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Global Economics Intelligence

Global Summary Report

Released November 2024 (data through October 2024)

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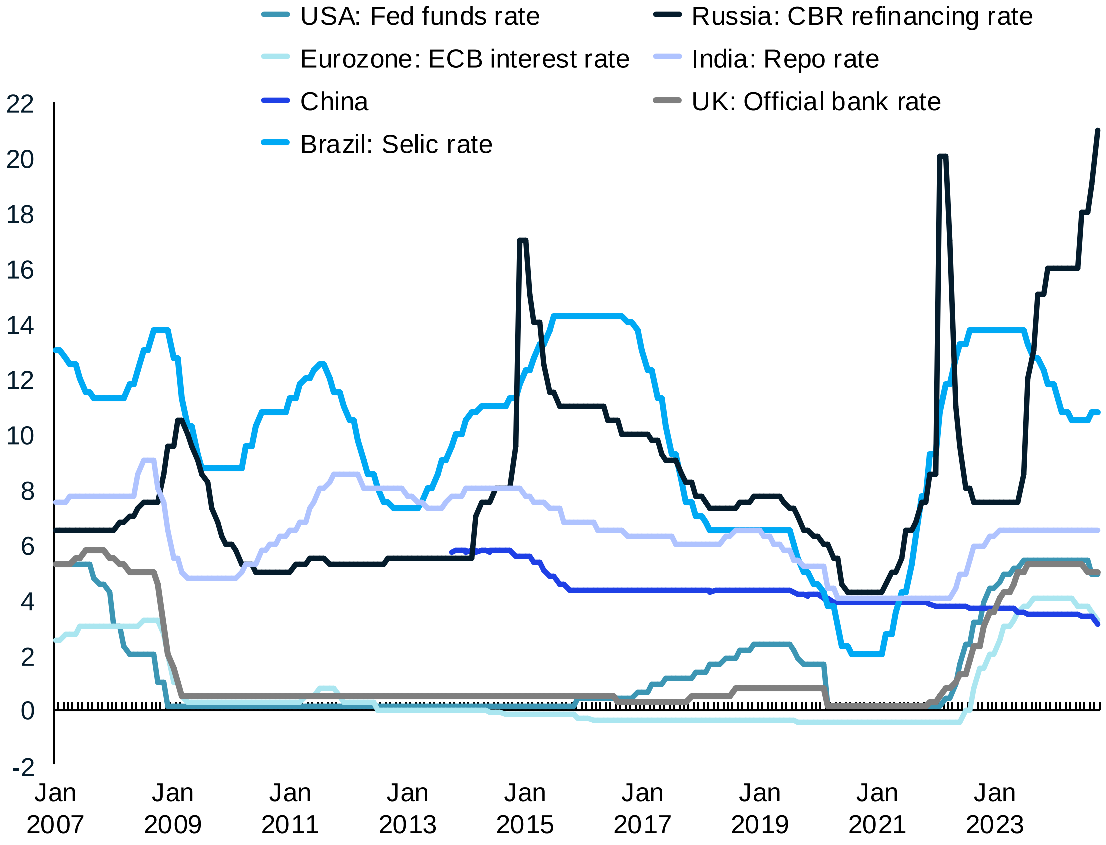
The Fed and Bank of England continued cutting rates this month—in contrast to Brazil, which raised rates to combat rising inflation

Central-bank interest rates
Percent



Following the US elections, economic uncertainty has heightened, raising numerous questions about the future of trade. At the same time, China has announced additional stimulus measures, and central banks continue to normalize monetary policy as inflation eases.

Economies continue to face a range of geopolitical, climatic, and inflation-led challenges, with some also feeling the effects of structural issues. Against this backdrop, China, India, and the US are outperforming other surveyed economies.

Among developed economies, US GDP continues to eclipse output on the other side of the pond. Real GDP in the US increased at an annual rate of 2.8% in the third quarter of 2024, according to the “second” estimate. In the second quarter, real GDP rose 3.0%. This third-quarter increase primarily reflects rises in consumer spending, exports, federal government spending, and business investment, according to Bureau of Economic Analysis. By comparison growth in Europe was subdued. In the Eurozone, Q3 GDP growth was 0.2% quarter on quarter, and 1.0% year on year. Real GDP growth is expected to be 0.8% in 2024 and 1.3% in 2025, according to European Commission November projections. After prolonged stagnation, the EU economy began growing in the first quarter of this year, and growth continued at a steady but subdued pace through the second and third quarters, with inflationary pressures easing. In the UK, quarterly real GDP is estimated to have grown by 0.1% quarter on quarter in Q3 2024 (after growing by 0.5% in the second quarter) and grew 1% year on year in the third quarter.

Commentators have been busy assessing the impact of President Trump’s return to the White House on the global economy. However, given the broad-brush nature of his campaign utterances and lack of policy detail at this stage, it’s too early to assess how things will play out. Tariffs have been a major talking point with analysts discussing the likely effects on China, Europe, and the domestic US economy. Analyses indicate that there would be some negative impact for the US, with a large rise in tariffs feeding inflation at home, with an accompanying reduction in growth for all affected countries. If Trump does impose 60% tariffs on Chinese goods, as outlined during his campaign for the White House, China’s economy (with manufacturing accounting for almost 40% of GDP) could be significantly impacted.

From a European perspective, former Italian prime minister and ECB president Mario Draghi’s report *The future of European competitiveness* (published September 9) has examined differences in competitiveness between the EU and other global economies. It identifies three main areas for action to reignite sustainable growth. Its principal conclusion is that “Europe must profoundly refocus its collective efforts on closing the innovation gap with the US and China, especially in advanced technologies.” It states that innovative companies that want to scale up in Europe are hindered at every stage by inconsistent and restrictive regulations. The report also calls for a joint plan for decarbonization and competitiveness.

The third area for action relates to increasing security and reducing dependencies, with Europe notably exposed especially in relation to the supply of critical raw materials, microchips, and defense.

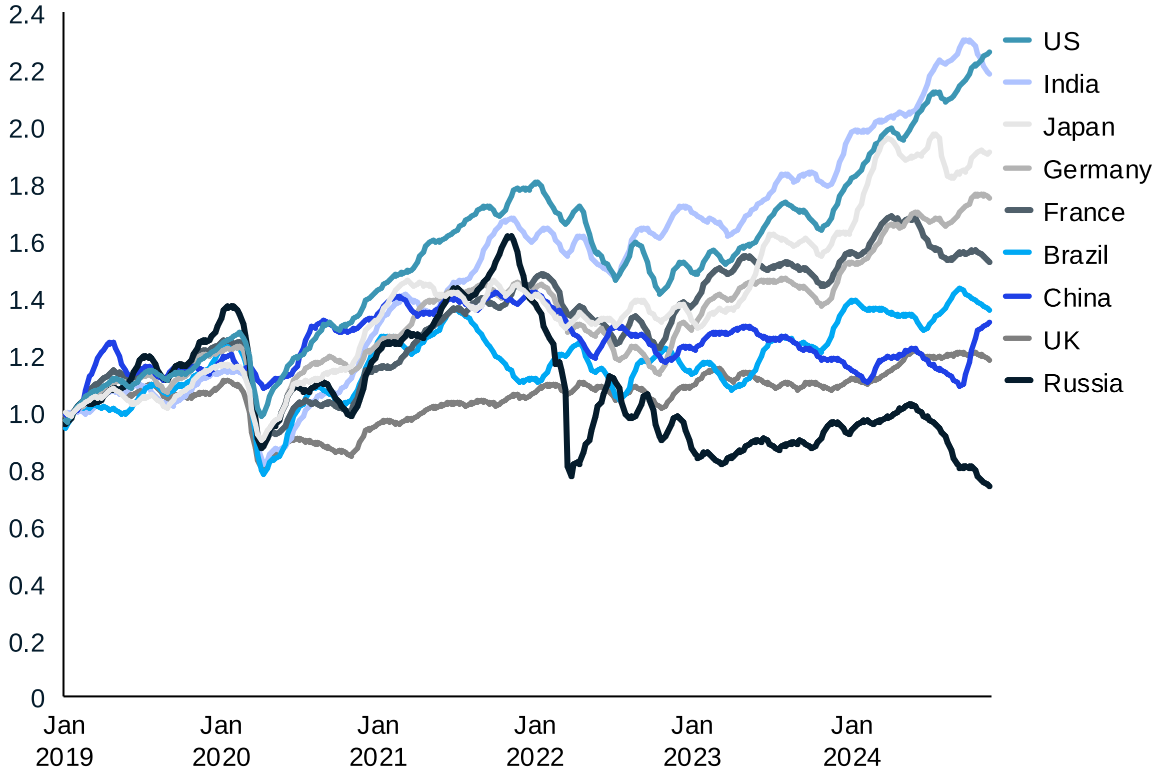
Unsurprisingly, GDP in the emerging economies is somewhat higher than among developed economies but there has been a slowdown. China saw industrial output growth stable in October, registering a 5.3% increase (5.4% in September). Following introduction of a succession of stimulus measures over recent months, early November saw China’s Ministry of Finance unveil a five-year debt-relief package totaling RMB 10 trillion. This is aimed at swapping existing hidden government debt. Estimates indicate the swap will save local governments approximately RMB 600 billion in interest payments over this period.

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

Equity indexes delivered a mixed performance in November. US stock markets shone with both the S&P 500 and the Dow Jones posting their biggest monthly gains of the year to date. (1/2)

Equity markets

Five-week moving average, daily, index (Jan 2019 = 1)



India's output has been expanding at a similar pace, with the economy growing 5.4% year on year in Q3. However, this represents a deceleration compared to the 7–8% growth seen in recent quarters. Nevertheless, the Reserve Bank of India remains optimistic, projecting GDP growth of 7.2% for the fiscal year ending March 2025. Russia's wartime economy is now slowing with growth forecasts for next year strongly dependent on levels of government support.

Meanwhile, in seeking to strike a balance between the risks of inflation and interest rates holding back their economies, the Fed and Bank of England continued cutting rates this month—in contrast to Brazil, which raised rates to combat rising inflation. At its November 7 meeting, which considered the balance of risks in relation to long-term inflation and employment objectives, the Fed's Federal Open Market Committee (FOMC) opted to lower the target range for the federal funds rate by 0.25 percentage points to 4.50–4.75 %. A day earlier the Bank of England's Monetary Policy Committee (MPC) voted to cut its policy rate to 4.75%. By contrast, Brazil's central bank raised the country's benchmark Selic interest rate by half a percentage point to 11.25% in November. This was in response to a second monthly rise in inflation, with October's reading of 4.76% breaching the Banco Central do Brasil's target upper limit of 4.50%. With Brazil seemingly ahead of the economic cycle compared to other surveyed economies, this raises the question of whether its inflationary upturn is a signal that other central banks could find themselves in a similar situation over the coming months. Meanwhile, Russia's wartime economy continues to be a special case. A strong underlying inflationary trend persists such that the Central Bank of Russia (CBR) raised its key rate to 21% in October, bringing cumulative tightening since June to 500 basis points. The bank also reiterated a hawkish message, warning that it will raise rates again if inflationary pressures fail to abate, potentially in December.

Consumers and producers continue to feel the pressure of high prices, even as inflation eases; final prices have increased by an average of 20–25% since 2019. And consumers remain cautious as new risks emerge. While consumption has been accelerating, in some countries this is still largely driven by prices, with real consumption still subdued. In the US, October's consumer confidence index (Conference Board) increased to 108.7, up from September's 99.2. Retail and food services sales for October (adjusted for seasonal variation and holiday and trading-day differences) were $718.9 billion—a 0.4% increase from September. In Brazil, consumer confidence remains below the neutral 100 mark and ticked down to 93.0 in October (93.7 in September), decreasing for the first time in five months. Business confidence rose to 98.1 in October (97.4 in September), continuing its upward trend. On a brighter note, consumer confidence in Mexico was stable in September at 105.5, remaining above the neutral 100-point mark and at the highest level among OECD countries.

Inflation remains under control, albeit that it is slightly elevated in most countries. Expectations around inflation have risen but the outlook remains in the band 2.0–2.3%. In September, food prices were largely unchanged globally, at some 22% above pre-pandemic levels but they are becoming the main driver of inflation in emerging economies.

Among the advanced economies, US consumers' one-year-ahead inflation expectations at the one-year horizon dipped slightly to 2.9% in October (3.0% in September) and, at the five-year horizon, declined to 2.8% from 2.9%, according to the September Survey of Consumer Expectations. Producer prices are accelerating in the US, while the consumer price index (CPI) rose 2.6% for the 12 months ending October, after rising 2.4% over the 12 months ending September. Core inflation rose slightly to 3.3% (annualized) in October. Headline inflation in the

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

Equity indexes delivered a mixed performance in November. US stock markets shone with both the S&P 500 and the Dow Jones posting their biggest monthly gains of the year to date. (2/2)

Eurozone was at par with the 2% target, mainly due to declining energy prices (–4.5%) in October, while core inflation stood at 2.7%. Services inflation was 4.0%, which still points to strong domestic price pressures. The UK CPI rose to 2.3% in October, with higher electricity and gas prices partially offset by lower prices for recreation and culture. UK CPI inflation is expected to rise to around 2.75% by the second half of 2024, as last year's declines in energy prices fall out of the equation, according to the Bank of England's November Monetary Policy Report.

Among the emerging economies, China continues to battle deflation. CPI inflation has remained low, with the index registering a modest 0.3% in October, a slight dip from September's 0.4%. However, producer prices posted a decline of −2.9% in October versus September's −2.8%. India's retail inflation surged to a 14-month high of 6.21% in October, up from 5.5% in September. This rise was largely driven by food inflation, which reached 9.7% year-on-year in October. In Brazil, inflation climbed to 4.76% in October (4.42% in September), increasing for the second consecutive time and breaching the Central Bank's target upper limit (4.50%).

Commodity prices have generally remained stable, while the rush for gold continues amid heightened uncertainty. Holdings of the yellow metal are traditionally seen as a convenient way for central banks to diversify their assets. Gold prices have surged by nearly 15% over the past three to four months, with the price per ounce up around 40% on the year. However, prices for industrial metals have also risen slightly, extending their upward trajectory. Energy prices, in contrast, have been stable in November and continue to move sideways.

Both the manufacturing and services sectors maintained the status quo from the previous month, but risks within the manufacturing sector are rising due to lower consumer demand. Companies are reporting a fourth consecutive month of declining new order intake. The services sector remained broadly stable, with stronger growth observed in China, India, and Russia.

In the US, the industrial production index declined slightly to 102.3 in October (102.6 in September). October's purchasing managers' index (PMI) for manufacturing was revised higher to 48.5 from a preliminary of 47.8, following a 15-month low of 47.3 in September.

The seasonally adjusted S&P Global UK Manufacturing PMI posted 49.9 in October, down from 51.5 in September. This is the first time that the PMI has fallen below the neutral 50.0 mark since April. A lack of market optimism, slower economic growth, stretched supply chains, and concerns about the impact of the UK Budget announcement drove the slowdown.

Manufacturing in emerging economies was more buoyant. In October, India's manufacturing sector maintained its expansionary momentum, with the manufacturing PMI reaching 57.5. This strong performance was driven by robust demand for goods and steady production growth. Brazil's manufacturing PMI fell slightly to 52.9 in October (53.2 in September), remaining above the neutral 50 mark for a tenth month running and indicating modest expansion. Despite falling, the latest reading was consistent with a solid pace of growth. However, Mexico continues to experience challenging business conditions. Driven by a prolonged decline in new business inflows, firms reduced production volumes, laid off workers, and trimmed their input purchases. October's manufacturing PMI rose from 47.3 in September to 48.4.

Services in developed economies continue to be strong. In the US, the services PMI decreased slightly to 55 (55.2 in September) but remained in the expansion zone. UK service sector output also continued to expand in October, supported by another solid upturn in new work, but the rate of expansion eased for a second month running. At 52.0 in October, down from 52.4 in September, the headline UK Services PMI pointed to the slowest increase in output levels since November 2023—although it has remained in positive territory during each month since.

Similarly, the services sector expanded in India, with the services PMI increasing to 58.5, indicating healthy growth across multiple industries. October saw Brazil's services PMI climb to 56.2 (from 55.8 in September). The latest rate of expansion was the second highest in 28 months (behind July), driven by positive demand trends and new business gains.

Unemployment rates have remained stable across most surveyed economies. In the US, the unemployment rate remained unchanged at 4.1% in October (3.5% in January 2020). Total nonfarm payroll employment was also essentially unchanged (up 12,000). In the UK, unemployment was estimated at 4.3%. China saw the overall surveyed urban unemployment rate drop slightly to 5.0% in October, down from 5.1% in September. The youth unemployment rate decreased to 17.1% in October, slightly down from 17.6% in September. In Brazil, the three-month moving average unemployment rate fell to 6.4% in September (6.6% in August), down for the sixth time this year, and lower than the same period last year (7.7%). Mexico saw total unemployment drop by 0.02 percentage points in September, reaching 2.74%. During the same period, formal employment grew by approximately 91,000 workers, with the largest increases reported in the agriculture and social services sectors.

On the markets, equity indexes delivered a mixed performance in November. However, US stock markets shone with both the S&P 500 and the Dow Jones posting their biggest monthly gains of the year to date. Meanwhile, government bond yields in most economies have appeared to slow slightly over recent months.

Trade deficits widened in some economies. Overall, world trade volume fell 0.9% in September, with growth across all trade flows in emerging economies and exports in advanced economies. September saw the US trade deficit widen to $84.4 billion, its highest since April 2022. In contrast, Eurozone trade bounced back to a €12.5 billion surplus, from €4.6 billion in August.

* * *

Notable climate volatility over past months is increasing the intensity of focus on the challenge of carbon reduction, amid concerns about food security, drought, storm damage, habitat destruction, and disease. This has urgent implications for businesses, policymakers, and citizens around the globe, especially given the enormous scale of the financing required to address the issue.

November's 2024 United Nations Climate Change Conference (COP29) in Baku, Azerbaijan agreed to triple finance to developing countries, from a previous goal of $100 billion annually, to $300 billion annually by 2035. The conference has also resolved to secure efforts of all actors to work together to scale up finance to developing countries—from public and private sources—to the sum of $1.3 trillion per year by 2035.

However, the agreed amount is far lower than economists' estimated need of at least $1 trillion per annum. Research outlined in a 2022 McKinsey Global Institute report indicated that up to $9 trillion per year would be required by 2050 if all physical assets across the developed and developing world are included.

COP29 was a wake-up call for companies. Today's business environment differs considerably from the one that existed when many sustainability plans were developed: interest rates are higher, inflation is a persistent challenge, geopolitical circumstances are adding to energy and supply chain pressures, and the costs of sustainability projects have frequently been underestimated. Companies are core to the sustainability challenge and many businesses will need to re-evaluate their sustainability strategies as we move towards 2025

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

[Advanced economies]: In the advanced economies, equities soar as Trump wins second term; US and UK cut interest rates September; Eurozone returns to trade surplus.

United States

Trade deficit widened to $84.4 billion, the highest since April 2022; 0.25% Fed rate cut; stocks surge to record highs as Trump returns to presidency.

At November's meeting considering the balance of risks in relation to its long-term goal, FOMC decided to lower the target range for the federal funds rate by 0.25 percentage points to 4.50–4.75 %.

September exports were valued at $267.9 billion, $3.2 billion less than August's exports. September imports reached $352.3 billion, $10.3 billion more than in August. The monthly deficit climbed 19.2% to $84.4 billion in September.

The consumer price index rose 2.6% for the 12 months ending October, after rising 2.4% over the12 months ending September. Core inflation slightly increased to 3.3% (annualized) in October. Consumers' one-year-ahead inflation expectations at the one-year horizon dipped slightly to 2.9% (3.0% in September) and at the five-year horizon declined to 2.8 % from 2.9%, according to the September Survey of Consumer Expectations.

Retail and food services sales for October (adjusted for seasonal variation and holiday and trading-day differences) were $718.9 billion—a 0.4% increase from September. The consumer confidence index (Conference Board) increased in October to 108.7, up from 99.2 in September.

The unemployment rate remained unchanged at 4.1% in October (3.5% in January 2020). Total nonfarm payroll employment was essentially unchanged (up 12,000).

The industrial production index dropped slightly to 102.3 in October (102.6 in September). October's purchasing managers' index (PMI) for manufacturing was revised higher to 48.5 from a preliminary of 47.8, following a 15-month low of 47.3 in September. The services PMI decreased slightly to 55 (55.2 in September).

November saw US stock markets post their biggest monthly gains of the year to date. The S&P 500 gained 5.7% this month while the Dow Jones climbed 7.5% in November.

On the housing market, the 30-year fixed-rate mortgage increased to 6.8% by November 14 (6.5% in October). Existing home sales decreased by 1% in September. During October, housing residential starts decreased to 1,311,000 (down from a revised figure of 1,353,000 in September). Completions were down to 1,614,000 from 1,688,000 in September.

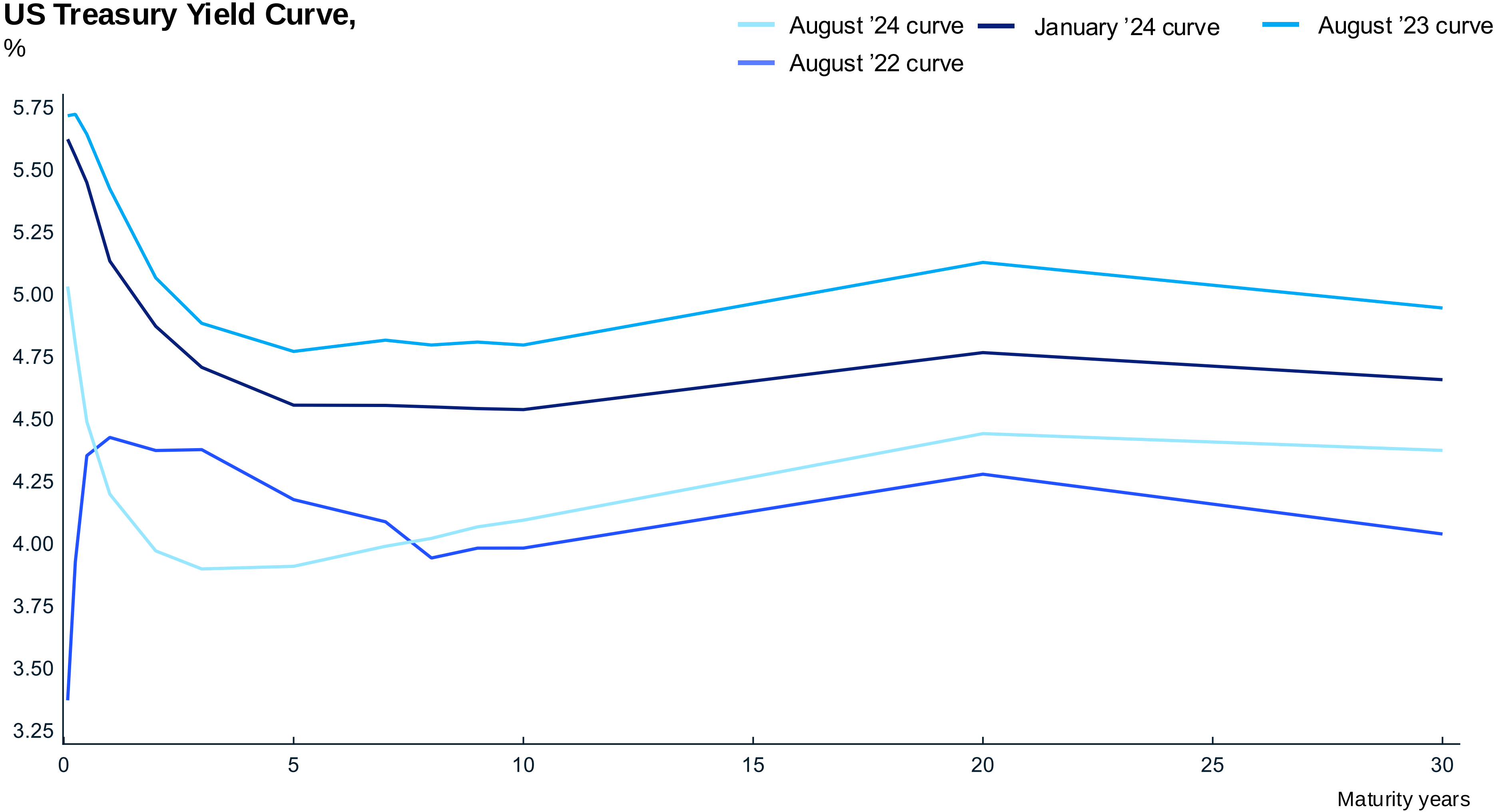
After a presidential race full of undecided voters, on November 5 Donald Trump was elected the 47th president of the United States. The Republican Party candidate won across all the so-called swing states (states that could potentially be won by either candidate) to achieve the 270 Electoral College votes needed to achieve victory. President-elect Trump exceeded polling expectations to carry the electoral college by 312 electoral votes; current vice president Kamala Harris won 226. Trump, who was also the first Republican to win the popular vote in 20 years, has trailed a range of policies including lowering regulations, taxes, and energy costs, a focus on illegal migration, and higher tariffs on foreign imports.

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

The yield curve has remained inverted for the past year, signaling market expectations for interest rate cuts and economic slowdown

Despite inverted curve, US economy continues reporting economic growth

US Treasury Yield Curve,
%



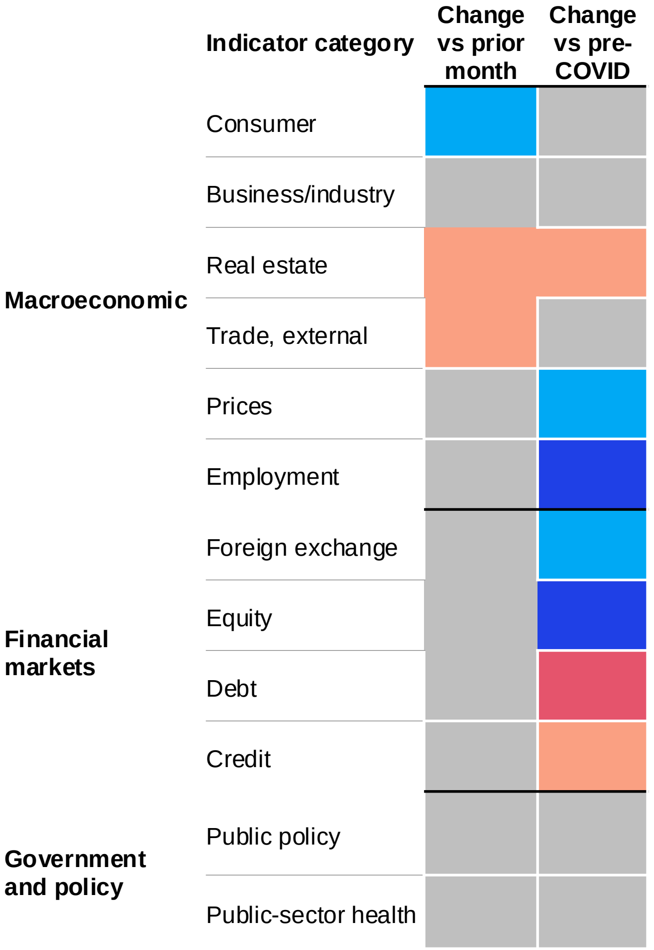
Despite the Federal Reserve no longer forecasting a recession, the yield curve still signals expectations for an economic slowdown.

Historically, an inverted yield would have predicted an economic slowdown; for the time being it only indicates an equity market expecting US interest rates to drop in the near future.

Source: Federal Reserve; McKinsey Global Institute

Trade deficit widens to $84.4 billion, the highest since April 2022; stocks surge to record highs; Donald Trump returns to presidency

🟦 Significant improvement 🔷 Improving ⬜ No significant change 🟧 Worsening 🟥 Severe decline



	Indicator category	Change vs prior month	Change vs pre-COVID
Macroeconomic	Consumer	🔷	⬜
	Business/industry	⬜	⬜
	Real estate	🟧	🟧
	Trade, external	🟧	⬜
	Prices	⬜	🔷
	Employment	⬜	🟦
Financial markets	Foreign exchange	⬜	🔷
	Equity	⬜	🟦
	Debt	⬜	🟥
	Credit	⬜	🟧
Government and policy	Public policy	⬜	⬜
	Public-sector health	⬜	⬜

Trade deficit up to $84.4 billion, highest since April 2022; consumer confidence in strongest monthly gain since March 2021

- The industrial production index dipped slightly to 102.3 in October (102.6 in September). October's purchasing managers' index (PMI) for manufacturing was revised higher to 48.5, from a preliminary of 47.8, following a 15-month low of 47.3 in September; the services PMI decreased slightly to 55 (55.2 in September).
- Retail and food services sales for October (adjusted for seasonal variation and holiday and trading-day differences) were $718.9 billion—a 0.4% increase from September. The consumer confidence index (Conference Board) increased to 108.7 in October, up from 99.2 in September.
- September exports were $267.9 billion, $3.2 billion less than August's exports. September imports were $352.3 billion, $10.3 billion more than August's imports. September's deficit rose to $84.4 billion, up by 19.2% on the previous month.
- On the housing market, the 30-year fixed-rate mortgage increased to 6.8% by November 14 (6.5% in October). Existing home sales decreased by 1% in September. During October, housing residential starts decreased to 1,311,000 (down from a revised figure of 1,353,000 in September). Completions are down to 1,614,000 this month (from 1,688,000 in September).
- The unemployment rate remained unchanged at 4.1% in October (3.5% in January 2020). Total nonfarm payroll employment was essentially unchanged (up 12,000).
- The consumer price index rose 2.6% for the 12 months ending October, after rising 2.4% over the12 months ending September. Core inflation slightly increased to 3.3% (annualized) in October. Consumers' one-year-ahead inflation expectations at the one-year horizon declined slightly to 2.9% (3.0% in September) and, at the five-year horizon, dipped to 2.8 % from 2.9%, according to the September Survey of Consumer Expectations.

In October, the S&P 500 and Dow Jones fell 0.99% and 1.3% respectively; the FOMC lowered interest rates by 0.25 p.p.

- In October, the S&P 500 was down 0.99%, bringing the one-year return to 36.0%; the Dow Jones dropped by 1.3% for the month, registering 26.3% in terms of its one-year growth. During October, the CBOE Volatility Index averaged 21.8 (19.2 in September).
- At November's meeting considering the balance of risks in relation to its long-term goal, the FOMC decided to lower the target range for the federal funds rate by 0.25 percentage points to 4.50–4.75%.

Donald Trump will be the 47th president of the United States; US stock markets surge to record highs following election

- After a presidential race full of undecided voters, on November 5 Donald Trump was elected the 47th President of the United States. The Republican party won enough swing states to garner the 270 Electoral College votes needed to declare victory.
- In the wake of the election results, US stock markets—the Dow Jones, S&P 500, and Nasdaq—hit record levels, with investors expecting to price in Trump's promises of tax cuts and tariffs, fueling the dollar and sparking a sell-off in US government bonds.

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

Eurozone

Nearly unchanged EC projections for eurozone; headline Inflation is at par with 2% target; eurozone trade surplus bounce back.

Q3 GDP growth was 0.2% quarter on quarter, and 1.0% year on year. Real GDP growth is expected to be 0.8% in 2024 and 1.3% in 2025, according to European Commission November projections. Compared to the spring projections, the GDP growth outlook is unchanged in 2024 and –0.1% for 2025. After prolonged stagnation, the EU economy began growing in the first quarter of this year. This growth continued at a steady but subdued pace through the second and third quarters, with inflationary pressures easing. Despite ongoing uncertainty, conditions seem favorable for a mild increase in domestic demand.

Eurozone trade bounced back to a €12.5 billion surplus in September 2024, from €4.6 billion in August. Goods exports in September 2024 reached €237.8 billion, compared with €216.7 billion in August. Imports were €225.3 billion, down by 0.6% month on month. This increase was mainly driven by an increase in the surplus for machineries and vehicles (from +€9.7 billion to +€13.8 billion) and a reduced deficit for energy (from –€25.7 billion to –€22.3 billion).

In the wake of below-target headline inflation, the ECB cut interest rates by 25bps to 3.4% on October 17. ECB President Christine Lagarde stated that, with inflation in line with expectations, it was appropriate to take another step towards moderating the level of monetary policy restriction.

In October, headline inflation was at par with the 2% target, mainly due to declining energy prices (–4.5%), while core inflation stood at 2.7%. Services inflation was 4.0%, which still points to strong domestic price pressures, with wages growth remaining elevated (4.7% in 2024 Q2). Producer prices have been in positive territory since December but posted –0.6% month on month and –3.4% year on year in September 2024. The EU Commission’s November projections show inflation is expected to be 2.4% in 2024 (unchanged), 2.1% in 2025 (unchanged), and 1.9% in 2026 (unchanged). For core inflation, ECB staff projections are: 2.9% in 2024 (up by 0.1 pp), 2.3% in 2025 (up by 0.1 pp), and 2% in 2026.

The forward-looking indicator, Eurocoin ticked up to 0.18 in October from 0.14 in September. The industrial production index fell by 2.0% month on month and 2.4% year on year in August. The composite PMI stood at 48.1 in November versus 50.0 in October; the services PMI declined to 49.2 in November (October: 51.6), while the manufacturing PMI fell to 45.2.

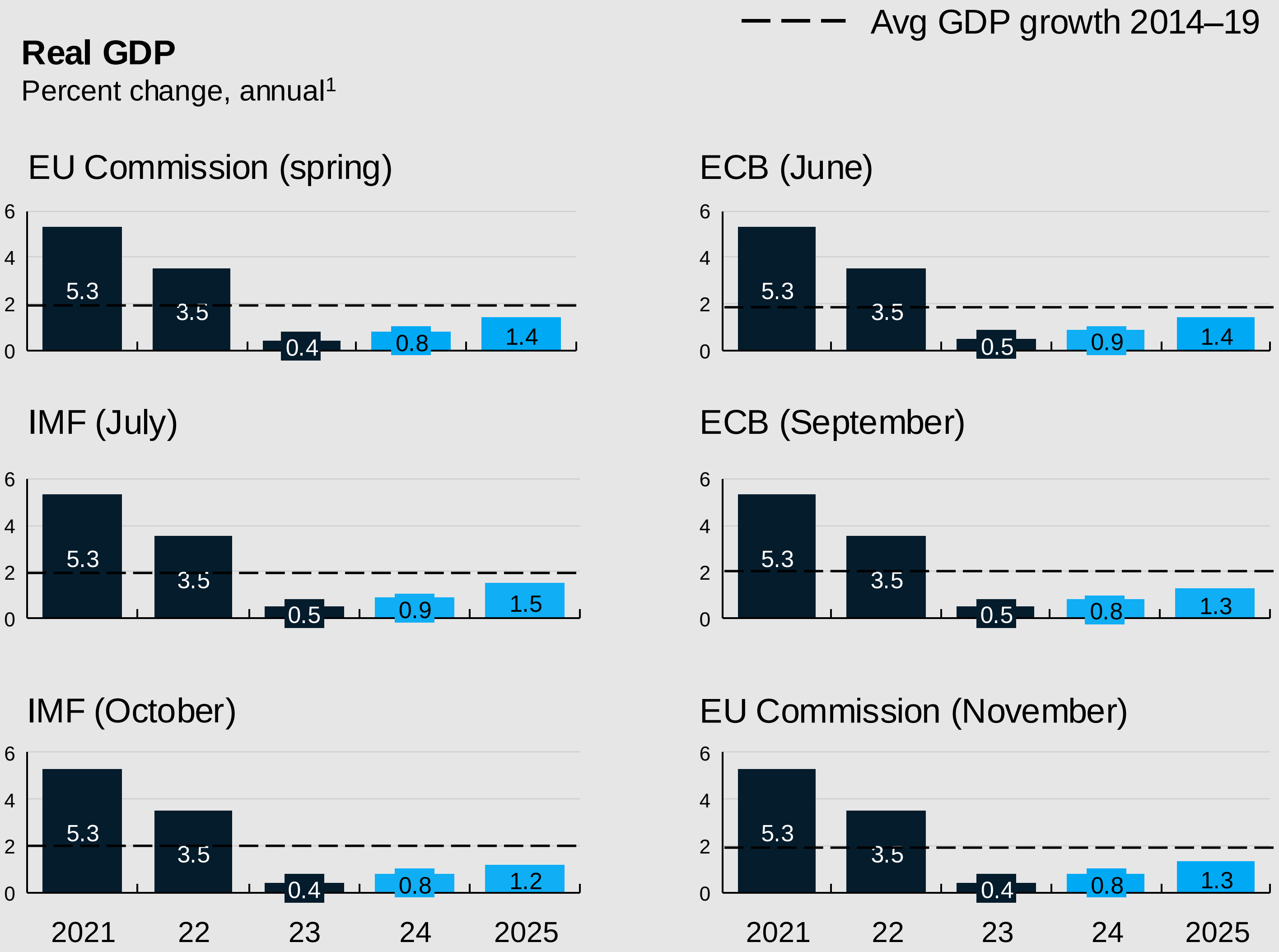
Extensive destruction and tragic loss of over 200 lives resulted from severe flash floods which struck the Community of Valencia in November.

Germany was engulfed by political crisis when Chancellor Olaf Scholz replaced Finance Minister Christian Lindner (leader of the Free Democrats) with Jörg Kukies. Scholz now needs opposition support to push through new legislation, including the 2025 budget.

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

Photo by Ilnur Kalimullin on Unsplash

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



Real GDP

Percent change, annual[1]

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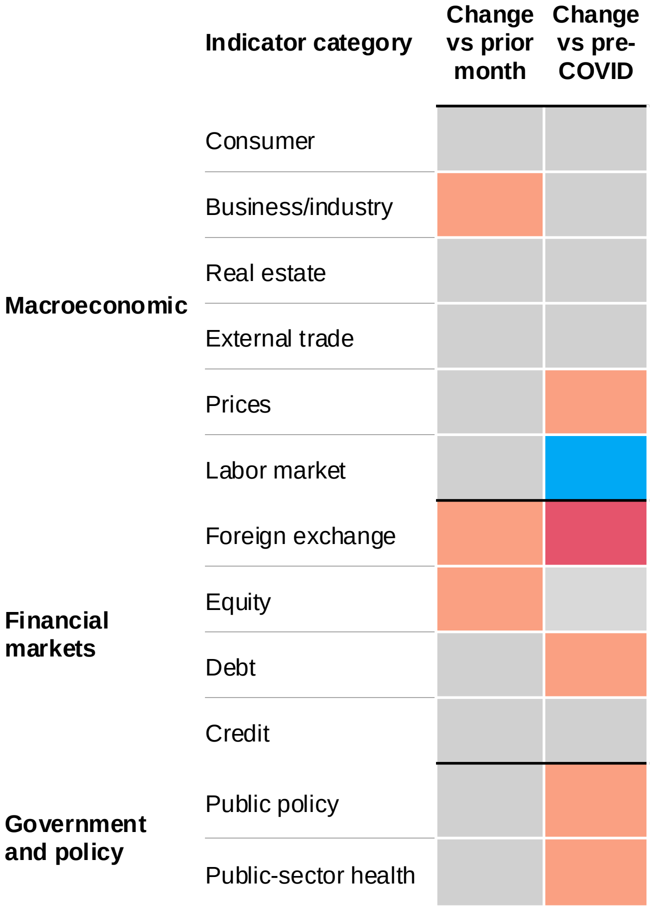
1. Includes ECB (Jun & Sept ’24), EU Commission (May & Nov ’24), IMF (Jul & Oct ’24).

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

Eurozone's recovery is stalling as services are slowing; inflation at 2.0%; trade surplus is normalizing

🟦 Significant improvement 🔷 Improving ⬜ No significant change 🟧 Worsening 🟥 Severe decline



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Macroeconomic	Consumer	⬜	⬜
	Business/industry	🟧	⬜
	Real estate	⬜	⬜
	External trade	⬜	⬜
	Prices	⬜	🟧
	Labor market	⬜	🔷
Financial markets	Foreign exchange	🟧	🟥
	Equity	🟧	⬜
	Debt	⬜	🟧
	Credit	⬜	⬜
Government and policy	Public policy	⬜	🟧
	Public-sector health	⬜	🟧

Eurozone's recovery is stalling as services are slowing down

- Real retail sales rose marginally in September: 0.5% month on month, 2.9% year on year. The consumer confidence indicator edged up in October, indicating an ongoing recovery in consumer spending.
- The industrial production index fell by 2.0% month on month and 2.4% year on year in August. The composite PMI stood at 48.1 in November versus 50.0 in October; the services PMI declined to 49.2 in November (October: 51.6), while the manufacturing PMI fell to 45.2.
- Construction output in August remain stable month on month but declined 1.6% year on year; the construction PMI ticked up from 42.1 in September to 43.0 in October.
- Euro area trade rose to a €12.5 billion surplus in September 2024 from €4.6 billion in August. Goods exports in September 2024 reached €237.8 billion, compared with €216.7 billion in August. Imports were €225.3 billion, down by 0.6% month on month. This increase was mainly driven by an increase of surplus for machineries and vehicles (from +€9.7 billion to +€13.8 billion) and a reduced deficit for energy (from –€25.7 billion to –-22.3 billion).
- In October, headline inflation was up to 2.0%, while core inflation stood at 2.7%; services inflation was 4.0%. Producer prices have been in positive territory since last December but posted –0.6% month on month and –3.4% year on year in September 2024.
- The unemployment rate in August stood at 6.3% and remains close to record lows, with Spain at 11.2% and Germany at 3.5%. Annual nominal wage growth in Q2 2024 was 4.7%; thanks to falling inflation, this translated into a solid 2.2% growth in real terms.

Europe's STOXX 600 is pointing down; stable euro-dollar exchange rate; outstanding credit levels off

- Europe's STOXX 600 is pointing down and 5% below an all-time high reached on September 3.
- The euro went down against the US dollar, trading at $1.05 per euro on November 21.
- The Italian–German 10-year bond-yield spread was 1.2 percentage points in October; yields are at 3.5% and 2.3%, respectively.

Extensive destruction and loss of over 200 lives in Spain; German political crisis; Antonio Costa becomes European Council President

- November saw extensive destruction and the tragic loss of over 200 lives from flash floods which struck the Community of Valencia.
- Germany's ruling three-party coalition crumbled after Chancellor Olaf Scholtz replaced Finance Minister Christian Lindner (who leads the Free Democrats) with Jörg Kukies. Scholz said he would call a vote of confidence in his government early next year.
- Former Portugal prime minister Antonio Costa takes over as President of the European Council on December 1.

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

United Kingdom

CPI inflation rose to 2.3% in October; quarterly GDP grew 0.1% in Q3 2024; BoE cut its policy rate in November and projects increase in both inflation and GDP growth. OBR also expects modest GDP growth against backdrop of increased government spending, taxation, and borrowing.

According to the Bank of England's November Monetary Policy Report, consumer price index (CPI) inflation is expected to rise to around 2.75% by the second half of 2024, as last year's declines in energy prices fall out of the equation. Inflation is expected to fall back to around the 2% target in the medium term. Quarter-over-quarter headline GDP growth is expected to reach around 1.25% each quarter in 2024, pick up to almost 1.75% by Q4 2025, and then decline slightly to 1.1% in 2026. According to the Office for Budget Responsibility's October Economic and Fiscal Outlook, the economy is expected to grow by just over 1% this year, rising to 2% in 2025, before falling to around 1.5%, over the remainder of the forecast. Budget policies temporarily boost output in the near term but leave GDP largely unchanged in five years.

Quarterly real GDP is estimated to have grown by 0.1% quarter-on-quarter in Q3 2024, after growing by 0.5% in Q2 2024. Meanwhile, real GDP grew by 1% year-on-year in Q3 2024. The services sector grew by 0.1% on the quarter, the construction sector grew by 0.8%, while the production sector shrank –0.2%. The UK CPI increased to 2.3% in October, with higher electricity and gas prices partially offset by lower prices for recreation and culture. Core inflation (which excludes energy, food, alcohol, and tobacco) rose slightly to 3.3%, from 3.2% in September. On November 6, the BoE Monetary Policy Committee (MPC) voted to cut the policy rate to 4.75%.

The seasonally adjusted S&P Global UK Manufacturing PMI posted 49.9 in October, down from 51.5 in September. This is the first time that the PMI has fallen below the neutral 50.0 mark since April. A lack of market optimism, slower economic growth, stretched supply chains, and concerns about the impact of the UK Budget announcement drove the slowdown.

UK service sector output continued to expand in October, supported by another solid upturn in new work, but the rate of expansion eased for the second month running. At 52.0 in October, down from 52.4 in September, the headline UK Services PMI pointed to the slowest increase in output levels since November 2023—although it has remained in positive territory during each month since.

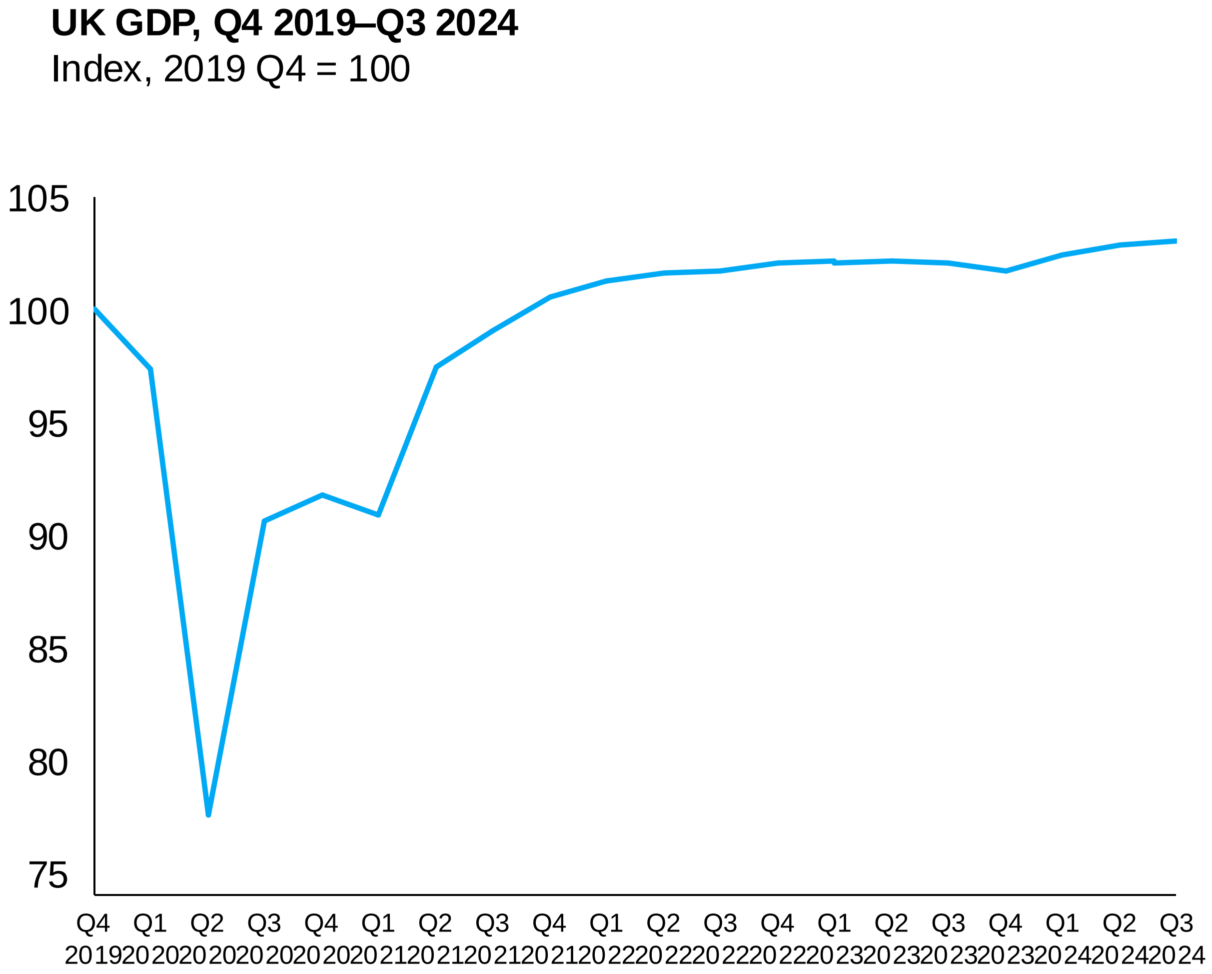
PMI data also indicated that output growth slowed considerably across the UK's construction sector after reaching a 29-month high in September. The UK Construction PMI registered 54.3 in October, down from September's 57.2, but remained above the crucial 50.0 no-change threshold for the eighth month running. The latest reading was also well above the average seen in the first half of 2024 (51.4) and signalled a solid expansion of total industry activity.

In Q3 2024, growth in average total pay was 4.3%, as real total pay rose 1.4%. UK unemployment was estimated at 4.3%. The UK economic inactivity rate (for people aged 16 to 64 years) was estimated at 21.8% in July to September 2024 (below year-ago estimates) and decreased in the latest quarter. The estimated number of vacancies in August to October 2024 was 831,000, a drop of 35,000 (4%) from May to July 2024. Vacancies declined for the 28th consecutive period, falling in 16 of 18 industry sectors.

November saw Prime Minister Sir Keir Starmer pledge to reduce UK carbon emissions by 81% by 2035 (compared to 1990 levels) at the 2024 United Nations Climate Change Conference (COP29) in Baku, Azerbaijan. Meanwhile, the October 30 Autumn Budget has received a mixed response. Previously exempt UK agricultural assets worth over £1 million become liable for 20% inheritance tax (half the standard rate) from April 2026, sparking a campaign by the farmers' union and a major protest by farmers in central London on November 19. Additionally, the CBI released a survey indicating nearly two-thirds of firms consider that the Budget will damage UK investment, with half of firms also looking to reduce headcount.

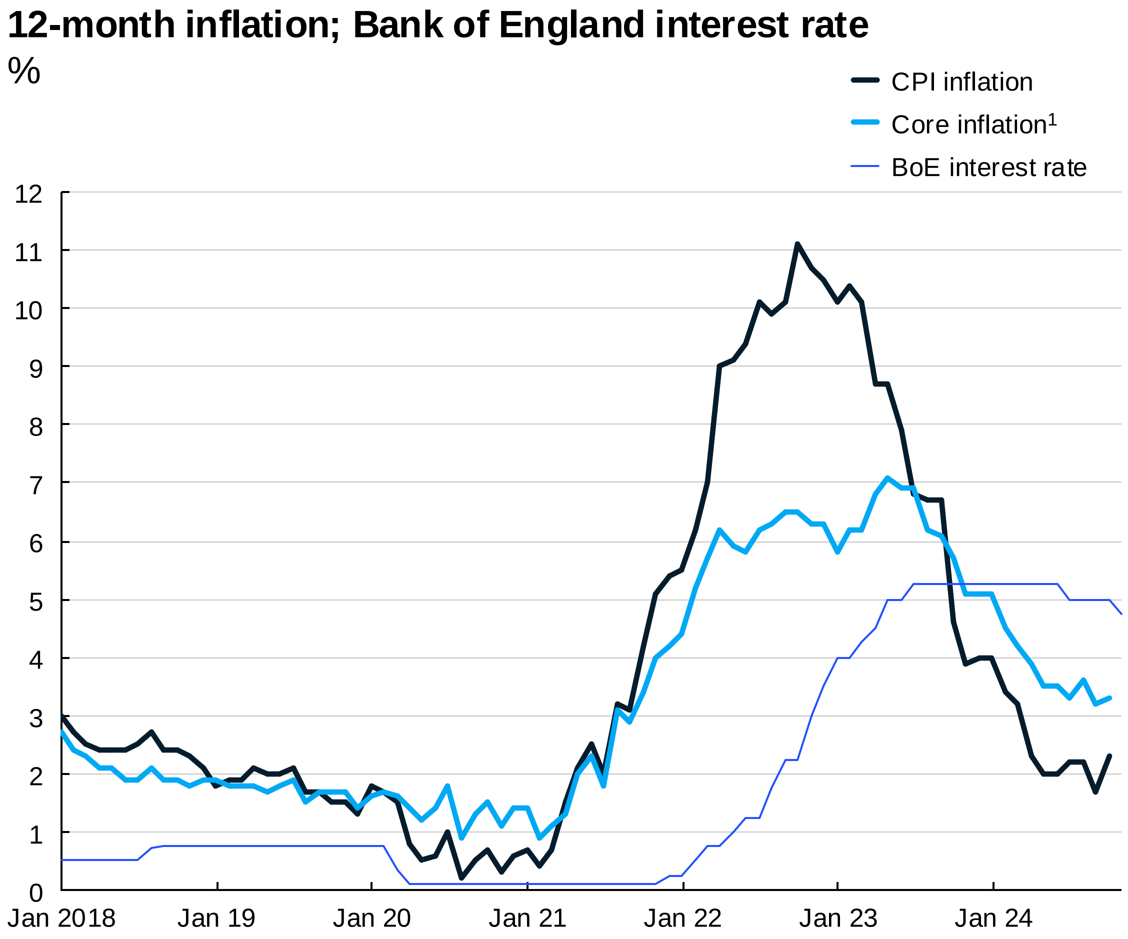
Source: Bank of England; IMF; OECD; Office for Budget Responsibility; Office for National Statistics; McKinsey's Global Economics Intelligence analysis

Quarterly GDP grew by 0.1% in Q3 2024, following growth of 0.5% in Q2; in October the CPI increased to 2.3%, while the Bank of England cut the policy rate to 4.75%



UK GDP, Q4 2019–Q3 2024

Index, 2019 Q4 = 100



12-month inflation; Bank of England interest rate

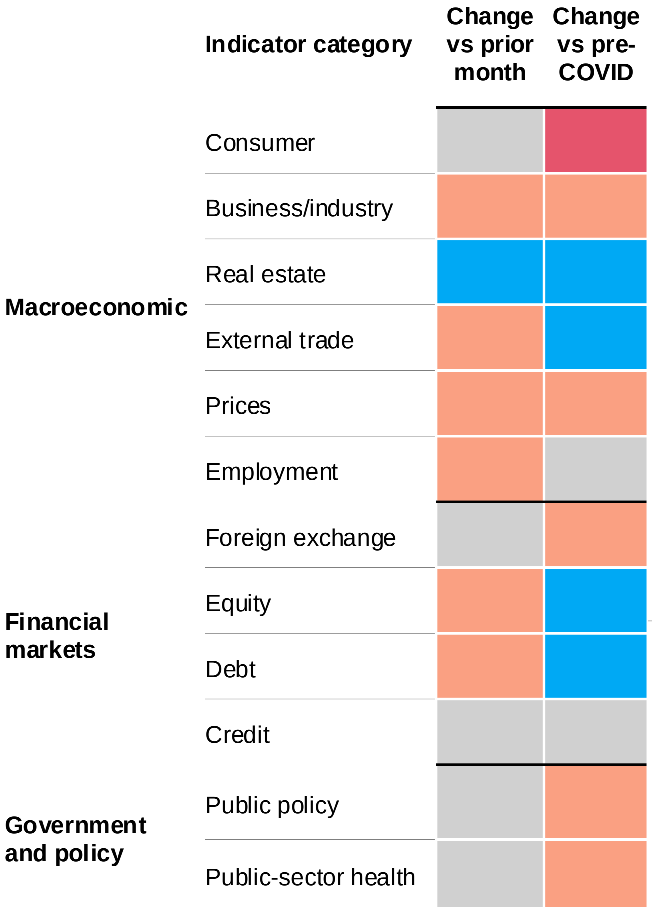
%

1. The specific measure excluding energy, food, alcohol, and tobacco is the one typically referred to as "core" by the ONS.

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

Inflation increased in October; manufacturing and services sentiment weakened; consumer confidence improved; the unemployment rate increased

🟦 Significant improvement 🩵 Improving ⬜ No significant change 🟧 Worsening 🟥 Severe decline



	Indicator category	Change vs prior month	Change vs pre-COVID
Macroeconomic	Consumer	⬜	🟥
	Business/industry	🟧	🟧
	Real estate	🩵	🩵
	External trade	🟧	🩵
	Prices	🟧	🟧
	Employment	🟧	⬜
Financial markets	Foreign exchange	⬜	🟧
	Equity	🟧	🩵
	Debt	🟧	🩵
	Credit	⬜	⬜
Government and policy	Public policy	⬜	🟧
	Public-sector health	⬜	🟧

Inflation increases in October; consumer confidence improves; industrial production weakens

- Retail sales volumes (quantity bought) fell by 0.7% in October 2024, following a rise of 0.1% in September.
- GfK's Consumer Confidence Index increased by three points to –18 in November, still in negative territory but with expectations for the economy improving slightly; the index has recovered since its record low of –49 reached in September 2022.
- Monthly production output is estimated to have decreased by 0.5% in September 2024; this follows a 0.5% increase in August. Manufacturing was the biggest contributor to the monthly decrease, partially offset by a rise in mining and quarrying.
- The UK Manufacturing PMI registered 49.9 in October, down from 51.5 in September. This is the first time the PMI has fallen below the neutral 50.0 mark since April. The Services PMI declined to 52.0 in October, down from 52.4 in September. The index has posted inside positive territory during each month since November 2023, but the latest reading signalled the slowest expansion of service sector output since then.
- Monthly construction output in terms of volume is estimated to have increased by 0.1% in September 2024. Meanwhile, the UK Construction PMI fell to 54.3 in October, from 57.2 in September, remaining in positive territory for the eighth month running. September's UK House Price Index showed an annual price rise of 2.9%, bringing the UK average house price to £291,828.
- The total goods and services trade deficit widened by £1.5 billion to £11.4 billion in Q3 2024, driven by a larger fall in exports than imports.
- The annual CPI inflation rate increased to 2.3% in October. Core inflation (excluding food, energy, alcohol, and tobacco) increased to 3.3% in October, up from 3.2% in September. Producer input prices fell by 2.3% in the year to October, down from a 1.9% fall in the year to September; producer output (factory gate) prices fell by 0.8% in the year to October, down from a 0.6% fall in the year to September 2024.
- The UK's 4.3% unemployment rate for July to September 2024 is above estimates of a year ago (July to September 2023) and increased in the latest quarter. The youth unemployment rate (those aged 18–24) was 13.7% in July to September 2024.

UK equities declined; GBP weakened versus USD; 10-year gilt reached a high of 4.4%, last seen in May 2024

- As of 22 November, the FTSE 100 had declined around 1% compared to a month ago, to register almost 3% below the peak reached in May 2024. The pound weakened to $1.25 (as of November 22).
- The daily yield of the UK 10-year gilt has risen to 4.4%, as of 20 November, below the historical highs of more than 4.6% seen in mid-October 2022, but well above mid-2022 rates of around 2%.
- Public sector net debt, excluding public sector banks, was estimated at 97.5% of GDP in October, a level last seen in the early 1960s.

British PM pledges reduction in UK carbon emissions; thousands of farmers protest against UK inheritance tax changes

- During COP29 in Baku, Azerbaijan, the British Prime Minister pledged to reduce the UK's carbon emissions by 81% by 2035 compared to 1990 levels.
- Thousands of UK farmers protested inheritance tax changes announced in the Autumn Budget that will see farmers with inherited agricultural assets worth more than £1 million liable for 20% tax rate.

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

[Emerging economies]: In emerging economies, China recovery gathers strength as it announces further stimulus measures; inflation concerns in India; Brazil hikes Selic rate.

China

China's economic recovery showed signs of strengthening in October. The slowdown in the real estate market notably eased, and exports expanded at a faster pace. Industrial production, investment, and employment remained largely stable.

Industrial output growth stabilized in October, registering a 5.3% increase (5.4% in September). The manufacturing and mining sectors saw industrial production growth rates increase to 5.4% and 4.6%, respectively (versus 5.2% and 3.7% in September); industrial production growth in the utility sector decelerated to 5.4%, down from 10.1% in September.

Growth in fixed-asset investment held steady at 3.4% in October. Manufacturing investment growth was robust, hitting 10.0% year-on-year in October (9.7% in September). Utility investment accelerated to 5.8% year-on-year in October, up from 2.2% in September. However, real estate investment declined further: −14.2% in October (down from −10.6% in September).

The slowdown in the real estate market showed signs of easing in October. Demand-side indicators revealed a rebound, with sales revenue of new residential properties growing by 0.8% (−16.8% in September). However, on the supply side, floor space started decreased by −25.7% in October (−17.7% in September). After experiencing a three-year real estate slump, the amount of floor space sold in new houses has been cut by half from its peak, returning to levels last seen in 2010. Additionally, the amount of floor space started has now declined to levels comparable to those of 2007.

New social financing decreased to RMB 1.4 trillion in October, down from RMB 3.8 trillion in September. On a year-over-year basis, it declined by −24.1% in October. This contraction in new social financing can be attributed to a decrease in new government bond issuance.

The overall surveyed urban unemployment rate dropped slightly to 5.0% in October, down from 5.1% in September. Similarly, the youth unemployment rate decreased to 17.1% in October, slightly down from 17.6% in September.

Cross-border trade picked up pace in October, growing by 6.1%, up from 1.5% in September. This increase was primarily driven by a surge in exports growth, which rose to 12.7% from 2.4% the previous month. However, imports growth turned negative, falling to −2.3% in October from 0.3% in September.

Inflation remained low, with the CPI registering a modest 0.3% in October, a slight dip from September's 0.4%. Meanwhile, producer prices posted a decline of −2.9% in October, compared to −2.8% in the previous month.

China saw negative FDI inflows (net withdrawals) in Q3, totaling −$8 billion (−$15 billion in Q2), according to State Administration of Foreign Exchange.

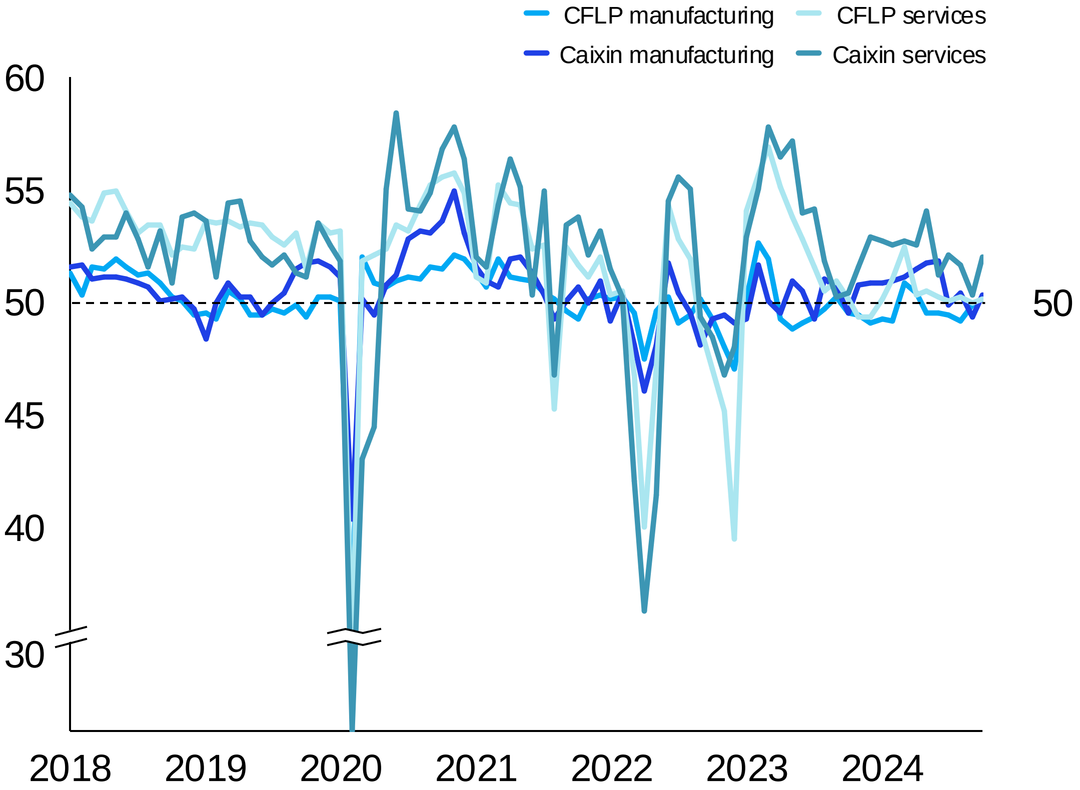
In early November, the Ministry of Finance unveiled a five-year package totaling RMB 10 trillion aimed at swapping existing hidden government debt. It is estimated that the swap will save local governments approximately RMB 600 billion in interest payments over this period.

Source: CEIC; McKinsey's Global Economics Intelligence analysis

In October, both the official manufacturing and services PMIs climbed into the expansion zone; stock indexes rose in November

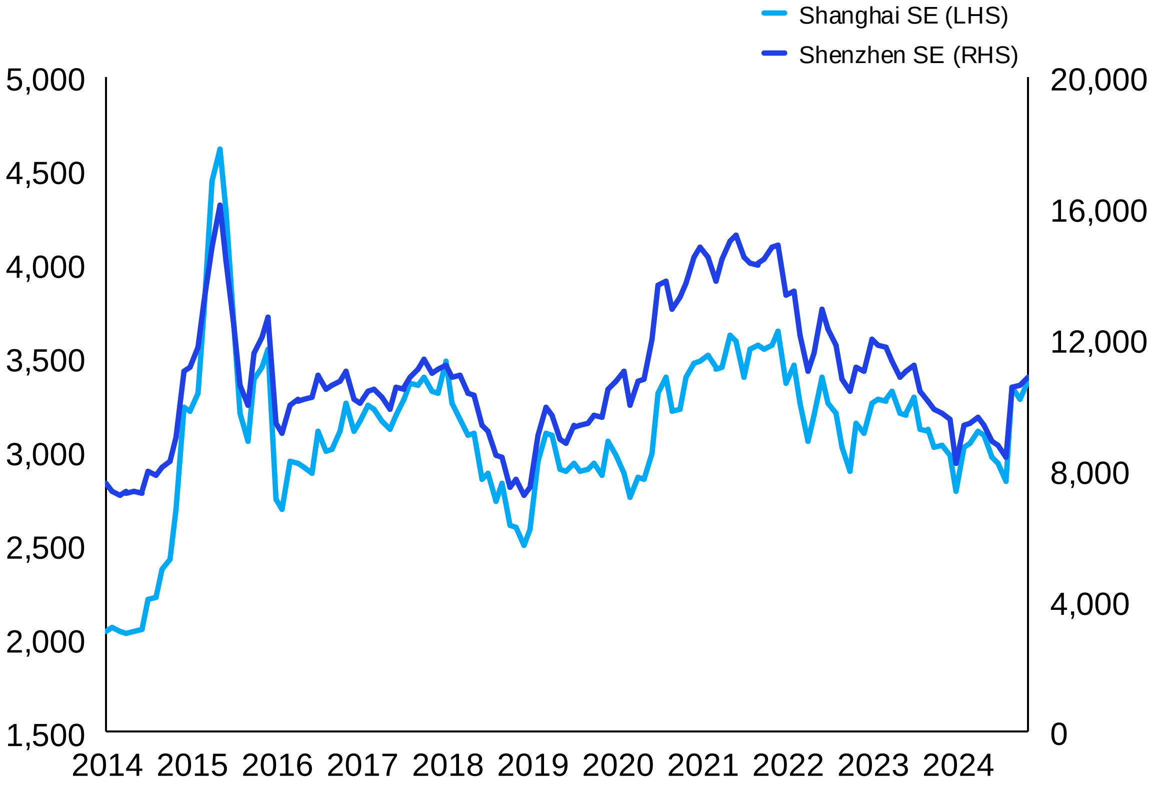
Purchasing managers indexes (PMI)

Index, monthly



Stock market indexes

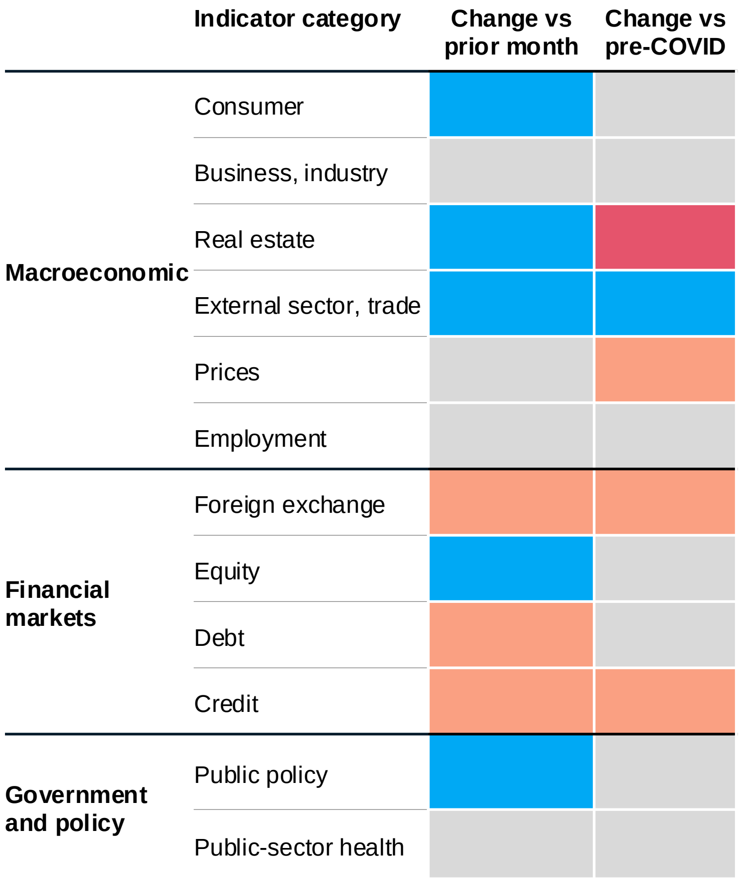
Index, monthly



Source: CEIC; McKinsey's Global Economics Intelligence analysis

In October, retail sales growth accelerated, trade expanded more quickly, and inflation remained low

🟦 Significant improvement 🔷 Improving ⬜ No significant change 🟧 Worsening 🟥 Severe decline



	Indicator category	Change vs prior month	Change vs pre-COVID
Macroeconomic	Consumer	🔷	⬜
	Business, industry	⬜	⬜
	Real estate	🔷	🟥
	External sector, trade	🔷	🔷
	Prices	⬜	🟧
	Employment	⬜	⬜
Financial markets	Foreign exchange	🟧	🟧
	Equity	🔷	⬜
	Debt	🟧	⬜
	Credit	🟧	🟧
Government and policy	Public policy	🔷	⬜
	Public-sector health	⬜	⬜

Retail sales growth accelerated; both the official manufacturing and services PMIs climbed into expansion zone; trade grew faster, driven by exports; inflation remained low

- Retail sales expanded at a quicker pace, rising by 4.8% in October compared to 3.2% in September.
- The official manufacturing and services PMIs climbed into the expansion zone, both reaching 50.1 in October, up from 49.8 and 49.9 respectively in September. The Caixin index, which focuses on SMEs, recorded a manufacturing PMI of 50.3, up from 49.3 in September, and a services PMI of 52.0, up from 50.3 in September.
- Cross-border trade expanded more quickly in October, growing by 6.1%, up from 1.5% in September. This increase was primarily driven by a surge in exports growth, which rose to 12.7% from 2.4% the previous month. However, imports growth turned negative, falling to −2.3% in October from 0.3% in September.
- Inflation remained low, with the consumer price index registering a modest 0.3% rise in October, a slight dip in pace from September's 0.4%. Meanwhile, producer prices experienced further deflation, showing a decline of –2.9% in October, compared to –2.8% in the previous month.

RMB depreciated against the US dollar; stock market rose; new credit decreased

- The RMB depreciated against the US dollar by 1.7% compared with the level at the end of October, trading at RMB 7.2401 = USD 1 by November 21.
- The Shanghai stock index gained 2.8%, and the Shenzhen index 2.2%, by November 21 compared with levels at the end of October.
- New social financing came in at RMB 1.4 trillion in October, dropping from RMB 3.8 trillion in September.
- M2 growth stood at 7.5% in October, up from 6.8% in September.

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

India

India's economy grew by 5.4% year-on-year in Q3 2024, reflecting a slowdown compared to the 7–8% growth seen in recent quarters. Looking ahead to the next quarter, the services and manufacturing sectors remain strong drivers of growth, although rising inflation could dampen consumer activity.

The latest GDP figures for Q3 2024 show that, on a seasonally adjusted basis, investments remained broadly unchanged, while household consumption declined. Retail inflation surged to a 14-month high of 6.21% in October, up from 5.5% in September. This rise was largely driven by food inflation, which reached 9.7% year-on-year in October. The government expects food inflation to ease in the coming months, citing a robust summer harvest for crops.

High inflation continues to be a major concern for consumption patterns. However, the impact on retail and vehicle sales has been limited so far. According to the Retailers Association of India, retail sales increased by 5% in September, while vehicle sales in October reached near-record levels.

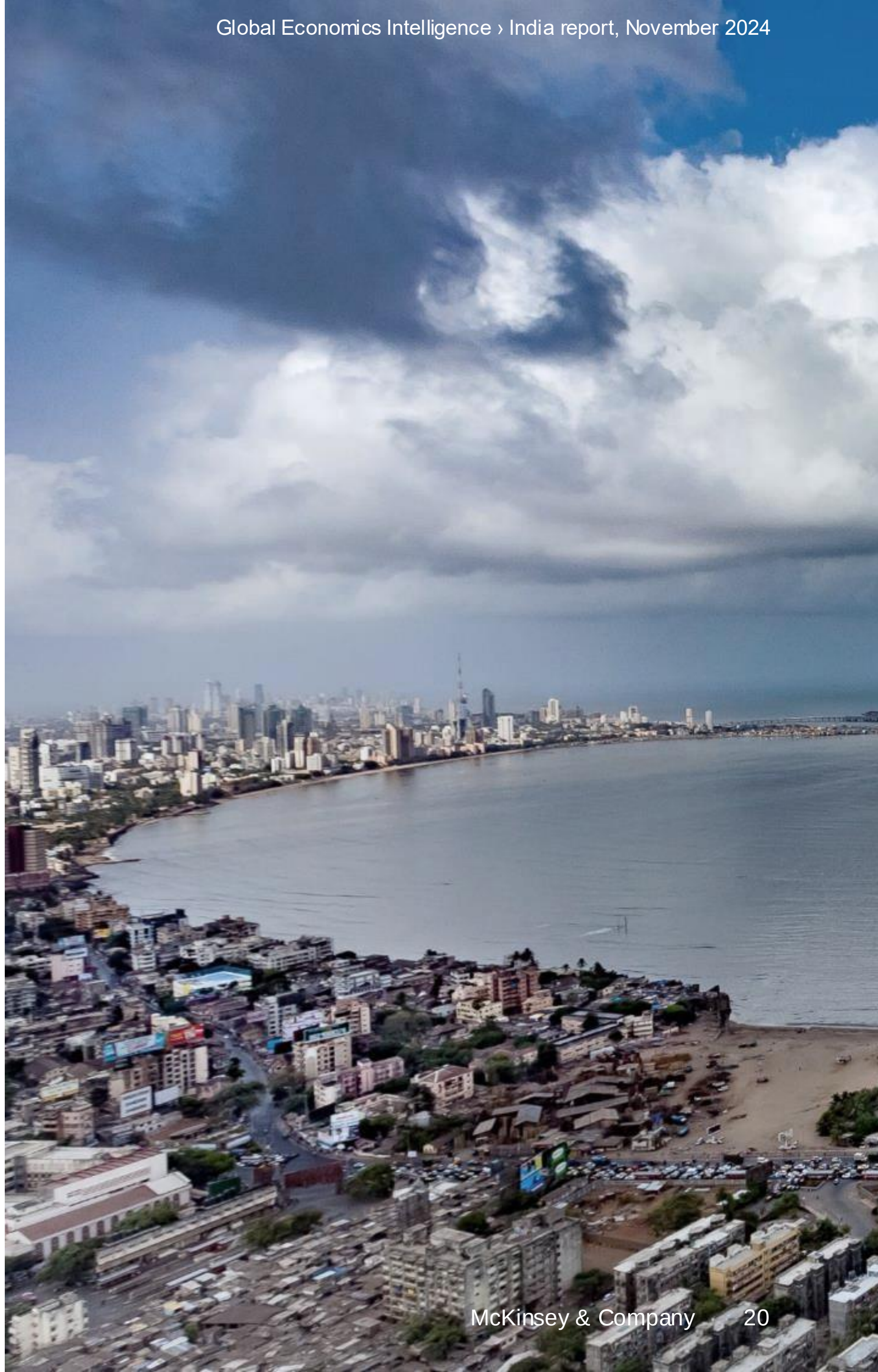
Inflation currently sits outside the central bank's target range of 2–6%. Despite this, the Reserve Bank of India (RBI) has kept interest rates unchanged, anticipating that inflation will ease soon.

In October 2024, the manufacturing sector maintained its expansionary momentum, with the Manufacturing Purchasing Managers Index (PMI) reaching 57.5. This strong performance was driven by robust demand for goods and steady production growth. Similarly, the services sector expanded, with the Services PMI increasing to 58.5, indicating healthy growth across multiple industries. Together, these metrics led to a Composite PMI of 59.1, signaling broad-based improvements in economic activity.

Industrial production data for September 2024 showed a year-on-year growth of 3.1%. The manufacturing sector grew by 3.9%, electricity production increased by 0.5%, and mining activity recorded marginal growth of 0.18%. These trends highlight the manufacturing sector's resilience.

The labor market showed signs of strength in November, with robust growth in the services sector driving record job creation. Employment surged at the fastest rate since December 2005, reflecting a healthy economy and rising consumer spending power.

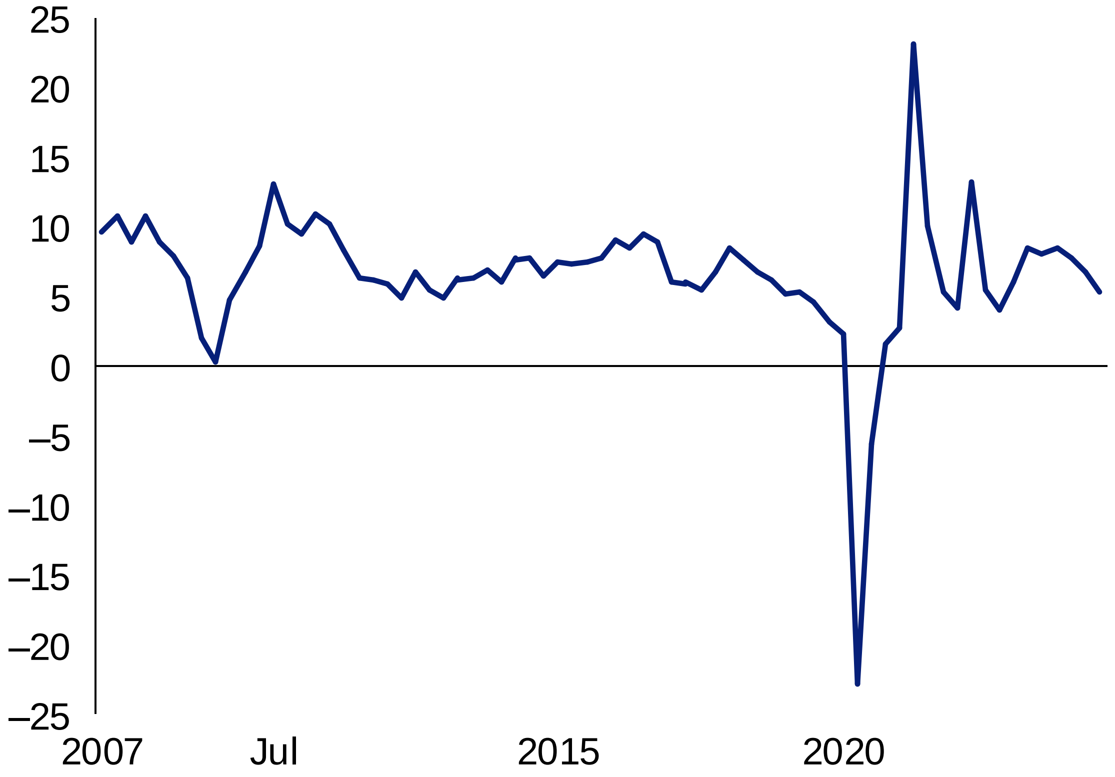
The Reserve Bank of India (RBI) remains optimistic, projecting GDP growth of 7.2% for the fiscal year ending March 2025. This forecast is supported by government investments and a rebound in rural demand. However, economists caution that persistent inflation and subdued urban consumption could pose risks to sustained economic growth.



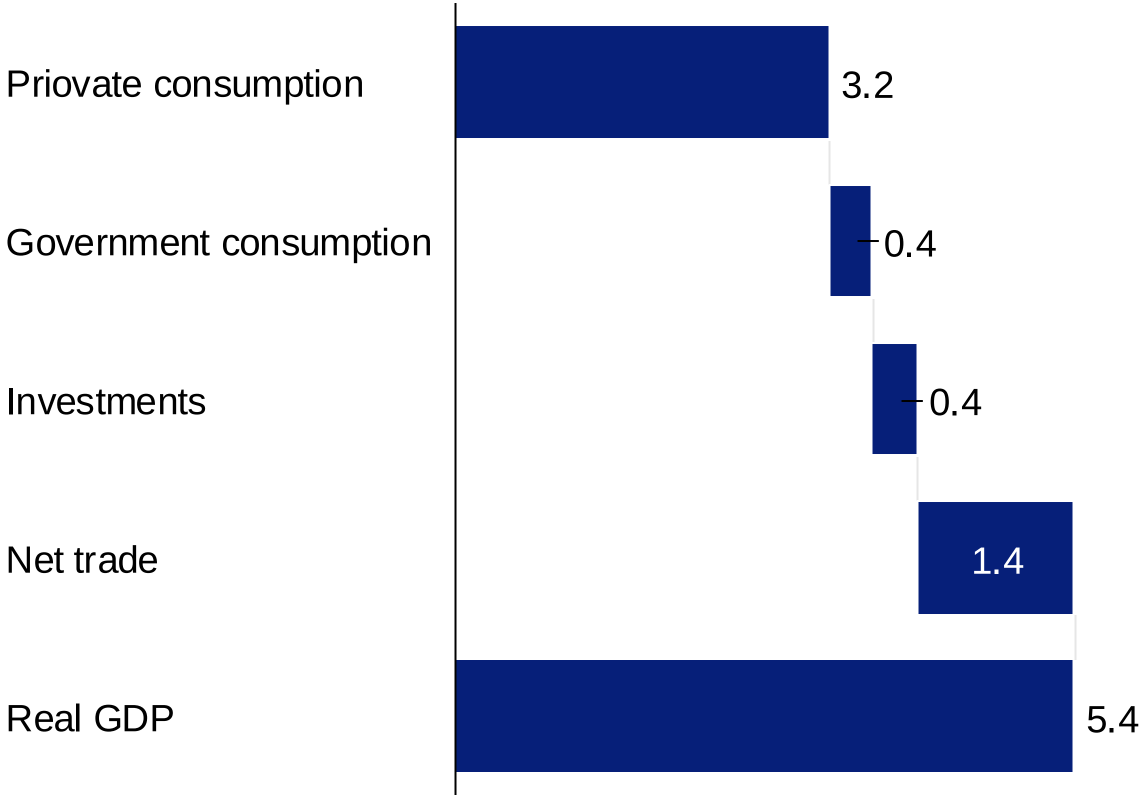
Source: Havers; IHS Markit; Ministry of Commerce and Industry; Ministry of Statistics and Programme Implementation (MOSPI); Reserve Bank of India

Real GDP growth decelerates to 5.4% amid slower consumption and fixed capital investment

Real GDP growth
12-month change, %



Real GDP growth decomposition
12-month change, %



SOURCE: Central Statistical Office; McKinsey's Global Economics Intelligence analysis

Economic growth decelerated to 5.4% in Q3 2024, driven by disappointing consumption and investment figures; accelerating inflation has emerged as a key concern for consumers heading into the next quarter

■ Significant improvement 🟦 Improving ⬜ No significant change 🟧 Worsening 🟥 Severe decline

	Indicator category	Change vs prior month	Change vs pre-COVID levels
Macroeconomic	Consumer	🟦	🟦
	Business, industry	🟦	🟦
	Real estate	⬜	⬜
	External sector, trade	🟧	🟦
	Prices	⬜	🟧
	Employment	⬜	⬜
Financial markets	Foreign exchange	⬜	⬜
	Equity markets	🟧	🟦
	Debt	⬜	⬜
	Credit	⬜	🟦
Government and policy	Public policy	⬜	⬜
	Public-sector health	⬜	🟧

Manufacturing and services sectors are the main engines driving growth, though inflation is on the rise.

- Passenger car sales reached an all-time high of 483,000 units in October, but this came on the back of significantly lower consumer activity in this segment over the preceding months.
- Industrial production increased by 3% in September compared to the same period last year. At the same time, PMI numbers indicate continued expansion in both services and manufacturing, although at a slightly slower pace than the previous month.
- The trade deficit in October worsened to $7 billion (up from $3.3 billion), primarily due to imports of goods outpacing export growth. Meanwhile, services continue to show a positive trade balance.
- Consumer inflation is on the rise again, reaching its highest level since August 2023 at 6.2%. Price increases were visible across all categories, with food prices showing particularly sharp gains.
- The unemployment rate edged down to 8%, driven mainly by people leaving the labor market. The labor force participation rate remains relatively low at around 41%.

Turbulent November brings losses for equity investors

- November proved to be another challenging month for equity markets, with losses dominating investor portfolios. Overall, the SENSEX index declined by 2.6%, while the BSE 500 dropped by 3.8%. This was primarily driven by weaker-than-expected GDP numbers for Q3 2024 and disappointing revenue performance reported by several companies.
- The rupee remained broadly unchanged in November, with 1 dollar trading at approximately 84 rupees.
- Similarly, 10-year government bond yields showed little movement, remaining steady at around 6.8%.

Central bank holds rates steady as government grapples with rising deficit

- interest rates unchanged, with the repo rate remaining steady at 6.5%.
- Meanwhile, the central government budget is under significant strain, with the deficit reaching a record high of approximately 320 billion rupees. This is attributed to a decline in both revenues and expenditures, with revenues falling at a much faster pace.

SOURCE: McKinsey's Global Economics Intelligence analysis

Russia

Economy slowing towards end of 2024; further outlook depends on fiscal policy; steady fiscal position; trade surplus shrunk; inflation remains elevated, and monetary policy tight.

Recently published Q2 GDP data show growth slowed sharply, to 0.5% quarter on quarter (seasonally adjusted) from 1.0% in Q1, driven mainly by household consumption and with net exports as the biggest drag,

In the second half of the year the Russian economy is slowing, with full-year growth estimated at around 3.5%. Household demand, which has been the main driver of growth from Q1 to Q3, is facing the effects of significant monetary policy tightening and the related prohibitively high cost of unsubsidized loans. Annual growth in the total output indicator slowed in Q3 to 2.9% year over year from 5.5% in Q2. In the same period, retail sales cooled to 6.1% from 7.5%, realizing no growth on a quarterly basis. Similarly, industrial production growth decelerated from 4.2% to 2.6% and decreased by 0.7% quarter on quarter.

Growth forecasts for next year depend strongly on levels of government support, as tight monetary policy may affect household spending. The relaxed fiscal policy will provide an impetus in early 2025 and help to maintain positive but slower growth next year. However, this may only be temporary, as the government has also approved fiscal consolidation next year. Higher crude oil production quotas could boost net exports as a growth engine, as cuts in export volumes have made an impact in 2024. Overall, 2025 GDP growth is forecasted at between 1.0 and 1.8%.

The federal budget has been almost balanced over January to September. The recent increase in the annual deficit target to 1.7% of GDP, from 1.1%, signals fiscal loosening in the final weeks of this year. Budget revenues have overperformed this year owing to the boost to the tax take from rapid growth. The fiscal position has been supported by steady oil exports, which maintained values slightly lower than in Q2 as Russia reduced its output in line with OPEC+ commitments.

The trade balance shrank to $32 billion in Q3 from Q2's $35.8 billion—the US dollar value of goods exports contracted 3.7% year on year as the value of imports rose by 0.4%. October's figures show imports declining to $24.2 billion (compared to an average Q2 level of $25.6 billion), contributing to the trade surplus reaching $11.8 billion (compared to an average Q2 level of $11.0 billion).

In October, consumer inflation remained elevated at 8.5% annually and the monthly measure picked up to 0.7% from 0.5%. A strong underlying inflationary trend persists, as reflected by monthly core inflation accelerating to 0.8% from 0.7%. These developments were driven by fast-growing wages fueling demand and utility tariff hikes that boosted inflation expectations. Amid high inflation, the Central Bank of Russia (CBR) raised its key rate to 21% in October, bringing cumulative tightening since June to 500 basis points. The bank also reiterated a hawkish message, warning that it will hike again soon if inflationary pressures fail to abate. Another hike in December remains likely.

Source: BOFIT; Oxford Economics

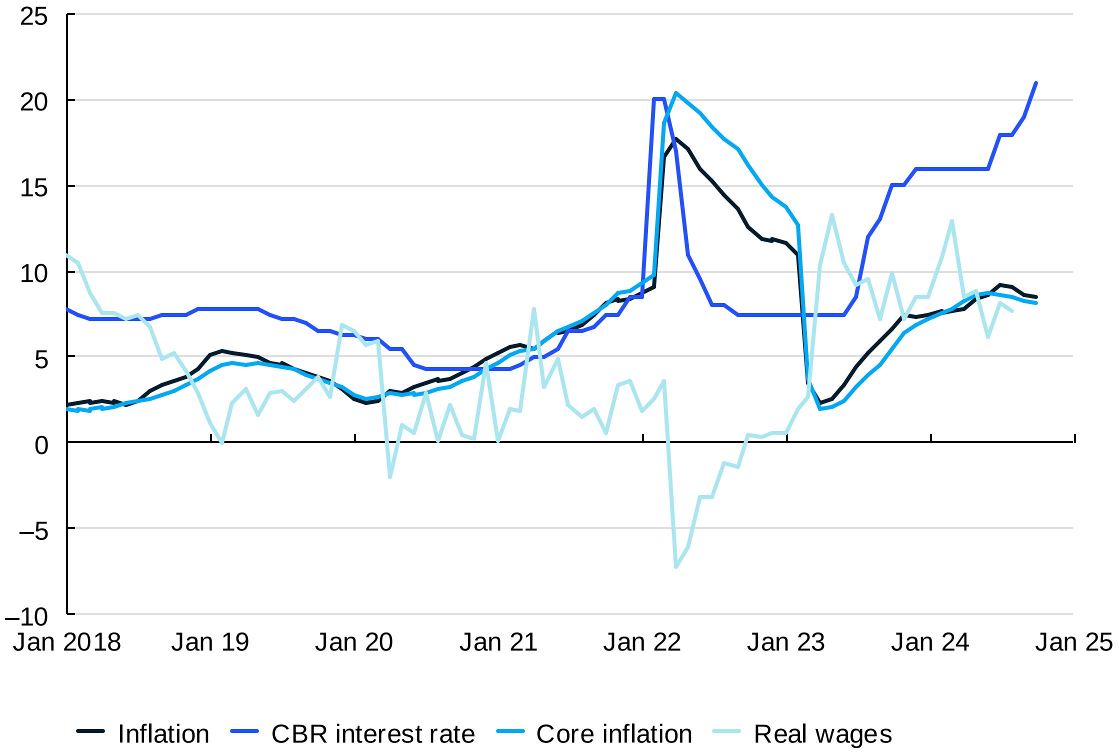
Persisting inflationary pressures keep monetary policy tight; trade partially recovered in September

Foreign trade of goods

USD billion, through September 2024

Inflation: the central bank interest rate and real wages

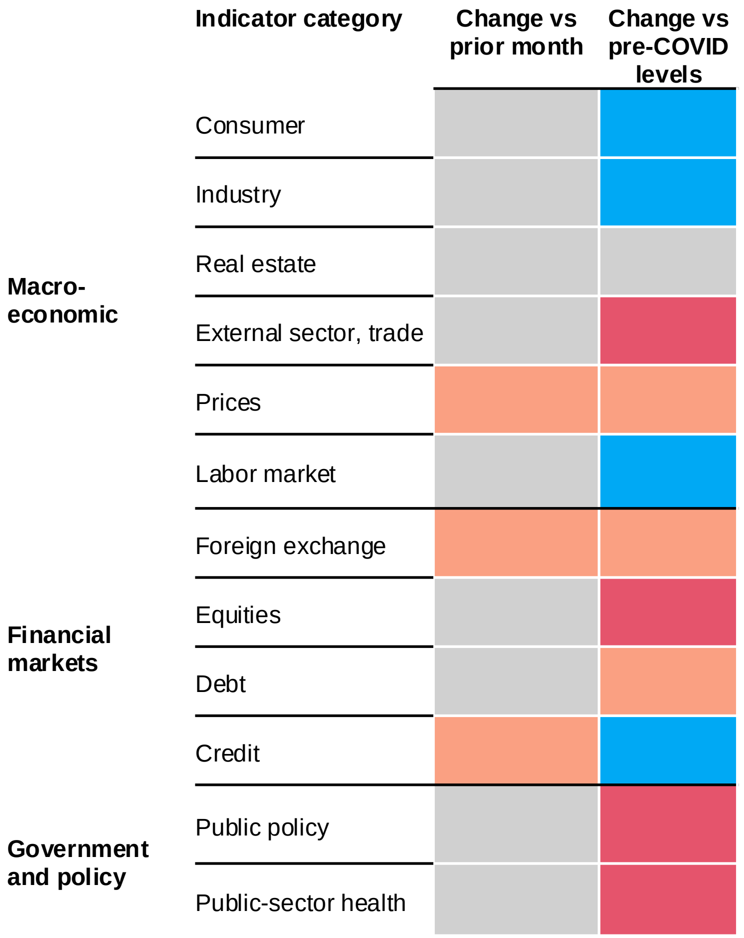
% change (y-o-y); %



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

Weaker domestic demand amid elevated inflation and worsening financial conditions to be supported by further fiscal expansion

🟦 Significant improvement 🔷 Improving ⬜ No significant change 🟧 Worsening 🟥 Severe decline



	Indicator category	Change vs prior month	Change vs pre-COVID levels
Macro-economic	Consumer	⬜	🔷
	Industry	⬜	🔷
	Real estate	⬜	⬜
	External sector, trade	⬜	🟥
	Prices	🟧	🟧
	Labor market	⬜	🔷
Financial markets	Foreign exchange	🟧	🟧
	Equities	⬜	🟥
	Debt	⬜	🟧
	Credit	🟧	🔷
Government and policy	Public policy	⬜	🟥
	Public-sector health	⬜	🟥

Domestic activity stagnates amid heightened inflation; trade surplus recovered due to lower imports

- Consumer activity slows amid tighter monetary policy. In Q3, annual retail sales growth cooled to 6.1% (from 7.5% in Q2), realizing no growth on a quarterly basis.
- Industrial production growth in Q3 decelerated from 4.2% to 2.6% annually and decreased by 0.7% quarter on quarter. The manufacturing PMI increased to 50.6 in October 2024 from 49.5 in September, signaling a marginal improvement in factory activity after a slight contraction a month earlier. Construction output stagnated in August, constrained by high funding costs and a drop in demand following the withdrawal of the most popular mortgage subsidy.
- The current account improved significantly in September–October when it posted a surplus of $6.5 billion to $6.8 billion. In October, imports declined to $24.2 billion (compared to an average Q2 level of $25.6 billion), contributing to a trade surplus of $11.8 billion (average Q2 level was $11.0 billion).
- In October, CPI inflation remained elevated at 8.5% annually, while the monthly measure picked up to 0.7% from 0.5%. A strong underlying inflationary trend remains in place, as reflected by monthly core inflation accelerating to 0.8% from 0.7%.
- The labor market remains tight, with unemployment at a historic low of 2.4% throughout the summer. In August, the average wage increased by 7.7% in real terms, as high nominal growth was affected by accelerating inflation.

Currency weakened further in November, as did credit growth

- The ruble had depreciated beyond 100 versus the US dollar as of November 21, due to recovering imports and shrinking export revenues.
- Ten-year government bond yields remained elevated above 16% in October, five percentage points higher than at the start of 2024.
- Household loan growth continued to cool, falling to 16.9% year on year in September from 19.6% in August. Corporate loans have shown resilience to monetary policy tightening, with annual growth still above 20%.

Stable fiscal position allows for further expansion

- The parliament has approved an increase in the 2024 federal budget deficit target to 1.7% of GDP from 1.1%, signalling fiscal loosening at the end of 2024. Russia raised its annual spending target by 1.1% of GDP and its revenue target by 0.5% of GDP. Budget revenues have overperformed this year owing to the boost to the tax take from rapid growth. The federal budget has been almost balanced over the period January to September. The fiscal position has been supported by steady oil exports, which maintained values slightly lower than in Q2, as Russia reduced its output in line with OPEC+ commitments.

Source: BOFIT; Haver Analytics; Oxford Economics

Brazil

Inflation continued its upward trend; COPOM hikes rates by 0.5% this month; composite PMI rose; unemployment rate fell slightly.

Inflation climbed to 4.76% in October (4.42% in September), increasing for the second consecutive time and breaching the Central Bank's target upper limit (4.50%). Brazil's central bank raised the benchmark Selic interest rate by half a percentage point to 11.25% in November (from 10.75%).

Consumer confidence remains below the neutral 100 mark and ticked down to 93.0 in October (93.7 in September), decreasing for the first time in five months. Business confidence rose to 98.1 in October (97.4 in September), continuing its upward trend.

The purchasing managers' index (PMI) for manufacturing fell slightly to 52.9 in October (53.2 in September), remaining above the neutral 50 mark for a tenth month running and indicating modest expansion. Despite falling, the latest reading was consistent with a solid pace of growth. An improvement in international demand for Brazilian goods fuelled output growth. Total new orders rose further, although to a lesser extent than in September. Job creation remained historically elevated, while business optimism strengthened. Meanwhile, the latest data indicated lower increases in both input costs and selling prices.

October saw the services PMI climb to 56.2 in October (from 55.8 in September). This month's data reflected a combination of stronger growth and rising cost pressures across Brazil's service economy. The latest rate of expansion was the second highest in 28 months (behind July), driven by positive demand trends and new business gains. Not only did sales rise for the 13th month in a row, but also with the biggest rise since mid-2022. The composite PMI was up slightly from 55.2 to 55.9 in October, staying within the expansion zone for a 13th consecutive month.

On the financial markets, the monthly average exchange rate was BRL 5.63 per US dollar in October (5.54 in September). October saw the Bovespa equities index drop, losing 1.6% in value.

The balance of trade registered an October surplus of US $4.3 billion, versus US $5.4 billion in September, driven by an increase in imports (US $25.1 billion in October compared to US $23.4 billion in September) and exports (US $29.5 billion in October versus US $28.8 billion in September).

Meanwhile, the three-month moving average unemployment rate dropped to 6.4% in September (6.6% in August), down for the sixth time this year, and lower than the same period last year (7.7%).

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

In October, inflation increased, while the Brazilian real gained ground; the equity market's performance declined

Consumer price index[1]; exchange rate

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

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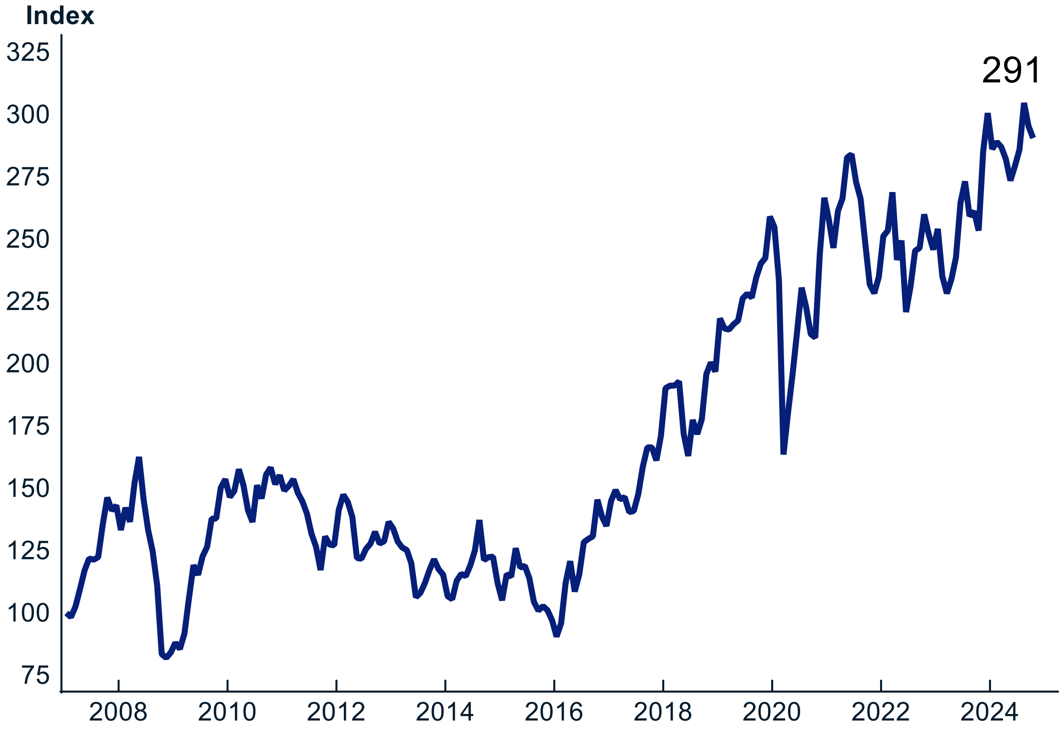
Bovespa Index[2]

Indexed to January 2007 = 100



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1. National Consumer Price Index (extended IPCA), 1993 = 100, not seasonally adjusted; % change in CPI in local currency (period average) over previous year. The Central Bank's target inflation rate for 2023 was 3.25% and was reduced to 3.0% for 2024, with a margin of error of 1.5 percentage points.
2. Data through October 21, 2024.

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

Inflation continued its upward trend; unemployment fell for a sixth time this year; exchange rate increased

🟦 Significant improvement 🔷 Improving ⬜ No significant change 🟧 Worsening 🟥 Severe decline

	Indicator category	Change vs prior month	Change vs pre-COVID levels[1]
Macroeconomic	Consumer	⬜	🔷
	Business, industry	⬜	🟧
	Real estate	⬜	⬜
	Trade, external	⬜	🔷
	Prices	🟧	🟧
	Labor market	🔷	⬜
Financial markets	Foreign exchange	🟧	🔷
	Equity	⬜	🔷
	Debt	⬜	⬜
	Credit	⬜	⬜
Government and policy	Public policy	⬜	⬜
	Public-sector health	🟧	⬜

Composite PMI increased despite manufacturing PMI decline

- Consumer confidence fell to 93.0 in October, from 93.7 in September—2.9% above pre-COVID-19 levels. Retail sales fell by 0.5% in September. Business confidence increased to 98.1 in October (97.4 in September)—0.2% lower than pre-COVID-19 levels.
- The PMI for manufacturing fell to 52.9 in October (53.2 in September). The services PMI increased to 56.2 in October (55.8 in September).
- In October, the balance of trade registered a surplus of US $4.3 billion, up from US $5.4 million in September.
- Inflation rose to 4.76% (4.42% in September), continuing its rising trend. The consumer price index (CPI) is now 0.3 percentage points above pre-COVID-19 levels.
- The three-month moving average unemployment rate fell to 6.4% in September (6.6% in July)—down for the sixth time this year.

The Brazilian real has gained ground against the US dollar; the Bovespa index fell

- In October, the monthly average exchange rate was BRL 5.63 per US dollar (BRL 5.54 in September). On November 21, the exchange rate was BRL 5.82 per US dollar.
- The Bovespa equities index fell 1.6% over the month (up to November 10); it gained 3.1% in value up to October 10.

COPOM raised the Selic rate by 0.5 percentage points; inflation continues its upward trend driven by food and energy costs

- Brazil's central bank chief Roberto Campos Neto said the country faces an inflation challenge. The consistent increase in consumer prices was a key reason behind the Central Bank’s November decision to raise the benchmark Selic interest rate by half a percentage point, bringing it to 11.25% from 10.75%. This development poses a challenge for President Luis Inacio Lula da Silva, who anticipated announcing a series of budgetary cut measures aimed at balancing the national budget.
- The inflation increase was largely attributed to rising electricity costs and meat prices, both consequences of a prolonged drought impacting agricultural production and hydroelectric power generation, the latter forcing Brazil to rely on more expensive thermal plants. The rise in meat prices can be explained by reduced supply due to drier climatic conditions and fewer animals being slaughtered, alongside a boost in export volumes. The central bank has indicated that its future interest rate decisions will be based on ongoing assessments of inflation trends. The committee offered no specific forward guidance but reaffirmed a firm commitment to inflation target convergence,

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

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

Mexico

Inflation rose to 4.8%; manufacturing sector experiences softer deterioration; balance of trade deficit reduces.

In October, the inflation rate rose to 4.8% (from 4.6% in September), turning up after a downward trend over the previous two months, and remaining outside the Central Bank's target range of 2–4%. October's closing consumer price index (CPI) was up 4% from September, due to an increase in the food and beverages sector.

Consumer confidence was stable in September at 105.5, remaining above the neutral 100-point mark and at the highest level among OECD countries. In October, Mexico's purchasing managers' index (PMI) for manufacturing rose from 47.3 in September to 48.4; consistent with a softer deterioration in the health of the sector that was modest overall compared to previous months. Still, Mexico continues to experience challenging business conditions. Driven by a prolonged decline in new business inflows, firms reduced production volumes, laid off workers, and trimmed their input purchases.

Total unemployment dropped by 0.02 percentage points in September, reaching 2.74%. During the same period, formal employment grew by approximately 91,000 workers, with the largest increases reported in the agriculture and social services sectors

On the markets, the monthly average exchange rate in October was MXN 19.7 per USD (up from MXN 19.6 in September), the highest this year.

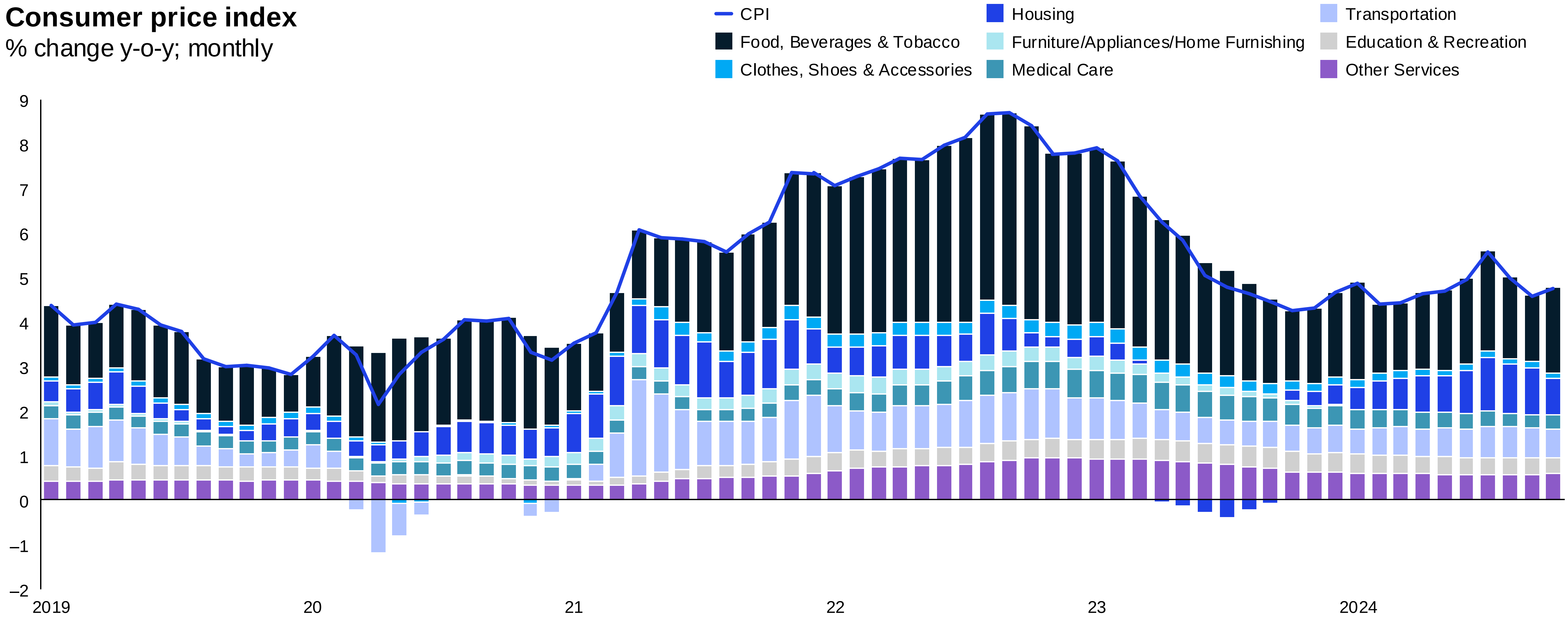
September's balance of trade registered a deficit of around US $580 million (a significant decrease from the $5 billion trade deficit in August). Exports totaled US $49.6 billion (down from US $51.9 billion in August), against imports of US $50.2 billion (down from US $56.8 billion in August). The drop in imports in Mexico is largely due to a slowdown in its manufacturing sector, reducing the need for imported intermediate goods, and Mexico's strategy to decrease reliance on foreign oil products. This has been compounded by stagnant exports, especially to major trade partners like the US, particularly in sectors like automotive manufacturing. These factors highlight a combination of external demand pressures and internal policy changes that are affecting trade.

Mexico's Congress has approved a reform to eliminate seven autonomous bodies, including the National Institute for Transparency and Access to Information (INAI), redistributing their functions to government ministries. Critics argue this undermines transparency while granting the government control over oversight and access to significant funds for redistribution.

The Supreme Court has closed any possibility of changing the judicial reform instituted by the ruling party. Around 1,700 federal-level judicial positions will have to be voted for at the polls in two elections, one in 2025 and another in 2027.The National Electoral Institute (INE), which will oversee the unprecedented and complex elections, has budgeted a public expenditure of at least $656 million for next year's election.

Source: Banco de México (Banxico); Haver Analytics; Instituto Nacional de Estadística y Geografía (INEGI); Secretaría de Economía

In October, inflation rose to 4.8%, driven by a higher increase in the food, beverages, and tobacco sector than the decrease in the housing sector

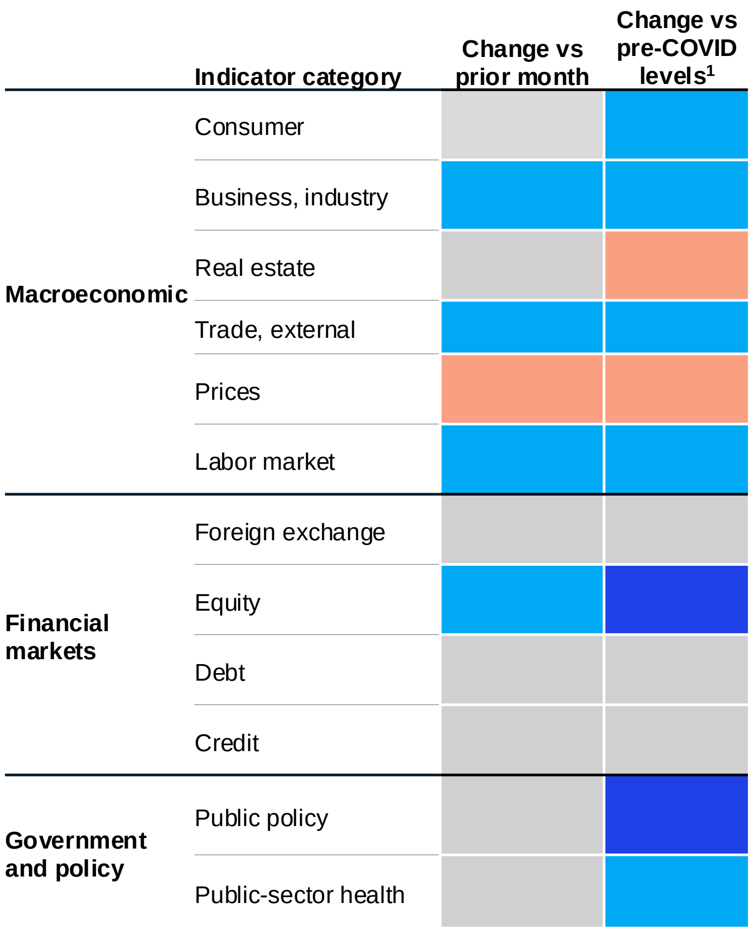


1. End of month closing price of the Price and Quotation Index (IPC).

Source: Banco de México (BANXICO); Instituto Nacional de Estadística y Geografía (INEGI)

Mexican peso continues to lose ground against the US dollar, while inflation rate has risen further away from the central’s bank target

🟦 Significant improvement 🔷 Improving ⬜ No significant change 🟧 Worsening 🟥 Severe decline



	Indicator category	Change vs prior month	Change vs pre-COVID levels[1]
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	Prices	🟧	🟧
	Labor market	🔷	🔷
Financial markets	Foreign exchange	⬜	⬜
	Equity	🔷	🟦
	Debt	⬜	⬜
	Credit	⬜	⬜
Government and policy	Public policy	⬜	🟦
	Public-sector health	⬜	🔷

In September, the balance of trade registered a lower deficit over the previous month; while unemployment dropped

- In September, the consumer confidence index remained stable at 105.5, remaining above the neutral 100 mark.
- The manufacturing PMI rose from 47.3 in September to 48.4 in October, although still below the neutral 50 mark.
- In September, the balance of trade registered a deficit of approximately US $580 million, with exports totaling US $49.6 billion (down from US $51.9 billion in August) and imports reaching US $50.2 billion (up from US $56.8 billion in August).
- Inflation rose to 4.8% in October (4.6% in September). The consumer price index (CPI) is 1.5 percentage points above its pre-COVID-19 level.
- The average unemployment rate decreased to 2.74% in September (2.76% in August), while the formal market expanded slightly.

In September, the Mexican peso continued to lose ground against the US dollar for the fifth consecutive month; the Mexican Stock Market Index (IPC) increased

- In October, the monthly average exchange rate reached MXN 19.7 per US dollar (MXN 19.6 in September).
- The IPC index gained 1% over the month of September (end of month close), showing signs of recovery.

Controversial judicial reforms overshadow President Claudia Sheinbaum’s first initiatives; elimination of autonomous bodies, including the Transparency Institute

- A month into the new president’s tenure, the Supreme Court has closed any possibility of changing controversial reforms that will see the judiciary elected in future. The first call for elections is scheduled for 2025, with all judges to be elected by popular vote, including Supreme Court justices, Circuit Court magistrates, and District Court judges. An administrative body and a disciplinary body have been established to oversee the legislature.
- The Chamber of Deputies approved the dissolution of seven autonomous agencies, including the National Institute for Transparency and Access to Information (INAI), the body responsible for ensuring transparency in the three branches of government and decentralized entities. Opposition parties argue that it will allow the government to act both as arbiter and in a partisan fashion in matters of transparency, spending, and decision making. The dissolution will provide President Claudia Sheinbaum’s administration with over 4 billion pesos, which will be reallocated to various government departments.

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

Source: Haver Analytics; Instituto Nacional de Estadística y Geografía (INEGI); Banco de México (Banxico); Secretaría de Economía; press search

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