



THE WORLD ECONOMY THIS WEEK

14TH MARCH 2022

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INDEPENDENT ECONOMICS

Table of contents

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

What's new	<u>3</u>
Russia's invasion of Ukraine	<u>4</u>
The virus	<u>13</u>
The world	<u>23</u>
The United States	<u>51</u>
Europe	<u>70</u>
China	<u>81</u>
Japan	<u>91</u>
Other East Asia	<u>98</u>
India	<u>116</u>
Canada, Australia & New Zealand	<u>121</u>
Other economies	<u>126</u>
Key data and events this coming week	<u>133</u>
Legal information	<u>135</u>

What's new?

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

- ❑ Notwithstanding the fierce resistance of the Ukrainian military and people, and the strong adverse reaction (short of direct military involvement) from both 'western' and most 'non-aligned' nations, to Russia's invasion of its neighbour, it still seems more likely than not that Russia will eventually succeed in capturing as much Ukrainian territory as it wishes to, and installing a 'puppet regime': but it remains completely unclear what happens after that – or what might happen if Russia somehow fails to achieve its objectives ([slides 5-6](#))
- ❑ Some of the initial financial and commodity markets' reactions to the Ukraine conflict were pared back last week ([slide 8](#)): but energy and some food prices are likely to remain elevated for an extended period ([slide 37](#)) which will both boost 'headline' inflation and detract from economic growth, complicating the task for central banks in 'advanced' economies in calibrating their monetary policy actions ([slide 32](#)), and creating both economic hardship and (potentially) social unrest in 'developing' economies heavily reliant on imported energy and/or food
- ❑ The worldwide total of new Covid-19 infections rose last week, for the first time in six weeks, reflecting the spread of the latest highly contagious though no-more-serious 'omicron' sub-variant ([slide 14](#)), particularly in China (potentially a major challenge to its 'zero-Covid' policy), Hong Kong, Vietnam and some European countries ([slide 15](#))
- ❑ US consumer prices rose 0.8% in February, pushing the annual 'headline' inflation rate to 7.9%, the fastest since January 1982, while the annual 'core' inflation rate of 6.8% was the highest since August 1982 ([slide 61](#)); inflation has become more broadly-based since the initial 'spike' in the second quarter of last year ([slide 62](#)), but the Fed may draw some comfort, at least for now, that longer-term household inflation expectations have remained 'well anchored' at around 3% over the past eight months despite the steep rise in actual inflation ([slide 65](#))
- ❑ The US recorded a record goods and services trade deficit, of US\$89.7bn, in January, the second record in consecutive months ([slide 67](#))
- ❑ The ECB advanced its previously announced timetable for 'tapering' bond purchases under its long-standing Asset Purchase Program, but appears cautious about signalling an imminent rise in interest rates ([slide 77](#))
- ❑ The UK also recorded a record monthly merchandise trade deficit, of £26½bn, in January ([slide 74](#))
- ❑ China's merchandise trade surplus for the first two months of 2022 was US\$18½bn (19%) larger than for the corresponding period of 2021 ([slide 85](#)); producer price inflation continued to slow in February, while consumer price inflation remained low and stable ([slide 86](#)), while China set itself an ambitious GDP growth target of 5½% for 2022, and foreshadowed some fiscal policy measures towards that end ([slide 87](#))
- ❑ Employment in Canada jumped 1.8% in February, pushing the unemployment rate down to a 33-month low of 5.4% ([slide 123](#))
- ❑ South Africa's real GDP grew 1.3% in Q4 2021, but remains 2.0% short of its Q4 2018 peak ([slide 130](#))
- ❑ The Polish and Peruvian central banks raised their policy interest rates last week, for the sixth and eighth times in succession, respectively ([slide 127](#))
- ❑ The US Federal Reserve, the Bank of England, Banco Central do Brasil and the Central Bank of Russia are likely to raise their policy interest rates next week, but central banks in Japan, Indonesia, Taiwan and Turkey almost certainly won't ([slide 134](#))

Russia's invasion of Ukraine

There is no clarity as to how or when the conflict in Ukraine will end – but among its many consequences are additional headaches for central banks

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

- ❑ Russia (and China) will have been surprised by both the resistance shown by the Ukrainian military and people, by the unity and determination shown by ‘the west’, and by the breadth of opposition to Russia’s actions from ‘non-aligned’ nations – as well as the apparent ineptitude of the Russian military
- ❑ Nonetheless, given Russia’s overwhelming superiority in military capabilities (slide 6), the ruthlessness with which it is willing to use them, including against civilians (as they’ve previously demonstrated in Grozny and Syria, and are now again demonstrating in Ukraine), and the West’s unwillingness to put “boots on the ground” (and the equivalent in the air), it seems probable that Russia will eventually succeed in capturing as much Ukrainian territory as it wishes to, and replacing the current Ukrainian government with a ‘puppet regime’
- ❑ The history of previous foreign occupations (including most recently Iraq and Afghanistan) suggests that a ‘force ratio’ of at least 20 troops per 1,000 head of population is required to be ‘successful’ (from the perspective of the occupier) – which would imply that Russia would need around 880,000 troops, an almost impossibly large number out of its total army strength of around 1 million
- ❑ The ‘end game’ thus remains very uncertain – if things go ‘well’ for Russia, it’s unclear where Putin will stop; if things turn out badly for Russia (eg it fails to ‘take’ or ‘hold’ Ukraine), it’s not clear that there is any internal capacity to ‘remove’ Putin in the way that Nikita Khrushchev was moved aside after the Cuban missile crisis
- ❑ The wide-ranging sanctions imposed on Russia (including in particular those applying to Russia’s central bank) appear to be inflicting significant damage to Russia’s economy (notwithstanding the ‘no limits’ support offered by China) – however it’s unclear what if any impact that economic damage will have on support for Putin
- ❑ The broader economic consequences of the conflict greatly complicate the monetary policy challenges confronting central banks elsewhere in the world, especially in Europe: large increases in energy and food prices will amplify inflationary pressures, but will also act as a drag on economic growth, making decisions as to when and by how much to tighten monetary policy much more difficult

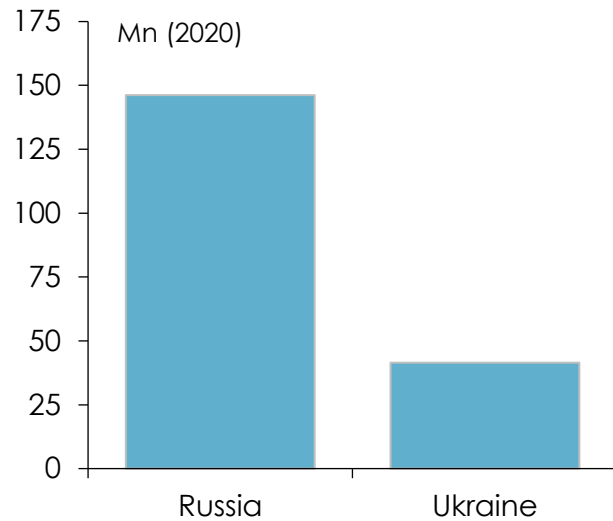


Sources: Institute for the Study of War, [Ukrainian conflict updates](#), 12th March; John Llewellyn & John Dew, *Ukraine: Mr Putin may be biting off more than he can chew*, [Llewellyn Consulting | Independent Economics](#), 25th February 2022. [Return to "What's New"](#).

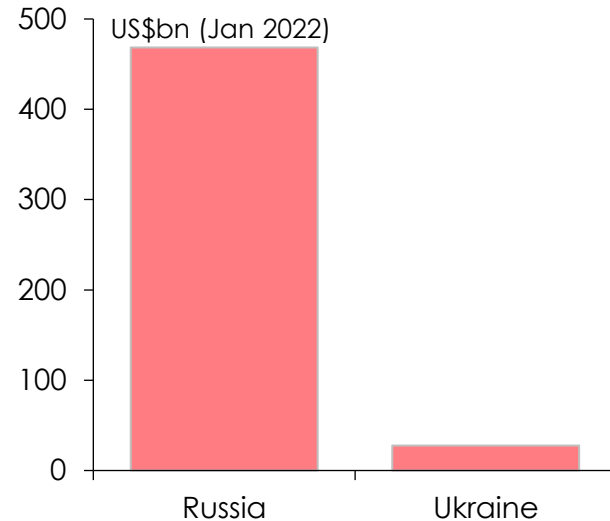
Russia out-numbers Ukraine in just about everything that matters in a military conflict – except, perhaps, courage and ‘moral capital’ (though they’re both hard to put in charts)

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

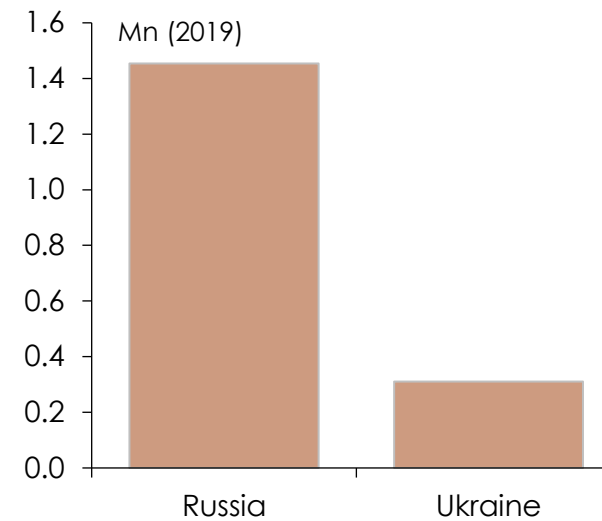
Population



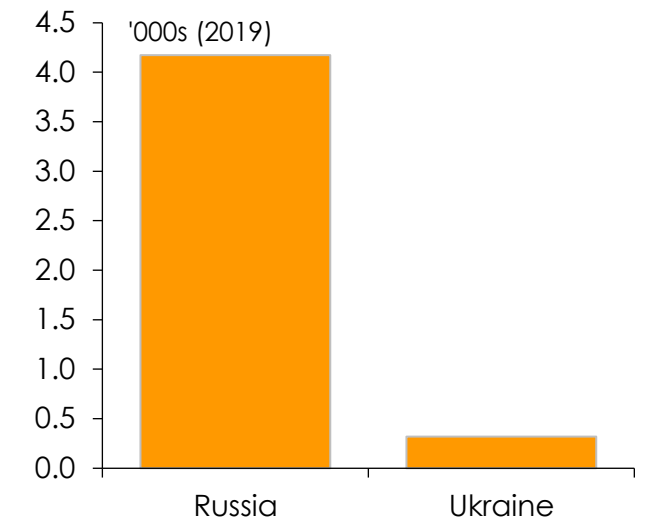
FX reserves



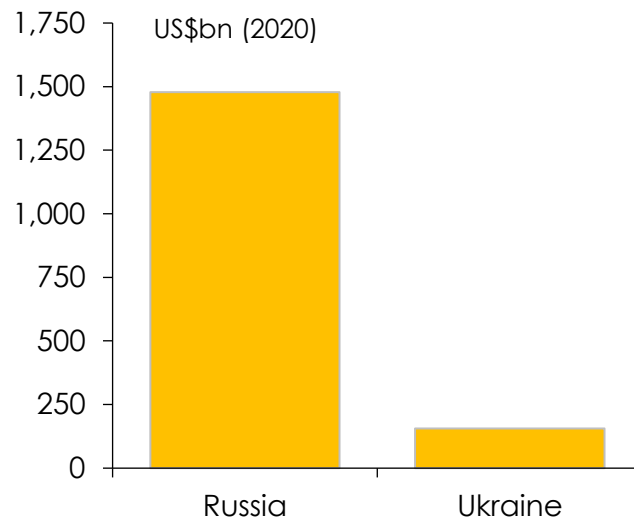
Armed forces



Military aircraft



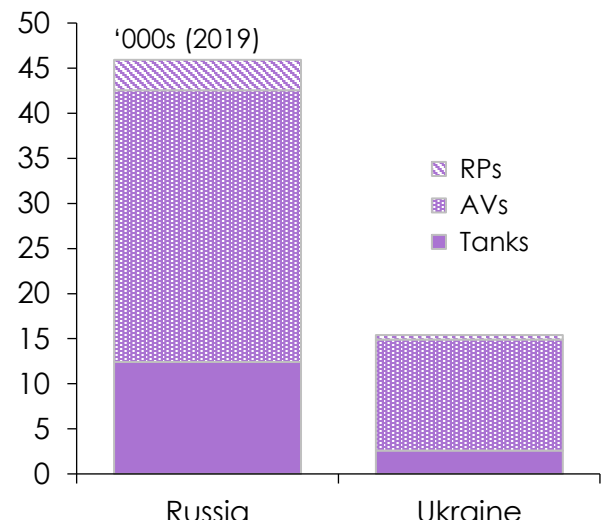
GDP



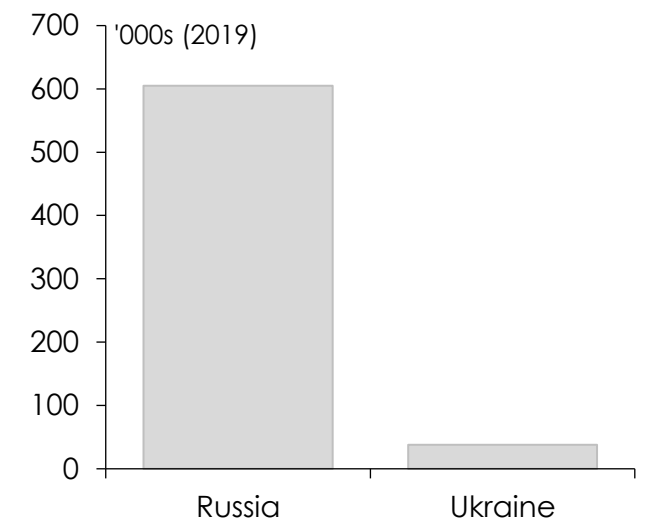
Military spending



Military hardware



Naval assets



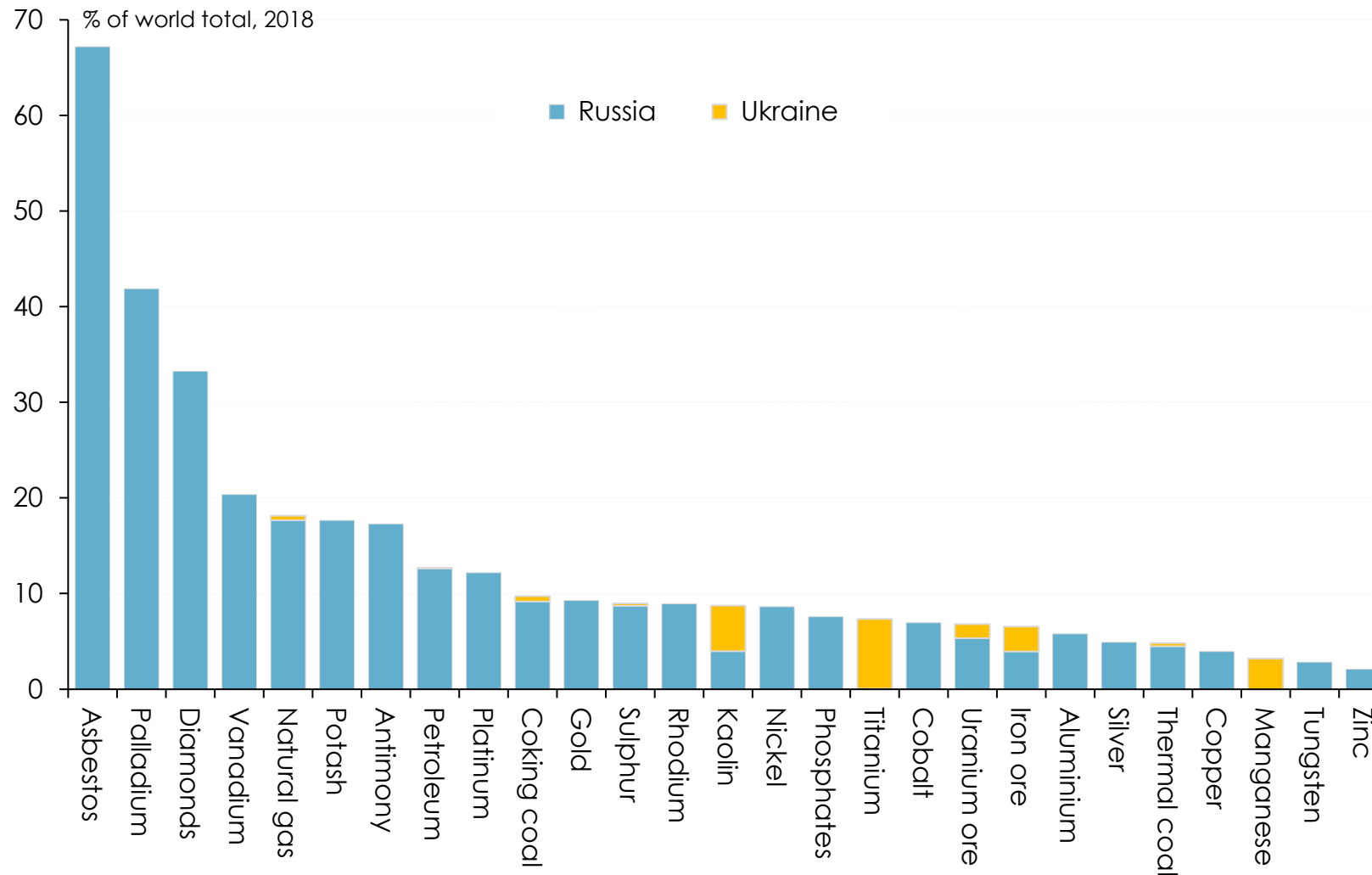
Note: GDP is in US\$ at market exchange rates; 'AVs' are armoured vehicles; 'RPs' are rocket projectors; 'military aircraft' include airplanes, helicopters, transports and tankers; 'naval assets' include aircraft & helicopter carriers, destroyers, frigates, corvettes, submarines and other vessels. Sources: 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 and Ukraine are major producers of a range of mineral, energy and food commodities whose prices will go up because of the conflict

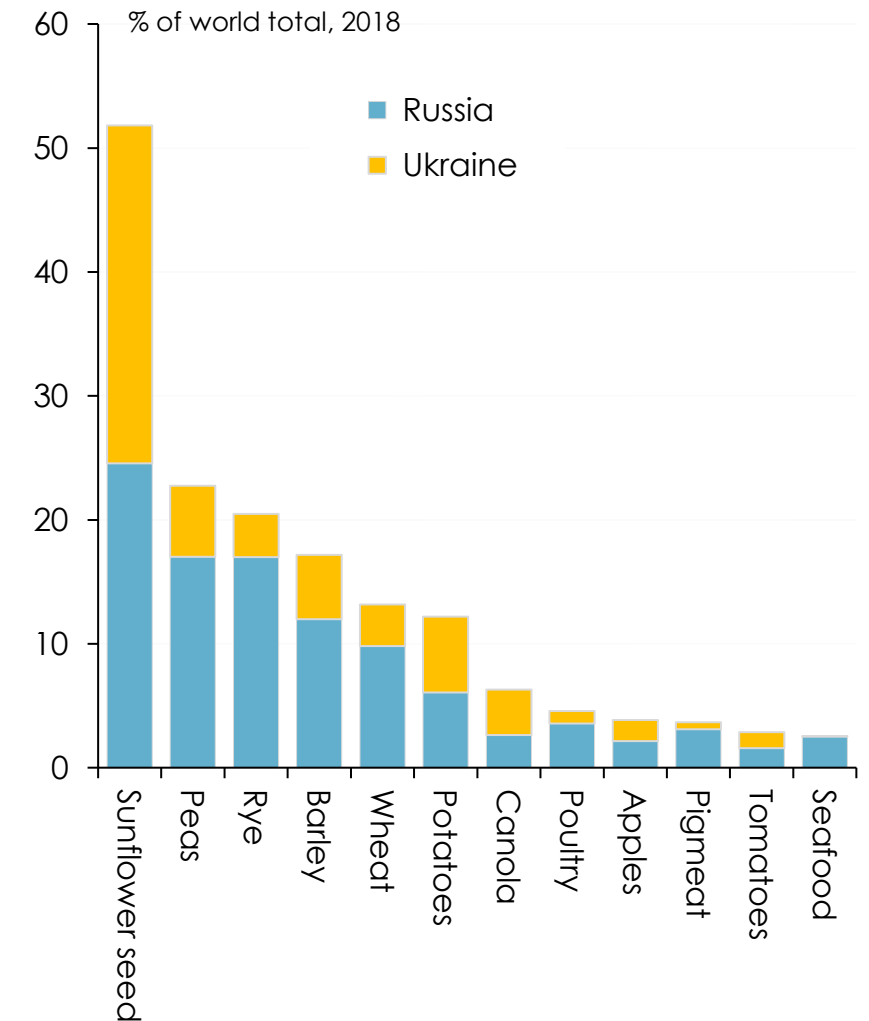
THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

Russian and Ukrainian shares of global commodity production

Minerals and energy, 2019



Food, 2018

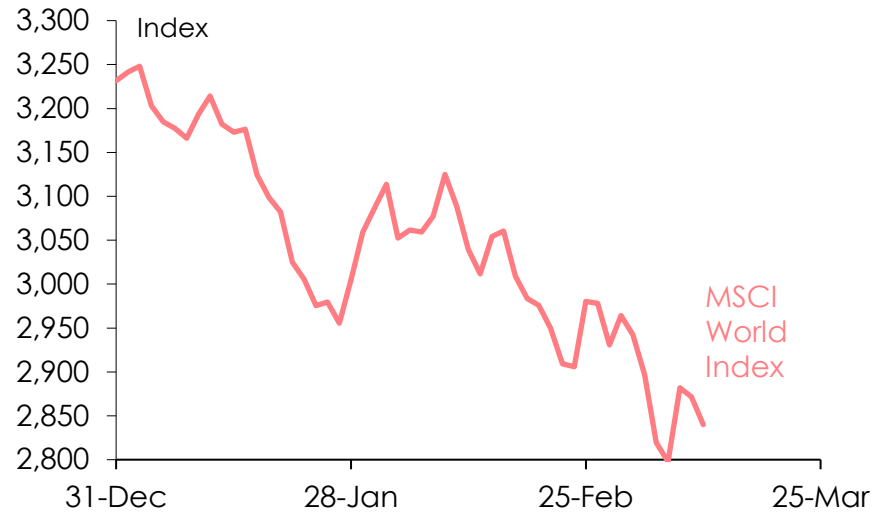


Note: Data for shares of seafood production is 2017. Sources: Austrian Federal Ministry of Agriculture, Regions and Tourism (BMLRT), [World Mining Data](#); Hannah Ritchie and Max Roser, Our World in Data, [Agricultural Production](#). [Return to "What's New"](#).

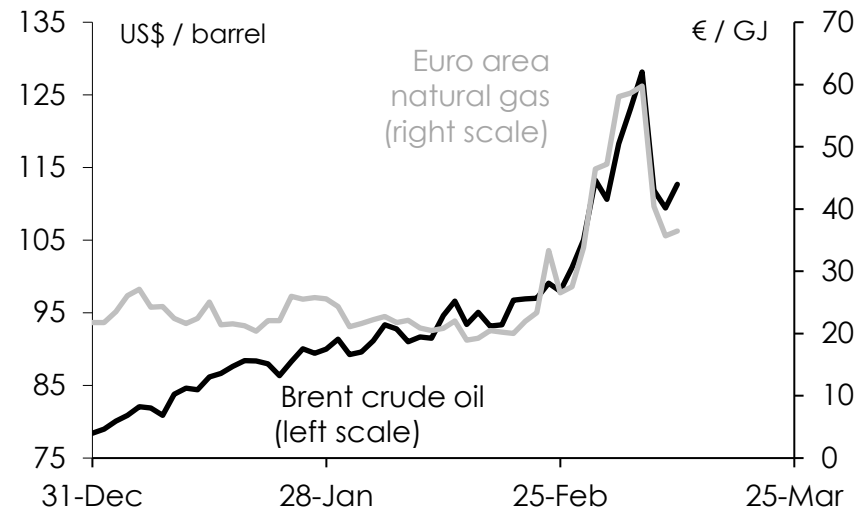
Financial & commodities markets have reacted in more-or-less predictable ways to the war in Ukraine, but some initial moves have been marked back

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

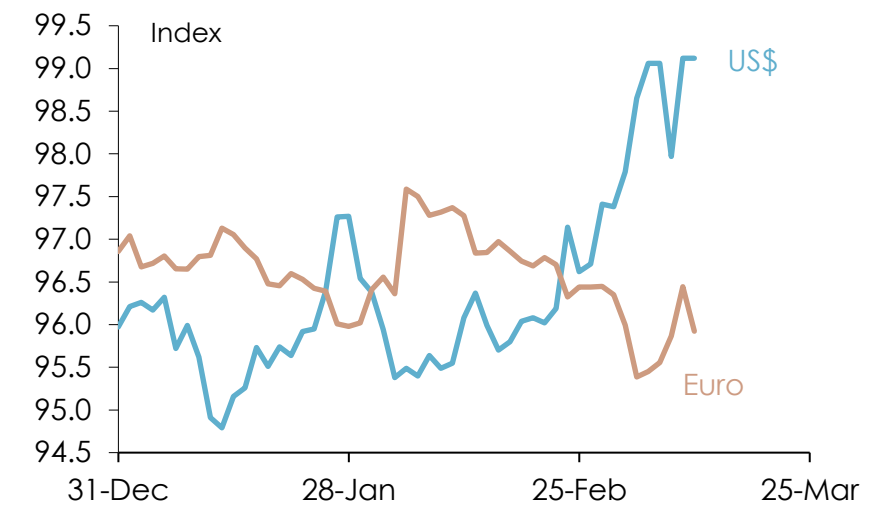
Stockmarkets



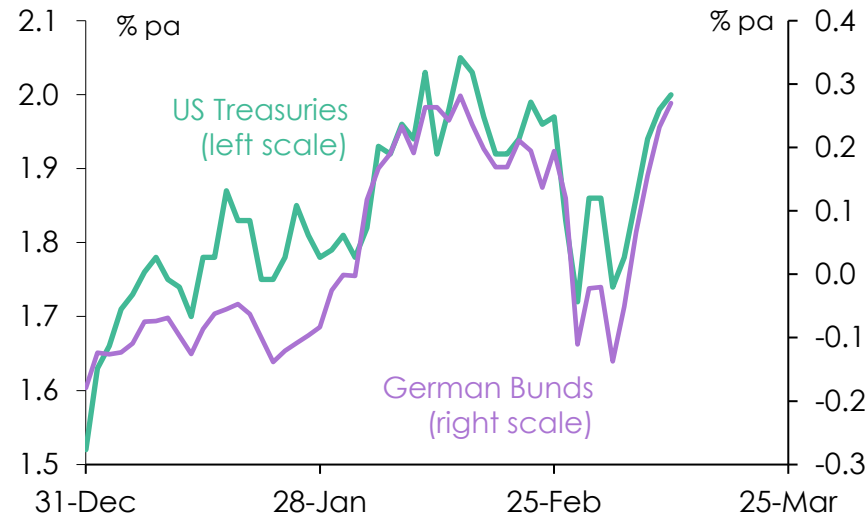
Energy prices



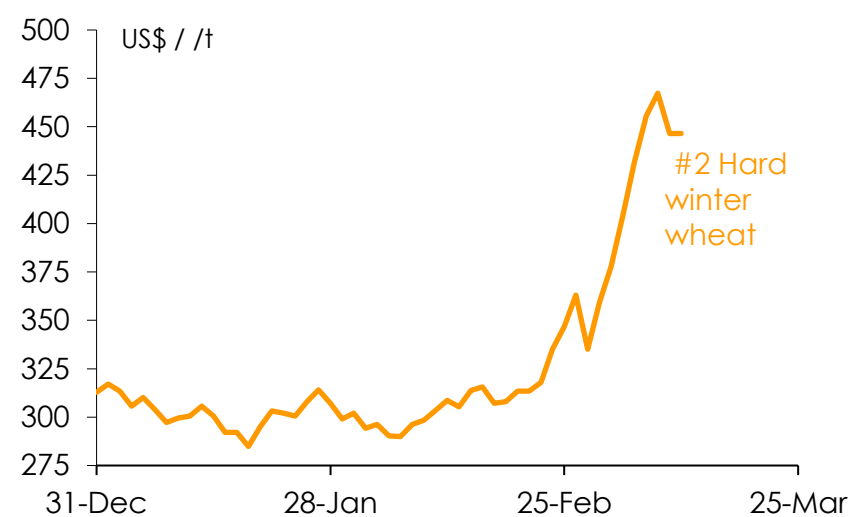
Currencies



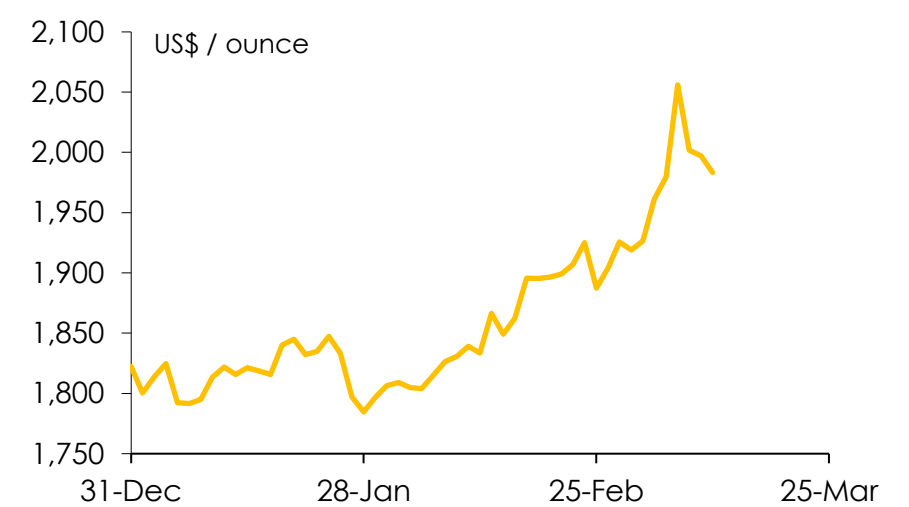
10-year government bond yields



Wheat price



Gold price

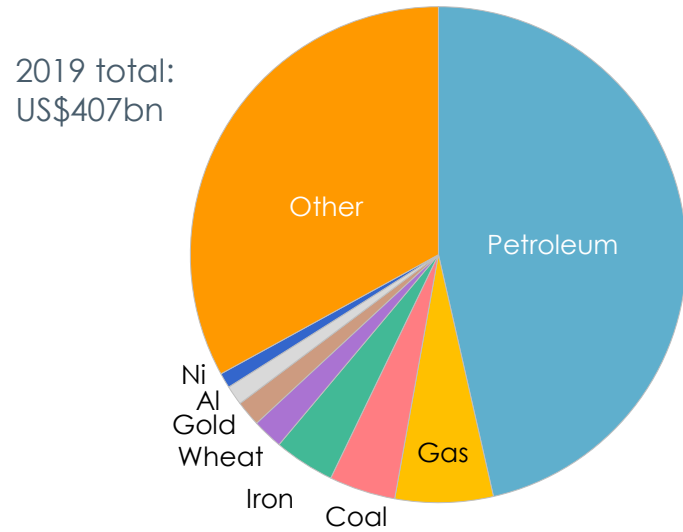


Note: Data up to 11th March. Source: Refinitiv Datastream. [Return to "What's New"](#).

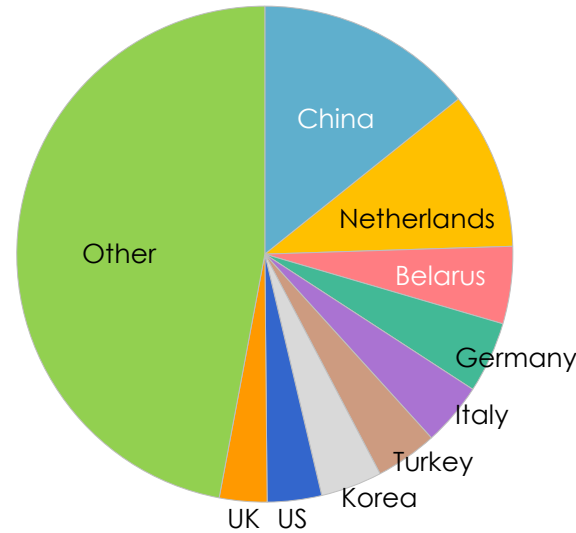
Russia is a major exporter of energy and metals, Ukraine of grains and iron – China and European economies are major trading partners of both

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

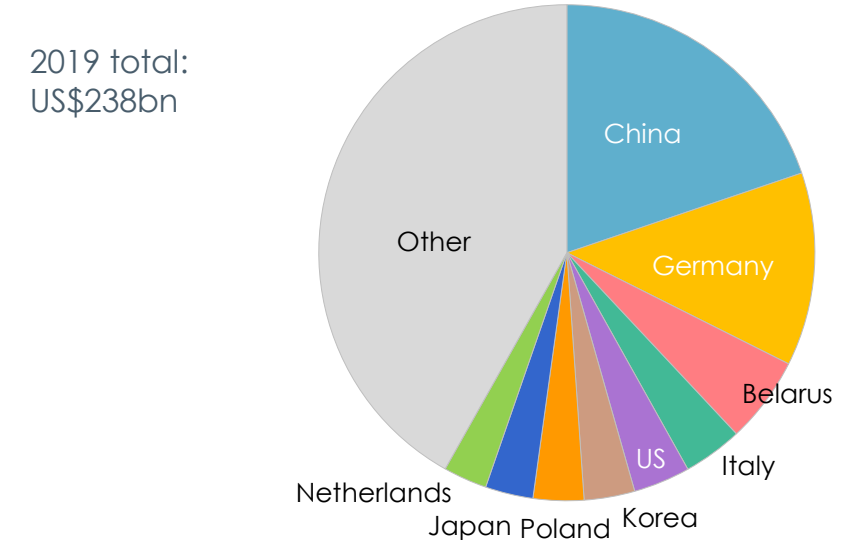
Russian exports by product



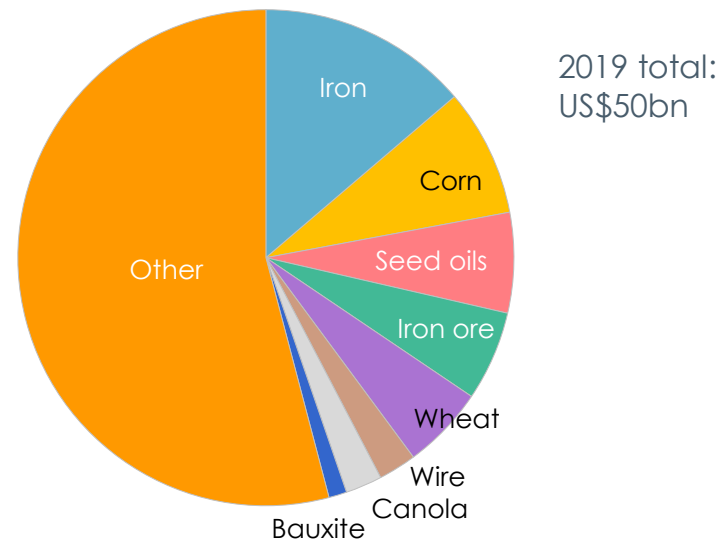
Russian exports by destination



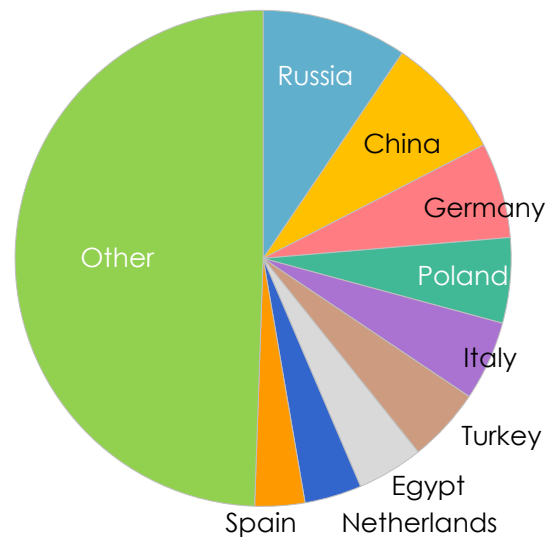
Russian imports by origin



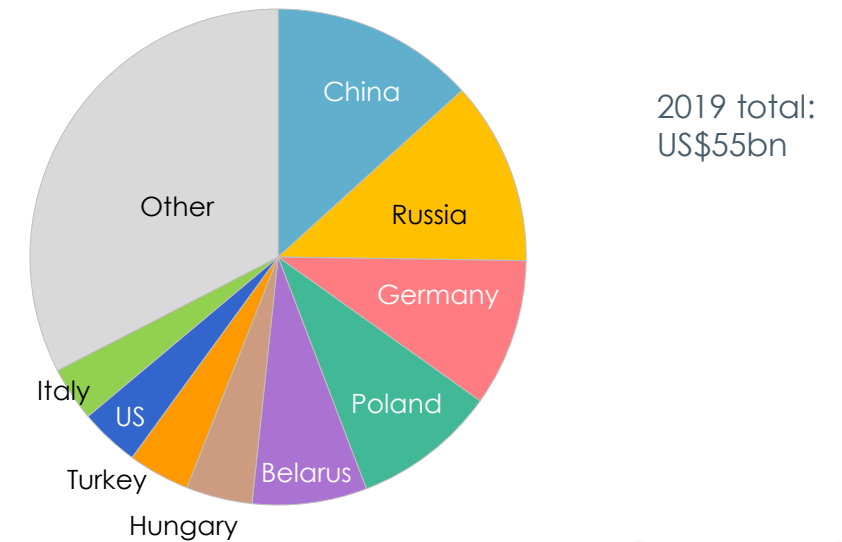
Ukrainian exports by product



Ukrainian exports by destination



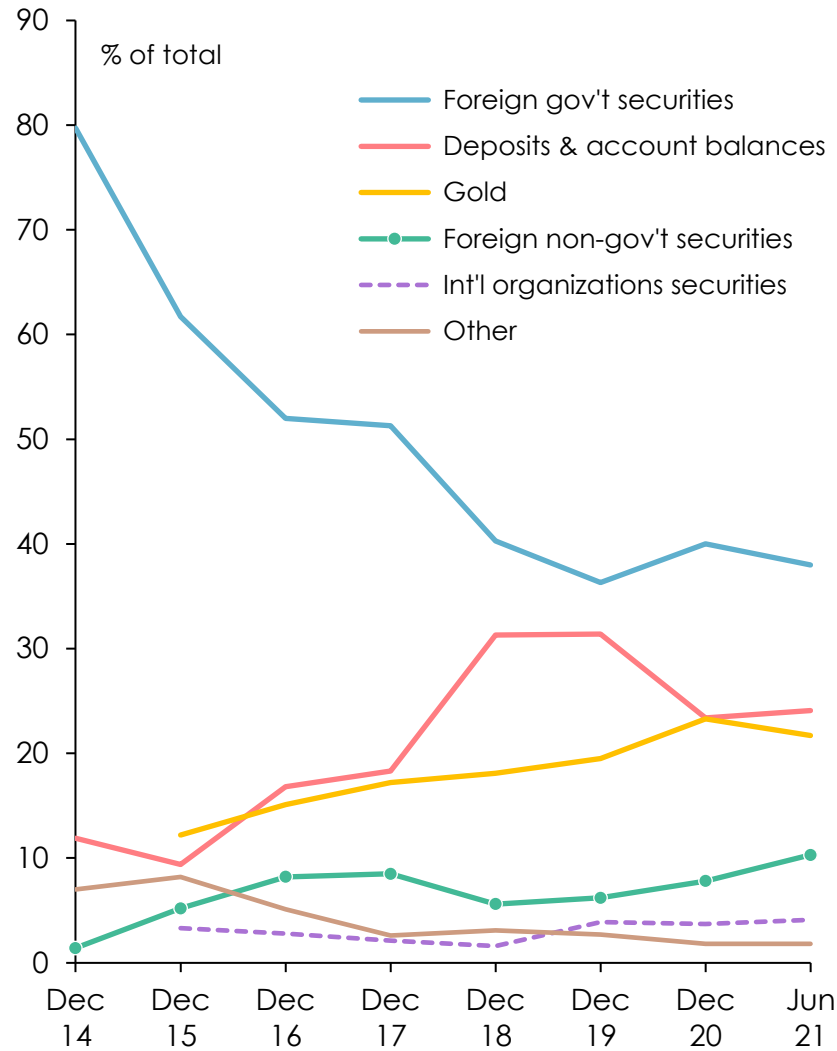
Ukrainian imports by origin



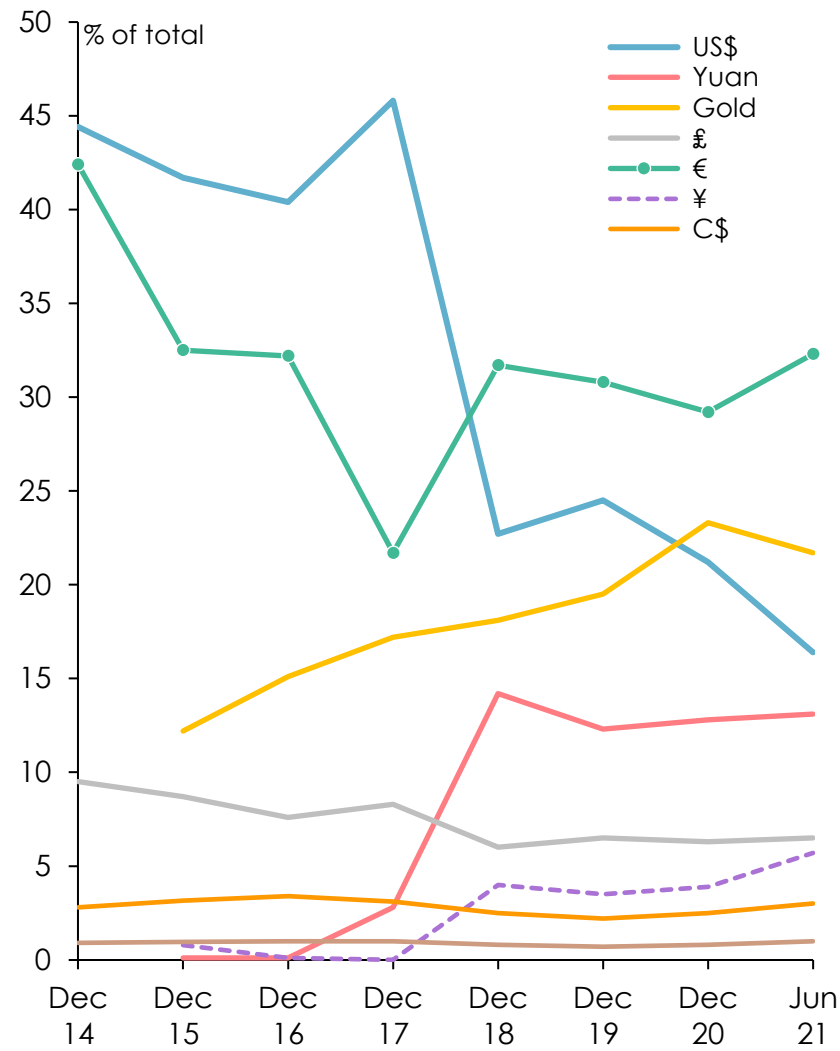
Russia's central bank had been re-arranging its portfolio over the past seven years to reduce its exposure to sanctions, but they will still 'bite'

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

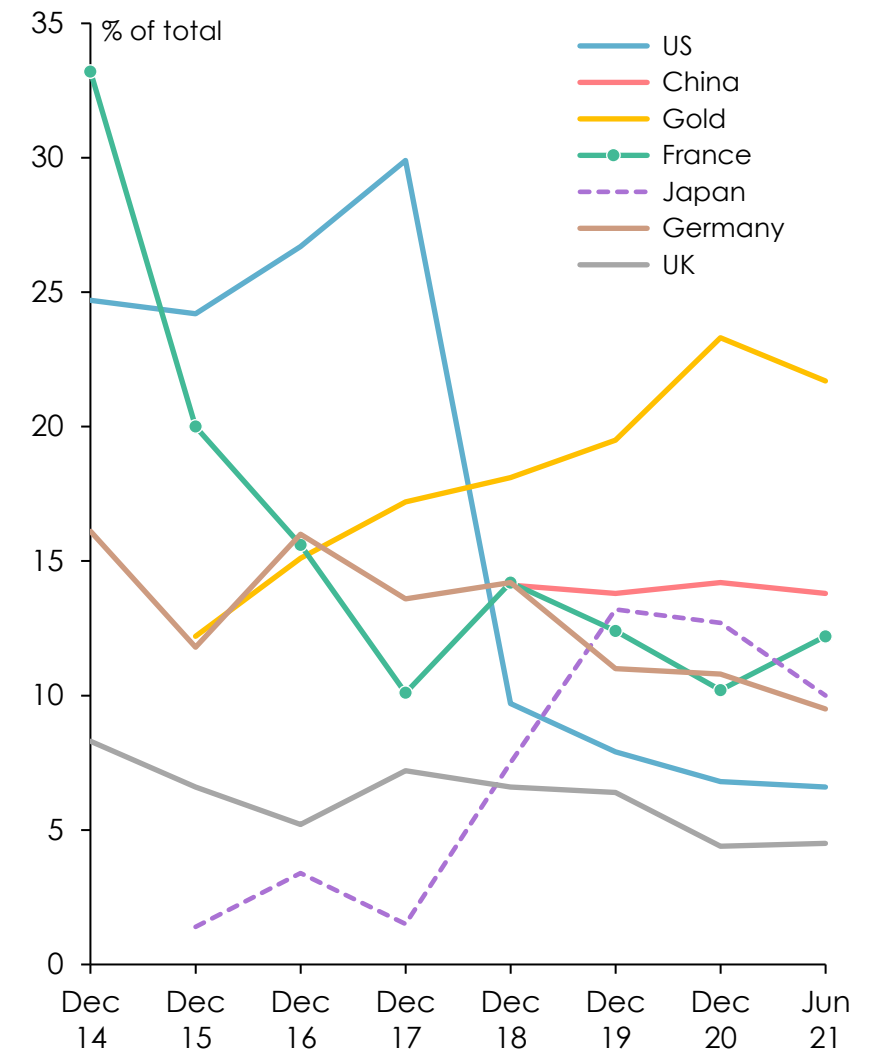
Russian FX reserves by instrument



Russian FX reserves by currency



Russian FX reserves by location

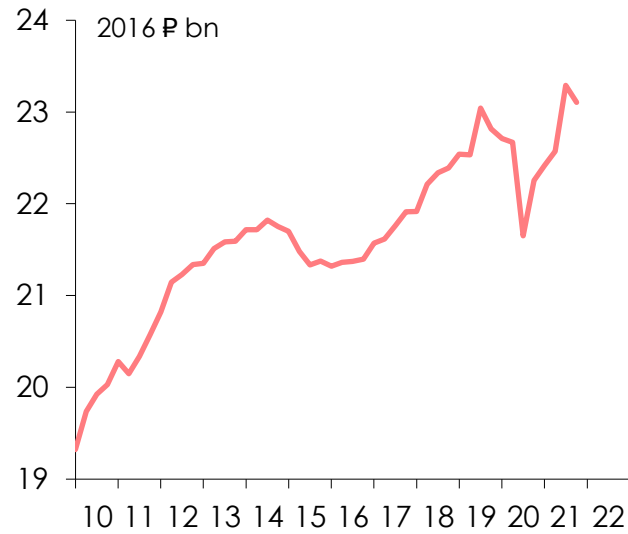


Source: Central Bank of Russia, [Foreign Exchange and Gold Asset Management Report](#), No. 1, 2022 and previous issues. [Return to "What's New"](#).

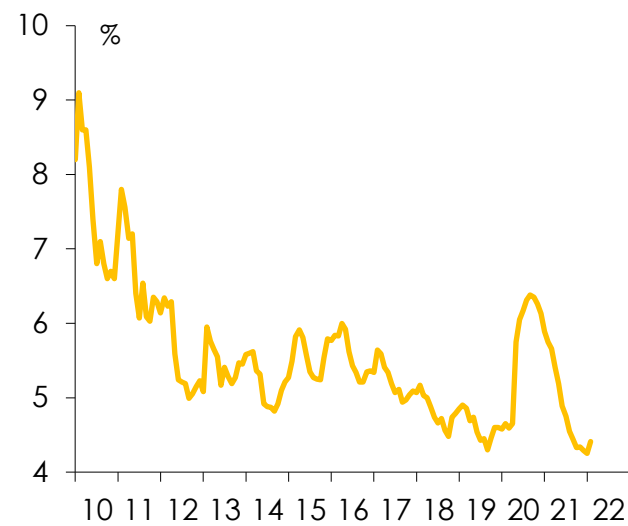
Western sanctions have forced a plunge in the ruble and a sharp rise in interest rates which will hurt Russia's 'over-heating' economy

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

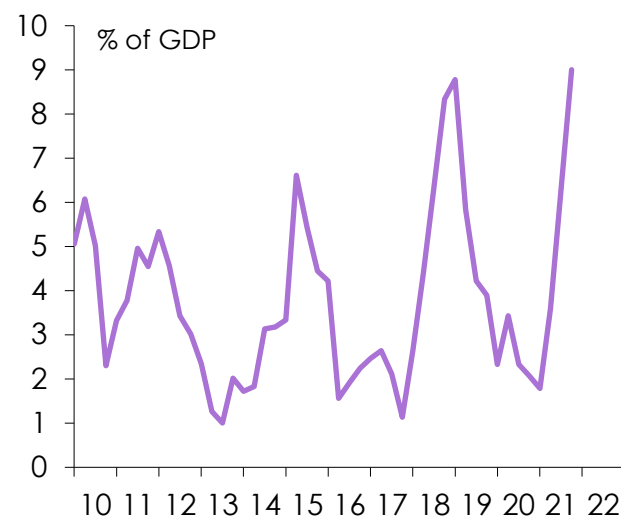
Real GDP



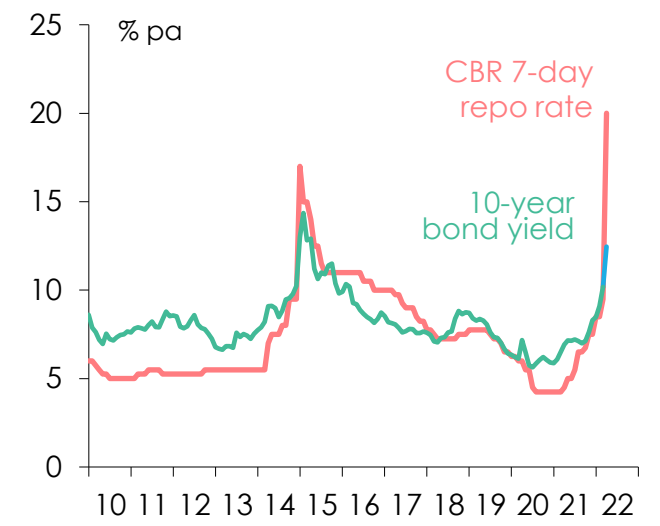
Unemployment



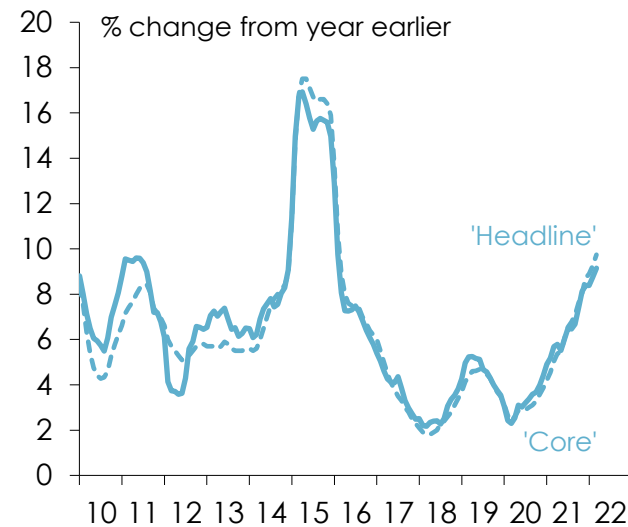
Current account balance



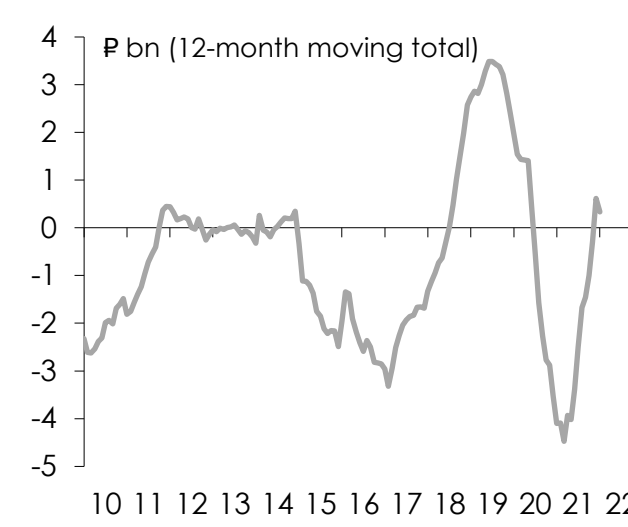
Interest rates



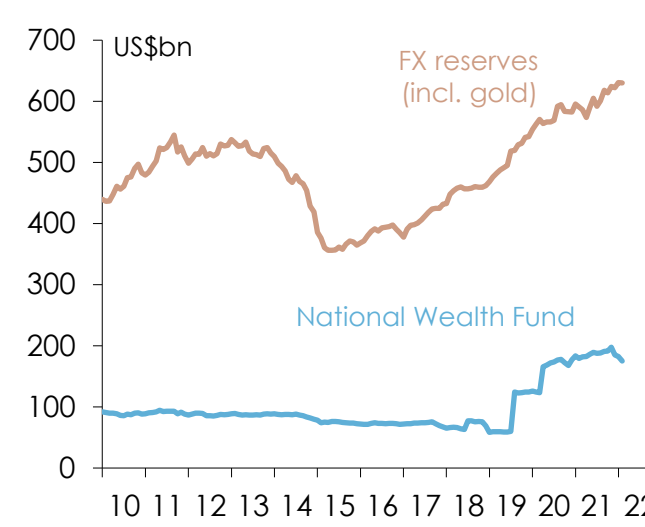
Inflation



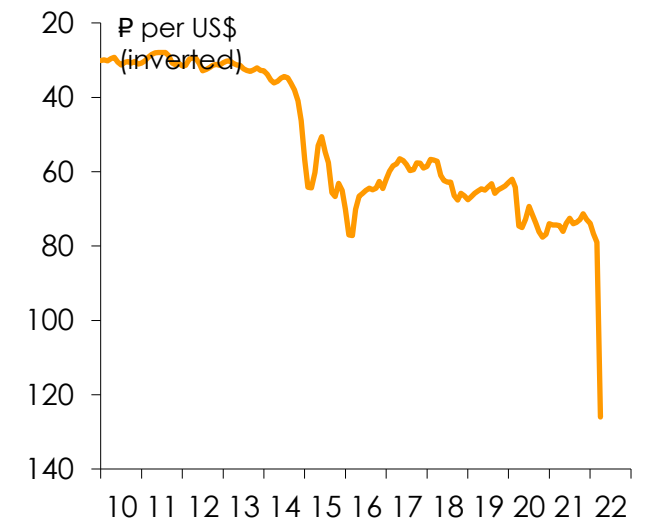
Federal budget deficit



State financial assets



Russian ruble vs US\$

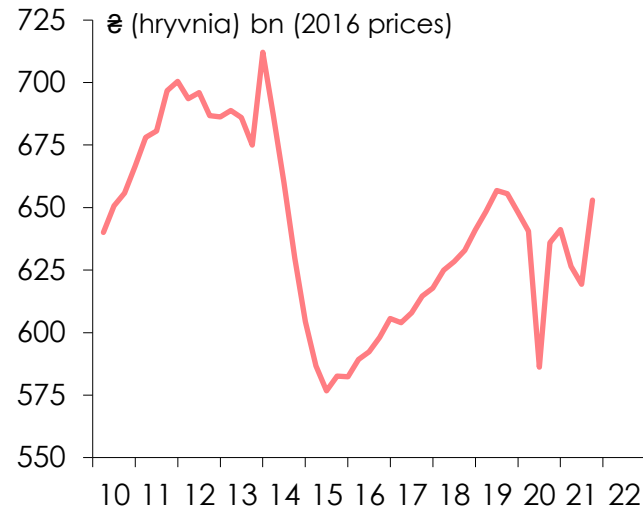


Sources: Rosstat; Central Bank of the Russian Federation; Russian Ministry of Finance; Refinitiv Datastream. [Return to "What's New"](#).

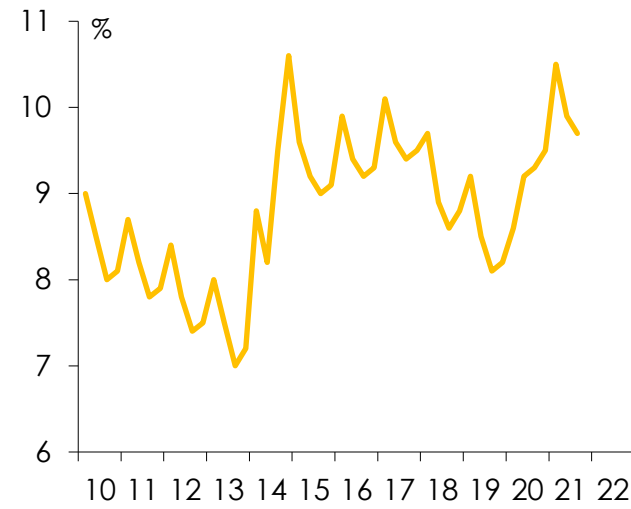
Ukraine's economy was severely harmed by Russia's invasion in 2014, and is in a weaker condition than Russia's as the latter invades again

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

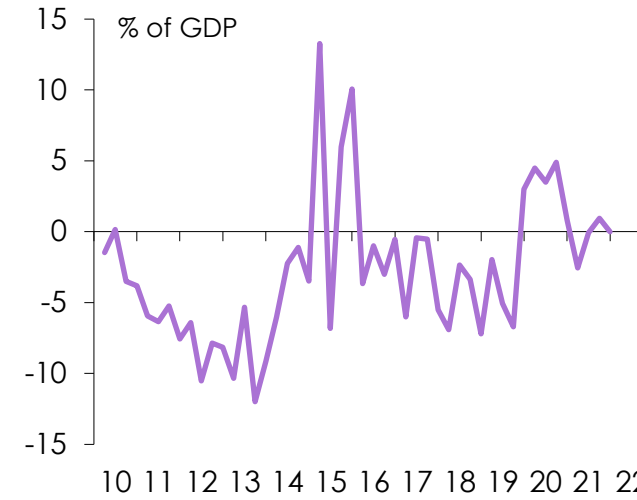
Real GDP



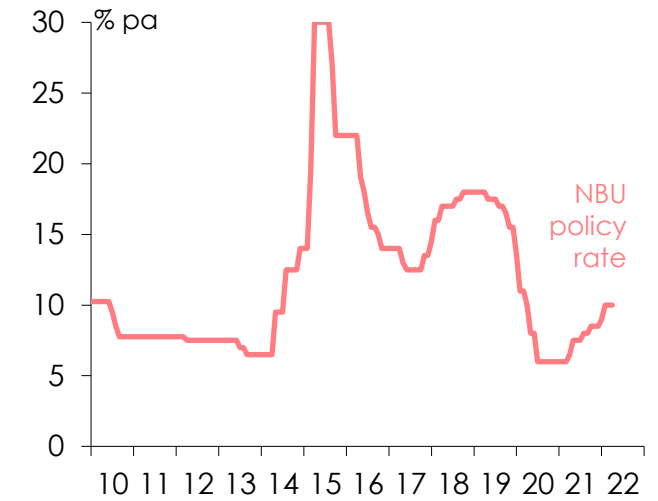
Unemployment



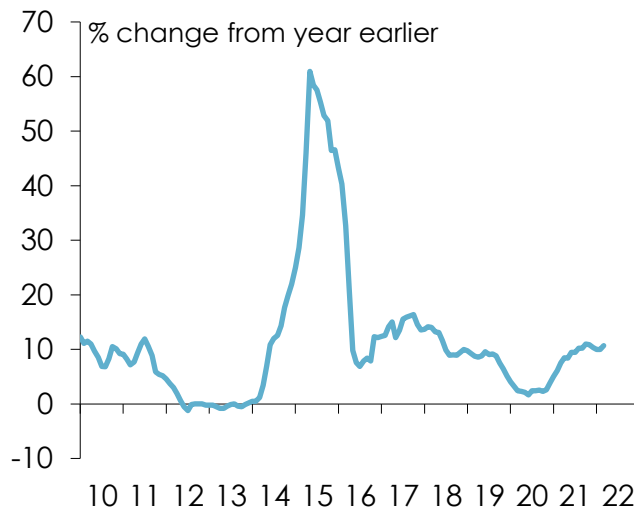
Current account balance



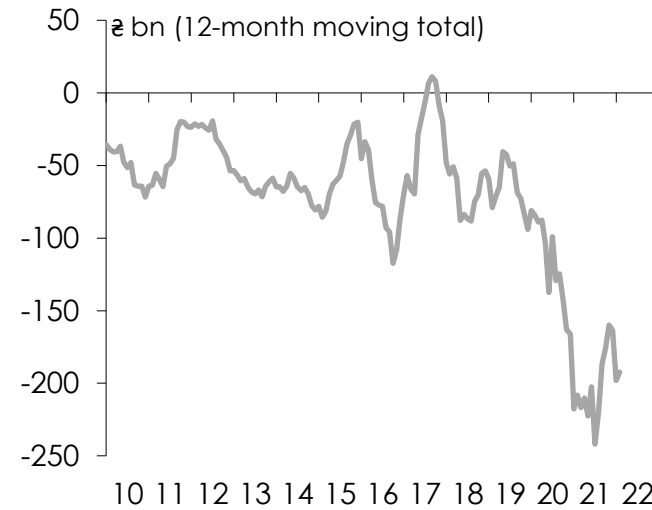
Interest rates



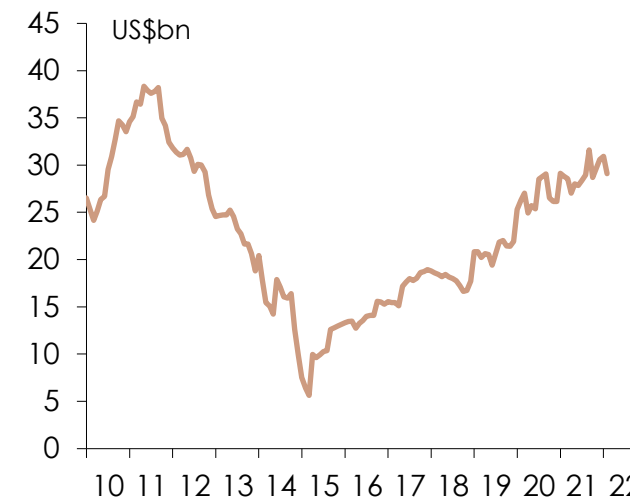
Inflation



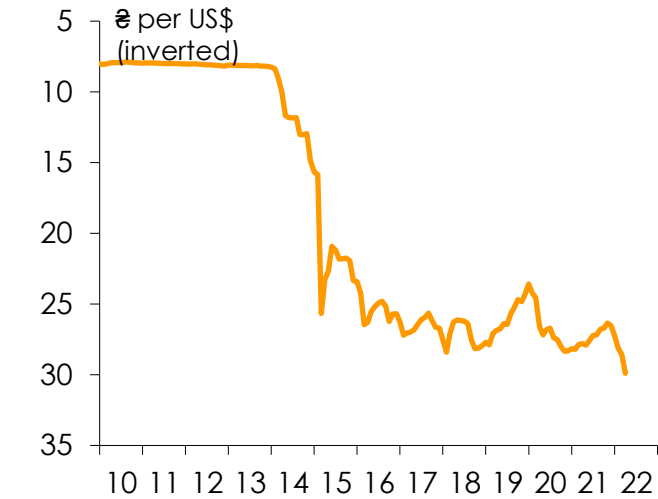
Budget deficit



FX reserves



Ukrainian hryvnia vs US\$

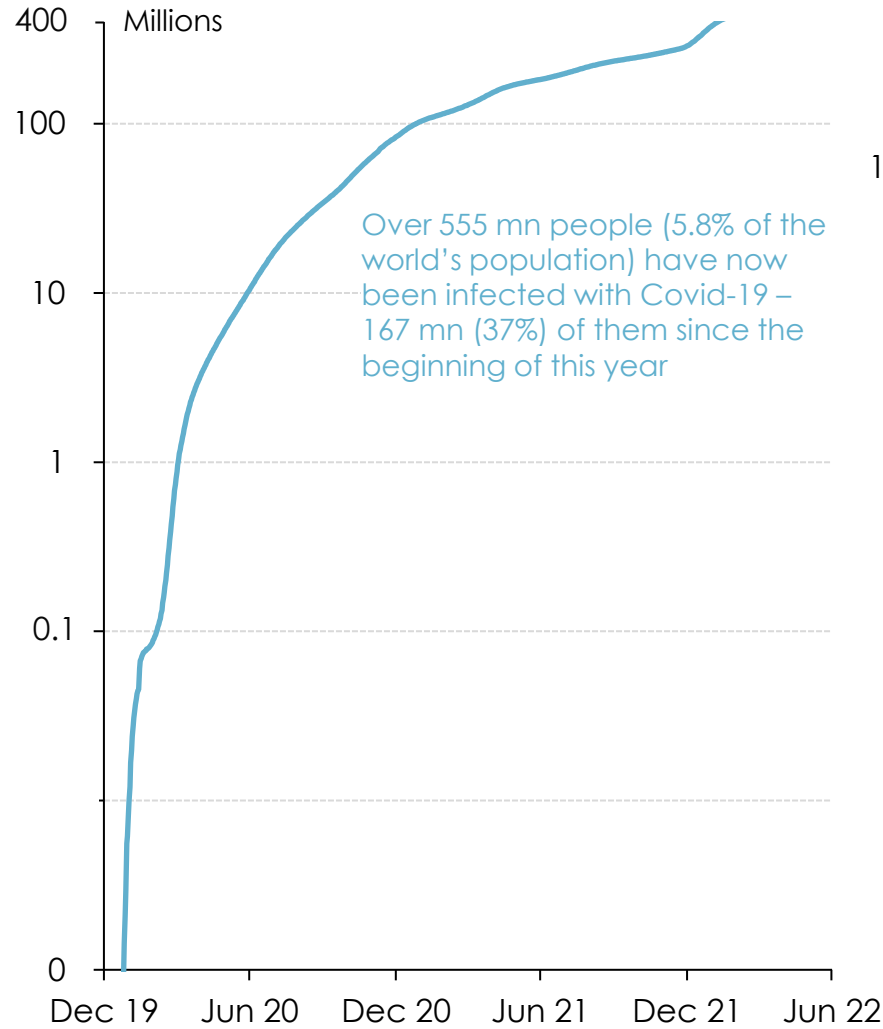


The virus

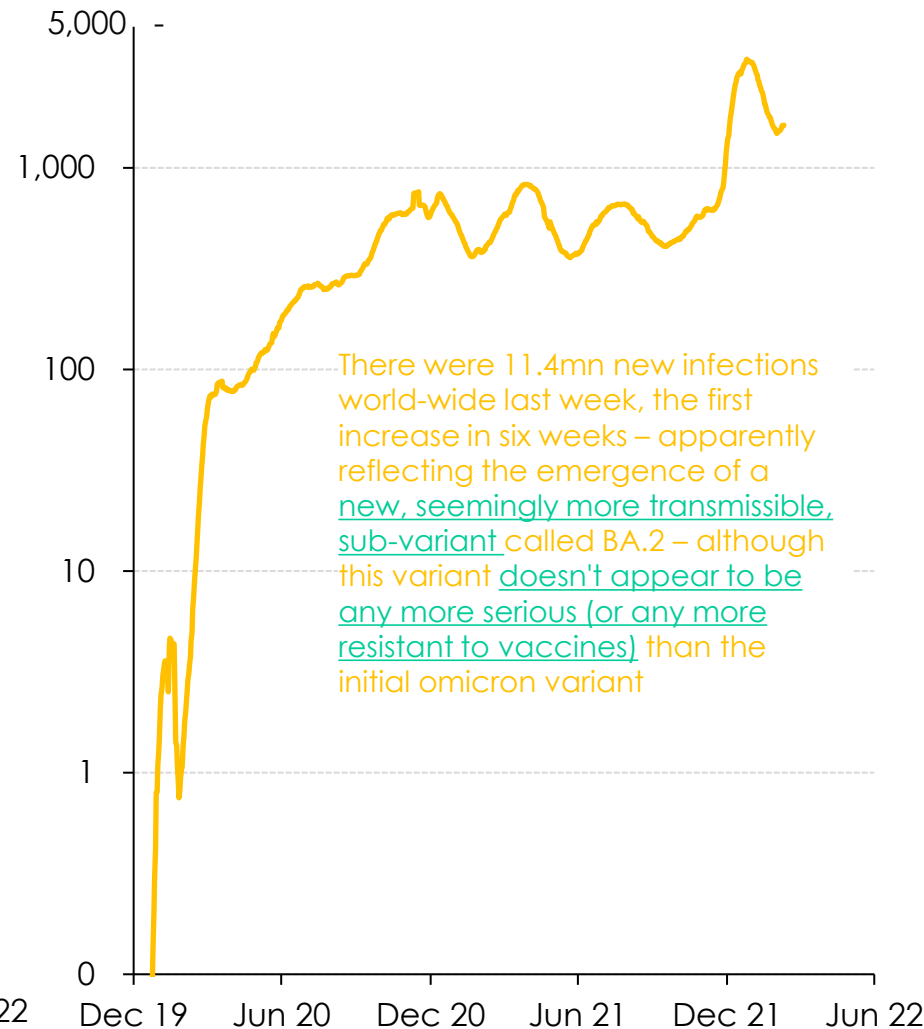
The number of new infections rose last week for the first time in six weeks, apparently reflecting the spread of the new 'BA.2' omicron sub-variant

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

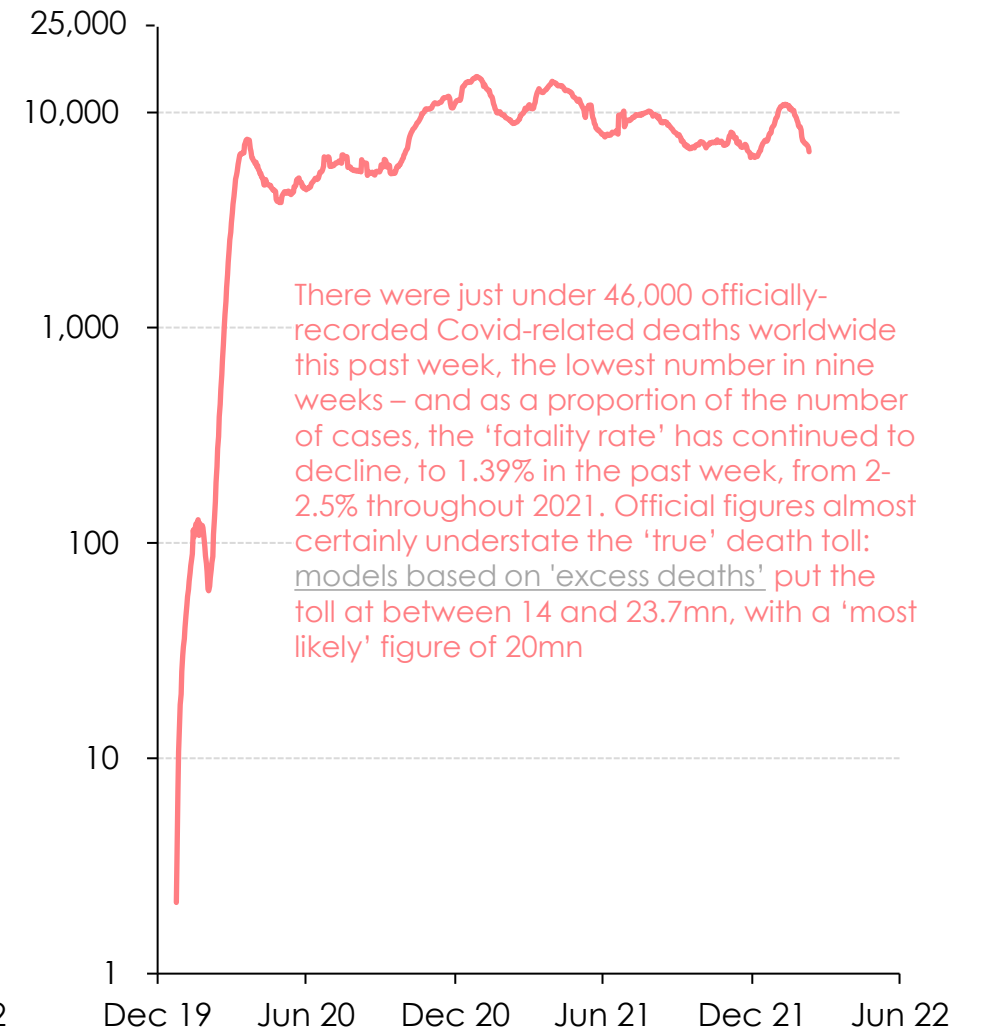
Cumulative confirmed cases – global total



New confirmed cases – global total



New deaths – global total

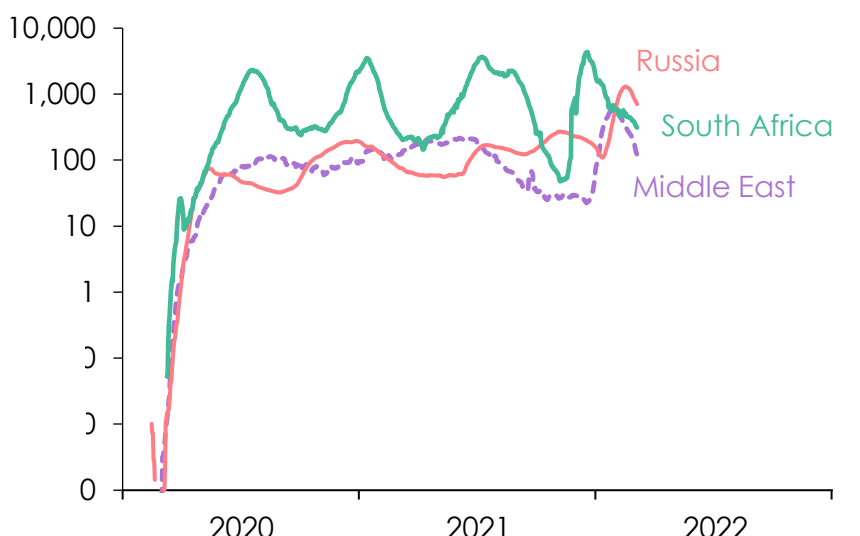
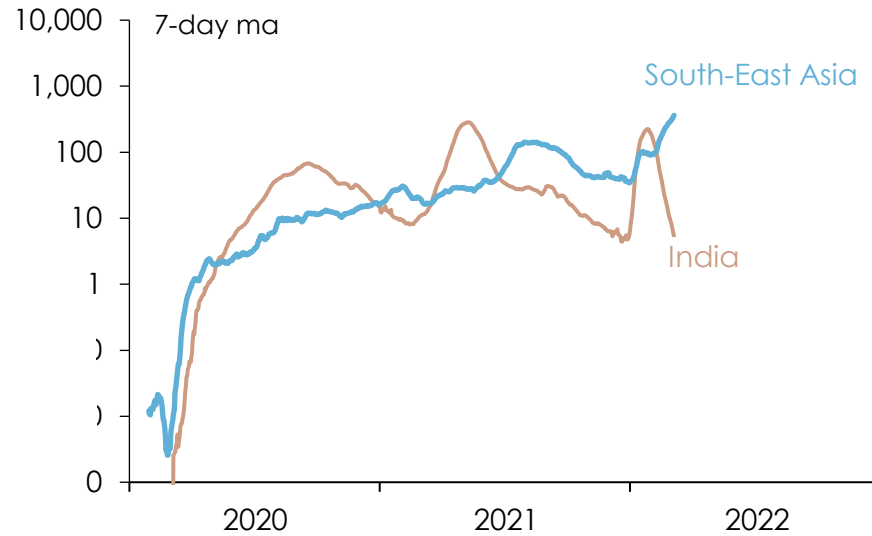
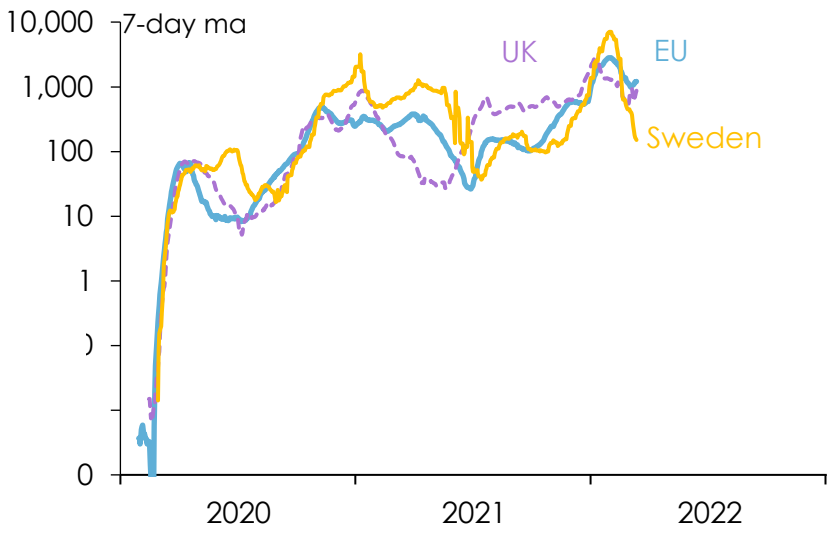
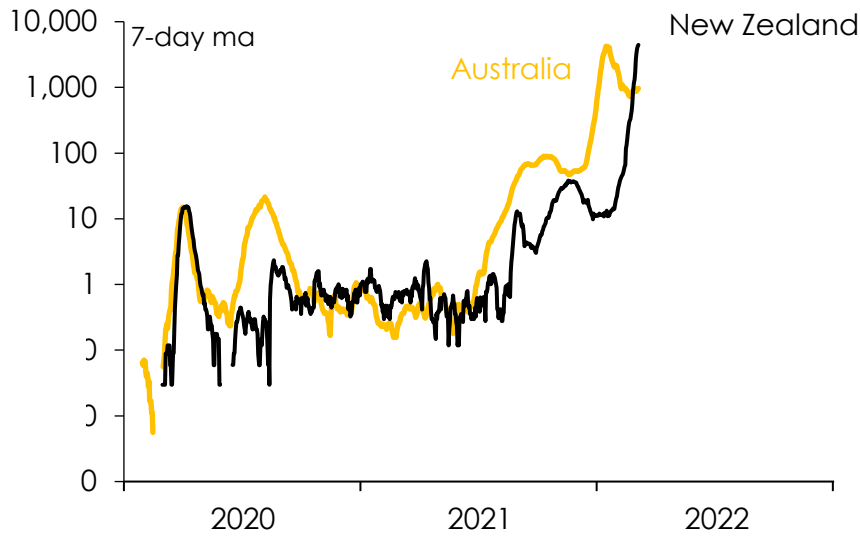
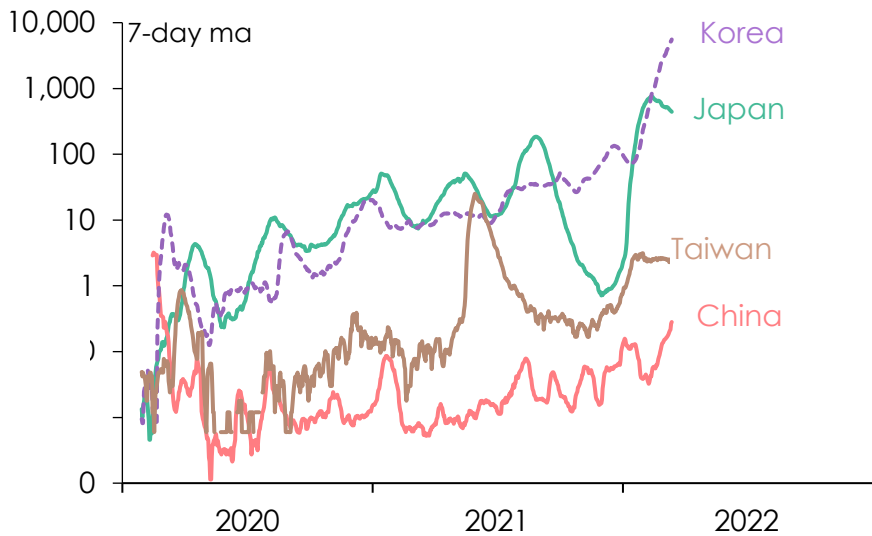
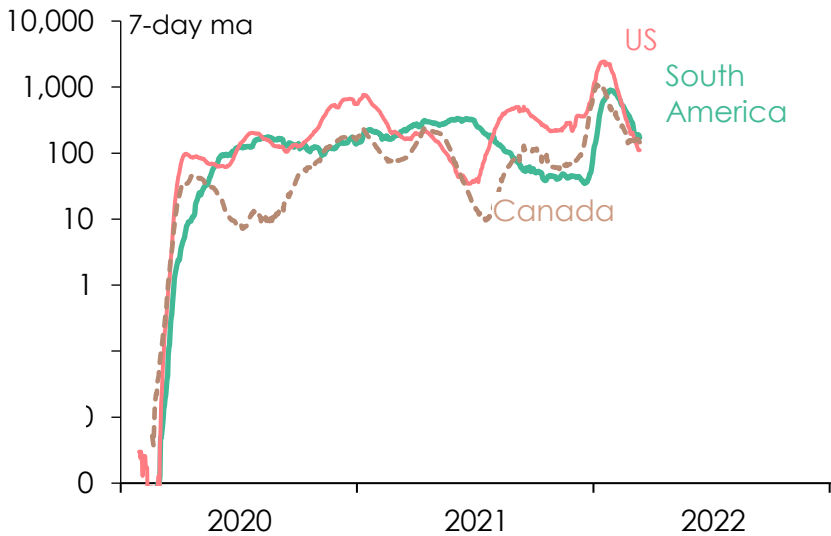


Note: All charts are on logarithmic scales. Data up to 11th March. Source: University of Oxford, [Our World in Data](#). [Return to "What's New"](#).

New infections are rising in China, Korea, HK, Vietnam, NZ, Germany, the Netherlands, the UK, France and Italy, but falling in most other countries

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

Daily new cases per million population – major countries and regions

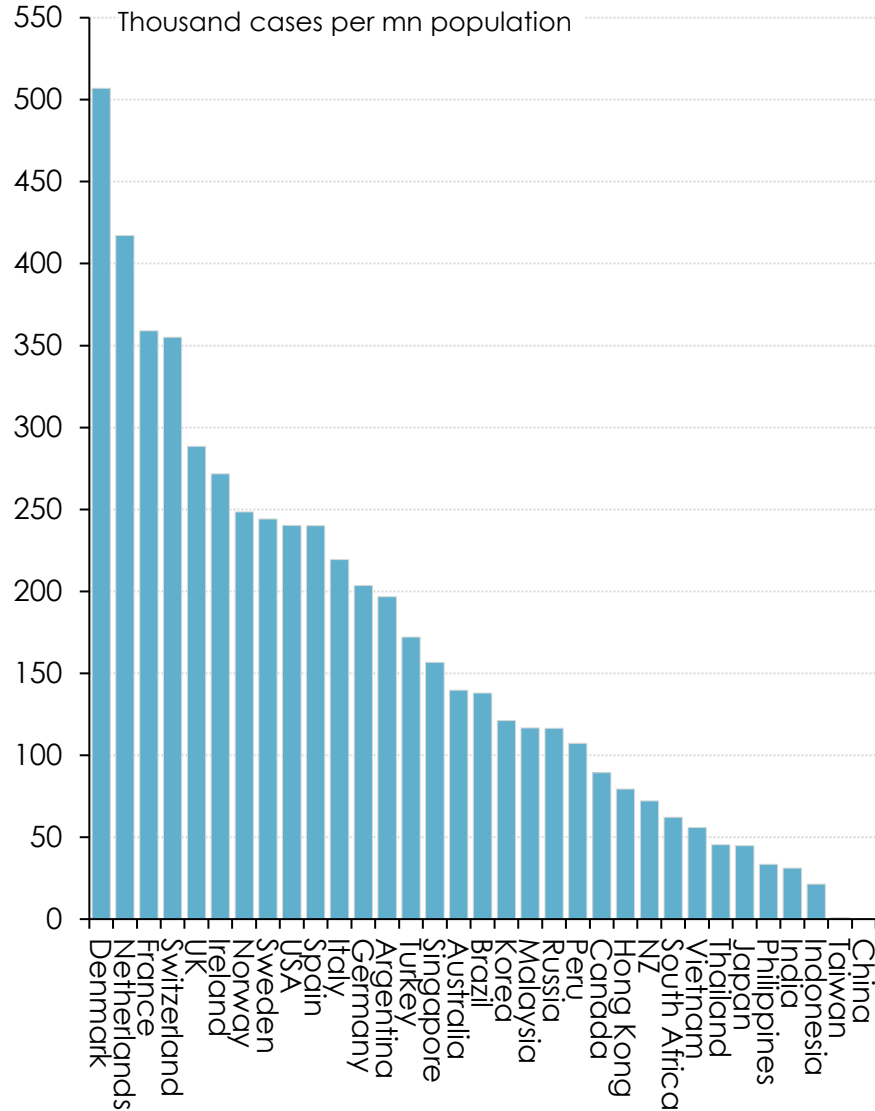


Note: All charts are on logarithmic scales. Data up to 11th March. Source: University of Oxford, [Our World in Data](#); Corinna. [Return to "What's New"](#).

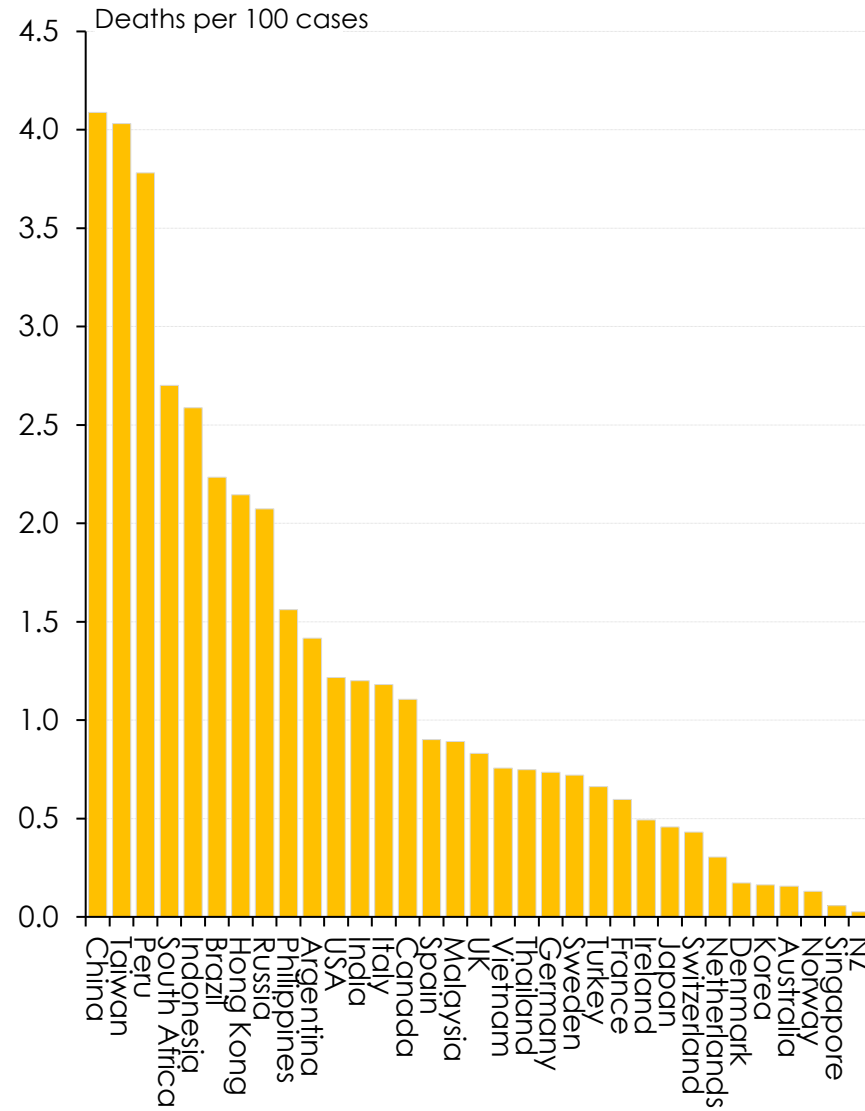
The highest cumulative infection and death rates (since the onset of the pandemic) have been in Europe, South and North America

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

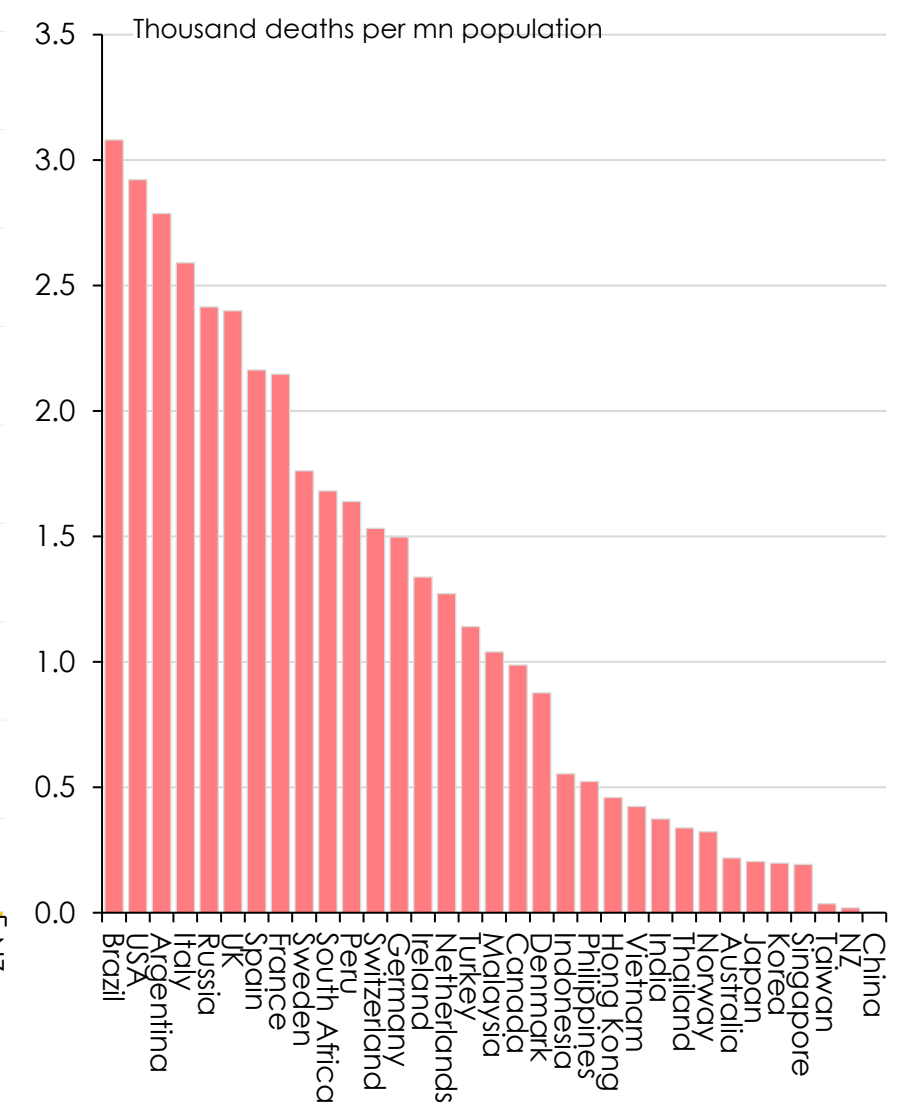
Apparent infection rate



Apparent fatality rate



Apparent death rate

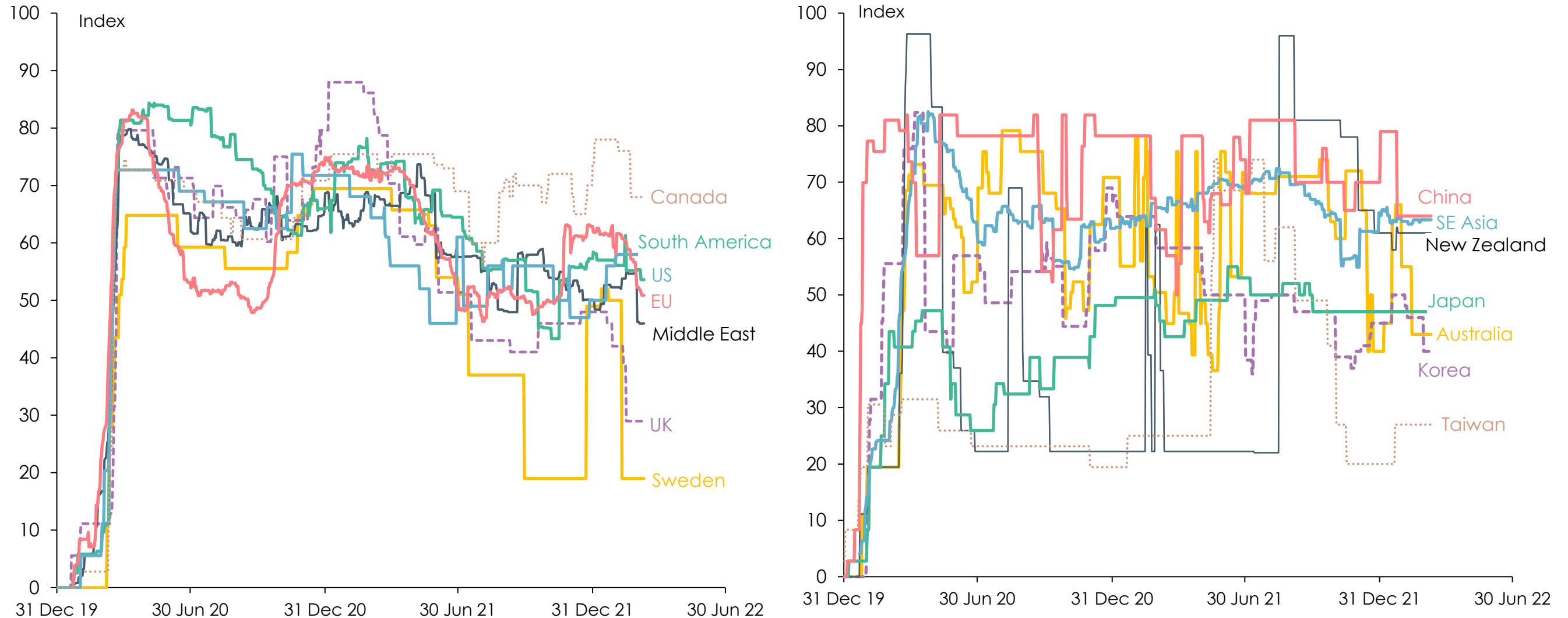


Note: Data up to 11th March. Sources: University of Oxford, [Our World in Data](#); Corinna. [Return to "What's New"](#).

Health restrictions are continuing to be eased in many countries, though the increased case numbers will pose a particular challenge for China

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

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

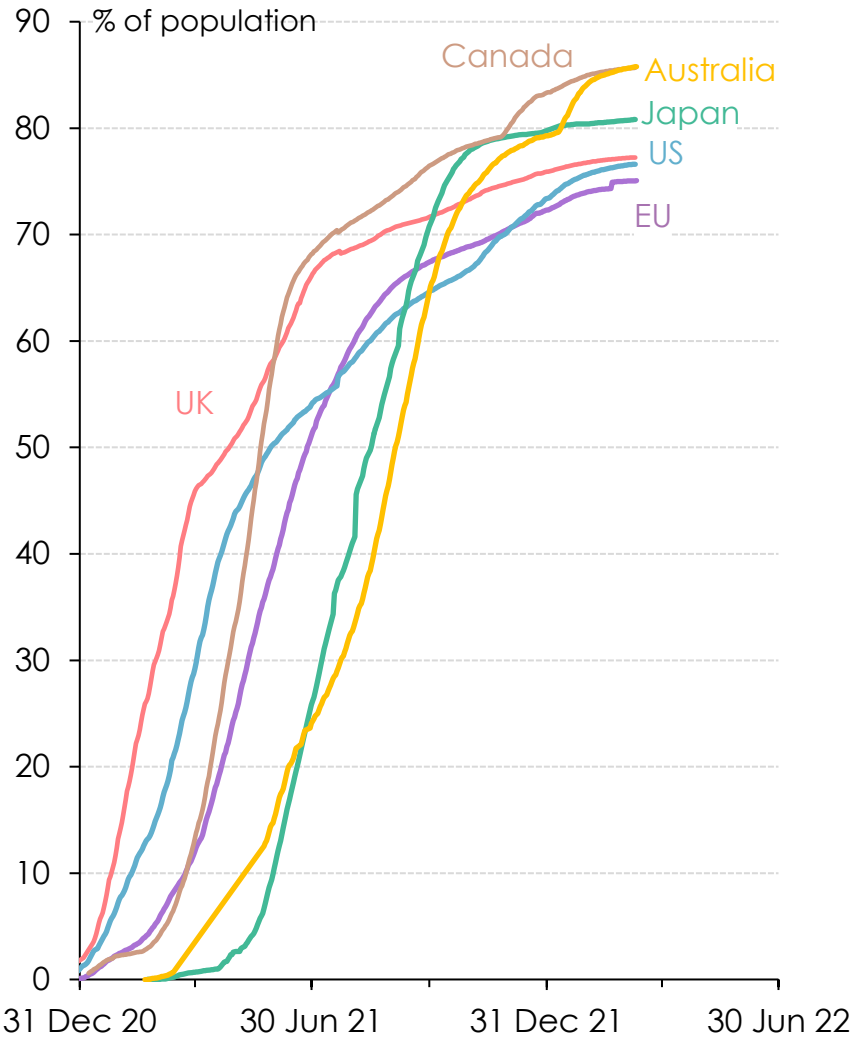


The Oxford COVID-19 Government Response Tracker collects publicly available information on 11 indicators of government response including school & workplace closures, public events cancellations, restrictions on public gatherings, stay at home requirements, public transport closures, domestic & international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

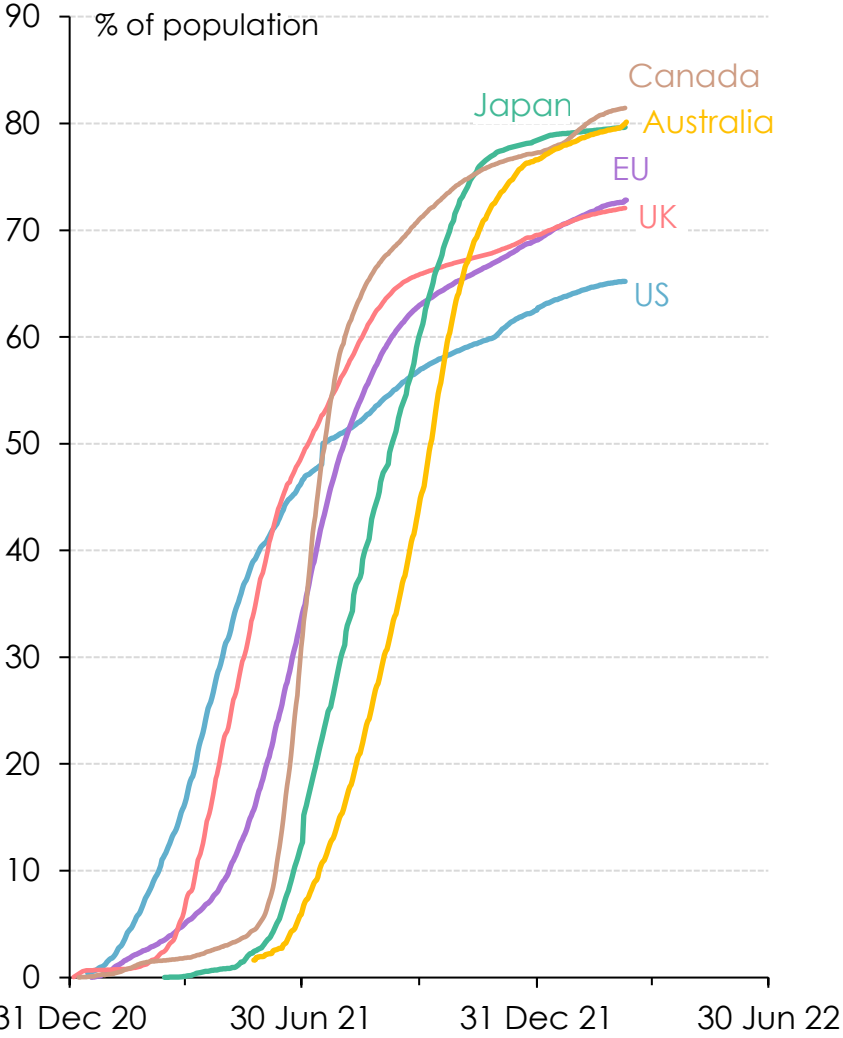
The US lags behind most other 'advanced' economies in fully vaccinating its population while the US & Japan are lagging with 'booster' shots

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

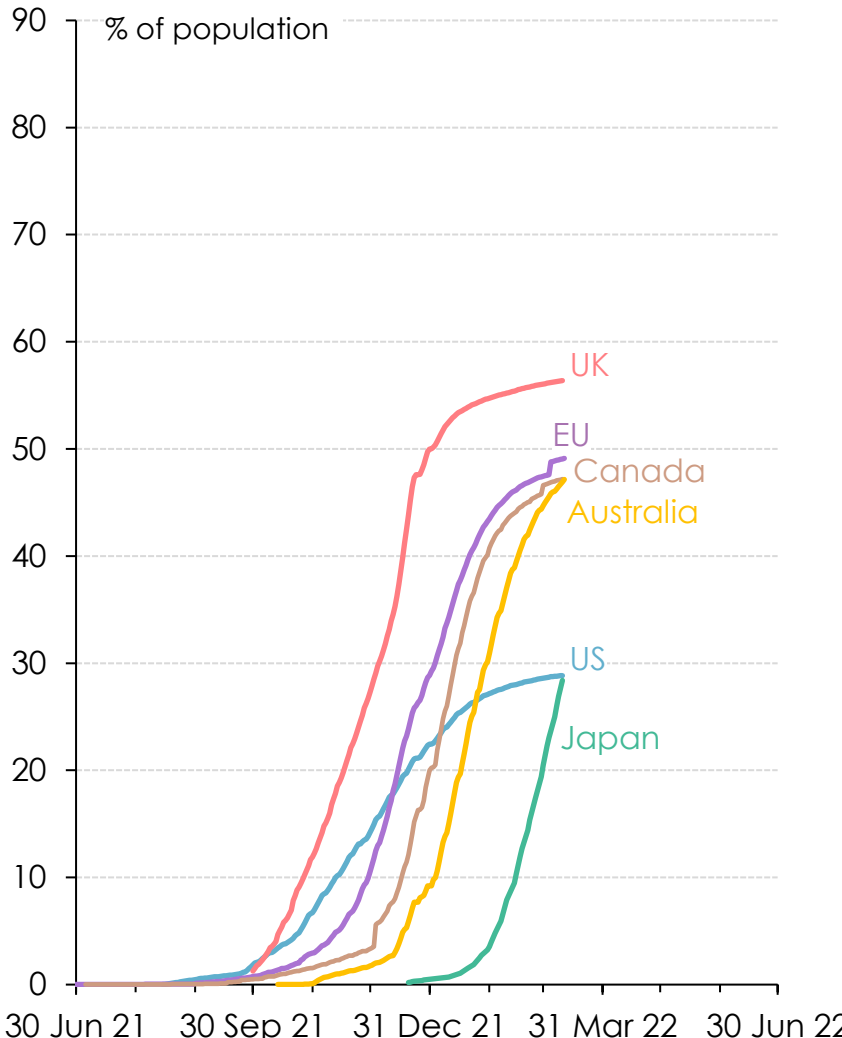
Percentage of populations who have had at least one shot



Percentage of populations who have had two shots



Percentage of populations who have had a 'booster' shot

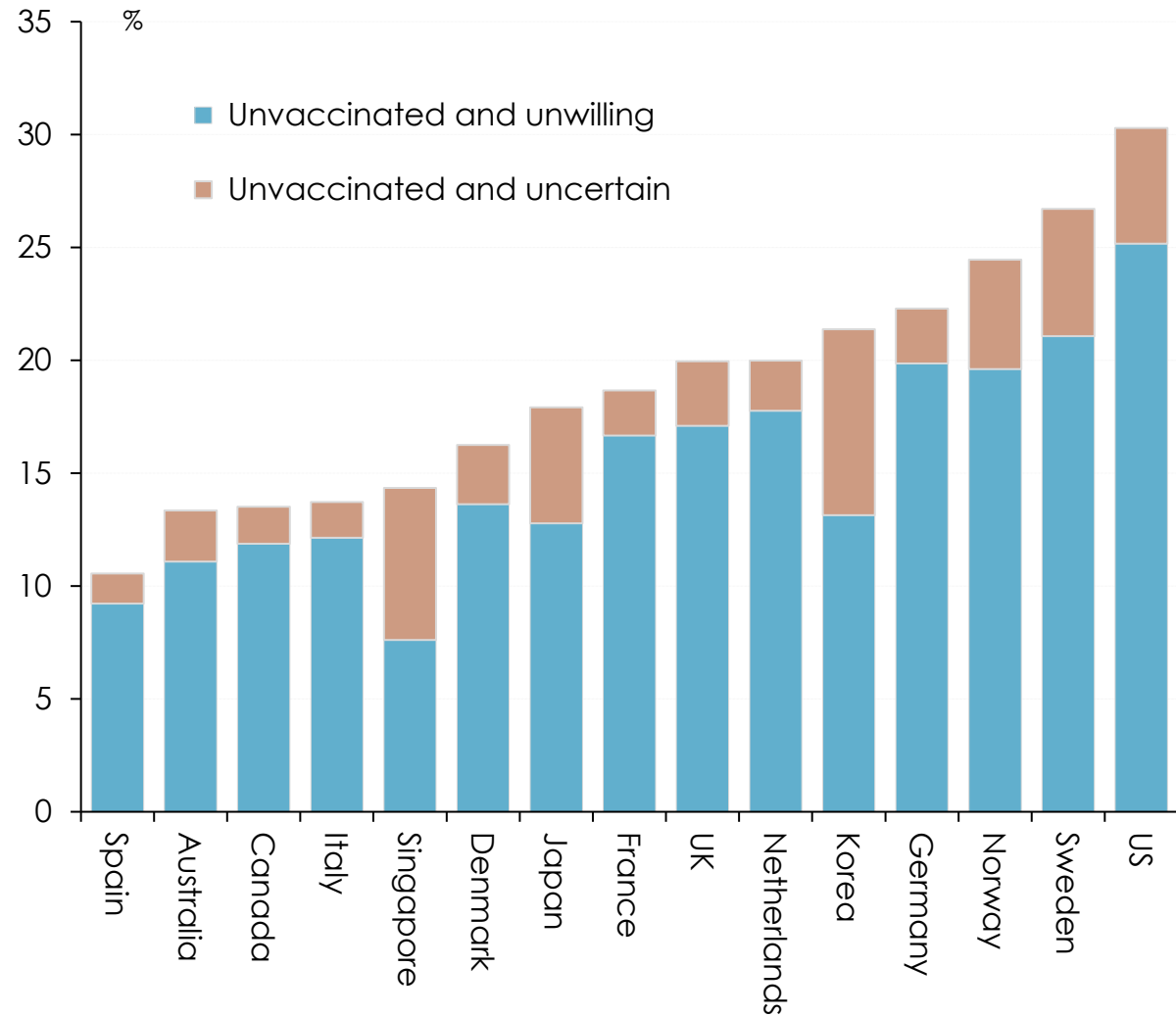


Note: Data up to 10th or 11th March. Source: [Our World in Data](#); [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

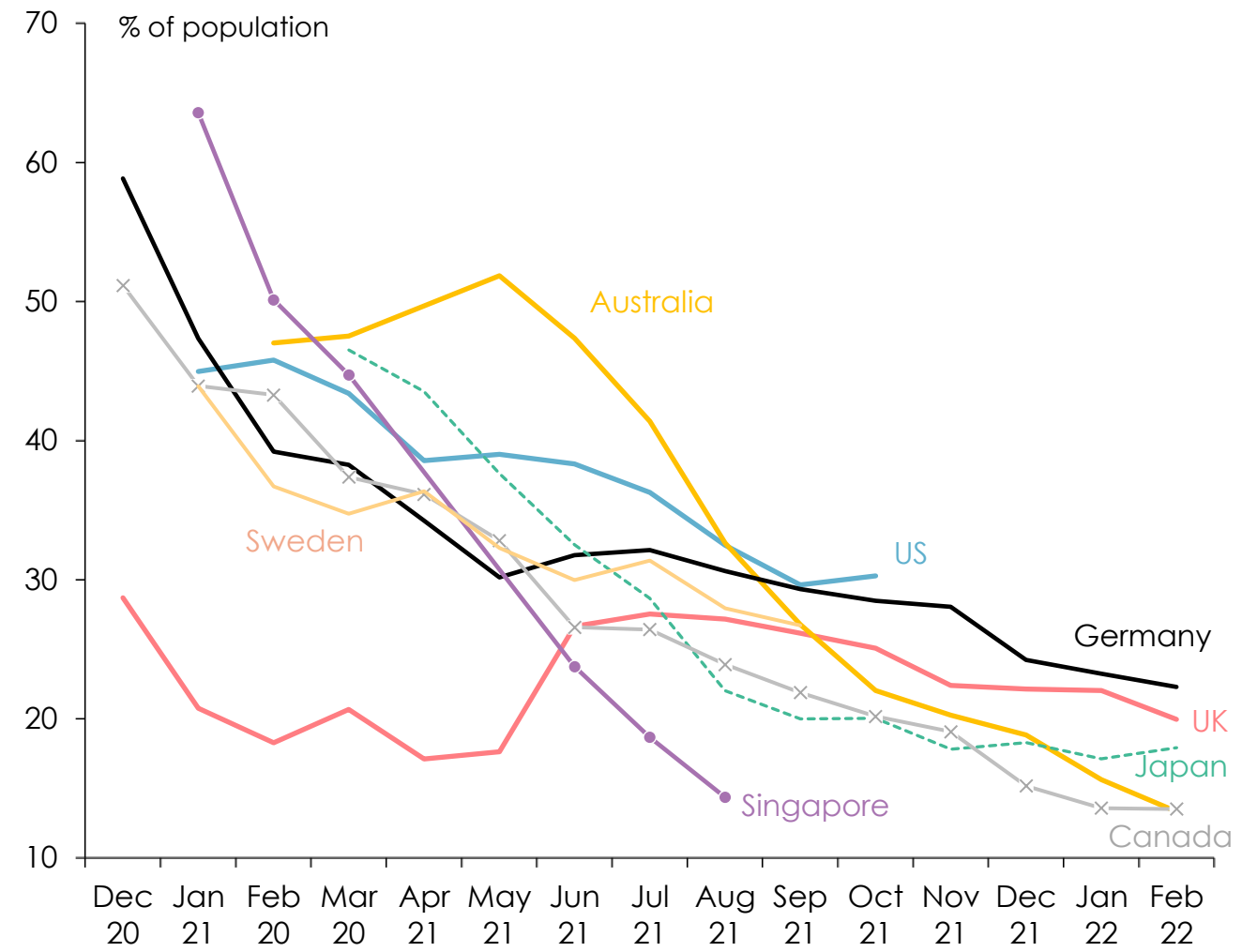
Vaccine hesitancy is now higher in the US and (perhaps more surprisingly) in Germany than in other 'advanced' economies

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

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



Percentage of populations unvaccinated and unwilling or uncertain about getting vaccinated



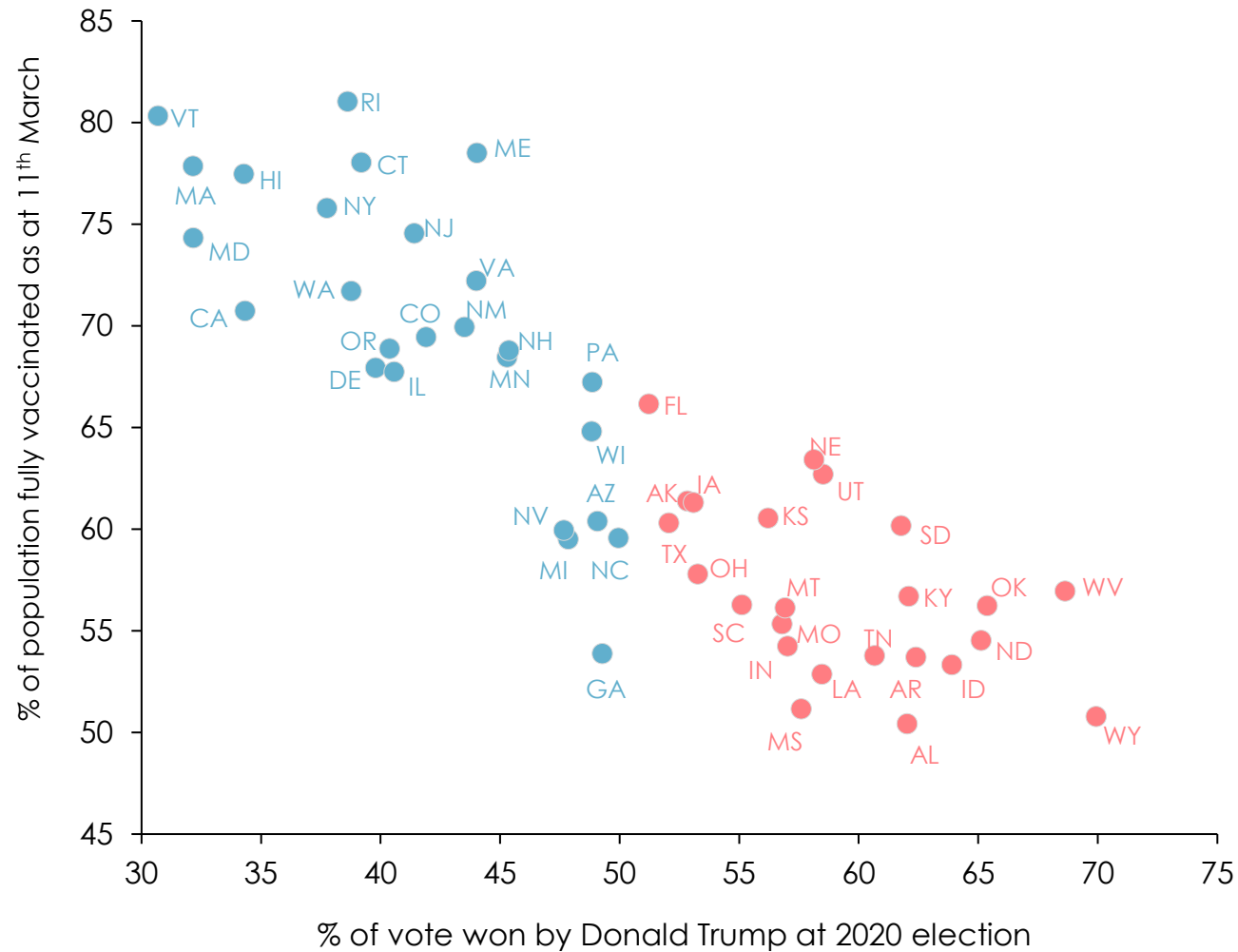
Note: data for Singapore and Norway are for August; data for Korea and Sweden are for September; data for the US are for October; data for Denmark are for January.

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

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

Vaccination rates vs Trump vote at 2020 elections, by state



Vaccination rates vs infection rates since 30th June 2021, by state

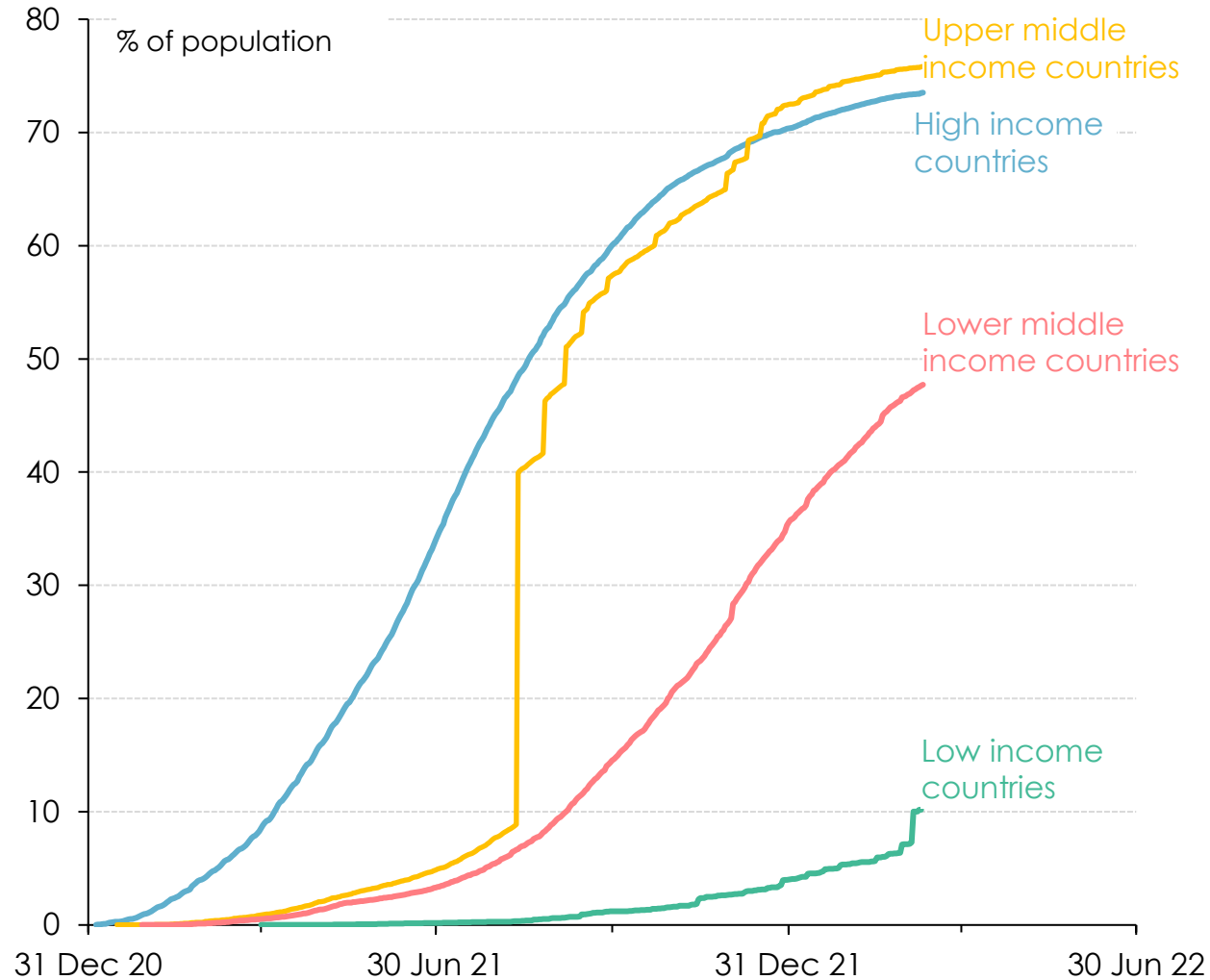


Note: Case data as at 11th March. Sources: [The Cook Political Report](#); [Our World in Data](#); [USA Facts](#); Corinna. [Return to "What's New"](#).

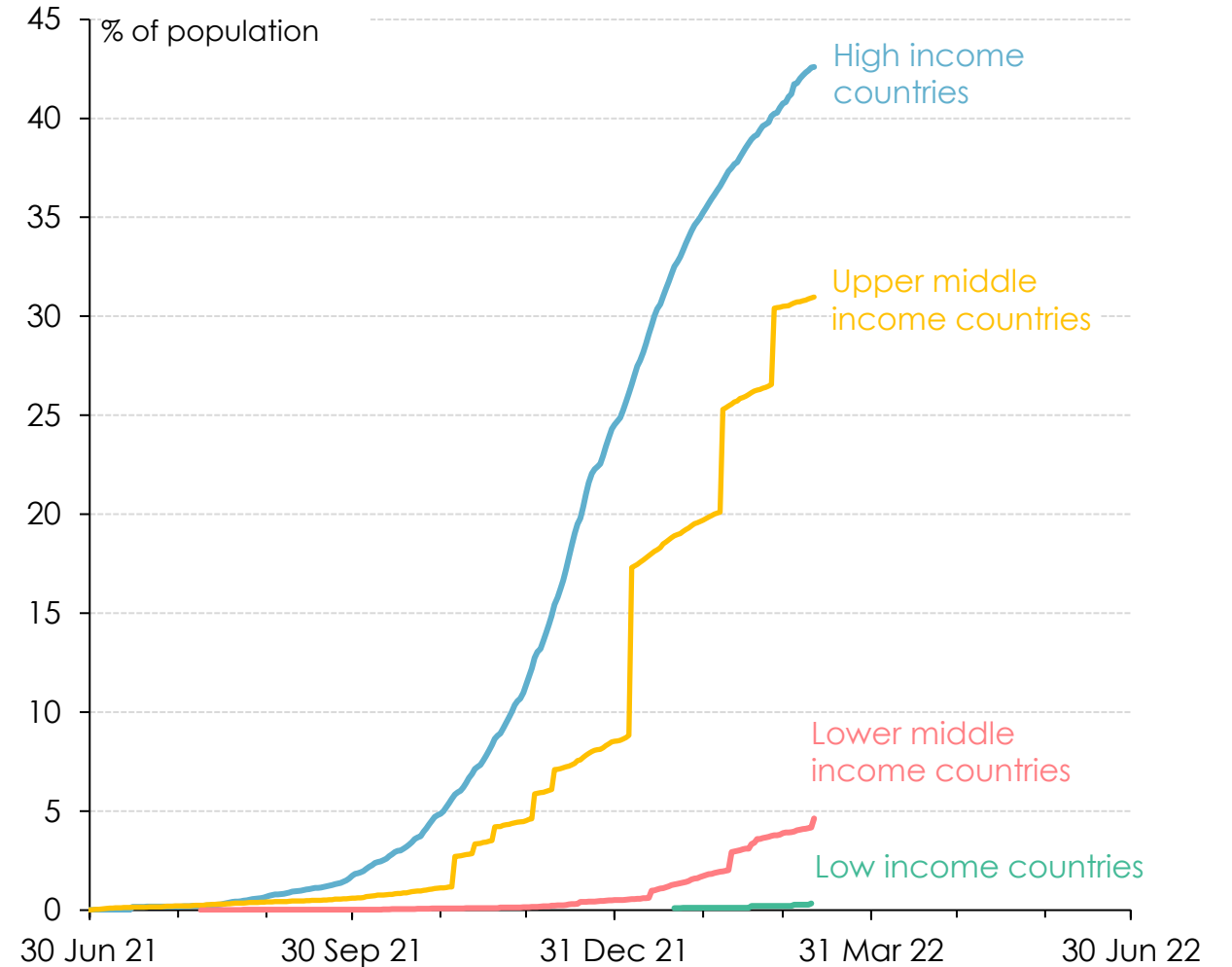
The vaccine roll-out has proceeded much more slowly among low- and lower-middle income countries

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

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



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

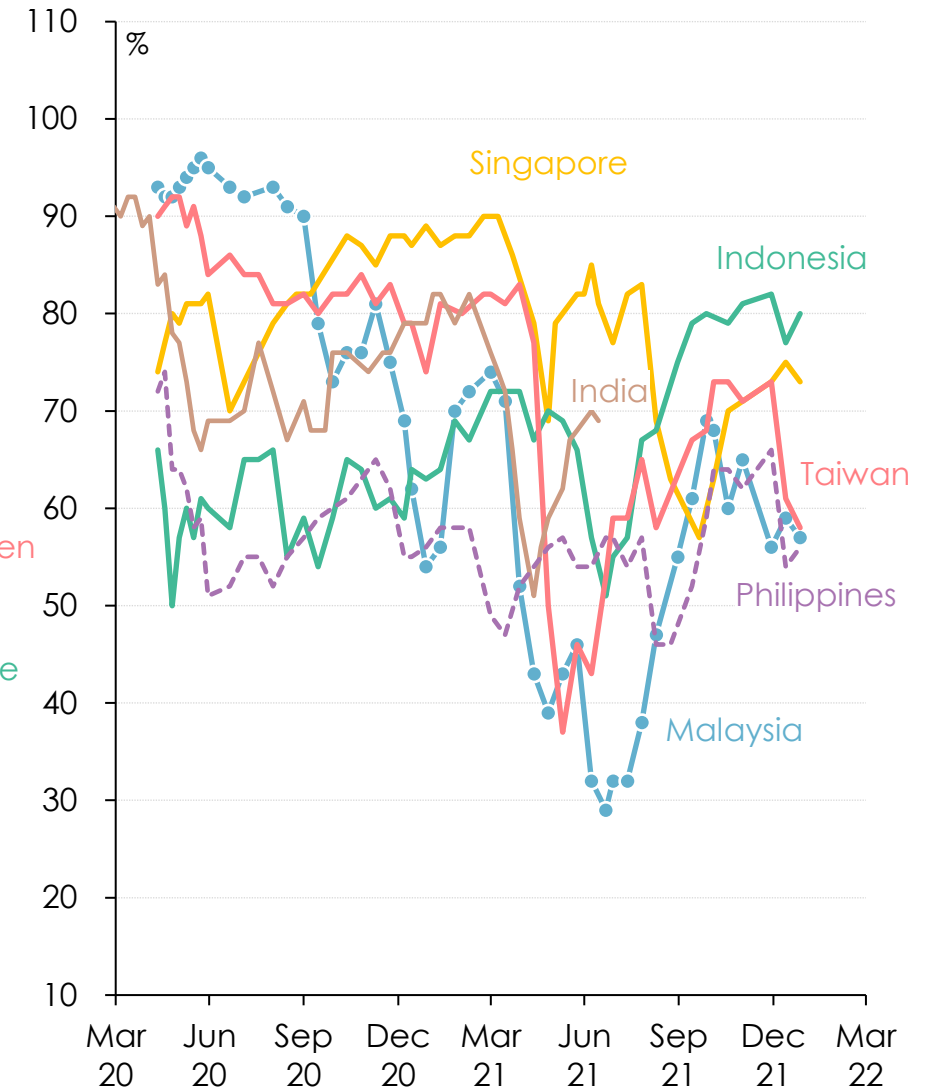
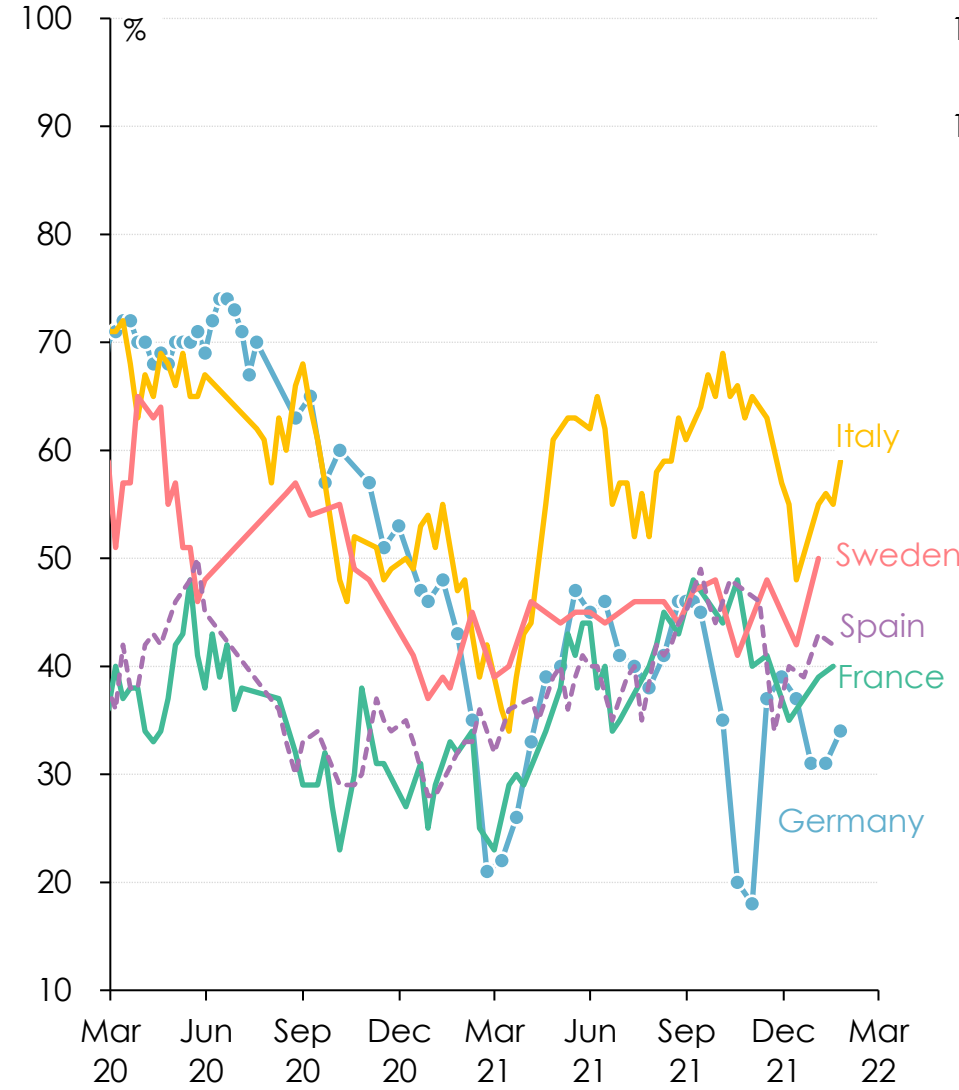
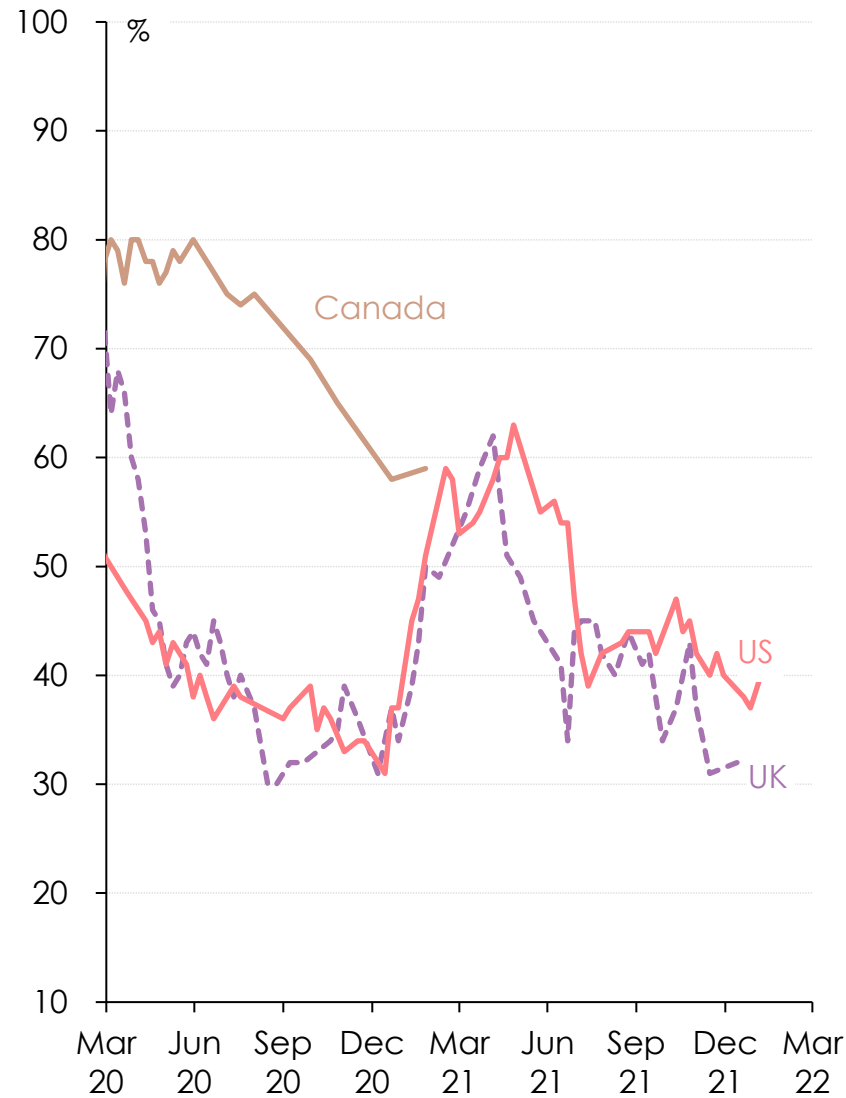


Note: Income categories are as defined by the [World Bank](#): high-income countries are (in 2021) those with a per capita gross national income (GNI) of over US\$12,535; upper-middle income countries are those with per capita GNI between US\$4,046 and \$12,535; lower middle-income countries are those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

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

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



Note: No polls have been published for Canada since February last year, nor for the UK since January.

Source: YouGov, [Covid-19 tracker: government handling](#). [Return to "What's New"](#).

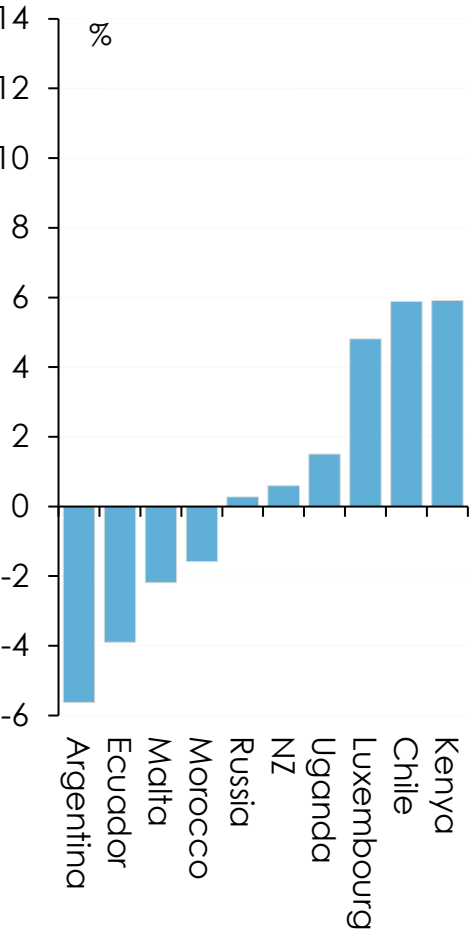
The world

36 countries (out of 57 for which seasonally-adjusted Q3 or Q4 GDP estimates are available) have now surpassed their pre-pandemic peaks

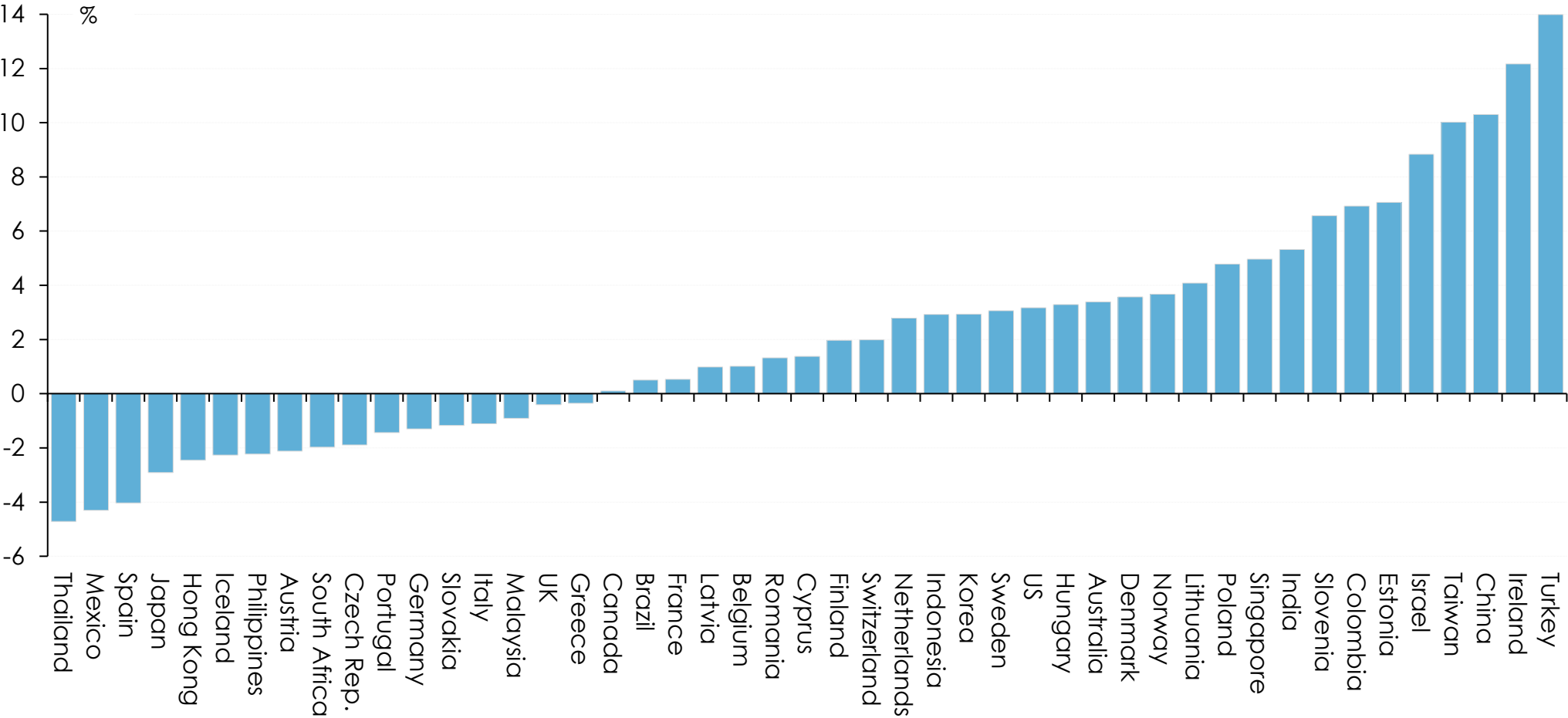
THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

Real GDP compared with pre-recession peak

Q3 2021



Q4 2021

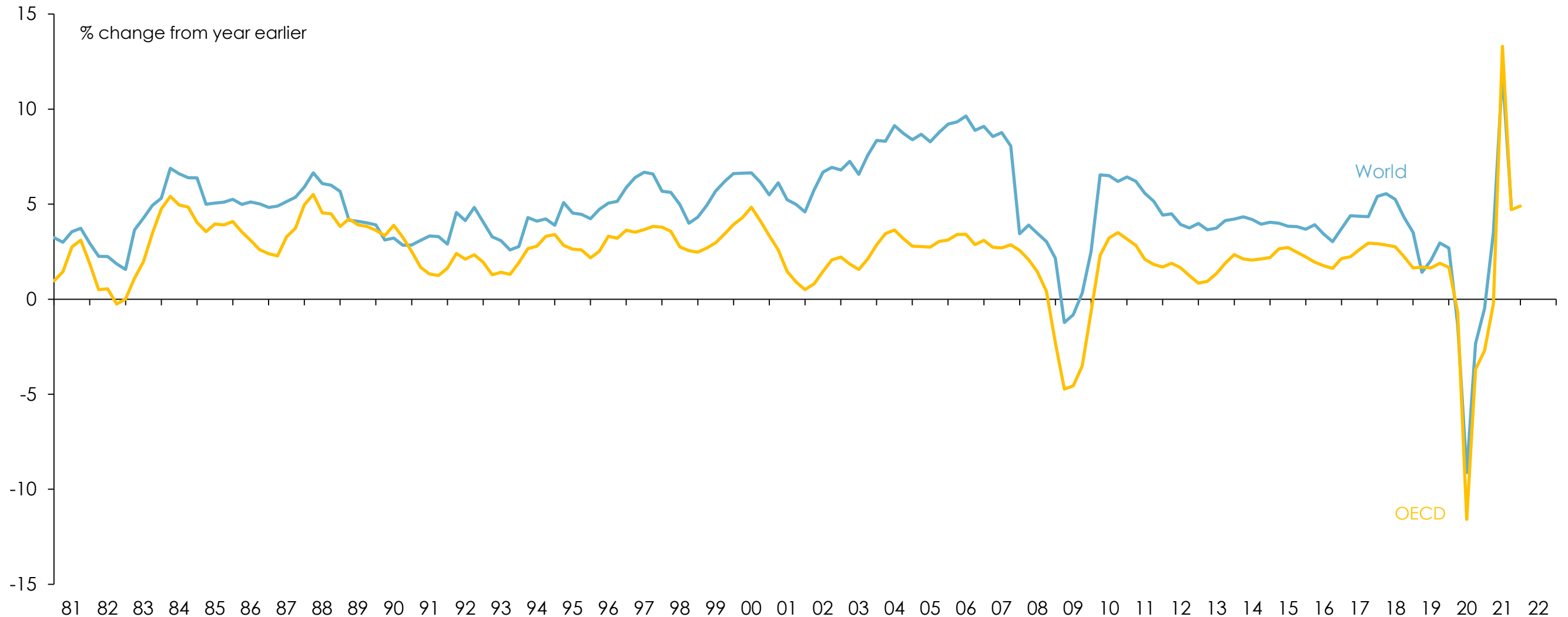


Note: estimate for China is derived from quarterly growth rates published by China NBS; estimates for India and Indonesia are seasonally adjusted by the OECD (and the Q4 estimate for India isn't available yet). Sources: National statistical agencies and central banks. [Return to "What's New"](#).

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 – 14TH MARCH 2022

World and OECD area real GDP growth

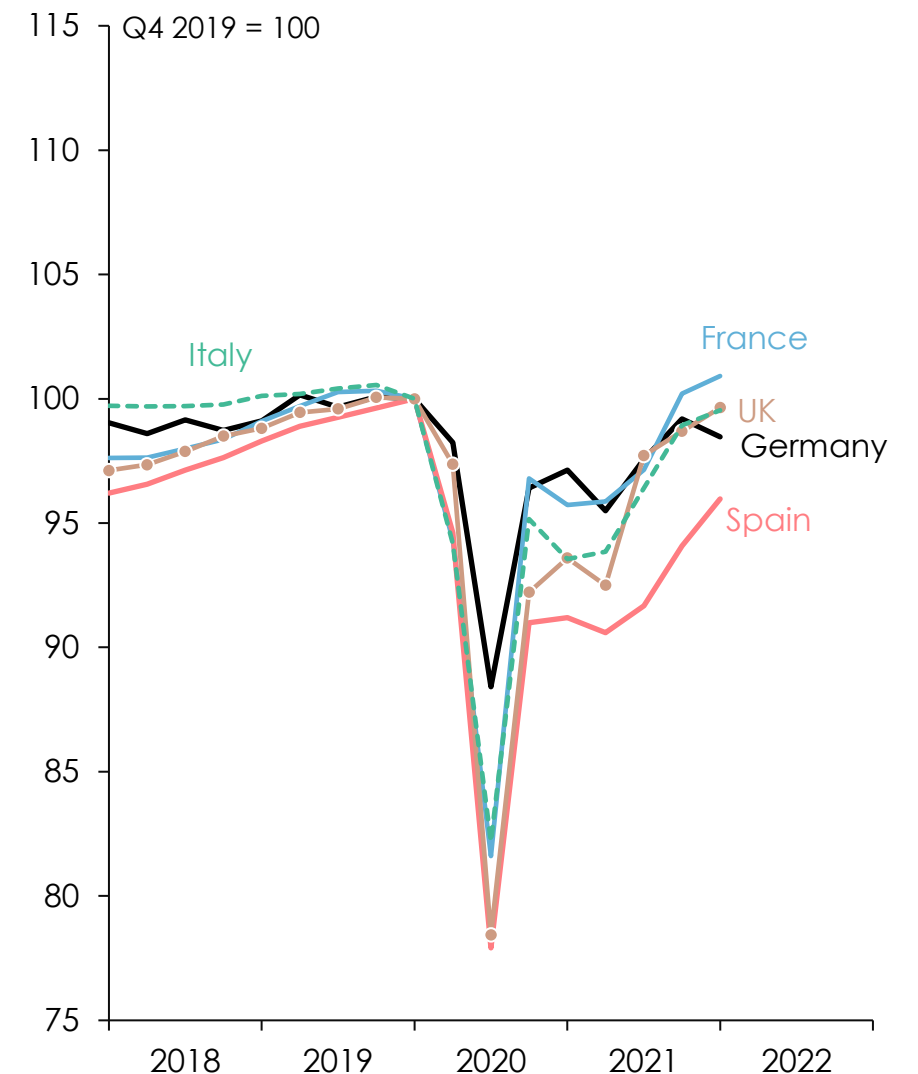
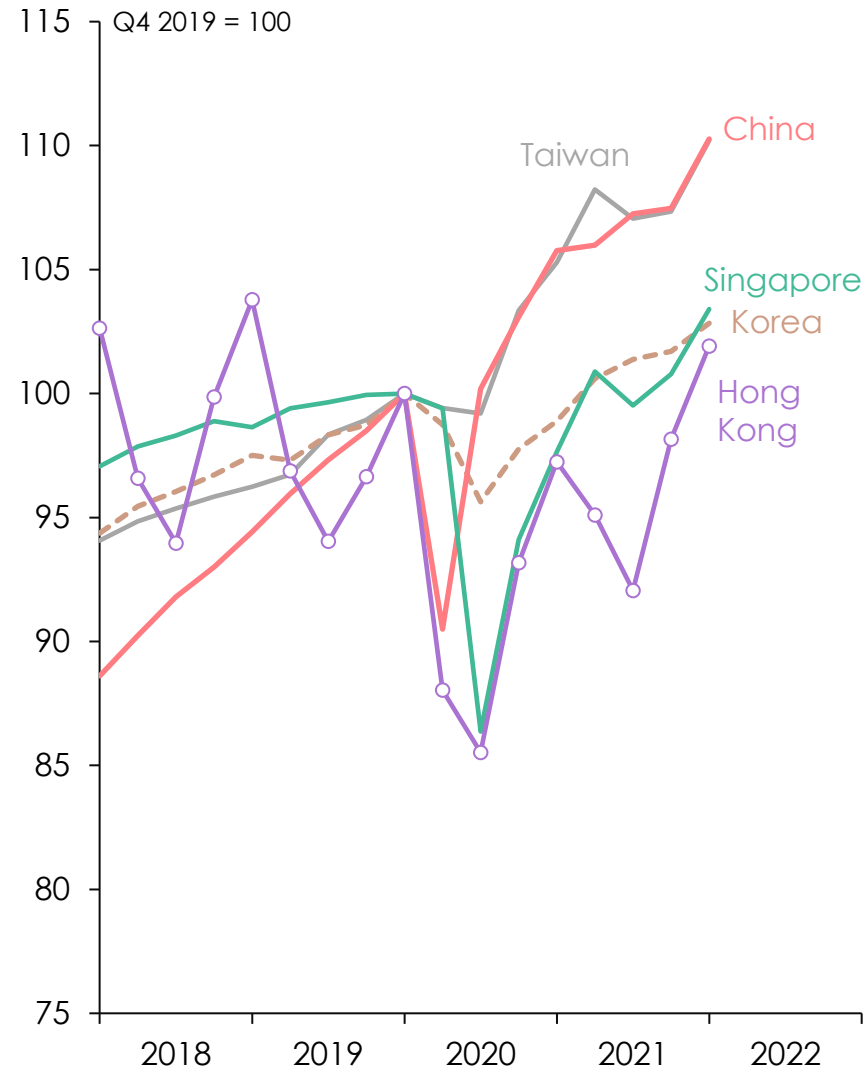
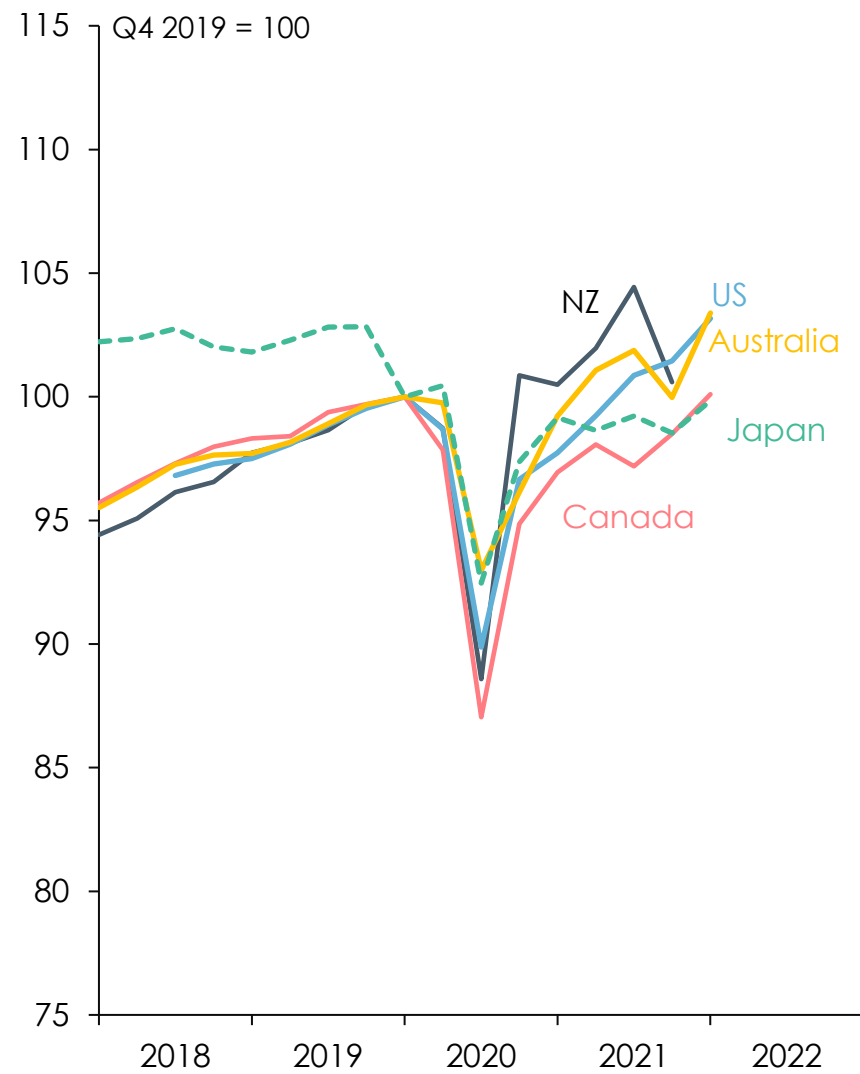


Note: Estimates of global GDP growth compiled by Corinna using data for 100 countries accounting for 94% of 2019 world GDP as measured by the IMF, weighted in accordance with each country's share of global GDP at purchasing power parities in 2019; excludes constituents of the former USSR before 1993, 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 – 14TH MARCH 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 – 14TH MARCH 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 – 14TH MARCH 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
World	4.4	3.8	-0.5	+0.2

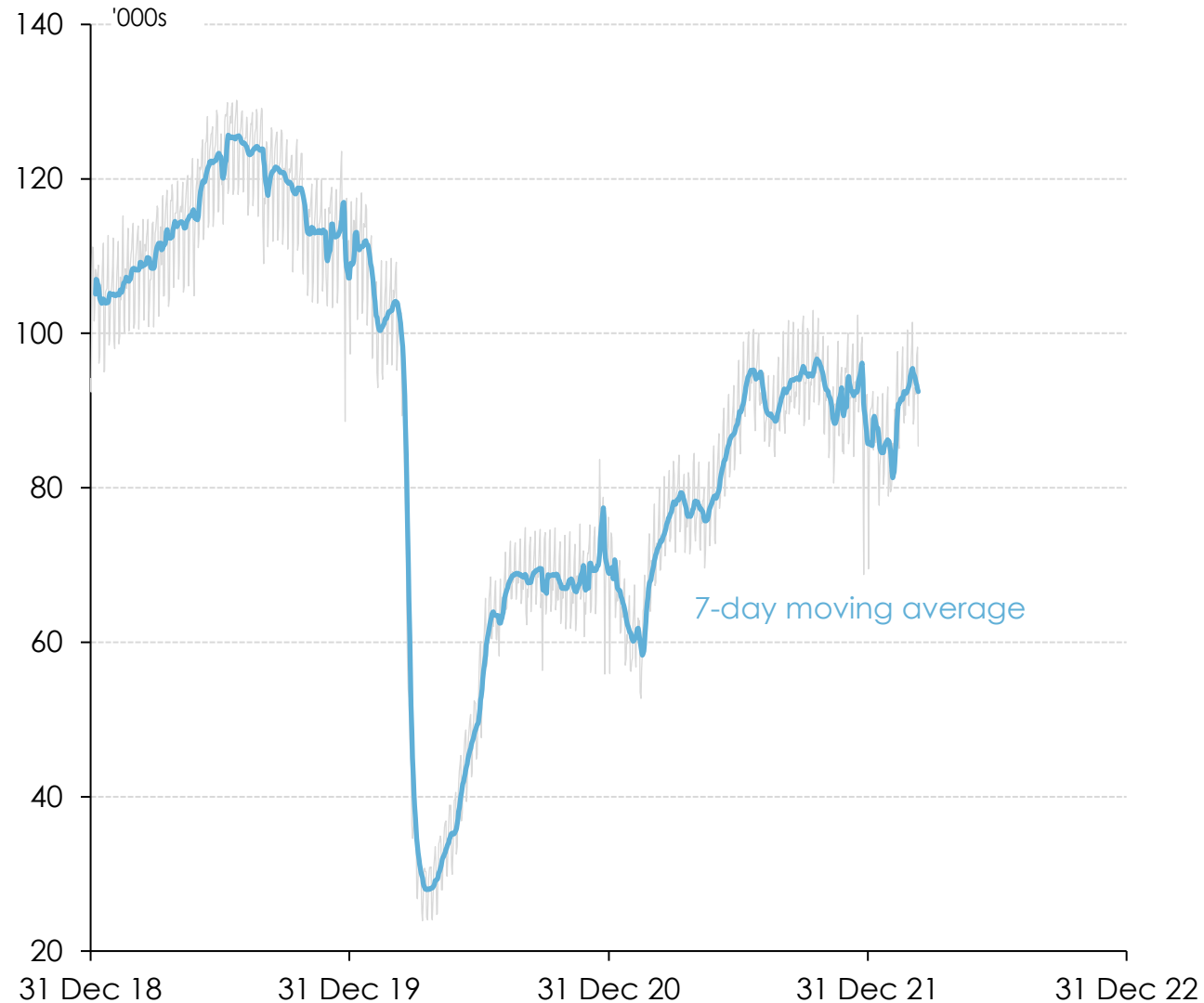
- The IMF's latest [World Economic Update](#), published in the last week of January, lowered its forecast for global GDP growth in 2022 by 0.5 pc pt to 4.4%, with a 'mechanical' 0.2 pc pt upgrade to the 2023 forecast
 - the IMF sees the risks to global growth as still “tilted to the downside”, in particular 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"](#).

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

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

Daily commercial flights worldwide



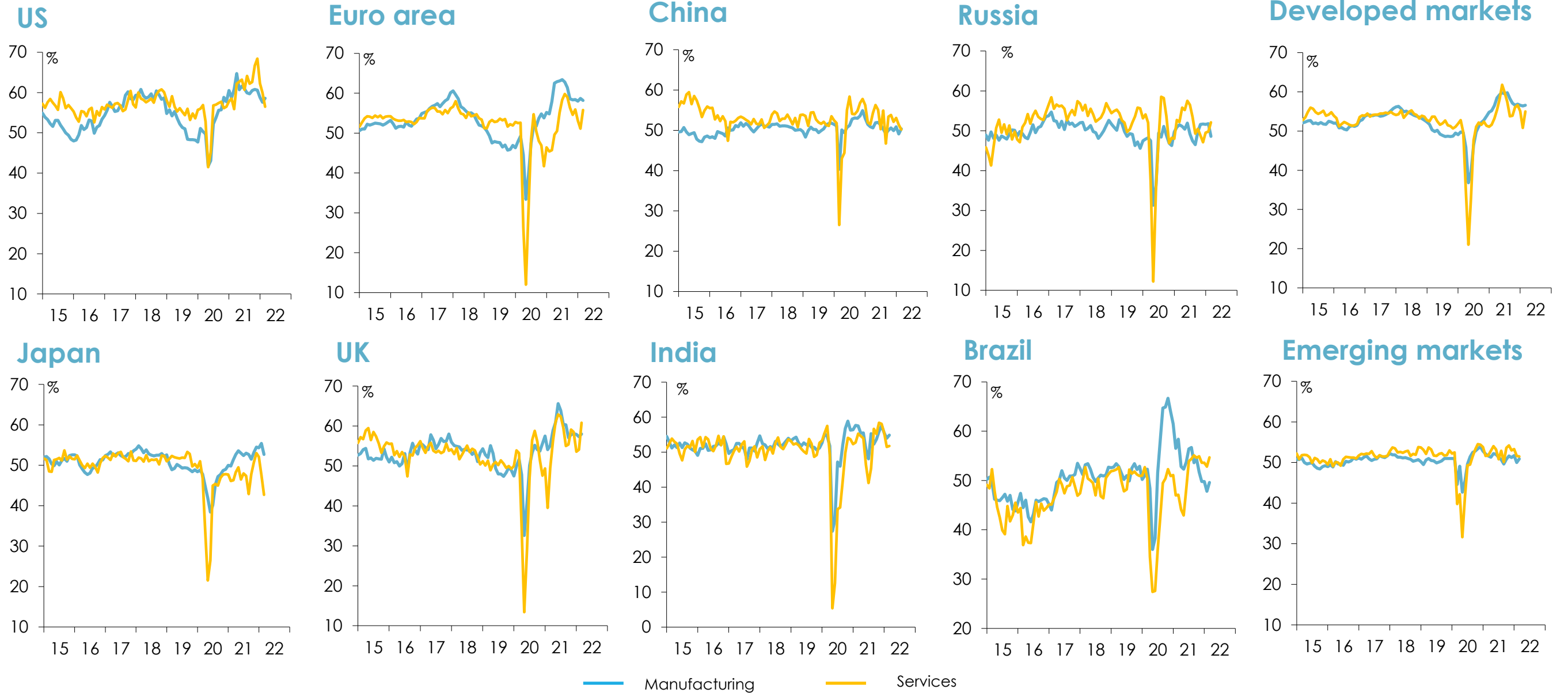
Daily US TSA 'security' checks



Note: Commercial flights include commercial passenger flights, cargo flights, charter flights, and some business jet flights. Data are up to 12th March for commercial flights and 11th March for 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) (at last, something useful – other than job creation - produced by aviation 'security'!!!). [Return to "What's New"](#).

February PMIs show continued strength in manufacturing in most major economies but a softening in services in the US and Japan

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

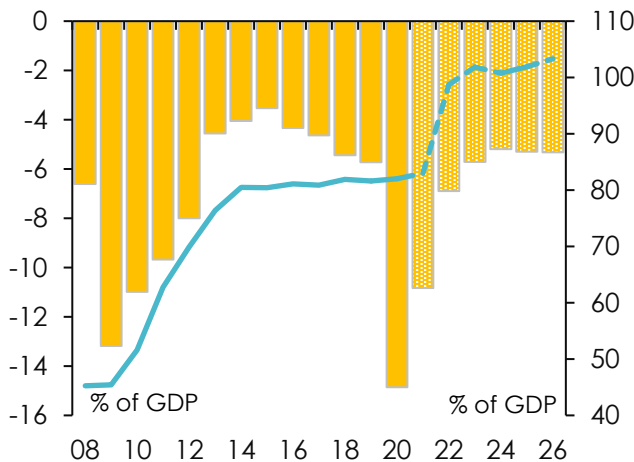


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. Latest data are for February. A reading of 50 indicates an overall 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 101](#). Sources: [US Institute for Supply Management](#); [IHS Markit](#); JP Morgan; [Caixin](#); Refinitiv Datastream. [Return to "What's New"](#).

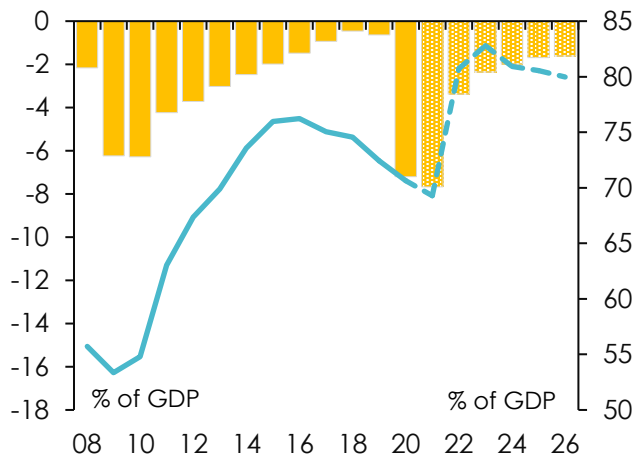
Fiscal policy in almost all major economies is set to tighten significantly in 2022

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

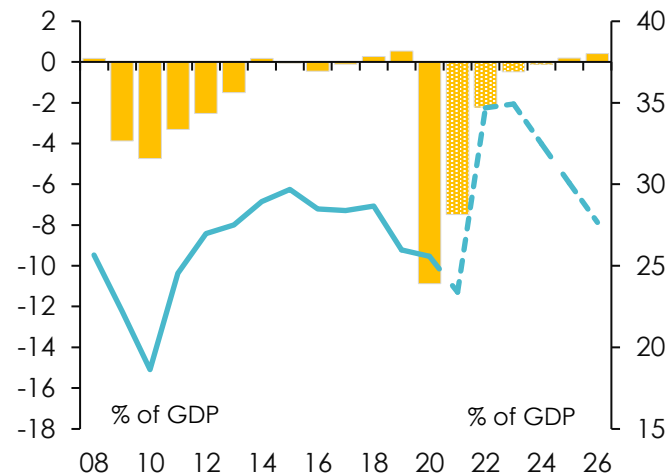
United States



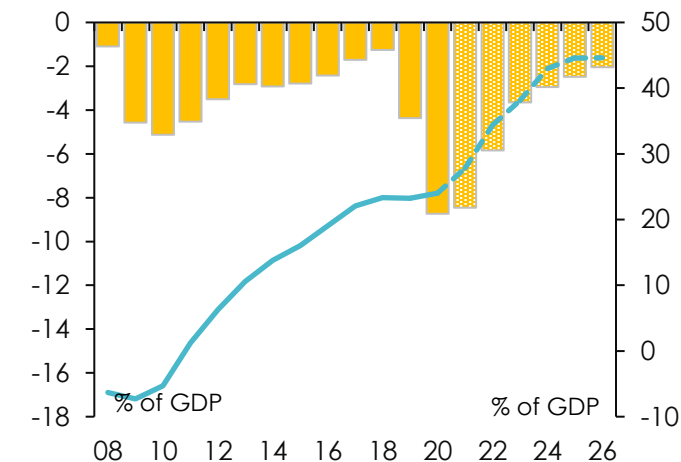
Euro area



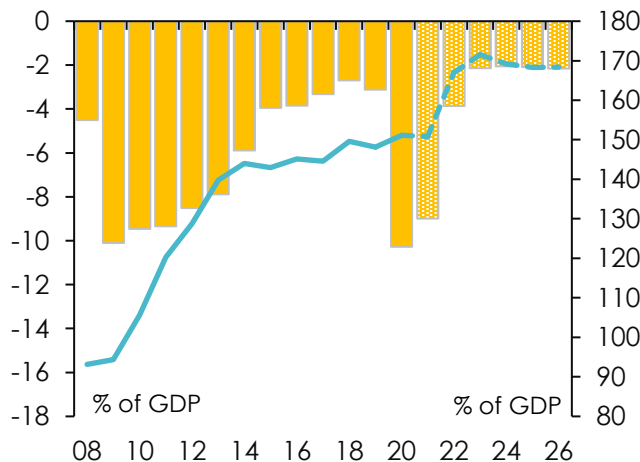
Canada



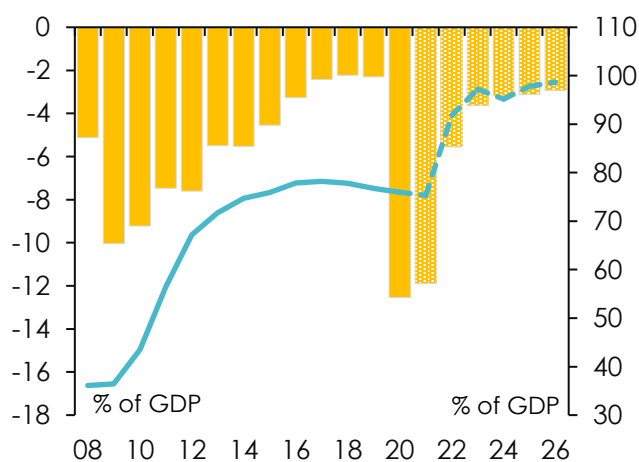
Australia



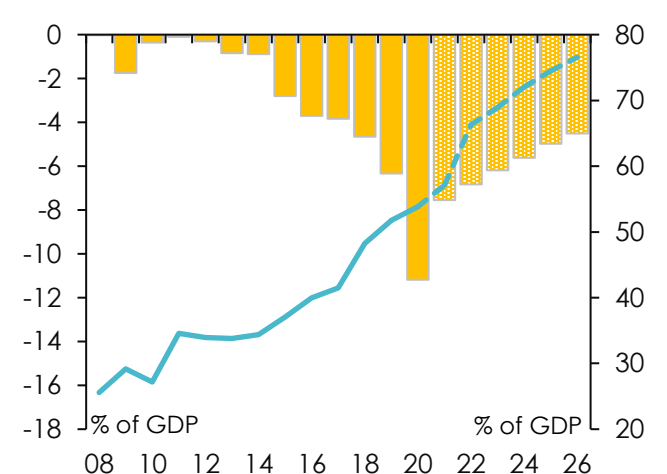
Japan



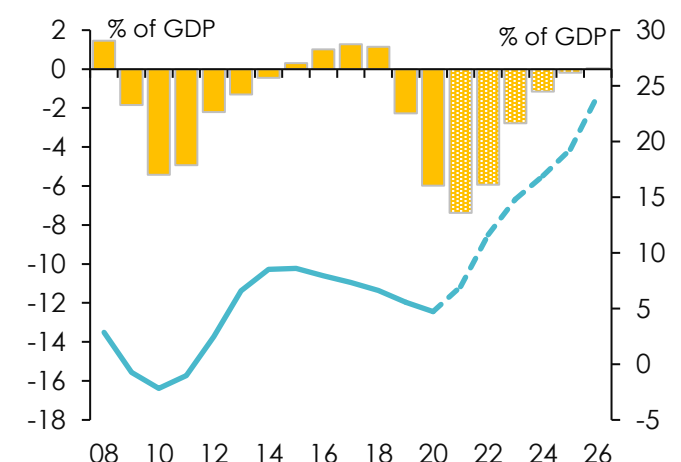
United Kingdom





China



New Zealand



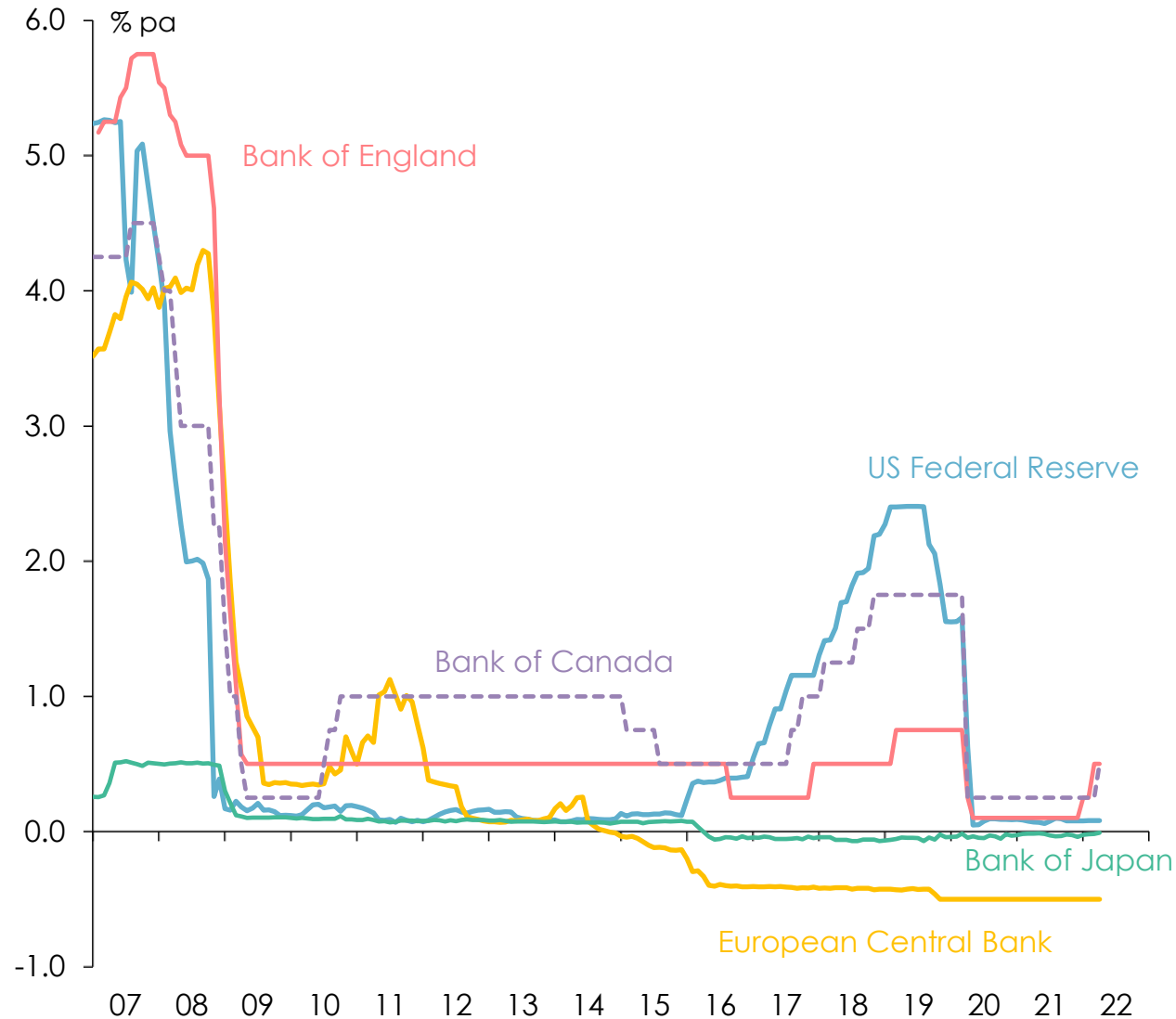
 General government overall fiscal balance (left scale)  General government net debt (right scale)

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"](#)

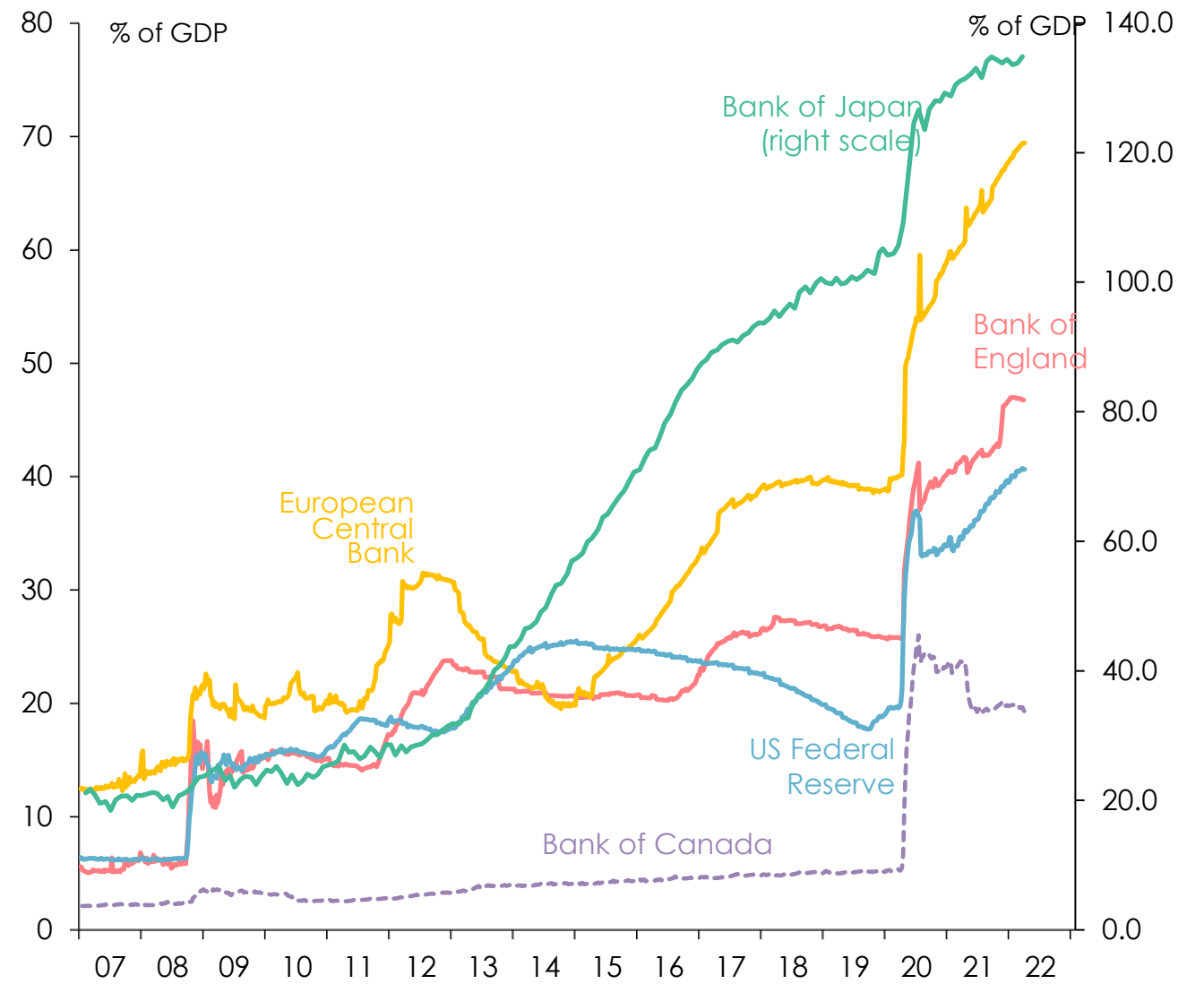
The Bank of England has raised its policy rate twice, the Bank of Canada once, and the Fed will raise rates for the first time this coming week

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

Major central bank policy interest rates



Major central bank balance sheets

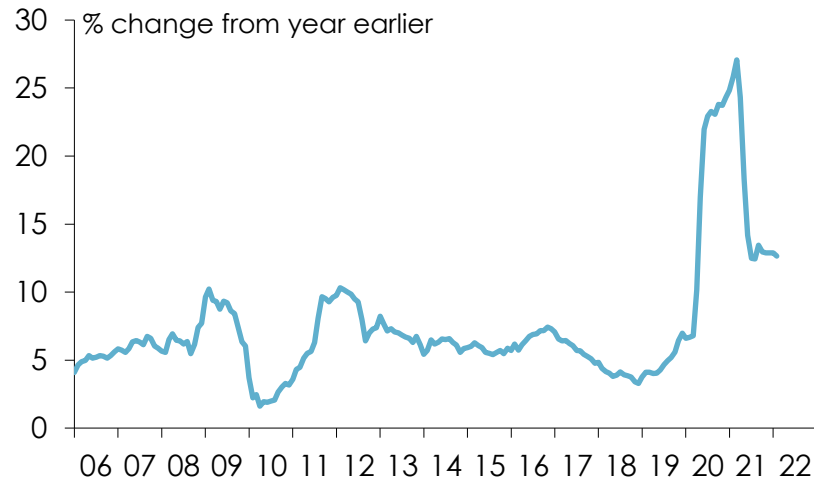


Sources: [US Federal Reserve](#); [European Central Bank](#); [Bank of Japan](#); [Bank of England](#); [Bank of Canada](#); national statistical agencies; Corinna. [Return to "What's New"](#).

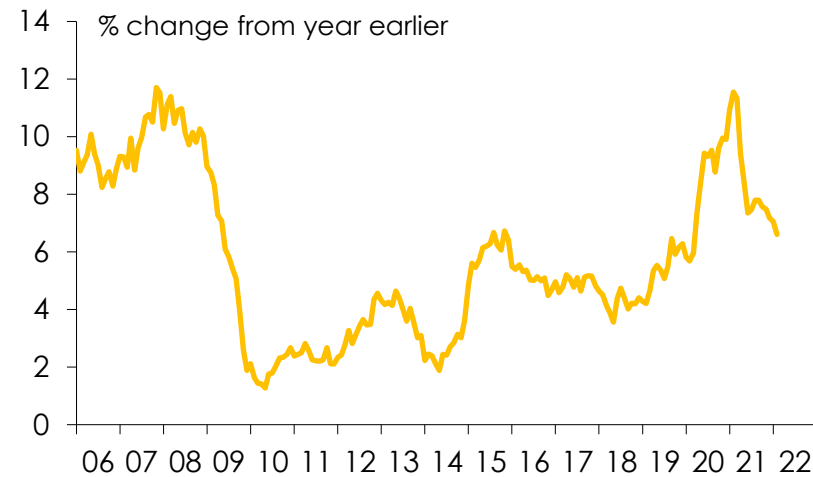
Money supply growth has slowed sharply from the peaks recorded in the first half of 2021 as large monthly increases in 2020 'wash out'

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

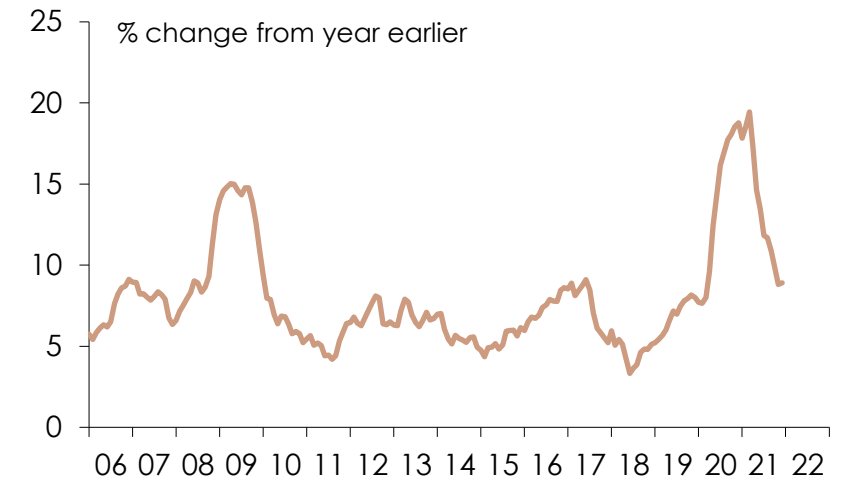
US M2



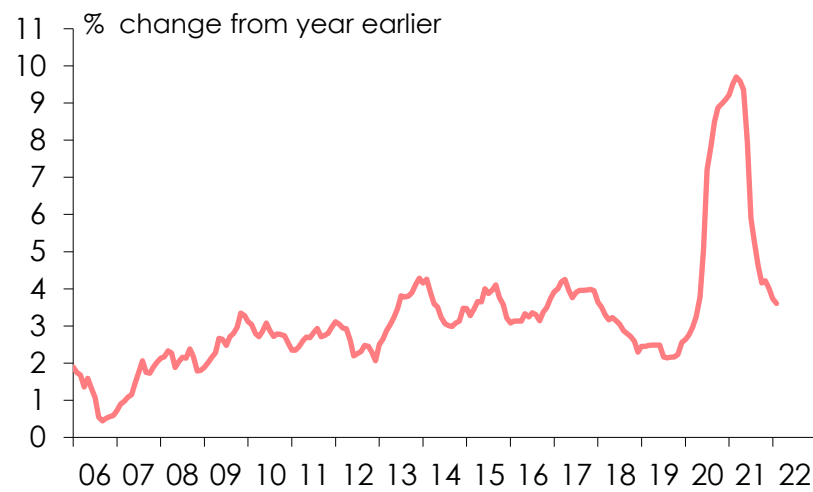
Euro area M2



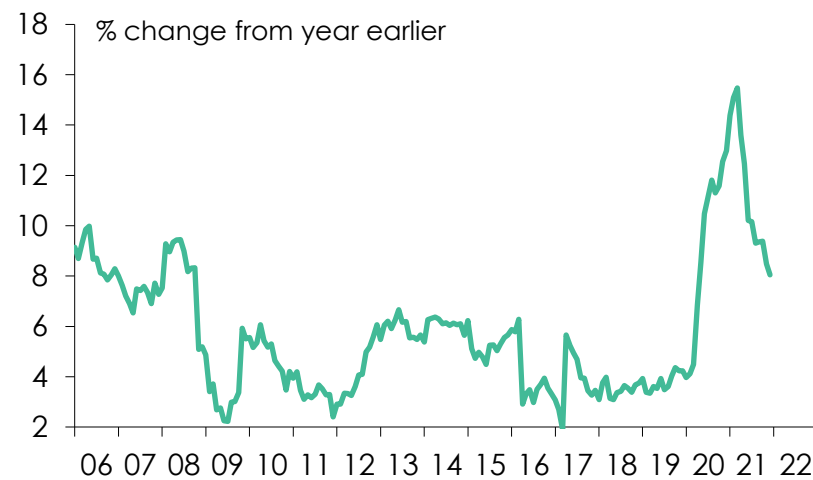
Canada M2



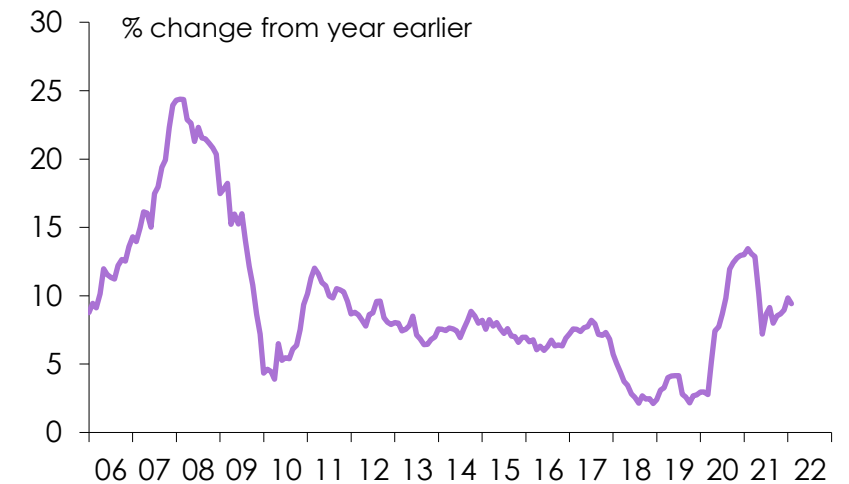
Japan M2 + CDs



UK M2



Australia M3

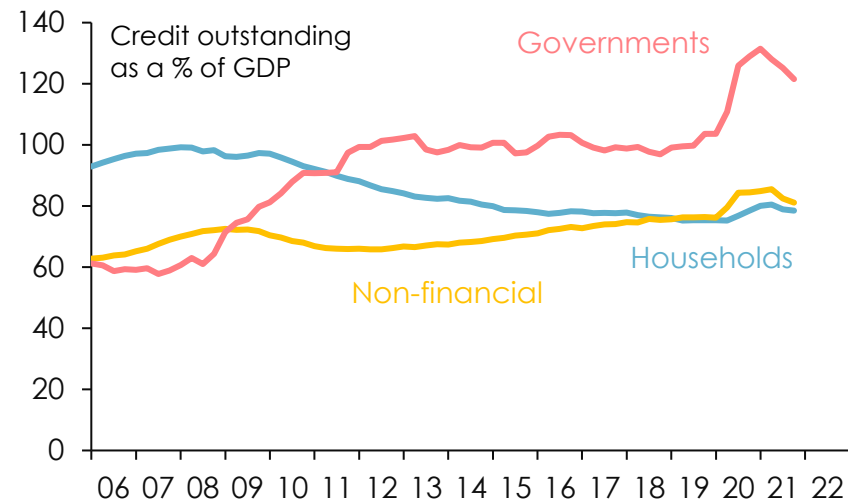


Sources: US Federal Reserve; European Central Bank; Bank of Japan; Bank of England; Bank of Canada; RBA. [Return to "What's New"](#).

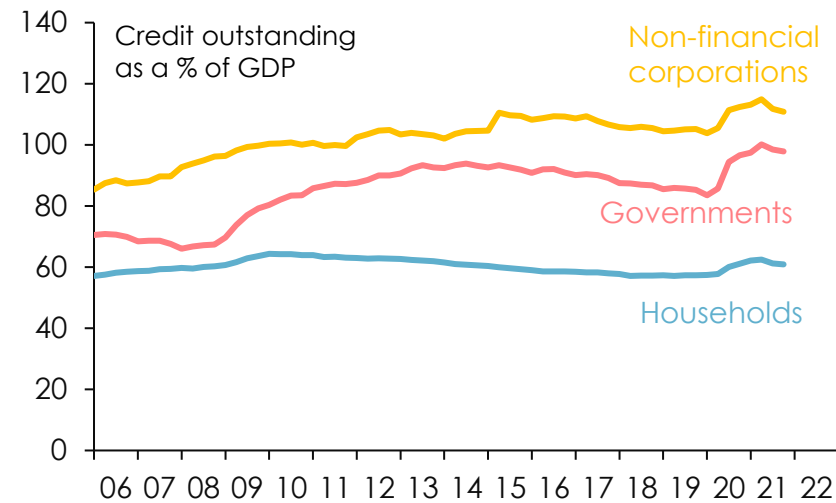
Japanese, US and UK governments, Canadian corporations and Australian households appear most exposed to increases in interest rates

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

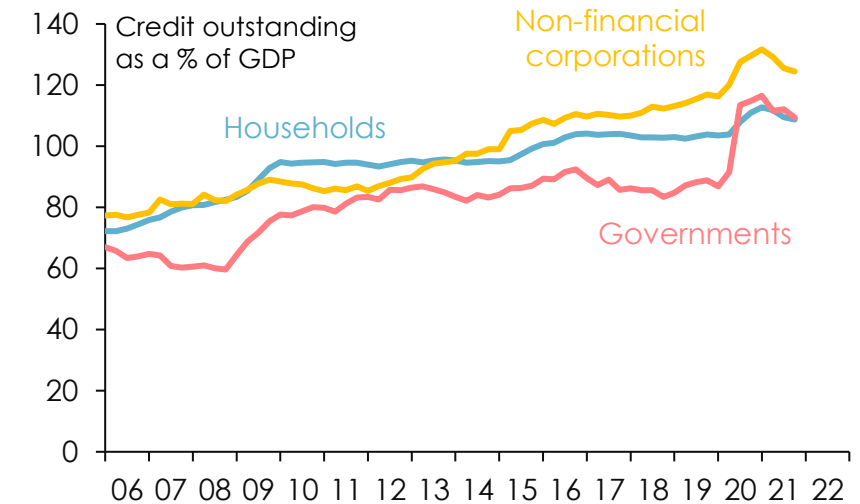
US



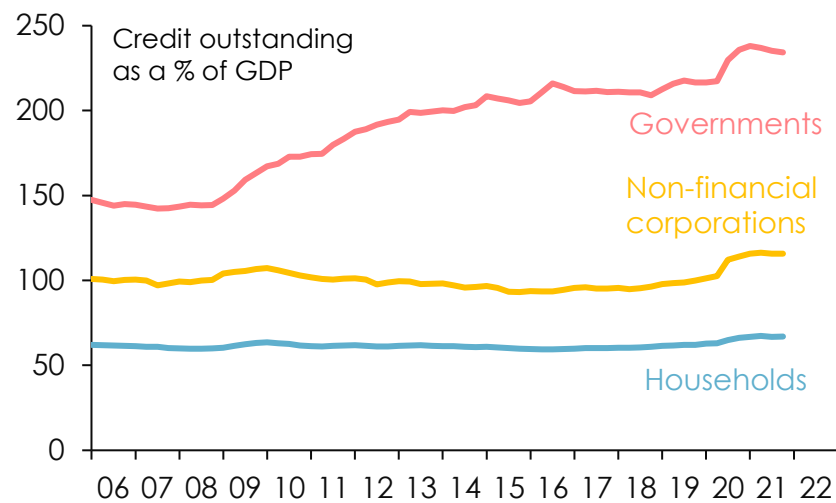
Euro area



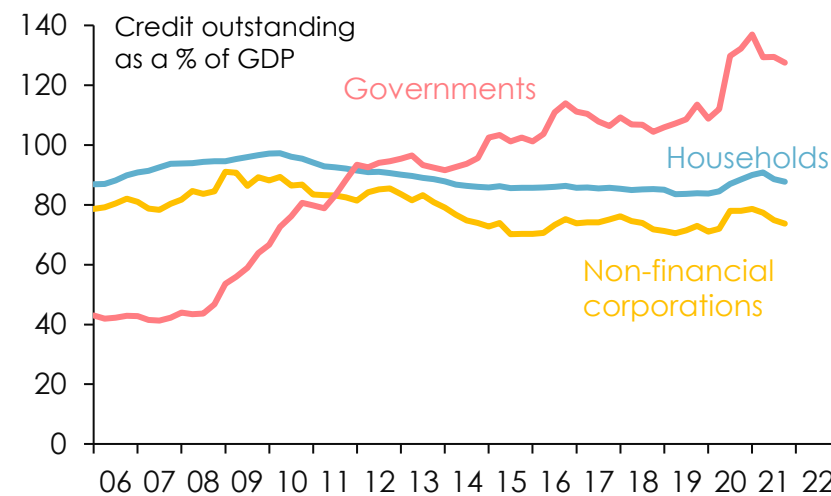
Canada



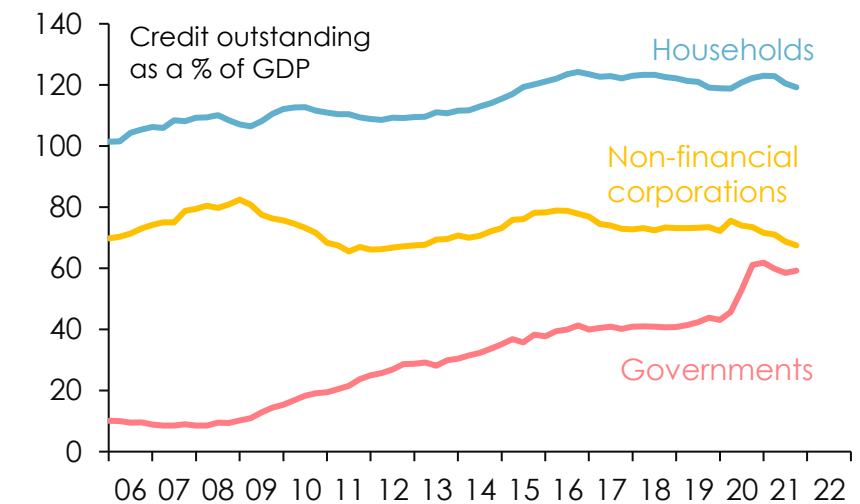
Japan



UK



Australia

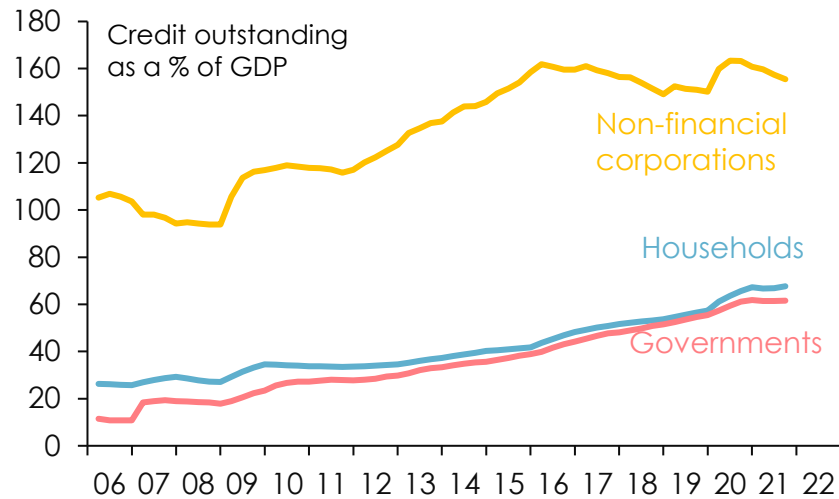


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

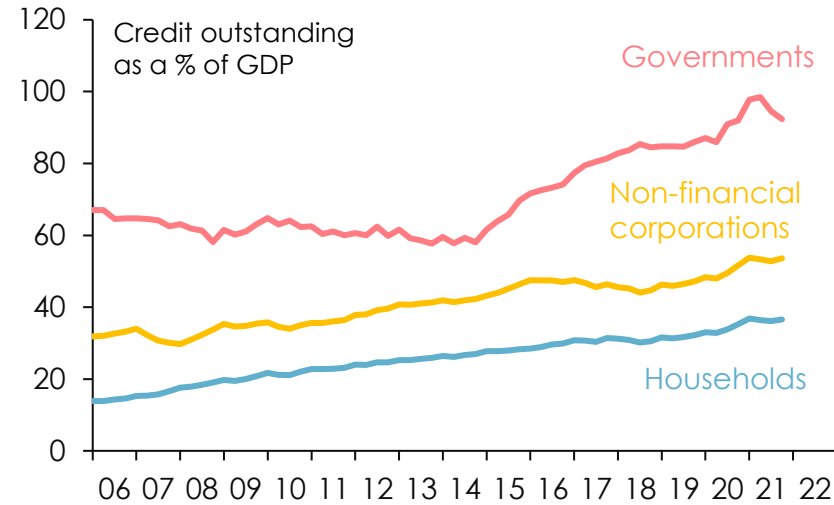
In major 'developing' economies it's usually governments that are most exposed to rising interest rates – except for China, Russia and Turkey

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

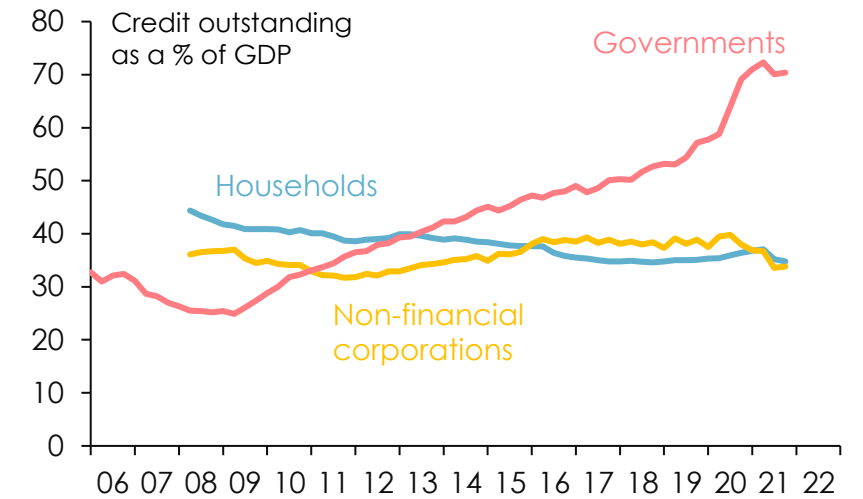
China



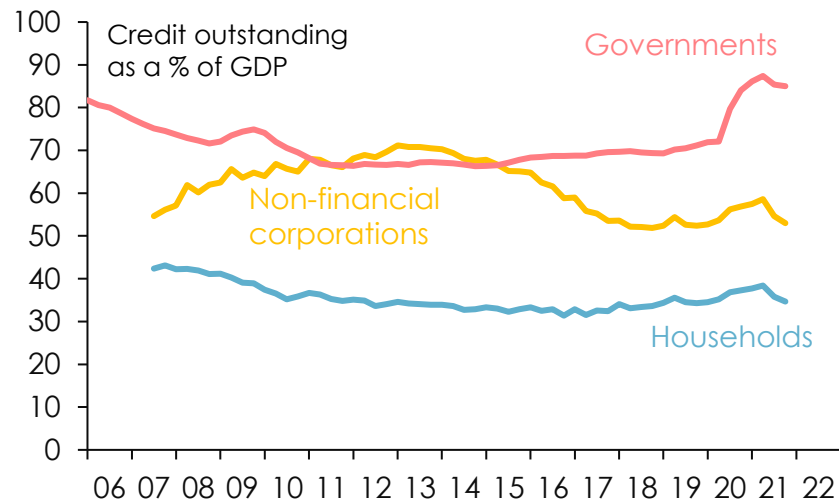
Brazil



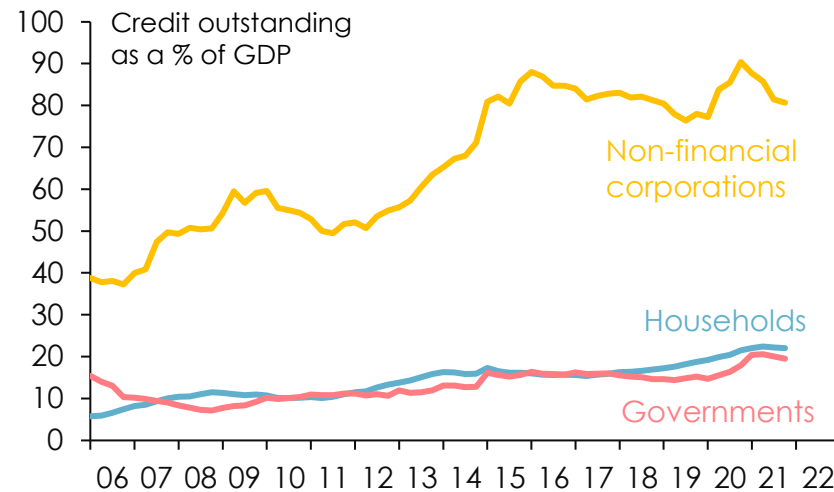
South Africa



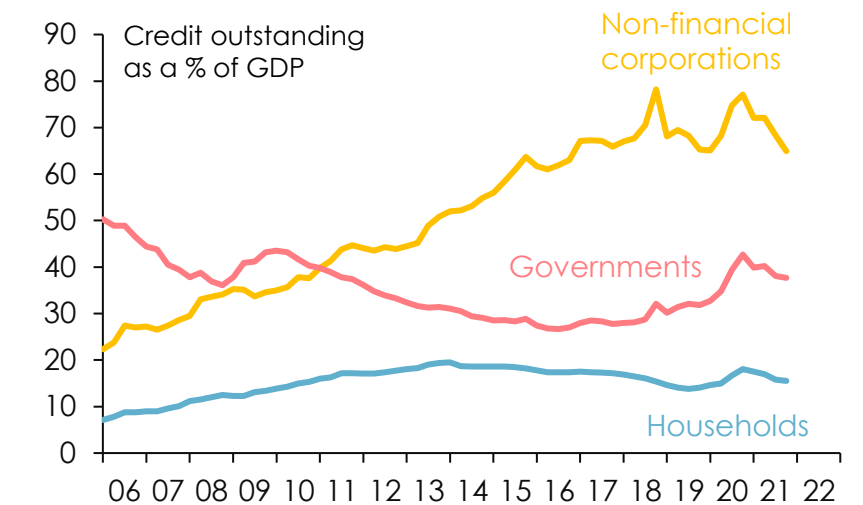
India



Russia



Turkey

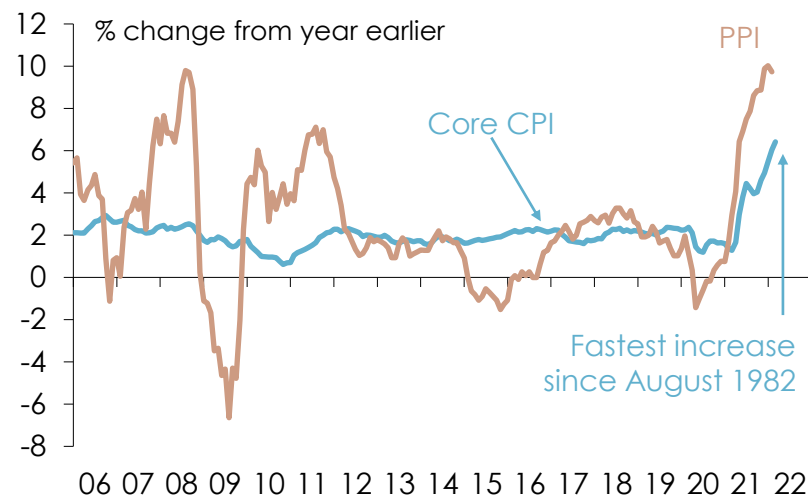


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. For data for other Asian economies see [slide 113](#). [Return to "What's New"](#).

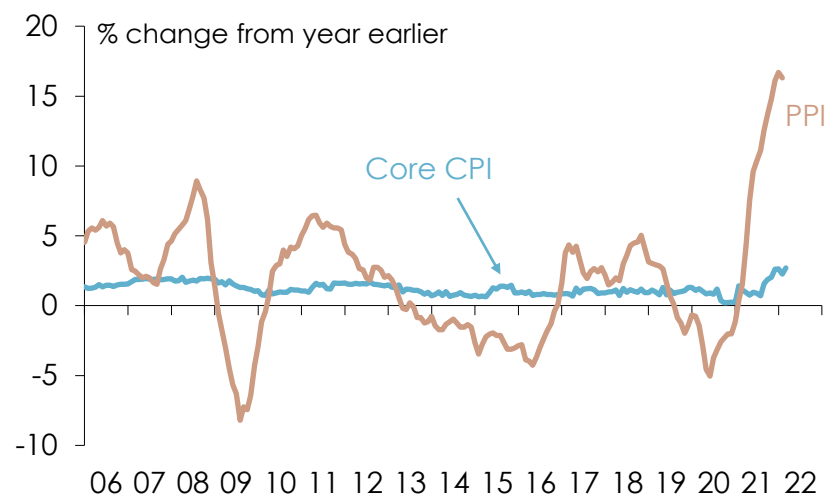
Producer prices are surging in all major economies: but only in the US and the UK is this feeding into markedly higher core CPI inflation

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

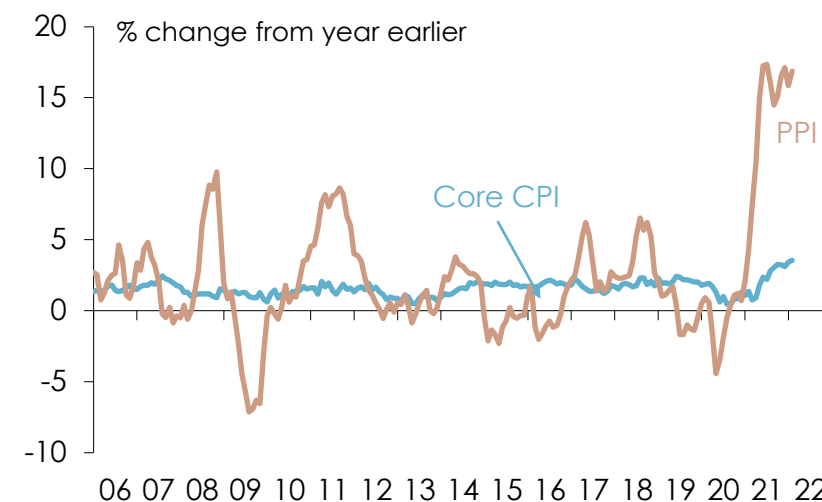
United States



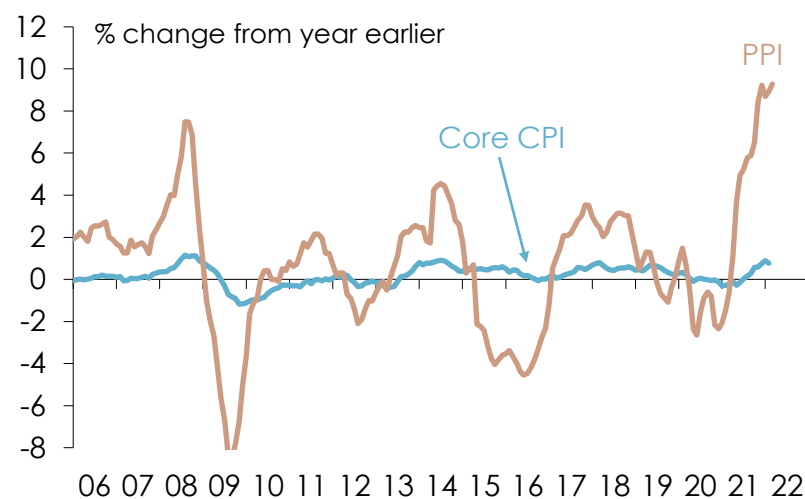
Euro area



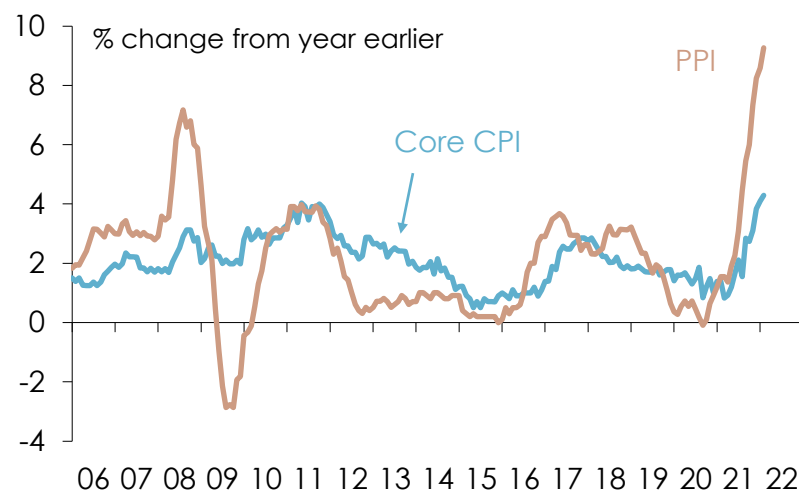
Canada



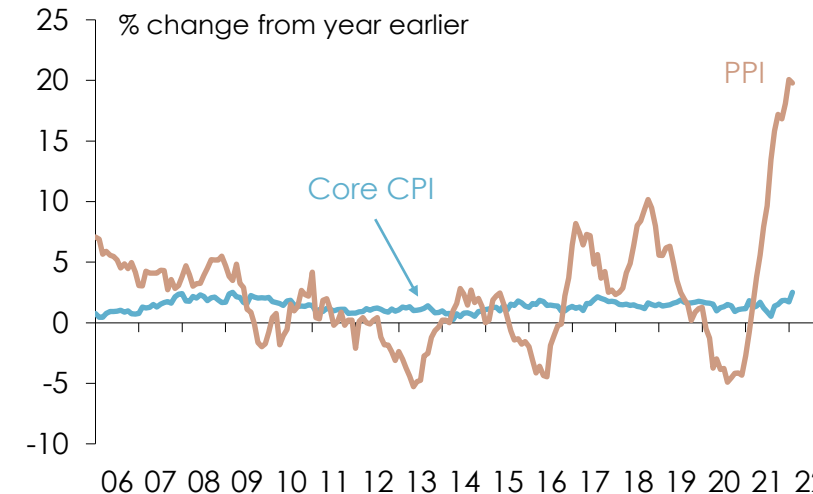
Japan



United Kingdom



Sweden

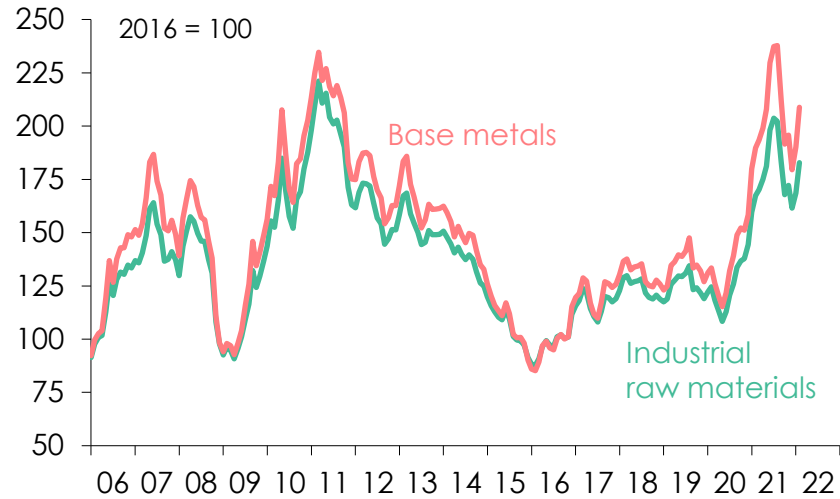


For a more detailed analysis of recent US inflation data see [slides 61-65](#). Sources: [US Bureau of Labor Statistics](#); [Statistics Bureau of Japan](#) and [Bank of Japan](#); [Eurostat](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Statistics Sweden](#). [Return to "What's New"](#).

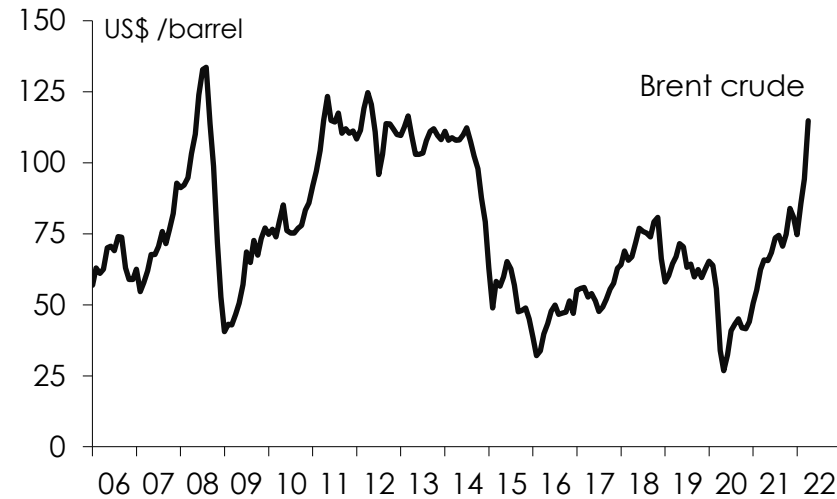
After seeming to have peaked in October, commodity prices have started rising again, especially for oil and gas in the wake of the Ukraine conflict

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

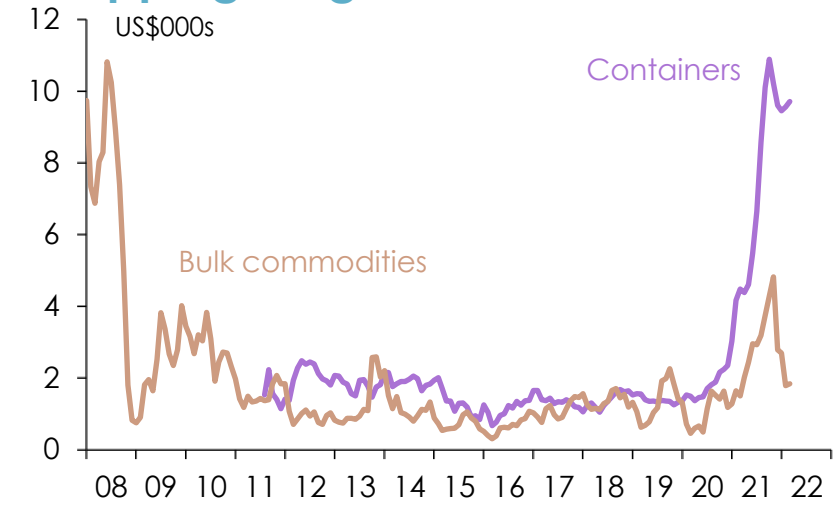
'Hard' commodity prices



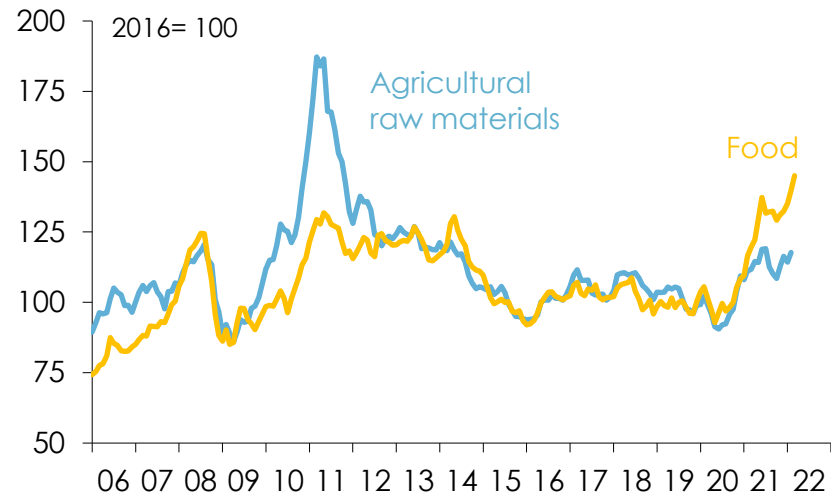
Crude oil price



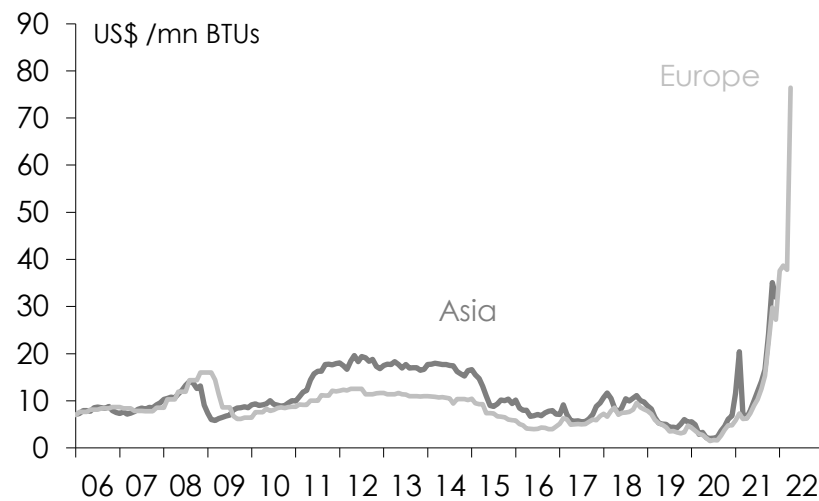
Shipping freight costs



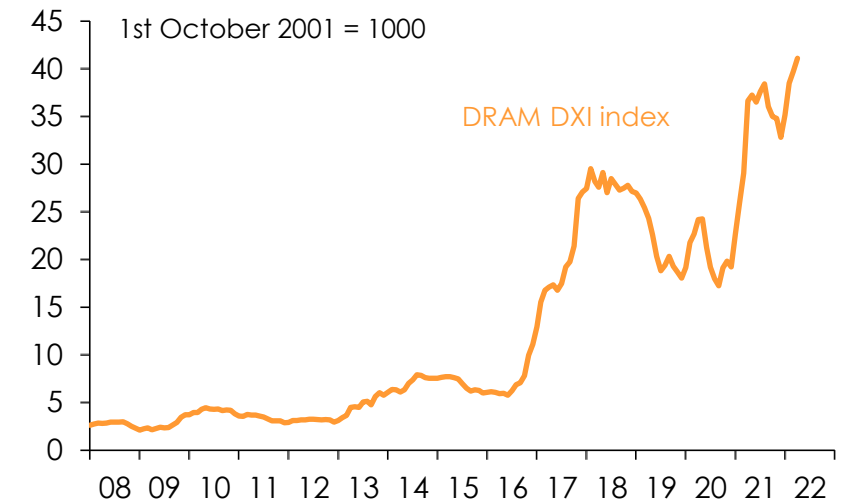
'Soft' commodity prices



Natural gas prices



Semiconductor chip prices

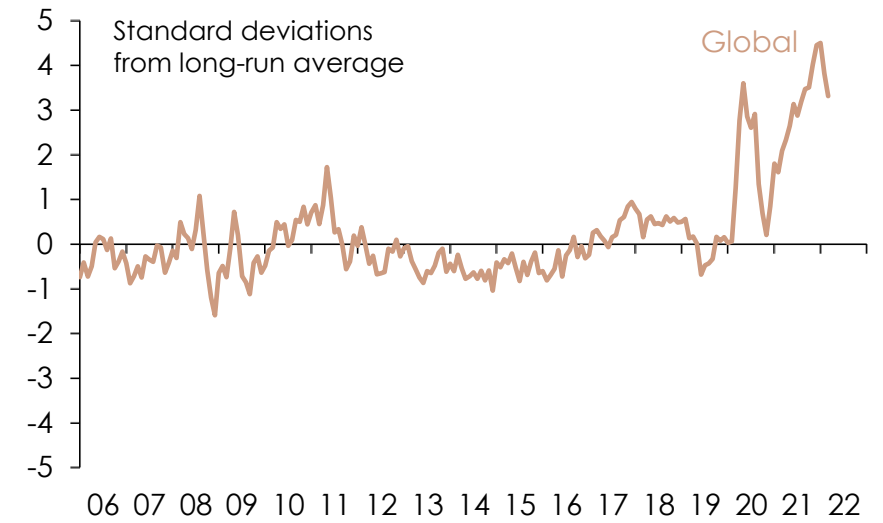
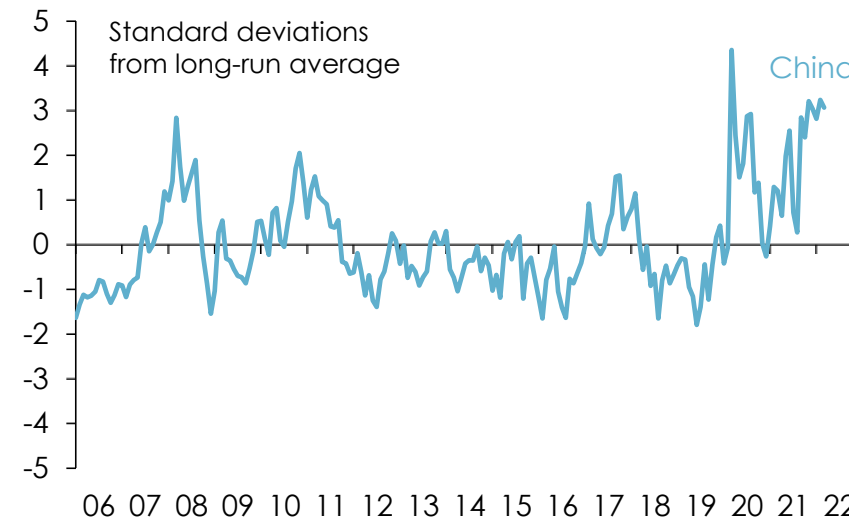
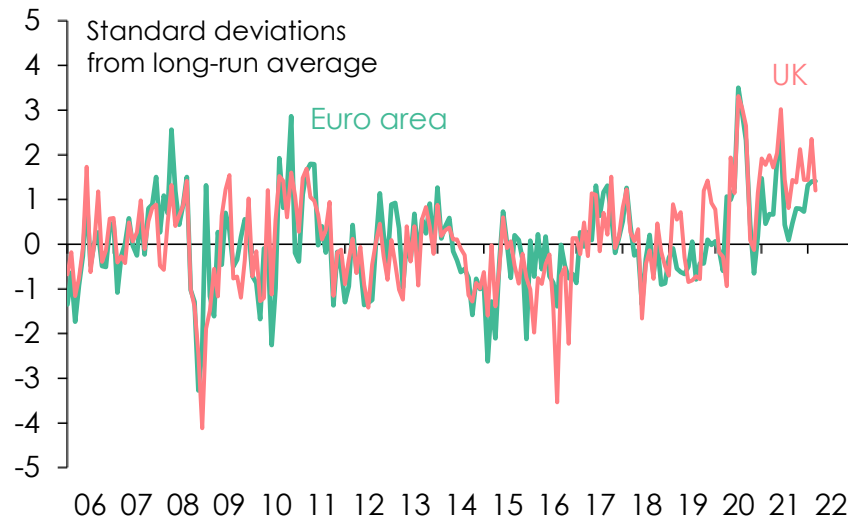
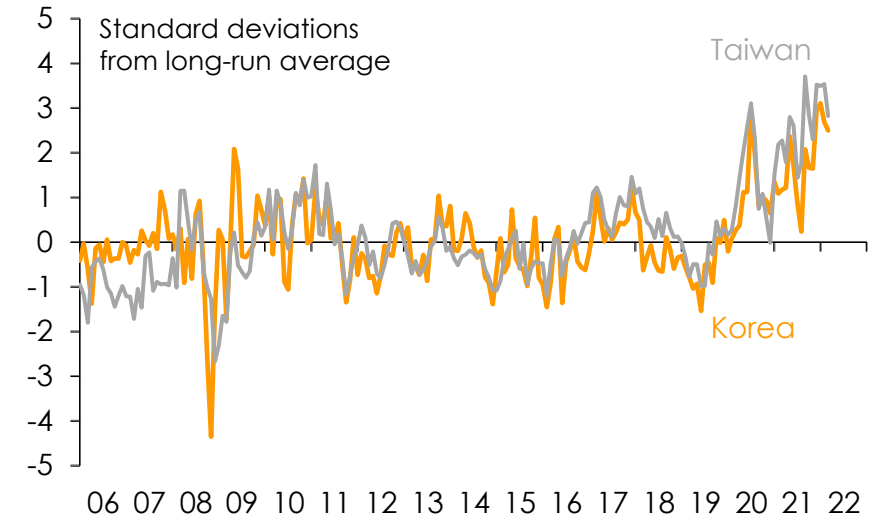
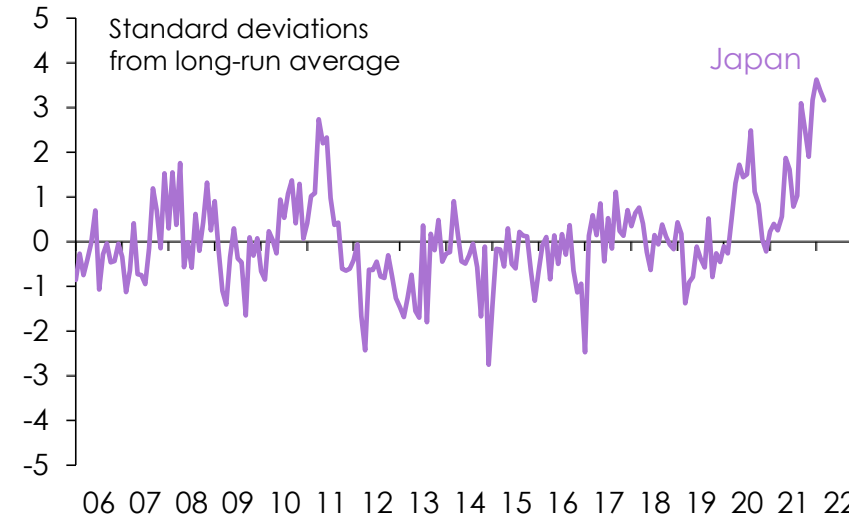
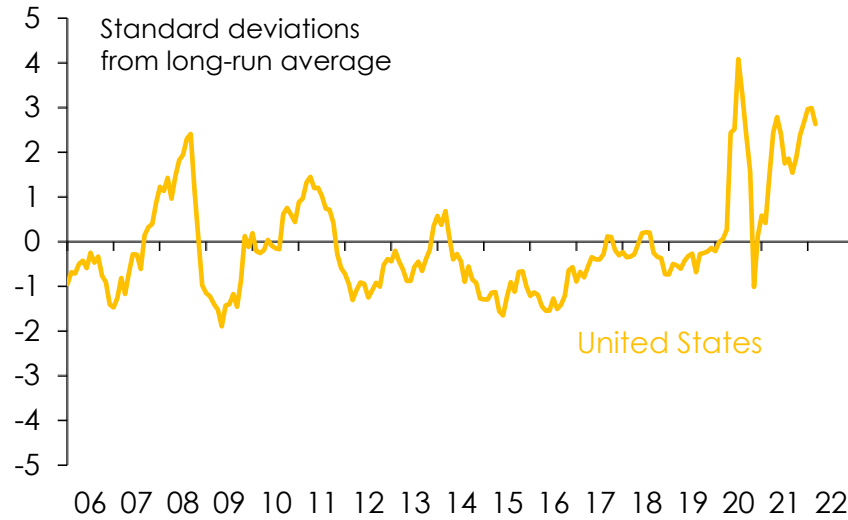


Note: The IMF commodity price indices were re-based to 2016 = 100 (previously 2005) in October 2021. The European natural gas price is the Netherlands TTF forward day ahead price, up to November; estimates since then are derived by adjusting the November value for subsequent movements in the Rotterdam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

Supply chain pressures have eased a little since December but remain at historically high levels

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

NY Fed global supply chain pressure index

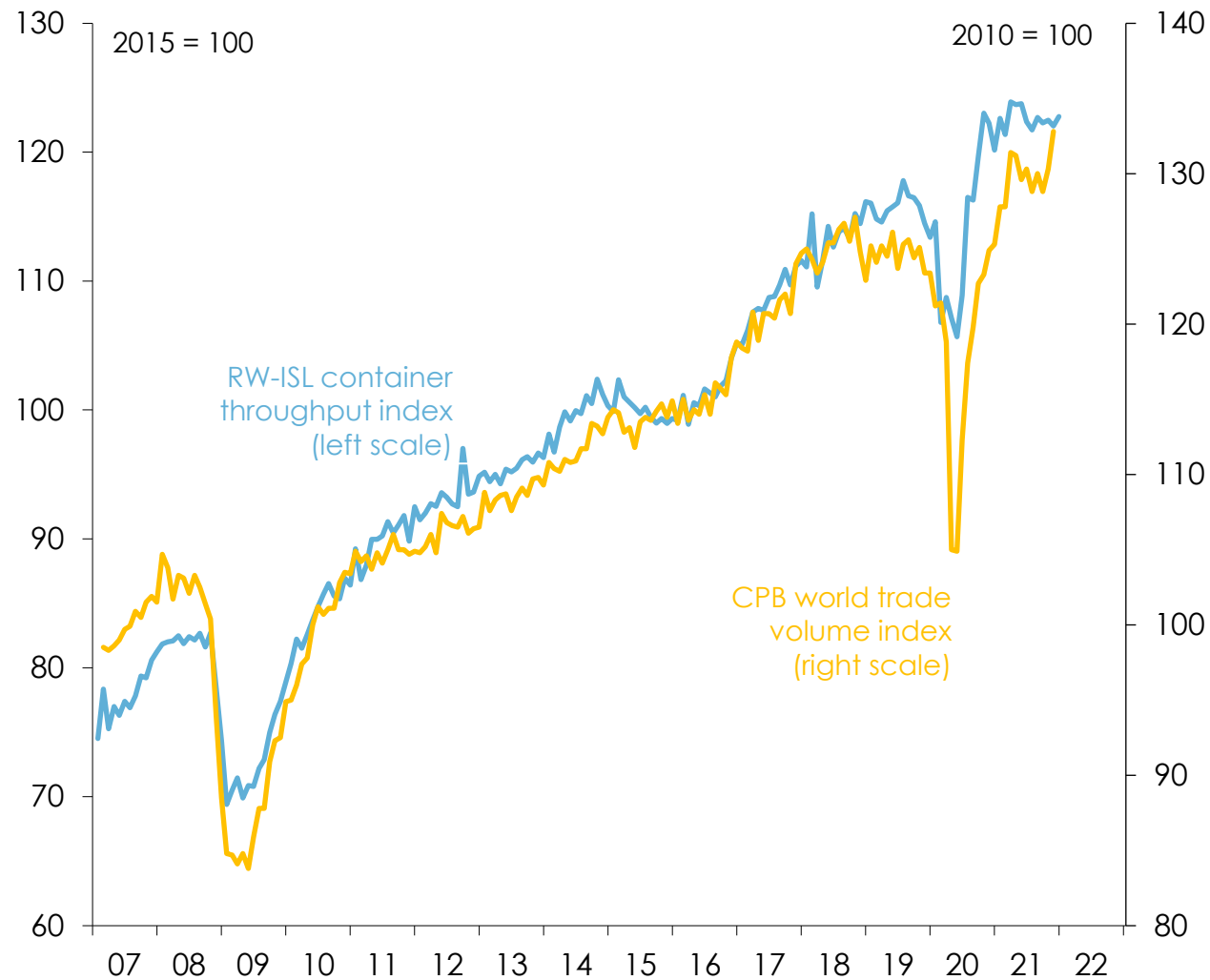


Sources: Gianluca Benigno, Julian Di Giovanni, Jan Groen & Adam Noble, [A New Barometer of Global Supply Chain Pressures](#), Federal Reserve Bank of New York, 4th January 2022 (which contains a detailed explanation of the construction of this index); and [Global Supply Chain Pressure Index: March 2022 Update](#), 3rd March 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

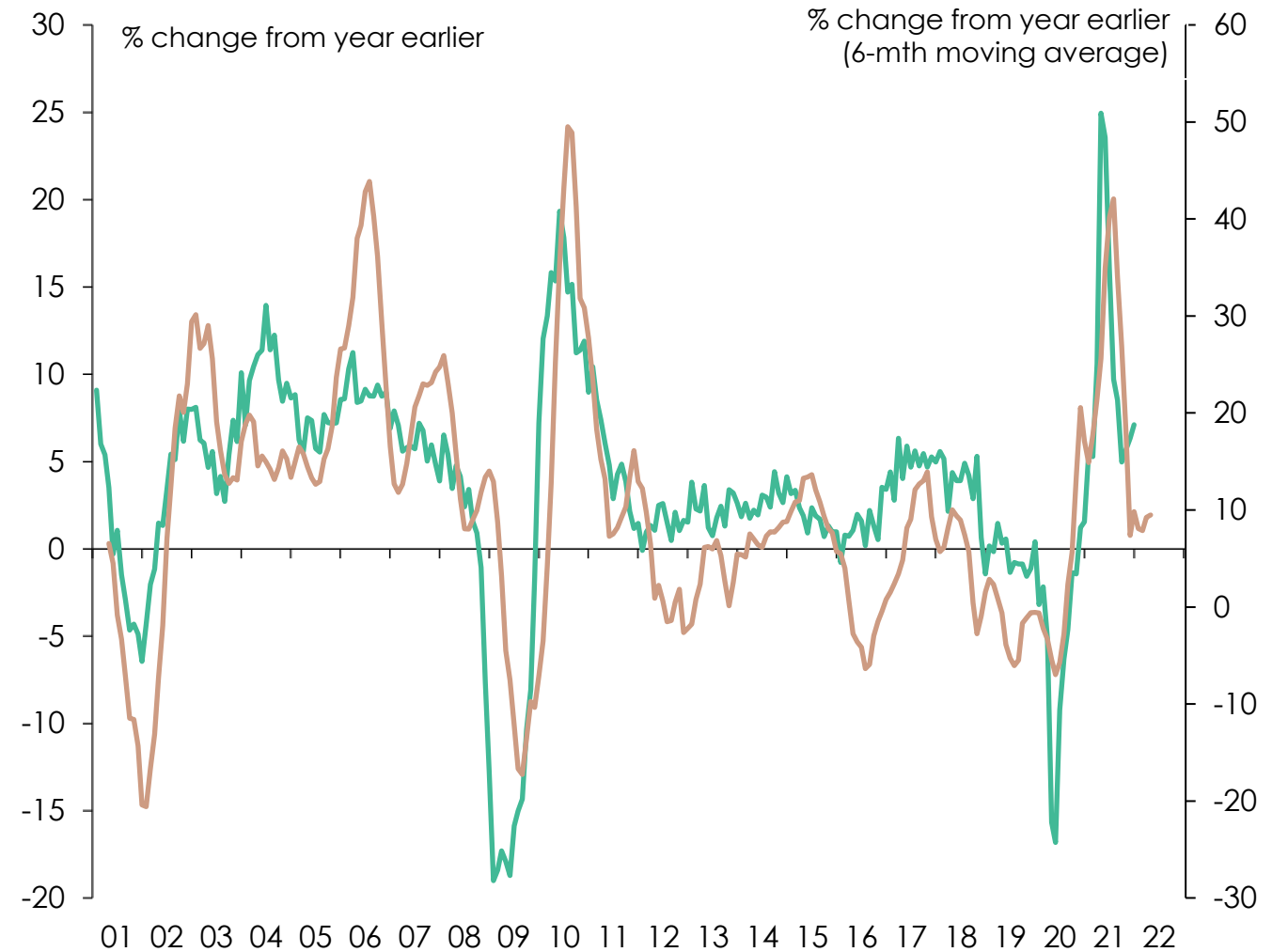
THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

World trade volumes and container throughput



— RWI-ISL container throughput index (left scale)
 — CPB World trade volume index (right scale)

Taiwan export orders and world trade volumes



— Volume of world trade (left scale)
 — Taiwan export orders, fwd 3 months (right scale)

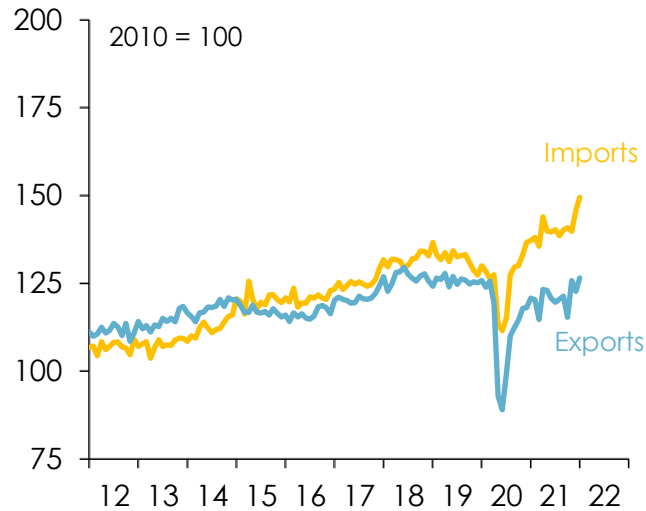
Note: The shipping container throughput index is based on reports from 91 ports around the world handling over 60% of global container shipping.

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"](#).

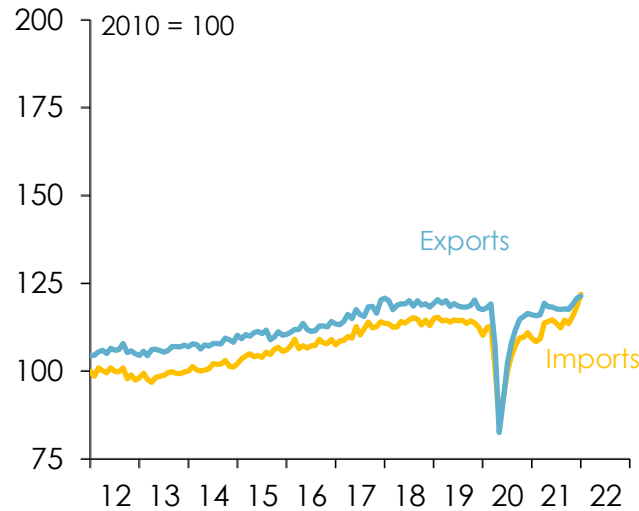
Imbalances in trade between the US and 'emerging' Asia (including China) are the major factor in the mal-distribution of containers around the world

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

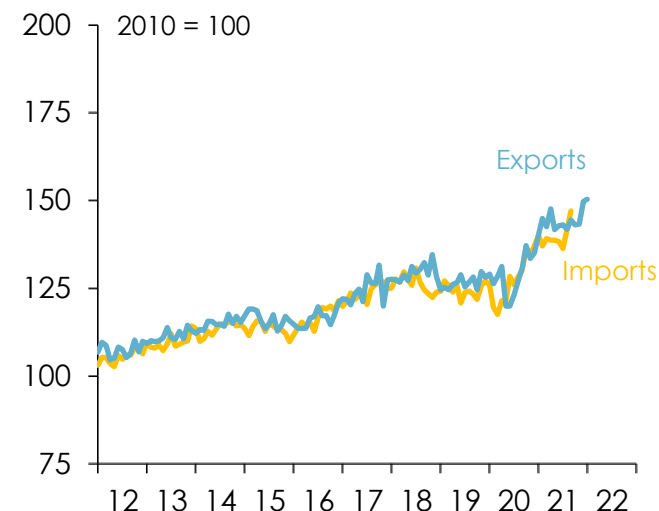
United States



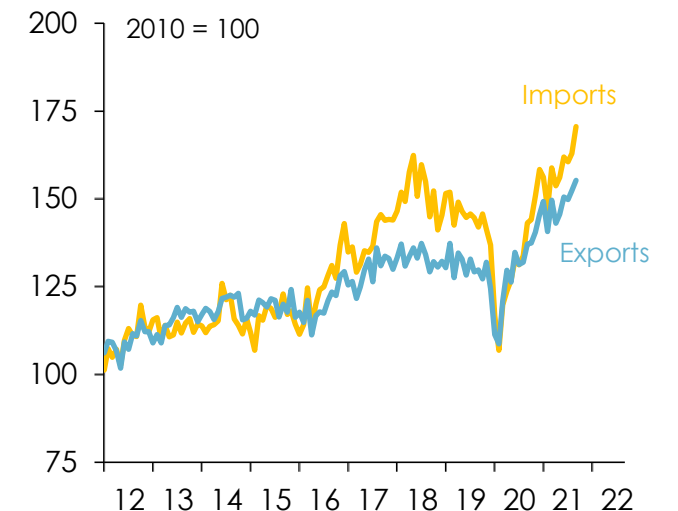
Euro area



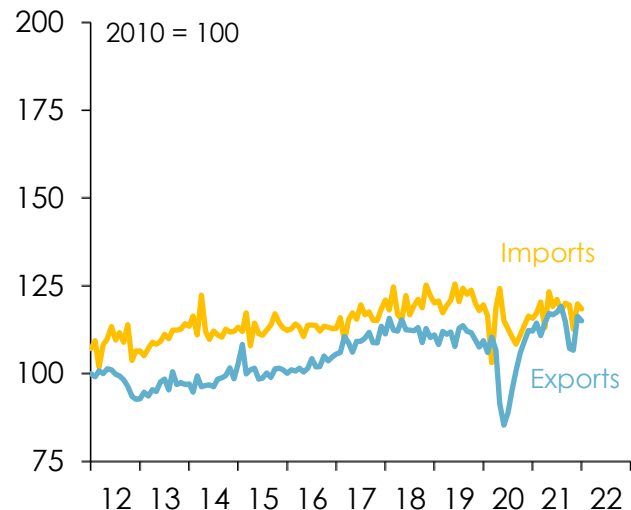
Other 'advanced' Asia



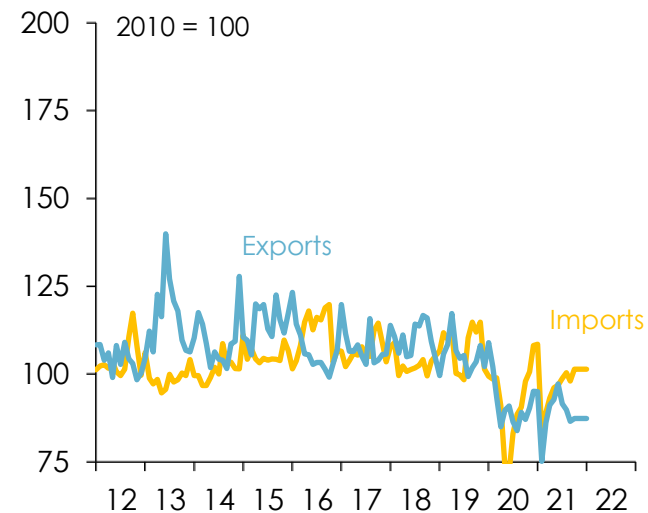
Other 'emerging' Asia



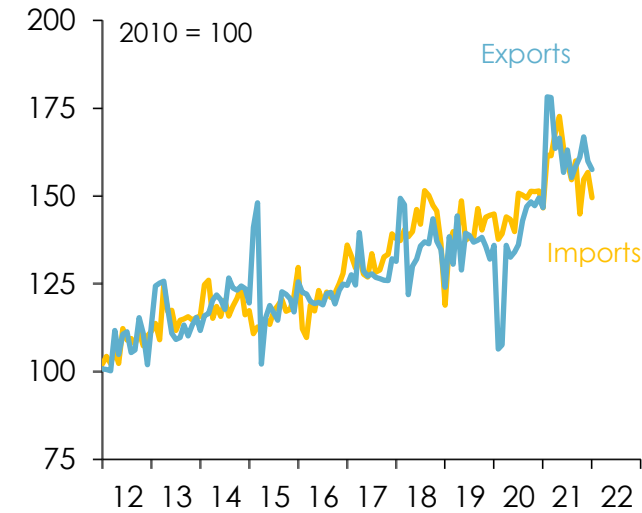
Japan



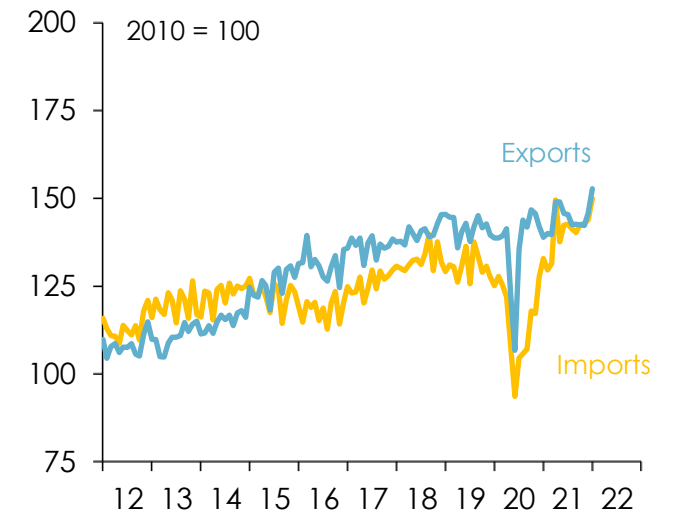
United Kingdom



China



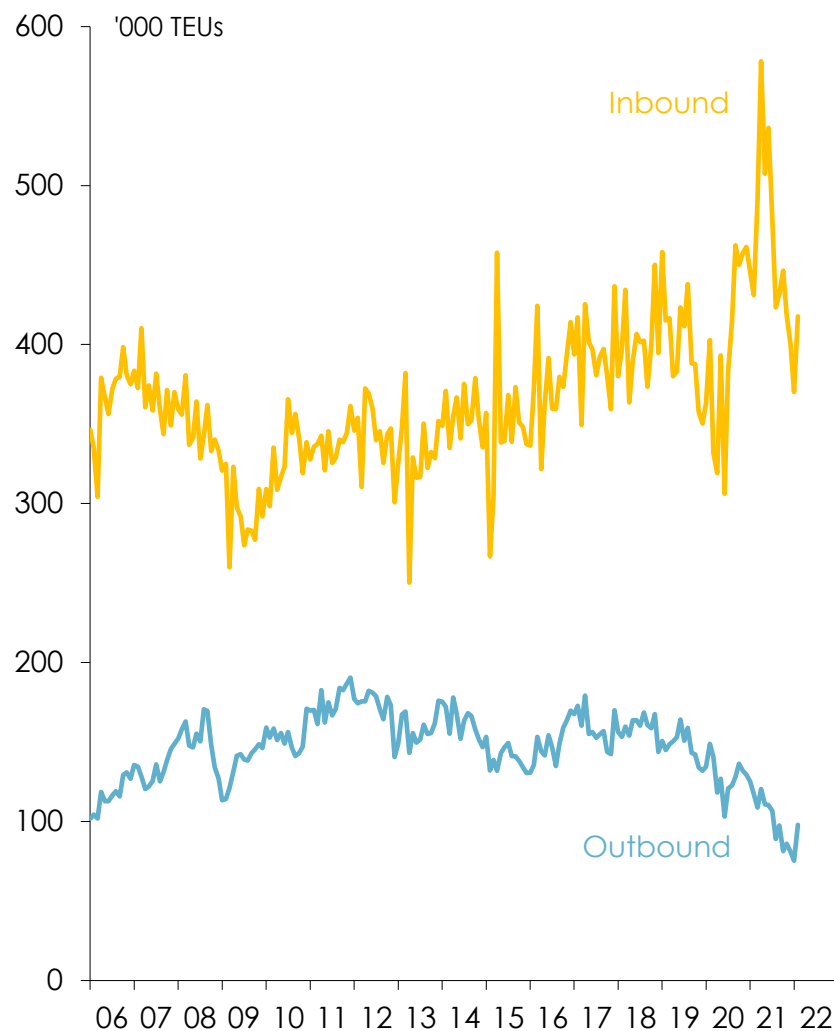
Latin America



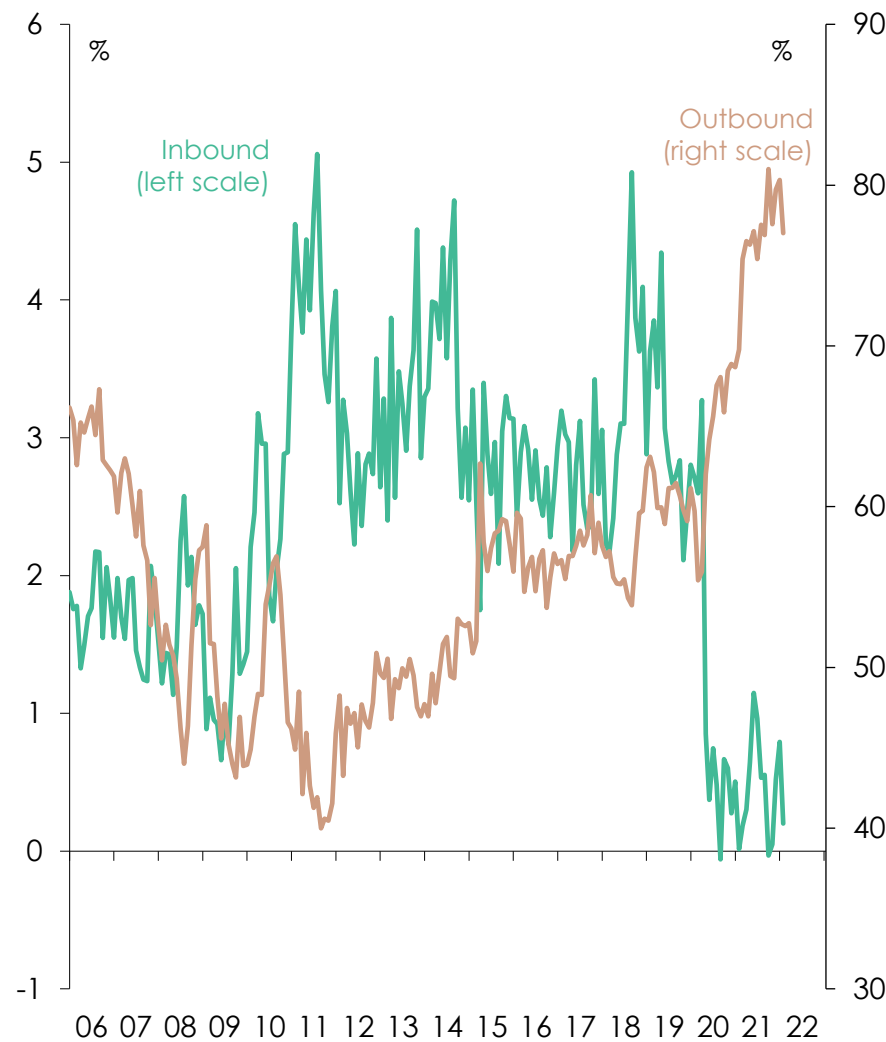
Congestion at the Port of Los Angeles (the US' largest container port) has eased significantly but trade flows remain unusually unbalanced

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

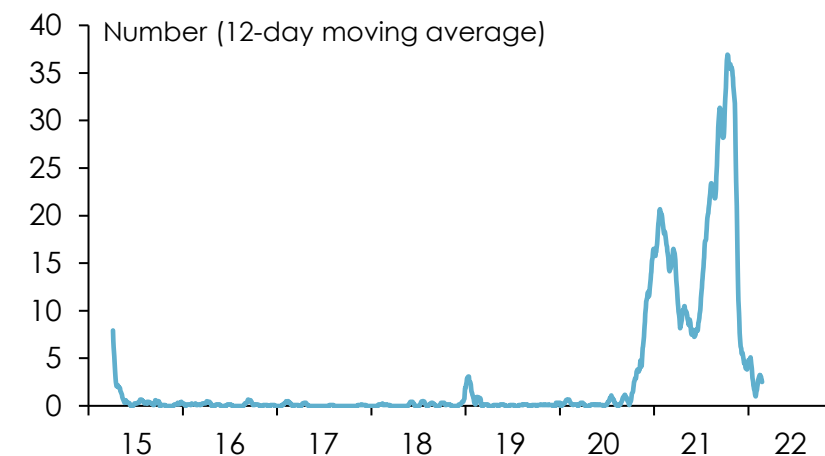
Container traffic through the Port of Los Angeles



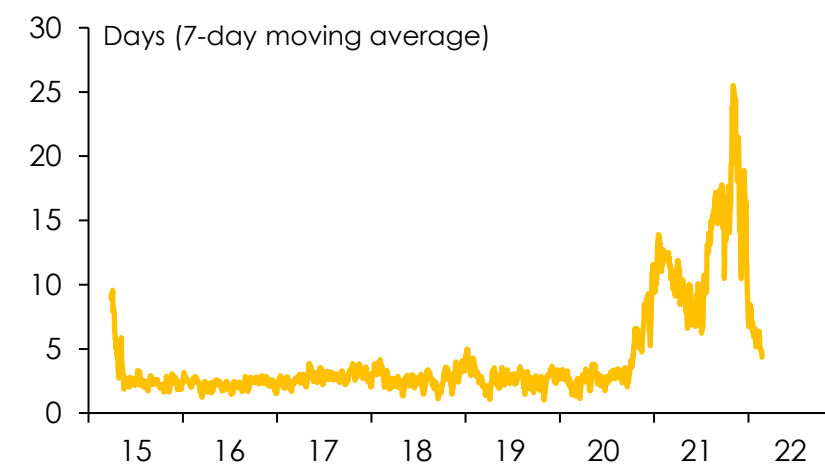
Empty containers as a pc of total passing through PoLA



Number of vessels at anchor outside PoLA



Average time at anchor and berth for ships at PoLA

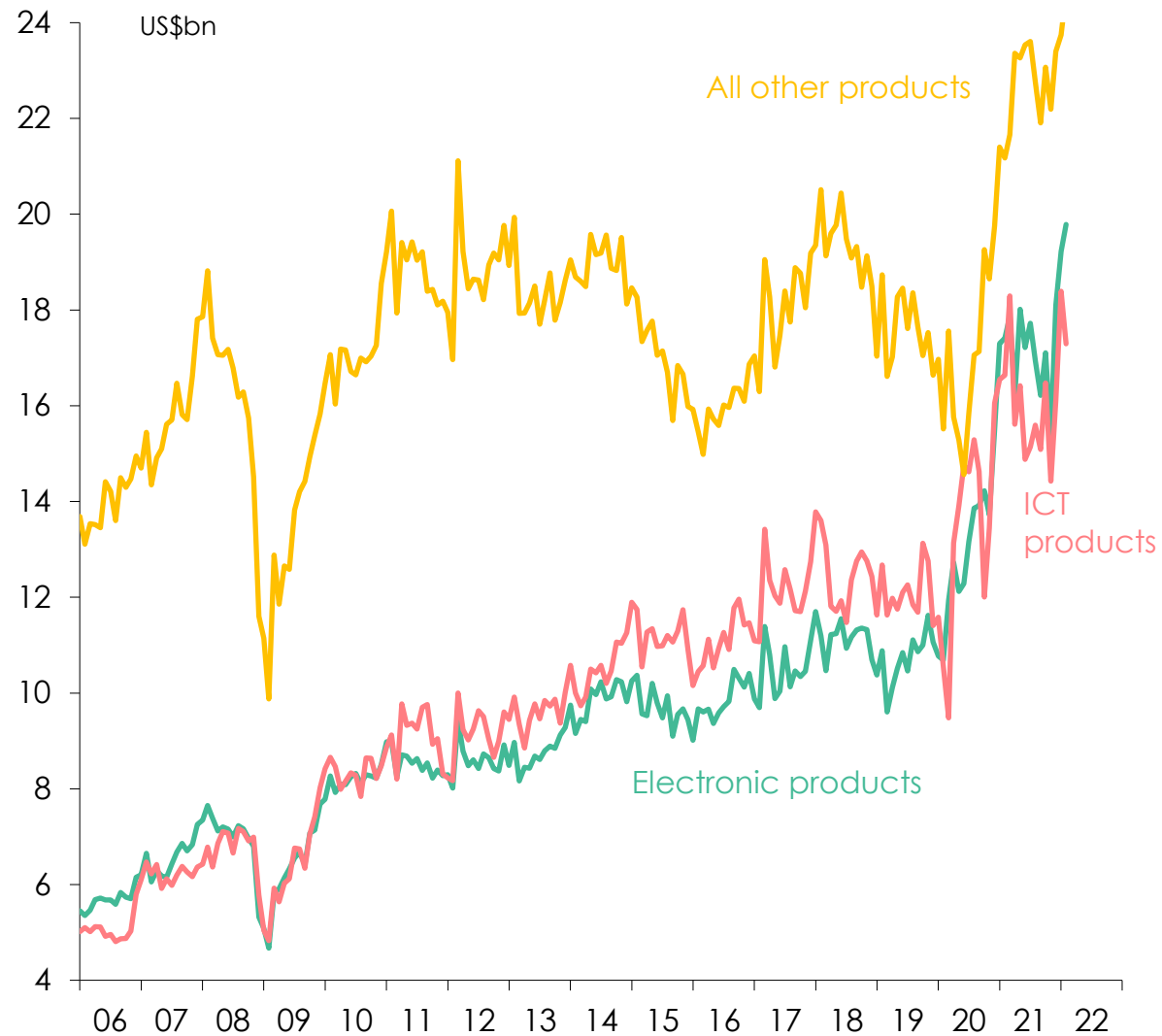


Note: TEU = 20-foot equivalent unit. Data on inbound and outbound container traffic in the first two charts have been seasonally adjusted by Corinna using Refinitiv Datastream. Source: The Port of Los Angeles, [Container Statistics](#) and [Container vessels in port](#). [Return to "What's New"](#).

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 – 14TH MARCH 2022

Taiwan export orders, by product



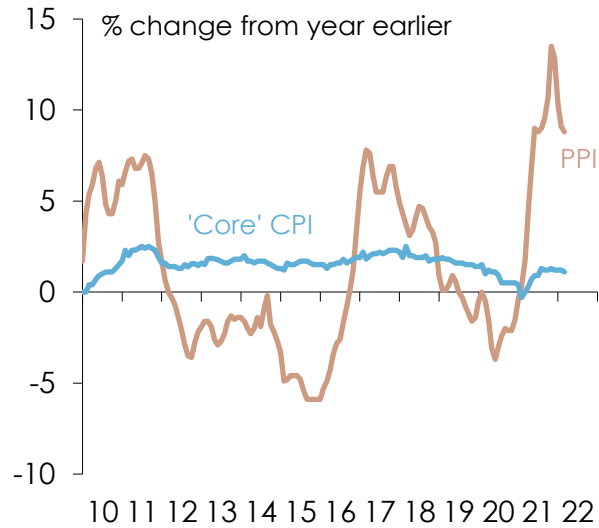
- ❑ Taiwan accounts for 63% of the US\$85bn global semi-conductor chip market (followed by Korea 18% and China 6%)
 - one Taiwanese company, Taiwan Semiconductor Manufacturing Co (TSMC) has 54% of the world market, and United Microelectronics Co (UMC) a further 7% (Samsung accounts for Korea's 18%)
- ❑ 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"](#).

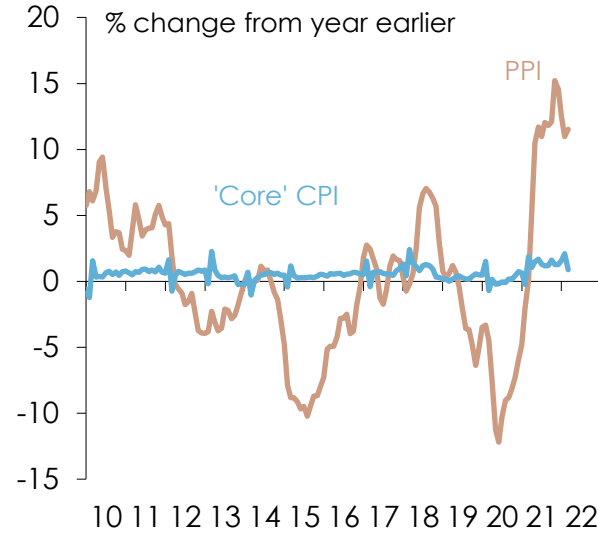
'Core' CPI inflation has picked up a little bit in the more 'advanced' East Asian economies but remains dormant in China and South-East Asia

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

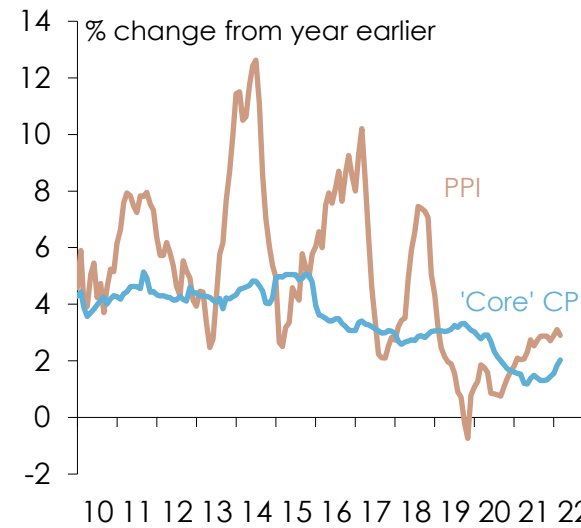
China



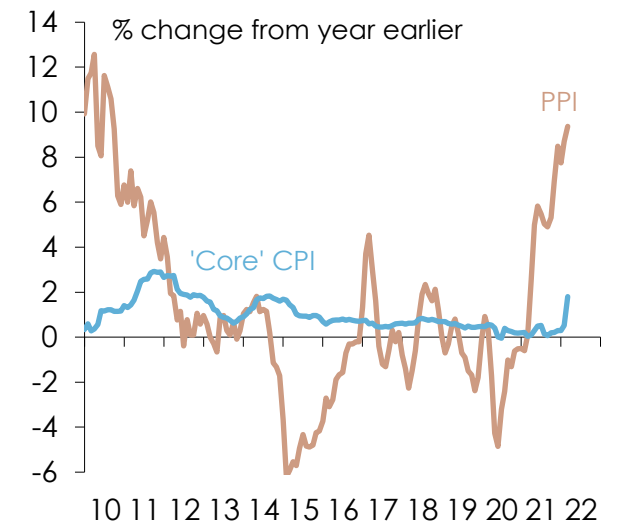
Taiwan



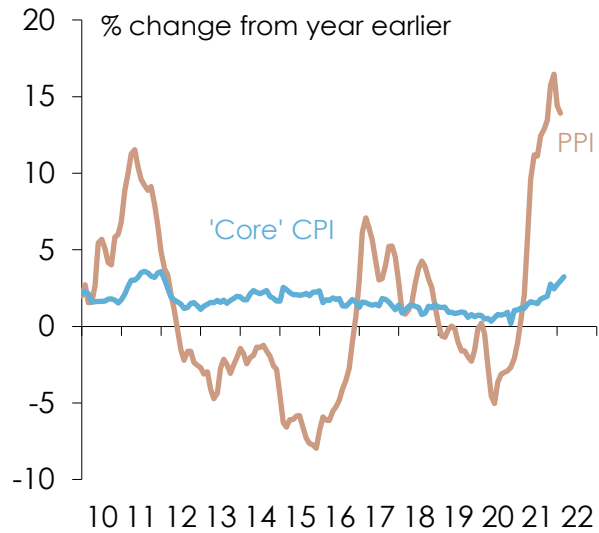
Indonesia



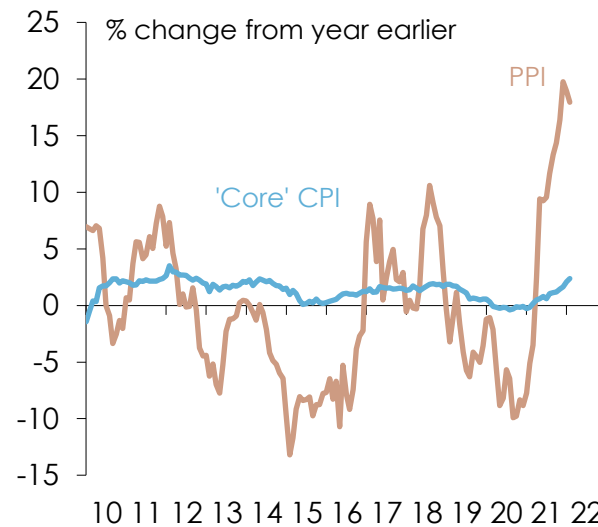
Thailand



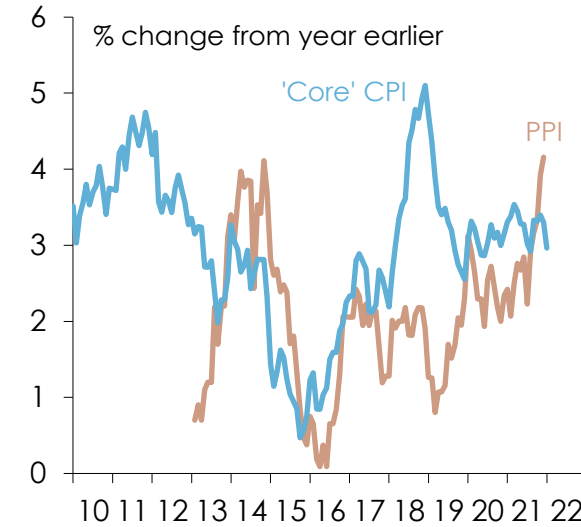
Korea



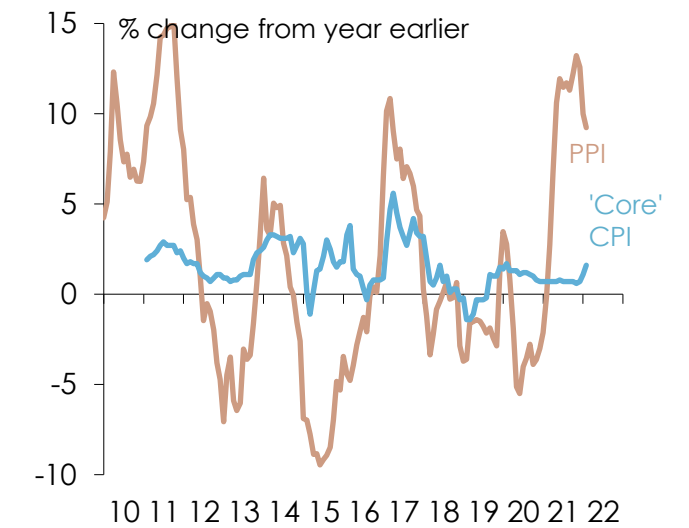
Singapore



Philippines



Malaysia

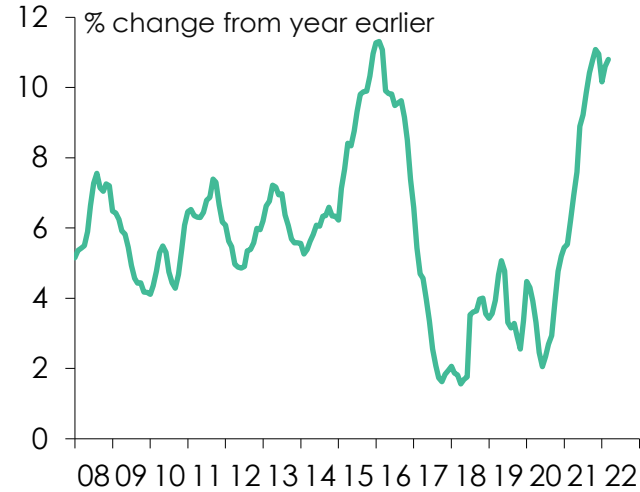


Note: 'Core' CPIs measure different things in different Asian economies – see footnotes to [slide 103](#). Sources: [China National Bureau of Statistics](#); [Statistics Korea](#); [Bank of Korea](#); [Taiwan Statistical Bureau](#); [Singstat](#); [Monetary Authority of Singapore](#); [Statistics Indonesia](#); [Philippine Statistics Authority](#); [Thailand Bureau of Trade and Economic Indices](#); [Department of Statistics Malaysia](#). [Return to "What's New"](#).

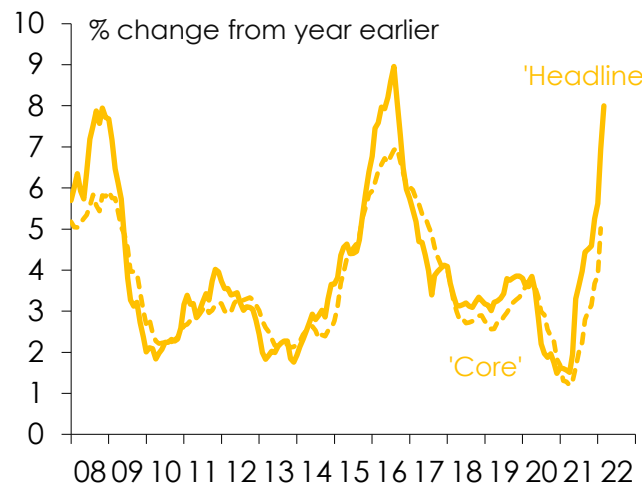
Consumer price inflation is rising sharply across Latin America (except for Venezuela, where it's now down to just 313%!)

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

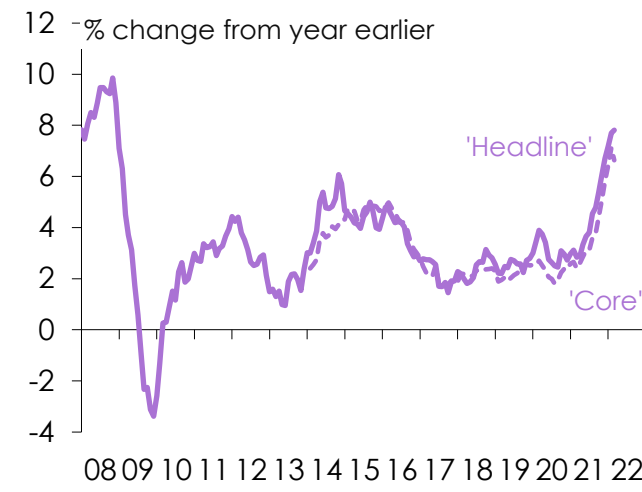
Brazil



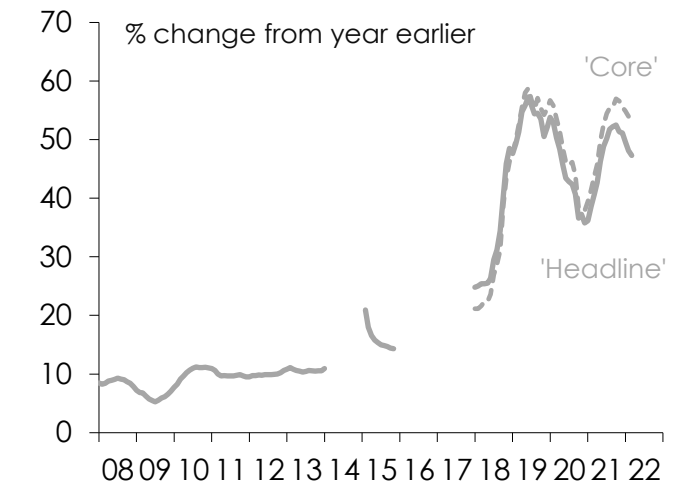
Colombia



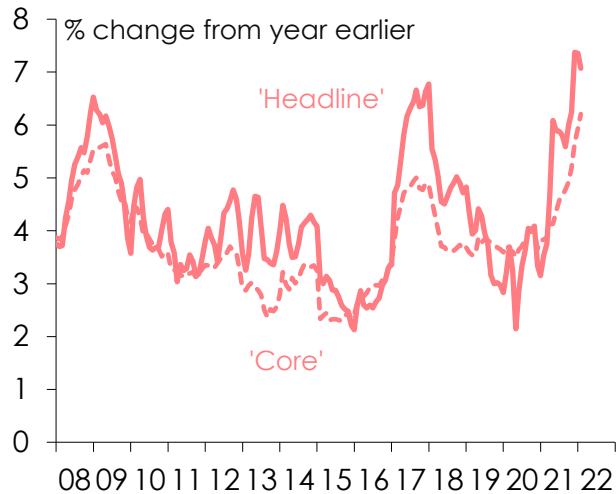
Chile



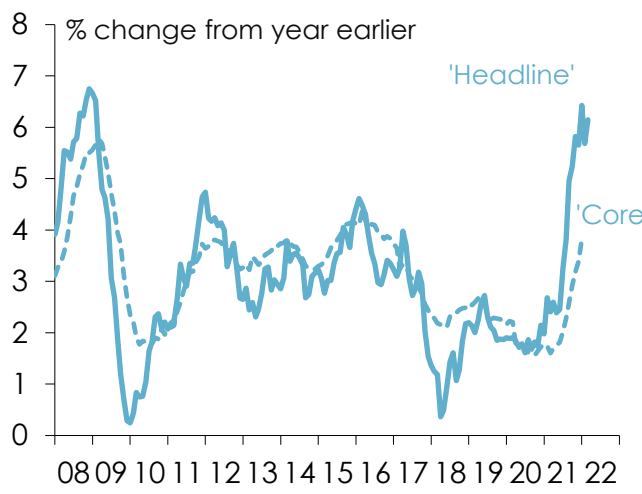
Argentina



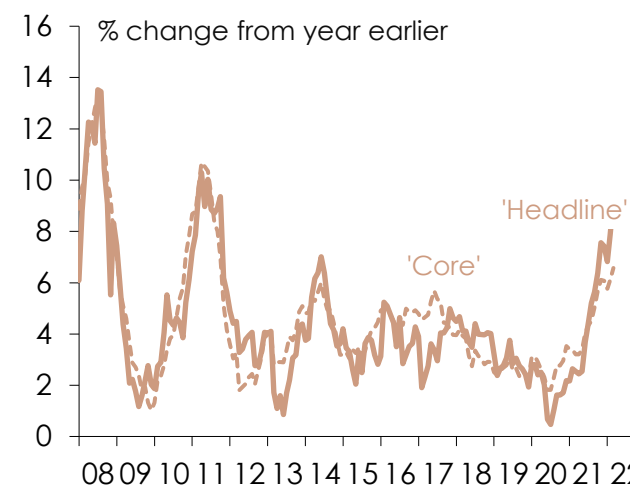
Mexico



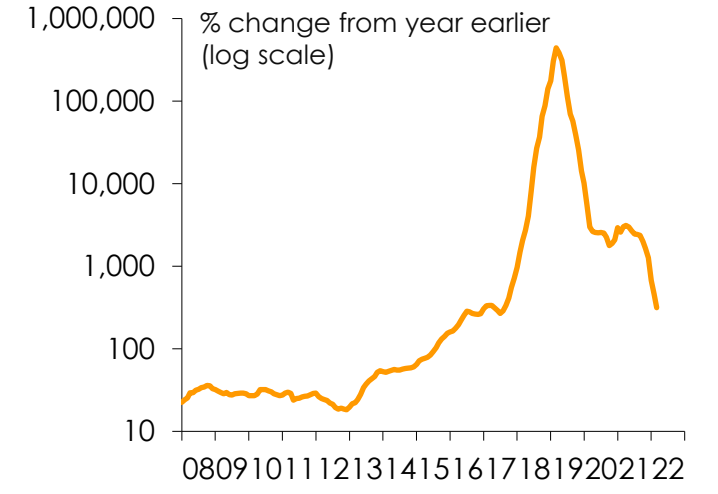
Peru



Paraguay



Venezuela

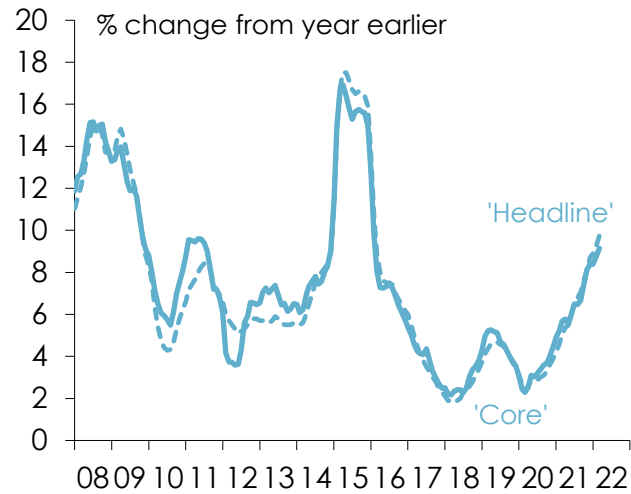


Sources: [Instituto Brasileiro de Geografia e Estatística](#); [Instituto Nacional de Estadística y Geografía](#) (Mexico); [Departamento Administrativo Nacional de Estadística](#) (Colombia); [Instituto Nacional de Estadística e Informática](#) (Peru); [Instituto Nacional de Estadísticas](#) (Chile);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

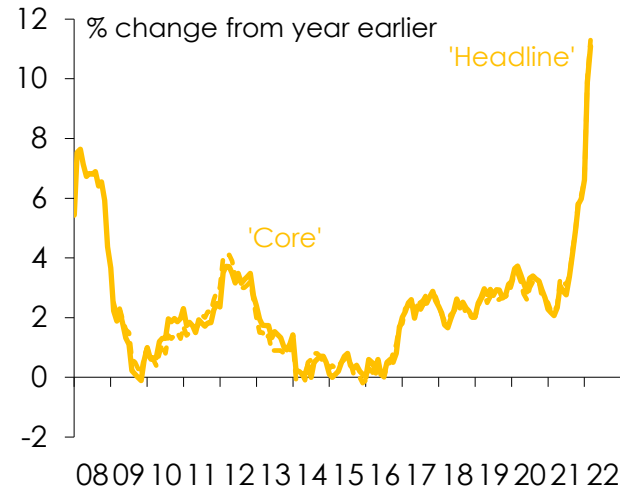
Consumer price inflation is also rising across Central and Eastern Europe, and in South Africa

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

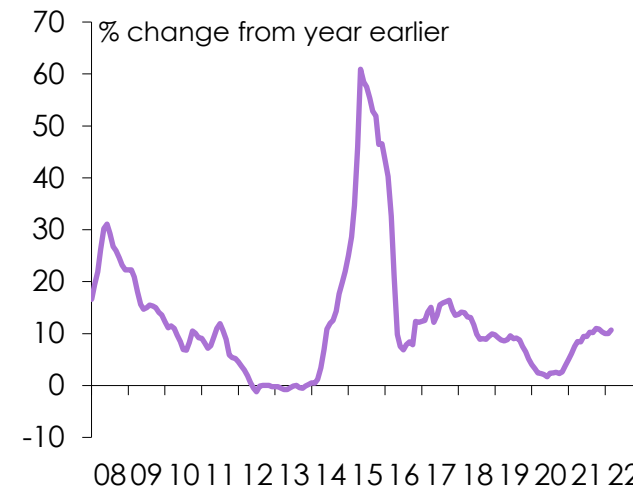
Russia



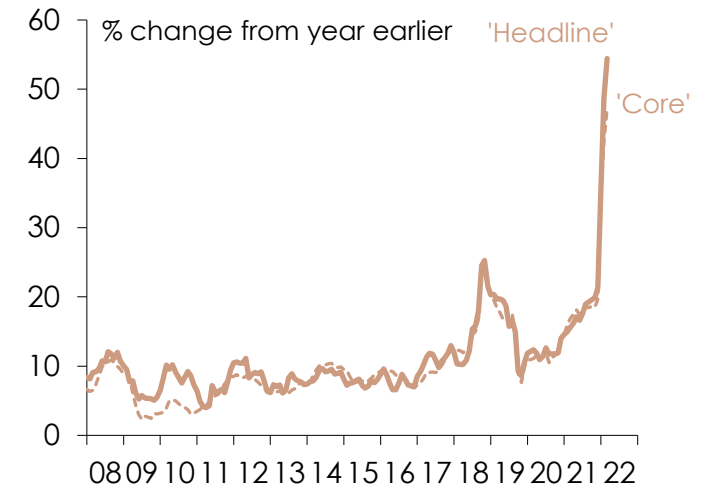
Czech Republic



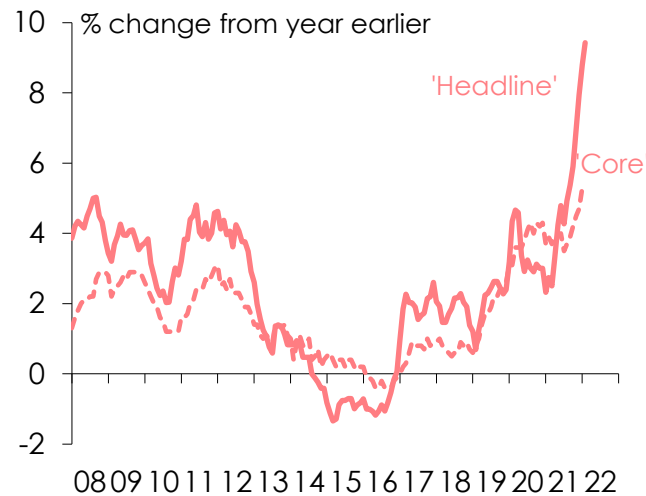
Ukraine



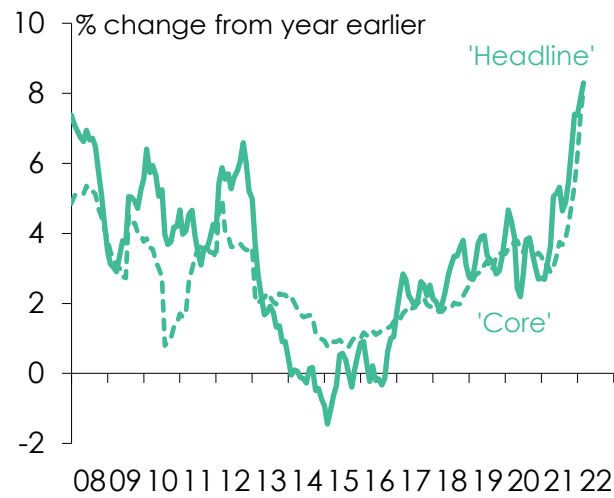
Turkey



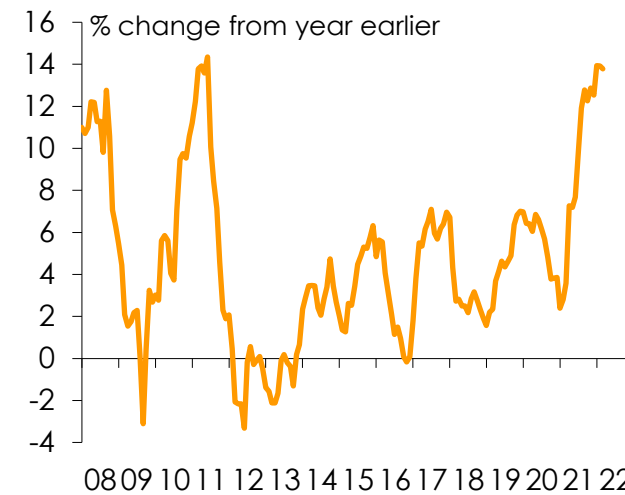
Poland



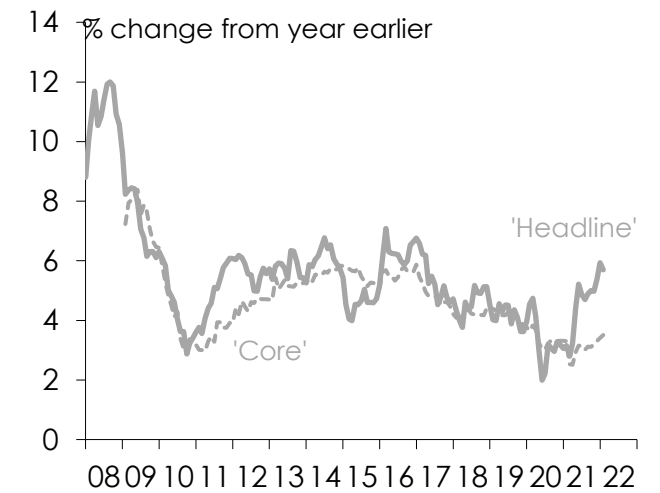
Hungary



Georgia



South Africa

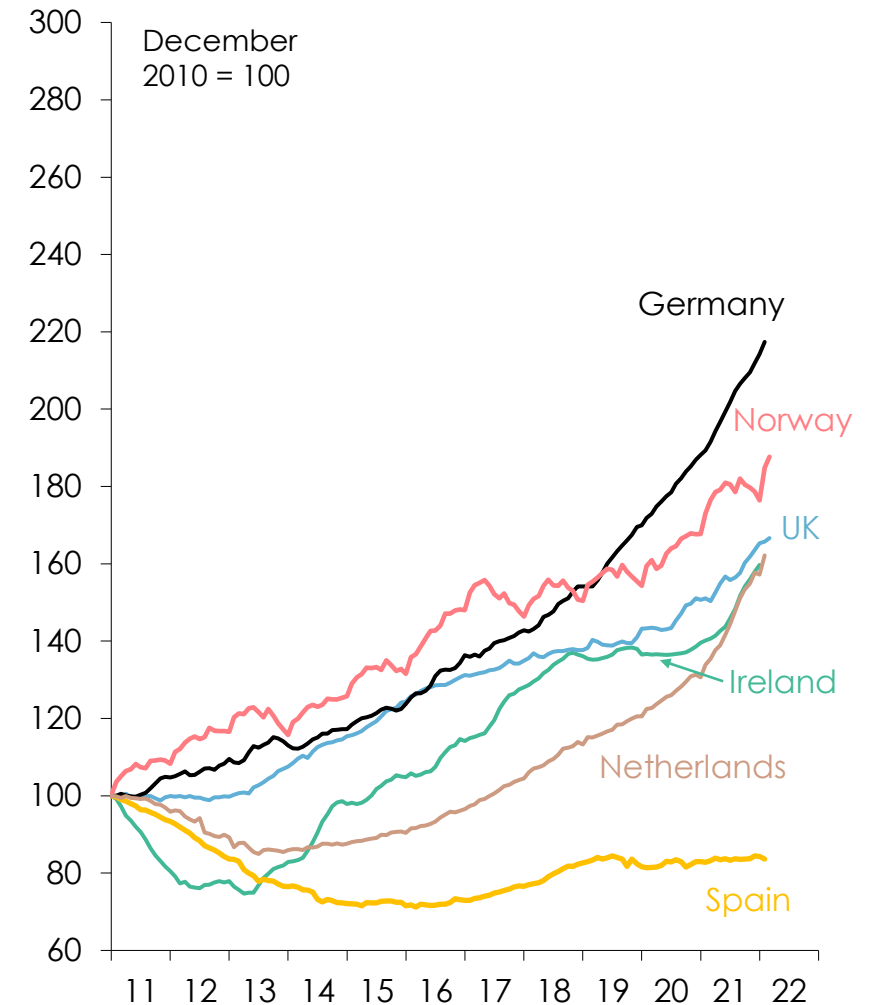
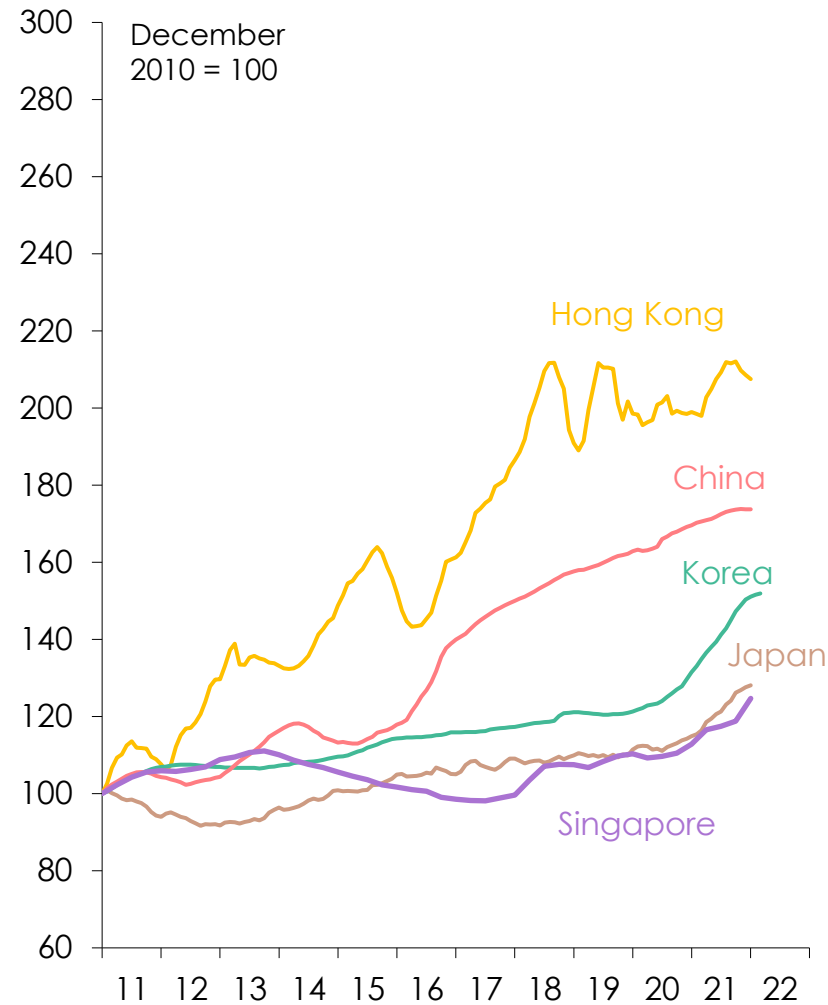
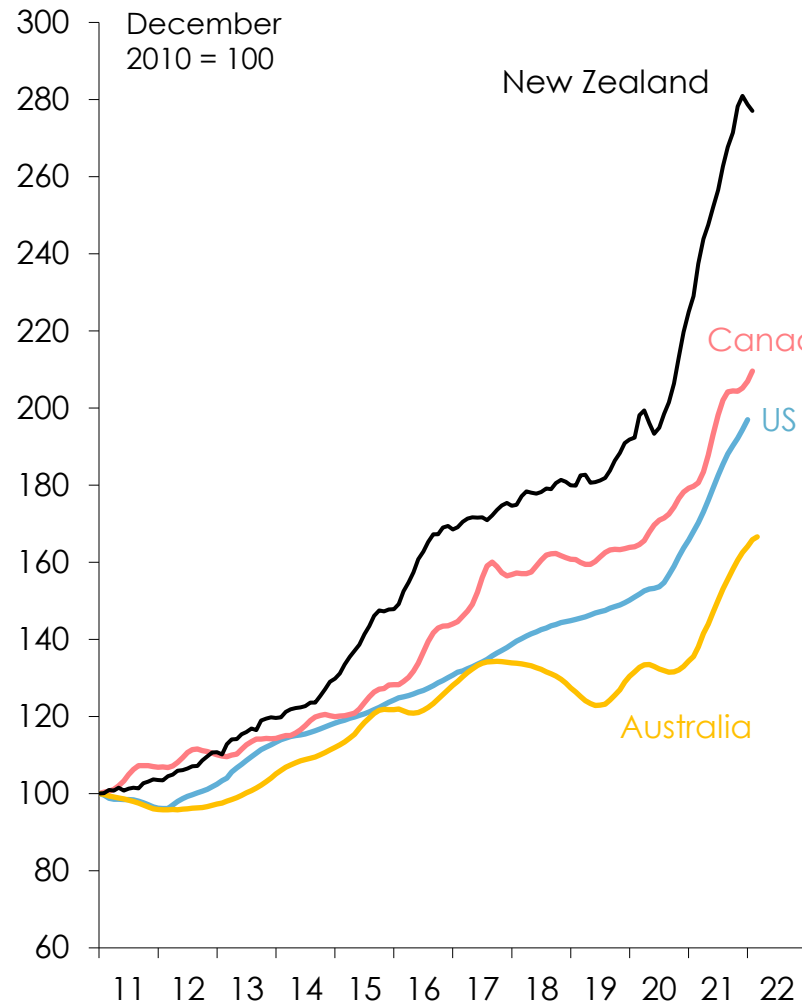


Sources: [Rosstat](#); [Główny Urząd Statystyczny](#) (Poland); [Český statistický úřad](#) (Czech Republic); [Központi Statisztikai Hivatal](#) (Hungary); [Ukrstat](#); [Sak'art'velos statistikis erovnuli samsakhuri](#) (Georgia); [Statistics South Africa](#); [Turkstat](#). Return to "What's New".

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 – 14TH MARCH 2022

House price indices

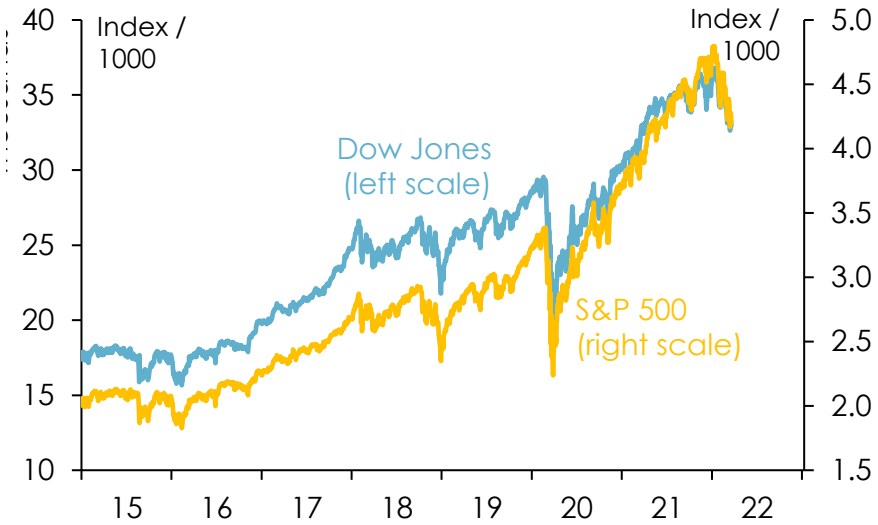


Note: House price indices shown in these charts are those published by [S&P-CoreLogic Case Shiller national](#) (United States); [Teranet-National Bank](#) (Canada); [CoreLogic](#) (Australia); [Real Estate Institute of New Zealand](#); [China Index Academy](#); [Japan Real Estate Institute](#) (Tokyo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

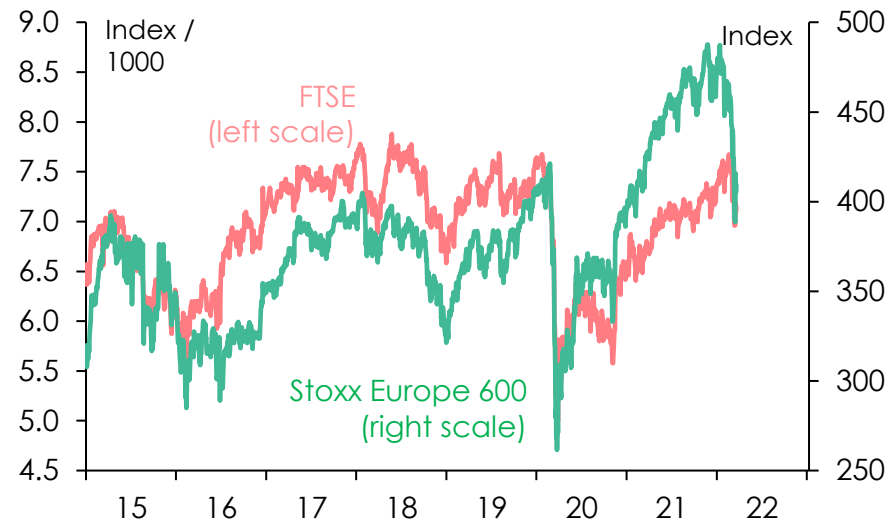
Stocks fell further in the US and Asia last week, but European markets clawed back some of their initially much heavier losses

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

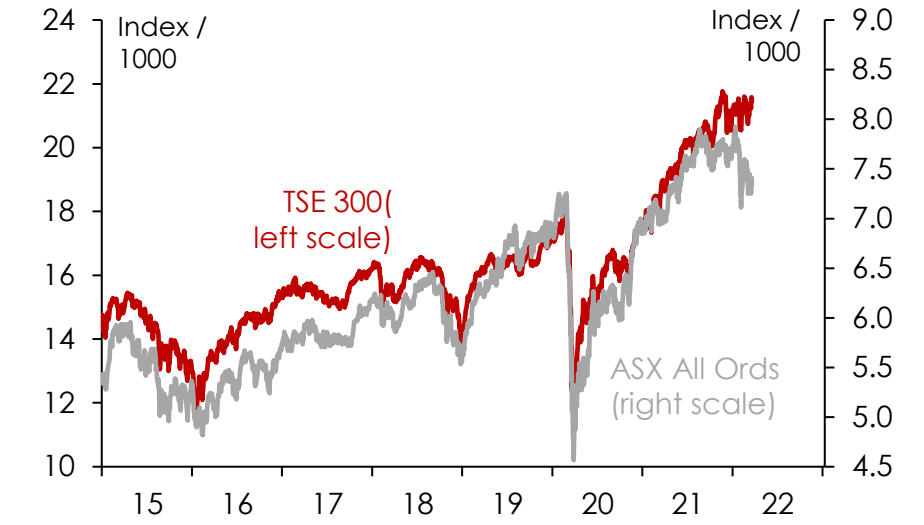
US stock market



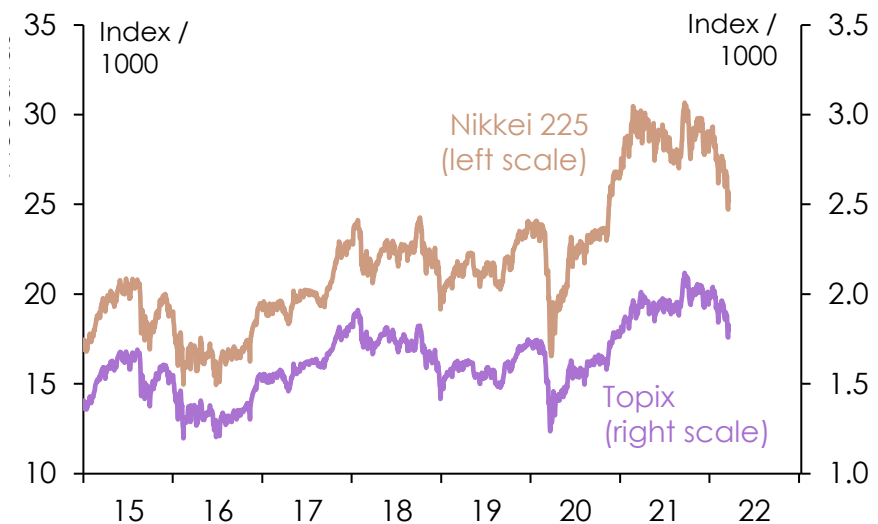
European stock markets



Canadian & Australian stock markets



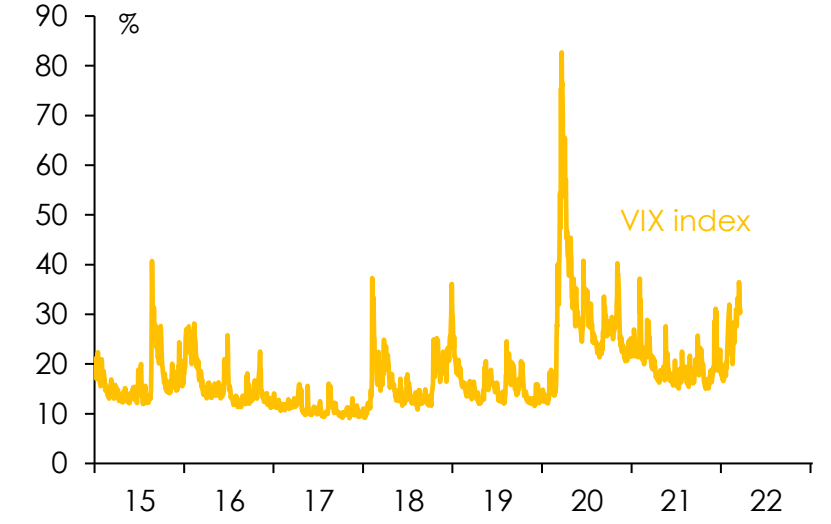
Japanese stock market



Chinese & HK stock markets



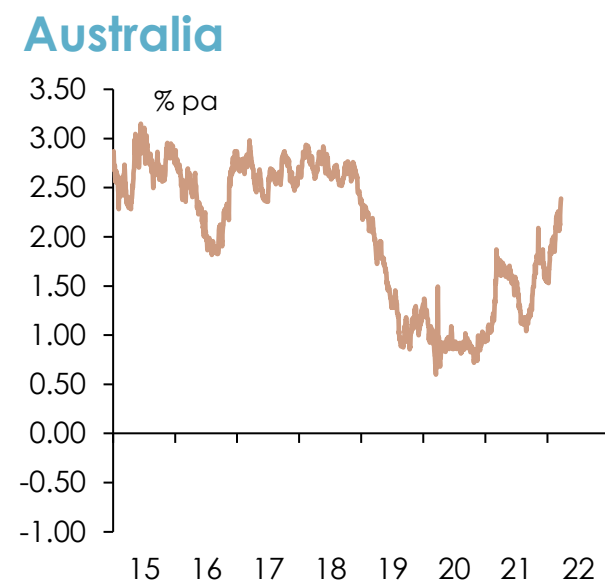
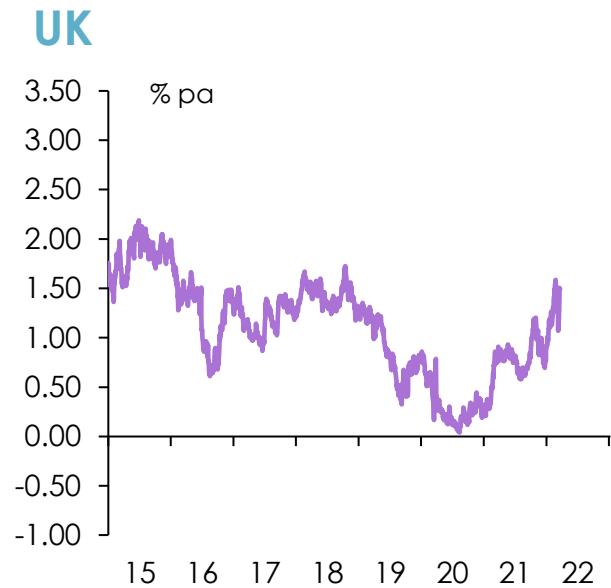
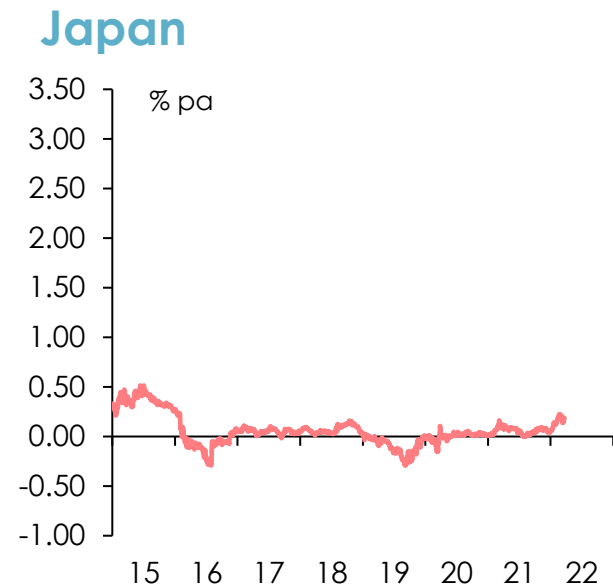
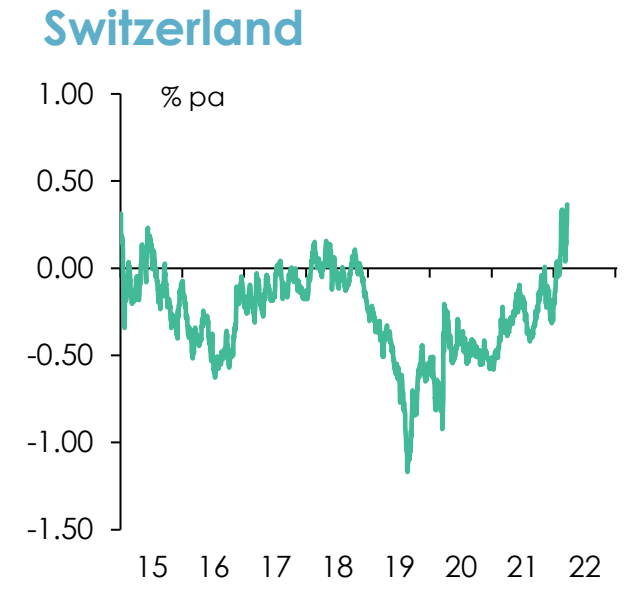
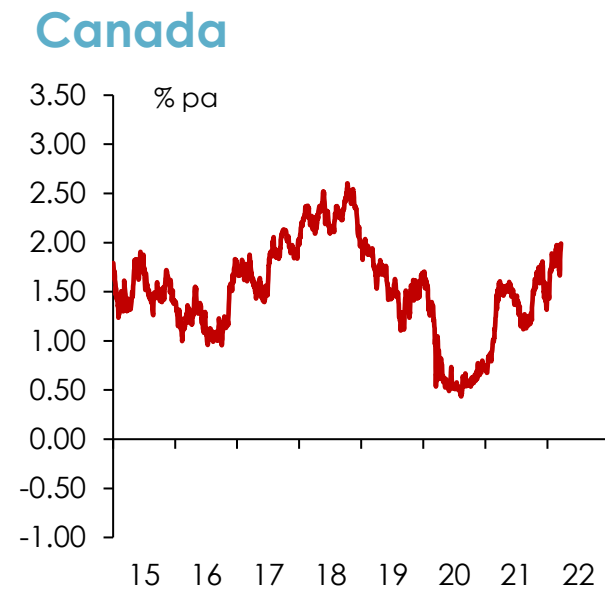
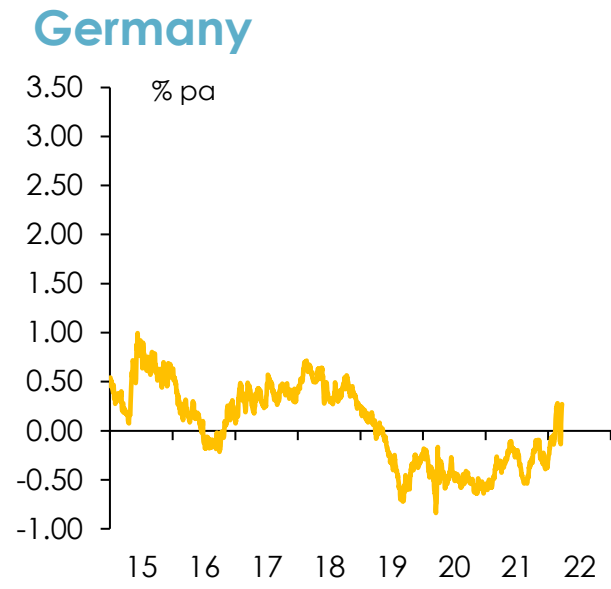
Equity market volatility



Note: Data up 11th March. Source: Refinitiv Datastream. For East Asian stock markets see [slide 115](#). [Return to "What's New"](#).

Ten-year government bond yields rose last week, reversing the previous week's falls, reflecting greater concerns about higher inflation

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022



Note: Data up to 11th March. For bond yields in other large euro area member states see [slide 76](#), and for bond yields in Asian economies see [slide 112](#).

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

Emerging market bond yields rose further, with the exception of China

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

China



Brazil



Russia



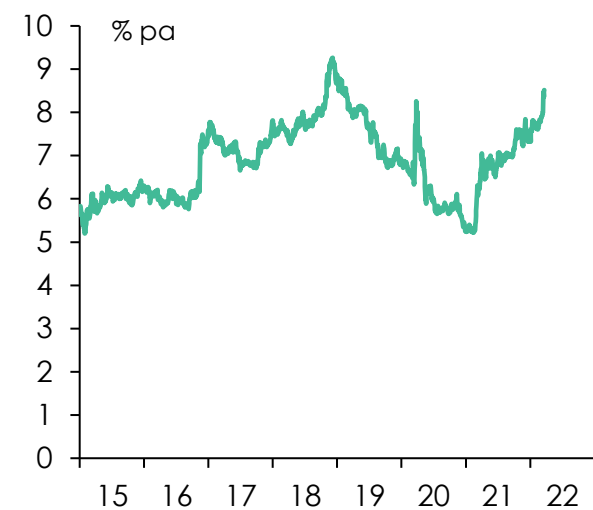
South Africa



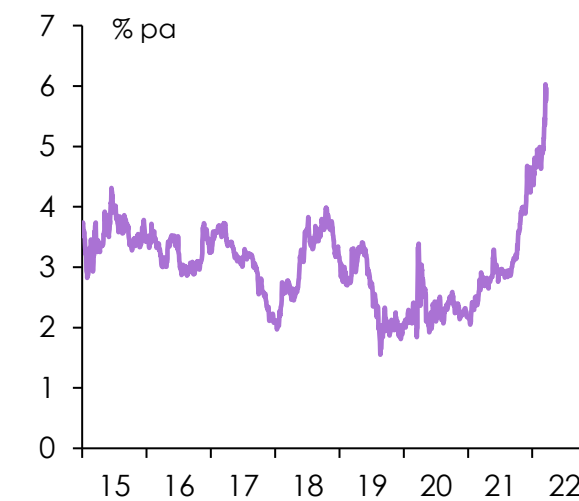
India



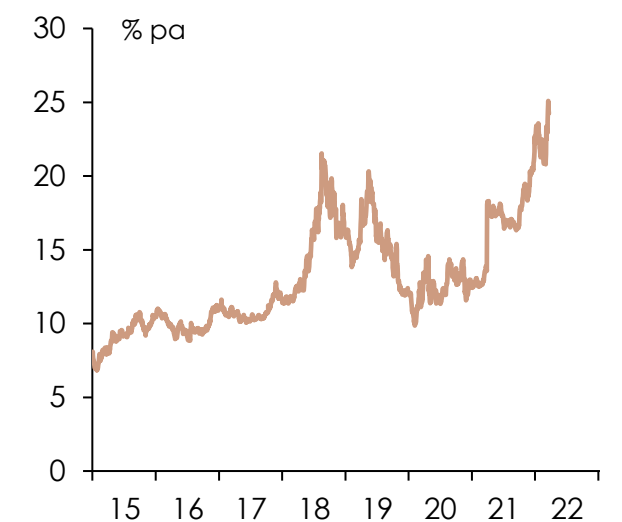
Mexico



Hungary



Turkey



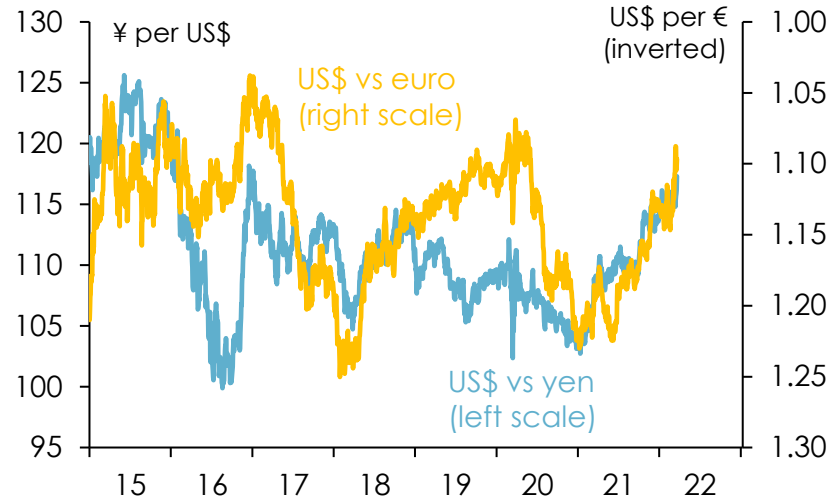
Note: Data up to 11th March. For bond yields in other Asian economies see [slide 112](#); and for policy interest rates in other emerging markets see [slide 131](#).

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

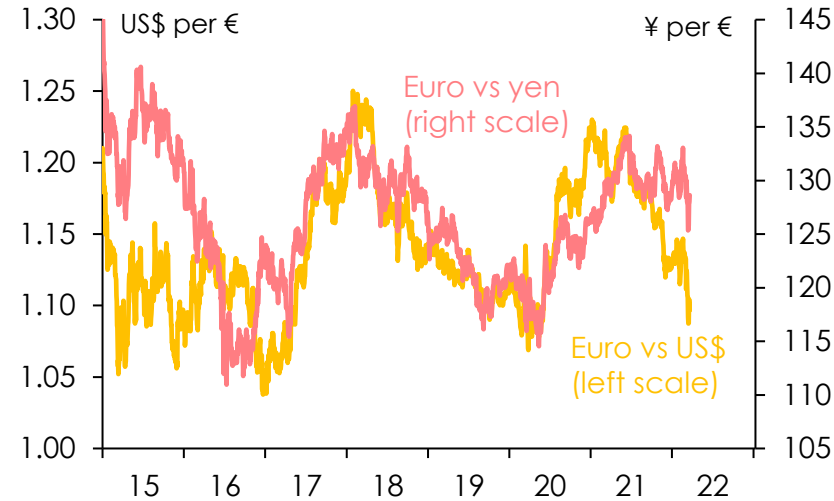
The US\$ rose further last week, especially against the yen, while the euro clawed back some of the heavy losses sustained the previous week

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

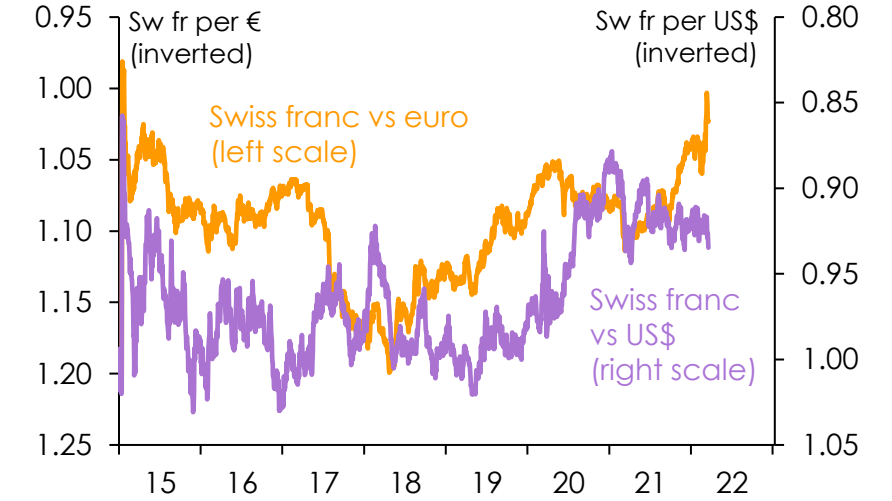
US dollar



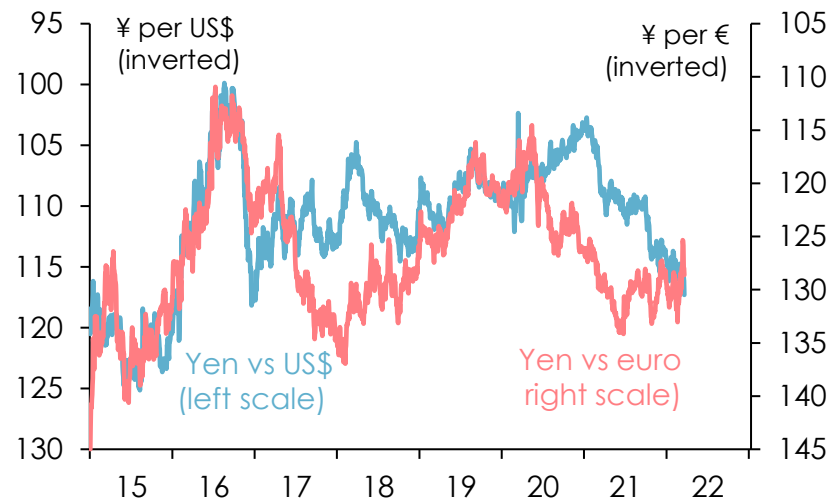
Euro



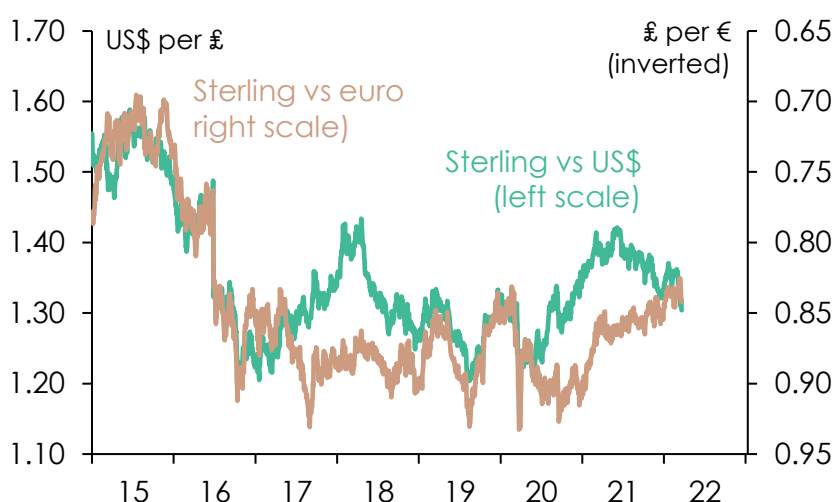
Swiss franc



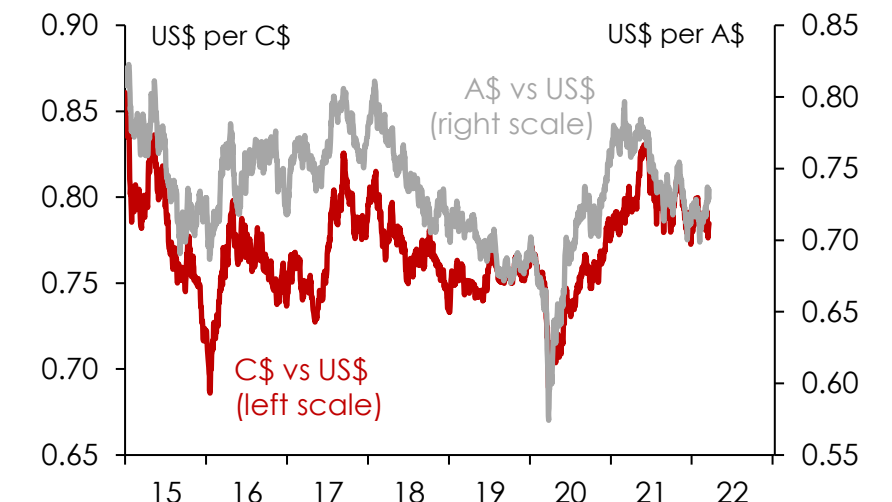
Japanese yen



Sterling



Canadian & Australian dollars



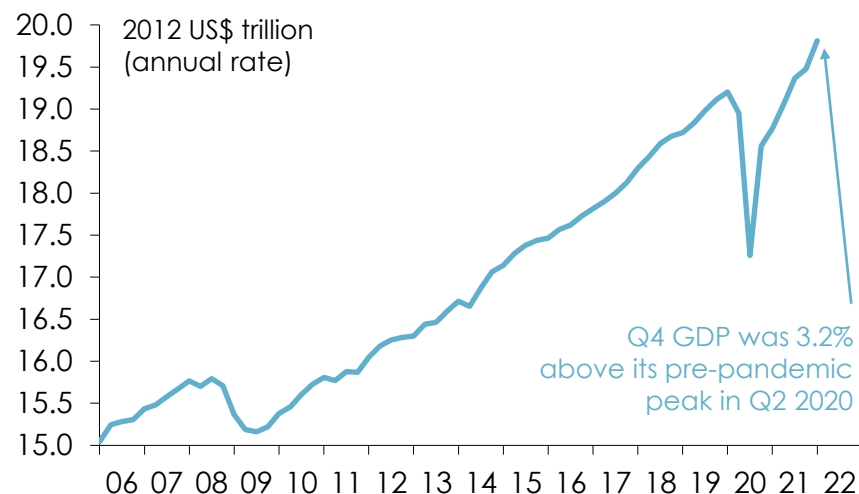
Note: Data up to 11th March. For Asian exchange rates see [slide 114](#). Source: Refintiv Datastream. [Return to "What's New"](#).

The United States

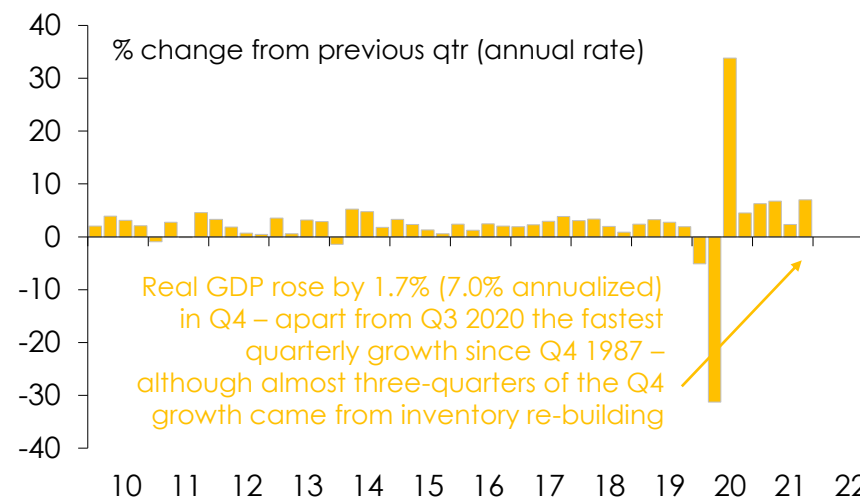
US real GDP grew 1.7% (7.0% annualized) in Q4 2021 – almost eliminating the ‘output gap’ – though most of the growth came from inventories

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

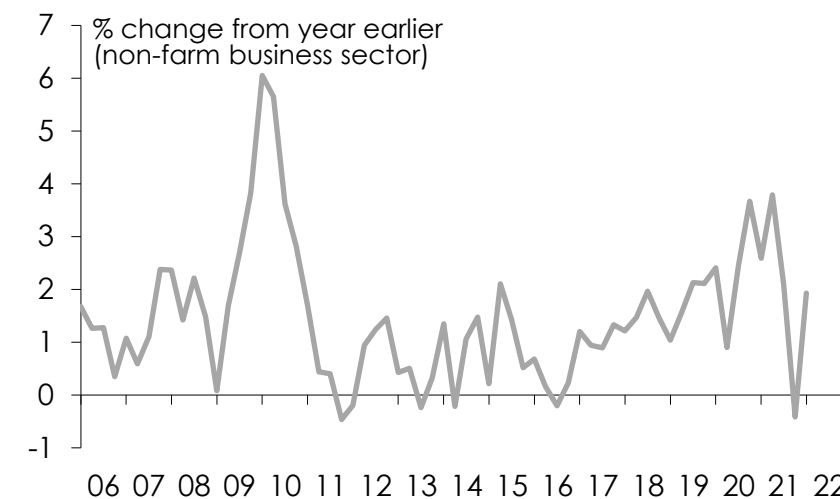
Level of real GDP



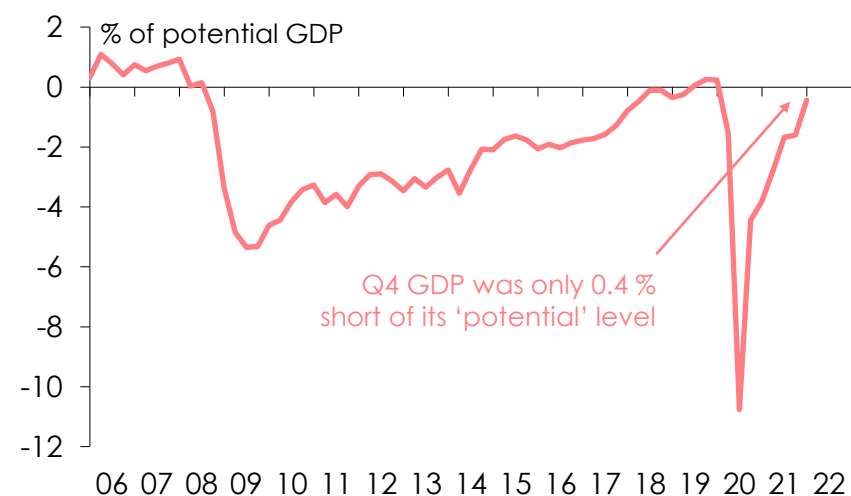
Quarterly change in real GDP



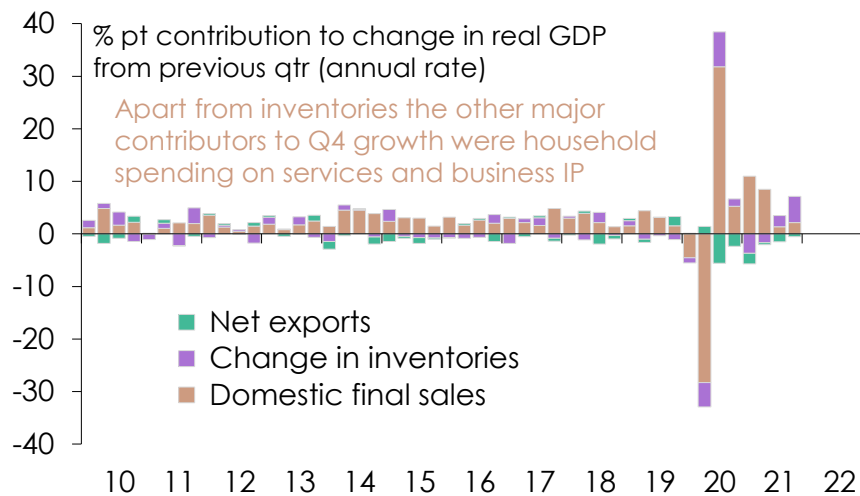
Labour productivity growth



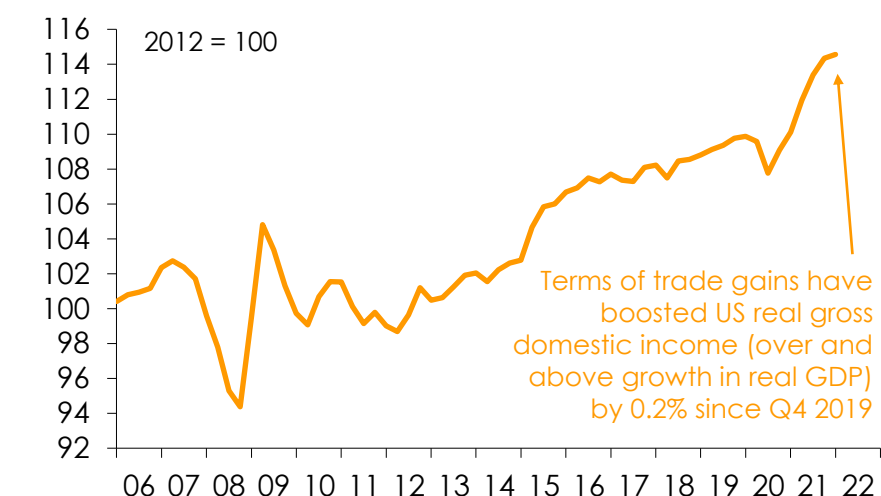
The ‘output gap’



Contributions to change in real GDP



Terms of trade

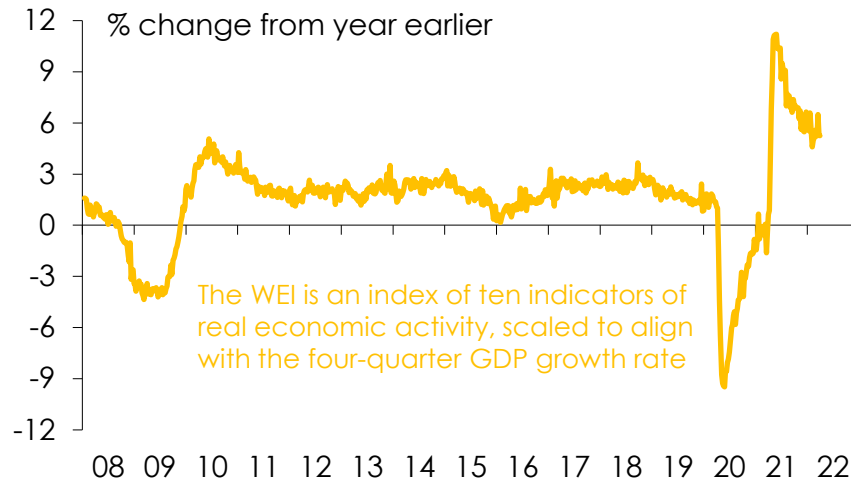


Note: the ‘output gap’ is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the ‘terms of trade’ is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

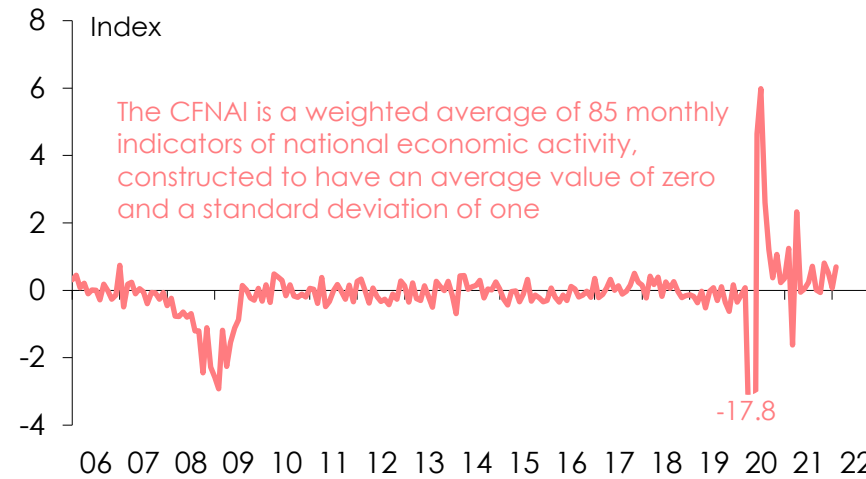
Survey data and composite indexes for the most part suggest only a mild slowing in economic activity in the early part of the first quarter of 2022

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

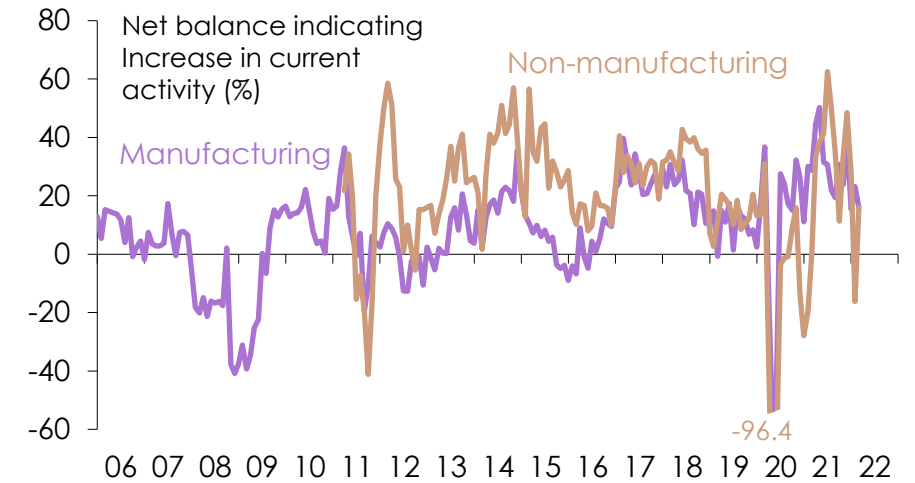
NY Fed weekly economic index



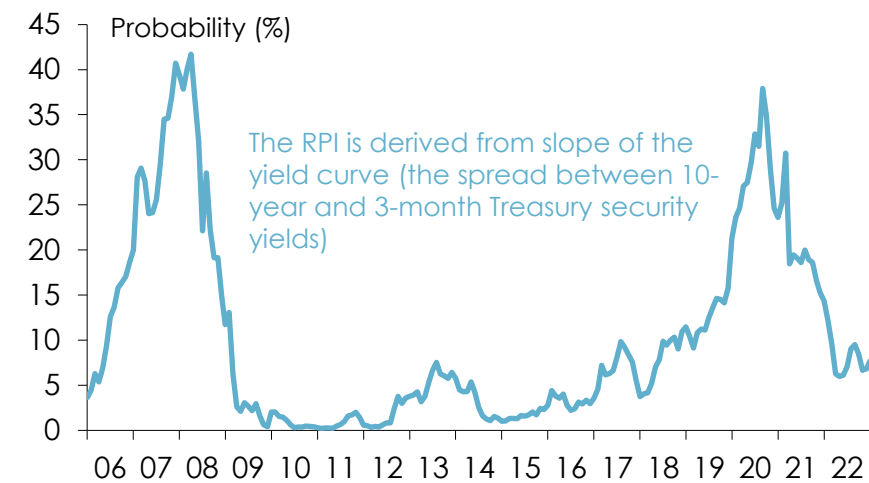
Chicago Fed national activity index



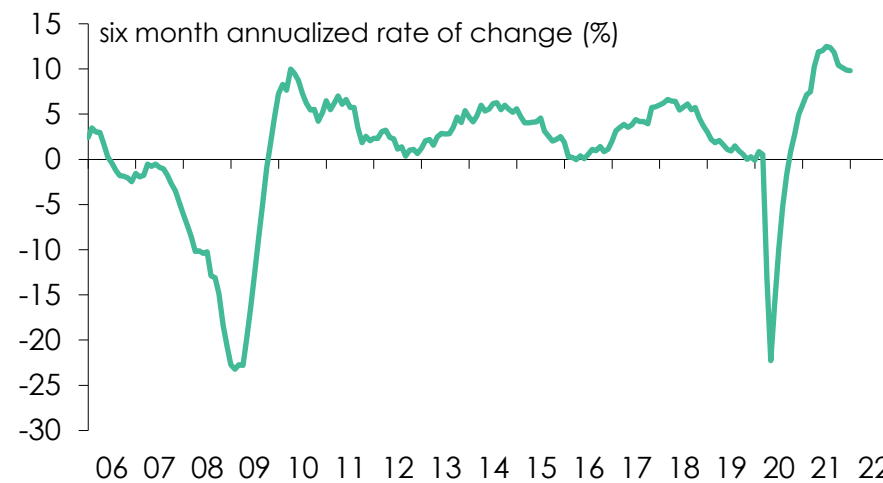
'Philly Fed' business outlook survey



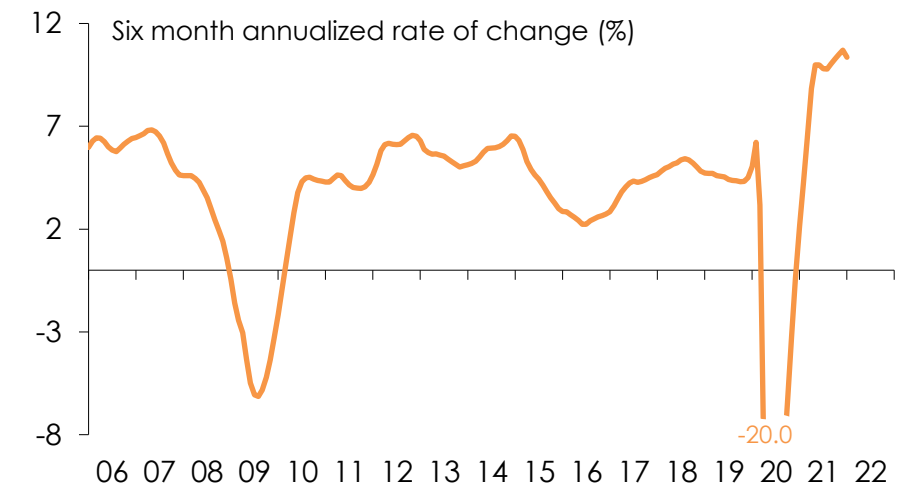
NY Fed recession probability index



Conference Board leading indicators



Dallas Fed Texas business index

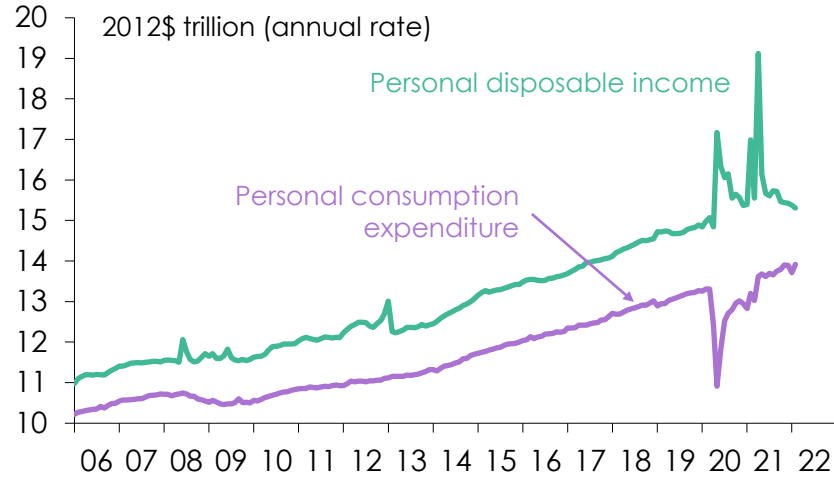


Sources: Federal Reserve Bank of New York, [Weekly Economic Index](#) and [The Yield Curve as a Leading Indicator](#); Federal Reserve Bank of Chicago, [Chicago Fed National Activity Index \(CFNAI\)](#); The Conference Board, [Global Business Cycle Indicators](#); Federal Reserve Bank of Philadelphia,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

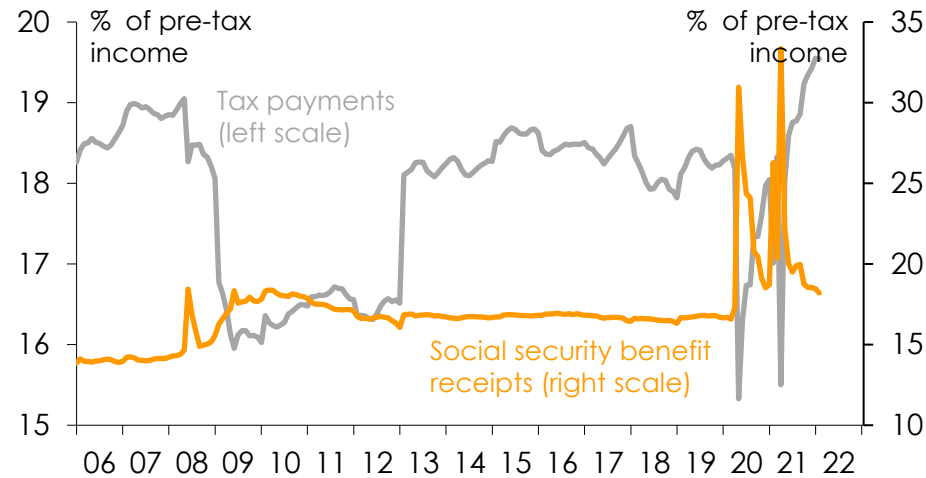
US personal spending and saving are starting to 'normalize' after pandemic-induced distortions, but tax and inflation are also taking a bite out of income

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

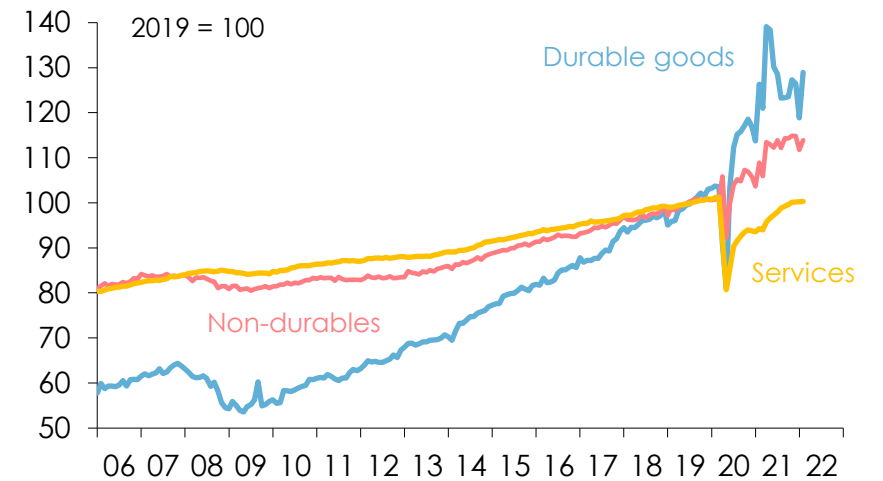
Personal income and expenditure



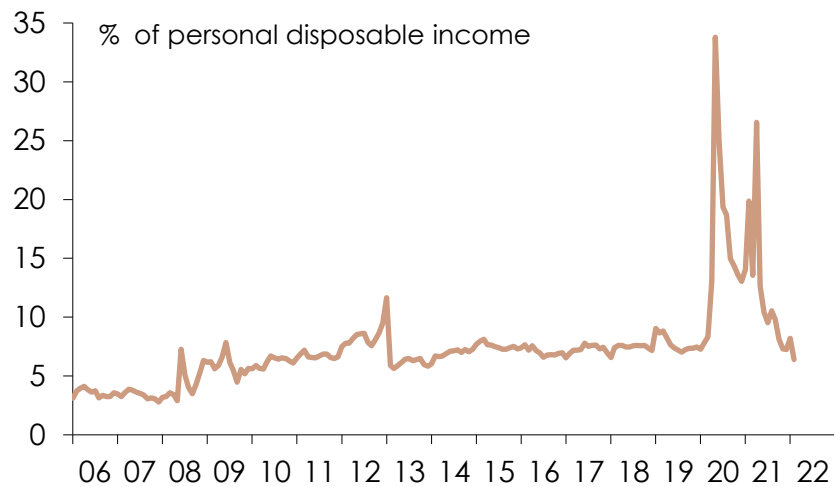
Tax and social security



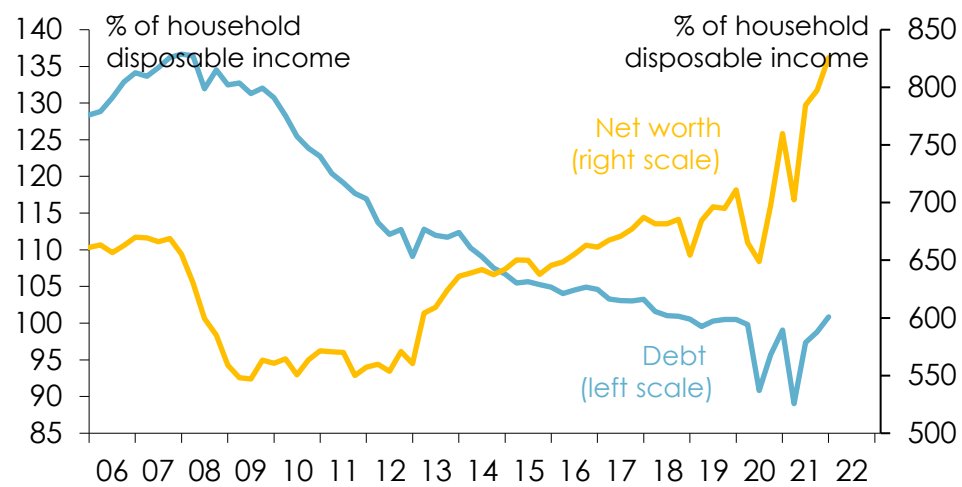
Personal consumption expenditure



Personal saving rate



Household debt and net worth



Spending on energy

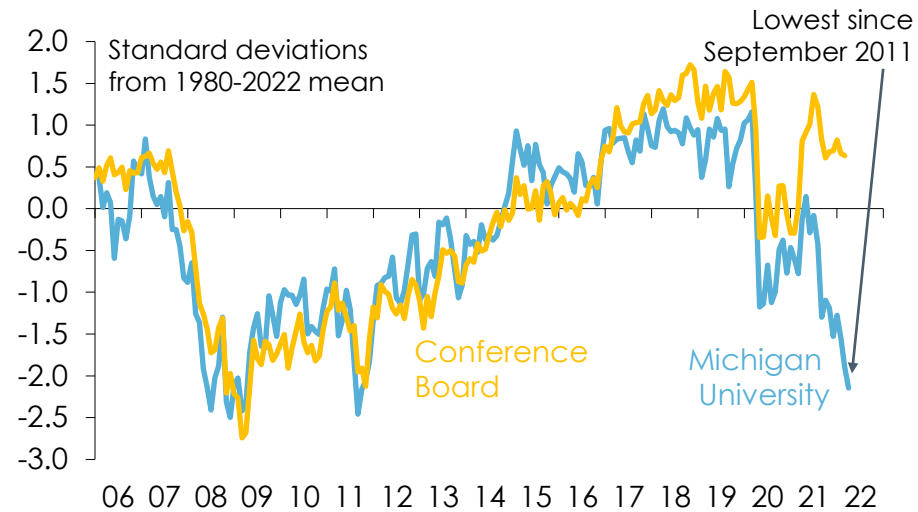


Note: data on personal income, spending and saving are monthly; data on debt and net worth are quarterly. Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#), [Consumer Spending](#) and [Income and Saving](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#). [Return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

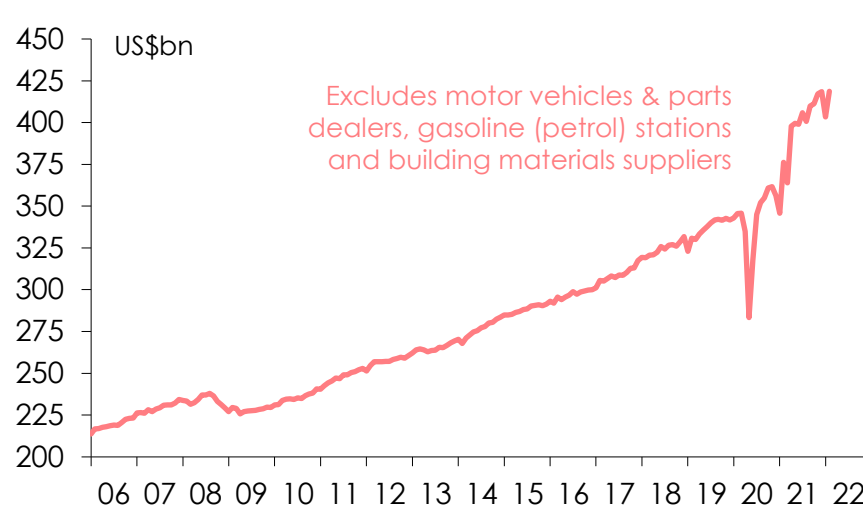
The two measures of US consumer sentiment have diverged over the past two months, reflecting different emphases on inflation & the labour market

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

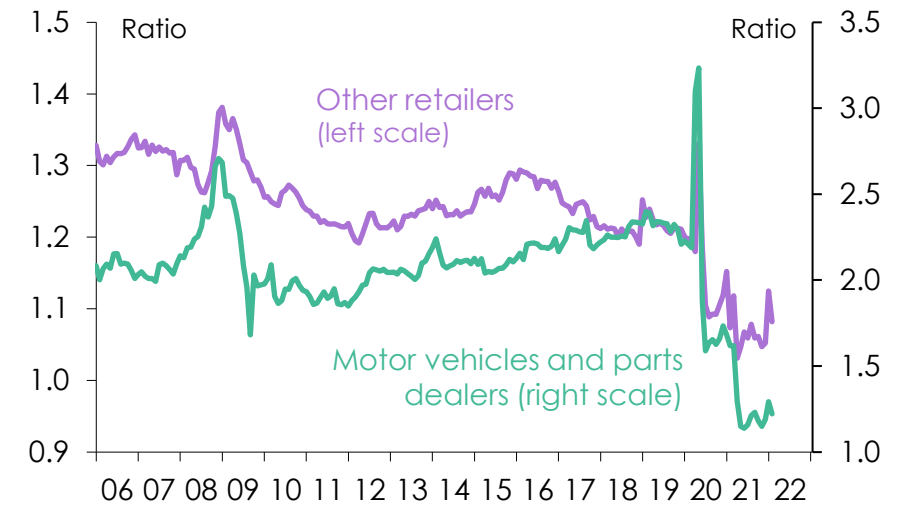
Consumer sentiment



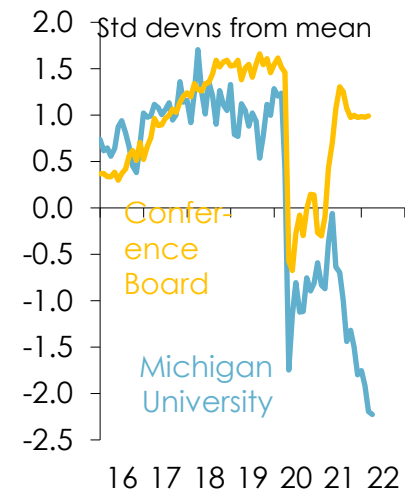
Level of 'core' retail sales



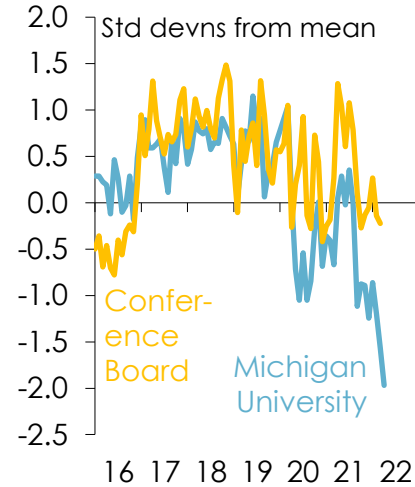
Retail inventories-sales ratios



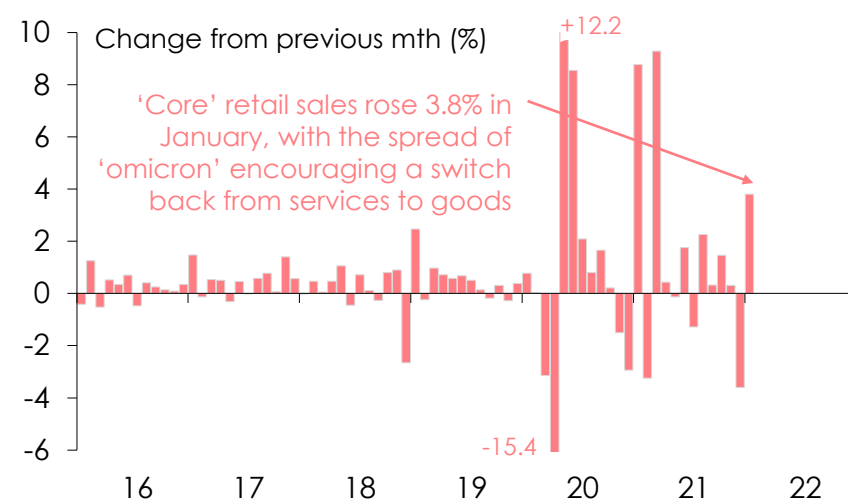
Present situation



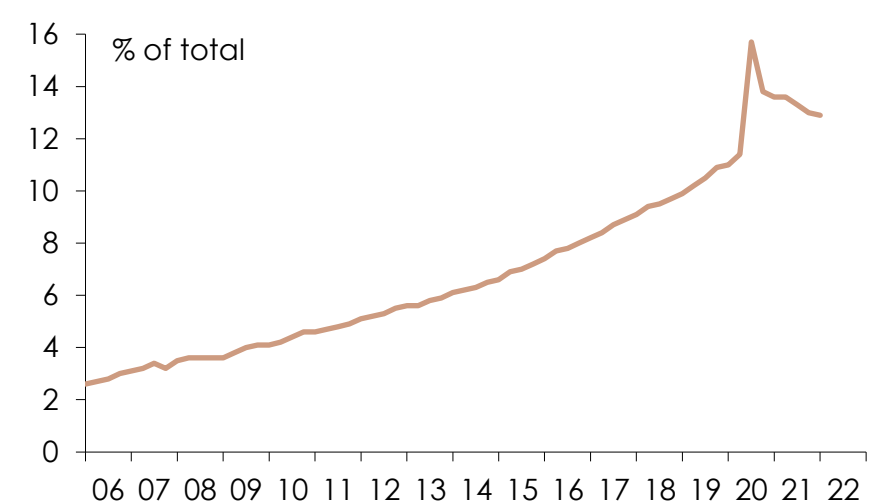
Expectations



Monthly changes in 'core' retail sales



On-line retail sales

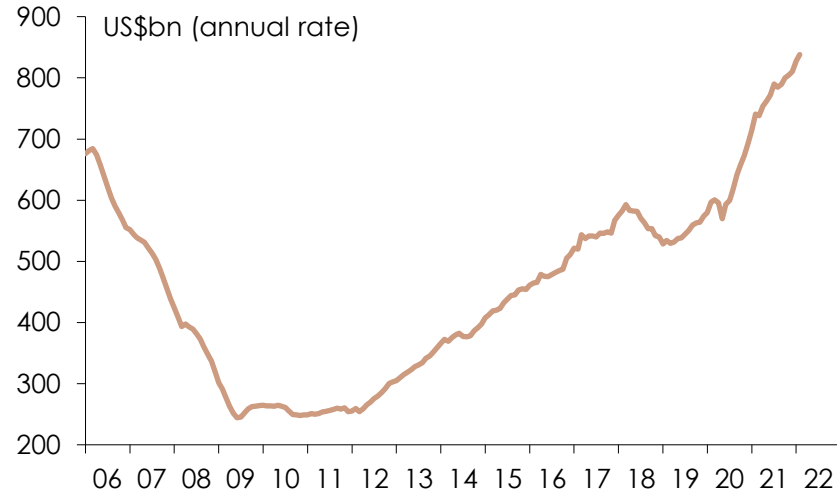


Note: 'Core' retail sales excludes motor vehicles, petrol stations and building materials stores. Sources: Michigan University Survey Research Center, [Survey of Consumers](#); The Conference Board, [US Consumer confidence](#); US Census Bureau, [Monthly Retail Trade](#) and [Advance Economic Indicators](#).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

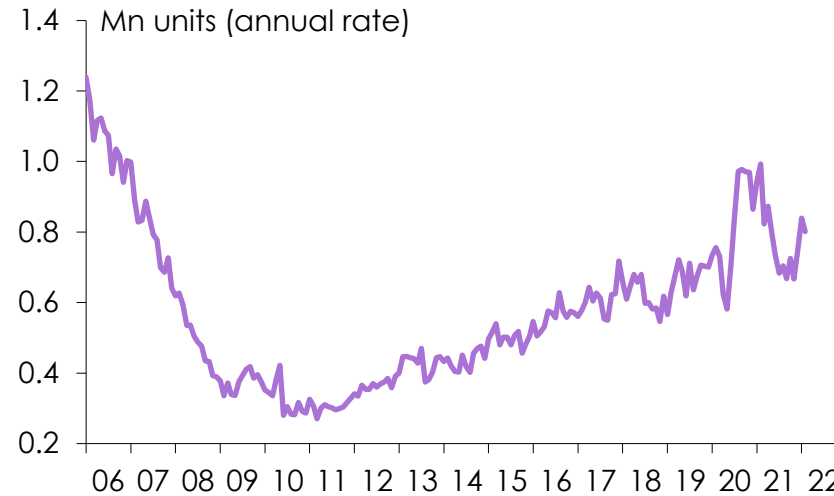
US house price inflation picked up again in the last two months of 2021, after slowing mid-year, perhaps reflecting supply-chain issues

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

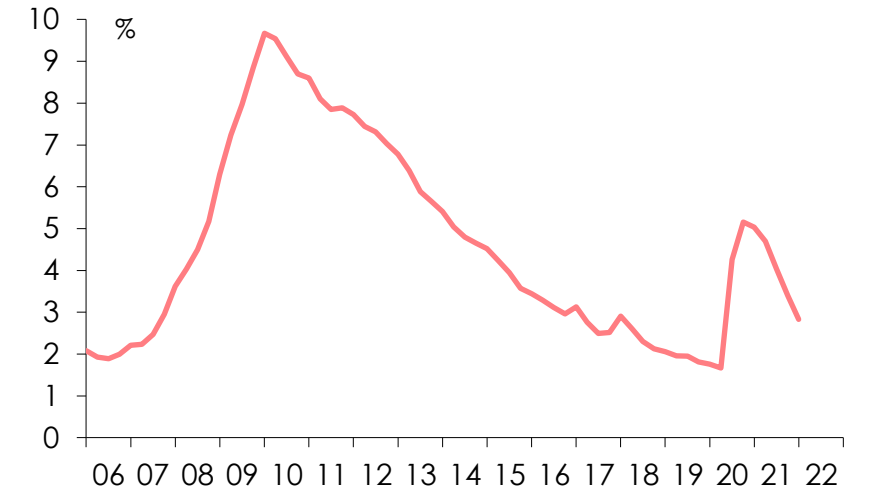
Housing construction spending



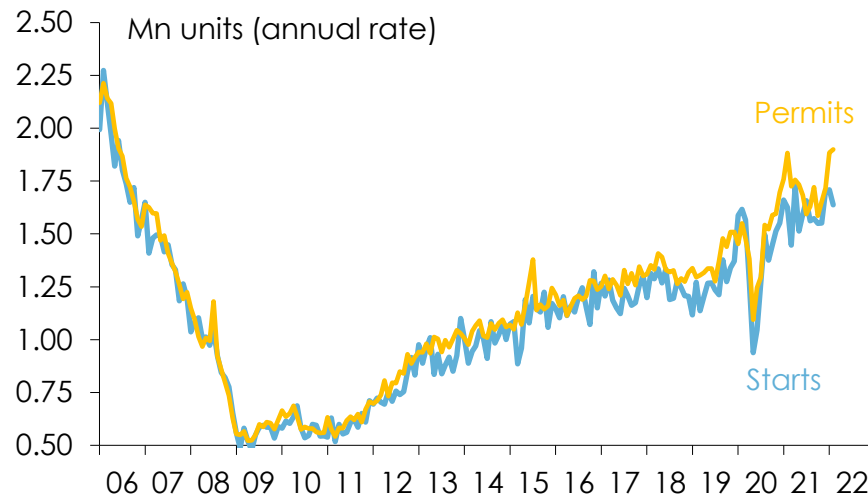
New single-family home sales



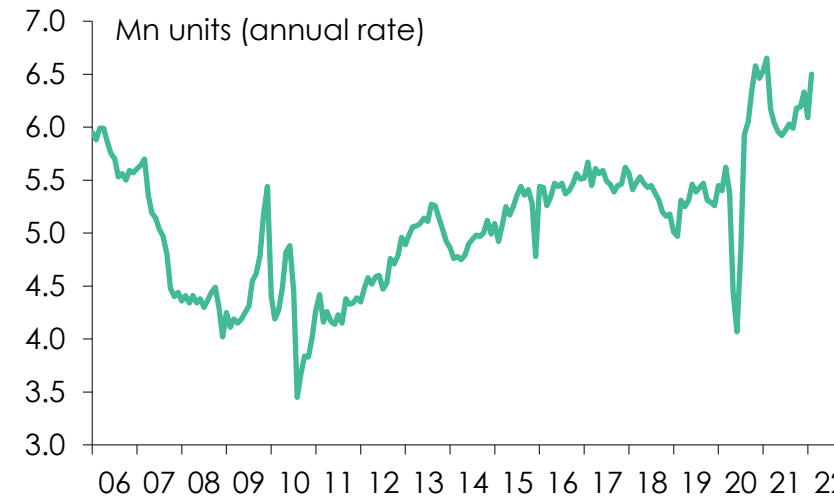
Mortgage delinquency rate



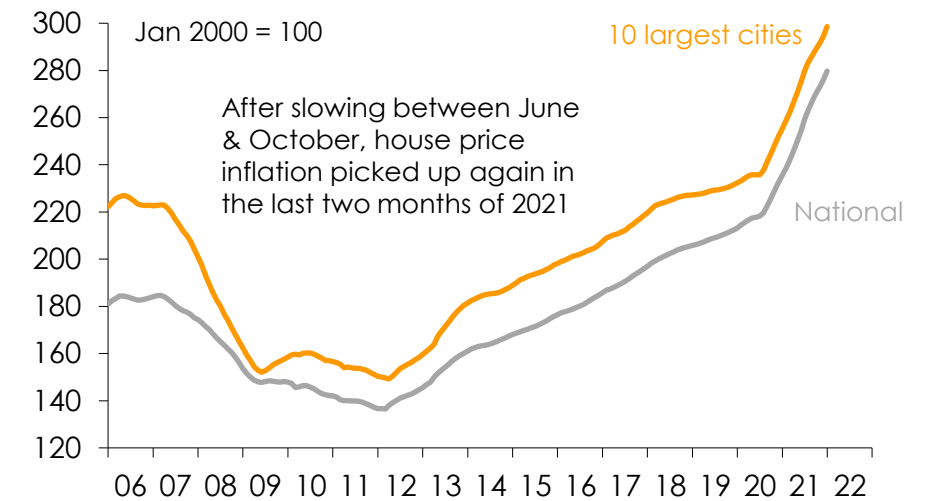
Housing starts and permits



Existing home sales



House prices

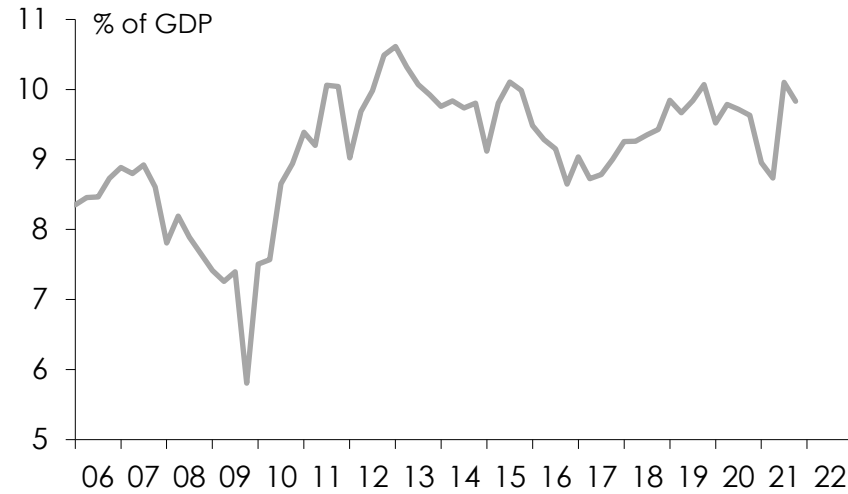


Sources: US Census Bureau, [Construction Spending](#), [New residential construction](#) and [New Residential Sales](#); US National Association of Realtors, [Existing-Home Sales](#); Mortgage Bankers' Association, [National Delinquency Survey](#); S&P Global, [S&P CoreLogic Case-Shiller Home Price Indices](#).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

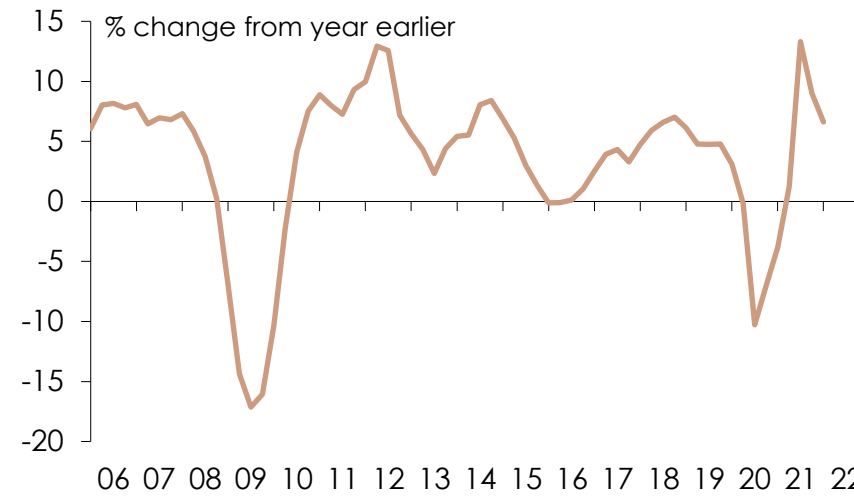
US corporate profits and balance sheets are strong, and investment is increasing – except in non-residential construction

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

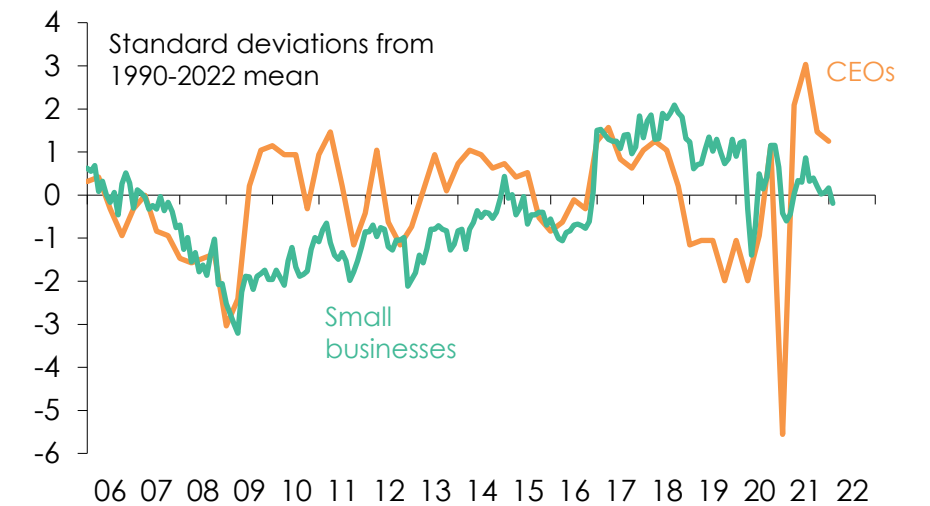
After-tax corporate profits



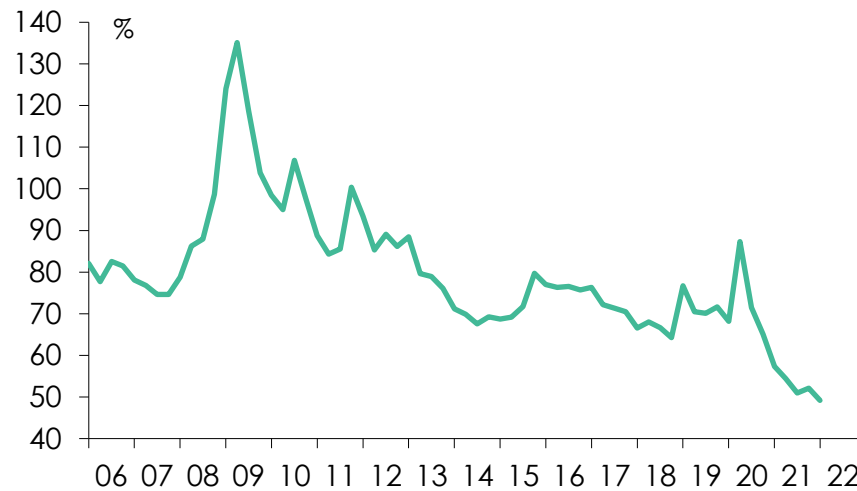
Business investment



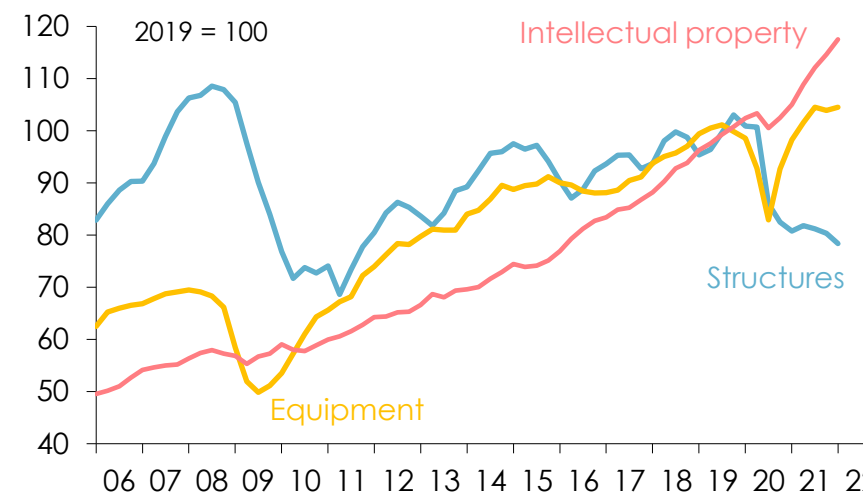
Business confidence



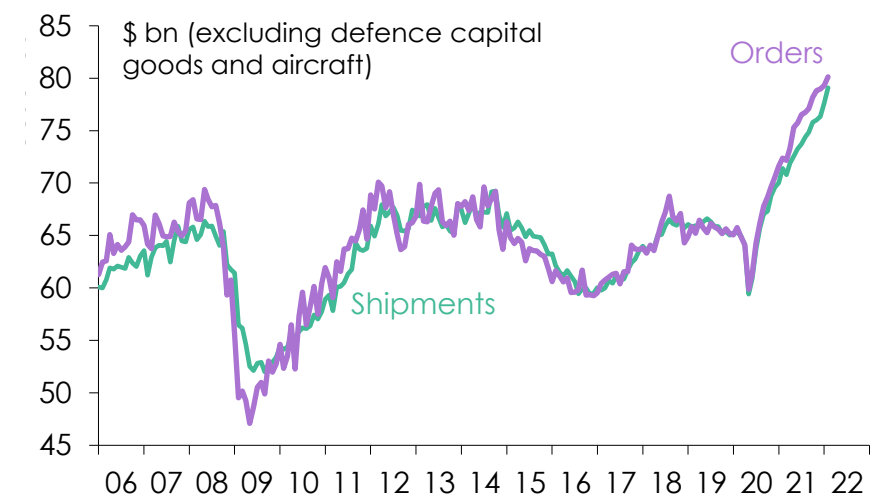
Corporate debt-equity ratio



Business investment by type



Capital goods orders & shipments

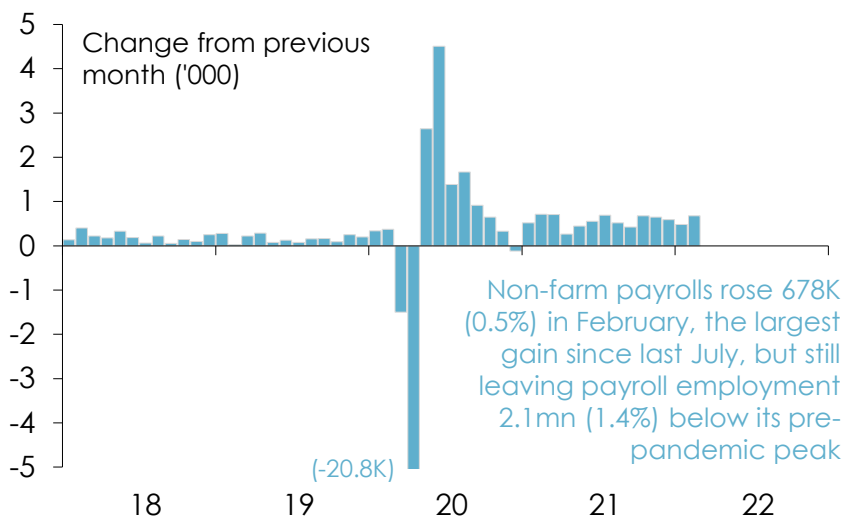


Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#); The Conference Board, [US CEO Confidence](#); National Federation of Independent Business, [Small Business Economic Trends](#); US Commerce Department, [Manufacturers'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

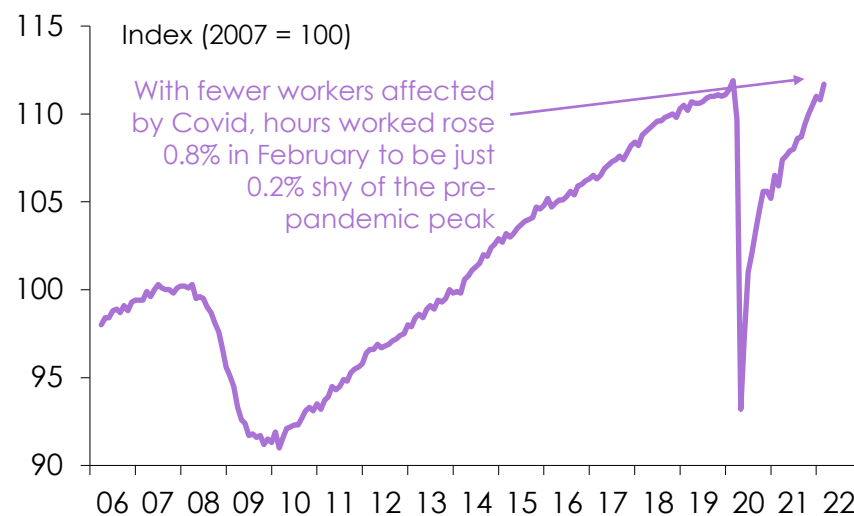
Employment rose strongly in February, hours worked rebounded and the unemployment rate fell to just 0.3 pc pt above its pre-pandemic low

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

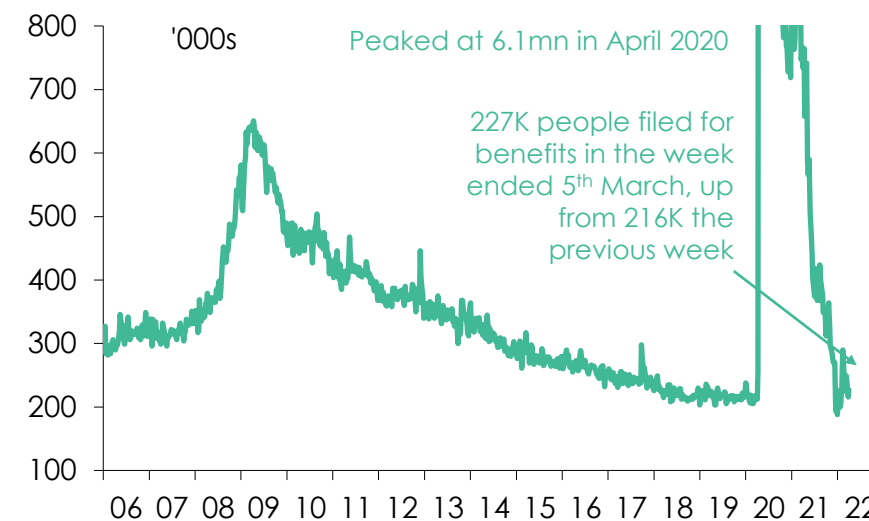
Non-farm payroll employment



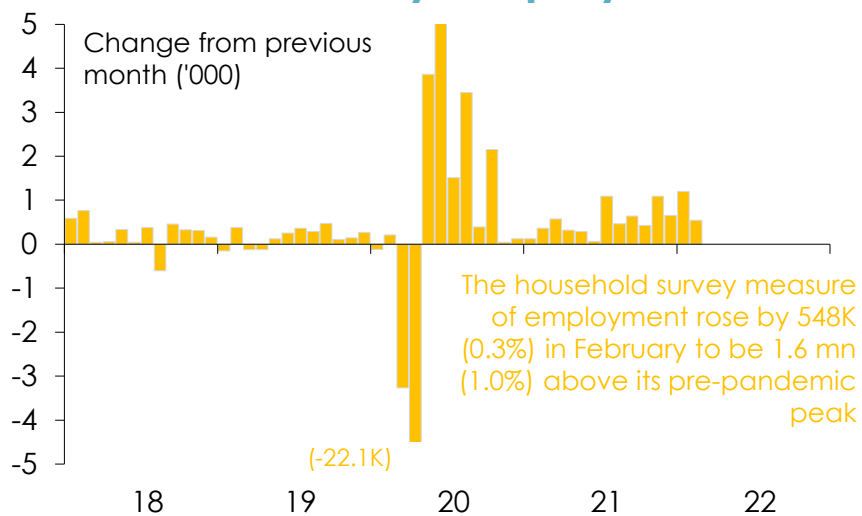
Hours worked (private sector)



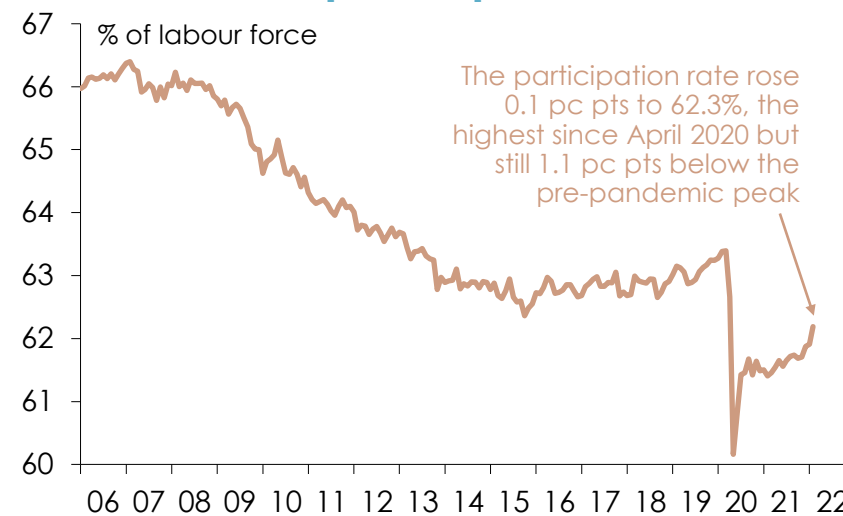
Unemployment benefit initial claims



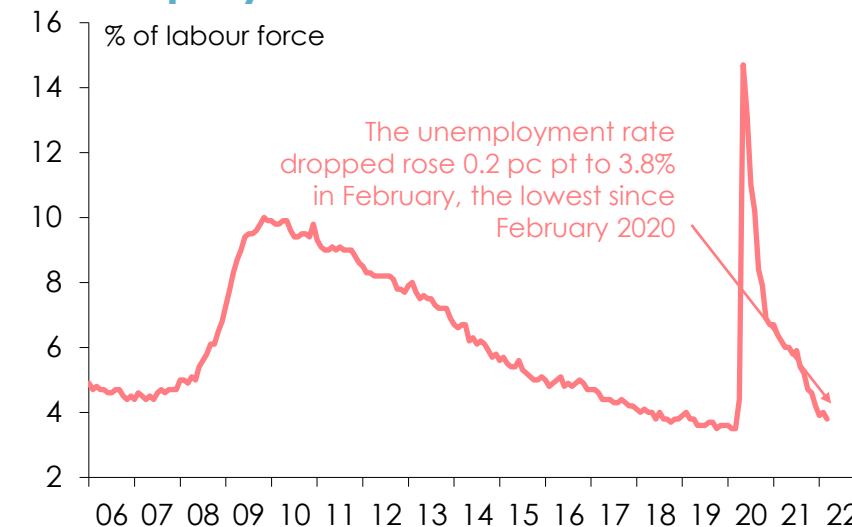
Household survey employment



Labour force participation rate



Unemployment rate

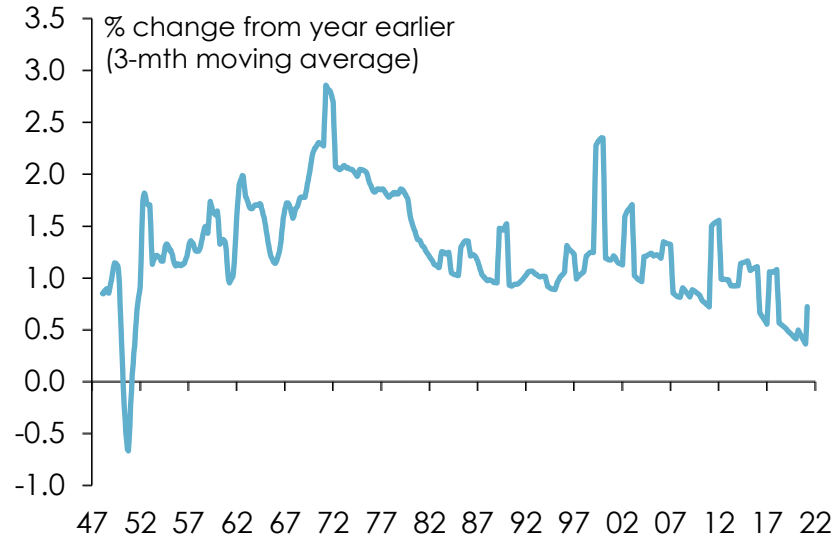


Sources: US Bureau of Labor Statistics, [Employment Situation](#); US Department of Labor, [Unemployment Insurance Weekly Claims](#). March employment and other labour force data will be released on 1st April. [Return to "What's New"](#).

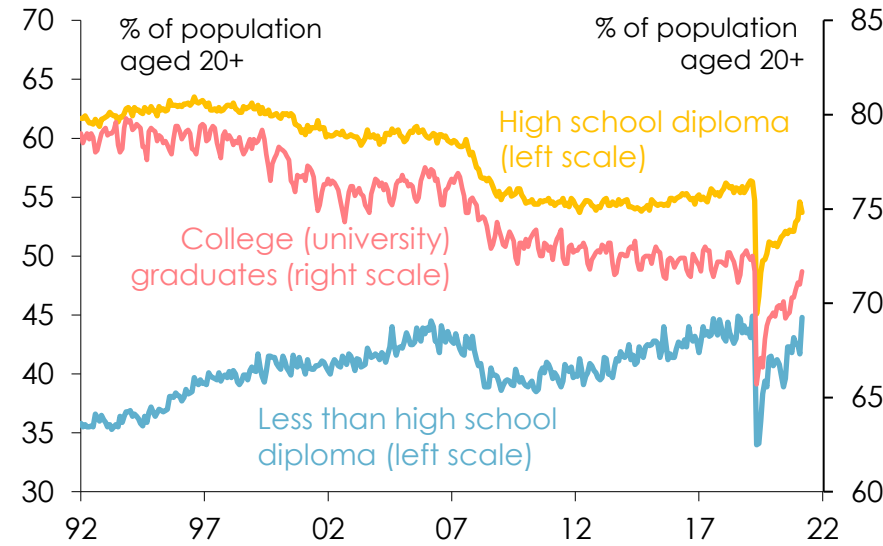
US labour market tightness owes a lot to restrictions on immigration, and to barriers to the return to the labour market of specific groups

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

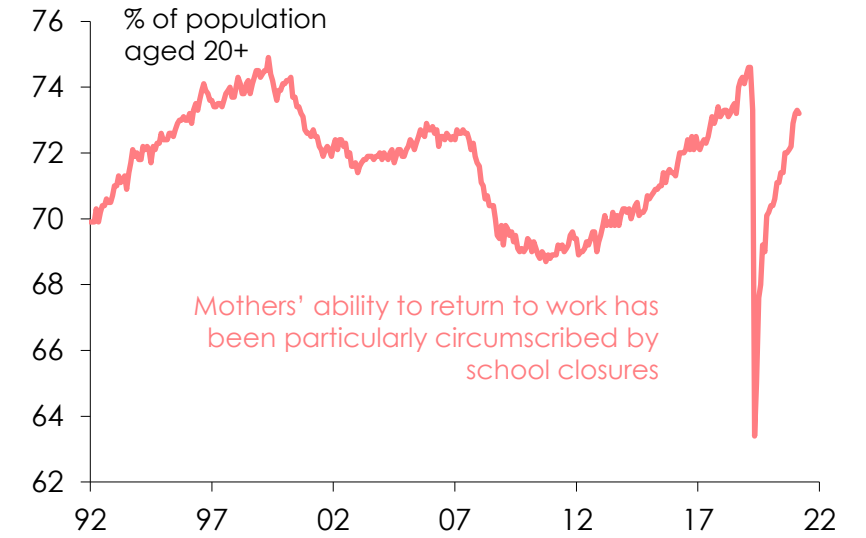
Civilian working age population



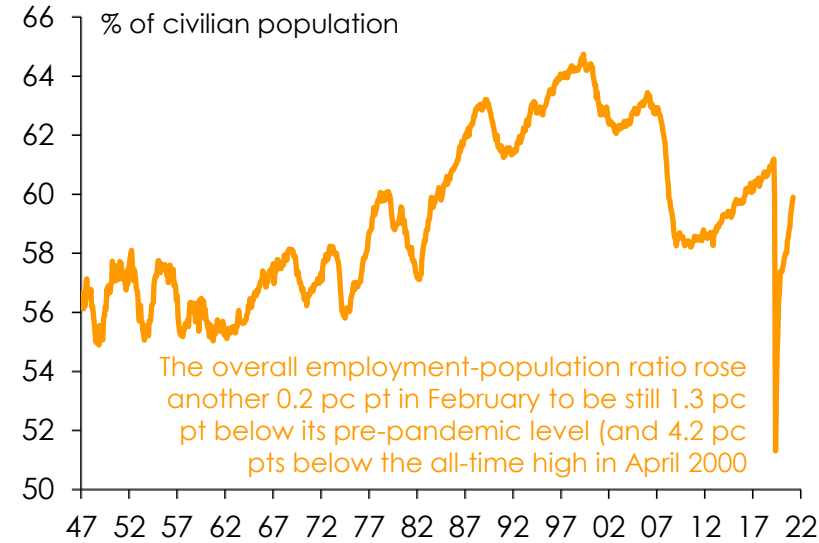
'E-pop' ratio – by education



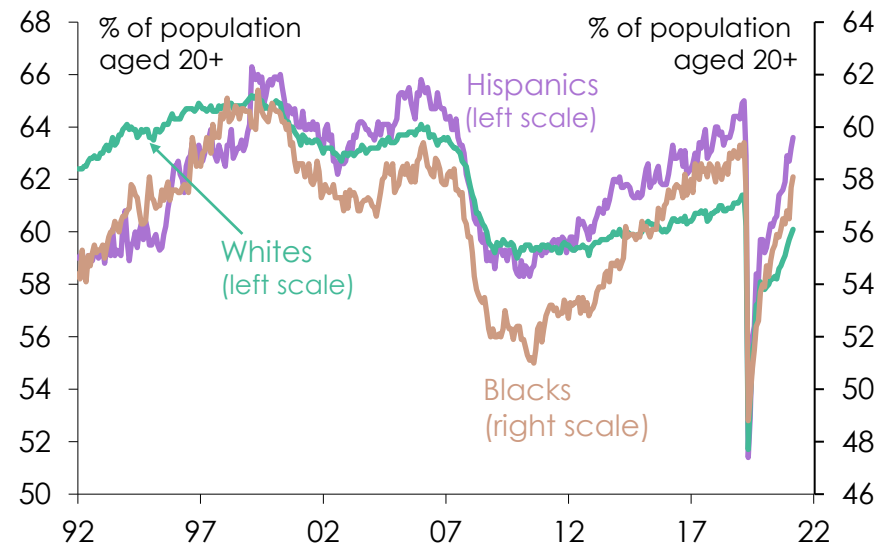
'E-pop' ratio – women 25-54



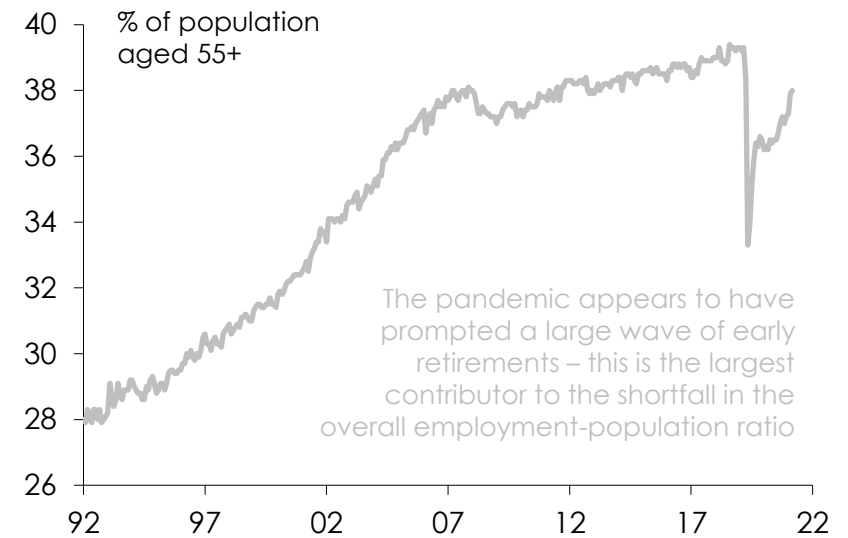
Employment-to-population ratio



'E-Pop' ratio – Blacks & Hispanics



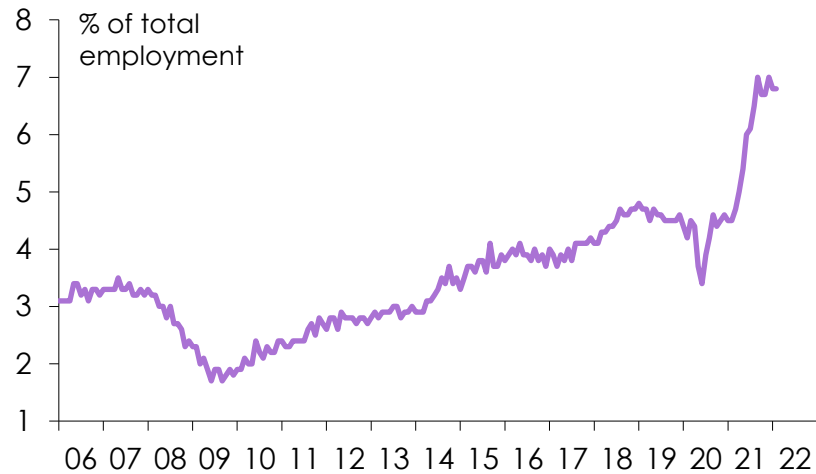
'E-pop' ratio – people 55 & over



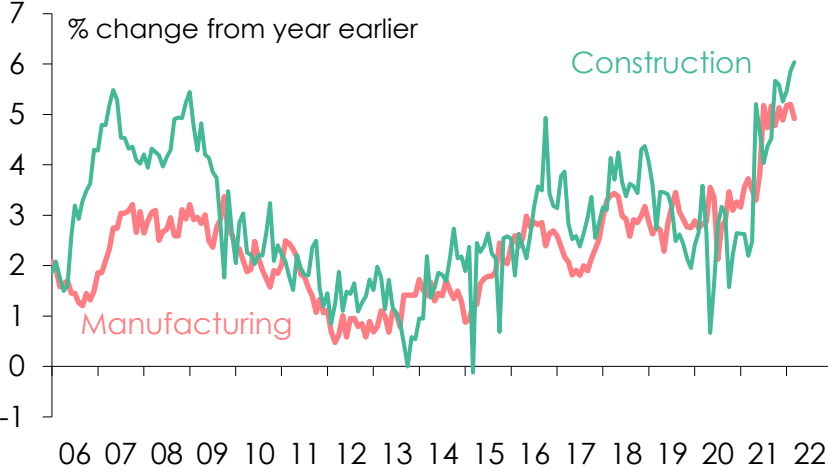
The 'best' measure of US wages growth – the employment cost index – rose 5% over the year to Q4, the fastest pace since Q1 1984

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

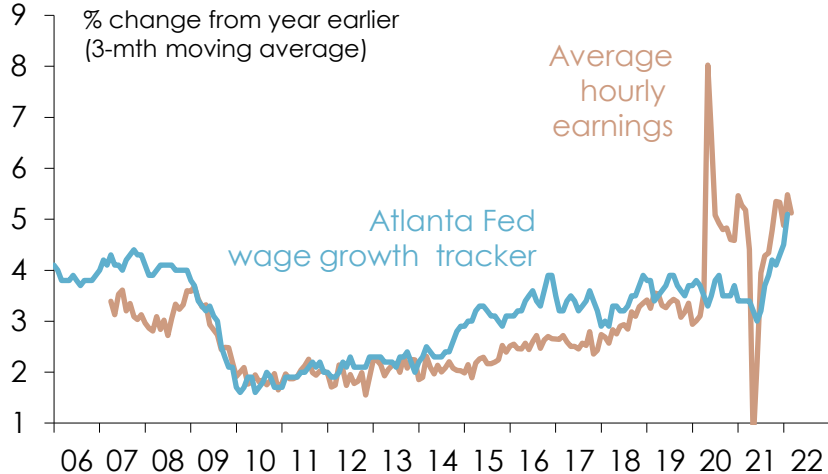
Job openings



Average hourly earnings

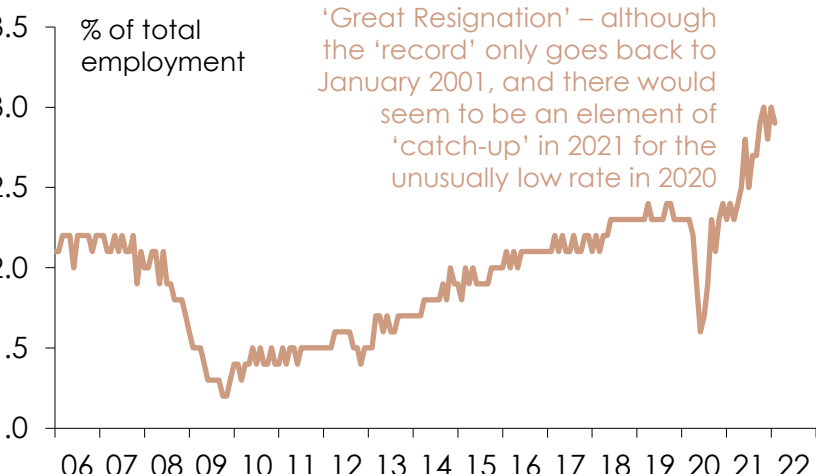


Overall wages growth - monthly

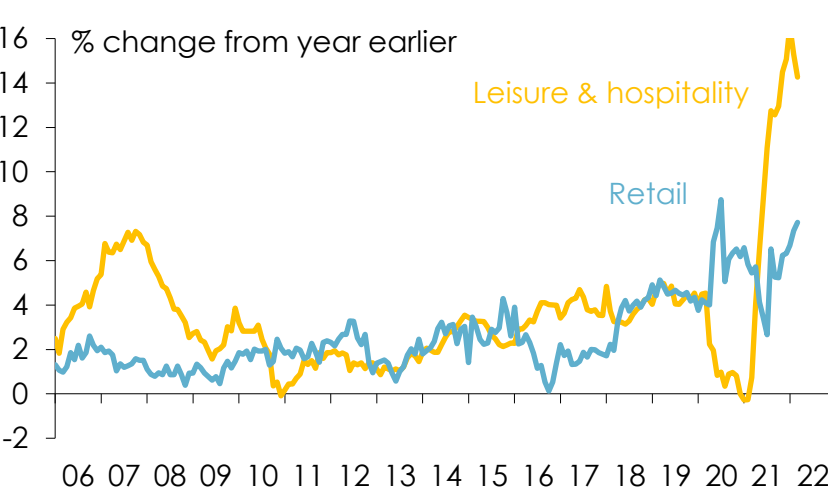


Quit rate

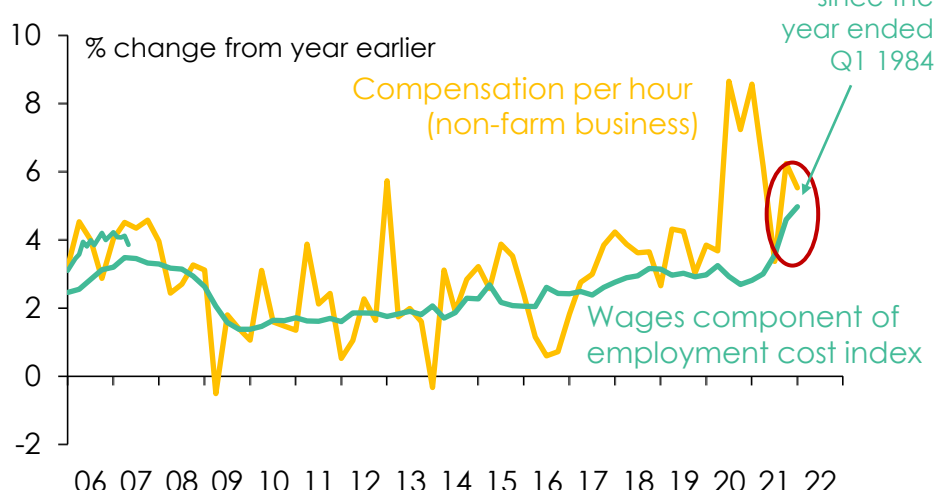
The record high 'quit rate' is the main evidence for the so-called 'Great Resignation' – although the 'record' only goes back to January 2001, and there would seem to be an element of 'catch-up' in 2021 for the unusually low rate in 2020



Average hourly earnings



Wages growth - quarterly

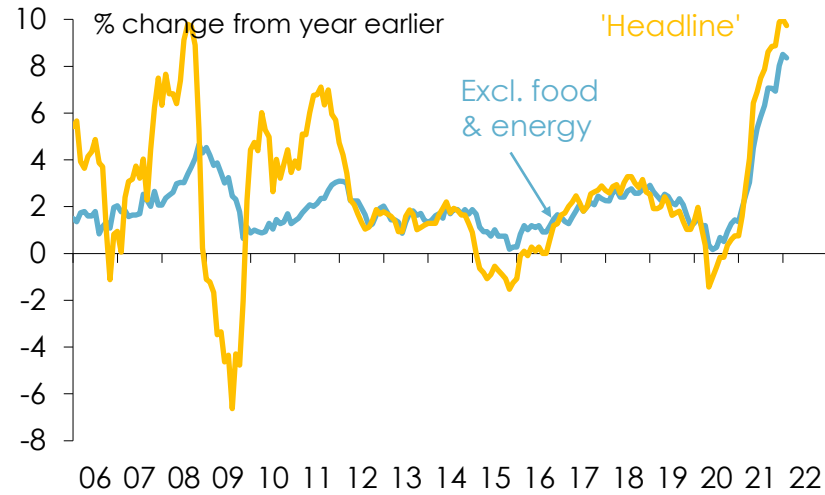


Note: Measures of average hourly earnings (especially the all-industries measures) and of average compensation per hour are affected by changes in the composition of employment (so for example they rose sharply in Q2 2020 when large numbers of low-paid workers were laid off and fell markedly when they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

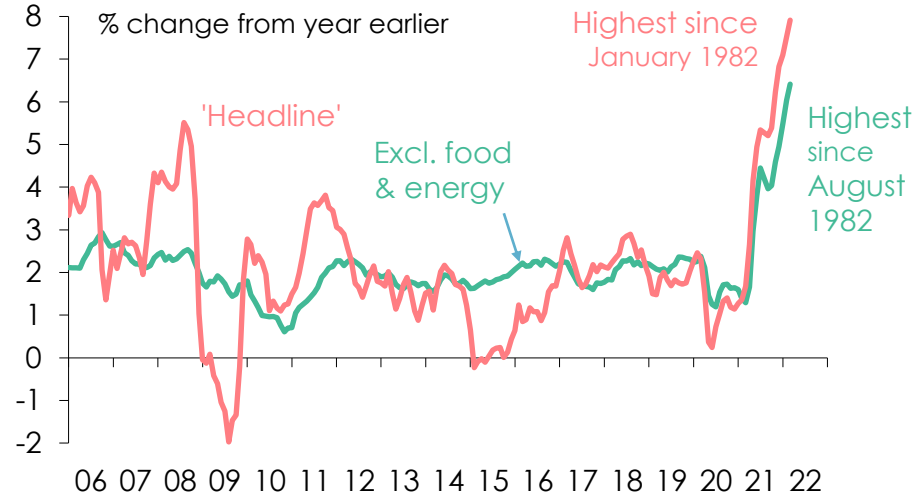
US consumer prices rose 0.8% in February, pushing the annual inflation rate to 7.9%, the highest in forty years

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

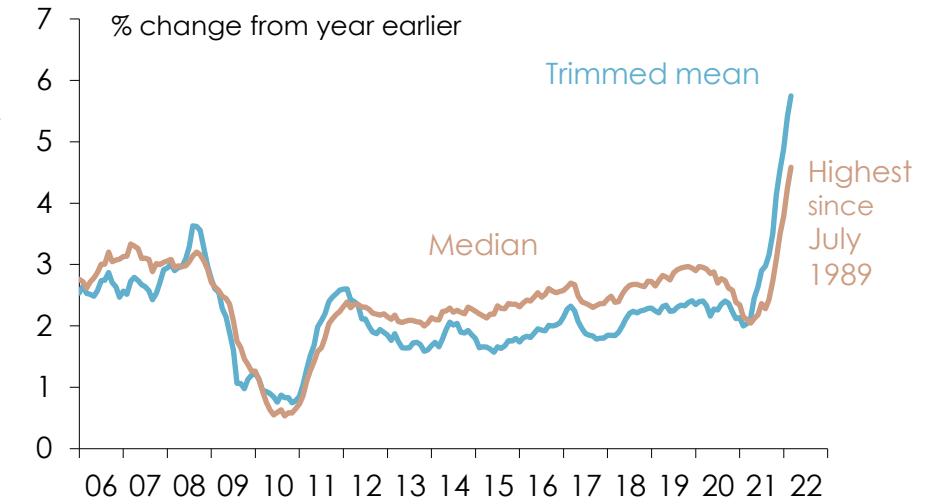
Producer price index



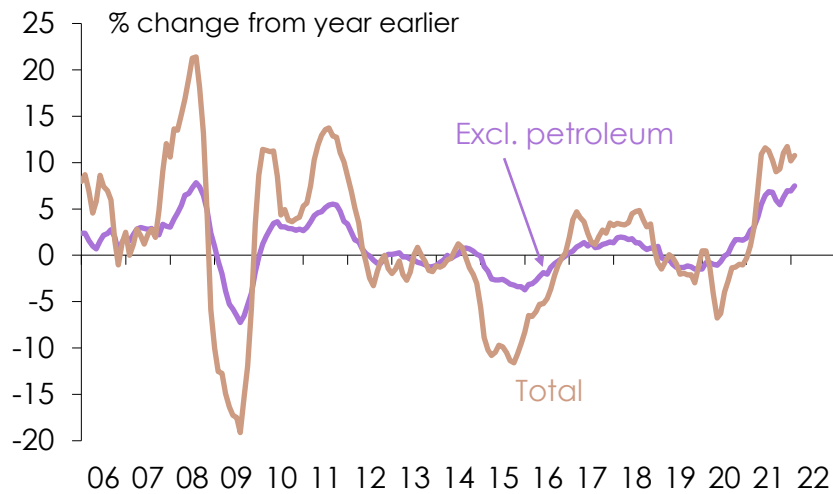
Consumer price index



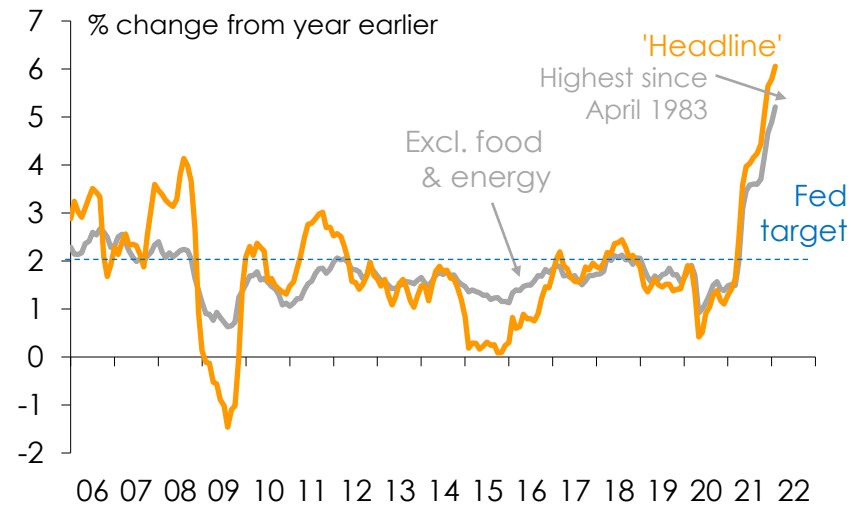
'Underlying' CPI inflation



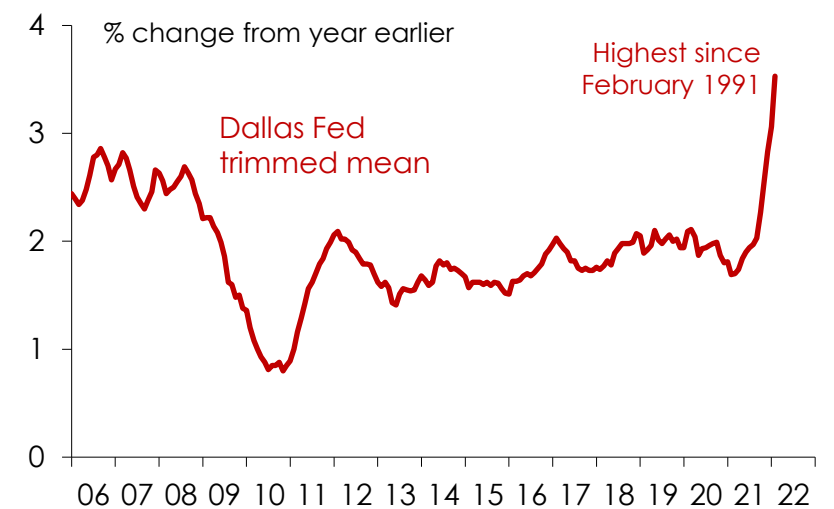
Import price index



Personal consumption deflator



'Underlying' PCE deflator inflation

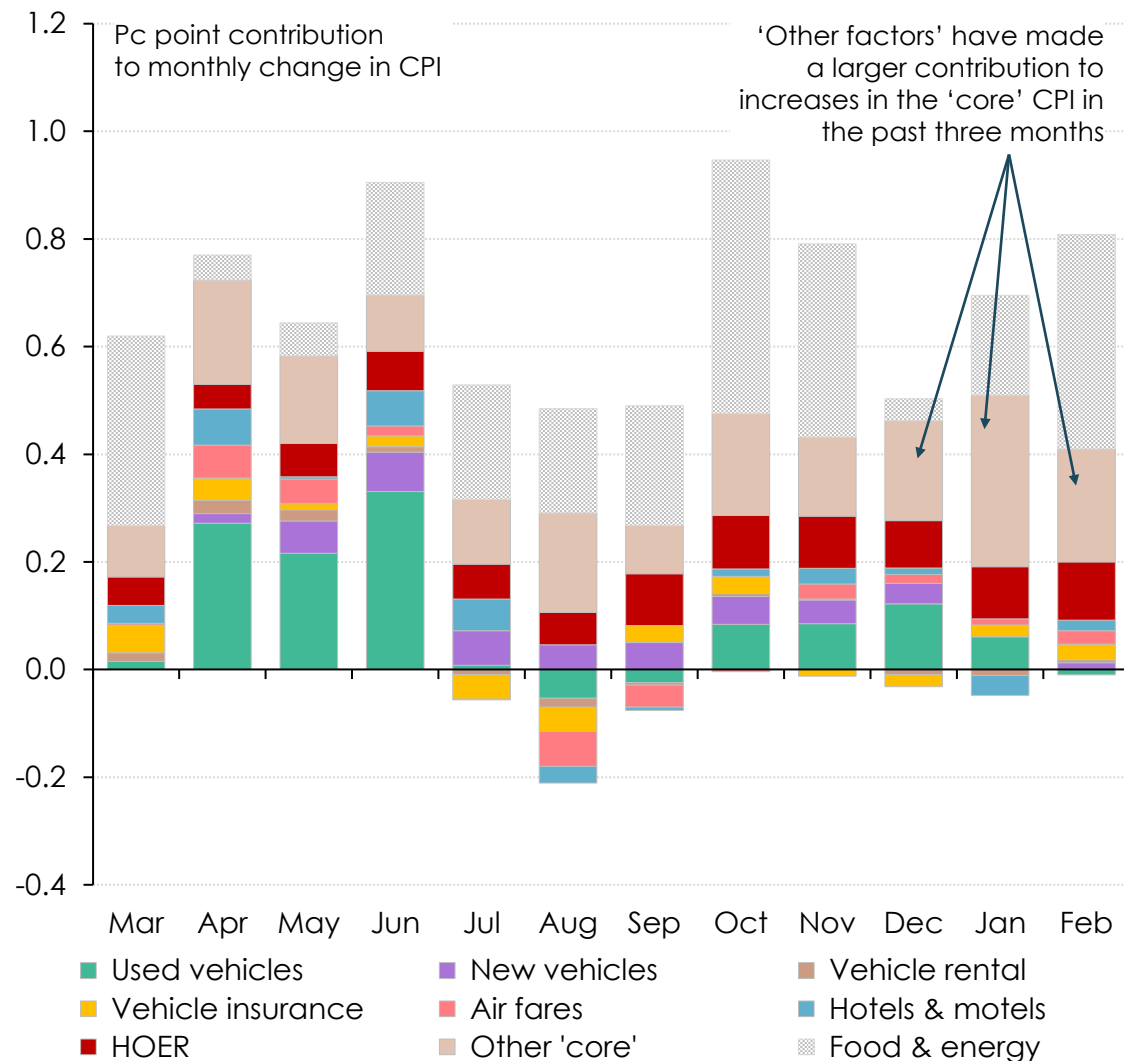


Sources: US Bureau of Labor Statistics, [Producer Price Index](#), [Import and Export Price Indexes](#) and [Consumer Price Index](#); US Bureau of Economic Analysis, [Personal Consumption Expenditures Price Index](#); Federal Reserve Bank of Cleveland, [Median CPI](#); Federal Reserve Bank of Dallas,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

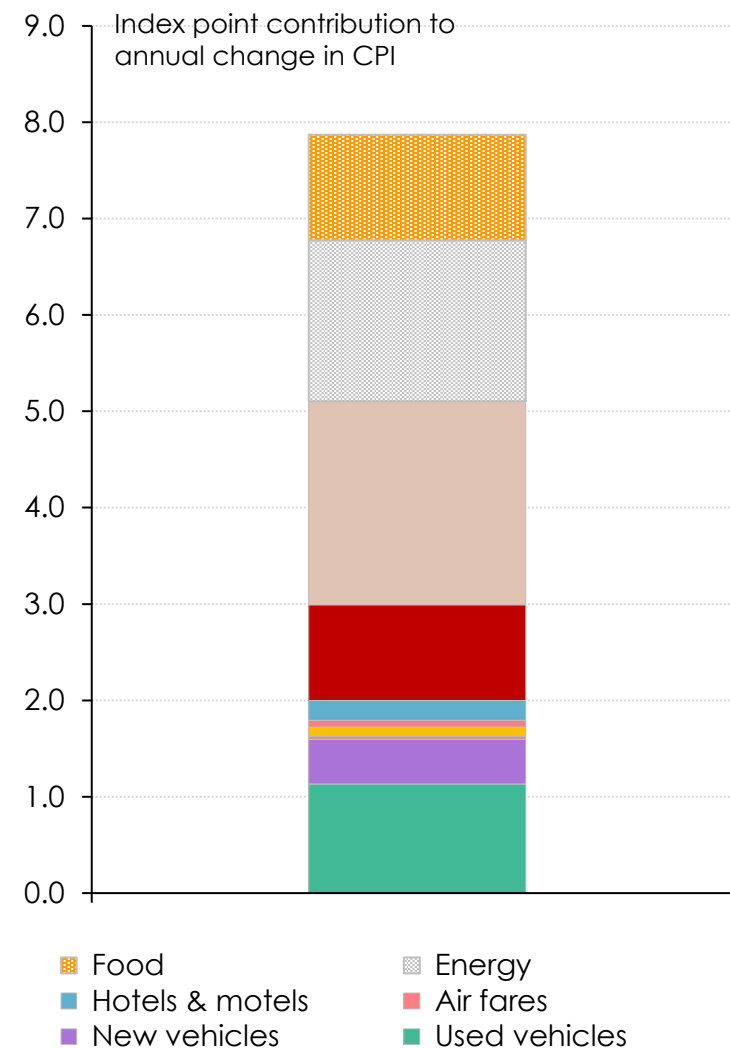
Price increases have become more broadly-based over the past three months, in contrast to the initial 'spike' in inflation in April-June last year

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

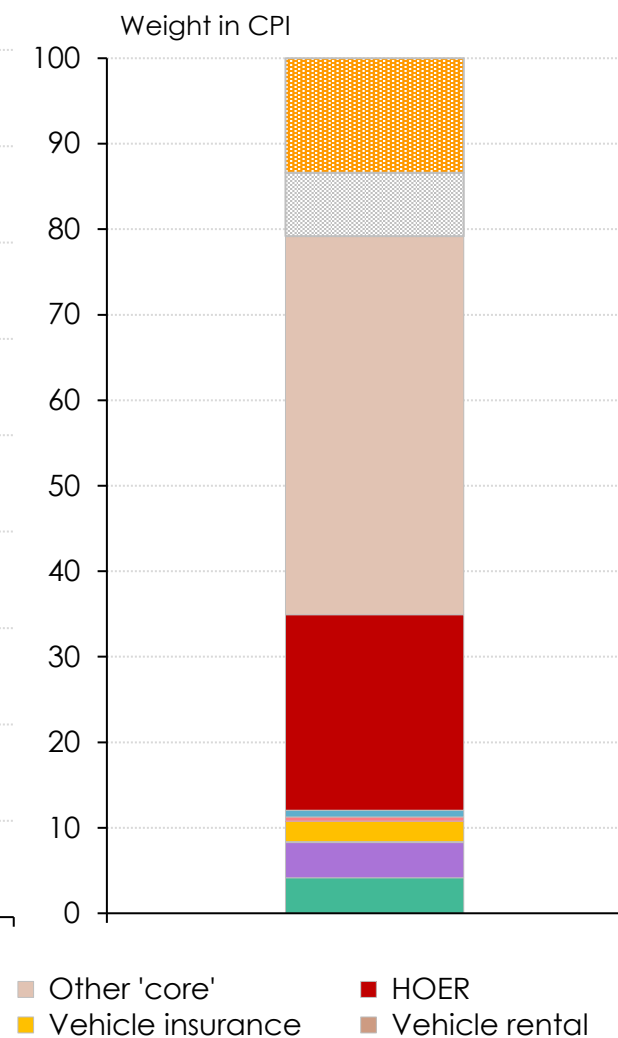
Contributions to monthly changes in the US CPI



Contributions to change in CPI over the year to February



Weights in CPI

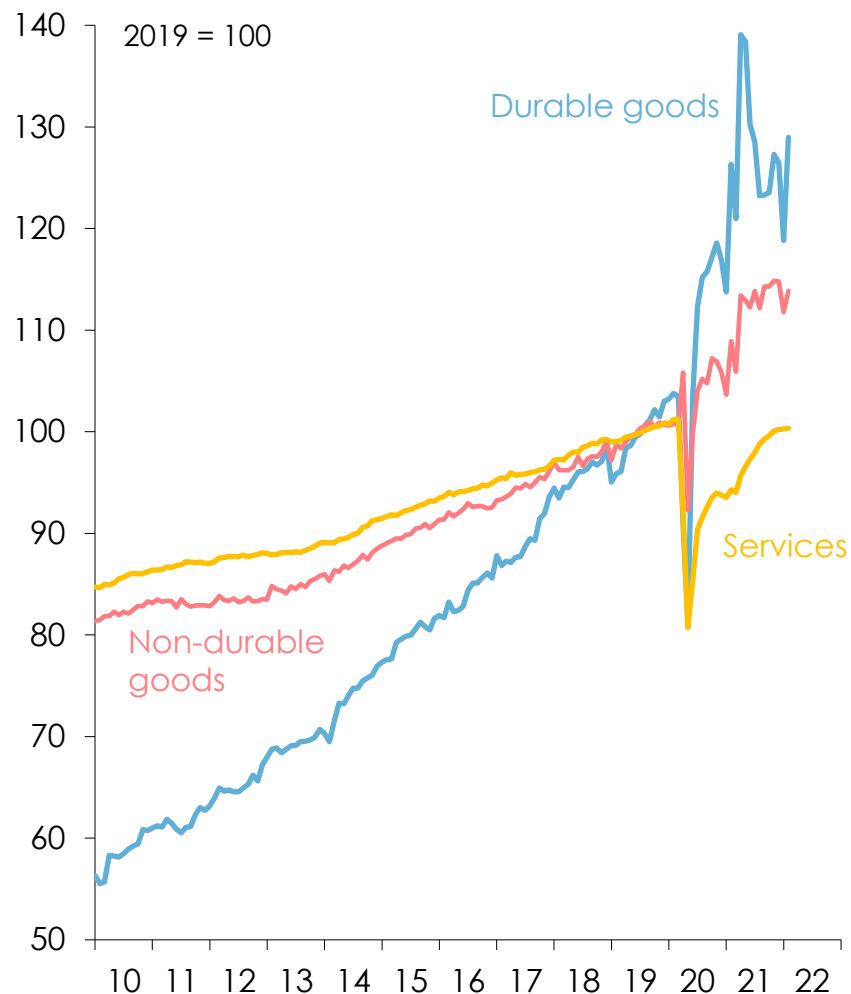


Note: 'HOER' = home-owners' equivalent rent (a measure of the 'imputed rent' notionally paid by owner-occupiers to themselves), and which accounts for (an uncommonly large, by international standards) 28½% of the CPI excluding food and energy. Source: US Bureau of Labor Statistics, CPI Table 6; Corinna.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

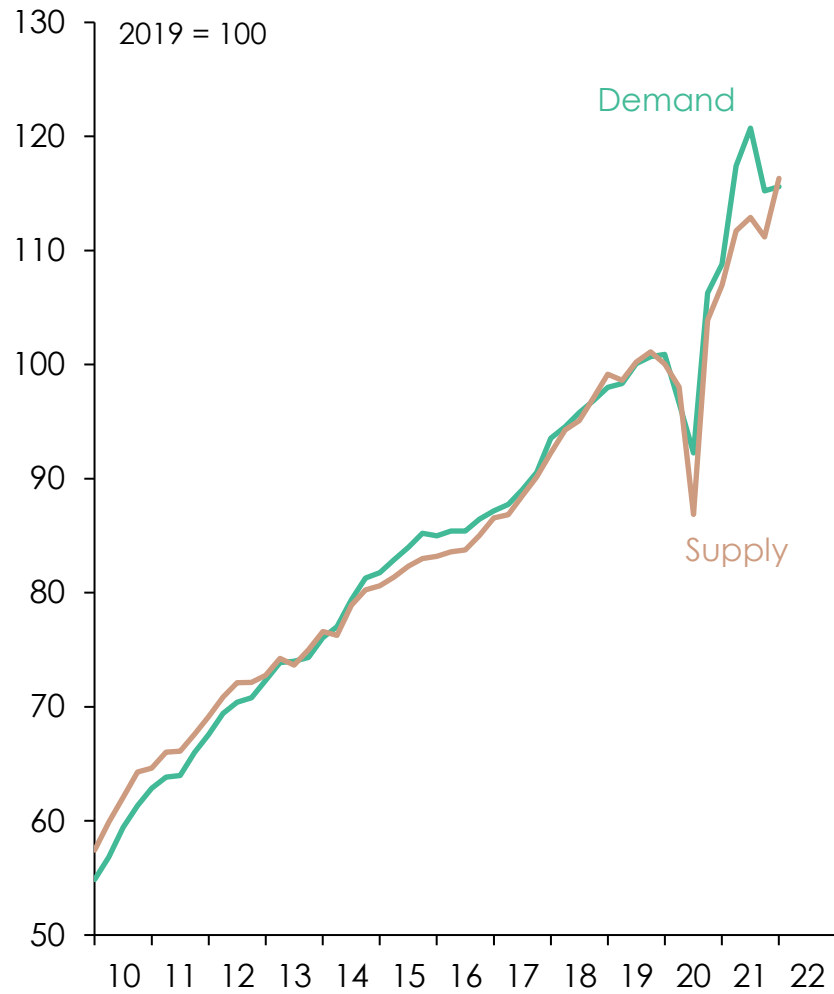
The rise in inflation as measured by the PCE deflator is largely attributable to the imbalance between demand for and supply of durable goods

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

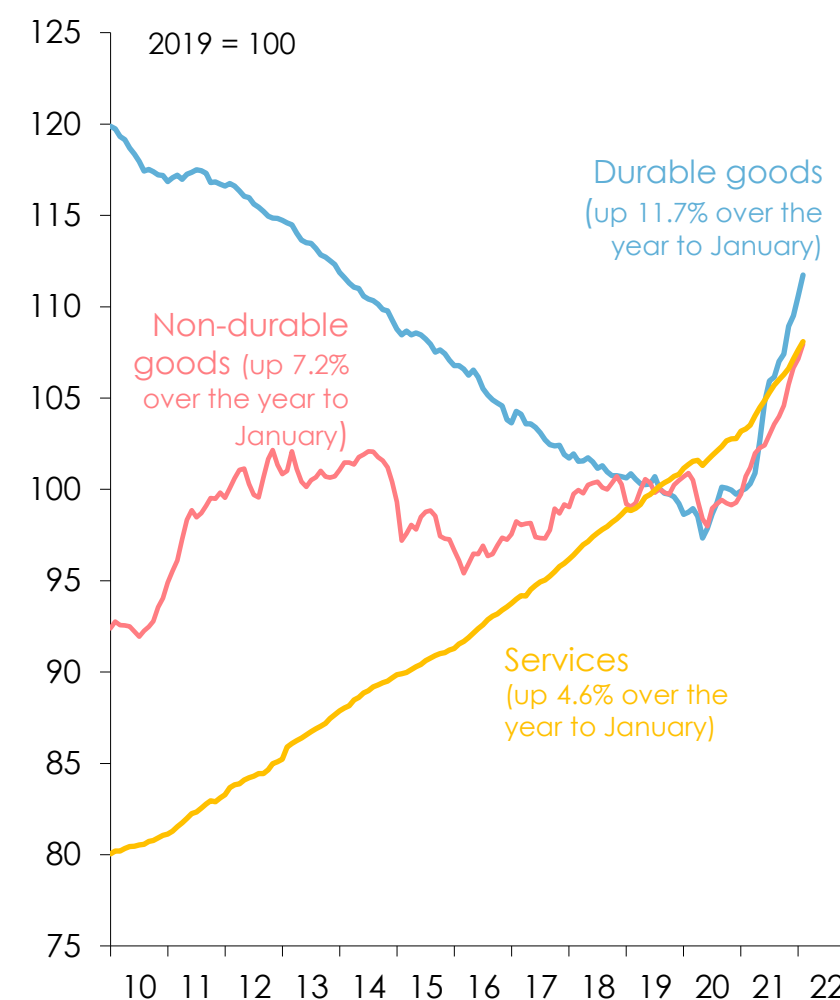
Composition of personal consumption expenditures



Aggregate demand for and supply of durable goods



Implicit price deflators of personal consumption

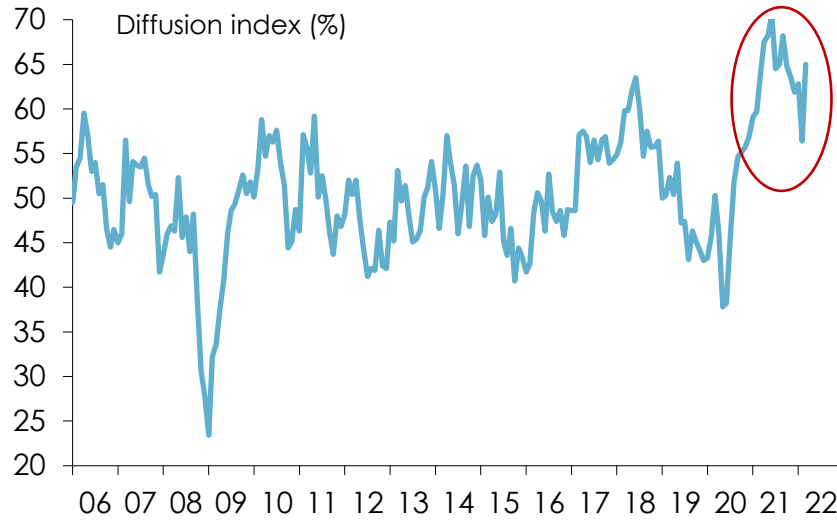


Note: 'Aggregate demand' for durable goods comprises personal consumption of durable goods plus business investment in equipment. 'Aggregate supply' of durable goods comprises gross domestic product (final sales plus change in inventories) plus net imports of durable goods. Sources: US Bureau of Economic 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"](#).

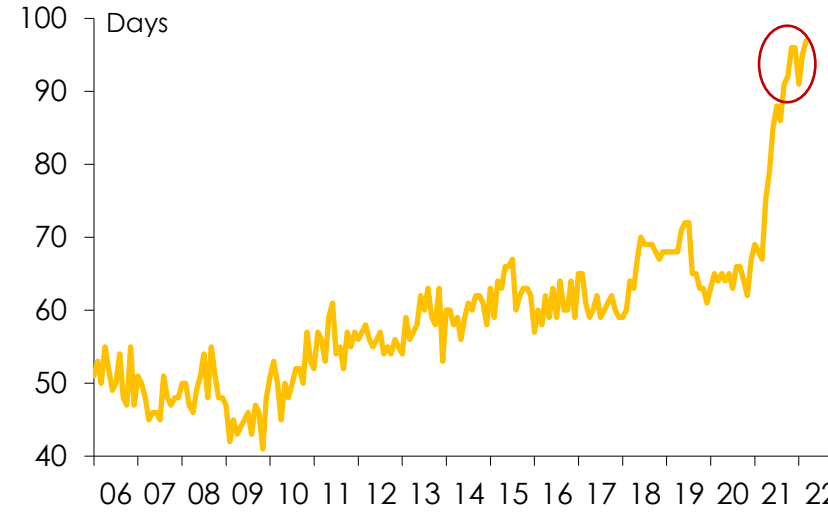
Supply-chain difficulties had appeared to have peaked late last year but may have re-intensified in the opening months of this year

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

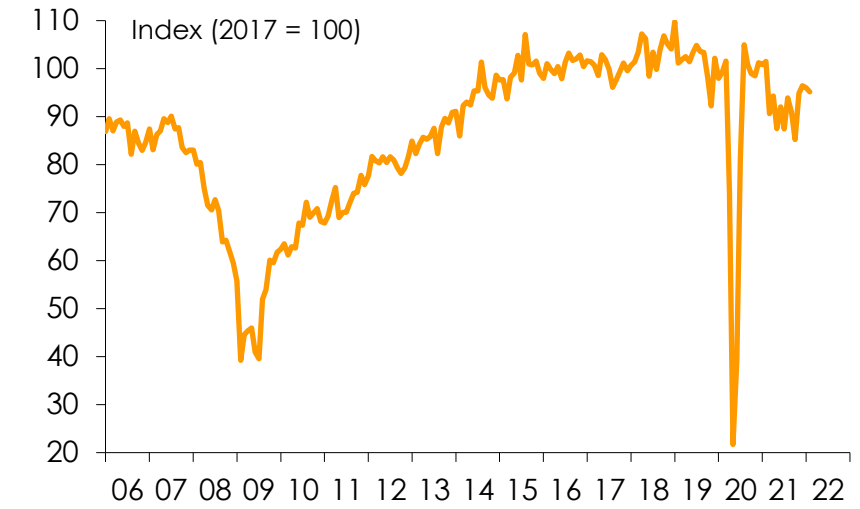
Manufacturers' order backlogs



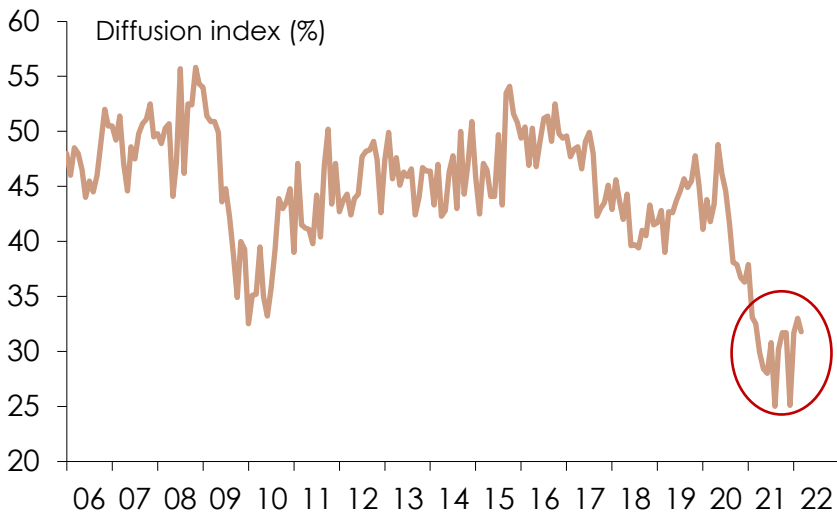
Lead-time for production materials



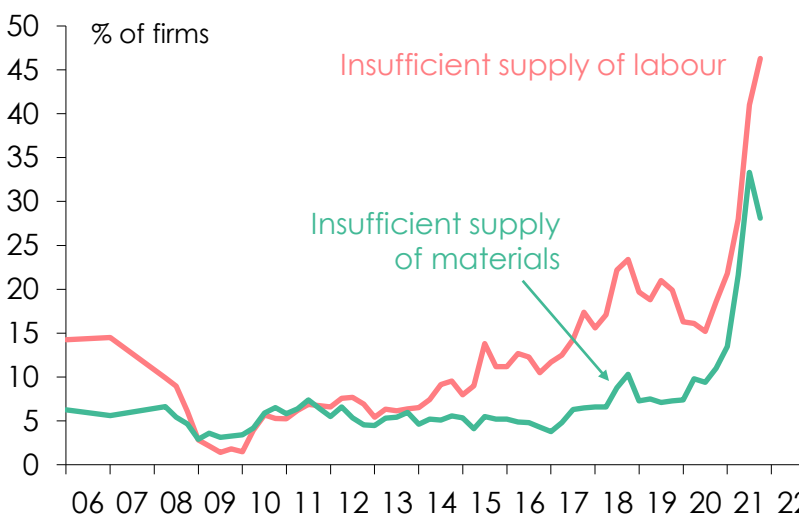
Motor vehicles & parts production



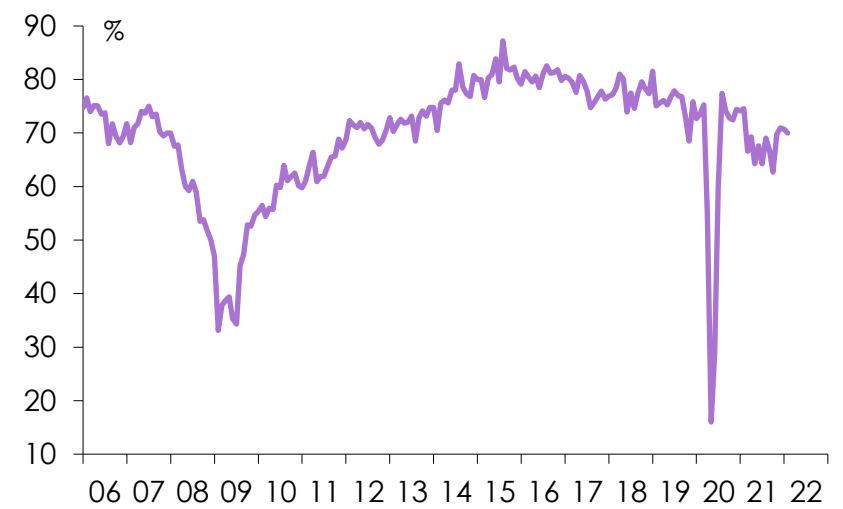
Manufacturers' customer inventories



Reasons for < full capacity



Auto industry capacity utilization

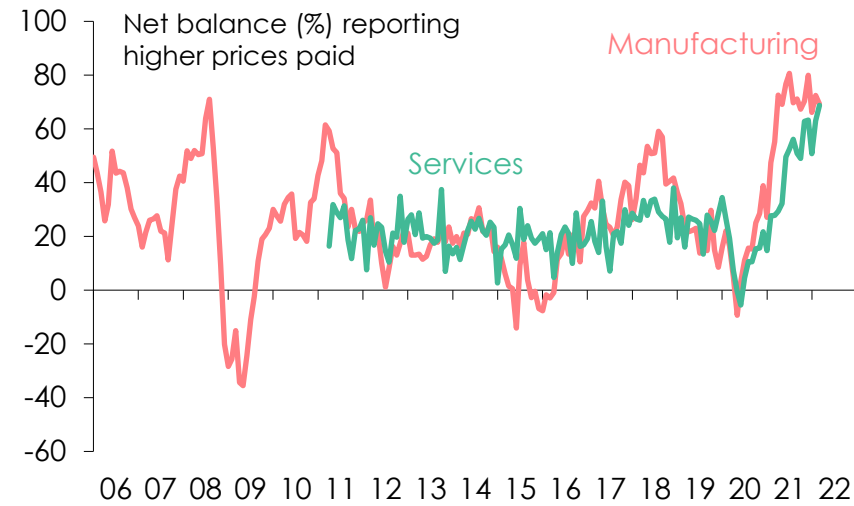


Note: The diffusion index of order backlogs is 50 plus the percentage of respondents reporting longer backlogs minus the percentage reporting shorter backlogs (and similarly for customer inventories). 'Reasons for < full capacity' means reasons for operating at less than full capacity. Sources: Institute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

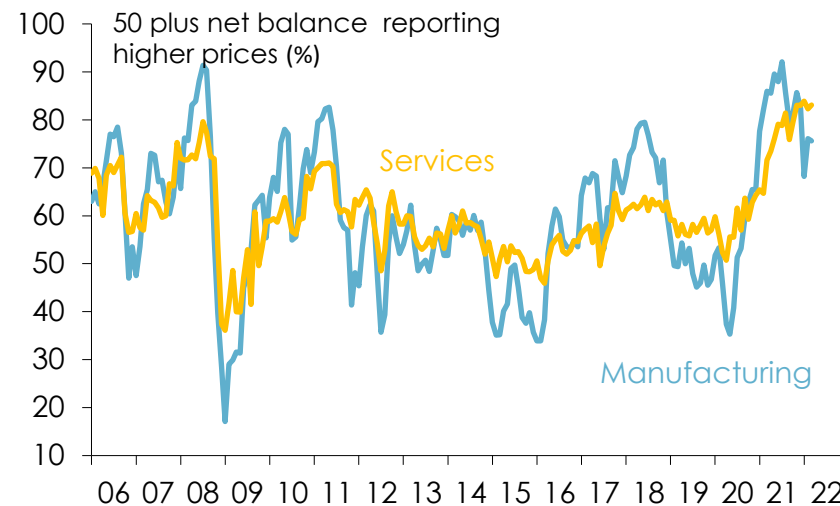
Longer-term household inflation expectations have remained remarkably stable over the past few months despite the sharp rise in actual inflation

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

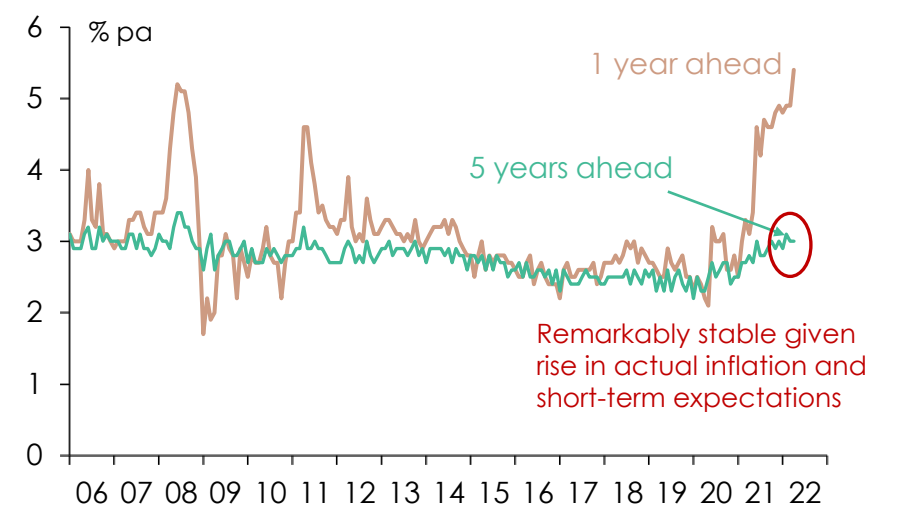
'Philly Fed' survey – prices paid



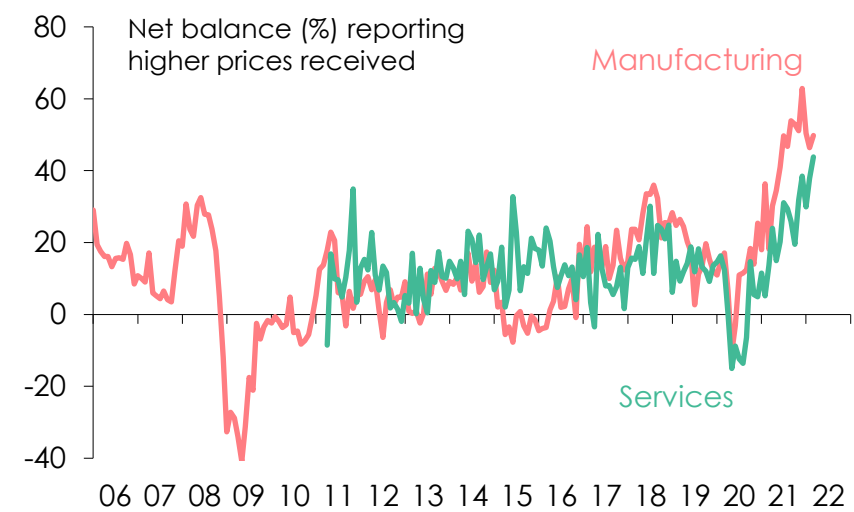
ISM survey – prices paid



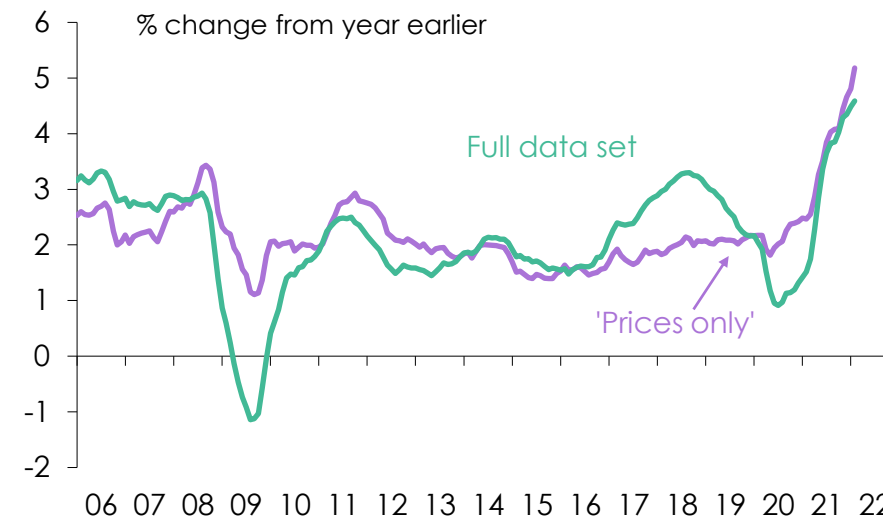
Household inflation expectations



'Philly Fed' survey – prices received



NY Fed 'underlying inflation gauge'



Market-priced inflation probabilities



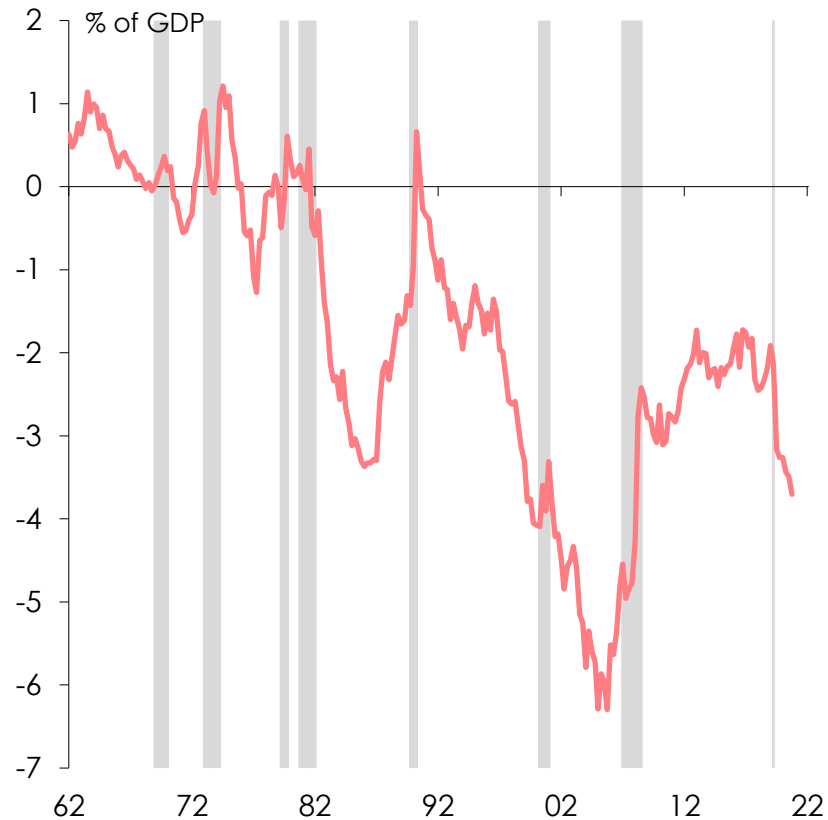
Sources: Federal Reserve Bank of Philadelphia, [Regional Economic Analysis](#), Manufacturing and Non-Manufacturing Business Outlook Surveys ; Institute for Supply Management, [ISM Report on Business](#); Federal Reserve Bank of New York, [Underlying Inflation Gauge](#); Federal Reserve Bank of Minneapolis,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

SAUL ESLAKE
 CORINNA ECONOMIC ADVISORY
 INDEPENDENT ECONOMICS

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

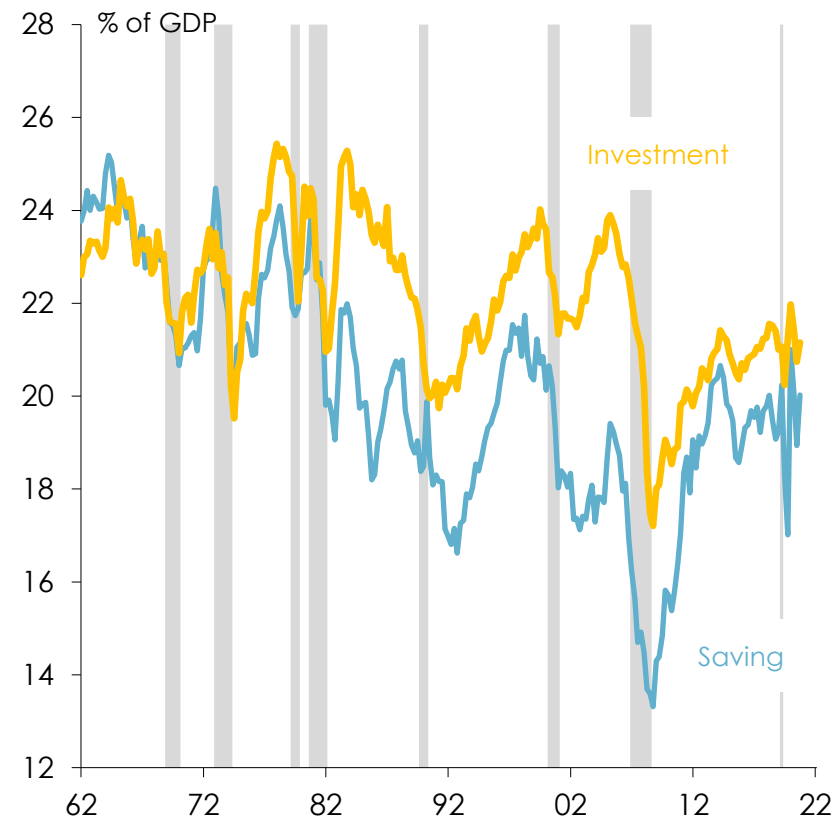
THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

US current account balance



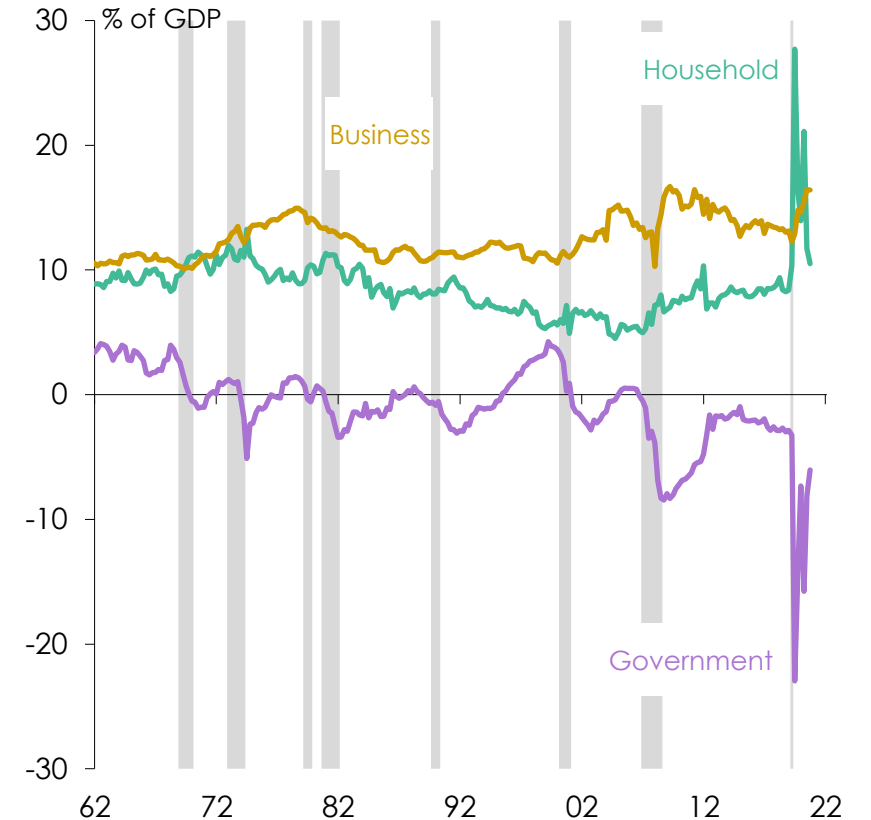
The US current account has *widened* since the onset of the pandemic-induced recession – and has become larger (as a pc of GDP) than at any time since the financial crisis

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



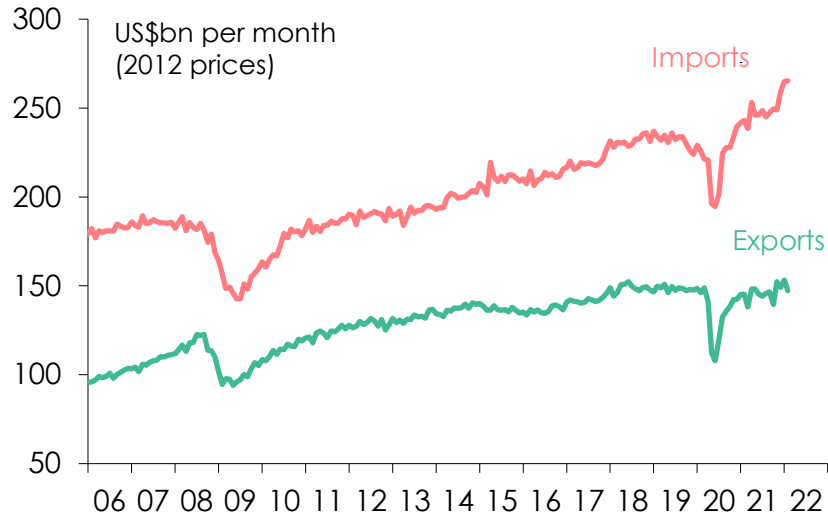
The dramatic increase in the budget deficit during and after the Covid recession has been largely (but not totally) offset by an increase in household saving

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"](#).

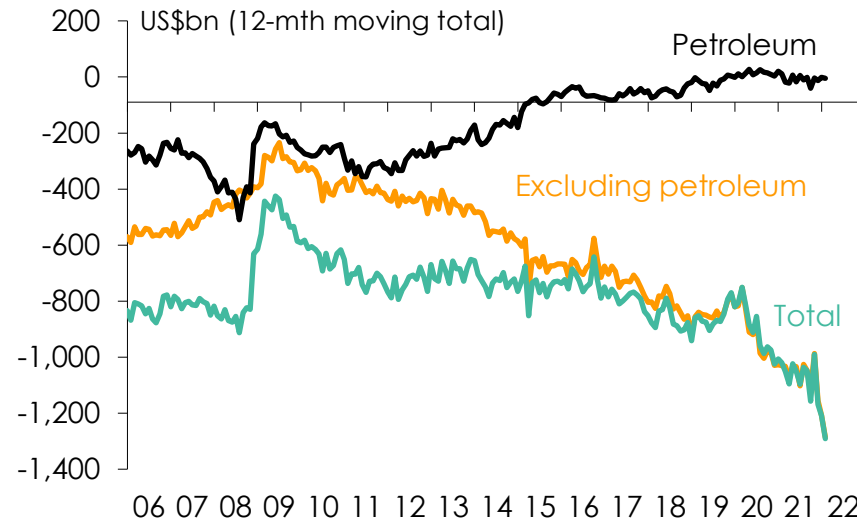
The US recorded a US\$89.7bn deficit on trade in goods and services in January, surpassing December's previous record by \$7.8bn

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

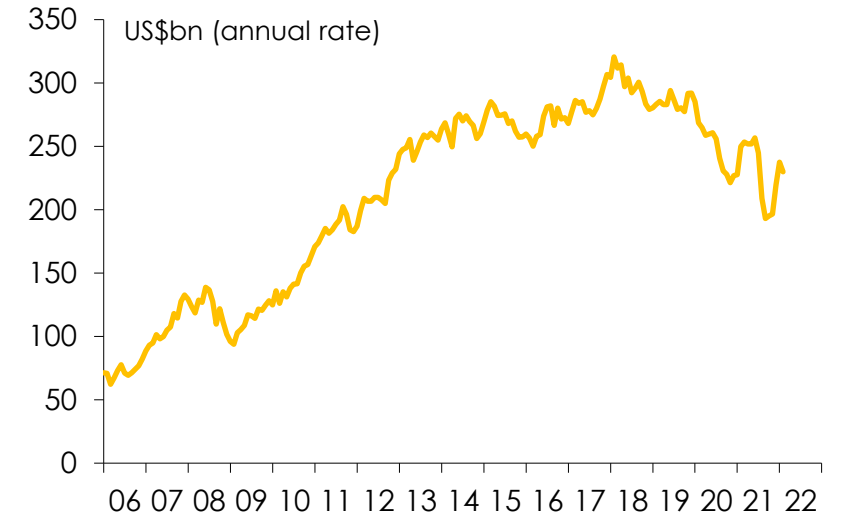
US merchandise trade volumes



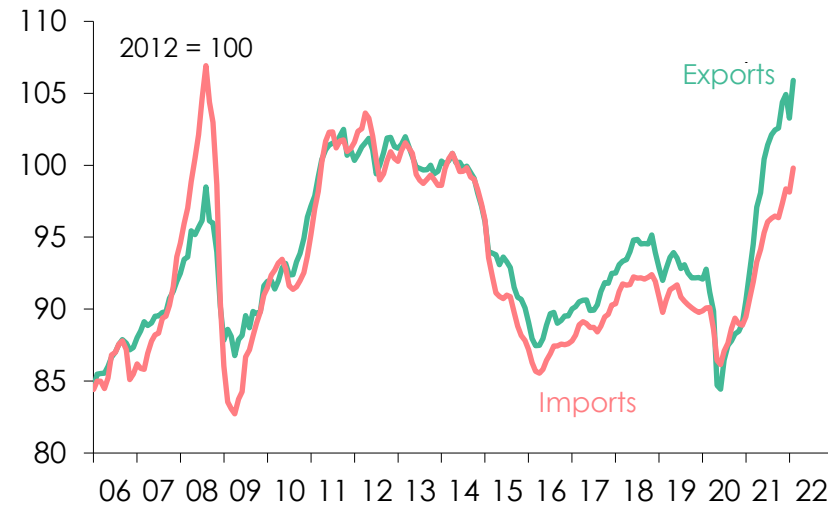
US goods trade balance



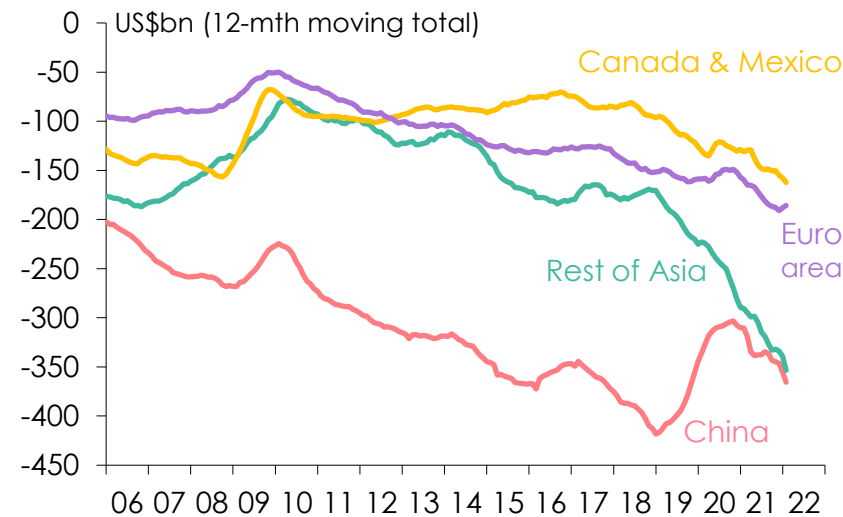
US services trade balance



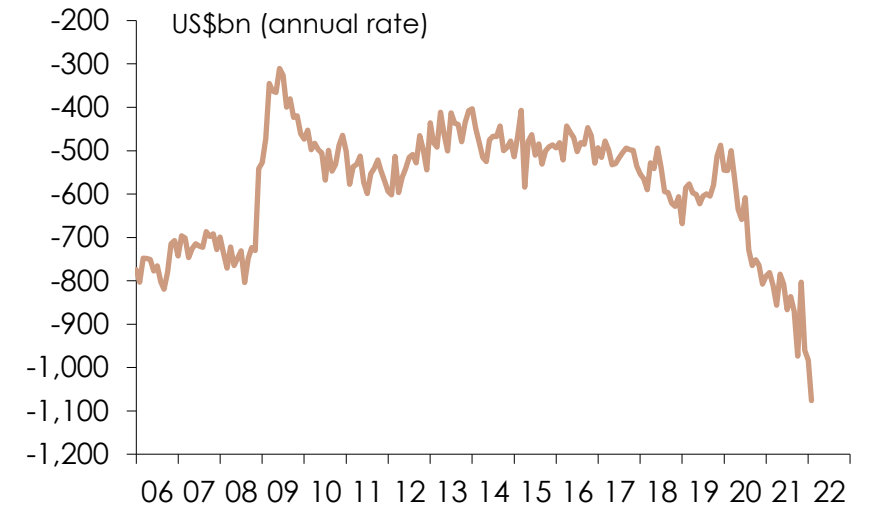
US merchandise trade prices



US bilateral goods trade balances



US goods & services trade balance

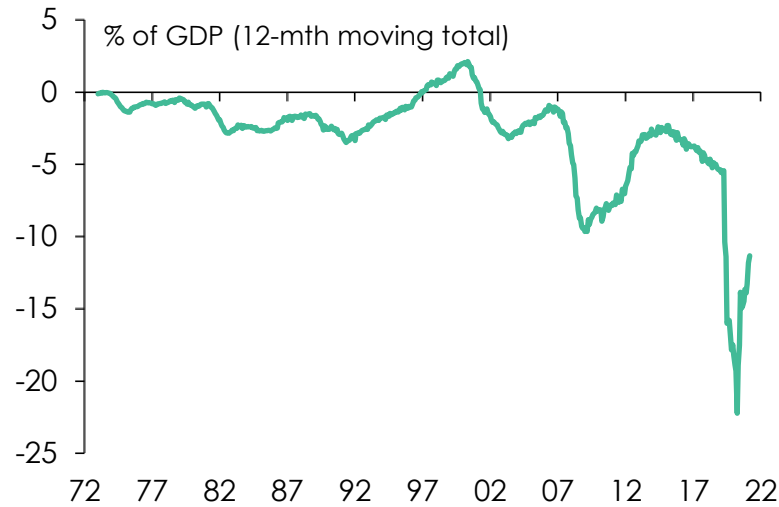


Source: US Census Bureau, [Foreign Trade](#); and US Bureau of Economic Analysis, [Advance Economic Indicators](#), and [U.S. International Trade in Goods and Services](#).
[Return to "What's New"](#).

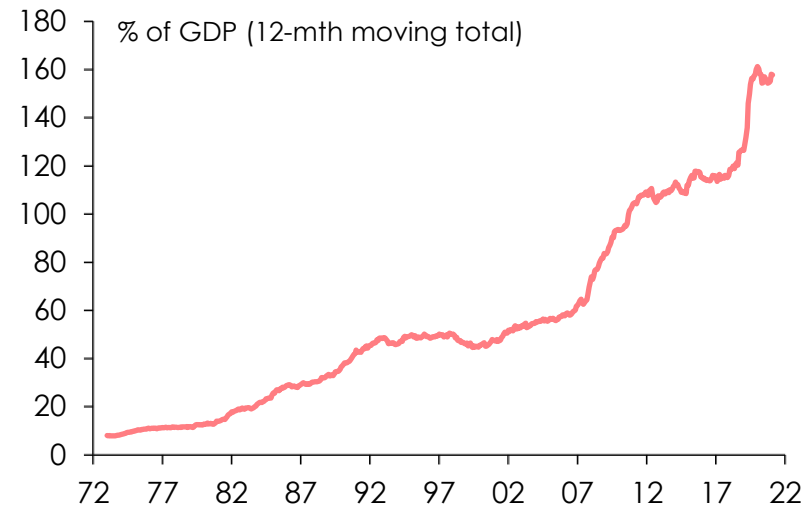
The US Federal Government posted a budget surplus in January for the first time since September 2019

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

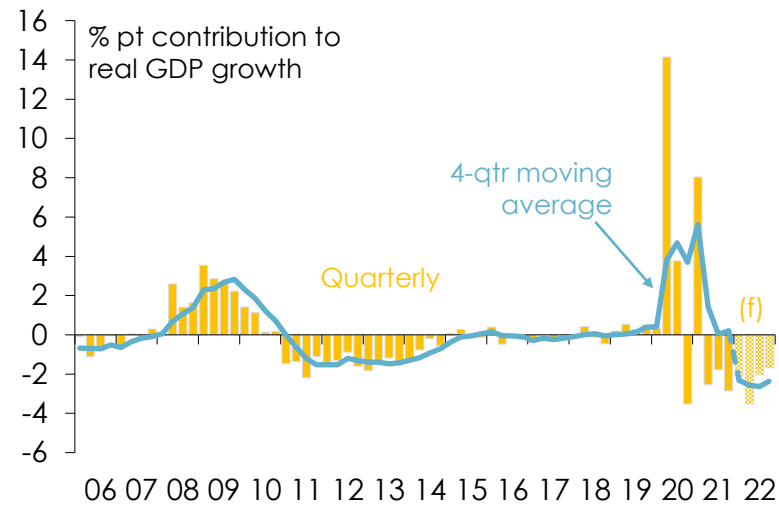
US Federal budget deficit



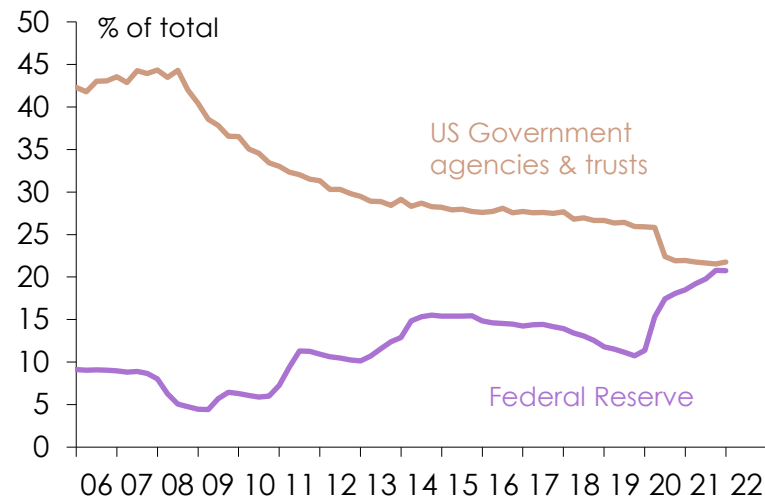
US gross Federal debt



Fiscal policy impact on GDP



Holdings of US Federal debt



- ❑ After recording a surplus in January for the first time in 28 months, the US Federal budget returned to a deficit of \$217bn in February – though that was \$94bn less than in February last year
- ❑ For the 12 months ended February the budget deficit totalled \$2.2 trn (11.3% 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 26% 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"](#).

Fed Chair Powell re-iterated that the Fed would likely raise rates by 25 basis points at this month's FOMC meeting

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

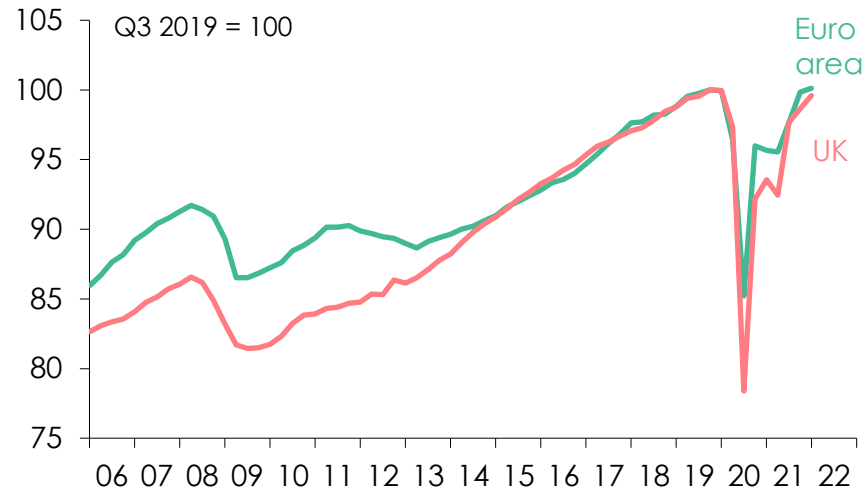
- ❑ Fed Chair Jerome Powell indicated in his [semi-annual Congressional testimony](#) on 2ne March that “it will be appropriate to raise the target range for the federal funds rate” at the next FOMC meeting (on 15-16th March)
 - he noted that “the labour market is extremely tight”, as a result of which that “wages are rising at their fastest pace in many years”, that “supply disruptions have been larger and longer lasting than anticipated” and that “price increases are now spreading to a broader range of goods and services”
 - he indicated that “the process of removing monetary accommodation” would entail “both increases in the target range for the federal funds rate and reduction in the size of the Federal Reserve’s balance sheet”, with the latter commencing “after the process of raising interest rates has begun” and proceeding “primarily through adjustments to reinvestments”
 - he also observed that the effects of the Russian invasion of Ukraine, the ensuing sanctions and “events to come” were “highly uncertain” and that the Fed would need to recognize that “the economy evolves in unexpected ways”
- ❑ These remarks (apart from those relating to recent geo-political developments) were consistent with the [minutes](#) of the most recent FOMC meeting held on 25-26th January, which 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”
 - and in response to questions, Powell [said](#) he was “inclined to propose and support a 25 bp rate hike” at this month’s meeting, but also indicated the Fed could “move more aggressively” later if inflation didn’t [come down](#) later this year as expected

Europe

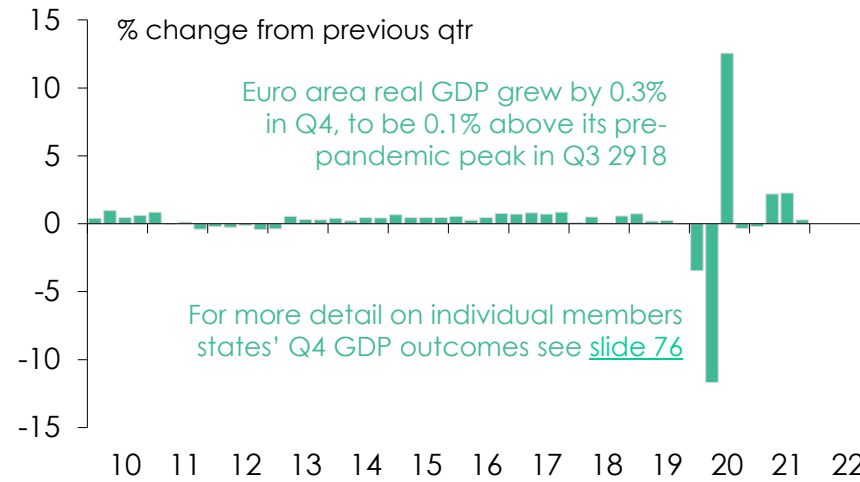
Euro area real GDP was 0.1% above its pre-pandemic peak in Q4 2021, whereas UK real GDP was still 0.4% below its pre-pandemic peak

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

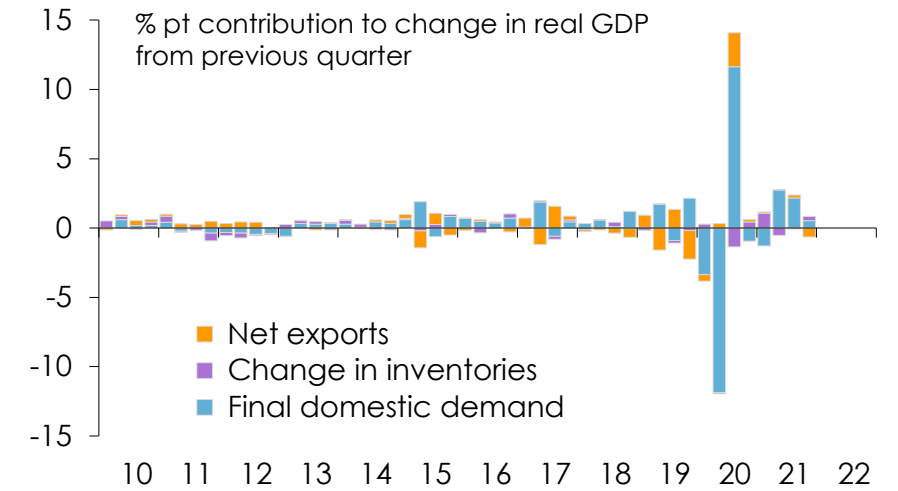
Euro area and UK real GDP



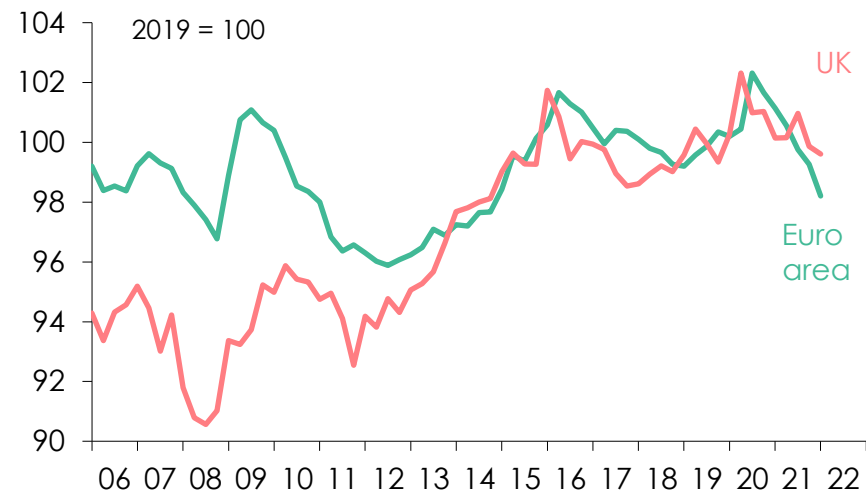
Euro area quarterly GDP growth



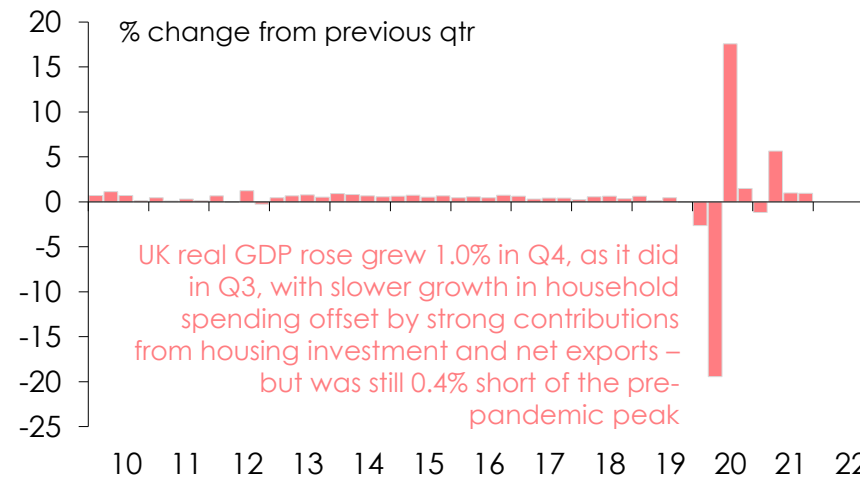
Contributions to quarterly EA GDP



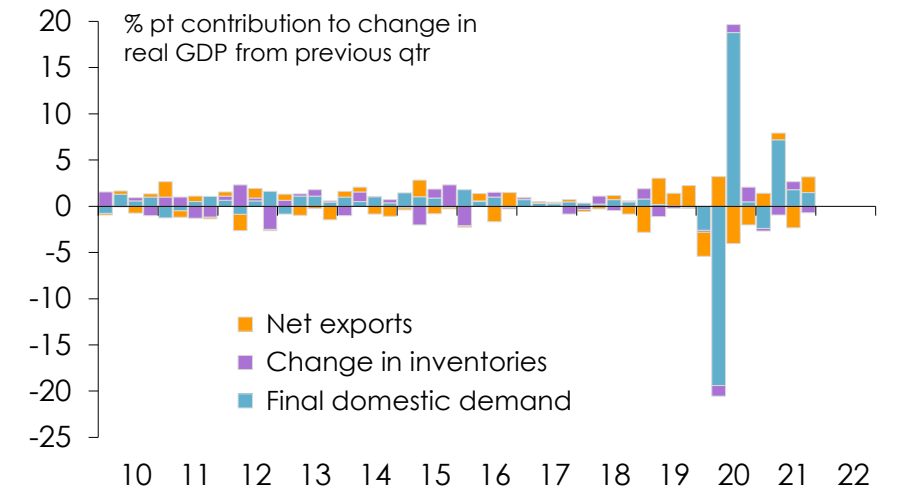
Euro area and UK terms of trade



UK quarterly GDP growth



Contributions to quarterly UK GDP

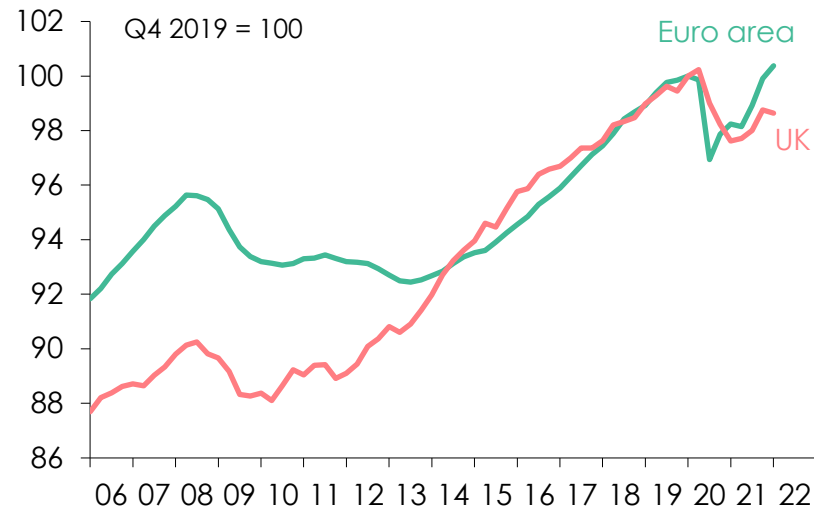


Note: the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded with the rest of the world. Sources: Eurostat,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

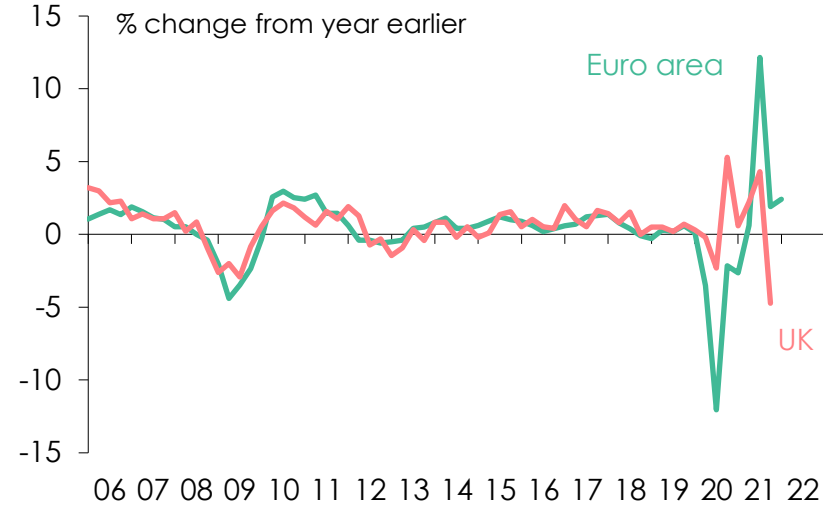
Unemployment is much lower in the UK than in the euro area, but in other respects euro area households are in a stronger position

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

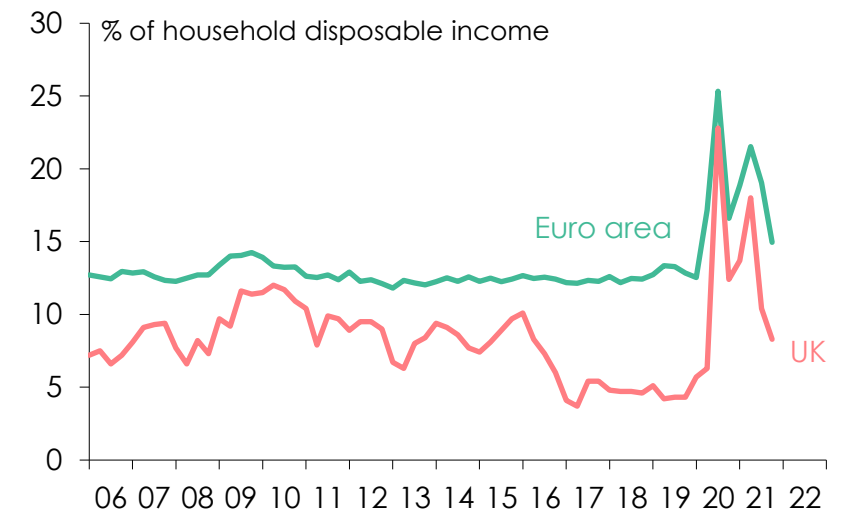
Employment



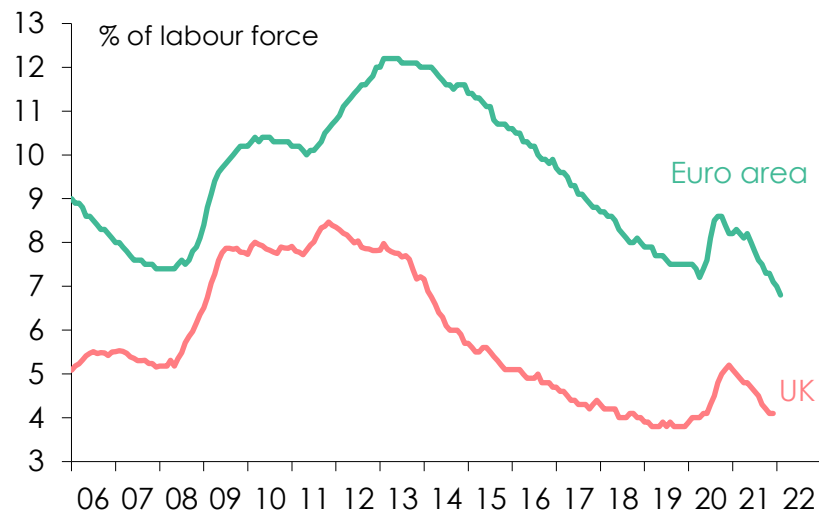
Labour productivity



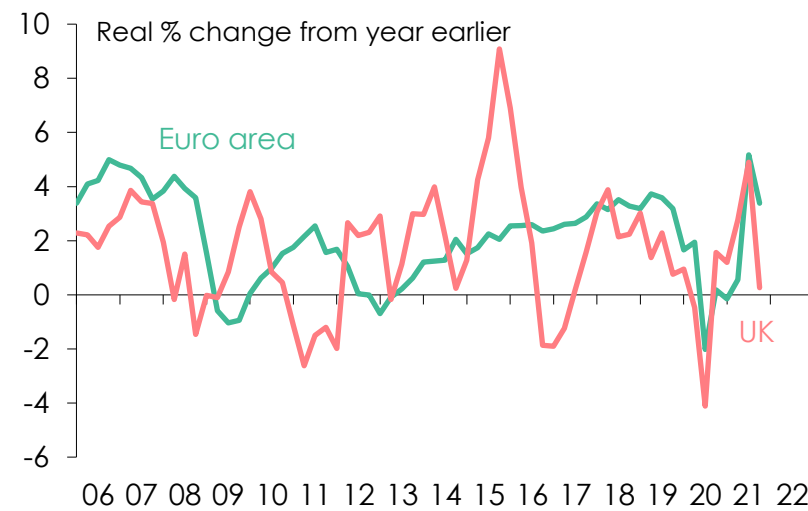
Household saving rates



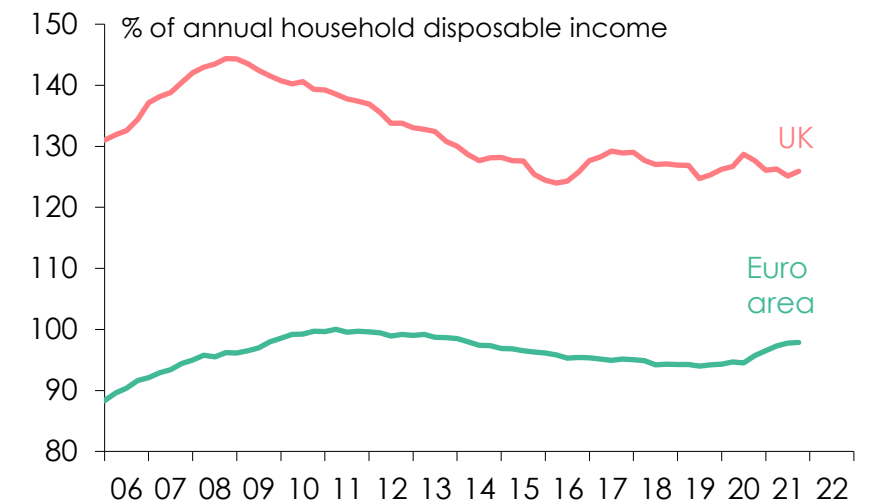
Unemployment rates



Household disposable income



Household debt

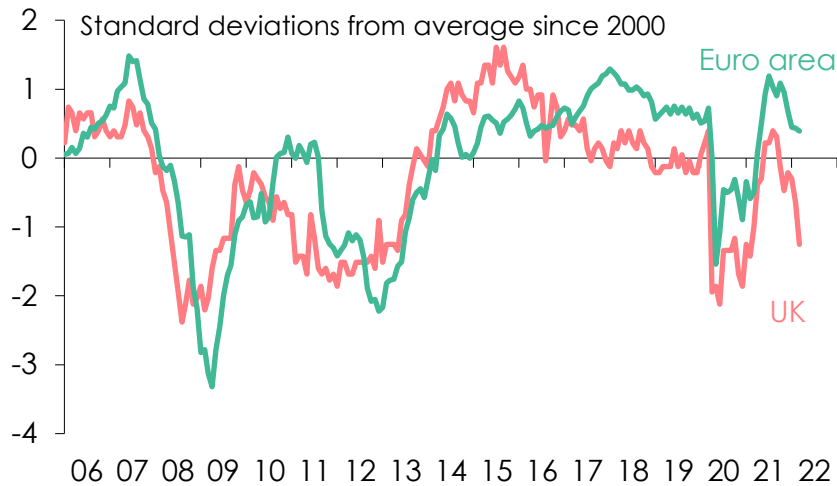


Sources: Eurostat, [Employment and unemployment \(Labour force survey\)](#), [Household saving rate](#) and [Labour productivity and unit labour costs](#); UK Office for National Statistics, [Employment in the UK](#), [Unemployment rate](#) (note, UK unemployment data are shown as a three-month moving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

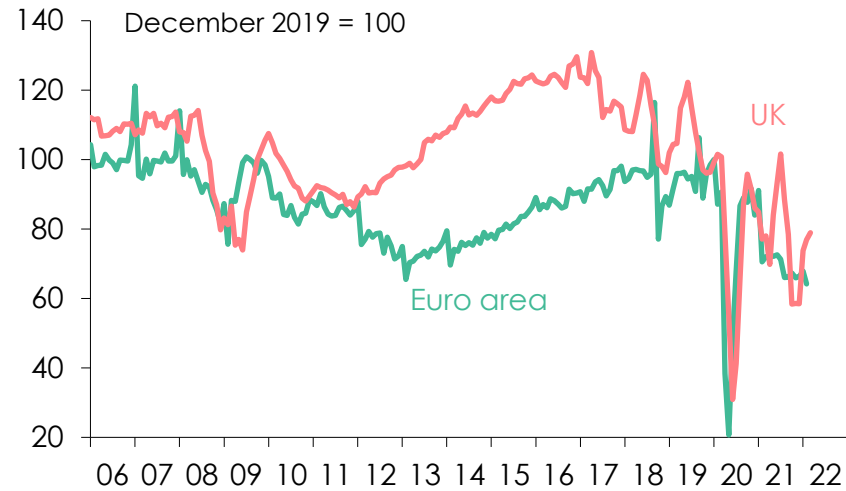
Higher-frequency data also show the euro area economy doing better than the UK – except in housing

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

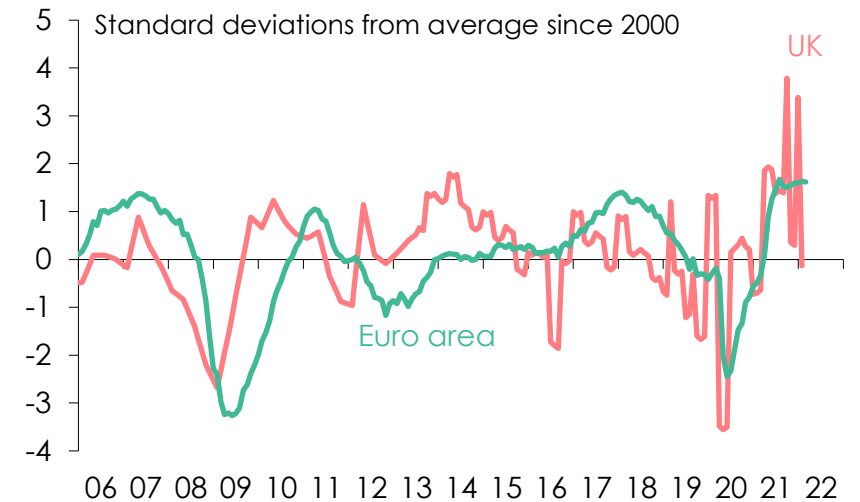
Consumer confidence



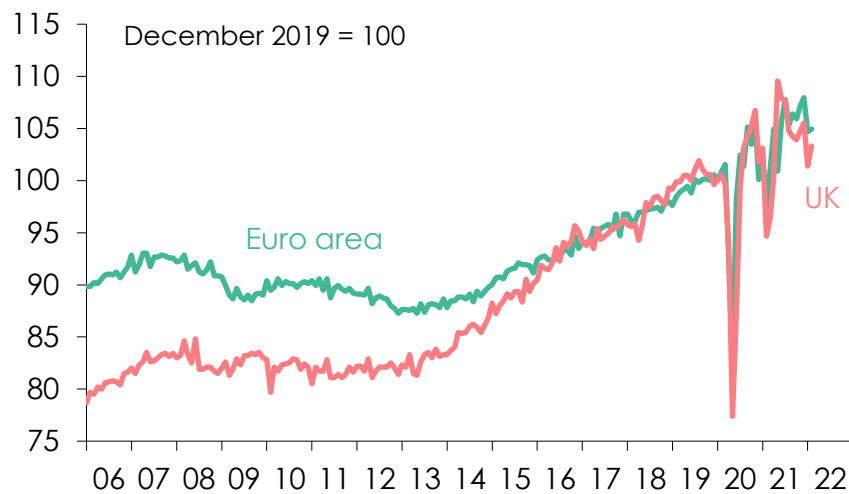
New car registrations



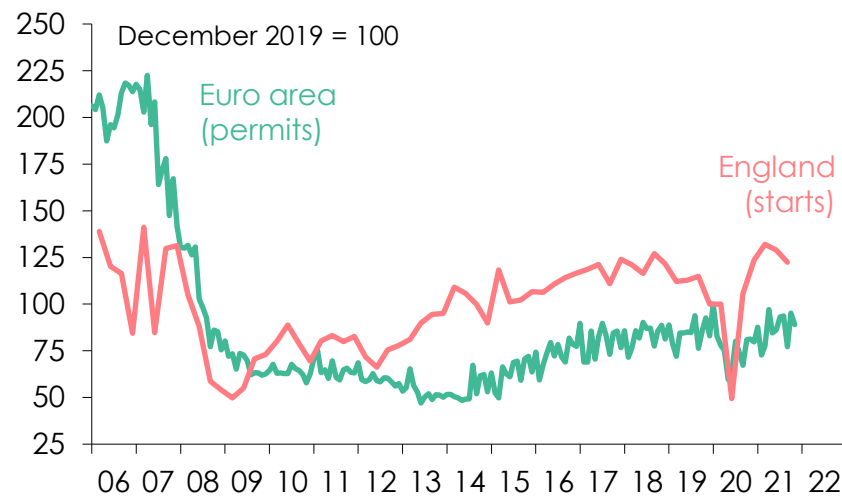
Business confidence



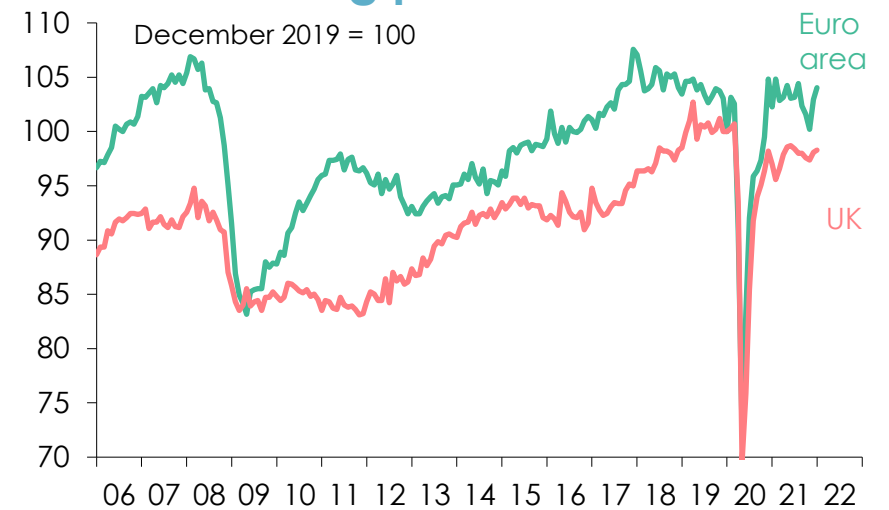
Retail sales volume



Housing activity



Manufacturing production

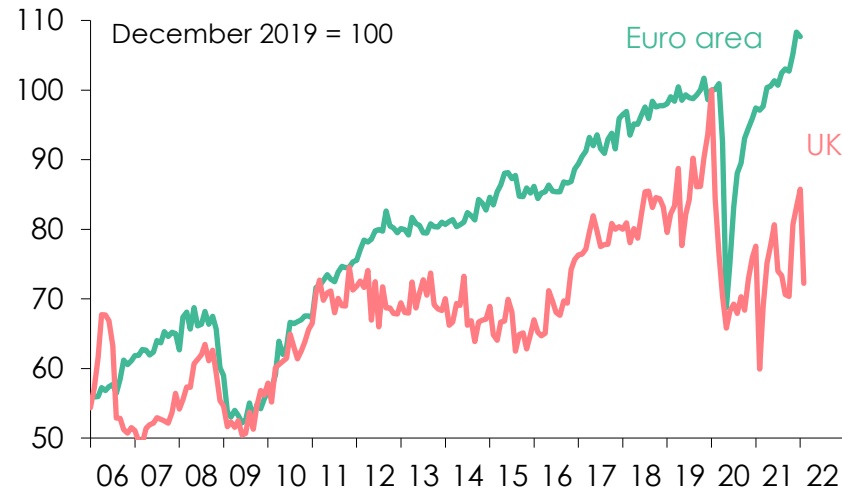


Sources: European Commission, [Business and consumer surveys](#); GfK, [Consumer confidence barometer](#); Confederation of British Industry, [Industrial Trends Survey](#); Eurostat, [Turnover and volume of sales in wholesale and retail trade](#), [New registrations of passenger cars](#), [Building permits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

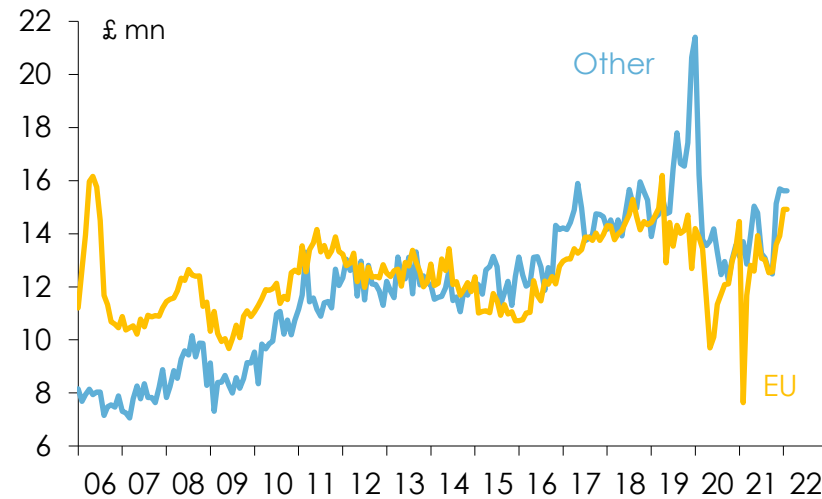
'Brexit' has not been a boon for the UK's trade performance, with the UK recording a record monthly trade deficit of £26½bn in January

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

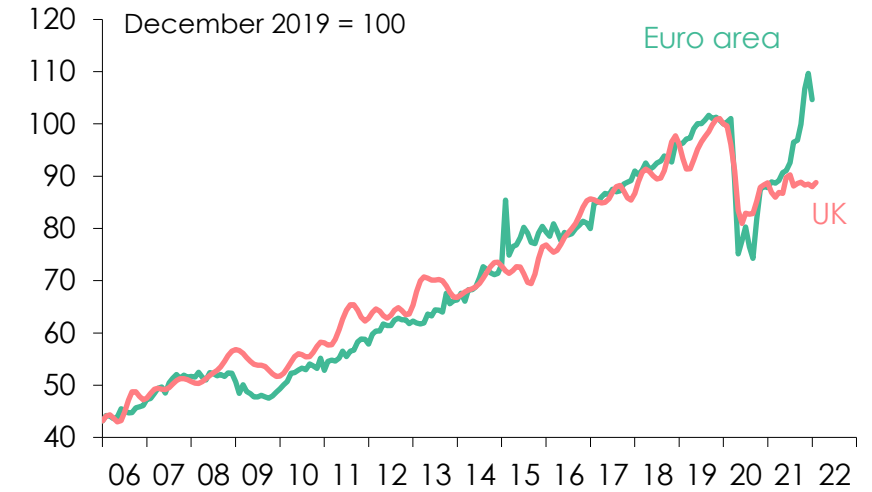
Merchandise exports



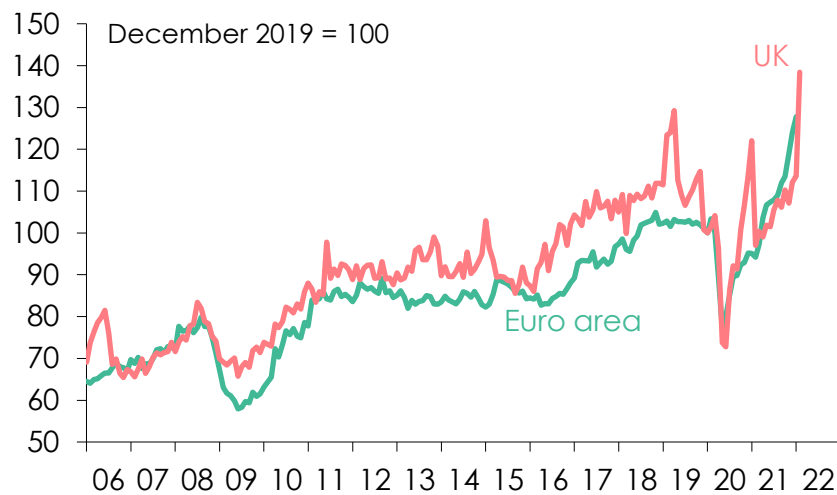
UK exports by destination



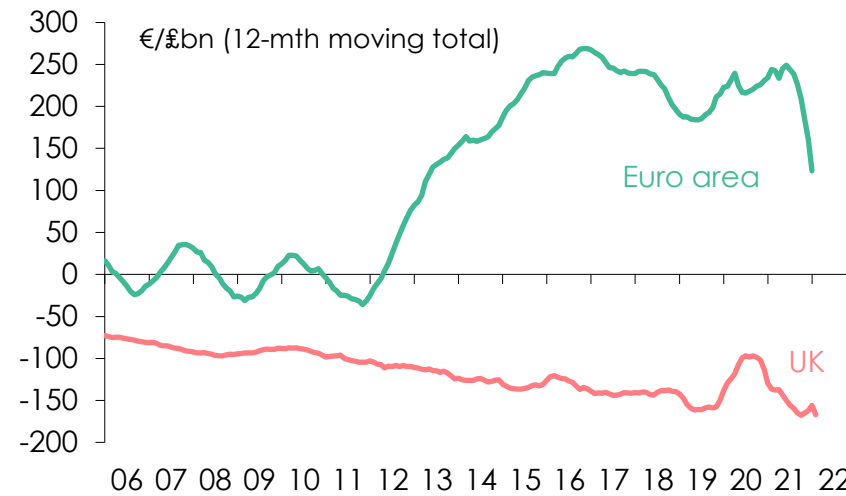
Services exports



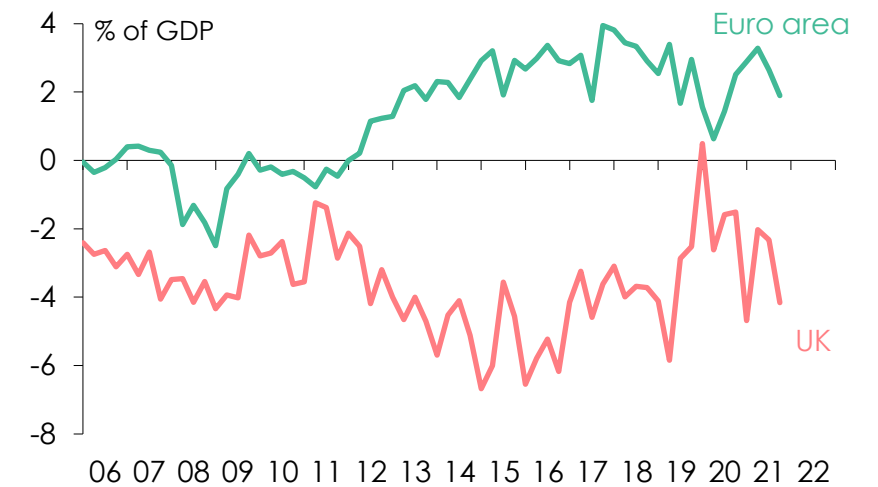
Merchandise imports



Merchandise trade balances



Current account balance

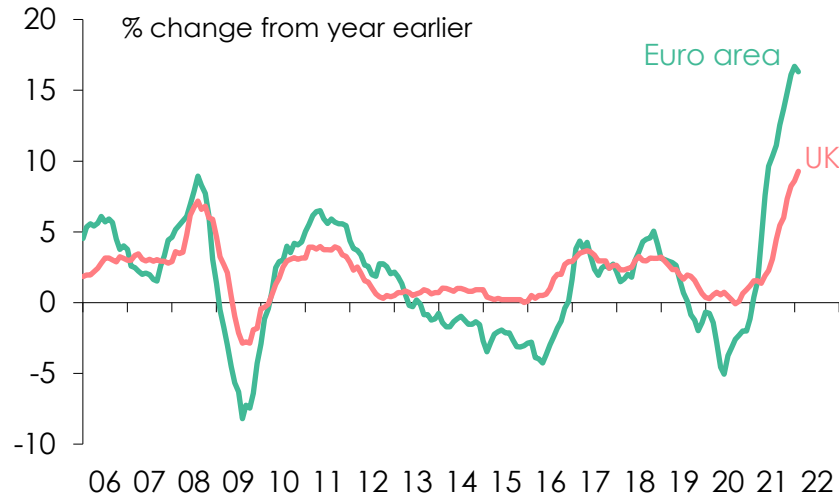


Sources: European Central Bank, Statistical Data Warehouse, [External Trade](#), [Balance of Payments and International Investment Position - Services](#), and [Balance of Payments and International Investment Position - Current Account](#); UK Office for National Statistics, [UK Trade](#) and [BoP Current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

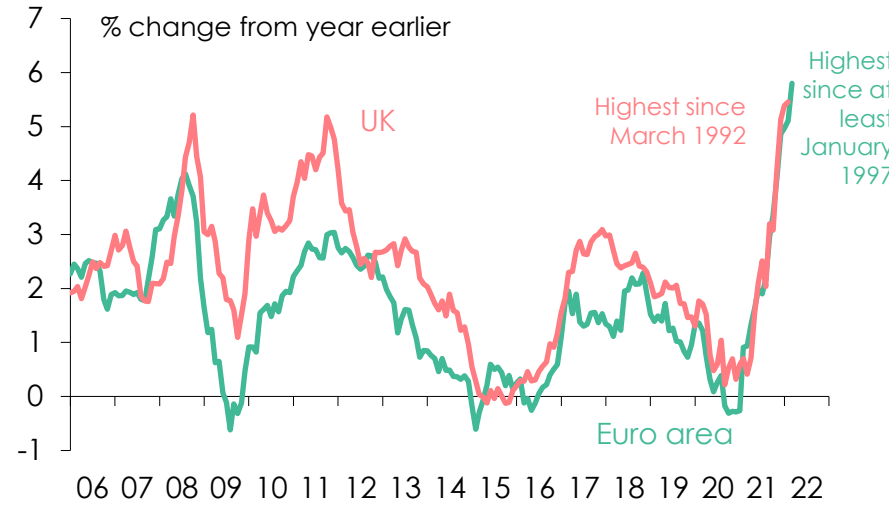
Euro area consumer prices rose 5.8% over the year to February, largely due to a 31.7% surge in energy prices, while 'core' inflation rose to 2.7%

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

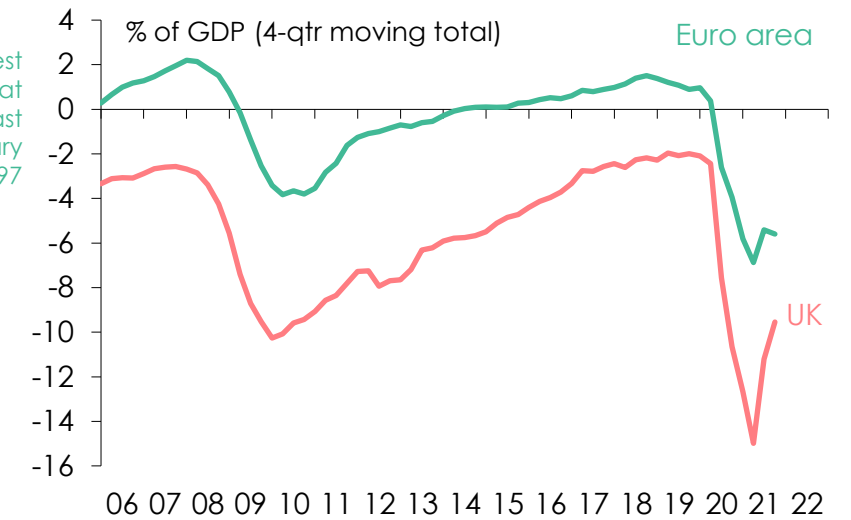
Producer prices



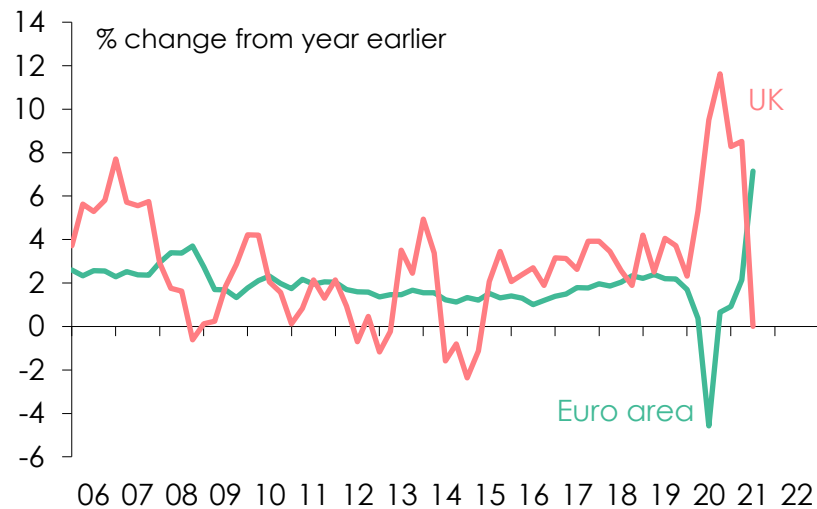
'Headline' consumer prices



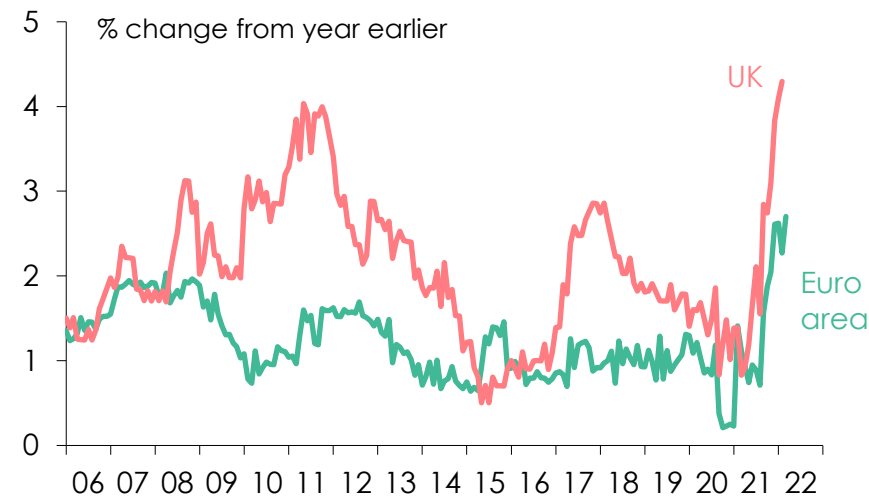
Government fiscal balance



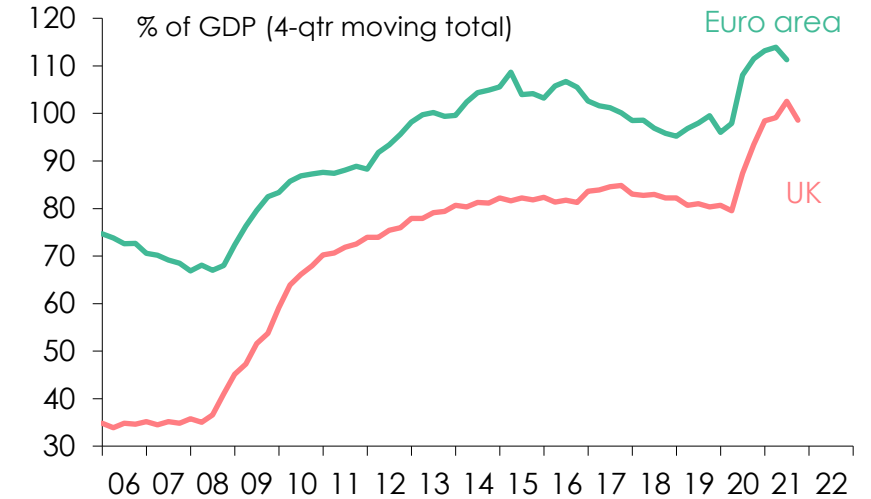
Labour costs



'Core' consumer prices



Government net debt

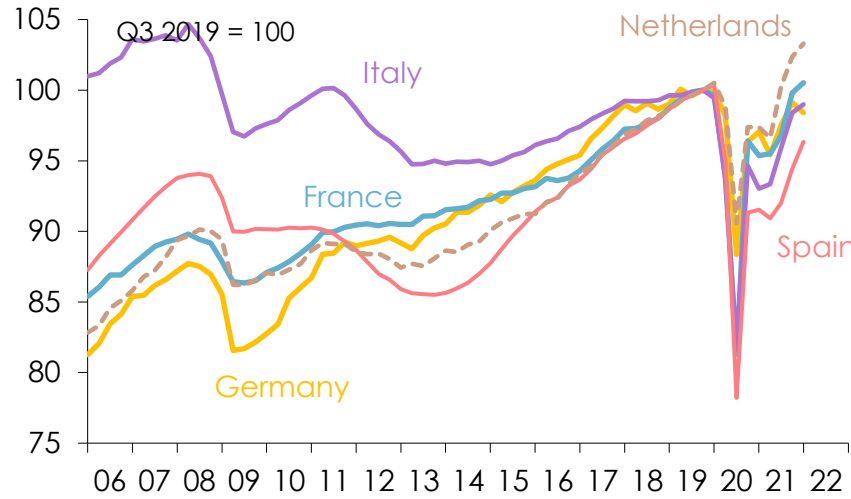


Sources: Eurostat, [Producer prices in industry](#), [Compensation per employee and hours worked per employed person](#), [Consumer price index](#), and [Government finance statistics and EDP statistics](#); UK Office for National Statistics, [Inflation and price indices](#), [Unit labour cost and unit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

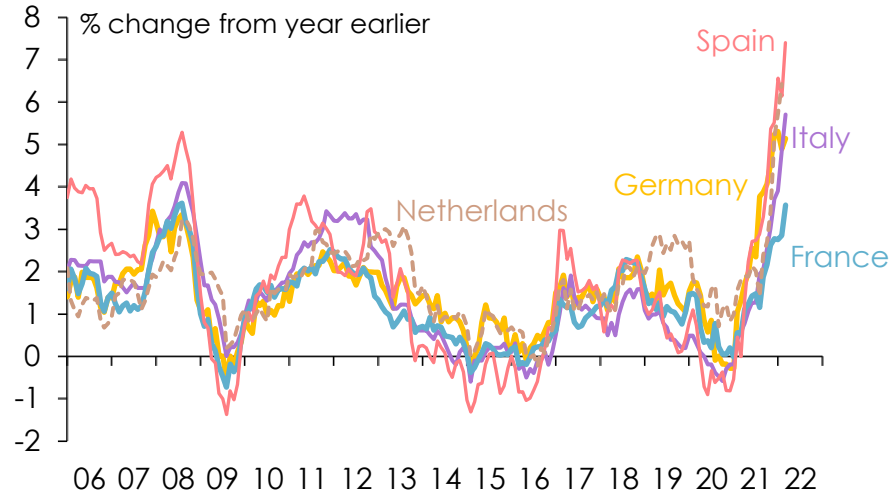
Germany's economy shrank 0.7% in Q4, while France's grew 0.7% (to surpass its pre-pandemic peak) and Spain's by 2.0%

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

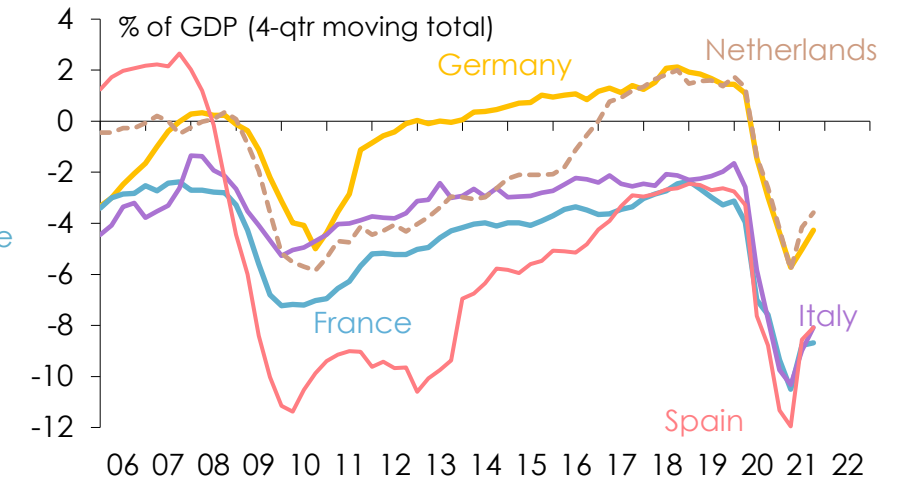
Real GDP



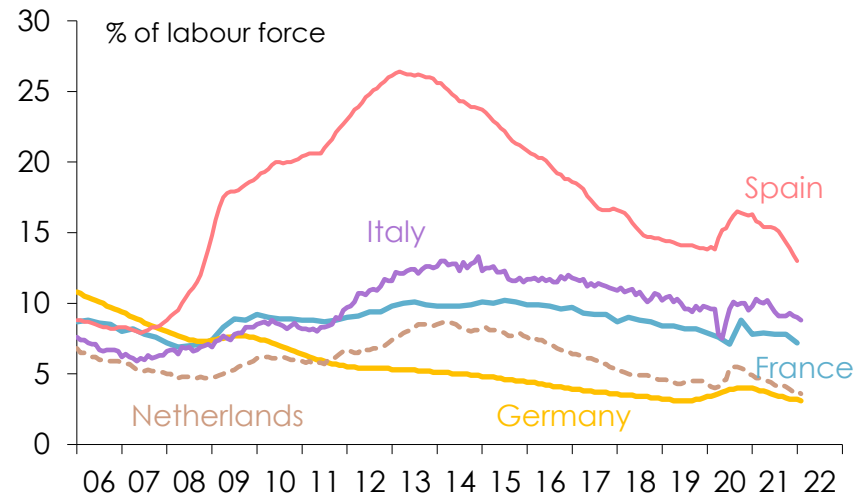
Inflation



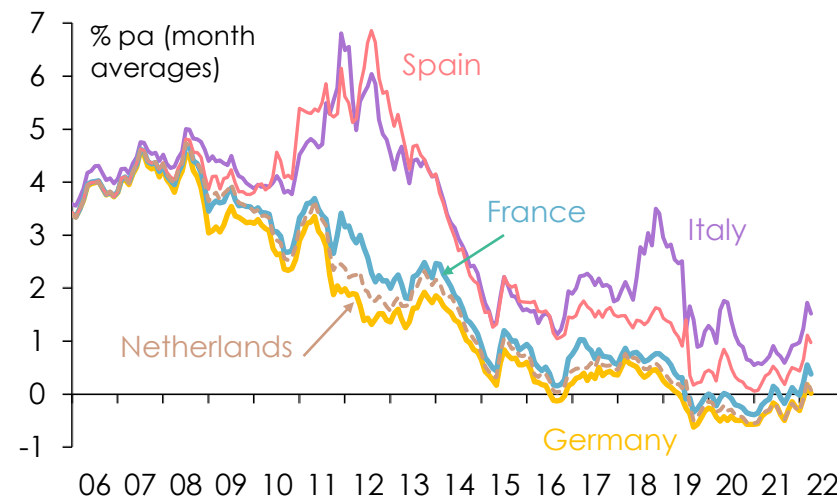
Government net lending



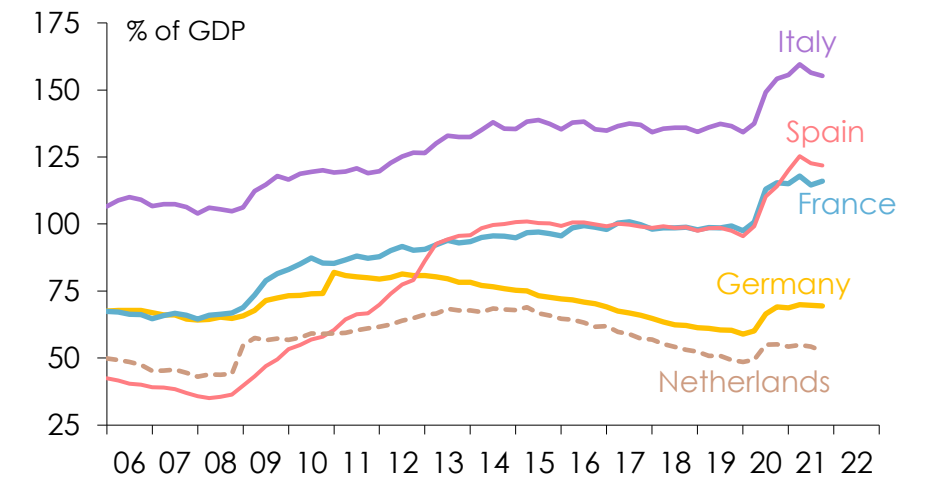
Unemployment



10-year bond yields



Government gross debt



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

The ECB brought forward the timetable for ‘tapering’ its bond purchases at last week’s meeting but kept its options open about raising interest rates

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

- ❑ At its Governing Council meeting on 10th March, the [European Central Bank](#) brought forward the ‘tapering’ of bond purchases under its Asset Purchase Program (originally introduced in October 2014) to €40bn in April, €30bn in May and €20bn in June (cf. the trajectory foreshadowed last month which didn’t see bond purchases falling to €20bn a month until October)
 - the ECB will then terminate net purchases under the AAP in Q3 if “the incoming data support the expectation that the medium-term inflation outlook will not weaken”
 - the Governing Council also re-affirmed last month’s decision to terminate net purchases under its Pandemic Emergency Purchase Program (PEPP) at the end of this month
 - but in contrast to other major central banks, the ECB will continue to re-invest principal payments from maturing bonds purchased under the PEPP “until at least the end of 2024”, and from maturing bonds purchased under the APP “for an extended period of time past the date when it starts raising interest rates”
- ❑ The ECB also indicated that “any adjustments to key ECB interest rates will take place some time after” the end of net bond purchases under the APP and “will be gradual”
 - this appears to represent a change from the ECB’s previous guidance that bond purchases under the AAP would end “shortly before” the ECB began raising rates – although at her [post-meeting press conference](#) ECB President Christine Lagarde sought to portray “some time after” as being “all-encompassing ... it can be the week after, but it can be months later”
- ❑ Mme Lagarde stated that “the risks to the economic outlook have increased substantially with the Russian invasion of Ukraine and are tilted to the downside”, while the risks to the outlook for inflation are “on the upside”
 - [ECB staff projections](#) for euro area real GDP growth have been revised down to 3.7% (from 4.2% in December) for 2022, and to 2.8% (from 2.9%) for 2023; while the projections for ‘headline’ inflation have been revised up to 5.1% (from 3.2%) for 2022, and to 2.1% (from 1.8%), with projections for ‘core’ inflation revised up more modestly to 2.6% and 1.8% respectively (from 1.9% and 1.7%)

The Bank of England's Monetary Policy Committee meets again on Thursday and is likely to raise rates for a third consecutive time

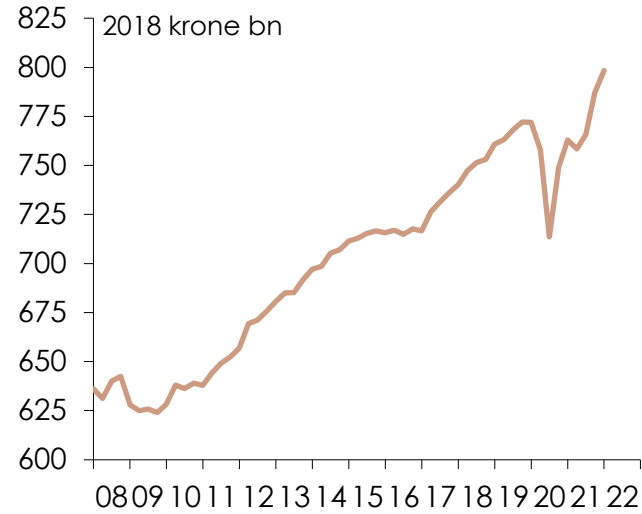
THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

- ❑ The Bank of England's Monetary Policy Committee meets again this coming Thursday, and seems likely to raise its Bank Rate a third time
- ❑ At its last meeting on 3rd February, the MPC raised the Bank Rate by 25 bp – 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

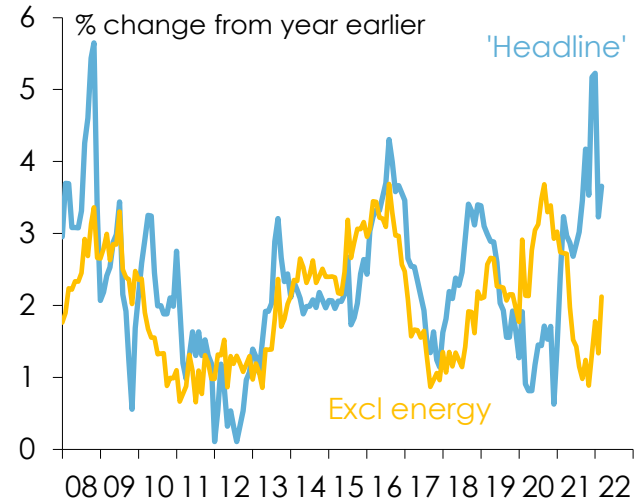
Norway's central bank raised its policy rate twice in the second half of last year, commencing a 'gradual normalization' of monetary policy

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

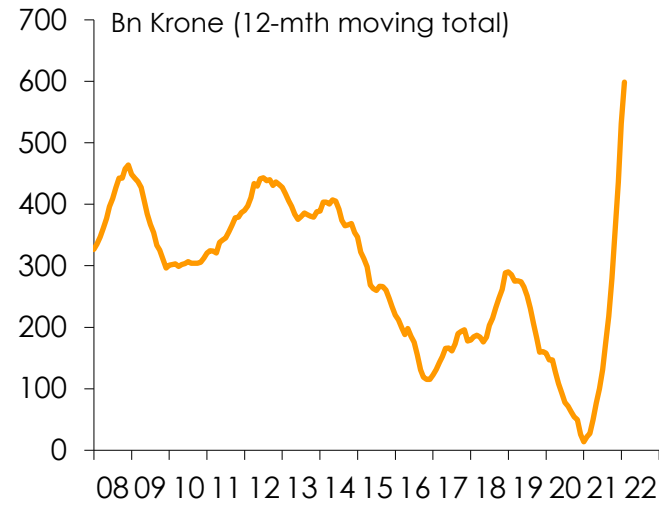
'Mainland' real GDP



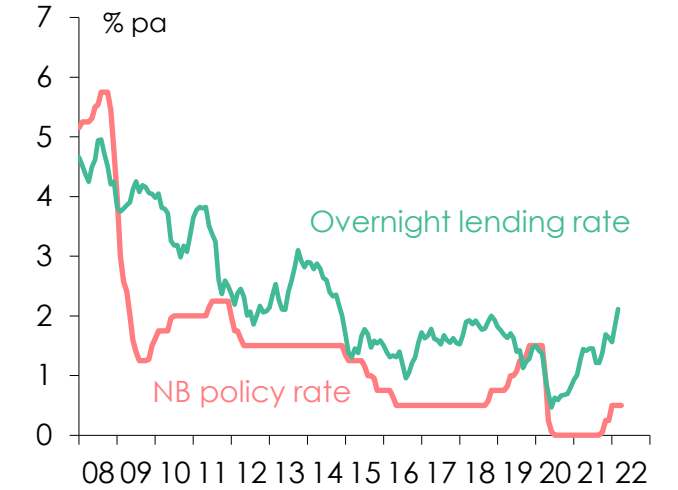
Inflation



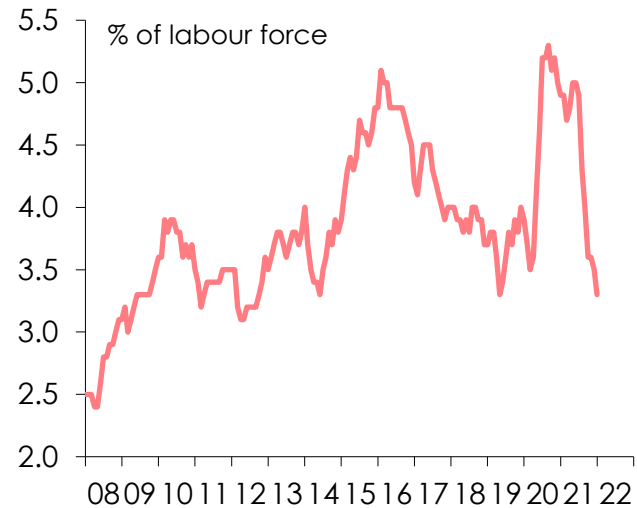
Trade balance



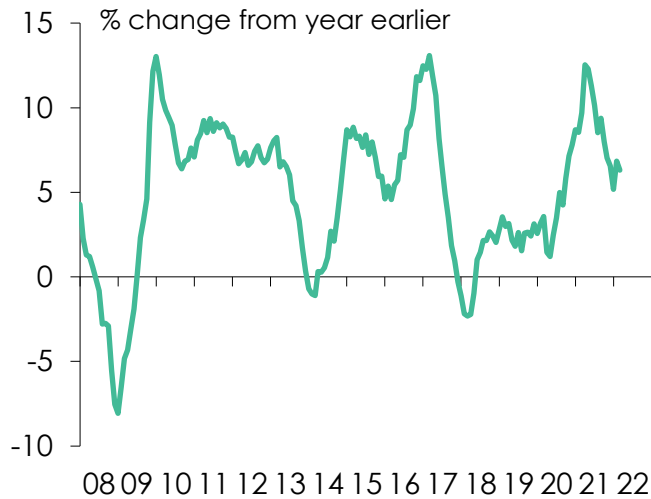
Interest rates



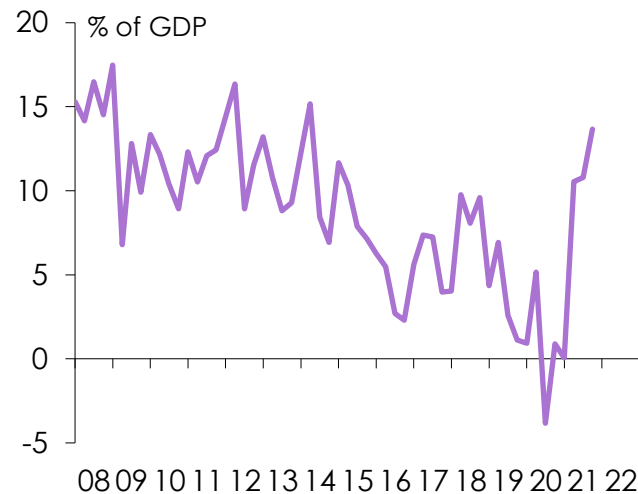
Unemployment



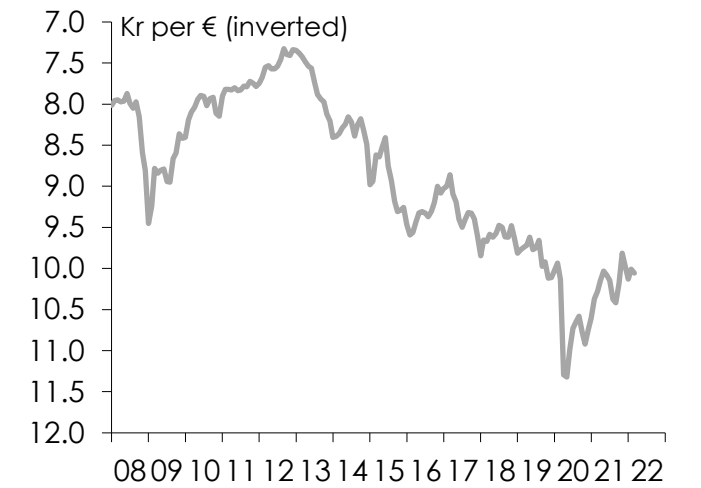
House prices



Current account balance



Krone vs euro

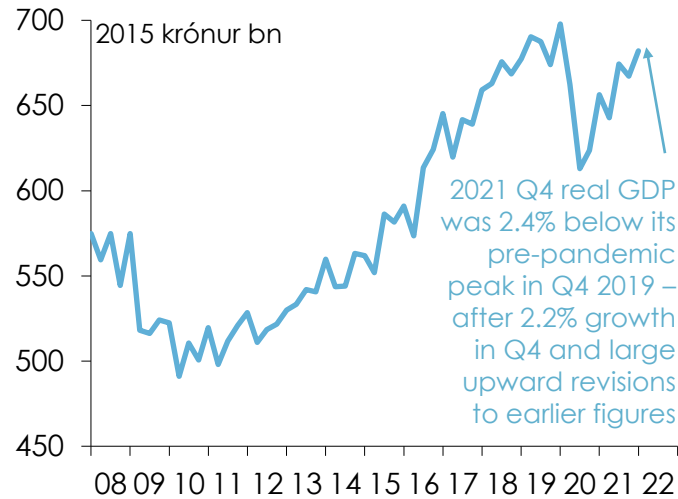


Note: 'mainland' GDP means excluding Norway's oil and gas industry which is entirely located offshore. Sources: [Statistisk sentralbyrå](#); [Norges Bank](#); Refinitiv Datastream.
[Return to "What's New"](#).

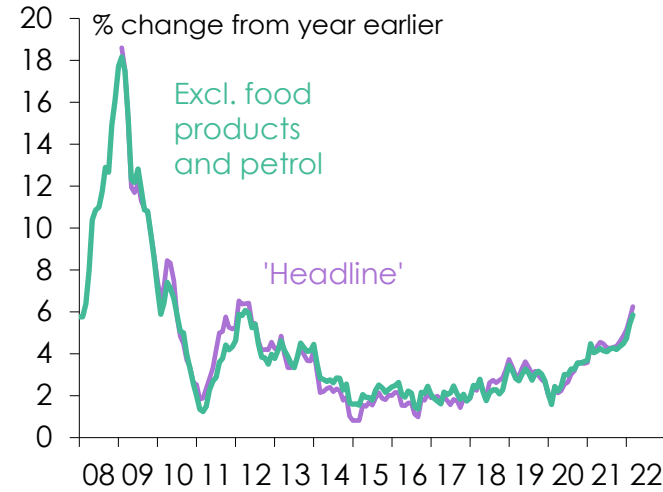
Iceland's central bank raised its policy rates another 75 bp in February, the fifth increase since last May, following a 'marked deterioration' in inflation

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

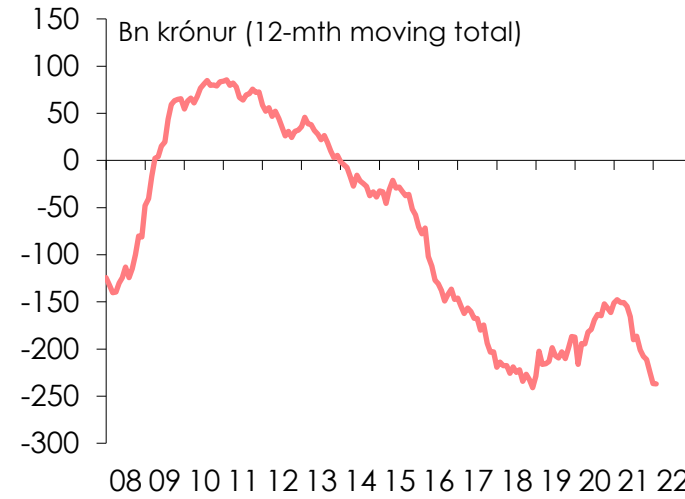
Real GDP



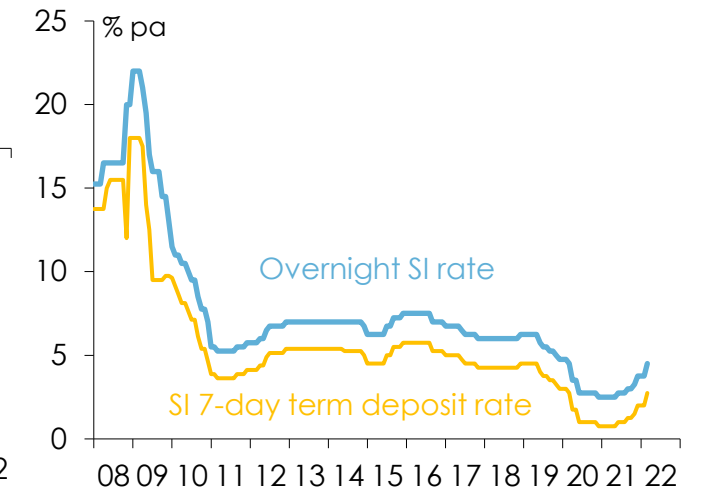
Inflation



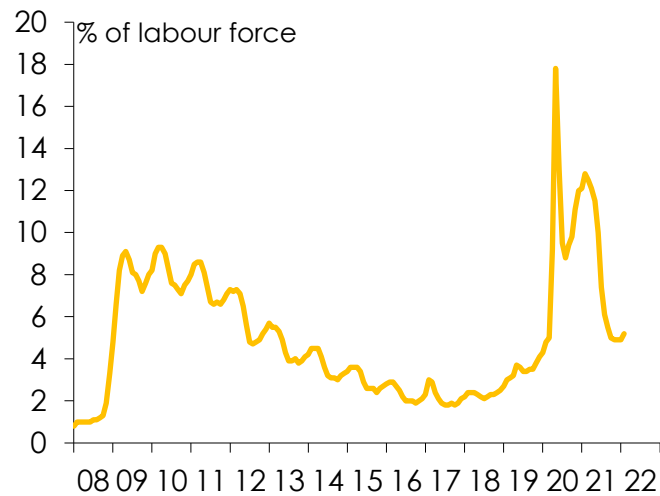
Trade balance



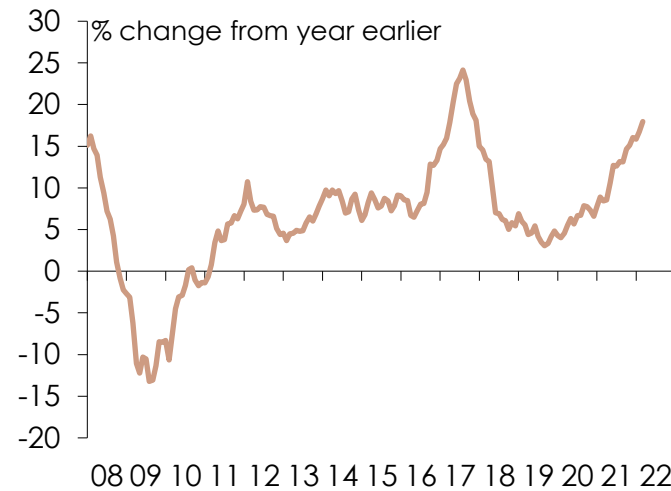
Interest rates



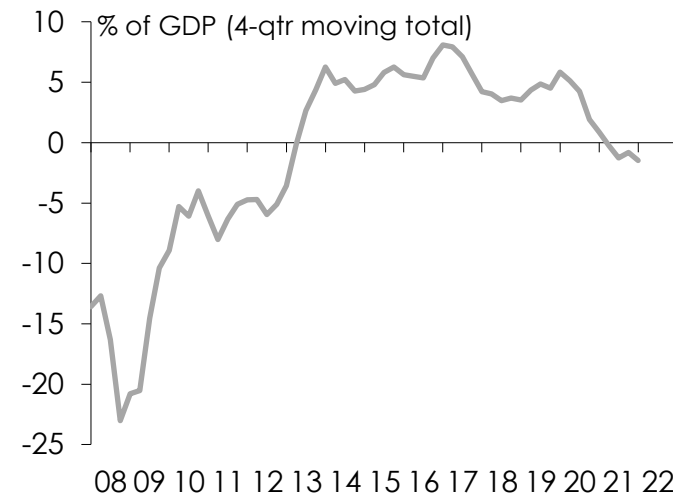
Unemployment



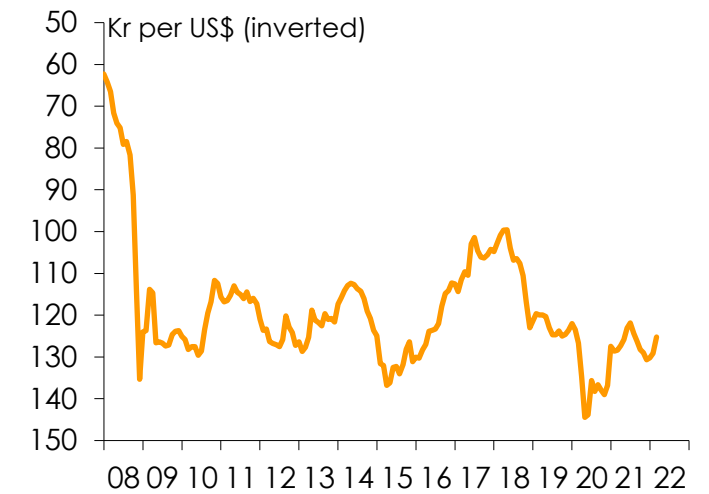
House prices



Current account balance



Króna vs US dollar

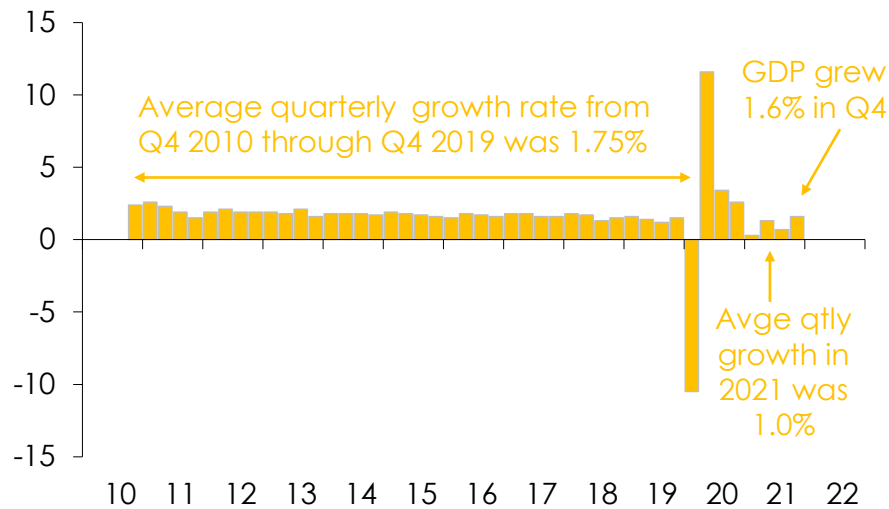


China

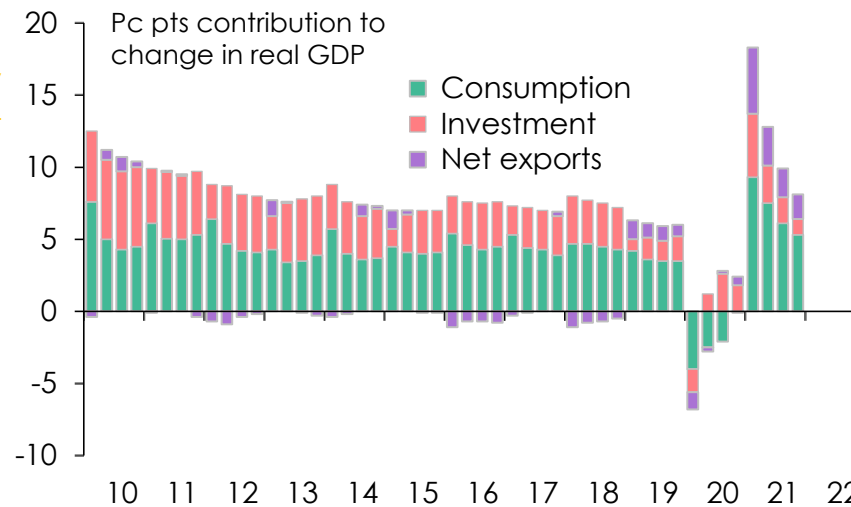
China's economy grew 1.6% in Q4 and 8.1% for 2021 as a whole, but growth was much more dependent on exports than over the past 20 years

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

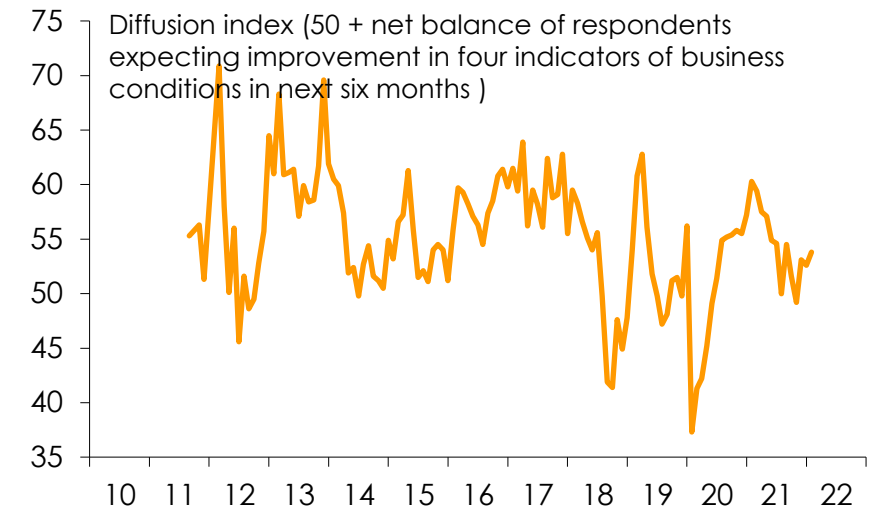
Quarterly real GDP growth



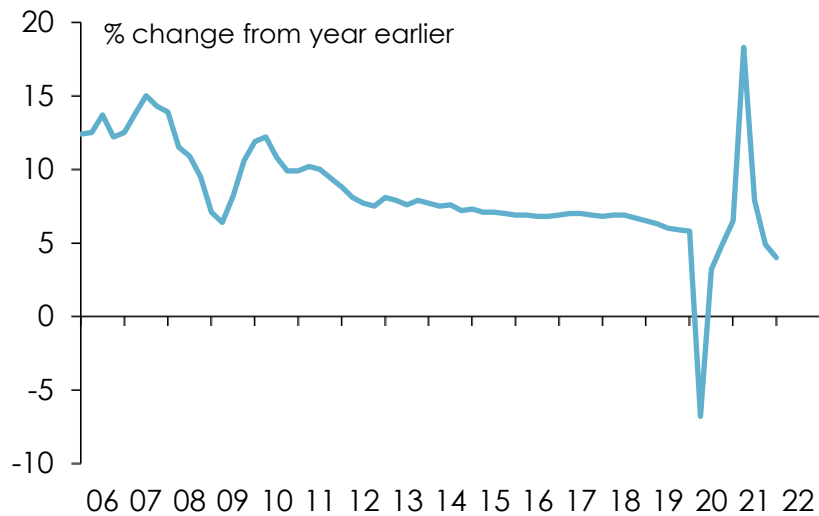
Contributions to real GDP growth



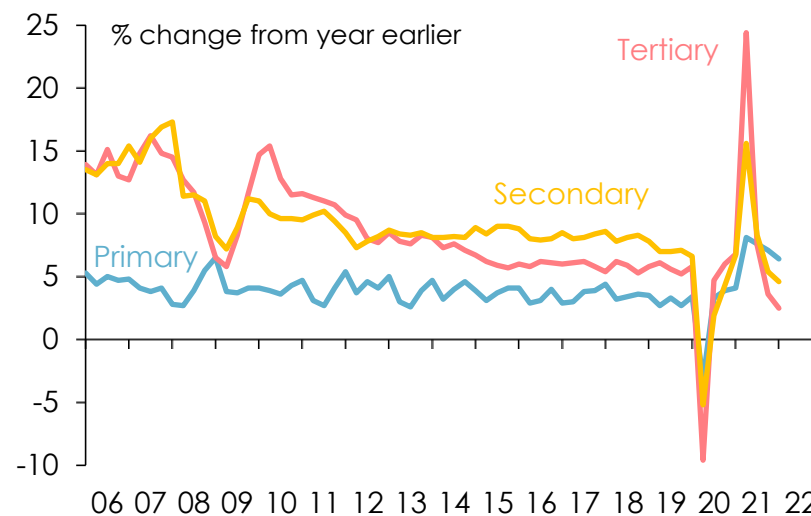
CKGSB business conditions index



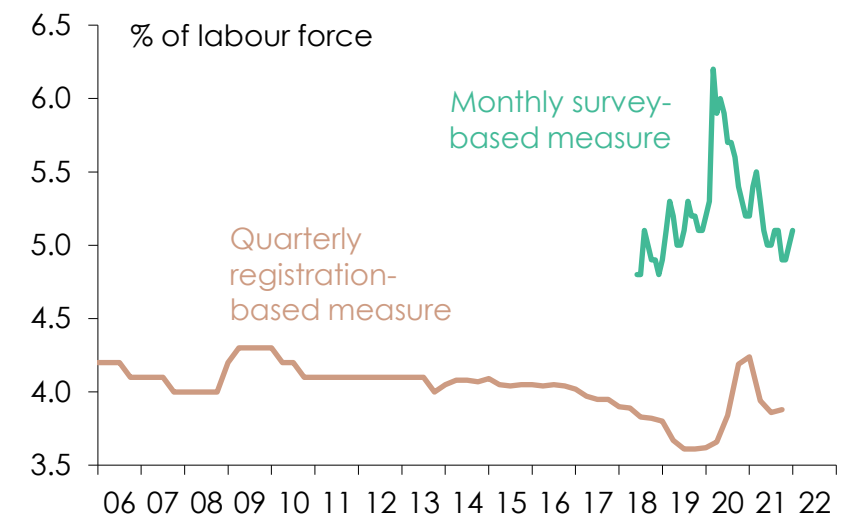
Annual real GDP growth



Annual GDP growth by industry



Urban unemployment rate

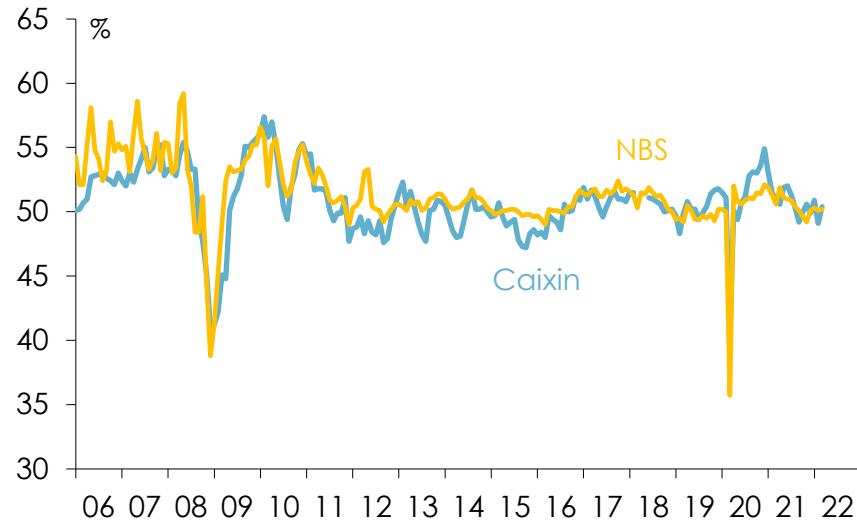


Sources: China National Bureau of Statistics, [National Data - National Accounts](#) and [The Urban Surveyed Unemployment Rate](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#). Before the monthly unemployment survey was introduced in 2018, the quarterly measure was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

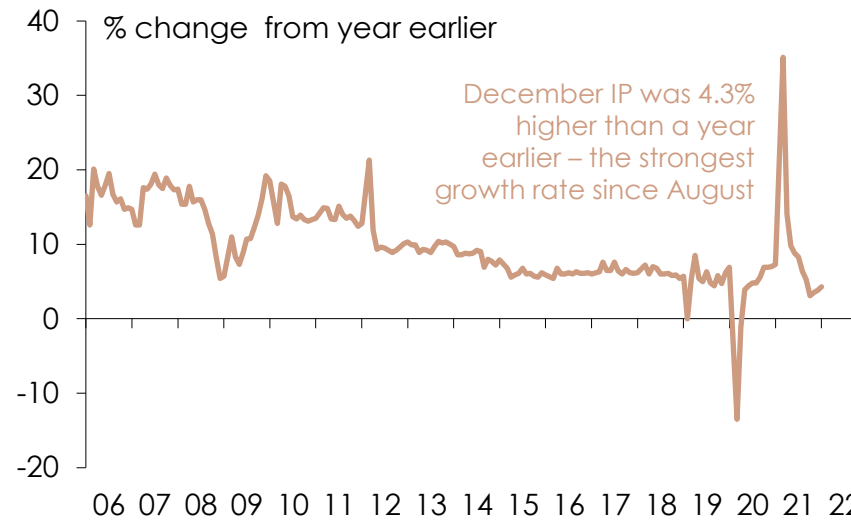
Official and private PMIs suggest a renewed slowing in economic activity in January, probably as a result of tighter covid-19 restrictions

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

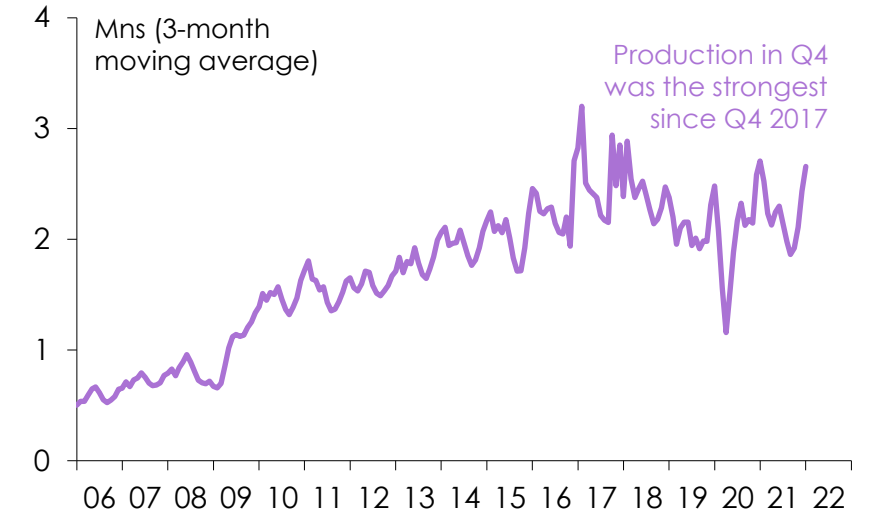
Manufacturing PMIs



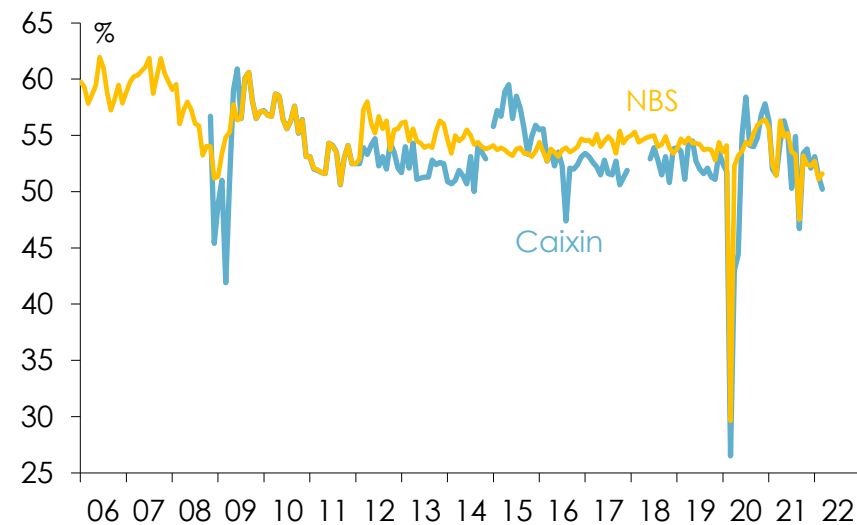
Industrial production



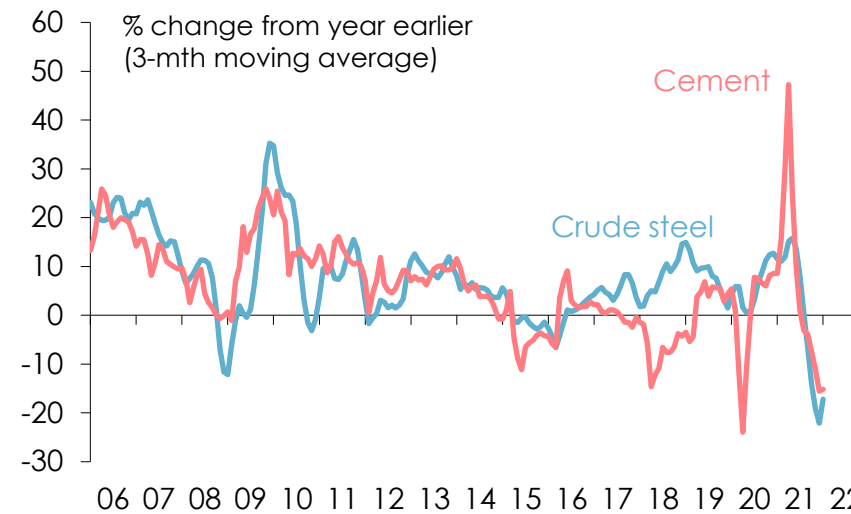
Motor vehicle production



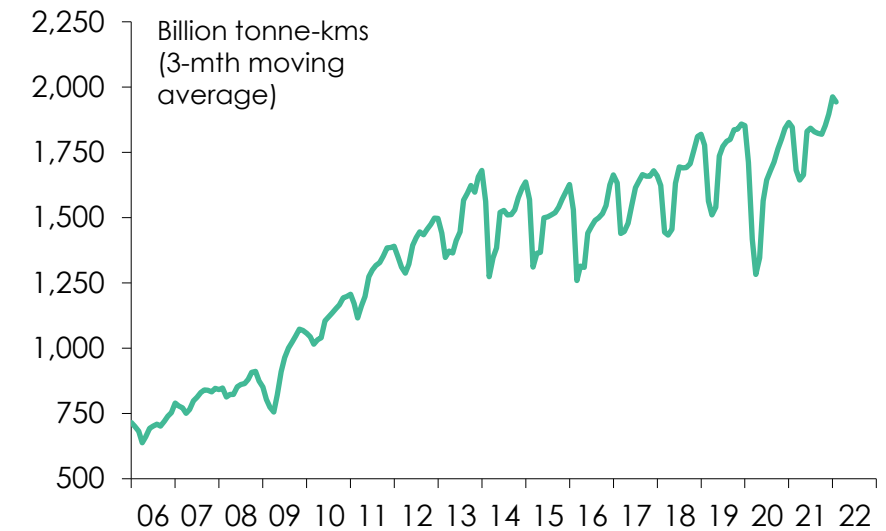
Non-manufacturing PMIs



Steel and cement production



Freight traffic volumes

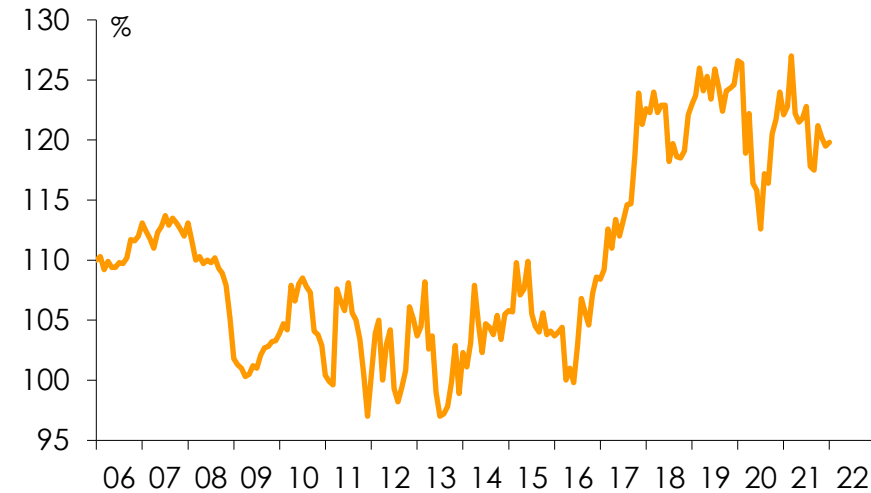


Note: The Caixin PMIs are derived from a survey of around 500, mostly small private, enterprises, while the 'official' NBS PMIs are derived from a survey of about 3,000, mostly state-owned, enterprises: for more detail see [here](#). Sources: China National Bureau of Statistics, [National Data](#); Caixin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

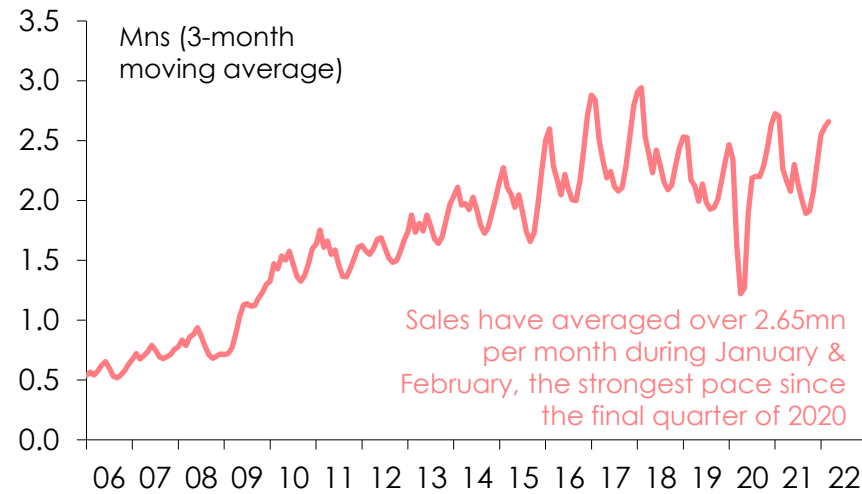
The 'demand' side of China's economy – and in particular the property construction sector – continued to look soft in December

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

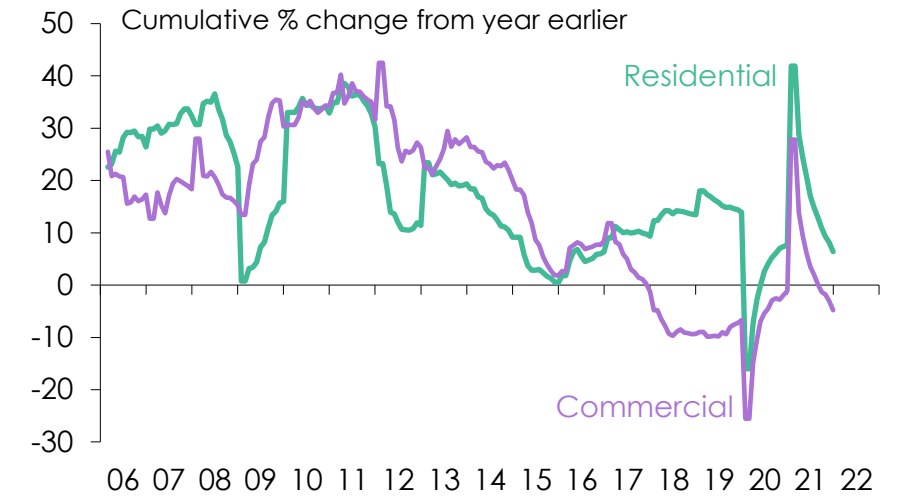
Consumer sentiment



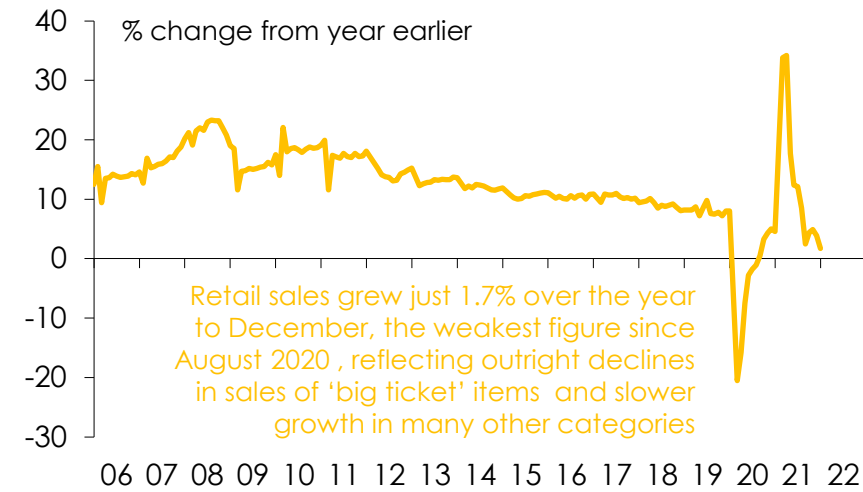
Motor vehicle sales



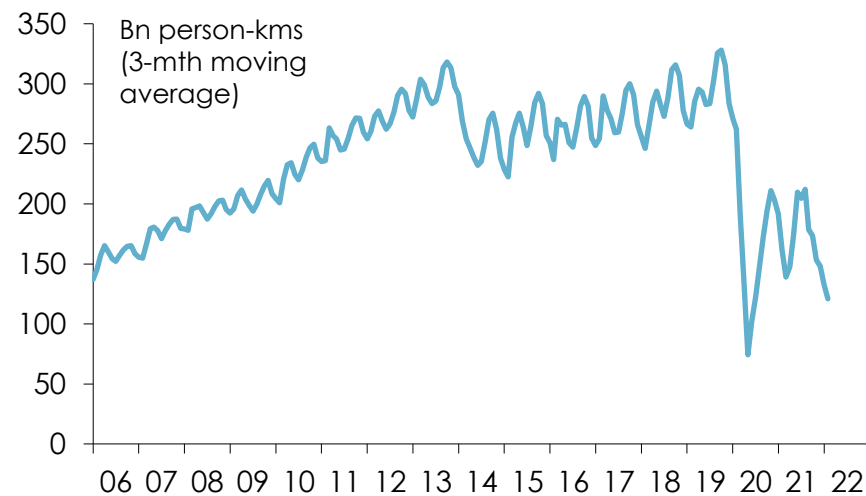
Real estate investment



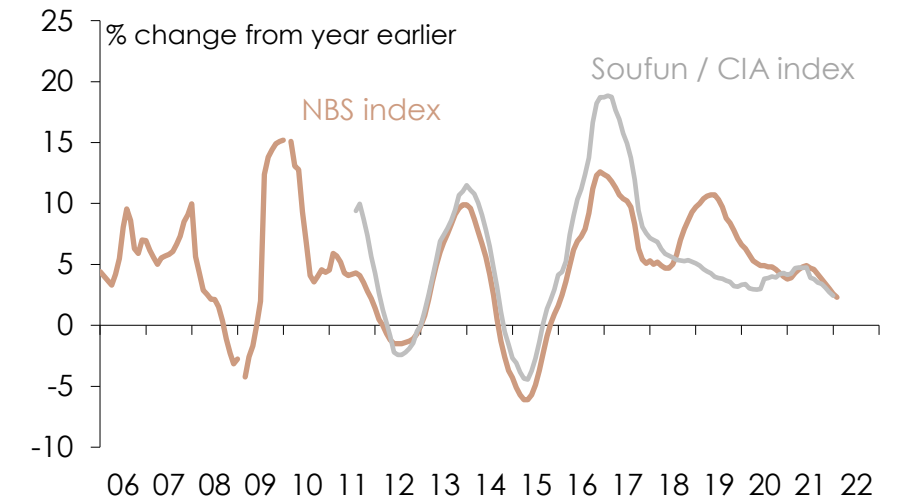
Retail sales



Passenger traffic volumes



Residential real estate prices

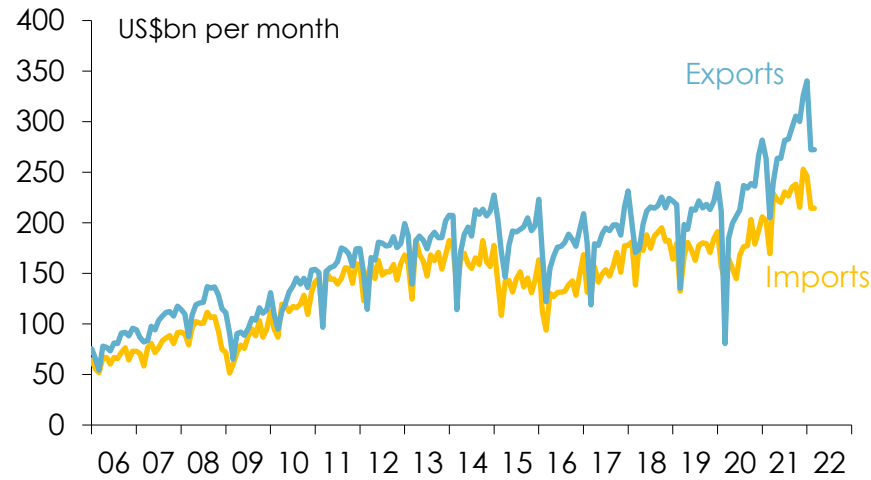


Note: Latest data are for December, except for motor vehicle sales, which are for February. Sources: China National Bureau of Statistics, [National Data](#); China Association of Automobile Manufacturers, [Sales of Automobiles](#); China Index Academy, [CREIS China Residential HPI-100 Monthly](#). [Return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

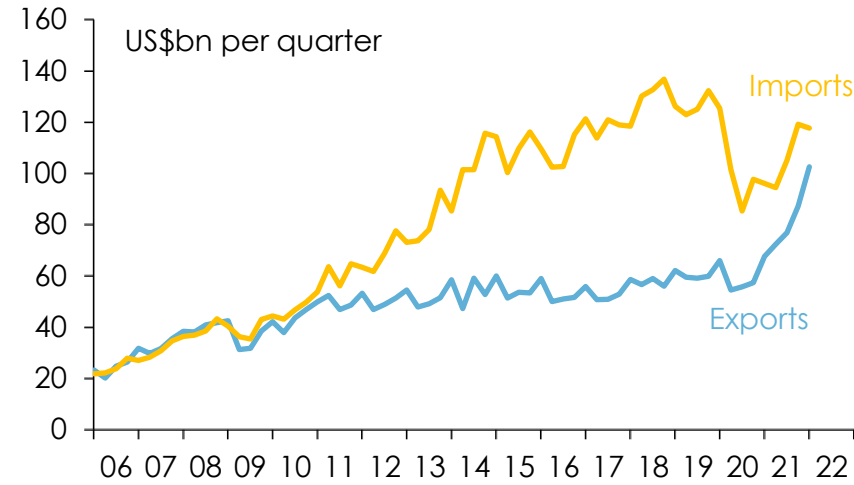
China's merchandise trade surplus for the first two months of 2022 was US\$18½bn (19%) larger than for the first two months of last year

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

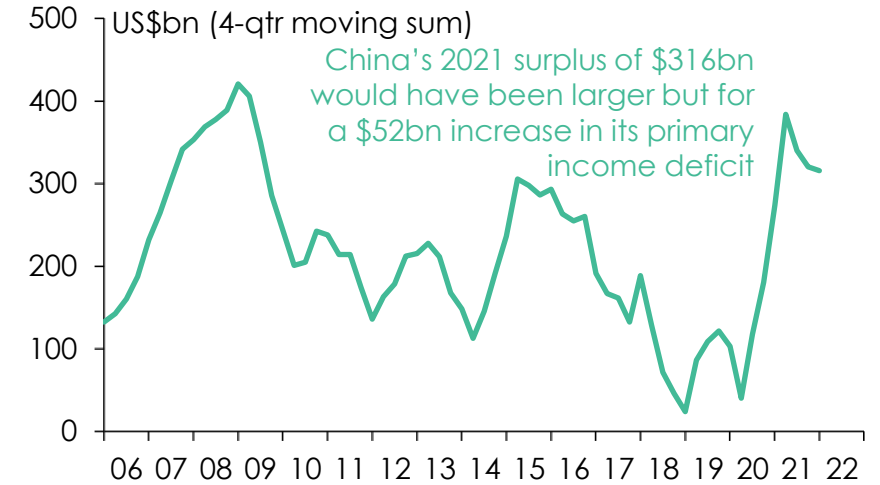
Merchandise exports and imports



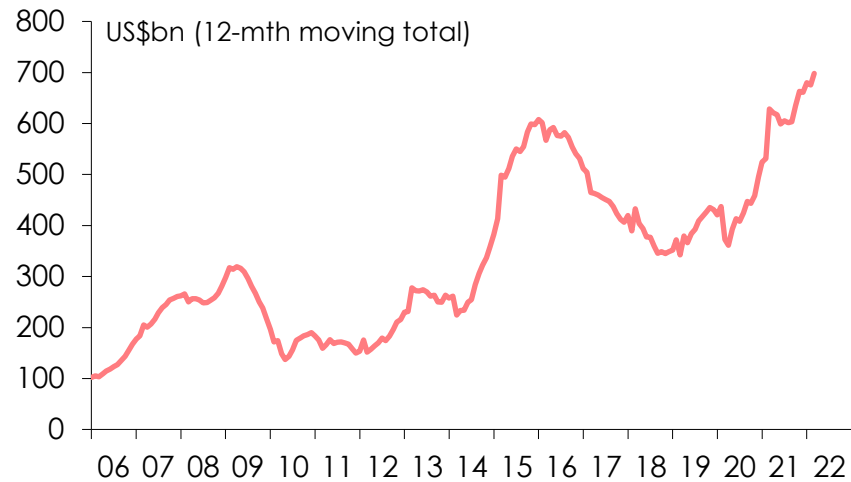
Services exports and imports



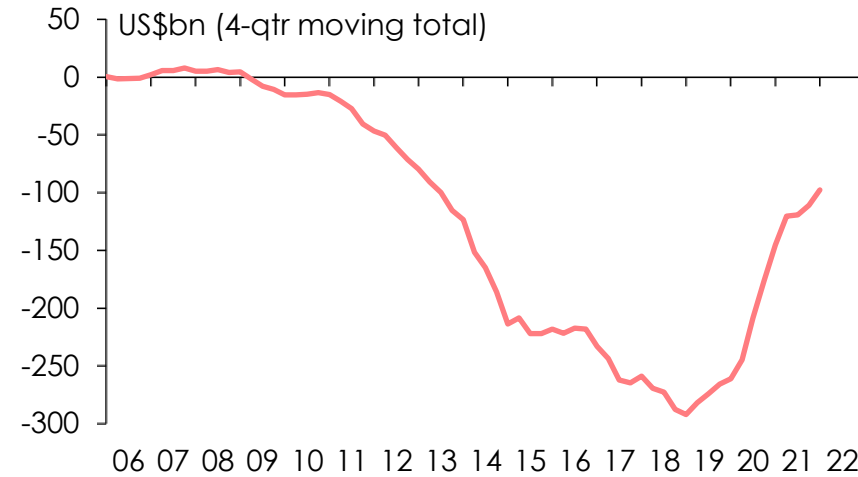
Current account balance



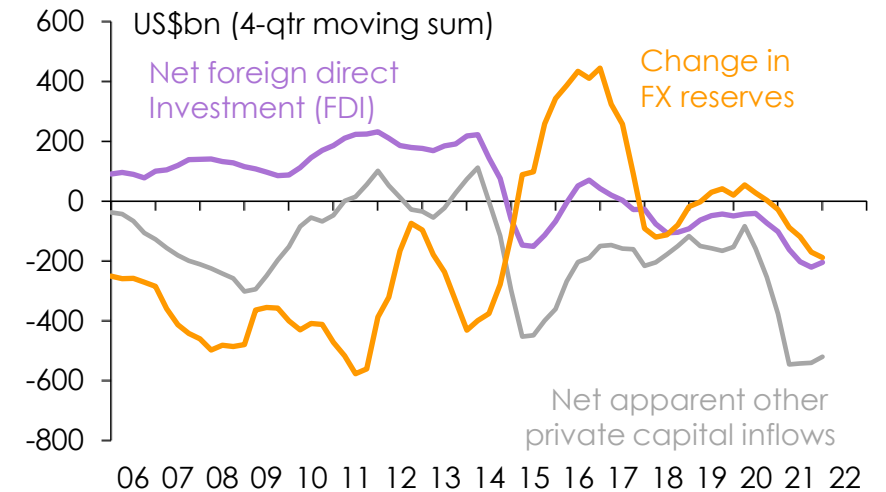
Merchandise trade balance



Services trade balance



Capital flows

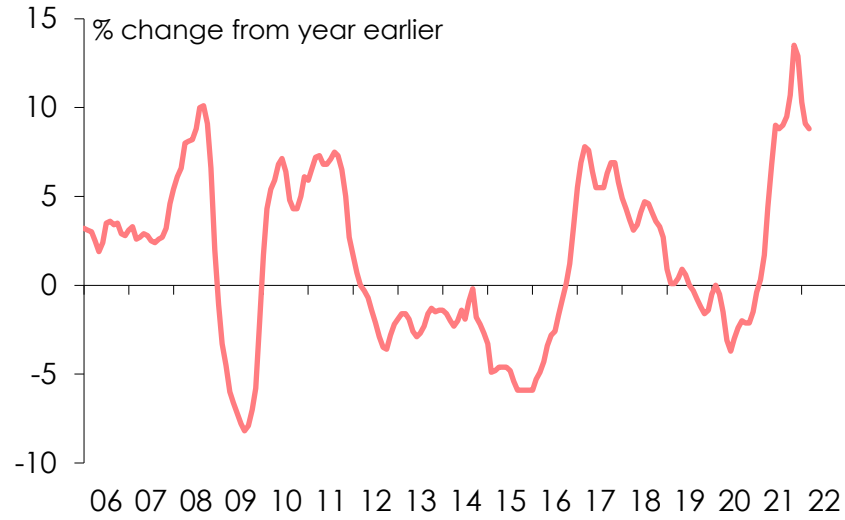


Sources: China General Administration of Customs, [Preliminary Release](#) and [Monthly Bulletin](#); State Administration of Foreign Exchange, [The time-series data of Balance of Payments of China](#). [Return to "What's New"](#).

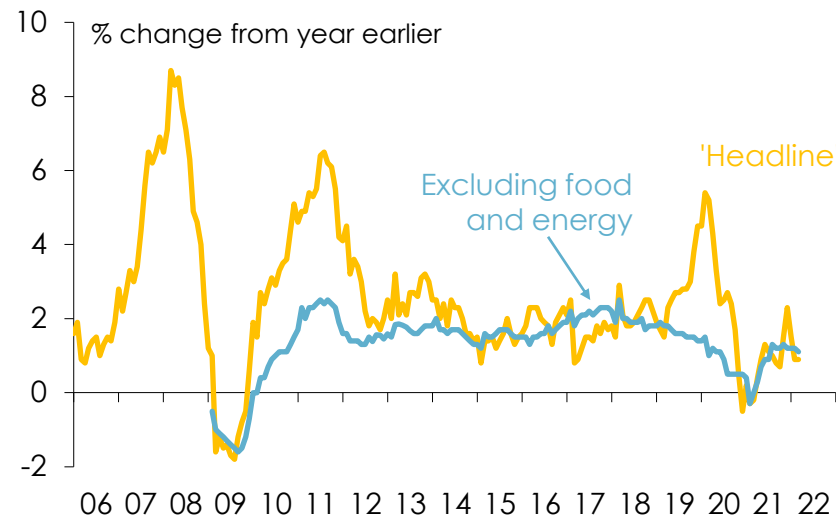
Producer price inflation in China has passed its peak, while consumer price inflation remains low and stable

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

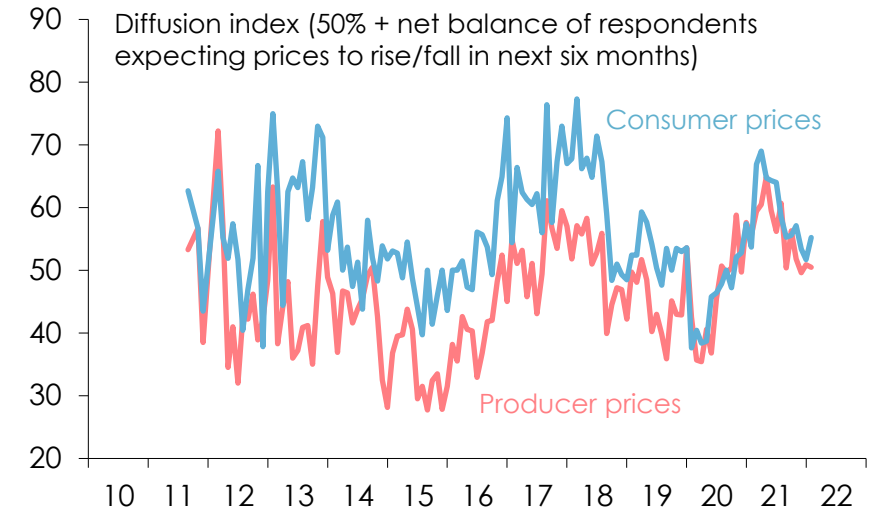
Producer prices



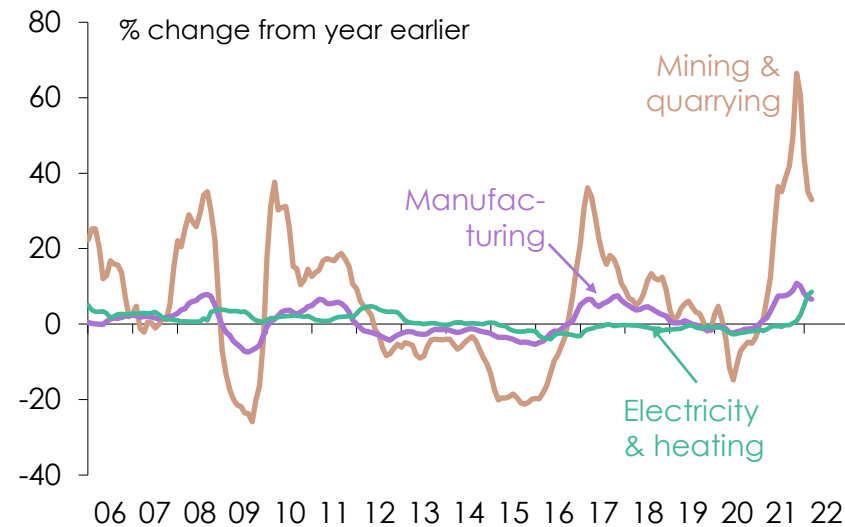
Consumer prices



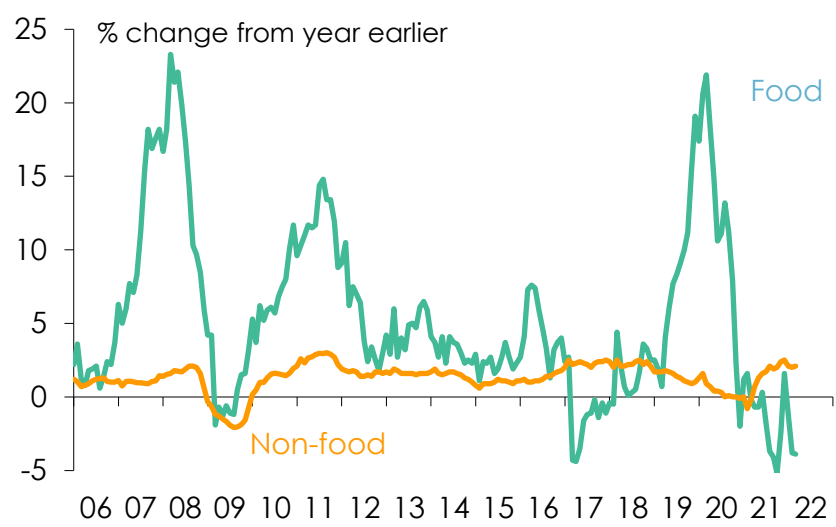
CKGSB price diffusion indexes



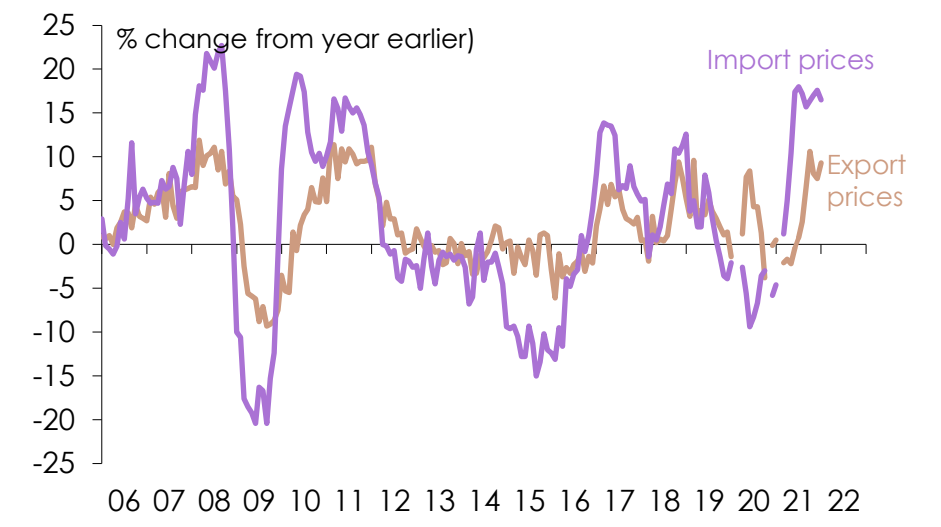
Producer prices – major categories



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 2022 budget set an economic growth target of 5½%, which was a little more ambitious than 'China watchers' had expected

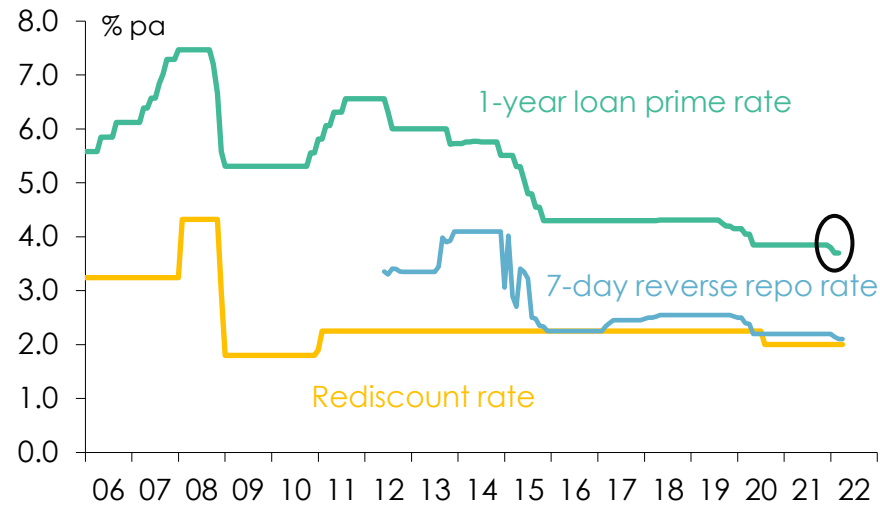
THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

- ❑ Premier Li Keqiang's "Work Report" to the annual National People's Congress set a **GDP growth target** for 2022 of "about 5½", down from last year's 8.1% (which was flattered by comparison with the recession-affected 2020), but also below the target of 6% which was set for 2019 (the last year before the pandemic)
 - this is an ambitious target given that growth had slowed to 4.0% over the course of 2021
 - other targets stipulated in the Work Report include CPI inflation of 3% (unchanged from last year), 11 million new jobs, urban unemployment at "around 5½", and a reduction in the budget deficit to 2.8% of GDP from last year's 3.2%
- ❑ The 2022 Budget released along with the Work Report envisages a reduction in the budget deficit to 2.8% of GDP from 3.2% in 2022
 - the budget includes a 50% reduction in corporate income tax for small and low-profit enterprises on profits of between Rmb 1-3mn, and an exemption from VAT for businesses with annual taxable sales of less than Rmb 5mn
 - it also includes tax rebates for businesses engaged in manufacturing, scientific research and technical services, electricity and gas production and transportation
 - on the spending side the budget provides an 18% (to Rmb 1.5trn) in grants to local governments for infrastructure spending, and set a quota of Rmb 3.65trn for local government special purpose bond issuance (while tightening the criteria for projects which can be financed through SPB issuance)
 - the budget also includes a **7.1% increase in defence spending** (to Rmb 1.45trn), a larger increase than in the previous two years
- ❑ 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 88](#))
 - 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

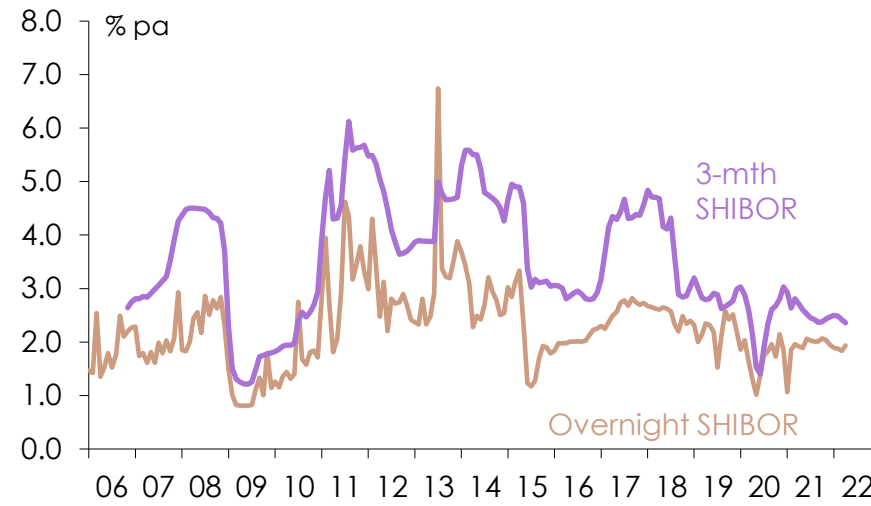
The PBoC has begun to ease monetary policy ever-so-slightly

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

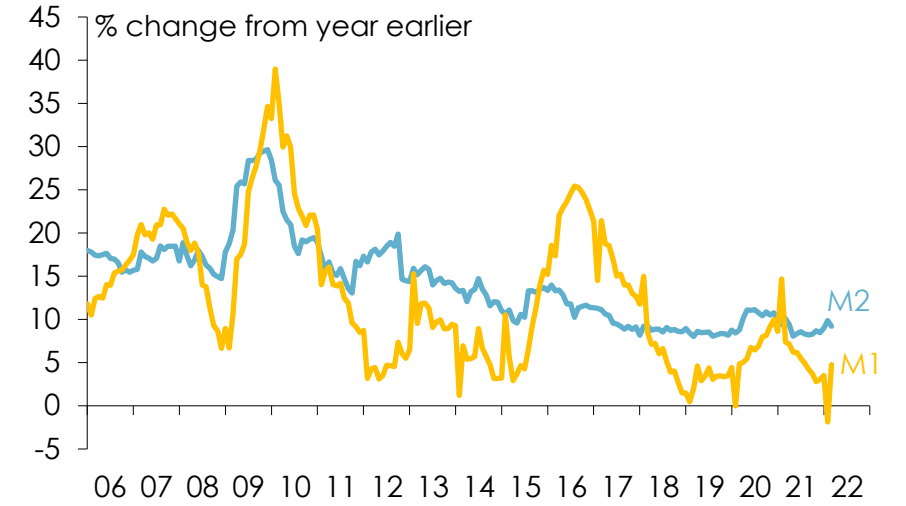
PBoC policy interest rates



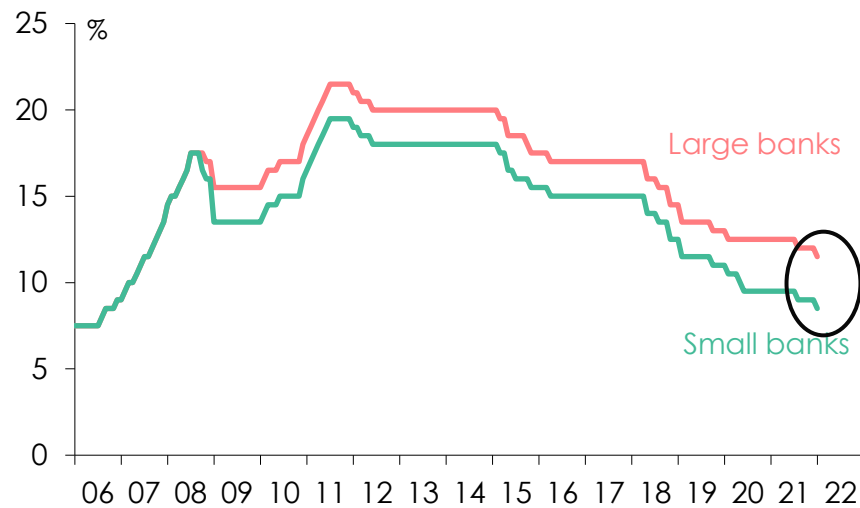
Short-term market interest rates



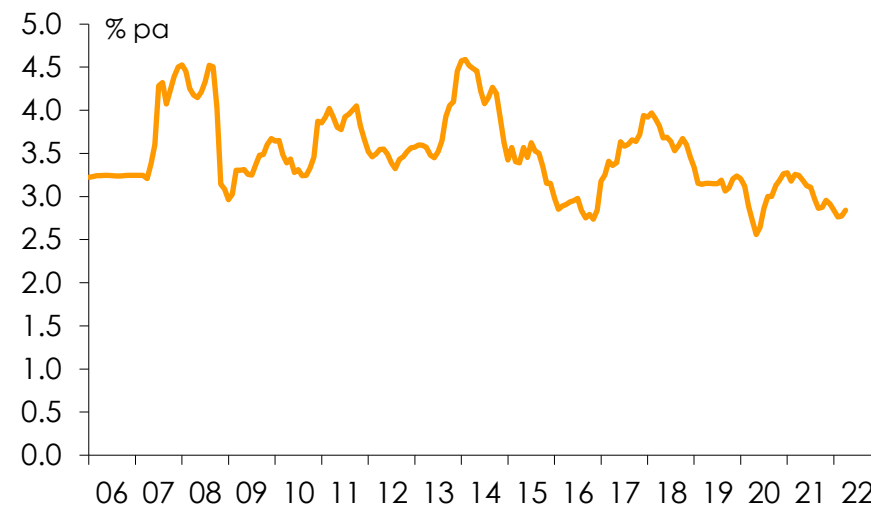
Monetary aggregates



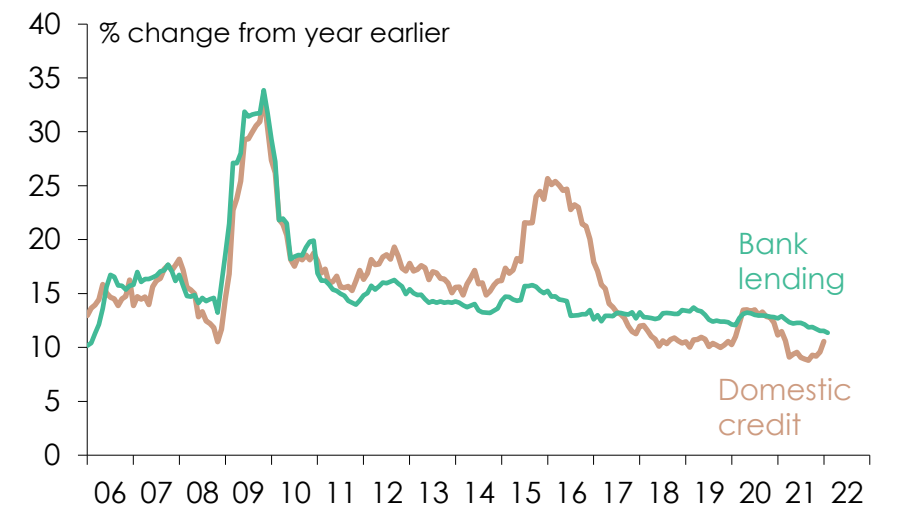
Bank reserve requirement ratios



10-year government bond yield



Credit growth

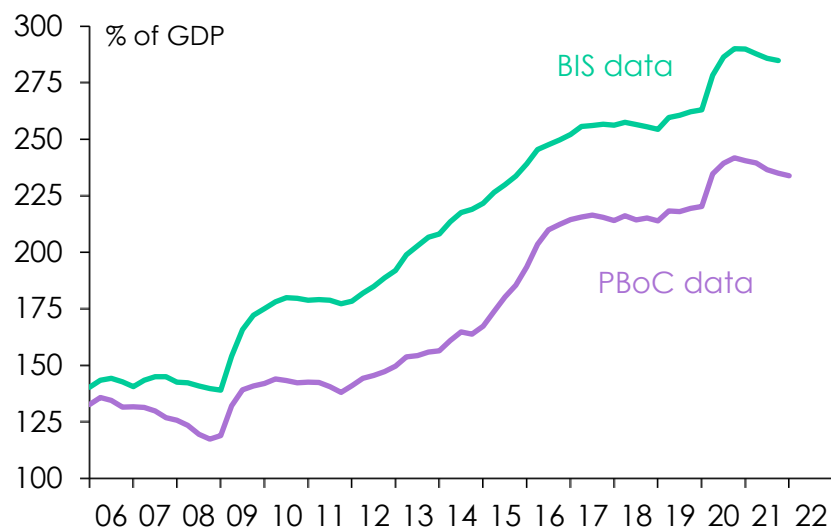


Note: 'SHIBOR' is the Shanghai Inter-Bank Offered Rate. Sources: Refintiv Datastream; People's Bank of China, [Financial Statistics Reports](#) and [Aggregate Financing Reports](#).
[Return to "What's New"](#).

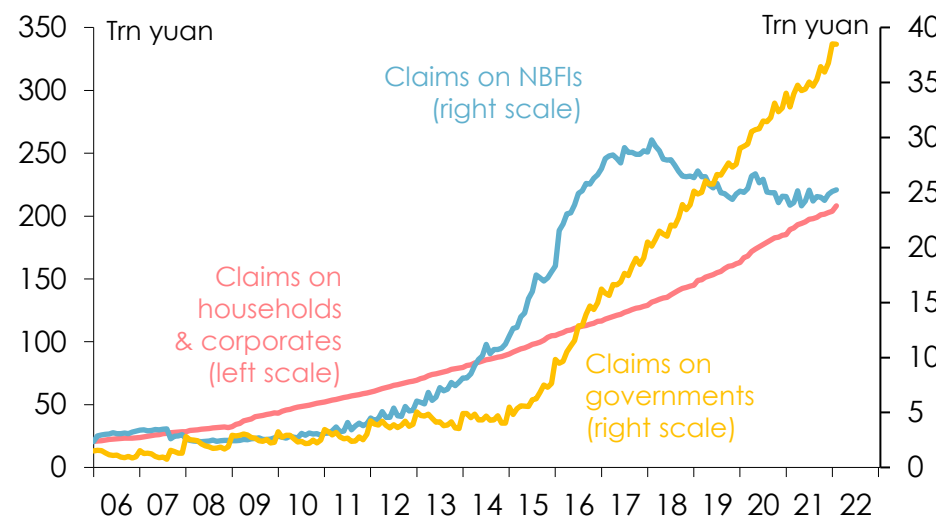
The Chinese banking system's risk profile has increased significantly over the past decade – particularly on the liabilities side of its balance sheet

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

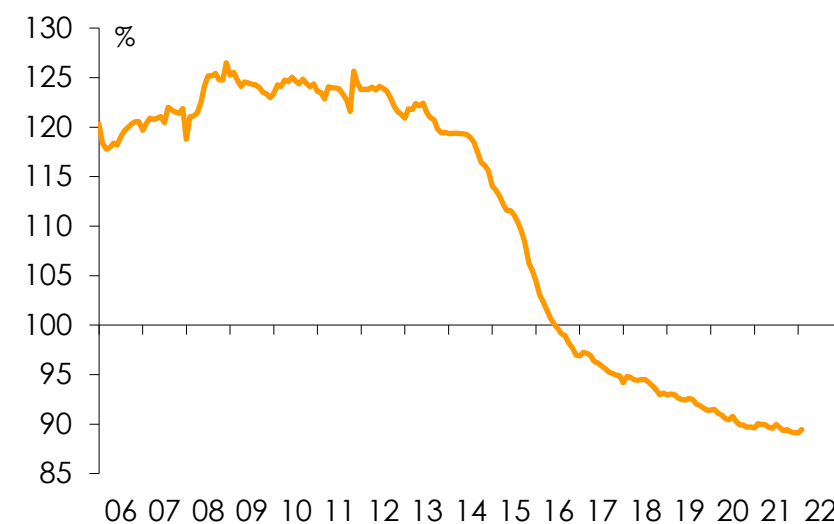
Credit outstanding as a pc of GDP



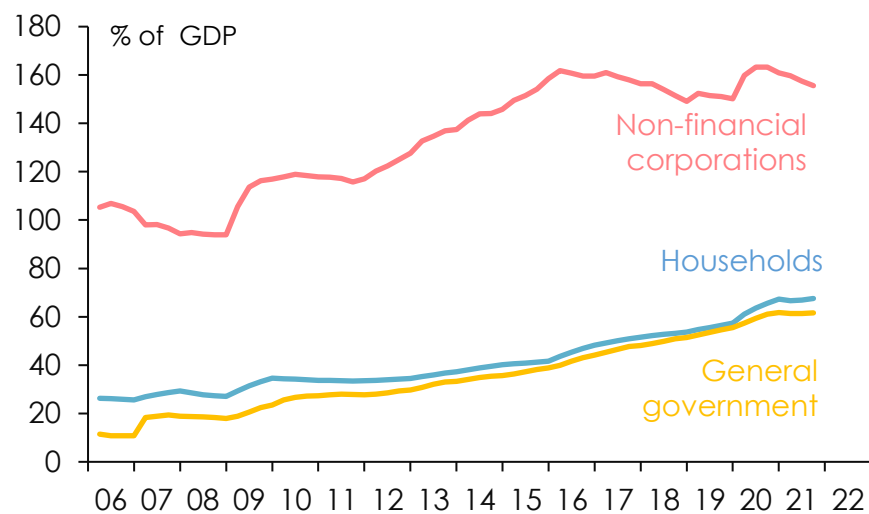
Banks' assets



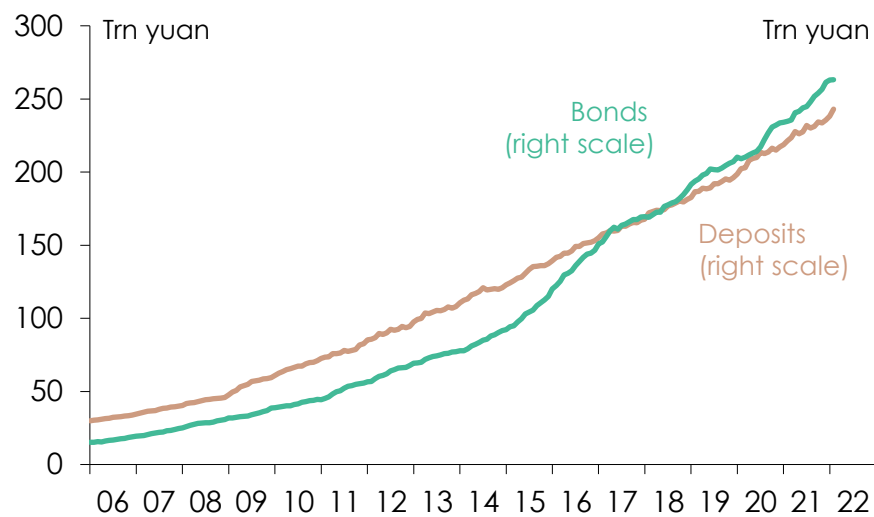
Banks' deposits-to-loans ratio



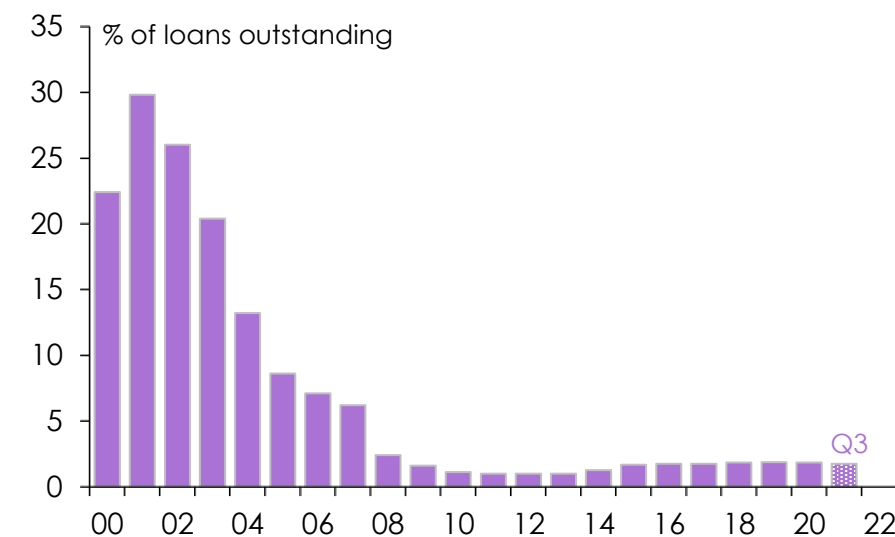
Credit outstanding by sector



Banks' liabilities



Banks NPLs – official estimates

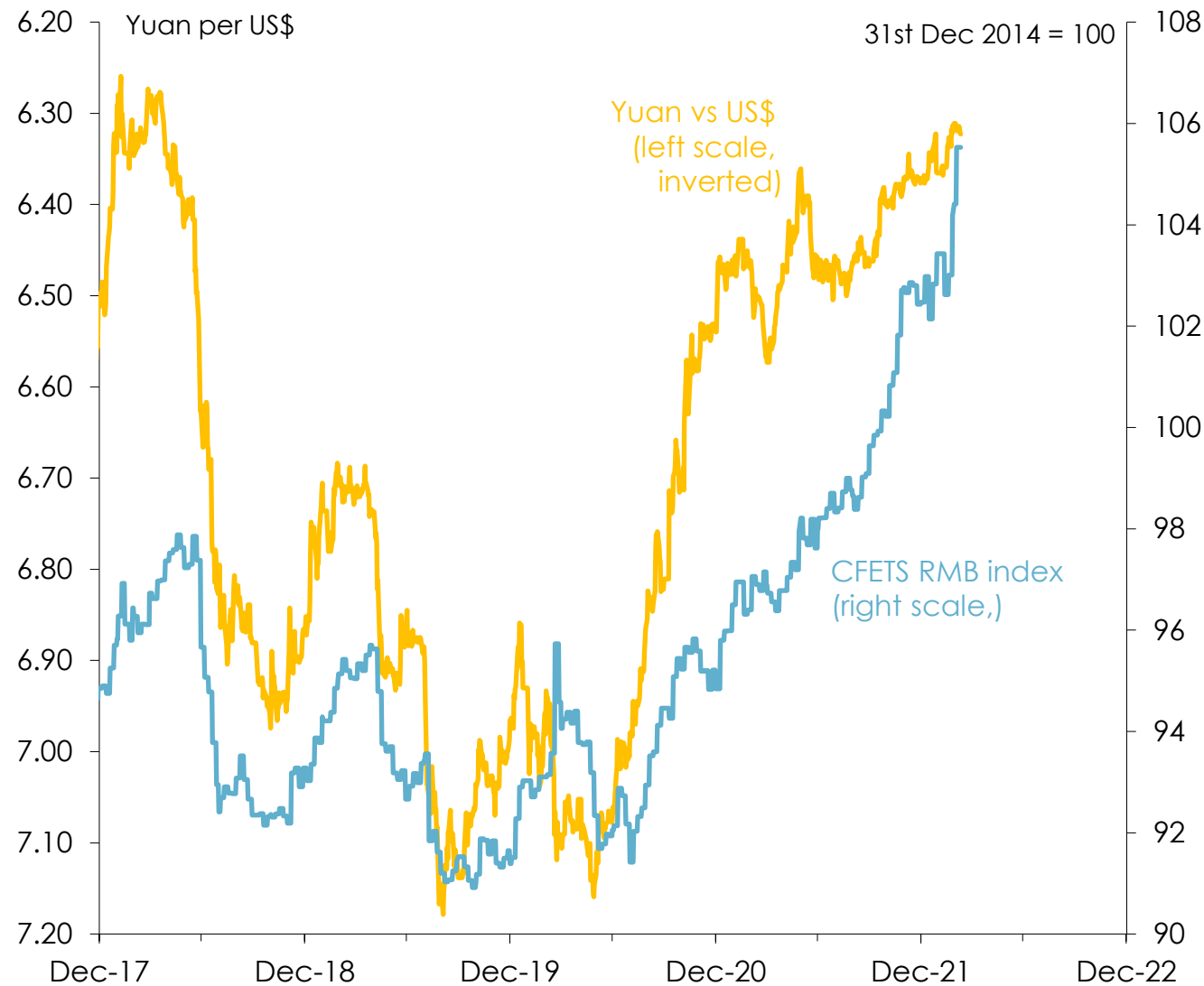


Sources: People's Bank of China, [Financial Statistics Reports](#); Bank for International Settlements, [Credit to the non-financial sector](#); China Banking and Insurance Regulatory Commission, [Supervisory Statistics of the Banking and Insurance Sectors](#). [Return to "What's New"](#).

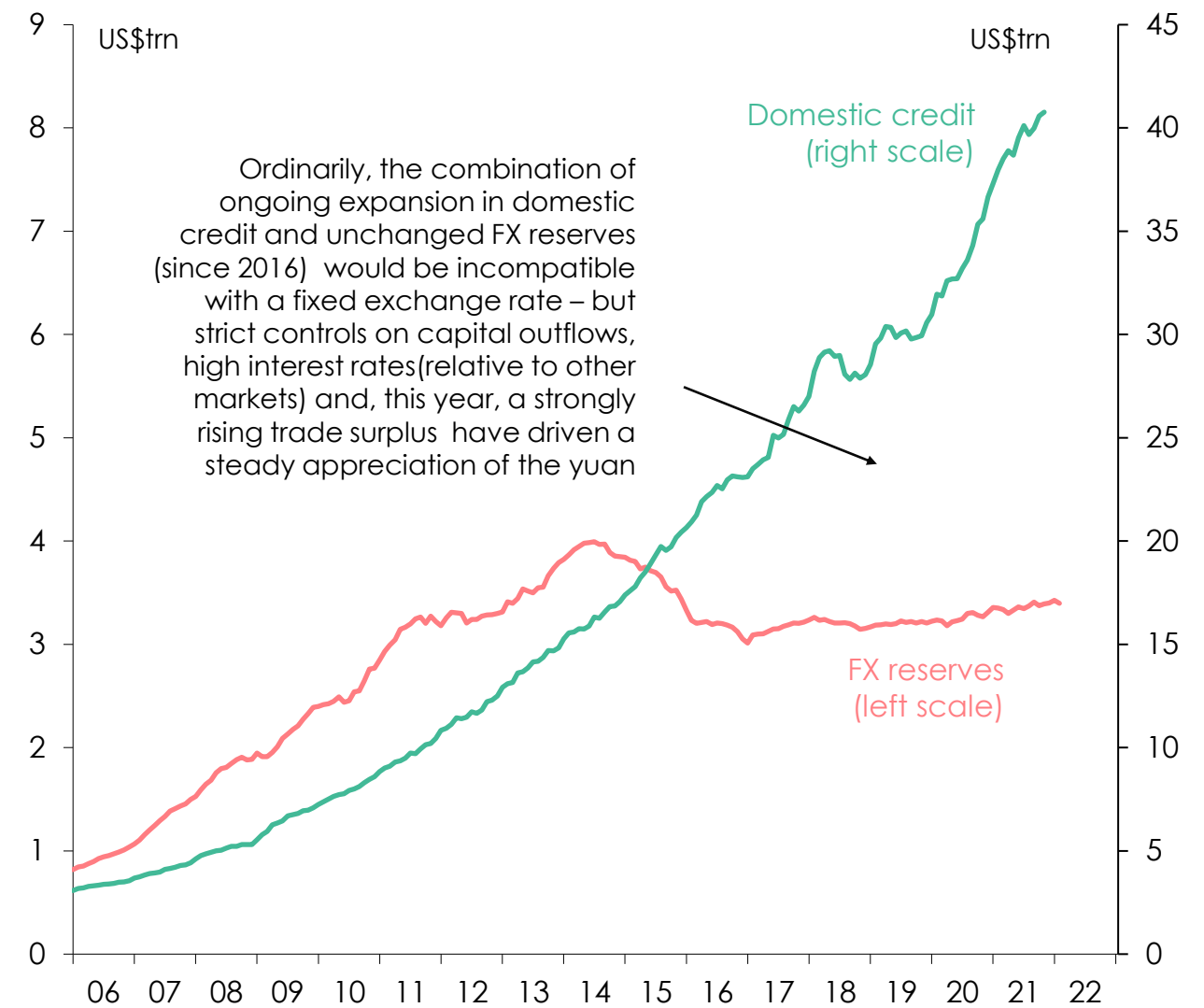
The yuan was steady against the US dollar last week but rose another 1% in trade-weighted terms

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

Chinese renminbi vs US\$ and trade-weighted index



FX reserves and domestic credit



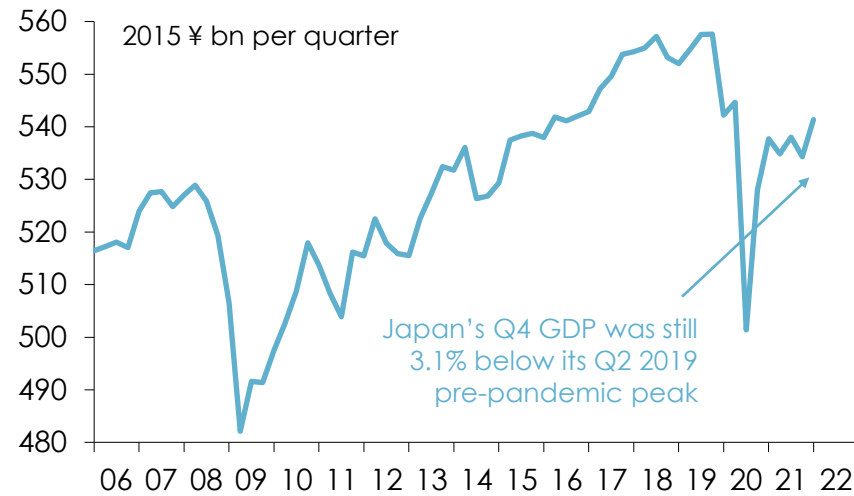
Sources: Refinitiv Datastream; China Foreign Exchange Trading System; People's Bank of China. Exchange rates up to 11th March; FX reserves up to February, and credit data up to January. [Return to "What's New"](#).

Japan

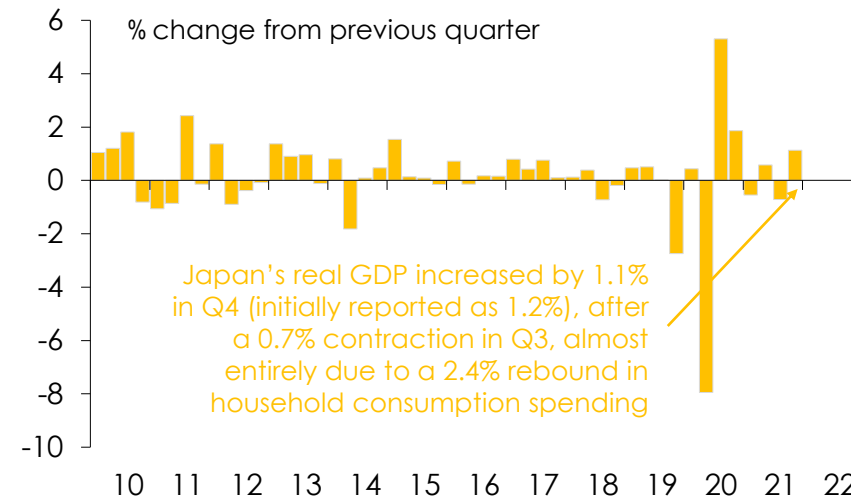
Japan's real GDP rebounded 1.1% in Q4 last year after falling in two of the three previous quarters but was still 3.1% short of its pre-pandemic peak

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

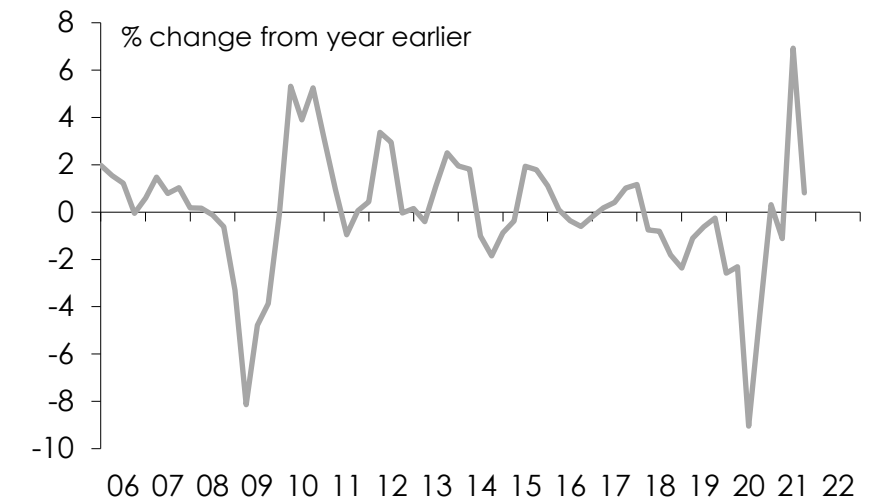
Level of real GDP



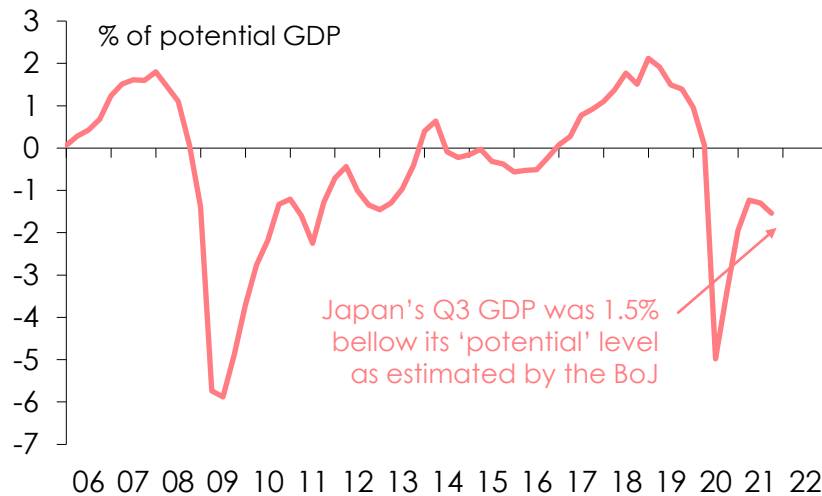
Quarterly change in real GDP



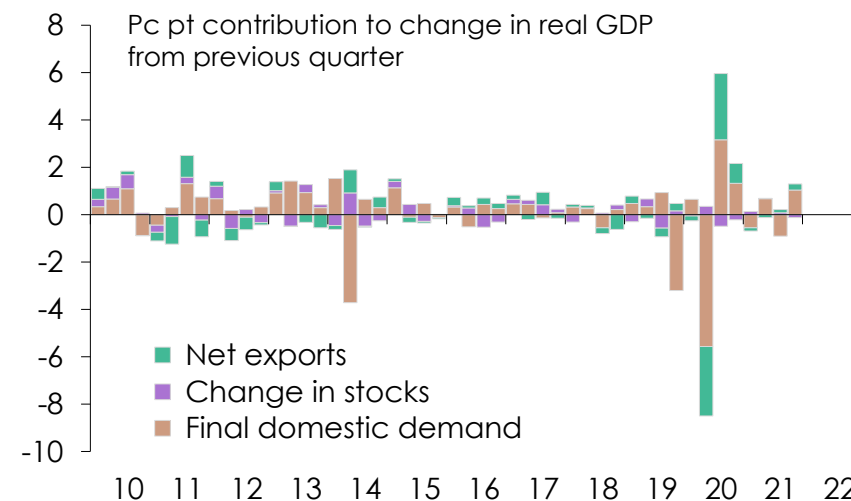
Labour productivity growth



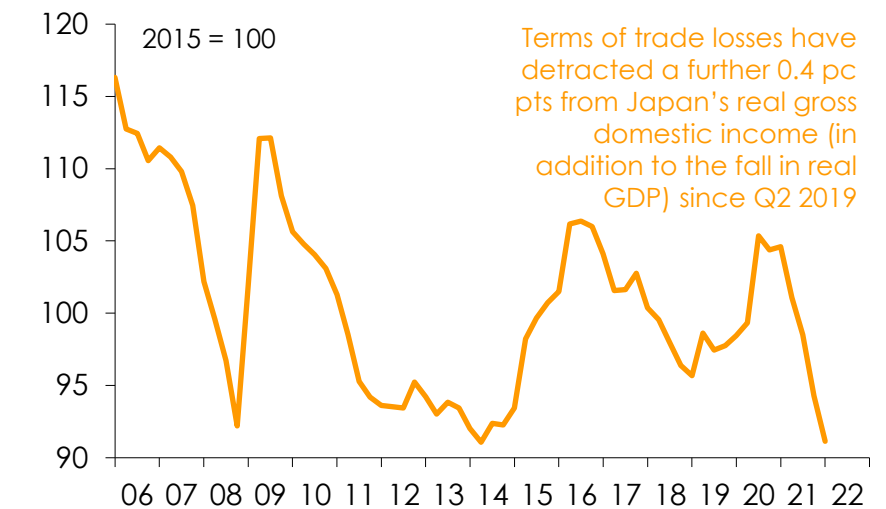
The 'output gap'



Contributions to change in real GDP



Terms of trade

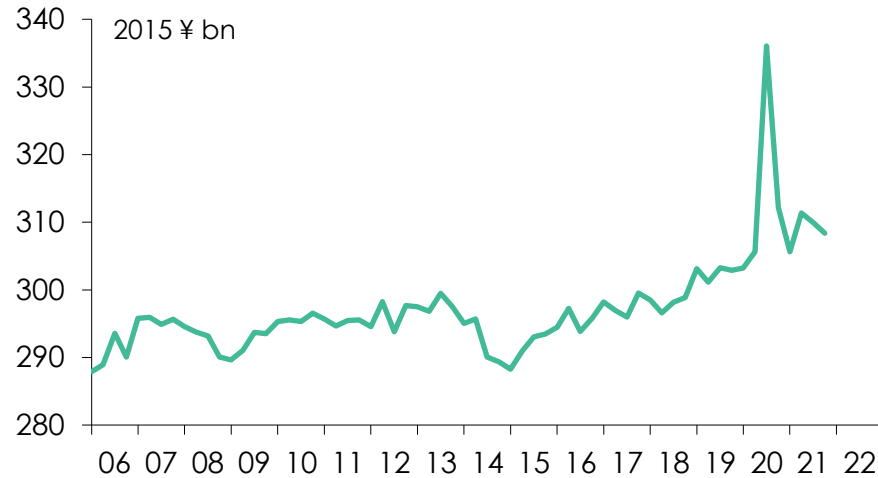


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

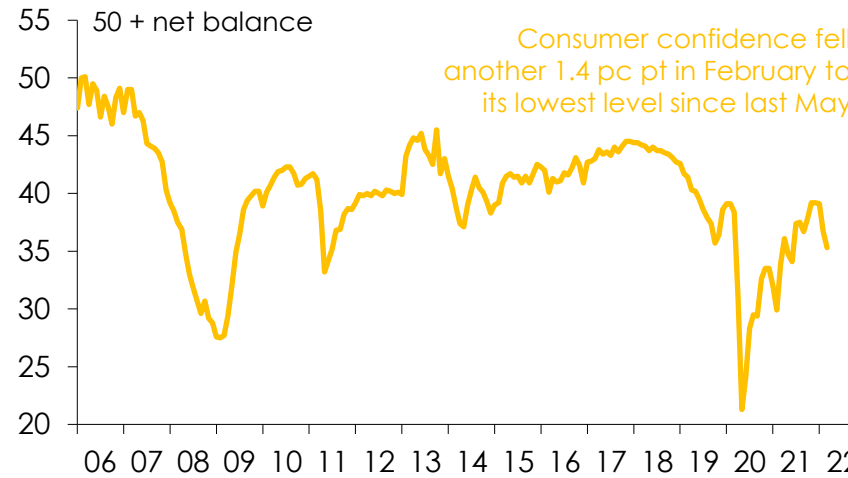
Household incomes have been supported by fiscal transfers, but much of them have been saved so household spending has remained weak

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

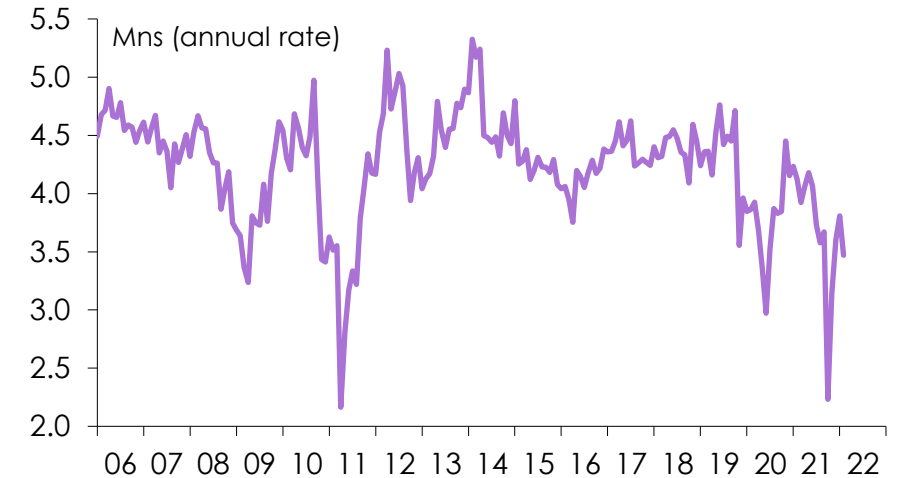
Real household disposable income



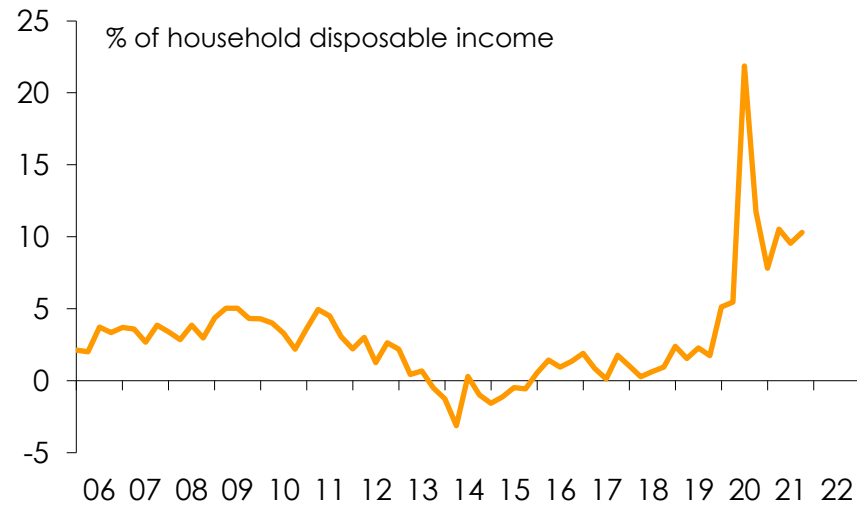
Consumer confidence



Motor vehicle sales



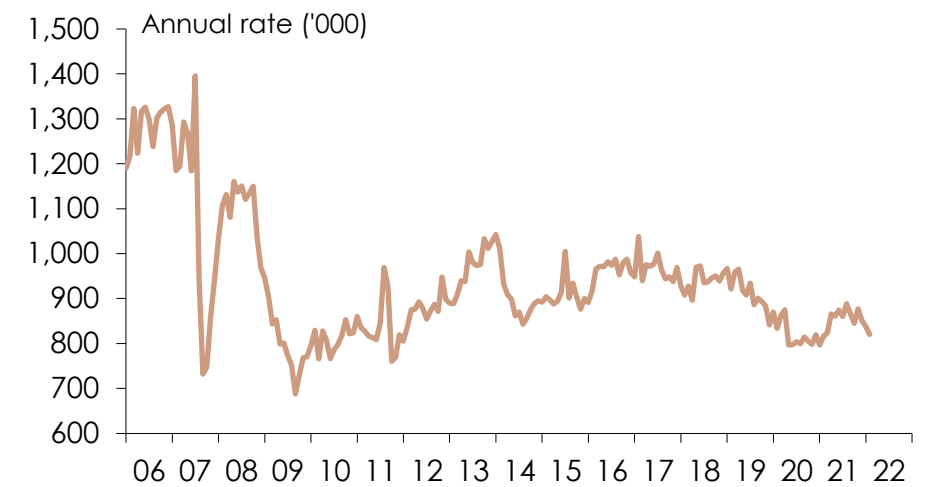
Household saving



Consumption activity index



Housing starts

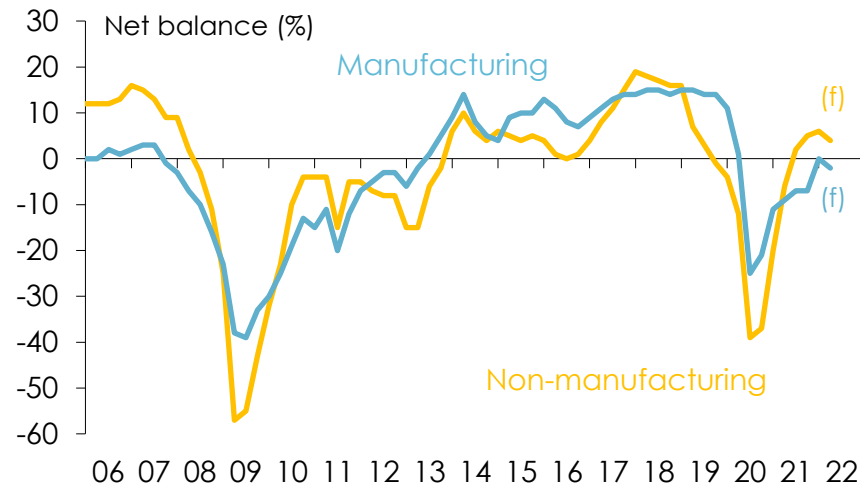


Sources: Japan Cabinet Office, [Quarterly Estimates of Household Disposable Income and Household Saving Ratio](#) and [Consumer Confidence Survey](#); Bank of Japan, [Consumption Activity Index](#); Japan Automobile Dealers Association, [Statistical Data](#); Japan e-Stat, [Building Starts](#). [Return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

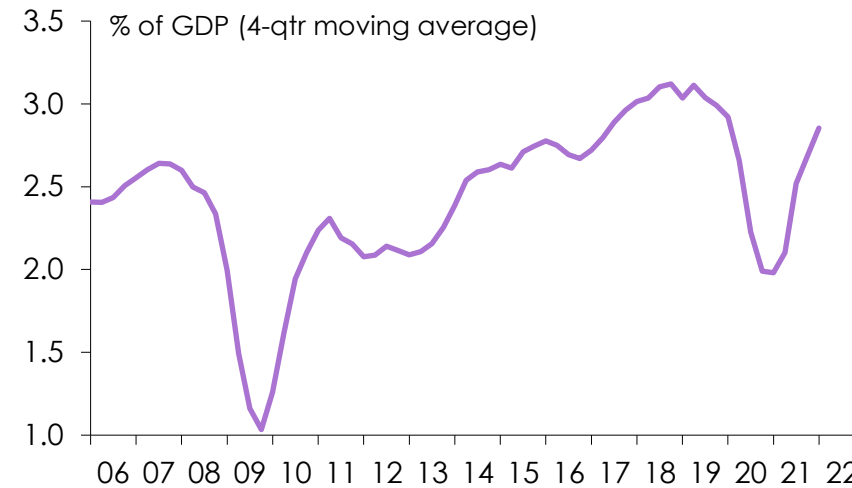
The Japanese corporate sector is reasonably healthy and business confidence is improving

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

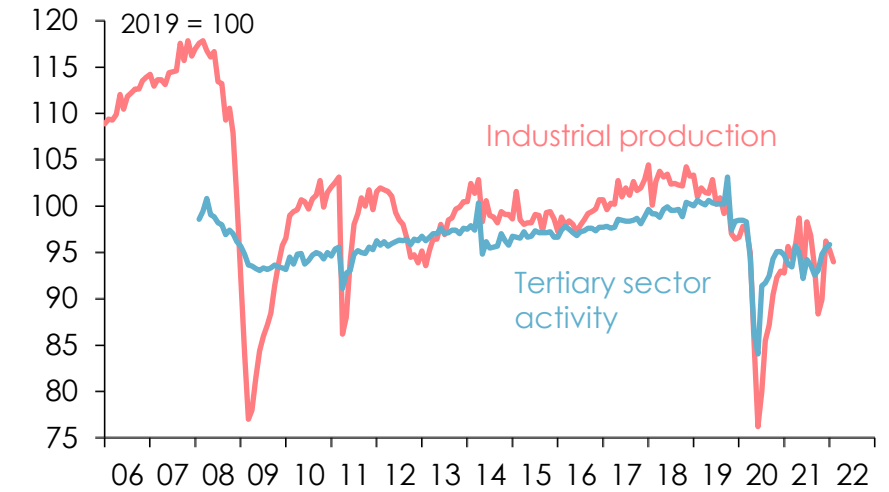
Business conditions by industry



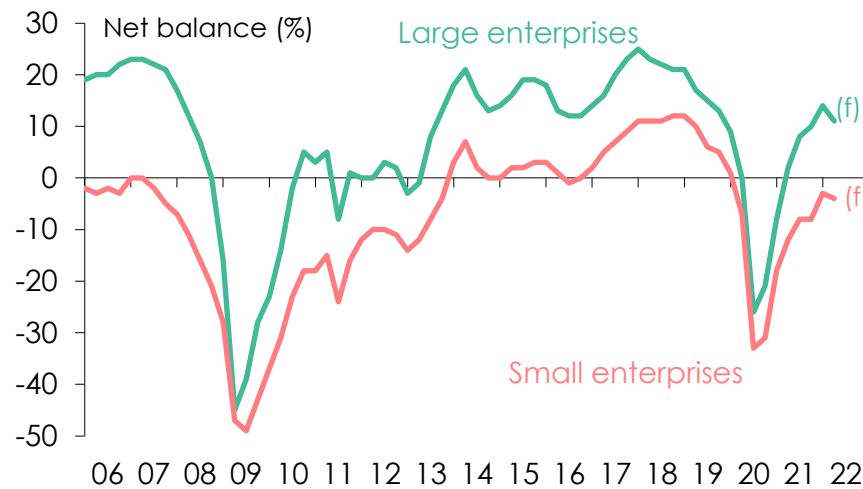
Corporate operating profits



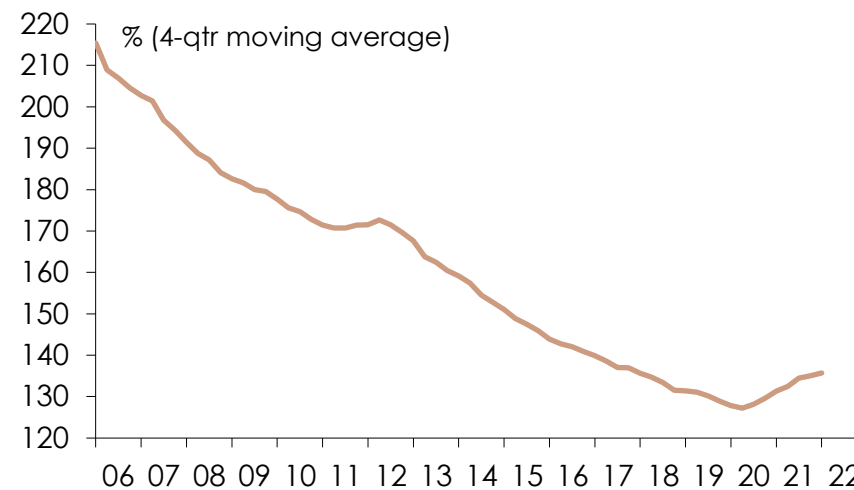
Indexes of economic activity



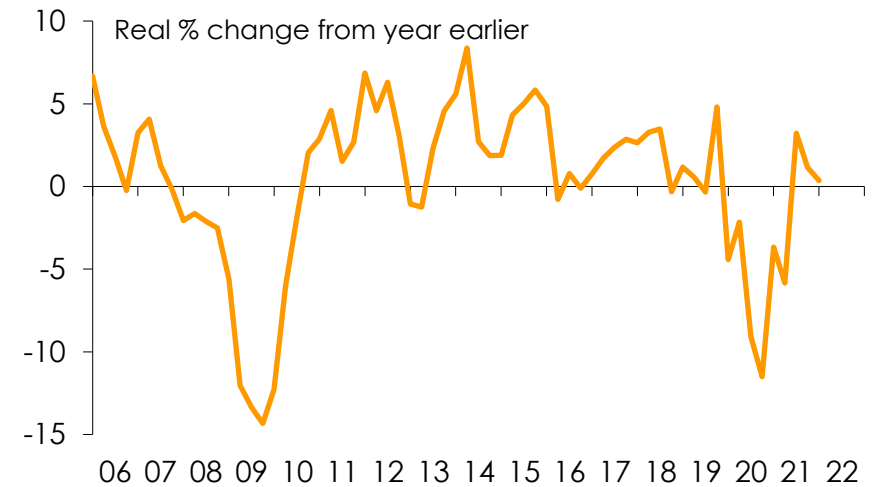
Business conditions by firm size



Corporate debt-equity ratio



Business investment

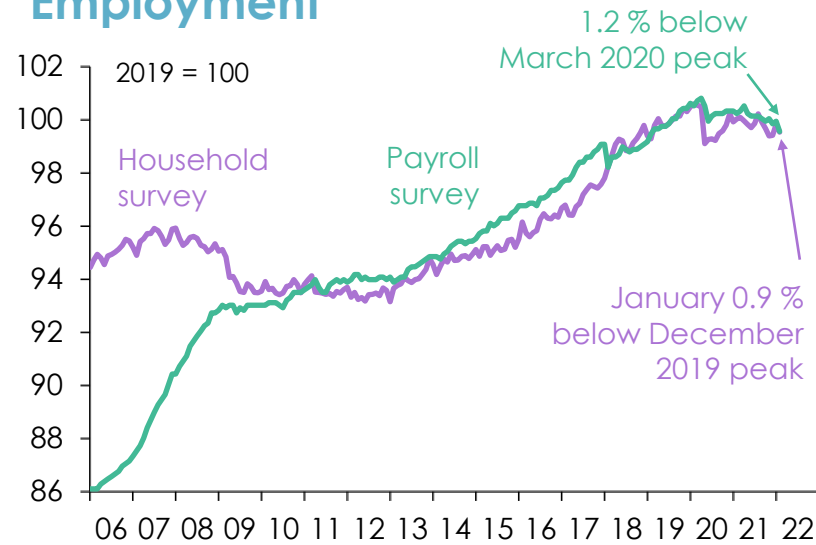


Sources: Bank of Japan, [Short-Term Economic Survey of Enterprises in Japan \('Tankan'\)](#); Policy Research Institute, Ministry of Finance, [Financial Statements Statistics of Corporations by Industry, Quarterly](#); Ministry of Economy, Trade & Industry, [Indices of Industrial Production](#) and [Indices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

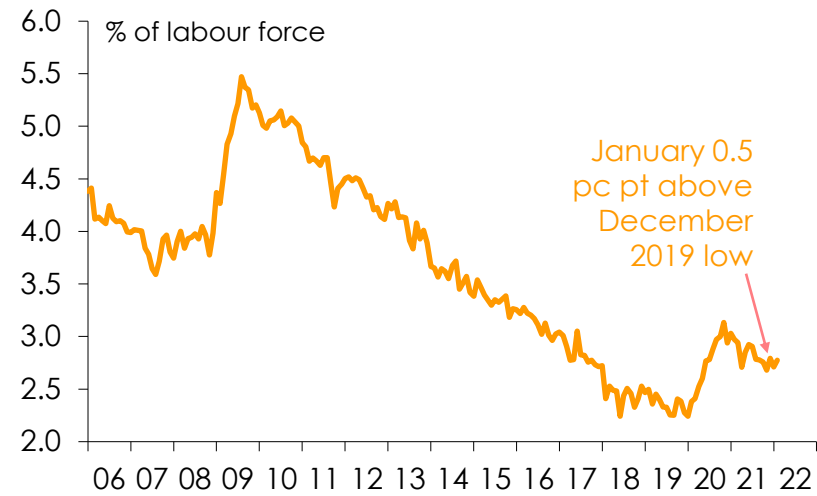
Employment in Japan is still 0.9% below its pre-pandemic peak – but wages growth has picked up and inflation though still very low is now positive

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

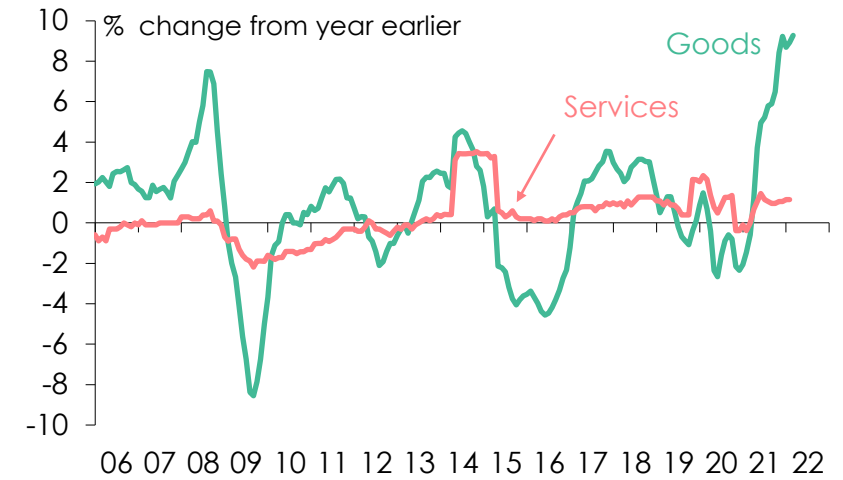
Employment



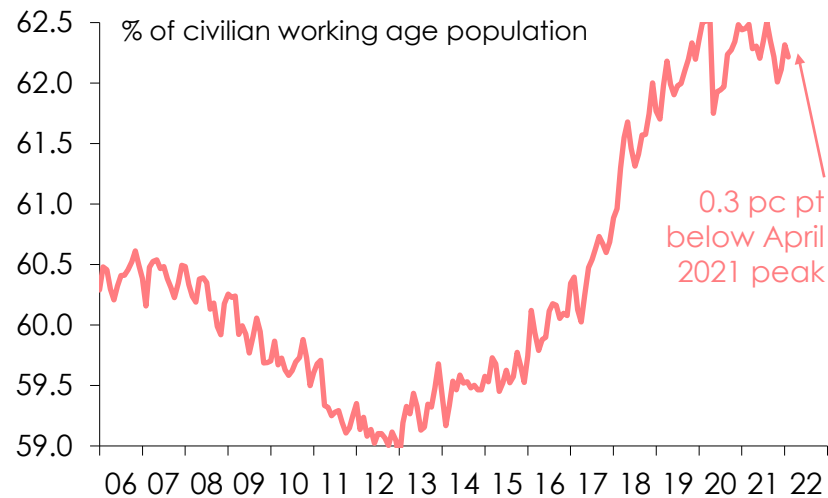
Unemployment rate



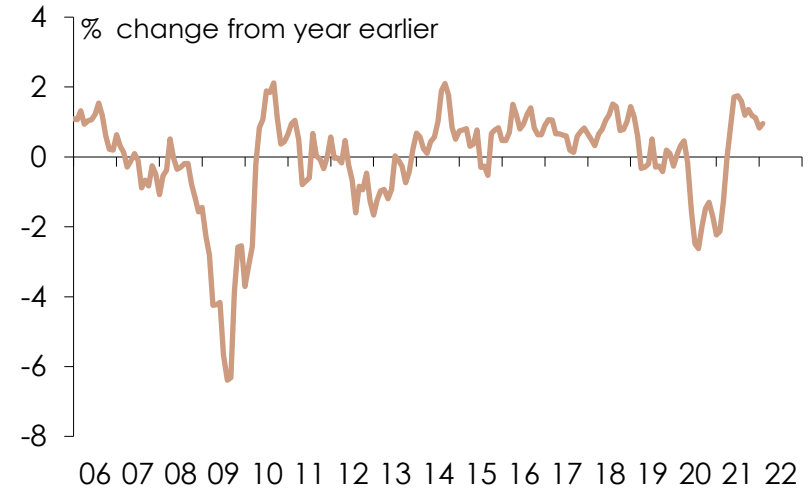
'Corporate' (producer) prices



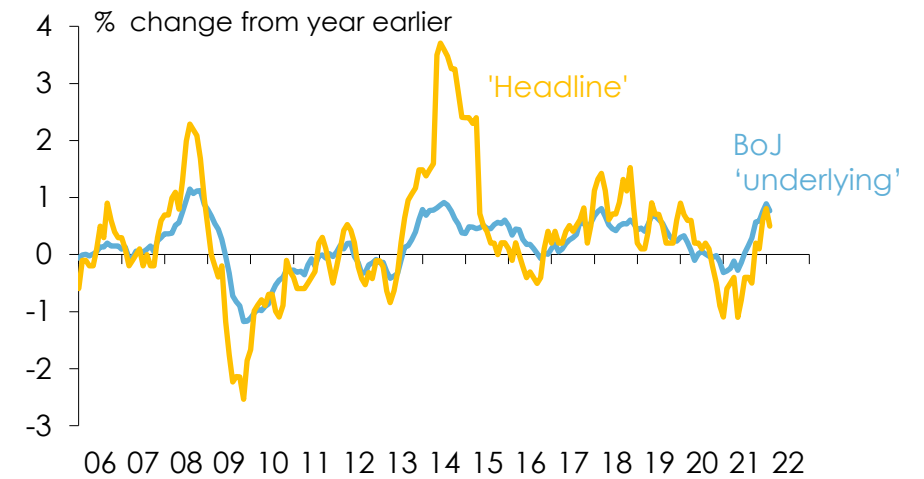
Labour force participation rate



Wages growth



Consumer prices

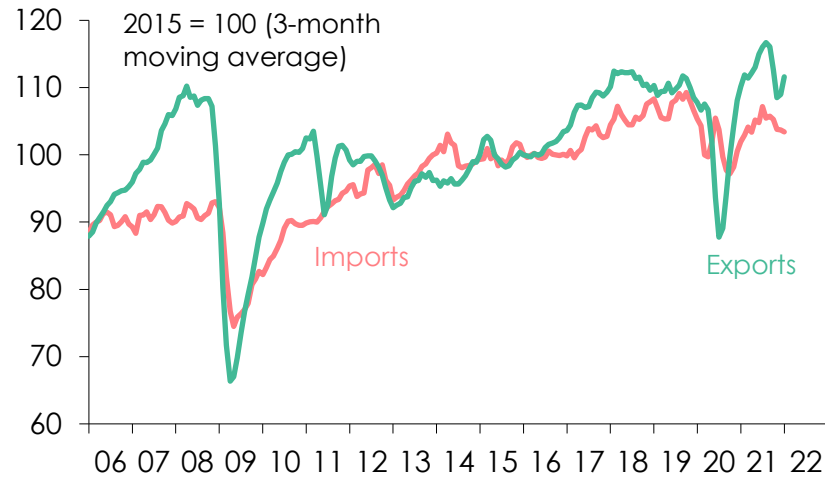


Sources: Statistics Bureau of Japan, [Labour Force Survey](#) and [Consumer Price Index](#); Ministry of Health, Labour and Welfare, [Monthly Labour Survey](#); Bank of Japan, [Prices and Measures of Underlying Inflation](#). [Return to "What's New"](#).

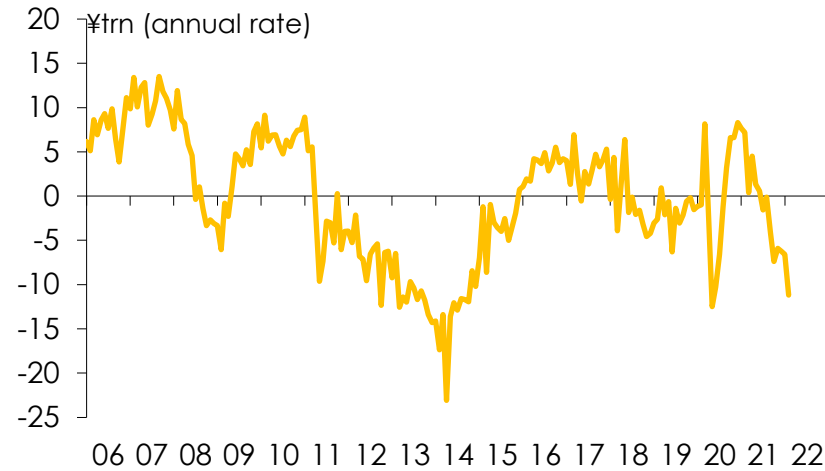
Japan's auto exports have been impacted by supply-chain difficulties, which together with higher import prices have curtailed its trade surpluses

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

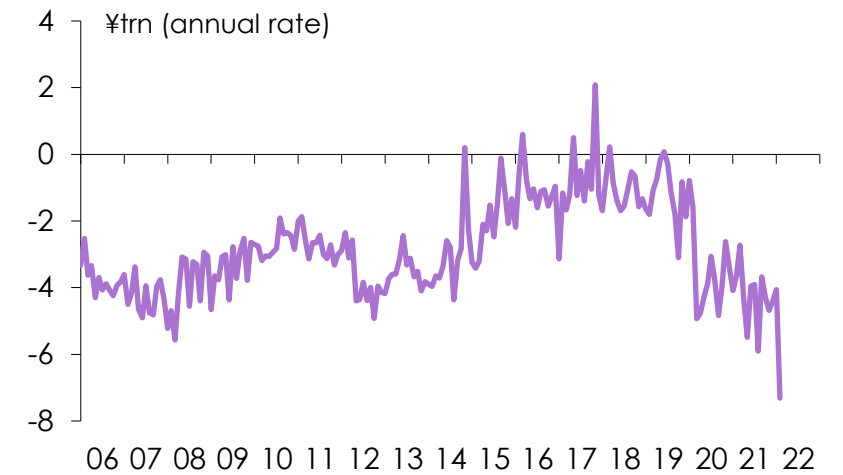
Merchandise trade volumes



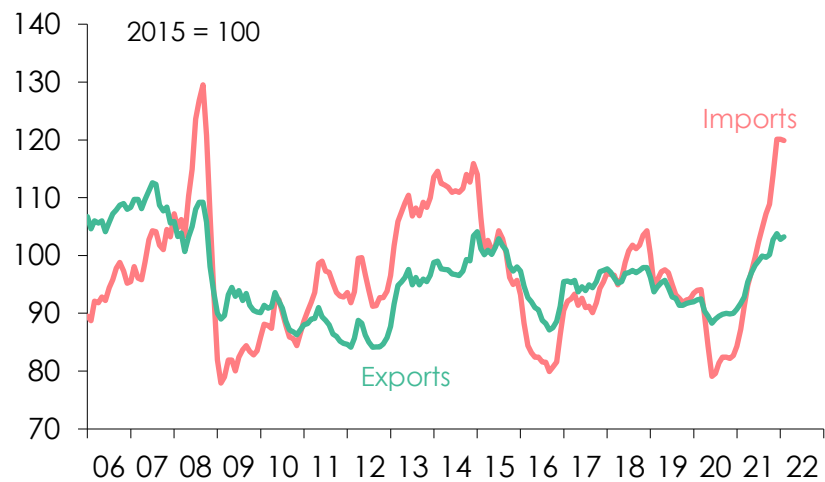
Merchandise trade balance



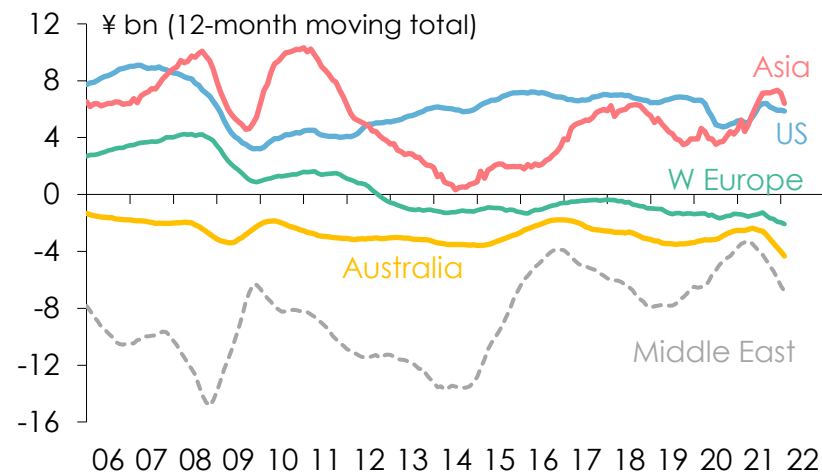
Services trade balance



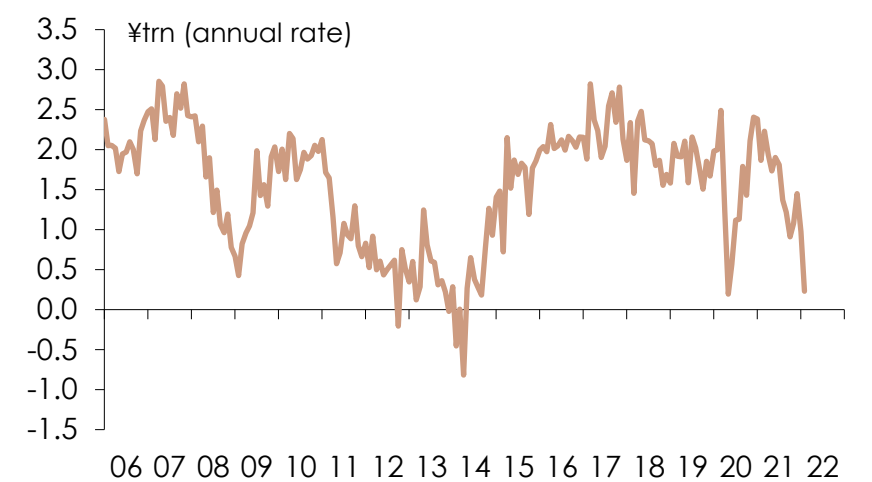
Merchandise trade prices



Bilateral goods trade balances



Current account balance



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

The Bank of Japan last month forcefully re-asserted its intentions to keep 10-year JGB yields below 0.25% - although it ultimately didn't need to act

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

- ❑ The BoJ Policy Board meets this coming Friday, but isn't expected to change any monetary policy settings
- ❑ Last month, 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 lowered its forecasts for GDP growth in most Asian economies in 2022 by 0.3-0.4 percentage points in its most recent (January) update

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

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"](#).

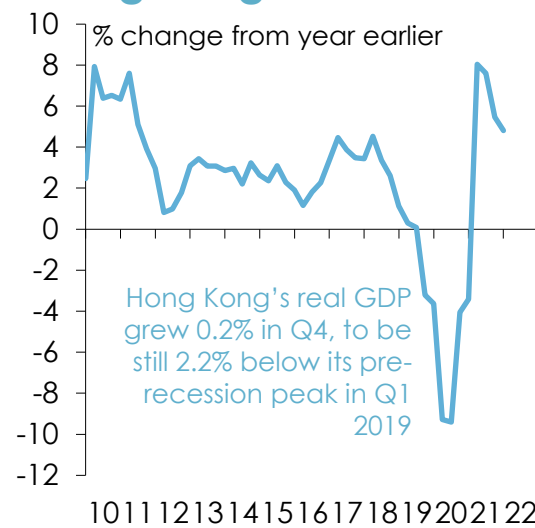
Thailand's economy grew 1.8% in Q4, more than reversing a 0.9% decline in Q3, but was still 4.7% smaller than at its pre-pandemic peak

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

Korea



Hong Kong



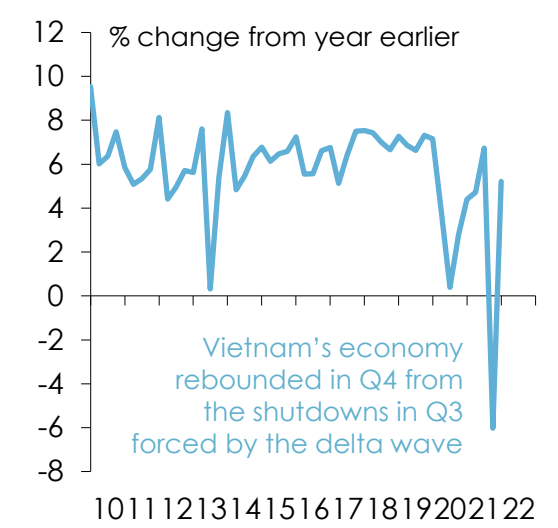
Indonesia



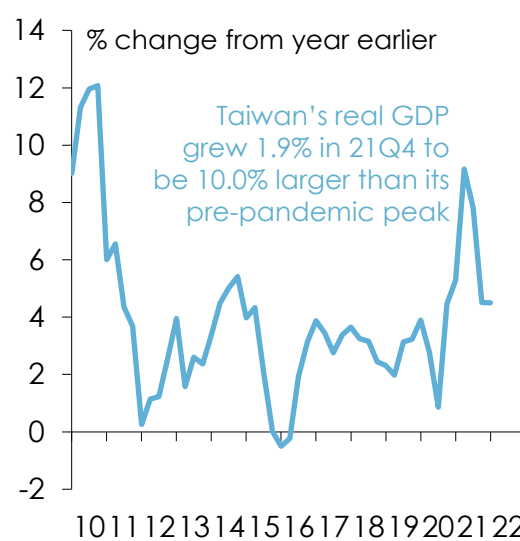
Thailand



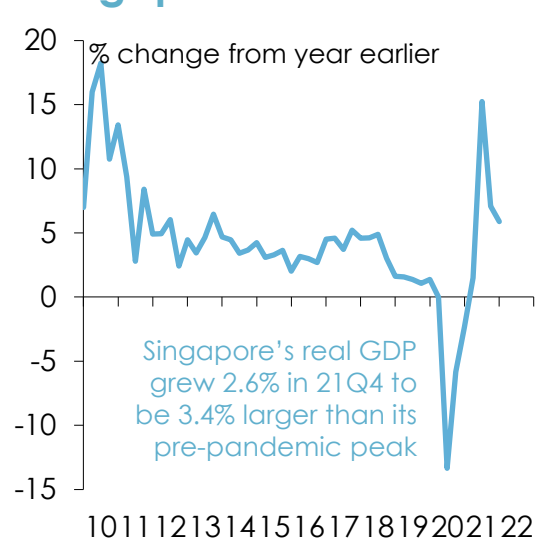
Vietnam



Taiwan



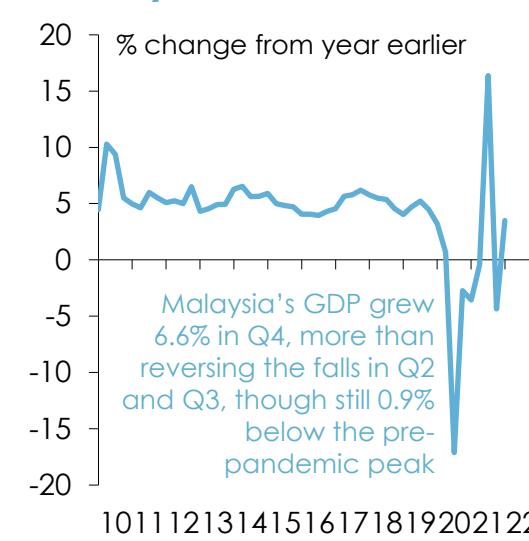
Singapore



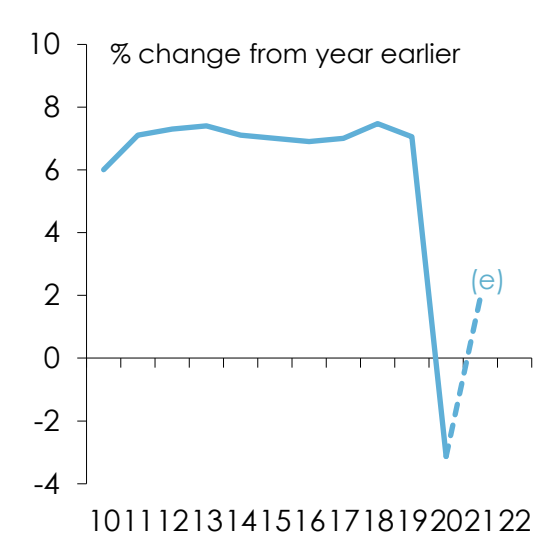
Philippines



Malaysia



Cambodia

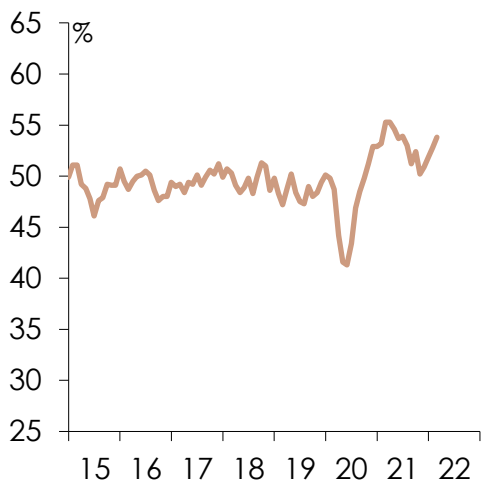


Sources: Bank of Korea; Taiwan Directorate-General of Budget, Accounting & Statistics; Hong Kong Census & Statistics Department; Singapore Ministry of Trade and Industry; Department of Statistics Malaysia; Office of the National Economic & Social Development Council of Thailand; Statistics Indonesia;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

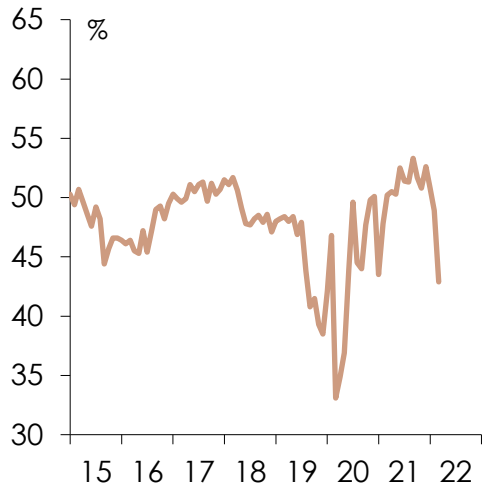
February PMIs paint a mixed picture of manufacturing activity across Asia with Korea, Thailand, Philippines and Malaysia up, others down

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

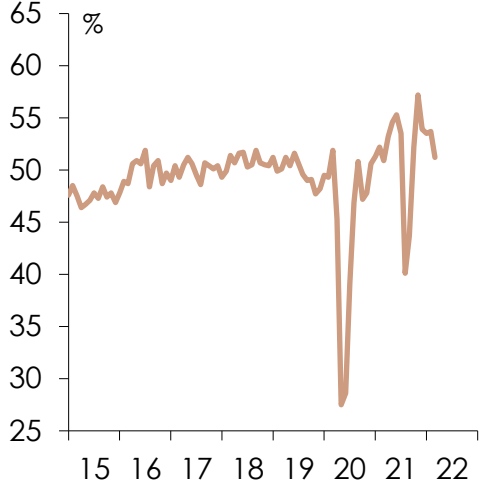
Korea



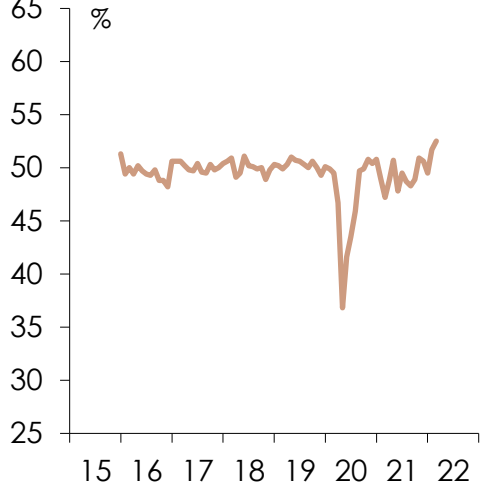
Hong Kong



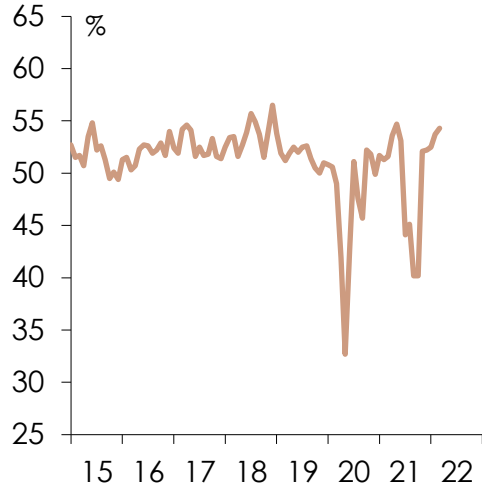
Indonesia



Thailand



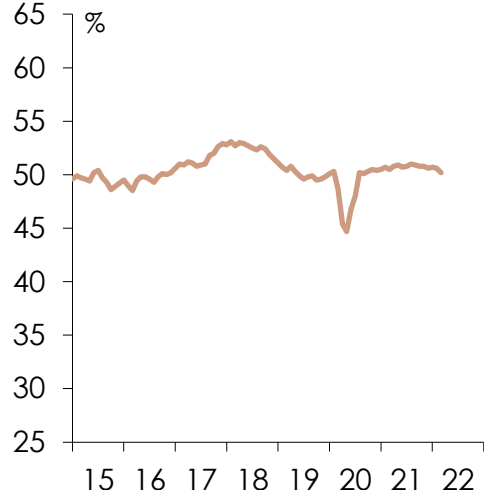
Vietnam



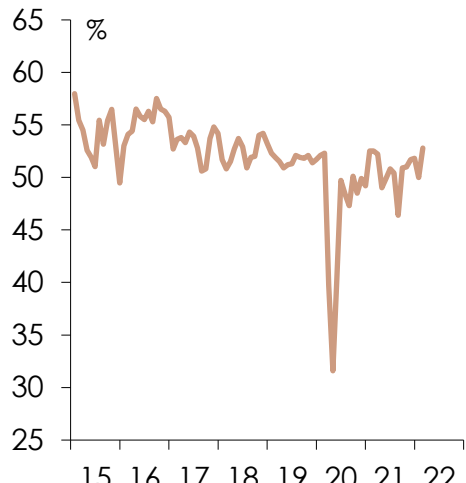
Taiwan



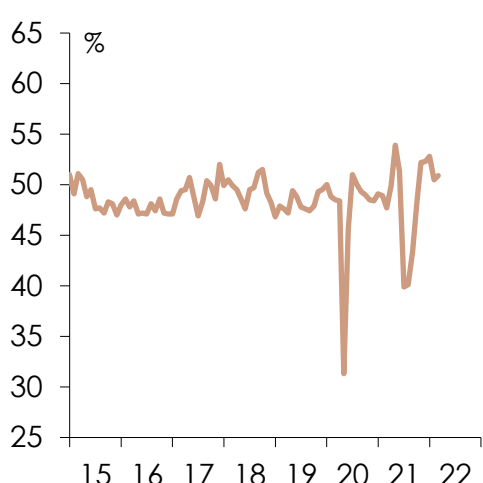
Singapore



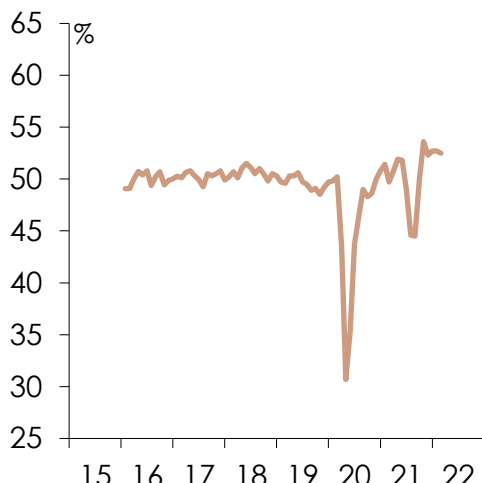
Philippines



Malaysia



ASEAN

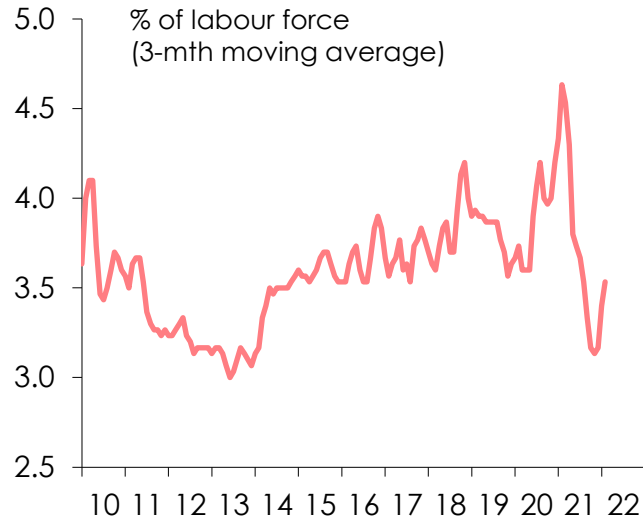


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous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

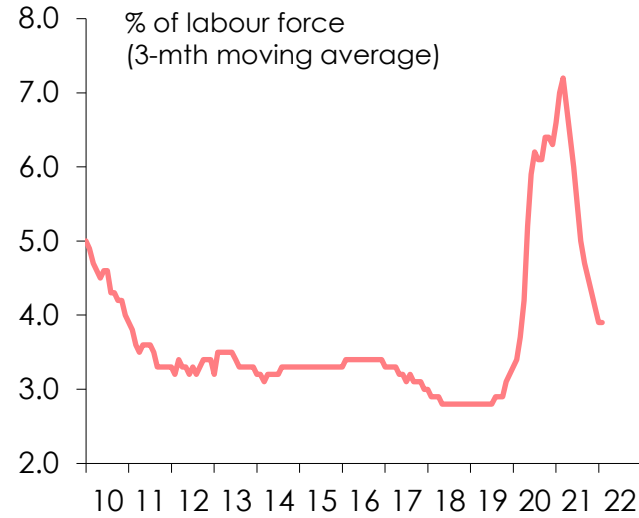
Unemployment rose sharply in most Asian economies last year but is now falling in most of them

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

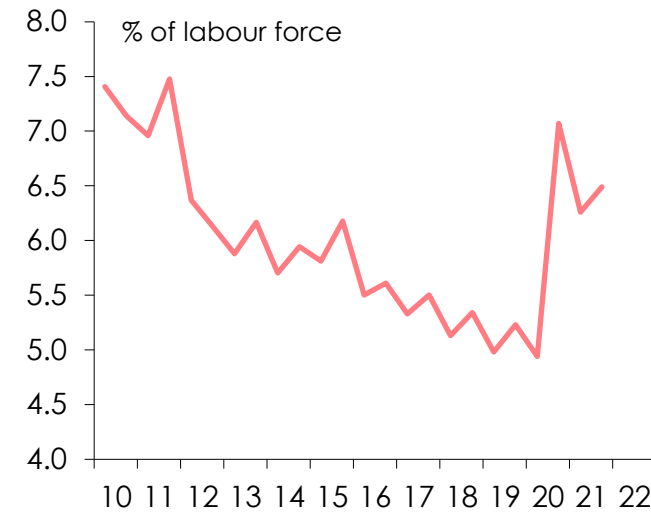
Korea



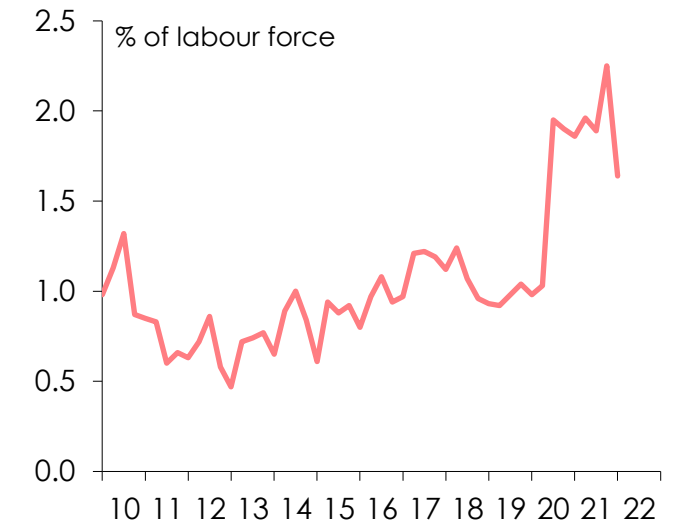
Hong Kong



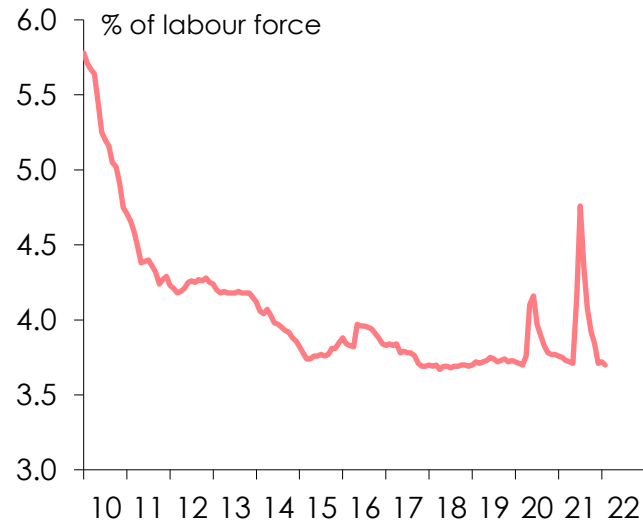
Indonesia



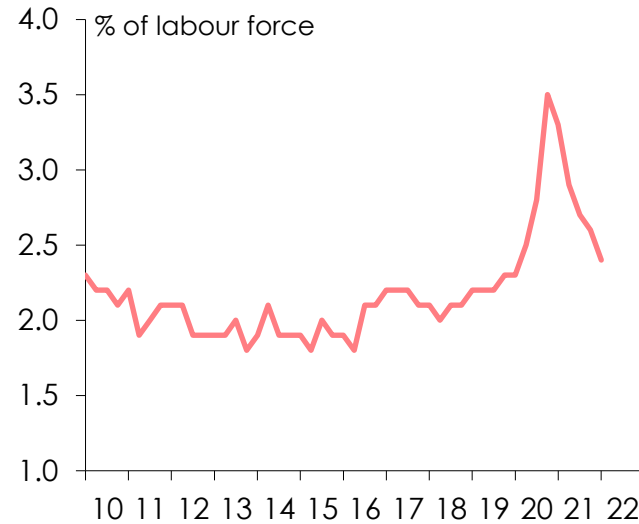
Thailand



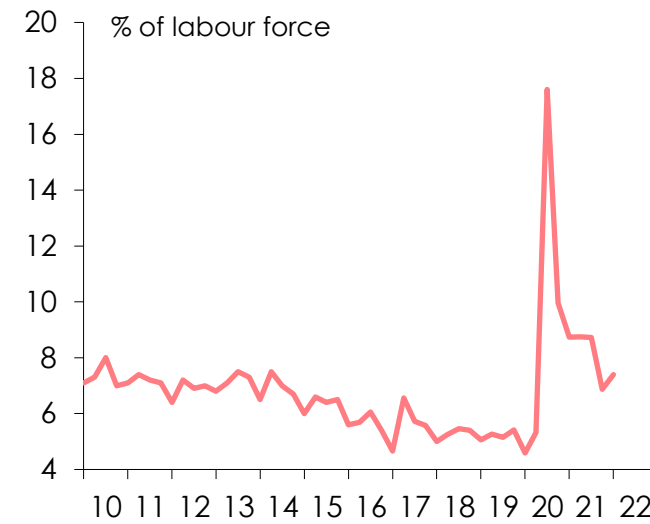
Taiwan



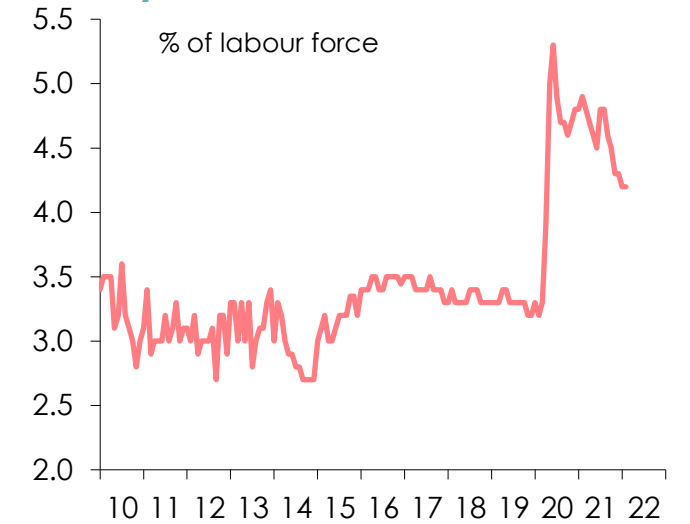
Singapore



Philippines



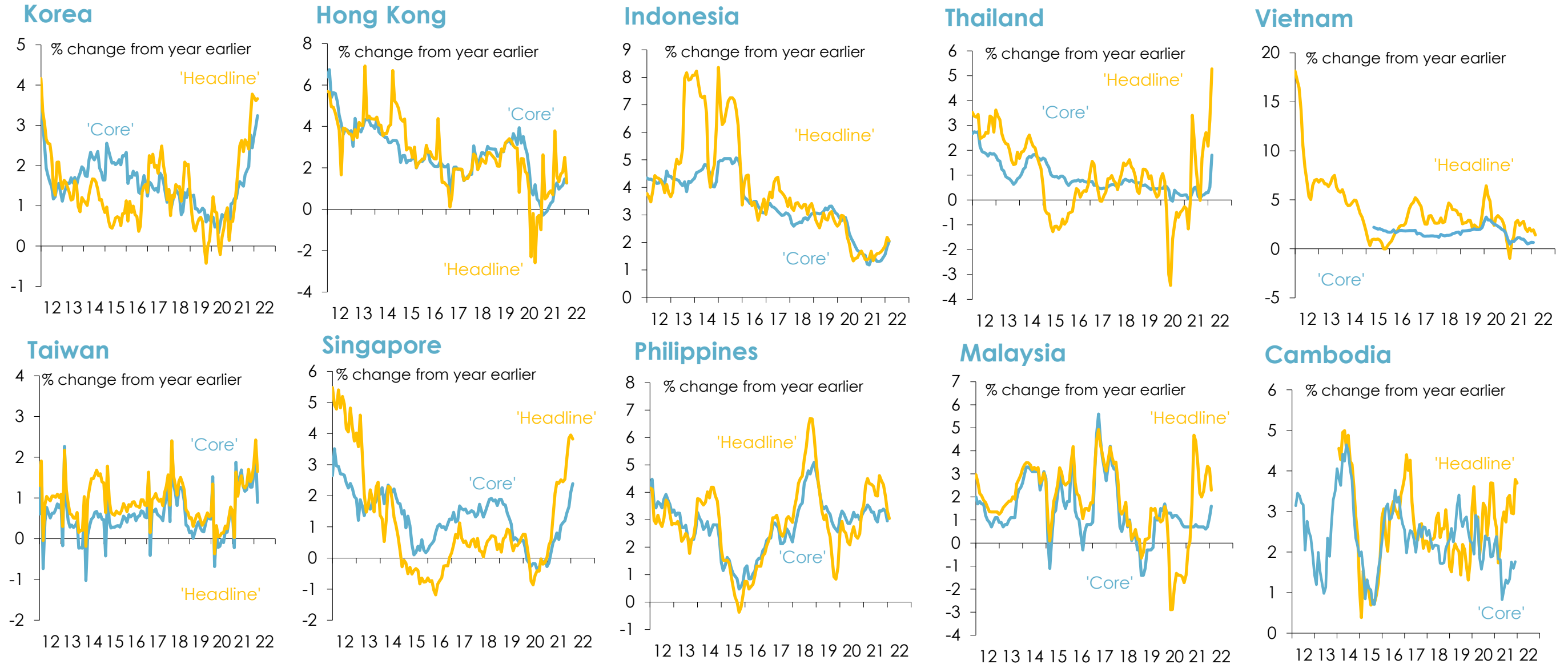
Malaysia



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"](#).

Korea's 'core' inflation rate reached 3.2% in February, which will worry the BoK, while Indonesia's rose to 2.1%, which won't concern BI

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

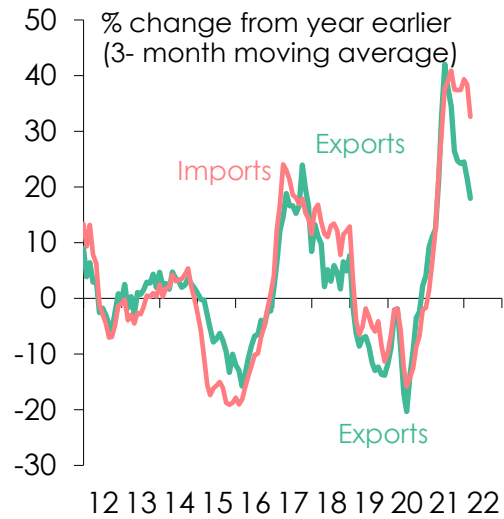


Note: 'Core' inflation in Korea excludes agricultural products and oil; in Taiwan it excludes fresh fruit, vegetables and energy; in Singapore it excludes accommodation and private transport; and in Hong Kong it excludes the effect of 'one-off government relief measures'. 'Core' inflation in Indonesia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

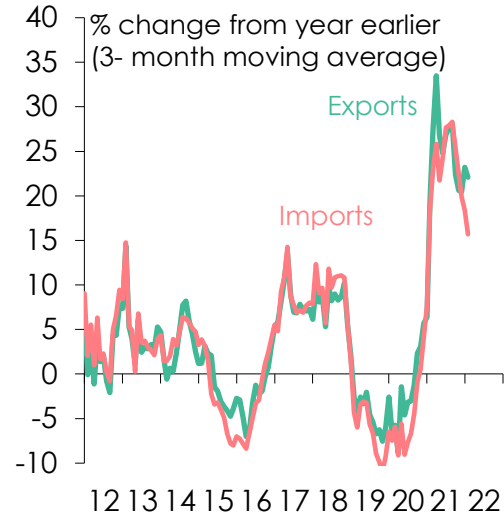
Asian exports are recovering from the Covid-induced slump – although ‘base effects’ from this time last year are inflating the growth

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

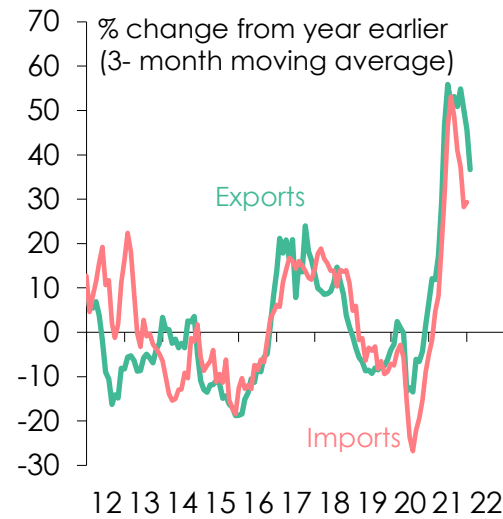
Korea



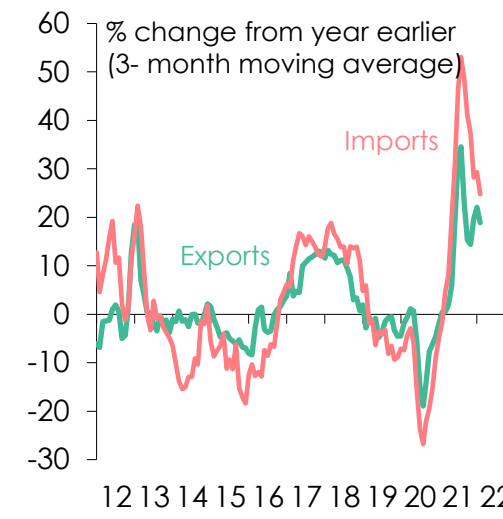
Hong Kong



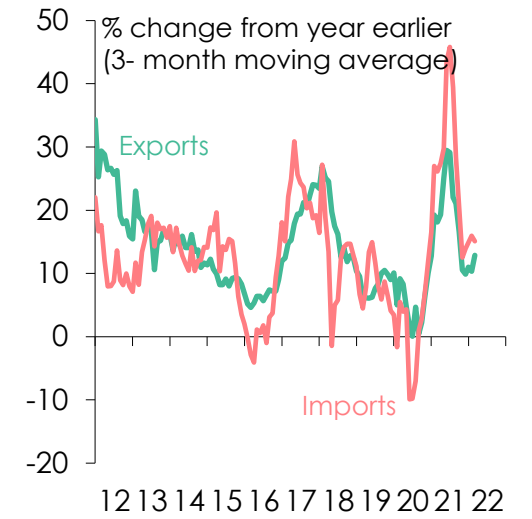
Indonesia



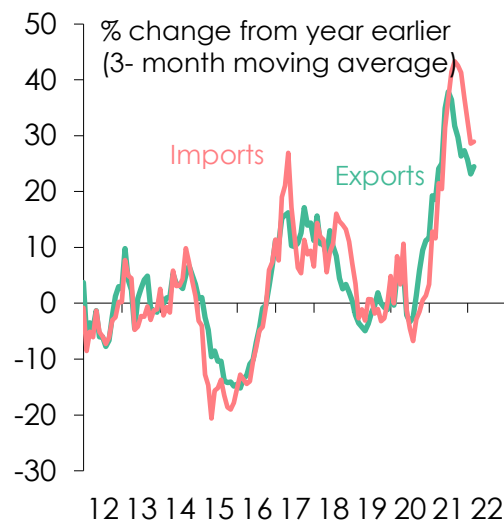
Thailand



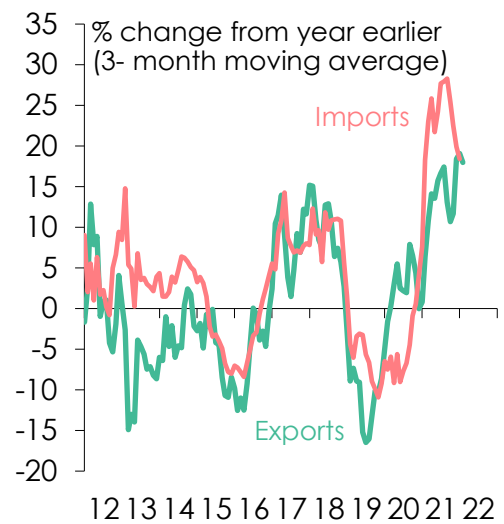
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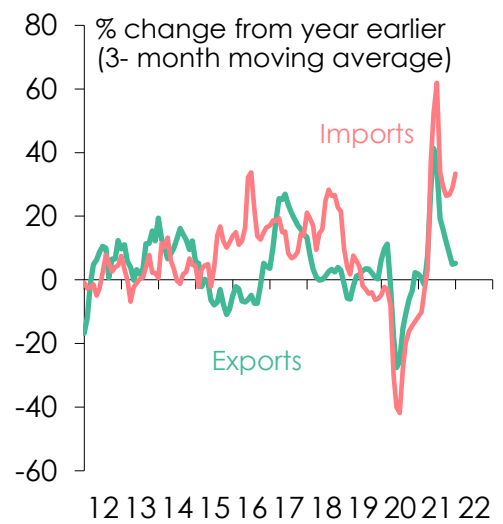
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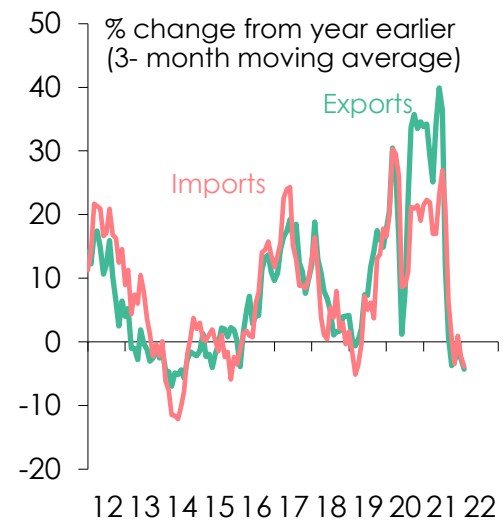
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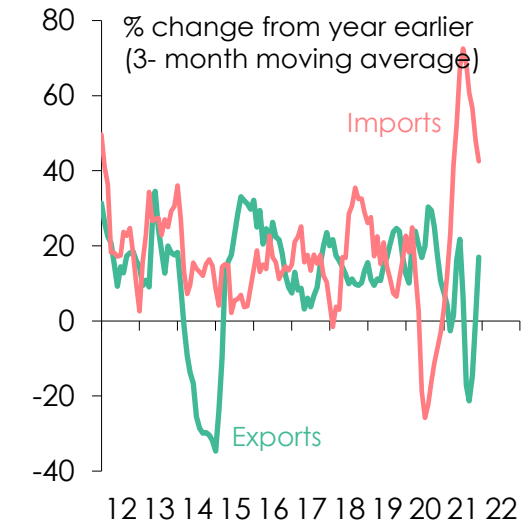
Philippines



Malaysia



Cambodia

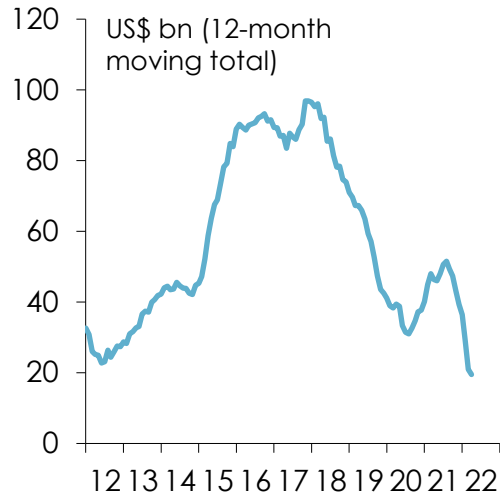


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

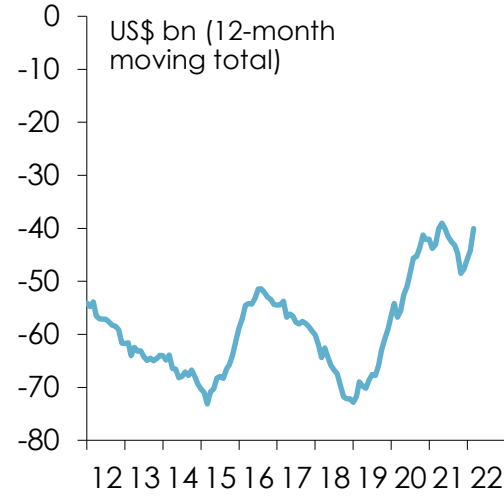
Most Asian economies – except for Indonesia, Malaysia and Singapore – experienced a deterioration in their trade balances during 2021

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

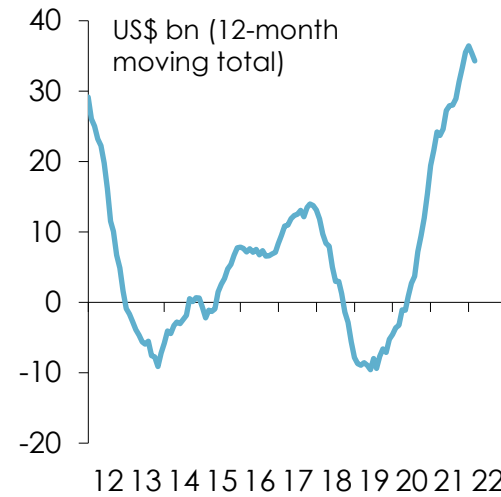
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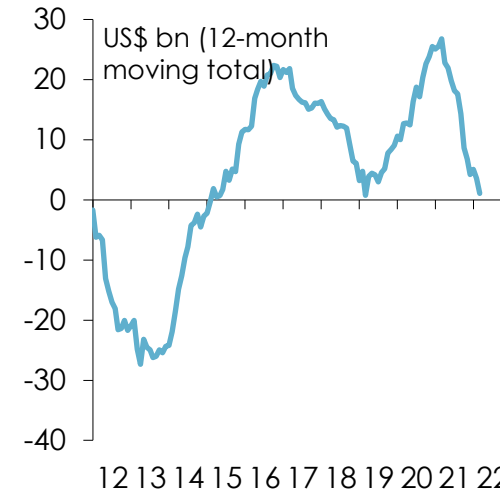
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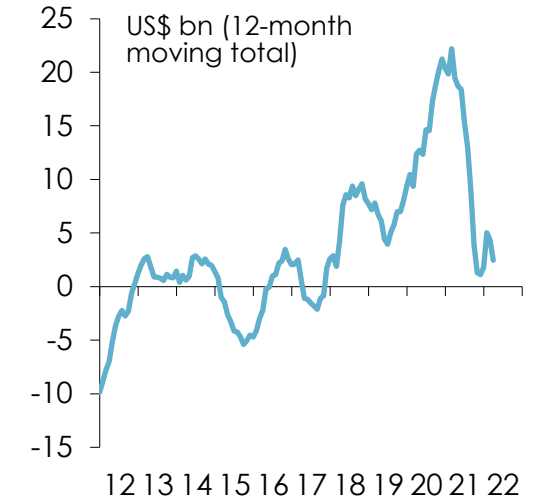
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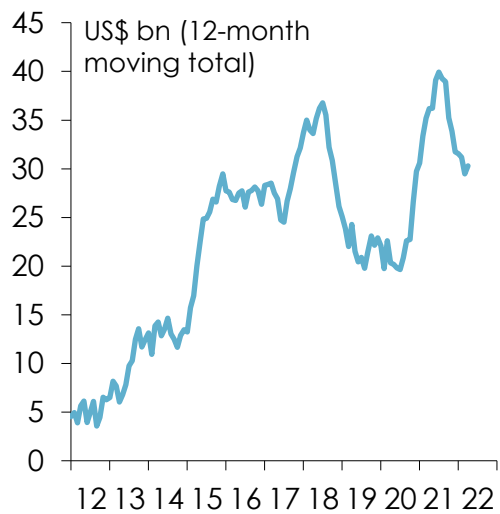
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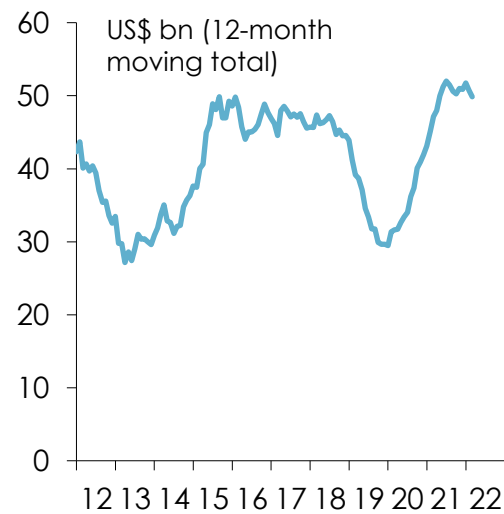
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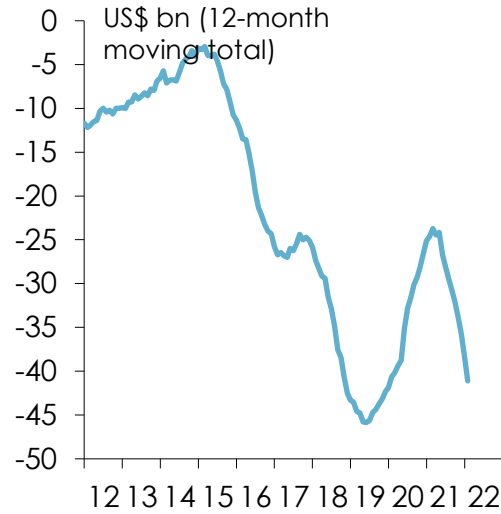
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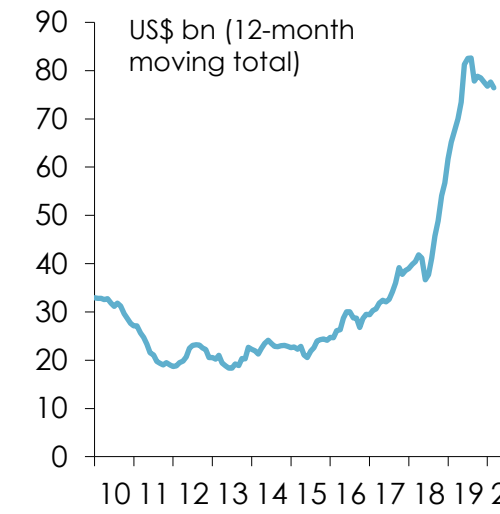
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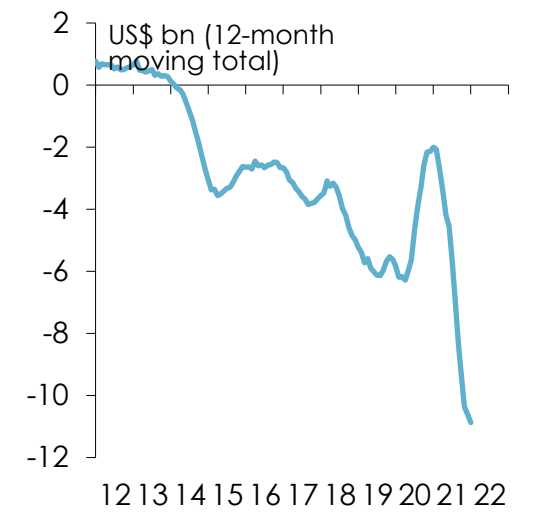
Philippines



Malaysia



Cambodia



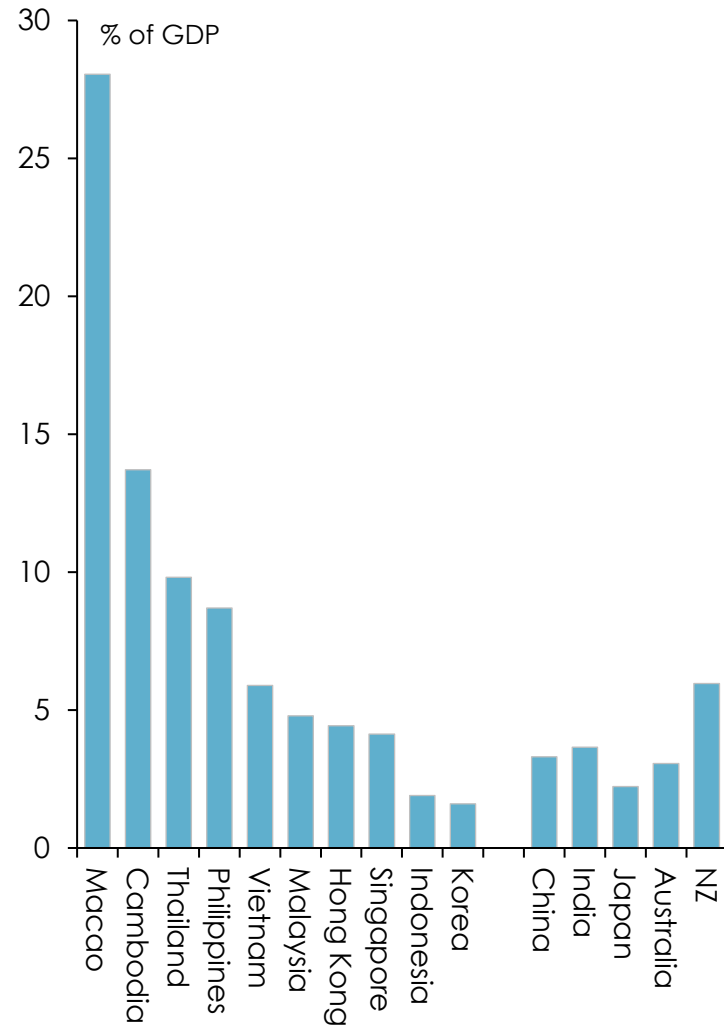
Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates.

Sources: national statistical agencies and central banks. [Return to "What's New"](#).

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

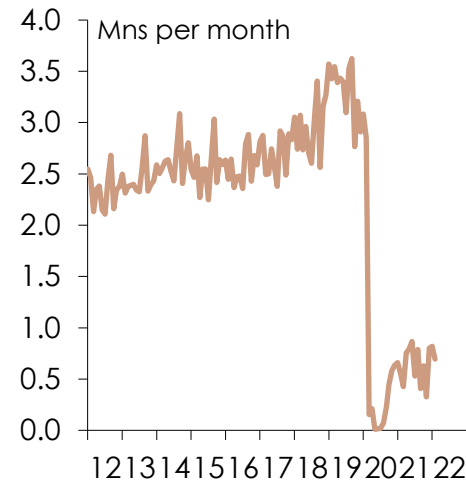
THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

International tourism direct contribution to GDP, 2018

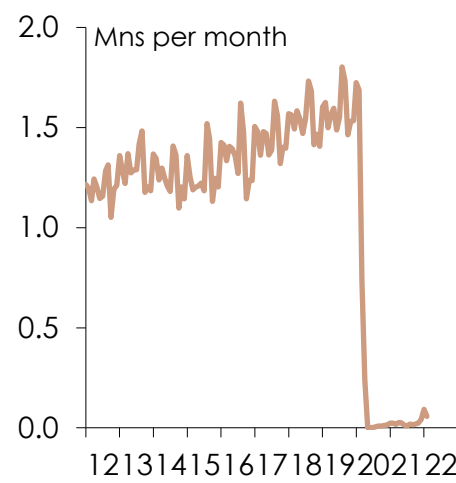


International visitor arrivals

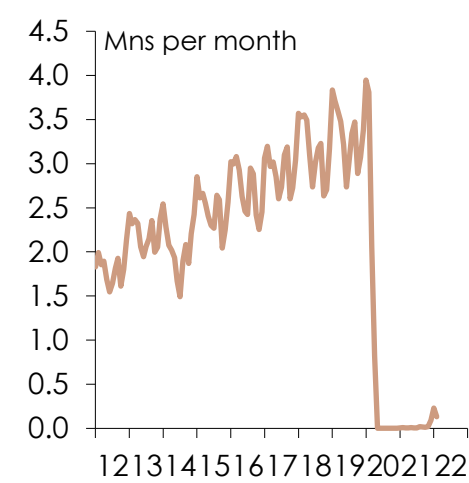
Macao



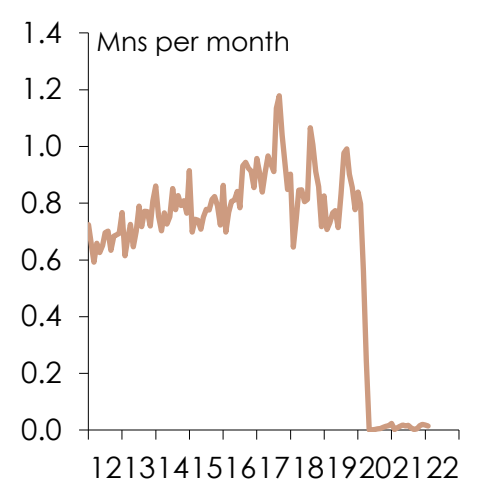
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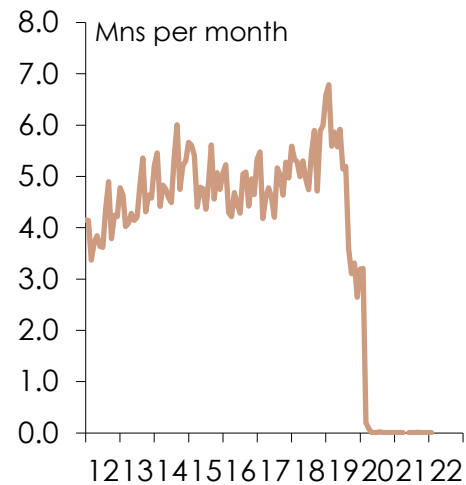
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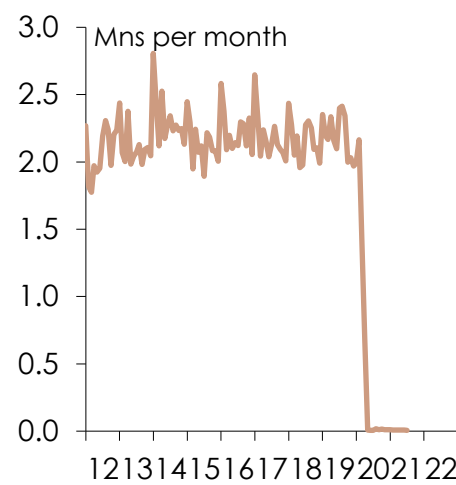
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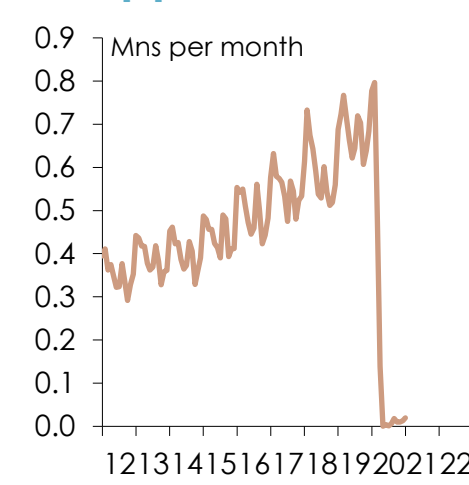
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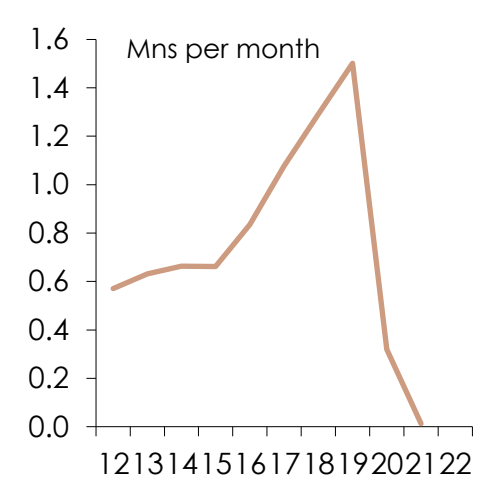
Malaysia



Philippines



Vietnam

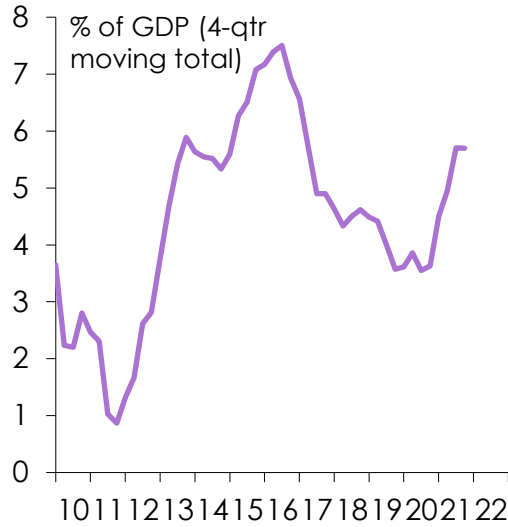


Note: Visitor arrivals data for Vietnam is only published annually. Sources: The World Bank, [ICdata360](#); national statistical agencies. [Return to "What's New"](#).

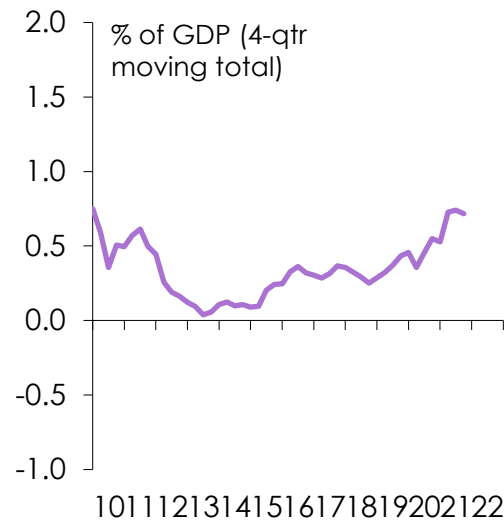
The more 'advanced' Asian economies have strong current account positions, Indonesia's is much improved but others have deteriorated

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

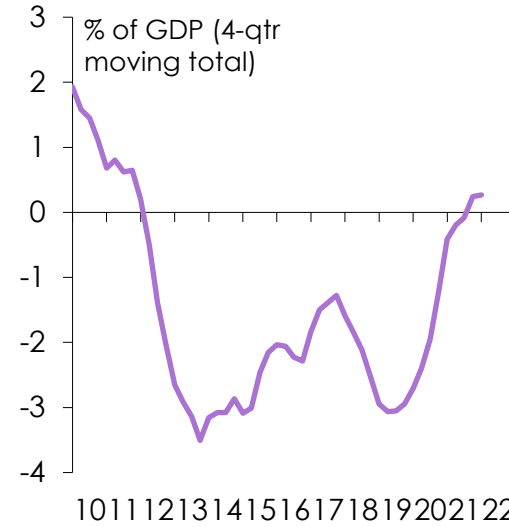
Korea



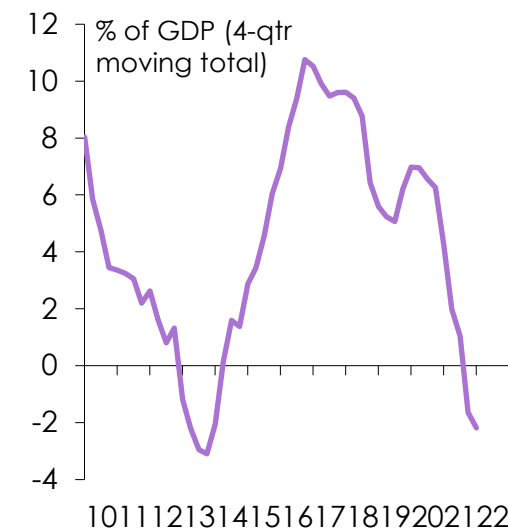
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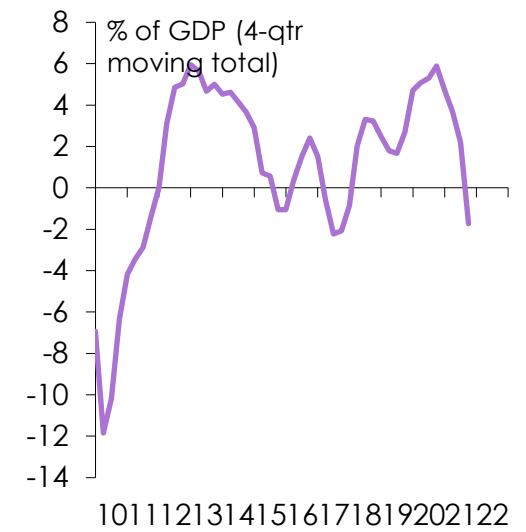
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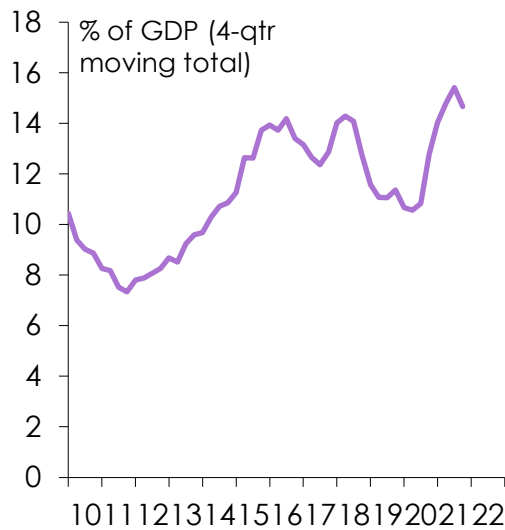
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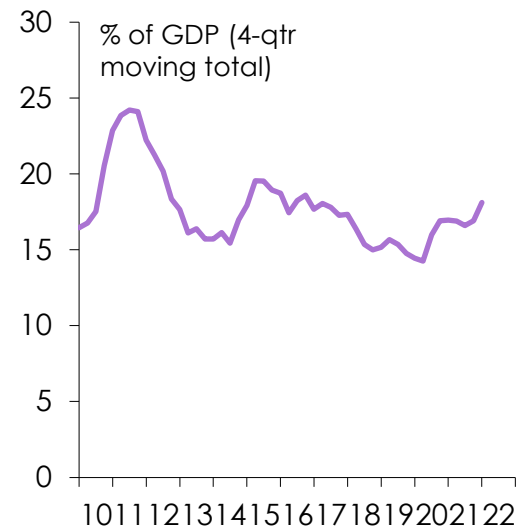
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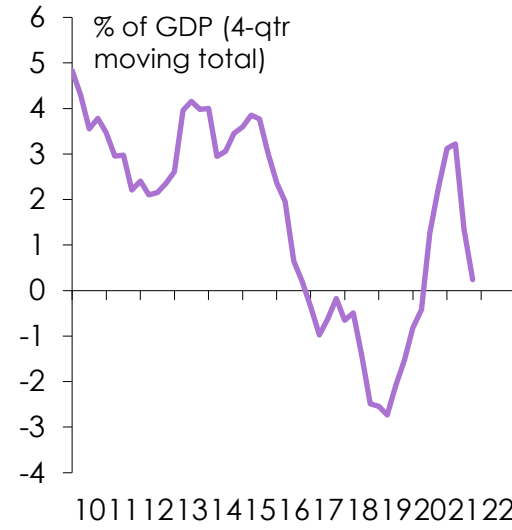
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Singapore



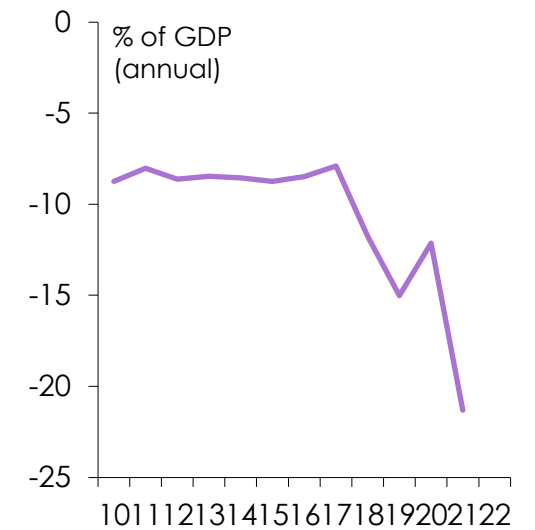
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Malaysia



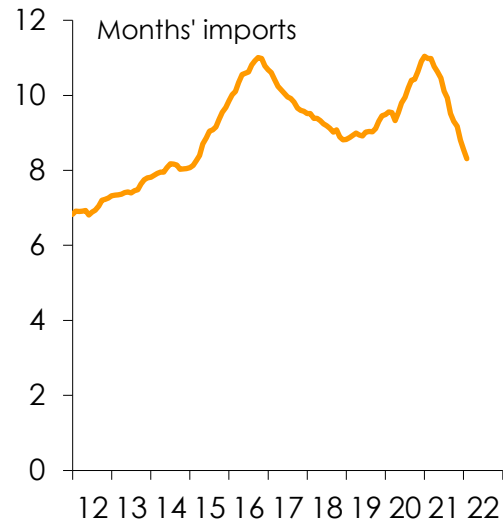
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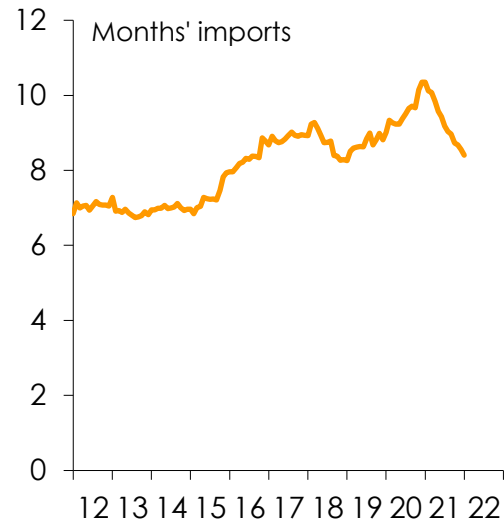
Most Asian economies have sought to maintain high levels of FX reserves since the 1997-98 crisis – although Malaysia's have deteriorated recently

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

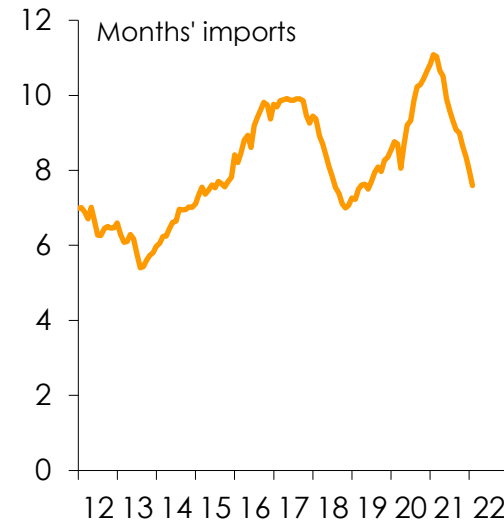
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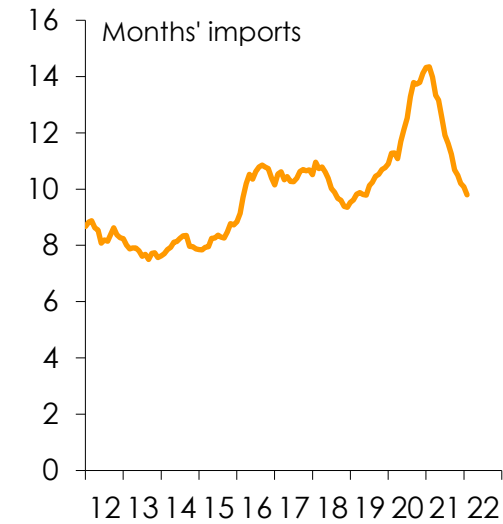
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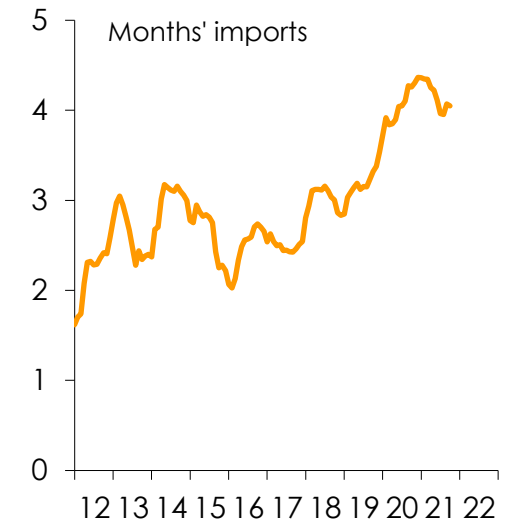
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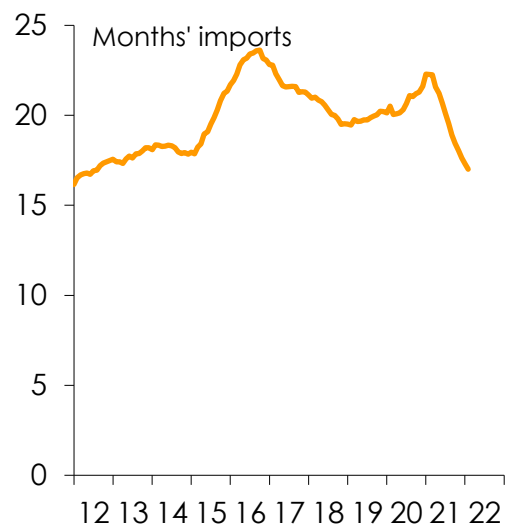
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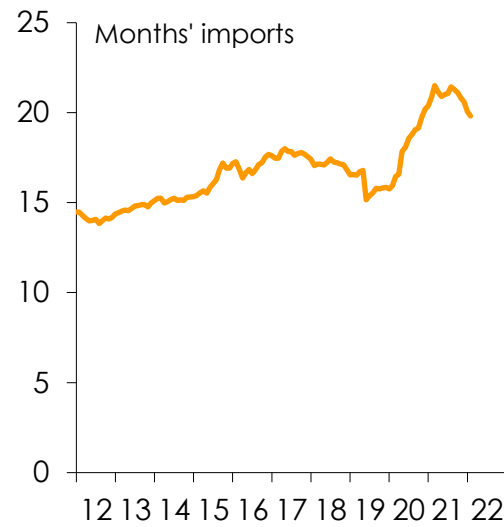
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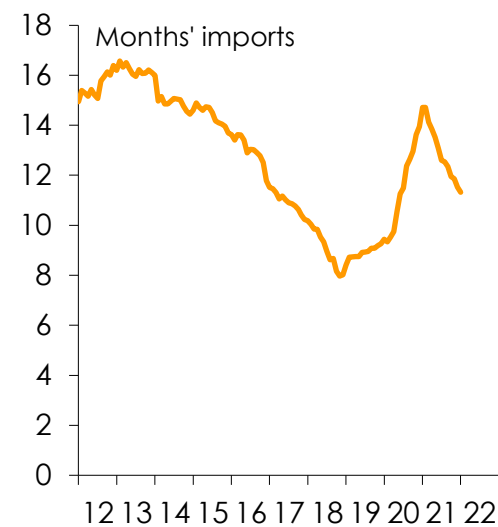
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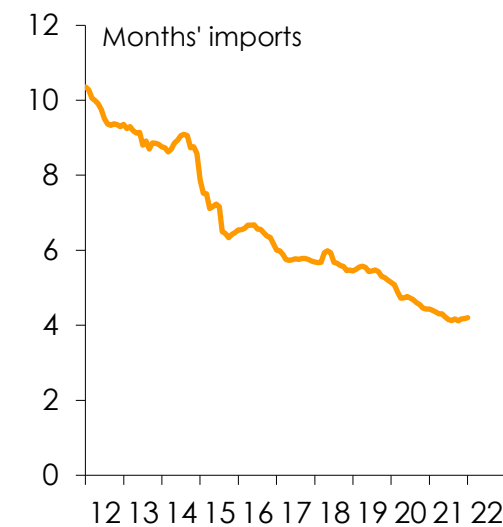
Singapore



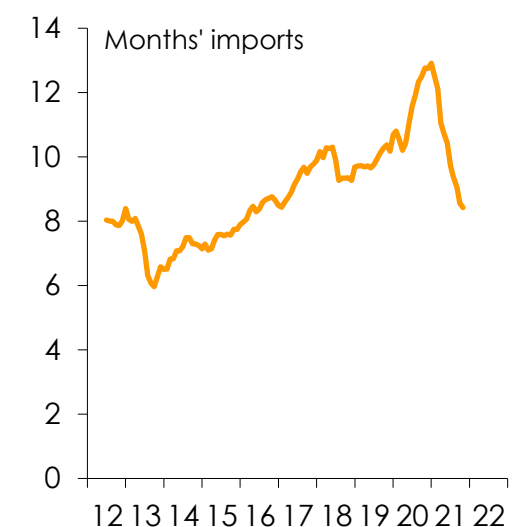
Philippines



Malaysia



Cambodia



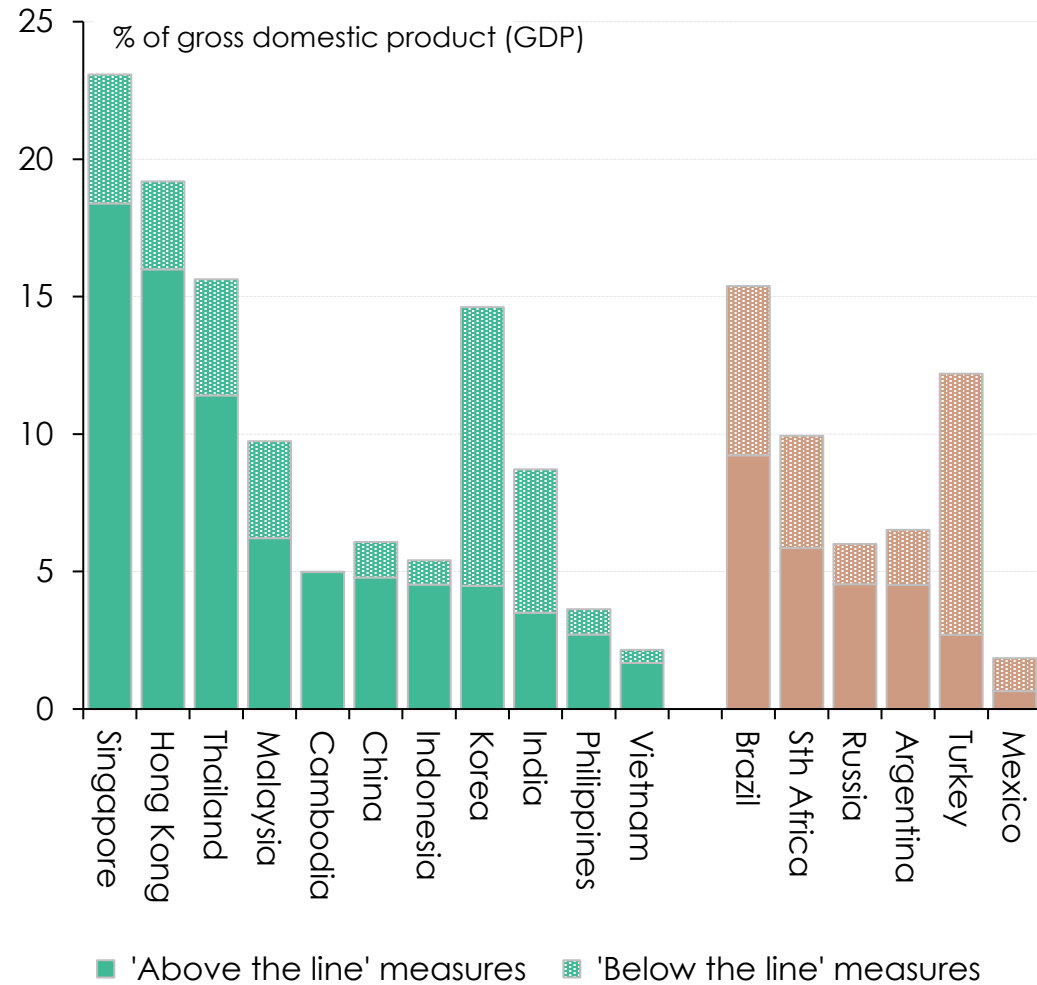
Note: Foreign exchange reserves in the above charts are shown as a multiple of average monthly imports (measured in US\$) over the preceding 12 months.

Sources: national statistical agencies and central banks; IMF; Refinitiv Datastream. [Return to "What's New"](#).

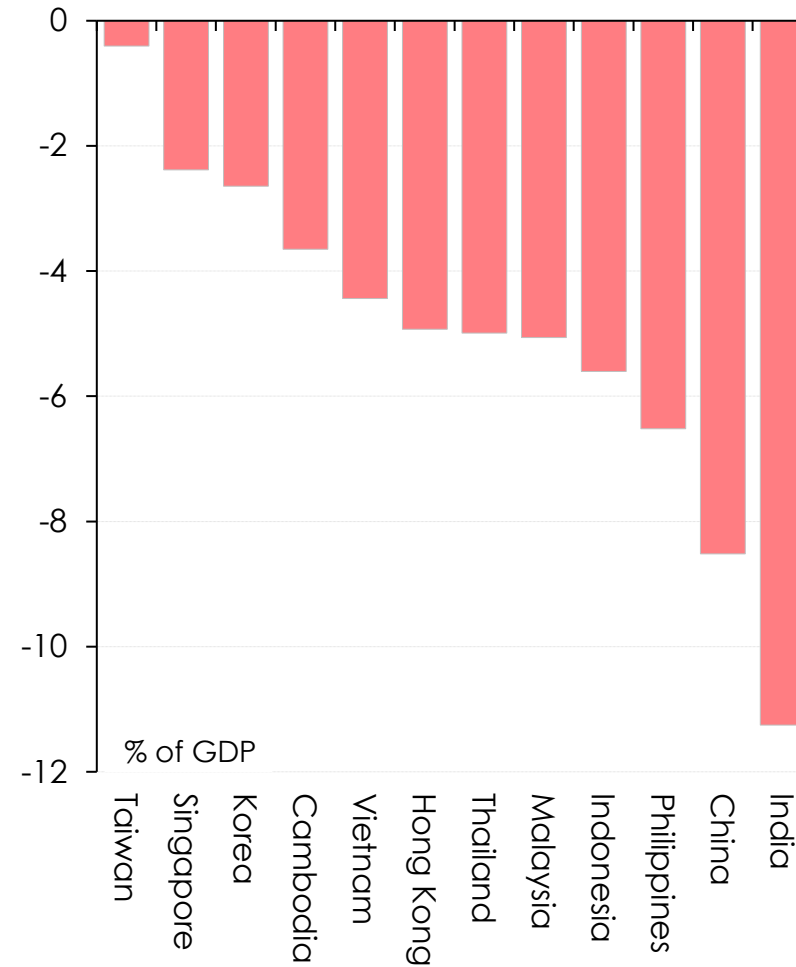
Apart from Singapore, Hong Kong and Thailand, Asian governments' discretionary fiscal responses to Covid-19 have been relatively modest

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

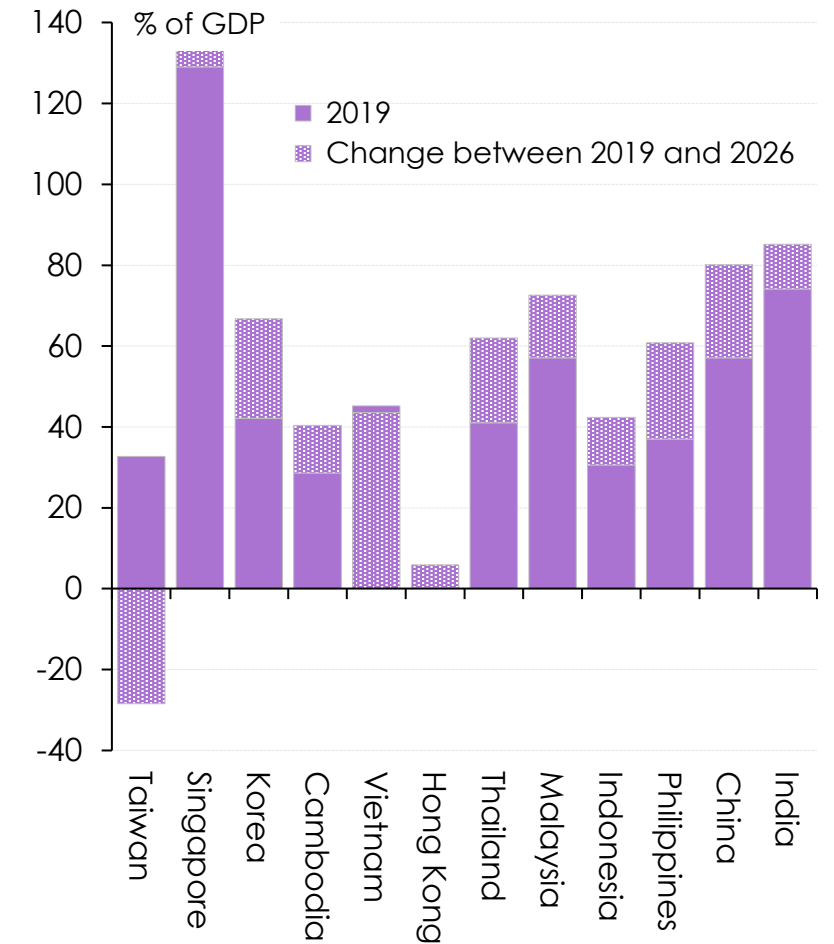
Fiscal policy responses to Covid-19 – Asian & other selected emerging market economies



Budget balances – Asian economies 2020-2022



Gross government debt – Asian economies 2019-26

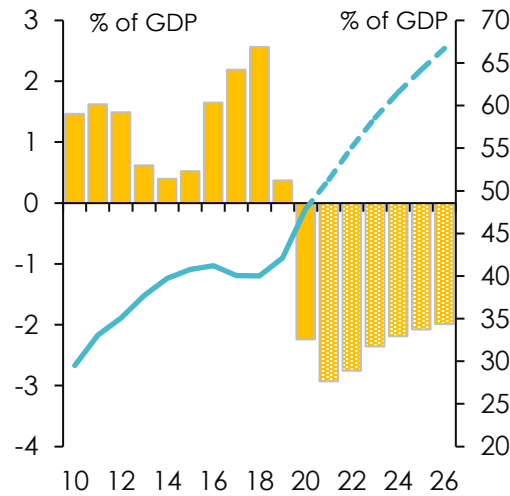


Note: 'Above the line' measures comprise additional or accelerated spending and deferred or foregone revenue. 'Below the line' measures comprise equity injections, loans, asset purchases and debt assumptions, but do not include loan guarantees or other contingent liabilities. 'DMS' means 'developed markets'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

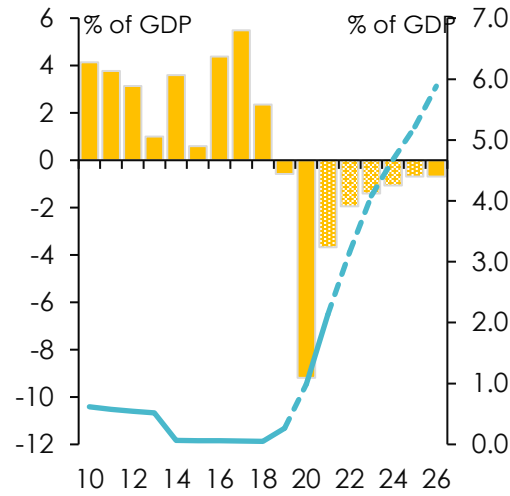
Asian governments, except for Taiwan, Singapore and Hong Kong, will be running large budget deficits for the next five years

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

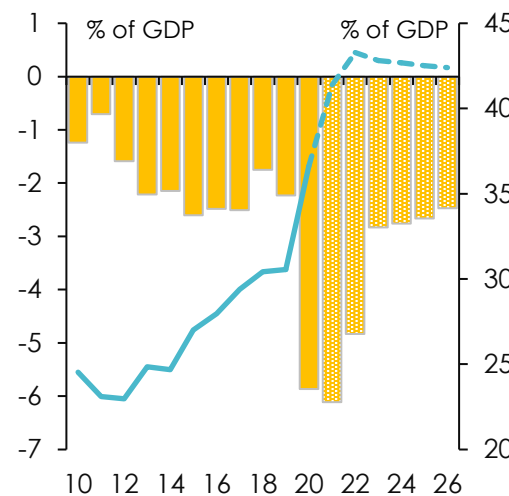
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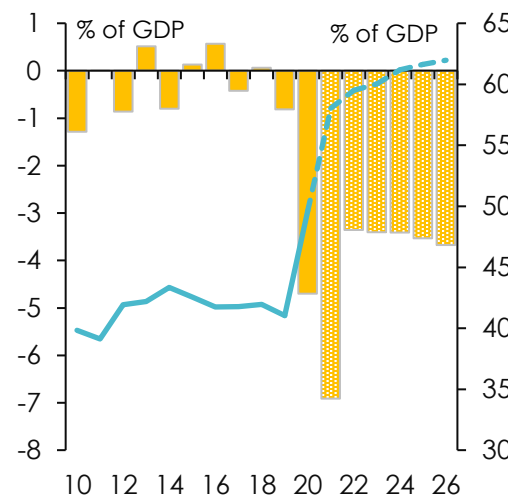
Hong Kong



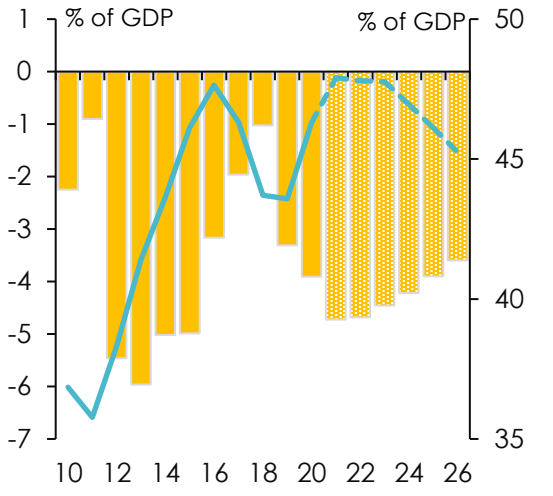
Indonesia



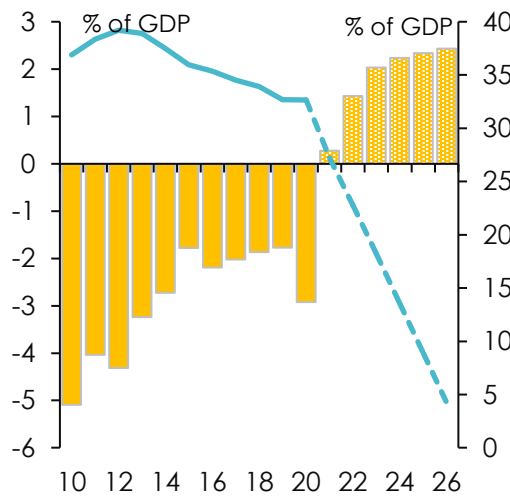
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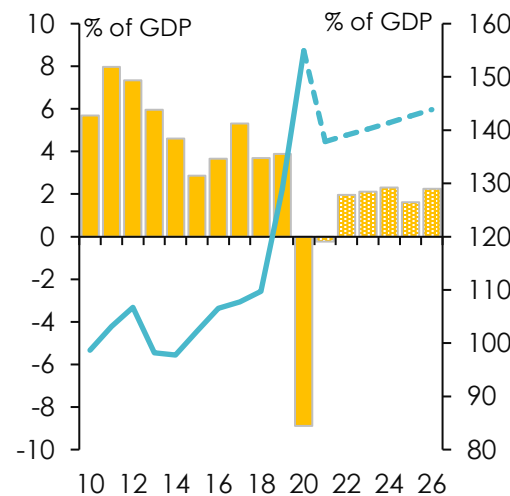
Vietnam



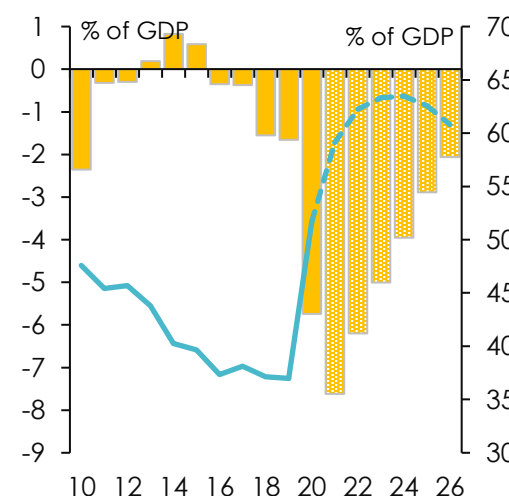
Taiwan



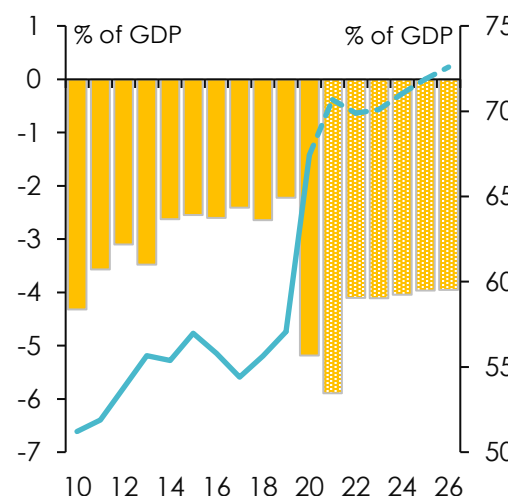
Singapore



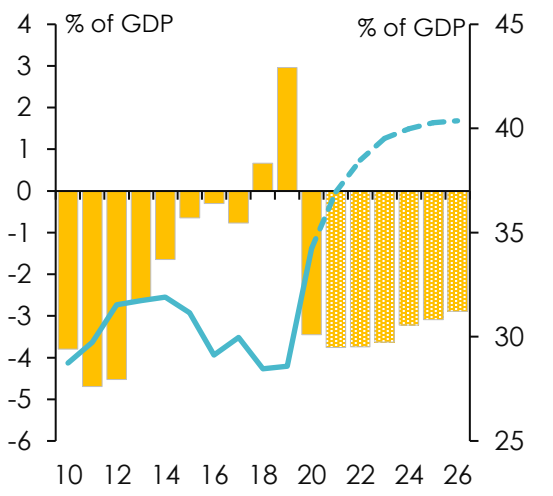
Philippines



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"](#)

Bank Negara Malaysia left its monetary policy settings unchanged at this month's Monetary Policy Committee meeting

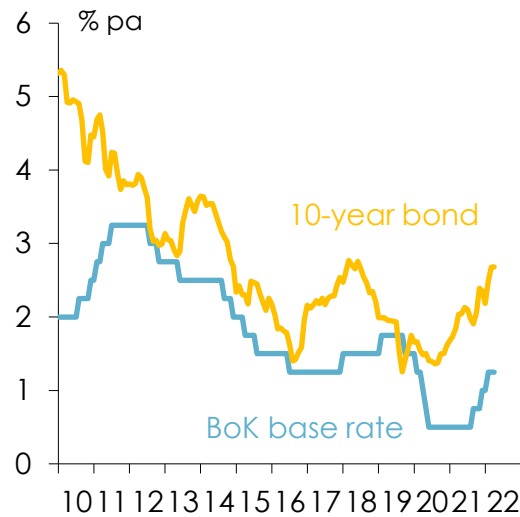
THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

- ❑ **Bank Negara Malaysia** left its overnight policy rate unchanged at 1.75%, at its Monetary Policy Committee meeting on 4th March
 - in its **Monetary Policy Statement** BNM assessed that “risks to the economic outlook remain tilted to the downside” due to “external and domestic factors” including global growth, “ongoing geopolitical conflicts”, supply chain disruptions and Covid-19
 - and that core inflation would “remain modest”, with upside risks “contained by the continued slack in the economy and labour market”
- ❑ The **Bank of Korea** left its base rate unchanged at 1.25% at its Monetary Policy Board meeting on 24th February
 - 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”
- ❑ Apart from the **Monetary Authority of Singapore**, which has tightened its monetary policy twice, via (as is its practice) the (managed) exchange rate, in October and (in an “unscheduled announcement”) in January, no other Asian central banks have indicated any intention to begin tightening monetary policy any time soon
- ❑ Upcoming Asian central bank meetings are Bank Indonesia and Central Bank of China (Taiwan) this Thursday, 17th March; Bangko Sentral ng Pilipinas on 24th March; and Bank of Thailand on 30th March

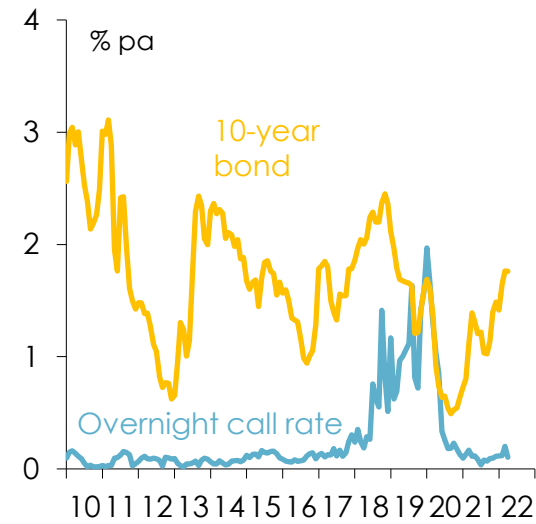
The BoK and the MAS are, so far, the only Asian central banks to have tightened monetary policy – none of the others seems inclined to follow

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

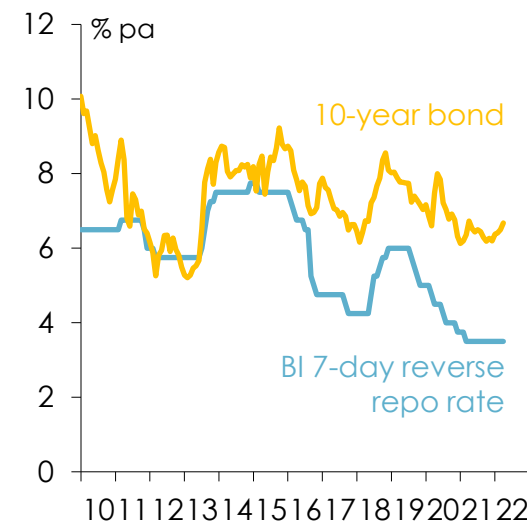
Korea



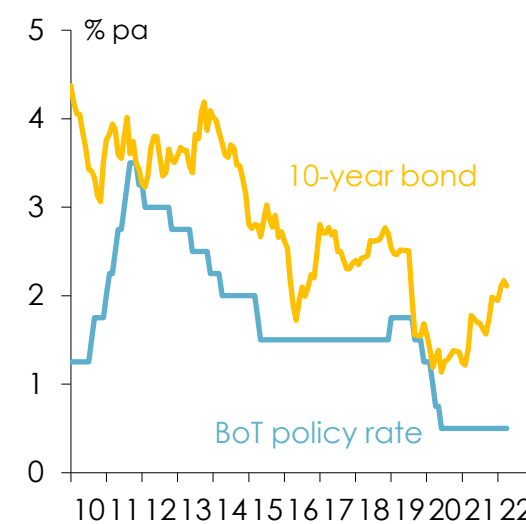
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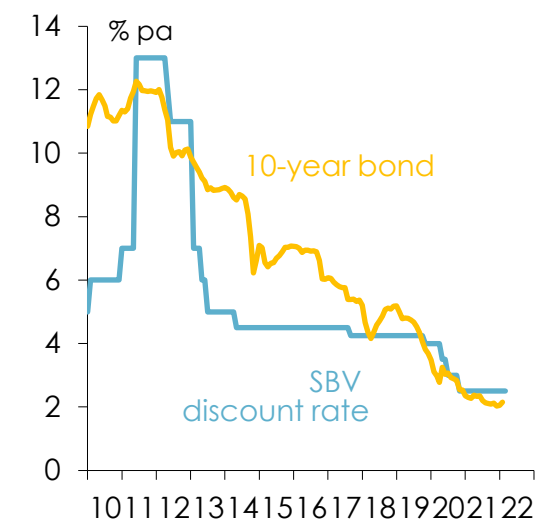
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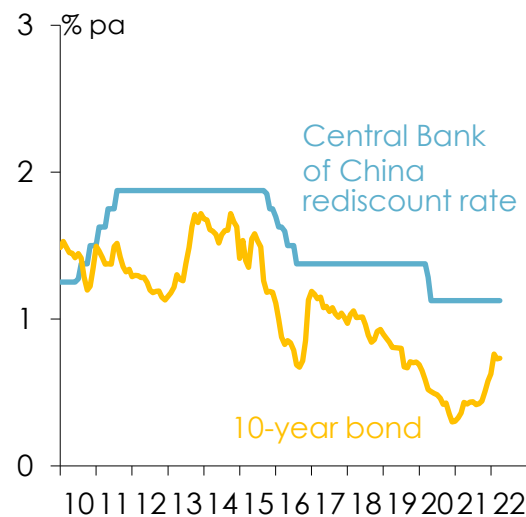
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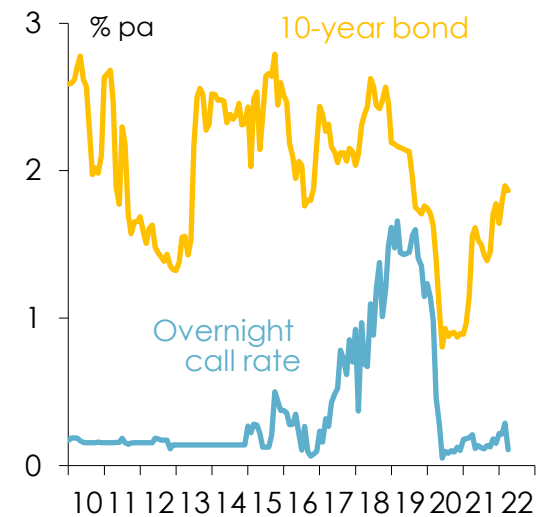
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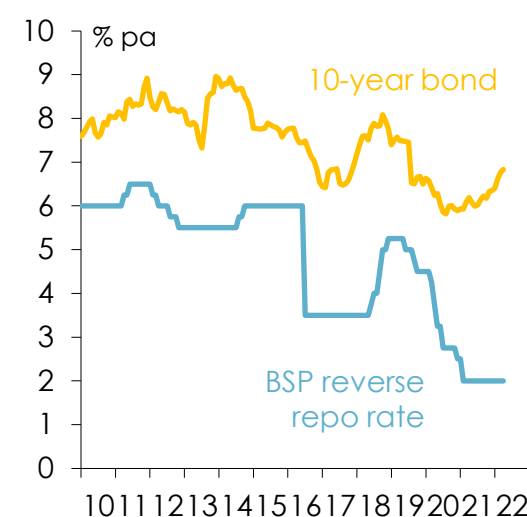
Taiwan



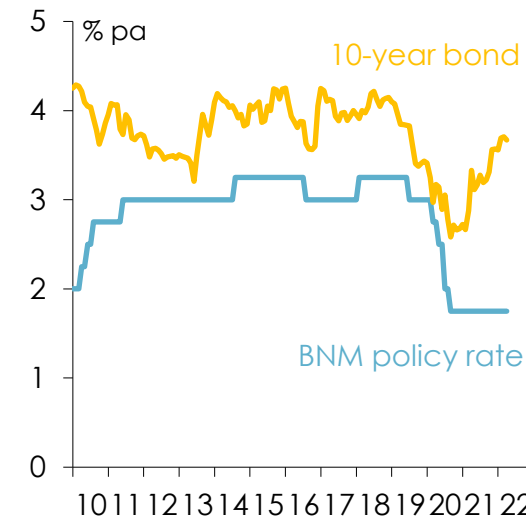
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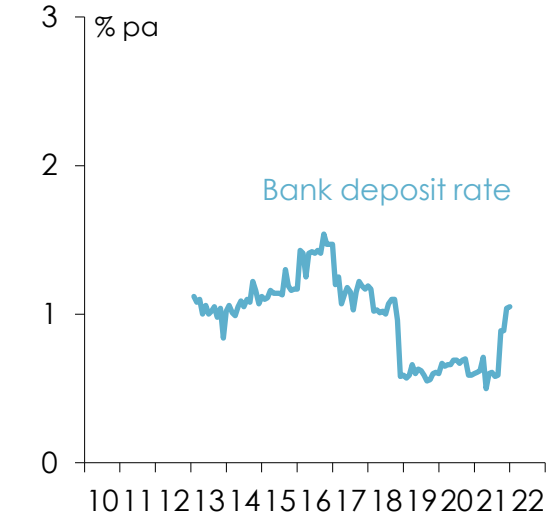
Philippines



Malaysia



Cambodia

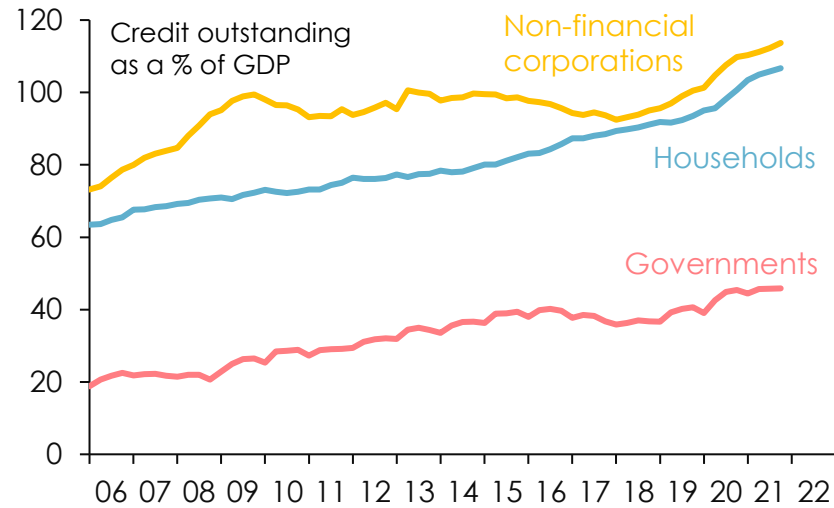


Note: Neither Hong Kong nor Singapore use a monetary policy indicator interest rate. Hong Kong has a currency board system, so HK interest rates track US rates very closely; the Monetary Authority of Singapore uses the (effective) exchange rate as its principal monetary policy instrument. Data are monthly averages up to 11th March 2022. Sources: national central banks; Refinitiv Datastream. [Return to "What's New"](#).

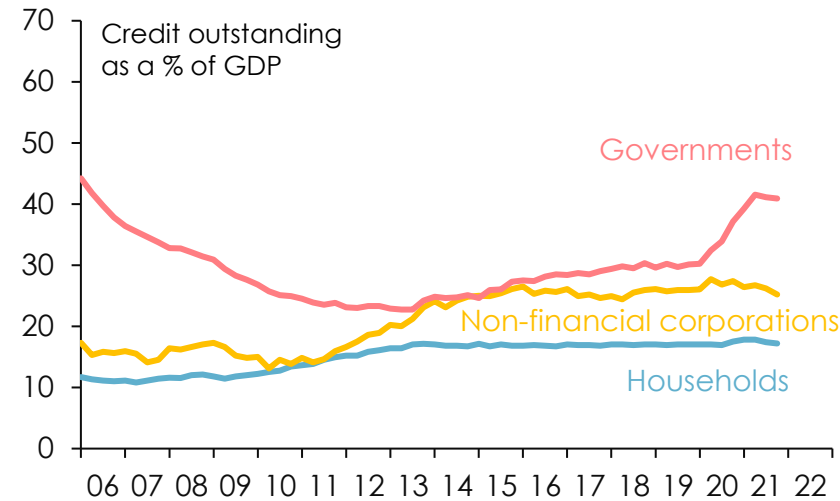
In Asia, Hong Kong, Singaporean and Korean corporates, and Korean households, have the greatest exposure to any increases in interest rates

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

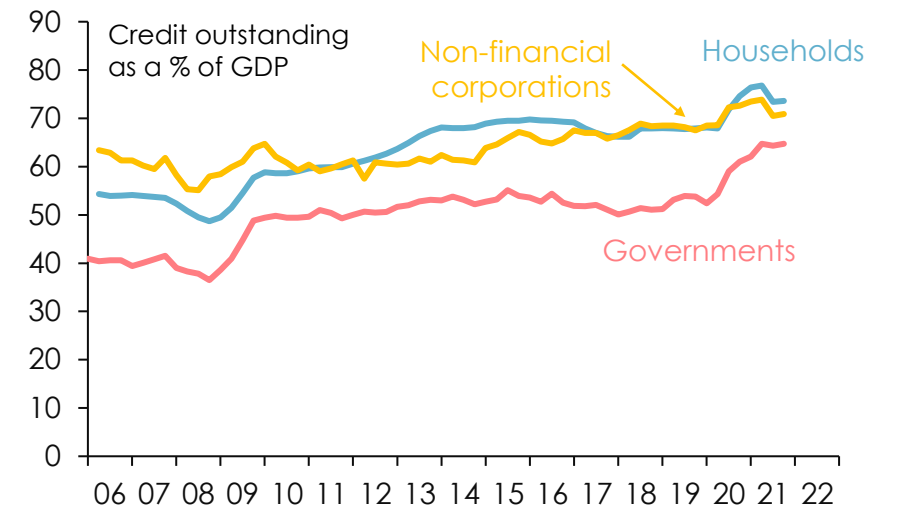
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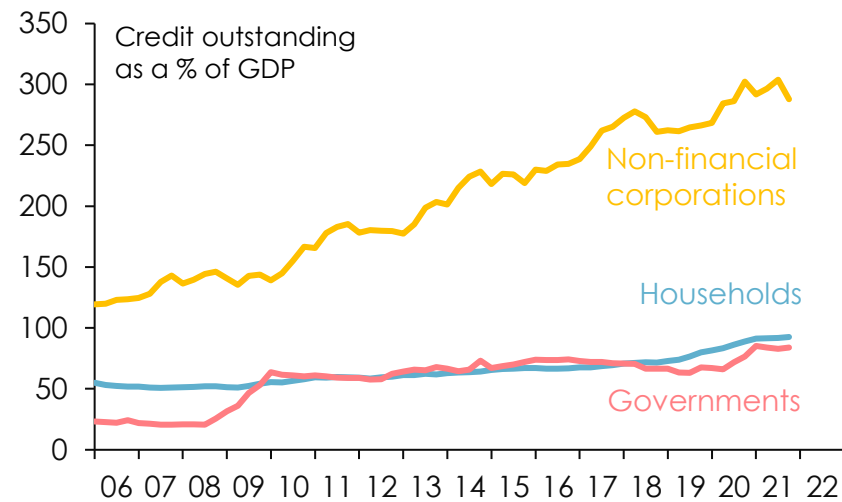
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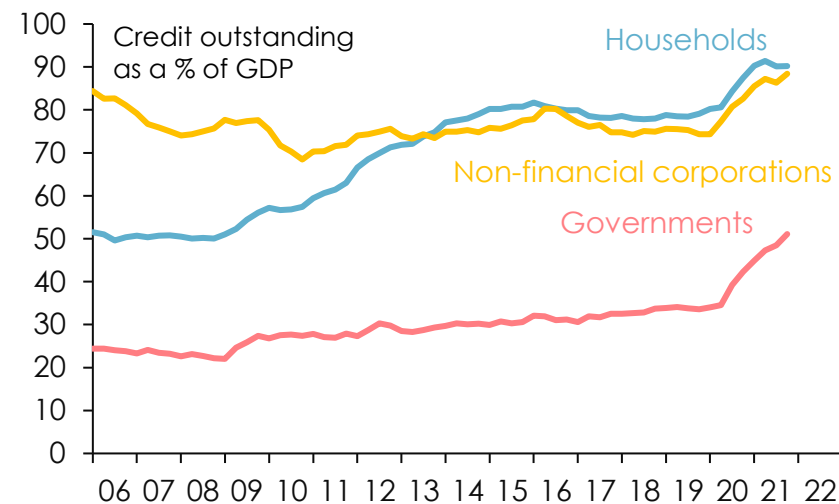
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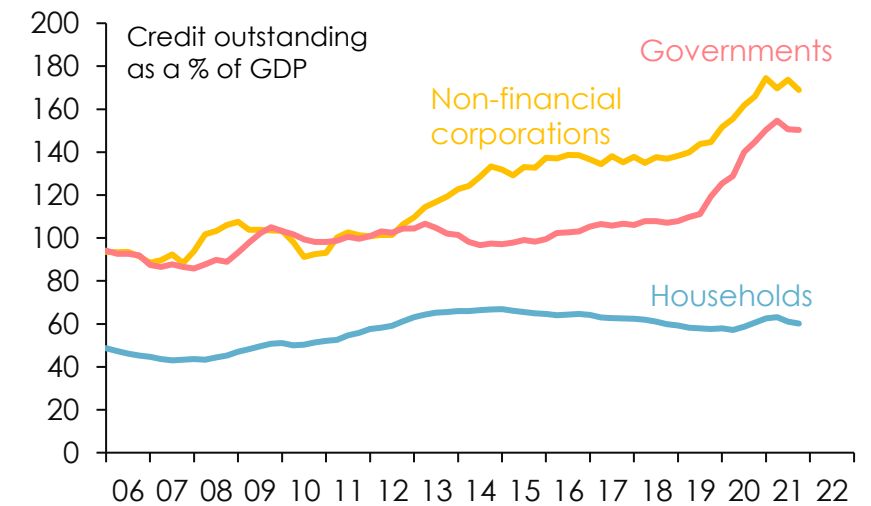
Hong Kong



Thailand



Singapore

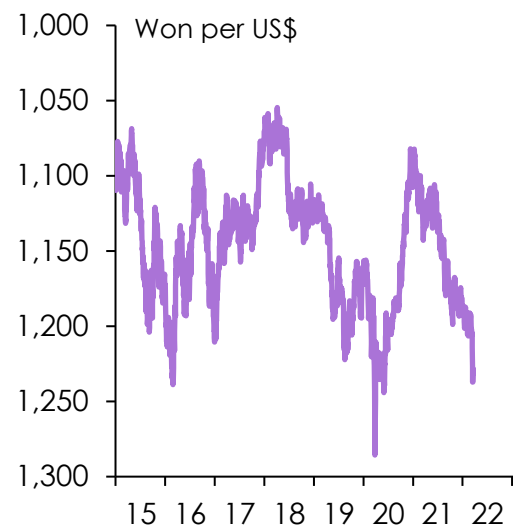


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

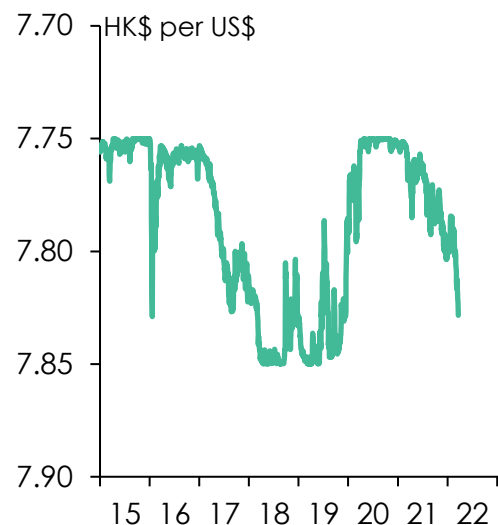
Most Asian currencies fell further against the US\$ last week, especially the baht (↓1¾%), won (↓1½%) and NT\$ (↓1%) but the rupiah rose ½%

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

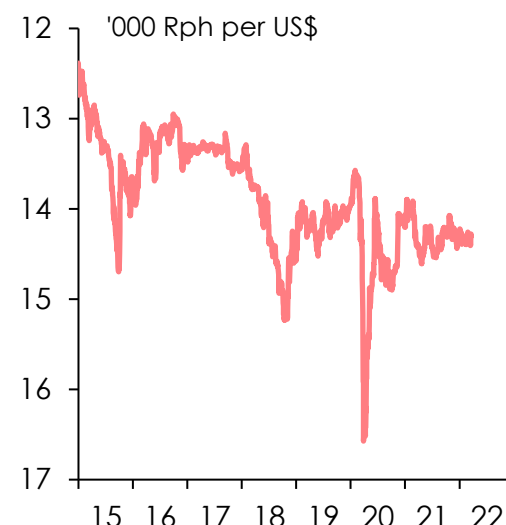
Korean won



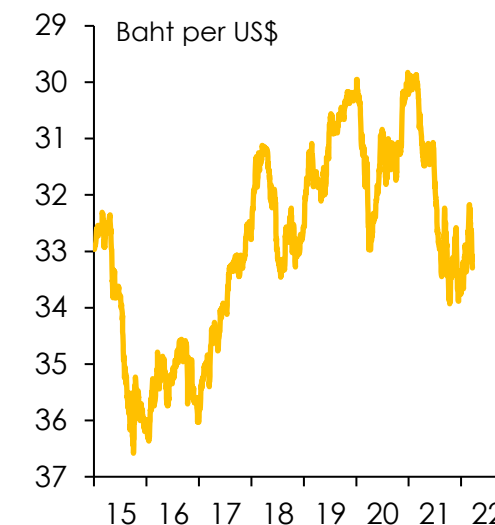
Hong Kong dollar



Indonesian rupiah



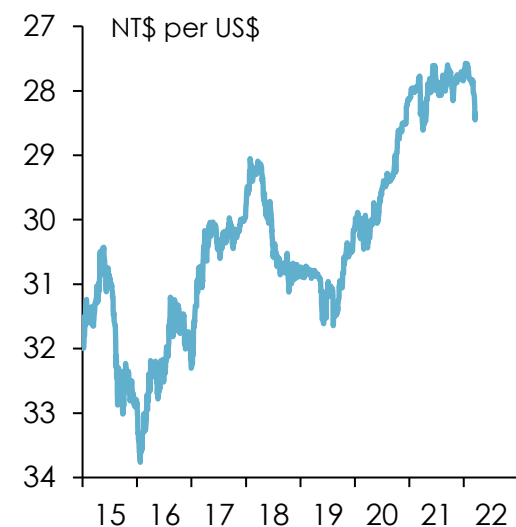
Thai baht



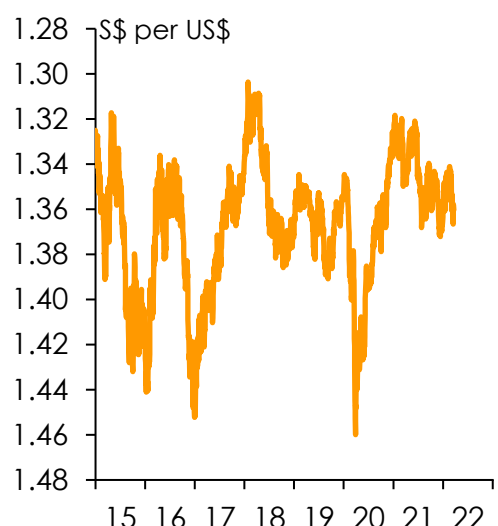
Vietnamese dong



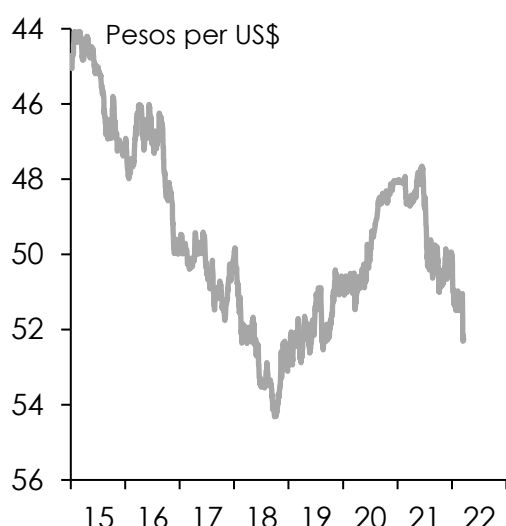
New Taiwan dollar



Singapore dollar



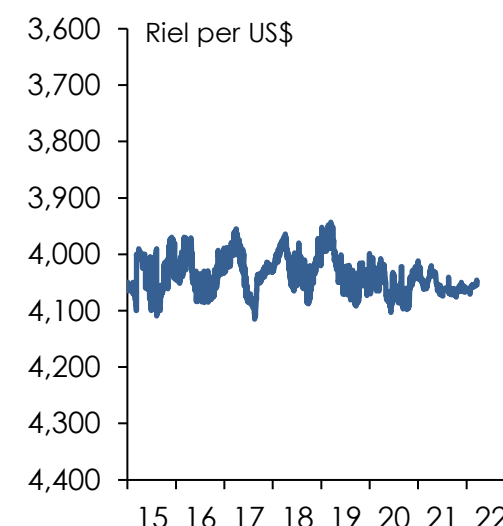
Philippine peso



Malaysian ringgit



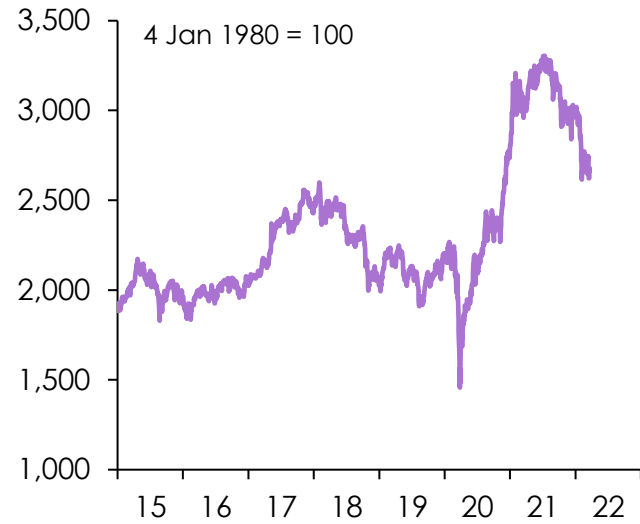
Cambodian riel



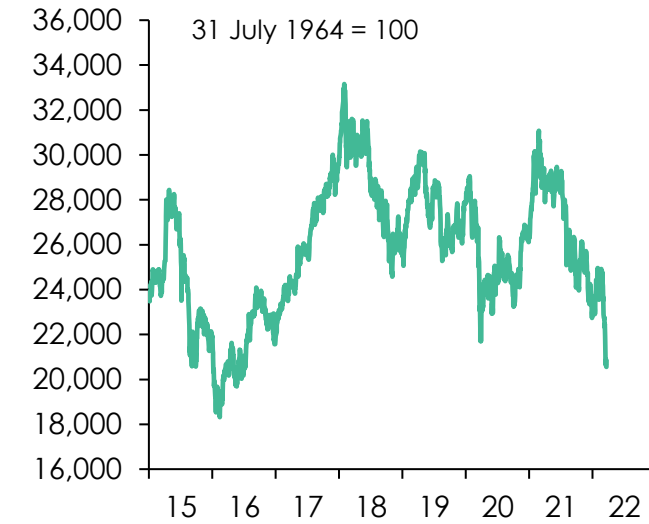
Asian stock markets were mostly down, with Hong Kong again seeing the largest losses ($\downarrow 6\frac{1}{4}\%$), although Singapore was an exception ($\uparrow 3\frac{3}{4}\%$)

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

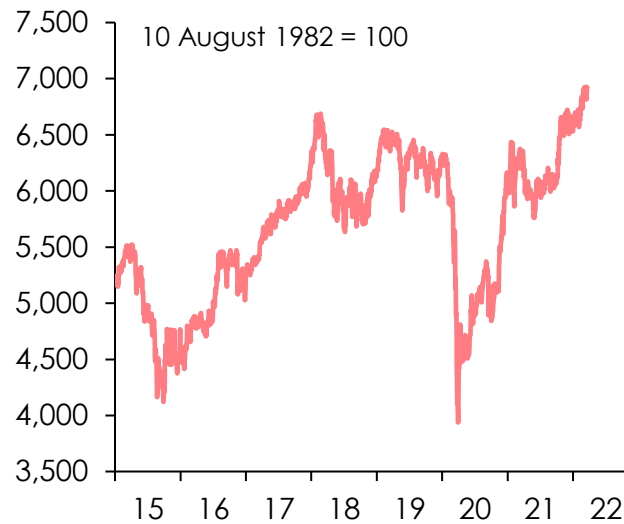
KOSPI



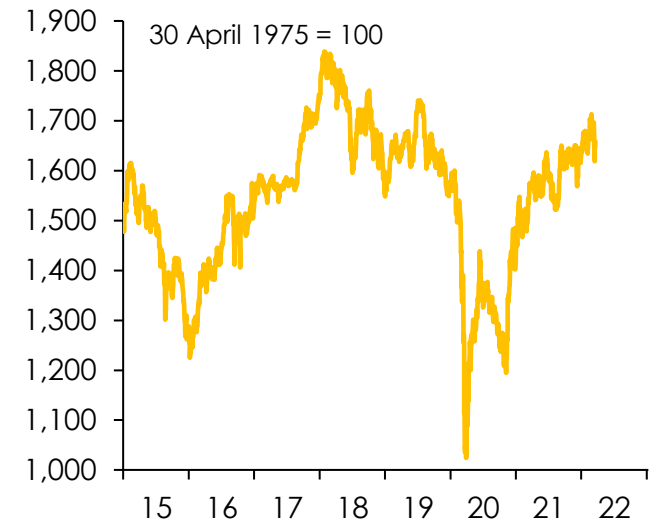
Hang Seng Index



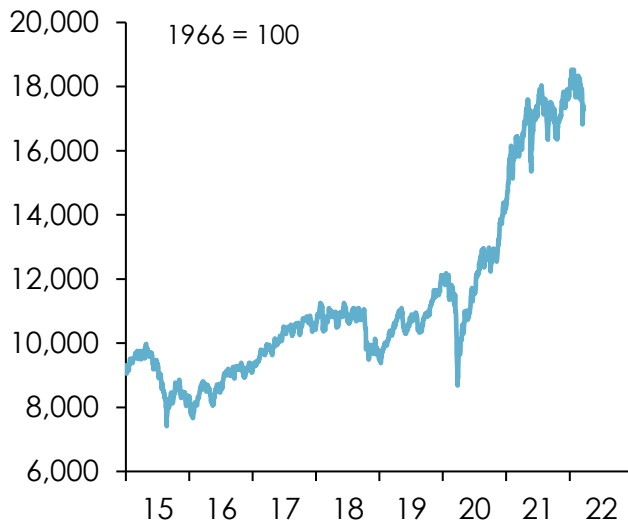
JCI



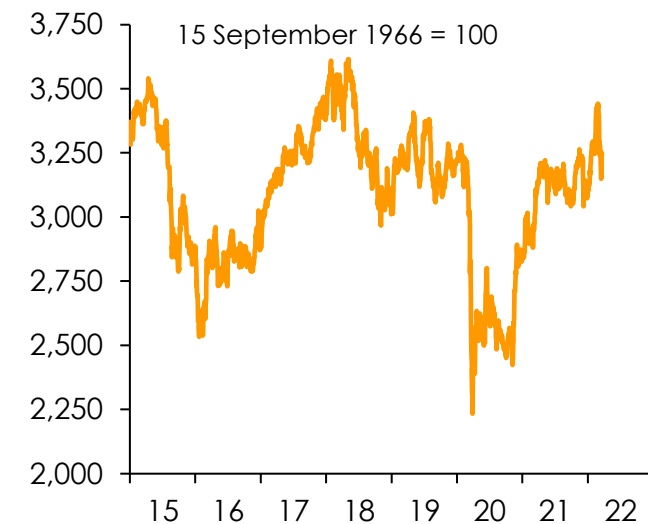
SETI



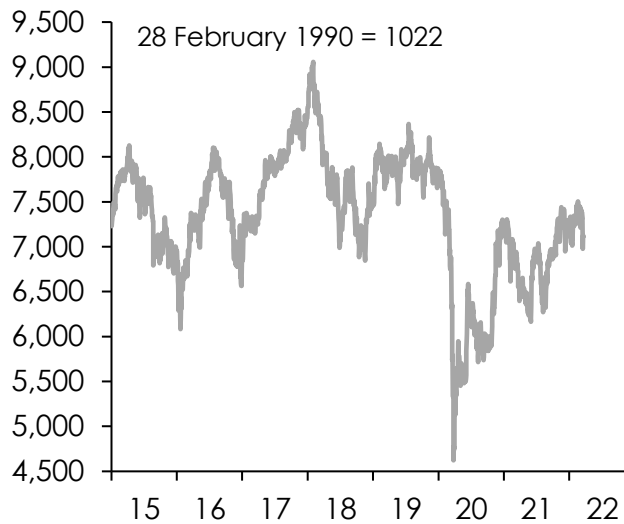
TAIEX



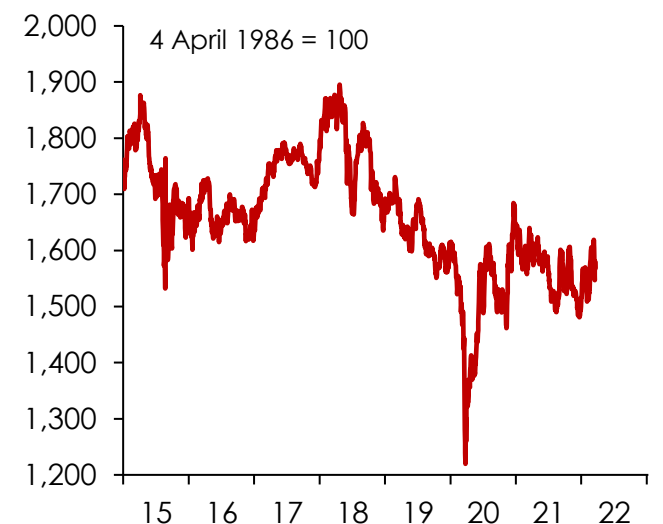
Straits Times Index



PSE i



KLCI

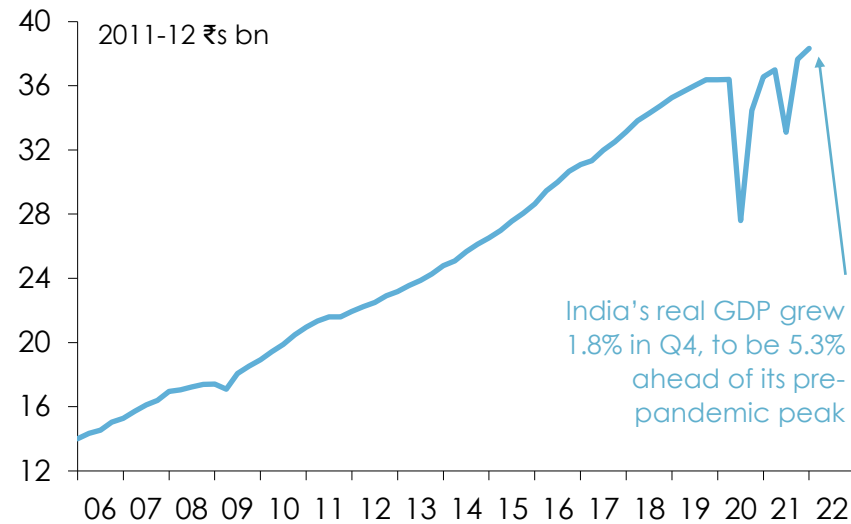


India

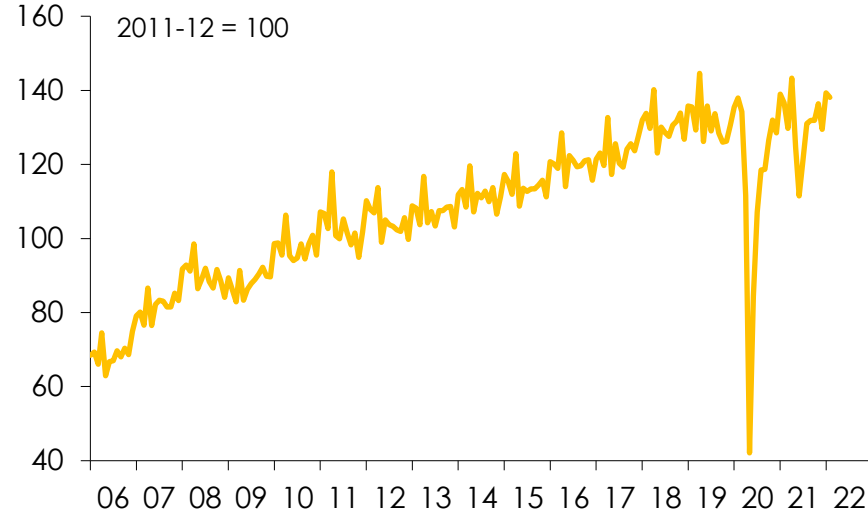
India's economy is recovering from two waves of virus-induced contractions in Q2 2020 and Q2 2021

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

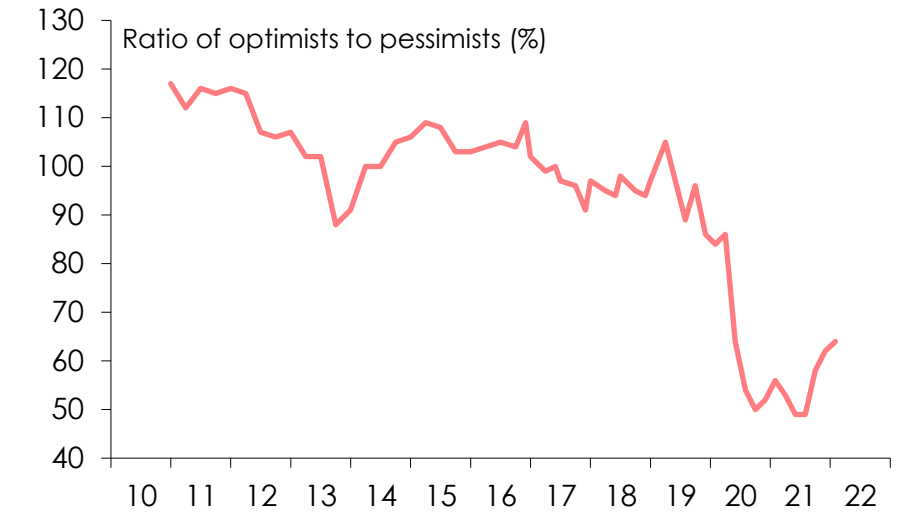
Quarterly real GDP



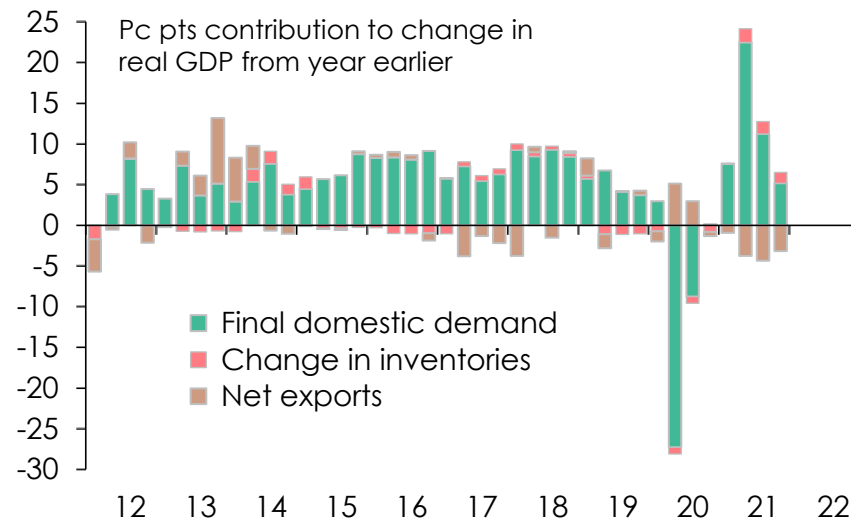
Manufacturing production



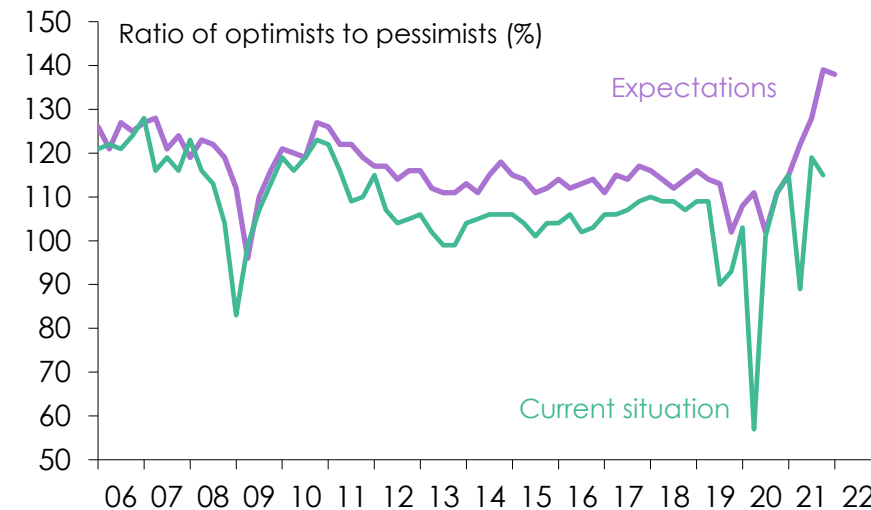
Consumer confidence



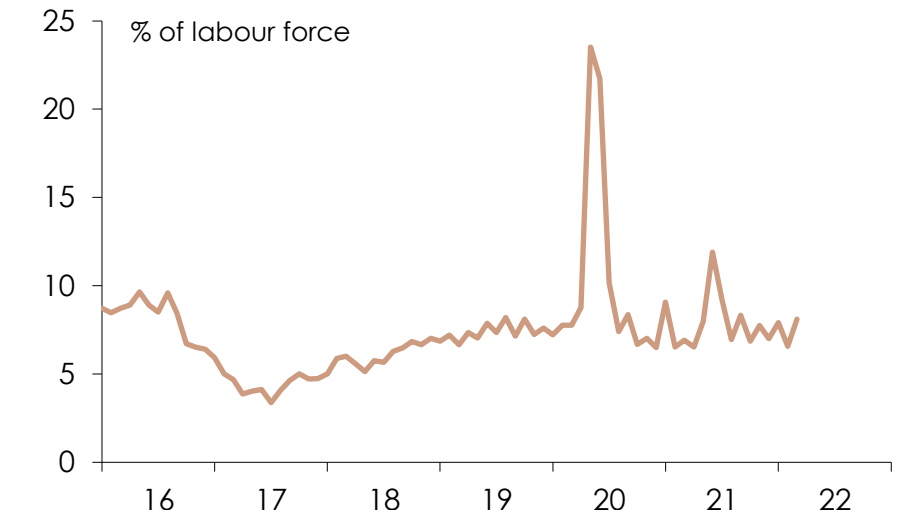
Contributions to real GDP growth



Industrial sector sentiment



Unemployment rate

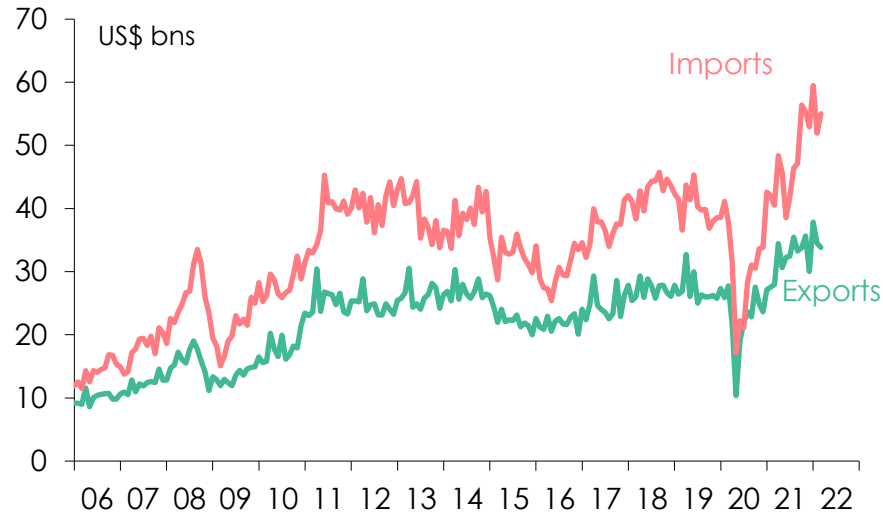


Sources: OECD, [Quarterly National Accounts dataset](#); Government of India, Ministry of Statistics and Programme Implementation, [National Accounts Data](#), and [IIP Data](#); Reserve Bank of India, [Quarterly Industrial Outlook Survey](#) and [Consumer Confidence Survey Bi-Monthly](#); Centre for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

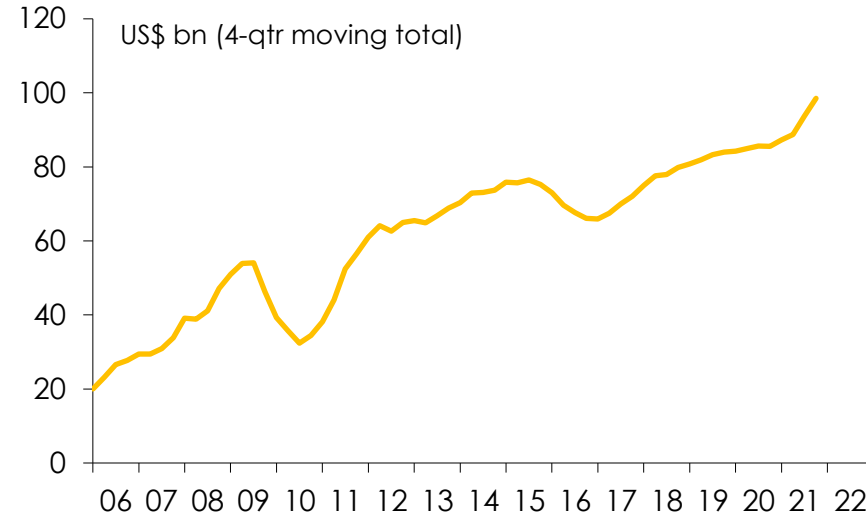
India's merchandise trade deficit has deteriorated sharply due to higher oil prices but its overall external position remains relatively stable

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

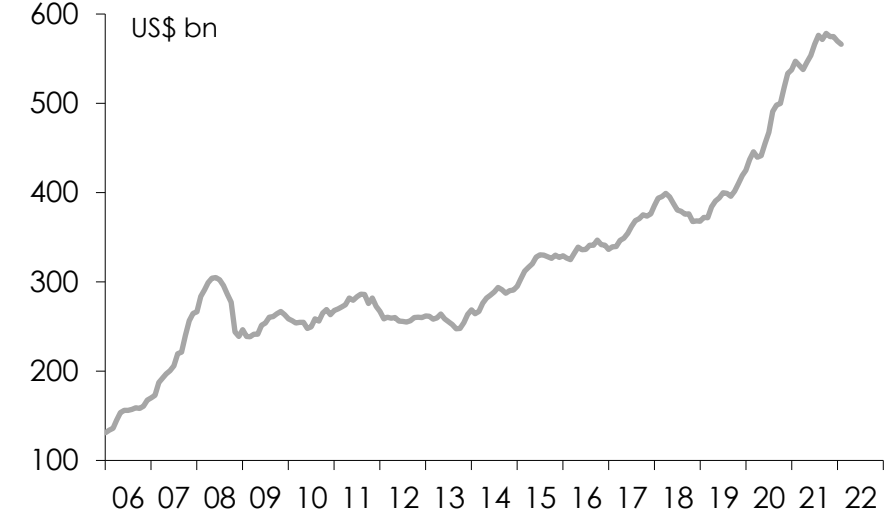
Merchandise exports and imports



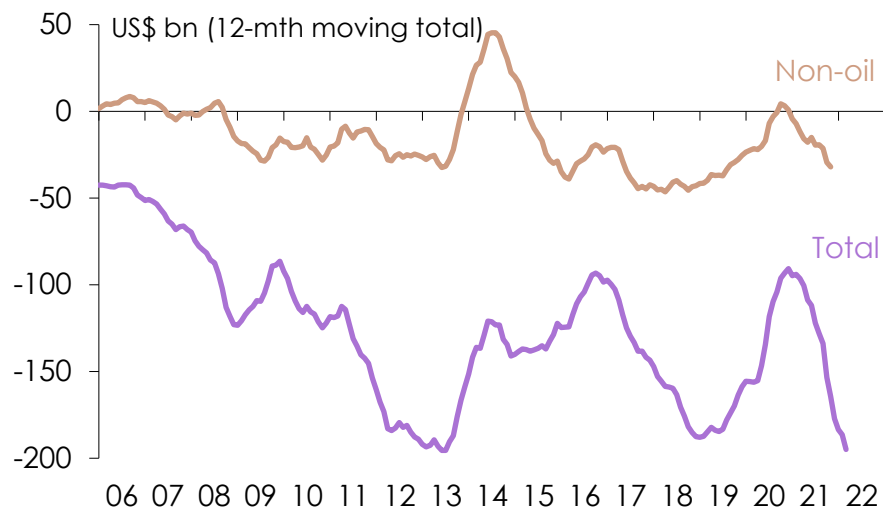
Services trade balance



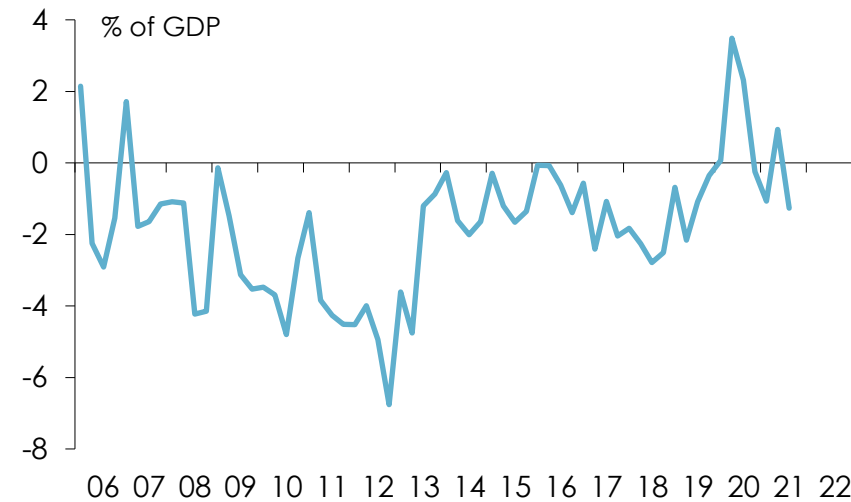
Foreign exchange reserves



Merchandise trade balance



Current account balance



Rupee vs US dollar

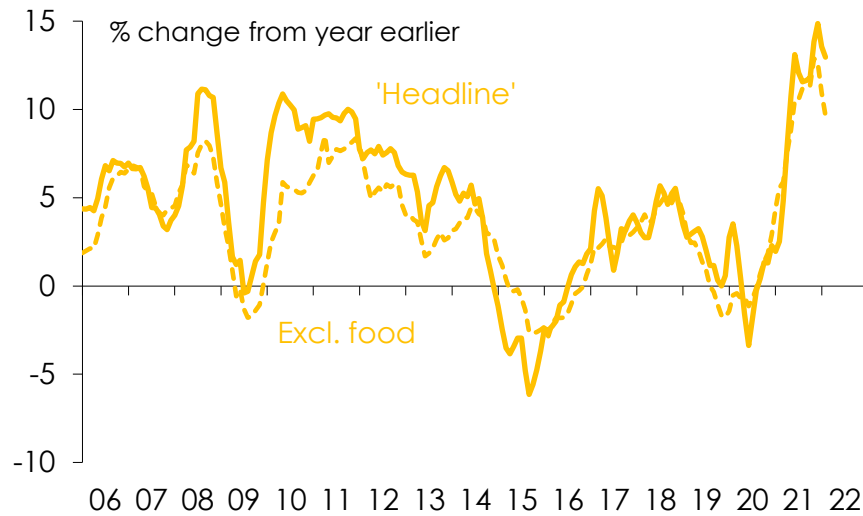


Sources: Government of India, Ministry of Commerce and Industry, [Trade Statistics](#); Reserve Bank of India, [Special Data Dissemination Standards - Balance of Payments](#) and [Weekly Statistical Supplement - Extract](#); Refinitiv Datastream. [Return to "What's New"](#).

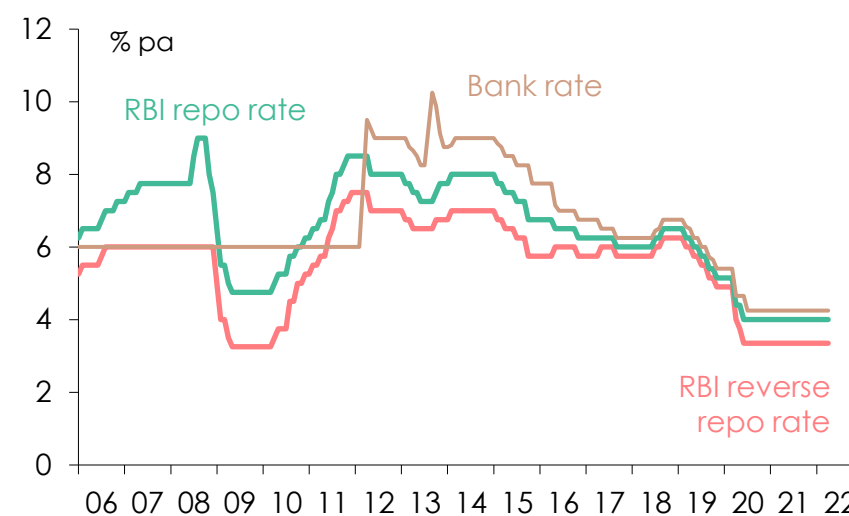
The annual inflation rate rose to 6.0% in January, right at the top of the RBI's target range

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

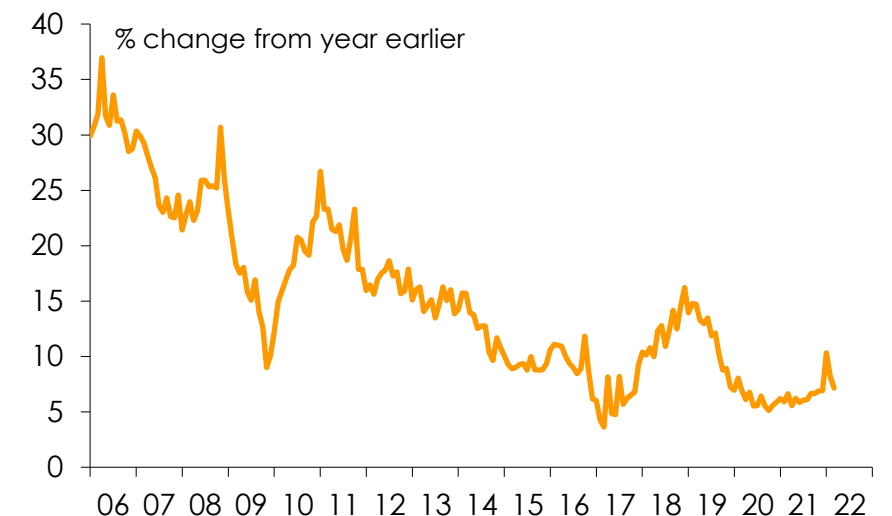
Wholesale prices



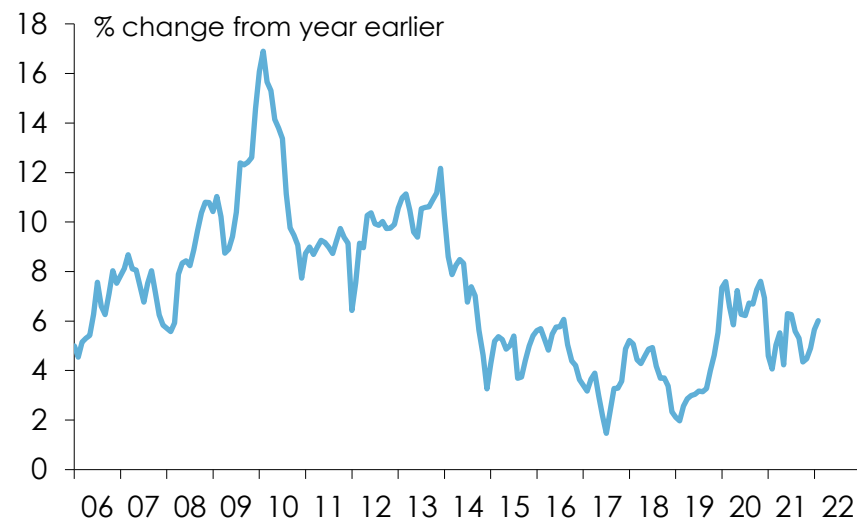
RBI policy interest rates



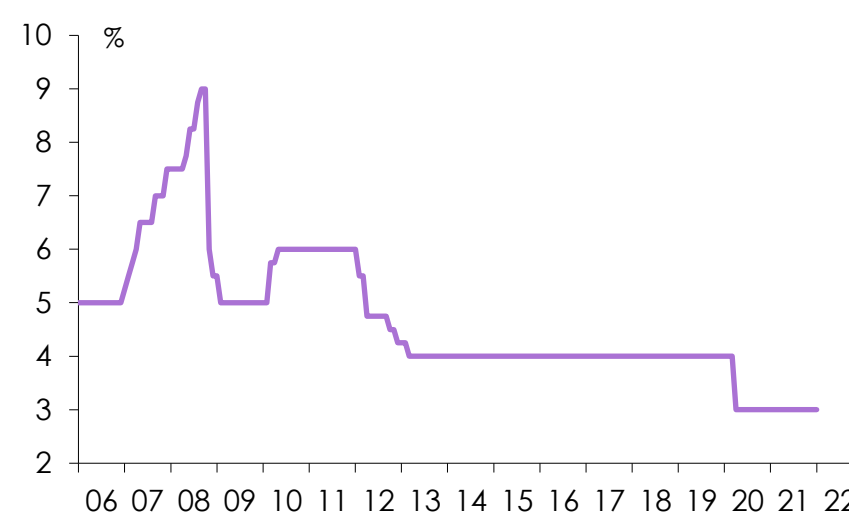
Bank lending



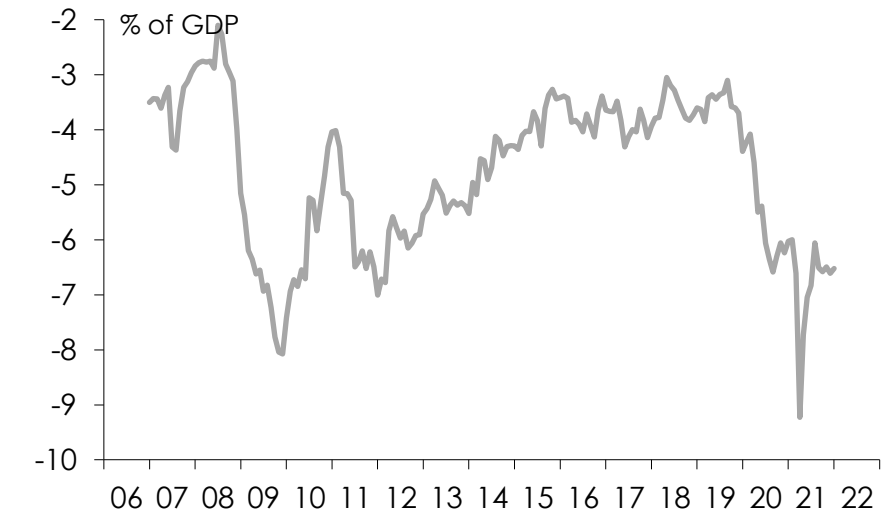
Consumer prices



RBI cash reserve ratio



Central government fiscal balance

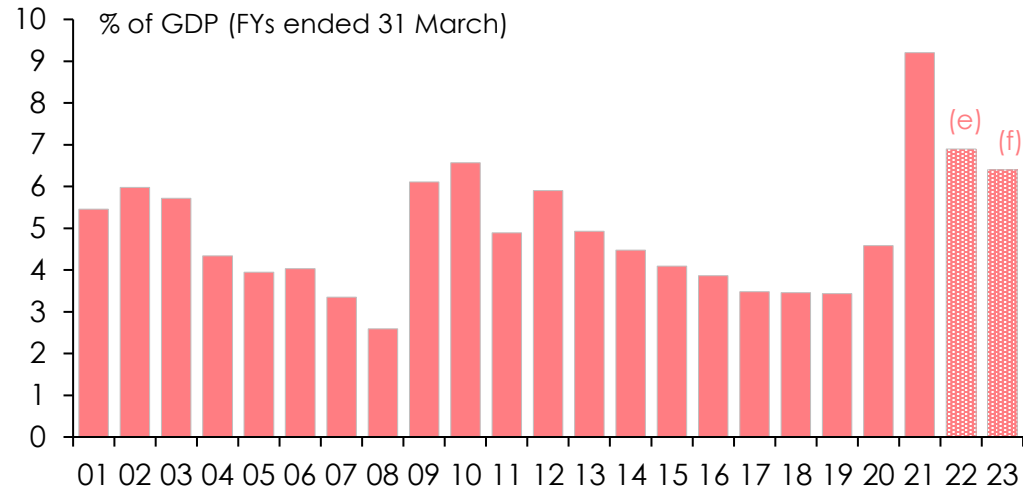


Note: The RBI's inflation target is $4\% \pm 2$ pc points. Sources: Government of India, Office of the Economic Adviser, Ministry of Commerce and Industry, [WPI Press Release](#); Ministry of Statistics and Programme Implementation, [CPI](#); Reserve Bank of India, [Monetary Policy](#) and [RBI Bulletin](#);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

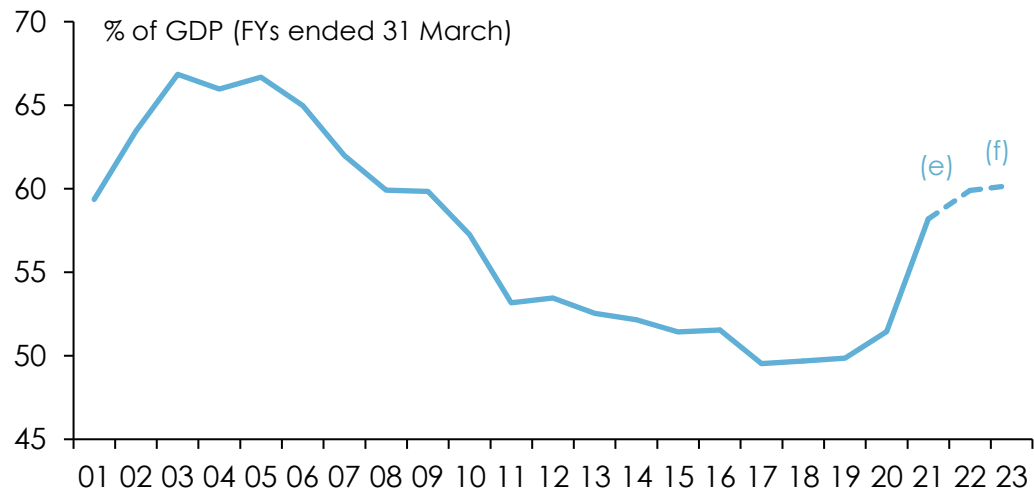
India's 2022-23 Budget, presented last month, maintains a deficit of over 6% of GDP in order to fund another large increase in capital spending

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

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

The Bank of Canada lifted its policy rate, for the first time since October 2018, this month, while the Reserve Bank of Australia again held back

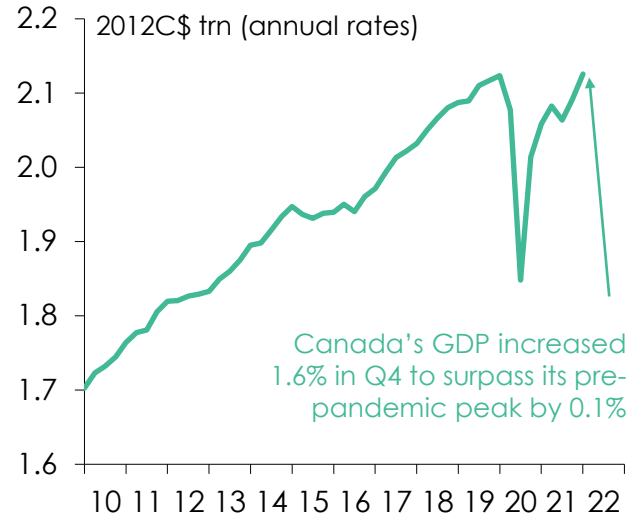
THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

- ❑ The [Bank of Canada](#) lifted its policy rate by 25bp, to 0.5%, at its Governing Council meeting on 2nd March
 - the decision followed stronger-than-expected growth in Canada’s economy in Q4 last year (reported Tuesday), and inflation “well above the Bank’s target range” and “expected to be higher in the near term than projected in January”, according to the Bank’s [post-meeting press release](#)
 - the BoC “expects interest rates will need to rise further” in order to return inflation to the 2% target, and it also indicated that it would be “considering when ... to allow its holdings of government bonds to begin to shrink”, noting that “the resulting quantitative tightening (QT) would complement increases in the policy rate”
- ❑ The [Reserve Bank of Australia](#) again left its cash rate unchanged at 0.25% at its Board meeting on 1st March
 - in a [speech](#) to a business audience last week RBA Governor Philip Lowe conceded that it was “plausible” that the cash rate would be raised some time this year, and in [another](#) two days later warned borrowers it would be “prudent to prepare for a rise in rates”, but also re-iterated that inflation hadn’t risen as much in Australia as in most other ‘advanced’ economies and hence that the RBA could (and would) be “patient” in assessing incoming information before concluding that inflation was “sustainably” back within its 2-3% target range
- ❑ The [Reserve Bank of New Zealand](#) raised its official cash rate another 25bp, to 1.0%, at its Monetary Policy Committee meeting on 23rd February, the third such increase since November last year ([slide 125](#))
 - It 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](#), it foreshadowed further tightening, with the OCR expected to peak 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 maturities, and by selling bonds back to the Government’s Debt Management Office at the rate of \$NZ5bn pa

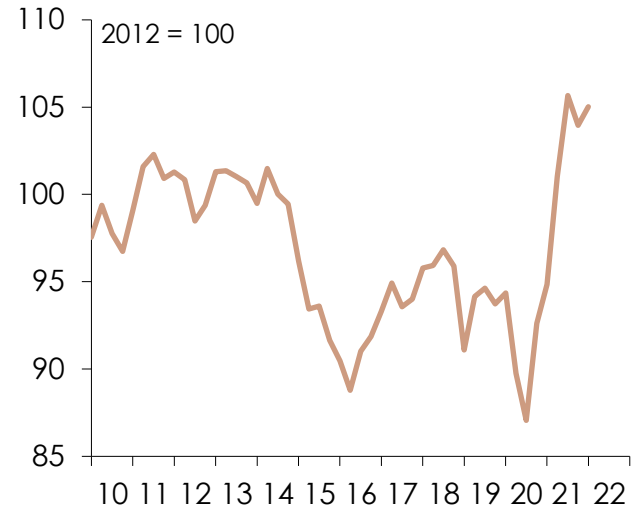
Canadian employment surged 1.8% in February as restrictions eased, pushing the unemployment rate down to a 33-month low of 5.4%

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

Real GDP



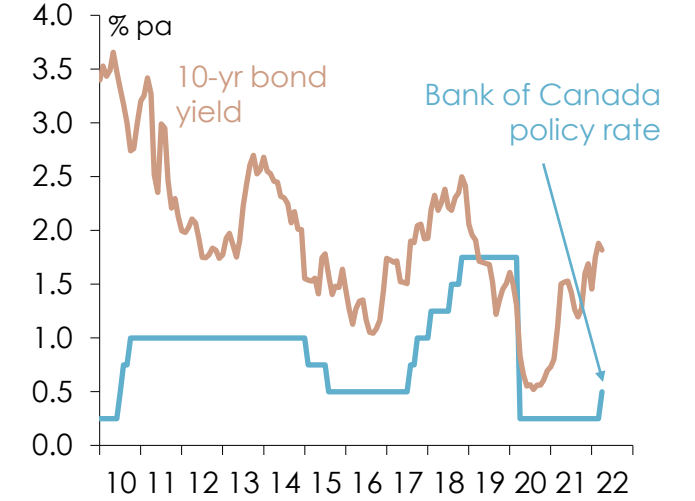
Terms of trade



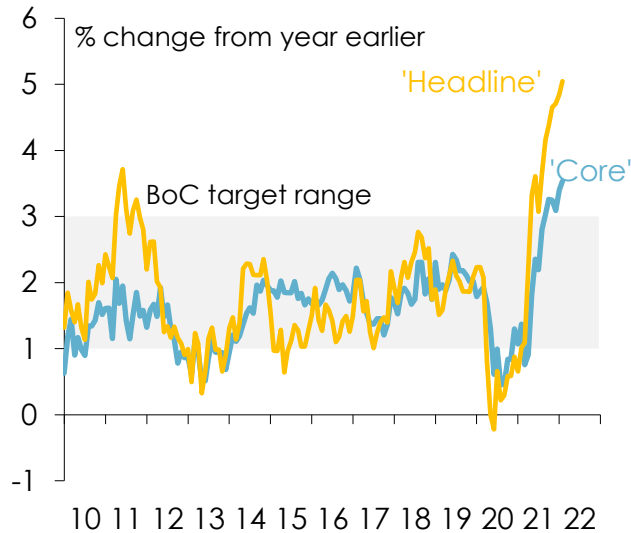
Unemployment



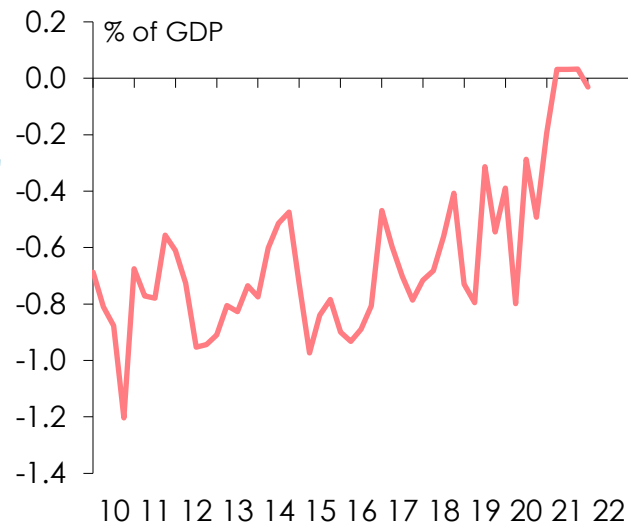
Interest rates



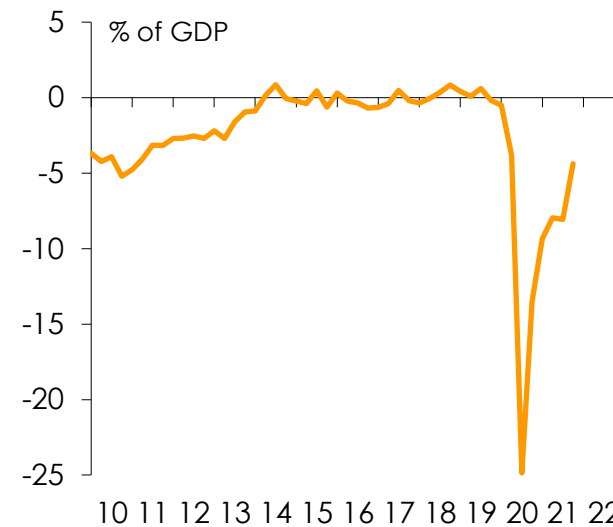
Consumer prices



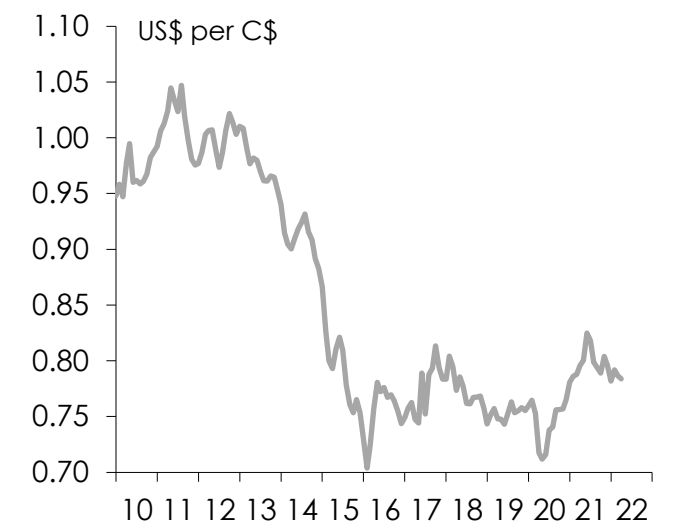
Current account balance



Government net lending



C\$ vs US\$

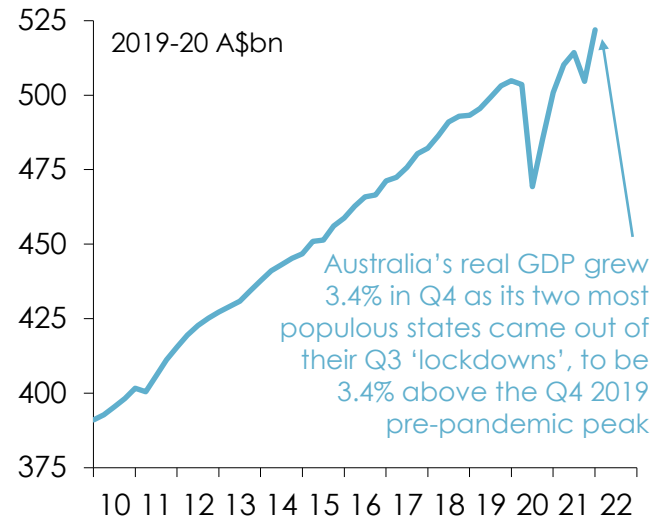


Sources: Statistics Canada, [National Gross Domestic Product \(GDP\) by Income and by Expenditure Accounts](#); [Consumer price index portal](#); [Canada's Balance of International Payments](#); [Labour Statistics](#); Bank of Canada, [Policy Interest Rate](#); Refinitiv Datastream. [Return to "What's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

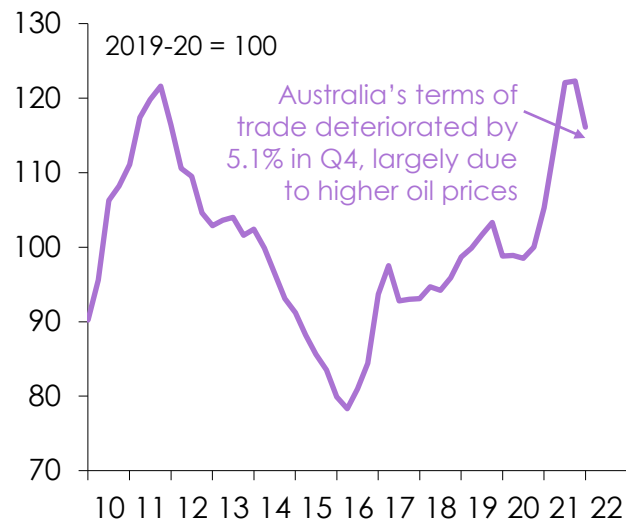
Australia's economy rebounded by 3.4% in Q4 2021 as its most populous states came out of Q3 lockdowns

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

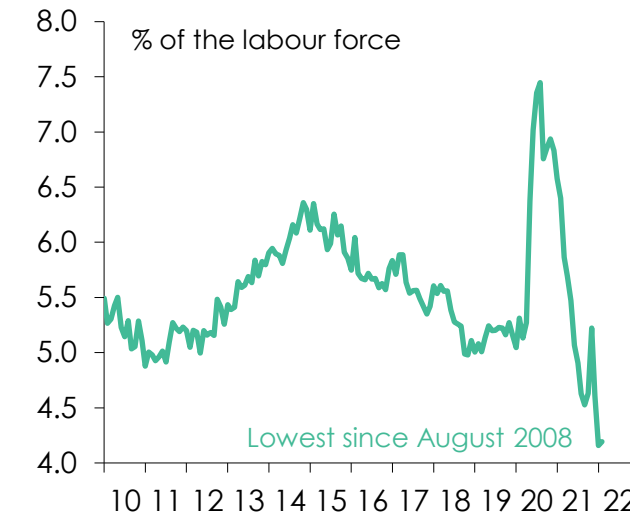
Real GDP



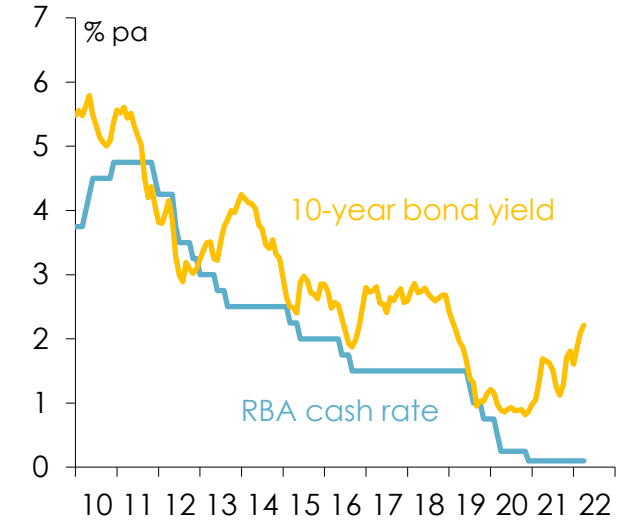
Terms of trade



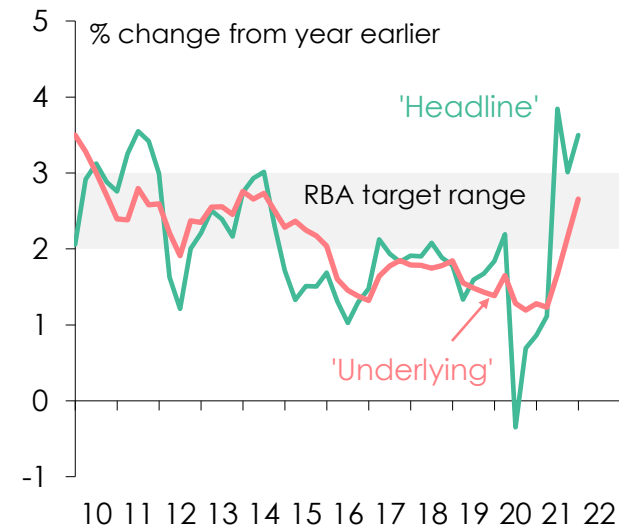
Unemployment



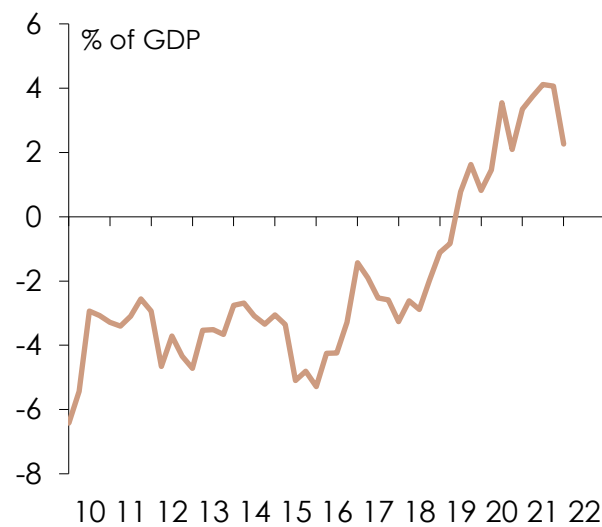
Interest rates



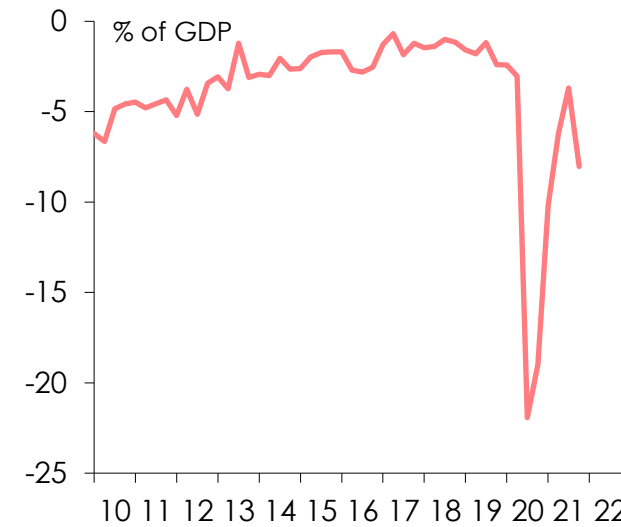
Consumer prices



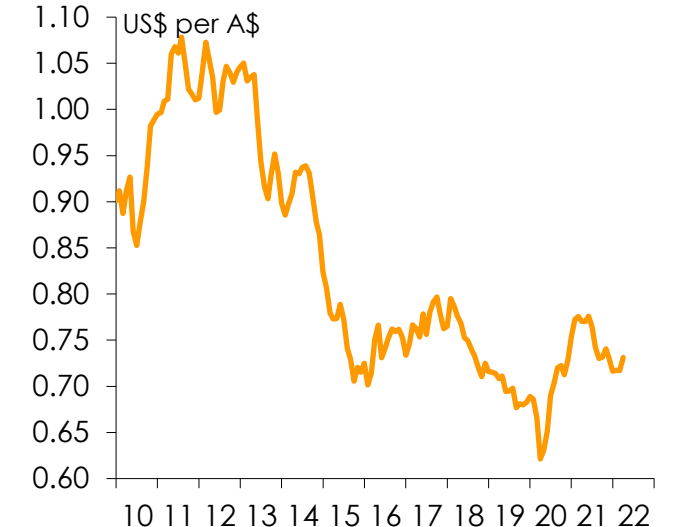
Current account balance



Government net lending



A\$ vs US\$

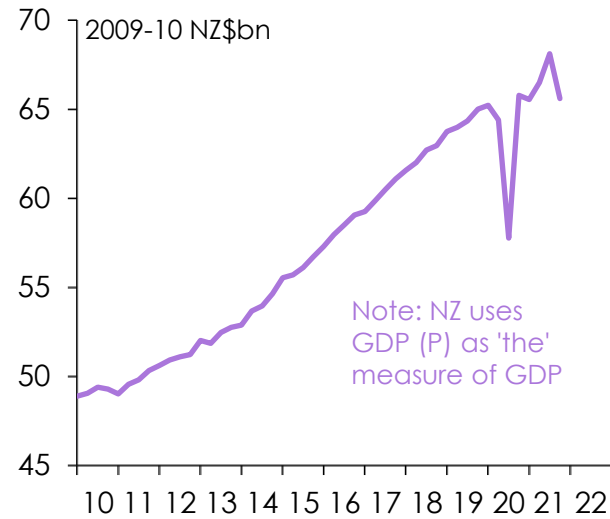


Note: The measure of 'underlying' inflation shown here is the trimmed mean. Sources: Australian Bureau of Statistics, [Australian National Accounts: National Income, Expenditure and Product](#); [Consumer Price Index](#); [Balance of Payments and International Investment Position](#); [Labour Force](#);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

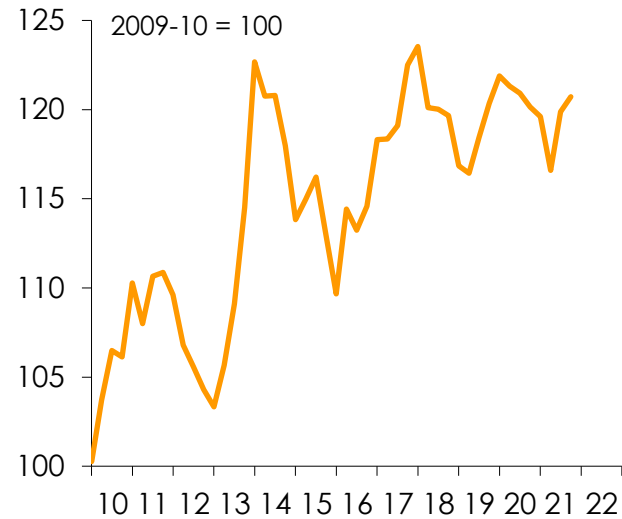
The Reserve Bank of New Zealand raised its cash rate another 25bp, the third consecutive increase, and foreshadowed more to come

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

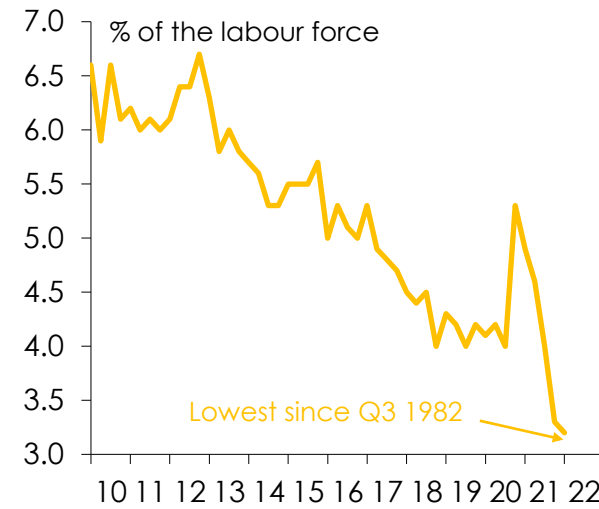
Real GDP



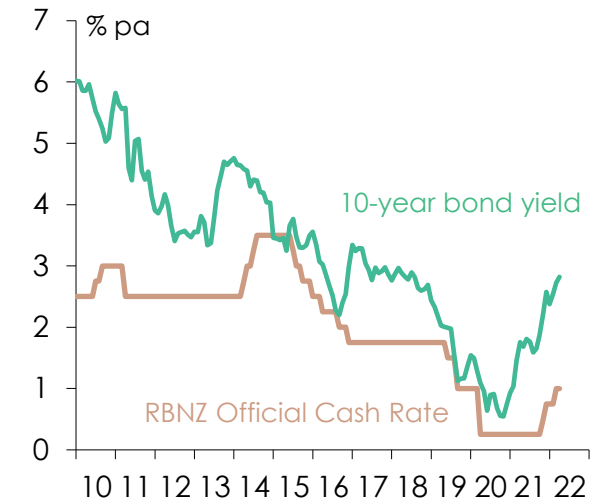
Terms of trade



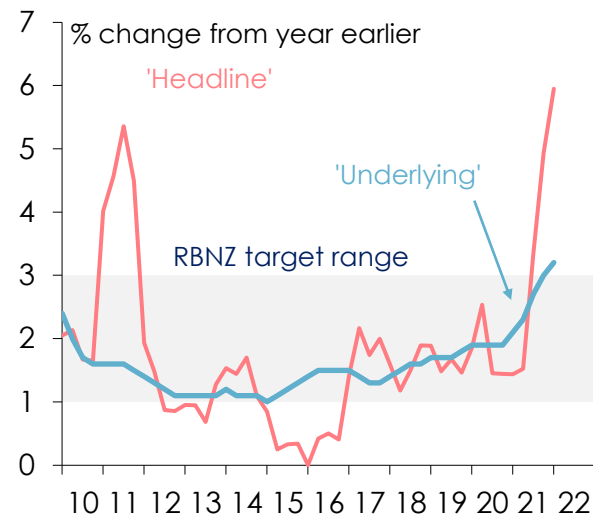
Unemployment



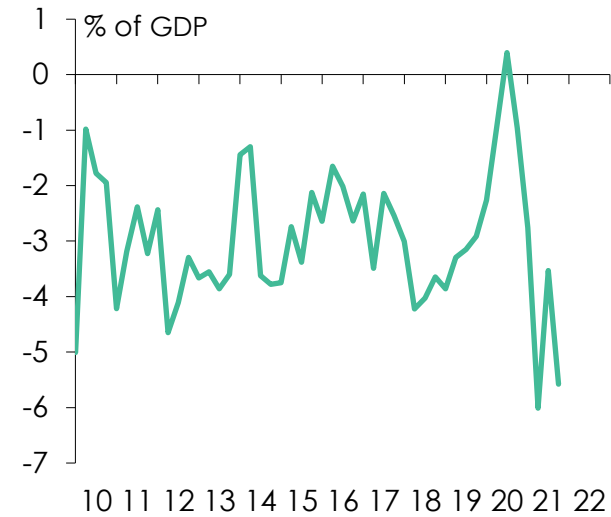
Interest rates



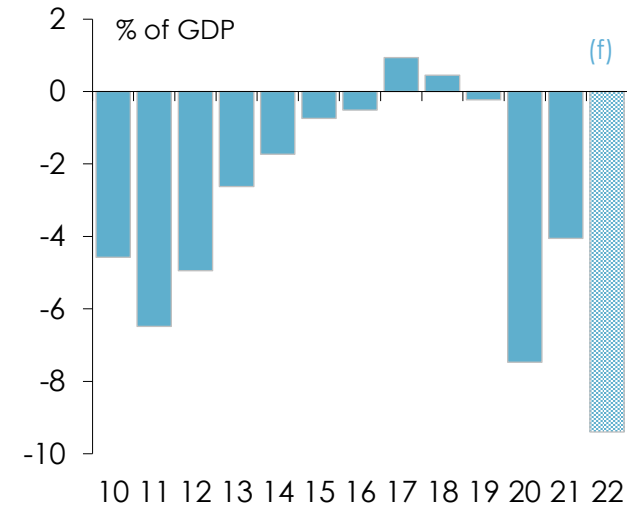
Consumer prices



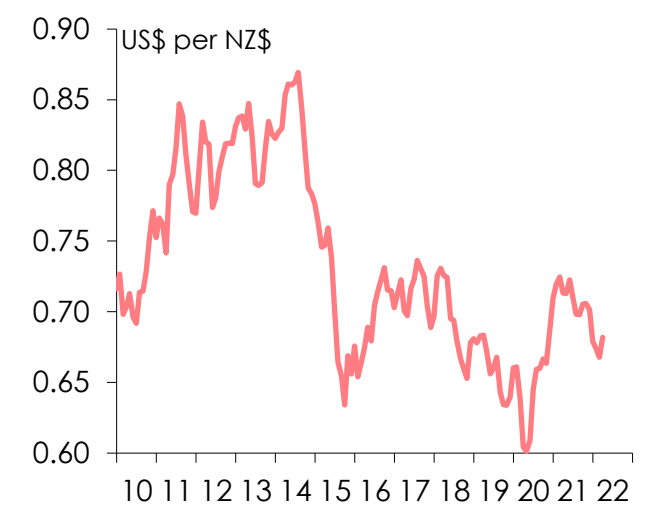
Current account balance



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 Poland and Peru raised rates again last week, while Pakistan's central bank left rates on hold

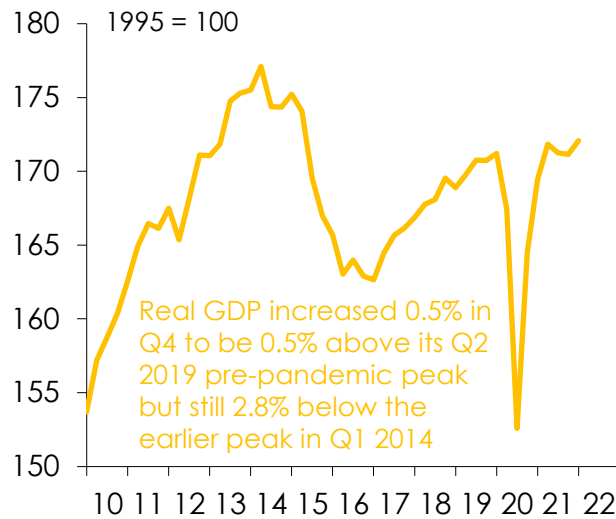
THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

- ❑ **Narodowy Bank Polski** (Poland's central bank) raised its reference rate another 75bp to 3.50% at its Monetary Council meeting on 8th March
 - this is the sixth increase since October last year, bringing the cumulative increase in the base rate to 340 bp ([slide 131](#))
 - the MPC **justified** the increase as being “in order to reduce the risk of inflation running above the NBP target in the monetary policy transition horizon”,
 - while the “significant rise in energy and agricultural commodity prices and increases in regulated tariffs on electricity, gas and thermal energy have been the main factors behind markedly elevated inflation” (of 9.2% over the year to January, cf. the NBP's target of $2.5 \pm 1\%$), “the on-going economic recovery, including an increase in demand driven by rising household incomes, has had also a positive contribution to inflation”
 - the NBP also asserted that the recent depreciation of the zloty (of 10% against the euro and more than 14% against the US\$ since early February) was “not in line with the fundamentals of the Polish economy”
- ❑ **Banco Central Reserva del Perú** raised its reference rate by another 50 bp, to 4.0%, at its Board meeting 10th March
 - this is the eighth increase since August last year, for a total of 375 bp, all except the first having been by 50bp ([slide 131](#))
 - BCRP's accompanying **Monetary Policy Statement** indicated that the latest increase was in response to ‘headline’ inflation reaching 6.2%, and ‘core’ inflation 3.3%, in February, both above BCRP's target of $2 \pm 1\%$, as well as to inflation expectations rising to $3\frac{3}{4}\%$
 - BCRP expects inflation to begin falling from July onwards, as “transitory pressures (exchange rate and international fuel and grain prices) recede” and with “economic activity below potential”, but noted that “recent international conflicts have increased uncertainty ... in the magnitude of upward pressures on commodity prices”
- ❑ The **State Bank of Pakistan** left its policy rate unchanged at 9.75% at its MPC meeting on 8th March, concluding that “the outlook for inflation had improved” following cuts in fuel prices and electricity tariffs by the Government the previous week and suggestions that economic growth “continues to moderate”

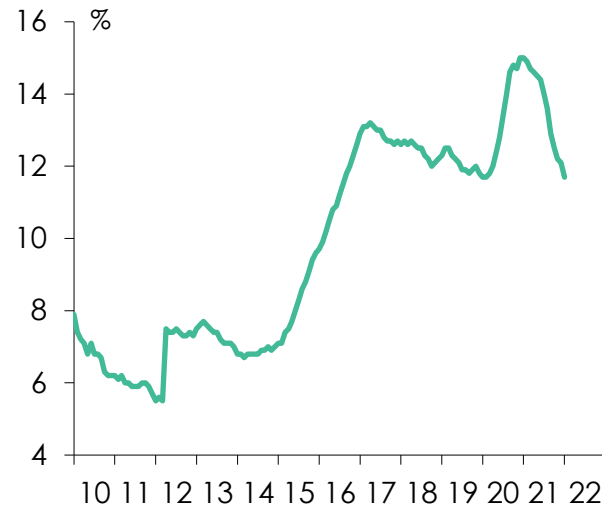
Banco Central do Brazil has raised its policy rate by 875 basis points since February last year on concerns over inflation and fiscal policy

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

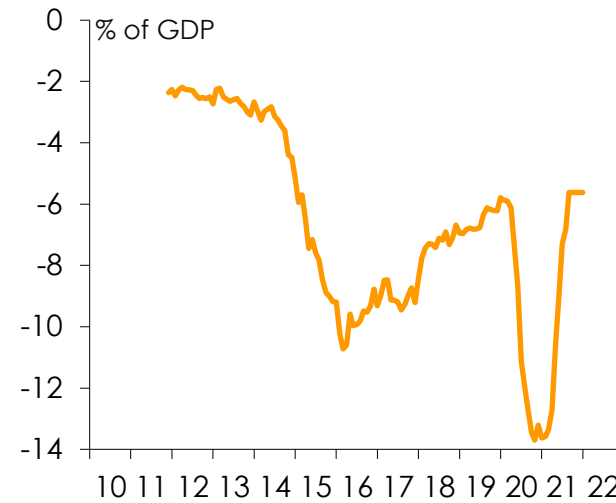
Real GDP



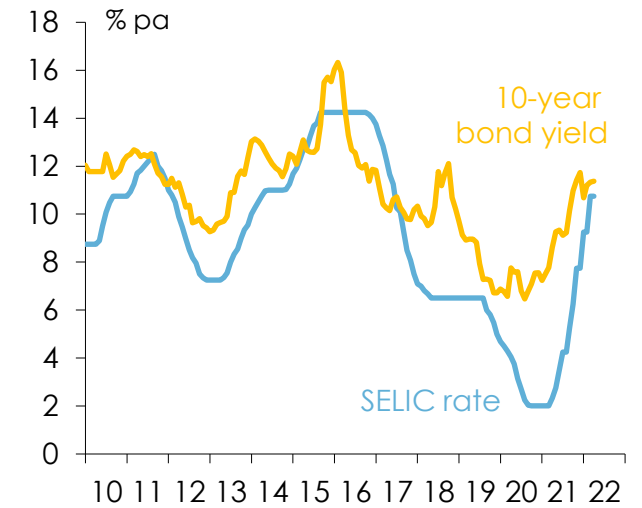
Unemployment



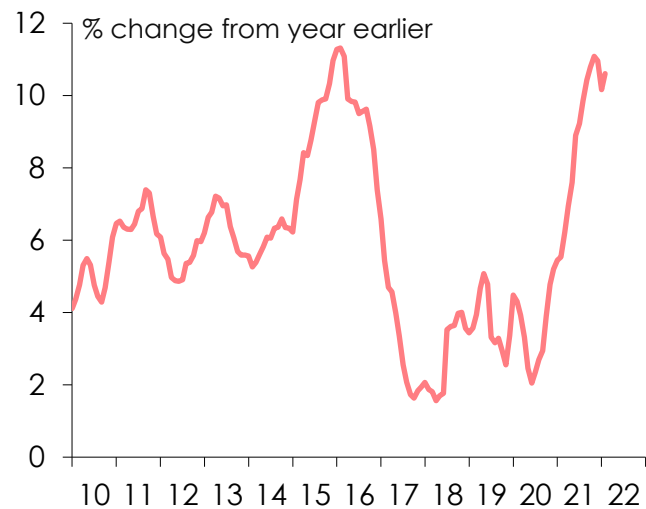
Public sector borrowing



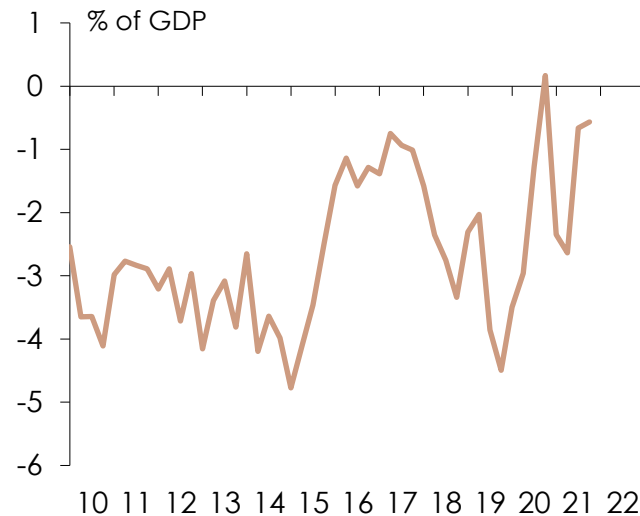
Interest rates



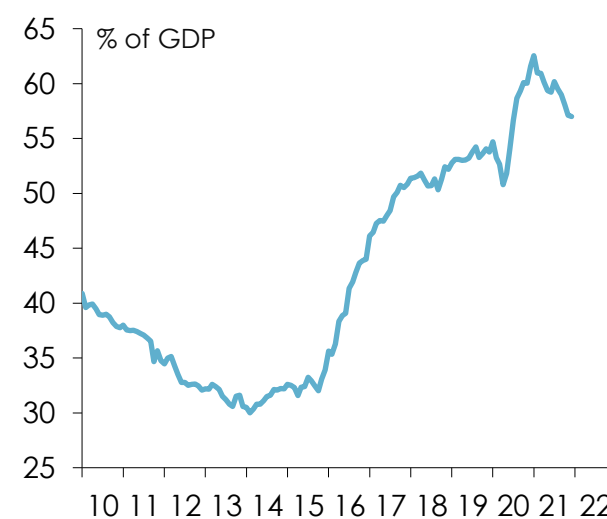
Inflation



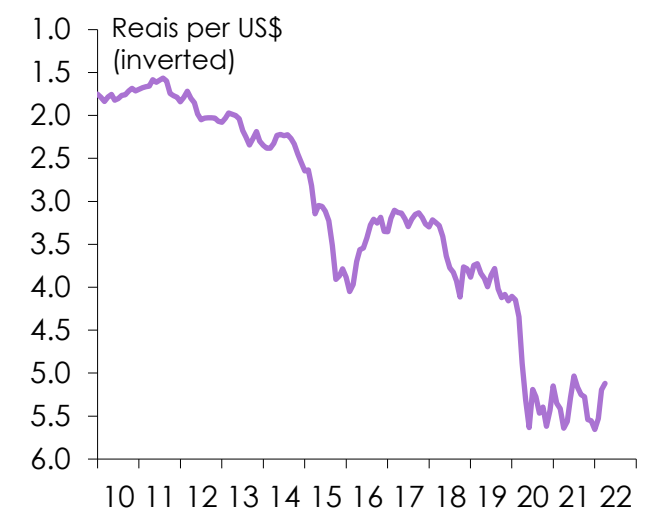
Current account balance



Public sector net debt



Brazilian real vs US\$

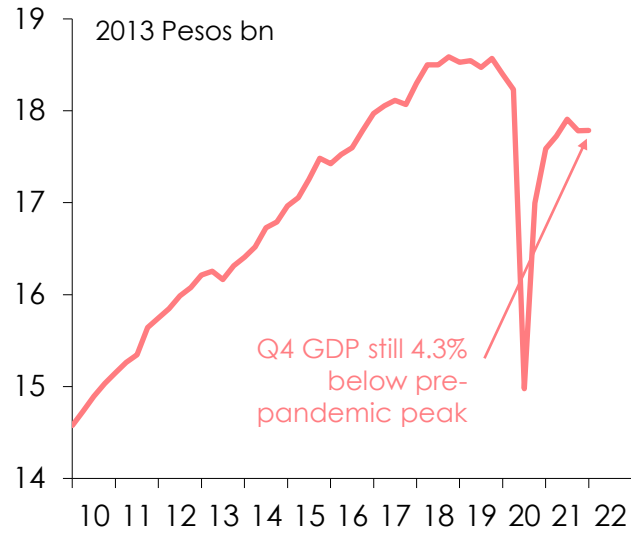


Sources: [Instituto Brasileiro de Geografia e Estatística](#) (IBGE); [Banco Central do Brasil](#); Refinitiv Datastream. [Return to "What's New"](#).

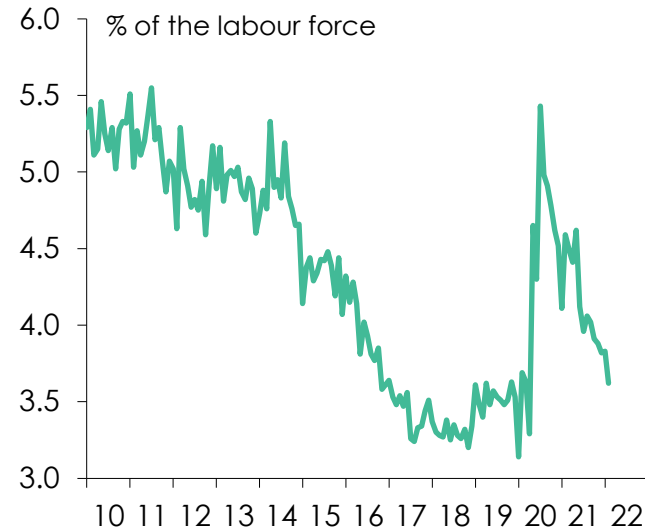
Mexico's central bank hiked rates by 150 basis points in 2021 despite GDP being still 4% below its pre-pandemic peak

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

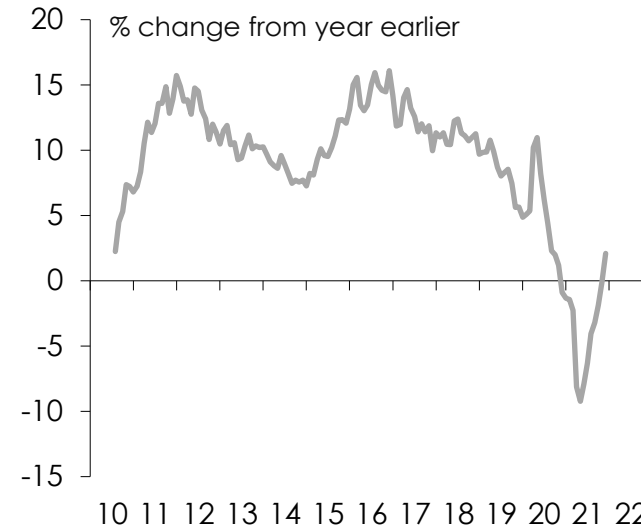
Real GDP



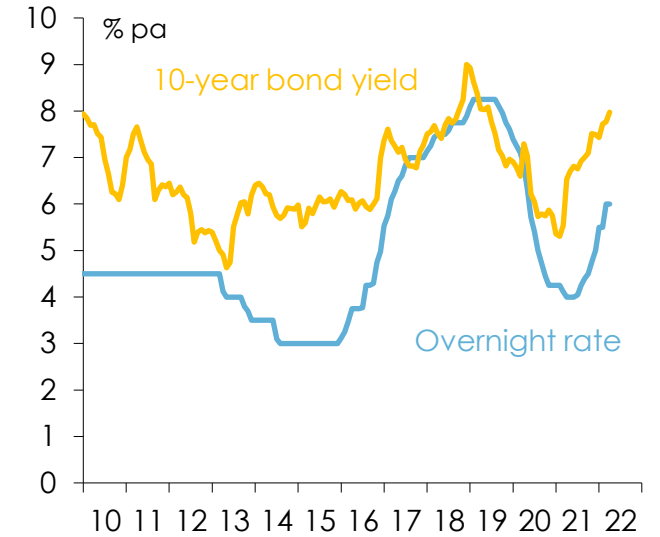
Unemployment



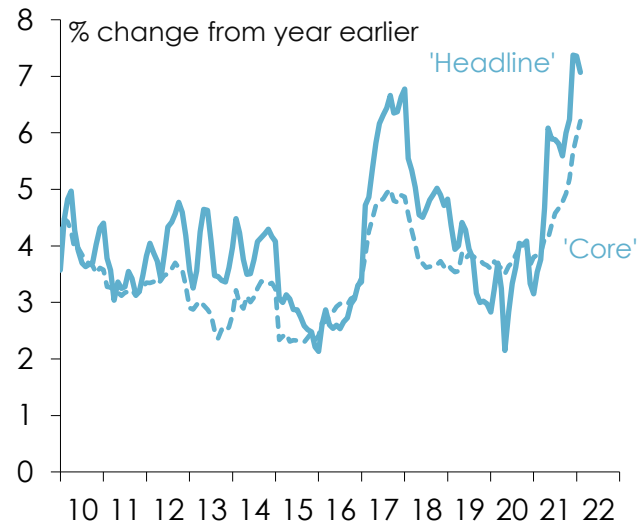
Bank lending



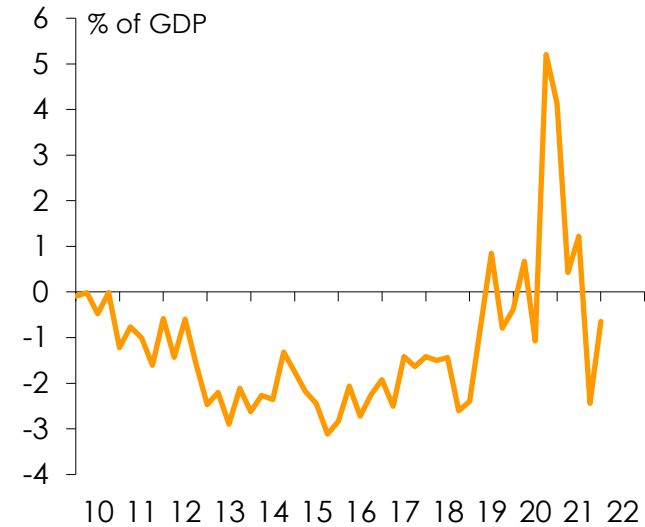
Interest rates



Inflation



Current account balance



Federal budget deficit



Mexican peso vs US\$

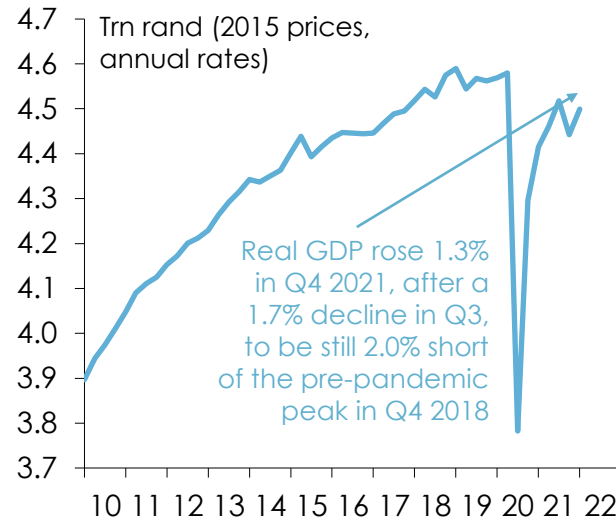


Sources [Banco de México](#); [Instituto Nacional de Estadística y Geografía \(INEGI\)](#); Refinitiv Datastream.. [Return to "What's New"](#).

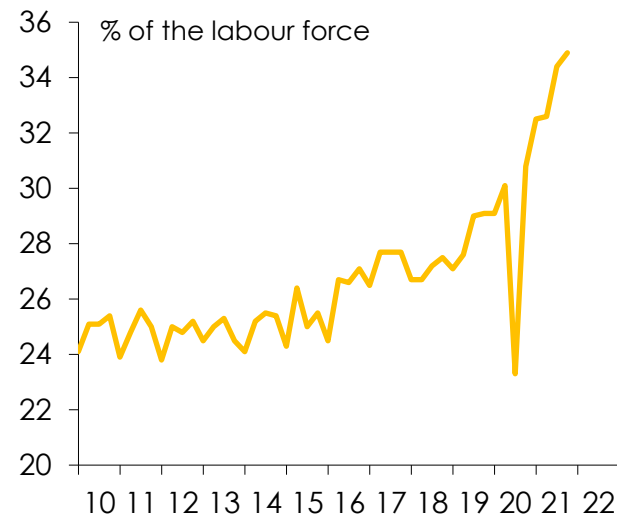
South Africa's economy still hasn't regained its Q4 2018 peak, and unemployment is almost 35%, but inflation is rising and so are interest rates

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

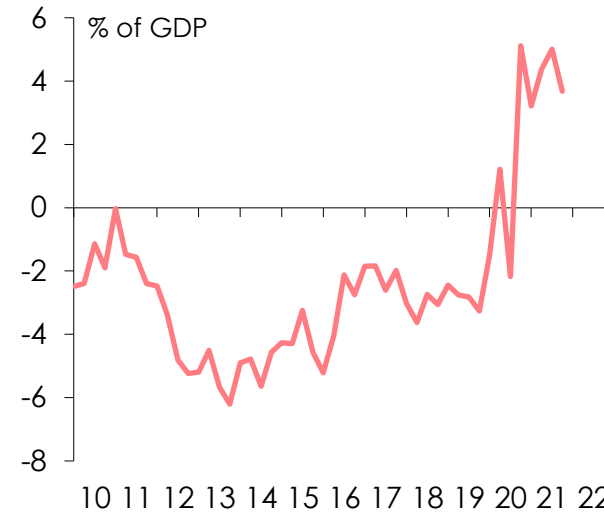
Real GDP



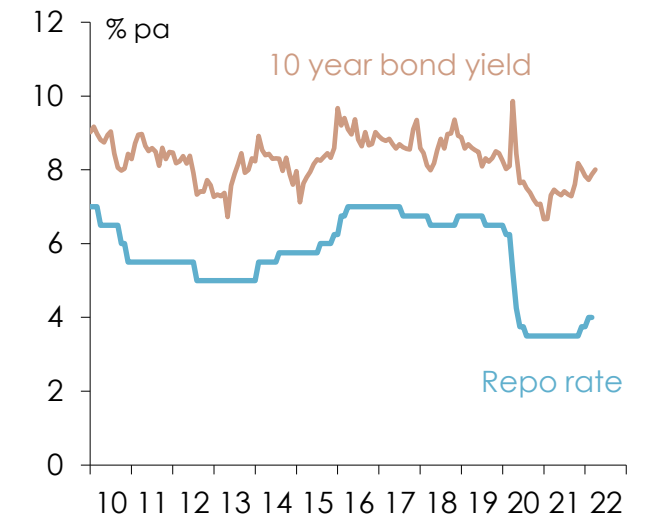
Unemployment



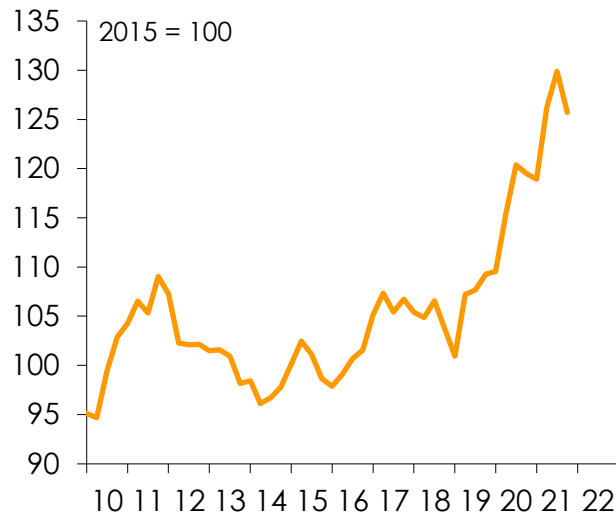
Current account balance



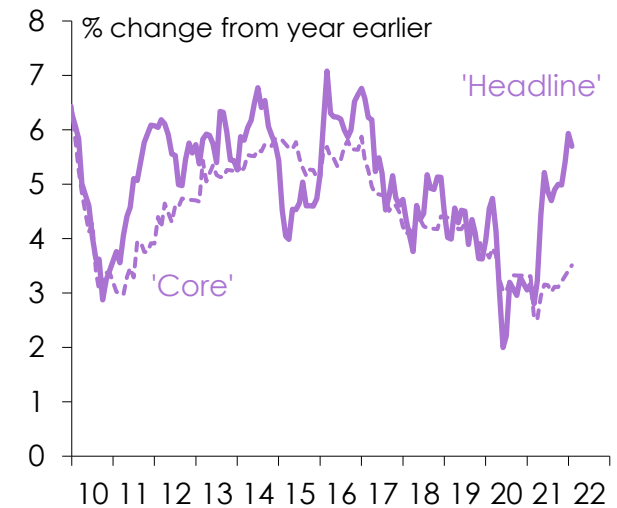
Interest rates



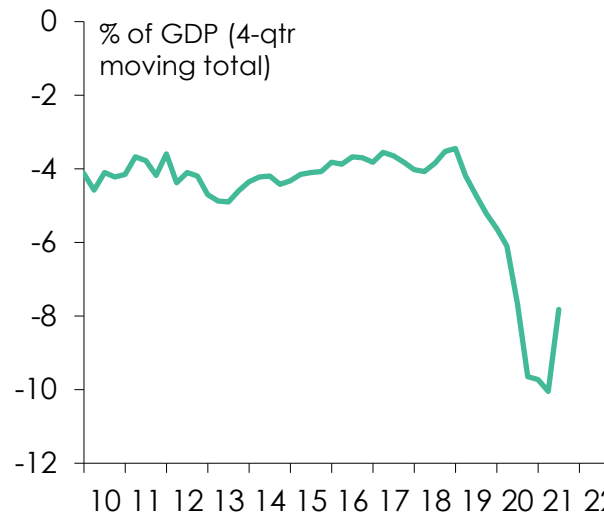
Terms of trade



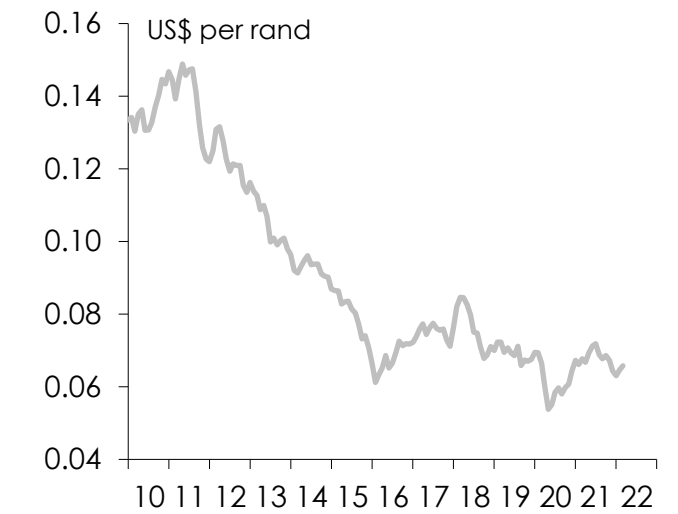
Inflation



Budget deficit



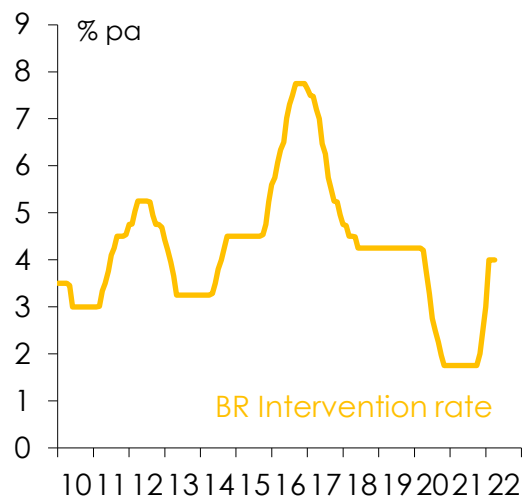
Rand vs US\$



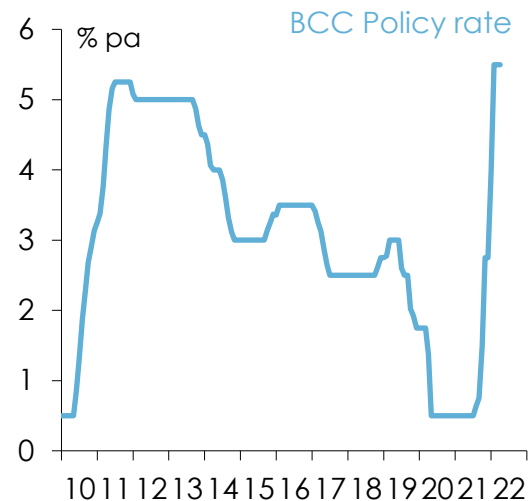
A growing number of other 'emerging' market central banks have begun tightening monetary policy

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

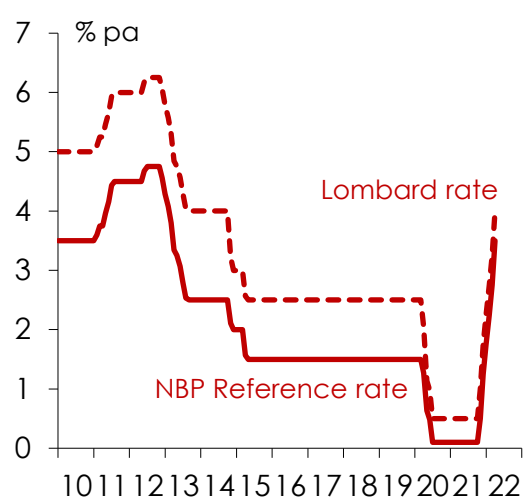
Colombia



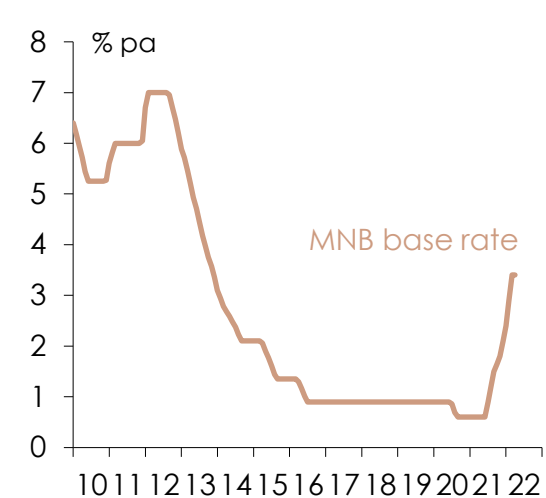
Chile



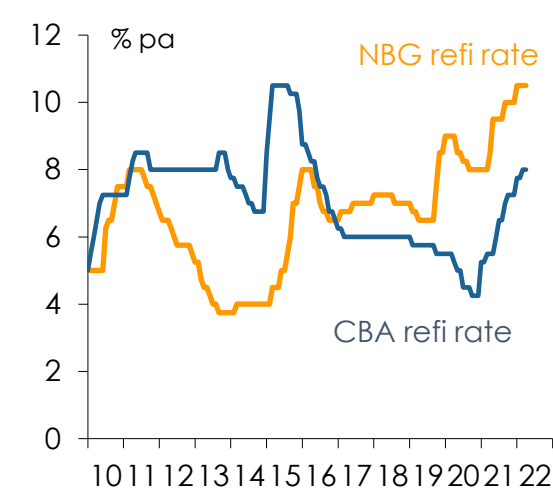
Poland



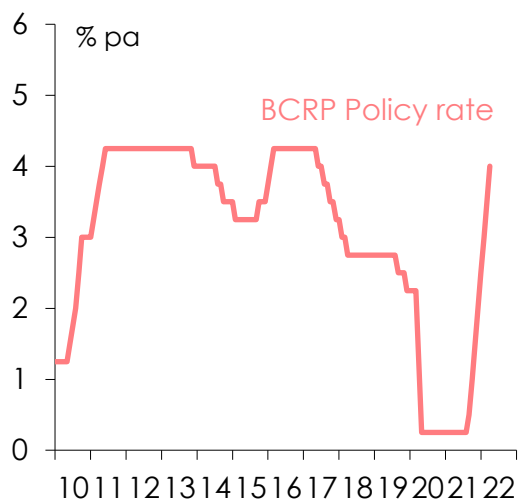
Hungary



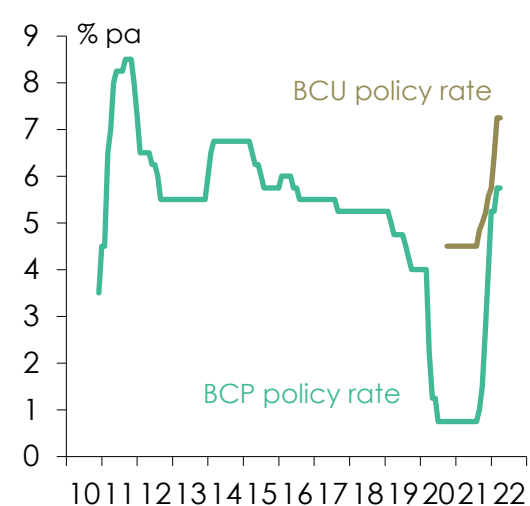
Georgia & Armenia



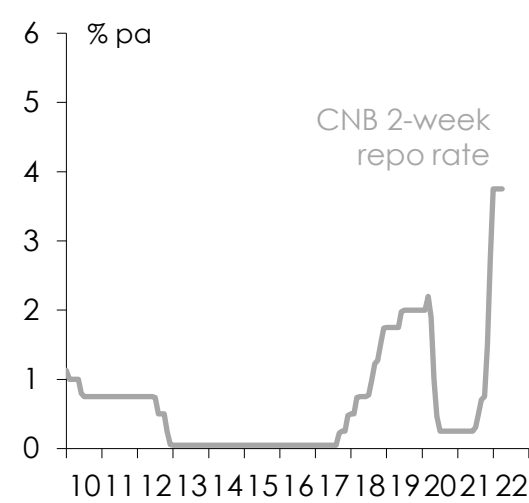
Peru



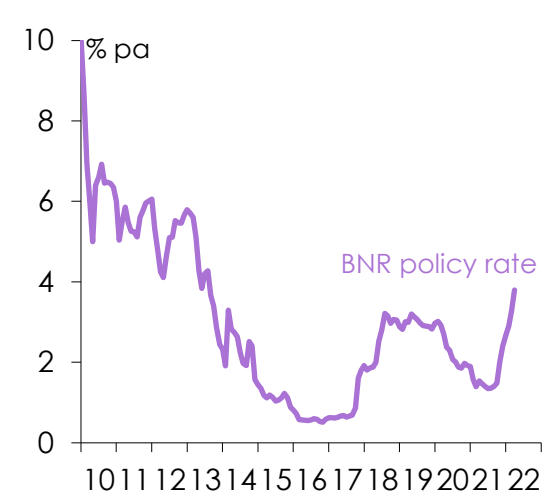
Paraguay & Uruguay



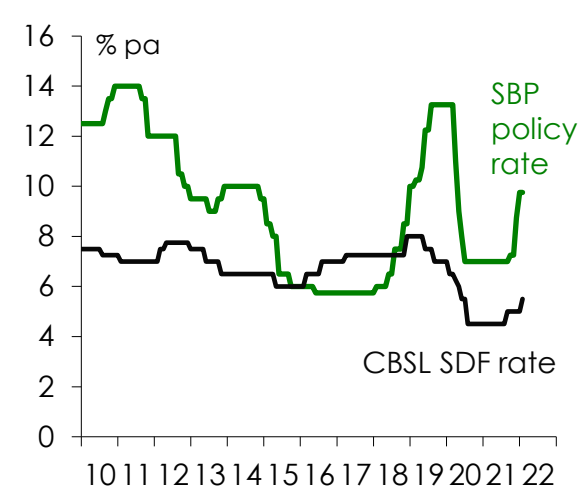
Czech Republic



Romania



Pakistan & Sri Lanka

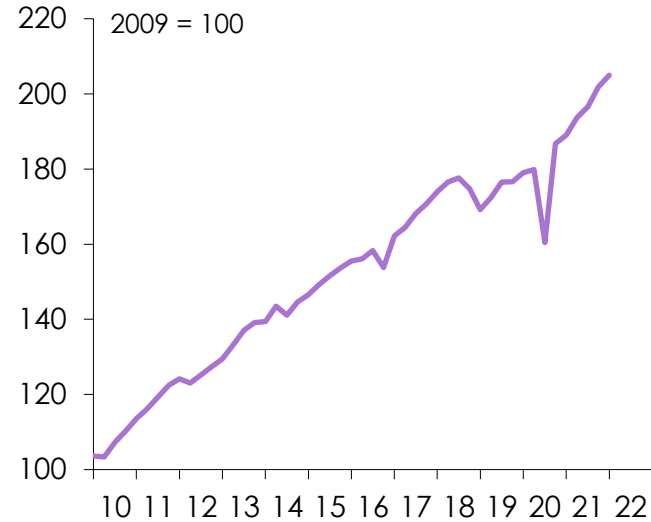


Sources: [Banco de la República Colombia](#); [Banco Central de Reserva del Perú](#); [Banco Central de Chile](#); [Banco Central del Uruguay](#); [Banco Central del Paraguay](#); [Narodowy Bank Polski](#); [Česká Národní Banka](#); [Magyar Nemzeti Bank](#); [Banca Națională a României](#); [Sakartvelos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

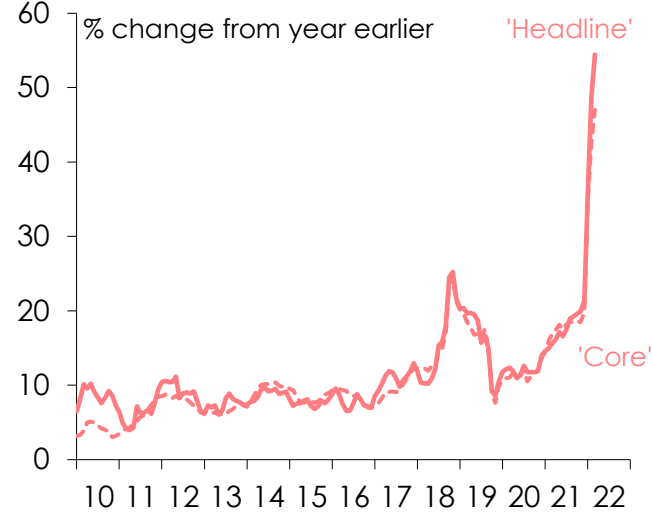
Turkey's economy grew 1.6% in Q4 to be 14% above its pre-pandemic peak – and inflation over the year to February topped 50%

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

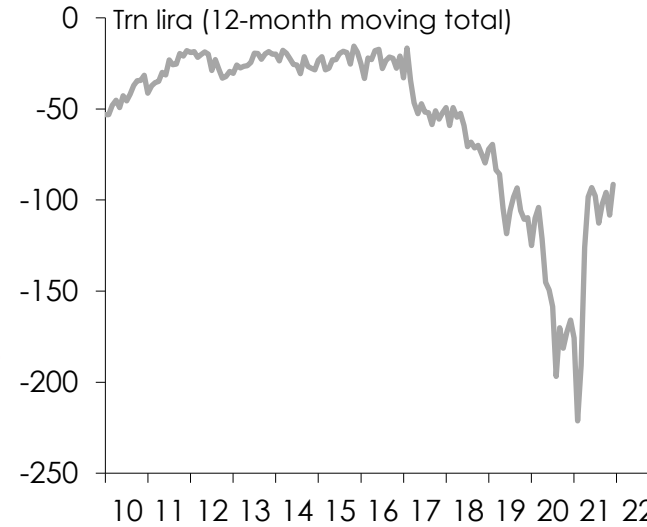
Real GDP



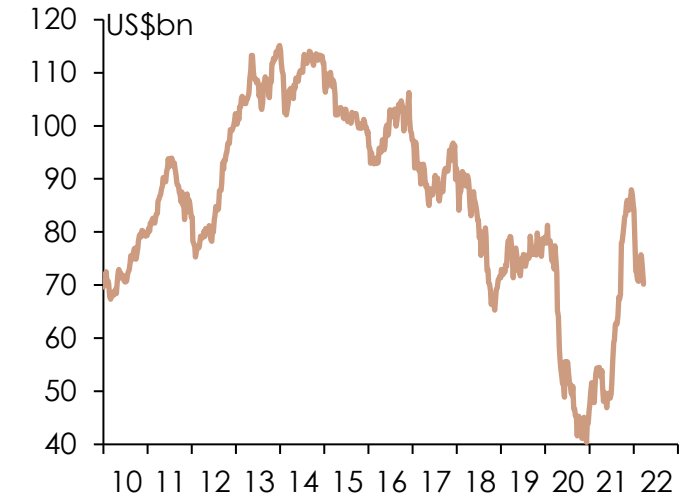
Inflation



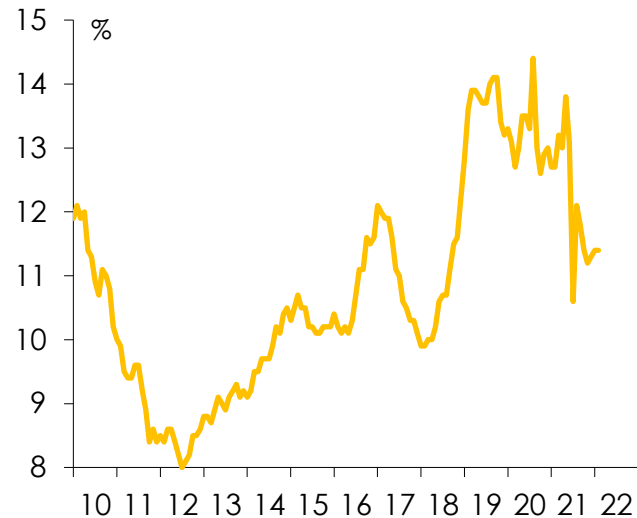
Budget balance



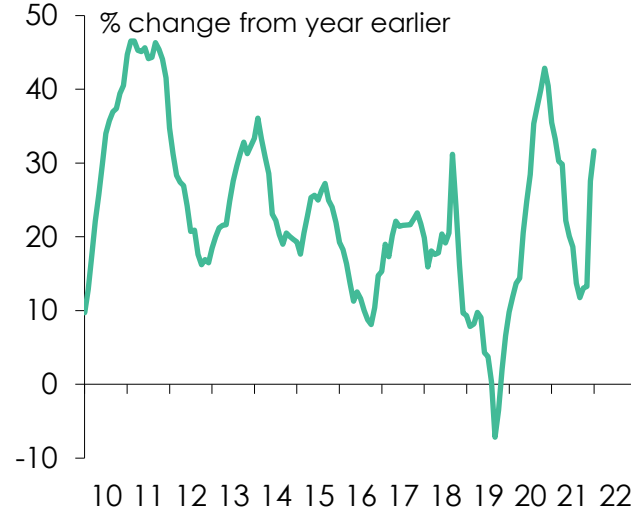
FX reserves



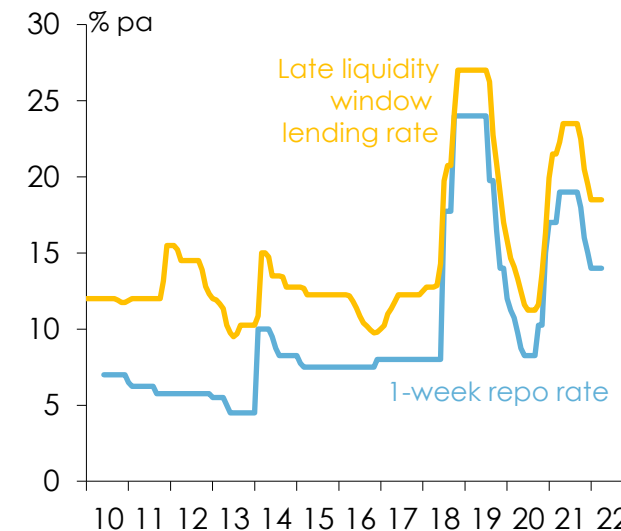
Unemployment rate



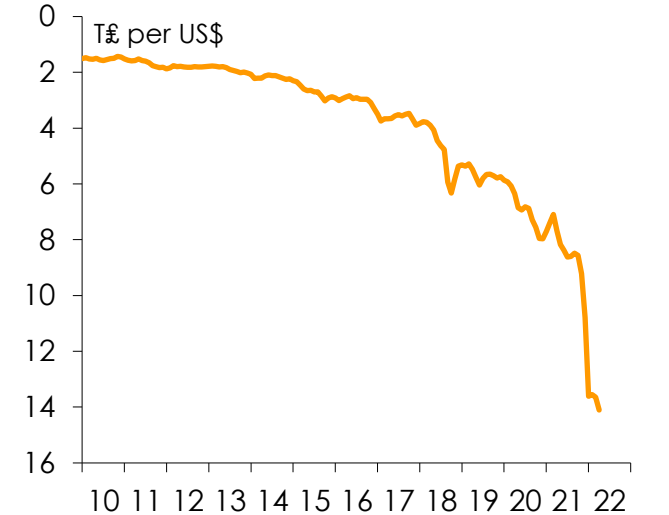
Bank lending



Interest rates



Turkish lira vs US\$



Key data and events this week

Key data and events for week ended 18th March

THE WORLD ECONOMY THIS WEEK – 14TH MARCH 2022

Monday 14th March

India February WPI and CPI; **Russia** January merchandise trade balance; **US** New York Fed February consumer inflation expectations survey

Tuesday 15th March

Korea February export & import price indices; **Australia** February RBA Board meeting minutes; **China** January-February industrial production, retail sales, fixed asset investment & urban unemployment; **Indonesia** February merchandise trade; **UK** February unemployment claims and December employment & average earnings; **euro area** January industrial production; **Canada** February housing starts; **US** February PPI and NY Fed March 'Empire State' business index; **Peru** February unemployment; **Argentina** February CPI

Wednesday 16th March

New Zealand Q4 balance of payments; **Korea** February unemployment; **Japan** February trade balance & industrial production (final); **China** February house prices; **Canada** February CPI; **US** February retail sales and export & import prices, March NAHB housing market index and **FOMC meeting**

Thursday 17th March

Brazil BCB meeting announcement; **New Zealand** Q4 GDP; **Japan** January machinery orders; **Australia** February employment & unemployment; **Singapore** February merchandise trade; **Indonesia** BI meeting; **Taiwan** CBoC meeting; **Hong Kong** February unemployment; **Euro area** February CPI (final); **Turkey** TCMB meeting; **UK BoE meeting**; **US** February housing starts & industrial production, March 'Philly Fed' manufacturing business survey

Friday 18th March

Japan February CPI, January tertiary industry activity and **BoJ meeting**; **Malaysia** February merchandise trade; **euro area** January merchandise trade, Q4 wages growth; **Russia CBR meeting**; **Brazil** January unemployment; **Canada** January retail sales; **US** February existing home sales and Conference Board leading index

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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