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Global Economics Intelligence

Global Summary Report

Released June 2024 (data through May 2024)

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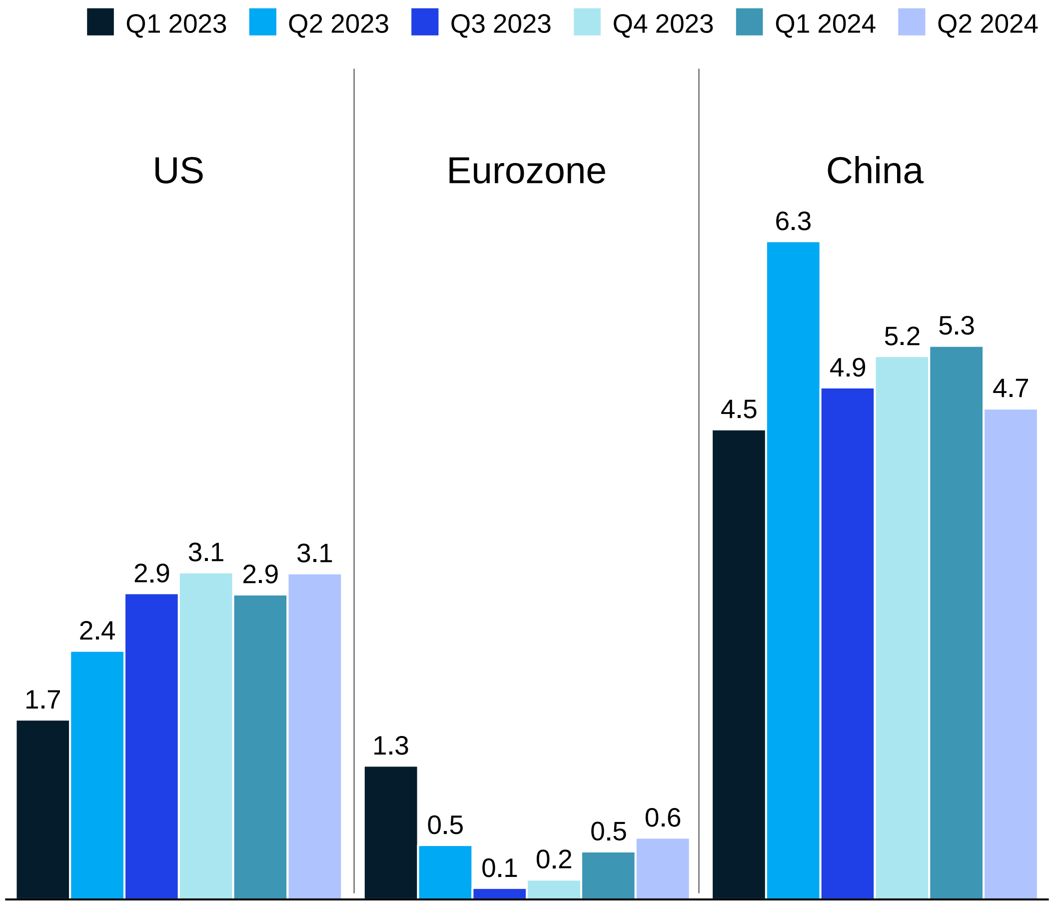
The economy has been resilient in Q2 2024, but the latest macroeconomic data points toward strong deceleration in July

Real GDP growth
Percent, y-o-y



The economy has been resilient in Q2 2024, but the latest macroeconomic data points toward strong deceleration in July. China joined the Central Bank of Brazil and the ECB in easing monetary policy by unexpectedly cutting rates twice in a month; Donald Trump survived assassination attempt and President Biden withdraws from US race endorsing Kamala Harris.

Despite current geopolitical tensions, the global economy is looking remarkably resilient. Economic growth in surveyed economies appears to be accelerating, as growth in both the manufacturing and services sectors picked up in June. Manufacturing growth was largely stable across surveyed economies (except in the eurozone where it contracted faster), while services sectors remain noticeably brighter, expanding across most surveyed economies, albeit at a slower pace.

Second-quarter growth in the US was strong at 2.8%, beating economists' expectations of 2.0%. The composition of growth was largely positive, driven primarily by strong consumer spending, non-residential investment, and buildup of inventories. Private, non-residential investment accelerated, while corporations built up inventories—both can be interpreted as signs of corporate optimism.

In the eurozone, GDP increased by 0.3% quarter on quarter and 0.6% year on year during the second quarter. Meanwhile, UK monthly real GDP is estimated to have grown 0.4% in May, following flat growth in April. Services output grew by 0.3% in May, production output by 0.2%, and construction output by 1.9%. Real GDP growth is estimated at 0.9% in the three months to May 2024 (versus the three months to February 2024), attributable to 1.1% growth in services output.

Growth was faster in the emerging economies. Despite a deceleration, China's second-quarter GDP growth was a healthy 4.7% year on year (down from 5.3% in the first quarter). Year-to-date GDP growth for the first half of the year stands at 5.0%. In India, industrial production accelerated in May, with growth rising from 5.0% in April to 5.9%, mainly driven by manufacturing and electricity production. In Russia's wartime economy, growth in the total output indicator increased to 6.5% year over year, from 5.5% in April. Industrial production growth rose to 5.3% year over year in May from 3.9% in April. The mining sector contracted for the third month in a row, as Russia cut its oil output in accordance with its voluntary pledge to OPEC+.

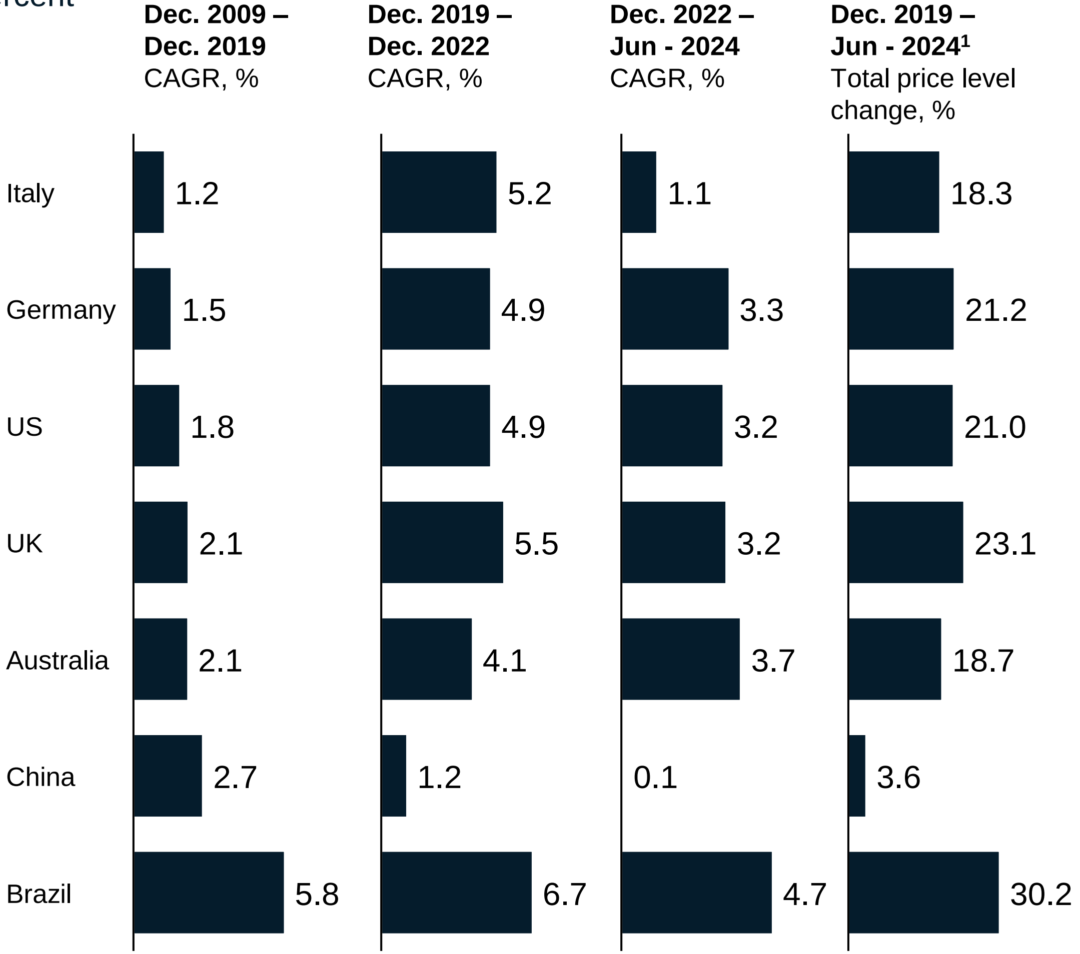
With the exception of China, none of the central banks across surveyed economies lowered their key rates this month. In a surprising move, the People's Bank of China cut interest rates on two occasions in July. The central bank reduced the seven-day reverse repo rate to 1.7% from 1.8% on July 22, marking the first cut to the rate since August 2023. The one-year loan prime rate was lowered to 3.35% (from 3.45%), while the five-year LPR (which serves as a benchmark for mortgage rates) was reduced to 3.85% (from 3.95%). Three days later, the central bank cut its interest rate for one-year loans to commercial banks to 2.3% (from 2.5%).

Commentators see this as a reaction to slowing growth in the world's second-largest economy and turbulence in the real estate sector. China's real estate market slowdown did show slight signs of easing in the second quarter. Demand-side indicators revealed a smaller reduction in sales revenue, together with a shallower decline in new homes floor space sold. On the supply side, the decline in floor space started was also less steep. However, foreign

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

While consumers demonstrate caution yet resilience, elevated product prices continue to be a primary concern for households

Consumer Price Index,
Percent



1. Data for Australia till May 2024.

direct investment inflows into China decreased further, with a −33.2% year-on-year decline in Q2 (−26.1% in Q1), according to data from the Ministry of Commerce.

A particularly thorny problem awaits whoever wins the US election in November: the country's ballooning national debt. One factor affecting US debt going forward is the future interest rate environment; another is GDP growth. America's gross national debt topped $35 trillion for the first time this month, according to a U.S. Treasury Fiscal Data Daily Treasury Statement (DTS). Projections indicate that US national debt will rise to around $55 trillion by 2034. The Congressional Budget Office suggests that federal debt held by the public is set to reach 116% of US GDP, with interest payments outpacing tax revenue.

It has been a particularly eventful month politically. July saw an assassination attempt on former president Donald Trump at a rally (July 13). A week later (July 21), President Joe Biden withdrew from November's presidential election in favor of current vice-president Kamal Harris. In between these two unexpected events, Ursula von der Leyen was reelected as President of the European Commission (July 18).

By contrast, macroeconomic trends are tilting toward business as usual. Consumers are cautious but also resilient. It is worth remembering the saying, "Consumers pay prices, not inflation." So, although inflation has come down across multiple countries, consumers are still paying notably higher prices than they did before the current inflationary period. Consequently, it should be no surprise that overall consumer confidence has declined as higher prices continue to affect everyday buying decisions. In terms of retail sales growth, all surveyed economies except Brazil have witnessed decelerating consumer spending. In the US, the June consumer confidence index (Conference Board) dipped to 100.4, down from 101.3 in May. Even so, June retail sales rose 2.3% over the previous year.

Central banks continue to anchor inflation expectations at around 2.0 to 2.3%. Inflation is still easing among developed economies, although the eurozone is experiencing producer price deflation. In the US, median inflation expectations at the one-year-ahead horizon declined slightly to 3.0% from 3.2%, according to the June Survey of Consumer Expectations by the New York Fed. Across the Atlantic in the eurozone, inflation looks set to stay above target well into next year. Despite inflation falling by more than 2.5 p.p. since September, domestic price pressures remain strong, with wages growth still elevated (5.1% in 2024 Q1) while profits are tilting down.

The US consumer price index (CPI) registered a 3.0% (annualized) rise in June, a smaller increase than the 3.3% rise for the 12 months ending in May. Core inflation rose 3.3% (annualized) in June. Meanwhile, headline inflation in the eurozone was slightly down at 2.5% while core inflation stood at 2.9% in June; services inflation was 4.1%. The June UK CPI stayed steady at the Bank of England's 2% target (which it reached for the first time in three years during May). Core inflation also remained at 3.5%.

Consumer inflation was stable across surveyed emerging economies, with the exception of Russia, where it accelerated. India's CPI ticked up from 4.8% in May to 5.1% in June, primarily because of rising food prices, which grew at their fastest pace since the start of the year. However, the increases have been broader, with core inflation also edging up, though at a slightly slower pace. Inflation in Brazil climbed to 4.23% in June (3.93% in May), registering a second consecutive monthly rise and moving further away from the 3.0% target set by the Banco Central do Brasil. In Russia both headline and core inflation continue to rise. June saw consumer price growth jump to 8.6% (from 8.3% in May). Utility tariffs were hiked by 10% on average in July, further increasing inflationary pressures.

Commodity prices declined in July but remain significantly higher than pre-pandemic levels. Most metals prices edged down due to slower demand on global markets, although gold reached an all-time high in July, moving past $2,380 an ounce. Also, it is notable, but perhaps not surprising given the push for net-zero, that lithium has enjoyed a 231% increase in demand over the five years to 2023. Meanwhile, energy prices continue to move sideways, while food prices were broadly unchanged in June.

Source:Australian Bureau of Statistics; Bureau of Labor Statistics; China National Bureau of Statistics; Haver Analytics; Instituto Brasileiro de Geografia e Estatística; Istituto Nazionale di Statistica; Office for National Statistics; Statistisches Bundesamt; McKinsey analysis

While consumers demonstrate caution yet resilience, elevated product prices continue to be a primary concern for households (2/2)

However, despite a fall in what consumers pay for food in 2024, prices still remain significantly higher than before the pandemic.

Looking ahead, the various purchasing' managers indexes (PMIs) show a familiar divergence between manufacturing and services. In the US, June's manufacturing PMI was revised slightly lower to 51.6 from a preliminary reading of 51.7, while the services PMI rose to 55.3. In the eurozone, the composite PMI stood at 50.1 in July (June: 50.9), while the manufacturing PMI experienced a more pronounced decrease to 45.6, down from 45.8 in July. The services sector indicated softer expansion, with the PMI at 51.9 in July (June: 52.8). By contrast, the UK manufacturing sector continued to expand in June. The seasonally adjusted S&P UK Manufacturing PMI registered 50.9 in June, down slightly from May's 22-month high of 51.2 and below the earlier flash estimate of 51.4. The PMI has posted above the neutral 50.0 mark (signalling expansion) for the past two months. The seasonally adjusted S&P UK Services PMI remained in expansion territory during June, posting 52.1. While this signalled an eighth consecutive monthly increase in output across the UK service sector, the headline index fell again, from 52.9 in May, signalling the softest rate of growth since November last year.

Among the emerging economies, India saw the quarter finishing on a strong note, with the manufacturing PMI up from 57.5 in May to 58.3 in June. Growth in the services sector also accelerated, with demand for services continuing to rise and employment showing the fastest increase in almost two years. Meanwhile, Brazil's composite PMI rose slightly from 54.0 to 54.1 in June, staying firmly within the expansion zone for a ninth consecutive month. The manufacturing PMI rose to 52.5 in June (52.1 in May), remaining above the neutral 50 mark for a sixth month running to indicate modest expansion. June saw Brazil's services PMI decrease to 54.8. Despite the drop from 55.3 in May, this latest reading is indicative of a marked rate of expansion.

The US unemployment rate was virtually unchanged at 4.1% in June, up from May's 4.0% (3.5% in January 2020), but it increased further in July to 4.3%. Meanwhile, India's unemployment rate surged to 9.2% in June (up from 7% in May), alongside a rise in the country's labor participation rate. Other surveyed economies recorded a decline except China, which remained steady at 5.0%.

After a relatively volatile June, during which most stock exchanges experienced losses, July brought a rebound in equities, while market volatility continues to trend down. Although fewer than half of the members of the S&P 500 have reported earnings so far, their reports seem consistent with the broader economy: blended, year-over-year nominal revenue growth of 5.0%. The cost of capital was stable in July, against a backdrop of stable inflation and a wait-and-see approach from the markets regarding interest rates.

Overall, world trade volume recorded a marginal rise of 0.1% in May with increases in all trade flows across emerging economies. At the same time, global supply chains are continuing to normalize with the pressure index reaching the historical average value in June. May's Container Throughout Index climbed to 129.9 points, a notable increase from the previous month. This uptick was mirrored by a rise of some 3% in port trade activities versus April. China saw an increase in exports in May while the eurozone experienced a decline; at the same time, China's imports fell by 1%. China's cross-border trade growth picked up to 3.3% in the second quarter, up from −0.5% in the first. Export growth accelerated to 4.4% in the second quarter (up from −1.7% in the first), while import growth stood at 1.7% in the second quarter, slightly up from 1.2% in the first quarter of 2024.

Continued strength in the US dollar has led to a 6.9% jump in US imports, the fastest quarterly rise since Q1 2022. The US trade deficit remains a headwind, pulling GDP down by 0.7 percentage points. May's exports reached $261.7 billion, $1.8 billion less than in April; May imports were reported at $336.7 billion, $1.2 billion less than April's figure. The monthly trade deficit increased by 0.8%, to $75.1 billion. India's trade deficit reached US $8.4 billion as both export and import of goods contracted, but the latter at a slower pace. Trade in services, meanwhile, continues to record surpluses.

[Advanced economies]: In the advanced economies, markets wait on central bank rate cuts; US president bows out of election; growth is sluggish in Europe.

United States

Q2 growth strong at 2.8%; President Biden withdraws from presidential race, endorsing VP Harris as Democratic nominee; former president Trump survives assassination attempt; Fed holds rates.

Q2 growth was strong at 2.8%, beating economists' expectations of 2.0% and the 2.7% forecast from Atlanta Fed's GDPNow model. This model anticipates growth remaining robust at 2.8% in Q3.

Retail sales in June rose 2.3% over the previous year.

The consumer price index registered a 3.0% (annualized) rise in June, lower than the 3.3% increase for the 12 months ending May. Core inflation rose 3.3% (annualized) in June. Median inflation expectations at the one-year-ahead horizon declined slightly to 3.0% from 3.2%, according to the June Survey of Consumer Expectations by the New York Fed.

The unemployment rate was virtually unchanged at 4.1% in June, up from May's 4.0%. Total nonfarm payroll employment increased by 206,000 in June.

The Federal Open Markets Committee (FOMC) announced on July 31 that it was keeping the key interest rate unchanged. However, the committee did signal a possible rate cut in September. The Fed hailed easing inflation over the past year, noting further recent progress toward its 2% inflation goal.

Retail and food services sales for May 2024, adjusted for seasonal variation and holiday and trading-day differences, were $704.3 billion—virtually unchanged from the previous month. The consumer confidence index (Conference Board) dipped in June to 100.4, down from 101.3 in May.

The industrial production index increased to 103.9 in June (103.3 in May). June's purchasing managers' index (PMI) for manufacturing was revised slightly lower to 51.6, from a preliminary figure of 51.7, while the services PMI increased to 55.3.

In July, the S&P 500 increased by 3.5%, bringing the one-year return to 22.7%. The Dow Jones also increased by 1.2% over the month, registering 13.7% in terms of its one-year growth. During June, the CBOE Volatility Index averaged 12.4 (12.9 in May).

May exports were $261.7 billion, $1.8 billion less than April's exports. May imports were $336.7 billion, $1.2 billion less than in April. The monthly deficit climbed by 0.8%, to $75.1 billion.

On the housing market, the 30-year fixed-rate mortgage had declined to 6.8% by July 17, down on the previous month. Existing home sales fell by 5.4% in June. During June, housing residential starts increased to 1,353,000 (up from a revised figure of 1,314,000 in May). Completions rose to 1,710,000 this month (from 1,553,000 in May). In June, the existing homes median price increased 2.3% from the previous month, sitting at $427,000.

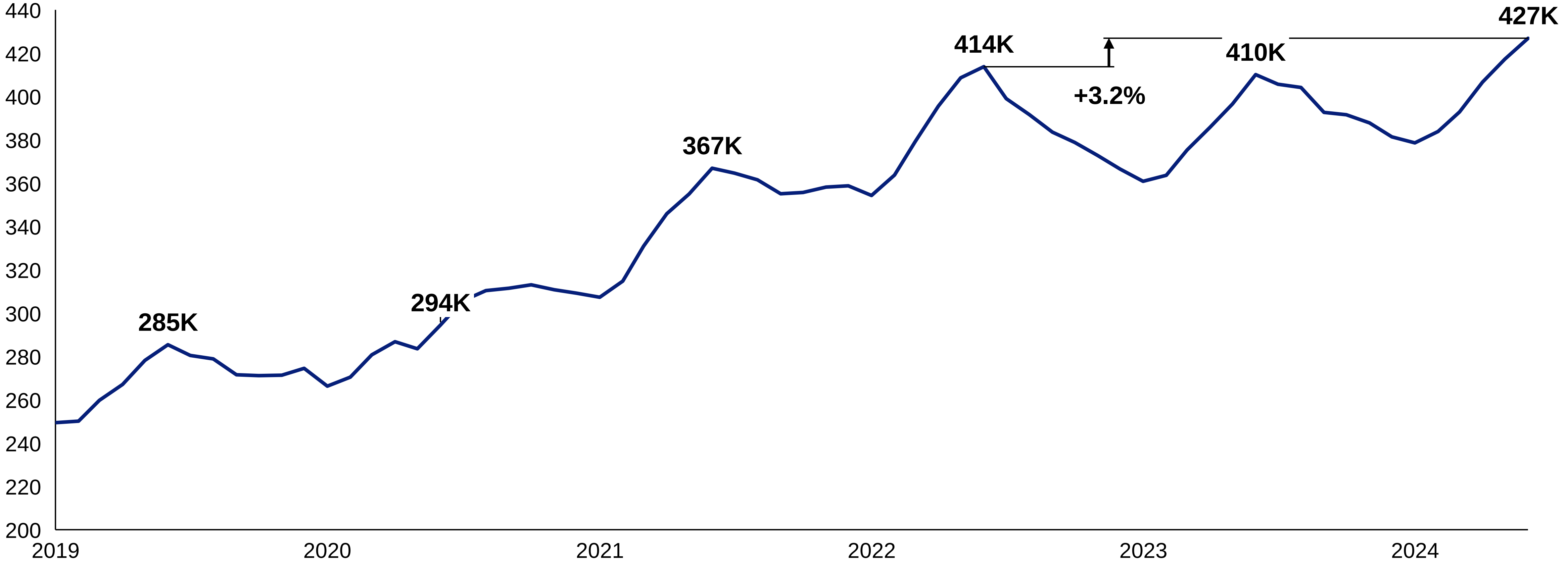
President Joe Biden has ended his reelection campaign and endorsed Vice-President Kamala Harris to replace him as the Democratic Party candidate. A week earlier, former president Trump (the Republican candidate) had survived an assassination attempt at a rally in Pennsylvania.

Source: BLS; Federal Reserve; NAREIT; NY Federal Reserve Bank; US Census; McKinsey's Global Economics Intelligence analysis

June’s median homes price climbed to $427,000, representing a 3.2% rise from the 2022 historical peak

Median home prices are currently above $340,000 mark

Median existing home price,
$, thousands



Source: National Association of Realtors; McKinsey Global Institute analysis

President Biden withdraws from 2024 presidential race; former president Trump survives assassination attempt; VP Harris is Democratic nominee; Fed holds rates

Significant improvement | Improving | No significant change | Worsening | Severe decline

	Indicator category	Change vs prior month	Change vs pre-COVID
Macroeconomic	Consumer	No significant change	No significant change
	Business/industry	No significant change	No significant change
	Real estate	Improving	Worsening
	Trade, external	No significant change	No significant change
	Prices	Improving	Improving
	Employment	No significant change	Significant improvement
Financial markets	Foreign exchange	No significant change	Improving
	Equity	Improving	Significant improvement
	Debt	Worsening	Severe decline
	Credit	Worsening	Worsening
Government and policy	Public policy	Worsening	No significant change
	Public-sector health	Improving	No significant change

Inflation dropped to 3.3% while unemployment remains unchanged at ~4%; real estate cools off as existing home sales drop 5%

- The industrial production index increased to 103.9 in June (103.3 May 2024). June's manufacturing PMI was revised slightly lower to 51.6, from a preliminary figure of 51.7; the services PMI climbed to 55.3.
- Retail and food services sales for May 2024, adjusted for seasonal variation and holiday and trading-day differences, were $704.3 billion—virtually unchanged from the previous month. The consumer confidence index (Conference Board) dipped in June to 100.4, down from 101.3 in May.
- May exports were $261.7 billion, $1.8 billion less than April exports. May imports were $336.7 billion, $1.2 billion less than April imports. The monthly deficit increased by 0.8%, to $75.1 billion.
- On the housing market, the 30-year fixed-rate mortgage had declined to 6.8% by July 17, down on the previous month. Existing home sales fell by 5.4% in June. During June, housing residential starts increased to 1,353,000 (up from a revised figure of 1,314,000 in May). Completions rose to 1,710,000 this month (from 1,553,000 in May). In June, the existing homes median prices rose 2.3% from the previous month, sitting at $427,000.
- The unemployment rate changed little: 4.1% in June, up from May's 4.0% (3.5% in January 2020). Total nonfarm payroll employment increased by 206,000 in June.
- The consumer price index registered a 3.0% (annualized) rise in June, a smaller increase than the 3.3% increase for the 12 months ending May. Core inflation rose 3.3% (annualized) in June. Median inflation expectations at the one-year-ahead horizon declined slightly to 3.0% from 3.2%, according to the June Survey of Consumer Expectations by the New York Fed.

In June, the S&P 500 and Dow Jones grew 3.8% and 1.2% respectively; FOMC holds rates

- In July, the S&P 500 increased by 3.5%, bringing the one-year return to 22.7%. The Dow Jones also rose, increasing by 1.2% for the month to register 13.7% in terms of its one-year growth. During June, the CBOE Volatility Index averaged 12.4 (12.9 in May).
- The Federal Open Markets Committee (FOMC) announcement on July 31 left the key interest rate unchanged at 5.25–5.50%.

Biden withdraws from the 2024 presidential race, endorses Harris; Trump survives assassination attempt

- President Joe Biden has ended his reelection campaign and endorsed Vice-President Kamala Harris to succeed him as the Democratic Party candidate. A week earlier, former president Donald Trump (the Republican candidate) had survived an assassination attempt at a Pennsylvania rally.

Source: BLS; Federal Reserve; NAREIT; NY Federal Reserve Bank; US Census; McKinsey's Global Economics Intelligence analysis

Eurozone

2024 growth projected at 0.9%; key ECB interest rates unchanged; EU president reelected.

In the second quarter of 2024, GDP increased by 0.3% quarter on quarter and 0.6% year on year. Activity within the Eurozone may have bottomed out. July's IMF projections point to a modest pickup of 0.9% for 2024 (revised up by 0.1 p.p.), due to stronger services momentum and higher-than-expected net exports in the first half year. Growth is projected to rise to 1.5% in 2025, underpinned by stronger consumption on the back of rising real wages, plus higher investment from easing financing conditions amid gradual monetary policy loosening this year. Continued weaknesses in manufacturing suggest a more sluggish recovery for countries such as Germany.

On July 18, the governing council held key European Central Bank interest rates. The president of the council said the ECB will maintain restrictive policy rates until the 2% inflation target is achieved. A recent forward-looking bank lending survey found that financing conditions remain restrictive: mortgage standards are unchanged, while standards for businesses have tightened. Mortgage demand rose for the first time since early 2022, but corporate demand is still in negative territory.

Despite progress in tackling inflation (since September it has fallen by more than 2.5 p.p.), domestic price pressures remain strong, with wages growth still elevated (5.1% in 2024 Q1) while profits are tilting down. Consequently, inflation is likely to stay above target well into next year. In June, headline inflation was slightly down at 2.5% while core inflation stood at 2.9%: services inflation was 4.1%. Producer prices have been deflating since December, posting –0.2% month on month and –4.2% year on year in May 2024. The ECB's June projections show inflation is expected to be 2.5% in 2024 (revised up by 0.2 p.p.), 2.2% in 2025 (up by 0.2 p.p.), and 1.9% in 2026 (unchanged). For core inflation, ECB staff projections are: 2.8% in 2024, 2.2% in 2025, and 2% in 2026.

The eurozone's economic recovery suffered a setback at the end of the second quarter. The forward-looking indicator, Eurocoin went from 0.18 to 0.16 in June. The composite PMI stood at 50.1 in July (June: 50.9); the manufacturing PMI experienced a more pronounced decrease to 45.6, down from 45.8 in July, while the services sector saw softer expansion, with the PMI at 51.9 in July (June: 52.8). Looking geographically, France registered a fall in output for the third month running.

French parliamentarians have reelected Macron ally Yaël Braun-Pivet as head of the National Assembly. Negotiations to nominate a prime ministerial candidate from among the ranks of the New Popular Front leftist coalition have stalled. President Macron has announced he won't name a new government until after the Paris Olympics have closed.

The European Parliament elected Ursula von der Leyen as President of the European Commission for a second term on 18 July.

Source: ECB; European Commission; Eurostat; IHS Markit; IMF; OECD

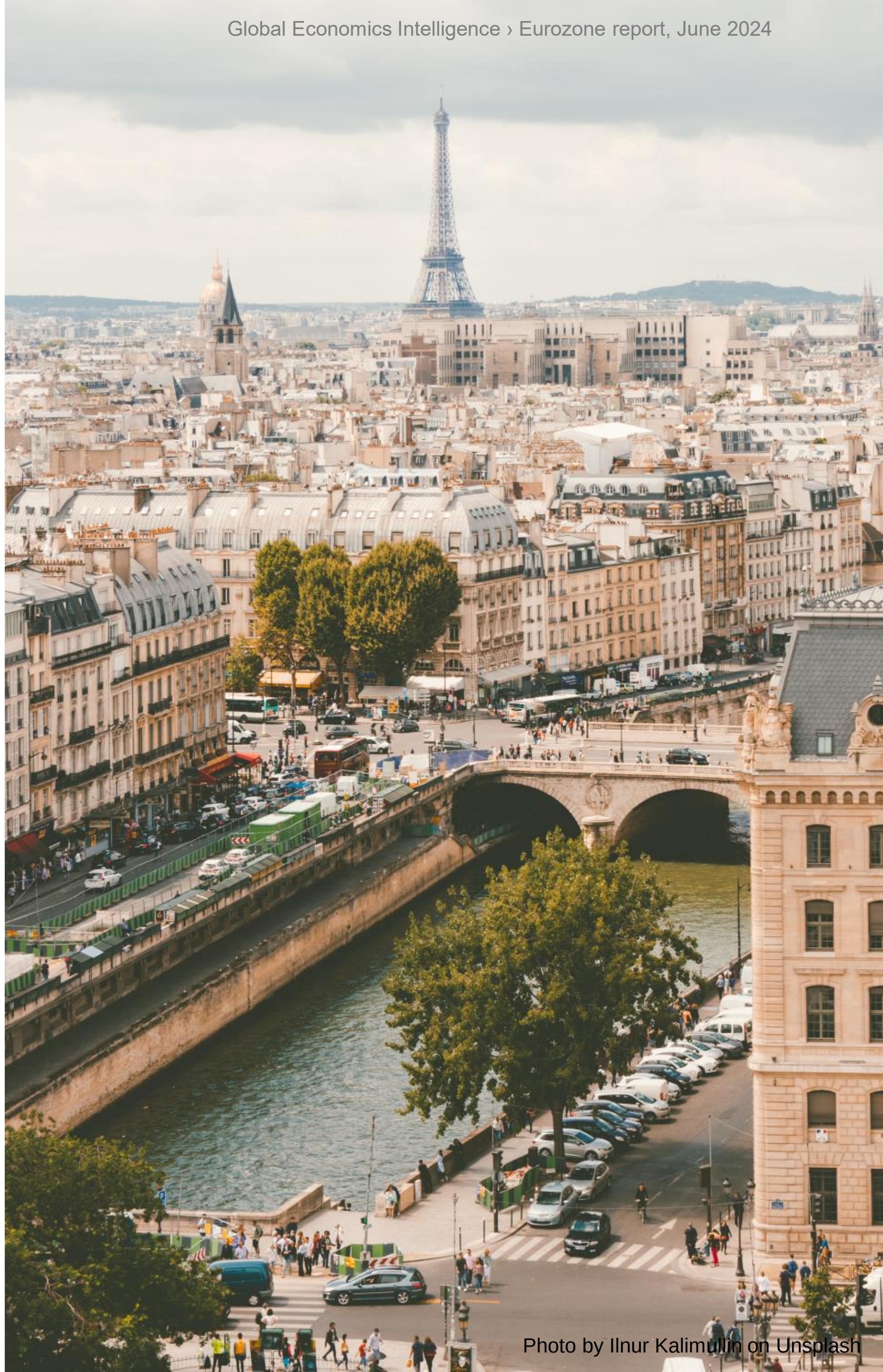
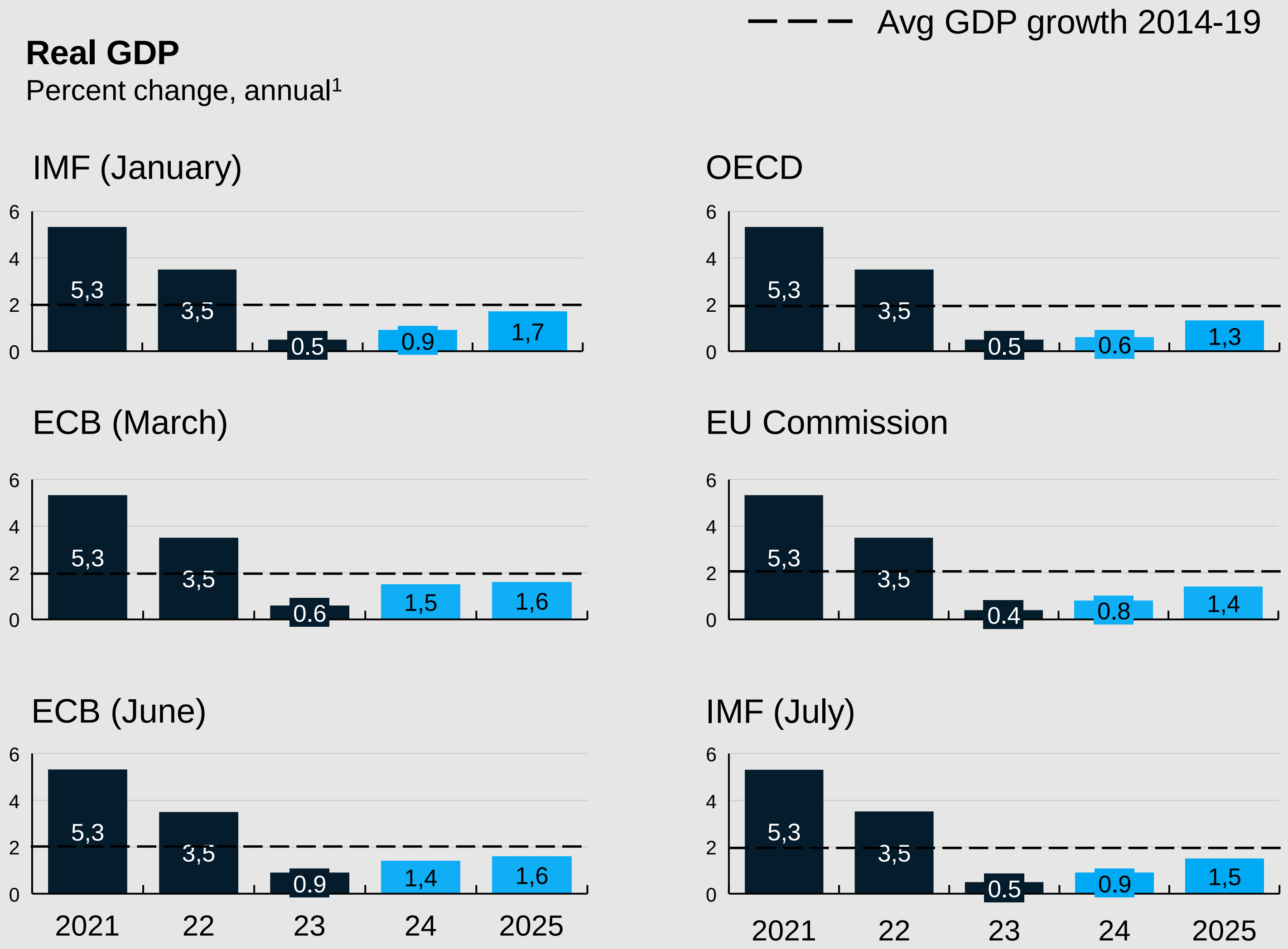


Photo by Ilnur Kalimullin on Unsplash

Most forecasters suggest growth rates are back to pre-COVID-19 levels

Real GDP
Percent change, annual[1]



1. Includes IMF (Jan & Jul '24), OECD (Feb '24), ECB (Mar & Jun'24), EU Commission (May '24).

Source: ECB; European Commission; Eurostat; IMF; OECD

Eurozone economic recovery suffers setback; French head of national assembly reelected; Paris games set to deliver net economic benefit

Eurozone's economic recovery suffers a setback

- Real retail sales rose marginally in May: 0.1% month on month, 0.3% year on year. The consumer confidence indicator edged up in June, indicating an ongoing recovery in consumer spending.
- The industrial production index declined –0.6% month on month and –3.0% year on year in May. The eurozone's economic recovery is losing momentum: the composite PMI stands at 50.1 in July (June: 50.9); the manufacturing PMI experienced a more pronounced decrease to 45.6, down from 45.8 in July, while the services sector saw softer expansion, with the PMI at 51.9 in July (June: 52.8).
- Construction output in May was down by –0.9% month on month (–2.4% year on year); the construction PMI dropped to 41.8 in June, from 42.9.
- The first estimates for the euro area trade balance showed a €14 billion surplus in May 2024, close to April's. May goods exports reached €241.5 billion (€246.5 billion in April). Imports were €227.6 billion, –2% month on month, due to a fall in the surplus for machineries and vehicles (–€1.7 billion) and chemicals (–€1.3 billion), partially offset by an increase in other manufactured goods (+€2.6 billion).
- In June, headline inflation was slightly down to 2.5%, while core inflation stood at 2.9%: services inflation was recorded at 4.1%. Producer prices have been deflating since December, posting –0.2% month on month and –4.2% year on year in May 2024.
- The unemployment rate in April stood at 6.4% and remains close to record lows, with Spain at 11.7% and Germany at 3.3%. Annual nominal wage growth in Q1 2024 was 5.1%; thanks to falling inflation, this translated into a solid 2.3% growth in real terms.

Europe's STOXX 600 close to all-time high; stable euro-dollar exchange rate; shrinking outstanding credit

- Europe's STOXX 600 remains close to March's all-time high.
- The euro appreciated marginally against the US dollar, trading at $1.09 per euro on July 23.
- The Italian–German 10-year bond-yield spread stood at 1.4 percentage points in July; yields are at 3.8% and 2.5%, respectively.
- Tighter monetary policy has resulted in a considerable reduction in outstanding credit, which annually declined –0.2% for households and –0.5% for corporates.

Macron ally reelected as speaker in French assembly, but as yet no new government; Olympics set to boost economy

- French parliamentarians have reelected Macron ally Yaël Braun-Pivet as President of the National Assembly. Negotiations to nominate a prime ministerial candidate from the New Popular Front leftist coalition have stalled due to infighting; the bloc won the most seats but failed to secure a clear majority. President Macron has declined to name a new government until the Paris Olympics have closed.
- The Paris games could generate between €6.7 billion and €11.1 billion in net economic benefits for the Paris region, with an intermediate scenario projecting €8.9 billion in net economic impact, an independent study suggests.

Source: European Commission; Eurostat; Haver Analytics; United Nations; McKinsey's Global Economics Intelligence analysis

United Kingdom

CPI inflation remained at 2% in June; monthly GDP grew by 0.4% in May 2024, following flat growth in April; latest GDP projections from BoE, OECD, IMF, and OBR indicate modest growth for 2023–25.

A Bank of England (BoE) decision whether to cut interest rates from a 16-year high at the next Monetary Policy Committee on August 1 looks finely balanced given the dynamic tension around stimulating growth and continuing to tame inflation. Currently, the rate stands at 5.25% with no reduction in rates since March 2020, at the start of the COVID-19 pandemic.

The BoE's May Monetary Policy Report expects four-quarter GDP growth to pick up during 2025–27. Inflation is expected to return close to target throughout Q2 2024, before rising slightly in Q3 and Q4, to around 2.5%. This uptick is driven by energy price inflation, which is projected to become less negative during Q3 and Q4 (compared with Q2).

The UK Consumer Price Index remained steady at the BoE's 2% target in May 2024 (which it reached in May for the first time in three years) mainly driven by a slowdown in clothing and footwear prices, partially offset by rising hotel prices. The figure marks a milestone for the UK economy after the worst inflationary upsurge in a generation. Core inflation (which excludes energy, food, alcohol, and tobacco) also remained at 3.5%. On June 20, the BoE Monetary Policy Committee voted to maintain the policy rate at 5.25%.

The UK manufacturing sector continued to expand in June. The seasonally adjusted S&P UK Manufacturing PMI registered 50.9 in June, down slightly from May's 22-month high of 51.2 and below the earlier flash estimate of 51.4. The PMI has posted above the neutral 50.0 mark (signalling expansion) in each of the past two months. The UK manufacturing uptick continued at the end of Q2 2024. June saw both output and new orders expand for the second month running, with expansion rates remaining close to May's highs. There was a modest increase in cost inflation, with input prices rising at their quickest pace since January 2023.

The seasonally adjusted S&P UK Services PMI remained in expansion territory during June, posting 52.1. While this signalled an eighth consecutive monthly increase in output across the UK service sector, the headline index fell again, from 52.9 in May, signalling the softest rate of growth since November last year. The headline S&P UK Construction PMI registered 52.2 in June, down from 54.7 in May. Remaining above the 50.0 no-change mark for the fourth consecutive month, the latest reading signalled a sustained improvement in overall construction activity in the UK, albeit with the pace of growth softening from the previous month. The UK construction sector remained inside growth territory in Q2 2024, although the overall expansion softened amid a renewed fall in housing activity.

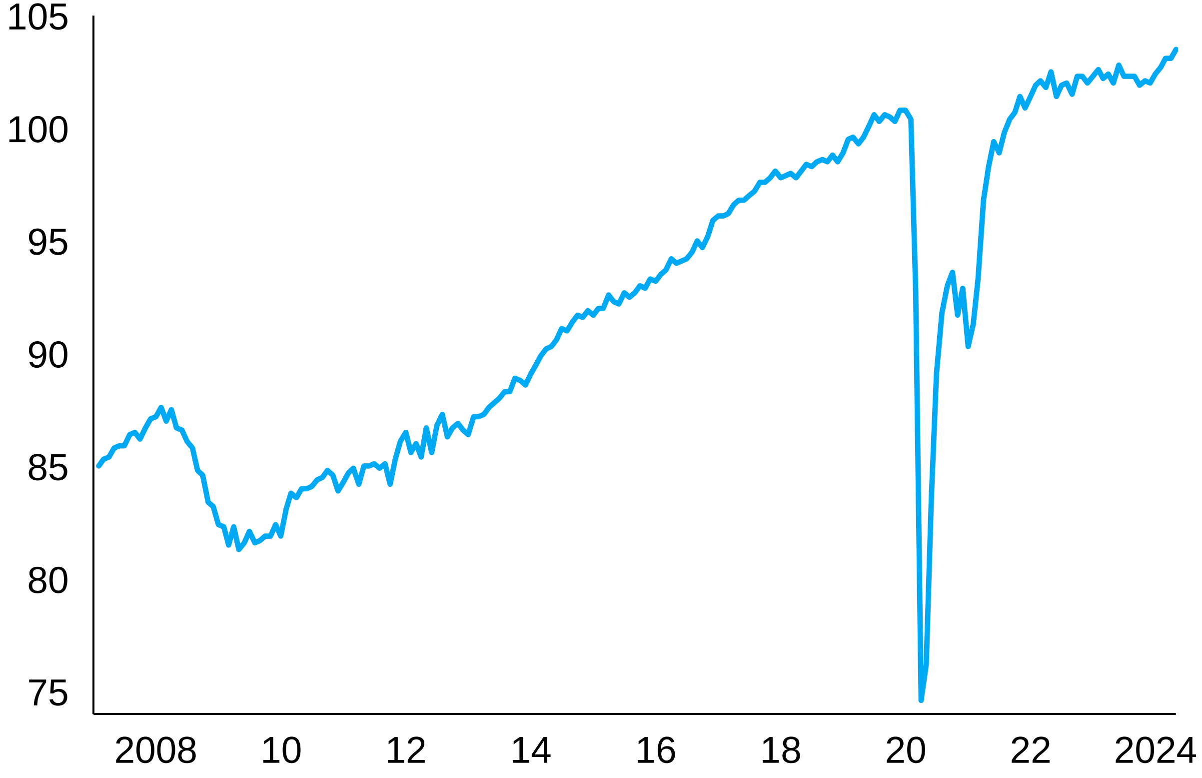
Growth in average total pay was 5.7% in the three months to May 2024; real total pay rose by 2.2%. UK unemployment was estimated at 4.4% over that period. The economic inactivity rate for people aged 16 to 64 years was estimated at 22.1% in March to May 2024, above year-ago estimates, but decreased in the latest quarter. The estimated number of vacancies in April to June 2024 was 889,000, a 3.3% drop of 30,000 from January to March 2024. Vacancies declined for a record 24th consecutive period, falling in 14 of 18 industry sectors.

The Labour Party won a significant victory in July's general election, helped by a notable resurgence in Scotland and smaller parties eating into the Conservatives' vote. Sir Keir Starmer took office as prime minister with a large Labour majority, and a slightly increased share of the vote (33.7% (versus 32.2% at the previous election). The Liberal Democrats enjoyed a revival, while the anti-immigration Reform won a significant share of the vote, although this translated into only a handful of seats. The pro-independence SNP lost 39 seats.

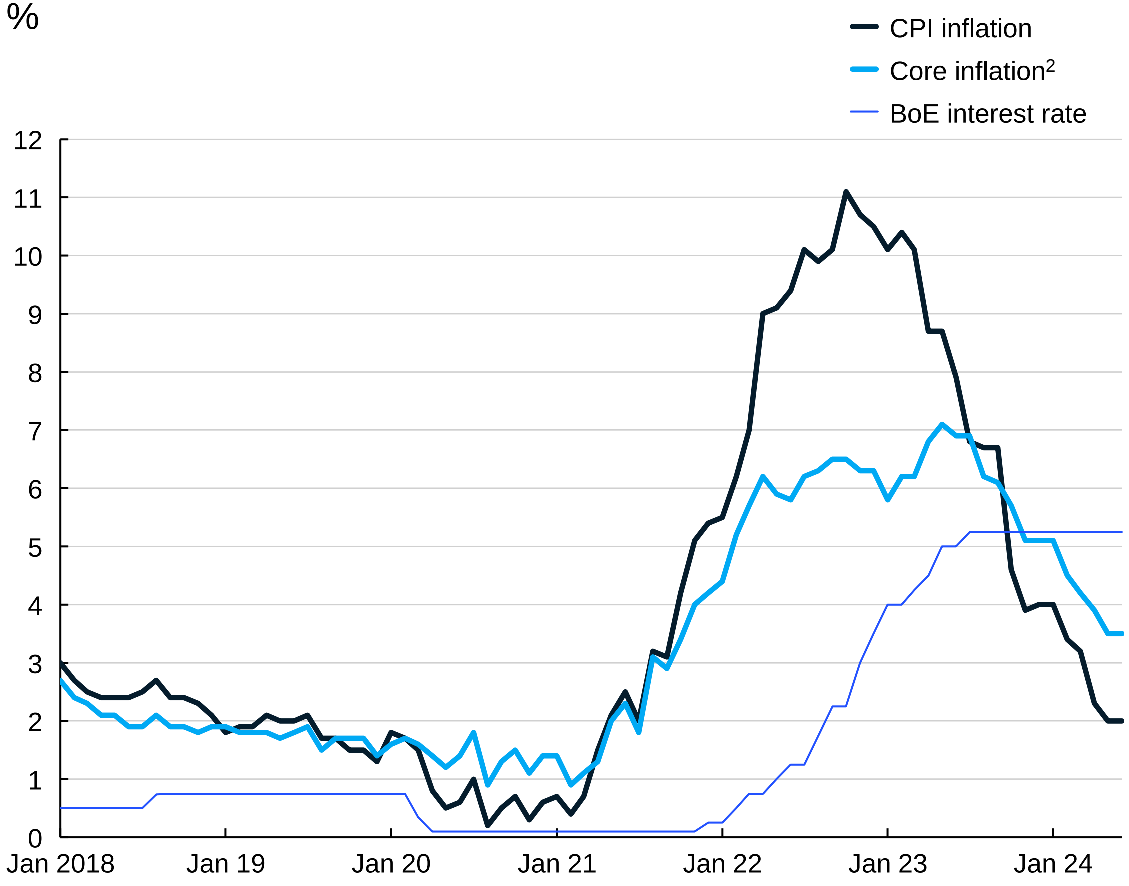
Source: Bank of England; IMF; OECD; Office for Budget Responsibility; Office for National Statistics; McKinsey's Global Economics Intelligence analysis

Monthly real GDP grew by 0.4% in May 2024; CPI remained steady at 2% in June; Bank of England held the policy rate at 5.25% in June

Monthly UK GDP, January 2007 – May 2024
Index, 2019 = 100



12-month inflation; Bank of England interest rate
%



1. Office for National Statistics data.
2. The specific measure excluding energy, food, alcohol, and tobacco is the one typically referred to as “core” by the ONS.

Source: Bank of England; IMF; OECD; Office for Budget Responsibility; Office for National Statistics; McKinsey’s Global Economics Intelligence analysis

Inflation remained steady in June, led by falling clothing and footwear prices but partially offset by rising hotel prices; manufacturing sentiment weakened, while services sentiment continued to improve; consumer confidence also improved; the unemployment rate was unchanged

Significant improvement | Improving | No significant change | Worsening | Severe decline

	Indicator category	Change vs prior month	Change vs pre-COVID
Macroeconomic	Consumer	No significant change	Severe decline
	Business/industry	No significant change	Worsening
	Real estate	Improving	Improving
	External trade	Worsening	Improving
	Prices	No significant change	Worsening
	Employment	No significant change	No significant change
Financial markets	Foreign exchange	No significant change	Worsening
	Equity	Worsening	Improving
	Debt	Worsening	Improving
	Credit	No significant change	No significant change
Government and policy	Public policy	No significant change	Worsening
	Public-sector health	No significant change	Worsening

Inflation remains steady in June; consumer confidence improves; industrial production strengthens

- Retail sales volumes (quantity bought) fell by 1.2% in June 2024, following a rise of 2.9% in May 2024.
- GfK's Consumer Confidence Index improved one point in July, to –13, remaining in negative territory. July's reading is the fourth month in a row that confidence has increased; it has recovered significantly since the record low of –49 reached in September 2022.
- Monthly production output is estimated to have risen by 0.2% in May 2024; this follows a fall of 0.9% in April 2024. Manufacturing was the biggest contributor to the monthly increase, partially offset by a fall in electricity and gas.
- The UK manufacturing PMI weakened slightly in June, recording 50.9, down from May's 22-month high of 51.2. The PMI has posted above the neutral 50.0 mark (signaling expansion) for two consecutive months. The services PMI registered 52.1 in June, down from 52.9 in May, but above the neutral 50.0 value for an eighth consecutive month.
- Monthly construction output in terms of volume is estimated to have grown by 1.9% in May 2024. Meanwhile, the UK construction PMI fell from 54.7 in May to 52.2 in June, signaling a sustained improvement in overall construction activity in the UK. The May UK House Price Index showed an annual price rise of 1.2%, bringing the UK average house price to £285,201.
- The total goods and services trade deficit widened by £1.6 billion to £9.2 billion in the three months to May 2024, attributable to increased imports and lower goods exports.
- The annual CPI inflation rate remained at 2% in June. Core inflation (excluding food, energy, alcohol, and tobacco) also stayed steady at 3.5%. Producer input prices fell by 0.4% in the year to June, up from a 0.7% fall in the year to May; producer output (factory gate) prices rose by 1.4% in the year to June, down from an increase of 1.7% in the year to May 2024.
- The UK unemployment rate for March to May 2024 of 4.4% is above estimates of a year ago (March to May 2023) and increased in the latest quarter. The youth unemployment rate (those aged 18–24) was 12% in March to May 2024.

UK equities decline; GBP strengthened slightly versus USD; 10-year gilt down from highs seen during market turmoil in late 2022

- As of 24 July, the FTSE 100 fell roughly 1.5% versus a month ago, remaining around 3.5% below the peak reached in May 2024. The pound strengthened slightly to $1.29 (as of July 24).
- The daily yield of the UK 10-year gilt remained at roughly 4.1%, as of July 22, below the historical highs of more than 4.6% seen in mid-October 2022, but well above mid-2022 rates of around 2%.
- Public sector net debt, excluding public sector banks, was estimated at 99.5% of GDP at the end of June 2024.

The Labour Party won the general election decisively, reclaiming parliamentary majority with 411 seats

- Labour Party leader, Sir Keir Starmer is the new British prime minister, ending 14 years of Conservative government.
- The Labour Party saw major advances in Scotland, while the Conservatives lost 244 seats across the UK; some smaller parties made notable gains.

Source: Bank of England; Office for National Statistics; McKinsey's Global Economics Intelligence analysis

[Emerging economies]: In emerging economies, China's central bank cut interest rates—twice; India's real economy continues to accelerate; inflation trends up in Brazil.

China

China's economic growth decelerated in Q2, with GDP increasing by 4.7%. Fixed-asset investment grew at a slower pace, and new credit tightened. The slowdown in the real estate market eased, and trade growth showed signs of improvement.

In the second quarter of 2024, China's GDP grew at a slower rate of 4.7% year on year, down from 5.3% in Q1, while year-to-date GDP growth for the first half of the year stood at 5.0%. Consumption accounted for 47% of GDP growth in Q2, while investment contributed 40%. By sector, GDP growth in the industrial sector slowed to 5.6% in Q2 (versus 6.0% in Q1) and the services sector saw a deceleration to 4.2%, down from 5.0% in Q1; GDP growth in the agricultural sector slightly accelerated to 3.6% in Q2, up from 3.3% in Q1.

Growth in fixed-asset investment slowed to 3.6% in Q2, down from 4.5% in Q1. By sector, manufacturing investment grew by 9.3% in Q2, slightly lower than the 9.9% growth in Q1. Infrastructure investment expanded by 4.8%, down from 6.5% in Q1. The contraction in real estate investment deepened to −10.6%, compared to −7.9% in Q1.

In Q2, the real estate market slowdown eased slightly. Demand-side indicators showed a smaller decline in sales revenue, down by −21.5% compared to a −33.0% drop in Q1. New homes floor space sold also recorded a shallower decline, with a −16.5% fall after a −27.8% decrease in Q1. On the supply side, floor space started was down −18.3%, less severe than the −29.3% drop in Q1.

New social financing amounted to RMB 5.3 trillion in Q2, down from RMB 12.8 trillion in Q1, marking a year-over-year decline of 24.4%. A significant proportion (90%) of this decrease compared to last year was attributed to a reduction in new bank loan financing.

The overall surveyed urban unemployment rate remained steady at 5.0% in June, unchanged from May. The youth unemployment rate decreased to 13.2% in June, down from 14.2% in May.

Cross-border trade growth picked up to 3.3% in Q2, up from −0.5% in Q1. Export growth accelerated to 4.4% in Q2 (from −1.7% in Q1), while import growth stood at 1.7% in Q2, slightly up from 1.2% in Q1.

FDI inflows into China decreased further, with a −33.2% year-on-year decline in Q2 (−26.1% decline in Q1), according to data from the Ministry of Commerce.

The People's Bank of China unexpectedly cut interest rates twice in July. It lowered the seven-day reverse repo rate to 1.7% from 1.8% on July 22, marking the first cut to the rate since August 2023. The one-year loan prime rate was reduced to 3.35% (from 3.45%), while the five-year LPR was cut to 3.85% (from 3.95%). Three days later, the central bank cut its interest rate for one-year loans to commercial banks to 2.3% (from 2.5%).

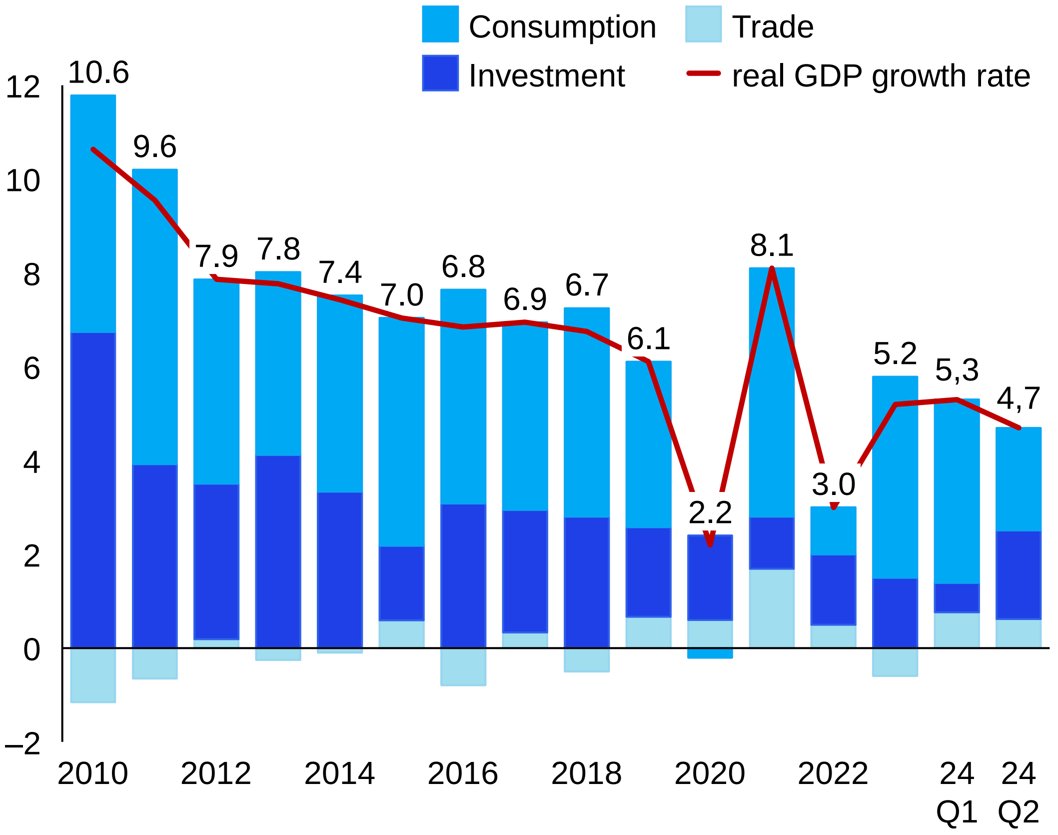
China convened the Third Plenum in mid-July, a major meeting held once every five years to outline long-term policy directions. High-quality development has been established as the top priority, with other key policy focuses including improving the market environment, advancing innovation, promoting opening-up, and enhancing people's livelihoods.

Source: CEIC; McKinsey's Global Economics Intelligence analysis

China GDP growth: historical trend

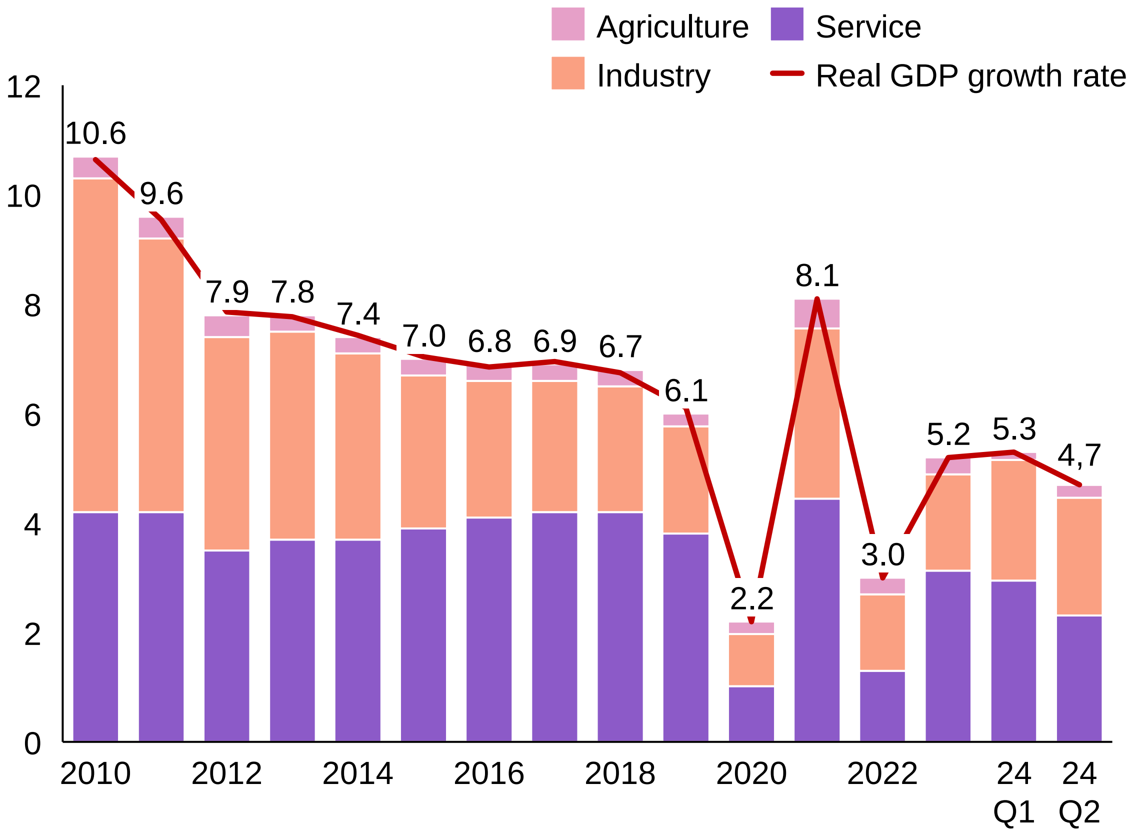
Real GDP growth by expenditure component

Quarterly; percent



Real GDP growth by sector

Quarterly; percent



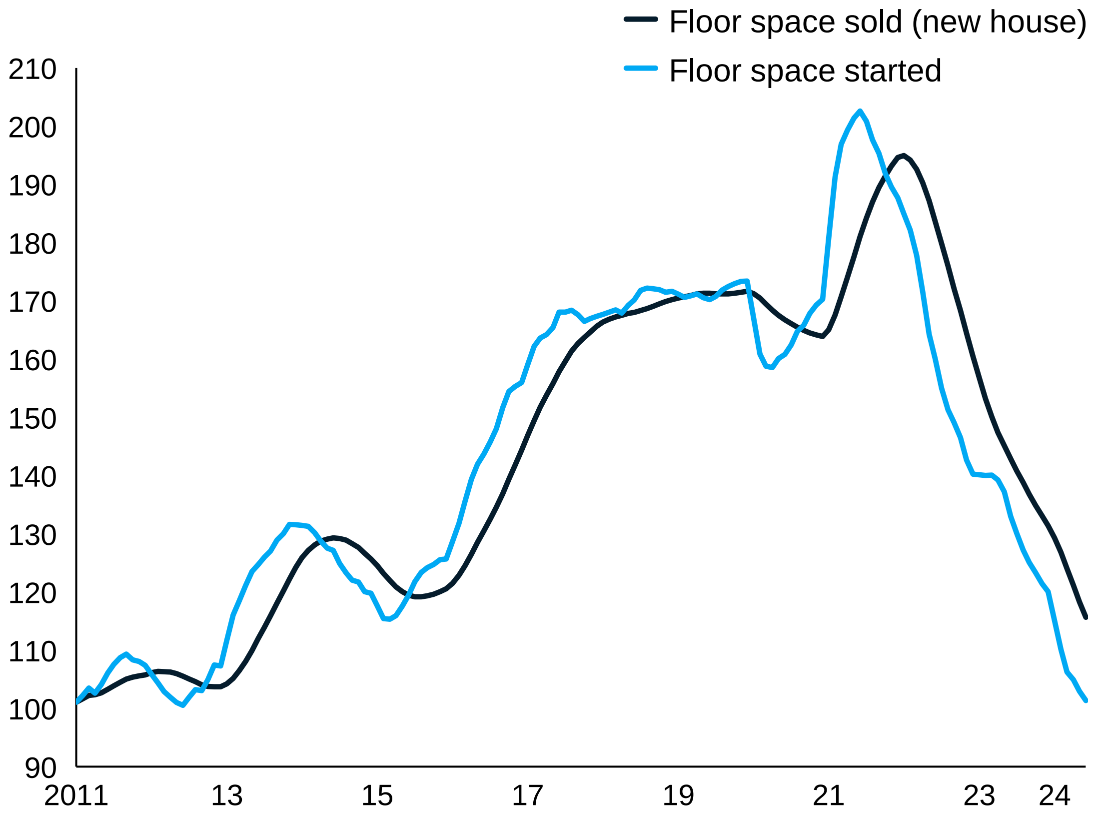
Source: NBS

China residential property market and FDI flows

2. Production and investment

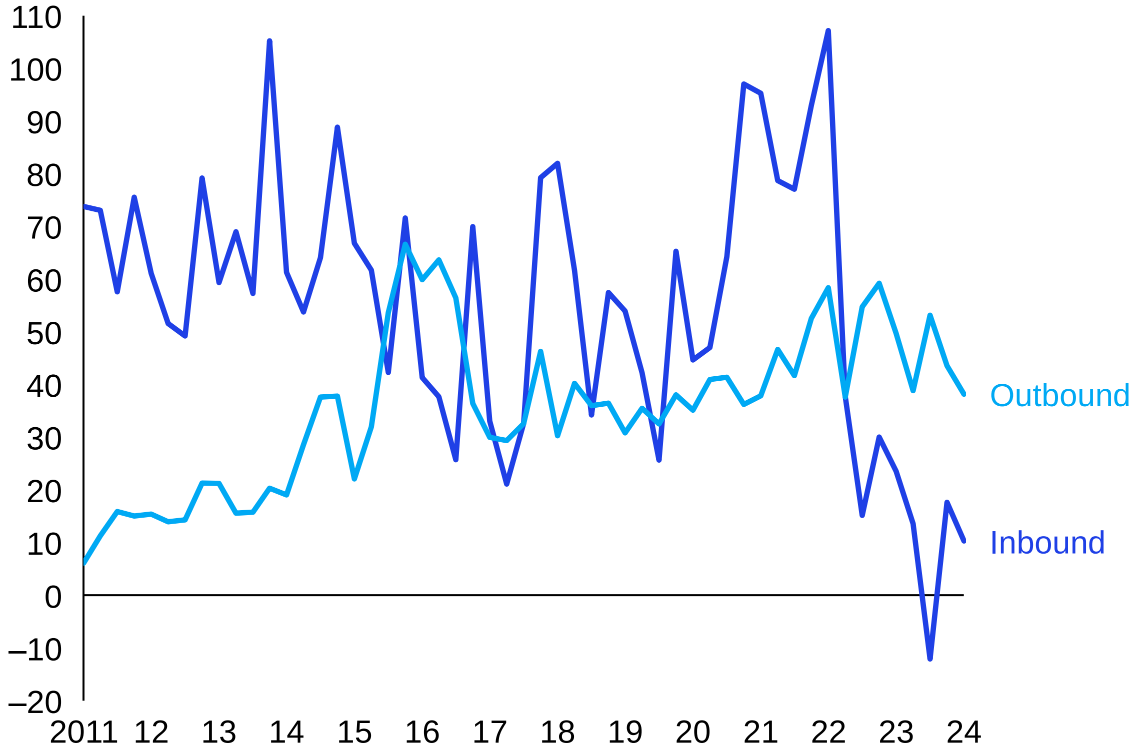
Floor space sold and started of new house

2010=100; 12-month moving average



China foreign direct investment

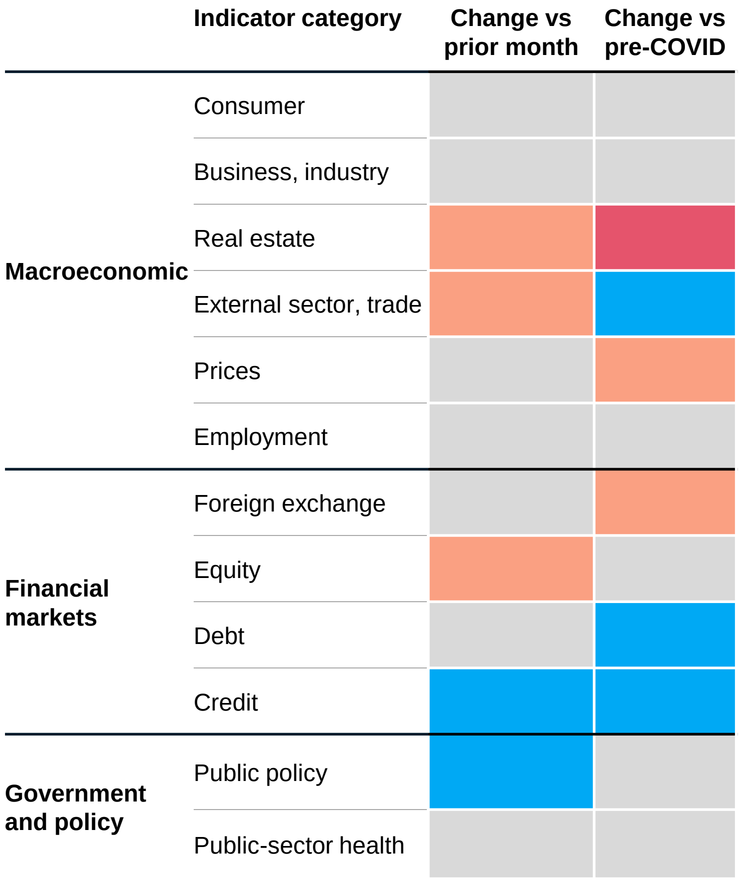
Quarterly; billion USD



Source: CEIC; State Administration of Foreign Exchange

In June, retail sales growth decelerated, trade growth slowed, and inflation remained low

Significant improvement | Improving | No significant change | Worsening | Severe decline



Retail sales growth decelerated; official manufacturing PMI stabilized, while services PMI dropped in June; trade growth slowed; inflation remained low

- Retail sales expanded more slowly at 2.0% in June (3.7% in May).
- The official manufacturing PMI remained steady in the contraction zone at 49.5 in June, while the official services PMI stayed in the expansion zone at 50.2, slightly down from 50.5 in May. The Caixin PMIs, which focus on SMEs, recorded a manufacturing PMI of 51.8, slightly up from 51.7 in May, and a services PMI of 51.2, down from 54.0 in May.
- Cross-border trade growth decelerated to 3.9% in June, down from 5.1% in May. Exports grew faster at 8.6% in June (from 7.6% in May), while import growth slowed to −2.3% in June, down from 1.8% in May.
- Consumer price inflation remained moderate at 0.2% in June (0.3% in May); producer prices deflated at a slower rate of −0.8% in June, improving from −1.4% in May.

RMB stabilized against US dollar; stock market dropped; new credit increased

- The RMB stabilized against the US dollar compared with the level at the end of June, trading at RMB 7.2772 = USD 1 by July 24.
- The Shanghai stock index lost −2.2% in value, and the Shenzhen index −4.0%, by July 24 compared with levels at the end of June.
- New social financing was recorded at RMB 3.3 trillion in June, up from RMB 2.1 trillion in May.
- M2 growth has been decelerating for 16 consecutive months, standing at 6.2% in June, down from 7.0% in May.

People’s Bank of China further lowered key lending rates

- On July 22, the PBOC announced a cut of ten basis points to the 1-year Loan Prime Rate (LPR), bringing it to 3.35%. Additionally, the 5-year LPR, which serves as a benchmark for mortgage rates, was reduced by the same margin to 3.85%. Three days later, the central bank cut its interest rate for one-year loans to commercial banks to 2.3% (from 2.5%).

Source: Bloomberg; CEIC; McKinsey’s Global Economics Intelligence analysis

India

The real economy's growth continues to accelerate, with retail sales and production expanding. Prices picked up pace as well.

Industrial production accelerated in May, with growth rising from 5.0% in the previous month to 5.9%, mainly driven by manufacturing and electricity production. Nevertheless, the situation within the manufacturing sector remains volatile, with many industries alternating between growth and contraction from month to month. The most stable industries, based on year-over-year growth, appear to be metals, transport vehicles, and apparel.

A similar acceleration can be observed among the purchasing managers' index (PMI) surveys. Manufacturing ended the quarter on a strong note, increasing from 57.5 in May to 58.3 in June. The growth was broad-based, driven by increased demand—both internal and external—production, and hiring. Growth in the services sector also accelerated, with demand for services continuing to rise and employment showing the fastest increase in almost two years.

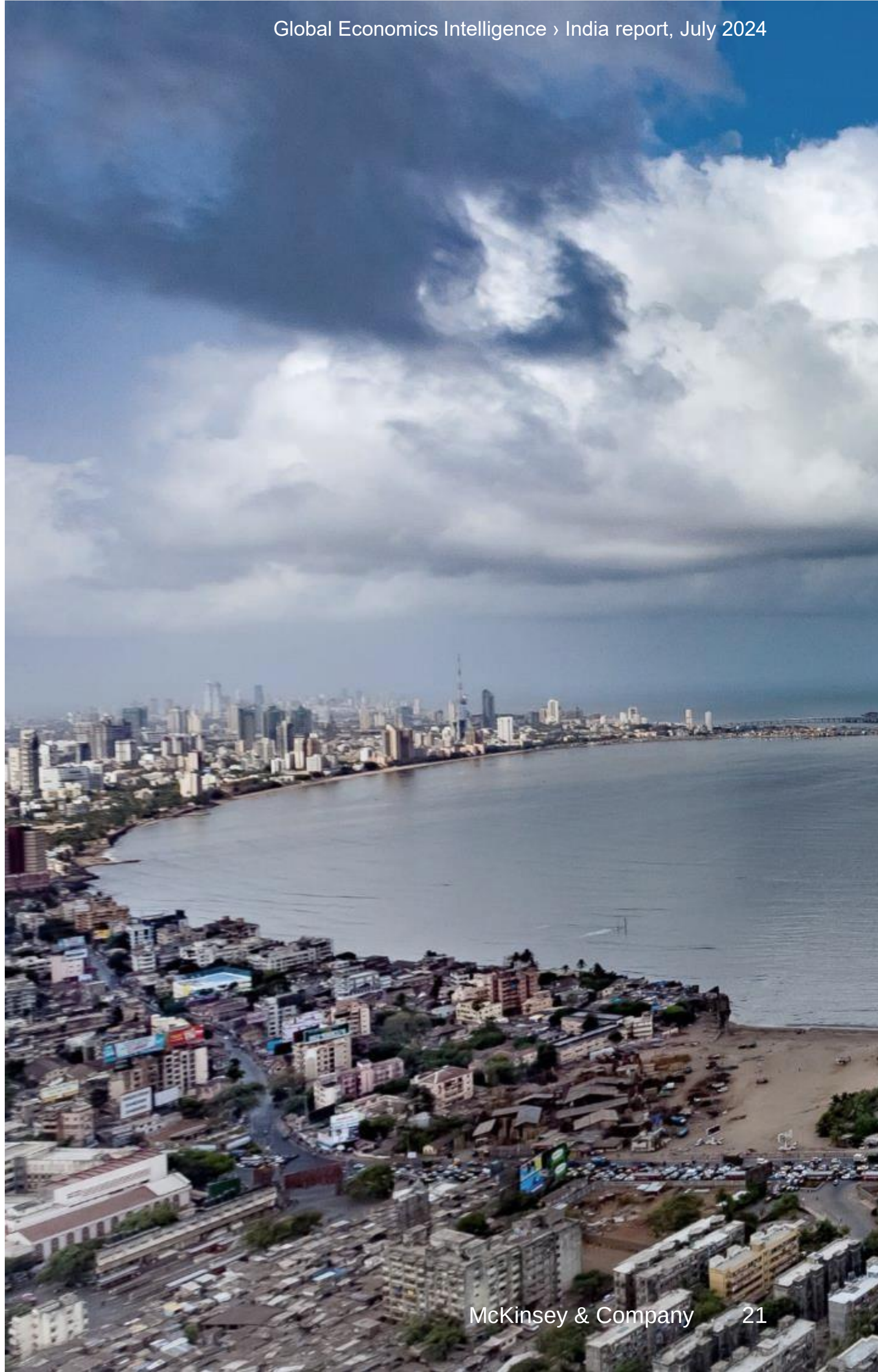
The consumer price index (CPI) ticked up from 4.8% in May to 5.1% in June, primarily the result of rising food prices, which grew at their fastest pace since the beginning of the year. However, the increases have been broader, with core inflation also edging up, though at a slightly slower pace. Speaking of broad effects, wholesale prices also experienced their fastest acceleration in almost 16 months, reaching 3.4%. Further acceleration in price increases is expected, as indicated by the Economic Survey from the Reserve Bank of India.

Meanwhile, consumer confidence reached 97.5—the highest level since July 2019—yet still below the neutral threshold of 100, suggesting that consumers remain cautious. However, improvements are already visible in retail sales. According to the Retailers Association of India, sales growth accelerated across many categories, with consumer durables and electronics being the only area where growth slowed—yet growth nonetheless.

The unemployment rate jumped to 9.2%, mainly on account of seasonal factors. That said, the number of job seekers increased while the number of job openings actually shrank in June. Wage growth remains healthy, ranging from 5.8% to 6.7%, depending on the sector.

Lending in the economy remains robust, with overall domestic credit growing at 14.3%. The commercial sector is the main driver, while growth in credit to the government has been decelerating since 2023.

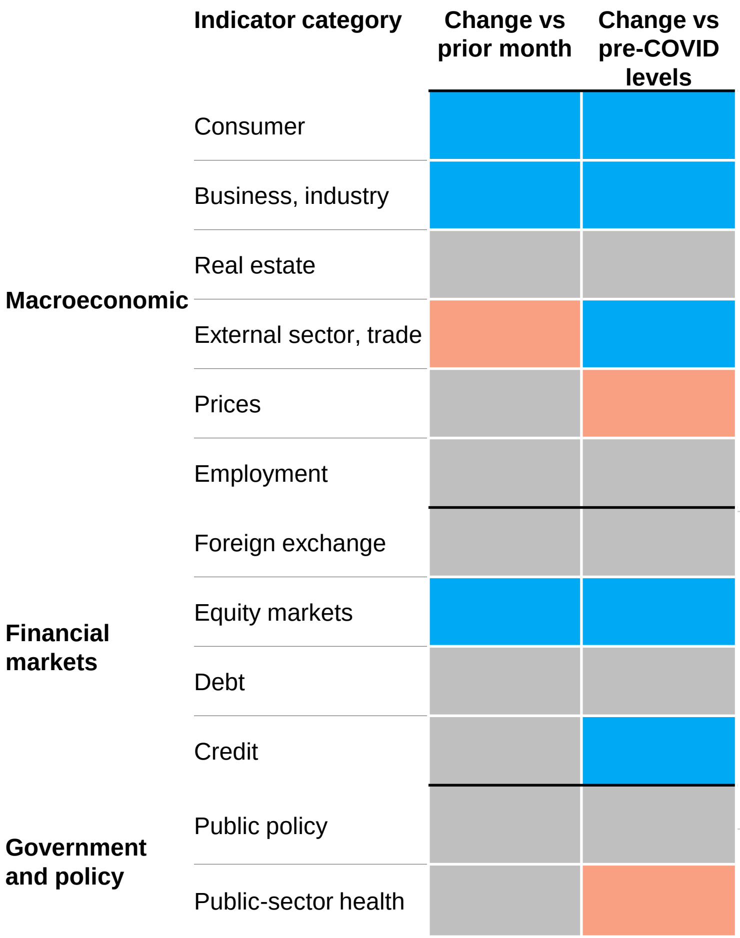
Overall, the trade deficit reached 8.4 billion USD as both export and import of goods contracted, but the latter at a slower pace. Trade in services, meanwhile, continues to record surpluses.



Source: Havers; IHS Markit; Ministry of Commerce and Industry; Ministry of Statistics and Programme Implementation (MOSPI); Reserve Bank of India

Growth accelerated in June; financial markets remain stable with surging equities, while the central bank keeps interest rates unchanged

Significant improvement | Improving | No significant change | Worsening | Severe decline



Economic growth accelerates on the back of consumer spending and expanding production

- Passenger vehicle sales declined by 6.8% year over year in June; however, overall vehicle sales slightly increased by 0.7%. Consumer spending has been on an upward trajectory and has reached the highest level since 2019.
- Industrial production growth accelerated from 5% to 5.9% in May. PMI data indicate that growth in both the manufacturing and services sectors is accelerating.
- The overall trade deficit widened to USD 8.4 billion, primarily driven by a faster decline in the export and import of goods. The services trade balance shows a surplus.
- Inflation picked up slightly but remains at relatively low levels, well within the central bank’s targets.
- The unemployment rate jumped to 9.2%, with job openings declining and the number of job seekers increasing.

Stable financial markets with booming equities

- The exchange rate remained stable at 83 rupees per USD.
- Equities reached new highs in July, increasing by almost 3% during the month.
- Lending to the economy is expanding, driven by growing loans to commercial entities, while government lending decelerates.

Key rates remain unchanged

- The central bank kept interest rates unchanged in July across all instruments and maturities.

SOURCE: McKinsey’s Global Economics Intelligence analysis

Russia

War-related effort stimulates near-term growth; inflation has continued to rise; new sanctions introduced in June, affecting long-term growth prospects; budget performance normalized.

May monthly data indicates the Russian economy has maintained dynamics in Q2 after 5.1% year-on-year growth in Q1. Growth in the total output indicator increased to 6.5% year over year from 5.5% in April. Industrial production growth rose to 5.3% year over year in May from 3.9% in April. The mining sector contracted for the third month in a row, as Russia cut its oil output in accordance with its voluntary pledge to OPEC+. A weak mining performance was more than compensated for by soaring manufacturing.

Household demand has remained very strong despite tight monetary policy: retail sales growth slowed to 7.5% year over year, from 8.2% in April, but this was still a very strong reading against last spring's high base.

The real GDP growth rate is expected to weaken to around 3.0–3.6% in 2024, following the 3.6% realized in 2023. Private consumption remains one of main growth drivers, helped by improving wages and social transfers. The government continues to support investment activity, despite foreign capital flight.

The war effort and import substitution continue to generate sufficient demand for the industrial sector to maintain expansion. Net exports are unlikely to boost growth. Continuously disrupted by sanctions, imports appear to be suffering more than exports—the latter volumes are volatile and influenced by voluntary cuts in oil exports.

Both headline and core inflation continue to rise. In June, consumer price growth jumped to 8.6% from 8.3% in May. Utility tariffs have been hiked by 10% on average in July, further increasing inflation expectations.

The European Union, United States, and United Kingdom expanded economic sanctions in June. The new round focuses on constraining Russia's financial sector, restricting foreign trade, and preventing circumvention of sanctions. The latest sanctioned entities include the Moscow Exchange and third-country firms that assist Russia in evading sanctions. Anecdotal evidence suggests the new sanctions make payments under import contracts impossible in some cases. Payments via Chinese banks are reported to be particularly affected. The EU and UK have introduced new measures to prevent circumvention of the oil price cap mechanism. Additionally, the latest round of EU and US sanctions target Russian production and export of liquefied natural gas (LNG). The overall effect of the sanctions includes declining foreign direct investment (FDI) and expected constraints on long-term growth potential.

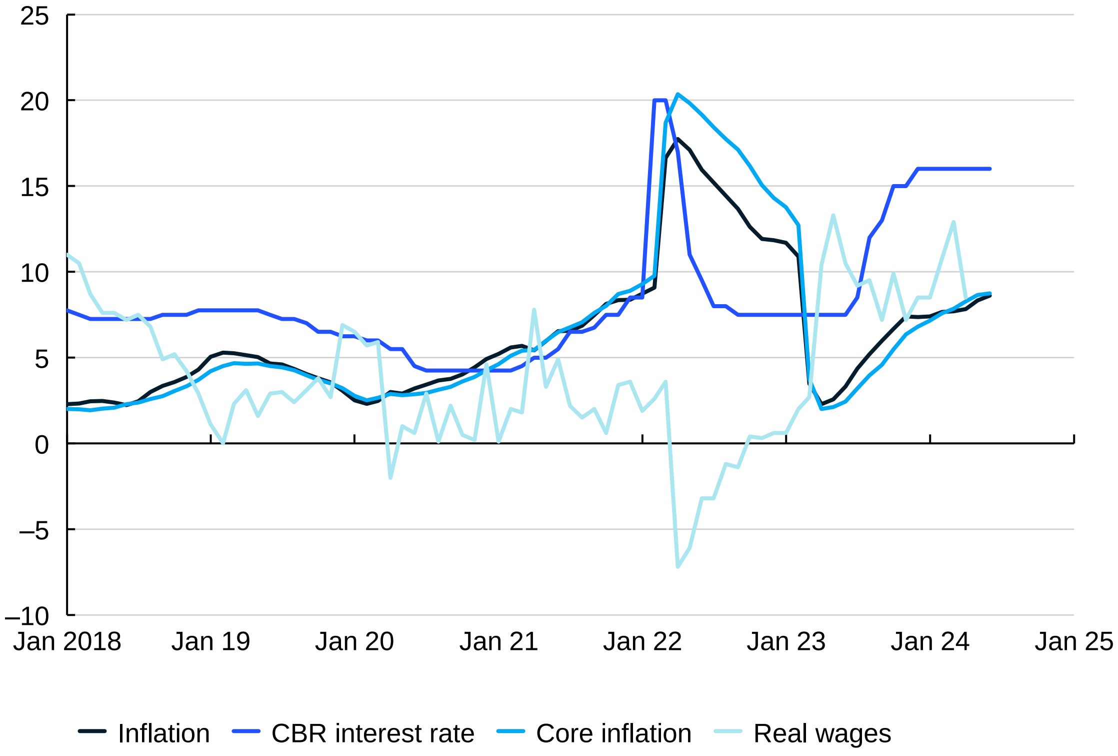
Budget performance normalized in June, following volatility in recorded non-hydrocarbon revenues in April–May. In June, the federal budget recorded a modest deficit of RUB 0.4 trillion. The cumulative H1 deficit was RUB 1.2 trillion, less than a half of the deficit in H1 2023. The budget appears to be on course towards the recently amended annual deficit target of 1.1% of GDP.

Source: BOFIT; Oxford Economics

Inflationary pressures persist amid real wages' continuing fast growth; trade affected by sanctions, but remained at Q1 average level

Foreign trade of goods
USD billion, through May 2024

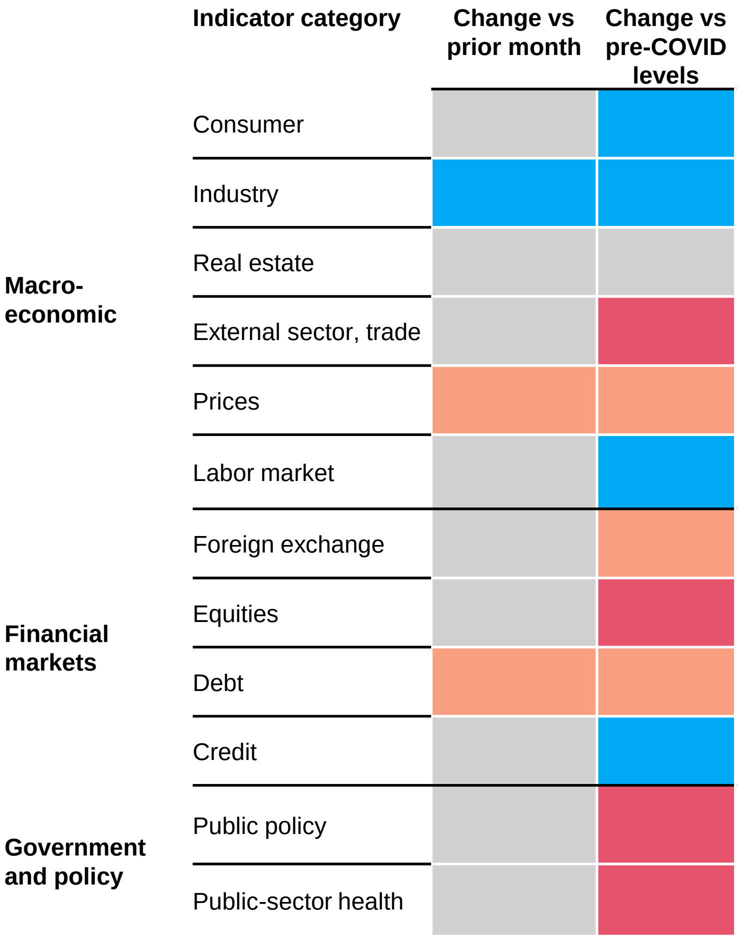
Inflation: the central bank interest rate and real wages
% change (y-o-y); %



Source: Central Bank of the Russian Federation; Federal Statistics Service; Haver Analytics

Continued resilient activity amid accelerating inflation and debt yields, credit expansion, and normalizing fiscal situation

Significant improvement | Improving | No significant change | Worsening | Severe decline



Continued resilient consumer demand in May amid improving production, accelerating inflation, and tight labor market

- Retail sales volumes in May contracted by 0.6% from April but maintained strong annual growth (7.5%). Despite slowing from Q1 growth of over 10%, consumer demand confirmed its strength.
- Industrial production improved by 2% in May from April and annual growth accelerated to 5.3%, close to Q1 readings. The purchasing managers' index (PMI) for manufacturing increased to 54.9 in June 2024 from May's 54.4. It was the 25th straight month of expansion and the fastest pace since March.
- Growth in construction, at almost 8% in 2023, improved slightly in May 2024 to 4.6%, from January–April levels just below 4%.
- Trade surplus in May improved to $13.3 billion, from April's $11.6 billion. This was due to faster expansion of exports (up by $3.4 billion to reach $39.4 billion) than imports (up by $1.9 billion). Year-to-date trade balance improved by 16.3%, due to contracting imports (–8.5%), while exports remain broadly stable (–0.6%).
- Both headline and core inflation continue to rise. In June, consumer price growth jumped to 8.6%, from 8.3% in May. Utility tariffs have been hiked by 10% on average in July, further stoking inflation expectations, which exceeded 12% (12.4% in July, 11.9% in June).
- Labor market remains tight. The unemployment rate went down to historical low of 2.6% in April–May. Real wage growth slowed to 8.5% year on year.

Continued expansion of subsidized credit; currency appreciated; growing debt yield

- The ruble has appreciated, benefitting from tighter monetary policy and strict currency conversion rules, and traded below 90:$1 in July.
- Government debt yields exceeded 15% in June from around 13.5% in April, and reached 15.7% as of July 17
- Despite the monetary policy tightening, growth in corporate and household loans still exceeds 20% year on year. Household loan growth has plateaued at 23% since December, while corporate lending was more volatile and recently rebounded to 23.2%, below the Q1 average of 24%.

Sanctions affecting FDI flows; fiscal situation normalizes

- Central bank figures show that the total value of the FDI stock in Russia has shrunk by nearly half since the invasion of Ukraine; by the end of 2023, it had fallen to $280 billion. UNCTAD figures show that the net FDI inflow into Russia was negative in 2022. Although net inflow turned slightly positive in 2023, it was still at its lowest level since 2003. Total combined value of greenfield FDI projects launched in Russia in 2022–23 was just a tiny fraction of any single year in the previous two decades. The value of projects in Russia was smaller than in Afghanistan.
- Budget performance normalized in June, as the federal budget recorded a modest deficit of RUB 0.4 trillion. The cumulative H1 deficit was RUB 1.2 trillion, less than a half of the deficit in H1 2023. The budget appears to be on course toward the recently amended annual deficit target of 1.1% of GDP.

Source: BOFIT; Haver Analytics; Oxford Economics

Brazil

Inflation rose for a second consecutive month, while the Selic rate remains unchanged; the composite PMI increased marginally.

Inflation climbed to 4.23% in June (3.93% in May), registering its second consecutive rise and further moving away from the 3.0% target set by the Banco Central do Brasil. The overall rate of inflation was the fastest in eight months and above the long-term average. Multiple items were reported to have increased in price, including coffee, cotton, dairy, fabrics, oil, pulp, rice, steel, wheat, and zinc.

Brazil's Selic benchmark interest rate was unchanged at 10.50%, due to slower-than-expected disinflation. Consumer confidence remains below the neutral 100 mark, rising 1.9 points to 91.1 in June (89.2 in May) after declining for one month. Business confidence was unchanged at 95.6 in June.

The purchasing managers' index (PMI) for manufacturing rose to 52.5 in June (52.1 in May) staying above the neutral 50 mark for a sixth month running, indicating modest expansion. While the rise in production was moderate, this represented an improvement from the flood-related stagnation seen in May. New orders rose for the sixth month in a row. Brazilian manufacturers also battled with rising cost pressures halfway through 2024, due to crop losses.

June saw the services PMI decrease to 54.8 (from 55.3 in May). Despite the drop from 55.3 in May, this latest reading is indicative of a marked rate of expansion. According to panellists, growth comes from a positive demand environment and acquisition of new business. The rate of sales growth eased from May but was notably above its long-term average. Amid reports of currency weakness, crop losses, and the aftermath of floods in Rio Grande do Sul, input prices increased further in June. The composite PMI rose slightly from 54.0 to 54.1 in June, staying firmly within the expansion zone for a ninth consecutive month.

On the financial markets, the monthly average exchange rate was BRL 5.39 per US dollar in June (5.14 in May). In July, the Bovespa equities index increased, earning 5.3% in value. The balance of trade showed a June surplus of US $6.7 billion, compared to US $8.5 billion in May, driven both by a rise in imports (US $22.3 in June compared to US $21.9 in May) and a fall in exports (US $29.0 in June compared to US $30.3 in May).

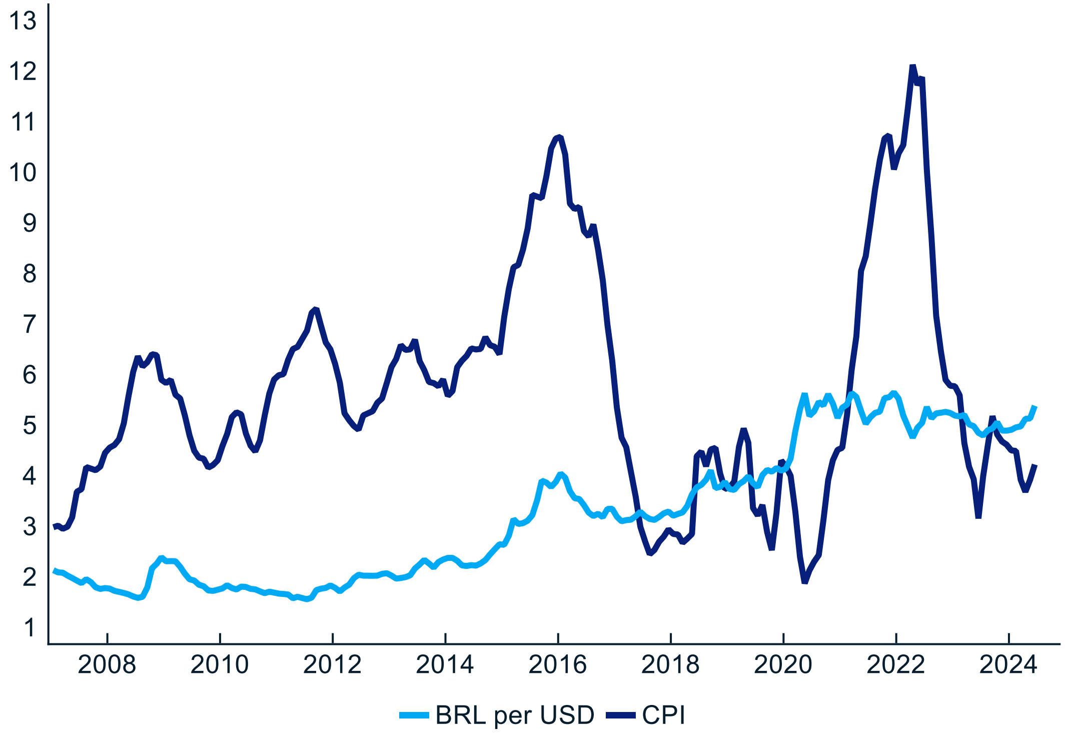
Meanwhile, the three-month moving average unemployment rate dropped to 7.1% in May (7.5% in March), down for the second time this year, and lower than the same period last year (8.3%).

Source: Haver Analytics; Instituto Brasilièro de Geografia e Estatística (IBGE)

In June, inflation increased, while the Brazilian real lost ground; the equity market's performance improved

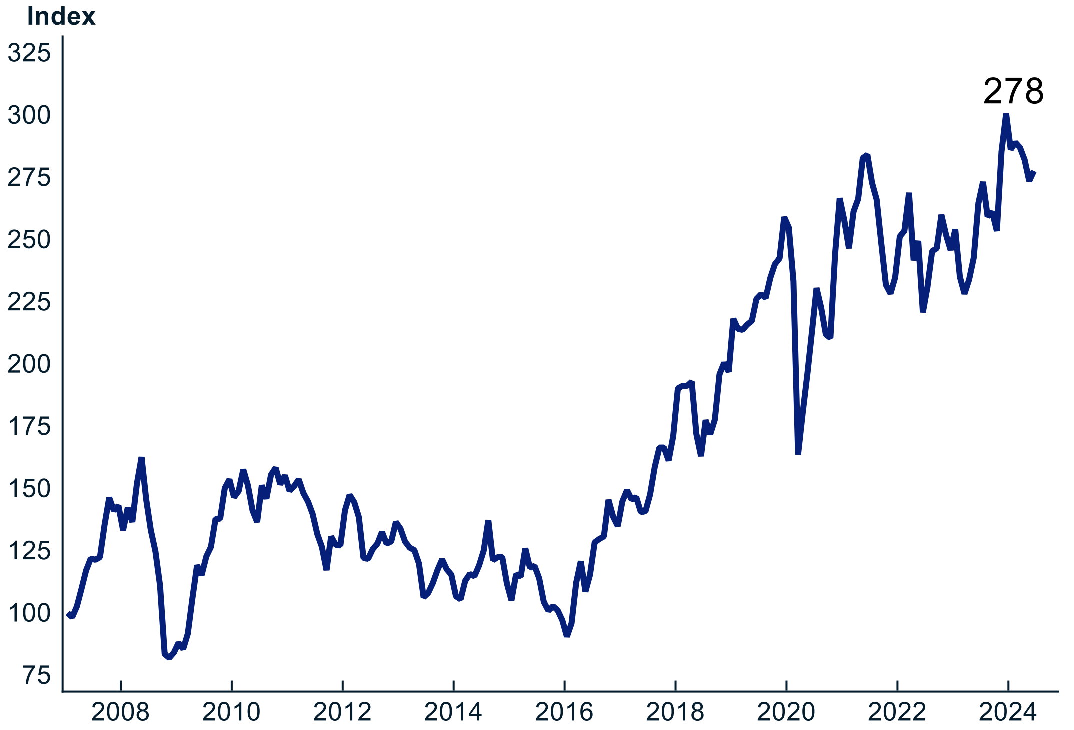
Consumer price index; exchange rate

% change y-o-y; average BRL per USD, monthly



Bovespa Index

Indexed to January 2007 = 100



1. National Consumer Price Index (extended IPCA), 1993 = 100, not seasonally adjusted; % change in CPI in local currency (period average) over previous year. The Central Bank's target inflation rate for 2023 was 3.25% and was reduced to 3.0% for 2024, with a margin of error of 1.5 percentage points.
2. Data through July 22, 2024.

Source: Haver Analytics; Instituto Brasilièro de Geografia e Estatística (IBGE); McKinsey's Global Economics Intelligence analysis

Inflation rise leads to Selic rate hold; unemployment fell for a second time this year; exchange rate retained its upward trend

Significant improvement | Improving | No significant change | Worsening | Severe decline

	Indicator category	Change vs prior month	Change vs pre-COVID levels[1]
Macroeconomic	Consumer	Improving	Improving
	Business, industry	No significant change	Worsening
	Real estate	No significant change	No significant change
	Trade, external	No significant change	Improving
	Prices	No significant change	Improving
	Labor market	Improving	No significant change
Financial markets	Foreign exchange	Worsening	Improving
	Equity	Improving	Improving
	Debt	No significant change	No significant change
	Credit	No significant change	No significant change
Government and policy	Public policy	No significant change	No significant change
	Public-sector health	No significant change	No significant change

Composite PMI rose marginally; manufacturing PMI increased, while services PMI declined

- Consumer confidence rose to 91.1 in June, from 89.2 in May—0.8% above pre-COVID-19 levels. Retail sales rose 1.2% in June, increasing 0.3% more compared to last month. Business confidence remained at 95.6 in June (95.6 in May)—3.1% below pre-COVID-19 levels.
- The PMI for manufacturing climbed to 52.5 in June (52.1 in May). The services PMI declined to 54.8 in June (55.3 in May).
- In June, the balance of trade registered a surplus of US $6.7 billion, down from US $8.5 million in May.
- Inflation climbed to 4.23% (3.93% in May), up for a second consecutive month. The consumer price index (CPI) is now 0.1 percentage points below pre-COVID-19 levels.
- The three-month moving average unemployment rate fell to 7.1% in May (7.5% in April)—down for the second time this year.

The Brazilian real lost ground against the US dollar; the Bovespa index rose

- In June, the monthly average exchange rate was at BRL 5.39 per US dollar (BRL 5.14 in May). On July 23, the exchange rate was BRL 5.57 per US dollar.
- The Bovespa equities index rose 5.3% over the month (up to July 10); it lost 5.4% in value up to June 10.

Brazil bans poultry exports due to Newcastle disease; Harvest Plan supports agriculture recovery in Rio Grande do Sul

- The Brazilian Agriculture Ministry announced a nationwide ban on poultry exports following an outbreak of Newcastle disease in a municipality in Rio Grande do Sul. This represents a significant trade setback as Brazil exports poultry to 44 countries, with China, Argentina, and Peru the leading destinations—354,000 tons of poultry were exported in the first half of 2024.
- The Brazilian agribusiness sector has been severely impacted by the floods in Rio Grande, a region that accounts for 12.6% of national output. Supply chain shortages and transportation difficulties have affected grocery prices nationwide. Brazil's agriculture sector could potentially suffer a contraction of 3.5% this year, according to Banco Bradesco. The Agriculture Federation of Rio Grande do Sul estimates total sector losses at up to US $550 million. The Federal Government's 2024–25 Harvest Plan offers increased support for agriculture via lines of credit and incentives for small, medium, and large producers. The plan also promotes more sustainable agriculture by encouraging lower carbon emissions and adaptation to climate change.

[1] January 2020 is used as reference for pre-COVID-19.

Source: Banco Central do Brasil; Fundação Getulio Vargas; G5 Partners Brazil; Haver Analytics; Instituto Brasilièro de Geografia e Estatística (IBGE)