# THE WORLD BANK
Development Economics | Prospects Group

# Global Monthly

May 2024

## Overview

- The global economy continues to show steady momentum, accompanied by firming sentiment and goods trade.
- In the United States, activity remained largely resilient despite a few weaker-than-expected data prints in the past month. At the same time, in the euro area, signs of a nascent recovery have emerged. In many emerging market and developing economies (EMDEs), activity remained firm.
- Although core inflation continued to decline in many economies, the pace of disinflation has slowed this year. In particular, services inflation remains generally elevated.

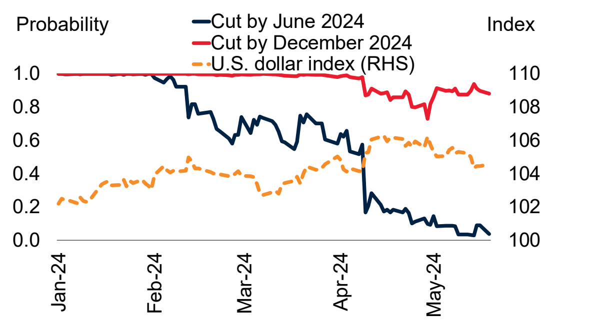
## Table of Contents



## Chart of the Month

- In the United States, resilient growth and sticky inflation have underpinned expectations of a slower pace of monetary policy easing.
- Recent economic releases suggesting some moderation of activity reaffirmed market expectations that policy rates will be cut at least once this year.
- The U.S. dollar strengthened last month, exerting pressure on many EMDE currencies, but gave up some of its gains in May.

**Probability of U.S. rate cuts and the U.S. dollar**




*Sources*: CME Group; Wall Street Journal; World Bank.
*Note*: The probability of changes to monetary policy reported in CME FedWatch Tool are based on 30-day Fed Funds futures prices. The U.S. dollar index (USDX) is a weighted value relative to a basket of six key currencies: Euro (57.6%); Japanese yen (13.6%); Pound sterling (11.9%); Canadian dollar (9.1%); Swedish krona (4.2%); Swiss franc (3.6%). An increase in the index represents a U.S. dollar appreciation.

## Special Focus: Commodity Markets Outlook

- According to the latest *Commodity Markets Outlook*, commodity prices are forecast to soften slightly over 2024-25, while remaining above 2015-19 averages.
- Risks to commodity prices are tilted to the upside. In particular, conflict-related energy supply disruptions could significantly raise commodity prices.
- A renewed rise in commodity prices could slow or even reverse global disinflation, which might delay monetary easing.


The *Global Monthly* is a publication of the Prospects Group. This edition was prepared by Marie Albert, Kate Mckinnon, and Dominik Peschel under the supervision of Carlos Arteta. The special focus was prepared by Philip Kenworthy and Kaltrina Temaj. This *Global Monthly* reflects data available up to May 27th, 2024. For more information, visit: www.worldbank.org/prospects. Back issues of this report are available since 2008.

## Monthly Highlights

**Global activity: steady momentum.** Global activity continued to pick up at the start of the second quarter, with the global composite PMI at 52.4 in April. The global services PMI edged up to 52.7 in April, suggesting further improvement in the services sector. Though decreasing slightly to 50.3, the global manufacturing PMI remained in the expansionary territory for the third consecutive month, reflecting solid activity in EMDEs. Manufacturing PMIs for new orders in EMDEs continued to increase, reaching 53.3—the highest level since December 2020. In contrast, they remained in contractionary territory for advanced economies (figure 1.A). In May, economic surprise indexes suggested that activity exceeded expectations on the upside for both advanced economies and EMDEs, and by a greater margin for the latter. Likewise, sentiment indicators indicated that current economic conditions and expectations remained solid.

**Global trade: goods trade improving.** Global goods trade grew by 0.2 percent in 2024Q1—the first expansion after five quarters of contraction. The manufacturing component of the global new export orders PMI entered expansionary territory for the first time in over two years. This turnaround was primarily driven by EMDEs; new export orders for advanced economies—though showing improvement—remained in contractionary territory (figure 1.B). The services component of the global new export orders PMI continued to signal strengthening in activity. Shipping prices have once again started to rise, partly reflecting capacity issues related to developments in the Red Sea. However, global delivery times continue to improve, with the Global Supply Chain Pressure Index (GSCPI) remaining below its historical average.

**Commodity prices: rebounding.** Energy prices gained 5 percent in April, led by oil and natural gas. Brent crude oil prices eased to $82/bbl in May, from levels higher than $90/bbl in mid-April, as tensions in the Middle East receded somewhat, and inventories picked up. Meanwhile, U.S. and European natural gas prices continued to climb during May, underpinned by strong electricity demand in the United States and concerns about potential supply disruptions in Europe amid geopolitical tensions. Metal prices increased by 9 percent in April (m/m) reflecting expectations of stronger demand and concerns around possible supply disruptions, including from trade restrictions and ongoing production cuts in South America. Food prices remained broadly stable in April while the beverage price index surged 26 percent. Tea prices at the Kolkata auction gained 70

**FIGURE 1.A Manufacturing new orders**

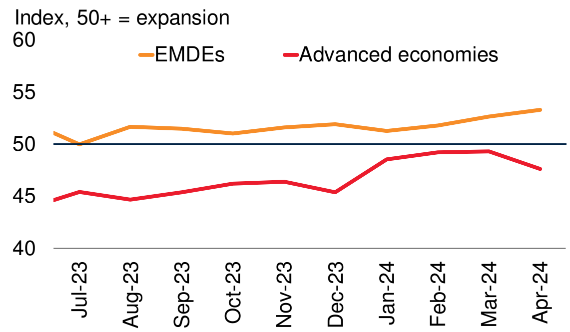



**FIGURE 1.B Manufacturing PMI new export orders**

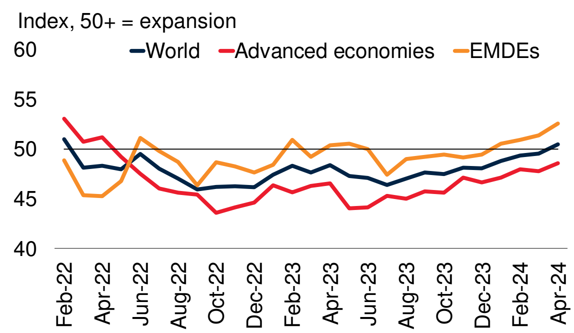
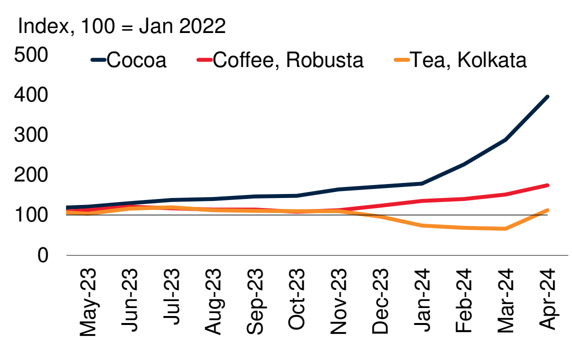



**FIGURE 1.C Beverage prices**




*Sources*: Haver Analytics; World Bank.
*Note*: EMDEs = emerging market and developing economies; PMI = purchasing managers' index.
A. Lines show manufacturing subcomponents of the global PMI new orders series. Last observation is April 2024.
B. Chart shows manufacturing subcomponents of the global PMI new export orders series. Last observation is April 2024.
C. Monthly data. Last observation is April 2024.

percent (m/m), propelled by transport disruptions in the Red Sea. Cocoa prices increased by a further 37 percent (m/m), reaching a historical-high of nearly $10,000/ton, as adverse weather conditions persisted in West Africa. Similarly, coffee prices registered significant gains amid weather-related supply shortages (figure 1.C).

**Global financial conditions: renewed improvement.** After tightening in April, global financial conditions eased somewhat in May. In the United States, the yield curve shifted lower early in the month, as April's inflation data came in softer than expected, but ended May little-changed after central bank minutes and commentary were perceived as hawkish. Equity prices nonetheless rose substantially, with the S&P 500 hitting an all-time high. Market optimism is evident in equity options pricing—the market-based probability of a 20-percent increase in U.S. equity prices over 12 months outstrips the chances of a 20 percent decline by about 5 percentage points, a gap not seen in the pre-pandemic decade (figure 2.A). With the U.S. dollar softening slightly and portfolio flow pressures moderating, equity prices in some large EMDEs have recently increased (figure 2.B). The median EMDE sovereign spread also edged lower in May.

**United States: resilient activity amid recent easing.** Growth slowed more than expected in 2024Q1, to 1.6 percent (q/q saar), with the slowdown primarily driven by rebounding imports. Nevertheless, weaker overall growth masked robust investment and consumption spending during the quarter. Personal consumption expanded at a rapid pace, resulting in the personal saving rate declining to a 17-month low of 3.2 percent (figure 2.C). Robust spending, along with relatively flat labor productivity, likely contributed to elevated inflation prints in Q1. However, inflation and activity indicators were more subdued at the beginning of Q2. April core inflation ticked down, and the pace of non-farm payroll gains slowed markedly to 175K. Finally, retail sales were flat in April and revised lower for previous months, pointing to possible downward revisions to overall consumption in Q1.

**Other advanced economies: modest euro area recovery.** In the euro area, growth is estimated to have resumed in 2024Q1, with output expanding 0.3 percent (q/q sa)—the fastest pace since 2022Q3 (figure 3.A). The improvement partly reflects a modest rebound in Germany, the euro area's largest economy, which grew at an estimated rate of 0.2 percent in Q1 after contracting in the previous quarter. Euro area headline inflation remained steady at 2.4 percent (y/y) in April, as the continued fall in

**FIGURE 2.A U.S. equities, chance of 20 percent gain minus chance of 20 percent loss**

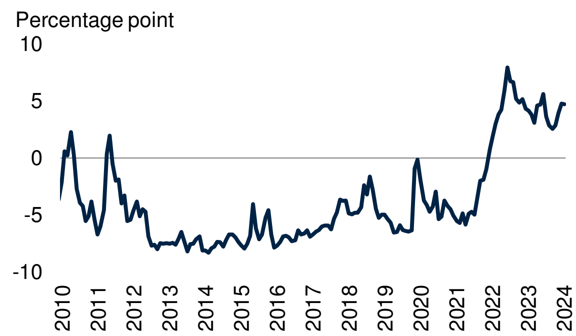



**FIGURE 2.B EMDE equity market prices (U.S. dollar terms)**

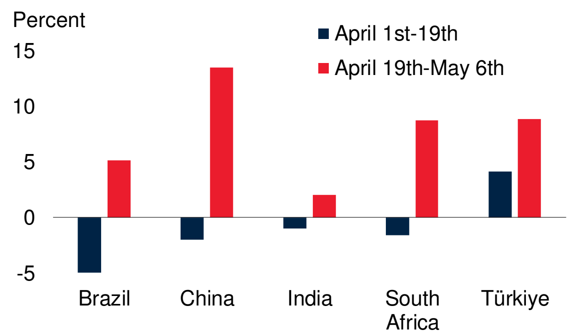
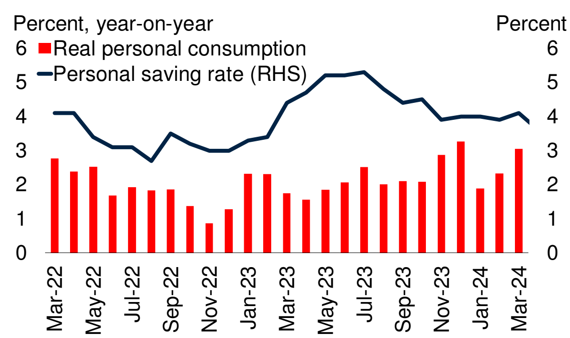



**FIGURE 2.C U.S. consumption and saving rate**




*Sources*: Federal Reserve Bank of Minneapolis; MSCI; World Bank.

A. The chart indicates the risk-neutral probability (derived from options prices) of a 20 percent increase in U.S. equity prices over the next 12 months, less the risk-neutral probability of a 20 percent drawdown. Monthly average values. Last observation is May 2024.

B. Percent changes in equity index prices, in U.S. dollar terms.

C. Percent change from a year ago in real personal consumption; personal saving as a percentage of personal disposable income.

energy prices helped offset higher food prices. Although core inflation continued to edge down, falling to 2.7 percent, services inflation remained elevated. In Japan, output contracted by 2 percent (q/q saar) in 2024Q1, partly due to weaker exports and domestic car sales reflecting auto plant shutdowns. The Bank of Japan maintained an accommodative stance in its April policy meeting, and market participants expect its continuation at the next meeting in June. Subsequently, the yen depreciated to its weakest level against the U.S. dollar since 1990.

**China: renewed softness.** There are fresh signs of moderating activity following a pickup in growth in 2024Q1. The official manufacturing PMI edged down to 50.4 in April, from 50.8 in March, partly reflecting a decrease in the new export orders sub-component, which slipped from 51.3 to 50.6. After rising for three consecutive months, the services PMI also fell to 50.3 in April, from 52.4 in March. Inflation pressures remain contained. Amid subdued core inflation and declining food prices, headline consumer prices increased by just 0.7 percent (y/y) in April (figure 3.B). Meanwhile, the property sector downturn continued, with prices falling further across almost all major cities in April. The authorities announced further measures aimed at boosting property demand, including removing the residential mortgage rate floor and lowering down payment requirements for borrowers.

**Other EMDEs: firming activity.** Activity in EMDEs generally continued to firm in April. The GDP-weighted composite PMI for EMDEs (excluding China) remained in expansionary territory at 56.3 despite a softening in manufacturing (figure 3.C). India and Brazil continue to be bright spots, with composite PMIs remaining high, at 61.5 and 54.8 respectively, despite the 0.3-point decline in each index. In Russia, the composite PMI softened from 52.7 in March to 51.9 in April. GDP growth in larger EMDEs in 2024Q1 broadly confirmed firming economic activity since the beginning of the year. Output grew by 5.1 percent (y/y) in Indonesia, driven mainly by private consumption, and by 5.7 percent (y/y) in the Philippines, reflecting solid export growth. Mexico's GDP grew by 1.6 percent (y/y), while GDP is estimated to have expanded by 1.9 percent (y/y) in Poland and 5.4 (y/y) percent in Russia. In contrast, Saudi Arabia's economy is estimated to have contracted by 1.8 percent (y/y) in 2024Q1 due to oil production cuts.

**FIGURE 3.A Euro area GDP**

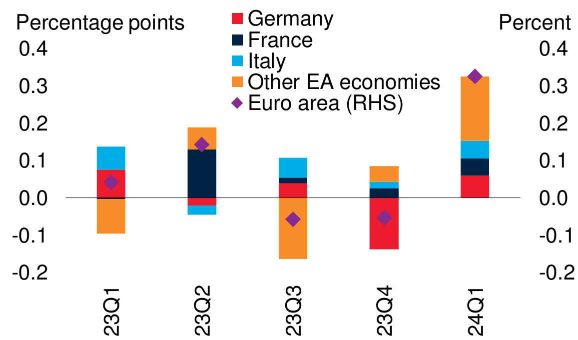



**FIGURE 3.B China CPI inflation**

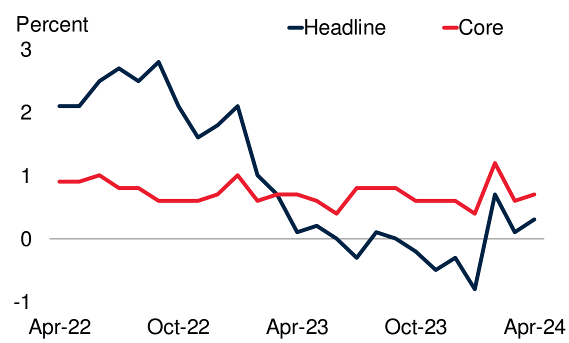
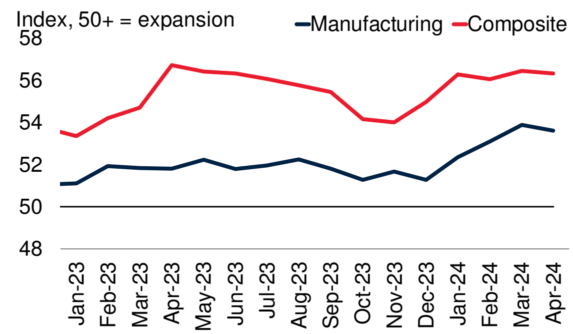



**FIGURE 3.C PMIs in EMDEs excluding China**




*Sources*: Eurostat; Haver Analytics; National Bureau of Statistics of China; World Bank.
*Note*: CPI = consumer price index; PMI = purchasing managers' index.
A. Bars show the contribution of various economies to euro area GDP growth. Diamonds show euro area GDP growth percent change from previous quarter (GDP market prices, seasonally and calendar adjusted).
B. Year-on-year headline and core inflation. Last observation is April 2024.
C. Lines show GDP-weighted composite and manufacturing PMIs for EMDEs excluding China with available data. Last observation is April 2024.

## Special Focus: Commodity Markets Outlook

This special focus summarizes the state of commodity markets, drawing on the insights in the latest *Commodity Markets Outlook*.

**The state of commodity markets.** After a sharp decline between mid-2022 and mid-2023, commodity price fluctuations were less pronounced in the second half of last year. More recently, aggregate commodity prices have increased. In March and early April, oil prices climbed as geopolitical tensions in the Middle East escalated, with the Brent oil price hovering around $90/bbl in mid-April—nearly $33/bbl above the 2015-19 average—before falling back somewhat to $80-85/bbl in May (figure 4.A). Meanwhile, tight supply conditions and signs of stronger industrial production supported a steady rise in copper prices in Q2, registering a 3-year high in May.

In aggregate, commodity prices are expected to remain well above pre-pandemic levels in the coming two years, despite subdued global GDP growth (figure 4.B). Persistently elevated commodity prices indicate several factors at play: frequent flare-ups in geopolitical tensions have periodically pushed prices higher, and may continue to do so; in China, rising industrial and infrastructure investment are partly offsetting the impact on commodity demand of the weakness in the property sector; and, global investment in clean energy is bolstering metals demand (figure 4.C).

**Price forecasts.** Commodity prices are expected to soften slightly in 2024 and 2025, amid improving supply conditions, but nonetheless average about 38 percent above 2015-19 levels (figure 5.A). Energy prices are set to fall by 3 percent this year and 5 percent in 2025, driven by declines in coal and natural gas prices. This is despite an expected increase in the average Brent oil price, to $84/bbl in 2024, before receding to $79/bbl in 2025. Agricultural prices are anticipated to soften this year and next, reflecting increased supplies of food crops and moderating El Niño conditions. Metals prices are expected to change slightly in 2024-2025, remaining substantially above the 2015-19 levels.

**Risks.** Risks to commodity prices remain tilted to the upside. A key upside risk relates to an escalation of the conflict in the Middle East. Future conflict involving one or more key oil producers could disrupt oil extraction and exports, resulting in a lower global oil supply. Two possible scenarios presented in the *Commodity Markets Outlook* help appraise the potential impacts

**FIGURE 4.A Global manufacturing PMI and commodity prices**

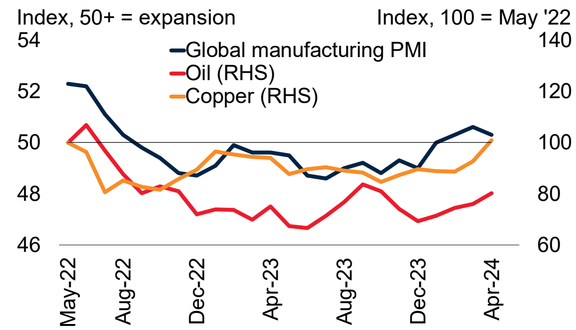



**FIGURE 4.B Global growth and commodity prices in 2024-25, deviation from 2015-19 averages**

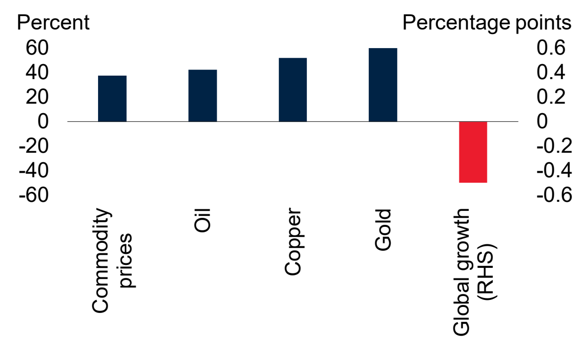
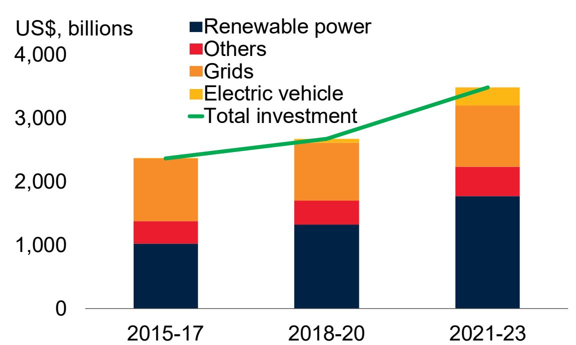



**FIGURE 4.C Global clean energy investment**




*Sources*: Bloomberg; Haver Analytics; International Energy Agency (IEA); World Bank.

A. Monthly average copper and oil prices indexed to May 2022 = 100, except for last observation which is the month-to-date average until April 15, 2024. Last PMI observation is April 2024.

B. Deviation of the 2024-25 average global growth, nominal commodity index, oil, copper and gold prices from 2015-2019 averages. GDP growth forecast from the *Global Economic Prospects, January 2024*.

C. Total global investment in each three-year period. 2023 values are estimated. Others refers to end-use renewable energy, electrification in building, transport, and industrial sectors, plus battery storage.

of such risks. A moderate conflict-related disruption, involving an initial oil supply reduction of 1 mb/d, could raise the average Brent price to $92/bbl in 2024. A more severe conflict-related curtailment of oil exports from the region could initially reduce global oil supply by about 3 mb/d. In that case, average oil prices in 2024 could surpass $100/bbl (figure 5.B).

Beyond oil, an escalation of the conflict in the Middle East could also push up prices for natural gas, food, and fertilizers. The region is a crucial natural gas supplier, a key input for fertilizer production. Rising gas prices could, therefore, have adverse knock-on effects on fertilizer availability and food prices. Other upside risks to commodity prices include lower-than-expected U.S. energy production and weather-related disruptions that could harm crop yields. Key downside risks to the price forecasts include a faster-than-anticipated unwinding of OPEC+ oil supply reductions and weaker-than-expected global growth.

**Implications for global inflation.** Commodity prices fell nearly 40 percent between June 2022 and June 2023, which helped reduce global inflation by more than 2 percentage points last year. However, those disinflationary tailwinds appear to have largely run their course. This year's slight decline in commodity price forecast will do little to subdue inflation that remains above targets in many economies. Moreover, if upside risks to commodity prices materialize, they will pose renewed inflationary pressures. In a scenario of more severe conflict-related disruptions to oil supply, global consumer price inflation in 2024 could be 0.8 percentage point higher than the baseline forecast, undermining the progress on global disinflation (figure 5.C). Against a backdrop of stubbornly elevated core inflation, central banks might be less inclined to look through an increase in non-core prices than in recent years. Consequently, monetary easing by major central banks could be delayed.

**Implications for food inflation and insecurity.** Despite easing global food price inflation, food insecurity is estimated to have worsened further last year, with more than 280 million people worldwide facing acute food insecurity. If commodity prices turn out higher than forecast or conflict proliferates further, global hunger could rise substantially.

**FIGURE 5.A Commodity price projections**

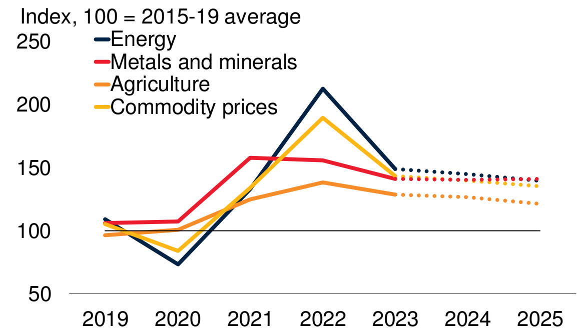



**FIGURE 5.B Brent oil prices in 2024 under risk scenarios**

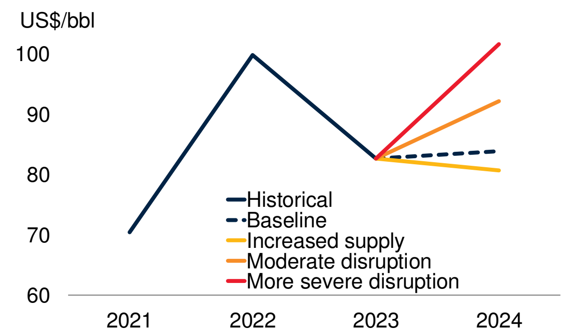
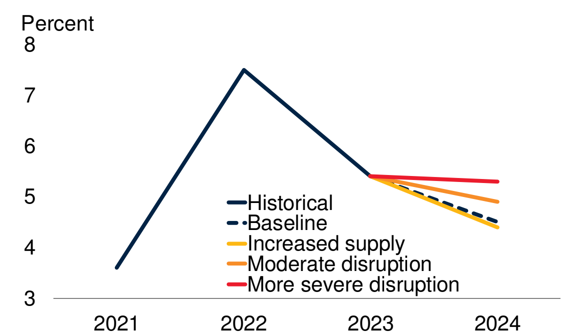



**FIGURE 5.C Global inflation in 2024 under risk scenarios**




*Sources*: Oxford Economics; World Bank.

A. Commodity prices line refers to the World Bank commodity price index, excluding precious metals. Dashed lines indicate forecasts.

B.C. The red, orange, and yellow lines indicate the possible ranges for the average Brent oil price in 2024 under different scenarios. The yellow line reflects a scenario in which OPEC+ production cuts are reduced sooner than in the baseline. The orange and red lines depict outcomes under moderate and more severe conflict-related disruptions to oil supply, respectively.

B. The blue dashed lines indicate baseline forecasts for the price of Brent oil. Oil prices are depicted as annual average values.

C. Model-based GDP-weighted projections of annual average country-level CPI inflation using Oxford Economics' Global Economic Model, with oil prices as described in the risk scenarios. The blue dashed line indicates the baseline forecast for global consumer price inflation.

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May 2024

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Latin America and the Caribbean, April 2024: Competition: The Missing Ingredient for Growth?
South Asia Development Update April 2024: Jobs for Resilience

## TABLE: Major Data Releases

(Percent change, y/y)

| Recent releases: April 28, 2024 - May 27, 2024 | | | | | |
|---|---|---|---|---|---|
| **Country** | **Date** | **Indicator** | **Period** | **Actual** | **Previous** |
| Korea, Rep. | 5/1/24 | CPI | APR | 2.9% | 3.1% |
| Saudi Arabia | 5/1/24 | GDP | Q1 | -1.8% | -4.3% |
| Türkiye | 5/3/24 | CPI | APR | 69.8% | 68.5% |
| Indonesia | 5/6/24 | GDP | Q1 | 5.1% | 5.0% |
| Brazil | 5/10/24 | CPI | APR | 3.7% | 3.9% |
| China | 5/10/24 | CPI | APR | 0.2% | -0.0% |
| United Kingdom | 5/10/24 | GDP | Q1 | 0.2% | -0.2% |
| India | 5/13/24 | CPI | APR | 4.8% | 4.9% |
| Argentina | 5/14/24 | CPI | APR | 289.4% | 287.9% |
| Netherlands | 5/15/24 | GDP | Q1 | -0.5% | -0.8% |
| United States | 5/15/24 | CPI | APR | 3.4% | 3.5% |
| China | 5/16/24 | IP | APR | 6.7% | 4.5% |
| United States | 5/16/24 | IP | APR | -0.4% | 0.1% |
| Euro area | 5/17/24 | CPI | APR | 2.4% | 2.4% |
| Russian Federation | 5/17/24 | GDP | Q1 | 5.4% | 4.9% |
| Thailand | 5/19/24 | GDP | Q1 | 1.5% | 1.7% |
| Canada | 5/21/24 | CPI | APR | 2.7% | 2.9% |
| South Africa | 5/22/24 | CPI | APR | 5.1% | 5.3% |
| Japan | 5/23/24 | CPI | APR | 2.5% | 2.8% |
| Mexico | 5/23/24 | GDP | Q1 | 1.6% | 2.3% |
| Nigeria | 5/24/24 | GDP | Q1 | 2.8% | 3.2% |

(Percent change y/y)

| Upcoming releases: May 28, 2024 - June 30, 2024 | | | | |
|---|---|---|---|---|
| **Country** | **Date** | **Indicator** | **Period** | **Previous** |
| India | 5/31/24 | GDP | Q1 | 8.4% |
| Türkiye | 5/31/24 | GDP | Q1 | 4.0% |
| Korea, Rep. | 6/3/24 | CPI | MAY | 2.9% |
| Poland | 6/3/24 | GDP | Q1 | 1.5% |
| Türkiye | 6/3/24 | CPI | MAY | 69.8% |
| Australia | 6/4/24 | IP | Q1 | 0.0% |
| Australia | 6/4/24 | GDP | Q1 | 1.5% |
| Brazil | 6/4/24 | GDP | Q1 | 2.1% |
| Argentina | 6/5/24 | IP | APR | -21.2% |
| France | 6/5/24 | IP | APR | 0.7% |
| Germany | 6/7/24 | IP | APR | -3.4% |
| Mexico | 6/7/24 | CPI | MAY | 4.7% |
| Brazil | 6/11/24 | CPI | MAY | 3.7% |
| China | 6/11/24 | CPI | MAY | 0.2% |
| India | 6/12/24 | CPI | MAY | 4.8% |
| United Kingdom | 6/12/24 | IP | APR | 0.5% |
| United States | 6/12/24 | CPI | MAY | 3.4% |
| Euro area | 6/13/24 | IP | APR | -0.7% |
| Saudi Arabia | 6/16/24 | CPI | MAY | 1.6% |
| New Zealand | 6/19/24 | GDP | Q1 | -0.5% |
| Argentina | 6/24/24 | GDP | Q1 | -1.4% |