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# Global Economics Intelligence

Critical trends and risks

Released February 2023

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# Some economic indicators strengthen amid persisting inflation and investor uncertainty; central banks keep to a tightening course

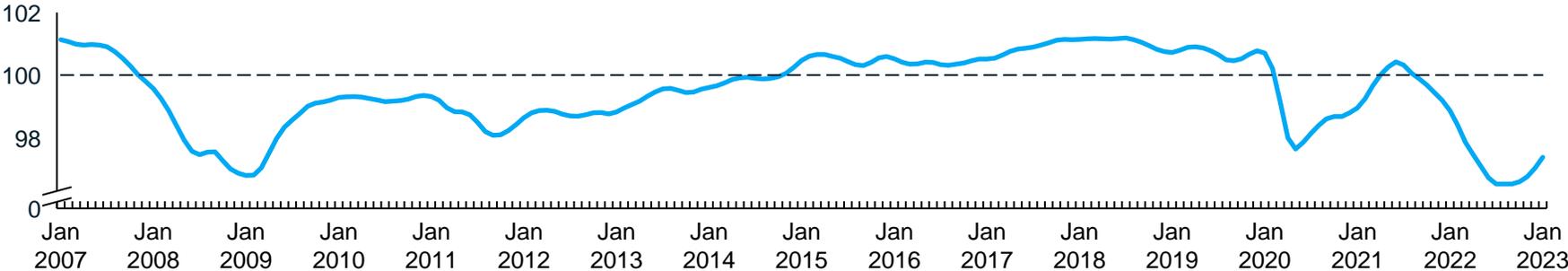
Versus previous period: ■ Significant improvement ■ Some improvement ■ Some deterioration ■ Significant deterioration ■ No significant change

■ <b>Consumer and households</b>	<ul style="list-style-type: none"> <li>Global and individual consumer confidence indicators did not generally worsen in January but remained stable at a low level.</li> <li>Retail sales retained positive momentum in the US and UK in January; sales retreated in the EU and China in December (latest data)</li> </ul>
■ <b>Business and industry</b>	<ul style="list-style-type: none"> <li>The global purchasing managers' indexes (PMIs) for both manufacturing and services measured mild contraction in January.</li> <li>In February, individual manufacturing PMIs show improvement; mild contraction persists in developed economies; China returns to expansion;</li> <li>Services PMIs, almost uniformly in expansion, strengthened in China and the developed economies.</li> </ul>
■ <b>Trade and external</b>	<ul style="list-style-type: none"> <li>In December, world trade volume decreased <math>-0.9\%</math> (<math>-1.7\%</math> in November); overall in 2022, world trade expanded <math>3.2\%</math>.</li> <li>In January, the Container Throughput Index decreased to 120.2 (124.4 in December) as traffic declined in northern European ports.</li> </ul>
■ <b>Prices</b>	<ul style="list-style-type: none"> <li>In the developed economies, inflation is easing slowly and is still high enough to push consumption levels lower and keep interest rates elevated. In emerging economies, disinflation is proceeding more rapidly, especially for producer prices.</li> <li>The Brent crude price, at \$83 per barrel (March 1), has been lower in the new year; European natural gas prices dipped to €47 per megawatt hour.</li> <li>Inflation expectations implied in the yield spreads of US Treasuries remain in the range of 2.3% to 2.5%.</li> </ul>
■ <b>Employment</b>	<ul style="list-style-type: none"> <li>Unemployment rates remain relatively low in all surveyed economies: 3.4% in the US; 6.6% in the eurozone; 3.7% in the UK, and 7.9% in Brazil</li> </ul>
■ <b>Financial markets</b>	<ul style="list-style-type: none"> <li>Equity indexes in the developed economies—especially Europe—have been gradually recovering in the new year. The volatility index for equity markets remains at elevated levels.</li> <li>The US dollar strengthened in February, against the euro (\$1.07), the pound (\$1.20), and the yuan (RMB 6.87).</li> <li>Yields on long-term government bonds eased in February.</li> </ul>
■ <b>Government and policy</b>	<ul style="list-style-type: none"> <li>At their February policy meetings, many central banks raised interest rates: the US Federal Reserve (to 4.5–4.75%), the European Central Bank (to 2.5–3%), the Bank of England (to 4%), and the Reserve Bank of India (to 6.5%). Expectations are for further hikes in 2023</li> <li>Rising interest rates are disproportionately increasing debt burdens and stressing household incomes in developing and emerging economies; President Lula da Silva sharply criticized the high policy interest rate of Brazil's central bank (13.75%) as growth-inhibiting.</li> </ul>

# Global and individual consumer confidence indicators did not generally worsen in January but remained stable at a low level.

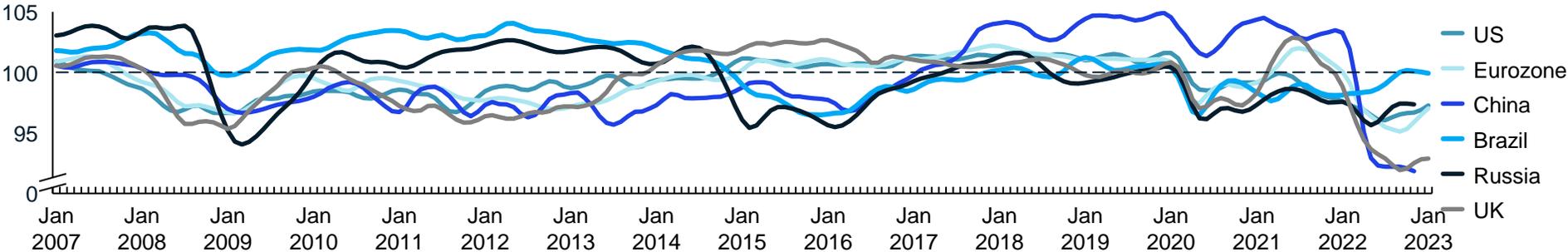
## OECD global consumer confidence indicator

Index, long-term average = 100



## OECD consumer confidence indicators for individual economies<sup>1</sup>

Index, long-term average = 100<sup>1</sup>

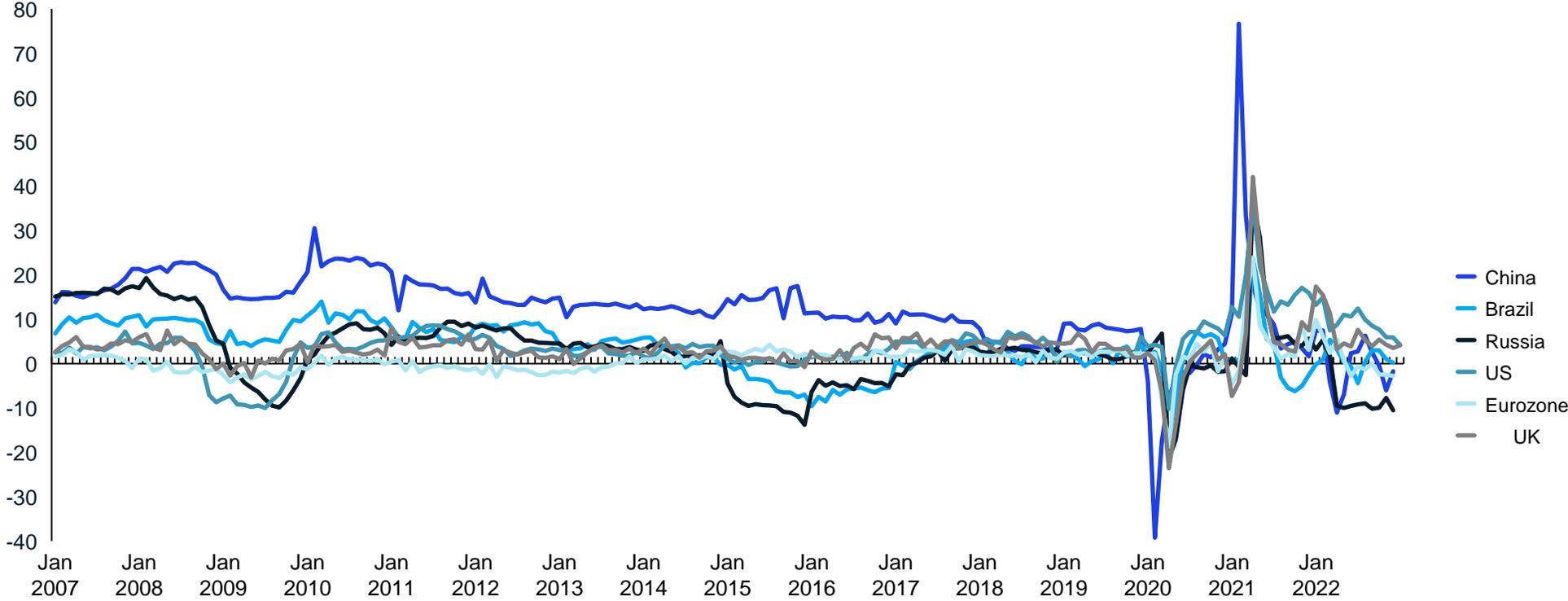


<sup>1</sup>Data for China and Russia through November 2022.

# Retail sales retained positive momentum in the US and UK in January; sales retreated in the EU and China in December (latest data)

## Retail sales growth<sup>1</sup>

Year over year (monthly)

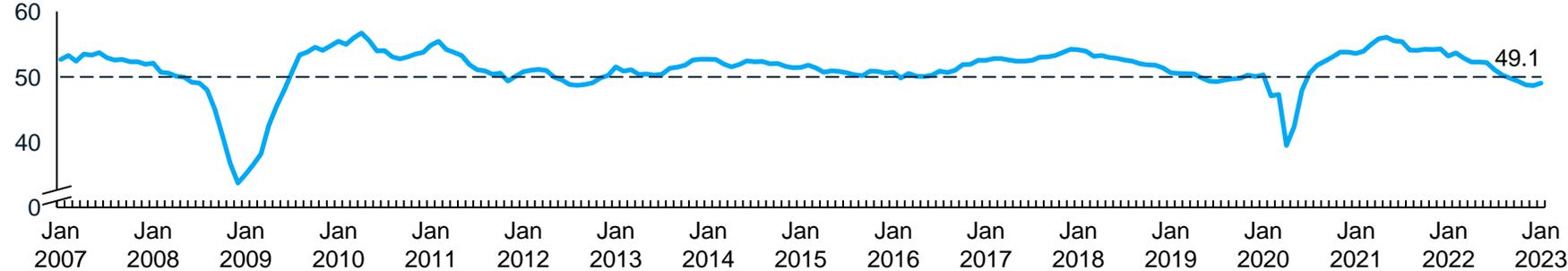


<sup>1</sup>Data for Brazil, China, Eurozone and Russia through December 2022.

# The global purchasing managers' indexes (PMIs) for both manufacturing and services measured mild contraction in January.

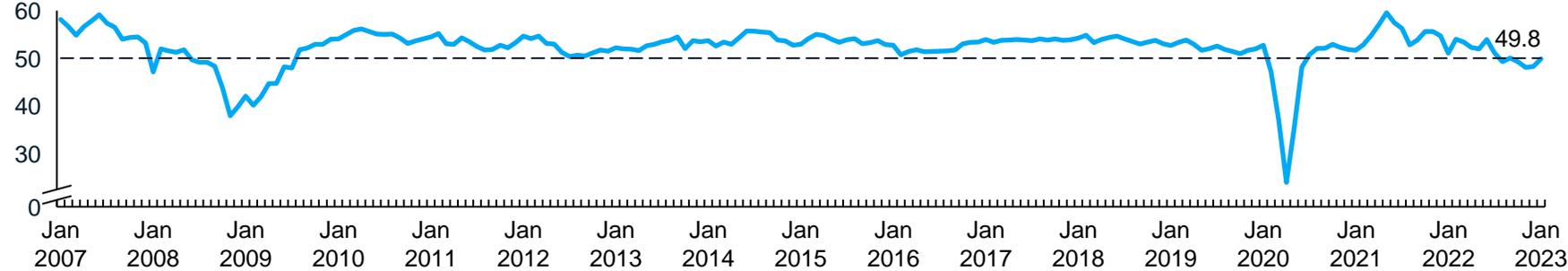
## JPMorgan Global Purchasing Managers' Index (Manufacturing)

Diffusion index, seasonally adjusted (monthly)



## JPMorgan Global Purchasing Managers' Index (Services)

Diffusion index, seasonally adjusted (monthly)

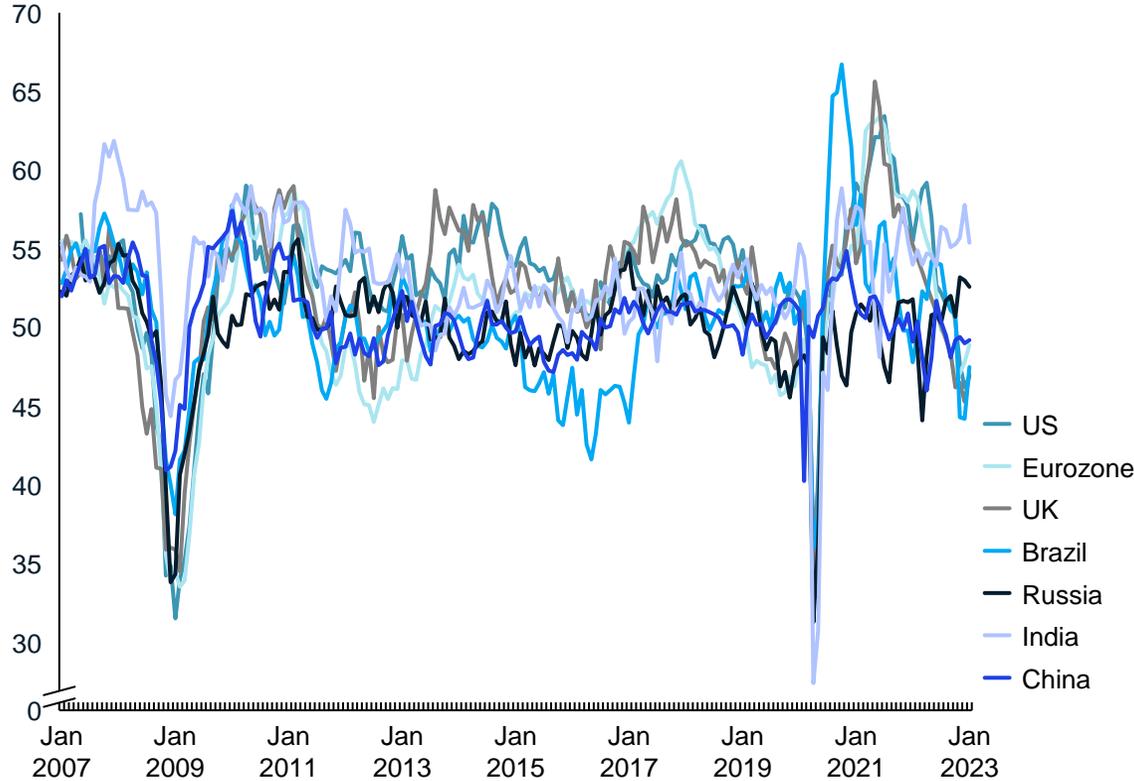


Note: A reading above 50.0 indicates an increase from the previous month, and a reading below 50.0 indicates a decrease. Country-level data are the PMIs for individual countries as sourced from Markit Economics or the Institute for Supply Management (ISM) and are not a breakdown of the JPMorgan Global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

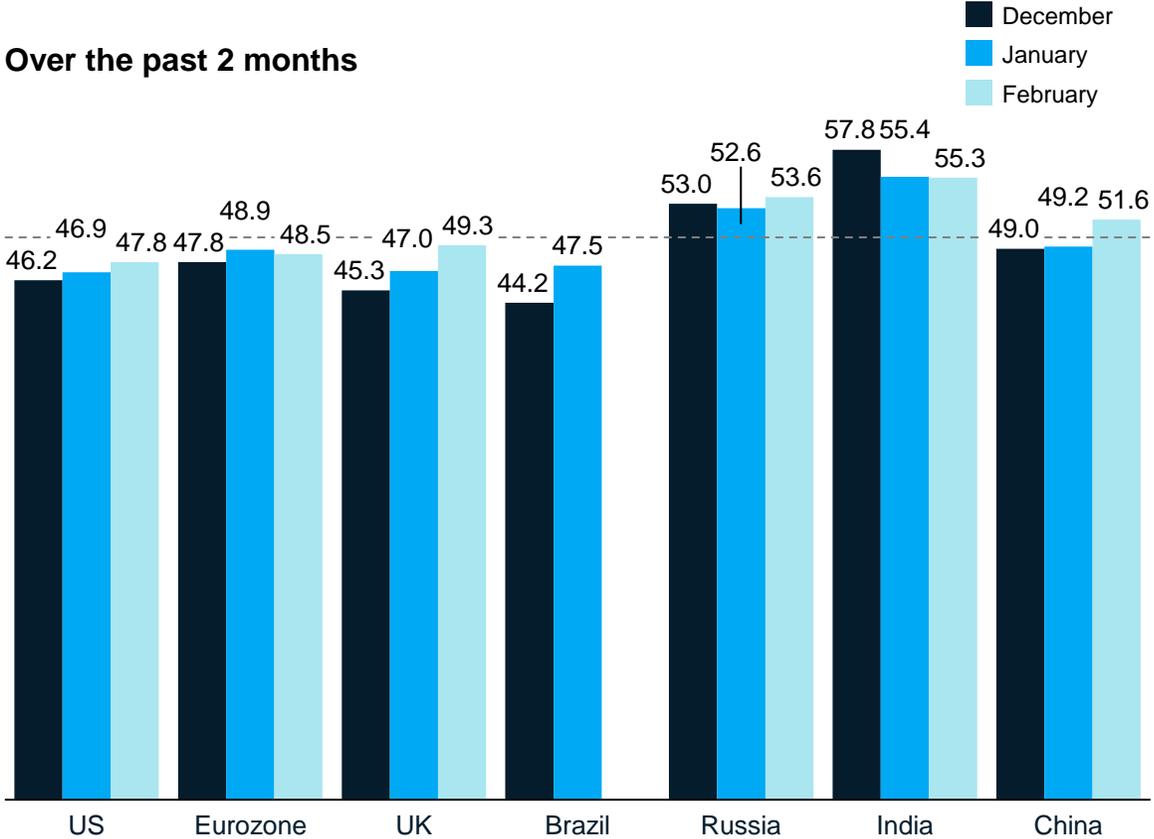
# In February, individual manufacturing PMIs show improvement; mild contraction persists in developed economies; China returns to expansion

**Purchasing managers' index (manufacturing)**

Diffusion index (monthly)



**Over the past 2 months**

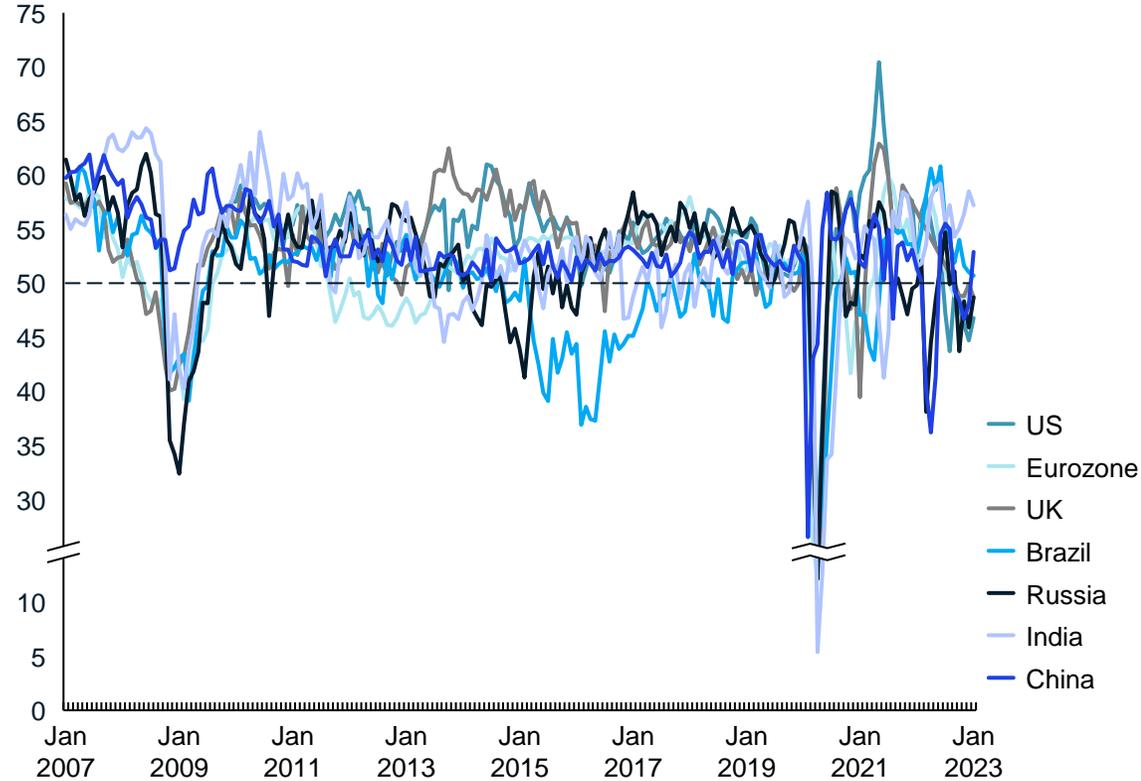


Note: A reading above 50.0 indicates an increase from the previous month, and a reading below 50.0 indicates a decrease. The country-level data are the PMIs for individual countries as sourced from Markit Economics and are not a breakdown of the JPMorgan Global PMI.

# Services PMIs, almost uniformly in expansion, strengthened in China and the developed economies.

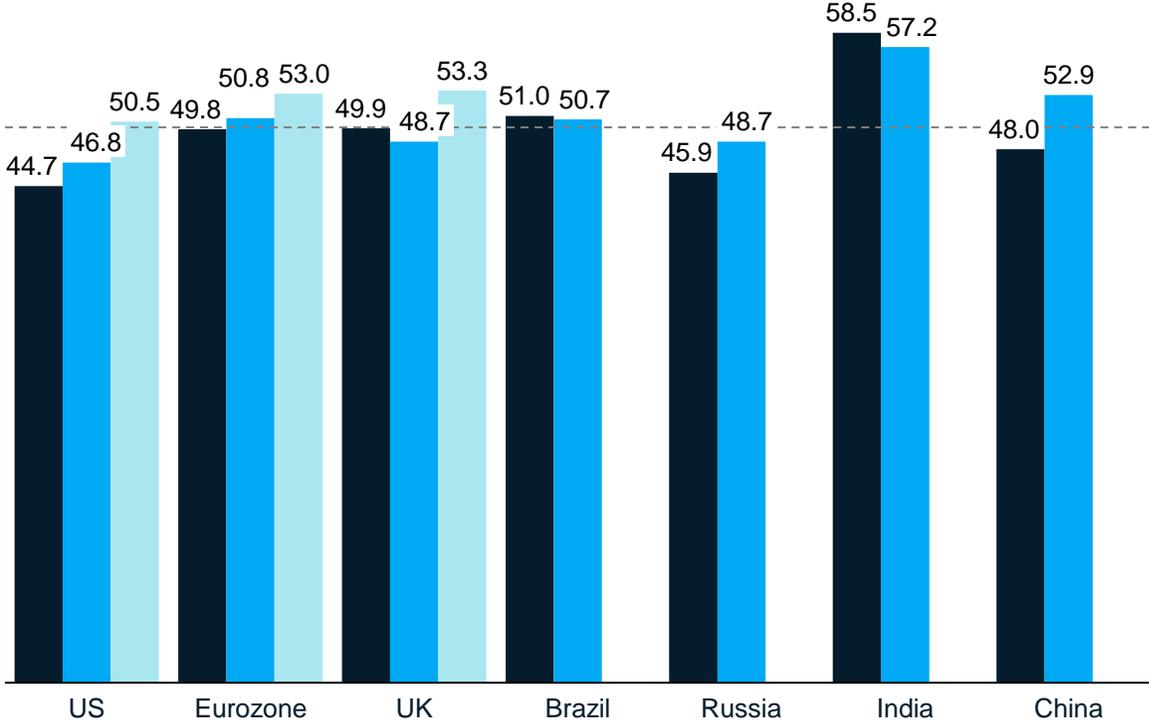
## Purchasing managers' index (services)

Diffusion index (monthly)



## Over the past 2 months

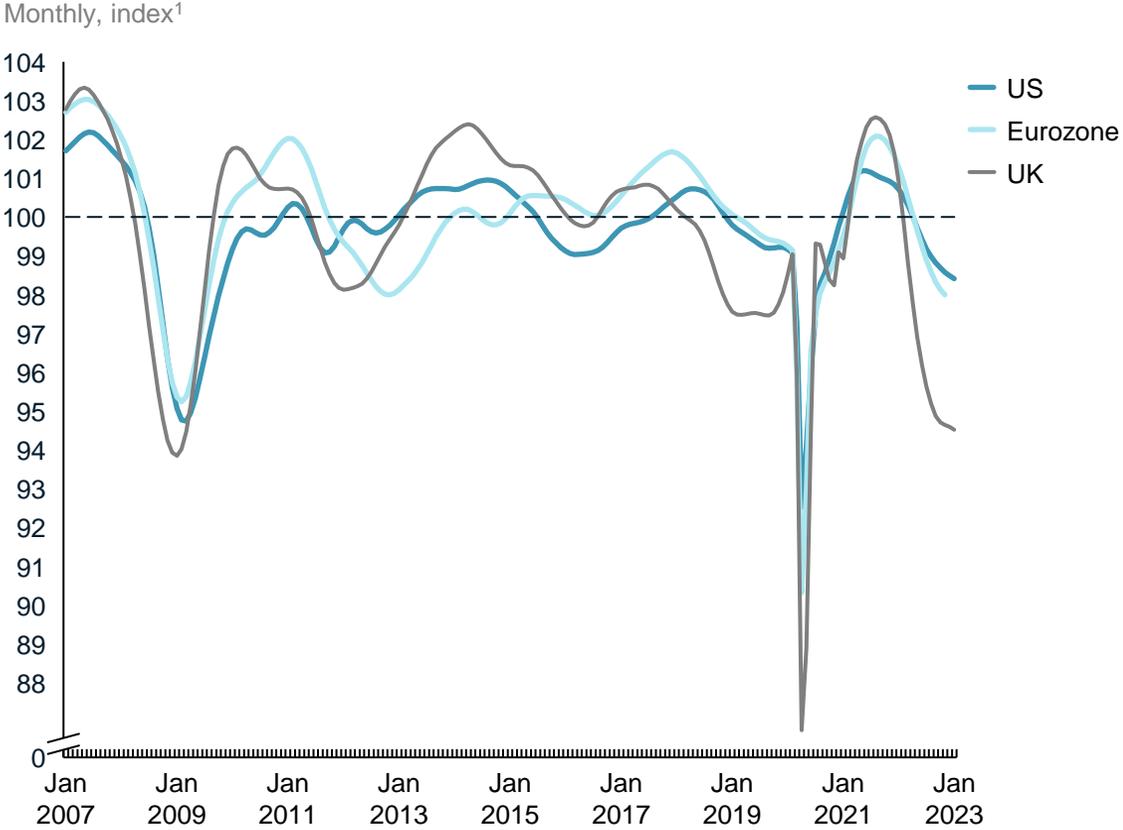
December  
January  
February



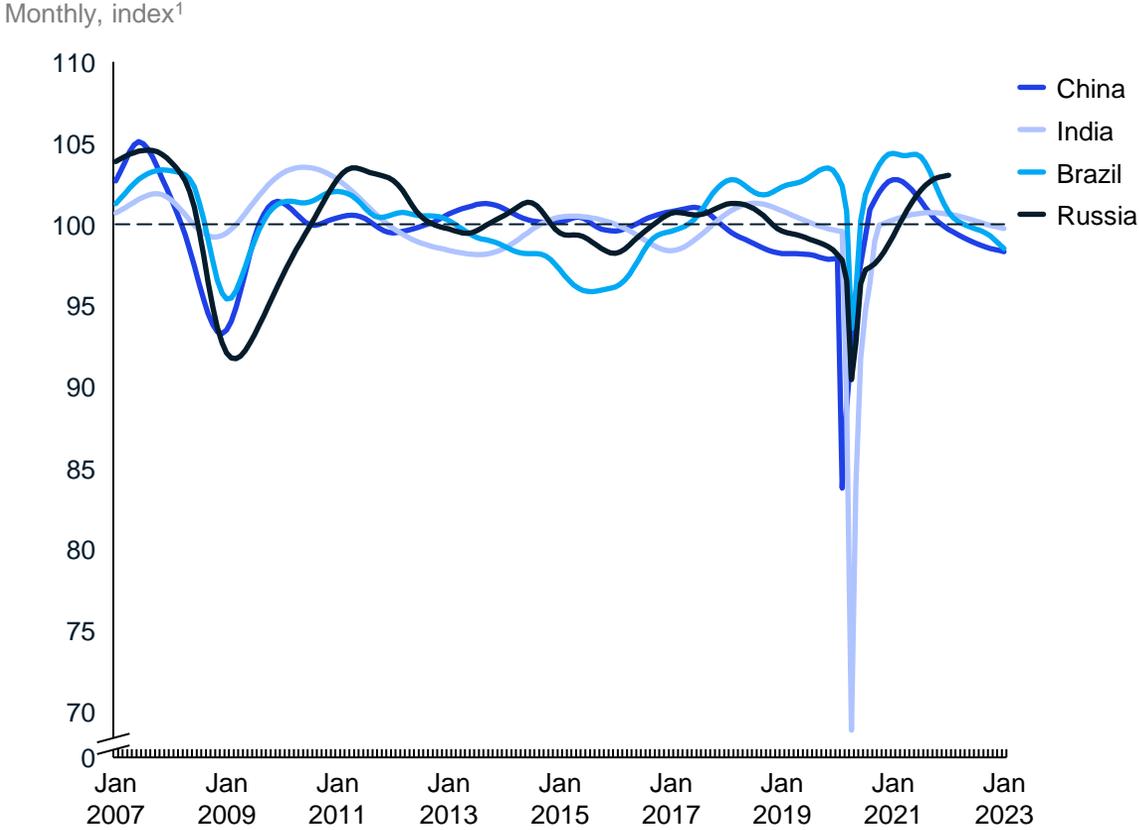
Note: A reading above 50.0 indicates an increase from the previous month, and a reading below 50.0 indicates a decrease. The country-level data are the PMIs for individual countries as sourced from Markit Economics and are not a breakdown of the JPMorgan Global PMI.

# The OECD composite leading indicators continue to reflect a softened economic environment

**OECD growth indicators: Advanced economies**



**OECD growth indicators: Emerging economies**

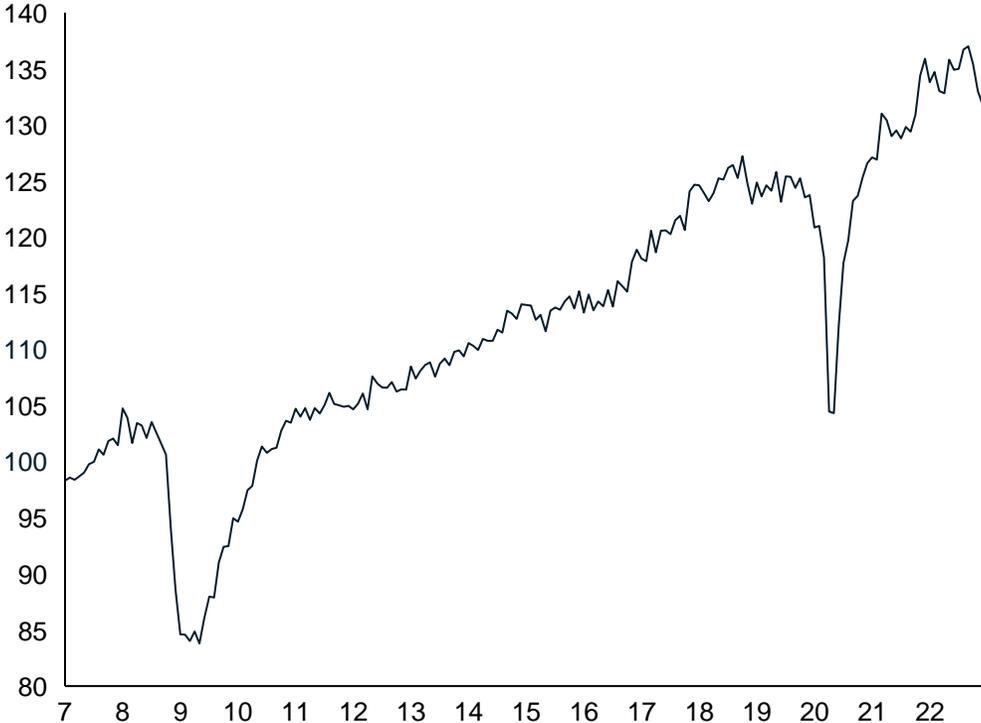


<sup>1</sup>Composite leading indicators (CLIs) attempt to identify turning points in economic activity approximately 6 months in advance. The horizontal line at 100 shows the long-term trend in industrial production (the reference series). An increase above 100 indicates expansion; a decrease but still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

# In December, world trade volume decreased $-0.9\%$ ( $-1.7\%$ in November); overall in 2022, world trade expanded $3.2\%$ .

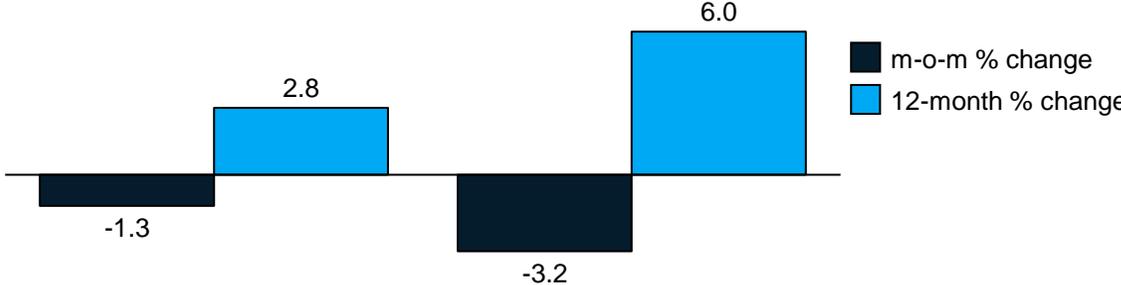
## CPB World Trade Monitor

Volume, Index level, 2010=100

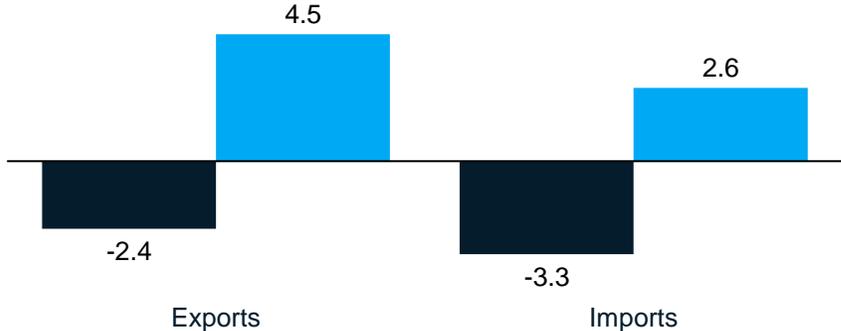


## CPB World Trade Monitor details to November 2022 (December data not included)

Advanced economies

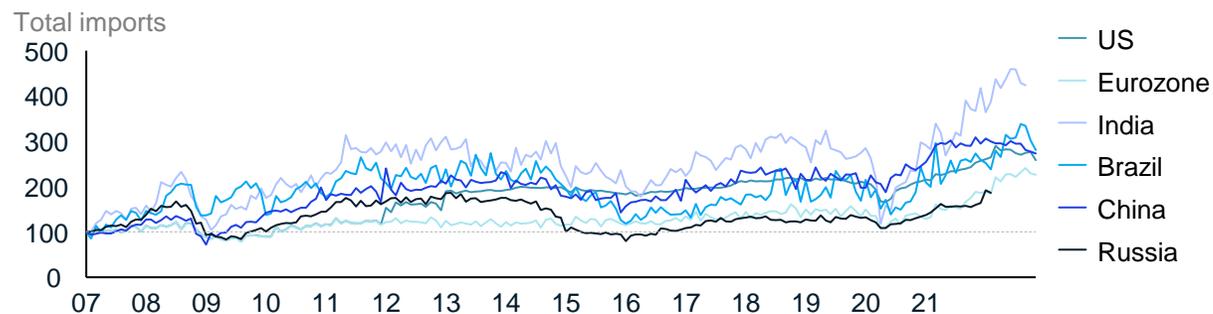
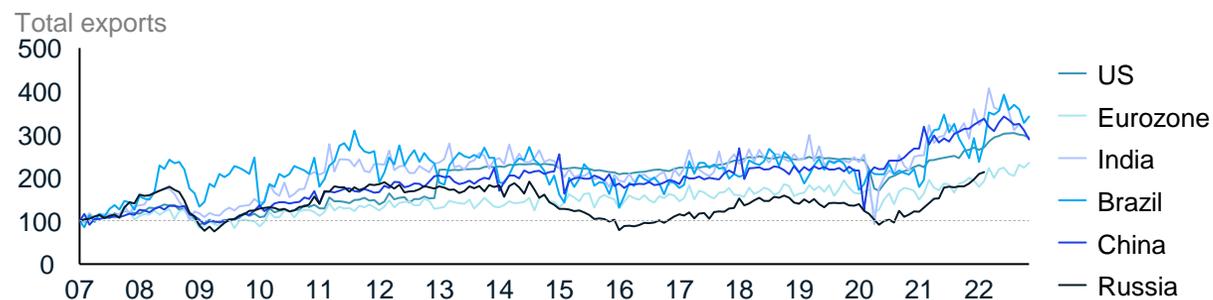


Emerging economies



# Trade slowed at the end of 2022; exports from China and the US decreased in December

## Monthly index (January 2007 = 100)



Note: Exports and imports are not seasonally adjusted.

1 Data for November 2022 vs October 2022

2. Latest data for Russia is February 2022

Versus previous period:

- Significant increase
- Increase
- Decline
- Severe decline
- No significant change

% change from  
previous month<sup>1</sup>

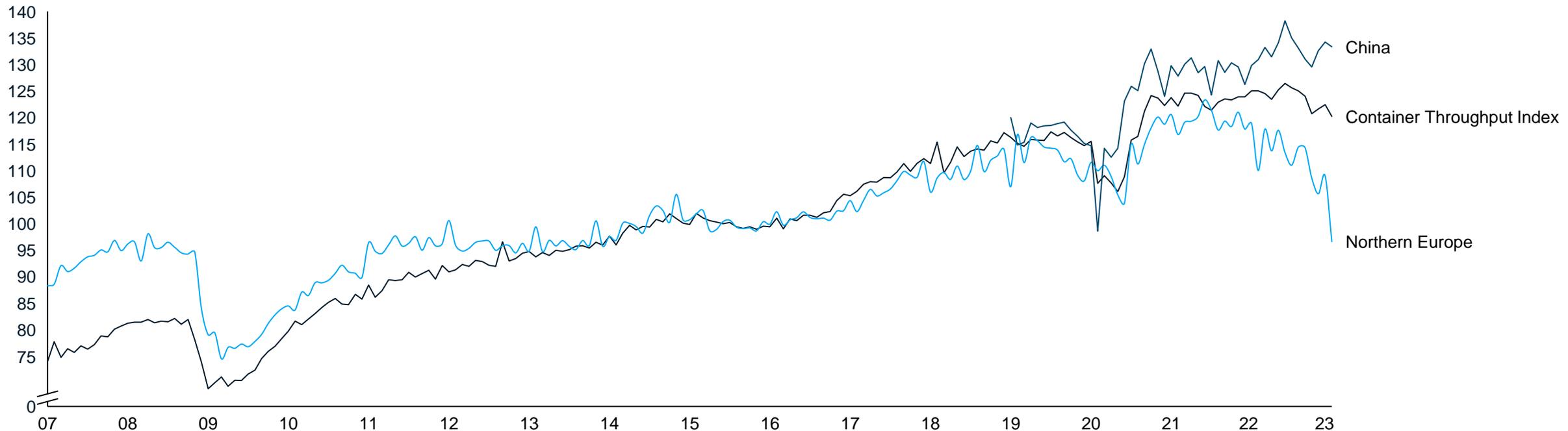
**12-mo. % change**  
Dec. 2021–Nov. 2022 vs  
.Dec 2020–Nov. 2021

	% change from previous month <sup>1</sup>	<b>12-mo. % change</b> Dec. 2021–Nov. 2022 vs .Dec 2020–Nov. 2021
<b>Exports</b>		
US	-2.0	19.0
Eurozone	4.8	18.5
China	-6.7	9.8
Brazil	4.5	21.8
India <sup>3</sup>	4.5	24.2
Russia <sup>2</sup>	2.2	61.2
<b>Imports</b>		
US	-6.4	18.4
Eurozone	-1.1	40.5
China	-1.5	2.4
Brazil	-6.9	19.4
India	-1.2	38.8
Russia	-2.9	31.2

# In January, the Container Throughput Index decreased to 120.2 (124.4 in December) as traffic declined in northern European ports.

## RWI/ISL Container Throughput Index

Index level, 2015=100<sup>2</sup>

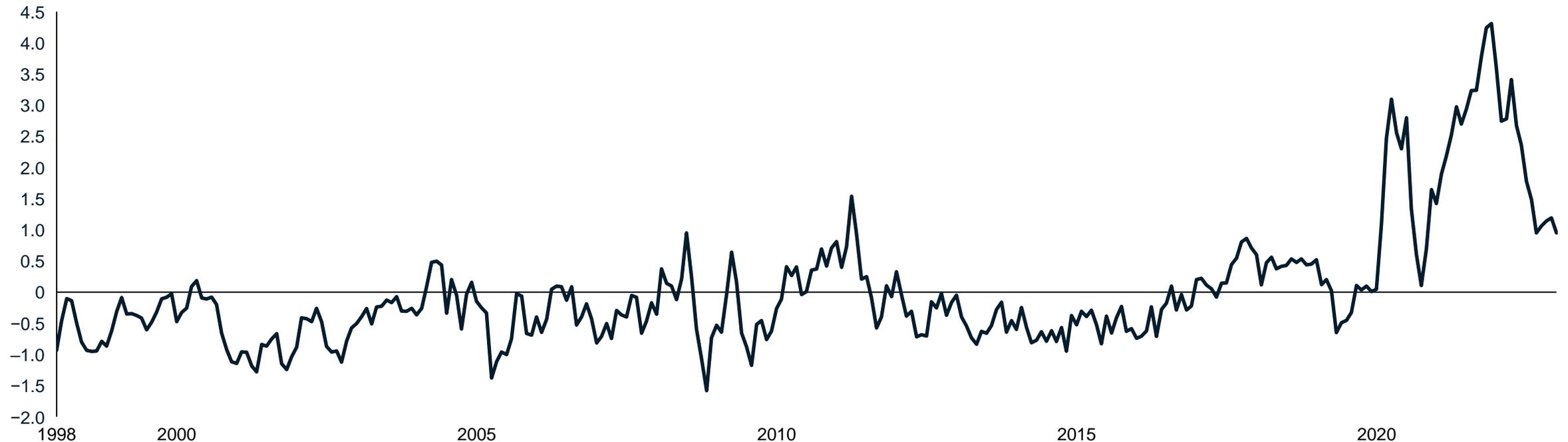


1. The current flash estimate for the Container Throughput Index is based on data from 64 ports, which account for about 85 percent of the handling represented in the index.
  2. On January 2020, the RWI/ISL Container Throughput Index changed its base year to 2015.
  3. The North range index summarizes throughput of the ports of Le Havre, Zeebrugge, Antwerp, Rotterdam, Bremen/Bremerhaven and Hamburg
- 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 transshipment. The monthly data do not include figures for Dubai. Data is seasonally and working day adjusted.

# After a slight uptick in December, the Supply Chain Pressure Index returned to its easing course in January 2023.

## Supply-chain pressure index

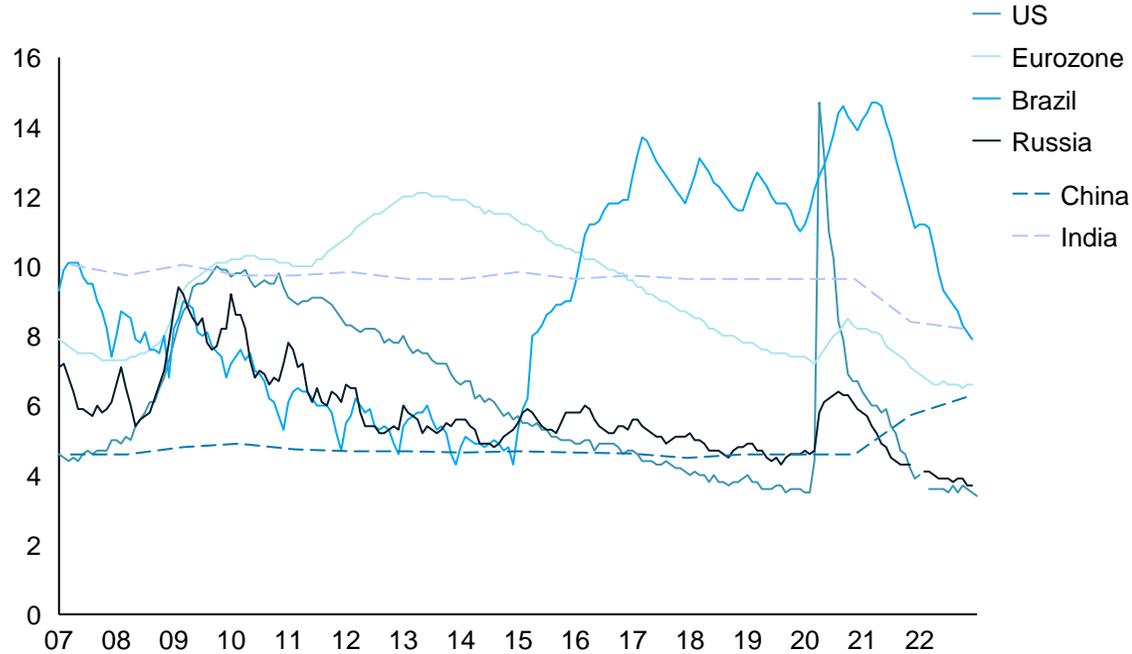
Standard deviations from average value



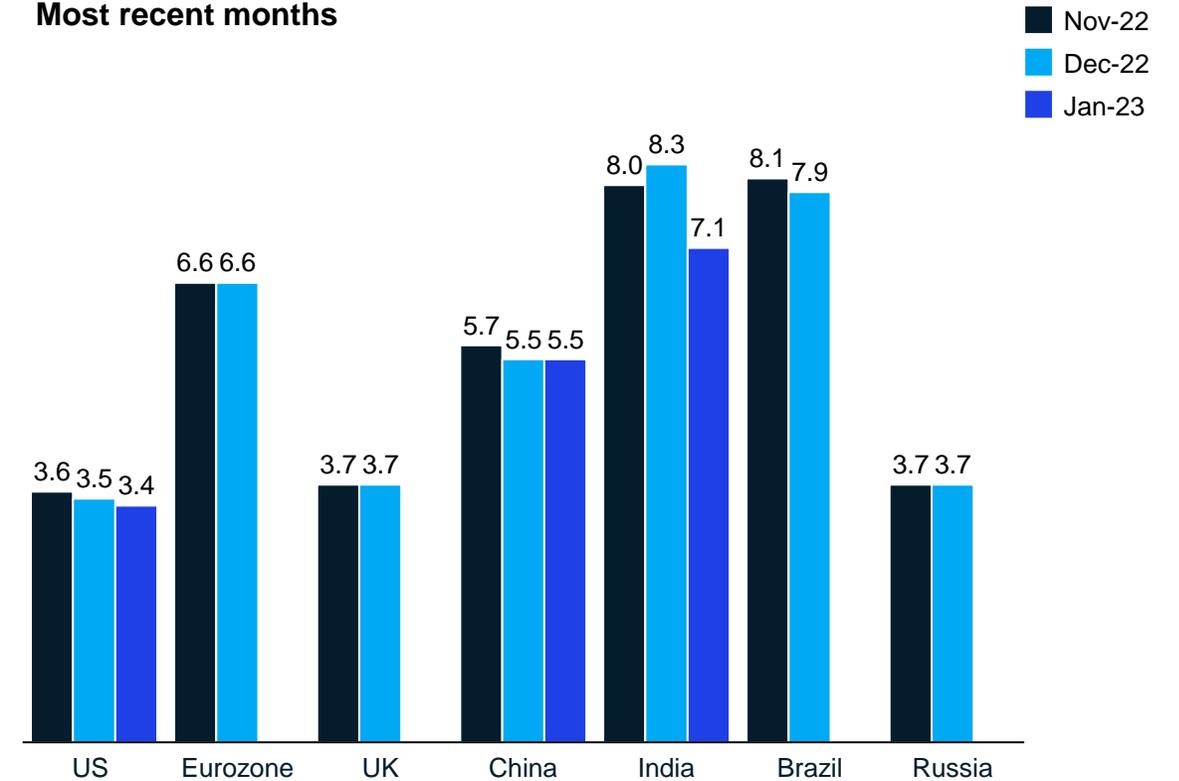
# Unemployment rates remain relatively low in all surveyed economies

## Unemployment rate 2007–22<sup>1</sup>

% of labor force (monthly)



## Most recent months

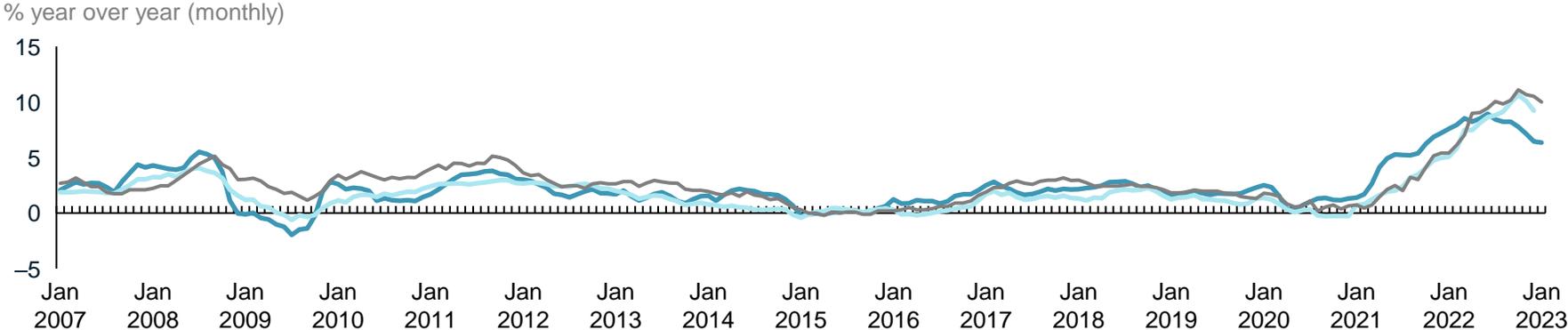


<sup>1</sup> Data for India and China are annual and shown as a smoothed trend line.

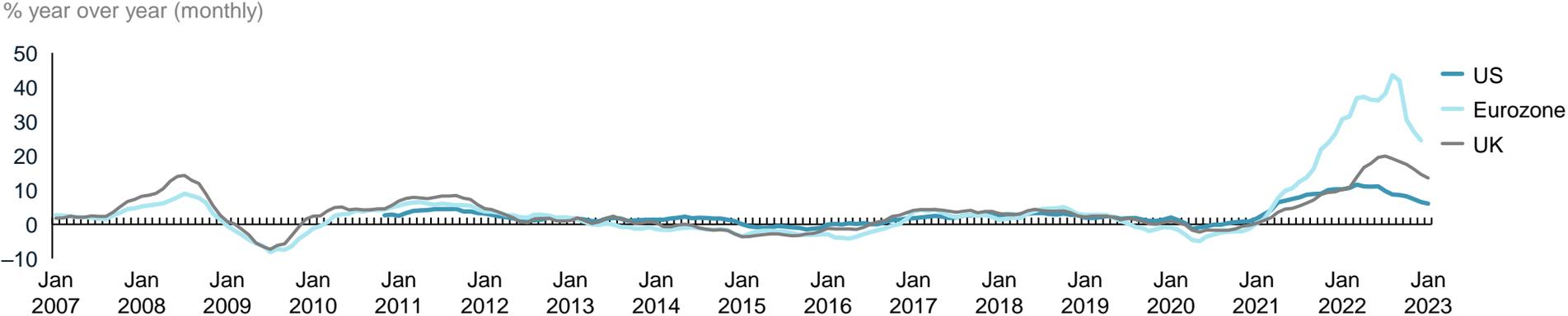
<sup>2</sup> China unemployment only shows urban rate.

# In the developed economies, inflation is easing slowly and is still high enough to push consumption levels lower and keep interest rates elevated

## Consumer price indexes: Developed economies

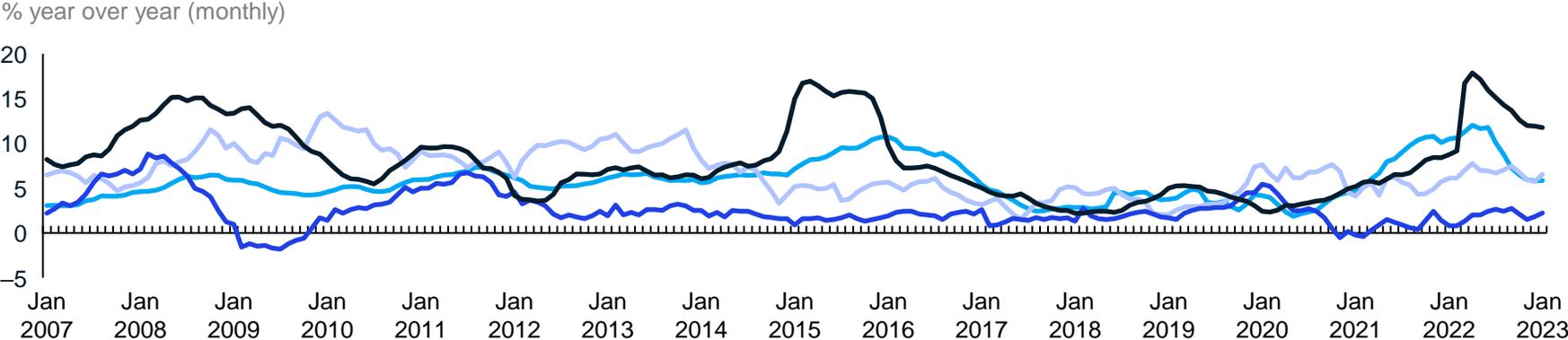


## Producer price indexes: Developed economies

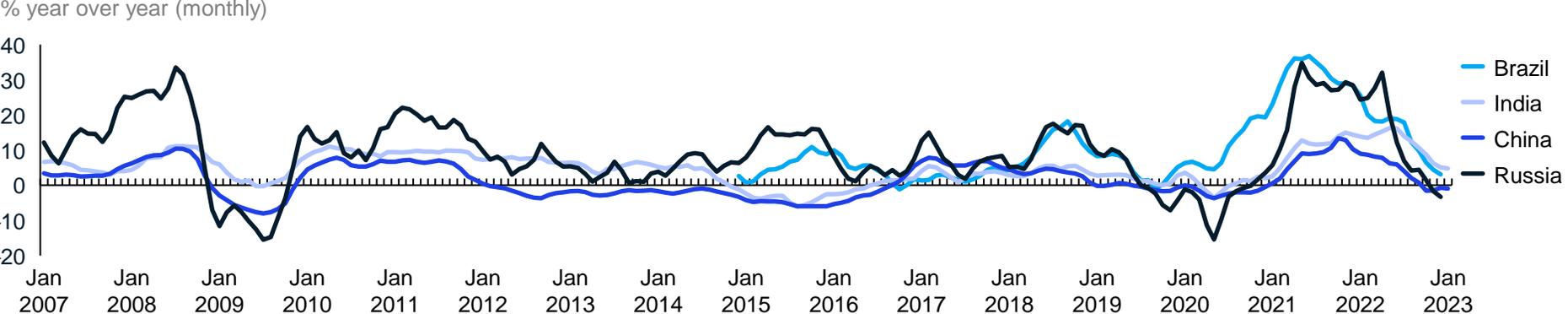


# In emerging economies, disinflation is proceeding more rapidly, especially for producer prices

## Consumer price indexes: Emerging economies



## Producer price indexes: Emerging economies

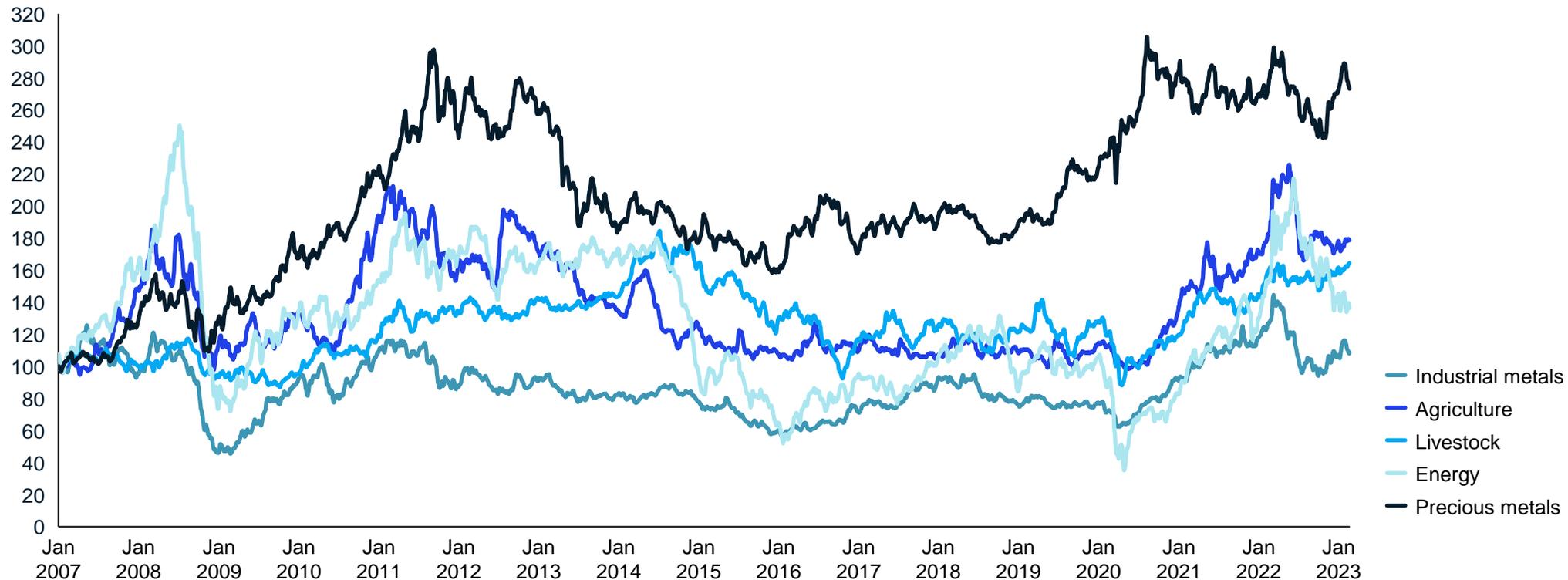


Source: National statistics websites; McKinsey's Global Economics Intelligence analysis

# Agricultural produce, livestock, and energy prices continue to ease; industrial and precious metals prices slightly increased in January

## Commodities indexes<sup>1</sup>

Moving 5-day average, indexed to Jan 2007



1. Updated through January 23, 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%.

# The gold price has been declining: it began November 2022 at \$1650 per ounce, climbing to \$1950 in mid-February 2023 before dropping to \$1840 (March 1)

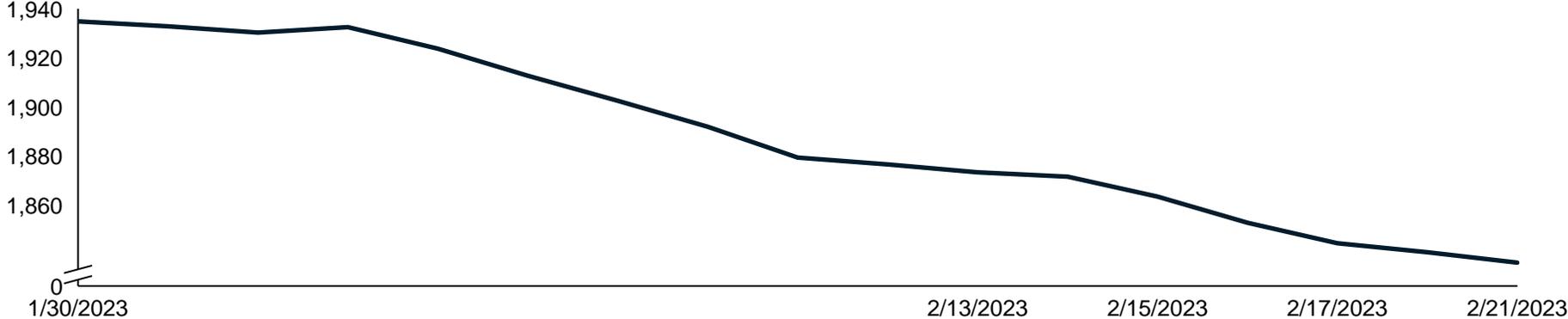
## Gold spot price<sup>1</sup>

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



## Gold spot price over past 3 weeks

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

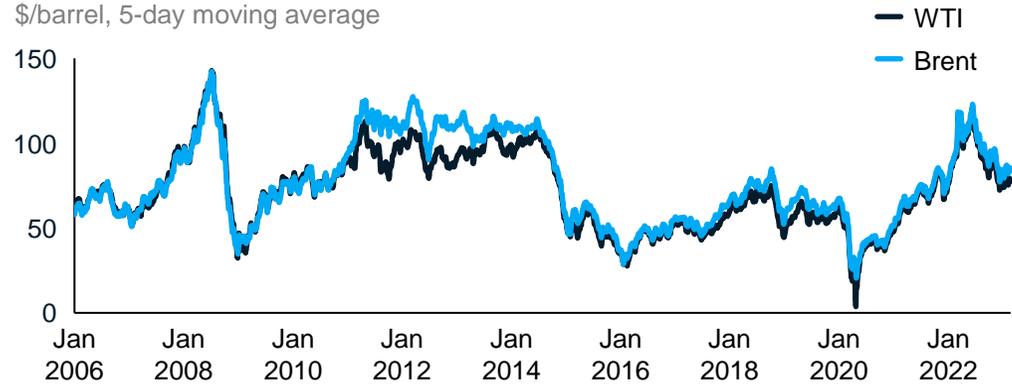


<sup>1</sup>Updated through February 21, 2023.

# The Brent crude price, at \$83 per barrel (March 1), has been lower in the new year; European natural gas prices (not shown) dipped to €47 per megawatt hour

## Oil price<sup>1</sup>

\$/barrel, 5-day moving average



## Natural-gas price<sup>2</sup>

\$/ per million Btu, 5-day moving average



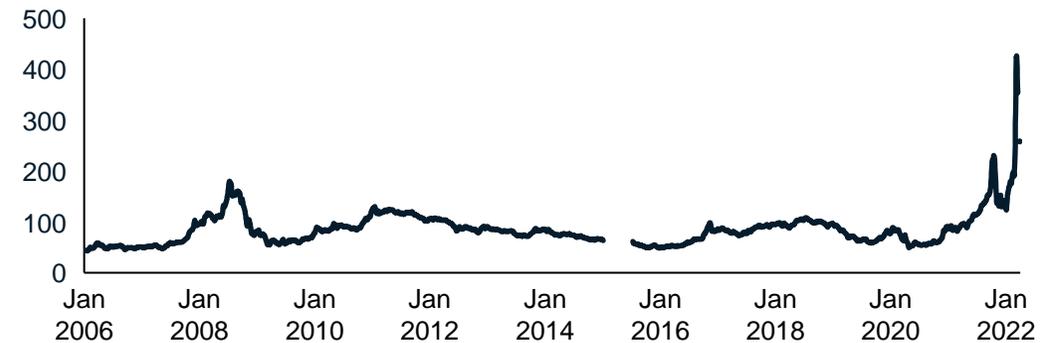
## Heating-oil price<sup>3</sup>

US cents/gallon, 5-day moving average



## Coal price<sup>4</sup>

\$/megaton, 5-day moving average



<sup>1</sup>Crude Brent, Henry Hub (Nymex). WTI (West Texas Intermediate) prices as of February 21, 2023.

<sup>2</sup>Henry Hub, LA; prices as of February 17, 2023.

<sup>3</sup>New York Harbor No. 2. heating-oil prices as of February 17, 2023.

<sup>4</sup>Global Coal RB Index; coal prices as of April 6, 2022.

# Individual metals prices remain broadly stable after an aggressive spike in early 2022

## Copper<sup>1</sup>

\$/pound, 5-day moving average



## Steel<sup>2</sup>

\$/gross metric ton (monthly)



## Aluminum<sup>3</sup>

\$/Mt, 5-day moving average



## Nickel<sup>4</sup>

\$/Mt, 5-day moving average



<sup>1</sup>Copper, high grade: COMEX Spot Price, updated through February 21, 2023.

<sup>2</sup>Steel, 2.75-millimeter hot-rolled coil (\$/gross metric ton); data estimated since May 2012 using 0.5-millimeter cold-rolled sheet prices; data through December 2022.

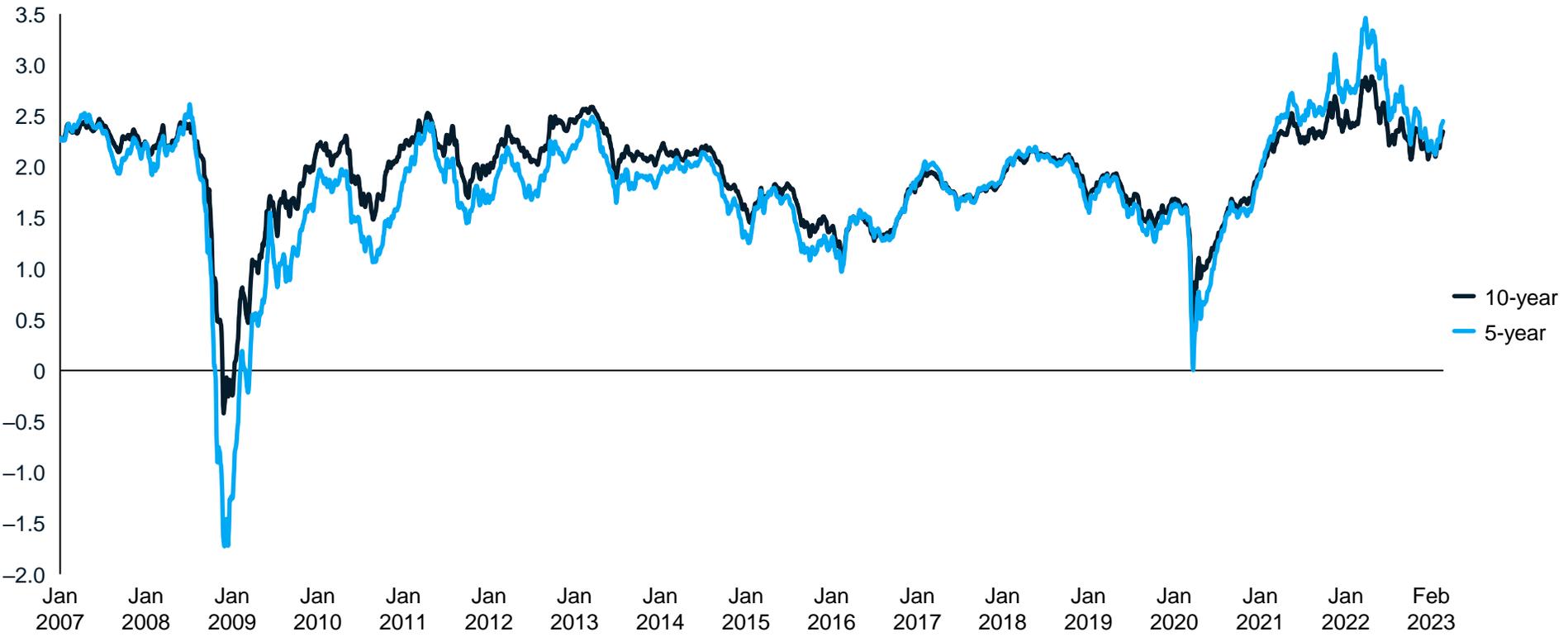
<sup>3</sup>Aluminum, LME spot (\$/metric ton), updated through February 21, 2023. <sup>4</sup>UK: LME nickel, closing cash price (\$/metric ton), updated through February 21, 2023.

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

# Inflation expectations implied in the yield spreads of US Treasuries remain in the range of 2.3% to 2.5%

Implied inflationary expectations from 5- and 10-year TIPS yields<sup>1</sup> (spread between T-bill and TIPS of same maturity)

% (daily), 5-day moving average

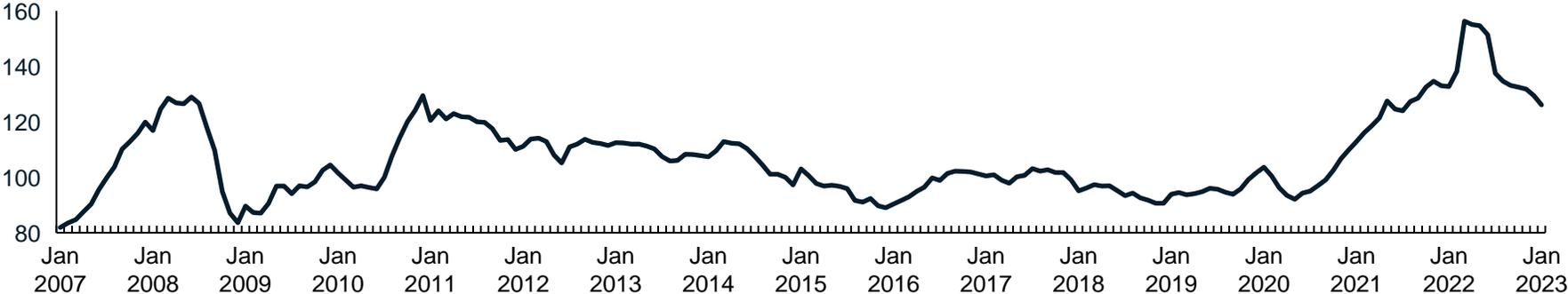


<sup>1</sup>Updated through February 21, 2023.

# Food-price inflation has slowed from recent highs, but prices of some key foodstuffs are still 30% or 40% above prewar or pre-pandemic norms

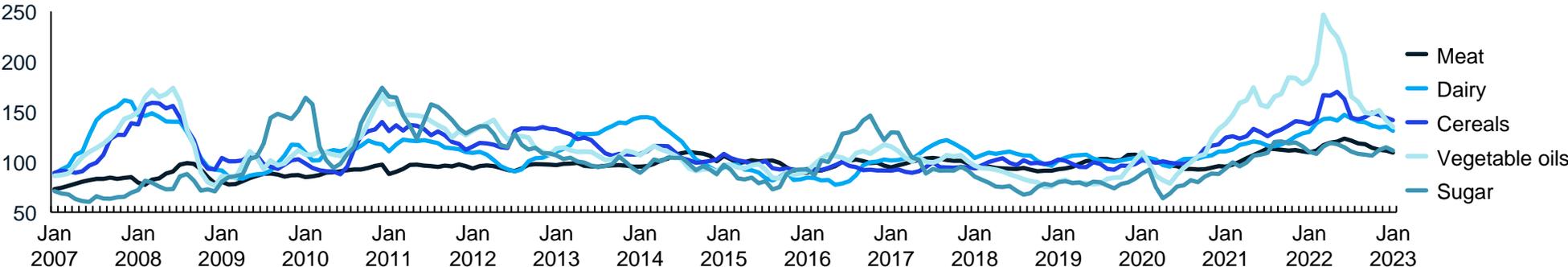
## FAO Food Price Index by month, in real terms

Overall index, 2014–16 = 100



## Component indexes<sup>1</sup>

Index level, 2014–16 = 100

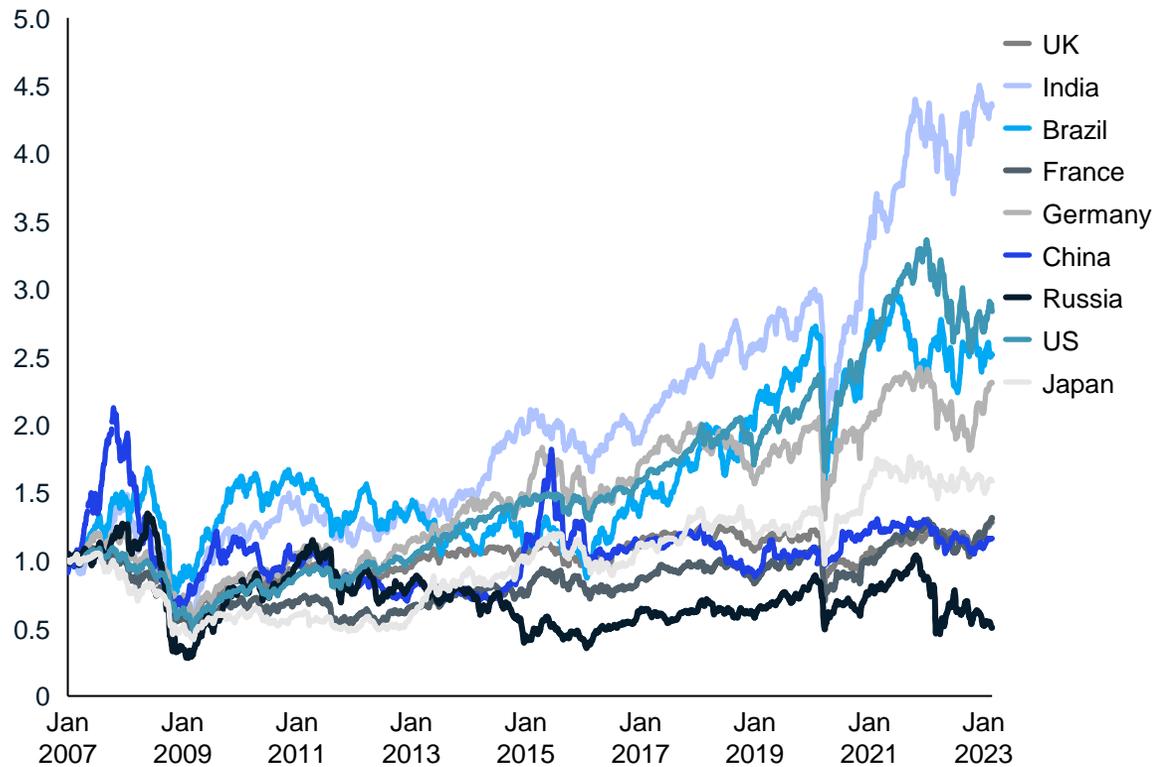


<sup>1</sup>The values of the 5 indexes are compiled and then weighted by the average export shares of each group in 2002–04. The final figure represents the current value of the FAO Food Price Index.

# Equity indexes in the developed economies—especially Europe—have been gradually recovering in the new year.

## Equity markets<sup>1</sup>

5-day moving average, daily, index (Jan 2007 = 100)



<sup>1</sup>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.

<sup>2</sup>Growth rate calculated as average value of each index in January over average value in December.

<sup>3</sup>Growth rate calculated as average value of each index in February (February 23) over average value in January.

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

## Change from prior month

%

US	S&P 500	1.2	3.9
UK	FTSE 100	3.7	2.2
Germany	DAX	5.1	3.5
France	CAC 40	5.3	3.8
Japan	Nikkei 225	-2.2	3.4
China	SSE Composite Index	1.9	2.3
India	BSE Sensex-30	-2.3	0.4
Brazil	Bovespa	3.0	-1.5
Russia	RTS	-4.1	-2.4
		January <sup>2</sup>	February <sup>3</sup>

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

# The US dollar strengthened in February, against the euro (\$1.07), the pound (\$1.20), and the yuan (RMB 6.87).

## Relative change in currency value against previous month

USD as base

	% change <sup>1</sup>	Currency price	
BRL	0.38%	5.17	(BRL per USD)
AUD	0.03%	0.70	(USD per AUD)
<b>USD</b>		<b>Base currency</b>	
RMB	-0.11%	6.87	(RMB per USD)
EUR	-0.15%	1.08	(USD per EUR)
INR	-0.71%	82.5	(INR per USD)
GBP	-1.08%	1.21	(USD per GBP)
JPY	-1.24%	131.9	(JPY per USD)
NEER	-2.03%	102.4	(index)
RUB	-4.88%	72.5	(RUB per USD)

## Relative change in currency value against 2007 values

USD as base

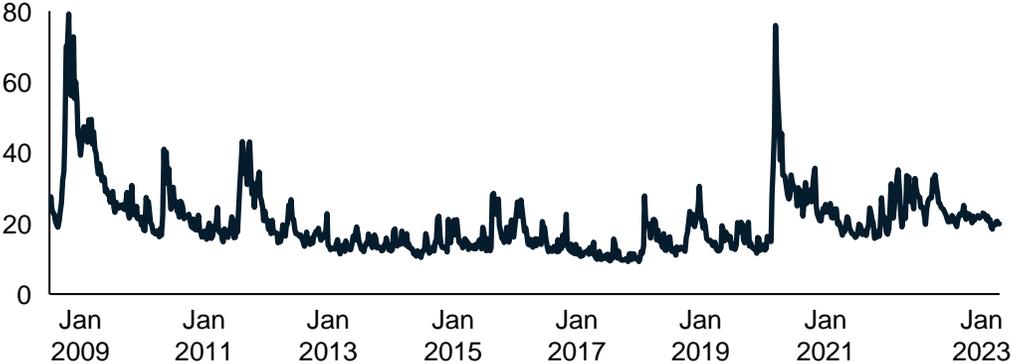
Currency ranking		% change
<b>Outperforming</b>	USD NEER	24.88%
	RMB	11.73%
	<b>USD</b>	<b>Base currency</b>
	JPY	-10.8%
	AUD	-17.13%
	EUR	-21.56%
<b>Underperforming</b>	GBP	-39.55%
	INR	-50.14%
	BRL	-62.52%
	RUB	-64.73%

Note: Data updated to February 22, 2023, except USD NEER data, which are for January 2023.

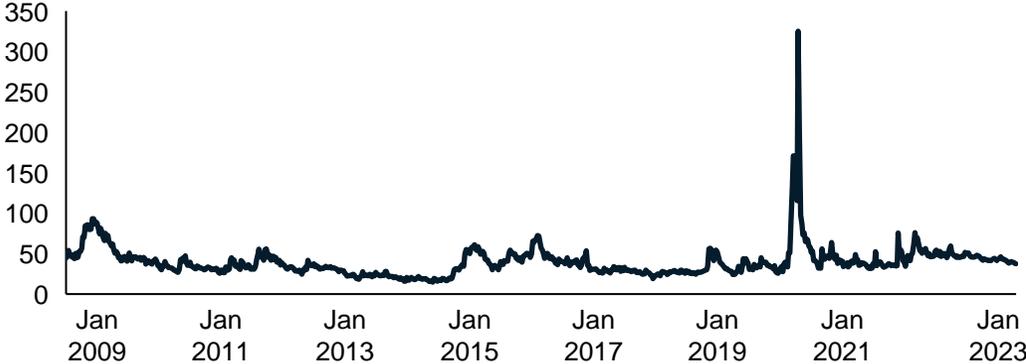
<sup>1</sup>Positive change indicates appreciation, and negative change depreciation of the currency against the US dollar.

# The equities volatility index (VIX) remains elevated in comparison with prepandemic levels.

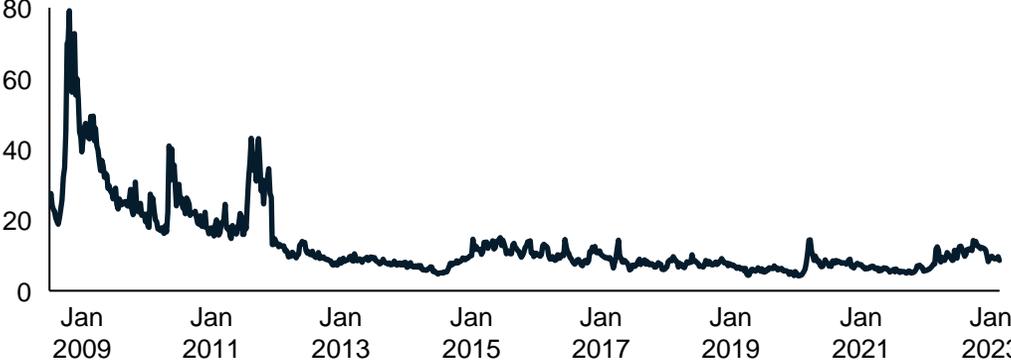
CBOE S&P 500 Index Option Volatility Index (VIX)<sup>3</sup>



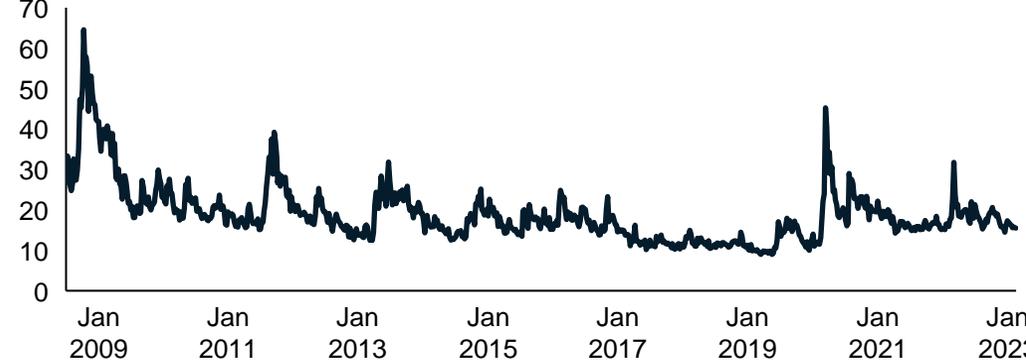
CBOE Crude Oil Volatility Index (OVX)<sup>1, 3</sup>



CBOE Euro Currency Volatility Index (EVZ)<sup>3</sup>



CBOE Gold Volatility Index (GVZ)<sup>2, 3</sup>



<sup>1</sup>Based on United States Oil Fund (USO) option prices.

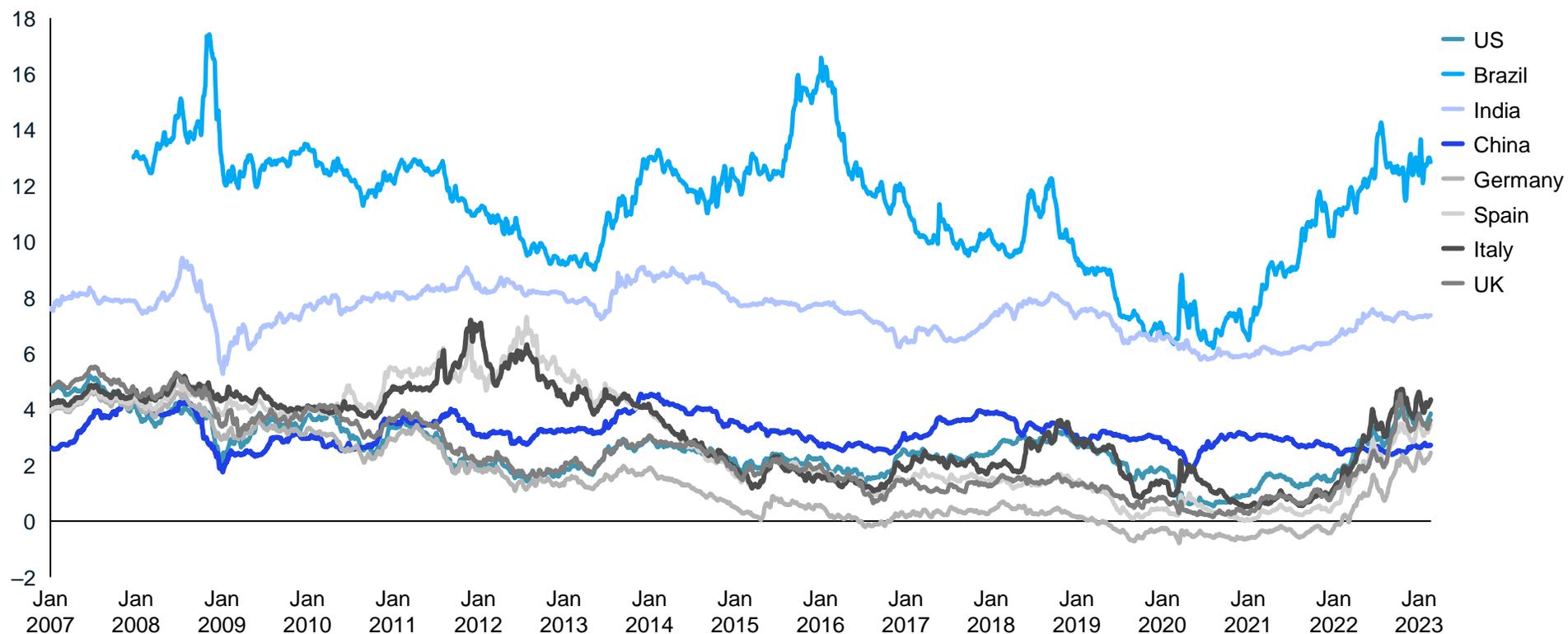
<sup>2</sup>Based on SPDR Gold Shares (GLD) options.

<sup>3</sup>Updated through January 23, 2023.

# Yields on long-term government bonds eased in February

## 10-year government bonds<sup>1</sup>

5-day moving average,<sup>2</sup> % (daily)



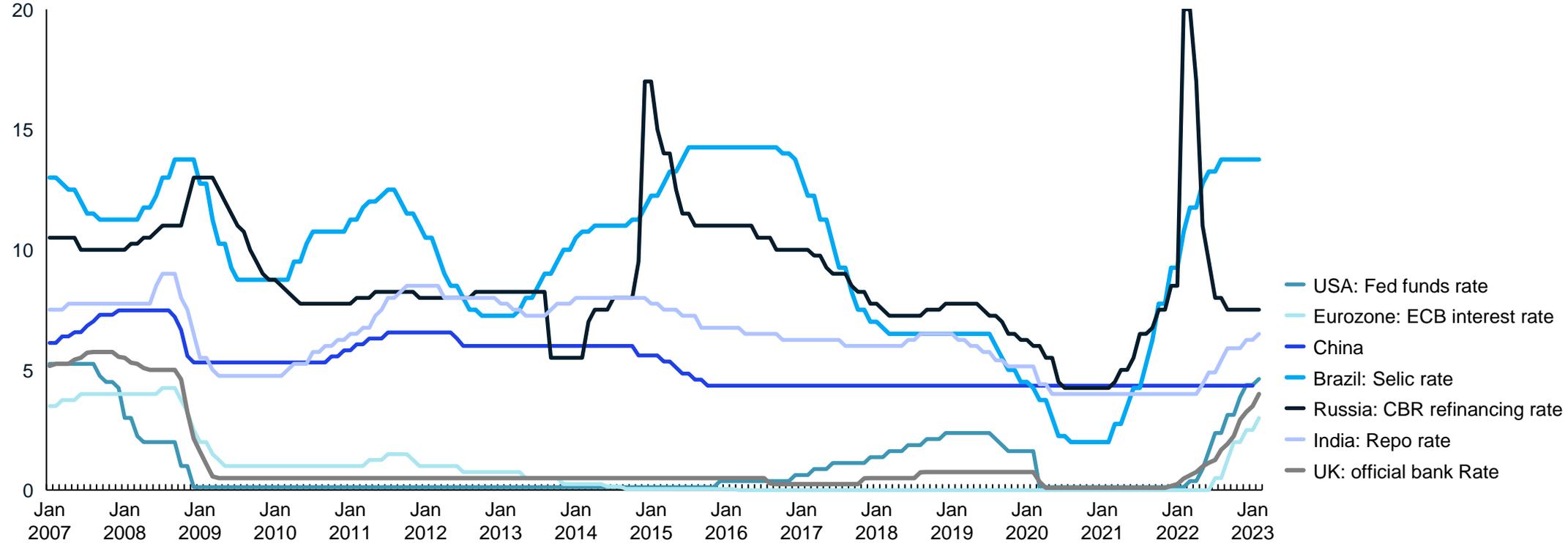
<sup>1</sup>15-year government bond yields used for China.

<sup>2</sup>Updated through February 21, 2023.

# The US Federal Reserve, the European Central Bank, the Bank of England, and the Reserve Bank of India all raised interest rates again in February

## 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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