Title: Clouds gathering over the global economy
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An analysis of world economic statistics indicates that the peak of world economic growth was passed in the 1Q 2022, and since then the global economy has begun to slow steadily. This fact is well seen in the dynamics of exports of the leading industrial regions of the world, calculated on the basis of 12-monthly rolling data (the ratio of exports over the last 12 months to the previous 12 months), where peaks occur at the end of 2021 - beginning of 2022. Similar dynamics are observed and in industrial orders data calculated in a similar way.

[Export from main world economic centers, 12m rolling data, %](https://preview.redd.it/kg5hagzfxeg91.jpg?width=756&format;=pjpg&auto;=webp&s;=9b0f50c698b1190cfcdd32f9736d6c28dae047f8)

[Export from Asian countries, 12m rolling data, %](https://preview.redd.it/25ybnaokxeg91.jpg?width=756&format;=pjpg&auto;=webp&s;=b797d3dc1459778bf33a03ac84d98218b43c70b6)

[Investment goods orders and production in US and Japan, 12m rolling data, %](https://preview.redd.it/m2rr8zx1yeg91.jpg?width=756&format;=pjpg&auto;=webp&s;=0f4d62cb35558bdd1caf6854cd6e794efa2ec33c)

[Industrial orders in South Korea and Taiwan, 12m rolling data, %](https://preview.redd.it/o2f5wqc6yeg91.jpg?width=756&format;=pjpg&auto;=webp&s;=59d9cbf181833d5d98a147cd45e8aa30302b1c22)

At the same time, most of the economic data is still at high or pre-pandemic levels, without causing any concerns among market players. However, a number of leading indicators in the past two months have already begun to point to a slowdown in economic activity. The most common and referenced leading indicator is the PMI, the Purchasing Managers' Index. The neutral level of the index is 50 points, which means that economic activity in the current month has not changed compared to the previous month.

Calculated on the basis of country indices, global levels of PMI indices reached in July their lowest level since July-August 2020, although they remain slightly above the levels of 50 p. The most noticeable drop in indices at the regional level was observed in the Eurozone, where the industrial sector is already experiencing a decline in activity. The sharp collapse of the PMI indices for the US, calculated by the S&P; agency, also raises questions, while the indices from the ISM (Institute for Supply Management) even managed to grow in July. And although financial markets are guided primarily by data from the ISM, the data from the S&P; should not be discounted, perhaps it better reflects the changes coming to the US economy. Here, apparently, it is worth waiting for the data for August - the data from the ISM have been declining since the beginning of the 4Q last year.

[World PMI](https://preview.redd.it/3dyiwueoxeg91.jpg?width=756&format;=pjpg&auto;=webp&s;=9f851714786d2092a657c0f0e31eb026664e6603)

[Eurozone PMI](https://preview.redd.it/99xyt9rpxeg91.jpg?width=756&format;=pjpg&auto;=webp&s;=8ef09050596a035882a6dc5a704a013734065a7c)

[USA ISM PMI](https://preview.redd.it/82t5hfdsxeg91.jpg?width=756&format;=pjpg&auto;=webp&s;=722a7f0a5432fcaf36ea464824308097ab2c5afc)

[USA S&P; PMI](https://preview.redd.it/1xm9cw4zxeg91.jpg?width=756&format;=pjpg&auto;=webp&s;=283b98beca7e2a23299e42bb63cbae54c2e592e6)

At the same time, the attentive reader will probably notice that last year and the beginning of this year there were also significant dips in the PMI data. Previous short-term dips were caused by outbreaks of the delta and omicron strains of the coronavirus and the tightening of epidemiological restrictions that caused a decline in economic activity. However, this summer there are no new outbreaks and tightening of restrictions, with the exception of certain regions of China. Thus, we are dealing with a general decline in economic activity caused by internal economic factors, and not by external shocks.

Another good leading indicator of the health of the US economy is the demand for labor, tracked by the dynamics of the number of job openings. And here, for the third month in a row, from April to June, we are seeing a decline, and at an accelerating pace: if in April the number of job openings decreased by 174 thousand, then by the end of June the decrease was already 605 thousand. At the same time, key indicators of the labor market, such as the level of unemployment and the number of new jobs continue to remain at levels indicating strong economic growth. However, given the post-pandemic specifics, the latter probably only remain inert and are also caused in general by the shortage in the US labor market, which was observed even before the pandemic. At the same time, the dynamics of job openings is cleared of the influence of these factors and reflect the net demand of American companies for labor.

[Job Openings in US](https://preview.redd.it/cdaolz3ayeg91.jpg?width=756&format;=pjpg&auto;=webp&s;=c0120194aa01efc4b7e2b7e956e1cd3ae5d1b844)

The continued high rate of consumer consumption growth in the US should not be misleading. Due to high inflation rates, real disposable income (net of fiscal aid packages) in the US has been declining for the 4th consecutive quarter. Thus, the high consumer activity of Americans is ensured by the spending of savings, the level of which has already fallen significantly below pre-crisis levels. At the same time, the US population spent the entire fiscal stimulus in the 3Q of last year.

This behavior of Americans is easily explained: in the conditions of the rapid depreciation of money, the population tends to spend it on goods. However, firstly, savings tend to run out, and secondly, the Fed's actions are aimed at increasing the population's propensity to save, which is the inverse function of the propensity to consume. The increase in Fed rates makes financial investments more and more preferable, stimulating the abandonment of current consumption. Given that the peak of inflation in the US has probably already passed in June, the population in the US in the coming months will begin to reduce their consumption in favor of savings. We should not forget that in September we will see another increase in rates by the Fed, most likely by 0.5 percentage points, which will further increase the cost of consumer lending and the attractiveness of investing in financial assets. Thus, in the coming months, we should see a decline in consumer activity in the US.

At the same time, in the Eurozone, [retail sales already showed a fall in June, the first since February 2021, amounting to -3.7% YoY at once](https://tradingeconomics.com/euro-area/retail-sales-annual). I have already talked about the weak dynamics of consumer demand in China, caused, among other things, by the policy of the PRC leadership [in one of my previous posts](https://www.reddit.com/r/economy/comments/we2zkg/why_does_china_need_the_pelosi_scandal/).

Thus, even a cursory glance at economic statistics indicates that global demand, both consumer and investment, is steadily slowing down. Already during the 3rd quarter, we can expect this trend to be reflected in a much larger amount of economic data, which will lead to a correction in the global stock and commodity markets, which now include in their quotes the so-called "soft landing" of the global economy - a slowdown that will reduce inflation, but maintain economic growth. [I assume that financial markets and global investment banks are too optimistic](https://www.reddit.com/r/economy/comments/wfqeiq/why_the_global_crisis_in_2023_is_inevitable_and/).

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