

McKinsey
& Company

Global Economics Intelligence

Global Summary Report

Released December 2023 (data through November 2023)

[SUBSCRIBE](#)

CONFIDENTIAL AND PROPRIETARY
Any use of this material without specific permission of McKinsey & Company
is strictly prohibited



Disclaimer

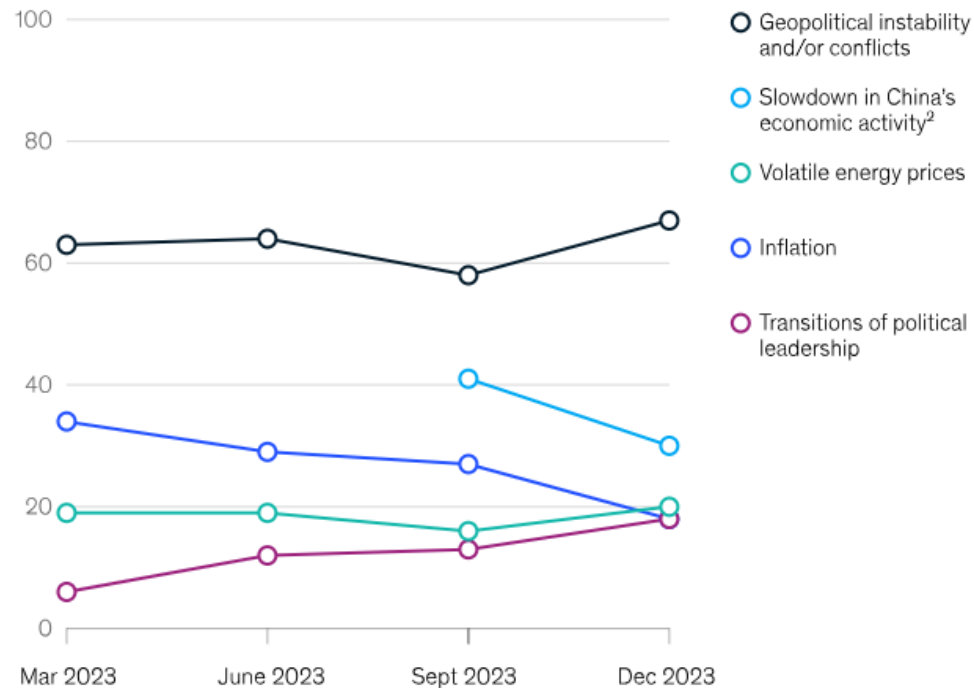
This report is intended for the purpose of illustrating the broad capability of McKinsey & Company. No part of it may be circulated, quoted, or reproduced for distribution outside the client organization without McKinsey & Company's express prior written consent.

We also recommend that its content not be used for critical decision making without first consulting your McKinsey contact. McKinsey & Company shall not be responsible or liable for any decisions made by you or your company based on the use of this report.

Geopolitical concerns still dwarf other threats to global growth, while inflation falls further and political transitions emerge as top risk

Biggest potential risks to global economic growth , next 12 months

% of respondents



1 Out of 16 potential risks that were presented as answer choices, Mar 27-31, 2023, N=871; June 5-9 2023, N=1,044, Aug 31- Sept 8 2023, N=997; Nov 27 – Dec 1 2023, N=942

2 “Slowdown in China economic activity” was not included in the list of potential risks in March and June surveys

Source: McKinsey Global Survey on economic conditions, 2023; McKinsey’s Global Economics Intelligence analysis

As the year ends, inflation has come down, though long-term interest rates remain high, despite expectations; meanwhile, consumers are increasingly concerned—it remains wide open as to where 2024 will land.

The latest [McKinsey Global Survey](#) on economic conditions¹ finds that geopolitical instability is viewed as the top threat to economic growth by respondents. Earlier optimism about the global economy—and their own companies’ workforce growth and profits—has receded somewhat; nevertheless, respondents maintain a largely positive view about their own economies. At the same time, concern over high interest rates has almost halved from earlier in 2023: 18% of respondents now cite inflation as a risk to growth compared with 34% in March. In this latest survey, just 32% of respondents expect a rate hike in the next six months (versus 60% in March), with 40% believing their country’s rates will hold steady.

Meanwhile, despite OECD composite leading indicators having pointed toward a rebound across developed and emerging economies since 2022, November saw overall consumer confidence decline again across most surveyed economies. For example, Brazil saw consumer confidence drop slightly to

93.0 in November, from 93.2 in October, down for a second consecutive month. In the US, however, the Consumer Confidence Index (Conference Board) rose to 102.0 in November, up from a downwardly revised 99.1 in October.

Growth in retail sales across most surveyed countries has remained relatively stable; however, Russia and China stand out as rebounding. US retail and food service sales decreased to \$705 billion, a 0.1% decline from October’s revised \$705.7 billion. In China, retail sales accelerated to 10.1% year-on-year growth in November (7.6% in October).

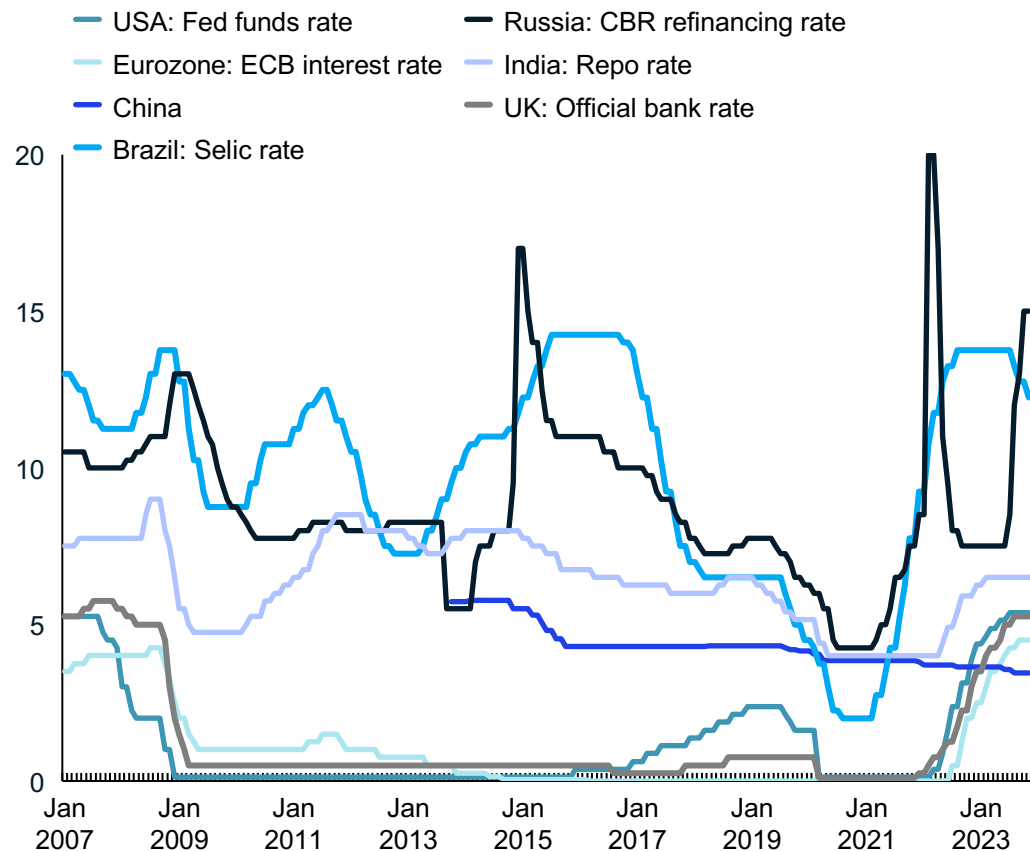
November saw inflation continue to decline in developed economies after a period of high inflation. In the US, the Consumer Price Index (CPI) ticked down to 3.1% (annualized) in November (3.2% in October), while core inflation remained unchanged at 4% (annualized). Eurozone headline inflation eased to 2.4% year over year in November (down from 2.9% in October)—the lowest rate in more than two years. Core inflation

¹The online survey was in the field from November 28 to December 1, 2023, and garnered responses from 942 participants representing the full range of regions, industries, company sizes, functional specialties, and tenures. To adjust for differences in response rates, the data are weighted by the contribution of each respondent’s nation to global GDP.

Central banks are further tightening monetary policy, with Brazil and China the exceptions (1/2)

Central-bank interest rates

% (monthly)



remained elevated at 3.6% in November but is coming down (4.2% in October). In the UK, CPI inflation dropped unexpectedly below 4% to reach 3.9% in November (4.6% in October); core inflation remains high but was down to 5.1% in November (5.7% in October).

The inflation picture across emerging economies is looking increasingly diverse. In China, consumer prices continued to deflate, falling to -0.5% in November (-0.2% in October), weighed down by food prices (-4.2% in November). Producer prices also deflated at a faster rate in November at -3.0% (versus -2.6% in October). In Brazil, inflation fell for a second consecutive month, to 4.68% (4.82% in October)—dropping

into the central bank's target range where the upper limit is defined as 4.75%. In contrast, headline inflation in India climbed to 5.88% in November from 4.9% in October. Meanwhile, Russia has seen inflation accelerate to 7.5% year over year in November, broadly because of an extremely tight labor market that has seen sharp wage rises across many sectors.

Commodity prices continued to fall in December, with the exception of precious metals. Overall, energy prices maintained an upward trend over recent months, whereas prices for industrial metals have seen a

decline, mostly driven by lower demand from China's construction sector. Food prices, meanwhile, are trending down, although levels are similar to 2011's period of high inflation.

Looking ahead, inflation expectations have stabilized at 2.0–2.5% for both the medium and long term.

This month again saw interest rates unchanged across the developed economies. On 15 December 2023, the Bank of Russia increased the key rate by 100 basis points to 16.00%—the rate has now risen by 850 basis points since July. However, Brazil cut its interest rate to 11.75% in December, down from November's 12.25%.

There was a varied growth picture across the developed economies, with the US appearing somewhat buoyant while Europe looks subdued. The Fed projects the US economy to expand by 1.4% for 2024. The eurozone experienced a third-quarter 2023 contraction (of 0.1% quarter over quarter), the main contributor being a change in inventories. The UK economy unexpectedly contracted in October, with all three main sectors reporting declines in output.

The picture was more consistently positive across the developing economies, with India

Central banks are further tightening monetary policy, with Brazil and China the exceptions (2/2)

being the standout: India's real GDP has surprised many by clocking an impressive growth of 7.6% year-on-year in the July-to-September quarter. China's industrial output growth accelerated to 6.6% year on year in November (4.6% in October). In the third quarter, Brazil's GDP rose 0.1% compared to the previous quarter and climbed 2.5% year on year. According to flash estimates, Russia saw annual growth increase to 5.5% in the third quarter from 4.9% in the second quarter.

Overall, across surveyed economies, the manufacturing sector has shown contraction for the 15th month in a row, while services momentum decreases. In the US, the industrial production index decreased slightly in October to 102.7 (September 103.6), while November's purchasing managers' index (PMI) for manufacturing fell slightly to 49.4. In Europe, the picture ameliorated slightly but remains negative. In the eurozone, November's manufacturing PMI was up slightly to 43.8 (43.1 in October), as was the composite PMI which came in at 47.1 (0.6 points above the October

reading). The seasonally adjusted UK Manufacturing Purchasing Managers' Index (PMI) posted 47.2 in November, up from 44.8 in October. Unexpectedly, the UK's latest flash PMI composite index (published December 15) climbed to 51.7, from 50.7 in November—the fastest rise in private sector

business activity since June.

China's official manufacturing PMI edged down to 49.4 in November (49.5 in October), while the Caixin manufacturing PMI headed into expansion territory at 50.7 (from 49.5 in October). India's manufacturing activity saw an uptick in November after an eight-month low, with the manufacturing PMI rising to 56.0 (55.5 in October). Brazil's manufacturing PMI rose to 49.4 in November from 48.6 in October, up for the first time since August, but below the neutral 50 mark for the third consecutive month. Russia's manufacturing sector maintained high growth (up 9.5% year over year), especially those areas associated with the military-industrial sector.

Most countries have shown a flat trend in services in recent months, although India's services PMI remains solidly in expansion territory despite declining to a 12-month low of 56.9, from 58.4 in October. In the US, the November services PMI edged up to 50.8, from 50.6 in October, while the eurozone services PMI rose slightly to 48.2 in November (47.8 in October). The headline seasonally adjusted UK Services PMI registered 50.9 in November, up from 49.5 in October and in expansion territory for the first time in four months. China's official services PMI fell into the contraction zone, posting 49.3 in November (50.1 in October) while the Caixin services PMI rose to 51.5 (50.4 in

October). Brazil's services PMI climbed slightly to 51.2 in November from 51.0 in October.

US unemployment edged down to 3.7% in November, slightly lower than October's 3.9%. In the UK, the quarterly unemployment rate for August to October 2023 was flat at 4.2%. China's surveyed urban unemployment rate was again unchanged at 5.0% in November, while Brazil's three-month moving average unemployment rate declined slightly to 7.6% in October, its lowest since 2015. In Russia, unemployment stood at a record low of 2.9% in September.

Equity markets continued to grow in December with the exception of China and Russia. In the US, returns for the S&P 500 and the Dow Jones were up 8.92% (–2.20% in October) and 8.77% (–1.36% in October), respectively. In India, the Nifty had risen 5.7% and the Sensex 5.5% as of December 12. Brazil's Bovespa equities index added 4.4% in value in November.

US exports were \$258.8 billion in October, \$2.6 billion (–1.0%) lower than in September, while October imports were \$323 billion, \$0.5 billion (0.2%) above the September figure. China's exports rebounded from contraction in November, growing by 0.5% year over year (–6.4% in October), to break a six-month streak of consecutive declines; imports fell by –0.6% in November (3.0% increase in October).

The UN climate change conference held this month in Dubai saw negotiations conclude with a final agreement to “transition away from fossil fuels.” COP28 marks the first time the shift away from fossil fuels has been explicitly included in a

final agreement at the annual meeting of signatories to the United Nations Framework Convention on Climate Change. But how to translate this commitment into action? McKinsey Sustainability sets out the key takeaways from the conference in the blog [COP28: Wrap-up](#).

[Advanced economies]: In the advanced economies, US grew at 2.4% in Q2, but European growth is modest. Consumer price inflation is dropping. Manufacturing remains subdued.

United States

Federal Reserve projects economy to grow by 1.4% for 2024; unemployment edged down to 3.7% and consumer confidence regains momentum.

In November, the unemployment rate edged down to 3.7%, slightly lower than October's 3.9% (3.5% in January 2020). Total nonfarm payroll employment added some 199,000 net new jobs this month.

Retail and food service sales decreased to \$705 billion, a 0.1% decline from October's revised \$705.7 billion. The Consumer Confidence Index (Conference Board) rose to 102.0 in November, up from a downwardly revised 99.1 in October.

The industrial production index decreased slightly in October to 102.7 (September 103.6). In November, the purchasing managers' index (PMI) for manufacturing fell slightly to 49.4 (at the neutral 50 mark in October). The services PMI rose to 50.8, up from 50.6 in October.

The Consumer Price Index (CPI) declined to 3.1% (annualized) in November, while core inflation remained unchanged at 4% (annualized). The indexes for lodging away from home, used cars and trucks, communication, and airline fares were among those that decreased over the month. The November 2023 Survey of Consumer Expectations from the NY Fed declined slightly to 3.4% (down from 3.6% in October) at the one-year-ahead horizon—marking the lowest reading of the series since April 2021.

In November, returns for the S&P 500 and the Dow Jones were up 8.92% (–2.20% in October) and 8.77% (–1.36% in October), respectively. Throughout November, the CBOE Volatility Index averaged 12.7 (16.8 in October), signaling a stable market, with the 10-year government bond yielding 4.2% on December 8.

December's Federal Open Market Committee (FOMC)

meeting concluded with no new hikes in the current interest rate, this as the CPI showed promising figures throughout the month and the labor market remaining strong. The rate remains in the range between 5.25% and 5.5%; however, the committee signaled the potential for at least three rate cuts through 2024 toward 4.6% to 5.4%.

October exports were \$258.8 billion, \$2.6 billion (–1.0%) less than in September. October imports were \$323 billion, \$0.5 billion (0.2%) above the September figure. As a result, the monthly deficit was \$64.3 billion in October, up by 5.1% from the previous month's revised figure of \$61.2 billion.

On the housing market, the average 30-year fixed-rate mortgage rate decreased to 7.0% on December 7. Existing home sales fell by –4.1% in October, setting the tone for a depressed housing market with over 30% of borrowers having rates below 3%. In October, housing starts increased to 1,372,000 (1,346,000 in September), with completions down to 1,410,000 (1,478,000 in September).

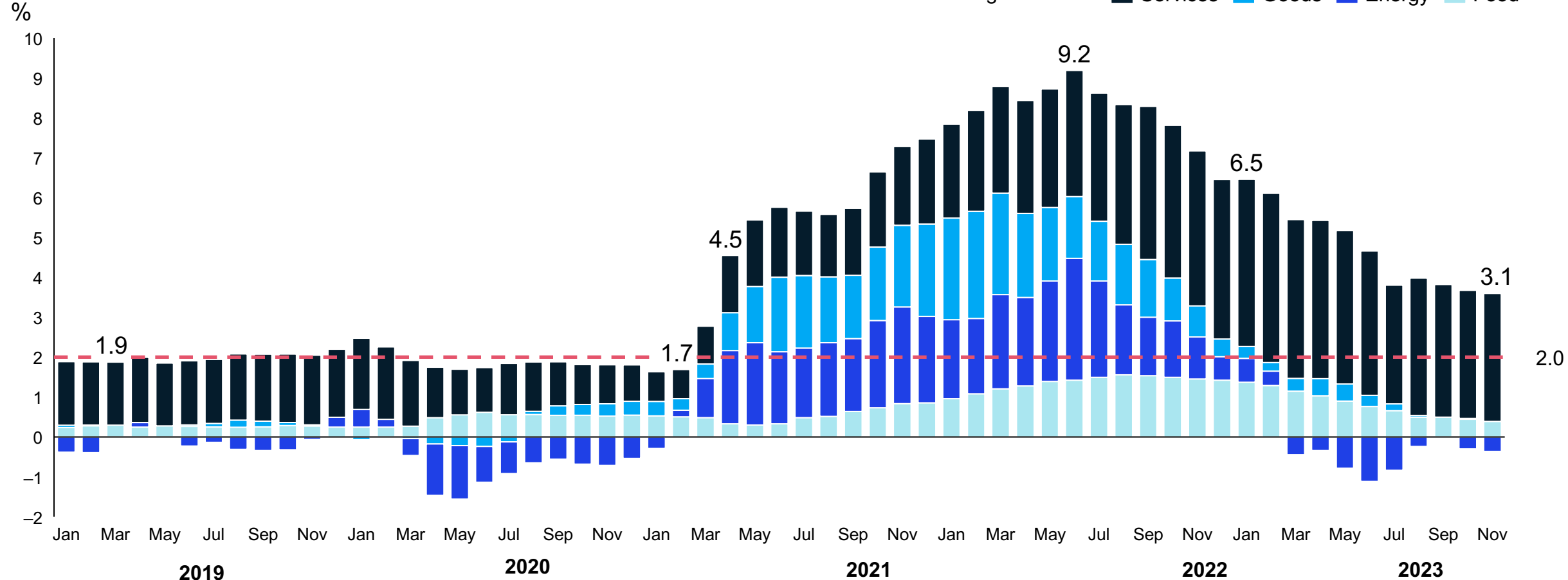
President Biden reacted positively to the latest jobs report, and currently attributes a strong jobs market to his policies. Currently the President is promoting an agenda to invest in the electric vehicle (EV) market to create more sustainable jobs.

US participation at the COP28 climate change conference was underscored by a \$3 billion pledge to the Green Climate Fund together with the announcement of a final update to 2021 and 2022 proposals for sharply reducing methane emissions caused by oil and gas operations. The final rule from the Environmental Protection Agency (EPA) seeks to achieve an almost 80% reduction in future methane emissions below what would be expected without the regulations.



In November, inflation sat at 3.1% with core inflation at 4.0%, while energy prices returned to their downward trend

CPI annual change contribution by category



Fed projects economy to grow by 1.4% in 2024; unemployment edged down to 3.7% and consumer confidence regains momentum

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

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

Unemployment edged down to 3.7%, cooling the labor market; consumer confidence regains momentum

- The industrial production index decreased slightly in October to 102.7 (September 103.6). In November, the purchasing managers' index (PMI) for manufacturing declined slightly to 49.4 (down from 50 in October), while the services PMI increased to 50.8.
- Retail and food service sales decreased to \$705 billion, a 0.1% drop from October's revised \$705.7 billion. The Consumer Confidence Index (Conference Board) climbed to 102.0 in November, up from a downwardly revised October figure of 99.1. October exports were \$258.8 billion, \$2.6 billion less than September's; October imports were \$323 billion, \$0.5 billion up on September; the total deficit increased by 5.1% on the previous month to \$64.3 billion.
- On the housing market, the average 30-year fixed-rate mortgage rate decreased to 7.0% on December 7; existing home sales fell by -4.1% in October, setting the tone for a depressed housing market with over 30% of borrowers having rates below 3%. In October, housing starts increased to 1,372,000 (1,346,000 in September), with completions down to 1,410,000 (1,478,000 in September).
- In November, the unemployment rate edged down to 3.7%, slightly lower than October's 3.9% (3.5% in January 2020). Total nonfarm payroll employment added some 199,000 net new jobs this month.
- The Consumer Price Index was down to 3.1% (annualized) in November, while core inflation remained unchanged at 4% (annualized). The indexes for lodging away from home, used cars and trucks, communication, and airline fares were among those that decreased over the month.

Federal reserve holds a conservative position on inflation

- In November, returns for the S&P 500 and the Dow Jones were up 8.92% (-2.20% in October) and 8.77% (-1.36% in October), respectively. Throughout November, the CBOE Volatility Index averaged 12.7 (16.8 in October), signaling a stable market, with the 10-year government bond yielding 4.2% on December 8.
- December's FOMC meeting concluded with no new hikes of the current interest rate, this as the CPI showed promising figures throughout the month and the labor market remaining strong. The current rate is maintained in the range of 5.25% to 5.5% and is expected to decline to 4.6% to 5.4% through 2024.

President Biden links job market strength to his policies; US pledges \$3 billion at COP28 for the Green Climate Fund

- President Biden reacted positively to the latest jobs report, and currently attributes a strong jobs market to his policies, such as the Bipartisan Infrastructure Law and Inflation Reduction Act. Currently the President is promoting an agenda to invest in the EV market to create more sustainable jobs.
- US participation at the COP28 climate conference saw a \$3 billion pledge to the Green Climate Fund and announcement of the EPA's final standards to sharply reduce methane emissions from oil and gas operations, which are designed to achieve a nearly 80% reduction in future methane emissions below what would be expected without the rule.

Eurozone

2023–24 ECB projections downgraded; strong disinflation underway amid tight monetary policy; Macron immigration bill dismissed.

The main contributor to the eurozone's third-quarter contraction (−0.1% quarter over quarter) was a change in inventories by companies hedging strategies to weather the expected slowdown. Private consumption, however, made a positive contribution, the highest in 2023. The eurozone economy is expected to bounce back due to rising real incomes, as people benefit from falling inflation, growing nominal wages, and improving foreign demand. Latest projections from the European Central Bank stand at 0.6% for 2023 and 0.8% for 2024, respectively down −0.1 and −0.2 percentage points compared with the bank's previous forecasts in June.

Incoming data remains gloomy, with little prospect for a recovery. The industrial production index fell in September (−1.1% month on month, −6.4% year on year) following a mild rebound in August. November's composite purchasing managers' index (PMI) came in at 47.1, 0.6 points above October. Both the manufacturing and services PMIs edged up marginally, to 43.8 (from 43.1) and to 48.2 (from 47.8), respectively.

Forward-looking indicators have deteriorated further: the Eurocoin fell to −0.79 in November (−0.67 in October), the lowest value since the first wave of COVID-19 in 2020. Moreover, any meaningful recovery would require a substantial improvement for Europe's largest economy, Germany—its 2024 budget has been

canceled amid political crisis. The budget, including €12 billions a year in tax subsidies, is key to addressing the country's economic challenges by helping to regain some of the competitiveness lost with the end of cheap Russian gas imports. Germany's highest court said the government's plans failed to comply with the country's debt brake, which limits deficits to 0.35% of GDP.

Headline inflation eased to 2.4% year on year in November, its lowest rate in more than two years and down from 2.9% in October. The reduction was broad-based: energy prices declined; services and food inflation have eased more gradually. While core inflation was still elevated at 3.6%, it is also coming down (4.2% in October). It's worth nothing, however, that inflation is likely to rise temporarily in the near-term and then expected to drop gradually: headline inflation is projected to be 5.4% in 2023, 2.7% in 2024, and 2.1% in 2025. On December 14, the ECB decided to continue balance sheet normalization and keep key interest rates unchanged. Looking ahead, there is uncertainty over when rates will come down.

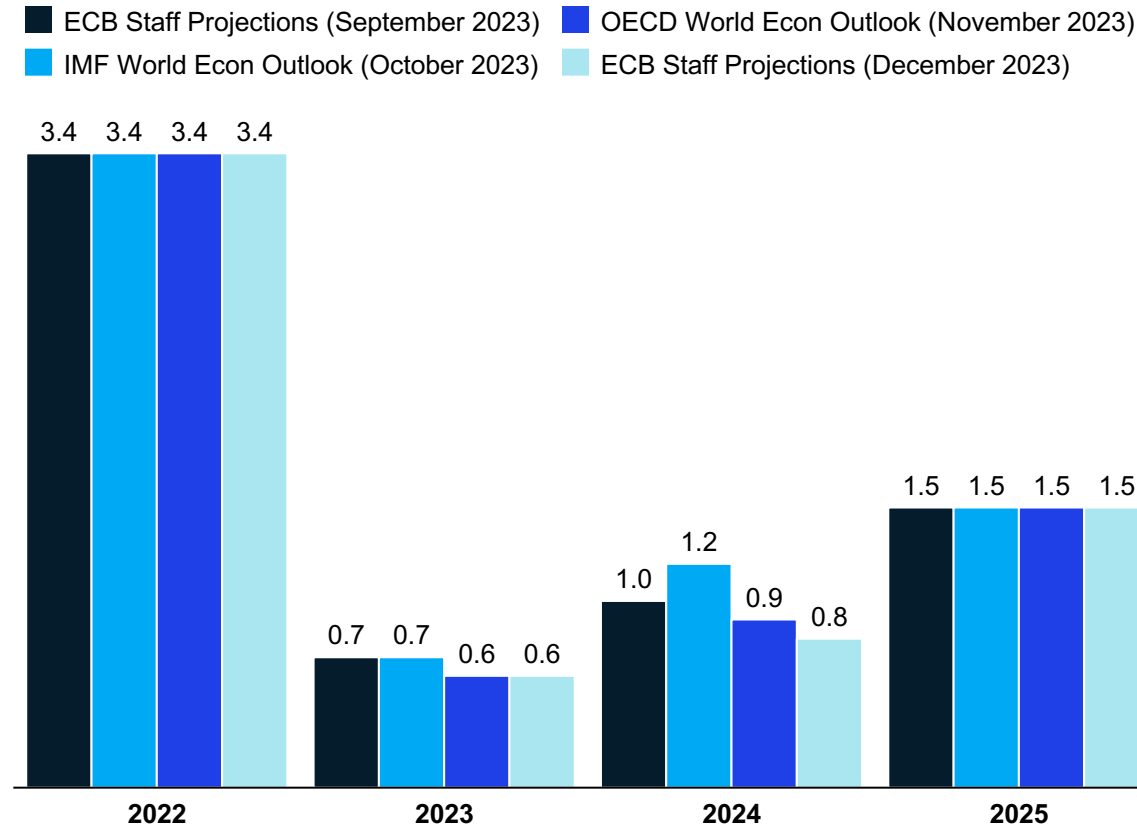
France's parliament rejected President Macron's immigration bill in a surprise vote without even debating it, prompting the high-profile interior minister to offer his resignation, which Macron rejected. Both far-right and left-wing politicians joined forces to scupper the bill. On December 9, MEPs and the EU Council reached agreement on the AI Act, paving the way for the world's first horizontal regulation on artificial intelligence. France's Macron warned of a risk of hampering innovation.



ECB projections for 2023 and 2024 downgraded; Eurocoin hits lowest value since first wave of COVID-19 in 2020

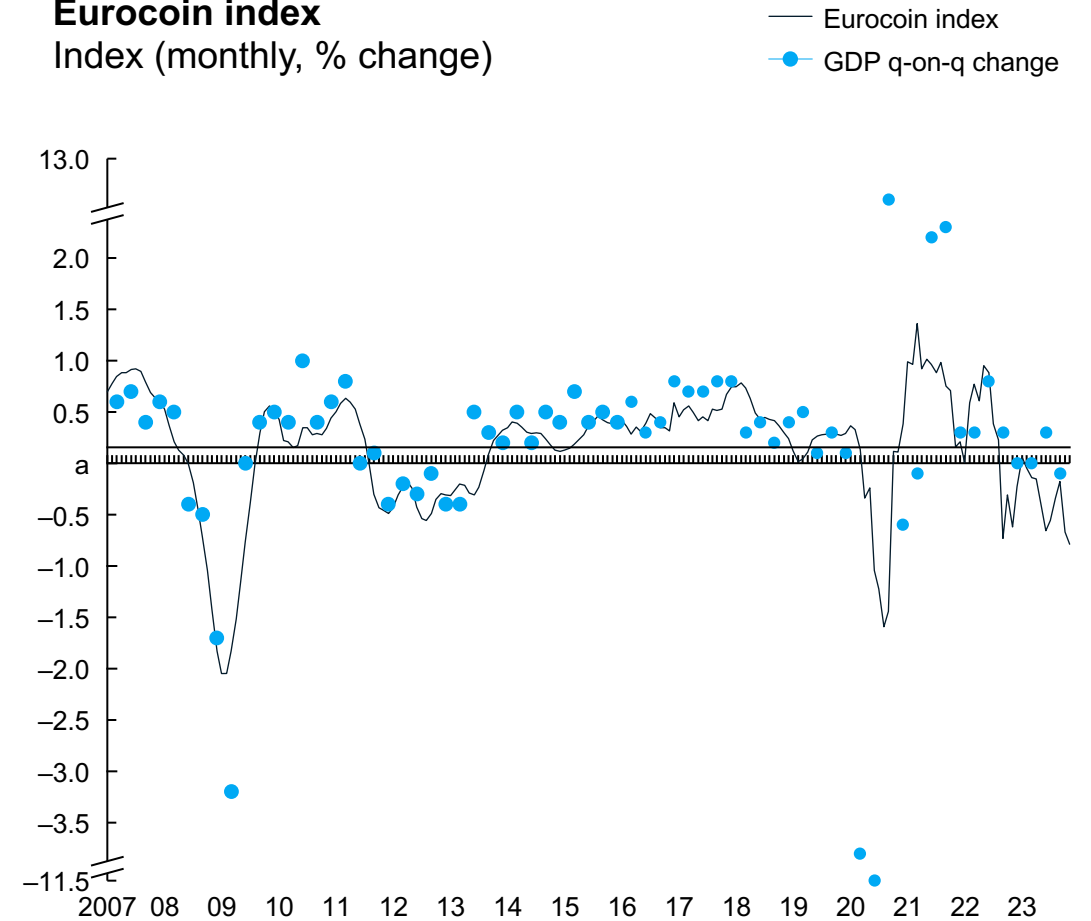
Eurozone real GDP forecast from main institutions, 2022–25

Year-on-year, constant prices (% change)



Eurocoin index

Index (monthly, % change)



Subdued domestic activity amid ongoing disinflation; European equities booming; Macron's immigration bill rejected

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

	Indicator category	Change vs prior month	Change vs pre-COVID	
Macroeconomic	Consumer	Worsening	No significant change	<p>Subdued domestic activity amid ongoing disinflation and still-resilient labor market</p> <ul style="list-style-type: none"> Real retail sales were slightly up, by 0.1% month on month (–1.2% year on year), in October. After three consecutive drops, the consumer confidence indicator improved in November (–16.9) yet remains below the historical average in line with weakening demand and some expectation of inflation returning. The industrial production index fell in September (–1.1% month on month, –6.4% year on year) down from a mild rebound the previous month. November's composite PMI came in at 47.1, 0.6 points above the October reading. The manufacturing PMI edged up marginally to 43.8 from 43.1; the services PMI rose slightly as well to 48.2 from 47.8, a two-month high. Construction output in September rose 0.4% month on month (–0.3% year on year); the construction PMI rose in November to 43.4 (42.7 October). Eurozone's goods trade surplus expanded to €10 billion in September, from €5.9 billion in August, driven mainly by a €14.9 billion increase in exports to €235.8 billion, while imports rose by only €10.8 billion, to €226 billion. Eurozone headline inflation eased to 2.4% year on year in November, its lowest rate in more than two years and down from 2.9% in October. The reduction was broad-based: energy prices declined; services and food inflation have eased more gradually. While core inflation was still elevated at 3.6%, it is also coming down (4.2% in October). Producer-price inflation was –7.2% in October (–9.1% in September). The unemployment rate in October stood at 6.5% and remains close to record lows since 2000, with Spain at 12% and Germany at 3%. Annual nominal wage growth in the second quarter of 2023 has started to exceed inflation.
	Business/industry	Worsening	No significant change	
	Real estate	Worsening	No significant change	
	External trade	Improving	No significant change	
	Prices	Improving	Worsening	
	Labor market	No significant change	Improving	
	Foreign exchange	No significant change	Severe decline	
Financial markets	Equity	Improving	No significant change	<p>Eurostoxx 600 index is gaining momentum; stable euro-dollar exchange rate; Italian-German 10-year bond-yield spread dropped</p> <ul style="list-style-type: none"> Eurostoxx 600 index is gaining momentum, on December 11 it reached its highest values in 2023 and is 3% below its all time-high. In December, the euro was stable against the US dollar, trading at \$1.07 per euro on Dec 11. The Italian-German 10-year bond-yield spread dropped to 1.4%; yields have grown to 4.1% and 2.7%, respectively. In September, loans to businesses declined by 0.2% month on month and, for the third quarter as a whole, by 0.6% quarter on quarter; loans to households stagnated, reflecting tighter monetary conditions.
	Debt	No significant change	Worsening	
	Credit	Worsening	No significant change	
Government and policy	Public policy	No significant change	Worsening	<p>French parliament rejects President Macron's immigration bill in surprise vote; EU reaches agreement on proposed AI Act</p> <ul style="list-style-type: none"> The French parliament rejected President Macron's immigration bill in a surprise vote without even debating it, prompting his high-profile interior minister to offer to resign and which Macron rejected. Both far-right and left-wing politicians joined forces to defeat this bill. On December 9, MEPs and the EU Council reached agreement on the AI Act, paving the way for the world's first horizontal regulation on Artificial Intelligence. However, Macron suggests the proposed legislation risks hampering innovation.
	Public-sector health	No significant change	Worsening	

United Kingdom

Inflation fell substantially to 3.9% in November, below Bank of England expectations; latest GDP projections indicate modest growth for 2023 and 2024; monthly GDP down 0.3% between September and October.

According to the OECD's November Economic Outlook, GDP growth is projected to pick up from 0.5% in 2023 to 0.7% in 2024 and 1.2% in 2025. Private expenditure will replace government consumption and investment as the main driver of growth, helped by easing price pressures. Headline inflation will subside from historically high levels but remain above target until 2026. Core inflation will linger at 3.8% in 2024 and 2.6% in 2025 on the back of the tight, albeit easing, labor market. Unemployment will edge up to 4.9% in 2025. November's quarterly Monetary Policy Report by the Bank of England (BoE) expects UK GDP growth to remain modest in the medium term, at 0.6% in Q4 2023 and 0% in Q4 2024.

The UK economy unexpectedly contracted in October, with all three main sectors reporting declines in output, according to figures that pointed to a weakening economy just ahead of the BoE's final rate-setting meeting of the year. GDP fell 0.3% between September and October, driven by declining services activity, as well as contracting manufacturing and construction output, Office for National Statistics data show.

The UK CPI fell more than expected to 3.9% in November from 4.6% in October, with the largest downward contributions coming from transport, recreation and culture, and food and non-alcoholic beverages. The BoE expects inflation to fall sharply in the near term to an average of around 4.75% in Q4 2023, helped by lower price inflation for energy, food, and core goods (versus 4% as previously predicted), and to continue to fall in 2024. The BoE Monetary Policy Committee voted to maintain the policy rate at 5.25% during its 14 December meeting, seeking to balance the risks of not tightening policy enough in the face of persistent underlying inflationary pressures and further tightening when the impact of existing policy has yet to fully flow through.

The seasonally adjusted UK Manufacturing Purchasing Managers' Index (PMI) posted 47.2 in November, up from 44.8 in October, rising for the third successive month to its highest level since April. Nevertheless, the index has remained below the neutral 50.0 mark in each of the past 16 months. The headline seasonally adjusted UK Services PMI registered 50.9 in November, up from 49.5 in October and into expansion territory for the first time in four months. Although above the earlier flash estimate (50.5) and the highest reading since July, the index pointed to only a marginal overall expansion of service sector output. The UK Construction PMI registered 45.5 in November, down fractionally from 45.6 in October and in the contraction zone for the third month running. The latest reading was the second lowest since May 2020 and signaled a marked reduction in total industry activity. That said, the latest flash PMI composite index (published December 15) climbed unexpectedly to 51.7, from 50.7 in November—the fastest rise in private sector business activity since June. In another sign of tentative optimism, separate data published by GfK showed that UK consumer confidence rose to a three-month high in December.

Growth in average total pay was 7.2% in August to October 2023, while real total pay rose by 1.3%. The unemployment rate for August to October 2023 was largely unchanged on the quarter at 4.2%. The economic inactivity rate was also unchanged at 20.9%. The estimated number of vacancies in August–October 2023 was 957,000, a decrease of 58,000 on the quarter, with vacancies falling in 16 of 18 industry sectors.

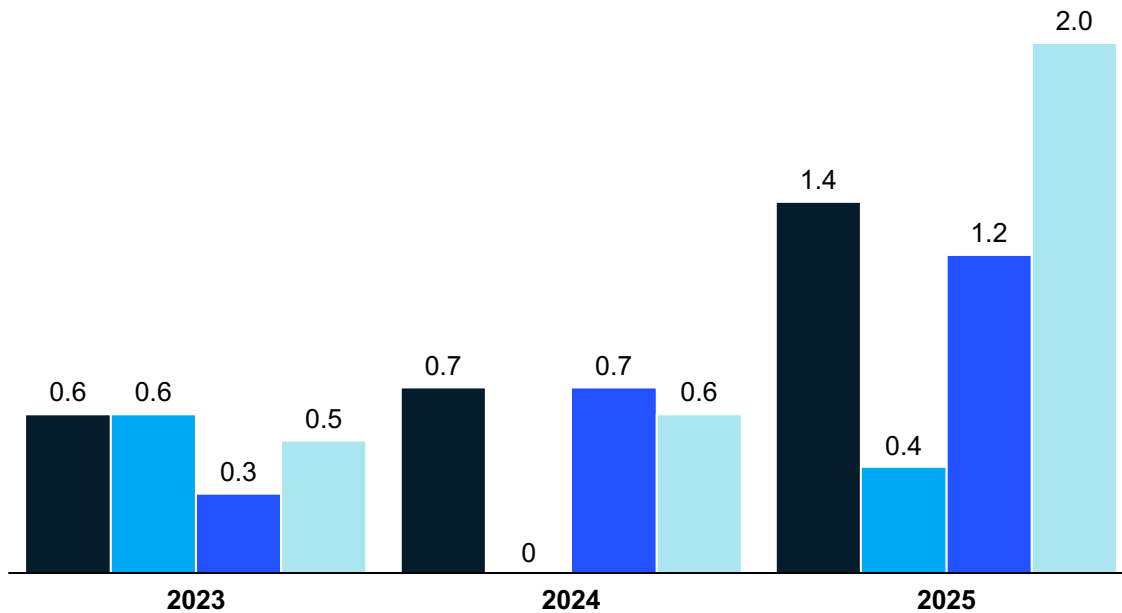
Prime Minister Rishi Sunak survived a serious threat to his authority when the Safety of Rwanda (Asylum and Immigration) Bill progressed through its second reading. The bill is designed to facilitate government plans to send “illegal migrants” to Rwanda while their claims are processed. Significant numbers of Conservative MPs had threatened to rebel but eventually 29 chose to abstain.



UK GDP fell between September and October; the CPI declined to 3.9% in November; the Bank of England kept the policy rate at 5.25% in December

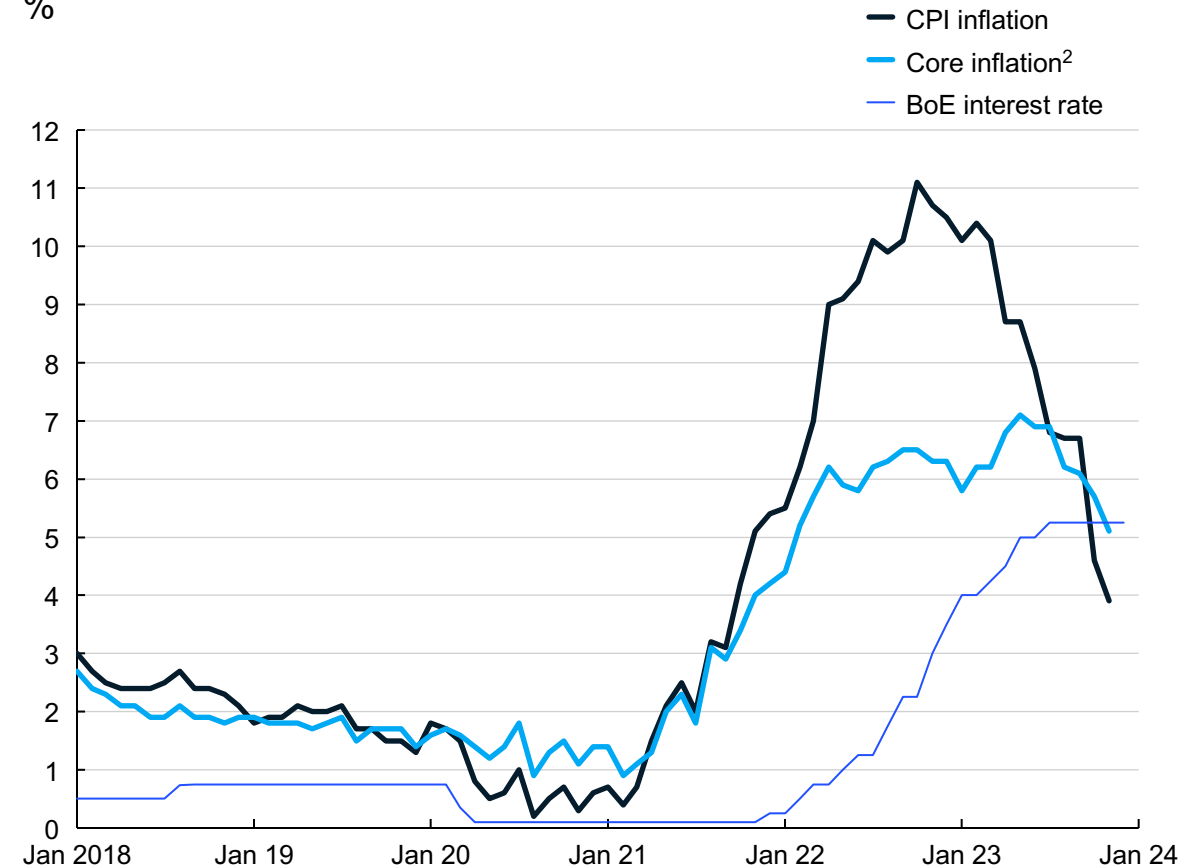
UK real GDP forecast from main institutions, 2023–25 % change (year-over-year); constant prices

- Office for Budget Responsibility Economic and Fiscal Outlook (November 2023)
- Bank of England Monetary Policy Report (November 2023)¹
- OECD (November 2023)
- IMF World Economic Outlook (October 2023)

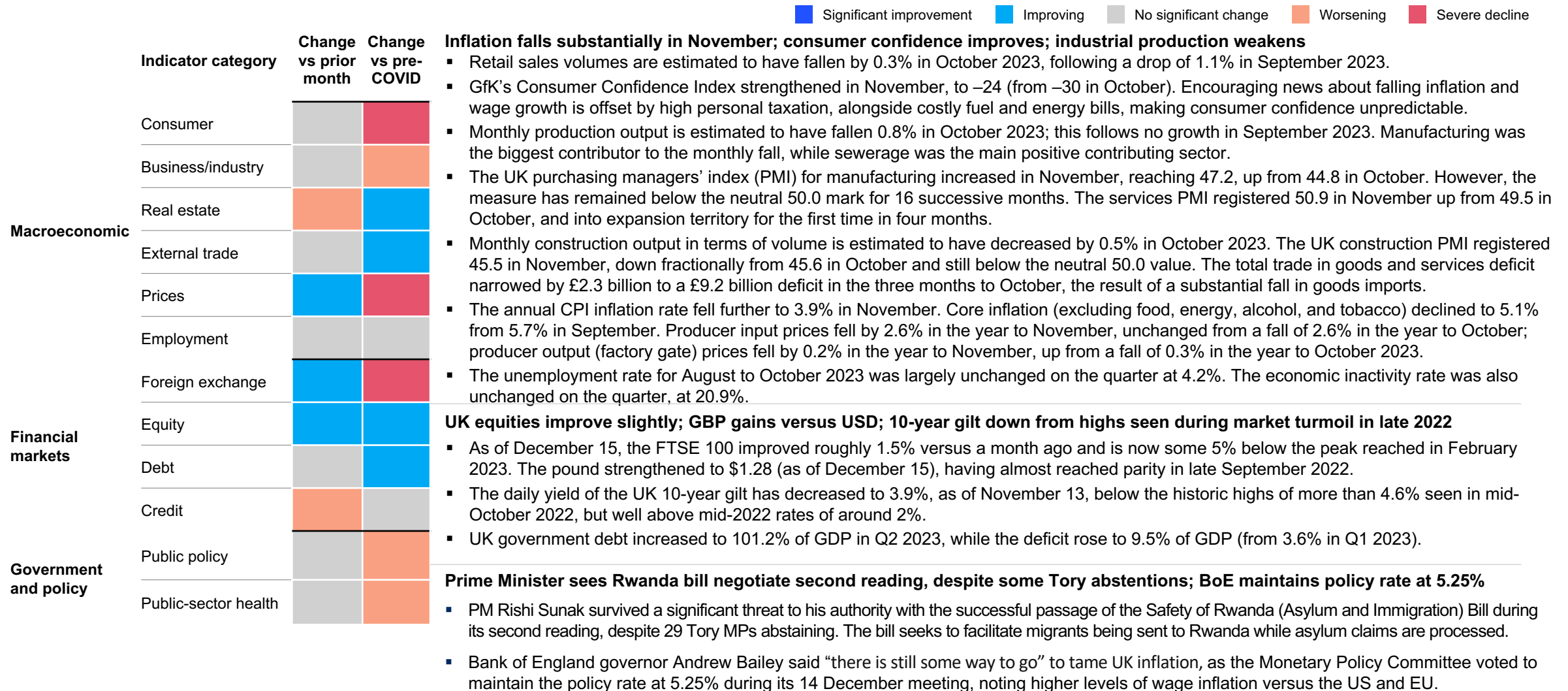


1. Four-quarter growth in real GDP.
2. The specific measure excluding energy, food, alcohol, and tobacco is the one typically referred to as “core” by the ONS.

12-month inflation; Bank of England interest rate %



Inflation down substantially in November—slowing housing and household services inflation contribute most to the fall; manufacturing and services sentiment lift slightly; consumer confidence strengthens



[Emerging economies]: In the emerging economies China's growth slowed with expectations down. Inflation under control but edging up in India and accelerating in Russia.

China

In November, China's economy showed marginal improvements across various dimensions, including a rebound in exports and faster expansion in industrial output and fixed-asset investment. However, the housing market continued its decline.

Industrial output growth accelerated to 6.6% year-on-year in November (4.6% in October). By sector, output growth in the mining sector increased to 3.9% in November (2.9% in October), manufacturing output growth improved to 6.7% (5.1% in October), and the utilities sector saw output growth accelerate to 9.9% (1.5% in October).

Overall fixed-asset investment growth increased to 2.9% year-on-year in November (1.3% in October). Investment expanded at a faster pace across the manufacturing and infrastructure sectors, growing 7.1% (6.2% in October) and 5.0% (3.7% in October) respectively. However, the real estate sector continued to experience a contraction in investment, shrinking –11.3% in November (–12.7% in October).

The real estate market slump persisted, with housing property sales revenue declining by –18.3% year-on-year in November (–14.3% in October). Floor space sold dropped –23.5% (–21.0% in October), while the average price of housing grew at 6.8% year-on-year (8.4% in October).

New social financing in December measured RMB 2.5 trillion (up from RMB 1.8 trillion in October), up by 24% year-on-year. The expansion in government bond

financing, which increased 77% compared to the same period last year, accounts for the majority of this increase in new social financing. Total social financing amounted to RMB 376.4 trillion in November, with the year-on-year growth rate edging up to 9.7% (9.6% in October).

The surveyed urban unemployment rate remained unchanged at 5.0% in November.

Exports experienced a rebound from contraction in November, growing by 0.5% year-on-year (–6.4% in October) and breaking a six-month streak of consecutive declines; by contrast, imports were down by –0.6% in November (3.0% increase in October).

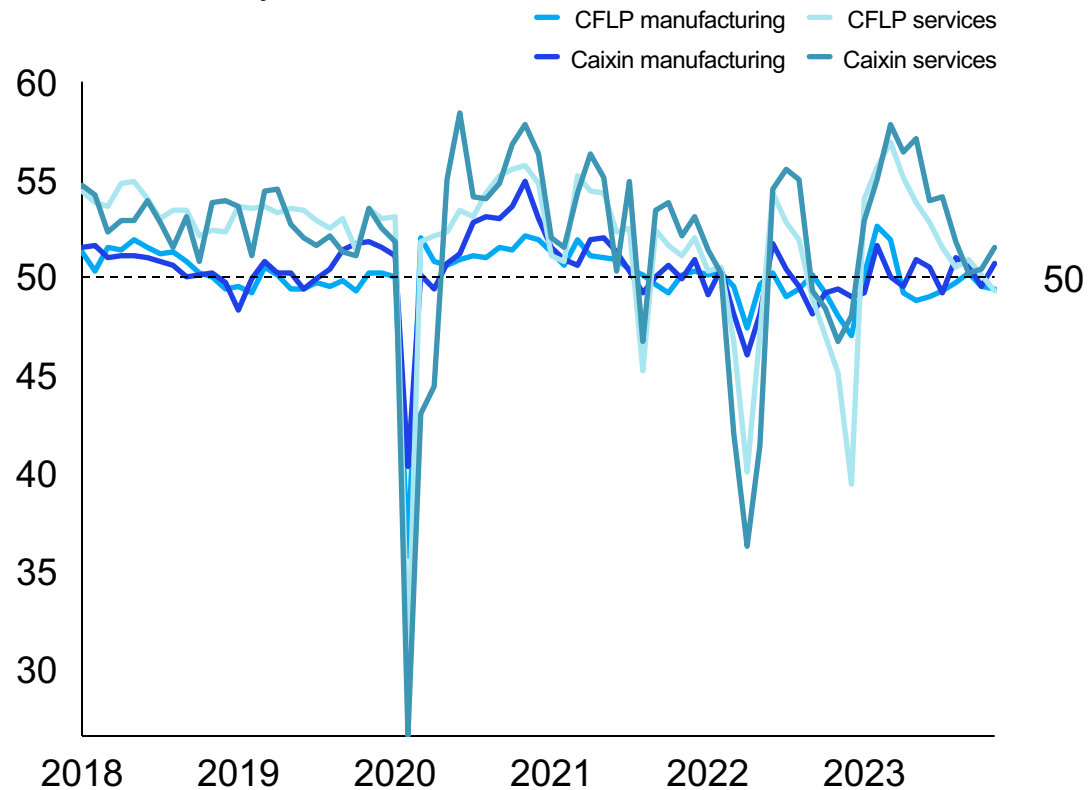
In mid-December, China held the Central Economic Work Conference to plan for 2024. The meeting listed several priorities, including enhancing innovation in science and technology fields, expanding domestic demand and opening-up, and defusing risks in real estate and local government debt.



In November, the official manufacturing and services PMIs dropped, while the Caixin PMIs rose; stock indexes declined in December

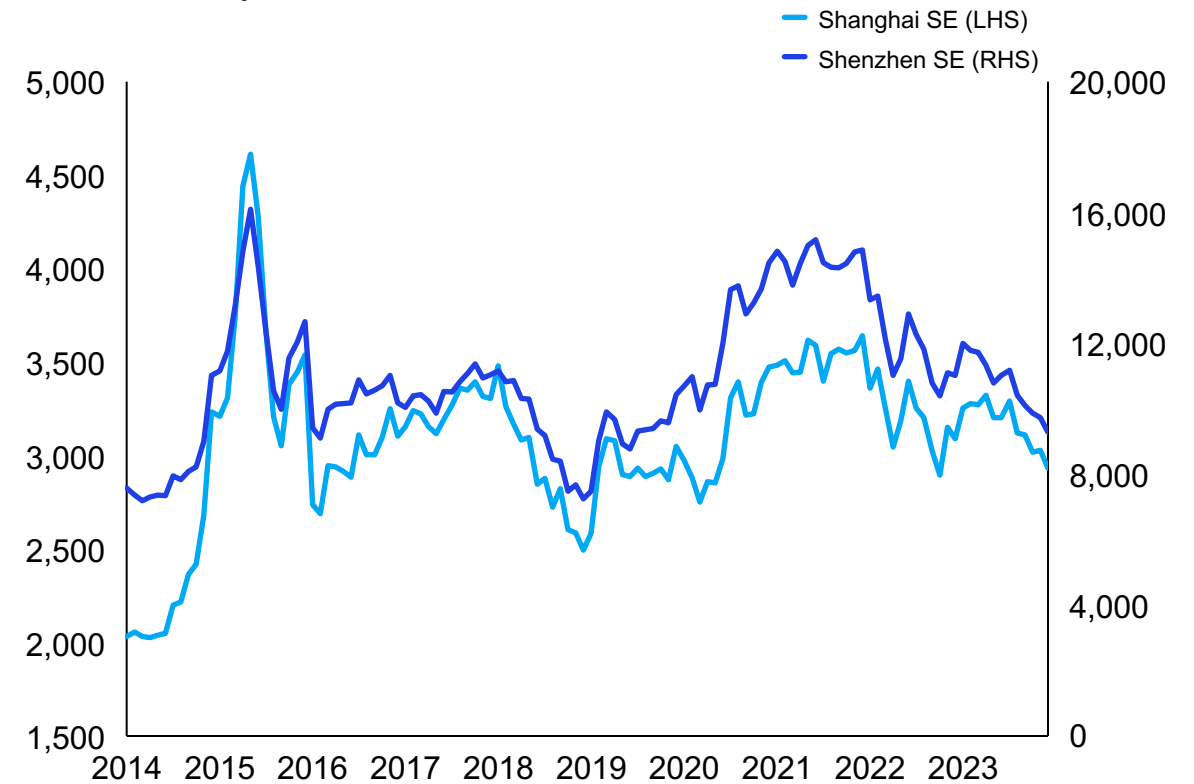
Purchasing managers indexes (PMI)

Index, monthly



Stock market indexes

Index, monthly



Exports rebounded but imports fell in November; retail sales growth accelerated, while inflation remained low

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

	Indicator category	Change vs prior month	Change vs pre-COVID
Macroeconomic	Consumer	Improving	No significant change
	Business, industry	Improving	No significant change
	Real estate	No significant change	Worsening
	External sector, trade	No significant change	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	Improving	Worsening
	Credit	Improving	Worsening
Government and policy	Public policy	Improving	No significant change
	Public-sector health	No significant change	No significant change

Retail sales growth accelerated in November; both the official manufacturing and services PMIs fell; exports rebounded but imports were down; both consumer and producer price indexes remained low

- Retail sales grew faster at 10.1% year-on-year in November (7.6% in October).
- The official manufacturing purchasing managers' index (PMI) edged down to 49.4 in November (49.5 in October), while the Caixin manufacturing PMI rose to 50.7 from 49.5 in October. The official services PMI dropped into the contraction zone, recording 49.3 in November (50.1 in October), while the Caixin services PMI rose to 51.5 (50.4 in October).
- Exports rebounded from the previous month's contraction, growing by 0.5% year-on-year in November (–6.4% in October) to break a six-month streak of consecutive declines; imports fell by –0.6% (3.0% increase in October).
- Consumer prices continued to deflate, at –0.5% in November (–0.2% in October), dragged down by food prices (–4.2% in November). Producer prices deflated at –3.0% in November (–2.6% in October).

RMB stabilized against the US dollar and stock indexes fell; money supply improved

- The RMB stabilized against the dollar in December compared with the end of November, trading at RMB 7.1292 = USD 1 by December 18.
- By December 18, the Shanghai stock index had lost 3.3% in value and the Shenzhen stock index had lost 4.6% versus end-of-November levels.
- New social financing in December measured RMB 2.5 trillion (up from RMB 1.8 trillion in October), reflecting a year-on-year increase of 24%.
- M2 expanded at a pace of 10.0% year-on-year in November, slightly down from 10.3% in October.

China introduced a 25-point guideline aimed at supporting the private economy in late November

- China's private investment remained weak in 2023, shrinking –0.5% in the first ten months versus the year-ago period.
- A new 25-point guideline primarily focuses on strengthening financial services for private enterprises, including increasing the supply of credit resources, facilitating financing channels for bond issuance, and expanding the scale of equity financing.

India

Indian economy is expected to growth above 7%, as revised estimates come in from multiple organizations; pressure points predicted are external and based on political situations around the world.

India's real GDP has surprised many by clocking an impressive growth of 7.6% year-on-year in the July to September quarter,¹ with the highest growth seen in the manufacturing and construction sectors.

SIAM's December data, however, shows automobile sales dropped by 14% compared to last month to stand at 334,130 in November (389,714 in October).

The Index of Industrial Production (IIP) indicates impressive year-on-year growth of 11.7% above the previous October's figure, with all sectors posting growth north of 10% versus 2022 numbers. On a monthly basis, there was growth across all sectors except electricity: 14.3% for mining, 0.9% for manufacturing, but -1.0% for electricity.

India's manufacturing activity saw an uptick in November after an eight-month low, with the manufacturing purchasing managers' index (PMI) rising to 56.0 (55.5 in October); this can mainly be attributed to a decline in the cost of inputs. The services sector, which accounts for almost 50% of India's GDP, has seen growth slow somewhat. In November, the services PMI declined to a 12-month low of 56.9, from 58.4 in October—while remaining well within the expansion zone.

Headline inflation climbed to 5.88% in November from 4.9% in October. Food inflation rose to 8.02% from 6.2% in October, whereas deflation in the fuel and light group advanced to -0.77% in November.

During the April–October period, India's merchandise exports contracted by 7% (year-on-year) to US \$244.9

billion; imports declined by 8.9% (year-on-year) to stand at US \$392 billion—resulting in a lower trade deficit than the same period a year ago

Foreign exchange reserves stood at US \$598 billion on November 24, 2023, up US \$47 billion on last year.

The Indian rupee appreciated against the euro and changed only slightly against the US dollar, to stand at 89 rupees per euro and 83 per dollar as of December 12.

The stock markets recovered, with both the Nifty and Sensex adding over 5% in value compared to the previous month. The Nifty had risen 5.7% and the Sensex 5.5% as of December 12.

Interest on loans and deposits broadly remains unchanged, although certain categories of retail loans will see a hike due to increased risk weighting.

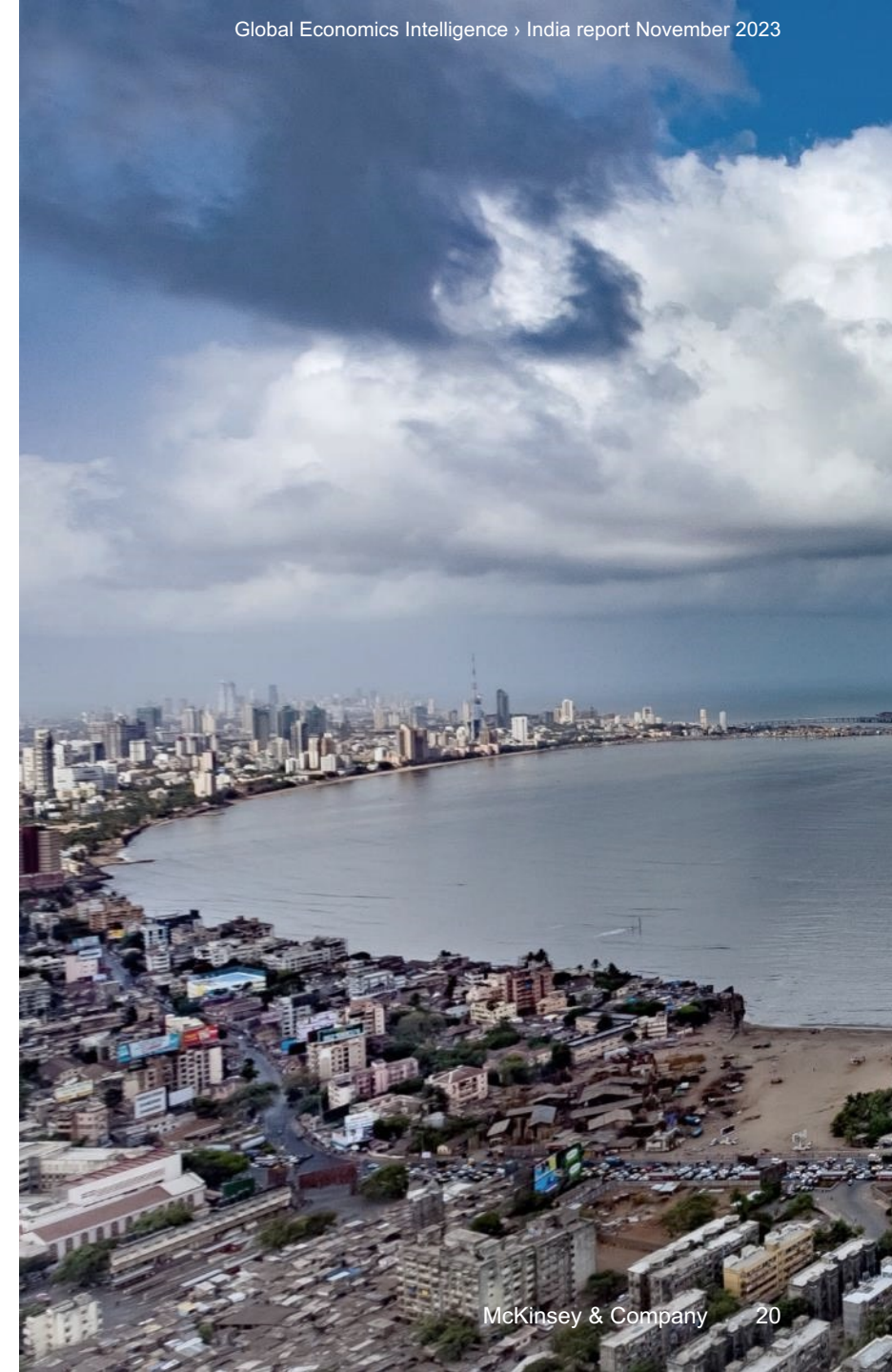
At December's monetary policy committee meeting, the Reserve Bank of India opted to keep the repo rate unchanged at 6.5%, and the reverse repo rate at 3.35%, as it sought to manage and balance retail inflation and growth

November's unemployment rate remained at an elevated level, standing at 9.2%, but down from the October peak of 10.1%, according to the Centre for Monitoring Indian Economy (CMIE).

Recently concluded state elections have provided a big boost for India's ruling party, which secured victory in three out of five states, with the markets also responding to a perceived reduction in political risk.

1. India follows the fiscal calendar.

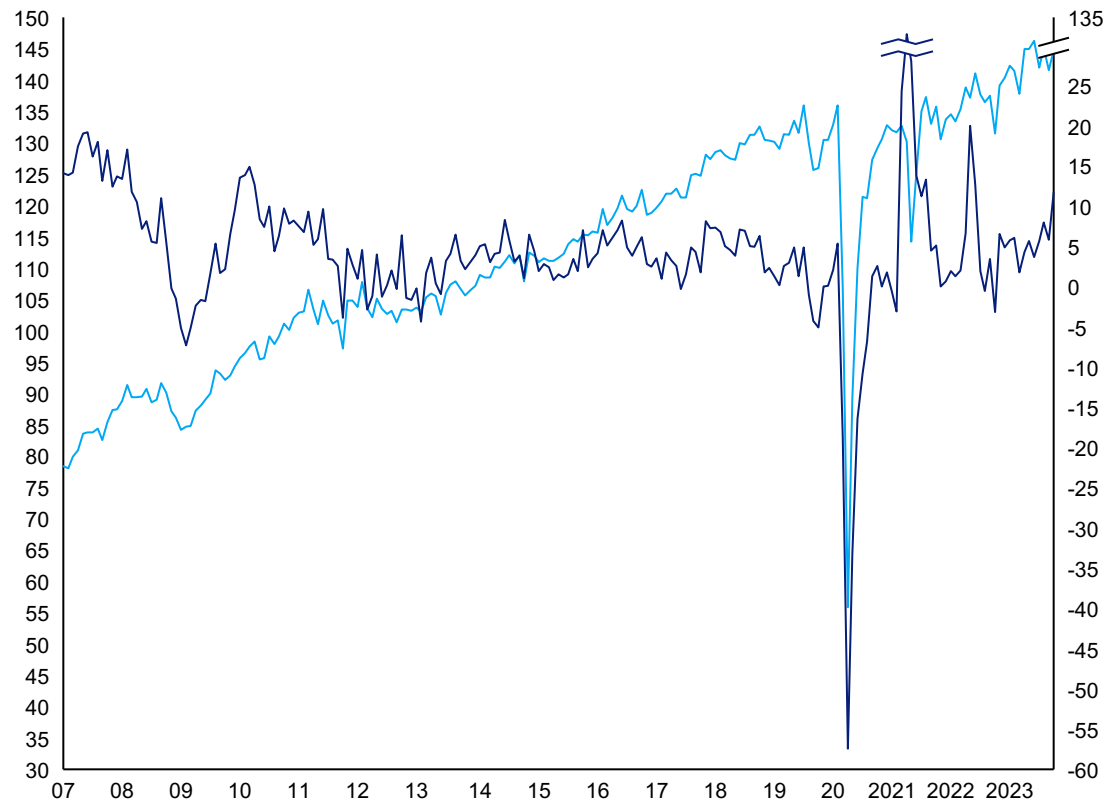
Source: Havers; IHS Markit; Ministry of Commerce and Industry; Ministry of Statistics and Programme Implementation (MOSPI); Reserve Bank of India



Industrial production grew by 11.7% in October, with equity indexes complementing this growth to rise by over 5%

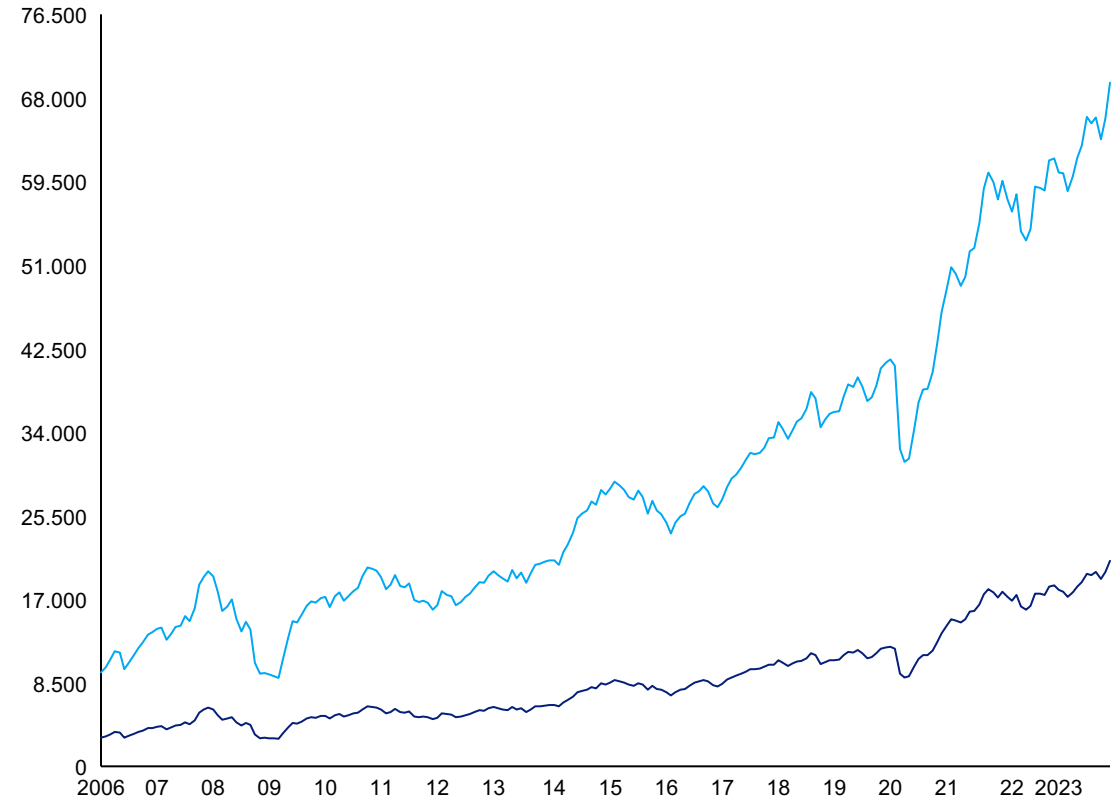
Index of Industrial Production (IIP)
Index level (left axis) and % change (y-o-y)

— Index — Y-o-Y % change



BSE Sensex¹ and NSE Nifty² equity markets index
Index level, (monthly)

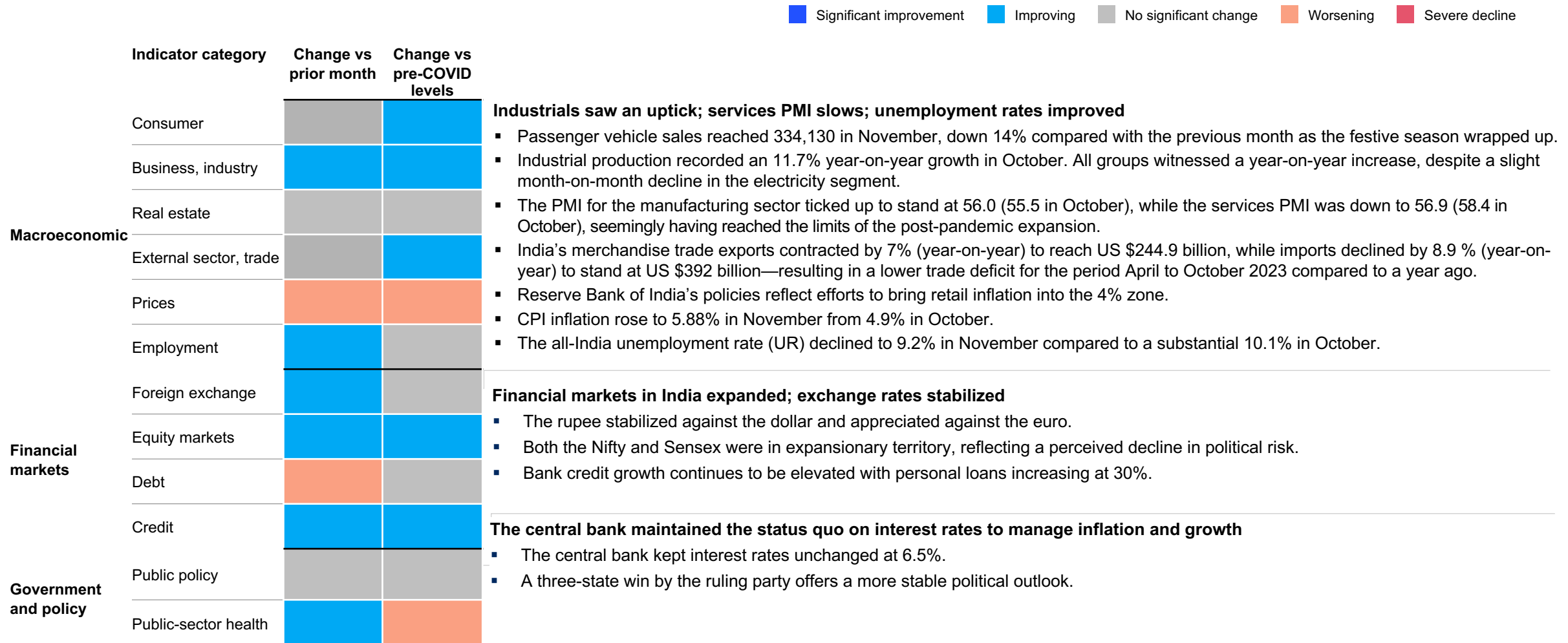
— NSE — BSE



1 BSE: The Bombay Stock Exchange (Sensex) is a value-weighted index comprising the 30 largest and most actively traded stocks.

2 NSE: The National Stock Exchange of India (Nifty) consists of 50 major stocks weighted by market capitalization.

GDP growth for the second (fiscal) quarter stood at 7.6%; manufacturing PMI improved; RBI keeps interest rates on hold



Russia

The economy delivered stable economic performance in Q3 and in October, amid a tight labor market and despite accelerating inflation; loose fiscal policy supports activity and fuels price growth; Putin confirms participation in 2024 presidential election.

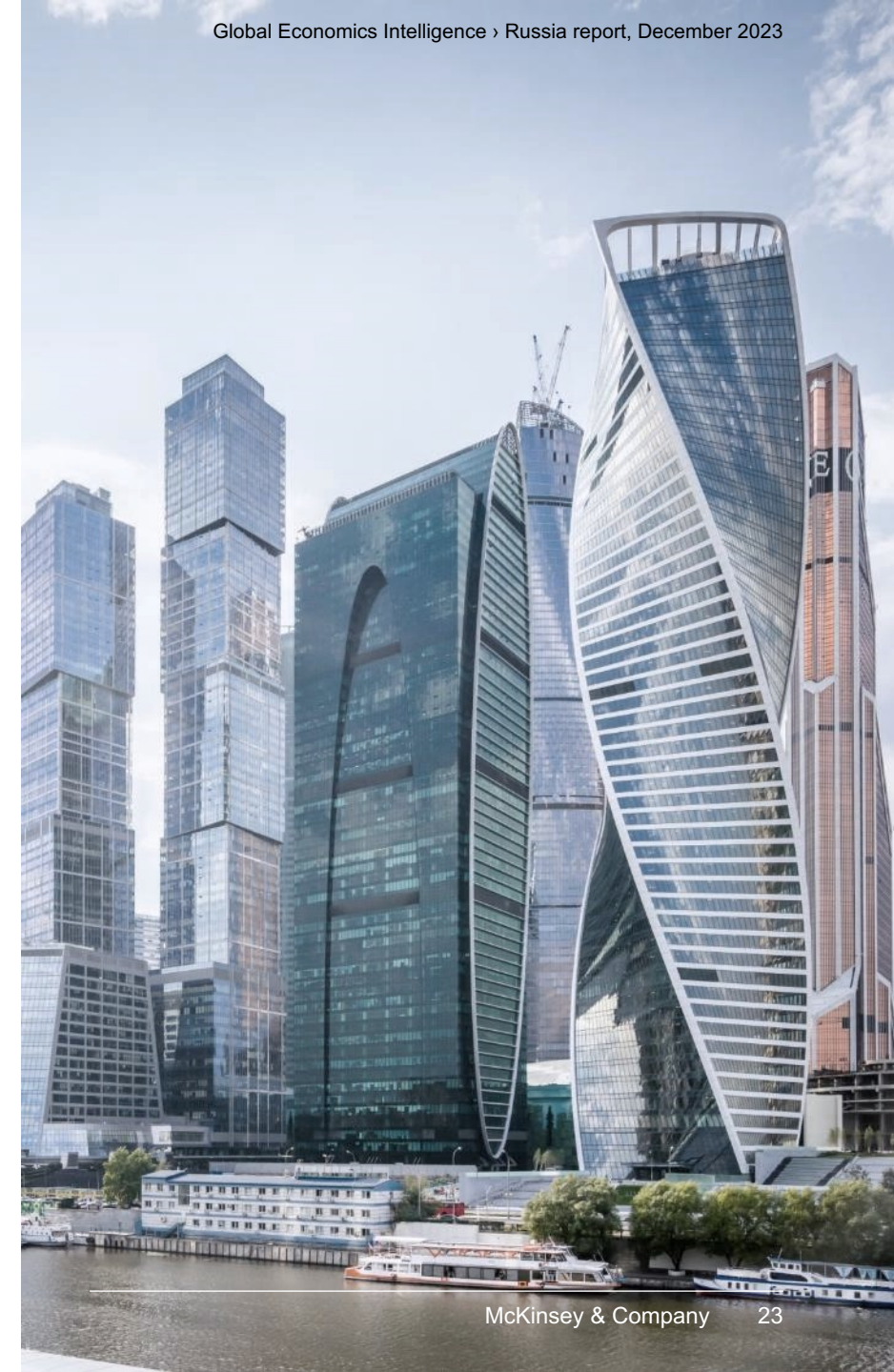
According to a flash estimate, annual growth increased to 5.5% in the third quarter from 4.9% in the second quarter. Sequential growth picked up to 2% quarter on quarter (0.9% in the second quarter). Economic activity was also stable in October, with the Ministry for Economic Development estimating GDP growth at 5% year on year. Latest institutional forecasts for Russia's GDP growth this year remain stable at 1.5–2.5%. Industrial output was nearly at the same level as previous months. Manufacturing maintained high growth (up 9.5% year on year), especially those areas associated with the military-industrial sector; output of extractive industries was unchanged from 12 months earlier. Retail sales broke the series of monthly declines to grow 0.7% month on month, supported by high growth in nominal wages and consumer lending.

Inflation accelerated to 7.5% year on year in November, broadly due to an extremely tight labor market that is reflected in high wage rises in many sectors. In nominal terms, the average wage rose by 13.6% year on year in September and by 7.2% in real terms. Unemployment was at a record low of 2.8%. Household inflation expectations soared to levels close to their 2022 peak. Corporate inflation expectations have climbed along with soaring labor costs. The

recently approved 18.5% minimum wage rise will support price growth in January. Most analysts expected Russia's central bank to continue the cycle of raising interest rates it started in July and, on 15 December 2023, the Bank of Russia duly increased the key rate by 100 basis points to 16.00%—the rate has now risen by 850 basis points since July.

Loose fiscal policy also contributes to inflationary pressures. In January–October year to date, federal budget spending increased by 12% year on year, driven by large expenditures on the war and pressure to boost spending before the upcoming presidential election in spring 2024. The index increases for pensions next year have already been announced. With ongoing war spending, which is lifted to 6% of GDP in the new budget (from 3.9% in 2023), government expenditures next year are set to rise significantly. In October, the federal budget showed a sizeable surplus and federal budget revenues in January–October were up by 4.3% on their year-ago level. Following a big decline in the first half of the year, oil and gas revenues rose in the third quarter, recovering to their 2021 level, driven both by the higher oil price and the ruble's weakness.

In an effort to curb Russia's hydrocarbon exports, both the US and the EU are now focusing on measures to prevent companies from selling tankers into Russia's shadow fleet or providing services to them. The US recently sanctioned five tankers. It's unclear whether these measures will have a significant impact in the coming months.



Foreign trade surplus recovered in September–October; inflation continues to exceed the target; real wages continue fast growth

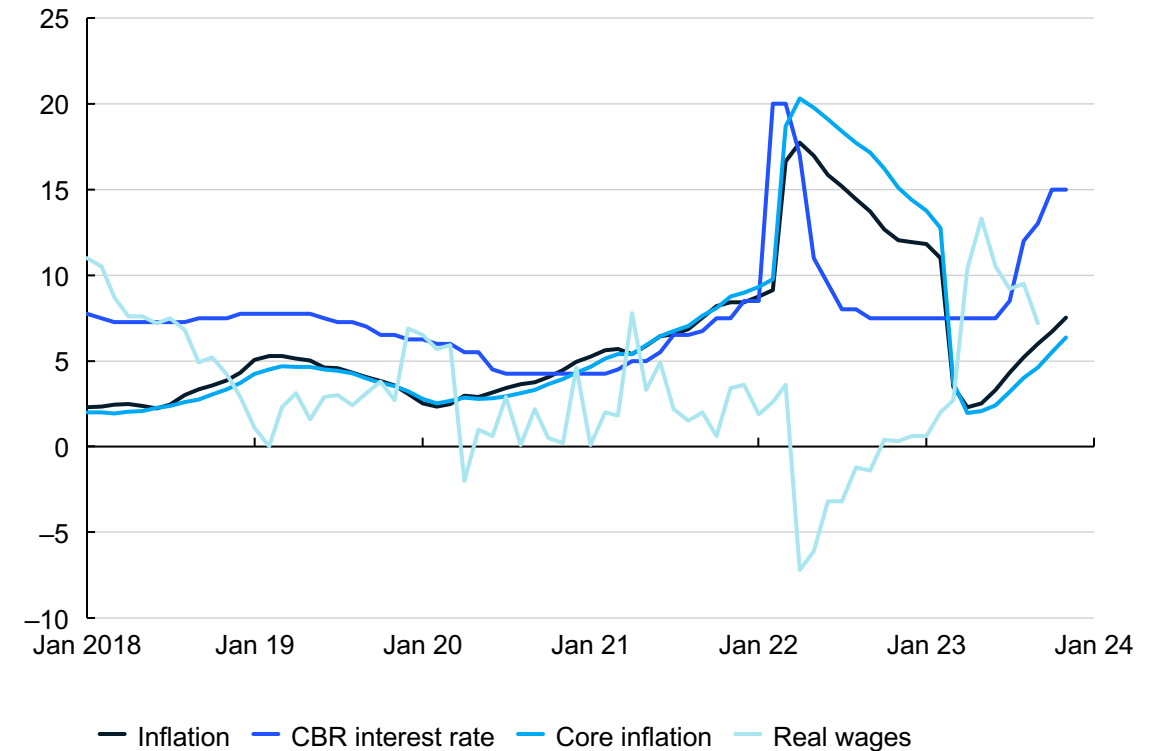
Foreign trade of goods

USD billion, through September 2023



Inflation: the central bank interest rate and real wages

% change (y-o-y); %



Domestic recovery steadily continued over Q3 amid heightened inflation, credit expansion, and improving fiscal stance

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

	Indicator category	Change vs prior month	Change vs pre-COVID levels	
Macro-economic	Consumer			<p>Short-term activity indicators stable over Q3 and October amid tight labor market, rising inflation, and recovering foreign trade</p> <ul style="list-style-type: none"> Retail sales broke the series of monthly declines, and grew by 0.7% month on month, but did not offset losses realized since April. Annual growth picked up to 12.1%, benefiting from the extremely low base of the first few months of the Russia-Ukraine war. Industrial production remained stagnant in October. Annual dynamics eased to +4.4% year on year (4.9% on average in Q3). The purchasing managers' index for manufacturing stood at 53.8 in November, unchanged from October. Construction output expansion eased to 3.2% year on year in October, still supported by government mortgage subsidies. October exports reached \$37 billion; dynamics improved to -15% y-o-y from -23% y-o-y in Q3. Imports declined to \$22.9 billion, an annual contraction of 9.1%. As a result, the October trade balance jumped to \$14.3 billion from a monthly average of \$10.6 billion in Q3. Headline inflation has accelerated to 7.5% year on year in November from 6.7% in October. Core inflation increased to 6.4% from 5.5%. The median value of expected consumer inflation exceeded 12%. Labor market remains tight, with the unemployment rate at a historical low of 2.8% in October and high real wage growth (7.2% year on year in September). Next January's 18.5% minimum wage hike will deliver an additional boost to wage growth.
	Industry			
	Real estate			
	External sector, trade			
	Prices			
	Labor market			
	Foreign exchange			
Financial markets	Equities			<p>Continued expansion of subsidized credit</p> <ul style="list-style-type: none"> The ruble has been relatively stable mid-November and traded between 88 and 92 per dollar; on December 11 it traded at 91.5:1\$. Government debt yields have stabilized at around 12.0% since mid-October (as of December 10). In October, household credit was up 23.8% year on year versus 22.4% in September. Corporate credit growth slowed to 27.4% year on year from the July peak of 30.5% year on year. Tightening of monetary policy should lead to some slowdown in the credit market.
	Debt			
	Credit			
	Public policy			
Government and policy	Public-sector health			<p>Improving fiscal stance towards year end</p> <ul style="list-style-type: none"> President Vladimir Putin has confirmed he will run for another six-year presidential term in the March 2024 election, with no obvious competition. In October, the federal budget posted a sizeable surplus. Total revenues recovered and were up 4.3% year on year during the period January to October. Following a sanctions-driven collapse in hydrocarbon revenues in the first few months of the year, this revenue stream has recently improved. Moreover, non-hydrocarbon revenues have received a boost from the resilience of the economy. Expenditure increased by 11.7% year on year during the same period, owing to a spending spree in the first half of the year. The federal budget will likely end the year with a deficit smaller than the 2% of GDP target.

Brazil

Brazil's economy shows resilience with 0.1% Q3 GDP growth over Q2 2023; food inflation increased after falling for five consecutive months.

Overall, inflation fell for a second consecutive month, to 4.68% (4.82% in October)—dropping into the central bank's target range where the upper limit is defined as 4.75%. Consumer prices decelerated for transportation. Food prices went up. Household food prices rose 1.06% after five consecutive falls. Seasonally, a rise in food prices is expected at the end of the year, coinciding with the arrival of the rainy season. However, this year's floods in the south and drought in the north caused additional problems.

In the third quarter, Brazil's GDP rose 0.1% compared to the previous quarter and climbed 2.5% year on year. High interest rates and a slowdown in the key agricultural sector weighed on Latin America's biggest economy. Agriculture was the main driver of the slowdown, contracting –3.3% versus the second quarter. Despite this, the central bank forecasts 2.84% GDP growth in 2023.

Consumer confidence slightly dropped to 93.0 in November, from 93.2 in October, decreasing for the second consecutive month and remaining below the 100-point threshold.

Brazil's purchasing managers' index for manufacturing rose to 49.4 in November from 48.6 in October, up for the first time since August, but below the neutral 50 mark for the third consecutive month. The increase was driven by an uptick in job creation, strengthening business confidence, and softer declines in sales and production. On the downside, output and new orders decreased for the third successive month.

The services PMI climbed slightly to 51.2 in November from 51.0 in October, rising for a second consecutive month. This increase indicated expansions in both new business and output heading towards the end of 2023.

The picture for inflation was mixed. Input costs rose at one of the slowest rates seen for over three years, but there was a stronger increase in selling prices. The composite PMI signaled a marginal increase, up from 50.3 in October to 50.7 in November, staying in expansion territory for a second consecutive month.

On the financial markets, the monthly average exchange rate was BRL 4.90 per US dollar in November, compared to 5.06 in October. The November Bovespa equities index rose, adding 4.4% in value. Meanwhile, the three-month moving average unemployment rate slightly declined to 7.6% in October (7.7% in September), its lowest since 2015.

In November, the balance of trade showed a surplus of US \$8.8 billion, with exports totaling US \$27.8 billion (US \$29.4 billion in October) and imports reaching US \$19.0 billion (US \$20.5 billion in October).

Brazilian banana exports have declined this year, particularly to the Mercosur¹ region, which accounts for some 70% of Brazil's banana exports, despite improved shipments to the European Union. The roughly 75% drop in exports to Mercosur (from February to October 2023) is attributed to several factors, including the impact of recurring cyclones in Santa Catarina state, Brazil's principal banana exporting region, and the economic crisis in Argentina, a major destination for Brazilian bananas.

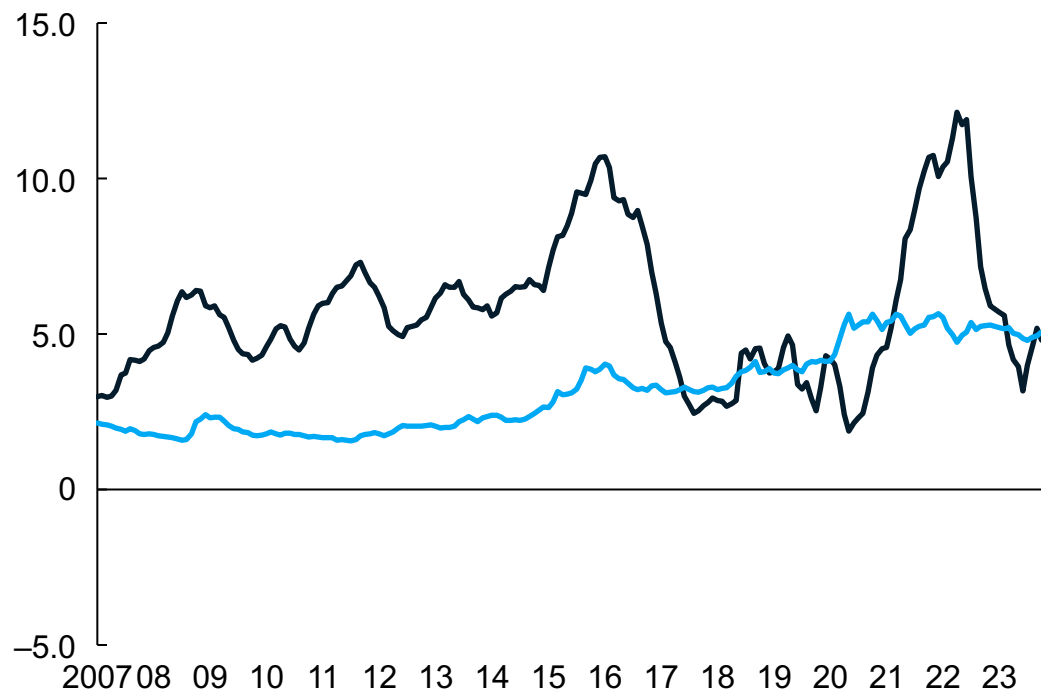
1. Economic bloc founded in 1991, composed of Argentina, Bolivia, Brazil, Paraguay, and Uruguay.



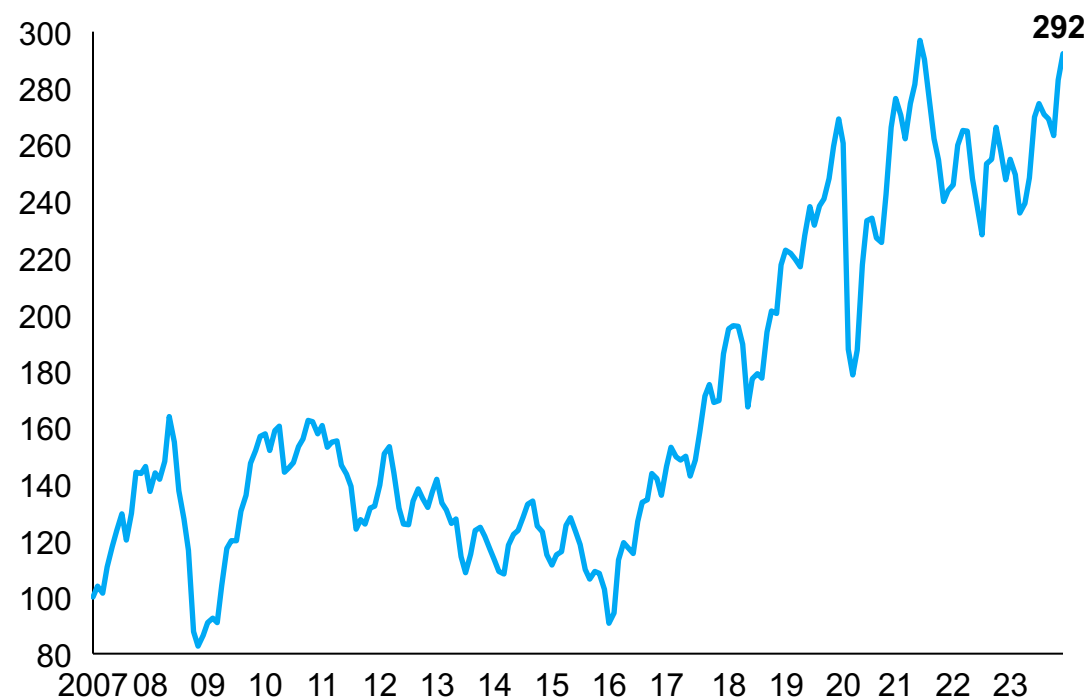
In November, inflation fell and the Brazilian real gained ground; the equity market's performance slightly improved

Consumer price index¹; exchange rate
% change y-o-y; average BRL per USD, monthly

— CPI
— Exchange rate



Bovespa index²
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 is 3.25% with a margin of error of 1.5 percentage points.

2. Data through December 6, 2023.

Both services and manufacturing PMIs rose this month, driven by an uptick in job creation and expansion of output and new business

		Change vs prior month	Change vs pre-COVID levels ¹
Macroeconomic	Consumer	Worsening	Improving
	Business, industry	Improving	Worsening
	Real estate	No significant change	No significant change
	Trade, external	Worsening	Improving
	Prices	Improving	Improving
	Labor market	Improving	Improving
	Foreign exchange	Improving	Improving
Financial markets	Equity	Improving	Improving
	Debt	Improving	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

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

Consumer confidence and unemployment both down in November

- Consumer confidence dropped to 93.0 in November, from 93.2 in October—decreasing for the second time since February, but still remaining above pre-COVID-19 levels. Business confidence increased to 92.7 in November compared with 90.8 in October—8.0% below pre-COVID-19 levels.
- The purchasing managers' index (PMI) for manufacturing increased to 49.4 in November (48.6 in October). The services PMI climbed to 51.2 in November (51.0 in October).
- In November, the balance of trade recorded a surplus of US \$8.8 billion, with exports totaling US \$27.8 billion (down from US \$29.4 billion in October) and imports reaching US \$19.0 billion (down from US \$20.5 billion in October).
- Inflation reached 4.62% (4.82% in October), dropping for a second consecutive month. The consumer price index (CPI) is one percentage point above pre-COVID-19 levels.
- The three-month moving average unemployment rate decreased slightly to 7.6% in October (7.7% in September)—which is both the lowest level since 2015 and some 30% lower than the pre-COVID-19 rate.

The Brazilian real gained strength against the US dollar; the Bovespa index added value

- In November, the real gained strength against the US dollar. The monthly average exchange rate was BRL 4.90 per US dollar (5.06 in October). On December 6, the exchange rate was 4.90 BRL per US dollar.
- The Bovespa equities index rose 4.4% over the month (up to December 6); it lost 3.3% in value up to November 11.

Lula's debt-relief program serves seven million Brazilians; youth unemployment reaches lowest level since 2014

- Brazil's Finance Minister said that over seven million Brazilians have renegotiated their debts through *Desenrola*, a federal program launched in July this year; this allows people to clean their credit scores. By helping low-income families get out of debt, the government hopes to stimulate the economy—family consumption is a key economic driver on the demand side, typically accounting for more than 60 percent of Brazil's GDP. Household debt has decreased from an all-time high of 34.7% (as a share of GDP) in the first quarter of 2023 to 34.3% in the second quarter. Demand for credit among consumers has decreased every month since May 2022. Consumer spending has been increasing steadily since the decline in 2020.
- Youth unemployment fell to 16% in the third quarter, according to statistics agency the IBGE. Joblessness among people aged 18 to 24 is at its lowest level since 2014; it has been on a continuous downward trend since 2021 (from 29% in 2021 to 21% in 2022). The latest recessions have been the main driver for youth unemployment, with people needing to take on any employment to guarantee income and potentially interrupting their studies to get a job. A quota system reserving 50% of admissions to top Brazilian public universities for students from public high schools, with a priority for those from disadvantaged backgrounds, has helped reduce youth unemployment.

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

McKinsey
& Company

