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# Global Economics Intelligence

Critical Trends and Risks January 2023

(data from December 2022 and January 2023)

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# Growth in most surveyed economies exceeds pessimistic expectations; inflation moderates but is still high and central banks stay tightening course.

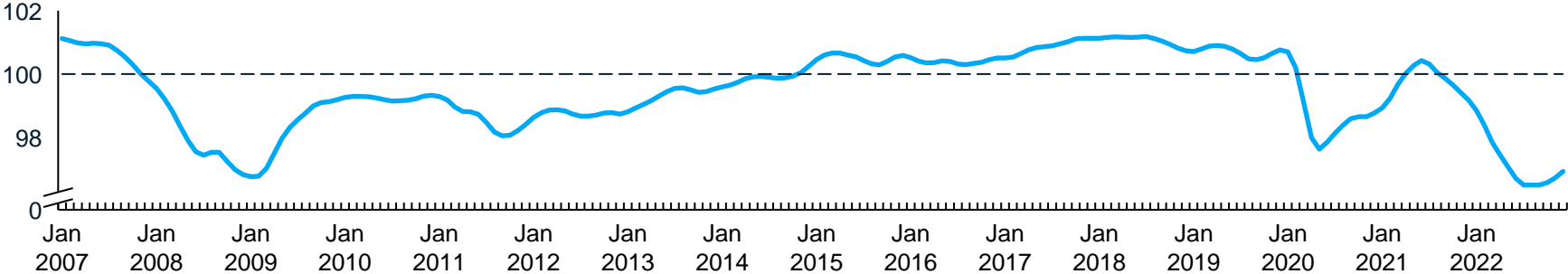
Versus previous period: ■ Significant improvement ■ Some improvement ■ Some deterioration ■ Significant deterioration ■ No significant change

■ <b>Consumer and households</b>	<ul style="list-style-type: none"><li>• Consumer confidence improved globally and in most surveyed economies, though the prevailing mood falls well short of optimism.</li><li>• Consumer caution and high prices have constrained retail sales, which slowed or contracted at the end of 2022.</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 finished the year in contraction territory, amid weaker demand and high input costs.</li><li>• The manufacturing sector in most surveyed economies showed contraction in December; exceptions were India and Russia; the services sector is also contracting generally, with the notable exception of India, where the sector is experiencing robust expansion.</li><li>• The OECD composite leading indicators continue to point to slower growth.</li></ul>
■ <b>Trade and external</b>	<ul style="list-style-type: none"><li>• The most recent trade data, the Container Throughput Index for December, shows a year-end trade revival: the index reached 124.3 (121.9 in November) and both Chinese and European components improved.</li><li>• Earlier data from November and October showed declining imports and exports.</li></ul>
■ <b>Prices</b>	<ul style="list-style-type: none"><li>• Consumer and producer-price inflation slowed in December in developed economies; high core inflation levels are still a concern.</li><li>• In emerging economies, producer-price inflation has slowed rapidly; consumer price inflation is also declining. Inflation expectations implied in the yield spreads of US Treasuries remain in the range of 2.3% to 2.5%.</li><li>• Energy prices generally declined in November and December, due to lower demand and a warmer winter in the northern hemisphere.</li><li>• Food-price inflation has moderated but is still elevated.</li></ul>
■ <b>Employment</b>	<ul style="list-style-type: none"><li>• Unemployment rates in most surveyed economies remain stable within an historically low band.</li></ul>
■ <b>Financial markets</b>	<ul style="list-style-type: none"><li>• Many equity indexes rebounded in December and January after experiencing losses previously; in the US, the S&amp;P and Dow Jones indexes regained some of the extensive ground lost in 2022. The volatility index for equity markets remains at elevated levels but moderated lately.</li><li>• In December and January, the US dollar depreciated against many currencies; the pound reached \$1.23 and the euro \$1.09.</li><li>• Yields on long-term government bonds eased in December and January.</li></ul>
■ <b>Government and policy</b>	<ul style="list-style-type: none"><li>• At their final policy meetings of 2022, the US Federal Reserve, the European Central Bank, and the Bank of England hiked their policy interest rates by 50 basis points to levels of 4.25% to 4.50% (Fed); 2% to 2.75% (ECB), 3.5% (BoE). Expectations are for further hikes in 2023.</li><li>• China accelerates the shift away from its “zero-covid policy” while stepping up vaccination programs; its Center for Disease Control notes risk of rising infections.</li><li>• Forecasting institutions have retained relatively positive growth estimates for 2022, mainly based on better performance in the first half of the year; estimates for 2023 have also been made less dire.</li></ul>

# Consumer confidence improved globally and in most surveyed economies, though prevailing moods fall well short of optimism

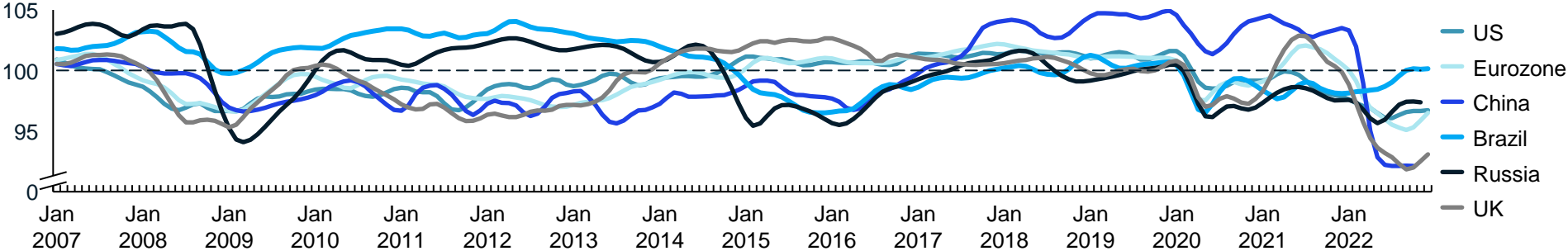
## OECD global consumer confidence indicator

Index, long-term average = 100



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

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

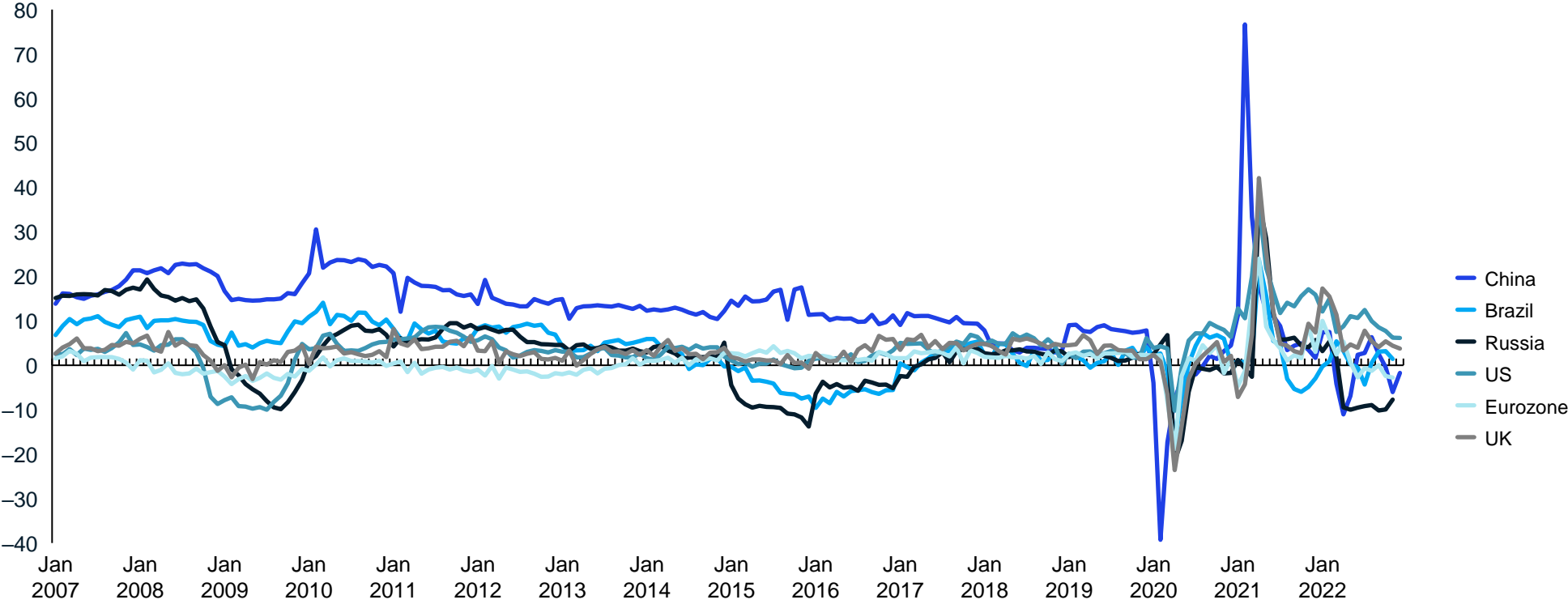


<sup>1</sup>Data for China till October 2022 and Russia through November 2022.

# Consumer caution and high prices have constrained retail sales, which slowed or contracted at the end of 2022

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

Year over year (monthly)

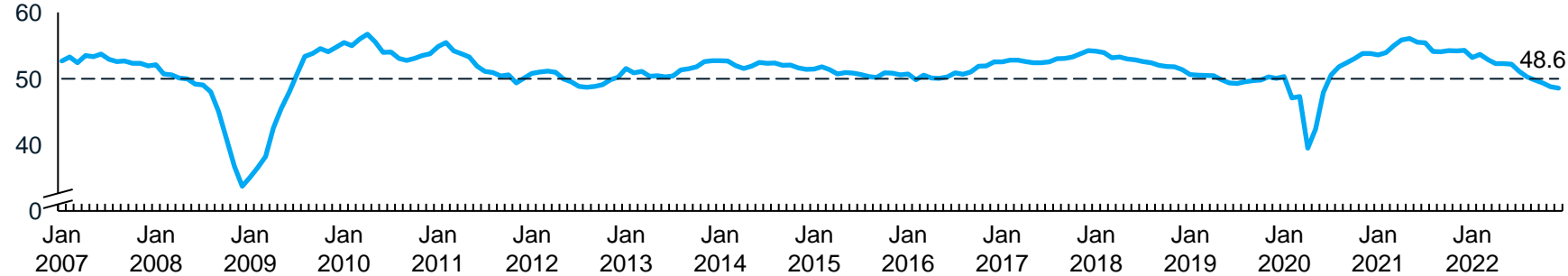


<sup>1</sup>Data for Brazil, eurozone, and Russia through December 2022.

# The global purchasing managers' indexes (PMIs) for both manufacturing and services finished the year in contraction territory, amid weaker demand and high input costs

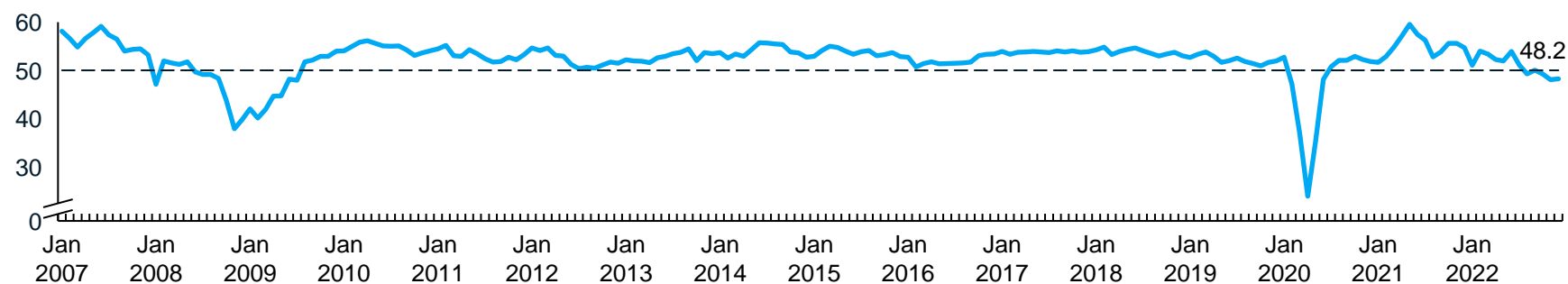
## JPMorgan Global Purchasing Managers' Index (Manufacturing)

Diffusion index, seasonally adjusted (monthly)



## JPMorgan Global Purchasing Managers' Index (Services)

Diffusion index, seasonally adjusted (monthly)

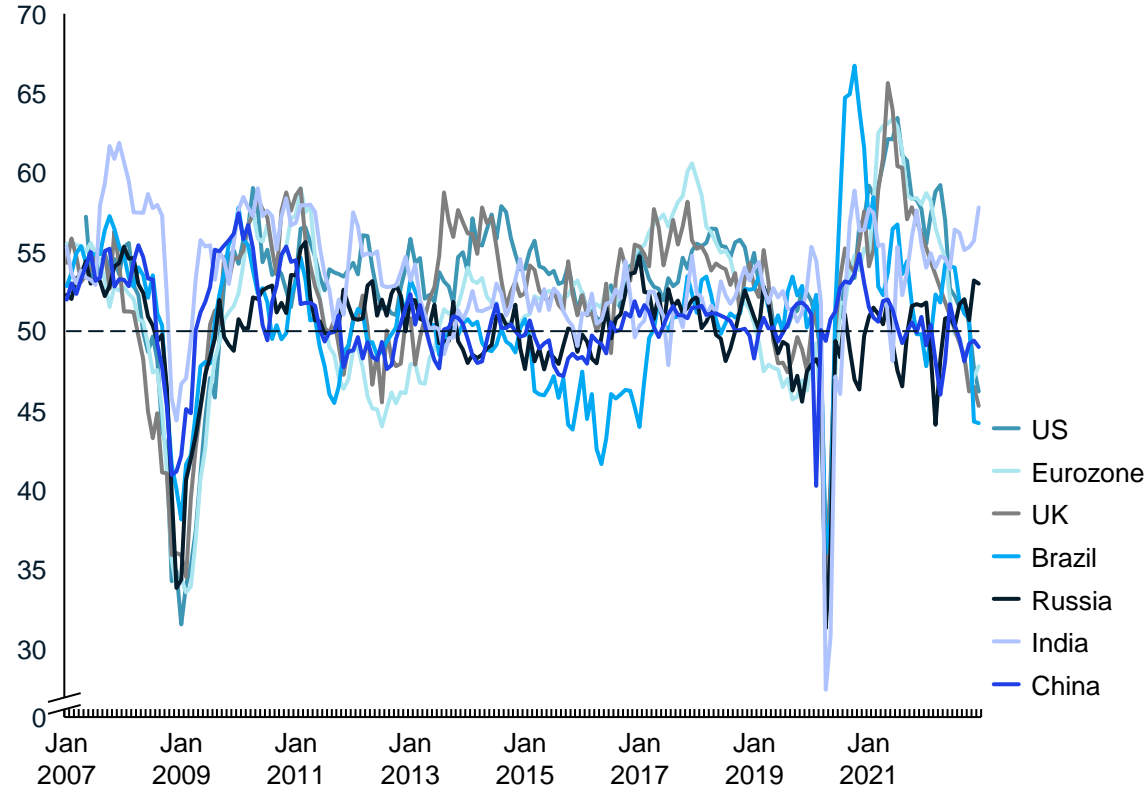


Note: A reading above 50.0 indicates an increase from the previous month, and a reading below 50.0 indicates a decrease. Country-level data are the PMIs for individual countries as sourced from Markit Economics or the Institute for Supply Management (ISM) and are not a breakdown of the JPMorgan Global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

# The manufacturing sector in most surveyed economies showed contraction in December; exceptions were India and Russia

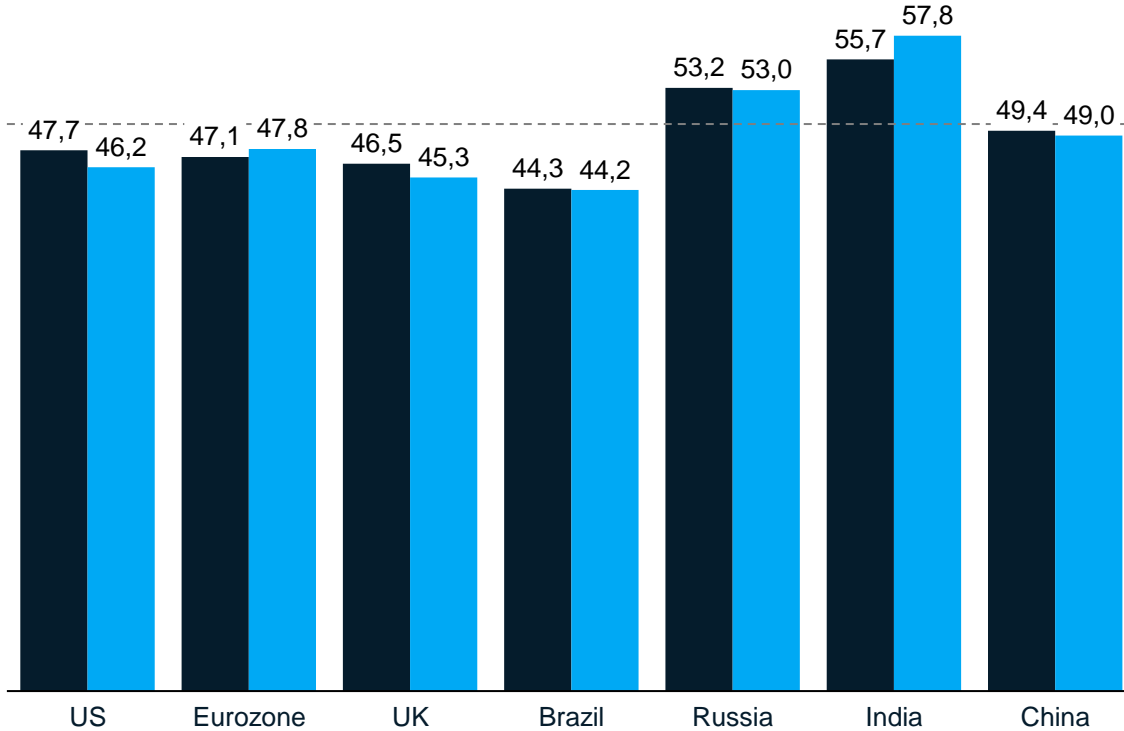
## Purchasing managers' index (manufacturing)

Diffusion index (monthly)



## Over the past 2 months

■ November  
■ December

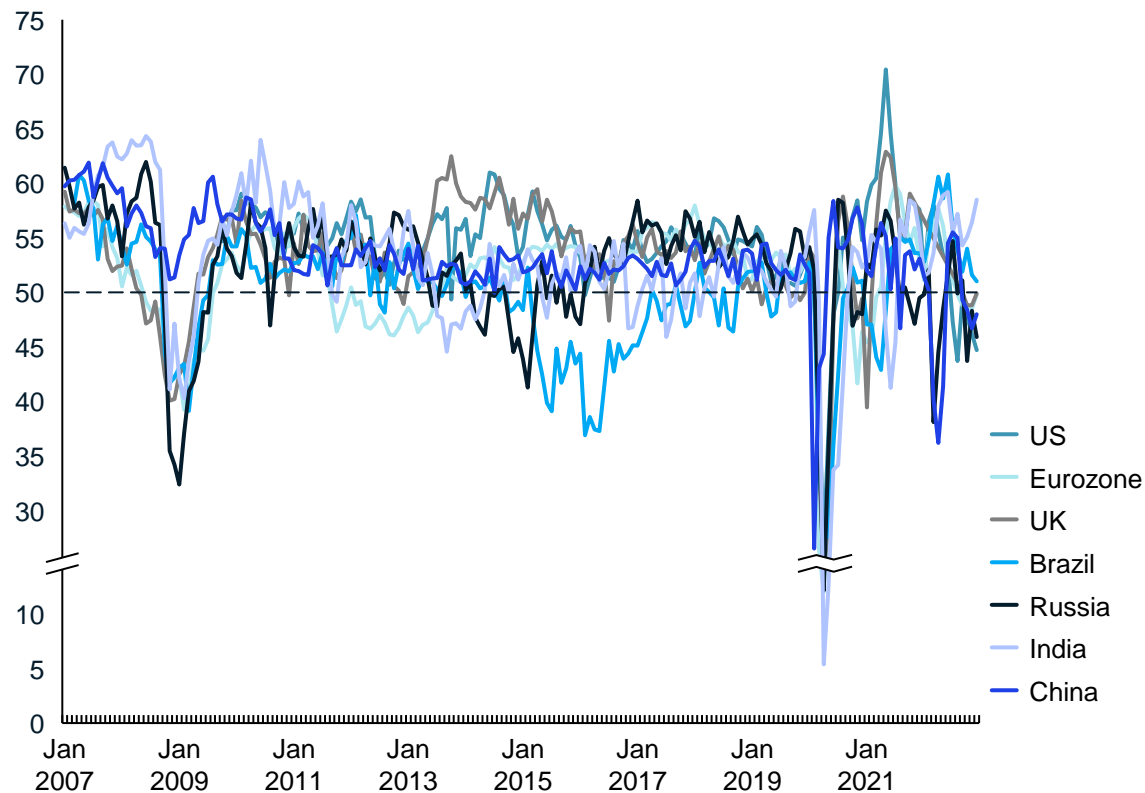


Note: A reading above 50.0 indicates an increase from the previous month, and a reading below 50.0 indicates a decrease. The country-level data are the PMIs for individual countries as sourced from Markit Economics and are not a breakdown of the JPMorgan Global PMI.

# The services sector is also widely contracting, with the notable exception of India, where the sector is experiencing robust expansion

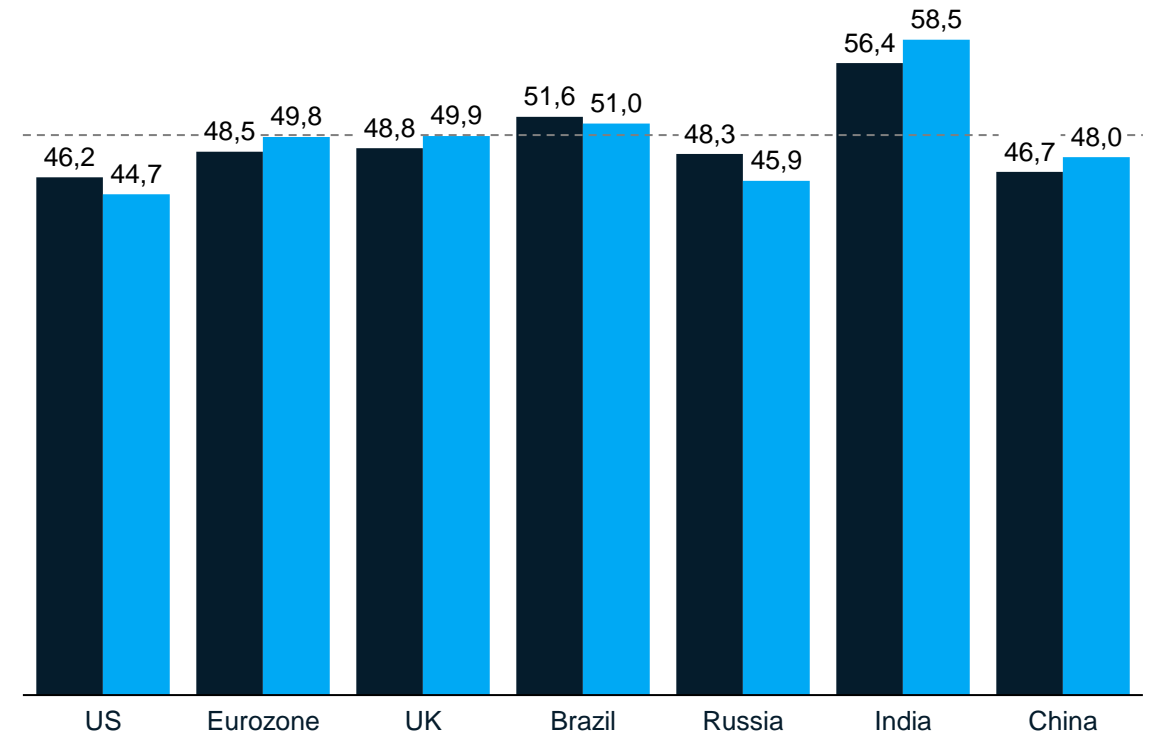
## Purchasing managers' index (services)

Diffusion index (monthly)



## Over the past 2 months

■ November  
■ December



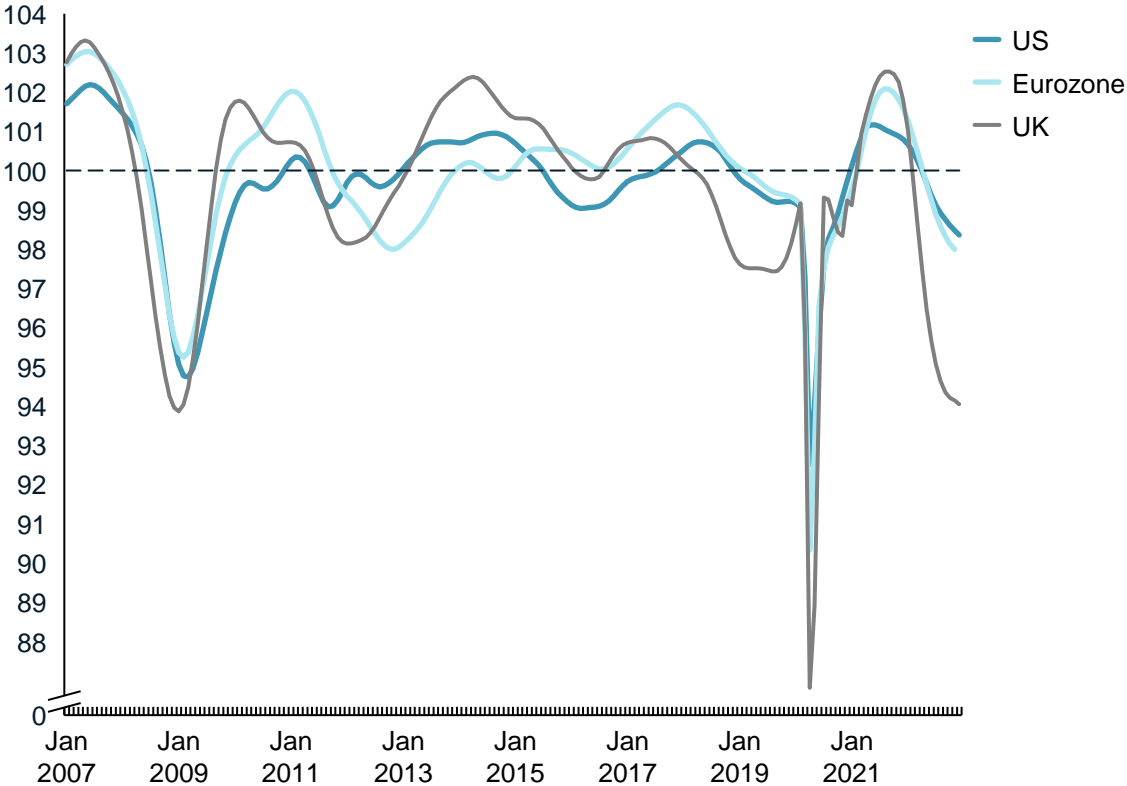
Note: A reading above 50.0 indicates an increase from the previous month, and a reading below 50.0 indicates a decrease. The country-level data are the PMIs for individual countries as sourced from Markit Economics and are not a breakdown of the JPMorgan Global PMI.



# The OECD composite leading indicators continue to point to slower growth

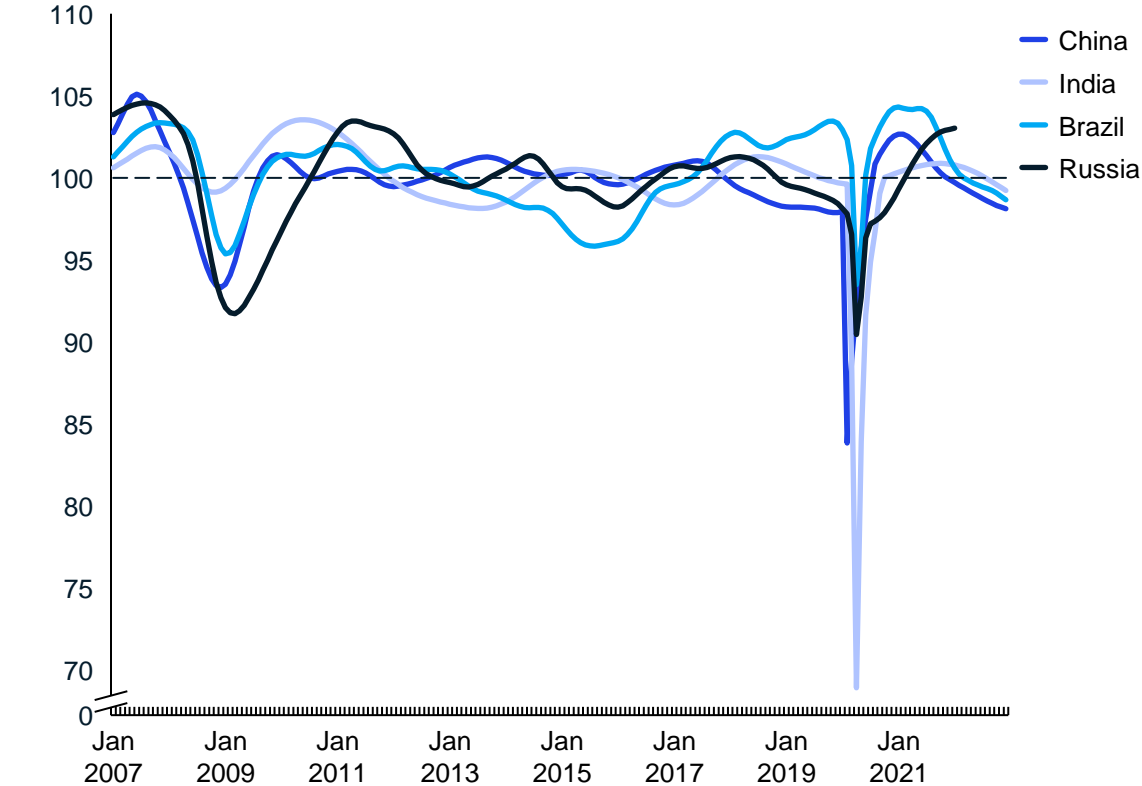
**OECD growth indicators: Advanced economies**

Monthly, index<sup>1</sup>



**OECD growth indicators: Emerging economies**

Monthly, index<sup>1</sup>

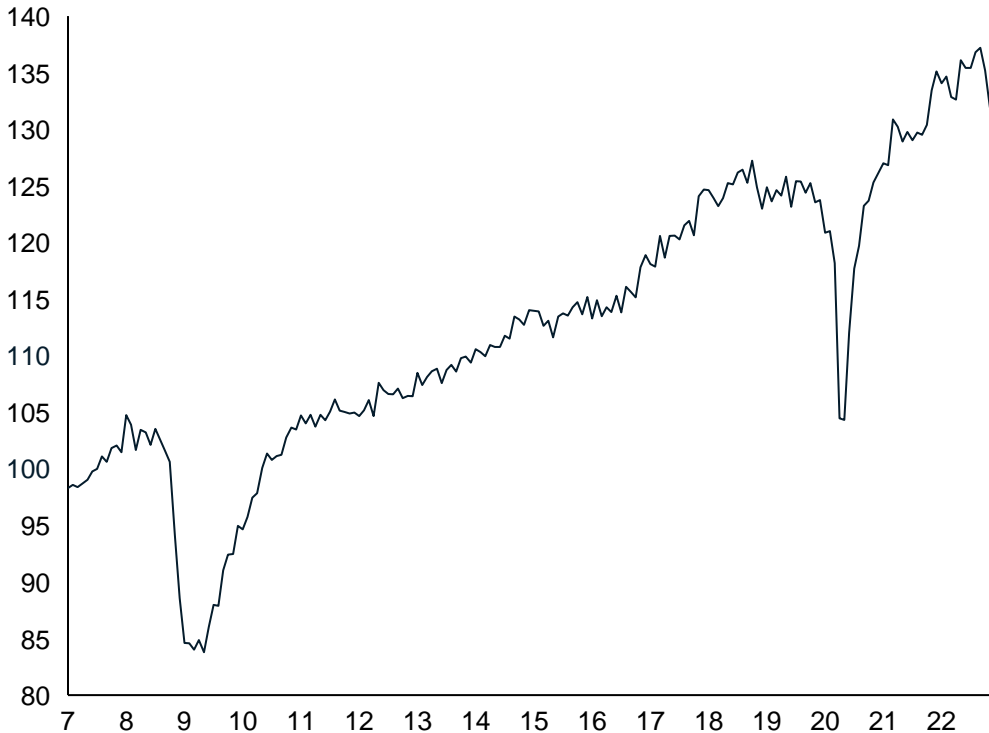


<sup>1</sup>Composite leading indicators (CLIs) attempt to identify turning points in economic activity approximately 6 months in advance. The horizontal line at 100 shows the long-term trend in industrial production (the reference series). An increase above 100 indicates expansion; a decrease but still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

# In November, world trade volumes decreased **-2.5%** from the previous month, when trade volumes also decreased, by **-1.4%**. Trade was slower in all major regions

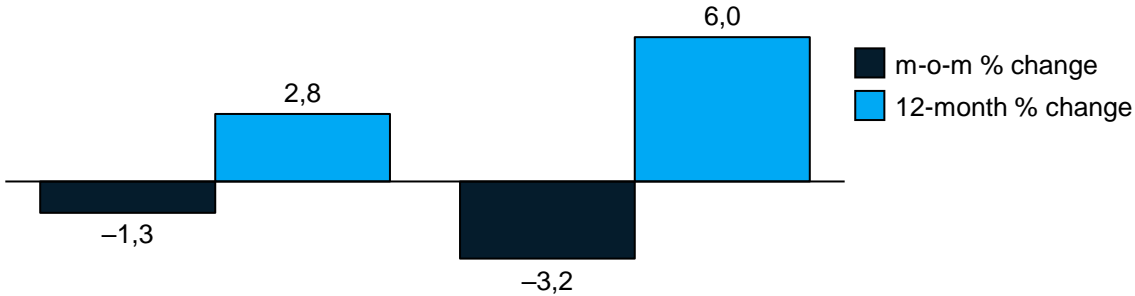
## CPB World Trade Monitor

Volume, Index level, 2010=100

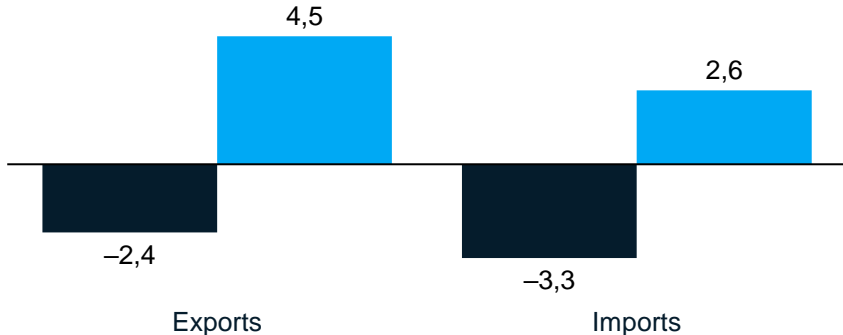


## CPB World Trade Monitor details October 2022

Advanced economies

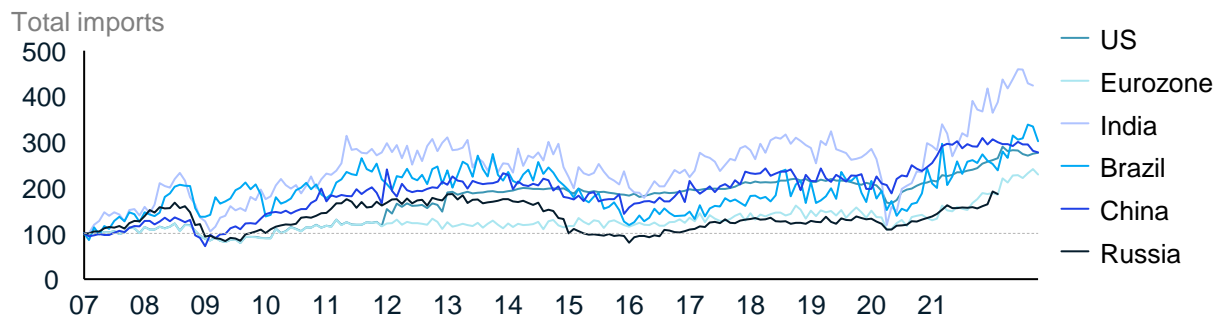
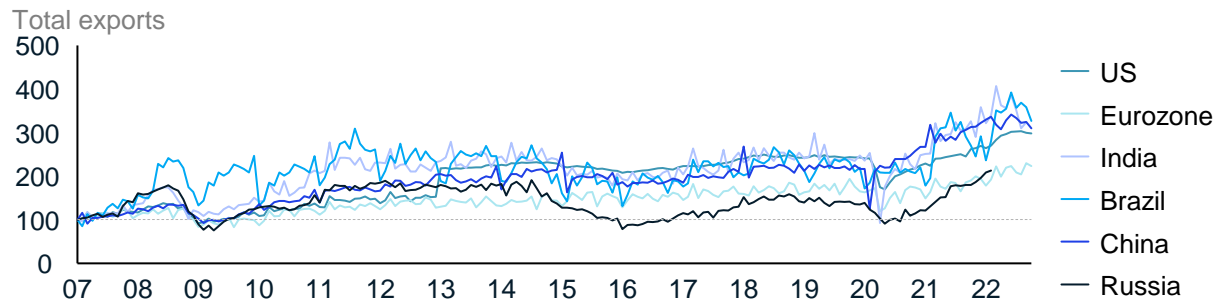


Emerging economies



# National data reveal a retreat in trade in October, when exports and imports declined in all surveyed economies

## Monthly index (January 2007 = 100)



Note: Exports and imports are not seasonally adjusted.

1 Data for October 2022 vs September 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

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

### Exports

US	-0.6	19.9
Eurozone	-2.8	18.3
China	-4.6	12.3
Brazil	-8.8	20.3
India <sup>1</sup>	4.5	24.2
Russia <sup>2</sup>	N/A	61.2

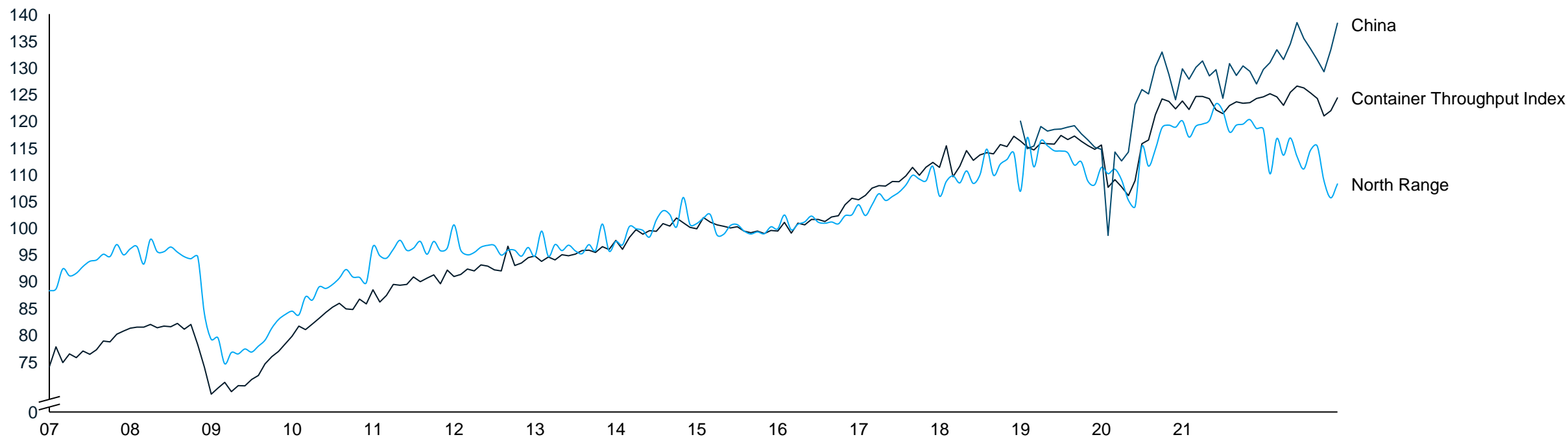
### Imports

US	0.7	20.0
Eurozone	-5.2	42.1
China	-1.4	5.7
Brazil	-9.7	22.7
India	-1.2	38.8
Russia	-2.9	31.2

# The most recent trade data, the Container Throughput Index for December, shows a year-end trade revival: the index reached 124.3 (121.9 in November) and both Chinese and European components improved

## RWI/ISL Container Throughput Index

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

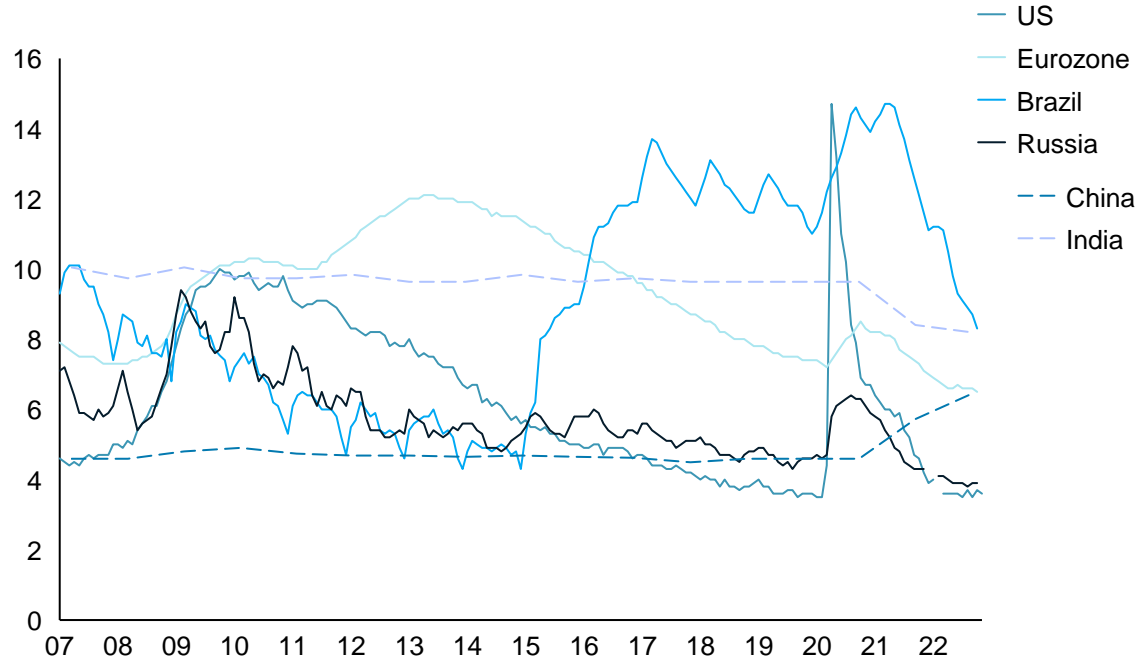


1. The current flash estimate for the Container Throughput Index is based on data from 64 ports, which account for about 85 percent of the handling represented in the index.
  2. On January 2020, the RWI/ISL Container Throughput Index changed its base year to 2015.
  3. The North range index summarizes 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.

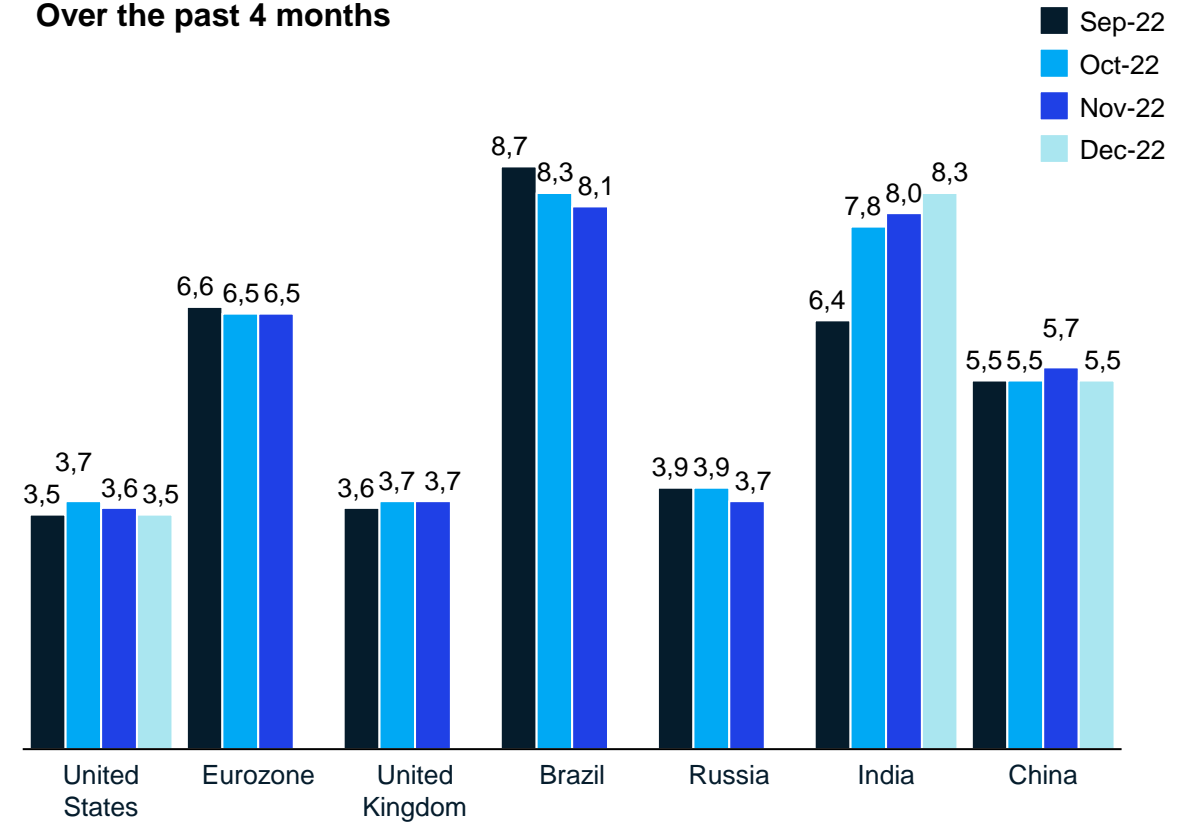
# Unemployment rates in most surveyed economies remain stable within an historically low band

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

% of labor force (monthly)



## Over the past 4 months

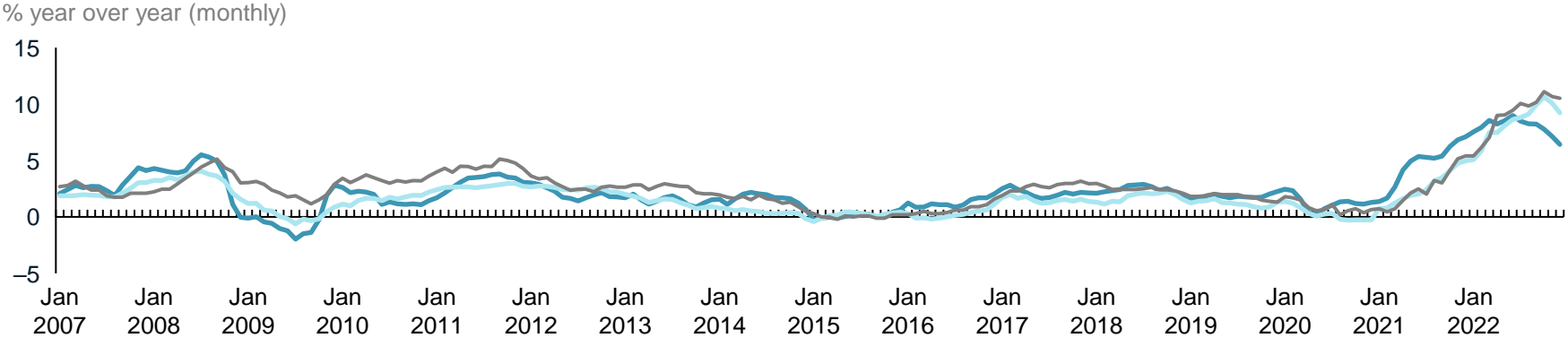


<sup>1</sup> Data for India and China are annual and shown as a smoothed trend line.

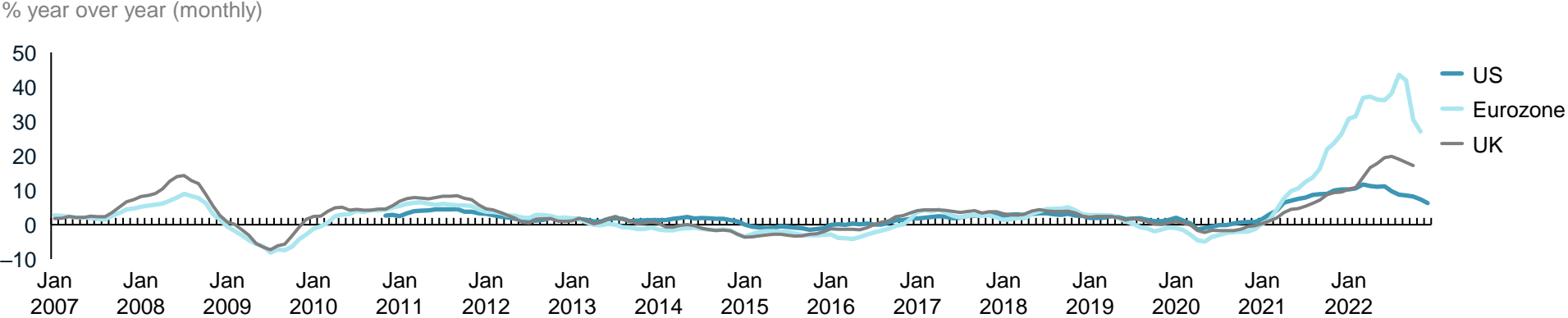
<sup>2</sup> China unemployment only shows urban rate.

# Consumer- and producer-price inflation slowed in December in developed economies; high core inflation levels are still a concern

## Consumer price indexes: Developed economies



## Producer price indexes: Developed economies

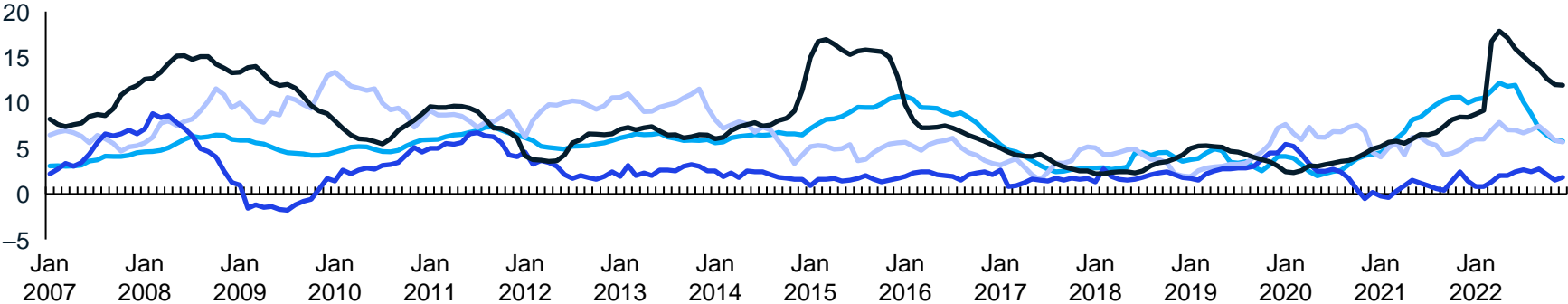


Source: Eurostat; national statistics websites; McKinsey's Global Economics Intelligence analysis

# In emerging economies, producer-price inflation has slowed rapidly; consumer-price inflation is also declining

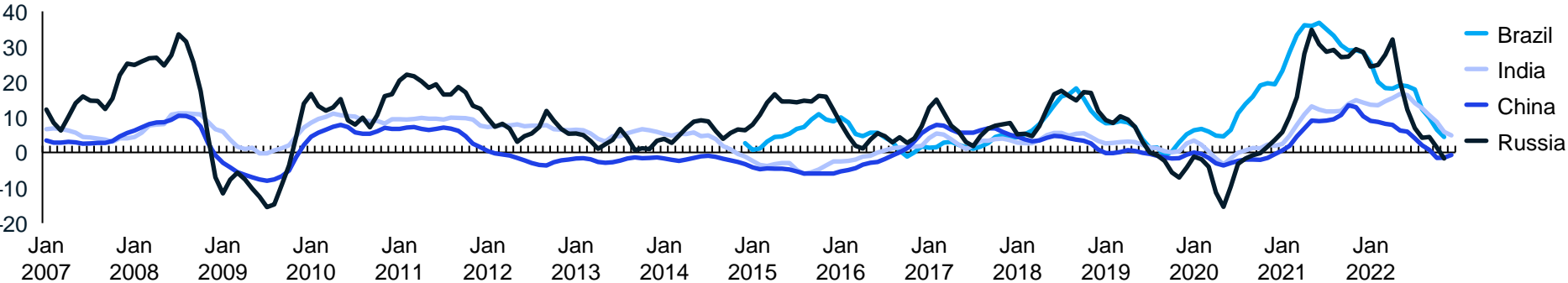
## Consumer price indexes: Emerging economies

% year over year (monthly)



## Producer price indexes: Emerging economies

% year over year (monthly)

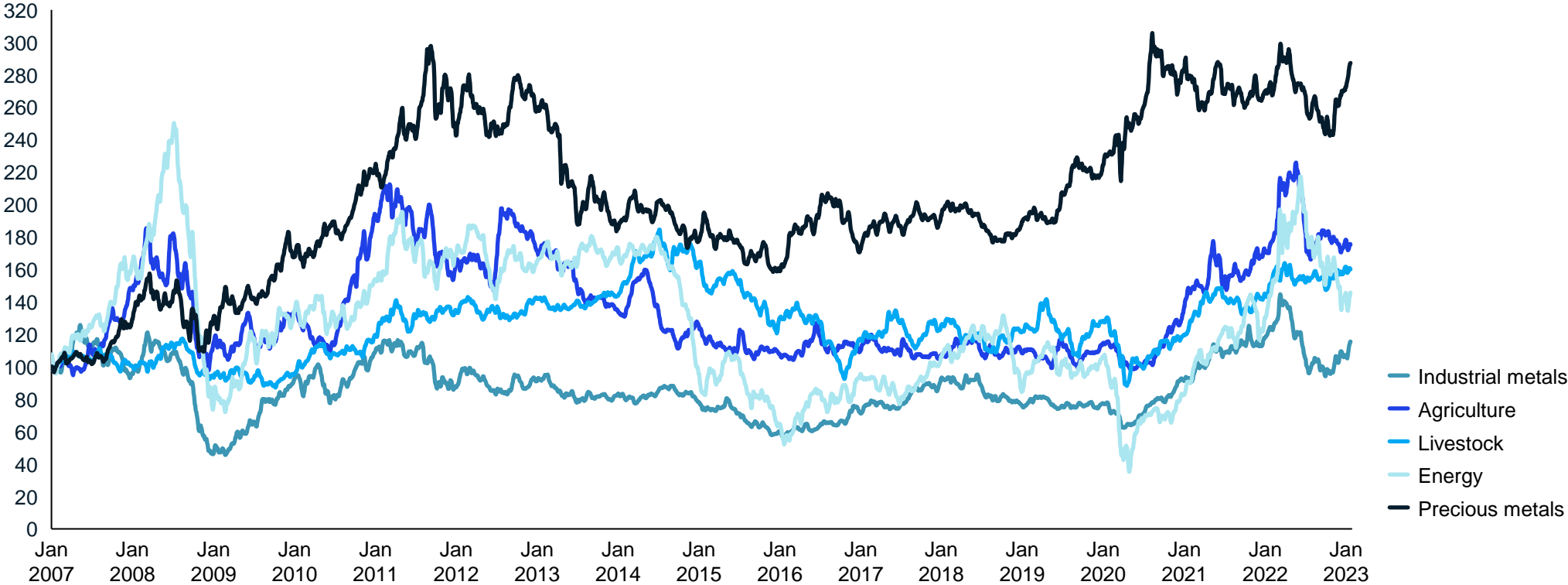


Source: National statistics websites; McKinsey's Global Economics Intelligence analysis

# Prices for industrial and precious metals lately increased, while the prices for other commodities oscillated

## 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 price of gold has climbed in the new year, reaching \$1,940 per ounce at the end of January

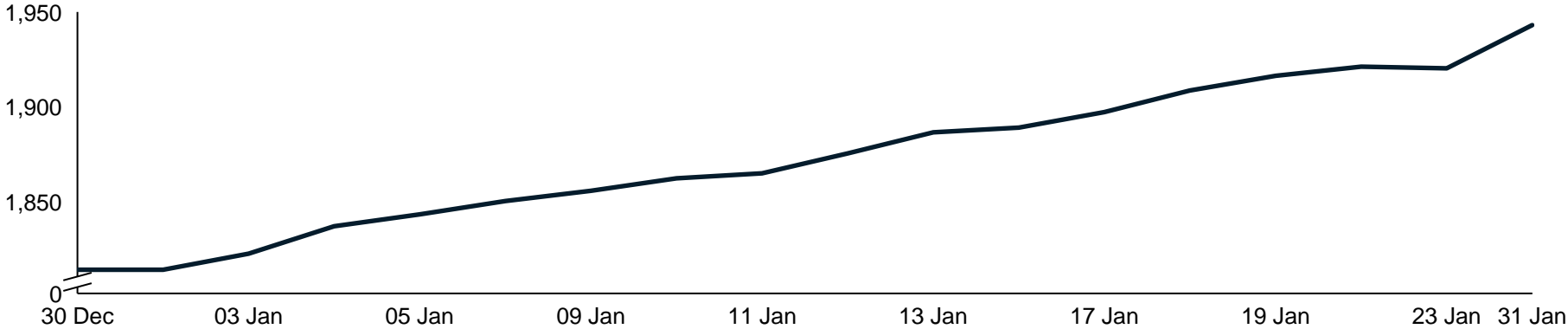
## Gold spot price<sup>1</sup>

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



## Gold spot price over past 3 weeks

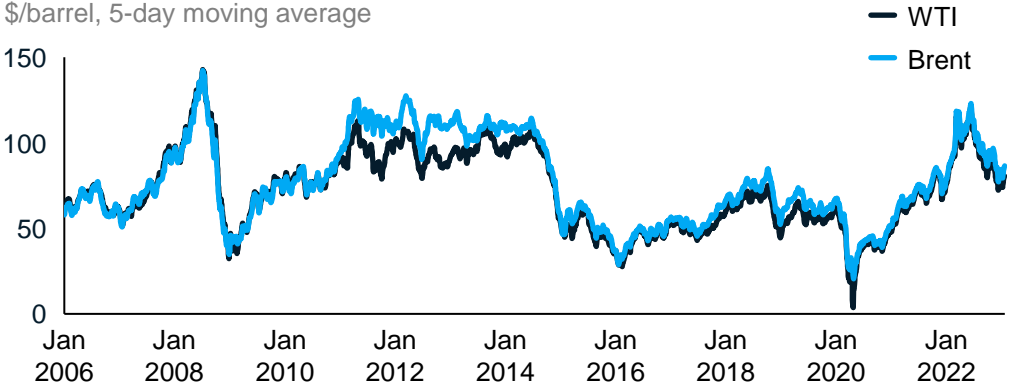
5-day moving average, USD/troy ounce (daily)



<sup>1</sup>Updated through January 23, 2023.

# Energy prices generally declined in November and December, due to lower demand and a warmer winter in the northern hemisphere

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



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



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



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



<sup>1</sup>Crude Brent, Henry Hub (Nymex). WTI (West Texas Intermediate) prices as of January 23, 2023.

<sup>2</sup>Henry Hub, LA; prices as of January 23, 2023.

<sup>3</sup>New York Harbor No. 2. heating-oil prices as of January 23, 2023.

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

# Metal prices increased in January, led by the gains in copper prices

## Copper<sup>1</sup>

\$/pound, 5-day moving average



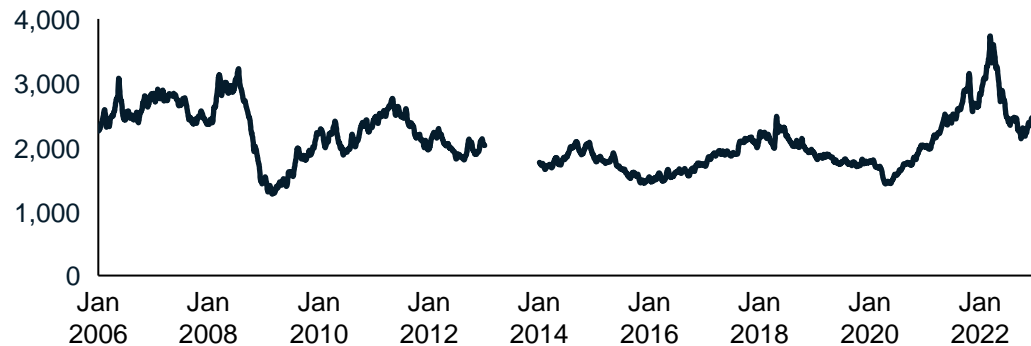
## Steel<sup>2</sup>

\$/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 January 23, 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 from July 2022.

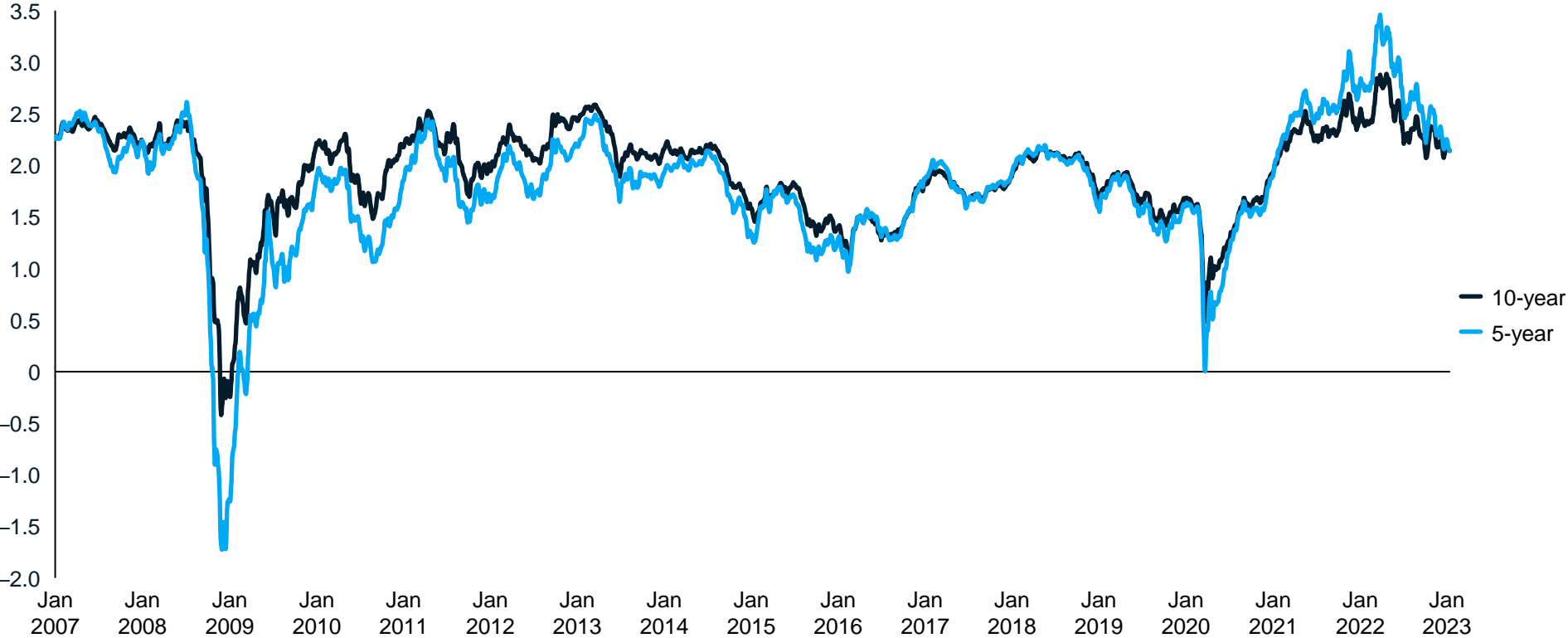
<sup>3</sup>Aluminum, LME spot (\$/metric ton), updated through January 24, 2023. <sup>4</sup>UK: LME nickel, closing cash price (\$/metric ton), updated through January 23, 2023.

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

# Inflation expectations implied in the yields of US Treasury products have declined to 2% for the medium and long-term, compared with 3.5% in early 2022

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

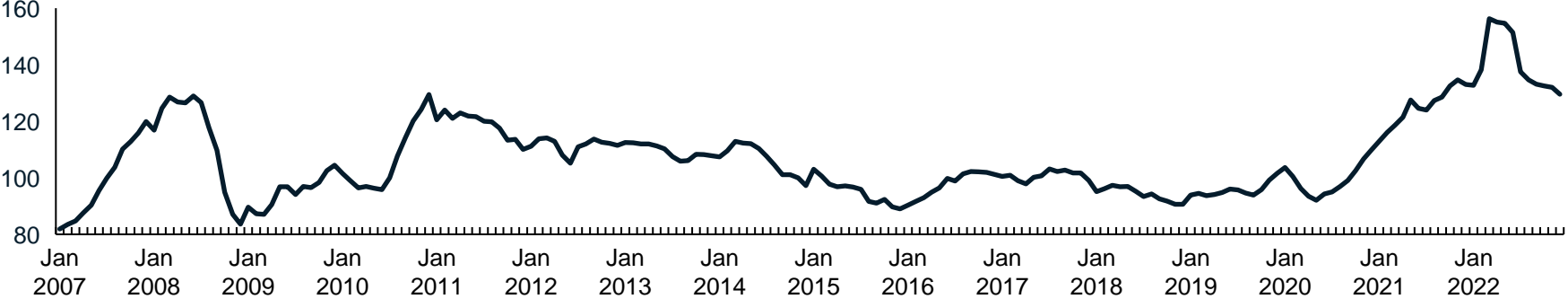


<sup>1</sup>Updated through January 13, 2023.

# Food-price inflation has slowed but remains at elevated levels

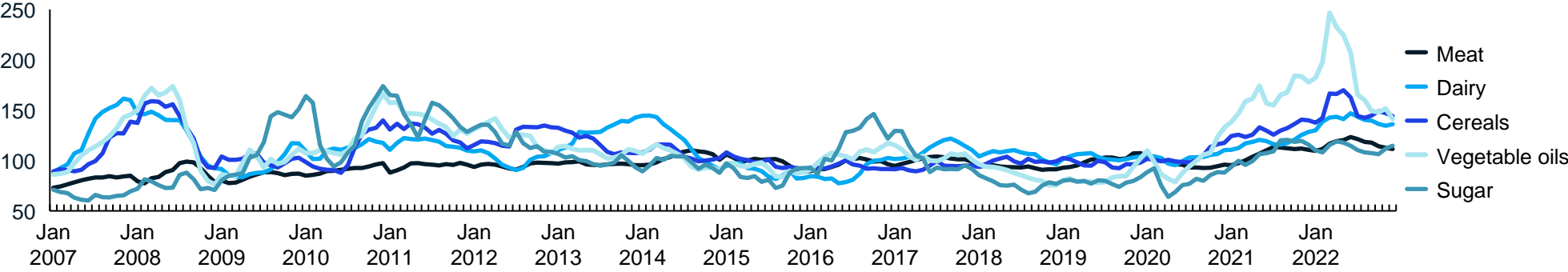
## FAO Food Price Index by month, in real terms

Overall index, 2014–16 = 100



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

Index level, 2014–16 = 100

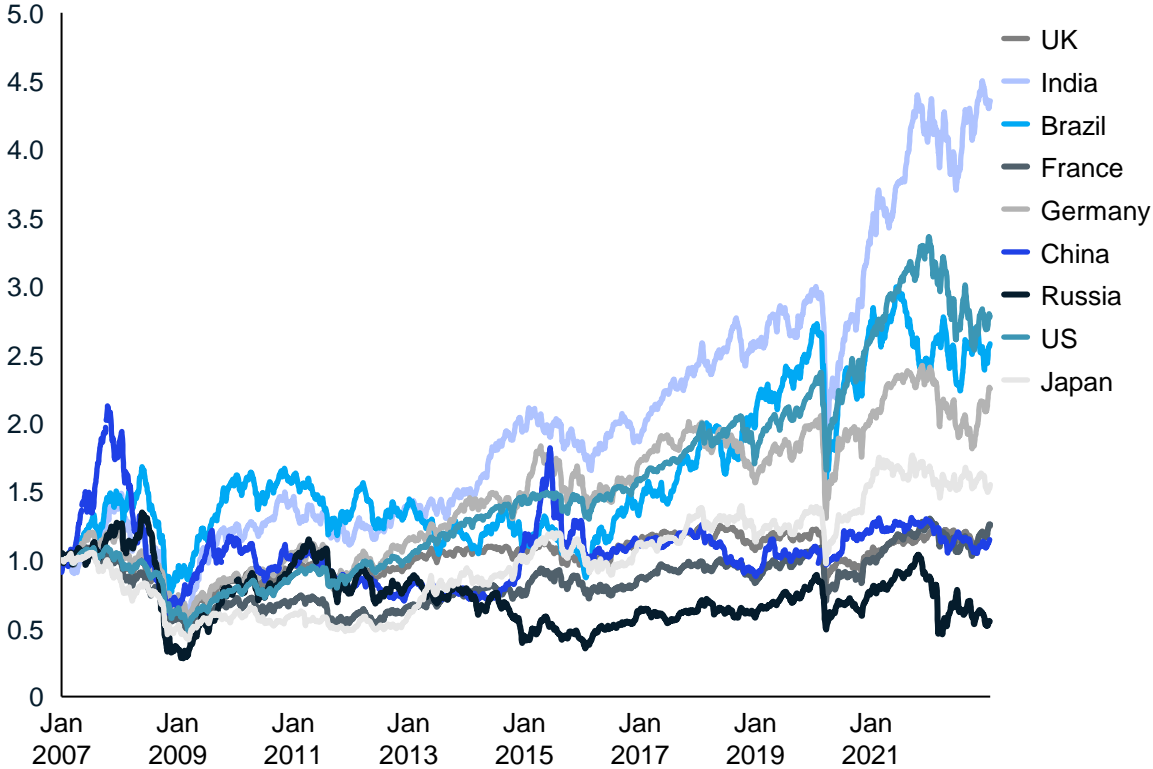


<sup>1</sup>The values of the 5 indexes are compiled and then weighted by the average export shares of each group in 2002–04. The final figure represents the current value of the FAO Food Price Index.

# Equity markets in the US, Europe, and China have been on an upward trajectory 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 December over average value in November.

<sup>3</sup>Growth rate calculated as average value of each index in January (January 24) over average value in December.

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

## Change from prior month %

US	S&P 500	-0.1	0.3
UK	FTSE 100	1.4	3.6
Germany	DAX	0.8	4.6
France	CAC 40	0.7	4.8
Japan	Nikkei 225	-2.5	-3.3
China	SSE Composite Index	1.8	1.6
India	BSE Sensex-30	0.3	-2.0
Brazil	Bovespa	-4.0	2.1
Russia	RTS	N/A	N/A

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

# The US dollar depreciated against many major currencies in January 2023

## Relative change in currency value against previous month

USD as base

	% change <sup>1</sup>	Currency price	
JPY	3.50%	130.3	(JPY per USD)
AUD	2.85%	0.69	(USD per AUD)
RMB	2.69%	6.80	(RMB per USD)
EUR	1.67%	1.08	(USD per EUR)
BRL	0.94%	5.20	(BRL per USD )
INR	0.66%	81.92	(INR per USD)
GBP	0.31%	1.22	(USD per GBP)
<b>USD</b>		<b>Base currency</b>	
NEER	-2.12%	5.17	(index)
RUB	-4.81%	6.98	(RUB per USD)

## Relative change in currency value against 2007 values

USD as base

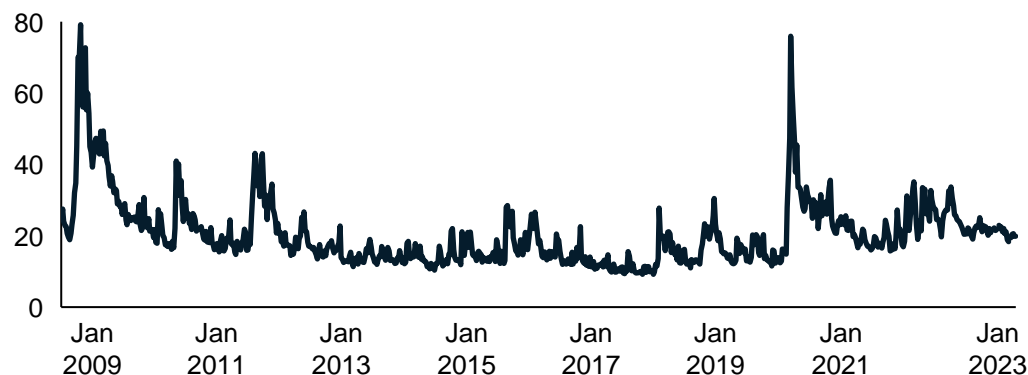
Currency ranking		% change
<b>Outperforming</b>	USD NEER	27.47%
	RMB	11.82%
	<b>USD</b>	<b>Base currency</b>
	JPY	-9.69%
	AUD	-17.20%
	EUR	-21.47%
<b>Underperforming</b>	GBP	-38.94%
	INR	-49.80%
	RUB	-62.71%
	BRL	-63.90%

Note: Data updated to January 30, 2023, except USD NEER data, which are for December 2022.

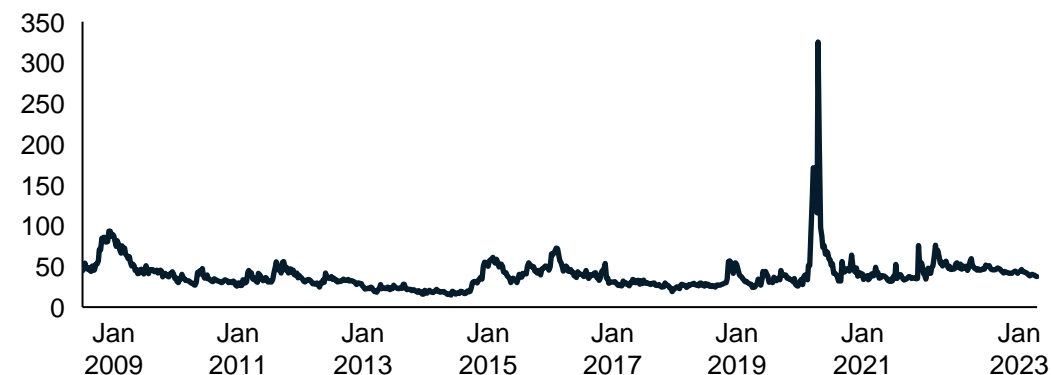
<sup>1</sup>Positive change indicates appreciation, and negative change depreciation of the currency against the US dollar.

# The volatility index for equity markets remains at elevated levels

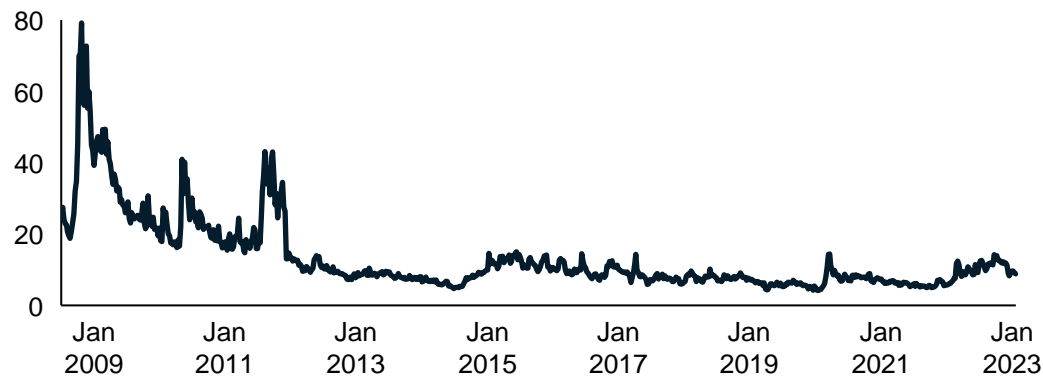
**CBOE S&P 500 Index Option Volatility Index (VIX)<sup>3</sup>**



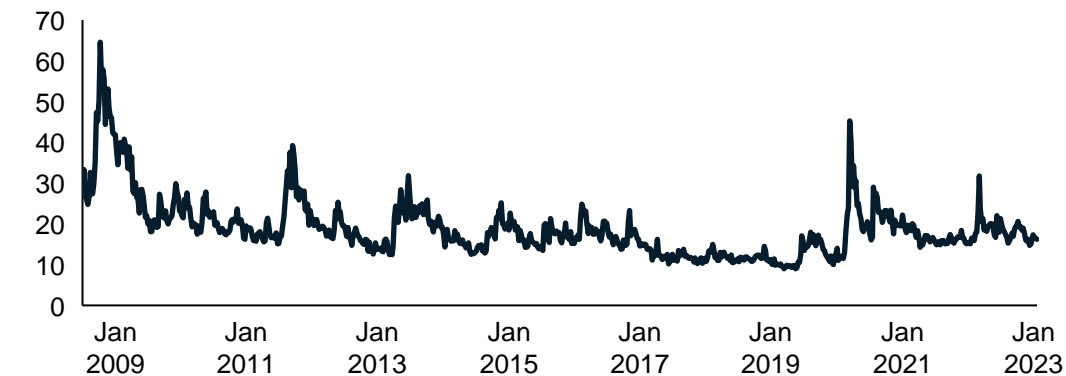
**CBOE Crude Oil Volatility Index (OVX)<sup>1, 3</sup>**



**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.

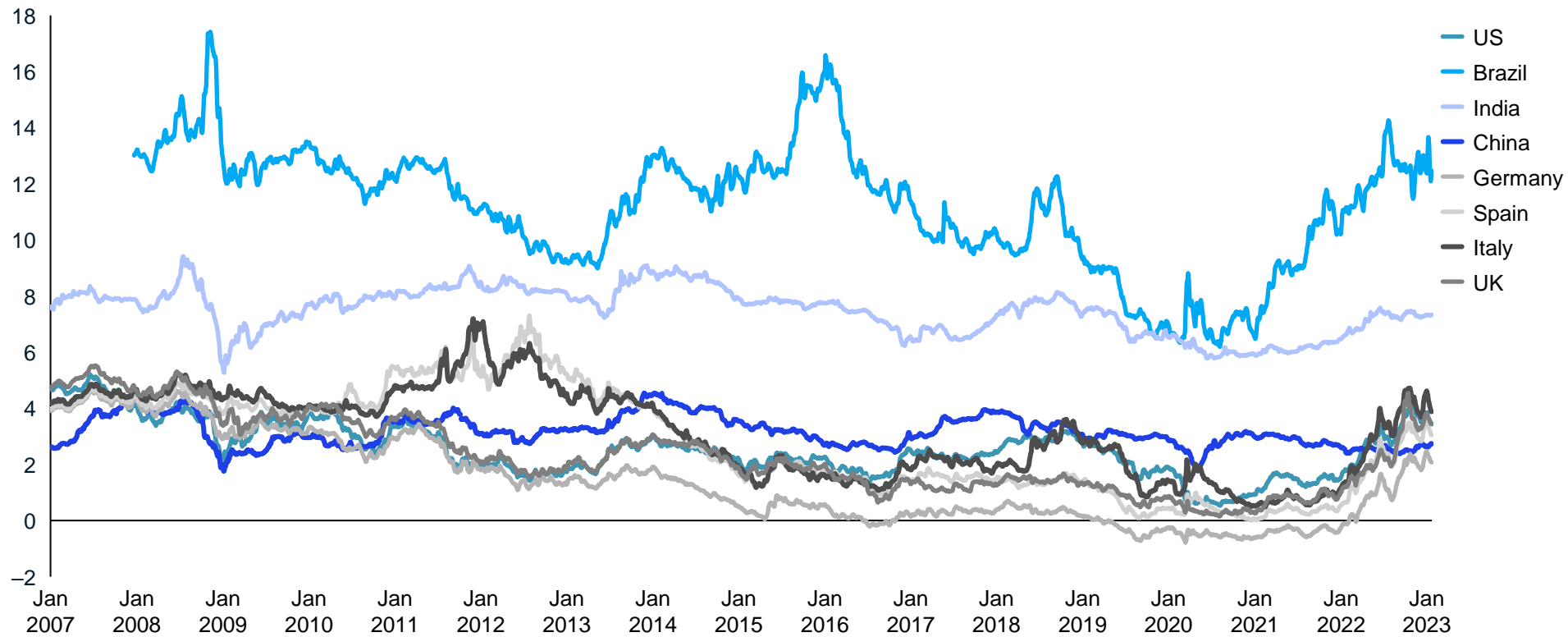
<sup>3</sup>Updated through January 23, 2023.



# In January, the yields on government bonds have declined.

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

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



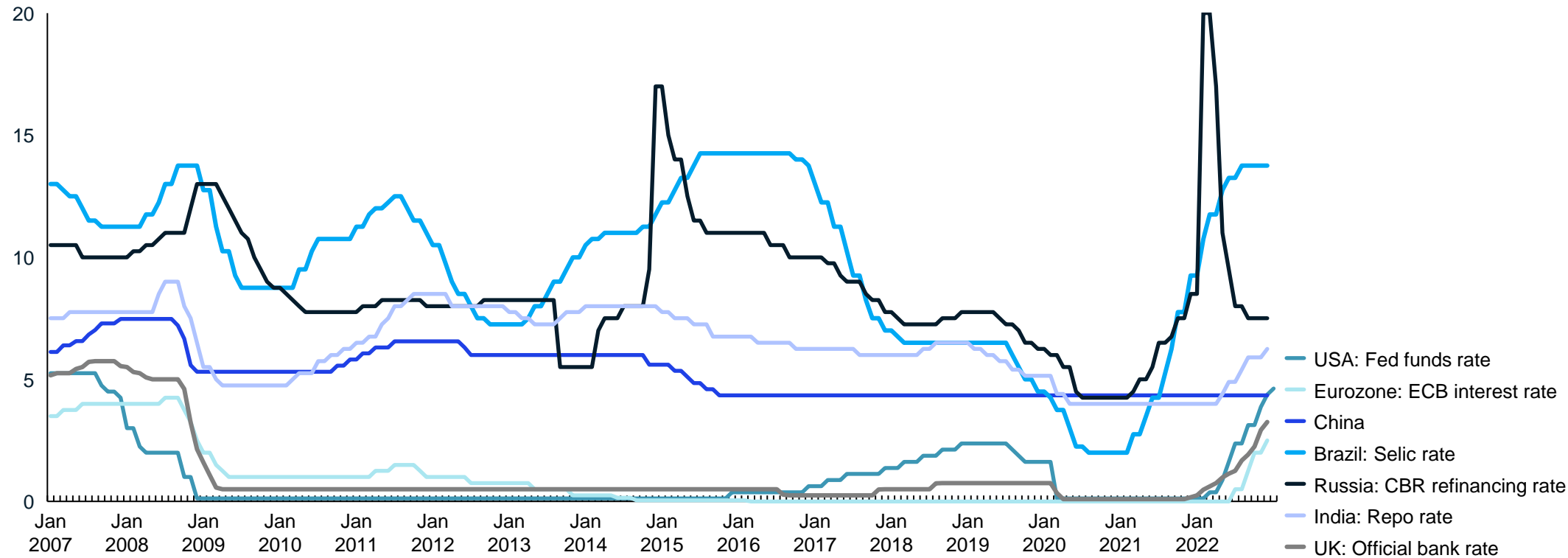
<sup>1</sup>15-year government bond yields used for China.

<sup>2</sup>Updated through January 23, 2023.

# While energy prices have come down, core inflation readings remain high and central banks are sustaining a tightening course.

## 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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