

Strategy & Corporate Finance Practice

Global Economics Intelligence executive summary, November 2020

The global economic recovery strengthened alongside a resurgent wave of COVID-19 cases; with vaccines on the horizon and easing US political uncertainty, investor confidence climbed.



After experiencing a withering first half of 2020, the world economy partly revived in the third quarter, as COVID-19 restrictions were eased. Manufacturing and trade regenerated first; the consumer sector followed. Prepandemic levels of industrial activity were approached if not breached—US industrial production recovered to within six percentage points of December 2019 levels, while in the eurozone, GDP expanded 12.6% in Q3, within 4.4% of the December 2019 mark.

The pace of industrial growth generally quickened in October and November. The purchasing managers' indexes (PMIs) for manufacturing, at both the global level and for individual surveyed economies, rose

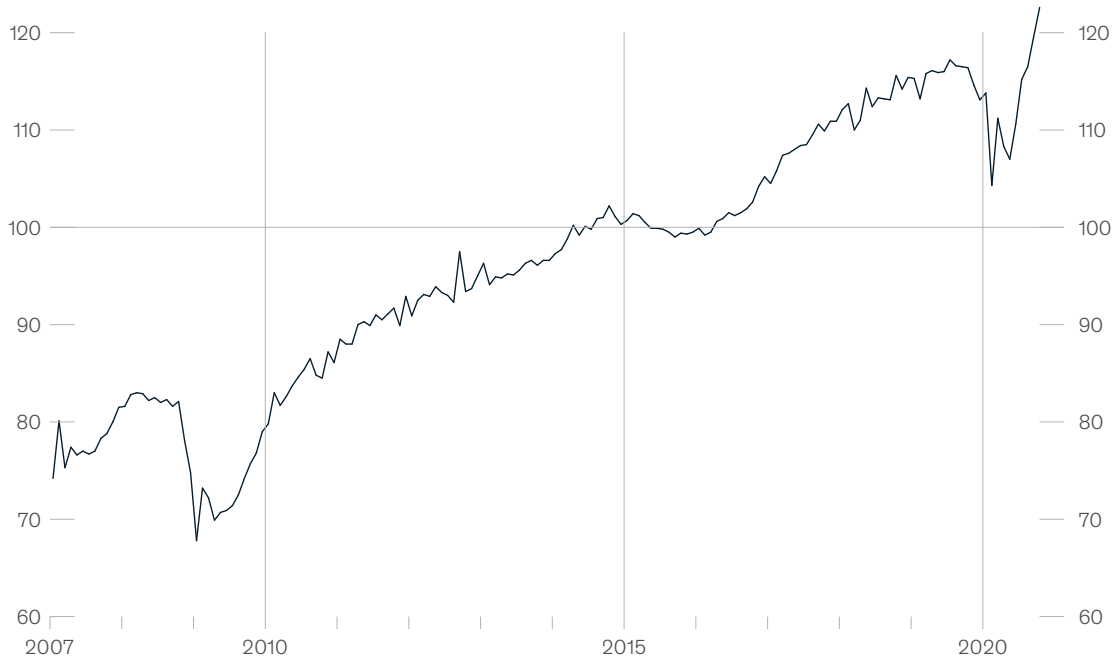
higher into expansion territory. The manufacturing outlook was especially strong in Brazil and India; only in Russia did the indicator point to contraction. The services PMIs for the world and for surveyed economies also show expansion (except in Russia); the United States and China are leading the services revival.

Trade continues to rebound. The most recent trade data are from the Container Throughput Index for October. This measurement climbed to a second consecutive historic high, at 122.6, after rising to 119.6 in September (from 116.5 in August). Traffic has been increasing in both Chinese and non-Chinese ports (Exhibit 1).

Exhibit 1

The Container Throughput Index for October climbed to 122.6, a second consecutive historic high, after rising to 119.6 in September.

RWI/ISL Container Throughput Index, index (2015 = 100)¹



Note: The RWI/ISL Container Throughput Index provides timely information on short-term trends in international trade. The database covers 91 international ports, which handle about 60% of global container transshipment. The monthly data do not include figures for Dubai. Data is seasonally and working-day adjusted.
¹RWI: RWI—Leibniz-Institut für Wirtschaftsforschung. In Jan 2020, RWI/ISL Container Throughput Index changed its base year to 2015.
 Source: RWI/ISL Container Throughput Index

In the only significant change in unemployment among surveyed economies, the official rate declined in the United States in October to 6.9% (from 7.9% in September); so far in November, however, applications for unemployment insurance are rising again. Inflation slightly eased in the United States, while in the eurozone, deflationary consumer and producer prices both declined further. In India, consumer price inflation reached 7.60%, with food prices rising to 11.07% (year-over-year); a weak currency keeps producer-price inflation high in Brazil. Commodity prices were on the rise generally in November, with prices for agricultural products and industrial metals accelerating the fastest. Gold prices, which had fluctuated near \$1,900 per ounce, fell below \$1,800 at the end of November, as the

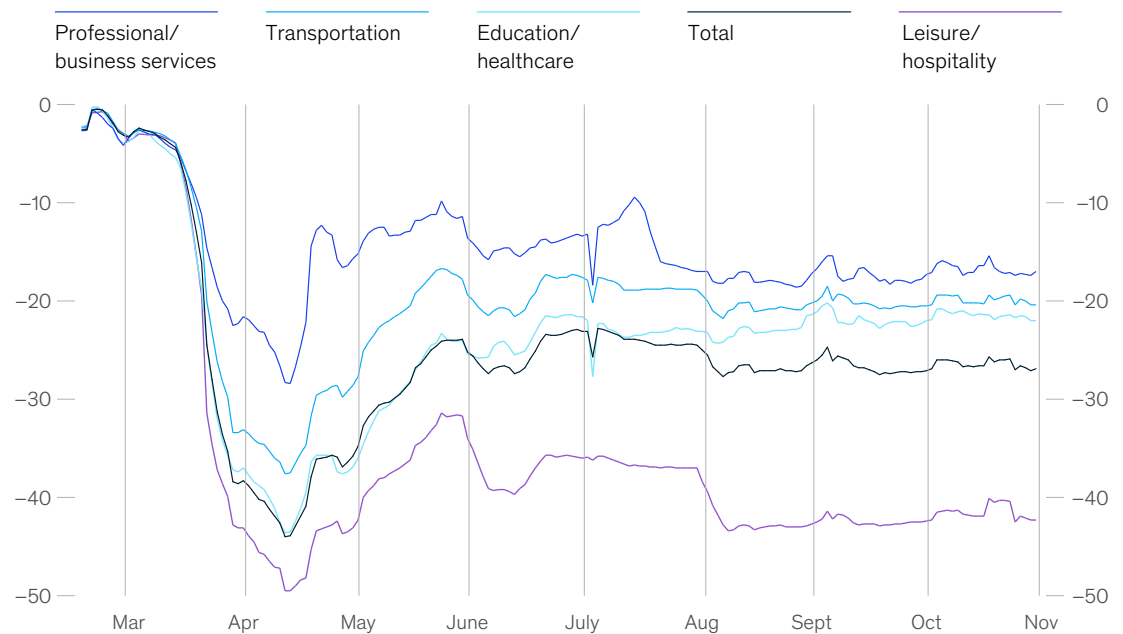
US political situation appeared to stabilize. Energy prices rose in November with reviving demand; prices remain below pre-COVID-19 levels. The overall food-price index rose, as the prices in most component subindexes experienced significant increases.

As we have reported, many small and medium-size enterprises (SMEs) are struggling during the pandemic. Last month, we highlighted insights from a McKinsey survey of European SMEs. This month, we show data from the United States, which demonstrate the disproportionate effects by sector that pandemic-triggered restrictions have been having on US small businesses (Exhibit 2).

Exhibit 2

Pandemic-triggered restrictions on commercial activity affect US small businesses differently by sector.

Share of small businesses in the United States that closed, February to November 2020, % difference from baseline (7-day moving average)



Source: OECD; McKinsey Global Economics Intelligence analysis

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While the lifting of some pandemic-related restrictions brought economic revival, it also enabled the resurgence of COVID-19 infections in countries where virus transmission had not been sufficiently controlled. Outside China, the status of public health worsened critically. Globally, the number of daily new cases has often exceeded 500,000 during this period, with the daily death count often climbing above 10,000.

As the virus resurges and countries and regions reimpose restrictions, economists and business analysts are in the process of revising near-term economic forecasts and scenarios. The news about vaccines has been very promising. At least two US-European efforts, from Pfizer-BioNTech and NIH-Moderna, announced that vaccines will be delivered for use in December. China has already administered its Sinopharm vaccine to more than one million people; Russia has begun to do the same with its Sputnik V effort. The road toward eradication of COVID-19 through vaccination is thus being opened.

Health experts caution, however, that manufacture and delivery of billions of doses is an enormous logistical challenge, made more difficult by the need

for very cold storage for the two leading Western vaccine candidates. Policy makers are consequently reminding afflicted populations that COVID-19 will be present for many more months. They urge people to keep wearing masks, maintain physical distancing, and follow all other local restrictions designed to protect public health.

The struggle to contain COVID-19 infections has apparently been over for months within China, the world's second-largest economy. Most restrictions have been lifted, and there has been no resurgence. The government is now developing its 14th Five-Year Plan, to be fully adopted at the National People's Congress in March 2021. Provisions in this plan, announced at a preliminary meeting at the end of October, will incorporate measures for increased economic independence. Most analysts view this intention as a response to recent US trade policies and the possibility of continuing US-China disengagement.

As if signaling that the post-COVID-19 economic environment will be different, 15 Pacific nations signed the Regional Comprehensive Economic Partnership (RCEP) on November 15. Described by analysts as the largest-ever free-trade agreement,

the RCEP involves 30% of the global economy. Signatories include China, Japan, South Korea, Australia, New Zealand, and all the countries of ASEAN. Some of these countries are part of another trade agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, also known as the TPP-11), which replaced the Trans-Pacific Partnership (TPP), from which the United States withdrew in 2017.

Former vice president Joe Biden won the US presidential election. President Trump did not concede the election and initially would not allow preparation for the transition of power. The transition has begun, however, and the easing of US political uncertainty drove equity markets—already buoyed by the vaccine news—to historic highs by the end of November.

McKinsey's Global Economics Intelligence (GEI) provides macroeconomic data and analysis of the world economy. Each full monthly release includes an executive summary on global critical trends and risks as well as focused insights on the latest national and regional developments. View the full report for November 2020 on [McKinsey.com](https://www.mckinsey.com). Detailed visualized data for the global economy, with focused reports on selected individual economies, are also provided as PDF downloads on [McKinsey.com](https://www.mckinsey.com). The reports are available free to email subscribers and through the McKinsey Insights app. To add a name to our subscriber list, visit [McKinsey.com](https://www.mckinsey.com). GEI is a joint project of McKinsey's Strategy & Corporate Finance Practice and the McKinsey Global Institute.

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