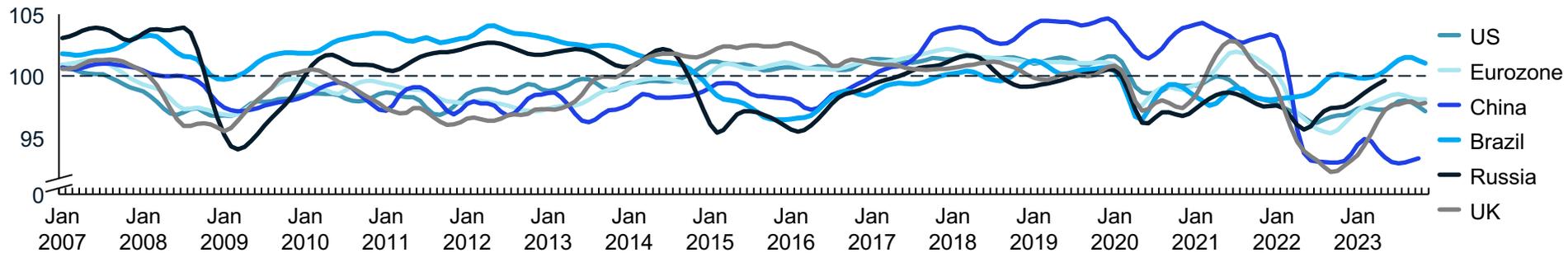
OECD global consumer confidence indicator

Index, long-term average = 100
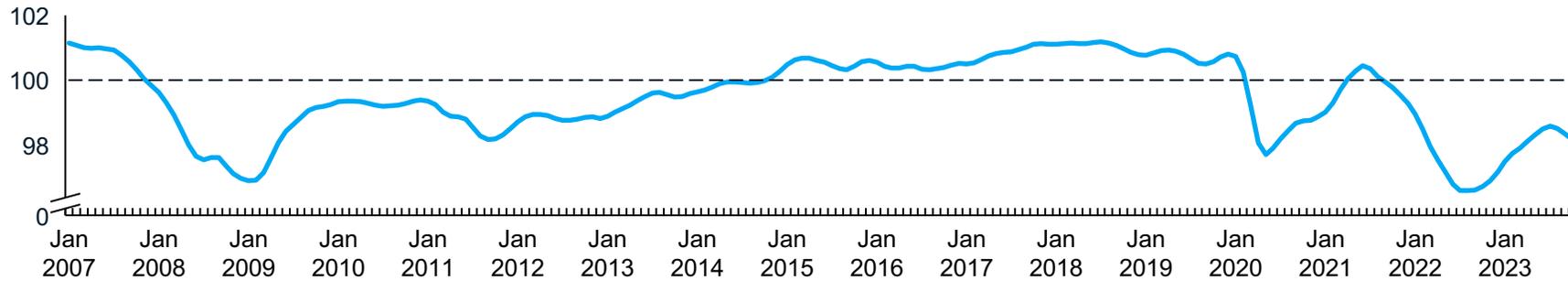
OECD consumer confidence indicators for individual economies[1]
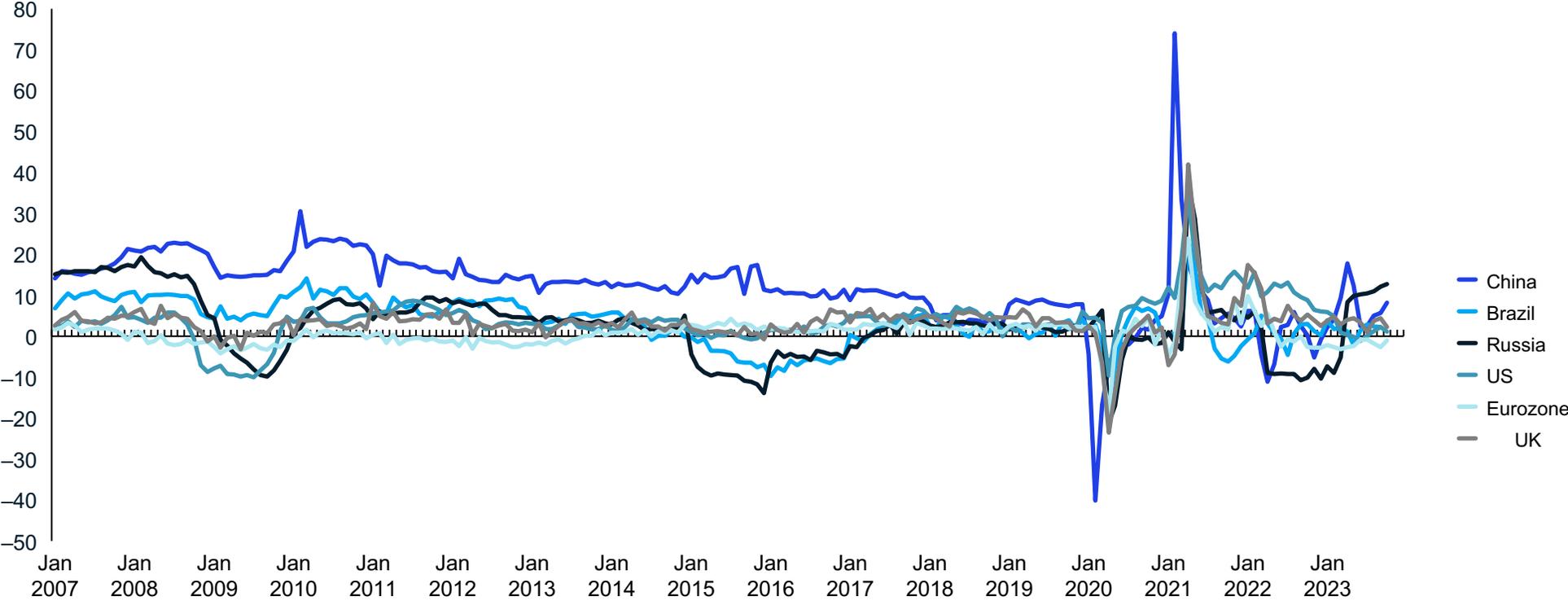
Index, long-term average = 100[1]

[1]Data 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
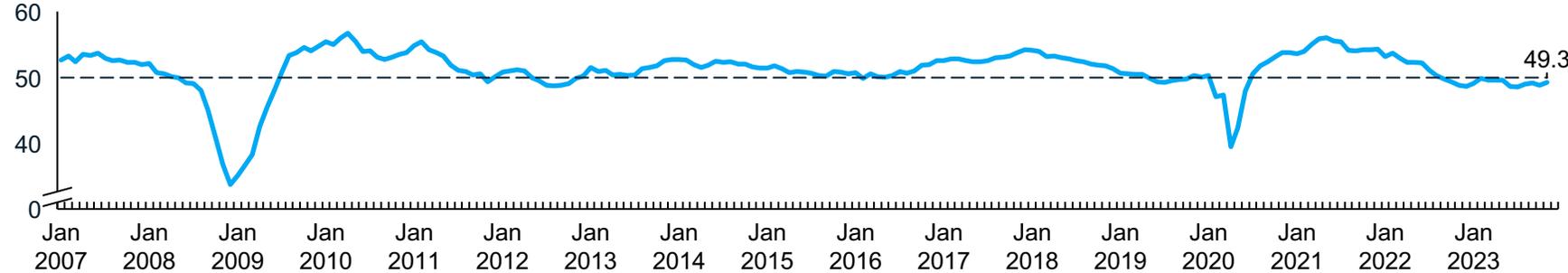
Retail sales growth[1]

Year over year (monthly)

China
Brazil
Russia
US
Eurozone
UK

[1]Data through October 2023.

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The manufacturing sector has indicated contraction for the 15th month in a row, while services momentum decreases
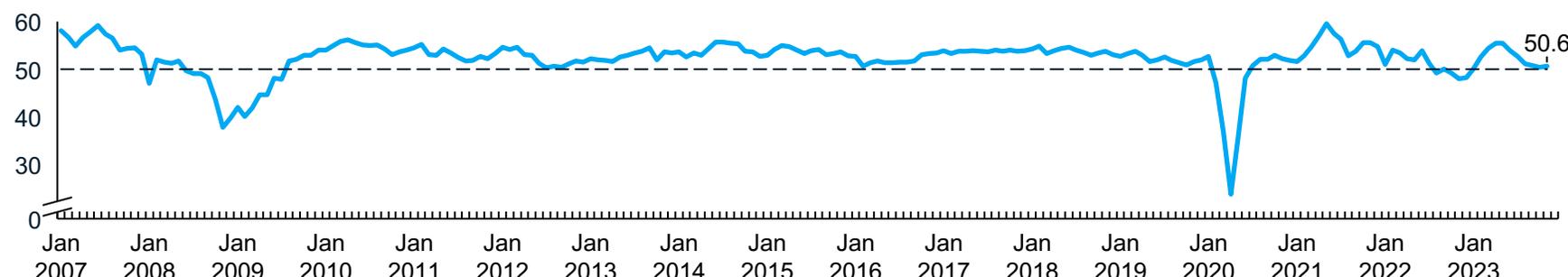
JPMorgan Global Purchasing Managers' Index (Manufacturing)

Diffusion index, seasonally adjusted (monthly)

JPMorgan Global Purchasing Managers' Index (Services)

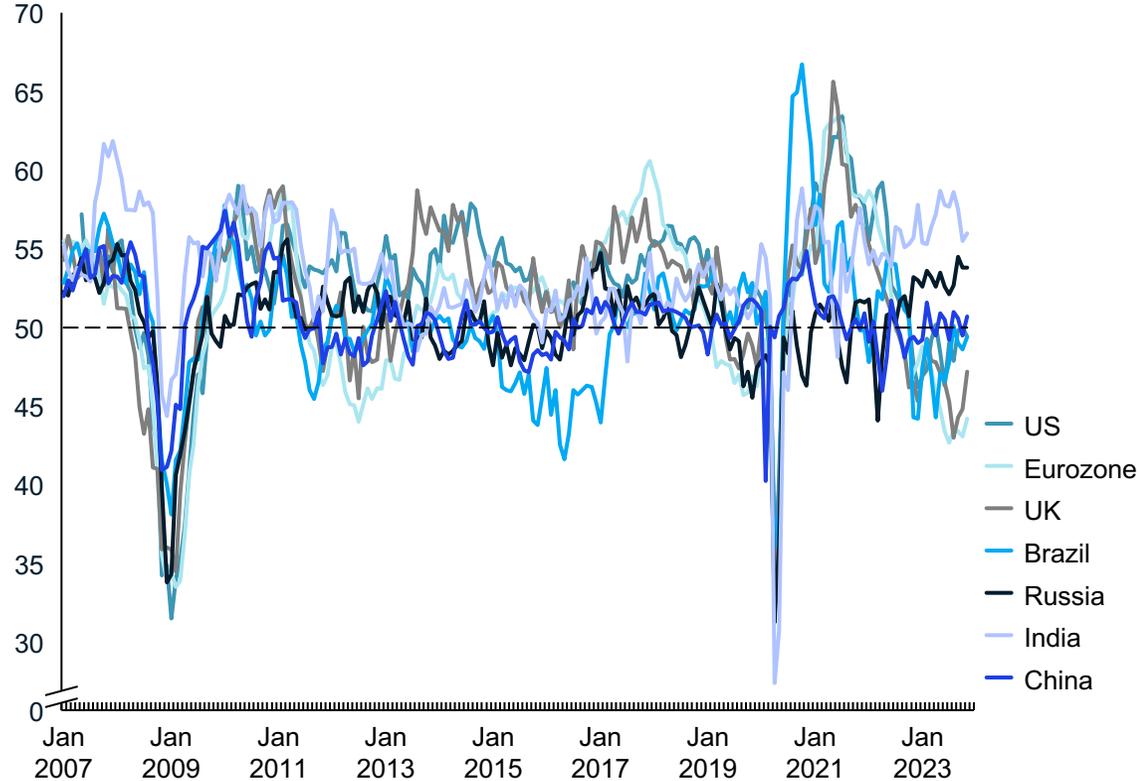Diffusion index, seasonally adjusted (monthly)

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.
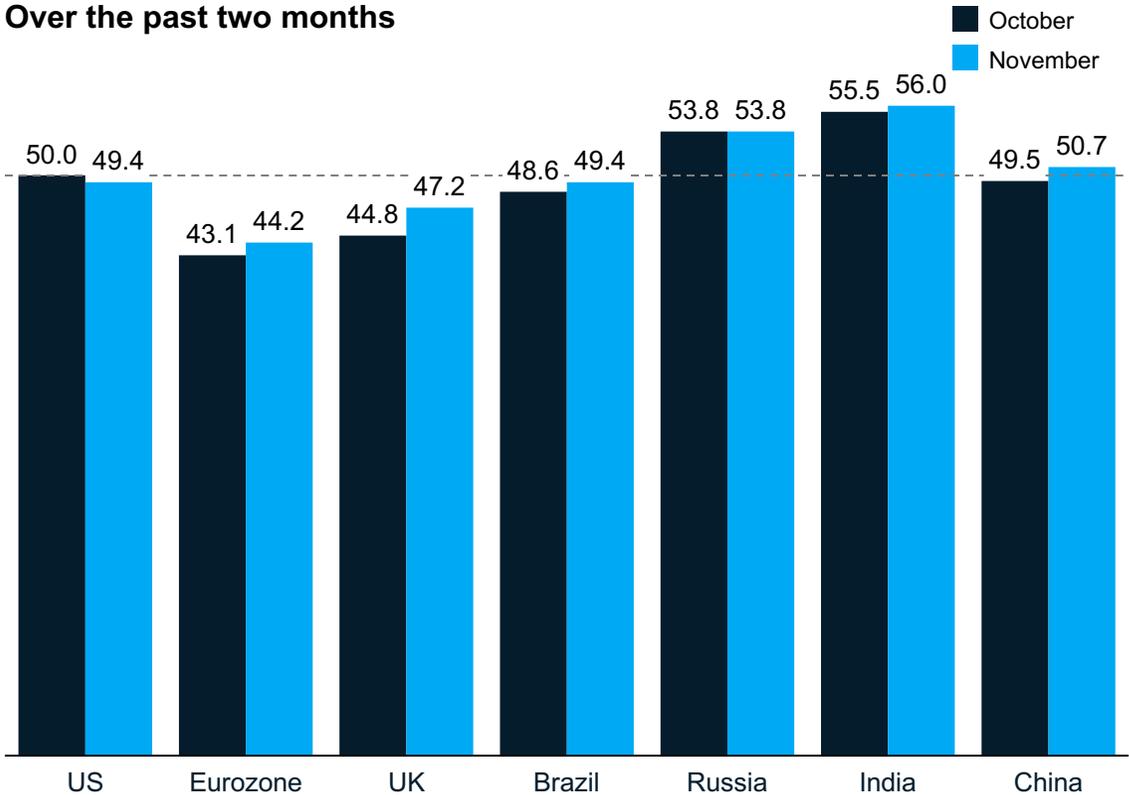
Manufacturing sector continues a similar trend across countries

Purchasing managers' index (manufacturing)

Diffusion index (monthly)

Legend:
- US
- Eurozone
- UK
- Brazil
- Russia
- India
- China

Over the past two months

■ October
■ November

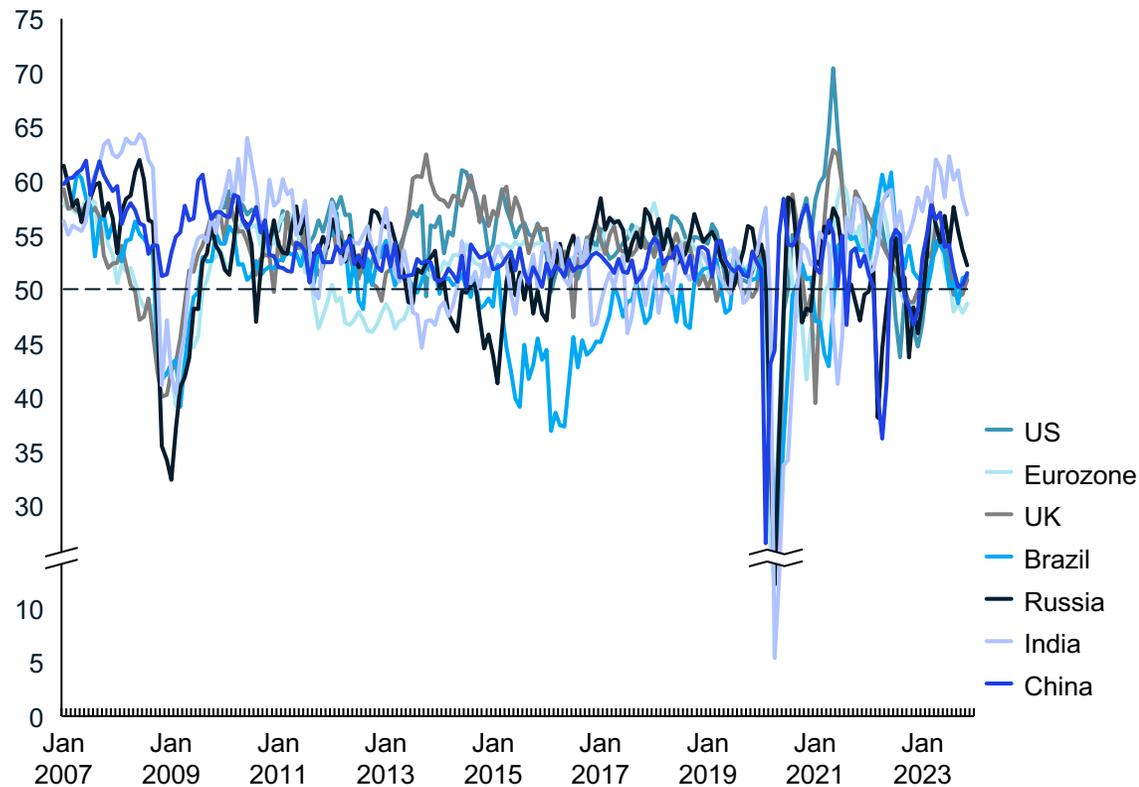|	US	Eurozone	UK	Brazil	Russia	India	China
October	50.0	43.1	44.8	48.6	53.8	55.5	49.5
November	49.4	44.2	47.2	49.4	53.8	56.0	50.7

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.

Most countries have shown a flat trend in services, with India standing out in recent months

Purchasing managers' index (services)
Diffusion index (monthly)

Legend:
- US
- Eurozone
- UK
- Brazil
- Russia
- India
- China

Over the past two months

Legend: ■ October ■ November

Country	October	November
US	50.6	50.8
Eurozone	47.8	48.7
UK	49.5	50.9
Brazil	51.0	51.2
Russia	53.6	52.2
India	58.4	56.9
China	50.4	51.5

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.
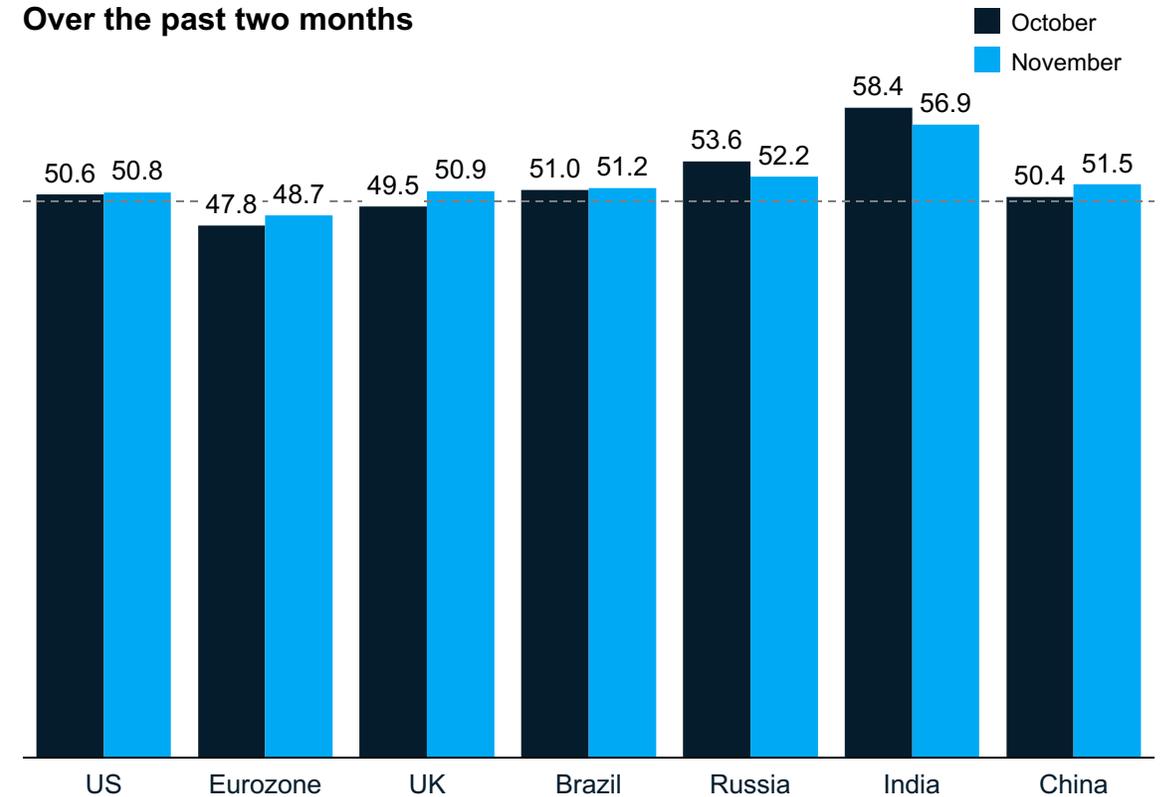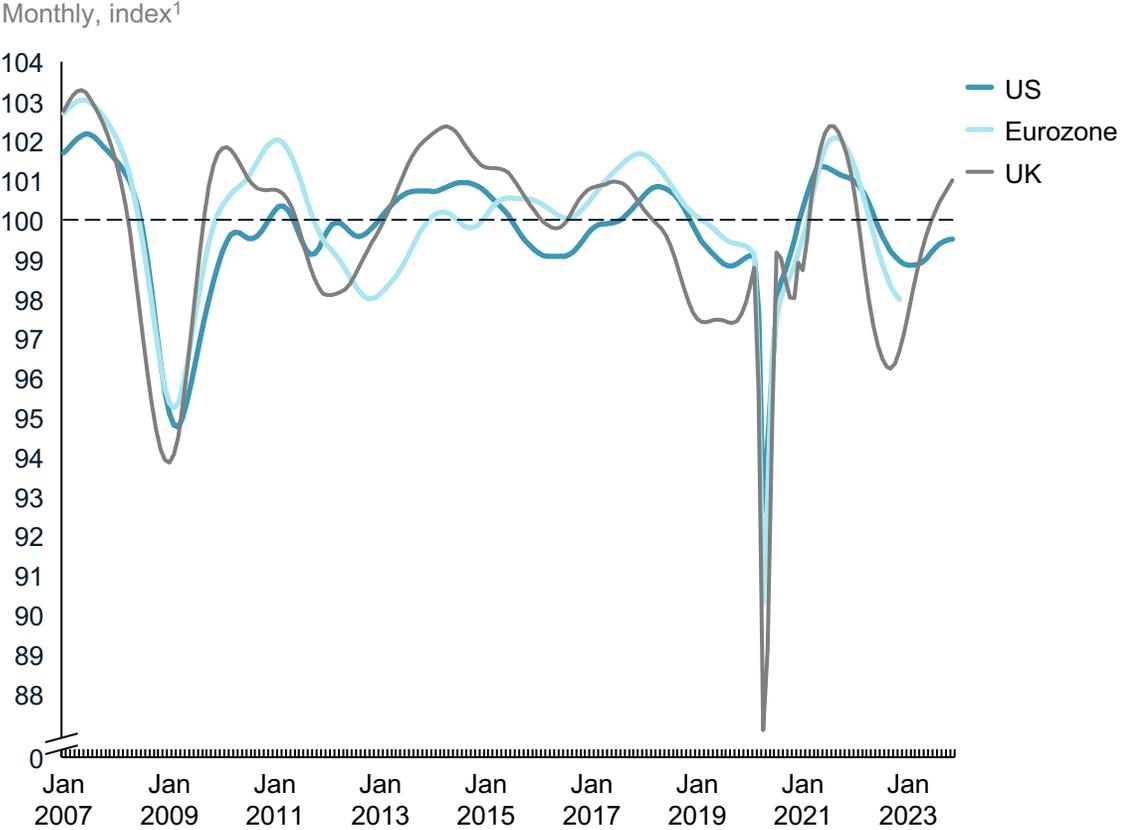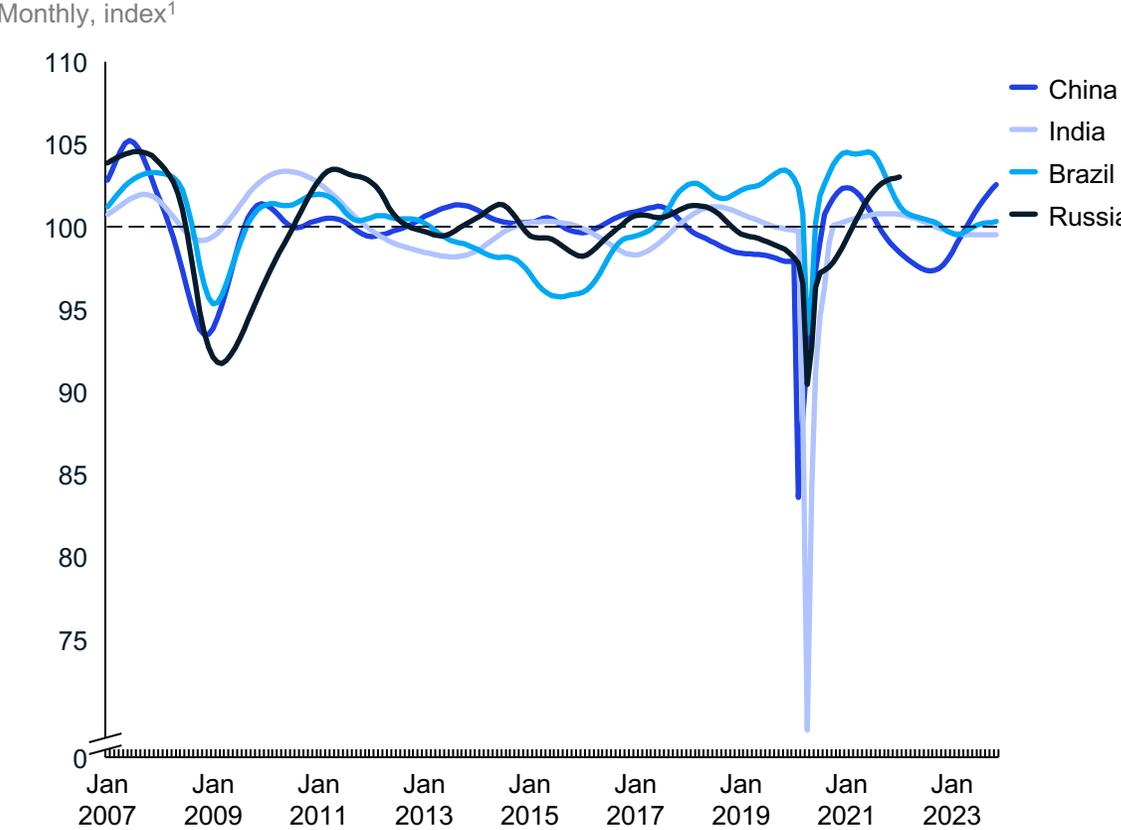
Composite leading indicators have pointed to a rebound since 2022

OECD growth indicators: Advanced economies

Monthly, index[1]

Legend: US, Eurozone, UK

X-axis: Jan 2007, Jan 2009, Jan 2011, Jan 2013, Jan 2015, Jan 2017, Jan 2019, Jan 2021, Jan 2023

OECD growth indicators: Emerging economies

Monthly, index[1]

Legend: China, India, Brazil, Russia

X-axis: Jan 2007, Jan 2009, Jan 2011, Jan 2013, Jan 2015, Jan 2017, Jan 2019, Jan 2021, Jan 2023

[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.

World trade volumes increased by 0.7% in September, mainly explained by a rise exports across all economies and for imports in advanced economies
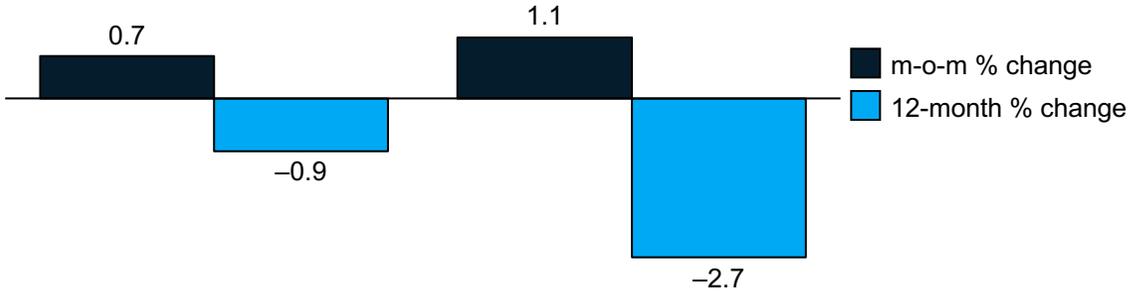
CPB World Trade Monitor
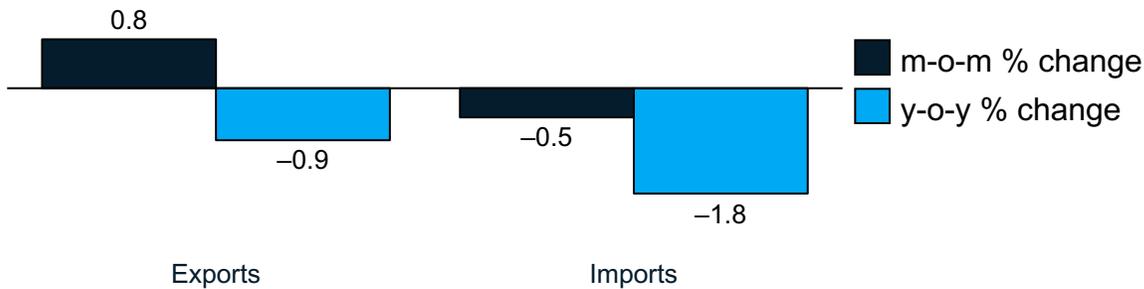
Volume, Index level, 2010=100
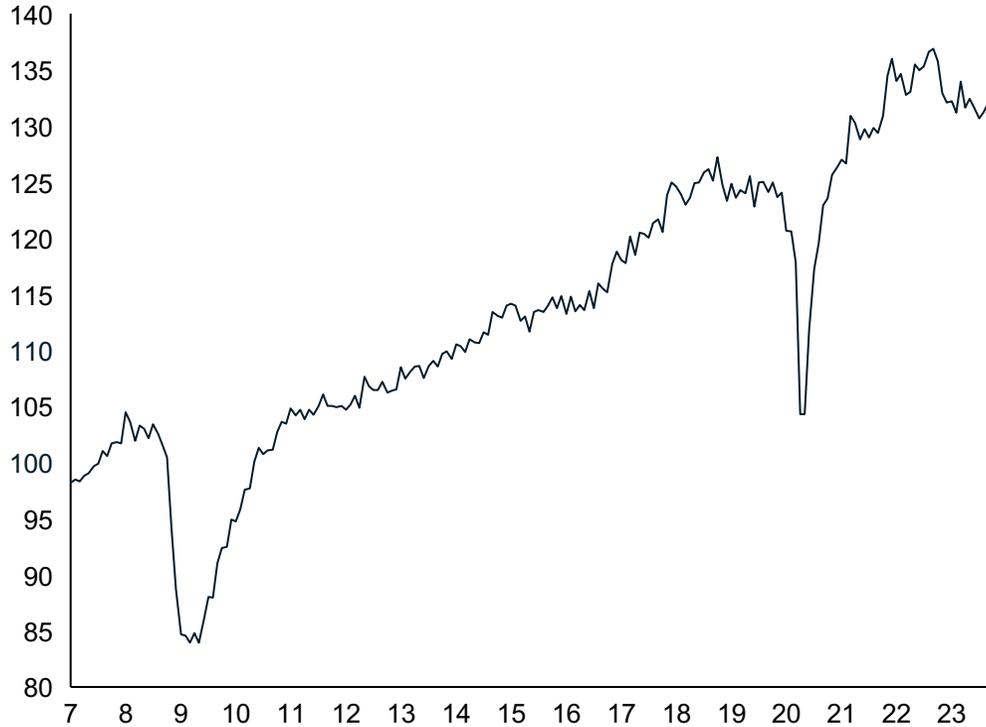
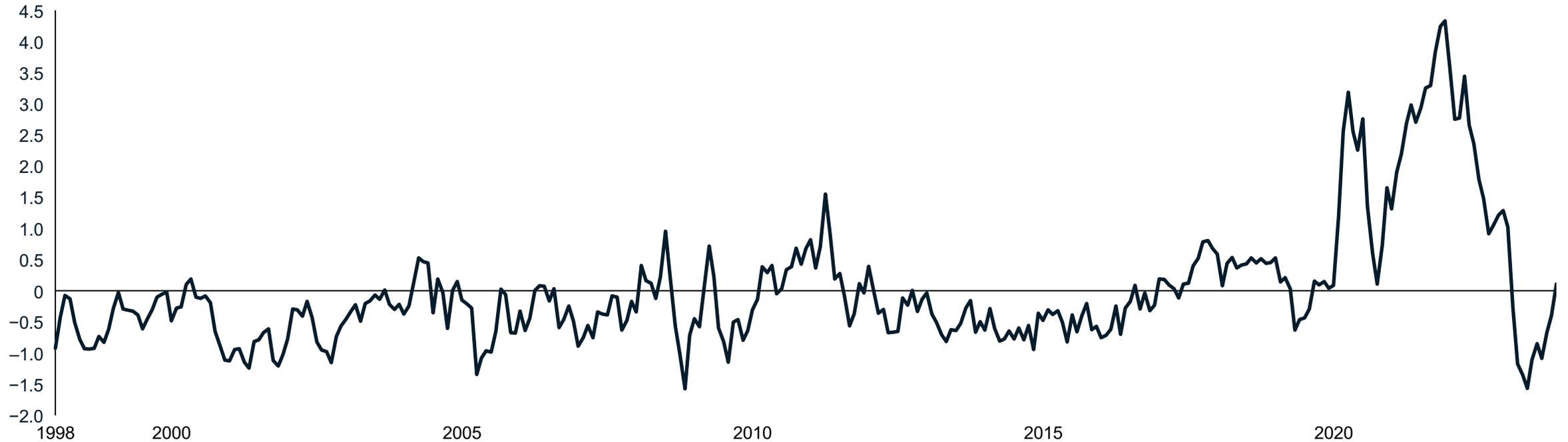**CPB World Trade Monitor details September 2023**

Advanced economies

- ■ m-o-m % change
- ■ 12-month % change

Emerging economies

- ■ m-o-m % change
- ■ y-o-y % change

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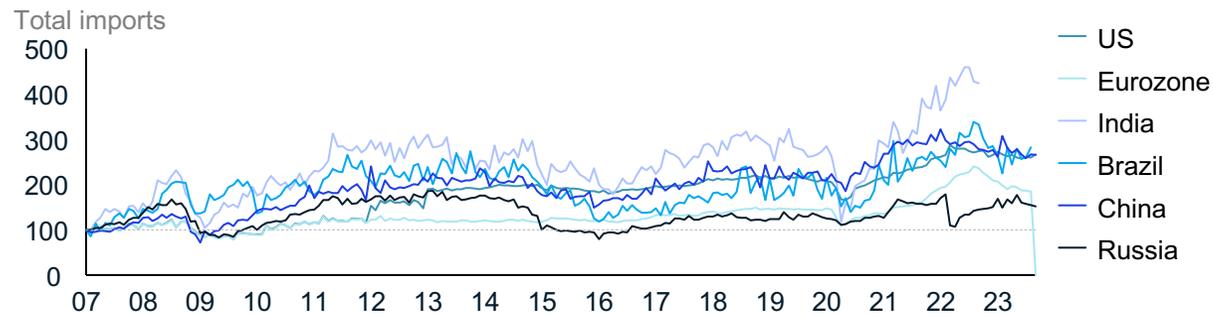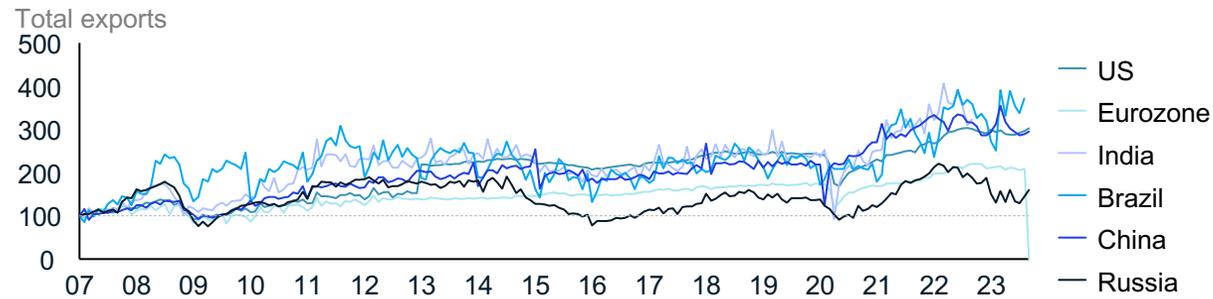
Supply-chain pressure index

Standard deviations from average value

In September, exports rose across all economies; imports decreased across most economies and increased in Brazil

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

Monthly index (January 2007 = 100)

Total exports

| US |
| Eurozone |
| India |
| Brazil |
| China |
| Russia |

Total imports

| US |
| Eurozone |
| India |
| Brazil |
| China |
| Russia |

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

|	% change from previous month[1]	12-mo. % change Oct. 2022–Sep. 2023 vs Oct 2021–Sep. 2022
Exports		
US	2.2	3.0
Eurozone[3]	1.6	6.7
China	1.8	−6.0
Brazil[3]	9.8	6.8
India[2]	4.5	24.2
Russia	10.4	−24.0
Imports		
US	−1.8	−0.5
Eurozone	−2.0	0.4
China	−0.5	−7.4
Brazil	8.2	−1.7
India	−1.2	38.8
Russia	−1.7	9.9

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

RWI/ISL Container Throughput Index[1]

Index level, 2015=100[2]
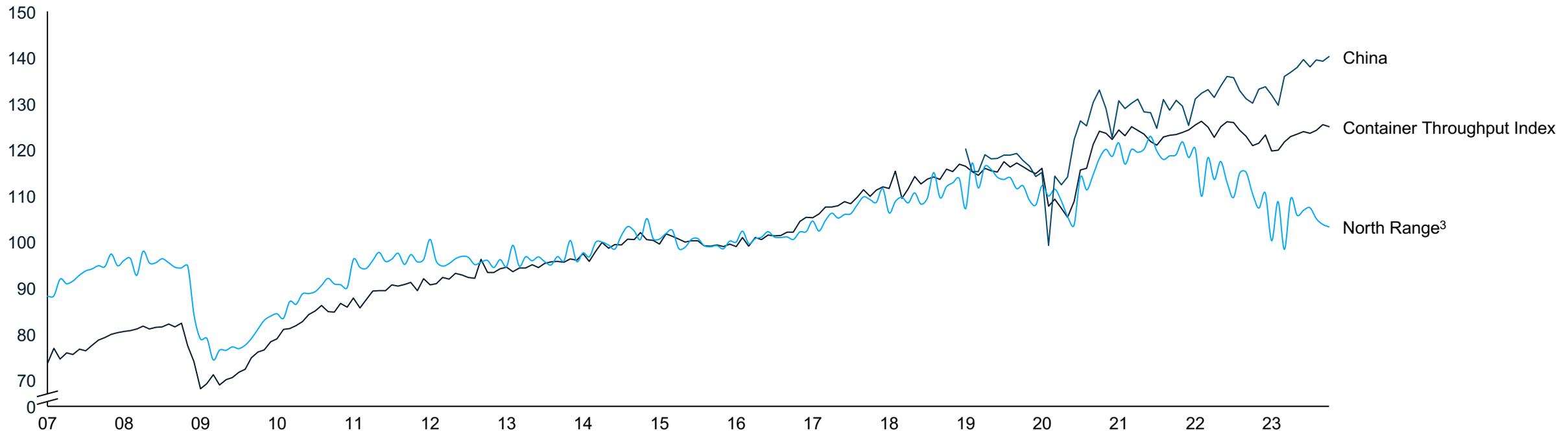
1. The current flash estimate for the Container Throughput Index is based on data from 64 ports, which account for about 85 percent of the handling represented in the index.
2. On January 2020, the RWI/ISL Container Throughput Index changed its base year to 2015.
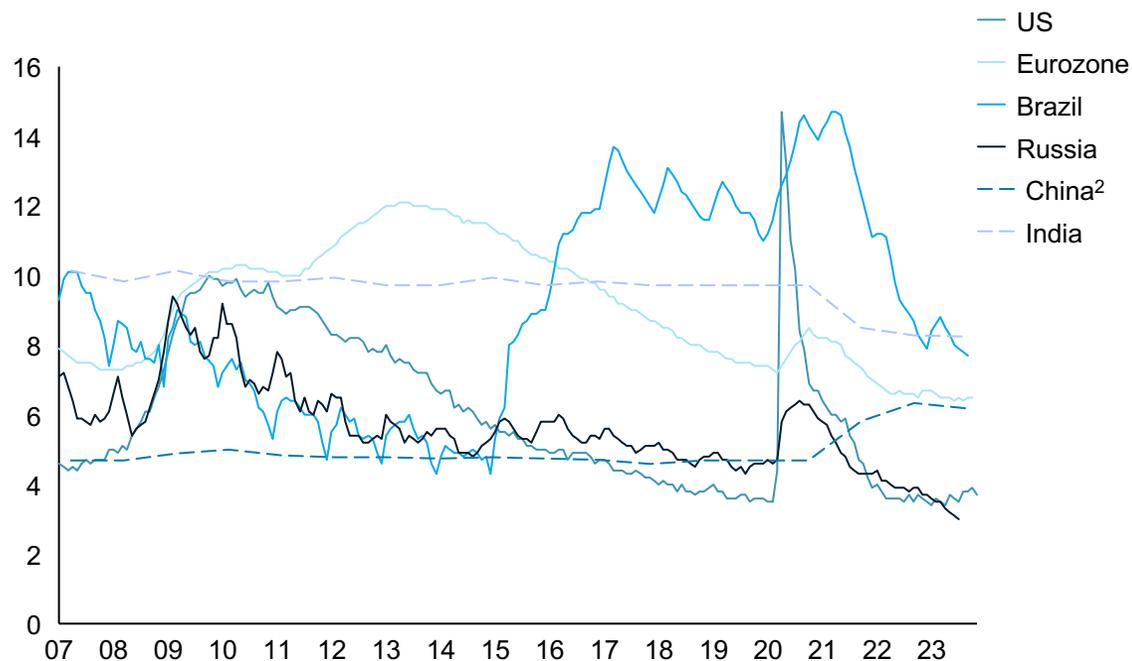3. The North Range index summarizes throughput for the ports of Antwerp, Bremen/Bremerhaven, Hamburg, Le Havre, Rotterdam, and Zeebrugge.
Note: The RWI/ISL Container Throughput Index provides timely information on short-term trends in international trade. The database covers 91 international ports, which handle about 60% of global container transhipment. The monthly data do not include figures for Dubai. Data is seasonally and working-day adjusted.

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

Unemployment rate 2007–23[1]
% of labor force (monthly)

Legend:
- US
- Eurozone
- Brazil
- Russia
- China[2]
- India

Over the past 4 months

Legend:
- Aug-23
- Sep-23
- Oct-23
- Nov-23

|	US	EZ	Brazil	Russia[3]	India	China
Aug-23	3.8	6.4	7.8	3.0	8.1	5.2
Sep-23	3.8	6.5	7.7		7.1	5.0
Oct-23	3.9	6.5				5.0
Nov-23	3.7					

1. Data for India and China are annual and shown as a smoothed trend line.
2. China unemployment only shows urban rate.
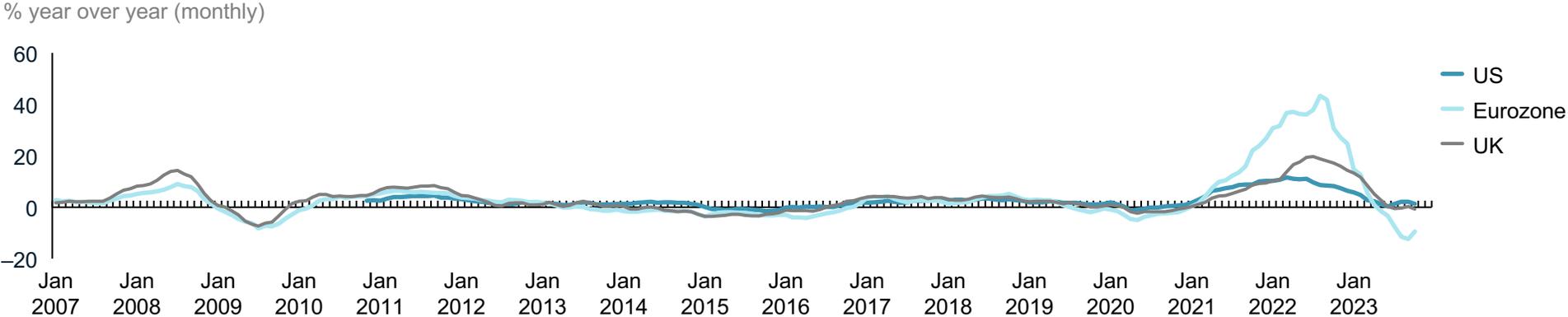3. Data for July 2023.
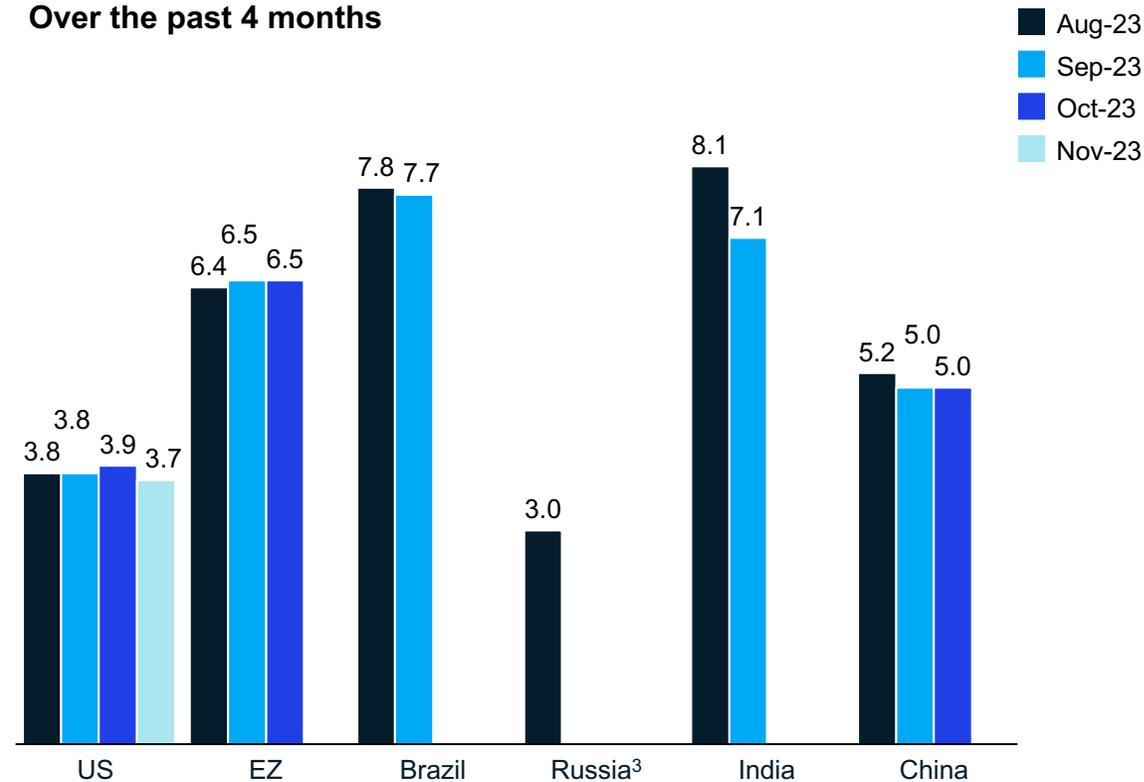
Consumer inflation in developed economies continues to decline in November, after high inflationary period

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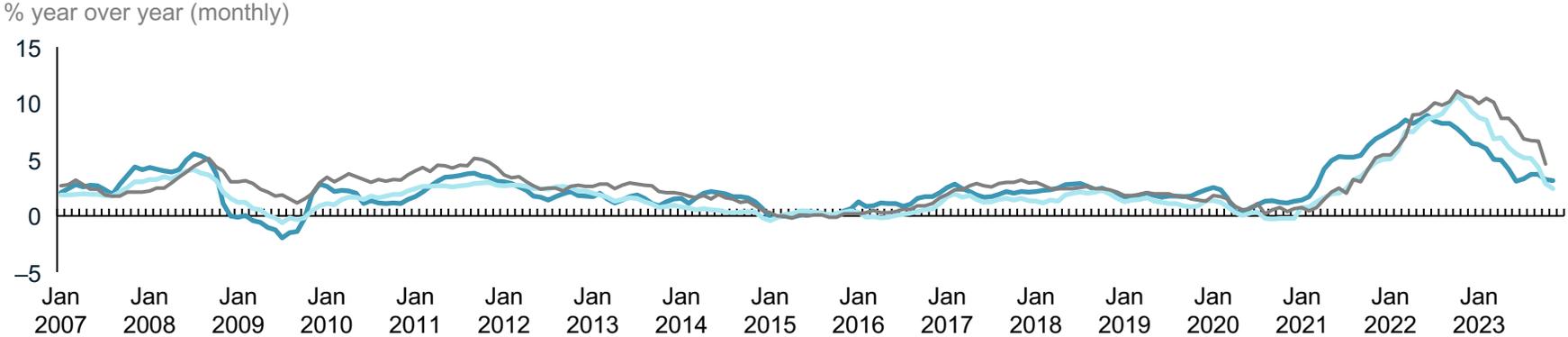
% year over year (monthly)

Producer price indexes: Developed economies

% year over year (monthly)

Legend: US, Eurozone, UK

Inflation resurged in various emerging economies, with Russia's significant rebound standing out
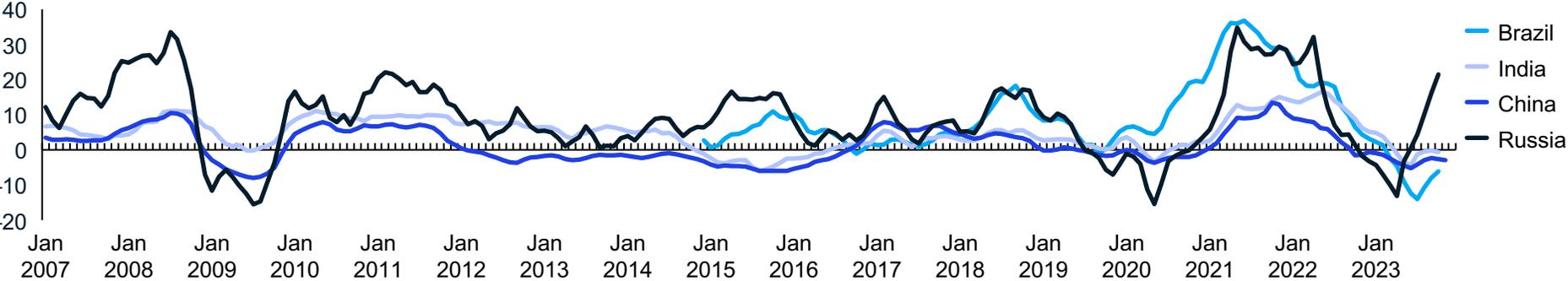
Consumer price indexes: Emerging economies

% year over year (monthly)

Producer price indexes: Emerging economies

% year over year (monthly)
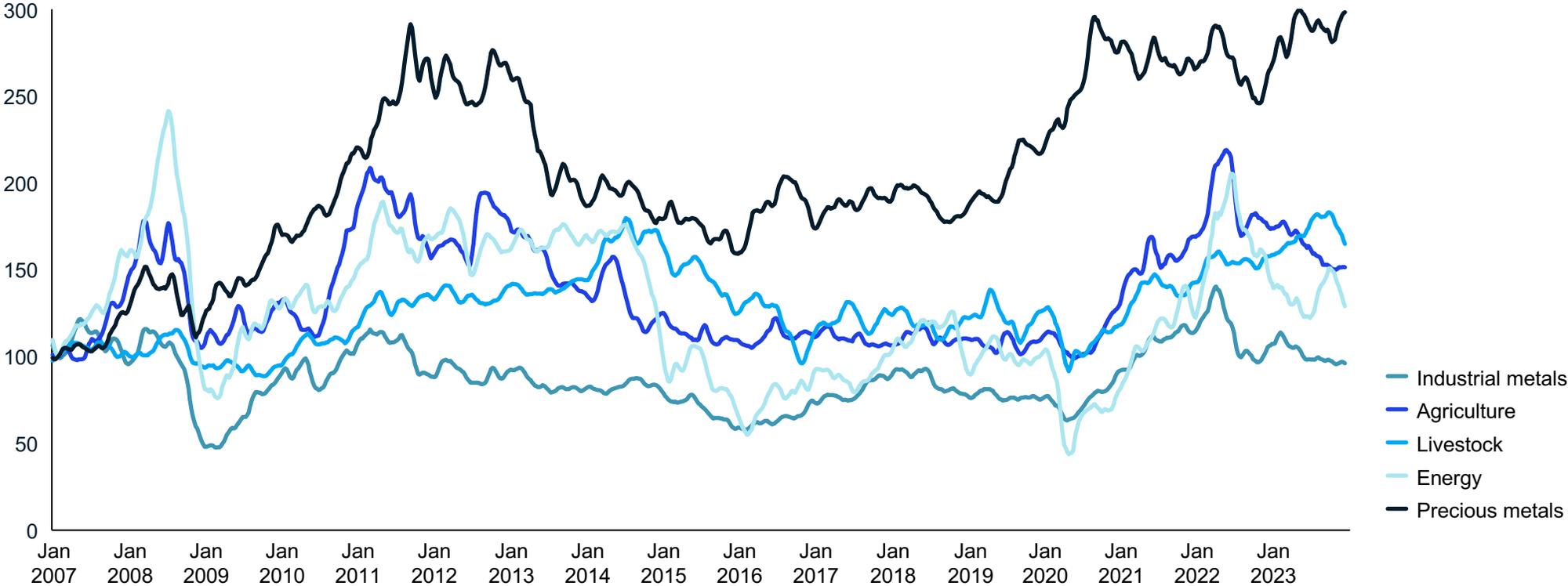

— Brazil
— India
— China
— Russia
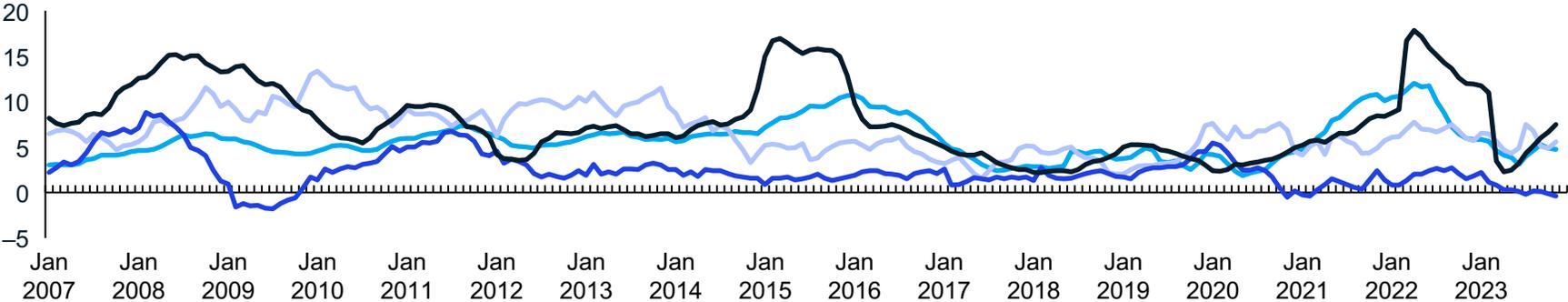
Source: National statistics websites; McKinsey's Global Economics Intelligence analysis

Commodity prices continue to fall in December, with the exception of precious metals

Commodities indexes[1]

Moving five-week average, indexed to Jan 2007

Legend:
- Industrial metals
- Agriculture
- Livestock
- Energy
- Precious metals

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%.

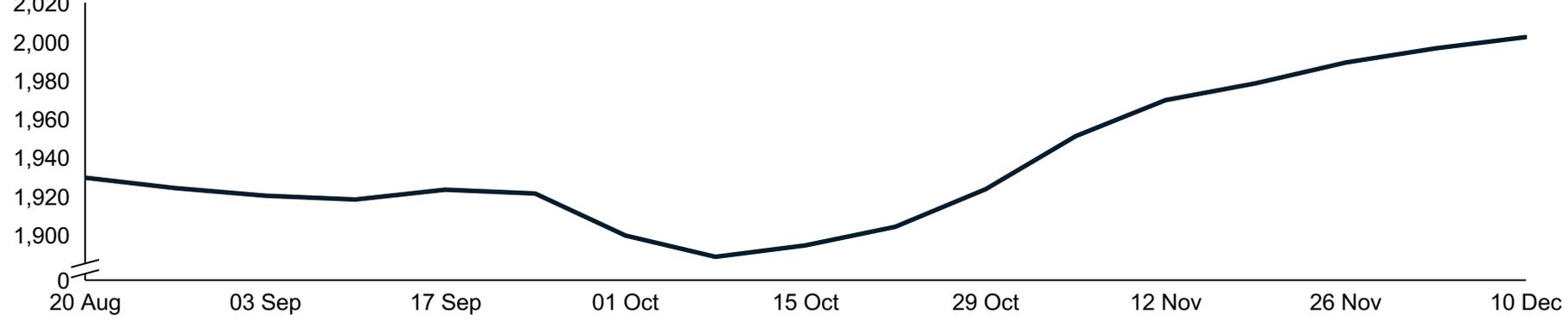# Gold prices rose slightly in the last month, to $1,992 an ounce

Gold spot price[1]

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


Gold spot price over past 4 months

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

[1]Updated 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

Oil price[1]

$/barrel, five-week moving average

WTI
Brent

Natural-gas price[2]

$ per million Btu, five-week moving average
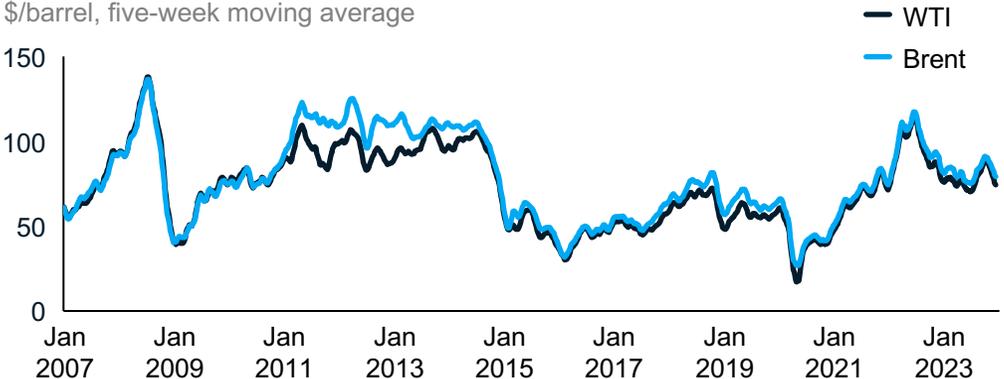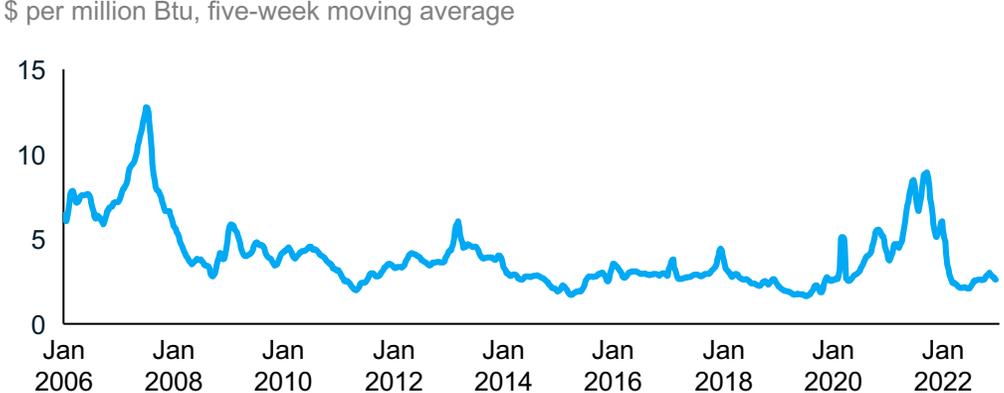
Heating-oil price[3]

US cents/gallon, five-day moving average

Coal price[4]

$/megaton, monthly
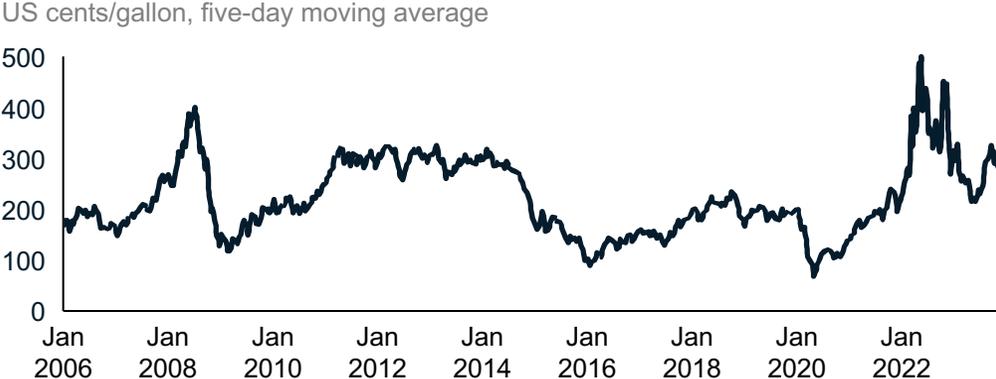
1. Crude Brent, Henry Hub (Nymex). WTI (West Texas Intermediate) prices as of December 19, 2023.
3. New York Harbor No. 2. heating-oil prices as of November 10, 2023.

2. Henry Hub, LA; prices as of December 10, 2023.
4. Australia coal prices; coal prices as of August 2023.

Recent months show a decline in metals prices, mostly driven by China's reduced demand for the construction sector

Copper[1]

$/pound, five-week moving average

Steel[2]

$/gross metric ton (monthly)

Aluminum[3]

$/Mt, five-week moving average

Nickel[4]

$/Mt, five-week moving average

1. Copper, high grade: COMEX Spot Price, updated through December 10, 2023.
2. Steel, 2.75-millimeter hot-rolled coil ($/gross metric ton); data estimated since May 2012 using 0.5-millimeter cold-rolled sheet prices; data from December 2023.
3. Aluminum, LME spot ($/metric ton), updated through December 10, 2023.
4. UK: LME nickel, closing cash price ($/metric ton), updated through December 10, 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
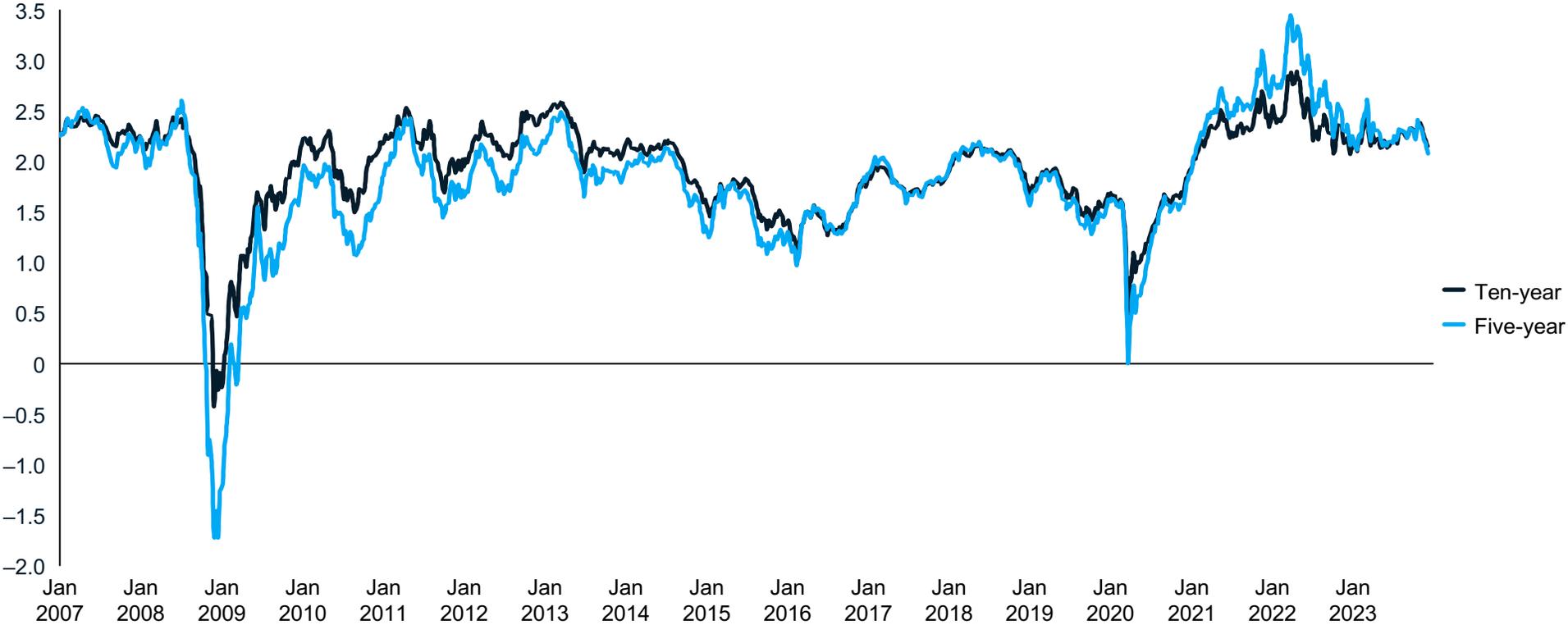
Overall food prices continue to trend down, although levels are similar to 2011 high inflationary period

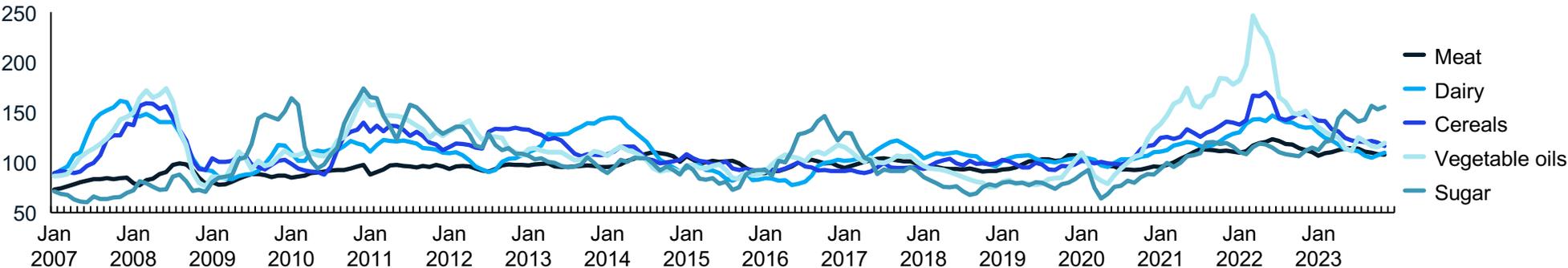**FAO Food Price Index by month, in real terms**

Overall index, 2014–16 = 100

Component indexes[1]

Index level, 2014–16 = 100
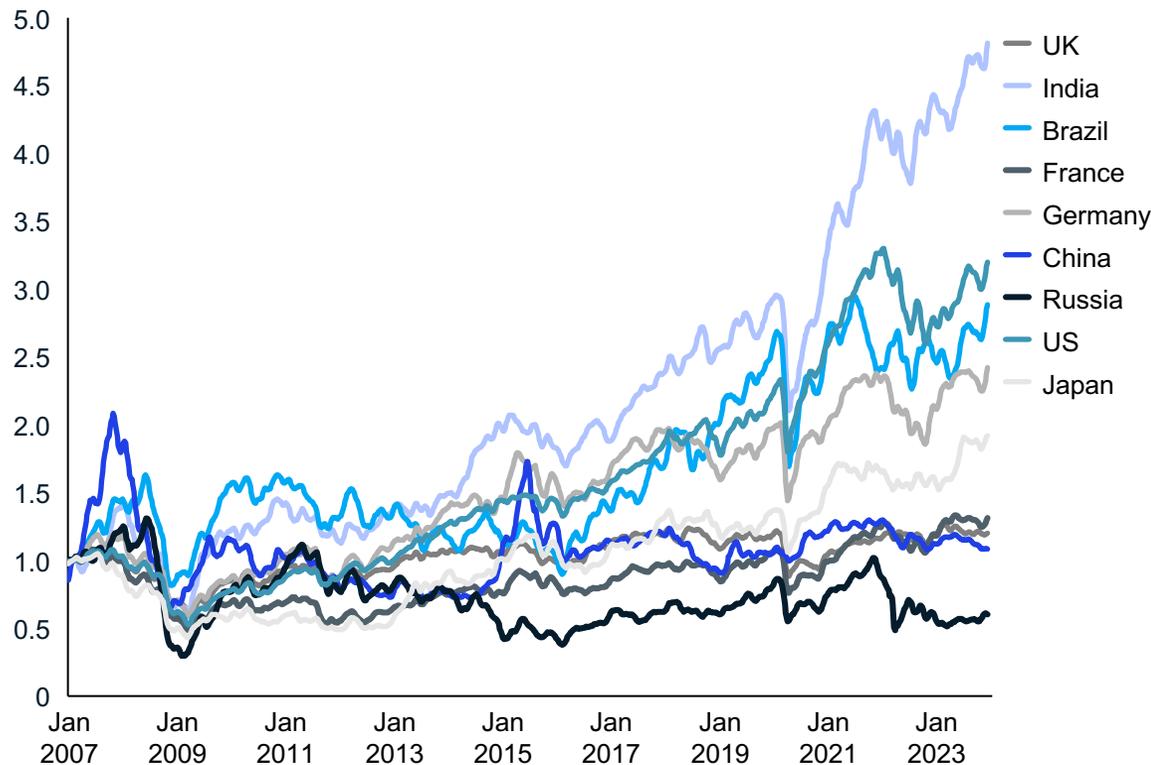

Legend: Meat, Dairy, Cereals, Vegetable oils, Sugar

[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 continued to grow in December with the exception of China and Russia

Equity markets[1]

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

Legend: UK, India, Brazil, France, Germany, China, Russia, US, Japan

Change from prior month
%

		November[2]	December[3]
US	S&P 500	4.5	2.8
UK	FTSE 100	−0.5	1.1
Germany	DAX	3.8	6.3
France	CAC 40	2.7	4.0
Japan	Nikkei 225	5.0	0.0
China	SSE Composite Index	0.4	−1.8
India	BSE Sensex-30	0.2	5.9
Brazil	Bovespa	7.5	3.2
Russia	RTS	7.5	−5.3

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 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

Relative change in currency value against previous month
USD as base

		% change[1]	Currency price	
Outperforming	JPY	2.29%	146.33.	(JPY per USD)
	NEER	1.44%	106.67	(index)
	AUD	1.27%	0.66	(USD per AUD)
	GBP	1.22%	1.26	(USD per GBP)
	USD		**Base currency**	
Underperforming	INR	−0.10%	83.35	(INR per USD)
	EUR	−0.12%	1.08	(USD per EUR)
	RUB	−0.45%	90.98	(RUB per USD)
	BRL	−0.45%	4.92	(BRL per USD)
	RMB	−1.52%	7.11	(USD per RMB)

Relative change in currency value against 2007 values
USD as base

| Currency ranking		% change
Outperforming	USD NEER	30.15%
	USD	**Base currency**
	RMB	−6.48%
	JPY	−19.59%
	EUR	−21.16%
Underperforming	AUD	−21.41%
	GBP	−37.11%
	INR	−59.66%
	BRL	−60.58%
	RUB	−71.90%

Note: Data updated to December 13, 2023; data for NEER from October 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

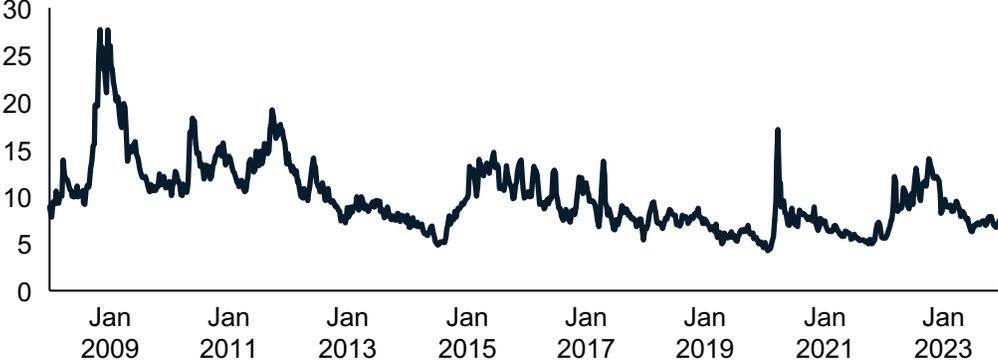# Volatility indicators continue to be under control in the last few months
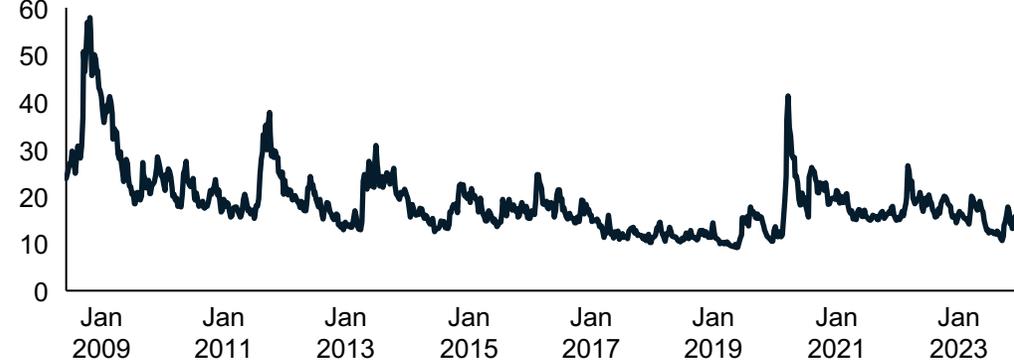
CBOE S&P 500 Index Option Volatility Index (VIX)[3]
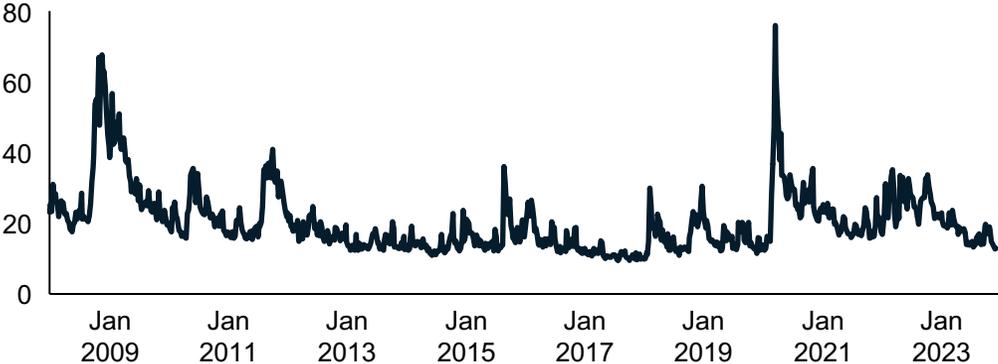
CBOE Crude Oil Volatility Index (OVX)[1, 3]
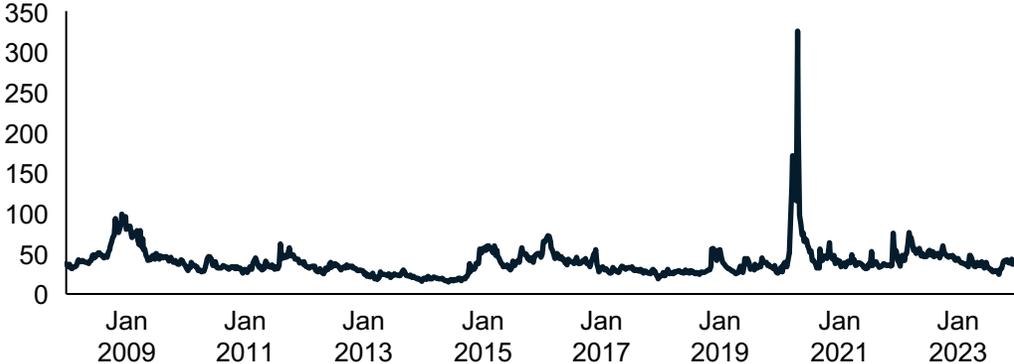
CBOE Euro Currency Volatility Index (EVZ)[3]
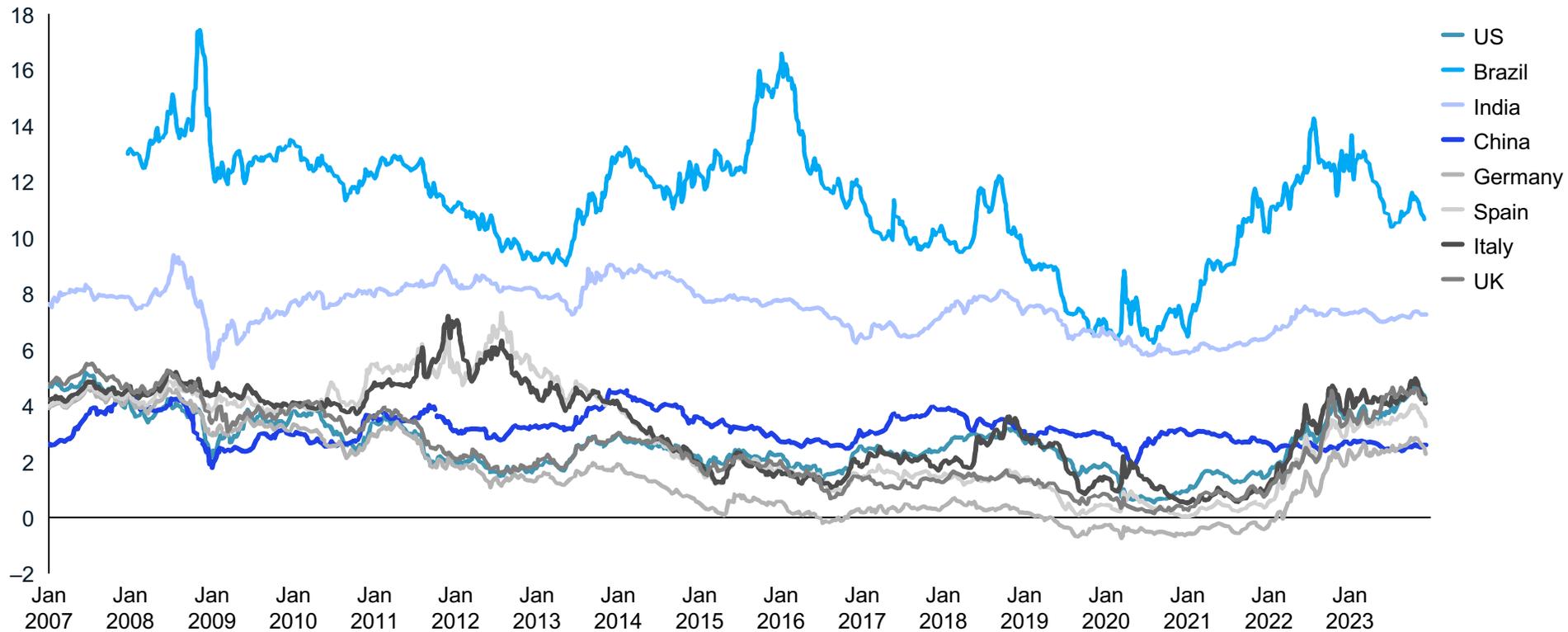

CBOE Gold Volatility Index (GVZ)[2, 3]

1. Based on United States Oil Fund (USO) option prices.
2. Based on SPDR Gold Shares (GLD) options.
3. Updated through December 12, 2023.

Government bond yields continue to be high versus historical levels
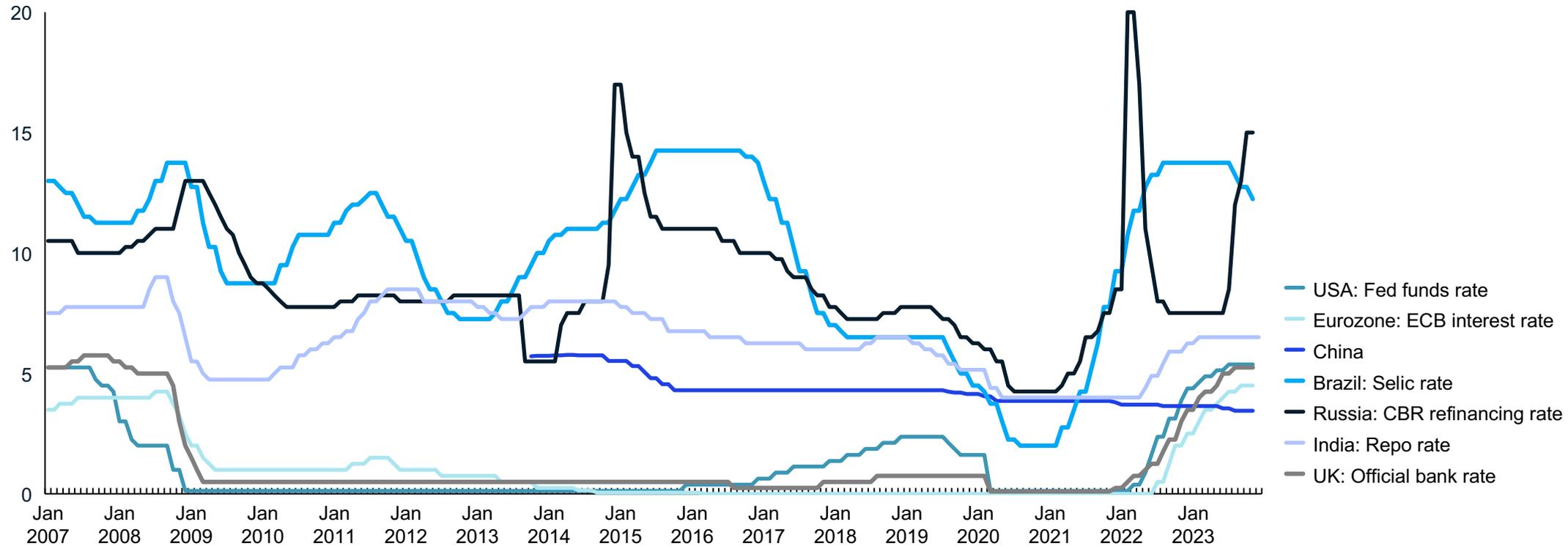
Ten-year government bonds[1]

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

Legend: US, Brazil, India, China, Germany, Spain, Italy, UK

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

Central-bank interest rates

% (monthly)

- USA: Fed funds rate
- Eurozone: ECB interest rate
- China
- Brazil: Selic rate
- Russia: CBR refinancing rate
- India: Repo rate
- UK: Official bank rate

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