



THE WORLD ECONOMY THIS WEEK

28TH FEBRUARY 2022

SAUL ESLAKE

CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

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What's new?

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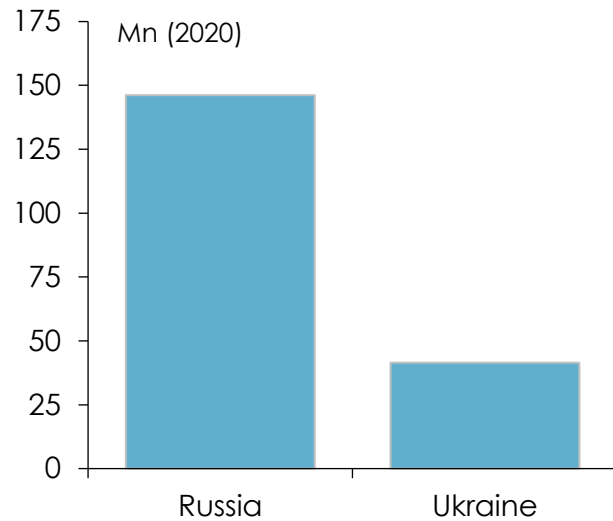
- ❑ Russia (the world's 9th most populous country, with the 11th largest economy) last Thursday launched an invasion of its neighbour Ukraine (the world's 34th most populous country, with the 55th largest economy) ([slides 5-8](#)); financial markets initially reacted in largely predictable ways, but then staged a reversal on Friday when it appeared that Western sanctions wouldn't include energy ([slide 9](#))
- ❑ The global total of new Covid-19 infections declined for the fourth week in a row to be less than half its mid-January peak ([slide 11](#)), although new infections are continuing to rise in much of East Asia and in New Zealand ([slide 12](#))
- ❑ The implicit price deflator of US personal consumption expenditure – the measure of inflation targeted by the Fed – rose by 0.6% in January, and by 6.1% from a year earlier, the fastest inflation rate by this measure since February 1982; excluding food & energy the PCE deflator rose 0.5% in January and 5.2% from a year earlier, the fastest annual 'core' inflation rate since April 1983 ([slide 56](#))
- ❑ The acceleration in US inflation over the past year owes a good deal to the effects of Covid-related distortions on the demand for consumer durable goods and, separately, on the supply (including from Asia) of those goods ([slide 57](#)) which have resulted in unusually unbalanced trade flows ([slide 36](#)) – as well as to higher commodity prices ([slide 35](#)) and to frictions in the labour market (which seem unique to the US) ([slides 53-54](#)) have resulted in the fastest [nominal] wages growth in 37 years ([slide 55](#))
- ❑ US house price inflation also seems to have picked up again in the last two months of last year, after slowing mid-year ([slide 51](#))
- ❑ 'Flash' PMIs suggest a recovery in services sector activity in the euro area and UK in February, as the 'omicron wave' eased, but a sharp slowing in Japan ([slide 28](#)); aviation traffic also seems to be picking up more strongly ([slide 27](#))
- ❑ Taiwanese export orders rose 0.6% in January, a smaller increase than in the two preceding months, pointing to some slowing in the growth rate of the volume of world trade, of which this is a good 'leading indicator' ([slide 26](#)); within the total, orders for ICT products fell 6% in January to be 5½% below their previous peak in February last year ([slide 37](#))
- ❑ Thailand's real GDP rebounded by 1.8% in the final quarter of last year, more than reversing the declines recorded in the two preceding quarters, but still leaving the Thai economy 4.7% smaller than at its Q3 2019 pre-pandemic peak ([slide 95](#)); the on-going slump in international tourism (which accounted for over 21% of Thailand's GDP prior to the pandemic) remains a significant headwind for a full recovery ([slide 101](#))
- ❑ The Reserve Bank of New Zealand raised its official cash rate by 25bp, for the third consecutive time – after seriously contemplating raising it by 50bp – and foreshadowed further rate rises of more than 200bp over the next two years ([slides 117](#) and [120](#))
- ❑ The Hungarian and Paraguayan central banks also raised their policy interest rates (again) last week ([slides 122](#) and [126](#)), mirroring the tightening moves by central banks of their larger neighbours
- ❑ Australia's and Canada's central banks have board meetings this week, while Fed Chair Jay Powell will be giving his semi-annual 'Humphrey-Hawkins' testimony before Congress ([slide 129](#))

Russia's invasion of Ukraine

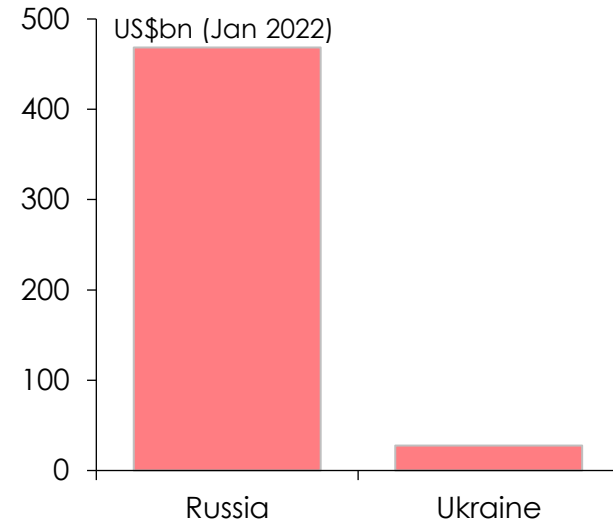
Russia out-numbers Ukraine in just about everything that matters in a military conflict – except, perhaps, courage and ‘moral capital’ (though they’re both hard to put in charts)

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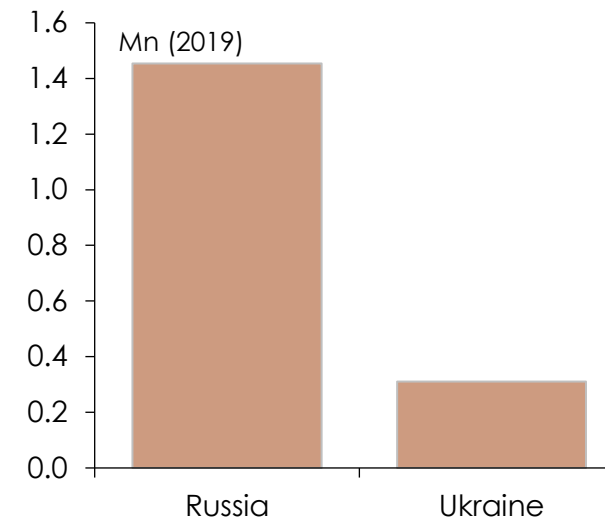
Population



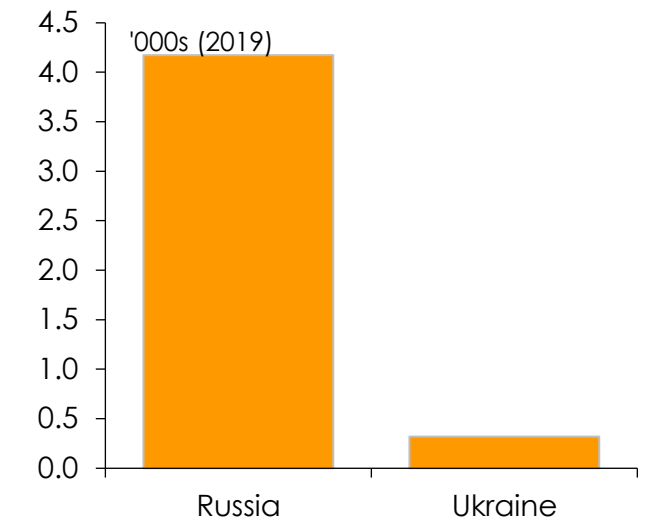
FX reserves



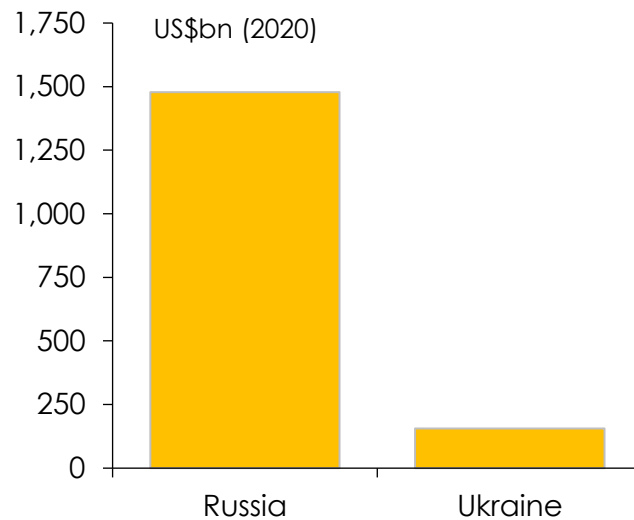
Armed forces



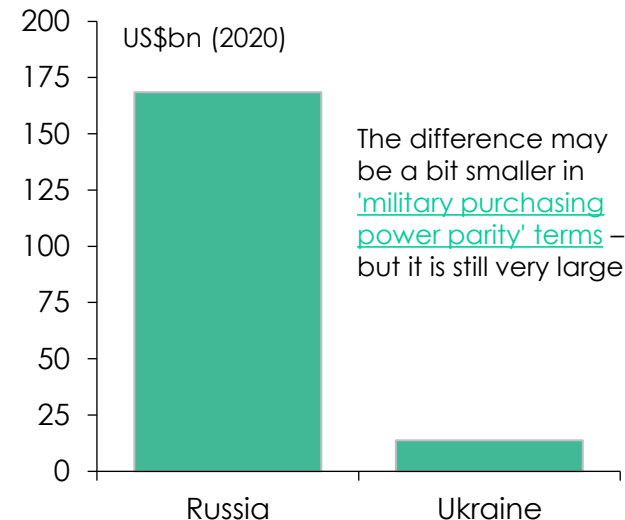
Military aircraft



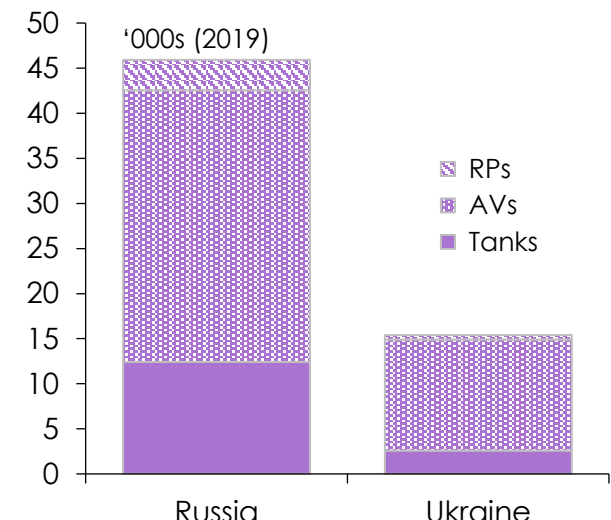
GDP



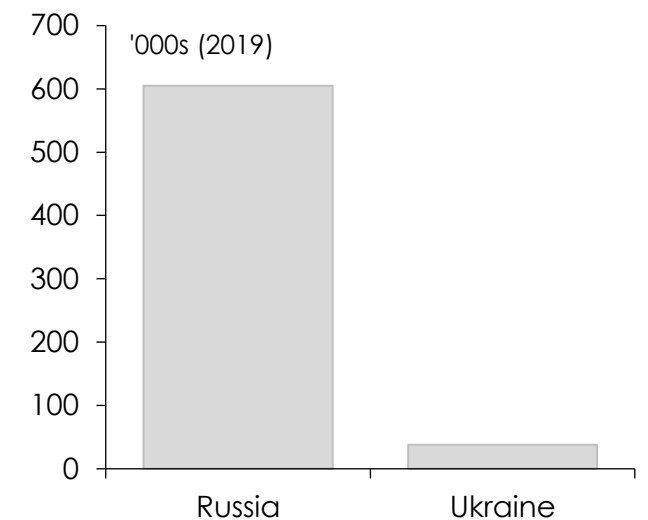
Military spending



Military hardware



Naval assets

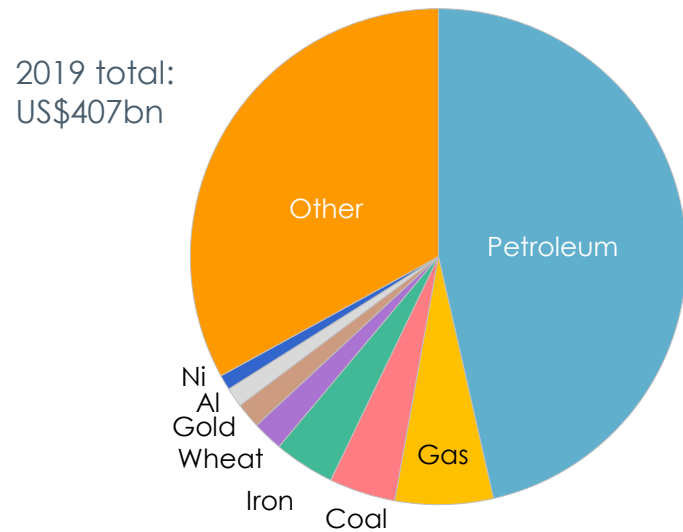


Note: GDP is in US\$ at market exchange rates; 'AVs' are armoured vehicles; 'RPs' are rocket projectors; 'military aircraft' include airplanes, helicopters, transports and tankers; 'naval assets' include aircraft & helicopter carriers, destroyers, frigates, corvettes, submarines and other vessels. Sources: IMF, [World Economic Outlook database](#); October 2021; Stockholm International Peace Research Institute, [Military Expenditure Database](#); Global Firepower, [2022 Military Strength Ranking](#). [Return to "What's New"](#).

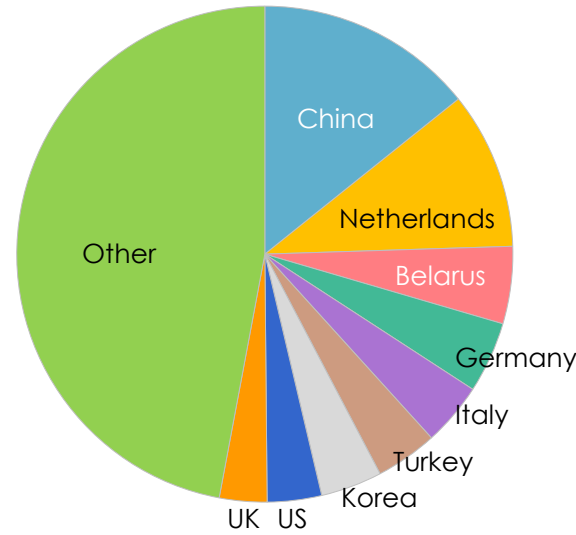
Russia is a major exporter of energy and metals, Ukraine of grains and iron – China and European economies are major trading partners of both

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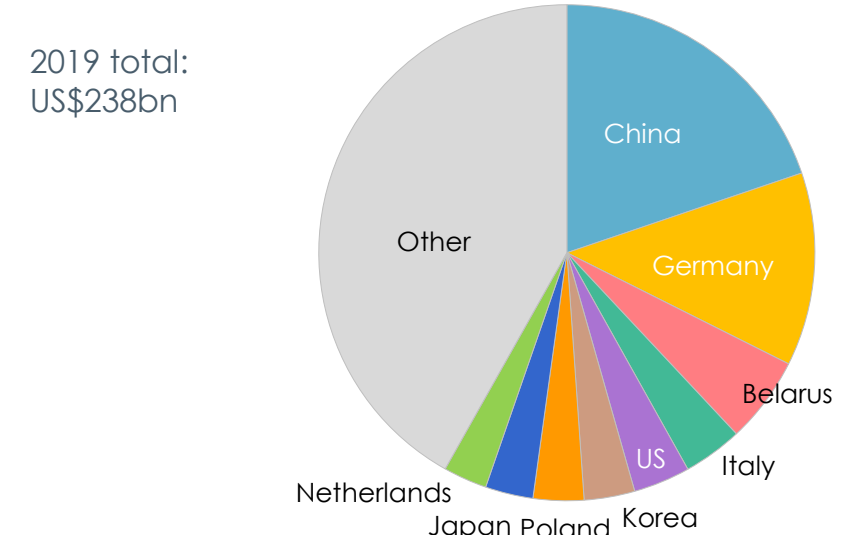
Russian exports by product



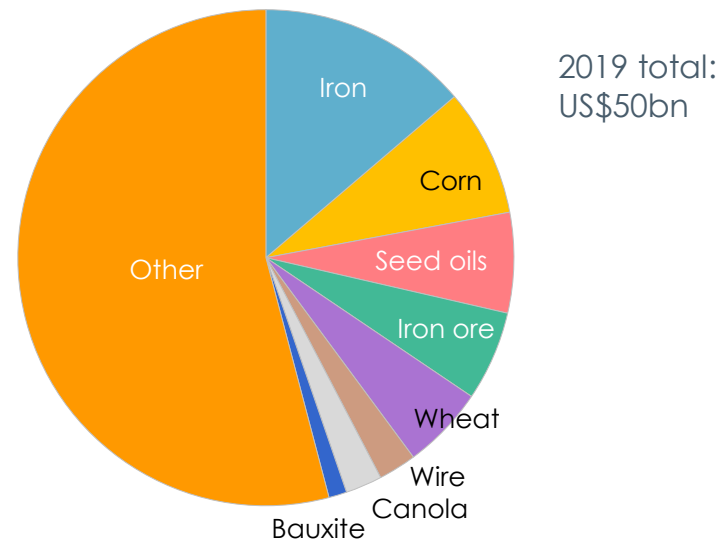
Russian exports by destination



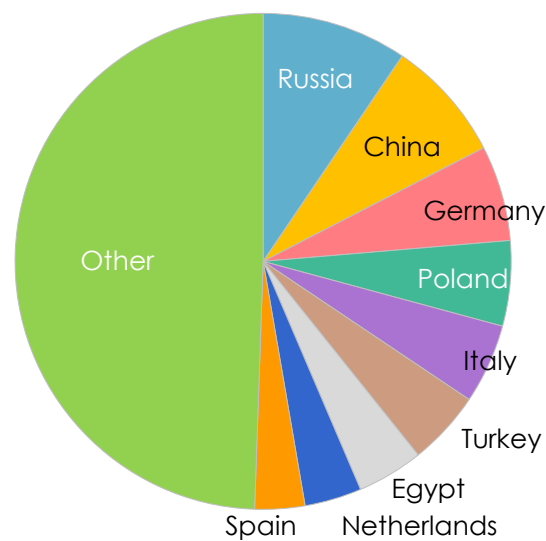
Russian imports by origin



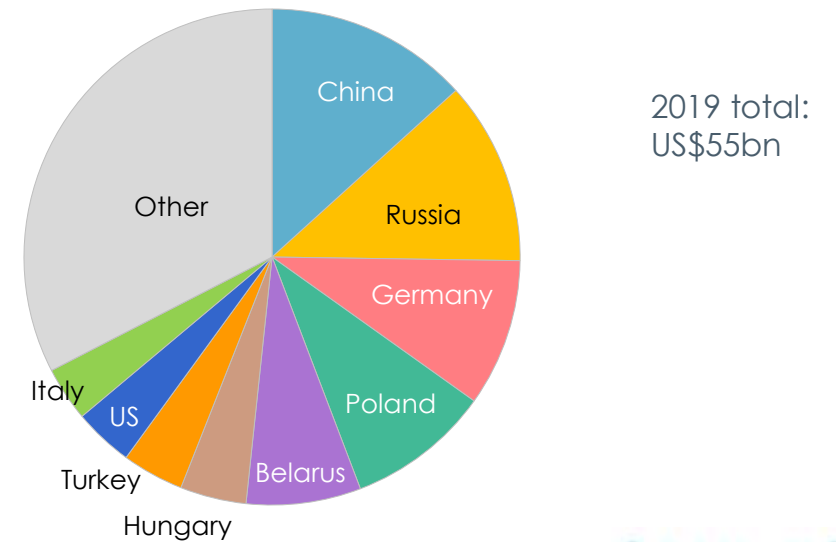
Ukrainian exports by product



Ukrainian exports by destination



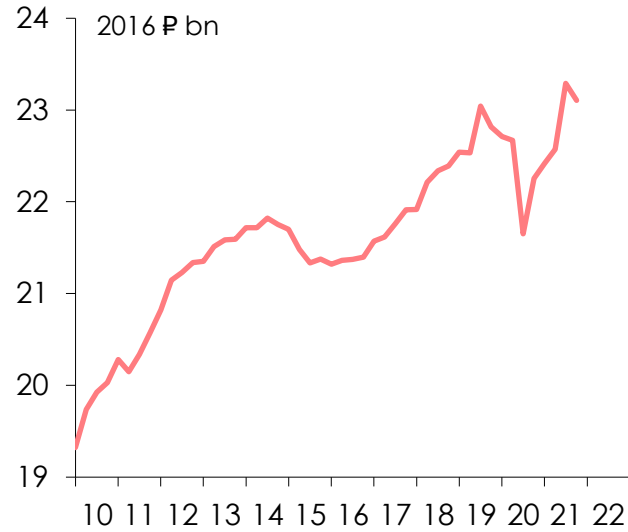
Ukrainian imports by origin



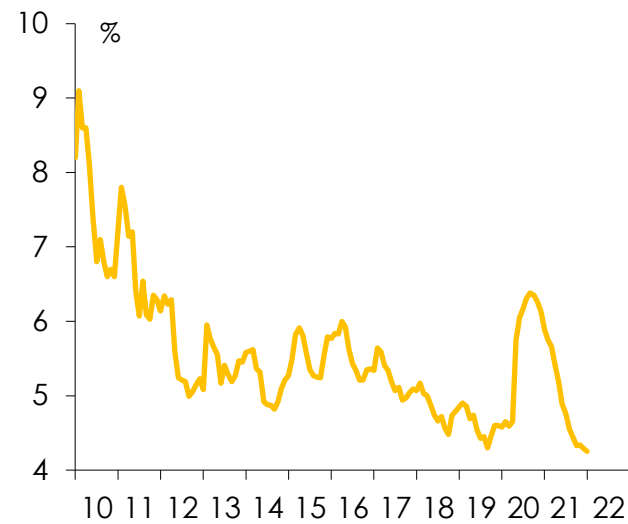
Russia's economy has been 'over-heating', prompting its central bank to raise rates eight times since March last year

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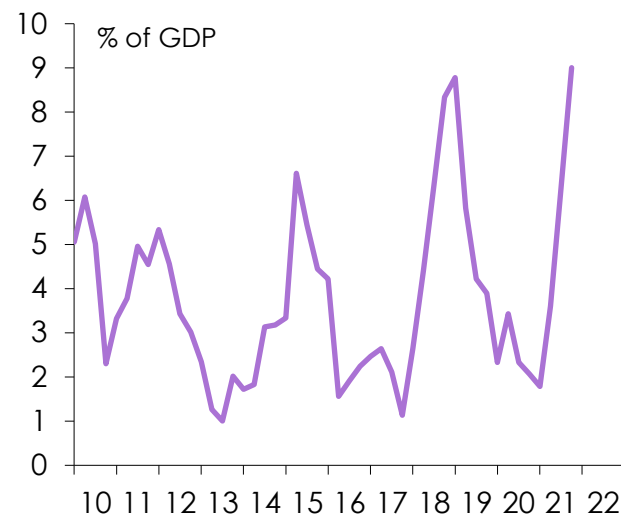
Real GDP



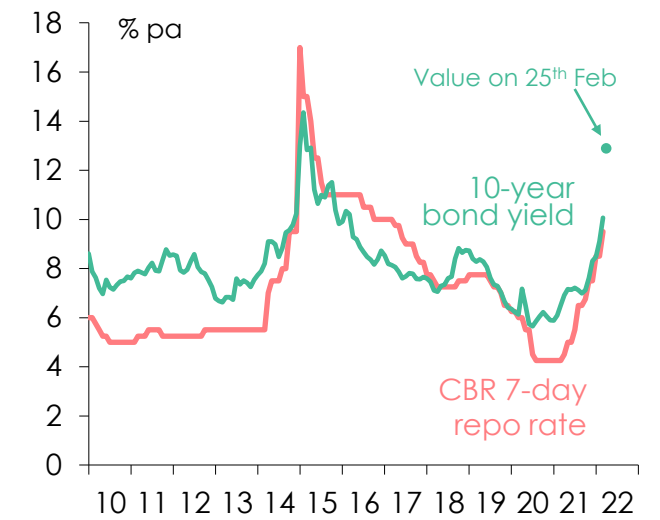
Unemployment



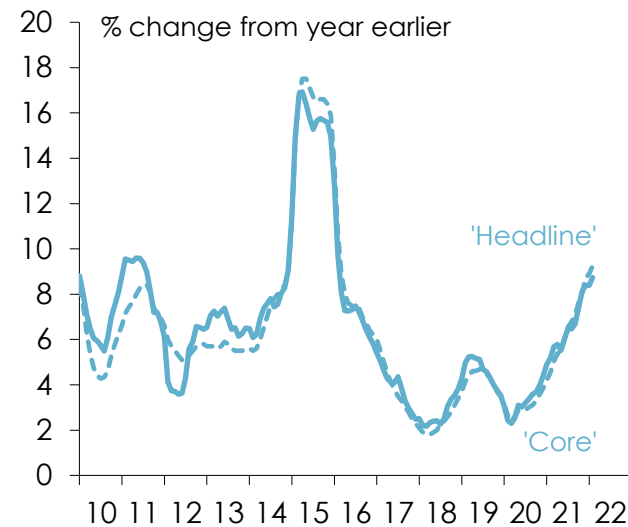
Current account balance



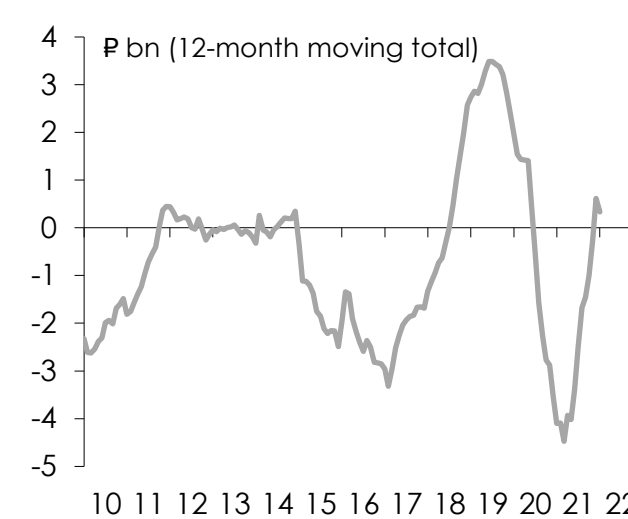
Interest rates



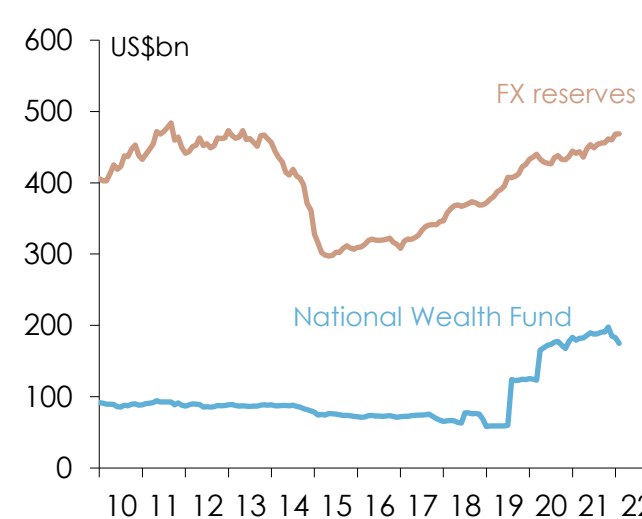
Inflation



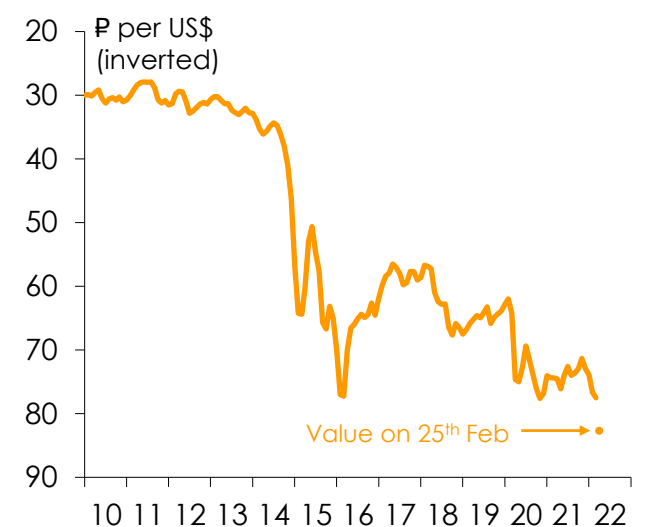
Federal budget deficit



State financial assets



Russian ruble vs US\$

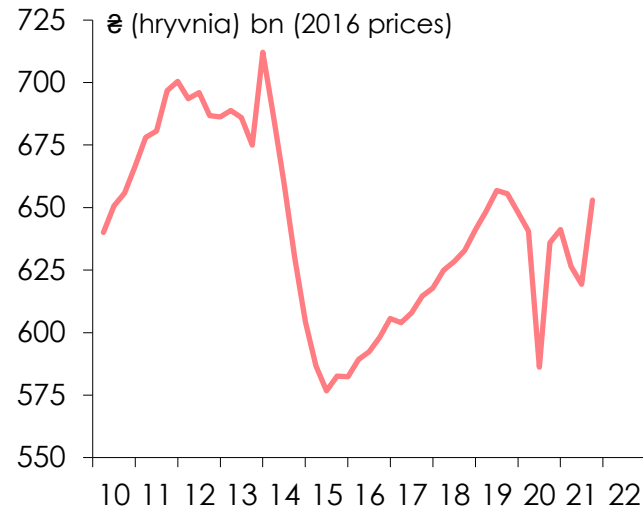


Sources: Rosstat; Central Bank of the Russian Federation; Russian Ministry of Finance; Refinitiv Datastream. [Return to "What's New"](#).

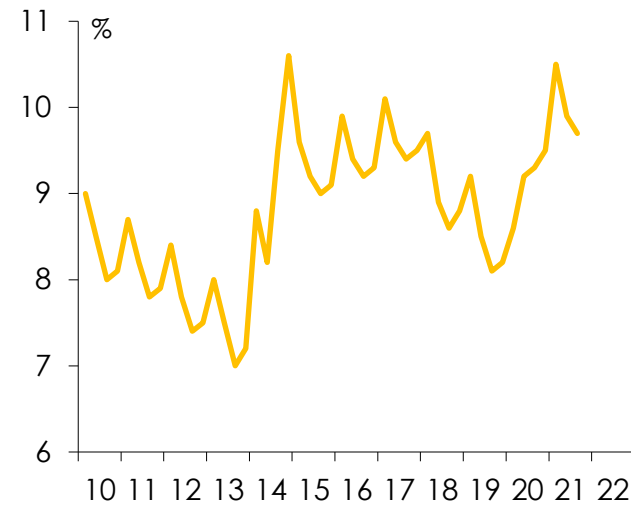
Ukraine's economy was severely harmed by Russia's invasion in 2014, and is in a weaker condition than Russia's as the latter invades again

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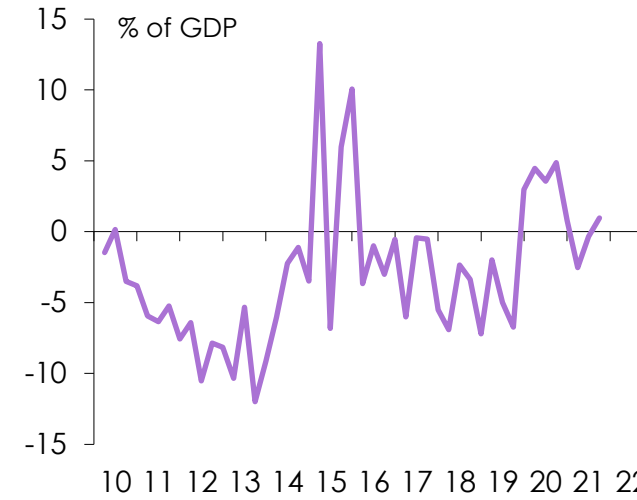
Real GDP



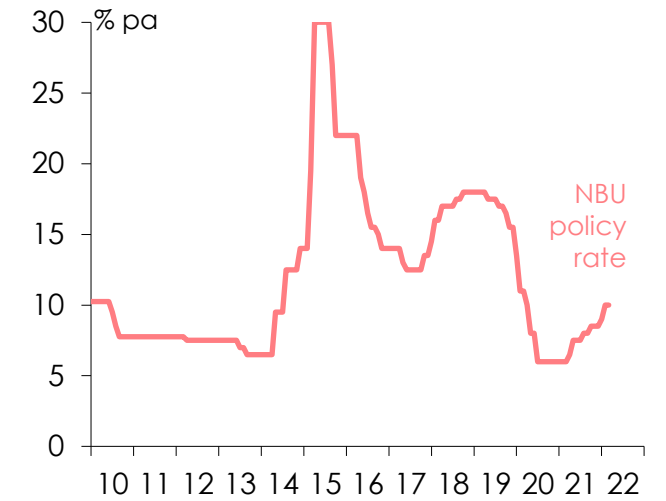
Unemployment



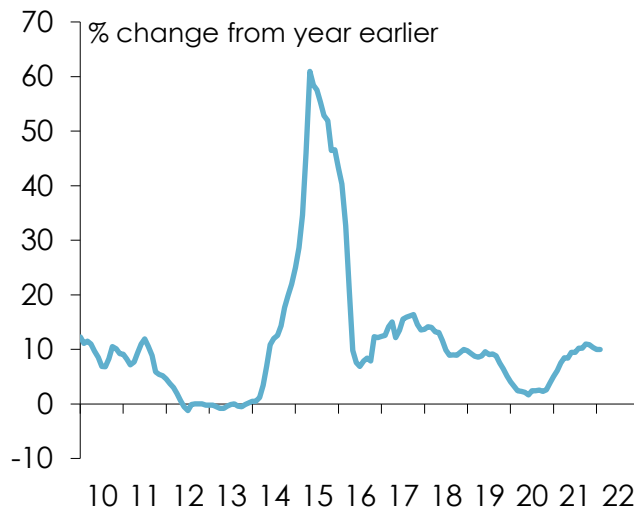
Current account balance



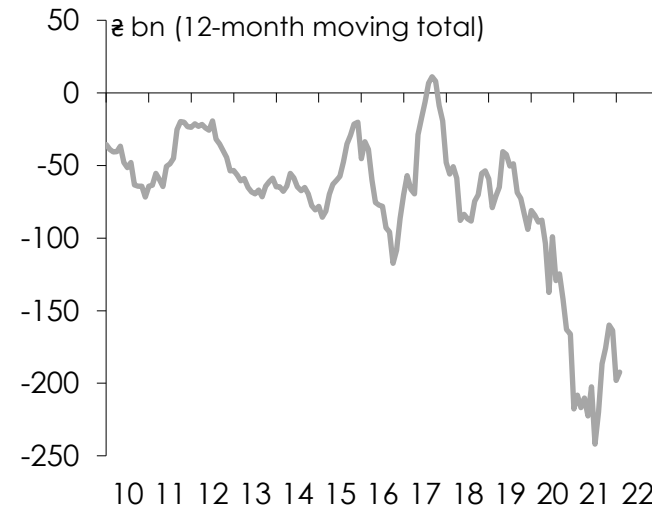
Interest rates



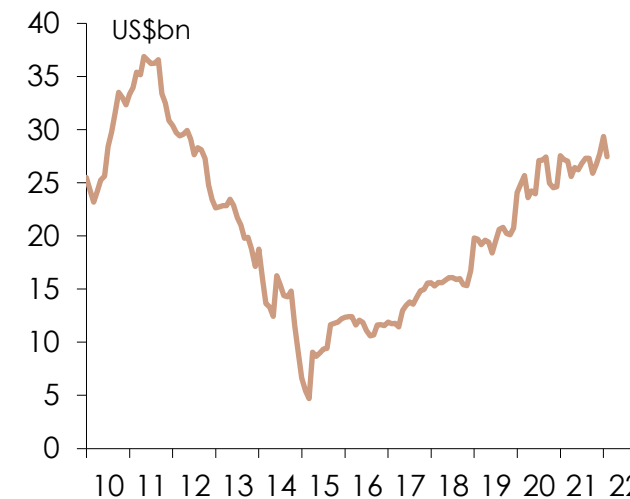
Inflation



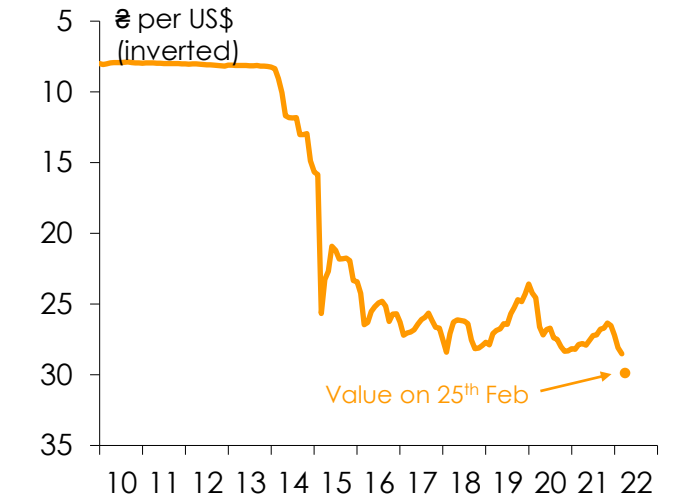
Federal budget deficit



FX reserves



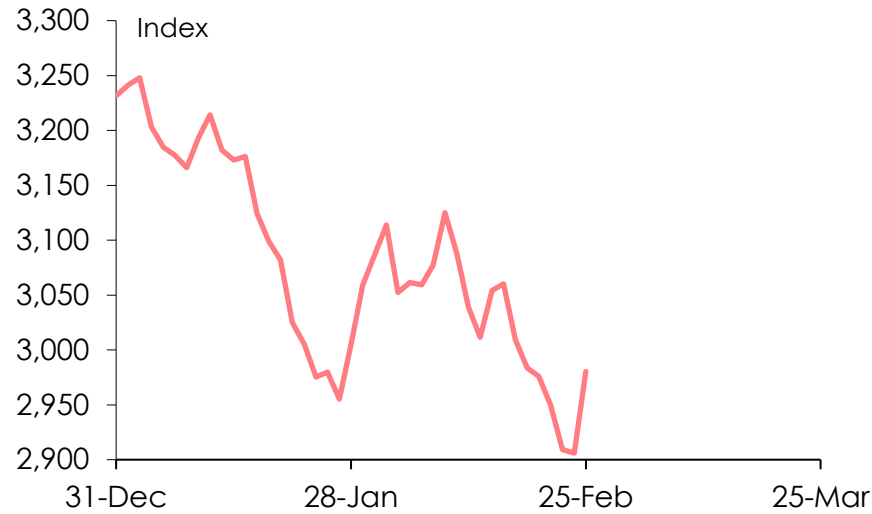
Ukrainian hryvnia vs US\$



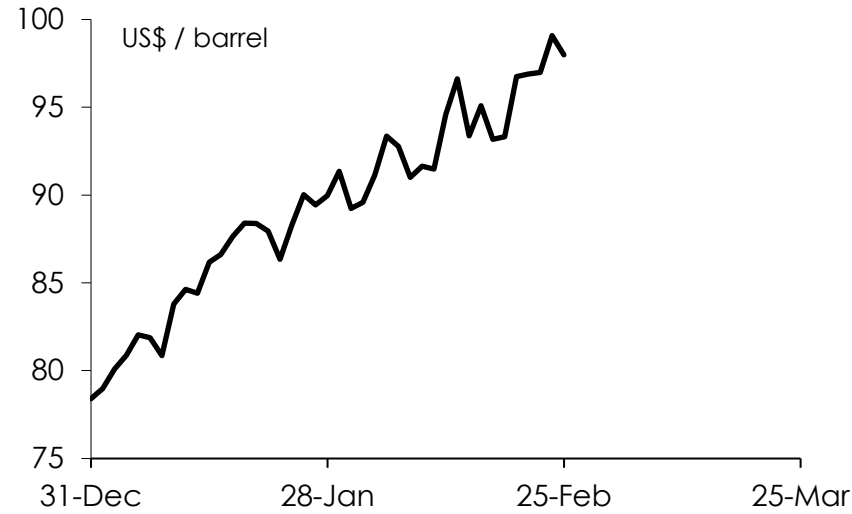
Financial markets initially reacted in a predictable way to Russia's invasion of Ukraine, but then took a less pessimistic turn in Europe & the US on Friday

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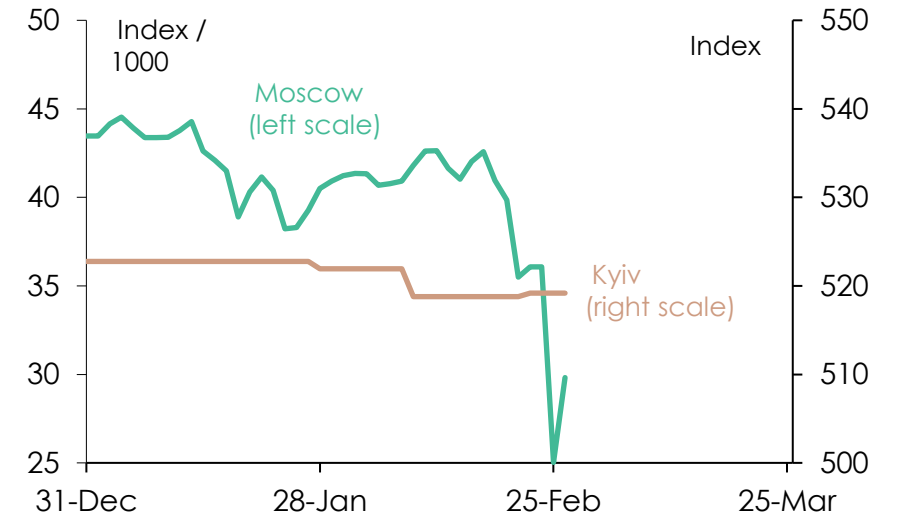
MSCI World stockmarket index



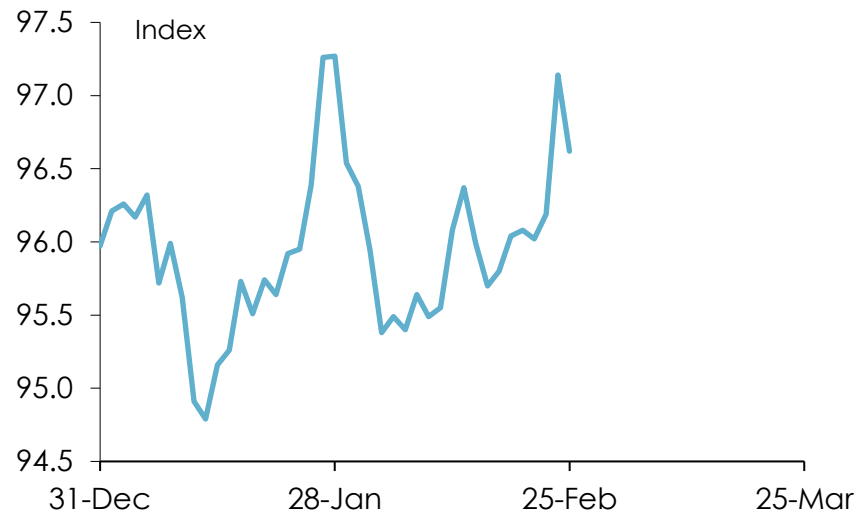
Brent crude oil price



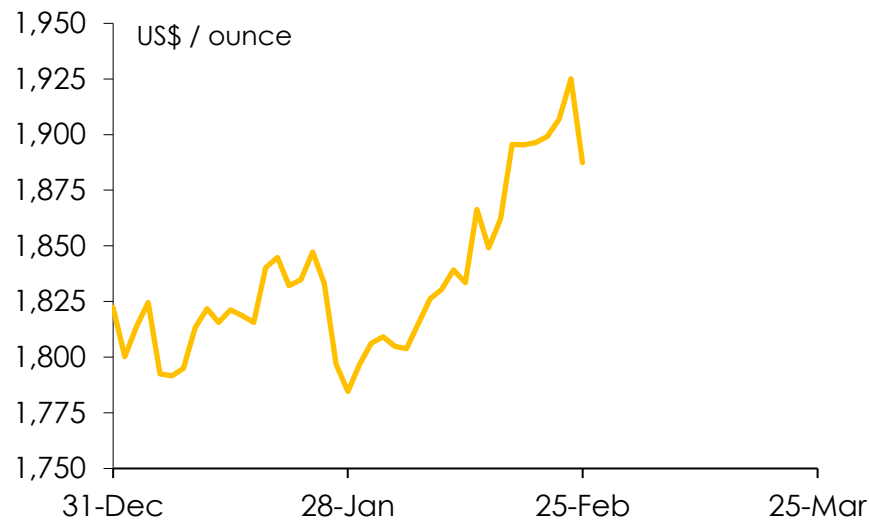
Russian & Ukrainian stocks



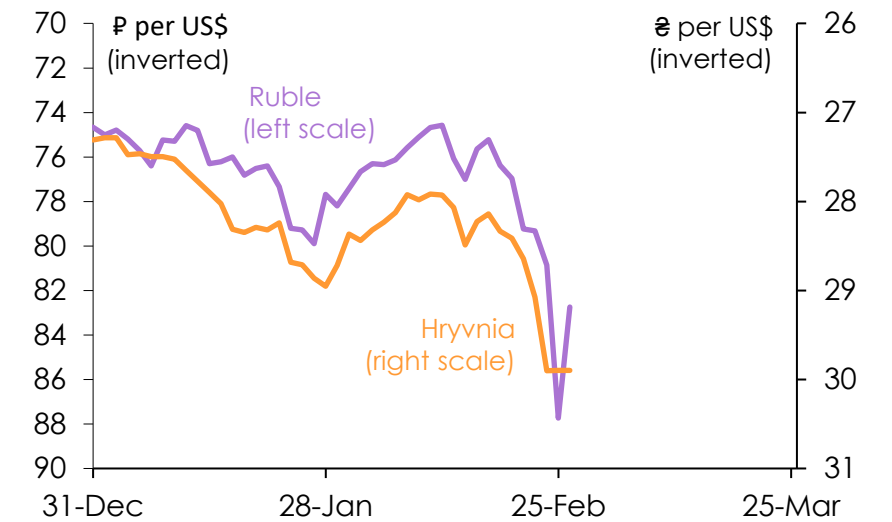
US dollar DXY index



Gold price



Russian & Ukrainian currencies



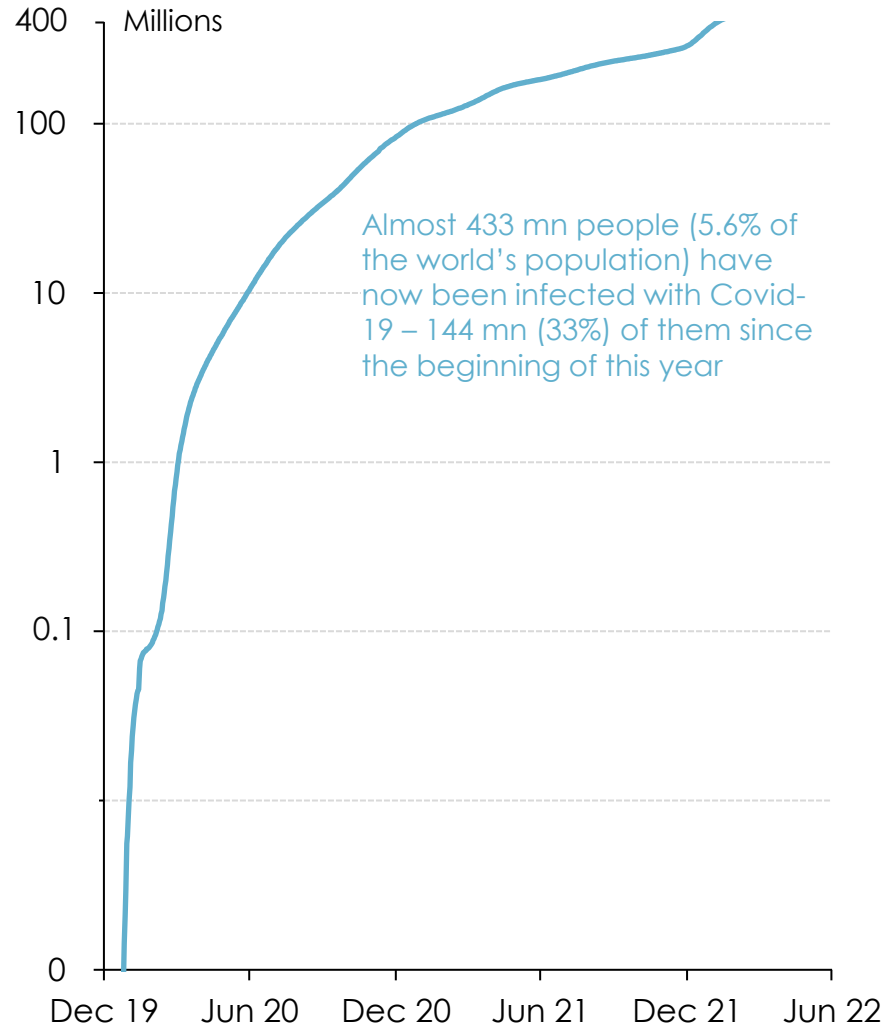
Note: Data up to 25th February. Source: Refinitiv Datastream. [Return to "What's New"](#).

The virus

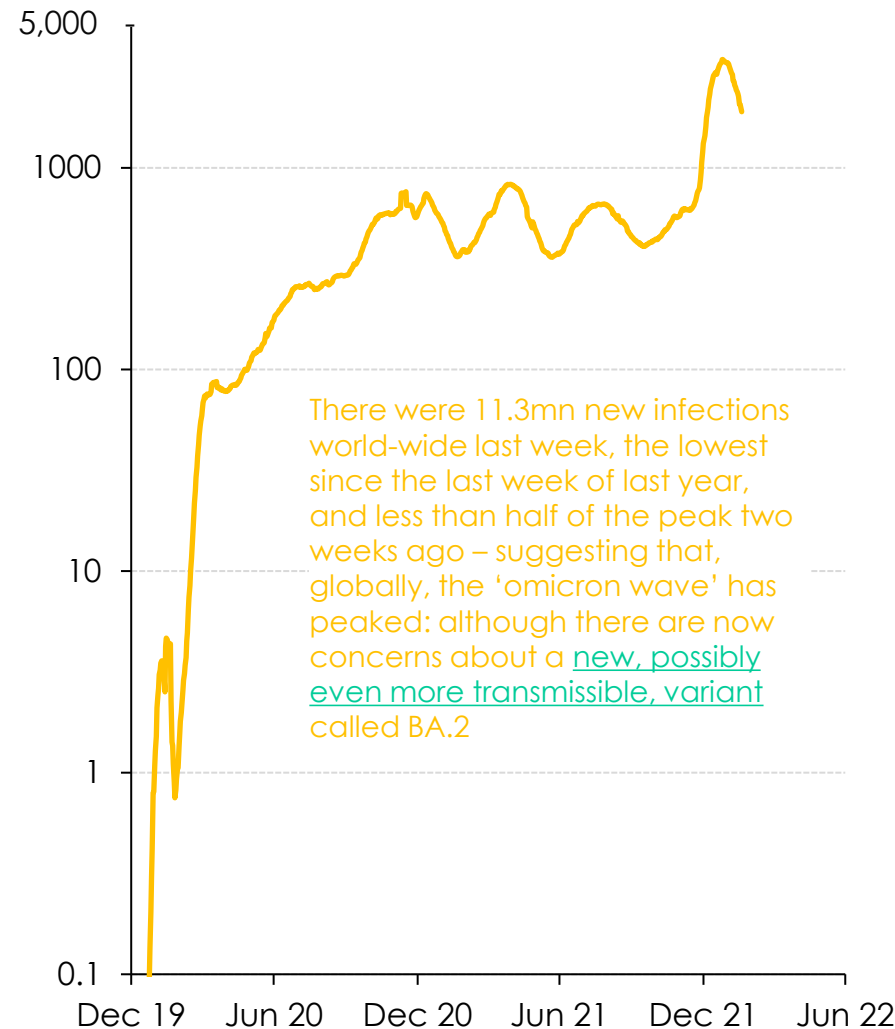
The number of new infections has halved since its peak in mid-January, although there are still concerns about a possible new variant

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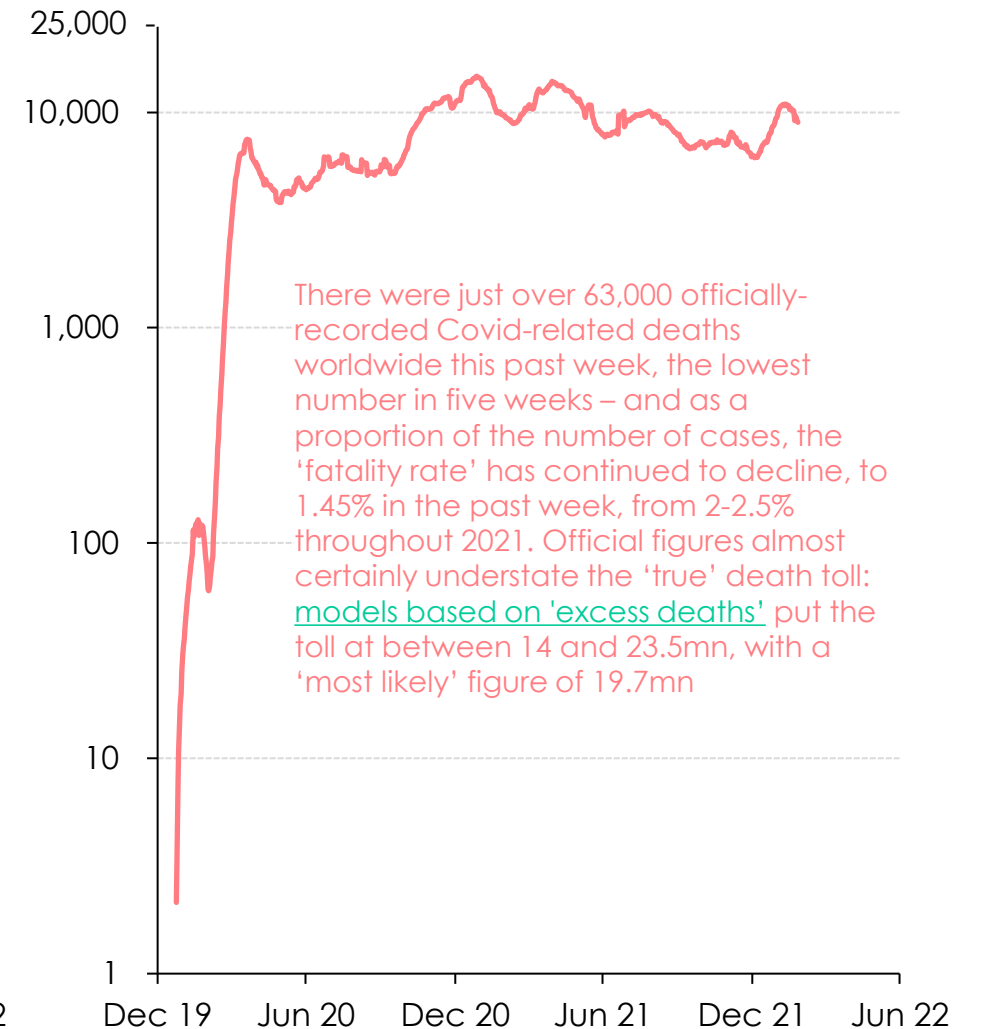
Cumulative confirmed cases – global total



New confirmed cases – global total



New deaths – global total

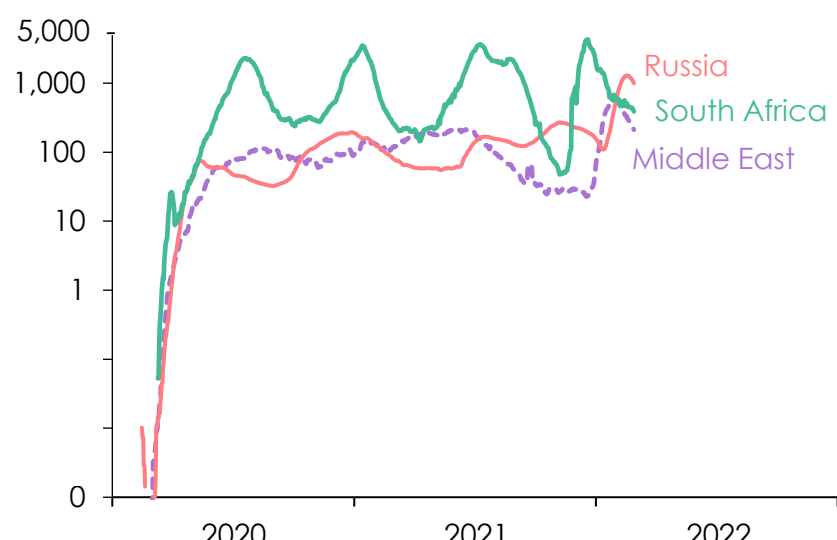
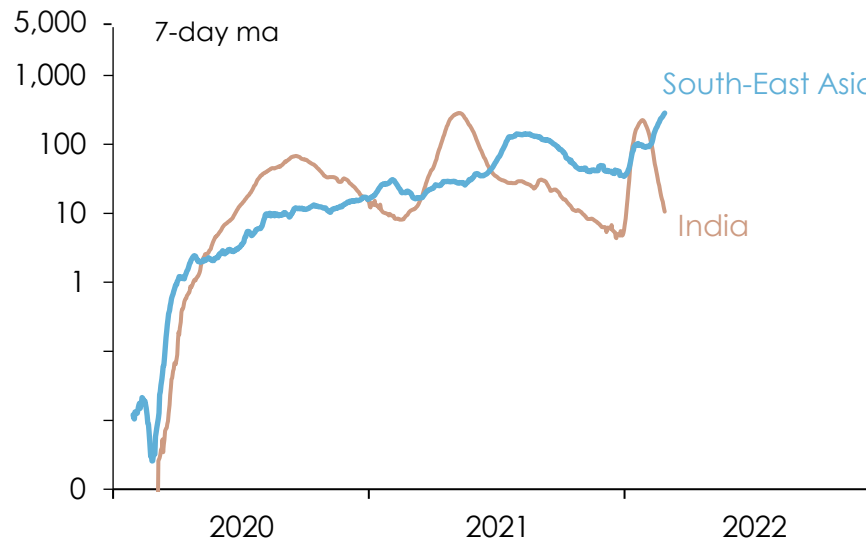
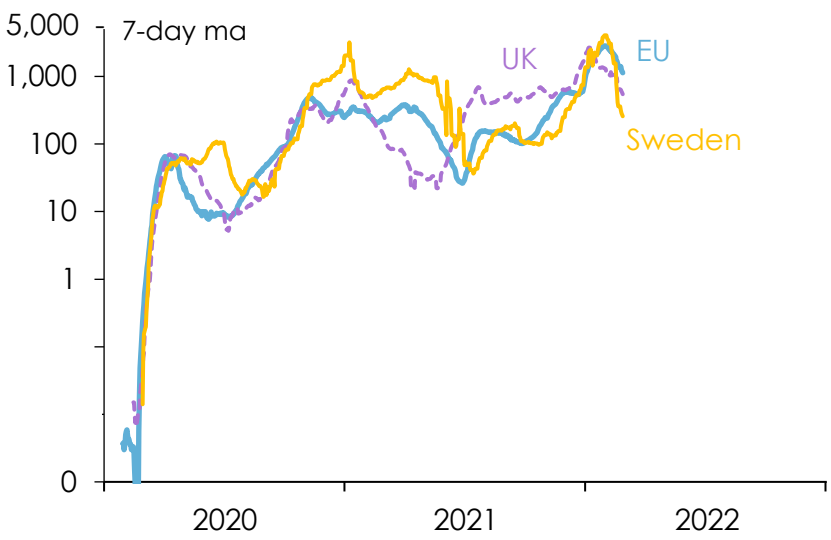
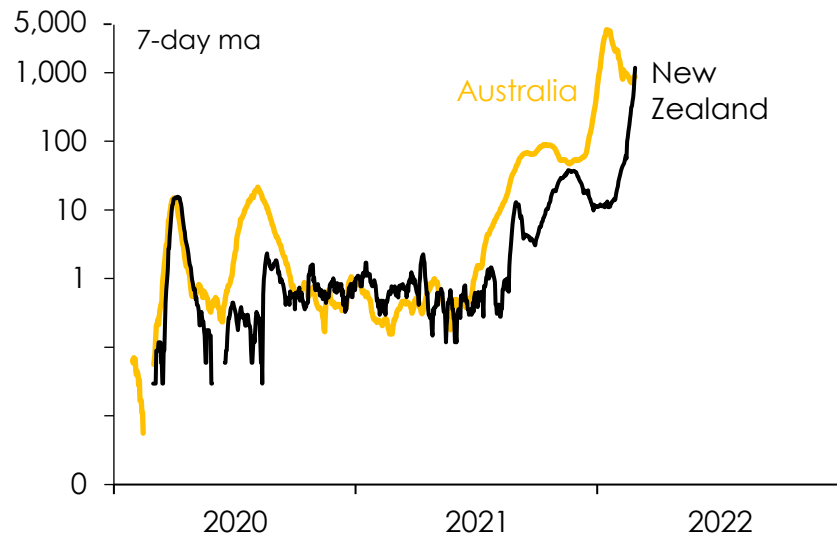
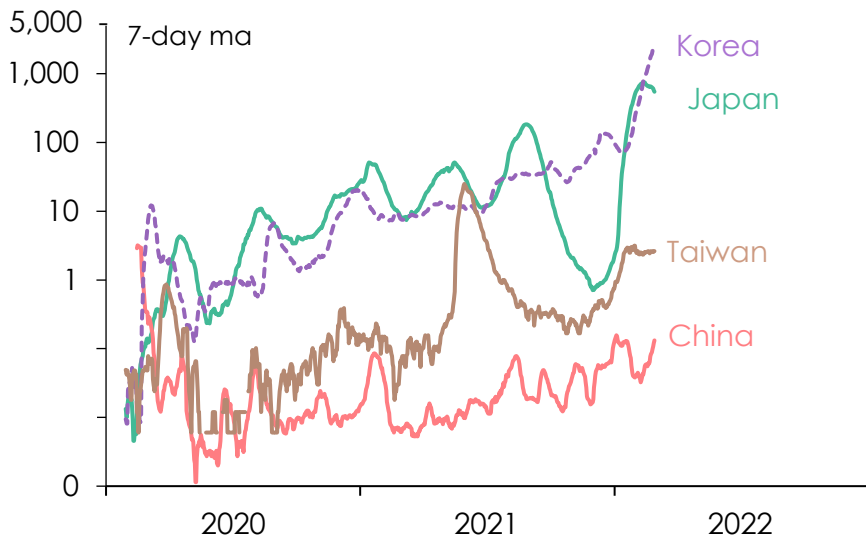
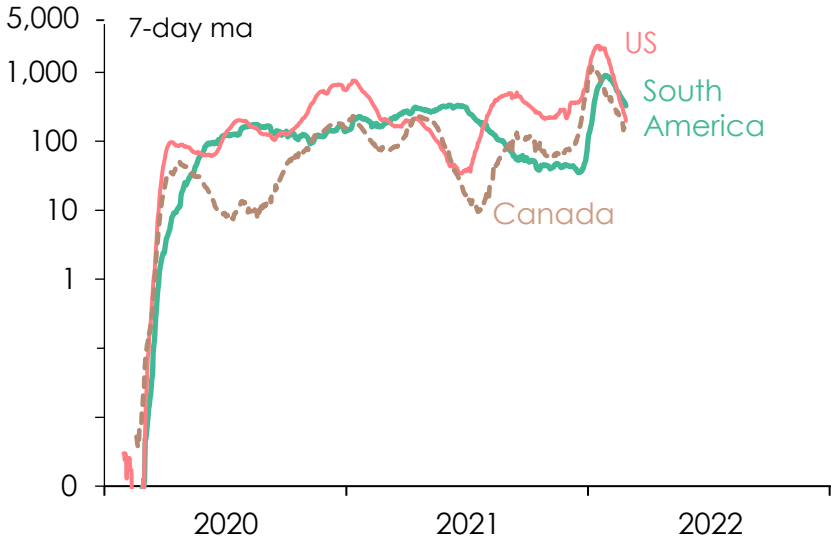


Note: All charts are on logarithmic scales. Data up to 25th February. Source: University of Oxford, [Our World in Data](#). [Return to "What's New"](#).

New infections are still rising across much of east Asia (except Japan and Taiwan) and in NZ, but falling almost everywhere else

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Daily new cases per million population – major countries and regions

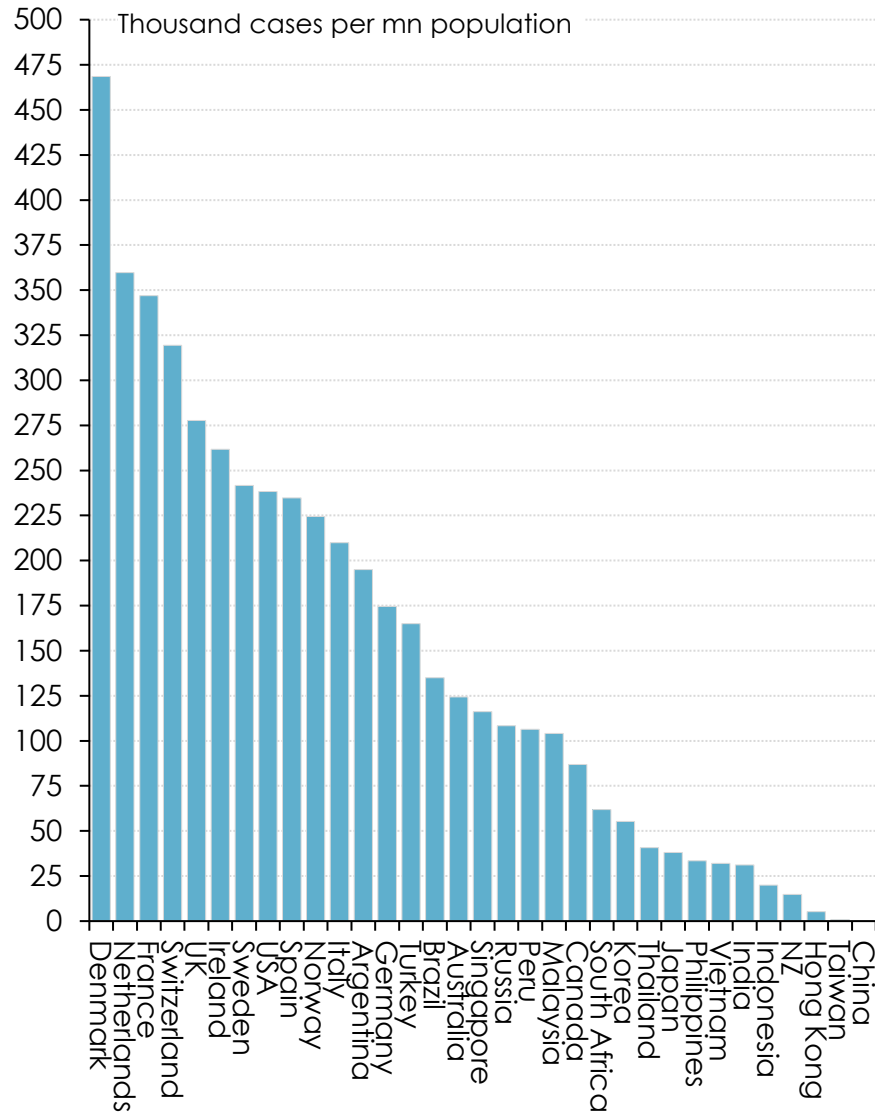


Note: All charts are on logarithmic scales. Data up to 25th February. Source: University of Oxford, [Our World in Data](#); Corinna. [Return to "What's New"](#).

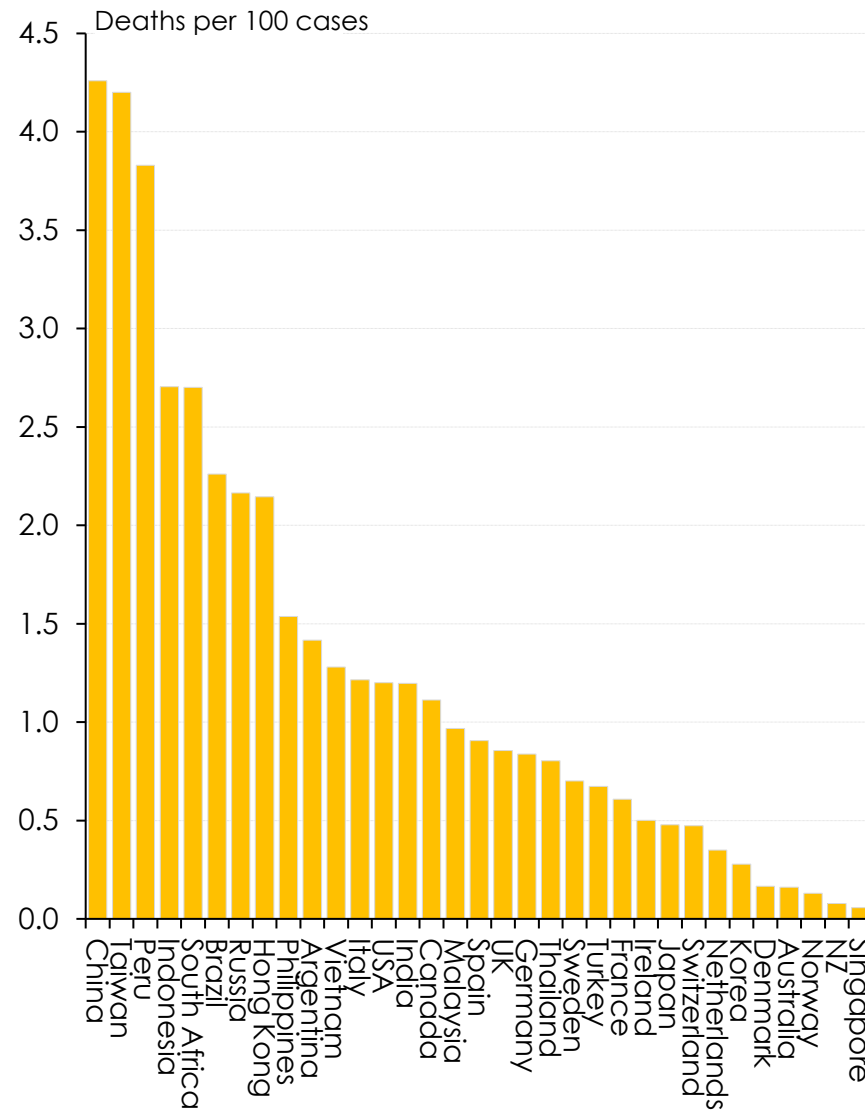
The highest cumulative infection and death rates (since the onset of the pandemic) have been in Europe, South and North America

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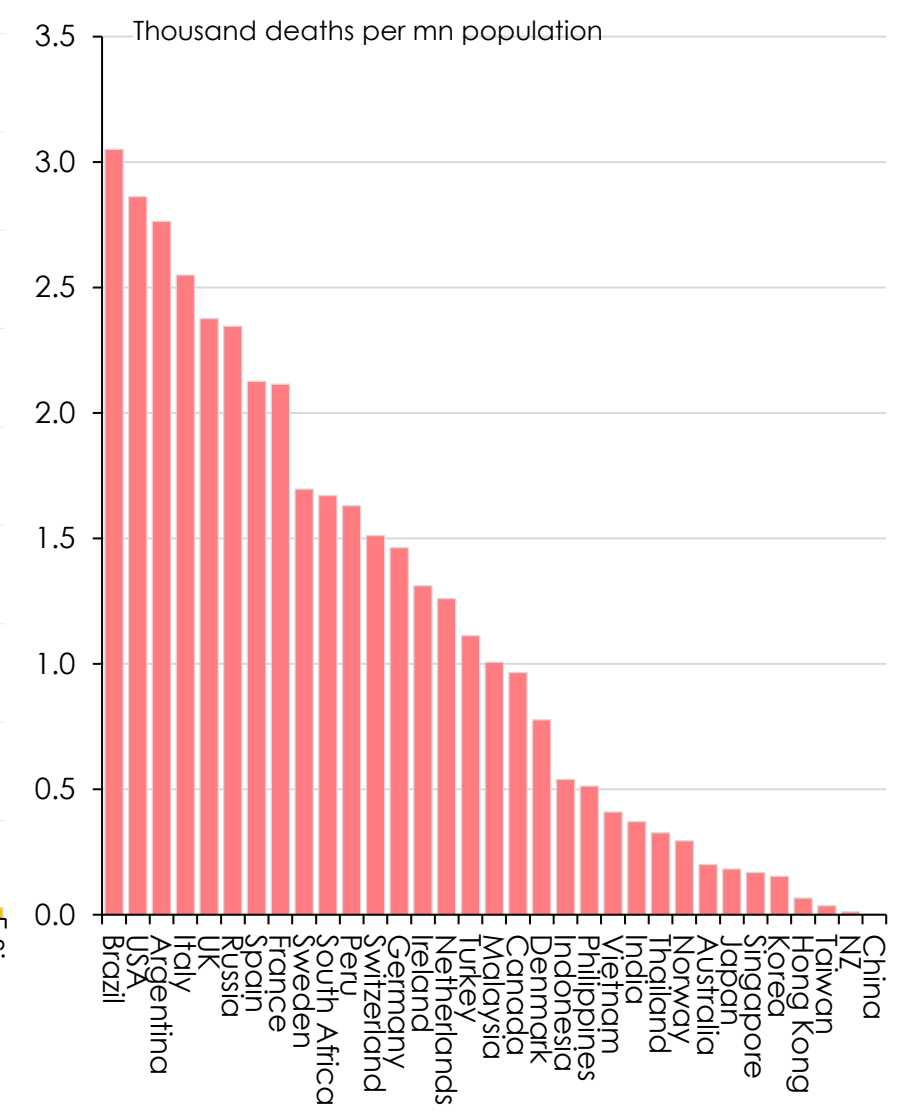
Apparent infection rate



Apparent fatality rate



Apparent death rate

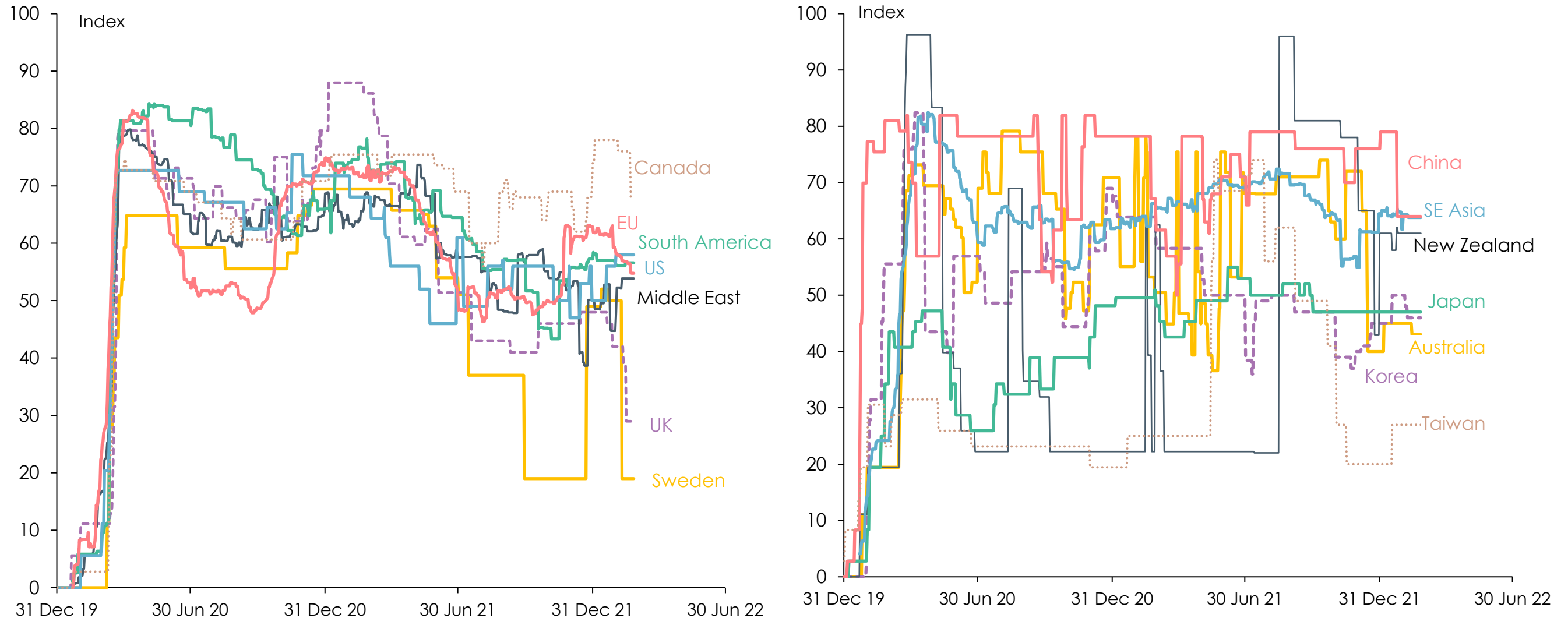


Note: Data up to 25th February. Sources: University of Oxford, [Our World in Data](#); Corinna. [Return to "What's New"](#).

Health restrictions in the UK were significantly eased last week

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

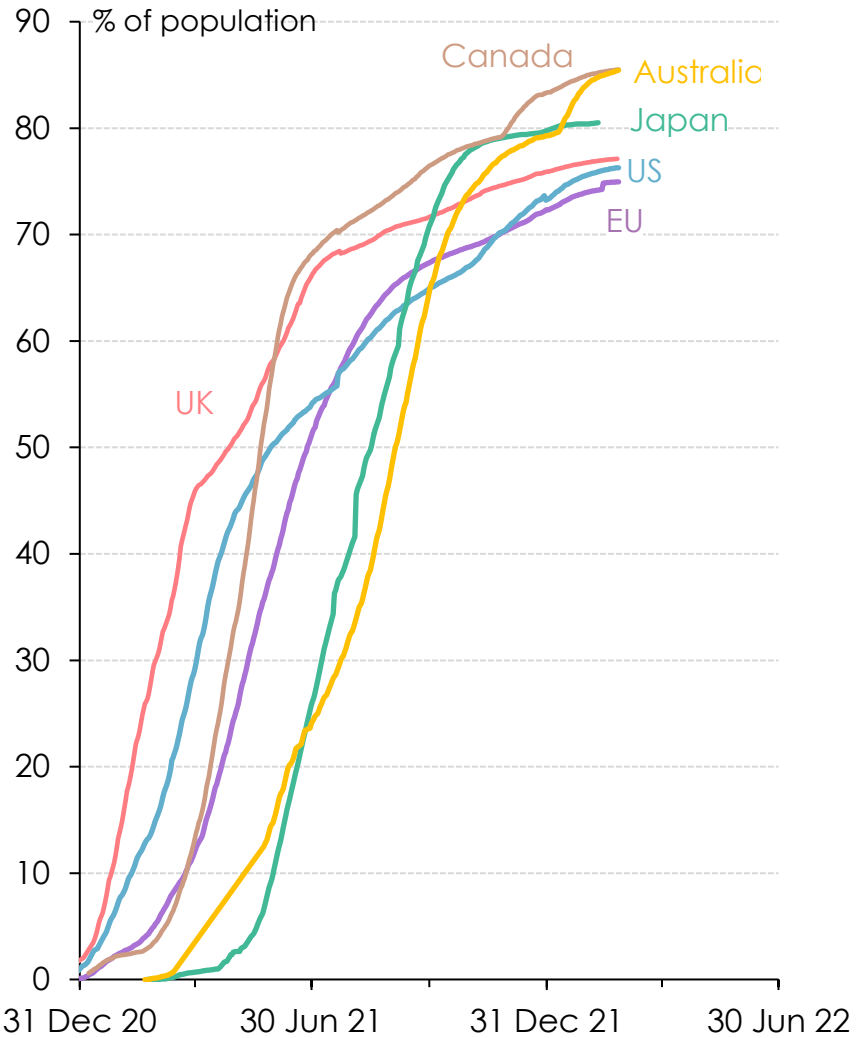


The Oxford COVID-19 Government Response Tracker collects publicly available information on 11 indicators of government response including school & workplace closures, public events cancellations, restrictions on public gatherings, stay at home requirements, public transport closures, domestic & international 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 25th February. [Return to "What's New"](#).

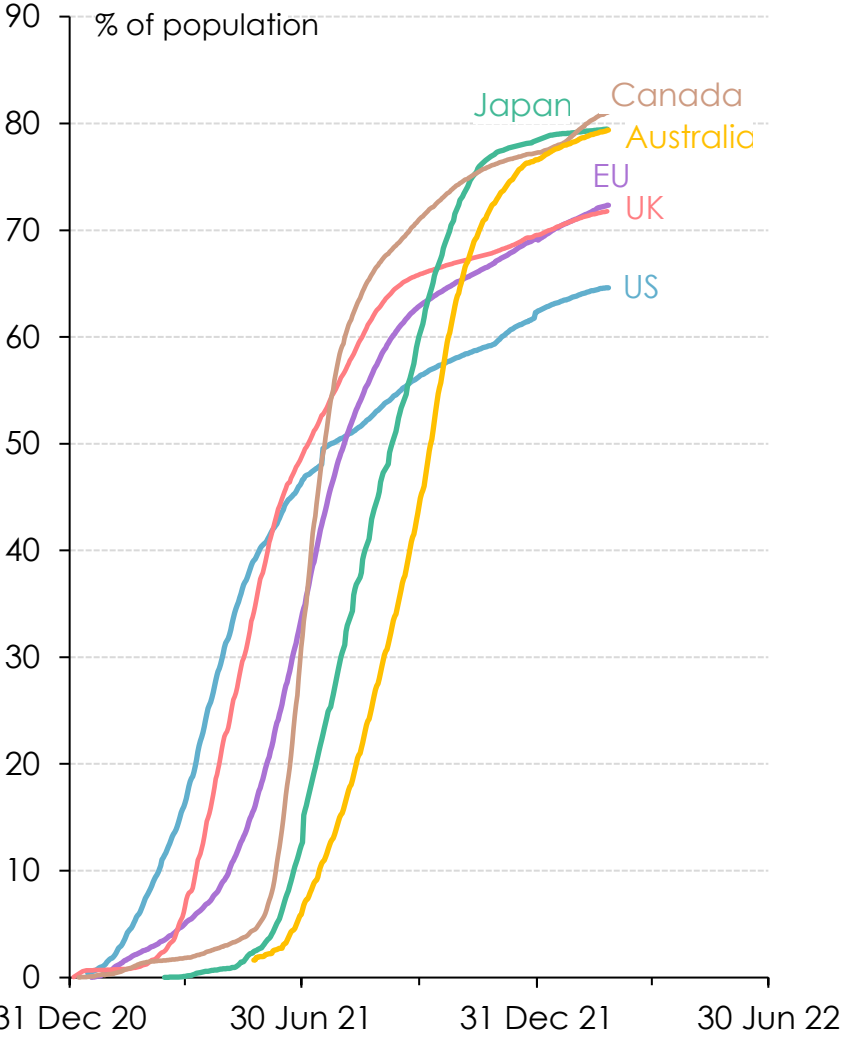
The US lags behind most other 'advanced' economies in fully vaccinating its population while the US & Japan are lagging with 'booster' shots

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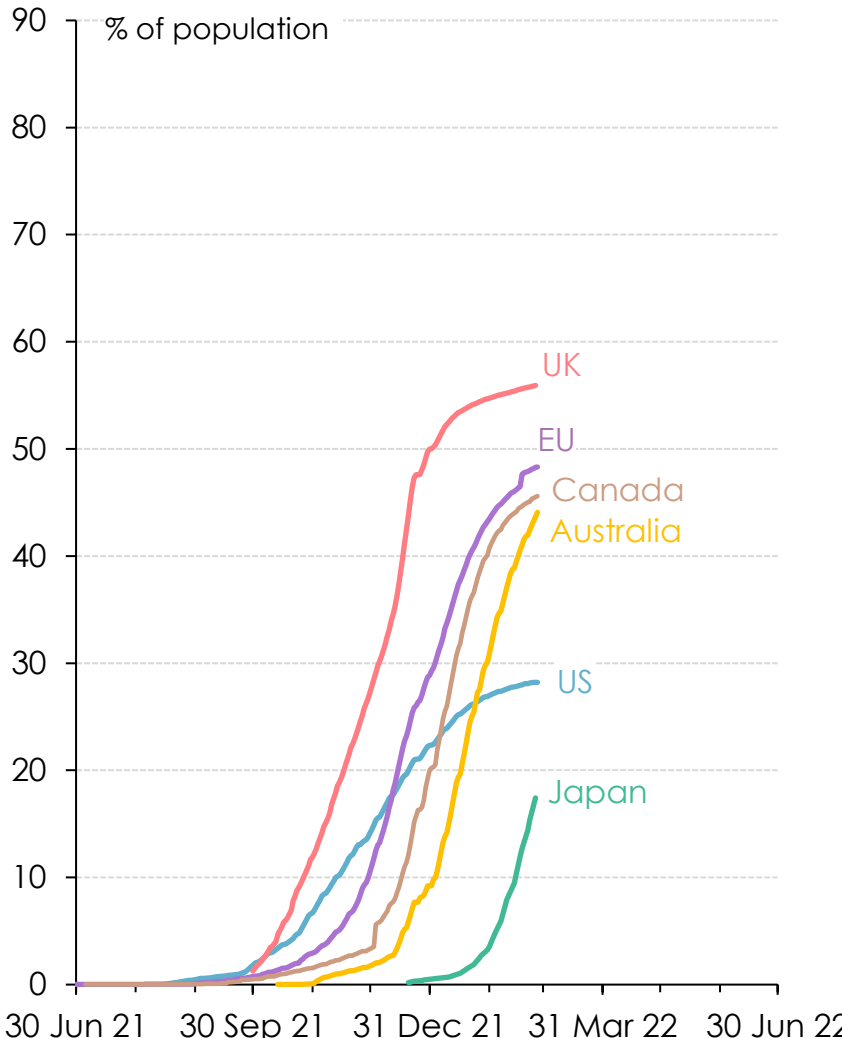
Percentage of populations who have had at least one shot



Percentage of populations who have had two shots



Percentage of populations who have had a 'booster' shot

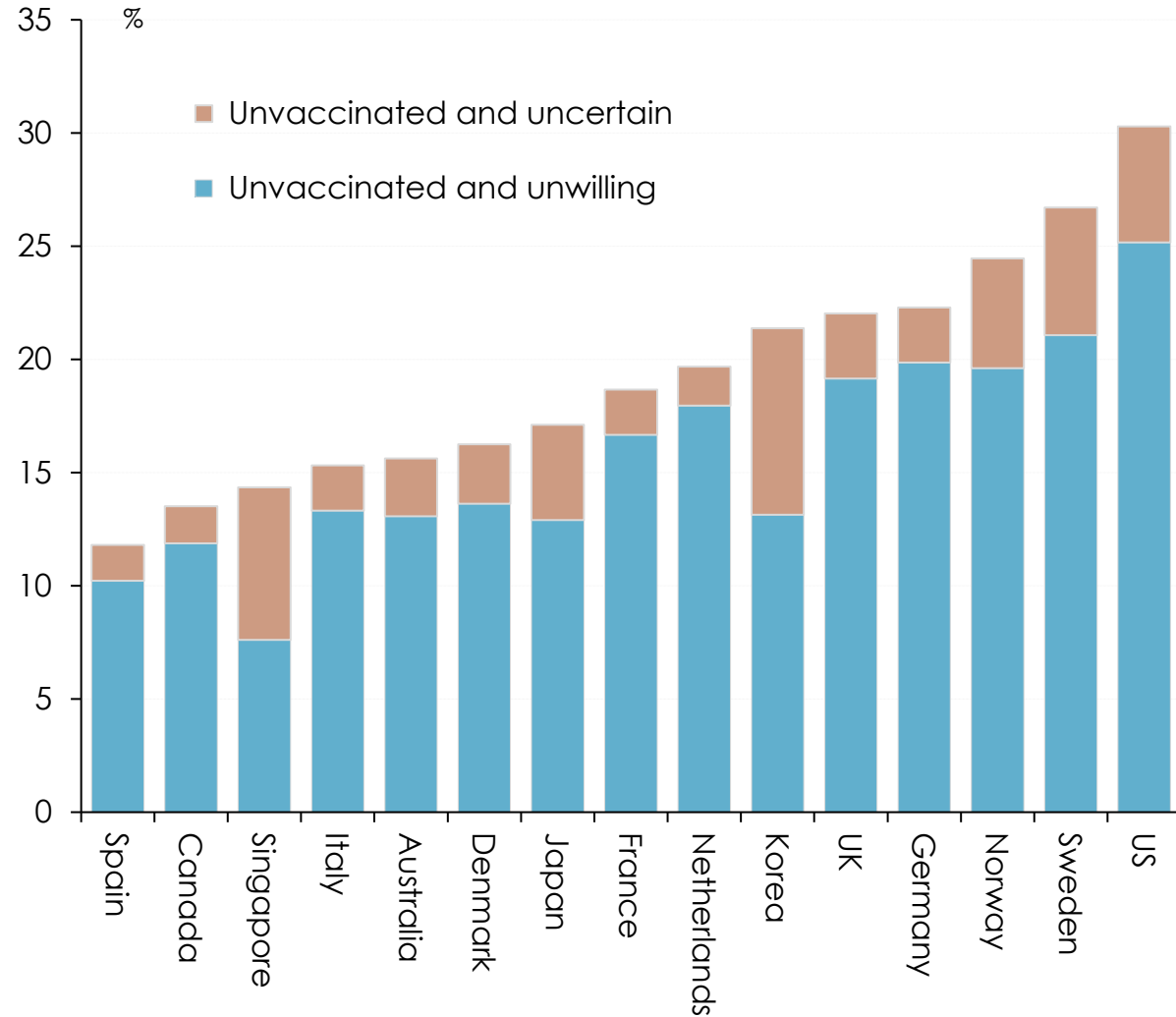


Note: Data up to 24th or 25th February. Source: [Our World in Data](#); [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

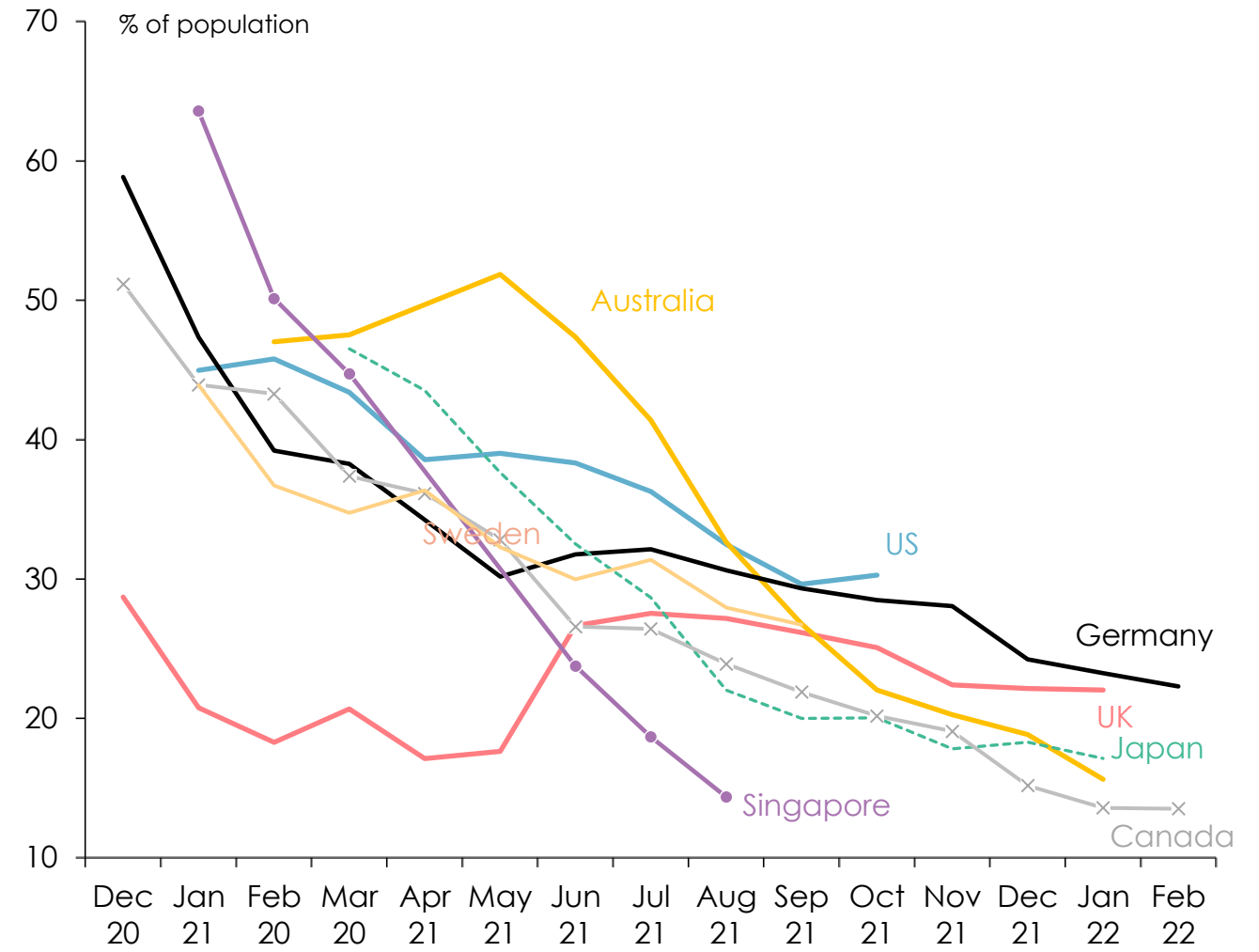
Vaccine hesitancy is now higher in the US and (surprisingly) in Germany than in other 'advanced' economies – and has fallen sharply in Australia

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Covid-19 vaccine hesitancy, selected 'advanced' economies, February 2022 or latest available



Percentage of populations unvaccinated and unwilling or uncertain about getting vaccinated

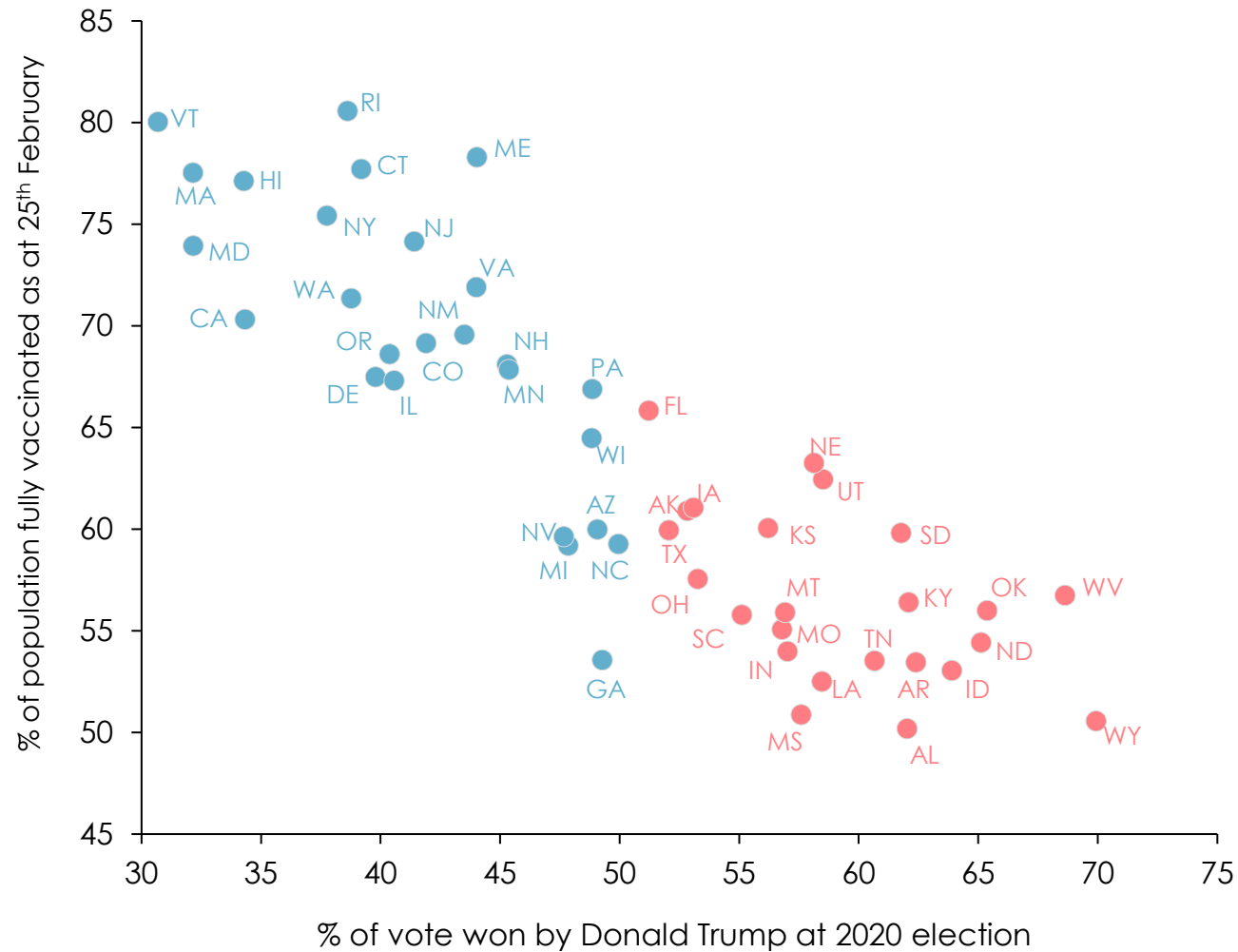


Note: data for Singapore and Norway are for August; data for Korea and Sweden are for September; data for the US are for October; data for Australia, Denmark, Japan, the Netherlands, Spain and the UK are for January. Source: Imperial College London and YouGov, [Covid 19 Behaviour Tracker Data Hub](#). [Return to "What's New"](#).

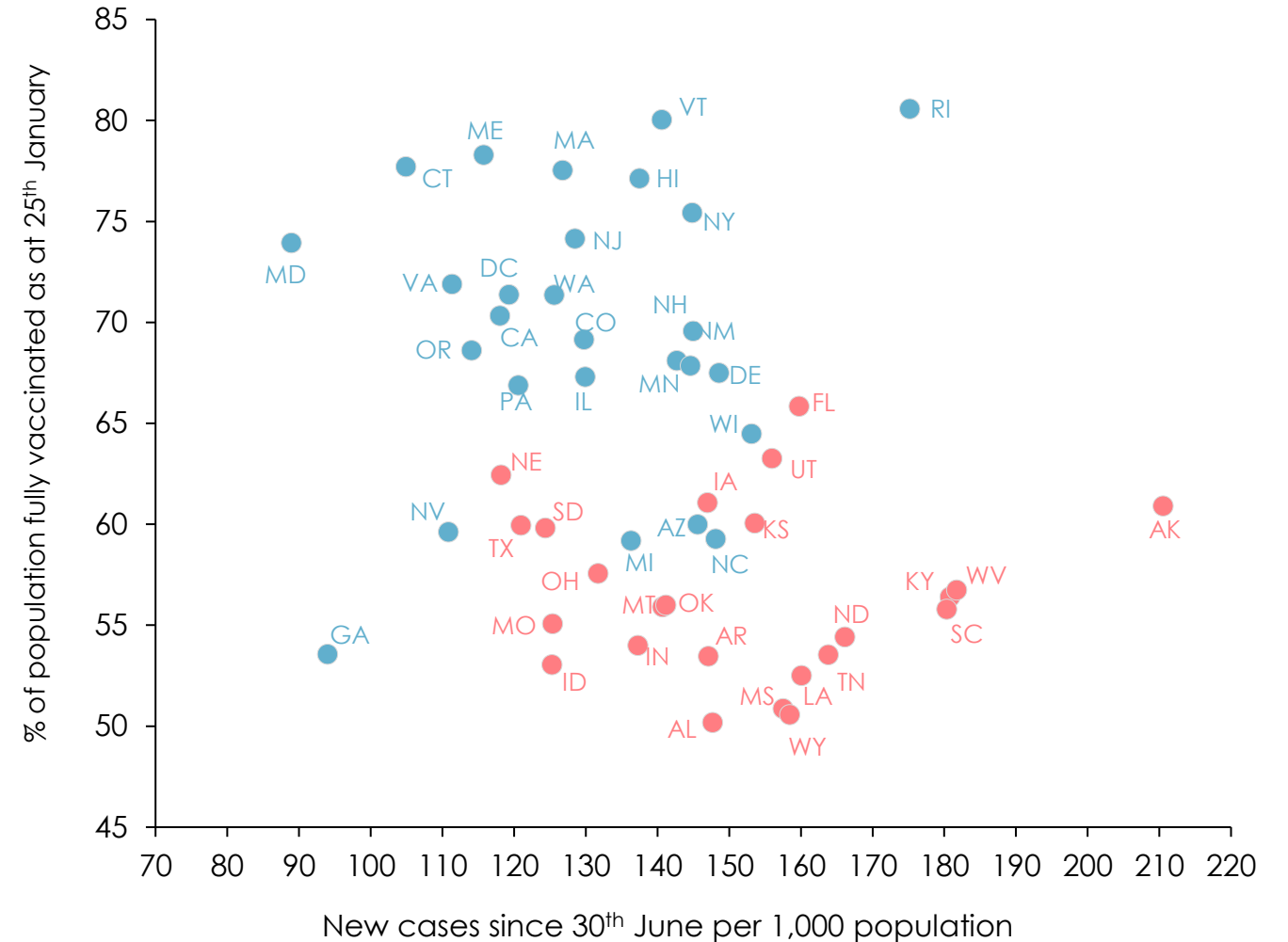
In the US there's a strong correlation between voting patterns and vaccine hesitancy, and (inversely) between vaccination rates and infection rates

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Vaccination rates vs Trump vote at 2020 elections, by state



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

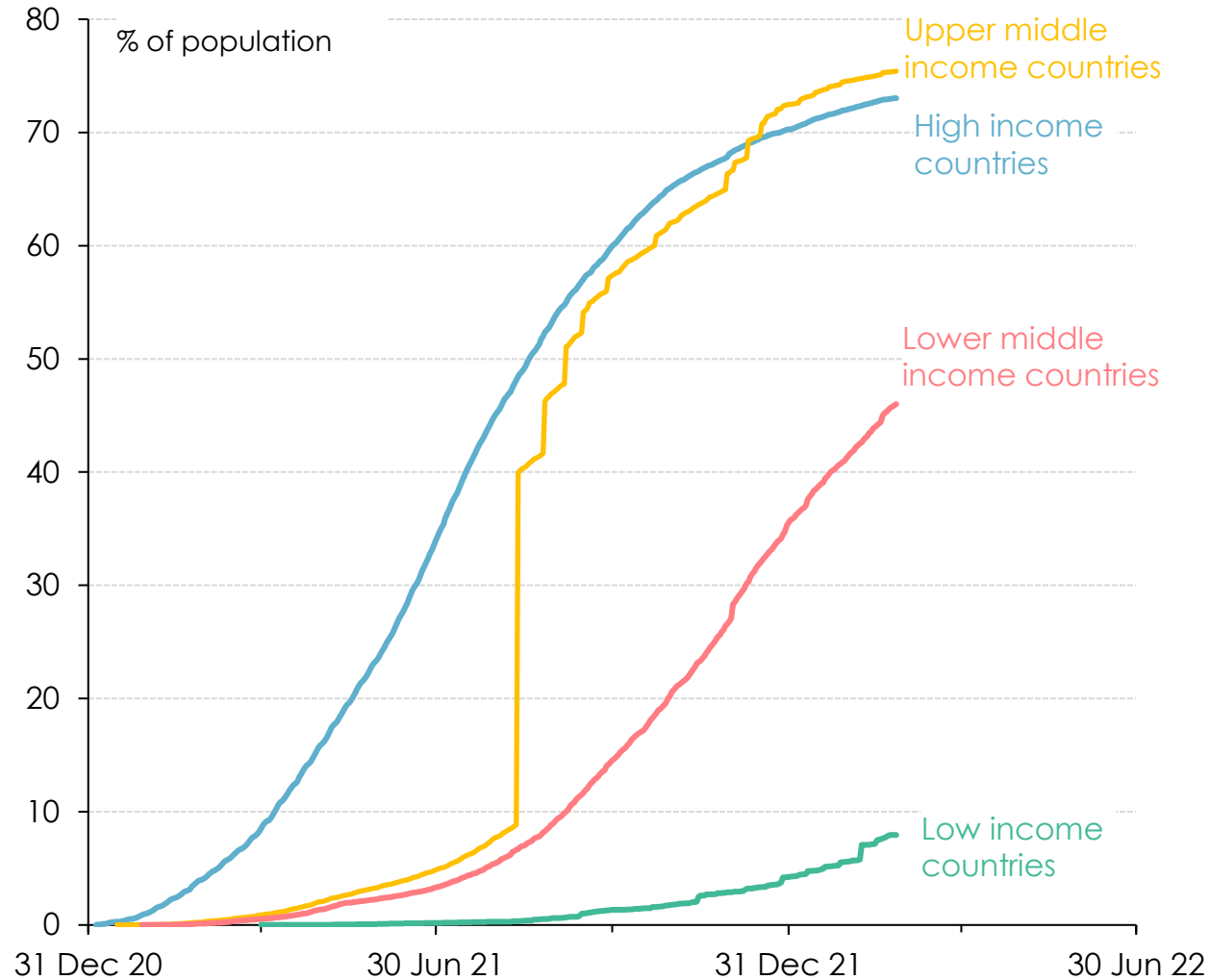


Note: Case data as at 25th February. Sources: [The Cook Political Report](#); [Our World in Data](#); [USA Facts](#); Corinna. [Return to "What's New"](#).

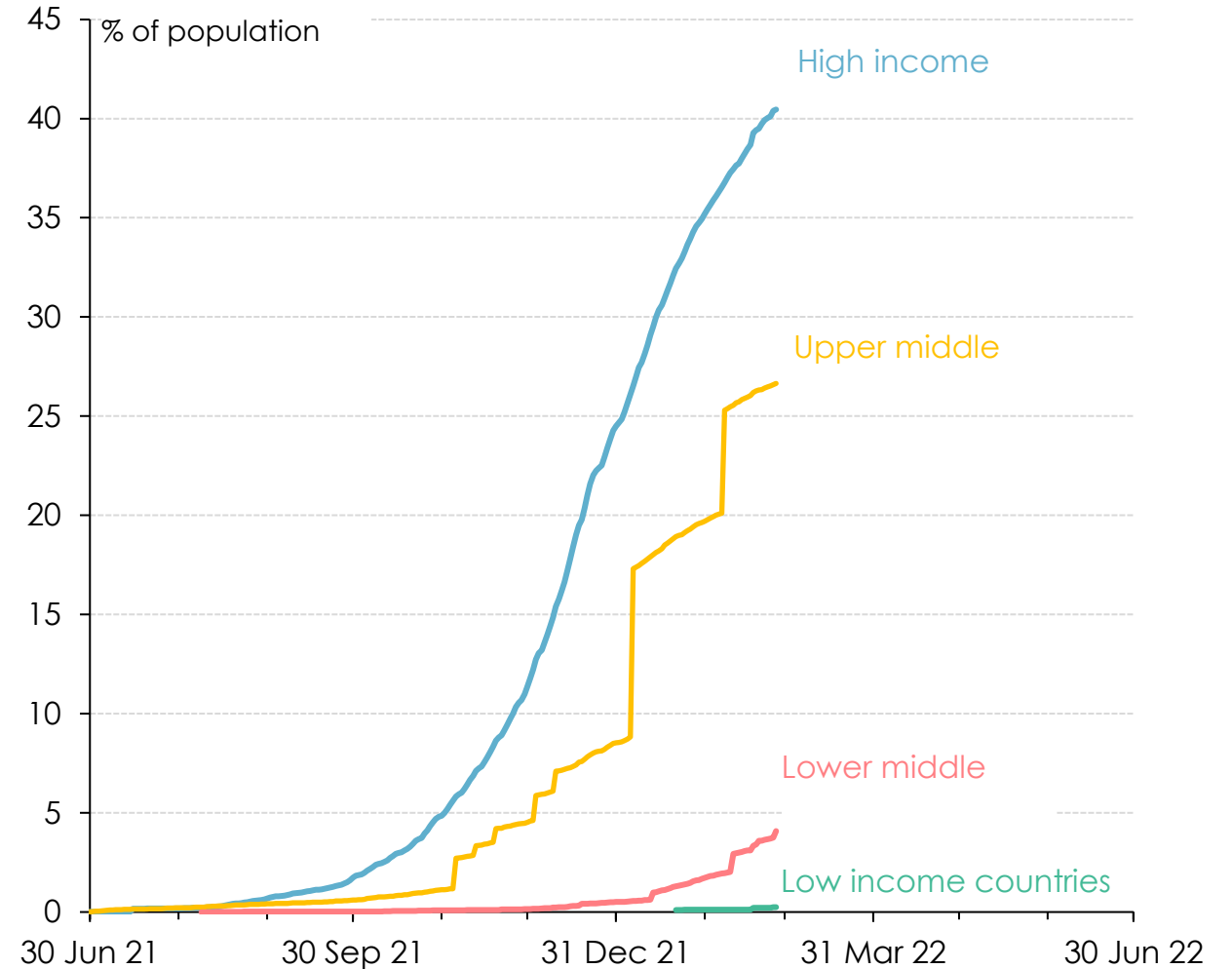
The vaccine roll-out has proceeded much more slowly among low- and lower-middle income countries

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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

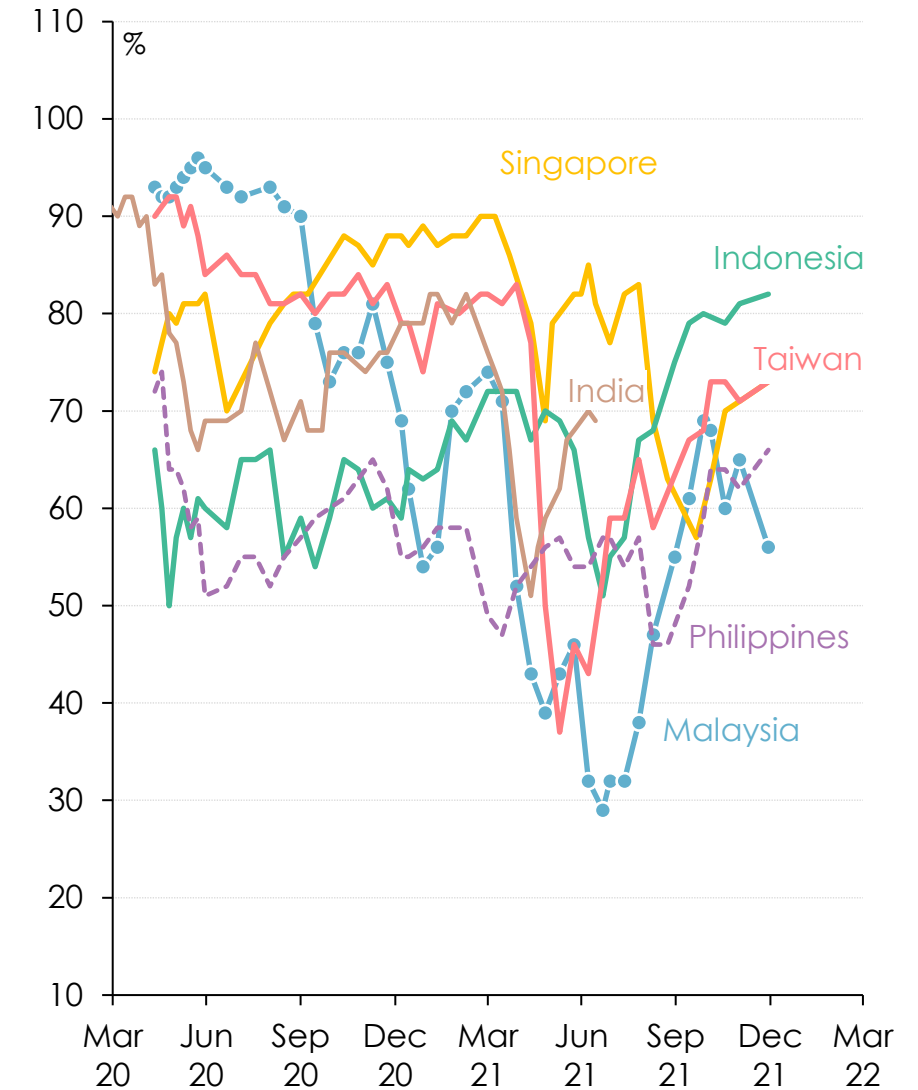
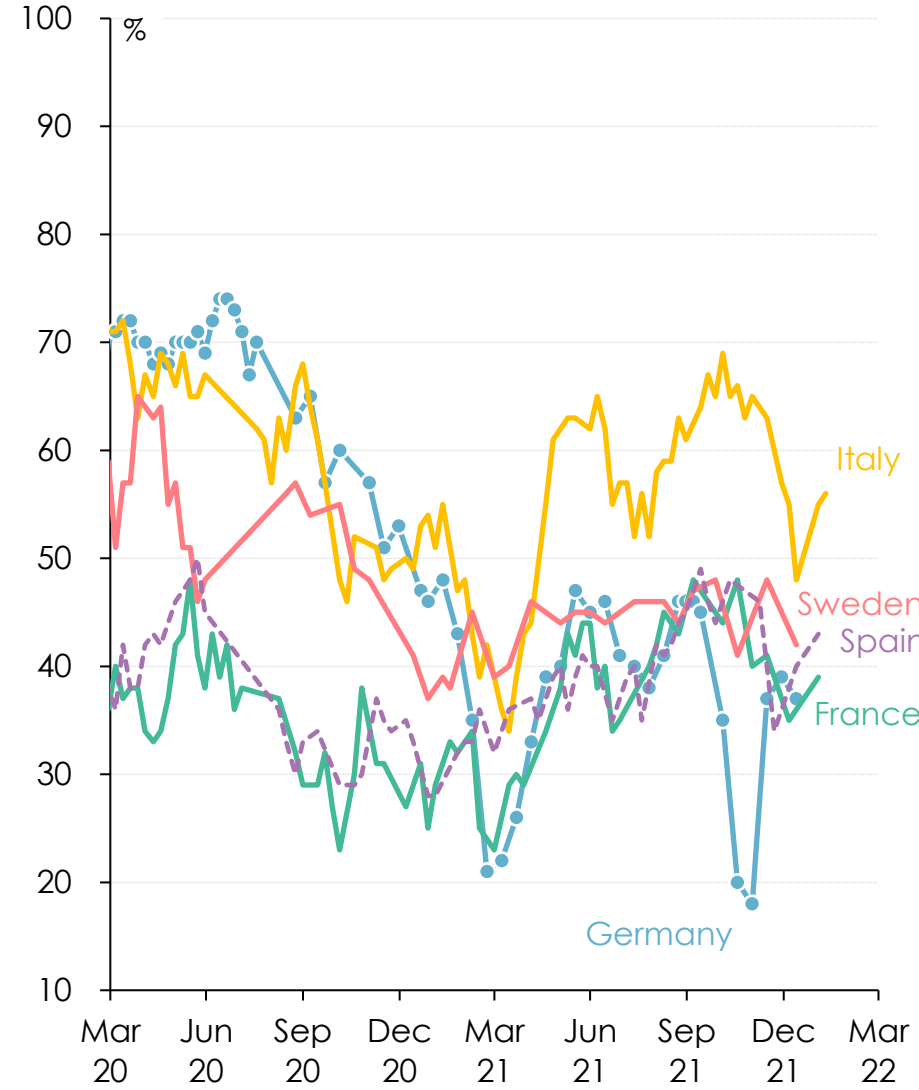
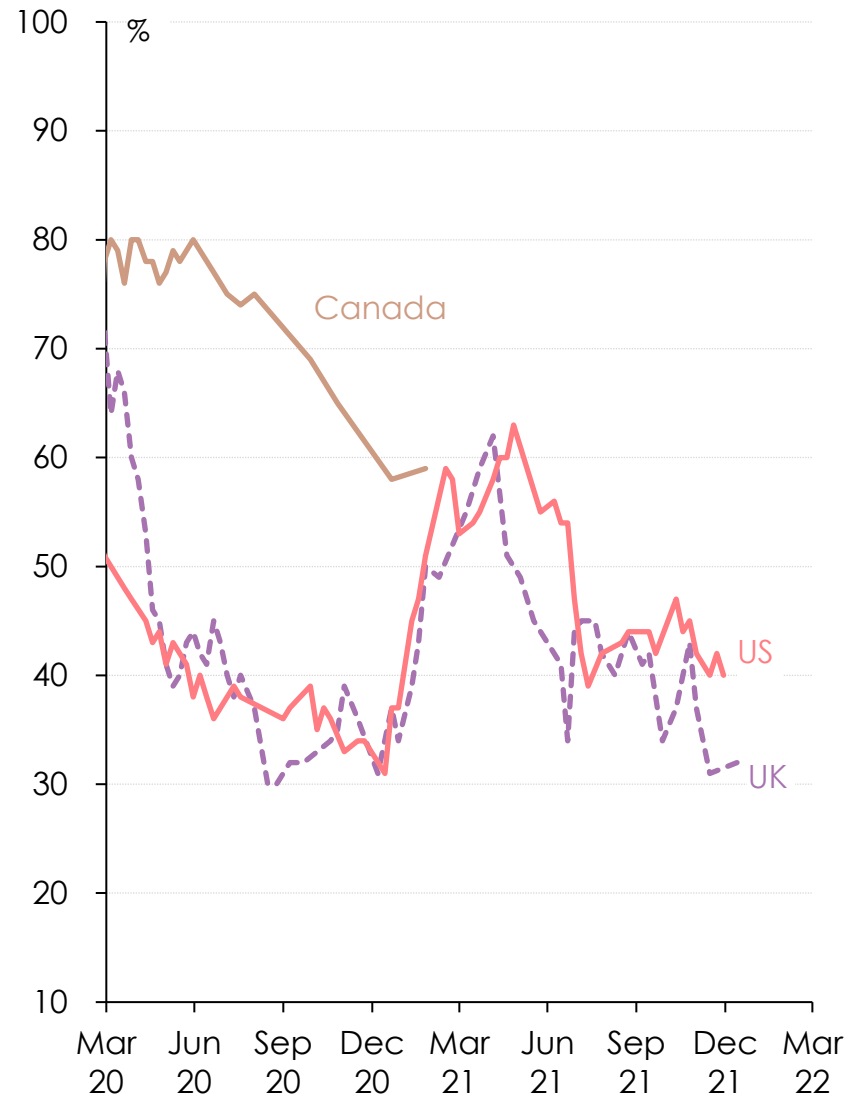


Note: Income categories are as defined by the [World Bank](#): high-income countries are (in 2021) those with a per capita gross national income (GNI) of over US\$12,535; upper-middle income countries are those with per capita GNI between US\$4,046 and \$12,535; lower middle-income countries are those 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, the UK, and most of Europe (except Germany)

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

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



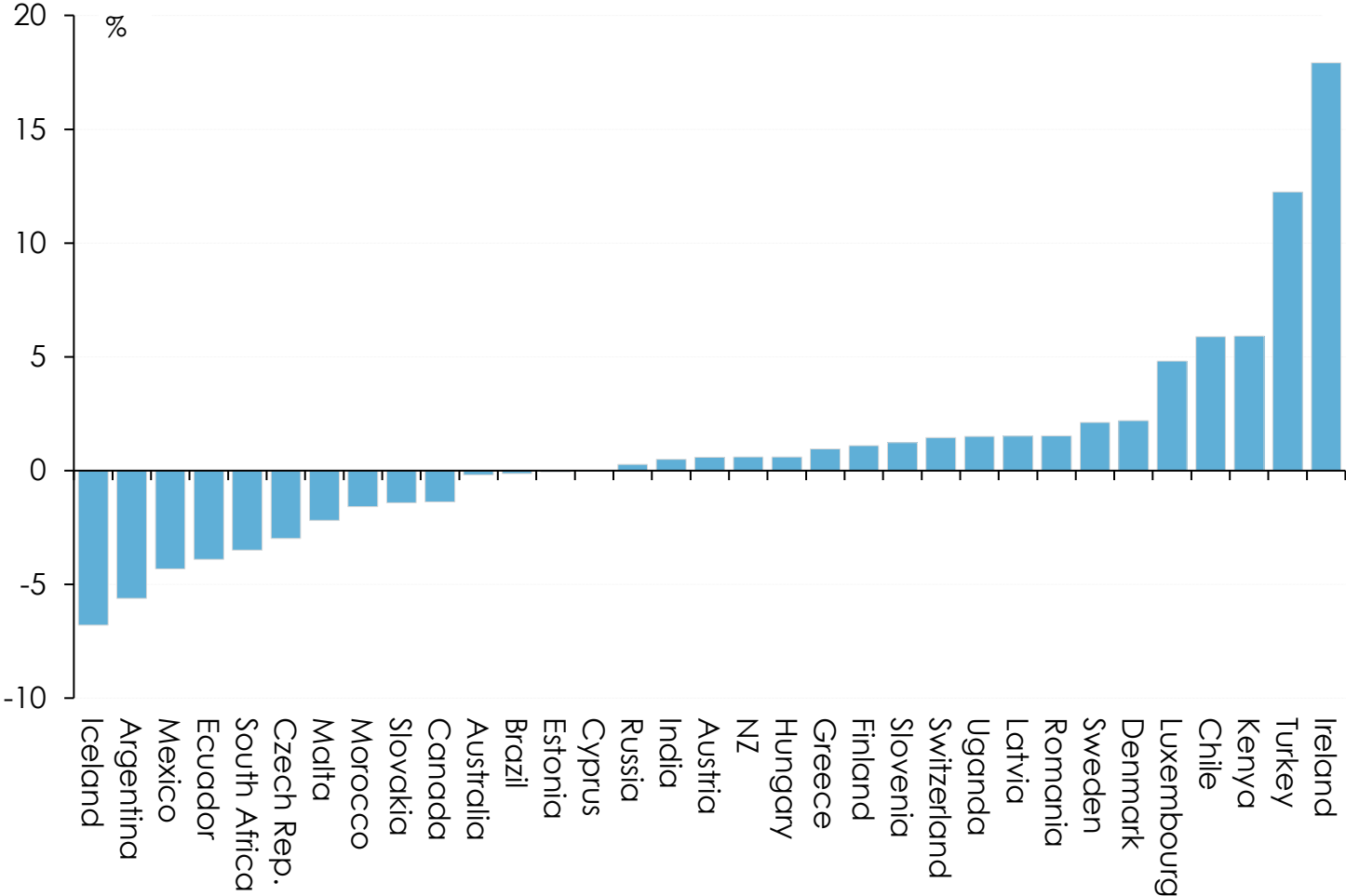
Note: The only new polls published in the past three weeks have been in France, Germany, Italy and Spain. No polls have been published for Canada since February last year, nor for the US or Asian countries since late December. Source: YouGov, [Covid-19 tracker: government handling](#). [Return to "What's New"](#).

The world

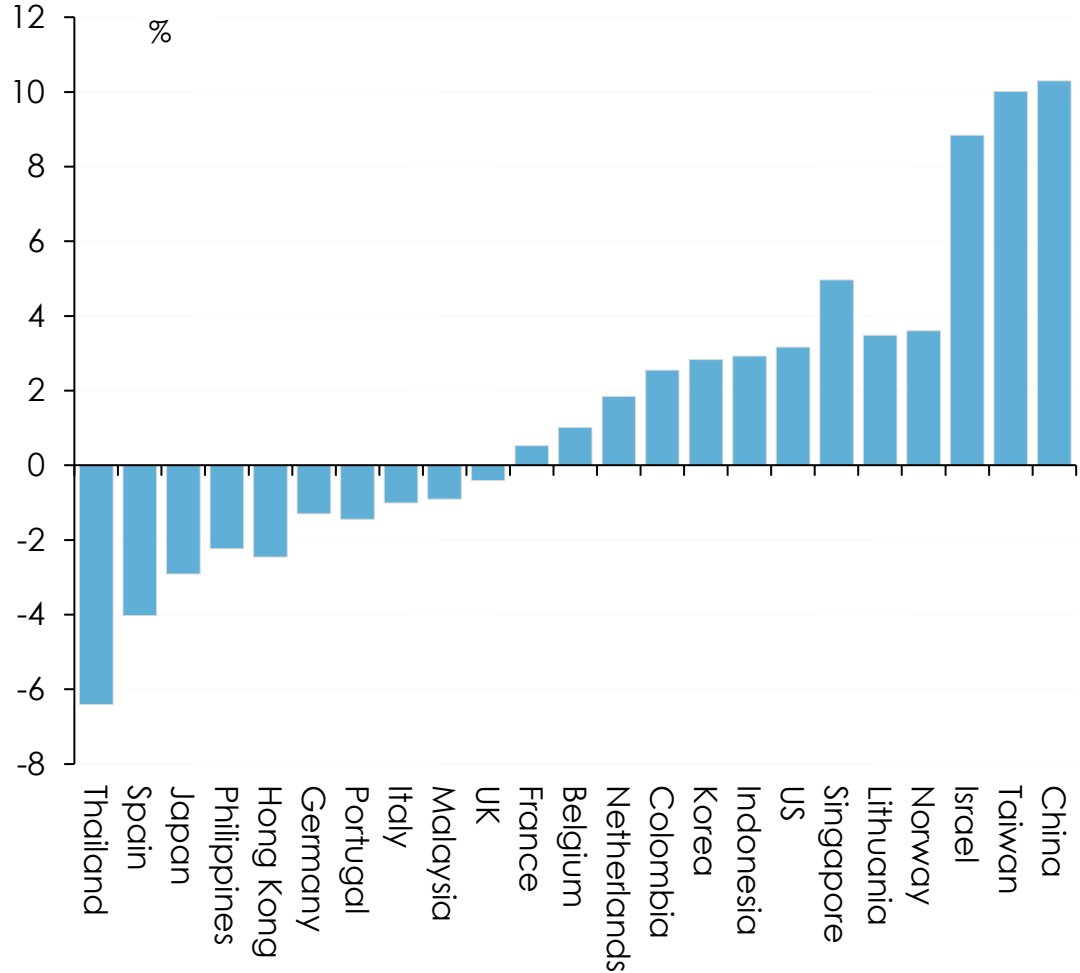
33 countries (out of 56 for which seasonally-adjusted Q3 or Q4 GDP estimates are available) have now surpassed their pre-pandemic peaks

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

Real GDP compared with pre-recession peak Q3 2021



Q4 2021

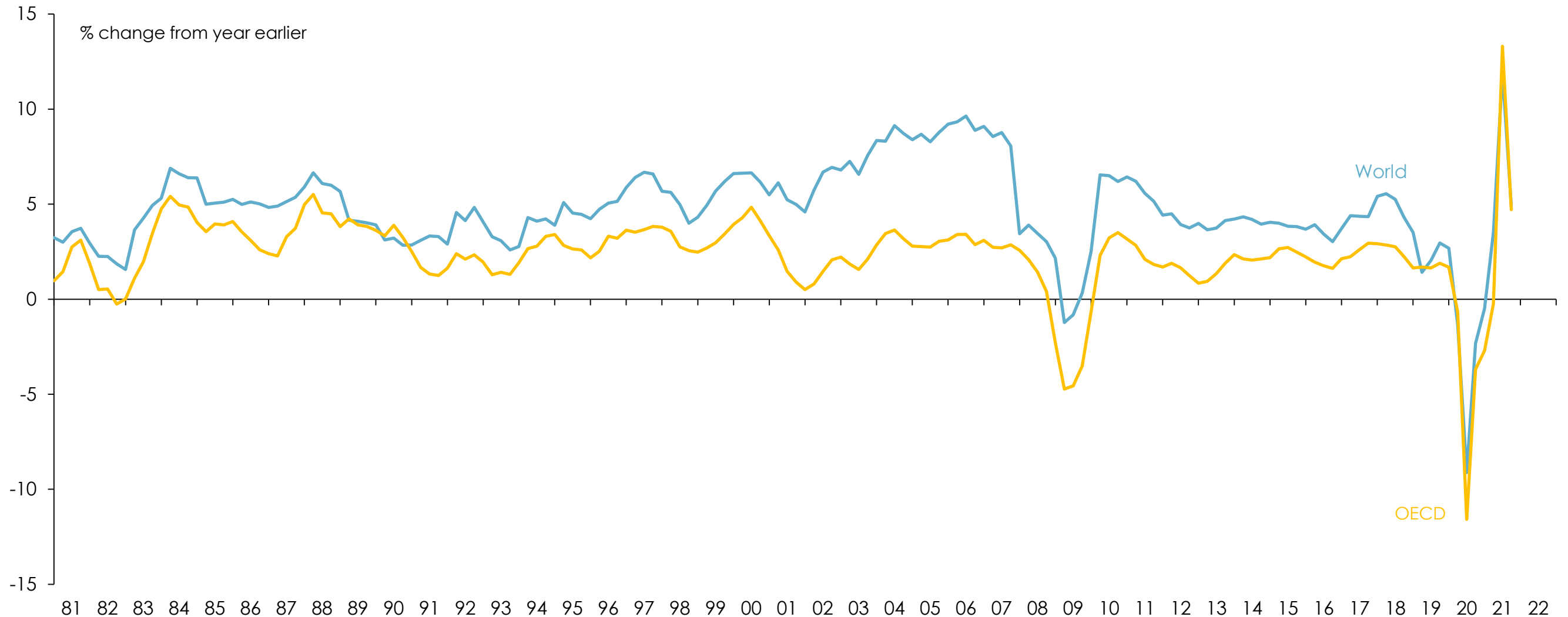


Note: estimate for China is derived from quarterly growth rates published by China NBS; estimates for India and Indonesia are seasonally adjusted by the OECD.
Sources: National statistical agencies and central banks. [Return to "What's New"](#).

The world economy grew by about 4³/₄% over the year to Q3 – down from 11¹/₄% over the year to Q2 which was flattered by comparison with Q2 2020

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

World and OECD area real GDP growth

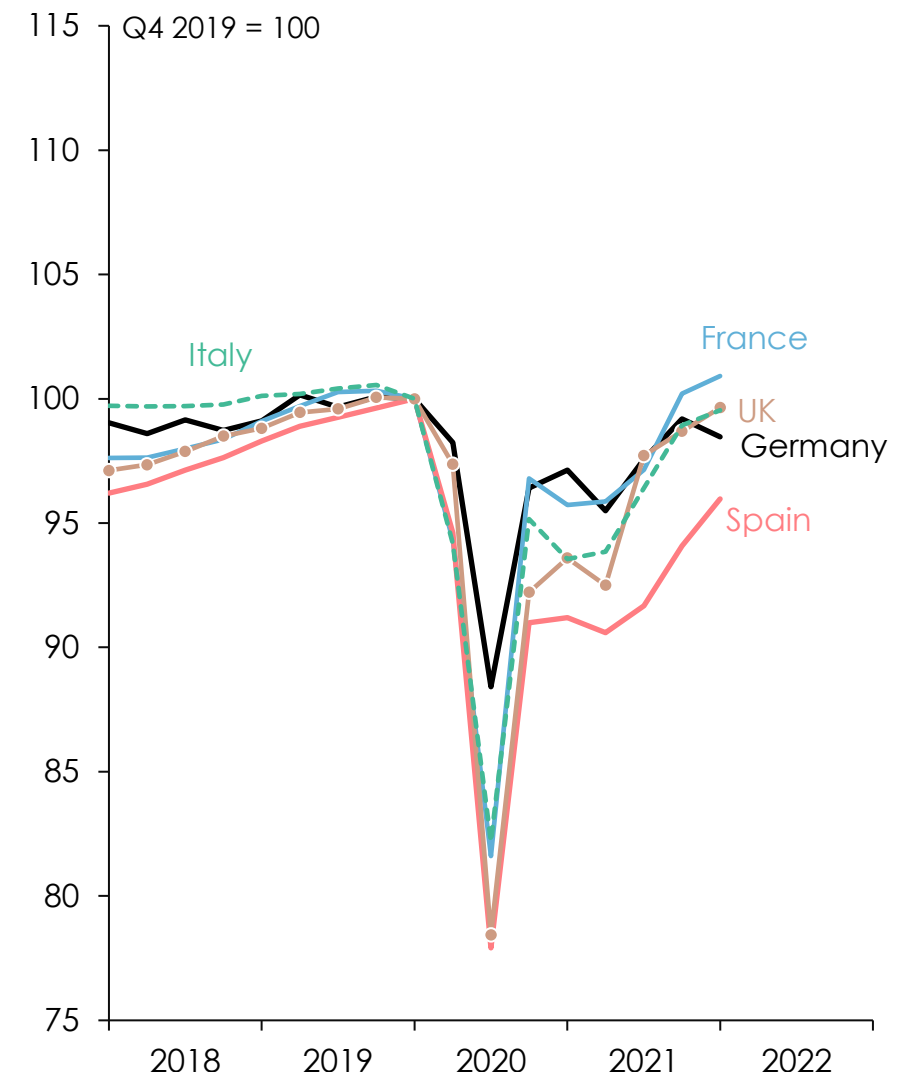
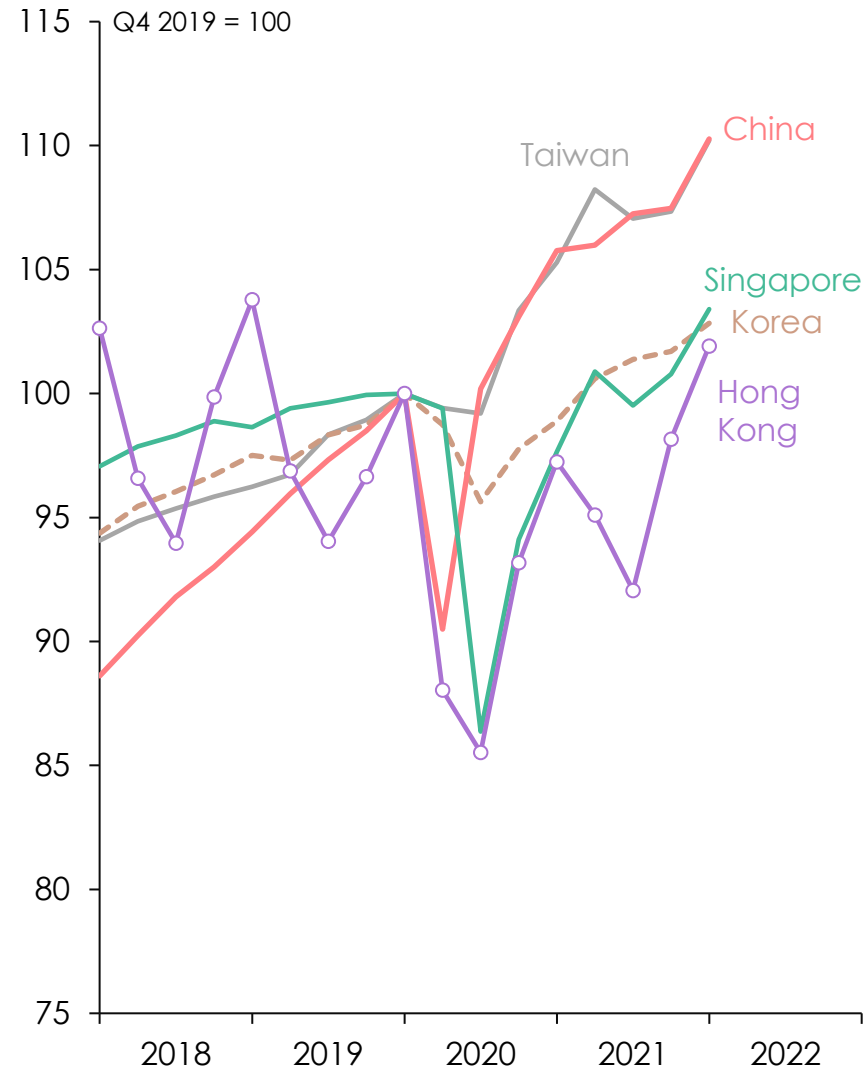
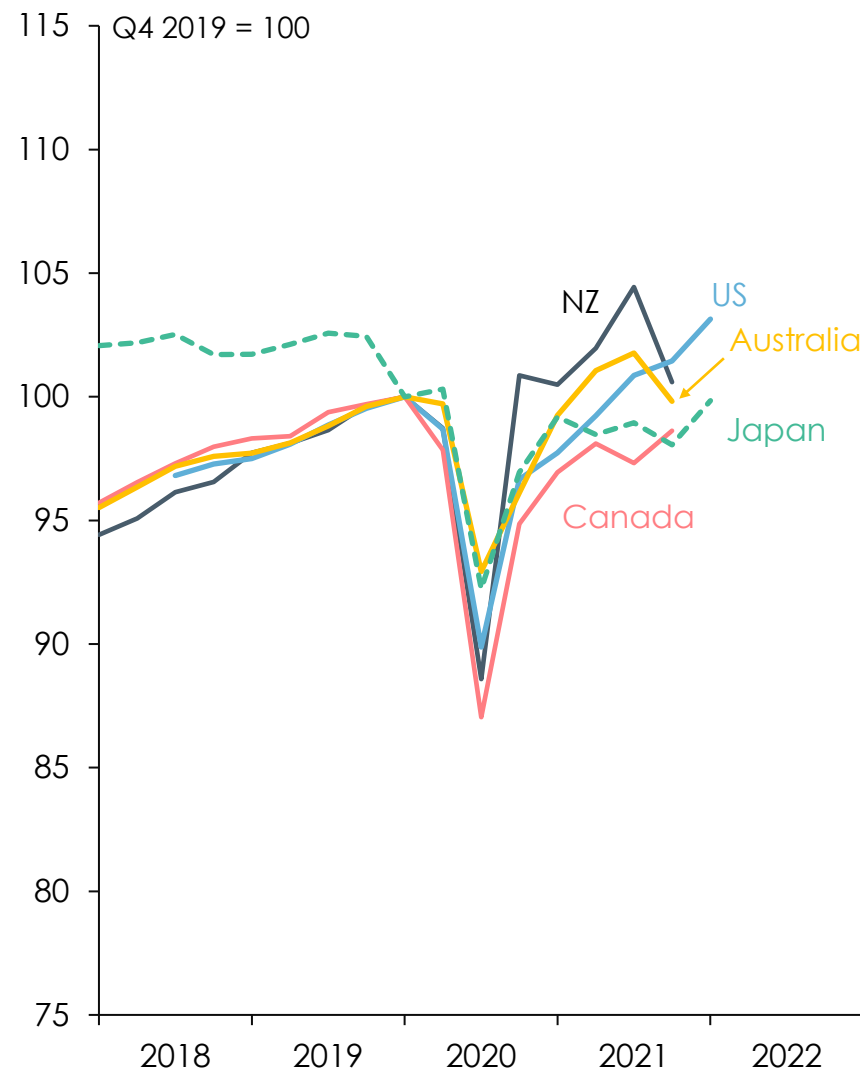


Note: Estimates of global GDP growth compiled by Corinna using data for 100 countries accounting for 94% of 2019 world GDP as measured by the IMF, weighted in accordance with each country's share of global GDP at purchasing power parities in 2019; excludes constituents of the former USSR before 1993, 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 2020-21 recessions than Europe's

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

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 IMF last month lowered its 2022 world growth forecast to 4.4% (from 4.9%) and raised its global inflation forecasts for 2022 and 2023

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

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	5.6	4.0	2.6	5.6	3.7	2.4	5.6	3.8	2.3	5.5	4.3	2.3
China	7.7	2.3	8.1	4.8	5.2	8.1	5.1	5.1	8.0	5.1	5.3	8.0	5.0	5.3
Euro area	1.3	-6.6	5.2	3.9	2.5	5.2	4.3	2.5	4.2	3.7	2.6	5.0	4.3	2.0
India	7.0	-8.0	9.0	9.0	7.1	9.4	8.1	5.5	8.3	8.7	6.8	8.5	8.5	6.5
Japan	1.2	-4.8	1.6	3.3	1.8	1.8	3.4	1.1	1.7	2.9	1.2	2.0	3.3	1.0
UK	1.8	-9.9	7.2	4.7	2.3	6.9	4.7	2.1	na	na	na	na	na	na
Australia	2.6	-2.4	4.2	4.1	2.5	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	4.4	3.8	5.6	4.5	3.2	5.5	4.1	3.2	5.8	4.5	3.5
World trade	3.7	-8.5	9.3	6.0	4.9	9.3	4.9	4.5	9.5	5.8	4.7	na	na	na
World inflation	3.5	3.2	4.4	4.9	3.4	3.5	4.2	3.0	na	na	na	na	na	na

Note: All actuals and forecasts are \$ per annum. [^] 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 Update](#), 25th January 2022; 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 downgrades to the IMF's growth forecasts stem largely from downward revisions to the outlooks for the US and China

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

IMF real GDP growth forecasts

	January forecast (%)		Revision from October (pc pts)	
	2022	2023	2022	2023
<i>Advanced economies</i>				
US	4.0	2.6	-1.2	+0.4
Euro zone	3.9	2.5	-0.4	+0.5
Japan	3.3	1.8	+0.1	+0.4
UK	4.7	2.3	-0.3	+0.4
Canada	4.1	2.8	-0.8	+0.2
Australia	4.1	2.5	0.0	-0.1
<i>Emerging economies</i>				
China	4.8	5.2	-0.8	-0.1
India	9.0	7.1	+0.5	+0.5
Brazil	0.3	1.6	-1.2	-0.4
Russia	2.8	2.1	-0.1	+0.1
South Africa	1.9	1.4	-0.3	0.0
<i>World</i>	4.4	3.8	-0.5	+0.2

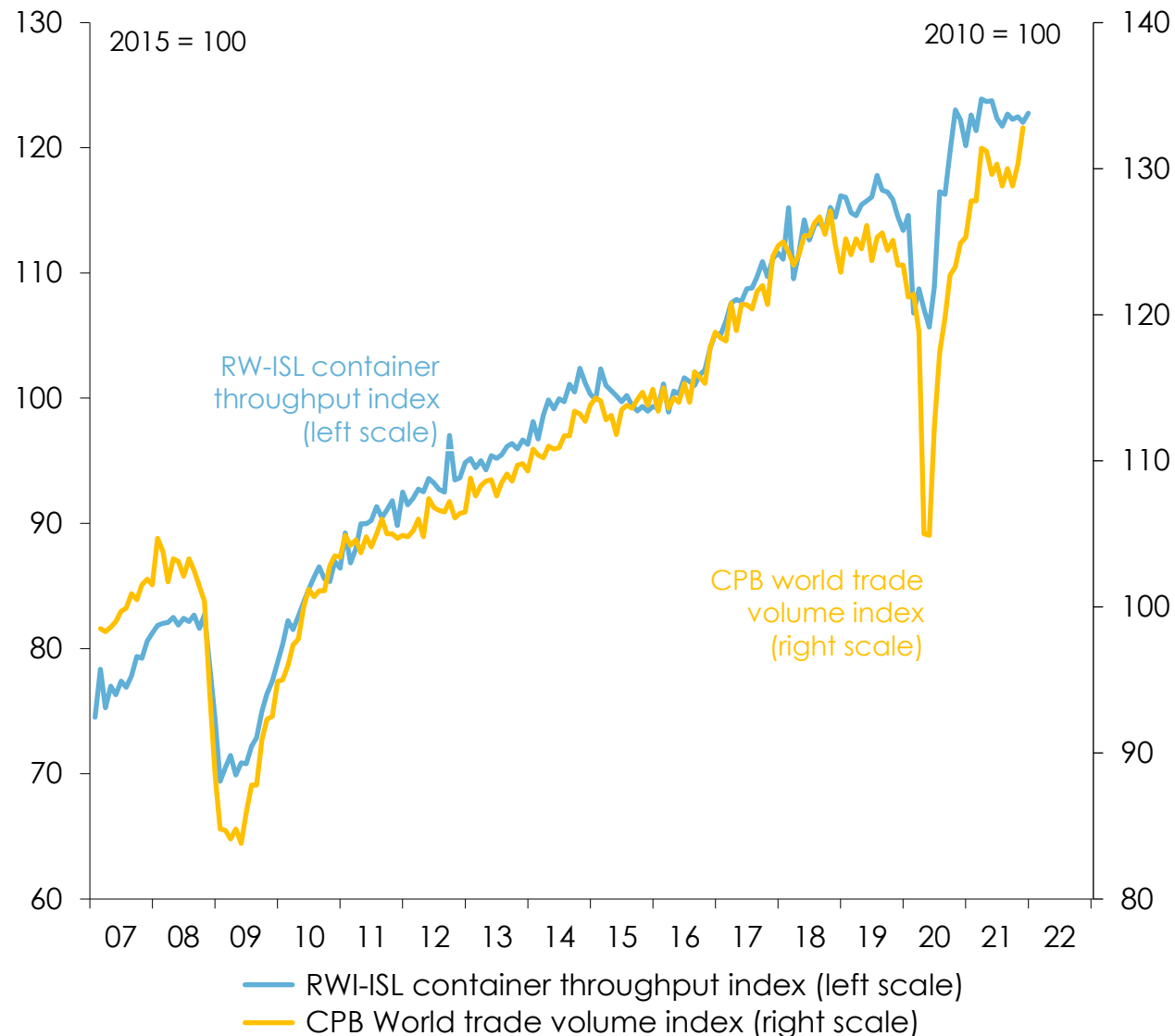
- ❑ The IMF's latest [World Economic Update](#), published in the last week of January, lowered its forecast for global GDP growth in 2022 by 0.5 pc pt to 4.4%, with a 'mechanical' 0.2 pc pt upgrade to the 2023 forecast
 - the IMF sees the risks to global growth as still “tilted to the downside”, in particular the “emergence of new Covid-19 variants” that could “prolong the pandemic and induce renewed economic disruptions”, and “risks to financial stability and emerging & developing economies” as interest rates rise in ‘advanced’ economies
- ❑ The biggest single contributor to the downward revision to global growth in 2023 is a 1.2 pc pt downward revision to the forecast for the US
 - which results from removing the Biden Administration’s “Build Back Better” fiscal package from the ‘baseline’, an earlier start to increases in US interest rates, and “continued supply chain disruptions”
 - supply constraints and Covid disruptions were also the major reason for downward revisions to the forecasts for the euro area and the UK
- ❑ The IMF's forecast for China's growth in 2022 was also cut by 0.8 pc pt
 - reflecting “disruptions related to the zero-tolerance Covid-19 policy” and “protracted financial stress among property developers”, with additional “negative implications for [China's] trading partners' prospects”
- ❑ The IMF also revised up its forecasts for inflation in ‘advanced’ economies in 2022 by 1.6 pc pt, to 3.9%, and in ‘emerging & developing’ economies by 1.0 pc pt, to 5.9%
 - it calculates that supply disruptions added 1 pc pt to global inflation in 2021 (as well as shaving 0.5-1 pc pt off global growth)
 - but expects that higher inflation will “fade away” as supply disruptions ease, monetary policy tightens, and demand “rebalances away” from goods-intensive consumption towards services”

Source: International Monetary Fund (IMF), [World Economic Outlook Update](#), 25th January 2022. [Return to "What's New"](#).

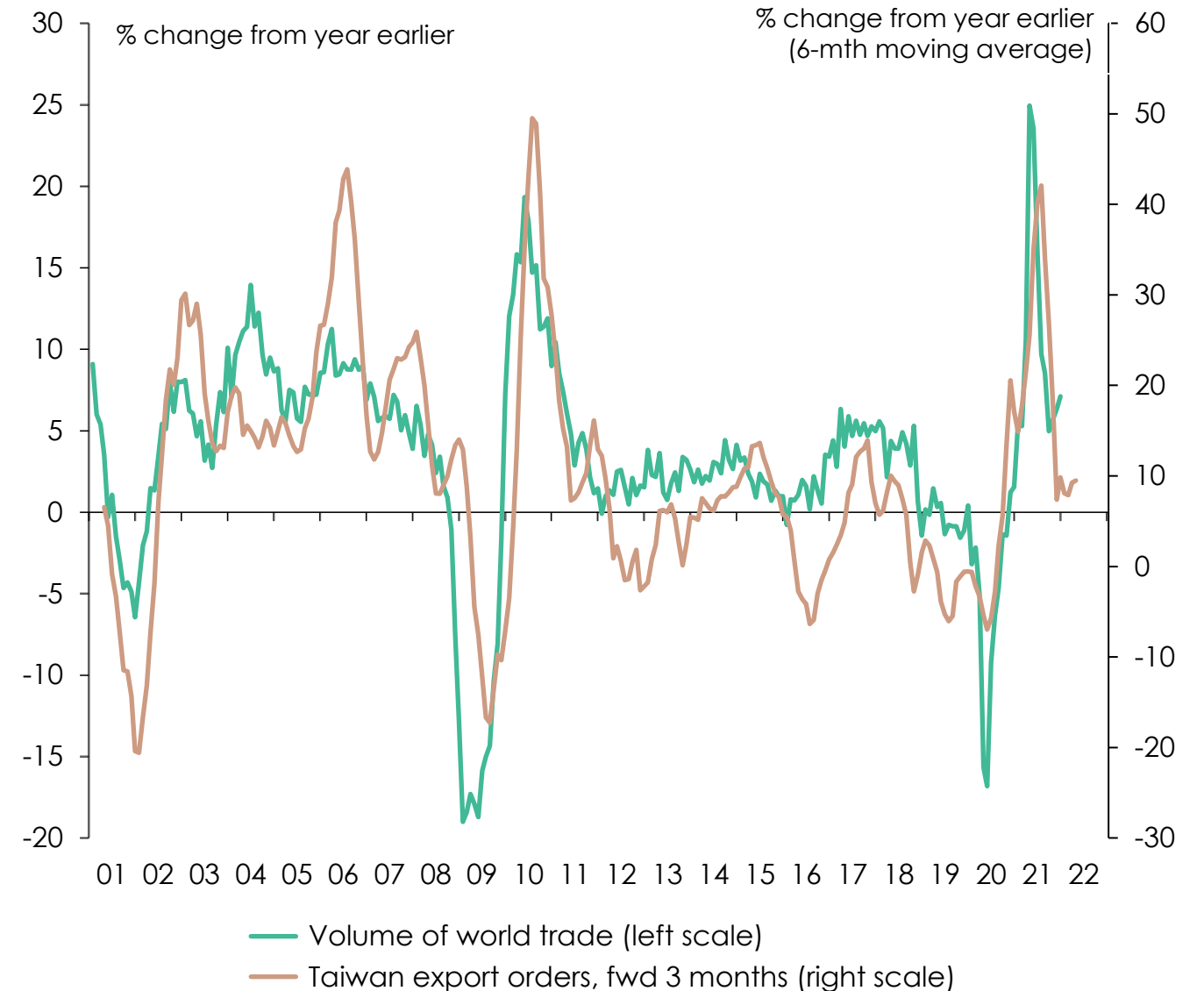
World trade volumes rose strongly over the last three months of last year, led by US & euro area imports and US, Japan, and ex-China Asia exports

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

World trade volumes and container throughput



Taiwan export orders and world trade volumes



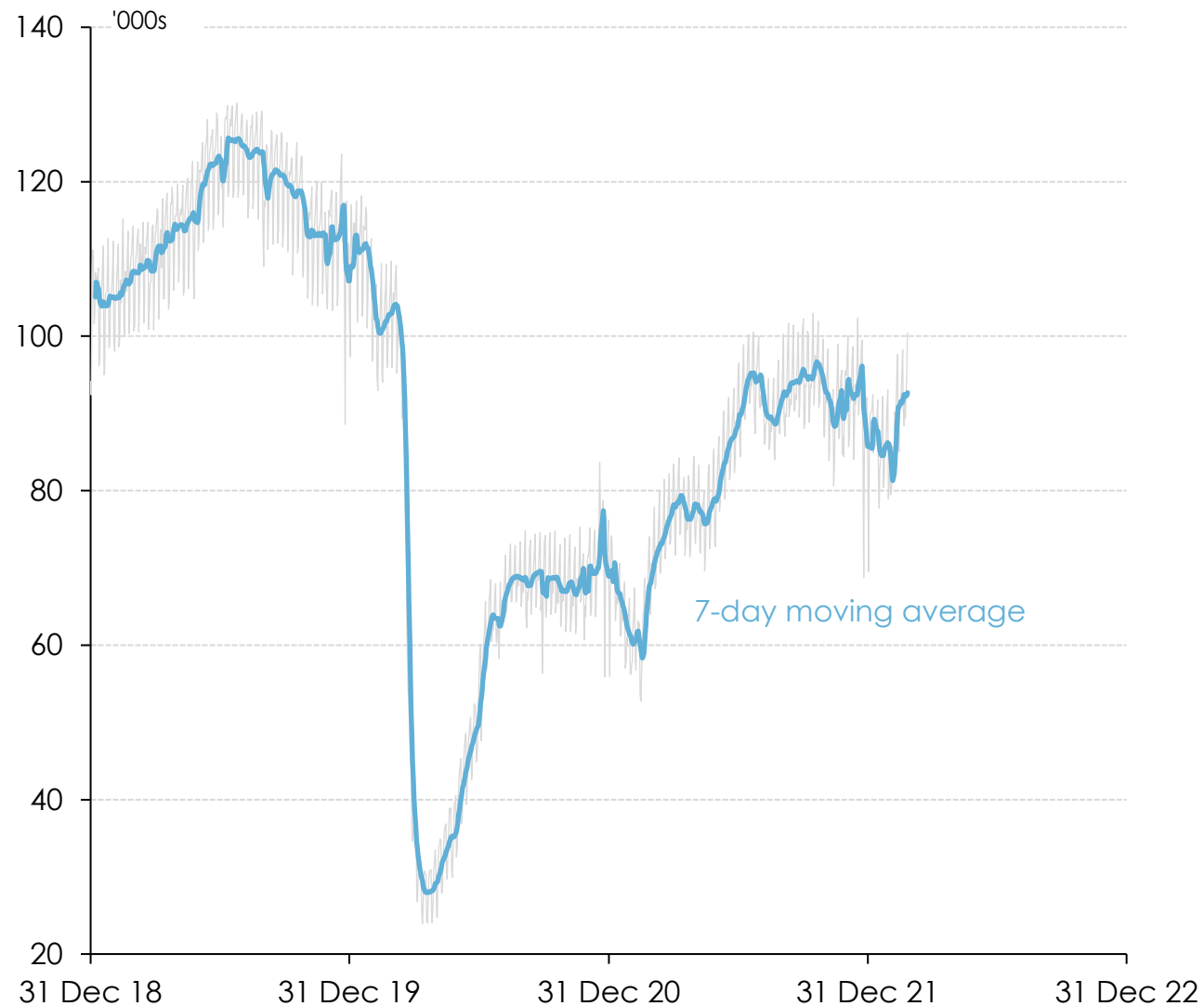
Note: The shipping container throughput index is based on reports from 91 ports around the world handling over 60% of global container shipping.

Sources: CPB Netherlands Economic Planning Bureau, [World Trade Monitor](#), December 2021 (January data to be released on 25th March); 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"](#).

Aviation traffic appears to have picked up over the past two weeks as the 'omicron wave' has started to recede

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

Daily commercial flights worldwide



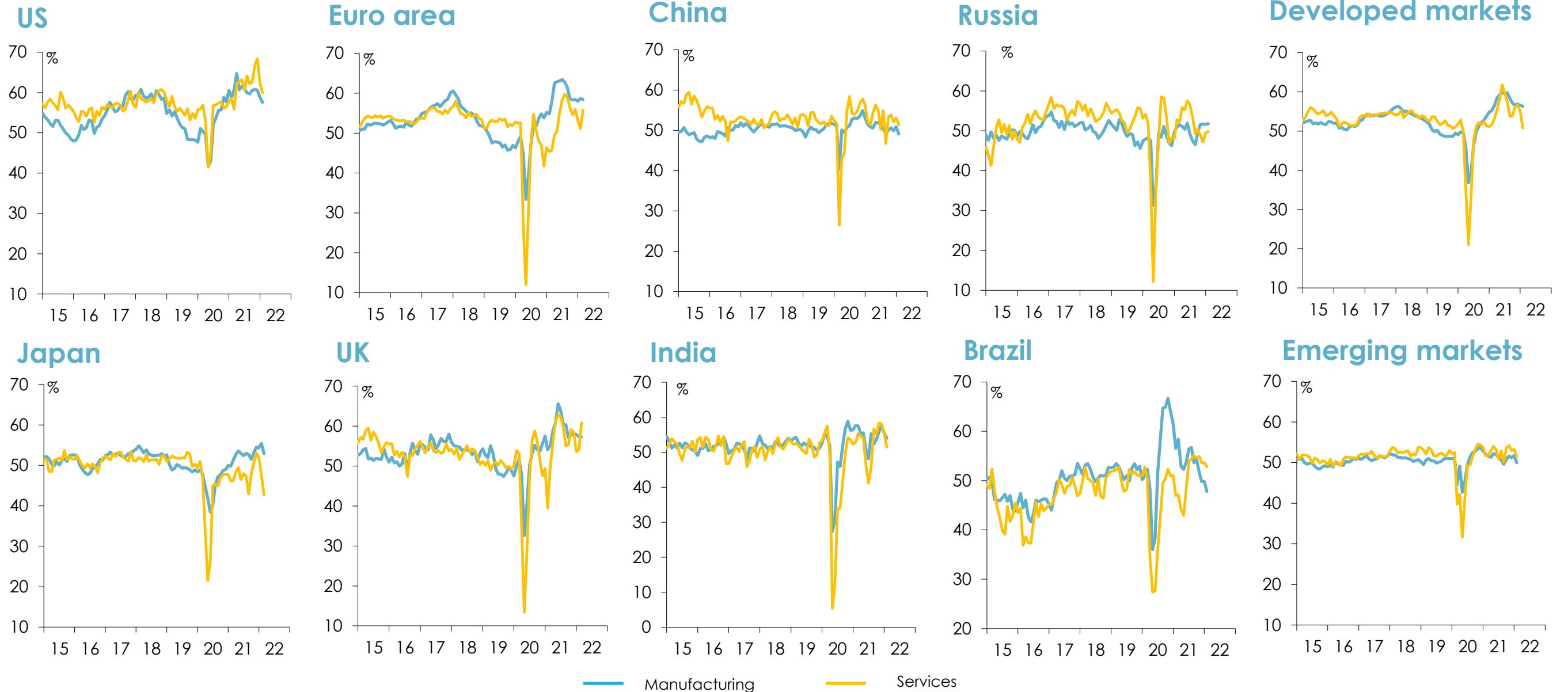
Daily US TSA 'security' checks



Note: Commercial flights include commercial passenger flights, cargo flights, charter flights, and some business jet flights. Data are up to 25th February for commercial flights and TSA checks. Thicker coloured lines are 7-day centred moving averages of daily data plotted in thin grey lines. Sources: [Flightradar24.com](https://www.flightradar24.com/); [US Transport Safety Administration](https://www.transportation.gov/air-traffic) (at last, something useful – other than job creation - produced by aviation 'security'!!!). [Return to "What's New"](#).

'Flash' PMIs show a marked slowing in services activity in Japan but a pick-up in the euro area and the UK

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

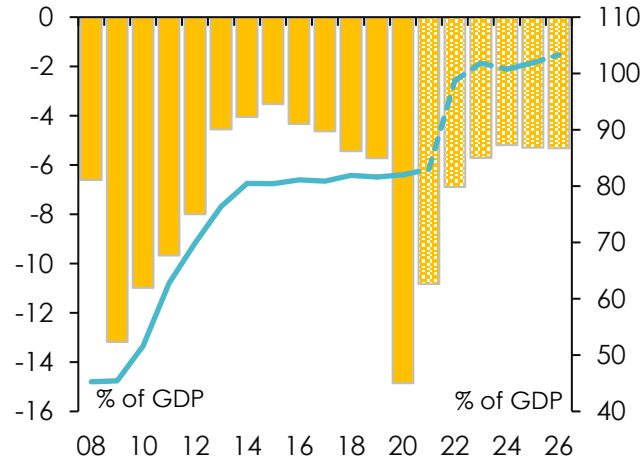


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. Latest data for Japan, the euro area and the UK are 'flash' February figures; all others are for January. 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 96](#). Sources: [US Institute for Supply Management](#); [IHS Markit](#); JP Morgan; [Caixin](#); Refinitiv Datastream. [Return to "What's New"](#).

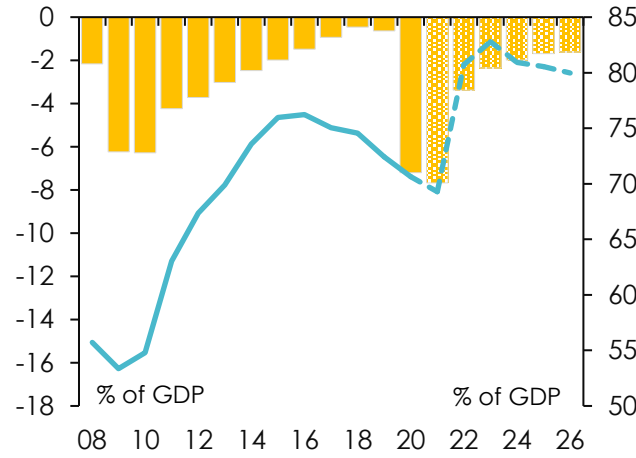
Fiscal policy in almost all major economies is set to tighten significantly in 2022

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

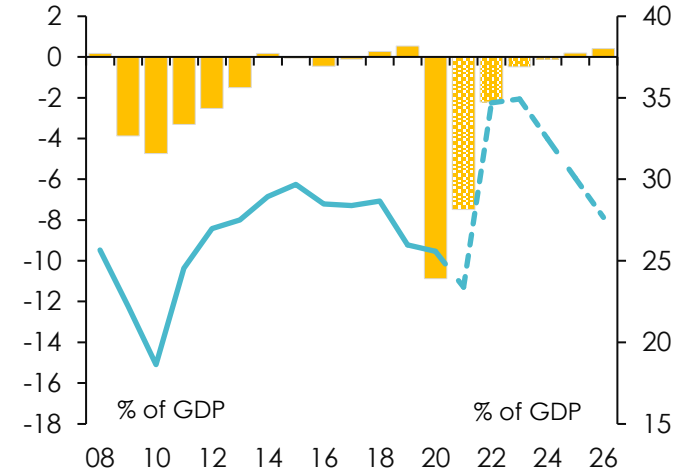
United States



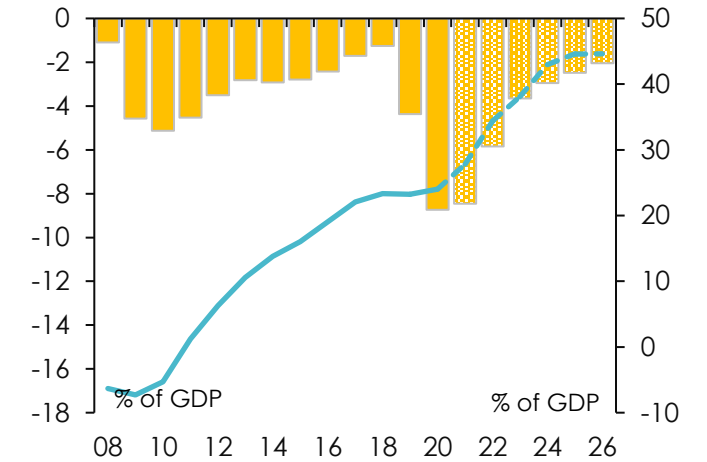
Euro area



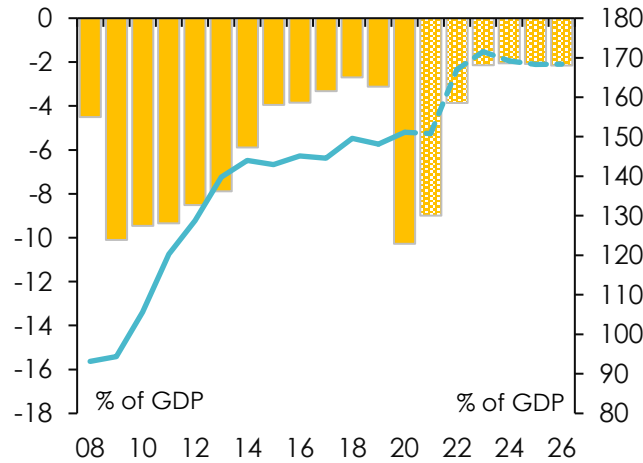
Canada



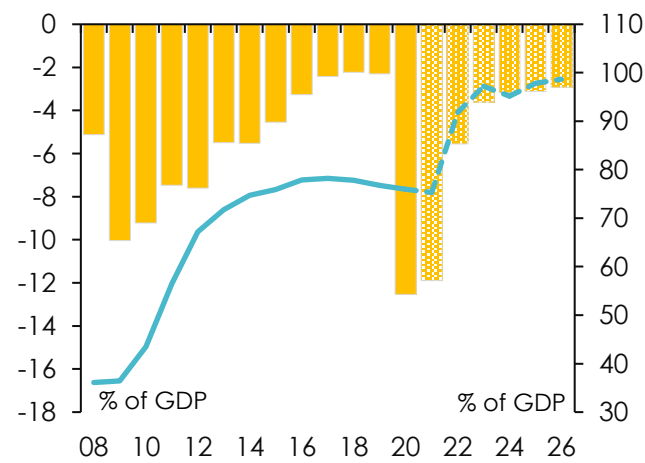
Australia



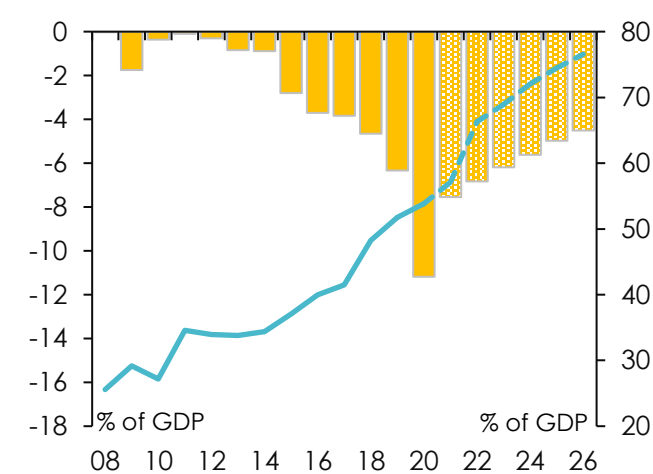
Japan



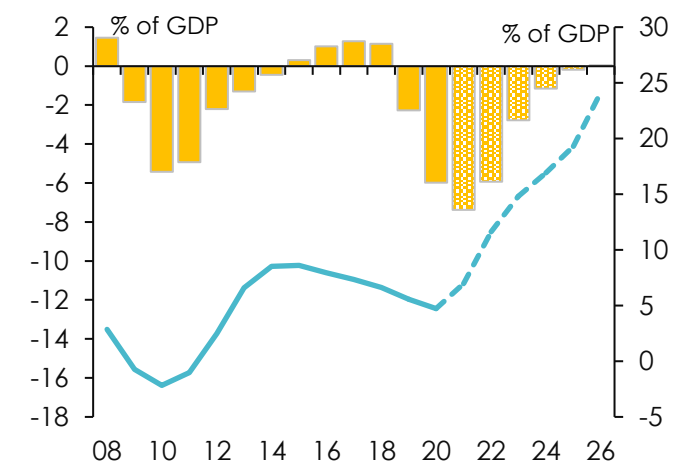
United Kingdom



China



New Zealand



General government overall fiscal balance (left scale)



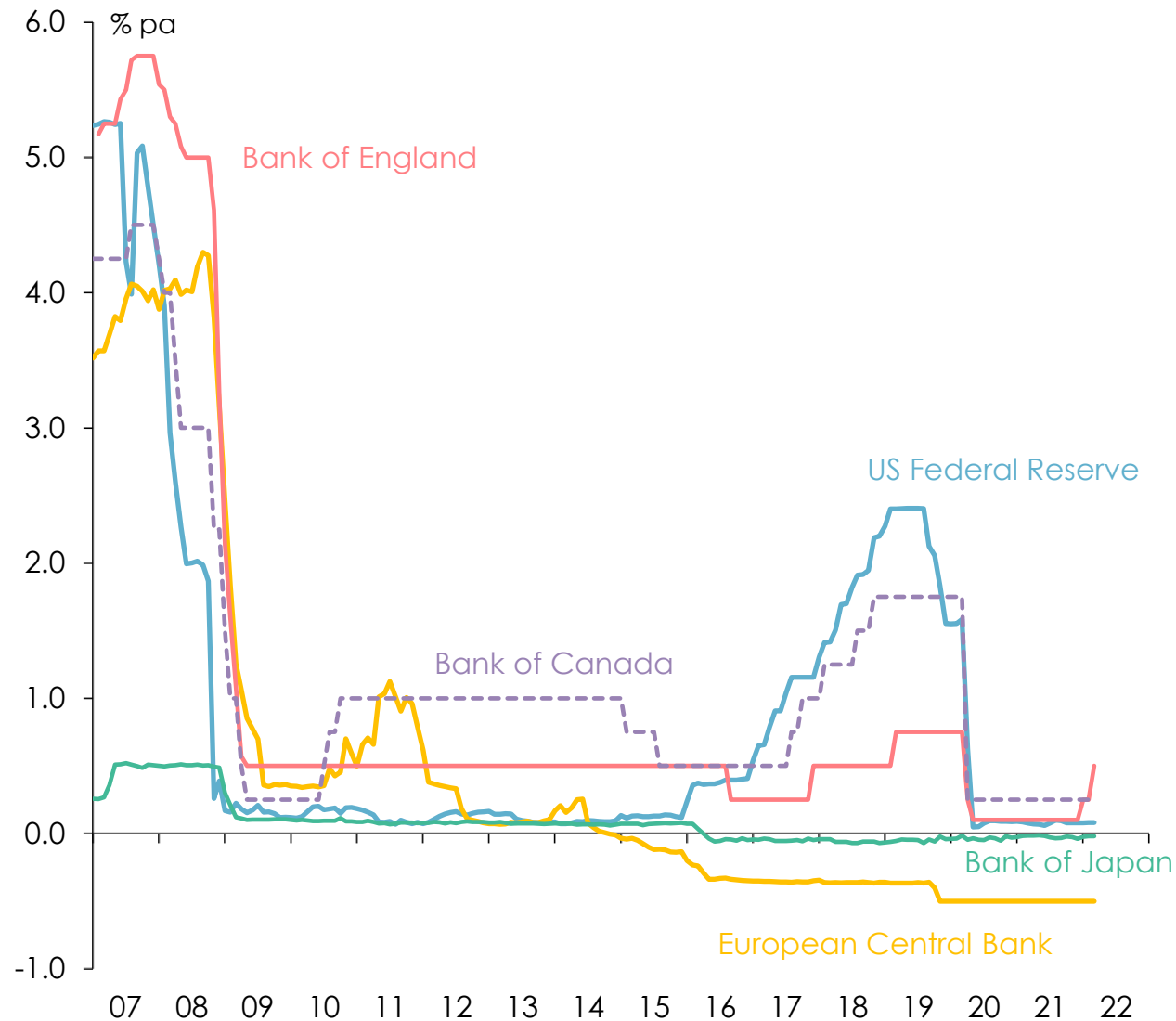
General government net debt (right scale)

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"](#)

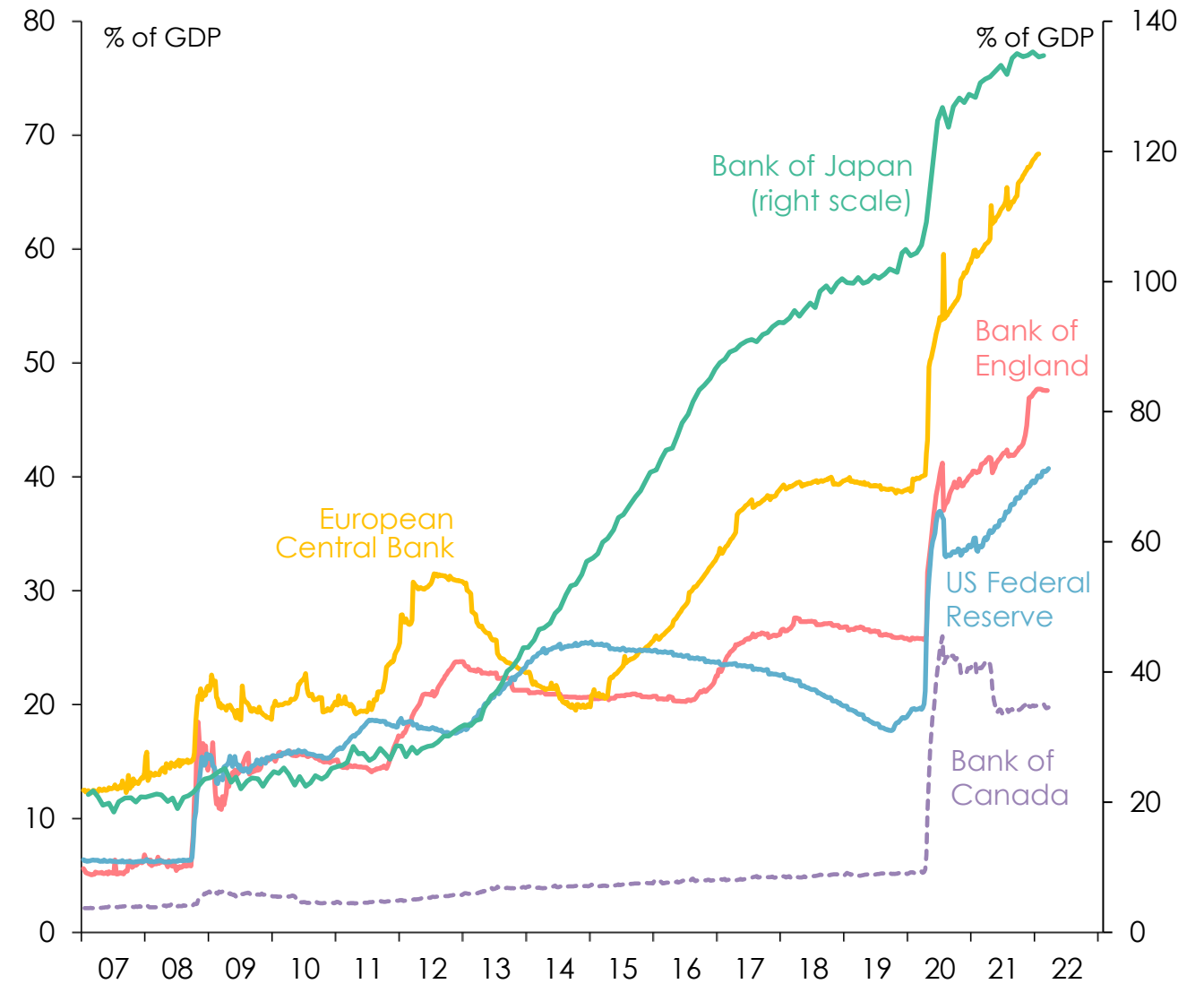
The Bank of England raised its policy rate a second time this month – and the Fed and the Bank of Canada are likely to follow in the next few months

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

Major central bank policy interest rates



Major central bank balance sheets

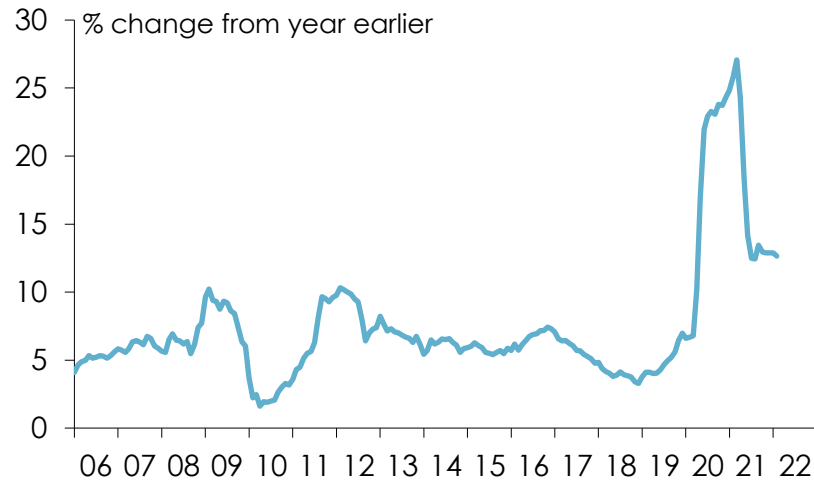


Sources: [US Federal Reserve](#); [European Central Bank](#); [Bank of Japan](#); [Bank of England](#); [Bank of Canada](#); national statistical agencies; Corinna. [Return to "What's New"](#).

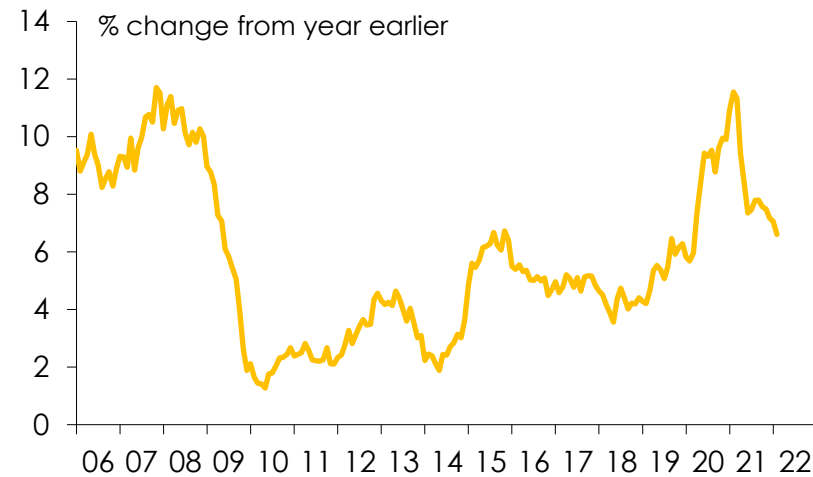
Money supply growth has slowed sharply from the peaks recorded in the first half of 2021 as large monthly increases in 2020 'wash out'

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

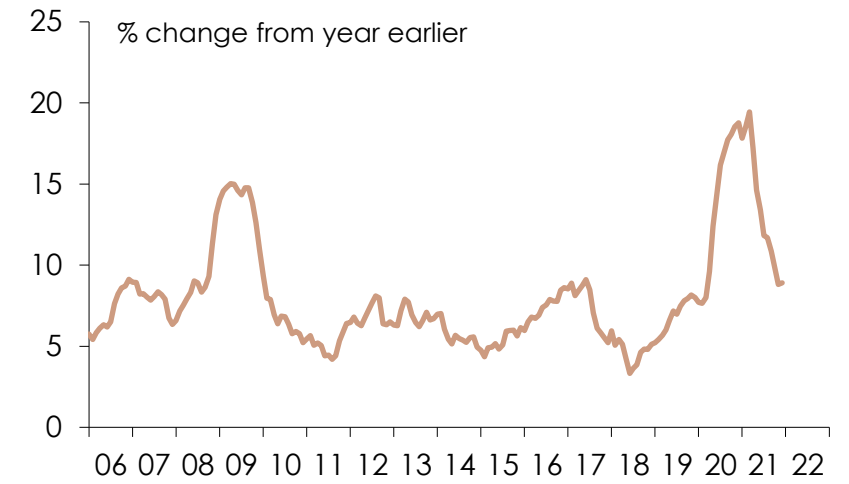
US M2



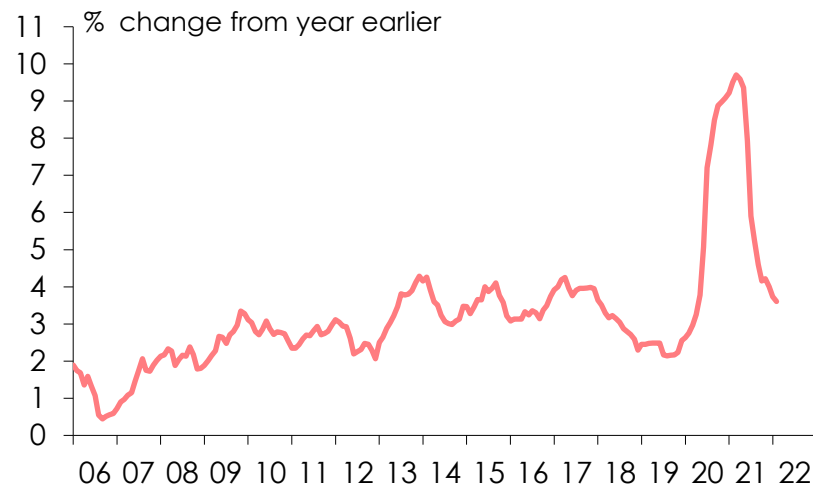
Euro area M2



Canada M2



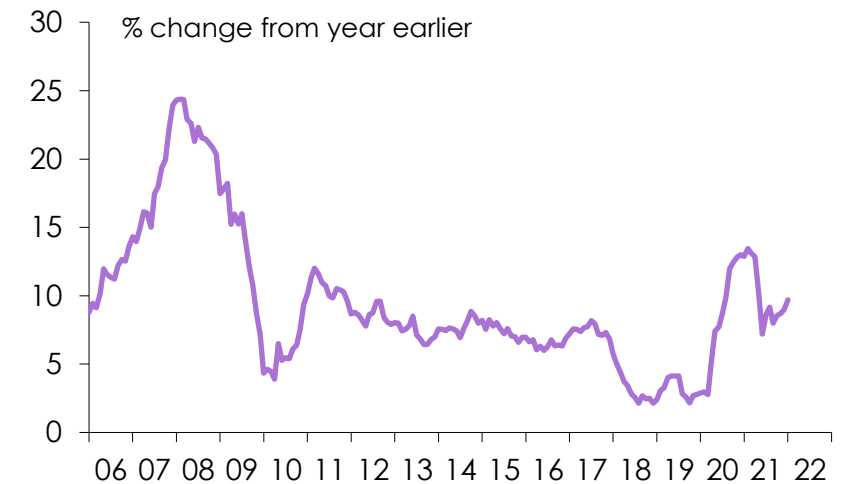
Japan M2 + CDs



UK M2



Australia M3

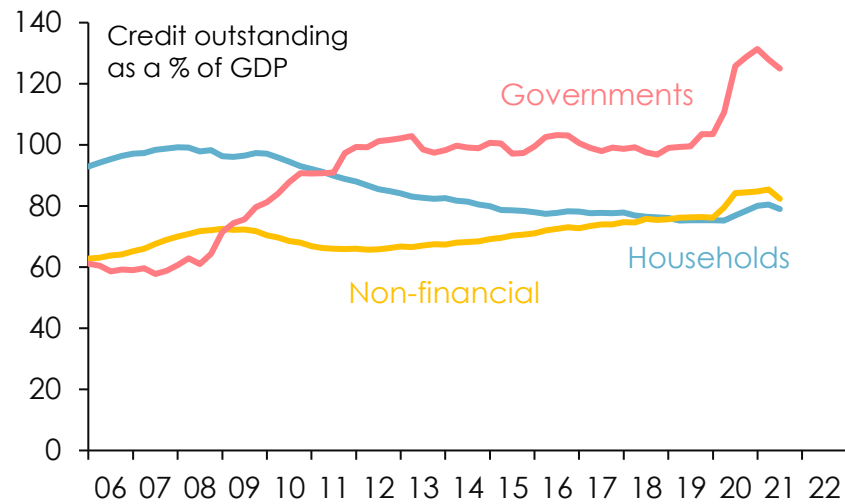


Sources: US Federal Reserve; European Central Bank; Bank of Japan; Bank of England; Bank of Canada; RBA. [Return to "What's New"](#).

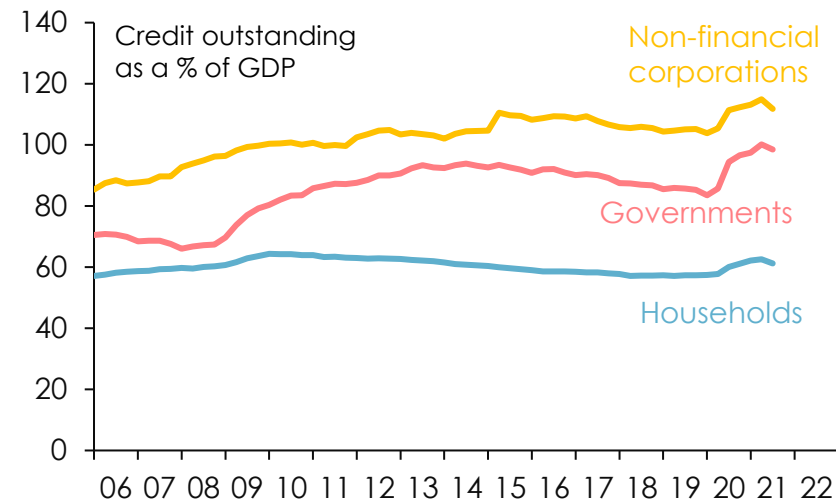
Japanese, US and UK governments, Canadian corporations and Australian households appear most exposed to increases in interest rates

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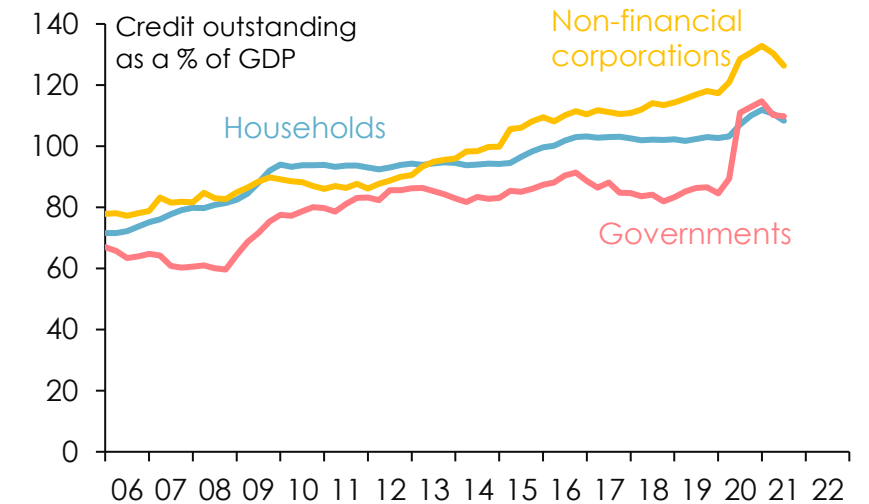
US



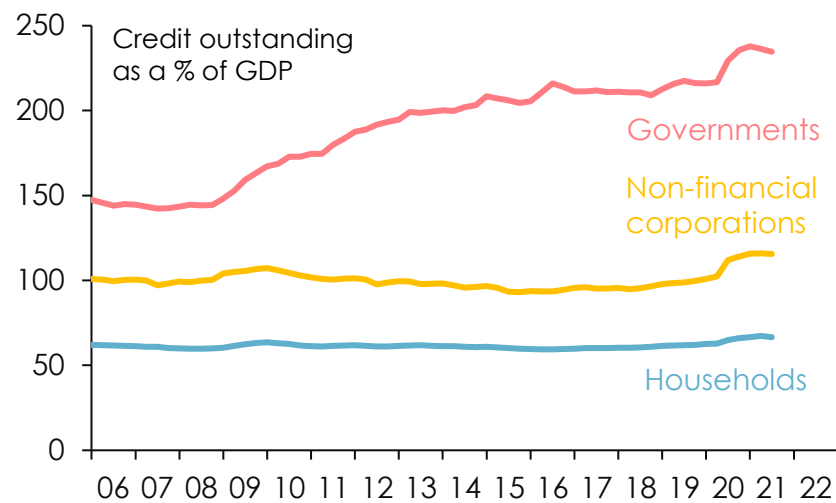
Euro area



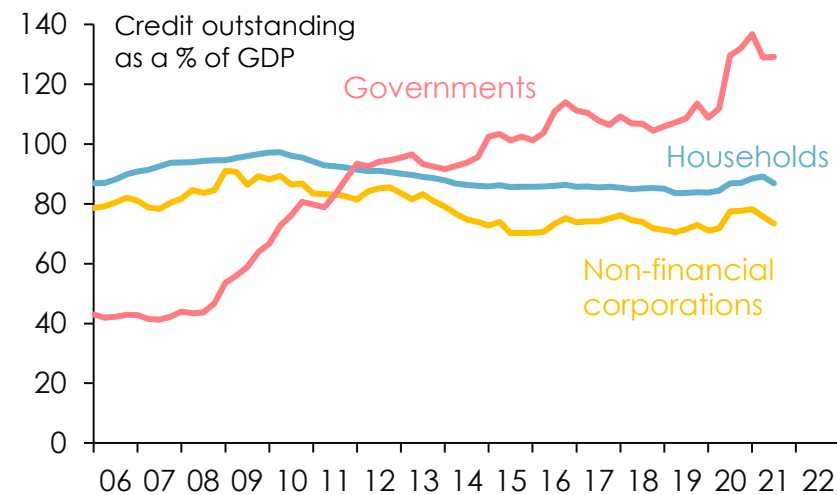
Canada



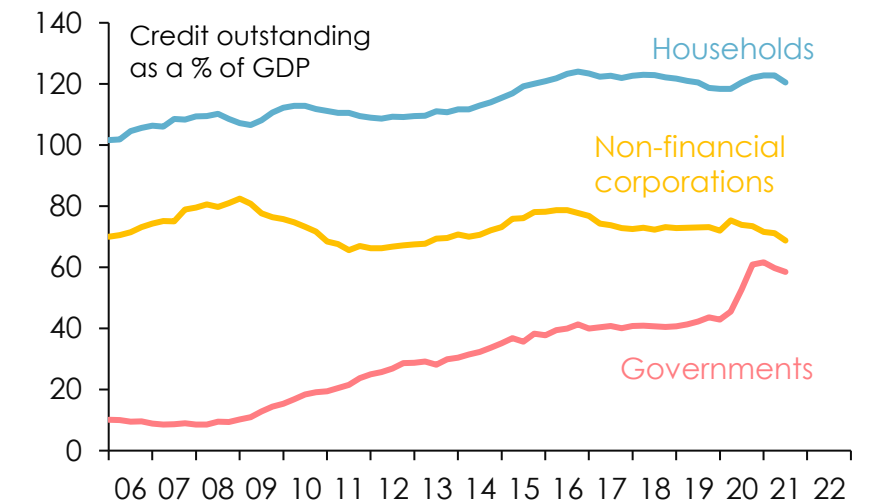
Japan



UK



Australia

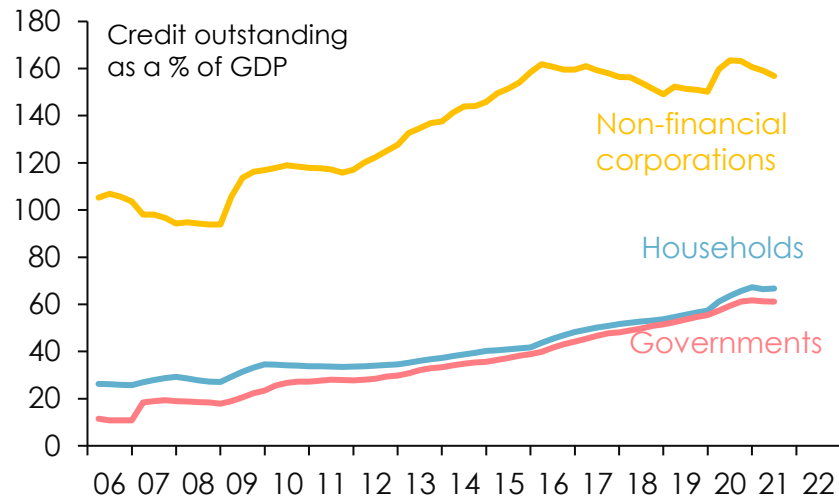


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q2 2021, Q3 data will be released on 28th January. [Return to "What's New"](#).

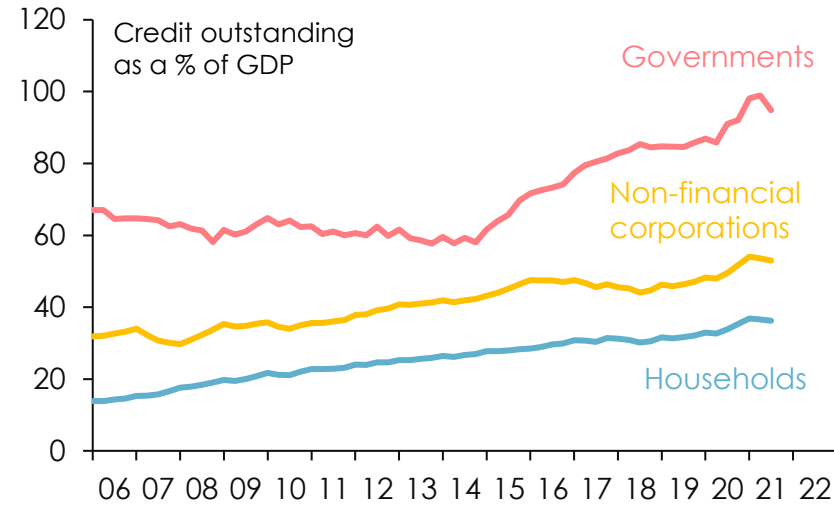
In major 'developing' economies it's usually governments that are most exposed to rising interest rates – except for China, Russia and Turkey

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

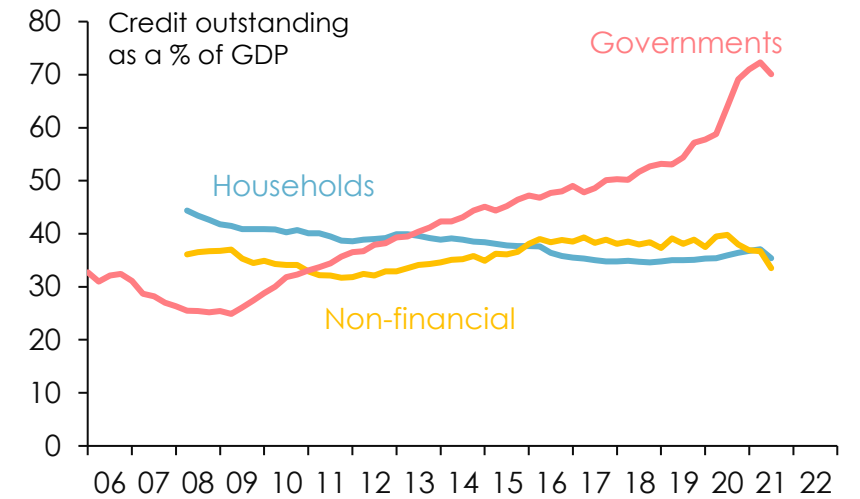
China



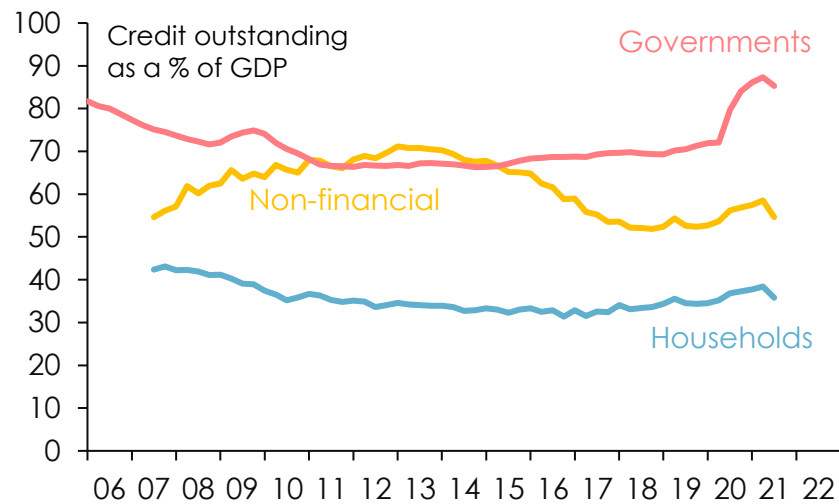
Brazil



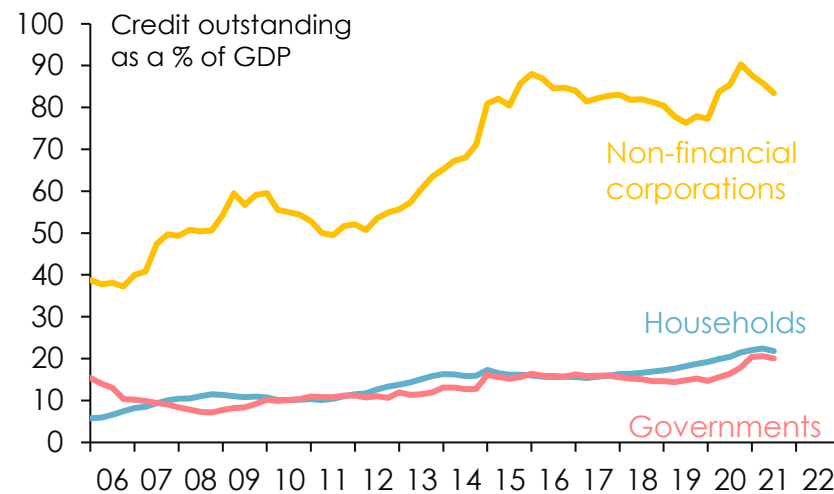
South Africa



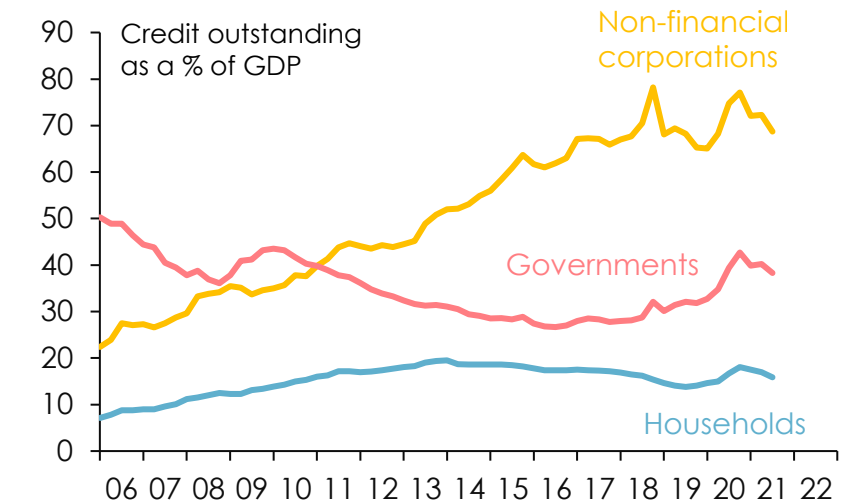
India



Russia



Turkey

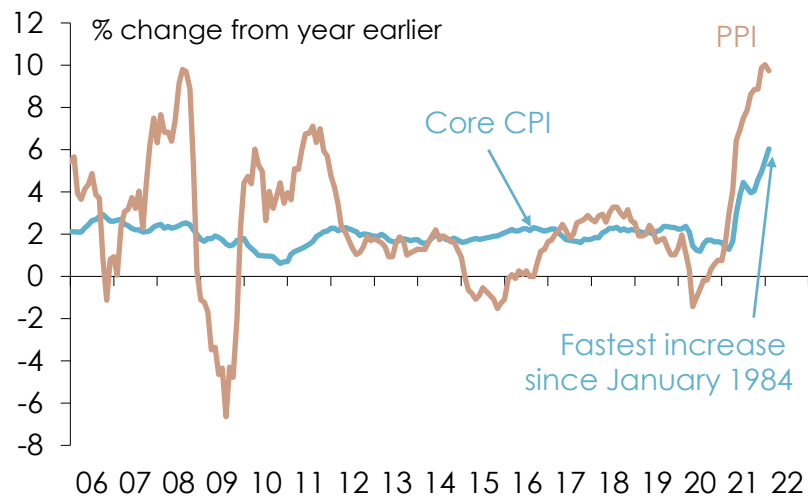


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q2 2021, Q3 data will be released on 28th January. [Return to "What's New"](#).

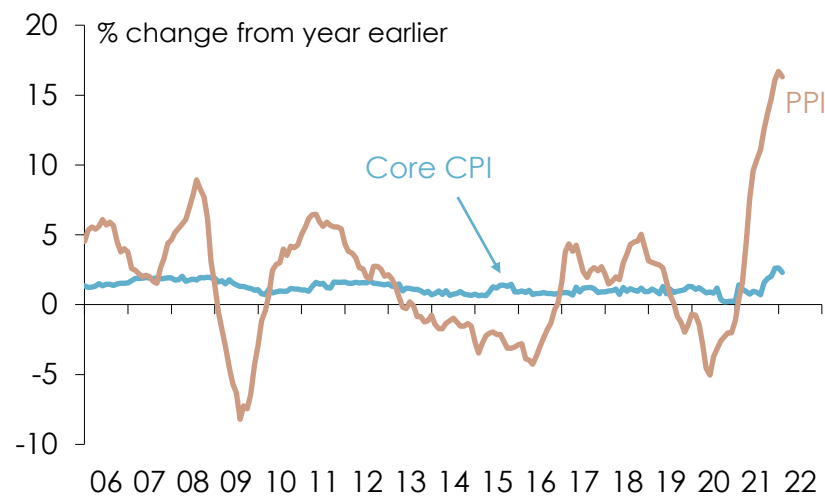
Producer prices are surging in all major economies: but only in the US and the UK is this feeding into markedly higher core CPI inflation

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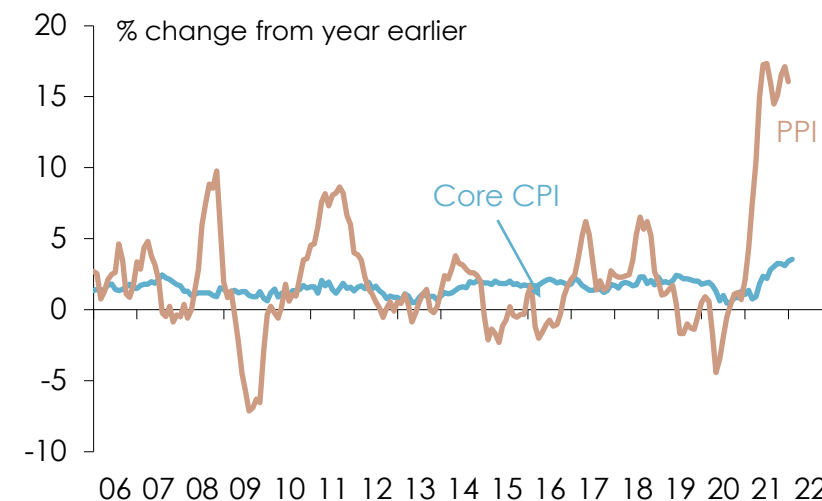
United States



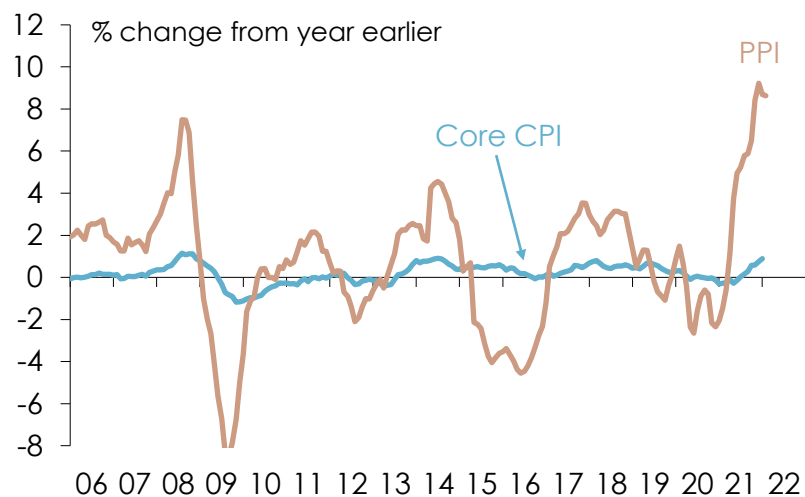
Euro area



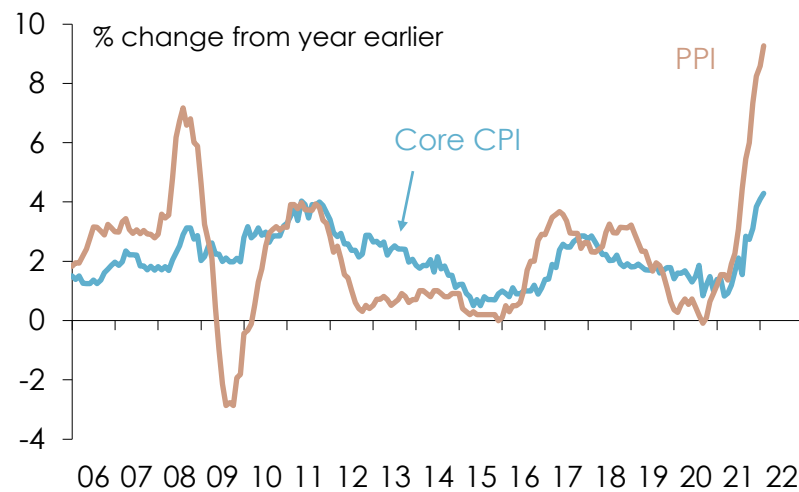
Canada



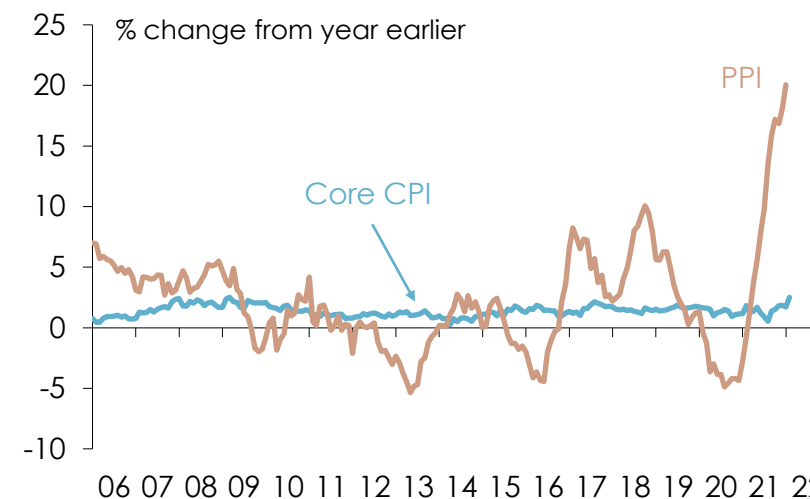
Japan



United Kingdom



Sweden

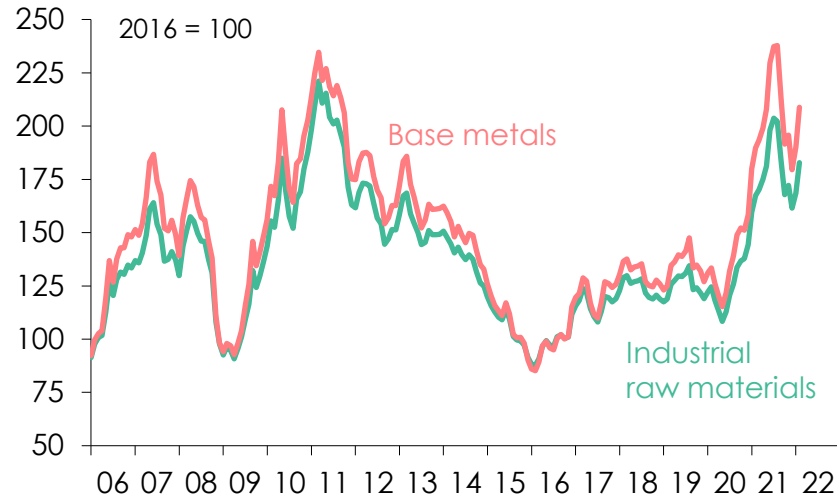


For a more detailed analysis of recent US inflation data see [slides 56-60](#). Sources: [US Bureau of Labor Statistics](#); [Statistics Bureau of Japan](#) and [Bank of Japan](#); [Eurostat](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Statistics Sweden](#). [Return to "What's New"](#).

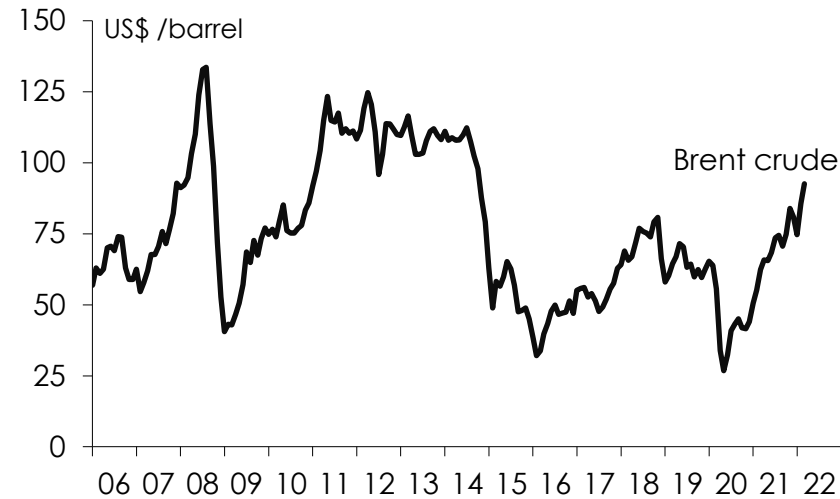
After seeming to have peaked in October, non-oil commodity prices have been rising again since December, as have oil prices

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

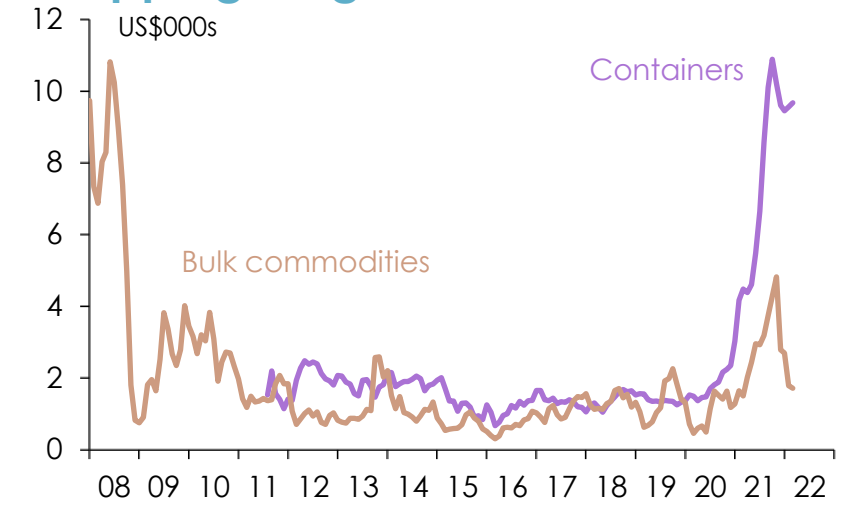
'Hard' commodity prices



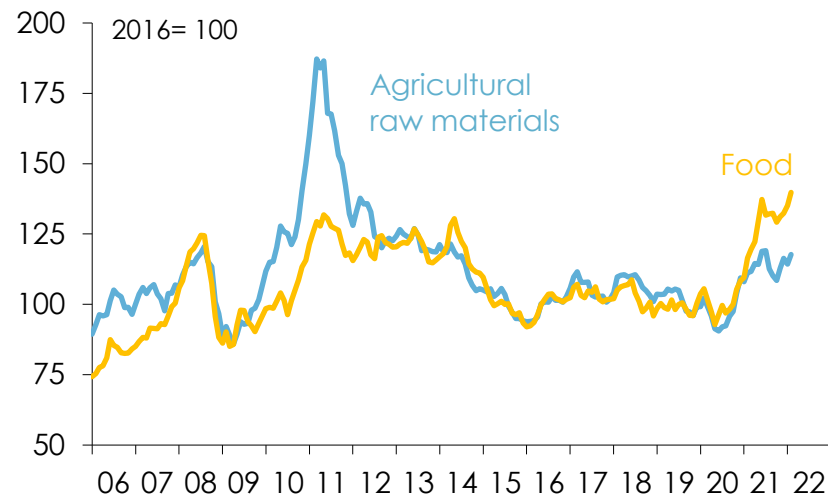
Crude oil price



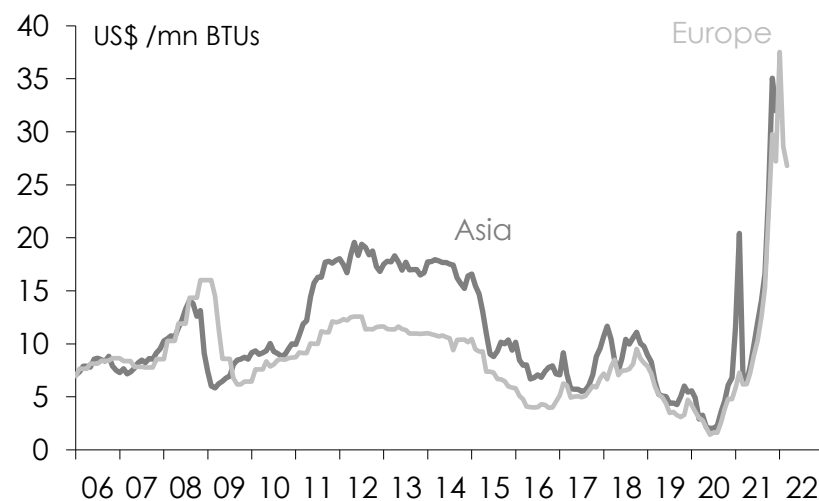
Shipping freight costs



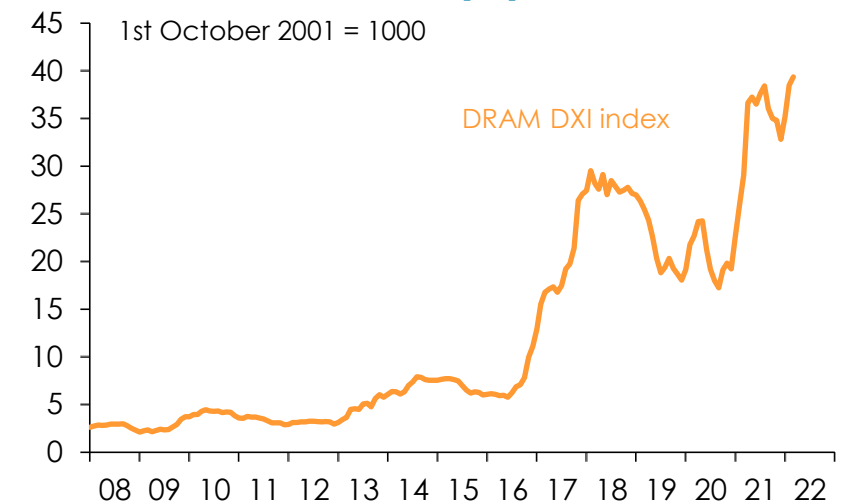
'Soft' commodity prices



Natural gas prices



Semiconductor chip prices

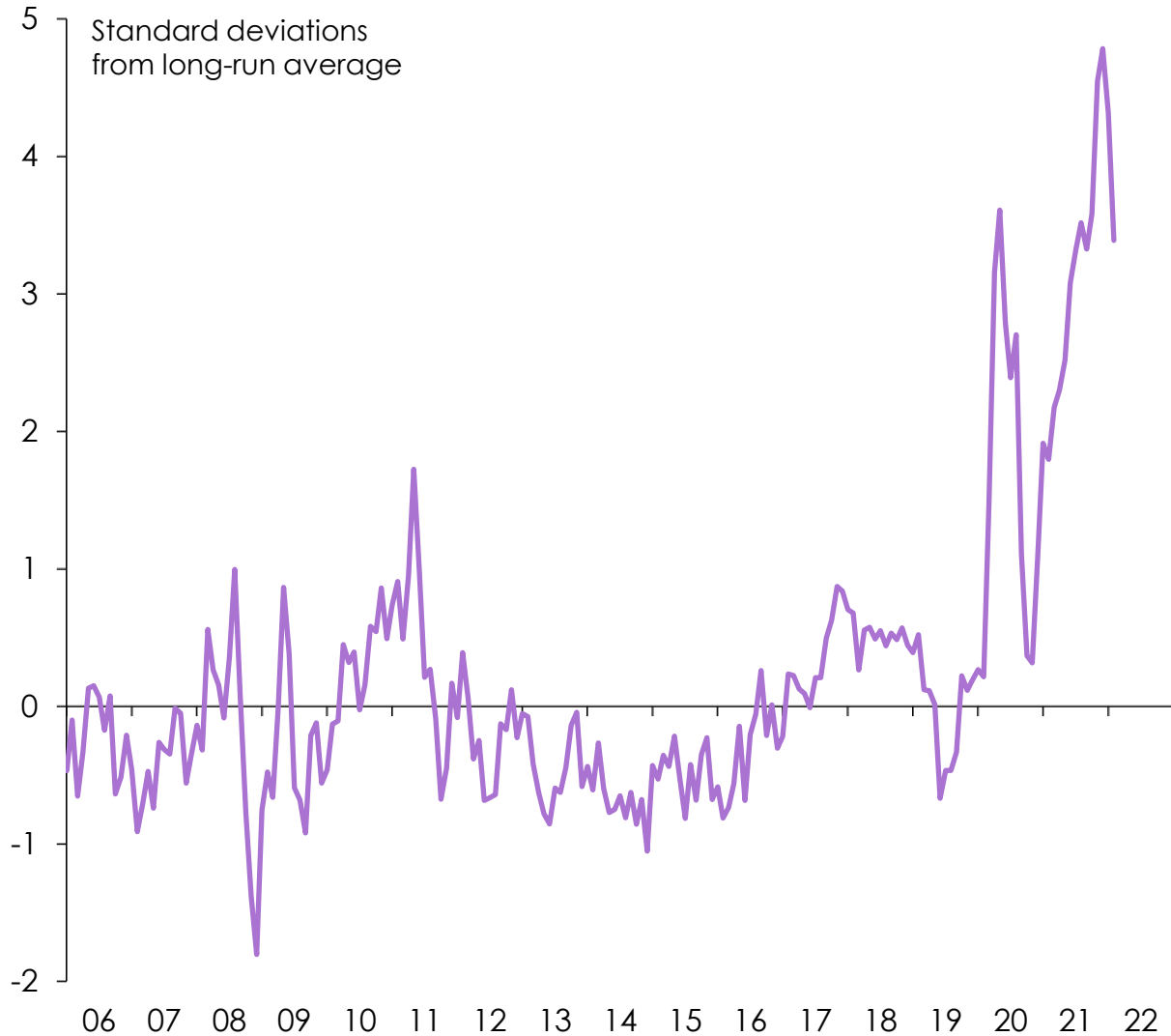


Note: The IMF commodity price indices were re-based to 2016 = 100 (previously 2005) in October 2021. The European natural gas price is the Netherlands TTF forward day ahead price, up to November; the December and January readings are derived by adjusting the November value for subsequent movements in 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.

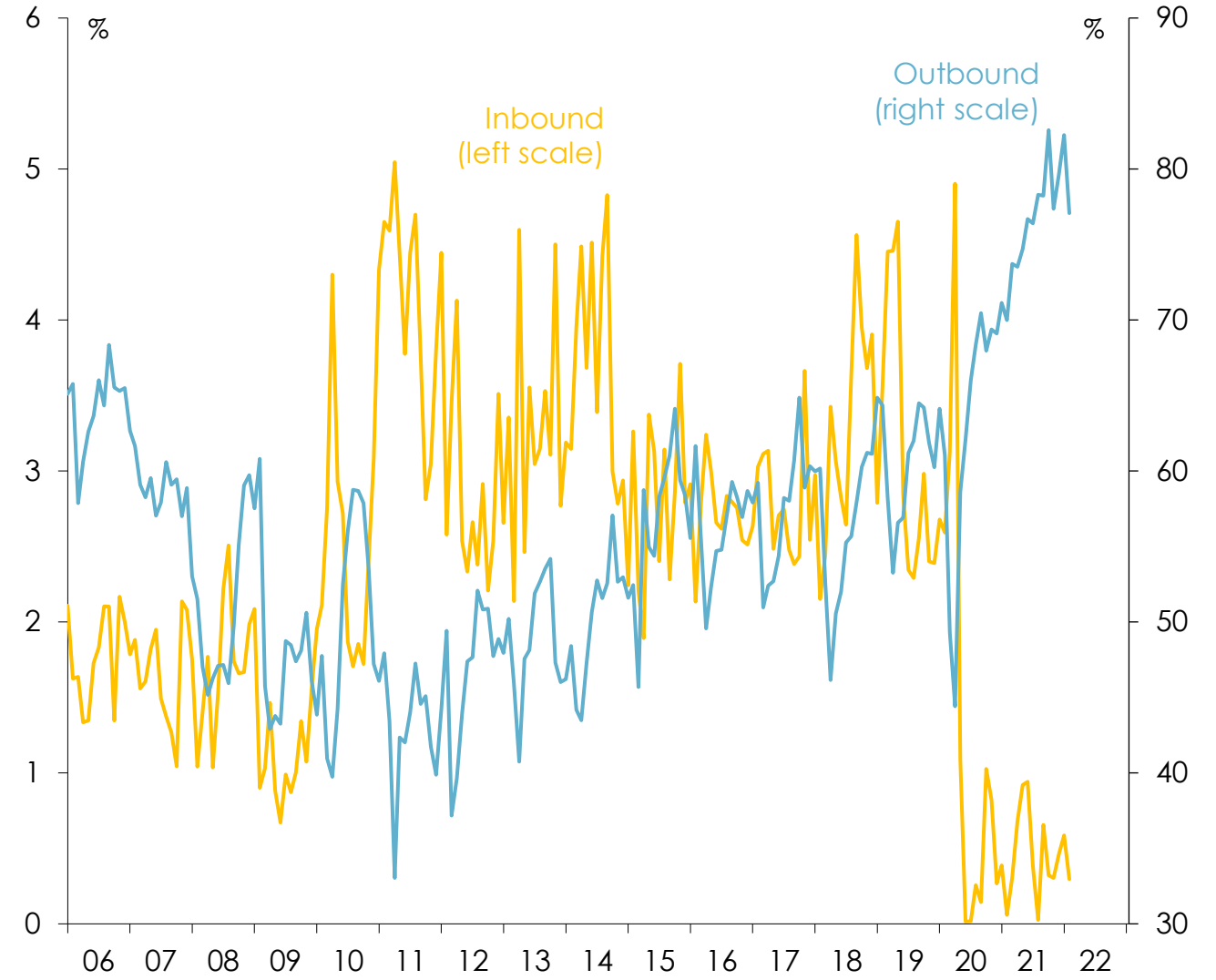
A new index of global supply chain pressures suggests they may be easing: but the global container shipping trade remains very unbalanced

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

NY Fed global supply chain pressure index



Empty containers passing through Port of Los Angeles

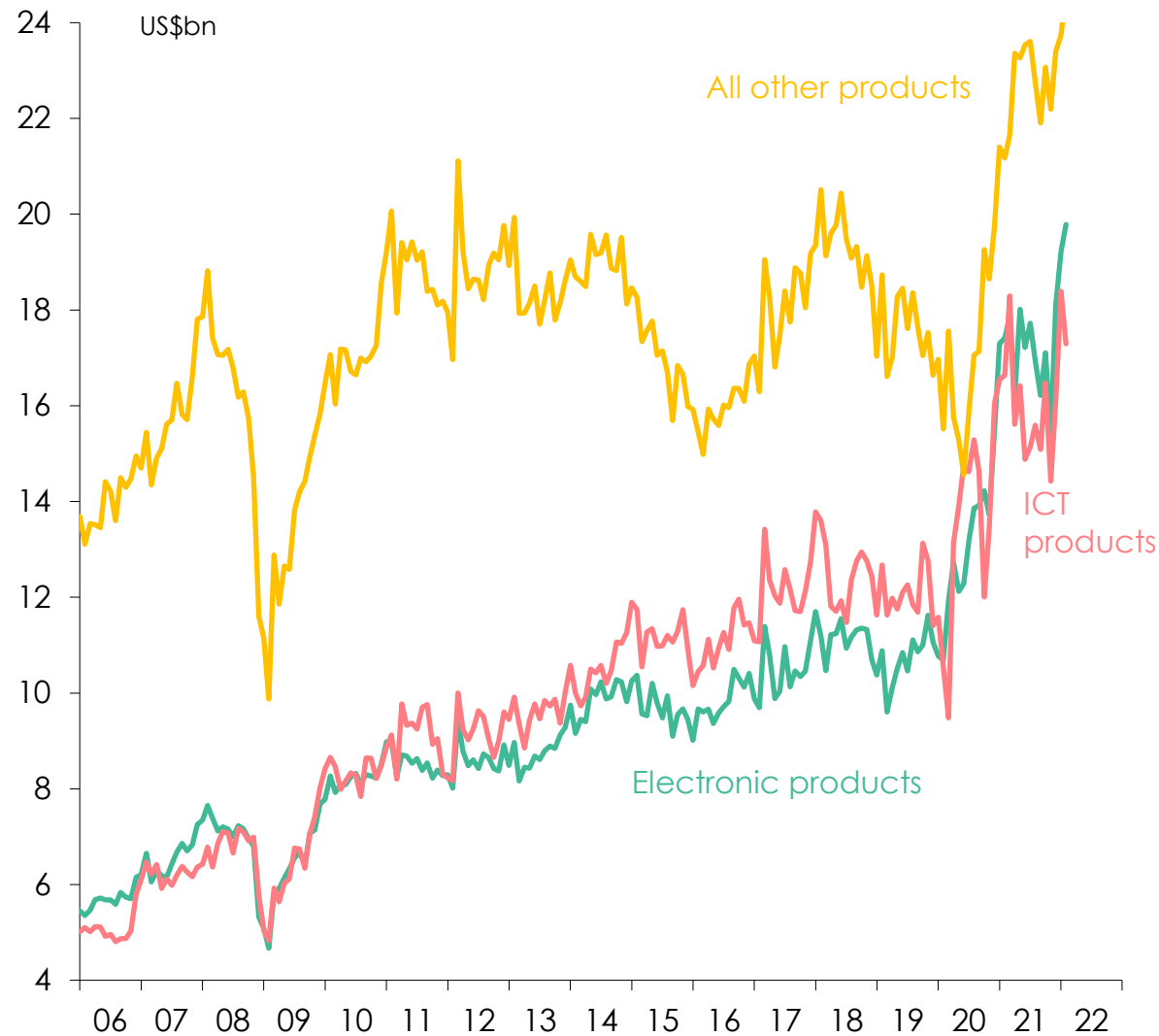


Sources: Gianluca Benigno et al., [A New Barometer of Global Supply Chain Pressures](#), Federal Reserve Bank of New York, 4th January 2022 (which contains a detailed explanation of the construction of this index); Port of Los Angeles, [Container Statistics](#). [Return to "What's New"](#).

Export orders for Taiwanese ICT products fell 6% in January, after double-digit gains in November and December last year

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

Taiwan export orders, by product



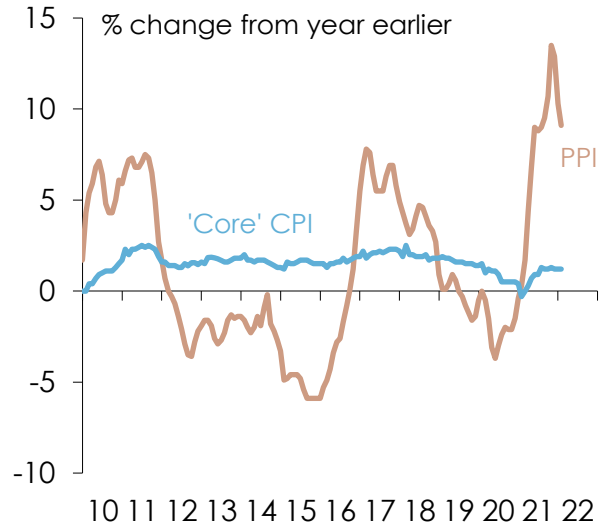
- ❑ Taiwan accounts for 63% of the US\$85bn global semi-conductor chip market (followed by Korea 18% and China 6%)
 - one Taiwanese company, Taiwan Semiconductor Manufacturing Co (TSMC) has 54% of the world market, and United Microelectronics Co (UMC) a further 7% (Samsung accounts for Korea's 18%)
- ❑ 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 fell 6.0% in January, after double-digit gains in November and December last year, to be 5.5% below their peak in February last year
 - orders for other electronic products were up 2.9% in January, to a new record high

Note: Data have been seasonally adjusted by Corinna using Refinitiv Datastream. Latest data are for January. Source: Taiwan [Ministry of Economic Affairs](#). [Return to "What's New"](#).

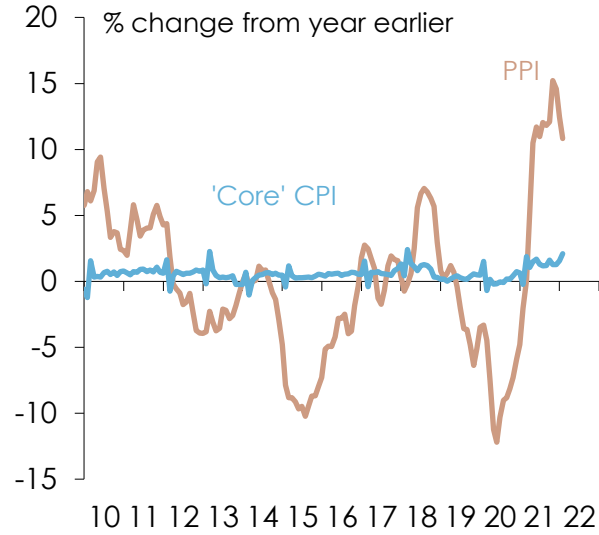
'Core' CPI inflation has picked up a little bit in the more 'advanced' East Asian economies but remains dormant in China and South-East Asia

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

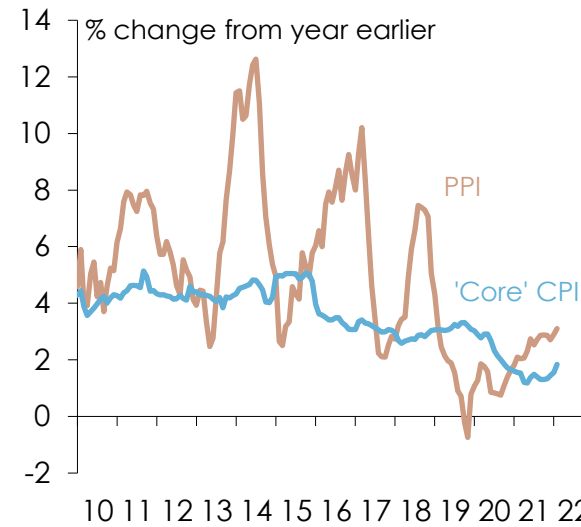
China



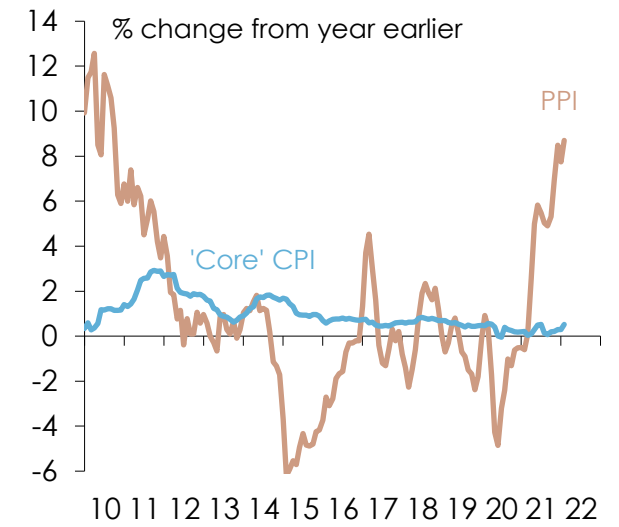
Taiwan



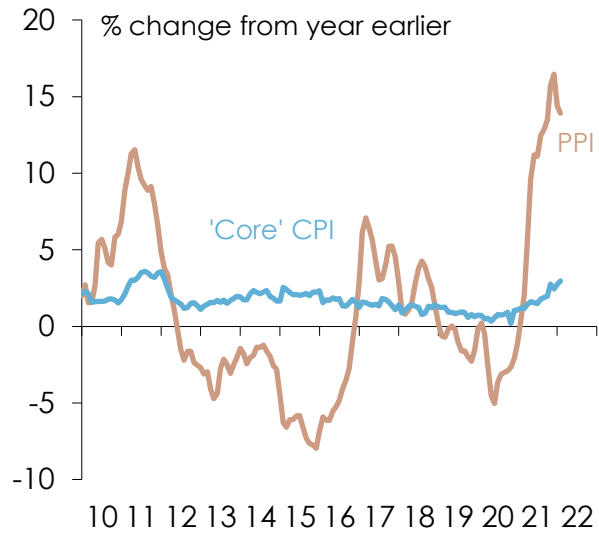
Indonesia



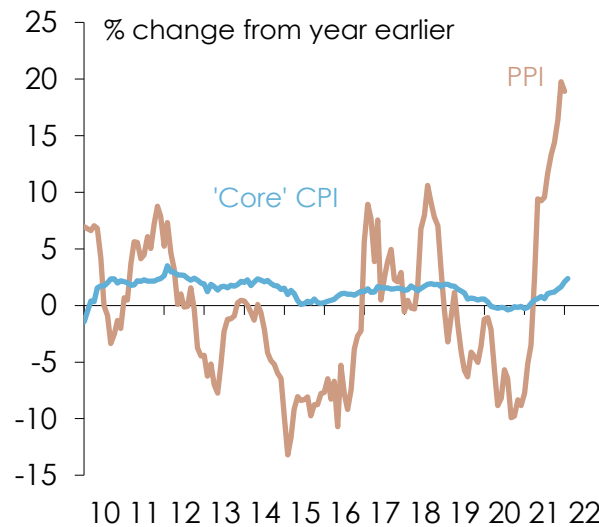
Thailand



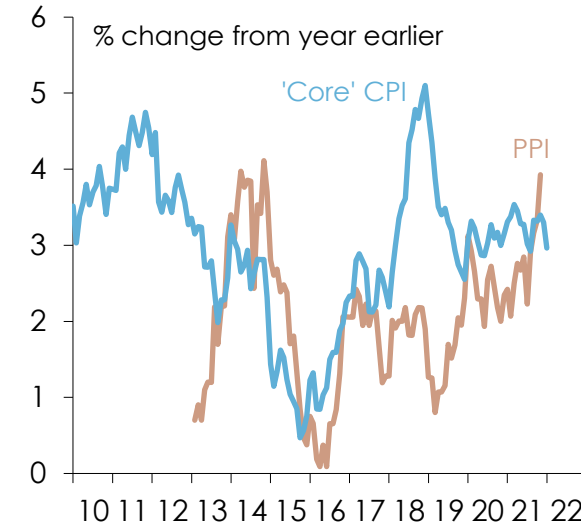
Korea



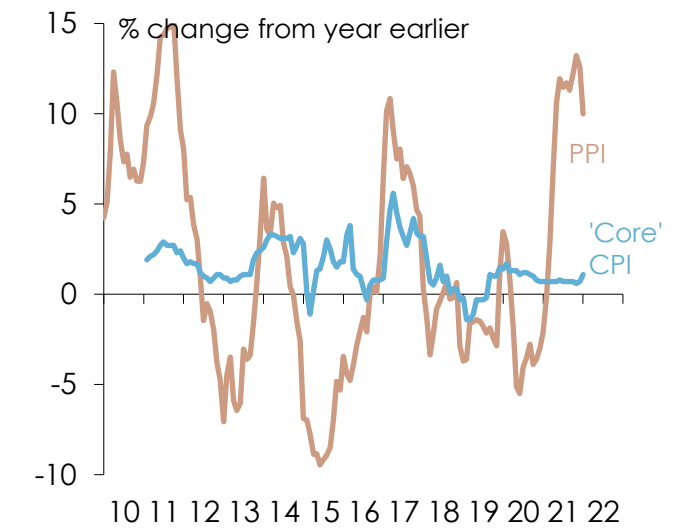
Singapore



Philippines



Malaysia

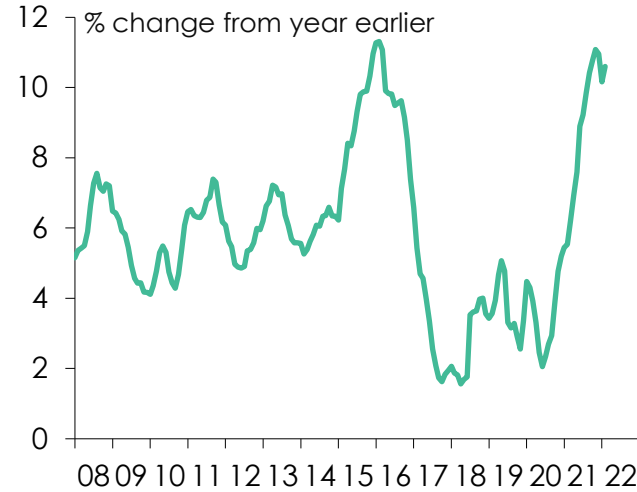


Note: 'Core' CPIs measure different things in different Asian economies – see footnotes to [slide 98](#). Sources: [China National Bureau of Statistics](#); [Statistics Korea](#); [Bank of Korea](#); [Taiwan Statistical Bureau](#); [Singstat](#); [Monetary Authority of Singapore](#); [Statistics Indonesia](#); [Philippine Statistics Authority](#); [Thailand Bureau of Trade and Economic Indices](#); [Department of Statistics Malaysia](#). [Return to "What's New"](#).

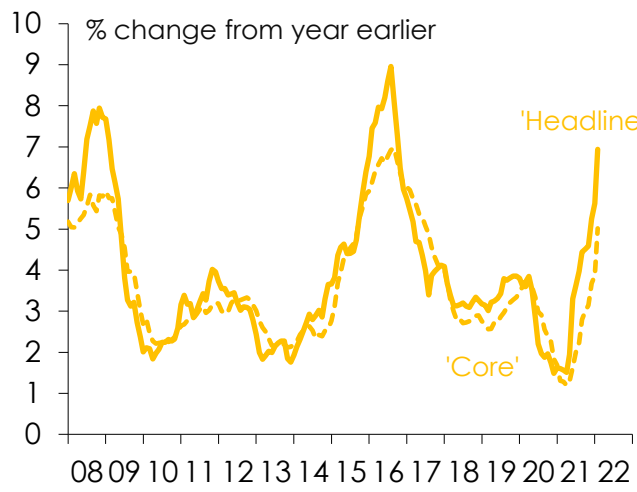
Consumer price inflation is rising sharply across Latin America (except for Venezuela, where it's now down to just 455%!)

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

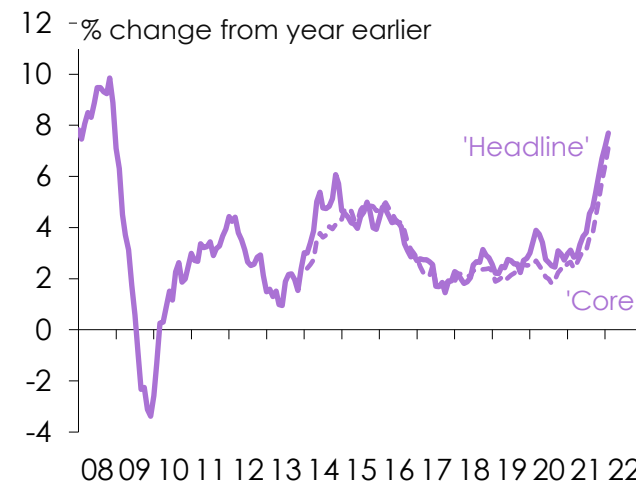
Brazil



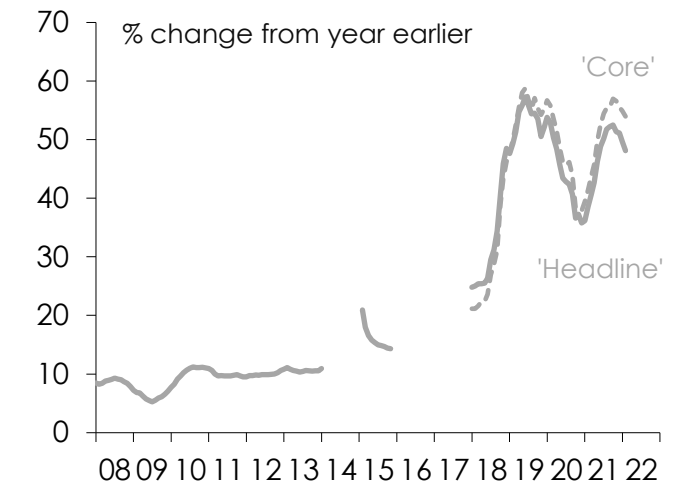
Colombia



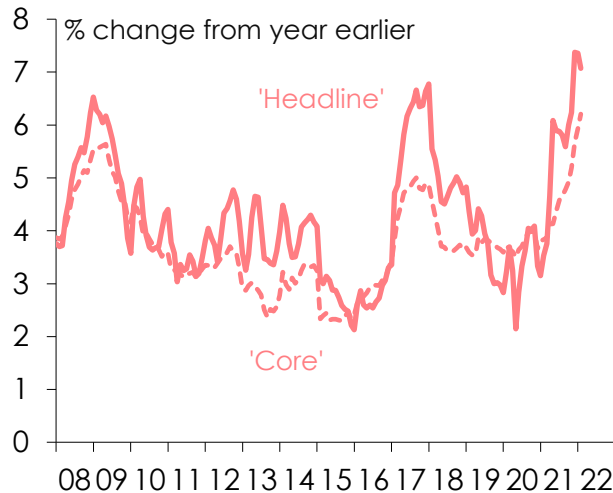
Chile



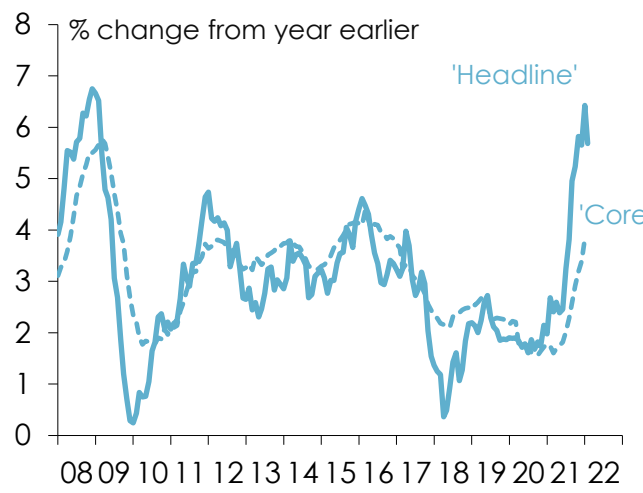
Argentina



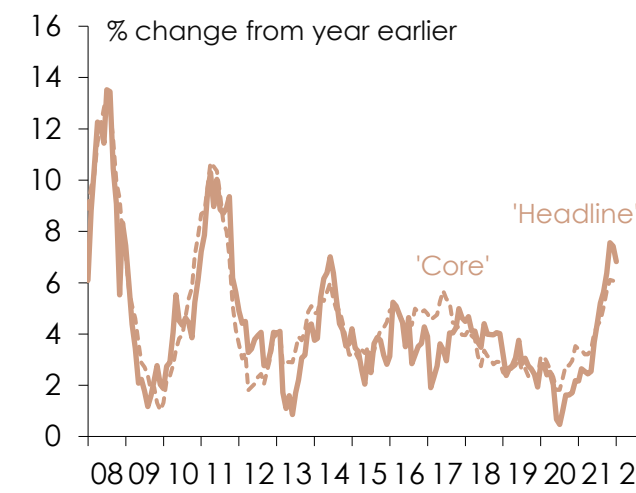
Mexico



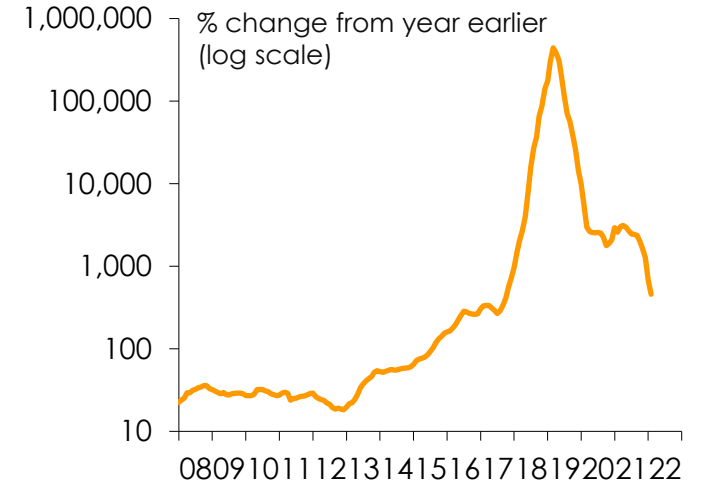
Peru



Paraguay



Venezuela

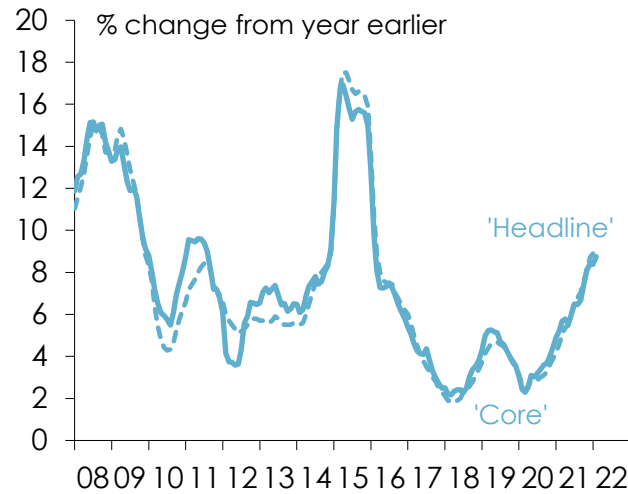


Sources: [Instituto Brasileiro de Geografia e Estatística](#); [Instituto Nacional de Estadística y Geografía](#) (Mexico); [Departamento Administrativo Nacional de Estadística](#) (Colombia); [Instituto Nacional de Estadística e Informática](#) (Peru); [Instituto Nacional de Estadísticas](#) (Chile);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

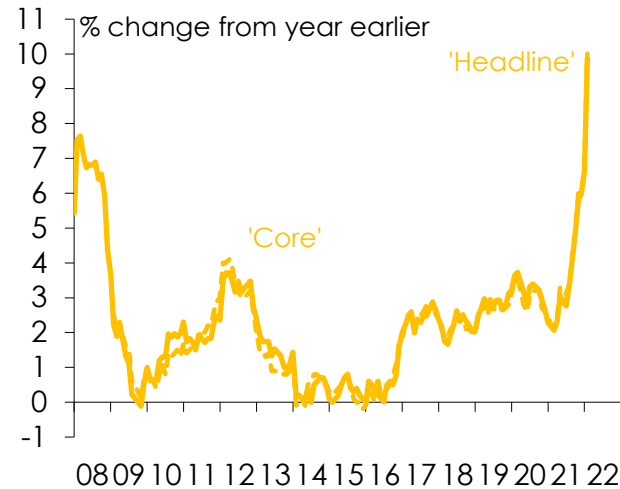
Consumer price inflation is also rising across Central and Eastern Europe, and in South Africa

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

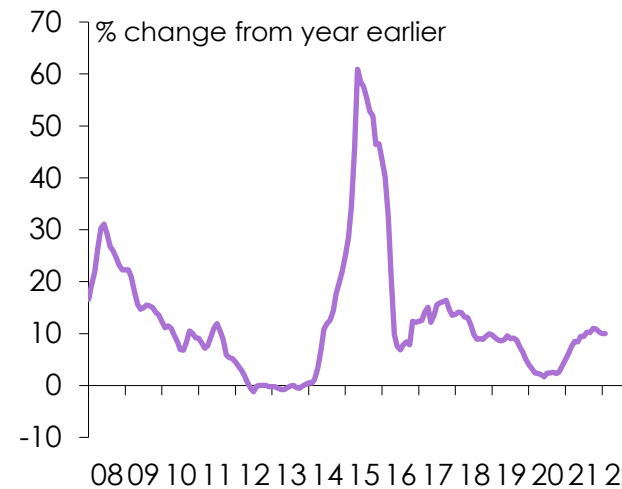
Russia



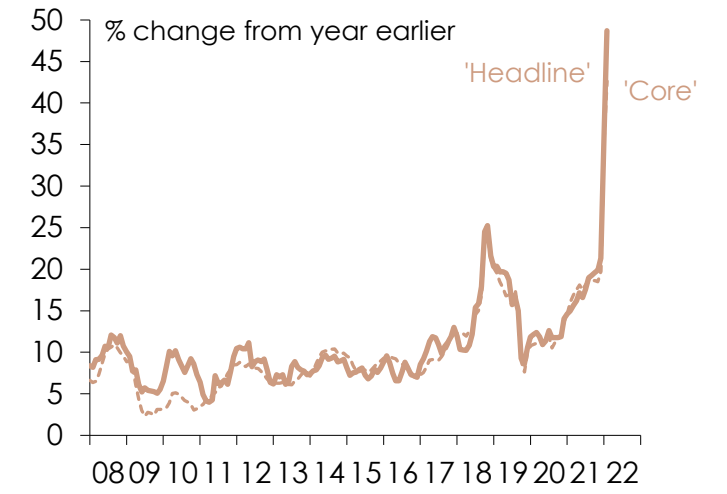
Czech Republic



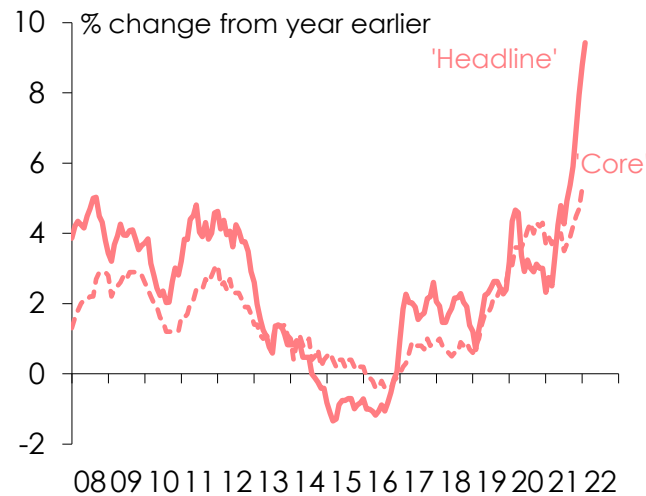
Ukraine



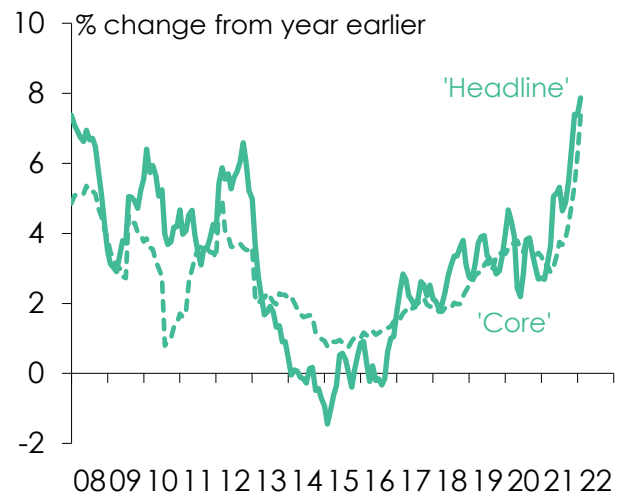
Turkey



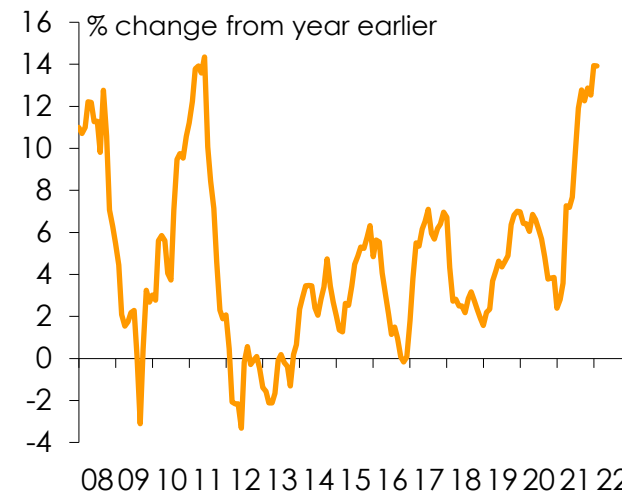
Poland



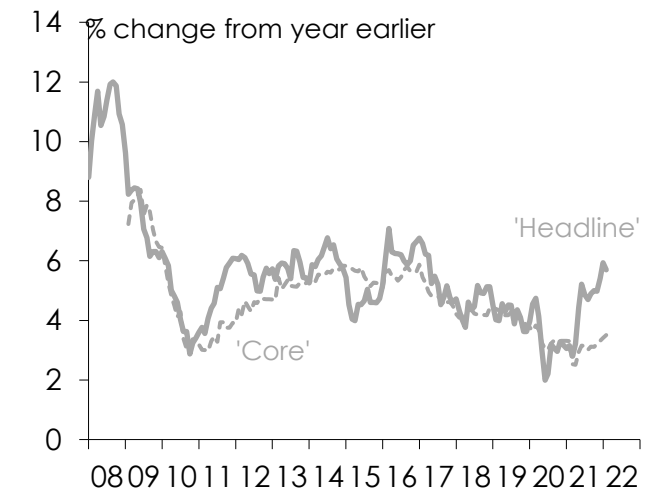
Hungary



Georgia



South Africa

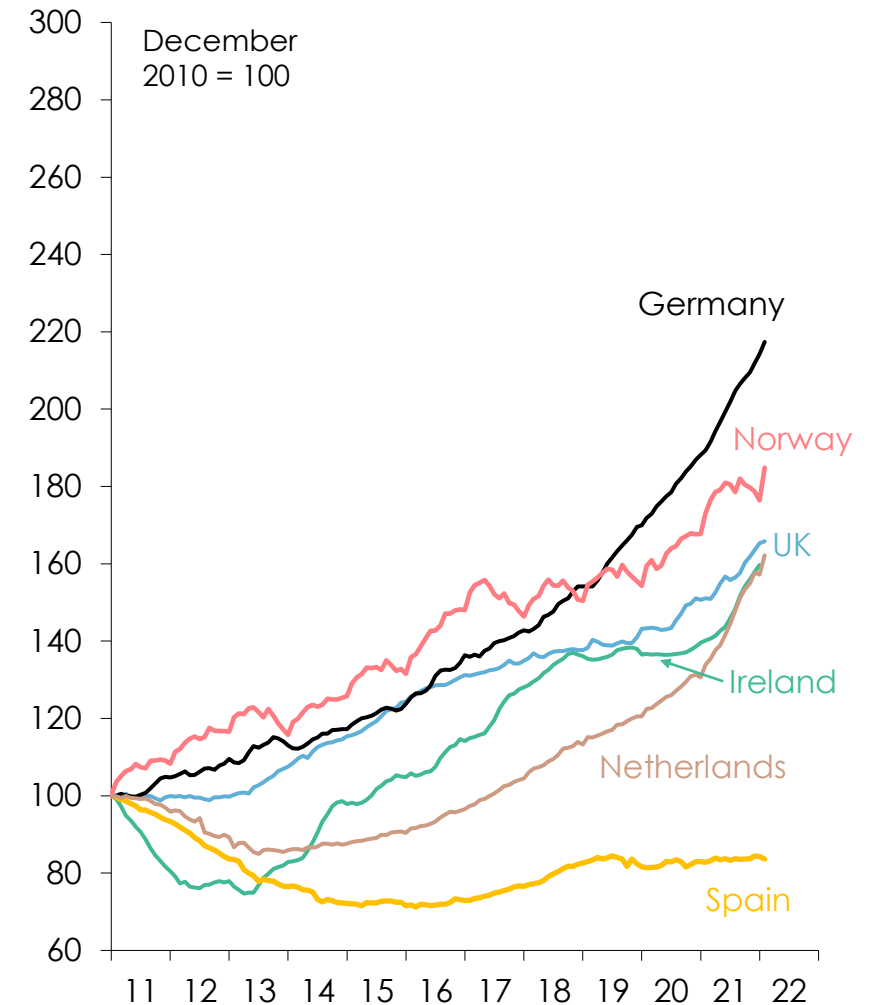
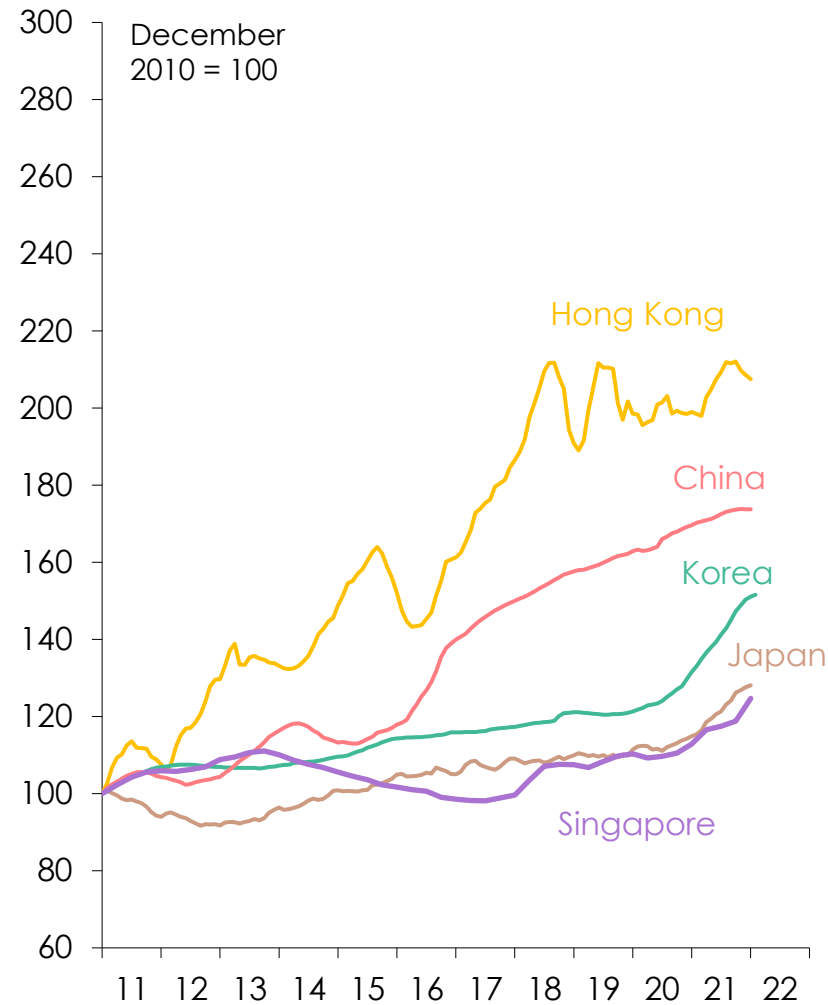
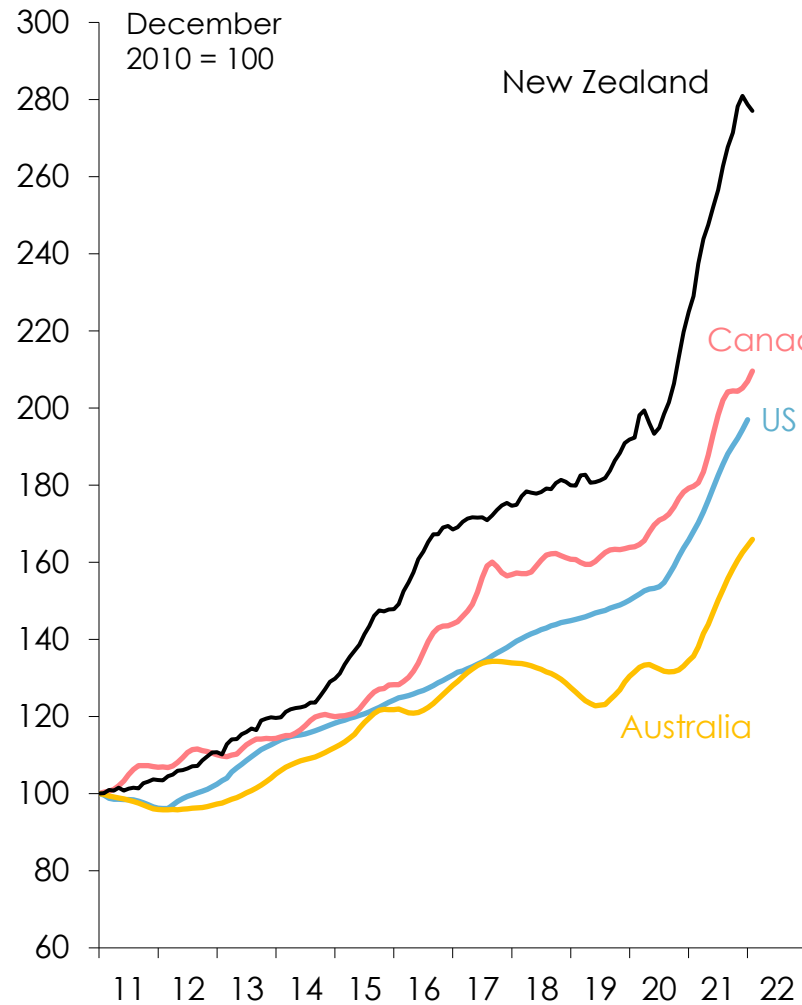


Sources: [Rosstat](#); [Główny Urząd Statystyczny](#) (Poland); [Český statistický úřad](#) (Czech Republic); [Központi Statisztikai Hivatal](#) (Hungary); [Ukrstat](#); [Sak'art'velos statistikis erovnuli samsakhuri](#) (Georgia); [Statistics South Africa](#); [Turkstat](#). Return to "What's New".

Record-low interest rates over the past 2 years have fuelled rapid growth in house prices, but New Zealand appears to have 'topped out'

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

House price indices

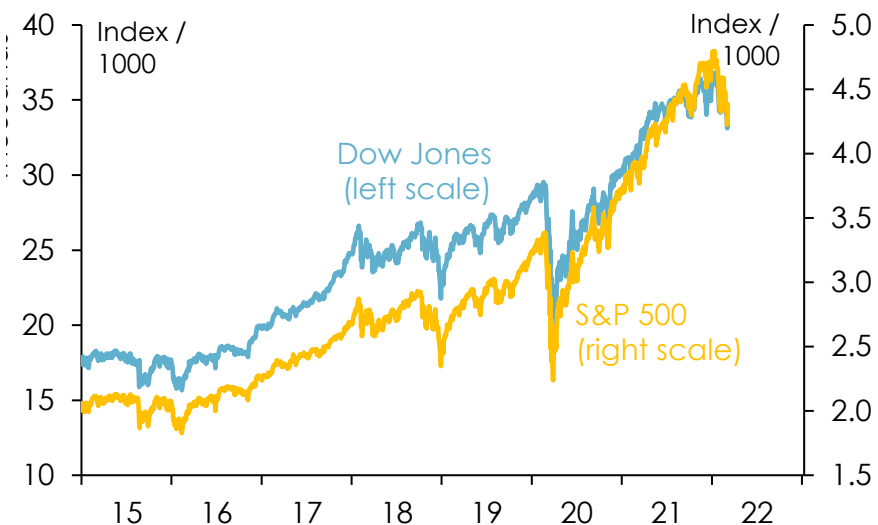


Note: House price indices shown in these charts are those published by [S&P-CoreLogic Case Shiller national](#) (United States); [Teranet-National Bank](#) (Canada); [CoreLogic](#) (Australia); [Real Estate Institute of New Zealand](#); [China Index Academy](#); [Japan Real Estate Institute](#) (Tokyo 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"](#).

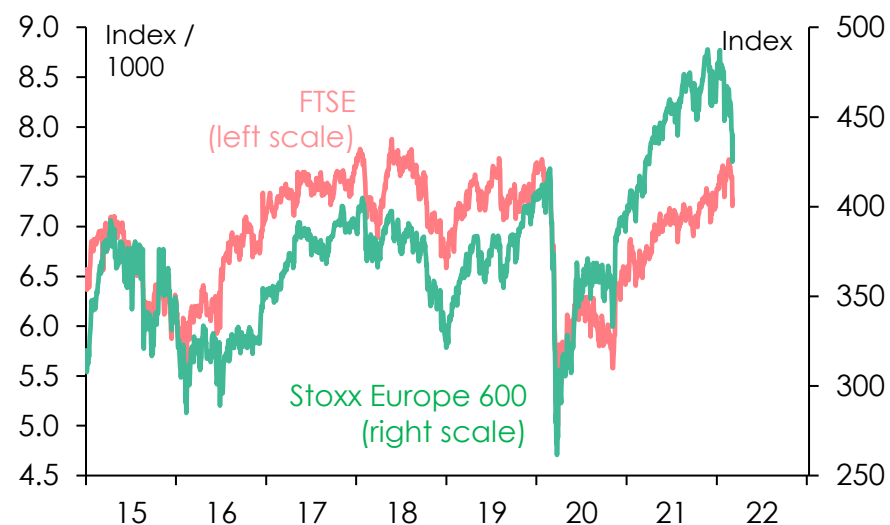
US stocks finished the week slightly up after strong gains on Friday, but most others were down – and almost all are down 2-8% year-to-date

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

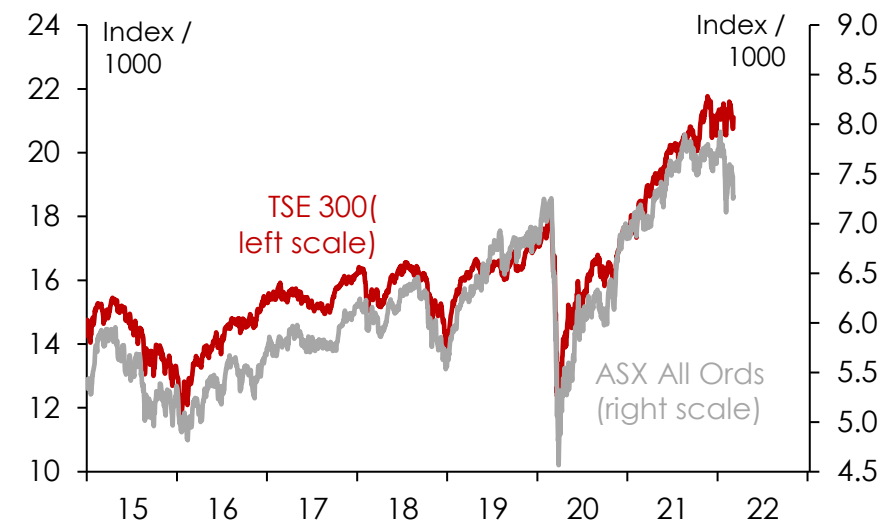
US stock market



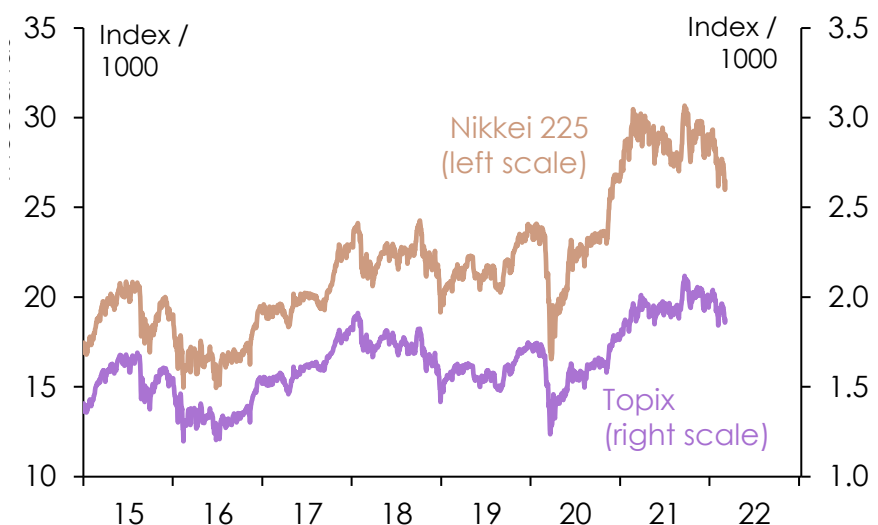
European stock markets



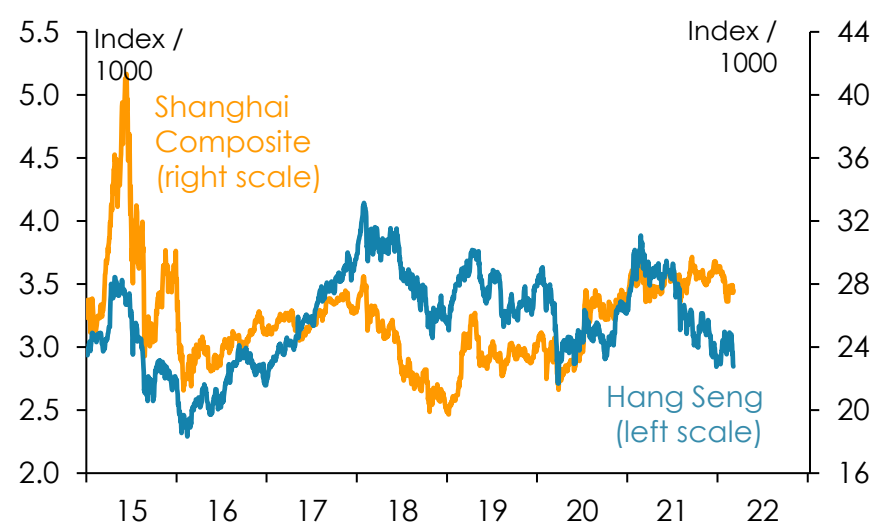
Canadian & Australian stock markets



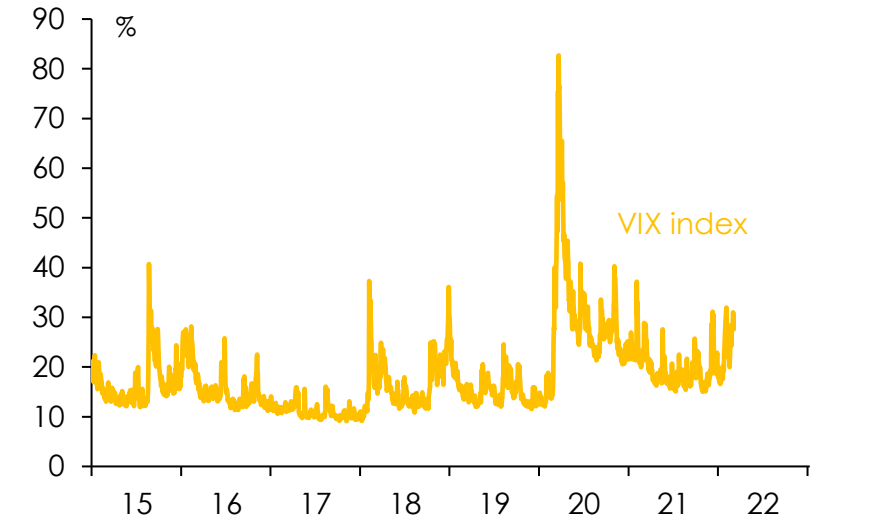
Japanese stock market



Chinese & HK stock markets



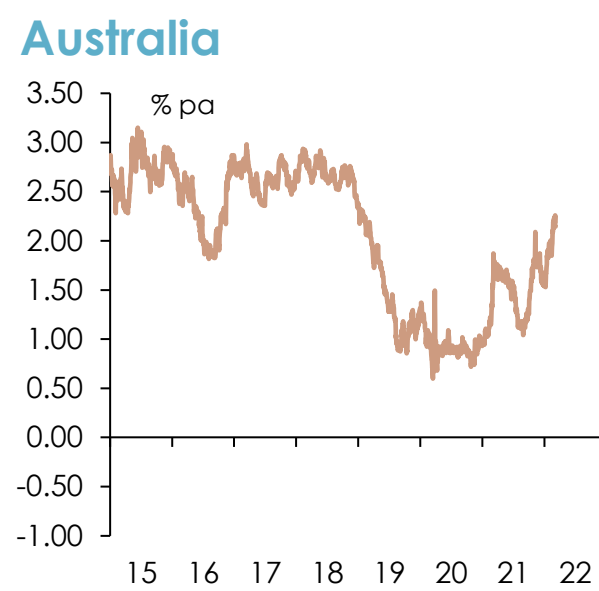
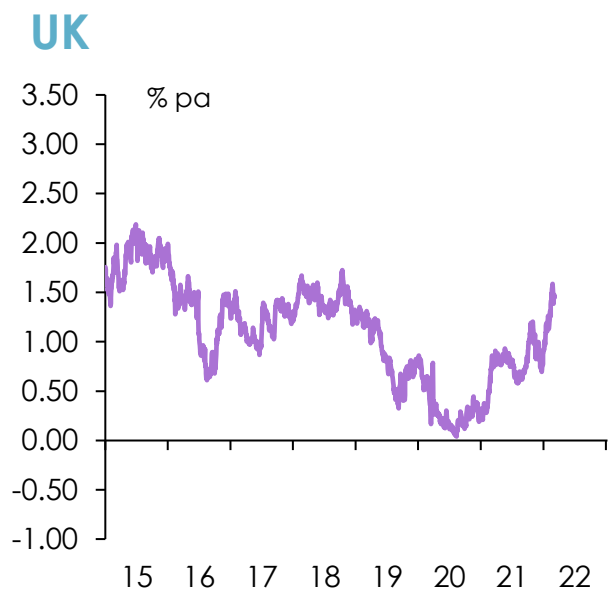
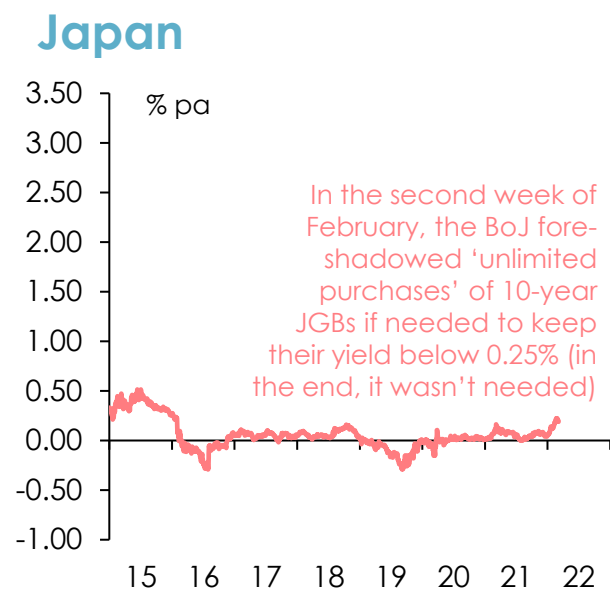
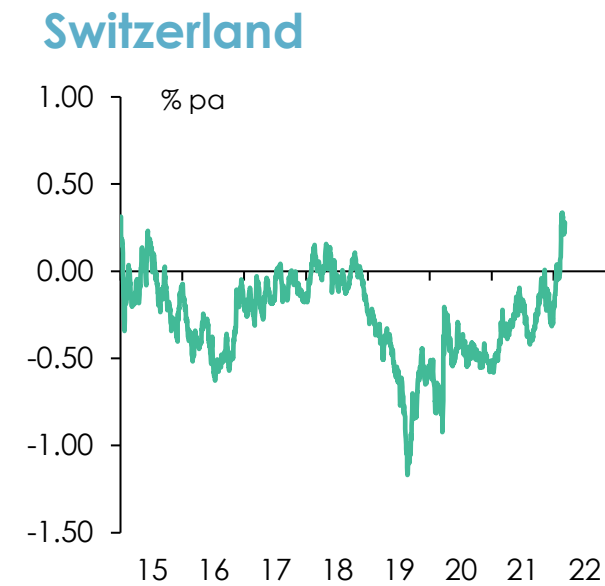
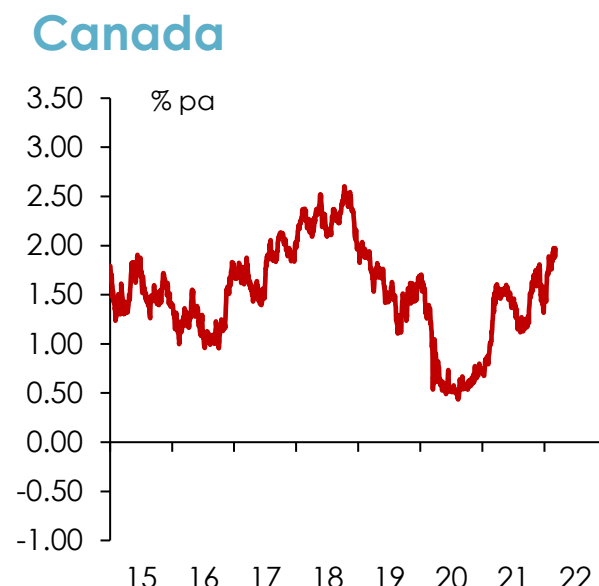
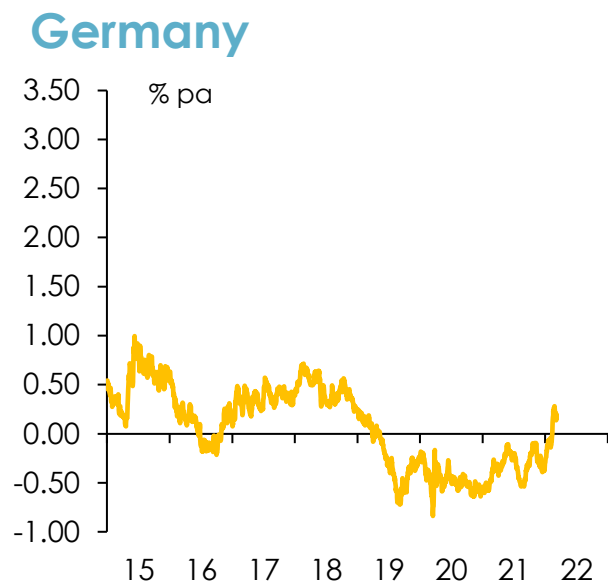
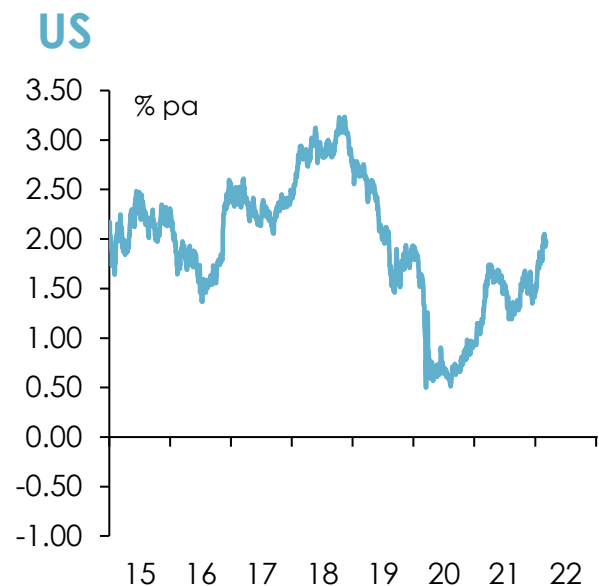
Equity market volatility



Note: Data up to 25th February. Source: Refinitiv Datastream. For East Asian stock markets see [slide 110](#). [Return to "What's New"](#).

Ten-year government bond yields ended higher over the course of last week despite falling in some markets on Friday

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022



Note: Data up to 25th February. For bond yields in other large euro area member states see [slide 71](#), and for bond yields in Asian economies see [slide 107](#).

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

Bond yields rose in most emerging markets last week – and in particular in Russia after its invasion of Ukraine

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

China



Brazil



Russia



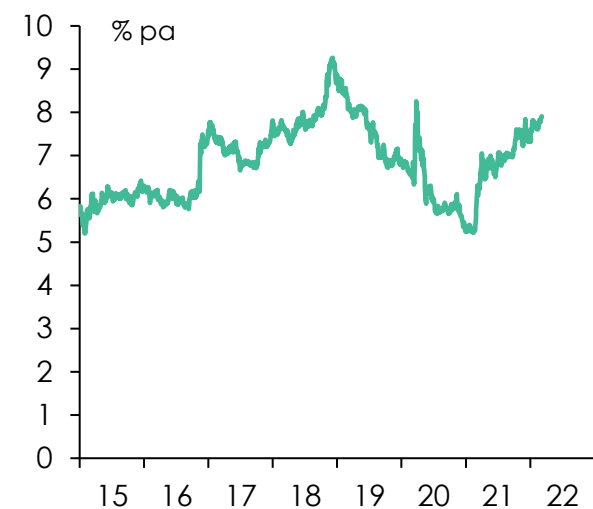
South Africa



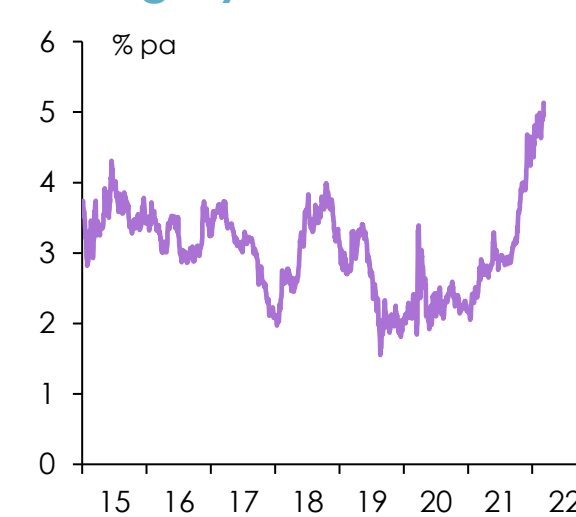
India



Mexico



Hungary



Turkey



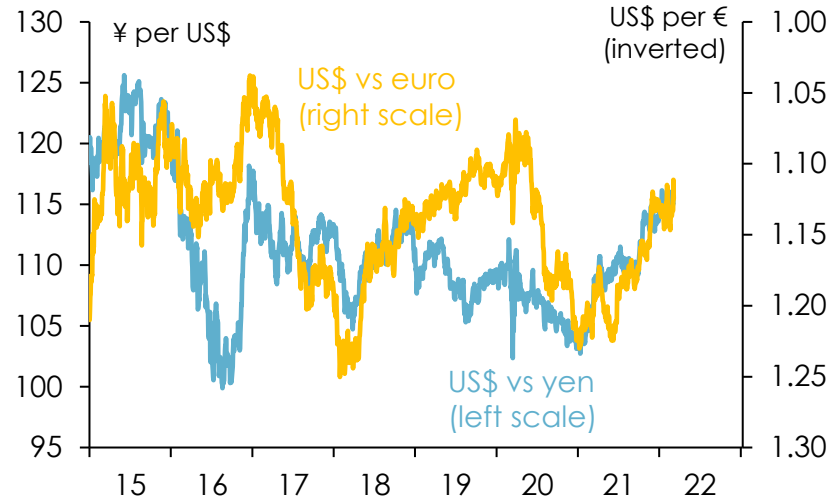
Note: Data up to 25th February. For bond yields in other Asian economies see [slide 107](#); and for policy interest rates in other emerging markets see [slide 126](#).

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

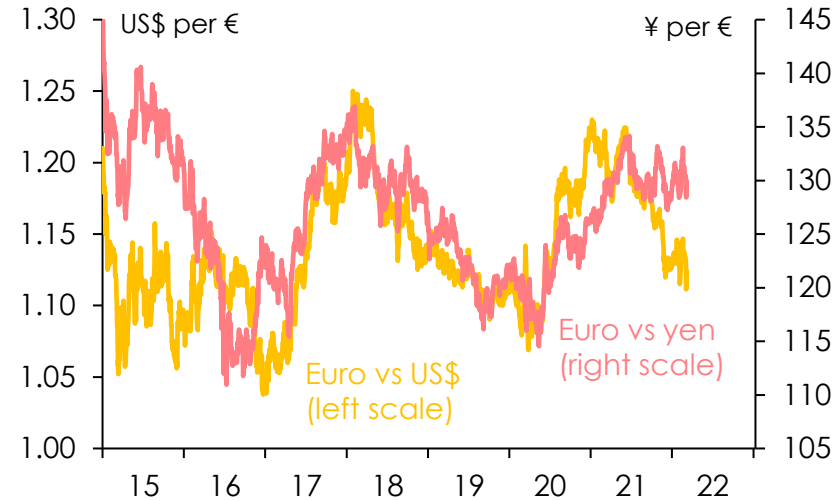
The US\$ firmed against the yen, euro, sterling and Swiss franc up until Friday when it gave back part of those gains, while the C\$ and A\$ also rose

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

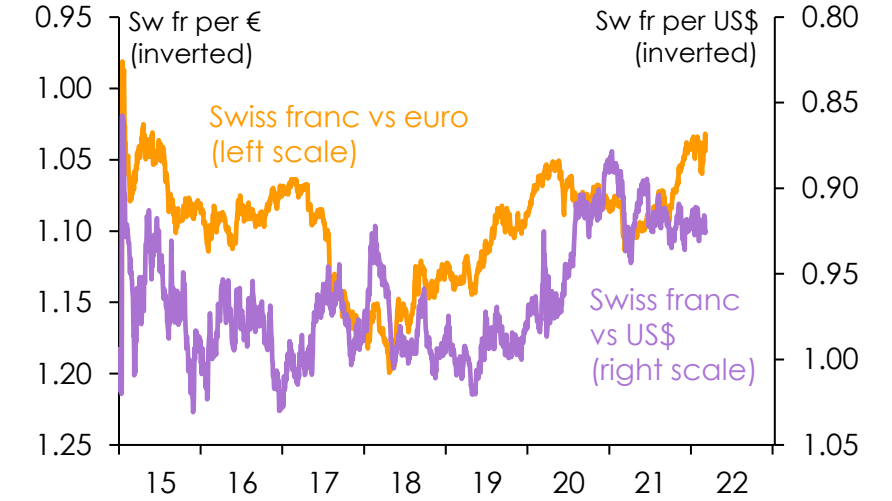
US dollar



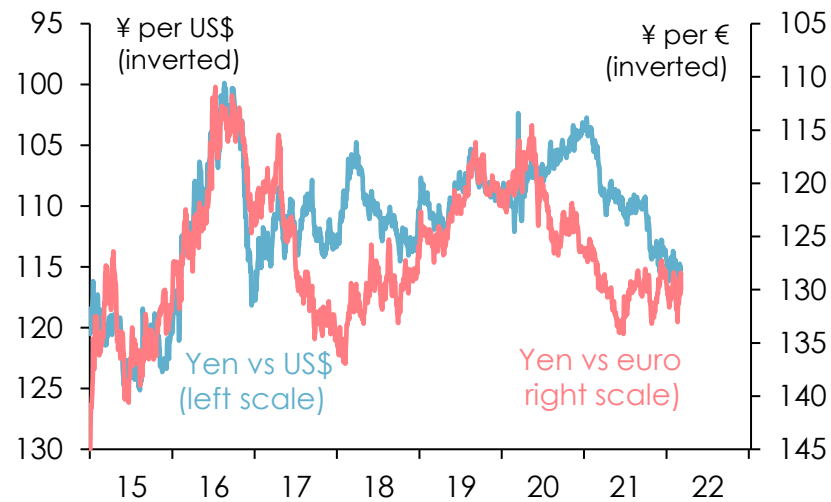
Euro



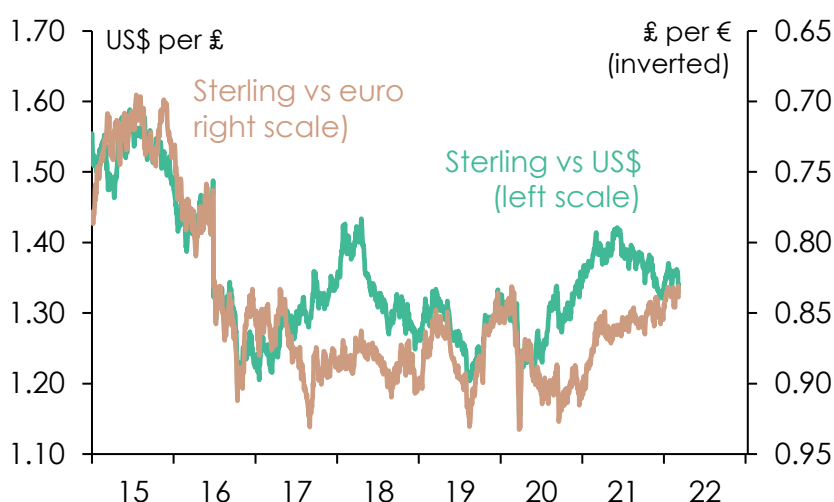
Swiss franc



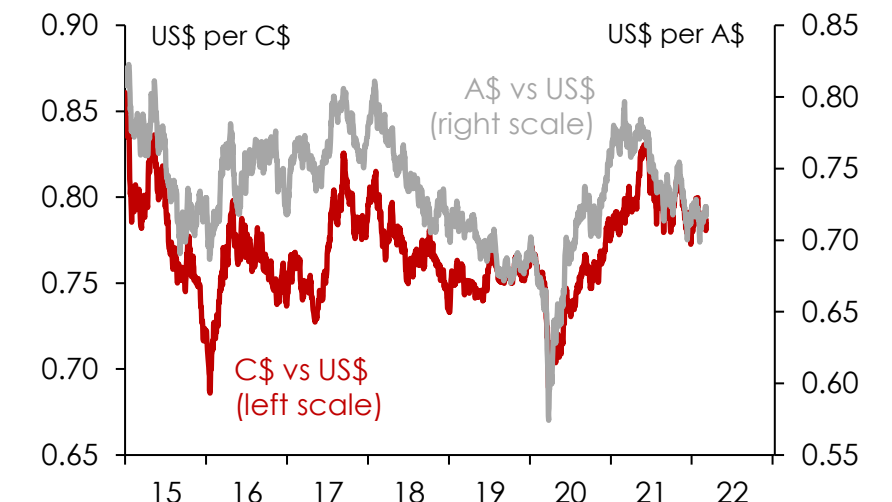
Japanese yen



Sterling



Canadian & Australian dollars



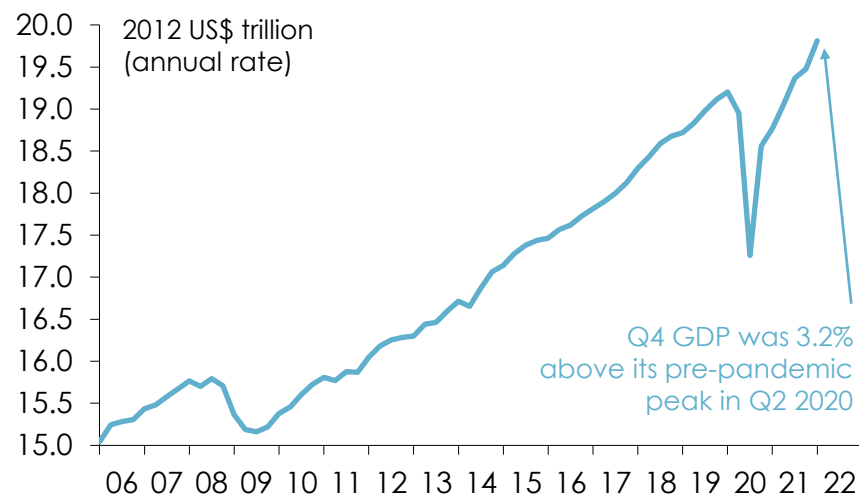
Note: Data up to 25th February. For Asian exchange rates see [slide 109](#). Source: Refintiv Datastream. [Return to "What's New"](#).

The United States

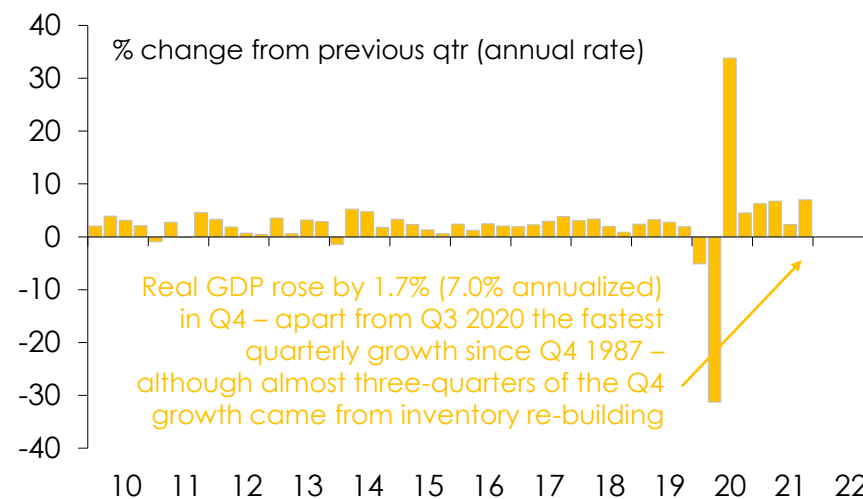
US real GDP grew 1.7% (7.0% annualized) in Q4 2021 – almost eliminating the ‘output gap’ – though most of the growth came from inventories

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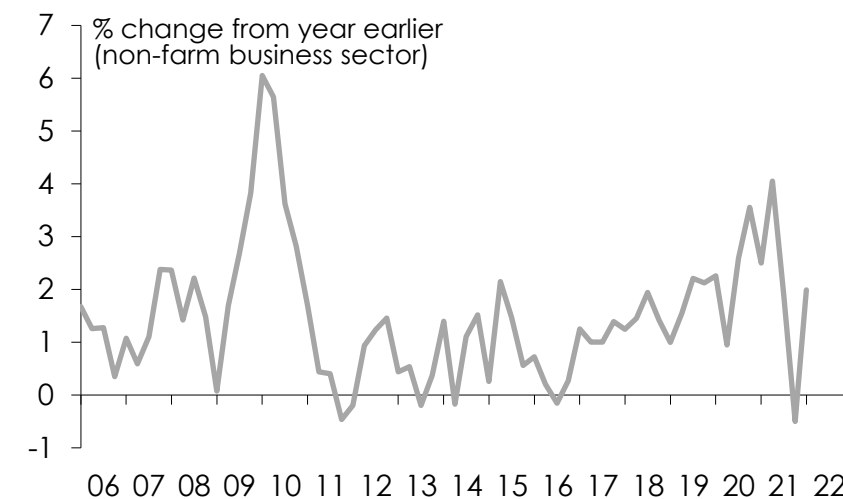
Level of real GDP



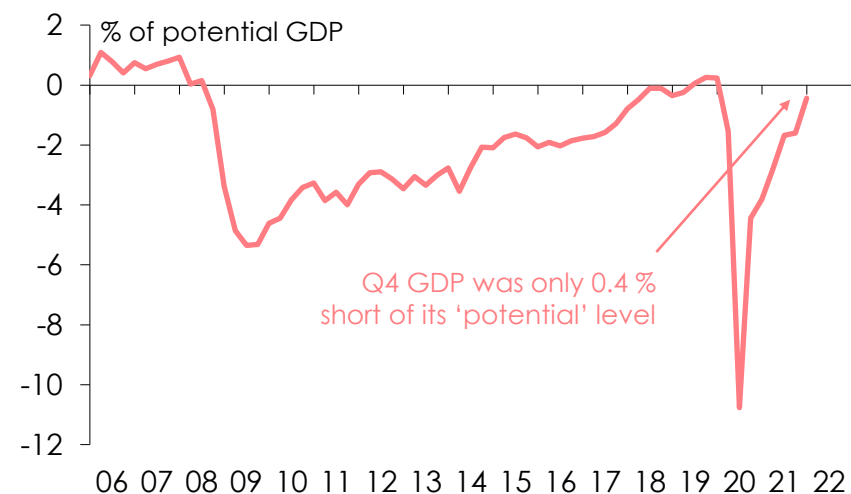
Quarterly change in real GDP



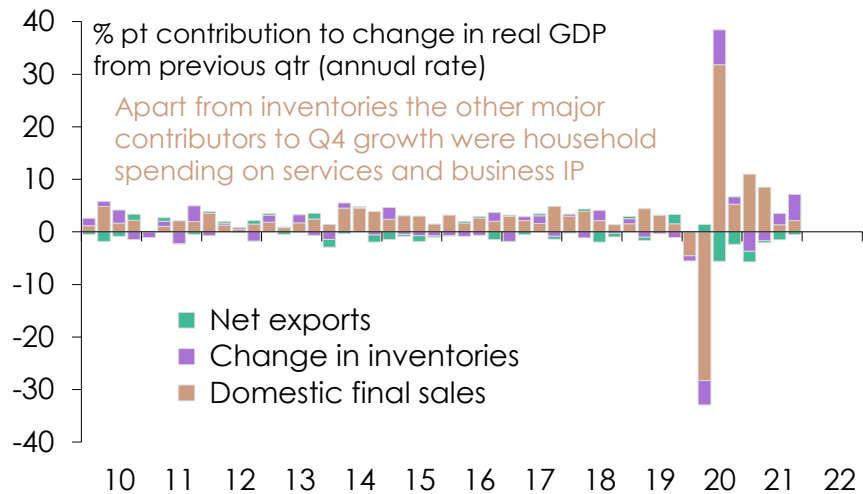
Labour productivity growth



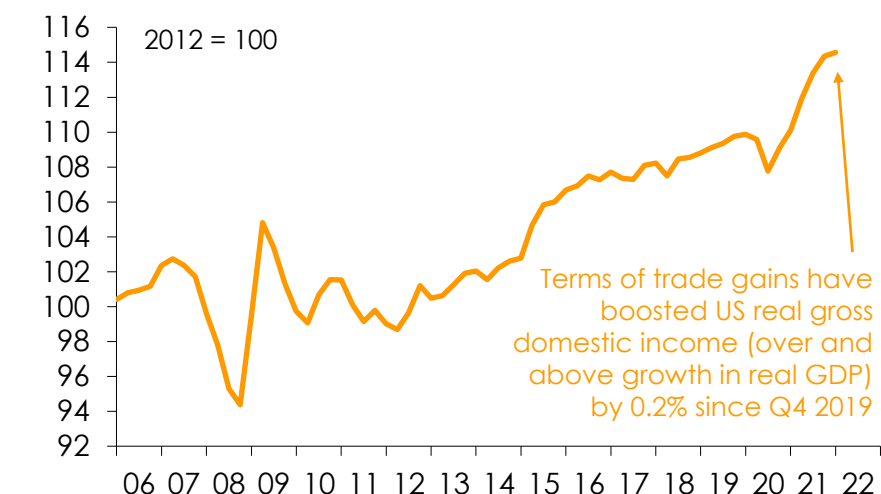
The ‘output gap’



Contributions to change in real GDP



Terms of trade

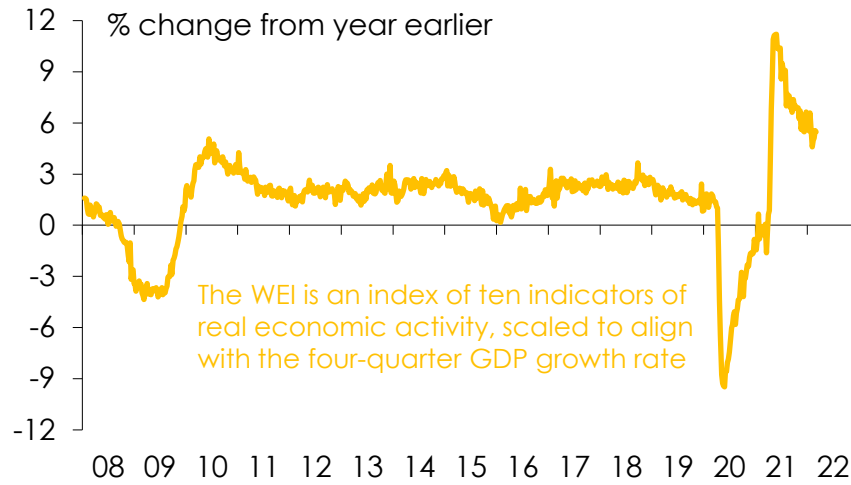


Note: the ‘output gap’ is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the ‘terms of trade’ is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & 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”](#).

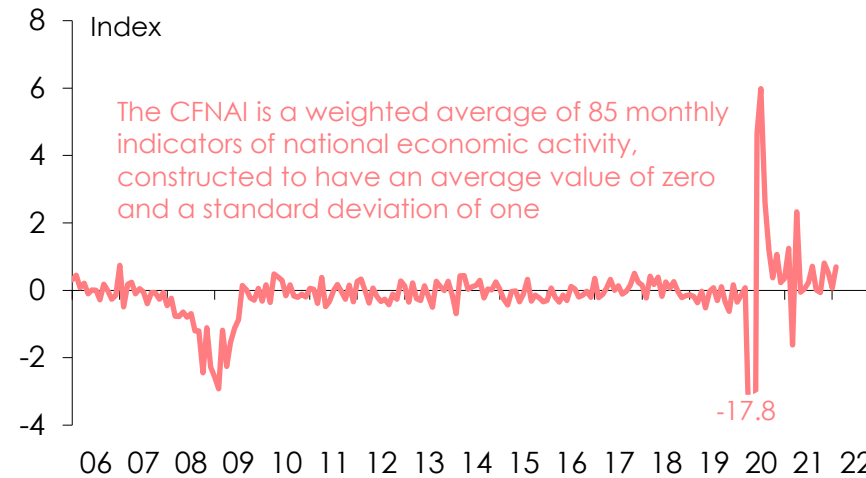
Survey data and composite indexes for the most part suggest only a mild slowing in economic activity in the early part of the first quarter of 2022

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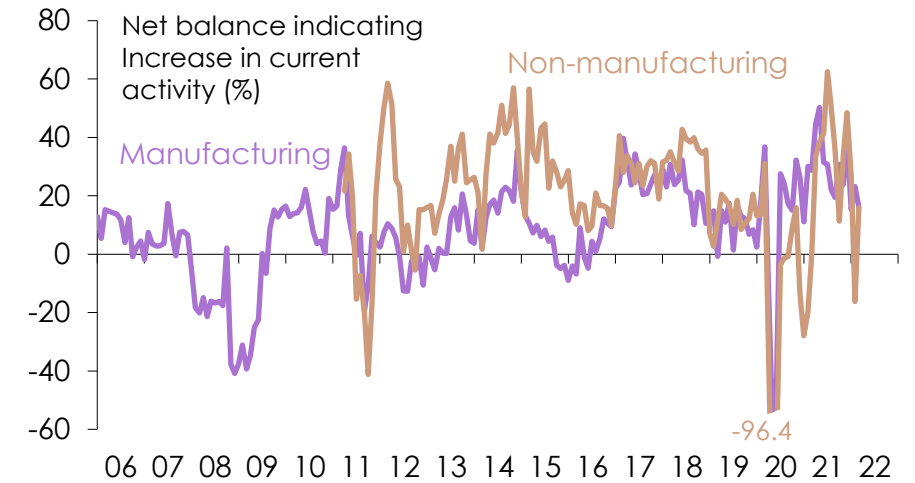
NY Fed weekly economic index



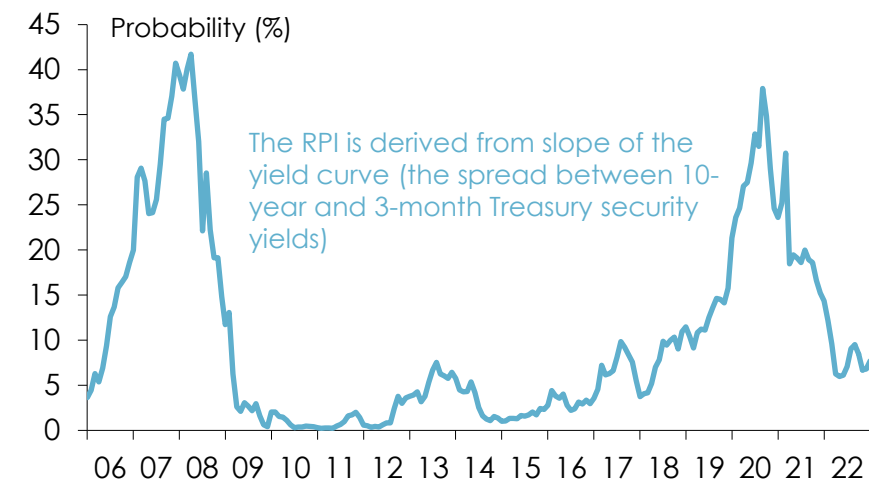
Chicago Fed national activity index



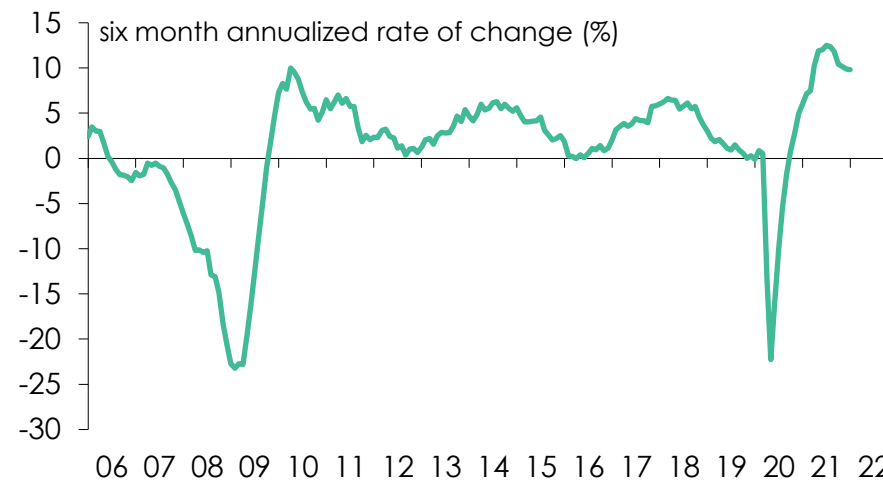
'Philly Fed' business outlook survey



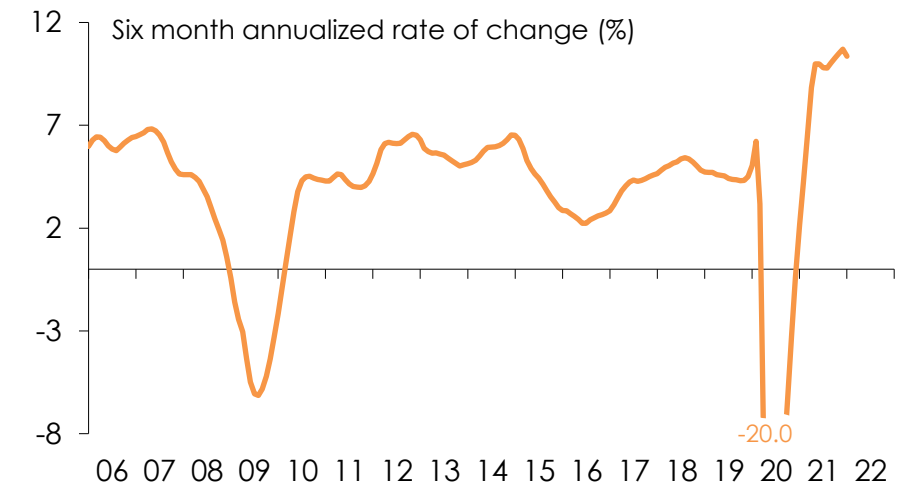
NY Fed recession probability index



Conference Board leading indicators



Dallas Fed Texas business index

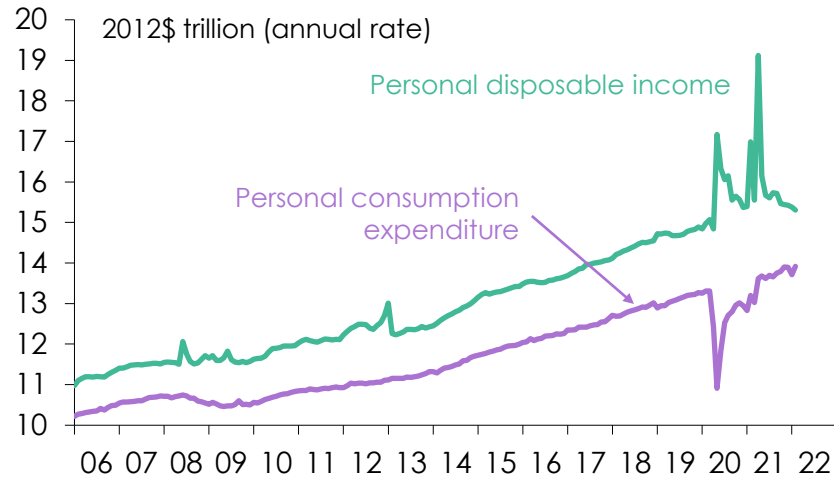


Sources: Federal Reserve Bank of New York, [Weekly Economic Index](#) and [The Yield Curve as a Leading Indicator](#); Federal Reserve Bank of Chicago, [Chicago Fed National Activity Index \(CFNAI\)](#); The Conference Board, [Global Business Cycle Indicators](#); Federal Reserve Bank of Philadelphia,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

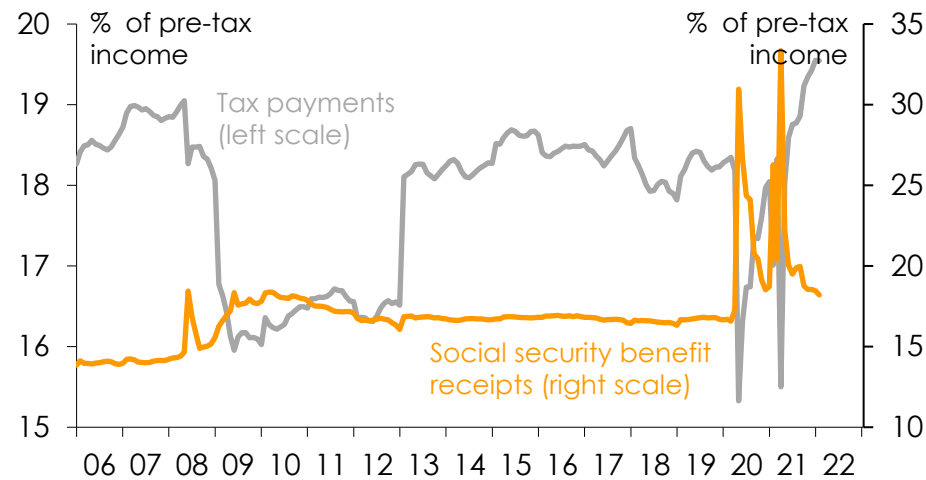
US personal spending and saving are starting to 'normalize' after pandemic-induced distortions, but tax and inflation are also taking a bite out of income

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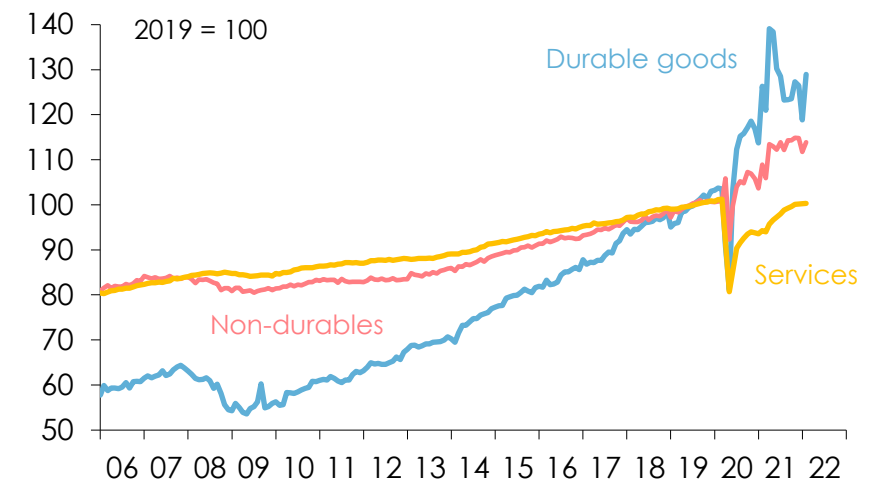
Personal income and expenditure



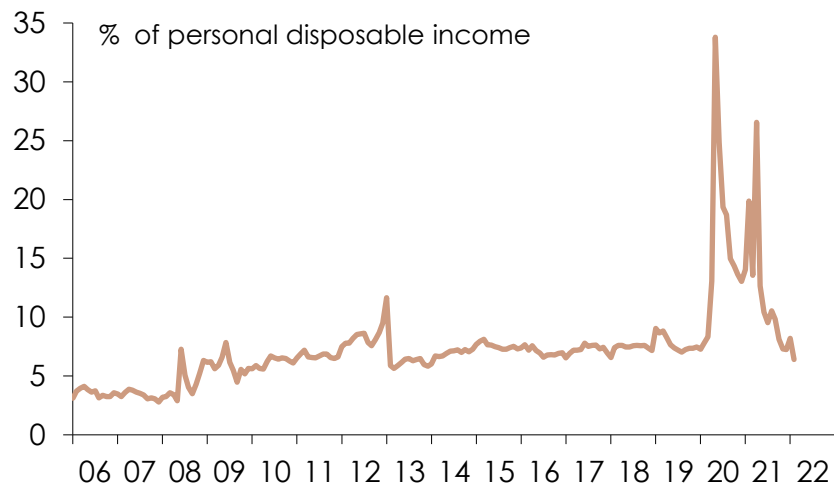
Tax and social security



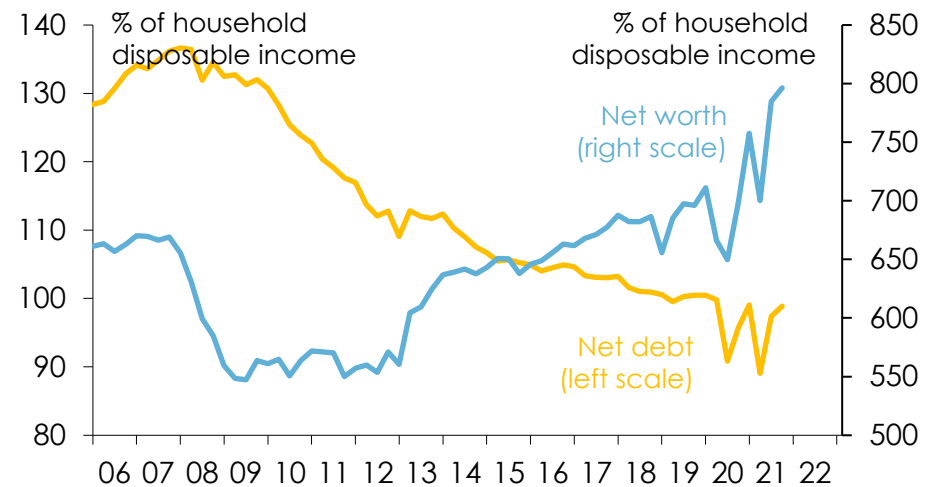
Personal consumption expenditure



Personal saving rate



Household debt and net worth



Spending on energy

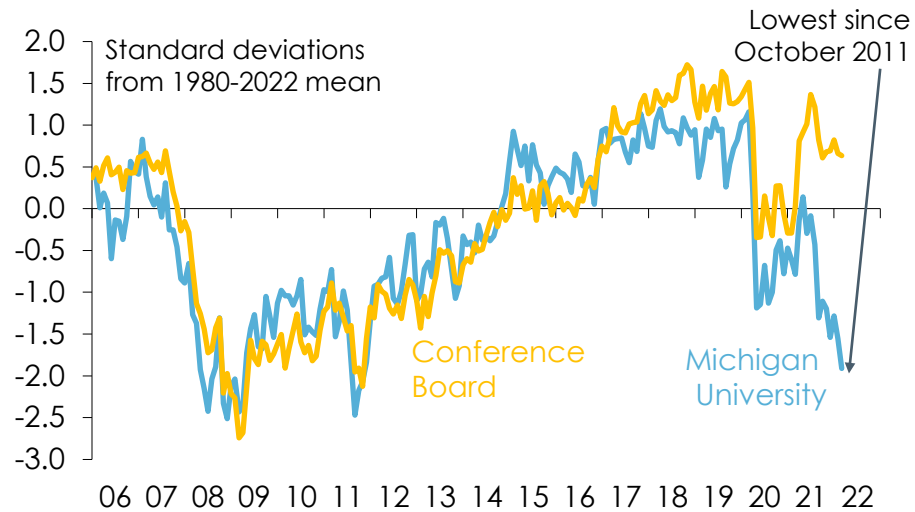


Note: data on personal income, spending and saving are monthly; data on debt and net worth are quarterly. Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#), [Consumer Spending](#) and [Income and Saving](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#). [Return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

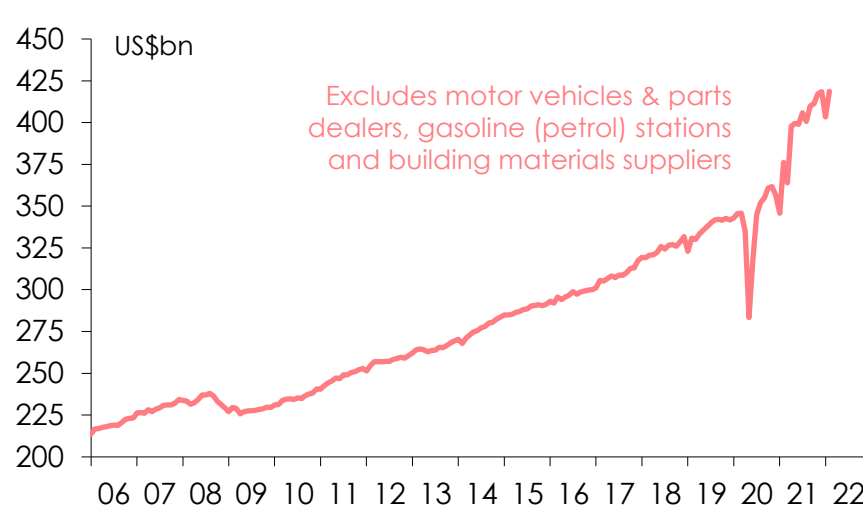
The two measures of US consumer sentiment have diverged over the past two months, reflecting different emphases on inflation & the labour market

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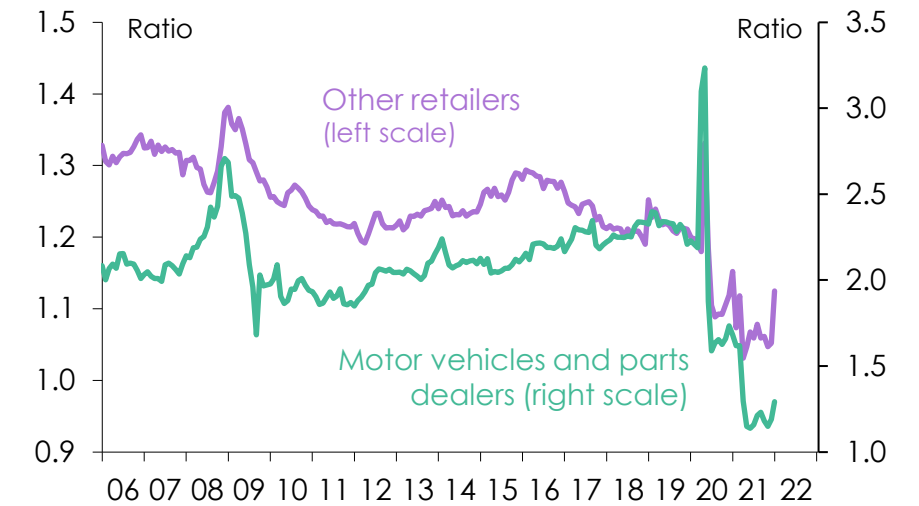
Consumer sentiment



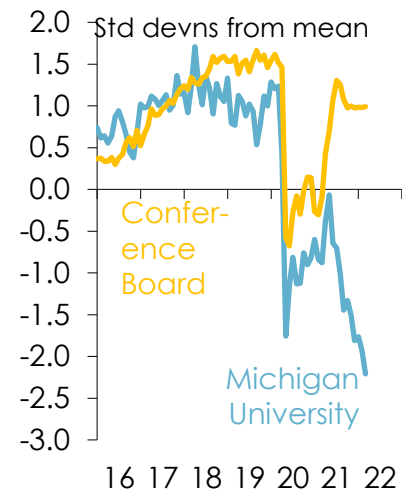
Level of 'core' retail sales



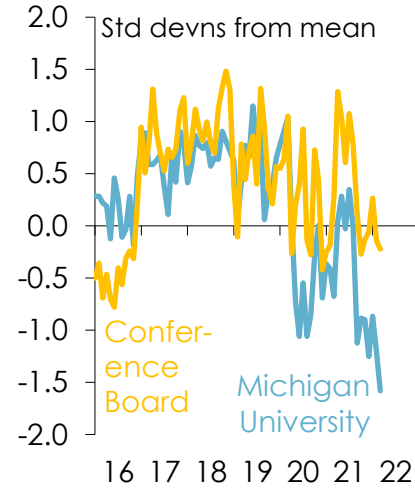
Retail inventories-sales ratios



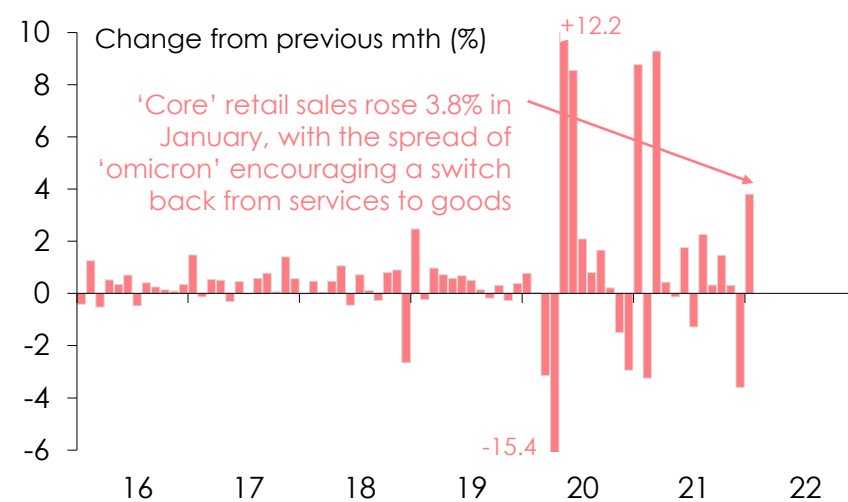
Present situation



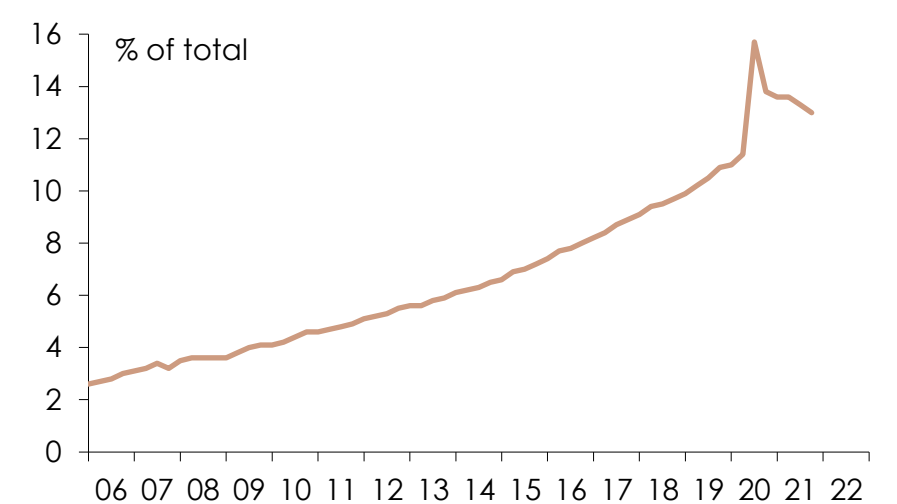
Expectations



Monthly changes in 'core' retail sales



On-line retail sales

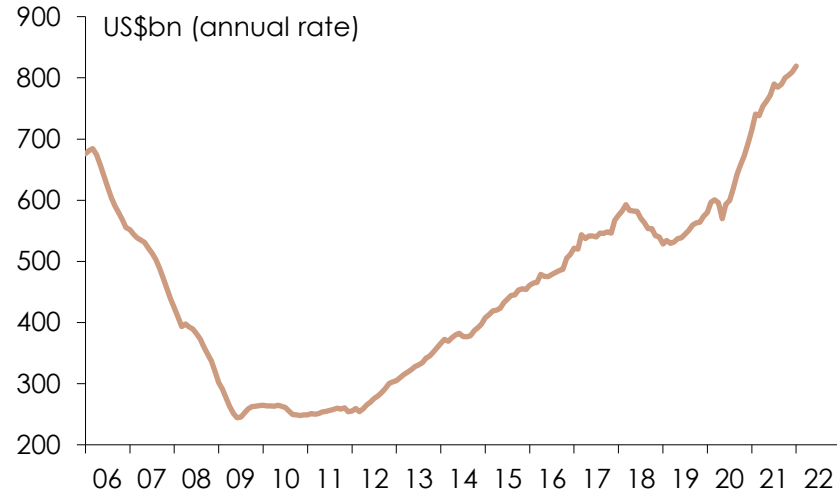


Note: 'Core' retail sales excludes motor vehicles, petrol stations and building materials stores. Sources: Michigan University Survey Research Center, [Survey of Consumers](#); The Conference Board, [US Consumer confidence](#); US Census Bureau, [Monthly Retail Trade](#) and [Advance Economic Indicators](#).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

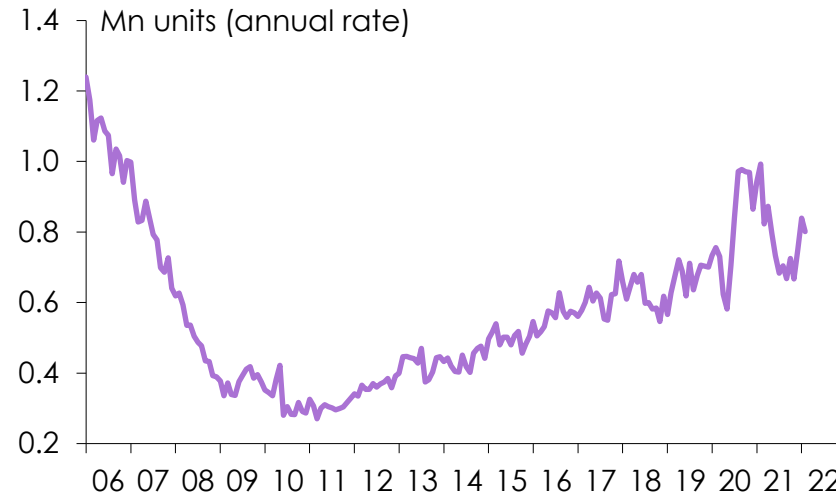
US house price inflation picked up again in the last two months of 2021, after slowing mid-year, perhaps reflecting supply-chain issues

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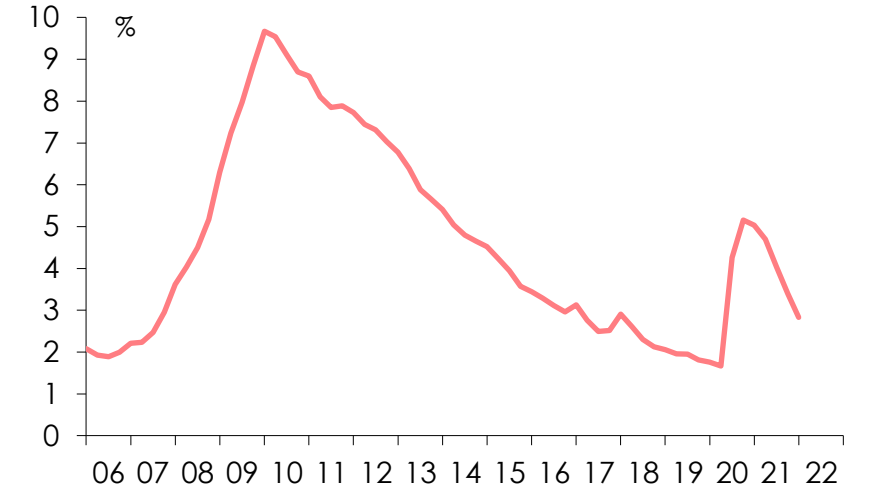
Housing construction spending



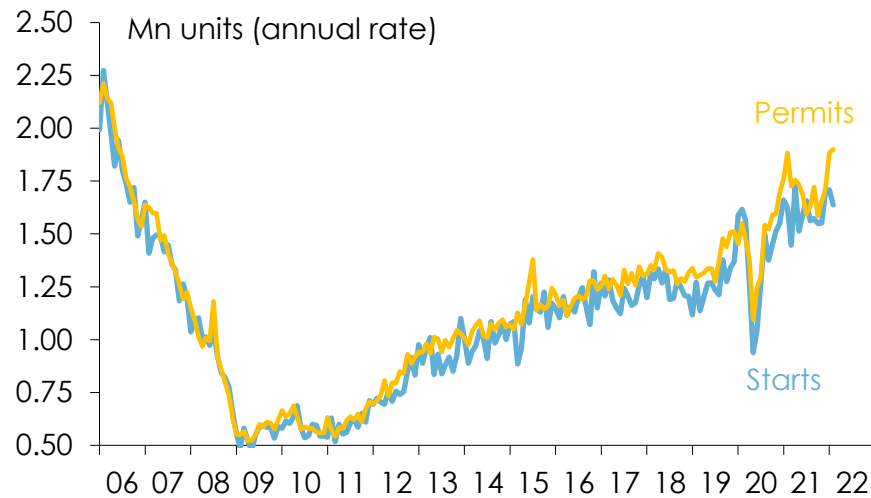
New single-family home sales



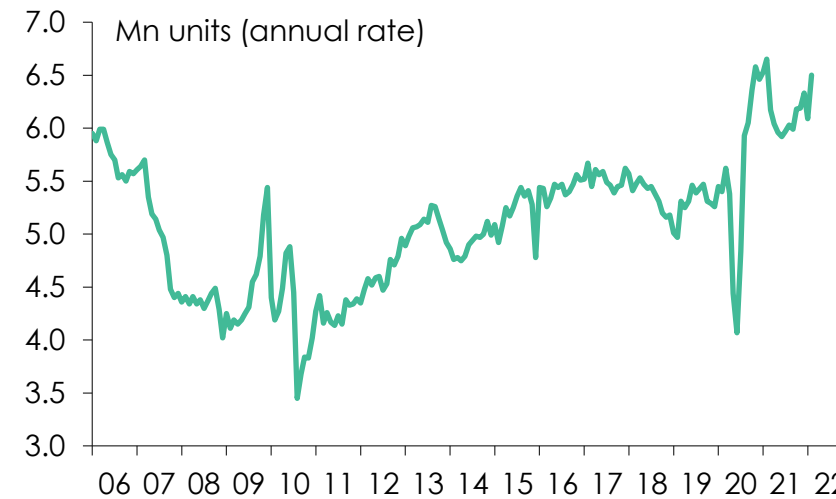
Mortgage delinquency rate



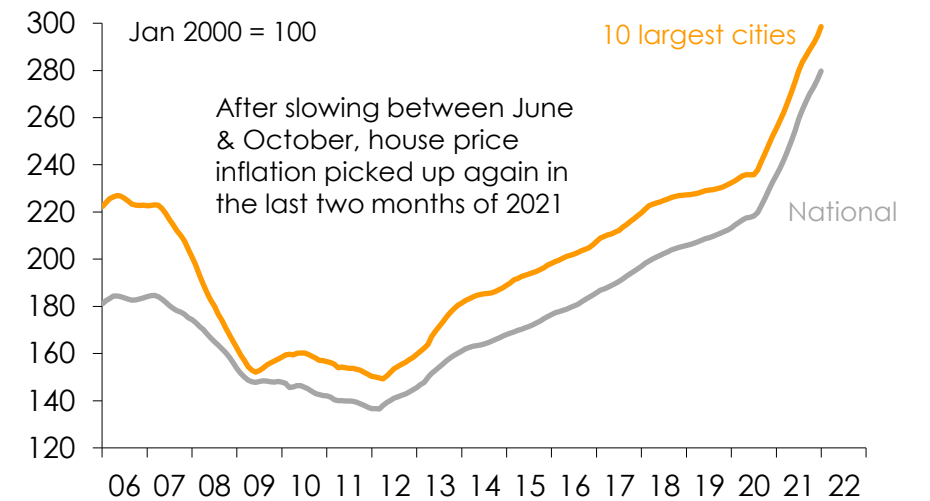
Housing starts and permits



Existing home sales



House prices

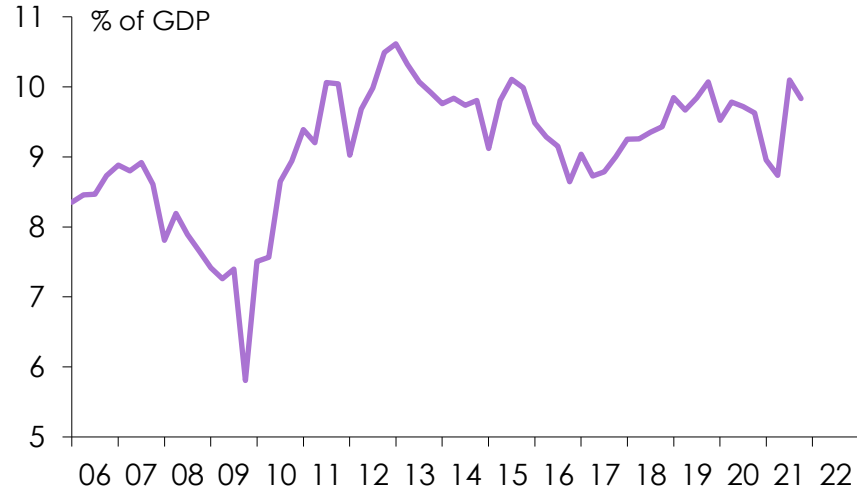


Sources: US Census Bureau, [Construction Spending](#), [New residential construction](#) and [New Residential Sales](#); US National Association of Realtors, [Existing-Home Sales](#); Mortgage Bankers' Association, [National Delinquency Survey](#); S&P Global, [S&P CoreLogic Case-Shiller Home Price Indices](#).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

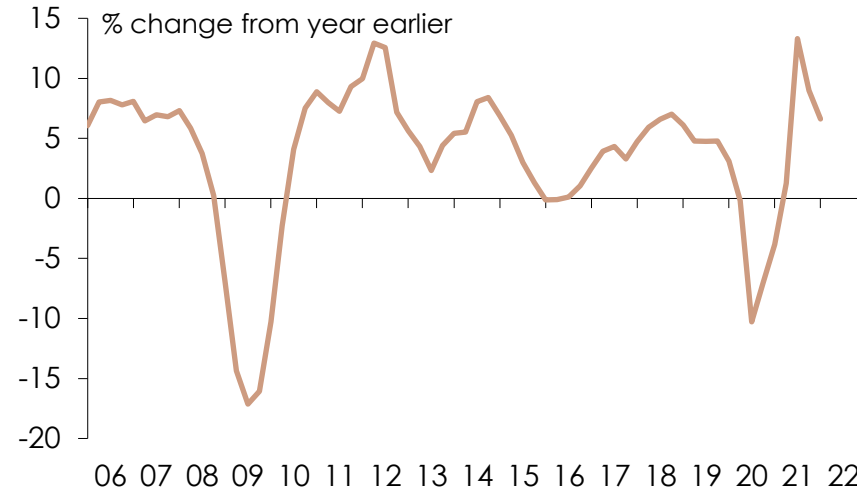
US corporate profits and balance sheets are strong, and investment is increasing – except in non-residential construction

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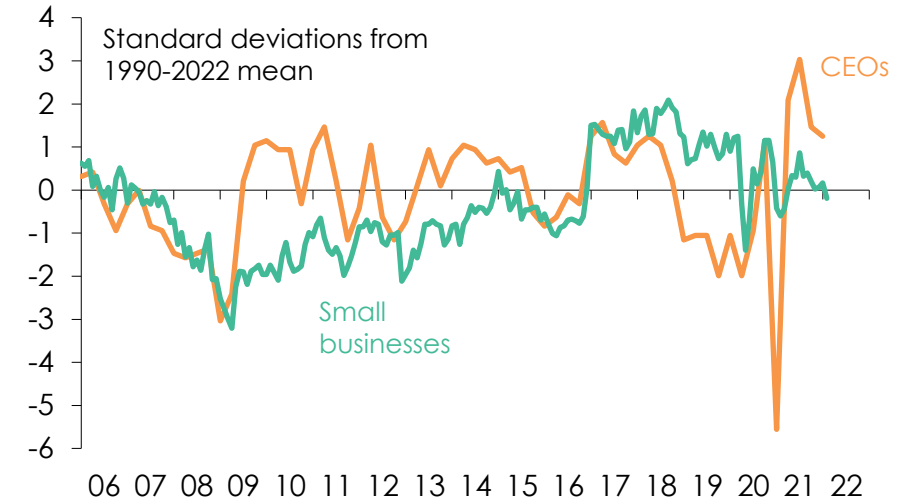
After-tax corporate profits



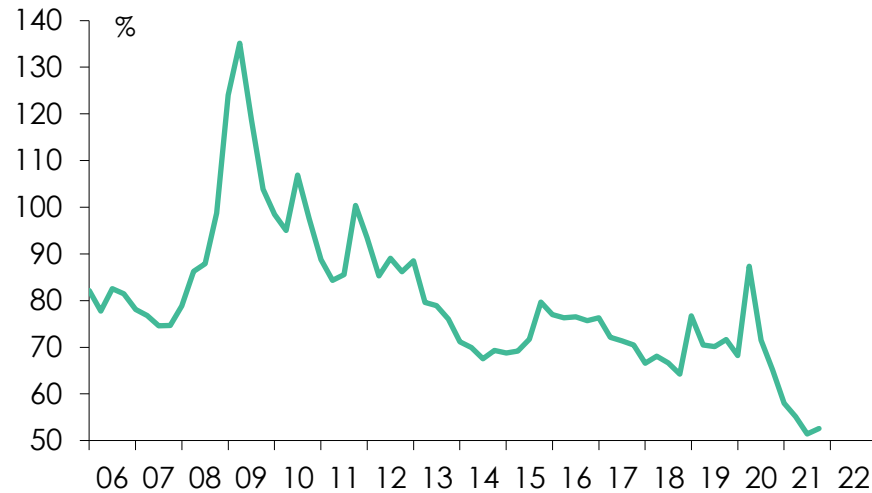
Business investment



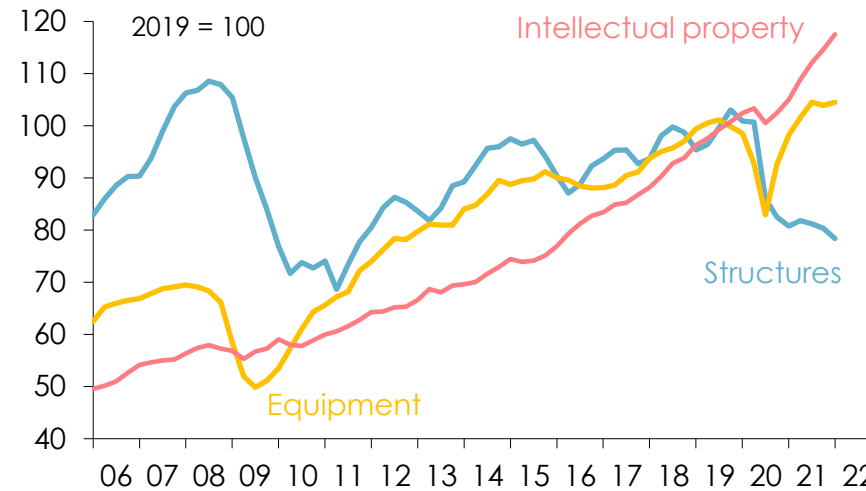
Business confidence



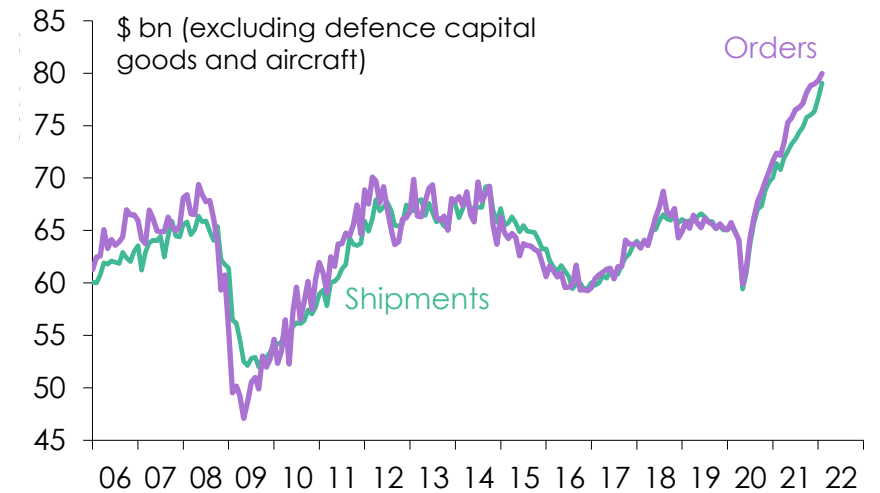
Corporate debt-equity ratio



Business investment by type



Capital goods orders & shipments

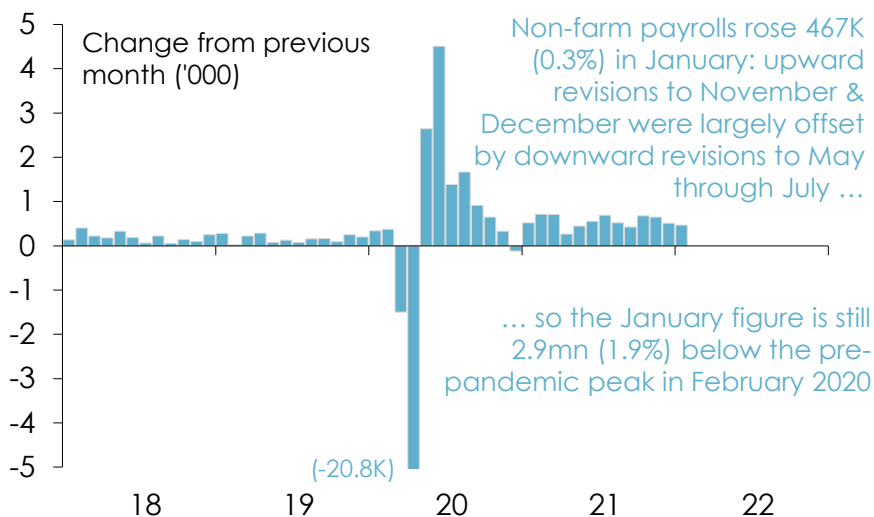


Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#); The Conference Board, [US CEO Confidence](#); National Federation of Independent Business, [Small Business Economic Trends](#); US Commerce Department, [Manufacturers'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

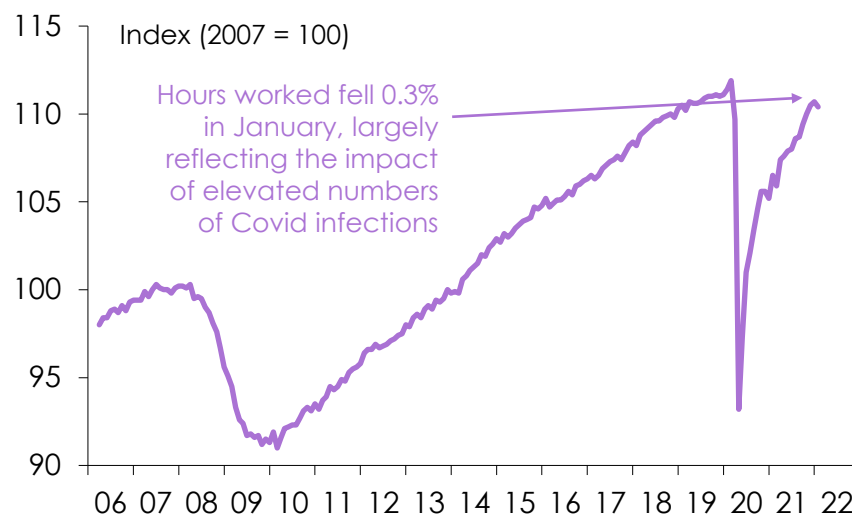
Employment rose more than expected in January, though the two different measures tell contrasting stories about the strength of the jobs recovery

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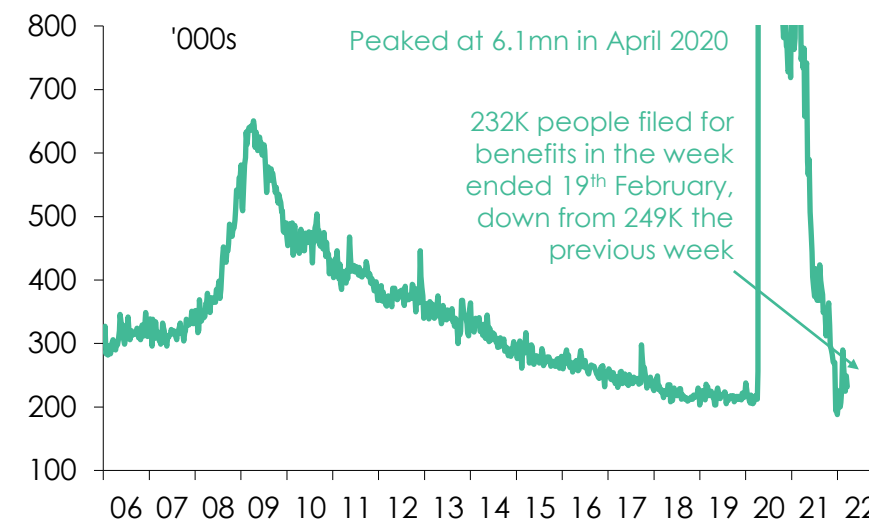
Non-farm payroll employment



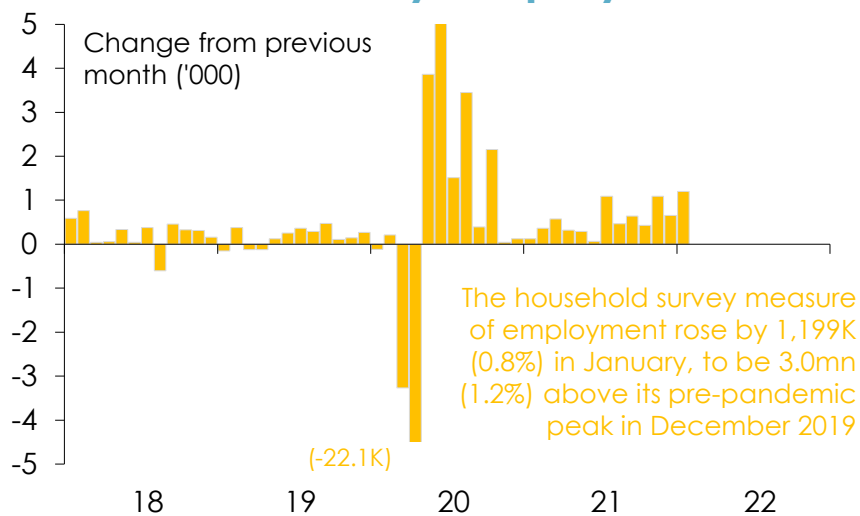
Hours worked (private sector)



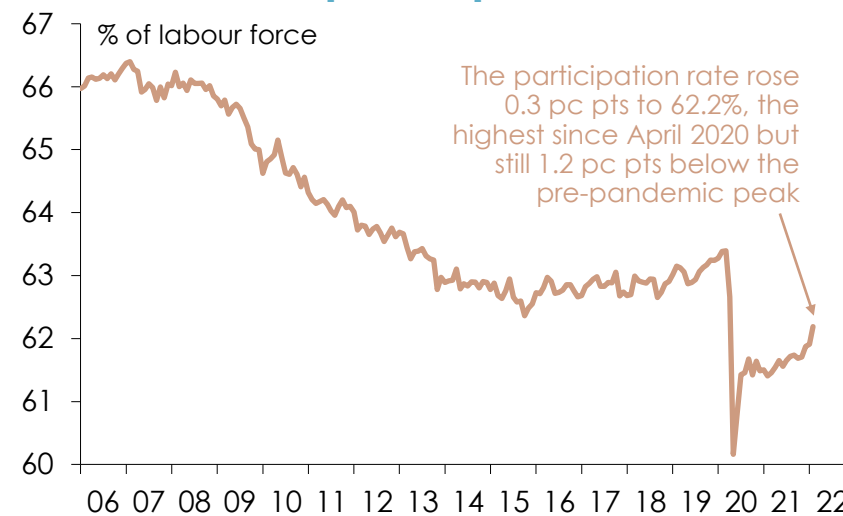
Unemployment benefit initial claims



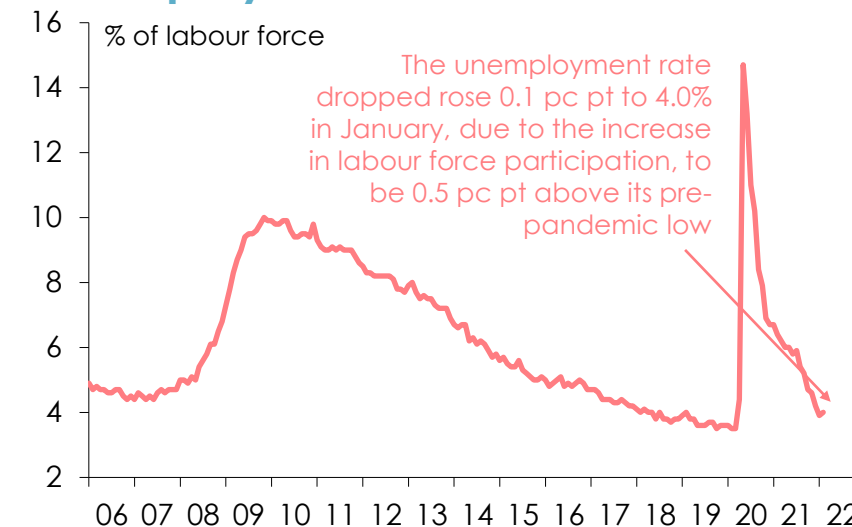
Household survey employment



Labour force participation rate



Unemployment rate

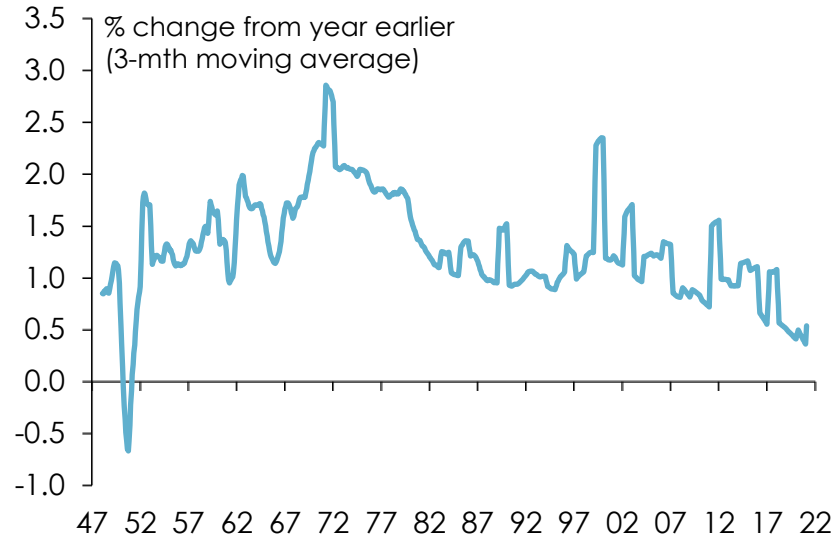


Sources: US Bureau of Labor Statistics, [Employment Situation](#); US Department of Labor, [Unemployment Insurance Weekly Claims](#). February employment and other labour force data will be released on 4th March. [Return to "What's New"](#).

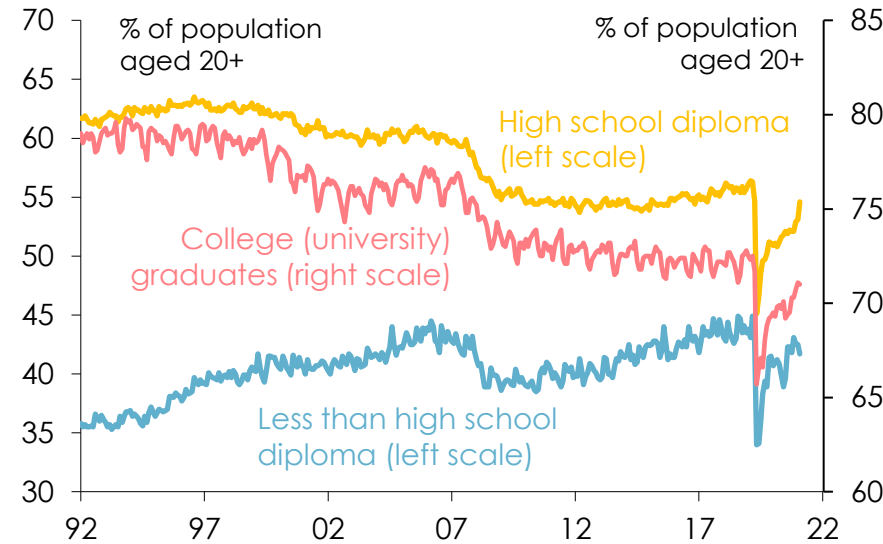
US labour market tightness owes a lot to restrictions on immigration, and to barriers to the return to the labour market of specific groups

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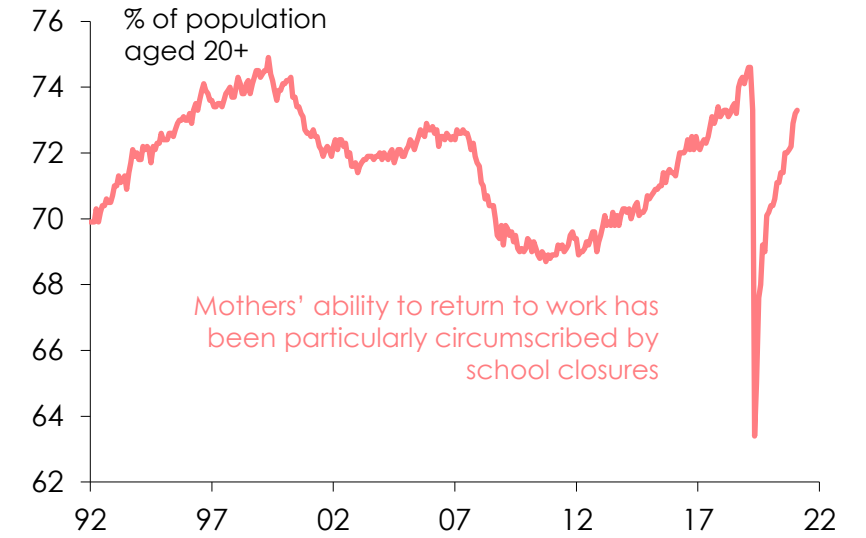
Civilian working age population



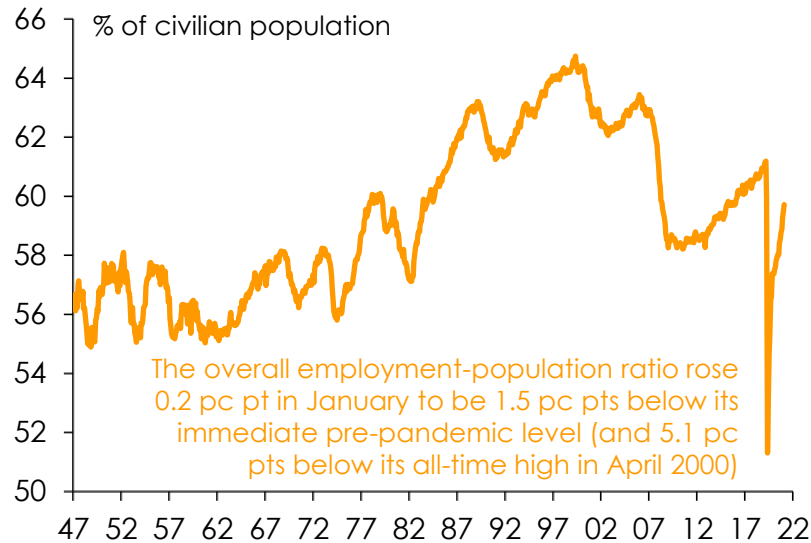
'E-pop' ratio – by education



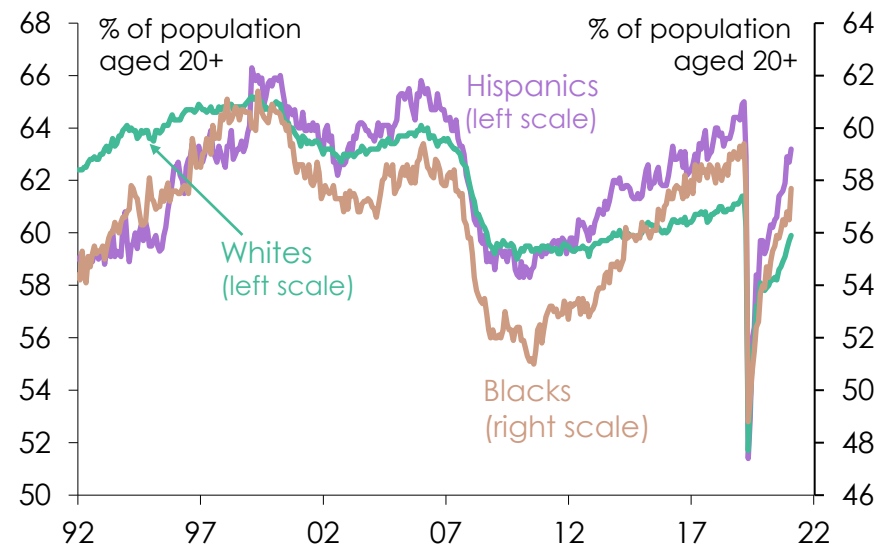
'E-pop' ratio – women 25-54



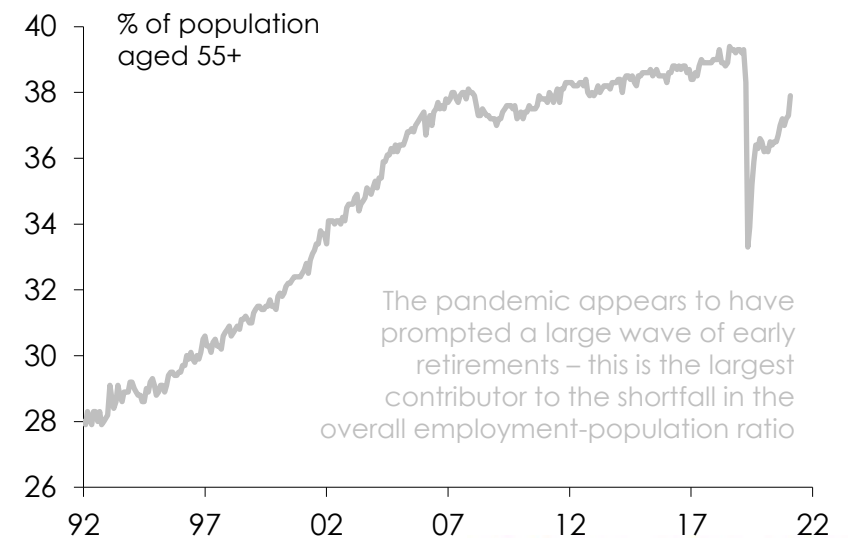
Employment-to-population ratio



'E-Pop' ratio – Blacks & Hispanics



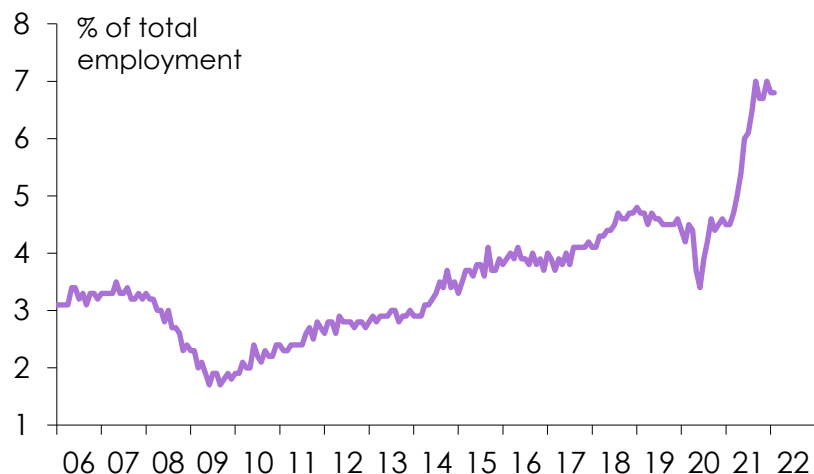
'E-pop' ratio – people 55 & over



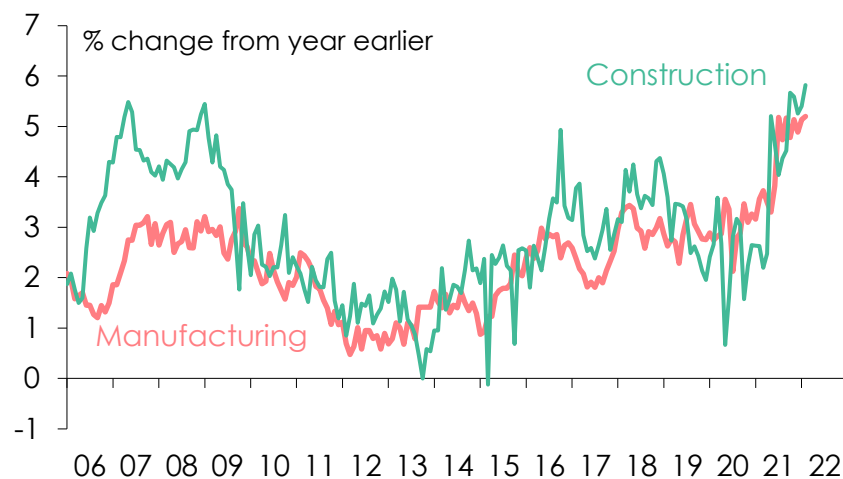
The 'best' measure of US wages growth – the employment cost index – rose 5% over the year to Q4, the fastest pace since Q1 1984

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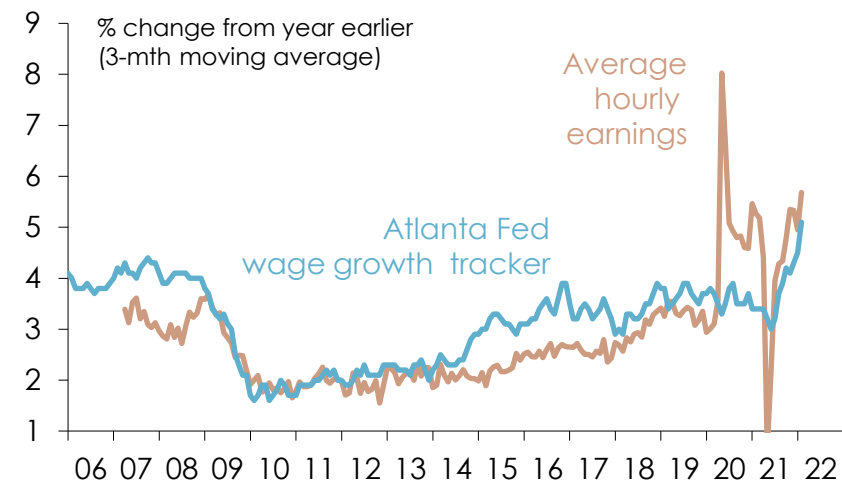
Job openings



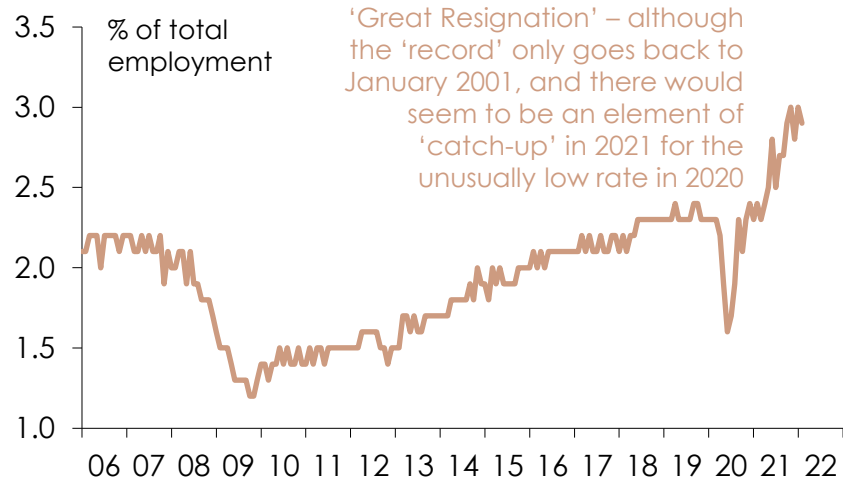
Average hourly earnings



Overall wages growth - monthly

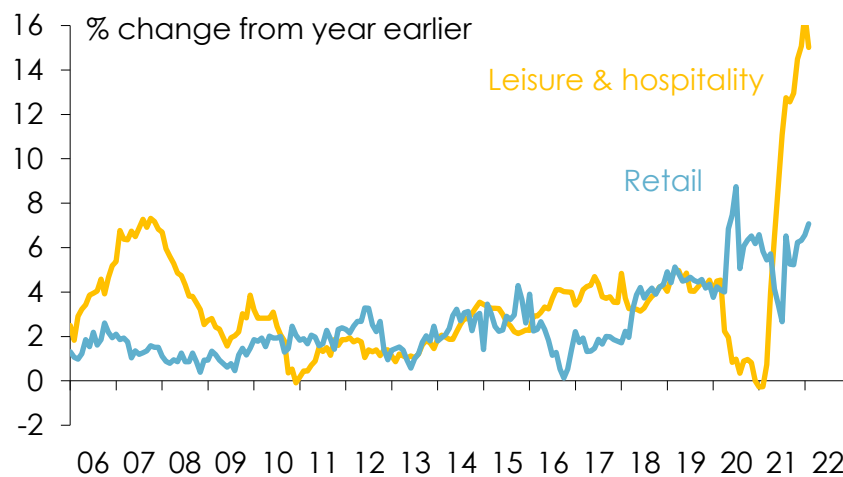


Quit rate

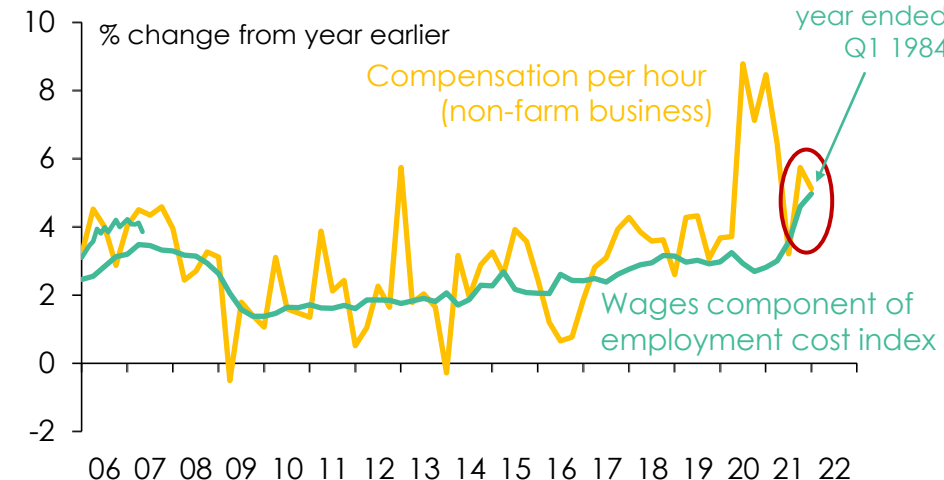


The record high 'quit rate' is the main evidence for the so-called 'Great Resignation' – although the 'record' only goes back to January 2001, and there would seem to be an element of 'catch-up' in 2021 for the unusually low rate in 2020

Average hourly earnings



Wages growth - quarterly

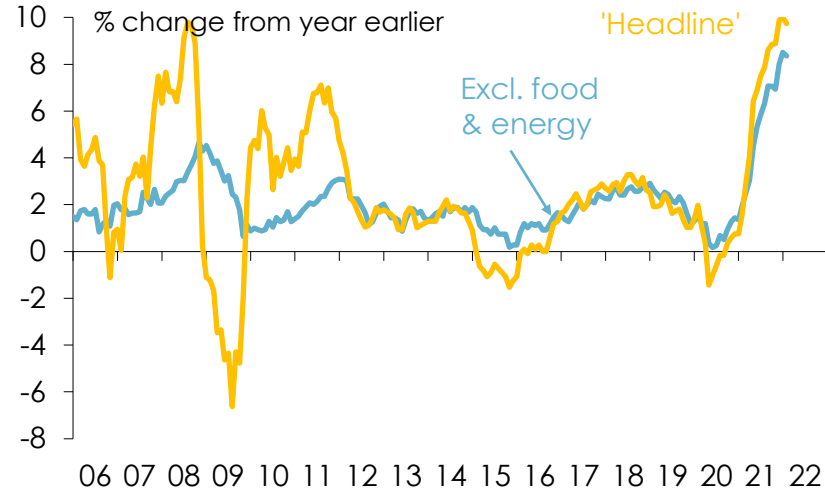


Note: Measures of average hourly earnings (especially the all-industries measures) and of average compensation per hour are affected by changes in the composition of employment (so for example they rose sharply in Q2 2020 when large numbers of low-paid workers were laid off and fell markedly when they 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"](#).

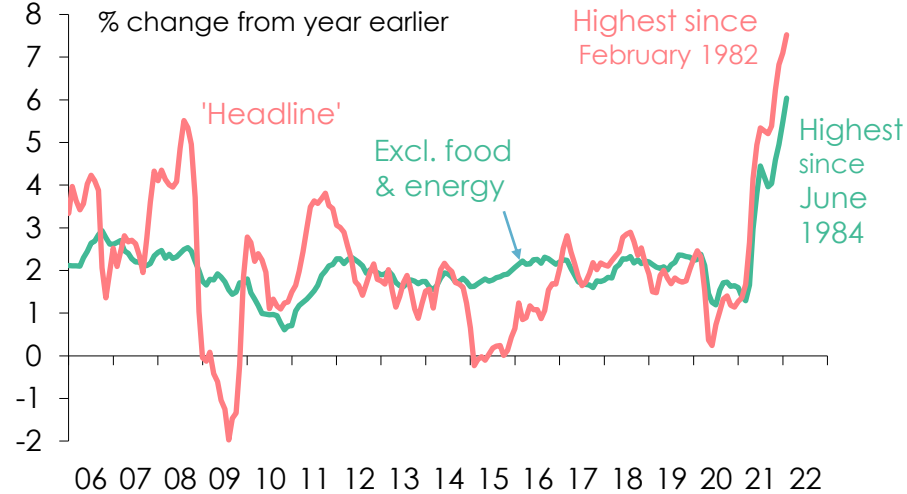
The Fed's preferred measure of 'core' inflation rose 5.2% over the year to January, the fastest since April 1983

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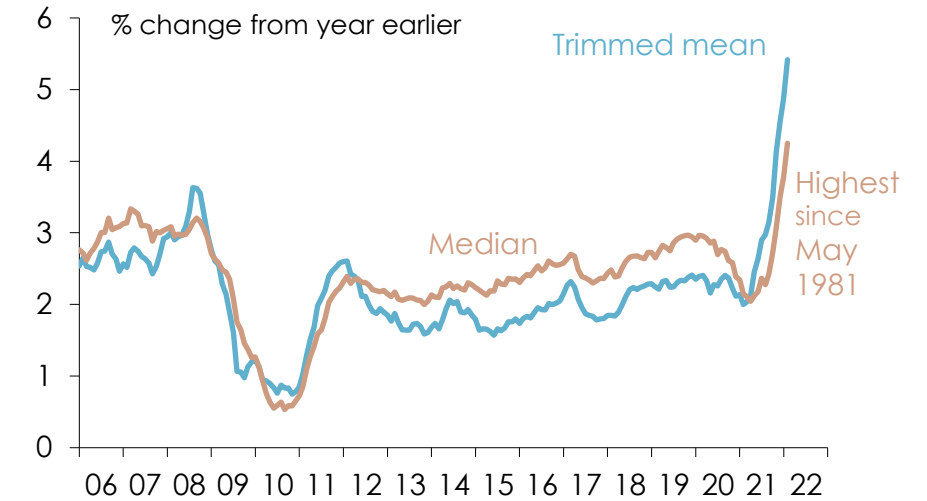
Producer price index



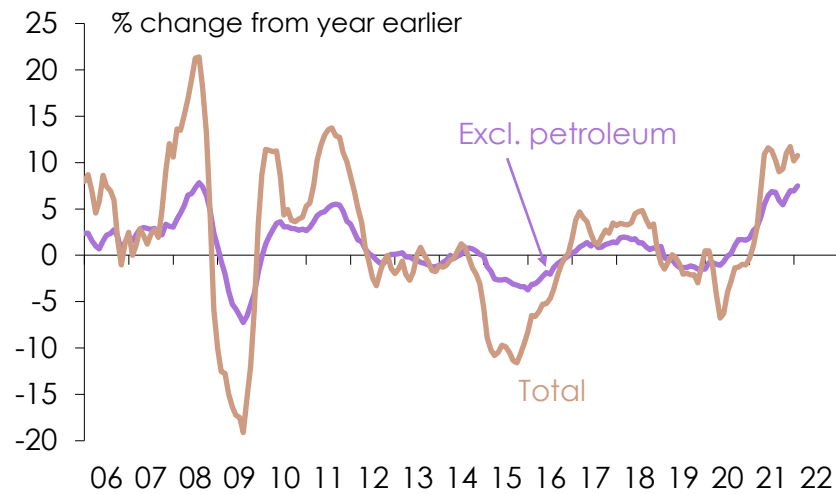
Consumer price index



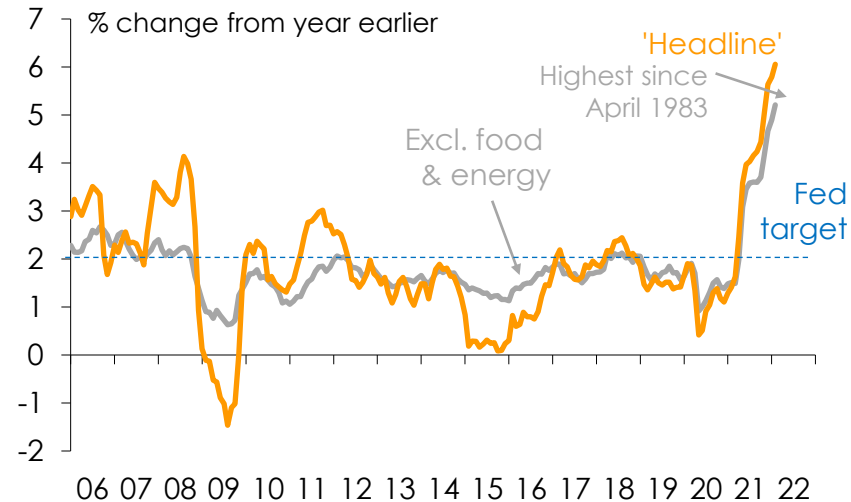
'Underlying' CPI inflation



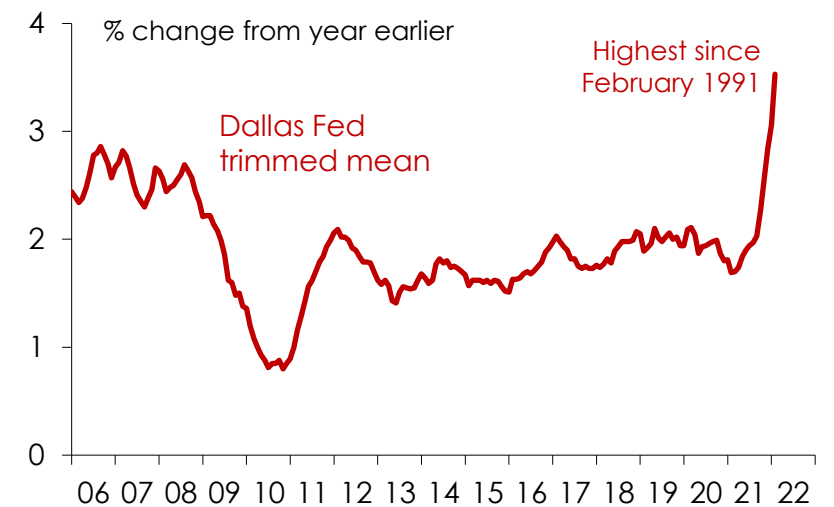
Import price index



Personal consumption deflator



'Underlying' PCE deflator inflation

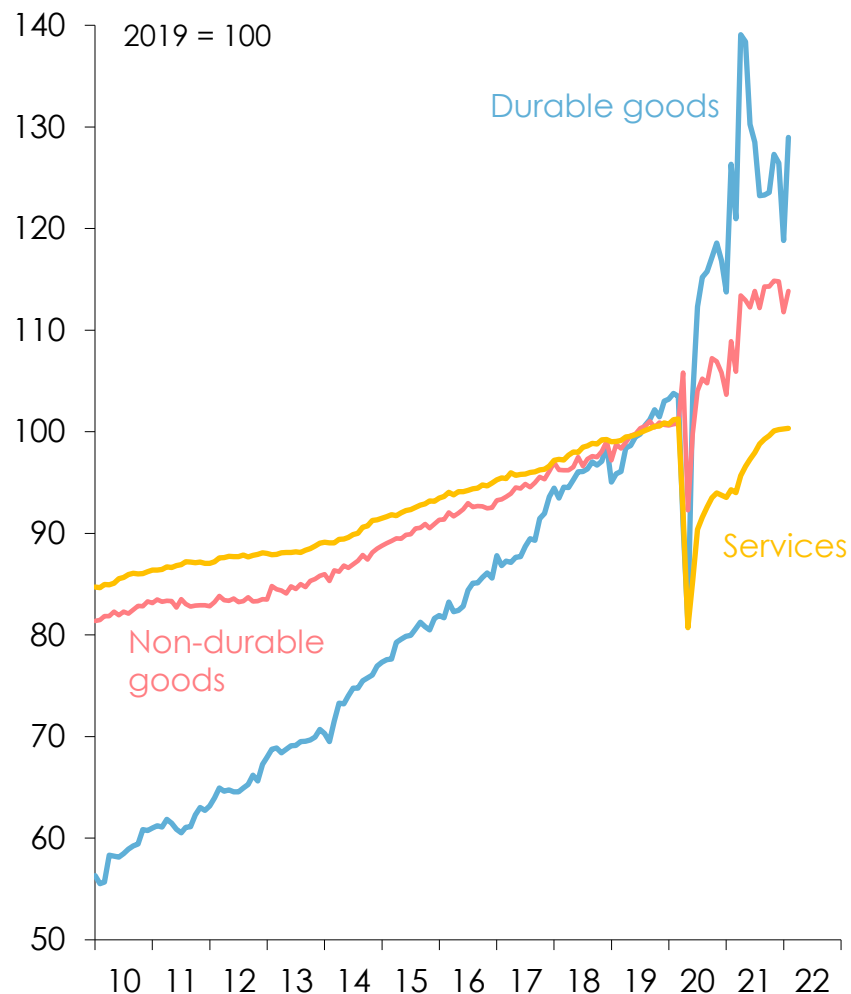


Sources: US Bureau of Labor Statistics, [Producer Price Index](#), [Import and Export Price Indexes](#) and [Consumer Price Index](#); US Bureau of Economic Analysis, [Personal Consumption Expenditures Price Index](#); Federal Reserve Bank of Cleveland, [Median CPI](#); Federal Reserve Bank of Dallas,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

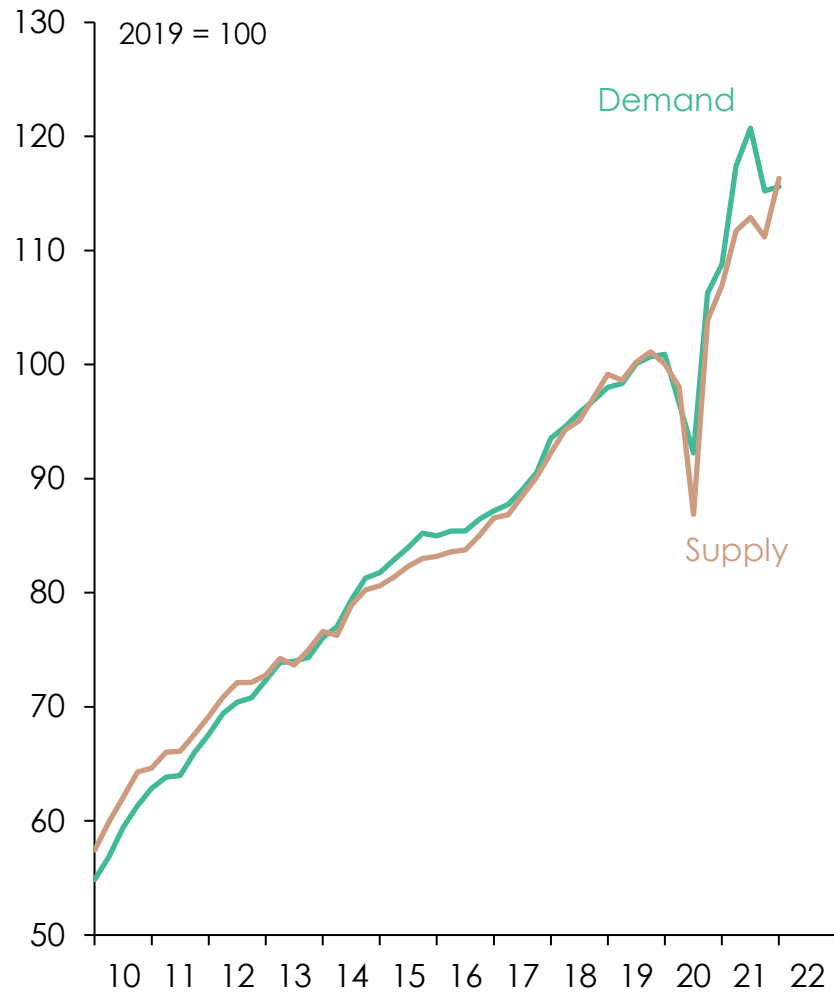
The rise in inflation as measured by the PCE deflator is largely attributable to the imbalance between demand for and supply of durable goods

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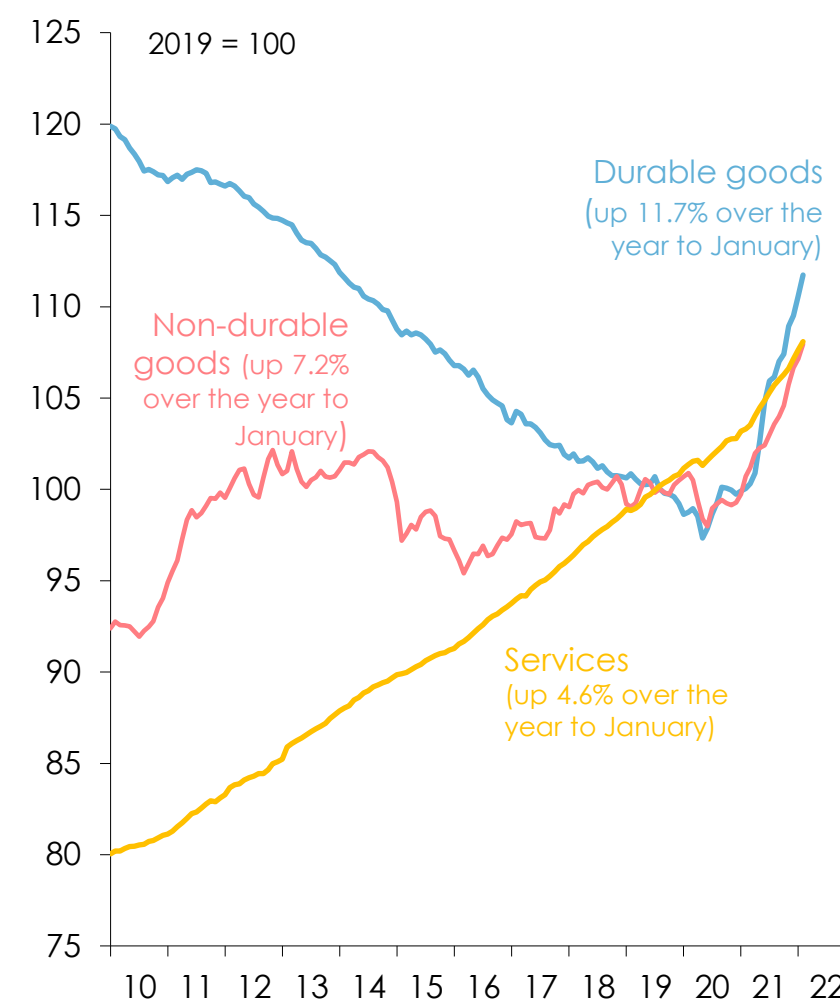
Composition of personal consumption expenditures



Aggregate demand for and supply of durable goods



Implicit price deflators of personal consumption

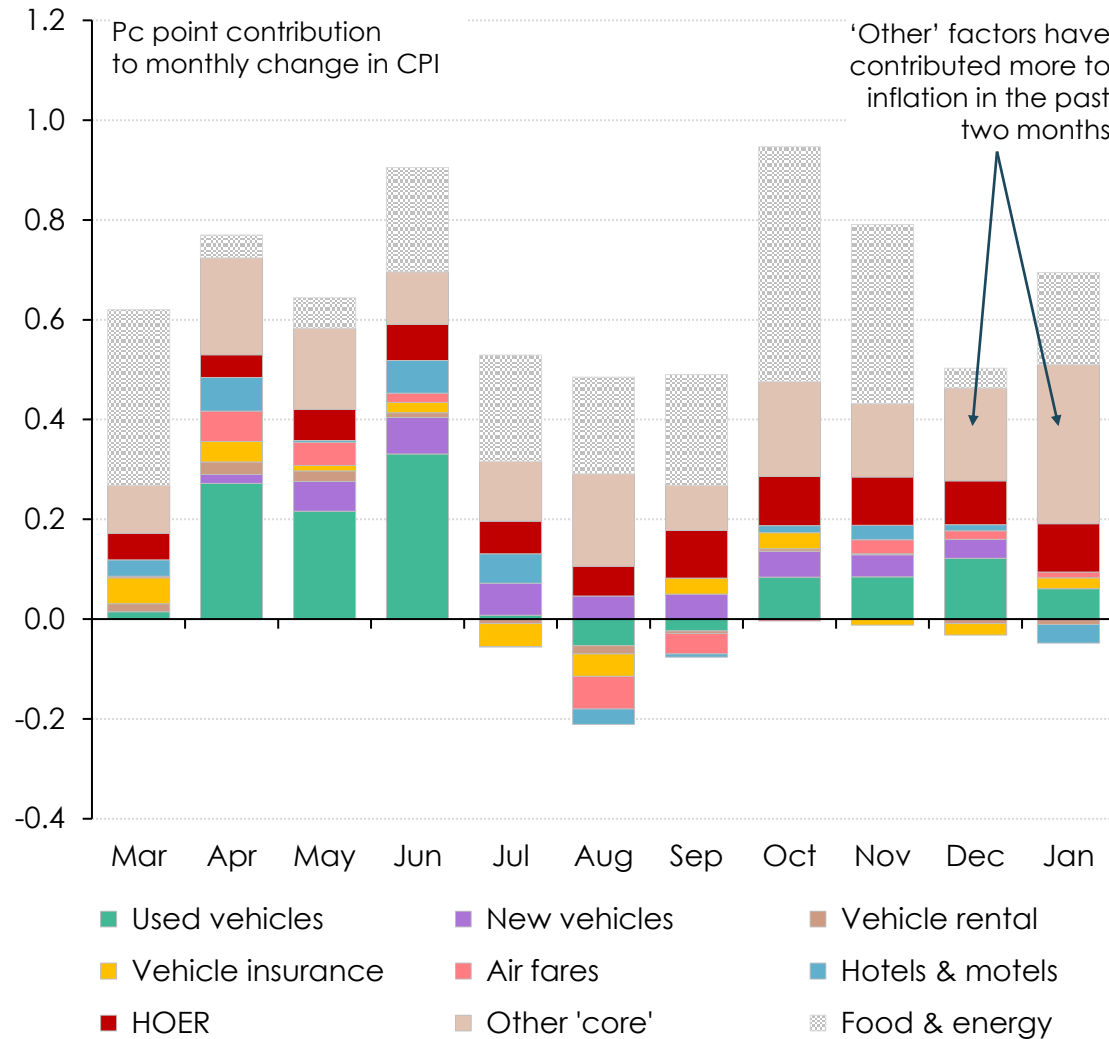


Note: 'Aggregate demand' for durable goods comprises personal consumption of durable goods plus business investment in equipment. 'Aggregate supply' of durable goods comprises gross domestic product (final sales plus change in inventories) plus net imports of durable goods. Sources: US Bureau of Economic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

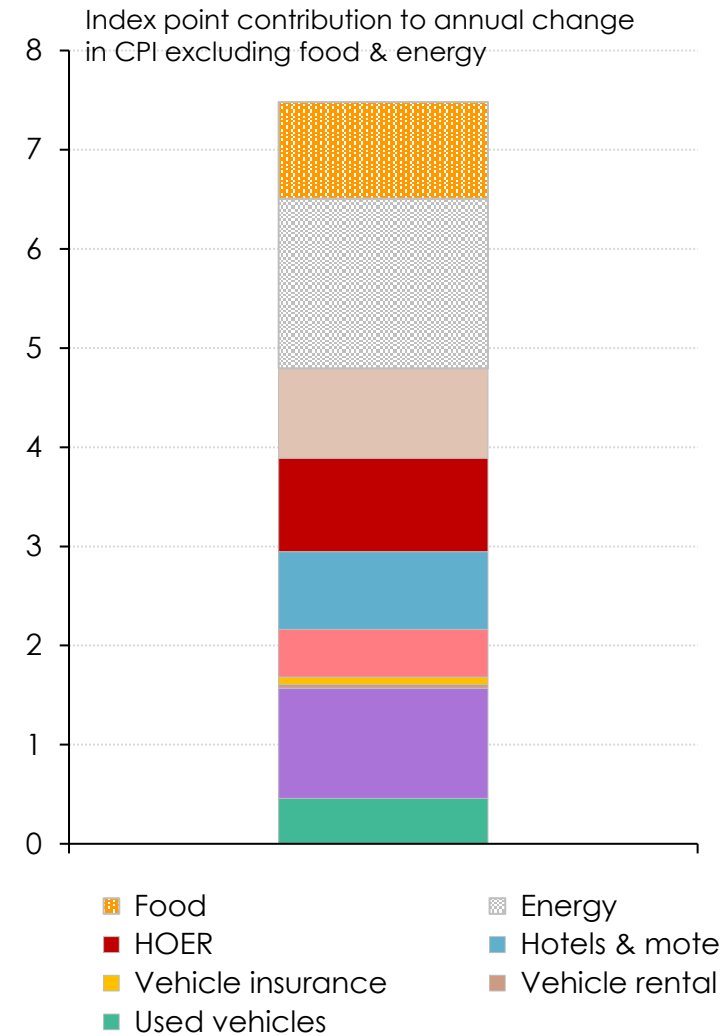
Energy, vehicle purchase, hotels, air fares, & home-owner costs account for 39% of the CPI, but contributed 84% of the increase in it over the past year

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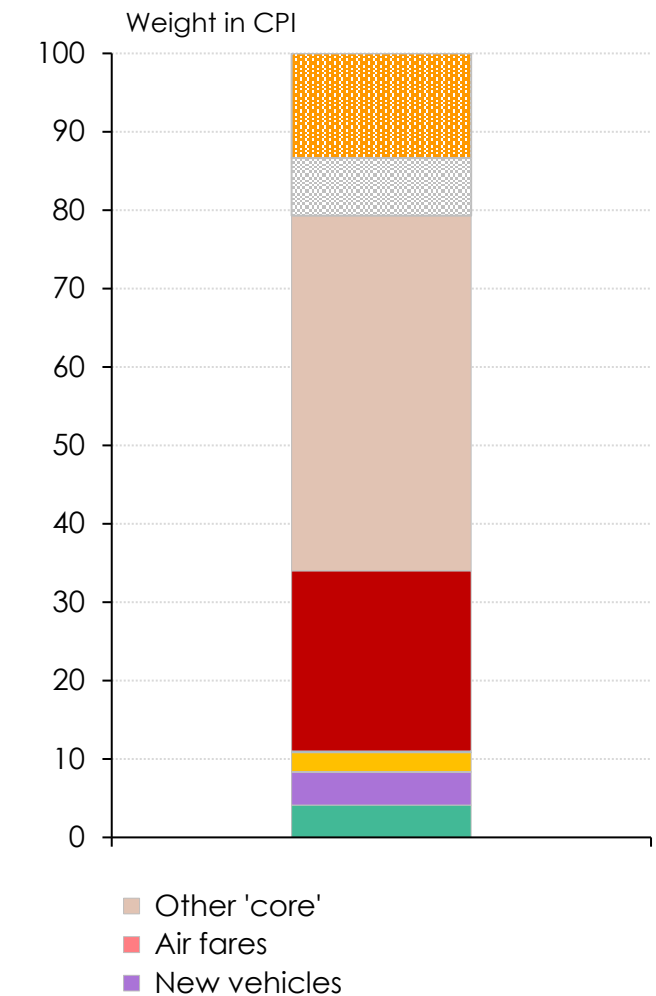
Contributions to monthly changes in the US CPI



Contributions to change in CPI over the year to January



Weights in CPI

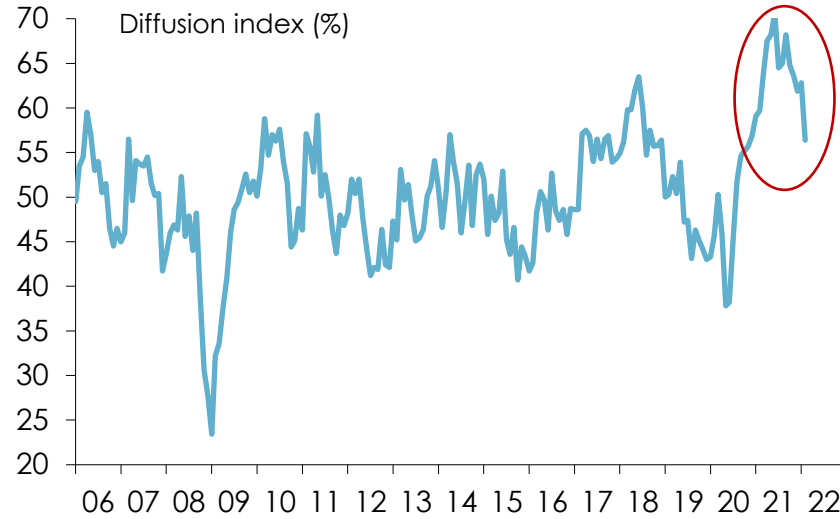


Note: 'HOER' = home-owners' equivalent rent (a measure of the 'imputed rent' notionally paid by owner-occupiers to themselves), and which accounts for (an uncommonly large, by international standards) 28½% of the CPI excluding food and energy. Source: US Bureau of Labor Statistics, CPI Table 6; Corinna.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

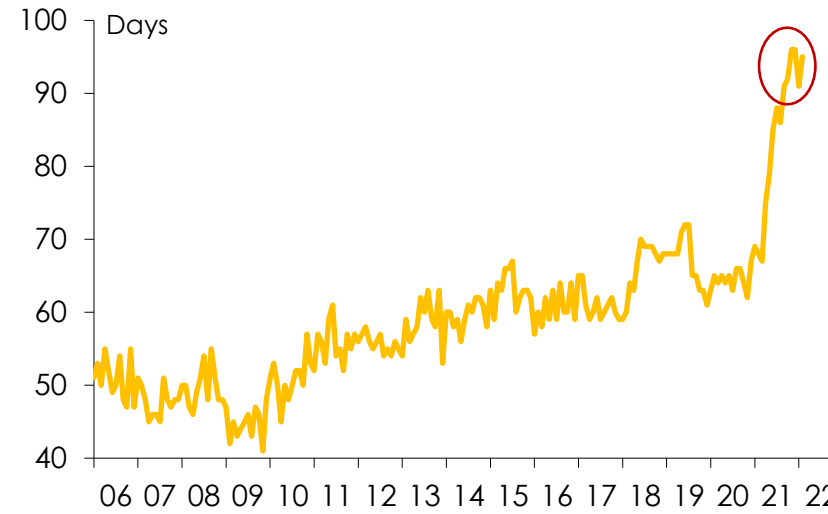
There have been some serious supply-chain difficulties in the US – particularly in the auto sector – but they may have now peaked

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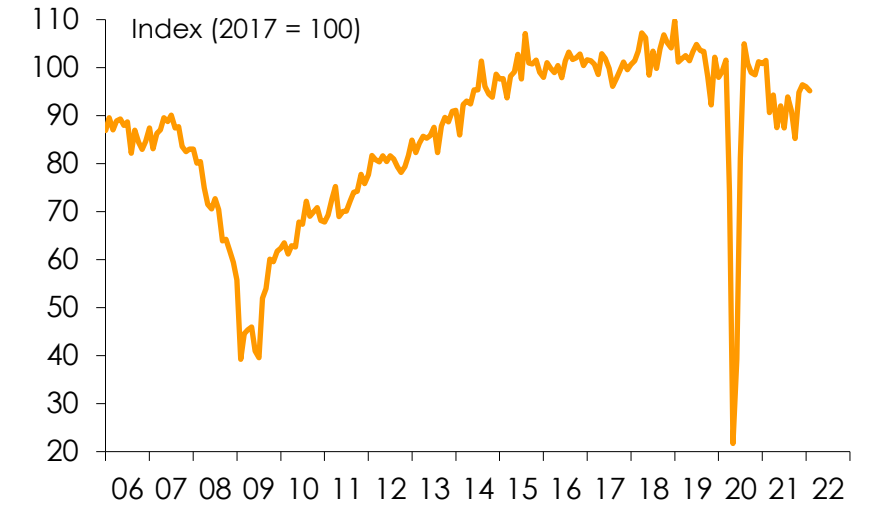
Manufacturers' order backlogs



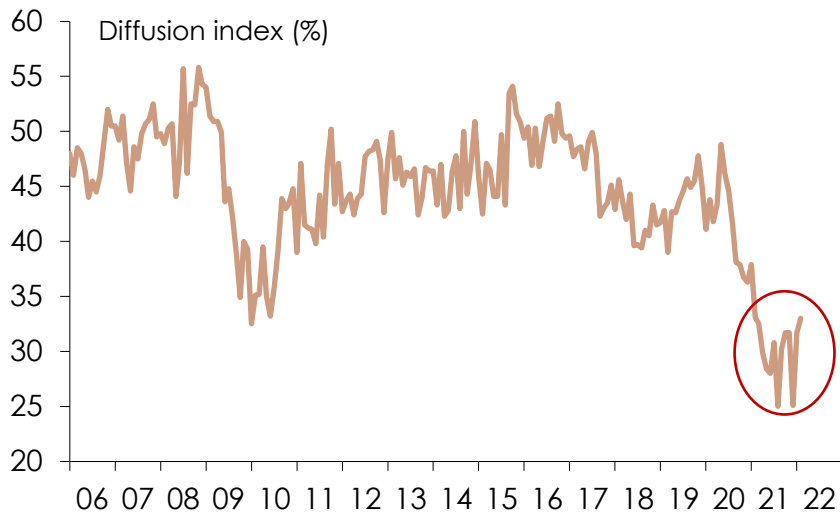
Lead-time for production materials



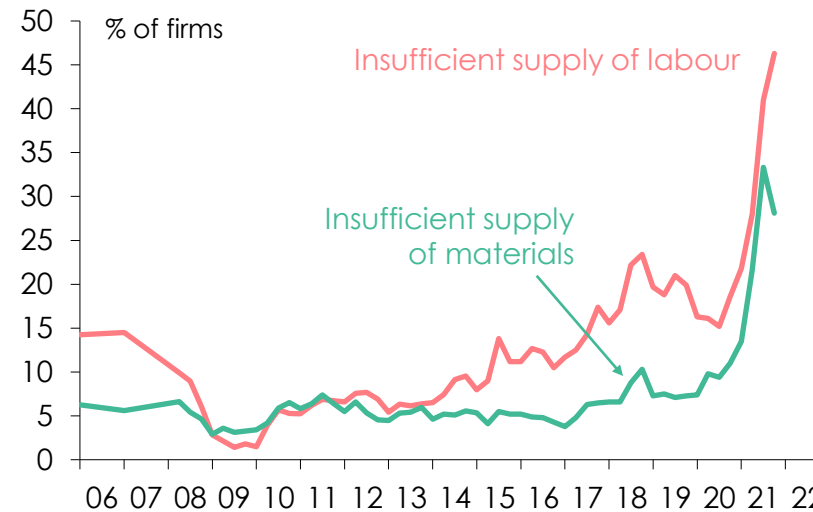
Motor vehicles & parts production



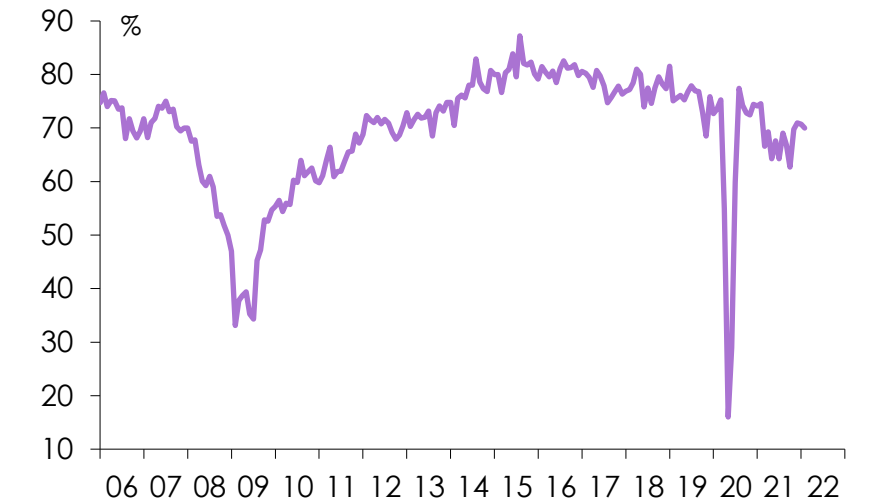
Manufacturers' customer inventories



Reasons for < full capacity



Auto industry capacity utilization

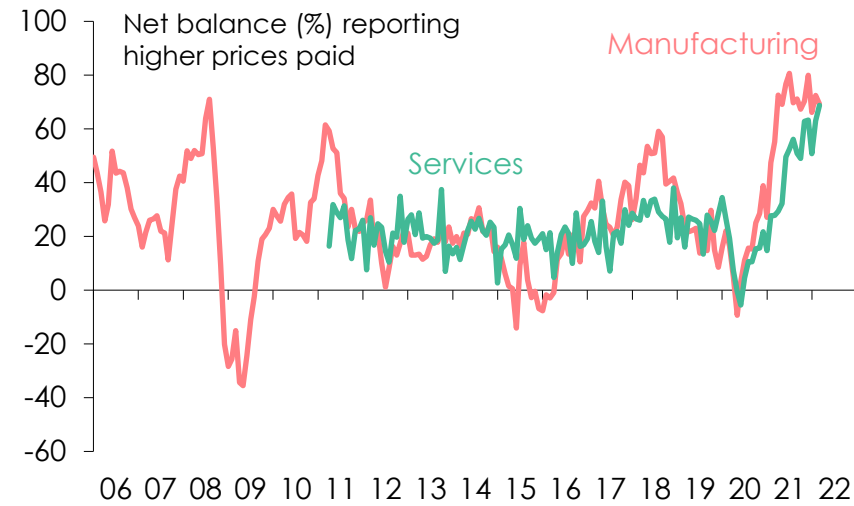


Note: The diffusion index of order backlogs is 50 plus the percentage of respondents reporting longer backlogs minus the percentage reporting shorter backlogs (and similarly for customer inventories). 'Reasons for < full capacity' means reasons for operating at less than full capacity. Sources: Institute 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"](#).

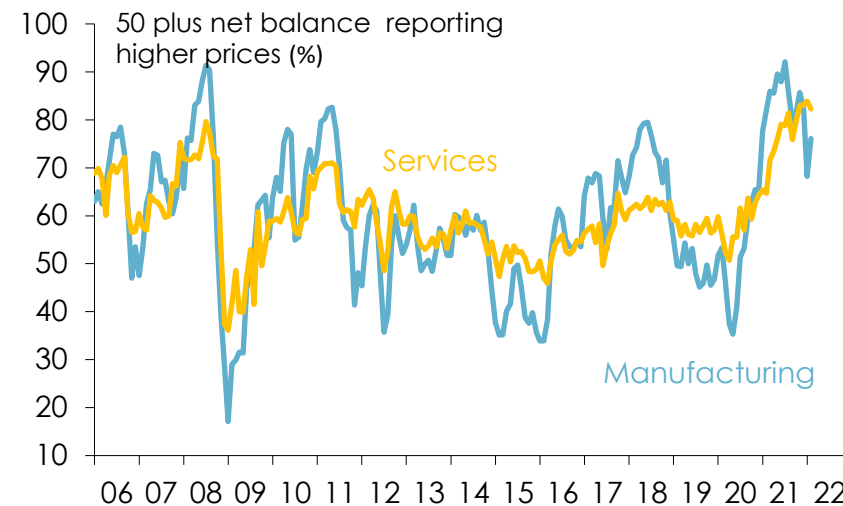
Survey-based measures suggest 'upstream' price pressures may be peaking – while longer-term household inflation expectations remain stable

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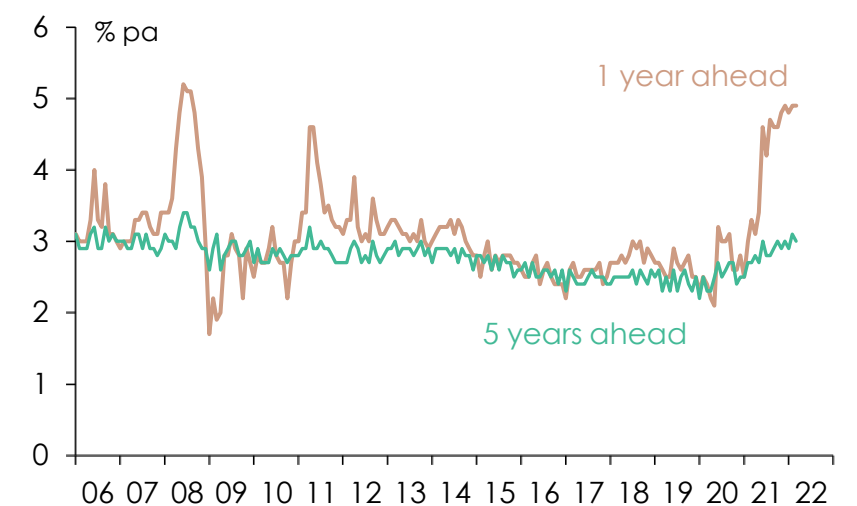
'Philly Fed' survey – prices paid



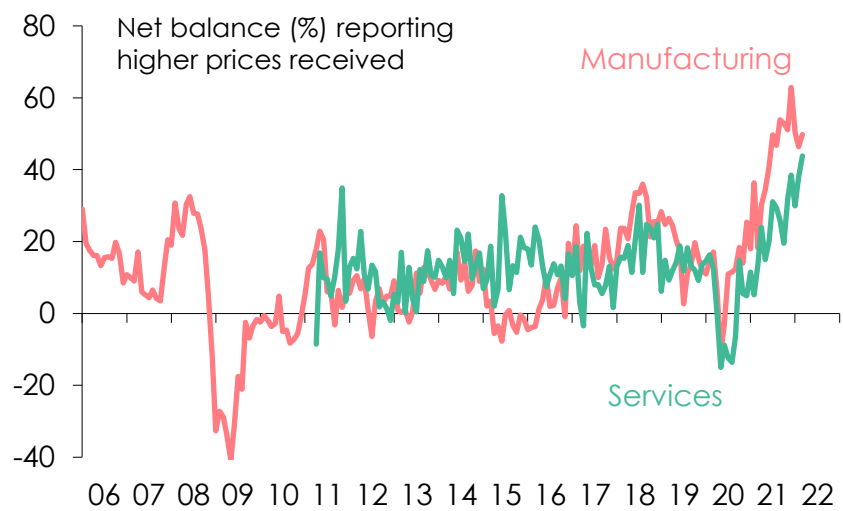
ISM survey – prices paid



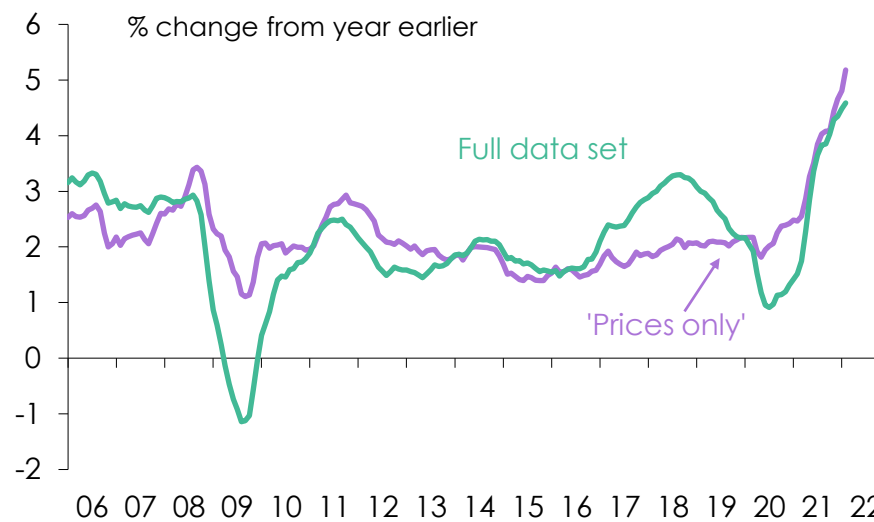
Household inflation expectations



'Philly Fed' survey – prices received



NY Fed 'underlying inflation gauge'



Market-priced inflation probabilities

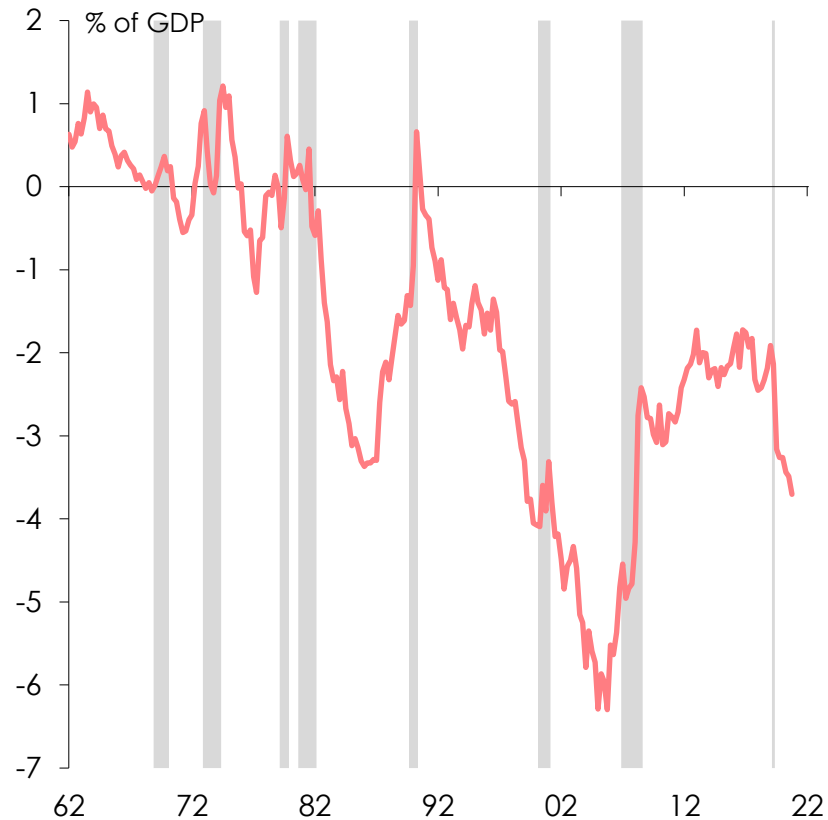


Sources: Federal Reserve Bank of Philadelphia, [Regional Economic Analysis](#), Manufacturing and Non-Manufacturing Business Outlook Surveys ; Institute for Supply Management, [ISM Report on Business](#); Federal Reserve Bank of New York, [Underlying Inflation Gauge](#); Federal Reserve Bank of Minneapolis,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

'Excess demand' in the US economy is also showing up in a widening current account deficit

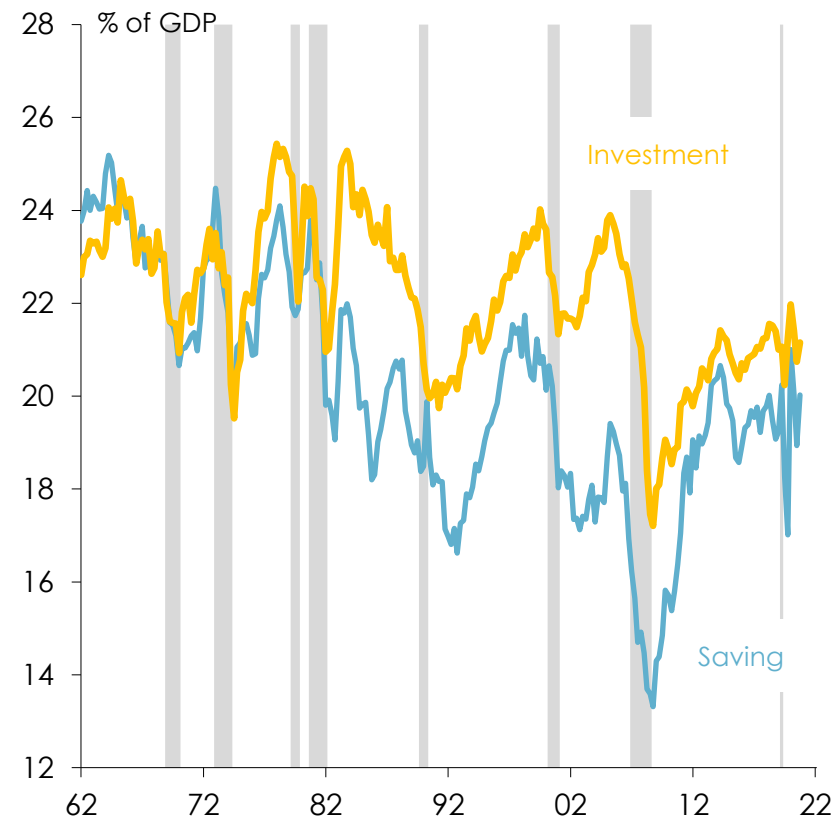
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US current account balance



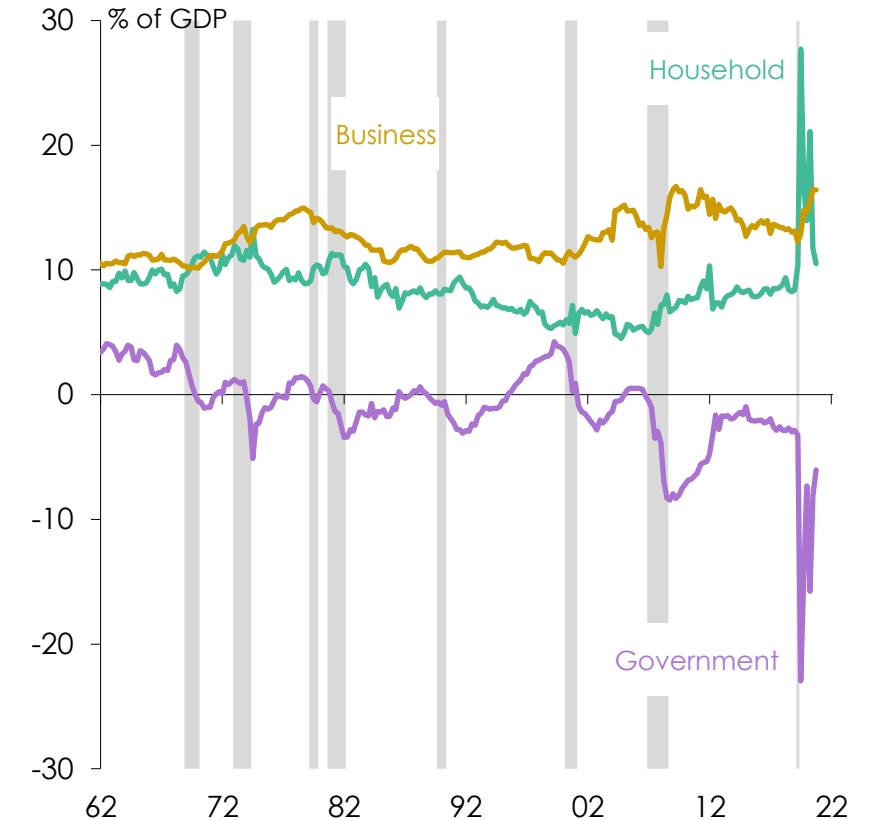
The US current account has *widened* since the onset of the pandemic-induced recession – and has become larger (as a pc of GDP) than at any time since the financial crisis

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



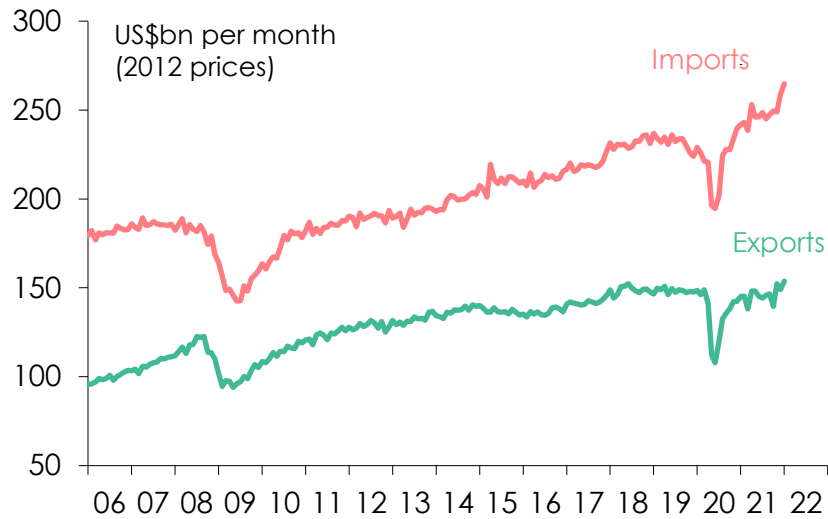
The dramatic increase in the budget deficit during and after the Covid recession has been largely (but not totally) offset by an increase in household saving

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"](#).

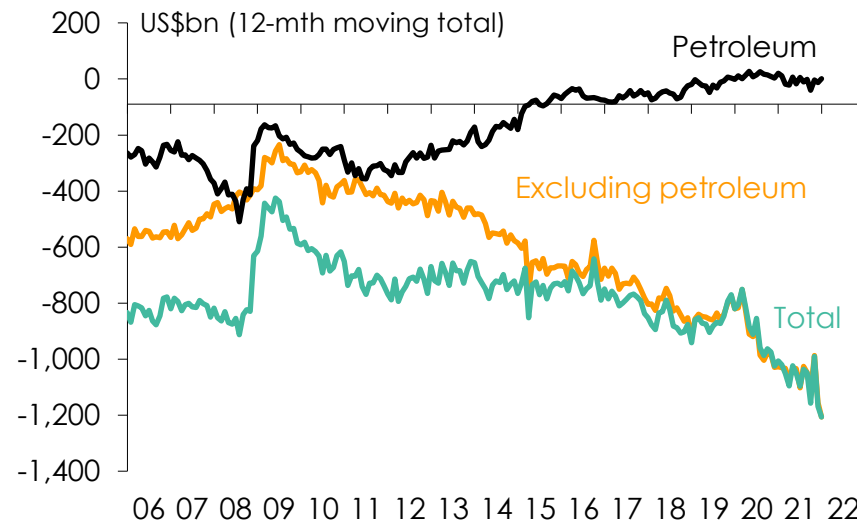
The US recorded another record merchandise trade deficit (of \$101bn) in December, and the second-highest ever goods & services trade deficit

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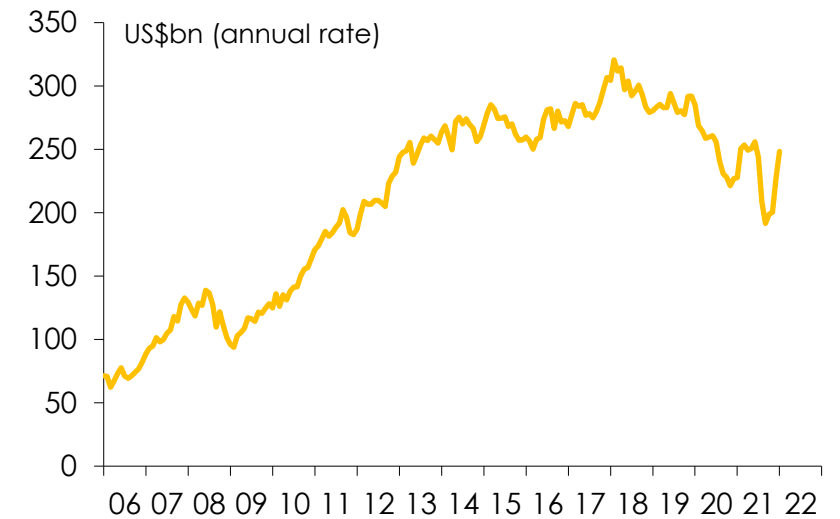
US merchandise trade volumes



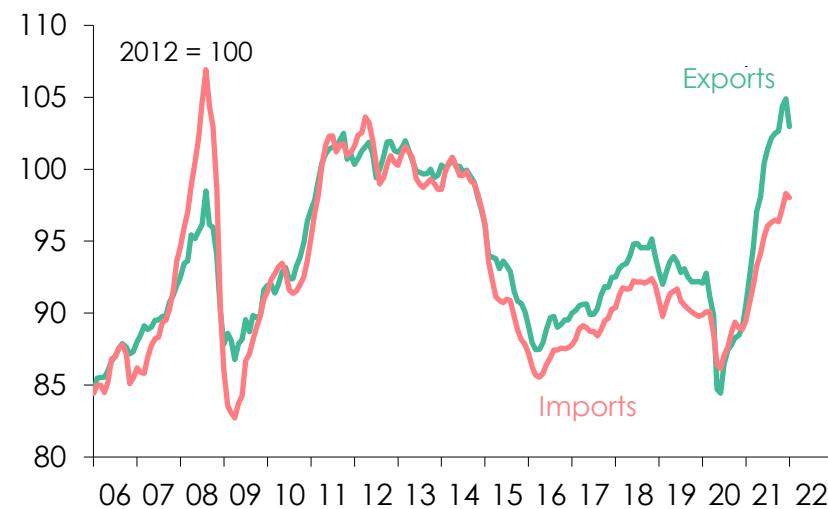
US goods trade balance



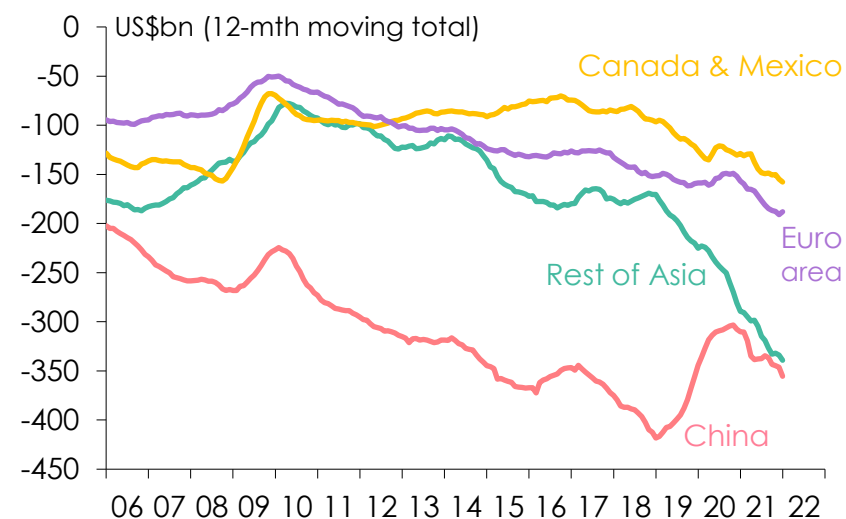
US services trade balance



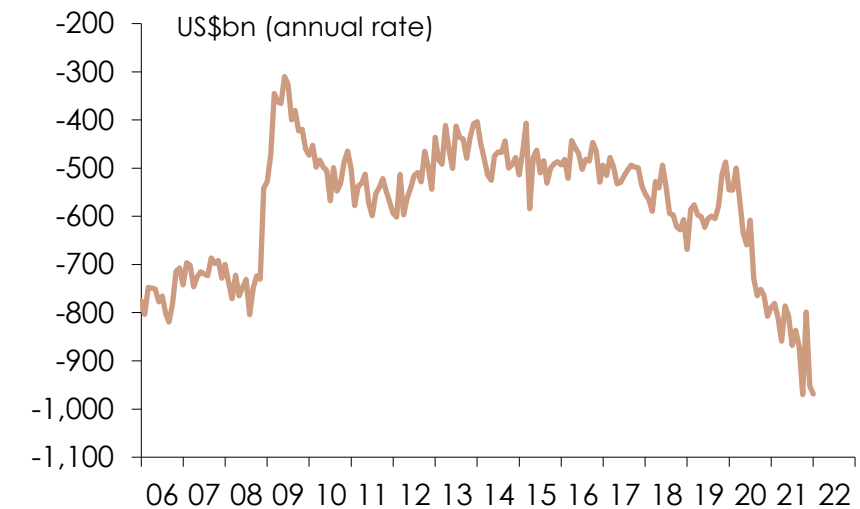
US merchandise trade prices



US bilateral goods trade balances



US goods & services trade balance

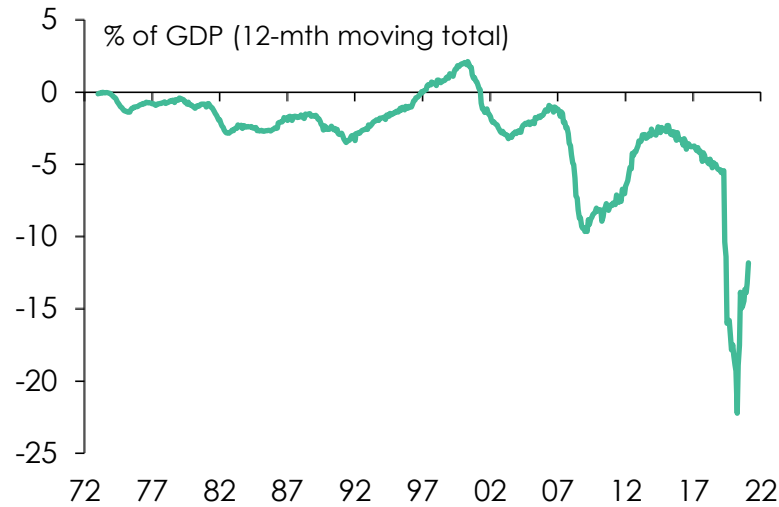


Source: US Census Bureau, [Foreign Trade](#); and US Bureau of Economic Analysis, [Advance Economic Indicators](#), and [U.S. International Trade in Goods and Services](#).
[Return to "What's New"](#).

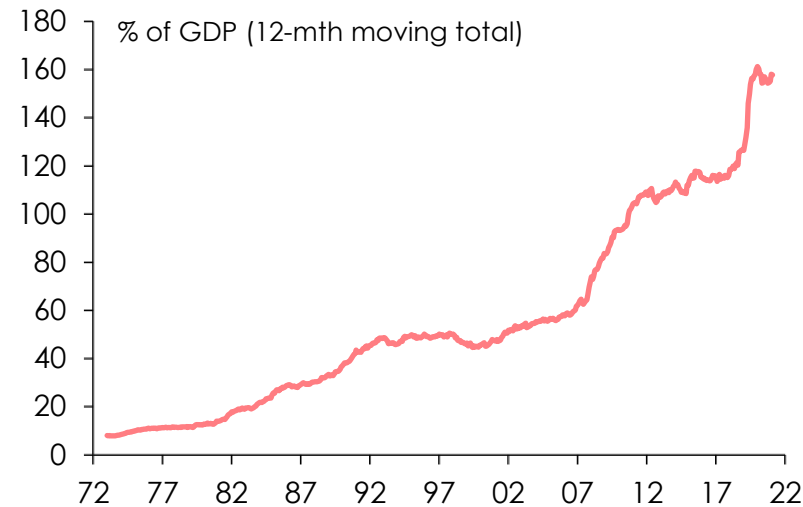
The US Federal Government posted a budget surplus in January for the first time since September 2019

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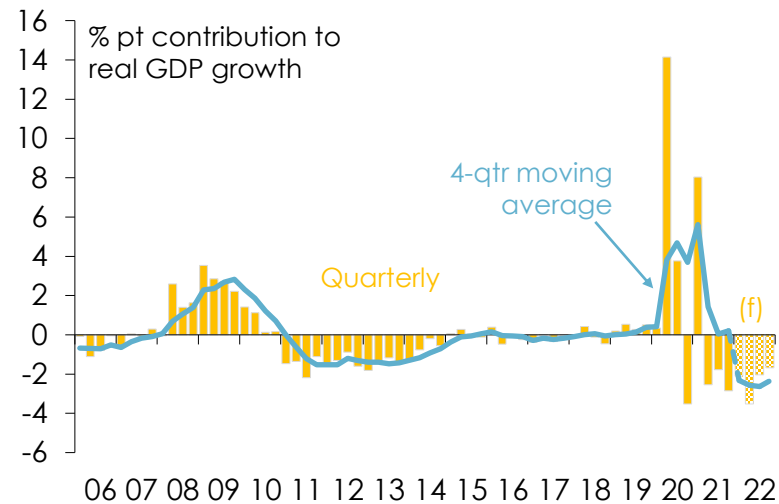
US Federal budget deficit



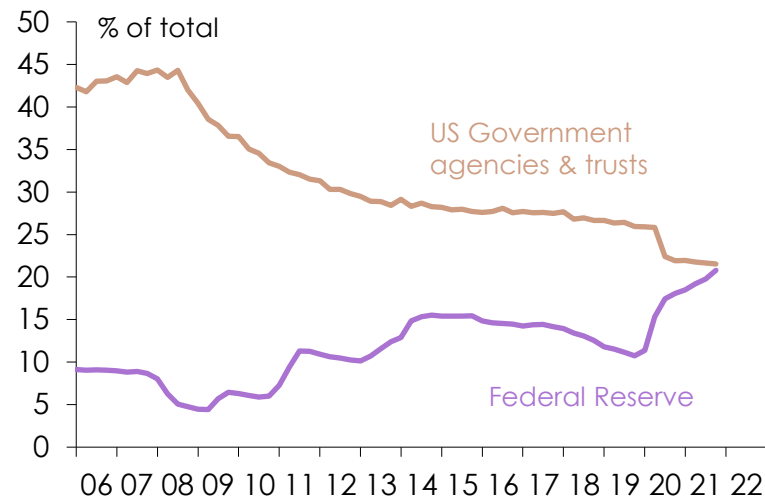
US gross Federal debt



Fiscal policy impact on GDP



Holdings of US Federal debt



- ❑ The US Federal Government recorded a budget surplus, of \$118.7bn, in January – the first monthly surplus since September 2019 – reflecting more collections of deferred payroll tax revenues and a drop in spending due to the expiry of some pandemic programs
- ❑ For the 12 months ended January the budget deficit totalled \$2.3 trn (11.8% of GDP), down from a peak of \$4.1 trn (22.2% of GDP) in the 12 months ended June 2021
- ❑ The market value of gross federal debt outstanding fell \$70bn to \$30.7trn (157.8% of GDP) at the end of January
- ❑ The Fed holds almost 21% of the total stock of outstanding US Government debt (up from 11% in Q4 2019), 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"](#).

The Fed didn't do anything at its January FOMC meeting – but it's certain to do something in March, and some now want it to do a lot before July

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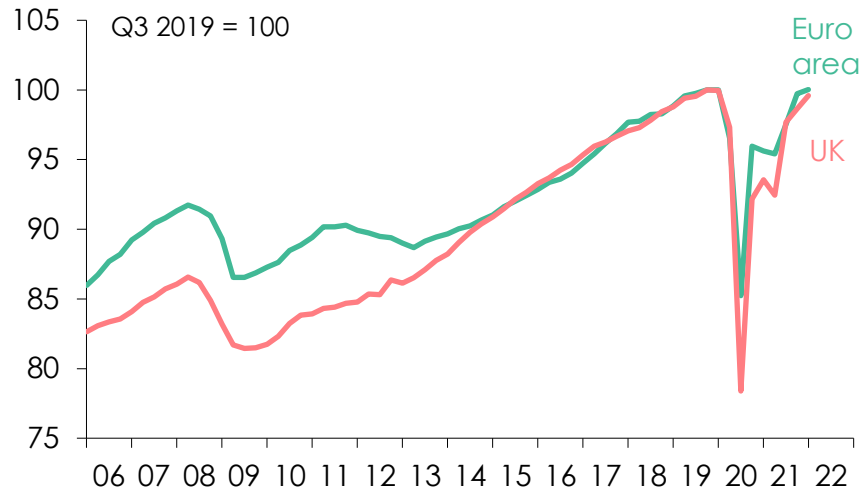
- ❑ The US Federal Reserve left its policy settings unchanged at its late January two-day Federal Open Market Committee meeting (as most had expected), but in its [post-meeting statement](#) indicated that “it will soon be appropriate to raise the target range for the federal funds rate”, as well as re-iterating the decision made at the previous meeting to bring its asset purchases to an end in early March
- ❑ The Fed also issued a [set of principles](#) for reducing the size of its balance sheet, which emphasized the primacy of changes in the fed funds rate as ‘the’ tool for adjusting the stance of monetary policy
 - the Fed won't start shrinking its balance sheet until after it has begun to lift interest rates, it will do so primarily by adjusting the rate at which it re-invests maturing securities (as opposed to actively selling securities out of its portfolio), and (it would seem) will give priority to reducing its holdings of mortgage-backed securities (rather than Treasuries)
- ❑ The [minutes](#) of this meeting, released on 16th February, record participants as agreeing that “recent inflation readings had continued to significantly exceed [the Fed's] longer-run goal and elevated inflation was persisting longer than they had anticipated”, that “uncertainty regarding the path of inflation was elevated”, that “risks to inflation were weighted to the upside”, and that “the labour market was strong”
- ❑ The minutes go on to record FOMC members as agreeing that “there was a much stronger outlook for growth in economic activity, substantially higher inflation, and a notably tighter labour market” than in 2015 when the Fed “last began a process of removing monetary accommodation”
 - leading “most participants” to conclude that “a faster pace of increases in the target range for the federal funds rate than in the post-2015 period would likely to be warranted” - although there was nothing in the minutes to suggest that members were considering an initial 50 bp hike in the funds rate
- ❑ Fed Chair Jerome Powell's semi-annual ‘Humphrey-Hawkins’ testimony before Congress this coming Wednesday will be closely watched for clues as to the Fed's intentions

Europe

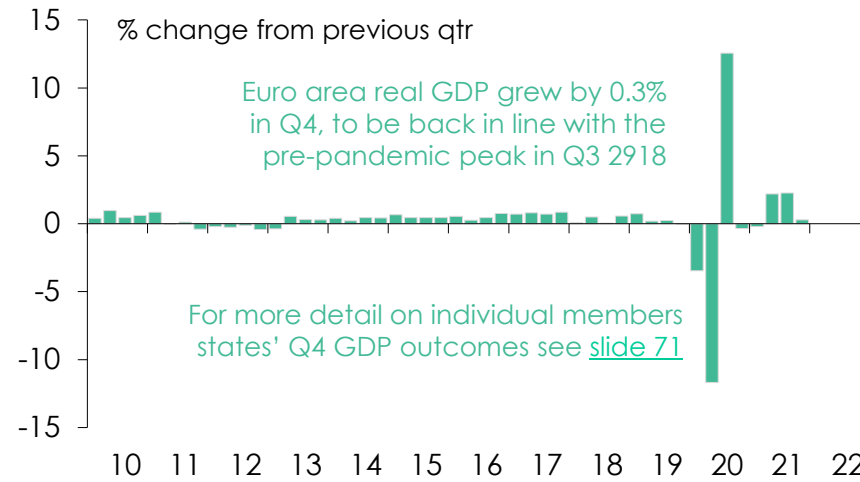
The UK's real GDP grew 1.0% in Q4, the same as in Q3, but was still 0.4% off its pre-pandemic peak in Q3 2019

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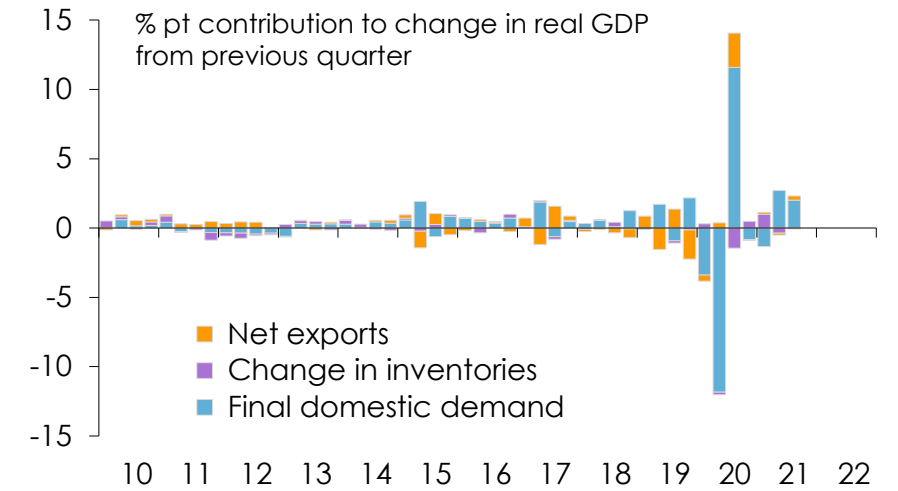
Euro area and UK real GDP



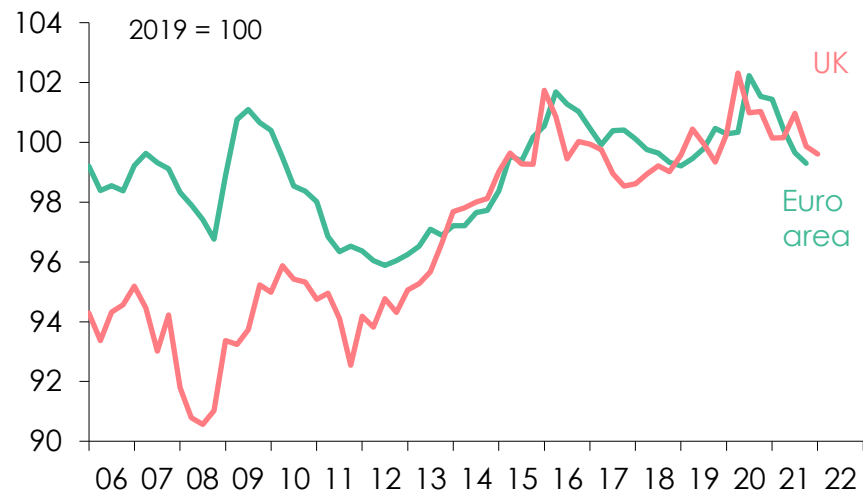
Euro area quarterly GDP growth



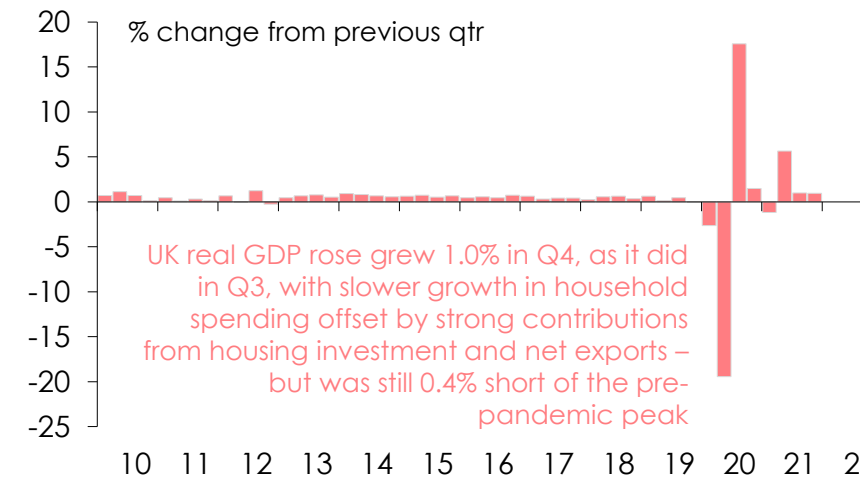
Contributions to quarterly EA GDP



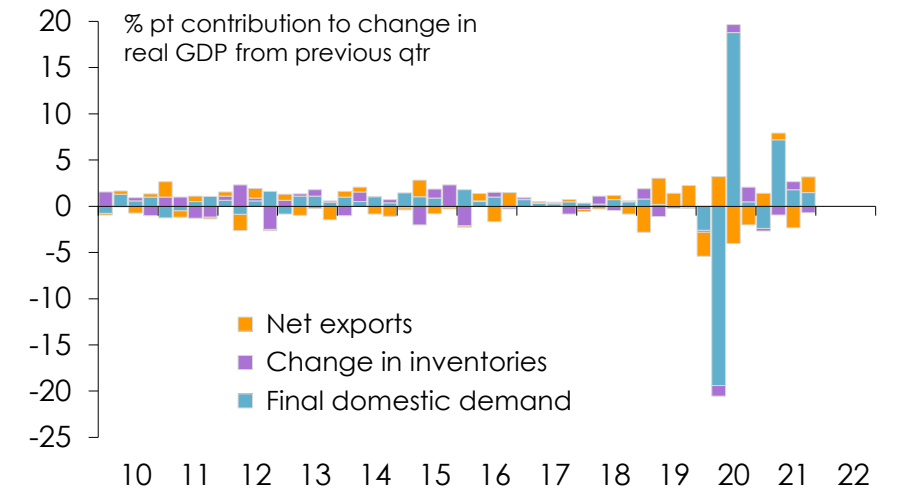
Euro area and UK terms of trade



UK quarterly GDP growth



Contributions to quarterly UK GDP

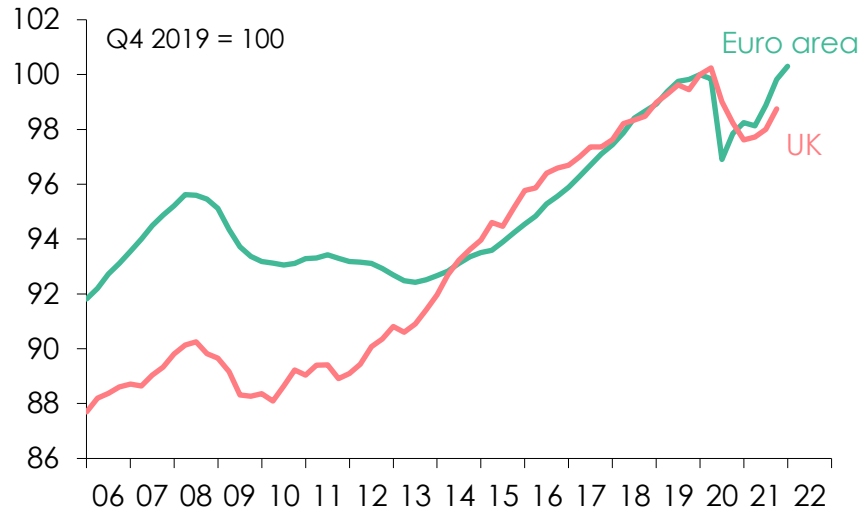


Note: the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded with the rest of the world. Sources: Eurostat,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

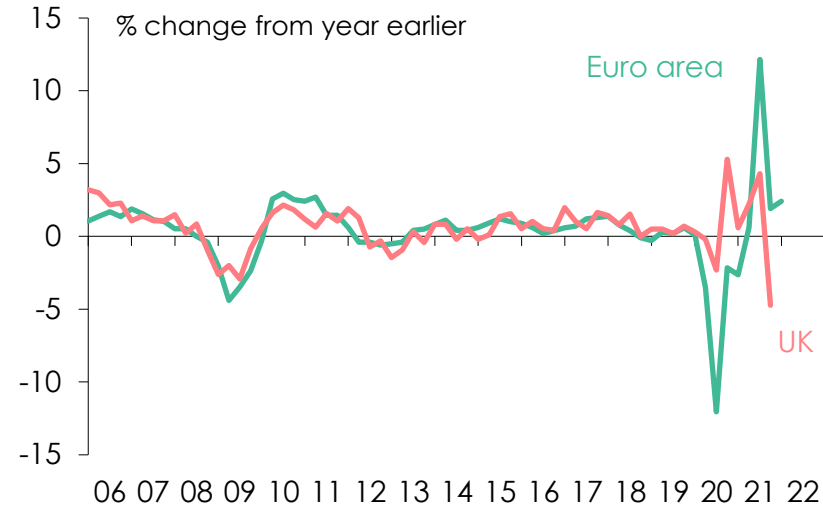
Unemployment is much lower in the UK than in the euro area, but in other respects euro area households are in a stronger position

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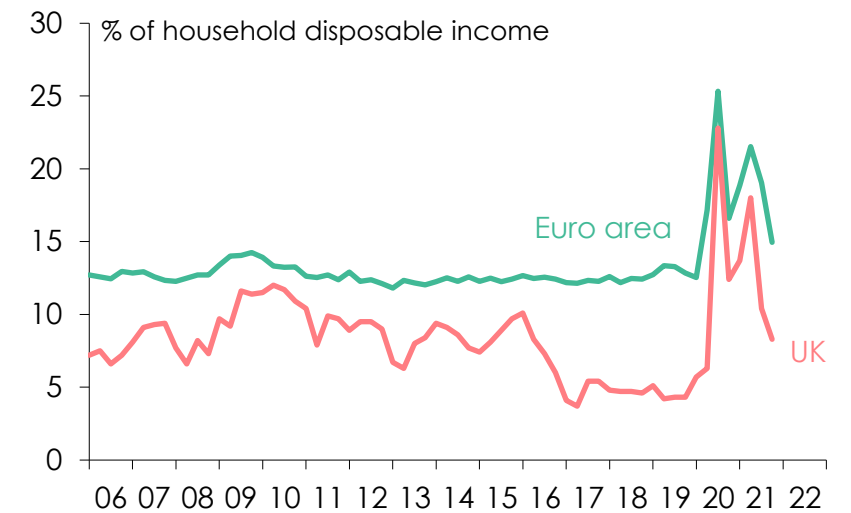
Employment



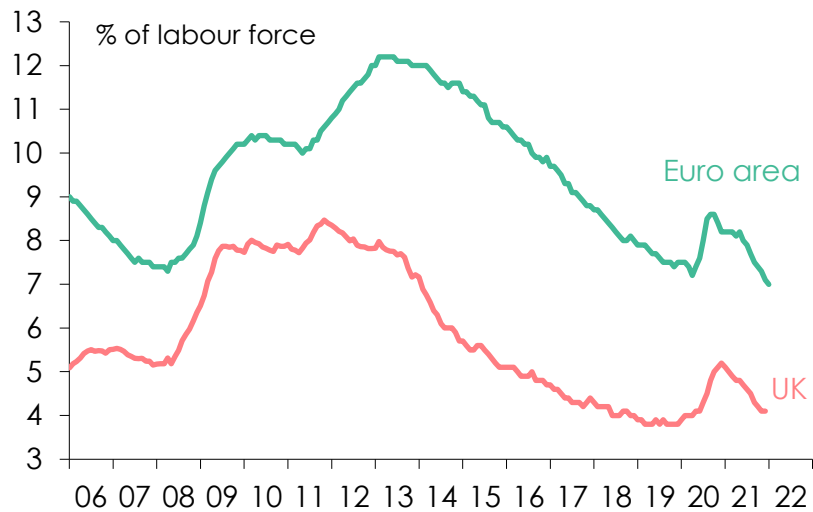
Labour productivity



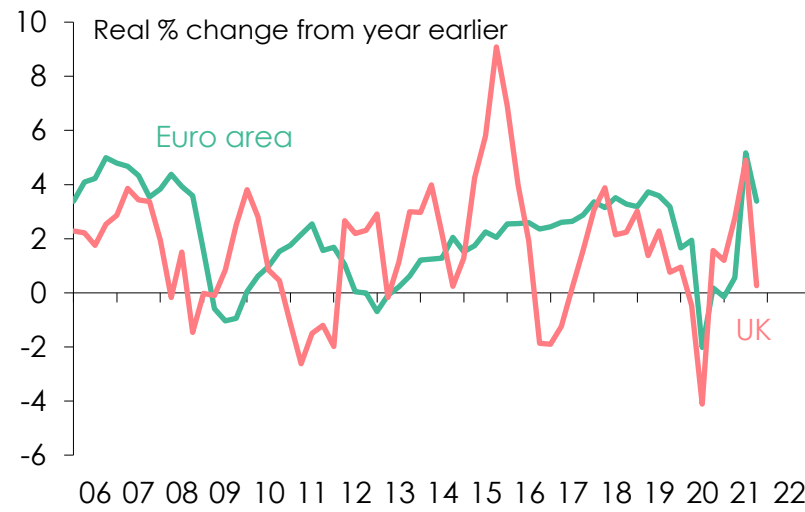
Household saving rates



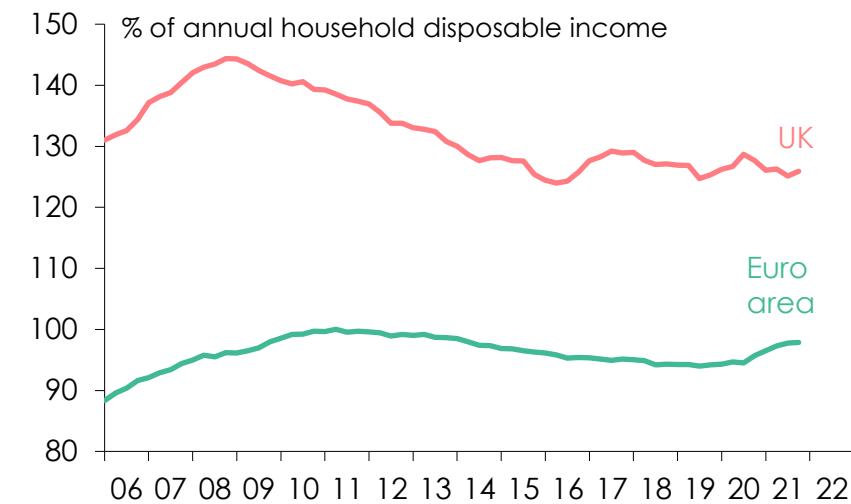
Unemployment rates



Household disposable income



Household debt

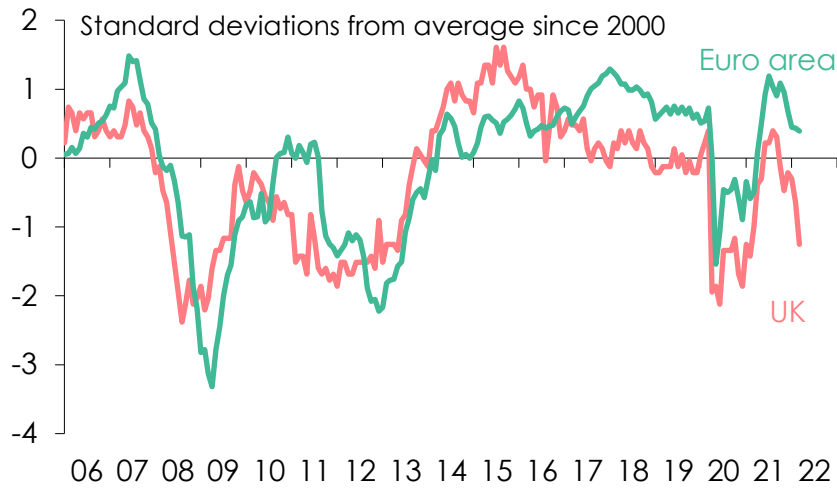


Sources: Eurostat, [Employment and unemployment \(Labour force survey\)](#), [Household saving rate](#) and [Labour productivity and unit labour costs](#); UK Office for National Statistics, [Employment in the UK](#), [Unemployment rate](#) (note, UK unemployment data are shown as a three-month moving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

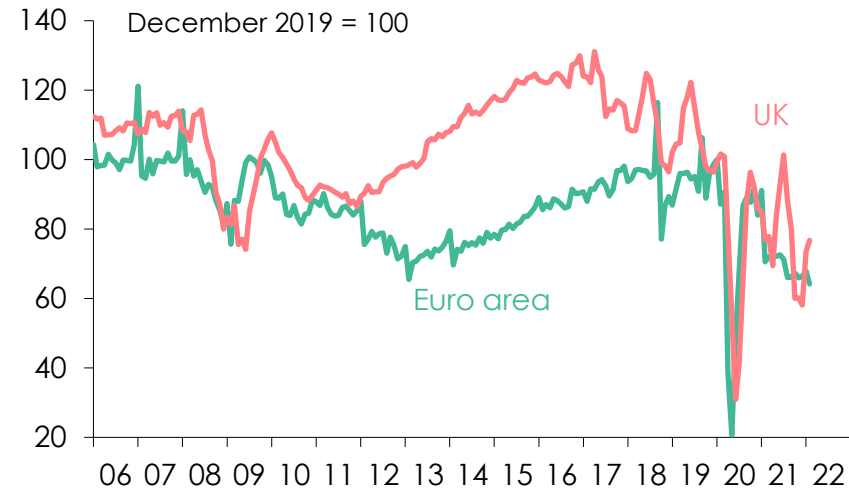
Higher-frequency data also show the euro area economy doing better than the UK – except in housing

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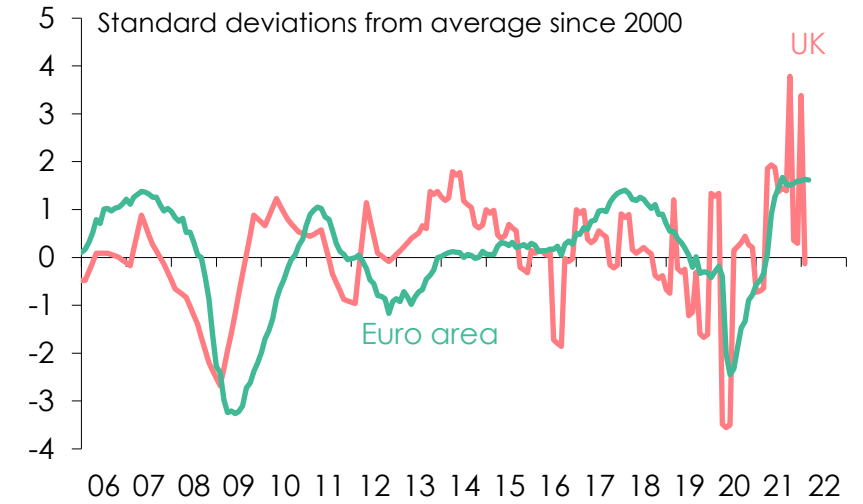
Consumer confidence



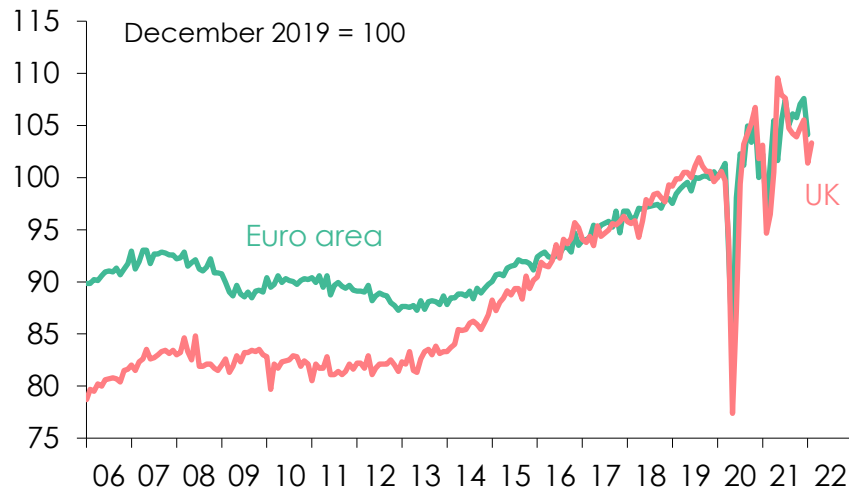
New car registrations



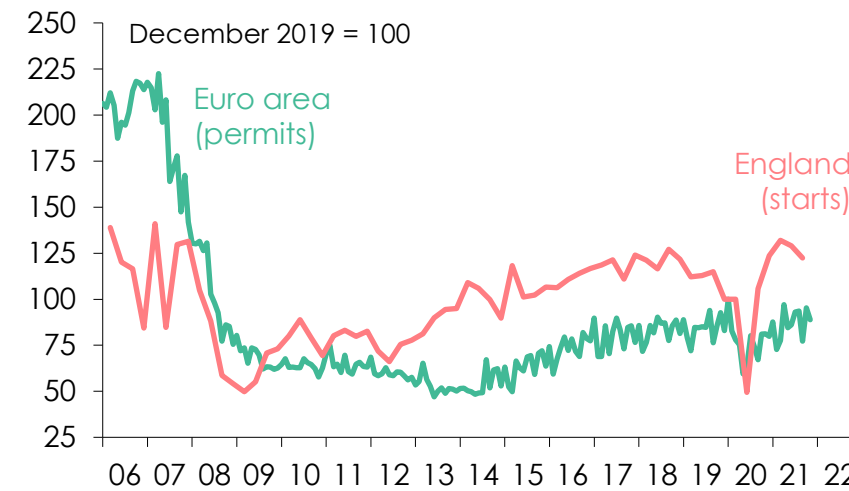
Business confidence



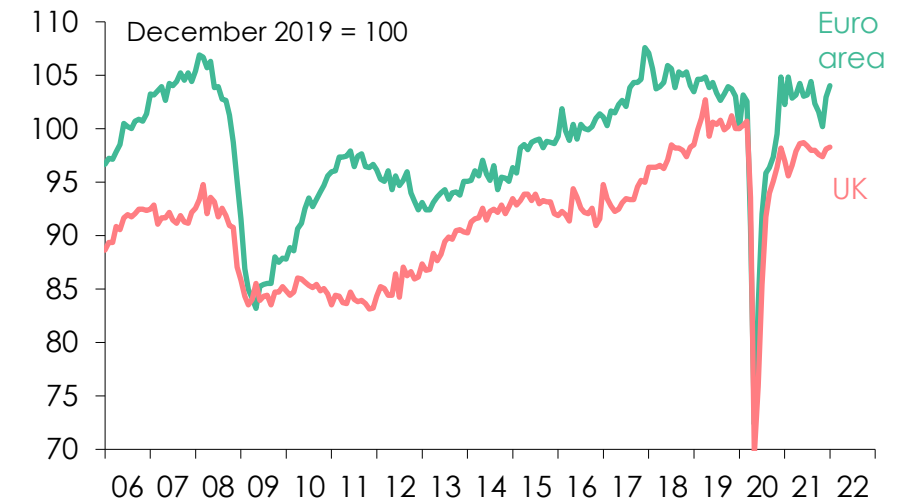
Retail sales volume



Housing activity



Manufacturing production

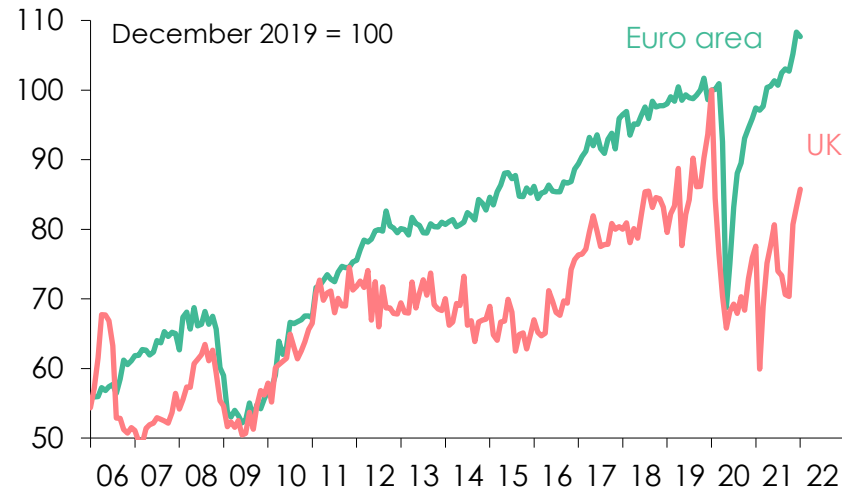


Sources: European Commission, [Business and consumer surveys](#); GfK, [Consumer confidence barometer](#); Confederation of British Industry, [Industrial Trends Survey](#); Eurostat, [Turnover and volume of sales in wholesale and retail trade](#), [New registrations of passenger cars](#), [Building permits - 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"](#).

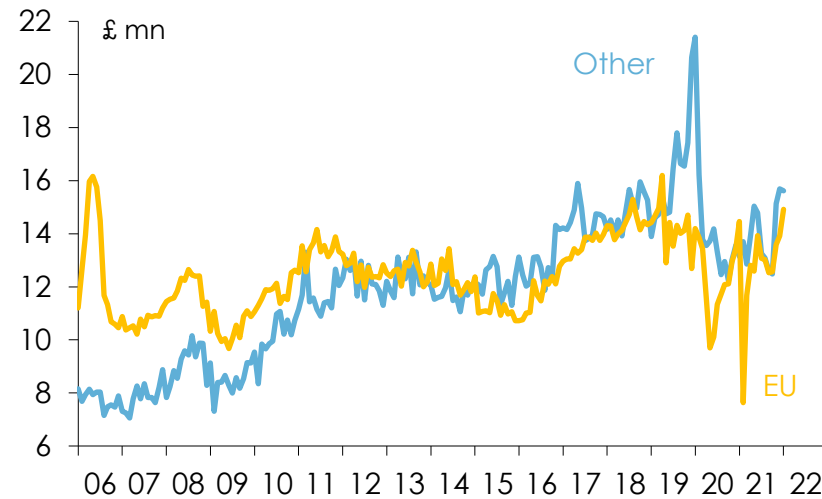
'Brexit' has not been a boon for the UK's trade performance

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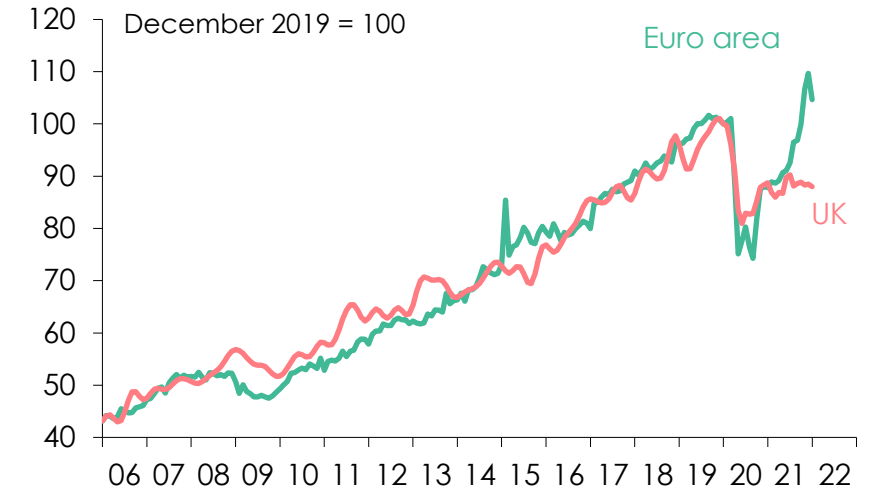
Merchandise exports



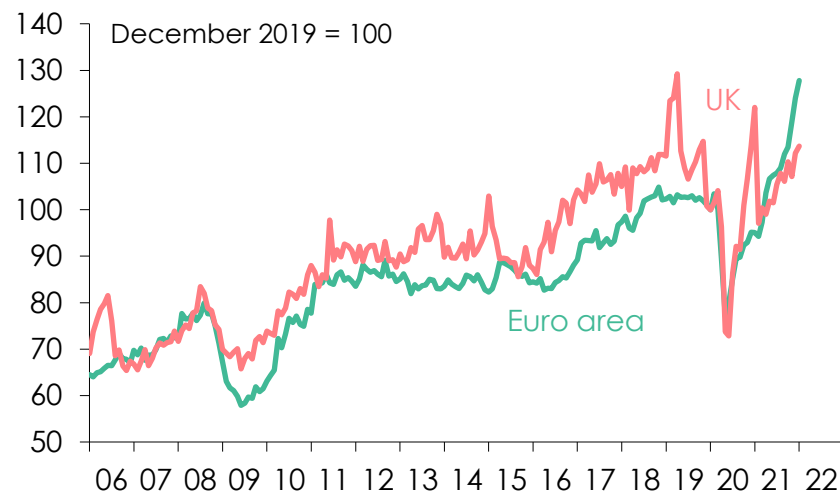
UK exports by destination



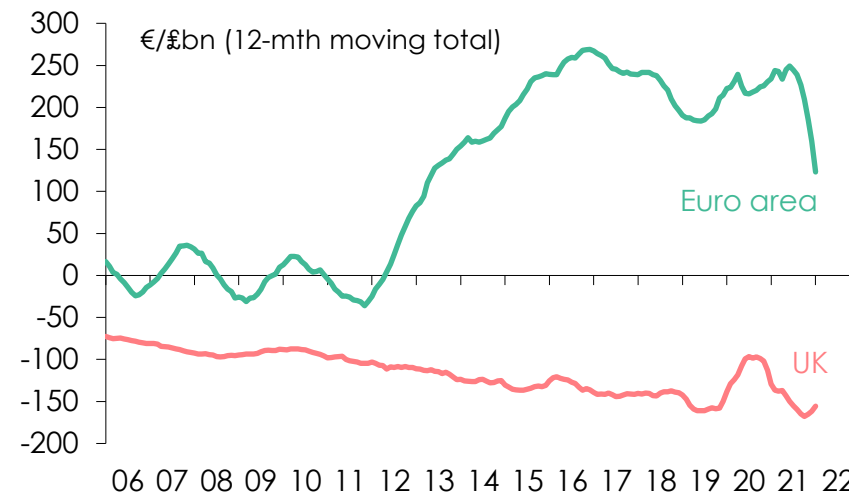
Services exports



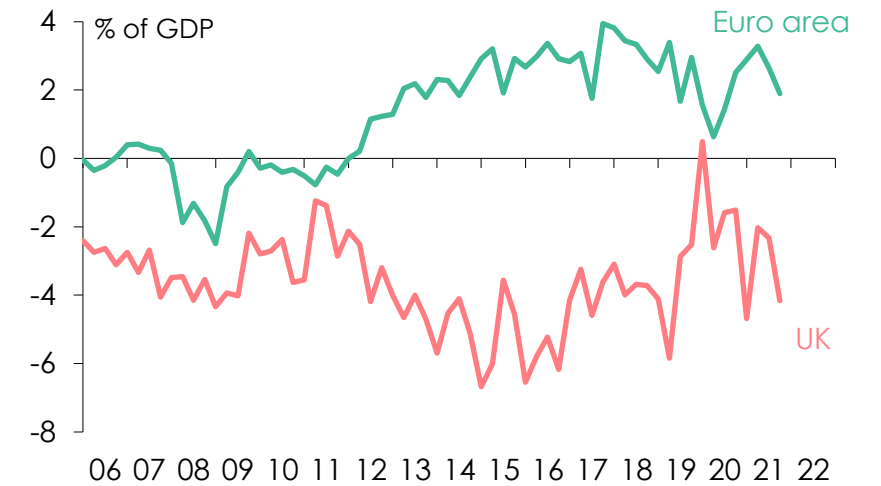
Merchandise imports



Merchandise trade balances



Current account balance

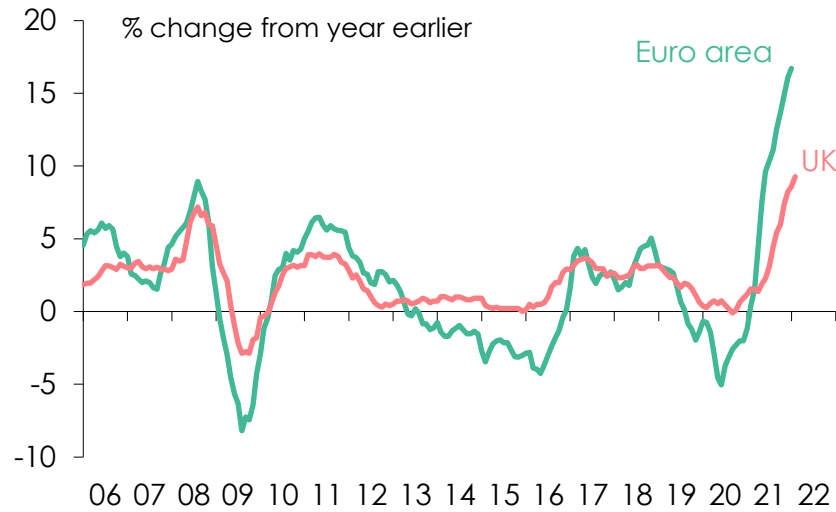


Sources: European Central Bank, Statistical Data Warehouse, [External Trade](#), [Balance of Payments and International Investment Position - Services](#), and [Balance of Payments and International Investment Position - Current Account](#); UK Office for National Statistics, [UK Trade](#) and [BoP Current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

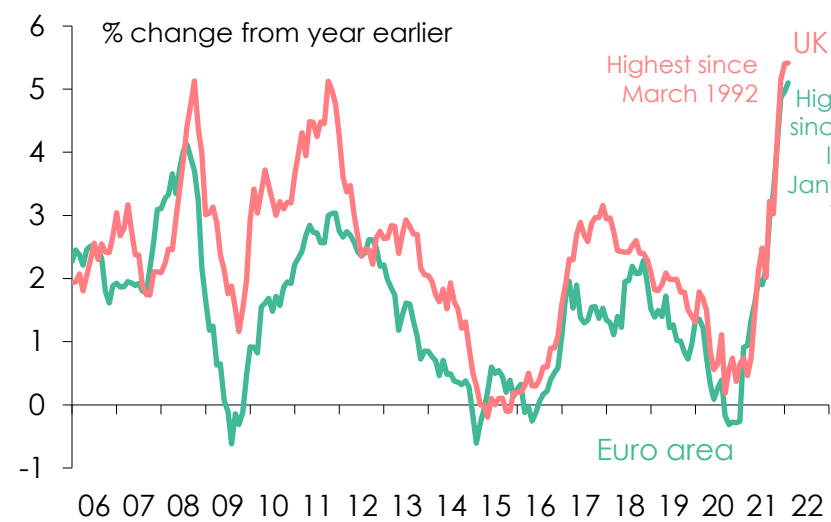
Consumer prices in the UK rose 5.5% over the year to January, the highest annual inflation rate since 1992, and the 'core' CPI by 4.3%

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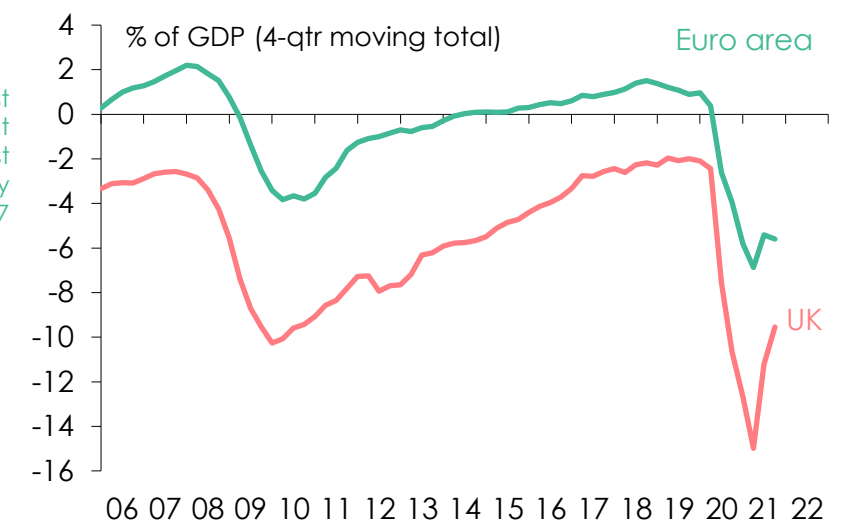
Producer prices



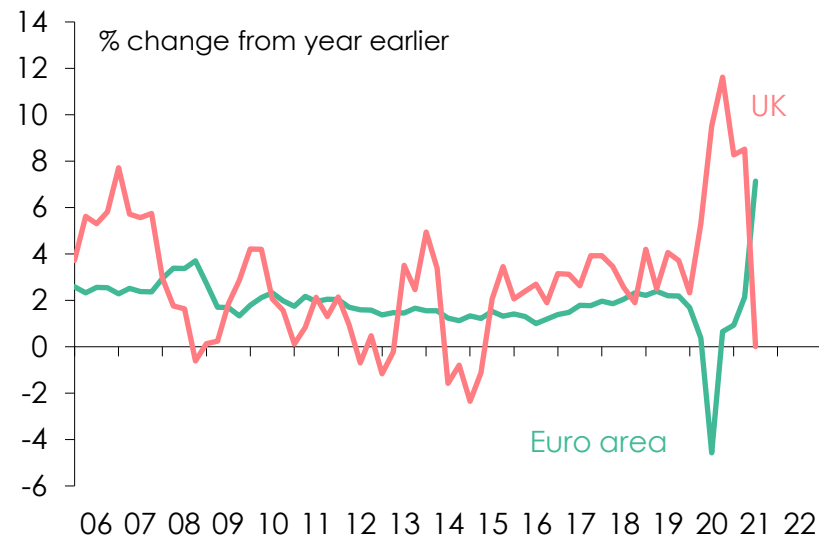
'Headline' consumer prices



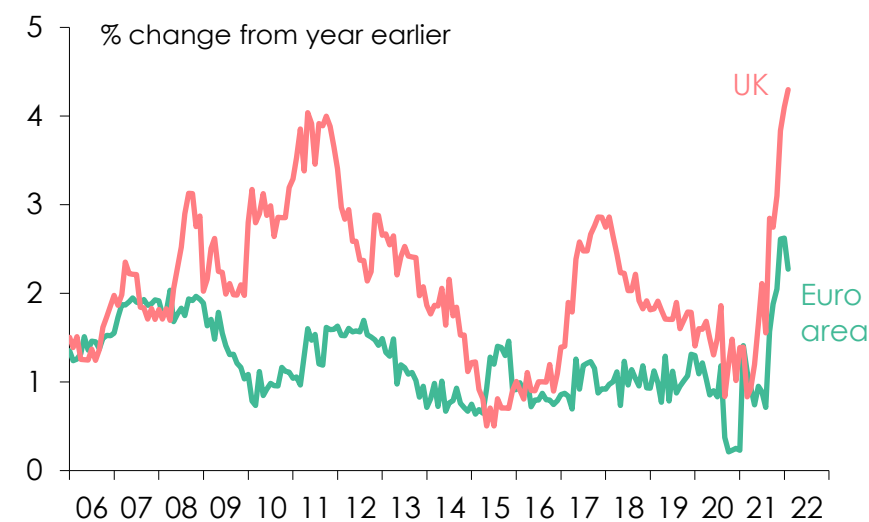
Government fiscal balance



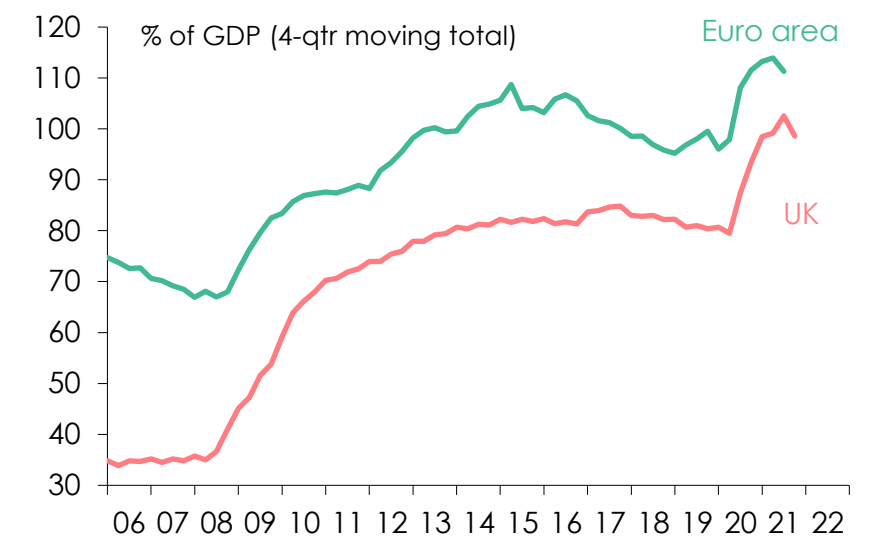
Labour costs



'Core' consumer prices



Government net debt

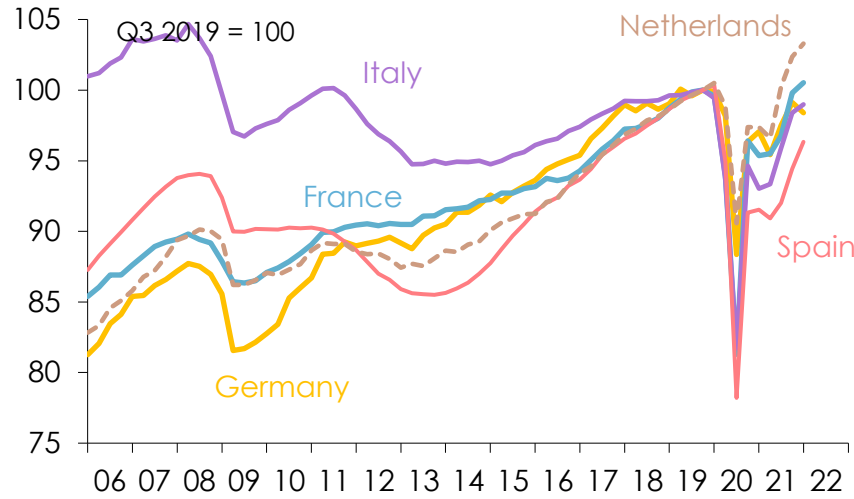


Sources: Eurostat, [Producer prices in industry](#), [Compensation per employee and hours worked per employed person](#), [Consumer price index](#), and [Government finance statistics and EDP statistics](#); UK Office for National Statistics, [Inflation and price indices](#), [Unit labour cost and unit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

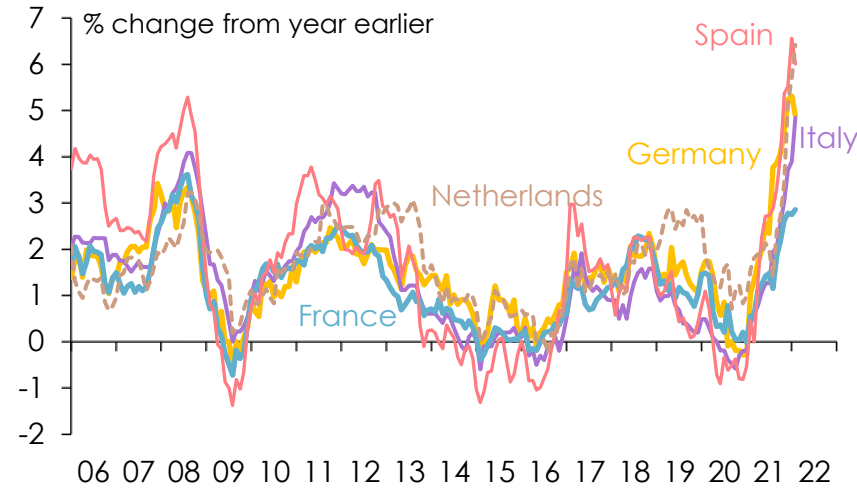
Germany's economy shrank 0.7% in Q4, while France's grew 0.7% (to surpass its pre-pandemic peak) and Spain's by 2.0%

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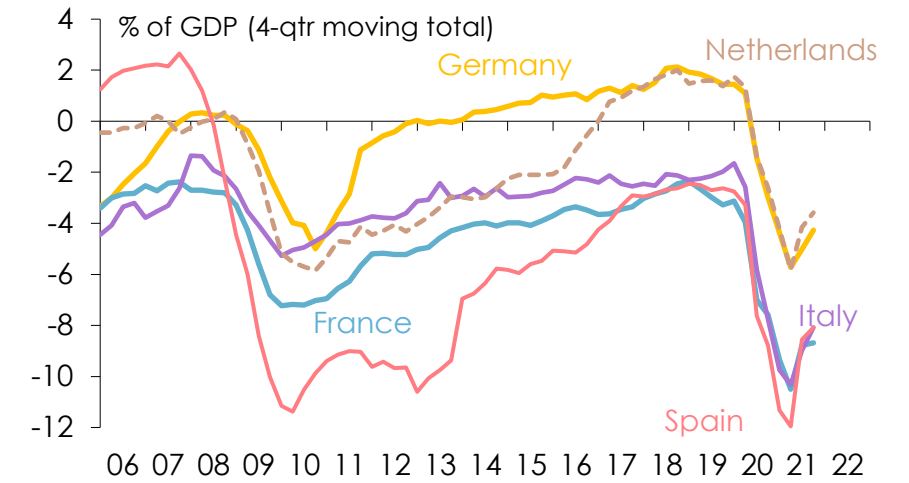
Real GDP



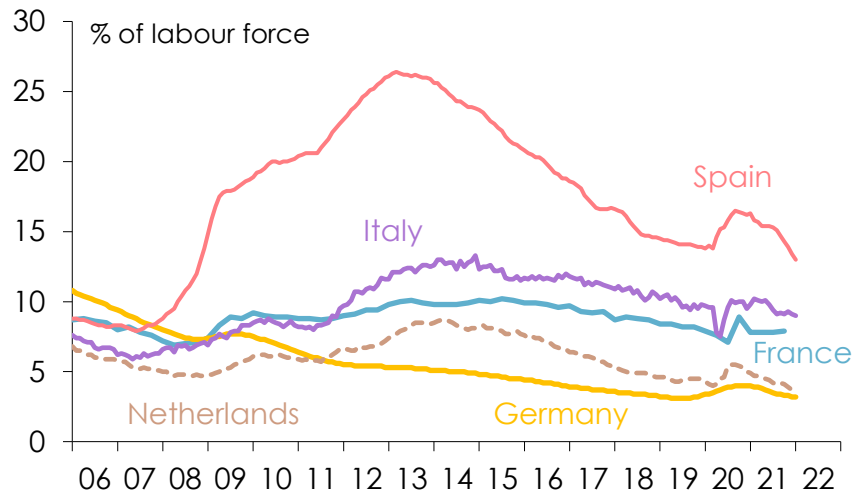
Inflation



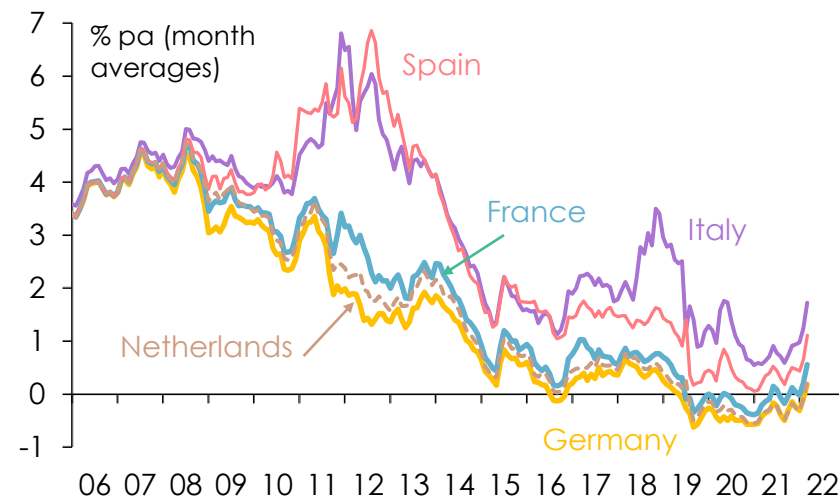
Government net lending



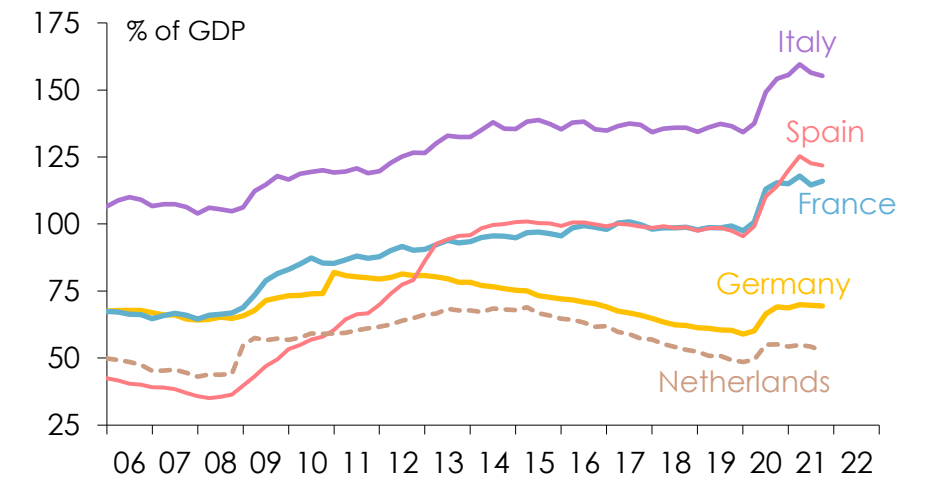
Unemployment



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 Bank of England raised rates by another 25 basis points this month, the second successive increase, with more likely in coming months

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- ❑ The Bank of England's Monetary Policy Committee raised its Bank Rate by 25 bp, to 0.50%, at its Monetary Policy Committee meeting on 3rd February – the second increase in a row following the 15 bp increase in December
 - four of the nine MPC members voted in favour of a 50 bp rise
 - the MPC also decided (unanimously) to begin reducing its holdings of UK government bonds by no longer re-investing maturing bonds, and to begin selling down its holdings of corporate bonds with a view to eliminating them by end-2023
 - the MPC agreed that it would consider actively reducing its holdings of government bonds (ie, by selling them) only once the Bank Rate has reached “at least 1%” and “depending on economic circumstances at the time”
- ❑ The BoE's latest [Monetary Policy Report](#) revised upwards its forecast for the peak in inflation in April this year to “around 7¼%”, 2 pc points higher than expected in the previous report last November, largely reflecting higher energy prices (the UK energy regulator Ofgem [announced](#) a 54% (roughly £700) increase in household electricity and gas prices on 1st April – on which date [national insurance charges](#) will also increase by 1.25 pc pts)
 - these developments are expected to result in UK real GDP growth slowing from an expected 7.8% over the year to Q1 2021, to just 1.8% over the year to Q1 2023, and 1.1% over the year to Q1 2024, and unemployment rising from 3.8% in the current quarter to 4.6% by Q1 2024 and 5.0% by Q1 2025
 - this sharp slowing in economic growth, and the resulting re-emergence of an ‘output gap’ by Q1 next year, is expected to result in the annual inflation rate declining to 5.2% by Q1 next year, and thereafter to 2.1% in Q1 2024 and 1.6% in Q1 2025
- ❑ The MPC [judged](#) that “some further modest tightening in monetary policy” was “likely to be appropriate in the coming months” if the economy developed “broadly in line” with its forecasts
- ❑ The MPC explicitly noted that the impact on real incomes and spending of “sharp rises in prices of global energy and tradeable goods” was something that monetary policy is “unable to prevent”, but rather, its role is “to ensure that, as such a real economic adjustment occurs, it does so consistent with achieving the 2% inflation target sustainably in the medium term”

The ECB was much more dovish than the BoE, re-affirming an end to its main QE program next months but also that it's in no hurry to start raising rates

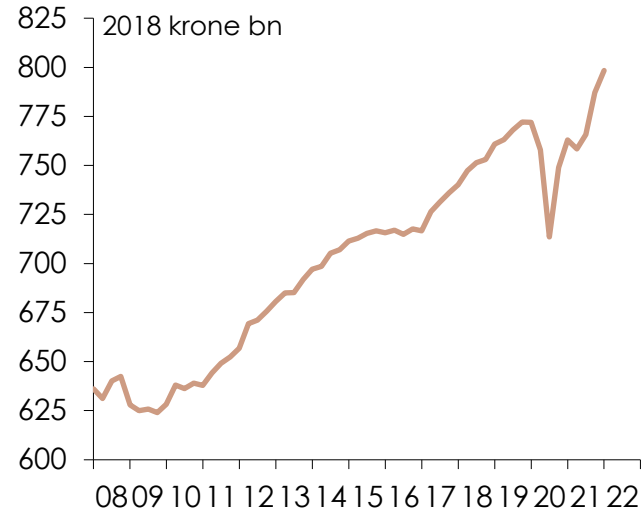
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- ❑ At its Governing Council meeting on 3rd February, the [European Central Bank](#) re-affirmed the decision originally taken in December to end asset purchases under its Pandemic Emergency Purchase Program (PEPP) at the end of March (although it will continue to re-invest maturing securities until “at least the end of 2024”)
- ❑ The Governing Council also decided to reduce monthly net asset purchases under its separate Asset Purchase Program (which dates back to October 2014) from €40bn per month in Q2 to €30bn per month in Q3 and then to €20bn per month from October onwards, until “shortly before it starts raising the key ECB interest rates”
- ❑ The Council left its refi rate unchanged at 0.0%, and [re-affirmed](#) its intention to leave it there “until it sees inflation reaching 2% well ahead of the end of its projection horizon, and it judges that realized progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilizing at 2% over the medium term”
- ❑ At her [post-meeting press conference](#) ECB President Christine Lagarde acknowledged that inflation had “surprised to the upside” in January, and was “likely to remain elevated for longer than previously expected”, and that compared with previous expectations “the risks to the inflation outlook are tilted to the upside”
 - however she also stressed that GC members were determined “not to rush into a decision [to tighten monetary policy] unless we had a proper and thorough assessment based on data and analytical work”, which would be available at the next GC monetary policy meeting on 10th March
 - and she re-iterated that the ECB has “a sequence” in which it intends to implement changes in monetary policy, meaning that it “will not hike rates until [it has] completed net asset purchases”, that “we will look at net asset purchases first, gradually, on a data-dependent basis” and “then we will look at interest rates”
- ❑ Mme Lagarde also drew contrasts between the euro area and the UK, pointing to much faster wages growth in the UK (as a result of the Brexit-induced “shortage of workers” than in the euro area, where “we are not yet seeing ... a significant movement in terms of wage increases”; and with the US, which has had a “massive fiscal stimulus”, unlike the euro area “where it has been more moderate”

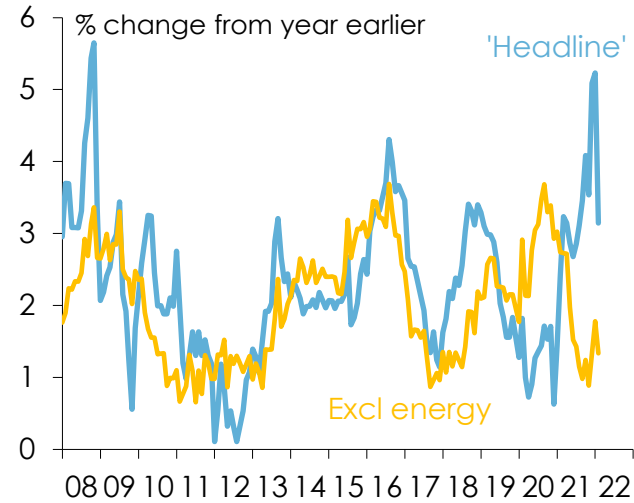
Norway's central bank raised its policy rate twice in the second half of last year, commencing a 'gradual normalization' of monetary policy

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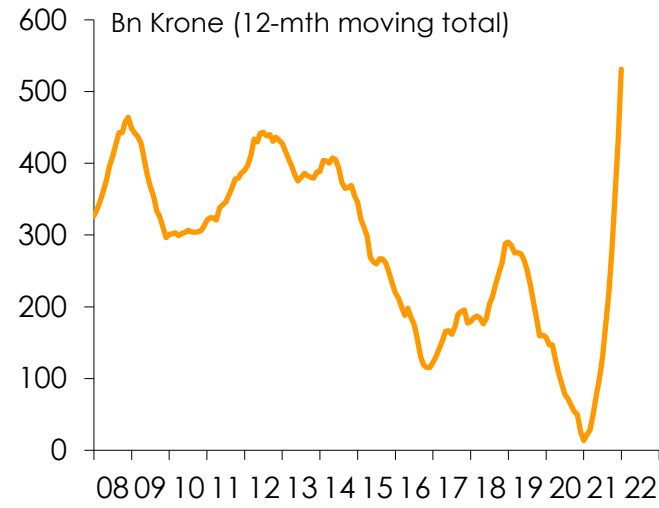
'Mainland' real GDP



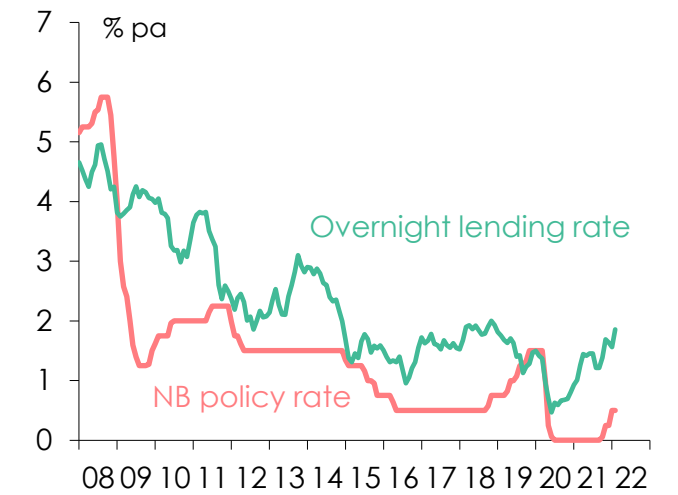
Inflation



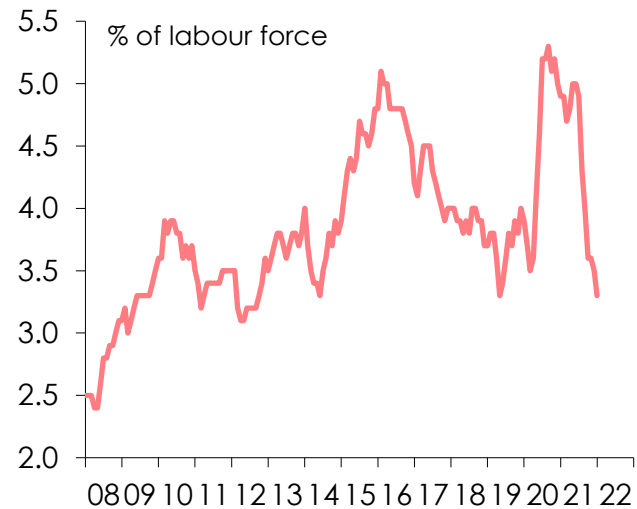
Trade balance



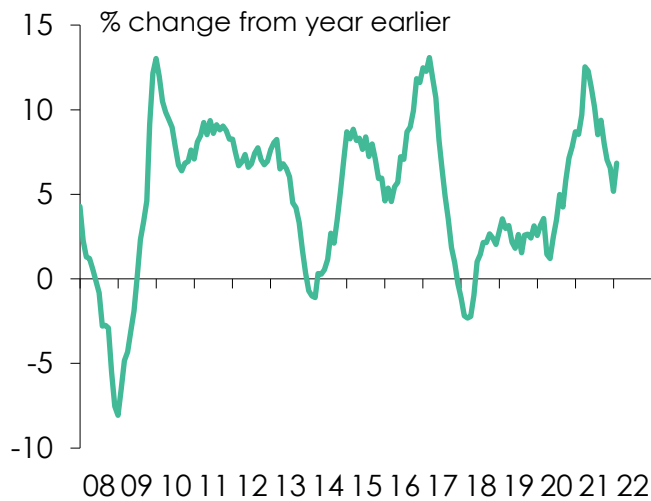
Interest rates



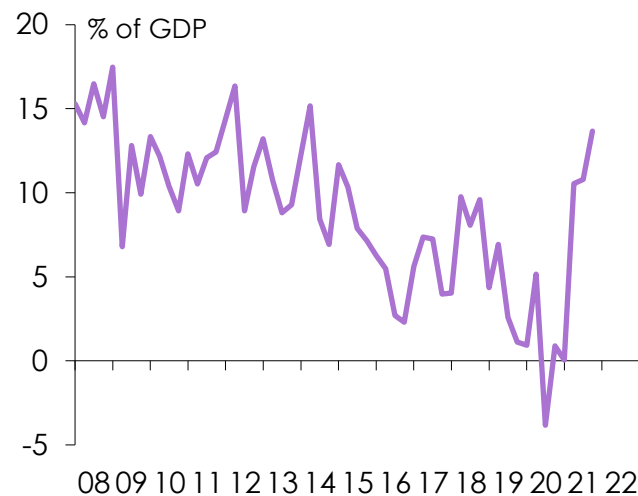
Unemployment



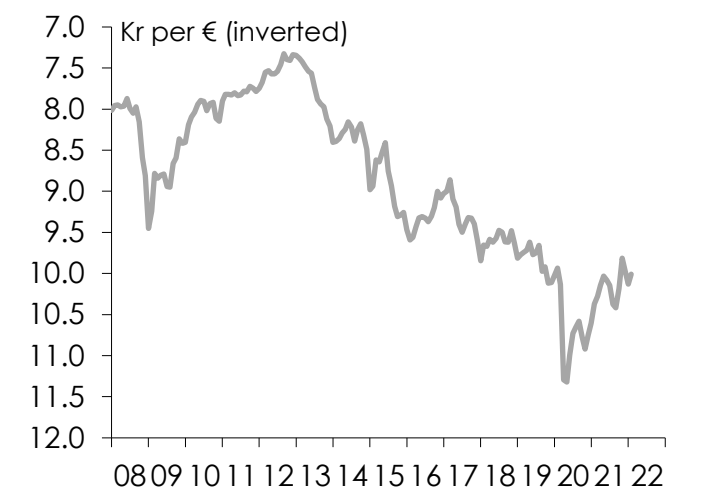
House prices



Current account balance



Krone vs euro

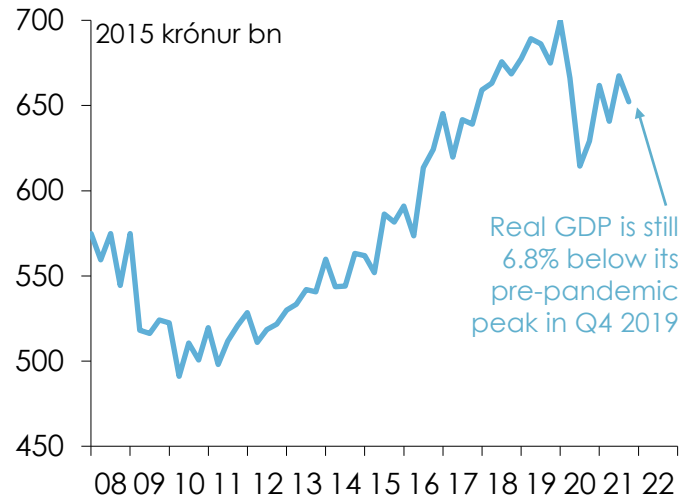


Note: 'mainland' GDP means excluding Norway's oil and gas industry which is entirely located offshore. Sources: [Statistisk sentralbyrå](#); [Norges Bank](#); Refinitiv Datastream.
[Return to "What's New"](#).

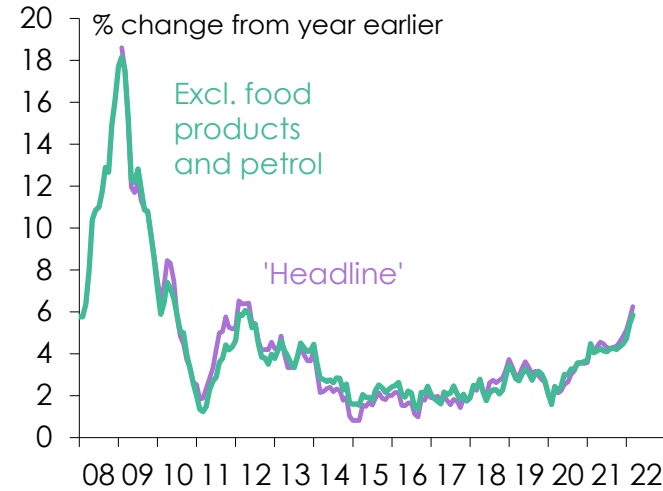
Iceland's central bank raised its policy rates another 75 bp this month, the fifth increase since last May, following a 'marked deterioration' in inflation

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

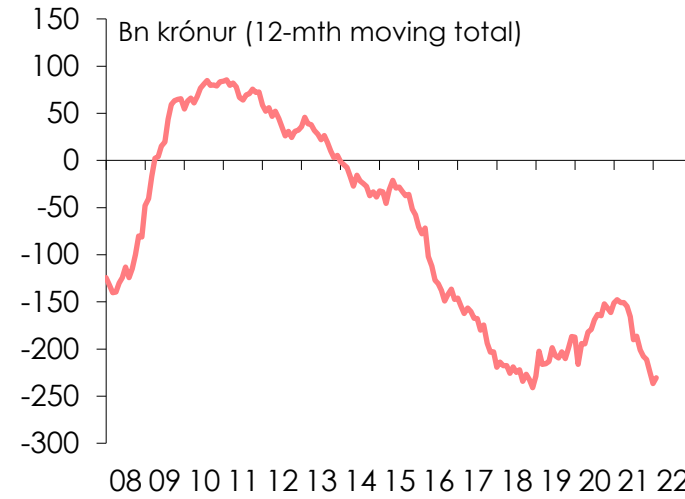
Real GDP



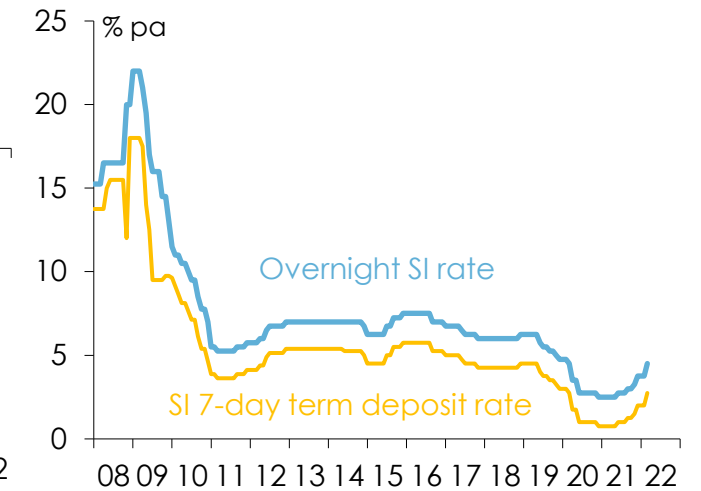
Inflation



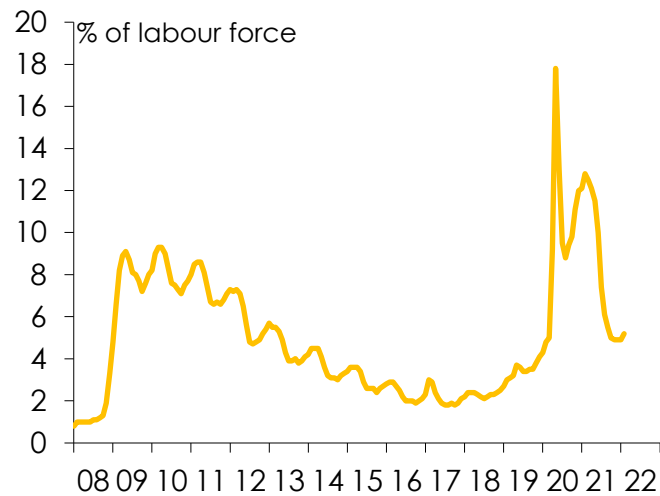
Trade balance



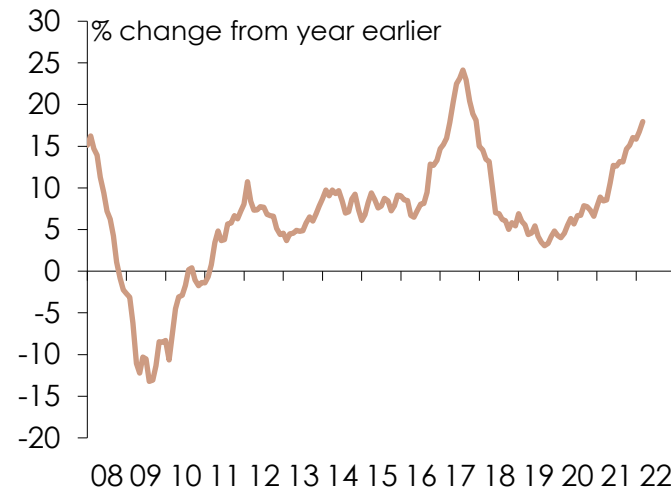
Interest rates



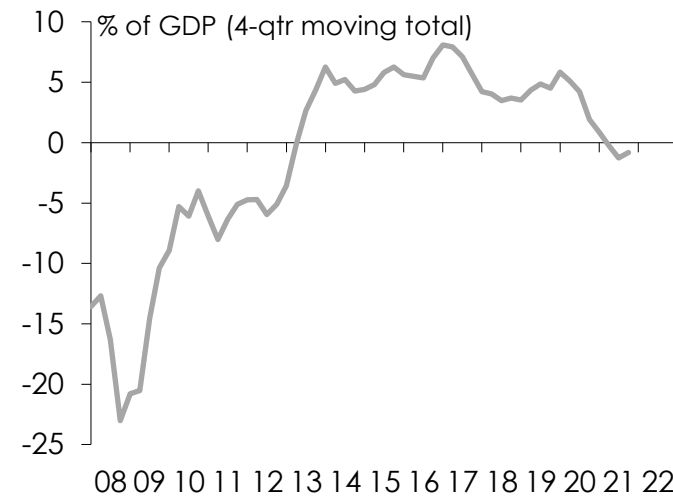
Unemployment



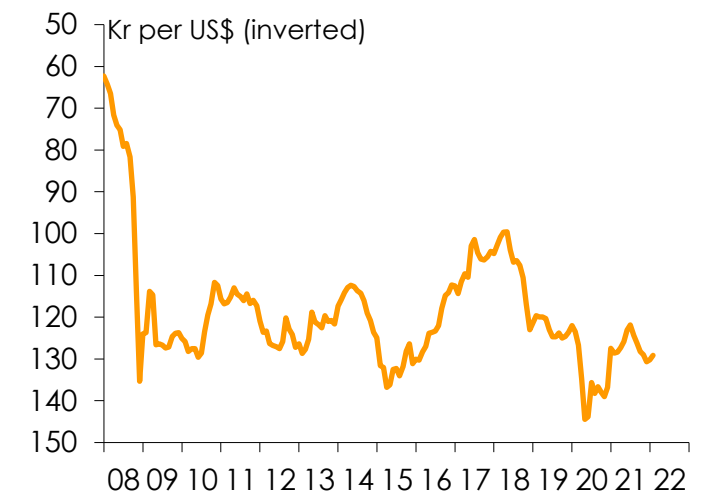
House prices



Current account balance



Króna vs US dollar

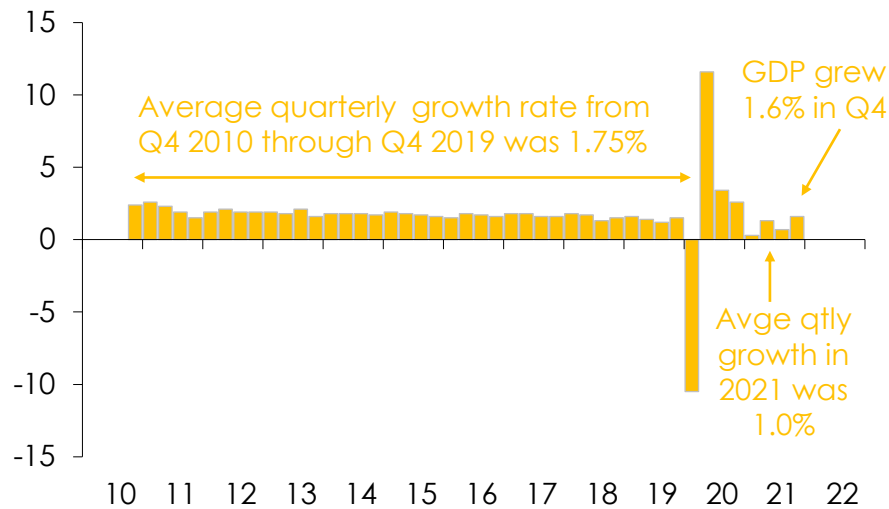


China

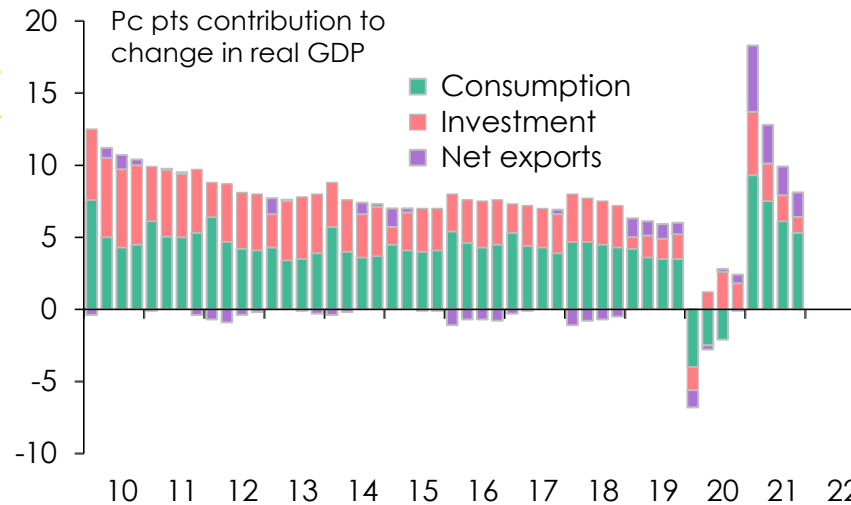
China's economy grew 1.6% in Q4 and 8.1% for 2021 as a whole, but growth was much more dependent on exports than over the past 20 years

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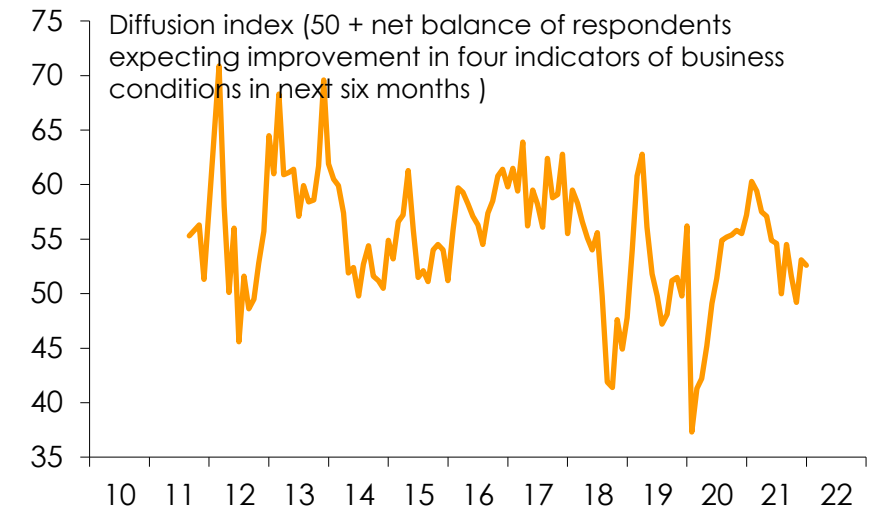
Quarterly real GDP growth



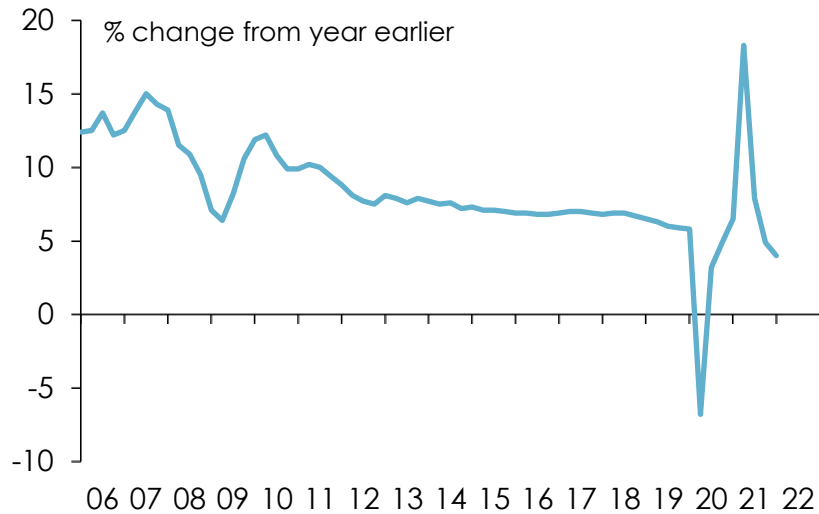
Contributions to real GDP growth



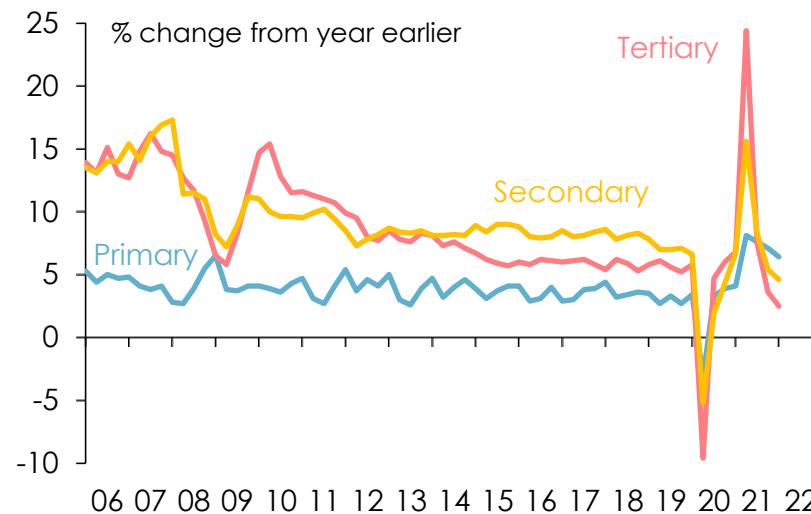
CKGSB business conditions index



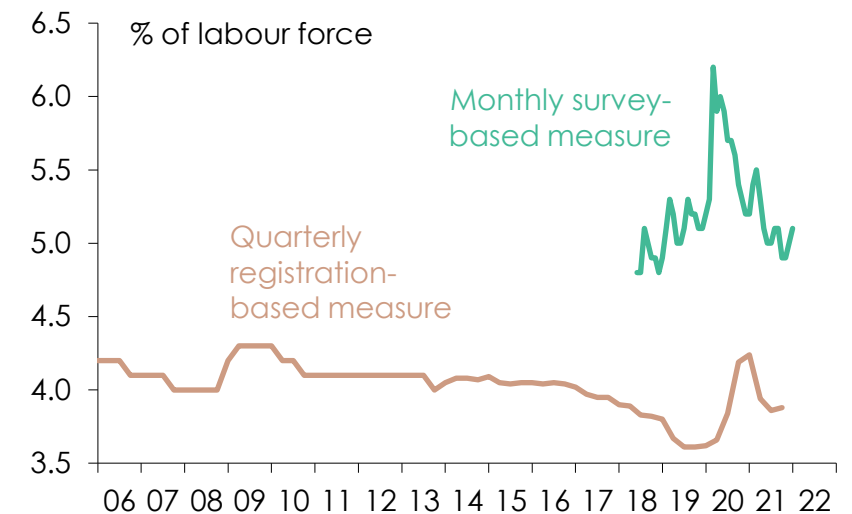
Annual real GDP growth



Annual GDP growth by industry



Urban unemployment rate

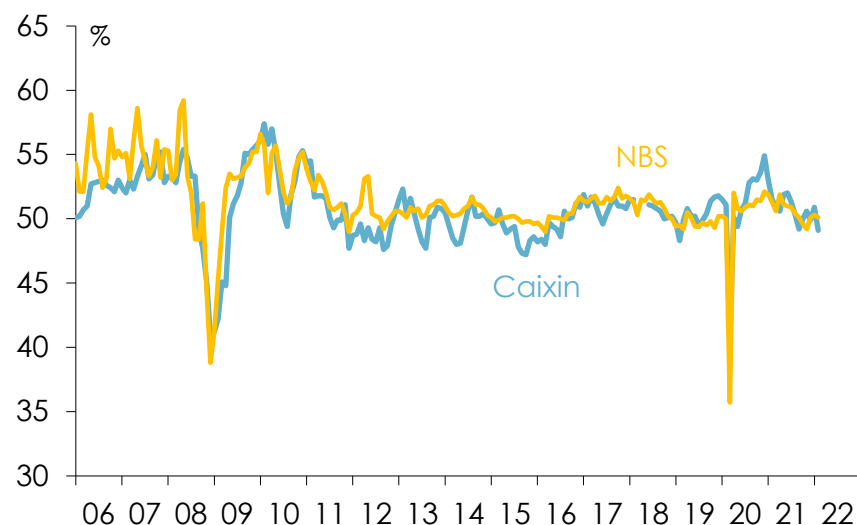


Sources: China National Bureau of Statistics, [National Data - National Accounts](#) and [The Urban Surveyed Unemployment Rate](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#). Before the monthly unemployment survey was introduced in 2018, the quarterly measure was 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"](#).

Official and private PMIs suggest a renewed slowing in economic activity in January, probably as a result of tighter covid-19 restrictions

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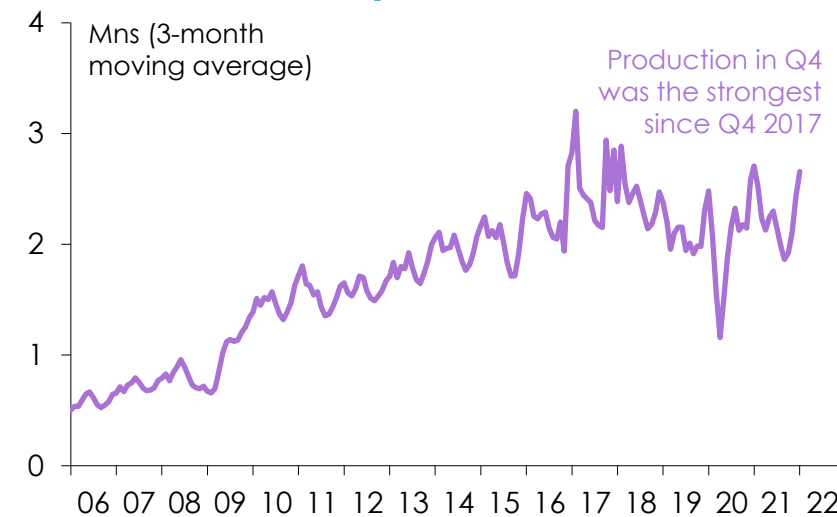
Manufacturing PMIs



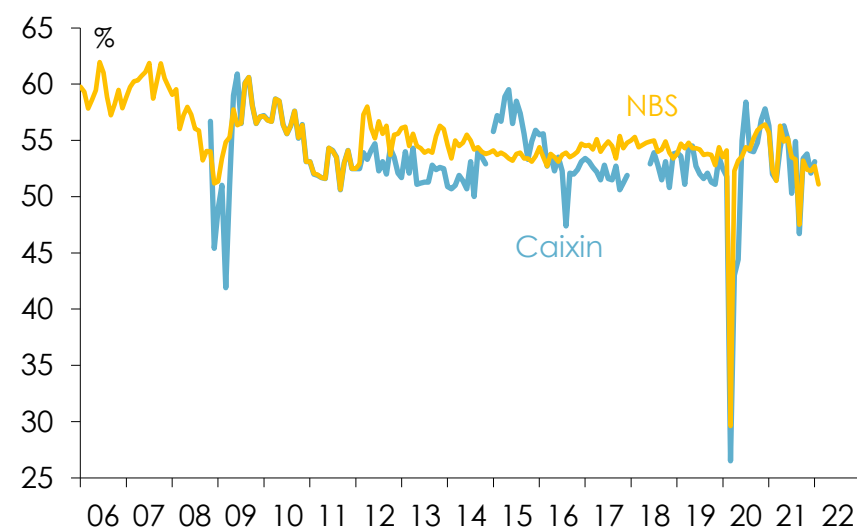
Industrial production



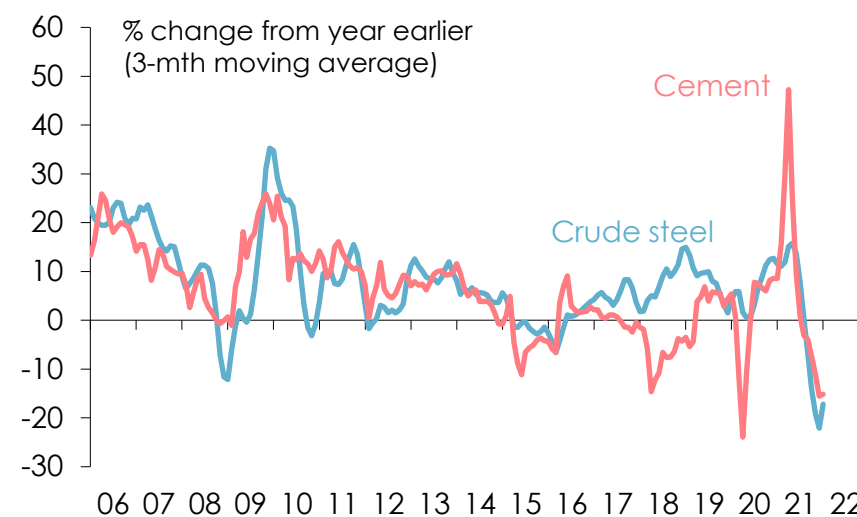
Motor vehicle production



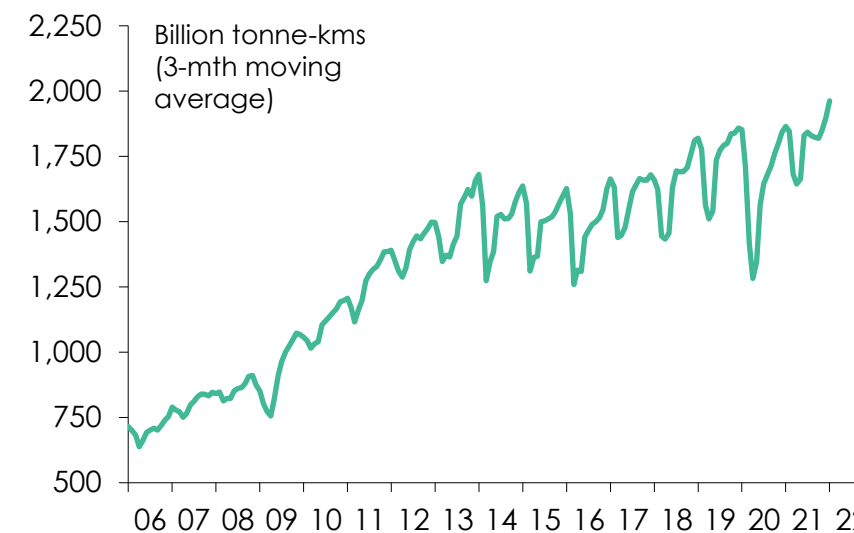
Non-manufacturing PMIs



Steel and cement production



Freight traffic volumes

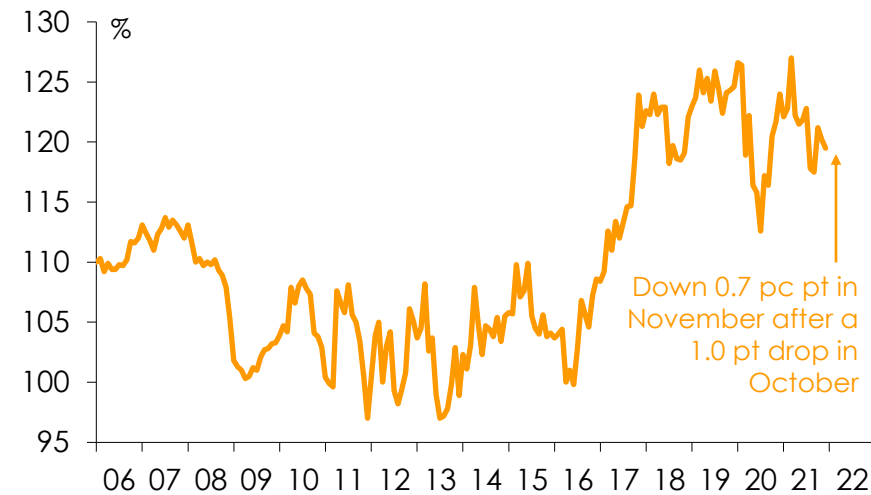


Note: The Caixin PMIs are derived from a survey of around 500, mostly small private, enterprises, while the 'official' NBS PMIs are derived from a survey of about 3,000, mostly state-owned, enterprises; for more detail see [here](#). Sources: China National Bureau of Statistics, [National Data](#); Caixin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

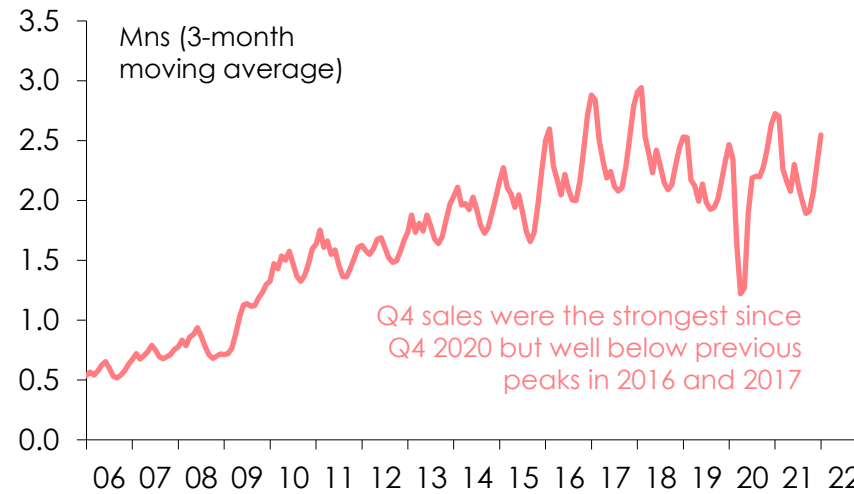
The 'demand' side of China's economy – and in particular the property construction sector – continued to look soft in December

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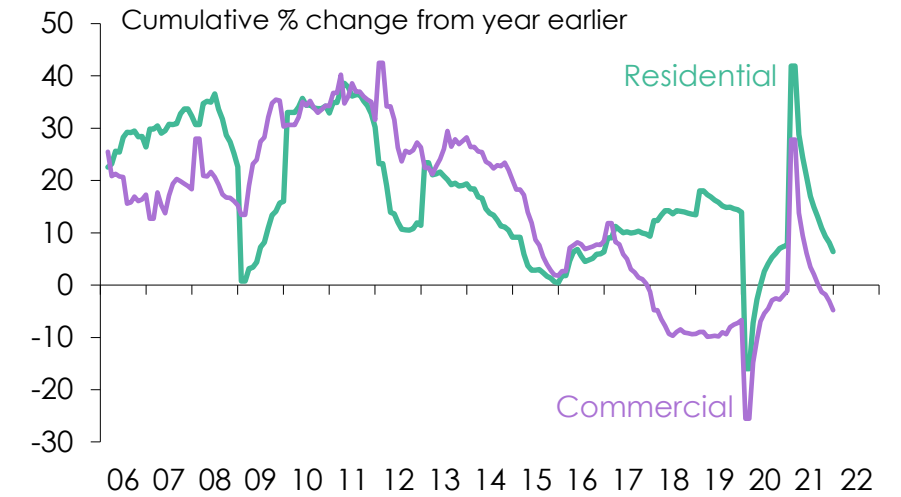
Consumer sentiment



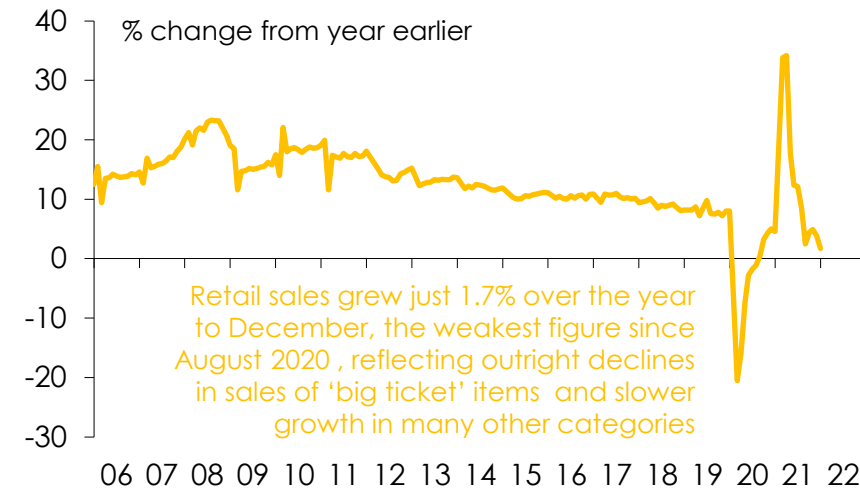
Motor vehicle sales



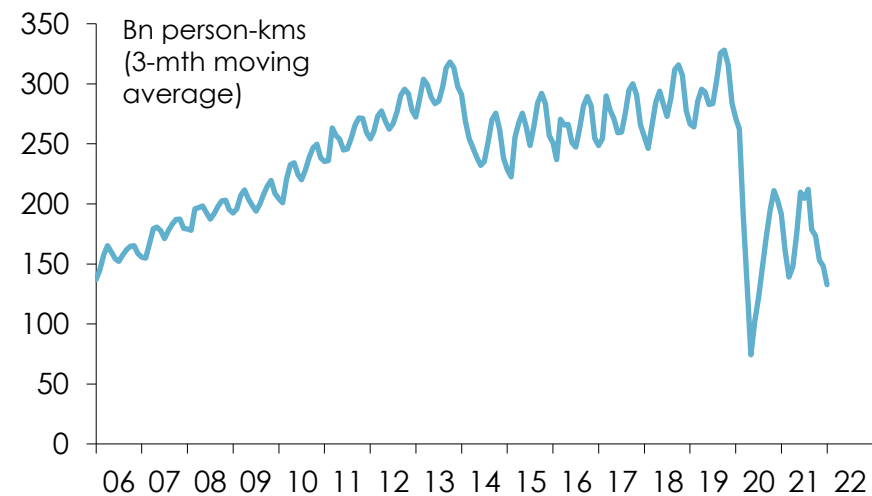
Real estate investment



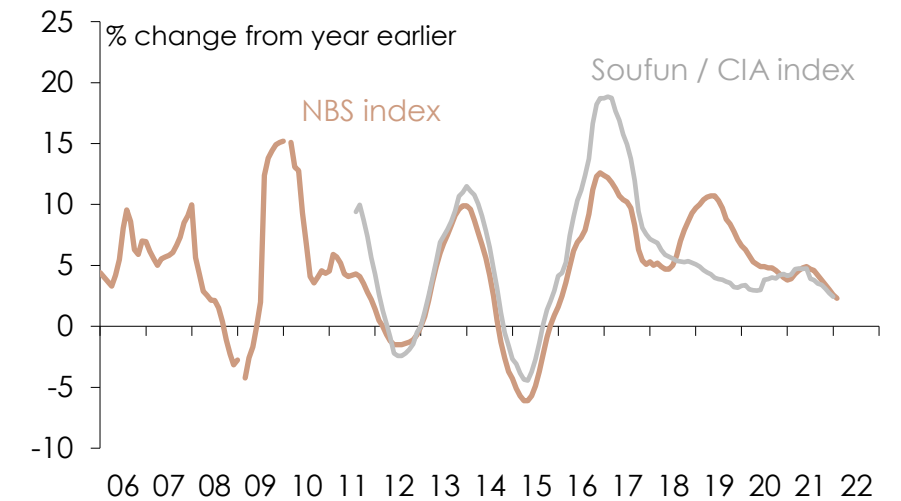
Retail sales



Passenger traffic volumes



Residential real estate prices

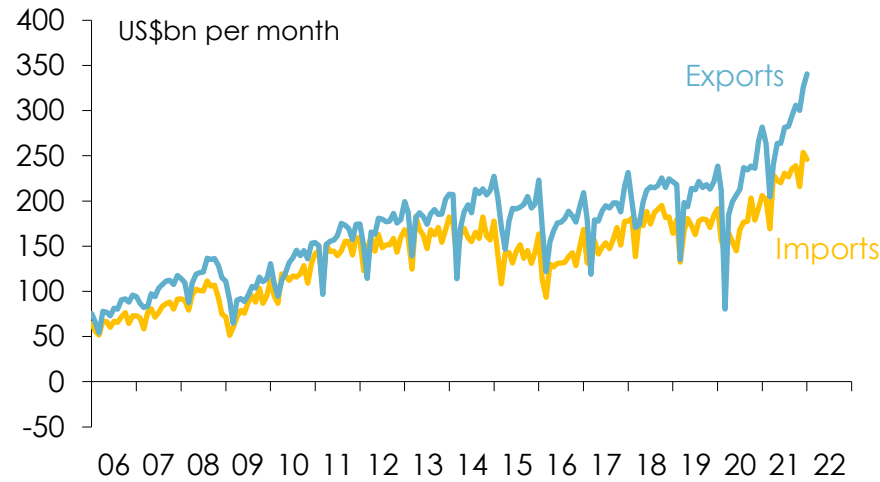


Note: Latest data are for November. Sources: China National Bureau of Statistics, [National Data](#); China Association of Automobile Manufacturers, [Sales of Automobiles](#); China Index Academy, [CREIS China Residential HPI-100 Monthly](#). [Return to "What's New"](#).

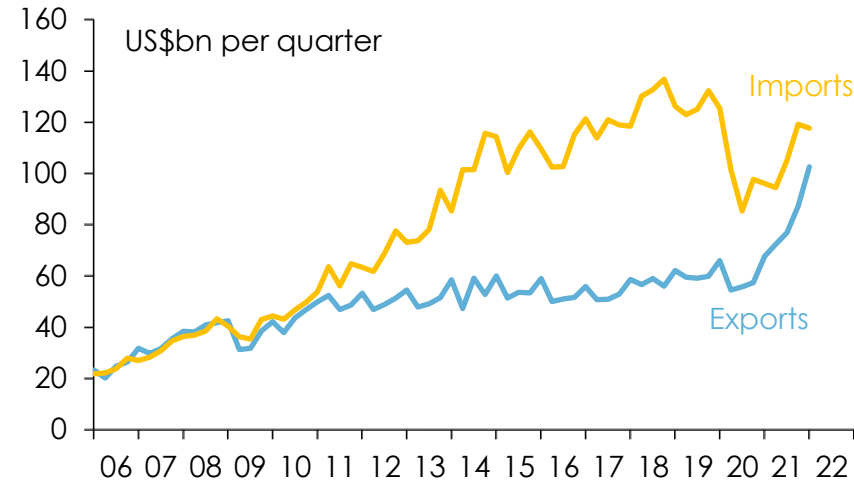
China's merchandise exports have regained 'market share', which along with weaker services imports have seen the current account surplus rise

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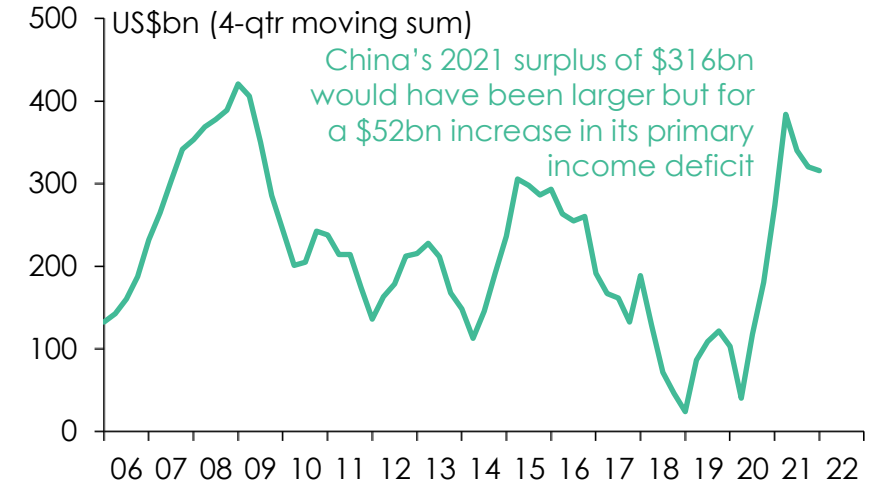
Merchandise exports and imports



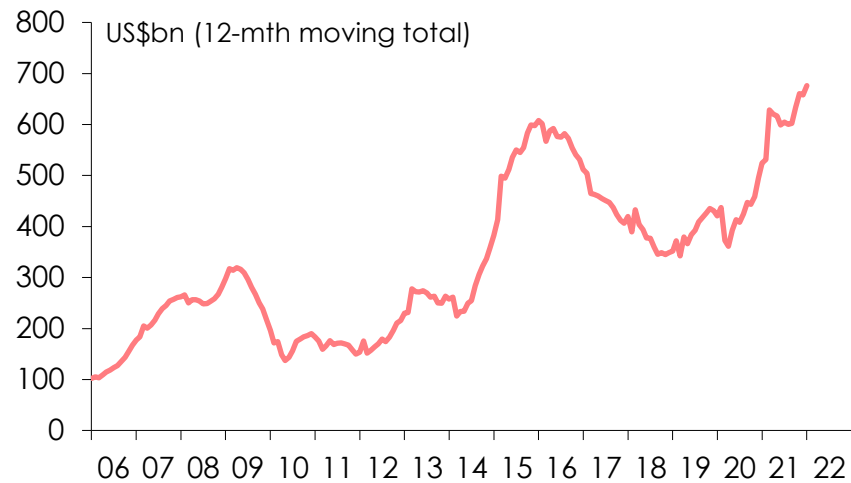
Services exports and imports



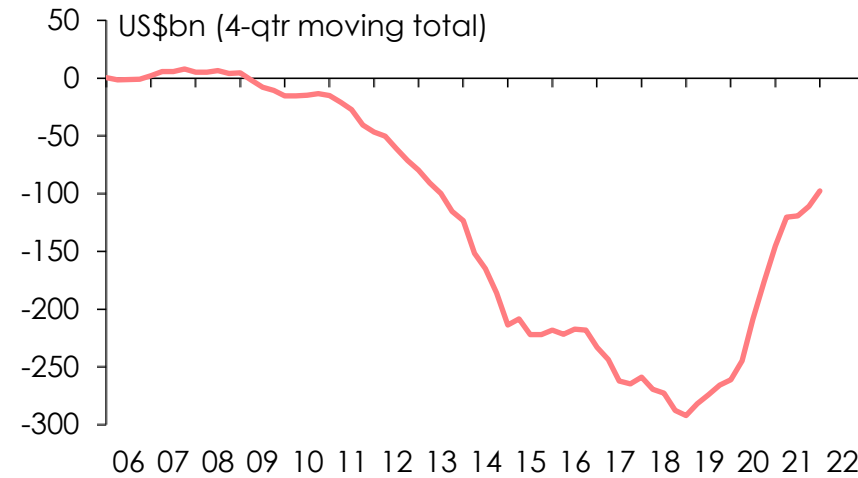
Current account balance



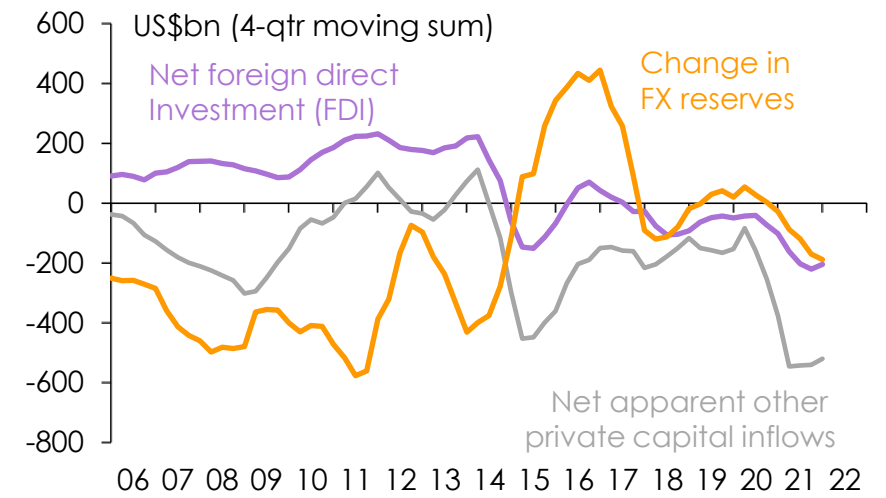
Merchandise trade balance



Services trade balance



Capital flows

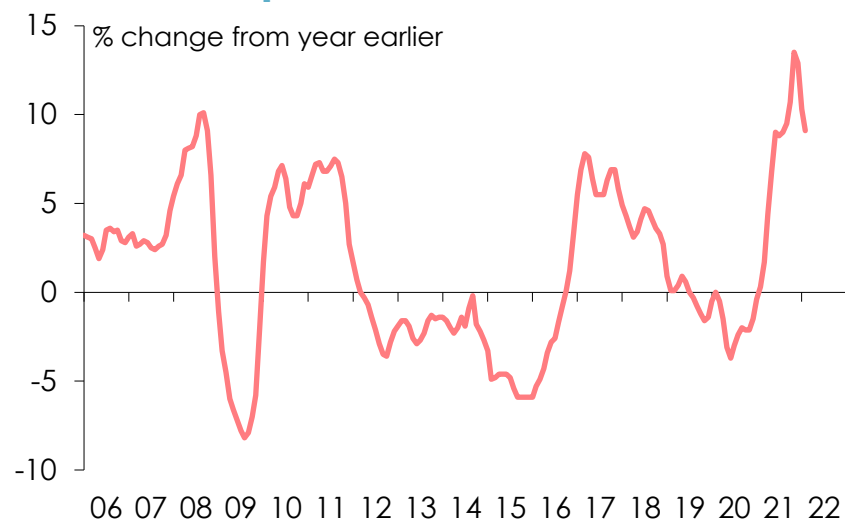


Sources: China General Administration of Customs, [Preliminary Release](#) and [Monthly Bulletin](#); State Administration of Foreign Exchange, [The time-series data of Balance of Payments of China](#). [Return to "What's New"](#).

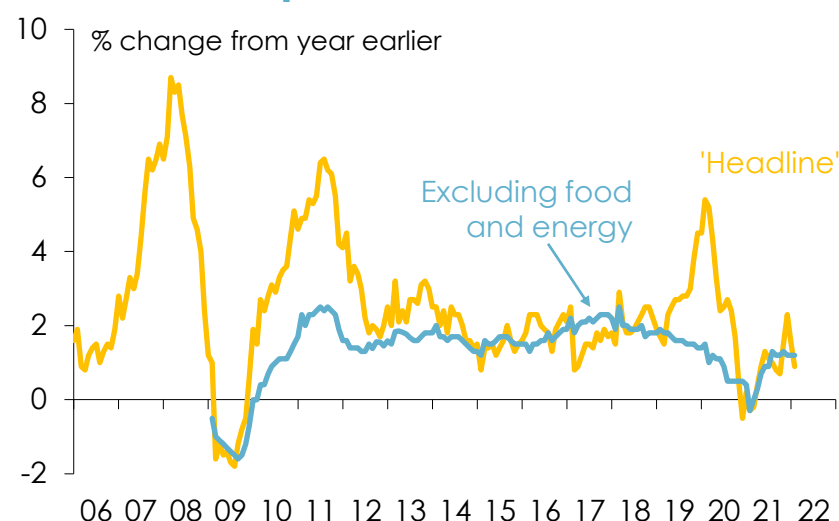
Producer price inflation in China appears to have passed its peak, while consumer price inflation remains low and stable

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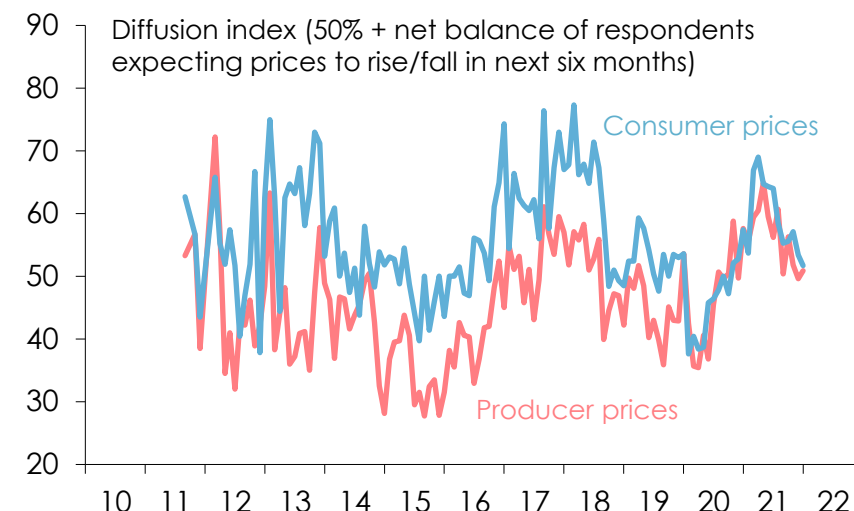
Producer prices



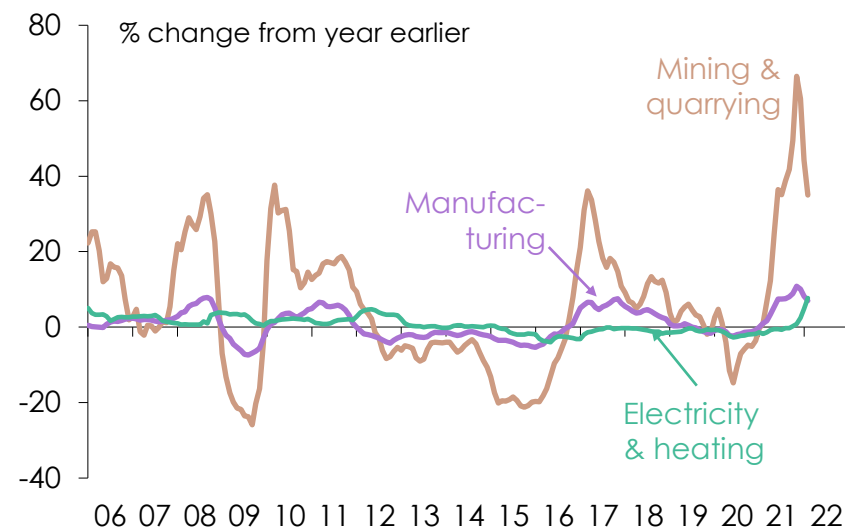
Consumer prices



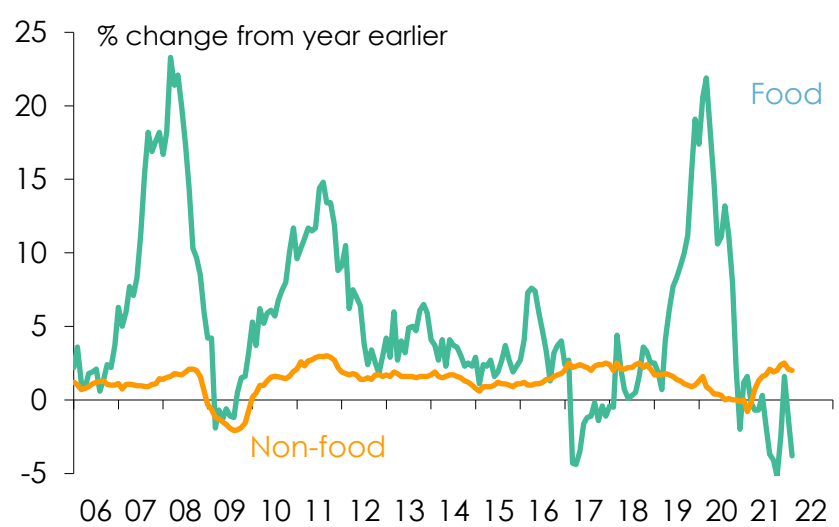
CKGSB price diffusion indexes



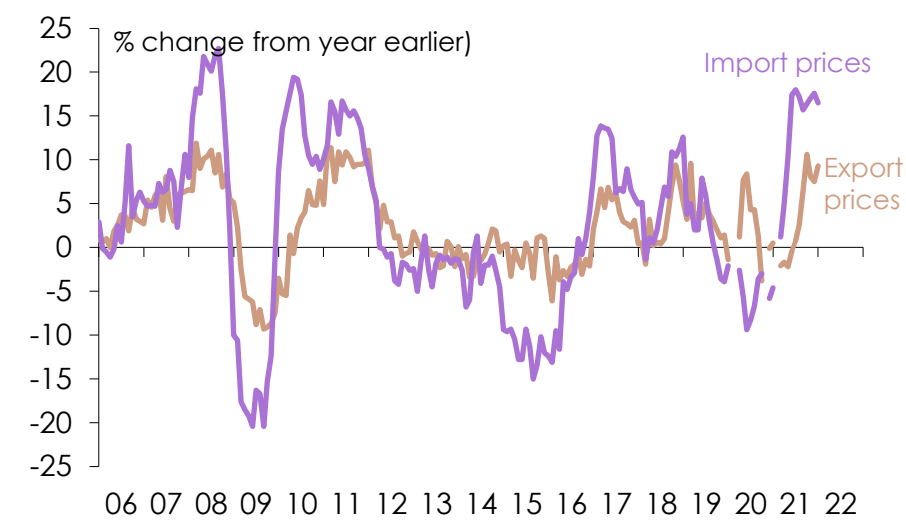
Producer prices – major categories



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

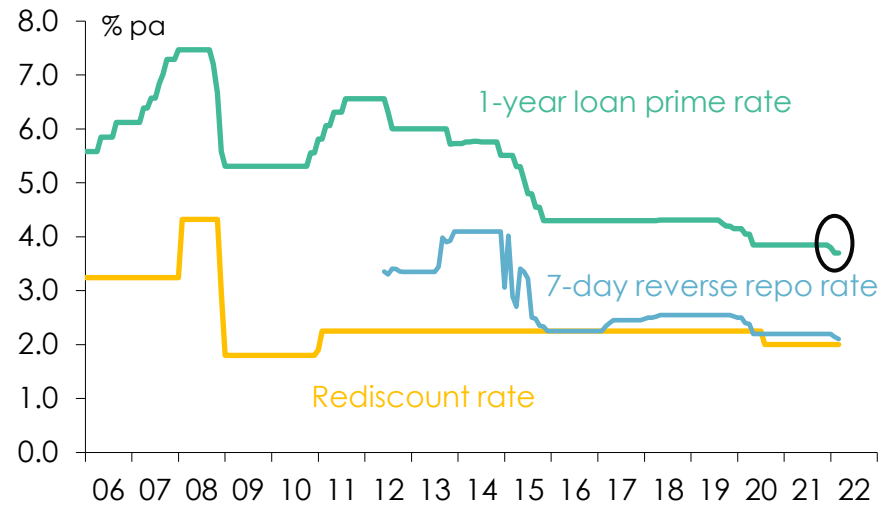
THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

- ❑ **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**
- ❑ **During January, the PBoC cut the one-year prime loan rate twice, by a total of 15 basis points, to 3.70%, following December's 50bp reduction in banks' reserve requirement ratios (see [slide 83](#))**
 - it also cut the five-year prime loan rate (which is more relevant for property finance) by 5bp to 4.60%, the first reduction since April 2020
 - however movements in interest rates are not the primary mechanism for implementing monetary policy changes in China, and it will be more important to monitor trends in credit provision
- ❑ **Further measures are likely to be forthcoming after December'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”

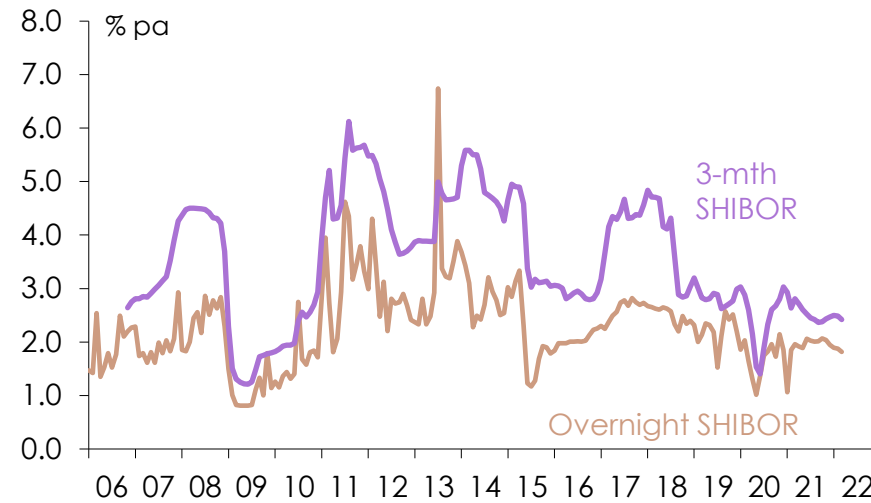
The PBoC has begun to ease monetary policy ever-so-slightly

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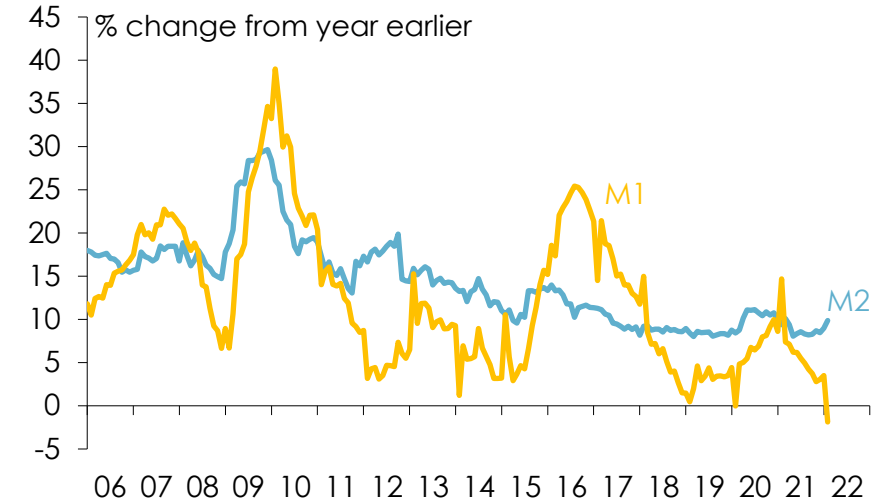
PBoC policy interest rates



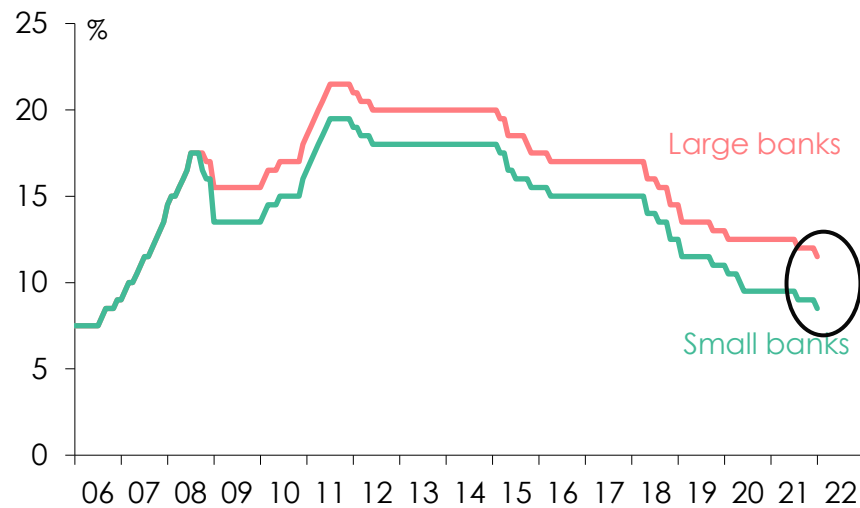
Short-term market interest rates



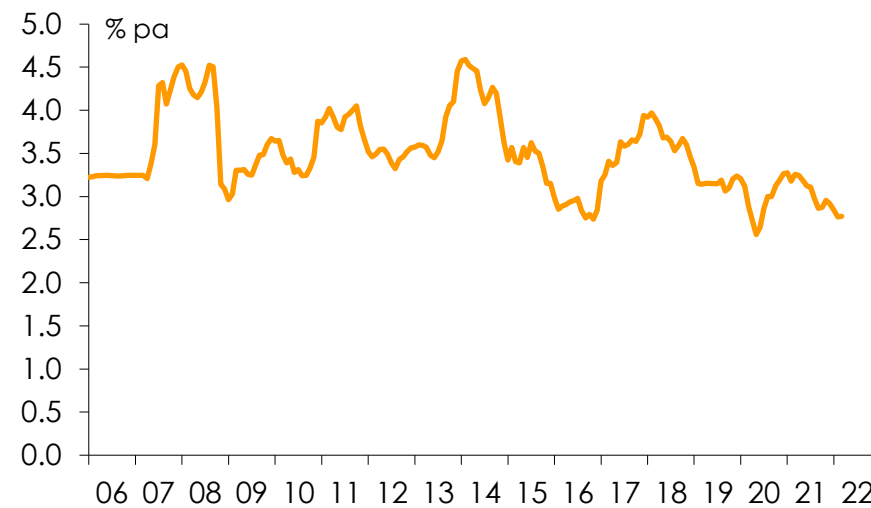
Monetary aggregates



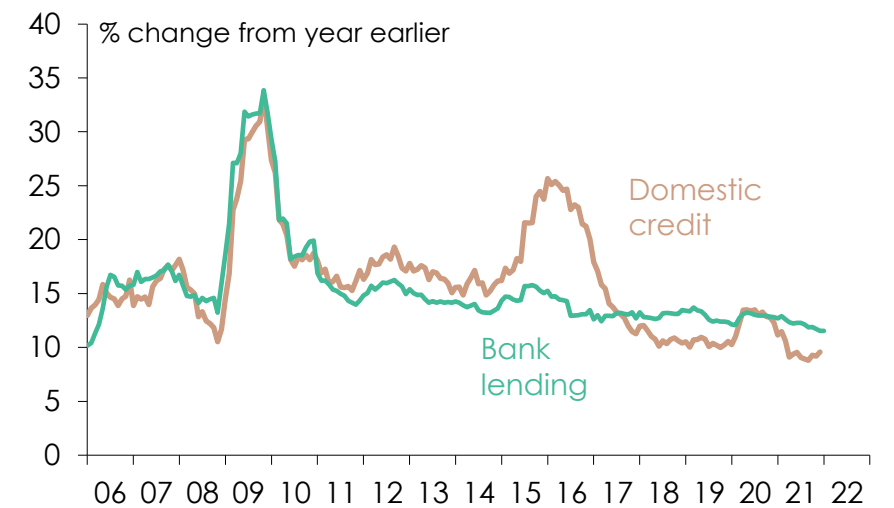
Bank reserve requirement ratios



10-year government bond yield



Credit growth

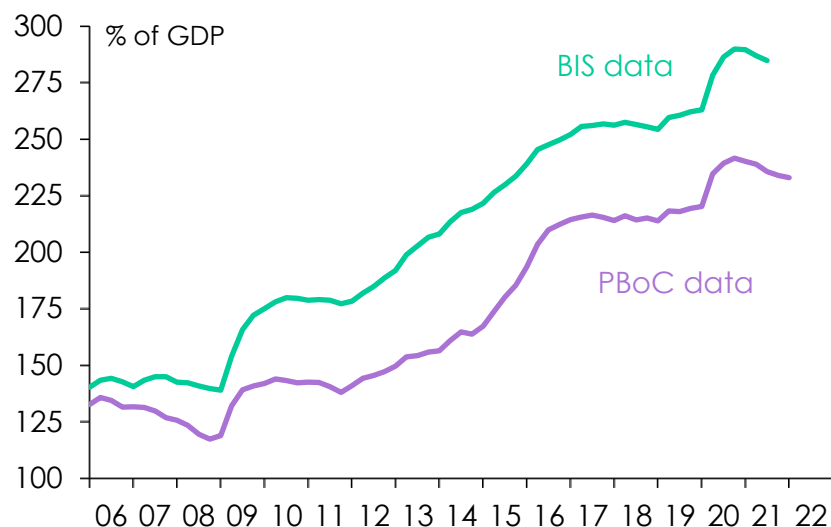


Note: 'SHIBOR' is the Shanghai Inter-Bank Offered Rate. Sources: Refintiv Datastream; People's Bank of China, [Financial Statistics Reports](#) and [Aggregate Financing Reports](#).
[Return to "What's New"](#).

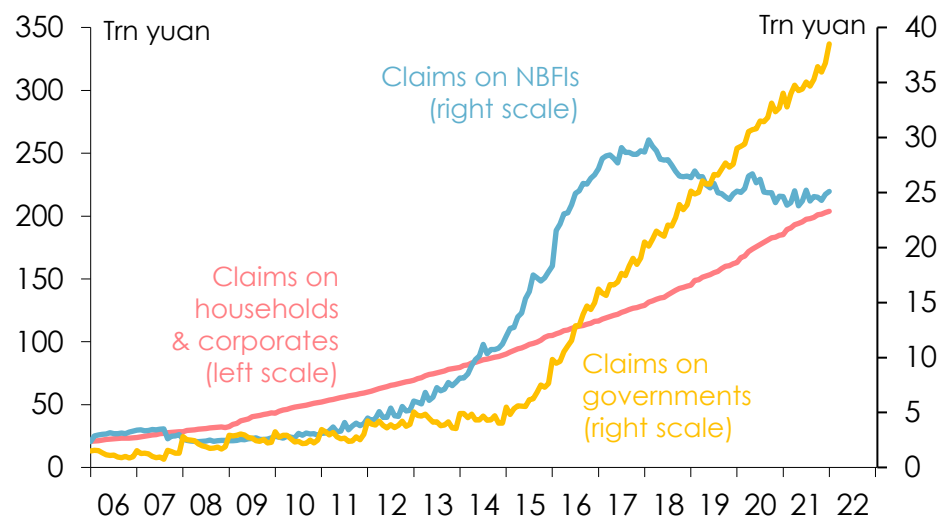
The Chinese banking system's risk profile has increased significantly over the past decade – particularly on the liabilities side of its balance sheet

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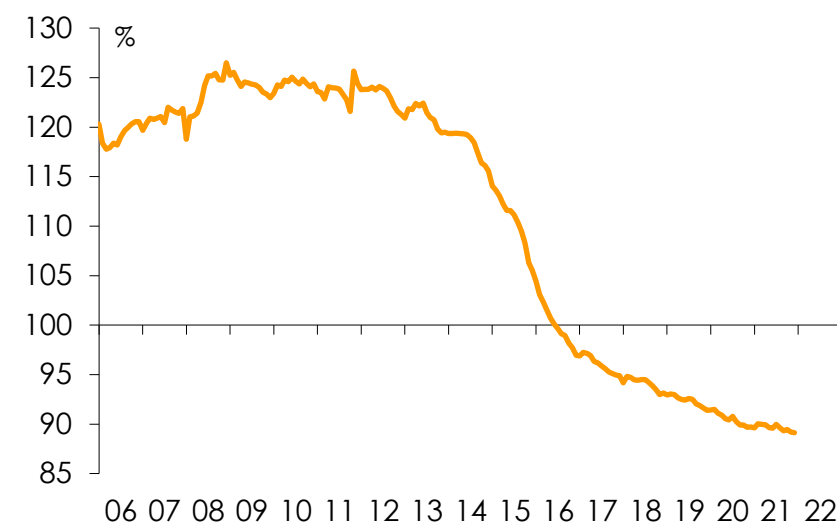
Credit outstanding as a pc of GDP



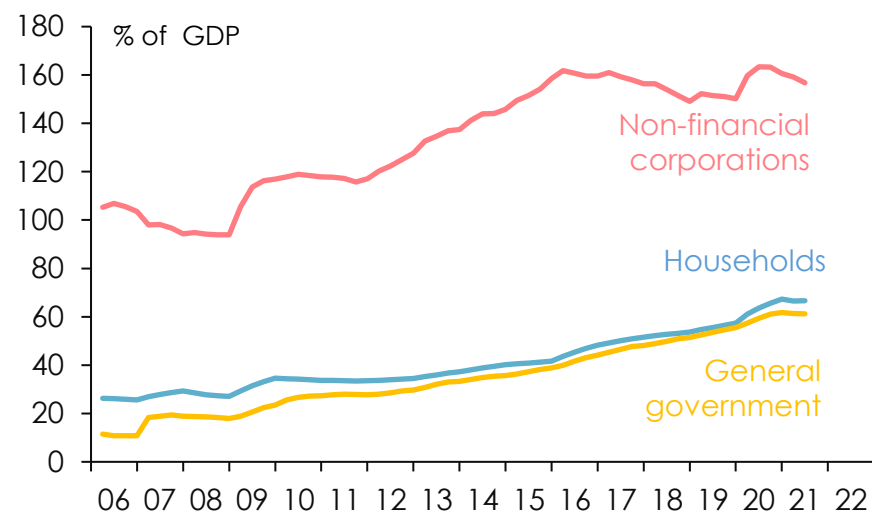
Banks' assets



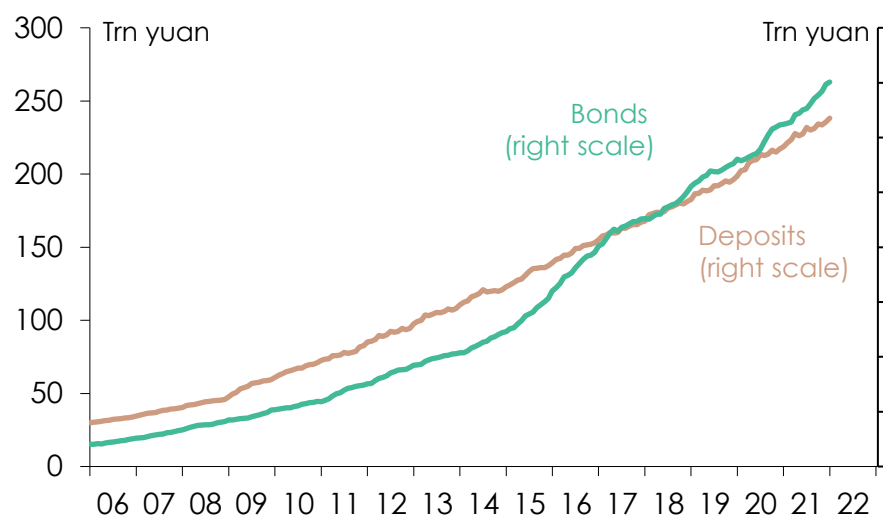
Banks' deposits-to-loans ratio



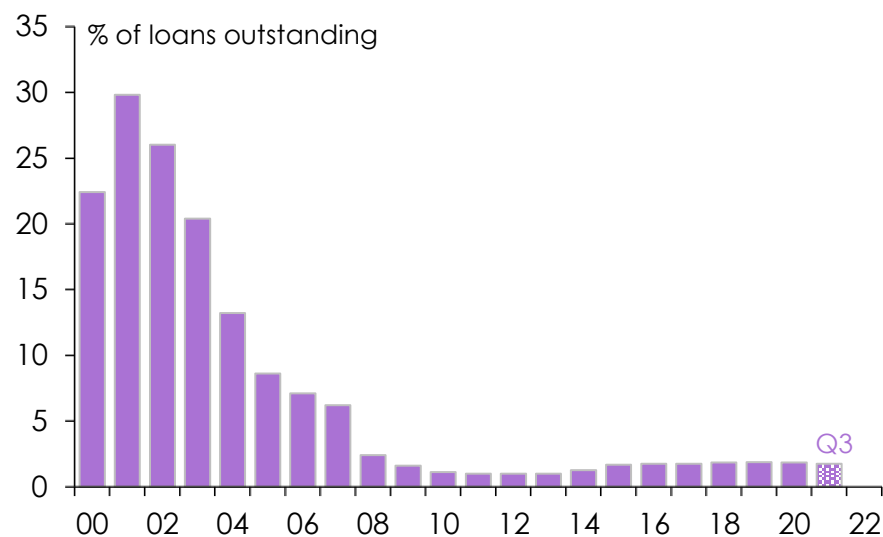
Credit outstanding by sector



Banks' liabilities



Banks NPLs – official estimates

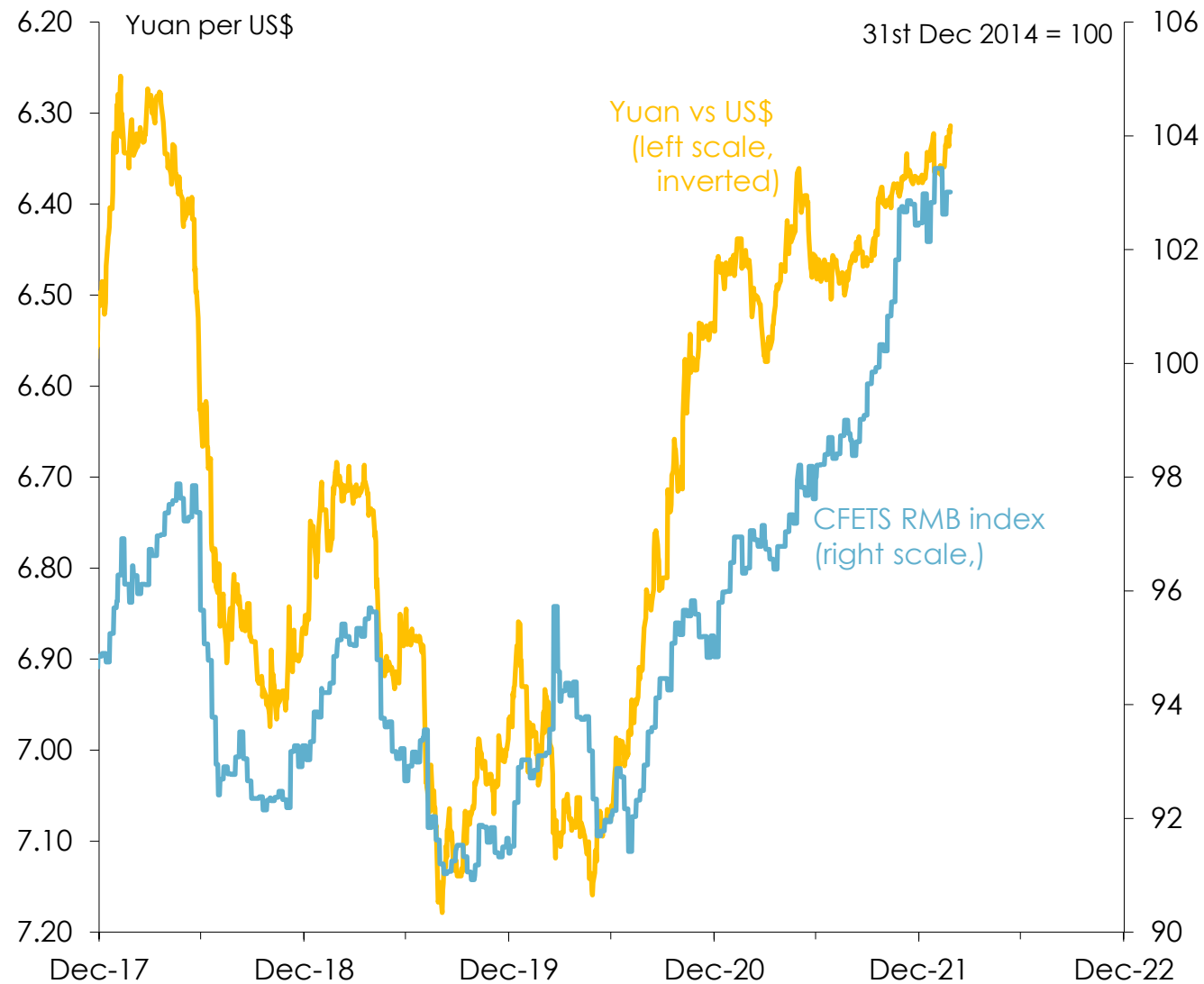


Sources: People's Bank of China, [Financial Statistics Reports](#); Bank for International Settlements, [Credit to the non-financial sector](#); China Banking and Insurance Regulatory Commission, [Supervisory Statistics of the Banking and Insurance Sectors](#). [Return to "What's New"](#).

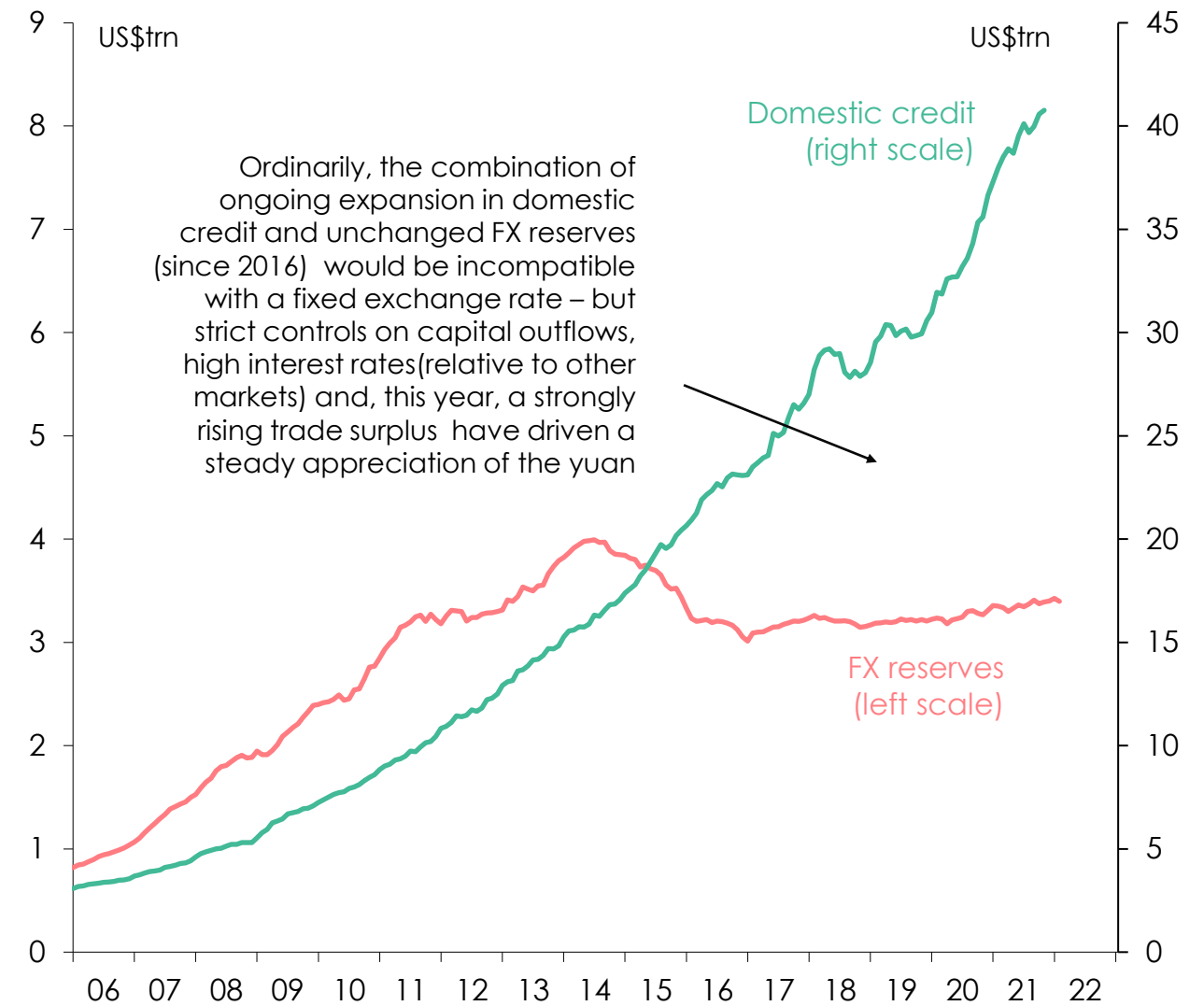
The yuan rose 0.4% against the PBoC's trade-weighted index and 0.2% against the US dollar last week

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Chinese renminbi vs US\$ and trade-weighted index



FX reserves and domestic credit



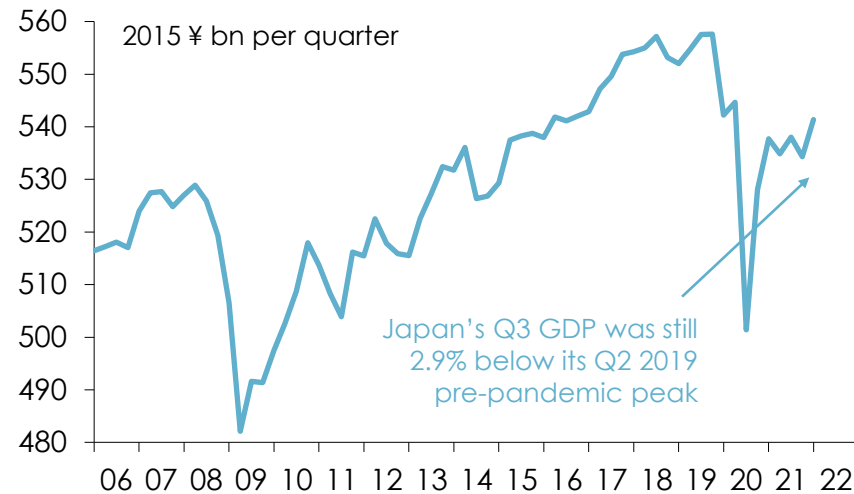
Sources: Refinitiv Datastream; China Foreign Exchange Trading System; People's Bank of China. Exchange rates up to 25th February; FX reserves data is up to January and domestic credit data to December. [Return to "What's New"](#).

Japan

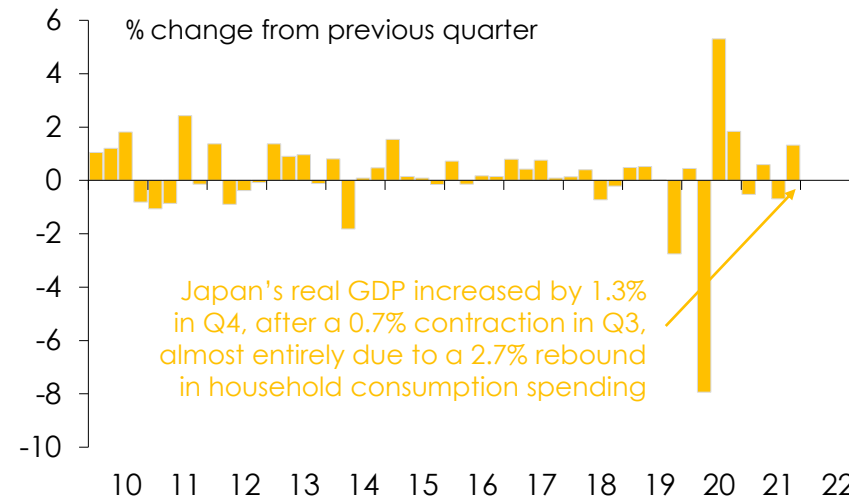
Japan's real GDP rebounded 1.3% in Q4 last year after falling in two of the three previous quarters but was still 2.9% short of its pre-pandemic peak

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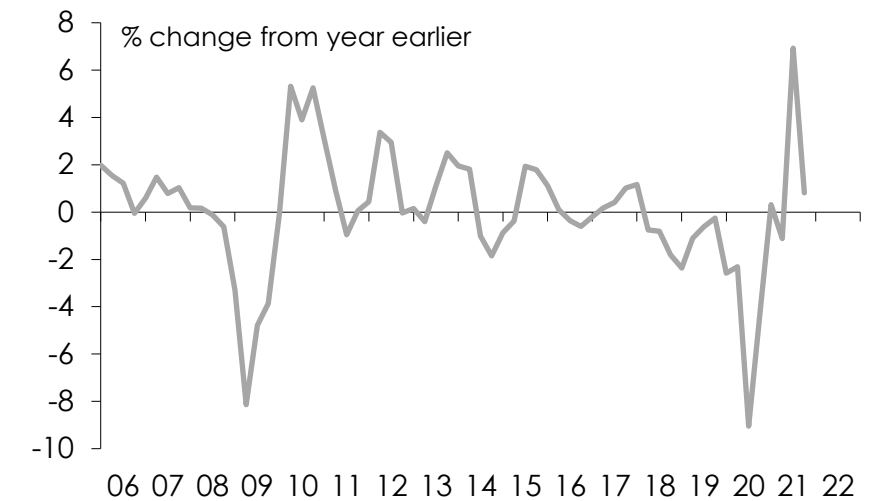
Level of real GDP



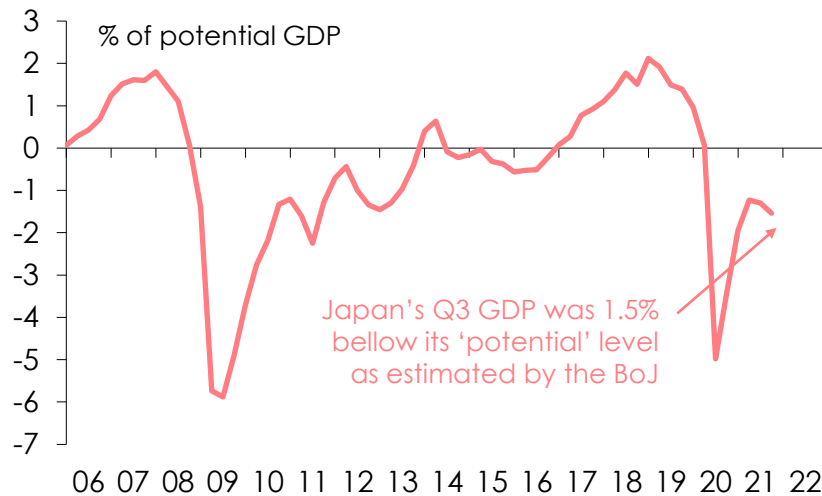
Quarterly change in real GDP



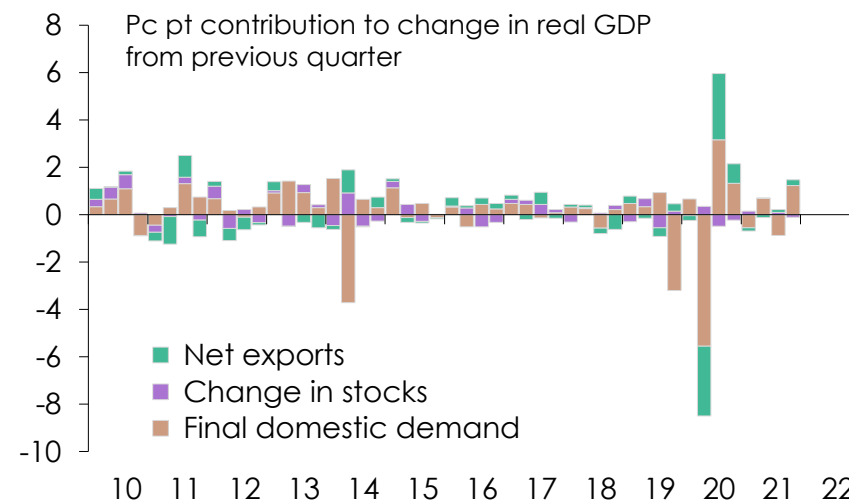
Labour productivity growth



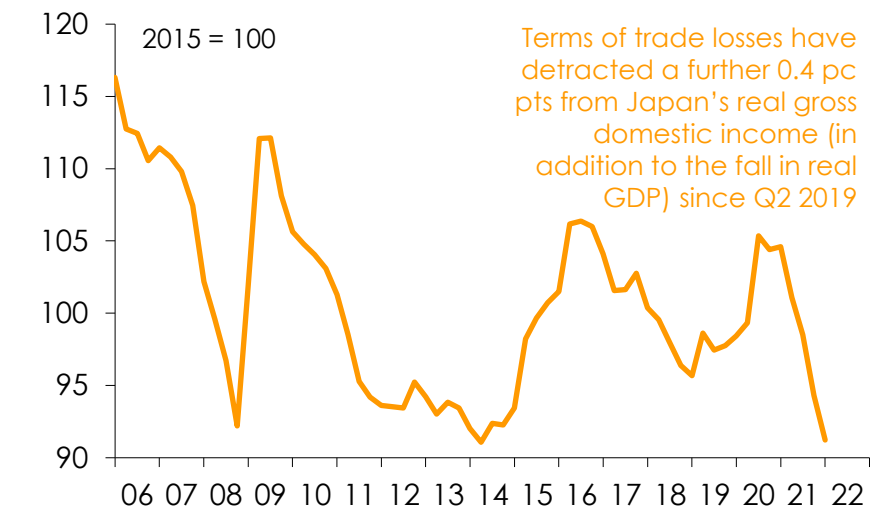
The 'output gap'



Contributions to change in real GDP



Terms of trade

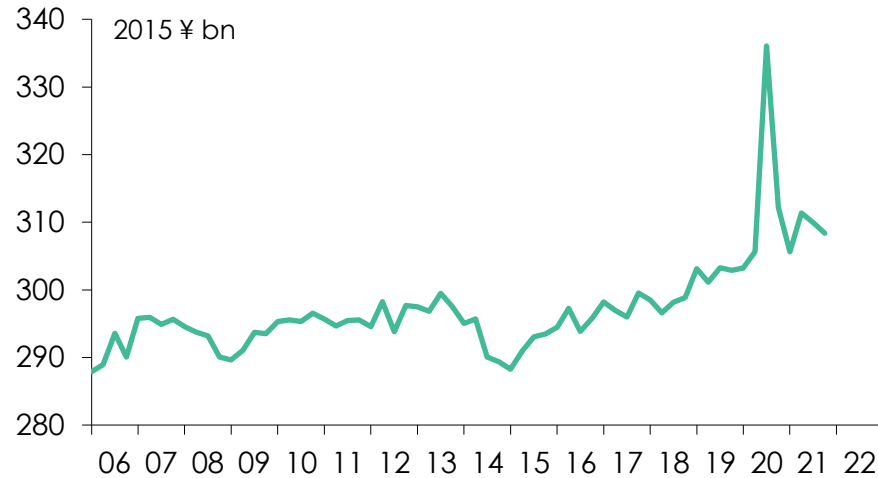


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & 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"](#).

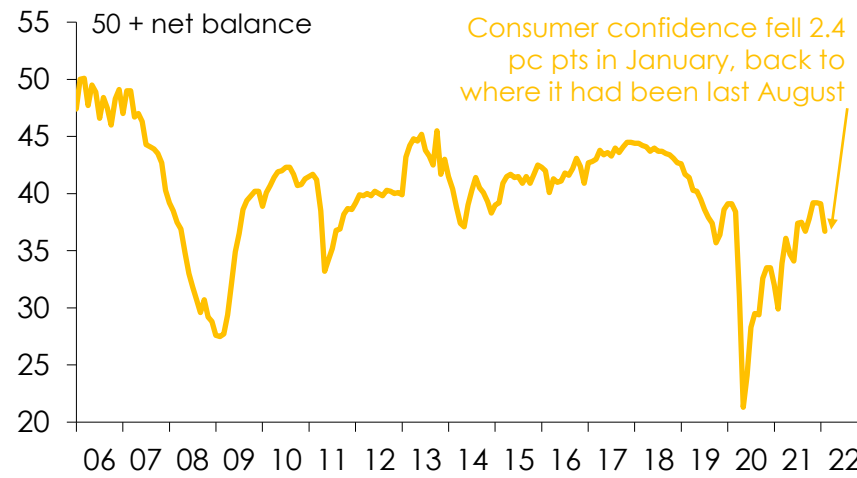
Household incomes have been supported by fiscal transfers, but much of them have been saved so household spending has remained weak

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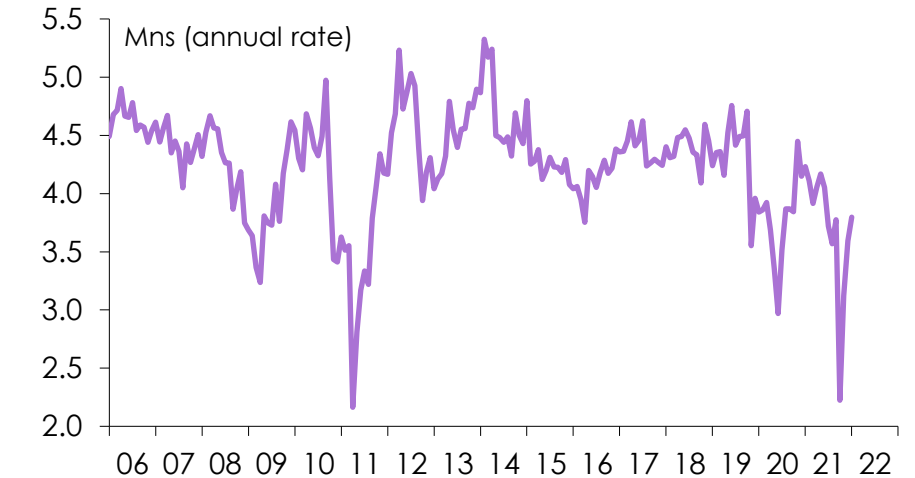
Real household disposable income



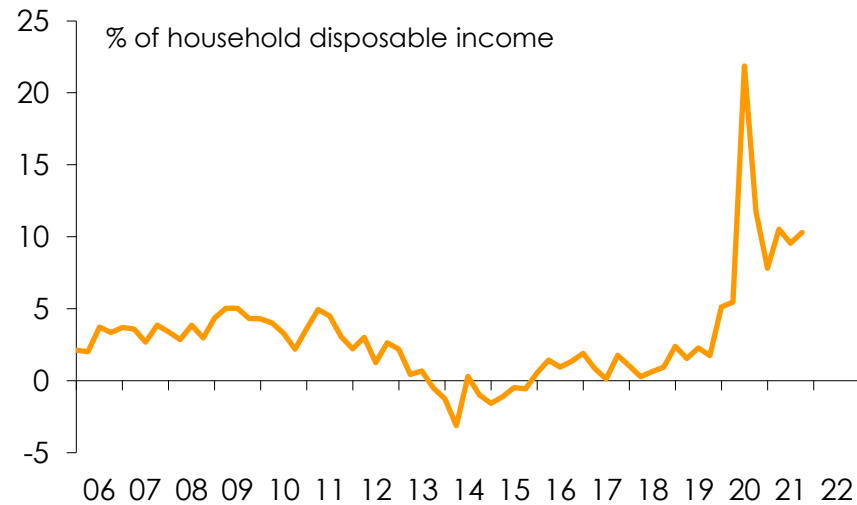
Consumer confidence



Motor vehicle sales



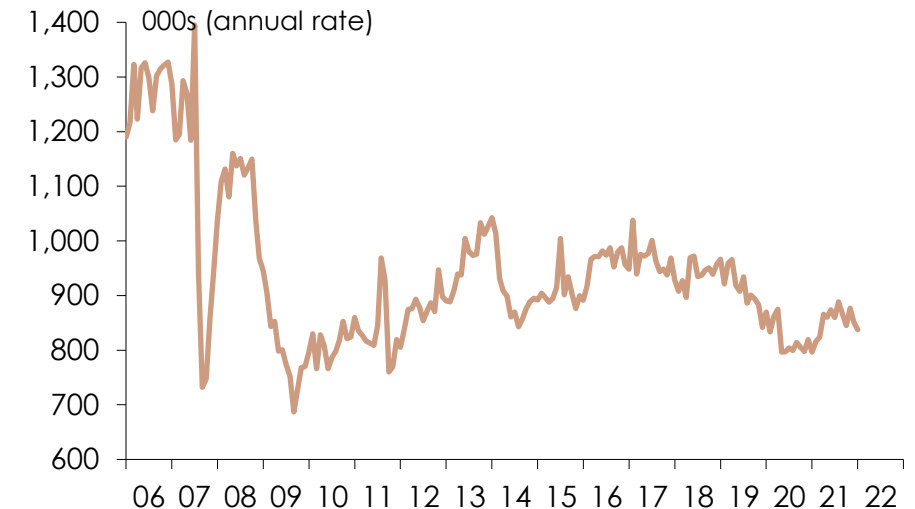
Household saving



Consumption activity index



Housing starts

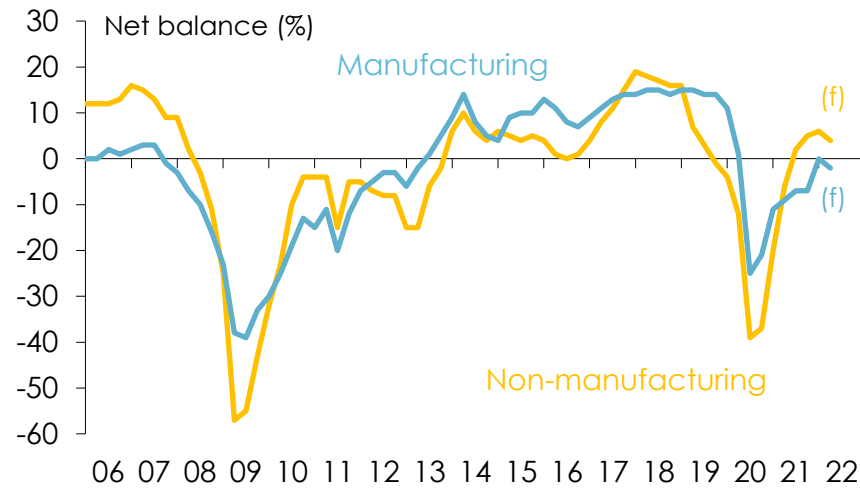


Sources: Japan Cabinet Office, [Quarterly Estimates of Household Disposable Income and Household Saving Ratio](#) and [Consumer Confidence Survey](#); Bank of Japan, [Consumption Activity Index](#); Japan Automobile Dealers Association, [Statistical Data](#); Japan e-Stat, [Building Starts](#). [Return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

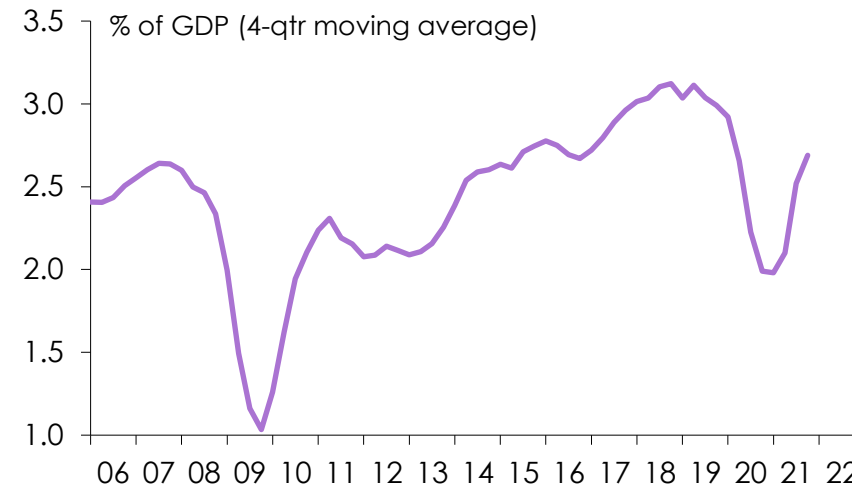
The Japanese corporate sector is reasonably healthy and business confidence is improving

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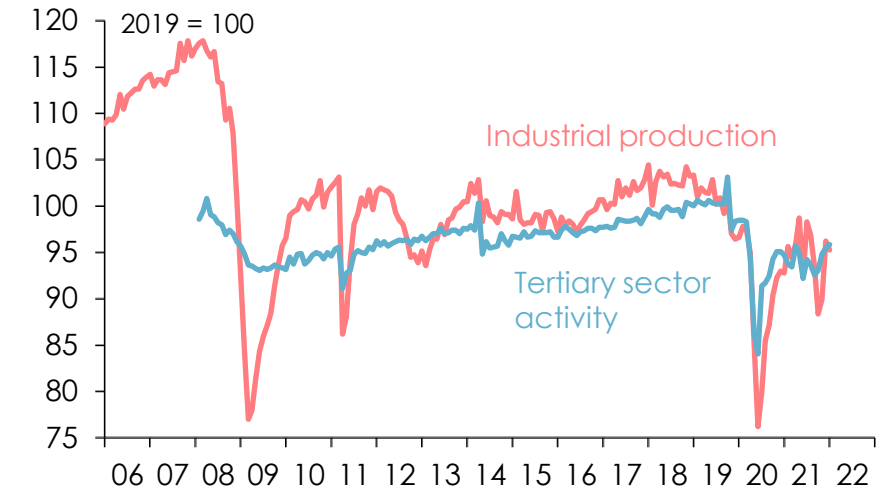
Business conditions by industry



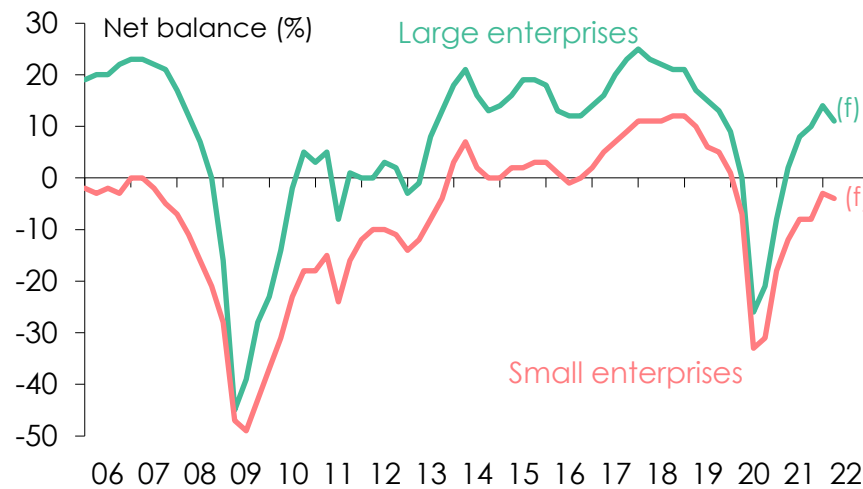
Corporate operating profits



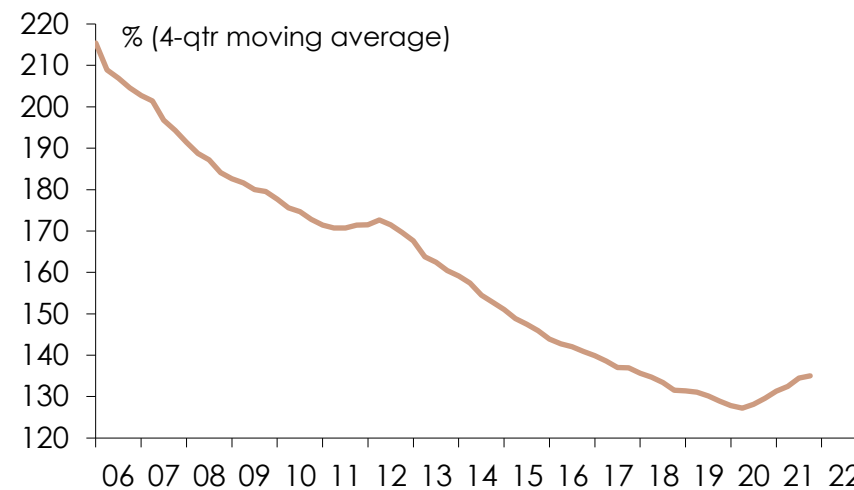
Indexes of economic activity



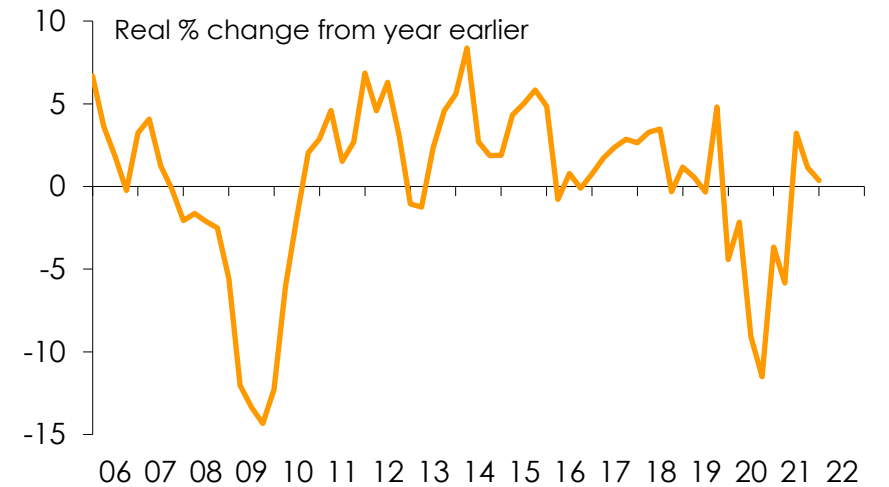
Business conditions by firm size



Corporate debt-equity ratio



Business investment

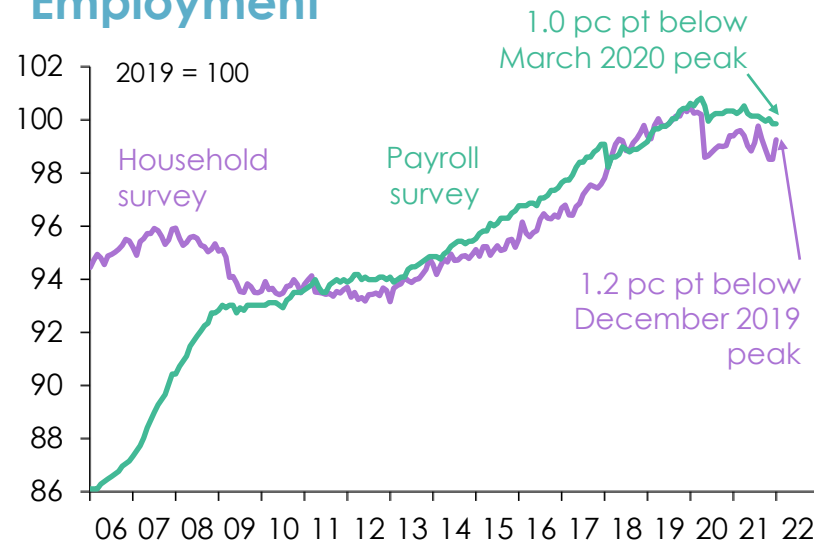


Sources: Bank of Japan, [Short-Term Economic Survey of Enterprises in Japan \('Tankan'\)](#); Policy Research Institute, Ministry of Finance, [Financial Statements Statistics of Corporations by Industry, Quarterly](#); Ministry of Economy, Trade & Industry, [Indices of Industrial Production](#) and [Indices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

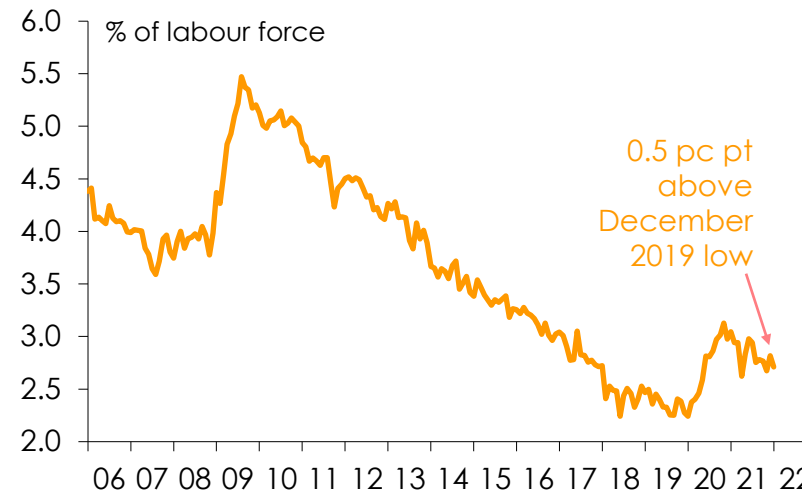
Employment in Japan is still 1% below its pre-pandemic peak – but wages growth has picked up and inflation though still very low is now positive

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

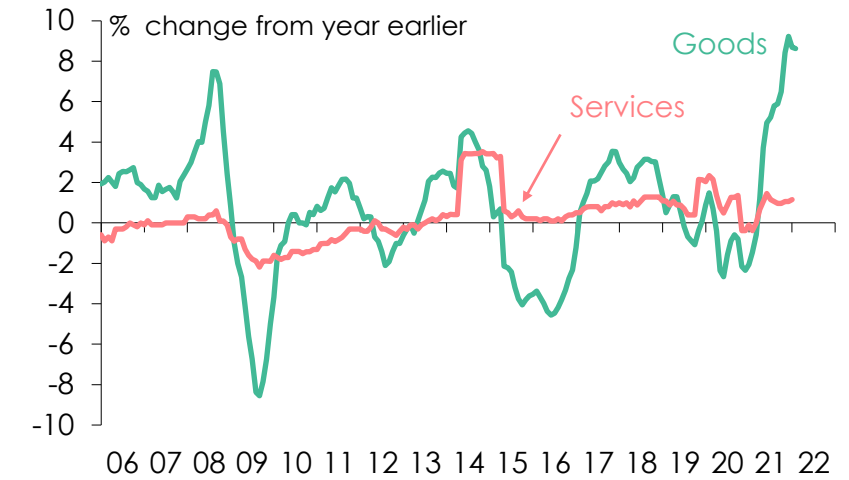
Employment



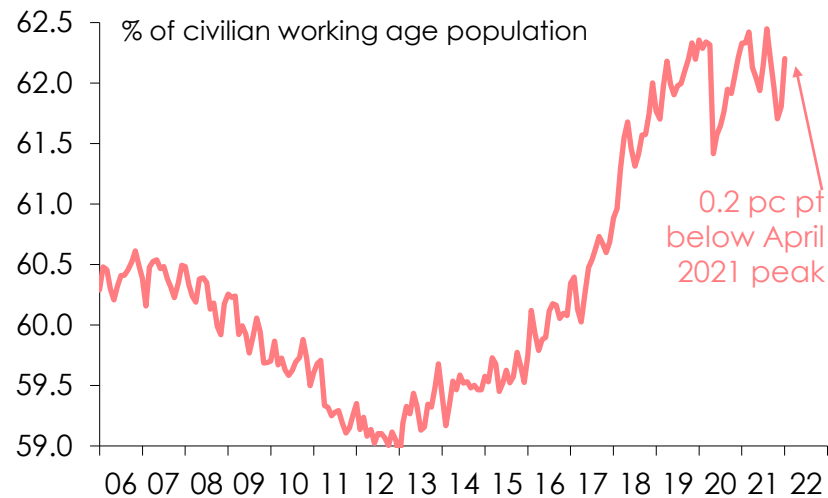
Unemployment rate



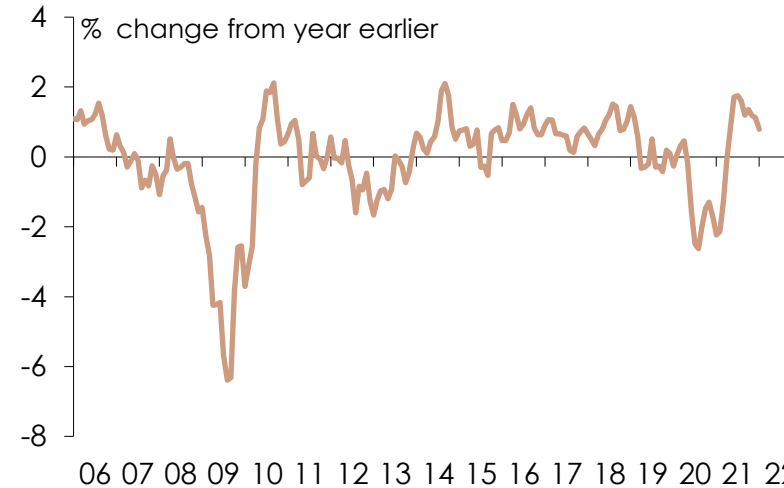
'Corporate' (producer) prices



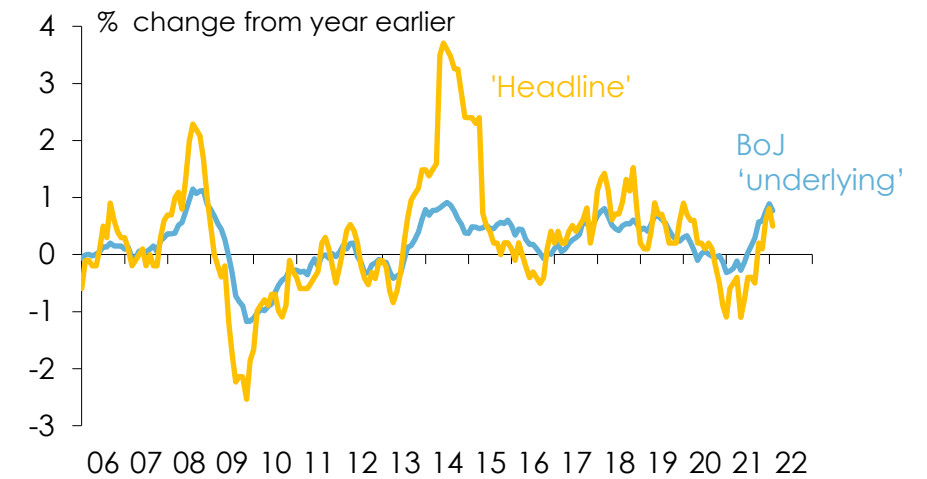
Labour force participation rate



Wages growth



Consumer prices

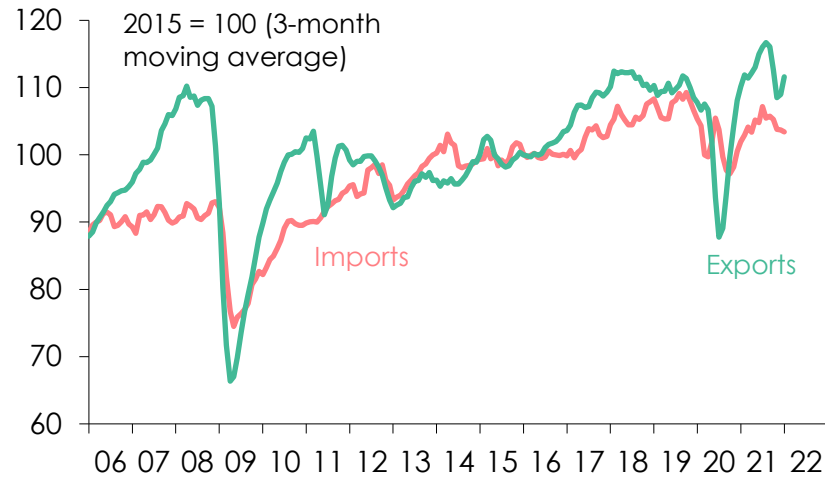


Sources: Statistics Bureau of Japan, [Labour Force Survey](#) and [Consumer Price Index](#); Ministry of Health, Labour and Welfare, [Monthly Labour Survey](#); Bank of Japan, [Prices and Measures of Underlying Inflation](#). [Return to "What's New"](#).

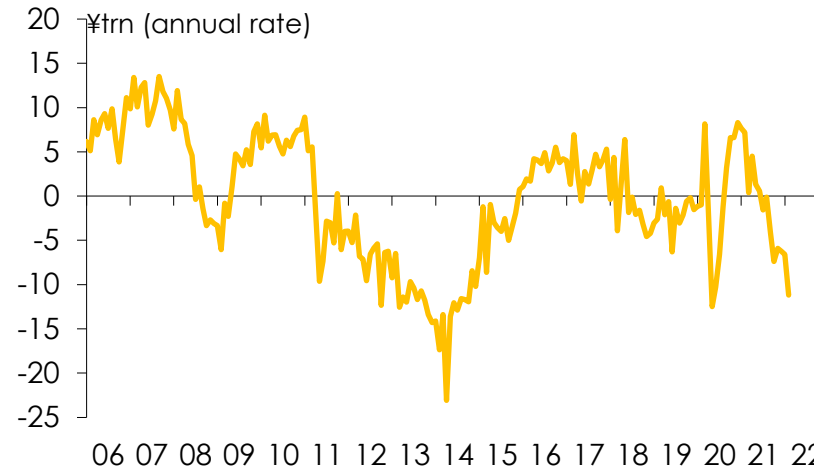
Japan's auto exports have been impacted by supply-chain difficulties, which together with higher import prices have curtailed its trade surpluses

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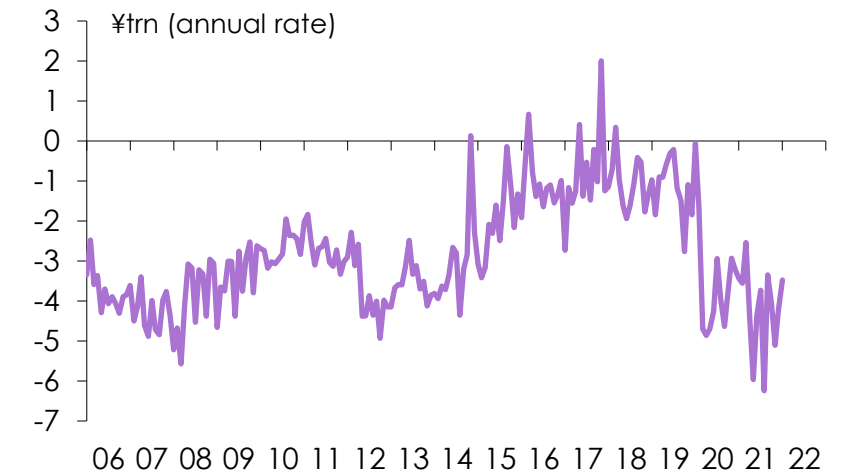
Merchandise trade volumes



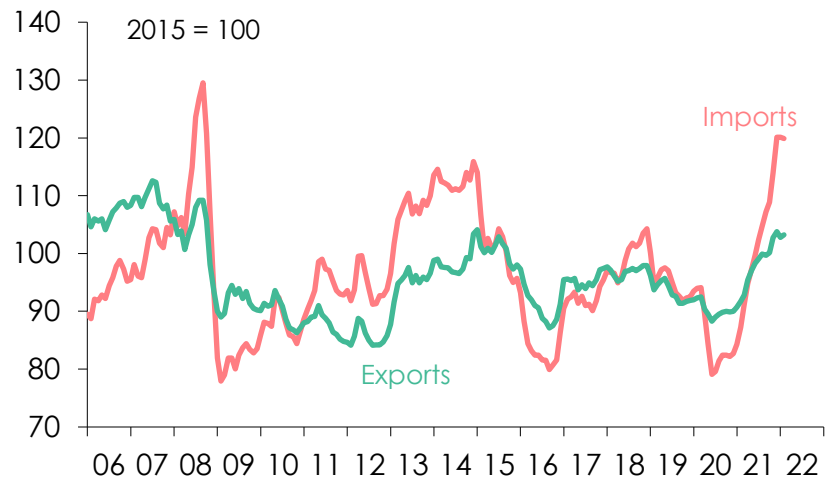
Merchandise trade balance



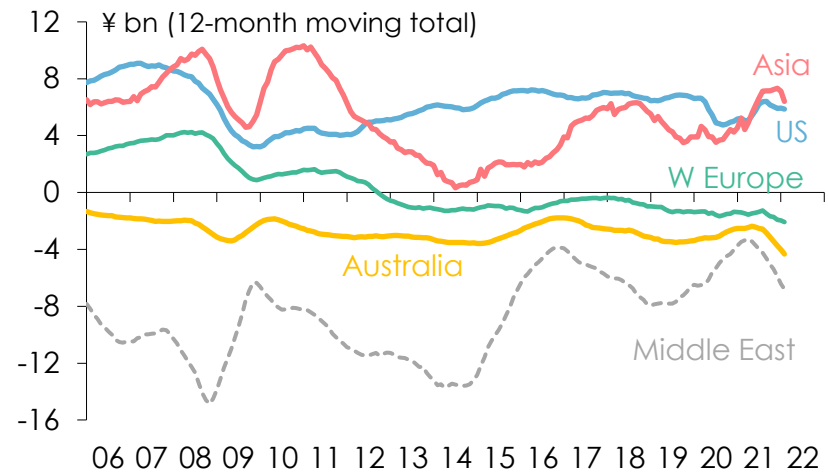
Services trade balance



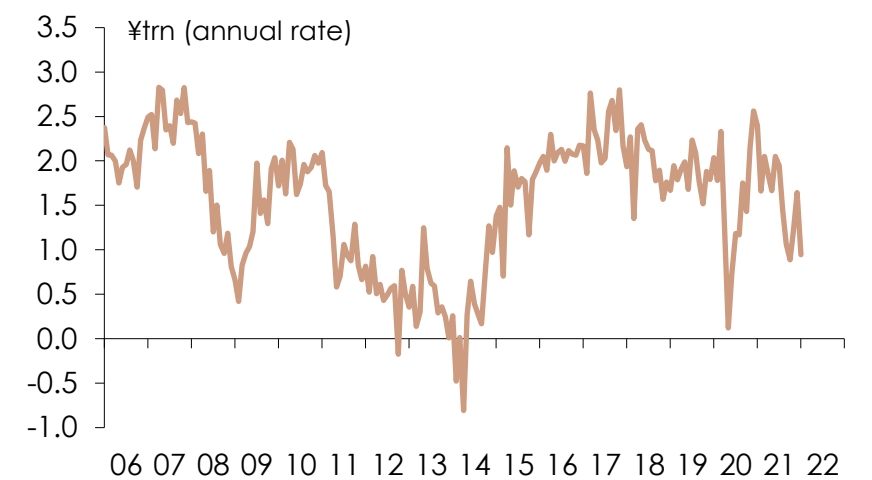
Merchandise trade prices



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](#).

The Bank of Japan earlier this month forcefully re-asserted its intentions to keep 10-year JGB yields below 0.25%

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- ❑ Two weeks ago, the BoJ offered to buy an unlimited amount of 10-year JGBs at 0.25% in order to prevent the 10-year yield from rising above the upper bound of its Yield Curve Control target range (25 bp either side of zero) – as they had seemed likely to do towards the end of the previous week
 - as it turned out yields retreated and the BoJ didn't need to buy any bonds – but BoJ Governor Kuroda stated that the BoJ would make unlimited purchases in order to maintain the 0.25% ceiling on 10-year bonds “should something similar happen again”
 - however Kuroda-san also said that “the yield curve needs to steepen to a certain extent”, and the BoJ hasn't sought to prevent 20- and 30-year yields from rising
- ❑ The BoJ's Policy Board left its policy settings unchanged (as expected) at its January Monetary Policy Meeting
- ❑ In its Monetary Policy Statement issued after the meeting the BoJ forecast that the ‘output gap’ (between actual and potential GDP) would turn positive “from around the first half of fiscal 2022” as the impact of Covid-19 and supply-side constraints waned, allowing a “virtuous circle from income to spending” to intensify, resulting in the Japanese economy growing “at a pace above its potential rate”
 - Policy Board members revised down their median forecast for economic growth in FY2021 (which ends on 31st March) to 2.8% (from 3.4% in October), but revised the FY2022 forecast up to 3.8% (from 2.9% previously)
- ❑ The BoJ now expects the annual rate of CPI inflation to remain “in positive territory for the time being”, as a result of higher energy prices, a “moderate pass-through” of raw material cost increases “on the back of the improvement in the output gap”, and dissipation of the effects of last year's cut in mobile phone charges
 - Policy Board members' median forecast for CPI (excluding fresh food) inflation for FY2021 remained unchanged at 0%, but the forecast for FY2022 was revised up slightly to 1.1% (from 0.9%)

Other East Asian economies

The IMF last month lowered its forecasts for GDP growth in most Asian economies in 2022 by 0.3-0.4%

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IMF and Asian Development Bank forecasts for East Asian economies

	Real GDP growth							Inflation						
	Actual		IMF			ADB		Actual		IMF			ADB	
	2010-19*	2020	2021	2022	2023	2021	2022	2010-19*	2020	2021	2022	2023	2021	2022
Korea	3.3	-0.9	4.0	3.0	2.9	3.1	3.1	1.7	0.5	2.2	1.6	1.6	2.3	1.9
Taiwan	3.6	3.1	5.9	3.3	2.6	6.2	3.0	1.0	-0.2	1.6	1.5	1.4	2.0	1.1
Hong Kong	2.8	-6.1	6.4	3.5	3.1	6.4	3.4	3.3	0.3	1.9	2.1	2.3	1.5	2.0
Singapore	4.9	-5.4	6.0	3.2	2.7	6.9	4.1	1.6	-0.2	1.6	1.5	1.5	2.0	1.4
Indonesia	5.4	-2.1	3.3	5.6	6.0	3.5	5.0	4.7	2.0	1.6	2.8	3.2	1.5	2.7
Philippines	6.4	-9.6	4.6	6.3	6.9	5.1	6.0	3.0	2.6	4.3	3.0	3.0	4.4	3.7
Thailand	3.6	-6.1	1.3	4.1	4.7	1.0	4.0	1.6	-0.8	0.9	1.3	1.1	1.1	1.4
Malaysia	5.4	-5.6	3.5	5.7	5.7	3.8	5.9	2.1	-1.1	2.5	2.0	2.0	1.5	2.7
Vietnam	6.5	2.9	3.8	6.6	6.8	2.0	6.5	6.0	3.2	2.0	2.3	3.2	2.2	3.8
Cambodia	7.0	-3.1	1.9	5.7	6.4	1.9	5.5	3.1	2.9	2.5	3.2	3.0	2.9	2.7
Laos	7.1	-0.4	2.1	4.2	4.5	2.3	4.0	3.7	5.1	4.9	3.7	3.1	3.7	4.5
Myanmar	3.1	-8.0	-17.9	-0.1	2.5	-18.4	na	6.1	5.7	4.1	6.5	6.8	6.2	na

Note: * Pp per annum. Sources : International Monetary Fund (IMF), [World Economic Outlook Update](#), 25th January 2022; Asian Development Bank, [Asian Development Outlook Supplement](#), December 2021. IMF forecasts for GDP growth in Taiwan, Singapore, Vietnam, Cambodia, Laos and Myanmar, and all its inflation forecasts, are from the [World Economic Outlook](#) published in October 2021; and ADB forecasts for Cambodia, Laos and Myanmar are from the [Developing Asia Outlook](#) published in September 2021. [Return to "What's New"](#).

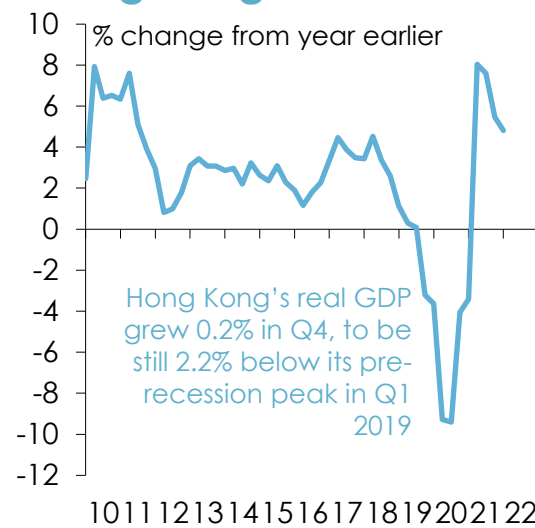
Thailand's economy grew 1.8% in Q4, more than reversing a 0.9% decline in Q3, but was still 4.7% smaller than at its pre-pandemic peak

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Korea



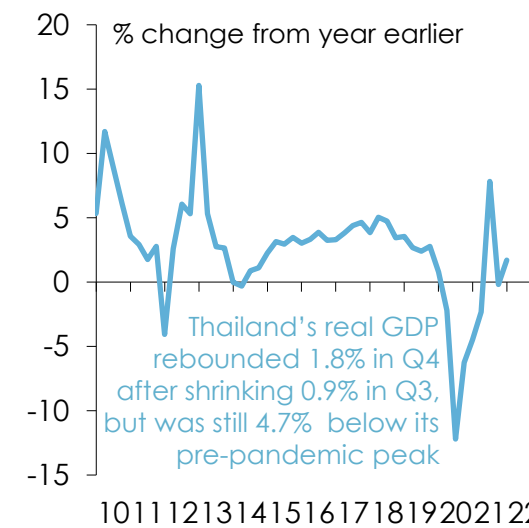
Hong Kong



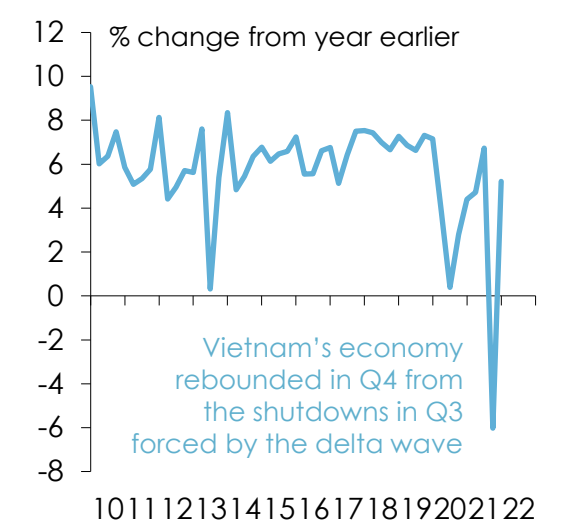
Indonesia



Thailand



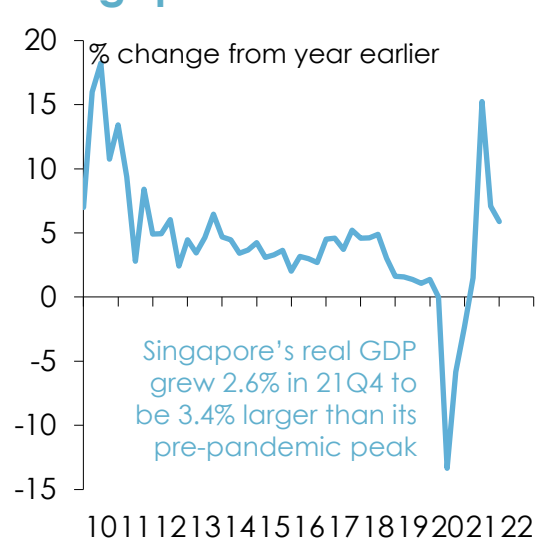
Vietnam



Taiwan



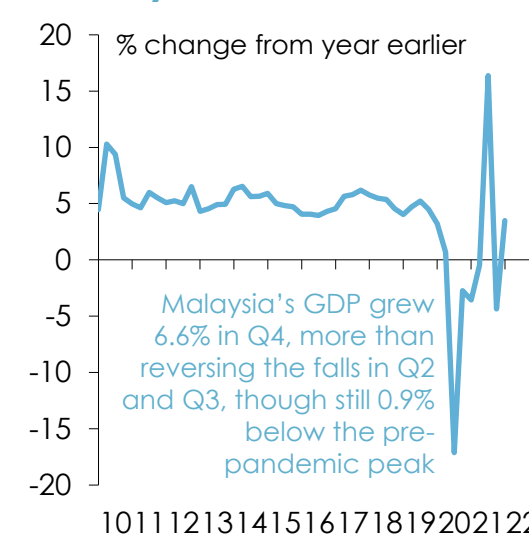
Singapore



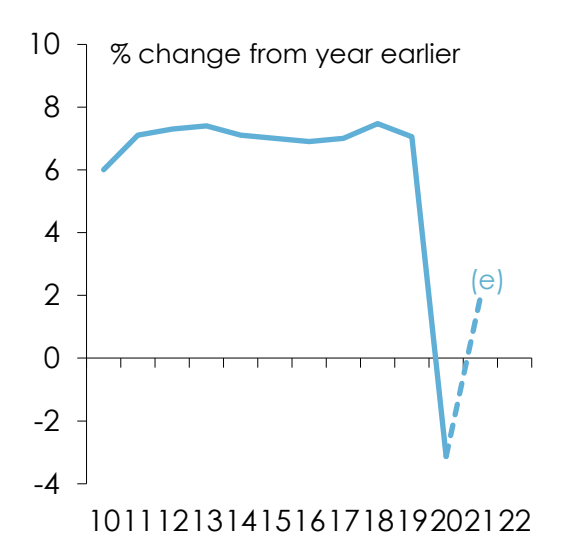
Philippines



Malaysia



Cambodia

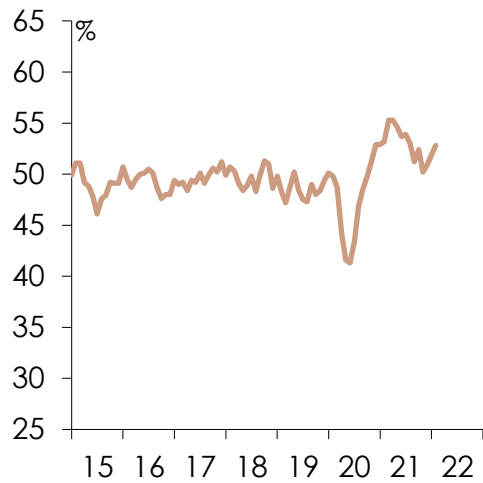


Sources: Bank of Korea; Taiwan Directorate-General of Budget, Accounting & Statistics; Hong Kong Census & Statistics Department; Singapore Ministry of Trade and Industry; Department of Statistics Malaysia; Office of the National Economic & Social Development Council of Thailand; Statistics Indonesia;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

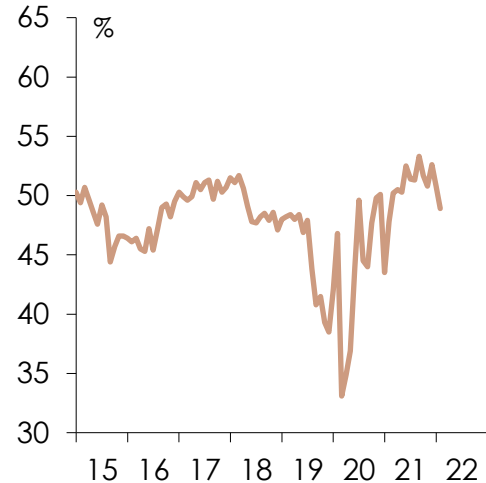
January PMIs paint a mixed picture of manufacturing activity across Asia

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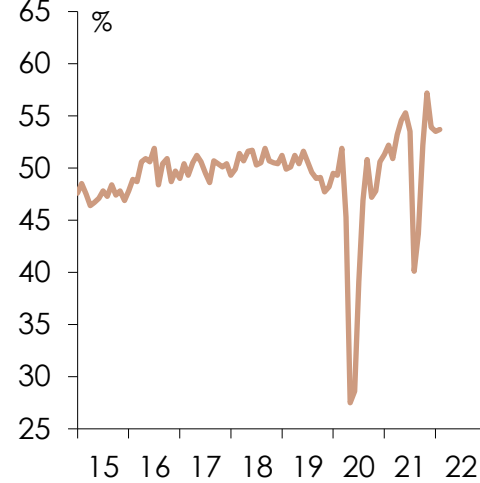
Korea



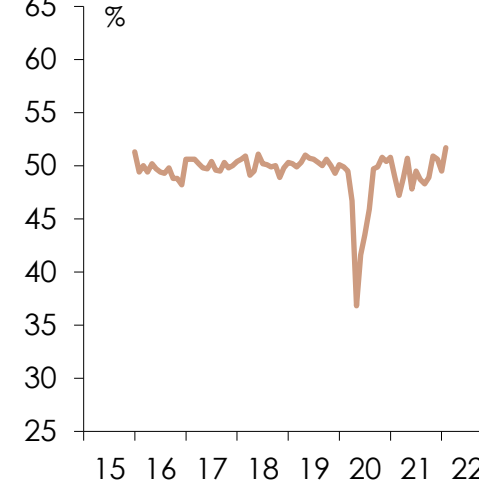
Hong Kong



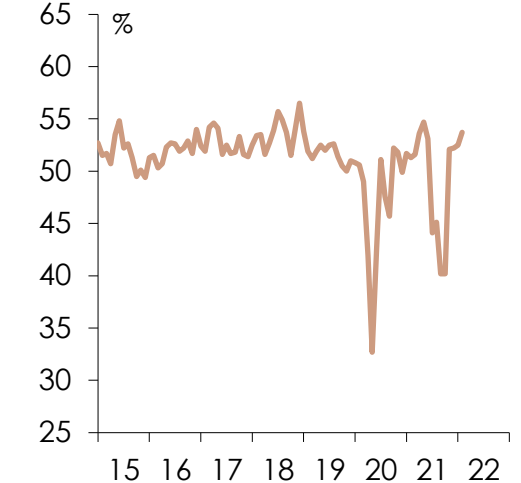
Indonesia



Thailand



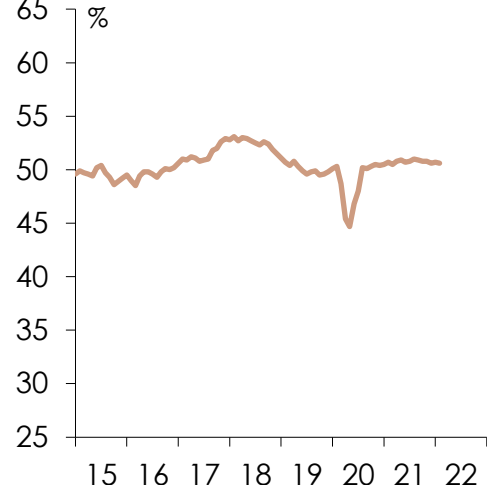
Vietnam



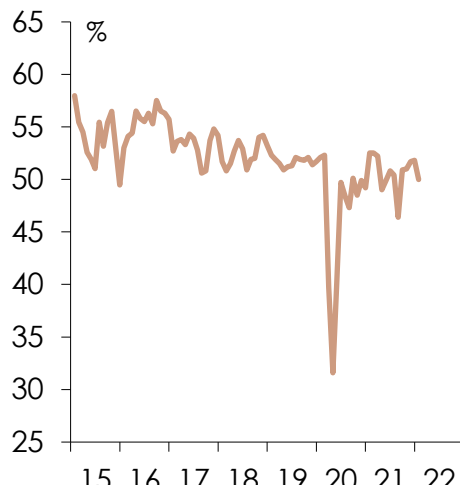
Taiwan



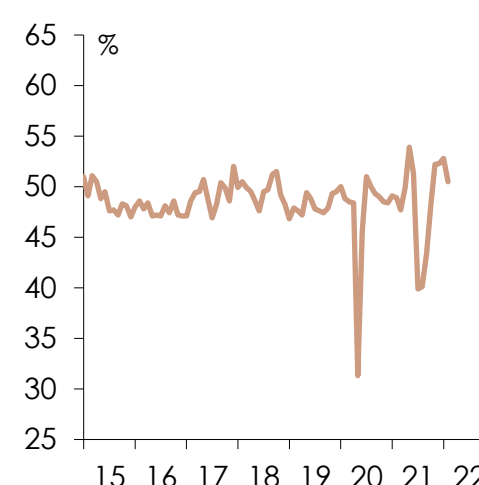
Singapore



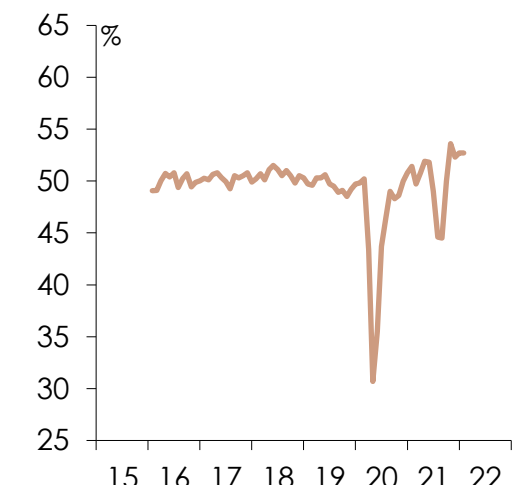
Philippines



Malaysia



ASEAN

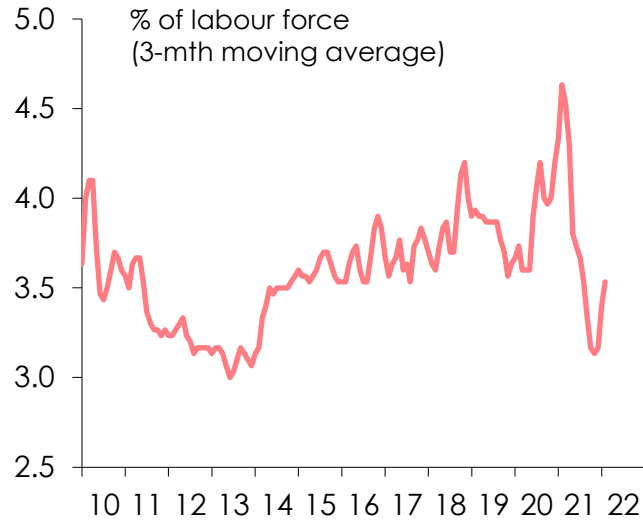


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous 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 January. Sources: [IHS Markit](#); [Singapore Institute of Purchasing and Materials Management](#); Refinitiv Datastream. [Return to "What's New"](#).

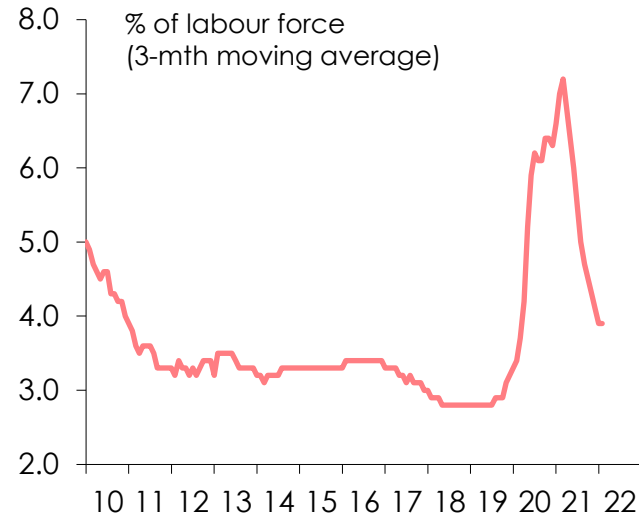
Unemployment rose sharply in most Asian economies last year but is now falling in most of them – with the conspicuous exception of Thailand

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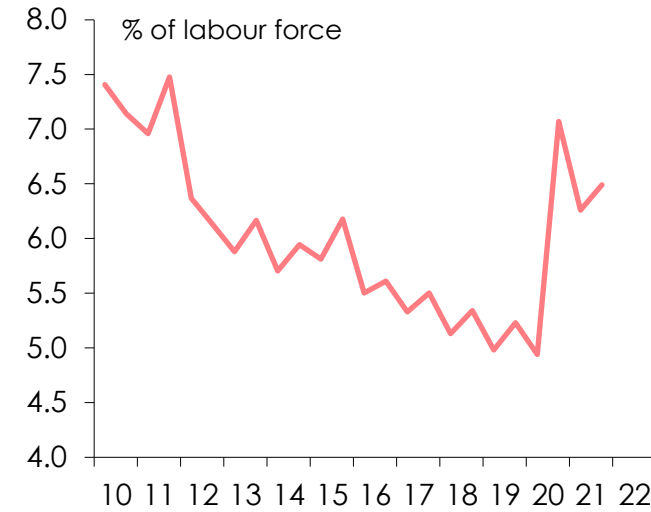
Korea



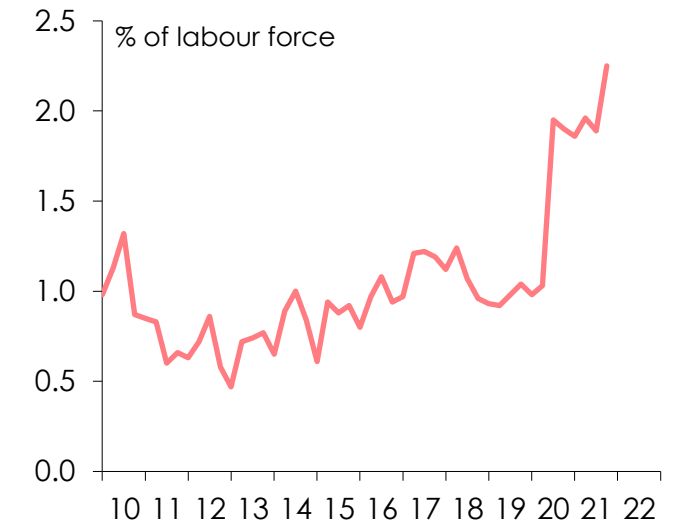
Hong Kong



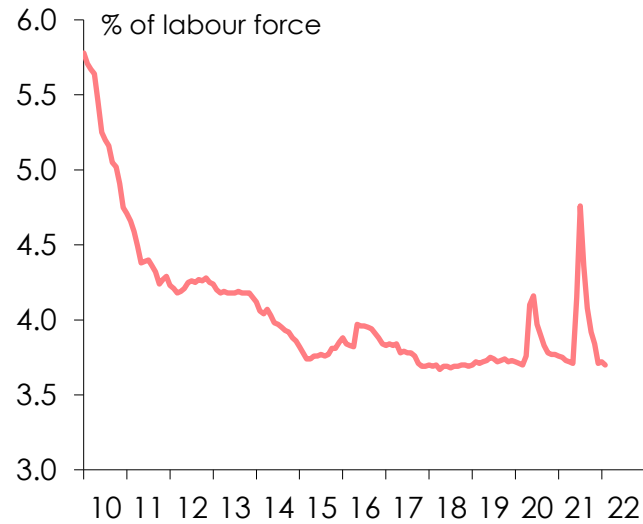
Indonesia



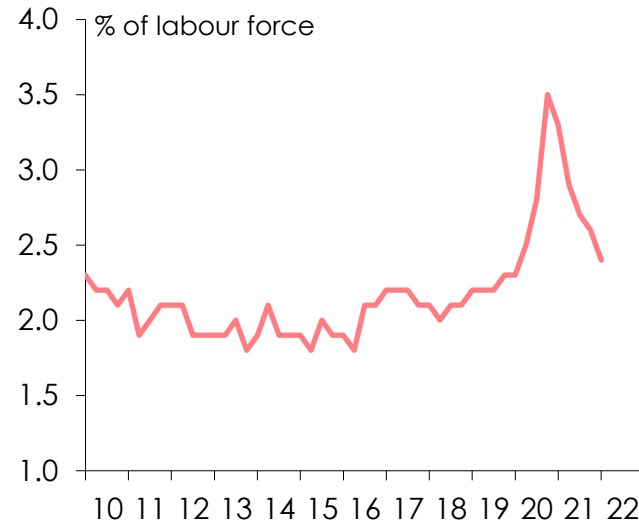
Thailand



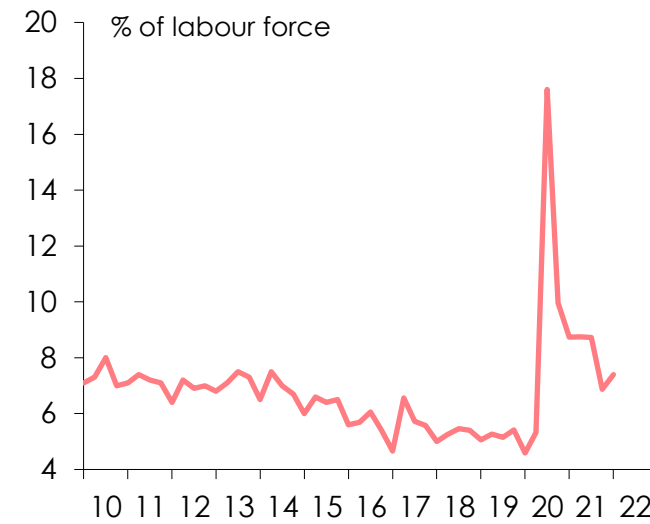
Taiwan



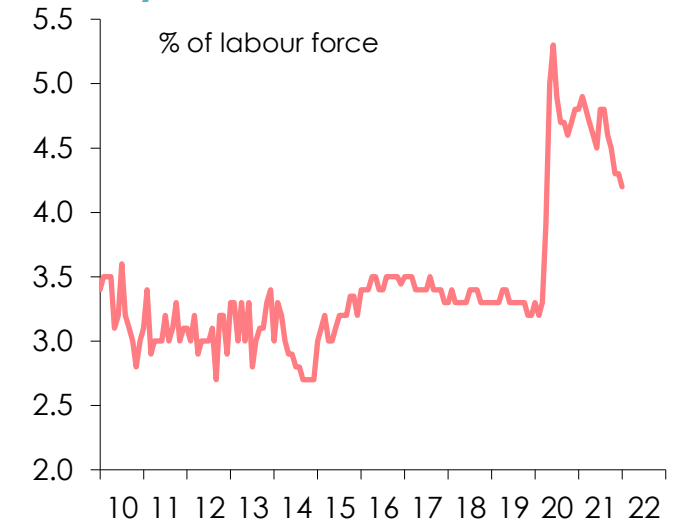
Singapore



Philippines



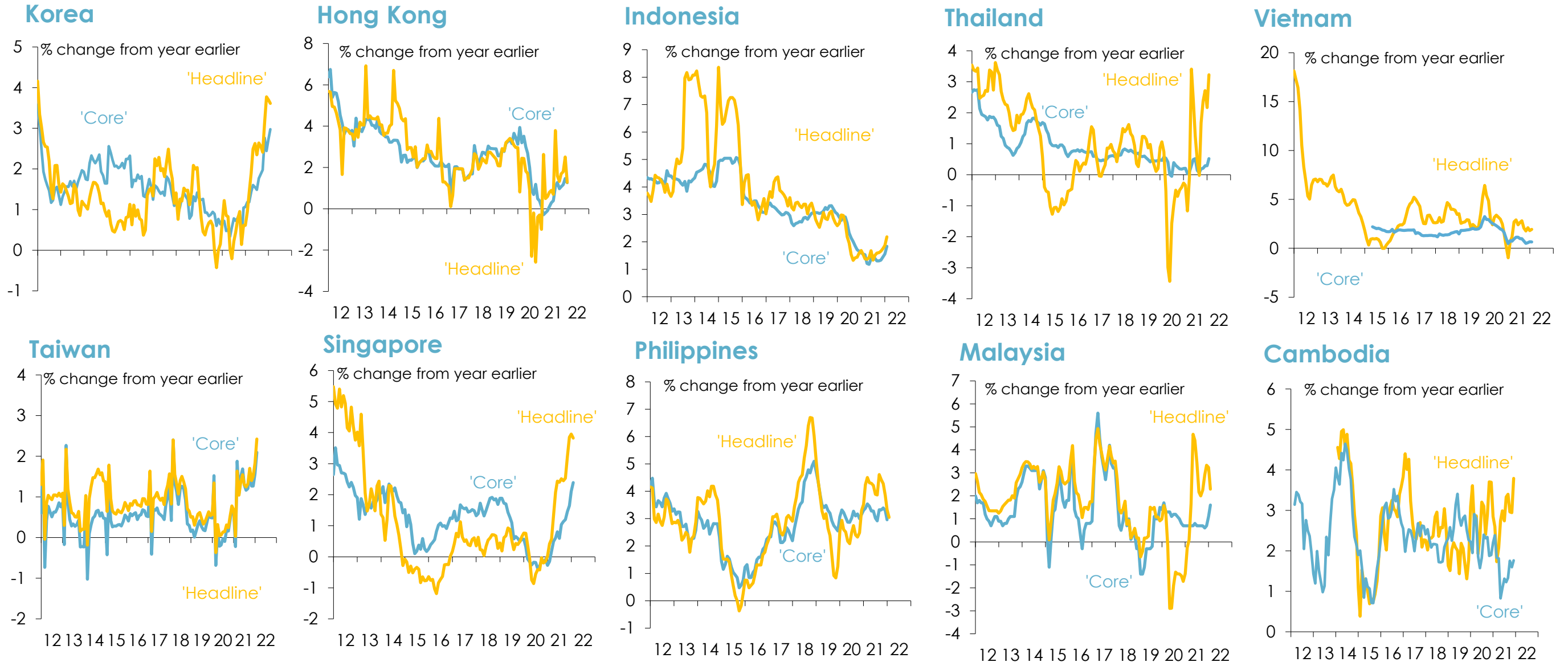
Malaysia



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"](#).

'Core' CPI inflation is starting to pick up in the more 'advanced' East Asian economies but remains dormant in South-East Asia

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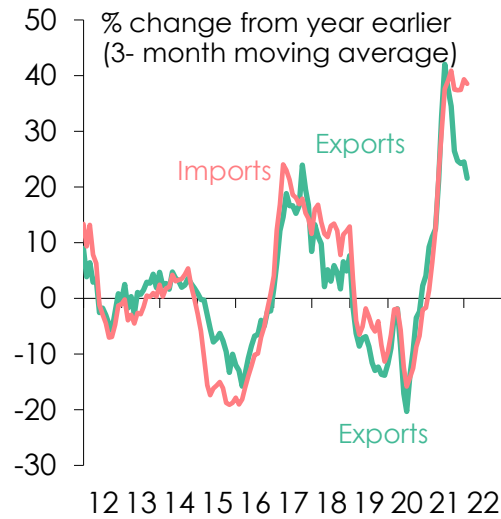


Note: 'Core' inflation in Korea excludes agricultural products and oil; in Taiwan it excludes fresh fruit, vegetables and energy; in Singapore it excludes accommodation and private transport; and in Hong Kong it excludes the effect of 'one-off government relief measures'. 'Core' inflation in Indonesia 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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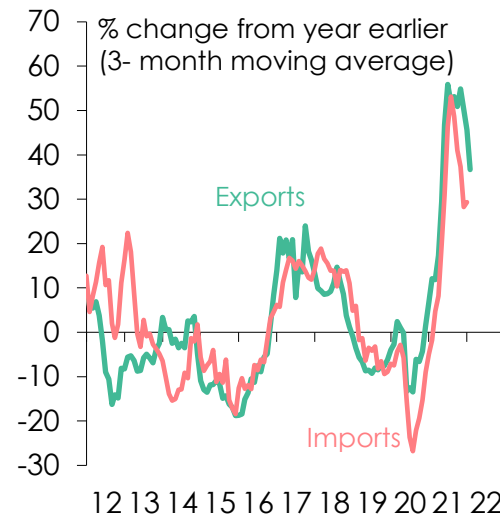
Korea



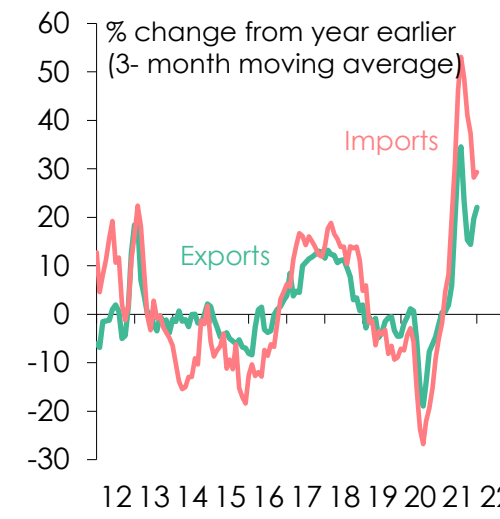
Hong Kong



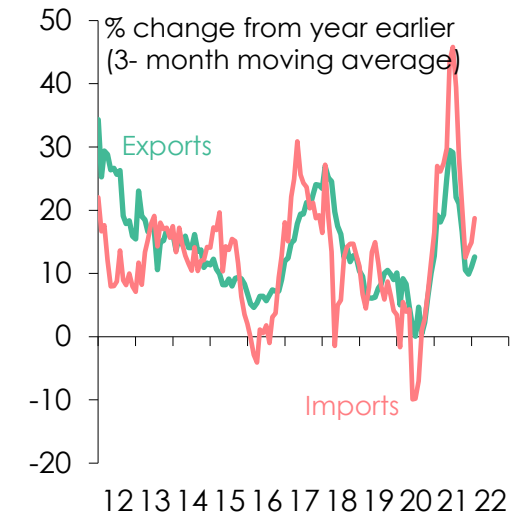
Indonesia



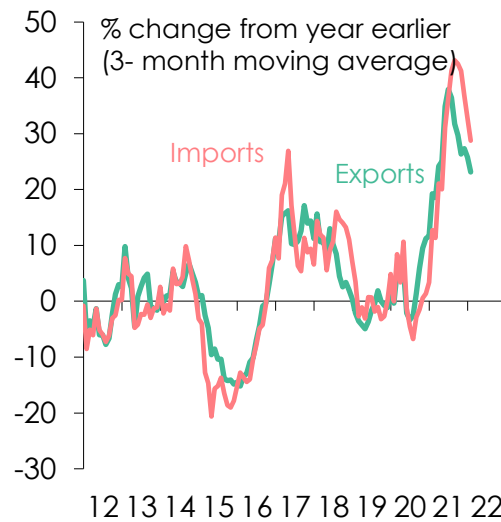
Thailand



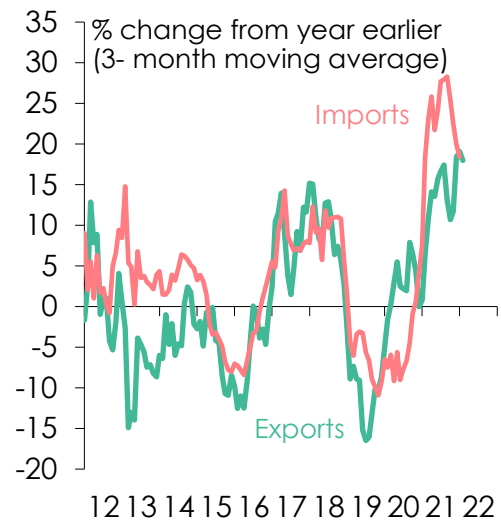
Vietnam



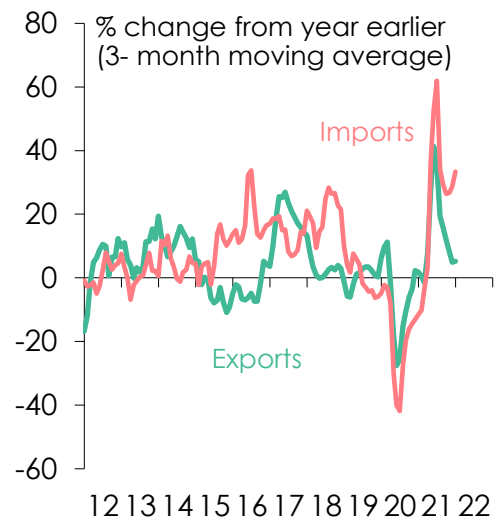
Taiwan



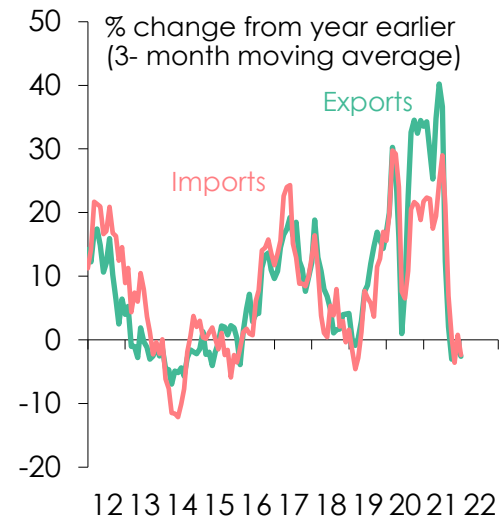
Singapore



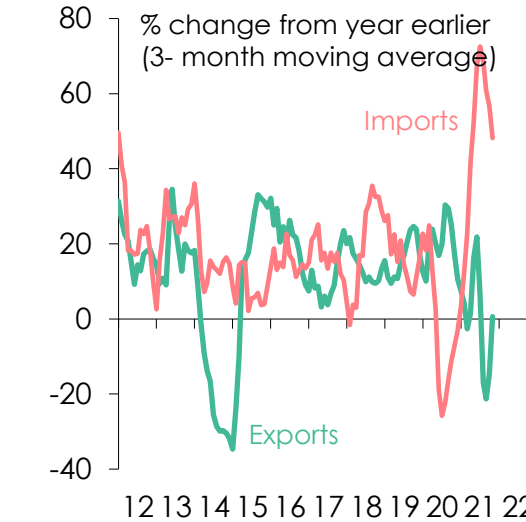
Philippines



Malaysia



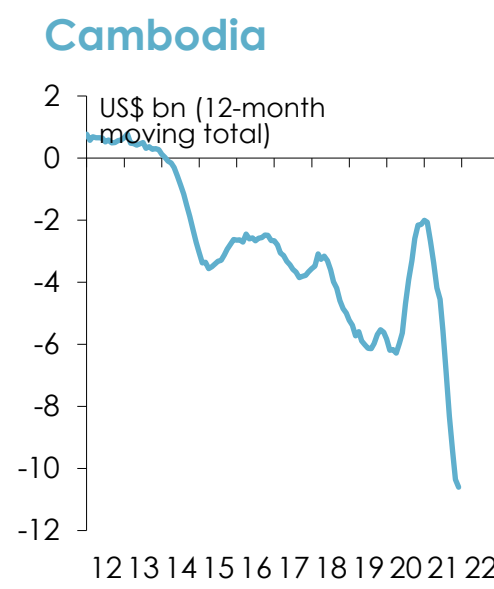
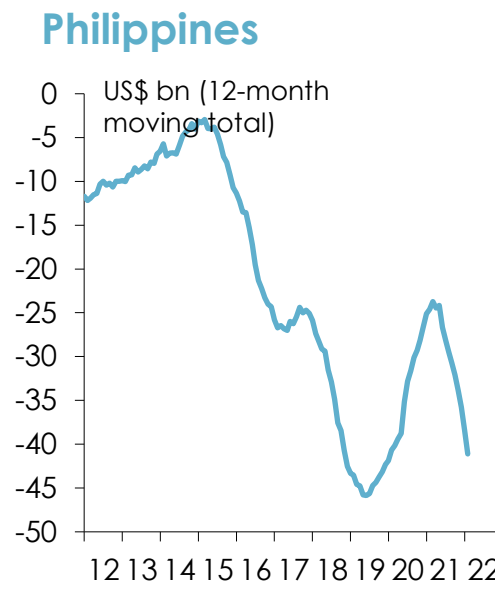
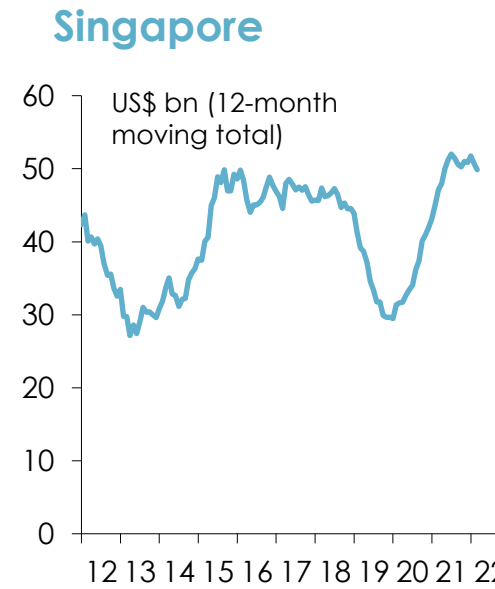
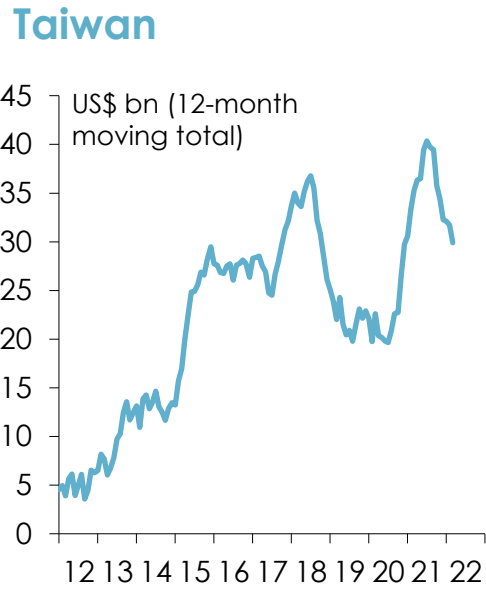
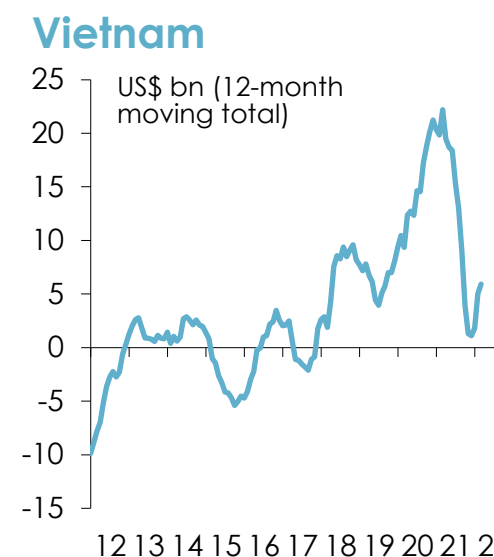
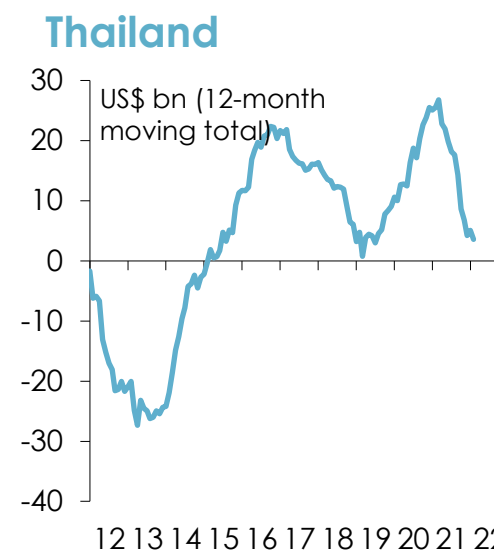
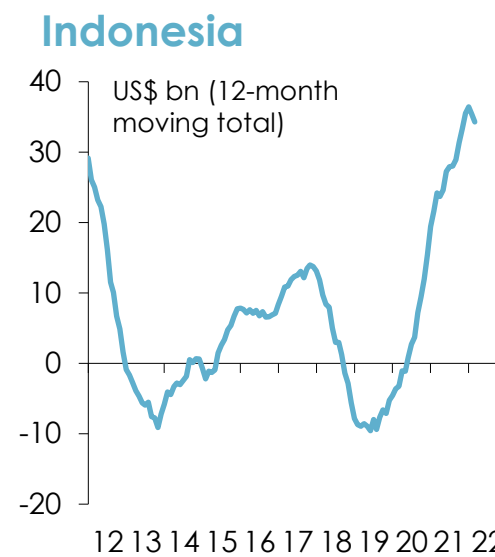
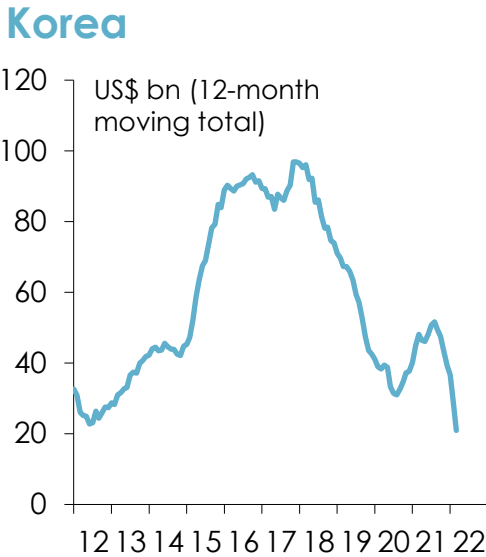
Cambodia



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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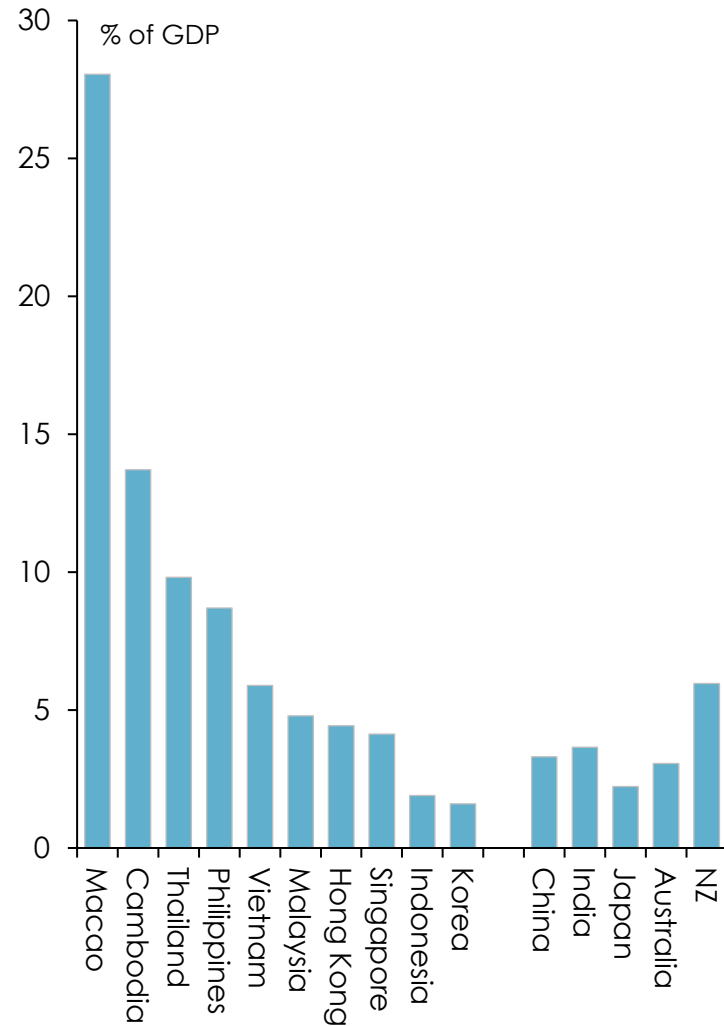


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

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

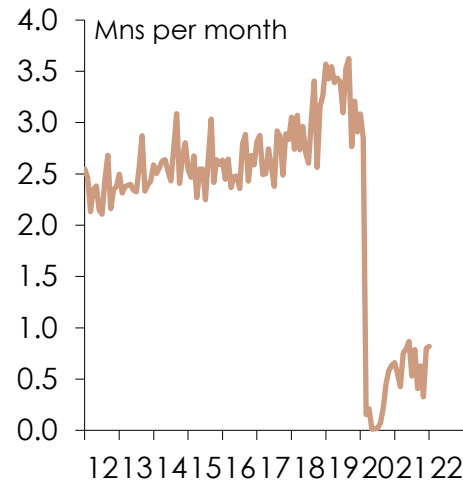
THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

International tourism direct contribution to GDP, 2018

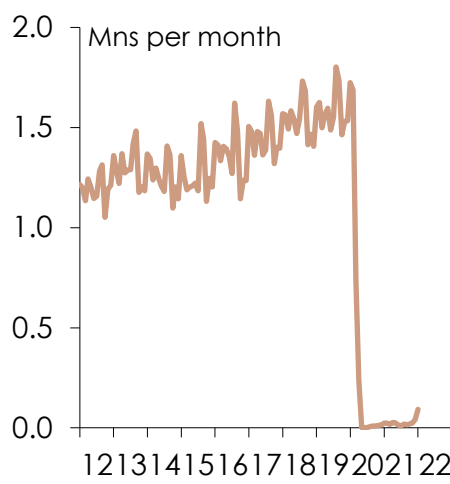


International visitor arrivals

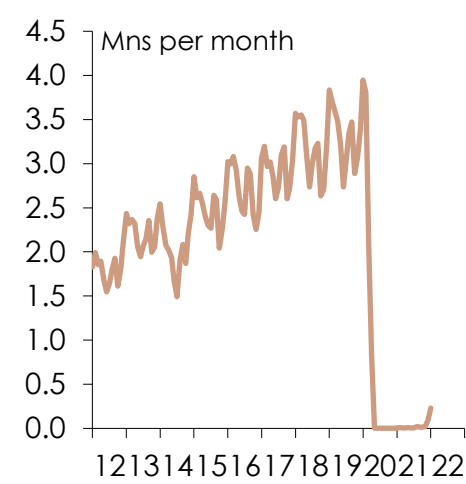
Macao



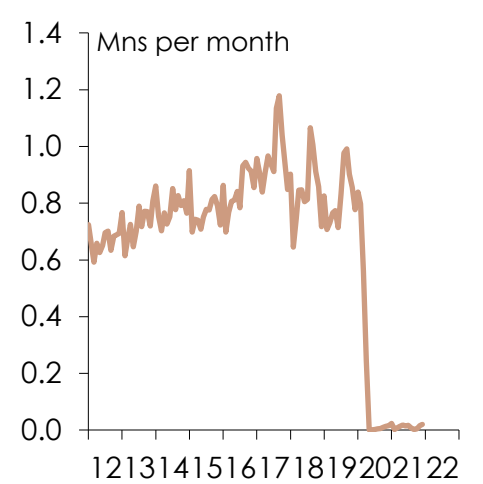
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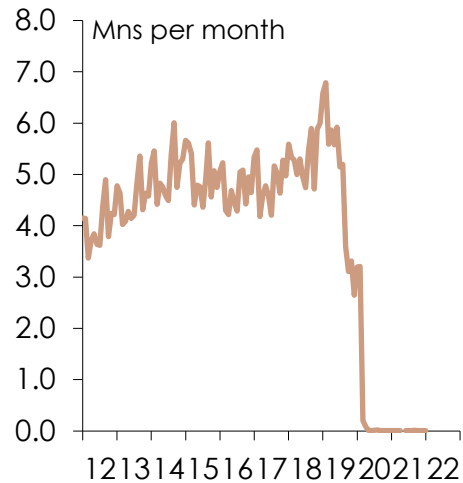
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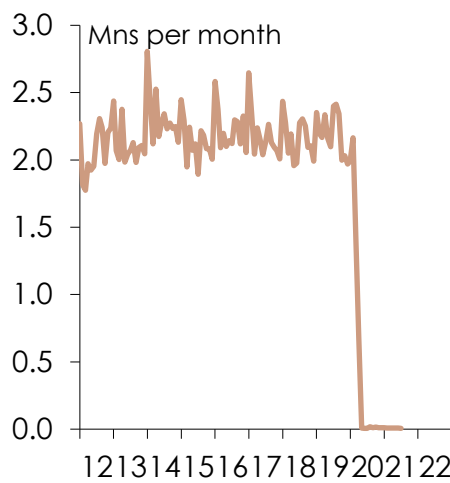
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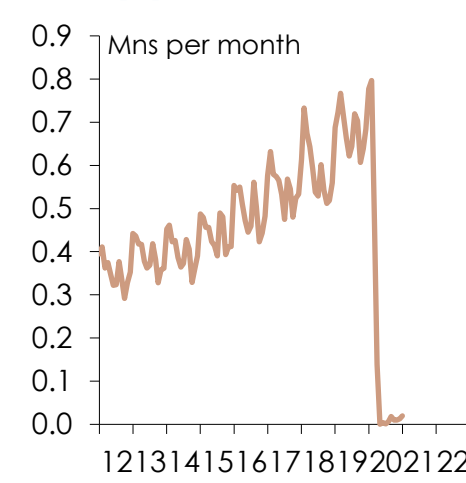
Hong Kong



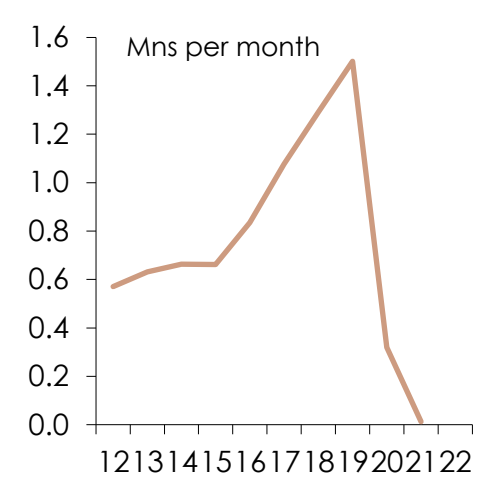
Malaysia



Philippines



Vietnam

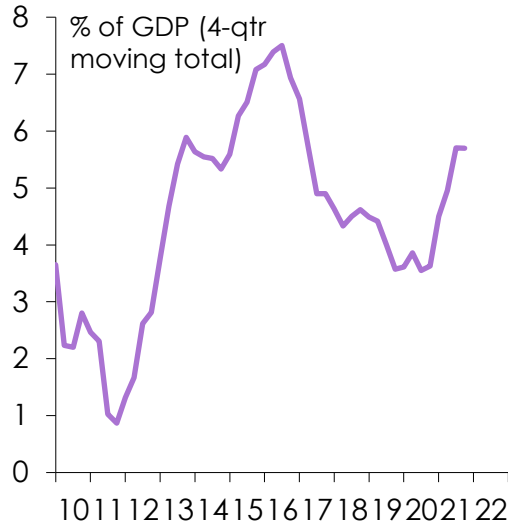


Note: Visitor arrivals data for Vietnam is only published annually. Sources: The World Bank, [ICdata360](#); national statistical agencies. [Return to "What's New"](#).

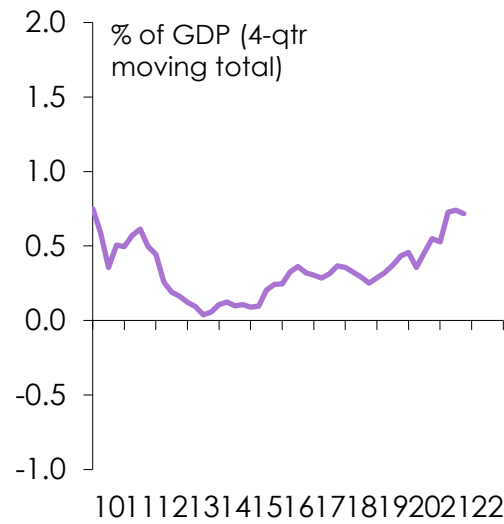
The more 'advanced' Asian economies have strong current account positions, Indonesia's is much improved but others have deteriorated

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

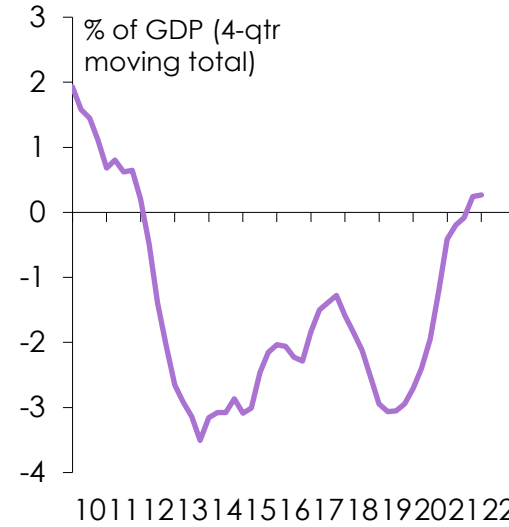
Korea



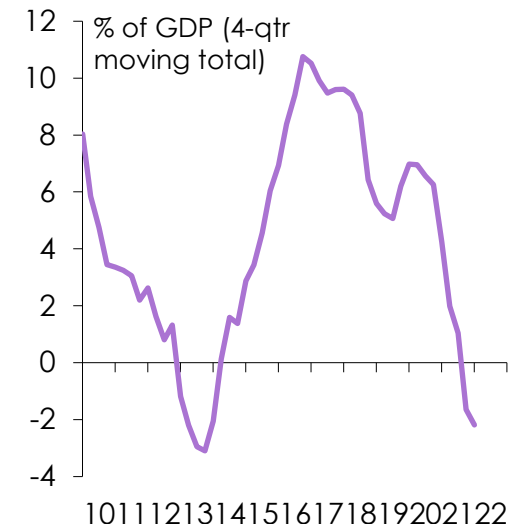
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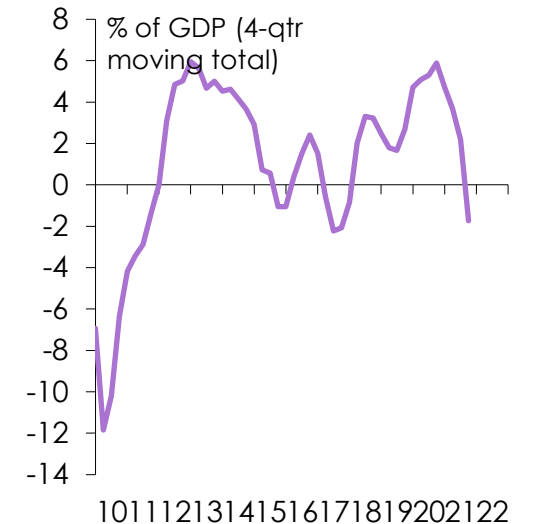
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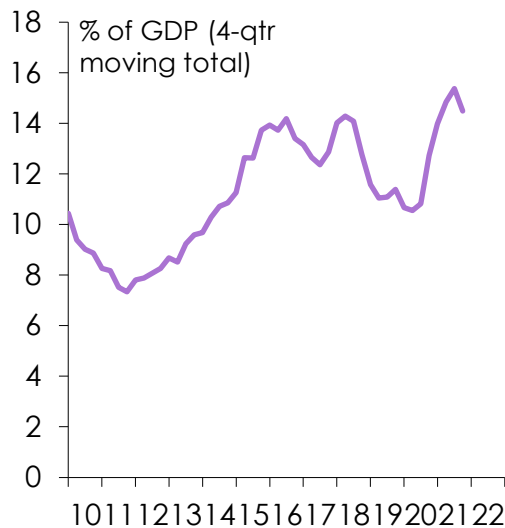
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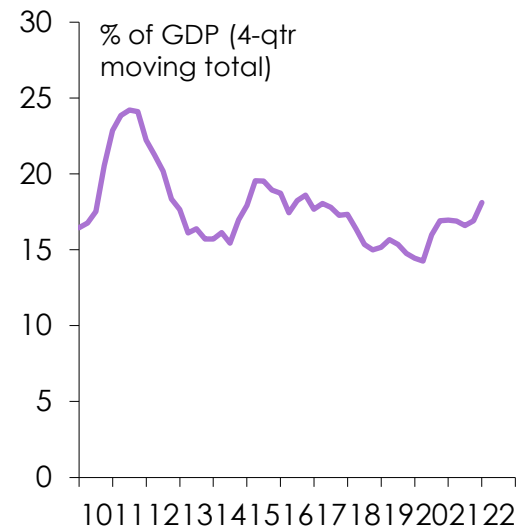
Vietnam



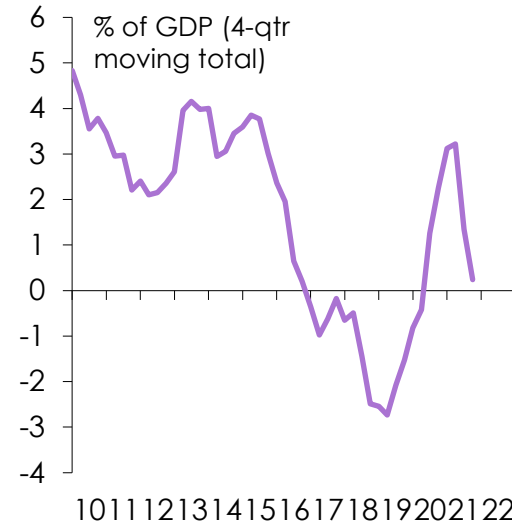
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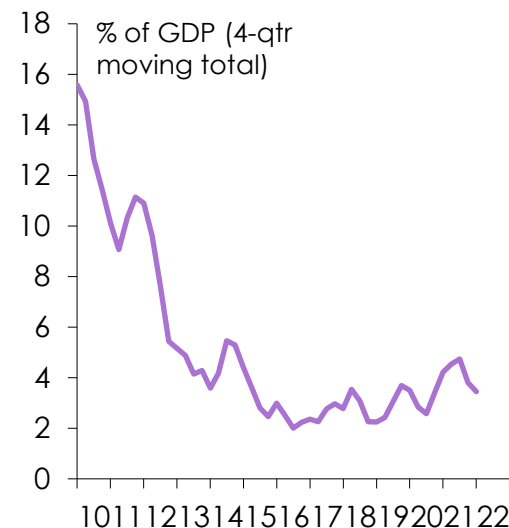
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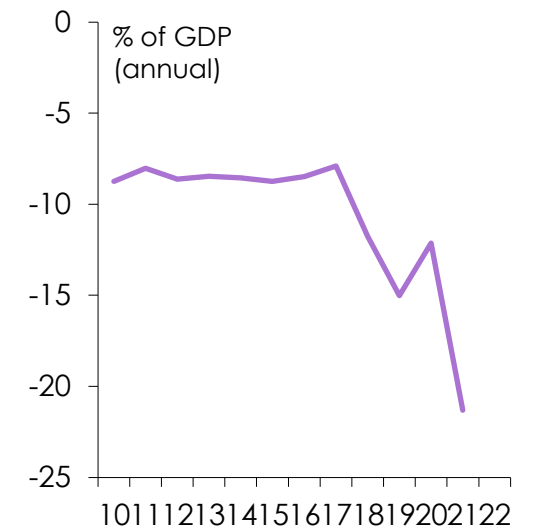
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Malaysia



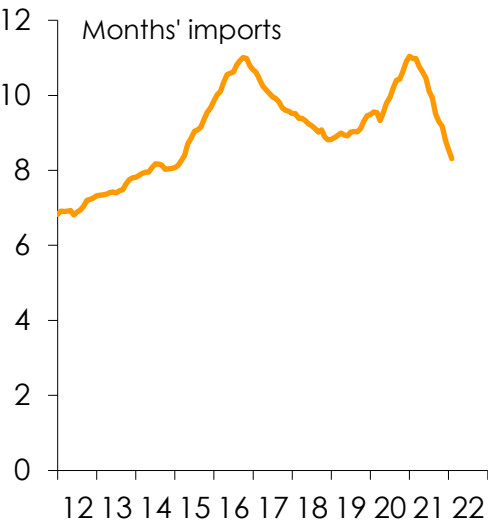
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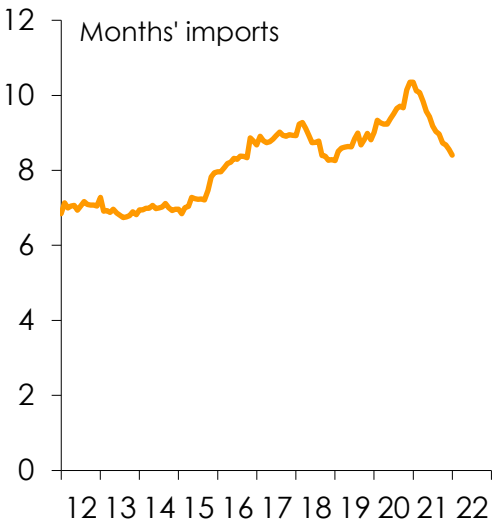
Most Asian economies have sought to maintain high levels of FX reserves since the 1997-98 crisis – although Malaysia's have deteriorated recently

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

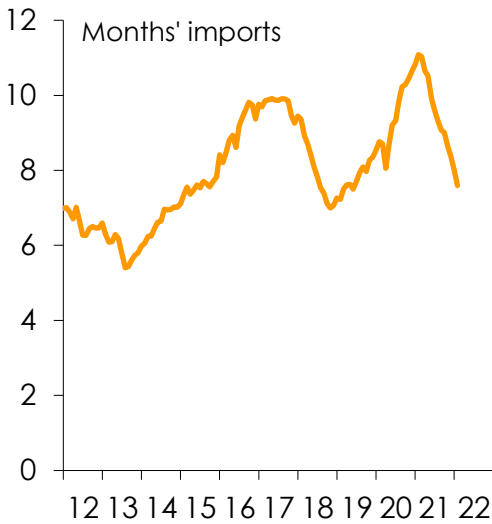
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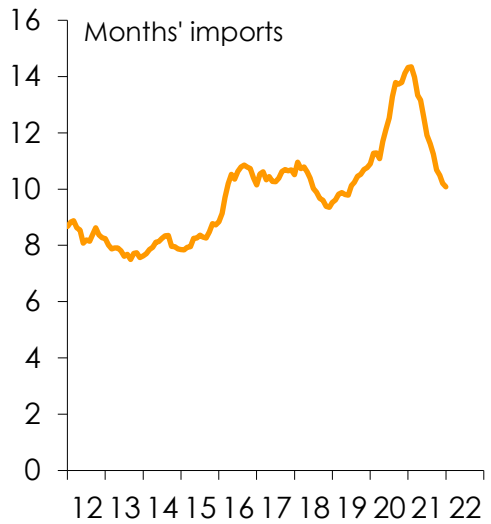
Hong Kong



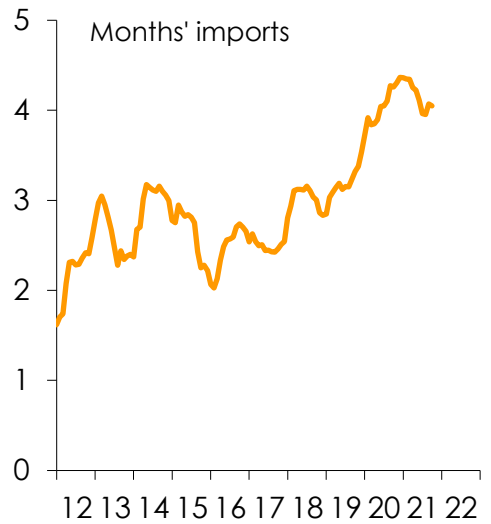
Indonesia



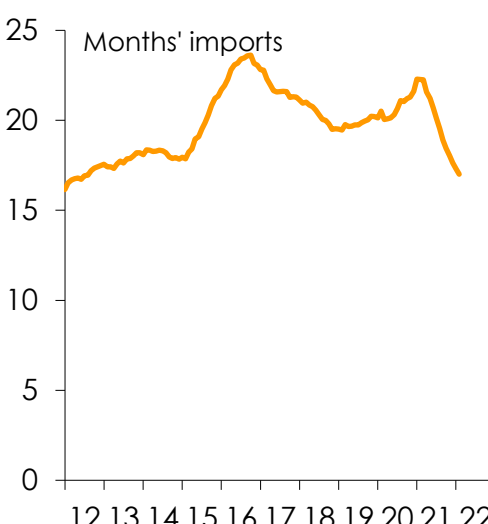
Thailand



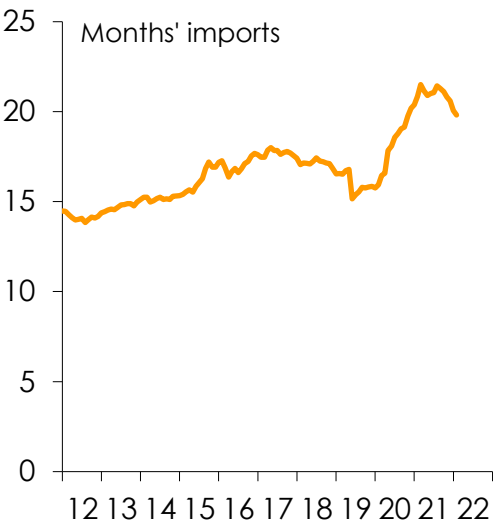
Vietnam



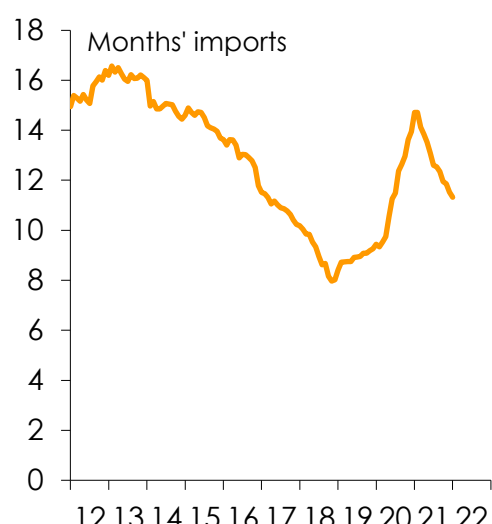
Taiwan



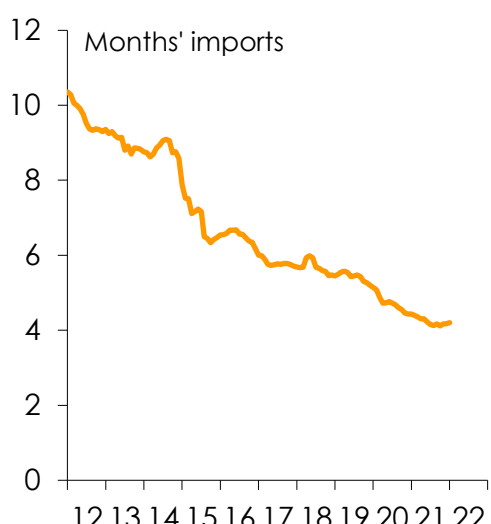
Singapore



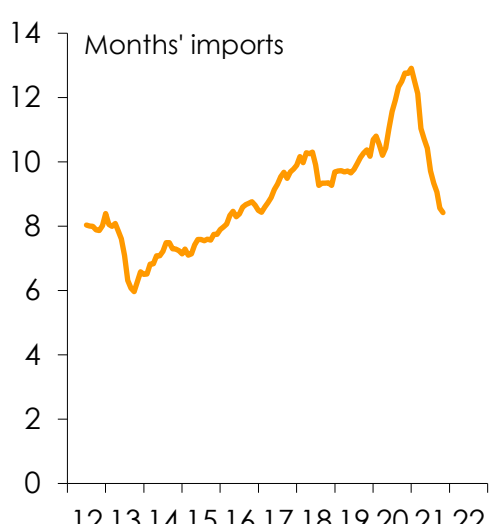
Philippines



Malaysia



Cambodia

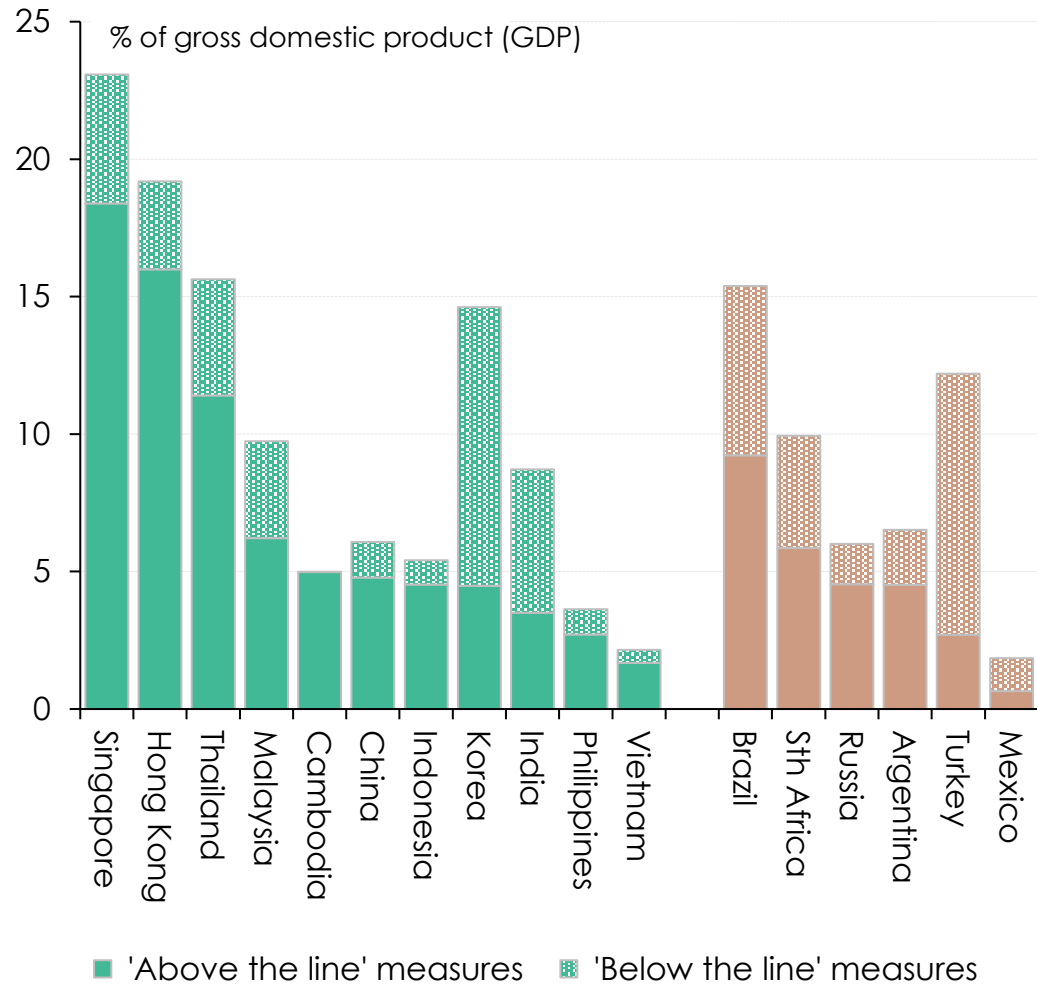


Note: Foreign exchange reserves in the above charts are shown as a multiple of average monthly imports (measured in US\$) over the preceding 12 months. Sources: national statistical agencies and central banks; IMF; Refinitiv Datastream. [Return to "What's New"](#).

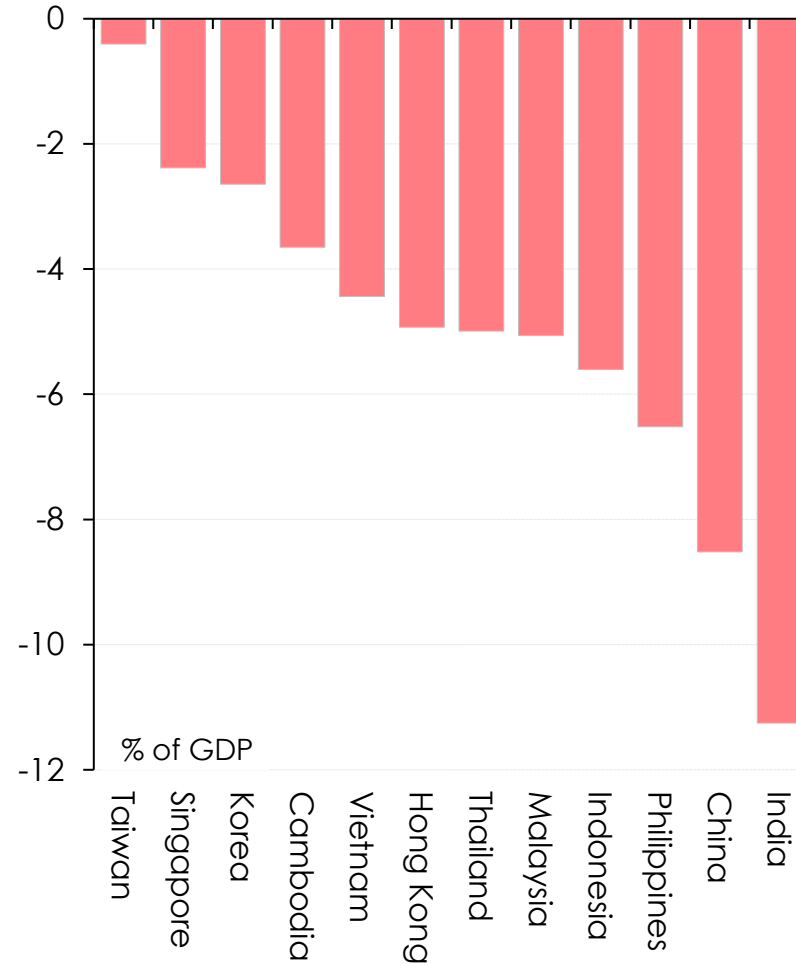
Apart from Singapore, Hong Kong and Thailand, Asian governments' discretionary fiscal responses to Covid-19 have been relatively modest

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

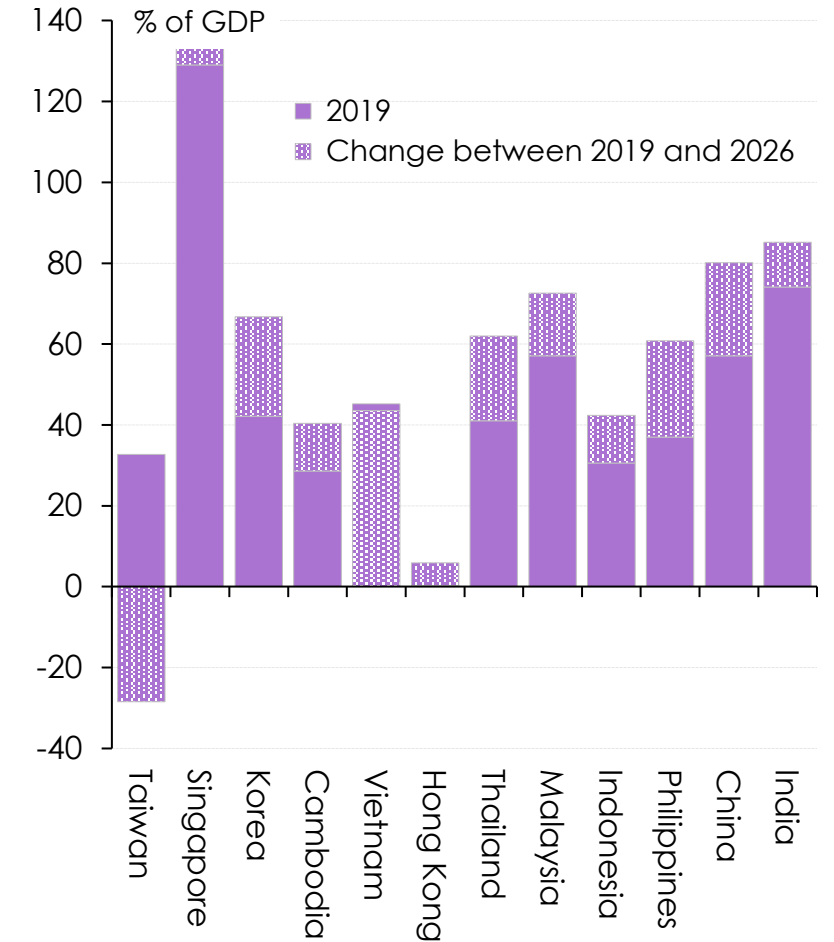
Fiscal policy responses to Covid-19 – Asian & other selected emerging market economies



Budget balances – Asian economies 2020-2022



Gross government debt – Asian economies 2019-26

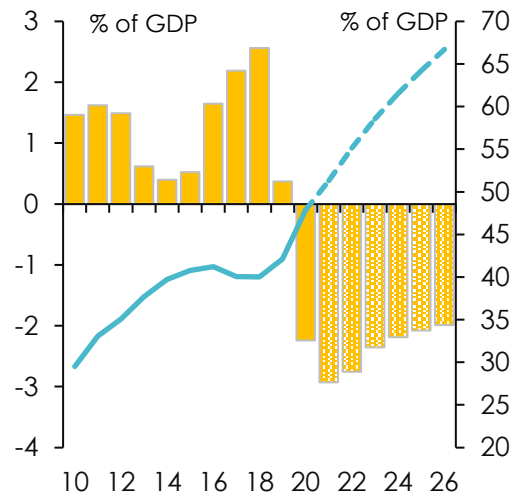


Note: 'Above the line' measures comprise additional or accelerated spending and deferred or foregone revenue. 'Below the line' measures comprise equity injections, loans, asset purchases and debt assumptions, but do not include loan guarantees or other contingent liabilities. 'DMS' means 'developed markets' (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"](#).

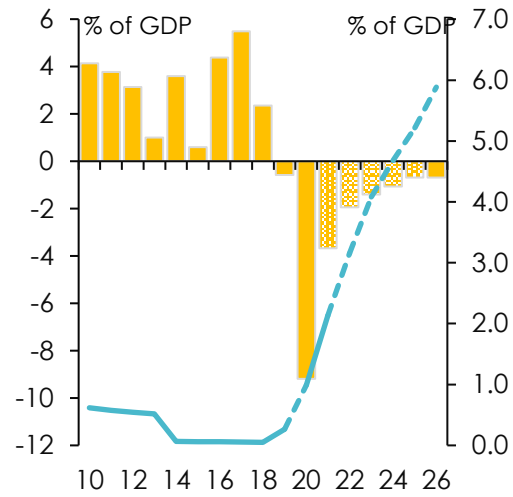
Asian governments, except for Taiwan, Singapore and Hong Kong, will be running large budget deficits for the next five years

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

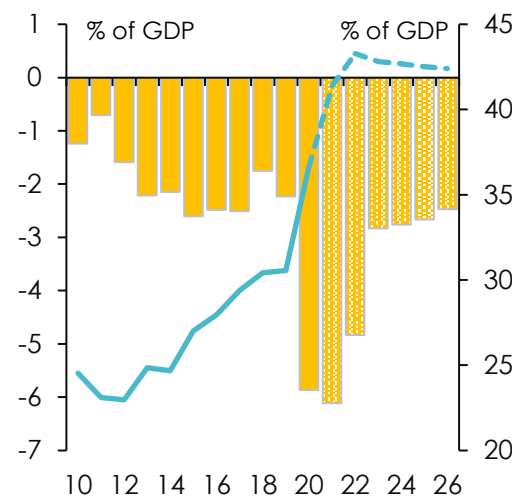
Korea



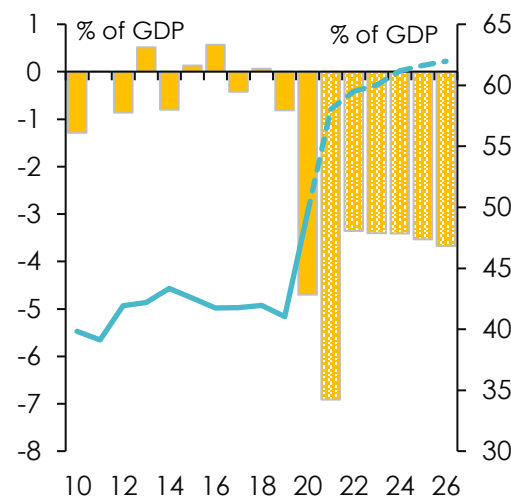
Hong Kong



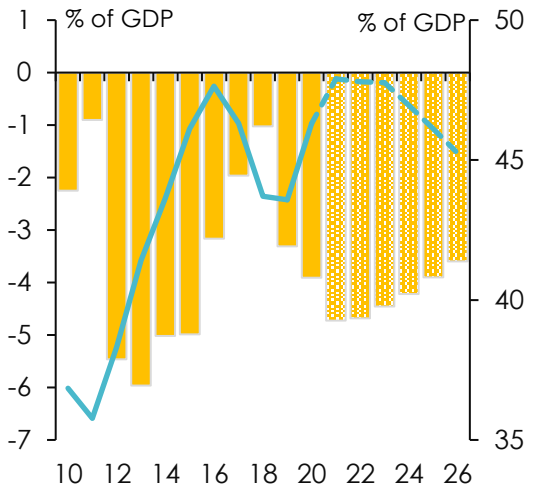
Indonesia



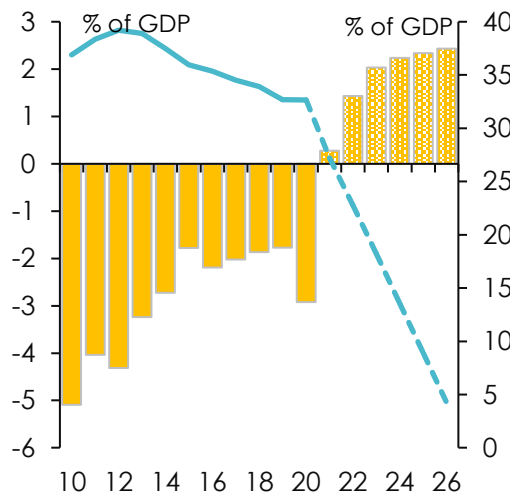
Thailand



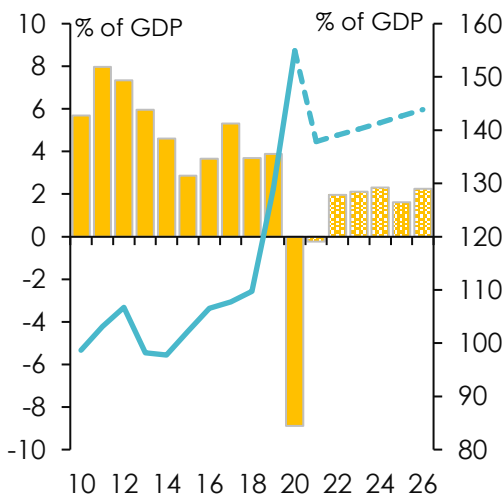
Vietnam



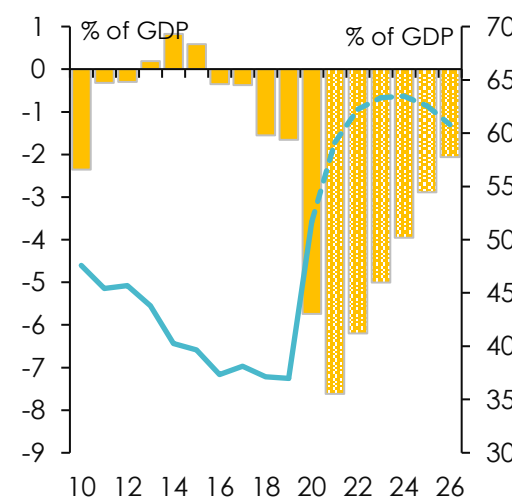
Taiwan



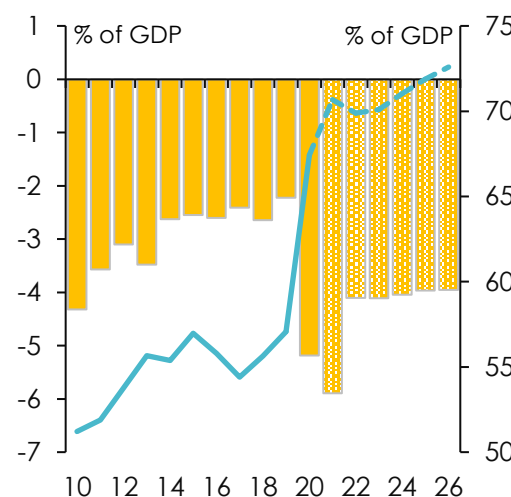
Singapore



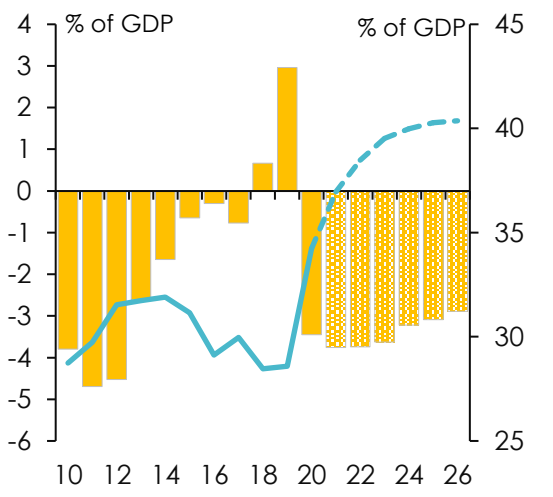
Philippines



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 left its base rate unchanged at last Thursday's Monetary Policy Board meeting, ahead of the Presidential election on 9th March

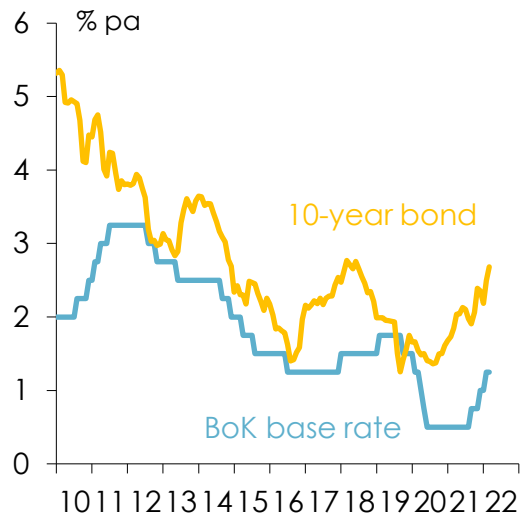
THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

- ❑ The [Bank of Korea](#) left its base rate unchanged at 1.25% at its Monetary Policy Board meeting on Thursday
 - the BoK had previously raised its base rate by 25 bp in August, November and January (ie by a total of 75bp)
- ❑ In its [post-meeting statement](#) the BoK forecast that 'headline' inflation would run "substantially above 3% for a considerable time" and that 'core' inflation would rise to the "mid-2% level" (cf. its target of 2%), and also noted that "inflation expectations of the general public have run at the mid- to upper-2% level"
 - it also noted, approvingly, that "the increase in house prices has moderated in all parts of the country"
 - nonetheless it indicated that it will "appropriately adjust the degree of monetary policy accommodation" as the economy continues its "sound growth" and inflation "run[s] above the target level for a considerable period of time"
- ❑ The BoK may also have wished to avoid altering monetary policy settings in the run-up to the Presidential election to be held on 9th March (although of course it made no mention of that)
- ❑ [Bangko Sentral ng Pilipinas](#), the [Bank of Thailand](#) and [Bank Indonesia](#) all kept their monetary policy interest rates unchanged at their Board meetings earlier this month
- ❑ The [Monetary Authority of Singapore](#) has tightened its monetary policy twice, via (as is its practice) the (managed) exchange rate, in October and (in an "unscheduled announcement") in January
 - in its [quarterly summary of 'Recent Economic Developments in Singapore'](#) issued last Monday the MAS characterized this as a "pre-emptive" adjustment to "contain underlying inflationary pressures" and to "ensure price stability in the medium term"
- ❑ Upcoming Asian central bank meetings are Bank Negara Malaysia on 3rd March; Central Bank of Sri Lanka and State Bank of Pakistan on 8th March; Bank Indonesia and Central Bank of China (Taiwan) on 17th March; Bangko Sentral ng Pilipinas on 24th March; and Bank of Thailand on 30th March

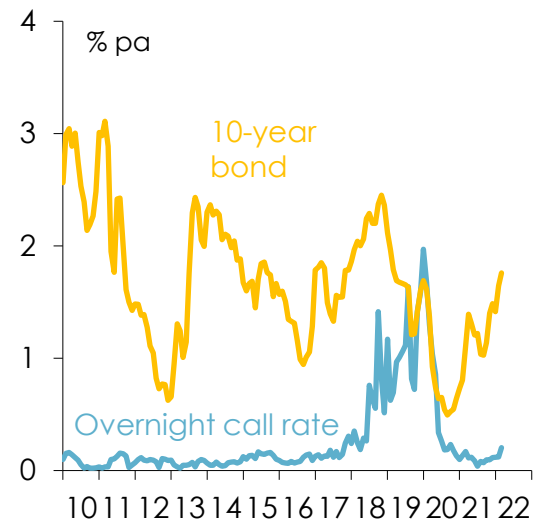
The BoK and the MAS are, so far, the only Asian central banks to have tightened monetary policy – none of the others seems inclined to follow

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

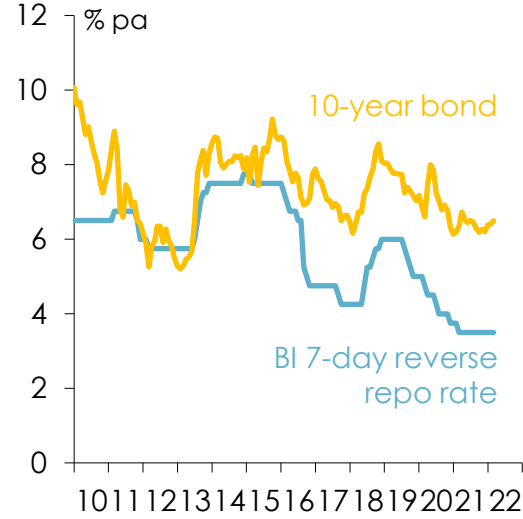
Korea



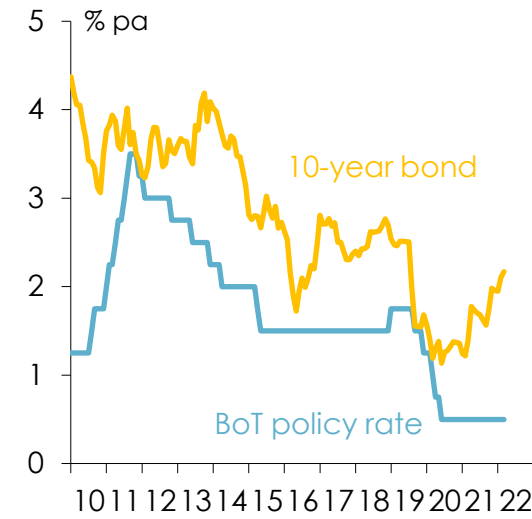
Hong Kong



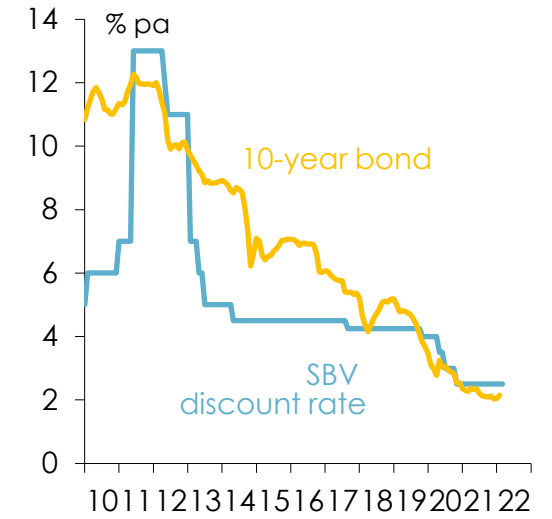
Indonesia



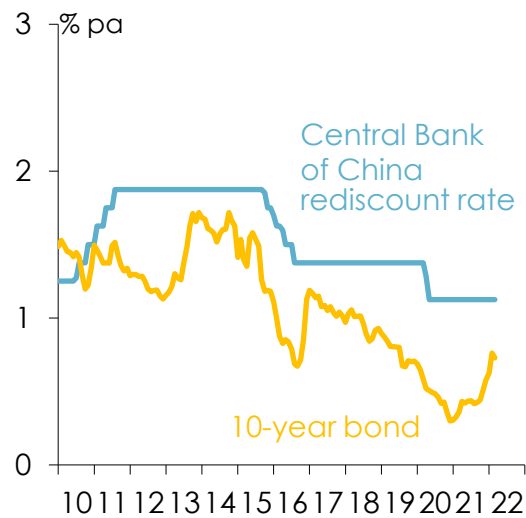
Thailand



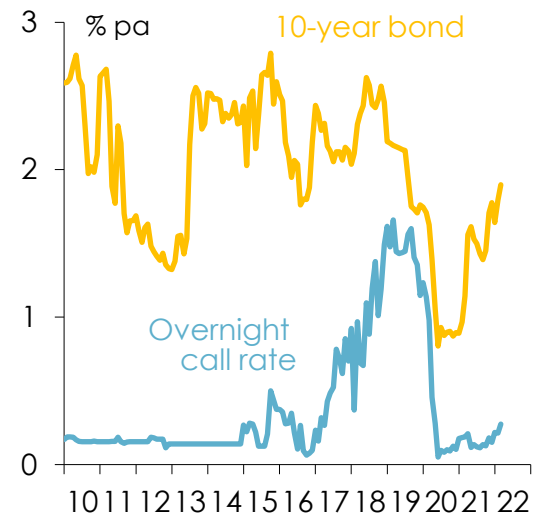
Vietnam



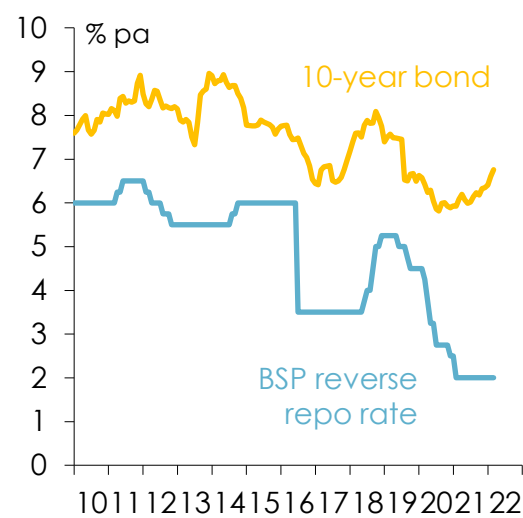
Taiwan



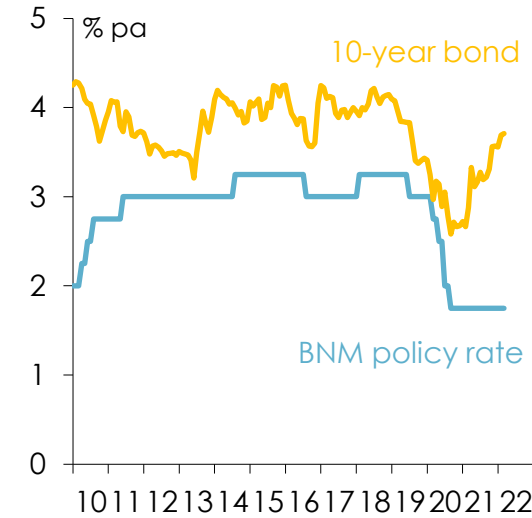
Singapore



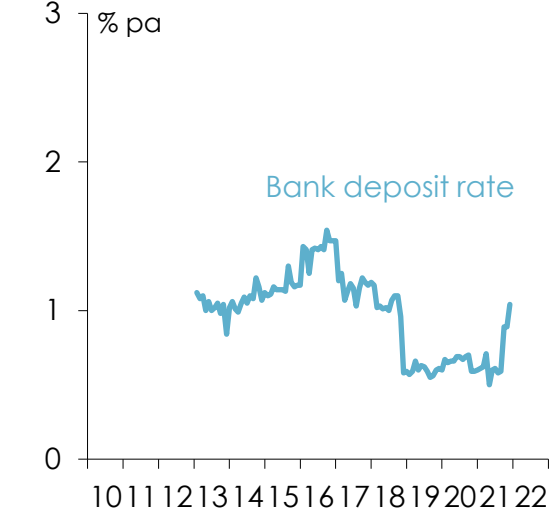
Philippines



Malaysia



Cambodia

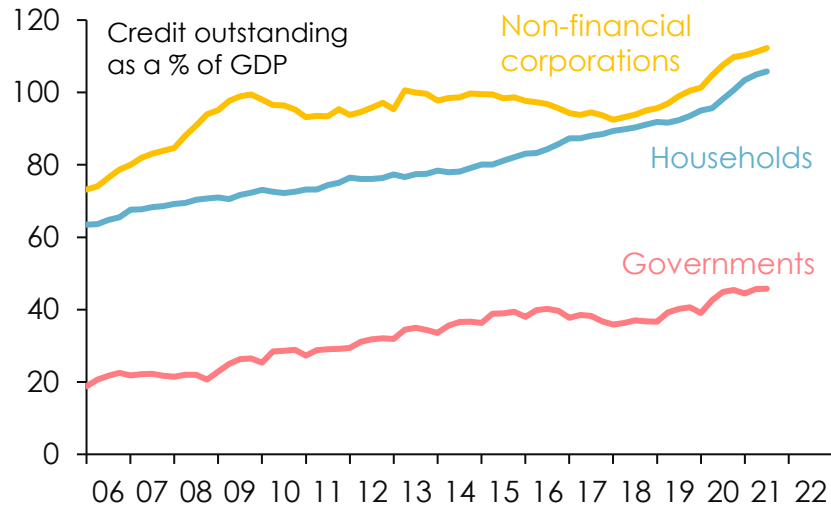


Note: Neither Hong Kong nor Singapore use a monetary policy indicator interest rate. Hong Kong has a currency board system, so HK interest rates track US rates very closely; the Monetary Authority of Singapore uses the (effective) exchange rate as its principal monetary policy instrument. Data are monthly averages up to 25th February 2022. Sources: national central banks; Refinitiv Datastream. [Return to "What's New"](#).

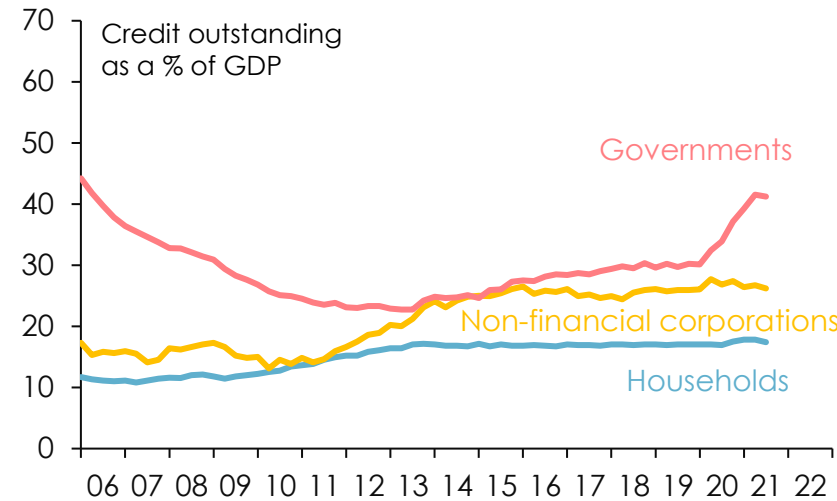
In Asia, Hong Kong, Singaporean and Korean corporates, and Korean households, have the greatest exposure to any increases in interest rates

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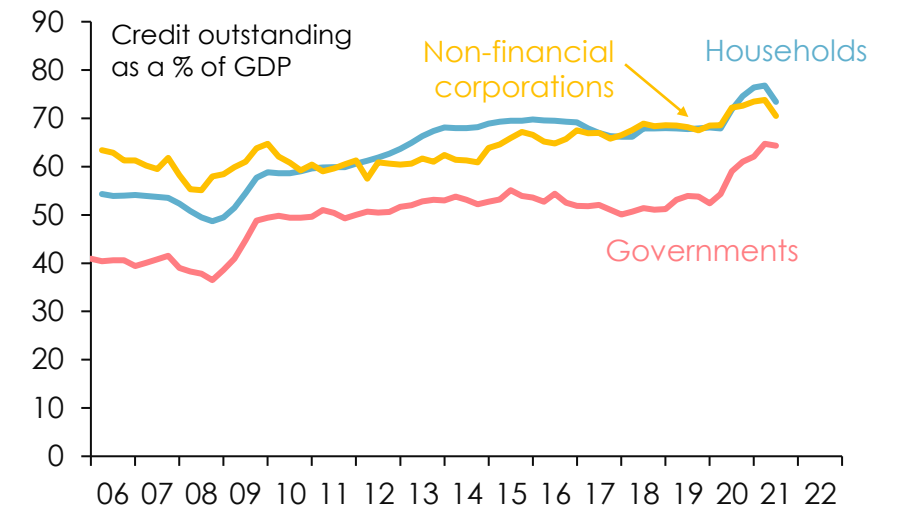
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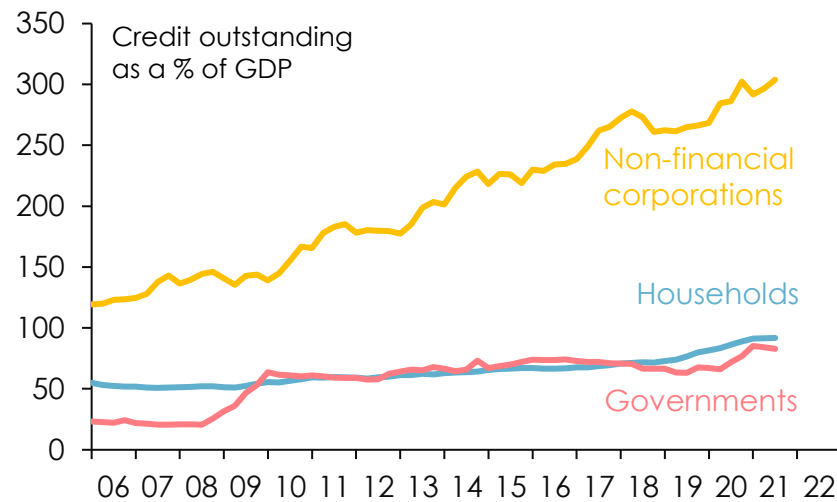
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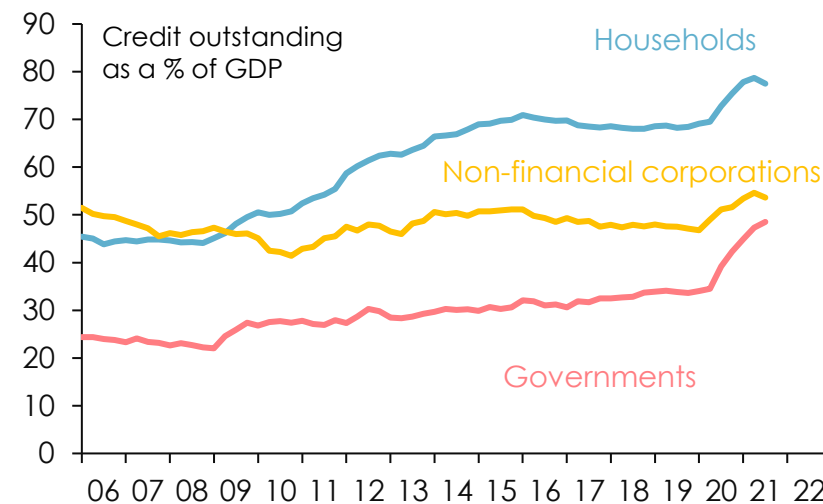
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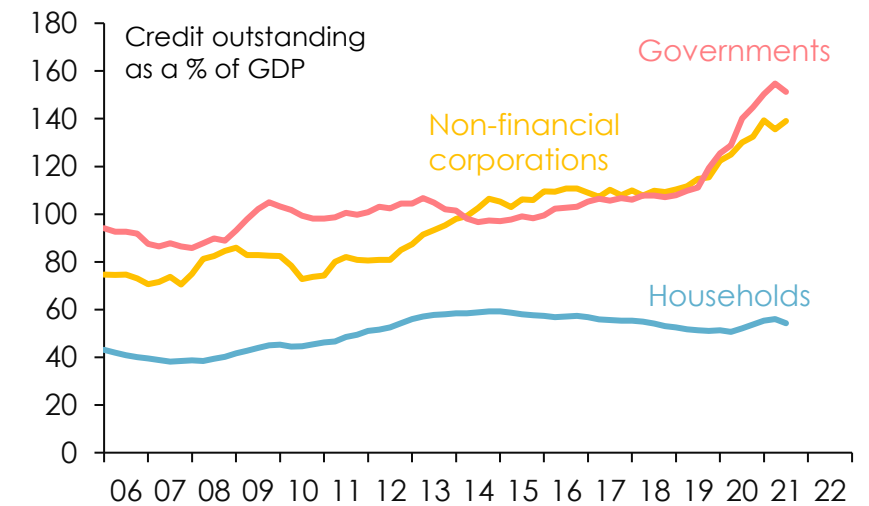
Hong Kong



Thailand



Singapore

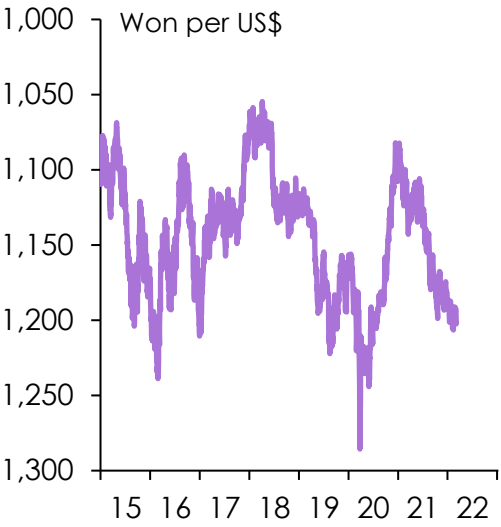


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q2 2021, Q3 data will be released on 28th January. [Return to "What's New"](#).

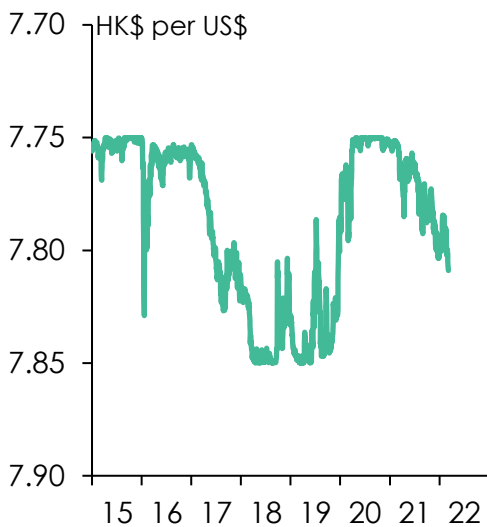
Asian currencies – except for the Philippine peso – eased against the US dollar last week, with the Thai baht the largest loser down 1%

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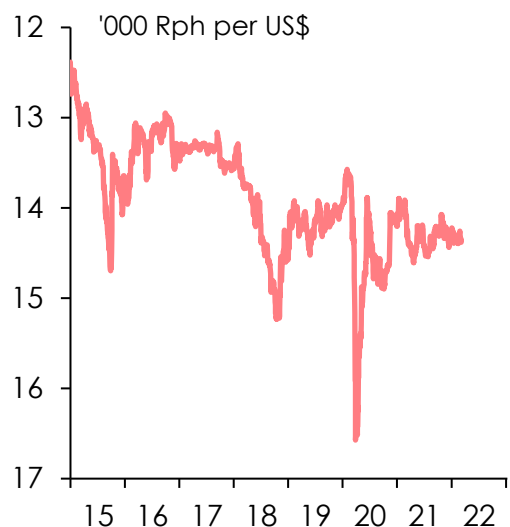
Korean won



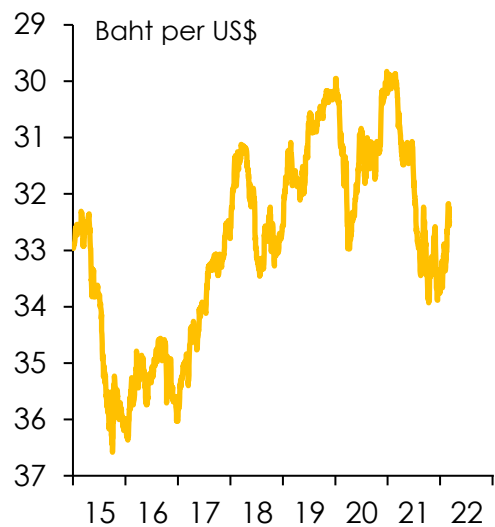
Hong Kong dollar



Indonesian rupiah



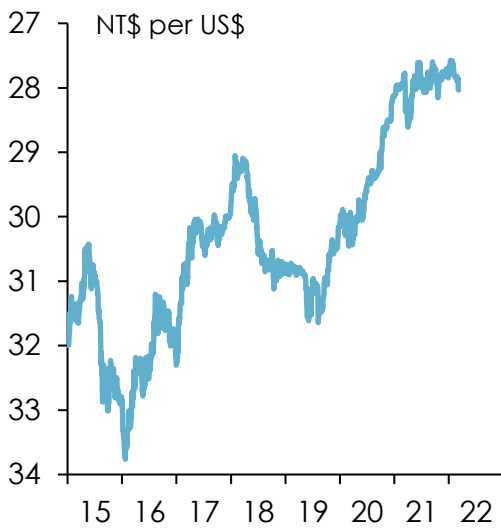
Thai baht



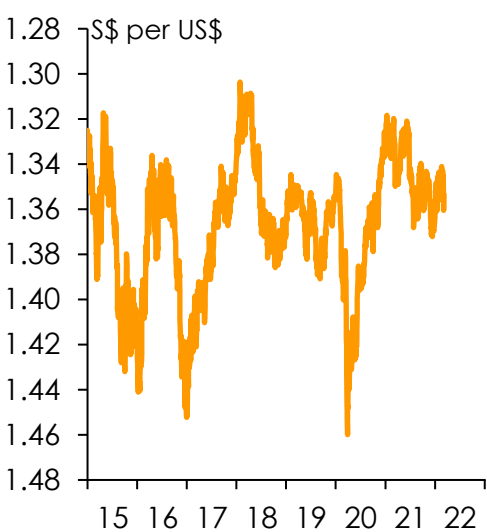
Vietnamese dong



New Taiwan dollar



Singapore dollar



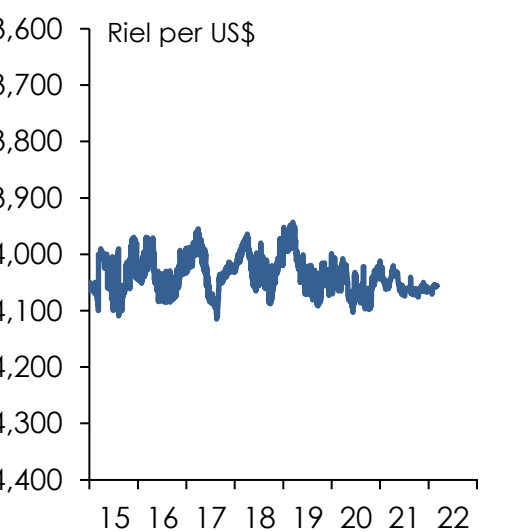
Philippine peso



Malaysian ringgit



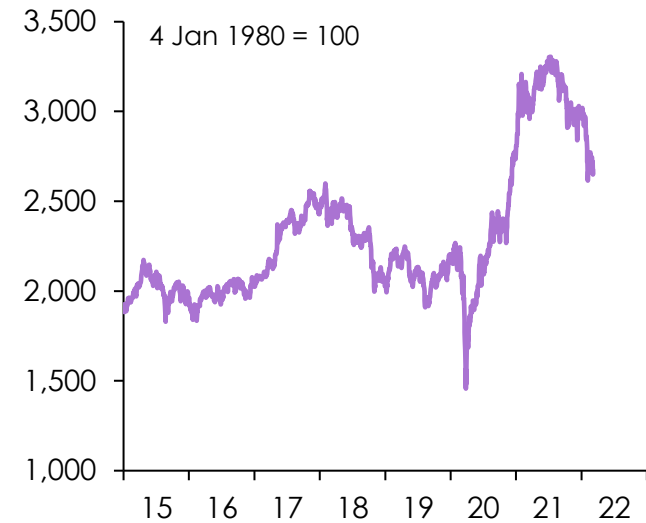
Cambodian riel



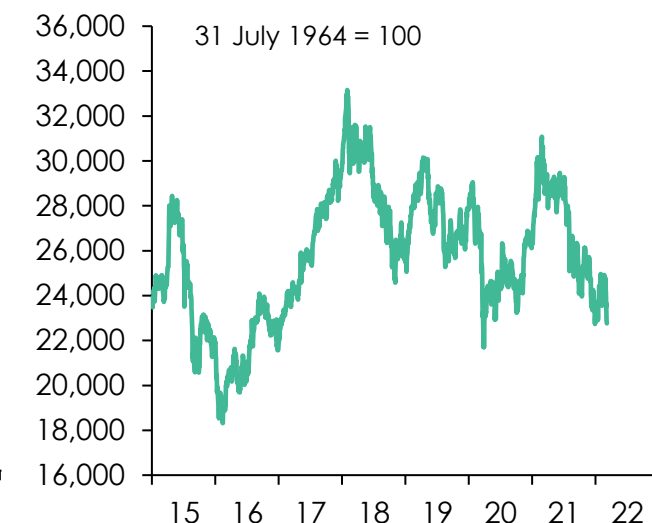
Asian stock markets, and especially Hong Kong, fell last week, closing before the recoveries in Europe and the US on Friday

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

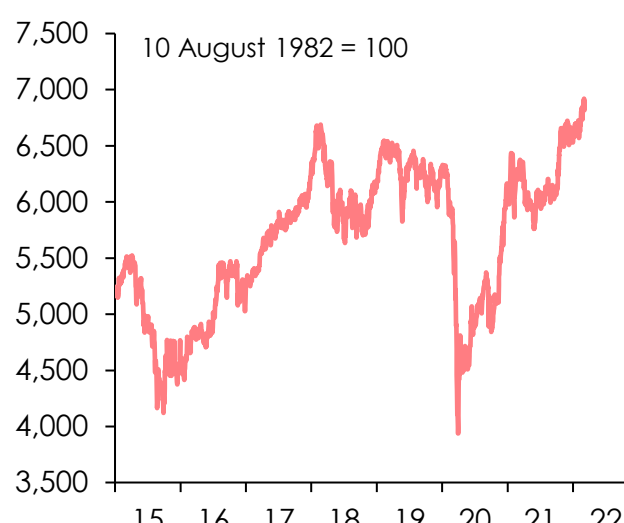
KOSPI



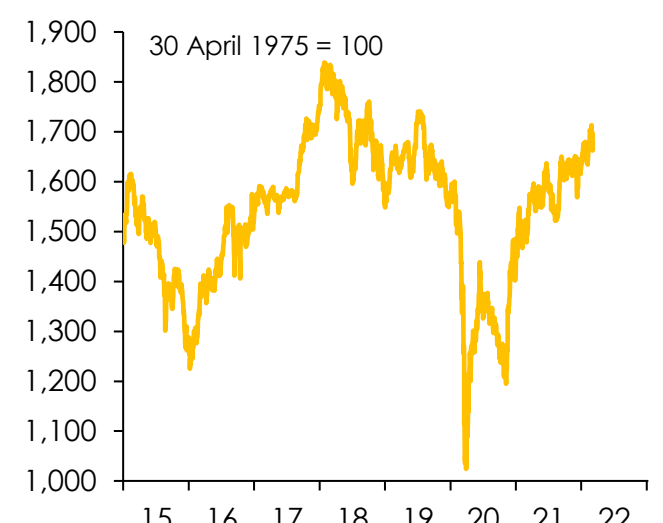
Hang Seng Index



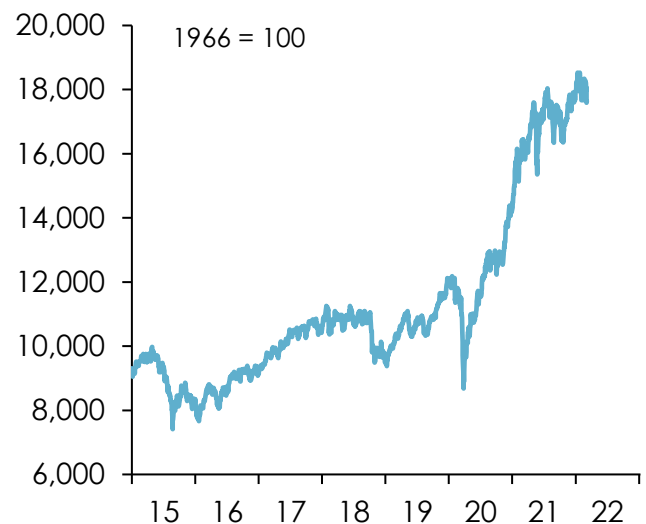
JCI



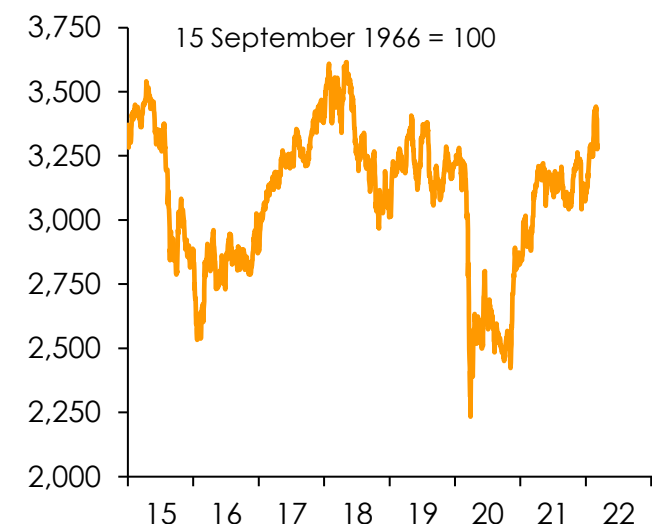
SETI



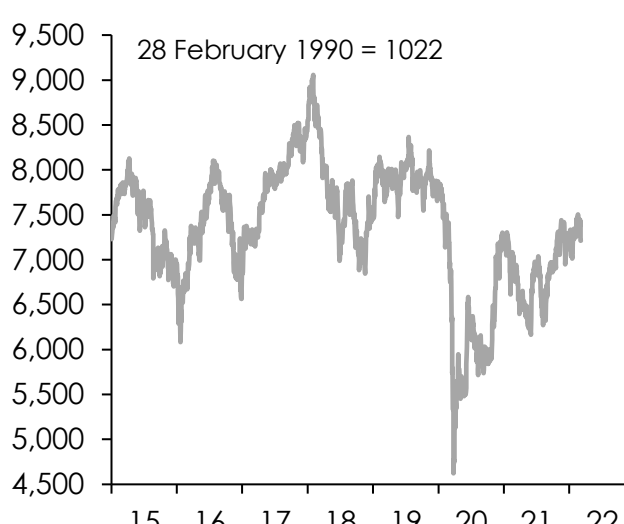
TAIEX



Straits Times Index



PSE i



KLCI

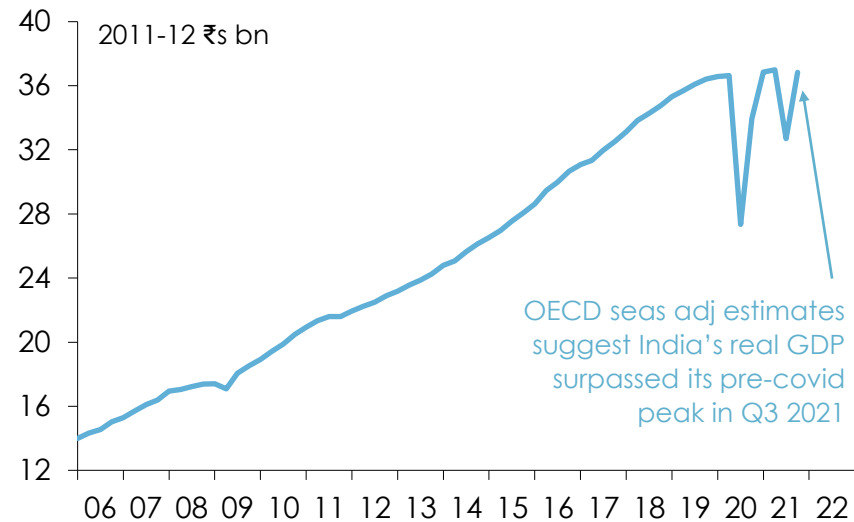


India

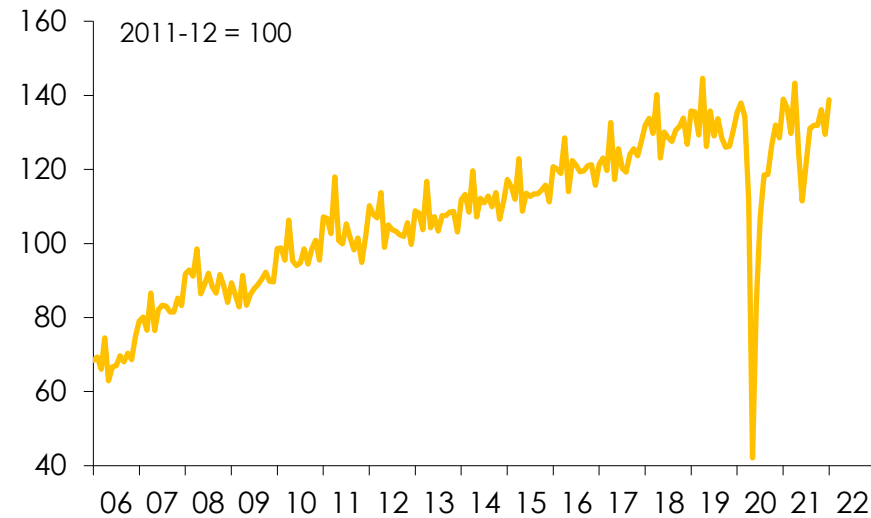
India's economy is recovering from two waves of virus-induced contractions in Q2 2020 and Q2 2021

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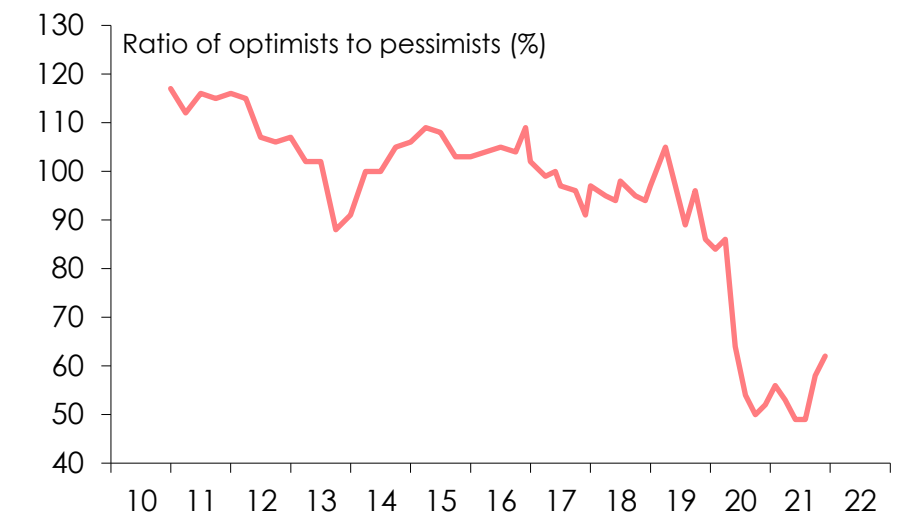
Quarterly real GDP



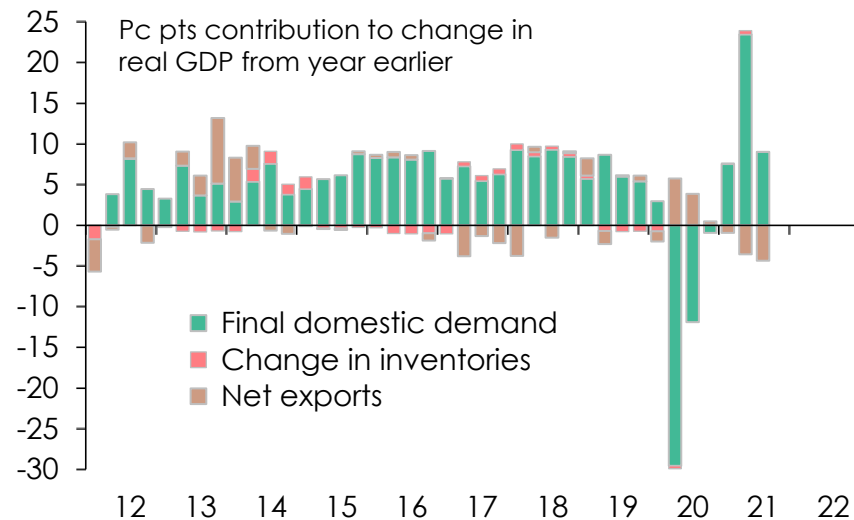
Manufacturing production



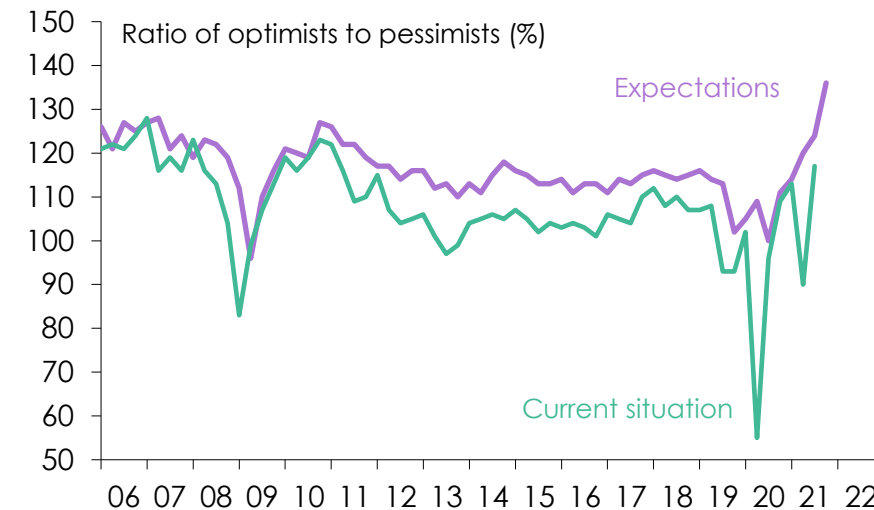
Consumer confidence



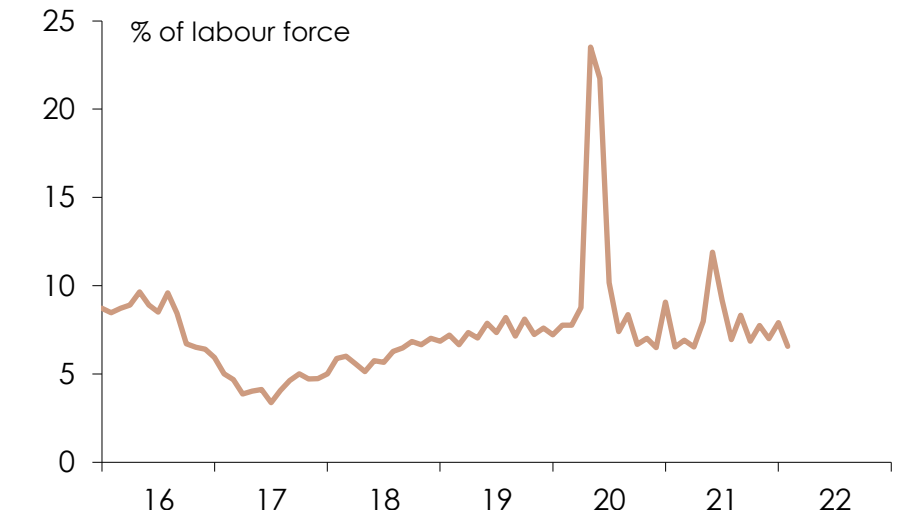
Contributions to real GDP growth



Industrial sector sentiment



Unemployment rate

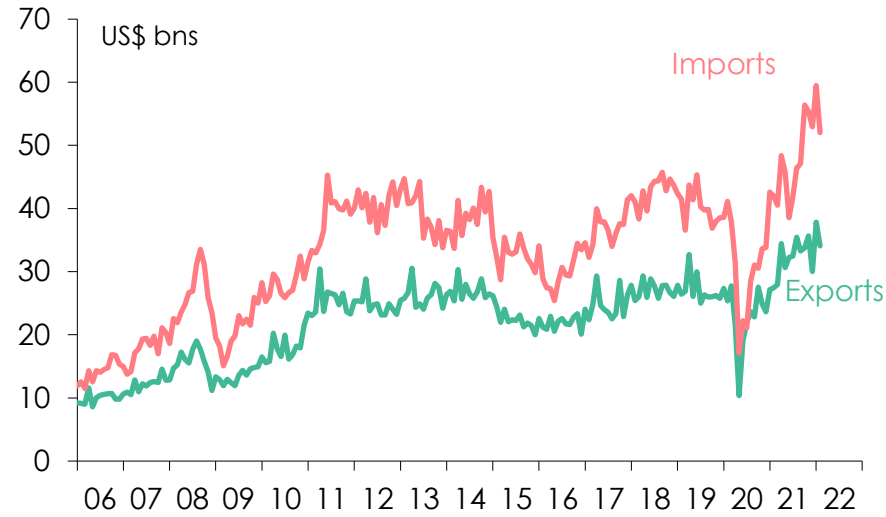


Sources: OECD, [Quarterly National Accounts dataset](#); Government of India, Ministry of Statistics and Programme Implementation, [National Accounts Data](#), and [IIP Data](#); Reserve Bank of India, [Quarterly Industrial Outlook Survey](#) and [Consumer Confidence Survey Bi-Monthly](#); Centre for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

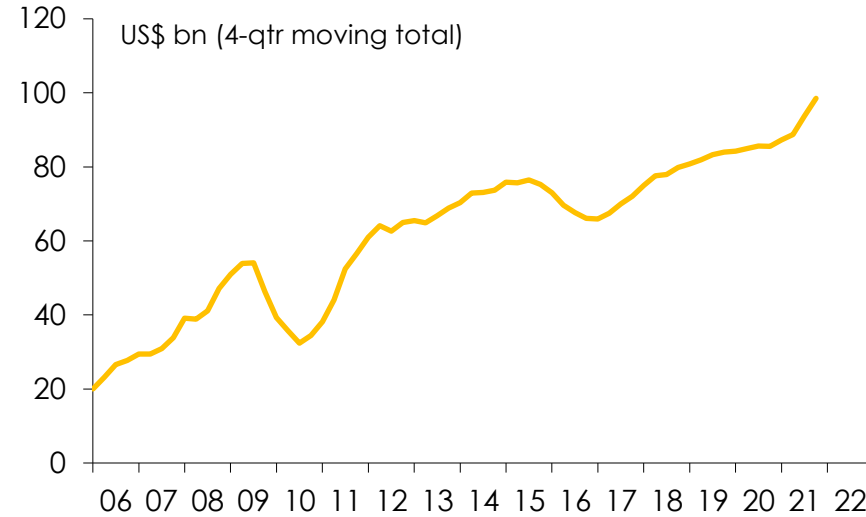
India's merchandise trade deficit has deteriorated sharply due to higher oil prices but its overall external position remains relatively stable

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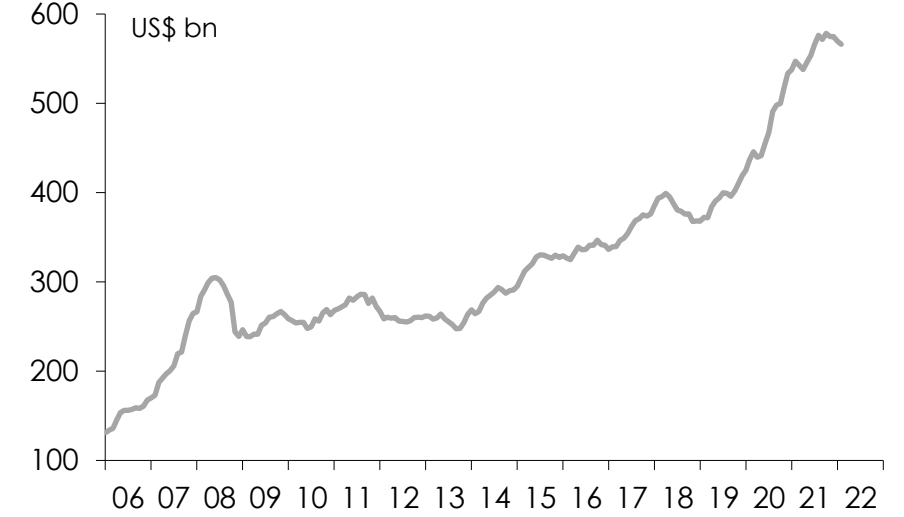
Merchandise exports and imports



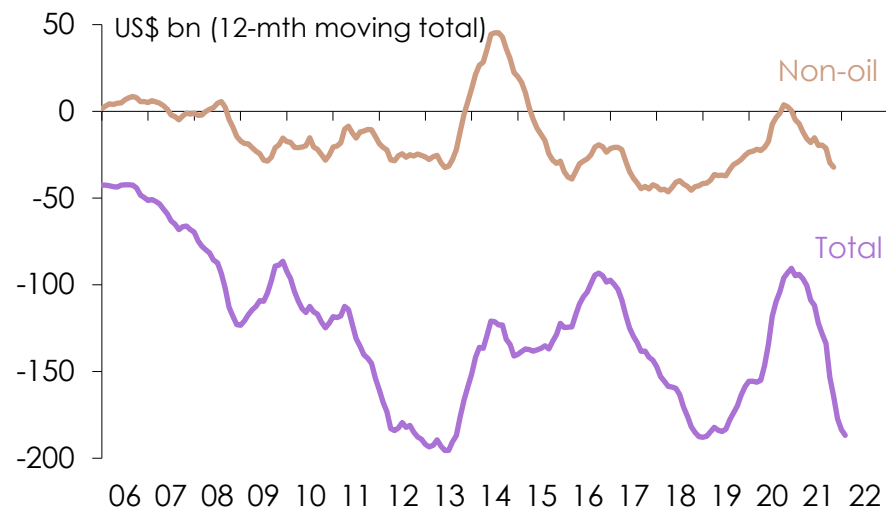
Services trade balance



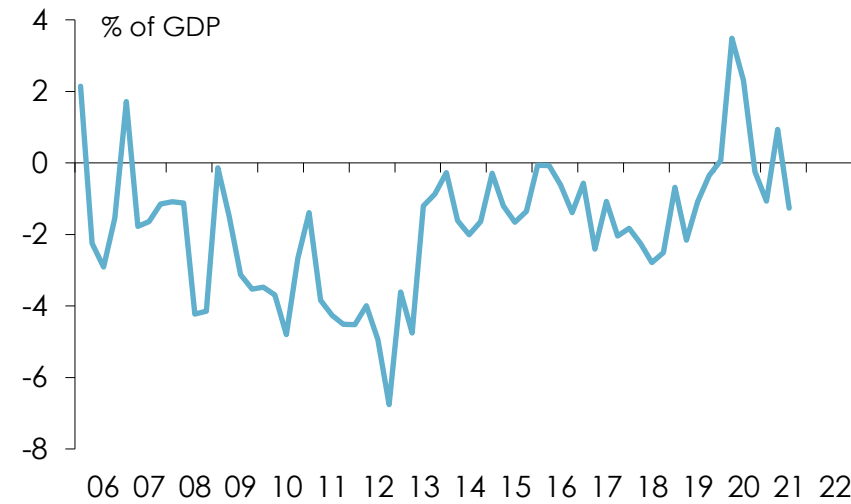
Foreign exchange reserves



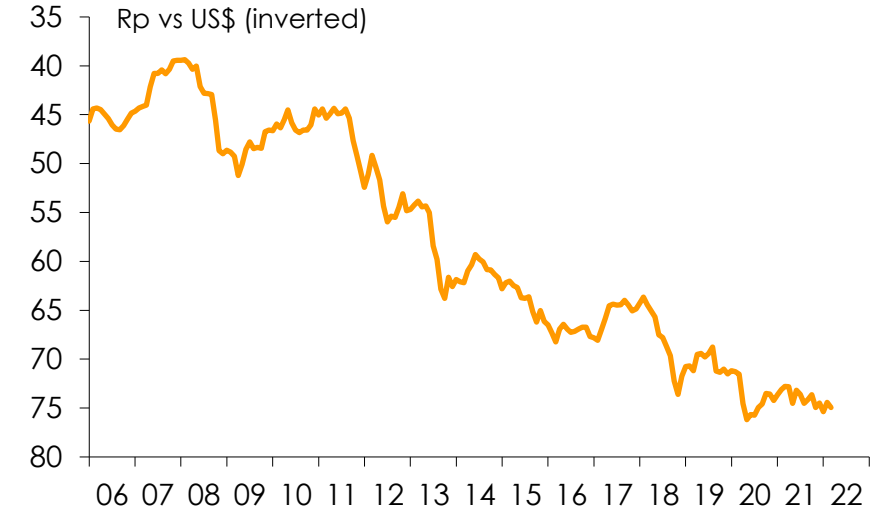
Merchandise trade balance



Current account balance



Rupee vs US dollar

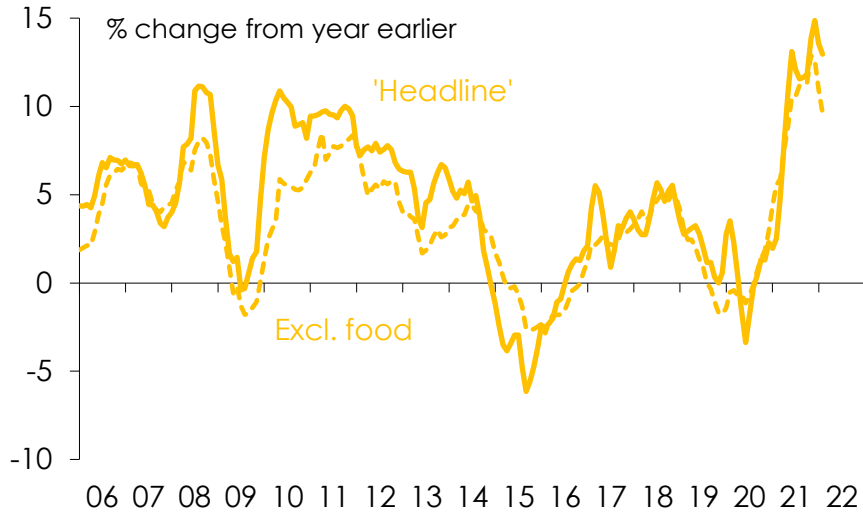


Sources: Government of India, Ministry of Commerce and Industry, [Trade Statistics](#); Reserve Bank of India, [Special Data Dissemination Standards - Balance of Payments](#) and [Weekly Statistical Supplement - Extract](#); Refinitiv Datastream. [Return to "What's New"](#).

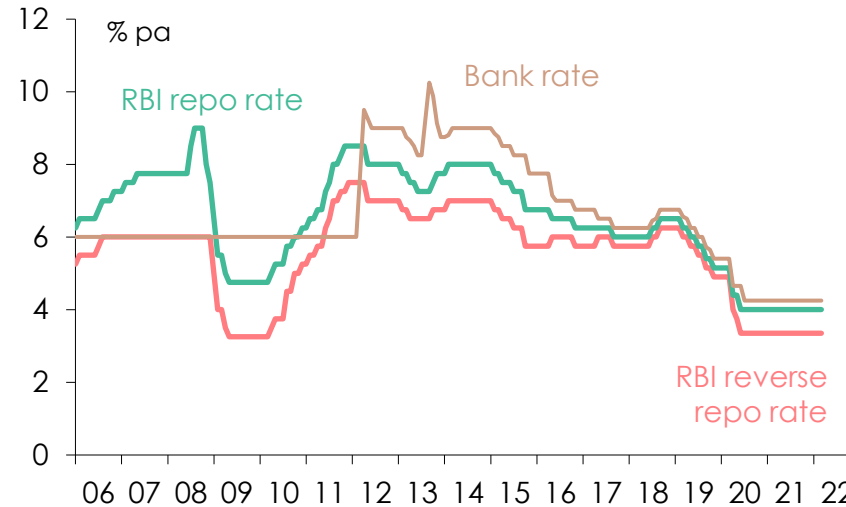
The annual inflation rate rose to 6.0% in January, right at the top of the RBI's target range

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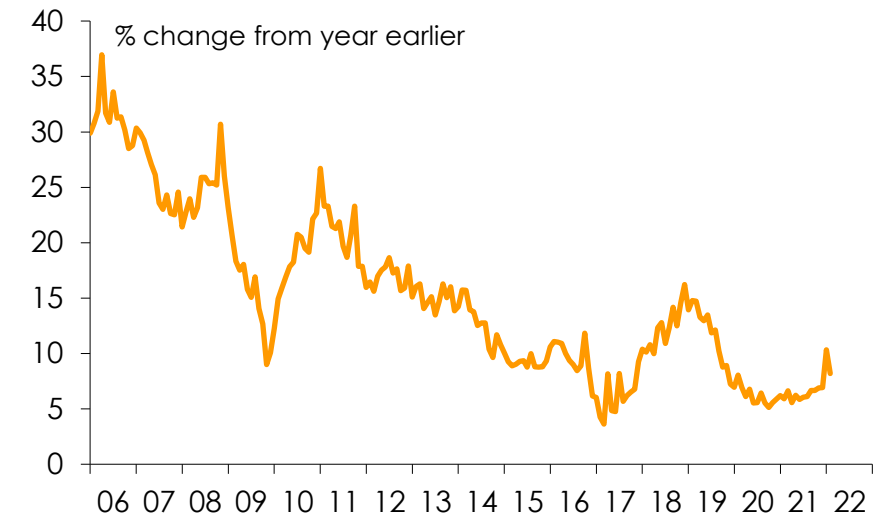
Wholesale prices



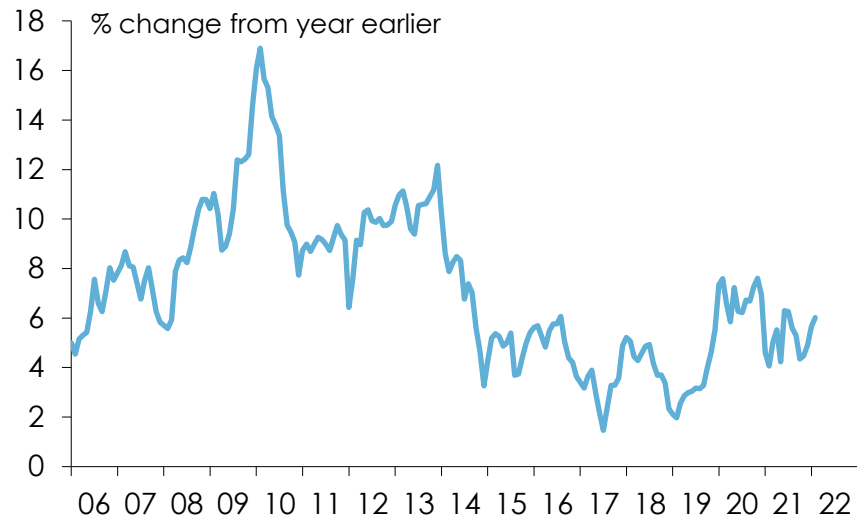
RBI policy interest rates



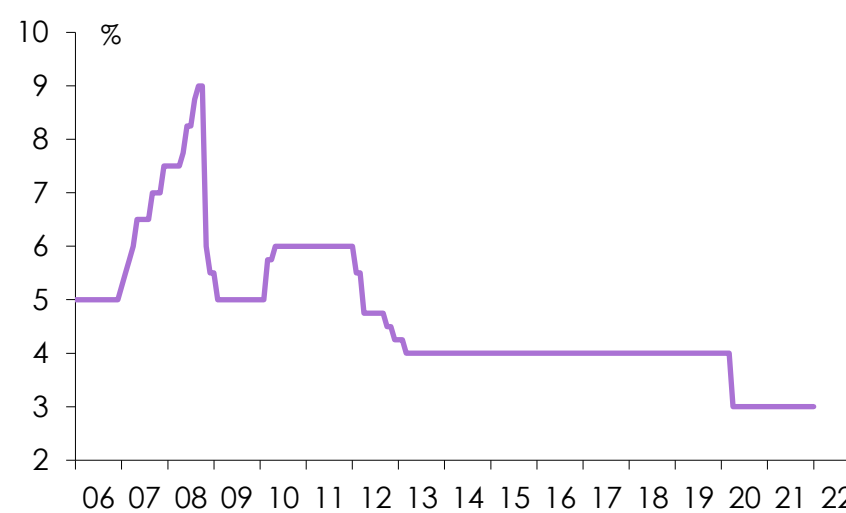
Bank lending



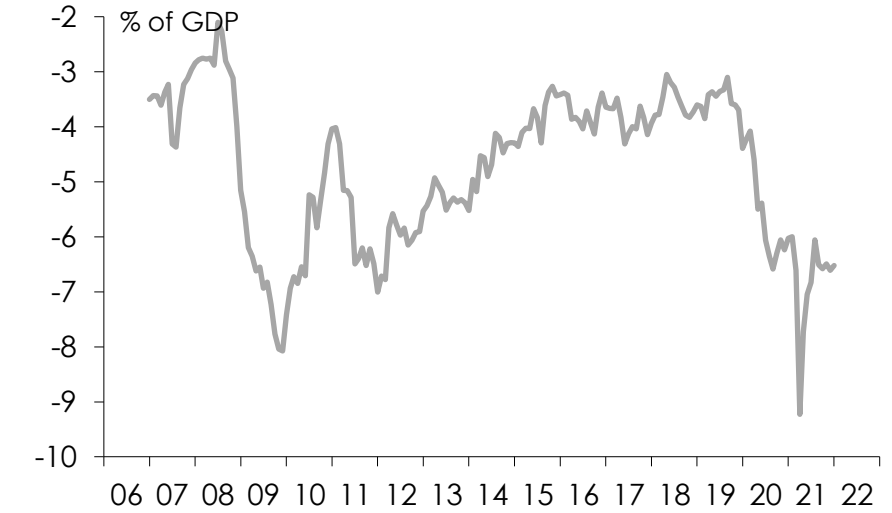
Consumer prices



RBI cash reserve ratio



Central government fiscal balance

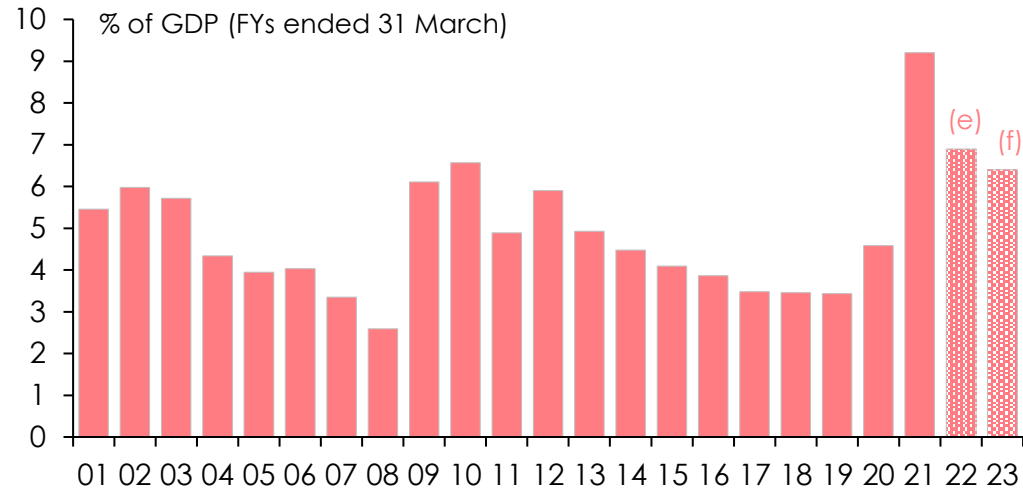


Note: The RBI's inflation target is $4\% \pm 2$ pc points. Sources: Government of India, Office of the Economic Adviser, Ministry of Commerce and Industry, [WPI Press Release](#); Ministry of Statistics and Programme Implementation, [CPI](#); Reserve Bank of India, [Monetary Policy](#) and [RBI Bulletin](#);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

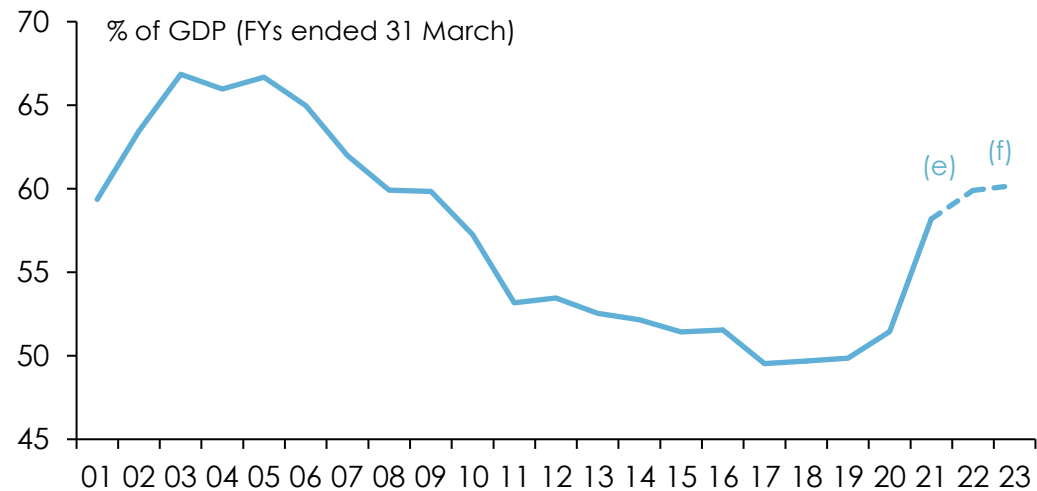
India's 2022-23 Budget, presented this month, maintains a deficit of over 6% of GDP in order to fund another large increase in capital spending

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Central government fiscal deficit



Central government gross debt



- ❑ Finance Minister Nirmala Sitharaman presented the Modi Government's 2022-23 Budget on Wednesday, 2nd February
- ❑ The main feature of the 2022-23 Budget is a projected 35.4% increase in capital outlays, which following an estimated 34.5% increase in FY 2021-22 will take total capital spending to ₹7.5 trn (2.9% of projected GDP) in FY 2022-23, more than double the level of capital spending in FY 2019-20
 - the [PM Gati Shakti](#) plan emphasizes roads, railways, airports, ports, ass transport, waterways, and logistics infrastructure
 - according to Ms Sitharaman's Budget Speech, "the virtuous cycle of investment requires public investment to crowd-in private investment", and "public investment must continue to take the lead and pump-prime the private investment and demand in 2022-23"
- ❑ The Budget included some protectionist measures, in particular the phasing out of customs duty exemptions for a range of capital goods, items used in major mining and infrastructure projects and "items which are or can be manufactured in India"
- ❑ The 'revenue deficit' (which excludes capital spending) is forecast to decline to 3.8% of GDP in FY 2022-23, from 4.7% of GDP in 2021-22 and 7.3% of GDP in 2021-22 – but, reflecting the increase in capital spending, the overall fiscal deficit will decline more modestly, to 6.4% of GDP in 2022-23 from 6.9% of GDP in 2021-22 and 9.2% of GDP in 2020-21
- ❑ Gross central government debt is forecast to rise to 60.2% of GDP by the end of FY 2022-23, from 59.9% of GDP at the end of the current fiscal year

Sources: Reserve Bank of India, [Handbook of Statistics on the Indian Economy](#); Government of India Ministry of Finance, [Budget at a Glance 2022-23](#); Nirmala Sitharaman, Minister of Finance, [Statement of Fiscal Policy as required under the Fiscal Responsibility and Budget Management Act 2003](#), February 2022. [Return to "What's New"](#).

Canada, Australia and New Zealand

As expected, the RBNZ raised its cash rate another 25 bp last week and foreshadowed at least another 125 bp of further tightening

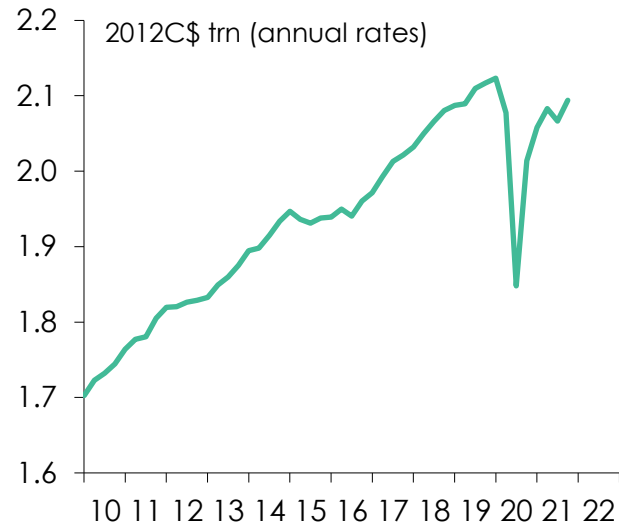
THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

- ❑ As expected, the [Reserve Bank of New Zealand](#) raised its official cash rate another 25bp, to 1.0%, at last Wednesday's Monetary Policy Committee meeting, the third such increase since November last year ([slide 120](#))
 - the MPC contemplated raising the OCR by 50bp, but in what the [summary record of the meeting](#) described as a 'finely balanced decision', opted for a 25 bp increase after noting that rates had "already increased significantly late last year and are expected to continue rising", and being "conscious of broader uncertainty in the midst of the current omicron wave"
 - in the accompanying [Monetary Policy Statement](#) the RBNZ judged that "a mixture of strong demand, scarce labour and high commodity and import prices has resulted in a more inflationary environment", with 'headline' inflation now expected to peak at 6.6% in the current quarter (up from 5.7% in the November MPS)
 - and raised its projection for the peak in the OCR in 2024 to 3.35% (from 2.60% in the November MPS)
 - the RBNZ also decided to reduce the size of its bond holdings over time, by not re-investing the proceeds of upcoming bond maturities, and selling bonds back to the Government's Debt Management office at a rate of \$NZ5bn per fiscal year
- ❑ The [Bank of Canada](#) kept its overnight interest rate at 0.25% at last month's Governing Council meeting, but [ended](#) its "exceptional forward guidance", ie the "extraordinary commitment to hold its policy rate at the effective lower bound"
 - at his [post-meeting press conference](#) BoC Governor Tiff Macklen "clearly signalled" that "interest rates will need to increase", and that it was "paramount to ensure that higher near-term inflation expectations don't migrate into higher long-term expectations and become embedded in ongoing inflation"
 - and he repeated that message in a [speech](#) to the Canadian Chamber of Commerce on 9th February, emphasizing that "right now inflation is too high", foreshadowing that "to get inflation ... back to its 2% target, we need a significant shift in monetary policy", and warning that "Canadians should expect a rising path for interest rates"
- ❑ The RBA meets again on Tuesday, and the BoC on Wednesday

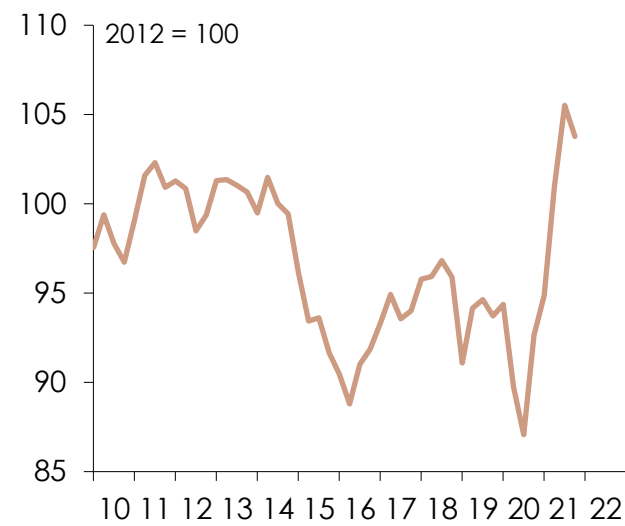
Canadian inflation reached 5.0%, and 'core' inflation 3.5%, over the twelve months to January

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Real GDP



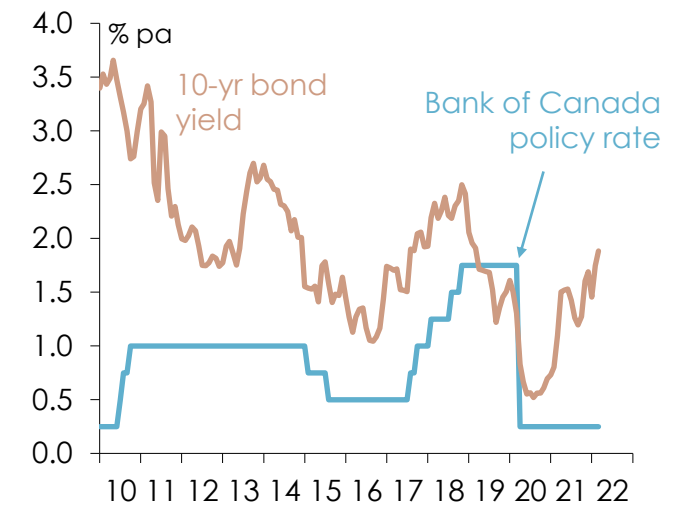
Terms of trade



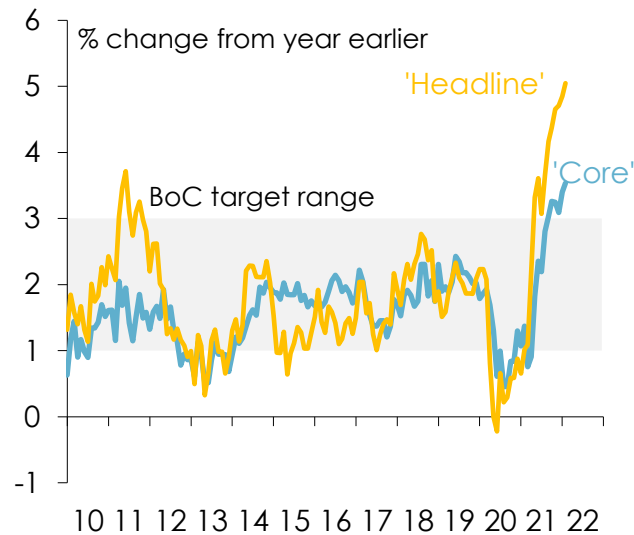
Unemployment



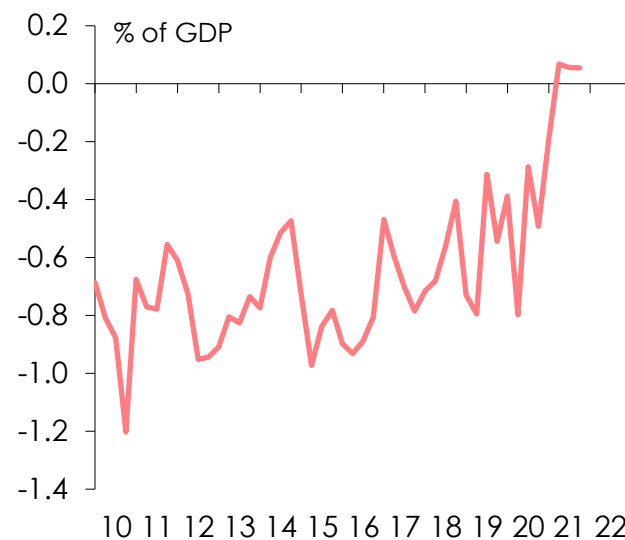
Interest rates



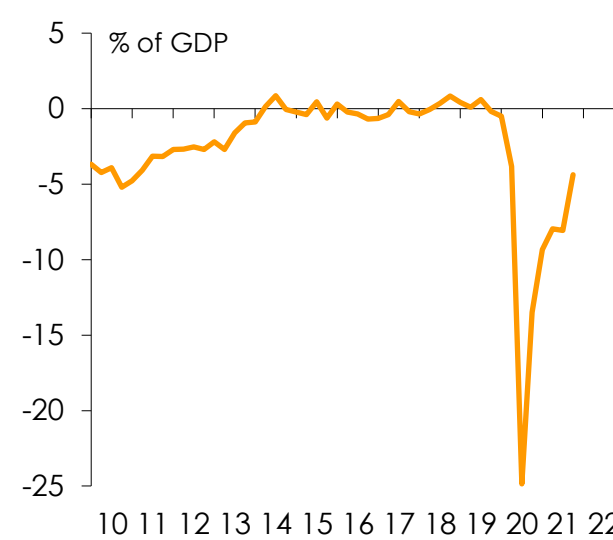
Consumer prices



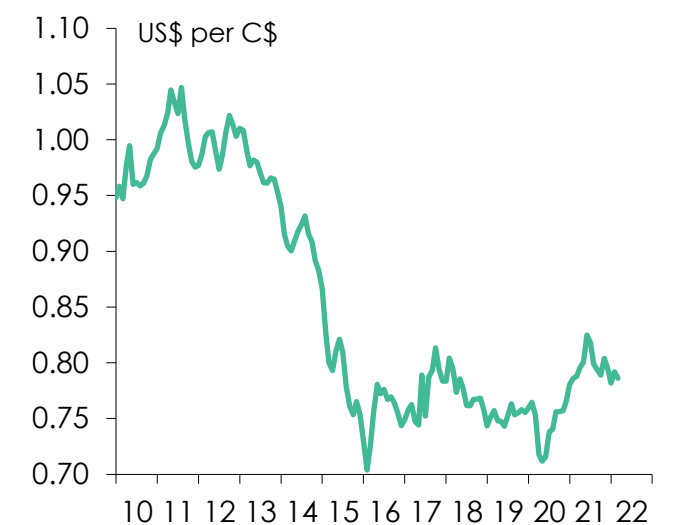
Current account balance



Government net lending



C\$ vs US\$

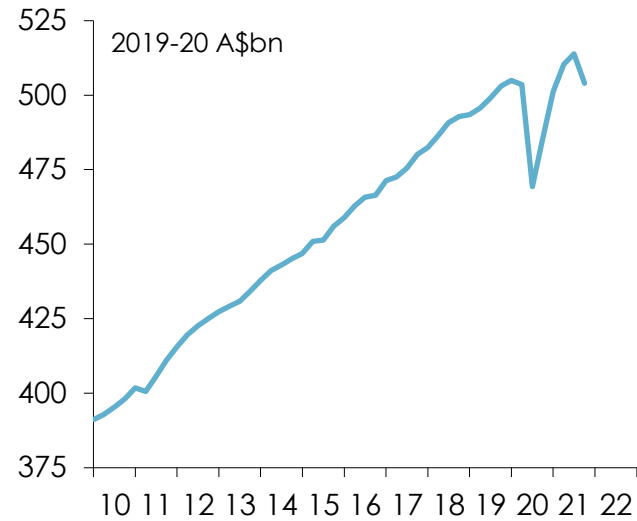


Sources: Statistics Canada, [National Gross Domestic Product \(GDP\) by Income and by Expenditure Accounts](#); [Consumer price index portal](#); [Canada's Balance of International Payments](#); [Labour Statistics](#); Bank of Canada, [Policy Interest Rate](#); Refinitiv Datastream. [Return to "What's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

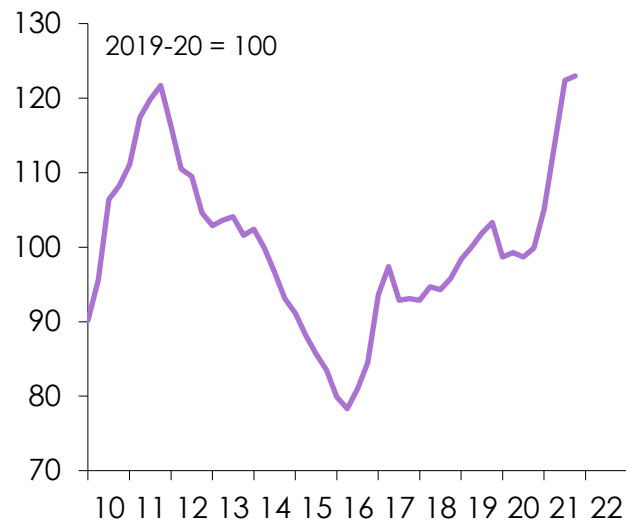
Australia's inflation rate returned to just above the mid-point of the RBA's target range in Q4, increasing the pressure for rates to start rising this year

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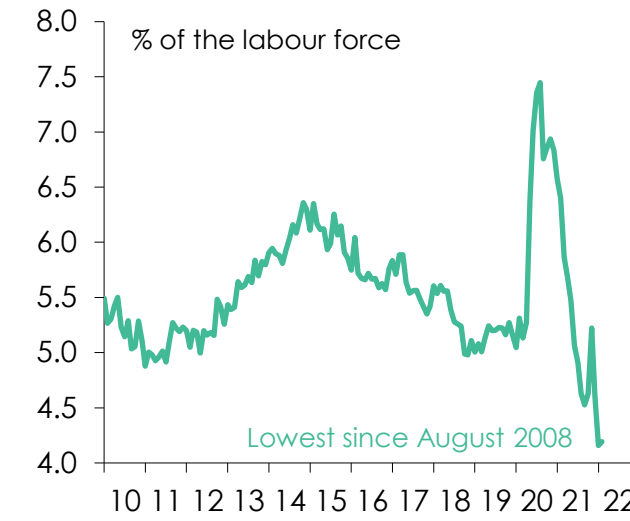
Real GDP



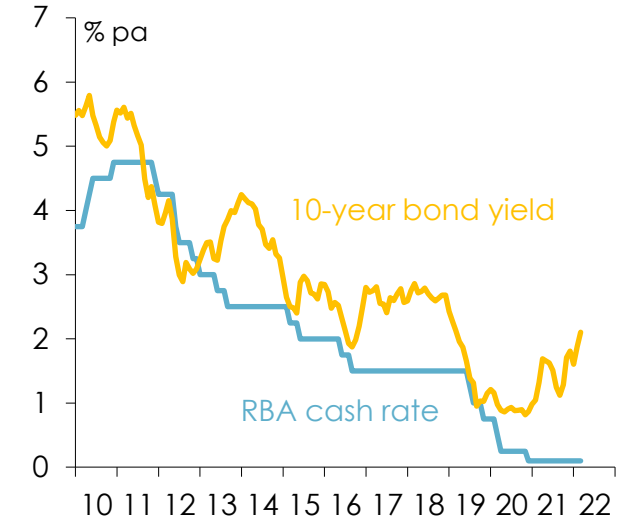
Terms of trade



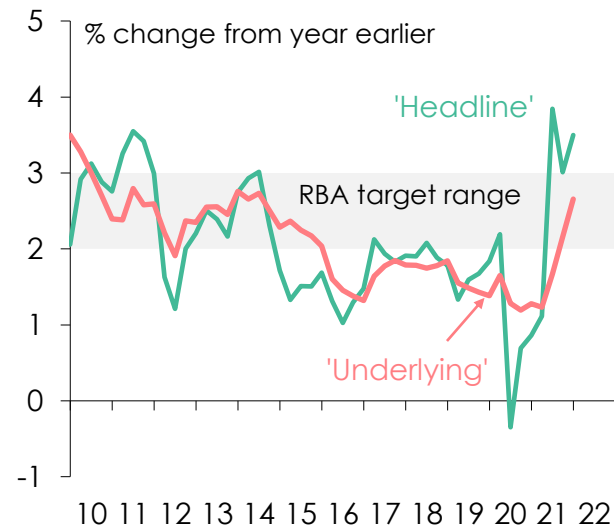
Unemployment



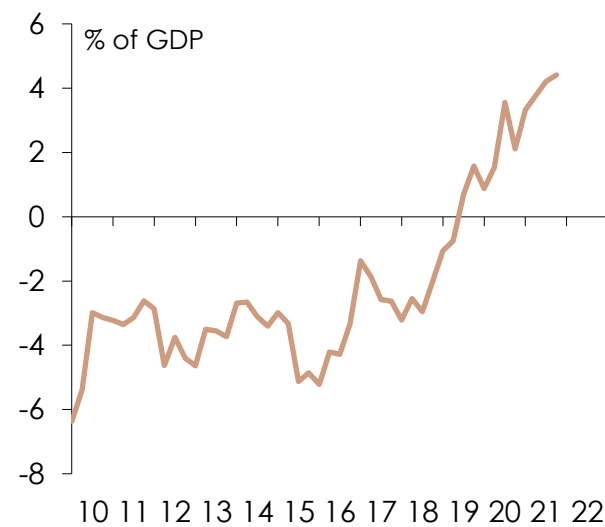
Interest rates



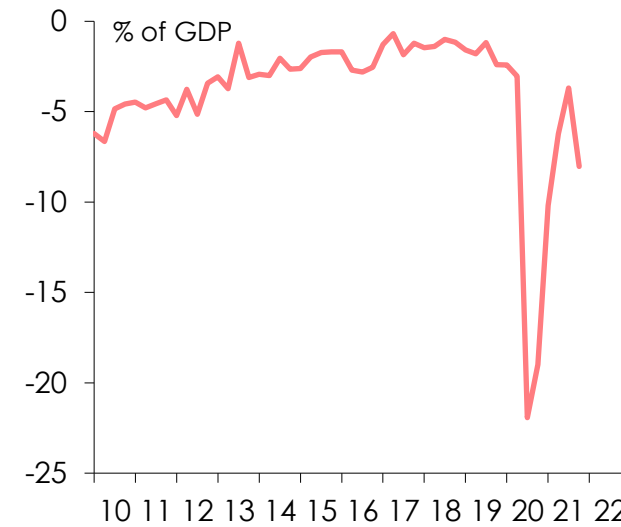
Consumer prices



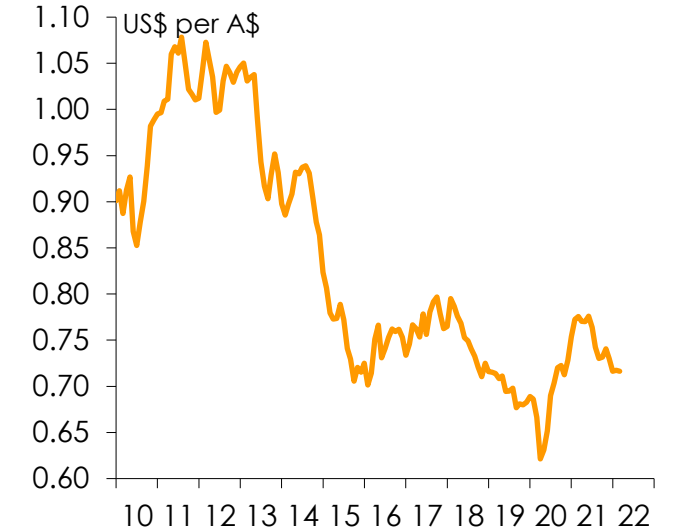
Current account balance



Government net lending



A\$ vs US\$

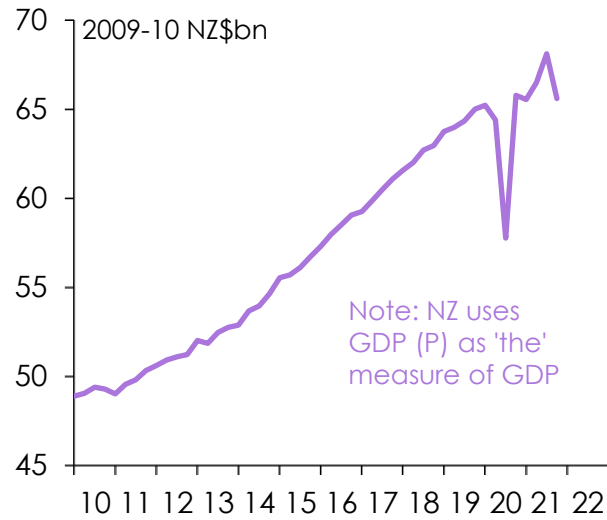


Note: The measure of 'underlying' inflation shown here is the trimmed mean. Sources: Australian Bureau of Statistics, [Australian National Accounts: National Income, Expenditure and Product](#); [Consumer Price Index](#); [Balance of Payments and International Investment Position](#); [Labour Force](#); [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"](#).

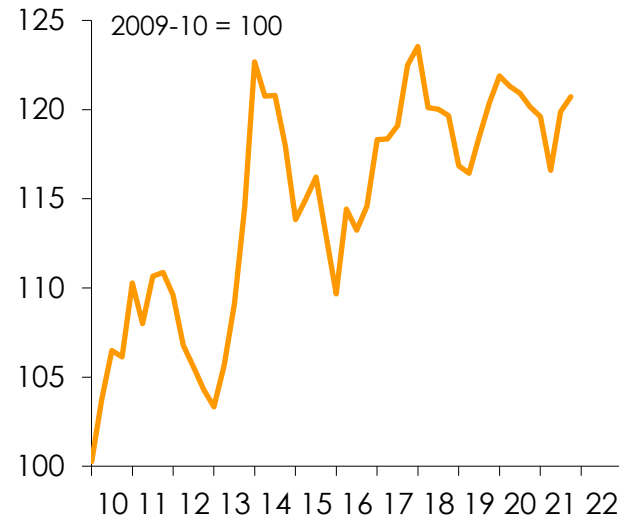
The Reserve Bank of New Zealand raised its cash rate another 25bp, the third consecutive increase, and foreshadowed more to come

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

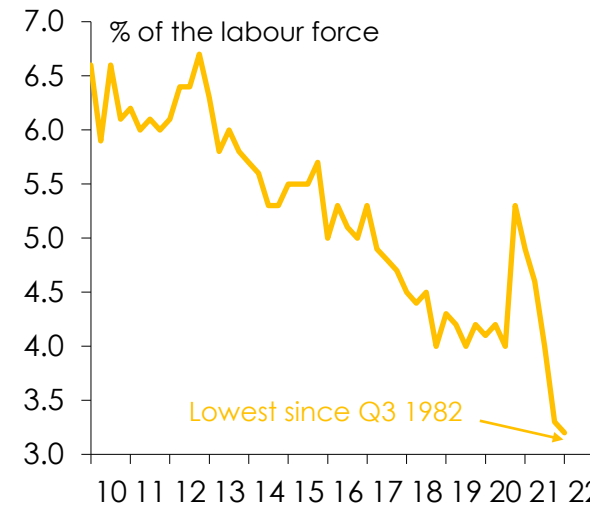
Real GDP



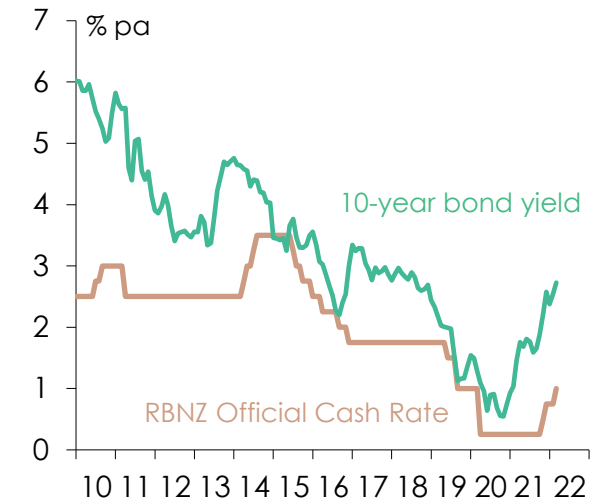
Terms of trade



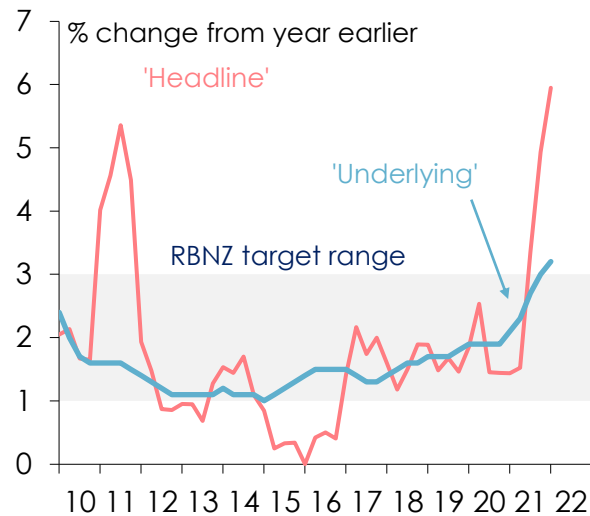
Unemployment



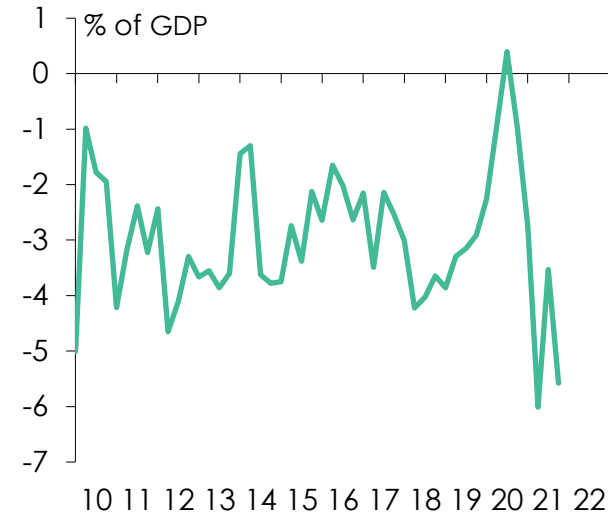
Interest rates



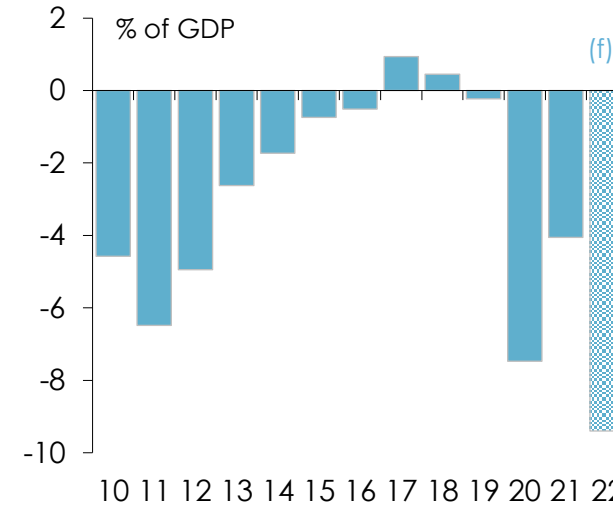
Consumer prices



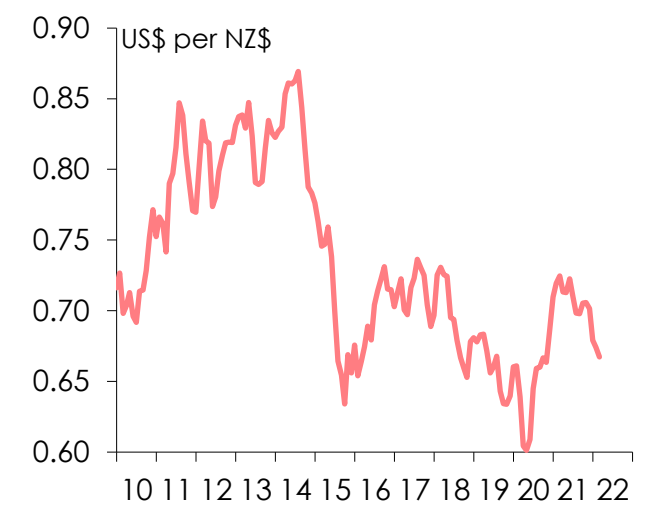
Current account balance



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

Central banks in Hungary and Paraguay raised their policy rates again last week, in line with moves by the central banks of their larger neighbours

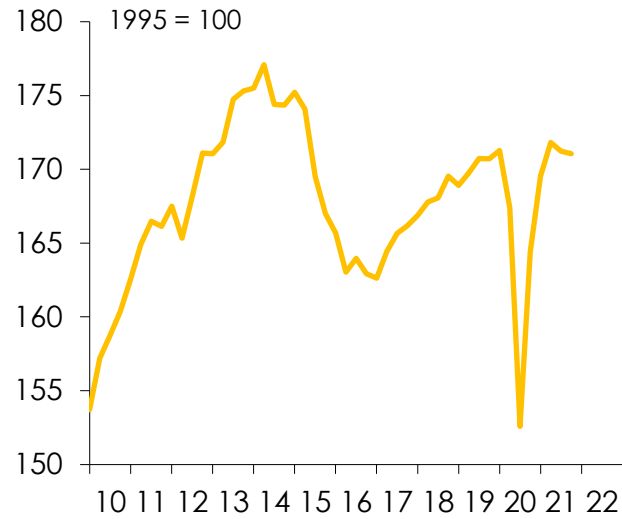
THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

- ❑ **Magyar Nemzeti Bank** (Hungary's central bank) raised its base rate another 50bp to 3.40% at its Monetary Council meeting on 22nd February
 - this is the ninth increase since June last year, bringing the cumulative increase in the base rate to 280 bp ([slide 126](#))
 - [explaining](#) the latest increase, MNB observed that “inflation risks have increased” since its previous meeting, that “inflation will begin to decline later than previously expected” and indeed that “core inflation may pick up further in coming months” with “companies repricing their goods and services at relatively short notice amid strong domestic demand in order to reflect rises in commodity prices and wage costs”
 - hence, the Monetary Council concluded, inflation risks “warrant a further tightening of monetary conditions” in order to “anchor inflation expectations and mitigate second-round inflation risks”, and foreshadowed that it would “continue the base rate tightening cycle on a monthly basis”
- ❑ **Banco Central del Paraguay** raised its policy interest rate by another 25 bp, to 5.75%, at its Monetary Policy Committee meeting on 22nd February
 - this is the sixth increase since September last year, for a total of 500 bp, although last week's move was much smaller than the two previous increases of 125 bp each ([slide 126](#))
 - inflation in Paraguay was 7.9% over the 12 months to January, the fastest since September 2011, with ‘core’ inflation at 6.1%, cf. BCP's target of 4%, and BCP [noted](#) that increases in oil and other international commodity prices, as well as “adverse climatic factors” (drought) could “influence the dynamics of local prices”
- ❑ **Though these are both relatively small economies, their central bank decisions are in line with those of central banks in larger neighbouring economies**
 - Russia's central bank has raised its policy interest rate by 525 bp since March last year, Ukraine's by 400 bp over the same period, Poland's and the Czech Republic's by 265 bp and 270bp respectively since October, and Romania's by 125 bp
 - Brazil's central bank has raised its policy interest rate by 875 bp since February last year ([slide 123](#)) Chile's by 500bp since last July, Peru's by 325 bp since last August, and Uruguay's by 275bp since last July

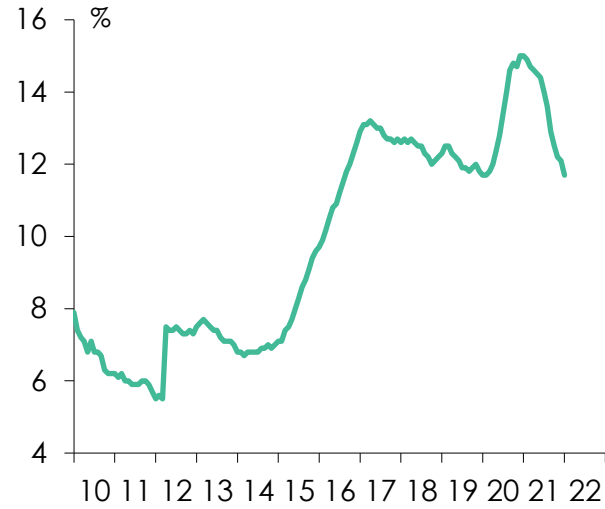
Banco Central do Brazil has raised its policy rate by 875 basis points since February last year on concerns over inflation and fiscal policy

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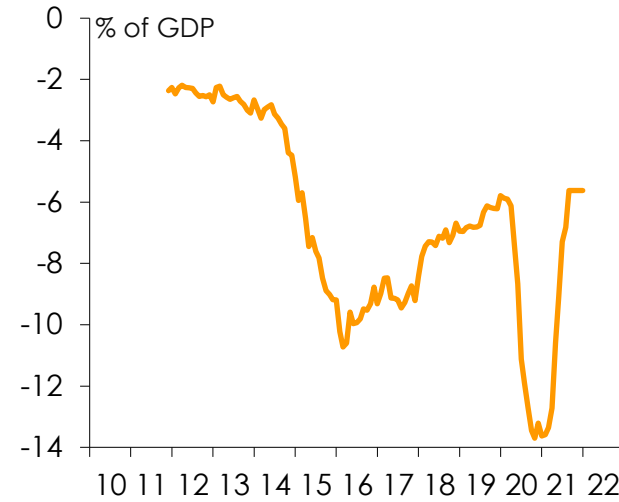
Real GDP



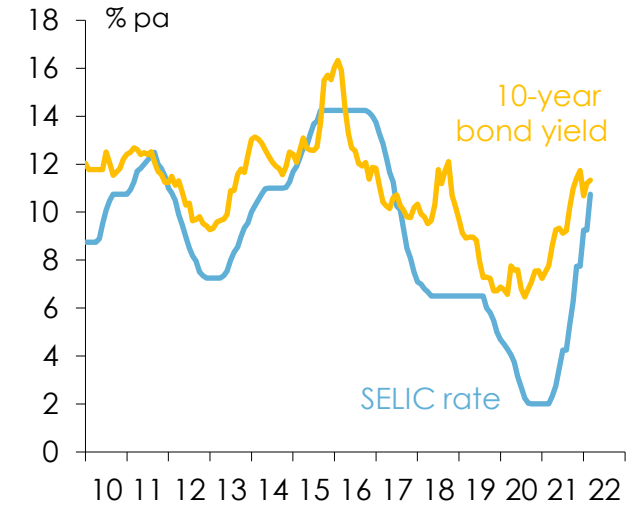
Unemployment



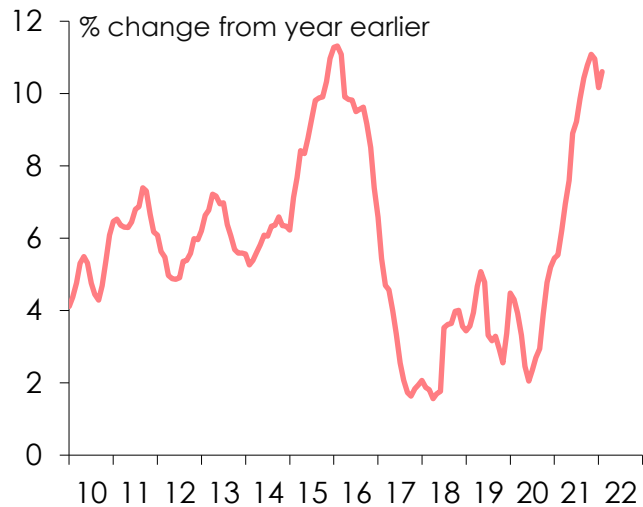
Public sector borrowing



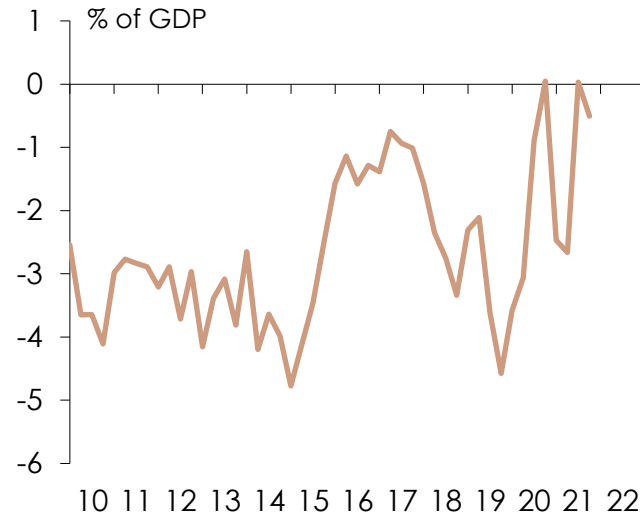
Interest rates



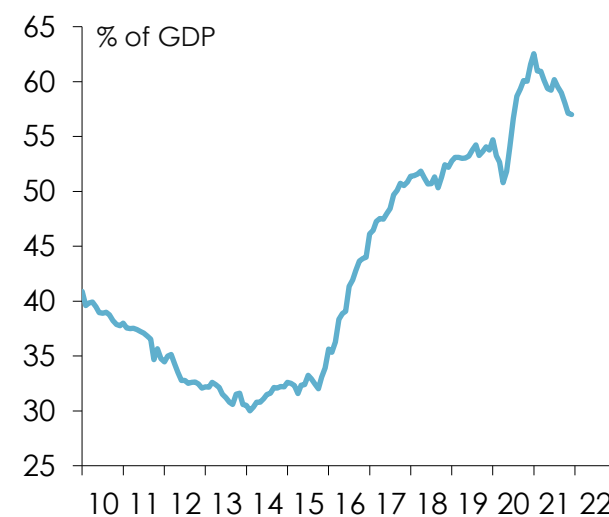
Inflation



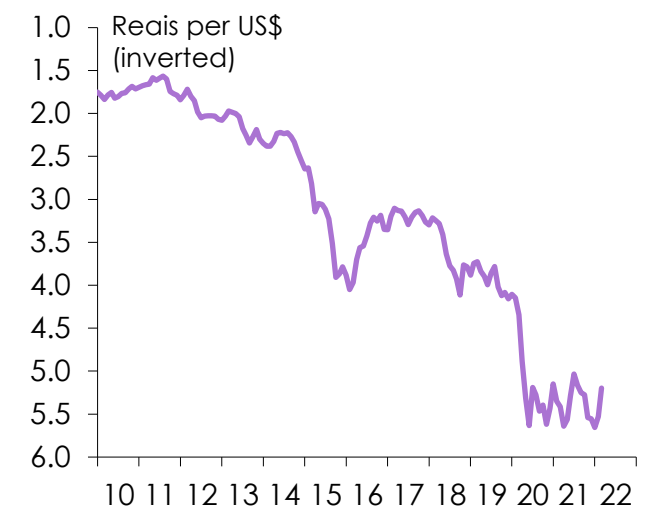
Current account balance



Public sector net debt



Brazilian real vs US\$

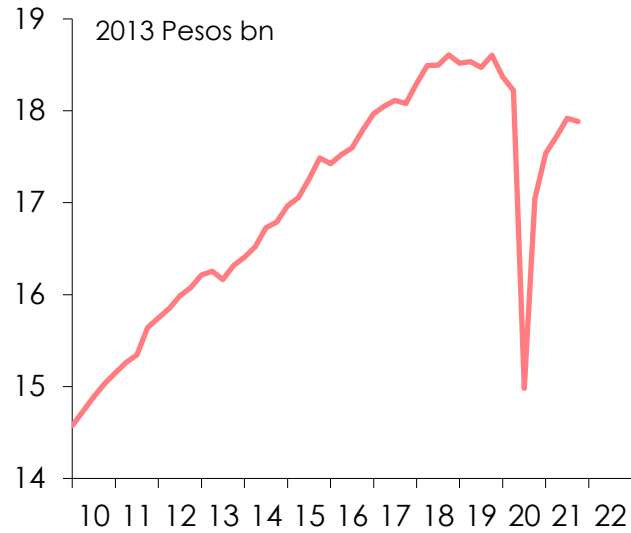


Sources: [Instituto Brasileiro de Geografia e Estatística \(IBGE\)](#); [Banco Central do Brasil](#); Refinitiv Datastream. [Return to "What's New"](#).

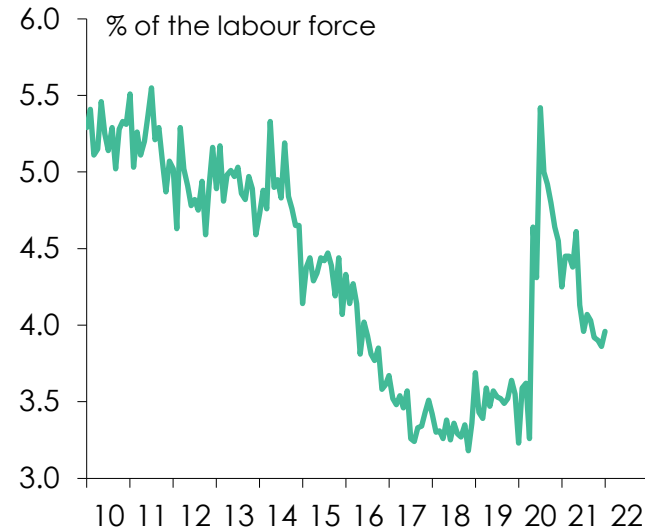
Mexico's central bank hiked rates by 150 basis points in 2021 despite GDP being still 4% below its pre-pandemic peak

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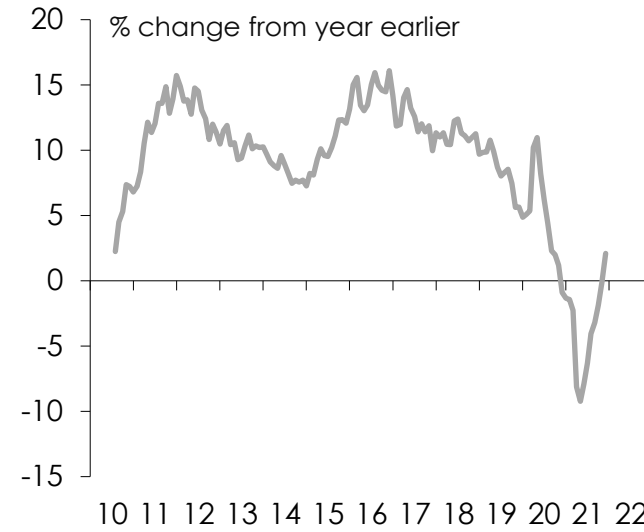
Real GDP



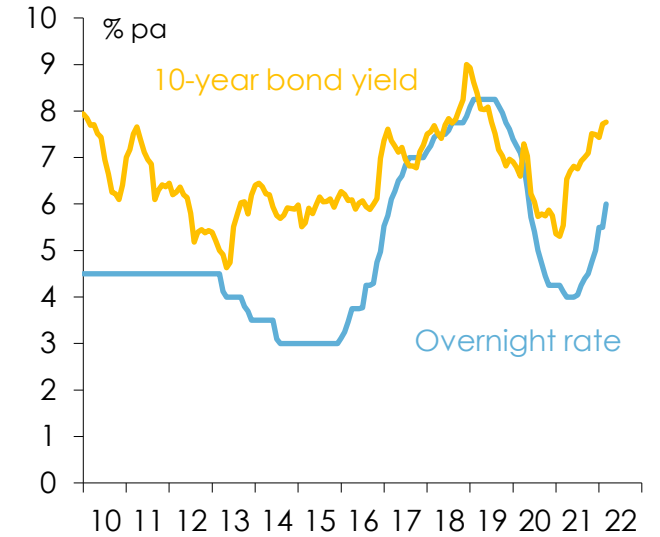
Unemployment



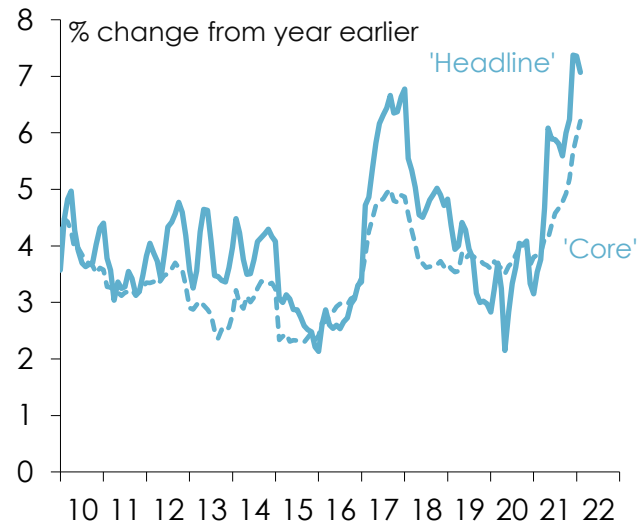
Bank lending



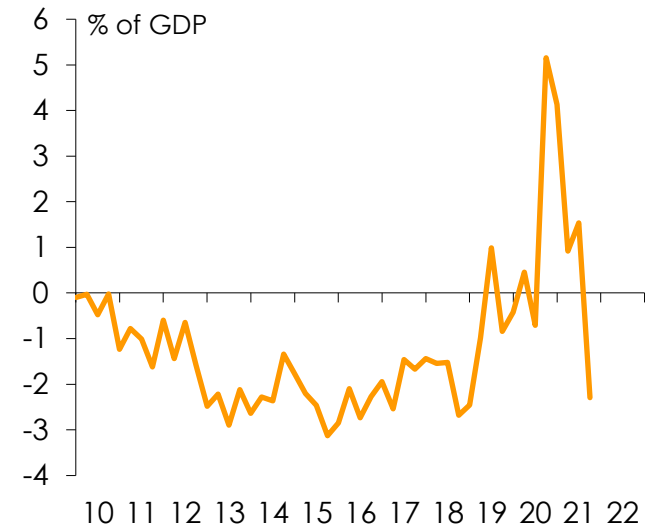
Interest rates



Inflation



Current account balance



Federal budget deficit



Mexican peso vs US\$

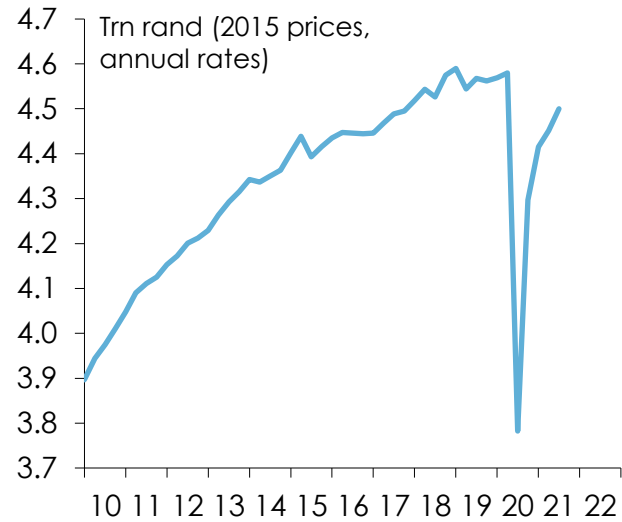


Sources [Banco de México](#); [Instituto Nacional de Estadística y Geografía \(INEGI\)](#); Refinitiv Datastream.. [Return to "What's New"](#).

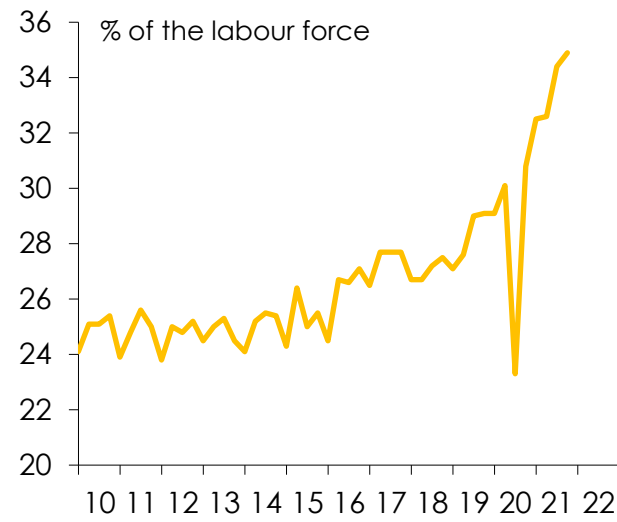
South Africa's central bank raised its repo rate in November, for the first time since 2018, as inflation topped 5%

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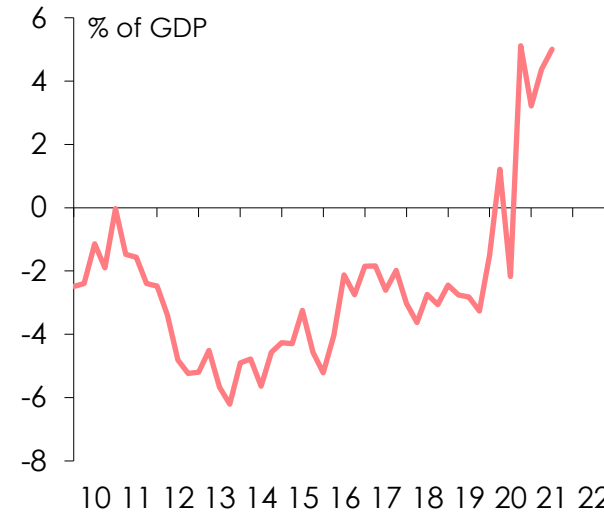
Real GDP



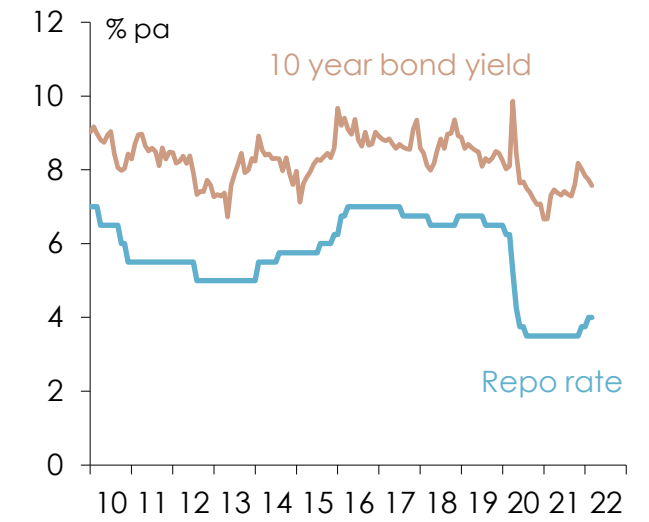
Unemployment



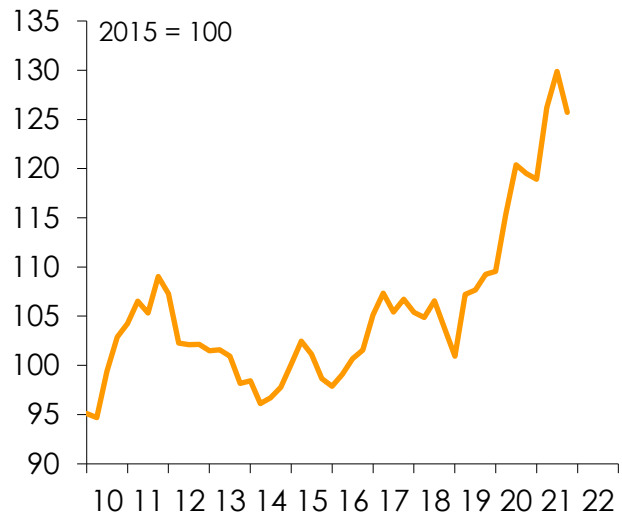
Current account balance



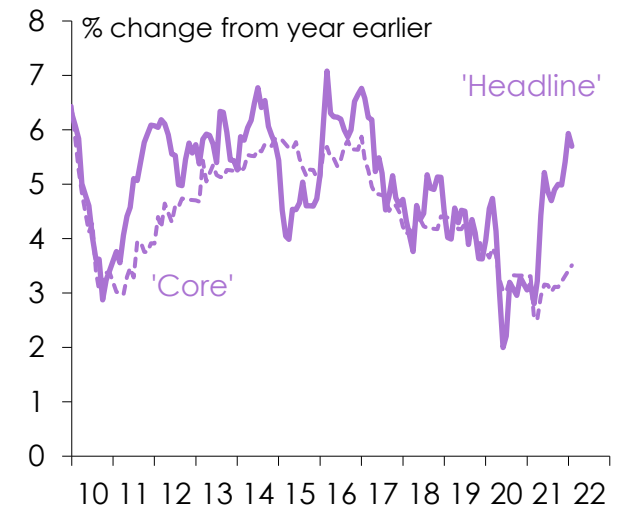
Interest rates



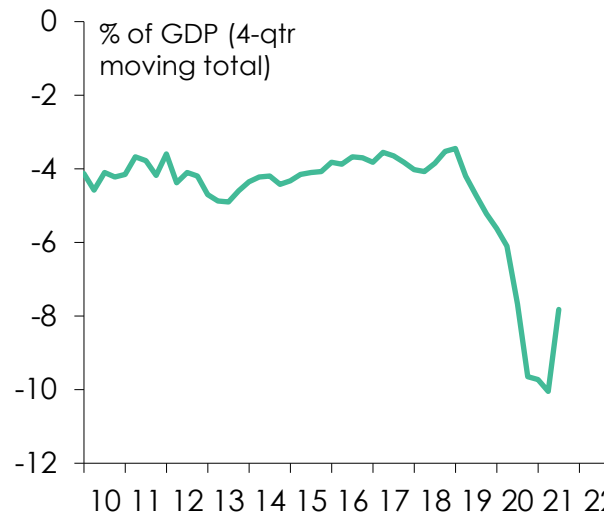
Terms of trade



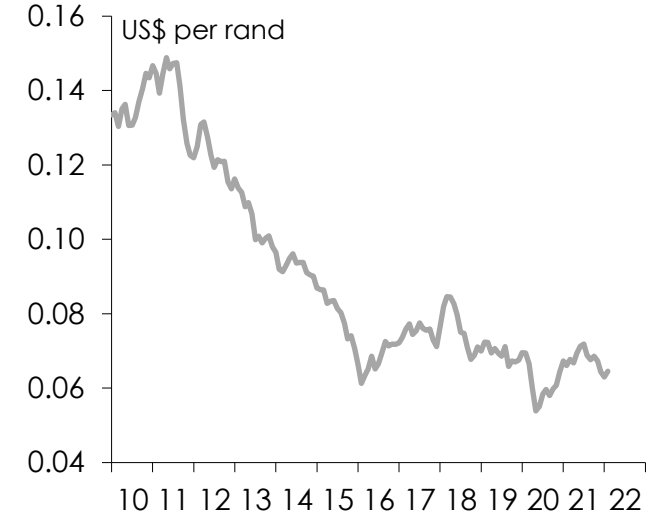
Inflation



Budget deficit



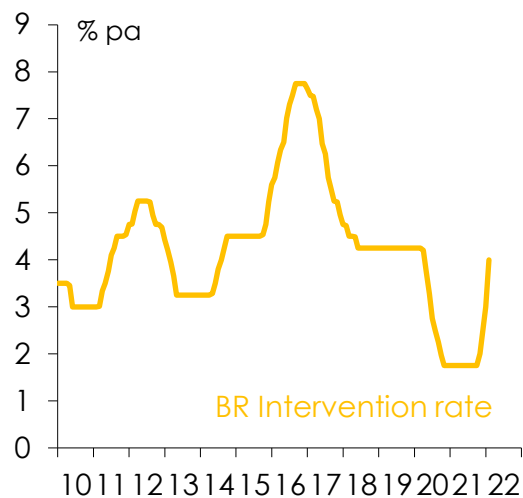
Rand vs US\$



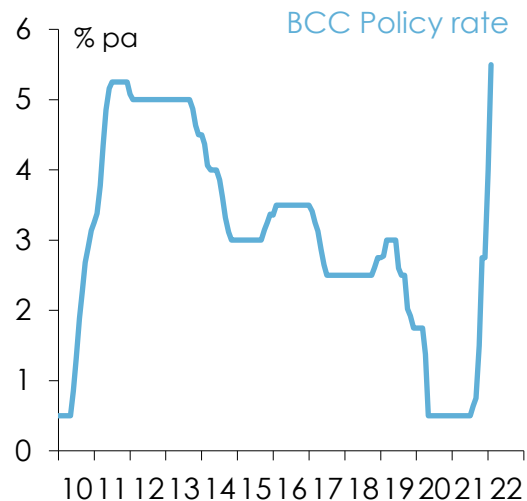
A growing number of other 'emerging' market central banks have begun tightening monetary policy

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

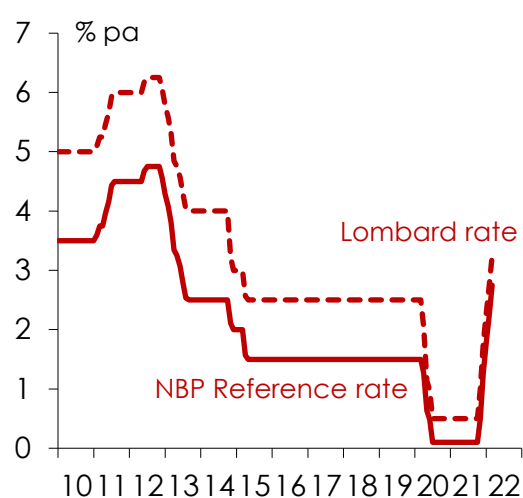
Colombia



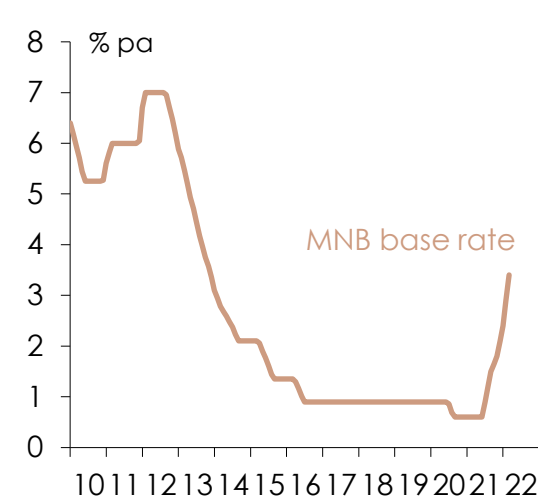
Chile



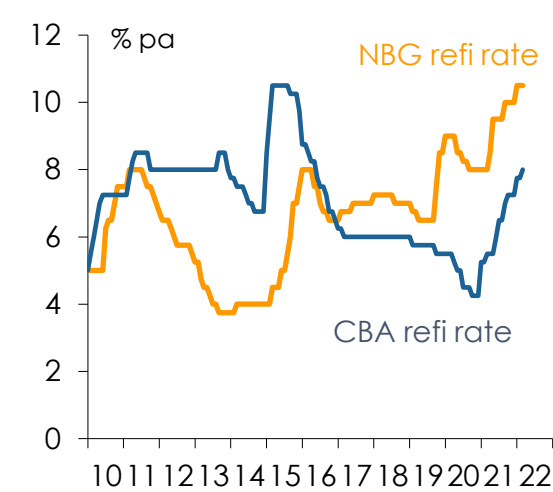
Poland



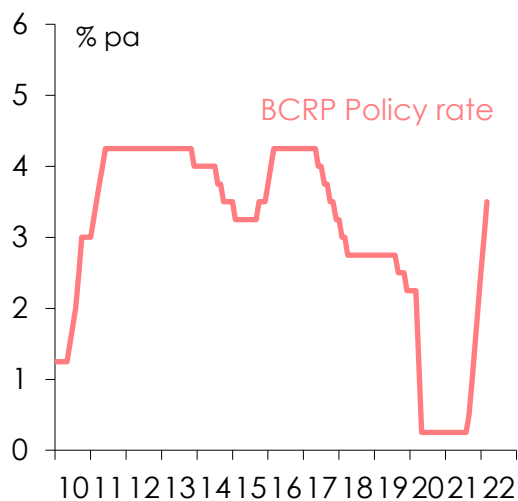
Hungary



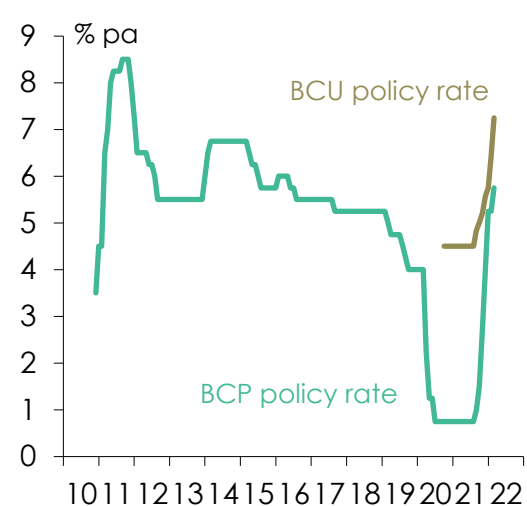
Georgia & Armenia



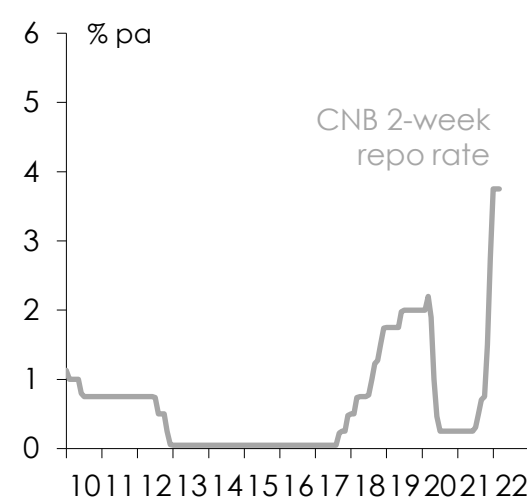
Peru



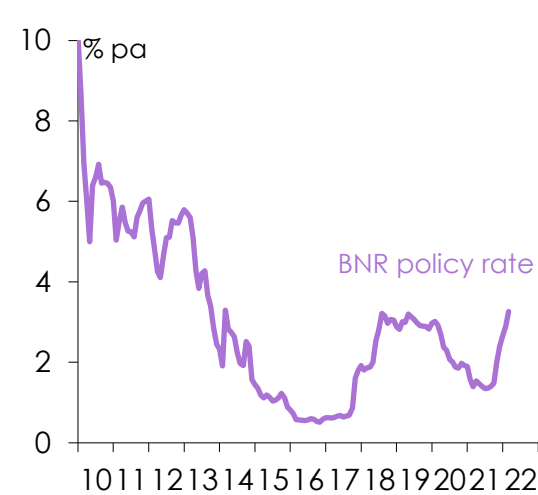
Paraguay & Uruguay



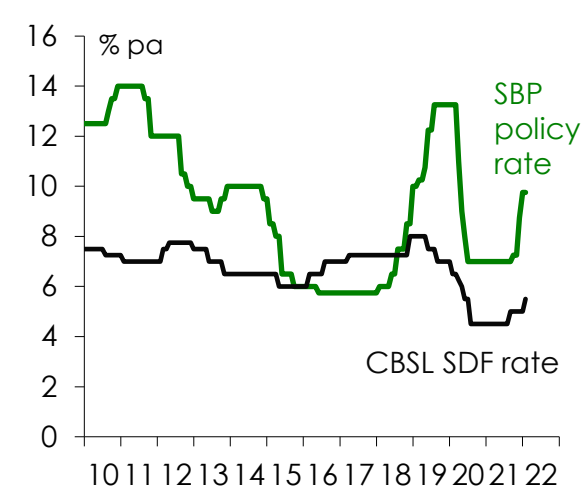
Czech Republic



Romania



Pakistan & Sri Lanka

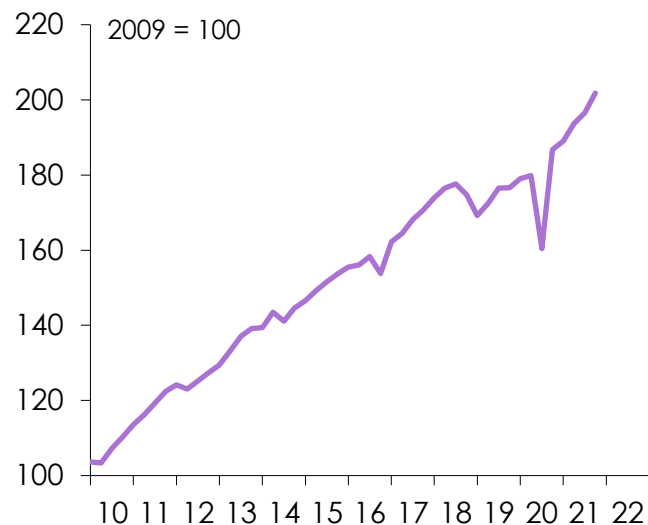


Sources: [Banco de la República Colombia](#); [Banco Central de Reserva del Perú](#); [Banco Central de Chile](#); [Banco Central del Uruguay](#); [Banco Central del Paraguay](#); [Narodowy Bank Polski](#); [Česká Národní Banka](#); [Magyar Nemzeti Bank](#); [Banca Națională a României](#); [Sakartvelos Erovnuli Bank'i](#); [Hayastani Kentronakan Bank](#); [State Bank of Pakistan](#); [Central Bank of Sri Lanka](#). [Return to "What's New"](#).

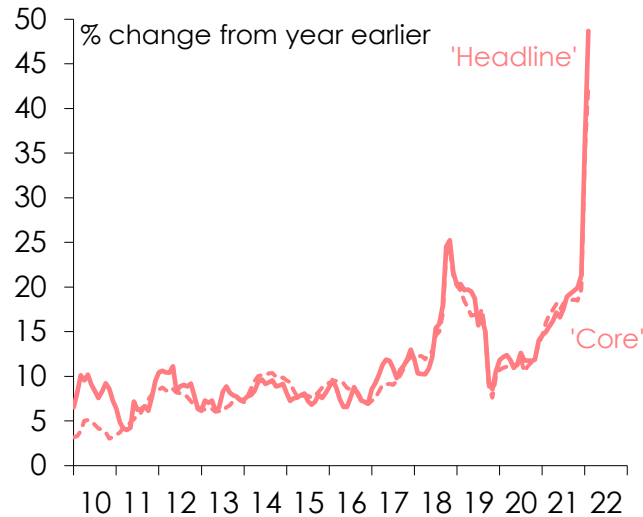
Turkey's 'headline' inflation rate accelerated to 48.7% in January and 'core' inflation to 42.6%

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

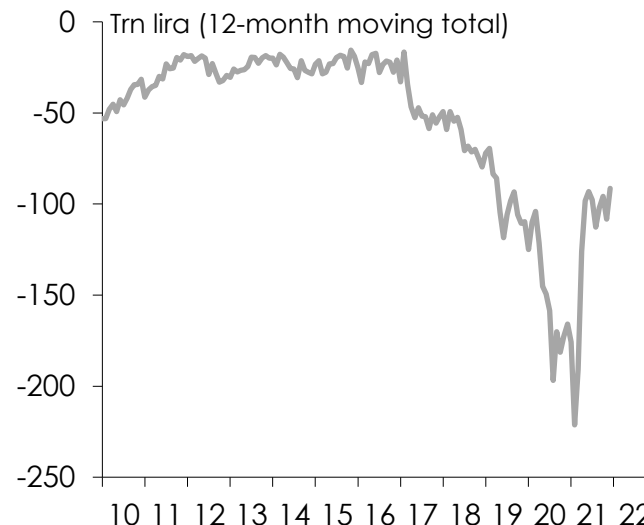
Real GDP



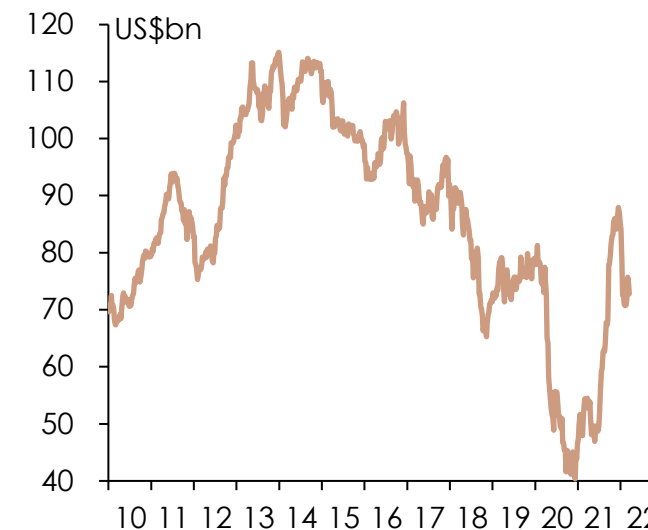
Inflation



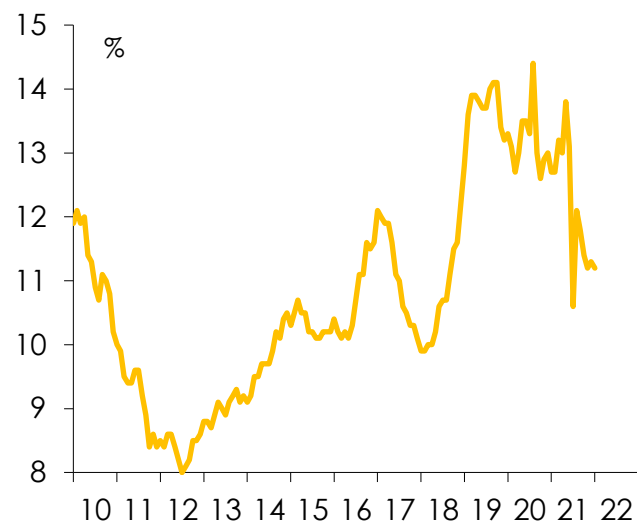
Budget balance



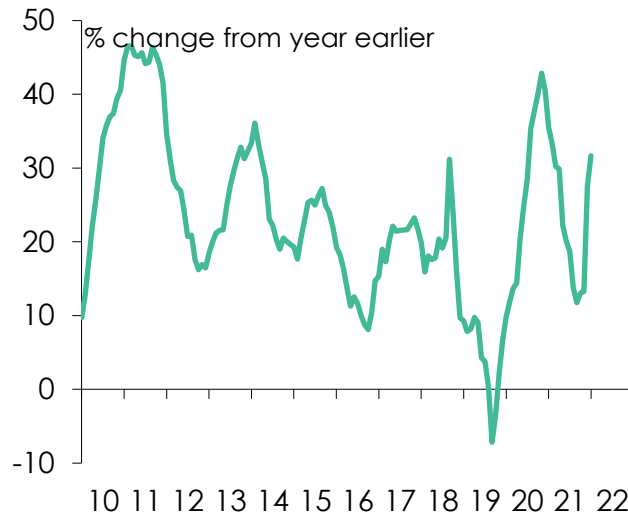
FX reserves



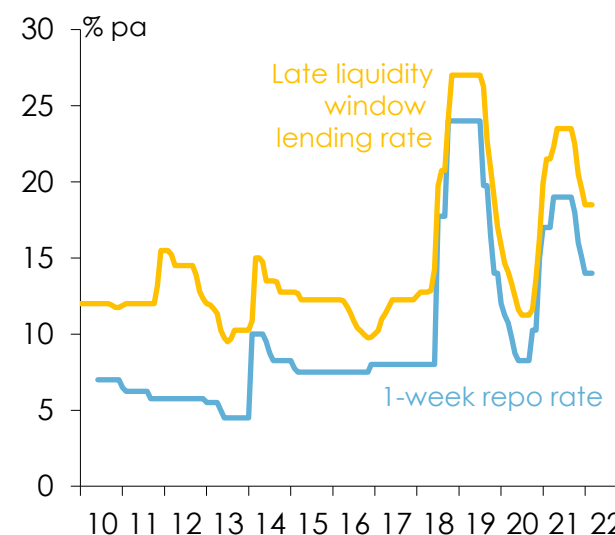
Unemployment rate



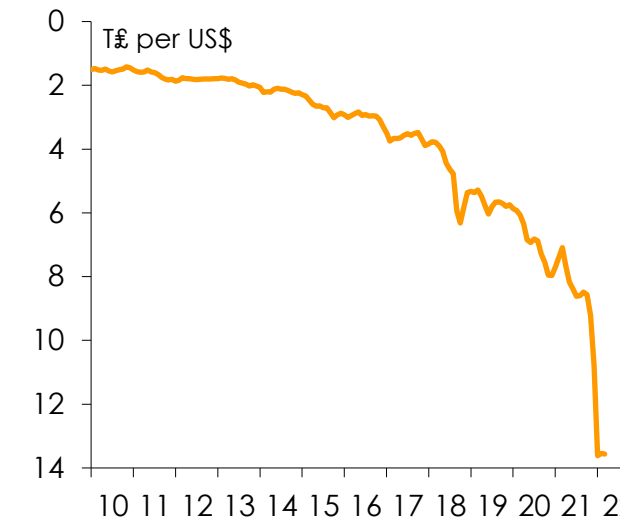
Bank lending



Interest rates



Turkish lira vs US\$



Key data and events this week

Key data and events for week ended 4th March

THE WORLD ECONOMY THIS WEEK – 28TH FEBRUARY 2022

Monday 28th February

Japan January industrial production, retail sales & housing starts; **Australia** Q4 company profits, business sales & inventories, January retail sales & January credit growth; **Vietnam** February industrial production, CPI and merchandise trade; **Malaysia** January producer prices; **Singapore** January PPI; **Thailand** industrial production, retail sales & merchandise trade; **Turkey** Q4 GDP & January merchandise trade; **Iceland** Q4 GDP; **Poland** Q4 GDP; **India** Q4 GDP; **Canada** Q4 current account balance & January PPI; **US** advance merchandise trade & January inventories

Tuesday 1st March

Almost everywhere manufacturing PMIs; **Korea** February merchandise trade; **Australia** Q4 current account balance, January housing finance & RBA Board meeting; **Indonesia** February CPI; **India** February merchandise trade; **Canada** Q4 GDP; **US** January construction spending and 'State of the Union' speech; **Peru** February CPI; **Brazil** February merchandise trade

Wednesday 2nd March

Korea February industrial production & retail sales; **Australia** Q4 GDP; **Hungary** Q4 GDP; **Euro area** February 'flash' CPI; **Norway** & **Iceland** Q4 current account balance; **Canada** BoC meeting; **Russia** January unemployment; **US** Fed Chair Powell 'Humphrey-Hawkins' testimony before Congress

Thursday 3rd March

Almost everywhere services PMIs; **Korea** Q4 GDP (final); **Australia** January building approvals & international trade; **Hong Kong** & **Singapore** February PMIs; **Malaysia** BNM meeting; **Turkey** February CPI; **Euro area** January unemployment and PPI; **Brazil** February manufacturing PMI; **US** Q4 productivity (final) and January factory orders & shipments (final); **OPEC** ministerial meeting

Friday 4th March

Korea February CPI; **Japan** January unemployment; **Thailand** February CPI; **Brazil** Q4 GDP; **India** February services PMI; **Iceland** February inflation; **US** February employment, unemployment & average earnings; **Canada** PMI

Note: This calendar includes data releases and policy events which are likely to be included in next week's edition of this Chart Pack. [Return to "What's New"](#).

Important information

This document has been prepared by Saul Eslake on behalf of Corinna Economic Advisory Pty Ltd, ABN 165 668 058 69, whose registered office is located at Level 11, 114 William Street, Melbourne, Victoria 3000 Australia.

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