



THE WORLD ECONOMY THIS WEEK

17TH JANUARY 2022

SAUL ESLAKE

CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

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What's new?

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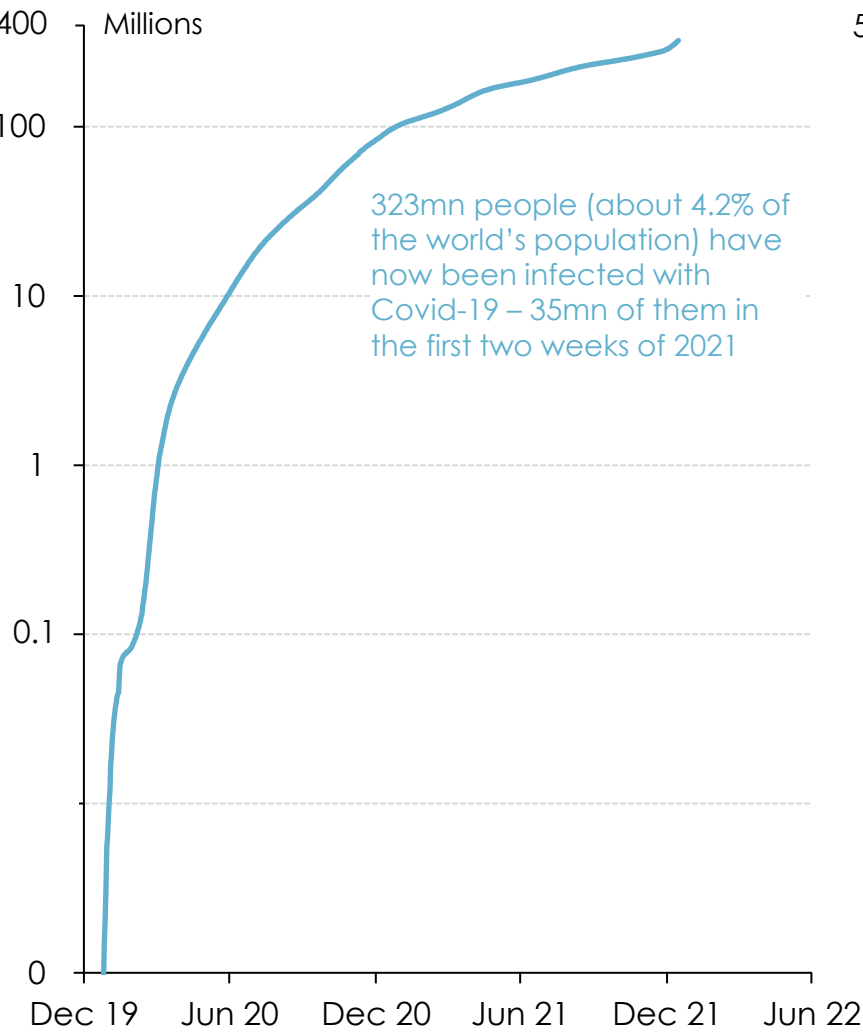
- ❑ The Omicron variant of Covid-19 has spread rapidly throughout much (though not all) of the world – with over 10mn new infections in the first week of this year and 20mn in the second week – but so far appears to be resulting in proportionately fewer hospitalizations or deaths than earlier variants ([slides 5-6](#))
- ❑ Leading international economic agencies – most recently the World Bank – expect a slowing in global economic growth this year ([slides 18-19](#)) as fiscal and monetary policy stimulus are withdrawn ([slides 23-24](#))
- ❑ Producer prices have accelerated sharply around the world – but only in the US, and to a lesser extent the UK, is ‘core’ consumer price inflation picking up significantly ([slide 28](#)) – and there are some tentative signs that most commodity prices (except, importantly, energy), shipping costs and semi-conductor prices may have peaked ([slide 29](#))
- ❑ There’s very little sign of higher consumer price inflation in Asia, except in Korea ([slide 31](#)) – but by contrast, inflation has picked up significantly in other ‘emerging’ market economies ([slides 32-33](#))
- ❑ US non-farm payroll employment rose less than expected (again) in December – but the payroll series may be under-stating employment gains ([slide 46](#)) and other indicators point to a tight labour market in which wages are clearly rising ([slide 47](#)), in part because of continuing obstacles to many demographic cohorts returning to work ([slide 48](#))
- ❑ US consumer price inflation reached its highest level in almost 40 years in December ([slide 49](#)) and has become a bit less narrowly-based, although a small number of components are still responsible for most of the increases ([slides 50-51](#))
- ❑ The US incurred its second-largest ever goods and services trade deficit in November ([slide 56](#))
- ❑ Fed officials, from Chair Powell downwards, are sounding increasingly hawkish ([slide 57](#))
- ❑ Although its unemployment rate is lower, in almost every other respect the UK’s economy has under-performed the euro area’s since ‘Brexit’, and it faces higher inflation ([slides 59-63](#))
- ❑ China registered a record trade surplus in December, and for 2021 as a whole ([slide 73](#)), reflecting ongoing strength in exports, the only area of China’s economy with any real momentum: meanwhile ‘upstream’ inflation may have peaked ([slide 74](#)), opening the door to a slight easing in monetary policy ([slides 75-76](#))
- ❑ The Bank of Korea – the only Asian central bank to have raised rates – lifted its policy rate another 25 bp last week ([slides 97-98](#))
- ❑ Central banks in Poland, Romania, Peru and Uruguay also raised rates (again) in the past two weeks ([slides 111 and 116](#))

The virus

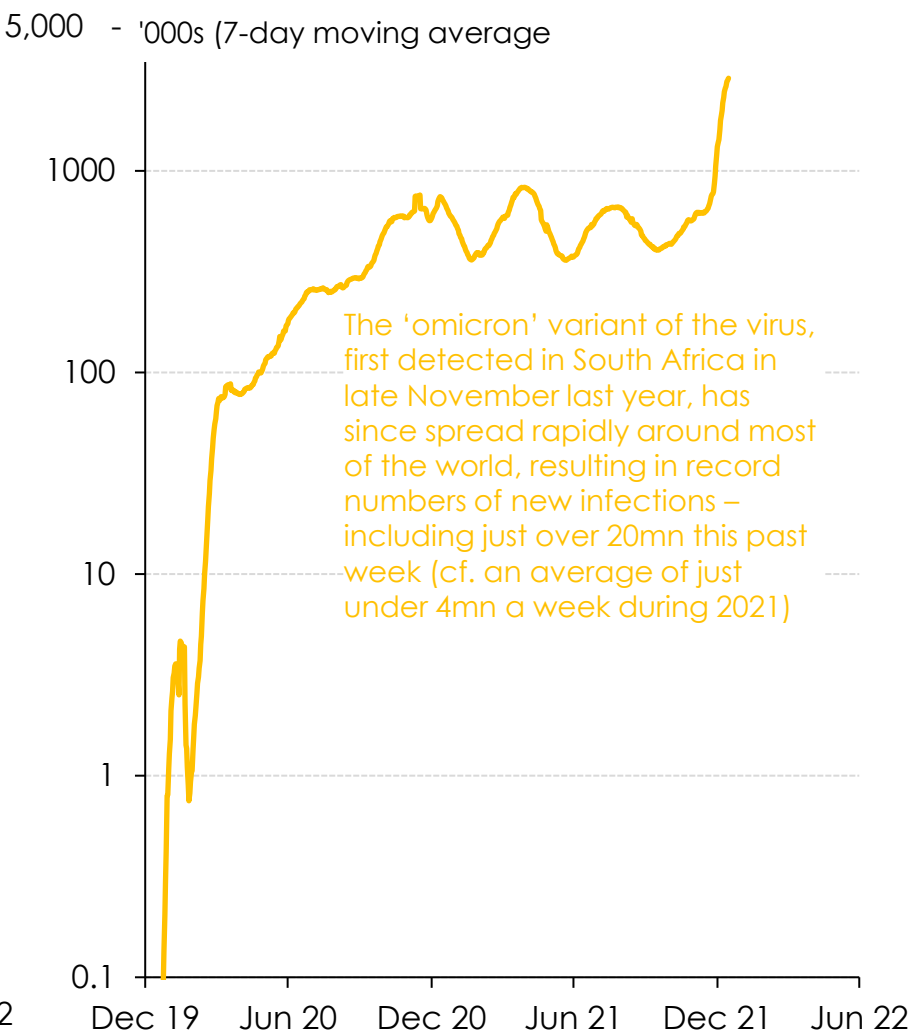
The 'omicron' variant of the virus has spread rapidly around the world since late November, but it appears to be less serious than earlier variants

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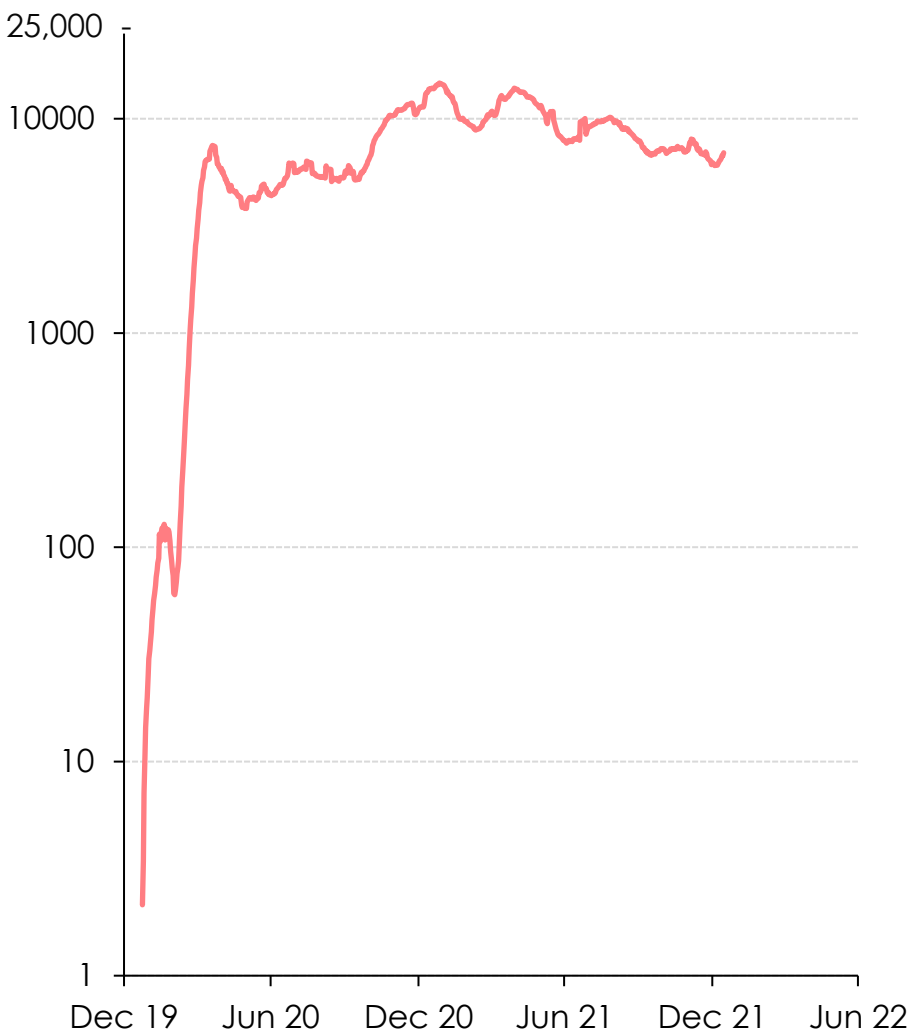
Cumulative confirmed cases – global total



New confirmed cases – global total



New deaths – global total

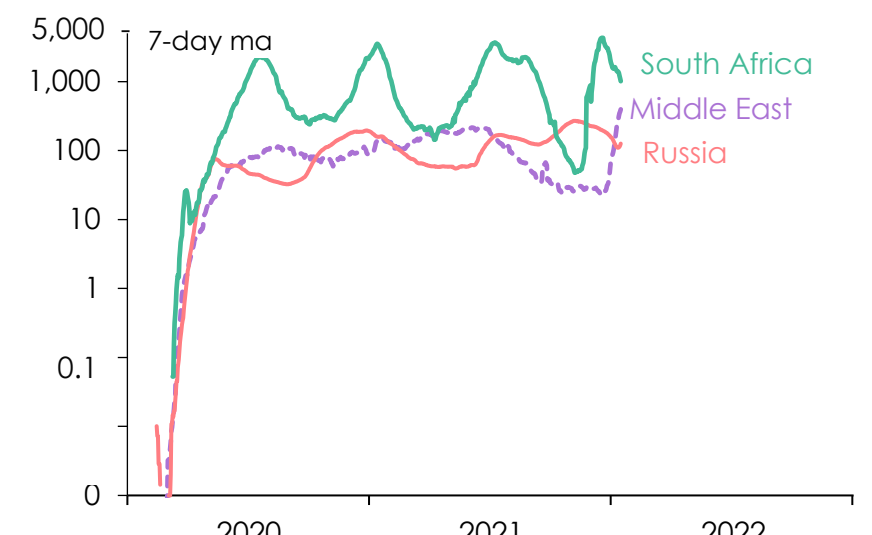
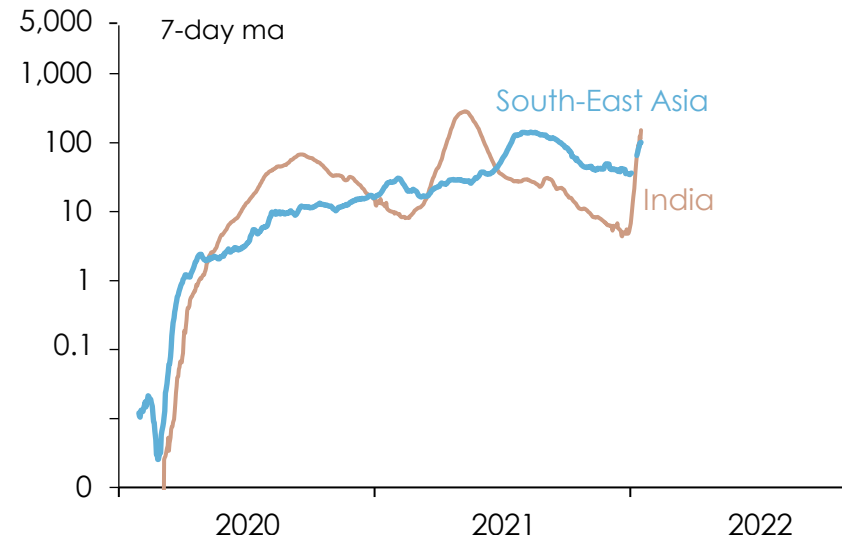
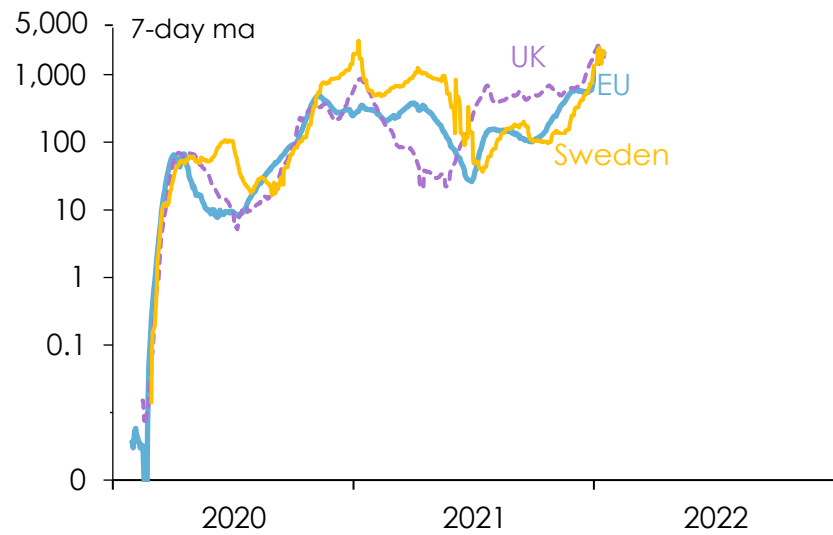
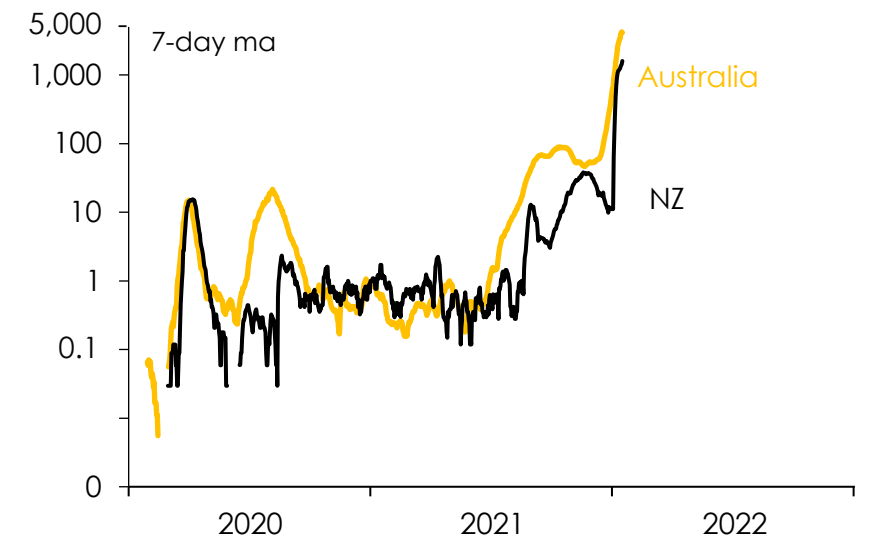
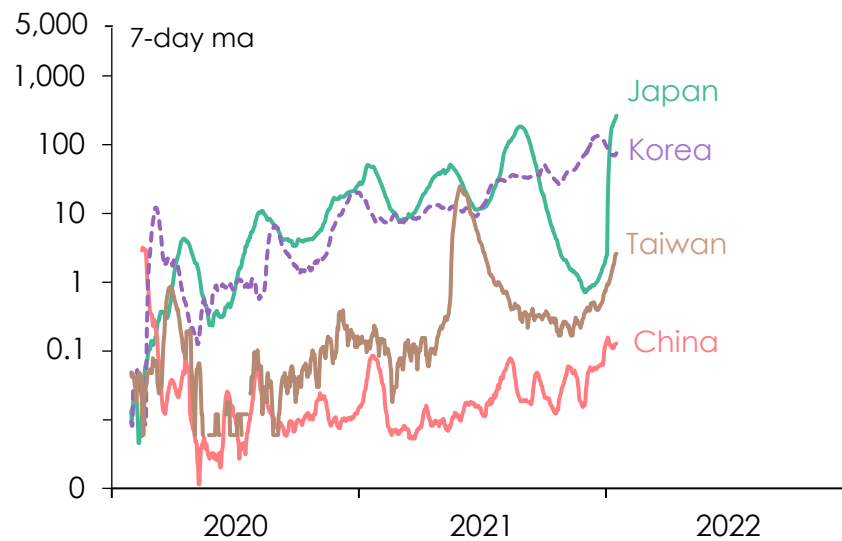
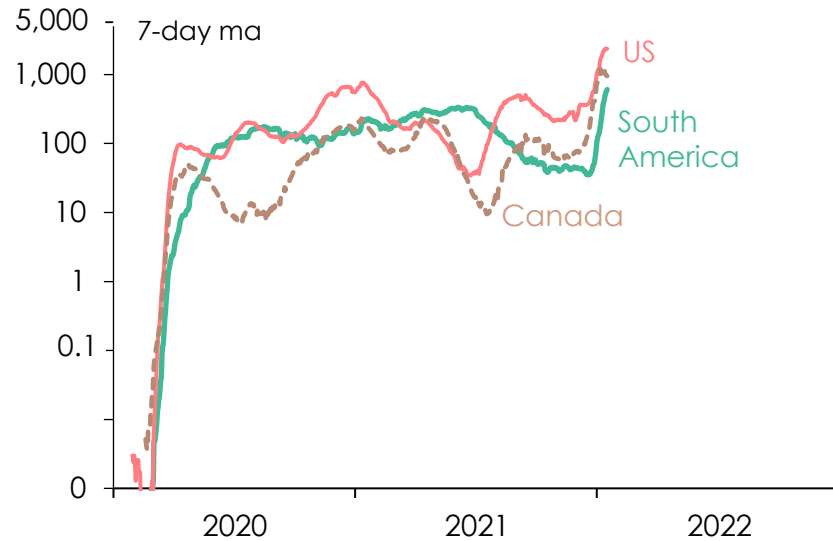


Note: All charts are on logarithmic scales. Data up to 14th January. Source: University of Oxford, [Our World in Data](#). [Return to "What's New"](#).

The 'omicron variant' has spread rapidly in Europe, North America, Japan, India and Australia – but it may now have peaked in South Africa

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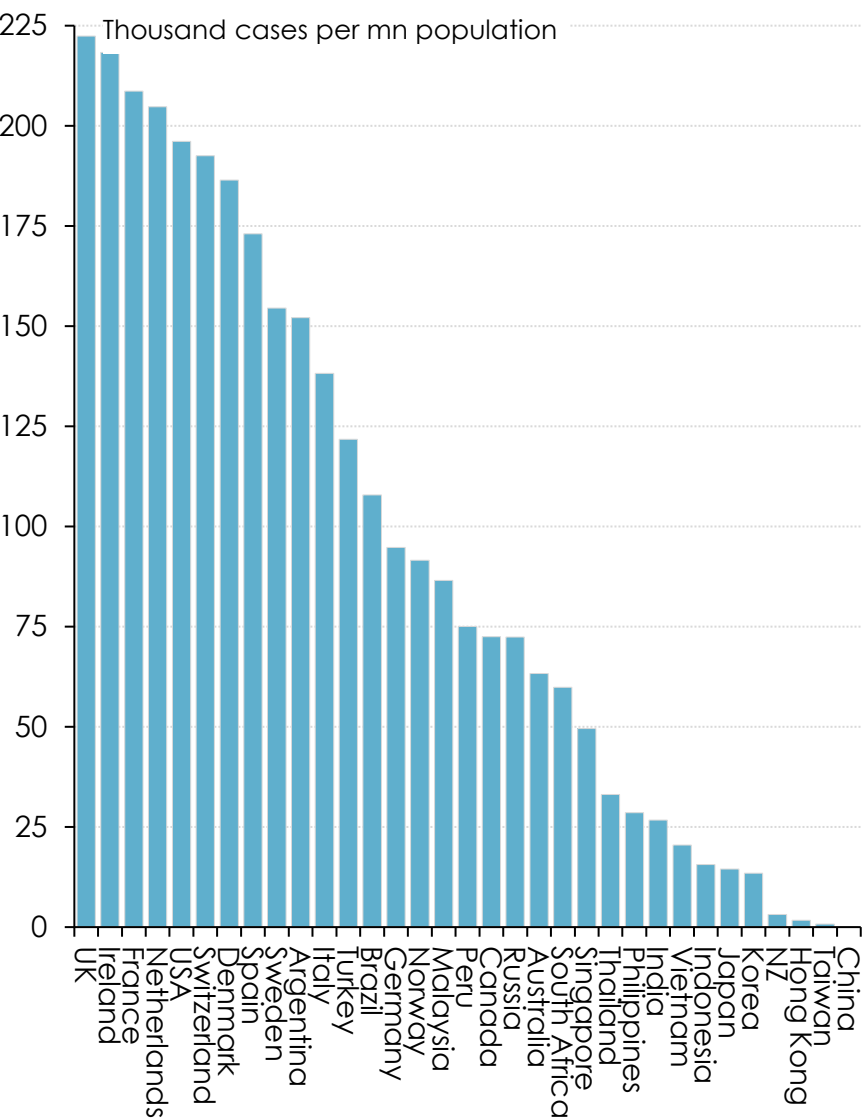
Daily new cases per million population – major countries and regions



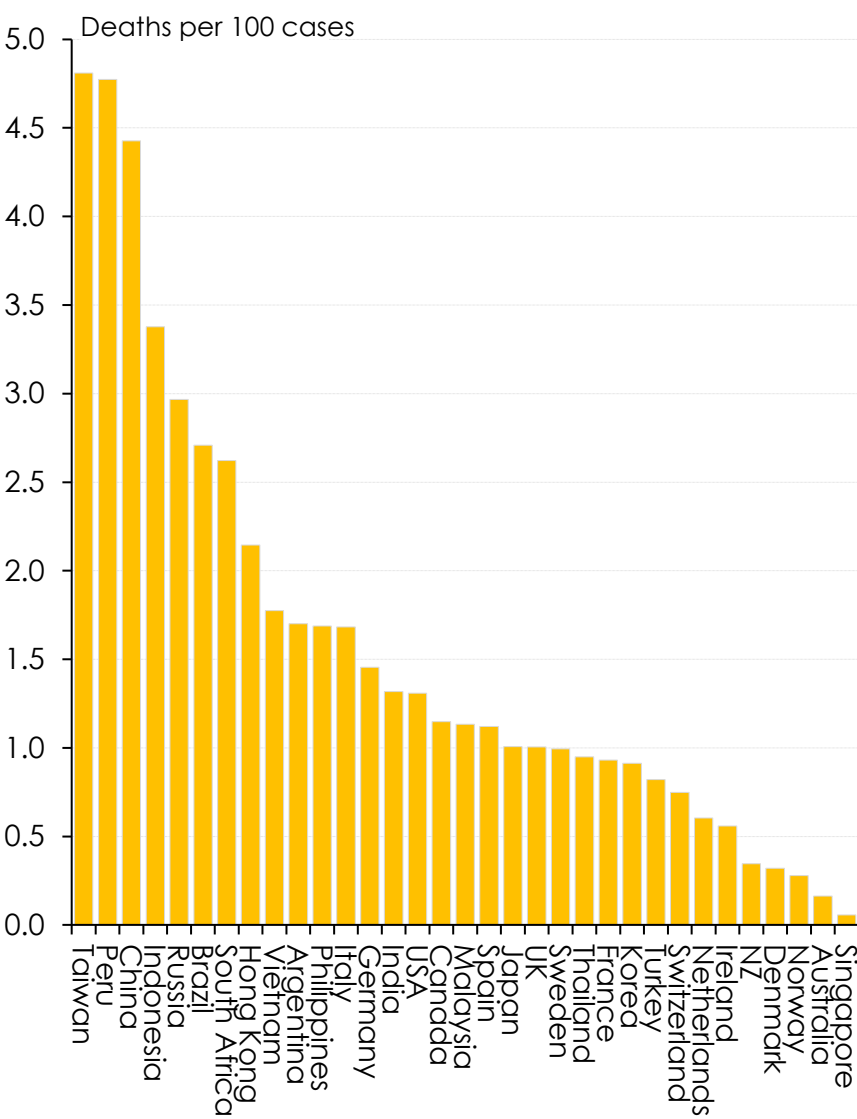
The highest cumulative infection and death rates (since the onset of the pandemic) have been in Europe, South and North America

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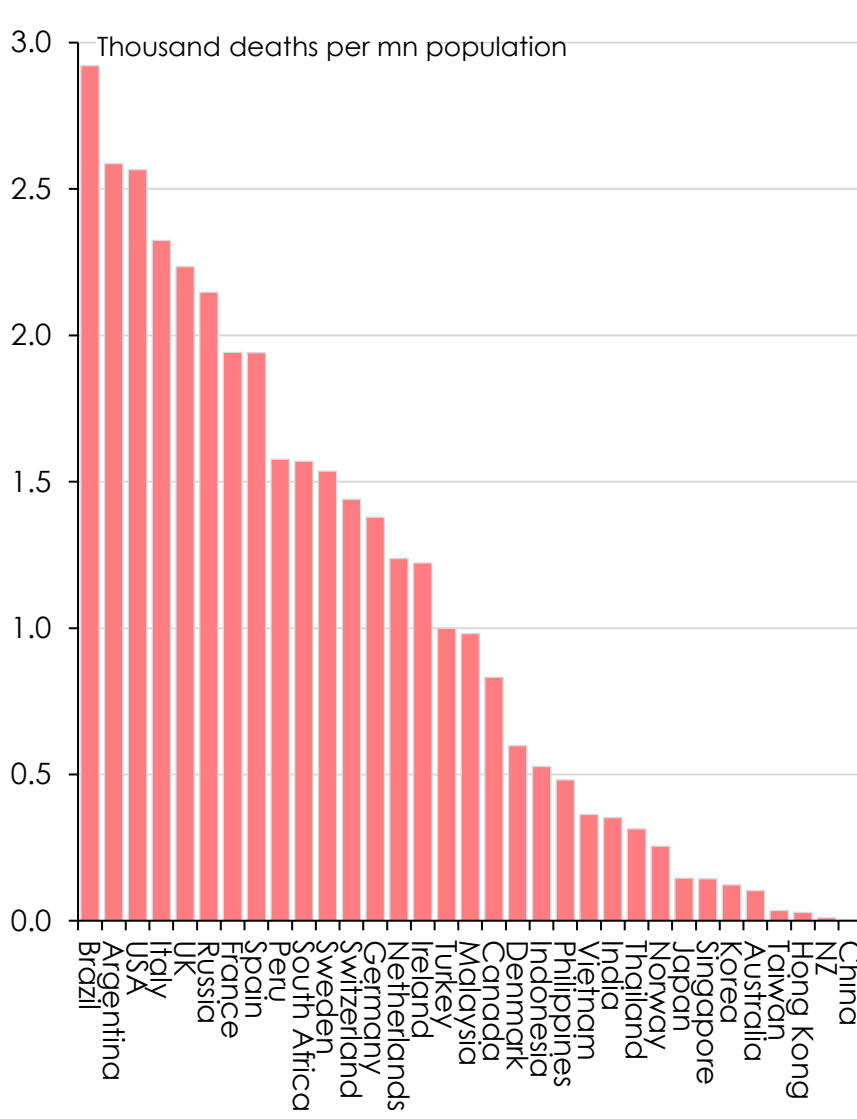
Apparent infection rate



Apparent fatality rate



Apparent death rate

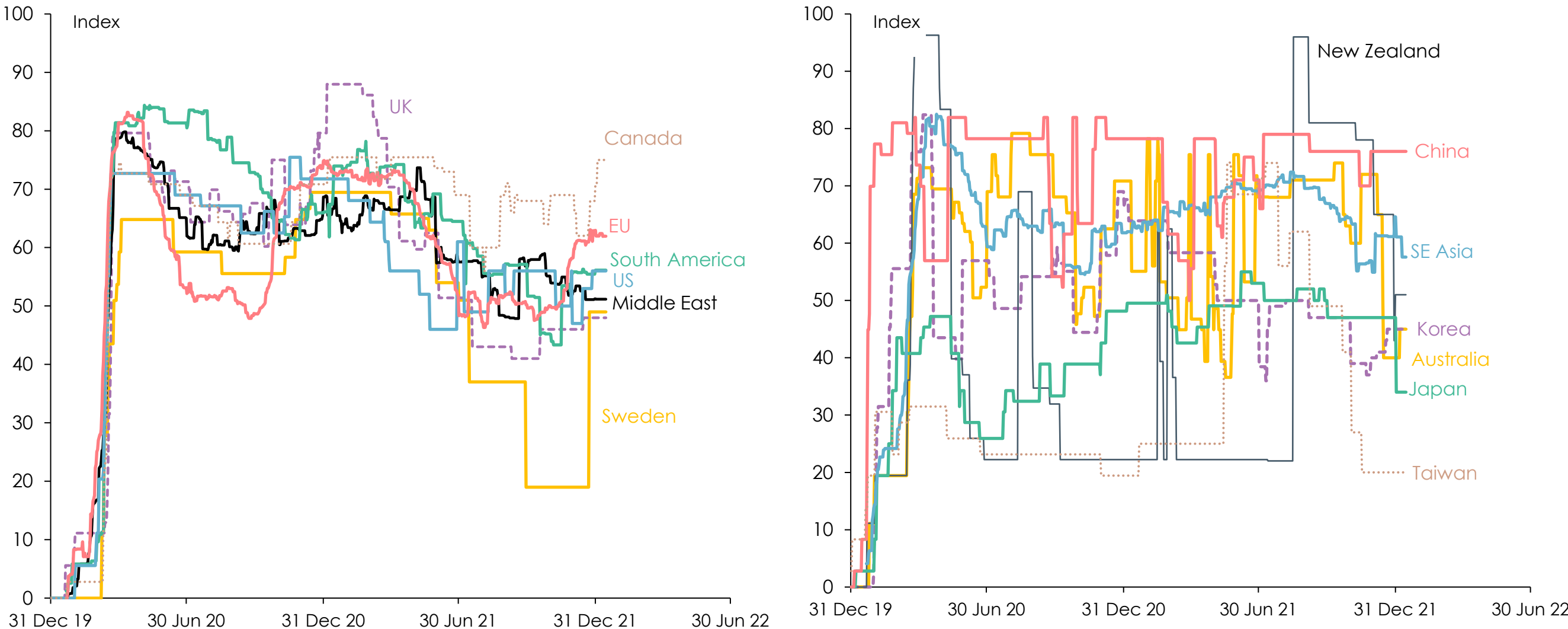


Note: Data up to 14th January. Sources: University of Oxford, [Our World in Data](#); Corinna. [Return to "What's New"](#).

China continues to maintain very tight restrictions to suppress covid, and some other countries have tightened in response to omicron

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Timing and severity of government restrictions on movement and gathering of people

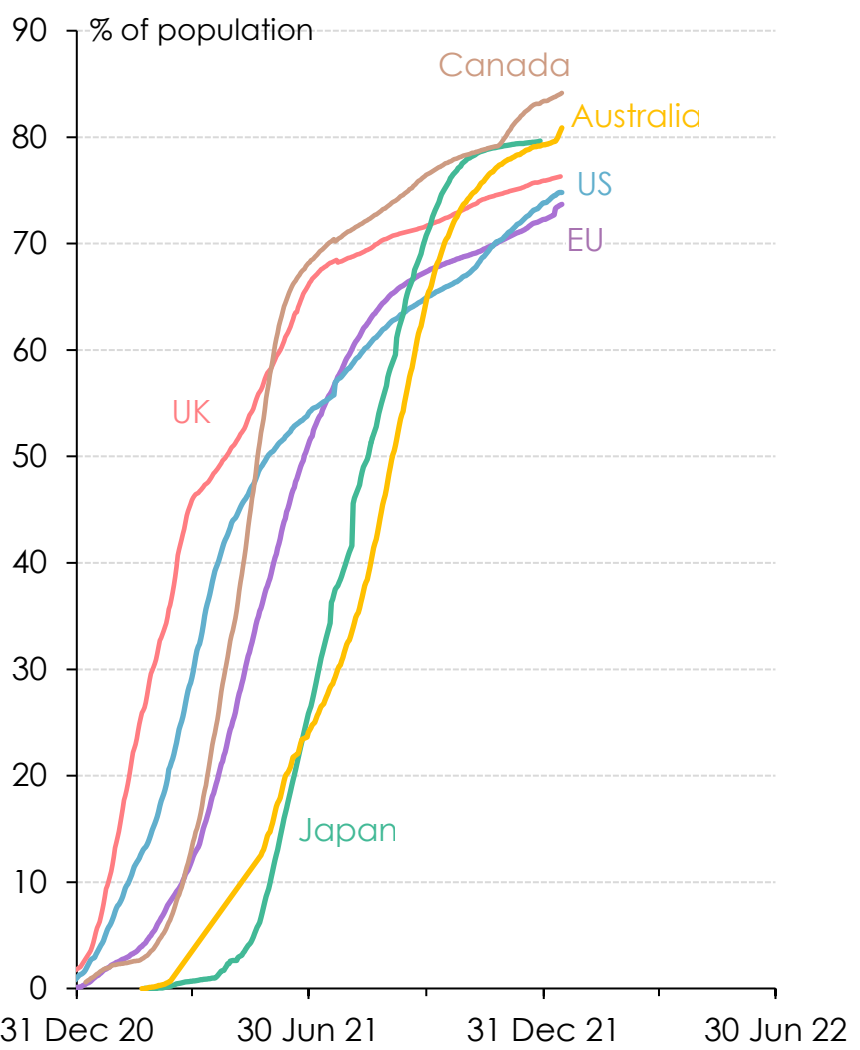


The Oxford COVID-19 Government Response Tracker collects publicly available information on 11 indicators of government response including school & workplace closures, public events cancellations, restrictions on public gatherings, stay at home requirements, public transport closures, domestic & international travel restrictions, public information campaigns, testing and contact tracing. Source: [Blavatnik School of Government, Oxford University](#). Series for South-East Asia, the EU, South America and the Middle East are population-weighted averages for individual constituent countries. Data up to 14th January. [Return to "What's New"](#).

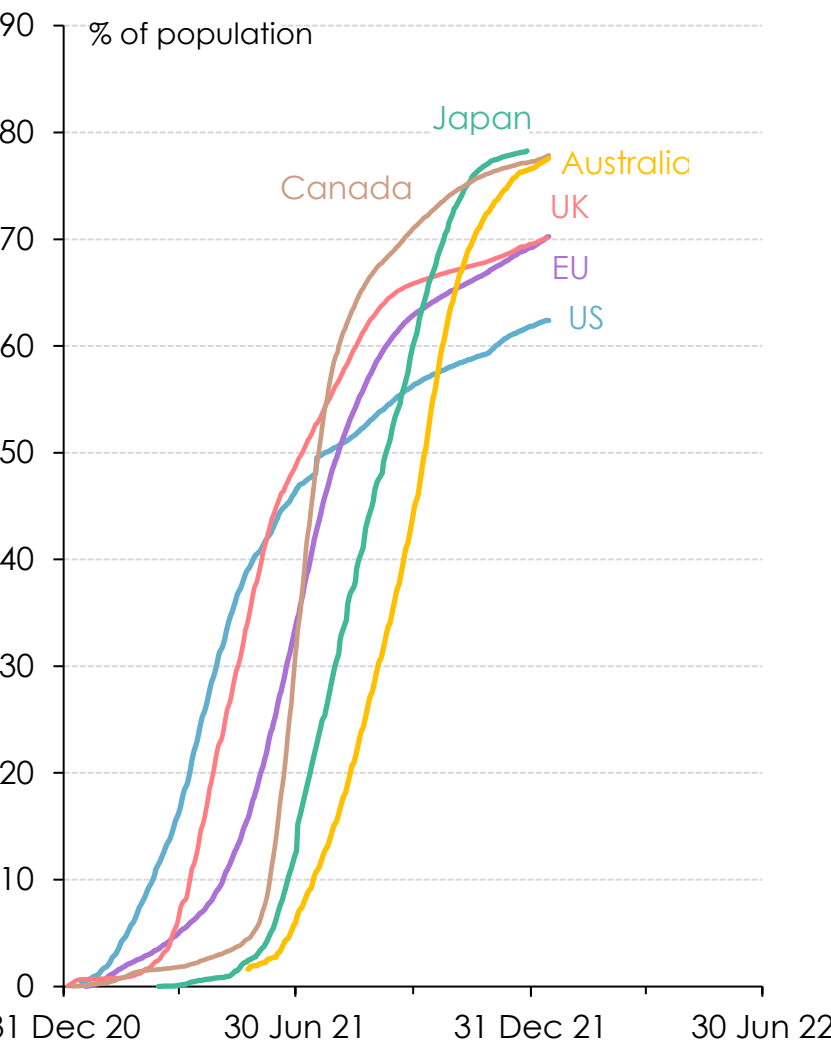
The US lags behind most other 'advanced' economies in fully vaccinating its population while Japan is lagging with 'booster' shots

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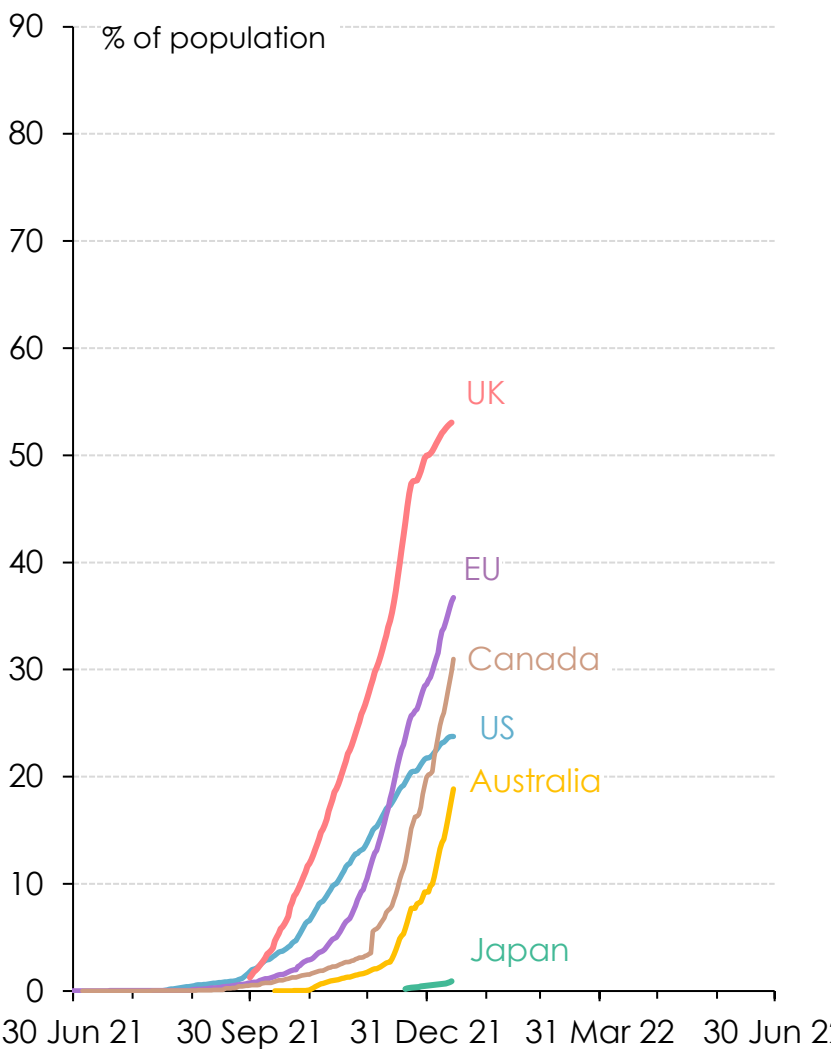
Percentage of populations who have had at least one shot



Percentage of populations who have had two shots



Percentage of populations who have had a 'booster' shot

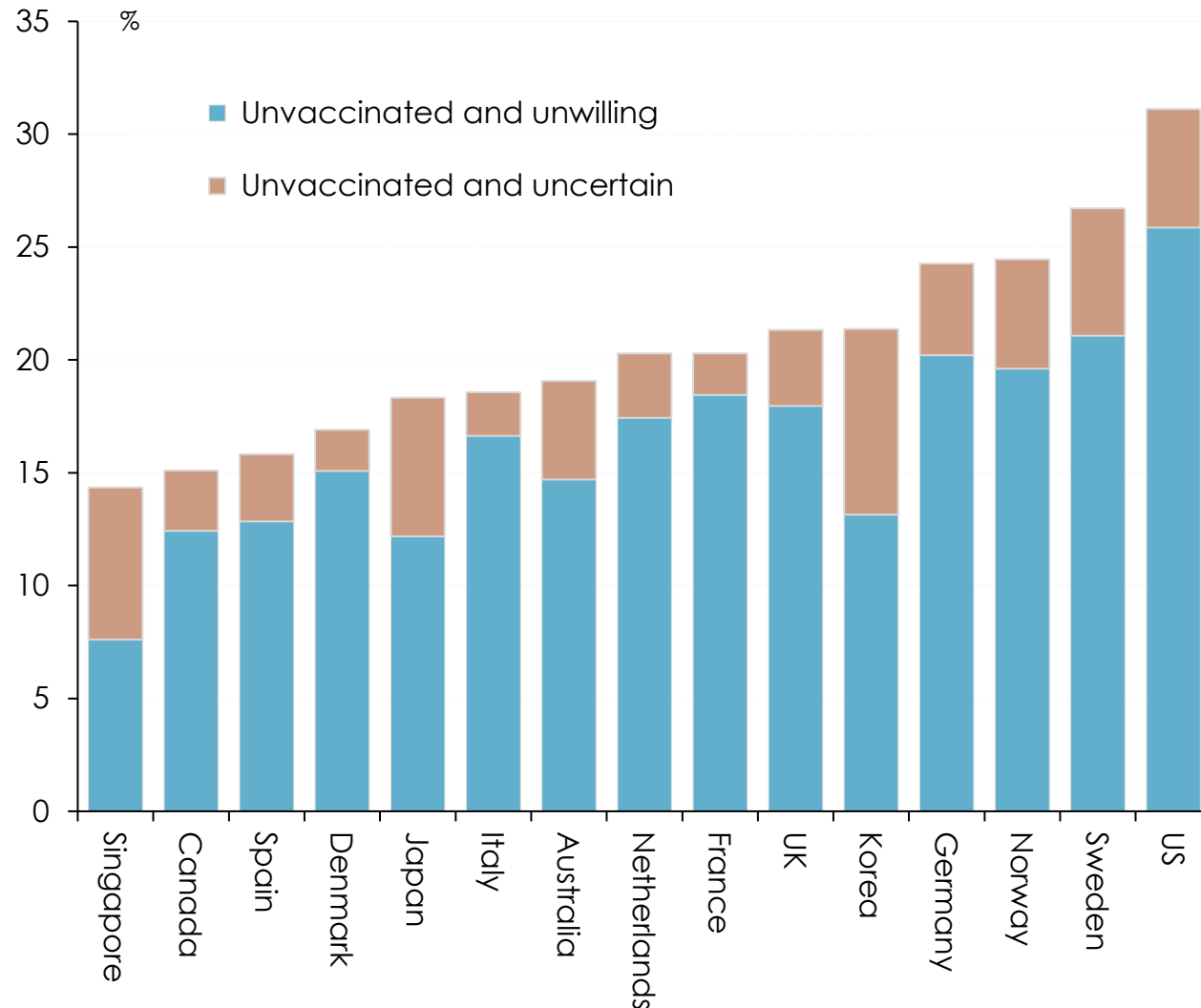


Note: Data up to 14th January. Source: [Our World in Data](#); [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

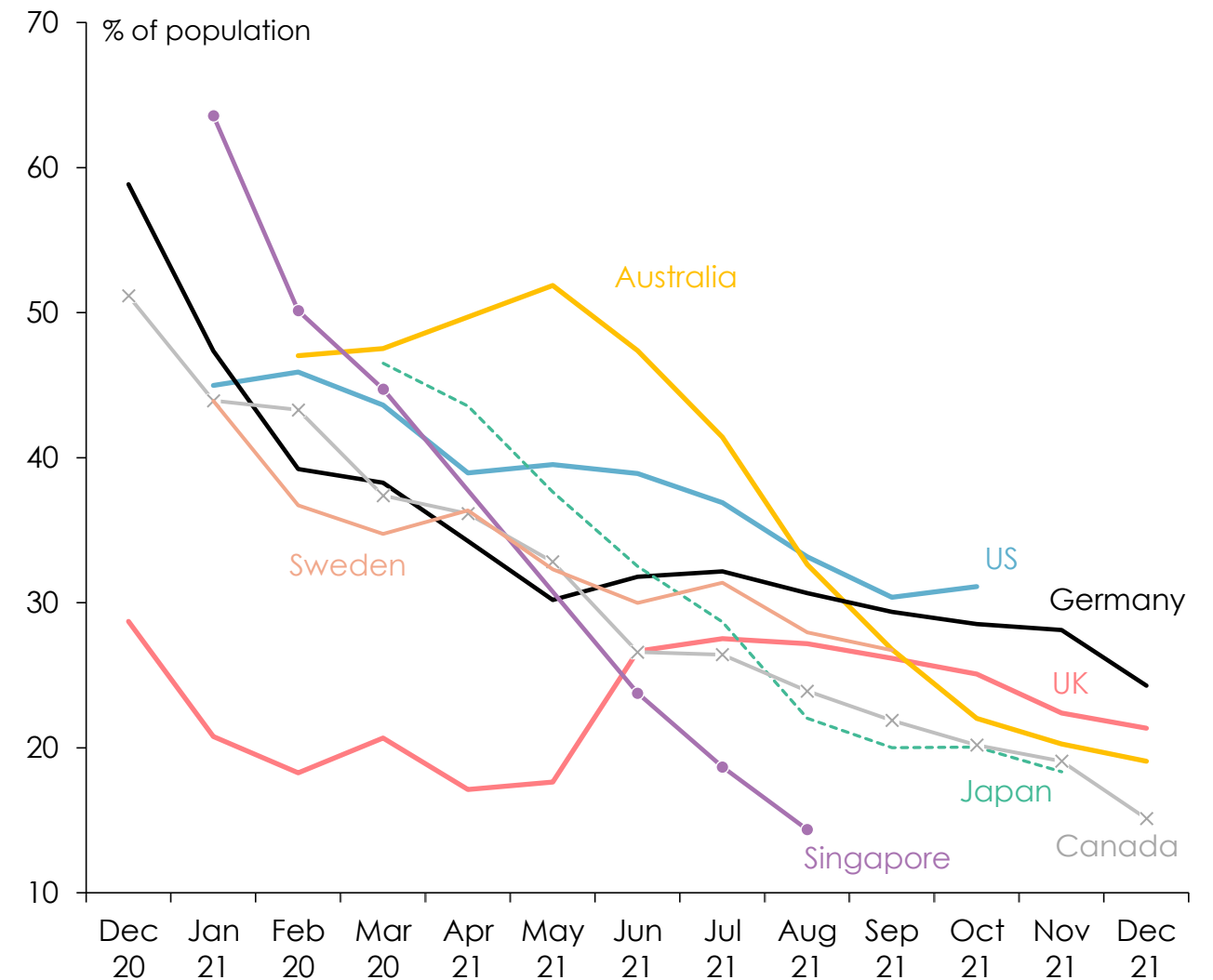
Vaccine hesitancy is now higher in the US and (surprisingly) in Germany than in other 'advanced' economies – and has fallen sharply in Australia

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Covid-19 vaccine hesitancy, selected 'advanced' economies, December 2021



Percentage of populations unvaccinated and unwilling or uncertain about getting vaccinated



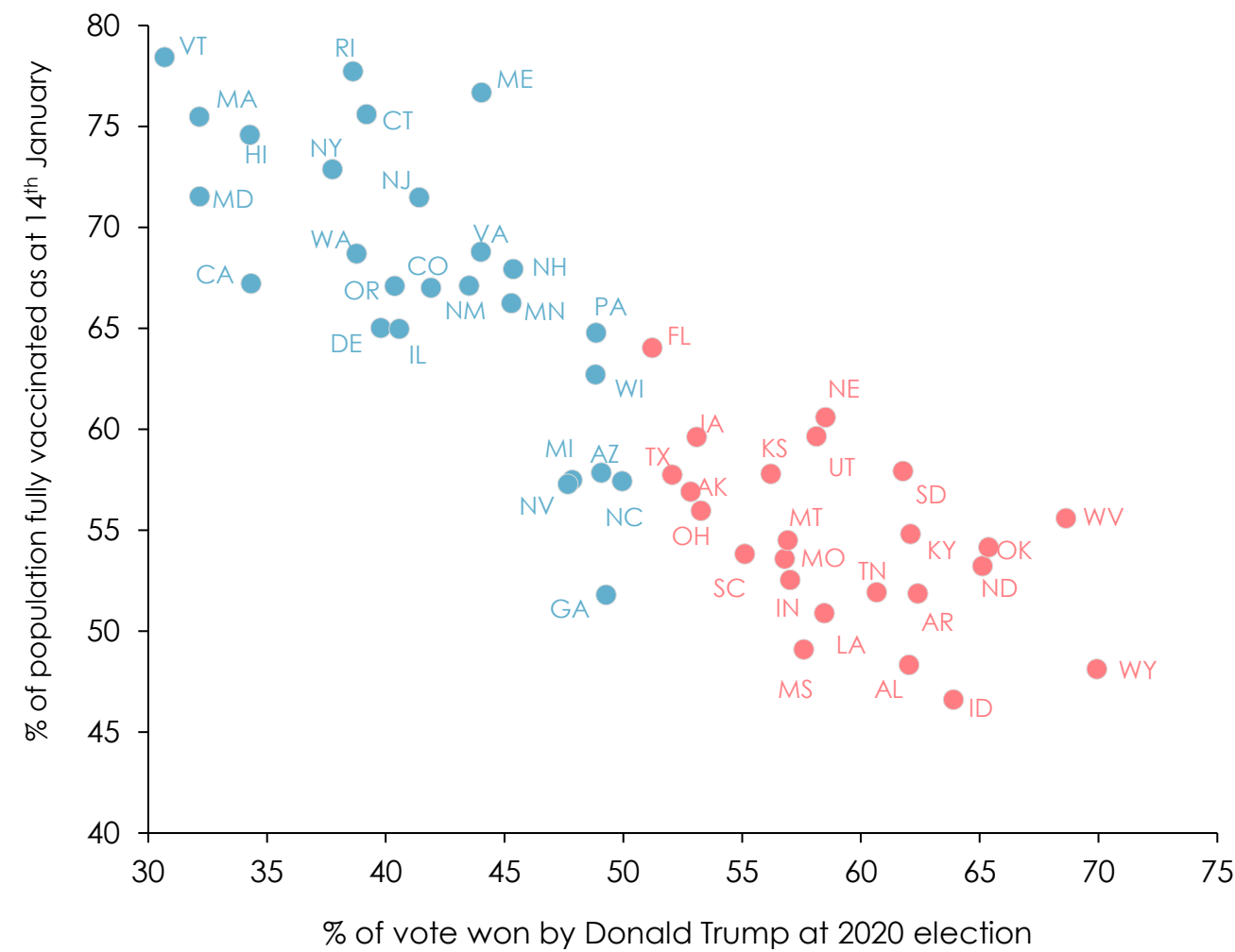
Note: Data for Singapore and Norway are for August; data for Korea and Sweden are for September; data for the US are for October.

Source: Imperial College London and YouGov, [Covid 19 Behaviour Tracker Data Hub](#). [Return to "What's New"](#).

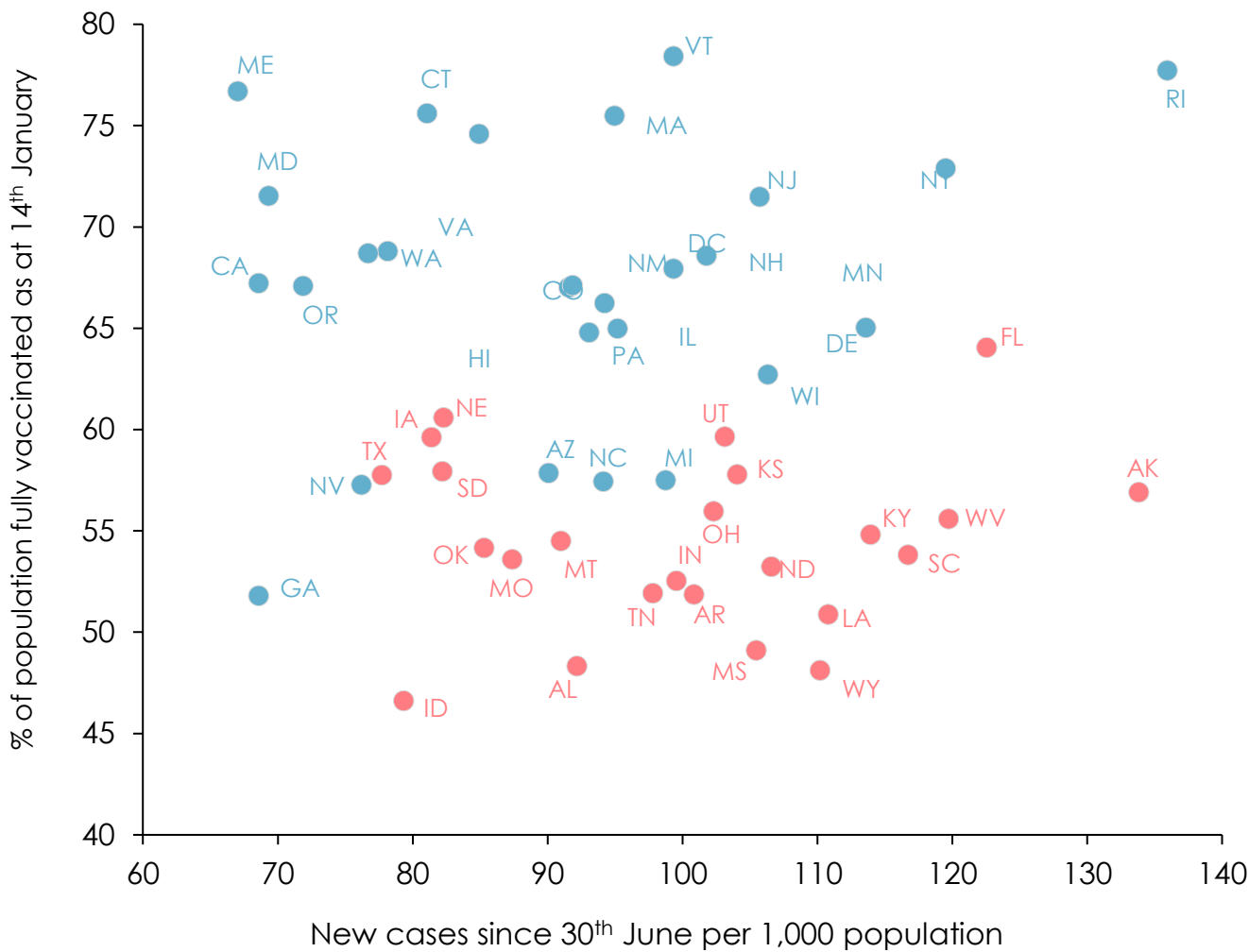
In the US there's a strong correlation between voting patterns and vaccine hesitancy, and between vaccination rates and infection rates

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Vaccination rates vs Trump vote at 2020 elections, by state



Vaccination rates vs infection rates since 30th June, by state

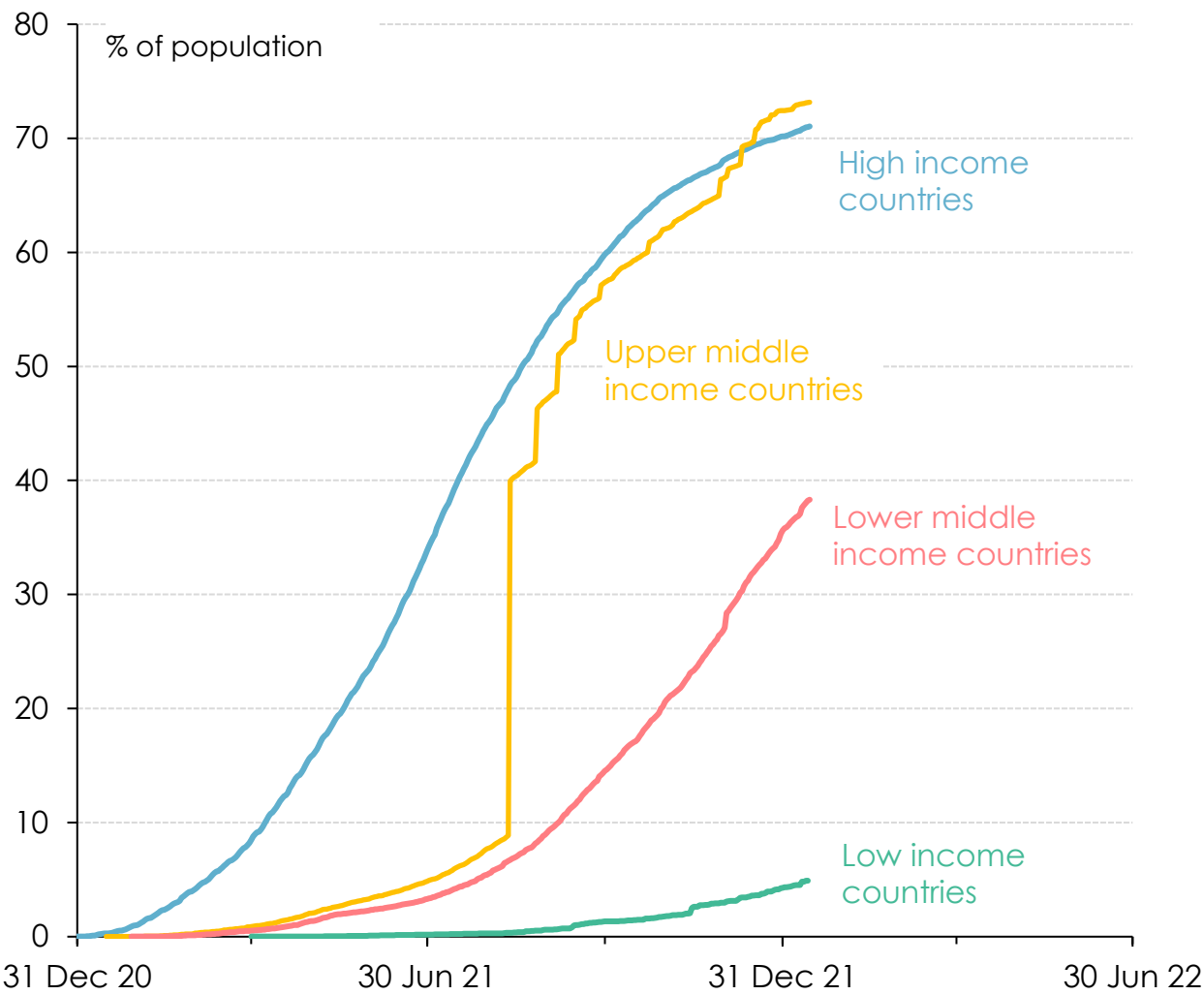


Note: Data as at 14th January. Sources: [The Cook Political Report](#); [Our World in Data](#); [USA Facts](#); Corinna. [Return to "What's New"](#).

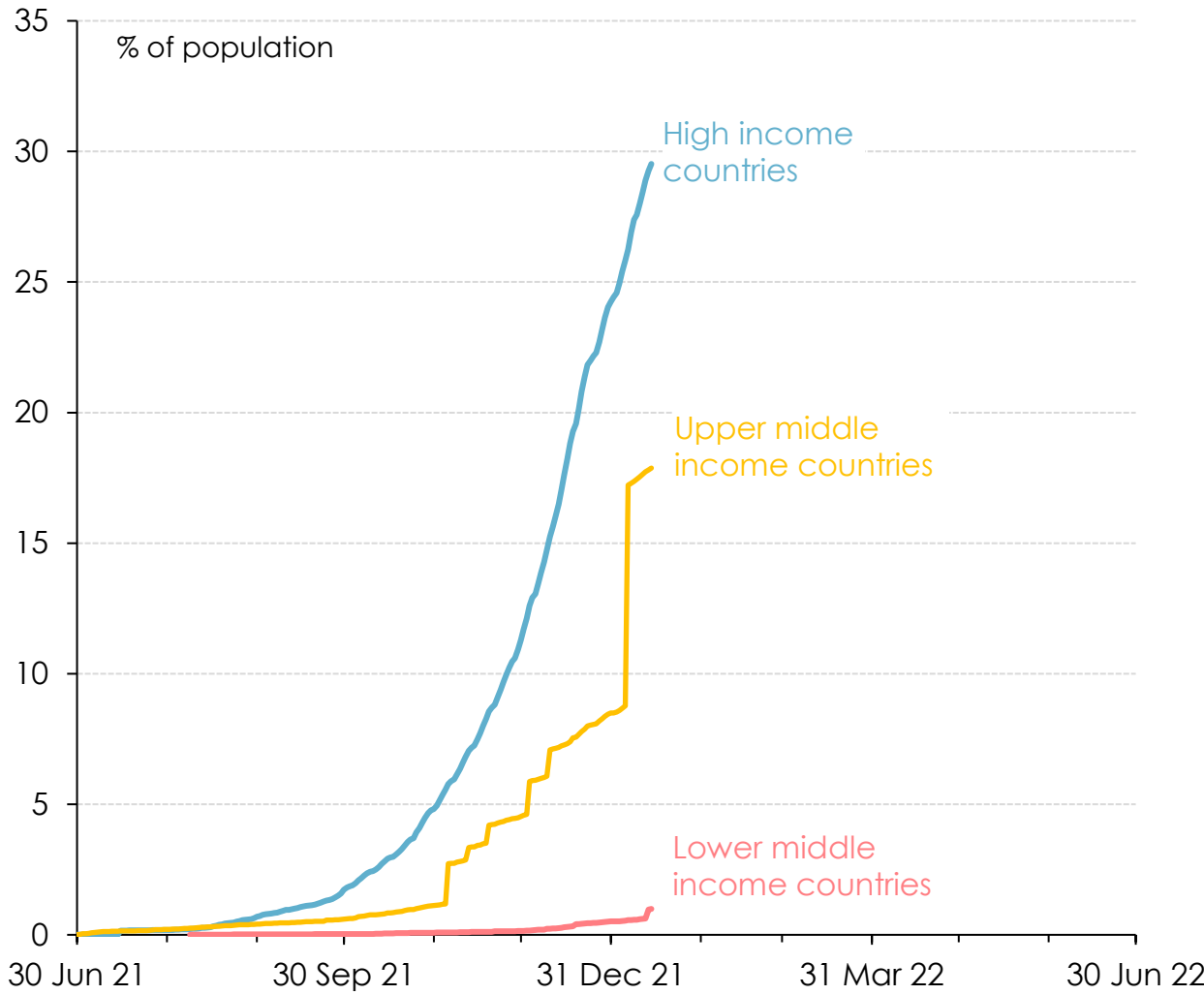
The vaccine roll-out has proceeded much more slowly among low- and lower-middle income countries

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Percentage of populations who have had two vaccinations, by income group



Percentage of populations who have had a 'booster' shot, by income group

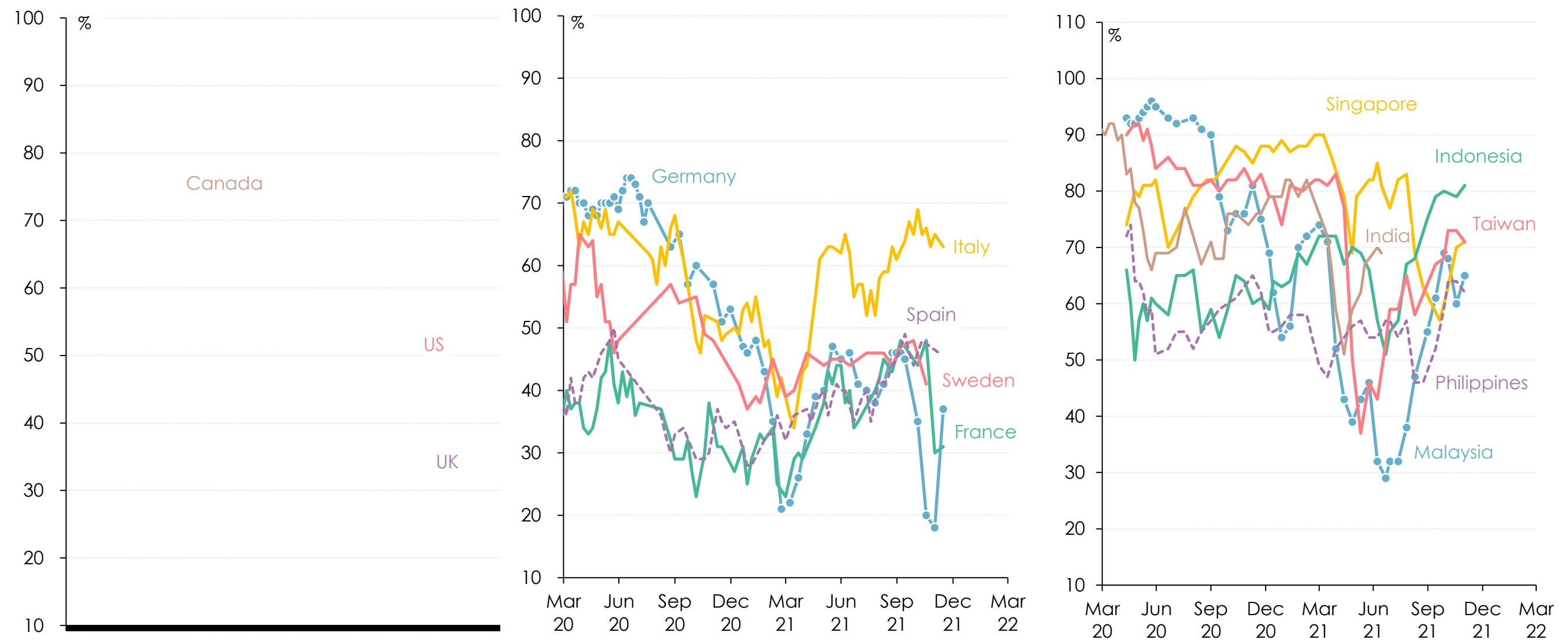


Note: Income categories are as defined by the [World Bank](#): high-income countries are (in 2021) those with a per capita gross national income (GNI) of over US\$12,535; upper-middle income countries are those with per capita GNI between US\$4,046 and \$12,535; lower middle-income countries are those between \$1,036 and \$4,035; and low-income countries are those with per capita GNI of \$1,035 or less. Note that 'upper middle-income countries' includes China, the inclusion of data from which accounts for the large jumps in numbers for this category on 12th August 2021 and 6th January 2022. Source: Our World in Data, [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

Voter approval of governments' handling of Covid has improved in Asia but deteriorated in the US and most of Europe

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Voter approval of their government's handling of the coronavirus pandemic



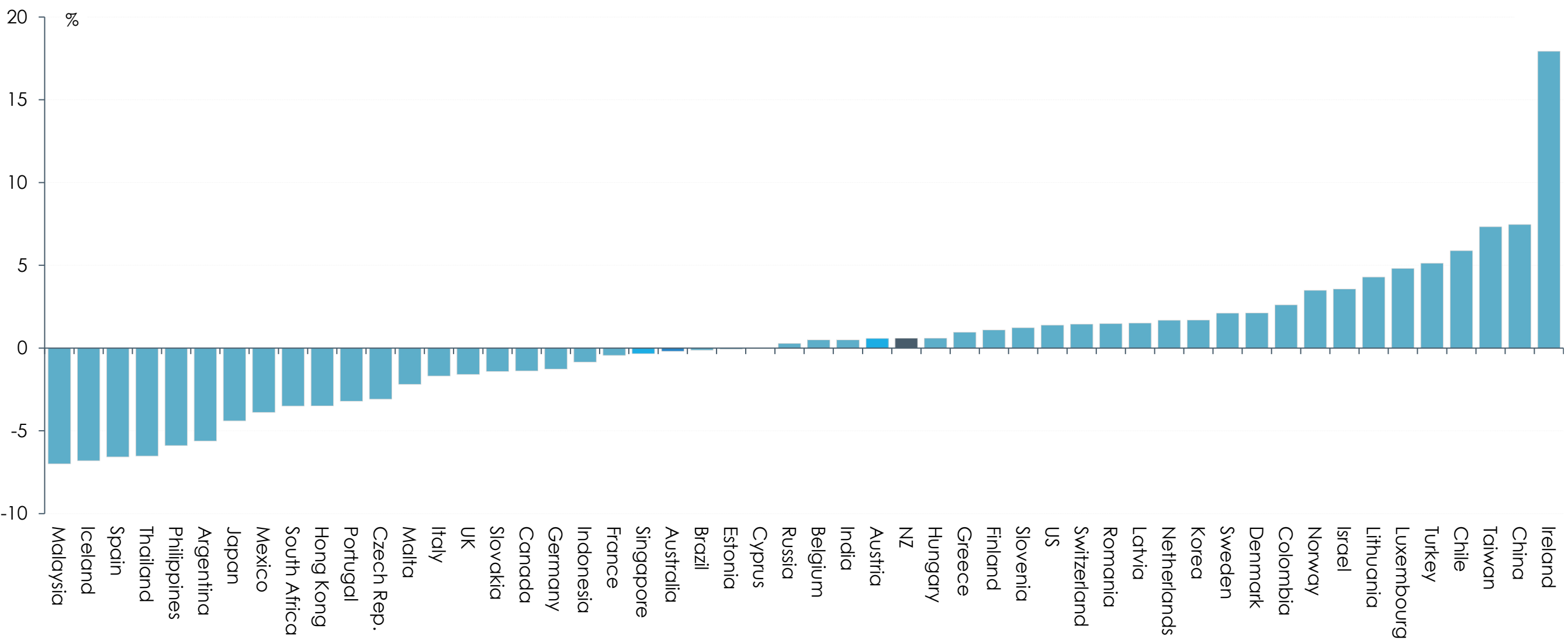
Note: There have been no new polls published since mid-December. Source: YouGov, [Covid-19 tracker: government handling](#). [Return to "What's New"](#).

The world

27 countries (out of 52 for which seasonally-adjusted Q3 GDP estimates are available) have surpassed their pre-pandemic peaks

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Q3 2021 real GDP compared with pre-recession peak

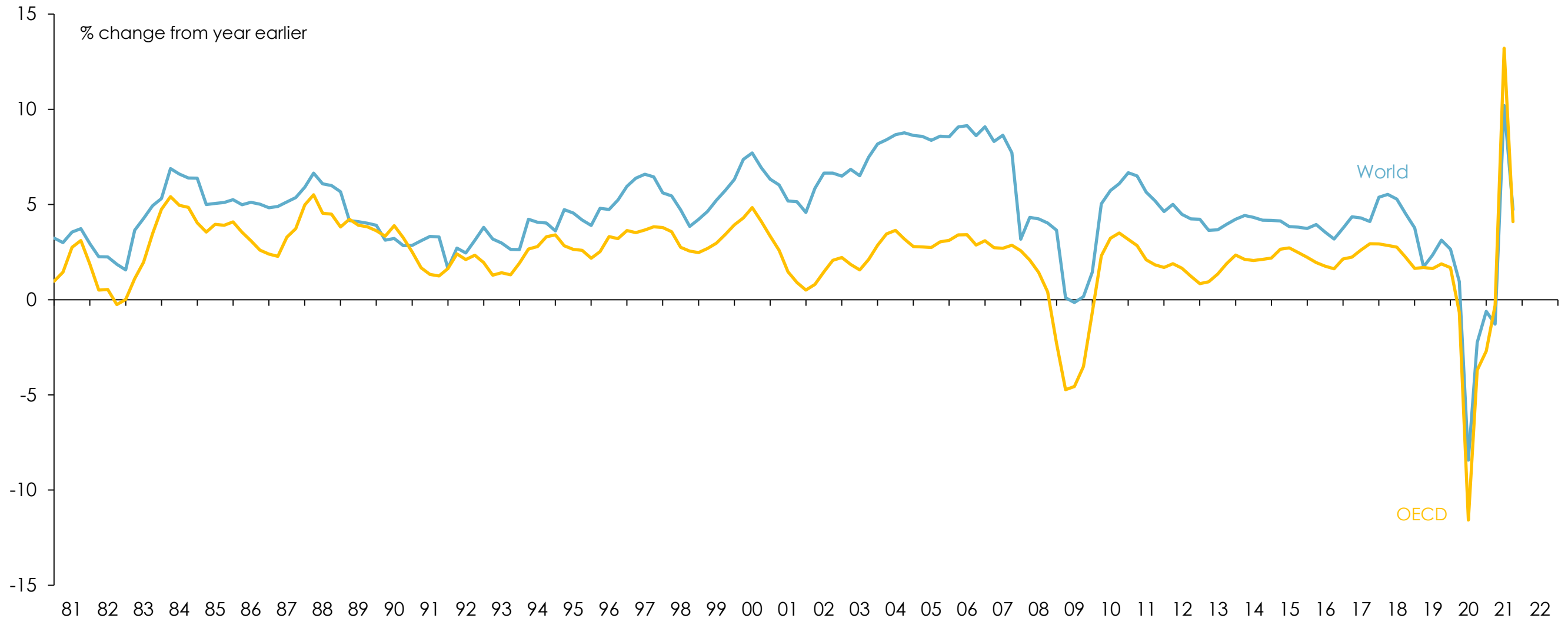


Estimate for China derived from quarterly growth rates published by China NBS; estimates for India and Indonesia are seasonally adjusted by the OECD. Source: National statistical agencies and central banks. [Return to "What's New"](#).

The world economy grew by about 4¾% over the year to Q3 – down from 11¼% over the year to Q2 which was flattered by comparison with Q2 2020

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World and OECD area real GDP growth

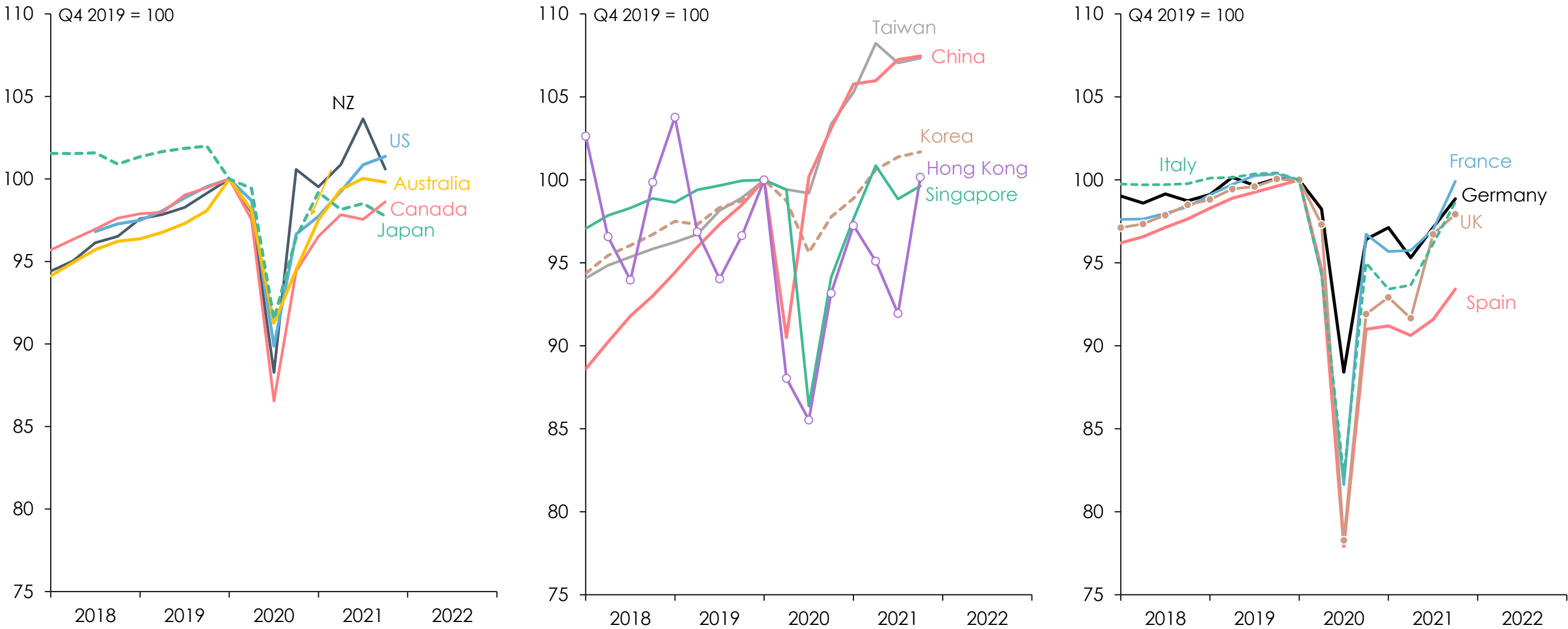


Note: Estimates of global GDP growth compiled by Corinna using data for 100 countries accounting for 94% of 2019 world GDP as measured by the IMF, weighted in accordance with each country's share of global GDP at purchasing power parities in 2019; excludes constituents of the former USSR before 1993, the former Czechoslovakia before 1995, and the former Yugoslavia before 1998. (e) Estimate for Q3 2021 is based on results for about 60 economies. Sources: national statistical agencies and central banks; Eurostat; [OECD](#); IMF; Corinna. [Return to "What's New"](#).

The more 'advanced' Asian economies, Australia's & NZ's and the US's, have recovered more rapidly from last year's recessions than Europe's

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Levels of real GDP indexed to Q4 2019 = 100



Note: All series shown are seasonally adjusted, except for China's which has been constructed using the estimates of quarterly changes in real GDP published by the China National Bureau of Statistics. Sources: National statistical agencies, Eurostat and Bank of Korea; Corinna.

The World Bank this month forecast a significant slowing in global economic growth this year and next as policy stimulus is withdrawn

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Major global institutions' growth forecasts for 2021- 2023 compared

	Actual		IMF			OECD			World Bank			Australian/NZ Treasury		
	2010-19 [^]	2020	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
US	2.2	-3.5	6.0	5.2	2.2	5.6	3.7	2.4	5.6	3.8	2.3	5.5	4.3	2.3
China	7.7	2.3	8.0	5.6	5.3	8.1	5.1	5.1	8.0	5.1	5.3	8.0	5.0	5.3
Euro area	1.3	-6.6	5.0	4.3	2.0	5.2	4.3	2.5	4.2	3.7	2.6	5.0	4.3	2.0
India	7.0	-8.0	9.5	8.5	6.6	9.4	8.1	5.5	8.3	8.7	6.8	8.5	8.5	6.5
Japan	1.2	-4.8	2.4	3.2	1.4	1.8	3.4	1.1	1.7	2.9	1.2	2.0	3.3	1.0
UK	1.8	-9.9	6.8	5.0	1.9	6.9	4.7	2.1	na	na	na	na	na	na
Australia	2.6	-2.4	3.5	4.1	2.6	3.8	4.1	3.0	na	na	na	3.8*	3.5*	2.3*
New Zealand	2.9	-3.0	5.1	3.3	1.7	4.7	3.9	2.6	na	na	na	0.8 [†]	4.9 [†]	2.2 [†]
World	3.7	-3.3	5.9	4.9	3.6	5.6	4.5	3.2	5.5	4.1	3.2	5.8	4.5	3.5
World trade	3.7	-8.5	9.7	6.7	4.5	9.3	4.9	4.5	9.5	5.8	4.7	na	na	na
World inflation	3.5	3.2	4.3	3.8	3.3	3.5	4.2	3.0	na	na	na	na	na	na

Note: [^] Annual average. * Forecasts for fiscal years beginning 1st July (and finishing 30th June following year) [†] Forecasts by New Zealand Treasury for fiscal years beginning 1st July. Sources : International Monetary Fund (IMF), [World Economic Outlook](#), 12th October 2021; The World Bank, [Global Economic Prospects](#), 11th January 2022; Organization for Economic Co-operation & Development (OECD), [Economic Outlook](#), 1st December 2021, ; Australian Treasury, 2021-22 [Mid-Year Economic and Fiscal Outlook](#), 16th December 2021; New Zealand Treasury, [Half Year Economic and Fiscal Update 2021](#), 15th December 2021. [Return to "What's New"](#).

The OECD's latest forecast makes largely offsetting revisions to its outlook for economic growth, but upward revisions to its outlook for inflation

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OECD real GDP growth forecasts

	December forecast (%)		Revision from September (pc pts)	
	2021	2022	2021	2022
Advanced economies				
US	5.6	3.7	-0.4	-0.2
Euro zone	5.2	4.3	+0.9	-0.3
Japan	1.8	3.4	-0.7	+1.3
UK	6.9	4.7	+0.2	-0.5
Australia	3.8	4.1	-0.2	+0.8
New Zealand	4.7	3.9	+1.2	+0.1
Emerging economies				
China	8.1	5.1	-0.4	-0.7
India	9.4	8.1	+2.7	-1.8
Brazil	5.0	1.4	-0.2	-0.9
Russia	4.3	2.7	+1.6	-0.7
World	5.6	4.5	-0.1	0.0
OECD area inflation	3.5	4.2	+0.8	+1.8

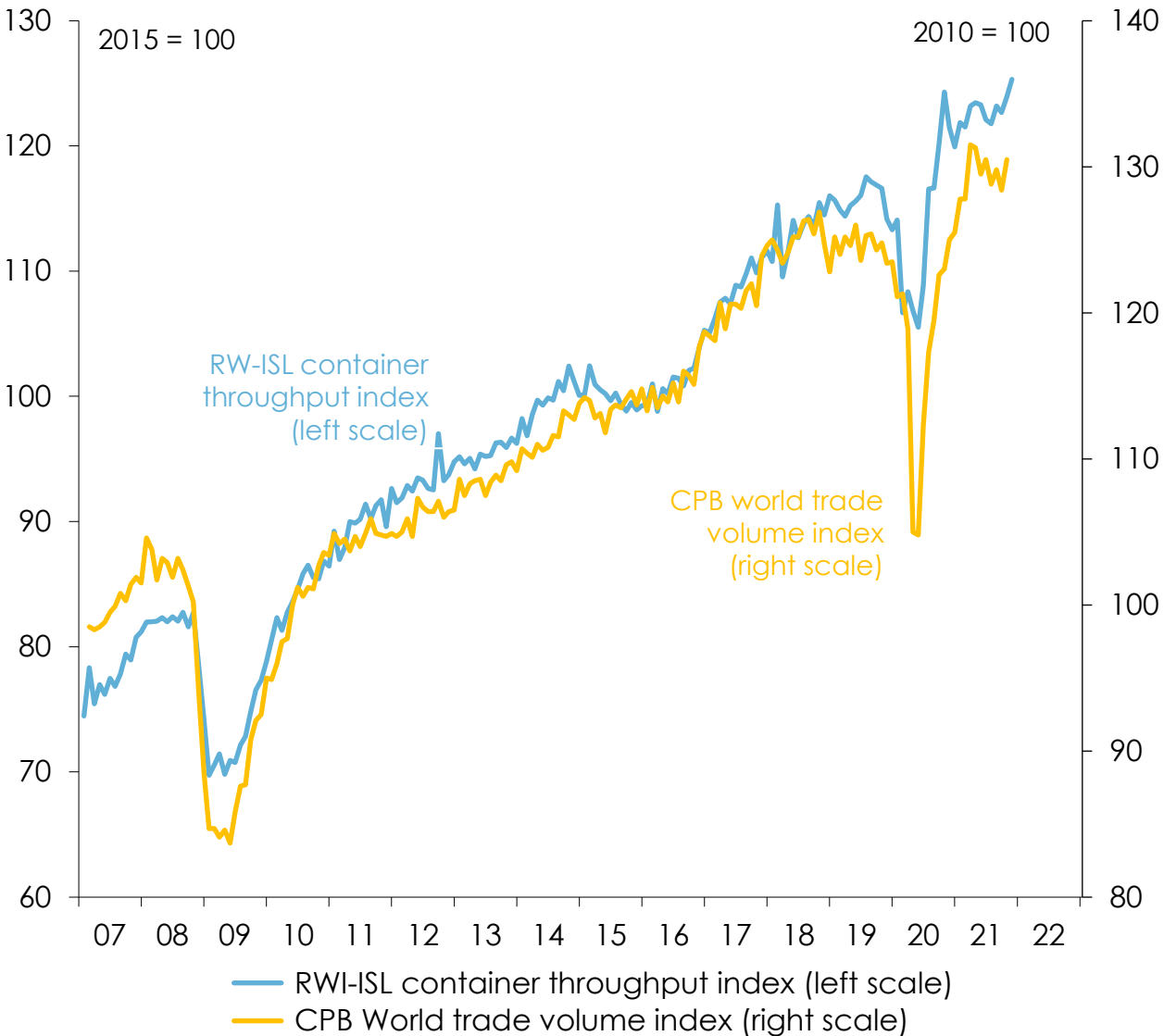
- ❑ The OECD's most recent [Economic Outlook](#), published at the beginning of December, depicts the recovery in the global economy as having “lost momentum and becoming increasingly imbalanced”
 - “persisting supply bottlenecks, rising input costs and the continued effects of the pandemic” are sapping the momentum from the strong rebound after re-opening
 - while “stronger and longer-lasting inflation pressures have emerged in all economies at an unusually early stage of the cycle”, with “labour shortages emerging even though employment and hours worked are yet to recover fully”
- ❑ The OECD expects that “supply-side constraints and shortages should wane gradually through 2022-23”
 - with consumer price inflation in OECD countries “projected to peak by the end of 2021” at close to 5%, falling to around 3½% by end-2022 and 3% in 2023
 - while global growth is expected to “moderate over time”, from 5.6% in 2021 to 4½% in 2022 and 3¼% in 2023
 - Covid-19 should become “progressively less of a factor in global economic outcomes over coming years”, unless “new, more dangerous variants of the virus emerge”
- ❑ The OECD notes that business investment has been “recovering quickly”, and that “changes in business practices in many firms” triggered by the pandemic may have had a positive net effect on firms’ productivity
- ❑ It recommends that central banks in major advanced economies should become “less accommodative”, initially by tapering asset purchases and then by raising policy interest rates – while abrupt withdrawals of fiscal policy support “should be avoided whilst the near-term outlook is still uncertain”

Source: OECD, [Economic Outlook](#), Volume 2021 Issue 2, 1st December 2021. [Return to "What's New"](#).

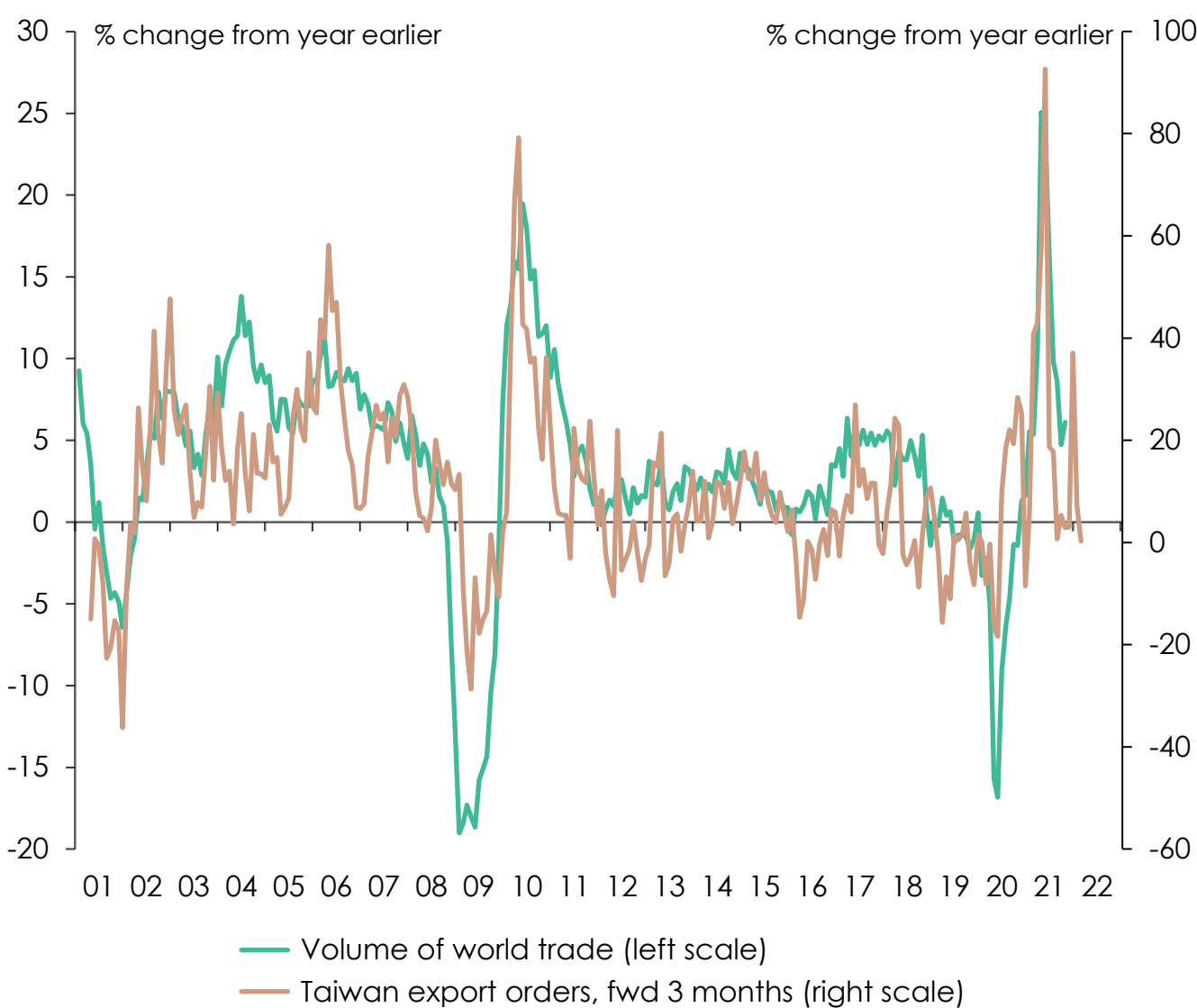
World trade volumes rose 1.6% in October after a 2.4% decline between March and September

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World trade volumes and container throughput



Taiwan export orders and world trade volumes

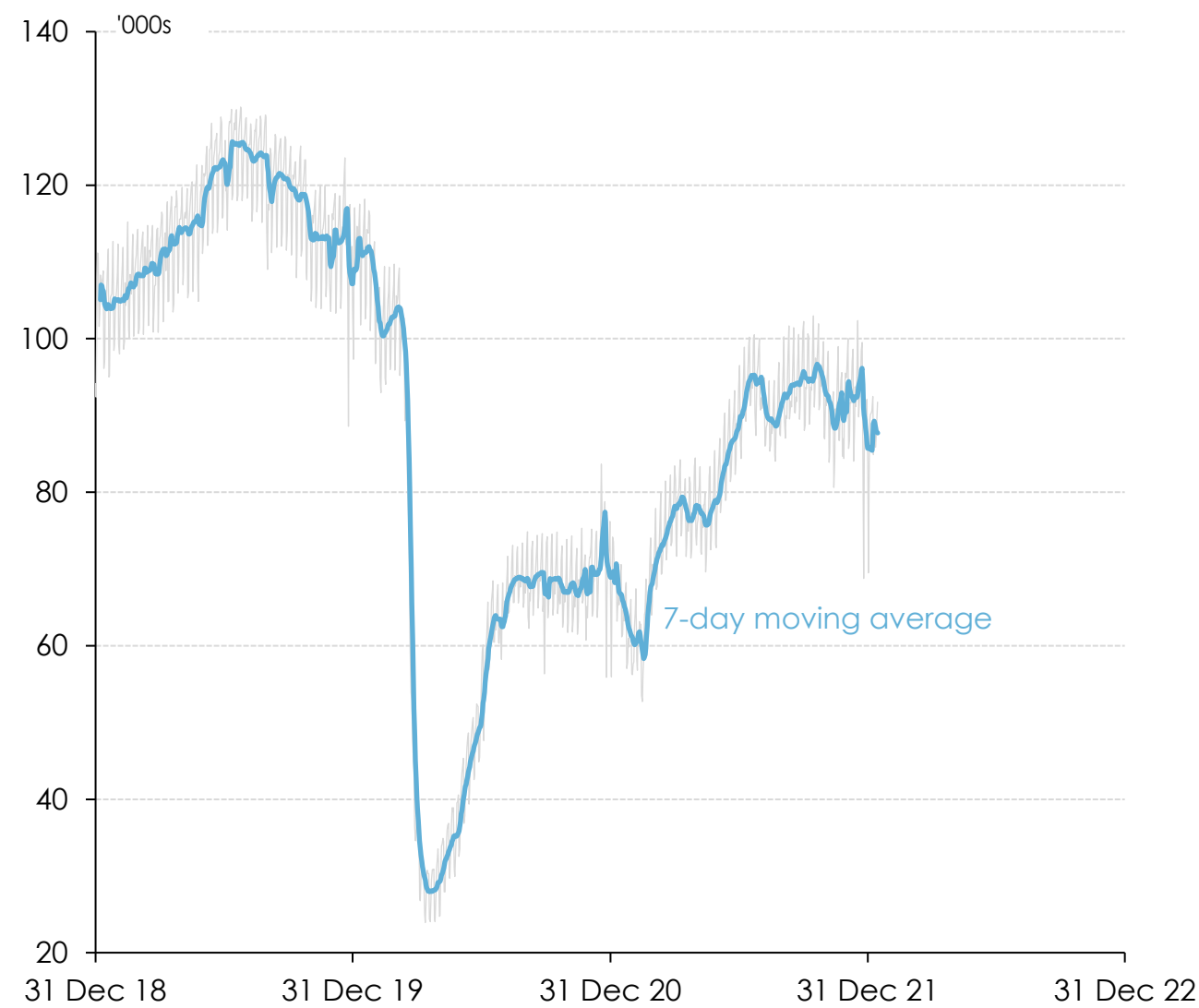


Note: The shipping container throughput index is based on reports from 91 ports around the world handling over 60% of global container shipping.
Sources: CPB Netherlands Economic Planning Bureau, [World Trade Monitor](#) (November data to be released on 25th January); Institute of Shipping Economics & Logistics (ISL) and RWI Leibniz-Institut für Wirtschaftsforschung (RWI) [Container Throughput Index](#); Taiwan [Ministry of Economic Affairs](#). [Return to "What's New"](#).

The spread of omicron has prompted a renewed downturn in aviation traffic

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Daily commercial flights worldwide



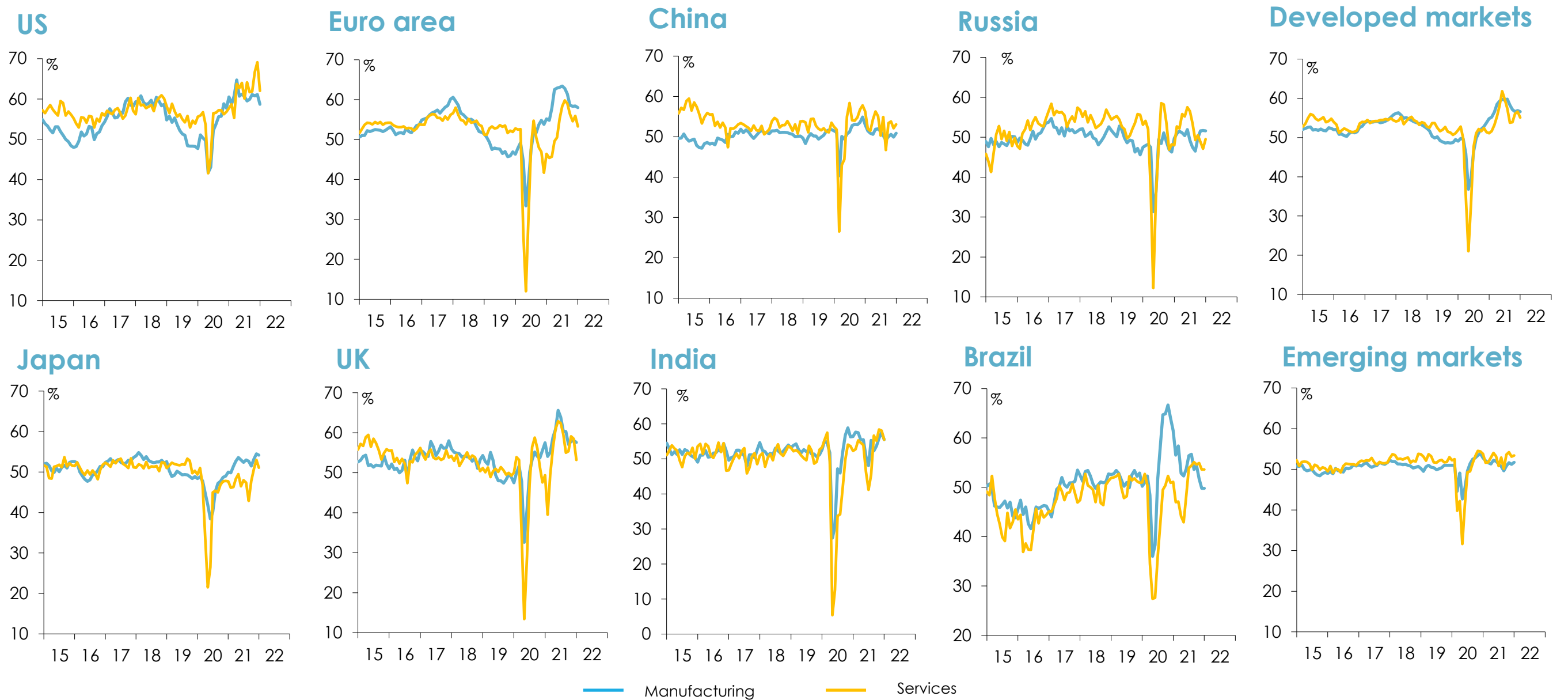
Daily US TSA 'security' checks



Note: Commercial flights include commercial passenger flights, cargo flights, charter flights, and some business jet flights. Daily flights data are up to 17th December and TSA checks up to 16th December. Thicker coloured lines are 7-day centred moving averages of daily data plotted in thin grey lines. Sources: [Flightradar24.com](https://flightradar24.com); [US Transport Safety Administration](https://www.transportation.gov) (at last, something useful produced by aviation 'security'!!!). [Return to "What's New"](#).

December PMIs show continued strength in manufacturing in most major economies but a softening in services activity in 'advanced' economies

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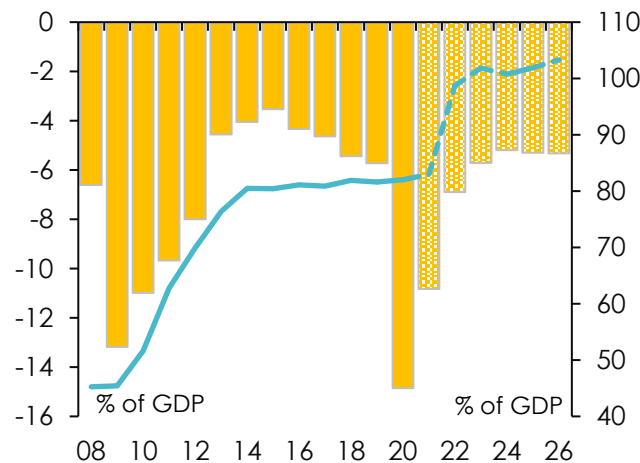


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. Latest data are for December. A reading of 50 indicates an overall increase cf. the previous month, and a reading of less than 50 indicates a decrease. See also PMIs for other Asia-Pacific economies on [slide 87](#). Sources: [US Institute for Supply Management](#); [IHS Markit](#); JP Morgan; [Caixin](#); Refinitiv Datastream. [Return to "What's New"](#).

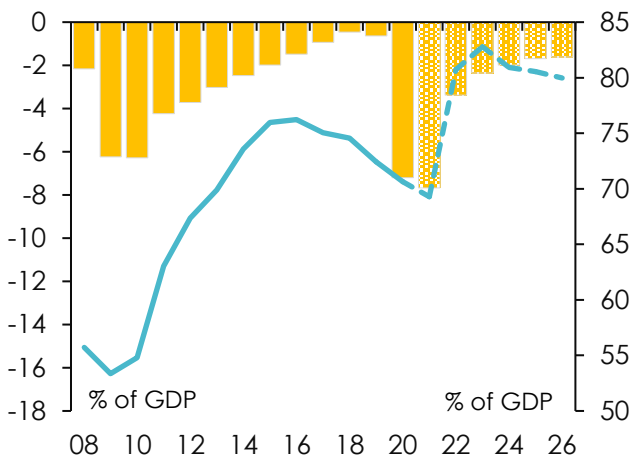
Fiscal policy in almost all major economies is set to tighten significantly in 2022

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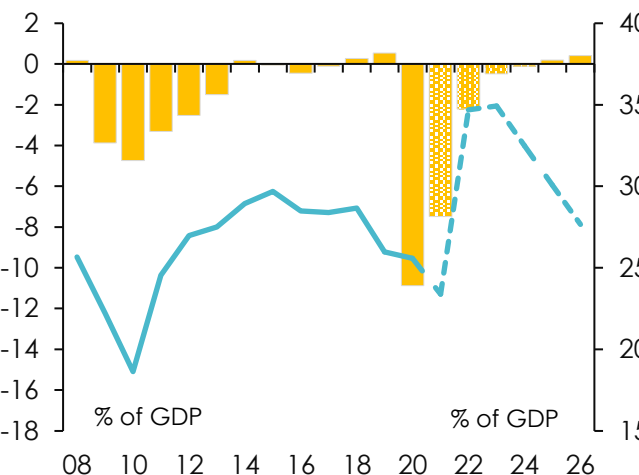
United States



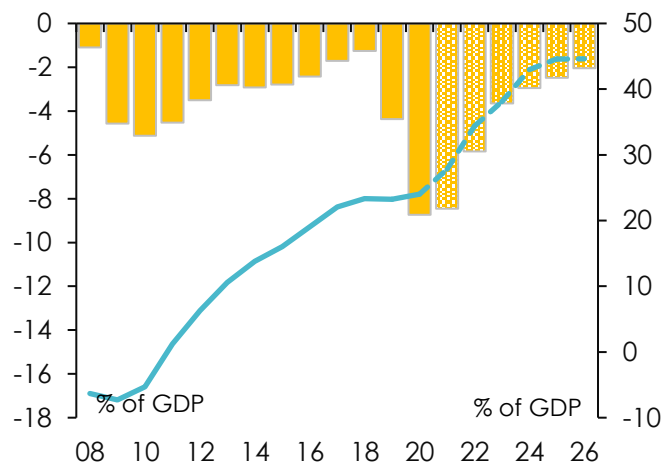
Euro area



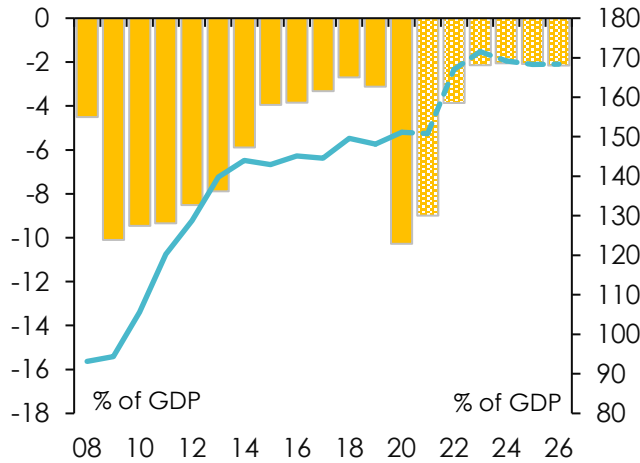
Canada



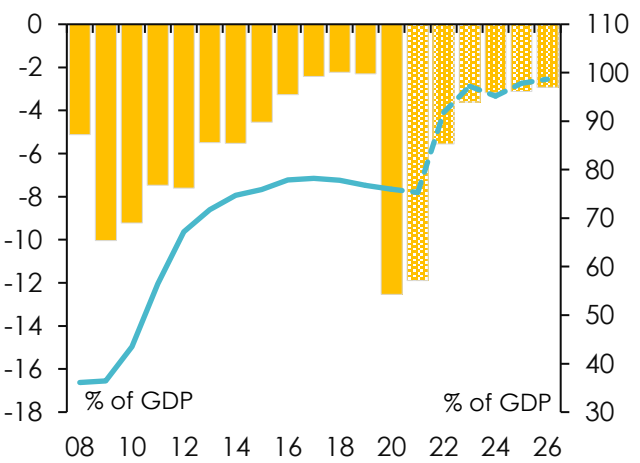
Australia



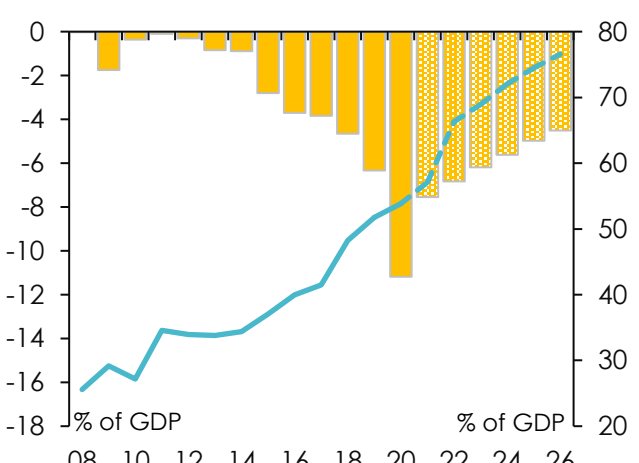
Japan



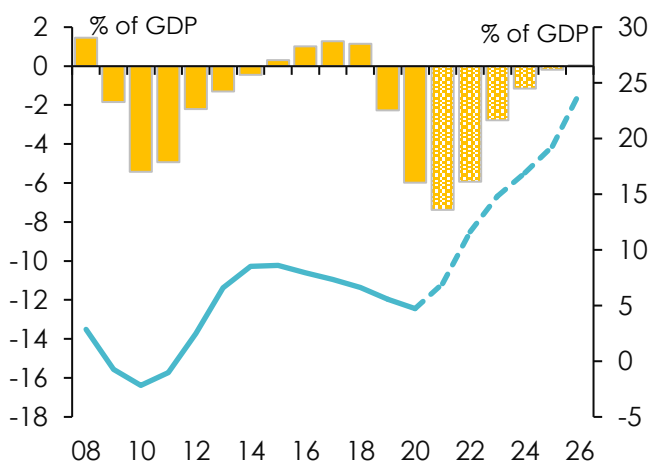
United Kingdom



China



New Zealand



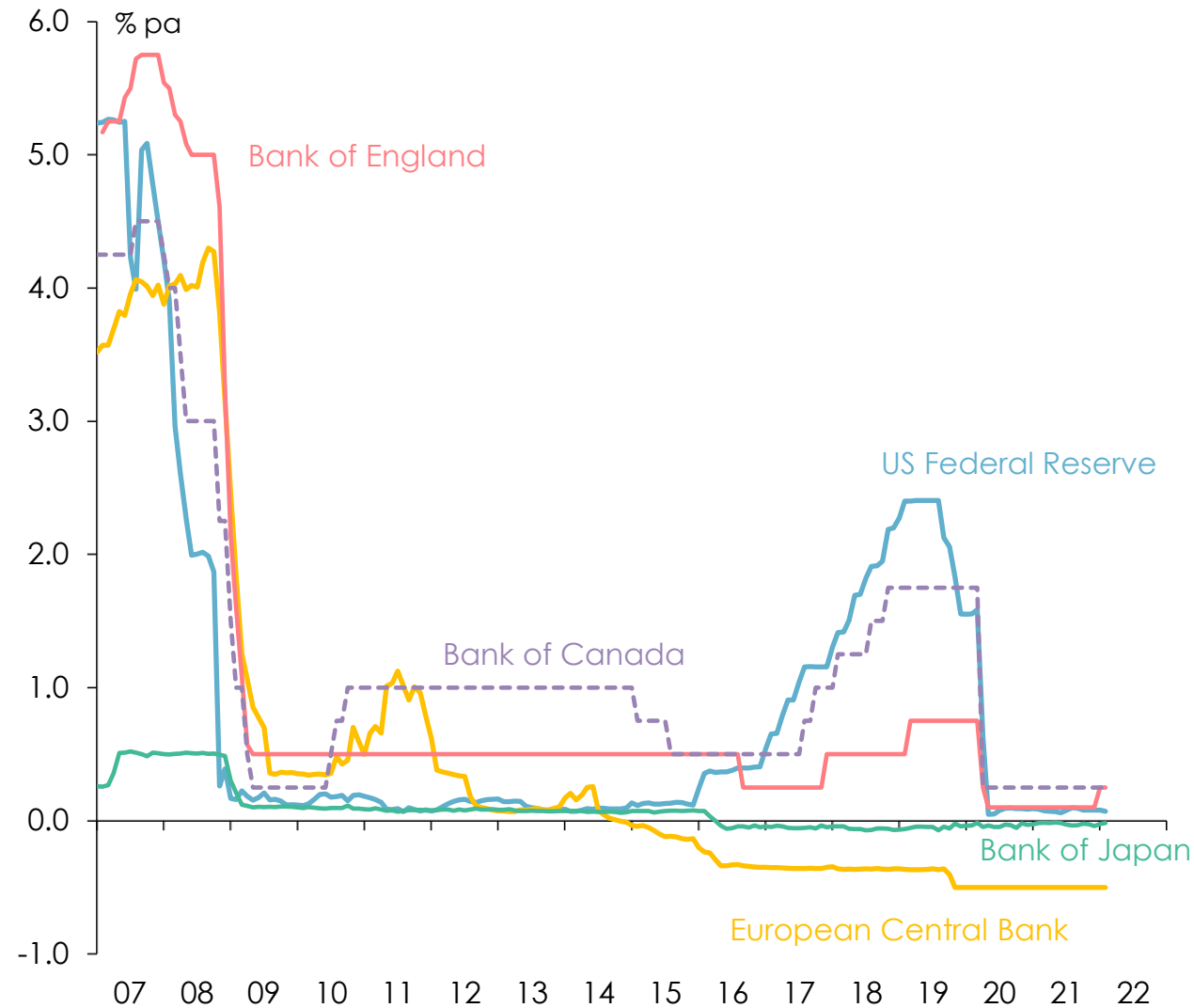
General government overall fiscal balance (left scale) General government net debt (right scale)

Note: China debt is gross debt, not net. Sources: International Monetary Fund, [Fiscal Monitor](#), and [World Economic Outlook](#), October 2021. [Return to "What's New"](#)

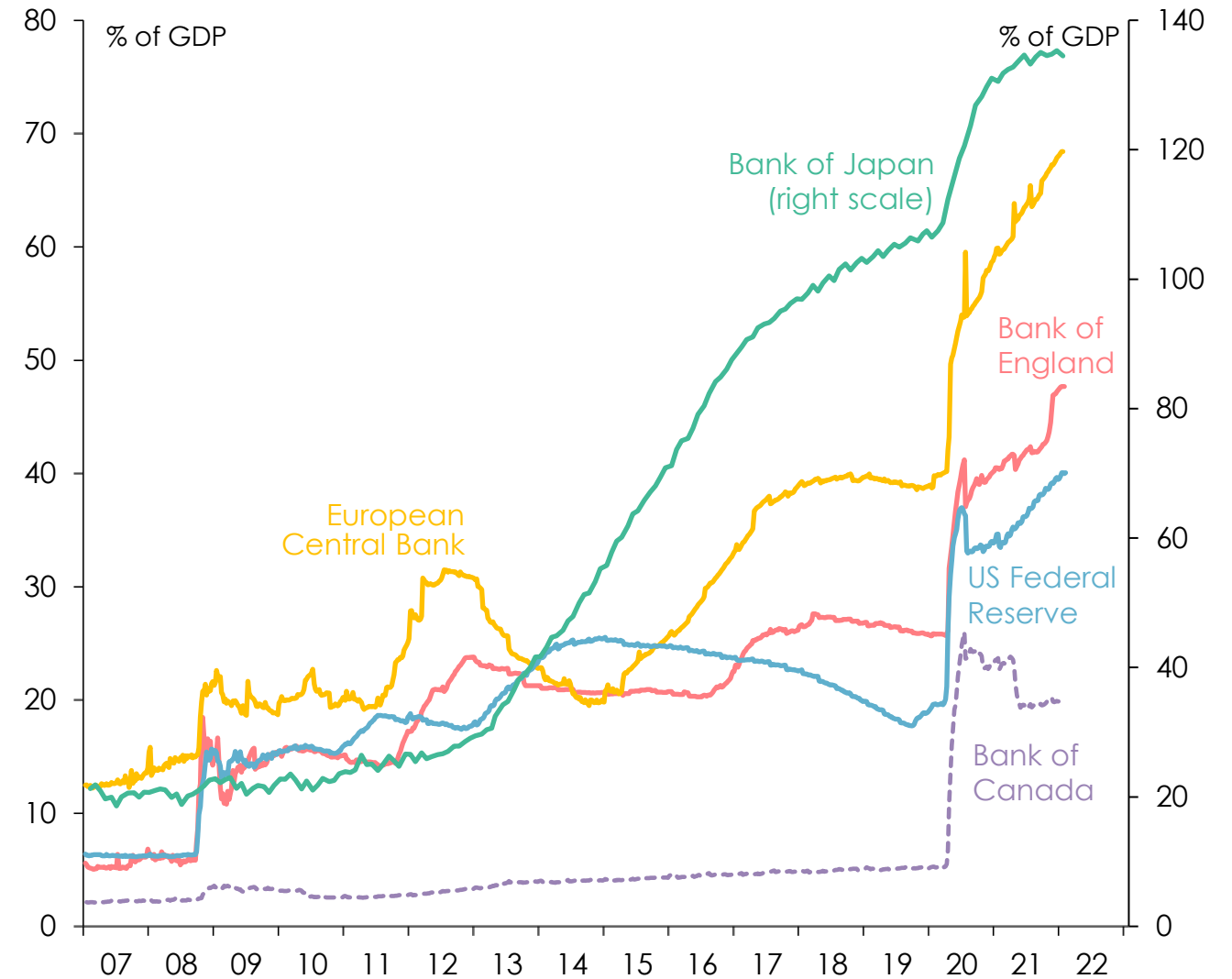
In December, the Bank of England became the first major 'advanced' economy central bank to raise rates – but the Fed will likely do so in March

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Major central bank policy interest rates



Major central bank balance sheets

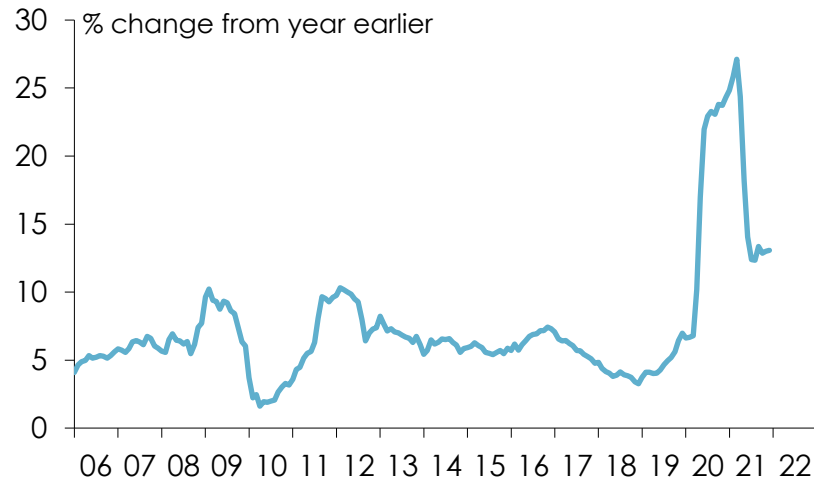


Note: estimates of central bank assets as a pc of GDP in Q2 2020 were inflated by the sharp drop in nominal GDP in that quarter: conversely, declines in estimates of central bank assets as a pc of GDP in Q3 2020 are in large part due to rebounds in nominal GDP. Bank of Canada balance sheet data for January 2022 will be released at the beginning of February. Sources: [US Federal Reserve](#); [European Central Bank](#); [Bank of Japan](#); [Bank of England](#); [Bank of Canada](#); national statistical agencies; Corinna. [Return to "What's New"](#).

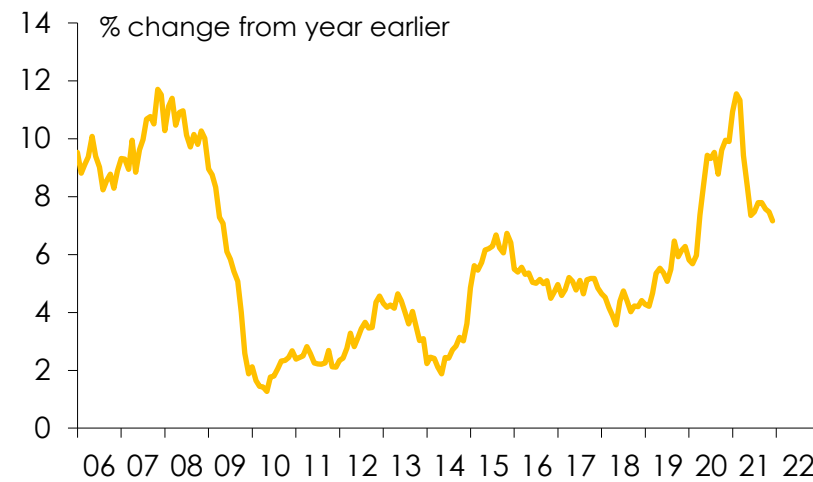
Money supply growth has slowed sharply from the peaks recorded earlier this year as large monthly increases a year ago 'wash out'

THE WORLD ECONOMY THIS WEEK - 17 January 2022

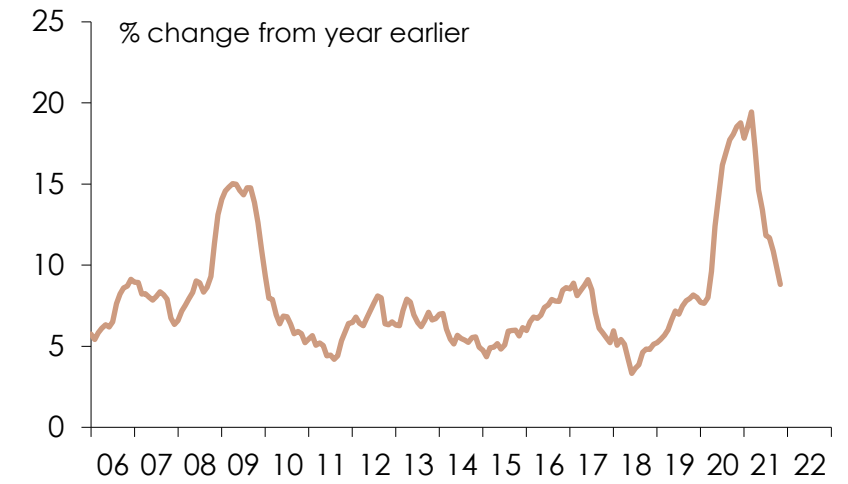
US M2



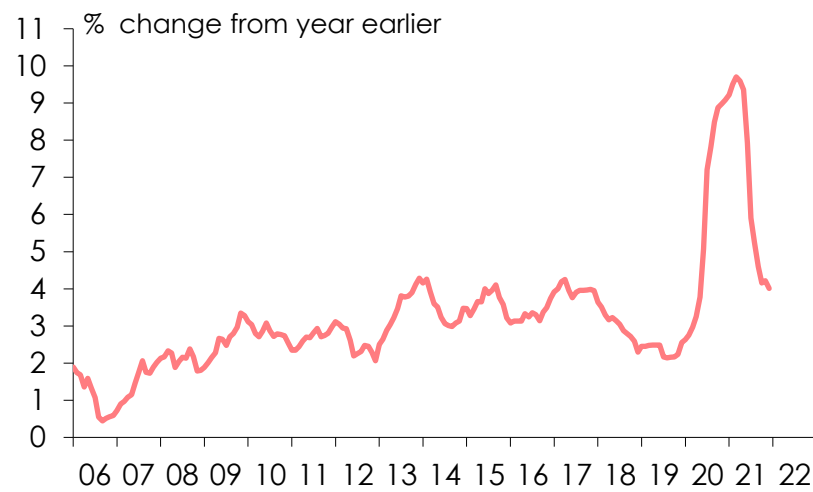
Euro area M2



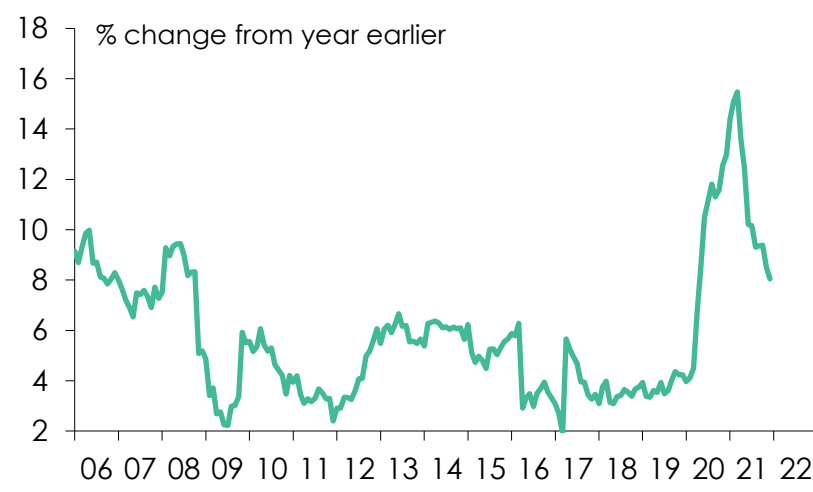
Canada M2



Japan M2 + CDs



UK M2



Australia M3

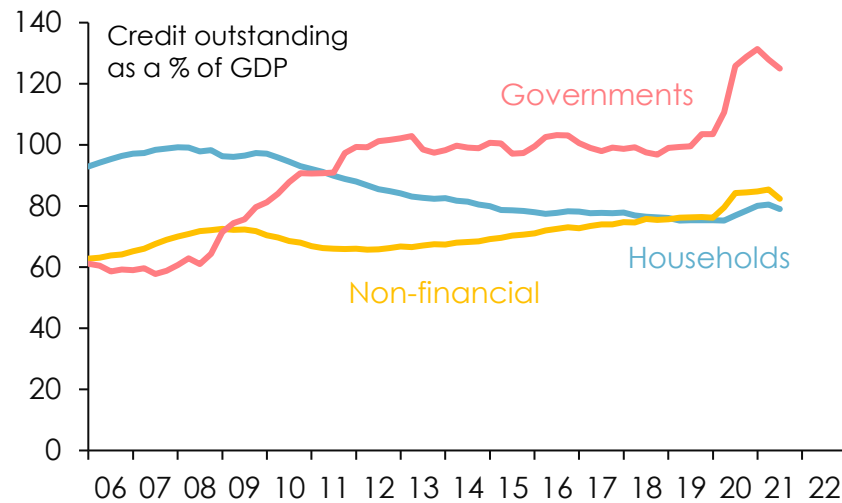


Sources: US Federal Reserve; European Central Bank; Bank of Japan; Bank of England; Bank of Canada; RBA. [Return to "What's New"](#).

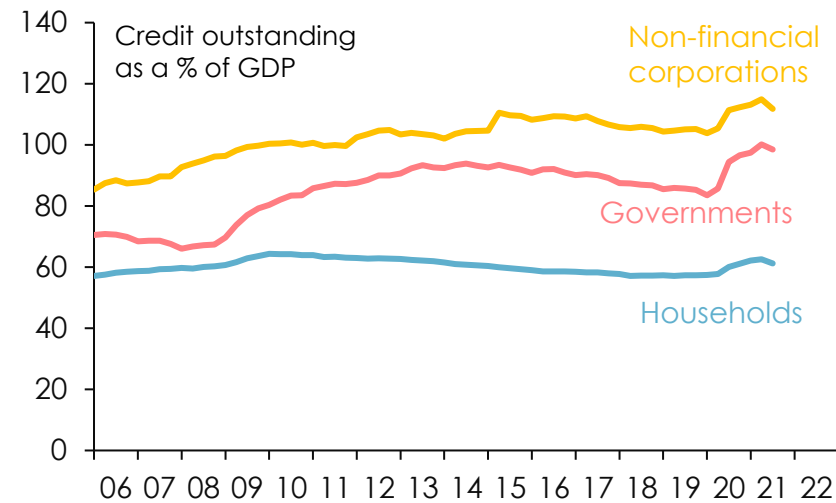
Japanese, US and UK governments, Canadian corporations and Australian households appear most exposed to increases in interest rates

THE WORLD ECONOMY THIS WEEK - 17 January 2022

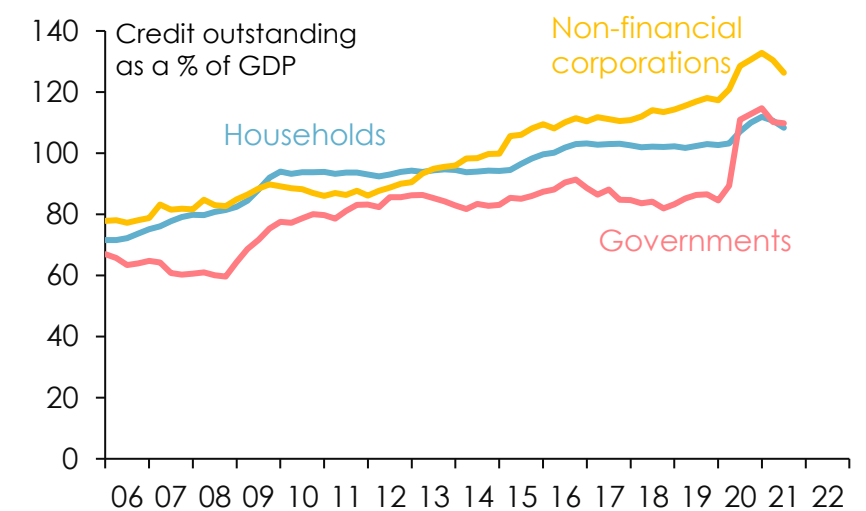
US



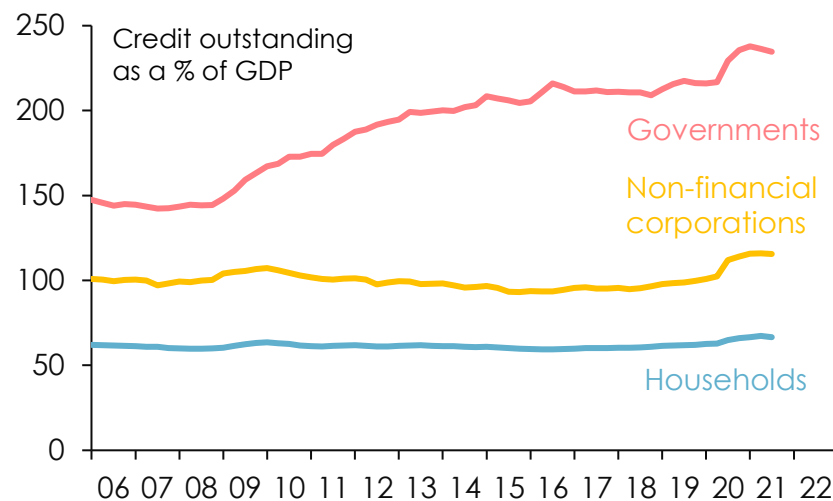
Euro area



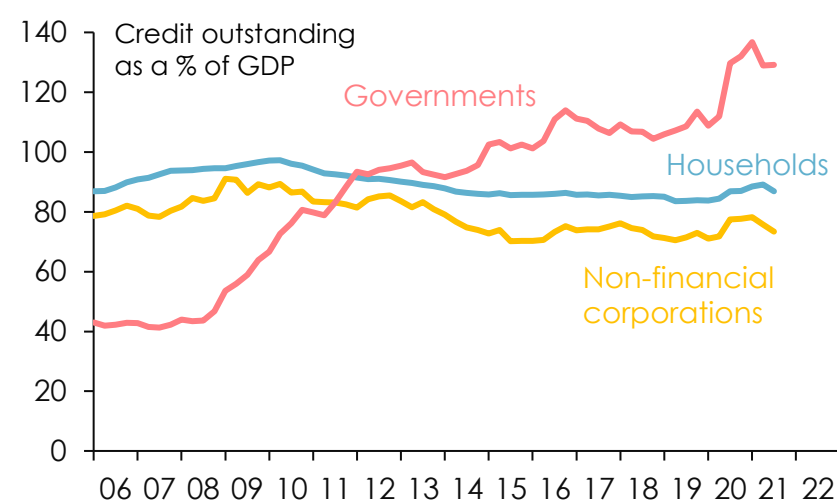
Canada



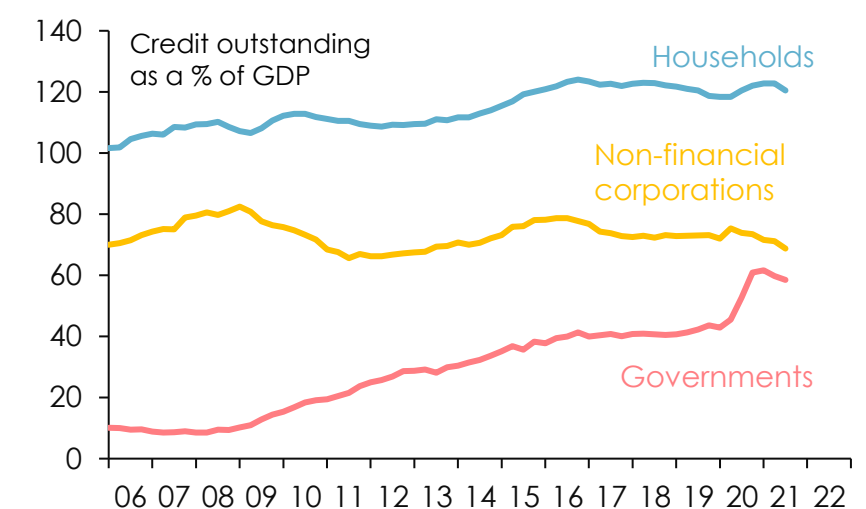
Japan



UK



Australia

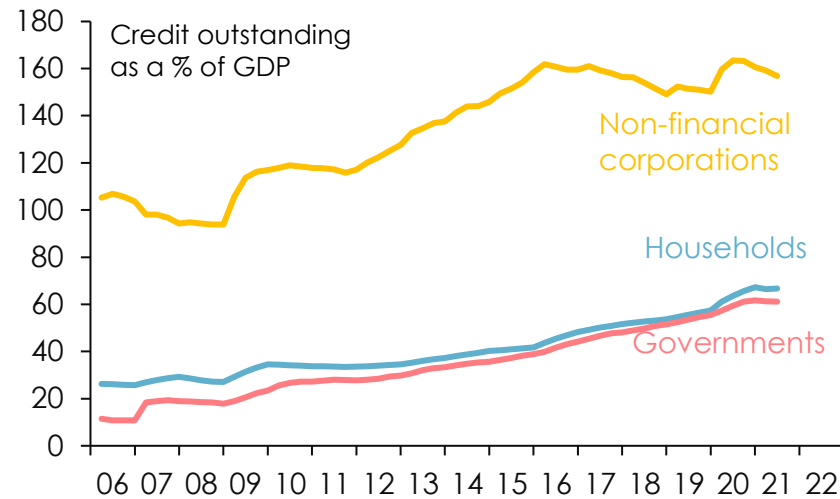


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q2 2021, Q3 data will be released on 28th January. [Return to "What's New"](#).

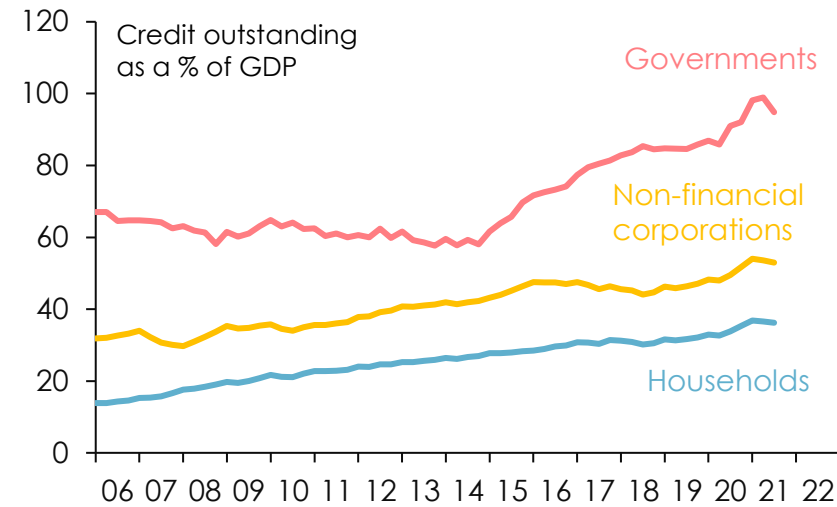
In major 'developing' economies it's usually governments that are most exposed to rising interest rates – except for China, Russia and Turkey

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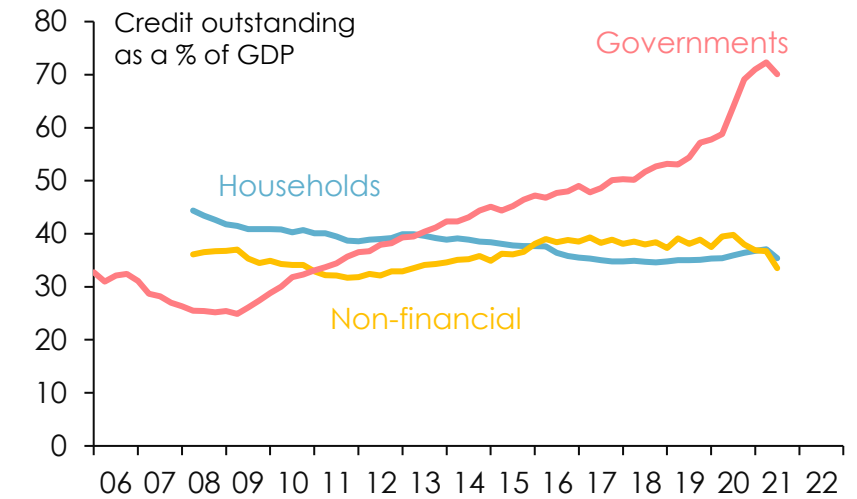
China



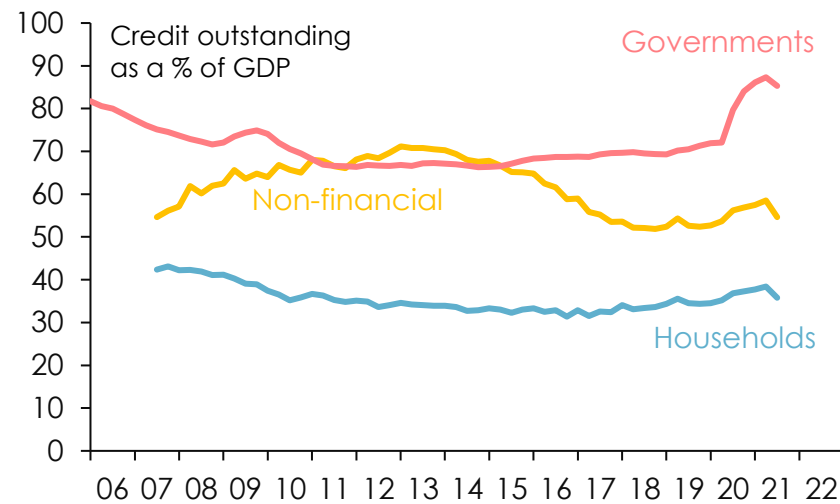
Brazil



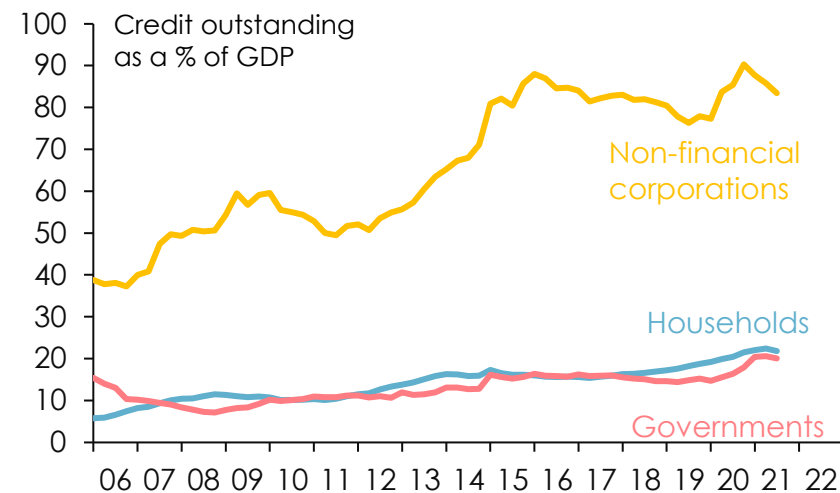
South Africa



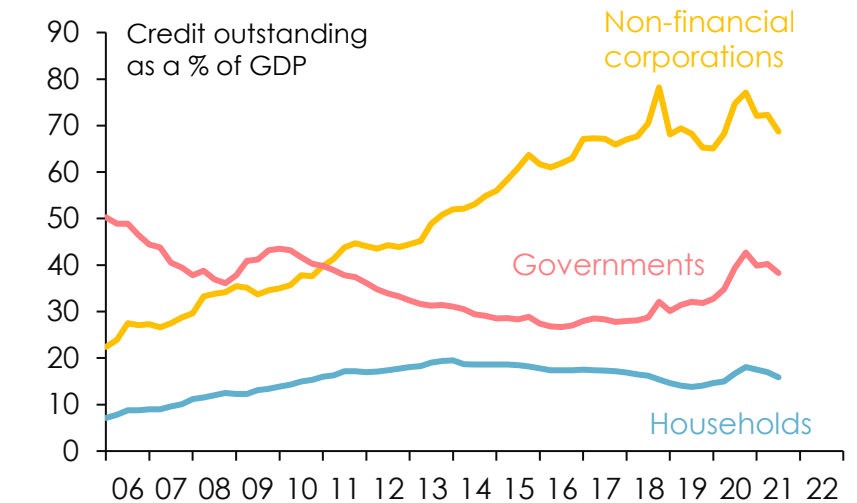
India



Russia



Turkey

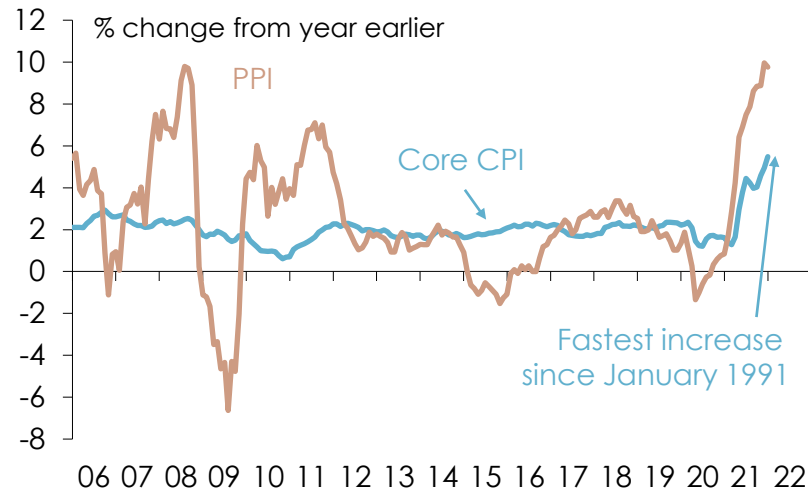


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q2 2021, Q3 data will be released on 28th January. [Return to "What's New"](#).

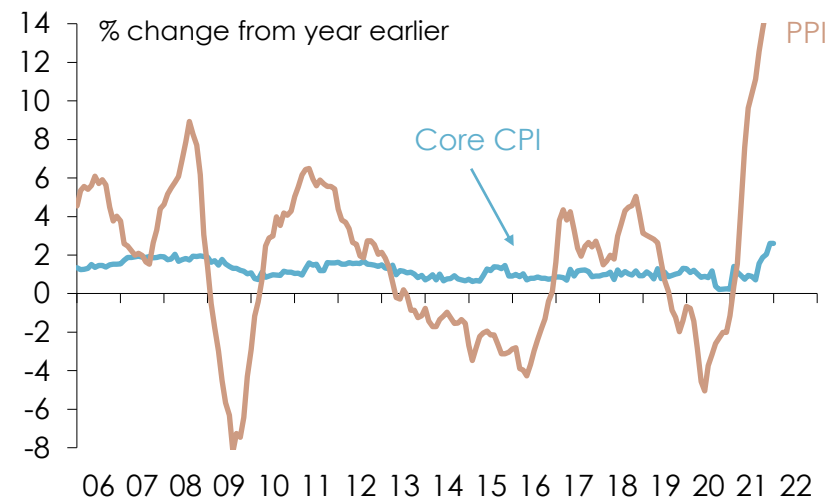
Producer prices are surging in all major economies: but only in the US and the UK is this feeding into markedly higher core CPI inflation

THE WORLD ECONOMY THIS WEEK - 17 January 2022

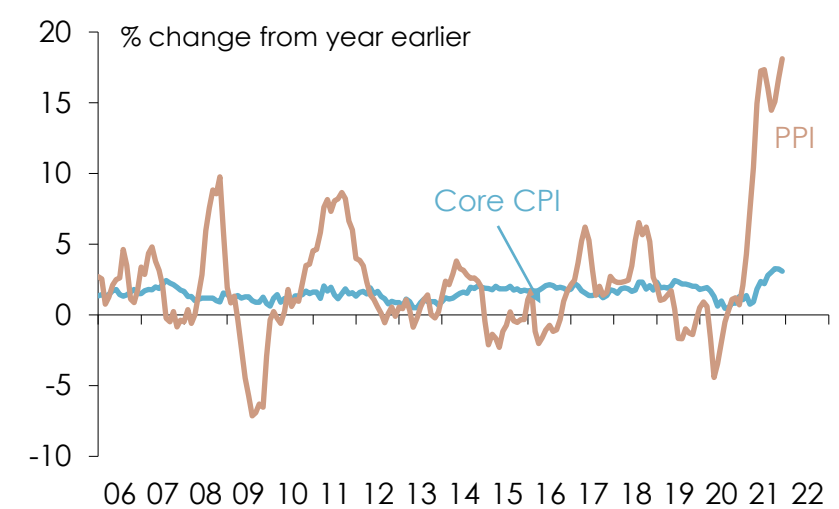
United States



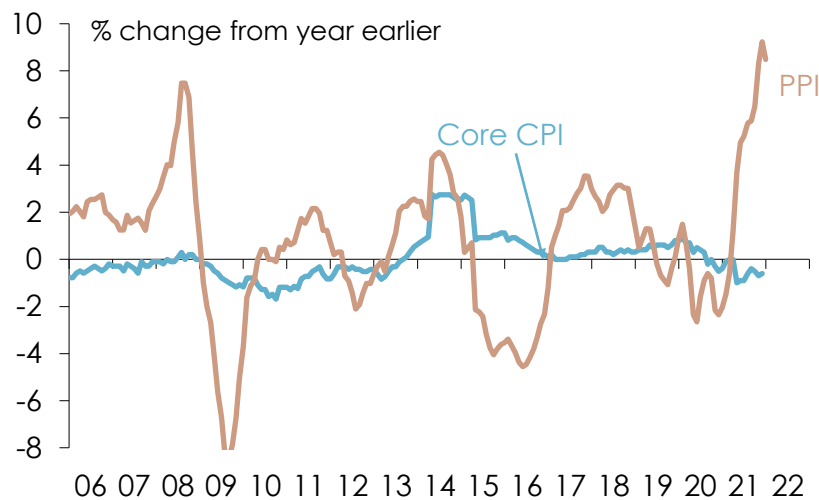
Euro area



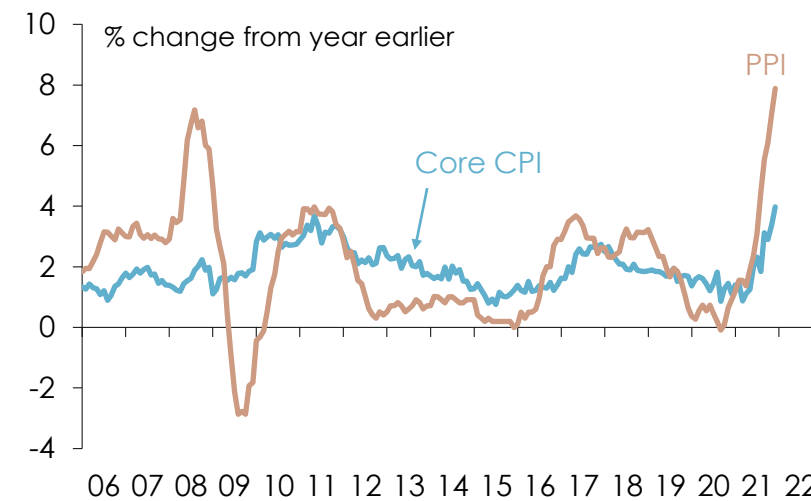
Canada



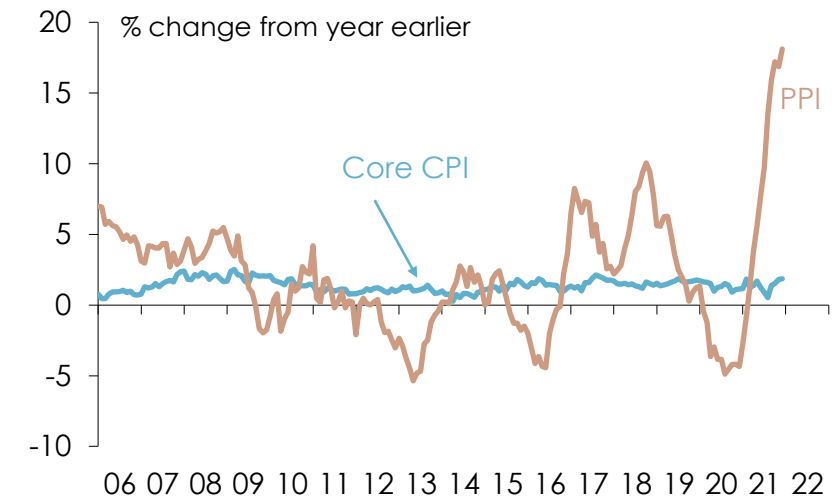
Japan



United Kingdom



Sweden

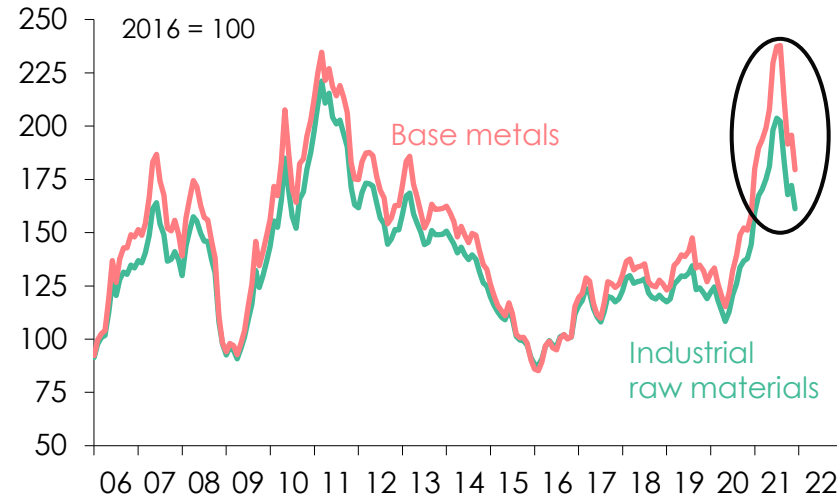


For a more detailed analysis of recent US inflation data see [slides 47-53](#). Sources: [US Bureau of Labor Statistics](#); [Statistics Bureau of Japan](#); [Eurostat](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Statistics Sweden](#). [Return to "What's New"](#).

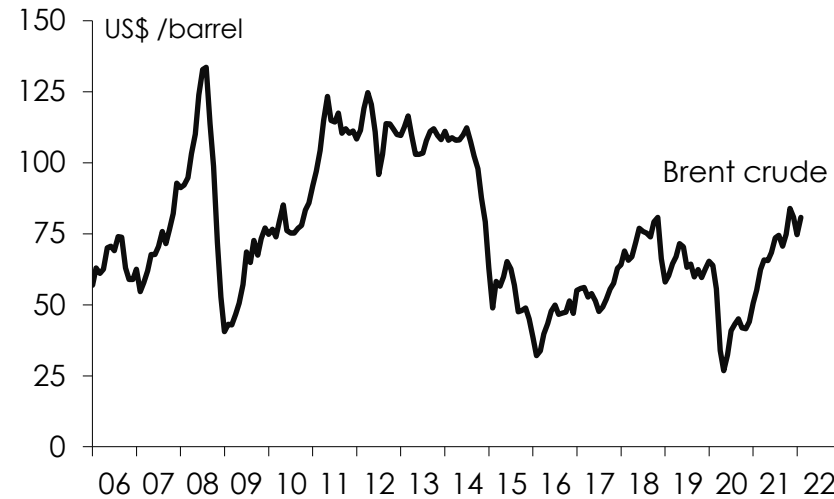
Except for energy, the global factors which have contributed to 'upstream' price pressures in recent months seem to have peaked (at least for now)

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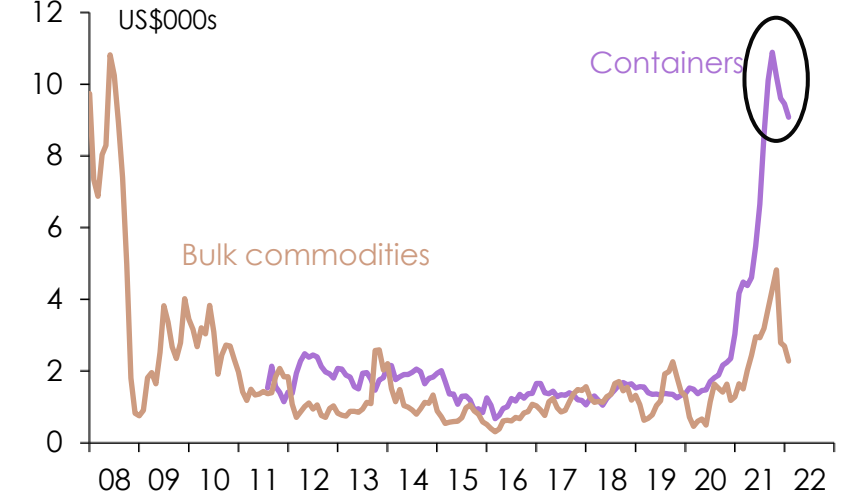
'Hard' commodity prices



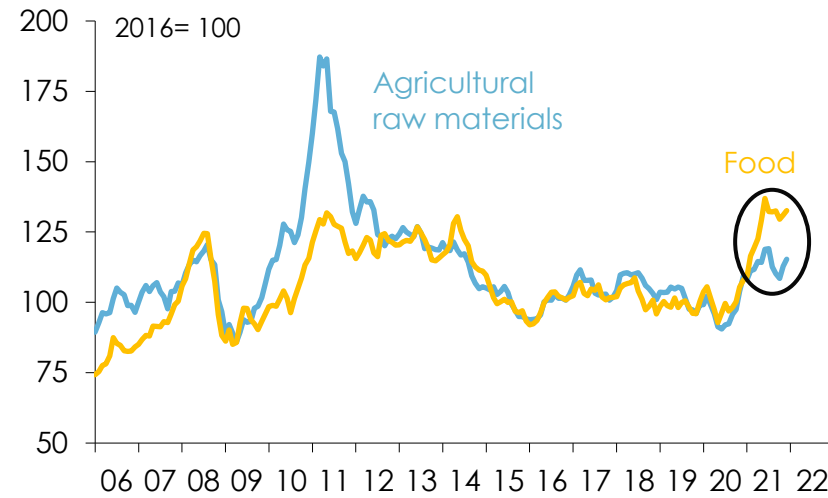
Crude oil price



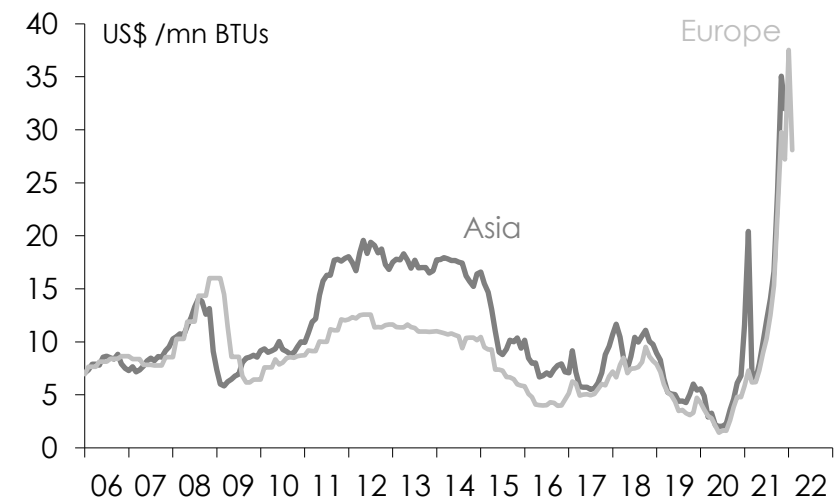
Shipping freight costs



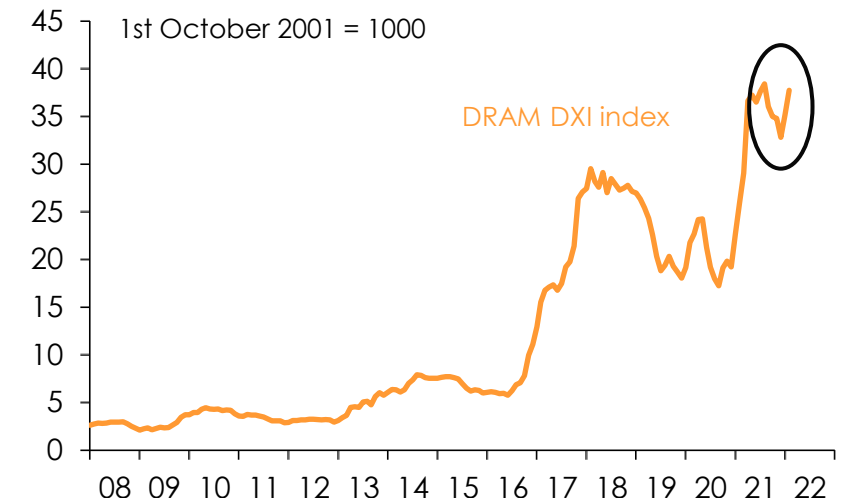
'Soft' commodity prices



Natural gas prices



Semiconductor chip prices

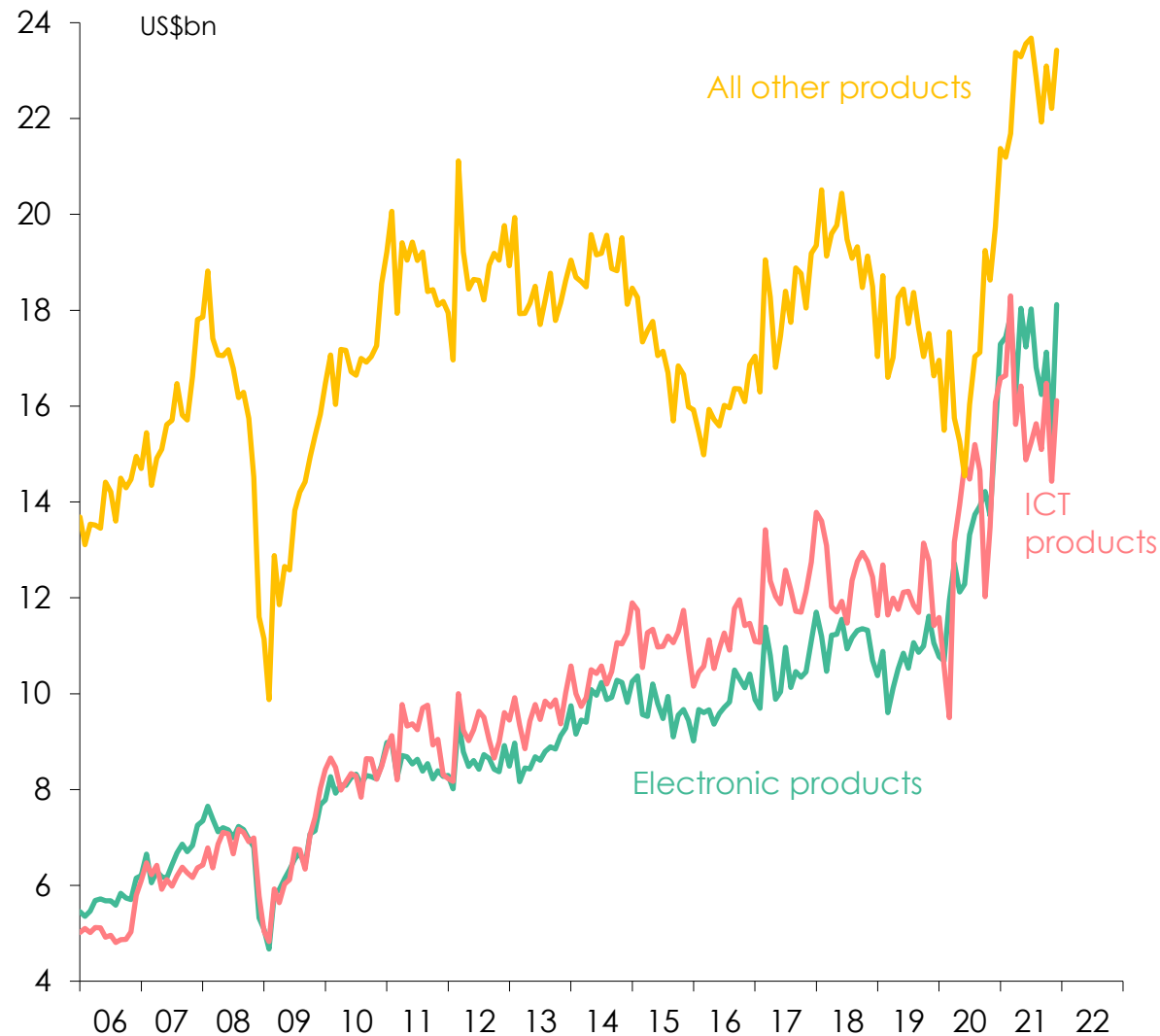


Note: The IMF commodity price indices were re-based to 2016 = 100 (previously 2005) in October 2021. The European natural gas price is the Netherlands TTF forward day ahead price, up to November; the December and January readings are derived by adjusting the November value for subsequent movements in the UK natural gas price (for which daily data are available). The Asian natural gas price is that of Indonesian LNG in Japan. Sources: [International Monetary Fund](#); [Freightos](#); [Drewry](#); [The Baltic Exchange](#); Refinitiv Datastream.

Export orders for Taiwanese ICT products rebounded strongly in November after falling sharply in October

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Taiwan export orders, by product



Note: Data have been seasonally adjusted by Corinna using Refinitiv Datastream. Latest data are for November 2021.

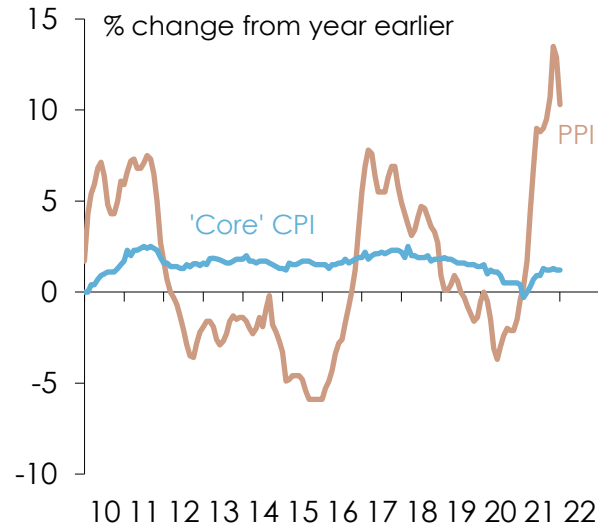
Source: Taiwan [Ministry of Economic Affairs](#). [Return to "What's New"](#).

- ❑ Taiwan accounts for 63% of the US\$85bn global semi-conductor chip market (followed by Korea 18% and China 6%)
 - one Taiwanese company, Taiwan Semiconductor Manufacturing Co (TSMC) has 54% of the world market, and United Microelectronics Co (UMC) a further 7% (Samsung accounts for Korea's 18%)
- ❑ Semiconductor fabrication plants ("fabs") use very large amounts of water to rinse chips during their manufacture – a typical fab uses 7½-15 million litres of water daily (and water in Taiwan is very cheap, at less than US40¢/t)
- ❑ Taiwan had been experiencing its worst drought in 56 years, resulting in rationing of water supplies including to semi-conductor manufacturers
 - although recent heavy rainfalls appear to have broken the drought
- ❑ World-wide semi-conductor production has also been crimped by plant shutdowns in Vietnam, Malaysia and the Philippines due to covid-19 outbreaks, and by damage caused by a fire at a Japanese fab earlier this year and a storm at a Texas plant
- ❑ Shortages of semi-conductor chips have caused major headaches for the motor vehicle industry (which uses lots of them)
- ❑ Foreign orders for Taiwanese ICT products rebounded 11.7% in November, from a 12.4% fall in October, though were still almost 12% below their peak in March last year
 - orders for other electronic products were up 17.7% in November, to a new record high

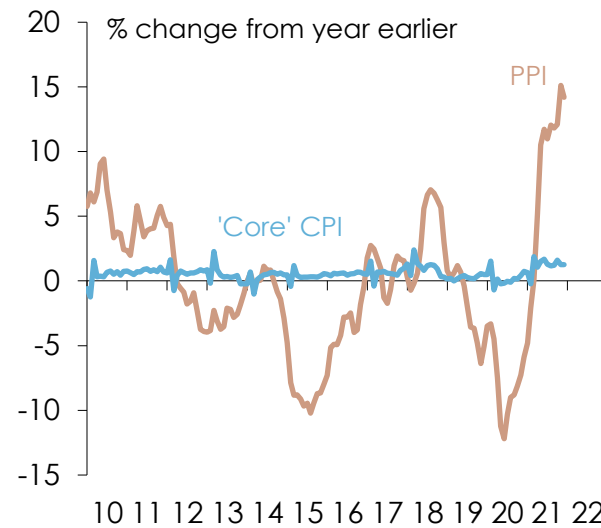
There's been very little pass-through of higher producer prices into 'core' consumer price inflation in Asia

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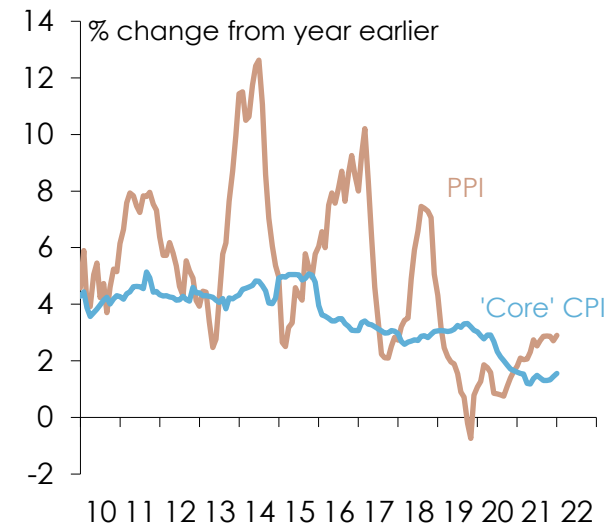
China



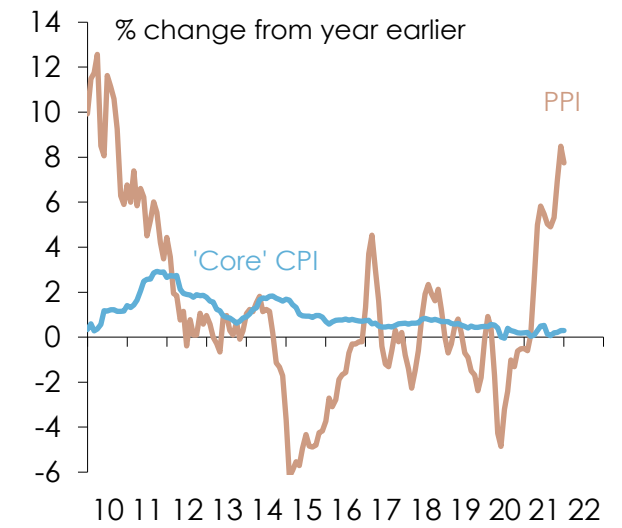
Taiwan



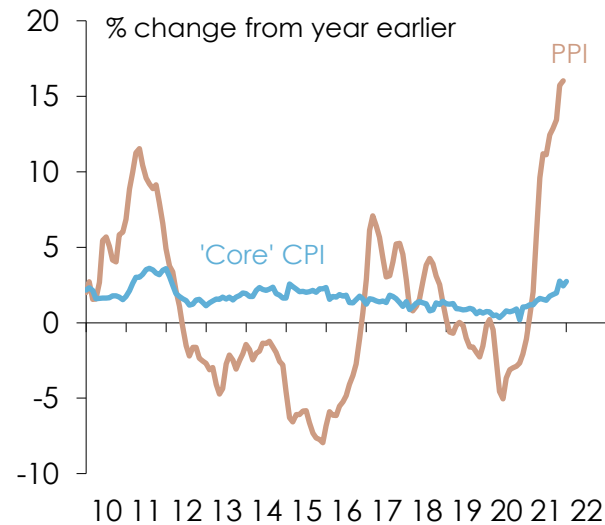
Indonesia



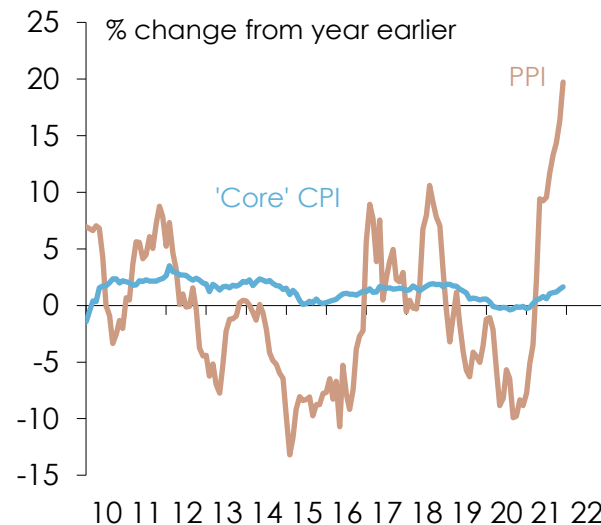
Thailand



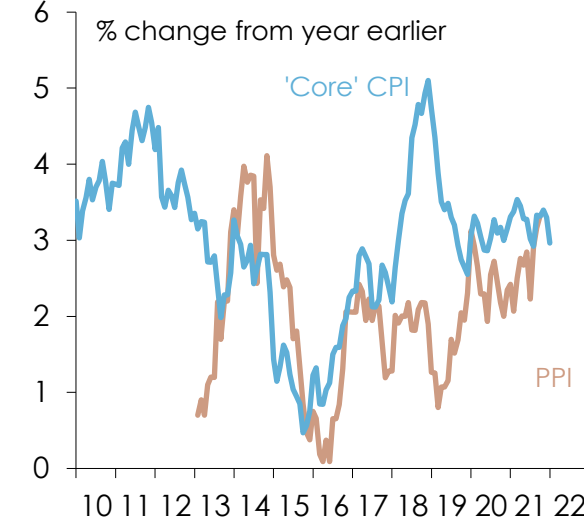
Korea



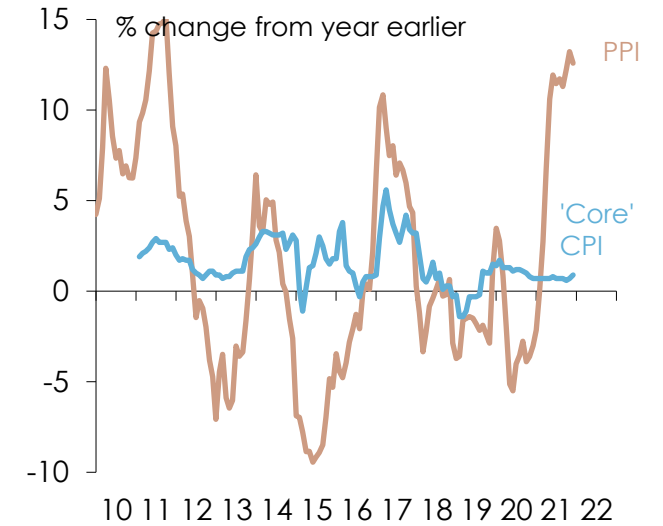
Singapore



Philippines



Malaysia

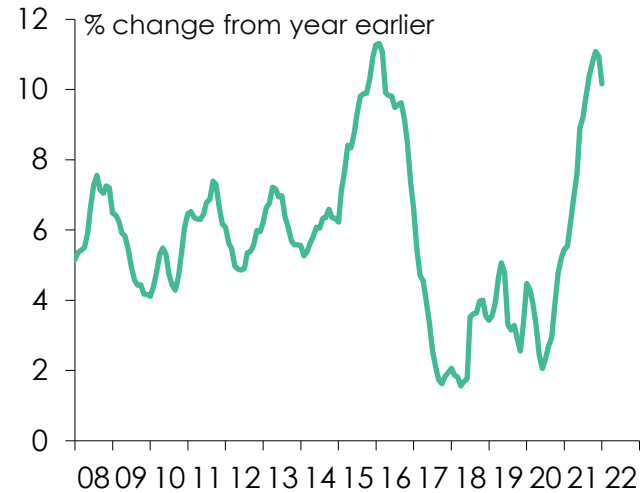


Note: 'Core' CPIs measure different things in different Asian economies – see footnotes to [slide 89](#). Sources: [China National Bureau of Statistics](#); [Statistics Korea](#); [Bank of Korea](#); [Taiwan Statistical Bureau](#); [Singstat](#); [Monetary Authority of Singapore](#); [Statistics Indonesia](#); [Philippine Statistics Authority](#); [Thailand Bureau of Trade and Economic Indices](#); [Department of Statistics Malaysia](#). [Return to "What's New"](#).

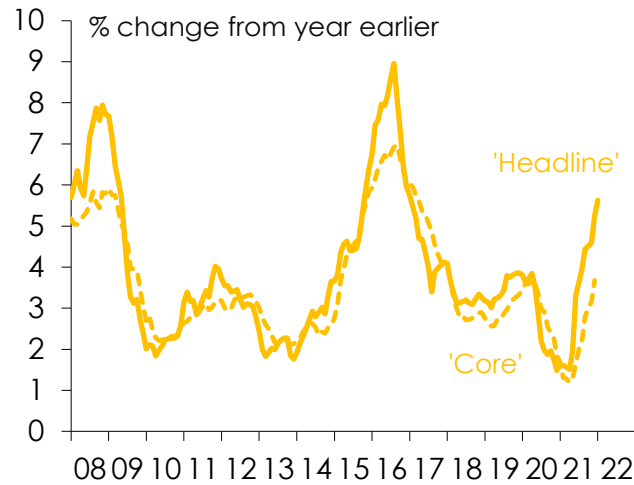
Consumer price inflation is rising sharply across Latin America (except for Venezuela, where it's now down to less than 675%!)

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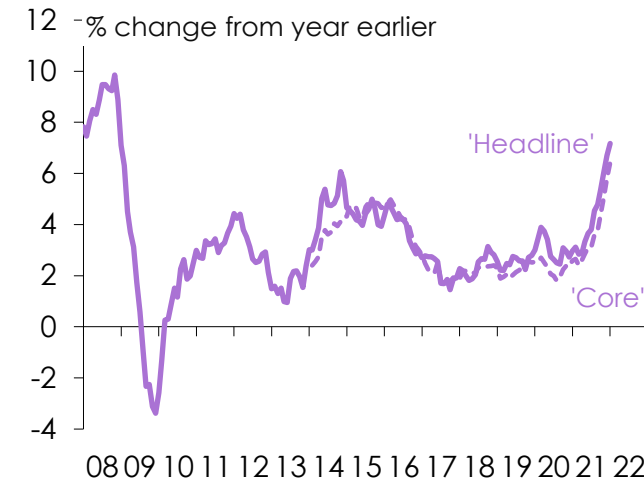
Brazil



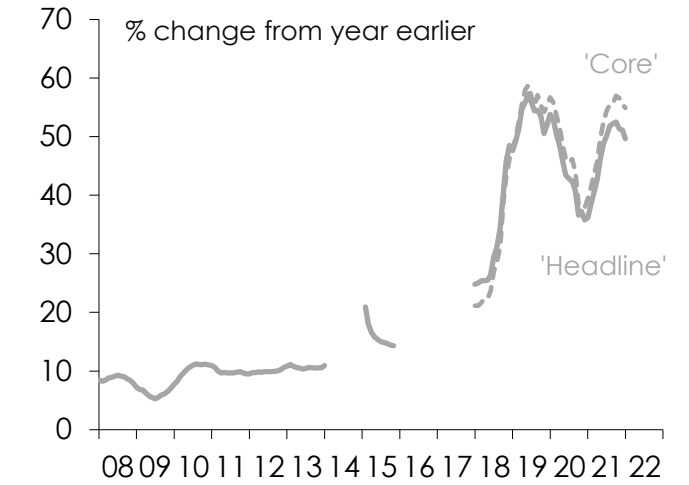
Colombia



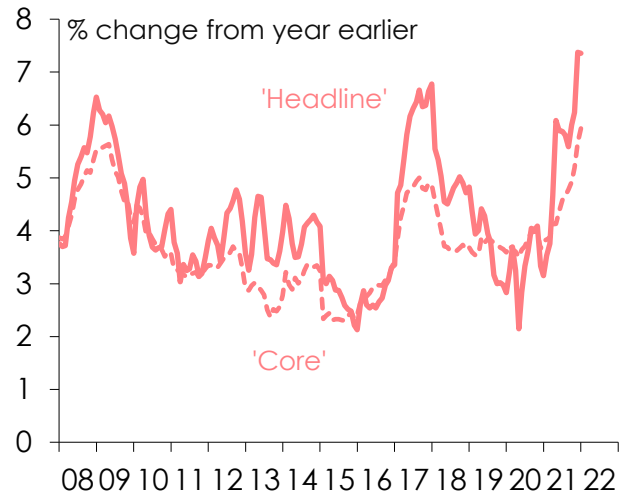
Chile



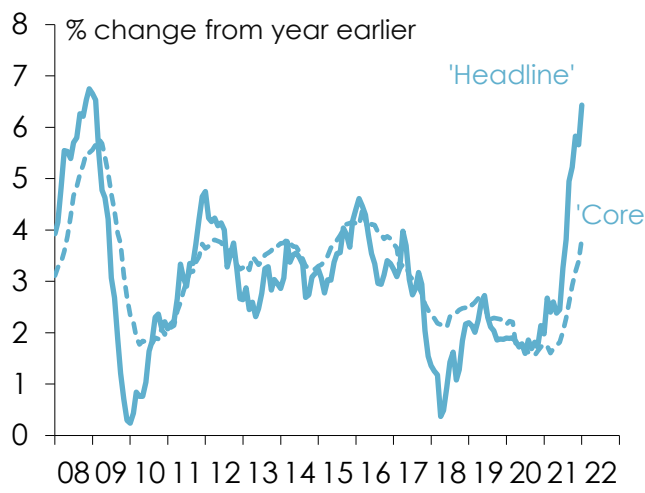
Argentina



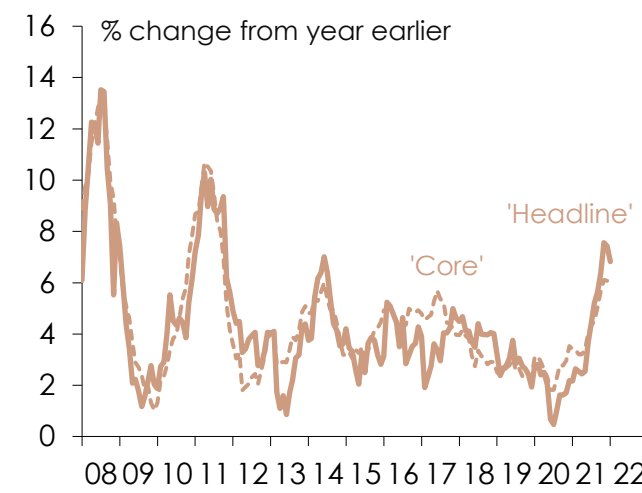
Mexico



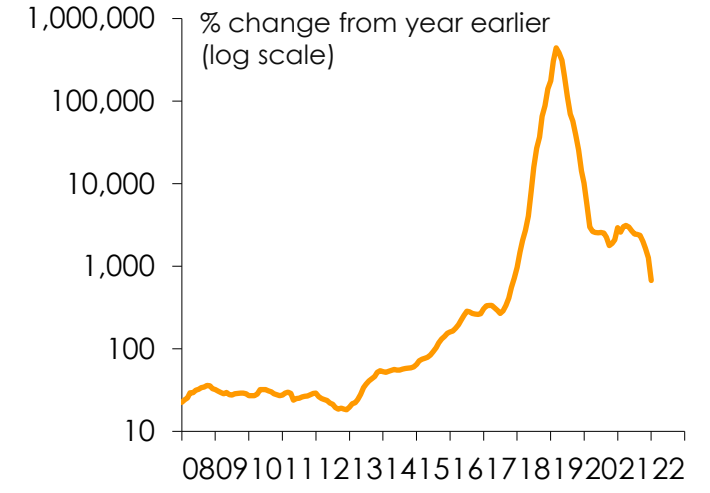
Peru



Paraguay



Venezuela

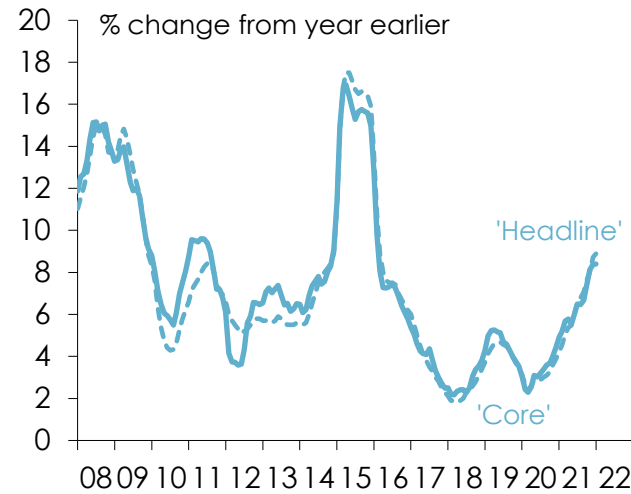


Sources: [Instituto Brasileiro de Geografia e Estatística](#); [Instituto Nacional de Estadística y Geografía](#) (Mexico); [Departamento Administrativo Nacional de Estadística](#) (Colombia); [Instituto Nacional de Estadística e Informática](#) (Peru); [Instituto Nacional de Estadísticas](#) (Chile); [Instituto Nacional de Estadística](#) (Paraguay); [Instituto Nacional de Estadística y Censos](#) (Argentina); [Instituto Nacional de Estadística](#) (Venezuela). [Return to "What's New"](#).

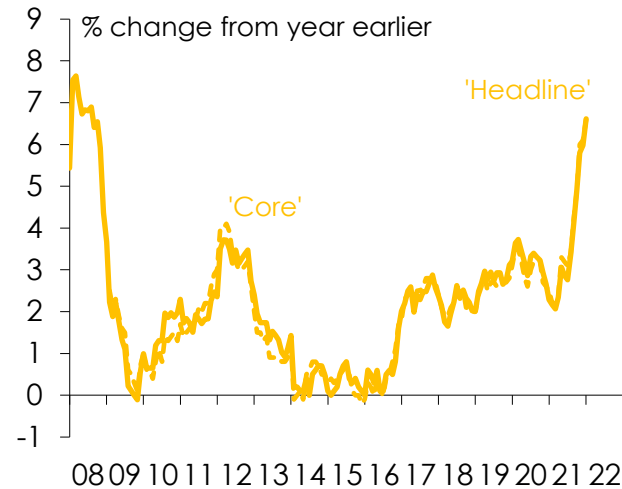
Consumer price inflation is also rising across Central and Eastern Europe, and in South Africa

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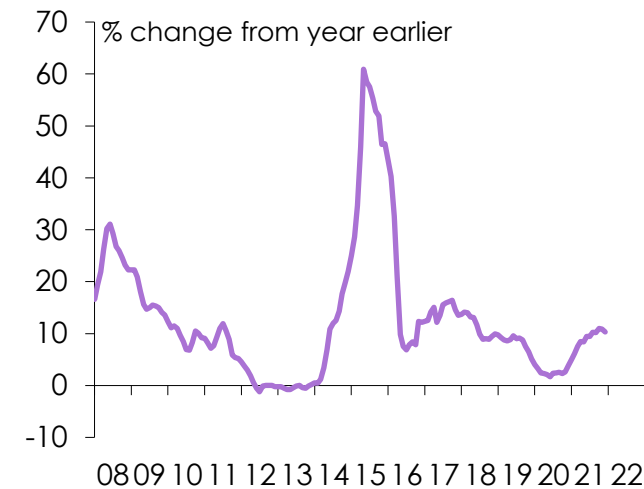
Russia



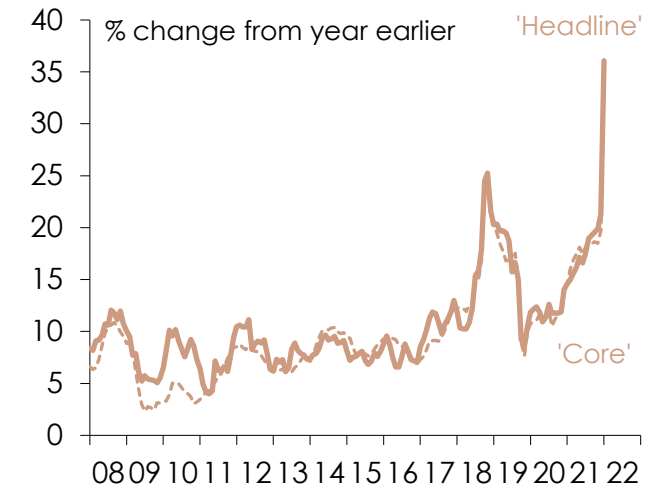
Czech Republic



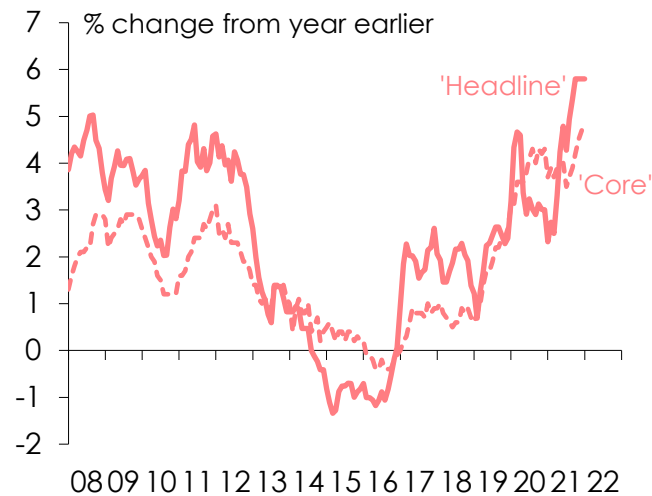
Ukraine



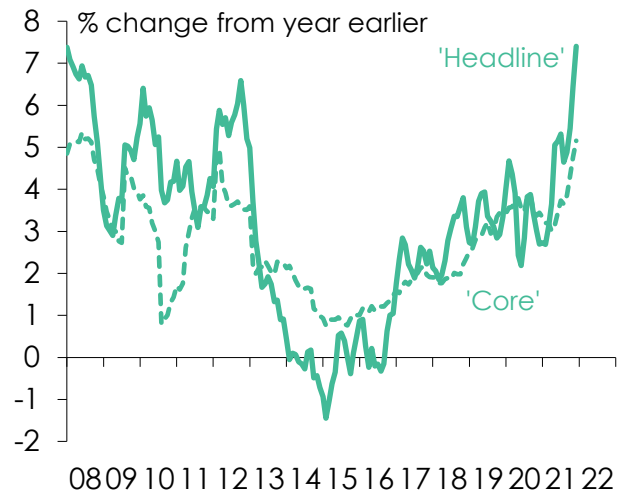
Turkey



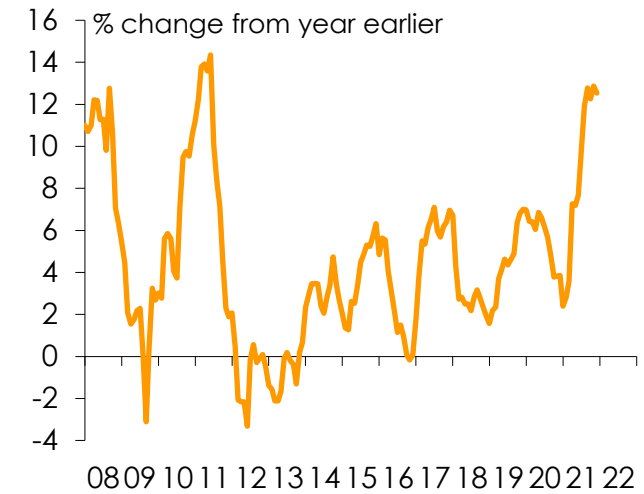
Poland



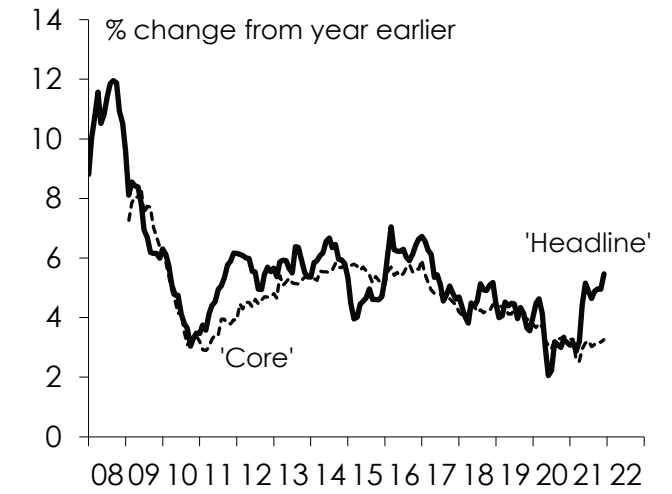
Hungary



Georgia



South Africa

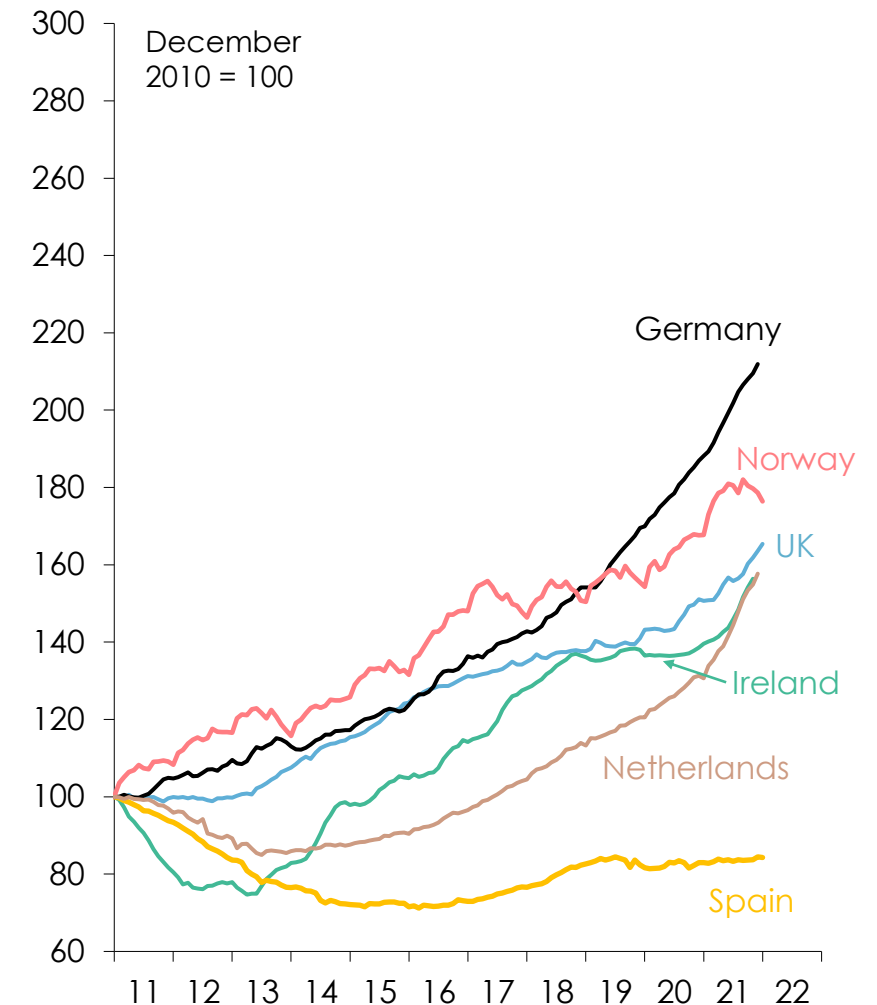
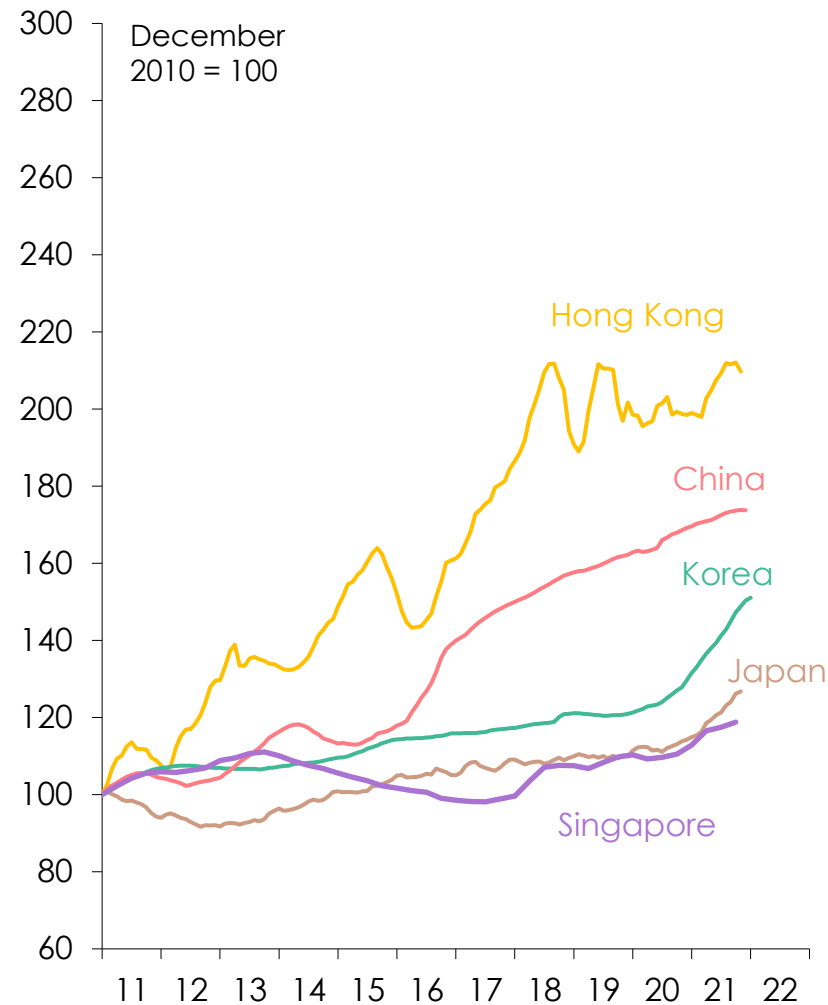
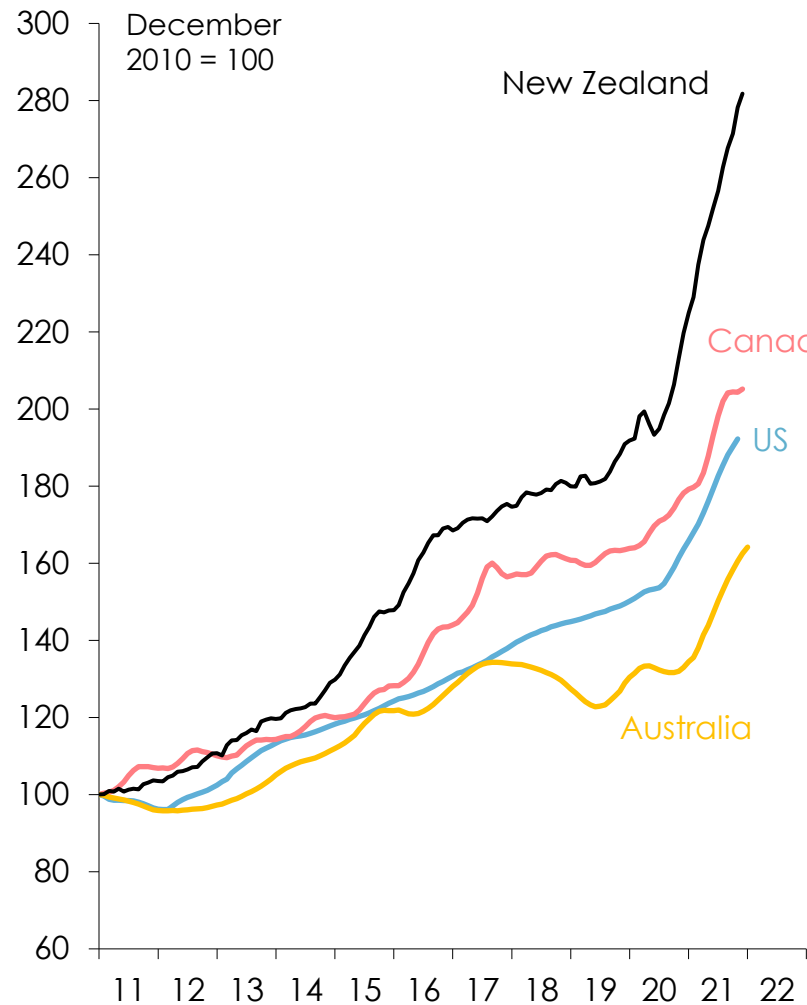


Sources: [Rosstat](#); [Główny Urząd Statystyczny](#) (Poland); [Český statistický úřad](#) (Czech Republic); [Központi Statisztikai Hivatal](#) (Hungary); [Ukrstat](#); [Sak'art'velos statistikis erovnuli samsakhuri](#) (Georgia); [Statistics South Africa](#); [Turkstat](#). Return to "What's New".

Residential property prices have been remarkably resilient in most countries thanks to record-low interest rates and ample supply of credit

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House price indices



Note: House price indices shown in these charts are those published by [S&P-CoreLogic Case Shiller national](#) (United States); [Teranet-National Bank](#) (Canada); [CoreLogic](#) (Australia); [Real Estate Institute of New Zealand](#); [China Index Academy](#); [Japan Real Estate Institute](#) (Tokyo condominiums); [Kookmin Bank house price index](#) (Korea); [Centaline Centa-City Index](#) (Hong Kong); [Urban Redevelopment Authority](#) (Singapore); [Europace hauspreisindex](#) (Germany); [Halifax house price index](#) (UK); [Central Statistics Office RPPI](#) (Ireland); [Fotocasa real estate index](#) (Spain); [Statistics Netherlands](#); [Eiendom Norge](#) (Norway). These indices have been chosen for their timeliness and widespread recognition: they do not necessarily all measure the same thing in the same way. For more comprehensive residential property price data see the quarterly database maintained by the [Bank for International Settlements](#). [Return to "What's New"](#).

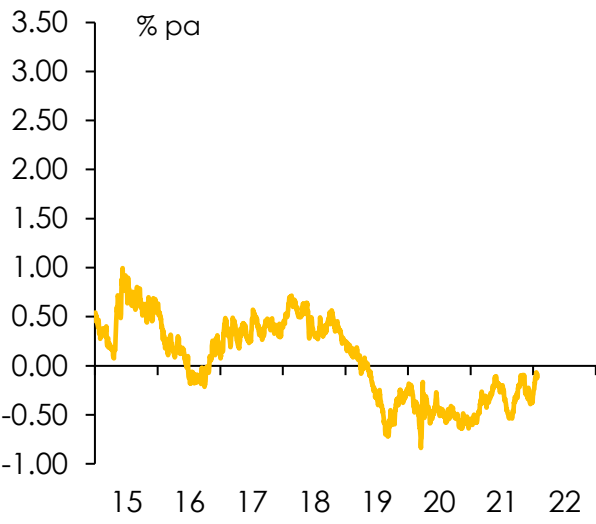
Ten-year government bond yields have been edging higher in most markets but remain low by historical standards

THE WORLD ECONOMY THIS WEEK - 17 January 2022

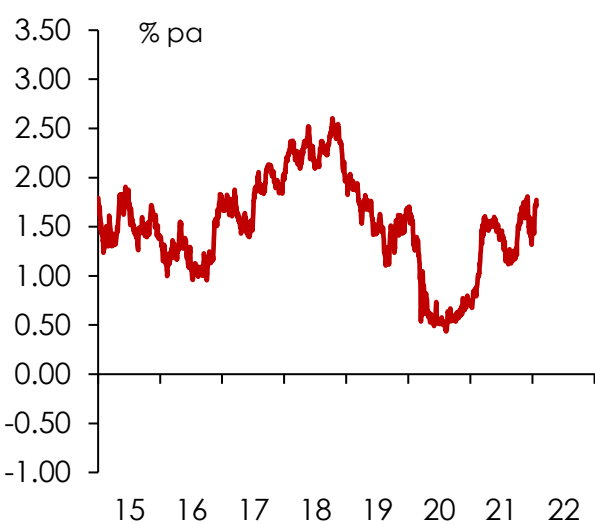
US



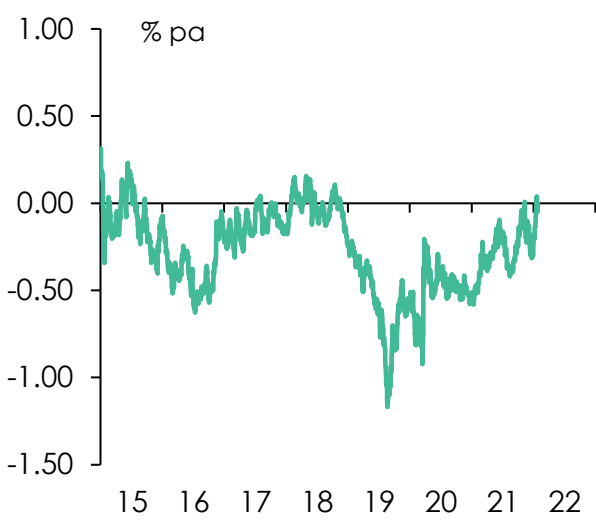
Germany



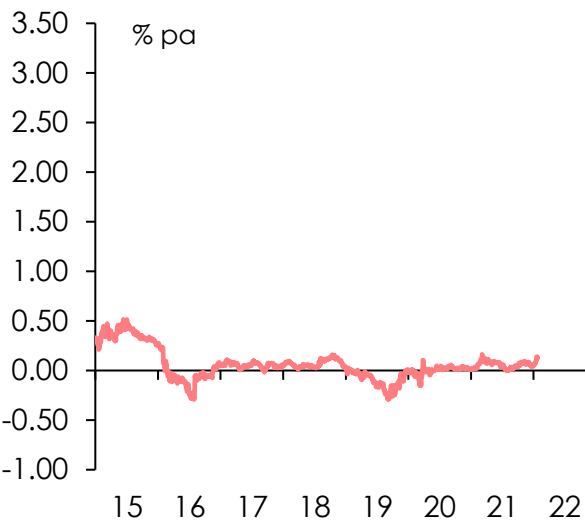
Canada



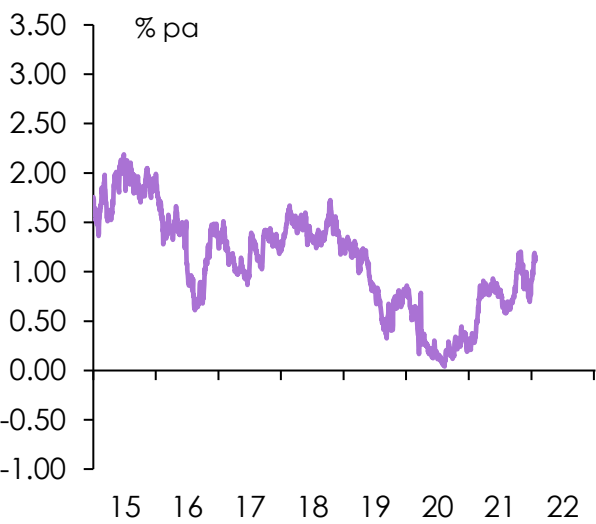
Switzerland



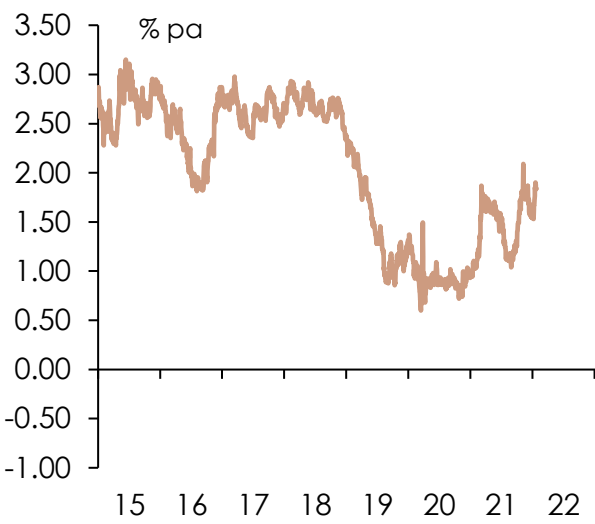
Japan



UK



Australia



Greece



Note: Data up to 14th January. For bond yields in other large euro area member states see [slide 64](#), and for bond yields in Asian economies see [slide 98](#).

Source: Refinitiv Datastream. [Return to "What's New"](#).

10-year government bond yields have also been rising in most large 'emerging' markets, apart from China

THE WORLD ECONOMY THIS WEEK - 17 January 2022

China



Brazil



Russia



South Africa



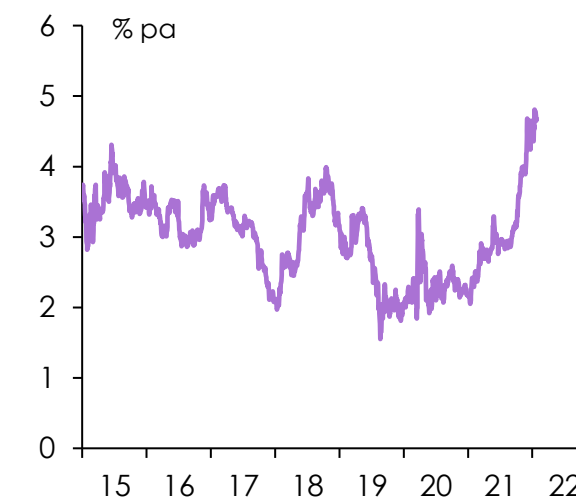
India



Mexico



Hungary



Turkey



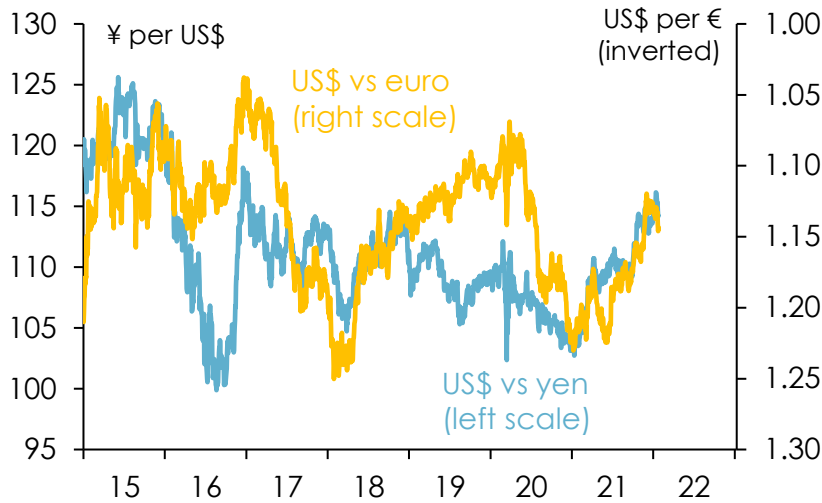
Note: Data up to 14th January. For bond yields in other Asian economies see [slide 98](#).

Source: Refinitiv Datastream. [Return to "What's New"](#).

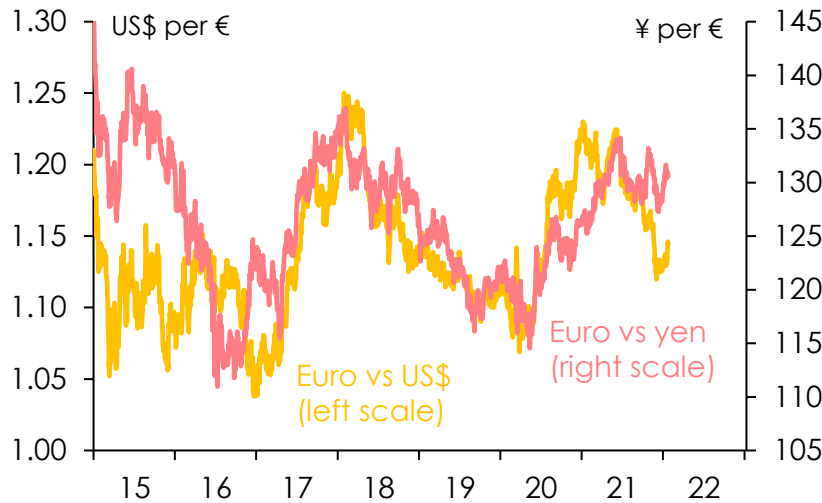
The US dollar has been strengthening against most major currencies over the past six months, while the yen has been weakening

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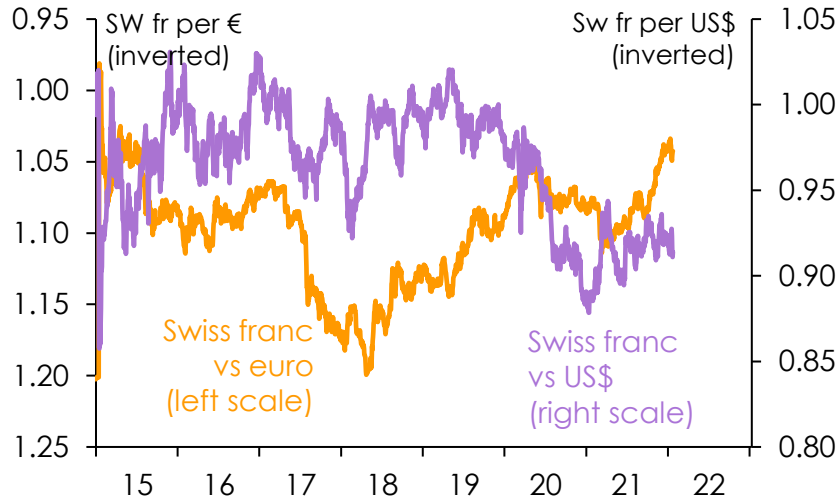
US dollar



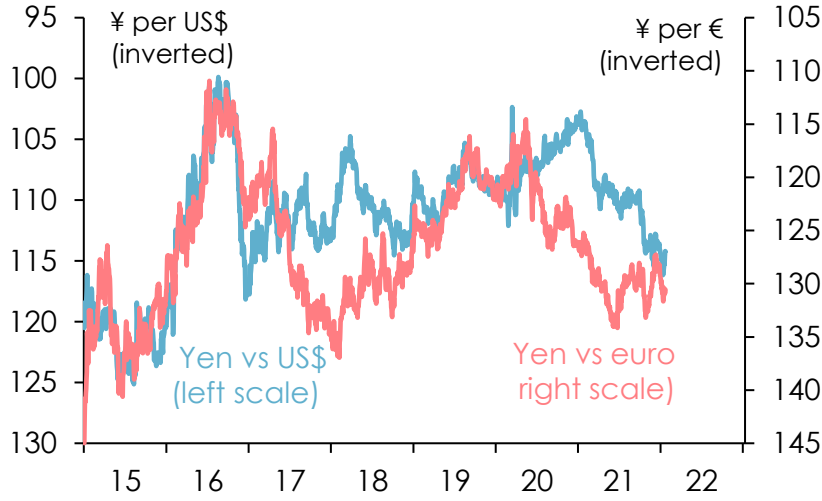
Euro



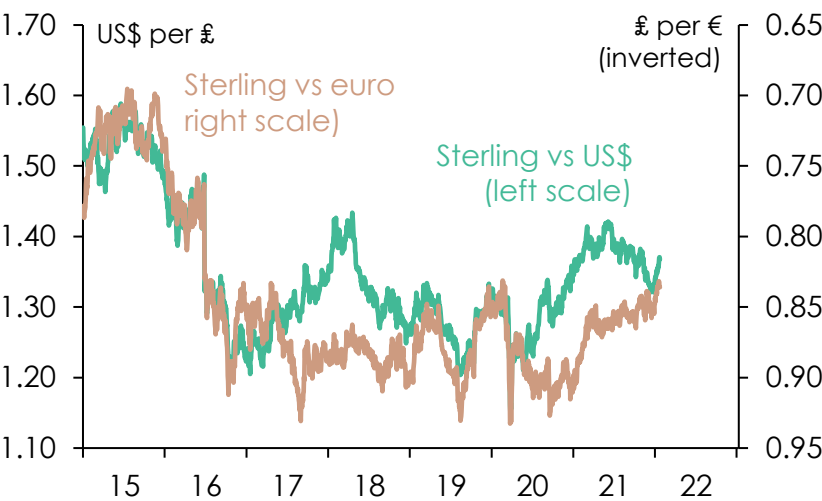
Swiss franc



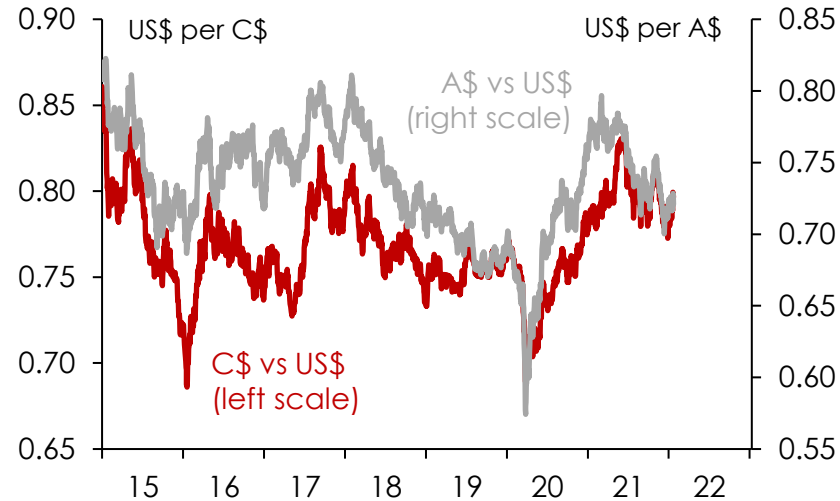
Japanese yen



Sterling



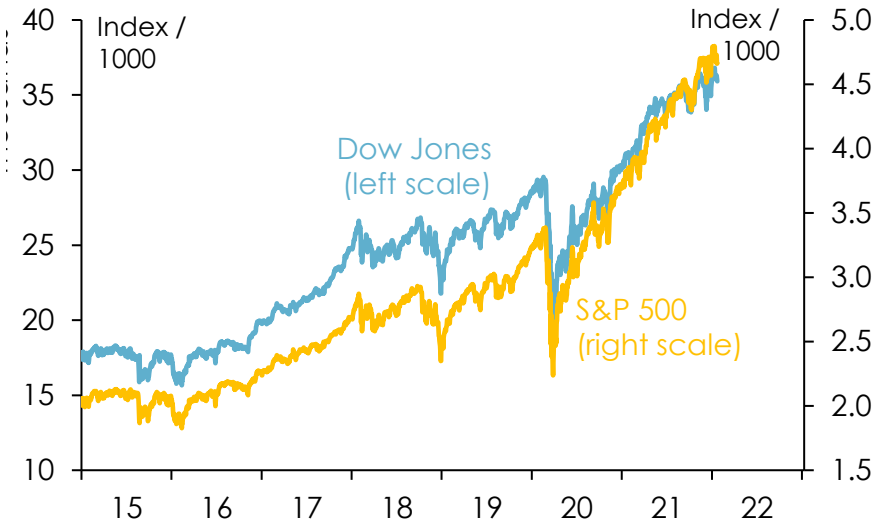
Canadian & Australian dollars



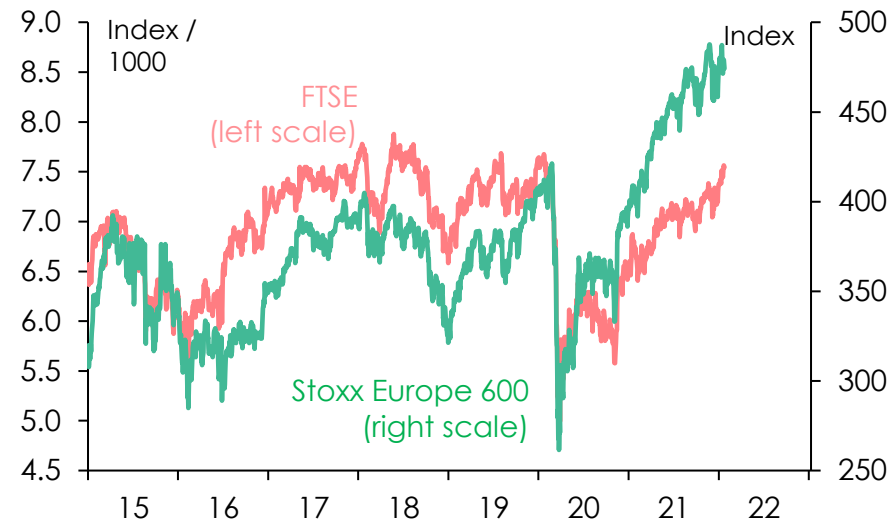
The US and euro area stock markets finished 2021 at record highs and have continued to advance in the early part of 2022

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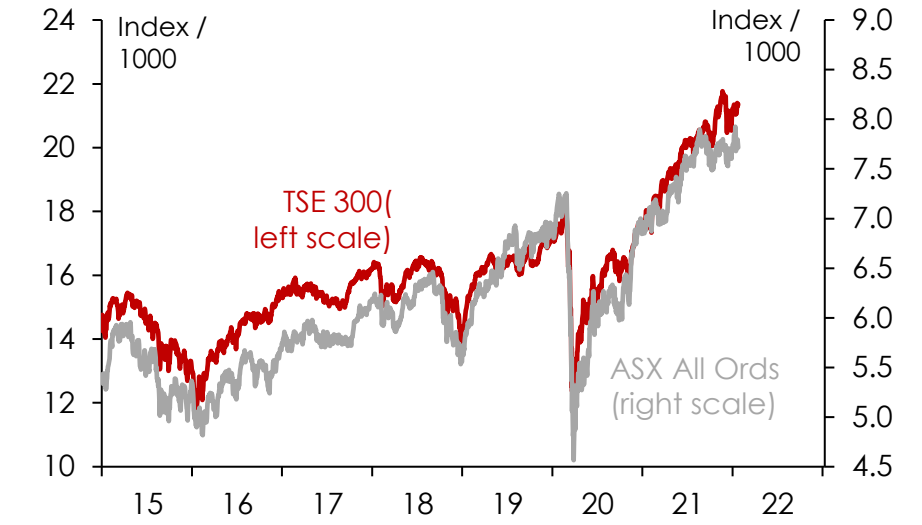
US stock market



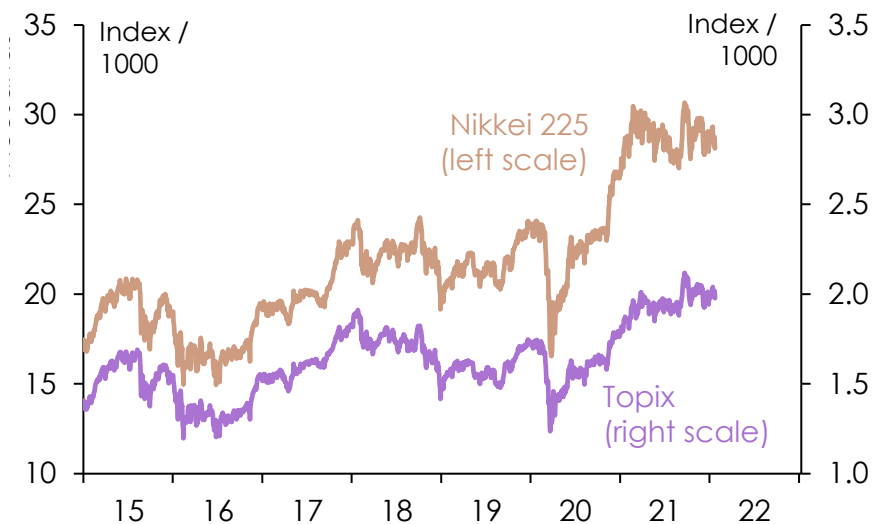
European stock markets



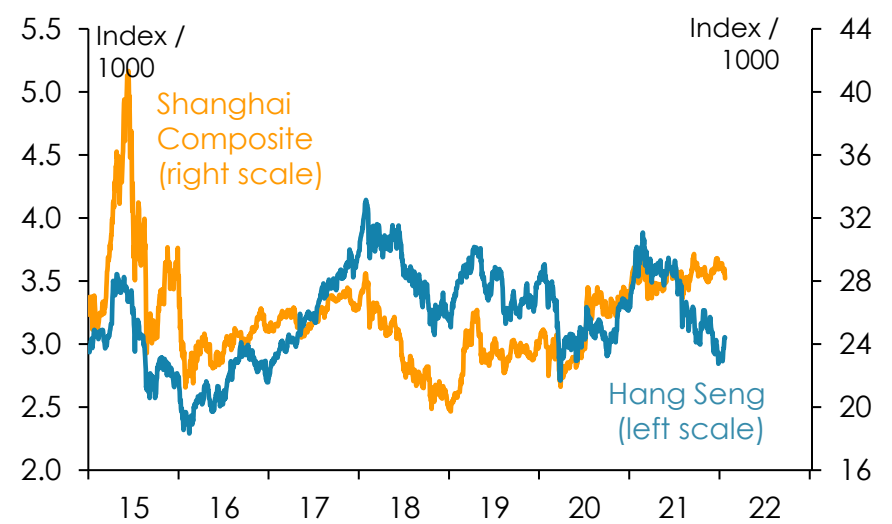
Canadian & Australian stock markets



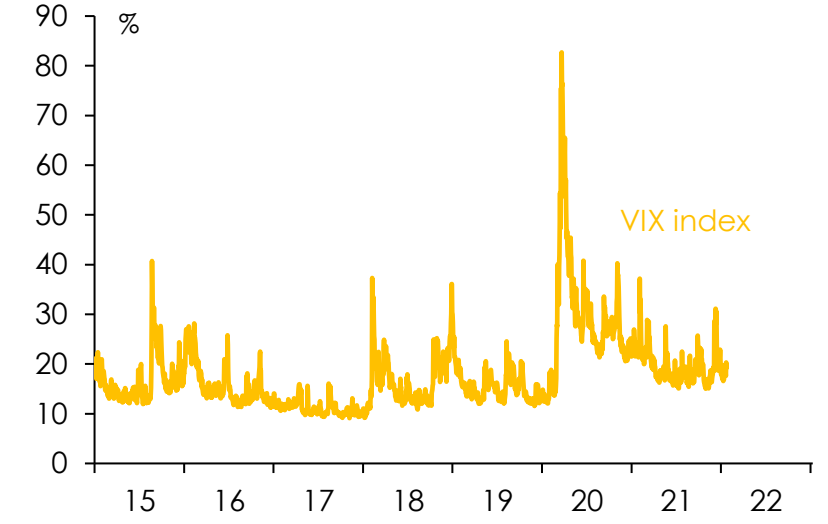
Japanese stock market



Chinese & HK stock markets



Equity market volatility



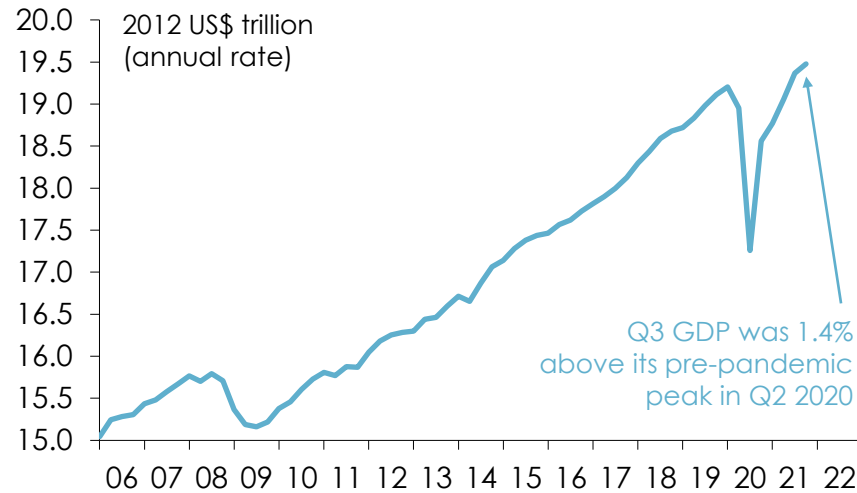
Note: Data up to 14th January. Source: Refinitiv Datastream. For East Asian stock markets see [slide 101](#). [Return to "What's New"](#).

The United States

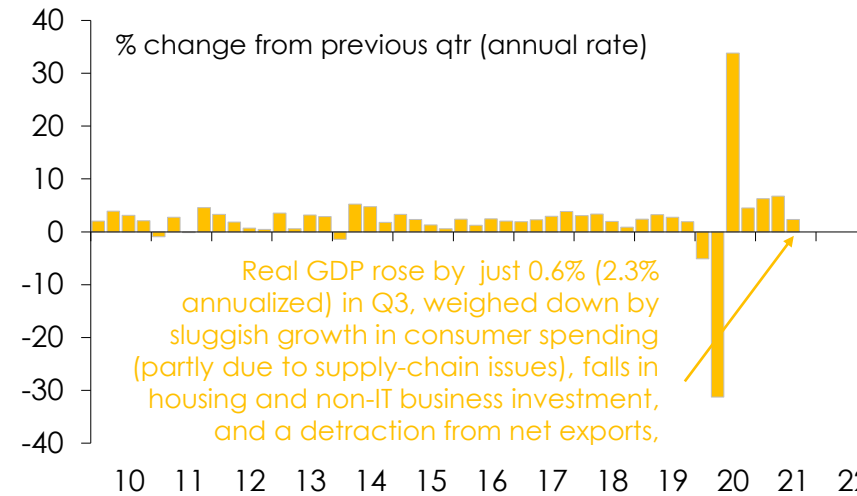
US real GDP grew just 0.6% in Q3, to be 1.4% above its pre-pandemic peak but 1.6% shy of its 'potential' level

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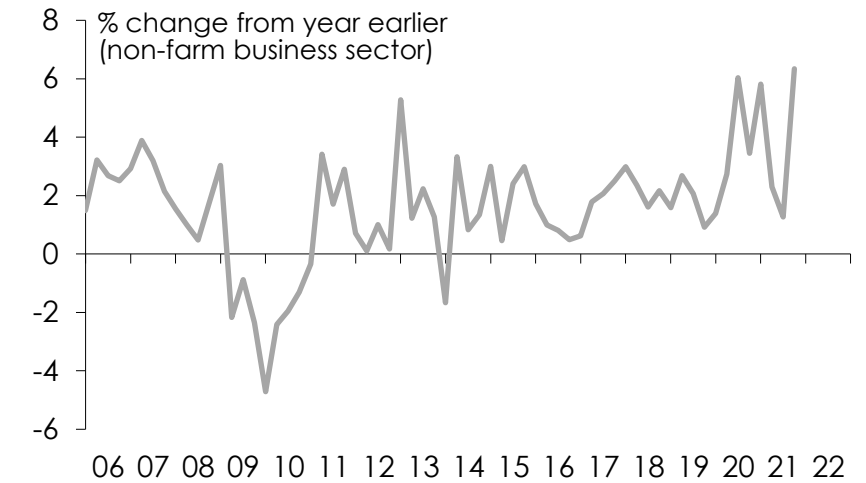
Level of real GDP



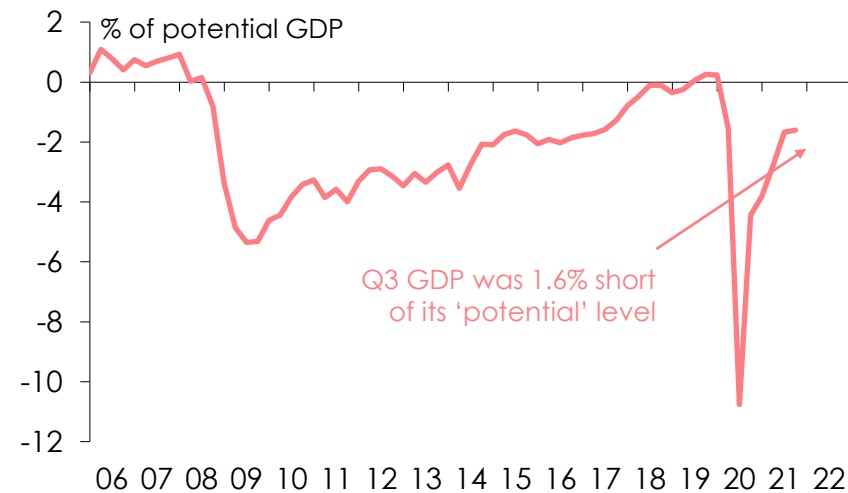
Quarterly change in real GDP



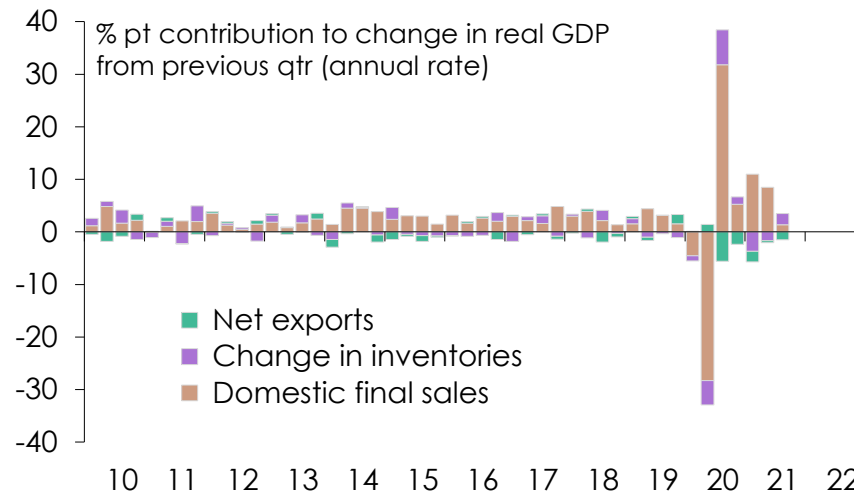
Labour productivity growth



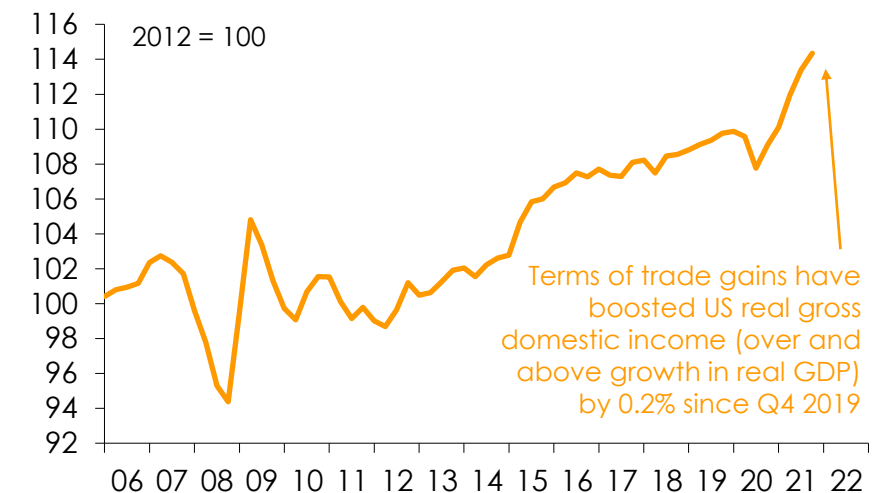
The 'output gap'



Contributions to change in real GDP



Terms of trade

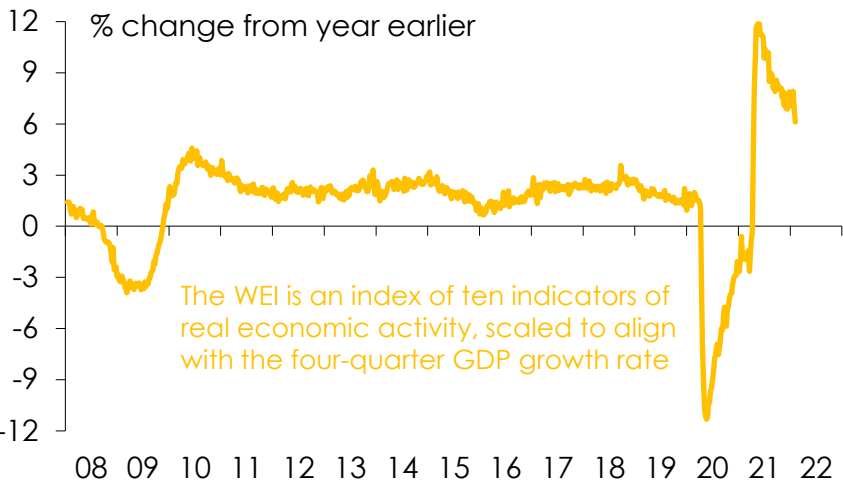


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded between the US and the rest of the world. Sources: US Bureau of Economic Analysis, [Gross domestic product](#); US Congressional Budget Office, [10-Year Economic Projections](#); US Bureau of Labor Statistics, [Labor Productivity and Costs](#). [Return to "What's New"](#).

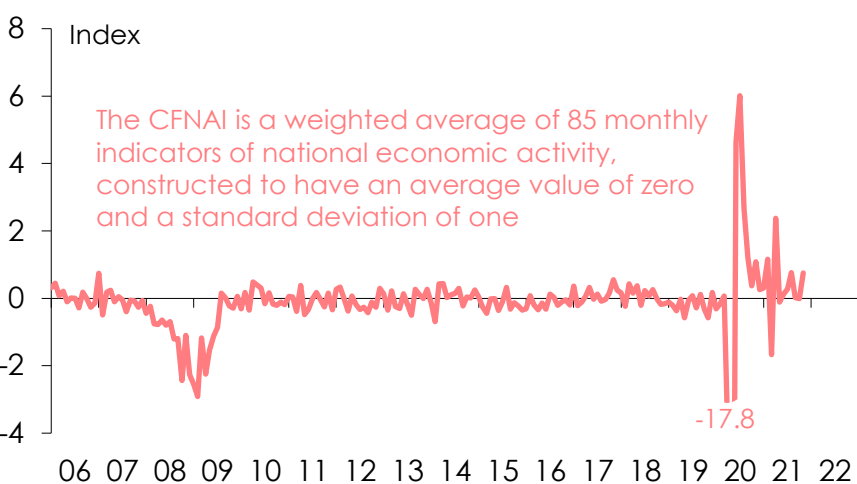
Higher-frequency indexes of overall and regional US economic activity point to continued strong economic growth in the near term

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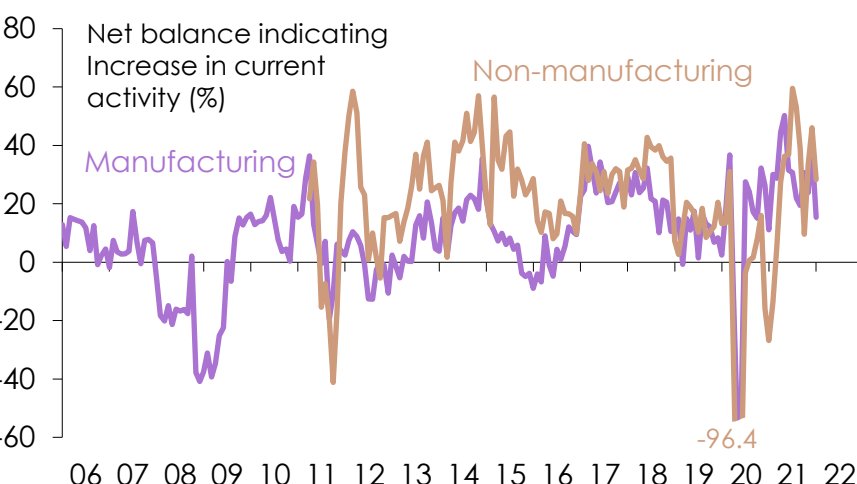
NY Fed weekly economic index



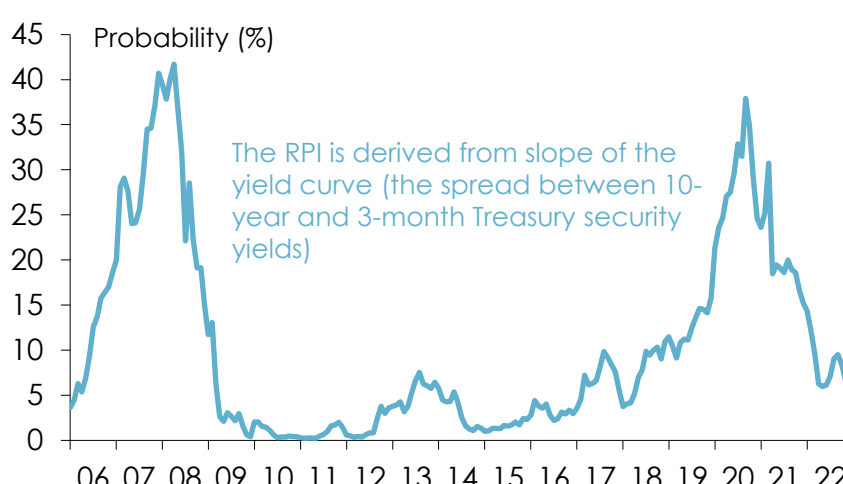
Chicago Fed national activity index



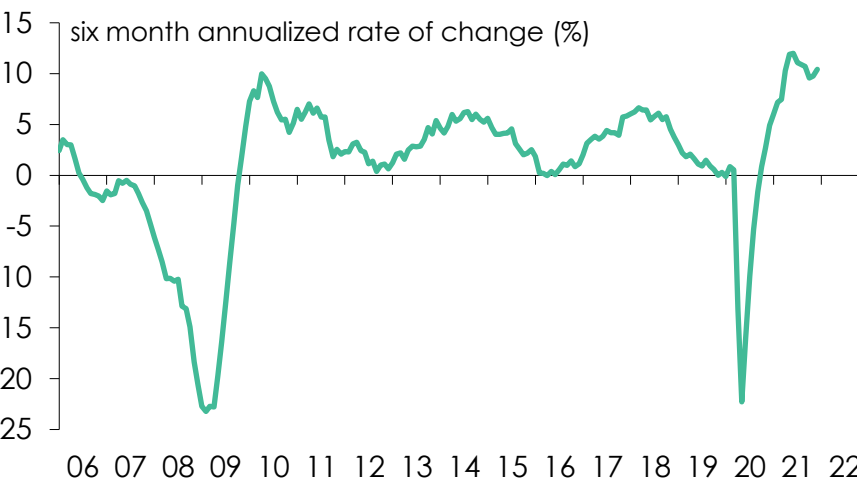
'Philly Fed' business outlook survey



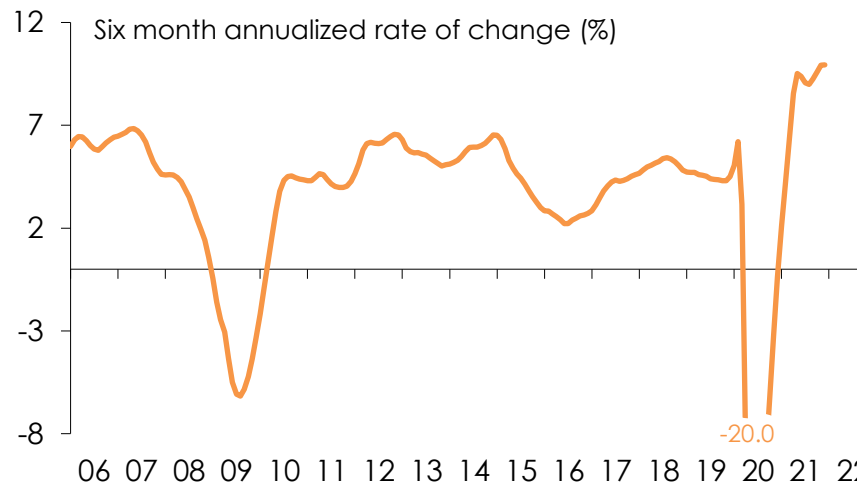
NY Fed recession probability index



Conference Board leading indicators



Dallas Fed Texas business index

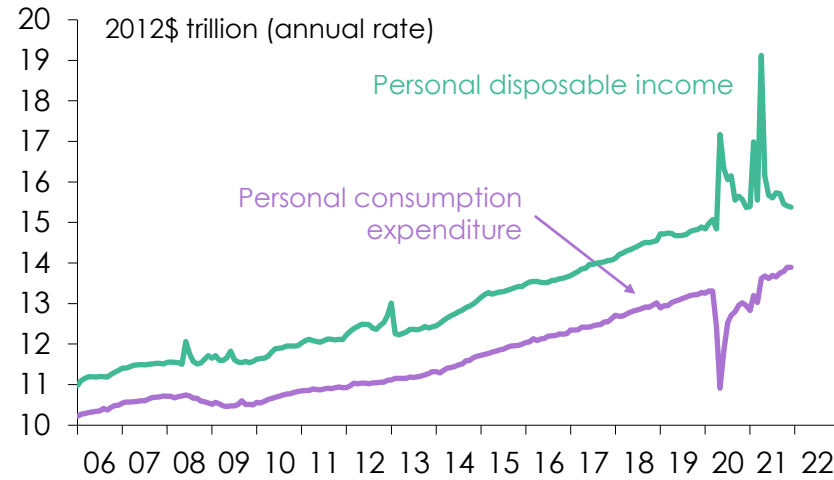


Sources: Federal Reserve Bank of New York, [Weekly Economic Index](#) and [The Yield Curve as a Leading Indicator](#); Federal Reserve Bank of Chicago, [Chicago Fed National Activity Index \(CFNAI\)](#); The Conference Board, [Global Business Cycle Indicators](#); Federal Reserve Bank of Philadelphia, [Regional Economic Analysis](#), Manufacturing and Non-Manufacturing Business Outlook Surveys; Federal Reserve Bank of Dallas, [Texas Business-Cycle Index](#). [Return to "What's New"](#).

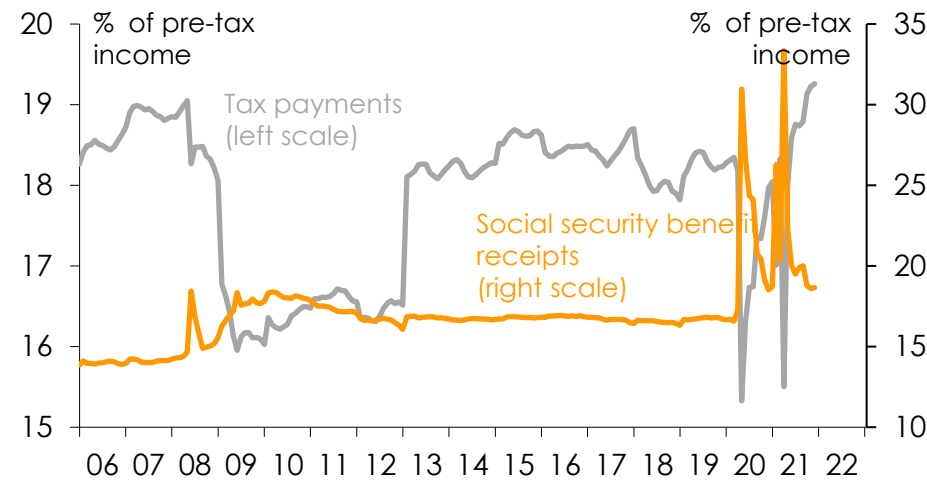
US personal income, spending and saving are starting to 'normalize' after the extraordinary distortions associated with the pandemic

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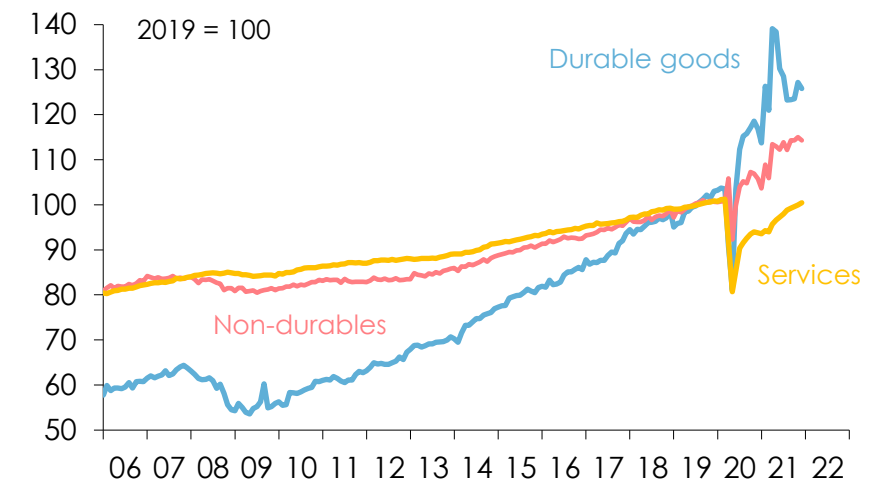
Personal income and expenditure



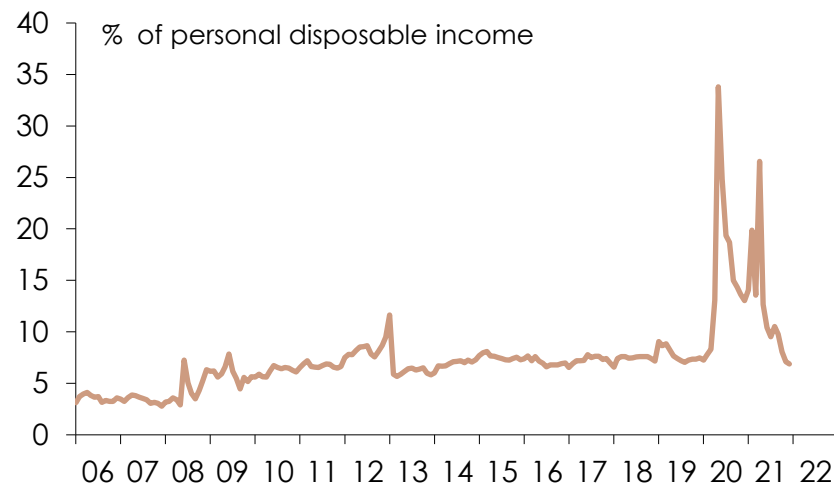
Tax and social security



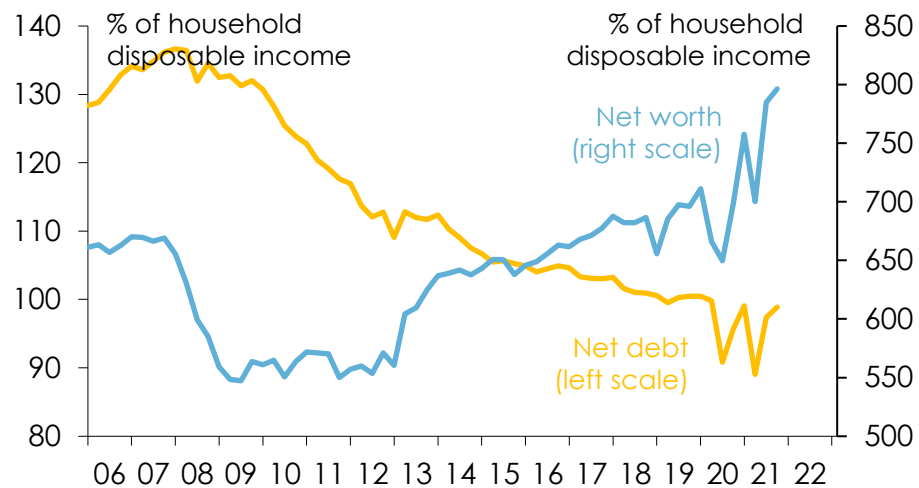
Personal consumption expenditure



Personal saving rate



Household debt and net worth



Spending on energy

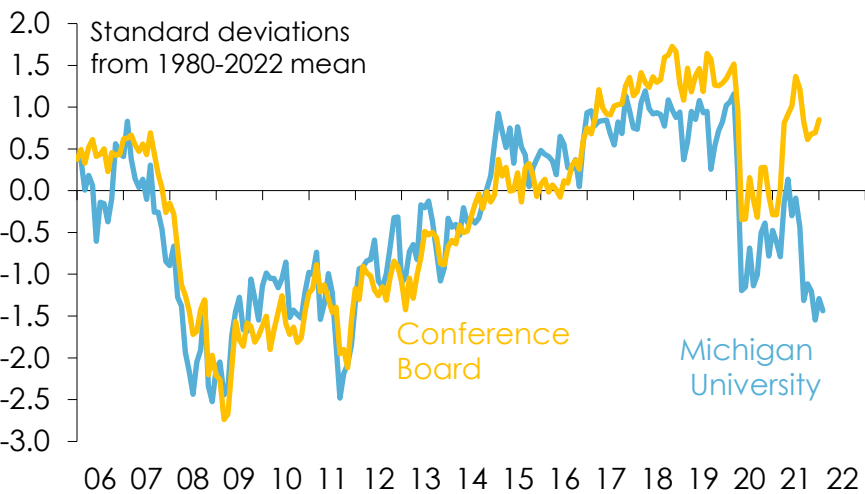


Note: data on personal income, spending and saving are monthly; data on debt and net worth are quarterly. Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#), [Consumer Spending](#) and [Income and Saving](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#). [Return to "What's New"](#).

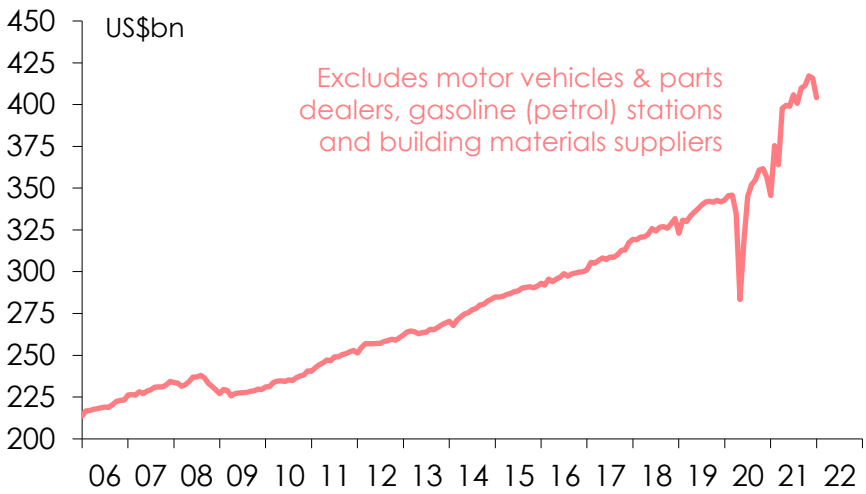
Retail sales fell in the last two months of last year as consumers became more concerned about inflation, and spent more on travel

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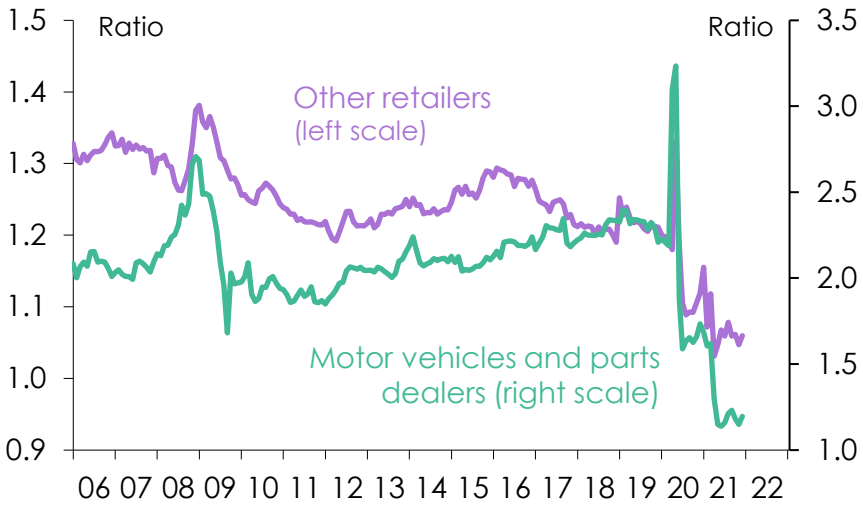
Consumer sentiment



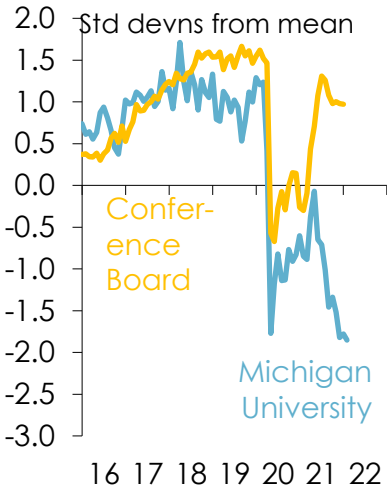
Level of 'core' retail sales



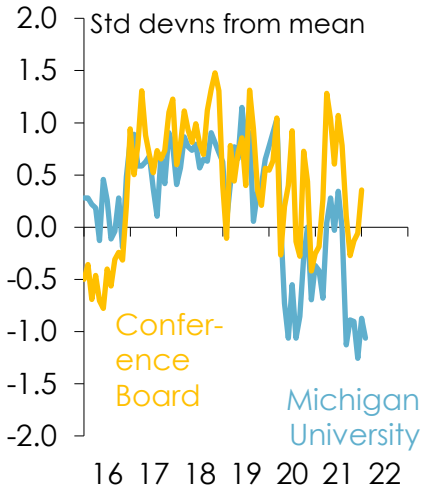
Retail inventories-sales ratios



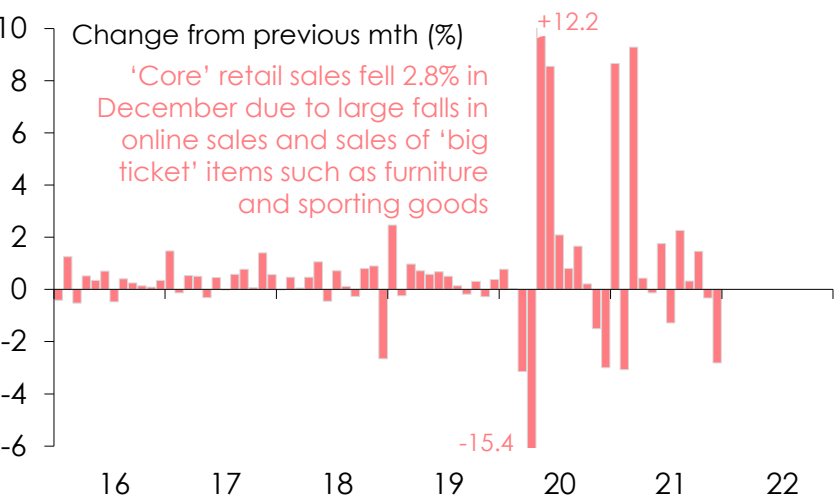
Present situation



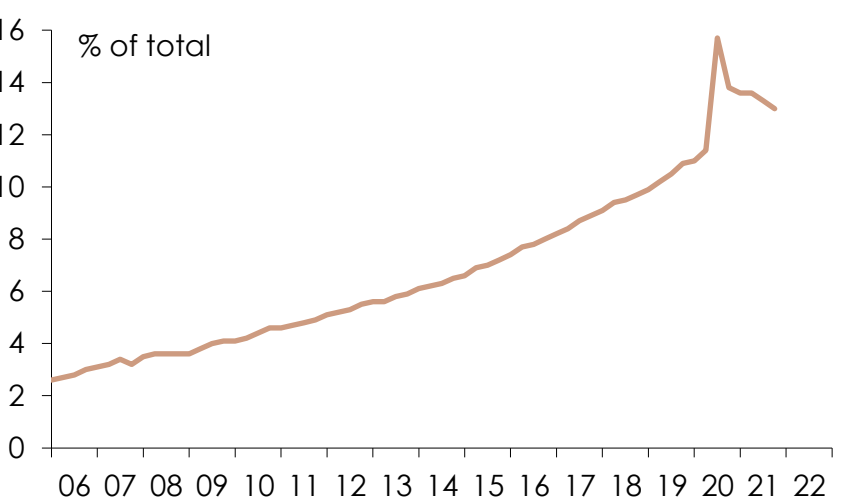
Expectations



Monthly changes in 'core' retail sales



On-line retail sales

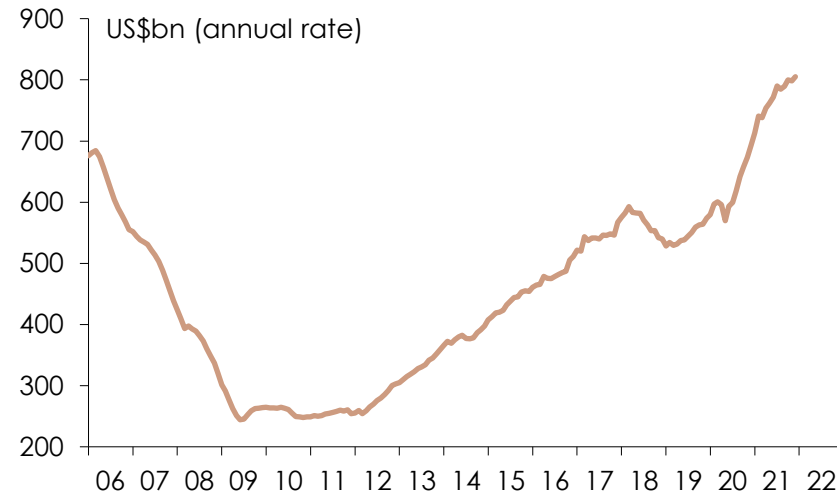


Note: 'Core' retail sales excludes motor vehicles, petrol stations and building materials stores. Sources: Michigan University Survey Research Center, [Survey of Consumers](#); The Conference Board, [US Consumer confidence](#); US Census Bureau, [Monthly Retail Trade](#). [Return to "What's New"](#).

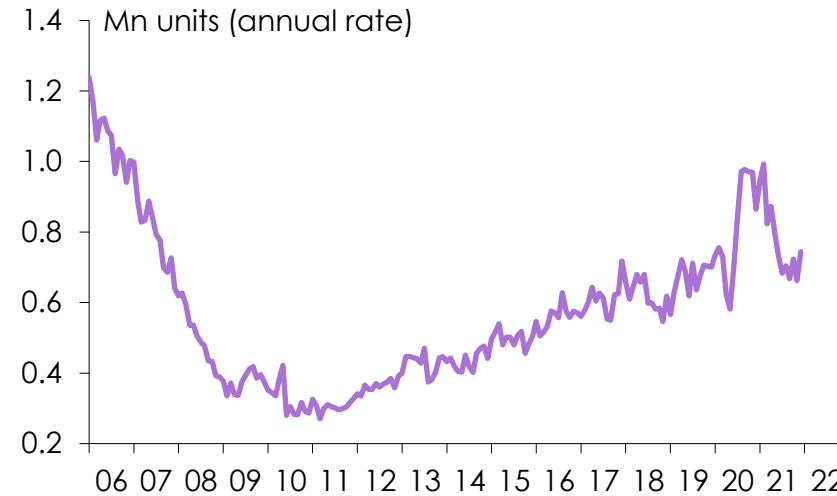
The US housing market is strong, with new construction activity at close to a 16-year high, and prices continuing to rise

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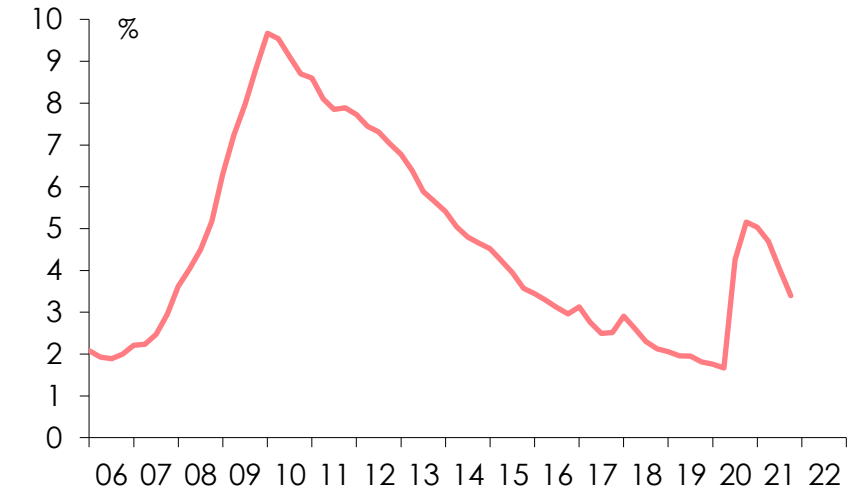
Housing construction spending



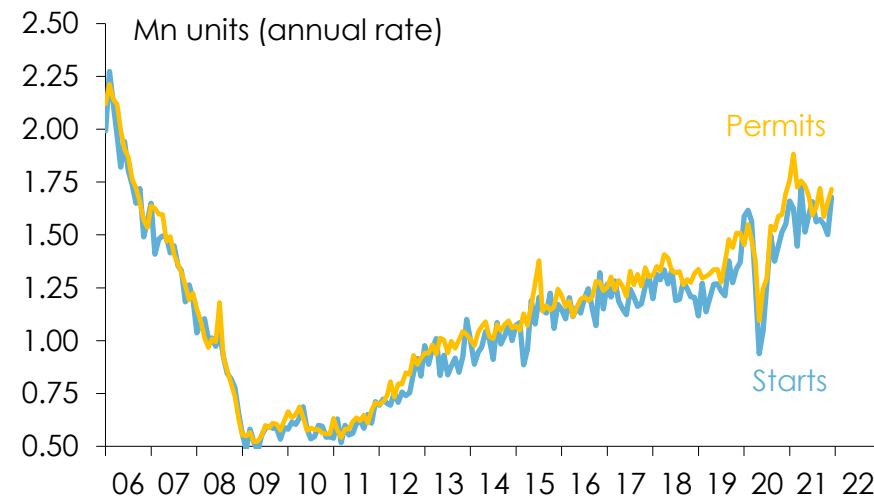
New single-family home sales



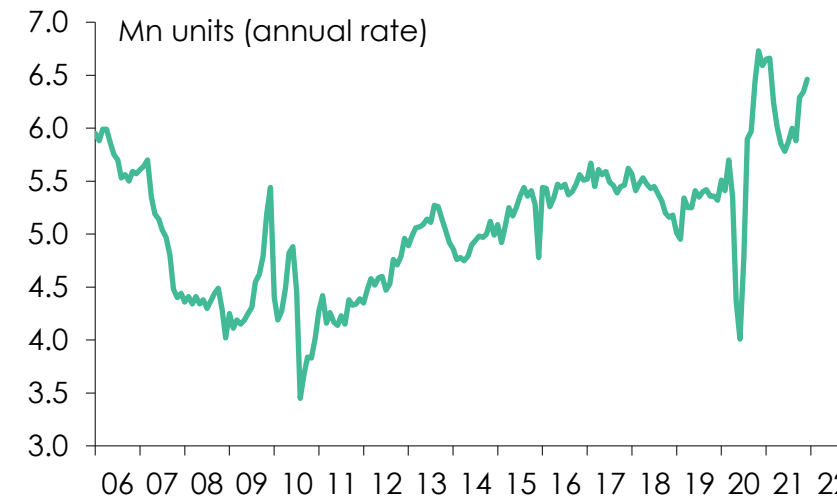
Mortgage delinquency rate



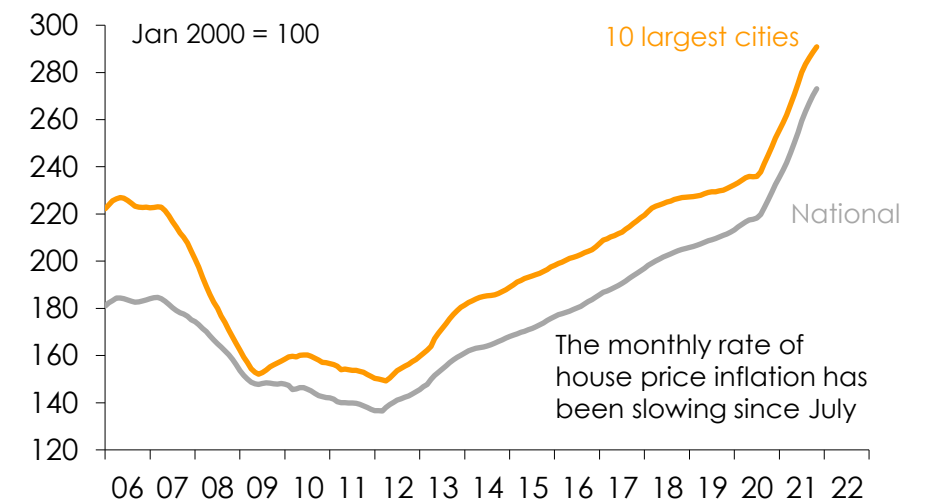
Housing starts and permits



Existing home sales



House prices

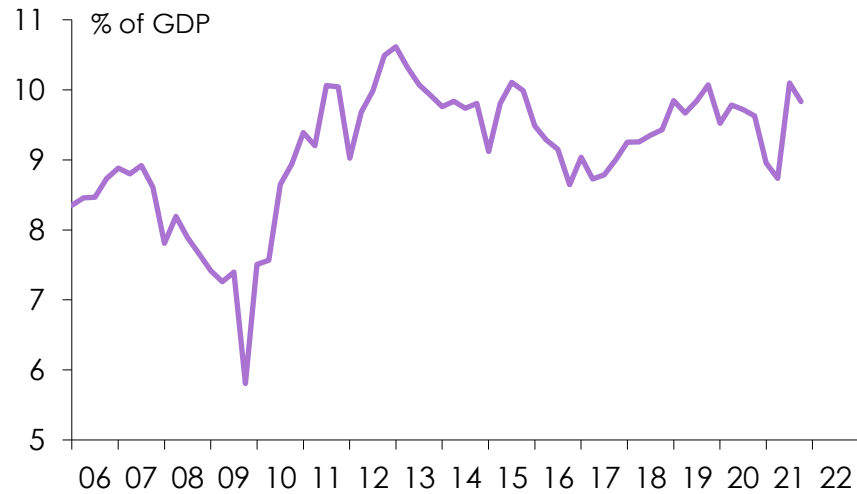


Sources: US Census Bureau, [Construction Spending](#), [New residential construction](#) and [New Residential Sales](#); US National Association of Realtors, [Existing-Home Sales](#); Mortgage Bankers' Association, [National Delinquency Survey](#); S&P Global, [S&P CoreLogic Case-Shiller Home Price Indices](#). [Return to "What's New"](#).

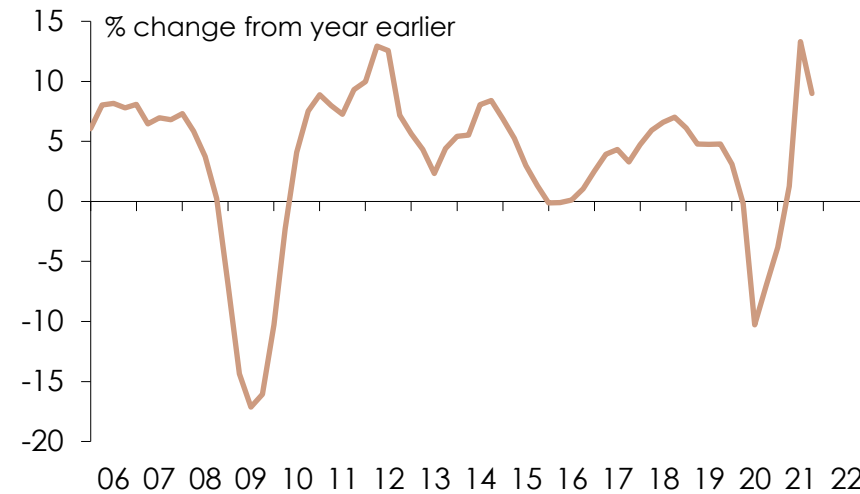
US corporate profits and balance sheets are strong, and investment is increasing – except in non-residential construction

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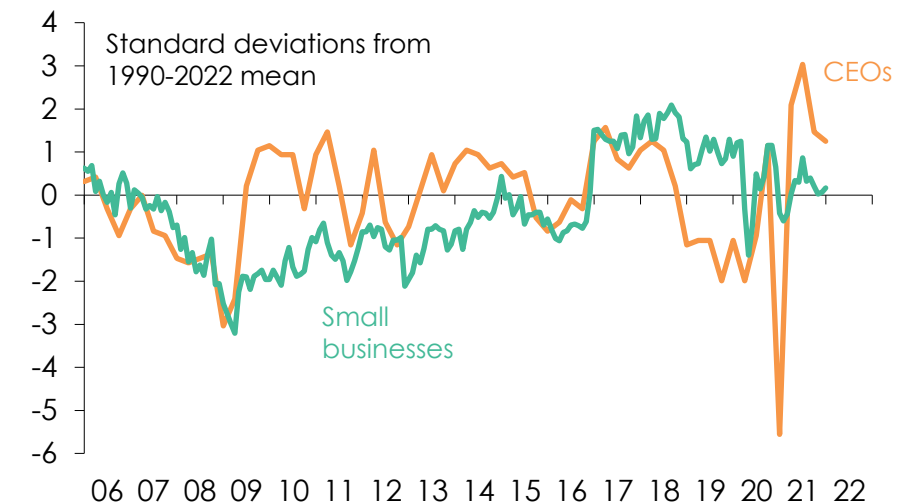
After-tax corporate profits



Business investment



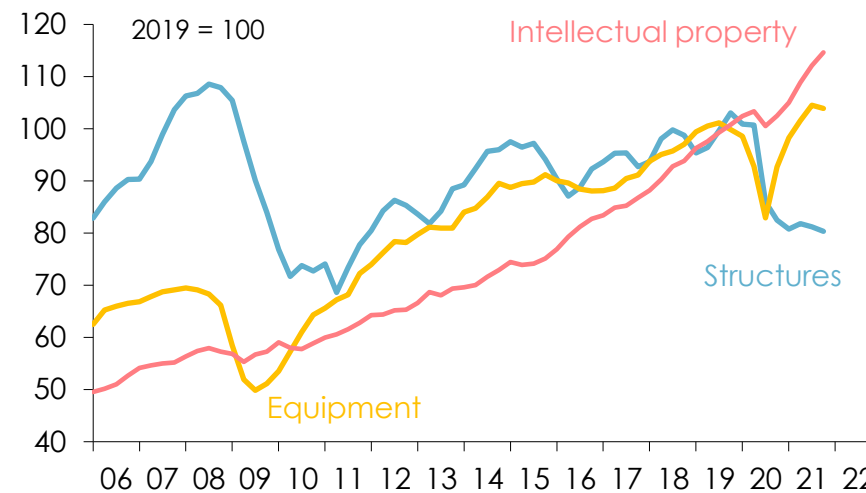
Business confidence



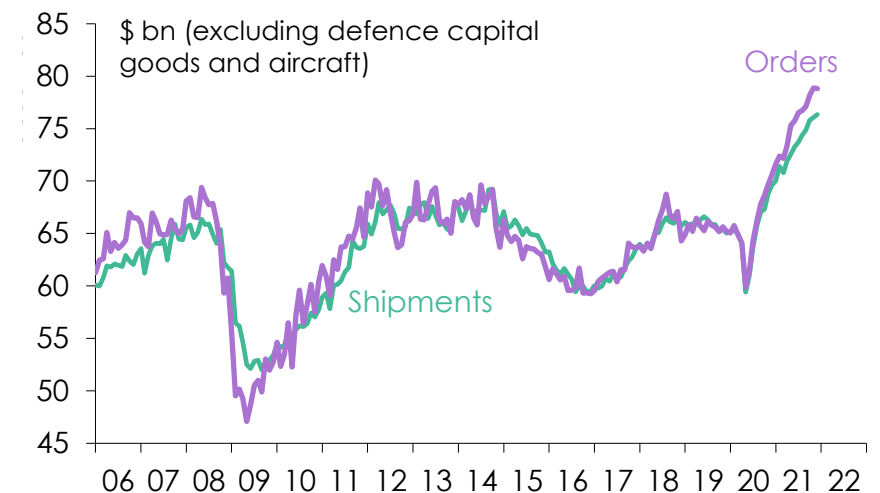
Corporate debt-equity ratio



Business investment by type



Capital goods orders & shipments

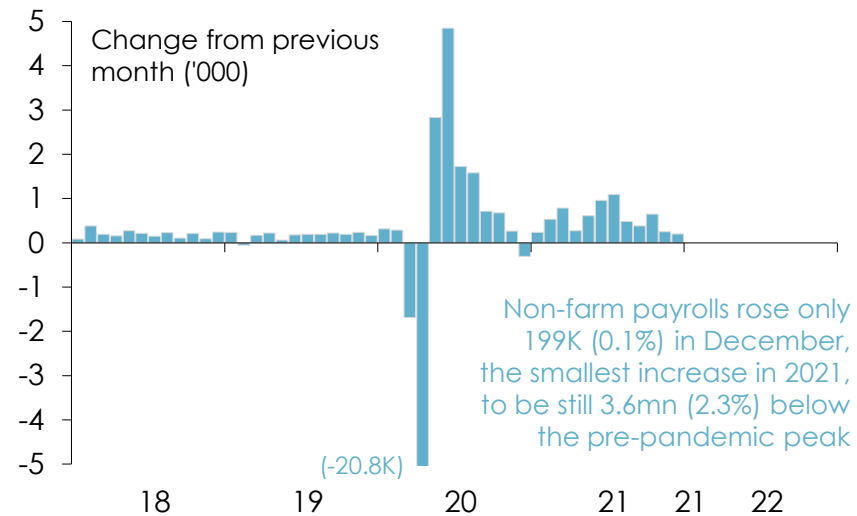


Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#); The Conference Board, [US CEO Confidence](#); National Federation of Independent Business, [Small Business Economic Trends](#); US Commerce Department, [Manufacturers' Shipments, Inventories and Orders](#). [Return to "What's New"](#).

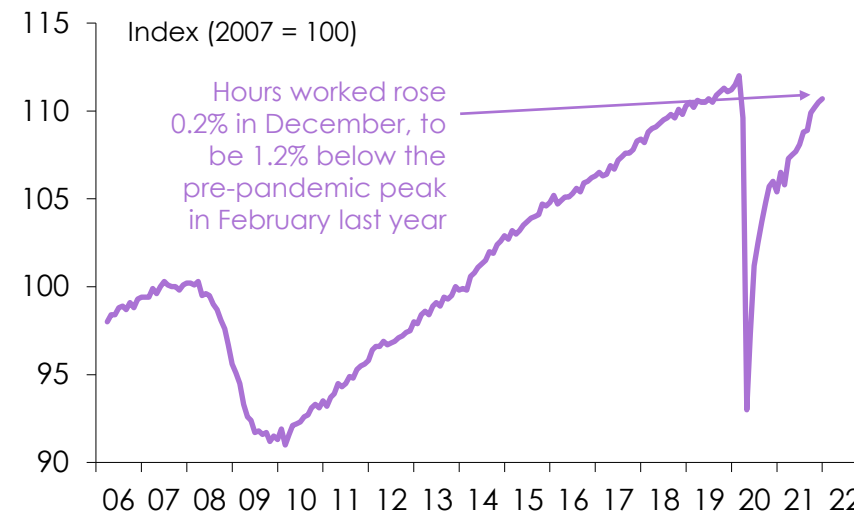
US non-farm payrolls rose by only 199K (0.1%) in December, but a larger gain the household survey measure saw unemployment fall to 3.9%

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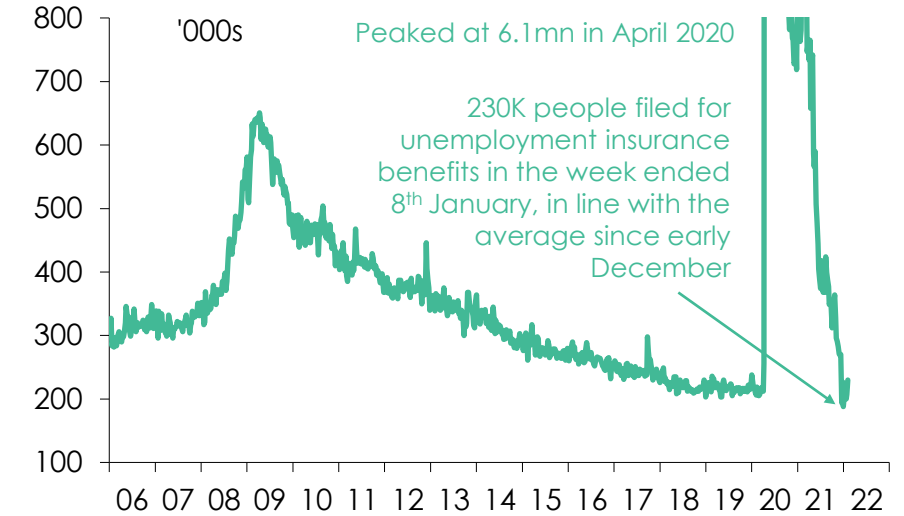
Non-farm payroll employment



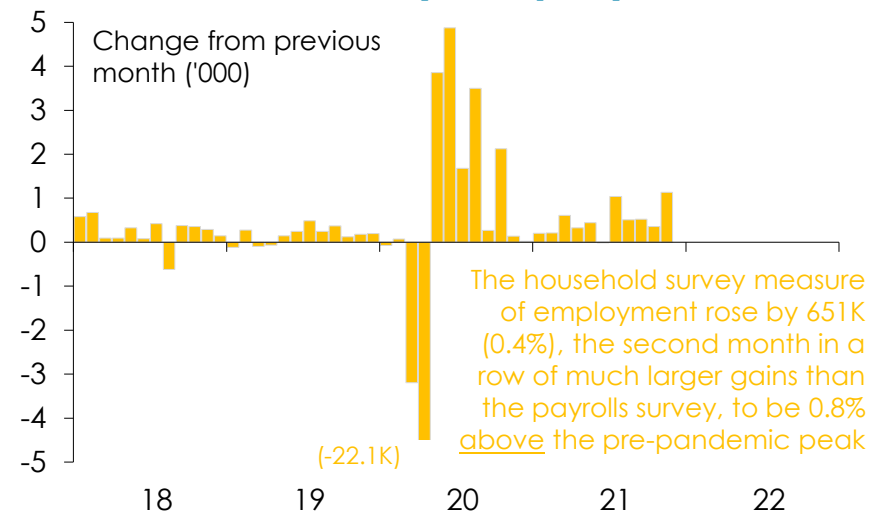
Hours worked (private sector)



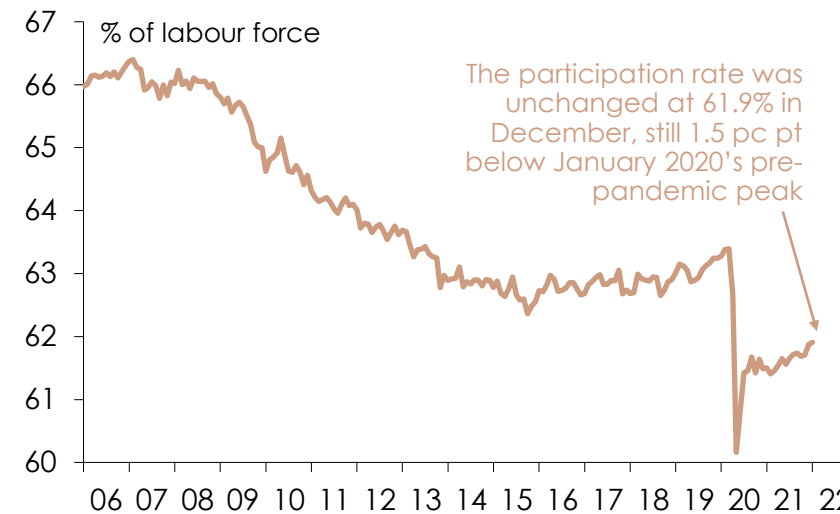
Unemployment benefit initial claims



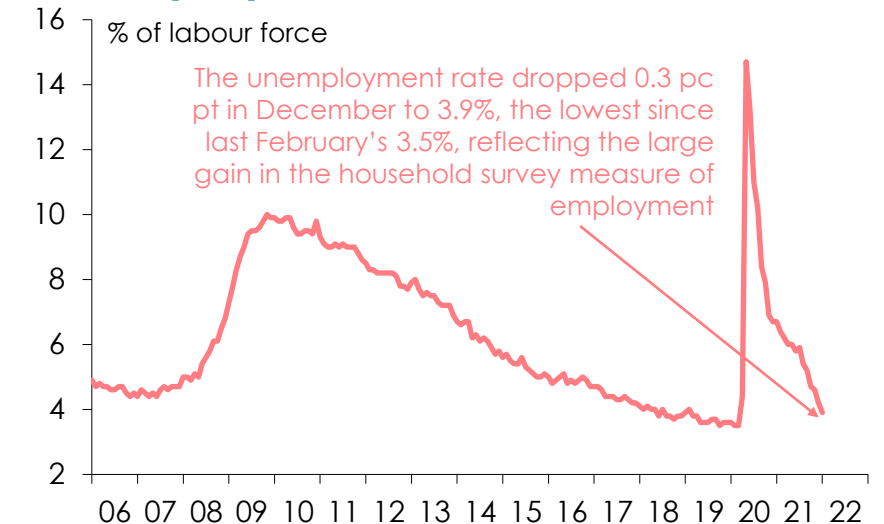
Household survey employment



Labour force participation rate



Unemployment rate

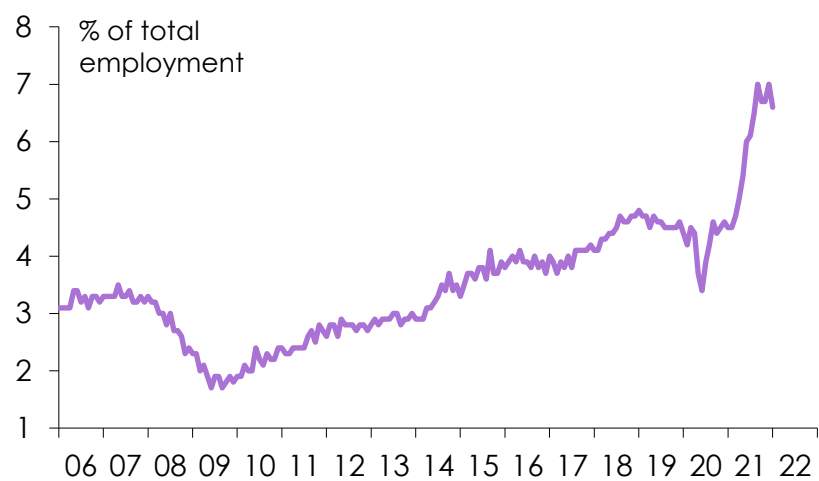


Sources: US Bureau of Labor Statistics, [Employment Situation](#); US Department of Labor, [Unemployment Insurance Weekly Claims](#). January employment and other labour force data will be released on 4th February. [Return to "What's New"](#).

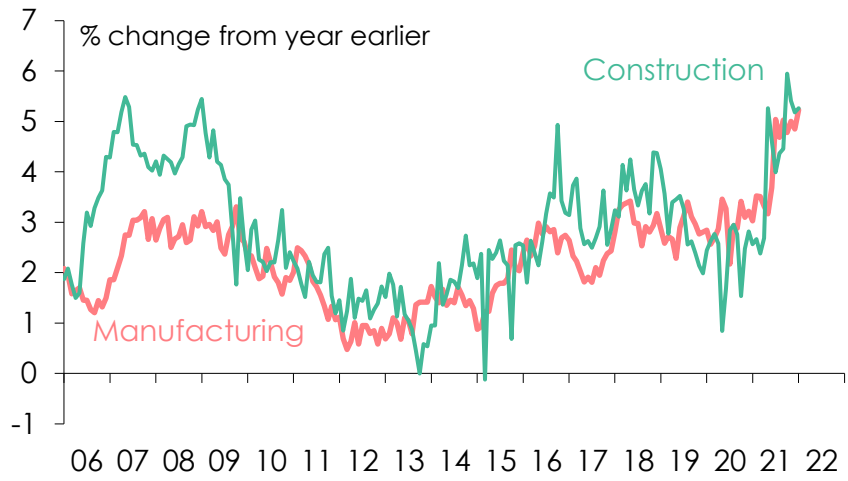
The so-called 'Great Resignation' may mean the non-accelerating inflation rate of unemployment ('NAIRU') is higher than the Fed thinks

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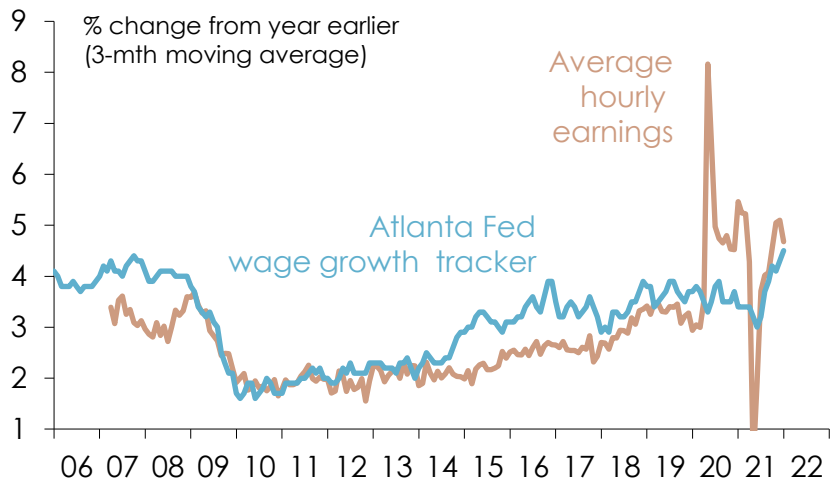
Job openings



Average hourly earnings



Overall wages growth - monthly

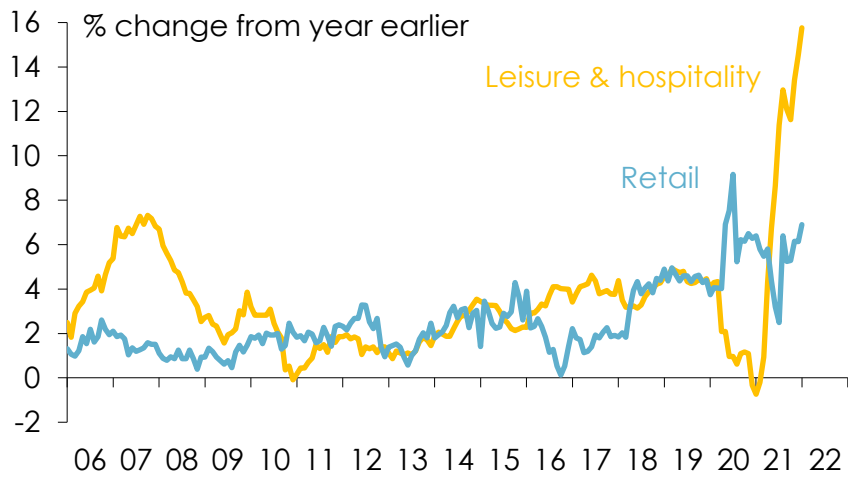


Quit rate

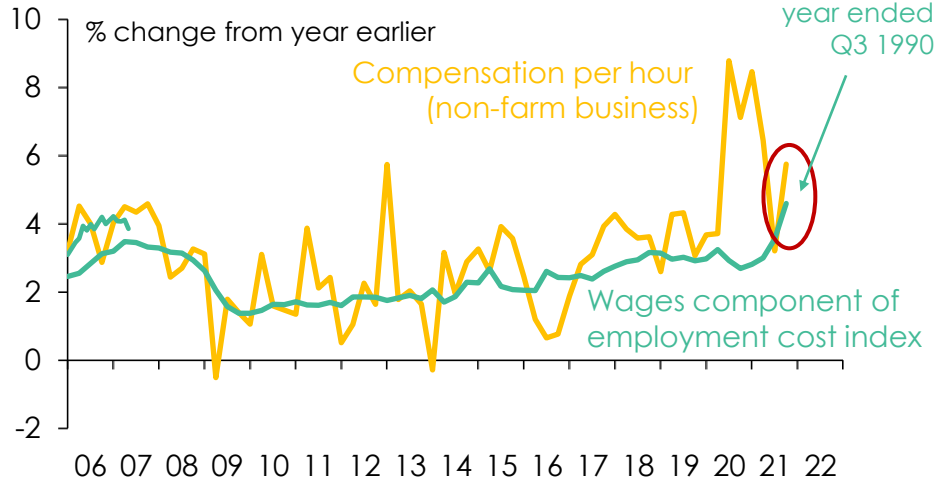
The record high 'quit rate' is the main evidence for the so-called 'Great Resignation' – although the 'record' only goes back to January 2001, and there would seem to be an element of 'catch-up' for this year for the unusually low rate in 2020



Average hourly earnings



Wages growth - quarterly

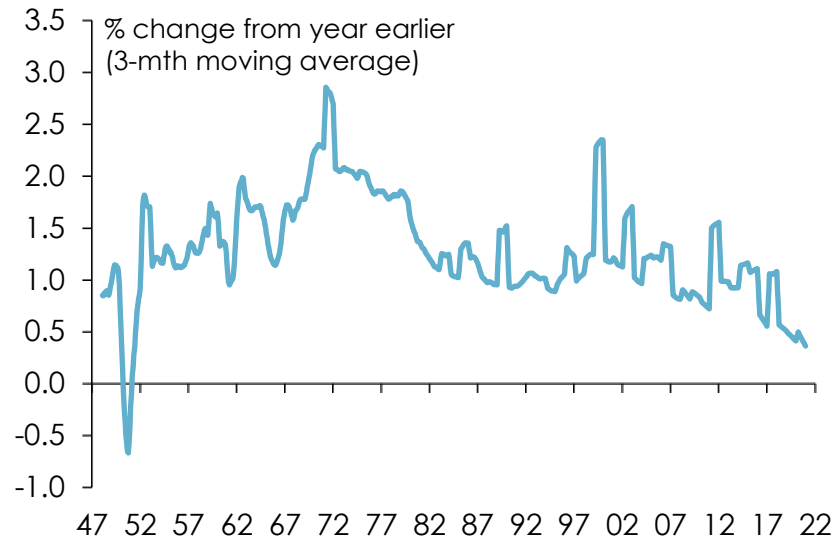


Note: Measures of average hourly earnings (especially the all-industries measures) and of average compensation per hour are affected by changes in the composition of employment (so for example they rose sharply in Q2 2020 when large numbers of low-paid workers were laid off and fell markedly when they returned to work) whereas the Atlanta Fed 'wage growth tracker' (which tracks the wage growth of individuals) and the wages component of the ECI (which is very similar to the ABS' Wage Price Index) are not. Sources: US Bureau of Labor Statistics, [Job Openings and Labor Turnover Survey](#), [Current Employment Statistics](#), [Employment Cost Trends](#) and [Labor Productivity and Costs](#); Federal Reserve Bank of Atlanta Center for Human Capital Studies, [Wage Growth Tracker](#). [Return to "What's New"](#).

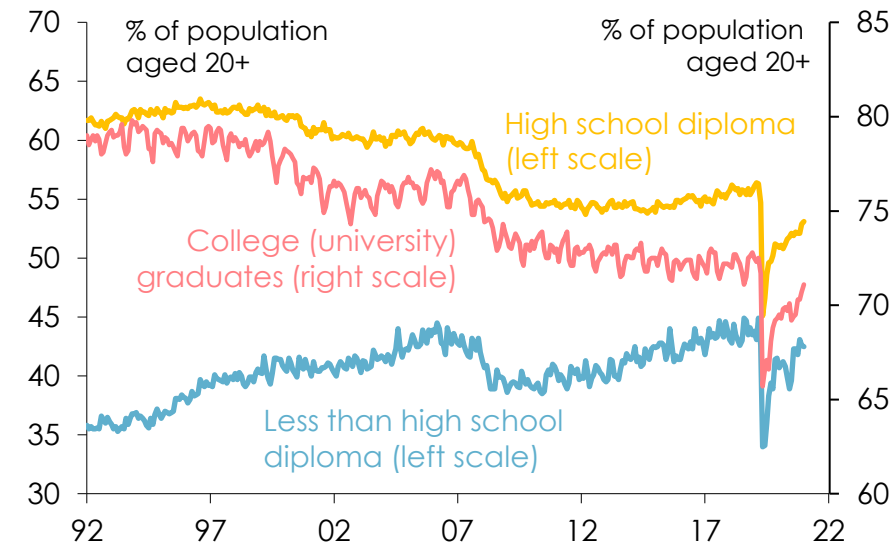
US labour market tightness owes a lot to restrictions on immigration, and to barriers to the return to the labour market of specific groups

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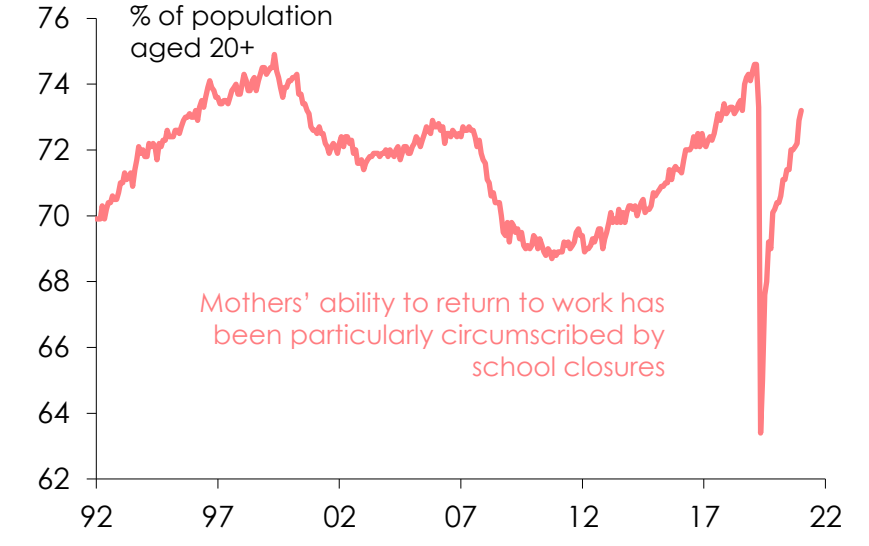
Civilian working age population



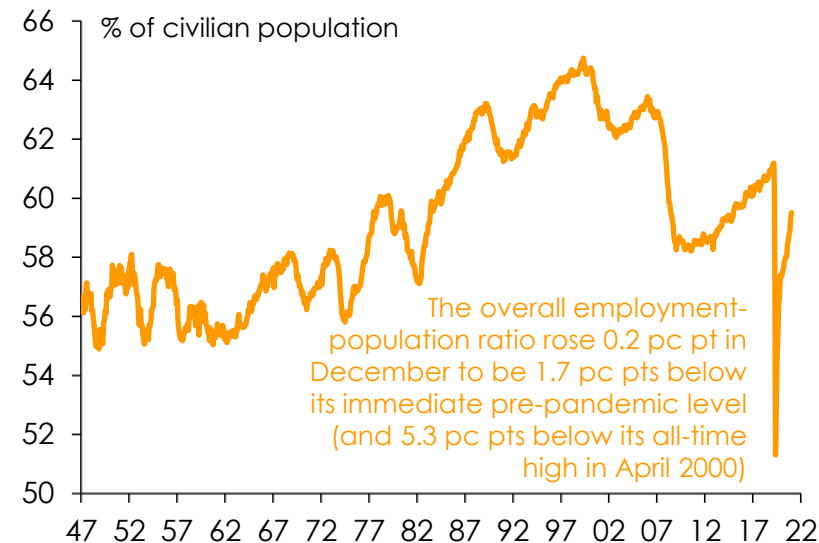
'E-pop' ratio – by education



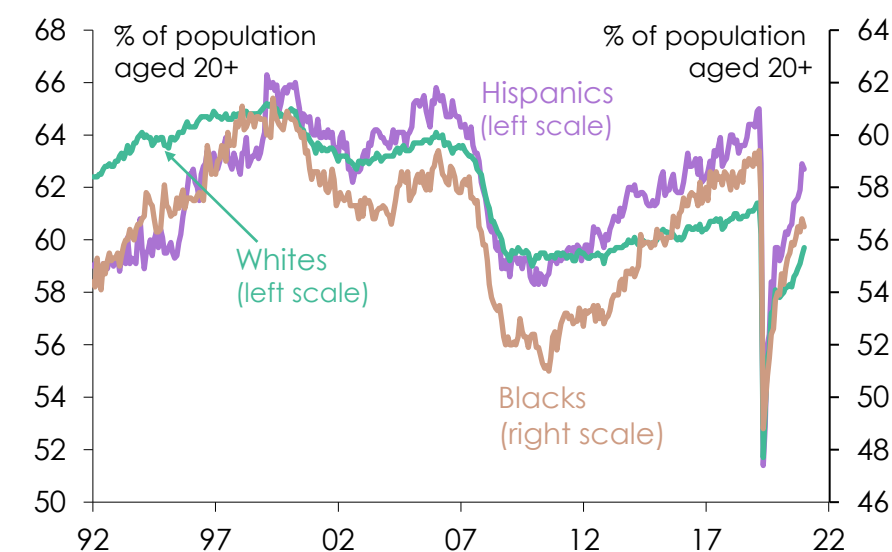
'E-pop' ratio – women 25-54



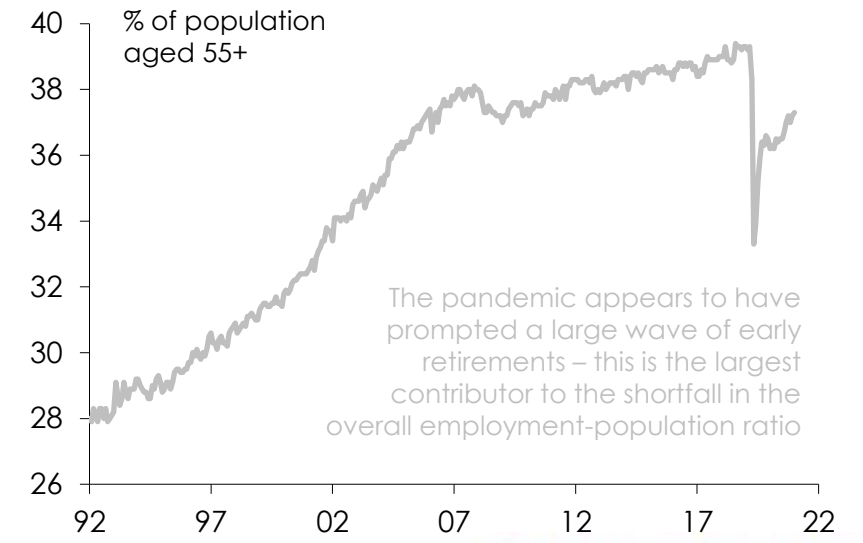
Employment-to-population ratio



'E-Pop' ratio – Blacks & Hispanics



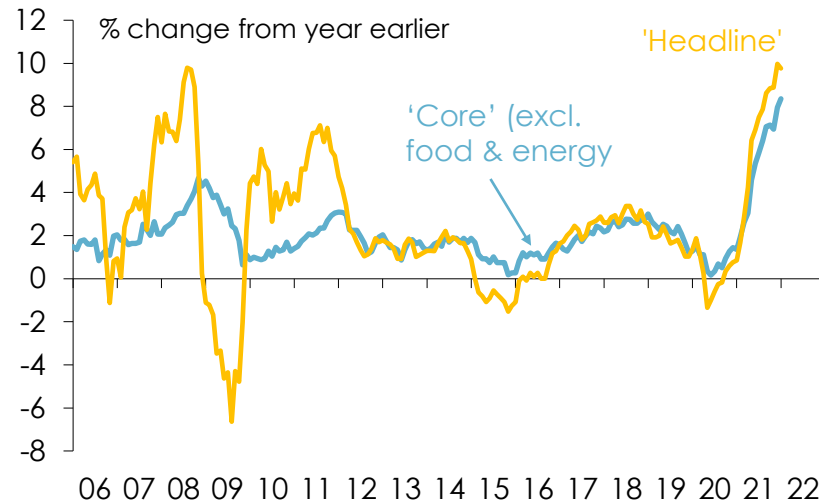
'E-pop' ratio – people 55 & over



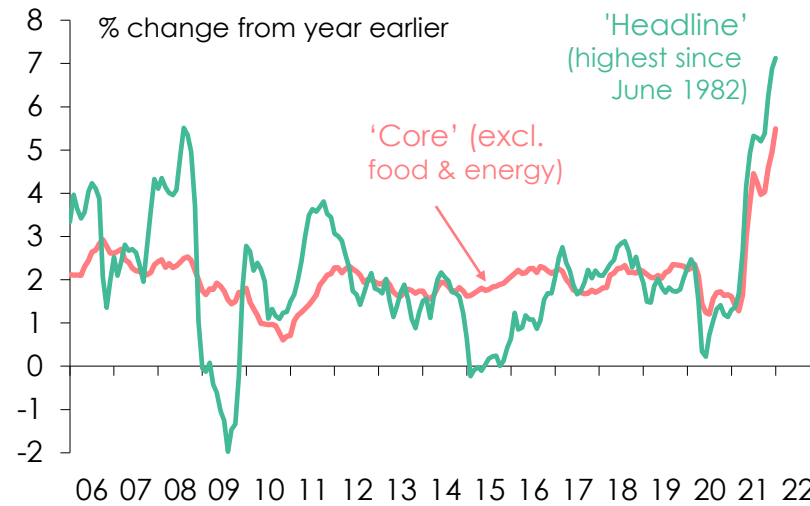
US consumer price inflation has accelerated sharply, to its fastest pace in 39½ years, and prices increases have become a bit less narrowly based

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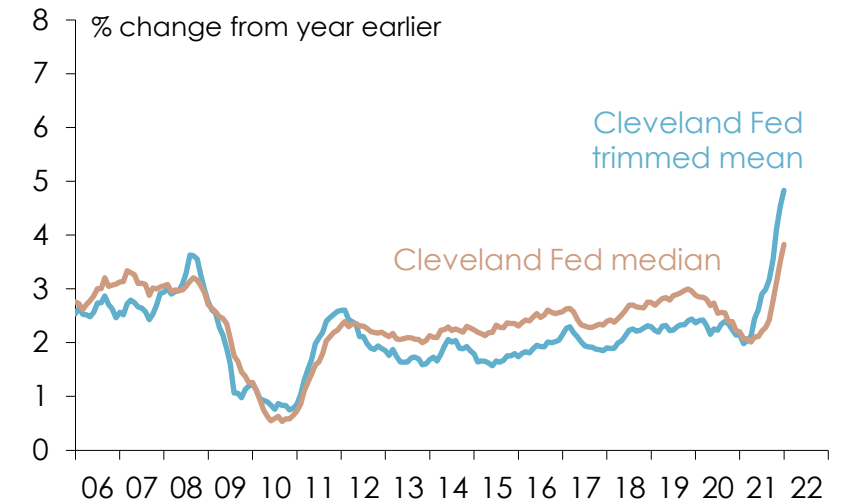
Producer price index



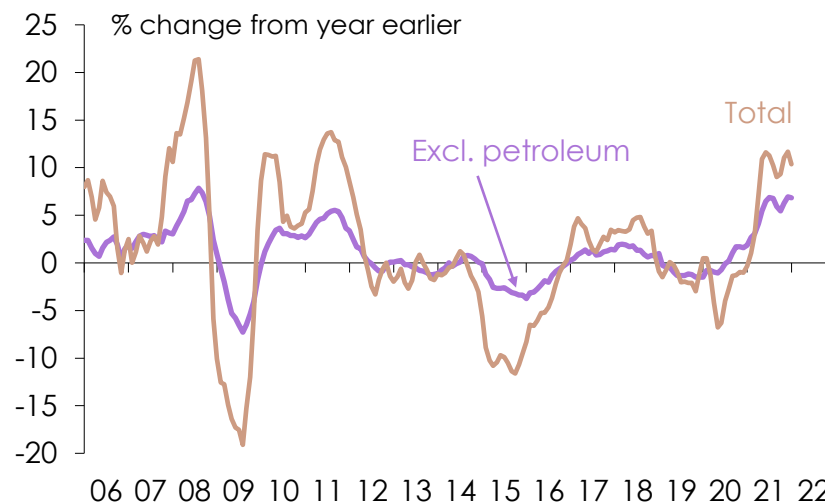
Consumer price index



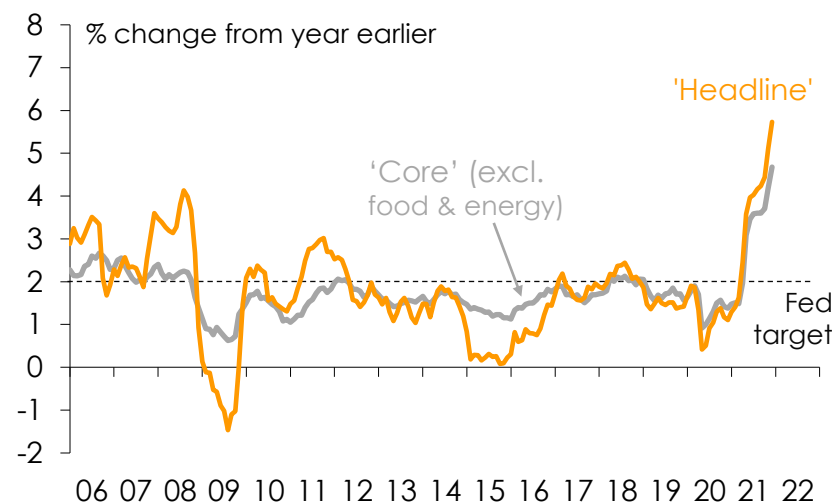
'Underlying' CPI inflation



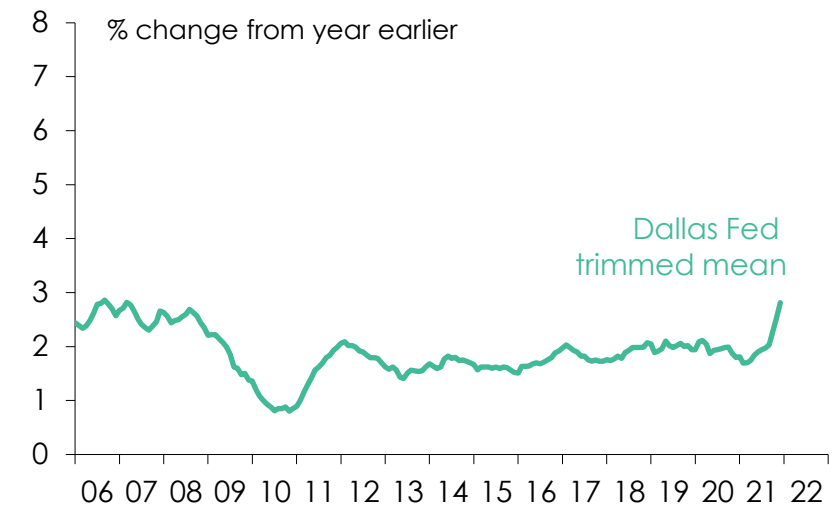
Import price index



Personal consumption deflator



'Underlying' PCE deflator inflation

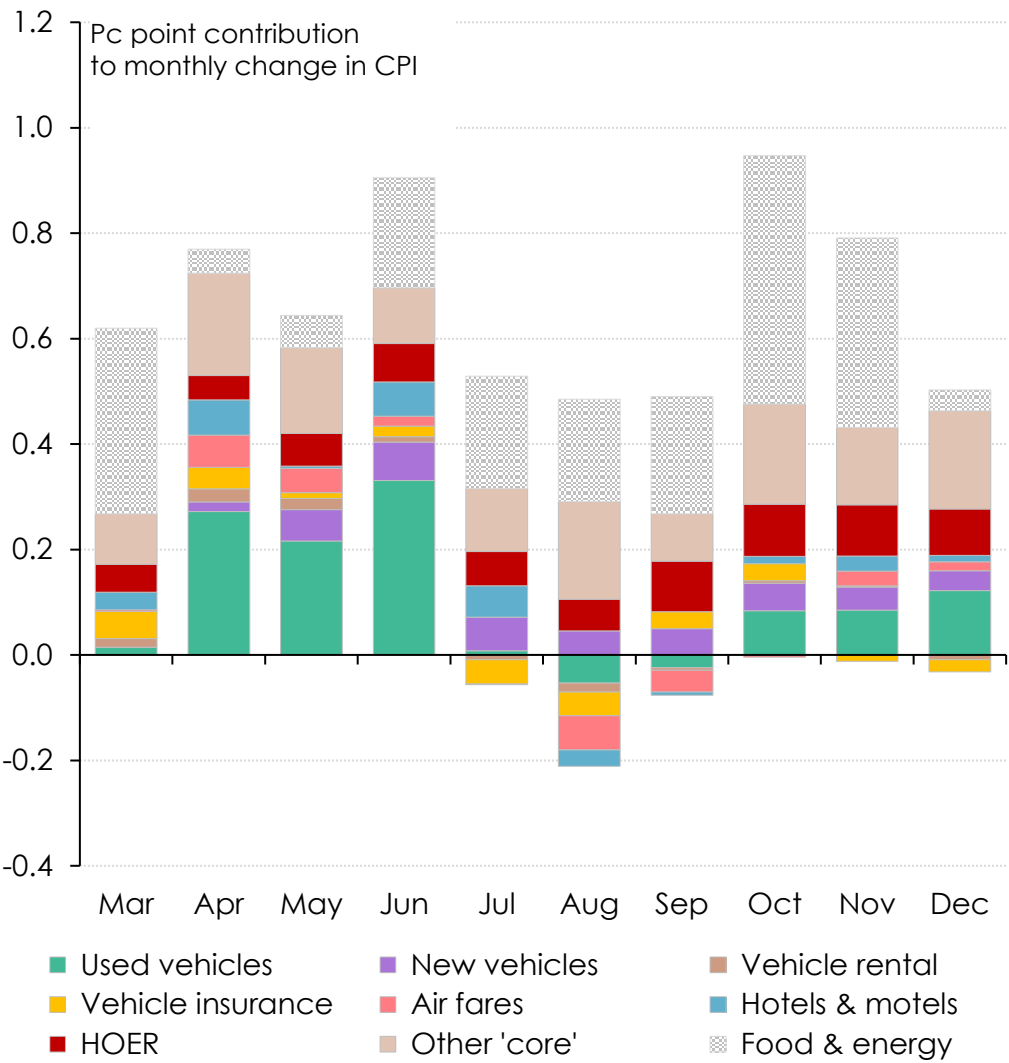


Sources: US Bureau of Labor Statistics, [Producer Price Index](#), [Import and Export Price Indexes](#) and [Consumer Price Index](#); US Bureau of Economic Analysis, [Personal Consumption Expenditures Price Index](#); Federal Reserve Bank of Cleveland, [Median CPI](#); Federal Reserve Bank of Dallas, [Trimmed Mean PCE Inflation Rate](#). [Return to "What's New"](#).

The 'spikes' in US inflation in April-June and October-November have been largely attributable to a relatively small number of CPI components

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Contributions to recent monthly changes in the US CPI



Price indices for items which have contributed most to recent monthly changes in the 'core' US CPI (rebased to December 2019 = 100)

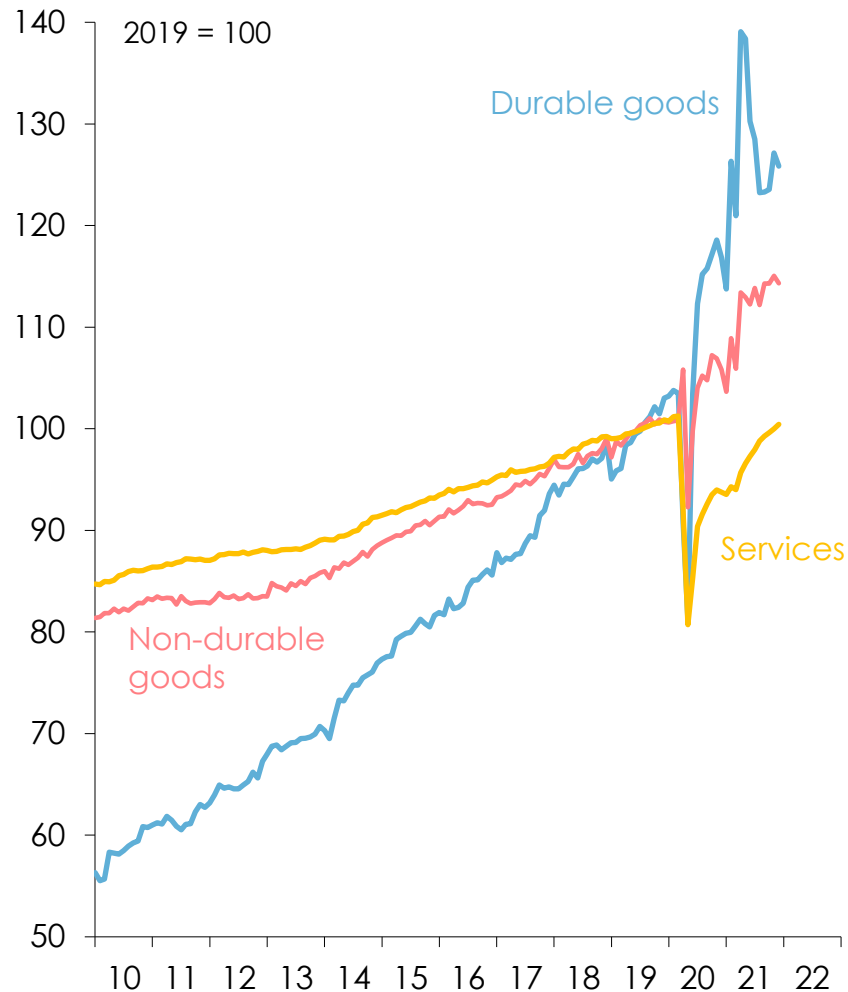


Note: 'HOER' = home-owners' equivalent rent (a measure of the 'imputed rent' notionally paid by owner-occupiers to themselves), and which accounts for (an uncommonly large, by international standards) 28½% of the CPI excluding food and energy. Source: US [Bureau of Labor Statistics](#), CPI Table 6; Corinna. [Return to "What's New"](#).

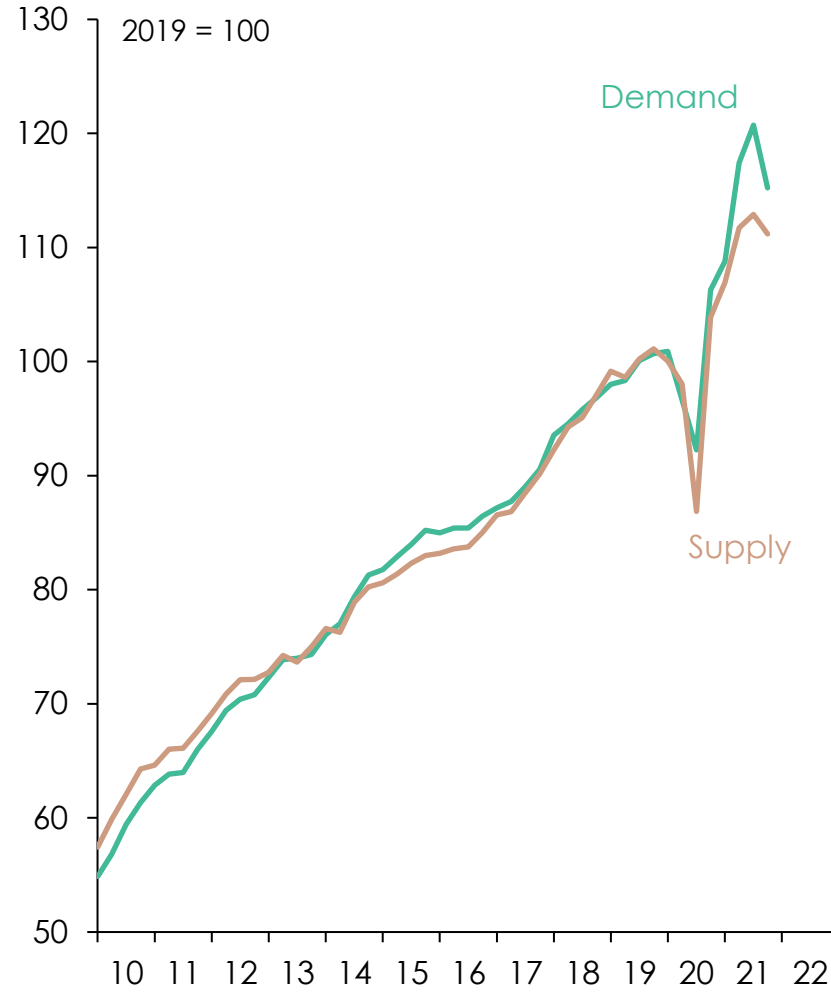
The rise in inflation as measured by the PCE deflator is largely attributable to the imbalance between demand for and supply of durable goods

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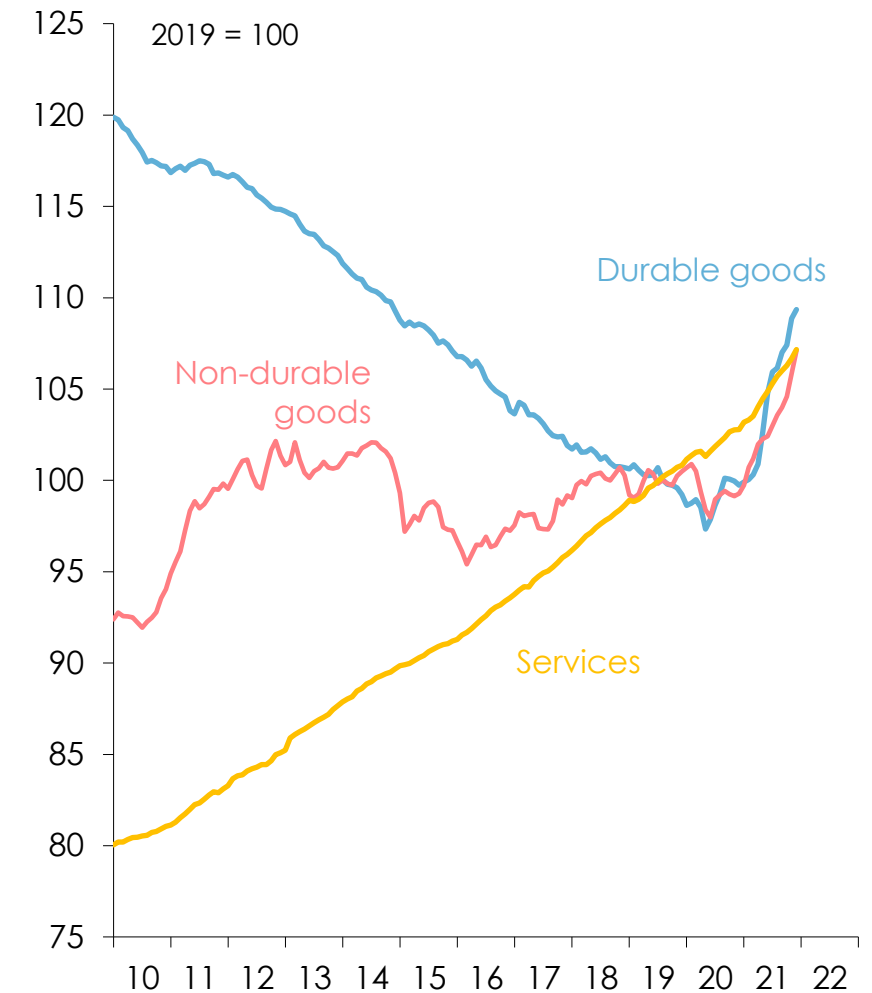
Composition of personal consumption expenditures



Aggregate demand for and supply of durable goods



Implicit price deflators of personal consumption

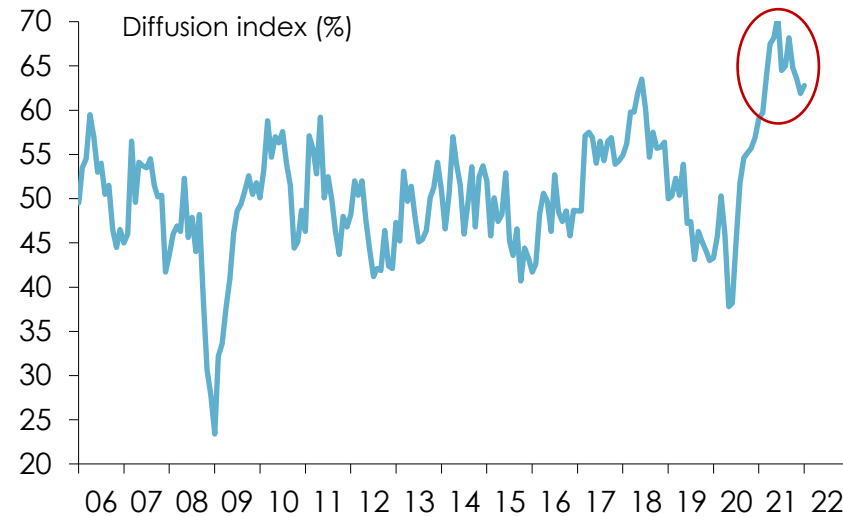


Note: 'Aggregate demand' for durable goods comprises personal consumption of durable goods plus business investment in equipment. 'Aggregate supply' of durable goods comprises gross domestic product (final sales plus change in inventories) plus net imports of durable goods. Sources: US Bureau of Economic Analysis, [National Income and Product Accounts](#), Section 2 – Personal Income and Outlays, Tables 2.8.3-5, 1.1.6, 1.2.6 and 4.2.6. [Return to "What's New"](#).

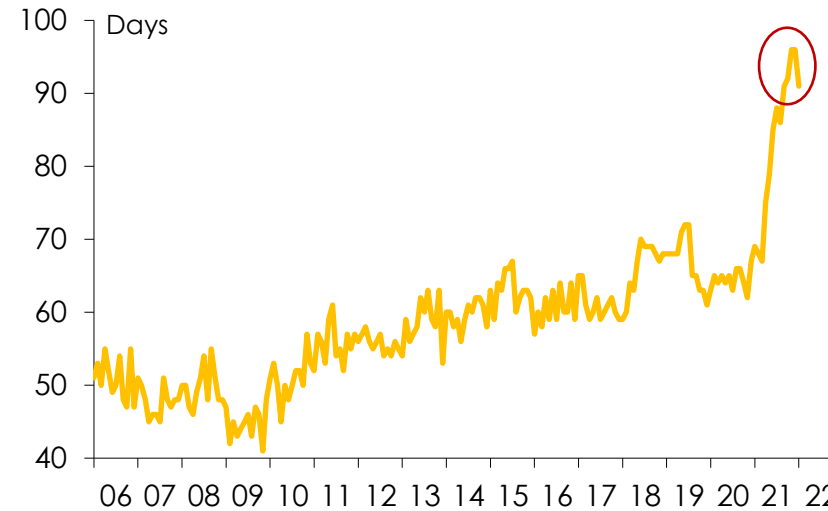
There have been some serious supply-chain difficulties in the US – particularly in the auto sector – but they may have now peaked

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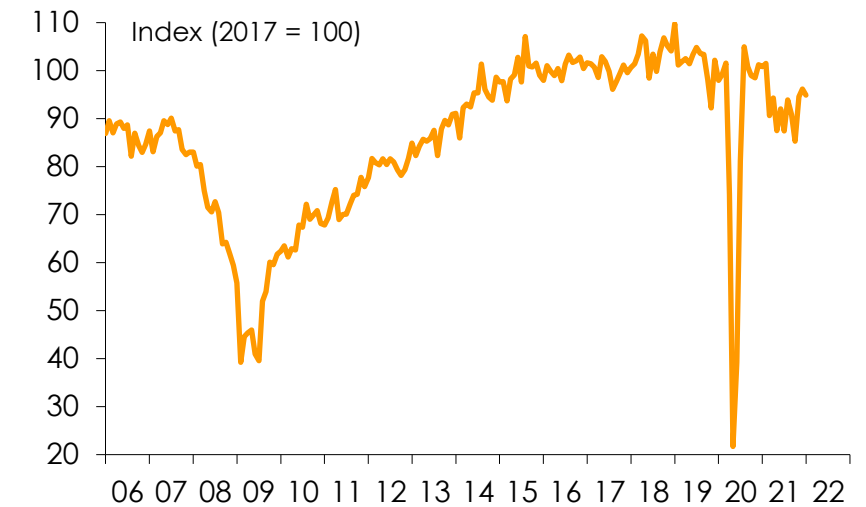
Manufacturers' order backlogs



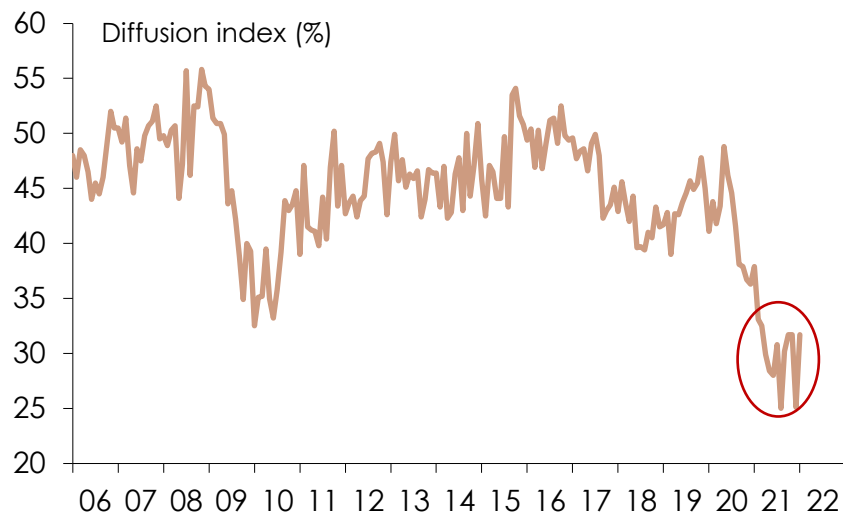
Lead-time for production materials



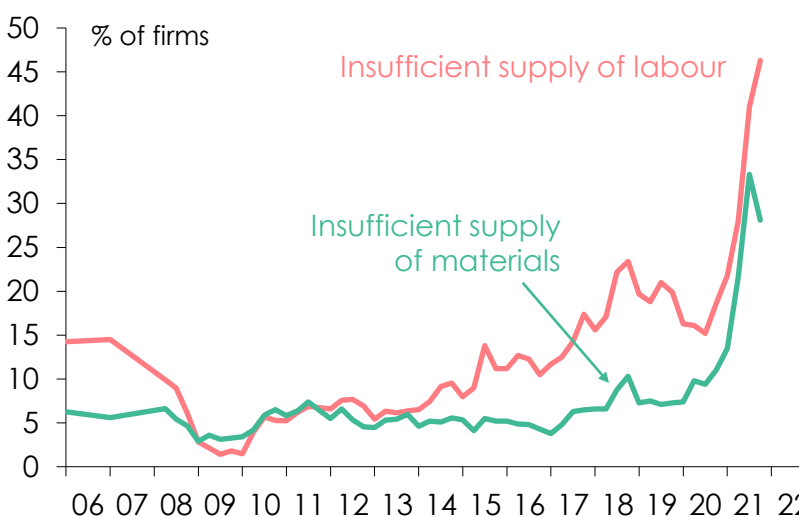
Motor vehicles & parts production



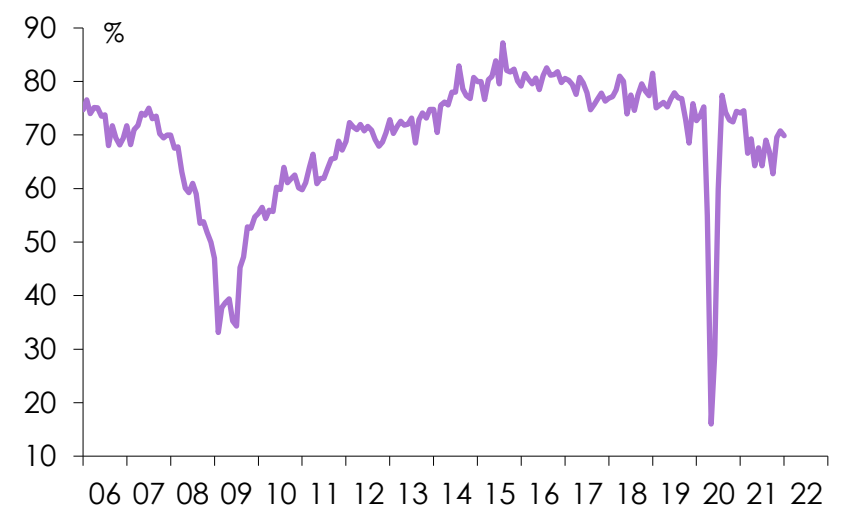
Manufacturers' customer inventories



Reasons for < full capacity



Auto industry capacity utilization

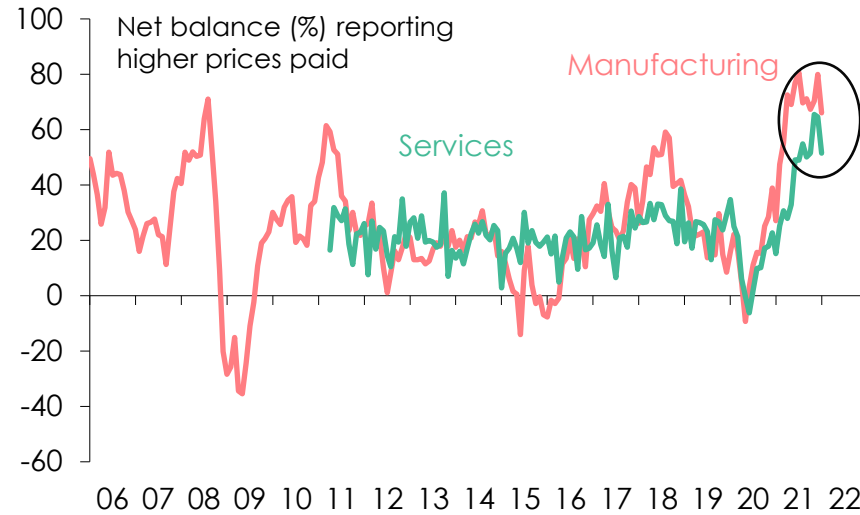


Note: The diffusion index of order backlogs is 50 plus the percentage of respondents reporting longer backlogs minus the percentage reporting shorter backlogs (and similarly for customer inventories). 'Reasons for < full capacity' means reasons for operating at less than full capacity. Sources: Institute for Supply Management, [Report on Business](#); US Census Bureau, [Quarterly Survey of Plant Capacity Utilization](#); Board of Governors of the Federal Reserve System, [Industrial Production and Capacity Utilization - G17](#). [Return to "What's New"](#).

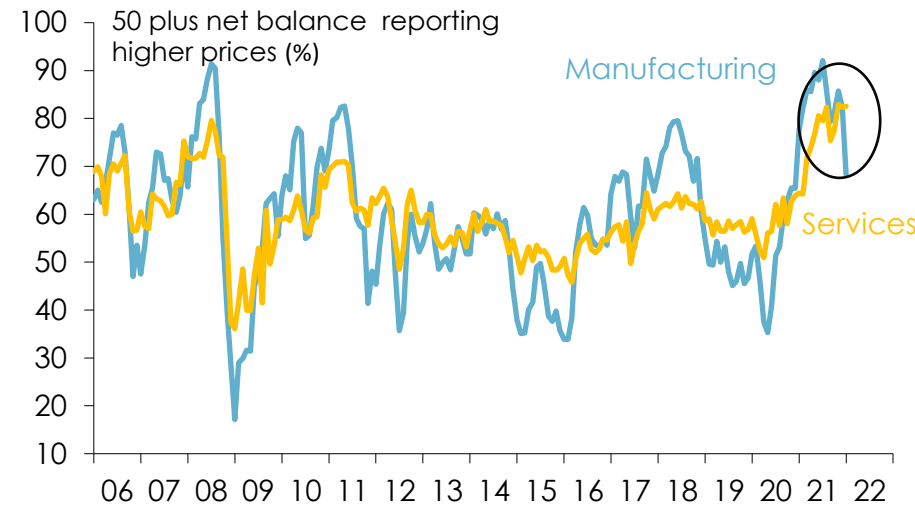
Survey-based measures suggest 'upstream' price pressures may be peaking – while longer-term household inflation expectations remain stable

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'Philly Fed' survey – prices paid



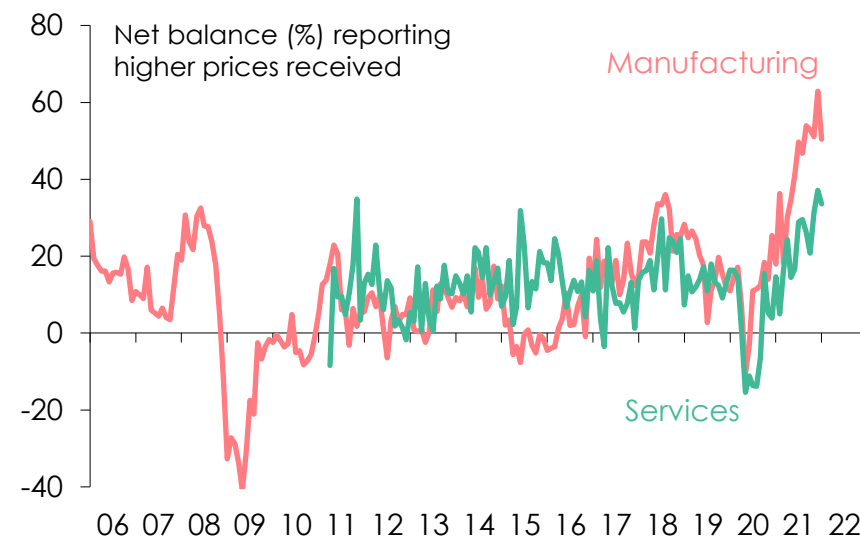
ISM survey – prices paid



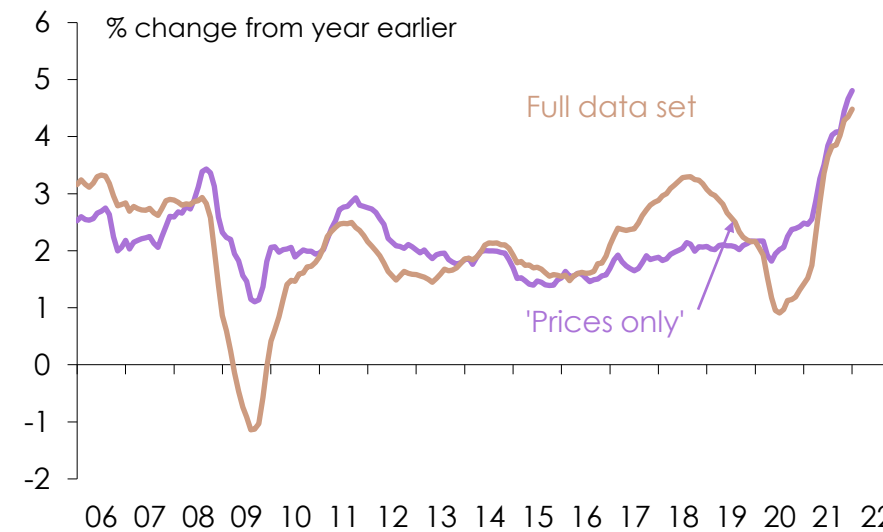
Household inflation expectations



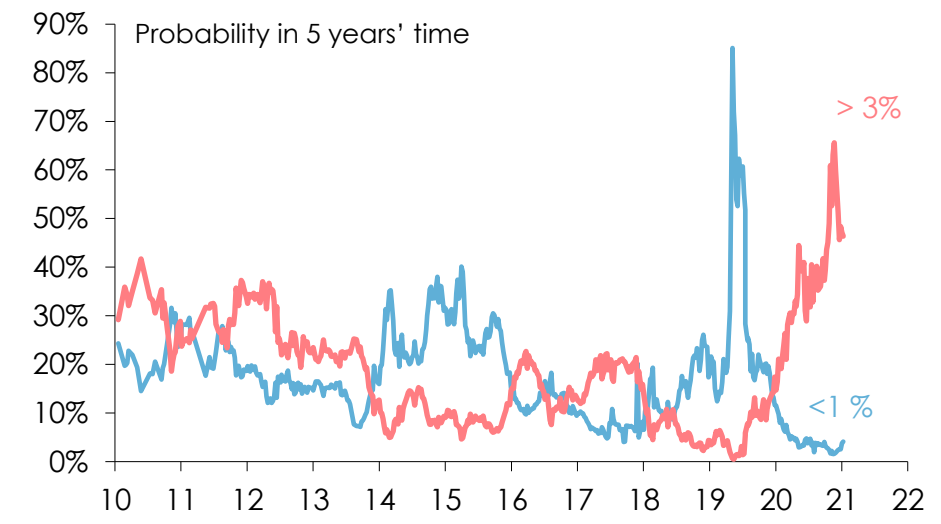
'Philly Fed' survey – prices received



NY Fed 'underlying inflation gauge'



Market-priced inflation probabilities



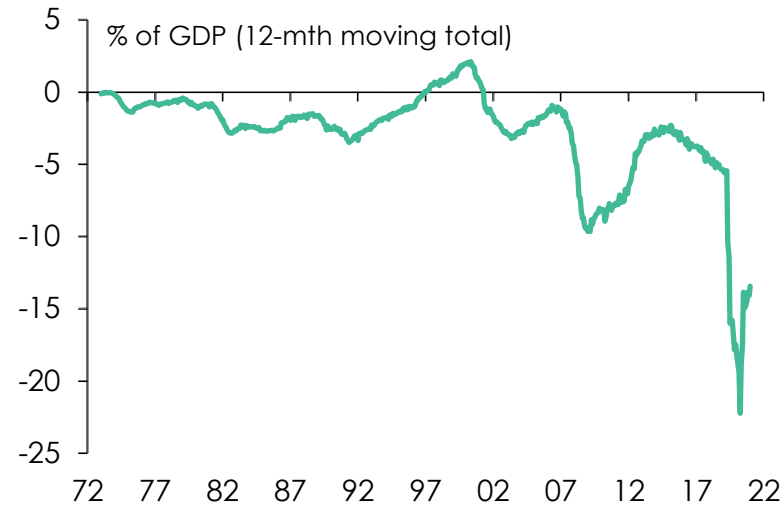
Sources: Federal Reserve Bank of Philadelphia, [Regional Economic Analysis](#), Manufacturing and Non-Manufacturing Business Outlook Surveys ; Institute for Supply Management, [ISM Report on Business](#); Federal Reserve Bank of New York, [Underlying Inflation Gauge](#); Federal Reserve Bank of Minneapolis, [Current and Historical Market-Based Probabilities](#).
[Return to "What's New"](#).

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

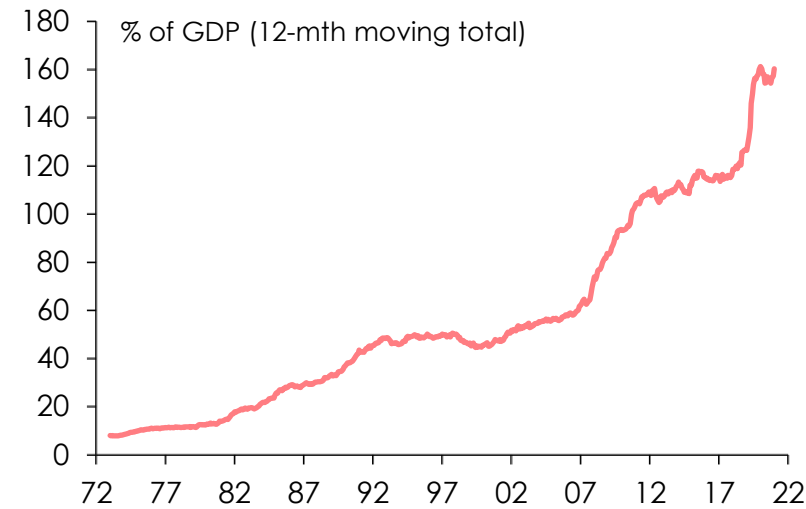
Congress seems unlikely to pass anything resembling the Administration's \$1½trn 'Build Back Better' legislation in its present form

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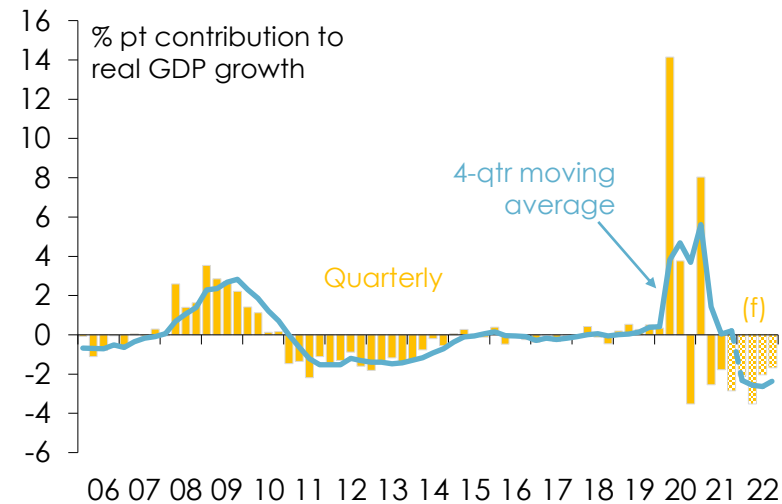
US Federal budget deficit



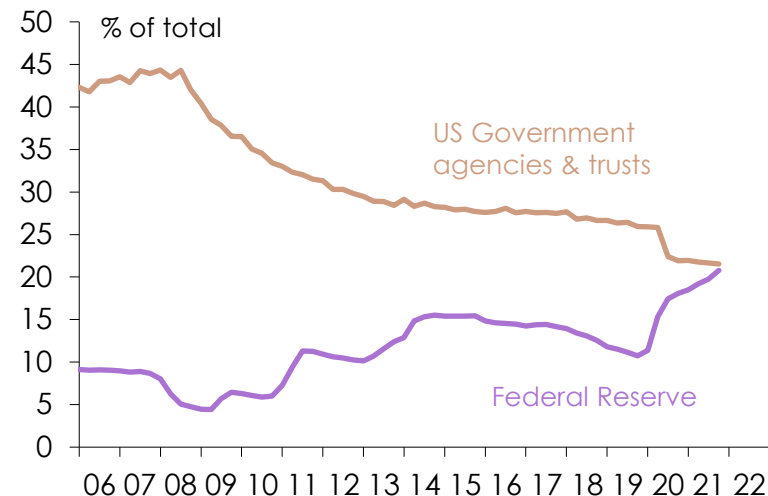
US gross Federal debt



Fiscal policy impact on GDP



Holdings of US Federal debt



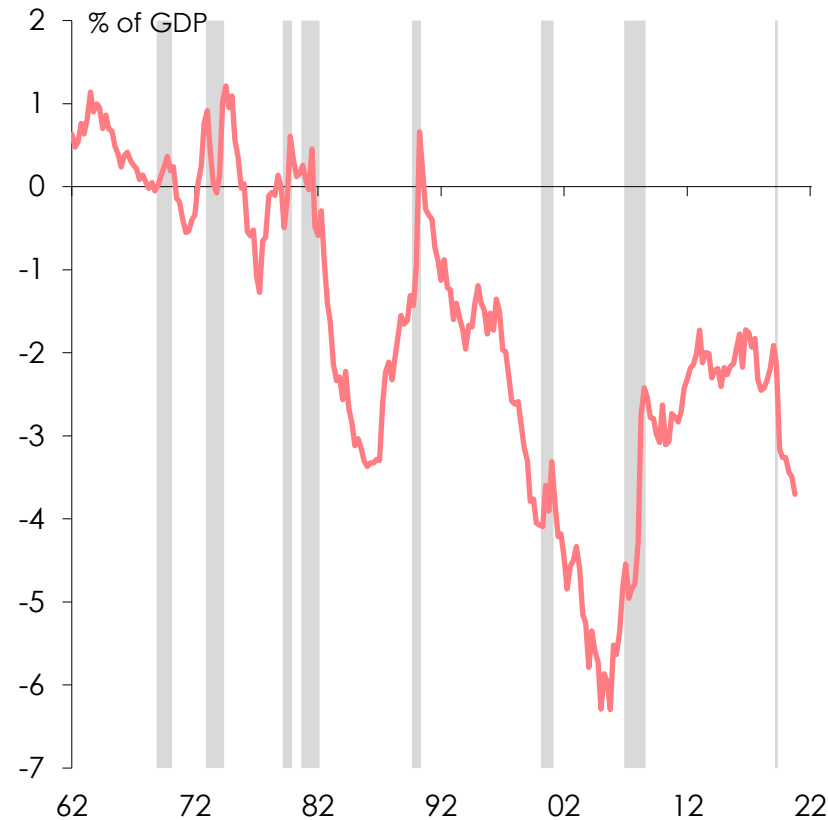
- ❑ The US Federal Government budget deficit narrowed by US\$170bn to just \$21bn in December, the smallest since December 2019, reflecting a surge in personal and payroll tax revenues
- ❑ For the 12 months ended December the budget deficit totalled \$2.58 trn (13.4% of GDP), down from a peak of \$4.1 trn (22.2% of GDP) in the 12 months ended June
- ❑ The market value of gross federal debt outstanding rose \$571bn to \$30.7trn (160.3% of GDP) at the end of December
- ❑ The Fed now holds almost 21% of the total stock of outstanding US Government debt (up from 11% prior to the onset of the pandemic), while the share held by agencies and trusts (such as the Social Security Trust Fund) has fallen to just under 22% (from 26%) and the share held by foreign investors has fallen to 26½% from a peak of 34% in 2014 and 2015
- ❑ The Administration's \$1.5trn "Build Back Better" spending bill seems unlikely to pass Congress in anything resembling its current form

Note: The measure of US gross federal debt is at market value. Sources: US Treasury Department Bureau of the Fiscal Service, [Monthly Treasury Statement](#) and [Treasury Bulletin](#); Federal Reserve Bank of Dallas, [Market Value of US Government Debt](#); Brookings, [Hutchins Center Fiscal Impact Measure](#); Corinna. [Return to "What's New"](#).

Any 'excess demand' resulting from 'excessive' stimulus is more likely to show up in the US current account deficit than in sustained higher inflation

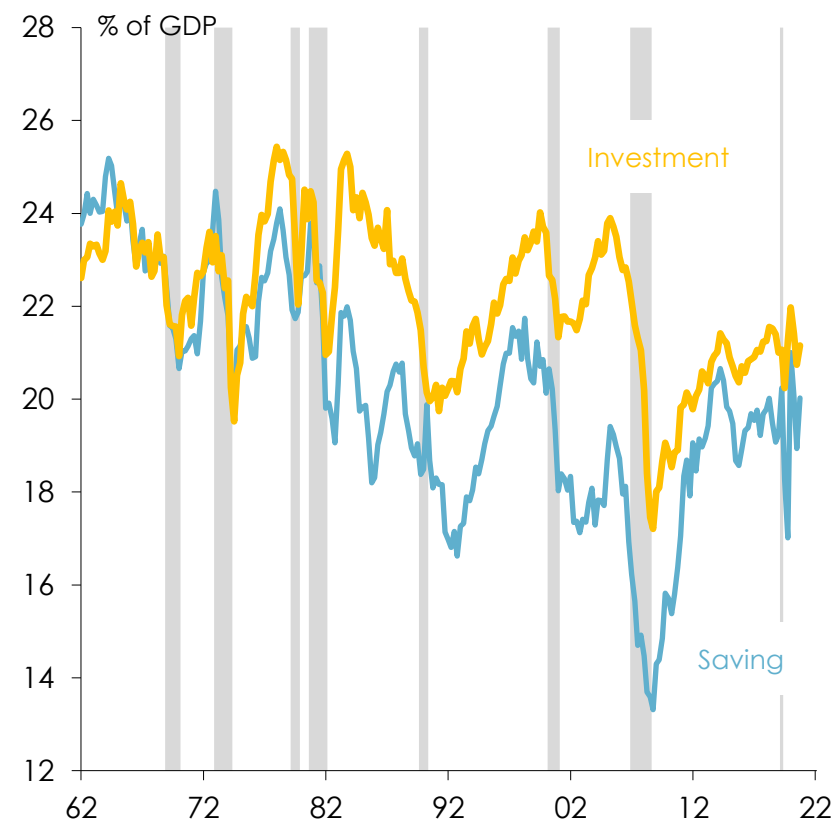
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US current account balance



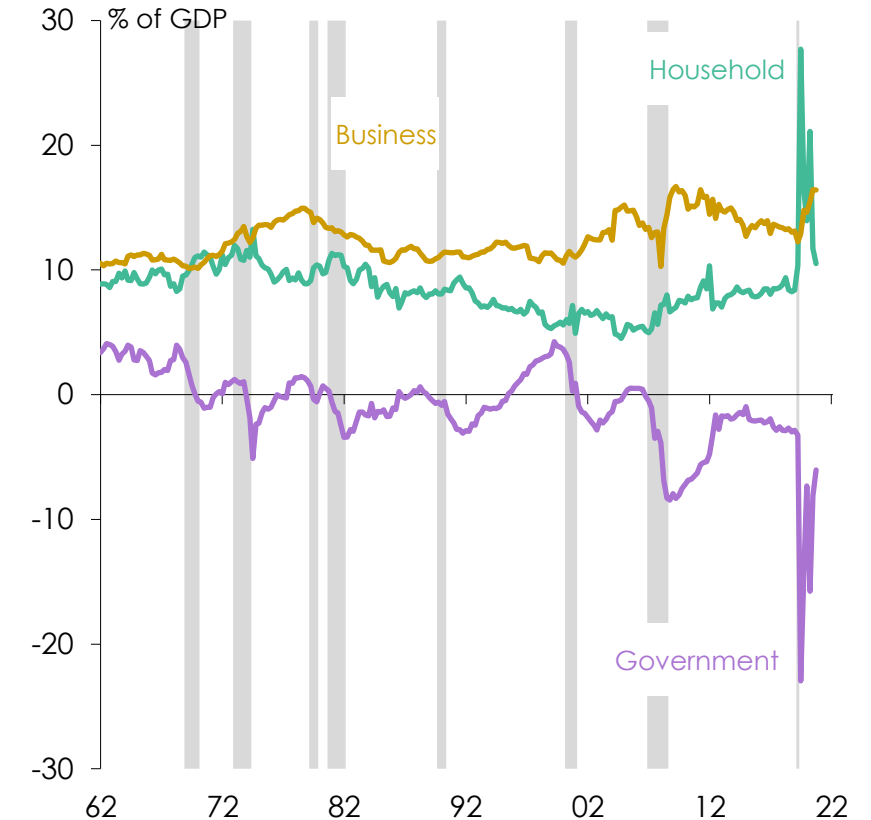
The US current account has *widened* since the onset of the pandemic-induced recession – and has become larger (as a pc of GDP) than at any time since the financial crisis

Gross saving and investment



Investment *didn't* fall much during the Covid recession as in previous ones – perhaps because it didn't rise as much as usual during the preceding expansion (corporate tax cuts notwithstanding)

Gross saving by sector



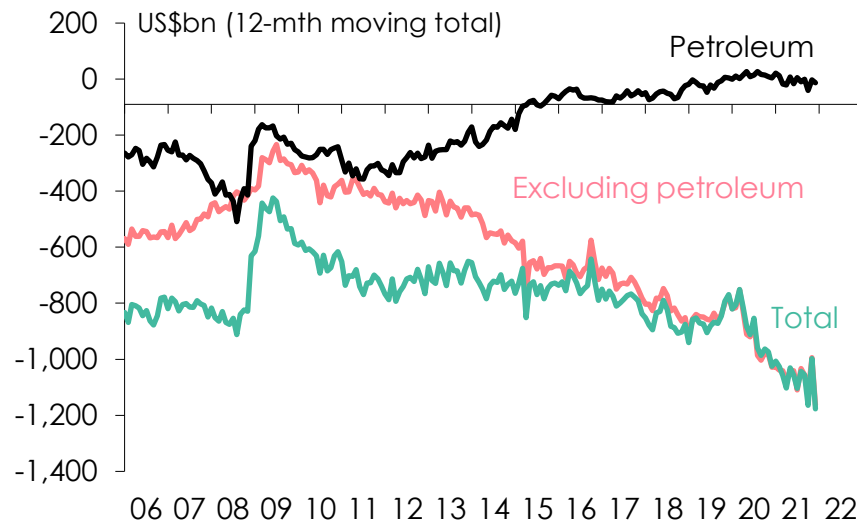
The dramatic increase in the budget deficit during and after the Covid recession has been largely (but not totally) offset by an increase in household saving

Note: shaded areas denote recessions as designated by the US [National Bureau of Economic Research](#). Data up to Q3 2021. Sources: US Bureau of Economic Analysis, [International Transactions, International Services, and International Investment Position \(IIP\) Tables](#) and [National Income and Product Accounts](#) Section 5 – Saving and Investment. [Return to "What's New"](#).

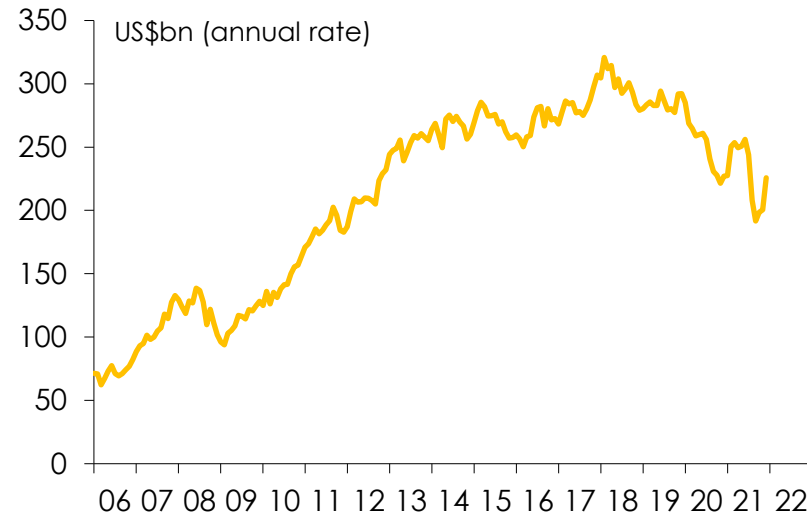
The US trade deficit widened sharply again in November, to \$80.2bn, the second-largest ever recorded

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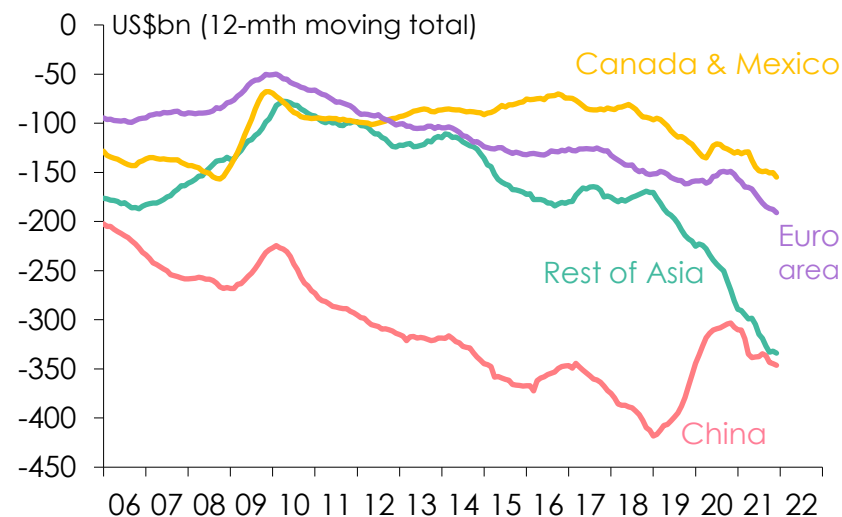
US goods trade balance



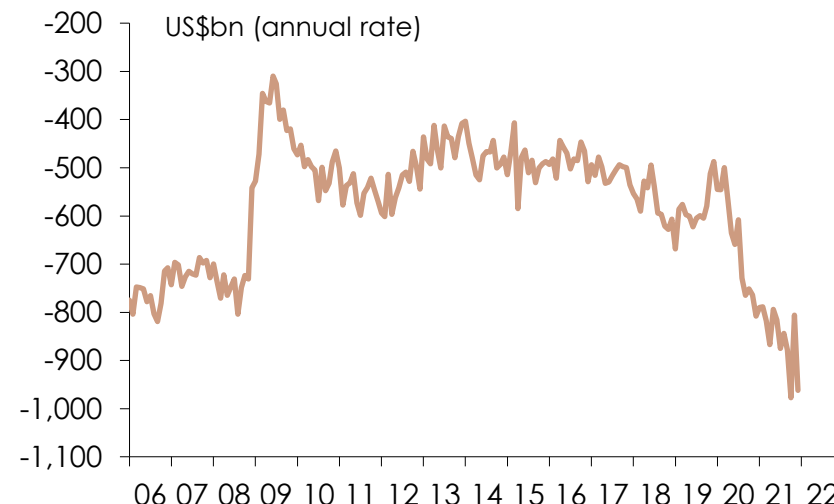
US services trade balance



US bilateral goods trade balances



US goods & services trade balance



- ❑ The US goods trade deficit widened by US\$15bn to a new record \$98bn in November, reversing the sharp fall in October
 - exports fell 1.8%, after an 11.1% increase in October, with declines in most broad categories except food & beverages, while imports rose 5.1%, the largest monthly increase since March
- ❑ The services surplus widened by \$2.1bn to \$18.8bn in November
 - services exports rose 5.0% while services imports rose 2.3%
- ❑ November's combined goods and services deficit of \$80.2bn was \$13bn larger than October's, and second only to the record \$81.4bn deficit in September
 - for the first eleven months of 2021 the goods and services deficit was \$785bn, up from \$611bn in the corresponding period of 2020
 - the deficit for 2021 as a whole seems likely to exceed \$800bn, well above the previous record of \$755bn in 2006

Source: US Census Bureau, [Foreign Trade](#); and US Bureau of Economic Analysis, [U.S. International Trade in Goods and Services](#). [Return to "What's New"](#).

The US Federal Reserve is likely to complete its 'tapering' of asset purchases by March, and will raise rates three, or possibly four, times this year

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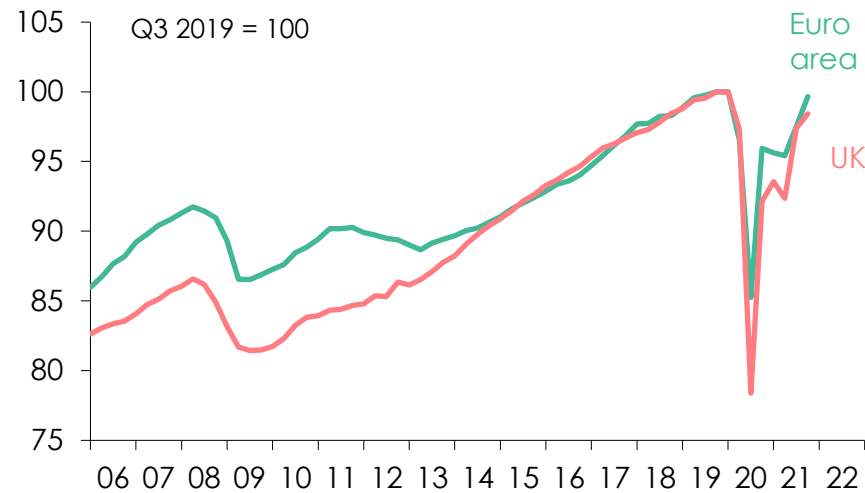
- ❑ At its last meeting for 2021, the US Federal Reserve's [Federal Open Market Committee](#) decided to accelerate the 'tapering' of its asset purchases
 - it will now reduce its purchases of US Treasuries and mortgage-backed securities by US\$20bn and \$10bn a month, respectively, implying that purchases would cease by mid-March, three months sooner than previously foreshadowed
- ❑ Given that the Fed has previously insisted that it wouldn't start raising rates before ending its 'QE', this decision clears the way for interest rates to begin sooner than previously signalled
 - a prospect which was clearly reflected in [Board members' and regional Presidents' projections](#) of the 'appropriate path' for the Fed funds rate, the median of which for end-2022 was revised up to 0.9% (cf. 0.3% in September), for end-2023 to 1.6% (from 1.0%) and for end-2024 to 2.1% (from 1.8%)
- ❑ In his [post-meeting press conference](#) Fed Chair Jerome Powell noted that inflation had "exceeded 2% for some time", with price increases having now "spread to a broader range of goods and services", and that all FOMC members now expected that "labour market conditions consistent with ... maximum employment" (the Fed's other 'test' for beginning to raise interest rates) "will be met next year"
 - the median projection for 'core' PCE inflation at end-2022 was raised to 4.4% (from 3.7%) and for end-2022 to 2.6% (from 2.2%), while the median projection for unemployment at the end of this year was lowered to 3.7% (from 4.4%) and for the end of next year to 3.5% (from 3.8%), at which it is then expected to remain through 2023
- ❑ At their Senate confirmation hearings this week both [Powell](#) and incoming Vice-Chair [Lael Brainard](#) nominated "getting inflation back down to 2% while sustaining recovery" as their "most important task"
 - other senior Fed officials, including [St Louis Fed President James Bullard](#), [Chicago Fed President Charles Evans](#) and [Philadelphia Fed President Patrick Harker](#) this week all foreshadowed support for four increases in the fed funds rate this year, starting in March

Europe

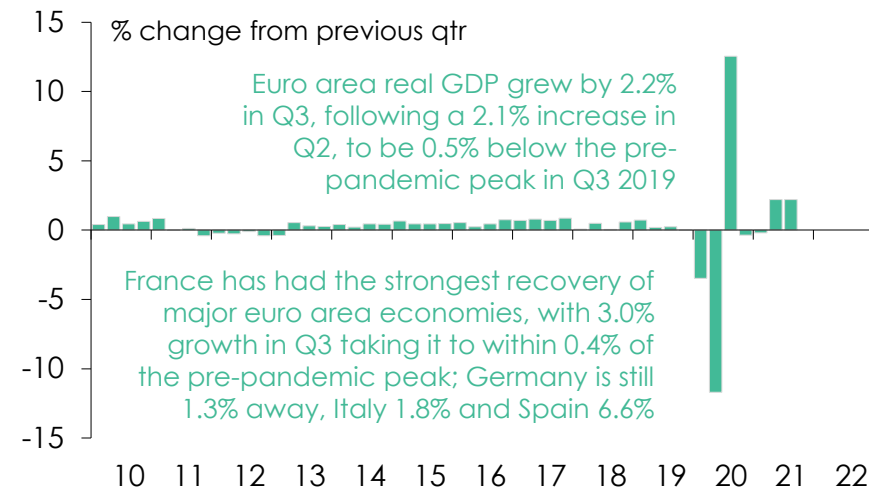
The euro area had a smaller contraction in economic activity in 2020, and has since had a stronger rebound, than the UK

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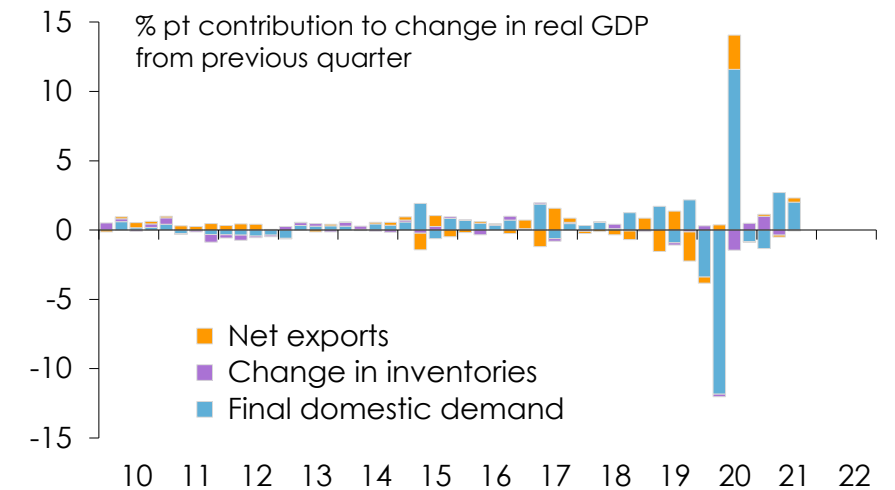
Euro area and UK real GDP



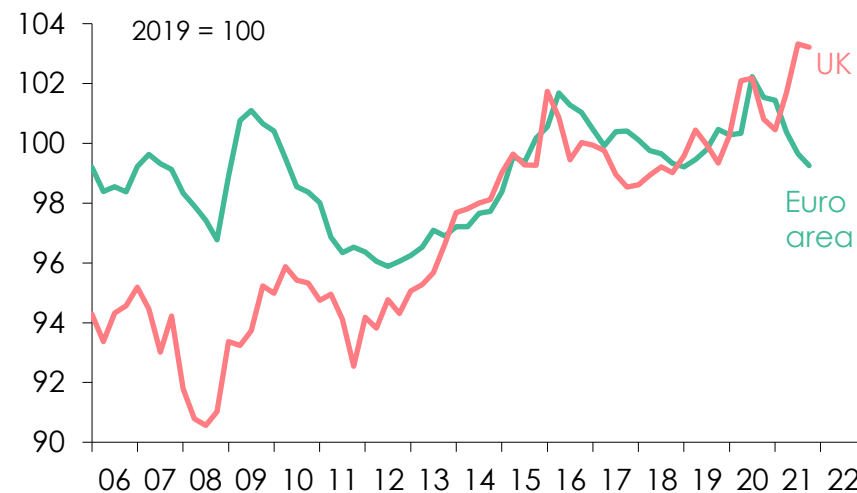
Euro area quarterly GDP growth



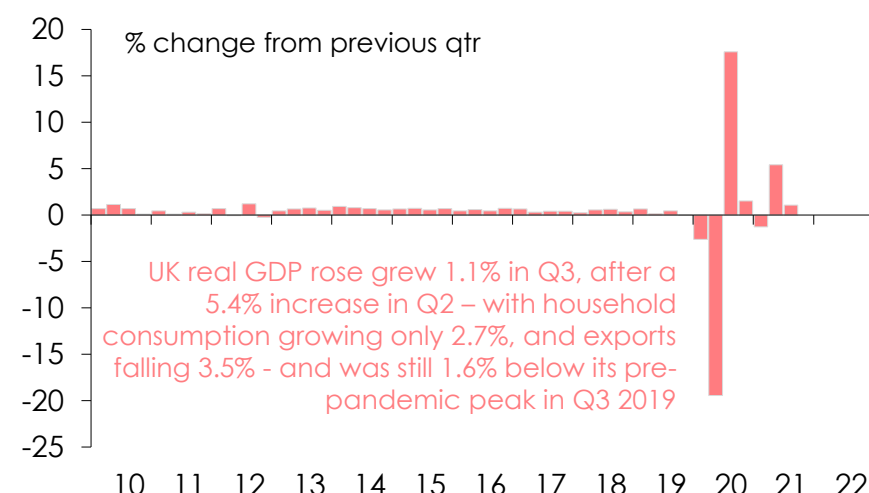
Contributions to quarterly EA GDP



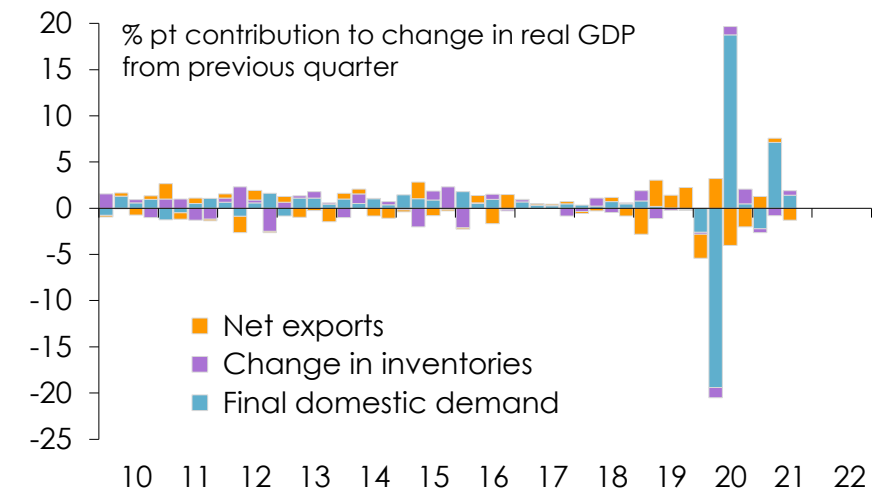
Euro area and UK terms of trade



UK quarterly GDP growth



Contributions to quarterly UK GDP

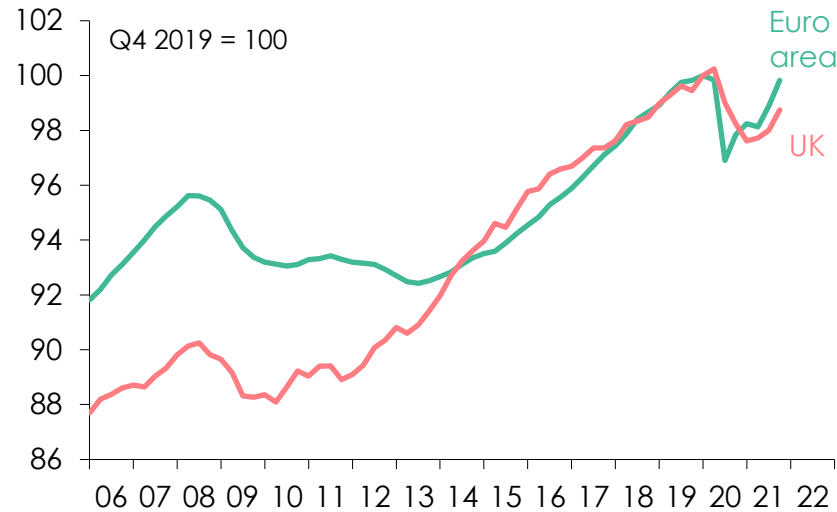


Note: the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded with the rest of the world. Sources: Eurostat, [National accounts - Main tables](#); UK Office for National Statistics, [GDP quarterly national accounts time series](#). [Return to "What's New"](#).

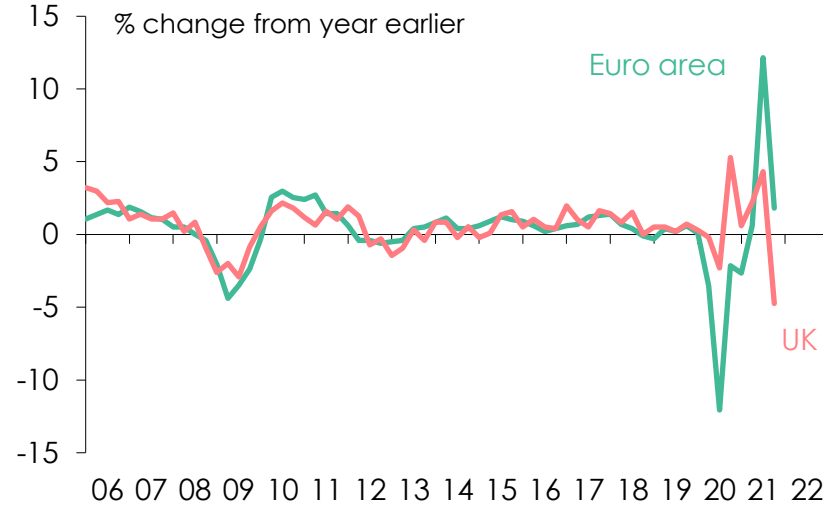
Unemployment is much lower in the UK than in the euro area, but in other respects euro area households are in a stronger position

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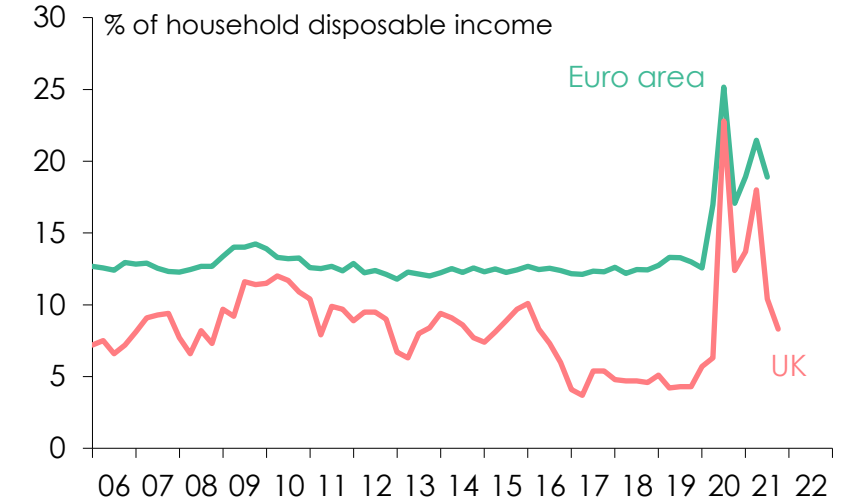
Employment



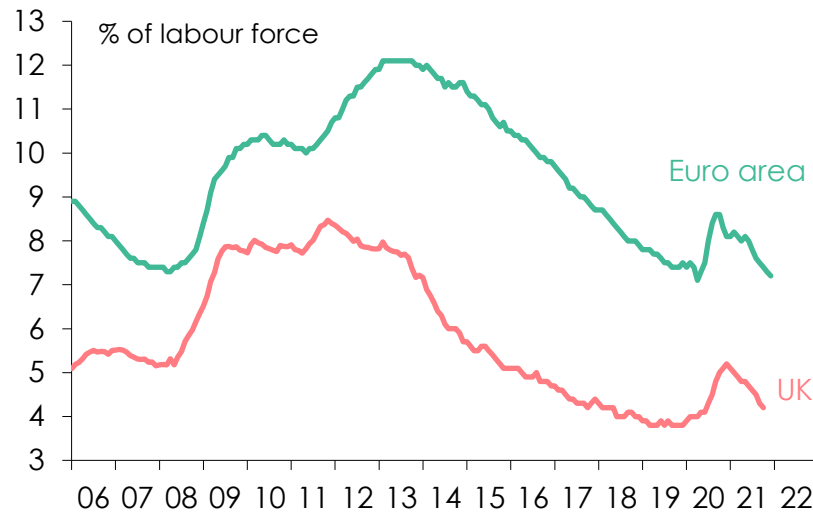
Labour productivity



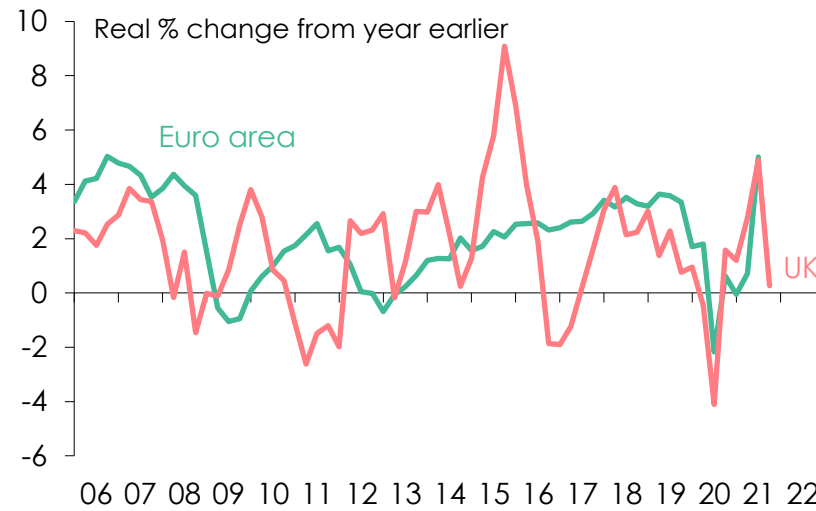
Household saving rates



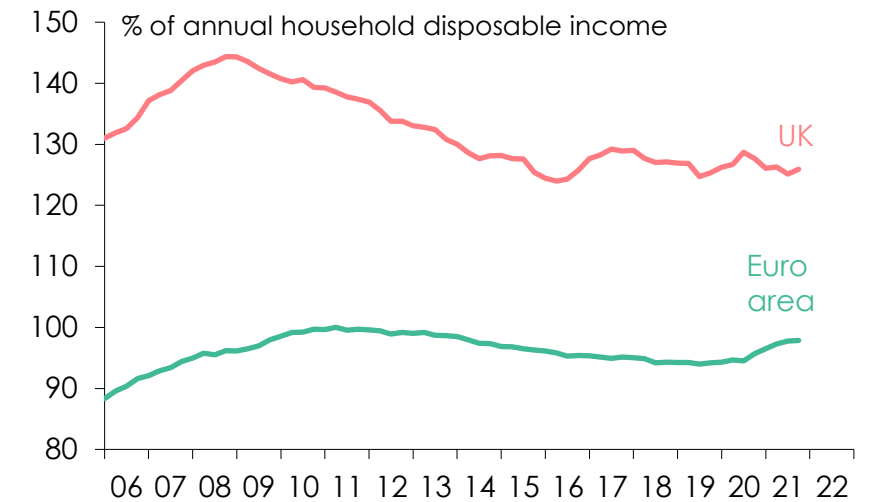
Unemployment rates



Household disposable income



Household debt

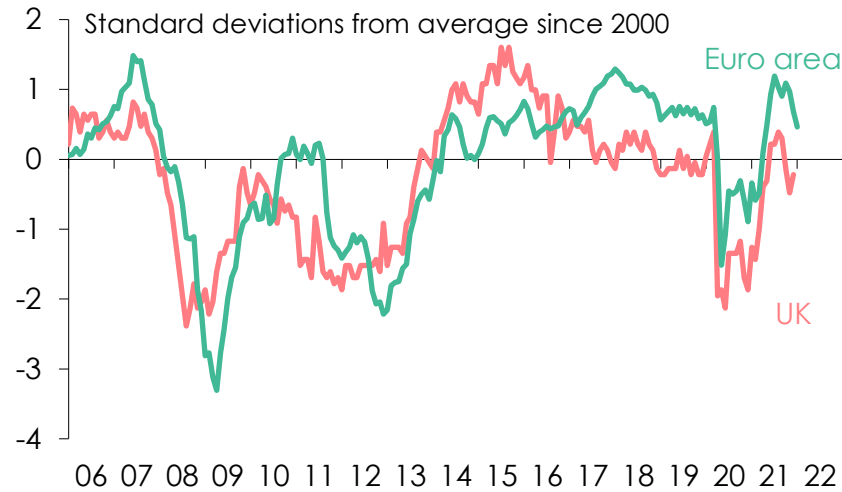


Sources: Eurostat, [Employment and unemployment \(Labour force survey\)](#), [Household saving rate](#) and [Labour productivity and unit labour costs](#); UK Office for National Statistics, [Employment in the UK](#), [Unemployment rate](#) (note, UK unemployment data are shown as a three-month moving average), [Labour productivity](#), and [UK Economic Accounts time series](#); Bank for International Settlements, [Credit to the non-financial sector](#). [Return to "What's New"](#).

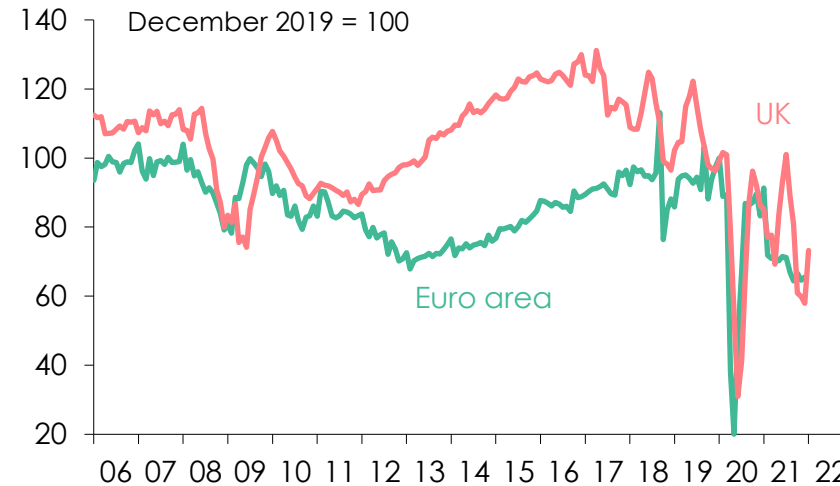
Higher-frequency data also show the euro area economy doing better than the UK – except in housing

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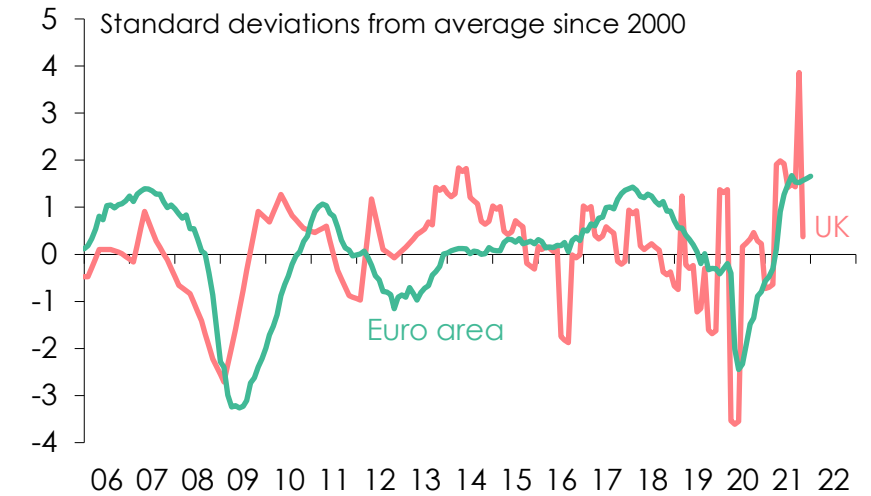
Consumer confidence



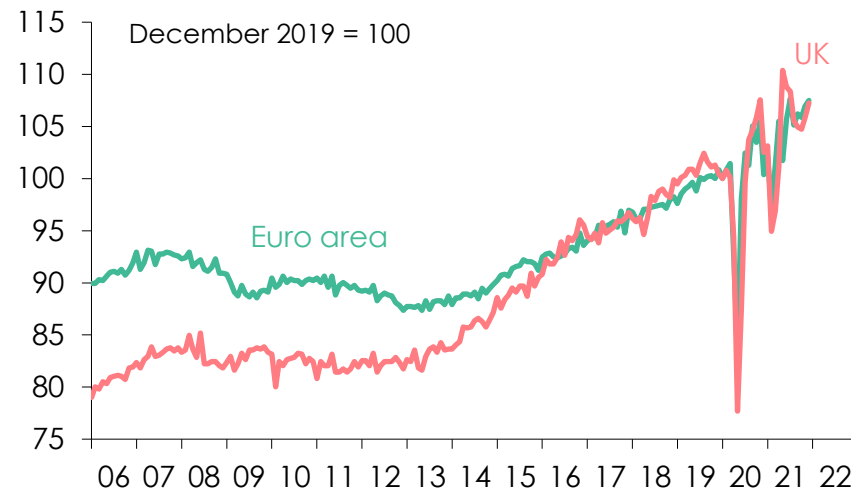
New car registrations



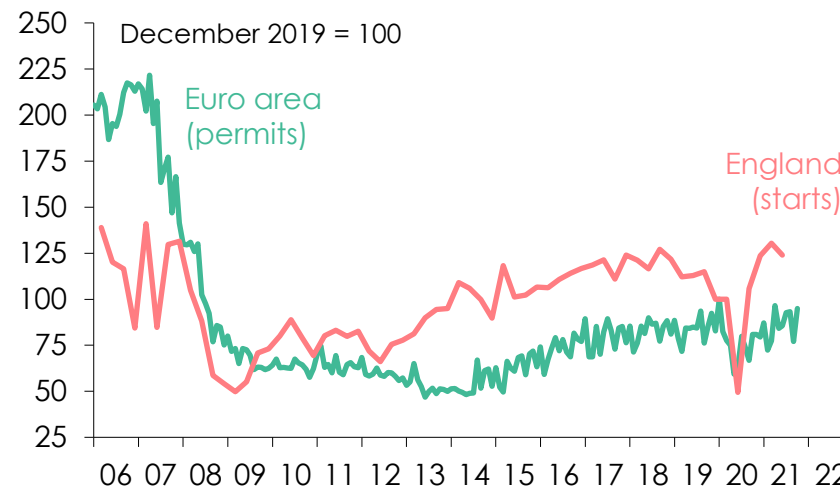
Business confidence



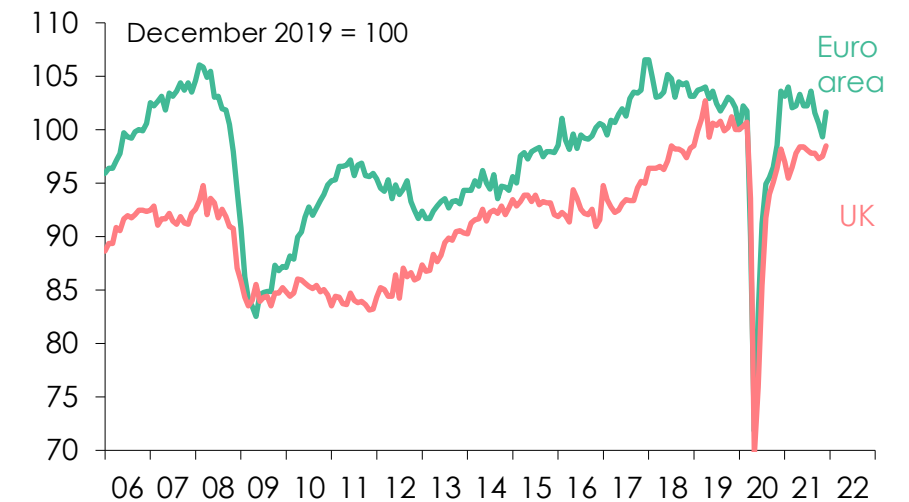
Retail sales volume



Housing activity



Manufacturing production

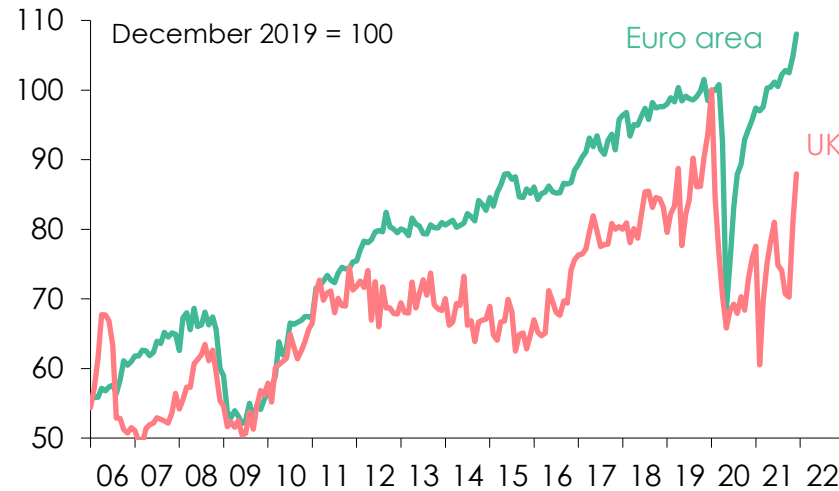


Sources: European Commission, [Business and consumer surveys](#); GfK, [Consumer confidence barometer](#); Confederation of British Industry, [Industrial Trends Survey](#); Eurostat, [Turnover and volume of sales in wholesale and retail trade](#), [New registrations of passenger cars](#), [Building permits - monthly data](#) and [Production in industry](#); UK Office for National Statistics, [Retail industry](#), [House building data, UK](#), and [Manufacturing and production industry](#); Society of Motor Manufacturers and Traders, [Car registrations](#) (seasonally adjusted by Corinna). [Return to "What's New"](#).

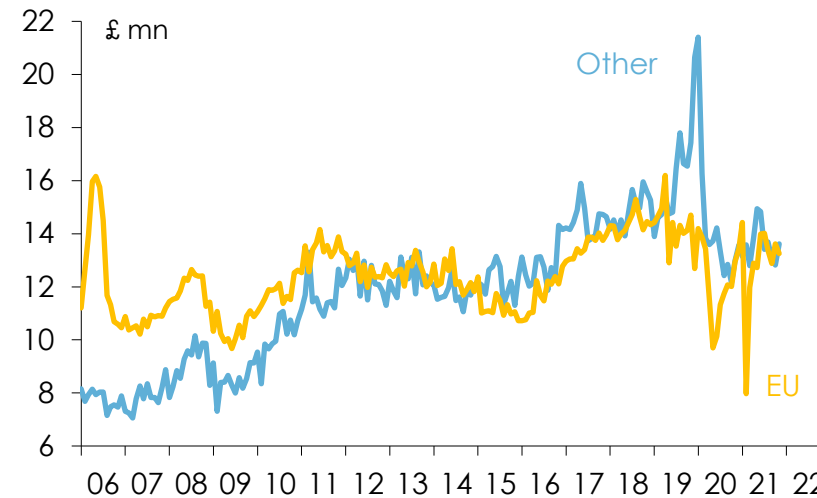
'Brexit' has not been a boon for the UK's trade performance

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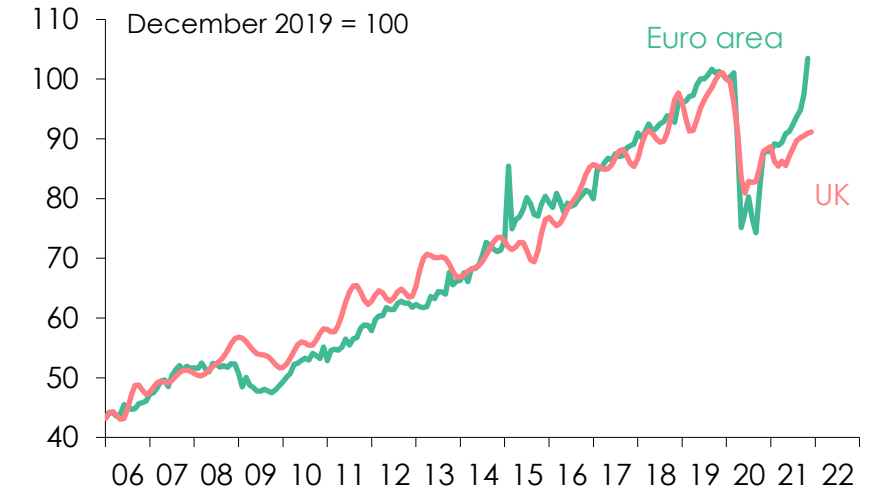
Merchandise exports



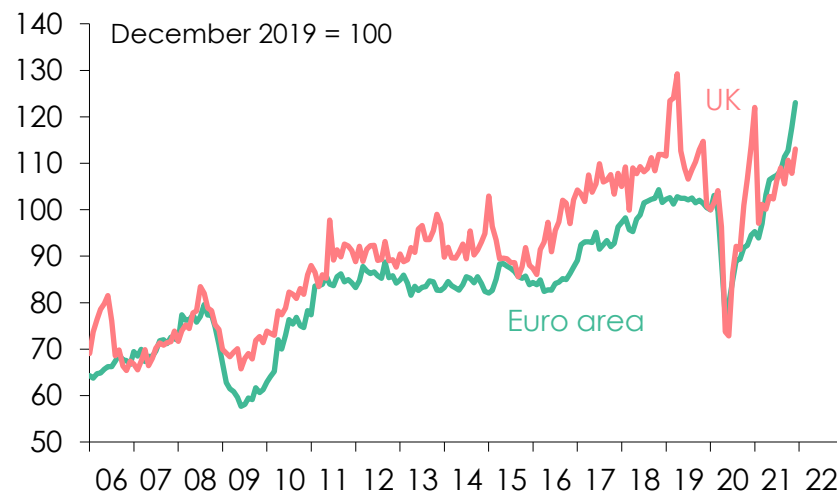
UK exports by destination



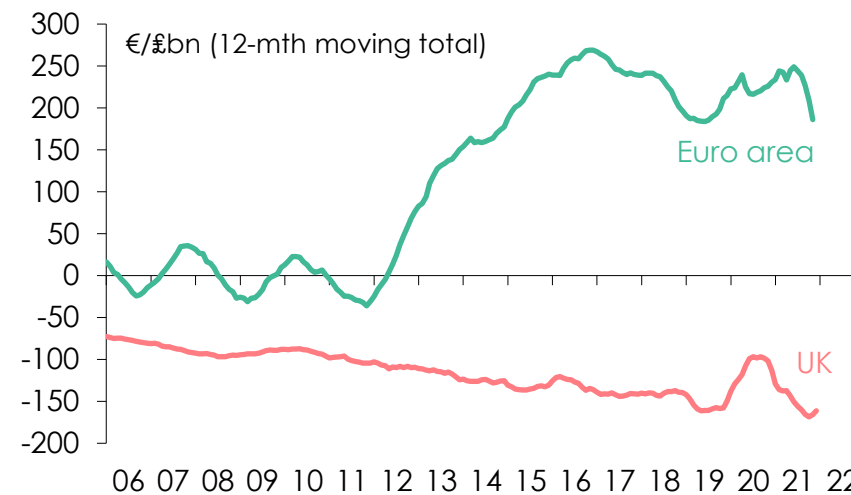
Services exports



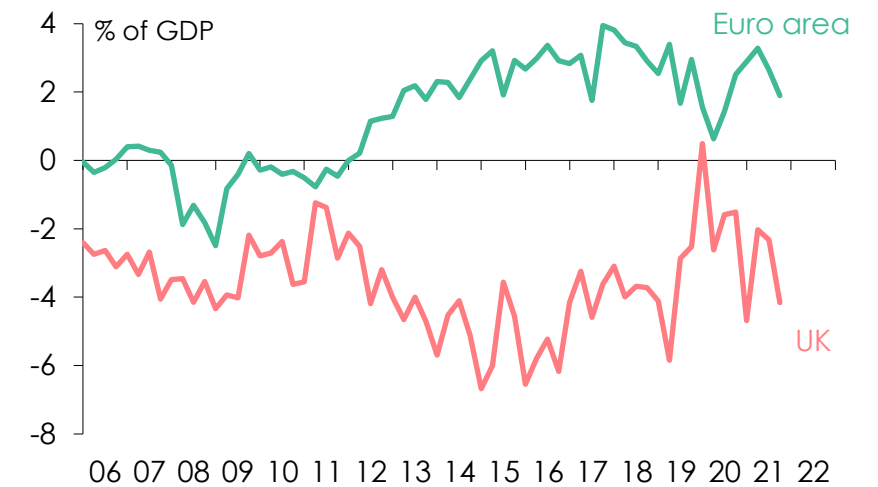
Merchandise imports



Merchandise trade balances



Current account balance

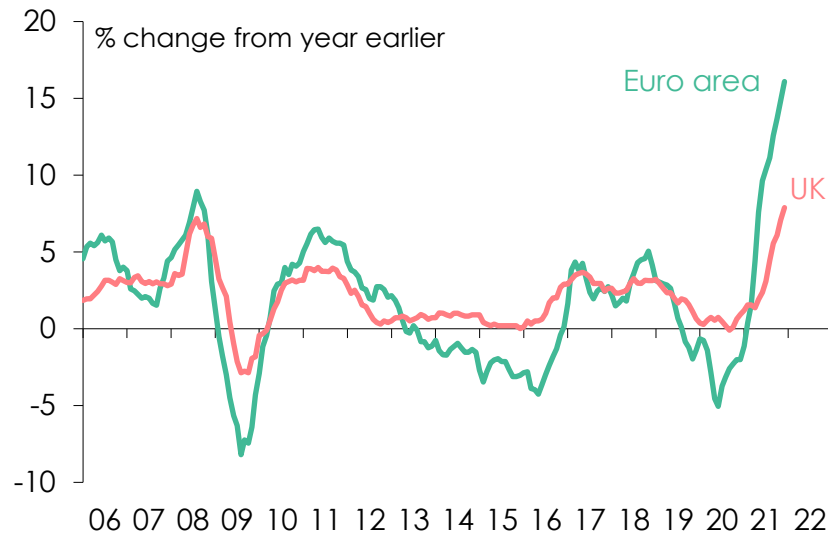


Sources: European Central Bank, Statistical Data Warehouse, [External Trade](#), [Balance of Payments and International Investment Position - Services](#), and [Balance of Payments and International Investment Position - Current Account](#); UK Office for National Statistics, [UK Trade](#) and [BoP Current Account Balance SA £m](#). [Return to "What's New"](#).

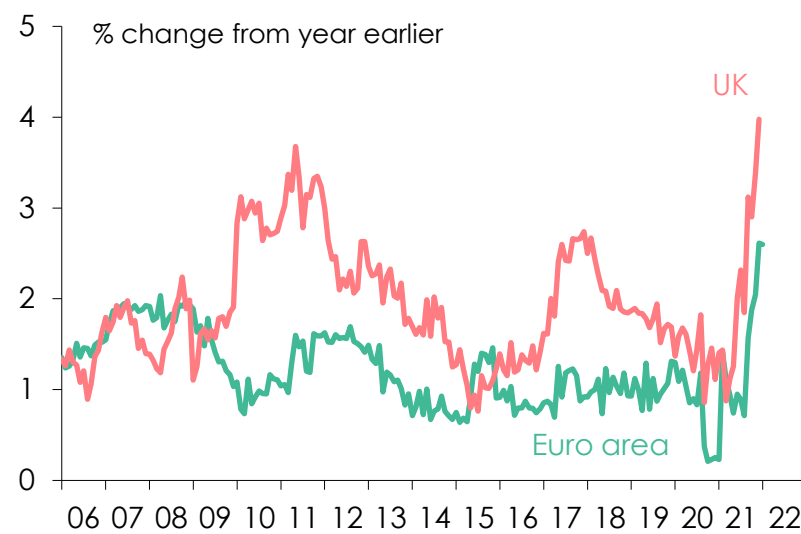
Both the euro area and the UK are confronted by higher inflation, and both also have significant tasks ahead in stabilizing public sector finances

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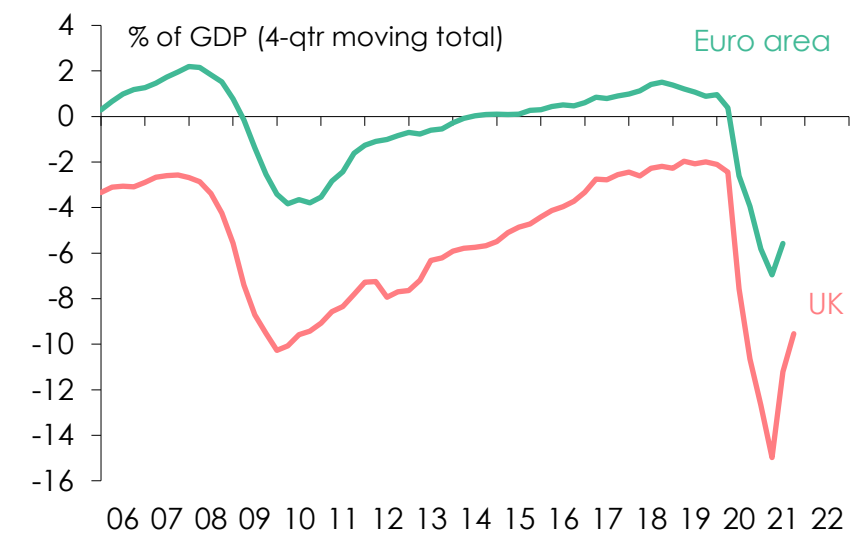
Producer prices



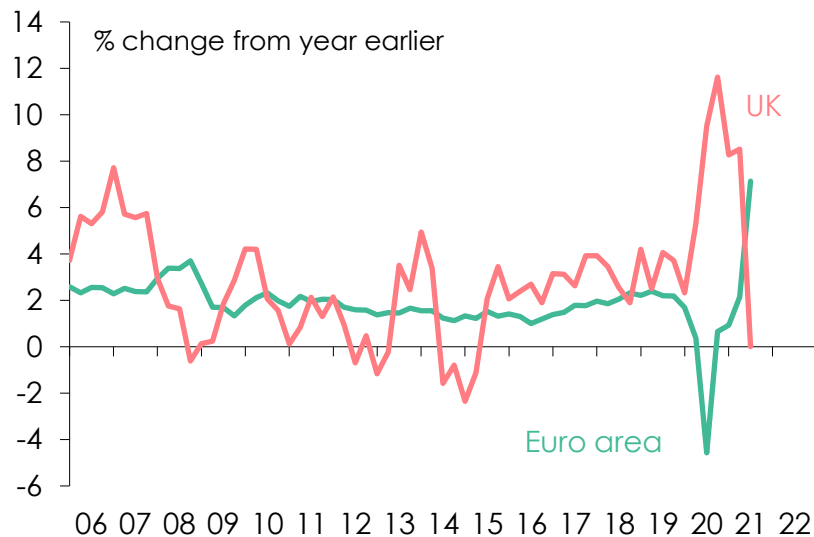
'Headline' consumer prices



Government fiscal balance



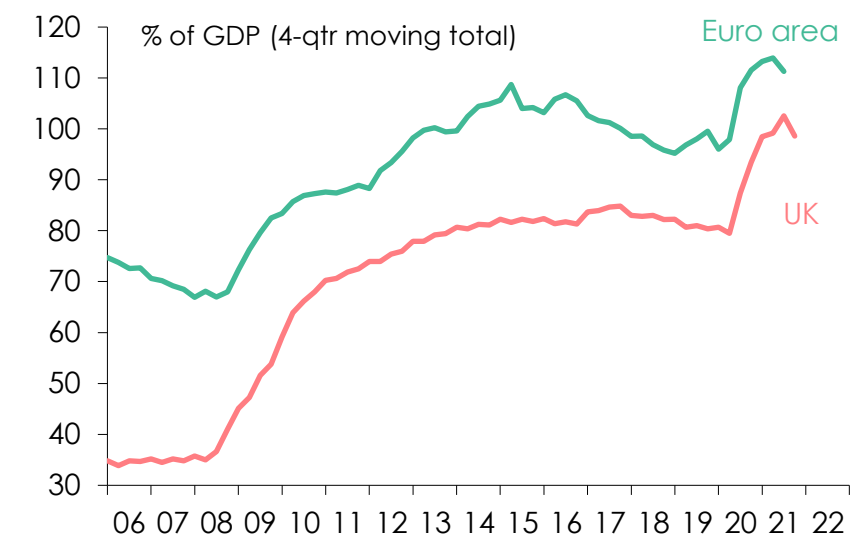
Labour costs



'Core' consumer prices



Government net debt

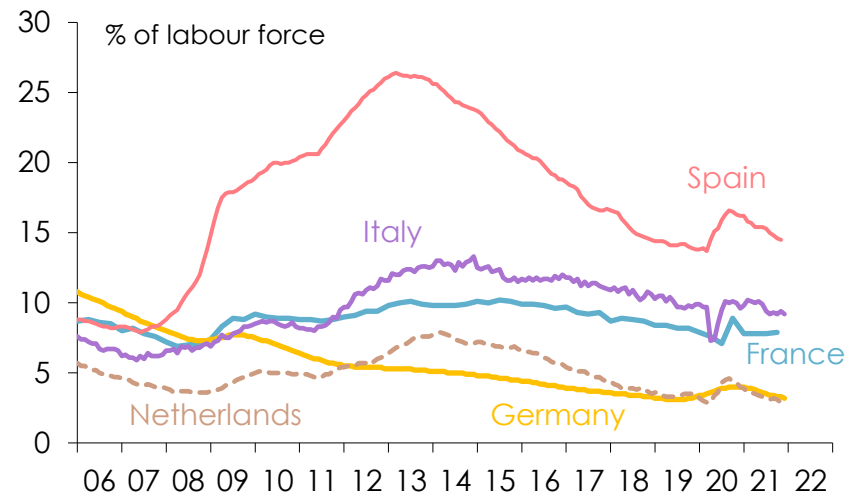


Sources: Eurostat, [Producer prices in industry](#), [Compensation per employee and hours worked per employed person](#), [Consumer price index](#), and [Government finance statistics and EDP statistics](#); UK Office for National Statistics, [Inflation and price indices](#), [Unit labour cost and unit wage cost time series](#) and [Public sector finance](#). [Return to "What's New"](#).

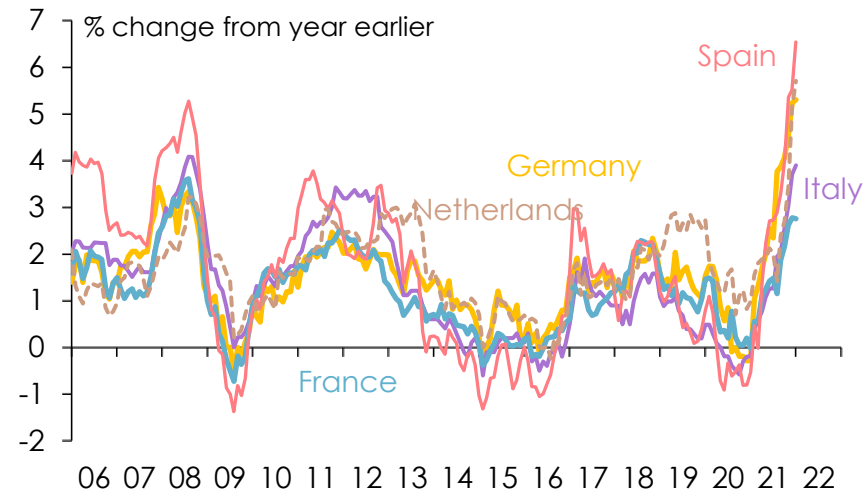
Among the largest euro area member states, Germany and the Netherlands appear to have the most positive overall economic conditions

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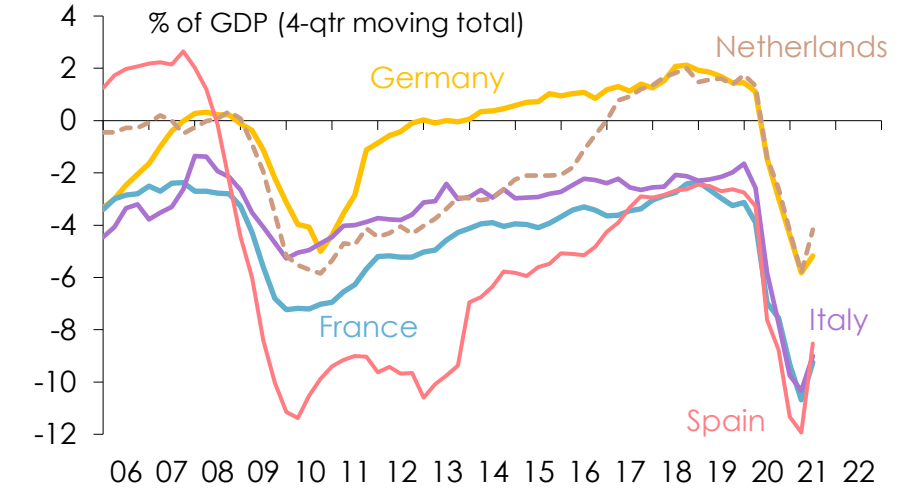
Real GDP



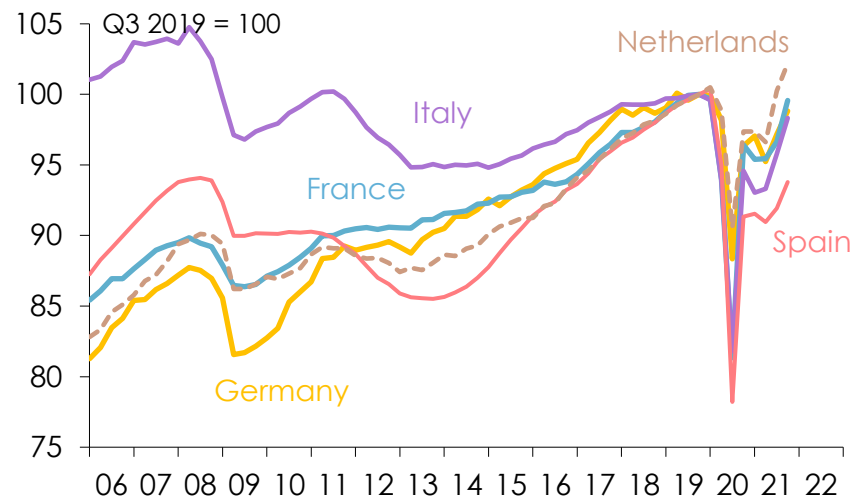
Inflation



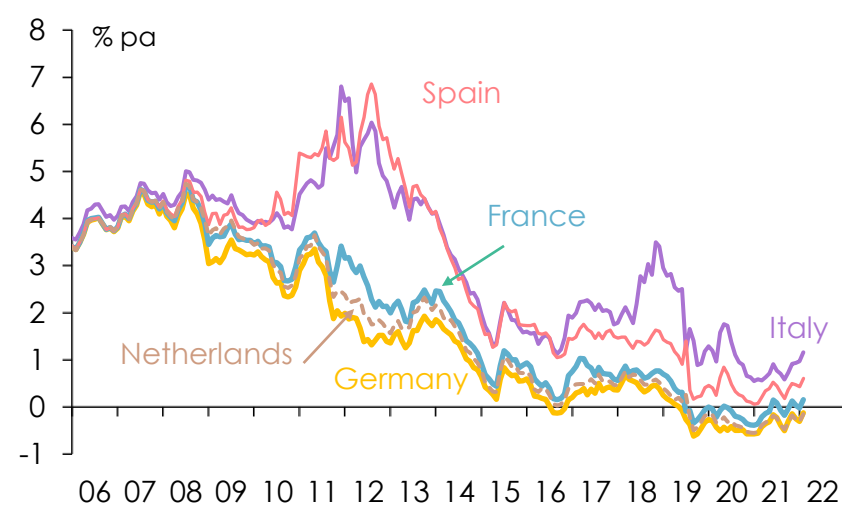
Government net lending



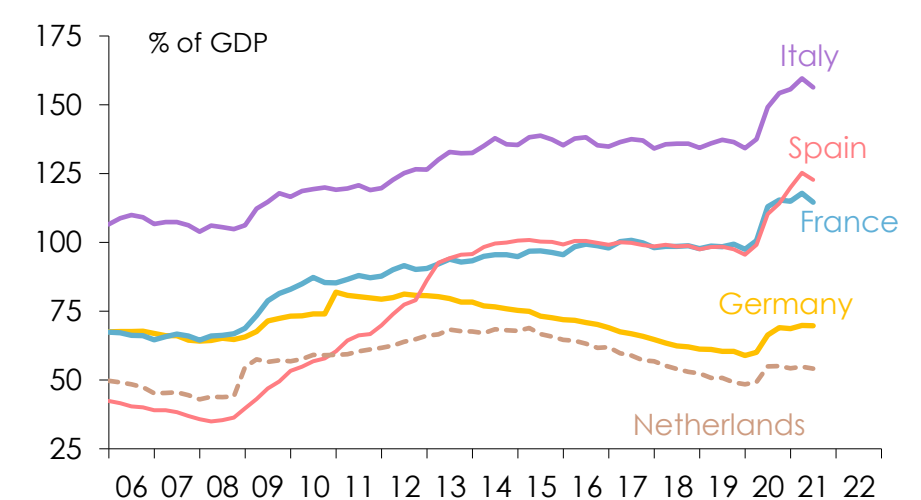
Unemployment



10-year bond yields



Government gross debt



Sources: Eurostat, [National accounts - Main tables](#), [Employment and unemployment \(Labour force survey\)](#), [HICP - all items](#), [Quarterly non-financial accounts for general government](#) and [Quarterly government debt](#); Refinitiv Datastream. [Return to "What's New"](#).

The ECB will terminate its QE at the end of March and may start raising rates “shortly” thereafter, while the BoJ kept its policy settings on hold

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- ❑ The [European Central Bank](#) decided to terminate its asset purchase program at the end of March next year, but kept its policy interest rates unchanged, at its 16th December Governing Council meeting
 - the ECB will conduct net asset purchases under its Pandemic Emergency Purchase Program (PEPP) in Q1 next year “at a lower pace than in the previous quarter” and discontinue them at the end of March (whilst re-investing maturities “until at least the end of 2024”
- ❑ Speaking after the meeting, ECB President Christine Lagarde twice [indicated](#) that the ECB would “start raising interest rates ... clearly shortly after we finish purchasing assets”
 - although the ECB staff expect growth has moderated during Q4 and that “this slower growth is likely to extend into the early part of next year” (due to the omicron variant), activity is expected to “pick up again strongly in the course of next year”
 - the ECB [staff projections](#) for inflation have been revised “significantly higher” for 2022, to 3.2% (from 1.7% in September), falling to 1.8% (previously 1.5%), with the 2022 forecast for wage inflation also revised up to 3.8% (from 2.9%) – in part reflecting a tighter labour market, with unemployment forecast to fall to 7.3% (previously 7.7%) in 2022 and 6.9% (previously 7.3%) in 2024
- ❑ The MPC also foreshadowed that “some [further] modest tightening of monetary policy is likely to be necessary” over the forecast period “to meet the 2% inflation target sustainably”
- ❑ Meanwhile the [Bank of Japan](#) kept its policy rate at -0.1% and maintained its yield-curve control target for 10-year JGBs at 0%, but its purchases of commercial paper and corporate bonds will revert to their pre-pandemic levels from the end of March
 - however the BoJ will extend its program of support to financial institutions for lending to SMEs for another six months until the end of September
 - in its [post-meeting statement](#) the BoJ forecast ‘core’ inflation to “increase moderately in positive territory in the short run, reflecting higher energy prices”, and thereafter “increase gradually as a trend” on the back of “improvement in the output gap and a rise in medium- to long-term inflation expectations”

Last month, the Bank of England raised its Bank Rate for the first time since the onset of Covid-19, while Norges Bank raised its rate for the second time

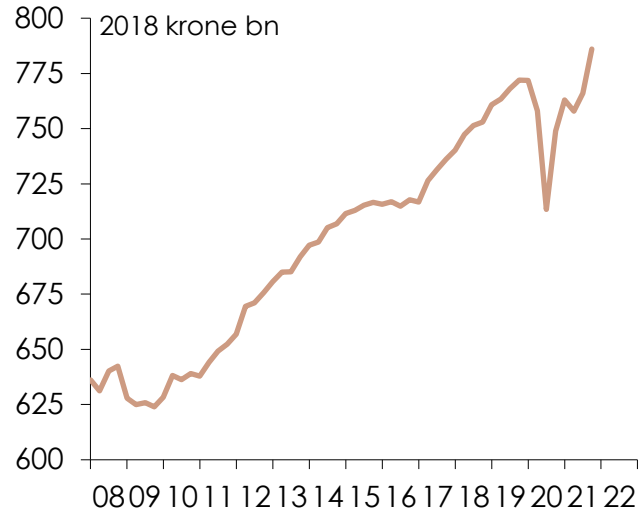
THE WORLD ECONOMY THIS WEEK - 17 January 2022

- ❑ The Bank of England's Monetary Policy Committee raised its Bank Rate by 15 basis points, to 0.25%, at its meeting on 16th December – the first major 'advanced' economy central bank to begin tightening monetary policy
 - the MPC also decided, in effect, to halt its QE program, keeping the target for the total stock of asset purchases at £895bn which is only £2bn above the stock held by the BoE's Asset Purchase Facility as at 15th December
- ❑ The BoE's MPC **judged** that an increase in [the] Bank Rate was "warranted" given that "the labour market is tight and has continued to tighten" (notwithstanding the termination of the UK Government's furlough scheme at the end of September) and that "there are some signs of greater persistence in domestic cost and price pressures"
 - BoE staff expect inflation "to peak at around 6% in April 2022" (with the further increase from 5.1% over the year to November largely the result of hikes in natural gas prices), 1 pc pt higher than forecast in the BoE's November *Inflation Report*
 - while the MPC recognized that the omicron variant could have a dampening impact on economic activity in the short term, it also considered that (in contrast to the initial impact of the virus on inflation), a wide spread of the new variant could result in higher inflation (via supply-chain effects)
- ❑ The MPC also foreshadowed that "some [further] modest tightening of monetary policy is likely to be necessary" over the forecast period "to meet the 2% inflation target sustainably"
- ❑ Norges Bank (Norway's central bank) raised its policy rate by 25 basis points, to 0.50%, at its December Monetary Policy and Financial Stability Committee meeting (having previously lifted it from 0 to 0.25% in September)
 - the MPFSC **assessed** that although 'core' inflation (at 1.3% over the year to November) was still below the target, given the elevated level of 'headline' inflation (5.0% over the year to November) as a result of hikes in electricity prices, and "continued high employment", "the objective of stabilizing inflation around the target ... suggests that the policy rate should be raised towards a more normal level" and that "higher interest rates will also help to counter a build-up of financial imbalance"
 - Governor Øystein Olsen also foreshadowed that "the policy rate will most likely be raised in March"

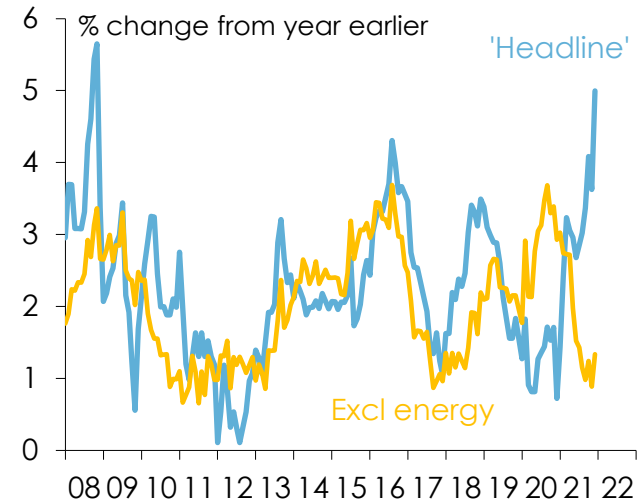
Norway's central bank raised its policy rate twice in the second half of last year, commencing a 'gradual normalization' of monetary policy

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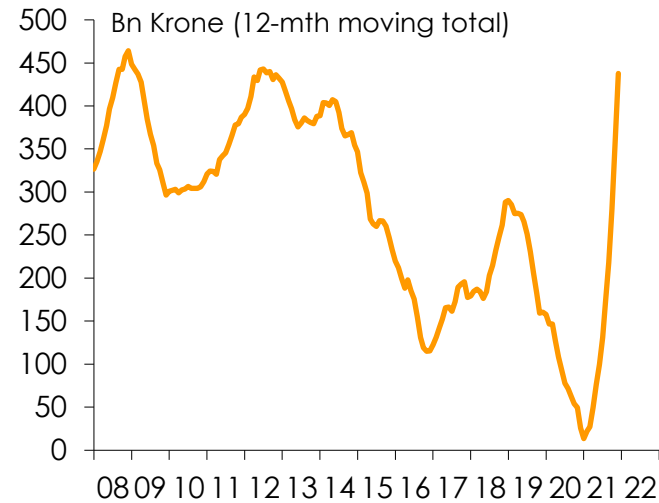
'Mainland' real GDP



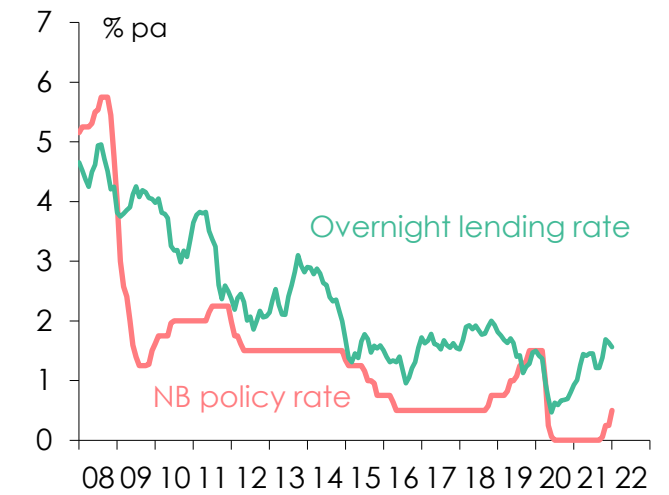
Inflation



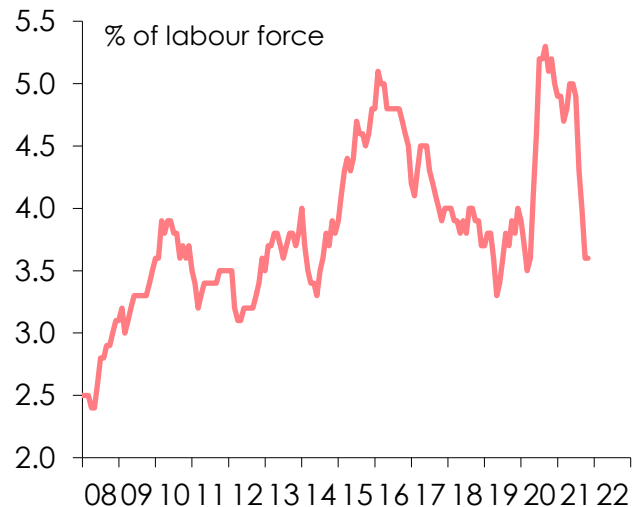
Trade balance



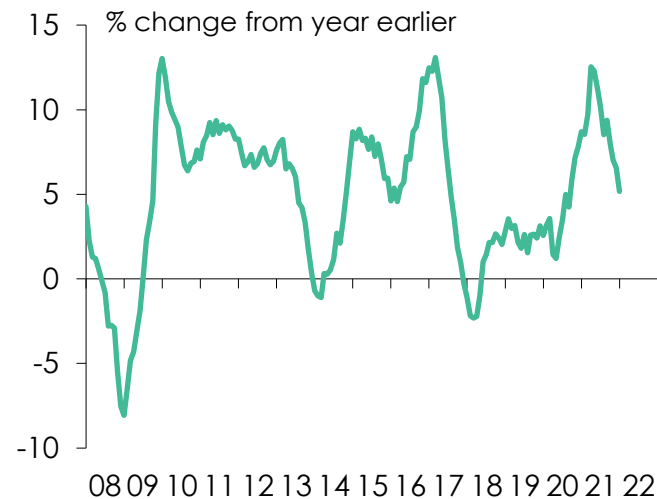
Interest rates



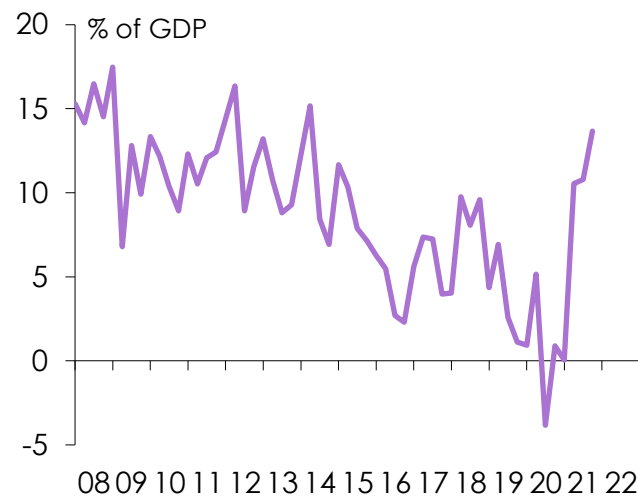
Unemployment



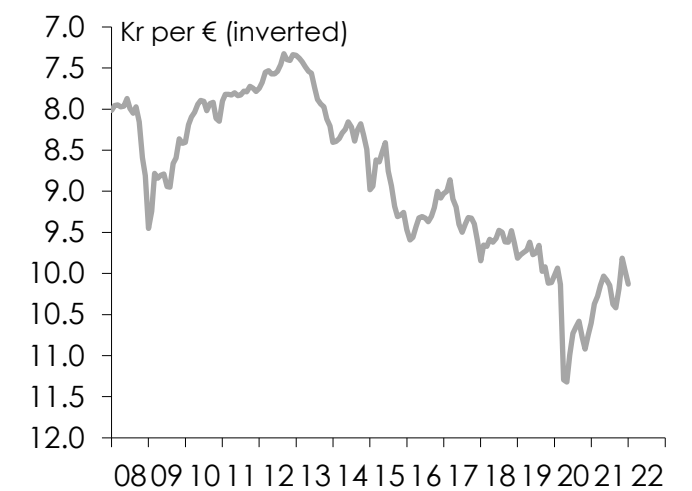
House prices



Current account balance



Krone vs euro

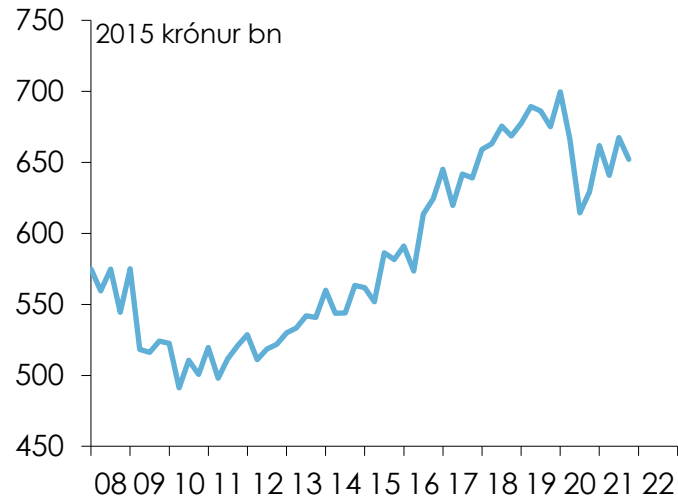


Note: 'mainland' GDP means excluding Norway's oil and gas industry which is entirely located offshore. Sources: [Statistisk sentralbyrå](#); [Norges Bank](#); Refinitiv Datastream.
[Return to "What's New"](#).

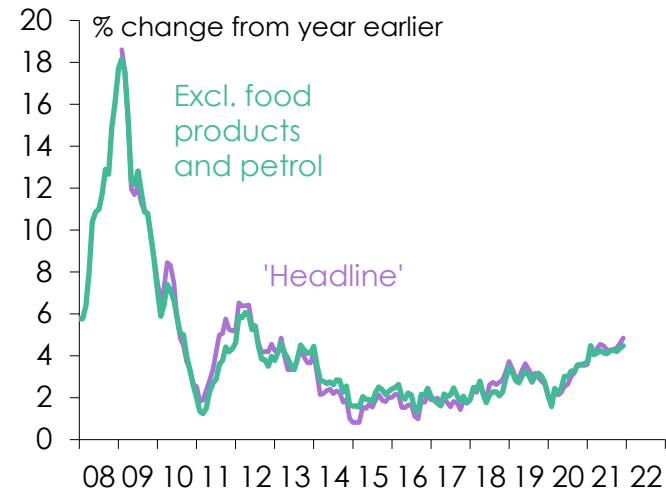
Iceland's central bank raised its policy rate four times during 2021 in response to rising inflation and ongoing increases in house prices

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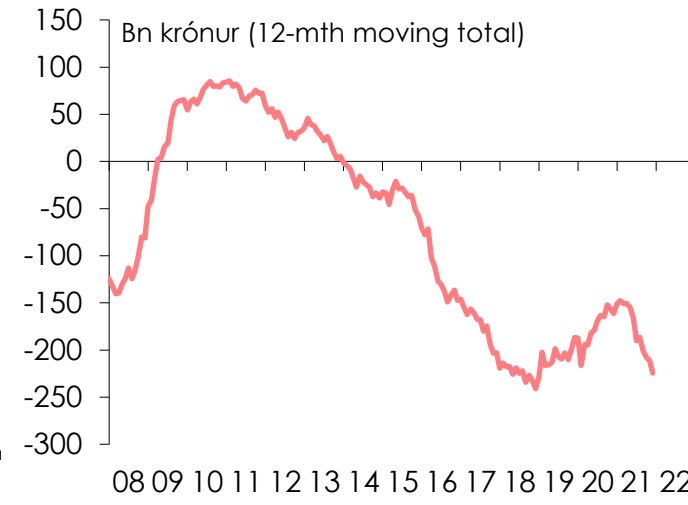
Real GDP



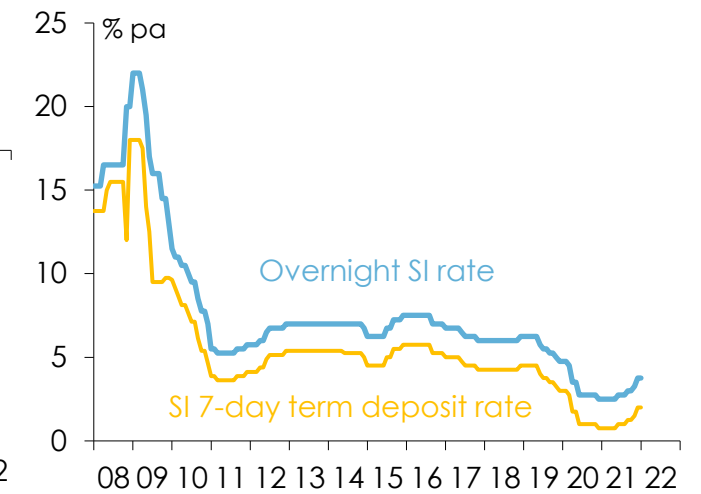
Inflation



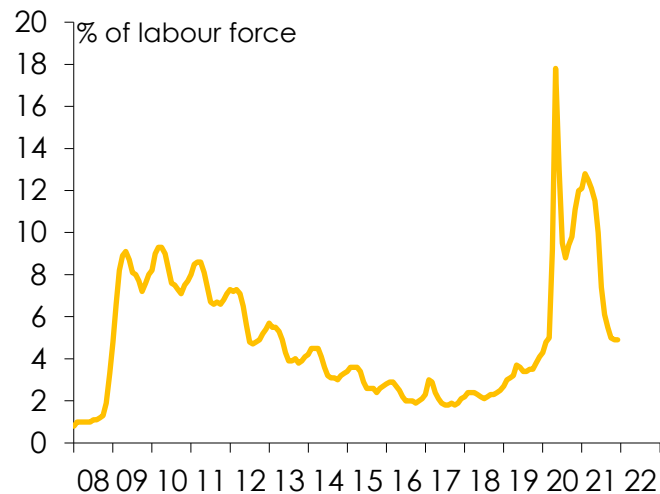
Trade balance



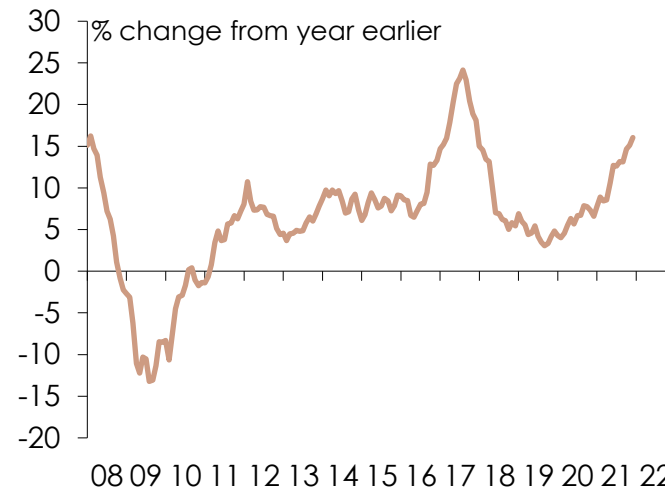
Interest rates



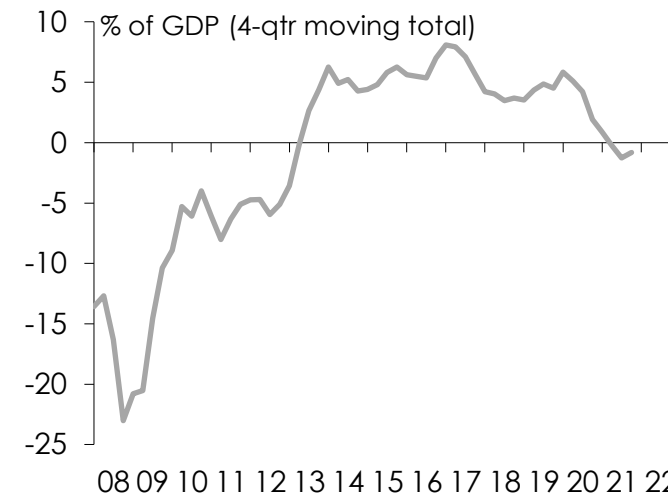
Unemployment



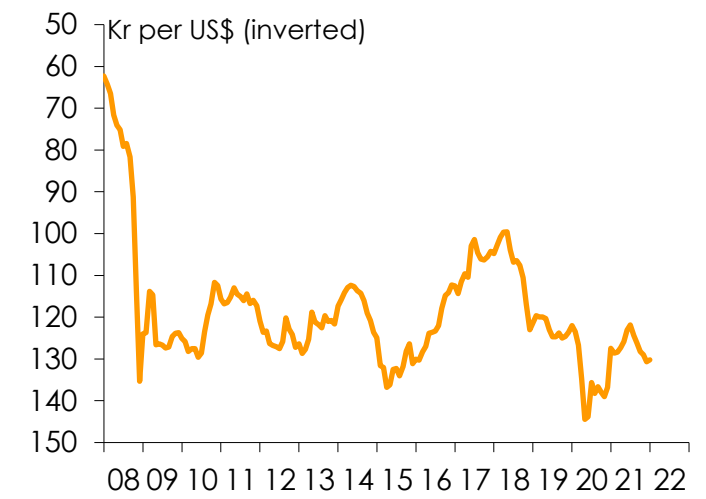
House prices



Current account balance



Króna vs US dollar

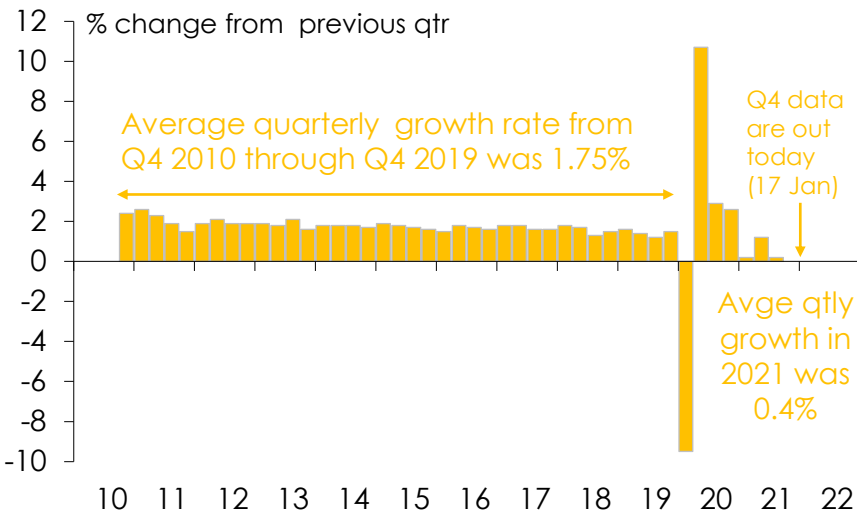


China

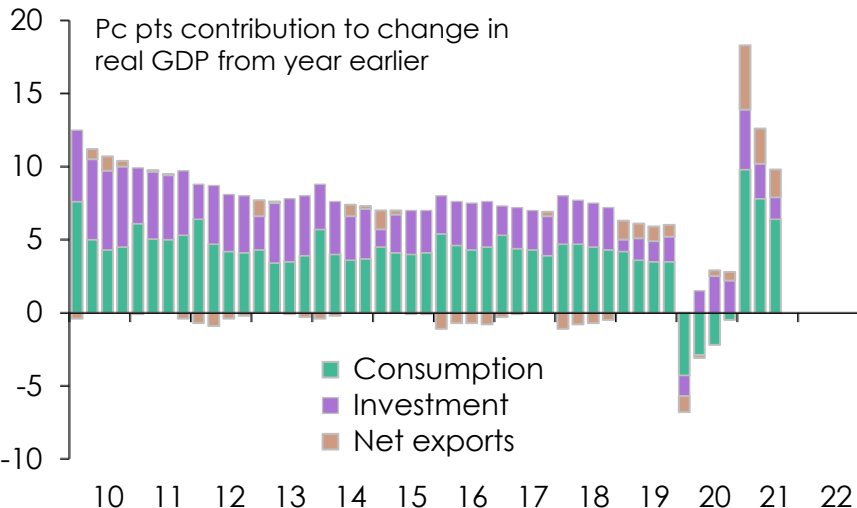
China's economy has recovered from the recession induced by the onset of the pandemic, but the underlying growth rate has slowed markedly

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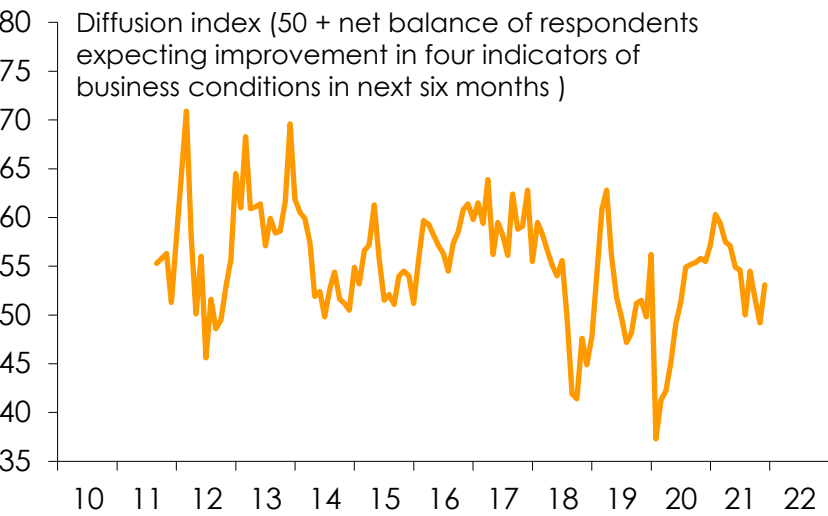
Quarterly real GDP growth



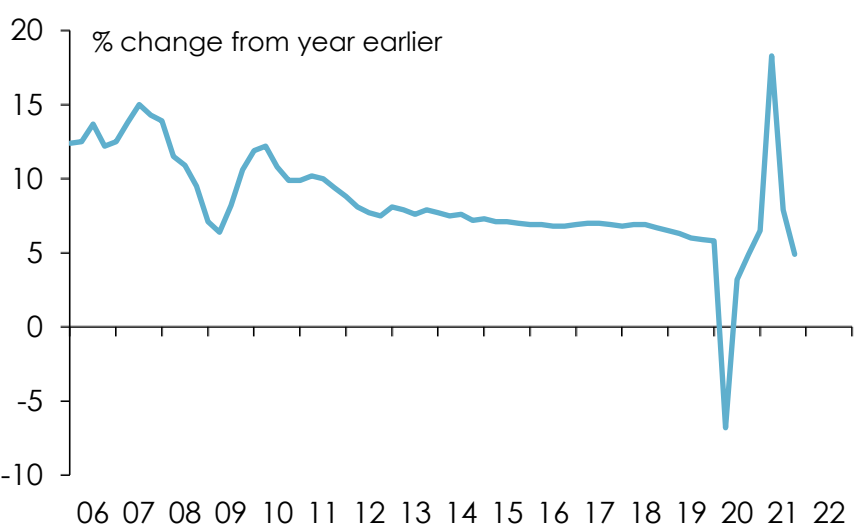
Contributions to real GDP growth



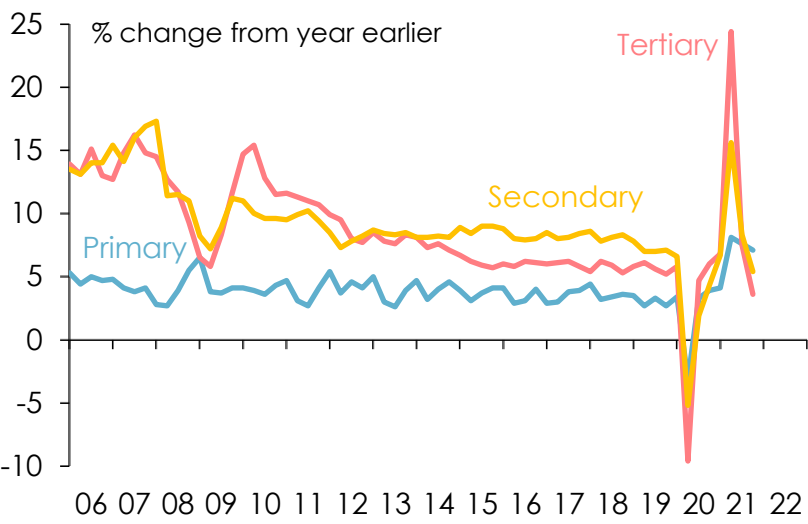
CKGSB business conditions index



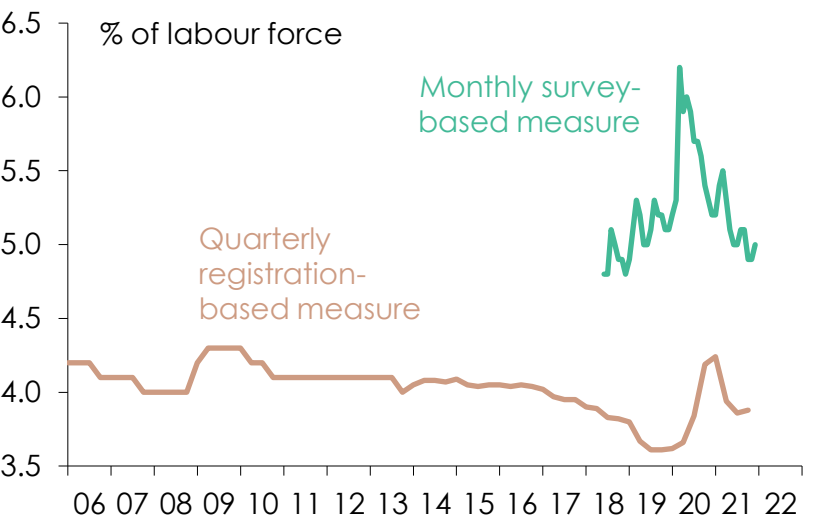
Annual real GDP growth



Annual GDP growth by industry



Urban unemployment rate

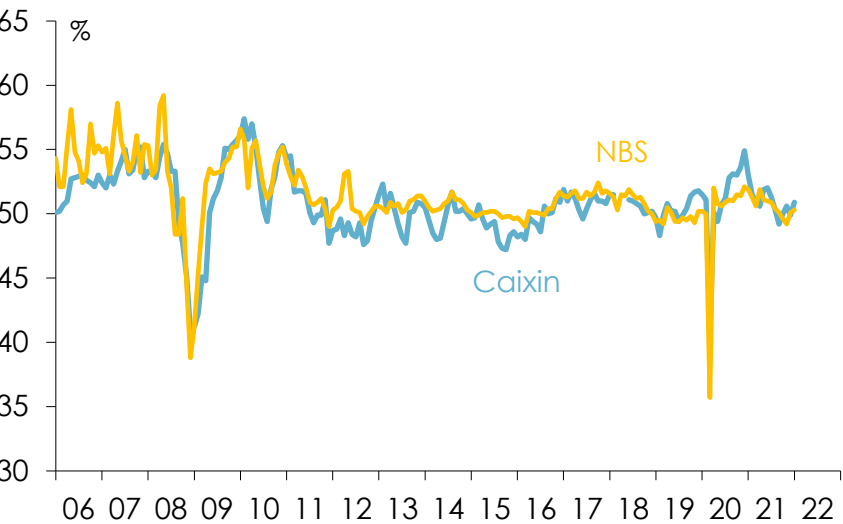


Sources: China National Bureau of Statistics, [National Data - National Accounts](#) and [The Urban Surveyed Unemployment Rate](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#). Before the monthly unemployment survey was introduced in 2018, the quarterly measure was based on registered job-losers, and excluded people who were not born in the city in which they worked, and people aged over 59: for further details see [here](#). [Return to "What's New"](#).

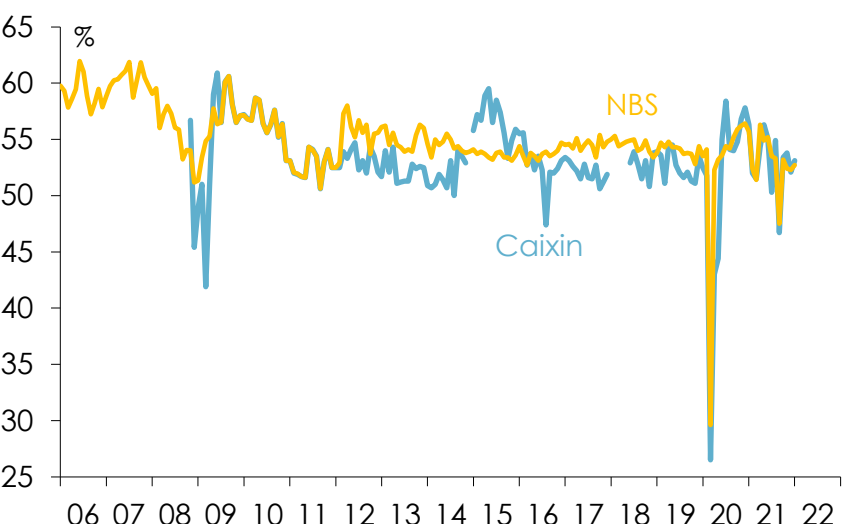
Growth in China's industrial production has picked up a little since the low in September but remains sluggish by the standards of the past 20 years

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Manufacturing PMIs

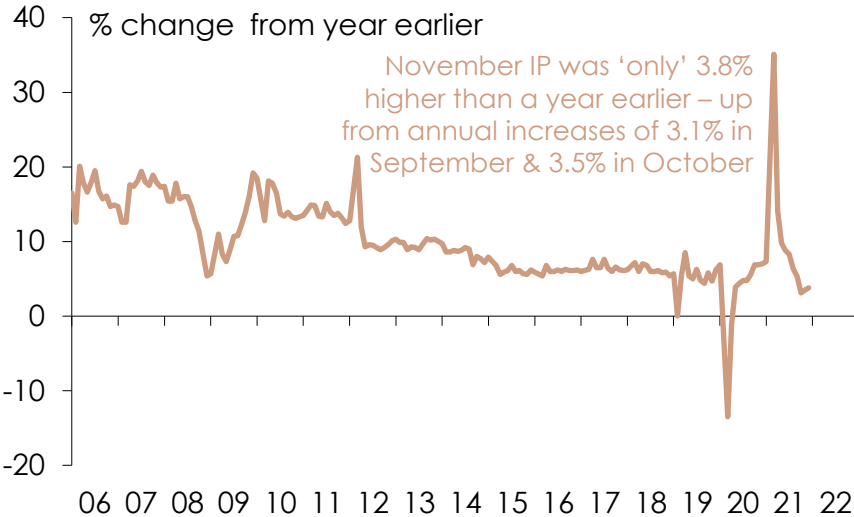


Non-manufacturing PMIs

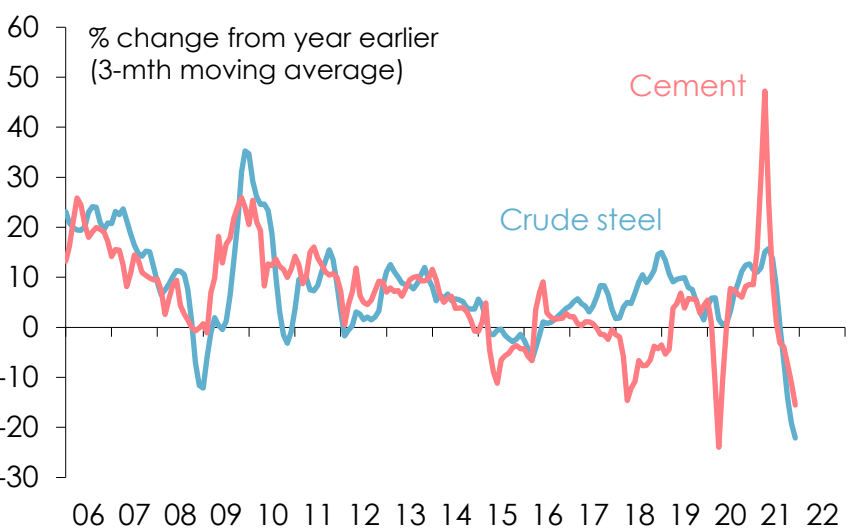


Note: The Caixin PMIs are derived from a survey of around 500, mostly small private, enterprises, while the 'official' NBS PMIs are derived from a survey of about 3,000, mostly state-owned, enterprises; for more detail see [here](#). Sources: China National Bureau of Statistics, [National Data](#); Caixin Global, [Indexes](#); China Association of Automobile Manufacturers, [Production of Automobiles](#). [Return to "What's New"](#).

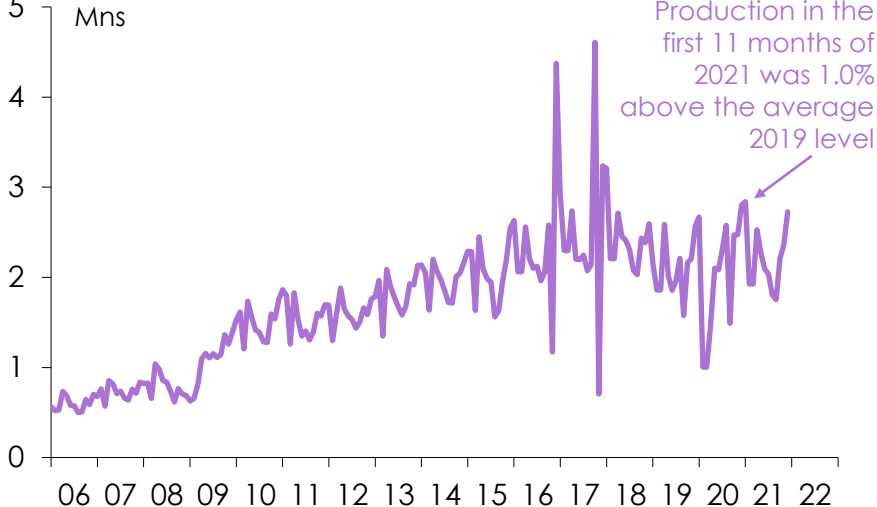
Industrial production



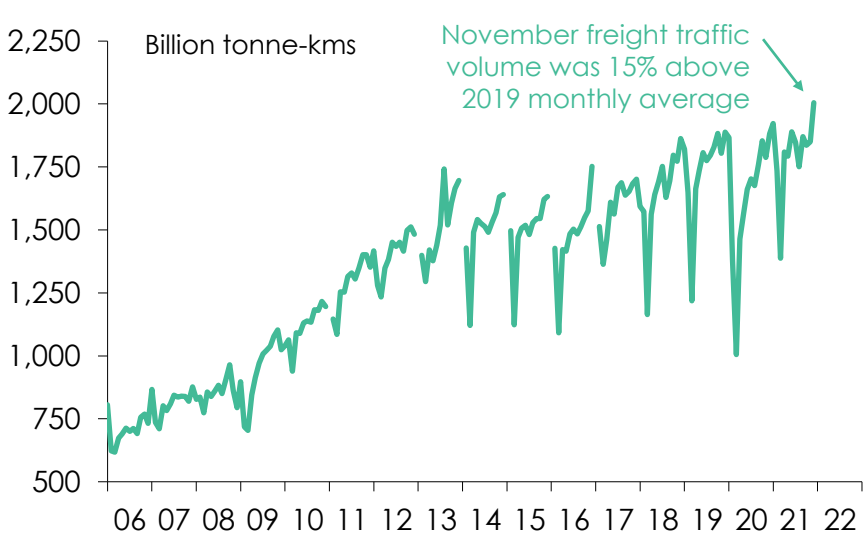
Steel and cement production



Motor vehicle production



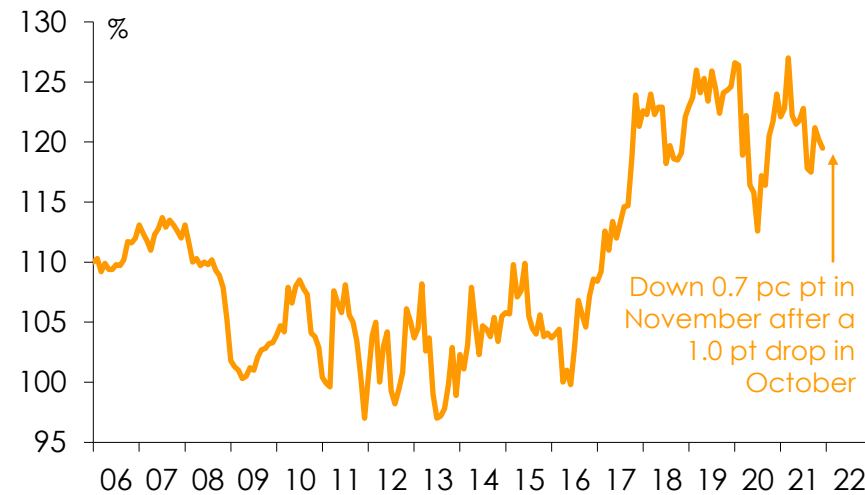
Freight traffic volumes



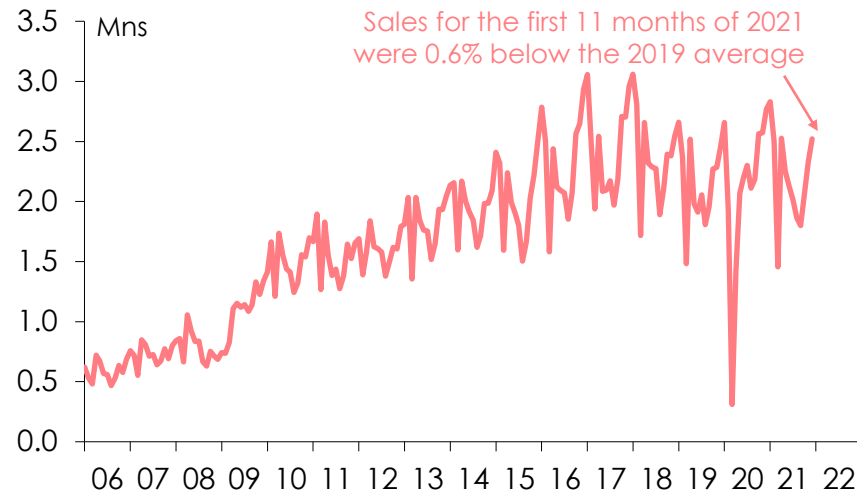
The 'demand' side of China's economy – and in particular the property construction sector – continued to look soft in November

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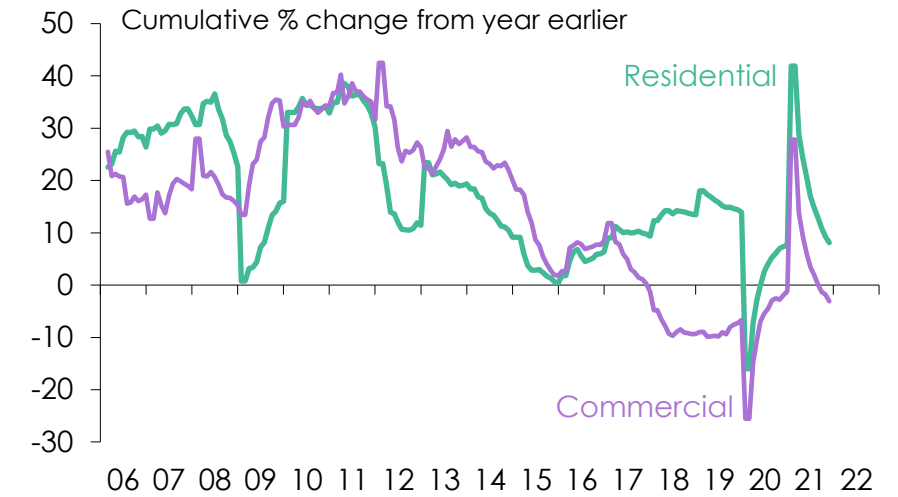
Consumer sentiment



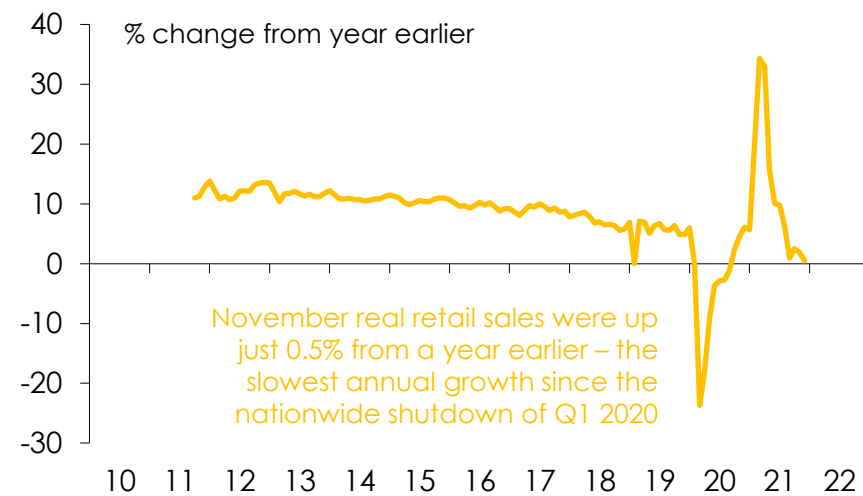
Motor vehicle sales



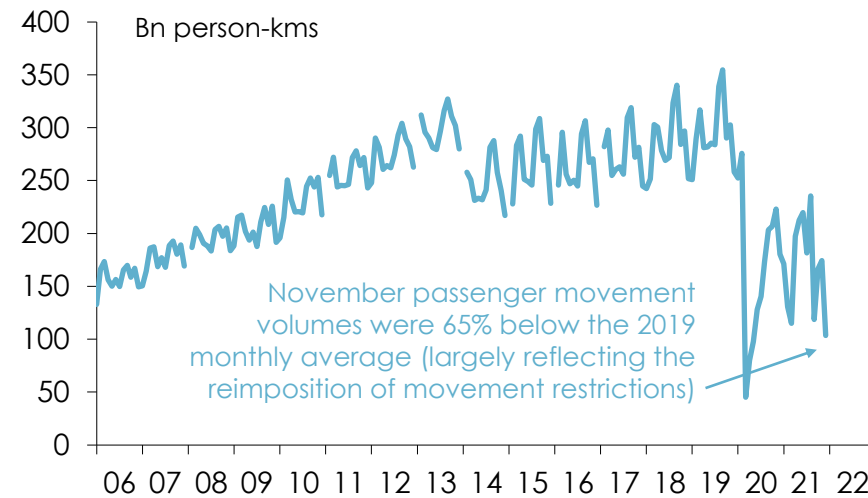
Real estate investment



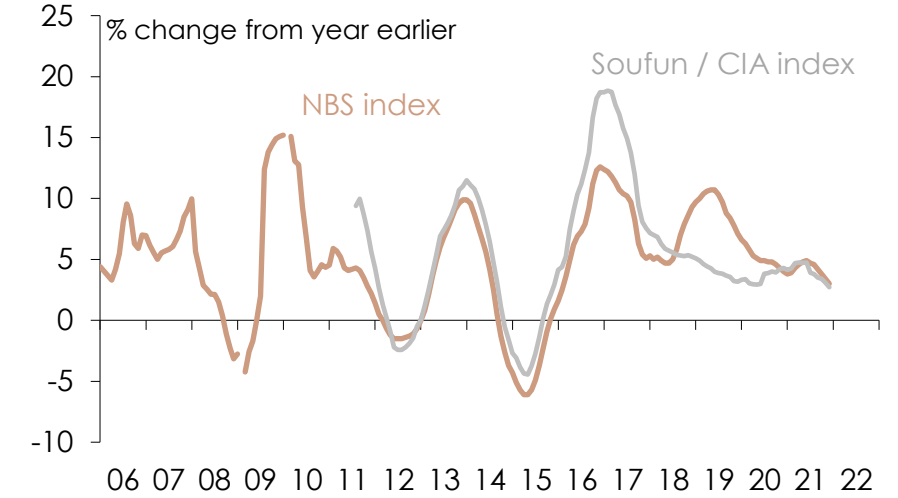
Volume of retail sales



Passenger traffic volumes



Residential real estate prices

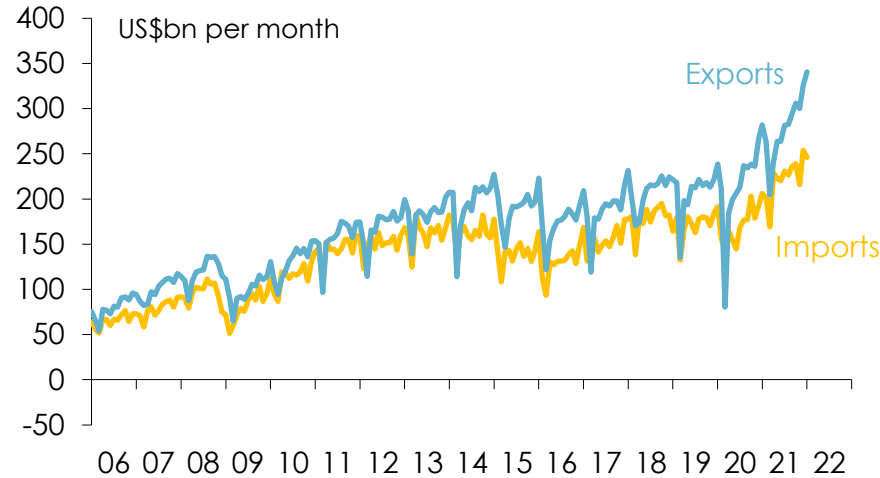


Note: Latest data are for November. Sources: China National Bureau of Statistics, [National Data](#); China Association of Automobile Manufacturers, [Sales of Automobiles](#); China Index Academy, [CREIS China Residential HPI-100 Monthly](#). [Return to "What's New"](#).

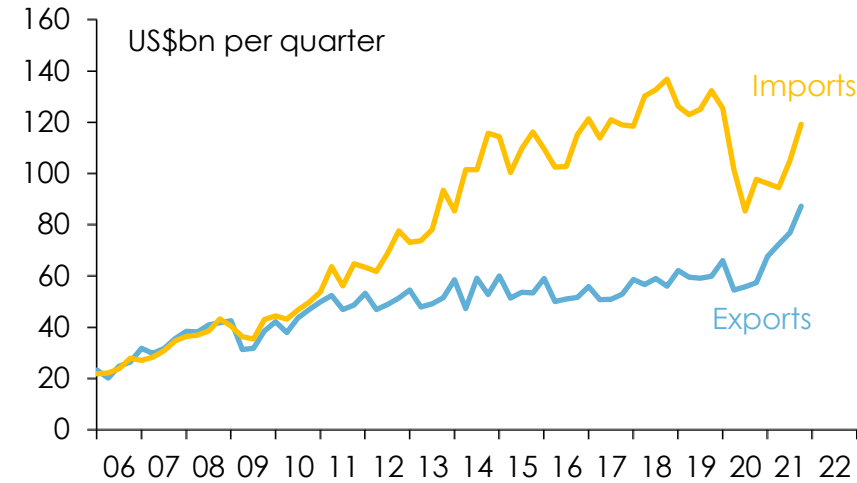
China's merchandise exports have regained 'market share', which along with weaker services imports have seen the current account surplus rise

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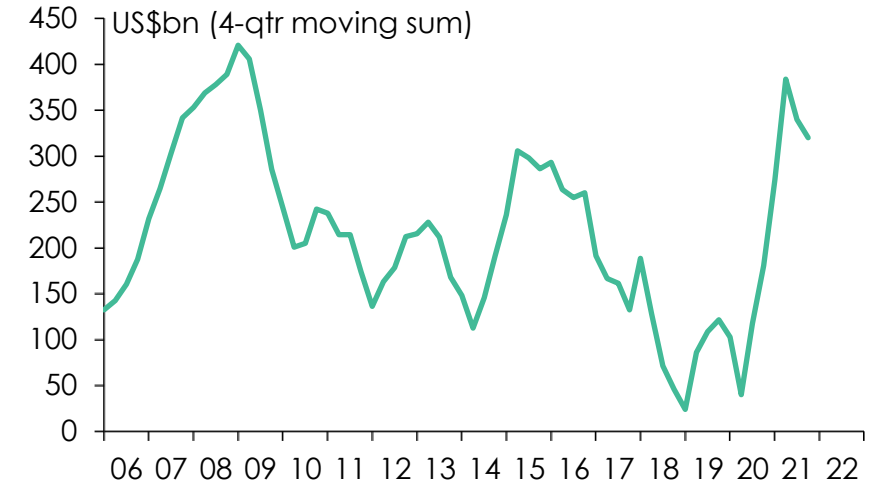
Merchandise exports and imports



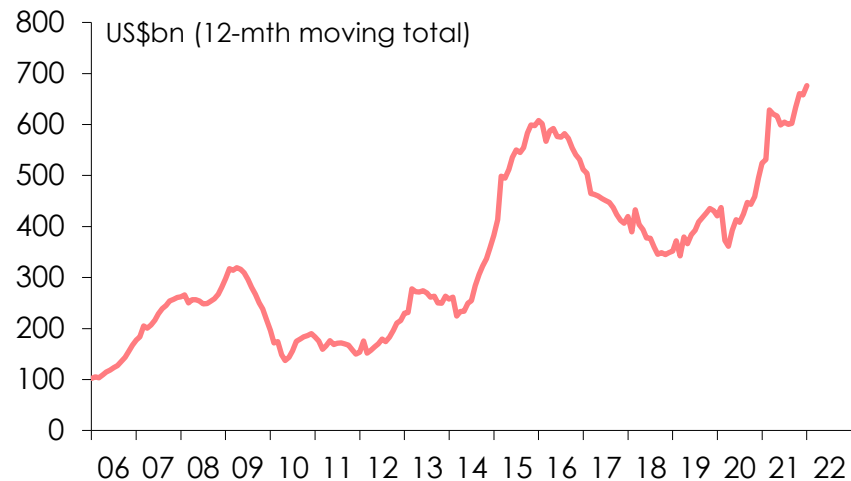
Services exports and imports



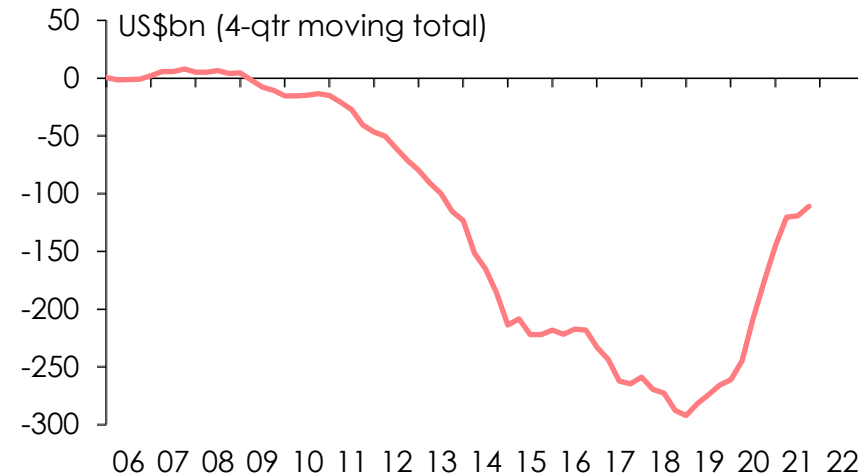
Current account balance



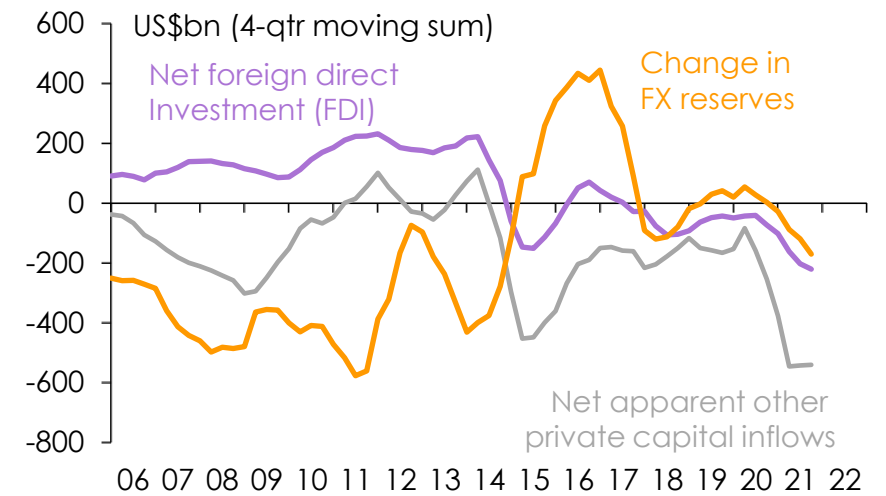
Merchandise trade balance



Services trade balance



Capital flows

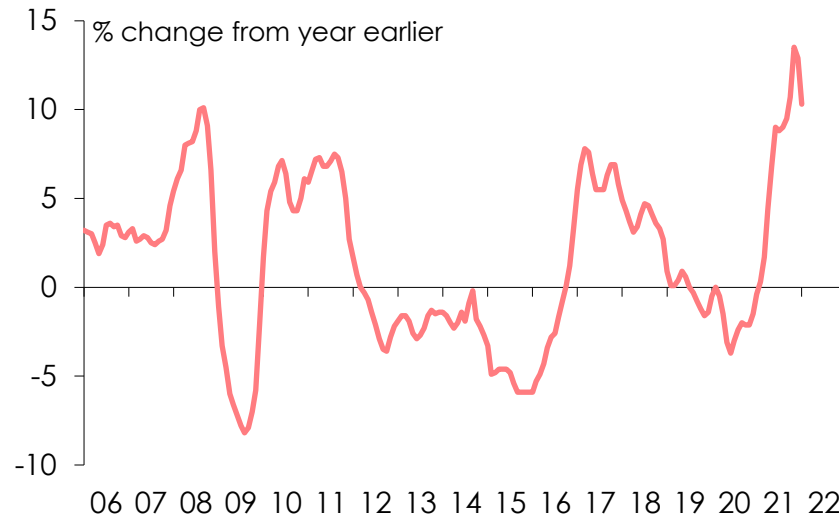


Sources: China General Administration of Customs, [Preliminary Release](#) and [Monthly Bulletin](#); State Administration of Foreign Exchange, [The time-series data of Balance of Payments of China](#). [Return to "What's New"](#).

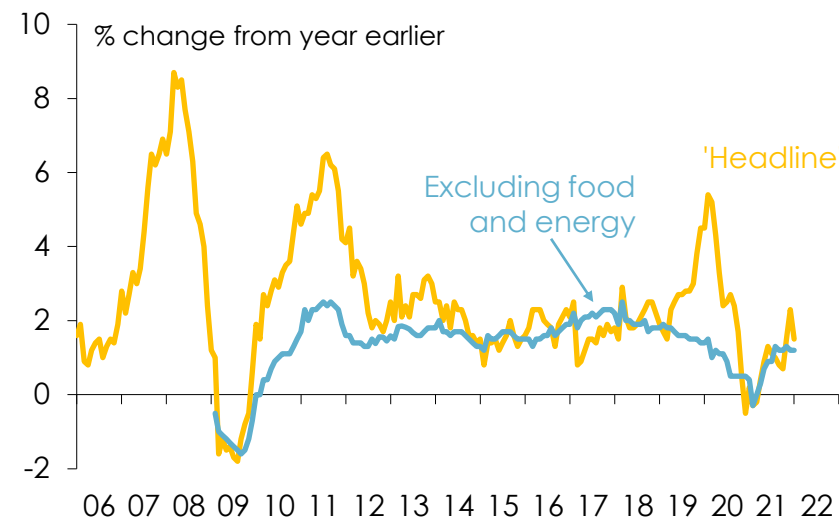
Producer prices in China have risen sharply, largely driven by mineral products, but consumer price inflation remains subdued

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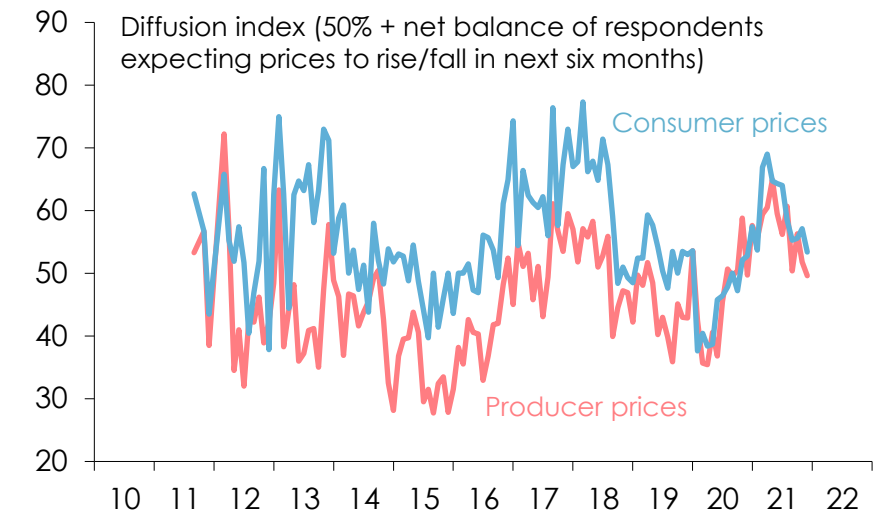
Producer prices



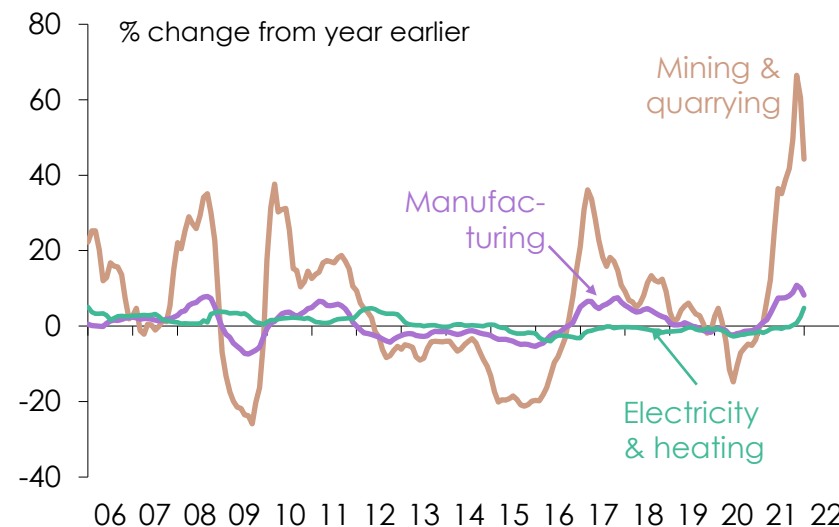
Consumer prices



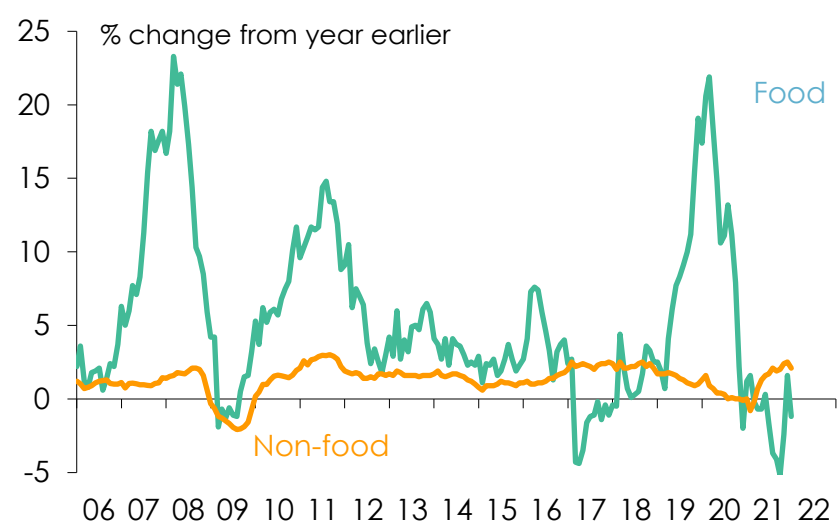
CKGSB price diffusion indexes



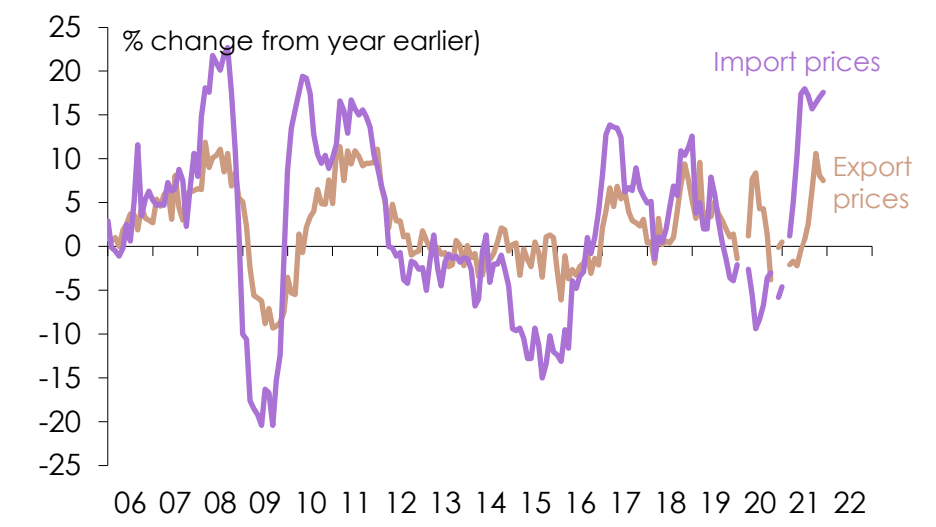
Producer prices – major categories



Consumer prices – food and other



Trade prices



Note: Food accounts for about 33% of China's CPI; for more details see [here](#). The PBoC has an informal inflation target of "about 3%". Sources: China National Bureau of Statistics, [National Data](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#); and China General Administration of Customs, [Trade Indices](#). [Return to "What's New"](#).

China's economic policy-makers are beginning to respond to the slowdown in economic growth

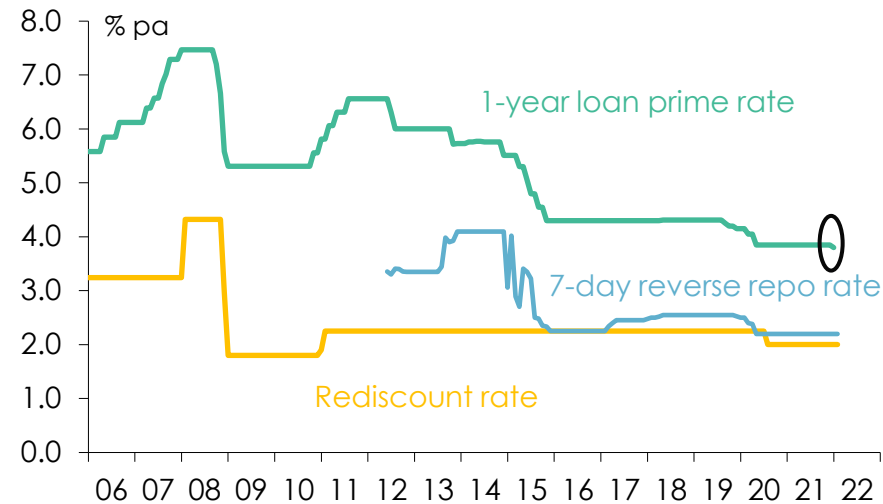
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- ❑ China's economy has slowed significantly this year (and would have slowed by more but for the unexpected strength in Chinese exports) – but until very late last year there had been very little indication of any response from Chinese economic policy-makers
- ❑ In December, however, the [People's Bank of China](#) announced a cut its reserve ratio requirements (RRRs) by 0.5 pc pt to 8.5% for small banks and 11.5% for large banks, in order to “support the development of [the] real economy and steadily bring down overall financing costs”, and cut the one-year prime loan rate by 5 bp to 3.80% (see [slide 76](#))
 - although it left longer-term loan rates (which are more relevant for property development companies) unchanged
- ❑ Further measures are likely to be forthcoming after last month's Central Economic Work Conference (presided over by President Xi Jinping)
 - according to [Chinese press reports](#) the meeting agreed that “economic work should prioritize stability” in the face of “three pressures” facing the Chinese economy, namely, “demand contraction, supply shock and weakening expectations”
 - the readout of the meeting committed to “implement a proactive fiscal policy and a prudent monetary policy”
 - foreshadowed fiscal policy measures included commitments “to implement the new tax reduction and fee reduction policy, strengthen support for small and medium-sized enterprises, individual industrial and commercial households, manufacturing industry, risk mitigation, etc., and carry out infrastructure investment moderately ahead of schedule”
 - “prudent” monetary policy should be “flexible and moderate, and keep liquidity reasonable and abundant”
- ❑ The CEWC also committed to “adhere to the positioning that houses are for living in, not for speculation”
 - under which heading it committed to (inter alia) “speed up the development of long-term rental market, promote the construction of affordable housing” and to “promote the virtuous circle and healthy development of the real estate industry”

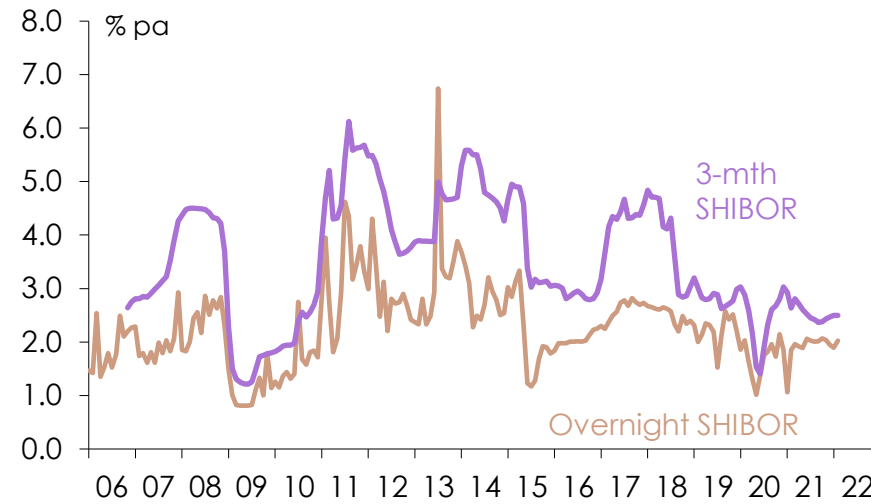
The PBoC has begun to ease monetary policy ever-so-slightly

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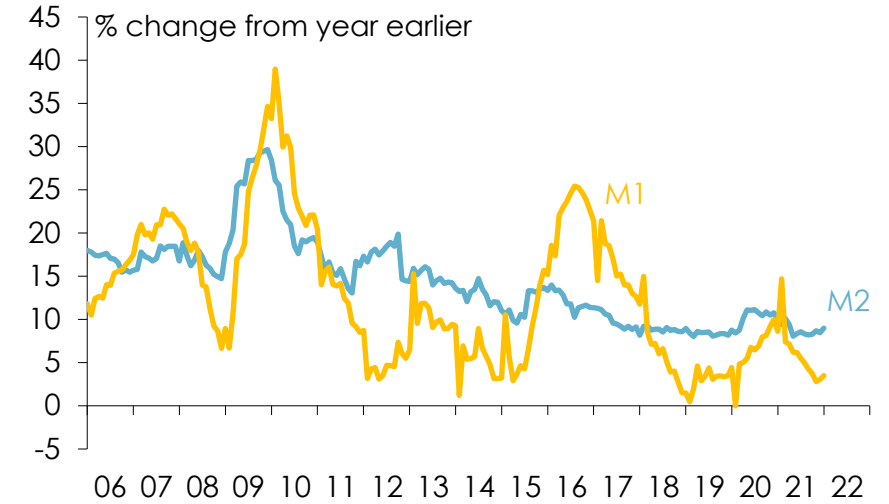
PBoC policy interest rates



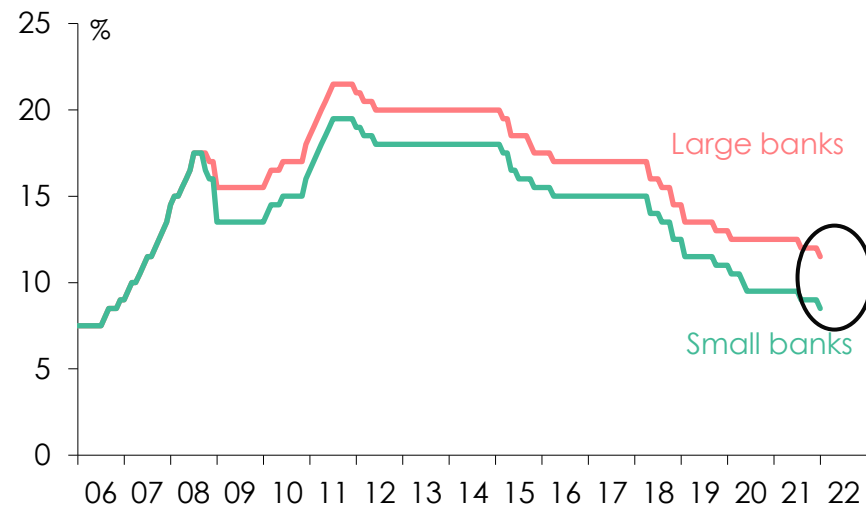
Short-term market interest rates



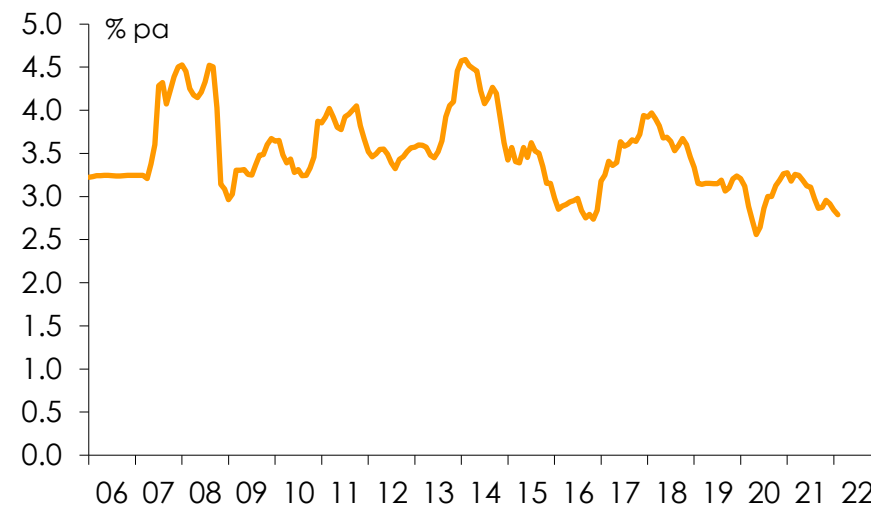
Monetary aggregates



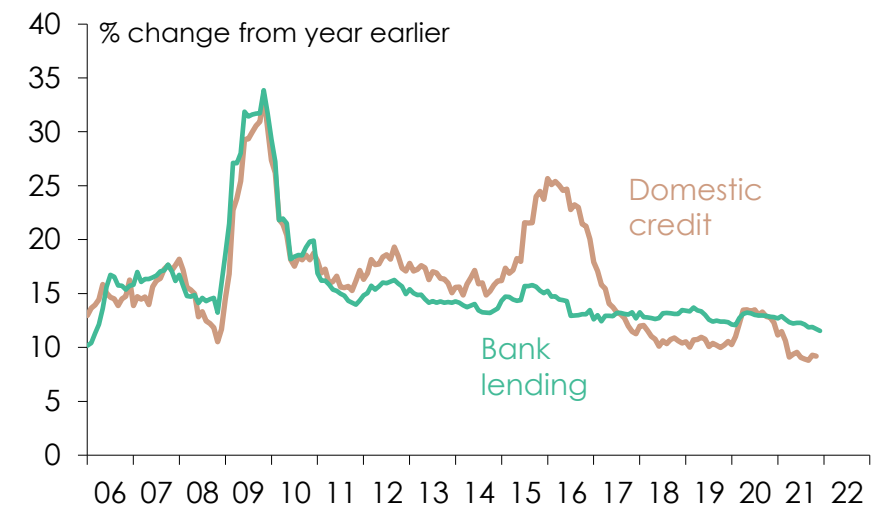
Bank reserve requirement ratios



10-year government bond yield



Credit growth

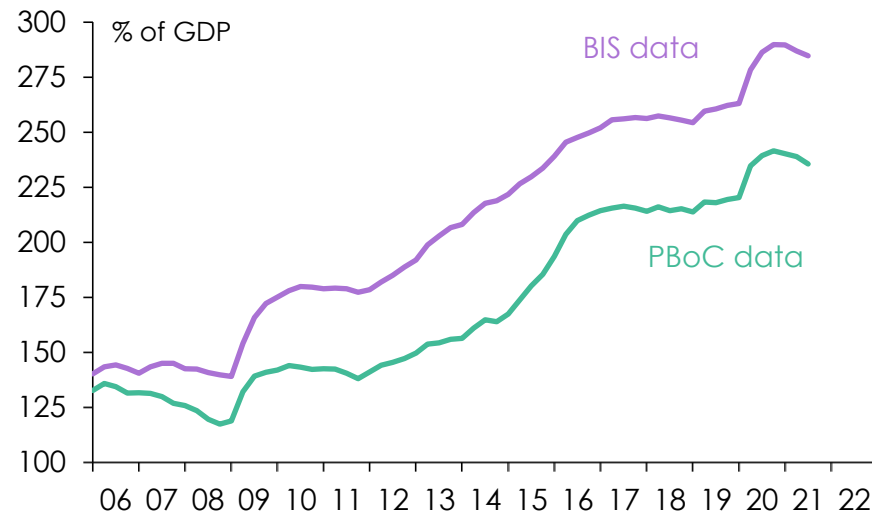


Note: 'SHIBOR' is the Shanghai Inter-Bank Offered Rate. Sources: Refintiv Datastream; People's Bank of China, [Financial Statistics Reports](#) and [Aggregate Financing Reports](#).
[Return to "What's New"](#).

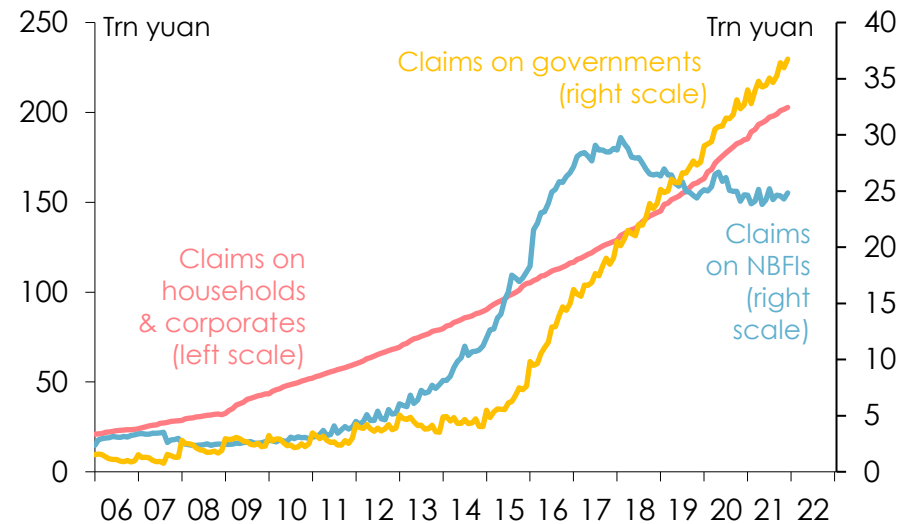
The Chinese banking system's risk profile has increased significantly over the past decade – particularly on the liabilities side of its balance sheet

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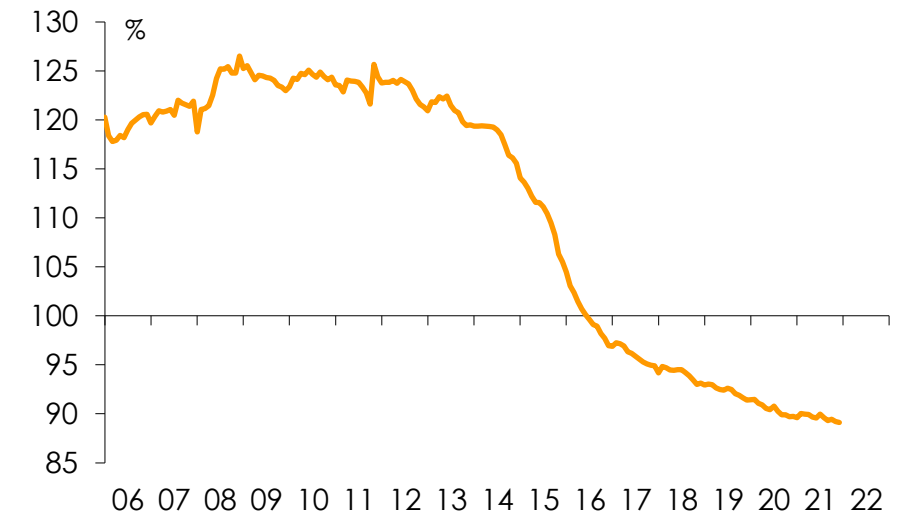
Credit outstanding as a pc of GDP



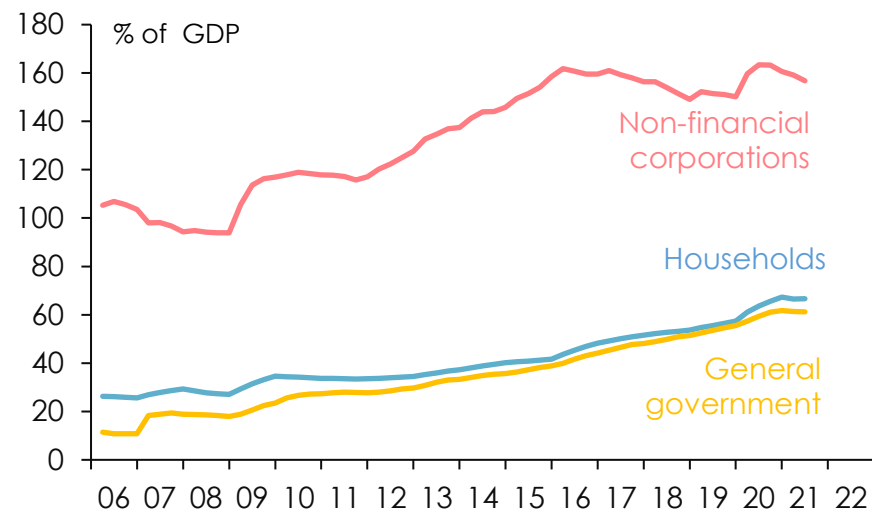
Banks' assets



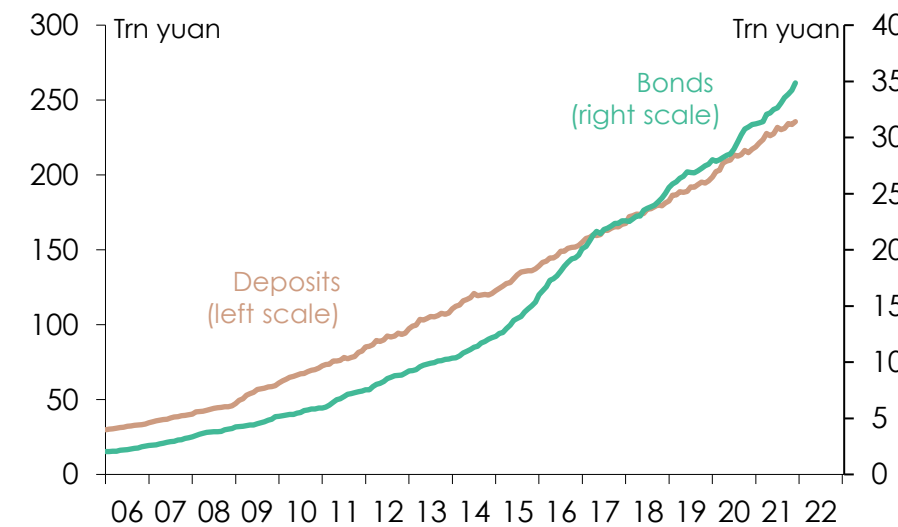
Banks' deposits-to-loans ratio



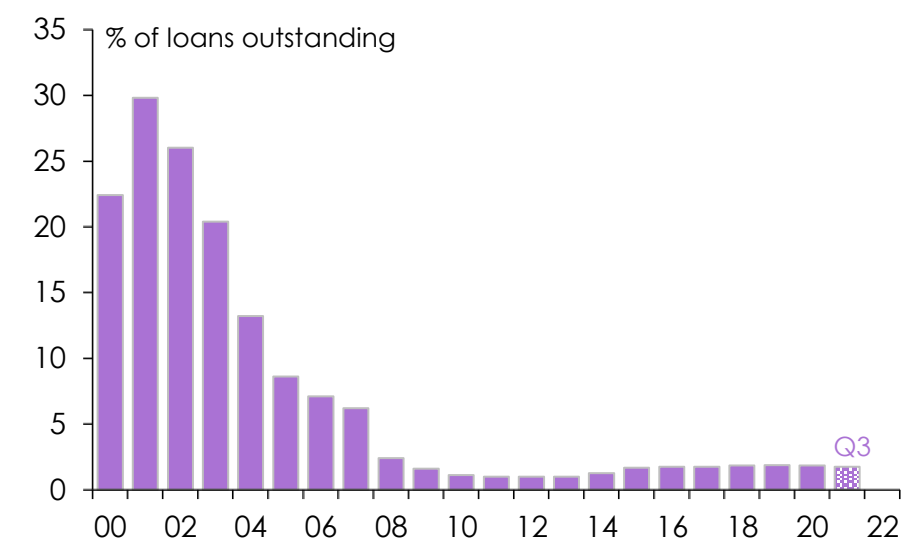
Credit outstanding by sector



Banks' liabilities



Banks NPLs – official estimates

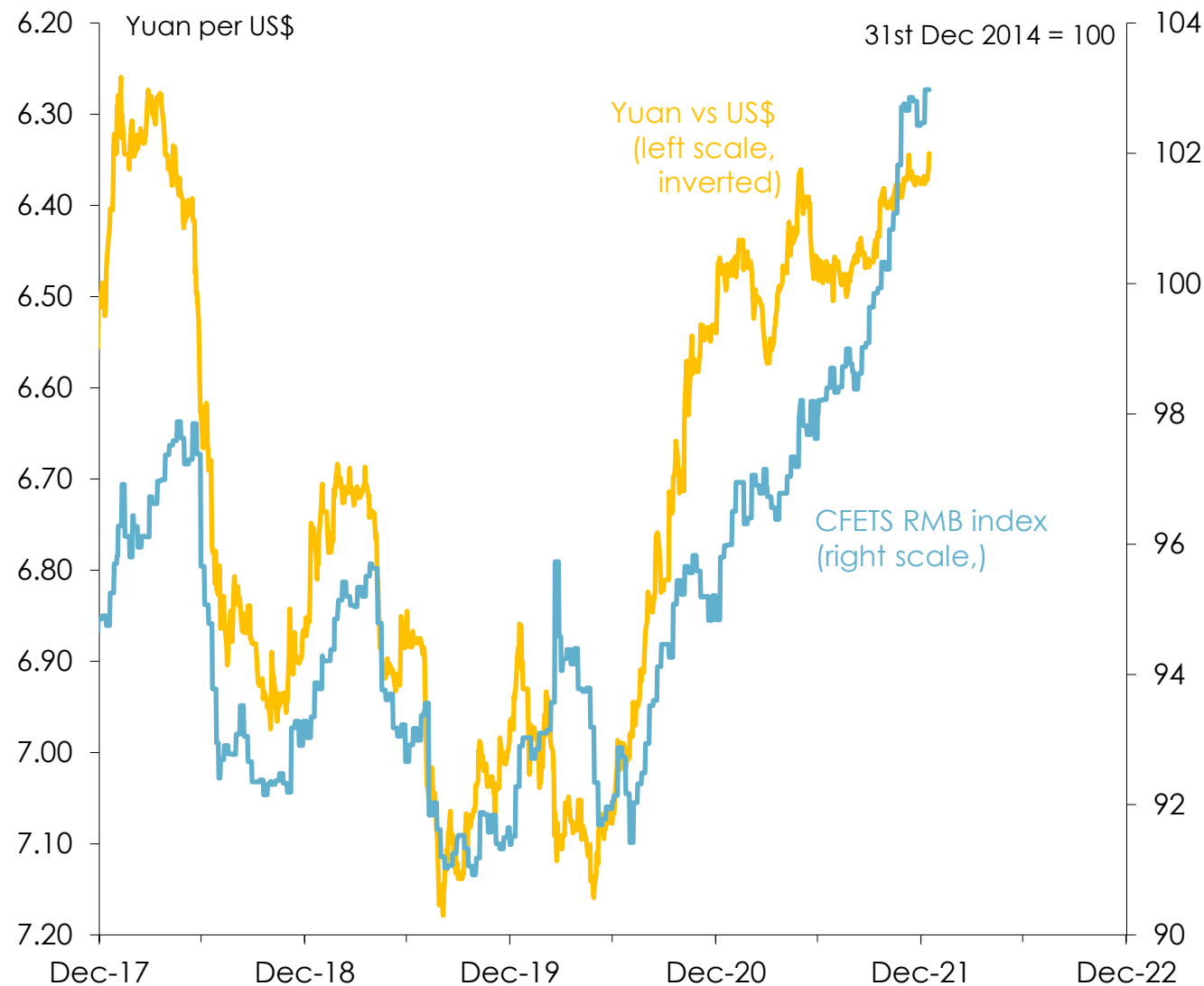


Sources: People's Bank of China, [Financial Statistics Reports](#); Bank for International Settlements, [Credit to the non-financial sector](#); China Banking and Insurance Regulatory Commission, [Supervisory Statistics of the Banking and Insurance Sectors](#). [Return to "What's New"](#).

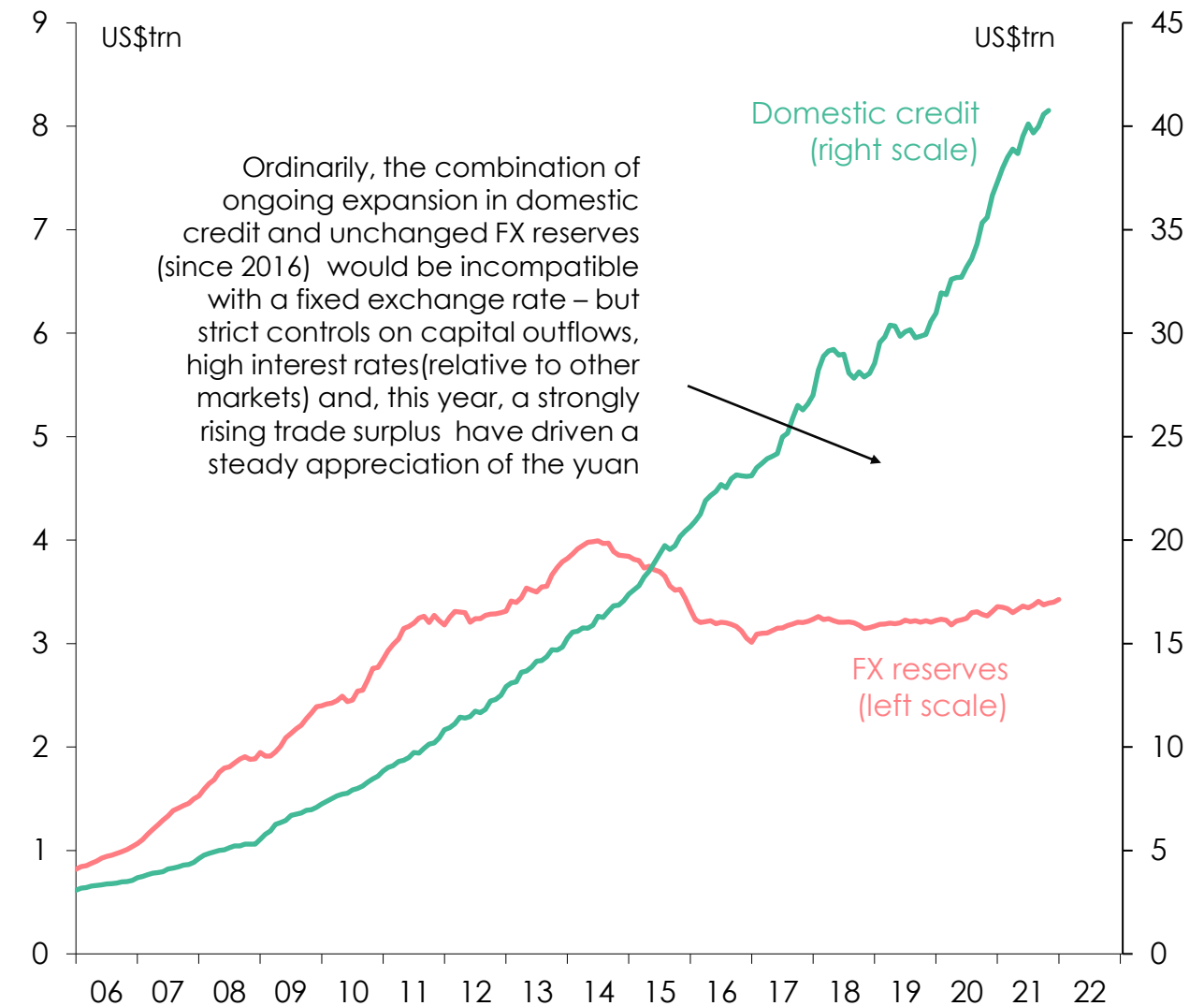
Last year the yuan rose 2.6% vs the US\$ and 8% in trade-weighted terms: so far this year it's already risen another ½% against both the US\$ and TWI

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Chinese renminbi vs US\$ and trade-weighted index



FX reserves and domestic credit



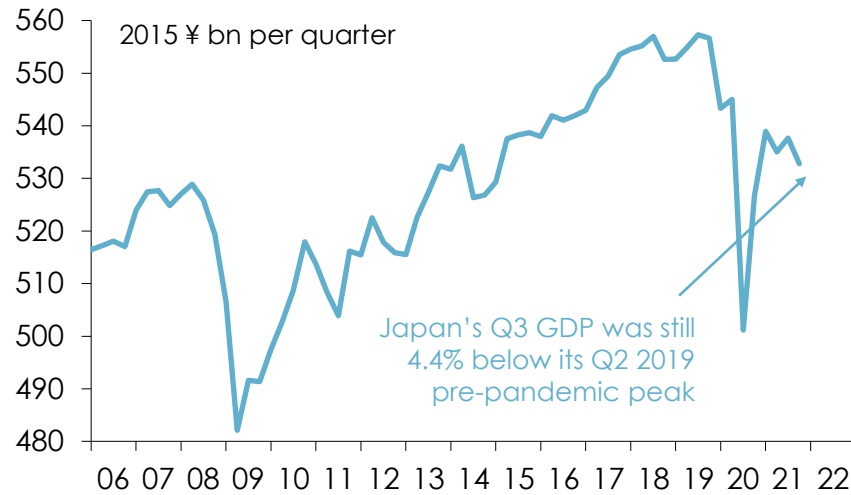
Sources: Refinitiv Datastream; China Foreign Exchange Trading System; People's Bank of China. Exchange rates up to 17th December; FX reserves and domestic credit data are up to December. [Return to "What's New"](#).

Japan

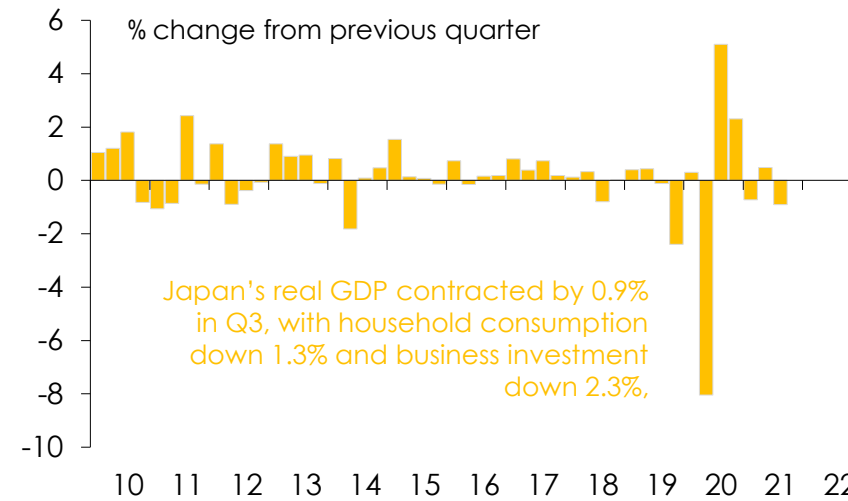
Japan's real GDP is still almost 4½% below its pre-pandemic peak level, after two contractions in the first three quarters of 2021

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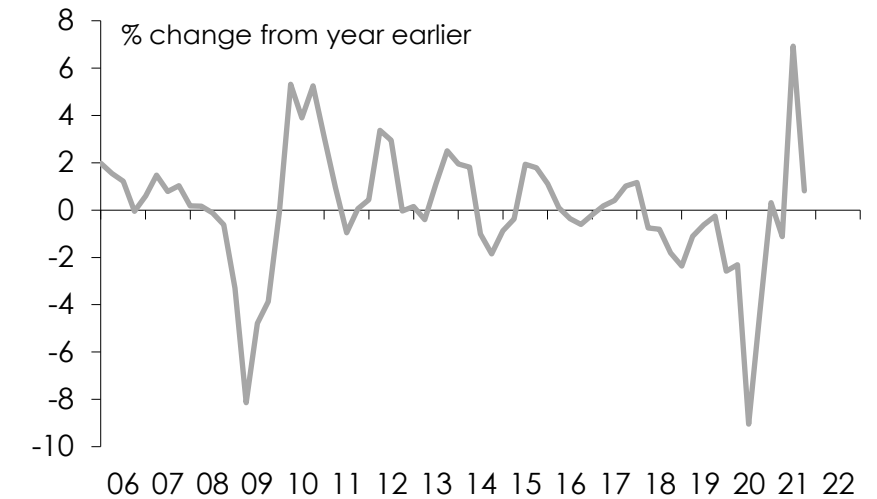
Level of real GDP



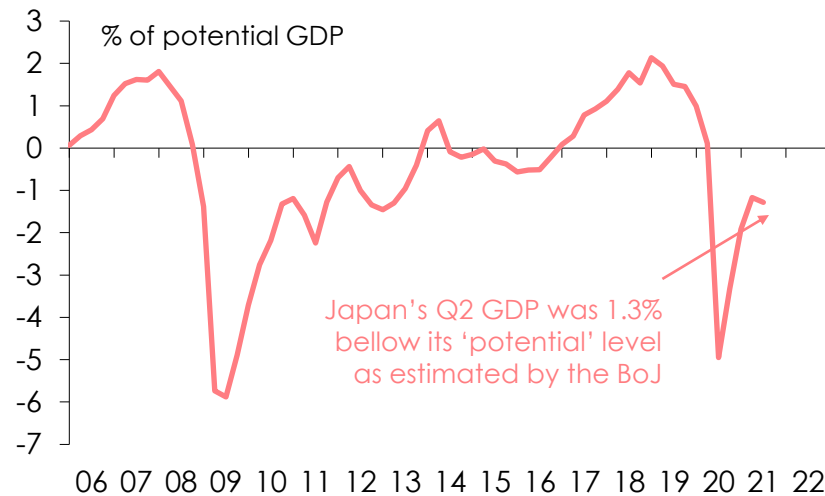
Quarterly change in real GDP



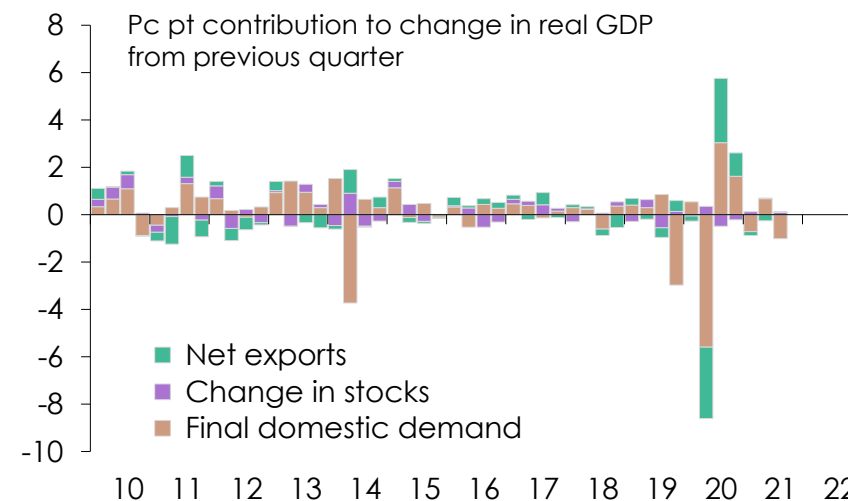
Labour productivity growth



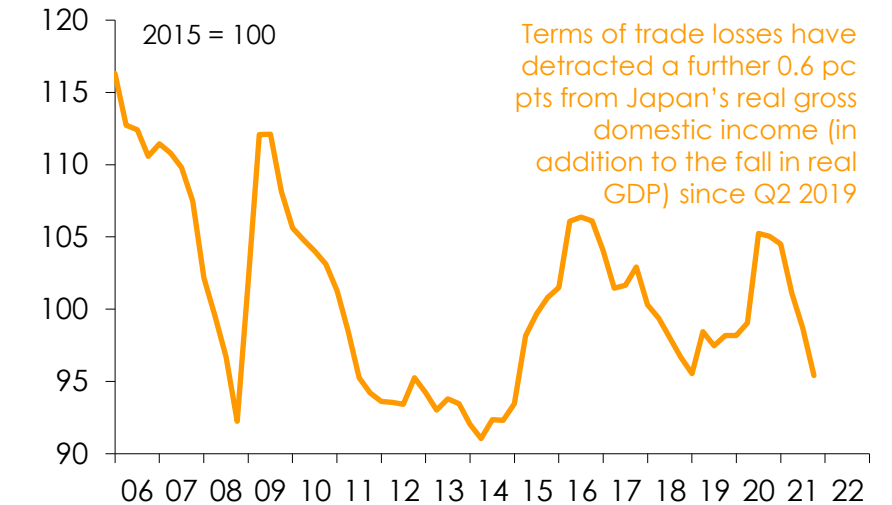
The 'output gap'



Contributions to change in real GDP



Terms of trade

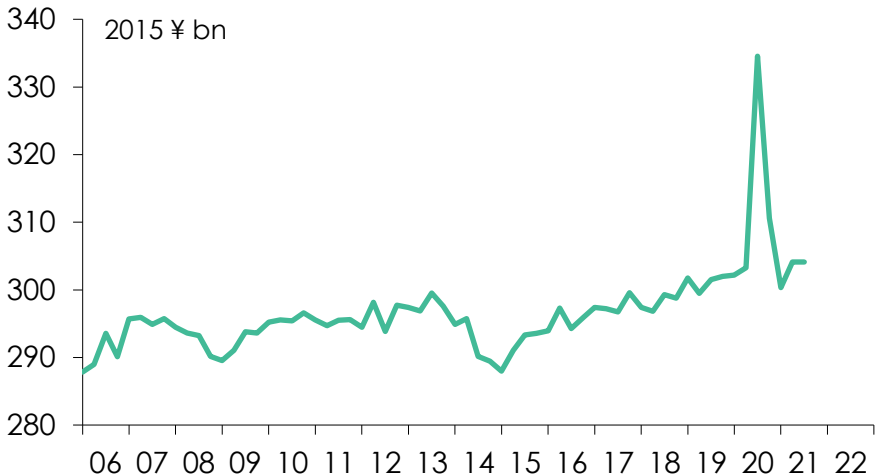


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded between the US and the rest of the world. Sources: Japan Cabinet Office, [Quarterly Estimates of GDP](#); Bank of Japan, [Output Gap and Potential Growth Rate](#); OECD, [Main Economic Indicators](#), Early Estimates of Quarterly ULC Indicators. [Return to "What's New"](#).

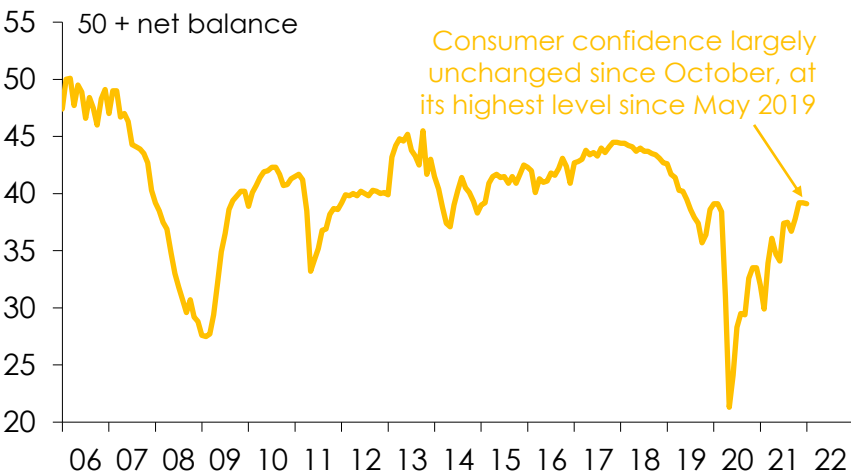
Household incomes have been supported by fiscal transfers, but much of them have been saved so household spending has remained weak

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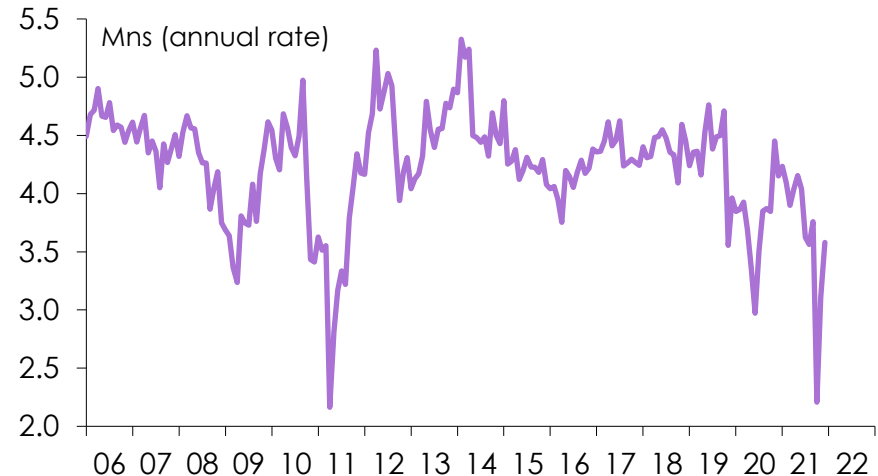
Real household disposable income



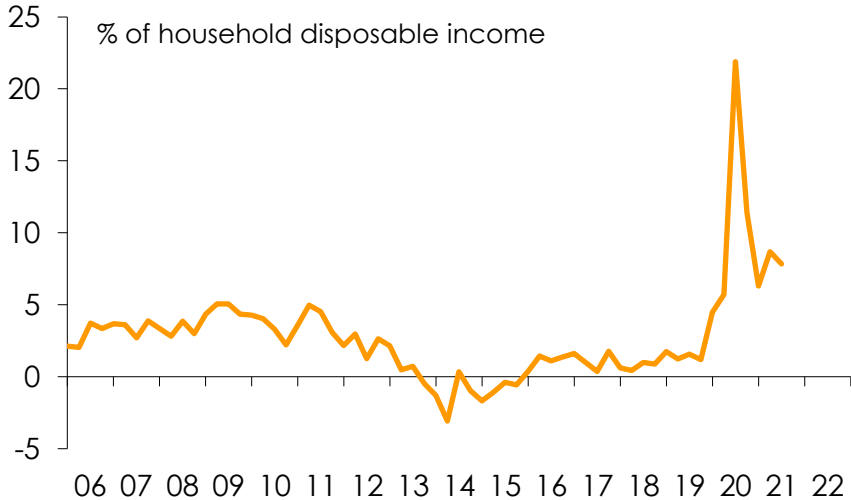
Consumer confidence



Motor vehicle sales



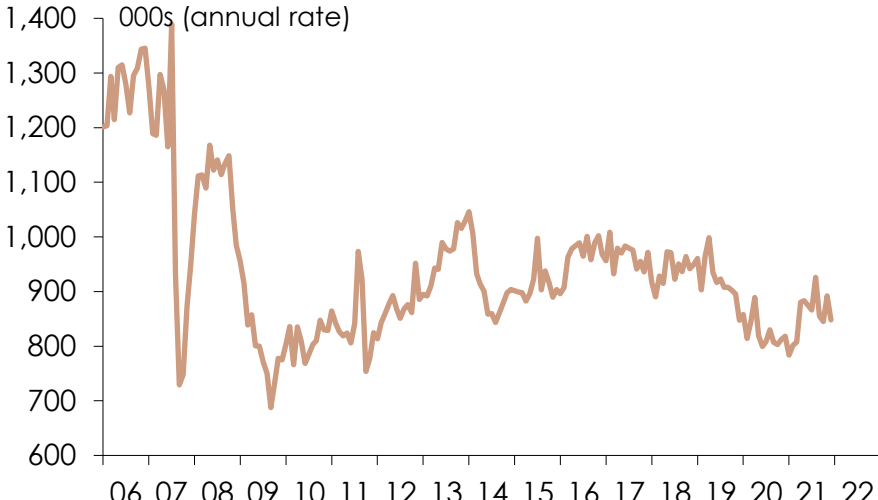
Household saving



Consumption activity index



Housing starts

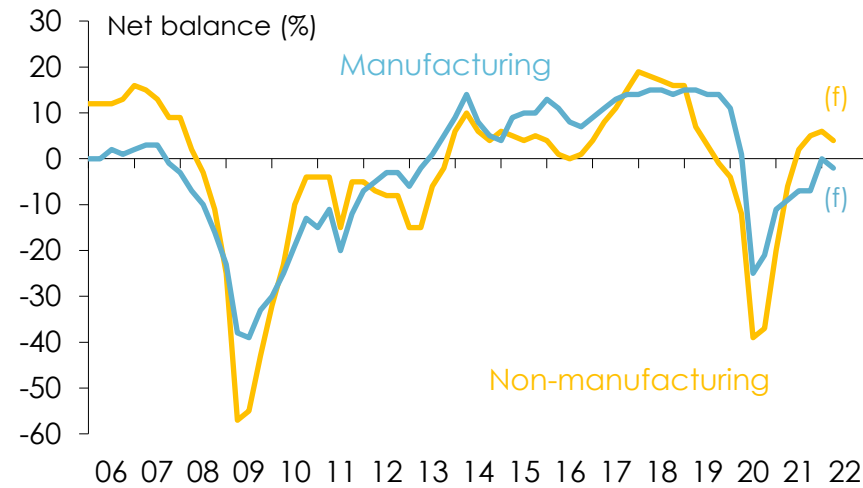


Sources: Japan Cabinet Office, [Quarterly Estimates of Household Disposable Income and Household Saving Ratio](#) and [Consumer Confidence Survey](#); Bank of Japan, [Consumption Activity Index](#); Japan Automobile Dealers Association, [Statistical Data](#); Japan e-Stat, [Building Starts](#). [Return to "What's New"](#).

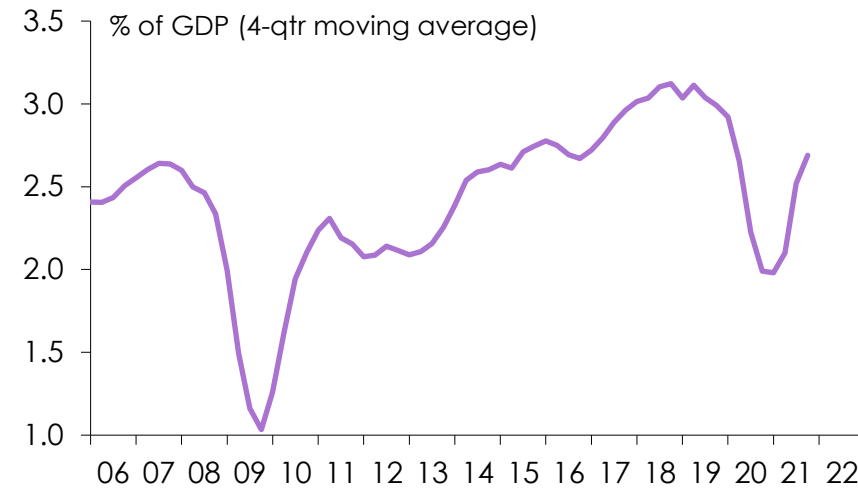
The Japanese corporate sector is reasonably healthy and business confidence is improving

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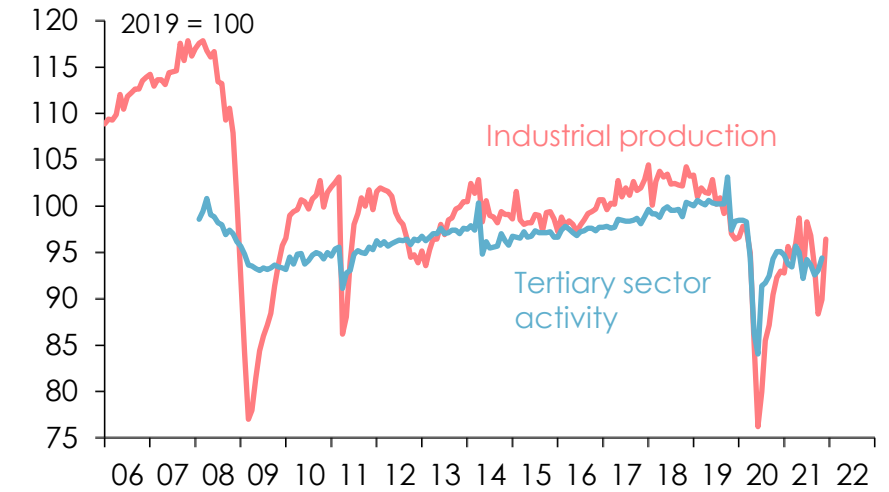
Business conditions by industry



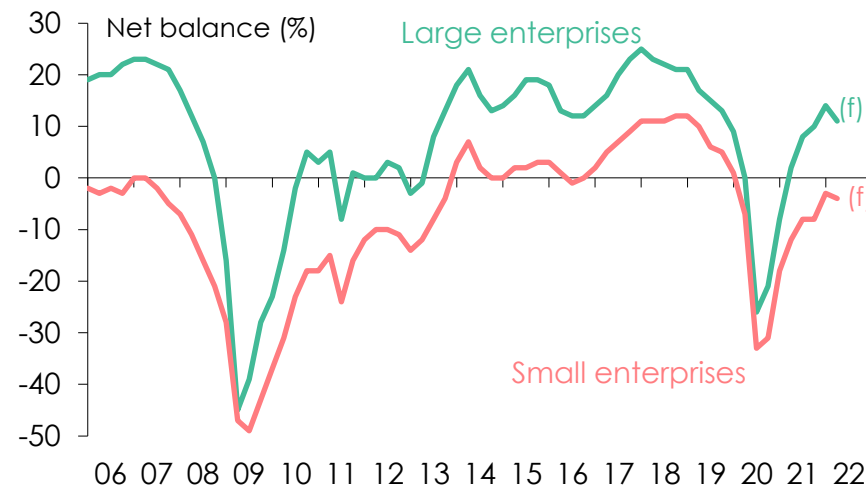
Corporate operating profits



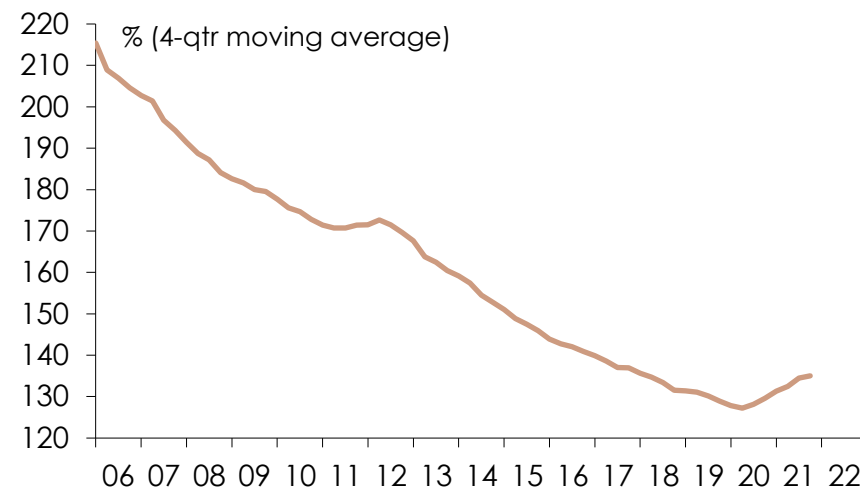
Indexes of economic activity



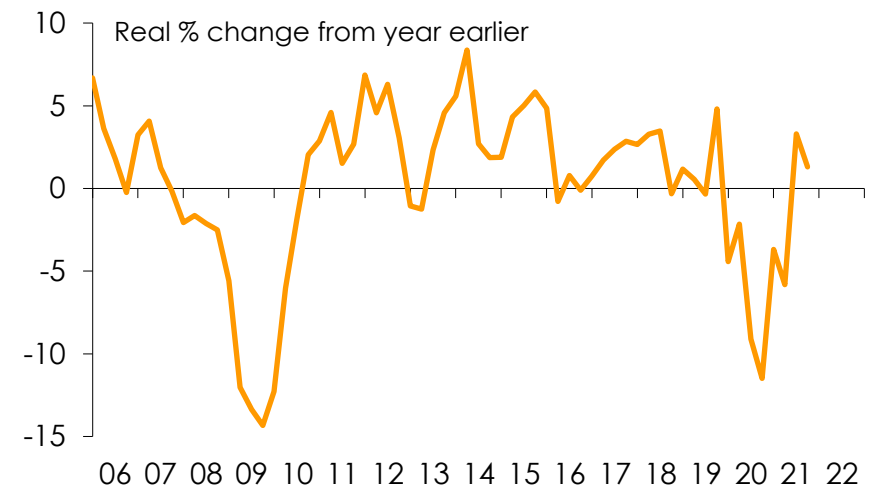
Business conditions by firm size



Corporate debt-equity ratio



Business investment

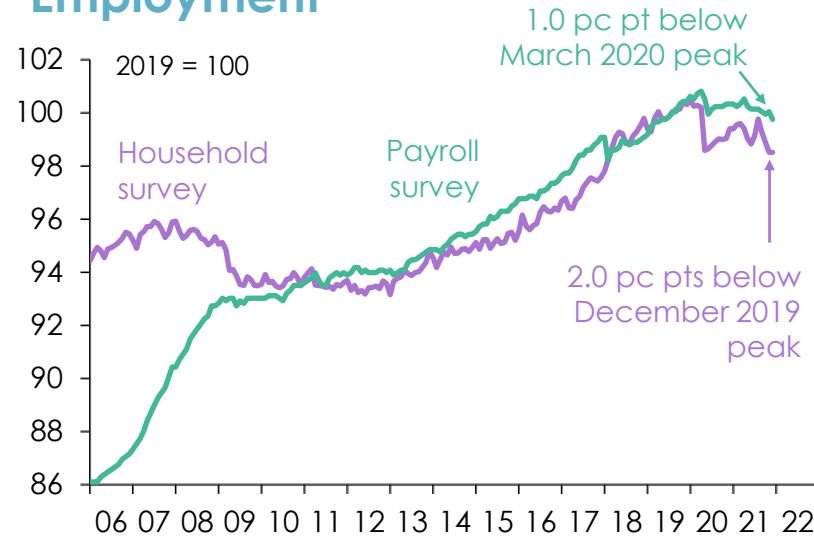


Sources: Bank of Japan, [Short-Term Economic Survey of Enterprises in Japan \('Tankan'\)](#); Policy Research Institute, Ministry of Finance, [Financial Statements Statistics of Corporations by Industry, Quarterly](#); Ministry of Economy, Trade & Industry, [Indices of Industrial Production](#) and [Indices of Tertiary Industry Activity](#); Japan Cabinet Office, [Quarterly Estimates of GDP](#). [Return to "What's New"](#).

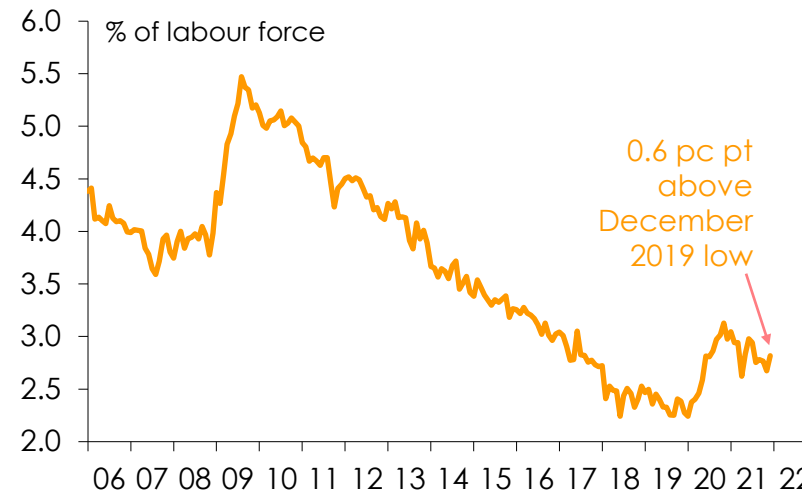
Employment in Japan is still 2% below its pre-pandemic peak – but wages growth has picked up and inflation though still very low is now positive

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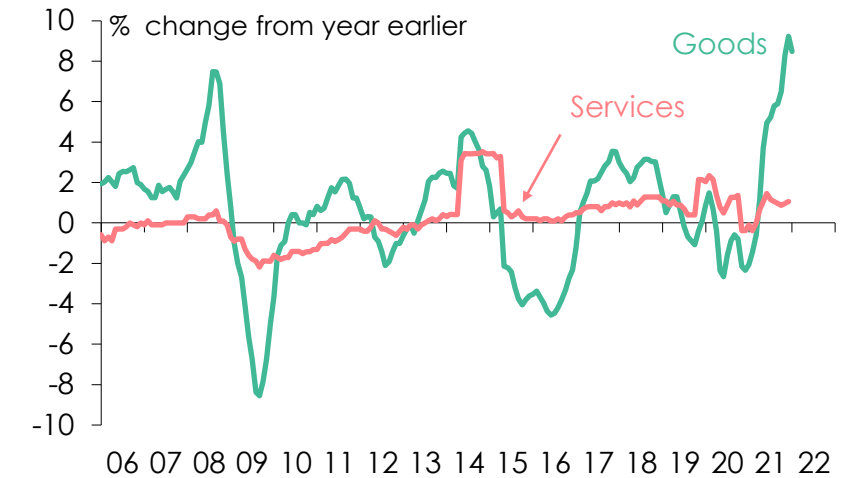
Employment



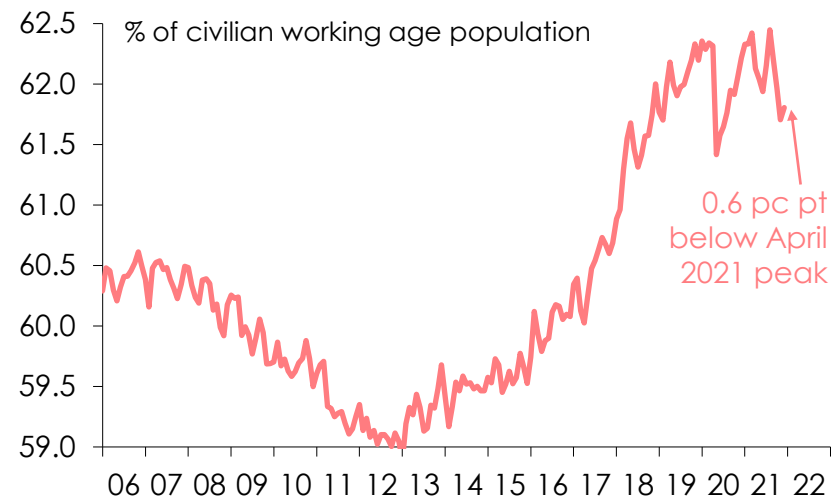
Unemployment rate



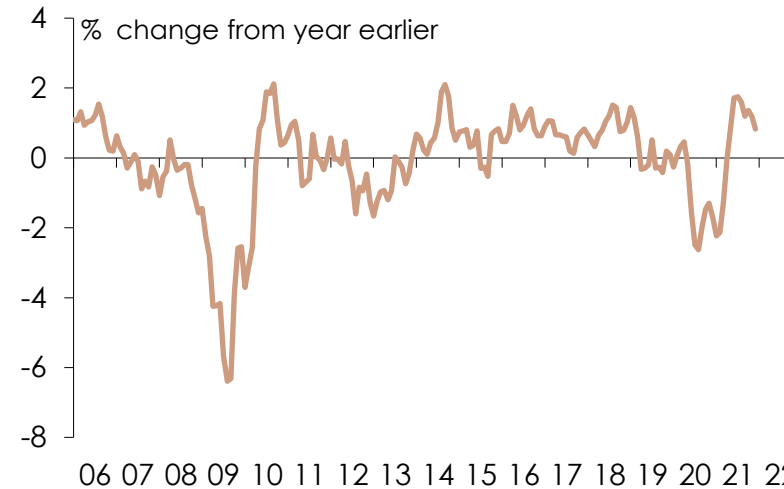
'Corporate' (producer) prices



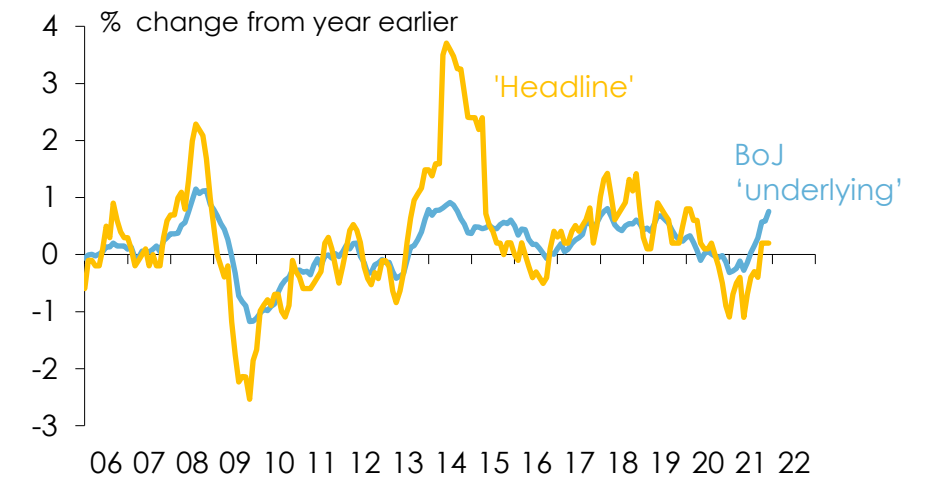
Labour force participation rate



Wages growth



Consumer prices

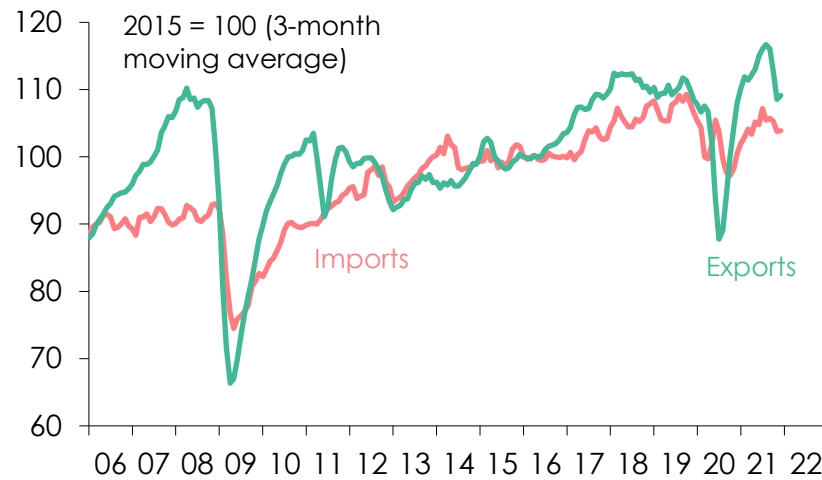


Sources: Statistics Bureau of Japan, [Labour Force Survey](#) and [Consumer Price Index](#); Ministry of Health, Labour and Welfare, [Monthly Labour Survey](#); Bank of Japan, [Prices and Measures of Underlying Inflation](#). [Return to "What's New"](#).

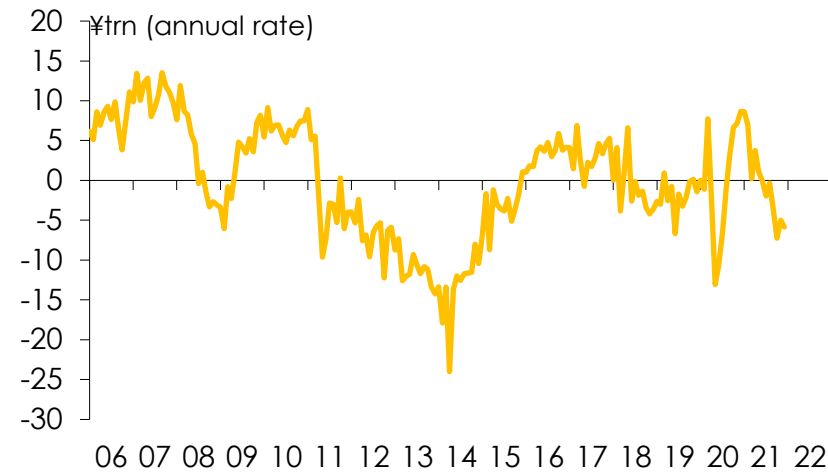
Japan's auto exports have been impacted by supply-chain difficulties, which together with higher import prices have curtailed its trade surpluses

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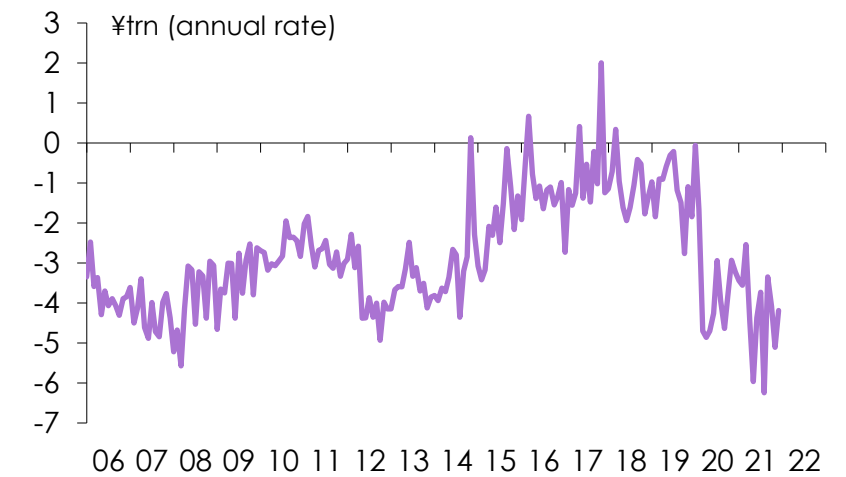
Merchandise trade volumes



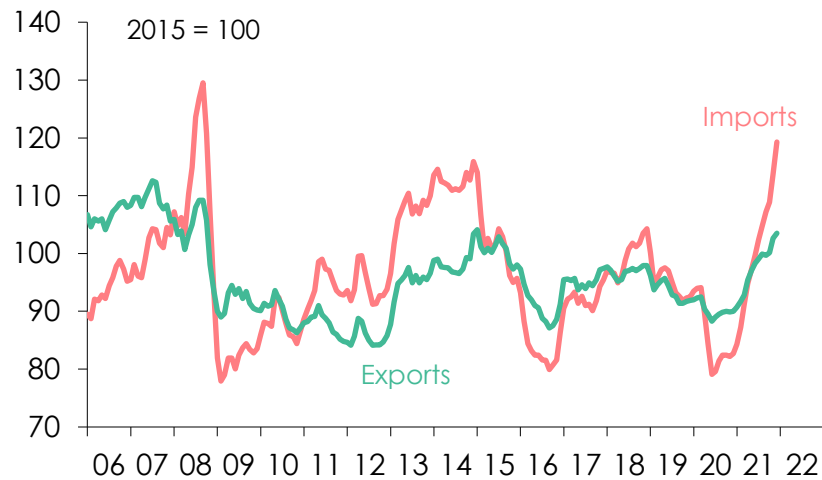
Merchandise trade balance



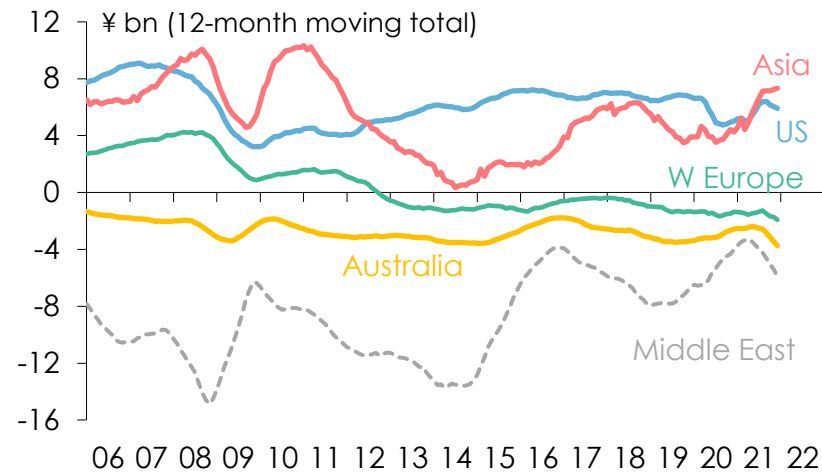
Services trade balance



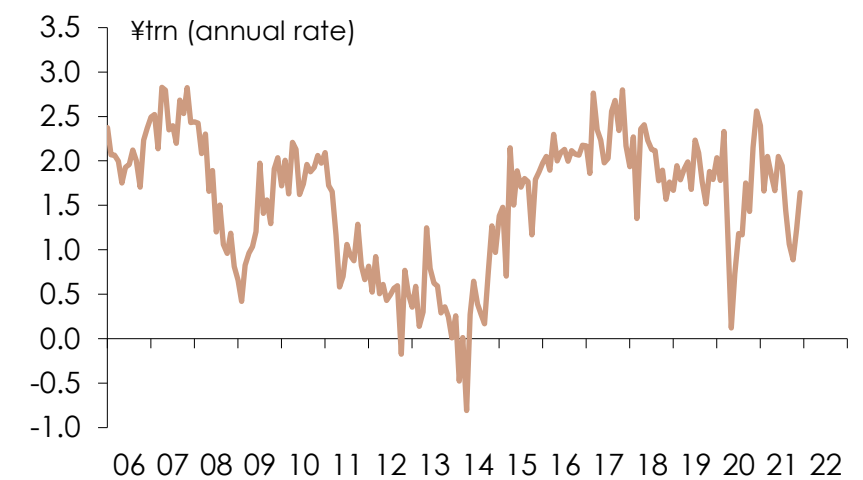
Merchandise trade prices



Bilateral goods trade balances



Current account balance

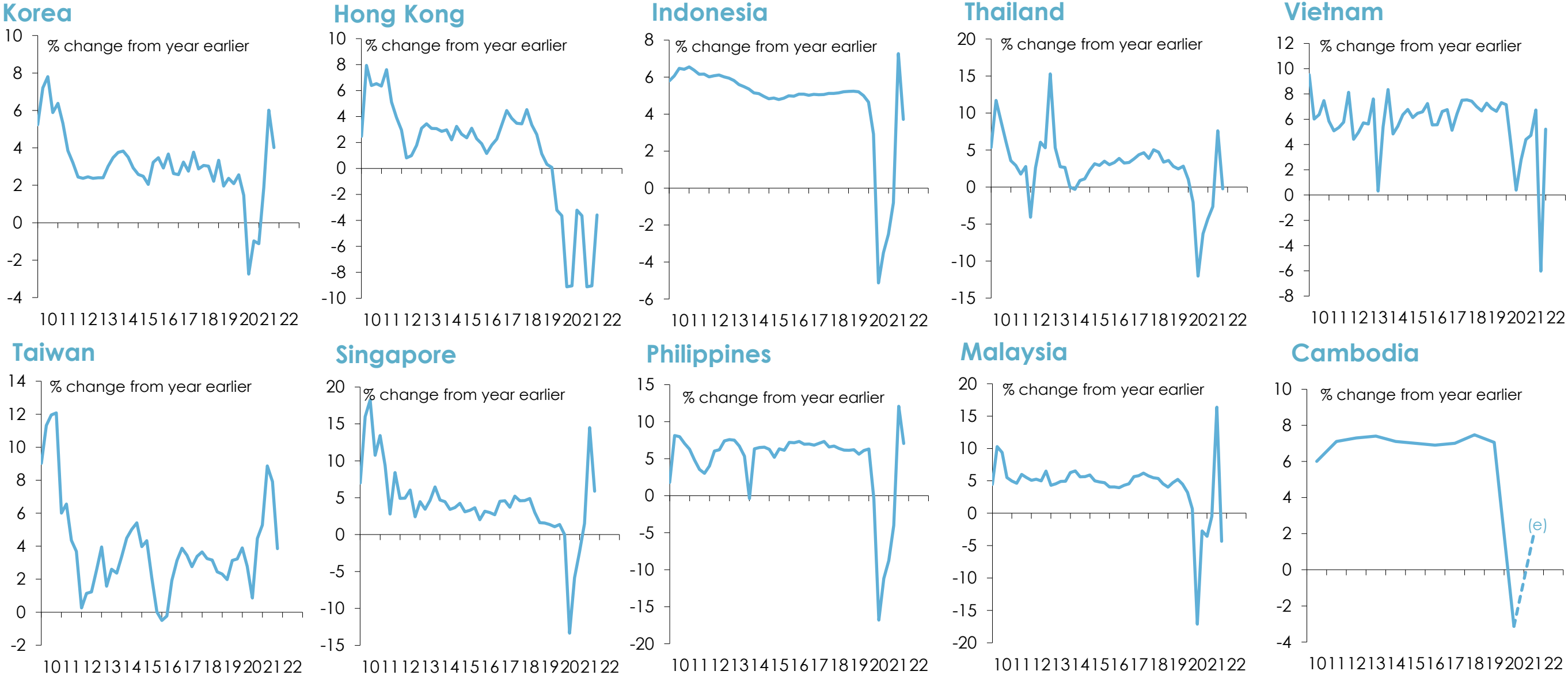


Sources: Bank of Japan, [Developments in Real Exports and Real Imports](#) and [Balance of Payments Related Statistics](#); Ministry of Finance, [Trade Statistics of Japan](#).
[Return to "What's New"](#).

Other East Asian economies

Most East Asian economies experienced strong rebounds in the first half of 2021 but renewed virus outbreaks caused setbacks in Q3

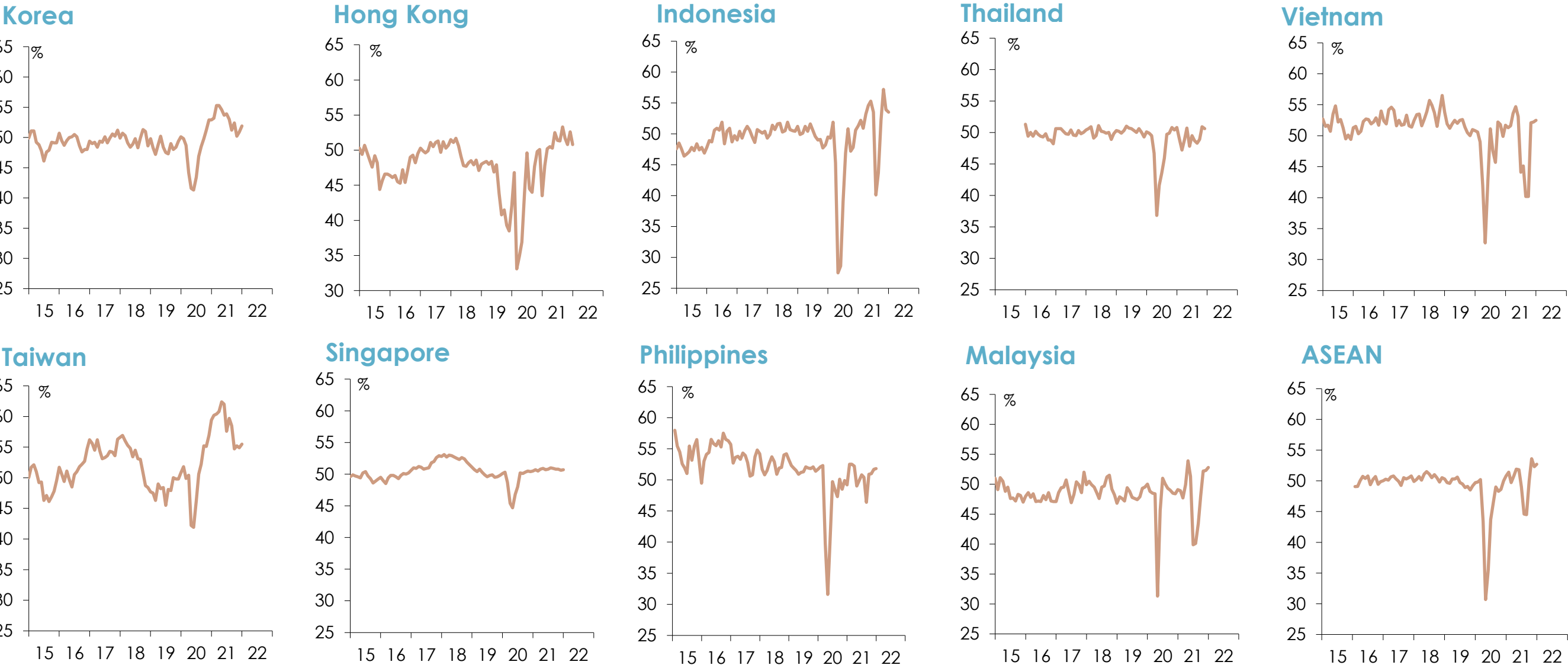
THE WORLD ECONOMY THIS WEEK - 17 January 2022



Sources: Bank of Korea; Taiwan Directorate-General of Budget, Accounting & Statistics; Hong Kong Census & Statistics Department; Singapore Ministry of Trade and Industry; Department of Statistics Malaysia; Office of the National Economic & Social Development Council of Thailand; Statistics Indonesia; Philippine Statistics Authority; General Statistics Office of Viet Nam; Cambodia National Institute of Statistics; OECD and IMF. [Return to "What's New"](#).

PMIs suggest a strong recovery in manufacturing in SE Asian economies previously hit by delta outbreaks, and steady growth elsewhere

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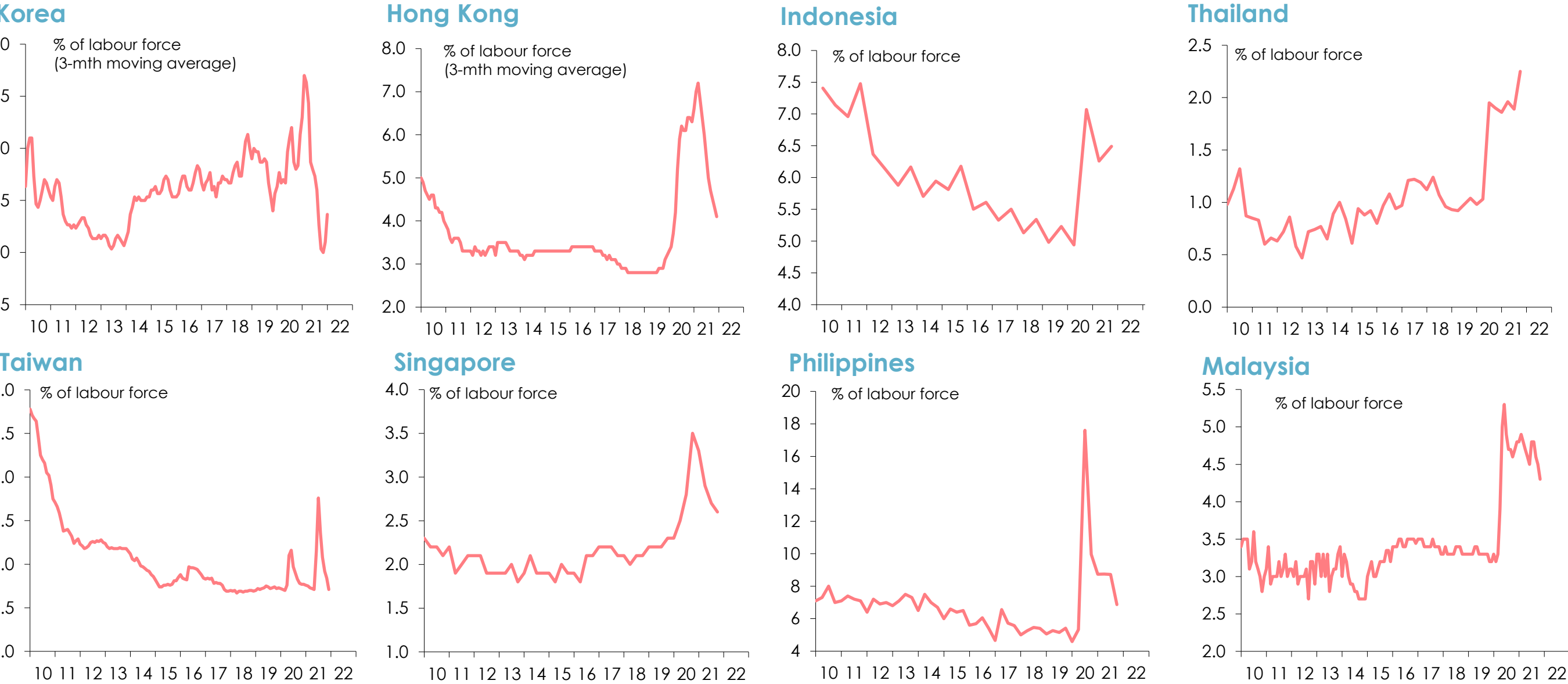


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous month, and a reading of less than 50 indicates a decrease. Surveys are for manufacturing sector only, except for Hong Kong which is 'whole economy'. Latest data are for December.

Sources: [IHS Markit](#); [Singapore Institute of Purchasing and Materials Management](#); Refinitiv Datastream. [Return to "What's New"](#).

Unemployment rose sharply in most Asian economies last year but is now falling in most of them – with the conspicuous exception of Thailand

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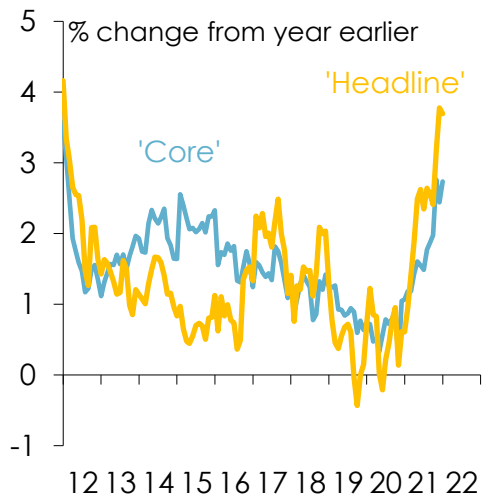


Note: Unemployment data is published monthly in Korea, Taiwan, Hong Kong, and Malaysia; quarterly in Singapore, Thailand and the Philippines; semi-annually (February and August) in Indonesia. Sources: national statistical agencies. [Return to "What's New"](#).

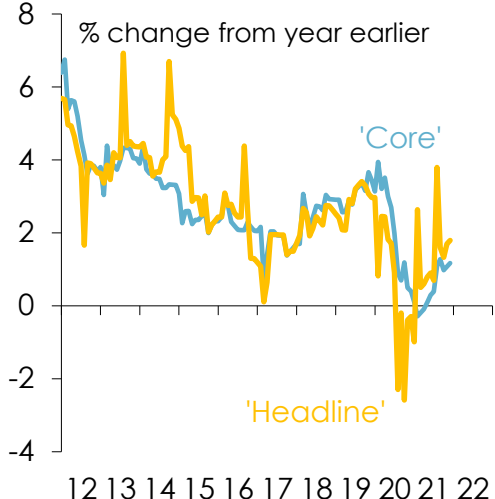
Some (though not all) Asian economies are experiencing temporary upward pressure on inflation as in North America and Europe

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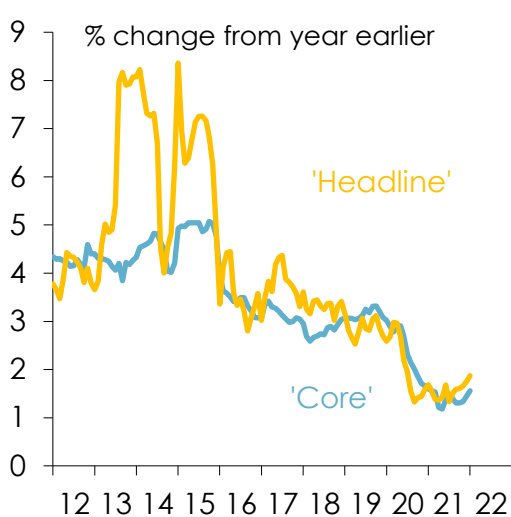
Korea



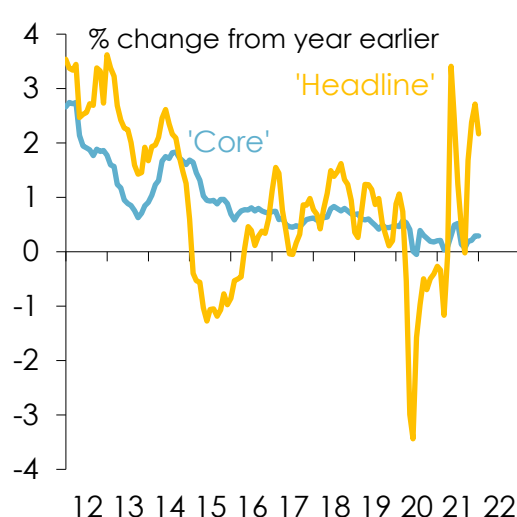
Hong Kong



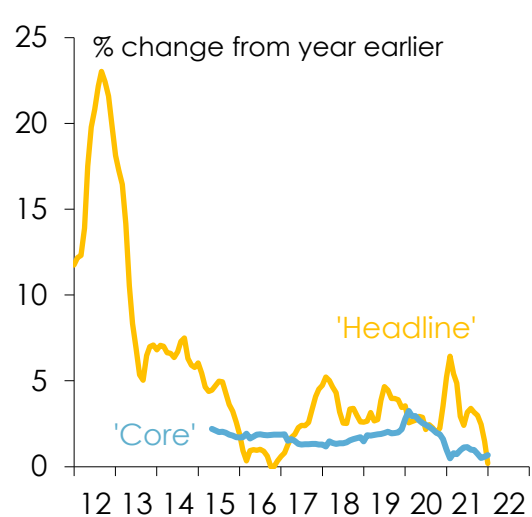
Indonesia



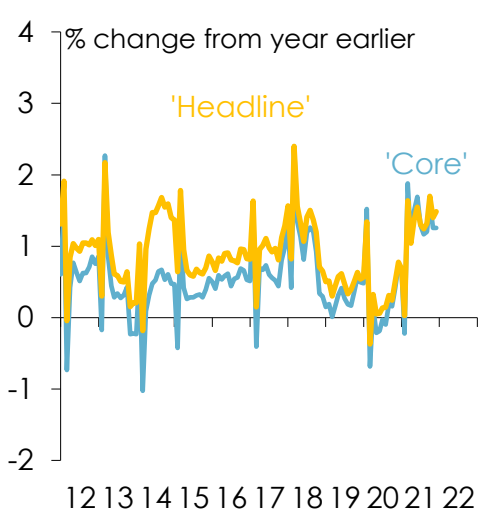
Thailand



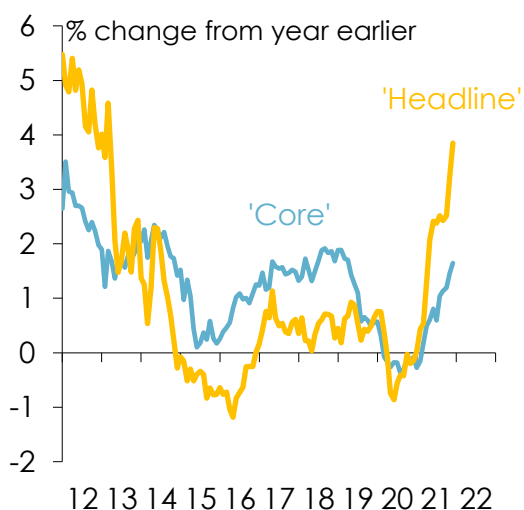
Vietnam



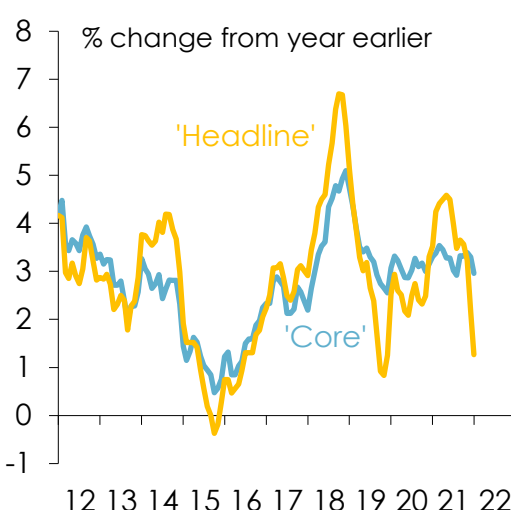
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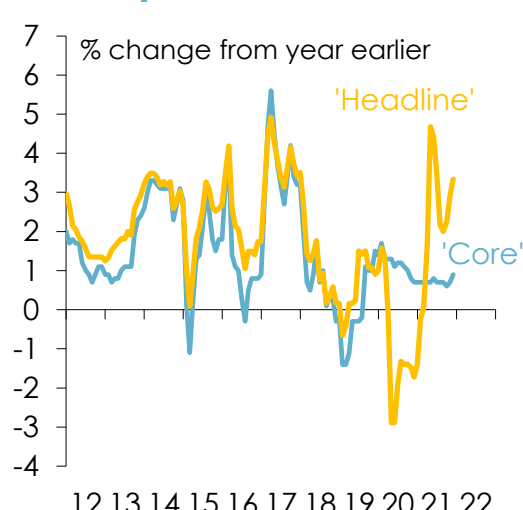
Singapore



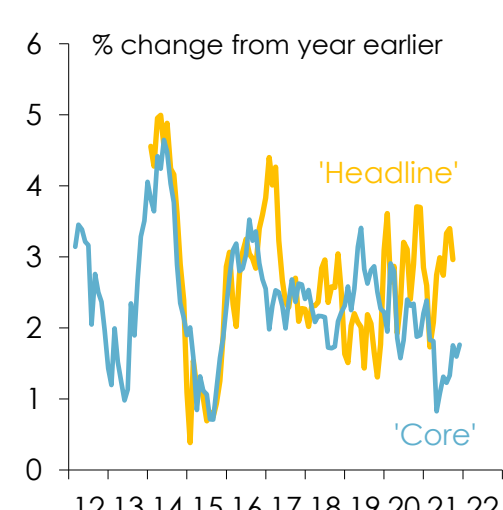
Philippines



Malaysia



Cambodia

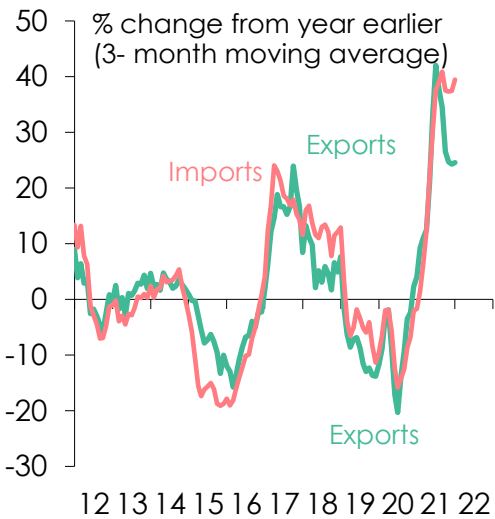


Note: 'Core' inflation in Korea excludes agricultural products and oil; in Taiwan it excludes fresh fruit, vegetables and energy; in Singapore it excludes accommodation and private transport; and in Hong Kong it excludes the effect of 'one-off government relief measures'. 'Core' inflation in Indonesia excludes 'volatile foods' and changes in 'administered prices' (such as fuel subsidies, transport fares and electricity prices); in the Philippines it excludes rice, corn, meat, fish, cultivated vegetables and fuels; in Thailand it excludes fresh or raw food and energy; in Malaysia it excludes fresh food and 'administered' prices; in Vietnam it excludes 'volatile items'; and in Cambodia it excludes food, non-alcoholic beverages and oil products. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

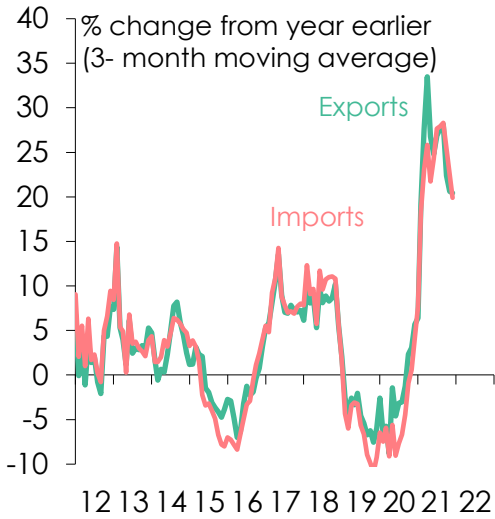
Asian exports are recovering from the Covid-induced slump – although ‘base effects’ from this time last year are inflating the growth

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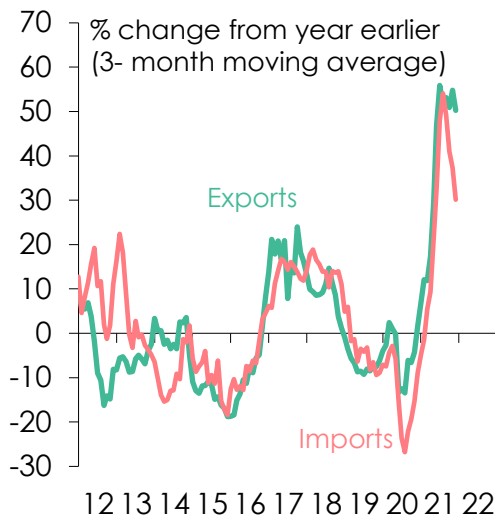
Korea



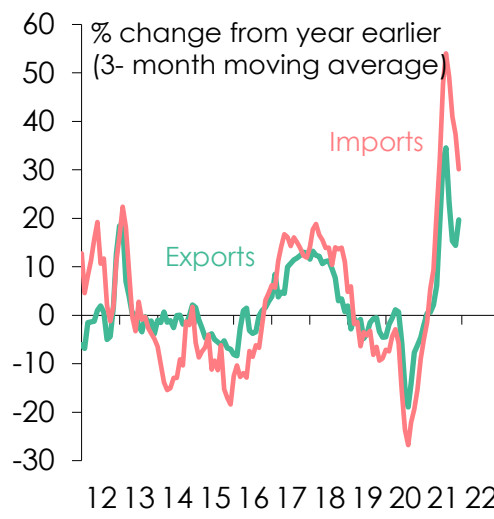
Hong Kong



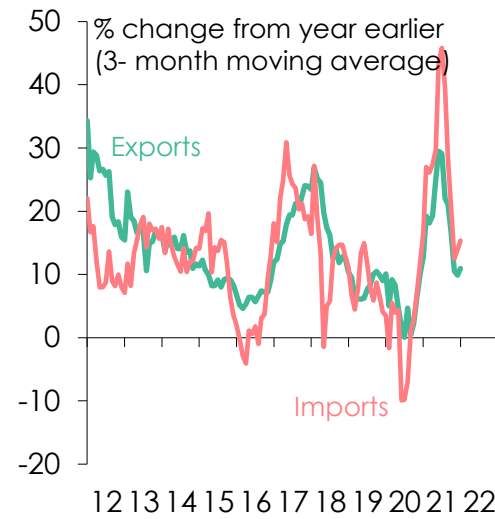
Indonesia



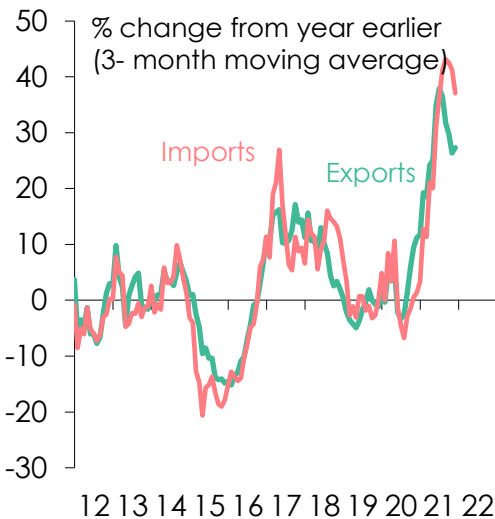
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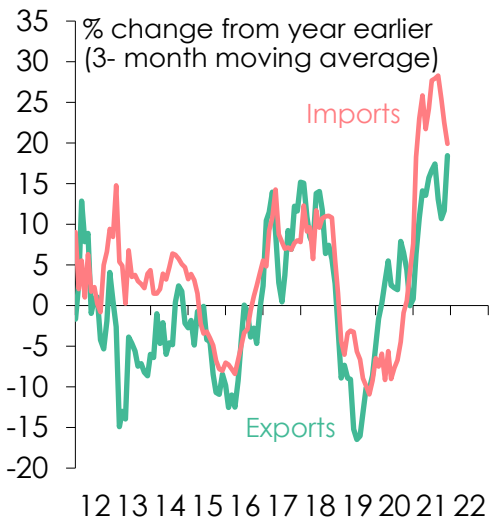
Vietnam



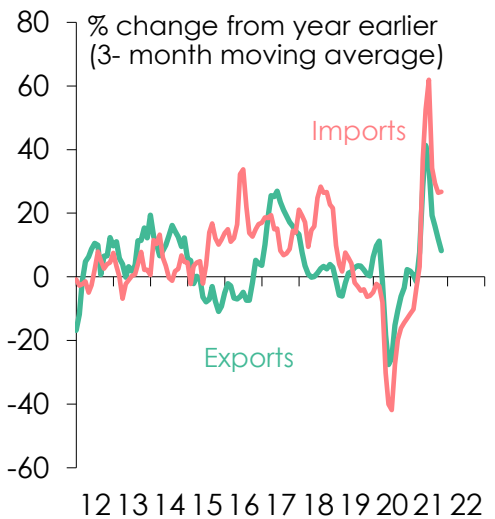
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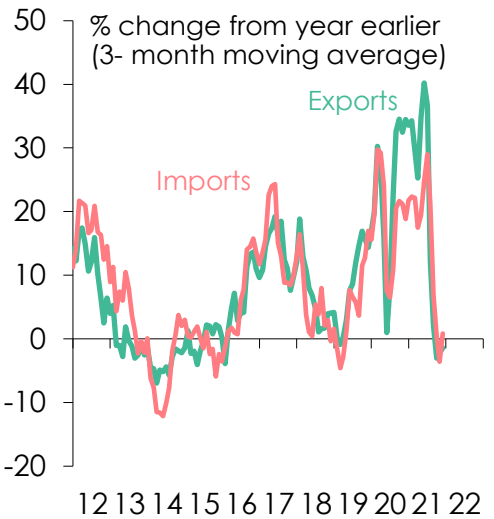
Singapore



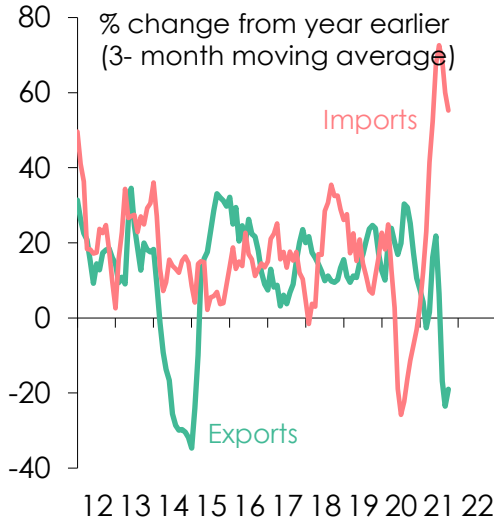
Philippines



Malaysia



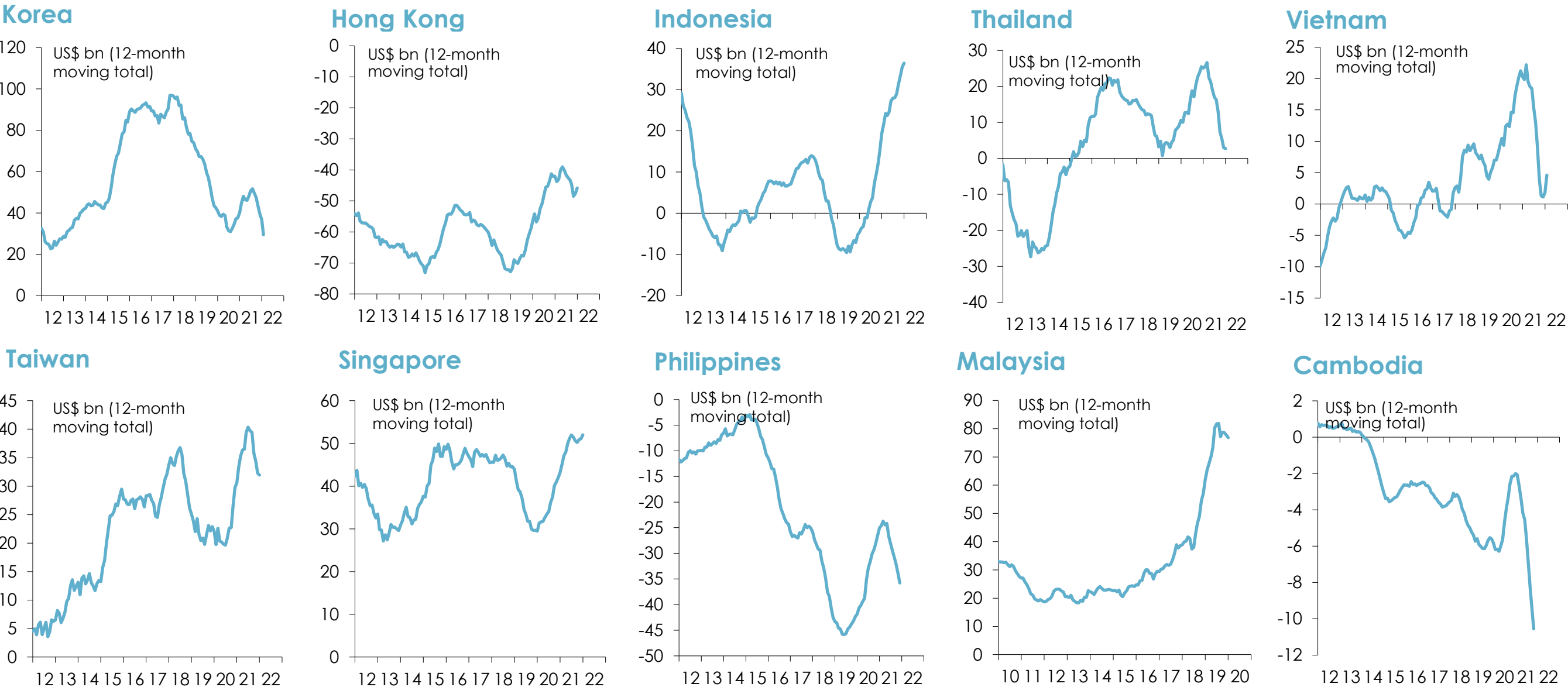
Cambodia



Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates.
Sources: national statistical agencies and central banks. [Return to "What's New"](#).

Most Asian economies – except for Indonesia, Malaysia and Singapore – experienced a deterioration in their trade balances during 2021

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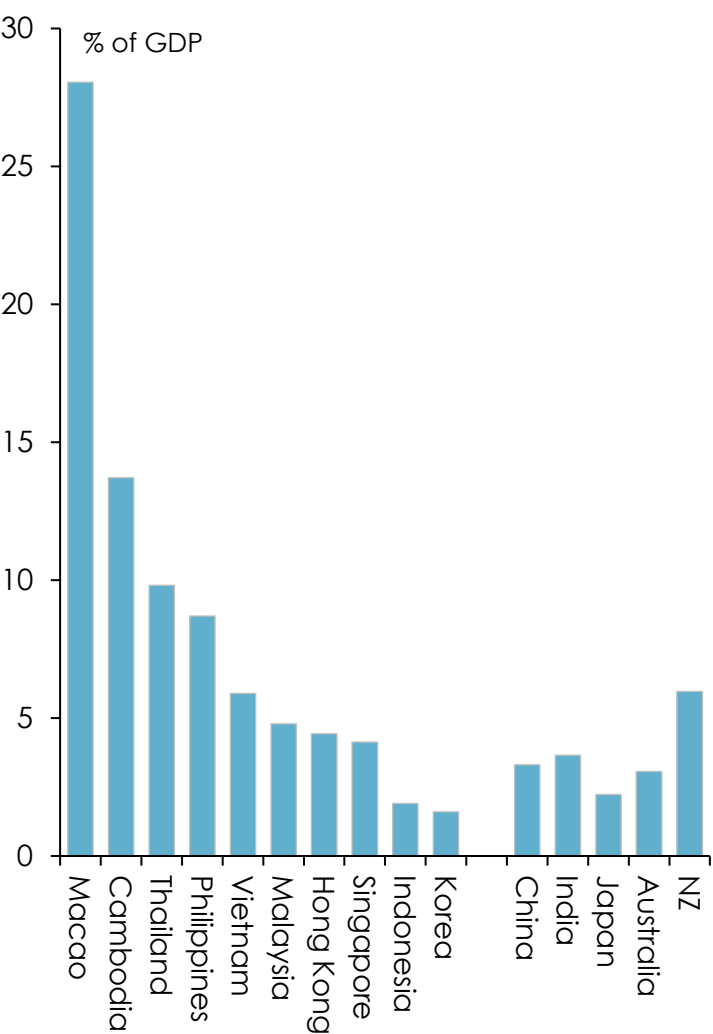


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates.
Sources: national statistical agencies and central banks. [Return to "What's New"](#).

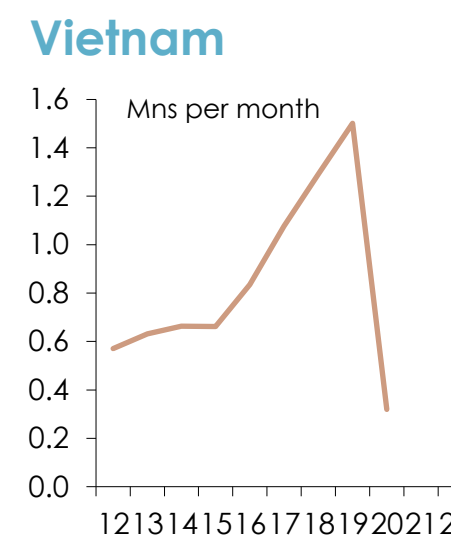
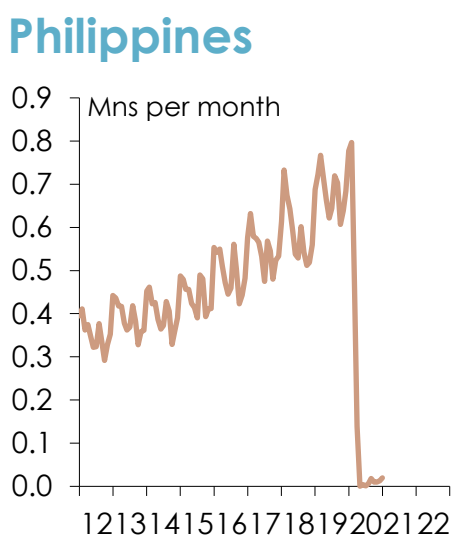
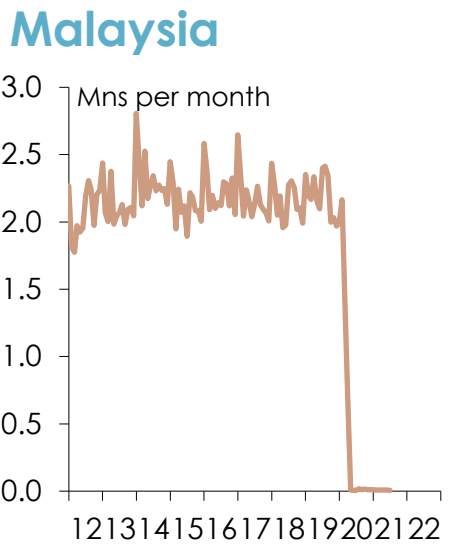
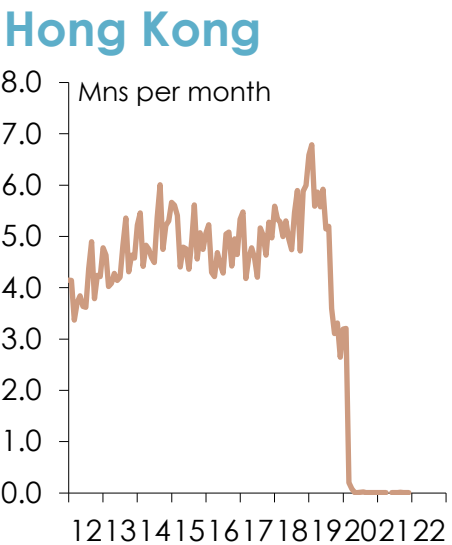
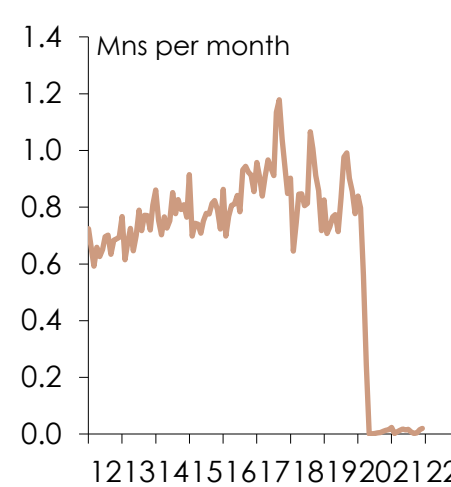
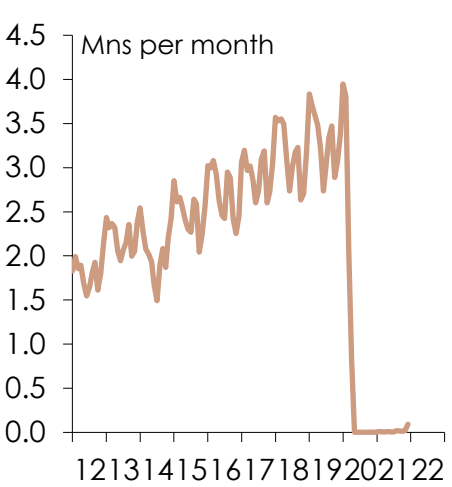
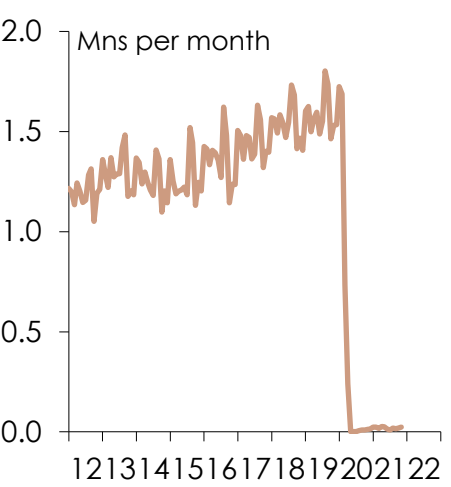
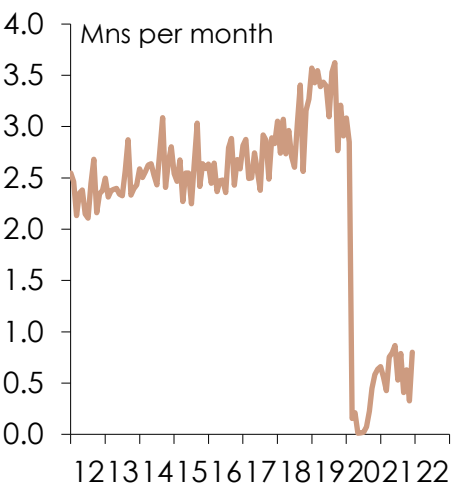
Many Asian economies, particularly Macao, Thailand, the Philippines and Hong Kong, have been hard hit by the demise of international tourism

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International tourism direct contribution to GDP, 2018



International visitor arrivals

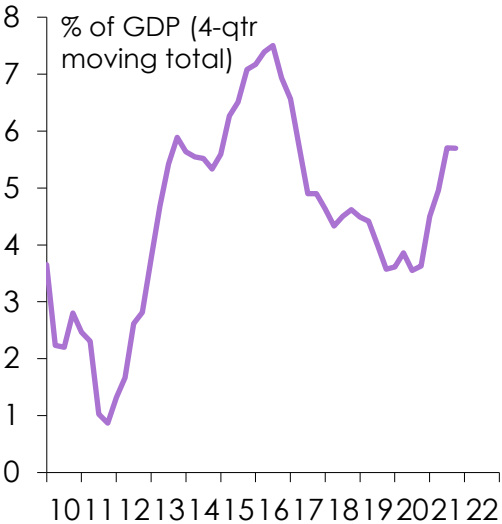


Note: Visitor arrivals data for Vietnam is only published annually. Sources: The World Bank, [ICdata360](#); national statistical agencies. [Return to "What's New"](#).

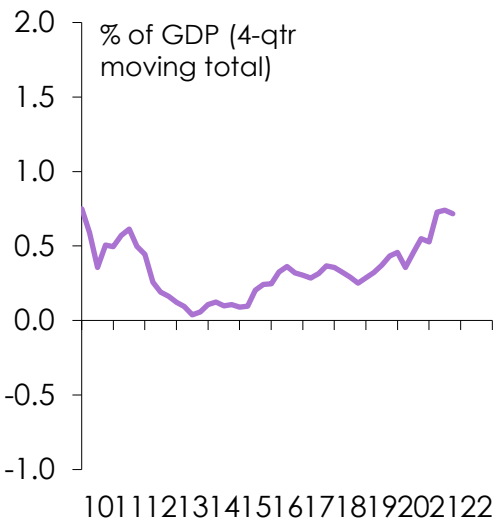
The more 'advanced' Asian economies have strong current account positions, Indonesia's is much improved but others have deteriorated

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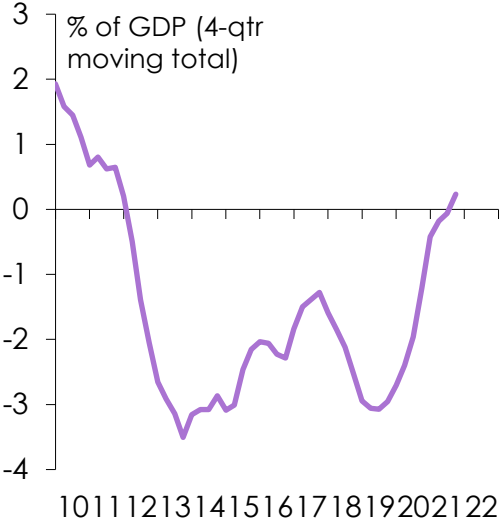
Korea



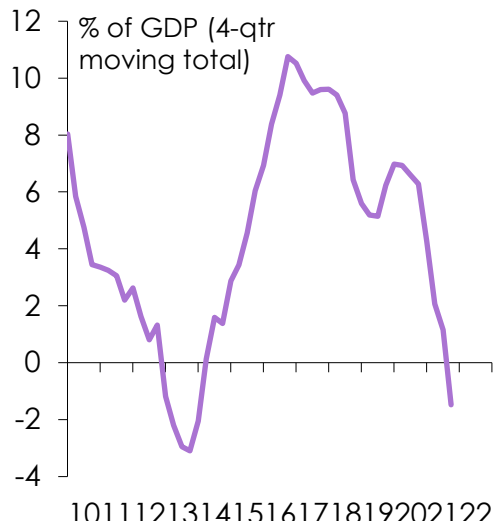
Hong Kong



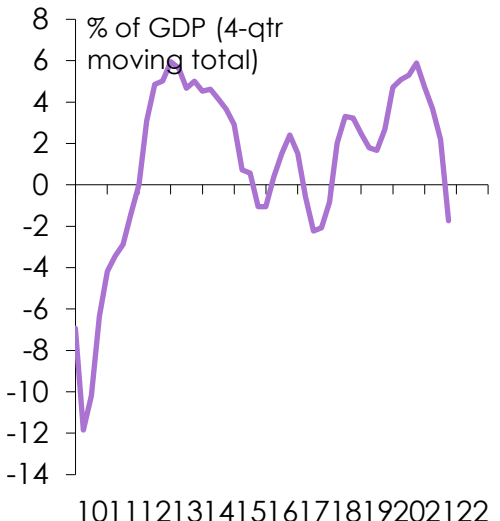
Indonesia



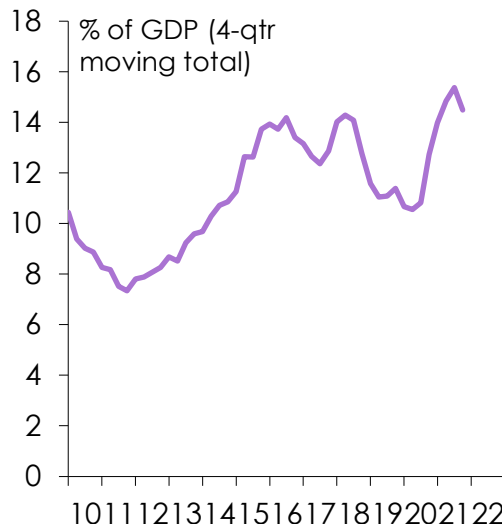
Thailand



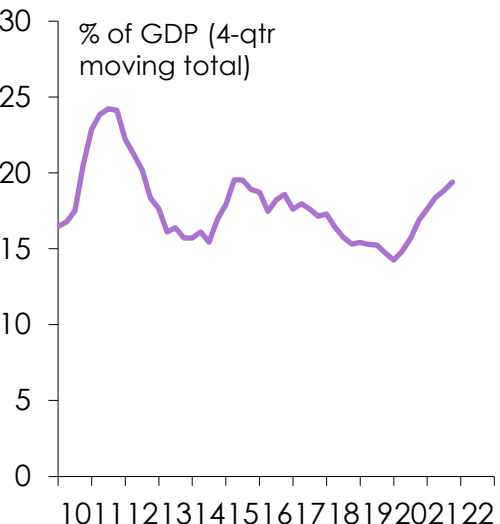
Vietnam



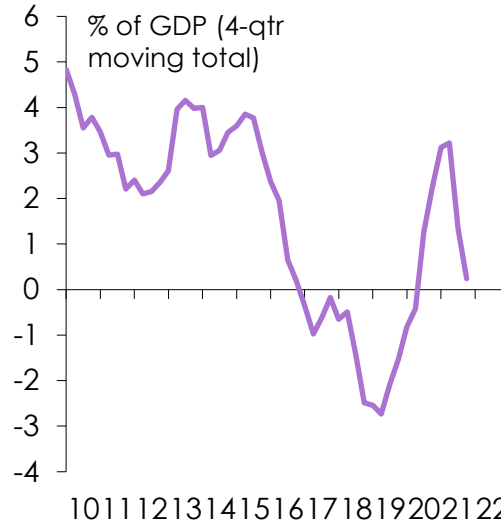
Taiwan



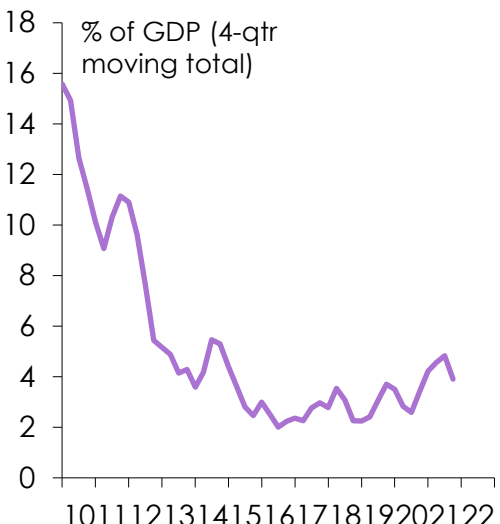
Singapore



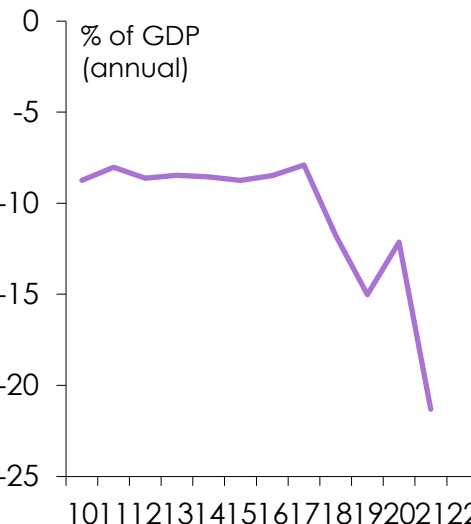
Philippines



Malaysia



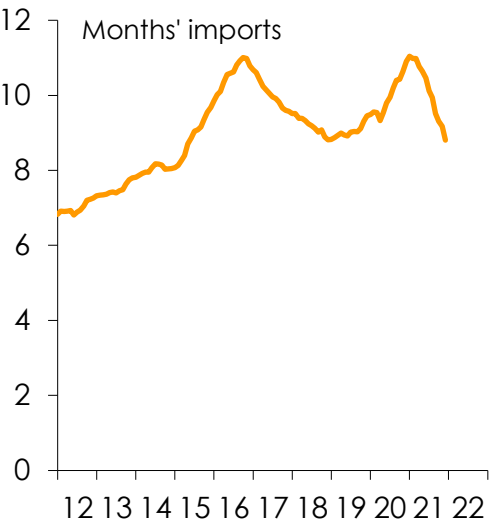
Cambodia



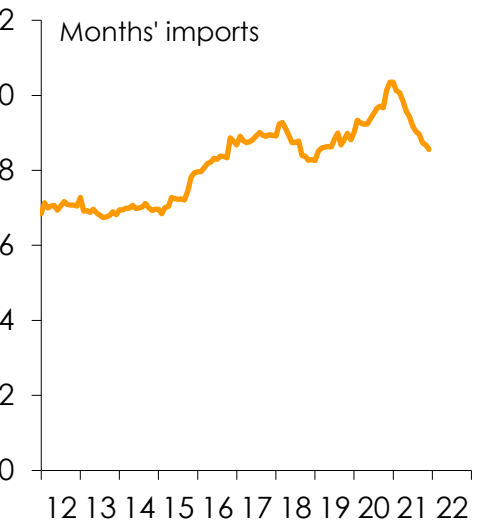
Most Asian economies have sought to maintain high levels of FX reserves since the 1997-98 crisis – although Malaysia's have deteriorated recently

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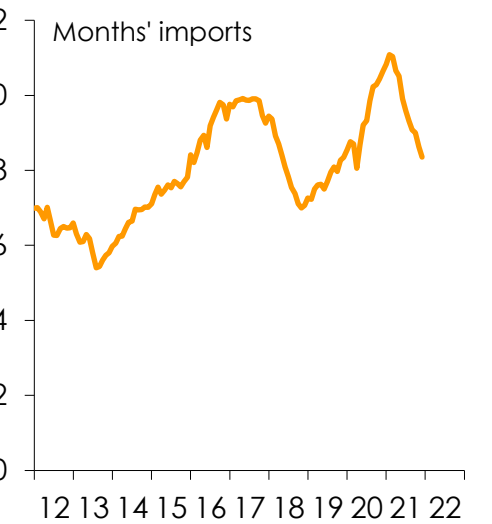
Korea



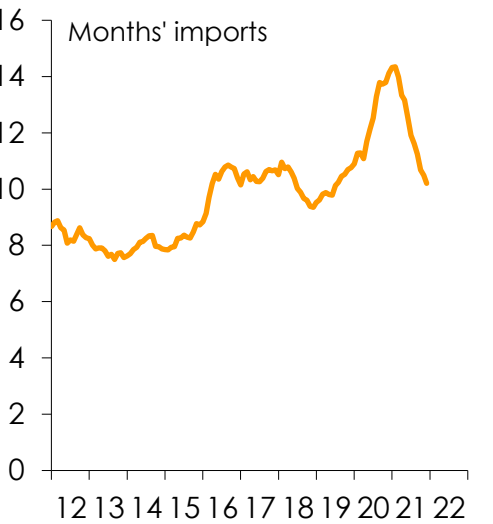
Hong Kong



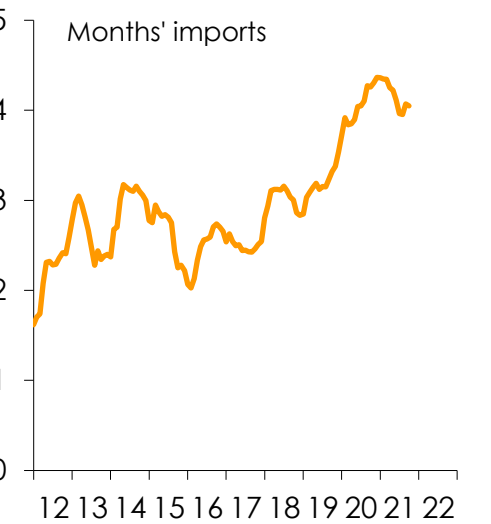
Indonesia



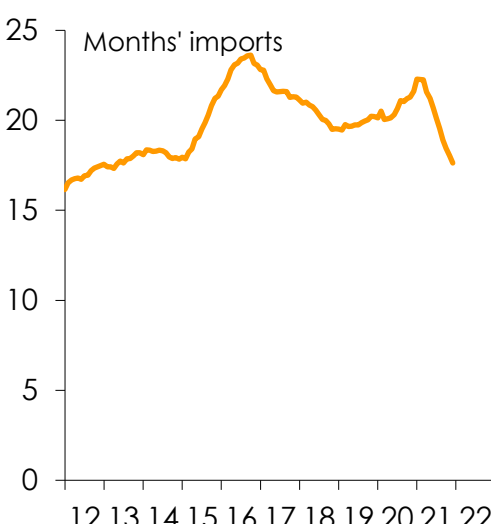
Thailand



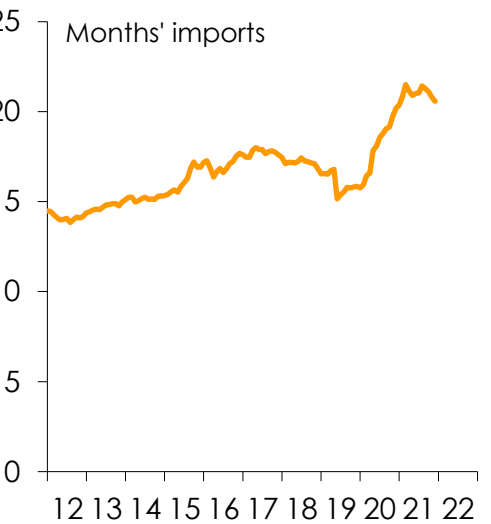
Vietnam



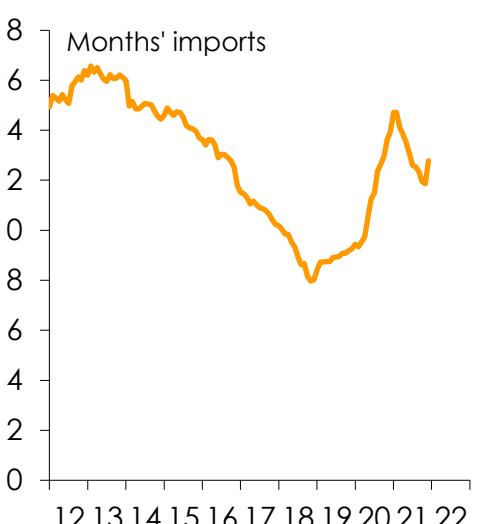
Taiwan



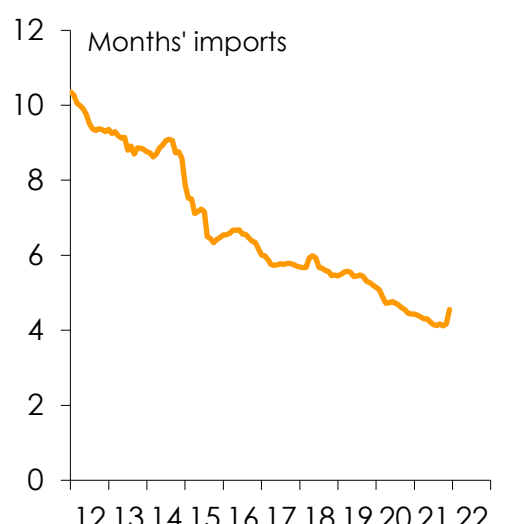
Singapore



Philippines



Malaysia



Cambodia

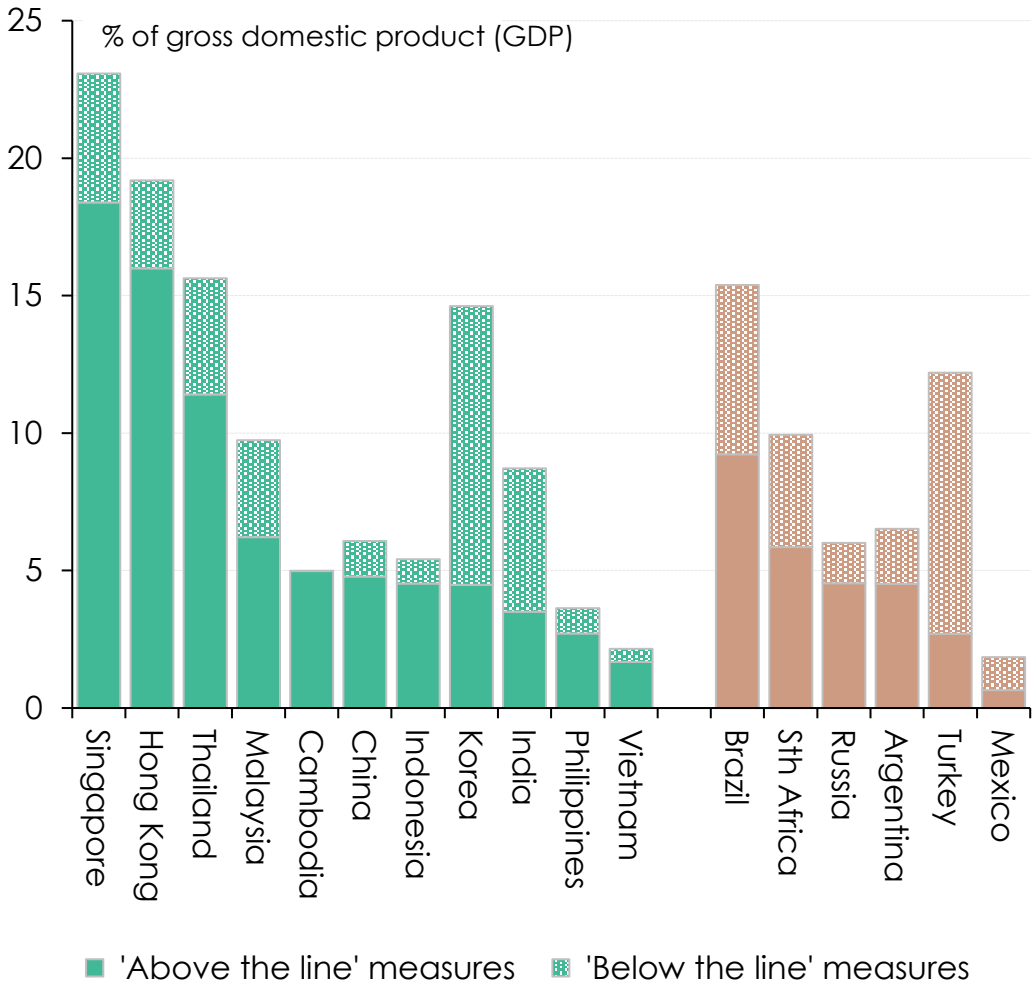


Note: Foreign exchange reserves in the above charts are shown as a multiple of average monthly imports (measured in US\$) over the preceding 12 months.
Sources: national statistical agencies and central banks; IMF; Refinitiv Datastream. [Return to "What's New"](#).

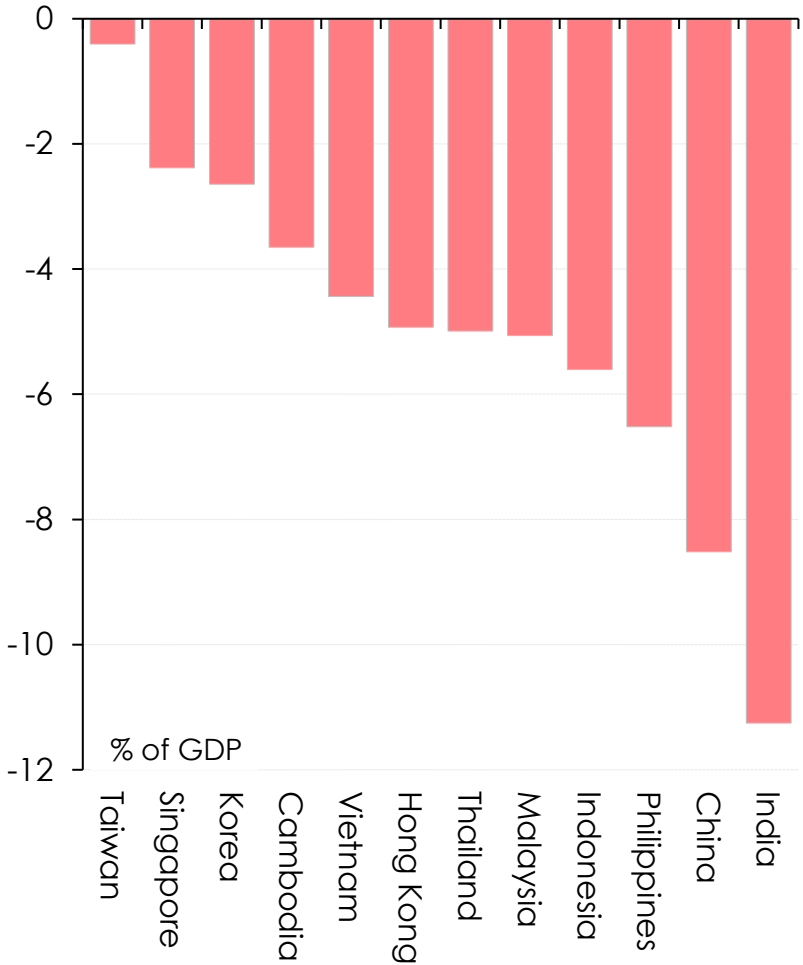
Apart from Singapore, Hong Kong and Thailand, Asian governments' discretionary fiscal responses to Covid-19 have been relatively modest

THE WORLD ECONOMY THIS WEEK - 17 January 2022

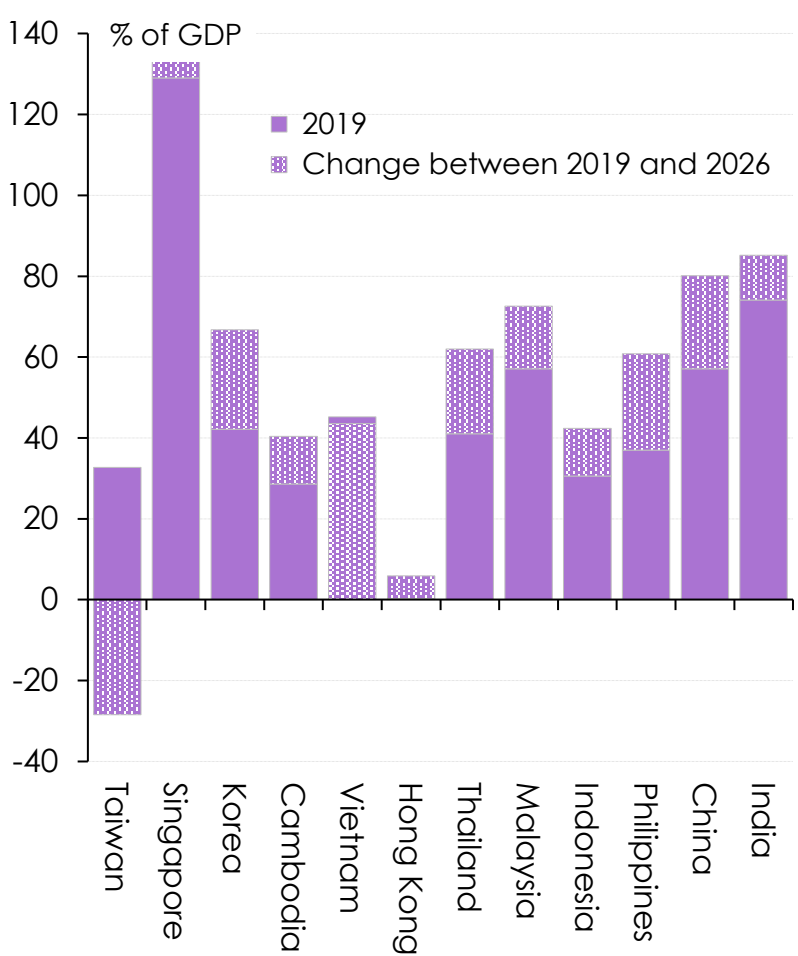
Fiscal policy responses to Covid-19 – Asian & other selected emerging market economies



Budget balances – Asian economies 2020-2022



Gross government debt – Asian economies 2019-26

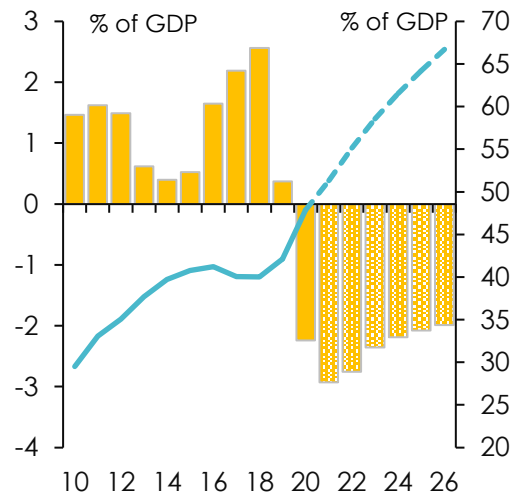


Note: 'Above the line' measures comprise additional or accelerated spending and deferred or foregone revenue. 'Below the line' measures comprise equity injections, loans, asset purchases and debt assumptions, but do not include loan guarantees or other contingent liabilities. 'DMS' means 'developed markets' (or 'advanced economies'). Data includes measures announced up until 27th September 2021. Singapore's apparently very large gross debt is offset by substantial financial asset holdings. Taiwan's gross debt is projected to decline as a percentage of GDP between 2019 and 2026. Sources: IMF, [Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic](#), October 2021; and [Fiscal Monitor](#), October 2021. [Return to "What's New"](#).

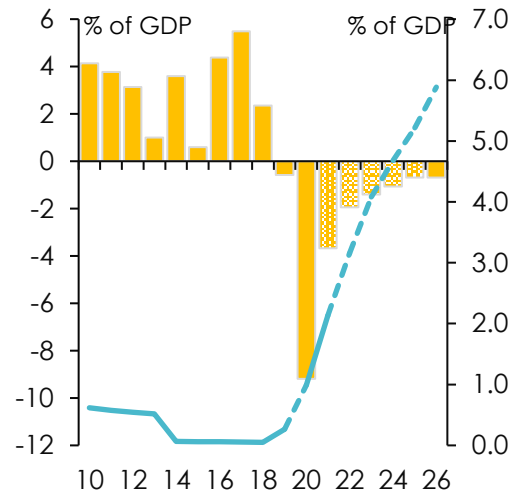
Asian governments, except for Taiwan, Singapore and Hong Kong, will be running large budget deficits for the next five years

THE WORLD ECONOMY THIS WEEK - 17 January 2022

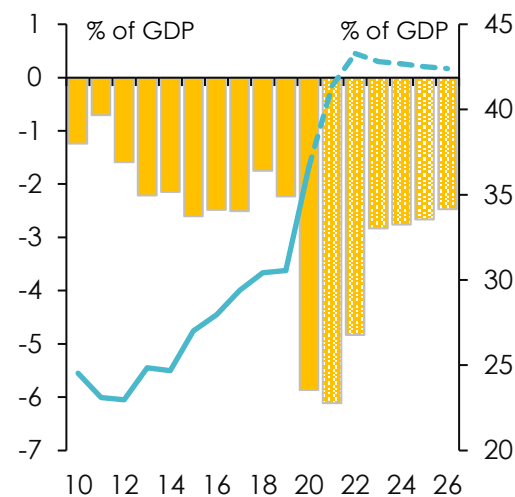
Korea



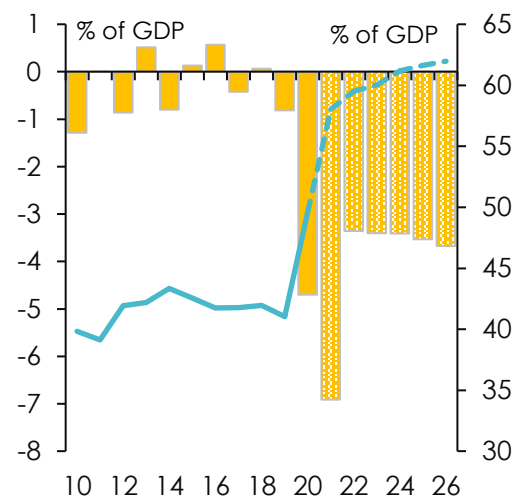
Hong Kong



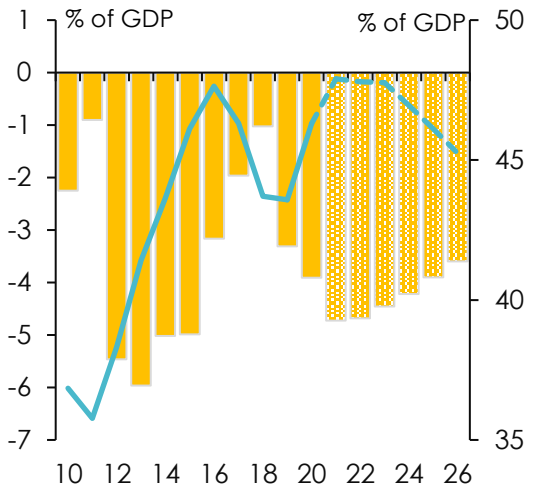
Indonesia



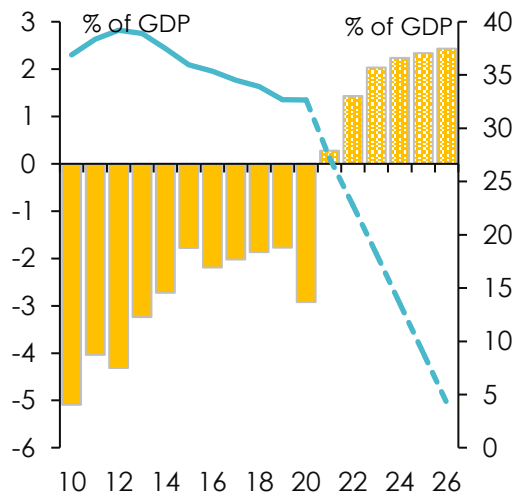
Thailand



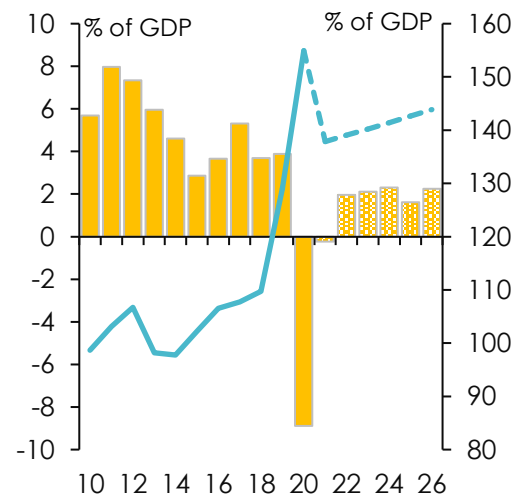
Vietnam



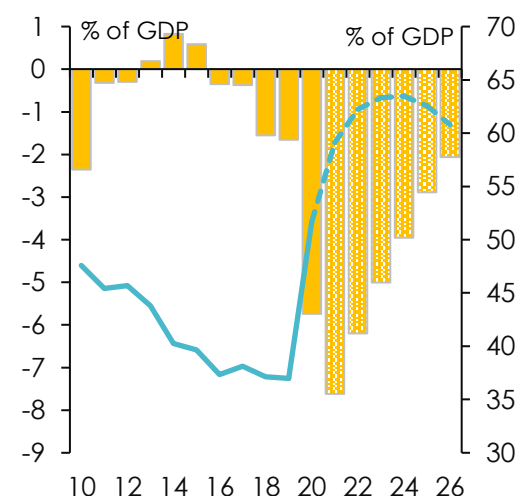
Taiwan



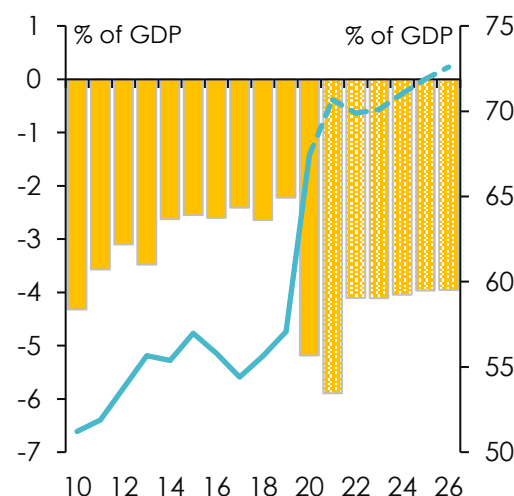
Singapore



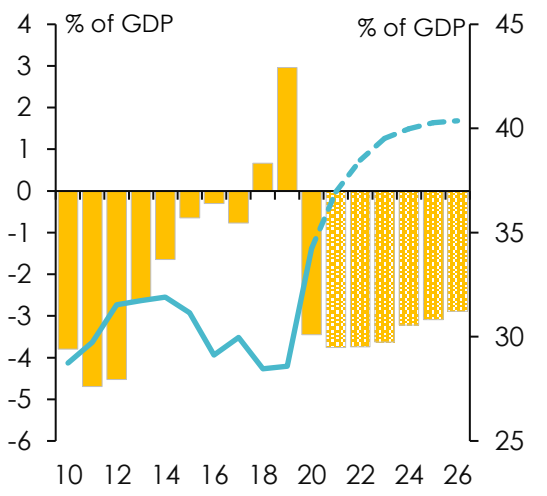
Philippines



Malaysia



Cambodia



General government overall fiscal balance (left scale)



General government gross debt (right scale)

Source: International Monetary Fund, [Fiscal Monitor](#), and [World Economic Outlook](#), October 2021. [Return to "What's New"](#)

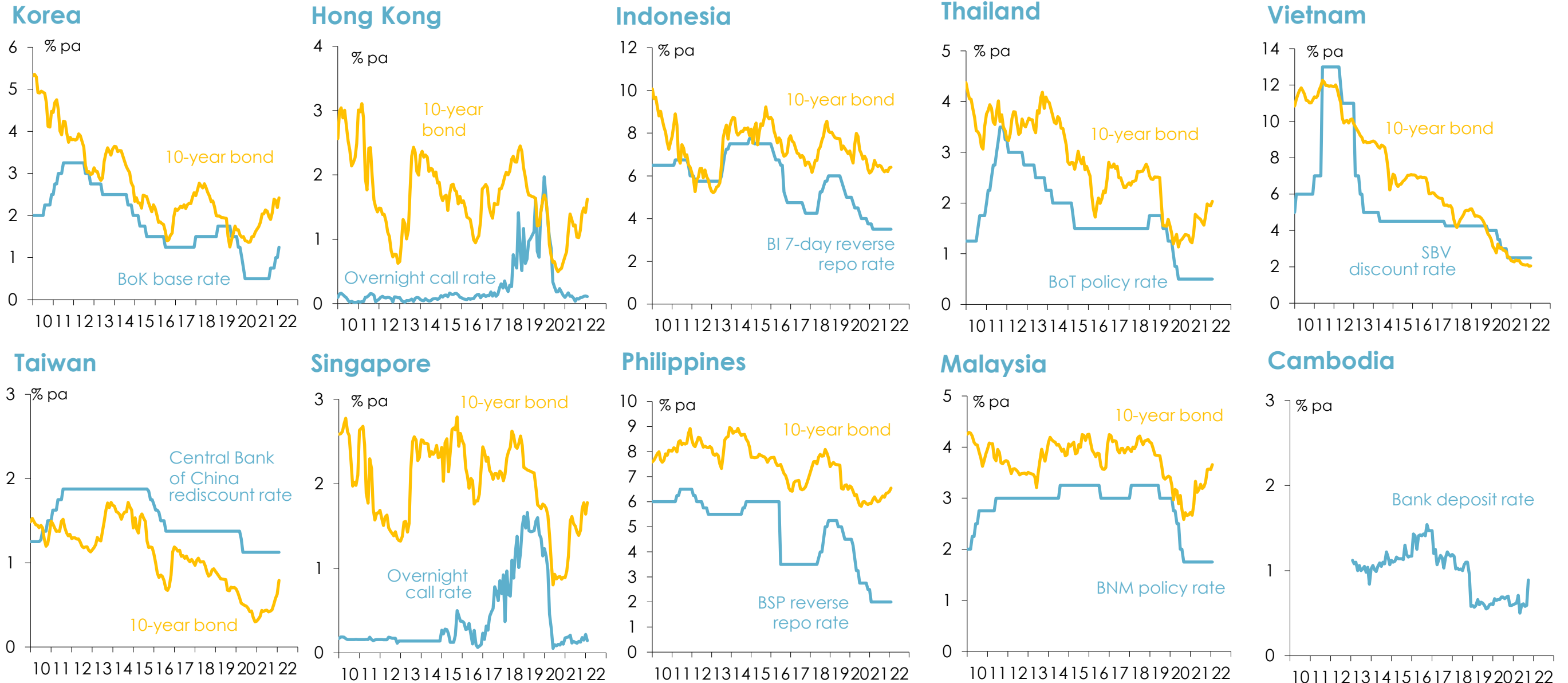
The Bank of Korea this month raised its cash rate a third time, fully withdrawing the stimulus it provided after the onset of the pandemic

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- ❑ The [Bank of Korea](#) raised its base rate a further 25bp, to 1.25%, at its first Monetary Policy Board meeting for the year on 14th January
 - this is the third such increase since August last year, and fully reverses the easing of monetary policy instituted after the onset of the pandemic in March 2020
 - in its [post-meeting statement](#) the Monetary Policy Board reference the continued recovery in the Korean economy despite the resurgence of covid-19, with a “sustained trend of increase” in employment, and forecast that “inflation will continue to run in the 3% range for a considerable period”
 - the Board foreshadowed a further withdrawal of “monetary policy accommodation” at future meetings, with inflation continuing to “run above the target level for a considerable time” and in order to “reduce the risk of a build-up of financial imbalances”
- ❑ The [Monetary Authority of Singapore](#) re-instated an ‘upward slope’ for its target band for the Sing\$ nominal effective exchange rate – which it had previously set at zero in March 2020 – at its last meeting in October
 - this [decision](#) was in response to growth in the Singapore economy being “likely to remain above trend in the quarters ahead” and because “external and domestic cost pressures are accumulating”, with the result that inflation was likely to “come in around 2% in 2021 and average 1.5-2.5% in 2022
- ❑ No other Asian central banks have given any indication of a near-term withdrawal of monetary policy stimulus
 - largely because despite upward pressure on producer prices, consumer price inflation remains quiescent ([slide 89](#))
- ❑ Upcoming Asian central bank meetings are Bank Indonesia and Bank Negara Malaysia on 20th January, Bank of Thailand on 9th February, Bank Indonesia again on 10th February, Bangko Sentral ng Pilipinas on 17th February, Bank Negara Malaysia on 3rd March, and Central Bank of China (Taiwan) on 17th March

The Bank of Korea – the only Asian central bank to have tightened monetary policy thus far – raised rates a third time last week

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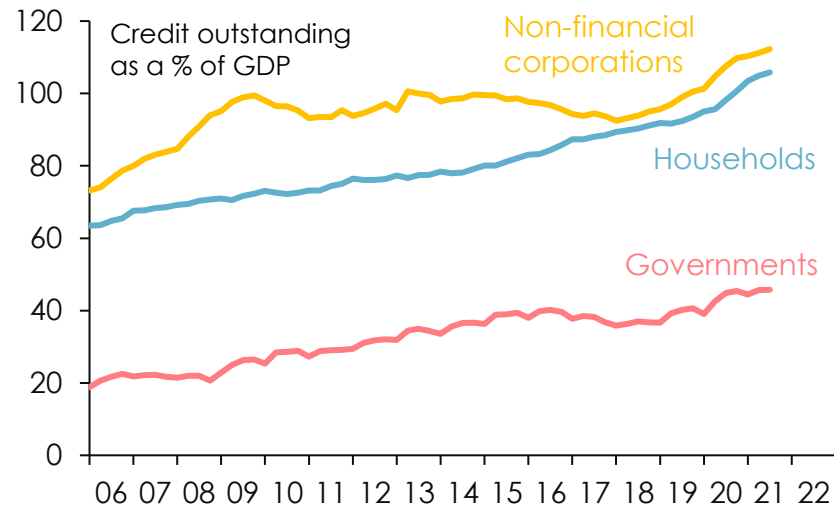


Note: Neither Hong Kong nor Singapore use a monetary policy indicator interest rate. Hong Kong has a currency board system, so HK interest rates track US rates very closely; the Monetary Authority of Singapore uses the (effective) exchange rate as its principal monetary policy instrument. Data are monthly averages up to 14th January 2022.
Sources: national central banks; Refinitiv Datastream. [Return to "What's New"](#).

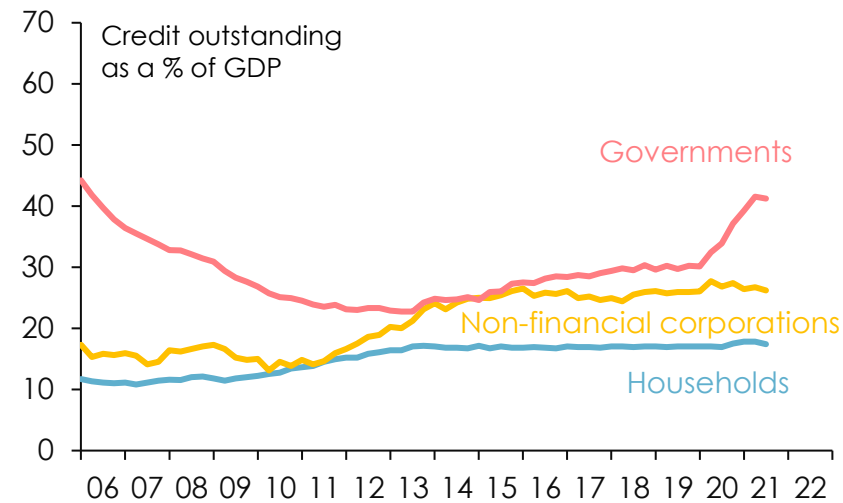
In Asia, Hong Kong, Singaporean and Korean corporates, and Korean households, have the greatest exposure to any increases in interest rates

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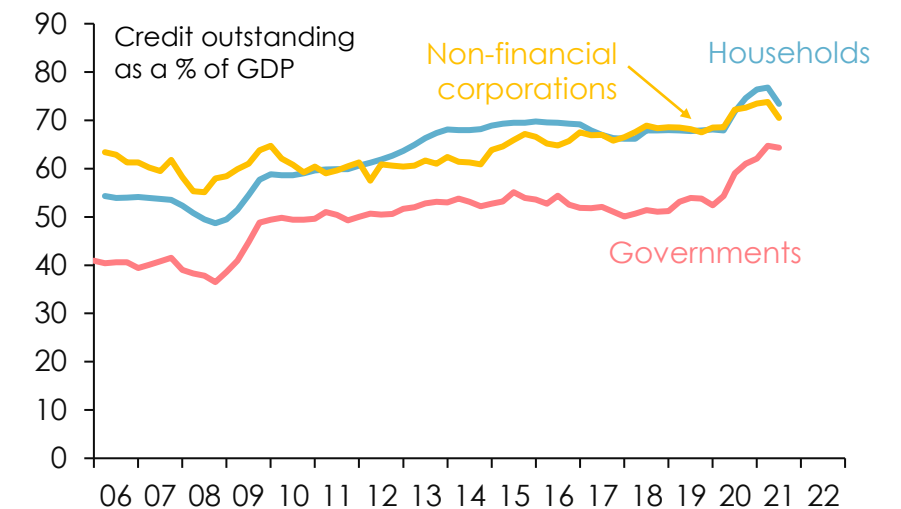
Korea



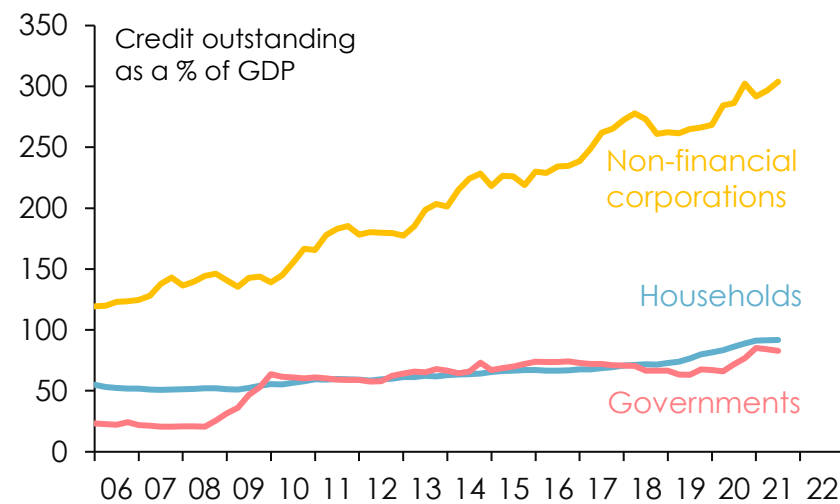
Indonesia



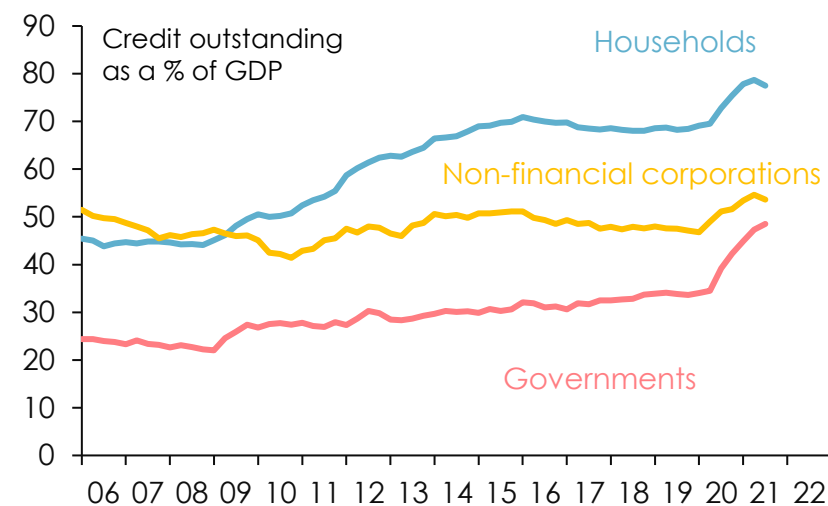
Malaysia



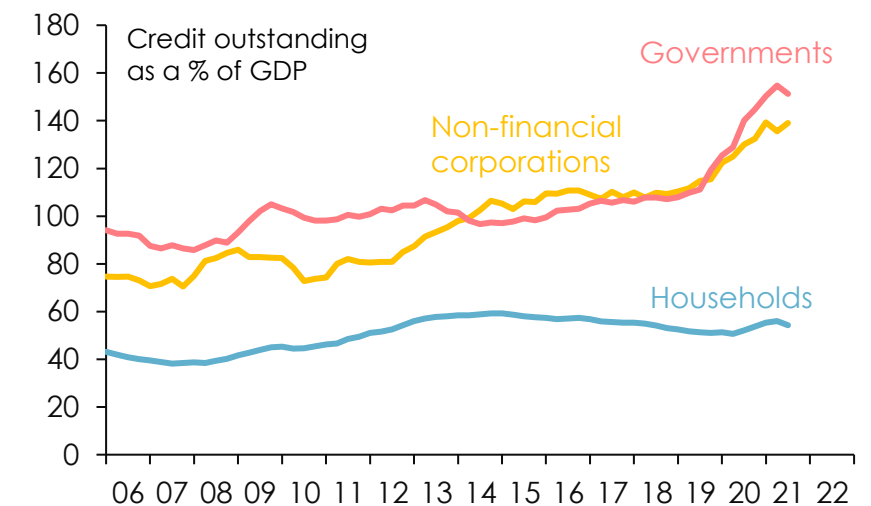
Hong Kong



Thailand



Singapore

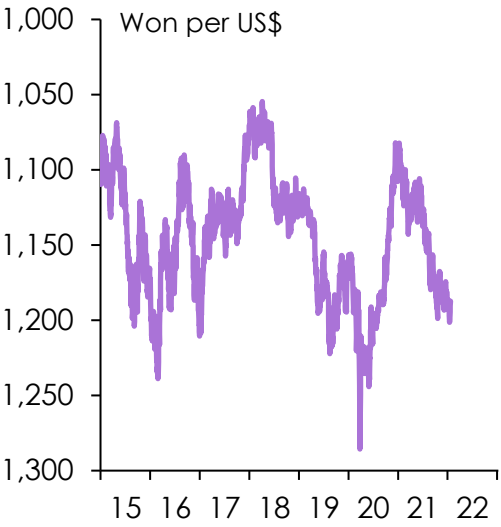


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q2 2021, Q3 data will be released on 28th January. [Return to "What's New"](#).

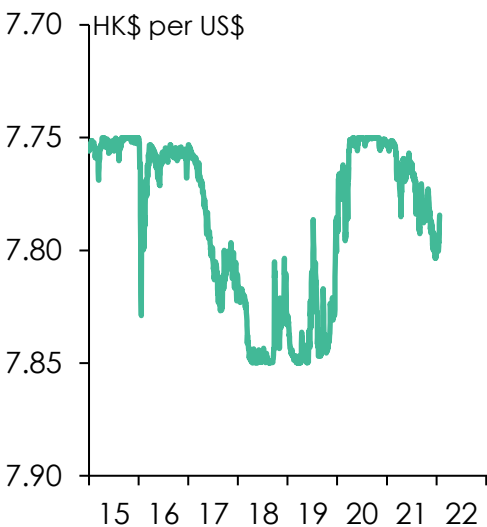
Asian currencies have been mostly stronger against the US\$ so far this year, except for the rupiah, ringgit and peso

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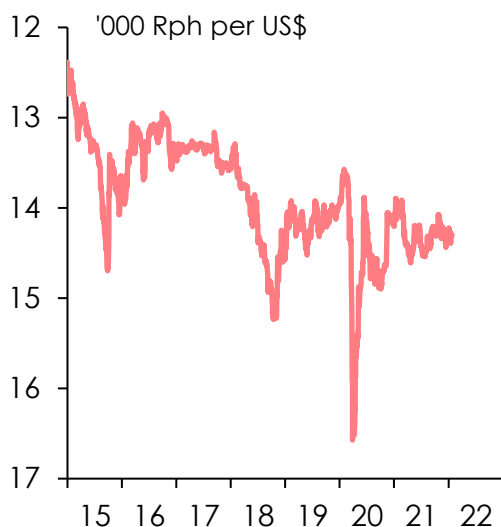
Korean won



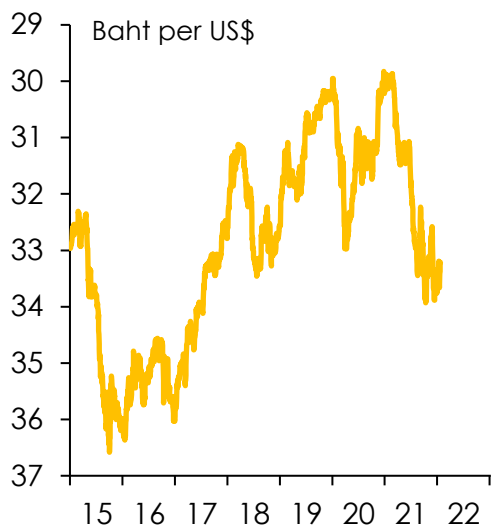
Hong Kong dollar



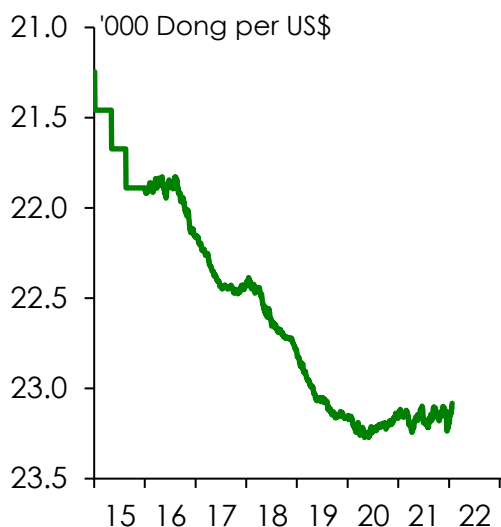
Indonesian rupiah



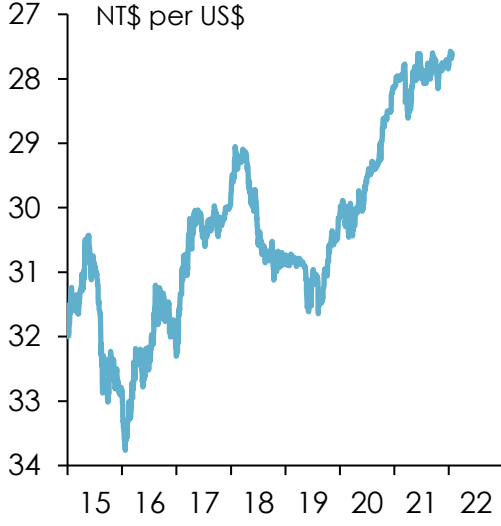
Thai baht



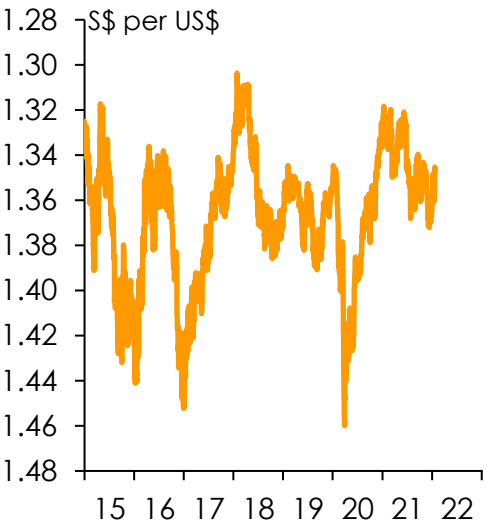
Vietnamese dong



New Taiwan dollar



Singapore dollar



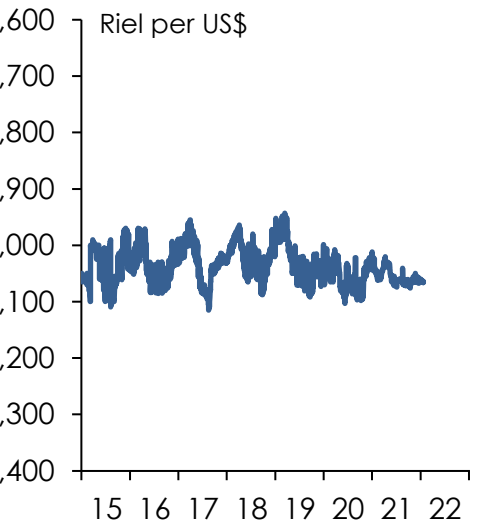
Philippine peso



Malaysian ringgit



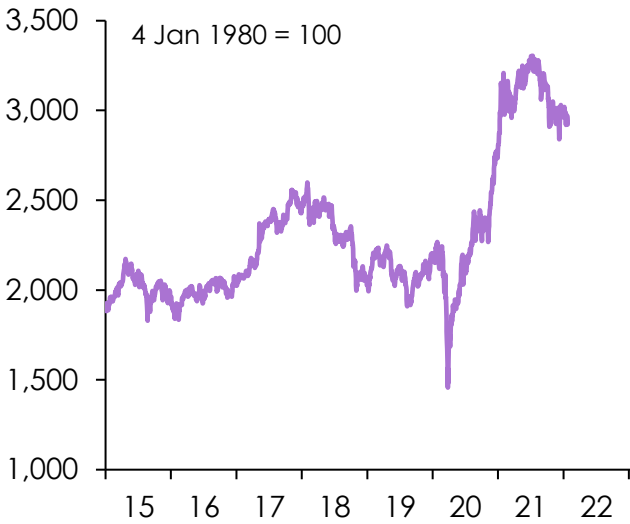
Cambodian riel



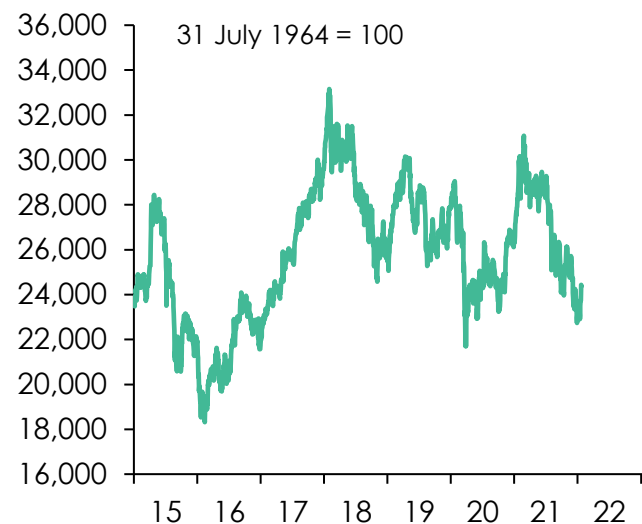
Asian stock markets have been mixed with Taiwan, Indonesia and Thailand stronger but Korea, Hong Kong and Malaysia weaker

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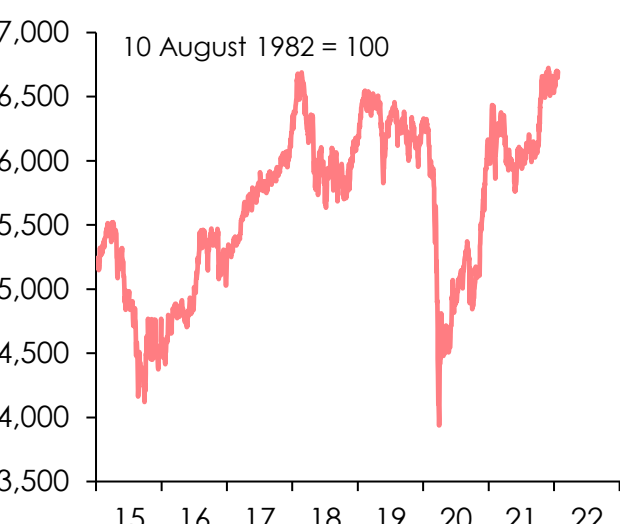
KOSPI



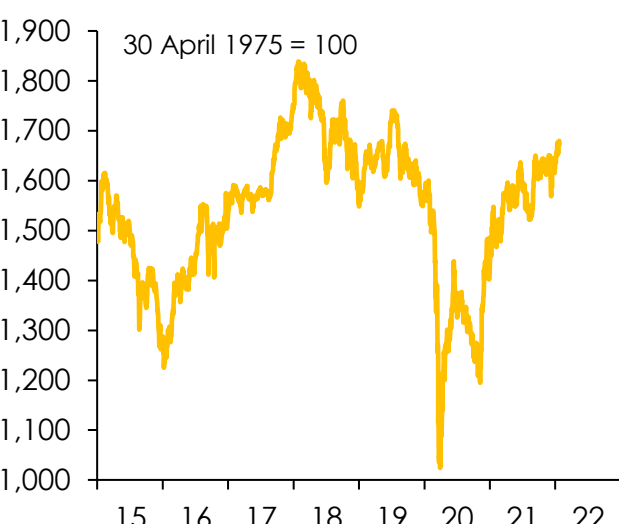
Hang Seng Index



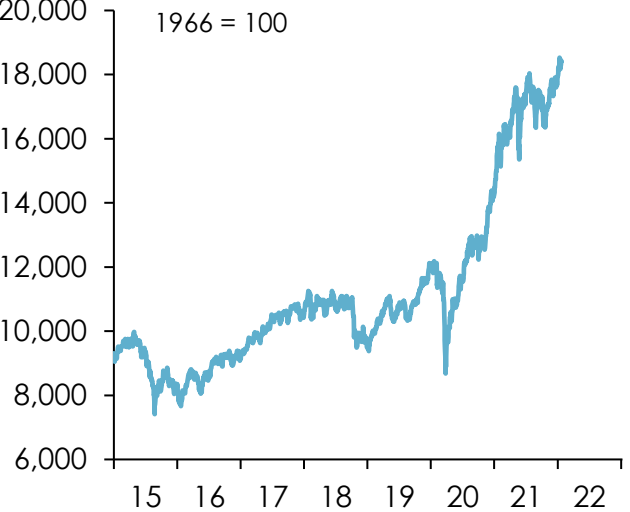
JCI



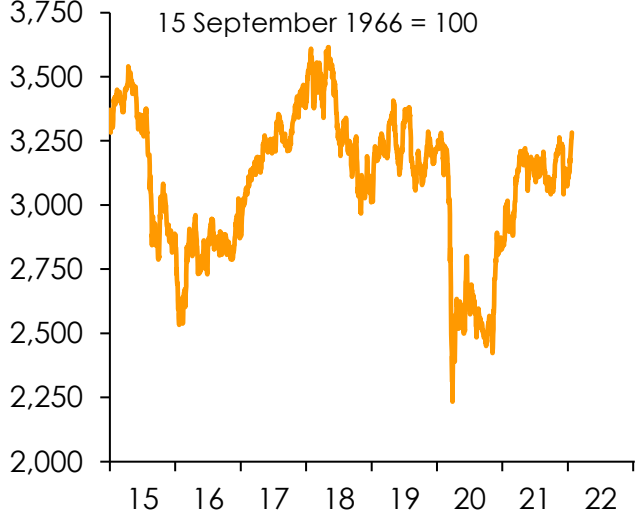
SETI



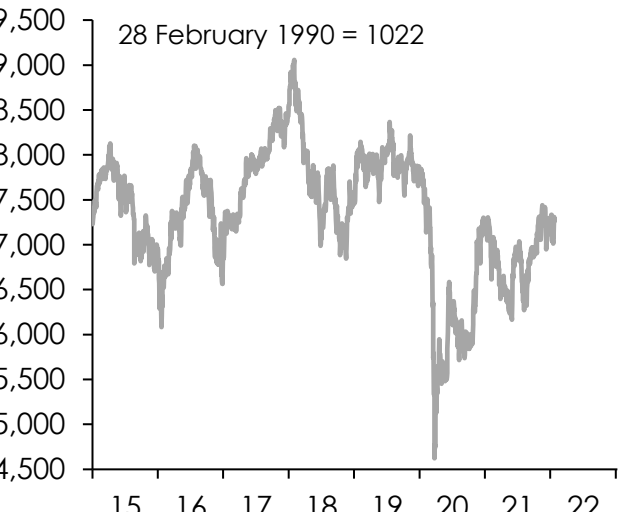
TAIEX



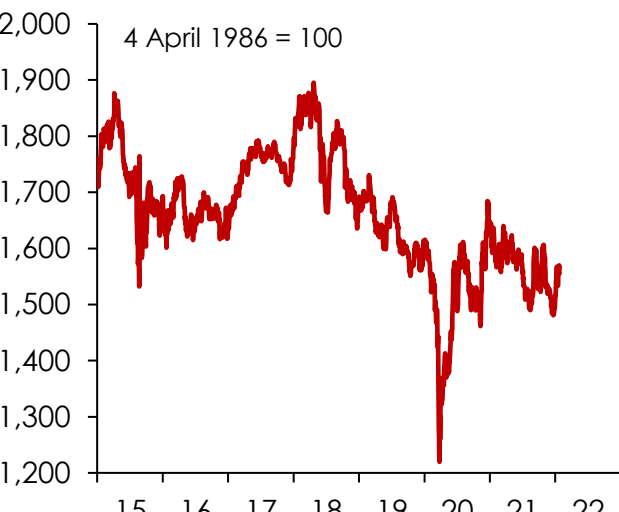
Straits Times Index



PSE i



KLCI

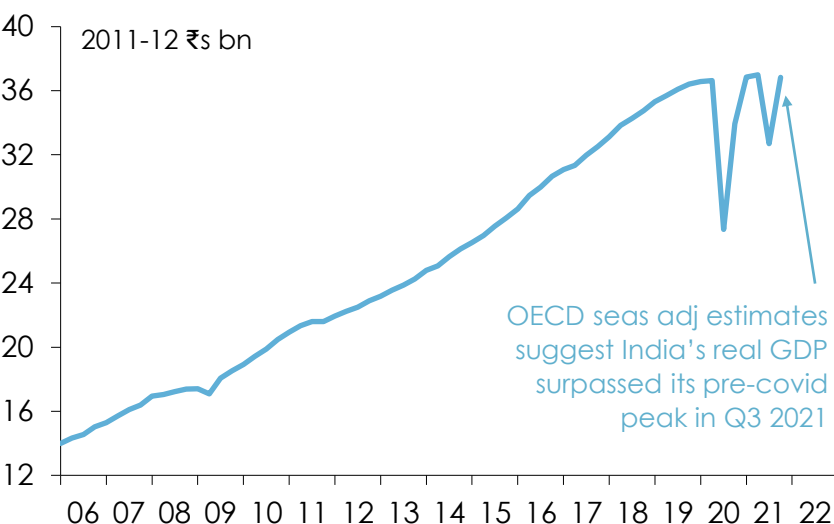


India

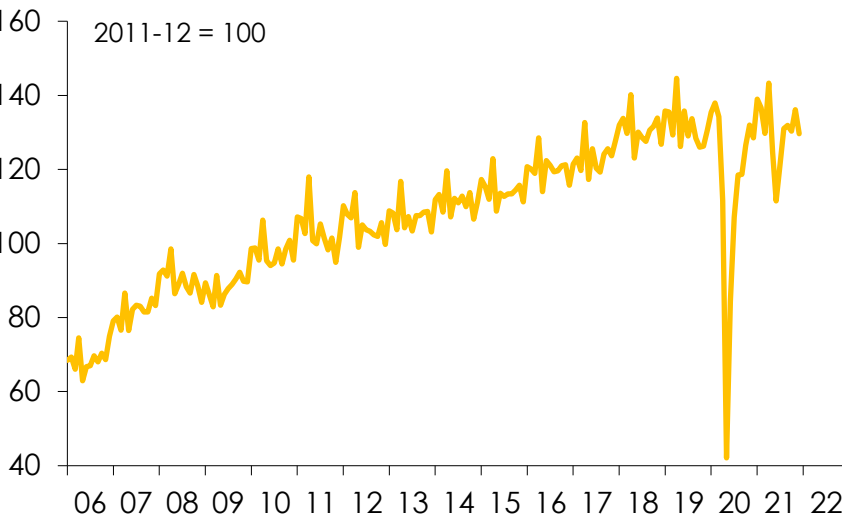
India's economy is recovering from two waves of virus-induced contractions in Q2 2020 and Q2 2021

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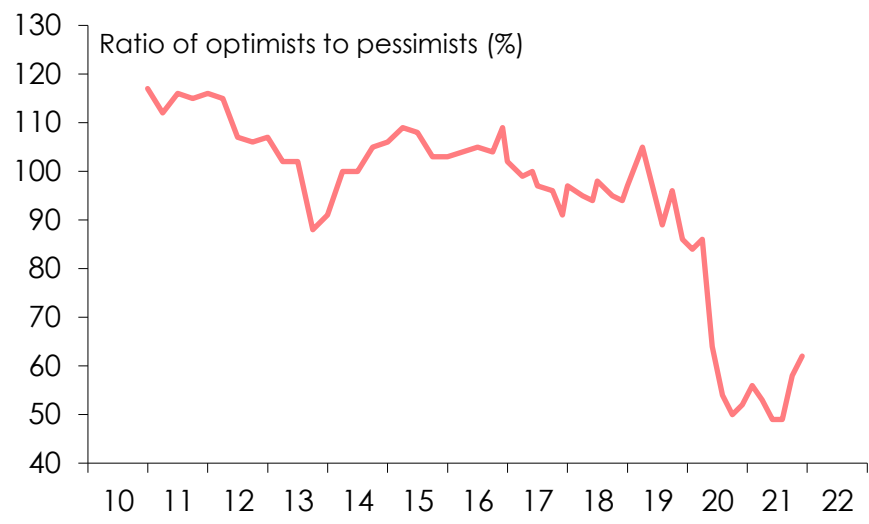
Quarterly real GDP



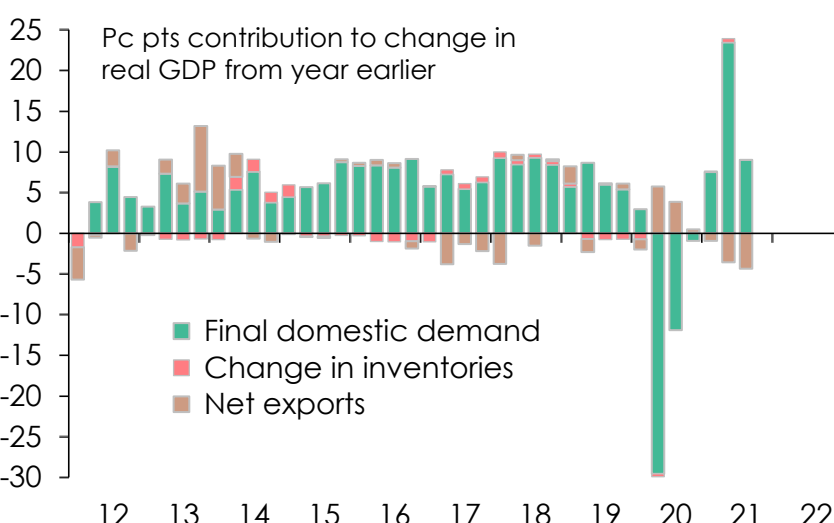
Manufacturing production



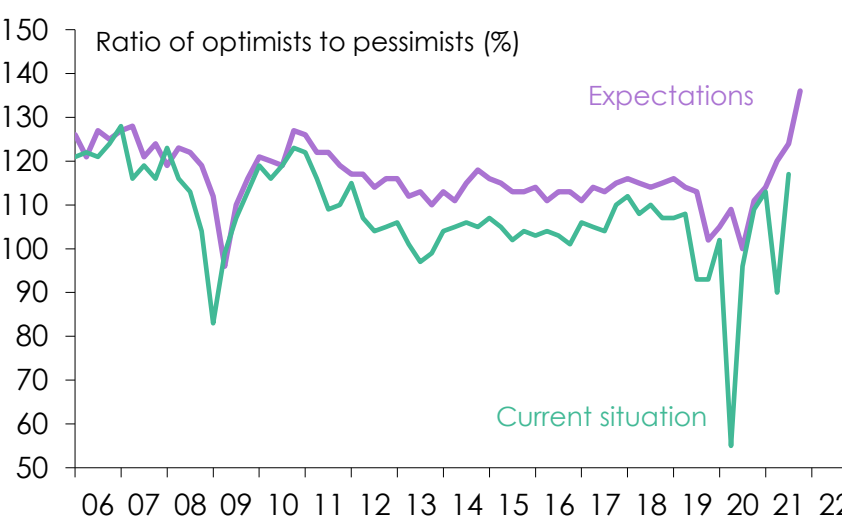
Consumer confidence



Contributions to real GDP growth



Industrial sector sentiment



Unemployment rate

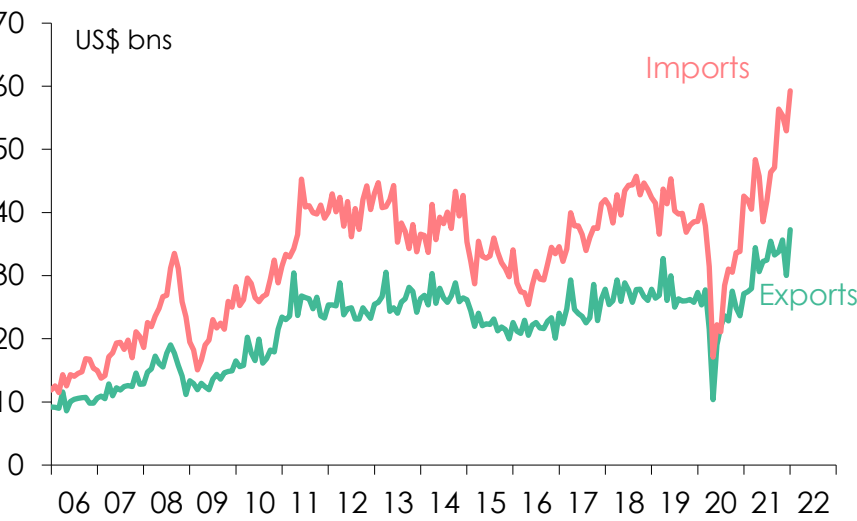


Sources: OECD, [Quarterly National Accounts dataset](#); Government of India, Ministry of Statistics and Programme Implementation, [National Accounts Data](#), and [IIP Data](#); Reserve Bank of India, [Quarterly Industrial Outlook Survey](#) and [Consumer Confidence Survey Bi-Monthly](#); Centre for Monitoring the Indian Economy, [Unemployment Rate in India](#).
[Return to "What's New"](#).

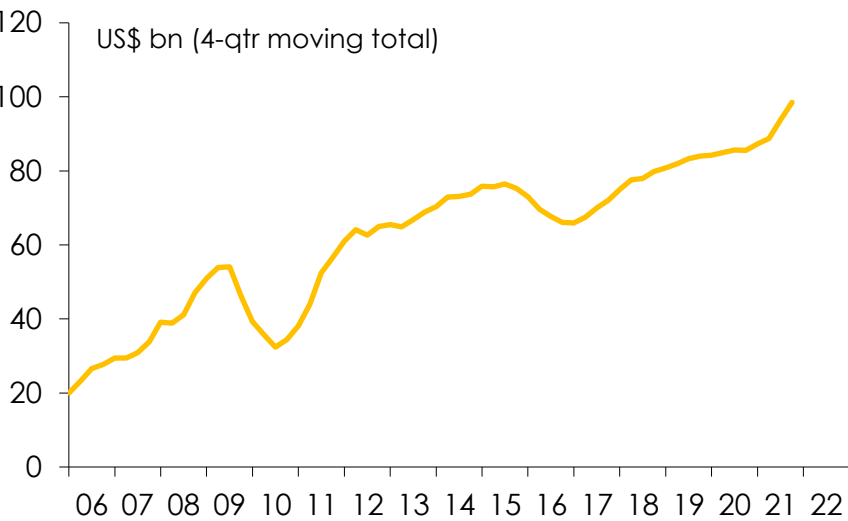
India's merchandise trade deficit has deteriorated sharply due to higher oil prices but its overall external position remains relatively stable

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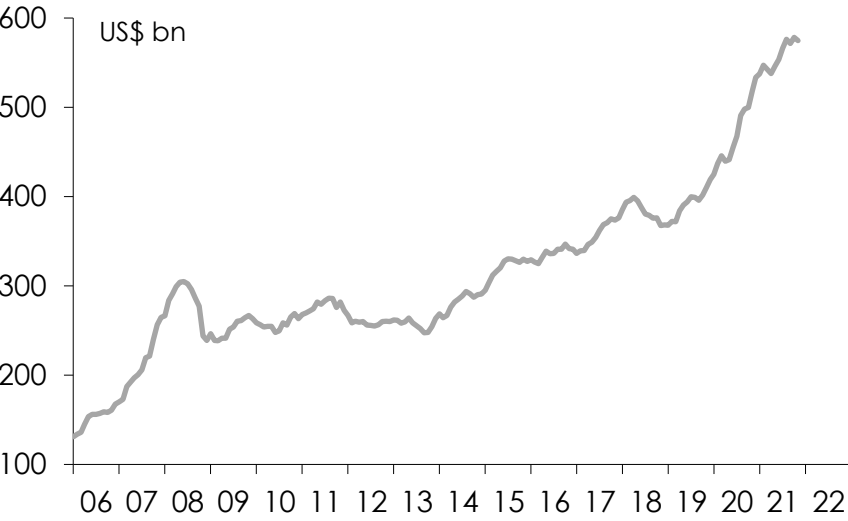
Merchandise exports and imports



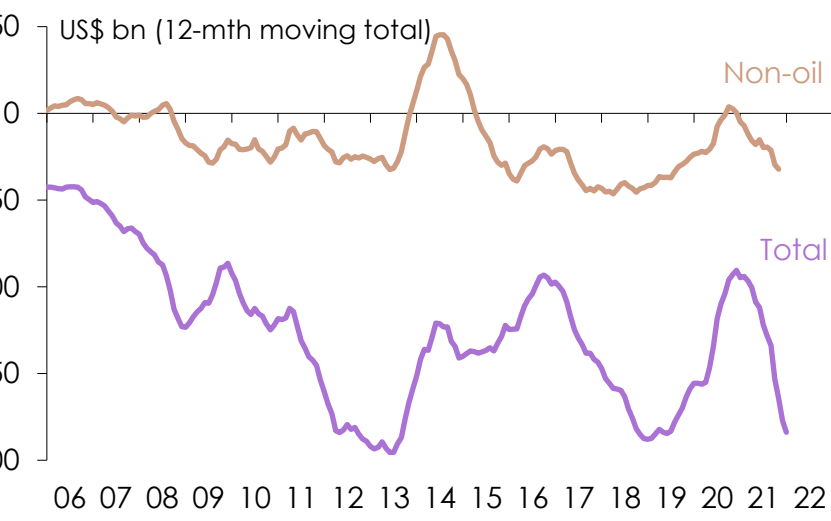
Services trade balance



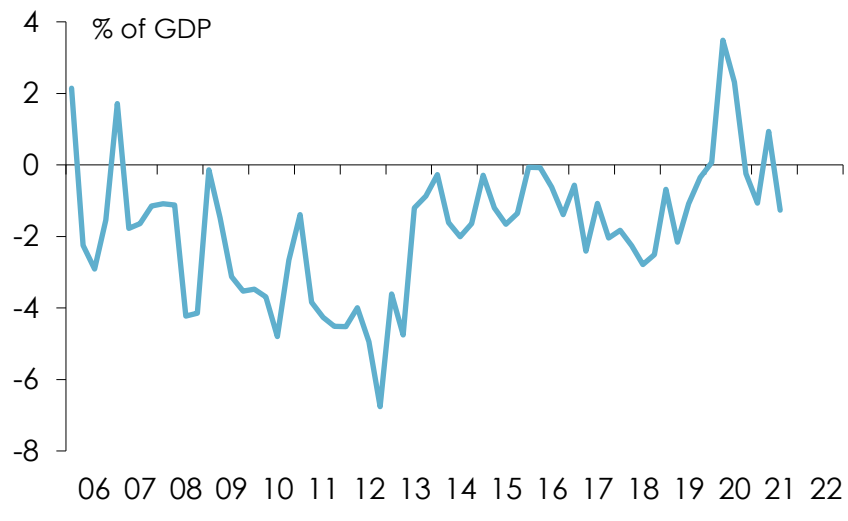
Foreign exchange reserves



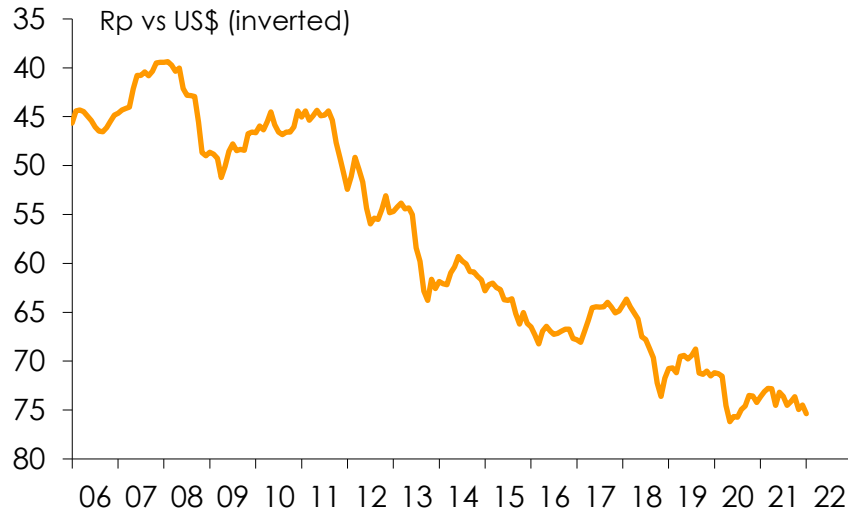
Merchandise trade balance



Current account balance



Rupee vs US dollar

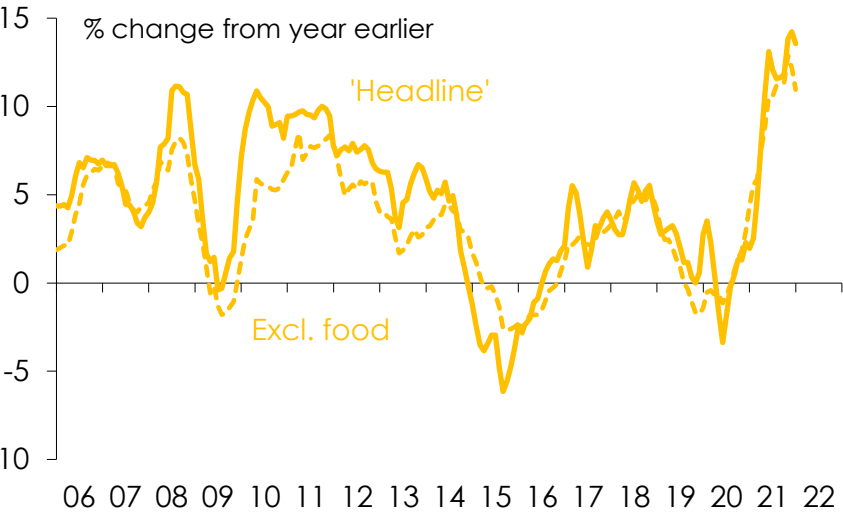


Sources: Government of India, Ministry of Commerce and Industry, [Trade Statistics](#); Reserve Bank of India, [Special Data Dissemination Standards - Balance of Payments](#) and [Weekly Statistical Supplement - Extract](#); Refinitiv Datastream. [Return to "What's New"](#).

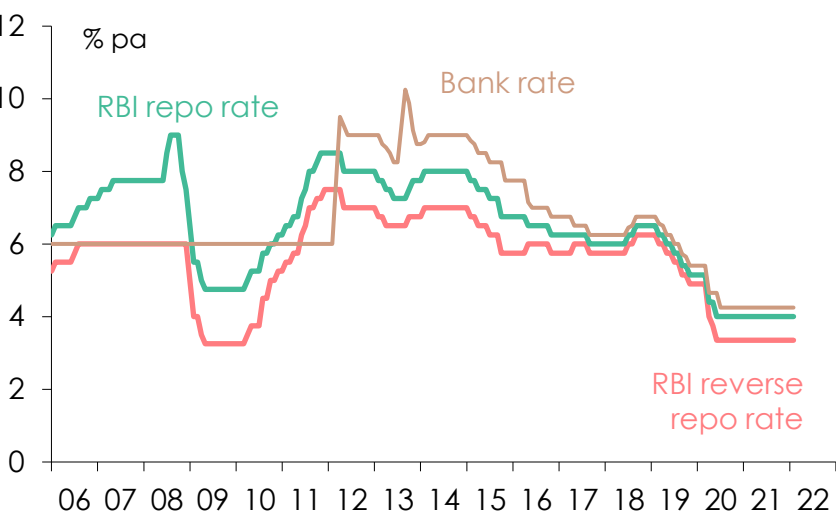
Wholesale price inflation has accelerated sharply, and consumer price inflation is approaching the upper end of the RBI's inflation target range

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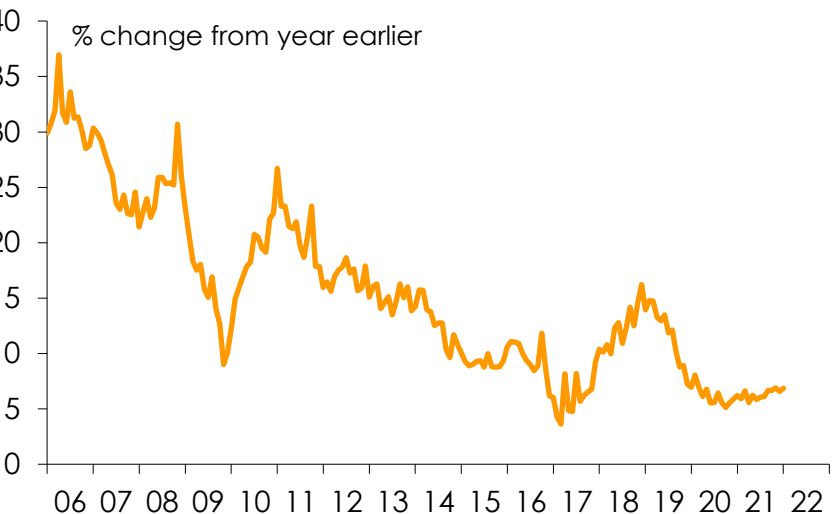
Wholesale prices



RBI policy interest rates



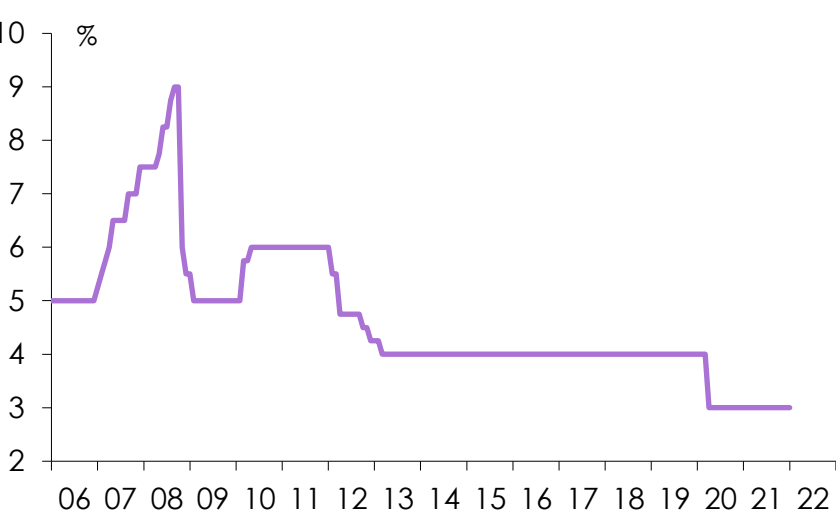
Bank lending



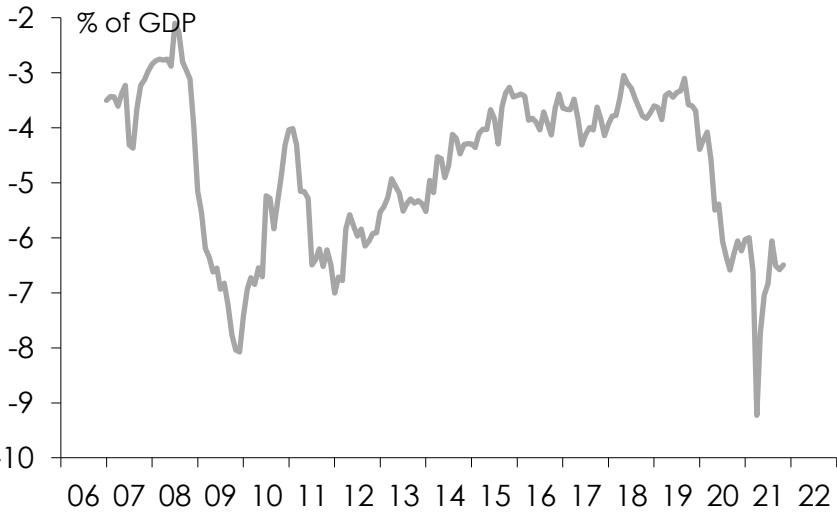
Consumer prices



RBI cash reserve ratio



Central government fiscal balance



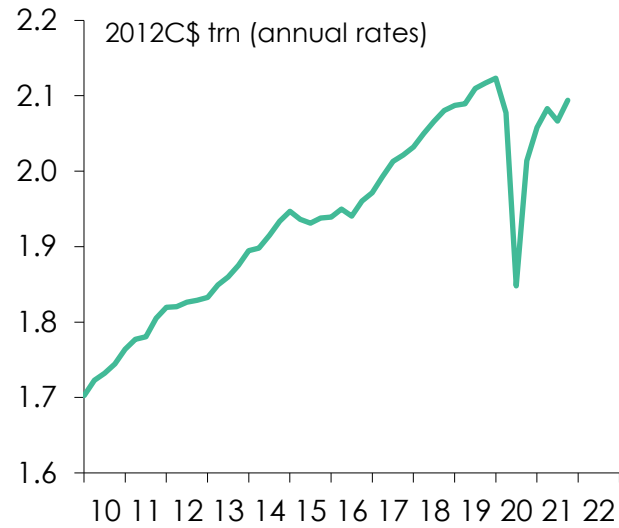
Note: The RBI's inflation target is 4% \pm 2 pc points. Sources: Government of India, Office of the Economic Adviser, Ministry of Commerce and Industry, [WPI Press Release](#); Ministry of Statistics and Programme Implementation, [CPI](#); Reserve Bank of India, [Monetary Policy](#) and [RBI Bulletin](#); Ministry of Finance, [Controller-General of Accounts](#).
[Return to "What's New"](#).

Canada, Australia and New Zealand

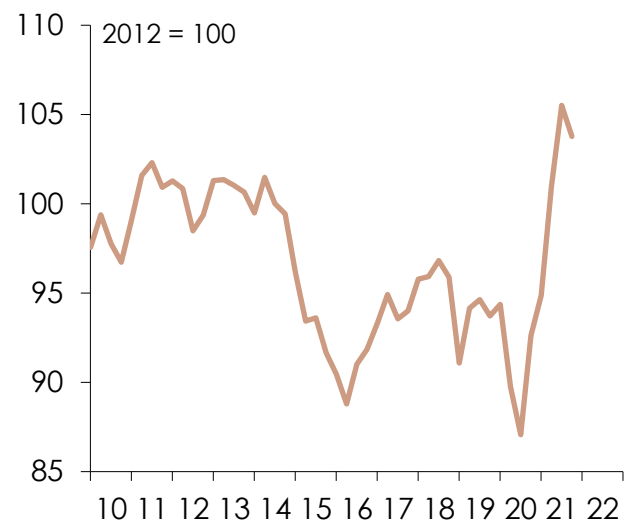
Canada's economy hasn't quite completely recovered from the Covid recession but is facing increased inflation pressure

THE WORLD ECONOMY THIS WEEK - 17 January 2022

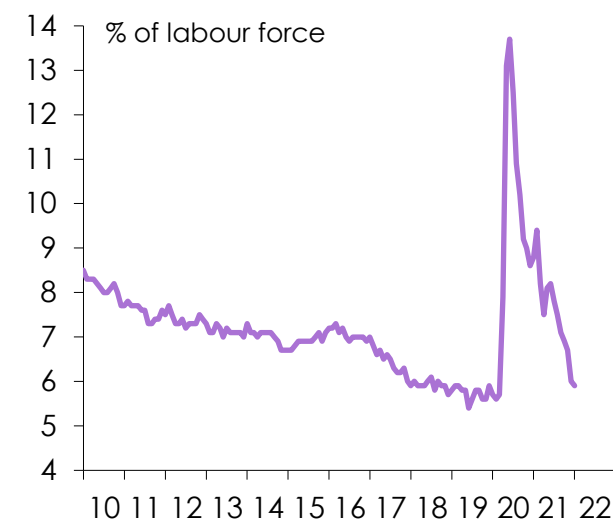
Real GDP



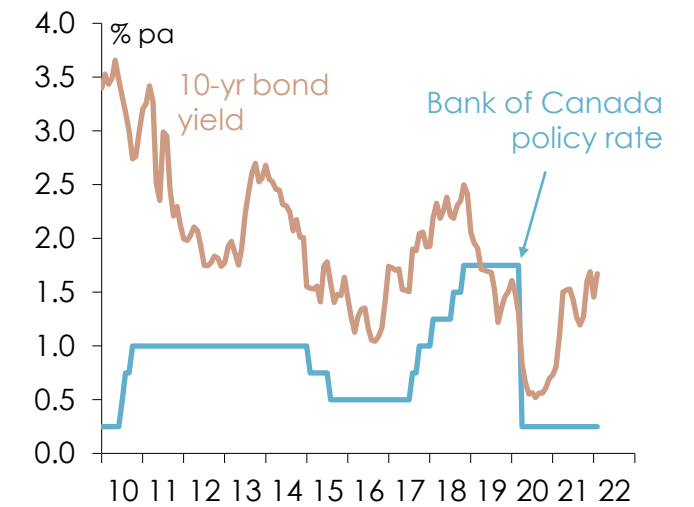
Terms of trade



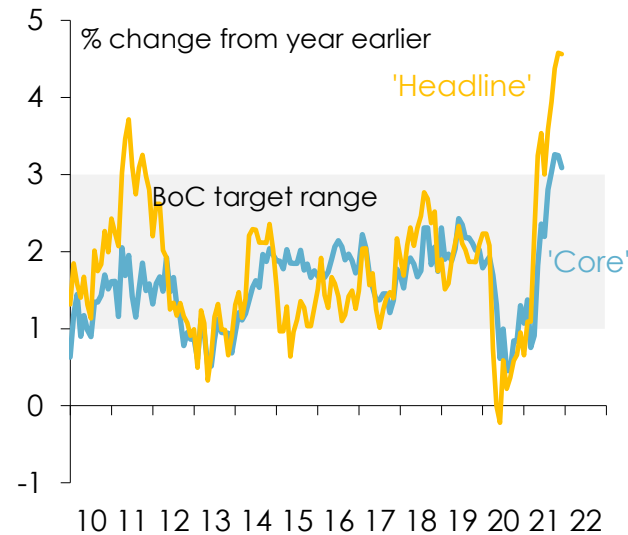
Unemployment



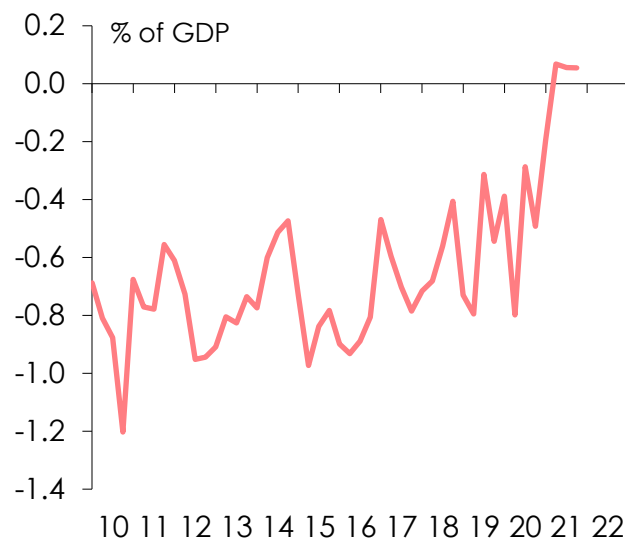
Interest rates



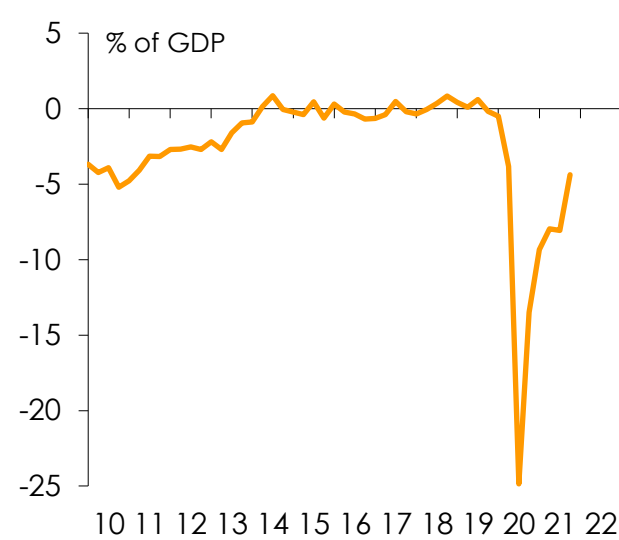
Consumer prices



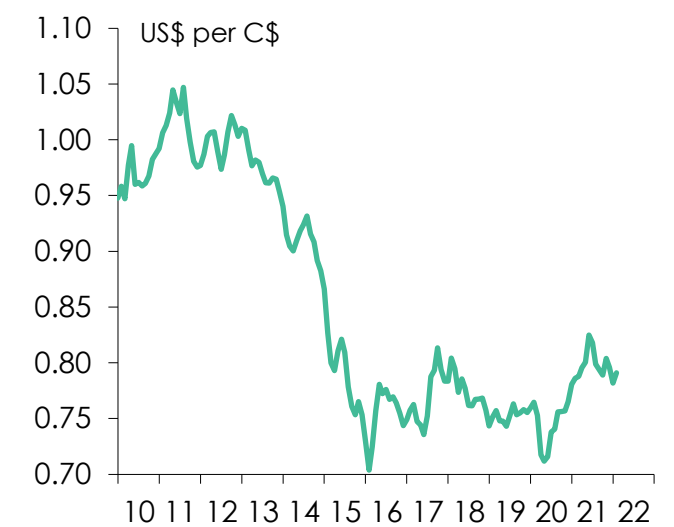
Current account balance



Government net lending



C\$ vs US\$

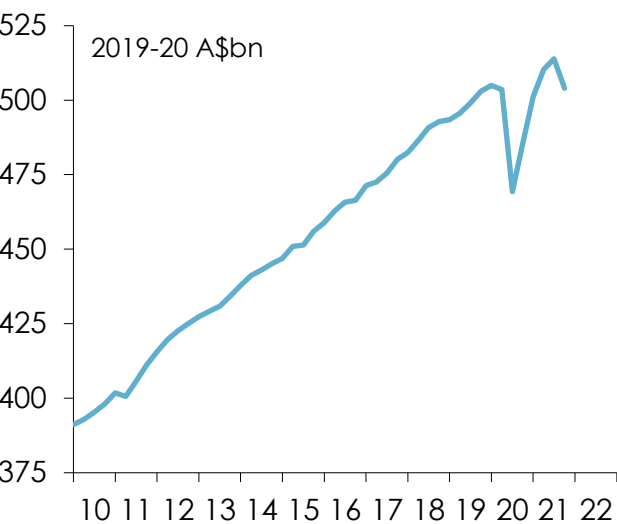


Sources: Statistics Canada, [National Gross Domestic Product \(GDP\) by Income and by Expenditure Accounts](#); [Consumer price index portal](#); [Canada's Balance of International Payments](#); [Labour Statistics](#); Bank of Canada, [Policy Interest Rate](#); Refinitiv Datastream. [Return to "What's New"](#).

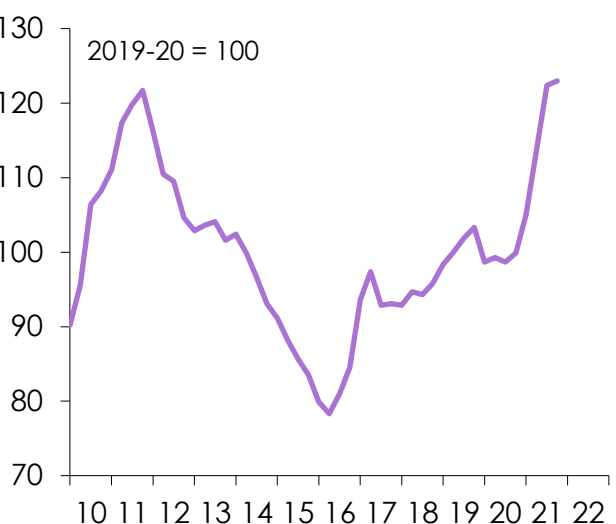
Australia's economy has been buffeted by Covid but has benefited from terms of trade gains and strong fiscal and monetary policy support

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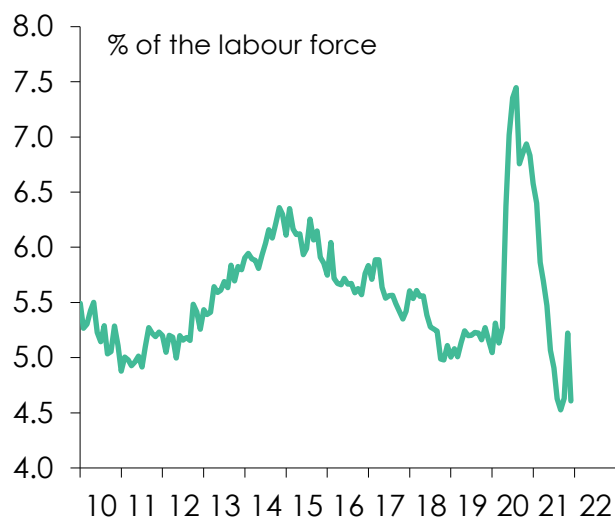
Real GDP



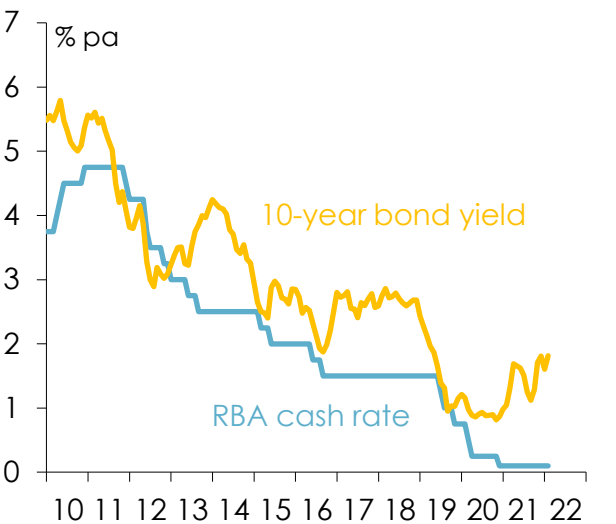
Terms of trade



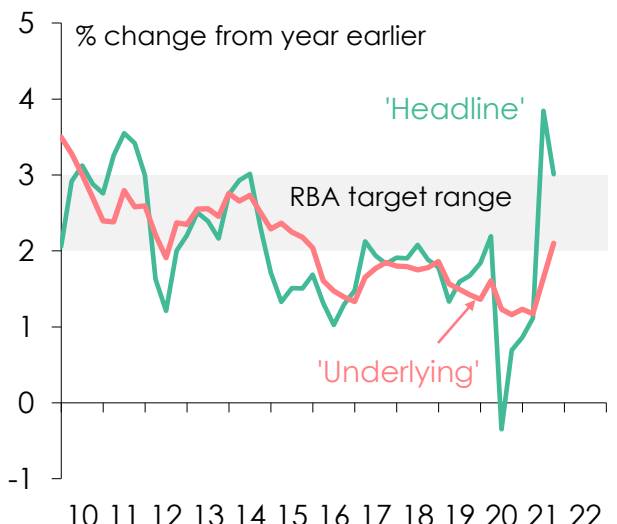
Unemployment



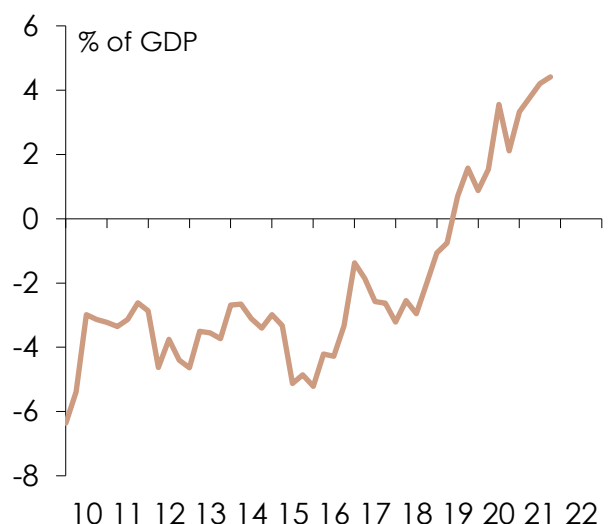
Interest rates



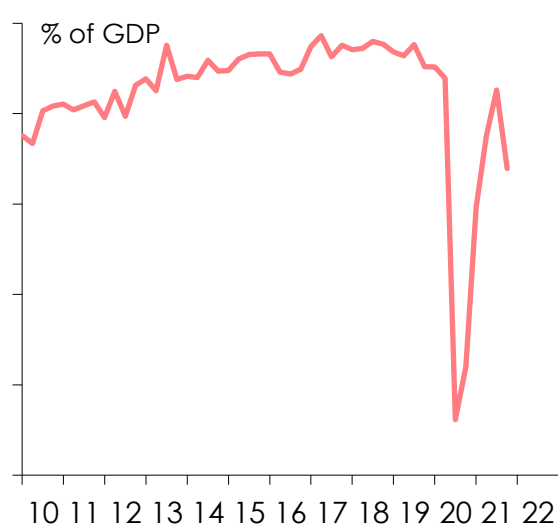
Consumer prices



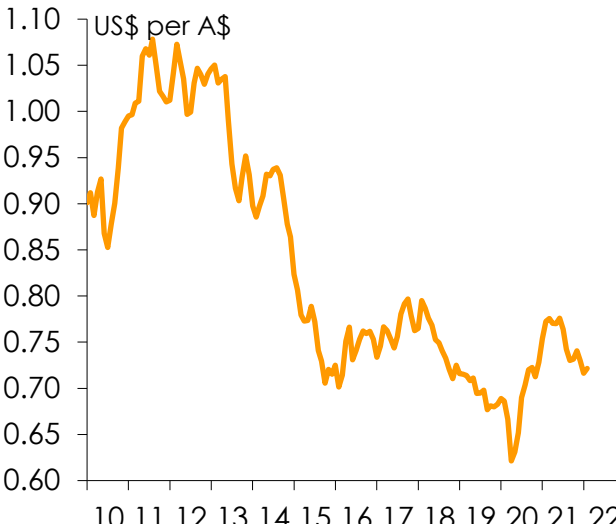
Current account balance



Government net lending



A\$ vs US\$

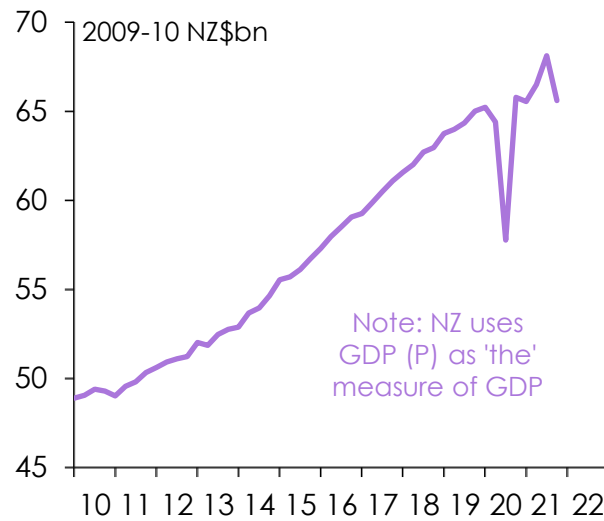


Note: The measure of 'underlying' inflation shown here is the trimmed mean. Sources: Australian Bureau of Statistics, [Australian National Accounts: National Income, Expenditure and Product](#); [Consumer Price Index](#); [Balance of Payments and International Investment Position](#); [Labour Force](#); [Australian National Accounts: Finance and Wealth](#); Reserve Bank of Australia, [Monetary Policy Changes](#); Refinitiv Datastream. For more detailed coverage of Australia see [The Australian Economy this Week](#). [Return to "What's New"](#).

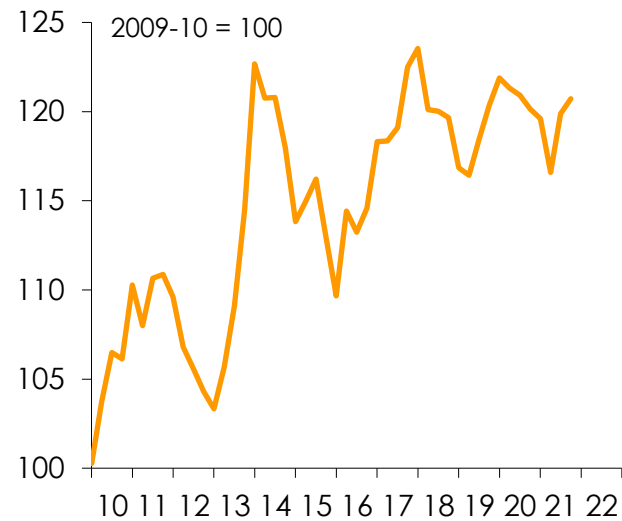
New Zealand's experienced a set-back from the delta variant in Q3 2021 but inflation has risen sharply and the RBNZ has begun tightening

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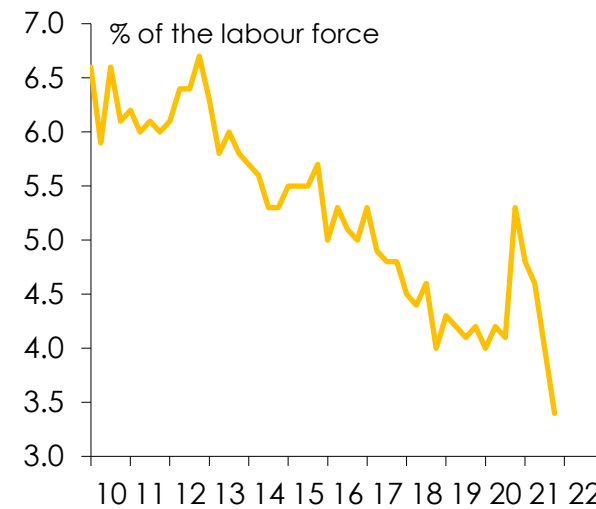
Real GDP



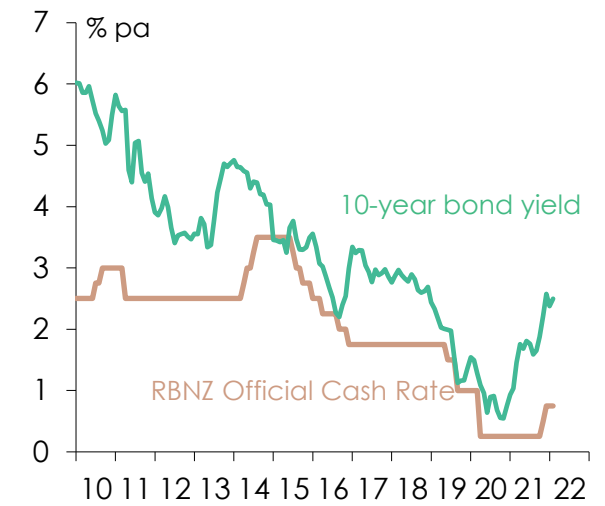
Terms of trade



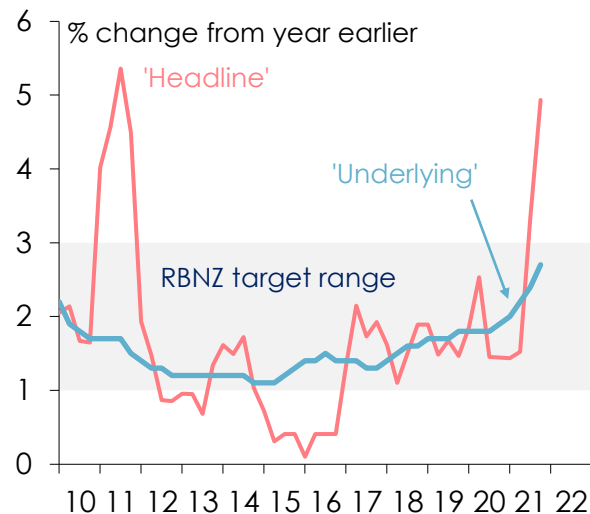
Unemployment



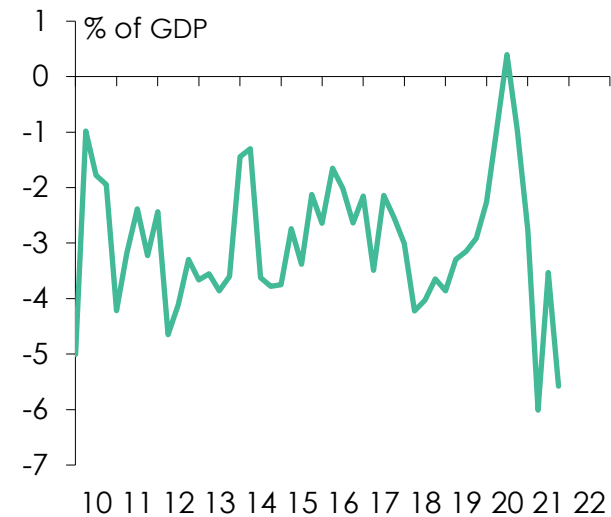
Interest rates



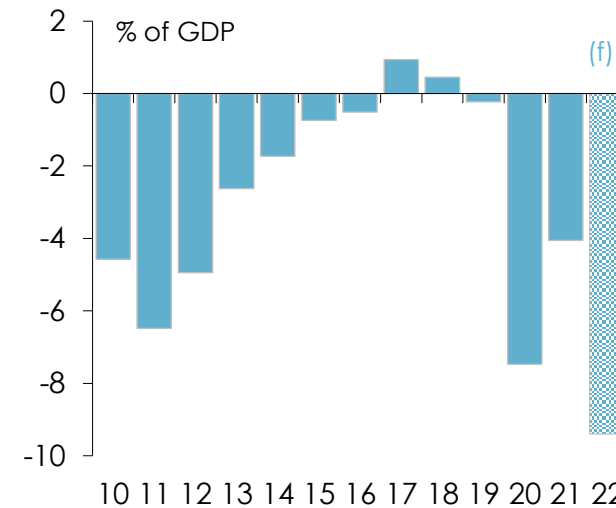
Consumer prices



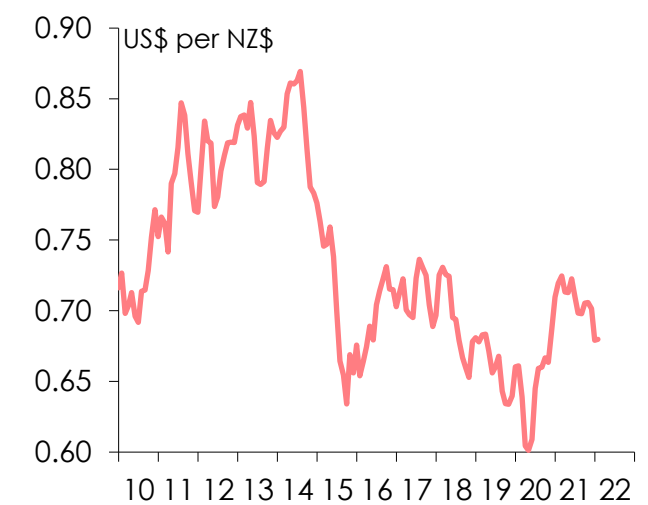
Current account balance



Government cash balance



NZ\$ vs US\$



Note: The most commonly-used measure of real GDP in New Zealand is the production-based measure. The measure of 'underlying' inflation shown here is the RBNZ's [sectoral factor model](#). Sources: Statistics NZ, [Gross domestic product](#); [Consumers price index](#); [Balance of payments](#); and [Labour market](#); RBNZ, [Prices \(M1\)](#); NZ Treasury, [Half Year Economic and Fiscal Update 2021](#); Refinitiv Datastream. For more detailed coverage of New Zealand see [The New Zealand Economy this Month](#). [Return to "What's New"](#).

The rest of the world

Several more Eastern European and Latin American central banks have raised rates (again) already this year

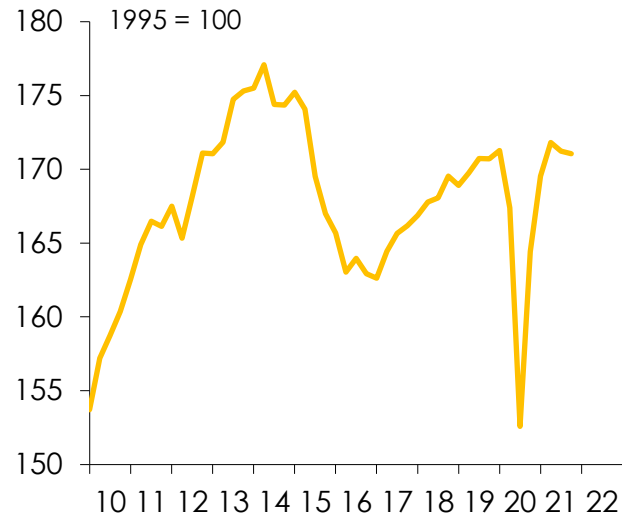
THE WORLD ECONOMY THIS WEEK - 17 January 2022

- ❑ **Narodowy Bank Polski** (Poland's central bank) raised its reference rate by 50bp, to 2.25%, at its first Monetary Policy Council meeting for this year on 4th January – the fourth increase since October, for a cumulative 215 basis points, and taking the reference rate to its highest level since September 2014 ([slide 116](#))
 - the latest increase, as with previous increases, reflects the NBP's [determination](#) to reduce the “risk of inflation running above the inflation target [of 2.5% ± 1 pc pt] in the monetary policy transmission horizon” and to “curb inflation expectations”
 - the NBP foreshadowed further rate increases “in coming months ... aimed at reducing inflation to a level consistent with the NBP target in the medium term”
- ❑ The **Banca Națională a României** (Romania's central bank) increased its policy rate by 25 bp, to 2.0%, at its Board meeting on 10th January, the third such increase (for a total of 75bp) since October last year
 - the latest increase was [in response](#) to the “worsening of the short-term inflation outlook”, driven largely by electricity and natural gas price increases and processed food prices, which were considered “likely to amplify and further prolong the positive deviation of the annual inflation rate from the upper bound of the variation band of the target”, as well as to “double-digit” annual growth in credit to the private sector
 - and came despite a “visibly stronger-than-anticipated decline” in economic growth in Q3 last year and (based on high-frequency indicators) “a standstill in economic activity in Q4”
- ❑ **Banco Central de Reserva del Perú** lifted its reference interest rate by 50bp to 3.0% (its highest level since February 2018) at its Board meeting on 6th January, the sixth increase since August last year for a combined total of 275 bp
 - this increase was [prompted](#) by inflation reaching 6.4% in December, well above BCRP's target of 2% ± 1 pc pt, and one-year-ahead inflation expectations increasing from 3.5% to 3.7%, despite it expecting inflation to return to the target range by Q4 this year, and most indicators of expectations for economic activity remaining “in pessimistic territory”
- ❑ **Banco Central del Uruguay** lifted its monetary policy interest rate another 75bp to 6.5%, the fourth increase since last August, at its 5th January Copom meeting, in order to “achieve inflationary objectives” in the current context “with better prospects for economic growth”

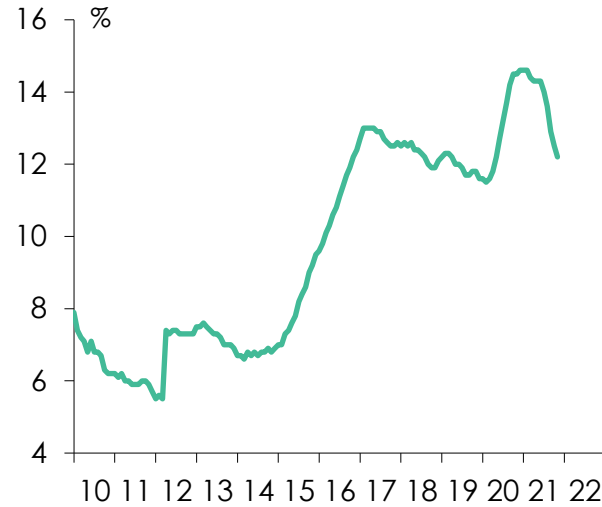
Banco Central do Brazil raised its policy rate by 725 basis points during 2021 on concerns over inflation and fiscal policy

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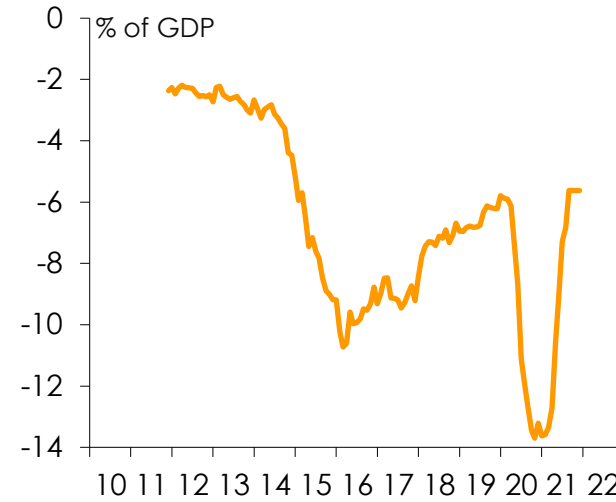
Real GDP



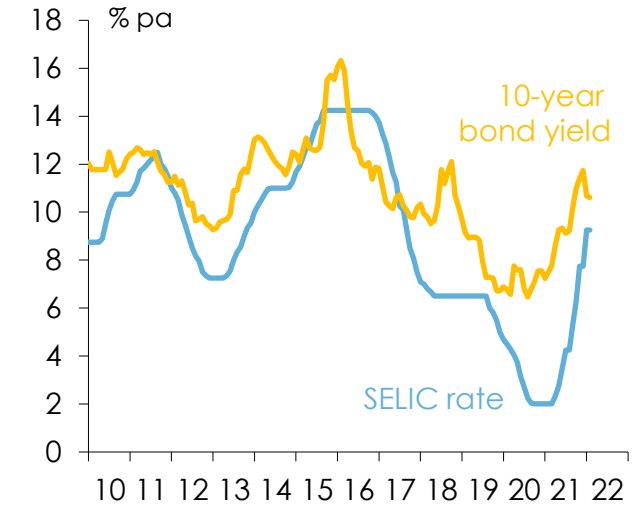
Unemployment



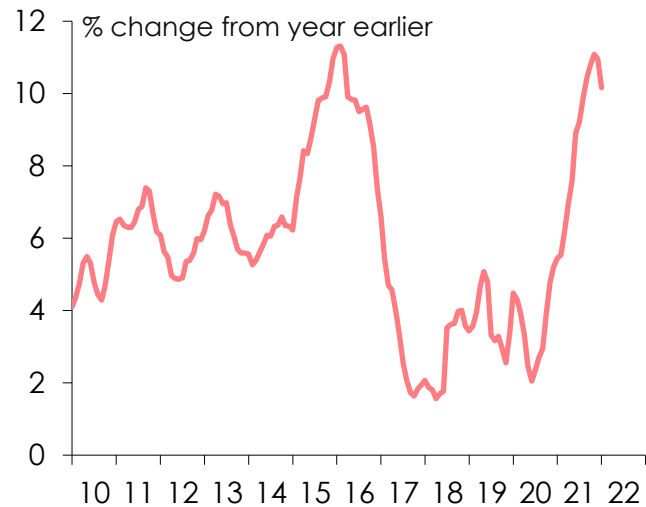
Public sector borrowing



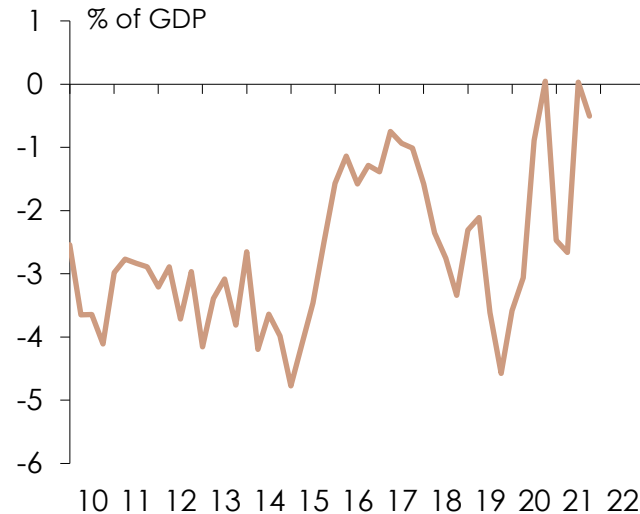
Interest rates



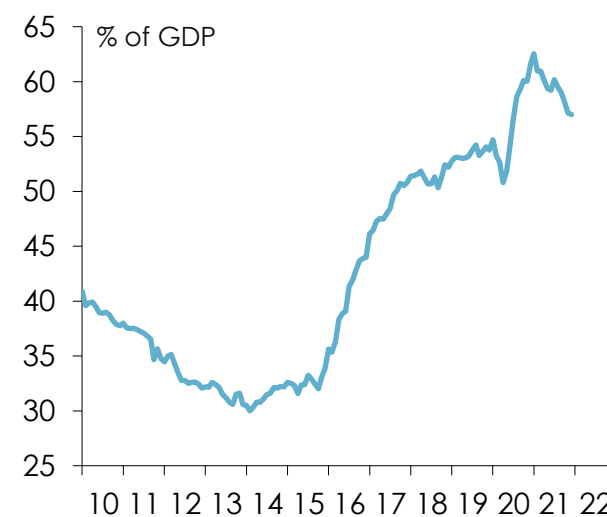
Inflation



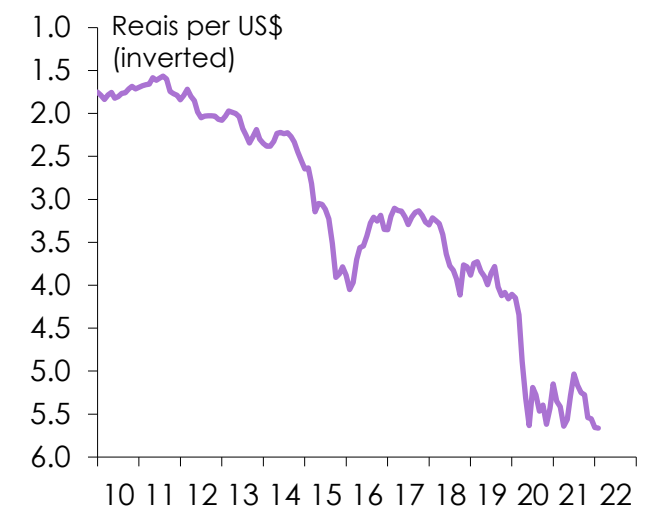
Current account balance



Public sector net debt



Brazilian real vs US\$

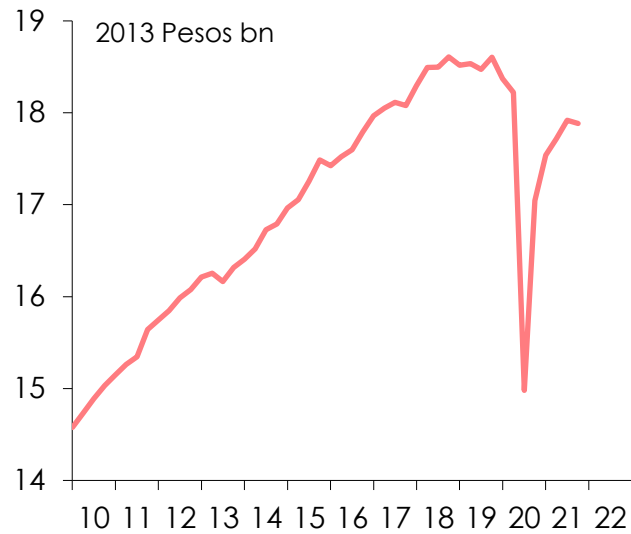


Sources: [Instituto Brasileiro de Geografia e Estatística](#) (IBGE); [Banco Central do Brasil](#); Refinitiv Datastream. [Return to "What's New"](#).

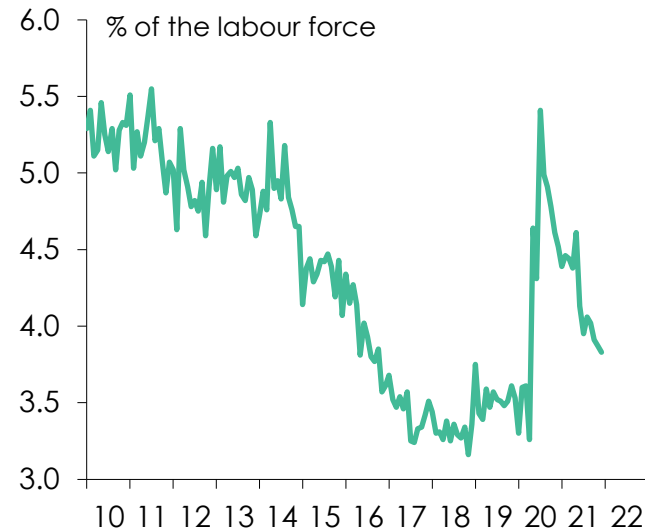
Mexico's central bank hiked rates by 150 basis points in 2021 despite GDP being still 4% below its pre-pandemic peak

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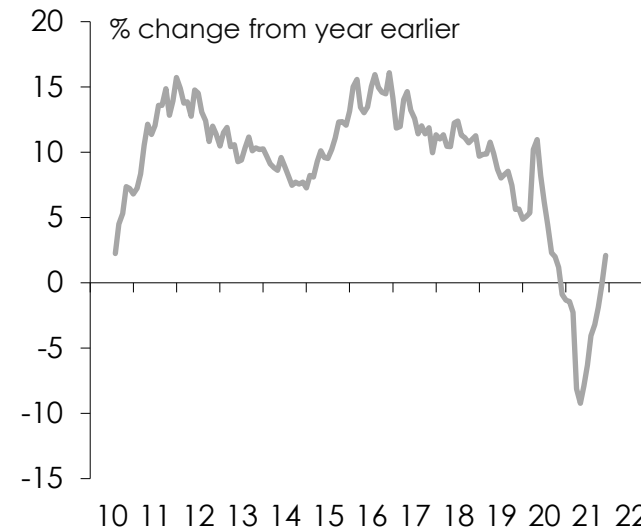
Real GDP



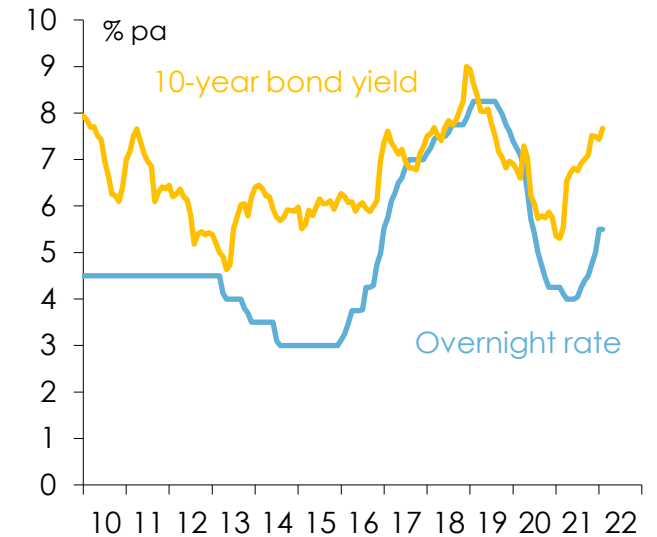
Unemployment



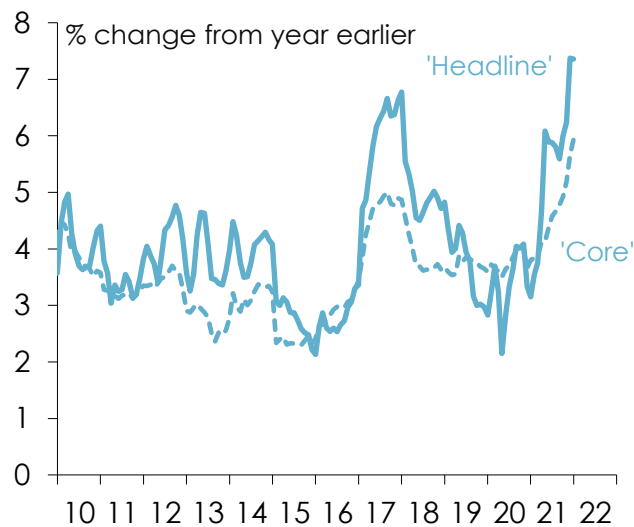
Bank lending



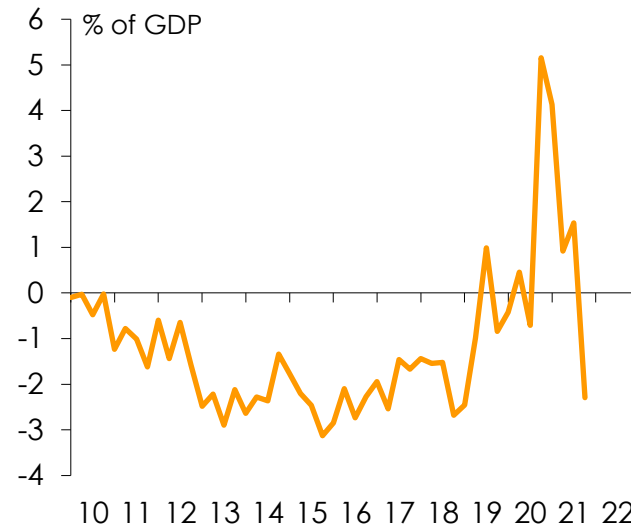
Interest rates



Inflation



Current account balance



Federal budget deficit



Mexican peso vs US\$

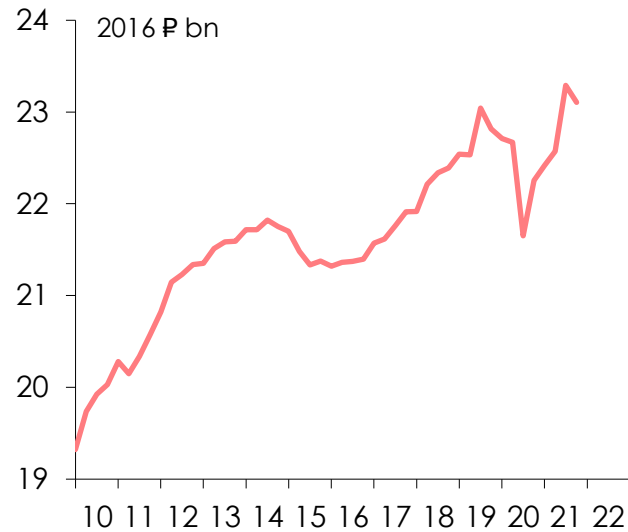


Sources [Banco de México](#); [Instituto Nacional de Estadística y Geografía \(INEGI\)](#); Refinitiv Datastream.. [Return to "What's New"](#).

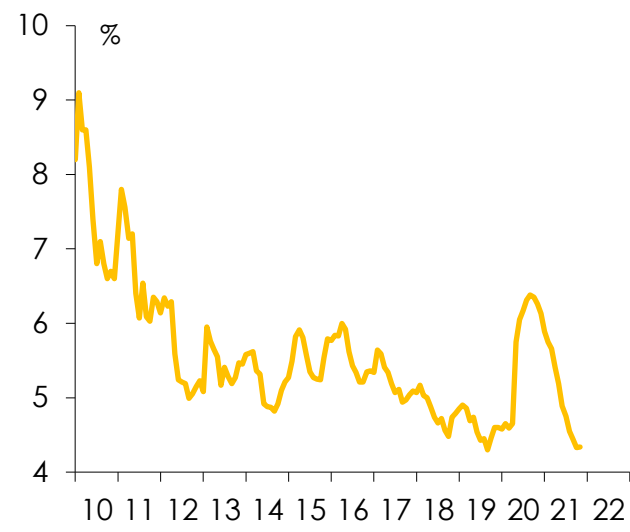
Russia's central bank has also tightened monetary policy aggressively in response to rising inflation

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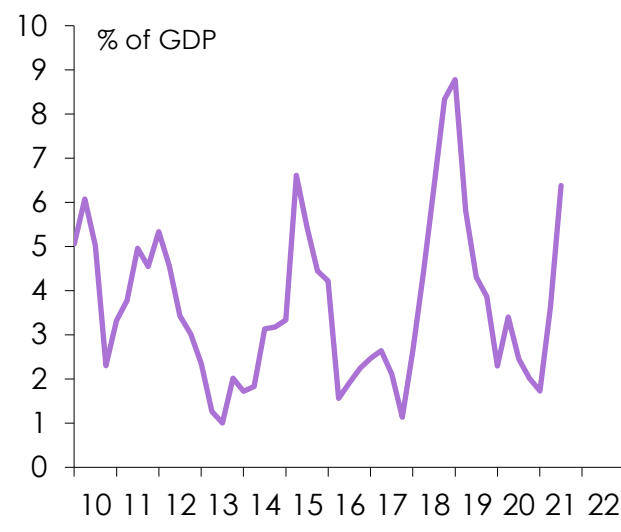
Real GDP



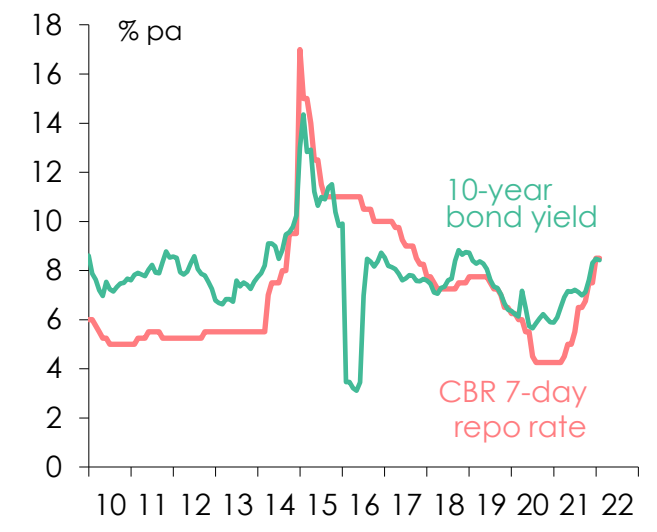
Unemployment



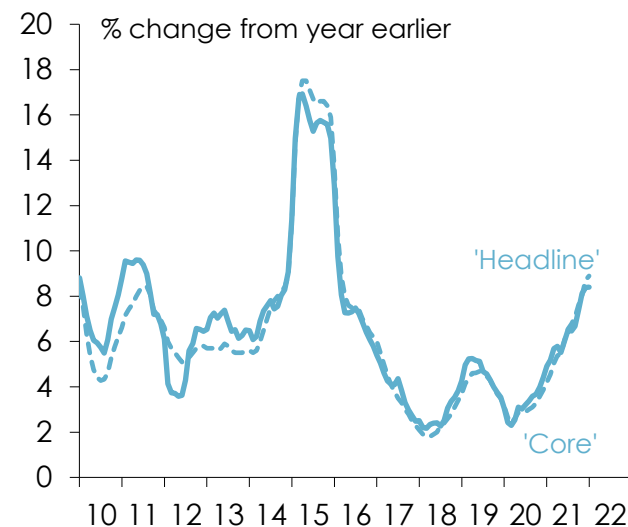
Current account balance



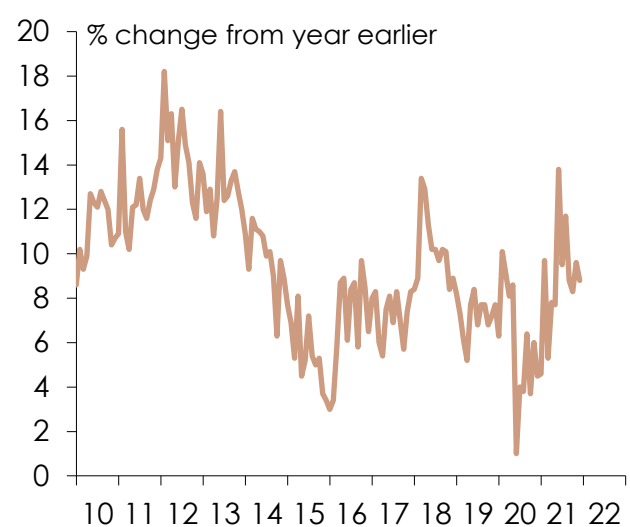
Interest rates



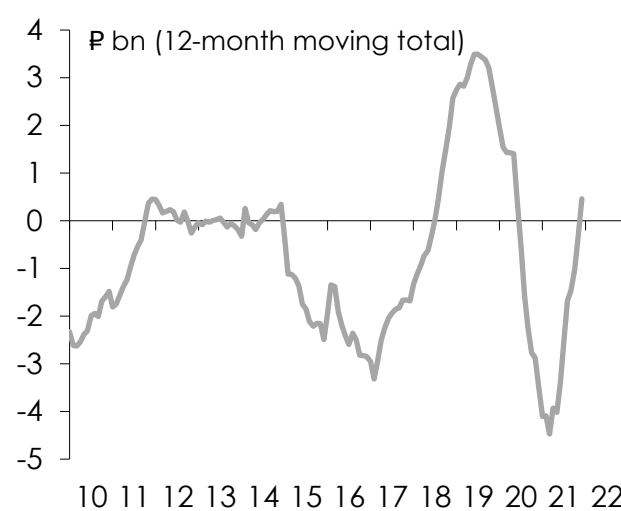
Inflation



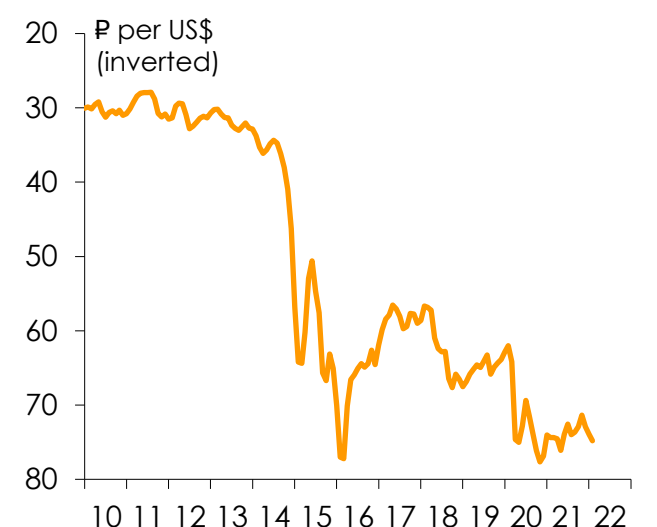
Nominal wages growth



Federal budget deficit



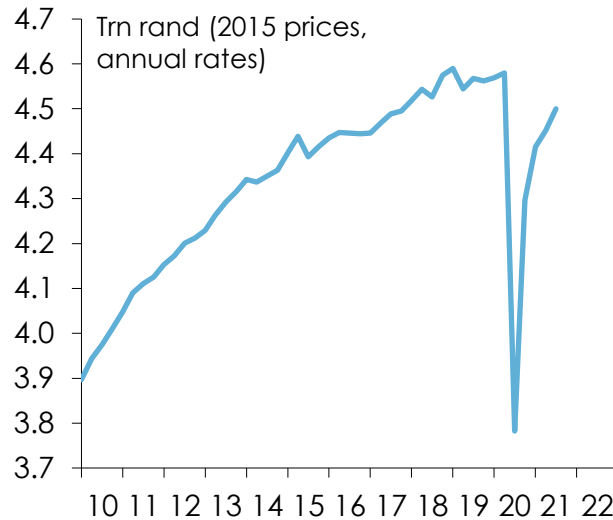
Russian ruble vs US\$



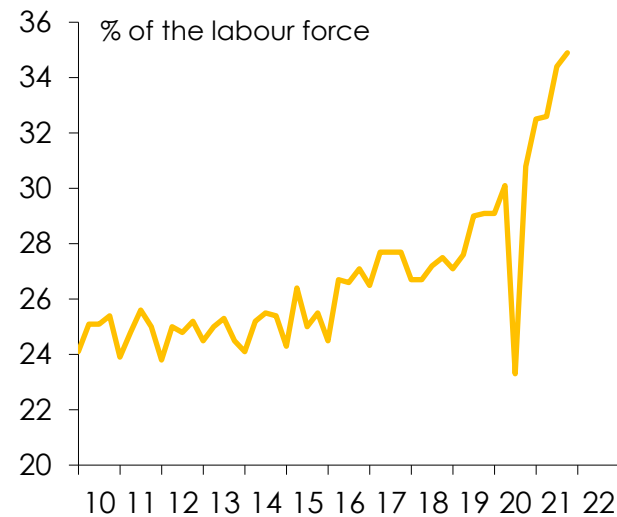
South Africa's central bank raised its repo rate in November, for the first time since 2018, as inflation topped 5%

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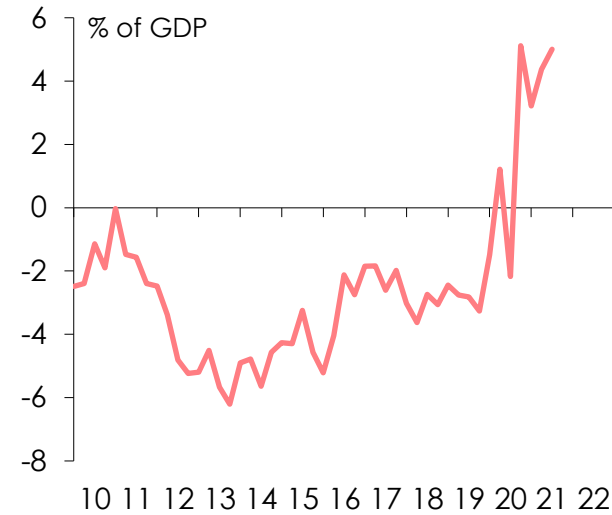
Real GDP



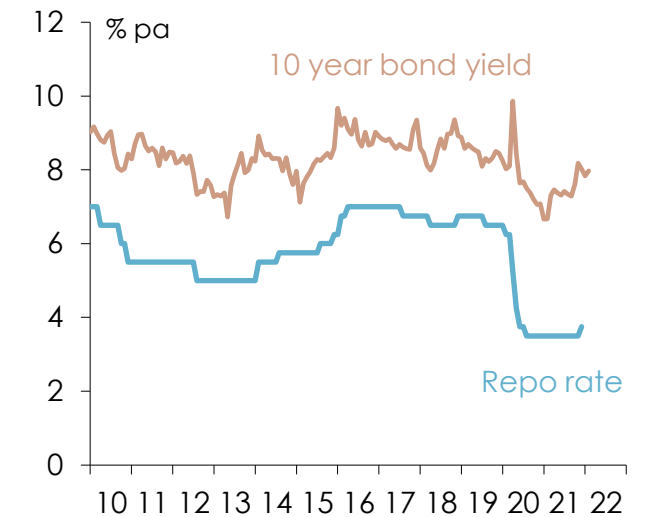
Unemployment



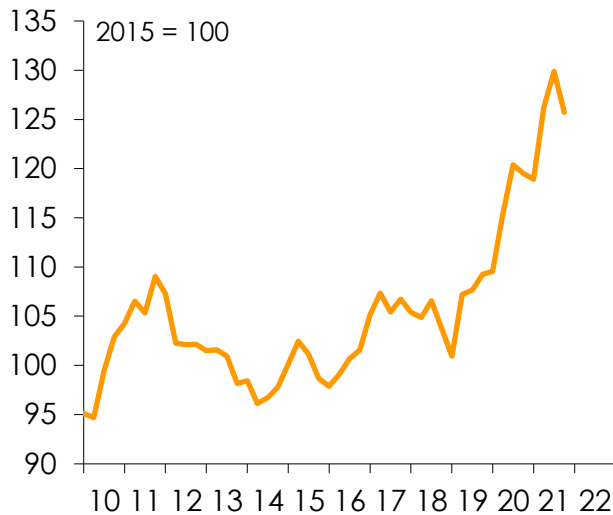
Current account balance



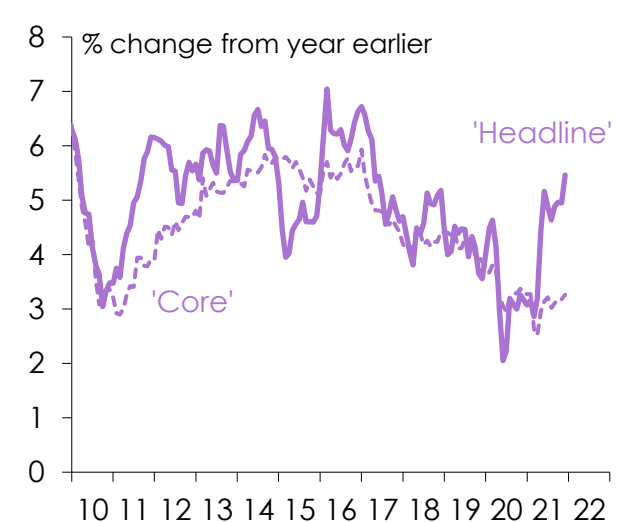
Interest rates



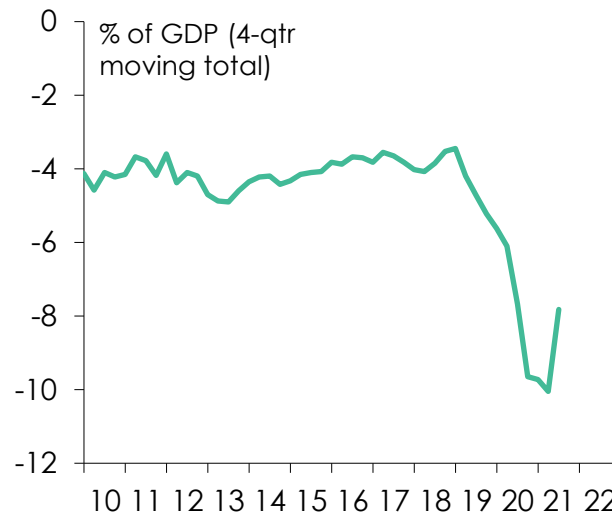
Terms of trade



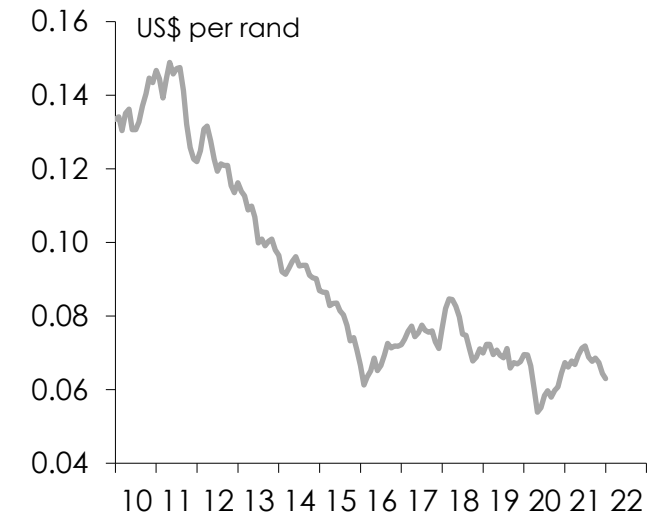
Inflation



Budget deficit



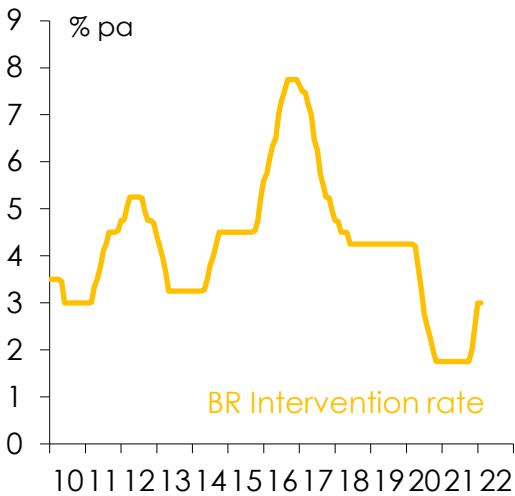
Rand vs US\$



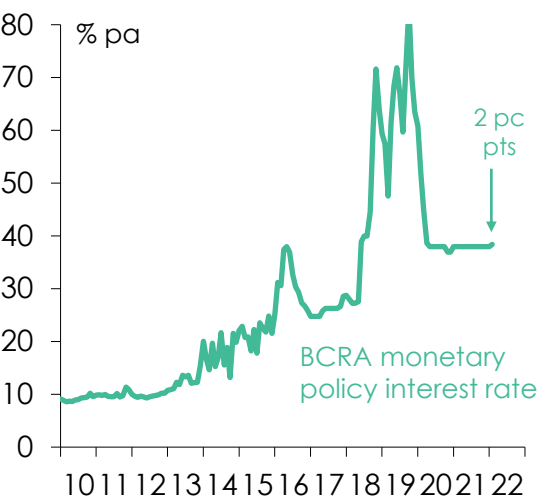
A growing number of other ‘emerging’ market central banks have begun tightening monetary policy

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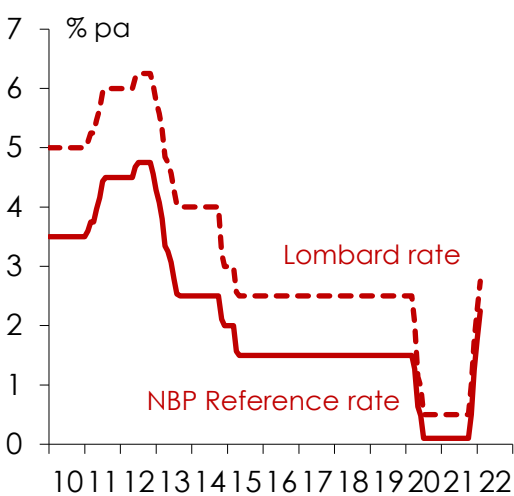
Colombia



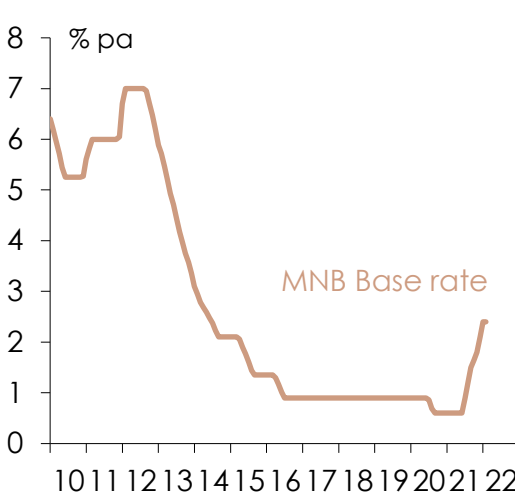
Argentina



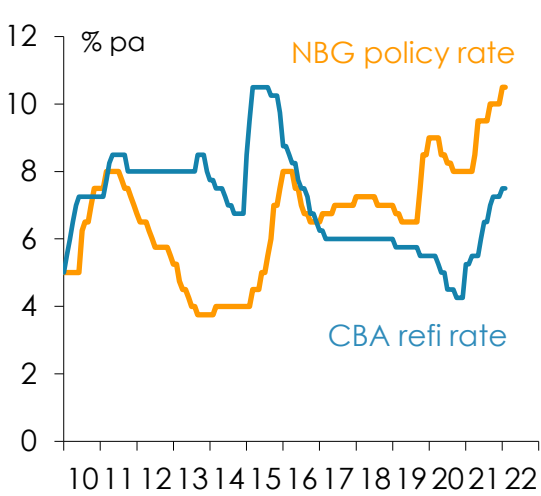
Poland



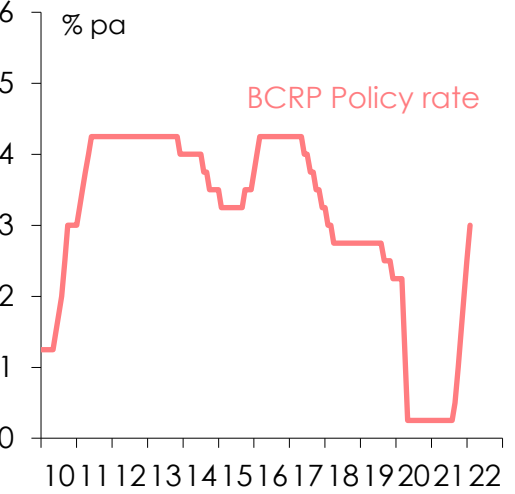
Hungary



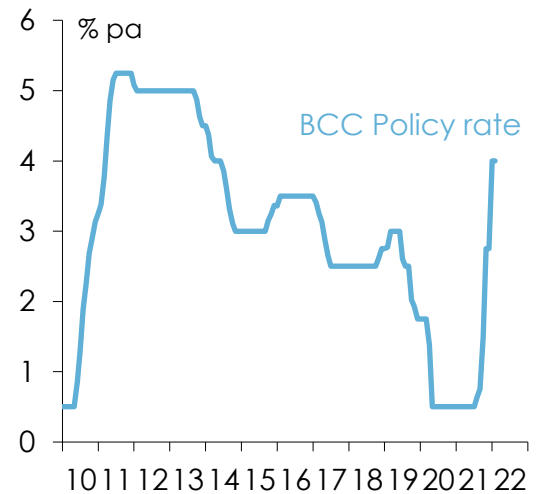
Georgia & Armenia



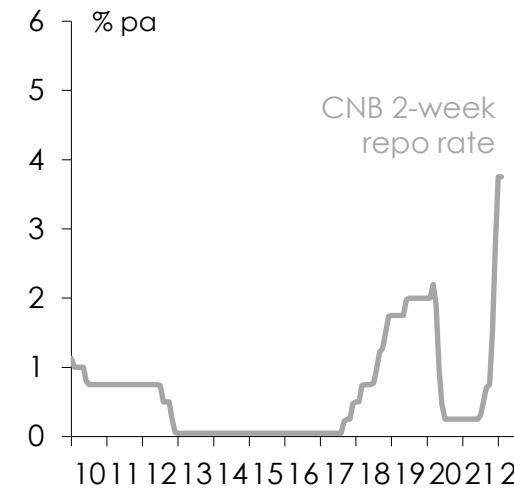
Peru



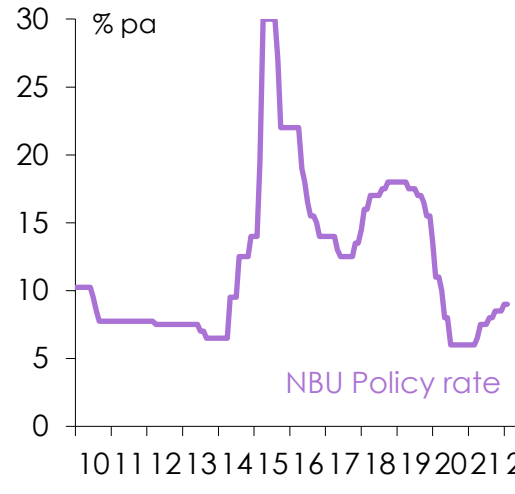
Chile



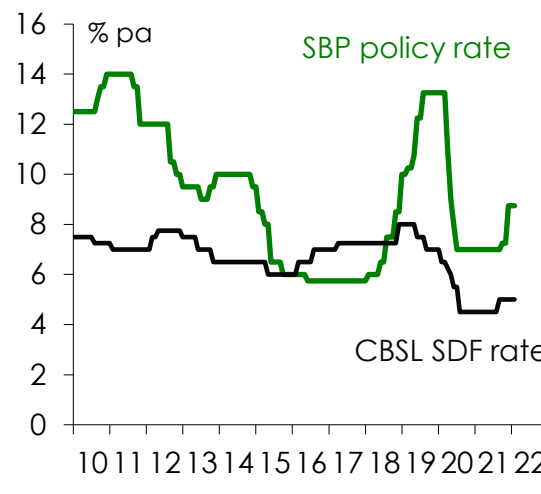
Czech Republic



Ukraine



Pakistan & Sri Lanka

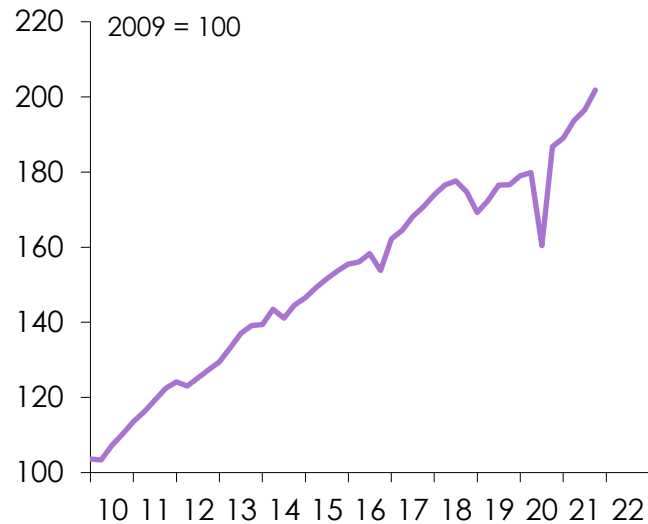


Sources: [Banco de la República Colombia](#); [Banco Central de Reserva del Perú](#); [Banco Central de la República Argentina](#); [Banco Central de Chile](#); [Narodowy Bank Polski](#); [Česká Národní Banka](#); [Magyar Nemzeti Bank](#); [National Bank of Ukraine](#); [Sakartvelos Erovnuli Bank'i](#); [Hayastani Kentronakan Bank](#); [State Bank of Pakistan](#); [Central Bank of Sri Lanka](#).

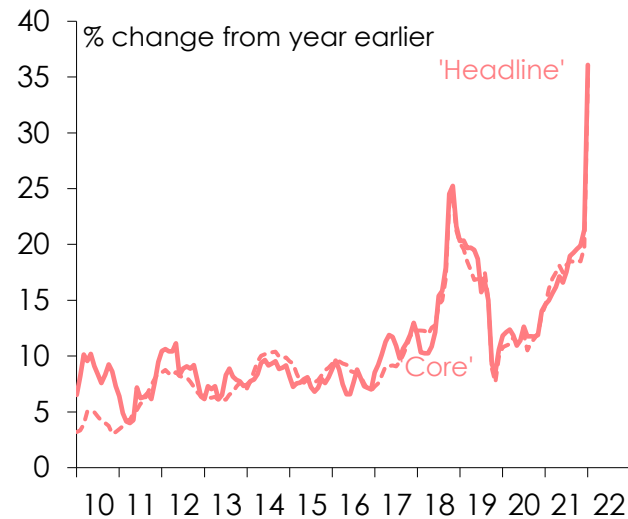
Turkey's central bank has cut interest rates by 500 bp since September last year, despite inflation of over 35% – and the lira has dropped by 45%

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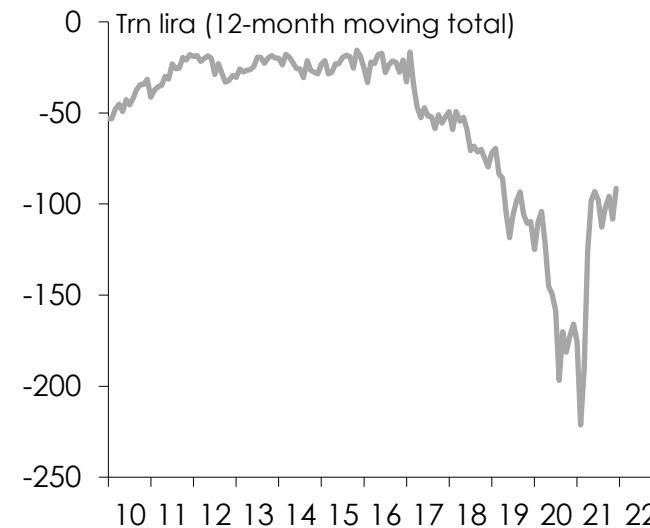
Real GDP



Inflation



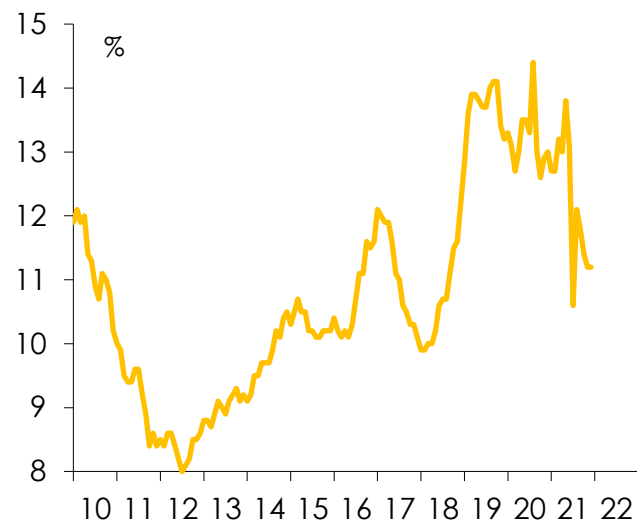
Budget balance



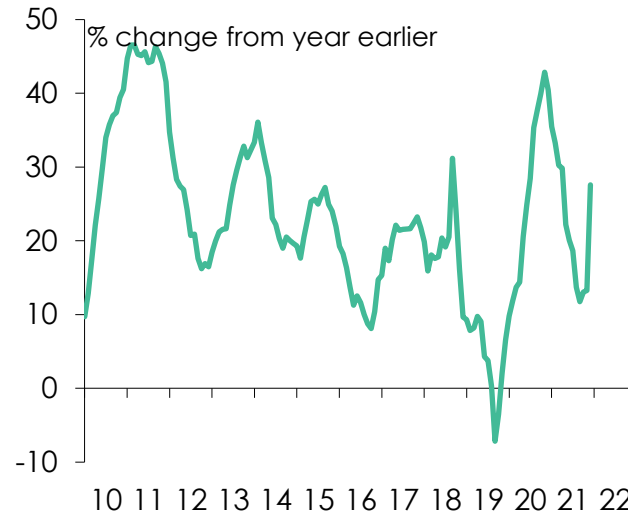
FX reserves



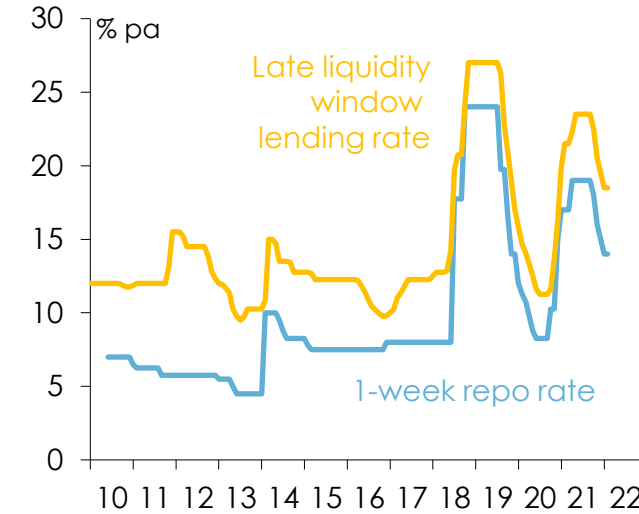
Unemployment rate



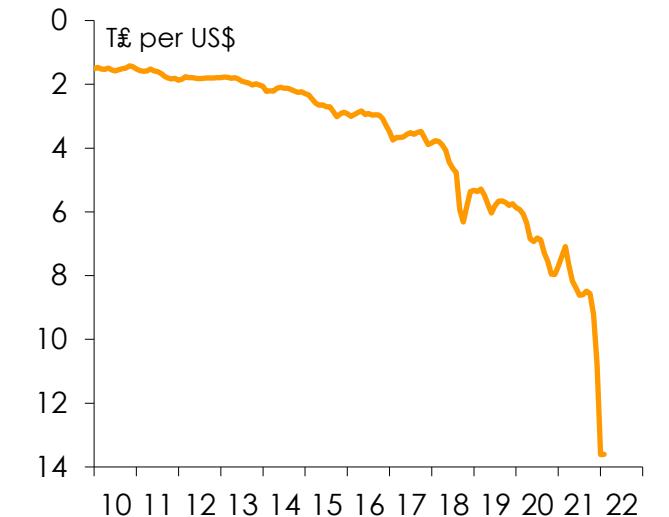
Bank lending



Interest rates



Turkish lira vs US\$



Important information

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