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Global Economics Intelligence

Critical trends and risks

Released June 2023 (data through May 2023)

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Global executives more positive; consumer confidence improving but low; emerging economies rebound; Fed pauses rate hikes as ECB and Bank of England increased key interest rates by 25 and 50 basis points respectively in June; inflation remains low in India and Brazil.

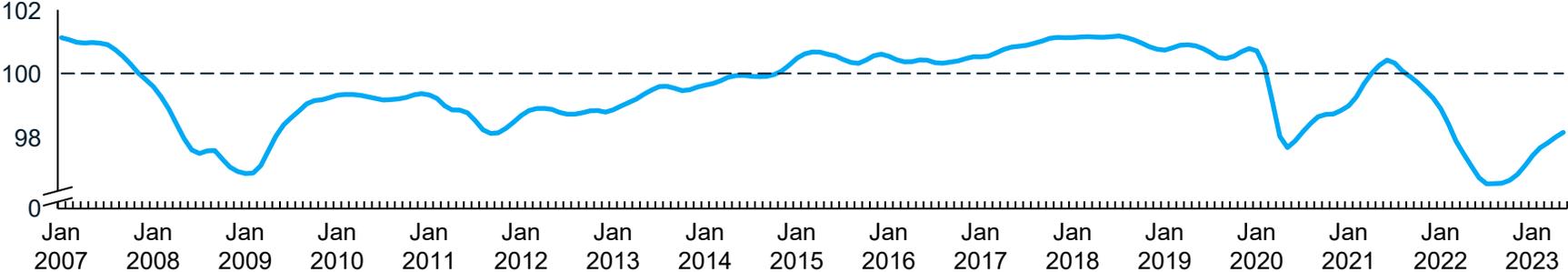
Versus previous period: ■ Significant improvement ■ Some improvement ■ Some deterioration ■ Significant deterioration ■ No significant change

■	Consumer and households	<ul style="list-style-type: none"> • Consumer confidence has been gradually improving, but still remains low, with some countries being more depressed than others • Spending across countries eased, with the exception of Russia, where base effects are wearing off
■	Business and industry	<ul style="list-style-type: none"> • Manufacturing sector has been declining for three consecutive quarters, while services are growing at accelerated pace • Factories signal increased production, yet with deteriorating new orders and international trade flows, raising concerns about demand
■	Trade and external	<ul style="list-style-type: none"> • Trade volumes declined again in April, as only imports among advanced economies increased compared to March • In April, the Container Throughput Index recorded 121.1 points, up from the previous month (119.2 points revised); European throughput saw a slight recovery, while Chinese ports continue to strengthen • Global supply-chain pressures continue to ease
■	Prices	<ul style="list-style-type: none"> • Inflation continue to ease across the board, while core inflation remains at uncomfortable levels; Producer prices in developing economies declined, further easing pressures on consumer prices • Energy prices continue their downward trend, despite OPEC extending its oil production curb • Metals prices declined again, driven mostly by inventories build-up
■	Employment	<ul style="list-style-type: none"> • Unemployment rates rose in the US and India, while remaining practically unchanged in China and the eurozone
■	Financial markets	<ul style="list-style-type: none"> • USD depreciated against major developed countries currencies, while it performed well against developing economies • Volatility has been on a downward trend across major asset classes
■	Government and policy	<ul style="list-style-type: none"> • ECB and Bank of England increased key interest rates by 25 and 50 basis points respectively in June, while FED skipped rate hike this month, most likely returning to tightening in July

Consumer confidence has been gradually improving, but still remains low, with some countries being more depressed than others

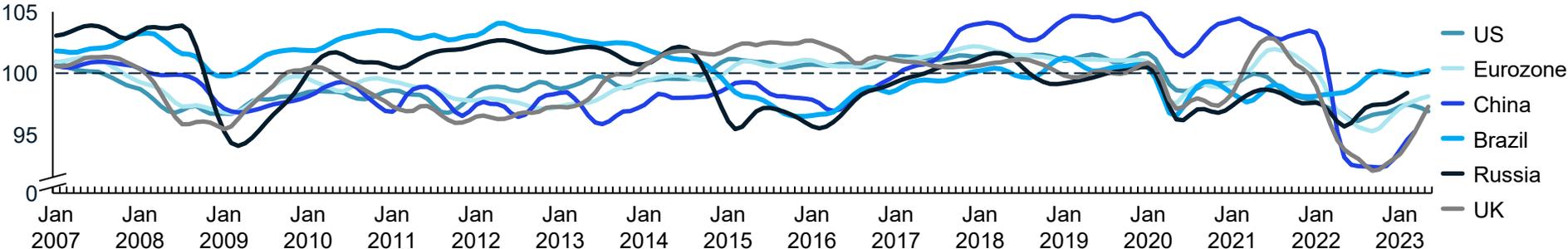
OECD global consumer confidence indicator

Index, long-term average = 100



OECD consumer confidence indicators for individual economies¹

Index, long-term average = 100¹

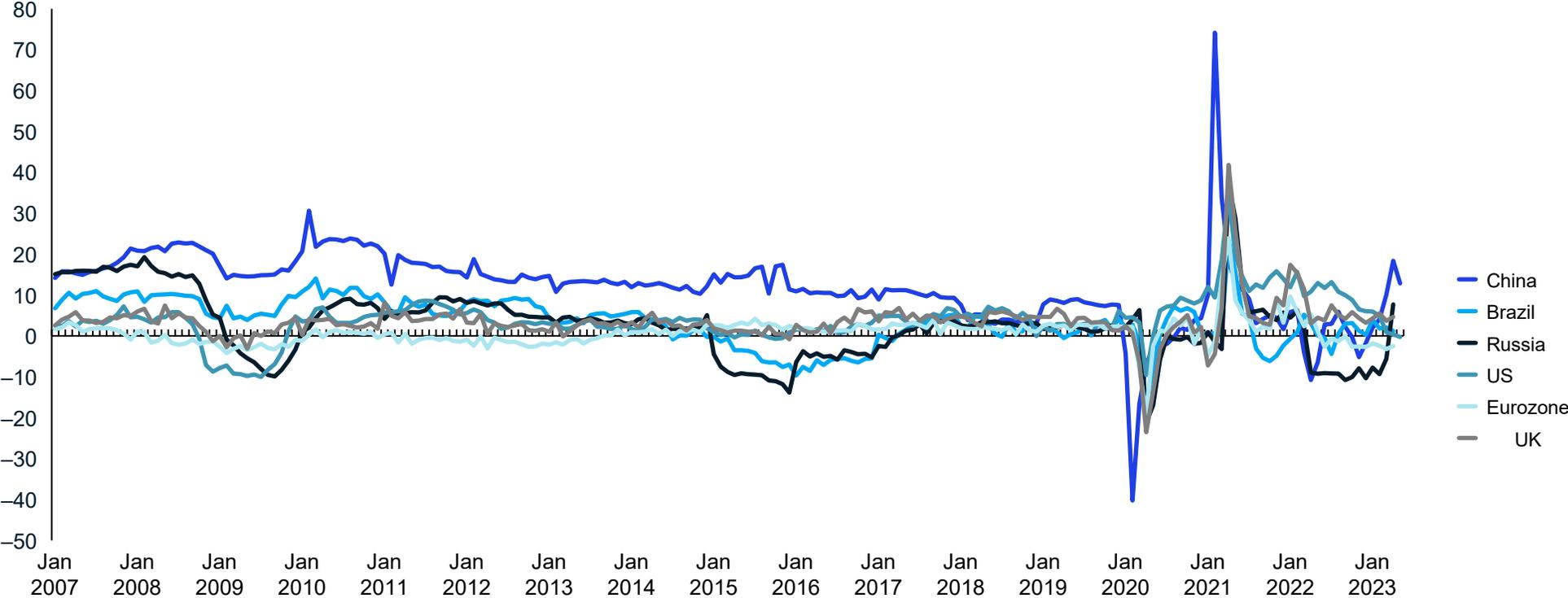


¹Data for China through March 2023 and Russia through February 2023.

Spending across countries eased, with the exception of Russia, where base effects are wearing off

Retail sales growth¹

Year over year (monthly)

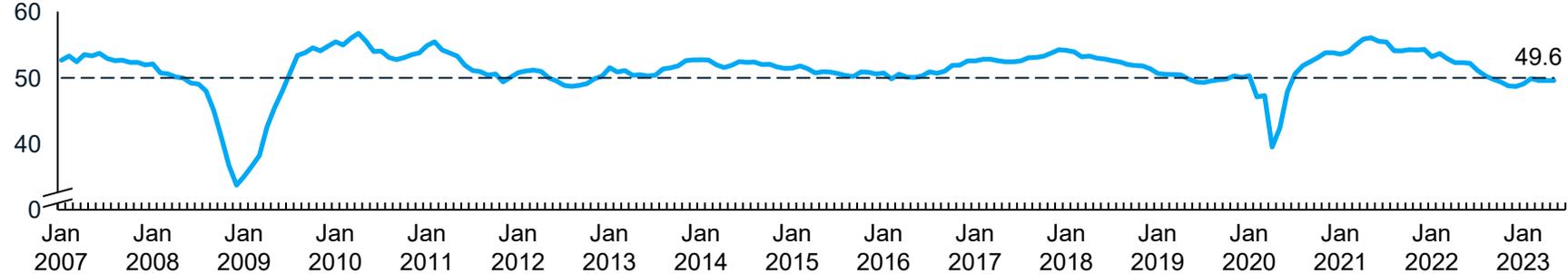


¹Data for Brazil, eurozone, Russia, and UK through April 2023.

Manufacturing sector has been declining for three consecutive quarters, while services are growing at accelerated pace

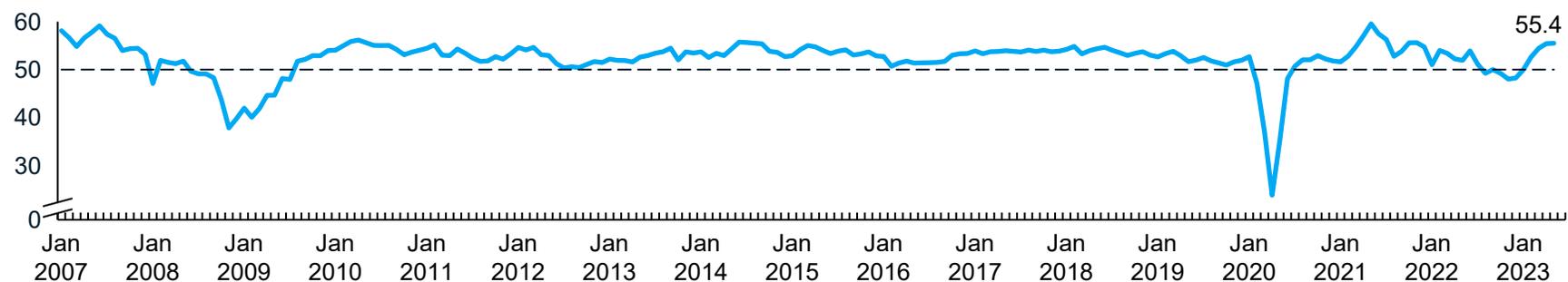
JPMorgan Global Purchasing Managers' Index (Manufacturing)

Diffusion index, seasonally adjusted (monthly)



JPMorgan Global Purchasing Managers' Index (Services)

Diffusion index, seasonally adjusted (monthly)

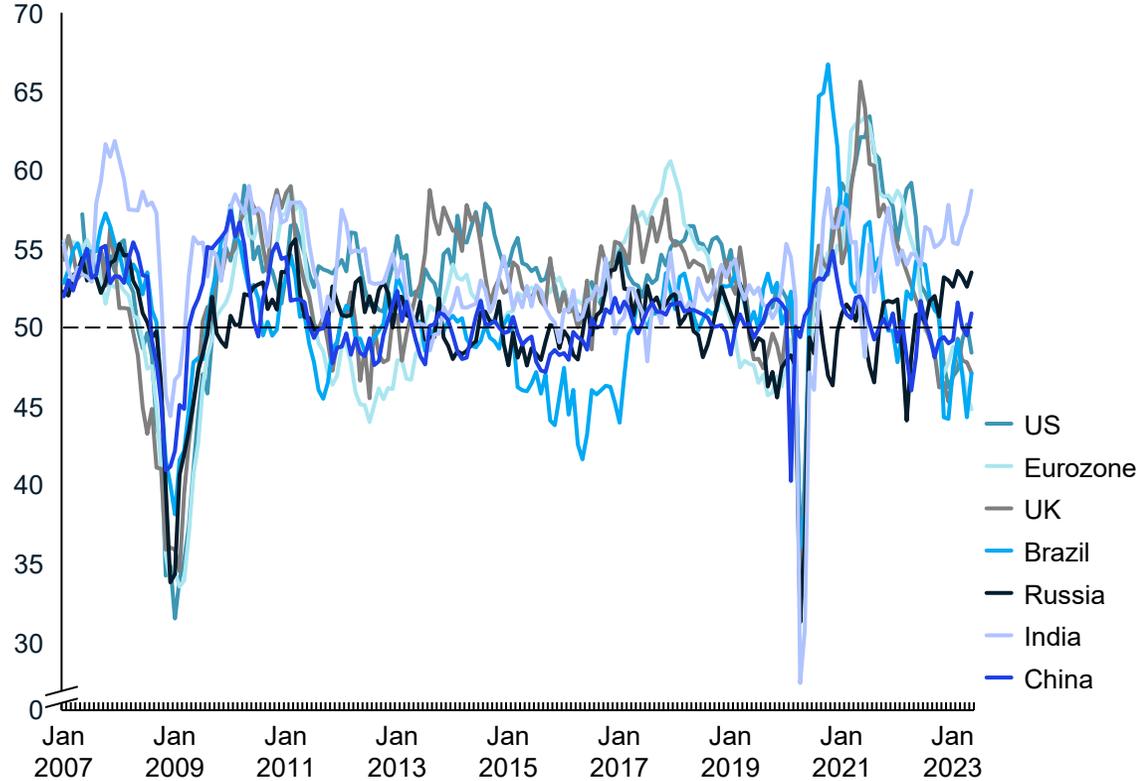


Note: A reading above 50.0 indicates an increase from the previous month, and a reading below 50.0 indicates a decrease. Country-level data are the PMIs for individual countries as sourced from Markit Economics or the Institute for Supply Management (ISM) and are not a breakdown of the JPMorgan Global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

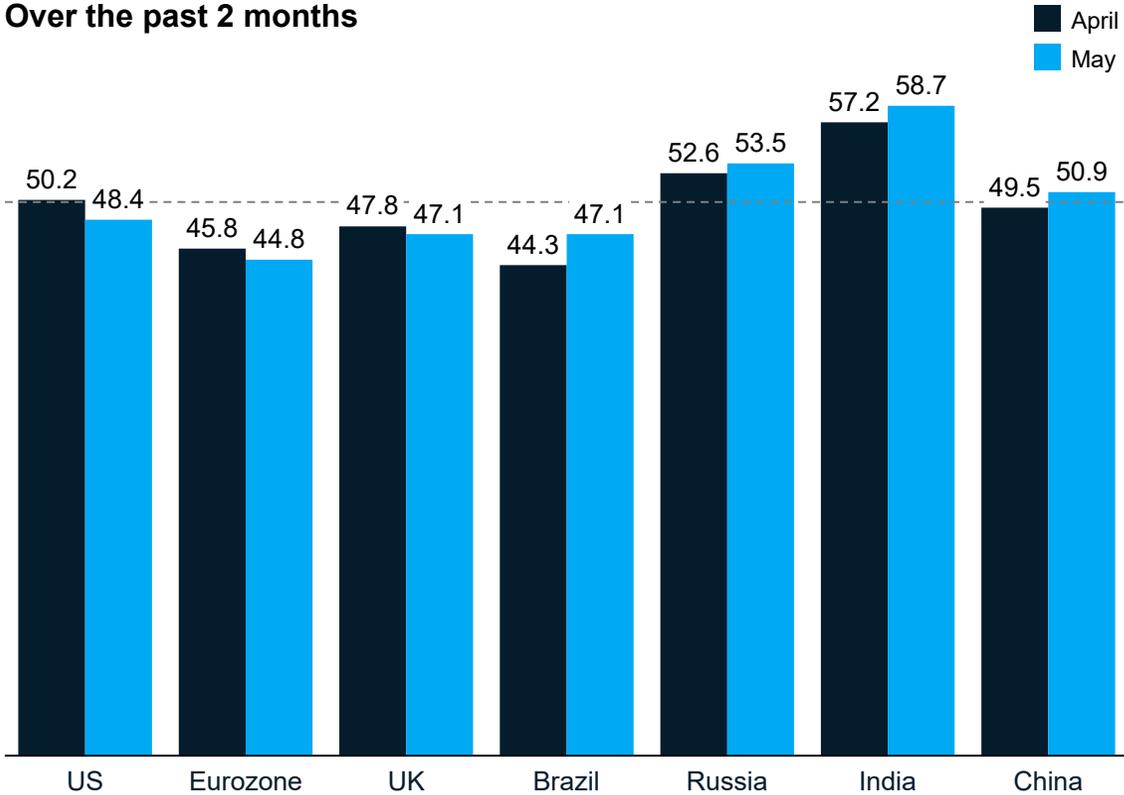
Factories signal increased production, yet with deteriorating new orders and international trade flows, raising concerns about demand

Purchasing managers' index (manufacturing)

Diffusion index (monthly)



Over the past 2 months

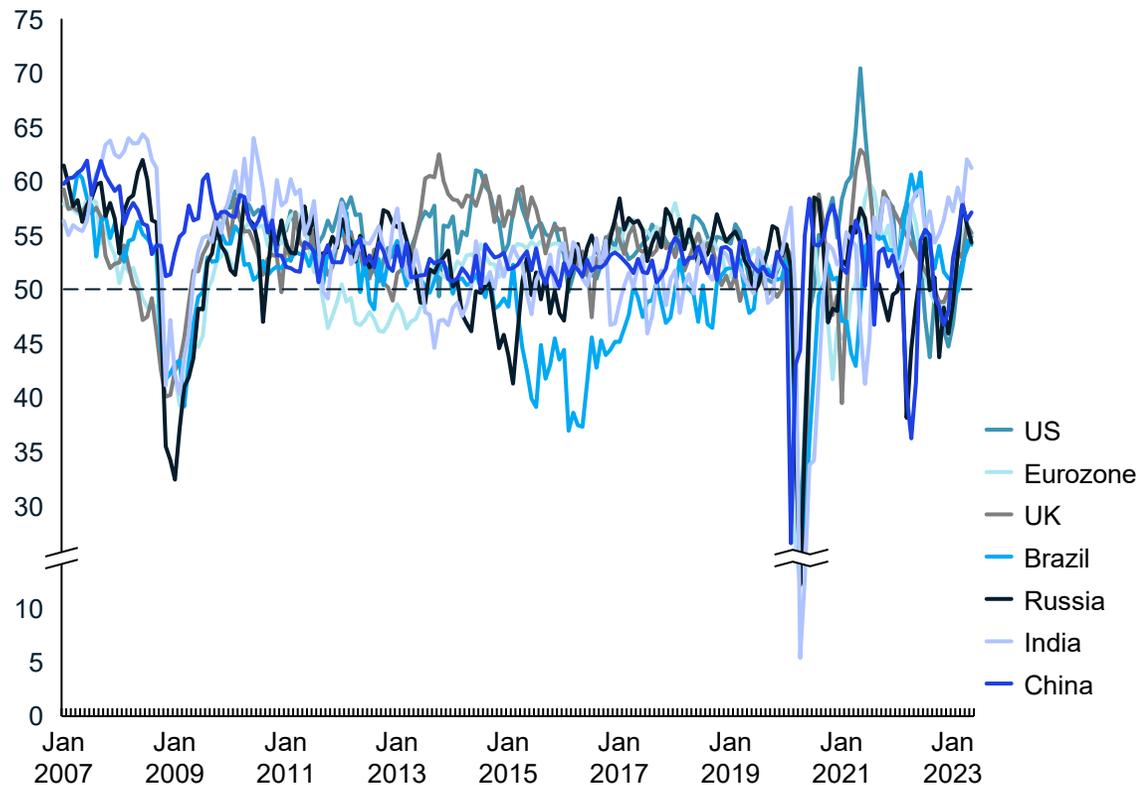


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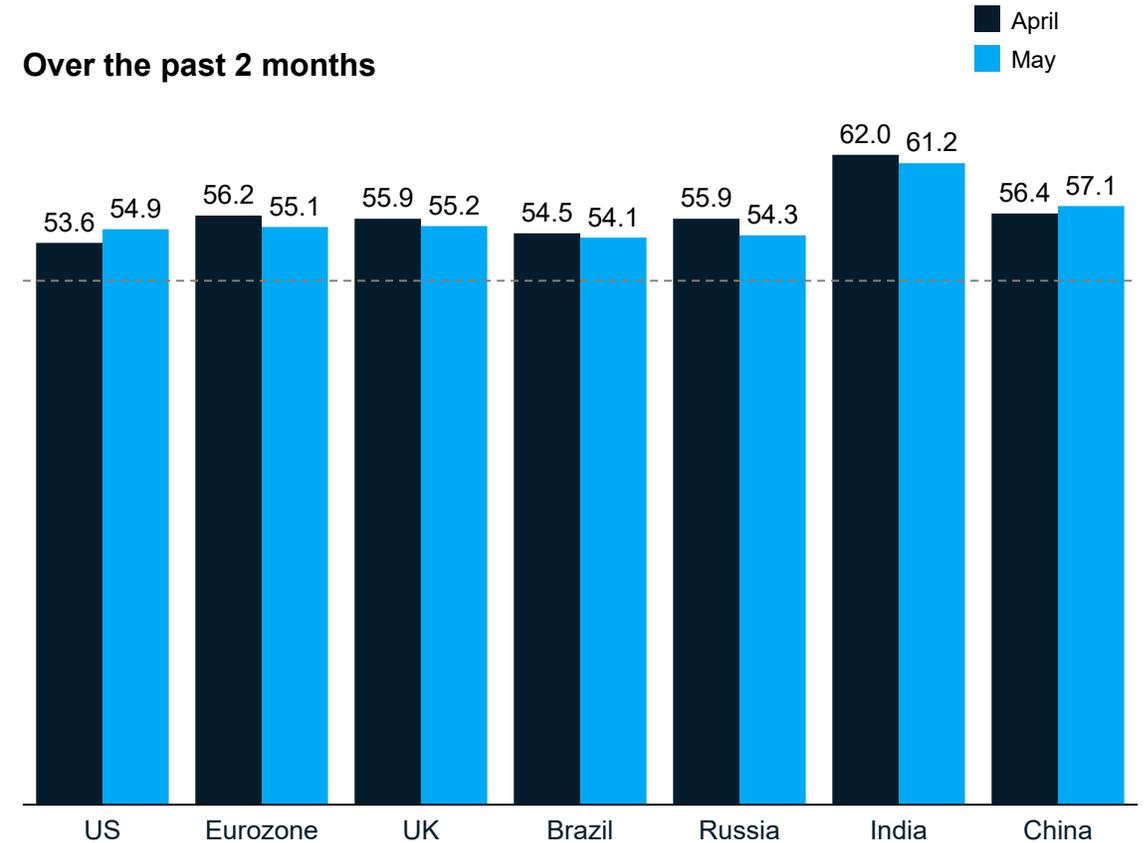
Expansion in services sectors continues, with increasing business and demand; input prices fell for the first time since 2020

Purchasing managers' index (services)

Diffusion index (monthly)



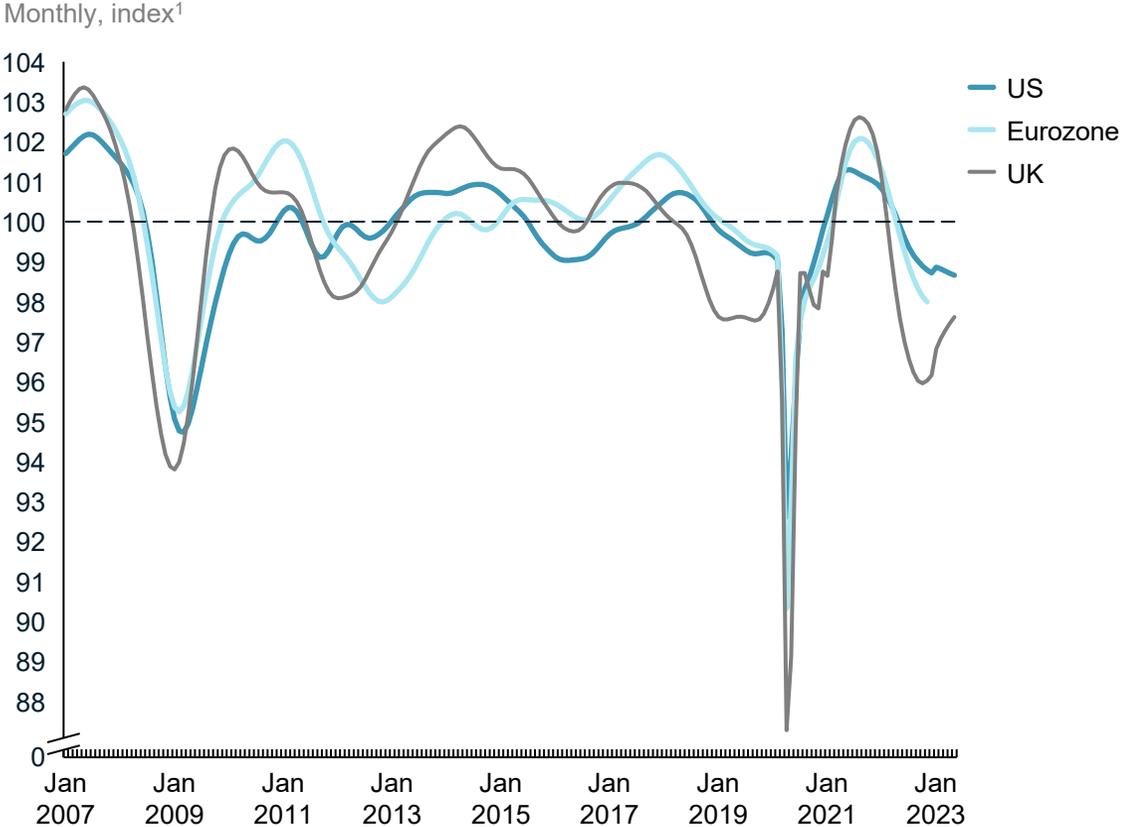
Over the past 2 months



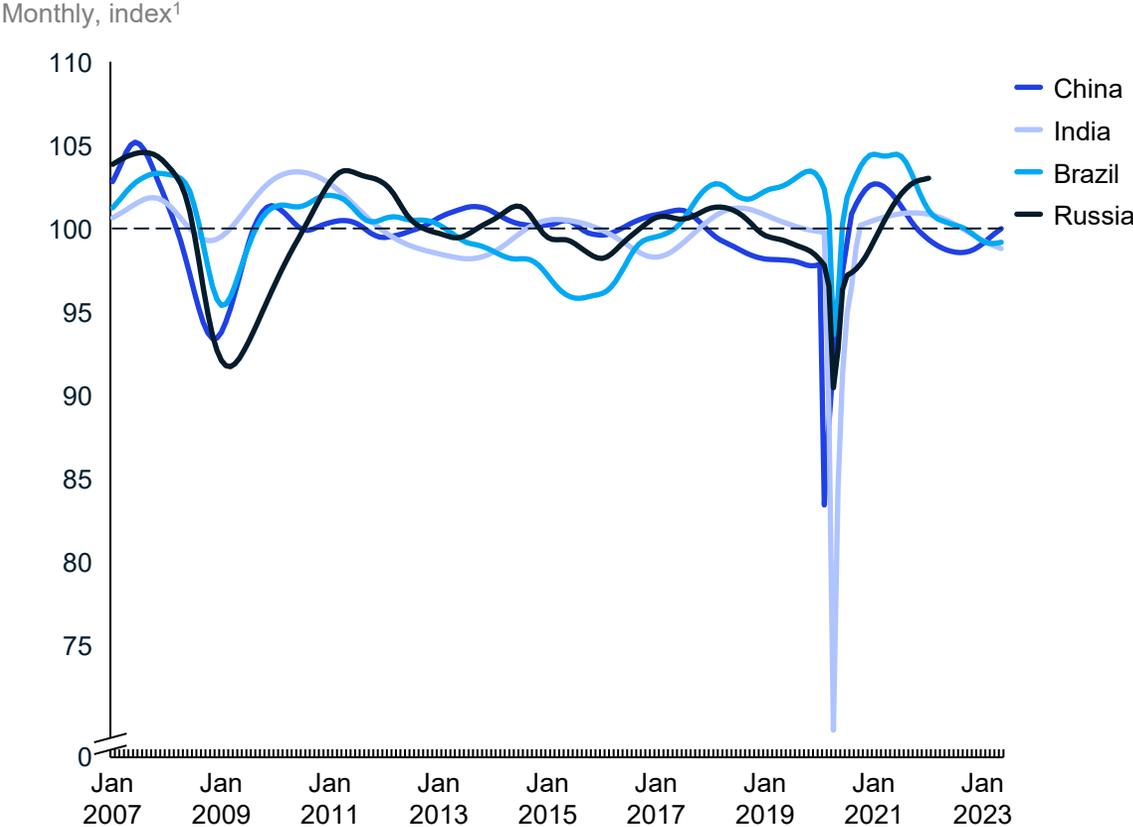
Note: A reading above 50.0 indicates an increase from the previous month, and a reading below 50.0 indicates a decrease. The country-level data are the PMIs for individual countries as sourced from Markit Economics and are not a breakdown of the JPMorgan Global PMI.

OECD's leading indicators for developed economies disappointed, while emerging economies showed first signs of rebound

OECD growth indicators: Advanced economies



OECD growth indicators: Emerging economies

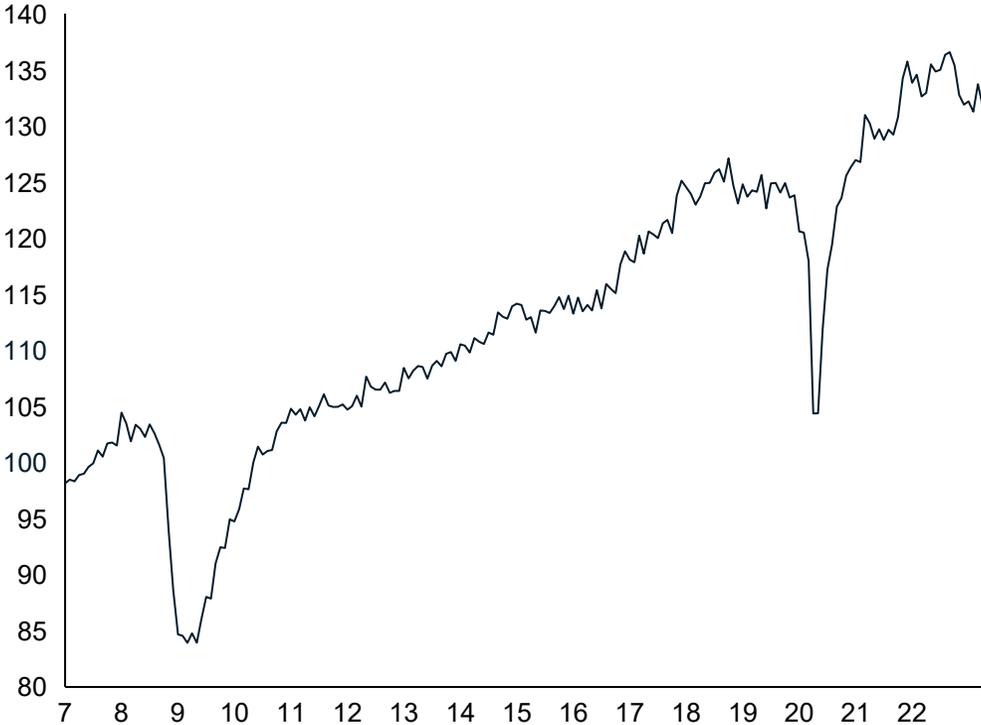


¹Composite leading indicators (CLIs) attempt to identify turning points in economic activity approximately 6 months in advance. The horizontal line at 100 shows the long-term trend in industrial production (the reference series). An increase above 100 indicates expansion; a decrease but still above 100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

Trade volumes declined again in April, as only imports among advanced economies increased compared to March

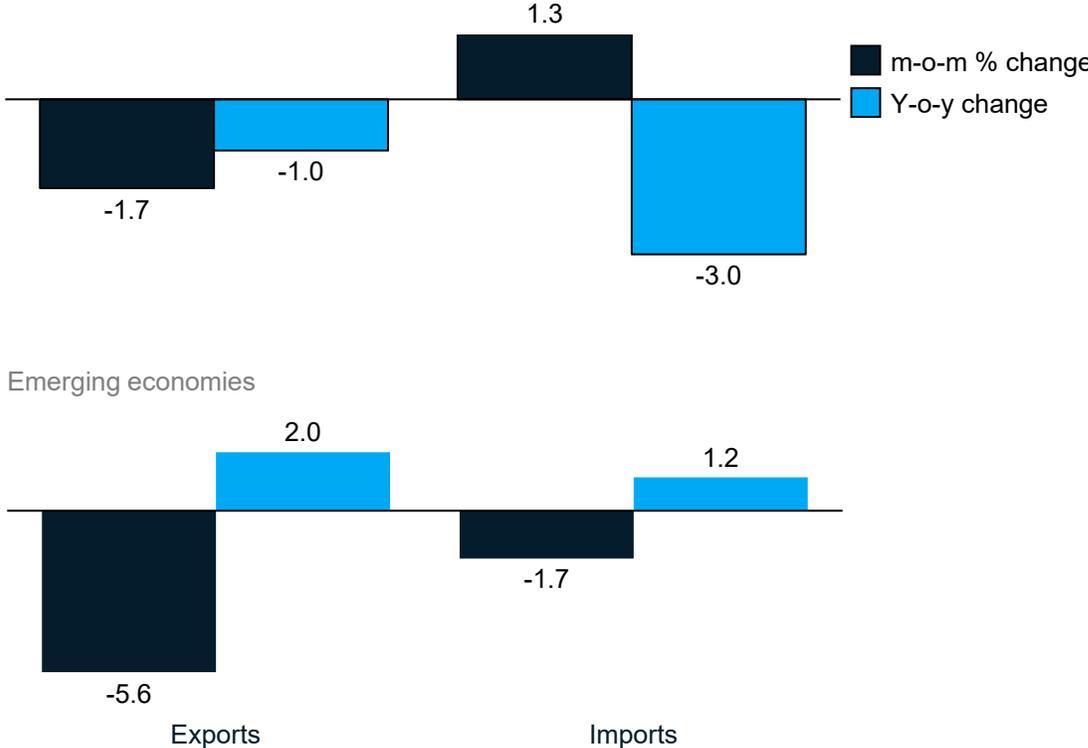
CPB World Trade Monitor

Volume, Index level, 2010=100



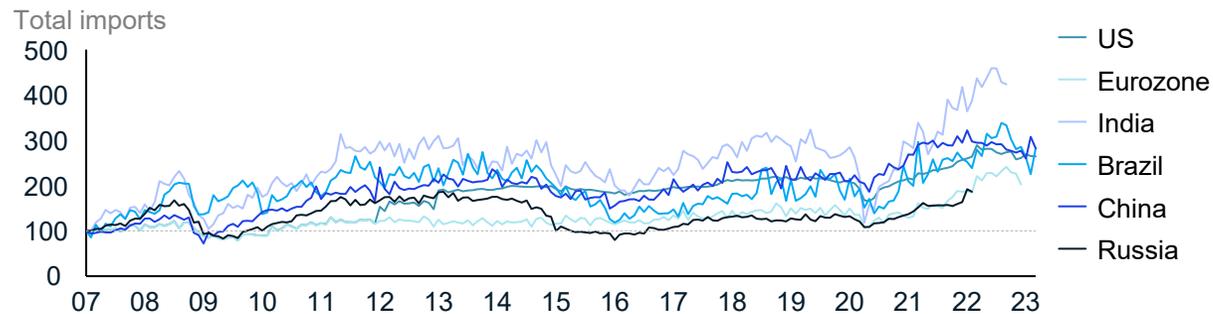
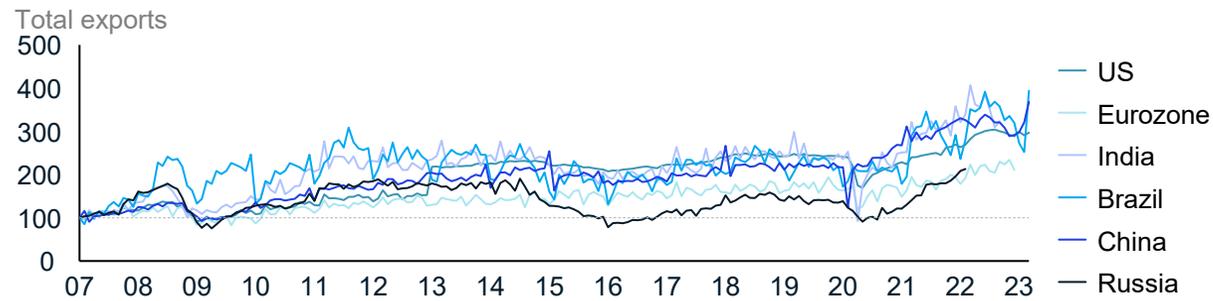
CPB World Trade Monitor details April 2023

Advanced economies



Exports increased for the US, China, and Brazil. Imports decreased for China, increased for Brazil, and saw no significant change in the US

Monthly index (January 2007 = 100)



Note: Exports and imports are not seasonally adjusted.

1 Data for December 2022 vs November 2022.

2. Latest data for Russia is February 2022, India is September 2022, EZ is December 2022.

Versus previous period:

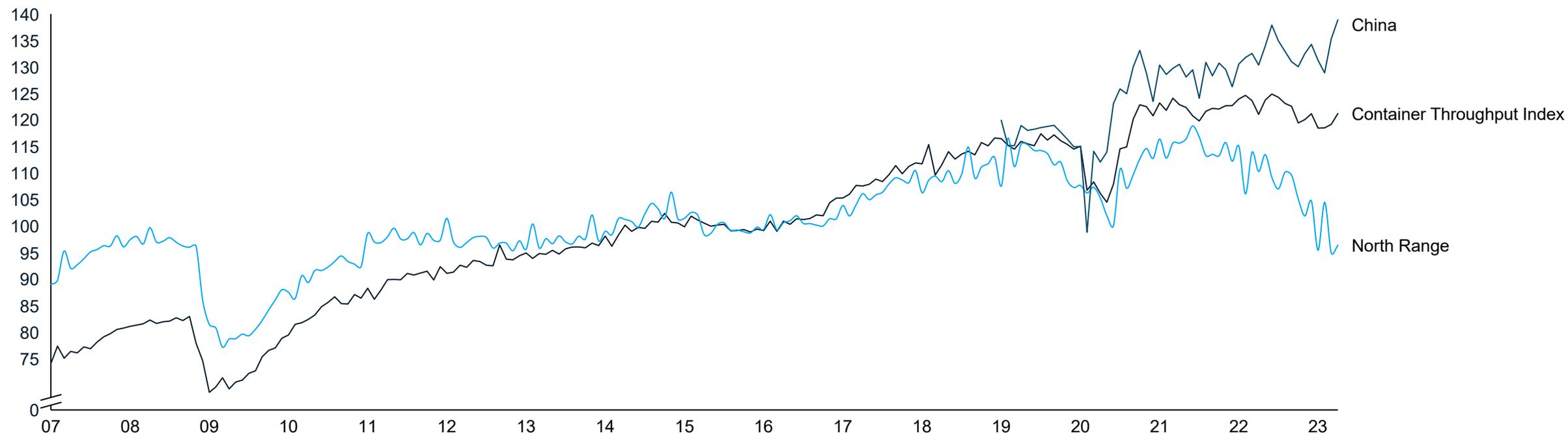
- Significant increase (dark blue)
- Increase (light blue)
- Decline (orange)
- Severe decline (red)
- No significant change (grey)

	% change from previous month ¹	12-mo. % change Apr. 2022–Mar. 2022 vs .Apr 2021–Mar. 2021
Exports		
US	2.1	15.5
Eurozone ²	-9.9	18.0
China	14.8	3.8
Brazil	56.1	14.4
India ²	4.5	24.2
Russia ²	2.2	61.2
Imports		
US	-0.3	9.7
Eurozone	-10.5	37.5
China	-8.2	-4.0
Brazil	25.1	17.0
India	-1.2	38.8
Russia	-2.9	31.2

In April, the Container Throughput Index recorded 121.1 points, up from the previous month (119.2 points revised); European throughput saw a slight recovery, while Chinese ports continue to strengthen

RW/ISL Container Throughput Index

Index level, 2015=100²

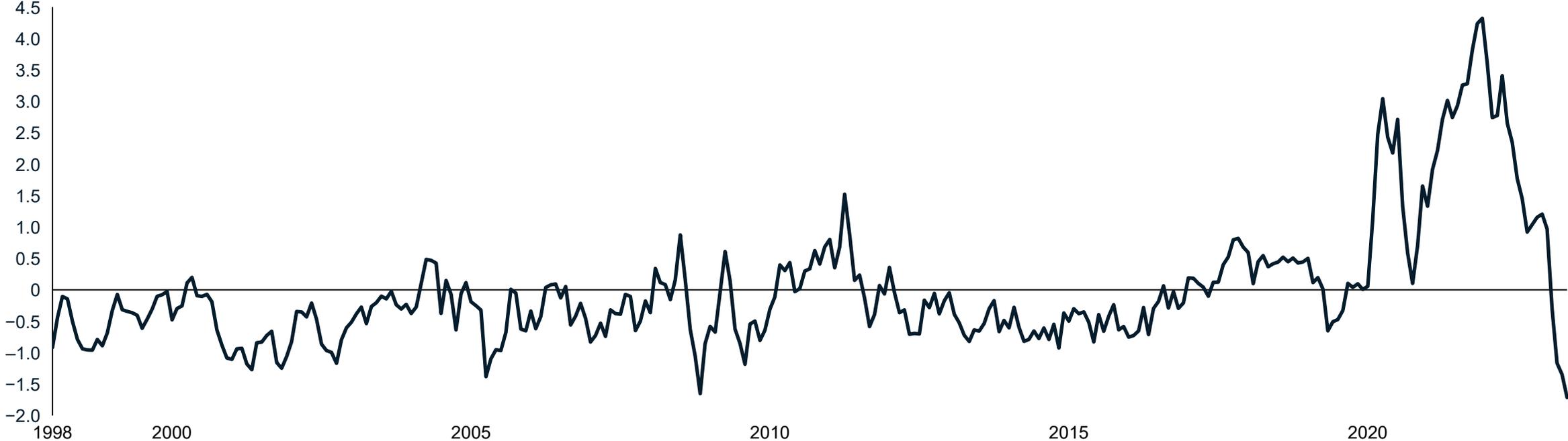


1. The current flash estimate for the Container Throughput Index is based on data from 64 ports, which account for about 85 percent of the handling represented in the index.
 2. On January 2020, the RW/ISL Container Throughput Index changed its base year to 2015.
 3. The North range index summarizes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

Global supply-chain pressures continue to ease

Supply-chain pressure index

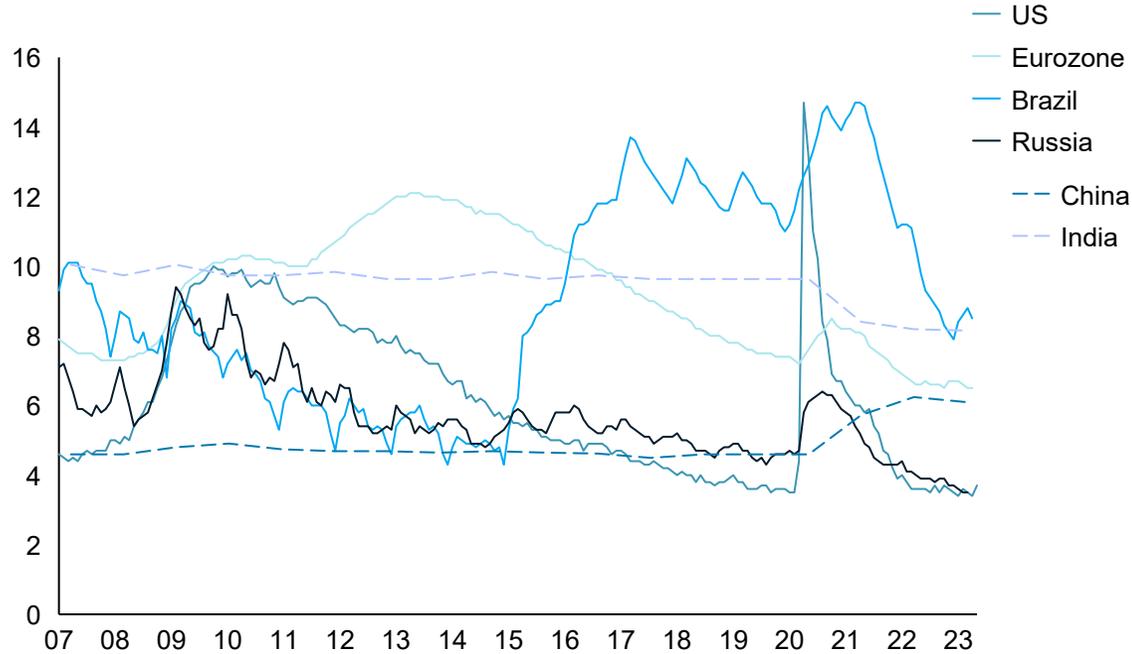
Standard deviations from average value



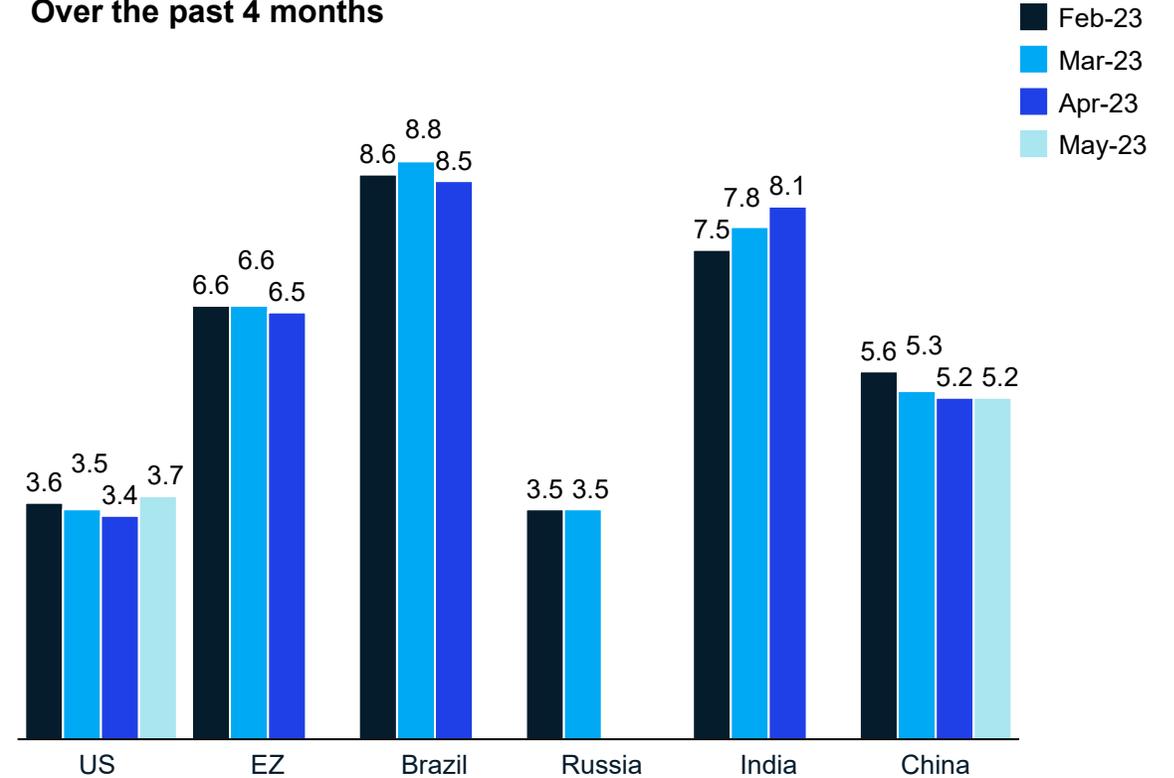
Unemployment rates rose in the US and India, while remaining practically unchanged in China and the eurozone

Unemployment rate 2007–23¹

% of labor force (monthly)



Over the past 4 months

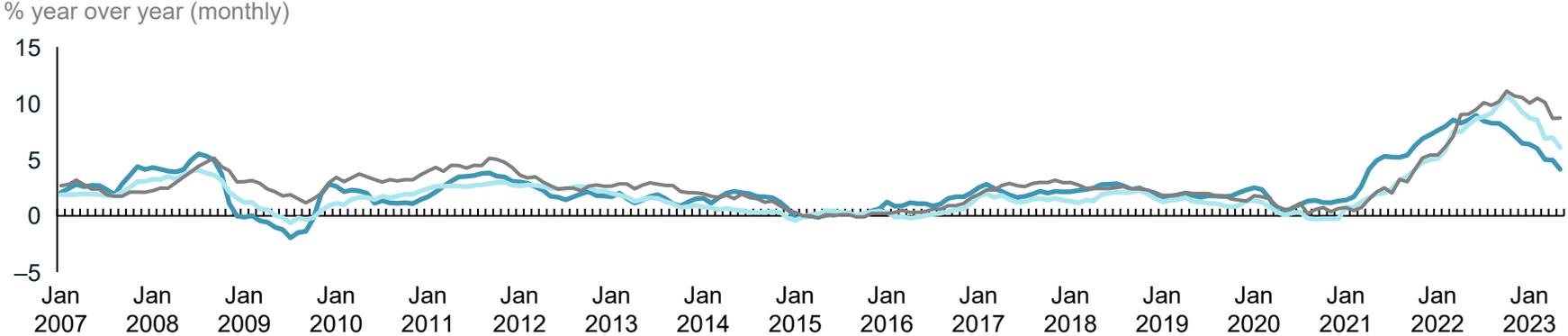


¹ Data for India and China are annual and shown as a smoothed trend line.

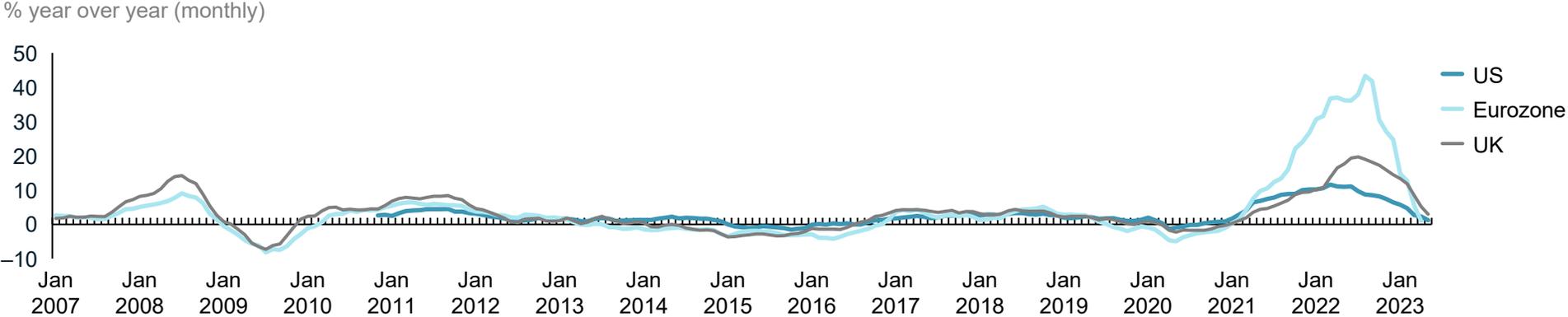
² China unemployment only shows urban rate.

Inflation continue to ease across the board, while core inflation remains at uncomfortable levels

Consumer price indexes: Developed economies

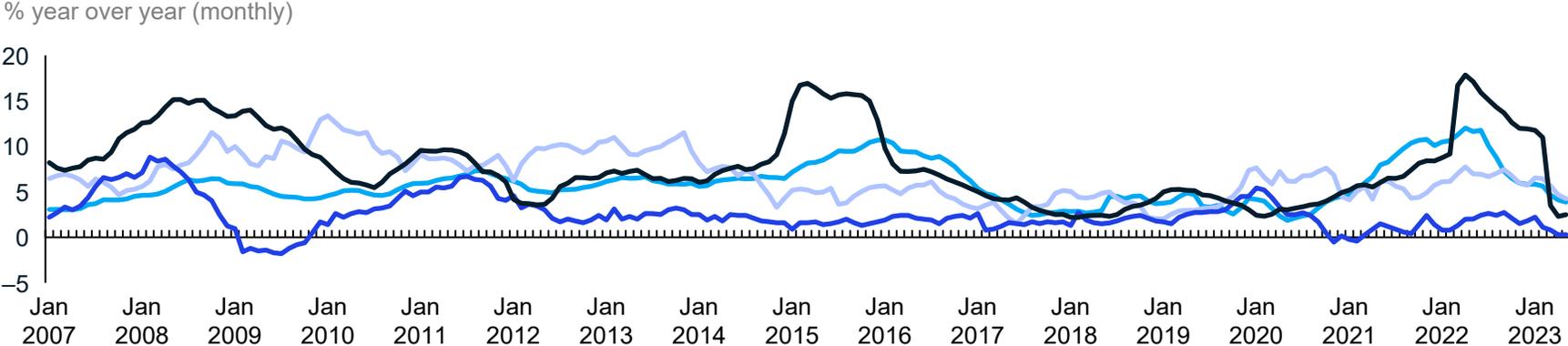


Producer price indexes: Developed economies

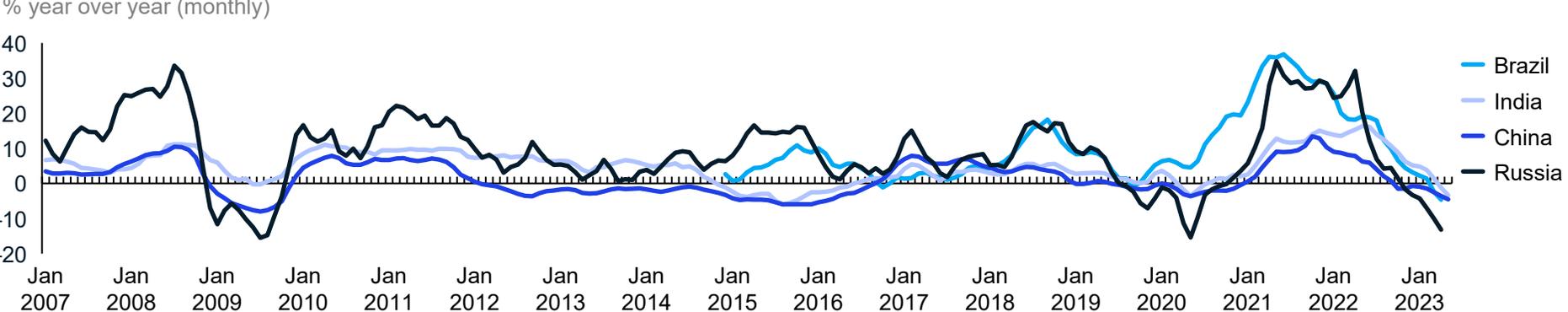


Producer prices in developing economies declined, further easing pressures on consumer prices

Consumer price indexes: Emerging economies



Producer price indexes: Emerging economies

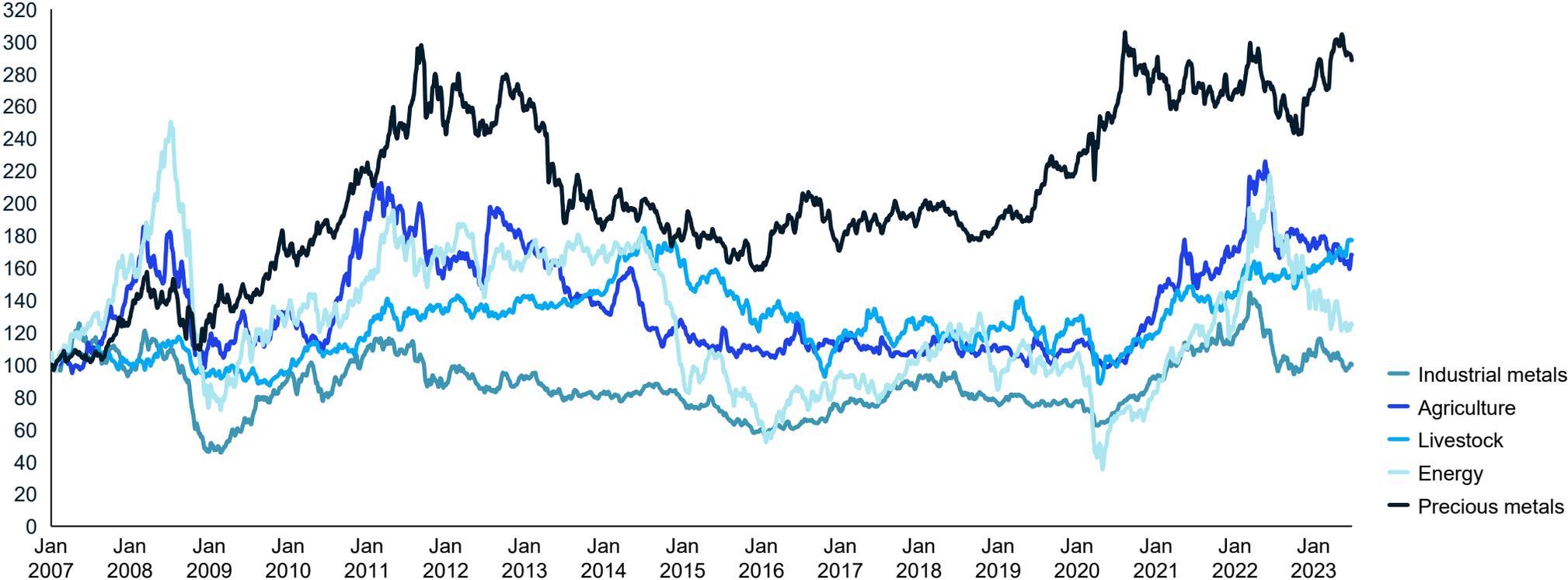


Source: National statistics websites; McKinsey's Global Economics Intelligence analysis

Among commodities, only livestock prices increased in June; energy prices dropped to the lowest levels since 2022

Commodities indexes¹

Moving 5-day average, indexed to Jan 2007



1. Updated through May 24, 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 dropped below \$1,944 in June

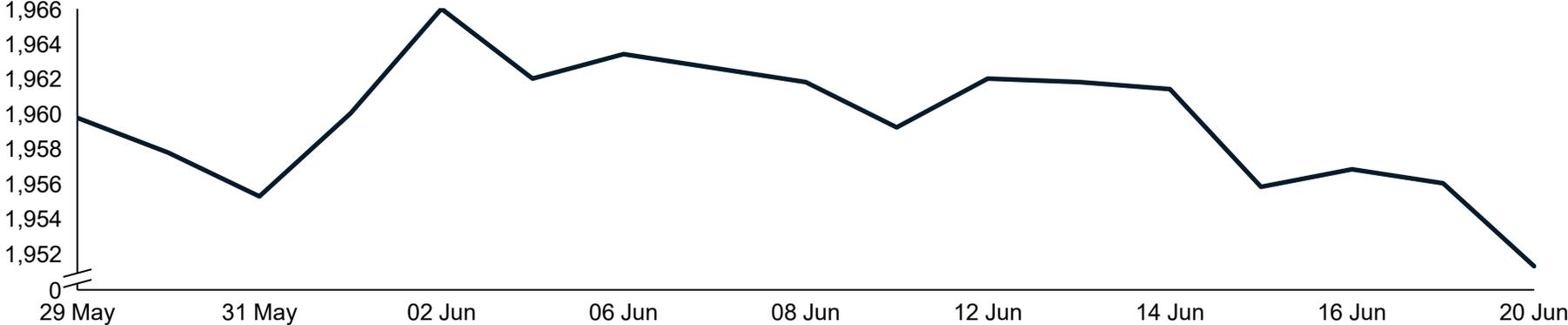
Gold spot price¹

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



Gold spot price over past 3 weeks

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



¹Updated through June 20, 2023.

Energy prices continue their downward trend, despite OPEC extending its oil production curb

Oil price¹

\$/barrel, 5-day moving average



Natural-gas price²

\$ per million Btu, 5-day moving average



Heating-oil price³

US cents/gallon, 5-day moving average



Coal price⁴

\$/megaton, monthly



¹Crude Brent, Henry Hub (Nymex). WTI (West Texas Intermediate) prices as of June 20, 2023.

²Henry Hub, LA; prices as of June 20, 2023.

³New York Harbor No. 2. heating-oil prices as of June 20, 2023.

⁴Australia coal prices; coal prices as of May, 2023

Metals prices declined again, driven mostly by inventories build-up

Copper¹

\$/pound, 5-day moving average



Steel²

\$/gross metric ton (monthly)



Aluminum³

\$/Mt, 5-day moving average



Nickel⁴

\$/Mt, 5-day moving average



¹Copper, high grade: COMEX Spot Price, updated through June 20, 2023.

²Steel, 2.75-millimeter hot-rolled coil (\$/gross metric ton); data estimated since May 2012 using 0.5-millimeter cold-rolled sheet prices; data from June 2023.

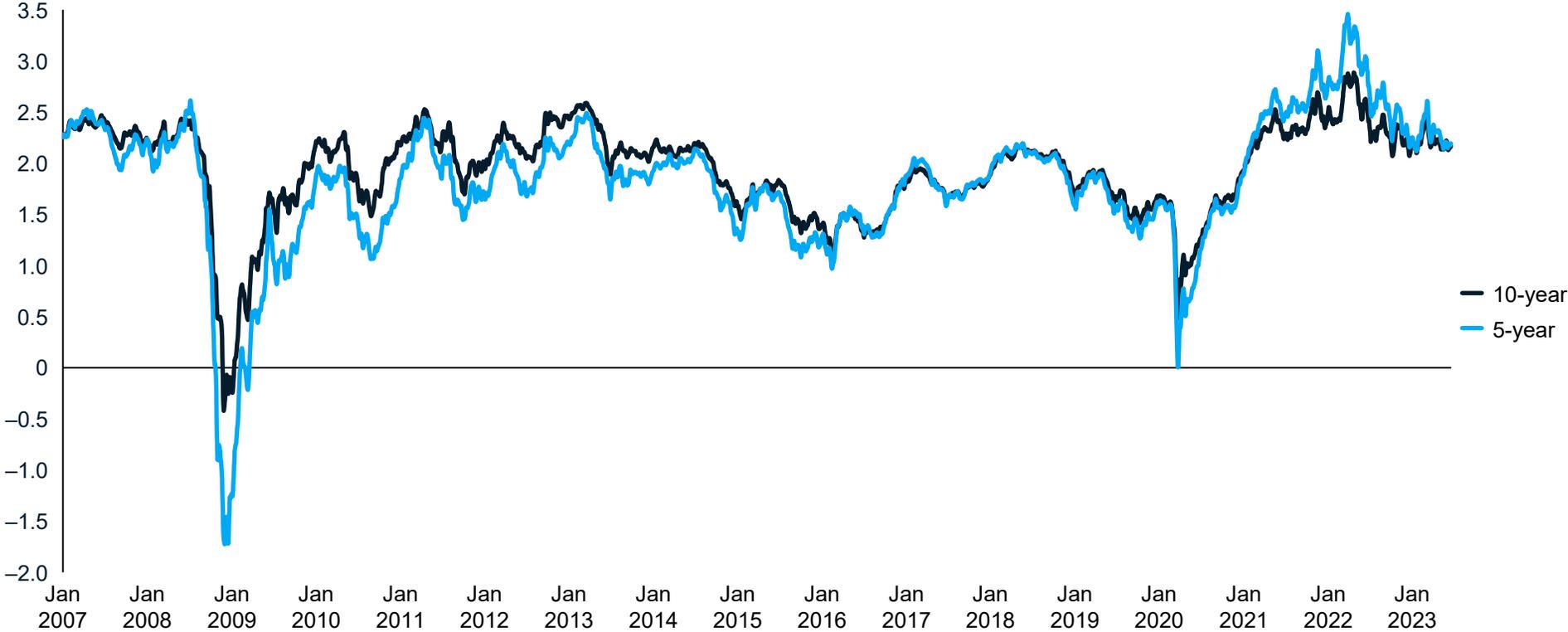
³Aluminum, LME spot (\$/metric ton), updated through June 21, 2023. ⁴UK: LME nickel, closing cash price (\$/metric ton), updated through June 20, 2023.

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

Inflation expectations came off from highs observed in 2022 and are close to FED's targets

Implied inflationary expectations from 5- and 10-year TIPS yields¹ (spread between T-bill and TIPS of same maturity)

% (daily), 5-day moving average

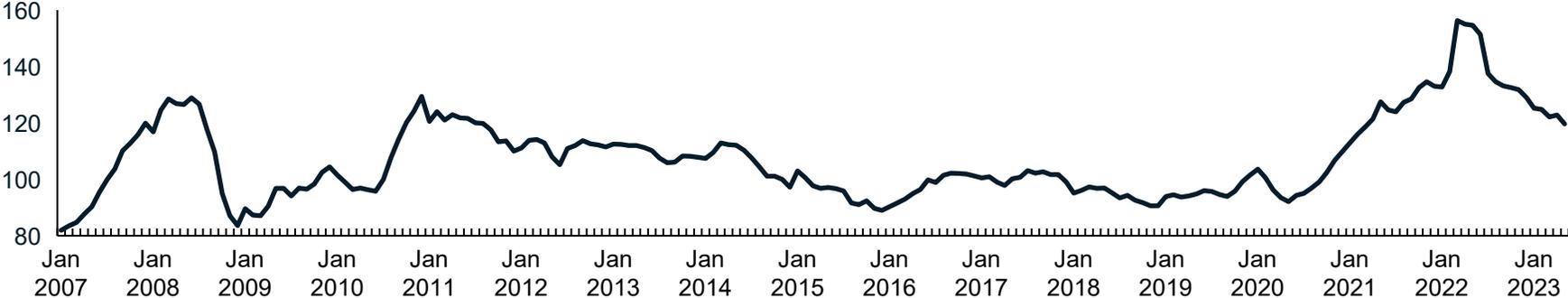


¹Updated through June 16, 2023.

Overall food prices declined in May; however, sugar prices are on the rise

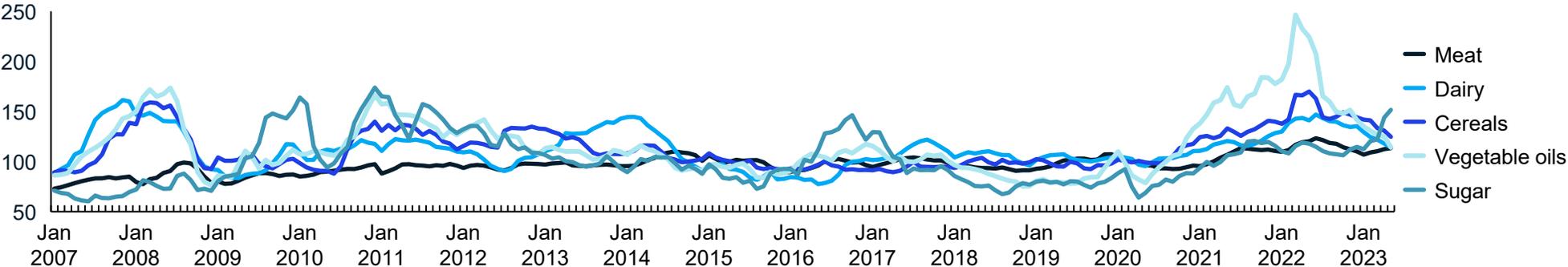
FAO Food Price Index by month, in real terms

Overall index, 2014–16 = 100



Component indexes¹

Index level, 2014–16 = 100

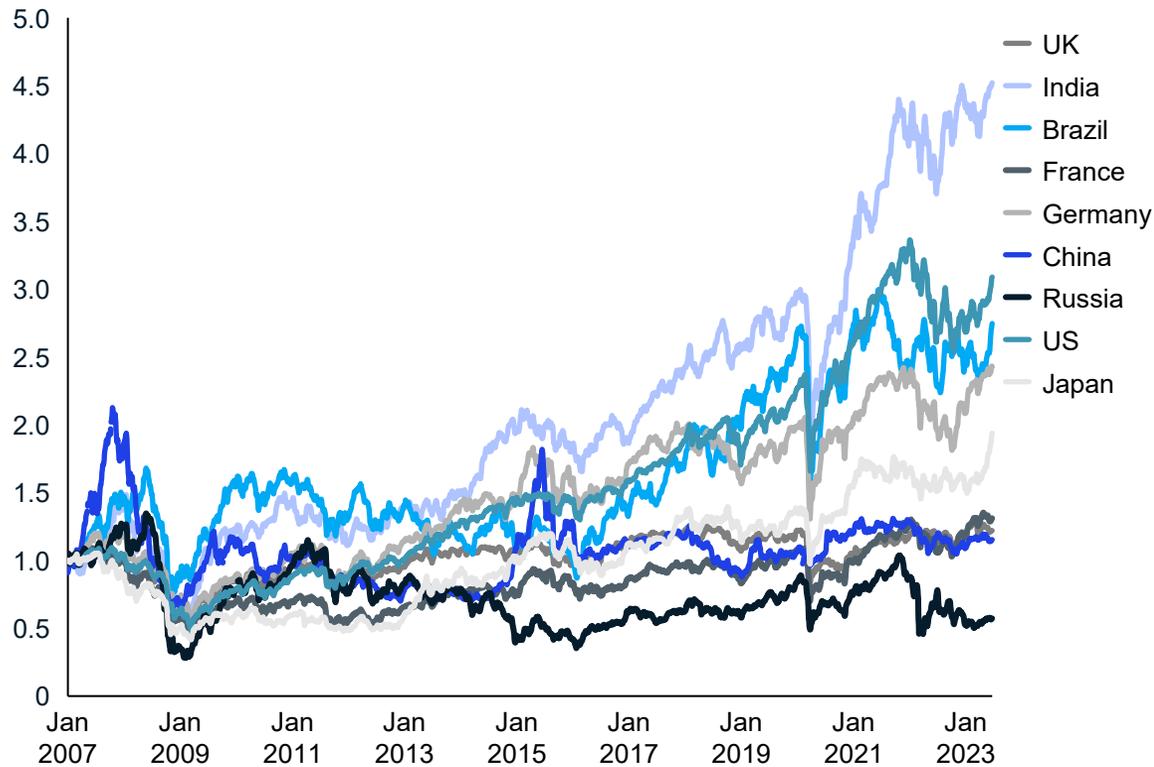


¹The values of the 5 indexes are compiled and then weighted by the average export shares of each group in 2002–04. The final figure represents the current value of the FAO Food Price Index.

Mixed performance by stock exchanges across countries

Equity markets¹

5-day moving average, daily, index (Jan 2007 = 1)



¹Brazil: Bovespa; China: SSE Composite Index; France: CAC 40; Germany: DAX; India: BSE Sensex-30; Japan: Nikkei 225; Russia: RTS Index; UK: FTSE 100; US: S&P 500.

²Growth rate calculated as average value of each index in May over average value in June.

³Growth rate calculated as average value of each index in June (June 20) over average value in May.

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

Change from prior month

%

US	S&P 500	0.6	4.3
UK	FTSE 100	-1.6	-1.5
Germany	DAX	1.1	1.0
France	CAC 40	-1.4	-1.4
Japan	Nikkei 225	6.6	8.3
China	SSE Composite Index	-1.2	-1.6
India	BSE Sensex-30	3.2	1.7
Brazil	Bovespa	3.8	7.9
Russia	RTS	4.1	0.5
		May ²	June ³

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

USD depreciated against major developed countries currencies, while it performed well against developing economies

Relative change in currency value against previous month

USD as base

		% change ¹	Currency price	
Outperforming	BRL	2.65%	4.85	(BRL per USD)
	GBP	1.27%	1.26	(USD per GBP)
	AUD	0.86%	0.67	(USD per AUD)
	NEER	0.52%	102.7	(index)
	USD		Base currency	
Underperforming	INR	-0.07%	82.40	(INR per USD)
	EUR	-0.25%	1.08	(USD per EUR)
	RMB	-2.21%	7.15	(RMB per USD)
	JPY	-2.79%	141.3	(JPY per USD)
	RUB	-4.85%	83.32	(RUB per USD)

Relative change in currency value against 2007 values

USD as base

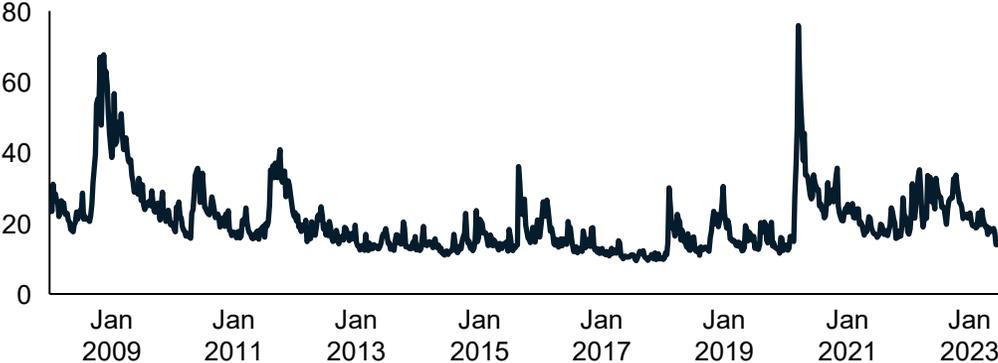
Currency ranking		% change
Outperforming	USD NEER	25.32%
	RMB	6.36%
	USD	Base currency
Underperforming	JPY	-16.75%
	AUD	-20.02%
	EUR	-20.93%
	GBP	-36.90%
	INR	-50.09%
	BRL	-60.01%
	RUB	-69.31%

Note: Data updated to June 30, 2023, Data for NEER from May 2023.

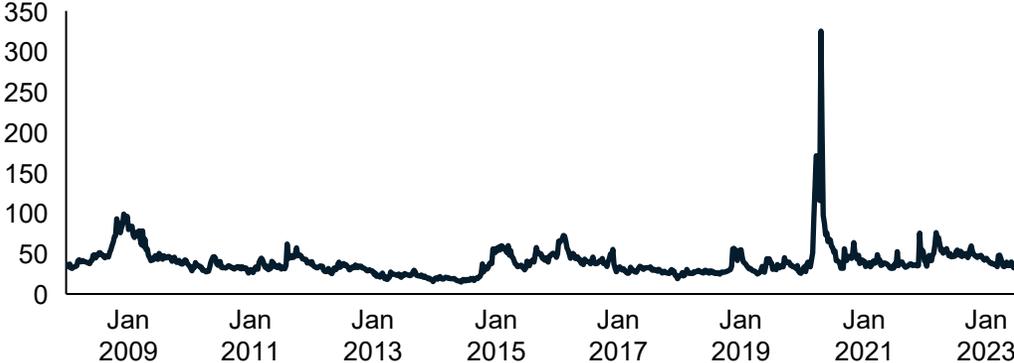
¹Positive change indicates appreciation, and negative change depreciation of the currency against the US dollar.

Volatility has been on a downward trend across major asset classes

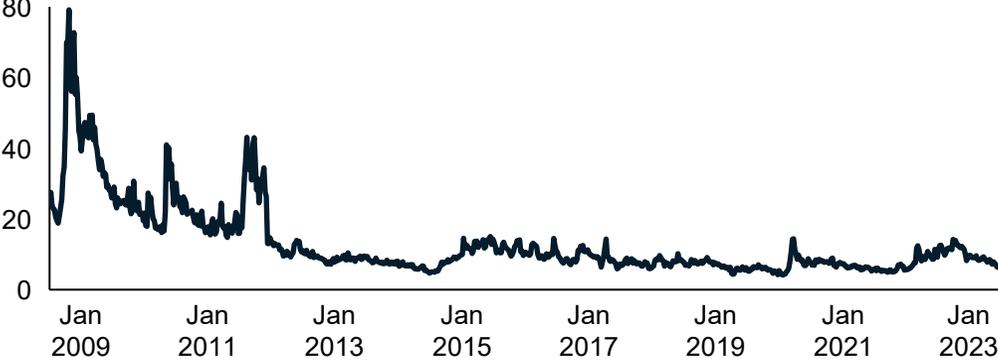
CBOE S&P 500 Index Option Volatility Index (VIX)³



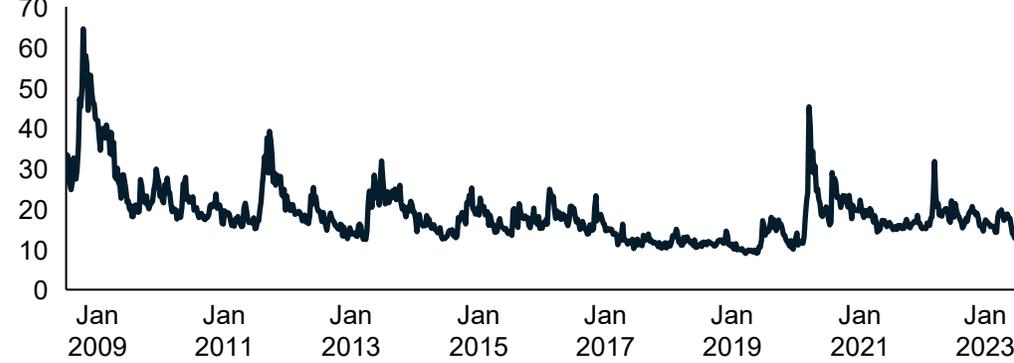
CBOE Crude Oil Volatility Index (OVX)^{1, 3}



CBOE Euro Currency Volatility Index (EVZ)³



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



¹Based on United States Oil Fund (USO) option prices.

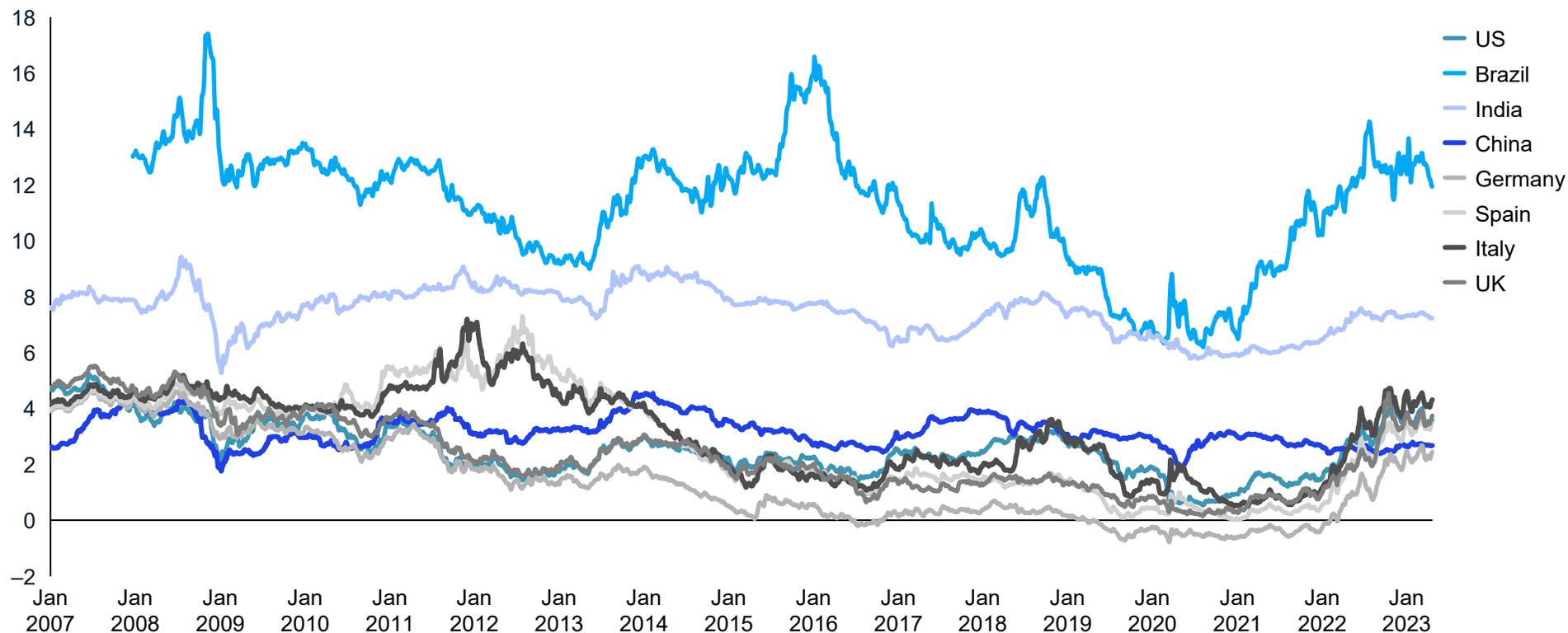
²Based on SPDR Gold Shares (GLD) options.

³Updated through June 27, 2023.

Government bond yields remained stable

10-year government bonds¹

5-day moving average,² % (daily)



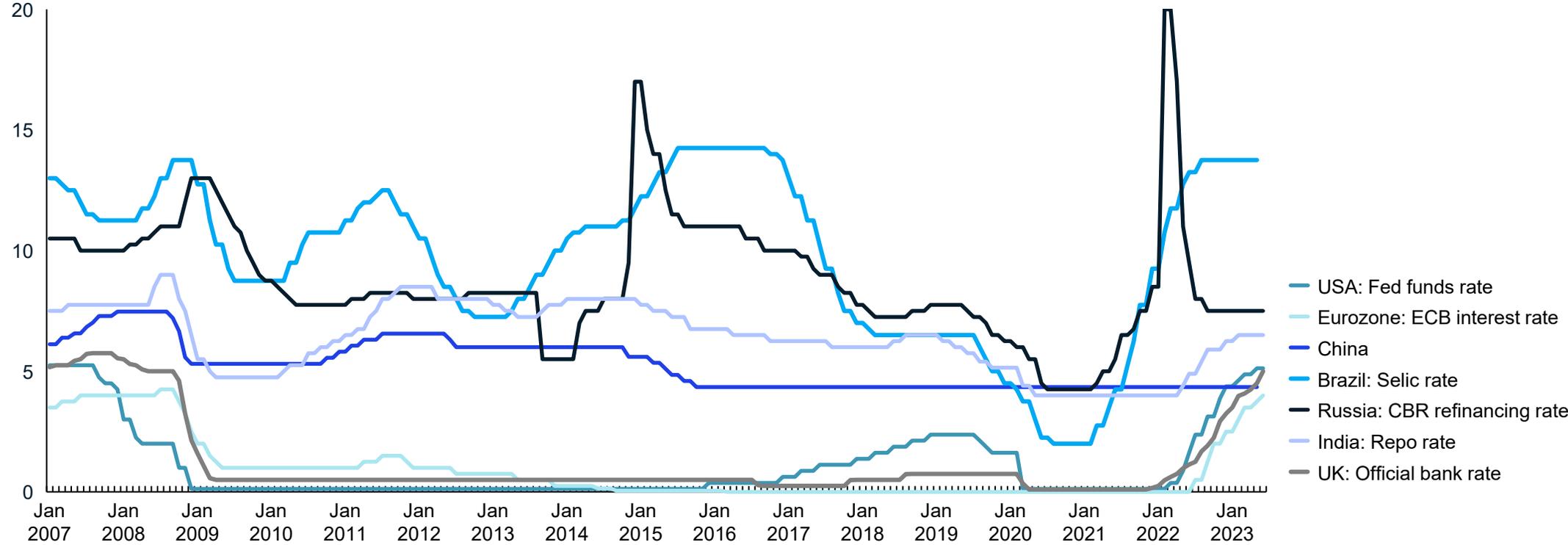
¹15-year government bond yields used for China.

²Updated through April 20, 2023.

ECB and Bank of England increased key interest rates by 25 and 50 basis points respectively in June, while FED skipped rate hike this month, most likely returning to tightening in July

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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