THE WORLD BANK
Development Economics | Prospects Group

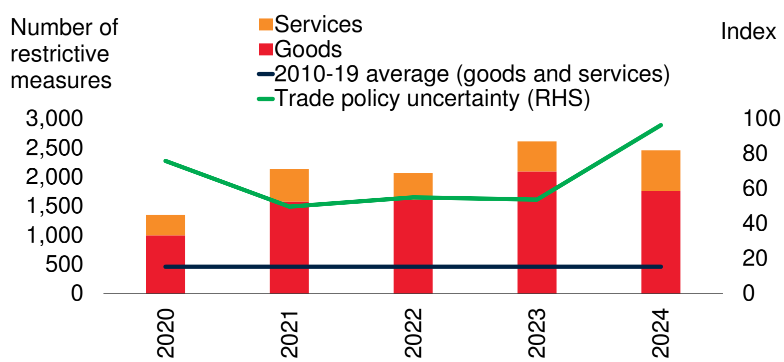
Global Monthly

November-December 2024

Overview

- Leading indicators suggest that the modest expansion in global activity seen in 2024Q3 continues, largely driven by ongoing strength in the services sector.
- Financial market conditions eased overall in the United States owing to a stronger risk appetite but generally tightened elsewhere, partly on expectations of U.S. trade and fiscal policy shifts.
- Global goods trade has picked up further. However, trade policy uncertainty remains high, and a large number of trade restrictions continue to be introduced.

Trade restrictions and policy uncertainty



Sources: Caldara, D., M. Iacoviello, P. Molligo, A. Prestipino, and A. Raffo. 2020. "The Economic Effects of Trade Policy Uncertainty," *Journal of Monetary Economics* 109: (38-59); Global Trade Alert; World Bank.
Note: Annual data for trade policy uncertainty based on monthly averages. Data as of October 31, 2024 for trade restrictions, and October 1, 2024 for trade policy uncertainty.

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Chart of the Month

- Trade restrictions have proliferated throughout the 2020s, with the number of new protectionist measures introduced in 2024 so far approaching the record set in 2023.
- Uncertainty surrounding global trade policy has surged this year, exceeding the level reached in 2020 following the onset of the pandemic.

Special Focus: Outlook and Risks in the Global Oil Market

- Competing forces have been driving global oil prices recently: geopolitical tensions have added upwards pressure, while a backdrop of subdued demand and ample supply have weighed on prices.
- Brent crude prices jumped above $80/bbl in early October amid escalating Middle East tensions; these remain a key upside risk to prices.
- Meanwhile, expectations of subdued global oil demand, underpinned by decelerating consumption in China, are exerting downward pressure on oil prices. In parallel, production from non-OPEC+ countries has increased, while OPEC+ retains ample supply capacity.

The *Global Monthly* is a publication of the Prospects Group. This edition was prepared by Collette Wheeler, Kate Mckinnon, and Tommy Chrimes under the supervision of Carlos Arteta. This special focus was prepared by Paolo Agnolucci. This *Global Monthly* reflects data available up to November 20, 2024. For more information, visit: www.worldbank.org/prospects. Back issues of this report are available since 2008.

Monthly Highlights

Global activity: holding firm. After steady global growth in 2024Q3, leading indicators point to continued modest expansion in activity at the start of 2024Q4. The global composite PMI edged up slightly in October, supported by firming activity in emerging market and developing economies (EMDEs). At the sectoral level, the expansion in global services PMI strengthened slightly in October, helping to offset the ongoing but easing contraction in manufacturing activity. Further improvement in manufacturing activity, aided by the continued recovery in global demand for goods, should also help support industrial production, which grew at about 1.8 percent (q/q saar) in 2024Q3. Although headline consumer price inflation (y/y) continued to slow in nearly 80 percent of the world's economies in September, market expectations for inflation have shifted up in some major economies—particularly in the United States following the outcome of the November Presidential election (figure 1.A).

Global trade: strengthening goods trade. Global goods trade growth accelerated from 1.8 percent (y/y) in July to 2.8 percent in August. The expansion was generally broad-based across country groups, with goods trade in advanced economies growing by 1.6 percent (y/y) and by 4.9 percent in EMDEs (figure 1.B). Alongside the pickup in goods trade growth, sea freight prices have started to rise again, particularly on Asia-Europe routes. Although some high-frequency trade indicators remain anemic, signs of improvement are emerging: the contraction in global new export orders PMI eased to 48.3 in October from 47.5 in September. Meanwhile, the services component of the global new export orders PMI remained in expansionary territory, although it moderated from 51.5 in September to 50.7 in October.

Commodity markets: varying trends. The price of Brent crude oil hovered mostly in the $71-76/bbl range during the first half of November, down from over $80/bbl in early October, amid a strong U.S. dollar and concerns of weak demand. U.S. natural gas prices fell in the first half of November, adding to the 2 percent month-on-month decline in October, reflecting milder-than-expected weather and ample inventories. Prices have since picked up, however, amid colder weather forecasts (figure 1.C). European natural gas prices rose 10 percent in October (m/m) and continued to increase in November amid colder forecasts and demand for pre-winter stocking. Strong demand saw coal prices increase by 5 percent (m/m) in October. Agriculture

FIGURE 1.A **Expectations for U.S. inflation and policy rates**

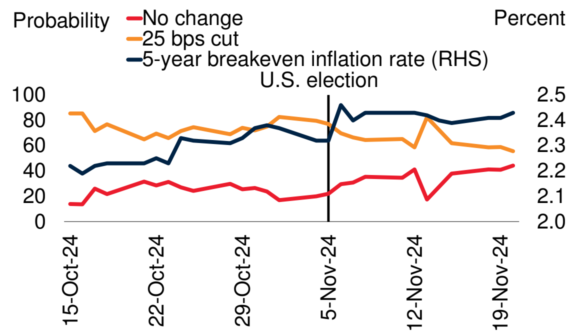


FIGURE 1.B **Goods trade volume growth**

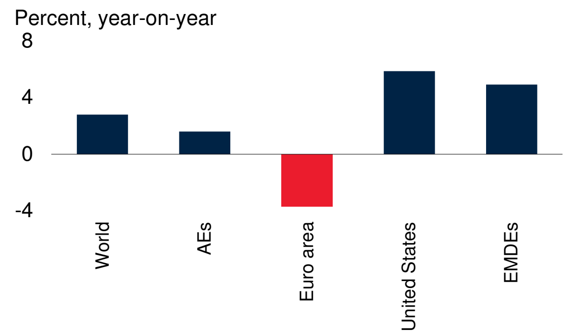
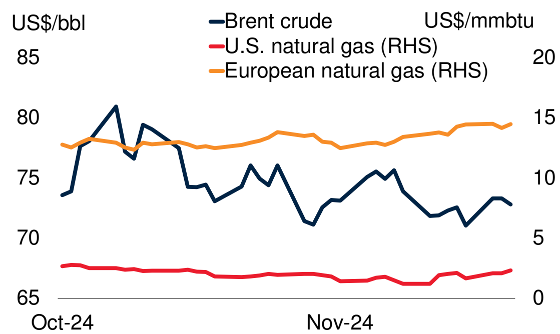


FIGURE 1.C **Commodity prices**



Sources: Bloomberg; CME Group Fed Watch; CPB Netherlands Bureau for Economic Policy Analysis; Federal Reserve Bank of St. Louis; World Bank.

Note: AEs = advanced economies; CIS = Commonwealth of Independent States; EMDEs = emerging market and developing economies.

A. Probabilities refer to the likelihood, as implied by 30-Day Fed Funds futures prices, of changes in the U.S. Federal Funds rate by December 18, 2024 relative to the current target rate range of 4.50 - 4.75 percent. The breakeven inflation rate is a measure of market inflation expectations, derived from 5-Year Treasury Constant Maturity Securities and 5-Year Treasury Inflation-Indexed Constant Maturity Securities. Last observation is November 20, 2024.

B. Country group classification relies on CPB Netherlands Bureau for Economic Policy Analysis. Year-on-year change for the period ending August 2024.

C. Daily data. Last observation is November 20, 2024.

prices changed little overall in October, as a 1 percent increase in food prices was offset by an equivalent decline in beverage prices. Metal prices fell in the first half of November, following a 5 percent rise in October, amid a strong U.S. dollar and stimulus announcements in China that fell short of expectations for supporting industrial activity.

Global financial conditions: growing divergence. Financial conditions in the United States eased overall following the elections. Risk appetite in the United States strengthened, as indicated by rising U.S. equity prices and falling volatility, reflecting market expectations of a more benign corporate tax and regulatory regime (figure 2.A). However, the easing in risk appetite has been slightly countered by higher U.S. sovereign yields and policy rate expectations due to the possibility of substantial shifts in trade and fiscal policy. Major advanced-economy central banks continued to cut policy interest rates in line with expectations. However, in the euro area, risk appetite receded, the euro depreciated against the U.S. dollar, and sovereign yields increased on the back of uncertainty about trade prospects with the United States and political uncertainty in Germany. EMDE financial conditions also tightened in November amid the possibility of new U.S. tariffs. EMDE currencies depreciated against the U.S. dollar (figure 2.B), and EMDE risk appetite cooled, reflected in lower equity valuations. In addition, one-year ahead policy rate expectations in EMDEs edged slightly higher amid a slower-than-expected disinflation process.

United States: continuing resilience. Economic data released over the past month suggested continued robust activity, with growth at 2.8 percent (q/q saar) in 2024Q3, close to the 2024Q2 figure. Consumer spending growth accelerated to 3.7 percent (q/q saar) in 2024Q3 from 2.8 percent in the previous quarter, with spending on goods expanding by 6 percent, supported by a pickup in durable goods such as motor vehicles (figure 2.C). Resilience in consumer spending is being reflected in persistently high core consumer price inflation, which remained at 3.3 percent in October, while headline inflation ticked up slightly, to 2.6 percent, as energy price declines moderated. Meanwhile, nonfarm payrolls were essentially unchanged in October, likely dampened by the effects of recent hurricanes.

Other advanced economies: mixed activity. In the euro area, growth in 2024Q3 was tepid, albeit somewhat firmer than expected, at 0.4 percent (q/q sa). The slight pickup from

FIGURE 2.A Equity prices and volatility in the United States

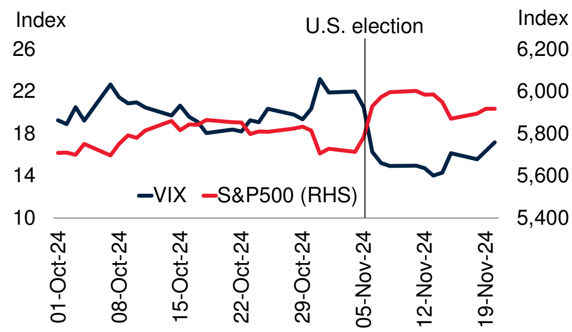


FIGURE 2.B EMDE currency index

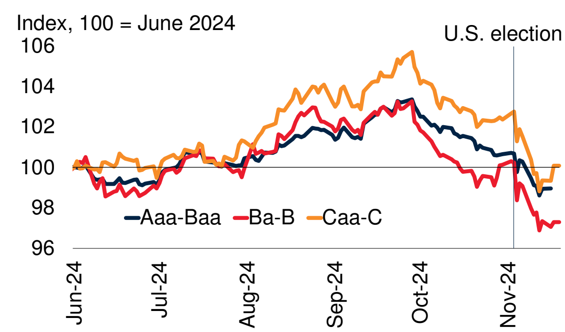
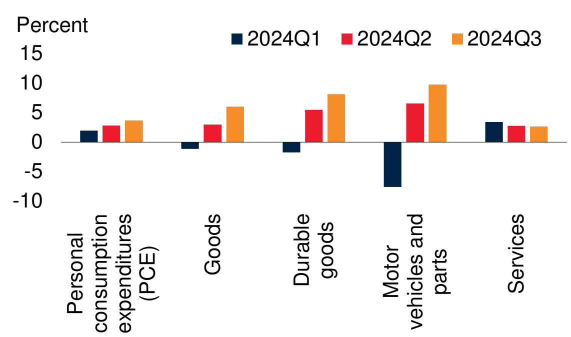


FIGURE 2.C U.S. real personal consumption expenditures, by product



Sources: Federal Reserve Bank of St. Louis; Haver Analytics; U.S. Bureau of Economic Analysis; World Bank.

Note: EMDEs = emerging market and developing economies.

A. Blue line represents the daily CBOE Volatility Index, which measures market expectation of near-term volatility conveyed by stock index option prices. Red line represents the daily market close value of the S&P 500 equity index, which includes the 500 leading companies in the United States at market close. Last observation is November 20, 2024.

B. Sample of 49 EMDE currencies exchange rates relative to the USD. Parallel exchange rates are used where available. EMDEs' current sovereign foreign currency credit ratings are categorized according to Moody's credit rating. The index starts at 100 from June 1, 2024, takes the median of the daily currency movements across each ratings classification and compounds it. Last observation is November 21, 2024.

C. Chart shows quarter-on-quarter seasonally adjusted annualized growth in personal consumption expenditures by type of product. Last observation is 2024Q3.

2024Q2 was driven in part by better-than-expected activity in Germany, where GDP grew 0.2 percent, and a slight acceleration in France, to 0.4 percent, partly owing to the temporary boost to activity around the Paris Olympics (figure 3.A). However, recent indicators point to continued weakness in euro area manufacturing activity, with the manufacturing PMI remaining in contractionary territory, at 46 in October. In Japan, GDP grew by 0.2 percent (q/q sa) in 2024Q3, mainly driven by consumption growth (and partly offset by net exports). Meanwhile, other activity indicators are mixed: industrial production data showed normalizing auto production in September, but the composite PMI fell into contractionary territory in October for the first time since June.

China: signs of firming activity. Following a raft of policy announcements in recent months aimed at supporting domestic demand, leading indicators signal a possible uptick in near-term activity. In October, both the manufacturing and services PMIs edged up to 50.1, with the former in expansionary territory for the first time in six months (figure 3.B). Meanwhile, exports continued to expand strongly, rising 12.7 percent (y/y) in October, the fastest pace in over two years. However, imports declined 2.3 percent (y/y), following a broadly stagnant outturn in September, amid still-muted domestic demand. Inflation continued to hover close to zero, with headline and core consumer prices rising 0.3 and 0.2 percent (y/y), respectively, in October.

Other EMDEs: solid headline activity. The composite output PMI for EMDEs (excluding China) recorded its 51st consecutive month of expansion in October, rising slightly to 53.8. Yet country-level PMIs highlight divergence among EMDEs. PMIs picked up further in Brazil, India, and Saudi Arabia in September, and Russia's reading returned to positive territory in October following a 21-month low in the previous month. In contrast, in Nigeria, the composite PMI fell to 44.2 in October, more than five points lower than in September, amid an intensification of inflationary pressures. More generally, policy interest rates in EMDEs have remained broadly stable as some central banks paused easing while others continued to cut (figure 3.C). After headline inflation (y/y) slowed in three-quarters of EMDEs in September, incoming data suggest that this disinflation process may have slowed somewhat in October, contributing to a slight rise in one-year-ahead policy interest rate expectations.

FIGURE 3.A GDP growth in the Euro area

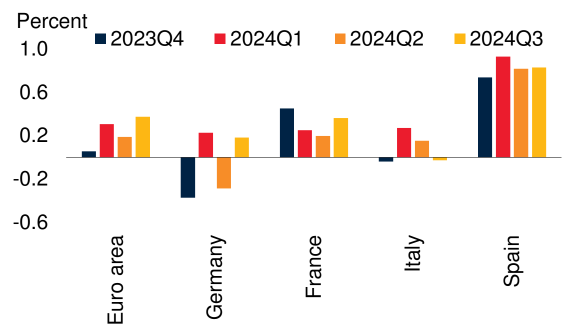


FIGURE 3.B China PMIs

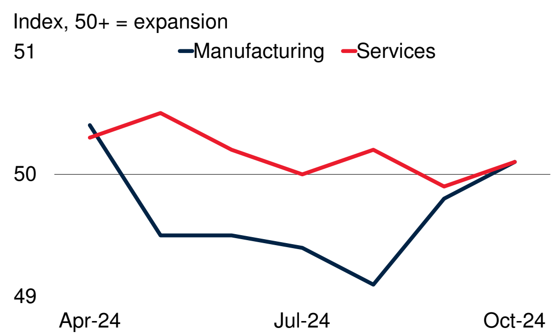
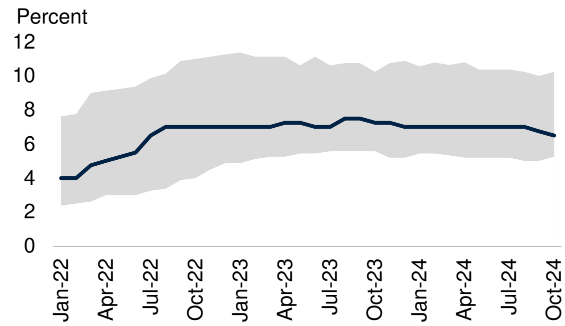


FIGURE 3.C Median monetary policy rates in EMDEs



Sources: Haver Analytics; World Bank.
Note: EMDEs = emerging market and developing economies; PMI = purchasing managers' index.
A. Chart shows seasonally adjusted quarter-on-quarter GDP growth in selected economies. Last observation is 2024Q3.
B. Panel shows official China manufacturing and services purchasing managers' index. Last observation is October 2024.
C. Blue line represents median values for the official policy rates in a sample of up to 75 EMDEs. Shaded area denotes the interquartile range. Last observation is October 2024.

Special Focus: Outlook and Risks in the Global Oil Market

Oil prices have been subject to competing forces, with upward pressure from geopolitical risk set against the impact of ample global oil supply and slowing consumption growth. This Special Focus discusses recent developments in and the outlook of the oil market, drawing on analysis from the October 2024 *Commodity Markets Outlook*.

The Brent crude oil price rose in early October on the back of heightened geopolitical risks. The intensification of conflict in the Middle East in the first week of October saw oil prices jump to almost $81/bbl, amid raised concerns of damages to key production infrastructure in major commodity producers. Prices subsequently fell back, sitting at about $72/bbl as of mid-November, as immediate threats to supply receded (Figure 4.A). While the oil risk premium has fallen back, geopolitical tensions remain elevated, as further escalation could disrupt global production.

Separately, concerns about weak oil demand have exerted increasing downward pressure on oil prices. Disappointing data from Chinese industrial firms highlighted the risk of weak performance among Chinese manufacturers. Subdued Chinese oil imports, which have been falling since May, increased fears about weakening oil demand in China, despite recently announced monetary and fiscal policy initiatives. This drew attention to weak prospects for global oil consumption, which is now expected to rise by about 1 mb/d per year in 2024 and 2025—amounting to an annual rate below 1 percent (figure 4.B).

Expectations of subdued global demand coincide with ample potential oil supply. Production from non-OPEC+ countries has increased, with the United States reaching its record monthly oil production in August. At the same time, OPEC+ producers have extended the 2.2 mb/d voluntary cuts first introduced in November 2022. Initially due to expire at the end of March 2024, the reversal of these cuts has been postponed four times this year, amid concerns about weak global demand and robust supply (figure 4.C). As OPEC+ producers continue to have high levels of spare production capacity, the coalition faces a tradeoff when it comes to extending supply cuts (Figure 5.A). Curtailing production puts upward pressure on prices but decreases is associated with lower export volumes for coalition members and potential challenges in maintaining internal compliance. Returning production to the market can boost market share,

FIGURE 4.A Brent oil prices and key events

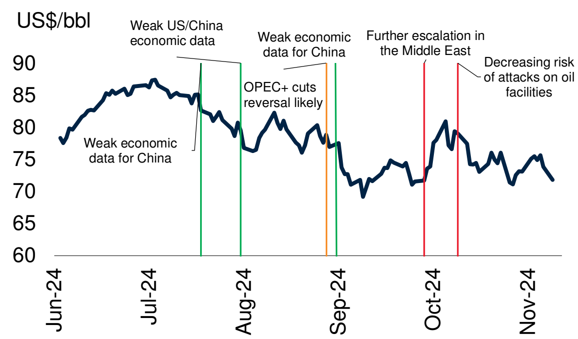


FIGURE 4.B Changes in global oil demand

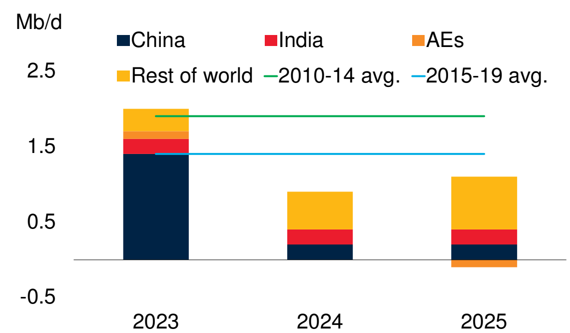
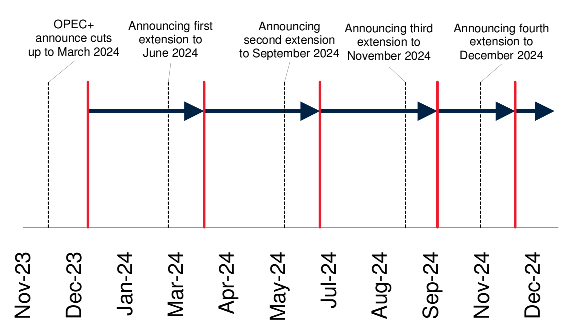


FIGURE 4.C Timeline of OPEC+ 2.2 mb/d production cuts initially announced in November 2023



Sources: Bloomberg; International Energy Agency (IEA); OPEC; World Bank.
Note: AEs = advanced economies; International Energy Agency (IEA); Mb/d = million barrels per day.
A. Daily Brent prices, last observation is November 11, 2024. Yellow lines indicate events related to OPEC+ supply management, red lines indicate geopolitical events, and green lines display economic news.
B. Bars indicate change in annual oil demand in million barrels per day (mb/d). Data based on IEA's Oil Market Report, October 2024 edition. Lines indicate average changes of annual oil demand for the two specified 5-year periods.
C. Dashed vertical lines indicate the announcement of a new cut/extension. Red vertical lines indicate the first day the cut/extension applies, with the horizontal arrows showing its duration.

though this comes at the cost of lower oil prices, which may fail to drive non-OPEC+ producers out of the market.

In the baseline, the global oil market in 2025 is expected to have a 1.2 mb/d surplus, due to weakening demand growth and strengthening supply. This would represent a degree of oversupply only surpassed twice before: during COVID-19-related shutdowns in 2020, and during the 1998 oil price collapse. In 2025, global oil supply is expected to increase by 0.9 mb/d, as non-OPEC+ producers ramp up production. Supply from OPEC+ members is set to increase only slightly in 2025, on the assumption that the majority of the 2.2 mb/d voluntary cuts will be extended further. Under this baseline scenario, the Brent oil price is projected to average $73/bbl in 2025 (figure 5.B).

In the near term, heightened tensions in the Middle East represent the main upside risk to oil prices. A significant and prolonged broadening of hostilities to oil-producing countries in the Middle East or stricter enforcement of international sanctions affecting exports from the region would markedly reduce the amount of oil available in the market. The potential scale of this risk is assessed by developing an alternative scenario in which escalating conflict leads to a decrease in global oil output by about 2 percent.[1] The analysis suggests this would trigger a sharp rise in prices, with the Brent benchmark settling at an average of $84/bbl in 2025, around 15 percent above the baseline price level. High levels of spare capacity held by OPEC+ members could be a key factor defining the size and timing of a production response to this oil supply shock.

The major downside risk to oil prices is a steady unwinding of OPEC+ cuts. The current baseline forecast assumes OPEC+ supply remains largely unchanged in 2025, contrasting with the schedule announced by OPEC+ in November. The potential impact of OPEC+ pressing ahead with reversing their voluntary cuts is assessed in an alternative scenario which entails a supply increase of an average 1.3 mb/d supply in 2025, as per OPEC+ current policy (figure 5.C). Estimates indicate that the Brent oil price would decline to an average $66/bbl in 2025, around 10 percent below the baseline forecast level, despite reduction in non-OPEC+ oil supply in response to lower prices.[2]

[1] This scenario uses impulse response functions from Verduzco-Bustos, G. and F. Zanetti. Forthcoming. "The Effects of Geopolitical Oil Price Shocks." World Bank Policy Research Working Paper, World Bank, Washington, DC.

[2] The scenario uses impulse response functions from D. Caldara, M. Cavallo, and M. Iacoviello. 2019. "Oil Price Elasticities and Oil Price Fluctuations." *Journal of Monetary Economics* 103 (May): 1-20.

FIGURE 5.A Computed OPEC+ spare capacity

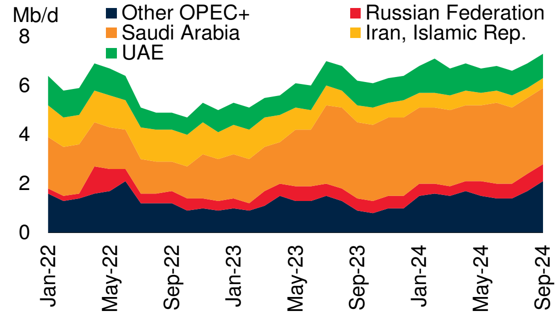


FIGURE 5.B Brent oil prices in 2025 under baseline assumptions and risk scenarios

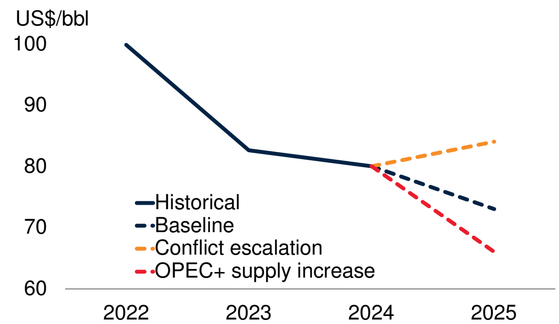
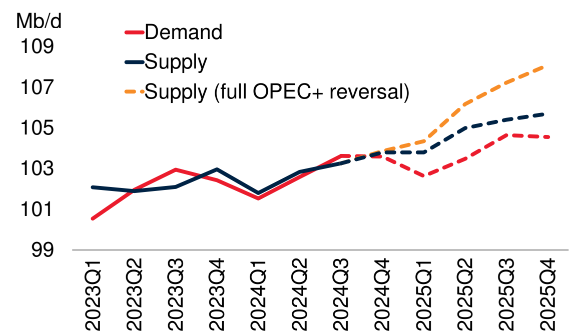


FIGURE 5.C OPEC+ cuts reversal and supply forecasts



Sources: International Energy Agency (IEA); World Bank.

Note: Mb/d = million barrels per day.

A. Spare capacity for OPEC+ members from monthly IEA Oil Market Reports. Other OPEC + includes Algeria, Azerbaijan, Bahrain, Brunei, Congo, Equatorial Guinea, Gabon, Iraq, Kazakhstan, Kuwait, Libya, Malaysia, Mexico, Nigeria, Oman, South Sudan, Sudan, and República Bolivariana de Venezuela. Values for Islamic Republic of Iran, Libya, Russian Federation, and República Bolivariana de Venezuela are computed from data on sustainable capacity and actual supply in monthly IEA Oil Market Reports. Values from all other countries are published in IEA Oil Market Reports.

B. Blue dashed lines indicate baseline forecasts for the price of Brent oil. Oil prices are depicted as annual average values. Red line reflects a scenario in which OPEC+ production cuts are reduced sooner than in the baseline. Orange line depicts outcomes under conflict-related disruptions to oil supply.

C. Supply and demand are based on data from IEA Oil Market Report, October 2024 edition. The supply forecast with a full OPEC+ reversal incorporates the schedule for cut reversals announced by OPEC+ on September 6, 2024, while assuming no response from other non-OPEC+ producers. Dashed lines indicate forecasts for 2024Q3 to 2025Q4.

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November-December 2024

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[Rate Cycles]
[Global Economic Prospects—June 2024]

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[Business Ready (B-READY) 2024]
[Finance and Prosperity 2024]
[World Development Report 2024]

TABLE: Major Data Releases

(Percent change, y/y)

Recent releases: October 26, 2024 - November 25, 2024					
Country	Date	Indicator	Period	Actual	Previous
France	10/30/24	GDP	Q3	1.3%	1.0%
Italy	10/30/24	GDP	Q3	0.4%	0.6%
Poland	10/30/24	GDP	Q2	4.4%	1.5%
Saudi Arabia	10/30/24	GDP	Q3	2.8%	-0.4%
Spain	10/30/24	GDP	Q3	3.4%	3.2%
United States	10/30/24	GDP	Q3	2.7%	3.0%
Indonesia	11/4/24	GDP	Q3	4.9%	5.0%
Brazil	11/8/24	CPI	OCT	4.8%	4.4%
China	11/8/24	CPI	OCT	0.3%	0.5%
Argentina	11/12/24	CPI	OCT	193.0%	209.0%
India	11/12/24	CPI	OCT	6.2%	5.5%
Russian Federation	11/13/24	GDP	Q3	3.1%	4.1%
Euro area	11/14/24	GDP	Q3	0.9%	0.6%
Japan	11/14/24	GDP	Q3	0.2%	-1.0%
Netherlands	11/14/24	GDP	Q3	1.9%	0.6%
United Kingdom	11/15/24	GDP	Q3	1.0%	0.7%
Thailand	11/17/24	GDP	Q3	3.0%	2.2%
Euro area	11/19/24	CPI	OCT	2.0%	1.7%
Germany	11/22/24	GDP	Q3	-0.3%	-0.2%
Mexico	11/22/24	GDP	Q3	1.6%	2.2%
Nigeria	11/25/24	GDP	Q3	3.1%	3.0%

(Percent change y/y)

Upcoming releases: November 26, 2024 - December 31, 2024				
Country	Date	Indicator	Period	Previous
Poland	11/28/24	GDP	Q3	4.4%
Canada	11/29/24	GDP	Q3	0.9%
India	11/29/24	GDP	Q3	6.7%
Türkiye	11/29/24	GDP	Q3	2.5%
Korea, Rep.	12/2/24	CPI	NOV	1.3%
Australia	12/3/24	GDP	Q3	1.0%
Brazil	12/3/24	GDP	Q3	3.3%
Türkiye	12/3/24	CPI	NOV	48.6%
Thailand	12/5/24	CPI	NOV	0.8%
Germany	12/6/24	IP	OCT	-4.6%
China	12/8/24	CPI	NOV	0.3%
Mexico	12/9/24	CPI	NOV	4.8%
Brazil	12/10/24	CPI	NOV	4.8%
United States	12/11/24	CPI	NOV	2.6%
India	12/12/24	CPI	NOV	6.2%
Euro area	12/13/24	IP	OCT	-2.4%
Poland	12/13/24	CPI	NOV	5.1%
United Kingdom	12/13/24	IP	OCT	-1.8%
Saudi Arabia	12/15/24	CPI	NOV	1.9%
Argentina	12/16/24	GDP	Q3	-1.7%
New Zealand	12/18/24	GDP	Q3	0.1%