



THE WORLD ECONOMY THIS WEEK

21ST MARCH 2022

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INDEPENDENT ECONOMICS

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What's new?

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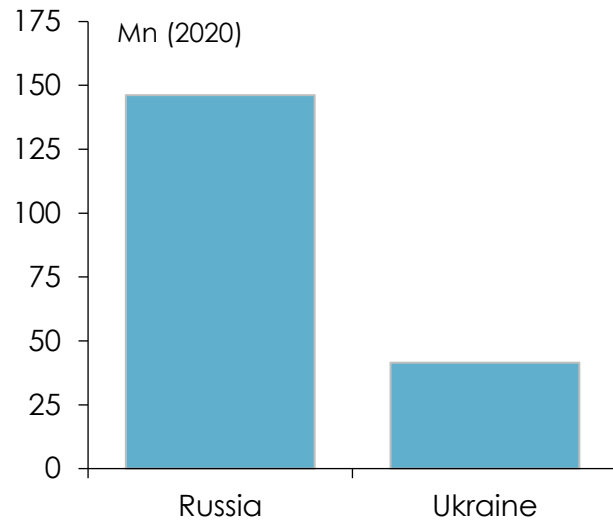
- ❑ Despite its seemingly overwhelming military and economic superiority ([slide 5](#)), Russia has thus far failed to achieve the objectives of its invasion of Ukraine, and it may be that the basis for a life- and face-saving (for Ukraine and Russia, respectively) leading to a cease-fire is beginning to emerge ([slide 6](#)) – financial markets are beginning to think so ([slide 8](#)), but if the increases in energy and food prices resulting from the conflict are sustained, global economic growth could be 1 pc pt weaker, and inflation 2½ pc pts higher according to OECD estimates ([slide 9](#))
- ❑ There were nearly 12.6mn new Covid-19 infections last week, the second successive increase after six weeks of declining numbers, reflecting the spread of the new BA.2 subvariant ([slide 14](#)) – although the increase in case numbers has been concentrated in some European countries, Korea and China ([slide 15](#))
- ❑ As expected, the US Federal Reserve lifted its funds rate target range by 25 bp, to 0.25-0.50%, and foreshadowed the commencement of ‘quantitative tightening’ at “a coming meeting”: FOMC meeting participants’ projections for the “appropriate policy path” suggest that the Fed will raise rates 25 bp at every remaining FOMC meeting this year, and at almost of all next year’s meetings, while other projections (and Chair Powell’s post-meeting commentary) suggest the Fed isn’t particularly concerned about downside risks to economic growth ([slides 32](#) and [69](#))
- ❑ US retail sales rose 0.3% in February, after a 4.9% surge in January, but that was almost entirely attributable to a price-driven 5.3% increase in sales at petrol stations: ‘core’ retail sales fell 0.6% ([slide 55](#))
- ❑ The Bank of England raised its Bank Rate another 25 bp, to 0.75% - the third successive increase – but in contrast to the Fed foreshadowed a more cautious attitude to further increases because of the looming ‘squeeze’ on household spending from elevated energy prices ([slide 77](#))
- ❑ Industrial production and retail sales data for January and February ([slides 83-84](#)) hint at a pick-up in China’s economy after the pronounced slowing over the second half of last year, which was reflected in a rise in unemployment in the first two months of this year ([slide 82](#)) – while a rare meeting of the State Council’s Financial Stability and Development Committee called for “concrete actions” to boost the economy ([slide 87](#))
- ❑ Unlike every other major ‘advanced’ economy central bank, the Bank of Japan has no plans to raise interest rates any time soon ([slide 97](#))
- ❑ The HK Monetary Authority raised its base rate 25bp following the Fed’s move, as required by its ‘currency board’ system, but Taiwan’s central bank surprised by also raising its policy rates 25bp; while, as expected, Bank Indonesia again left its policy settings unchanged ([slides 111-112](#))
- ❑ New Zealand’s real GDP increased by 3.0% in Q4 last year, not completely reversing the lockdown-induced 3.6% contraction in Q3, in large part because of decline in net exports which also resulted in the current account deficit blowing out to 7.3% of GDP, the largest since 2006 ([slide 125](#))
- ❑ Brazil’s central bank raised its policy rate another 100 bp to 11.75%, the ninth consecutive increase and foreshadowed a further 100bp increase in May; meanwhile Turkey’s and Russia’s central banks left their policy rates unchanged ([slides 127-128](#) and [132](#))
- ❑ This week’s highlights include ‘flash’ PMIs for March, US 2021 Q4 balance of payments data, speeches from the heads of both the Fed & ECB, and possible rate increases in Hungary, Norway, Mexico, and South Africa

Russia's invasion of Ukraine

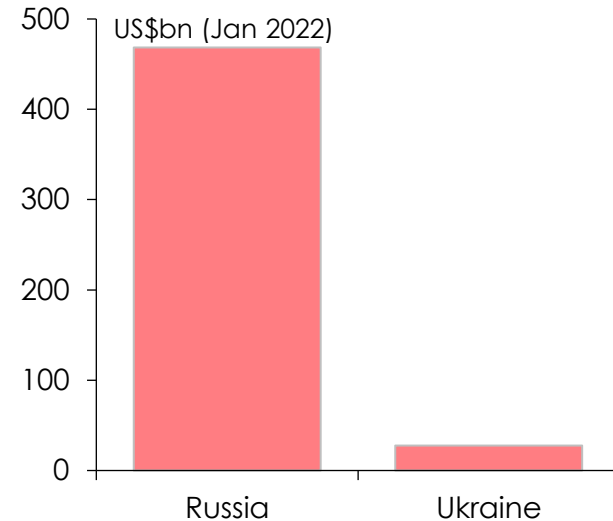
Russia out-numbers Ukraine in just about everything that matters in a military conflict – except, perhaps, courage and ‘moral capital’ (though they’re both hard to put in charts)

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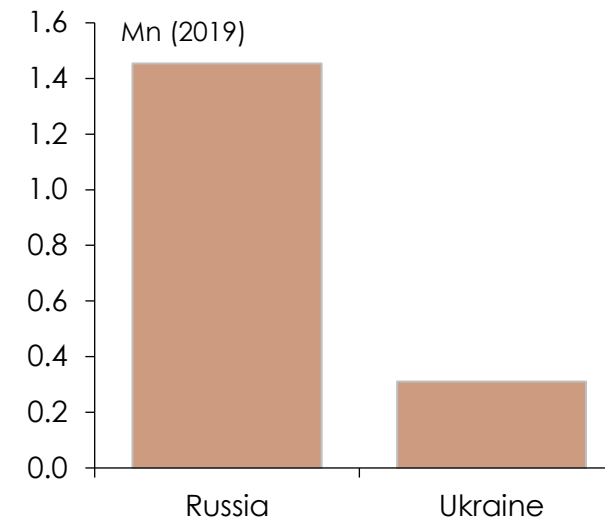
Population



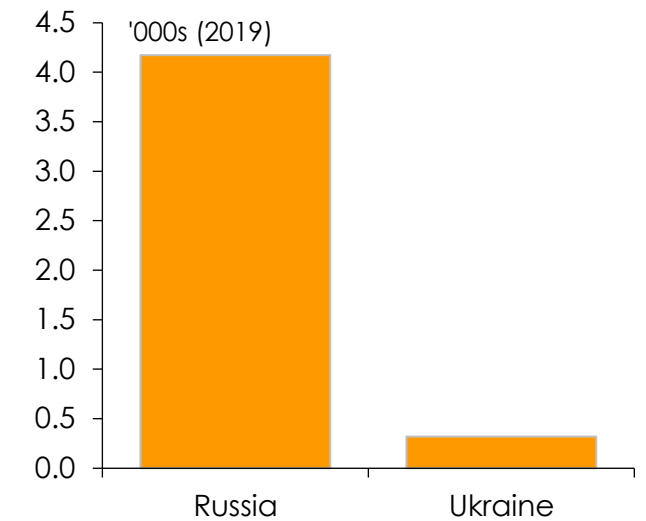
FX reserves



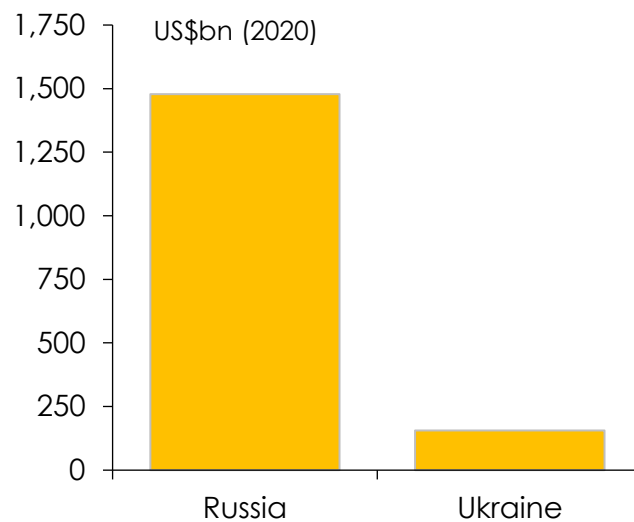
Armed forces



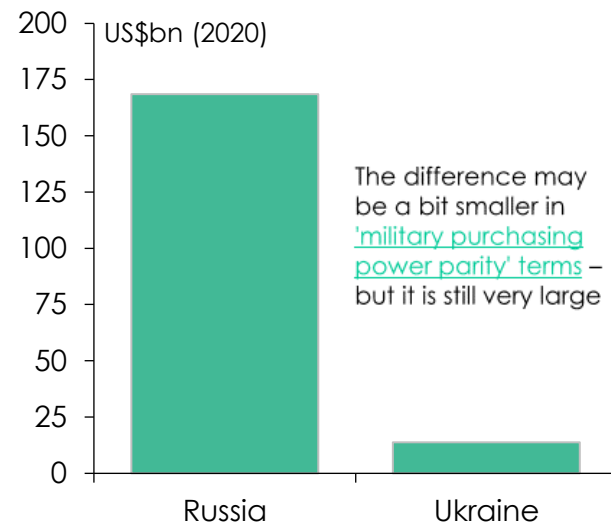
Military aircraft



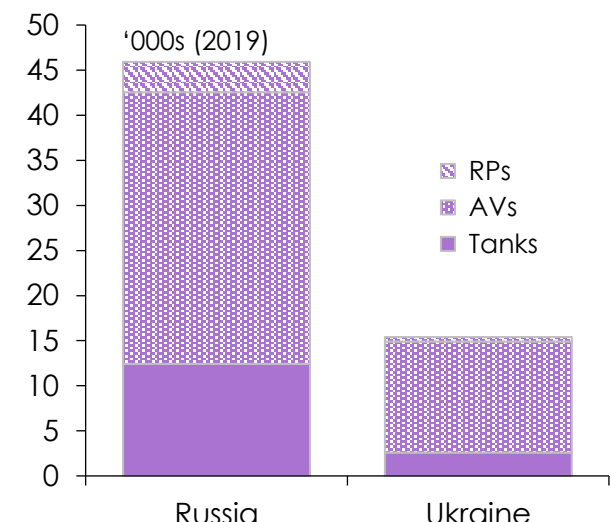
GDP



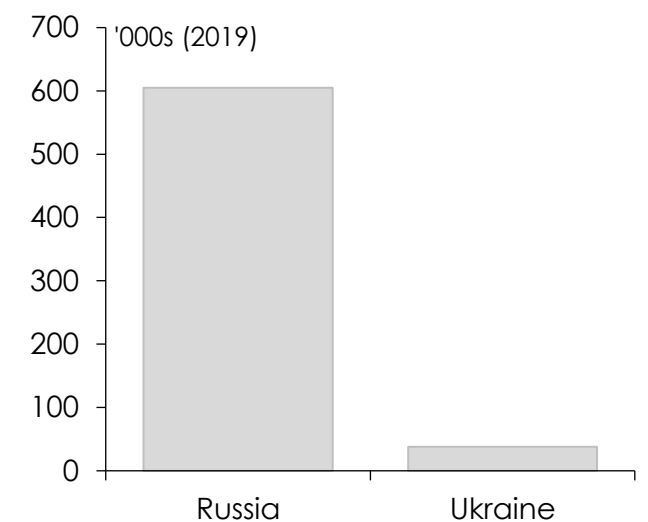
Military spending



Military hardware



Naval assets

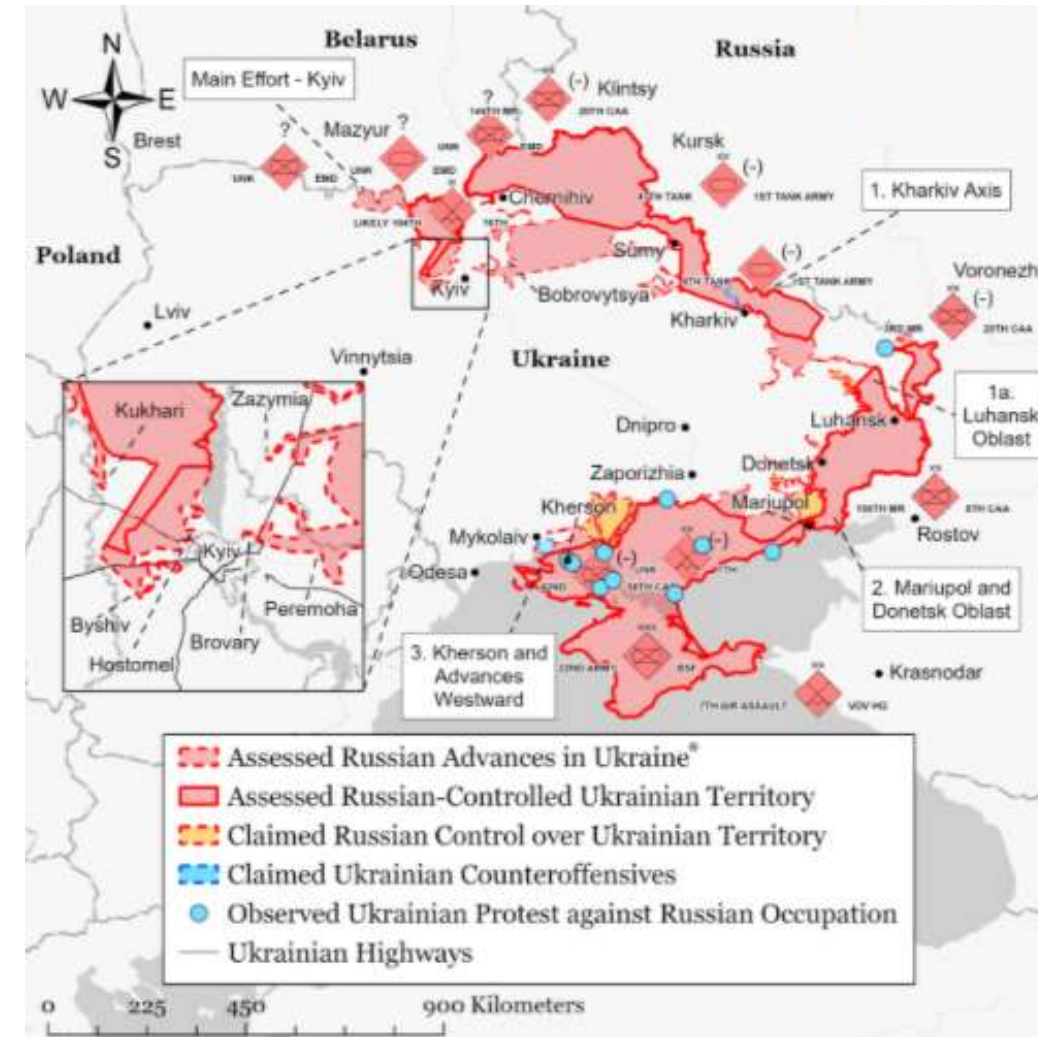


Note: GDP is in US\$ at market exchange rates; 'AVs' are armoured vehicles; 'RPs' are rocket projectors; 'military aircraft' include airplanes, helicopters, transports and tankers; 'naval assets' include aircraft & helicopter carriers, destroyers, frigates, corvettes, submarines and other vessels. Sources: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

Russia can still attain whatever it wants in Ukraine, but at much greater cost than it would have assumed – which may provide the basis for a settlement

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- ❑ 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 remains probable that Russia would eventually be able to capture as much Ukrainian territory as it wished to, and install a 'puppet' regime in Kyiv (similar to the one in Minsk)
- ❑ However doubts now seem to be emerging as to whether Russia is willing and able to bear the (much greater than it would have anticipated) costs of attaining those goals – including those associated with maintaining a 'puppet' regime in place in the face of determined resistance from the Ukrainian population – and whether China is as willing to assist Russia in mitigating the impact of western sanctions as Russia would have initially assumed
- ❑ It is possible to see the elements of a compromise which for Ukraine avoids further (and potentially enormous) loss of life and widespread devastation, and for Russia 'saves face' in involving Ukraine agreeing not to join NATO (which President Zelenskyy has already conceded), declaring itself 'neutral' (in much the same way as Finland or Austria), and (de facto if not de jure) accepting Russia's 2014 annexation of Crimea, Donetsk and Luhansk – in exchange for Russia ceasing hostilities and withdrawing from the Ukrainian territories it has occupied since the beginning of its invasion
- ❑ It's completely unclear how long it might take for such a 'settlement' (or something like it) to be reached – but it seems likely in any event that Western sanctions against Russia will continue for some time after a settlement is reached, that Western countries will continue to seek to 'disengage' economically from Russia, and that there will be lingering economic consequences (see [slide 9](#))



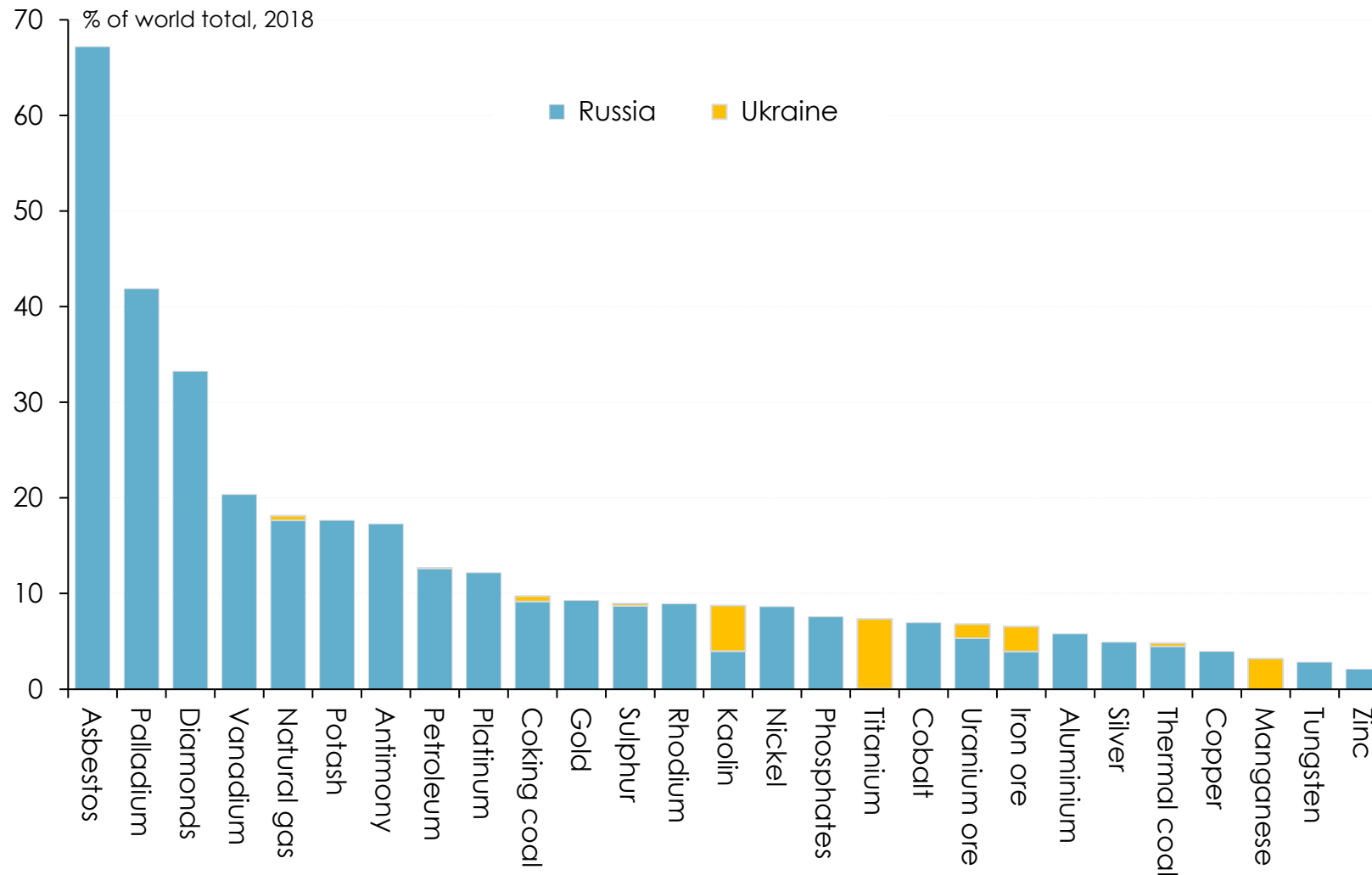
Sources: Institute for the Study of War, [Ukrainian conflict updates](#), 18th March; John Llewellyn & John Dew, *Ukraine: Mr Putin may be biting off more than he can chew*, [Llewellyn Consulting | Independent Economics](#), 25th February 2022, and [Prospects for Iraq: Some Lessons from History](#), 7th June 2004. [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

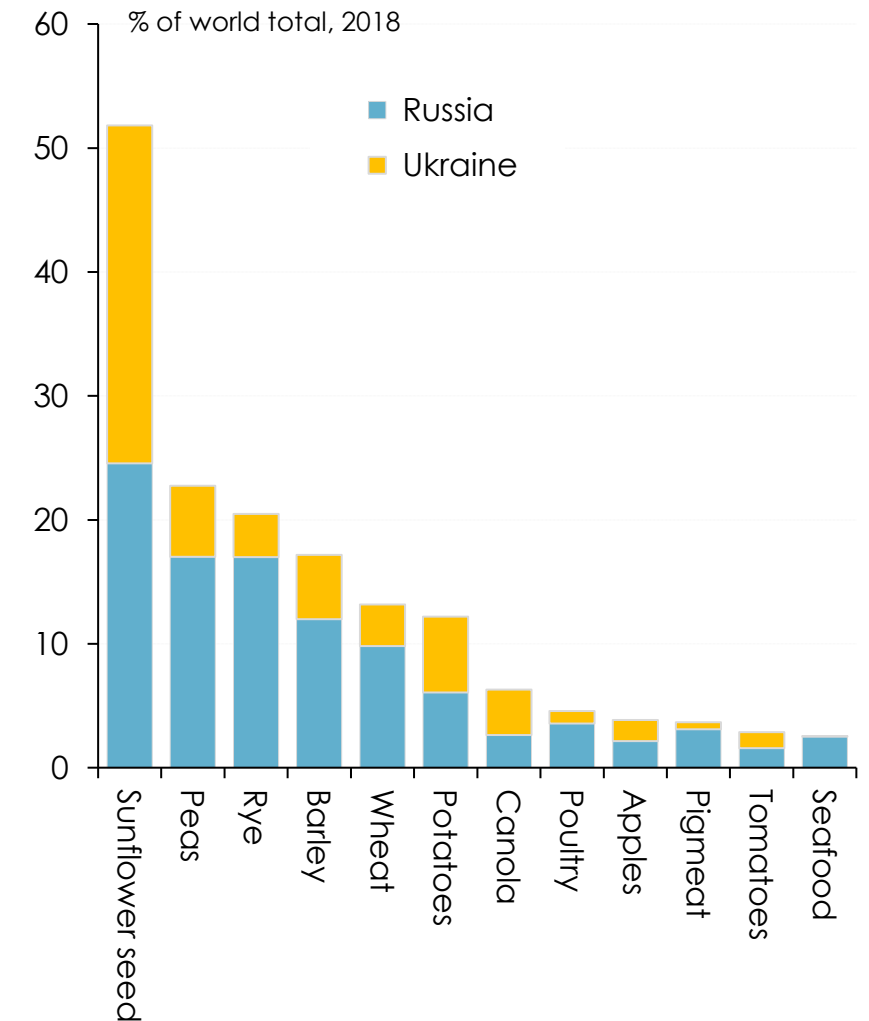
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Russian and Ukrainian shares of global commodity production

Minerals and energy, 2019



Food, 2018

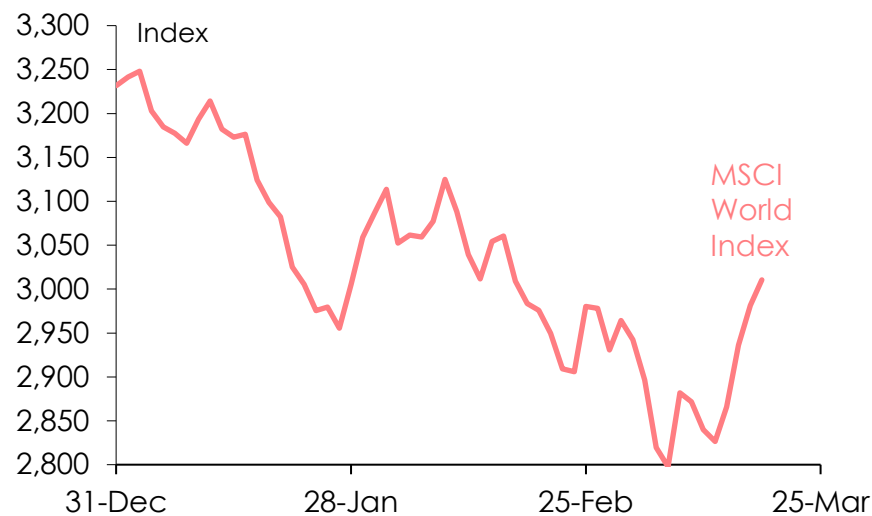


Note: Data for shares of seafood production is 2017. Sources: Austrian Federal Ministry of Agriculture, Regions and Tourism (BMLRT), [World Mining Data](#); Hannah Ritchie and Max Roser, Our World in Data, [Agricultural Production](#). [Return to "What's New"](#).

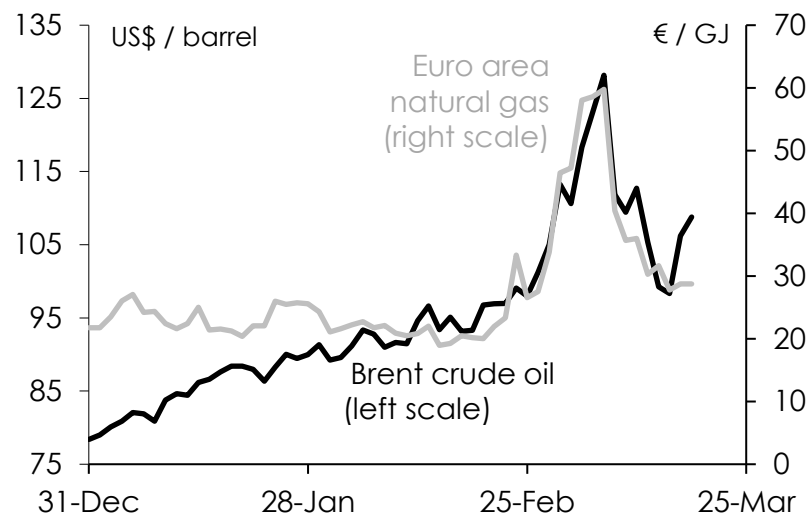
Financial and commodities markets appear to be pricing the possibility of a cease-fire: though energy and food prices remain elevated

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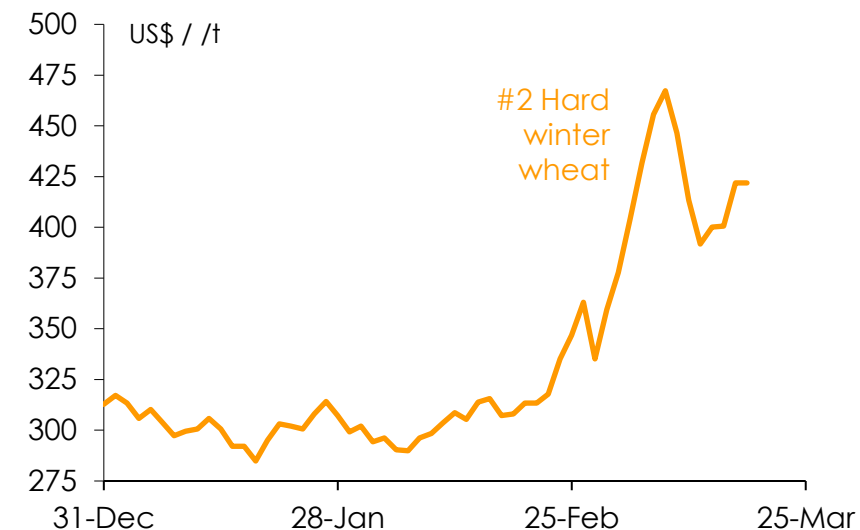
Stockmarkets



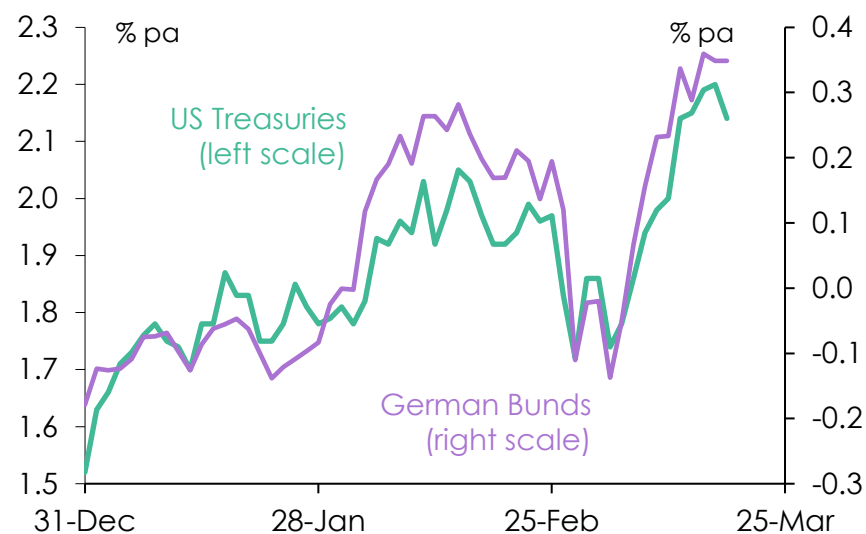
Energy prices



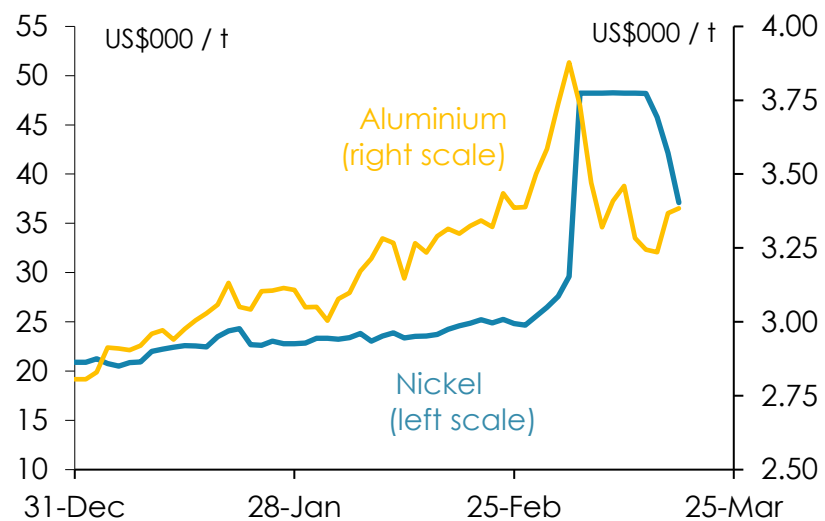
Wheat price



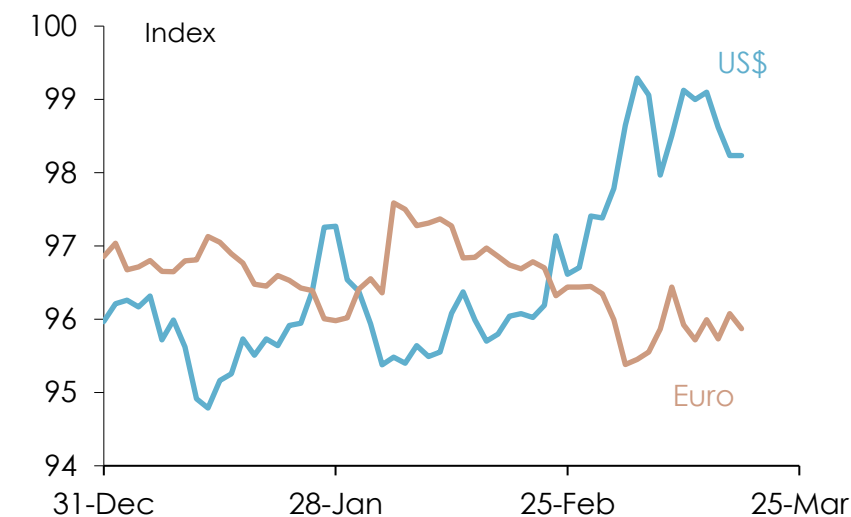
10-year government bond yields



Base metal prices



Currencies



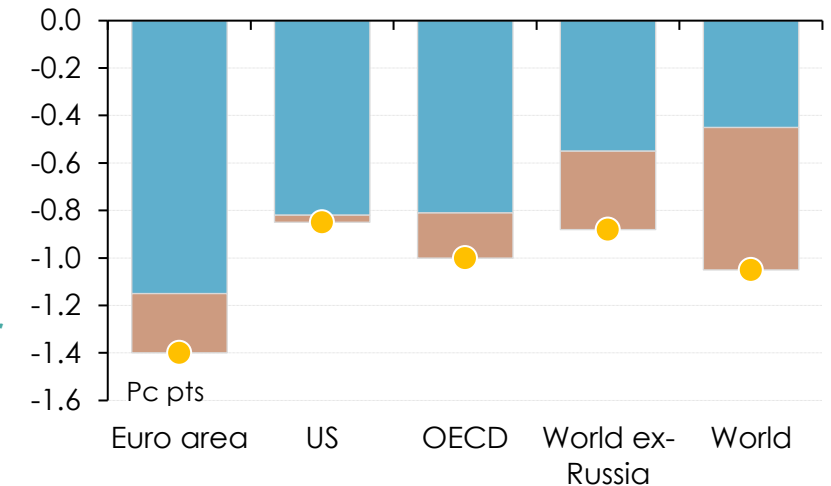
Note: Data up to 18th March. Source: Refinitiv Datastream. [Return to "What's New"](#).

The OECD estimates the Ukraine conflict could cut world growth by 1 pc pt and add 2½ pc pts to world inflation if it lasts for a year

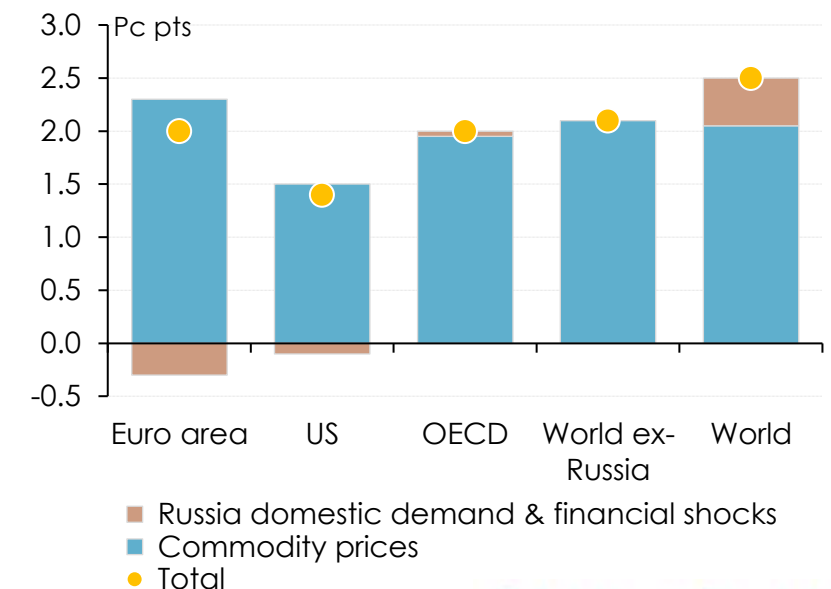
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- ❑ The **OECD** characterizes the war in Ukraine as “a new negative supply shock for the world economy”
 - although Russia & Ukraine together account for 2% of global GDP, they account for 30% of global wheat exports, 20% of global exports of corn, mineral fertilizers and natural gas, and 11% of world oil exports – and “supply chains around the world are dependent” on exports of metals (such as nickel, palladium and titanium) and inert gases (argon and neon) from Russia and Ukraine
 - in addition to the consequences of shortages of, and higher prices for, these commodities, the OECD also identifies “some possible longer-term consequences” including pressures for higher defence spending, changes to the structure of energy markets, potential fragmentation of international payments systems, and changes in the currency composition of FX reserves
- ❑ The OECD estimates that if the commodity and financial market shocks seen in the first two weeks of the conflict persist for at least one year, global growth would be reduced by over 1 pc pt from what it would have been otherwise, and global inflation raised by closed to 2½ pc pts
- ❑ The OECD counsels that “monetary policy should remain focussed on ensuring well-anchored inflation expectations and intervention if needed to ensure the smooth functioning of financial markets”
 - which in practice means that “steps towards the normalization of monetary policy should continue in advanced economies” – more rapidly in the US “where signs of durable inflation pressures were already apparent”, and more slowly “in economies where non-food non-energy inflation remains low, wage pressures are still modest and the adverse impact of the conflict on growth is greatest” (ie, the euro area)
- ❑ The OECD also advises that “there is room for additional temporary and well-targeted fiscal support ... to cushion the immediate effects of commodity and food price shocks on households and companies” in advanced economies – although many emerging & developing economies face “difficult trade-offs between supporting incomes and ensuring debt sustainability”

Impact on GDP



Impact on inflation

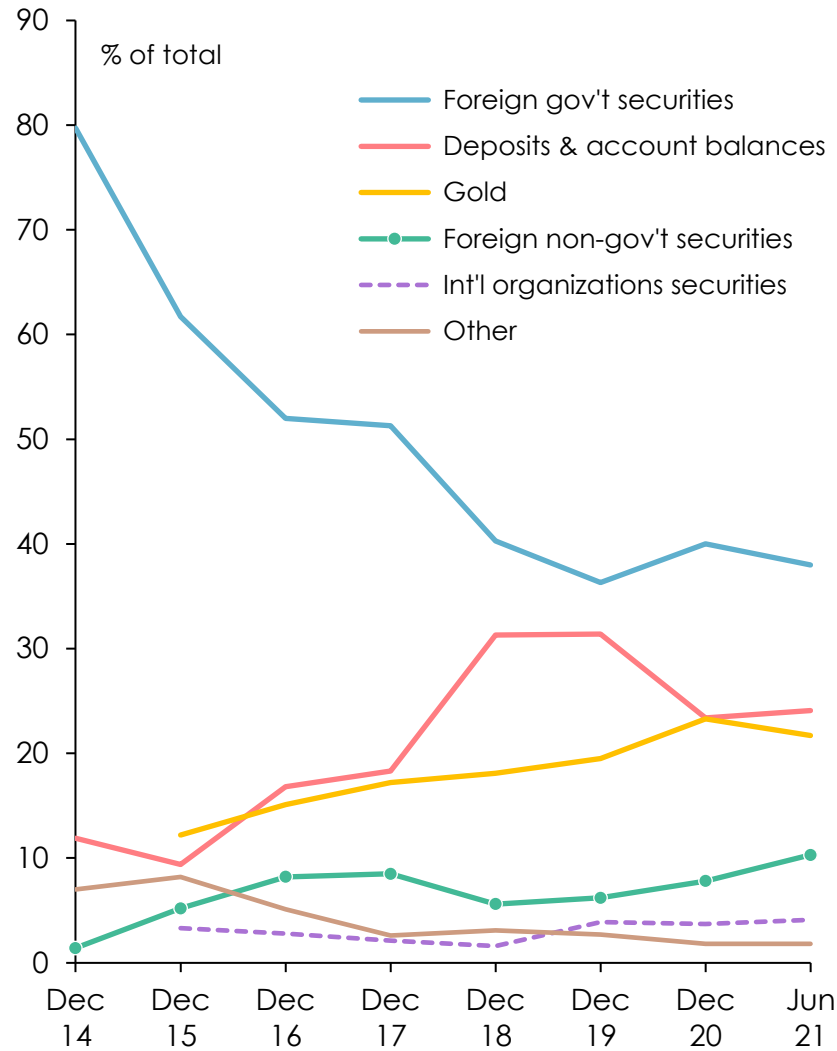


Source: OECD, [Economic and Social Impacts and Policy Implications of the War in Ukraine](#), 17th March 2022. [Return to "What's New"](#).

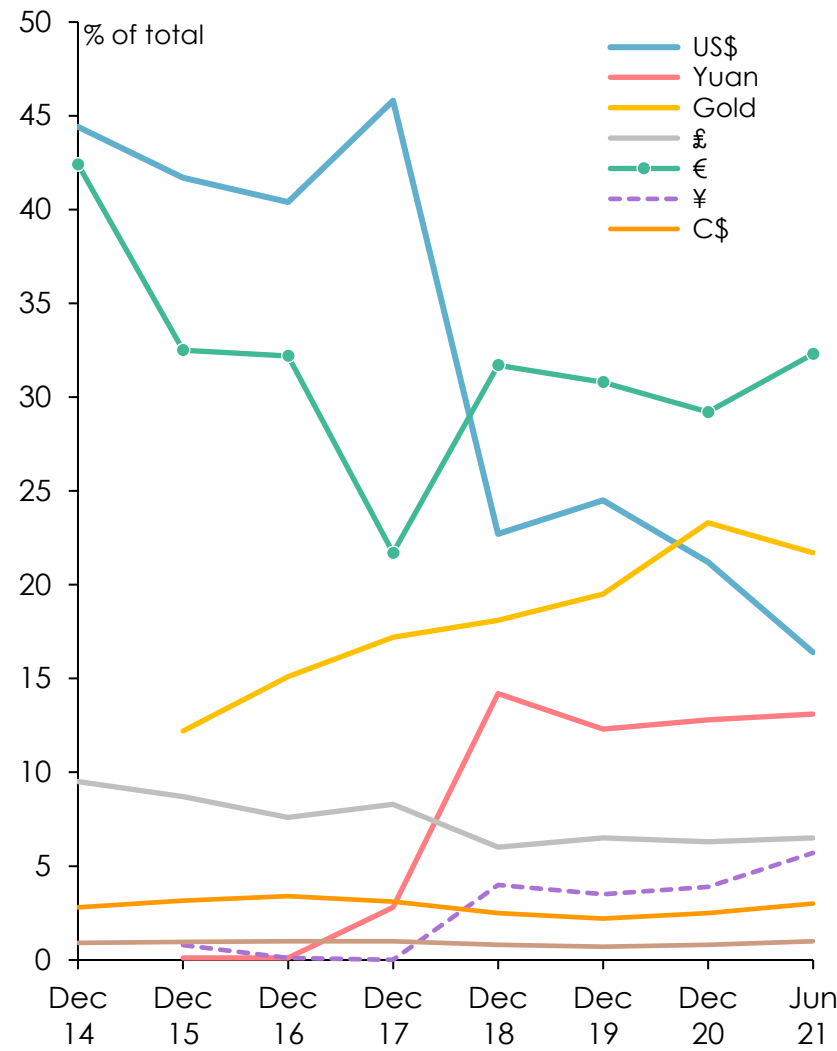
Russia's central bank had been re-arranging its portfolio over the past seven years to reduce its exposure to sanctions, but they will still 'bite'

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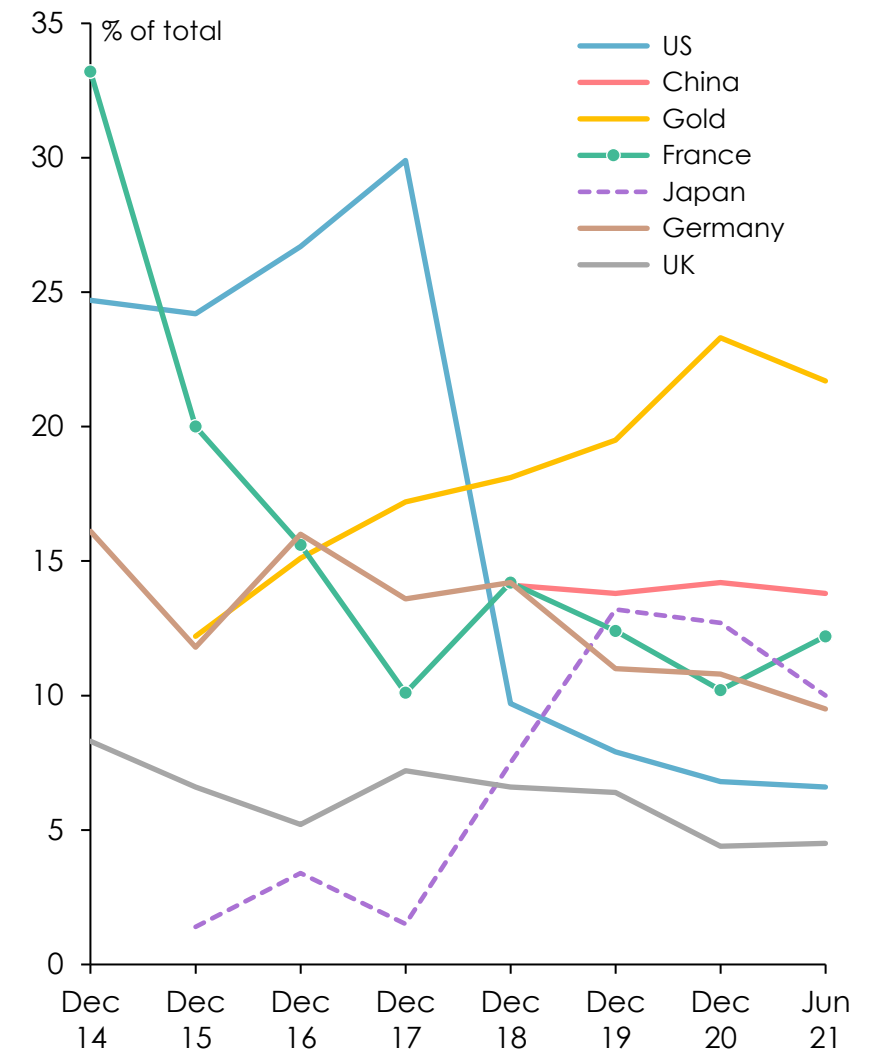
Russian FX reserves by instrument



Russian FX reserves by currency



Russian FX reserves by location

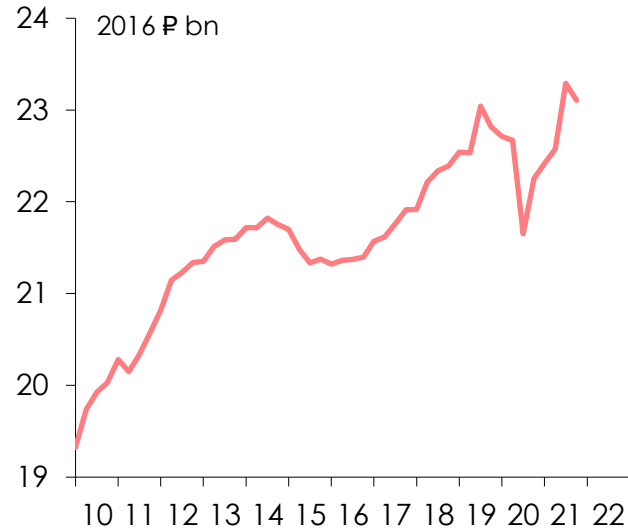


Source: Central Bank of Russia, [Foreign Exchange and Gold Asset Management Report](#), No. 1, 2022 and previous issues. [Return to "What's New"](#).

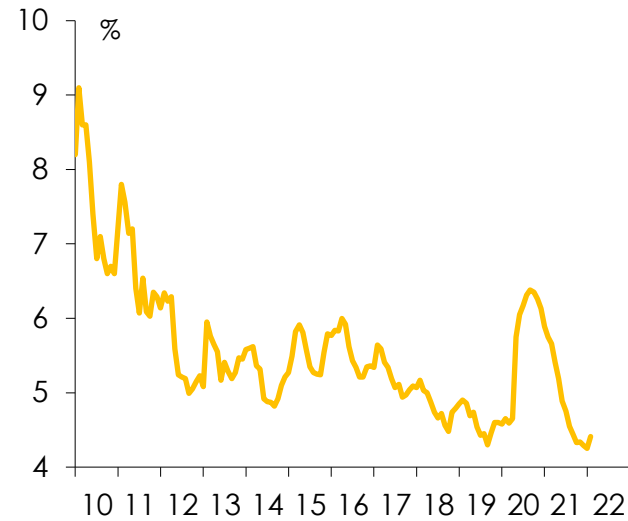
Russia's central bank left its policy rate unchanged at 20% at its regular Board meeting on Friday

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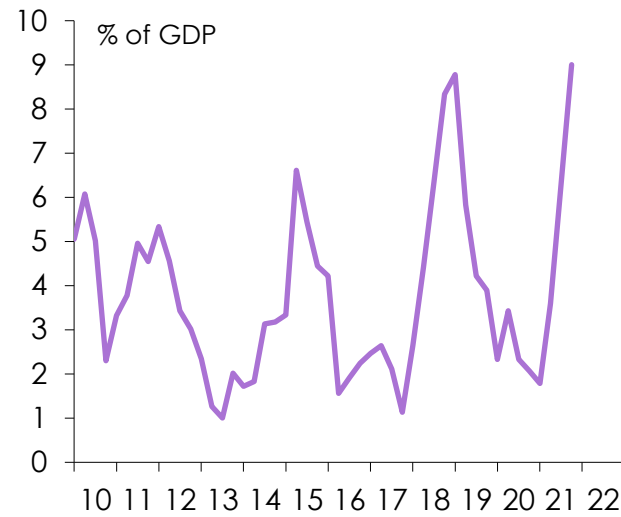
Real GDP



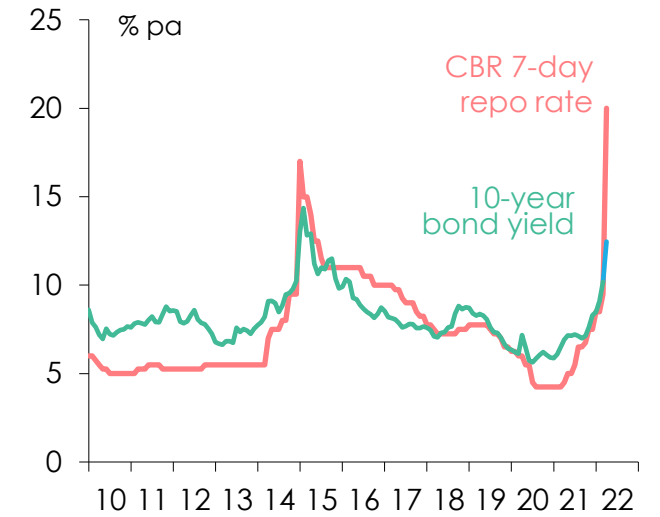
Unemployment



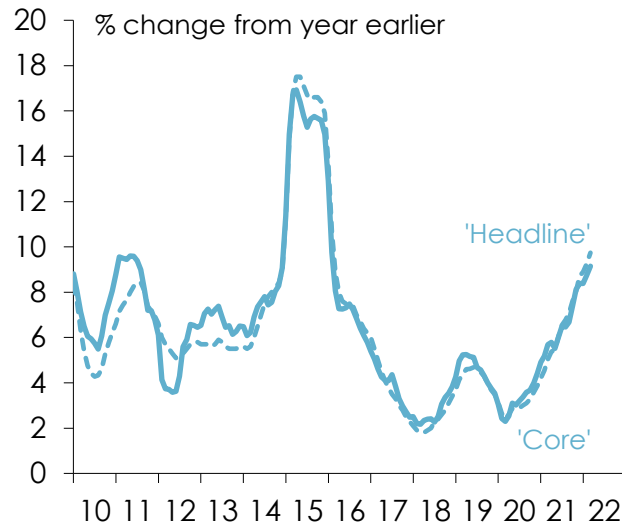
Current account balance



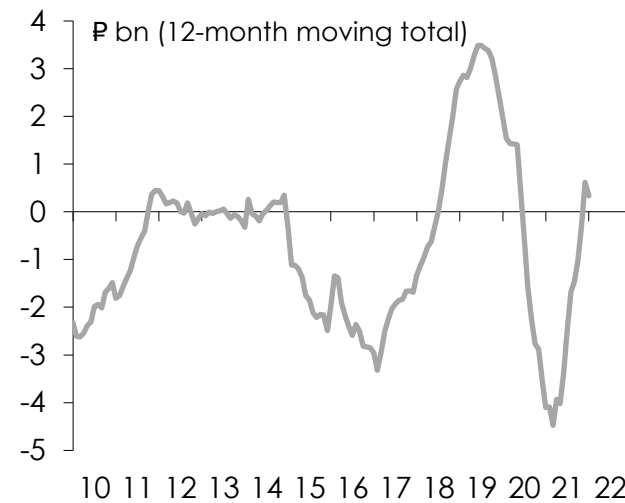
Interest rates



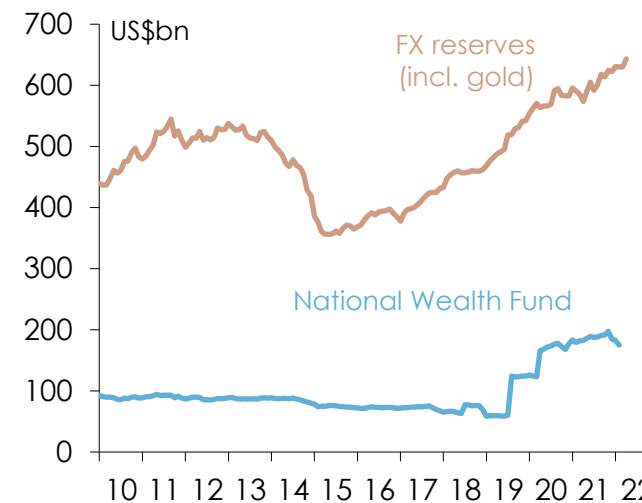
Inflation



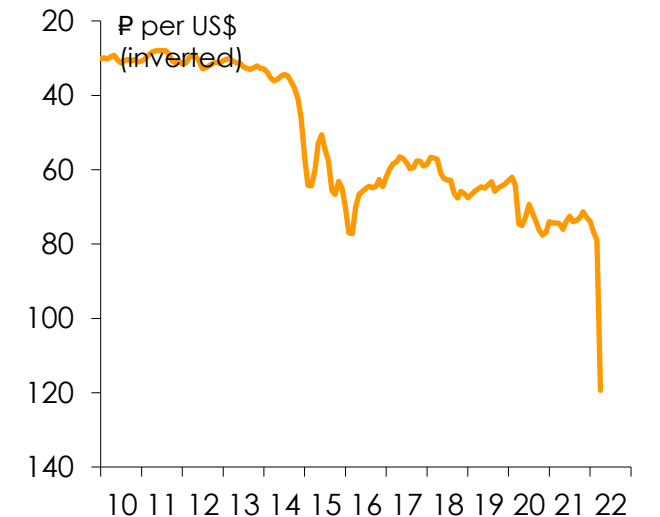
Federal budget deficit



State financial assets



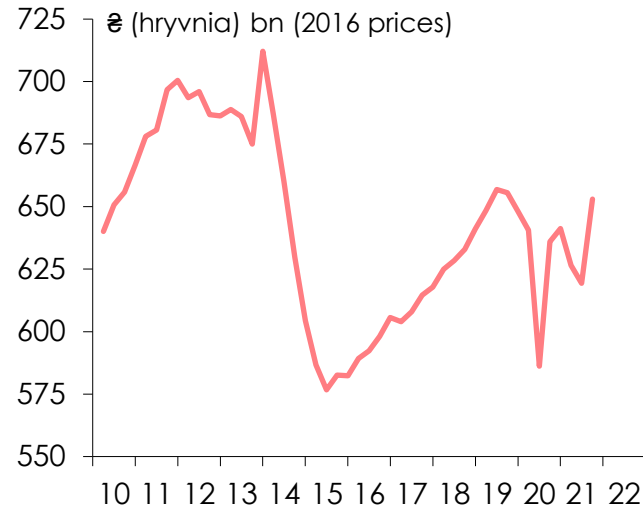
Russian ruble vs US\$



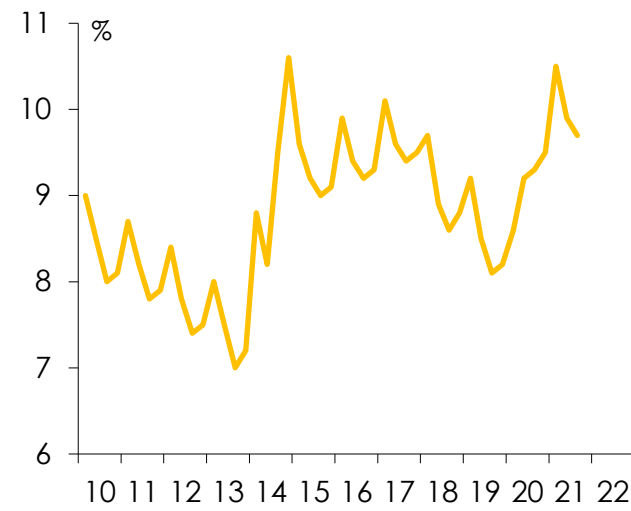
Ukraine's economy was severely harmed by Russia's invasion in 2014, and is in a weaker condition than Russia's as the latter invades again

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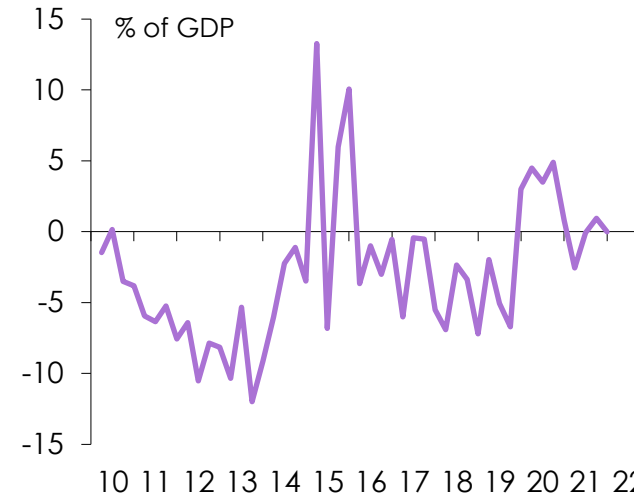
Real GDP



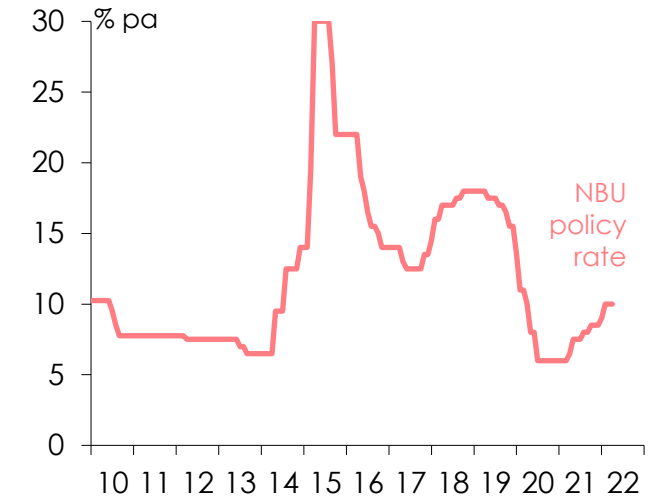
Unemployment



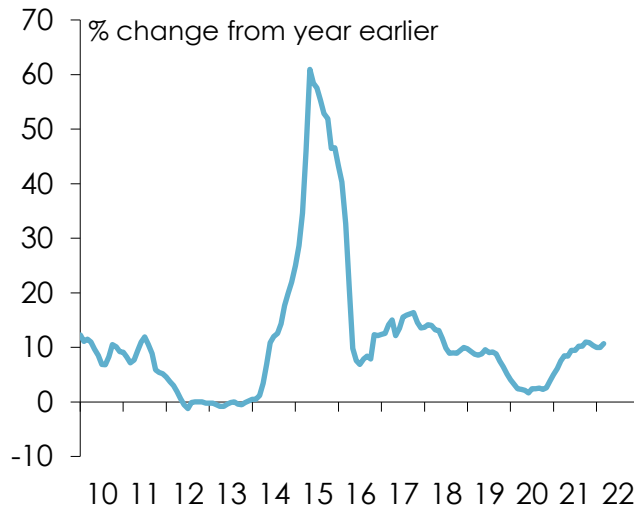
Current account balance



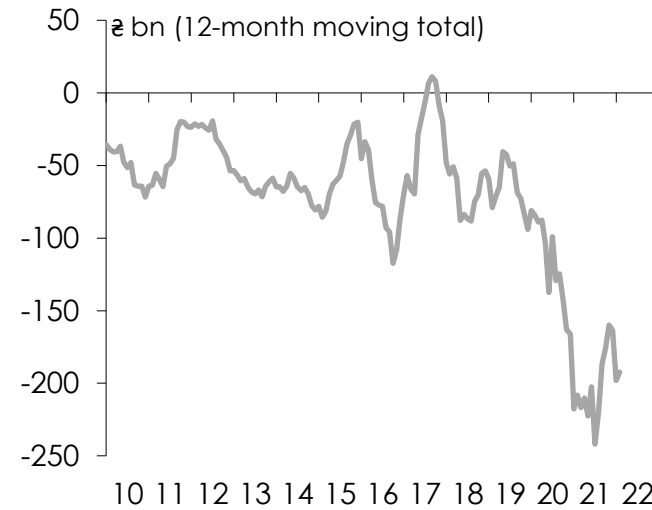
Interest rates



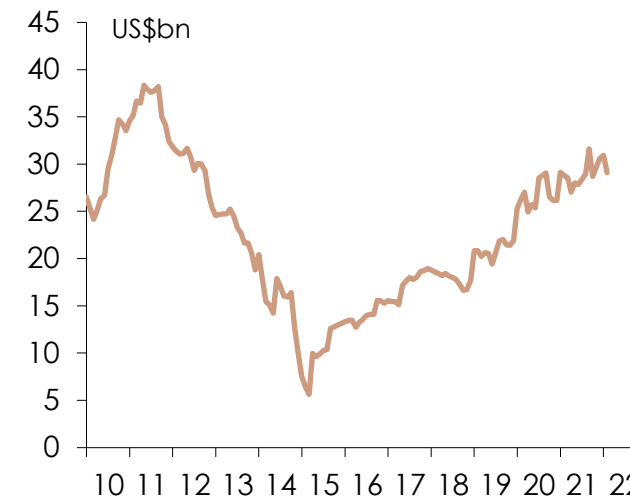
Inflation



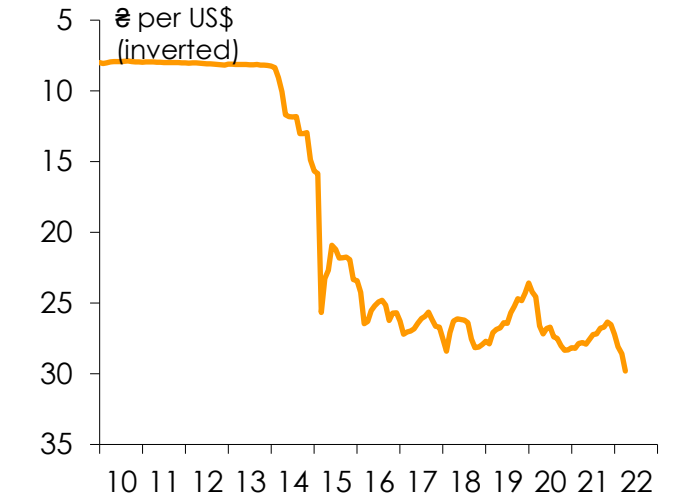
Budget deficit



FX reserves



Ukrainian hryvnia vs US\$

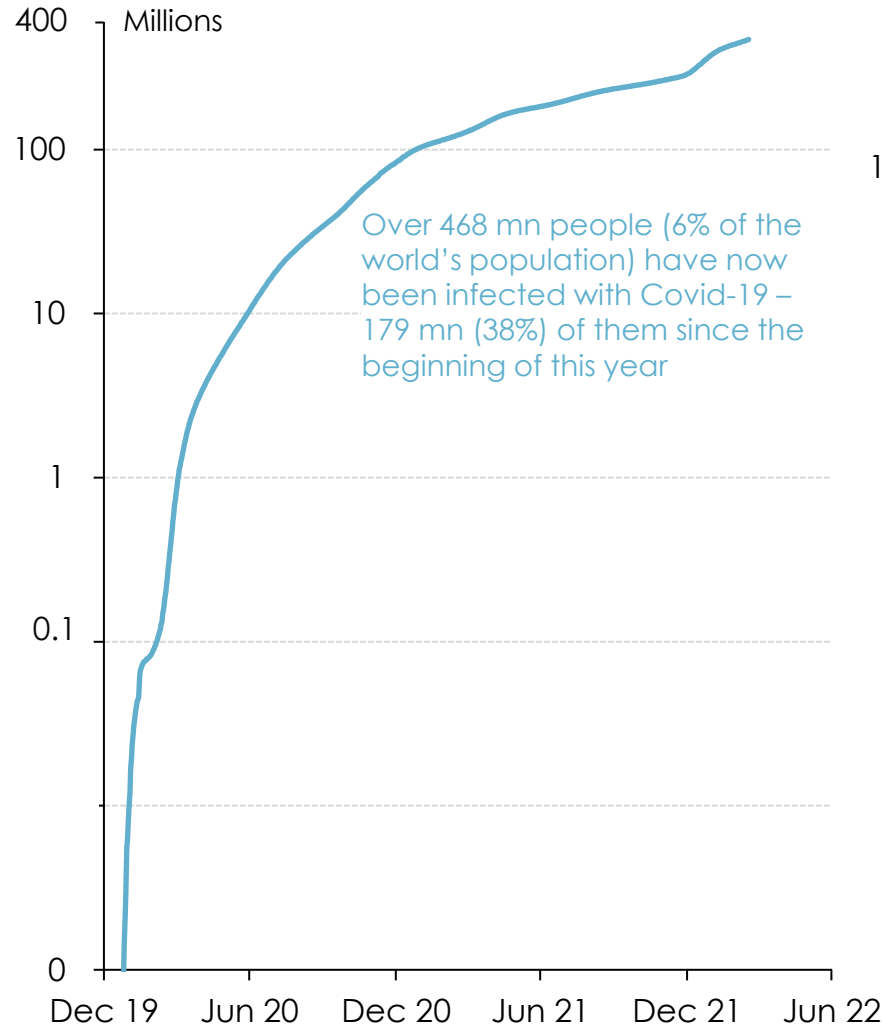


The virus

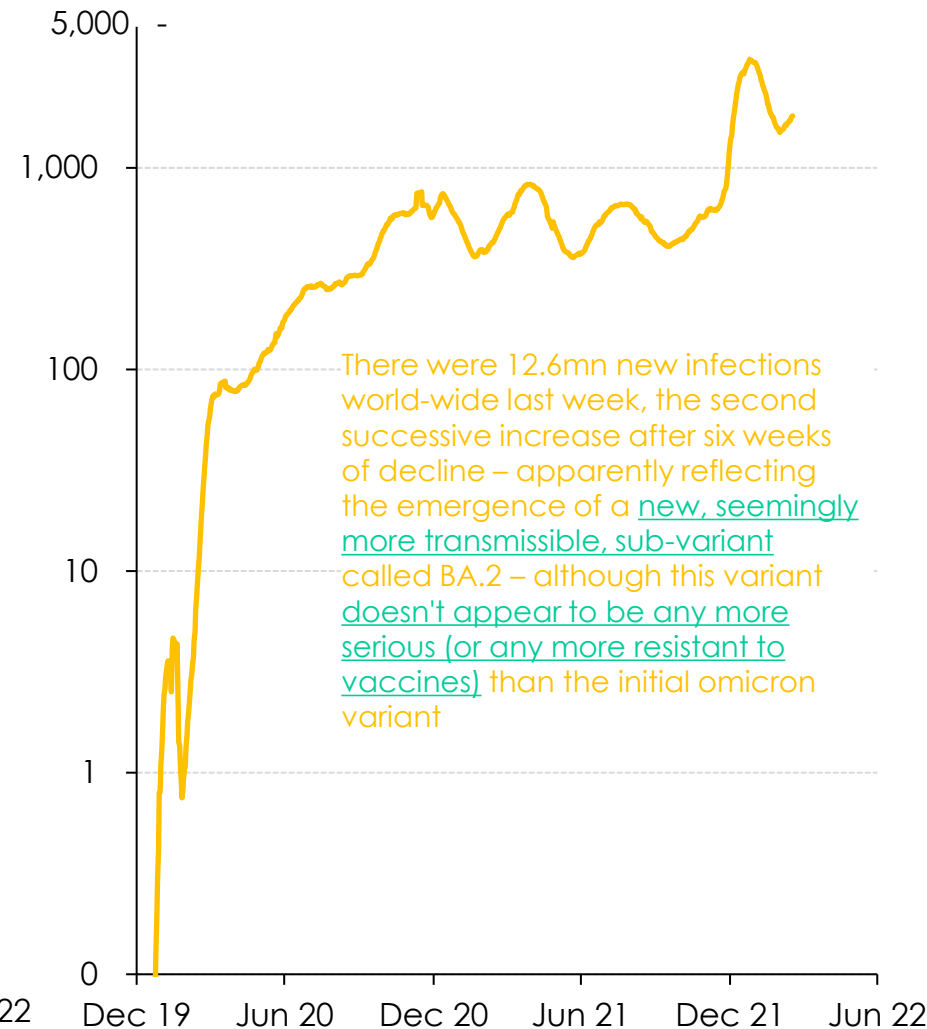
The number of new infections rose last week for the second week in a row, apparently reflecting the spread of the new 'BA.2' omicron sub-variant

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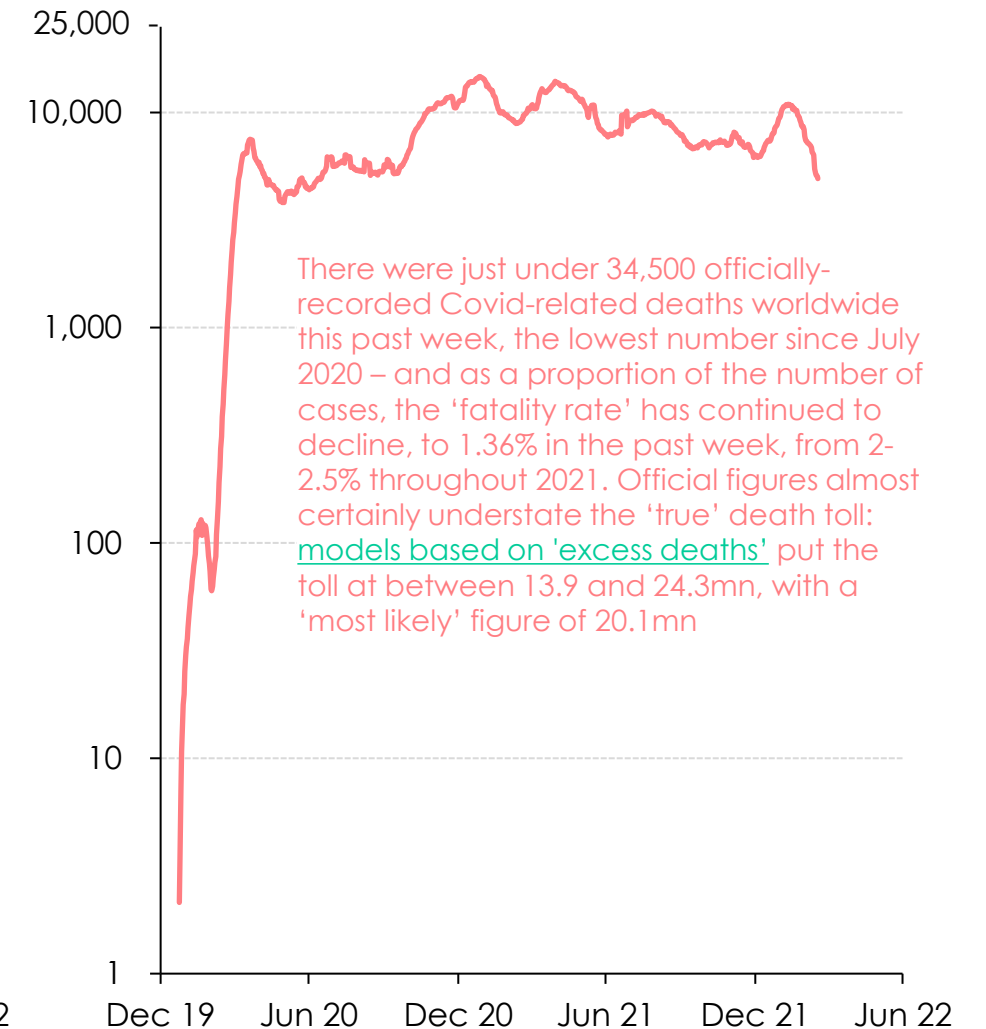
Cumulative confirmed cases – global total



New confirmed cases – global total



New deaths – global total

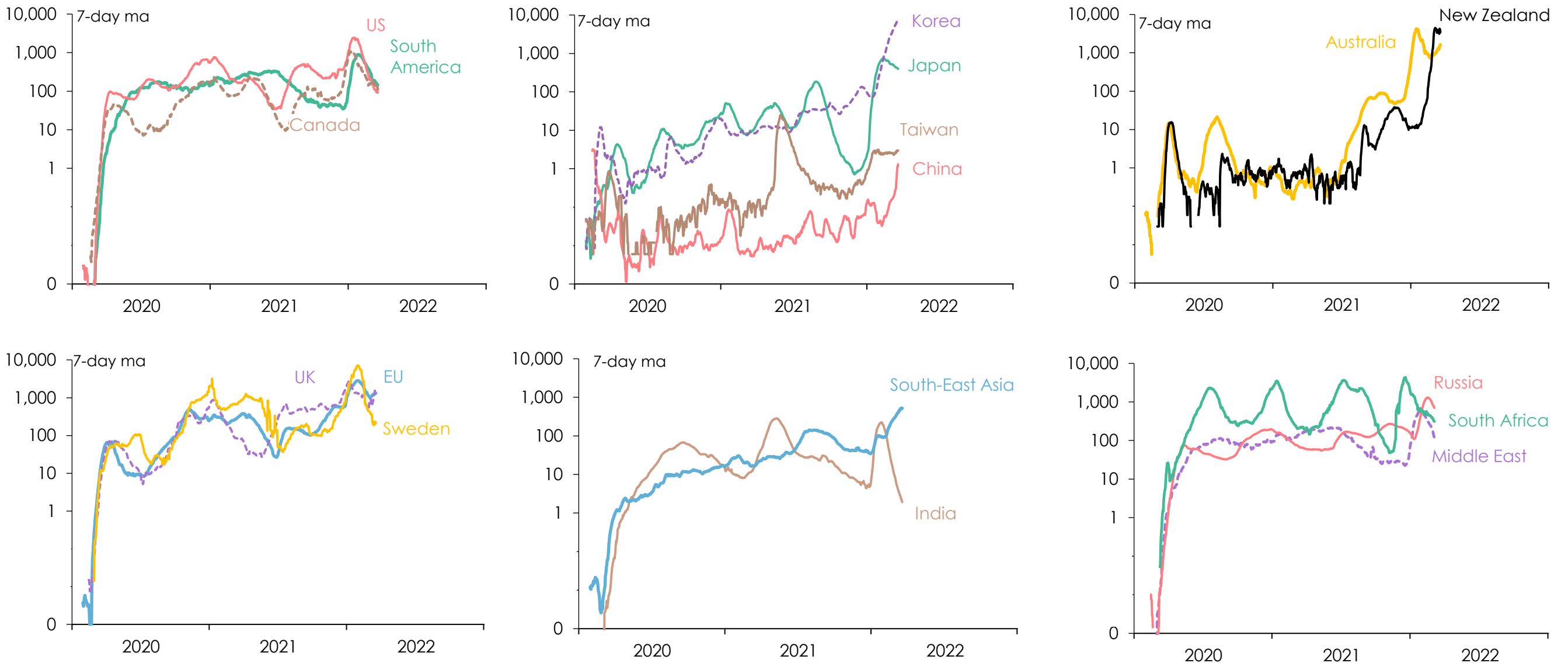


Note: All charts are on logarithmic scales. Data up to 18th March. Source: University of Oxford, [Our World in Data](#). [Return to "What's New"](#).

The rise in new infections is concentrated in parts of Europe (the UK, France, Germany & Italy), Korea and China

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Daily new cases per million population – major countries and regions

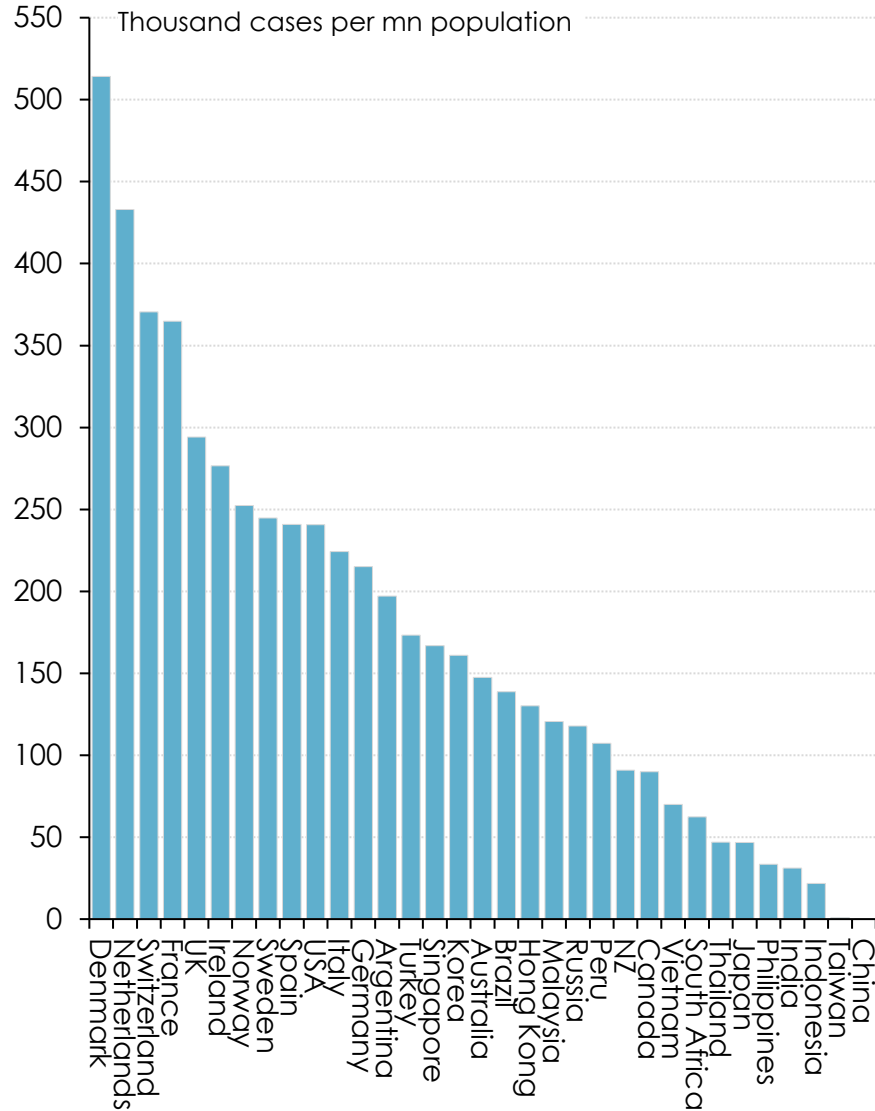


Note: All charts are on logarithmic scales. Data up to 18th March. Source: University of Oxford, [Our World in Data](#); Corinna. [Return to "What's New"](#).

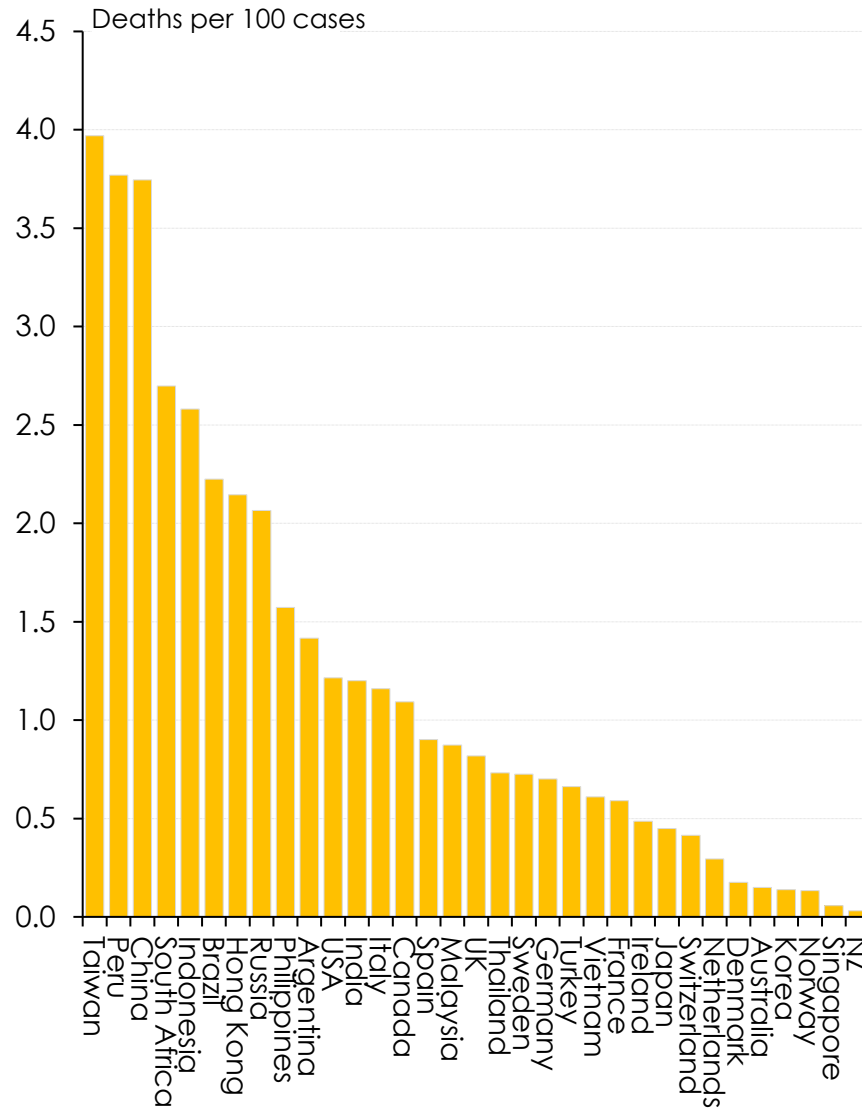
The highest cumulative infection and death rates (since the onset of the pandemic) have been in Europe, South and North America

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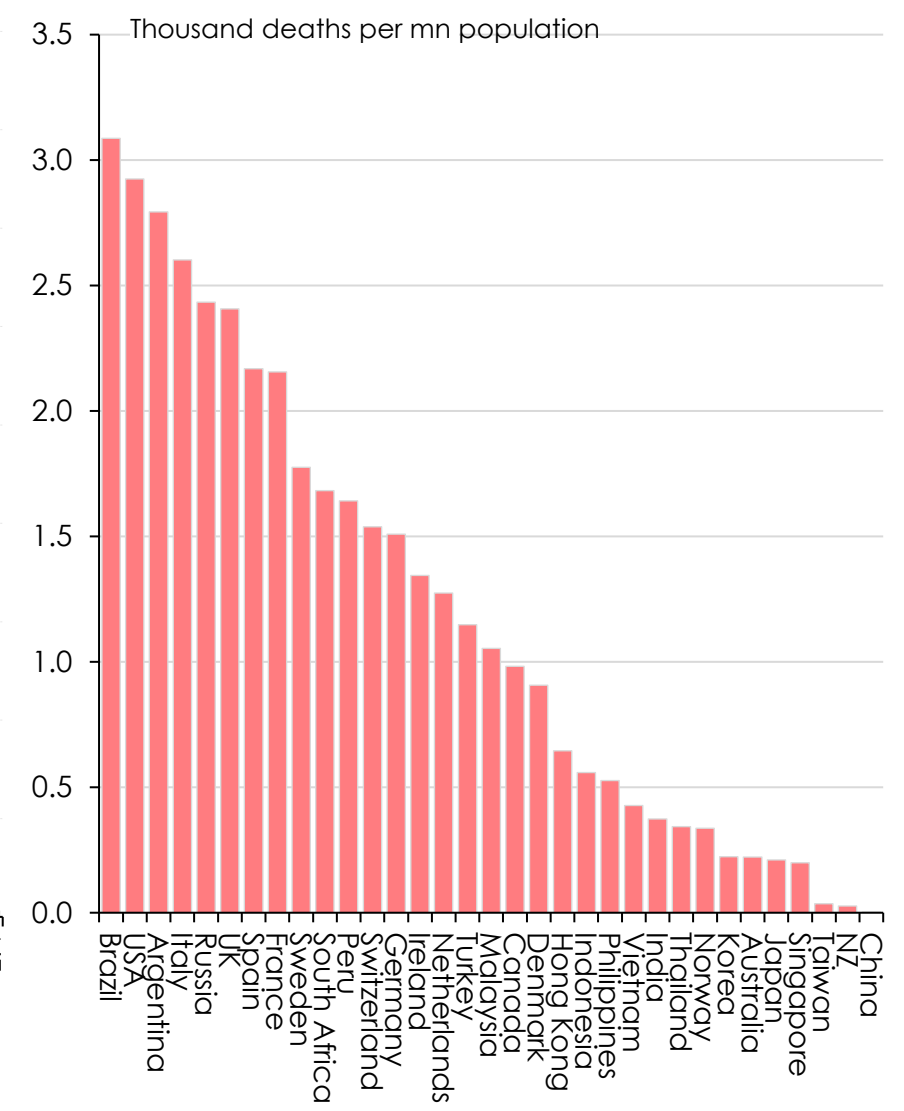
Apparent infection rate



Apparent fatality rate



Apparent death rate

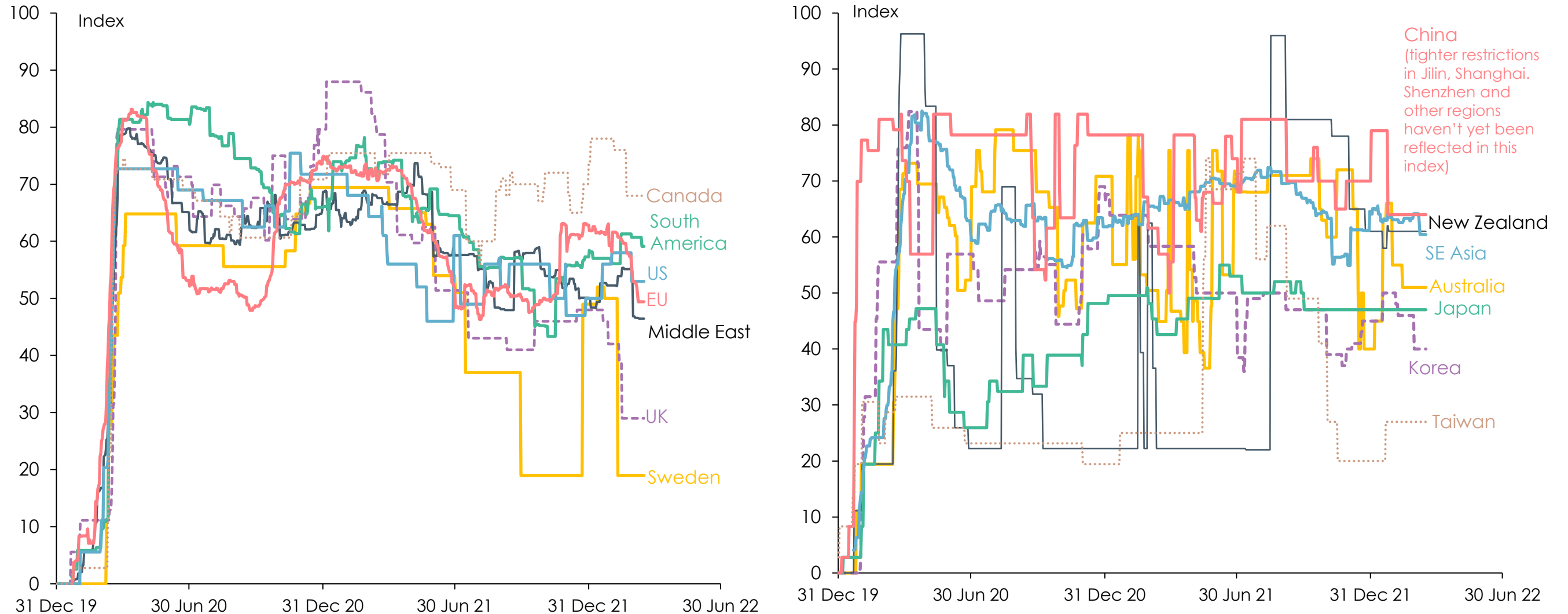


Note: Data up to 18th March. Sources: University of Oxford, [Our World in Data](#); Corinna. [Return to "What's New"](#).

China has imposed severe restrictions in some regions where case number have risen, but these aren't yet reflected in the Oxford index

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

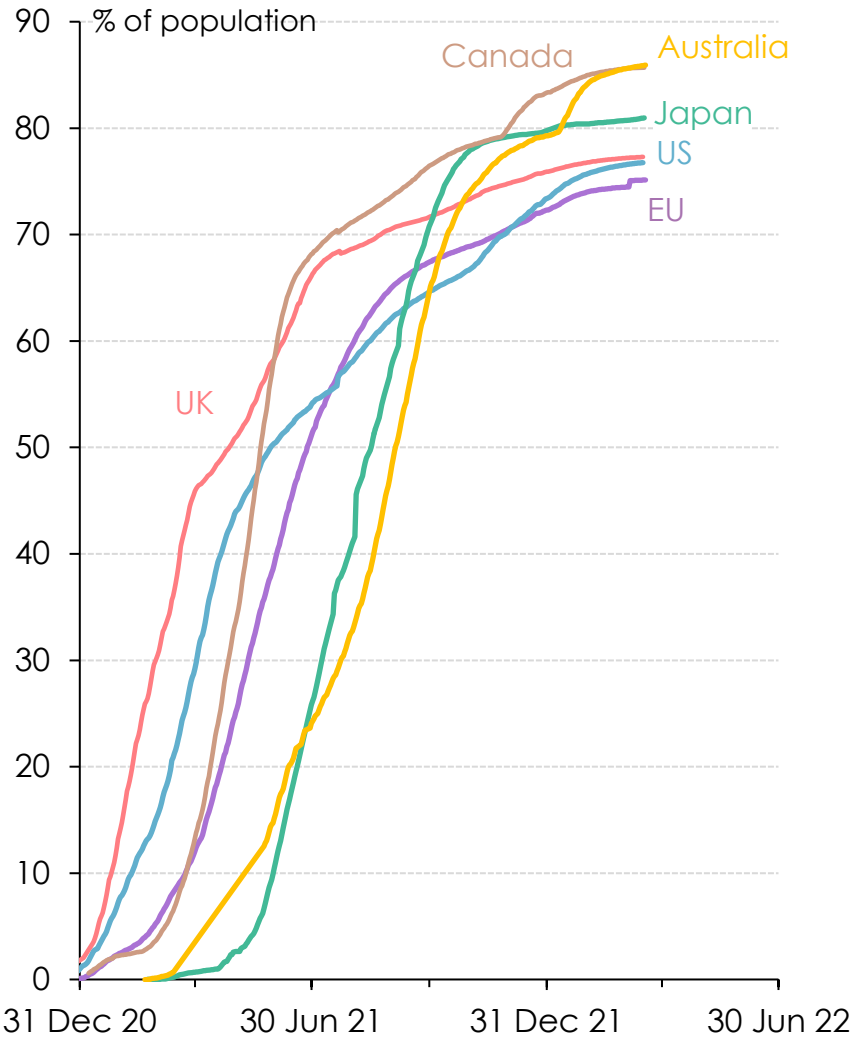


The Oxford COVID-19 Government Response Tracker collects publicly available information on 11 indicators of government response including school & workplace closures, public events cancellations, restrictions on public gatherings, stay at home requirements, public transport closures, domestic & international travel restrictions, public information campaigns, testing and contact tracing. Source: [Blavatnik School of Government, Oxford University](#). Series for South-East Asia, the EU, South America and the Middle East are population-weighted averages for individual constituent countries. Data up to 18th March. [Return to "What's New"](#).

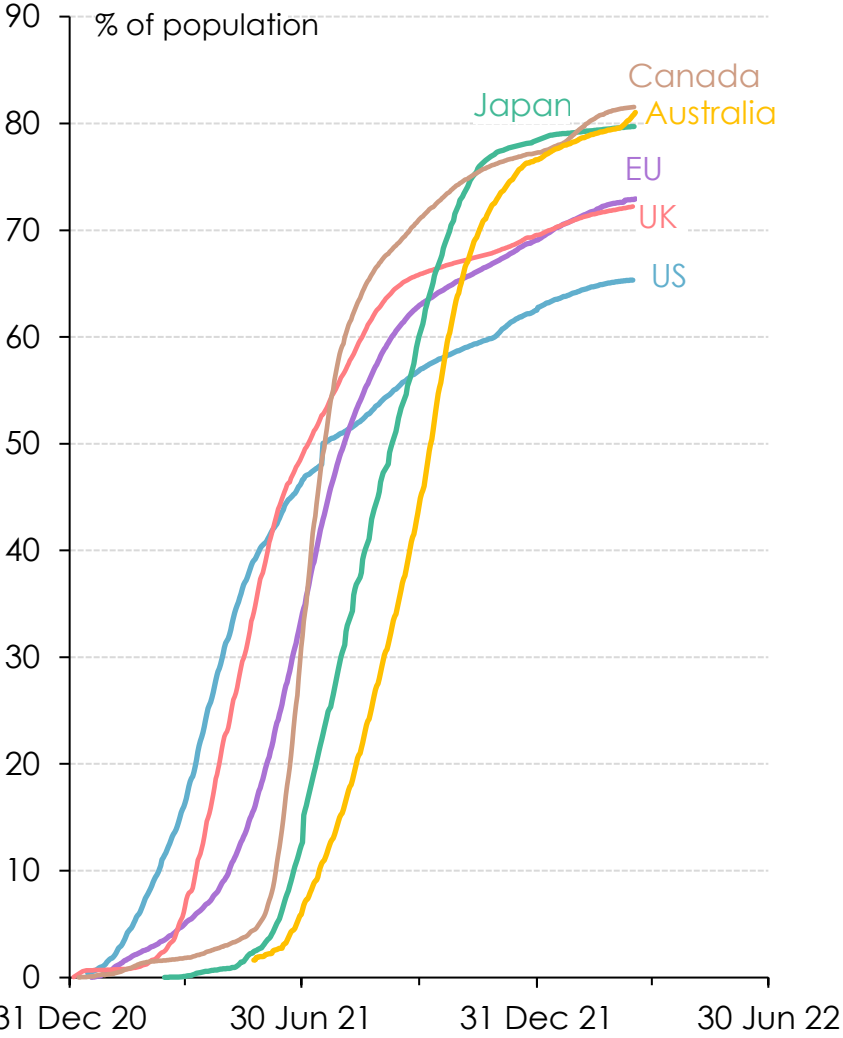
The US lags behind most other 'advanced' economies in fully vaccinating its population while the US & Japan are lagging with 'booster' shots

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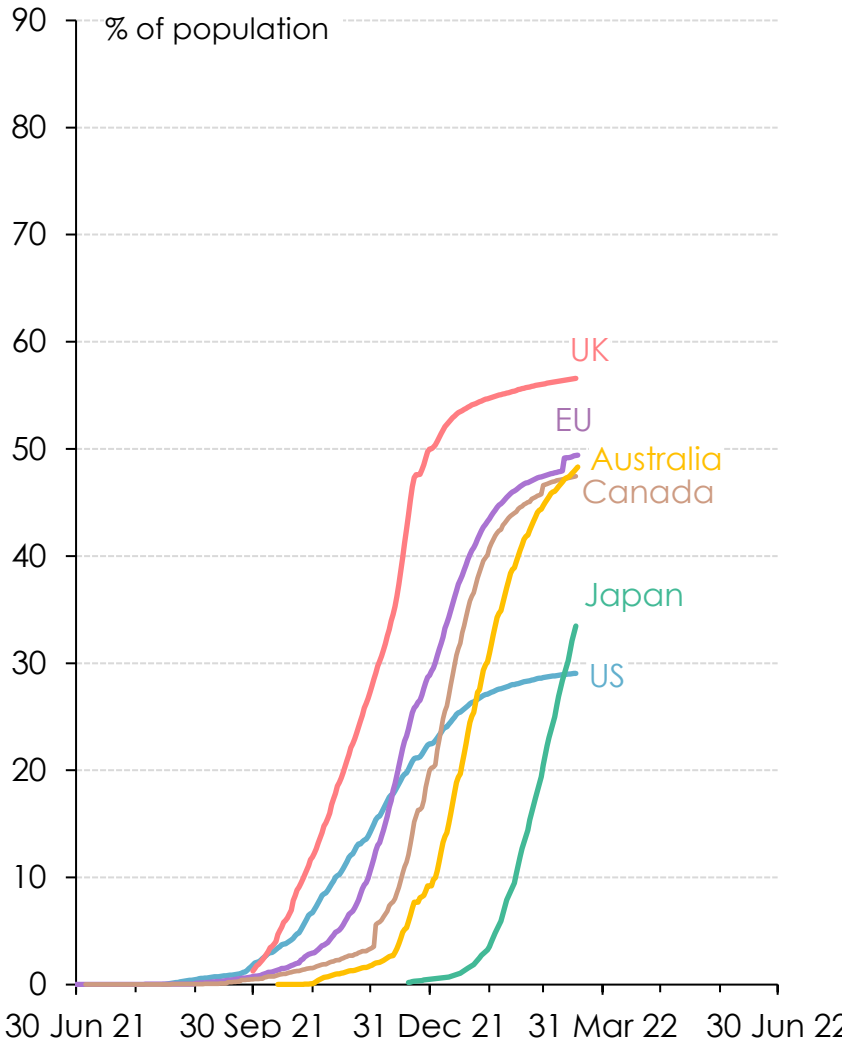
Percentage of populations who have had at least one shot



Percentage of populations who have had two shots



Percentage of populations who have had a 'booster' shot

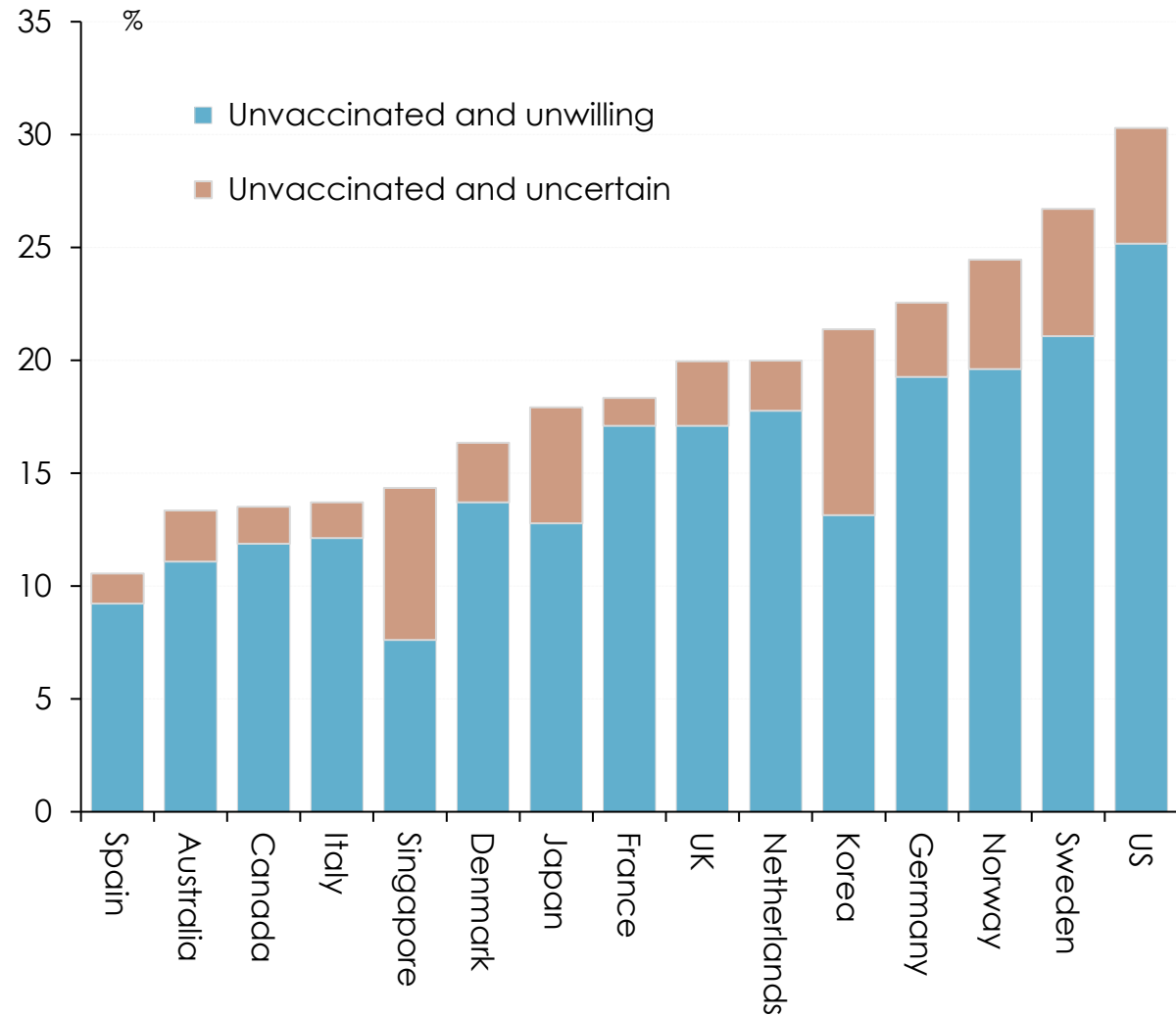


Note: Data up to 17th or 18th March. Source: [Our World in Data](#); [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

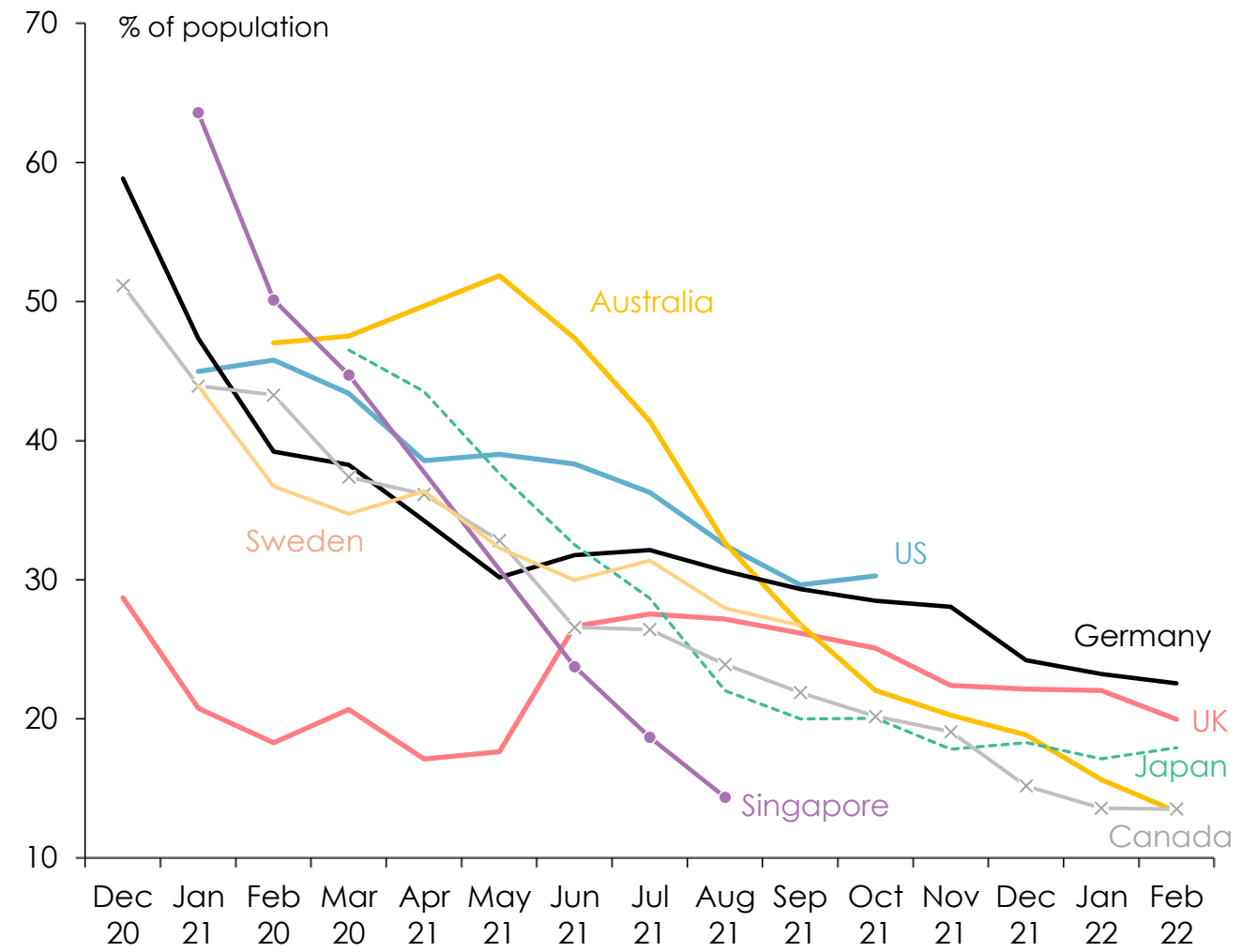
Vaccine hesitancy is now higher in the US and (perhaps more surprisingly) in Germany than in other 'advanced' economies

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



Percentage of populations unvaccinated and unwilling or uncertain about getting vaccinated



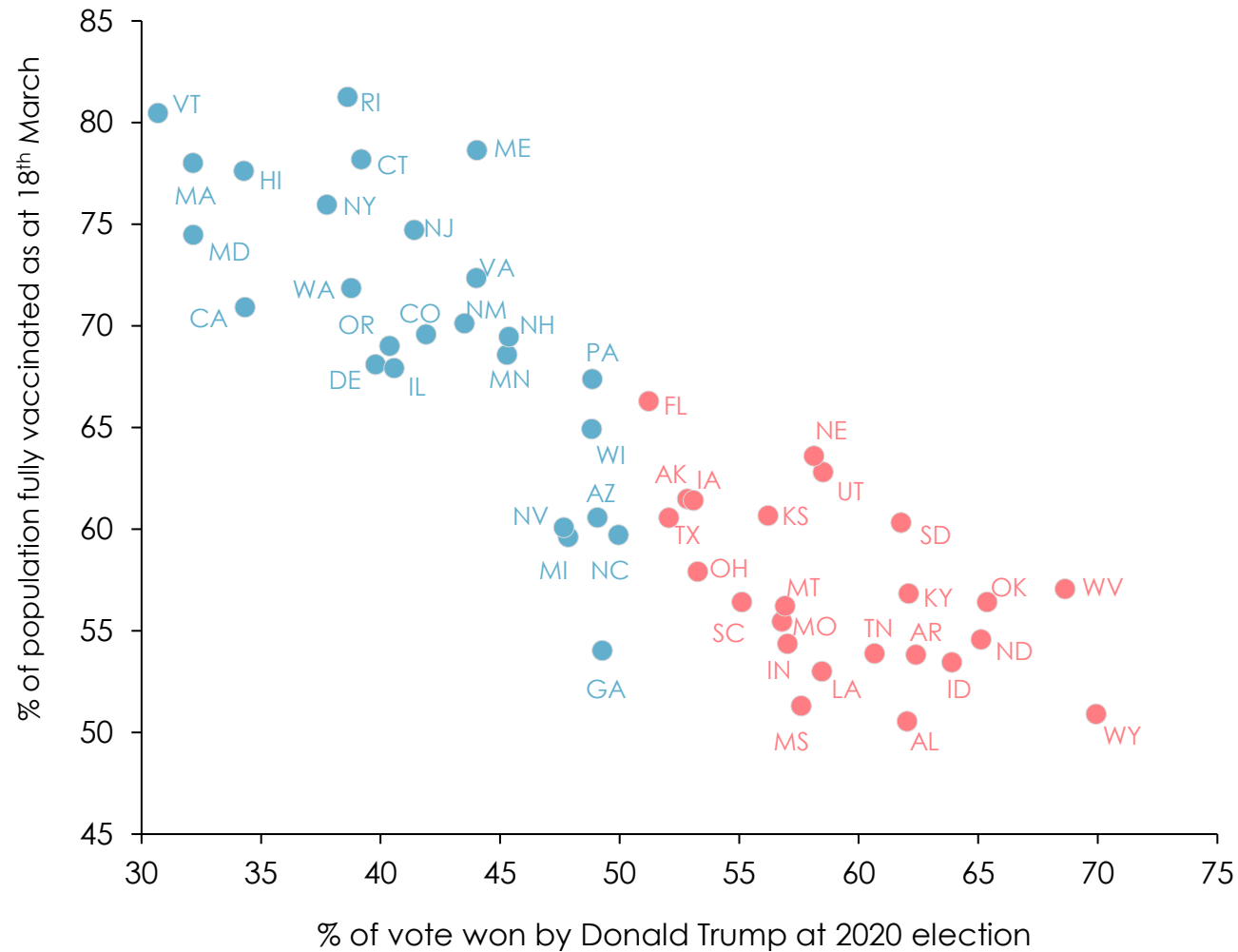
Note: data for Singapore and Norway are for August; data for Korea and Sweden are for September; data for the US are for October; data for Denmark are for January.

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 – 21ST MARCH 2022

Vaccination rates vs Trump vote at 2020 elections, by state



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

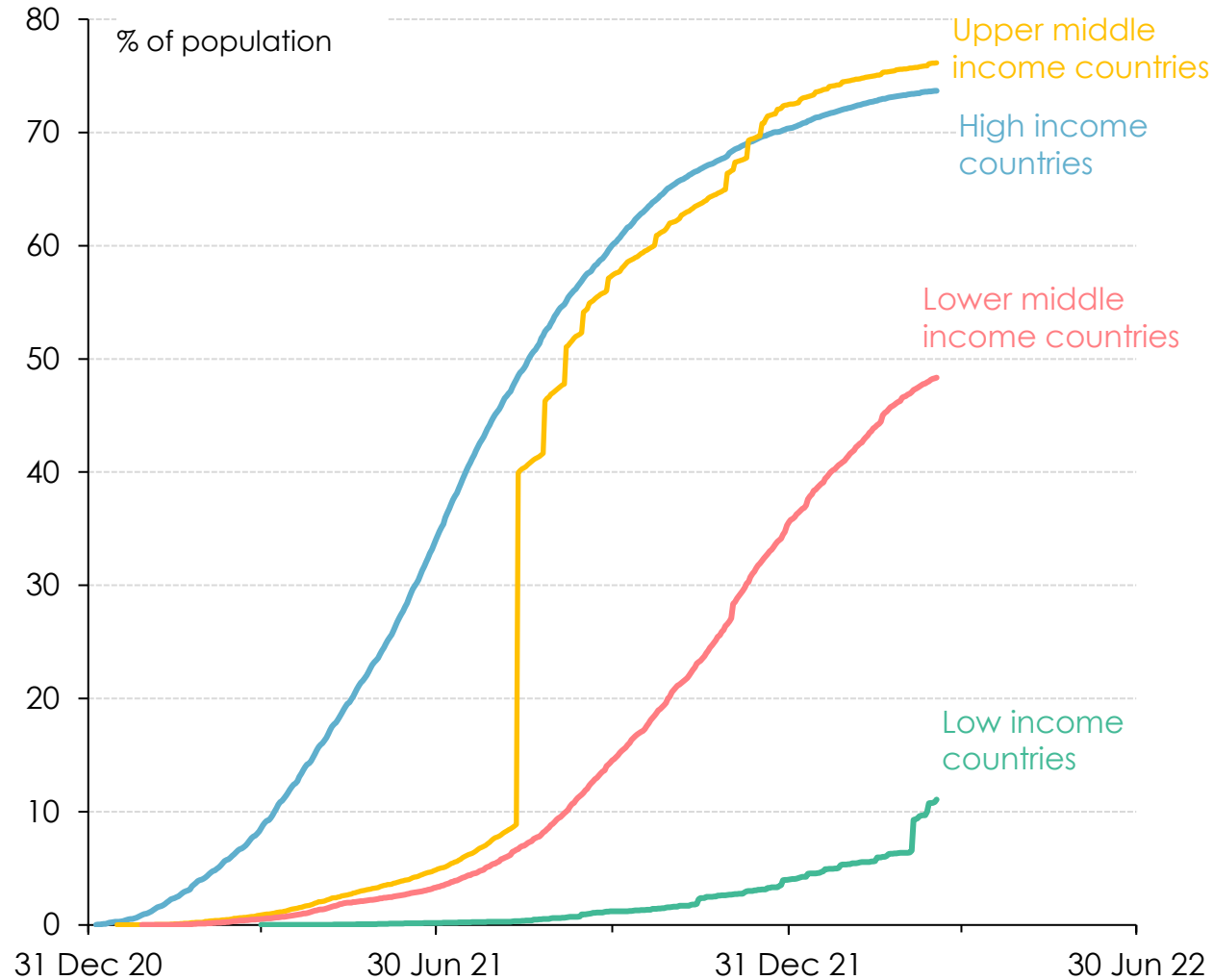


Note: Case data as at 18th March. Sources: [The Cook Political Report](#); [Our World in Data](#); [USA Facts](#); Corinna. [Return to "What's New"](#).

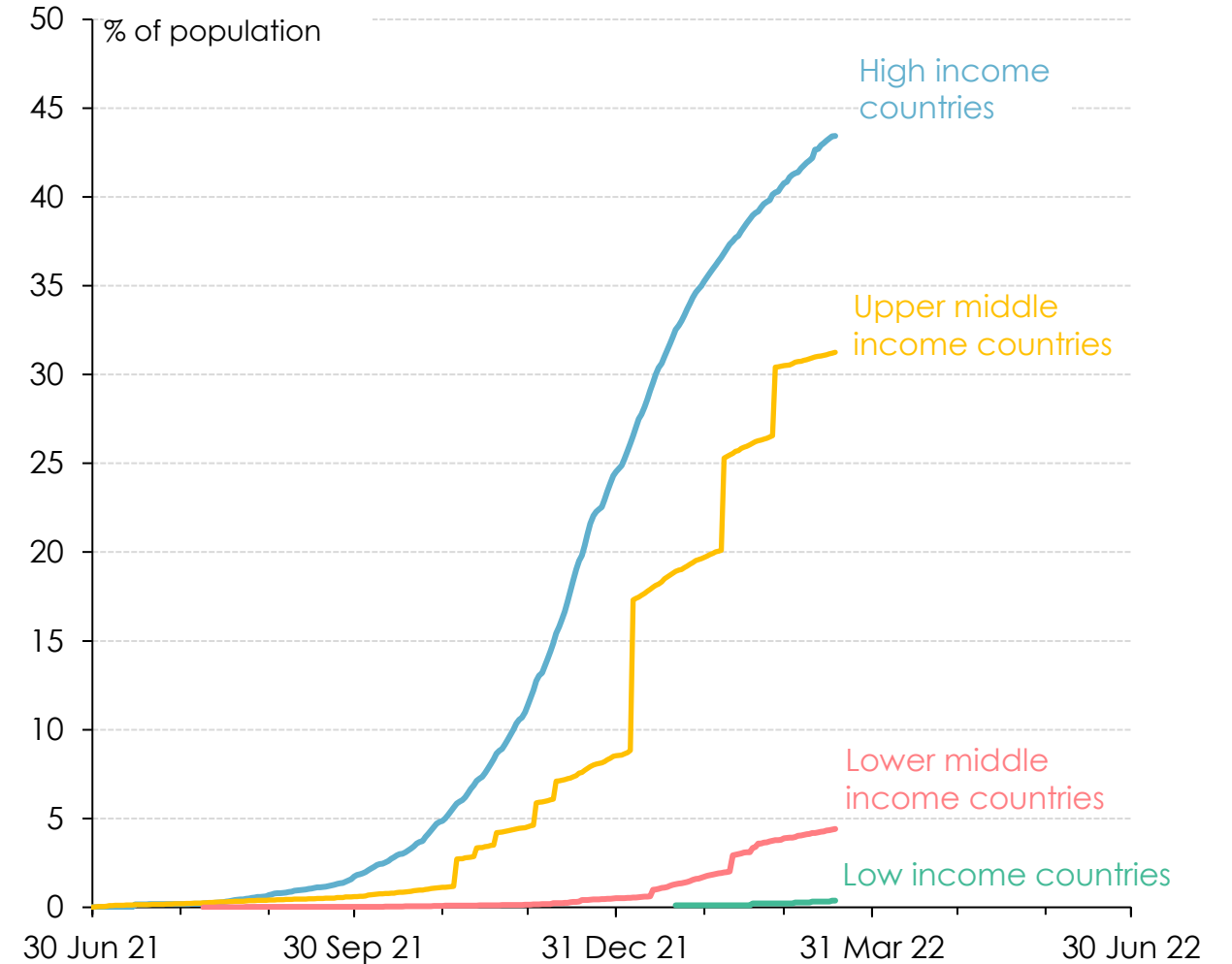
The vaccine roll-out has proceeded much more slowly among low- and lower-middle income countries

THE WORLD ECONOMY THIS WEEK – 21ST 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

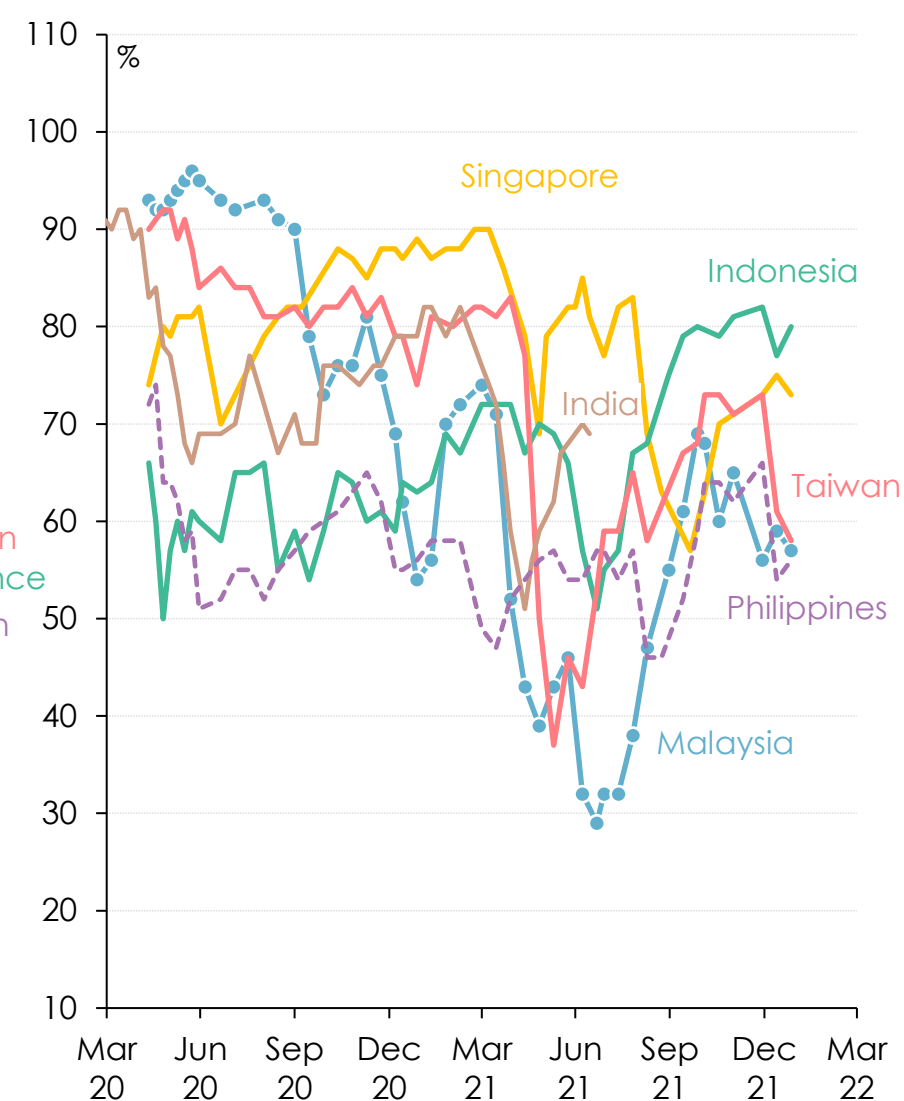
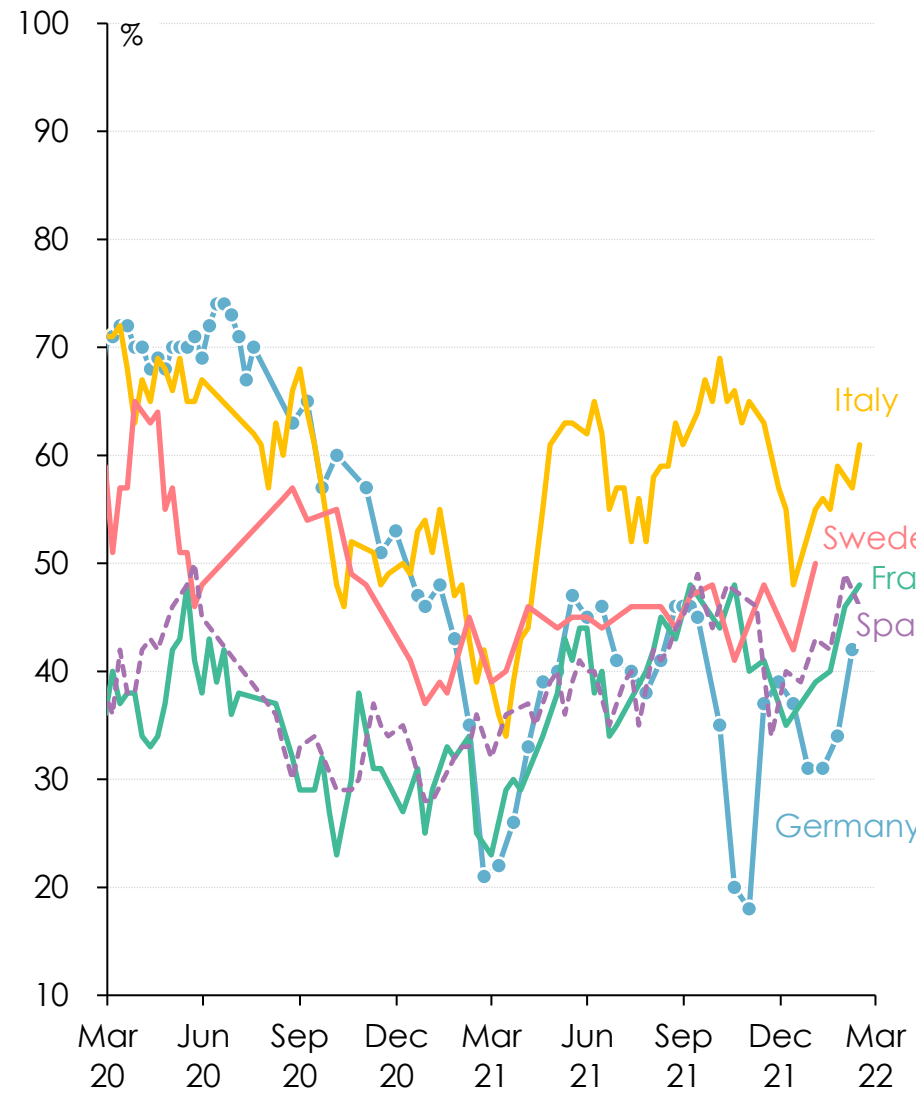
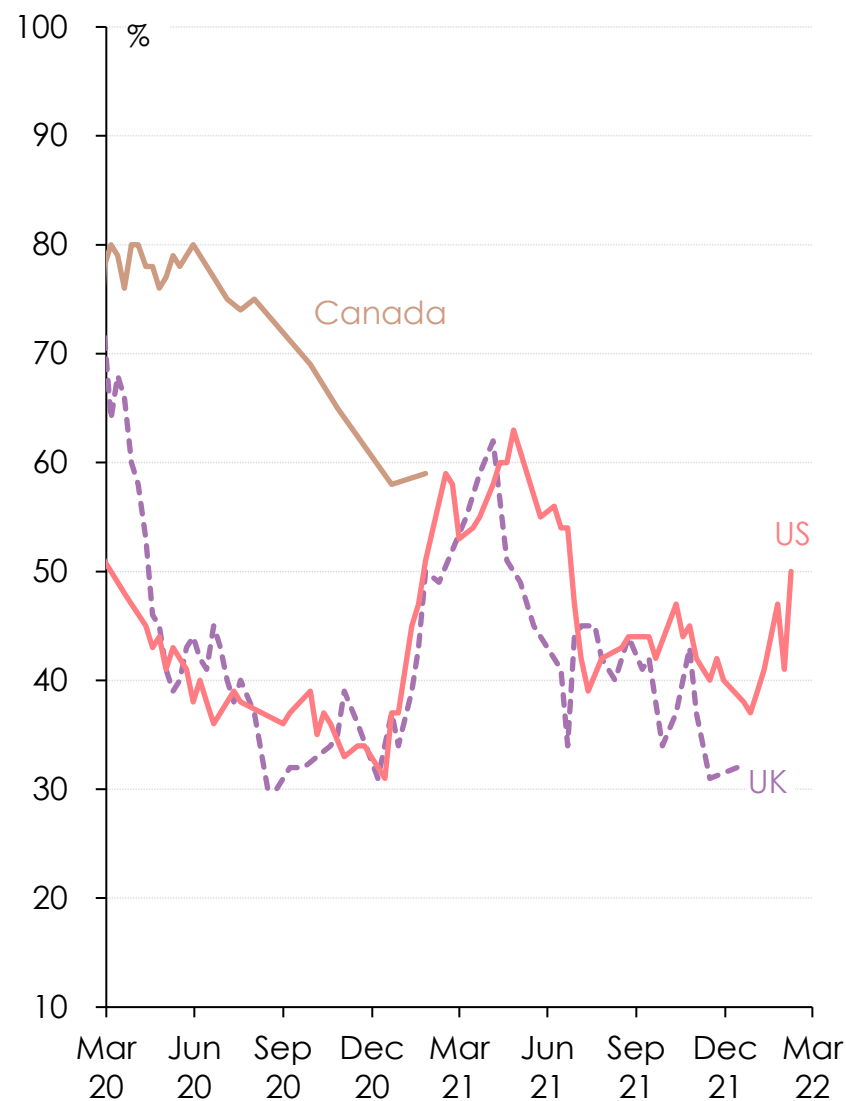


Note: Income categories are as defined by the [World Bank](#): high-income countries are (in 2021) those with a per capita gross national income (GNI) of over US\$12,535; upper-middle income countries are those with per capita GNI between US\$4,046 and \$12,535; lower middle-income countries are those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

THE WORLD ECONOMY THIS WEEK – 21ST 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 or Asian countries since the end of January.

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

The world

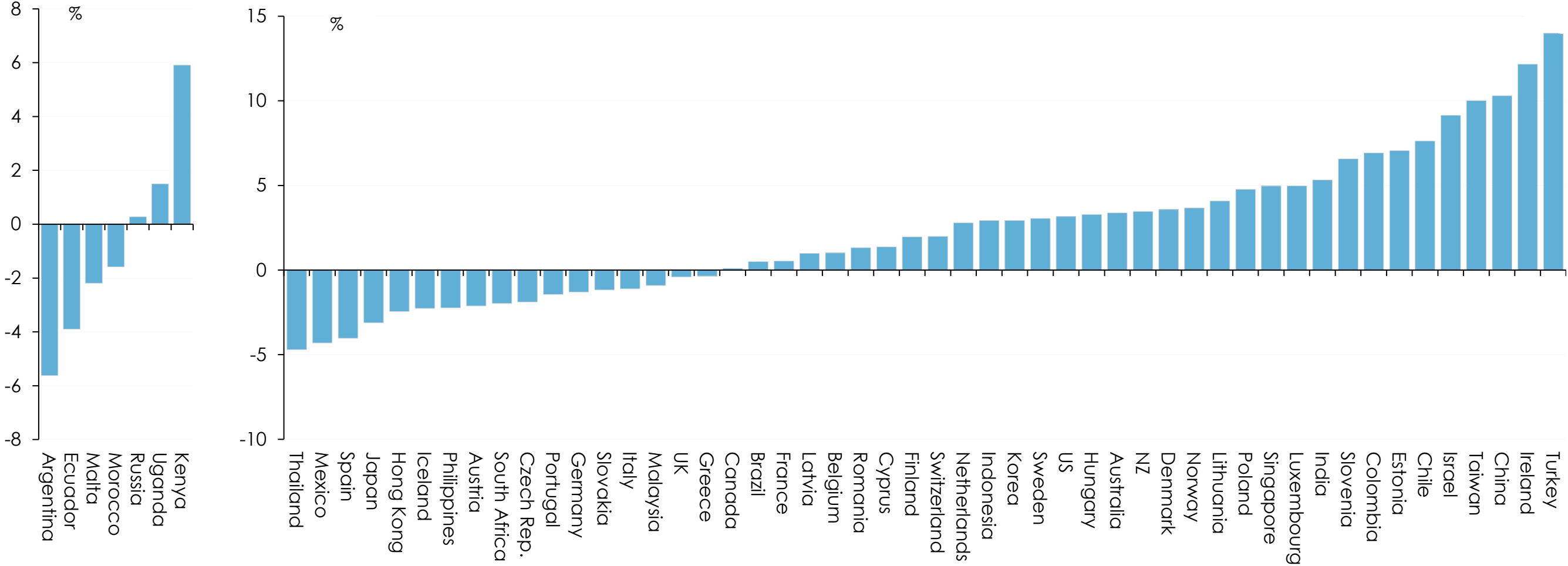
36 countries (out of 57 for which seasonally-adjusted Q3 or Q4 GDP estimates are available) have now surpassed their pre-pandemic peaks

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

Real GDP compared with pre-recession peak

Q3 2021

Q4 2021

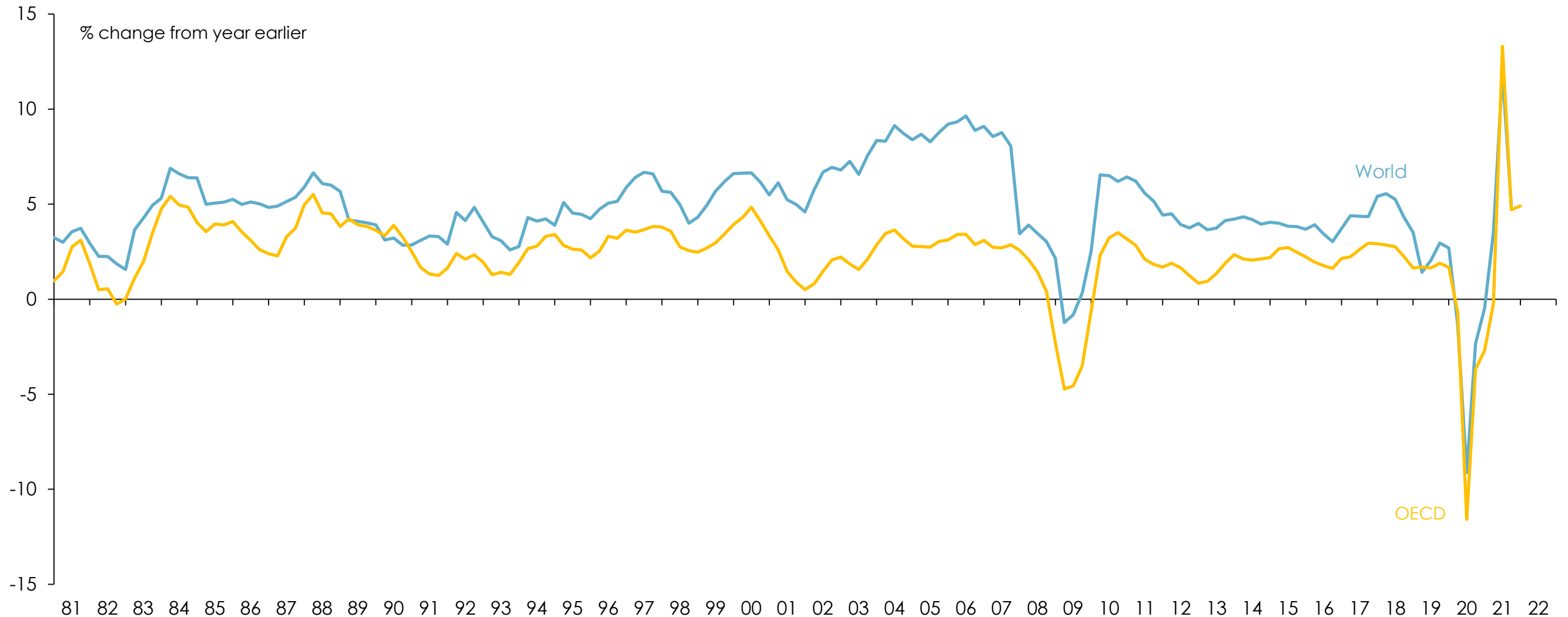


Note: estimate for China is derived from quarterly growth rates published by China NBS; estimates for India and Indonesia are seasonally adjusted by the OECD (and the Q4 estimate for India isn't available yet). Sources: National statistical agencies and central banks. [Return to "What's New"](#).

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

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World and OECD area real GDP growth

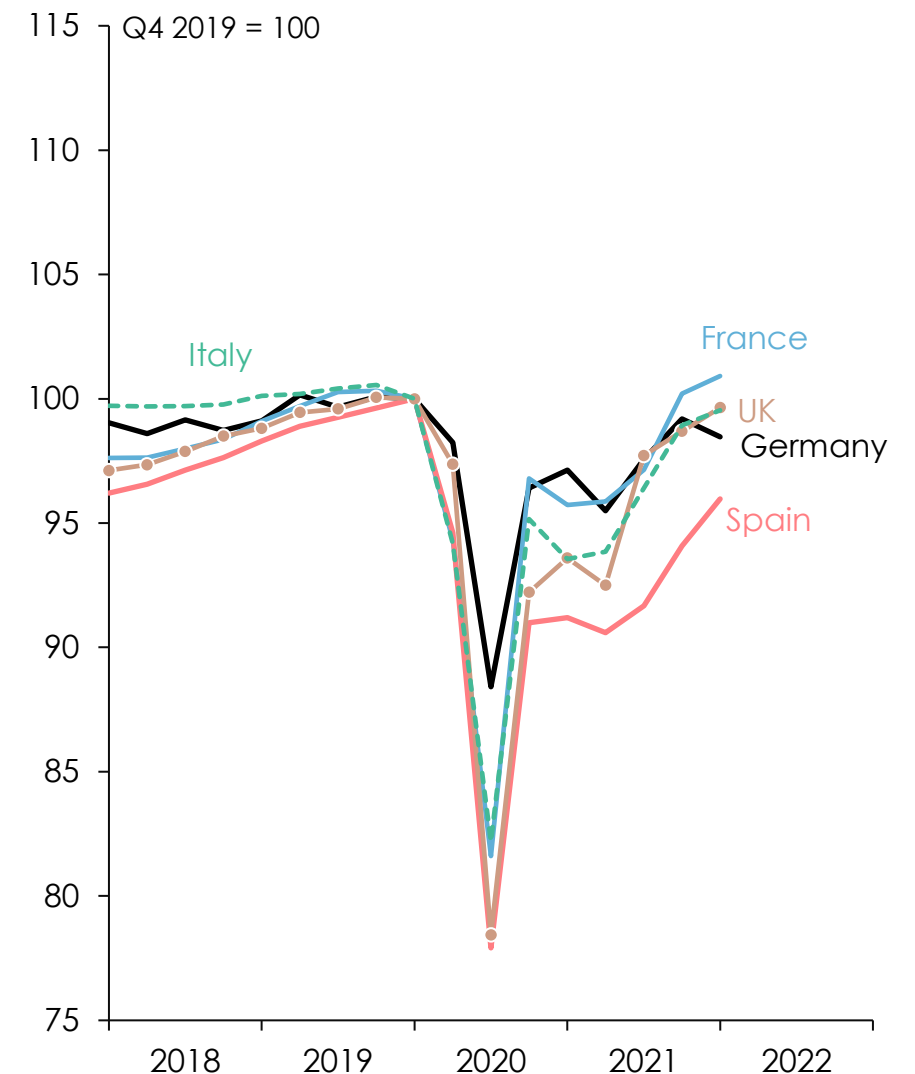
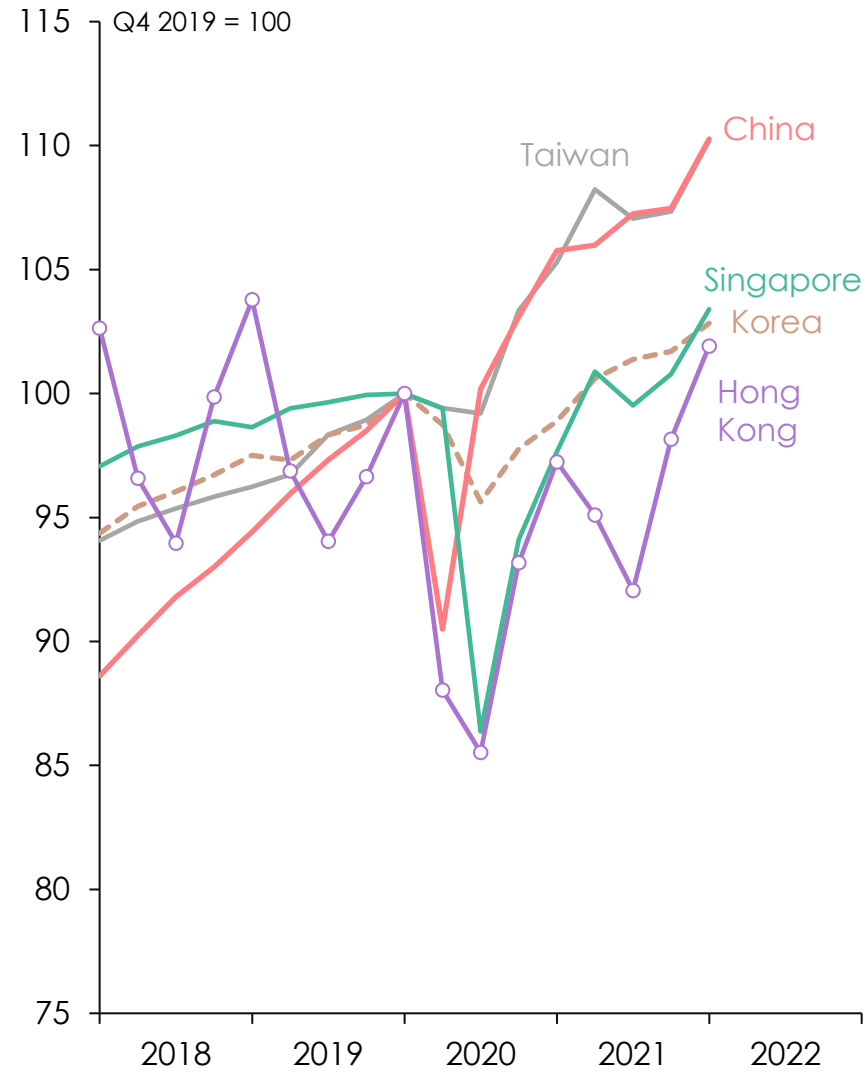
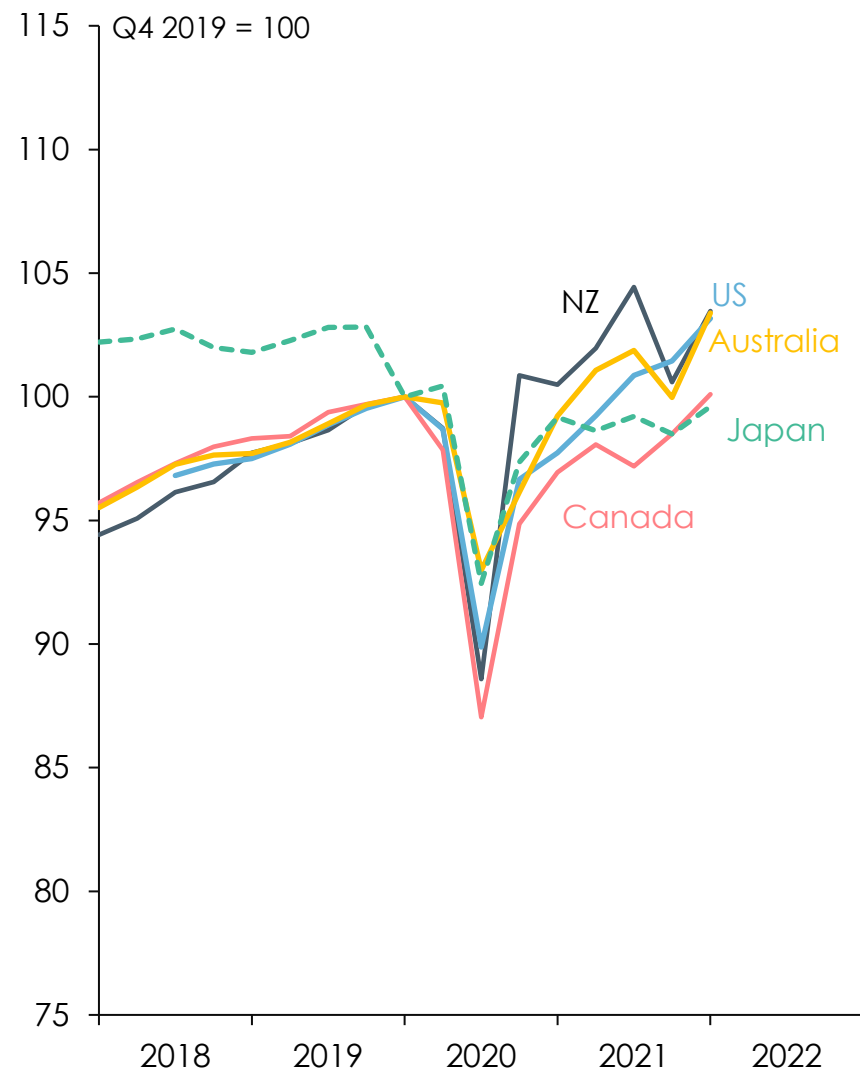


Note: Estimates of global GDP growth compiled by Corinna using data for 100 countries accounting for 94% of 2019 world GDP as measured by the IMF, weighted in accordance with each country's share of global GDP at purchasing power parities in 2019; excludes constituents of the former USSR before 1993,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

The more 'advanced' Asian economies, Australia's & NZ's and the US's, have recovered more rapidly from 2020-21 recessions than Europe's

THE WORLD ECONOMY THIS WEEK – 21ST 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 – 21ST 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 – 21ST 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

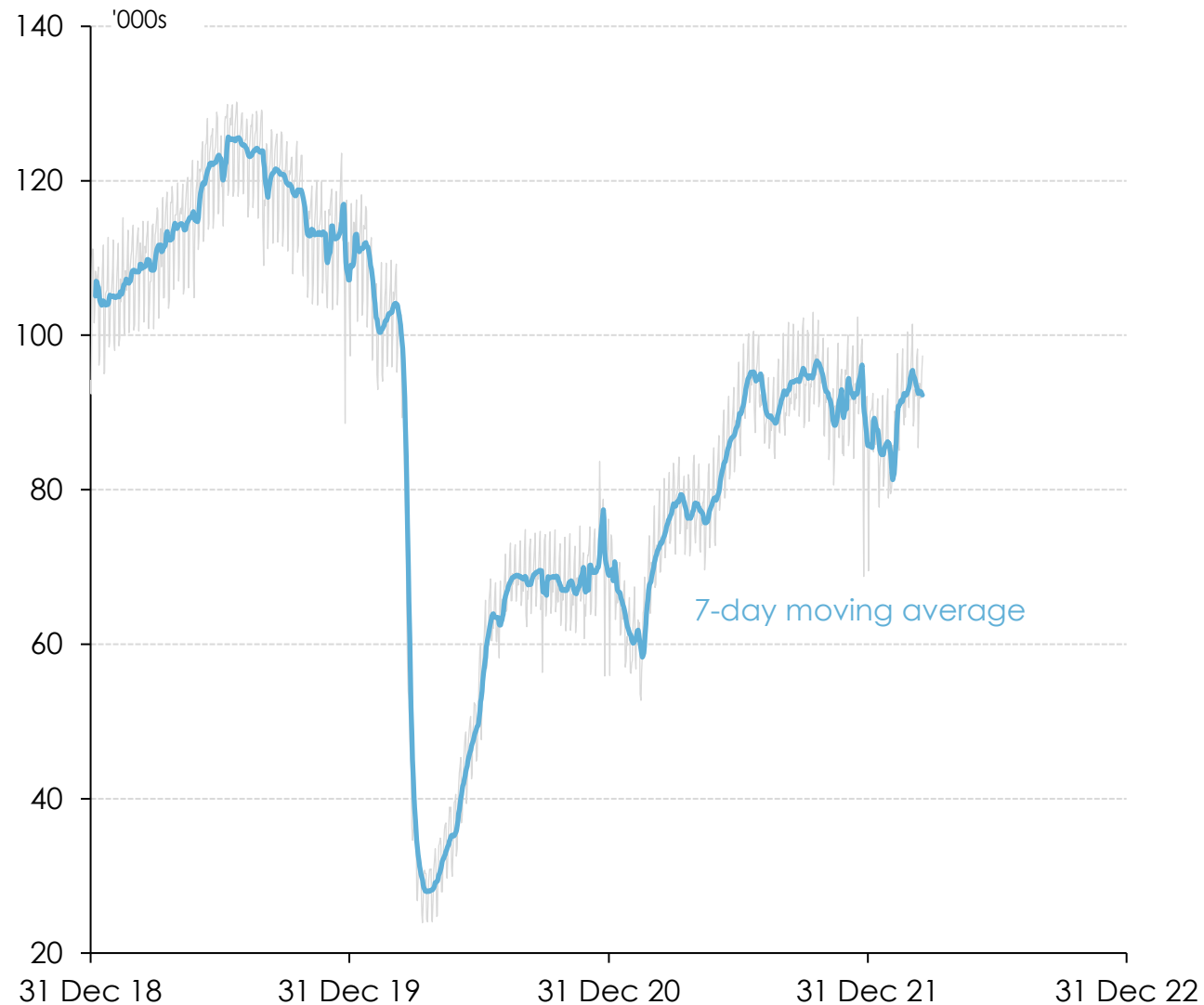
- The IMF's latest [World Economic Update](#), published in the last week of January, lowered its forecast for global GDP growth in 2022 by 0.5 pc pt to 4.4%, with a 'mechanical' 0.2 pc pt upgrade to the 2023 forecast
 - the IMF sees the risks to global growth as still “tilted to the downside”, in particular 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 – 21ST MARCH 2022

Daily commercial flights worldwide



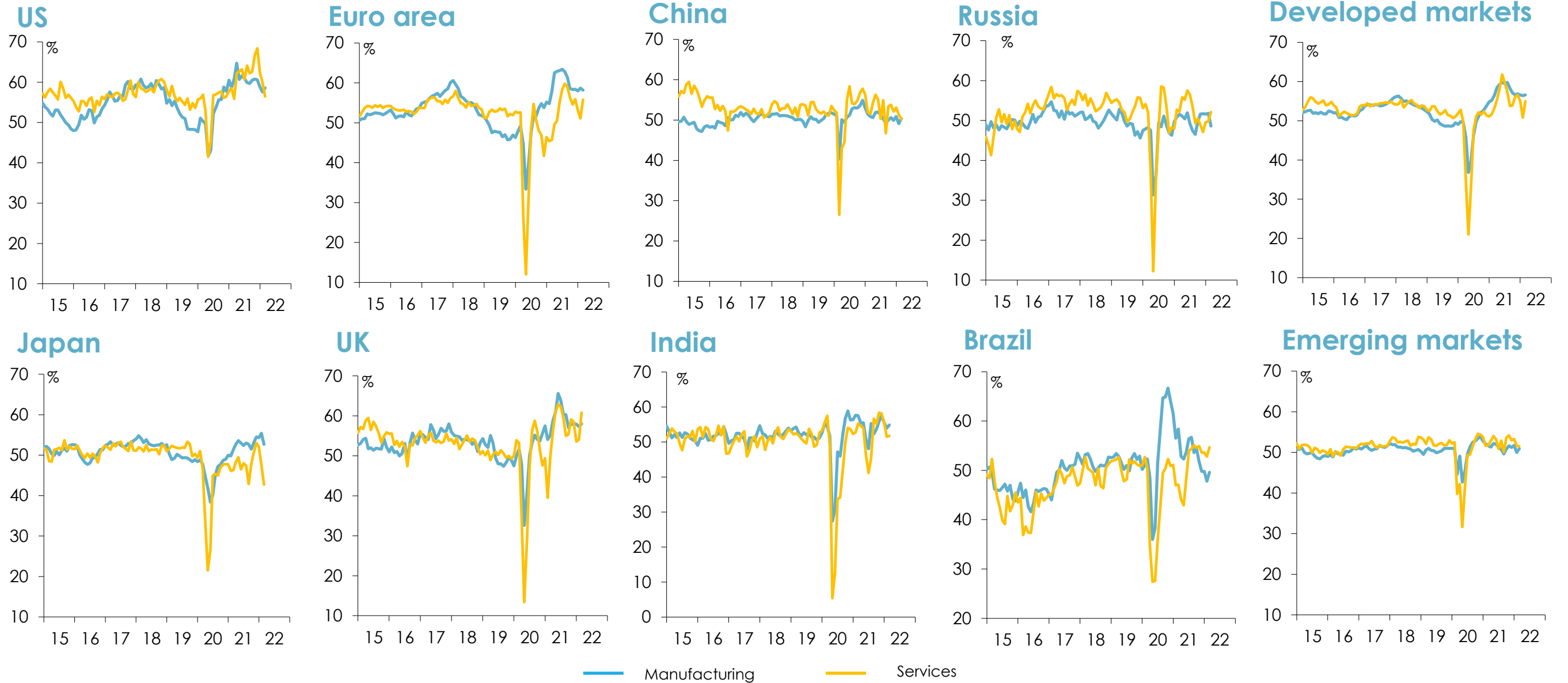
Daily US TSA 'security' checks



Note: Commercial flights include commercial passenger flights, cargo flights, charter flights, and some business jet flights. Data are up to 18th March for commercial flights and TSA checks. Thicker coloured lines are 7-day centred moving averages of daily data plotted in thin grey lines. Sources: [Flightradar24.com](https://www.flightradar24.com); [US Transport Safety Administration](https://www.transportation.gov) (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

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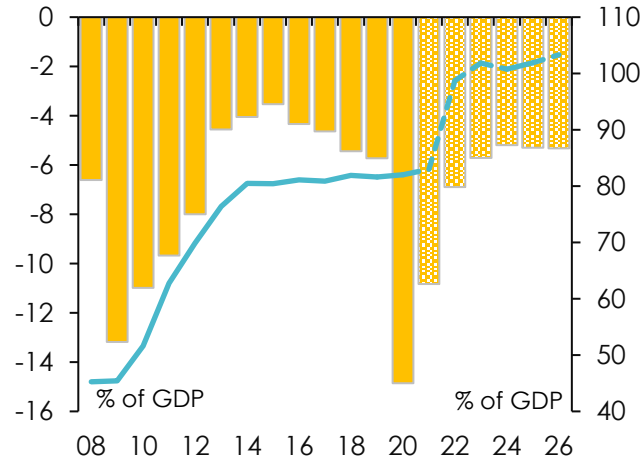


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. Latest data are for February. A reading of 50 indicates an overall 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"](#).

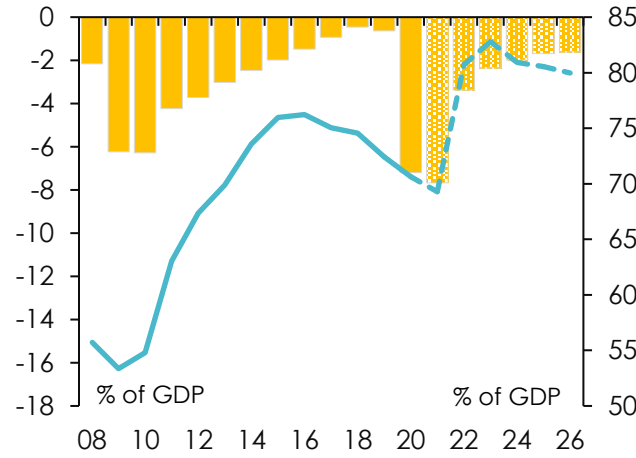
Fiscal policy in almost all major economies is set to tighten significantly in 2022

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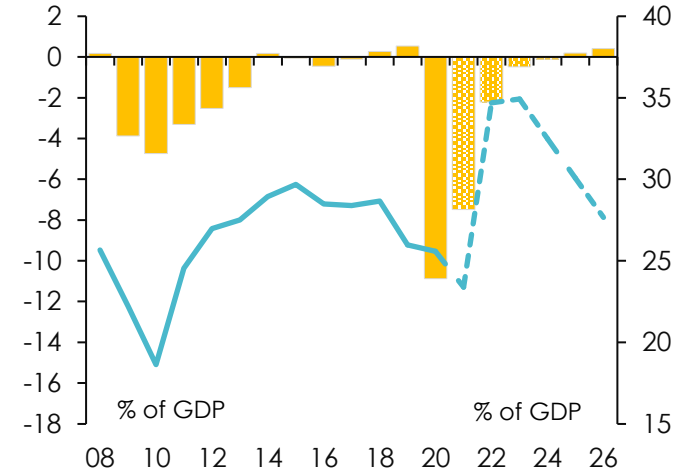
United States



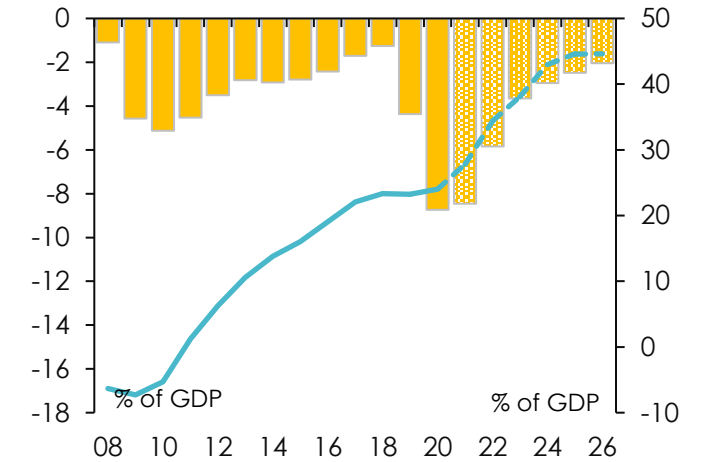
Euro area



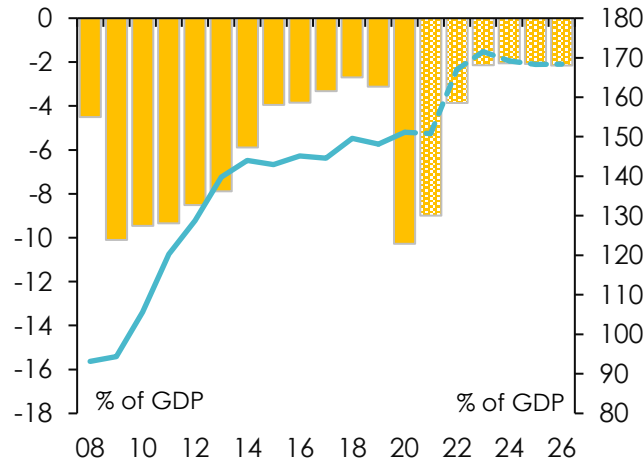
Canada



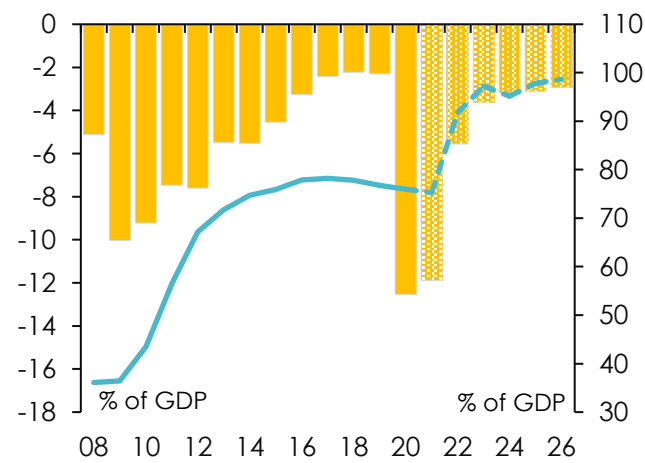
Australia



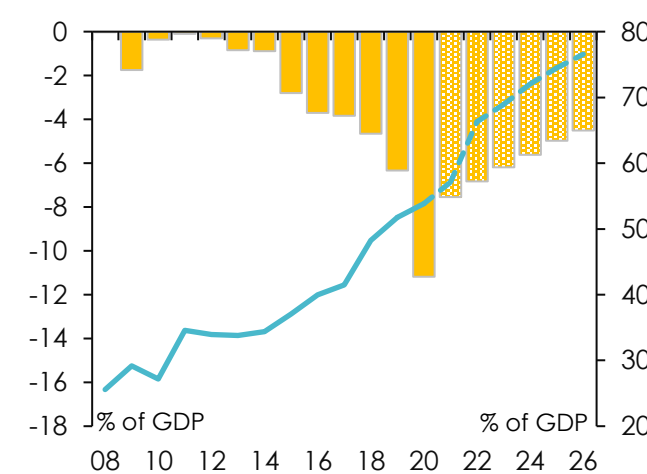
Japan



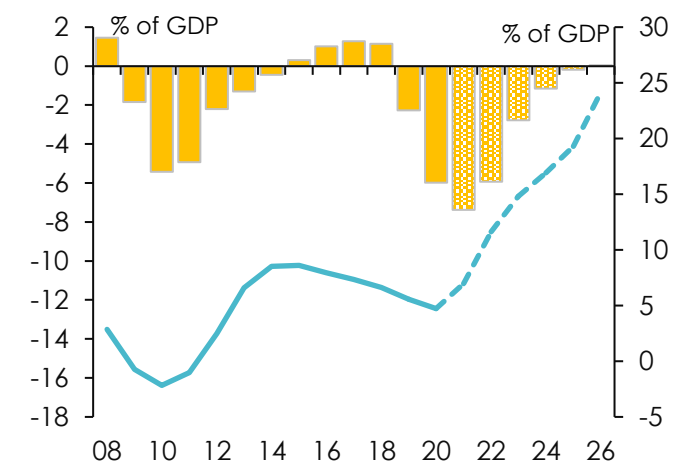
United Kingdom



China



New Zealand



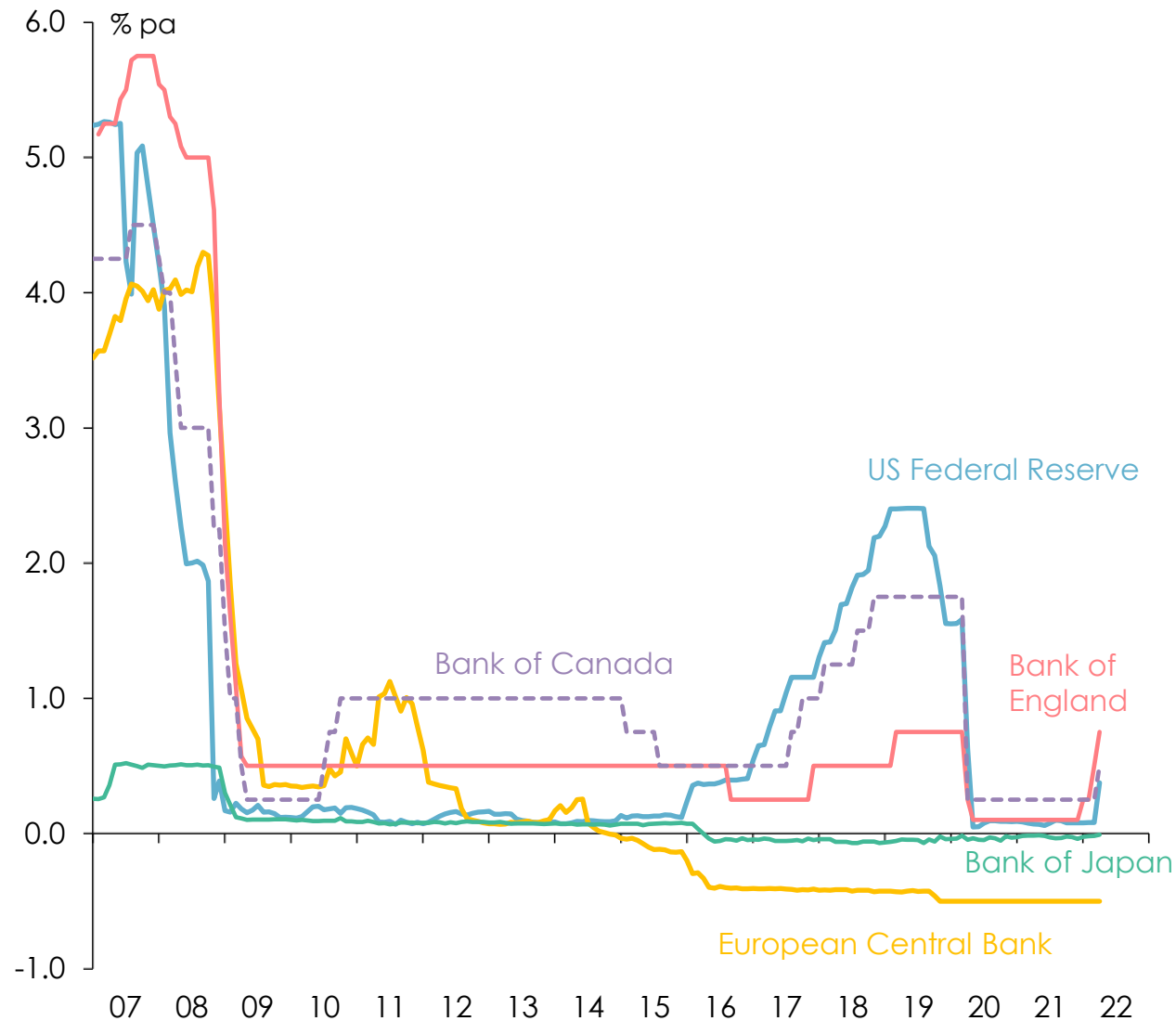
General government overall fiscal balance (left scale)
 General government net debt (right scale)

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

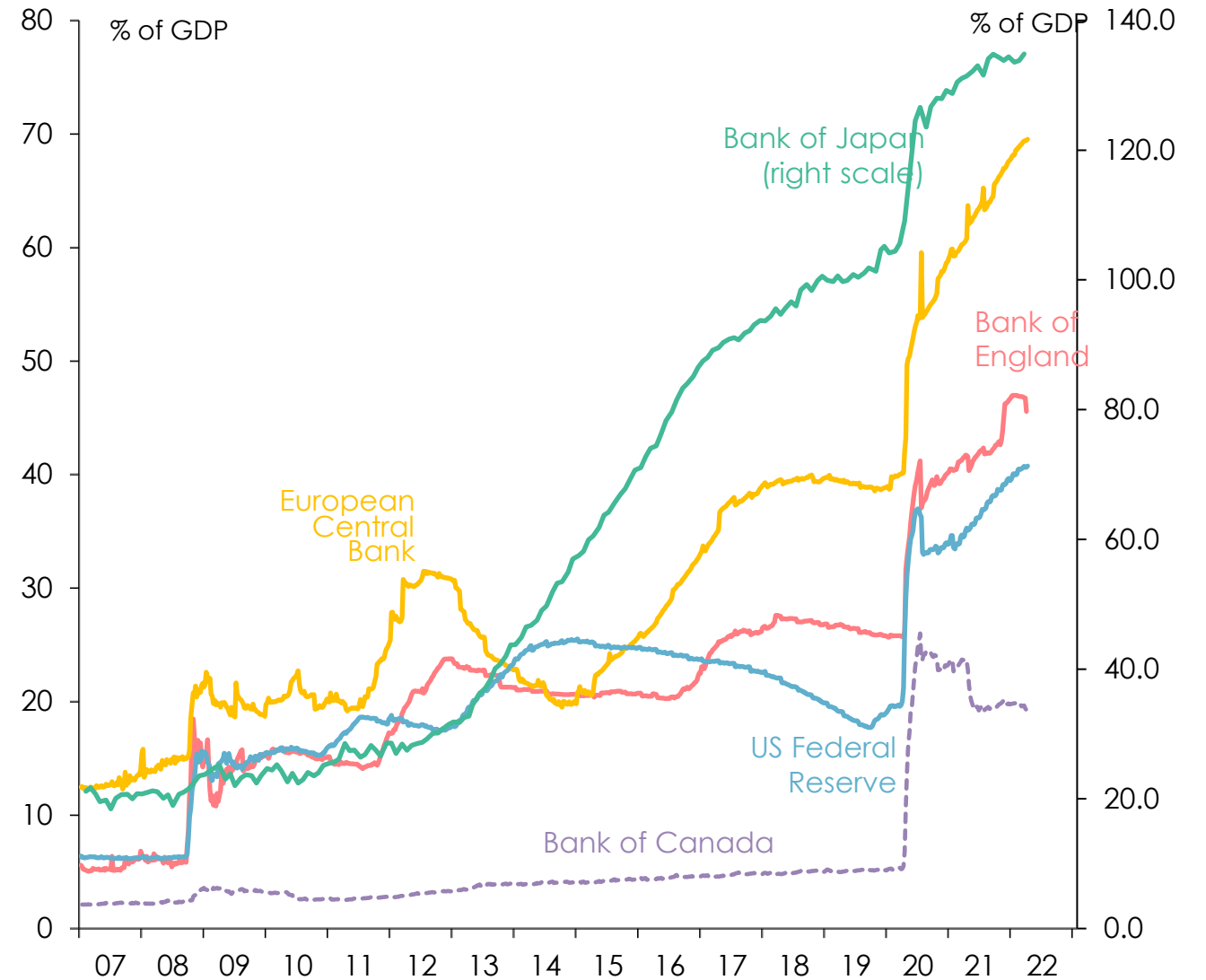
The Fed raised its funds rate last week for the first time since January 2019, while the Bank of England raised its Bank Rate for the third time in 4 months

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

Major central bank policy interest rates



Major central bank balance sheets

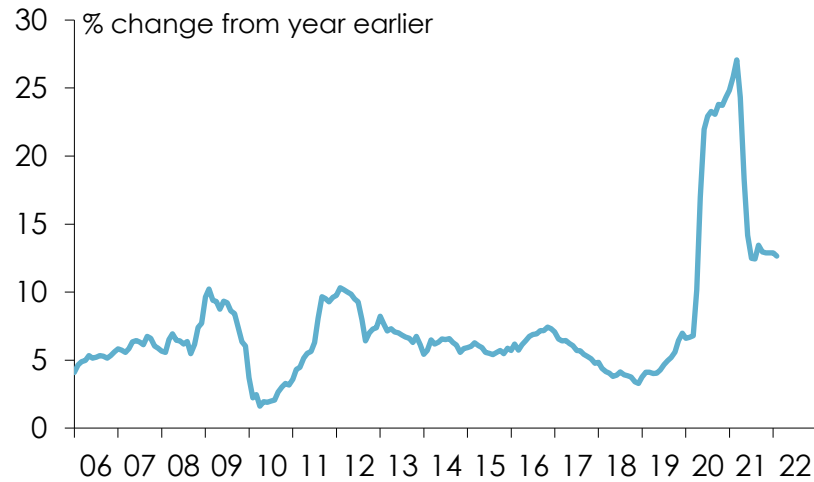


Sources: [US Federal Reserve](#); [European Central Bank](#); [Bank of Japan](#); [Bank of England](#); [Bank of Canada](#); national statistical agencies; Corinna. [Return to "What's New"](#).

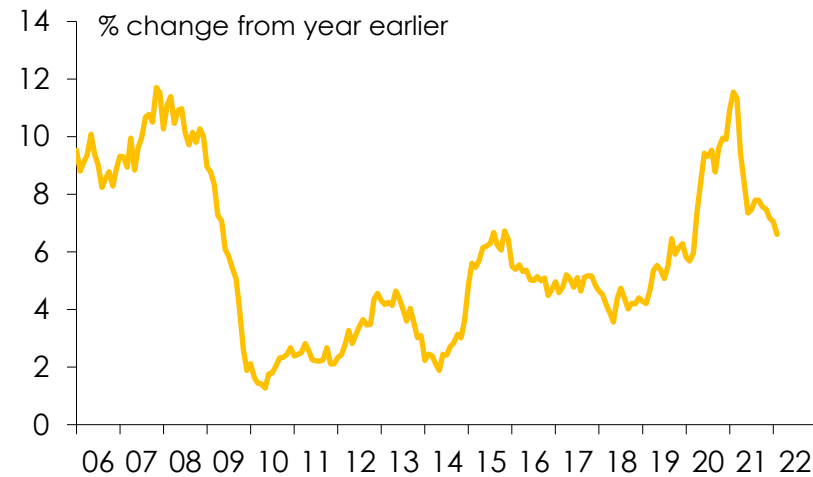
Money supply growth has slowed sharply from the peaks recorded in the first half of 2021 as large monthly increases in 2020 'wash out'

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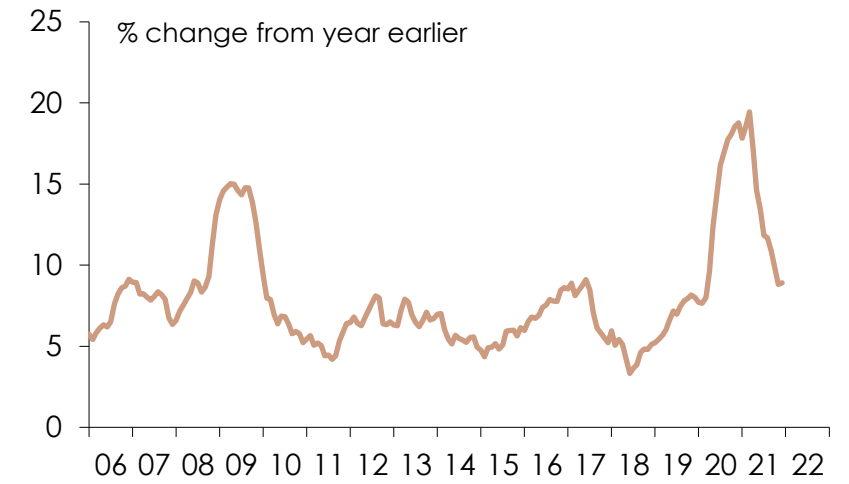
US M2



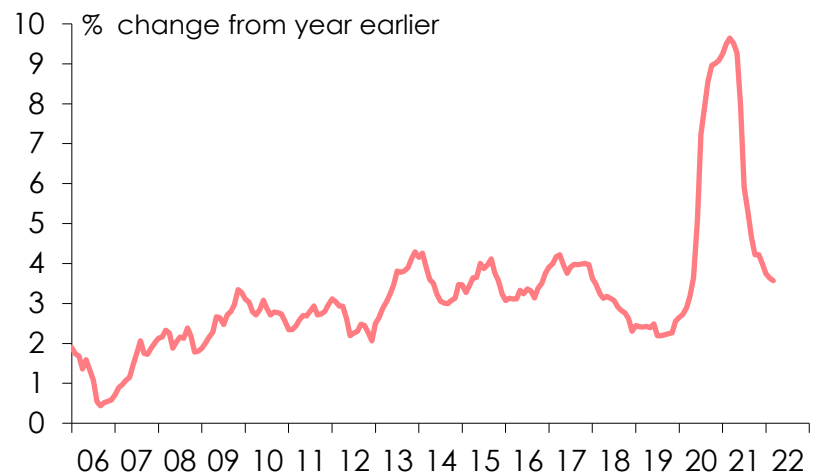
Euro area M2



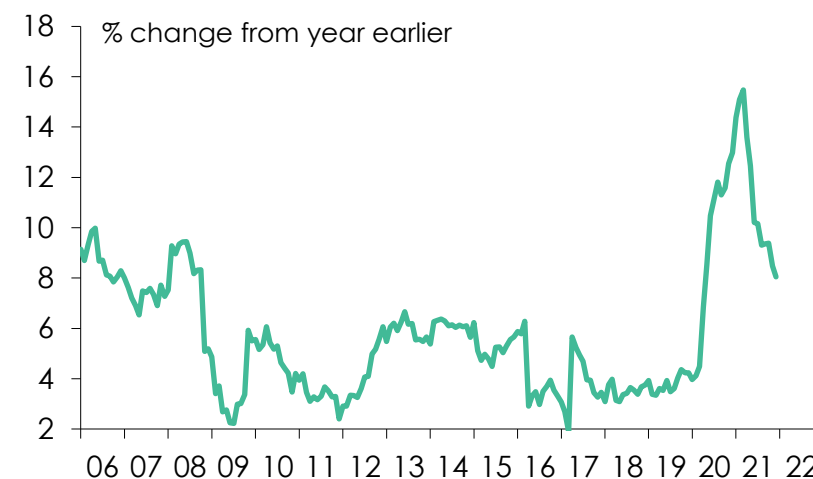
Canada M2



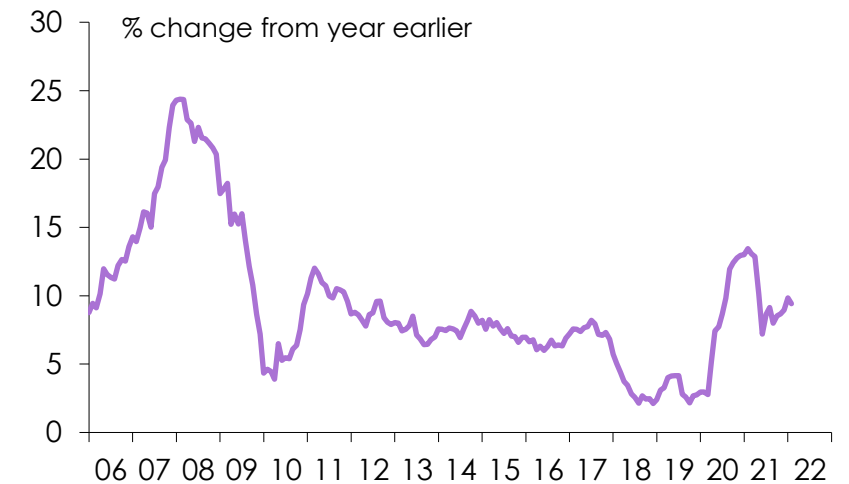
Japan M2 + CDs



UK M2



Australia M3

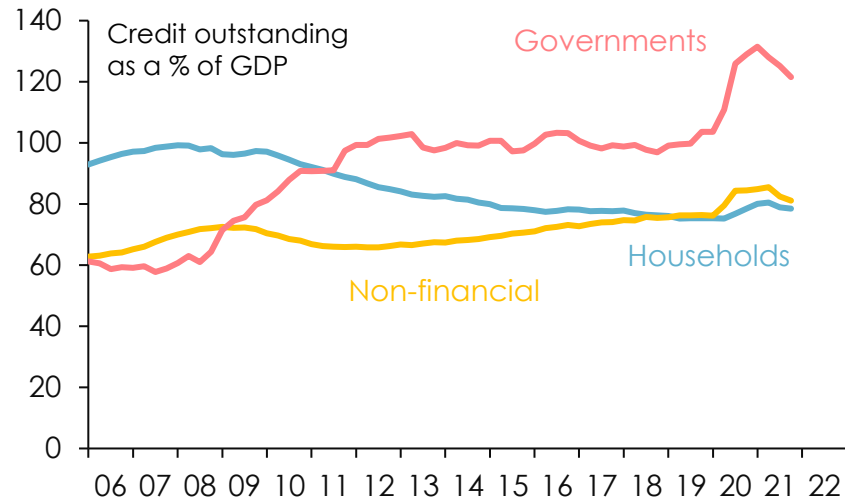


Sources: US Federal Reserve; European Central Bank; Bank of Japan; Bank of England; Bank of Canada; RBA. [Return to "What's New"](#).

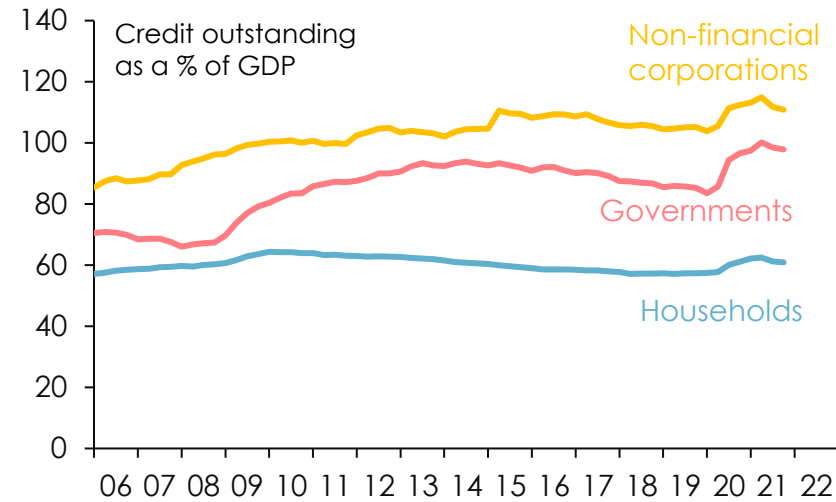
Japanese, US and UK governments, Canadian corporations and Australian households appear most exposed to increases in interest rates

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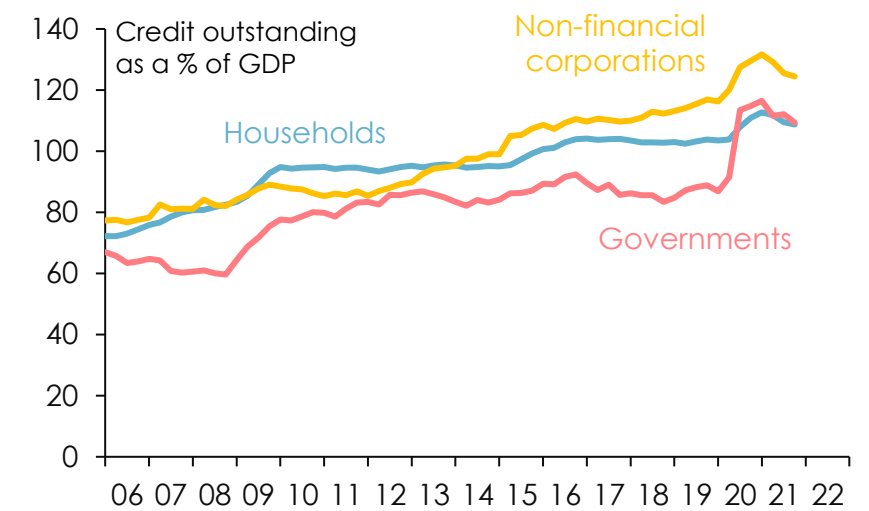
US



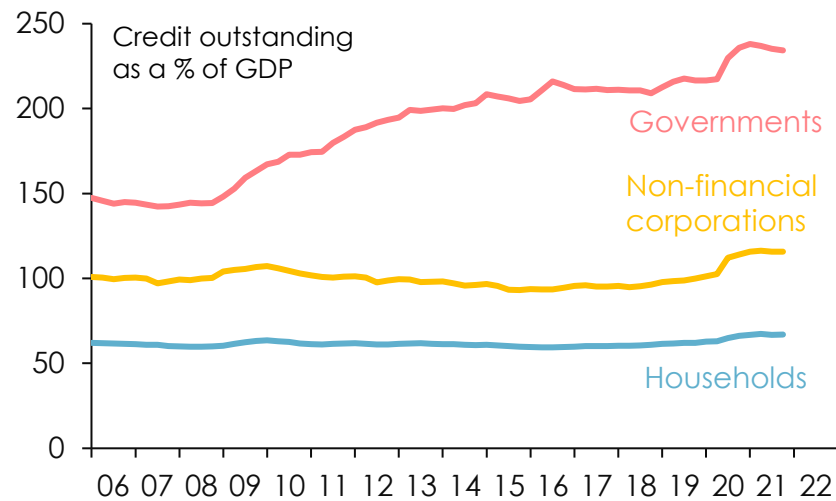
Euro area



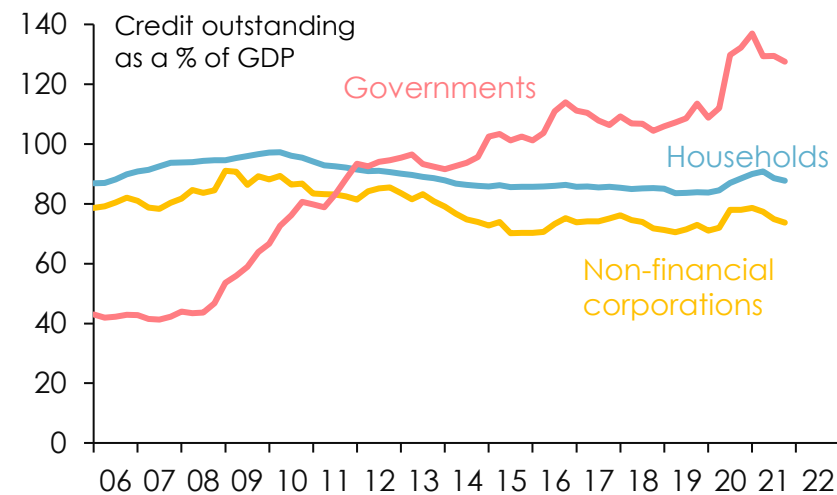
Canada



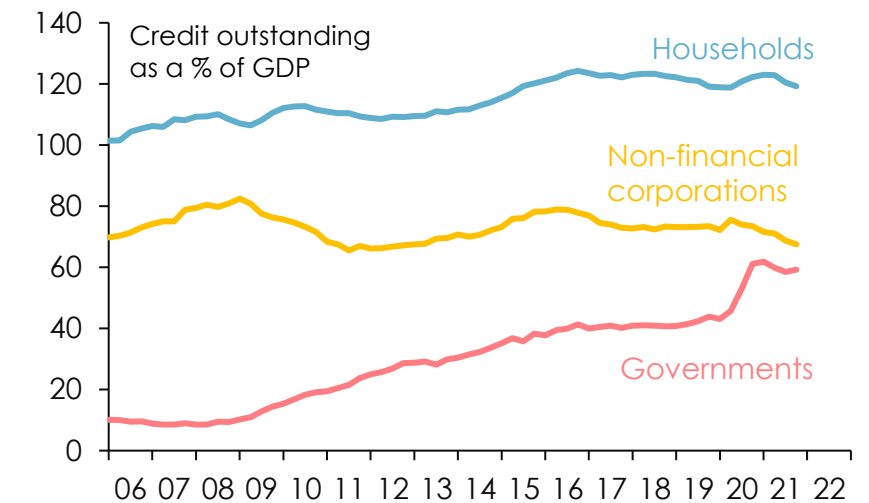
Japan



UK



Australia

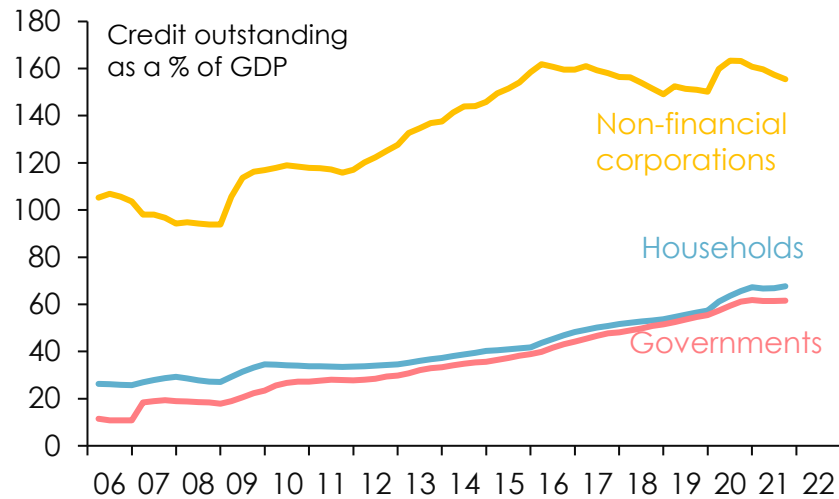


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

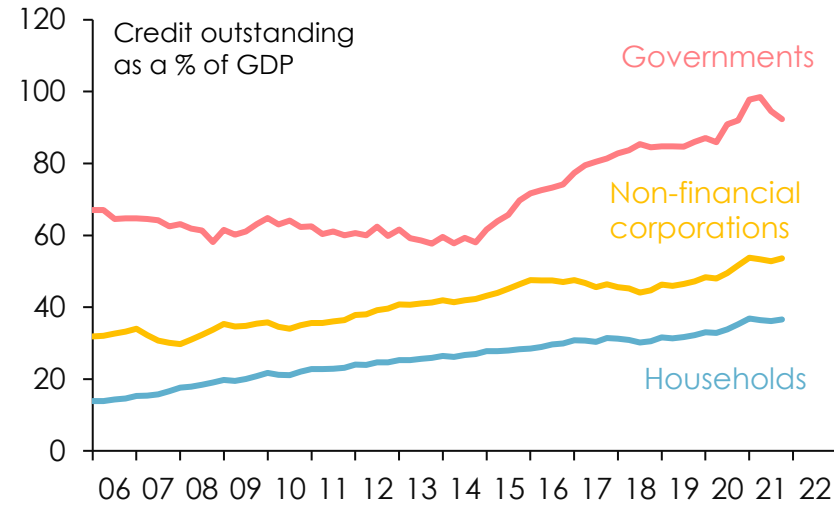
In major 'developing' economies it's usually governments that are most exposed to rising interest rates – except for China, Russia and Turkey

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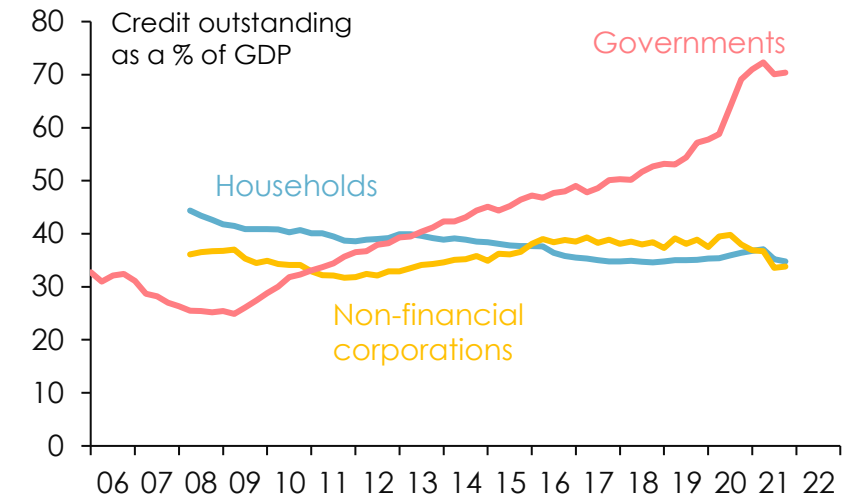
China



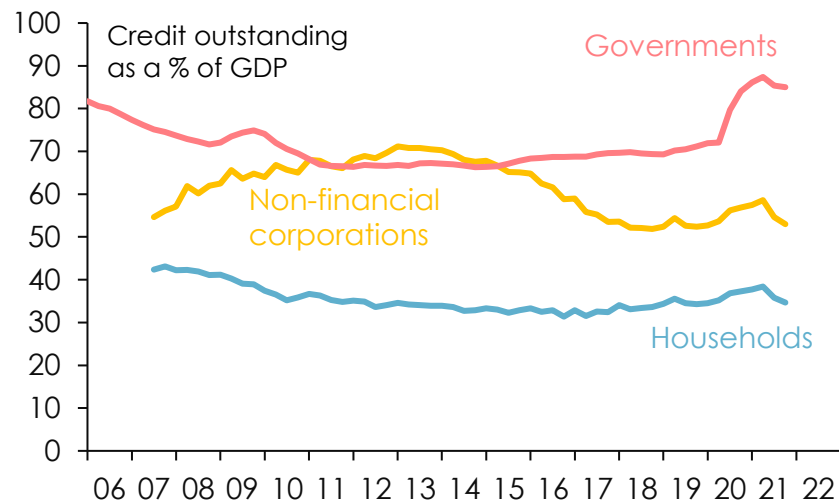
Brazil



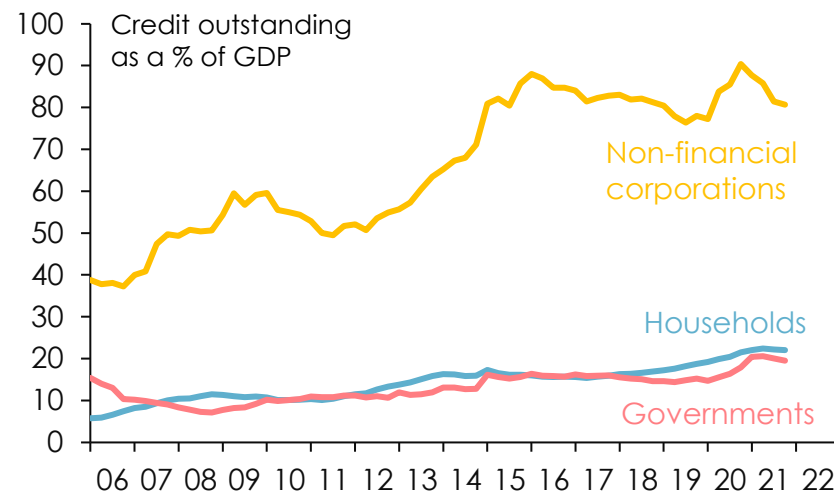
South Africa



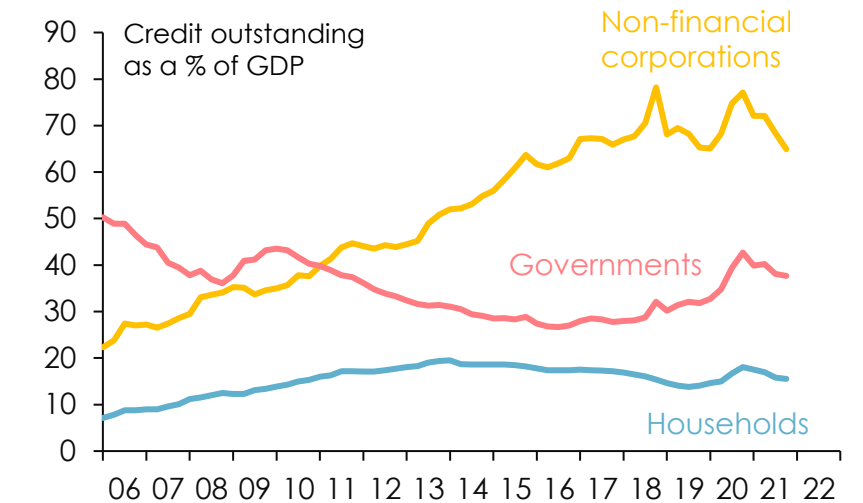
India



Russia



Turkey

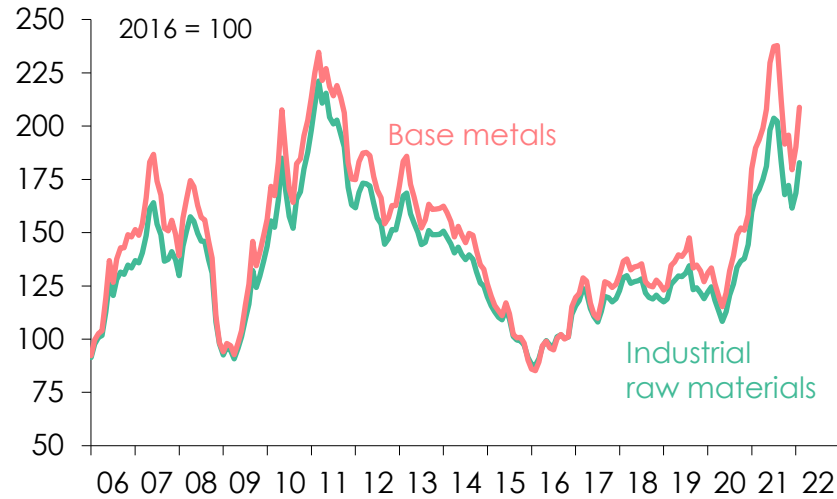


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. For data for other Asian economies see [slide 113](#). [Return to "What's New"](#).

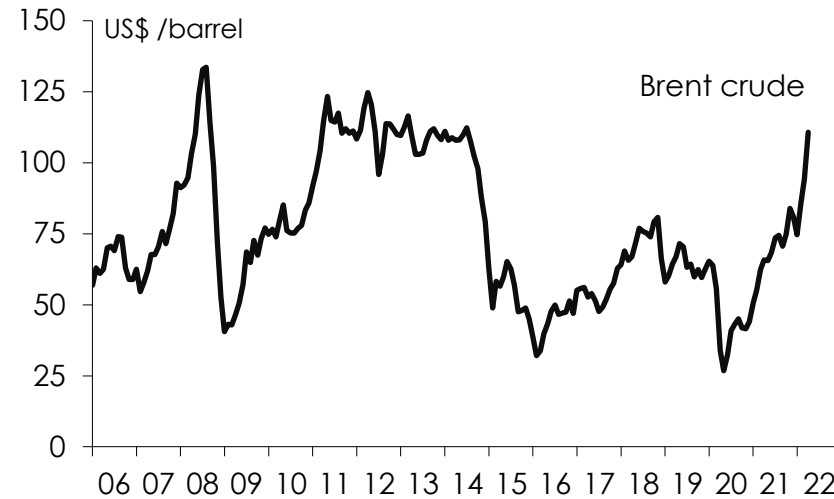
After seeming to have peaked in October, commodity prices have started rising again, especially for oil and gas in the wake of the Ukraine conflict

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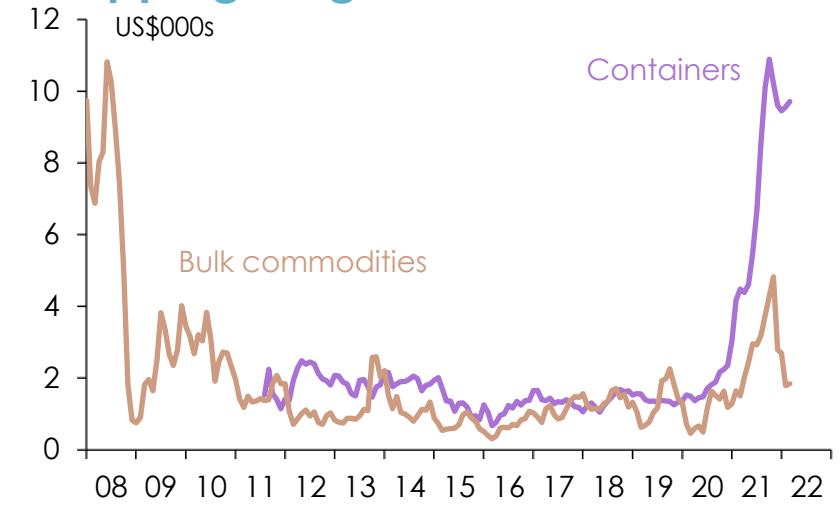
'Hard' commodity prices



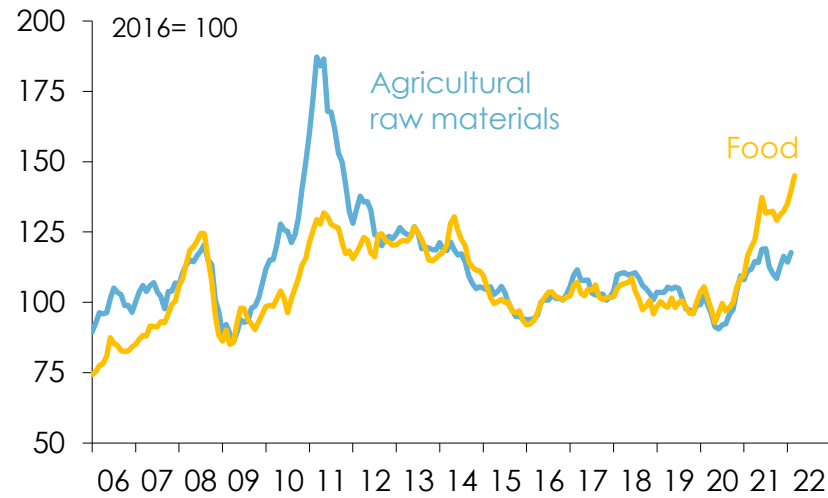
Crude oil price



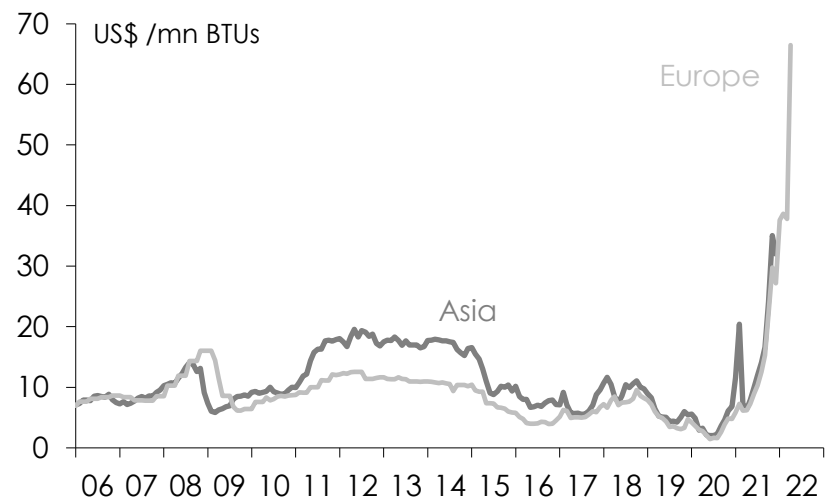
Shipping freight costs



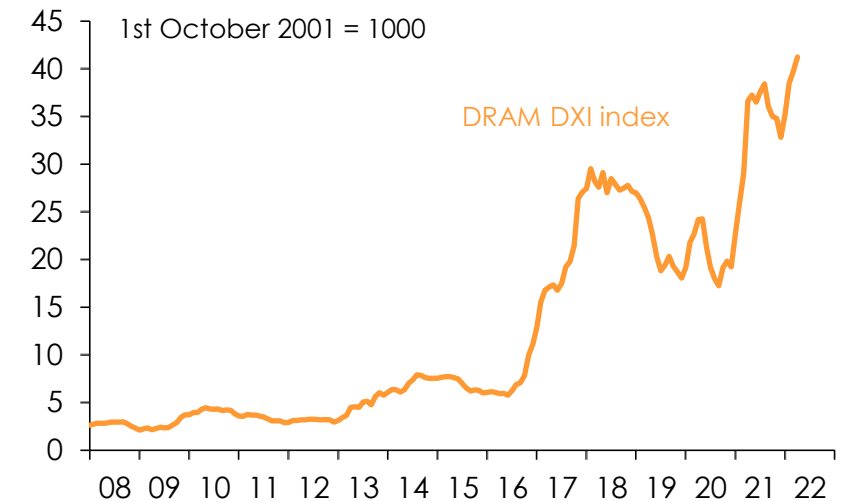
'Soft' commodity prices



Natural gas prices



Semiconductor chip prices

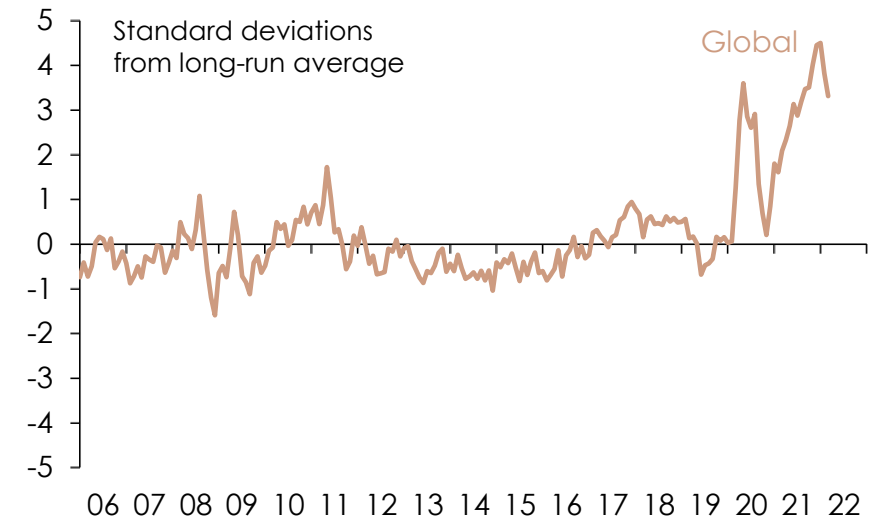
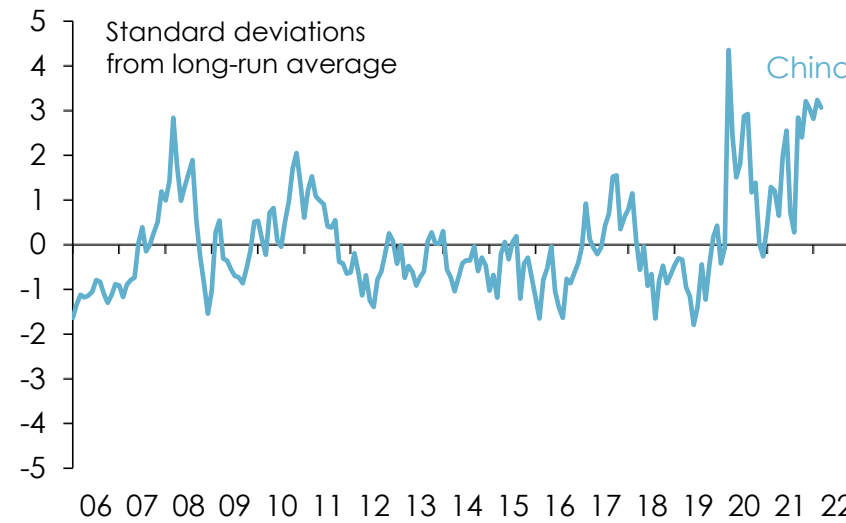
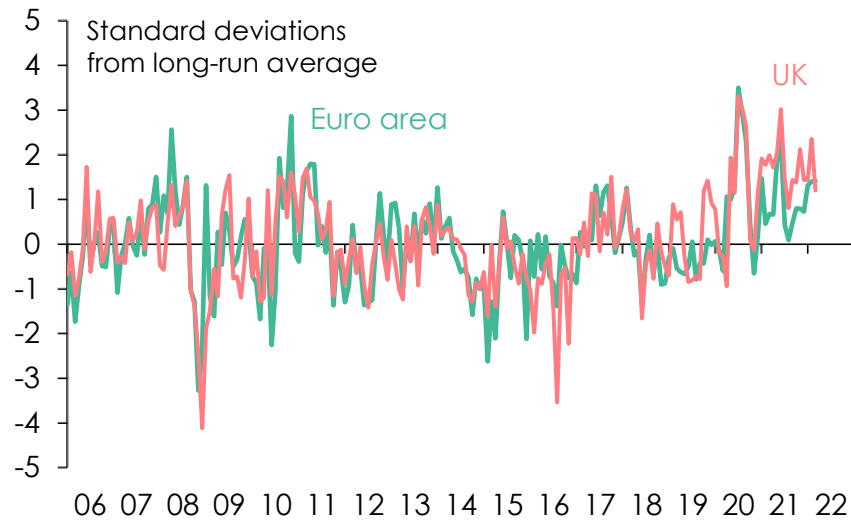
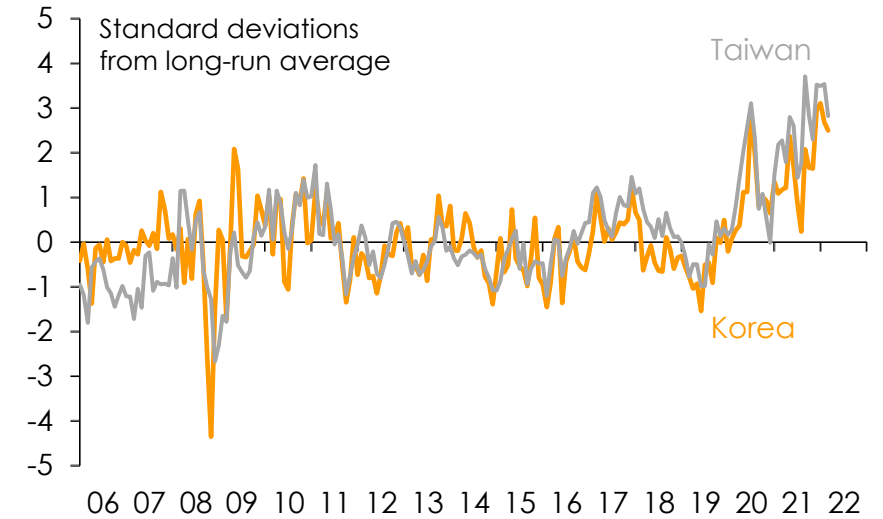
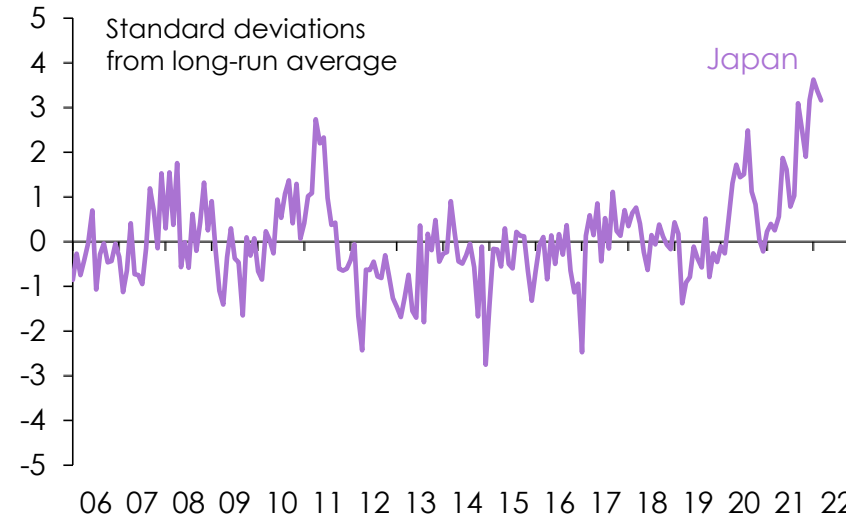
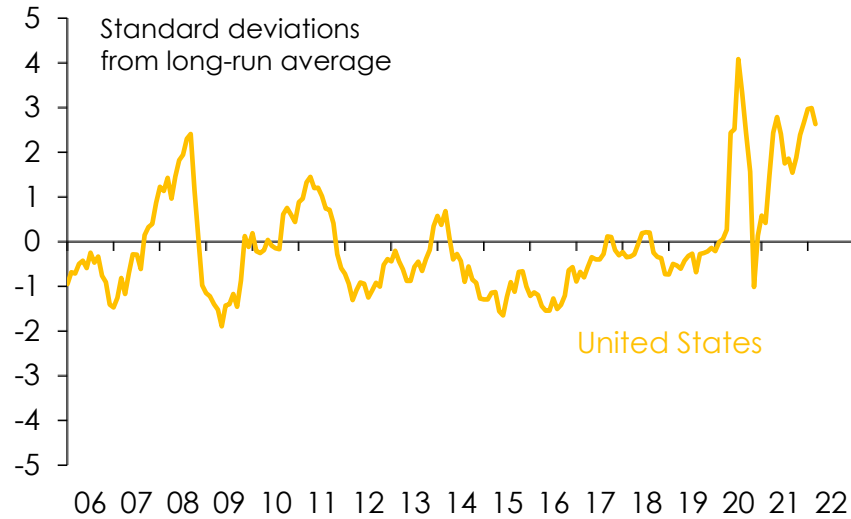


Note: The IMF commodity price indices were re-based to 2016 = 100 (previously 2005) in October 2021. The European natural gas price is the Netherlands TTF forward day ahead price, up to November; estimates since then are derived by adjusting the November value for subsequent movements in the Rotterdam 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 – 21ST MARCH 2022

NY Fed global supply chain pressure index



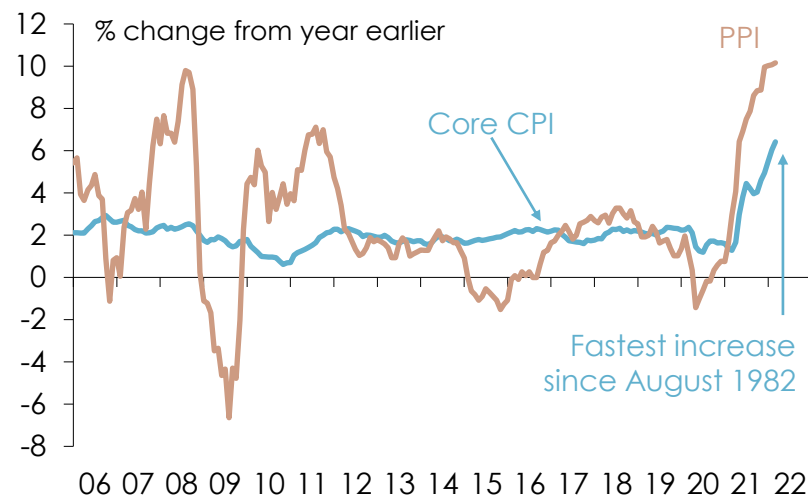
Sources: Gianluca Benigno, Julian Di Giovanni, Jan Groen & Adam Noble, [A New Barometer of Global Supply Chain Pressures](#), Federal Reserve Bank of New York, 4th January 2022 (which contains a detailed explanation of the construction of this index); and [Global Supply Chain Pressure Index: March 2022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

[Return to "What's New"](#).

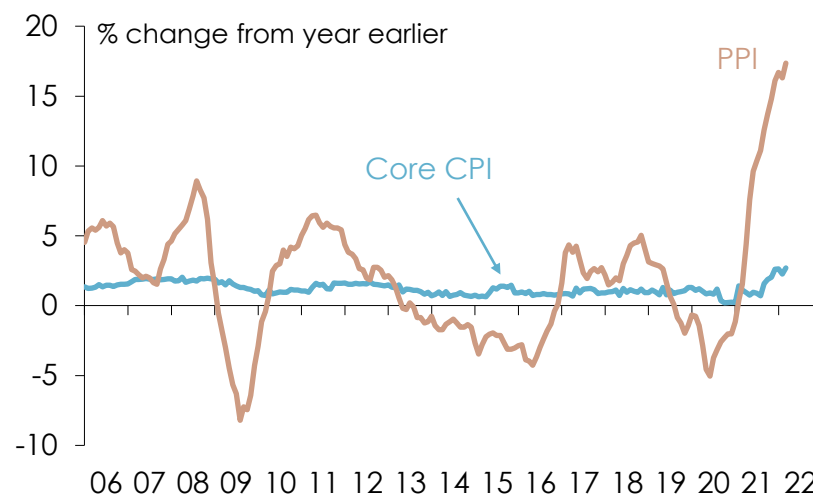
Producer prices are surging in all major economies: but only in the US and the UK is this feeding into markedly higher core CPI inflation

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

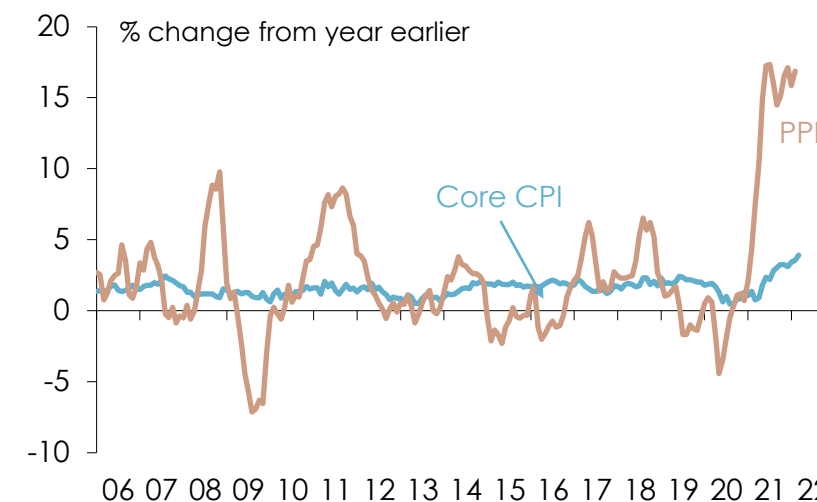
United States



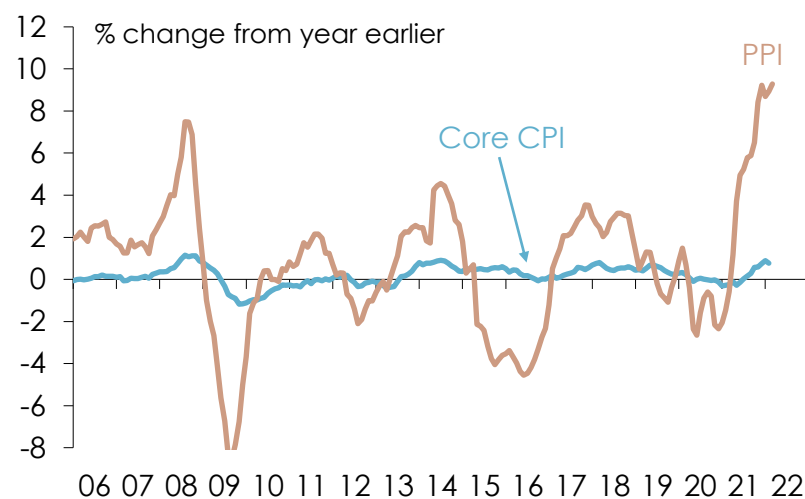
Euro area



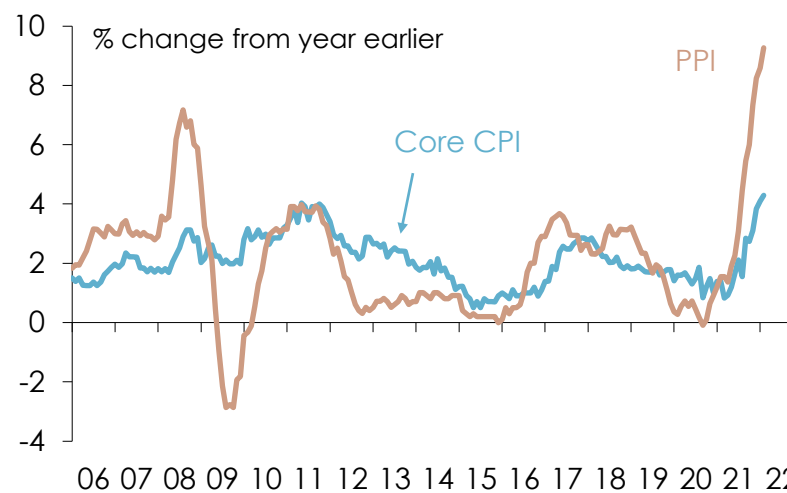
Canada



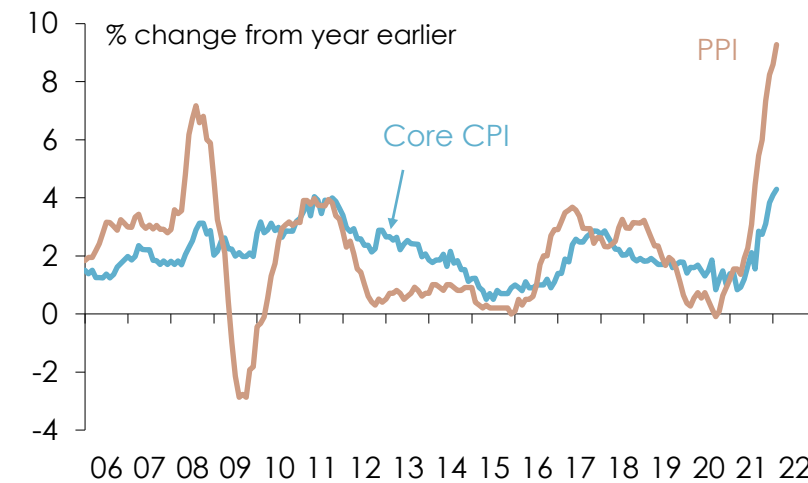
Japan



United Kingdom



Australia

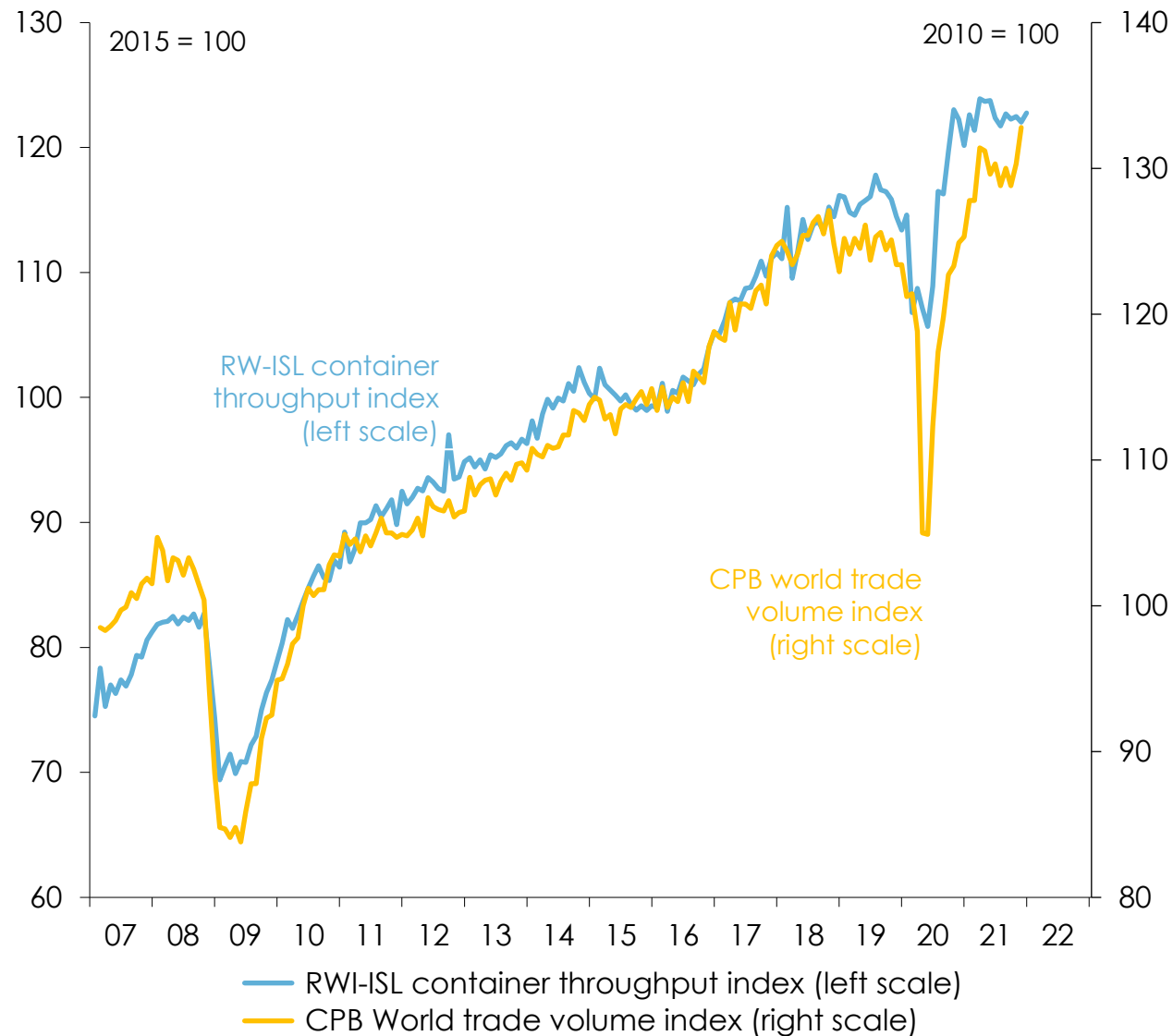


For a more detailed analysis of recent US inflation data see [slides 61-65](#). Sources: [US Bureau of Labor Statistics](#); [Statistics Bureau of Japan](#) and [Bank of Japan](#); [Eurostat](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Australian Bureau of Statistics](#). [Return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

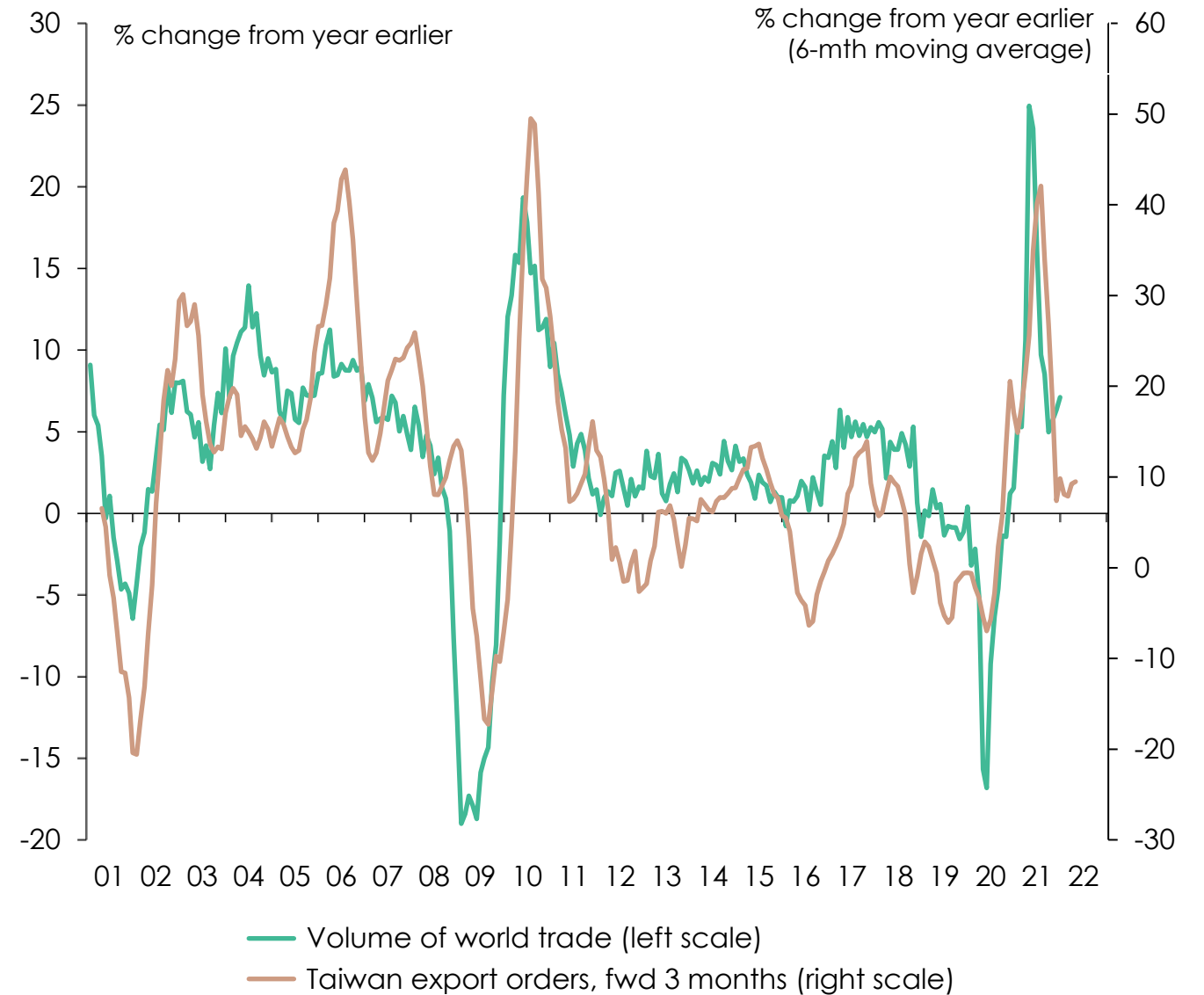
World trade volumes rose strongly over the last three months of last year, led by US & euro area imports and US, Japan, and ex-China Asia exports

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

World trade volumes and container throughput



Taiwan export orders and world trade volumes



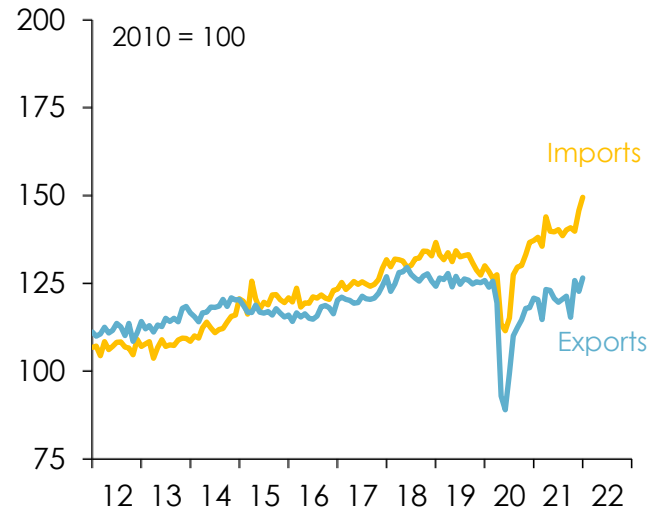
Note: The shipping container throughput index is based on reports from 91 ports around the world handling over 60% of global container shipping.

Sources: CPB Netherlands Economic Planning Bureau, [World Trade Monitor](#), December 2021 (January data to be released on 25th March); Institute of Shipping Economics & Logistics (ISL) and RWI Leibniz-Institut für Wirtschaftsforschung (RWI) [Container Throughput Index](#); Taiwan [Ministry of Economic Affairs](#). [Return to "What's New"](#).

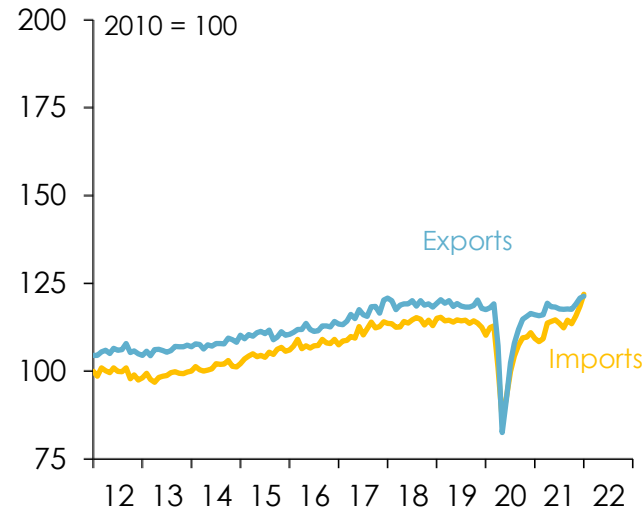
Imbalances in trade between the US and 'emerging' Asia (including China) are the major factor in the mal-distribution of containers around the world

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

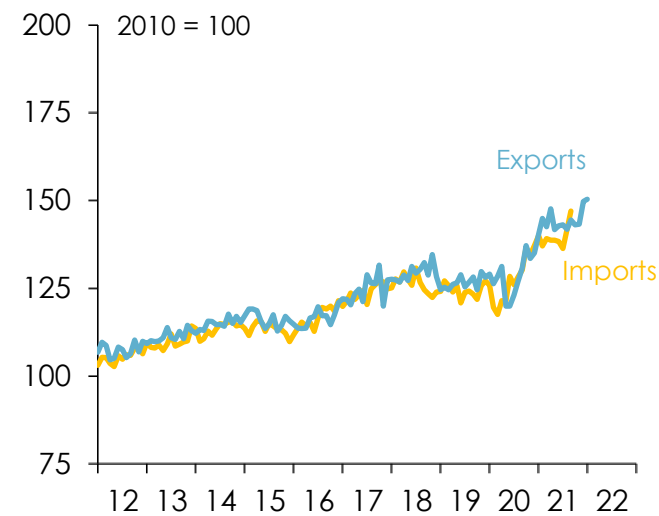
United States



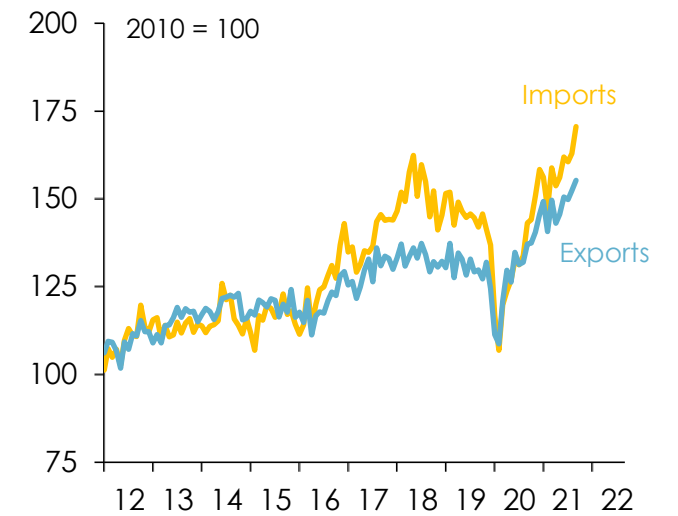
Euro area



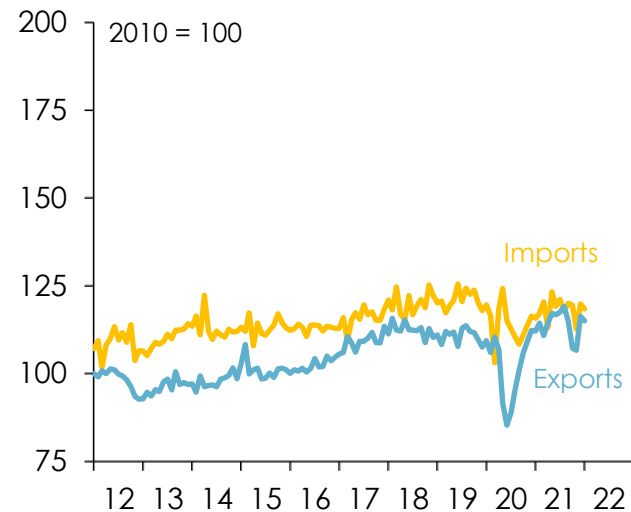
Other 'advanced' Asia



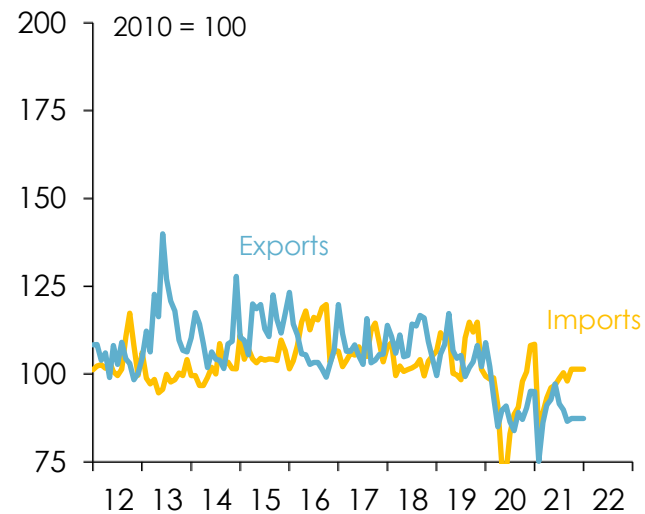
Other 'emerging' Asia



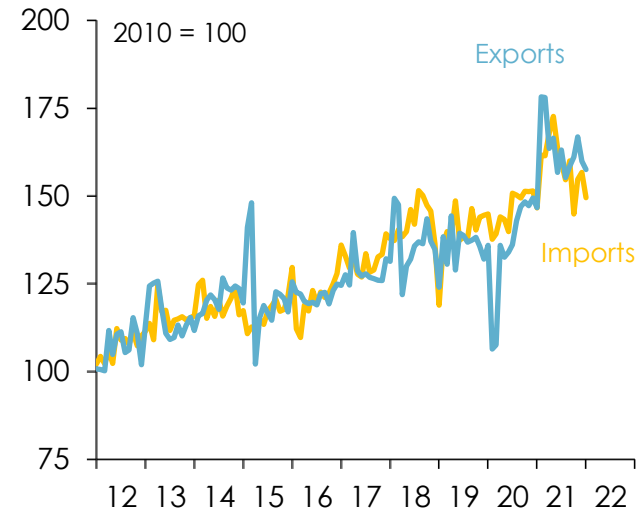
Japan



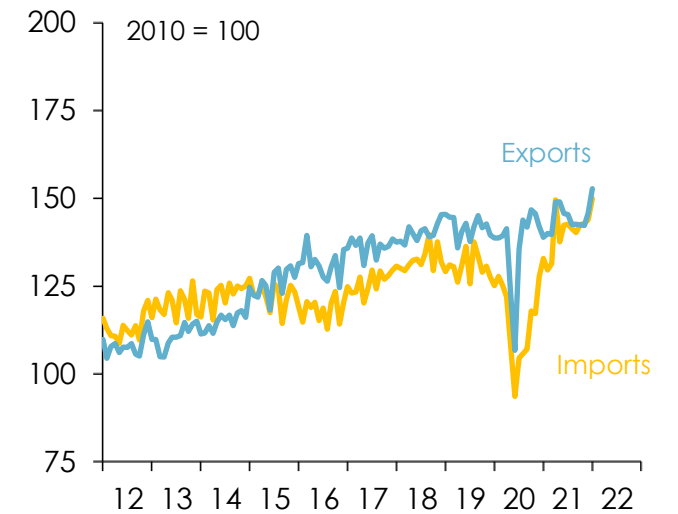
United Kingdom



China



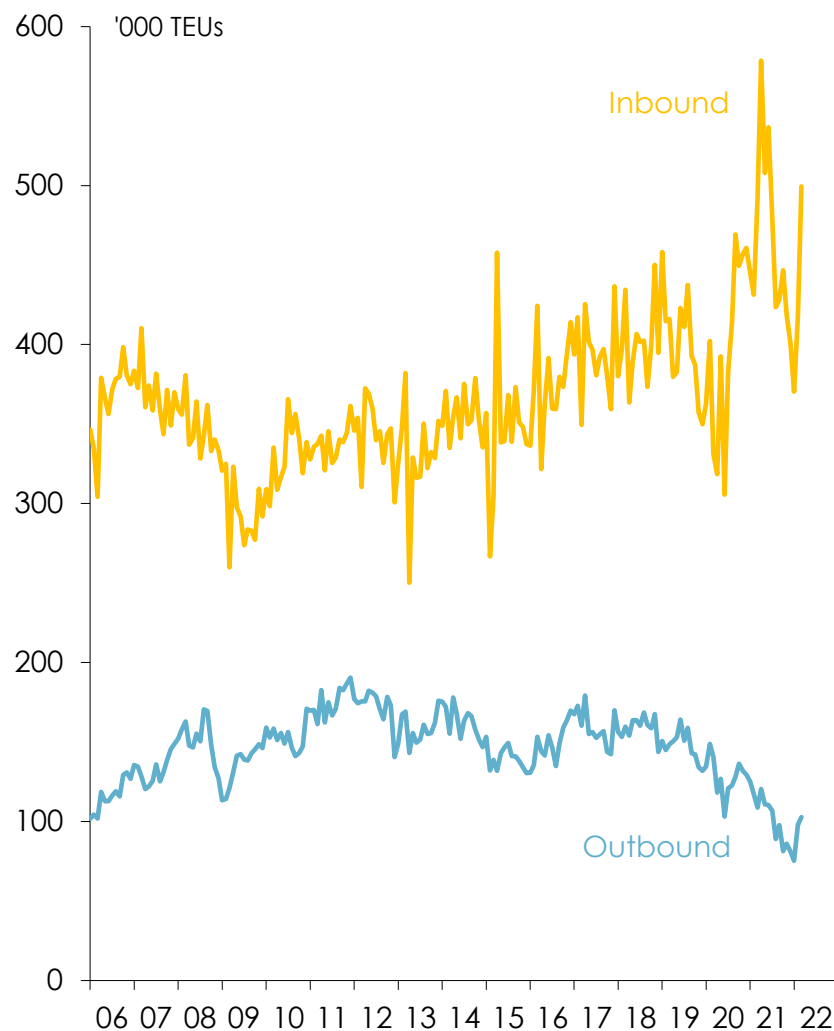
Latin America



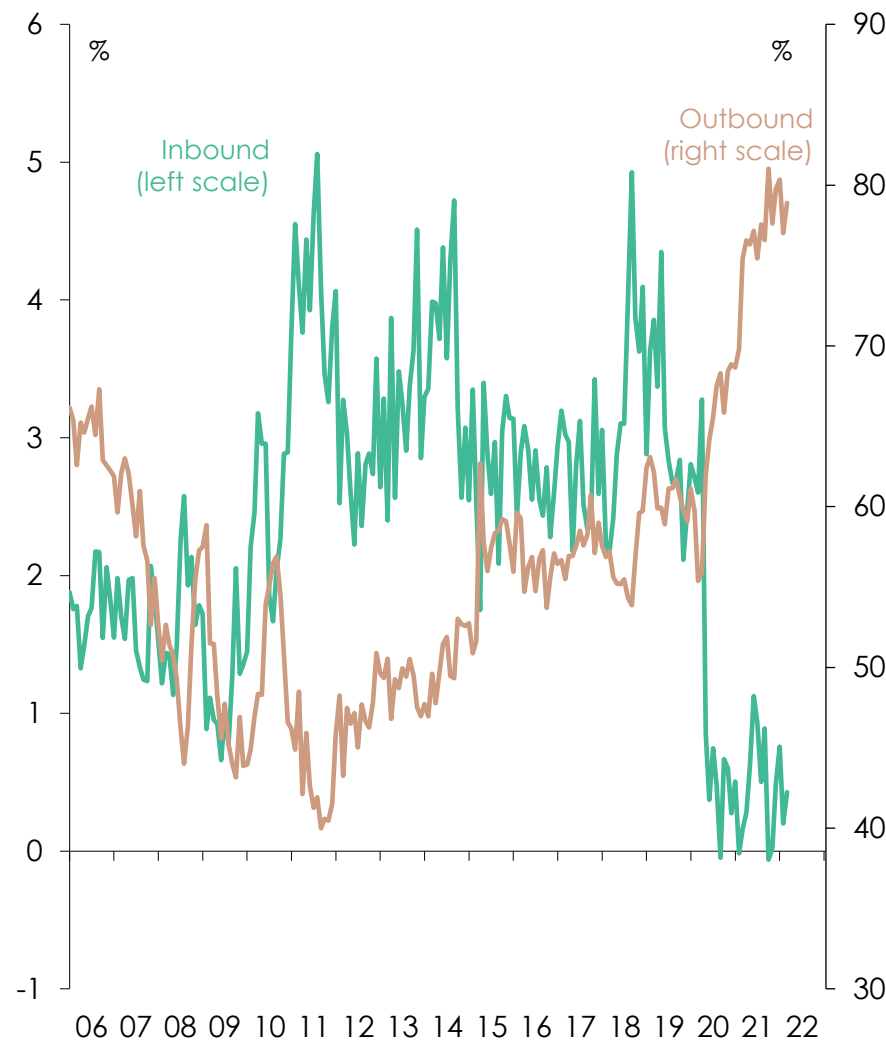
Congestion at the Port of Los Angeles (the US' largest container port) has eased significantly but trade flows remain unusually unbalanced

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

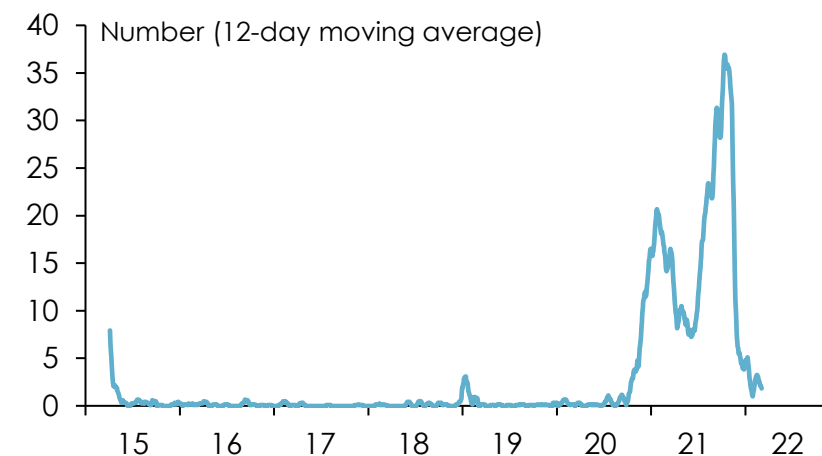
Container traffic through the Port of Los Angeles



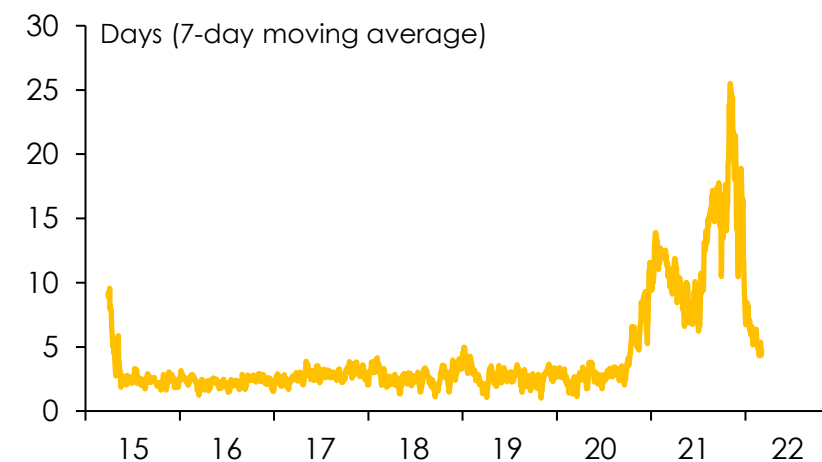
Empty containers as a pc of total passing through PoLA



Number of vessels at anchor outside PoLA



Average time at anchor and berth for ships at PoLA

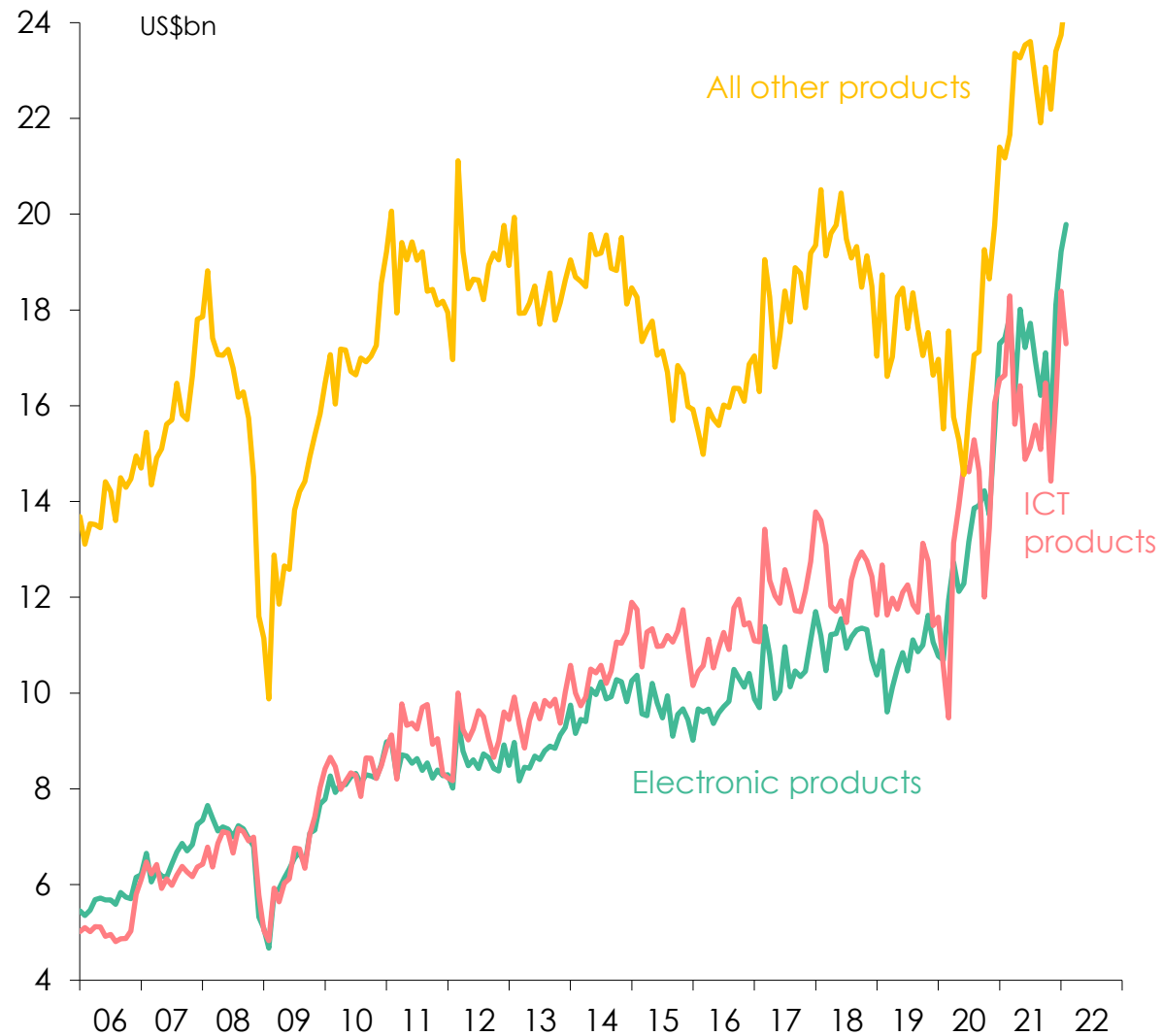


Note: TEU = 20-foot equivalent unit. Data on inbound and outbound container traffic in the first two charts have been seasonally adjusted by Corinna using Refinitiv Datastream. Data up to 18th March. Source: The Port of Los Angeles, [Container Statistics](#) and [Container vessels in port](#). [Return 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 – 21ST MARCH 2022

Taiwan export orders, by product



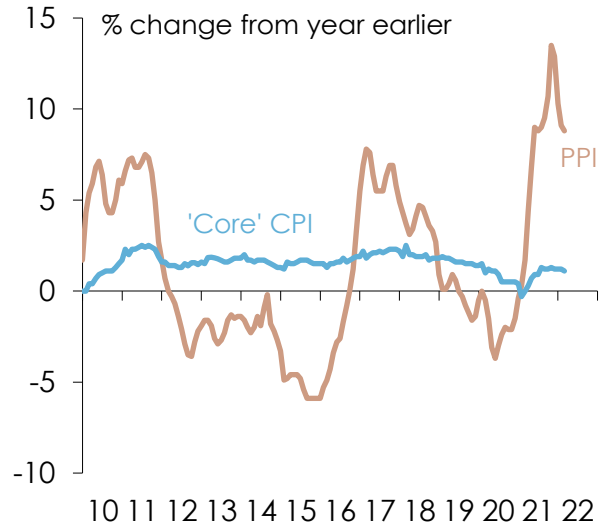
- ❑ Taiwan accounts for 63% of the US\$85bn global semi-conductor chip market (followed by Korea 18% and China 6%)
 - one Taiwanese company, Taiwan Semiconductor Manufacturing Co (TSMC) has 54% of the world market, and United Microelectronics Co (UMC) a further 7% (Samsung accounts for Korea's 18%)
-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

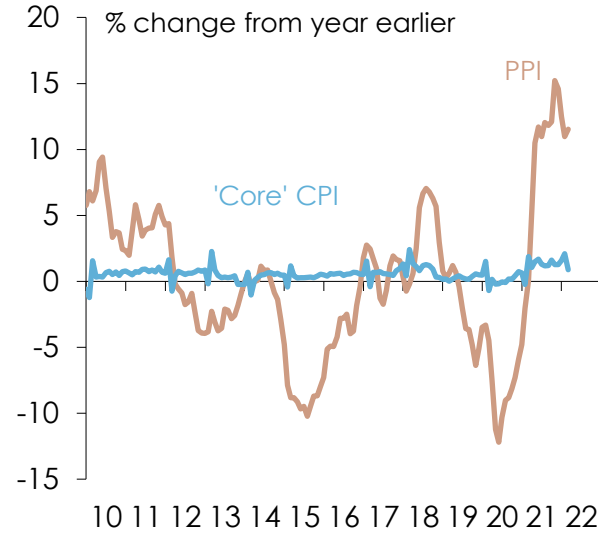
'Core' CPI inflation has picked up a little bit in the more 'advanced' East Asian economies but remains dormant in China and South-East Asia

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

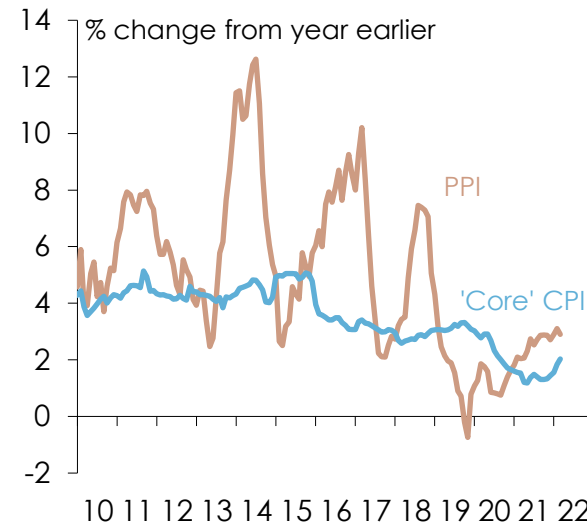
China



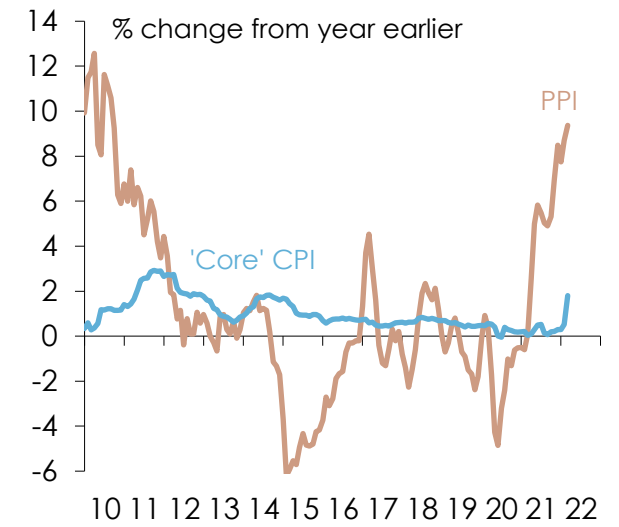
Taiwan



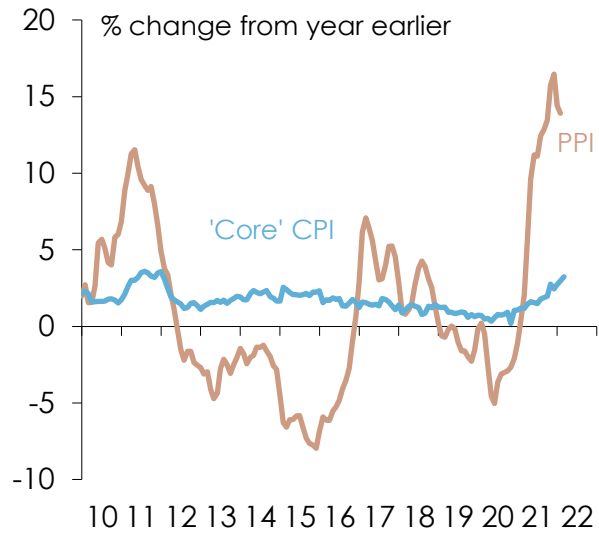
Indonesia



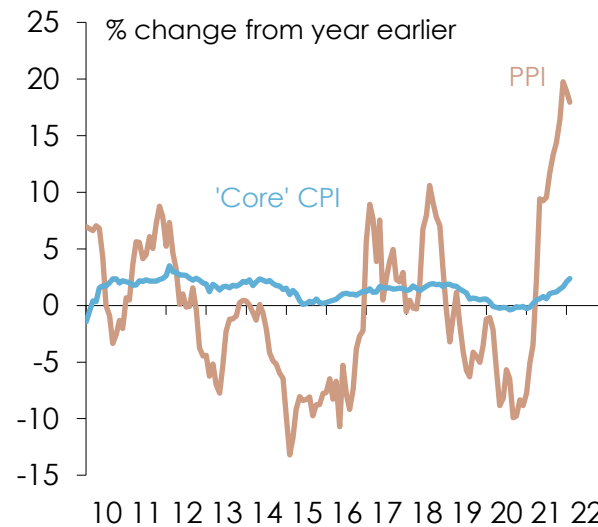
Thailand



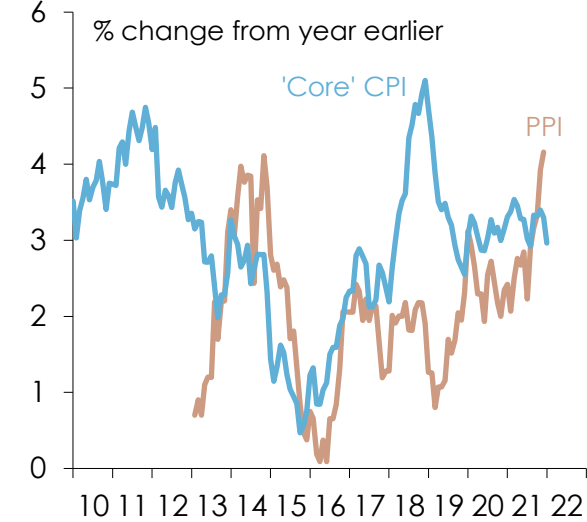
Korea



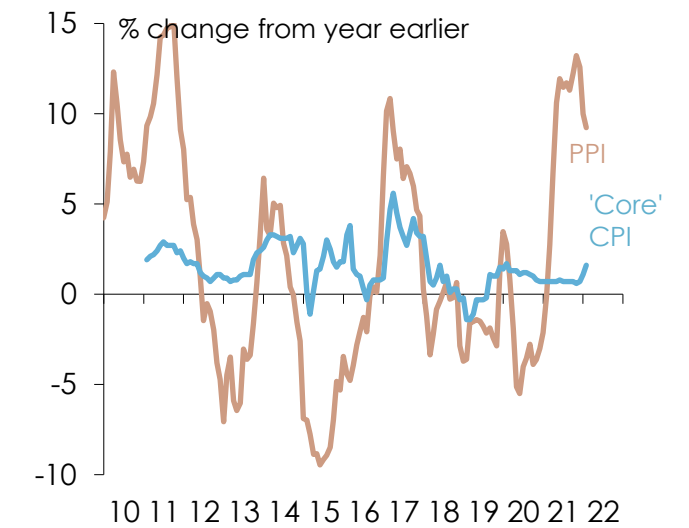
Singapore



Philippines



Malaysia

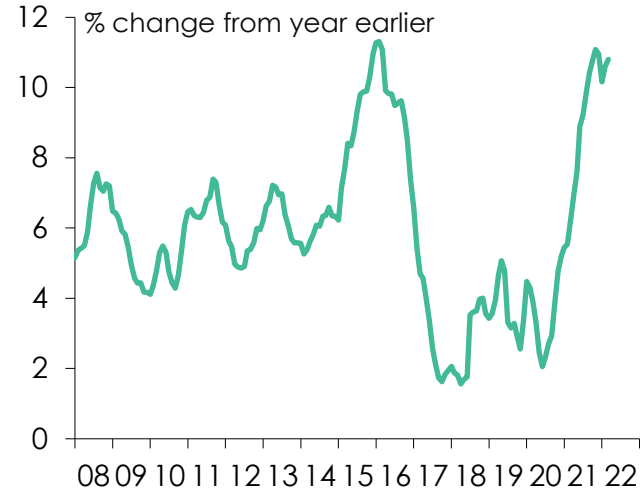


Note: 'Core' CPIs measure different things in different Asian economies – see footnotes to [slide 103](#). Sources: [China National Bureau of Statistics](#); [Statistics Korea](#); [Bank of Korea](#); [Taiwan Statistical Bureau](#); [Singstat](#); [Monetary Authority of Singapore](#); [Statistics Indonesia](#);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

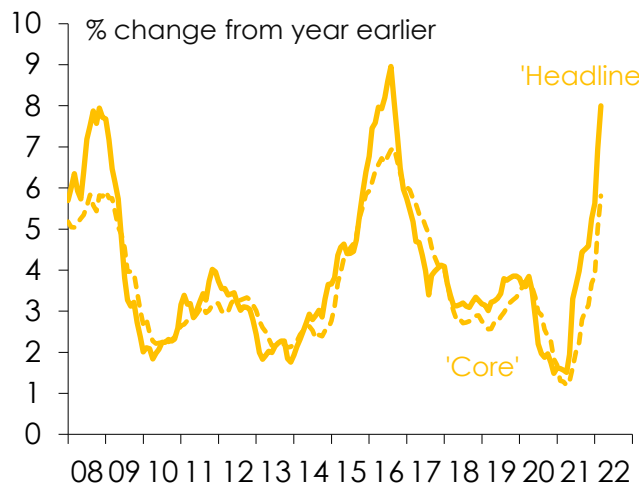
Consumer price inflation is rising sharply across Latin America (except for Venezuela, where it's now down to just 313%!)

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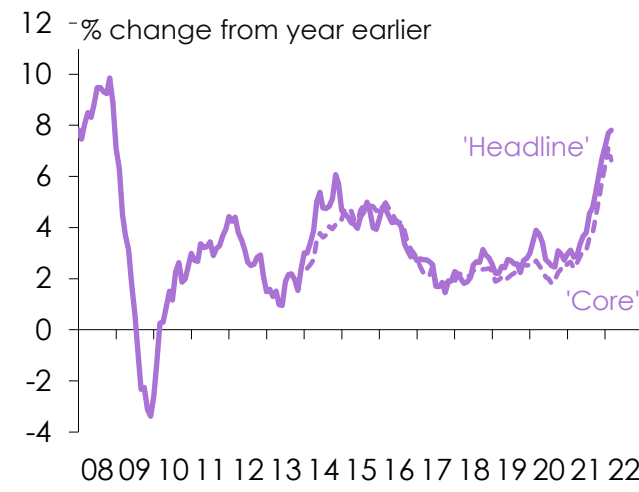
Brazil



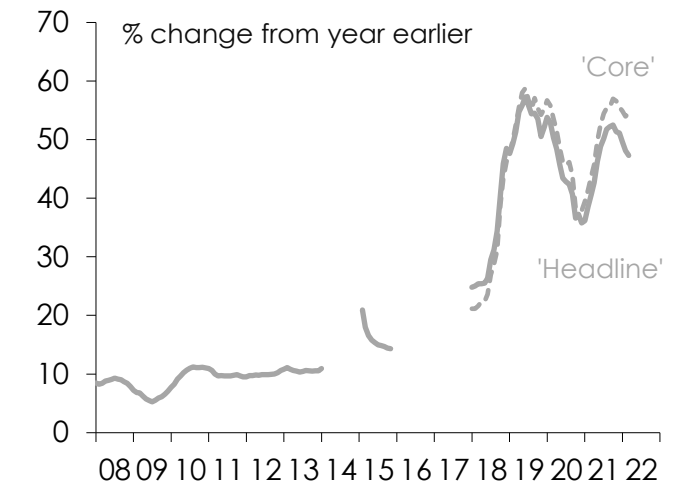
Colombia



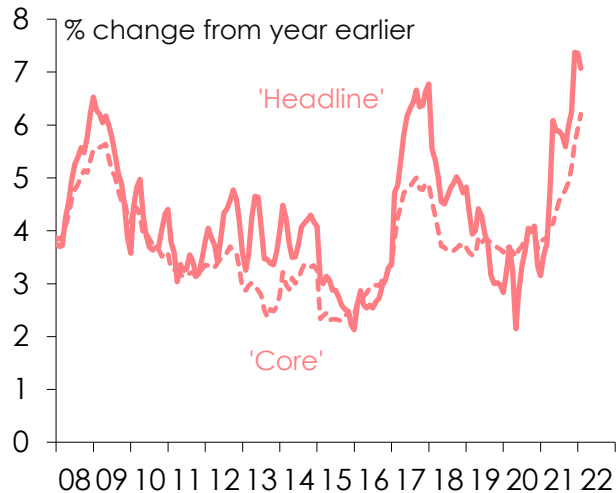
Chile



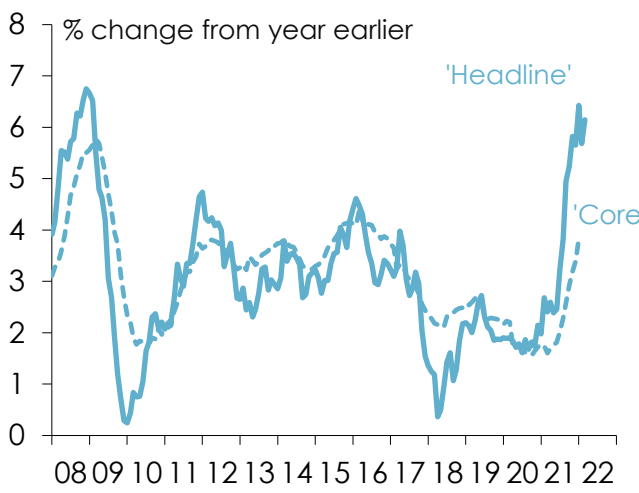
Argentina



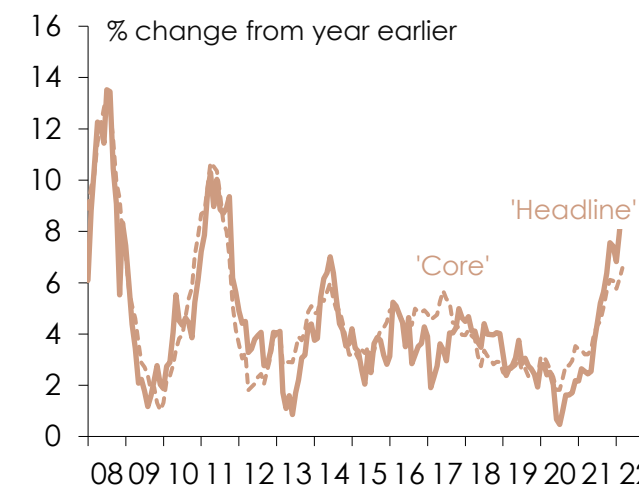
Mexico



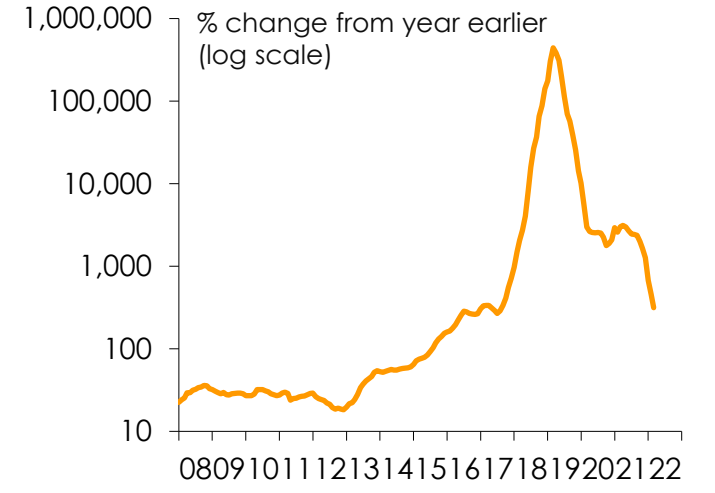
Peru



Paraguay



Venezuela

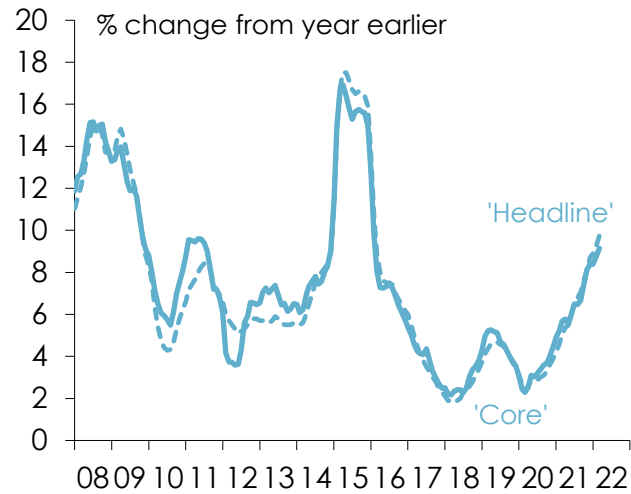


Sources: [Instituto Brasileiro de Geografia e Estatística](#); [Instituto Nacional de Estadística y Geografía](#) (Mexico); [Departamento Administrativo Nacional de Estadística](#) (Colombia); [Instituto Nacional de Estadística e Informática](#) (Peru); [Instituto Nacional de Estadísticas](#) (Chile);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

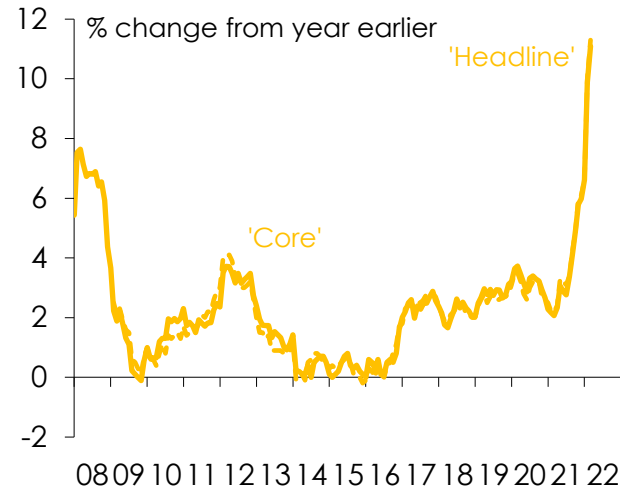
Consumer price inflation is also rising across Central and Eastern Europe, and in South Africa

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

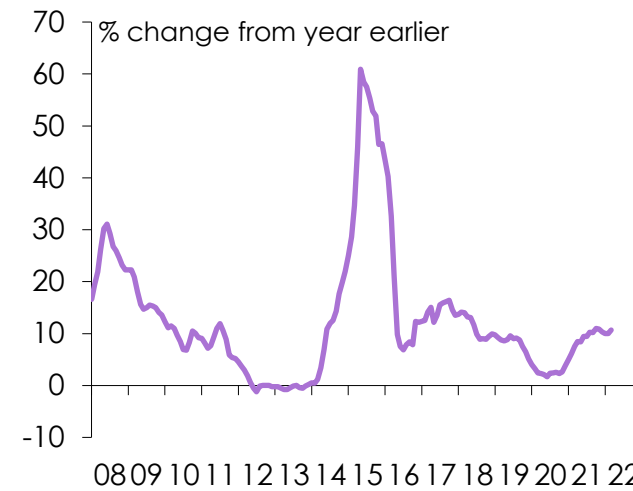
Russia



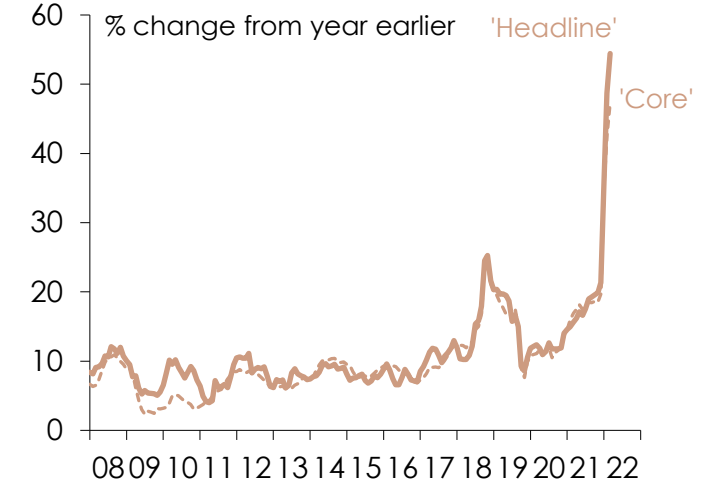
Czech Republic



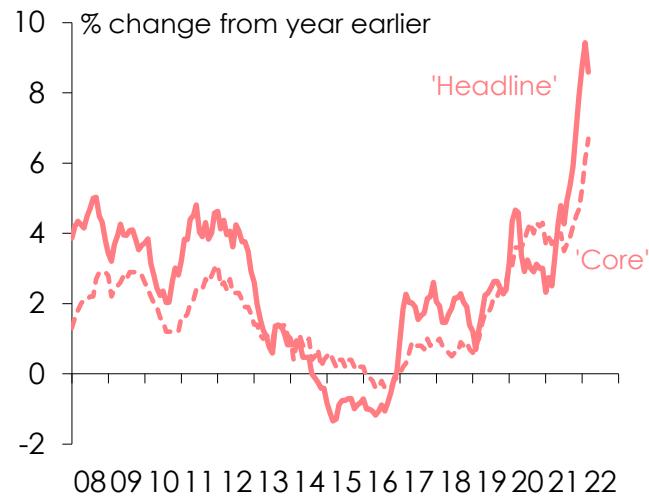
Ukraine



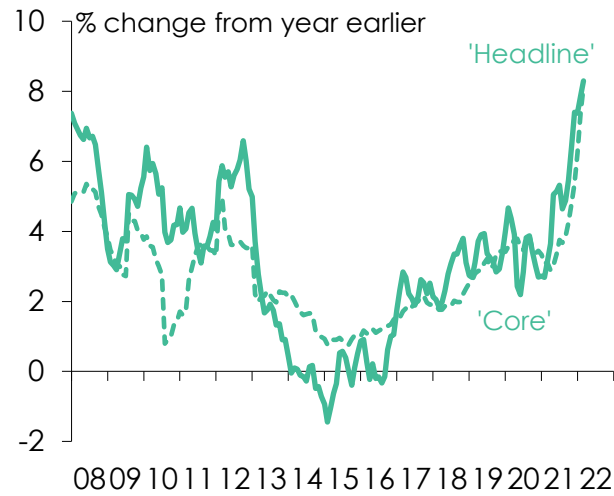
Turkey



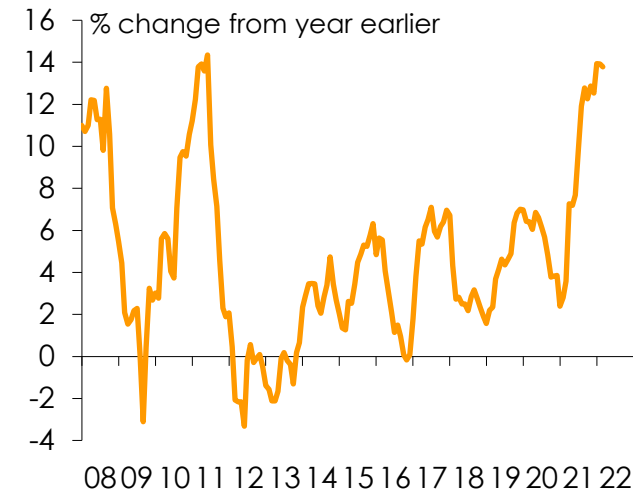
Poland



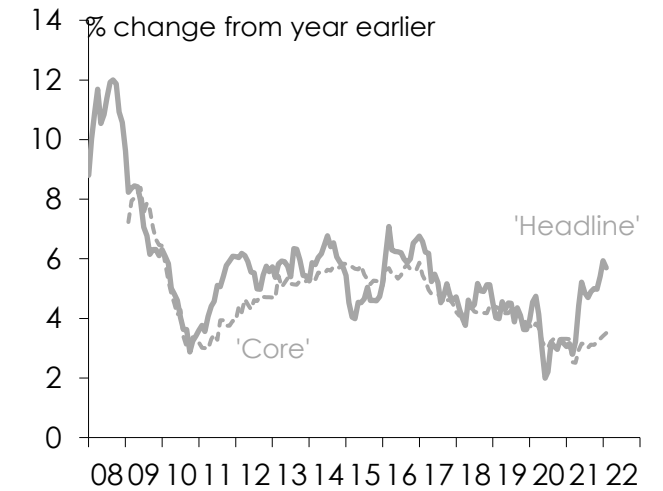
Hungary



Georgia



South Africa

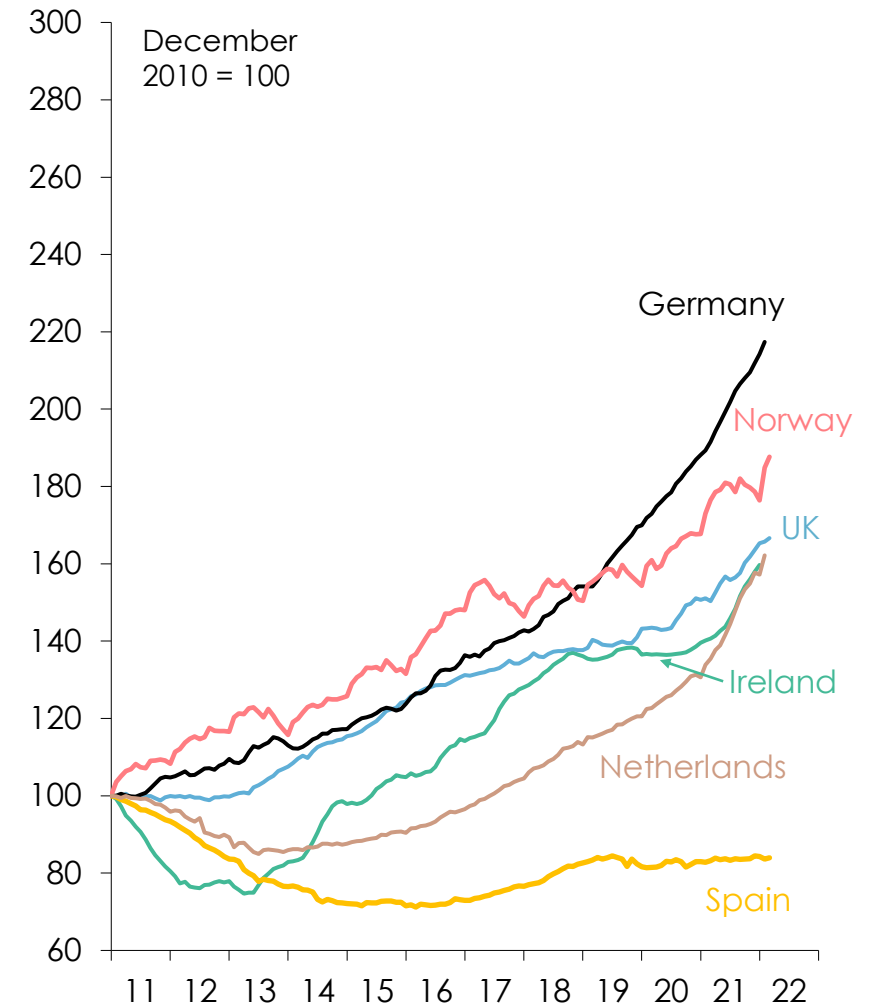
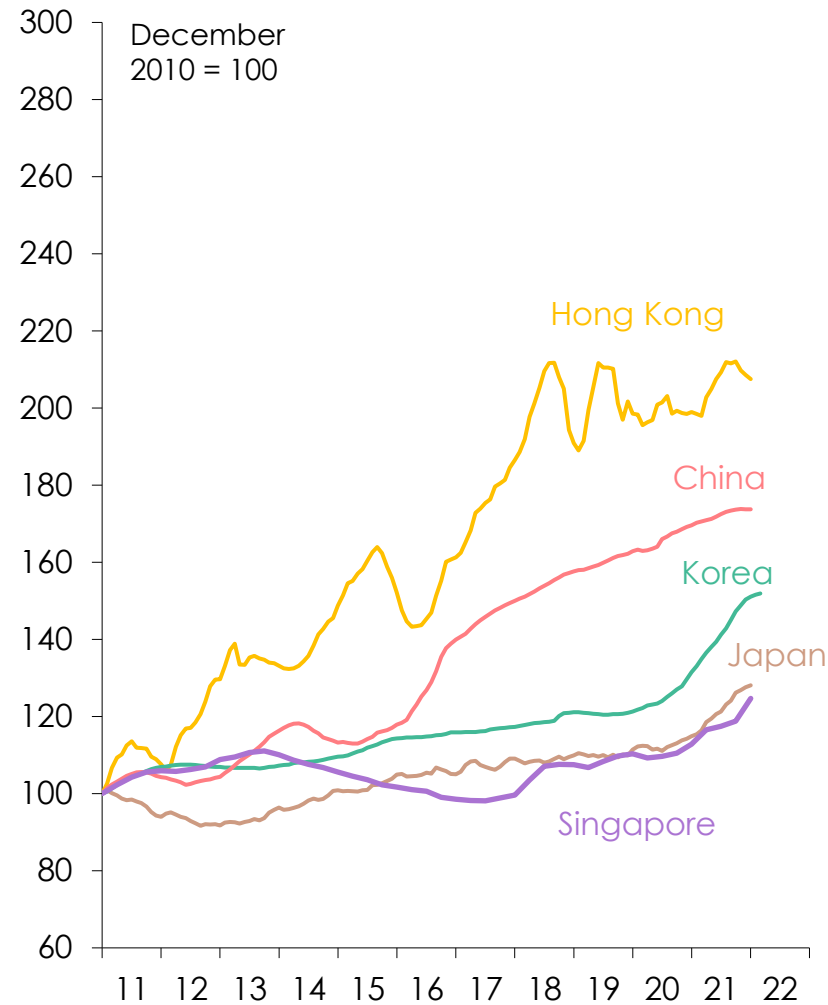
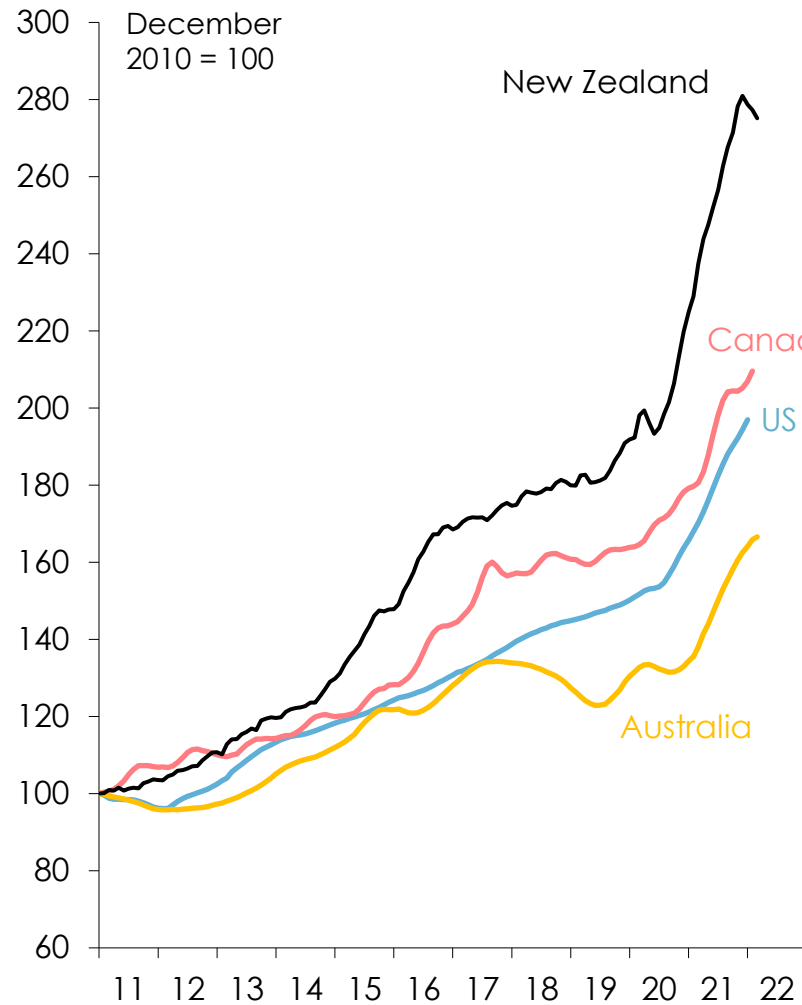


Sources: [Rosstat](#); [Główny Urząd Statystyczny](#) (Poland); [Český statistický úřad](#) (Czech Republic); [Központi Statisztikai Hivatal](#) (Hungary); [Ukrstat](#); [Sak'art'velos statistikis erovnuli samsakhuri](#) (Georgia); [Statistics South Africa](#); [Turkstat](#). Return to "What's New".

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 – 21ST MARCH 2022

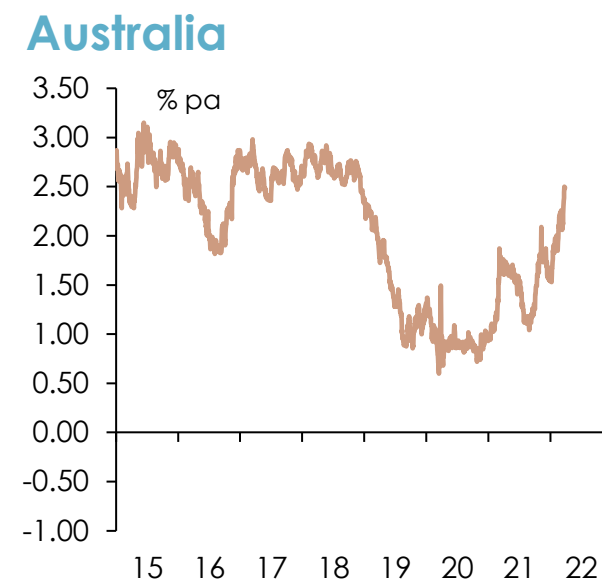
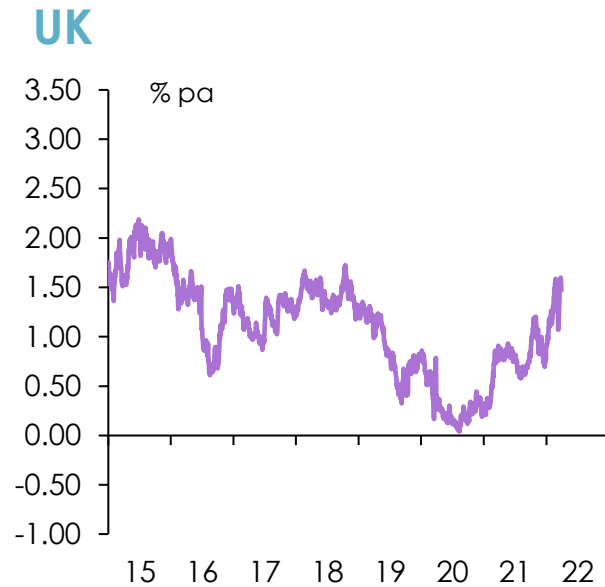
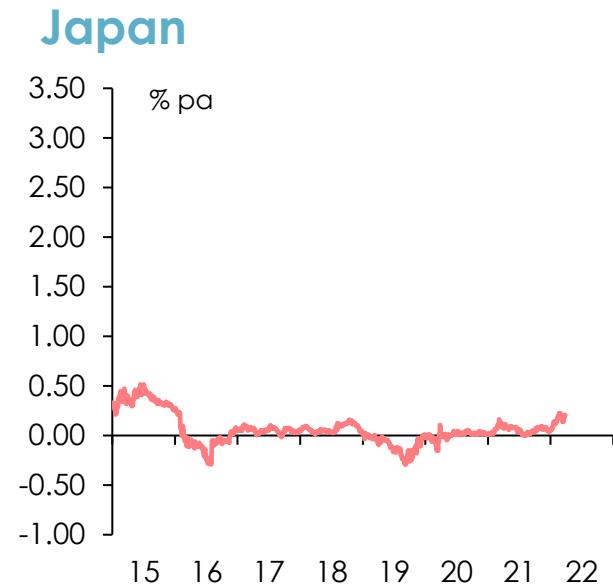
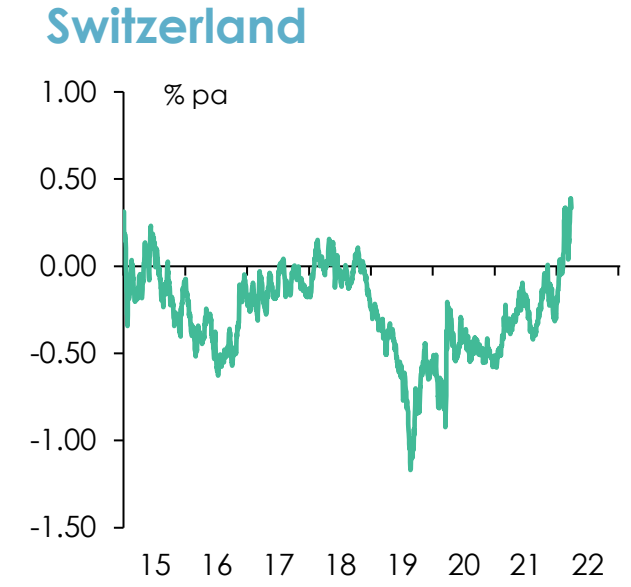
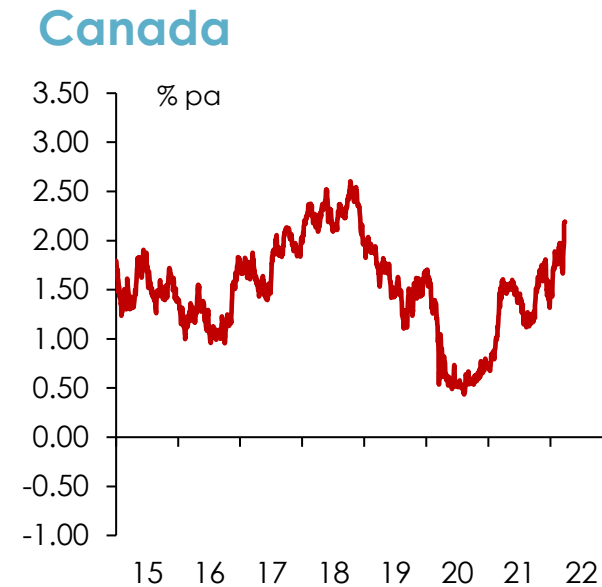
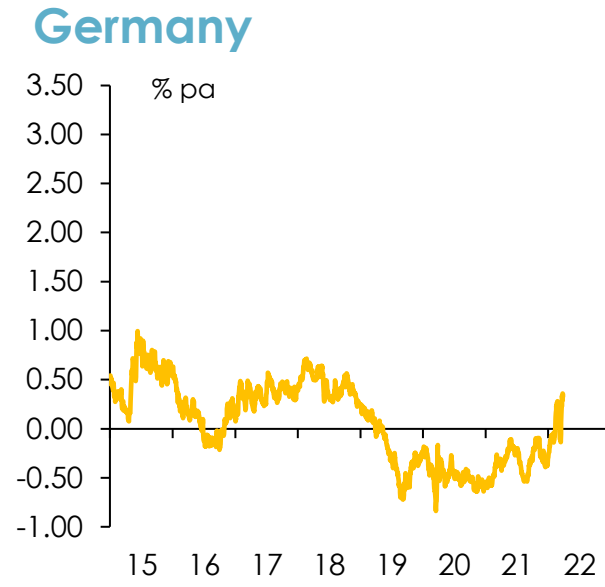
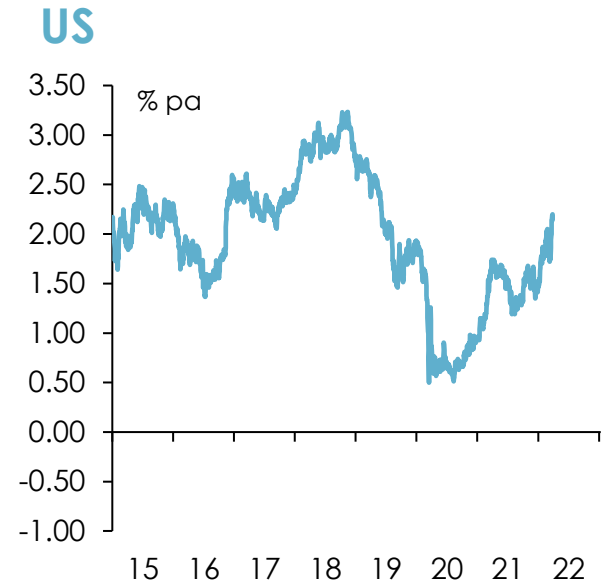
House price indices



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"](#).

Ten-year government bond yields continued edging higher last week, as the Fed and BoE raised rates and commodity prices rebounded

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022



Note: Data up to 18th 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 were mixed, with yields falling in Mexico and South Africa but rising marginally in Brazil and by over 60 bp in Turkey

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

China



Brazil



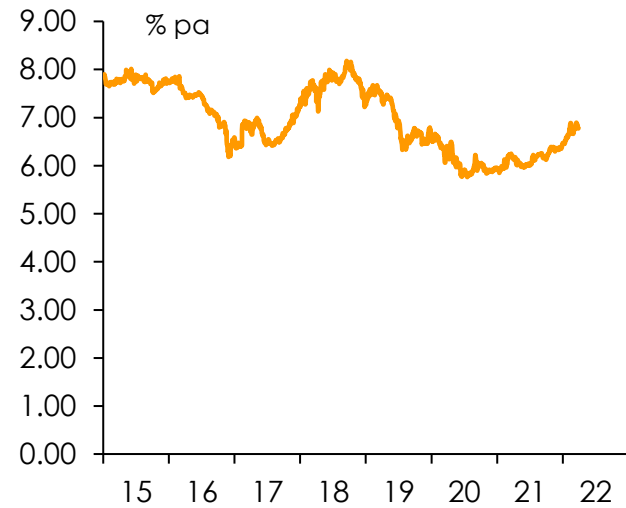
Russia



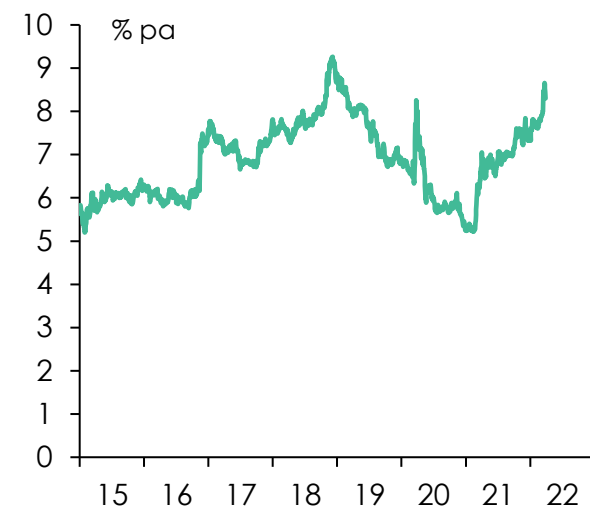
South Africa



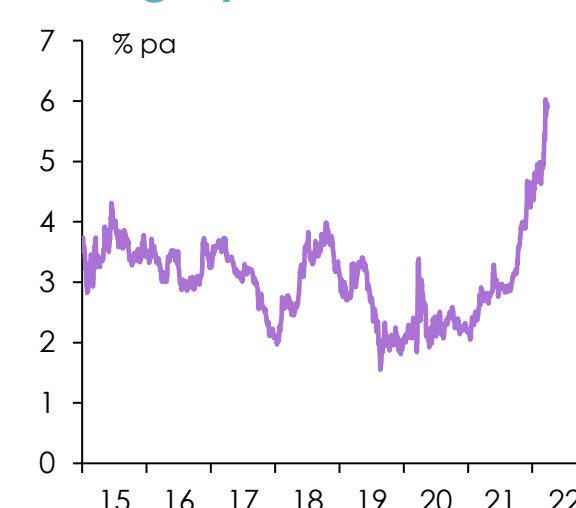
India



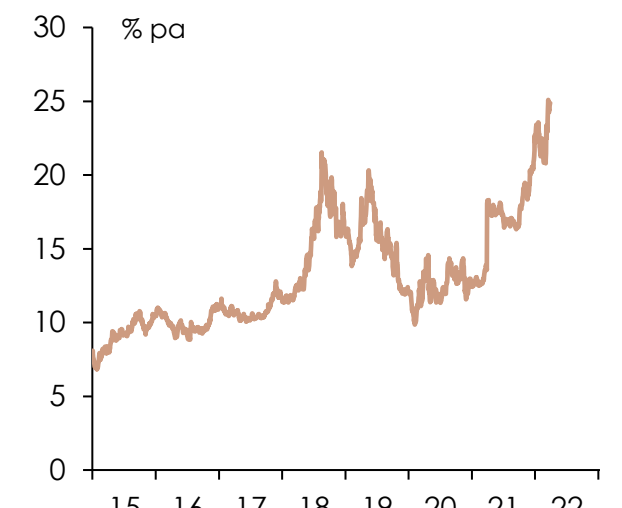
Mexico



Hungary



Turkey



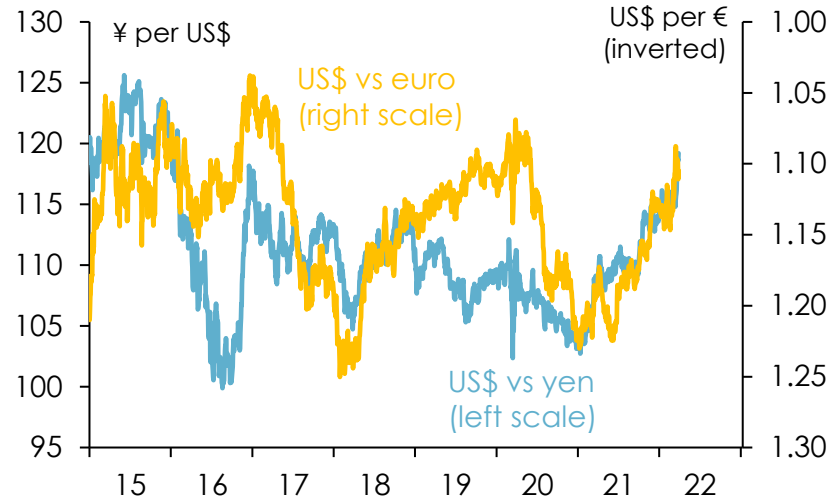
Note: Data up to 18th March. For bond yields in other Asian economies see [slide 112](#); and for policy interest rates in other emerging markets see [slide 131](#).

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

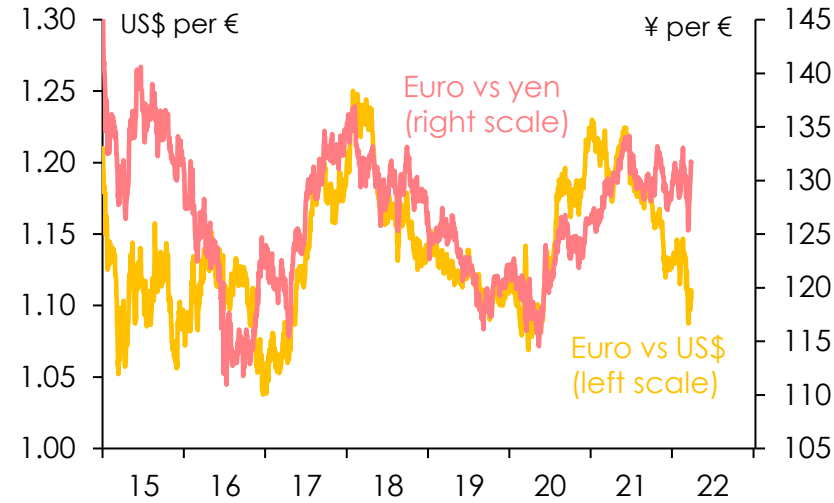
The US\$ fell back last week, particularly against the yen, after rising strongly over the previous few weeks, while the A\$ and to a lesser extent the C\$ rose

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

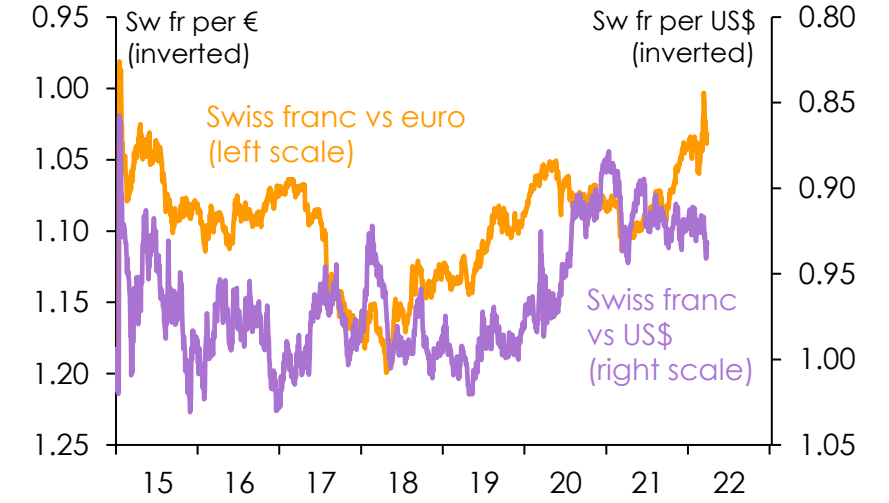
US dollar



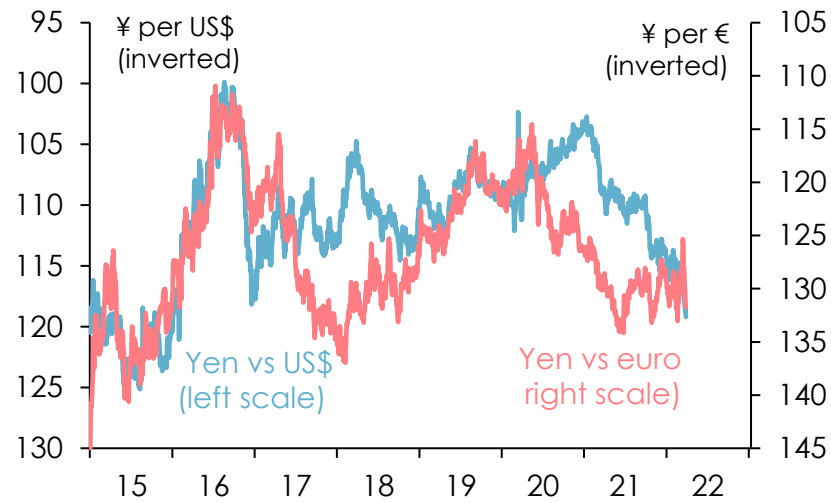
Euro



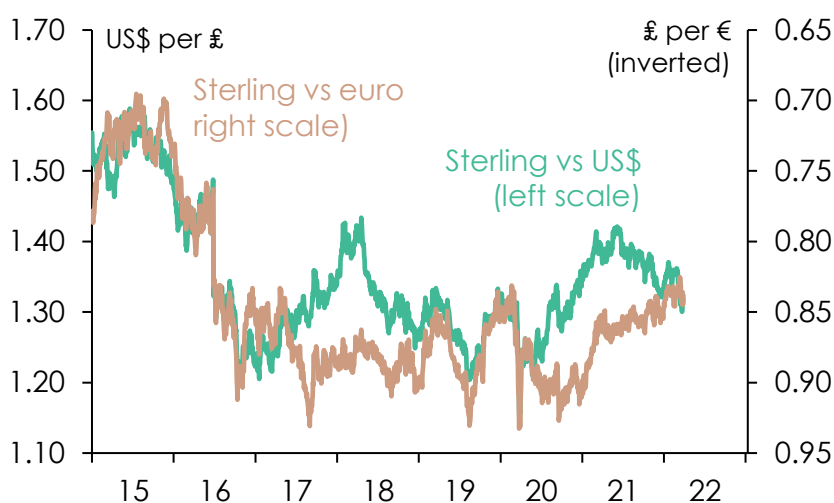
Swiss franc



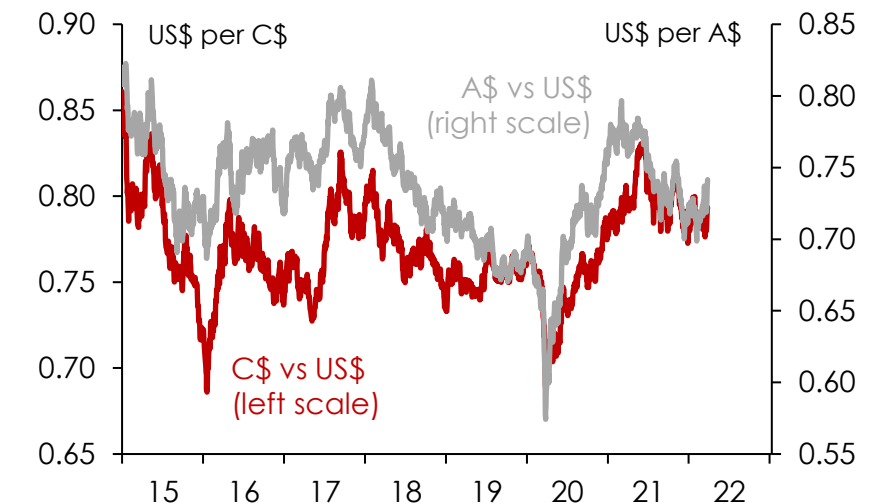
Japanese yen



Sterling



Canadian & Australian dollars

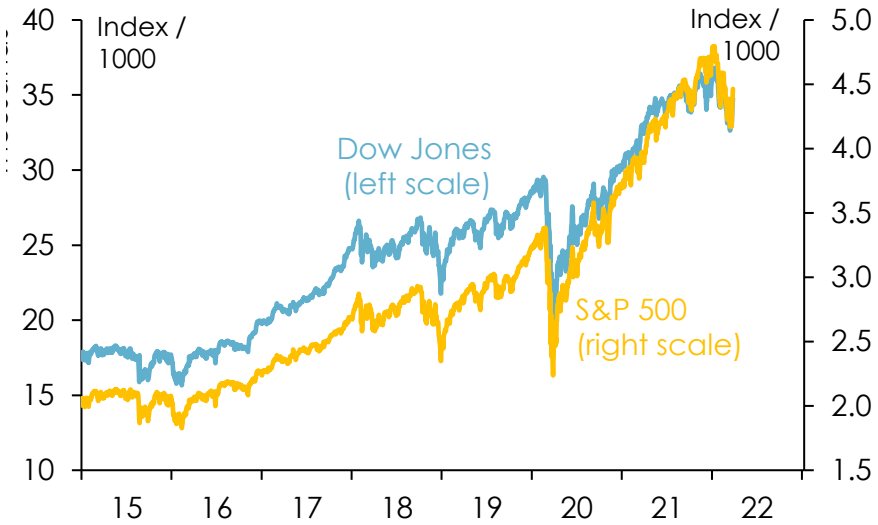


Note: Data up to 18th March. For Asian exchange rates see [slide 114](#). Source: Refintiv Datastream. [Return to "What's New"](#).

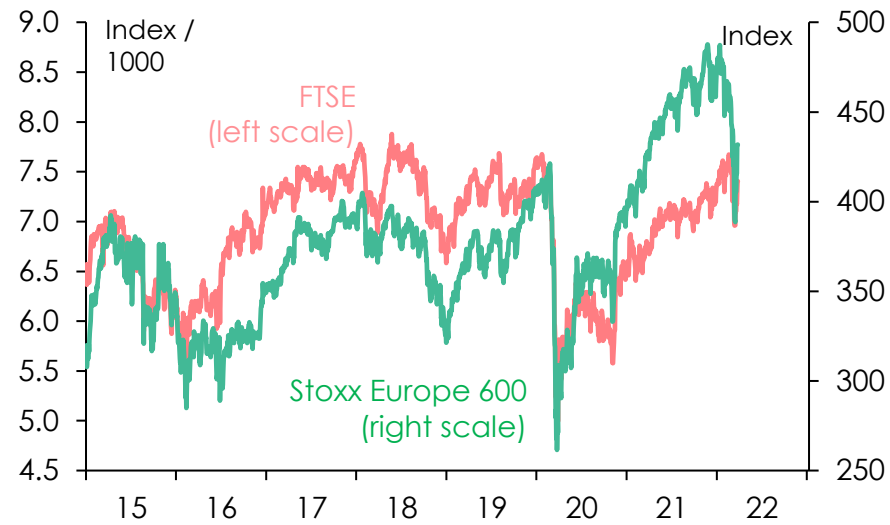
Stock markets rebounded strongly last week with both US and Japanese markets up more than 6%, and European markets up 5½-6%

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

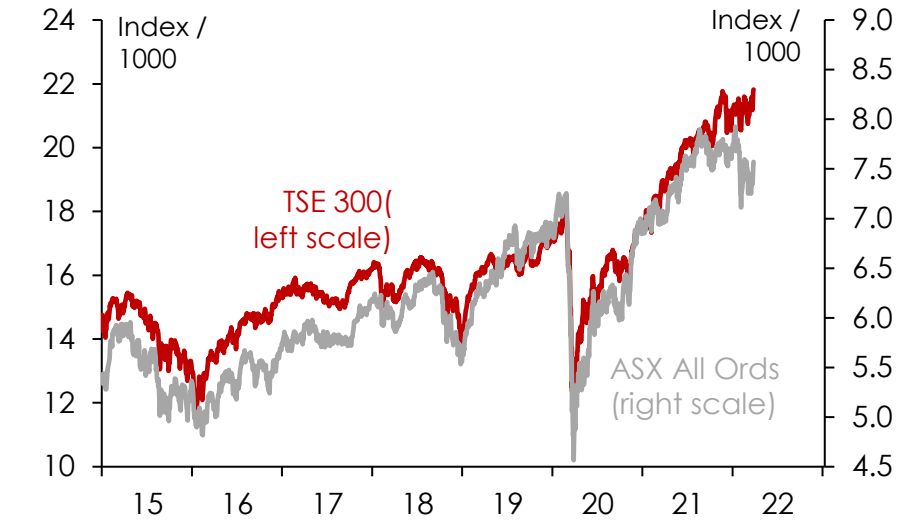
US stock market



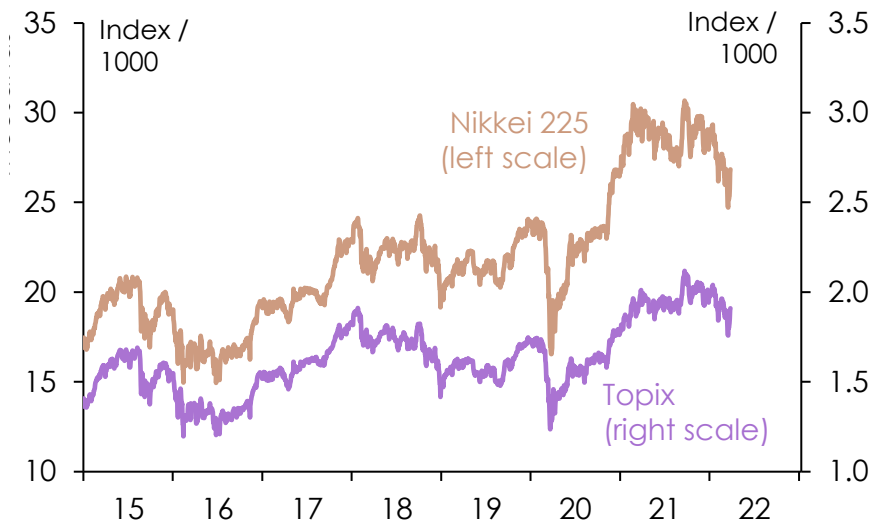
European stock markets



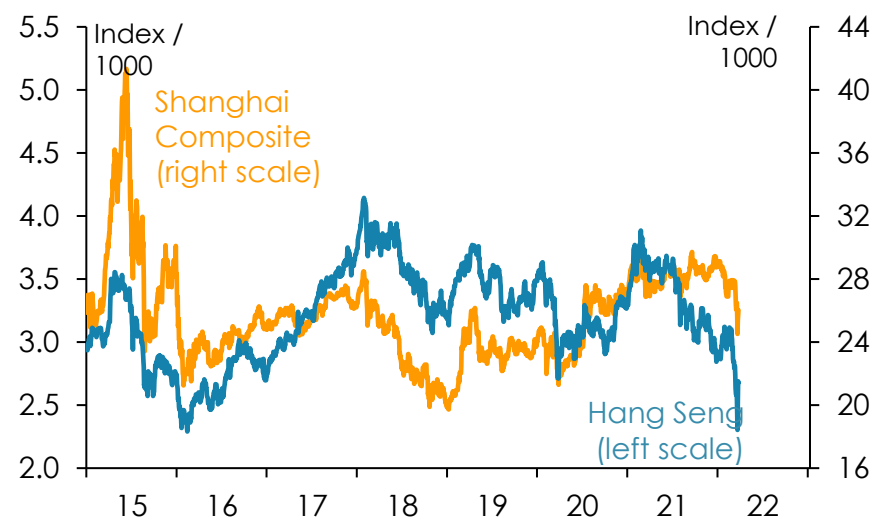
Canadian & Australian stock markets



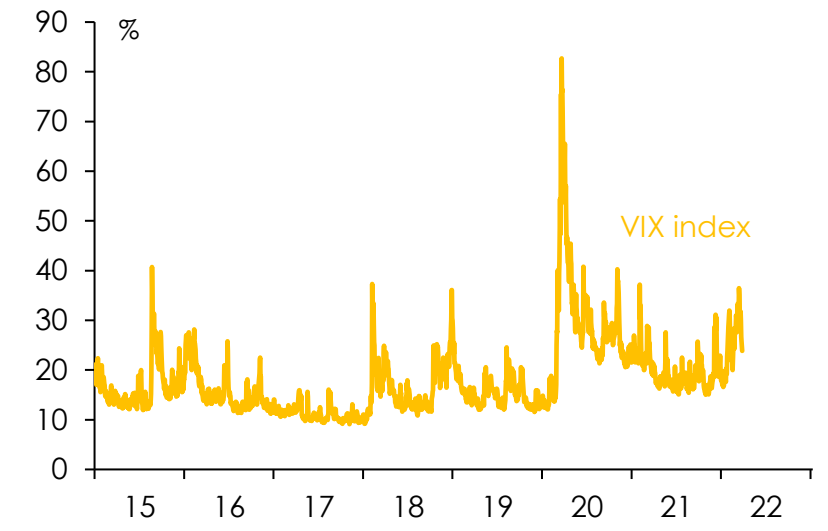
Japanese stock market



Chinese & HK stock markets



Equity market volatility



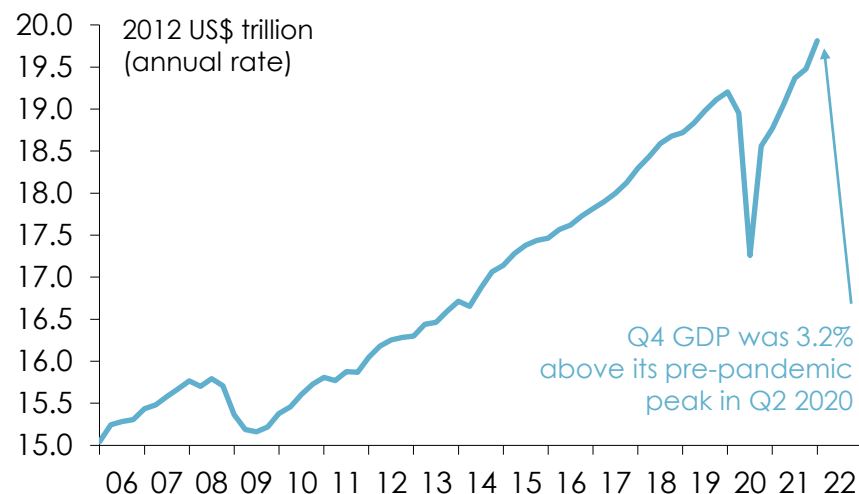
Note: Data up 18th March. Source: Refinitiv Datastream. For East Asian stock markets see [slide 115](#). [Return to "What's New"](#).

The United States

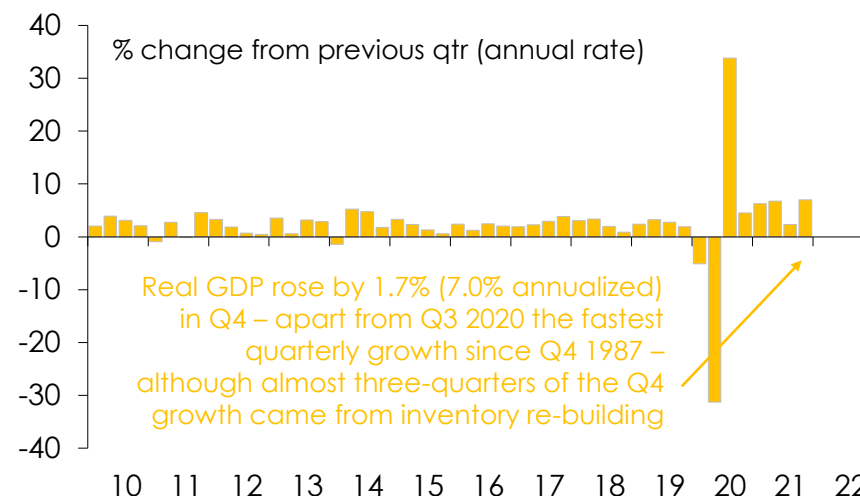
US real GDP grew 1.7% (7.0% annualized) in Q4 2021 – almost eliminating the ‘output gap’ – though most of the growth came from inventories

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

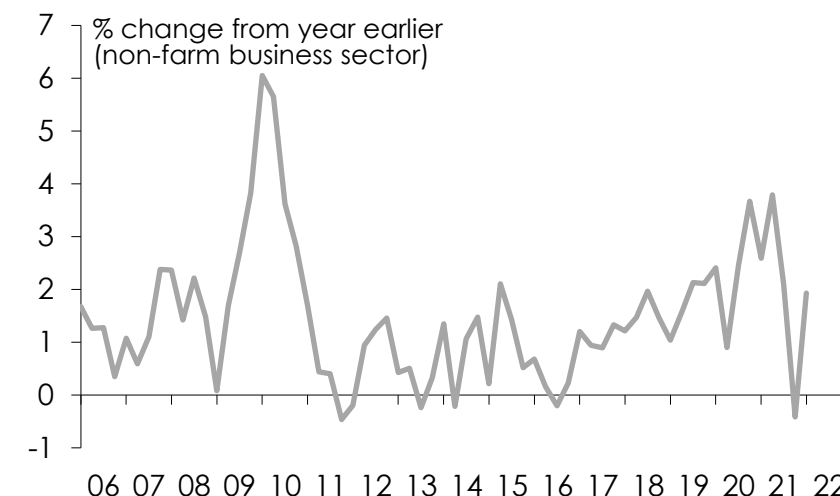
Level of real GDP



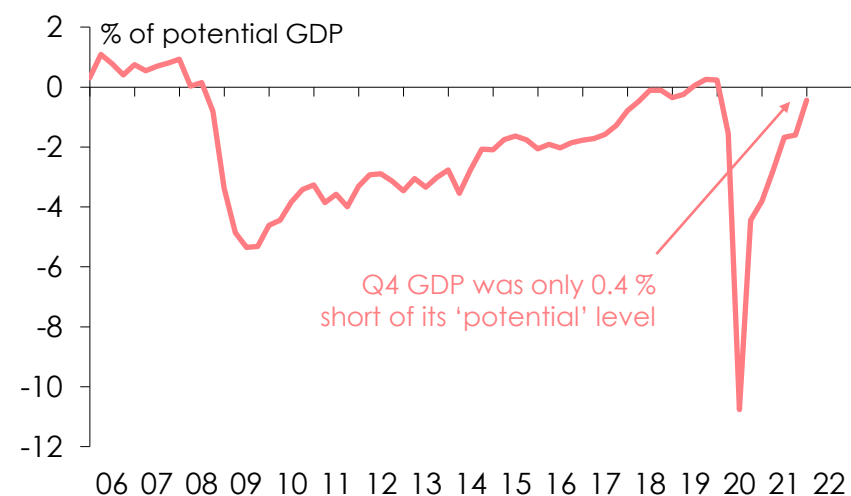
Quarterly change in real GDP



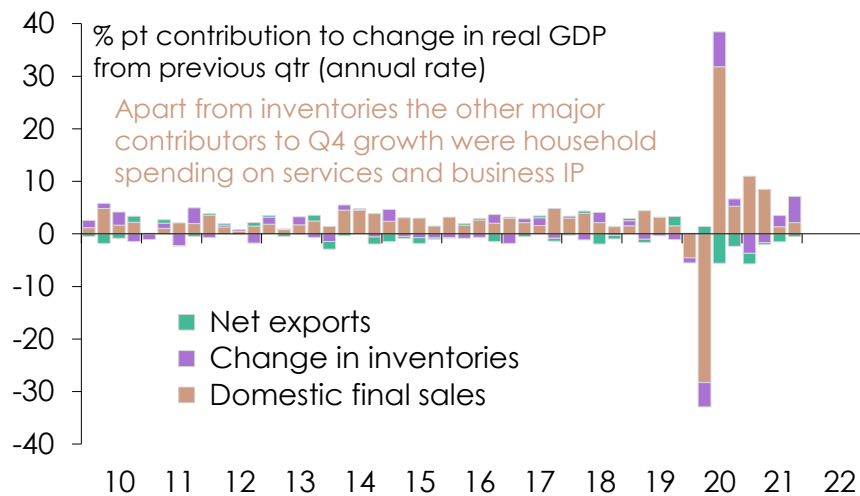
Labour productivity growth



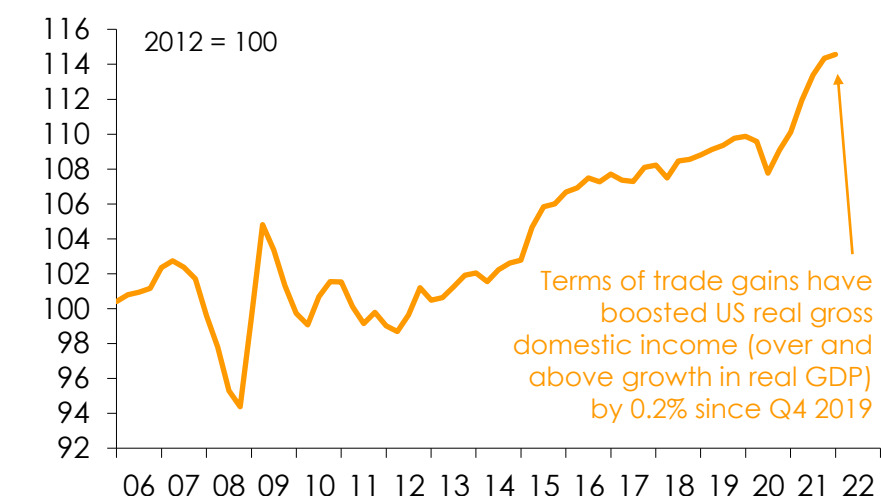
The ‘output gap’



Contributions to change in real GDP



Terms of trade

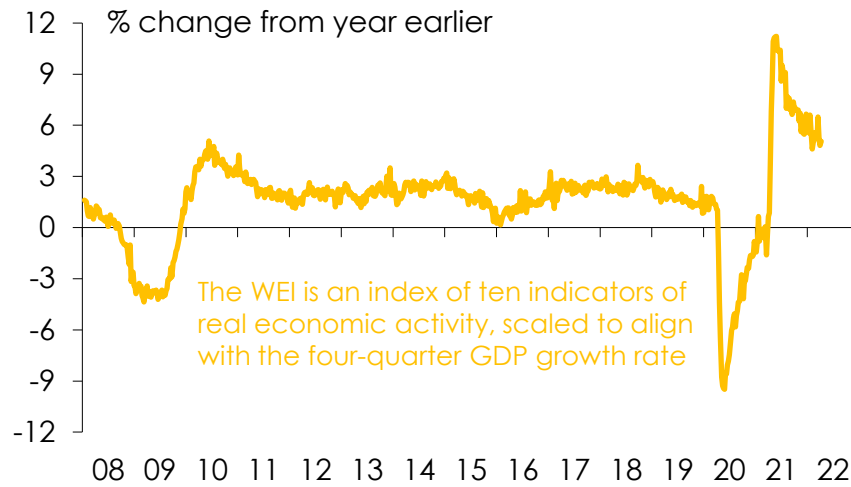


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

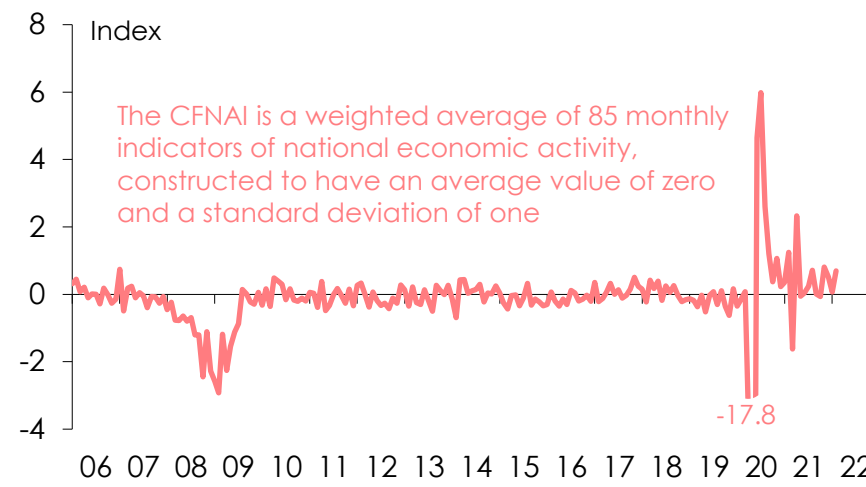
Survey data and composite indexes for the most part suggest only a mild slowing in economic activity in the early part of the first quarter of 2022

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

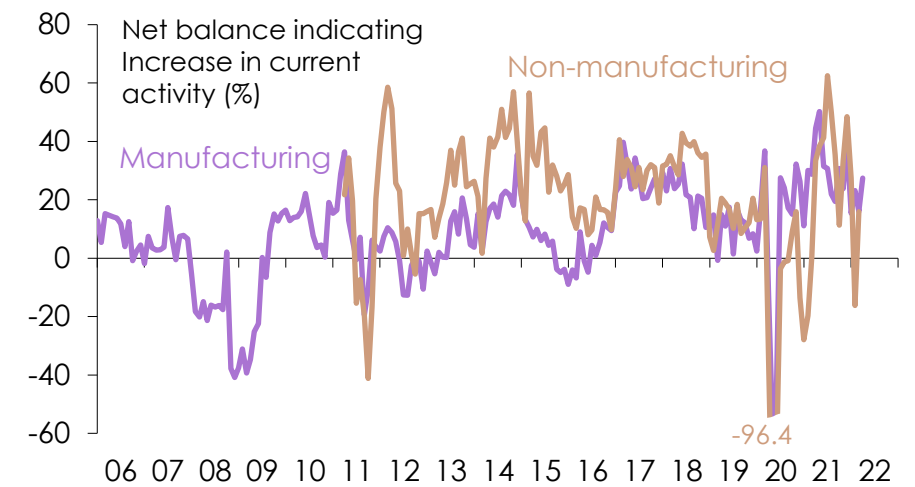
NY Fed weekly economic index



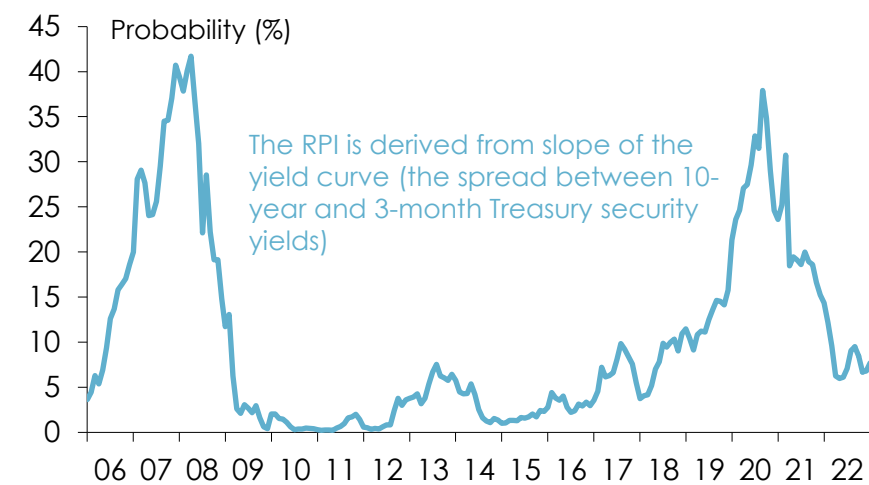
Chicago Fed national activity index



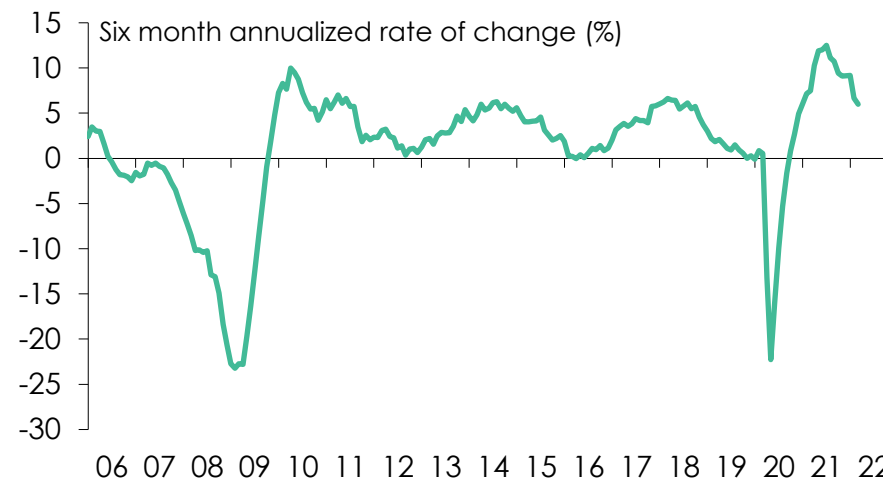
'Philly Fed' business outlook survey



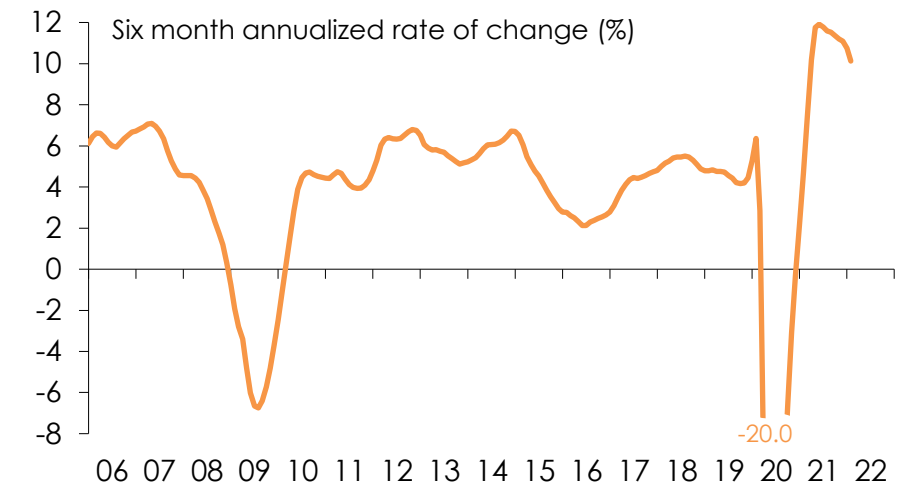
NY Fed recession probability index



Conference Board leading indicators



Dallas Fed Texas business index

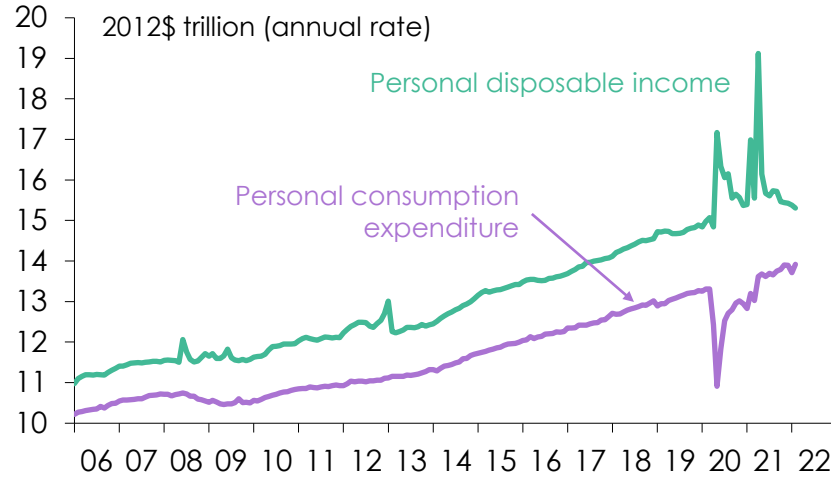


Sources: Federal Reserve Bank of New York, [Weekly Economic Index](#) and [The Yield Curve as a Leading Indicator](#); Federal Reserve Bank of Chicago, [Chicago Fed National Activity Index \(CFNAI\)](#); The Conference Board, [Global Business Cycle Indicators](#); Federal Reserve Bank of Philadelphia,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

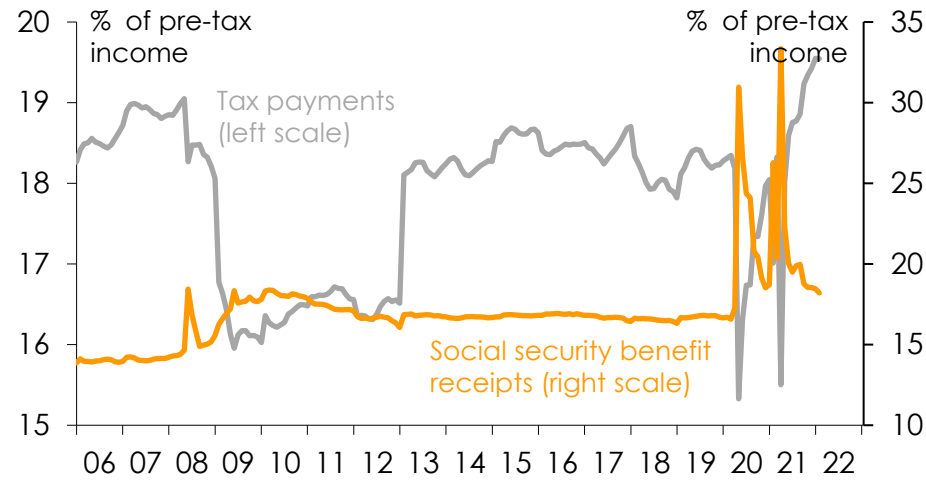
US personal spending and saving are starting to 'normalize' after pandemic-induced distortions, but tax and inflation are also taking a bite out of income

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

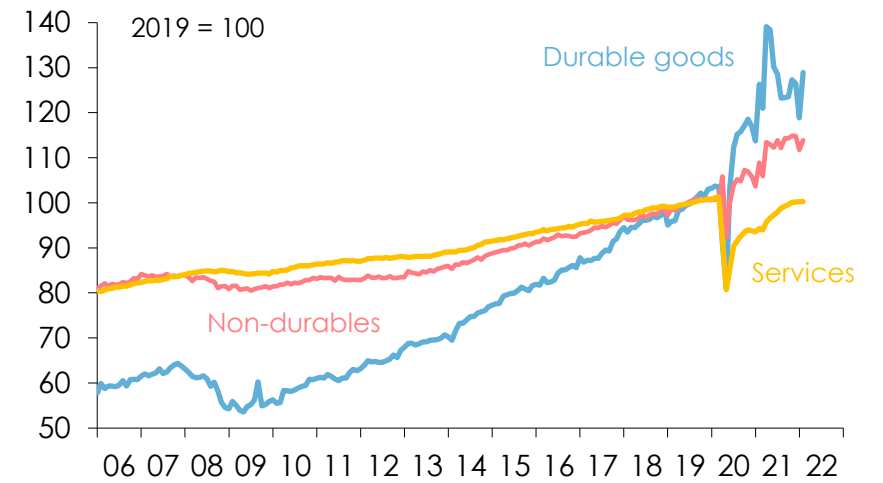
Personal income and expenditure



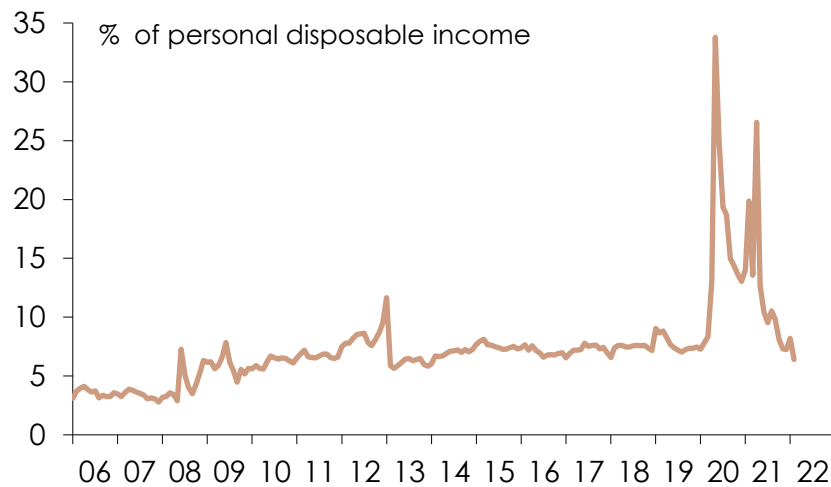
Tax and social security



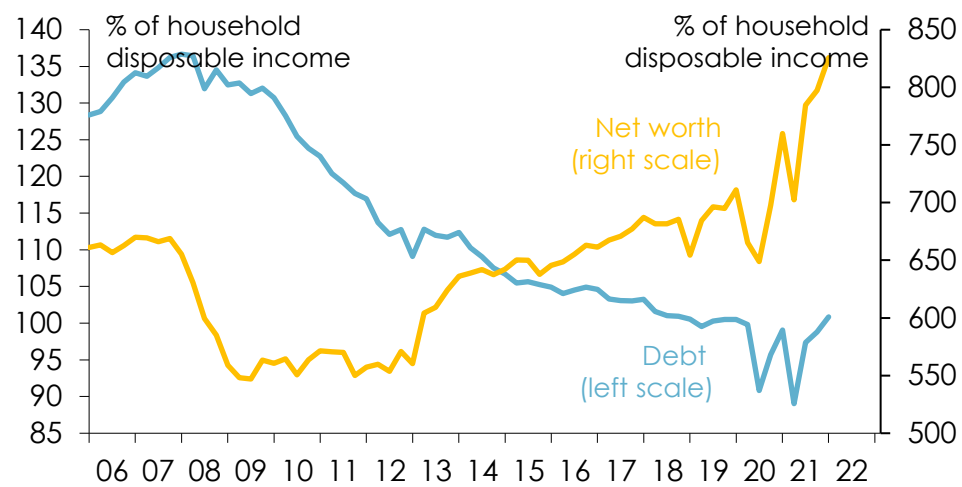
Personal consumption expenditure



Personal saving rate



Household debt and net worth



Spending on energy

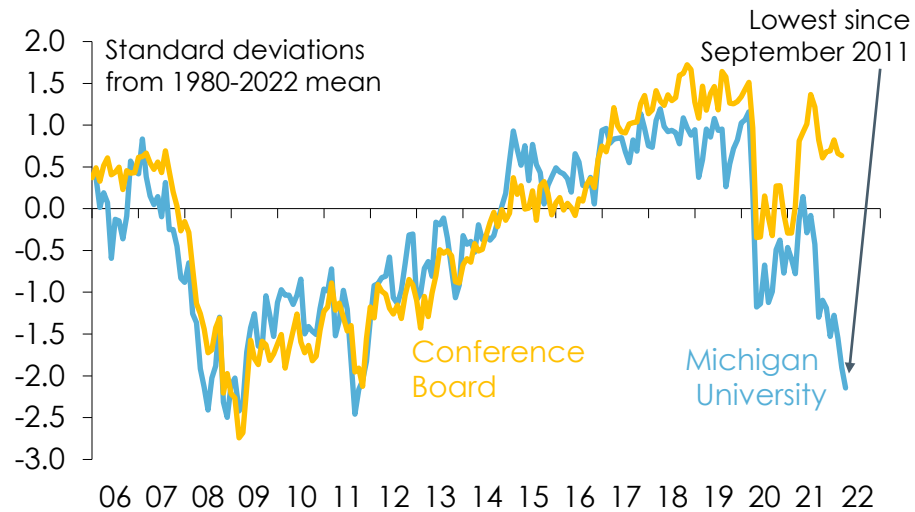


Note: data on personal income, spending and saving are monthly; data on debt and net worth are quarterly. Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#), [Consumer Spending](#) and [Income and Saving](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#). [Return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

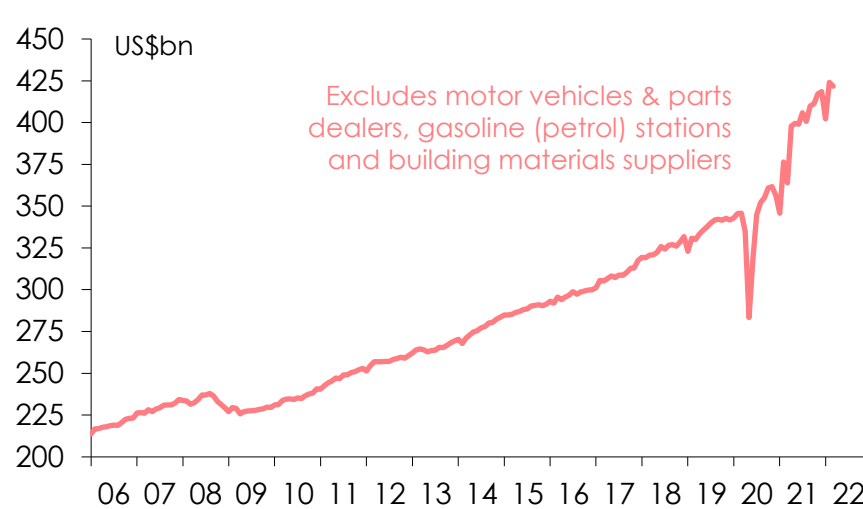
Retail sales rose 0.3% in February, but only because of a 5.3% increase in spending at petrol stations – ‘core’ retail sales fell 0.6%

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

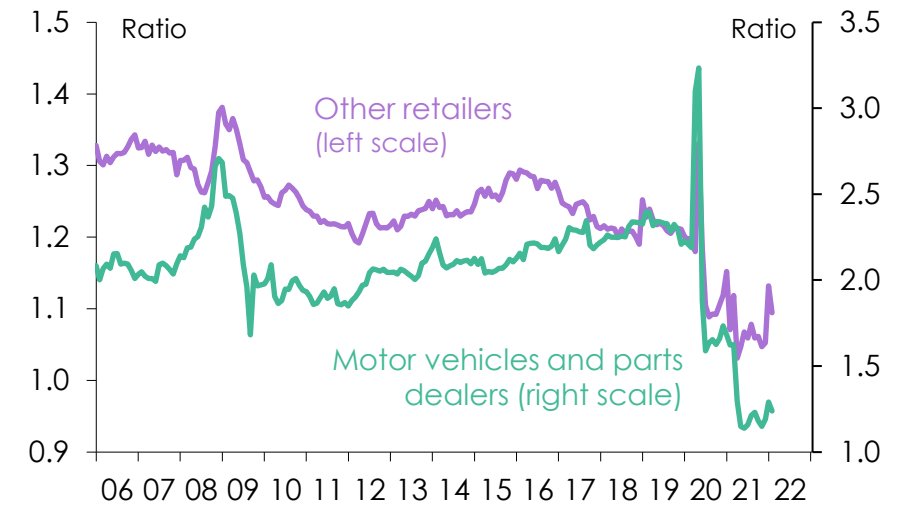
Consumer sentiment



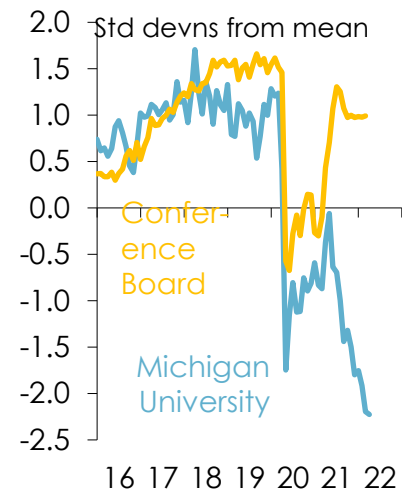
Level of ‘core’ retail sales



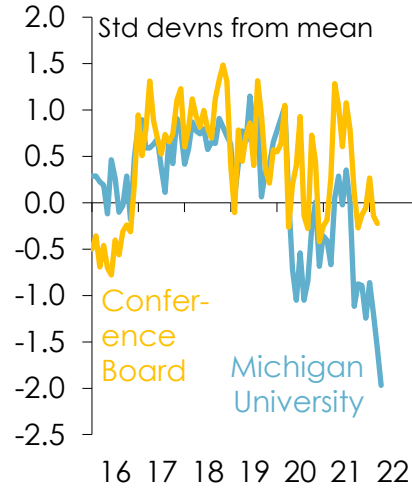
Retail inventories-sales ratios



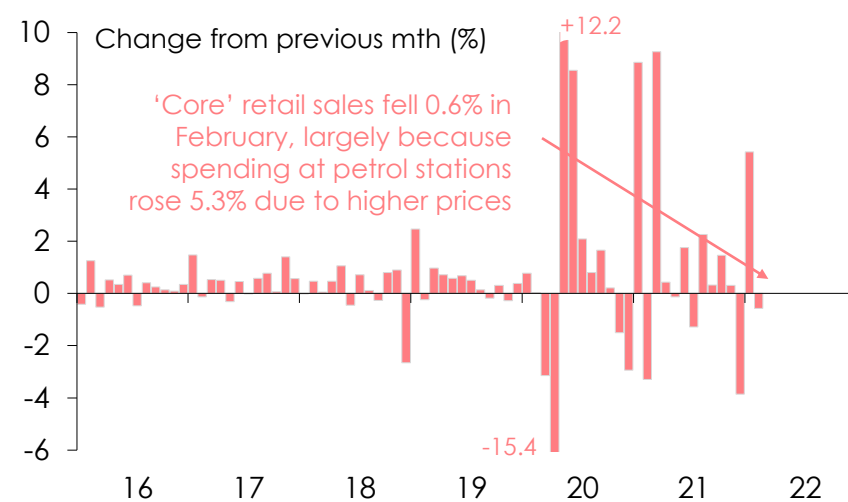
Present situation



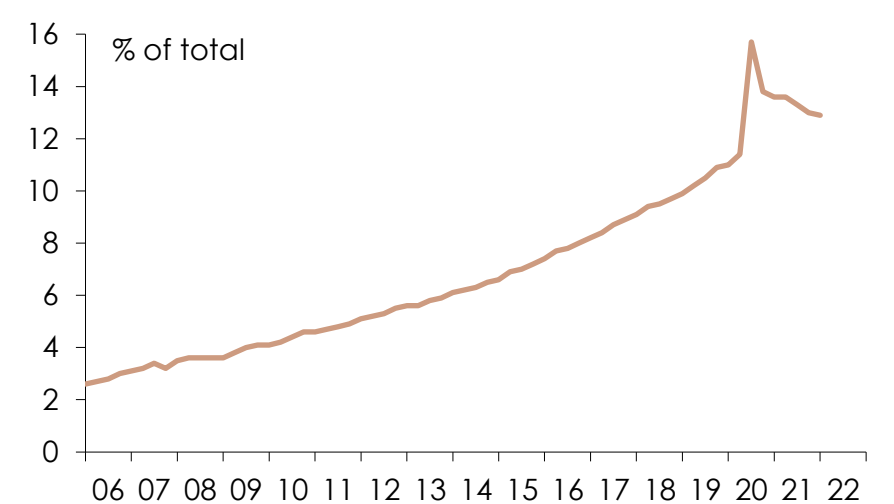
Expectations



Monthly changes in ‘core’ retail sales



On-line retail sales

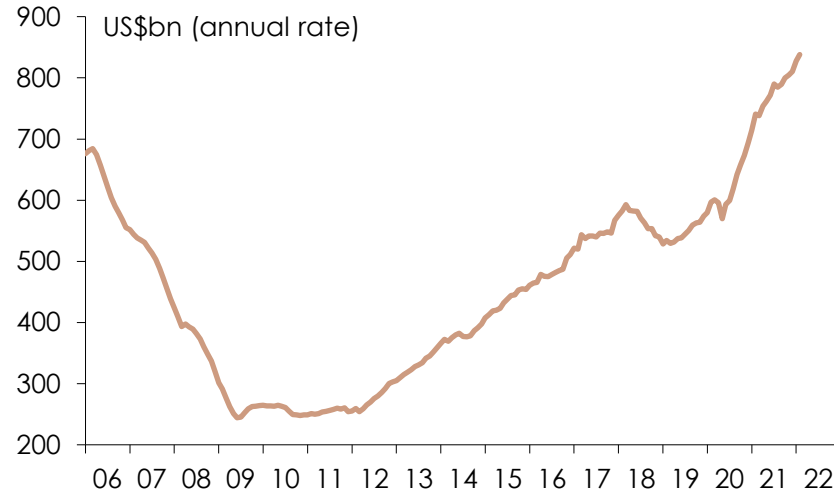


Note: 'Core' retail sales excludes motor vehicles, petrol stations and building materials stores. Sources: Michigan University Survey Research Center, [Survey of Consumers](#); The Conference Board, [US Consumer confidence](#); US Census Bureau, [Monthly Retail Trade](#) and [Advance Economic Indicators](#).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

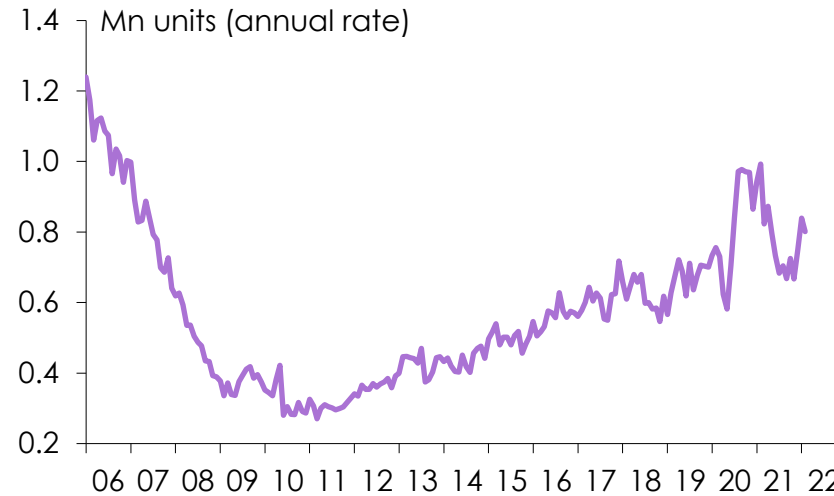
US house price inflation picked up again in the last two months of 2021, after slowing mid-year, perhaps reflecting supply-chain issues

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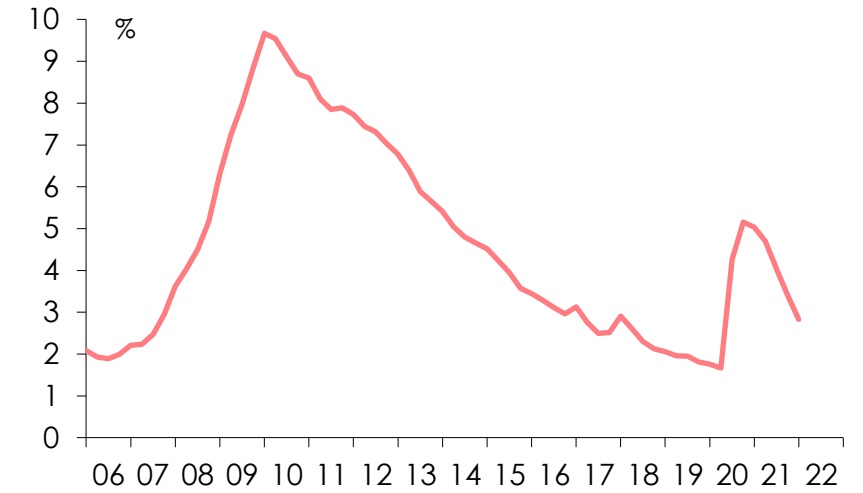
Housing construction spending



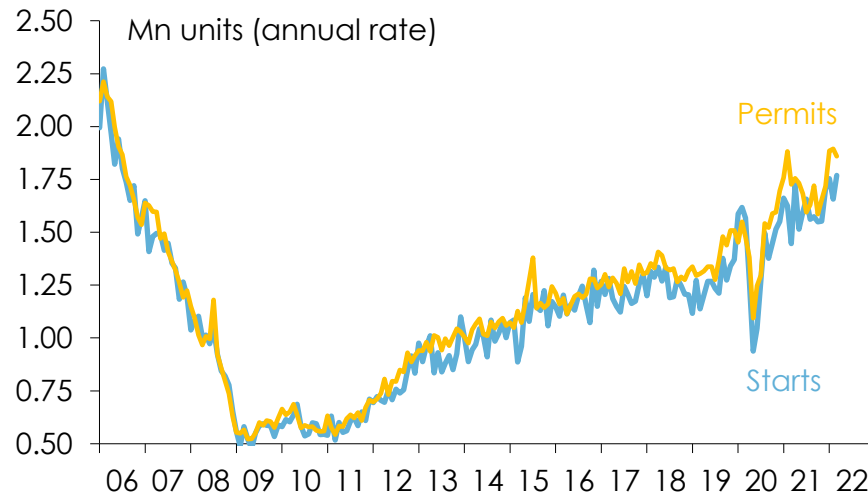
New single-family home sales



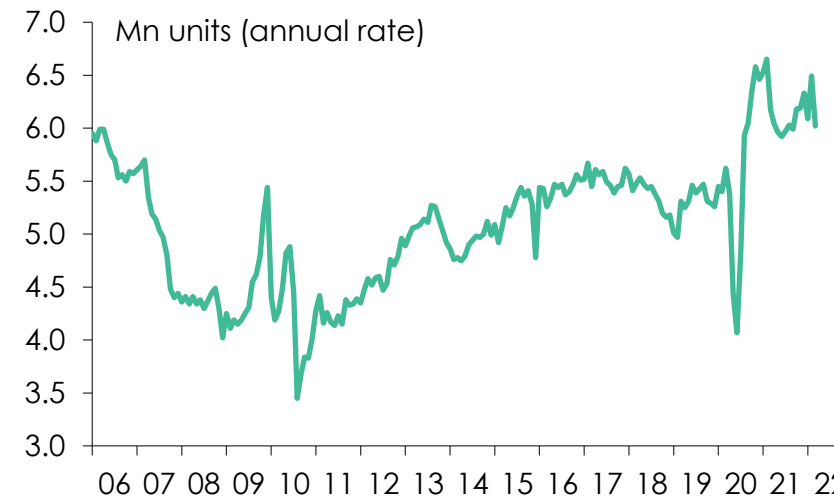
Mortgage delinquency rate



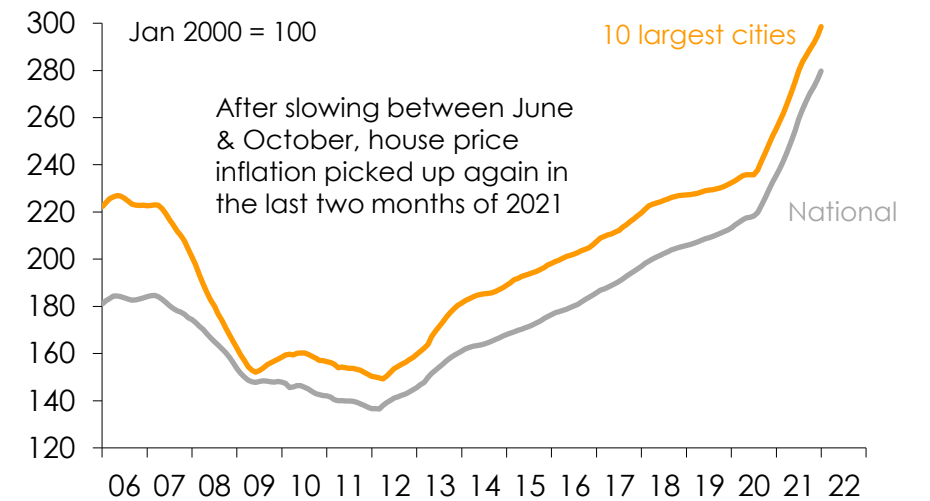
Housing starts and permits



Existing home sales



House prices

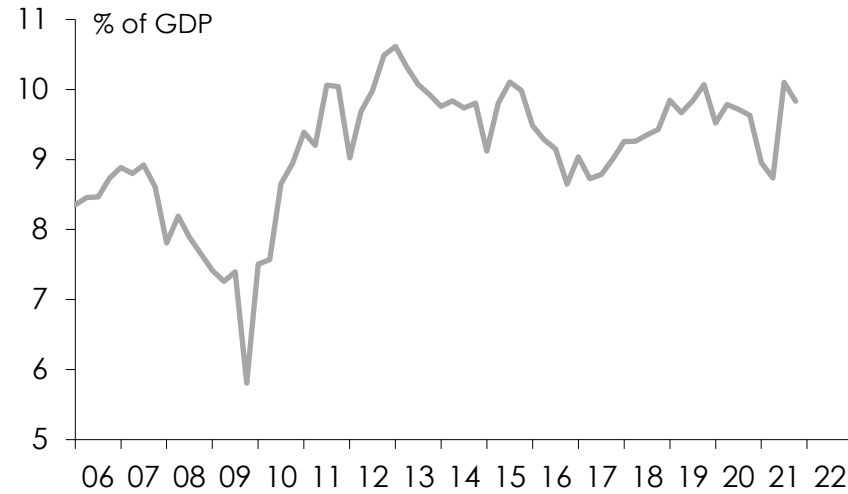


Sources: US Census Bureau, [Construction Spending](#), [New residential construction](#) and [New Residential Sales](#); US National Association of Realtors, [Existing-Home Sales](#); Mortgage Bankers' Association, [National Delinquency Survey](#); S&P Global, [S&P CoreLogic Case-Shiller Home Price Indices](#).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

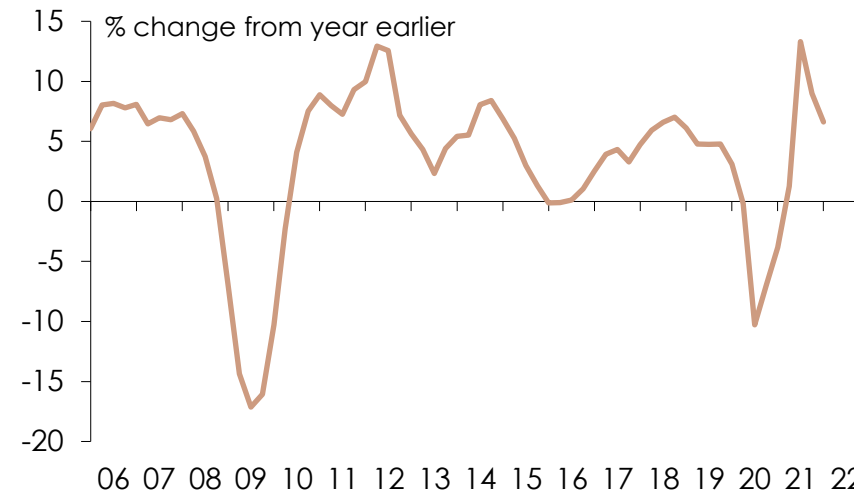
US corporate profits and balance sheets are strong, and investment is increasing – except in non-residential construction

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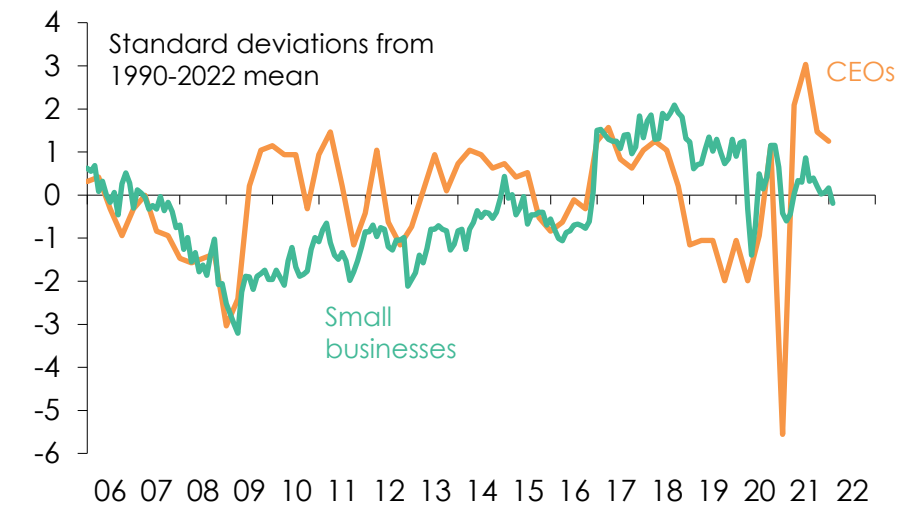
After-tax corporate profits



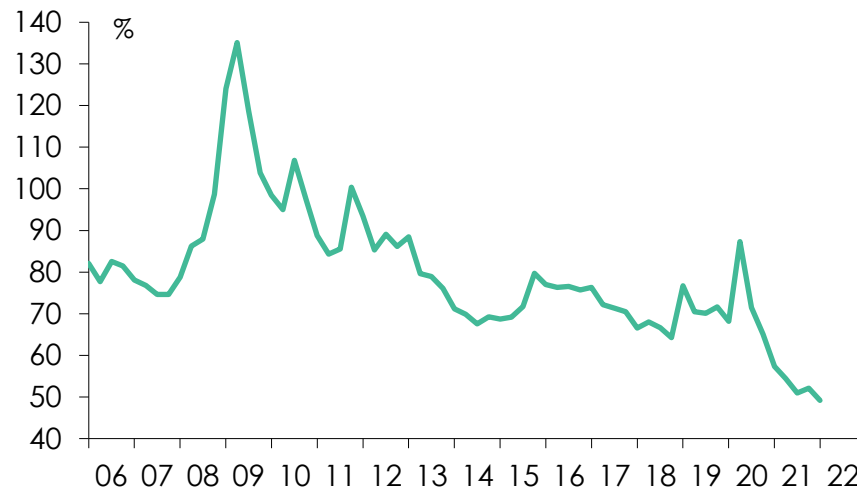
Business investment



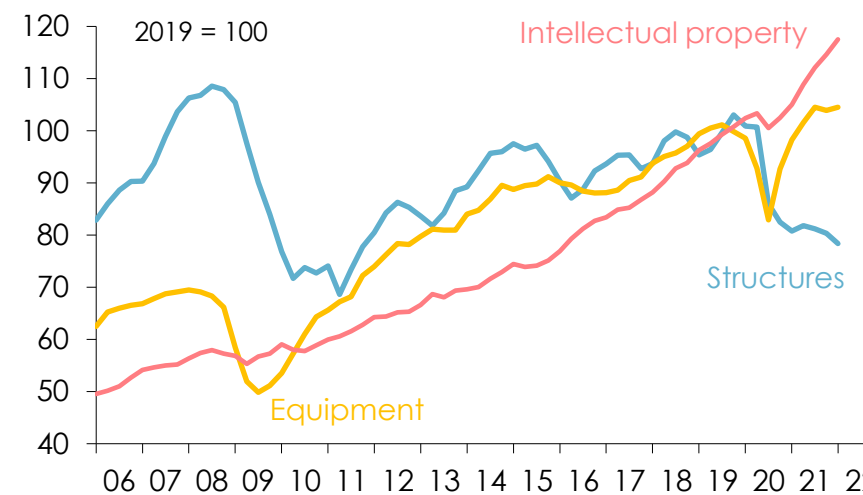
Business confidence



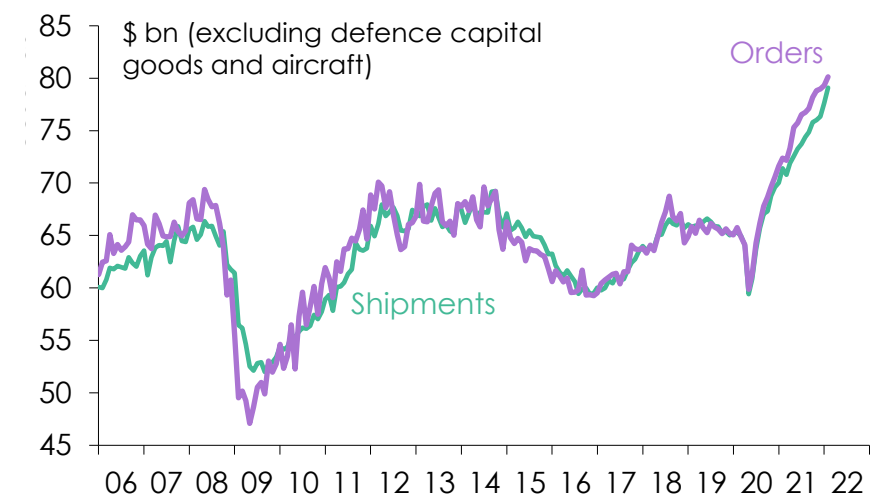
Corporate debt-equity ratio



Business investment by type



Capital goods orders & shipments

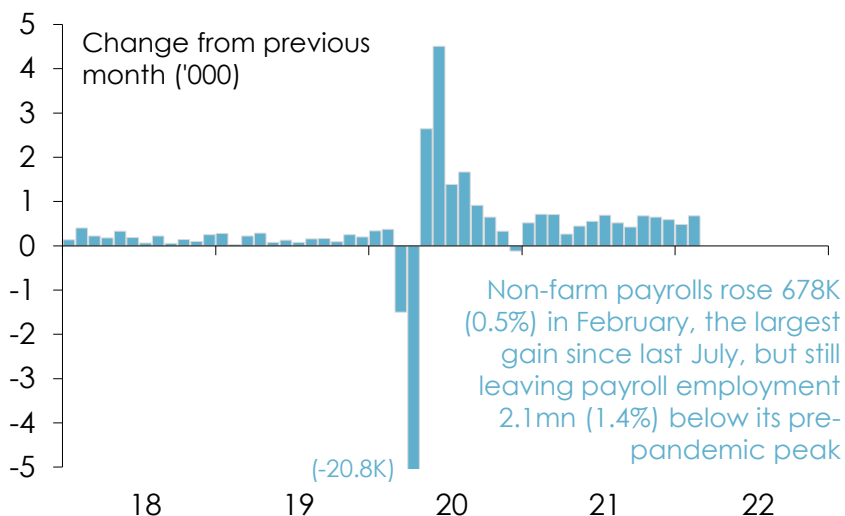


Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#); The Conference Board, [US CEO Confidence](#); National Federation of Independent Business, [Small Business Economic Trends](#); US Commerce Department, [Manufacturers'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

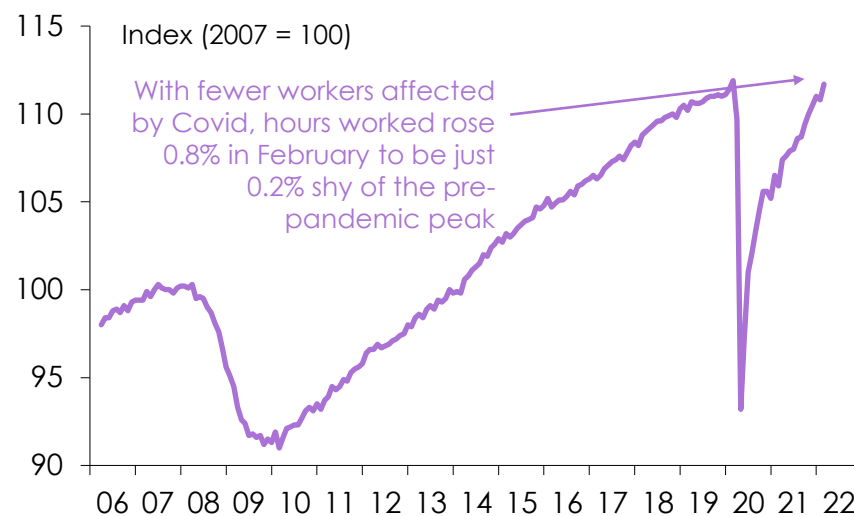
Employment rose strongly in February, hours worked rebounded and the unemployment rate fell to just 0.3 pc pt above its pre-pandemic low

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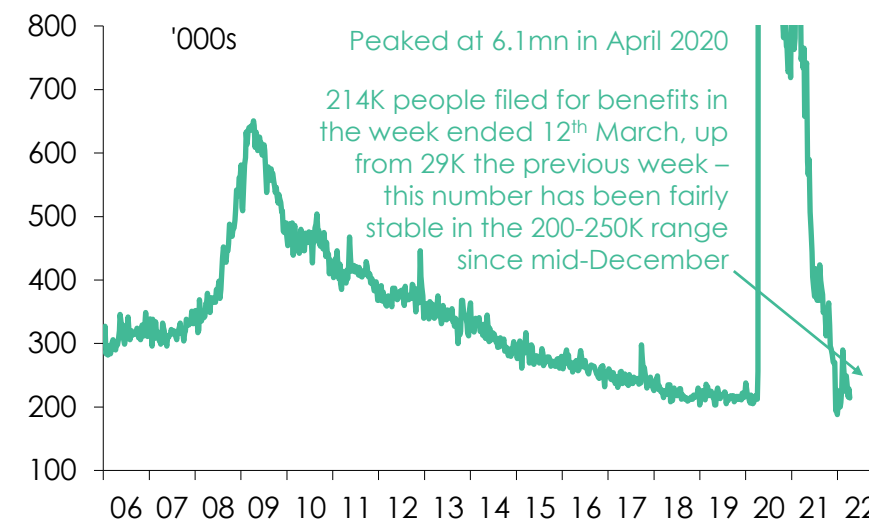
Non-farm payroll employment



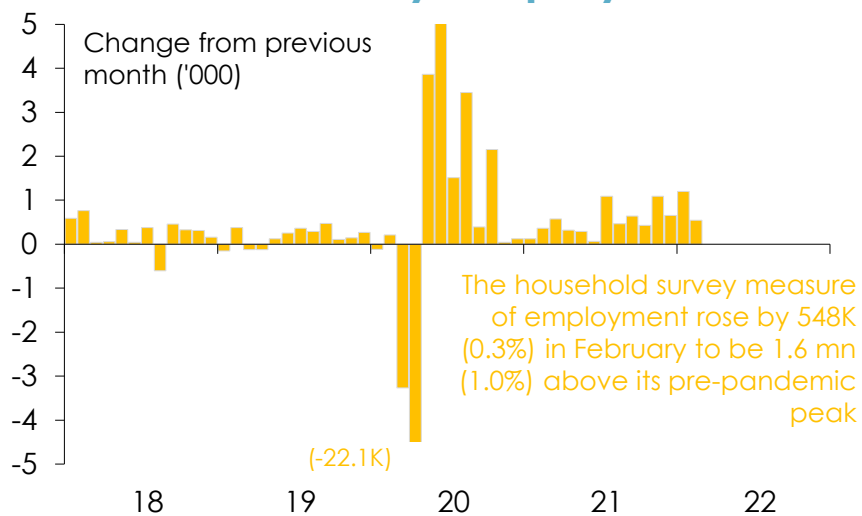
Hours worked (private sector)



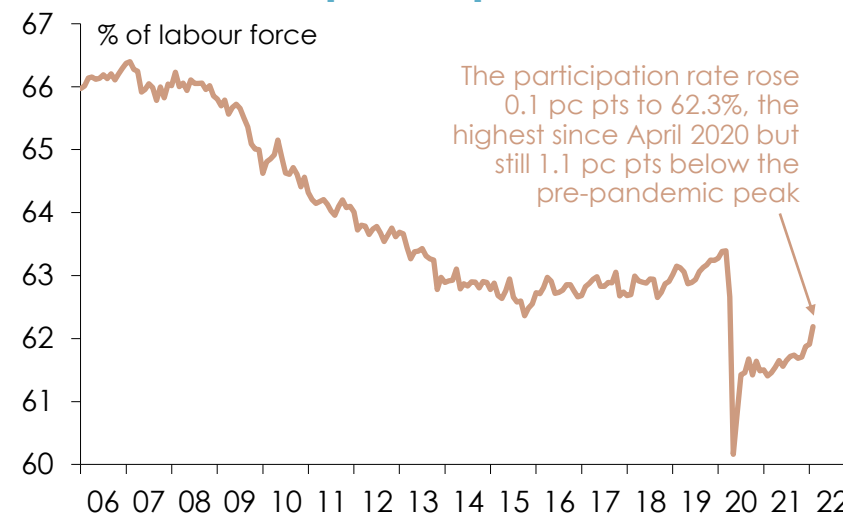
Unemployment benefit initial claims



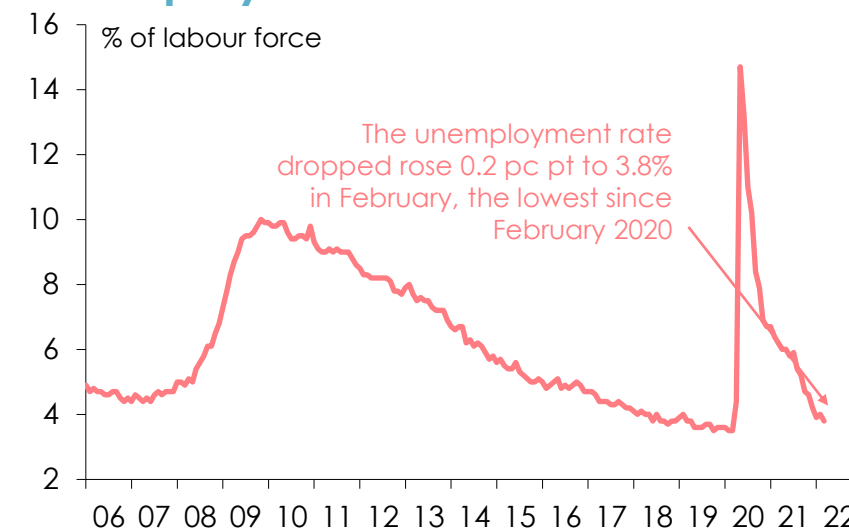
Household survey employment



Labour force participation rate



Unemployment rate

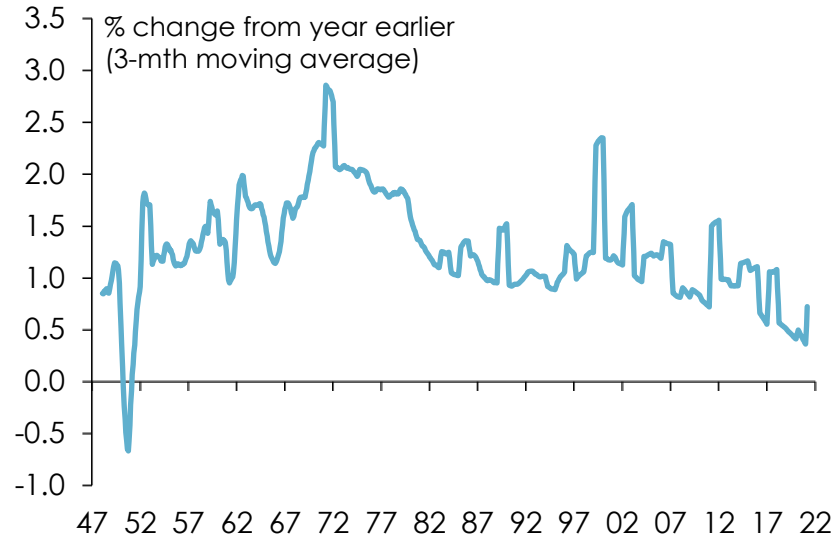


Sources: US Bureau of Labor Statistics, [Employment Situation](#); US Department of Labor, [Unemployment Insurance Weekly Claims](#). March employment and other labour force data will be released on 1st April. [Return to "What's New"](#).

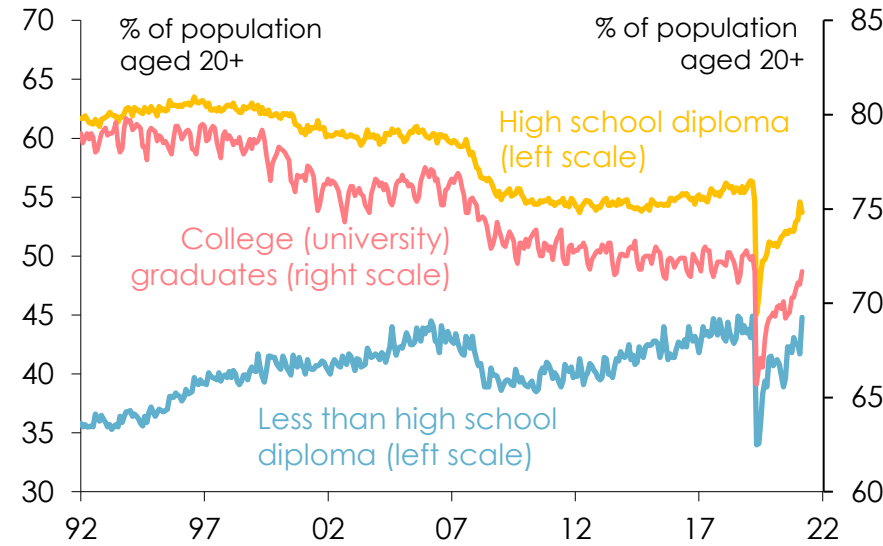
US labour market tightness owes a lot to restrictions on immigration, and to barriers to the return to the labour market of specific groups

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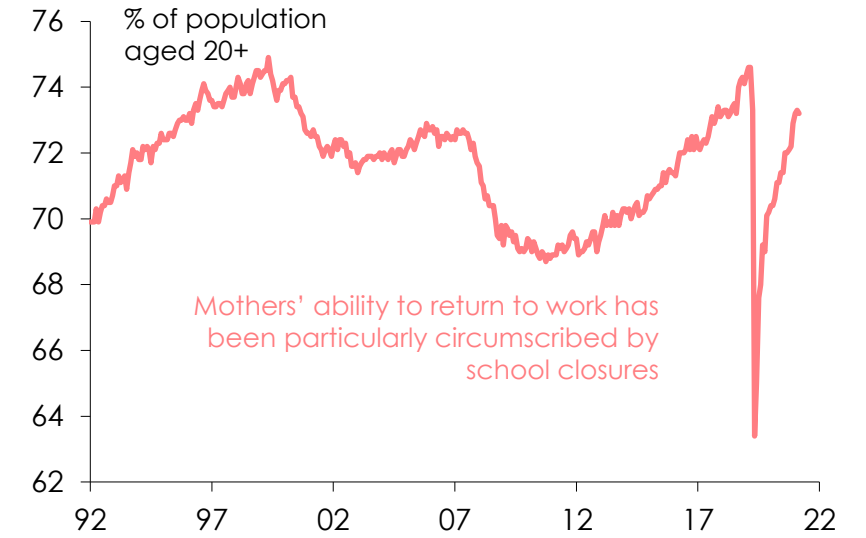
Civilian working age population



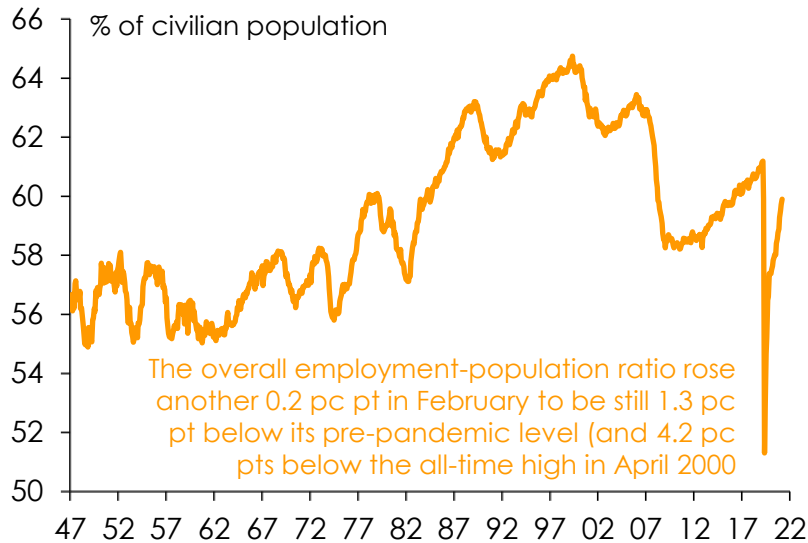
'E-pop' ratio – by education



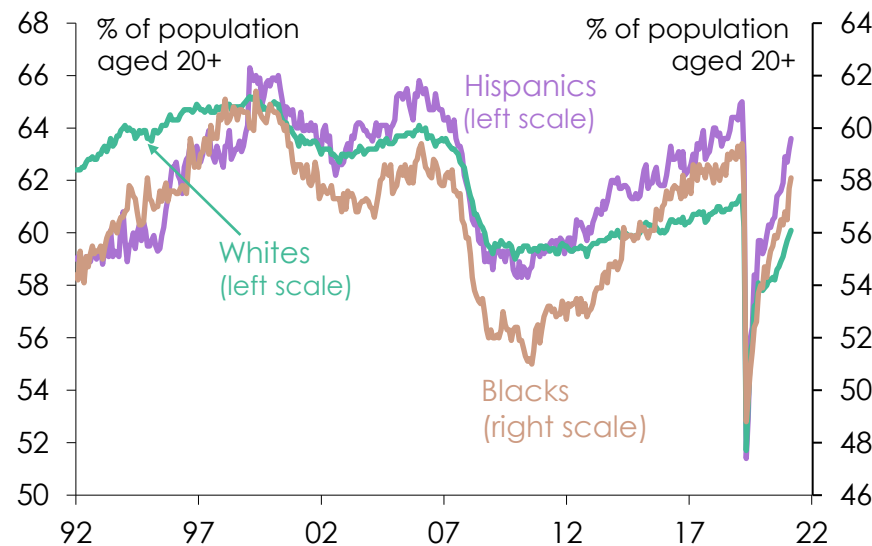
'E-pop' ratio – women 25-54



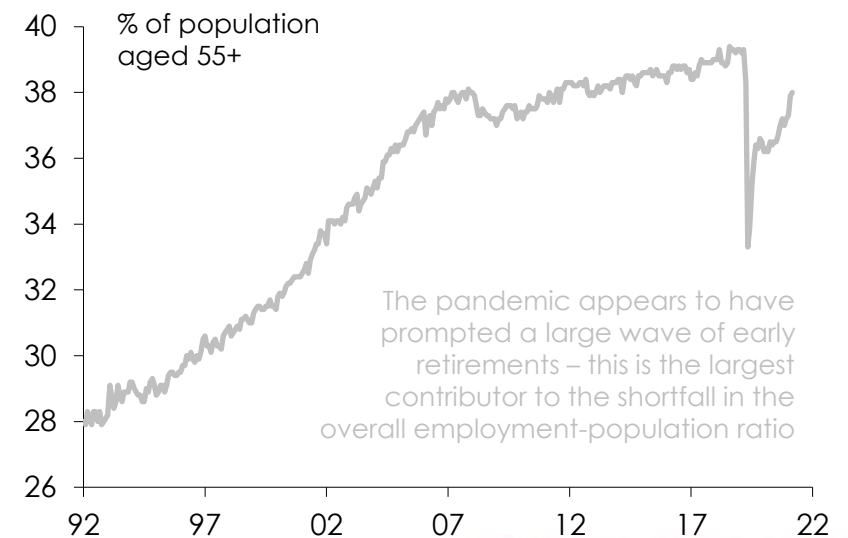
Employment-to-population ratio



'E-Pop' ratio – Blacks & Hispanics



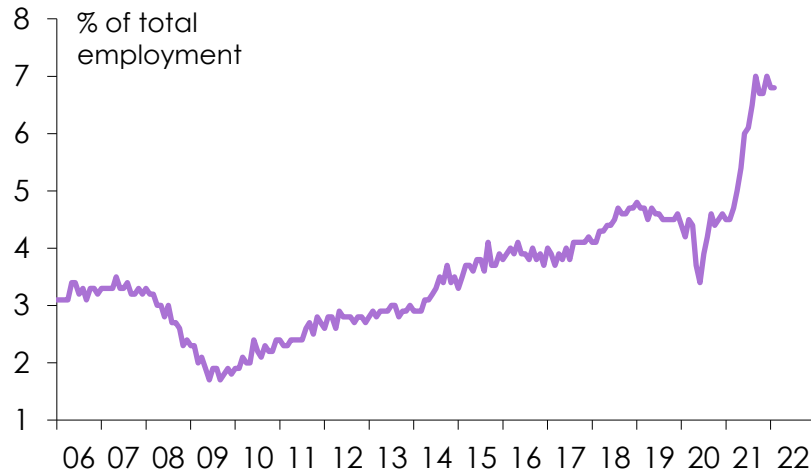
'E-pop' ratio – people 55 & over



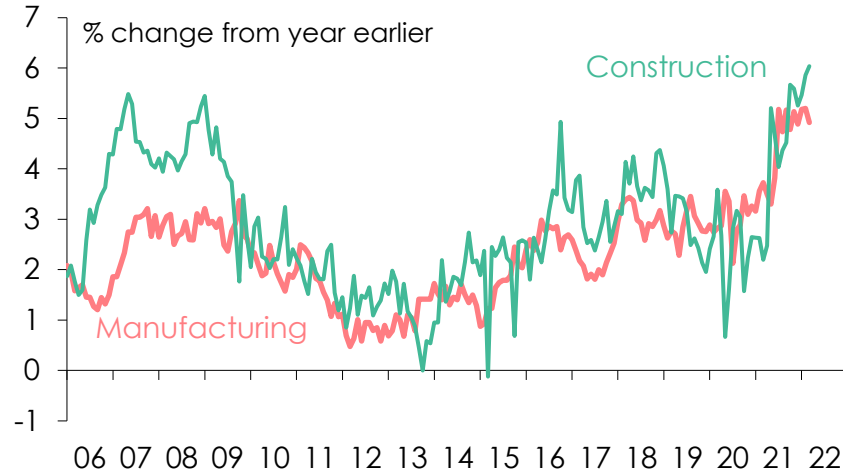
The 'best' measure of US wages growth – the employment cost index – rose 5% over the year to Q4, the fastest pace since Q1 1984

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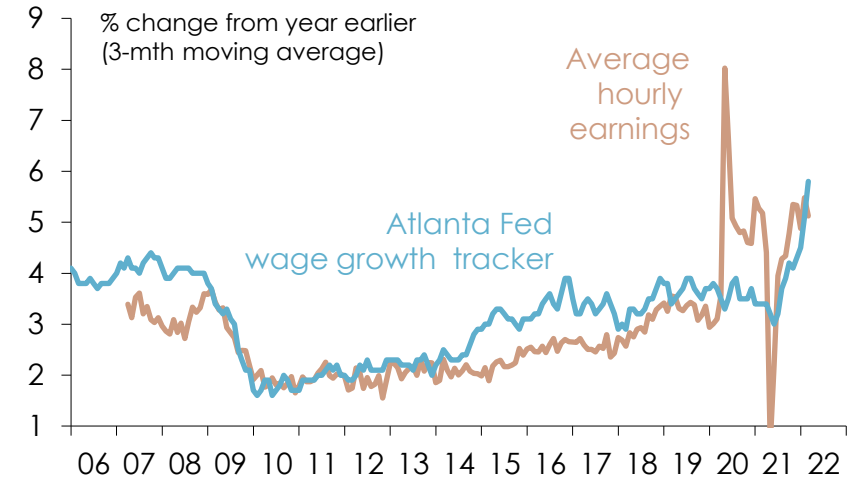
Job openings



Average hourly earnings



Overall wages growth - monthly

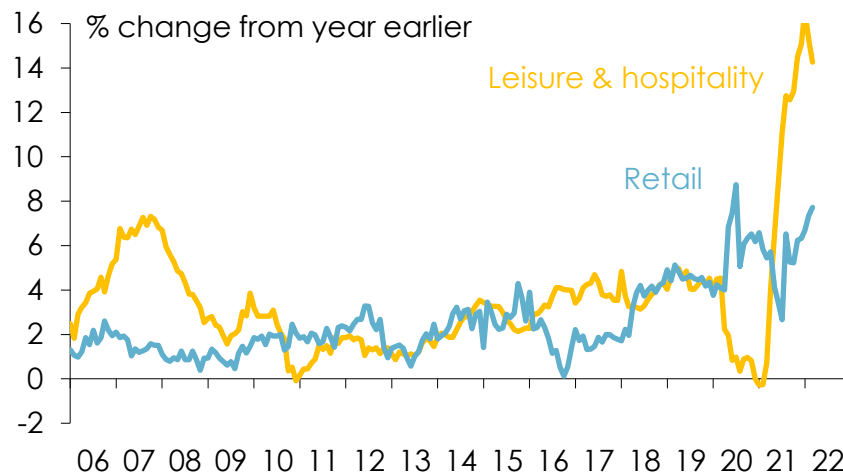


Quit rate

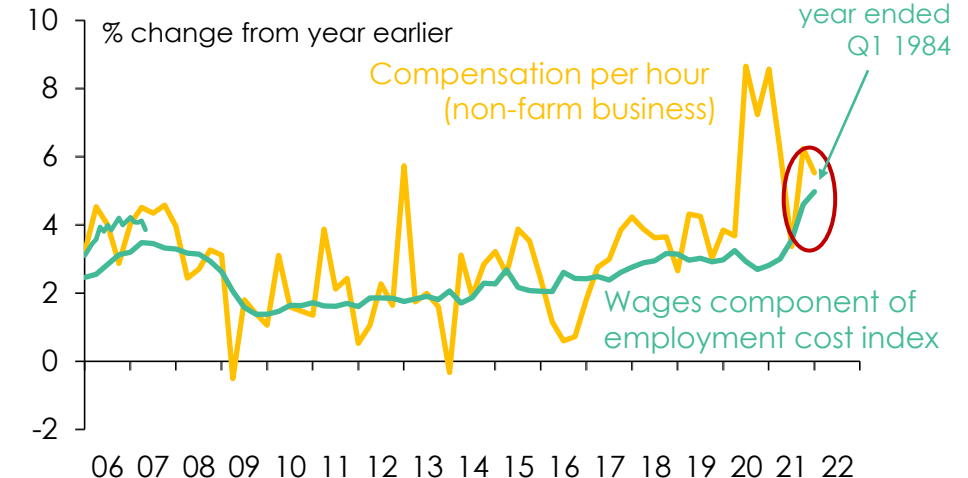


The record high 'quit rate' is the main evidence for the so-called 'Great Resignation' – although the 'record' only goes back to January 2001, and there would seem to be an element of 'catch-up' in 2021 for the unusually low rate in 2020

Average hourly earnings



Wages growth - quarterly

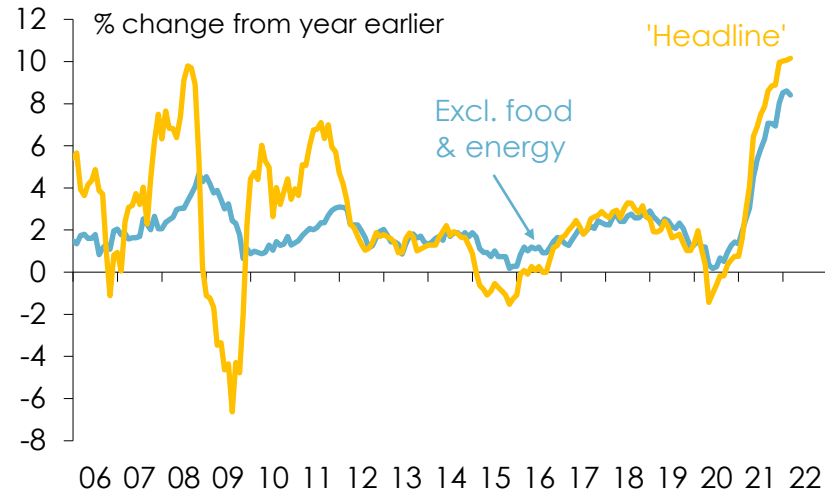


Note: Measures of average hourly earnings (especially the all-industries measures) and of average compensation per hour are affected by changes in the composition of employment (so for example they rose sharply in Q2 2020 when large numbers of low-paid workers were laid off and fell markedly when they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

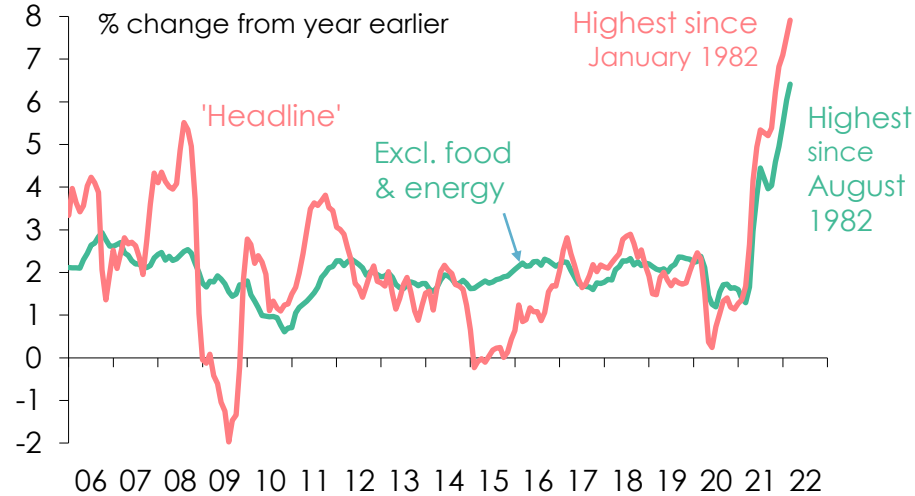
US consumer prices rose 0.8% in February, pushing the annual inflation rate to 7.9%, the highest in forty years

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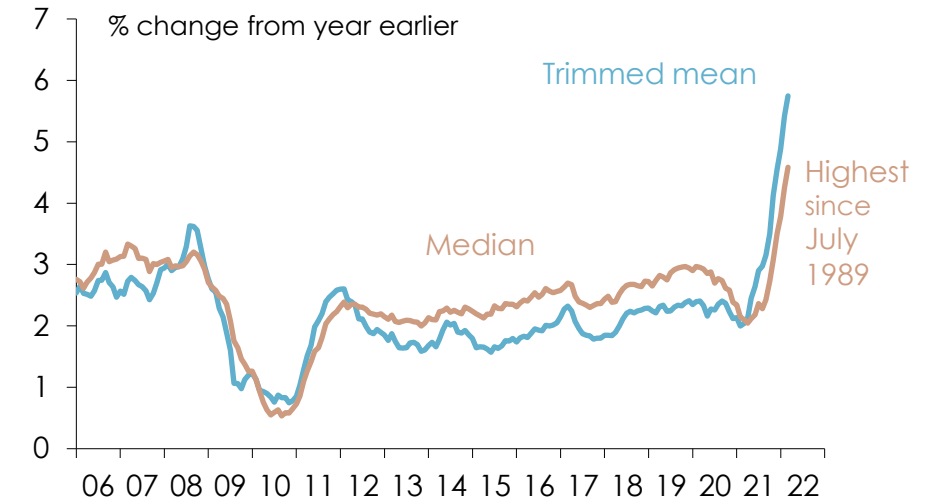
Producer price index



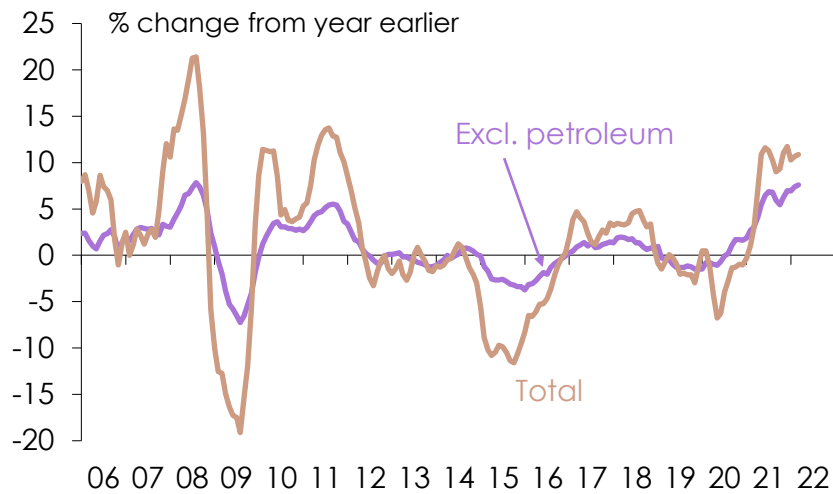
Consumer price index



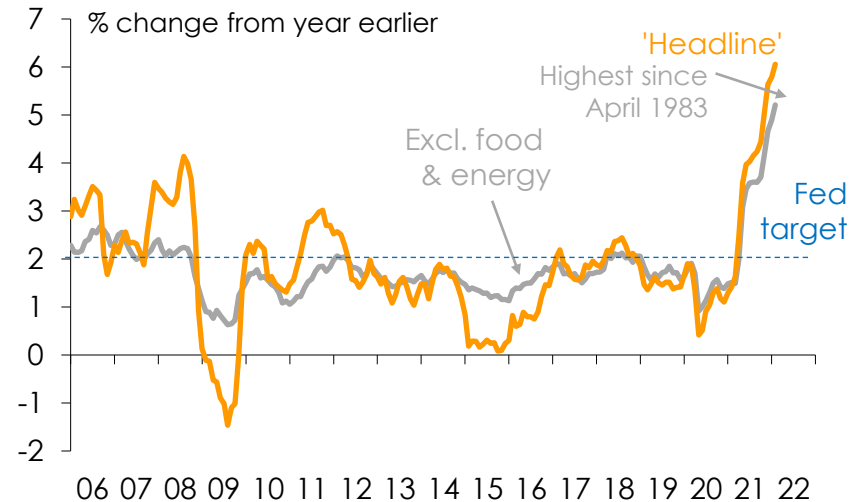
'Underlying' CPI inflation



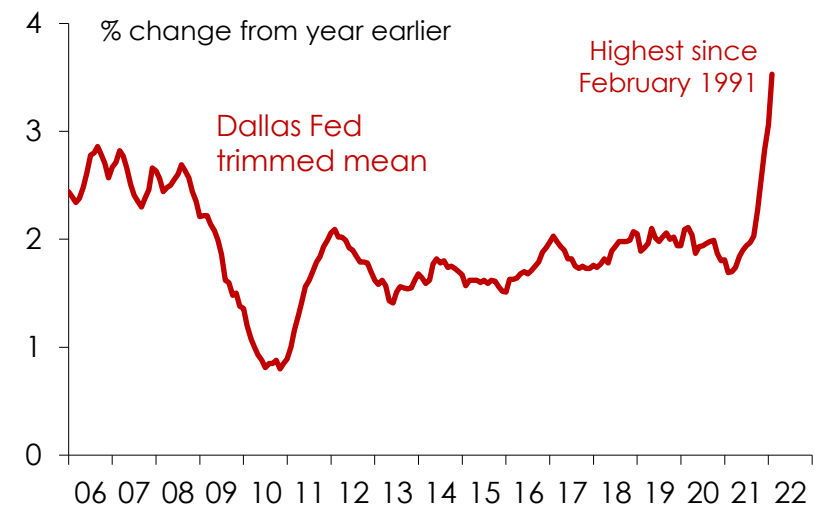
Import price index



Personal consumption deflator



'Underlying' PCE deflator inflation

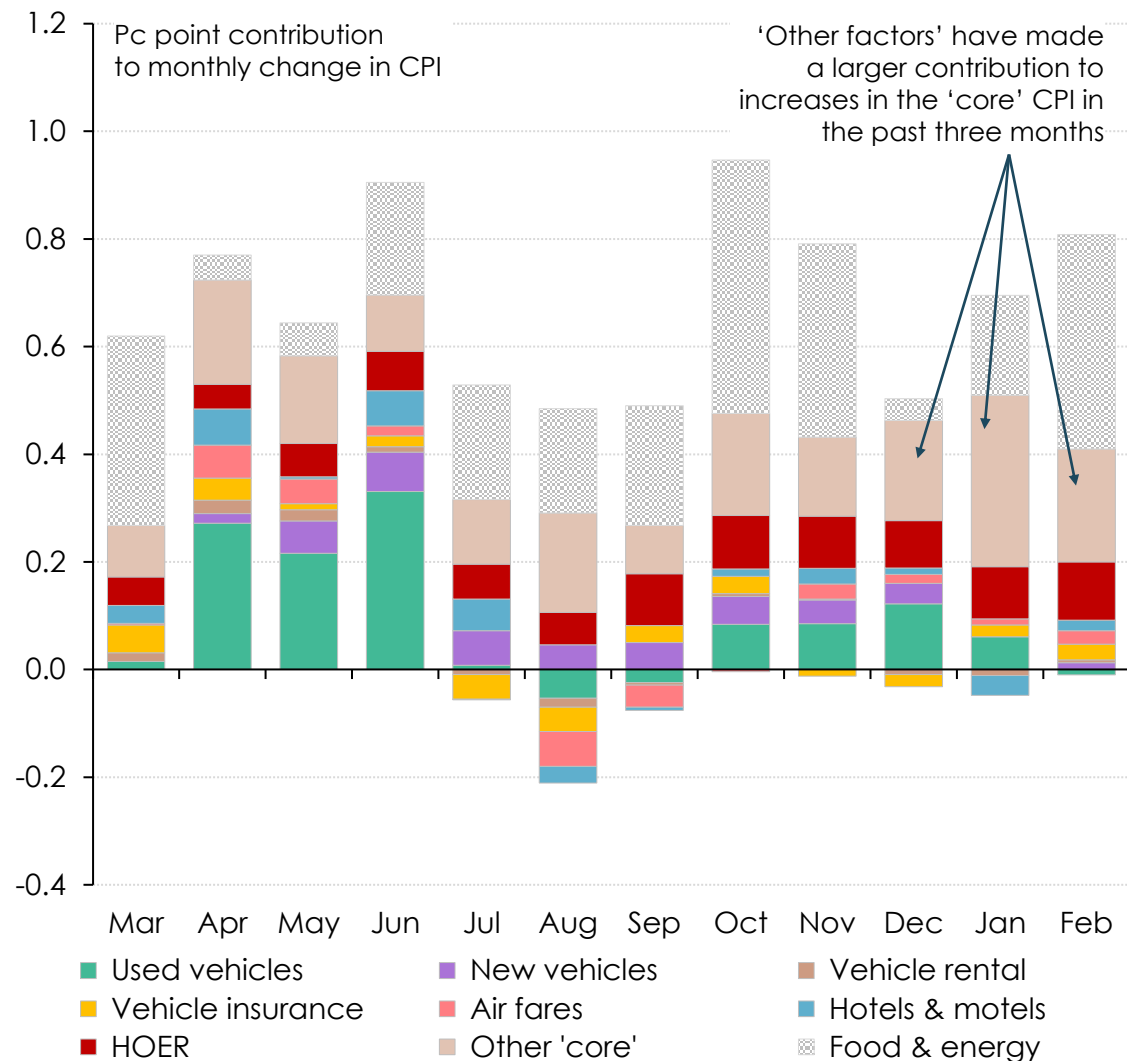


Sources: US Bureau of Labor Statistics, [Producer Price Index](#), [Import and Export Price Indexes](#) and [Consumer Price Index](#); US Bureau of Economic Analysis, [Personal Consumption Expenditures Price Index](#); Federal Reserve Bank of Cleveland, [Median CPI](#); Federal Reserve Bank of Dallas,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

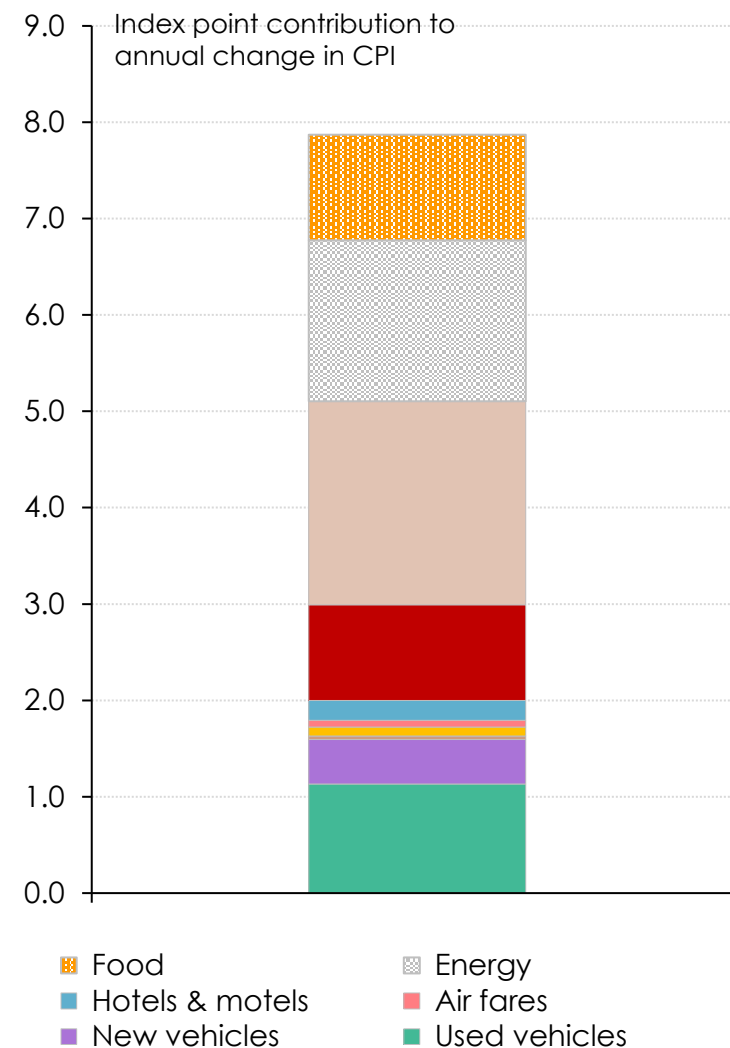
Price increases have become more broadly-based over the past three months, in contrast to the initial 'spike' in inflation in April-June last year

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

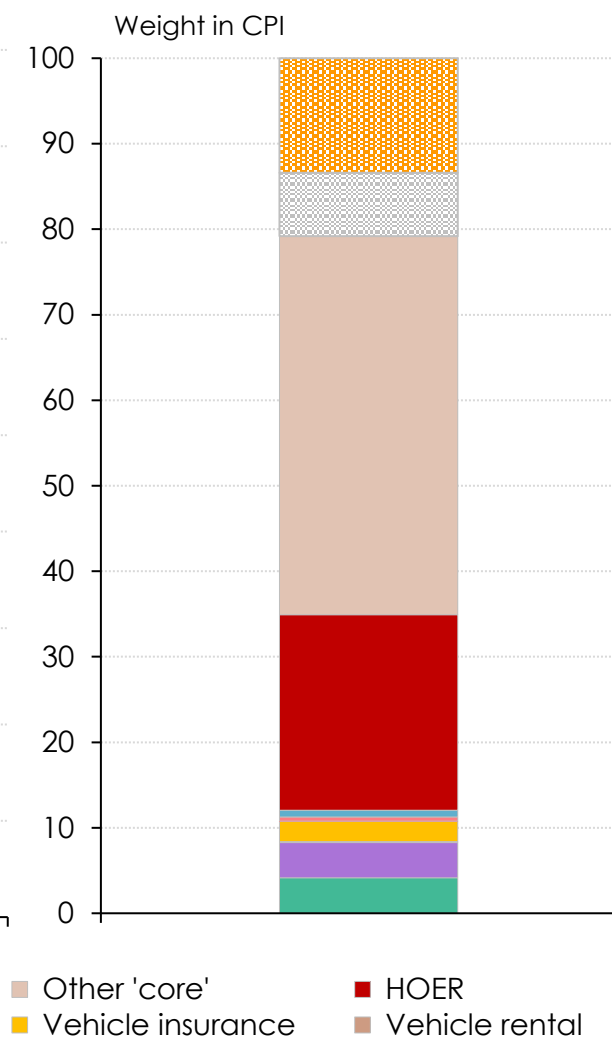
Contributions to monthly changes in the US CPI



Contributions to change in CPI over the year to February



Weights in CPI

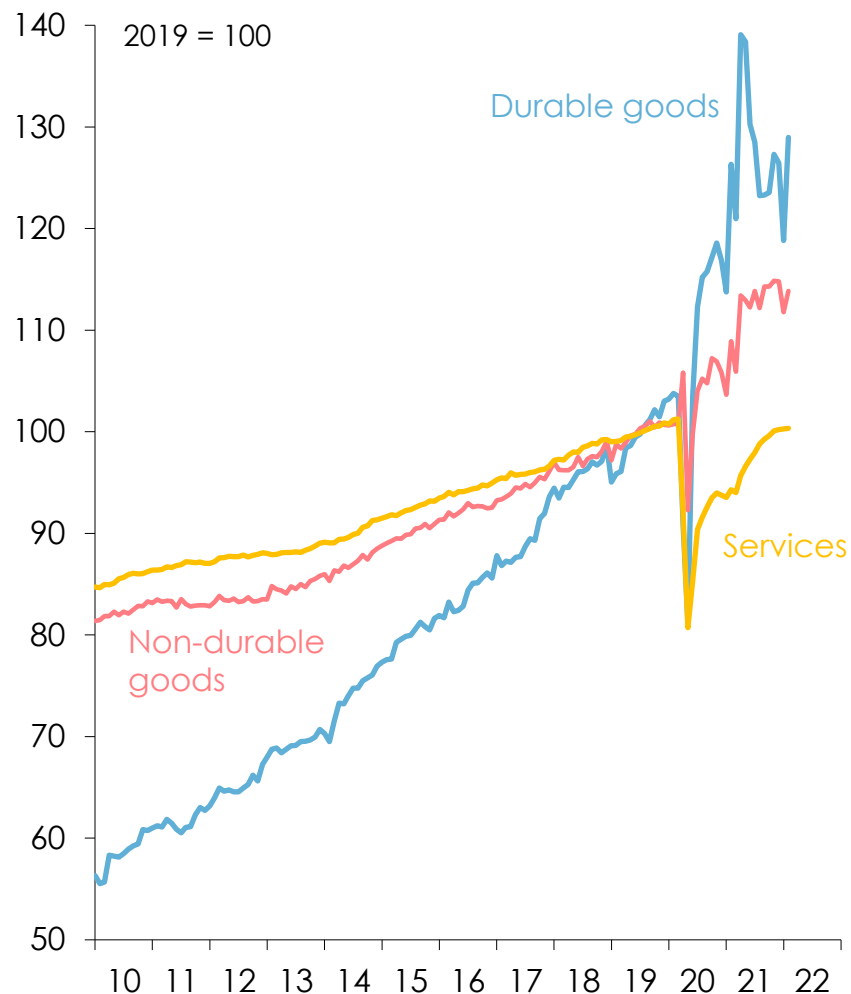


Note: 'HOER' = home-owners' equivalent rent (a measure of the 'imputed rent' notionally paid by owner-occupiers to themselves), and which accounts for (an uncommonly large, by international standards) 28½% of the CPI excluding food and energy. Source: US Bureau of Labor Statistics, CPI Table 6; Corinna.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

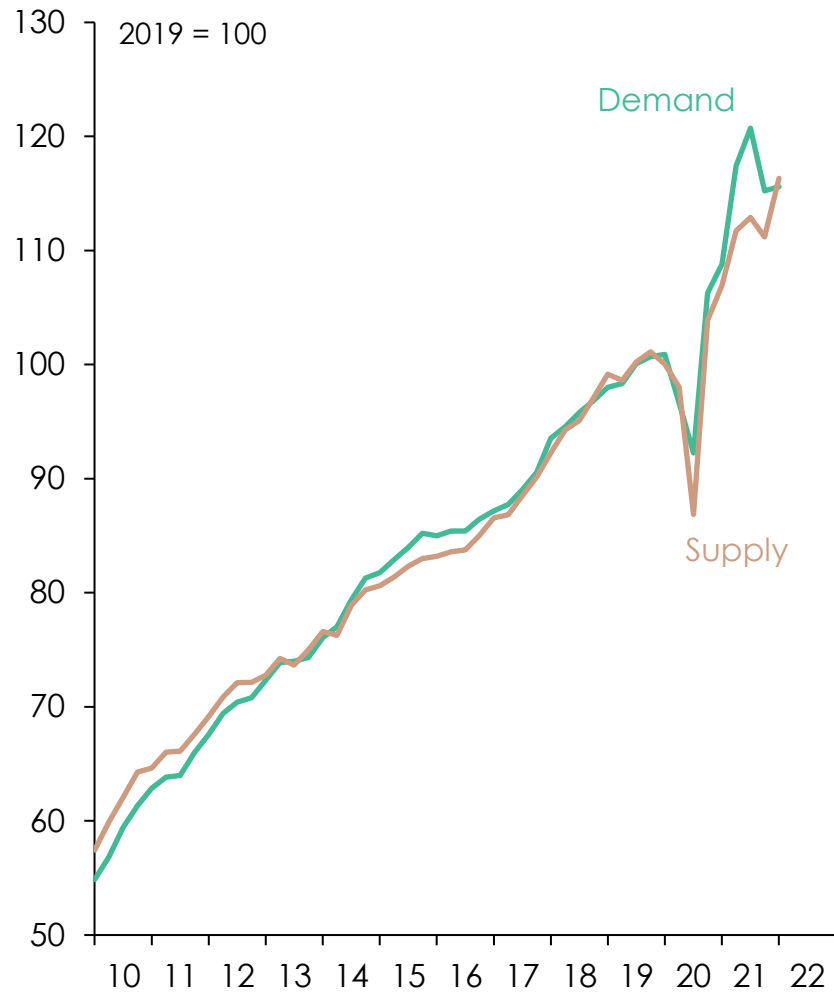
The rise in inflation as measured by the PCE deflator is largely attributable to the imbalance between demand for and supply of durable goods

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

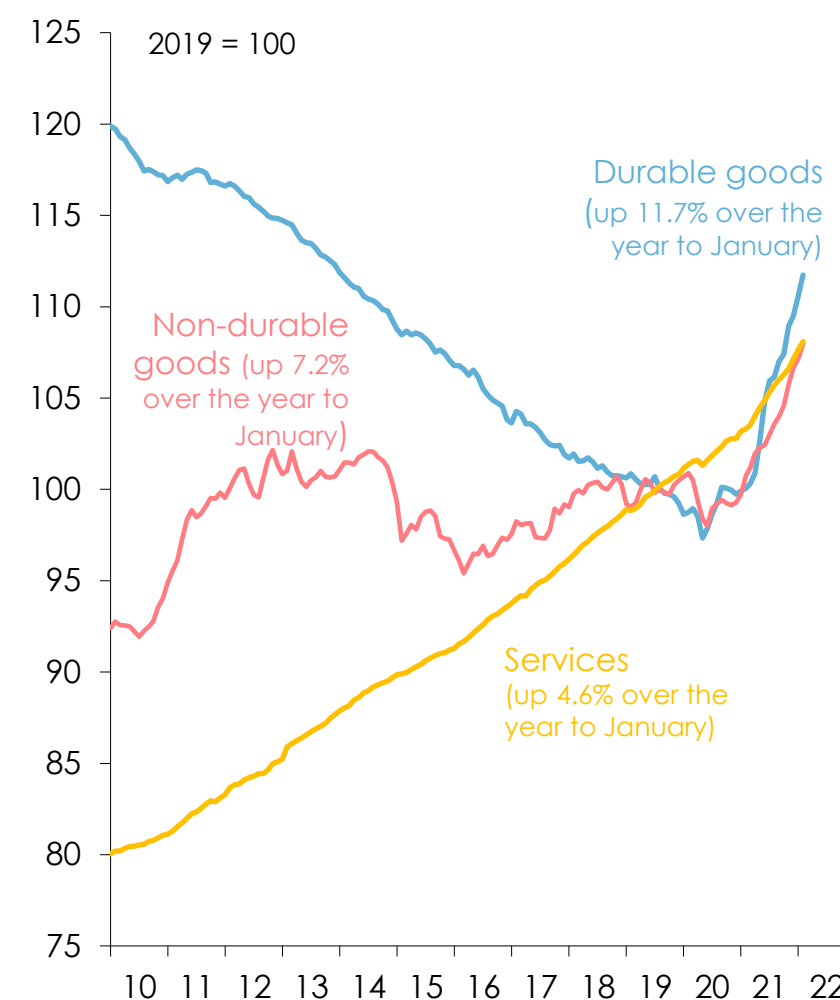
Composition of personal consumption expenditures



Aggregate demand for and supply of durable goods



Implicit price deflators of personal consumption

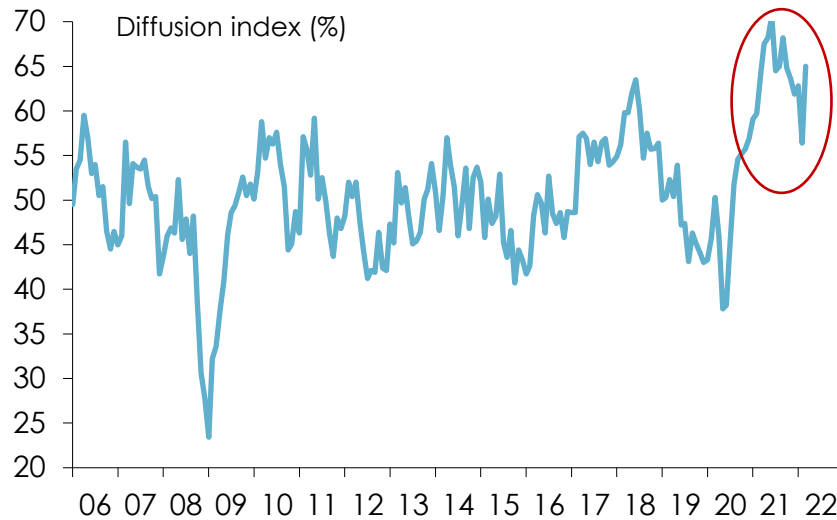


Note: 'Aggregate demand' for durable goods comprises personal consumption of durable goods plus business investment in equipment. 'Aggregate supply' of durable goods comprises gross domestic product (final sales plus change in inventories) plus net imports of durable goods. Sources: US Bureau of Economic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

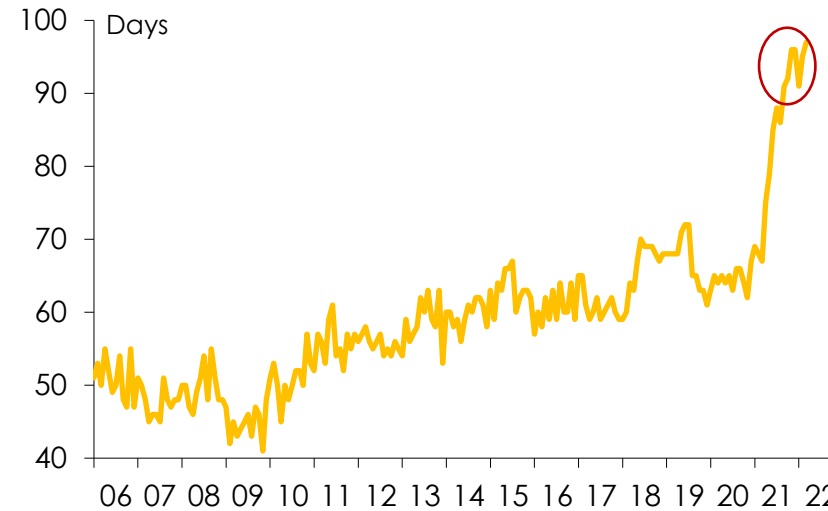
Supply-chain difficulties have intensified again this year, after seeming to have peaked during the second half of last year

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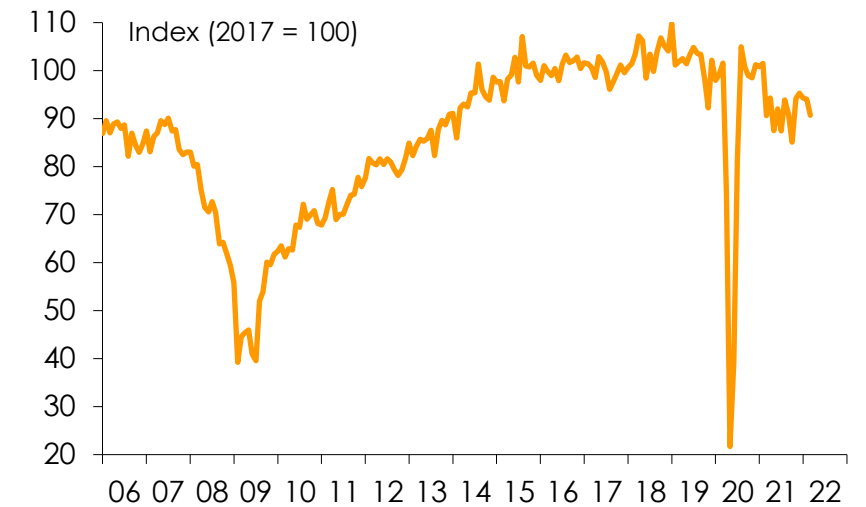
Manufacturers' order backlogs



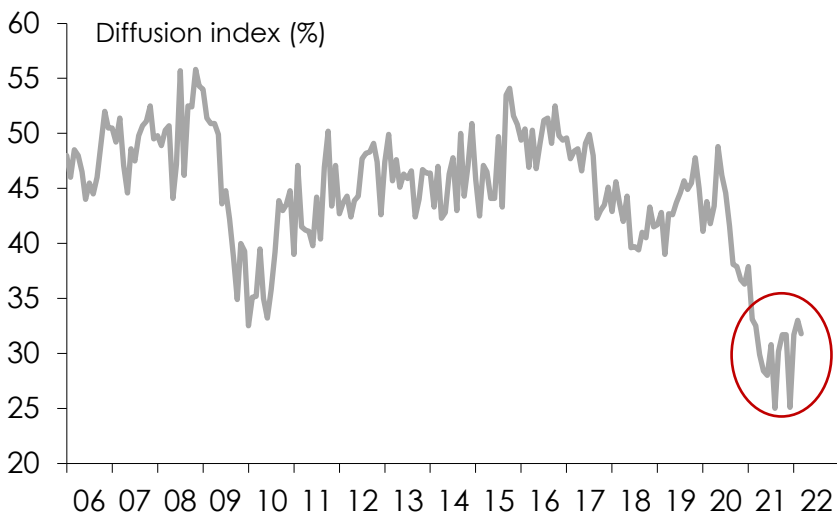
Lead-time for production materials



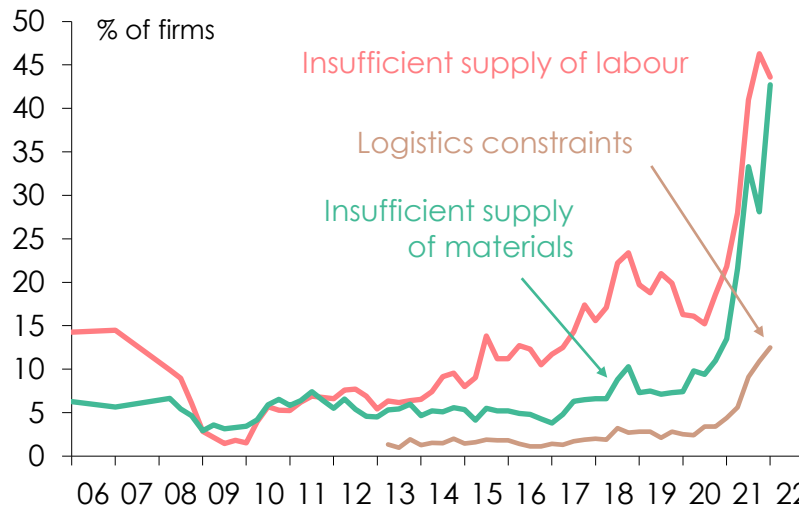
Motor vehicles & parts production



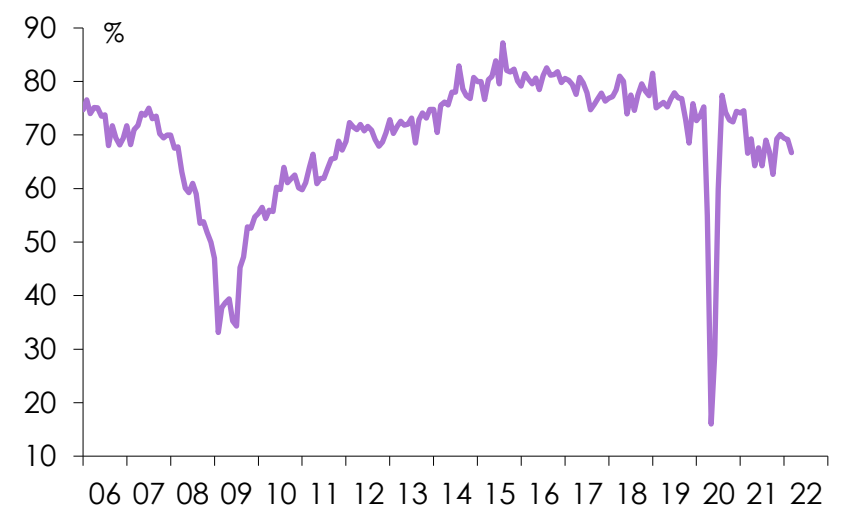
Manufacturers' customer inventories



Reasons for < full capacity



Auto industry capacity utilization

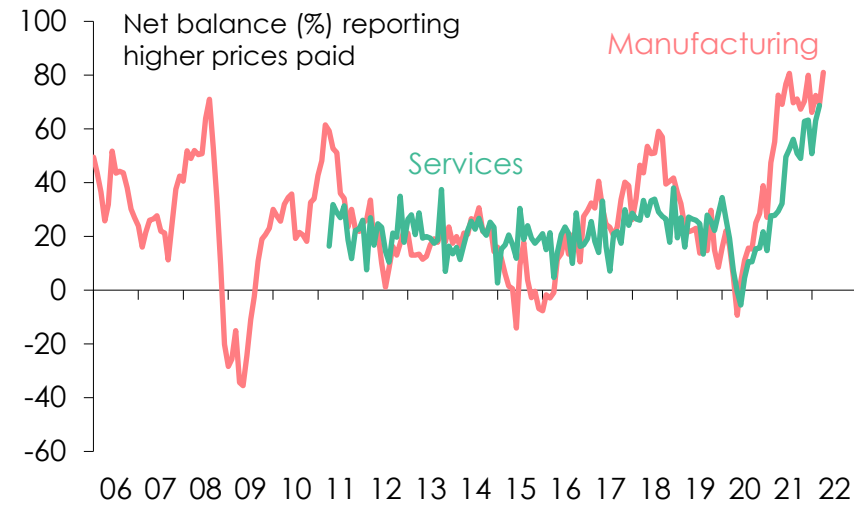


Note: The diffusion index of order backlogs is 50 plus the percentage of respondents reporting longer backlogs minus the percentage reporting shorter backlogs (and similarly for customer inventories). 'Reasons for < full capacity' means reasons for operating at less than full capacity. Sources: Institute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

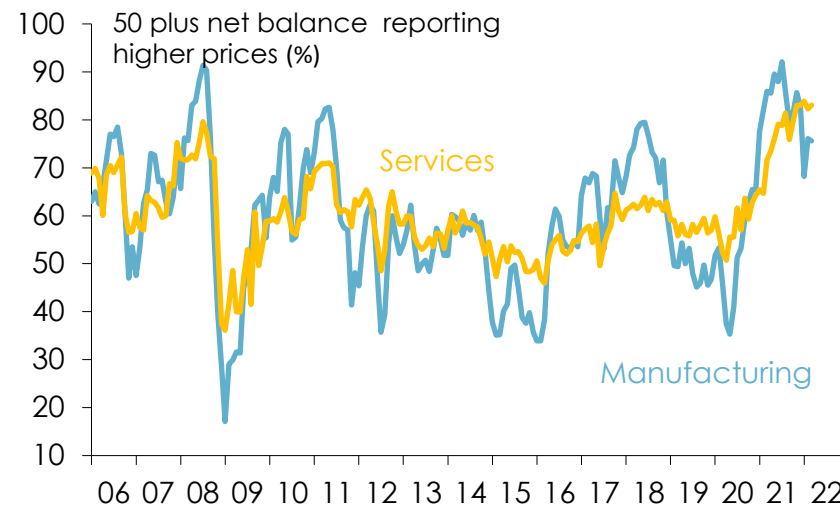
Longer-term household inflation expectations have remained remarkably stable over the past few months despite the sharp rise in actual inflation

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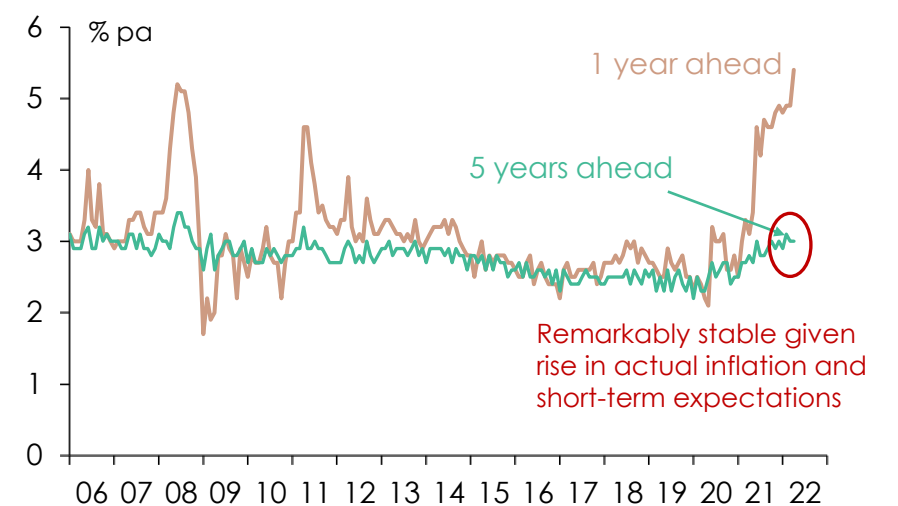
'Philly Fed' survey – prices paid



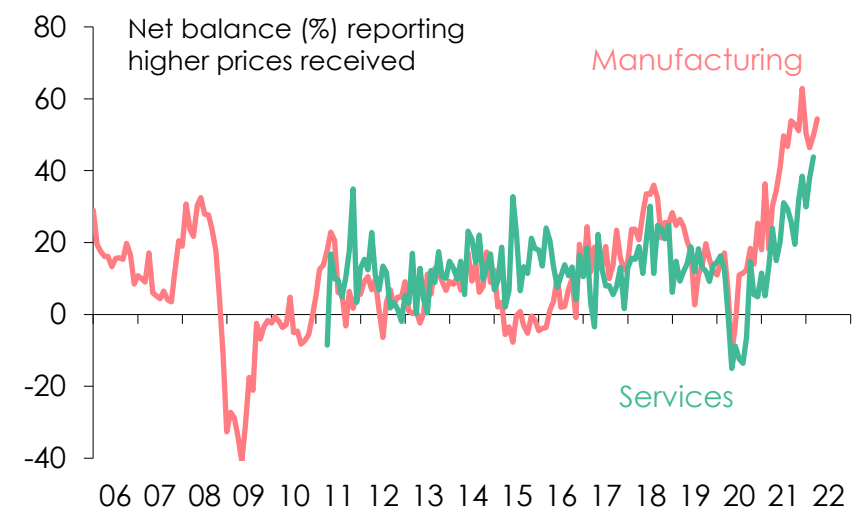
ISM survey – prices paid



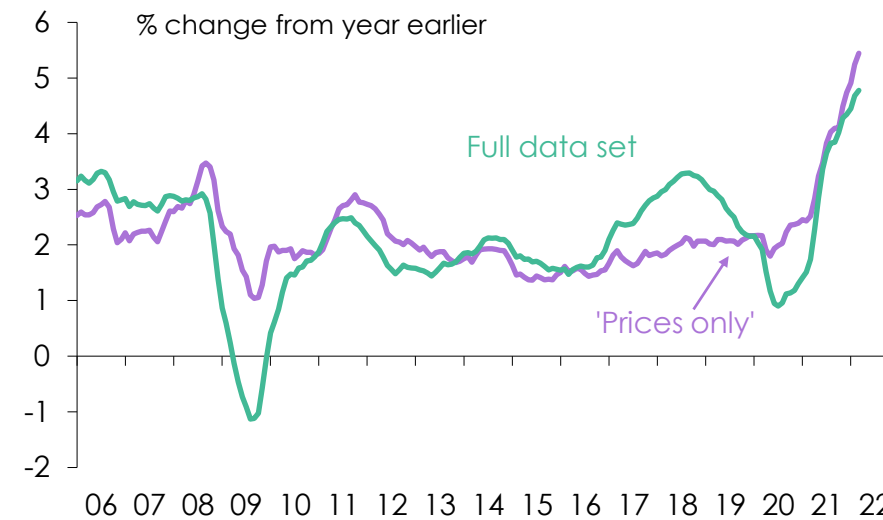
Household inflation expectations



'Philly Fed' survey – prices received



NY Fed 'underlying inflation gauge'



Market-priced inflation probabilities

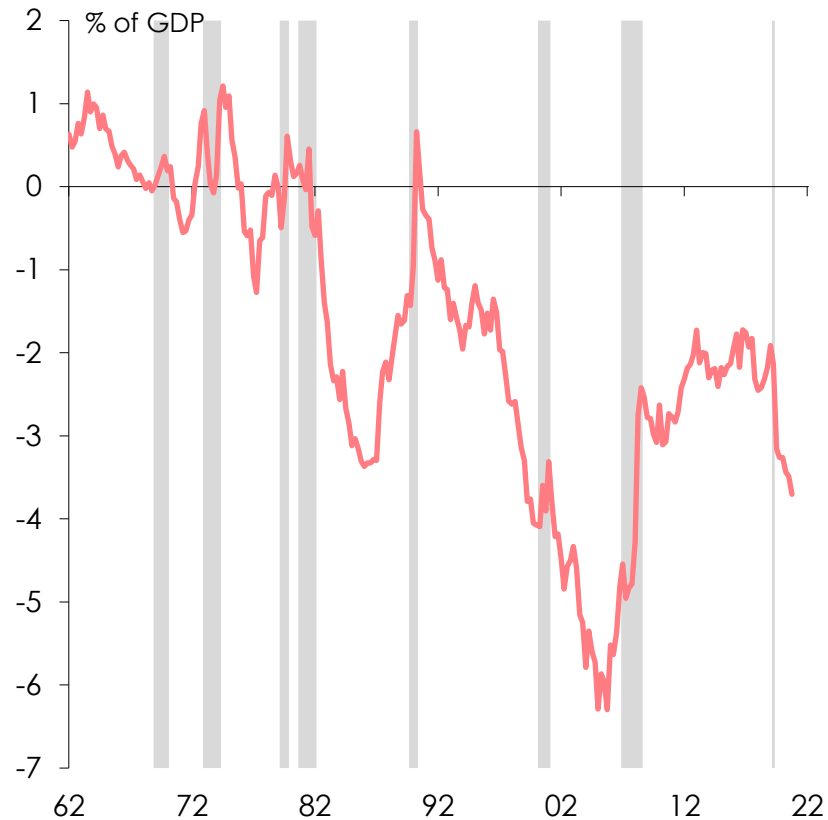


Sources: Federal Reserve Bank of Philadelphia, [Regional Economic Analysis](#), Manufacturing and Non-Manufacturing Business Outlook Surveys ; Institute for Supply Management, [ISM Report on Business](#); Federal Reserve Bank of New York, [Underlying Inflation Gauge](#); Federal Reserve Bank of Minneapolis,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

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

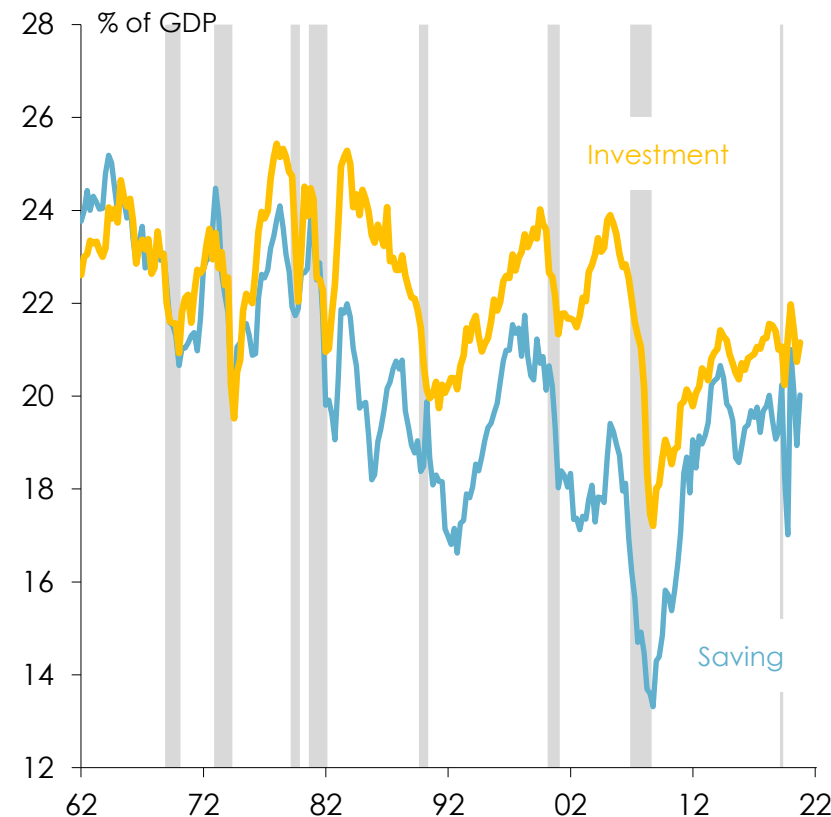
THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

US current account balance



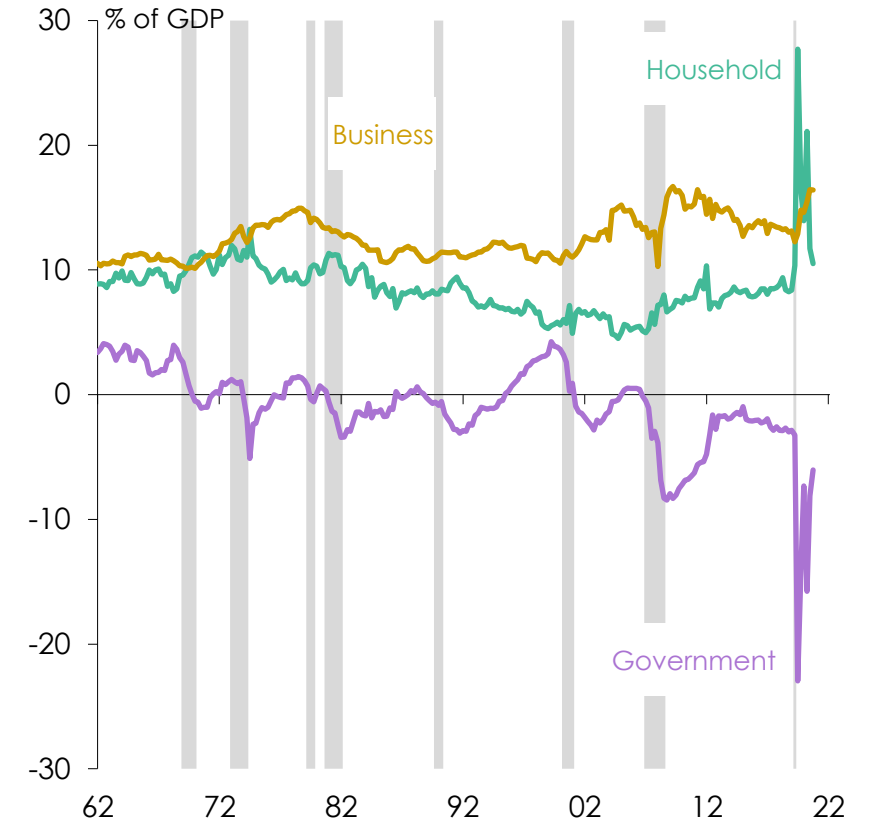
The US current account has *widened* since the onset of the pandemic-induced recession – and has become larger (as a pc of GDP) than at any time since the financial crisis

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



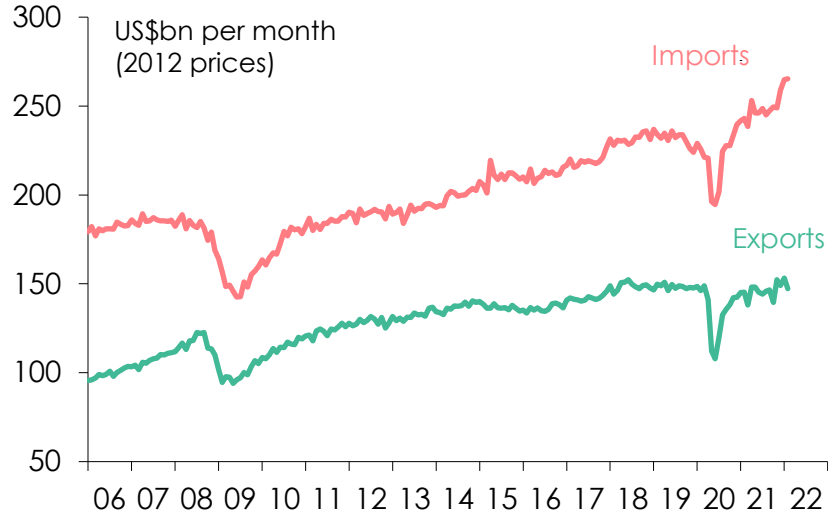
The dramatic increase in the budget deficit during and after the Covid recession has been largely (but not totally) offset by an increase in household saving

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"](#).

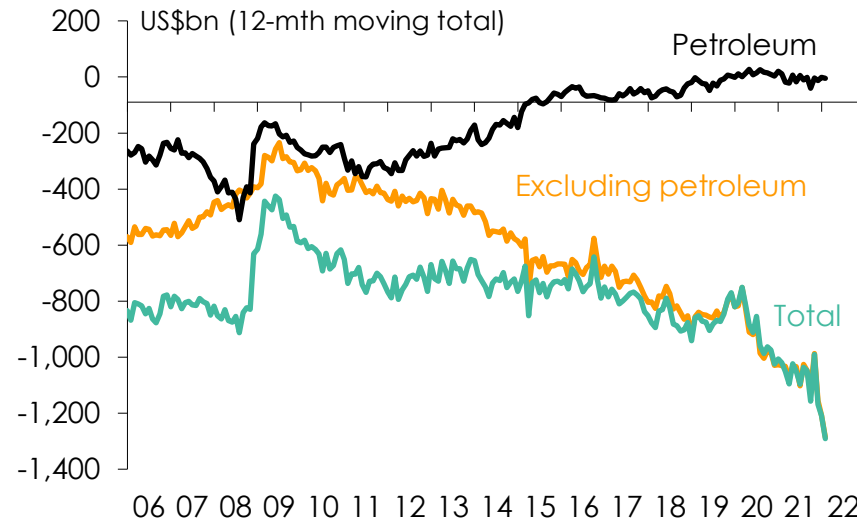
The US recorded a US\$89.7bn deficit on trade in goods and services in January, surpassing December's previous record by \$7.8bn

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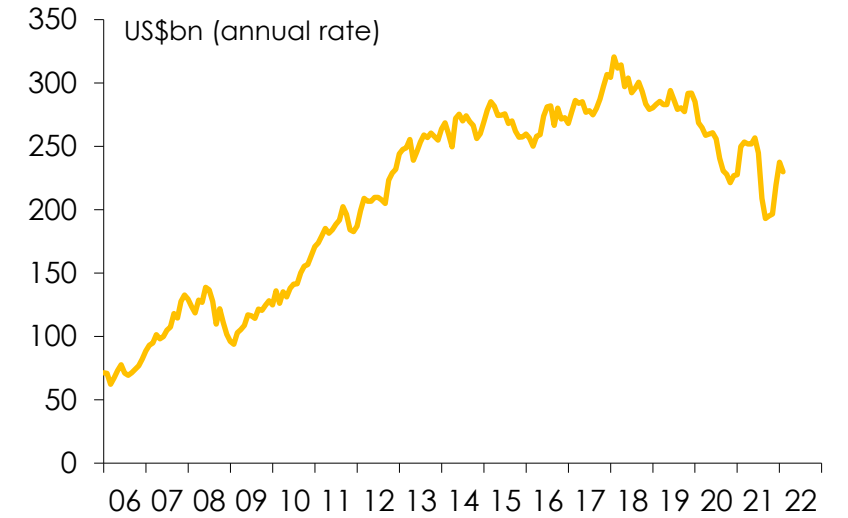
US merchandise trade volumes



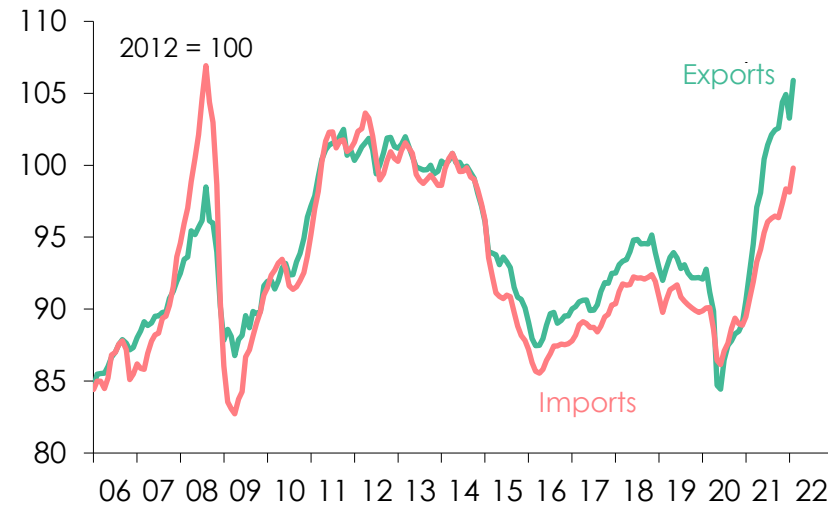
US goods trade balance



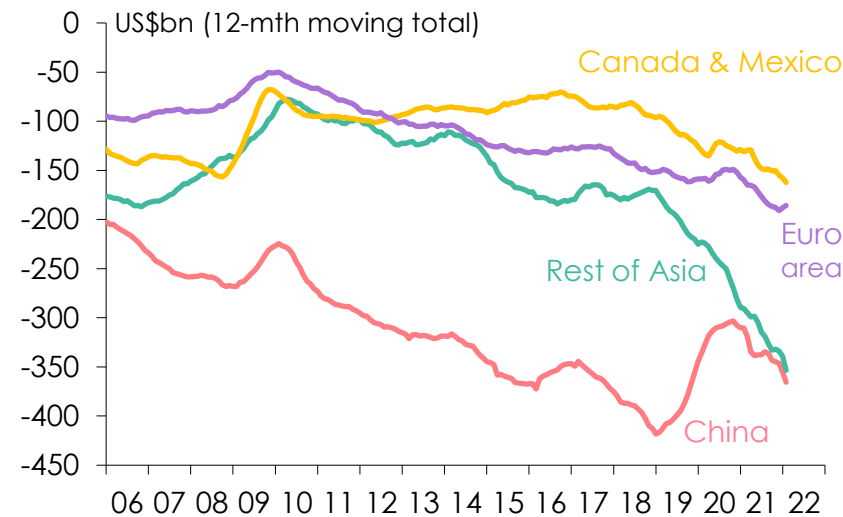
US services trade balance



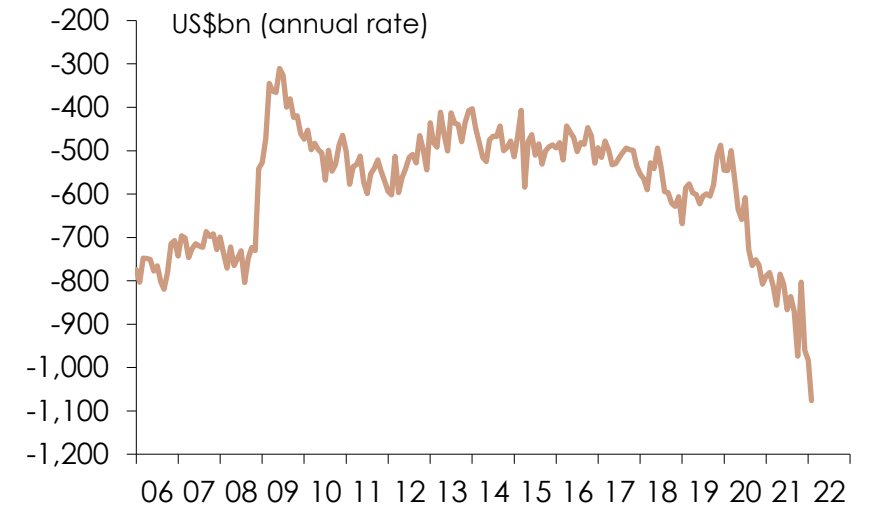
US merchandise trade prices



US bilateral goods trade balances



US goods & services trade balance

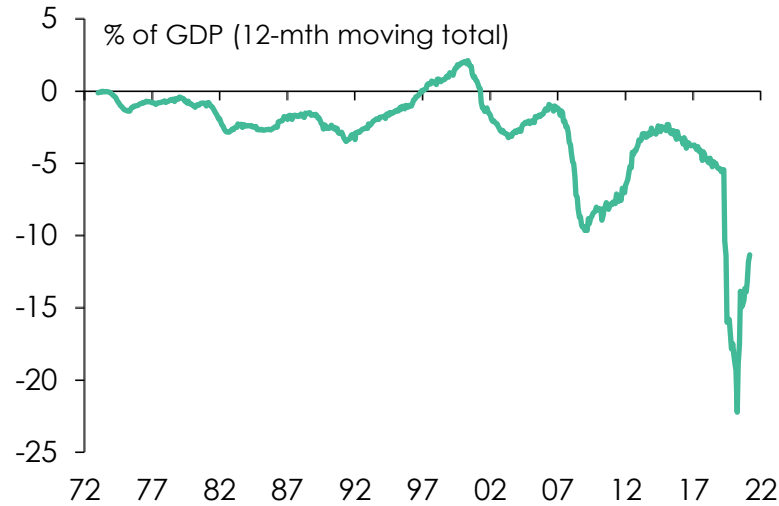


Source: US Census Bureau, [Foreign Trade](#); and US Bureau of Economic Analysis, [Advance Economic Indicators](#), and [U.S. International Trade in Goods and Services](#).
[Return to "What's New"](#).

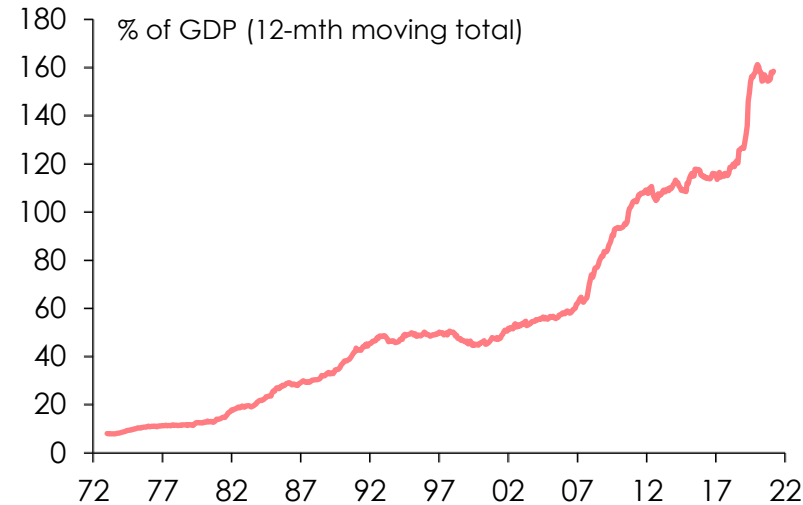
The US Federal Government posted a budget surplus in January for the first time since September 2019

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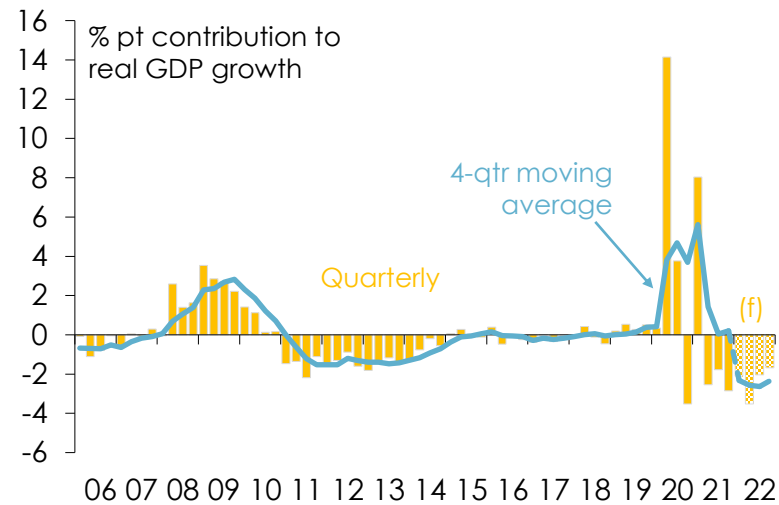
US Federal budget deficit



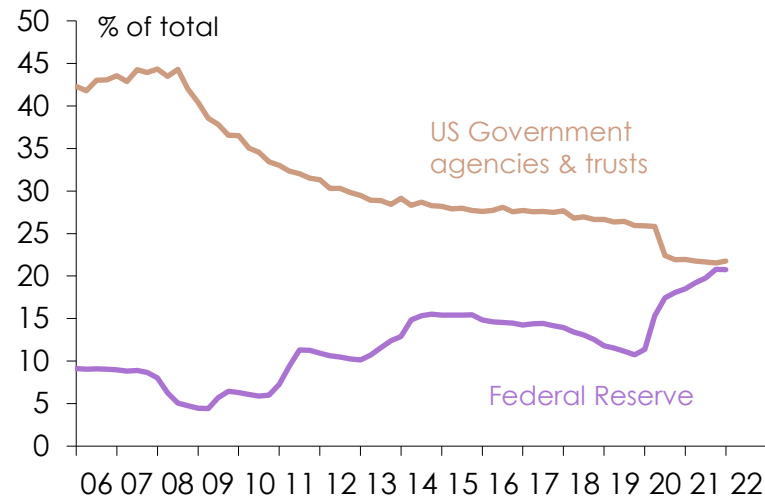
US gross Federal debt



Fiscal policy impact on GDP



Holdings of US Federal debt



- ❑ 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 rose by \$133bn to \$30.8trn (158.4% of GDP) at the end of February
- ❑ 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"](#).

As expected the Fed lifted its funds rate target by 25bp at last week's FOMC meeting, and projected another 250 bp by the end of next year

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

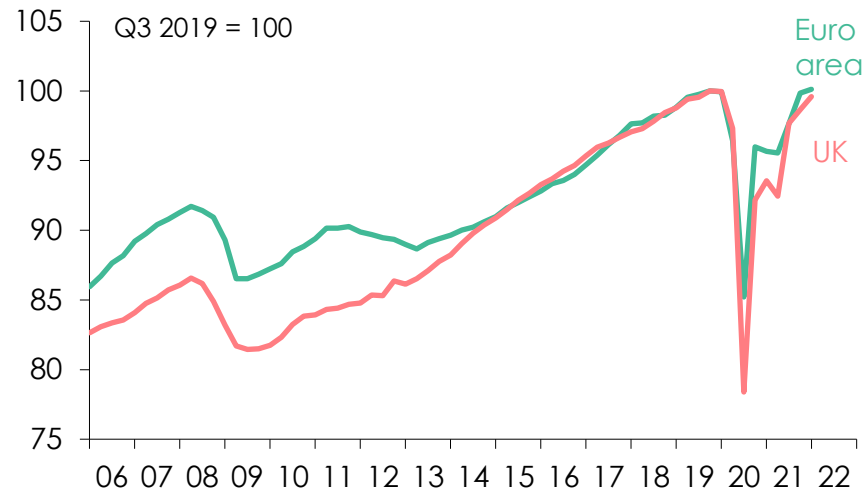
- ❑ **The Federal Reserve raised its fed funds rate target by 25 basis points, to 0.25-0.50%, at its Federal Open Market Committee meeting on Wednesday**
 - in a very brief [post-meeting statement](#), the FOMC indicated that “ongoing increases in the target range will be appropriate”, and that the Fed “expects to begin” reducing its holdings of bonds and other securities “at a coming meeting”
- ❑ **Fed Chair Jerome Powell, at his [post-meeting press conference](#), asserted that “the American economy is very strong and well positioned to handle tighter monetary policy”, and that “the probability of a recession within the next year is not particularly elevated”**
 - although, in his view, “the invasion of Ukraine and related events represent a downside risk to the outlook for economic activity”, the resulting surge in oil and other commodity prices “will put upward pressure on near-term inflation”
 - and “inflation is likely to take longer to return to [the Fed’s] price stability goal than previously expected”, partly because wages “are moving in ways that are not consistent with 2% inflation over time”
- ❑ **The [summary of FOMC members' forecasts](#) released after Wednesday’s meetings indicate that Fed officials have lowered their expectations for economic growth this year (though not for subsequent years) and raised their forecasts for economic growth**
 - the median forecast for ‘core’ inflation, as measured by the PCE deflator, over the course of 2022 was 4.1% (up from 2.7% in December), with 2.6% (up from 2.3%) and 2.3% (up from 2.1%) through 2023 and 2024 respectively
 - the median forecast for real GDP growth through Q4 2022 was cut to 2.8% (from 4.0% previously), although forecasts for 2023 and 2024 were unchanged at 2.2% and 2.0%, respectively, while (perhaps surprisingly in view of the large downward revision to forecast GDP growth), the forecast for unemployment remained unchanged at 3.5% in both Q4 2022 and Q4 2026
 - the median projection for the ‘appropriate policy path’ for the fed funds rate at the end of 2022 is now 1.9% (up from 0.9% previously), rising to 2.8% (previously 1.6%) at the end of 2023 and staying there through 2024 (up from 2.1% previously) – above the expected longer-run average of 2.4% - and implying an average of 25 bp per meeting for the rest of this year and at least five meetings next year

Europe

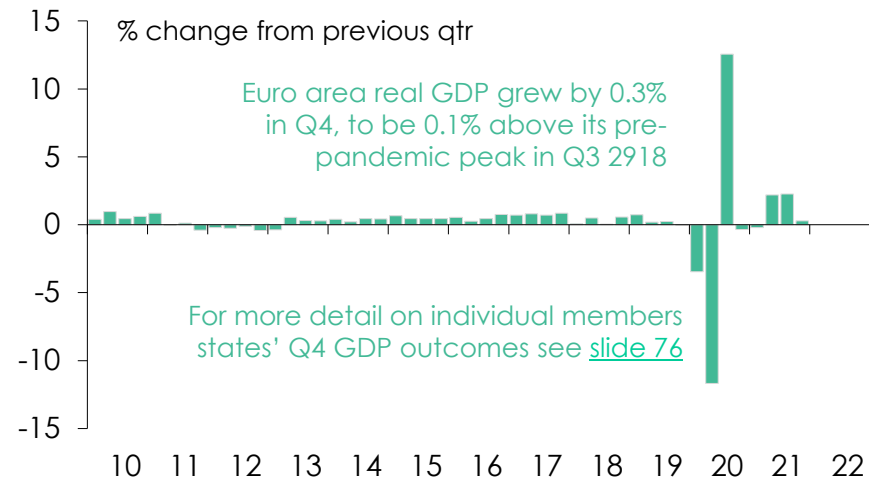
Euro area real GDP was 0.1% above its pre-pandemic peak in Q4 2021, whereas UK real GDP was still 0.4% below its pre-pandemic peak

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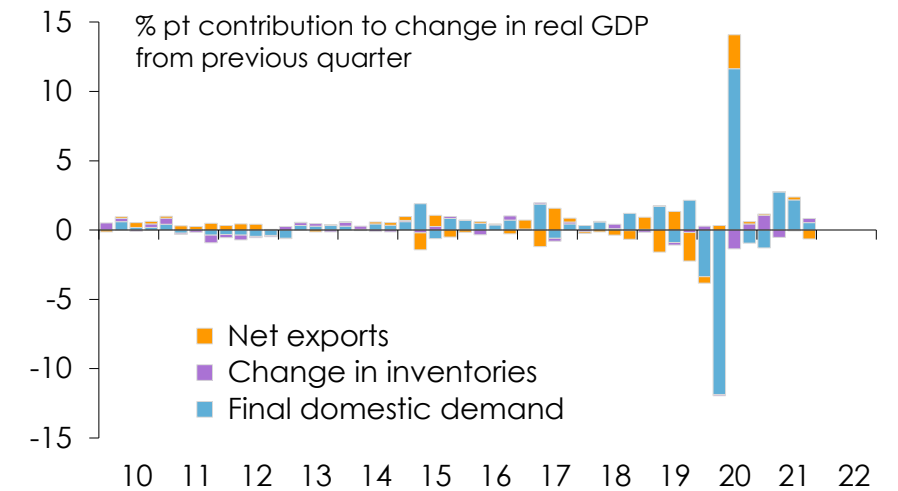
Euro area and UK real GDP



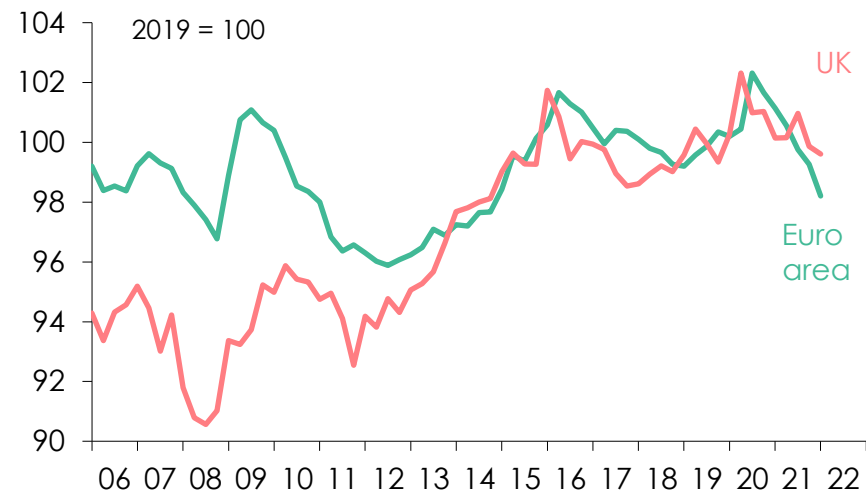
Euro area quarterly GDP growth



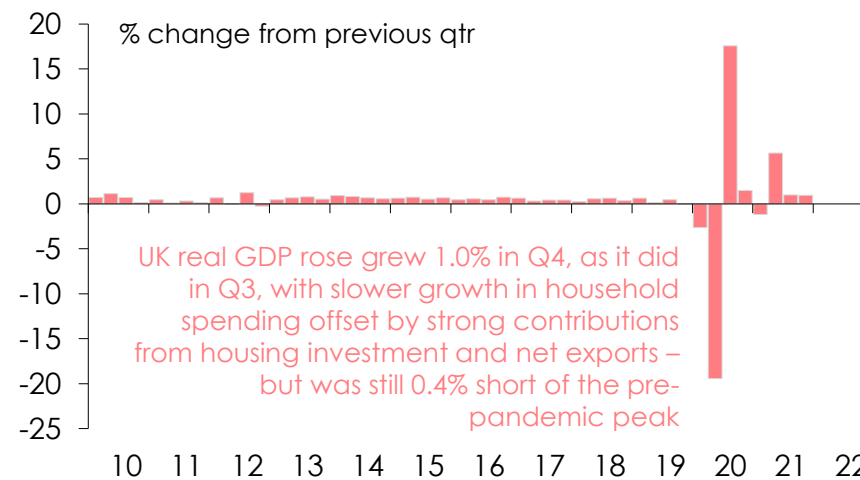
Contributions to quarterly EA GDP



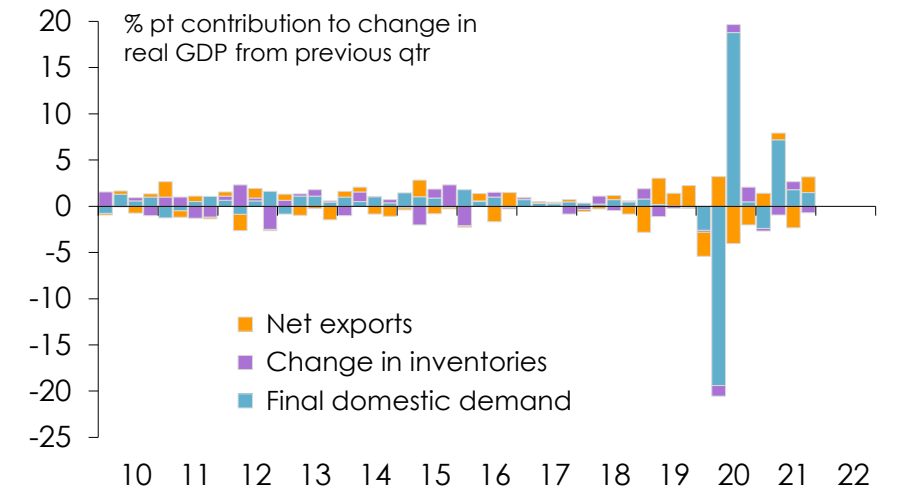
Euro area and UK terms of trade



UK quarterly GDP growth



Contributions to quarterly UK GDP

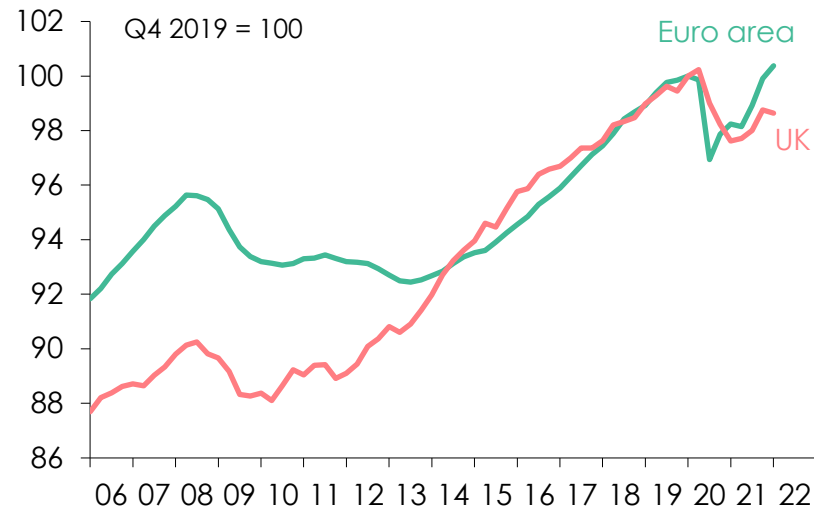


Note: the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded with the rest of the world. Sources: Eurostat,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

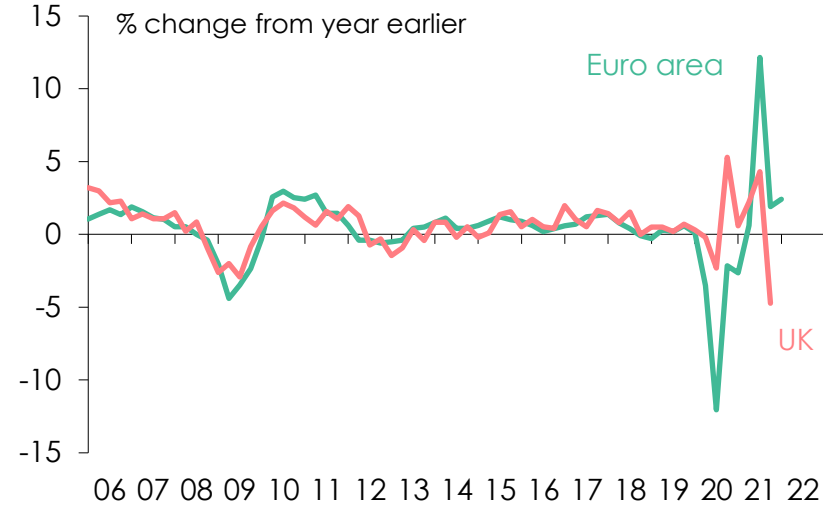
Unemployment is much lower in the UK than in the euro area, but in other respects euro area households are in a stronger position

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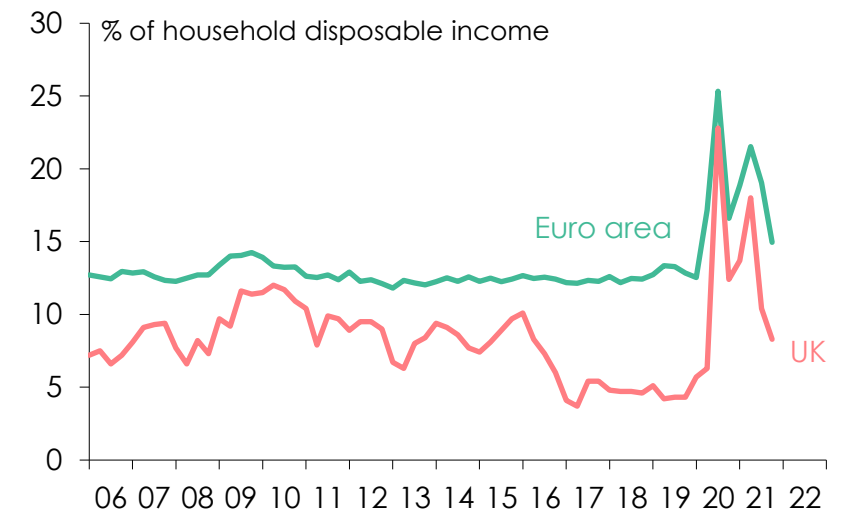
Employment



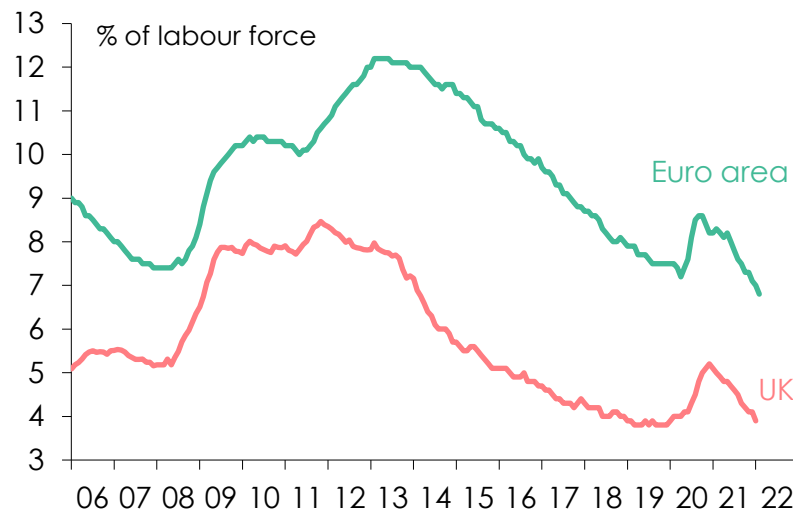
Labour productivity



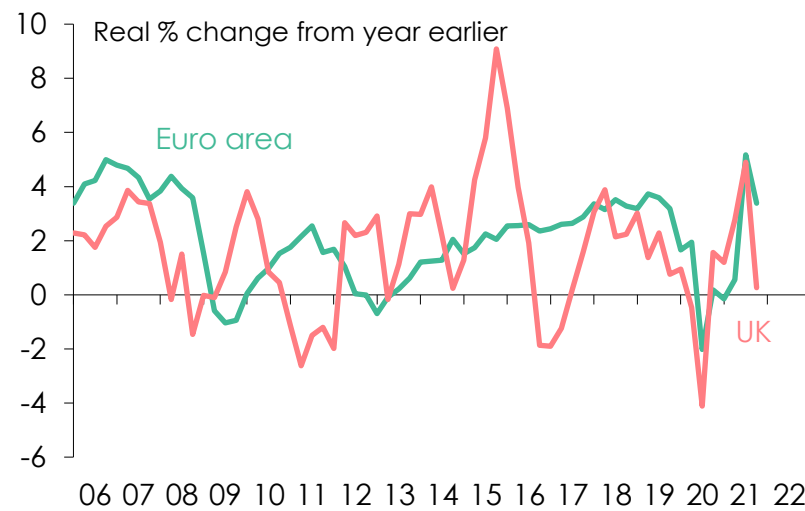
Household saving rates



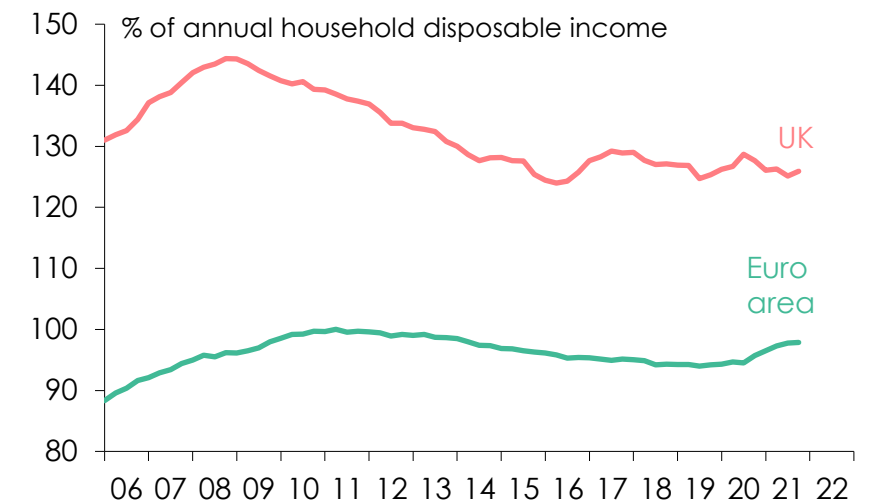
Unemployment rates



Household disposable income



Household debt

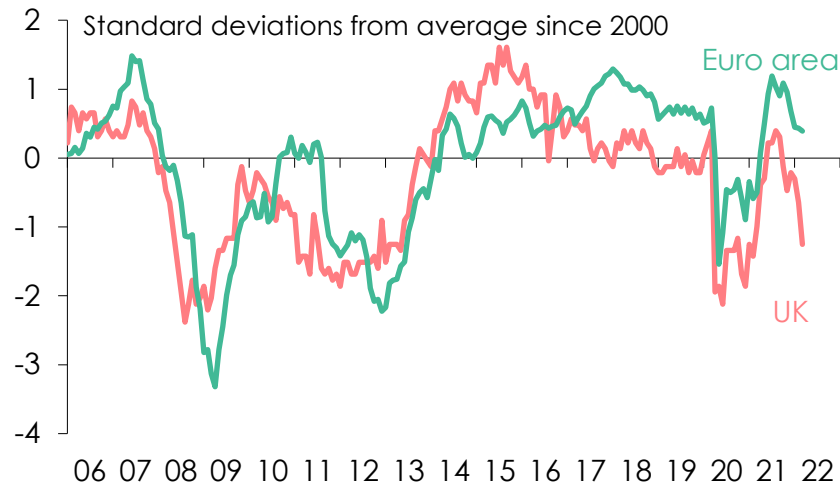


Sources: Eurostat, [Employment and unemployment \(Labour force survey\)](#), [Household saving rate](#) and [Labour productivity and unit labour costs](#); UK Office for National Statistics, [Employment in the UK](#), [Unemployment rate](#) (note, UK unemployment data are shown as a three-month moving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

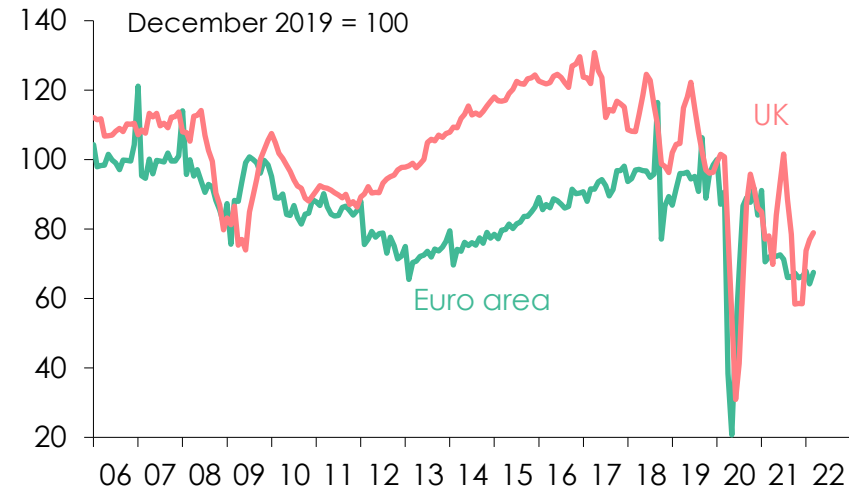
Higher-frequency data also show the euro area economy doing better than the UK – except in housing

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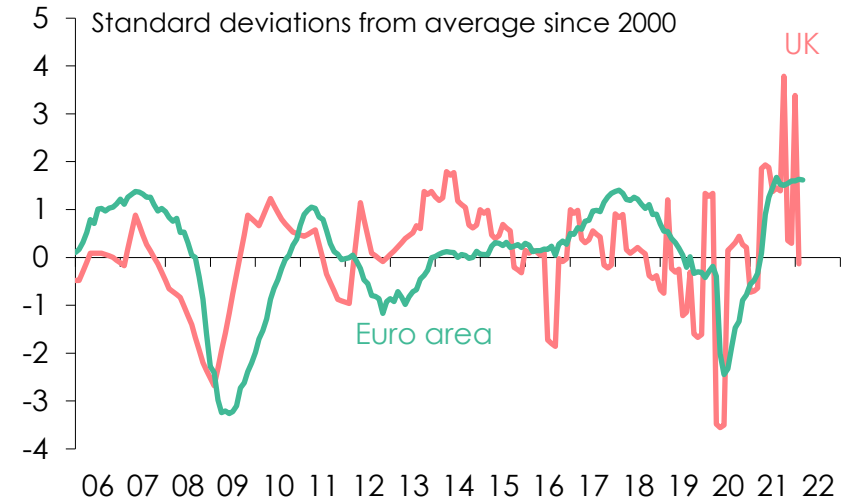
Consumer confidence



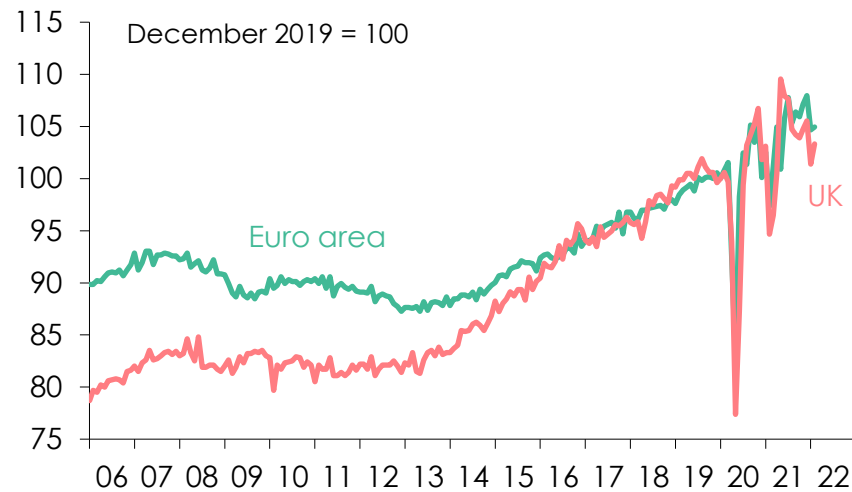
New car registrations



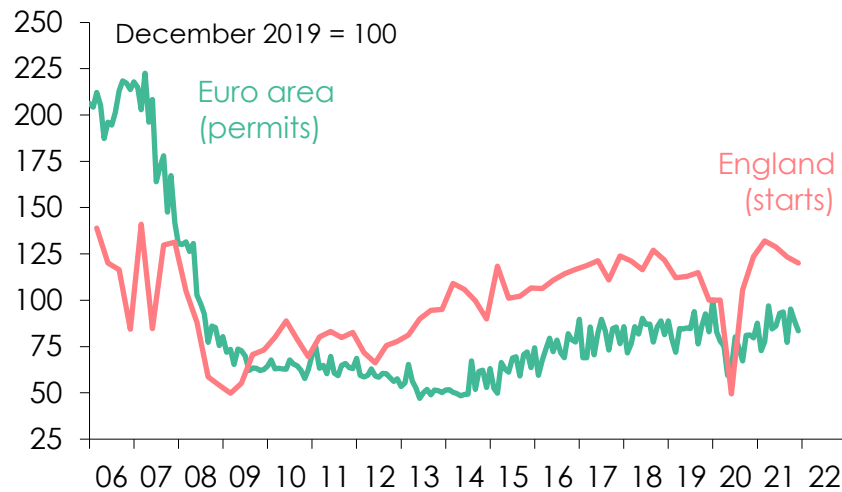
Business confidence



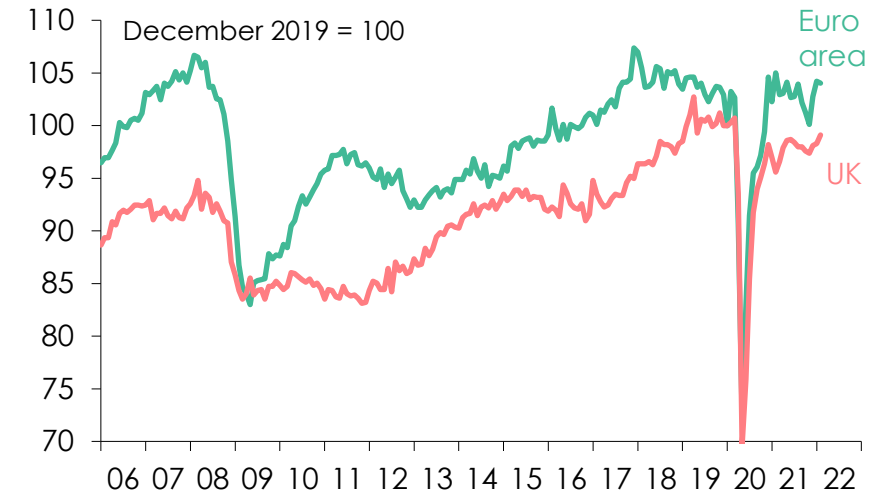
Retail sales volume



Housing activity



Manufacturing production

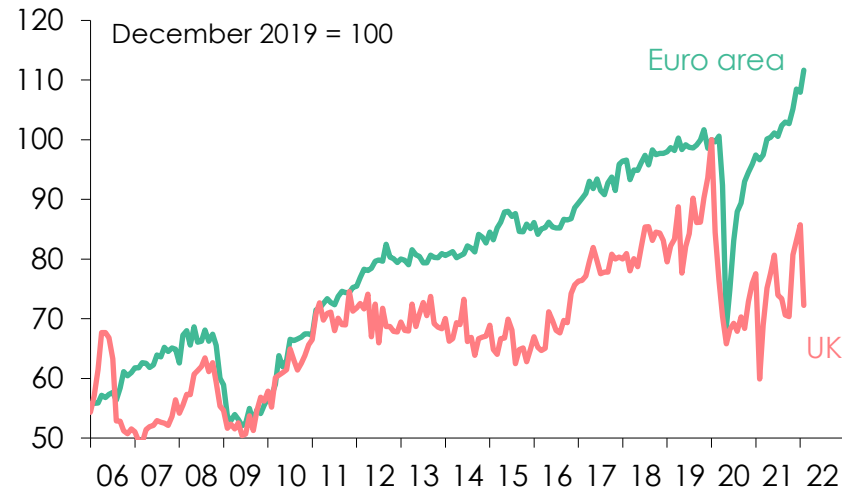


Sources: European Commission, [Business and consumer surveys](#); GfK, [Consumer confidence barometer](#); Confederation of British Industry, [Industrial Trends Survey](#); Eurostat, [Turnover and volume of sales in wholesale and retail trade](#), [New registrations of passenger cars](#), [Building permits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

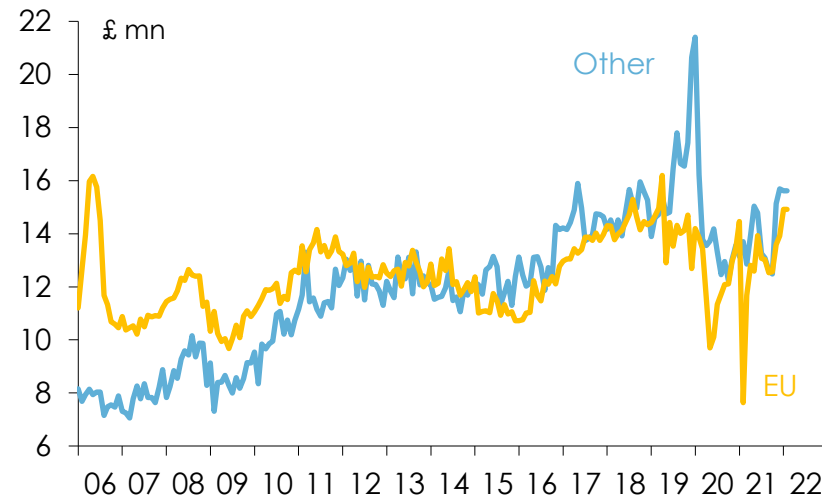
'Brexit' has not been a boon for the UK's trade performance, with the UK recording a record monthly trade deficit of £26½bn in January

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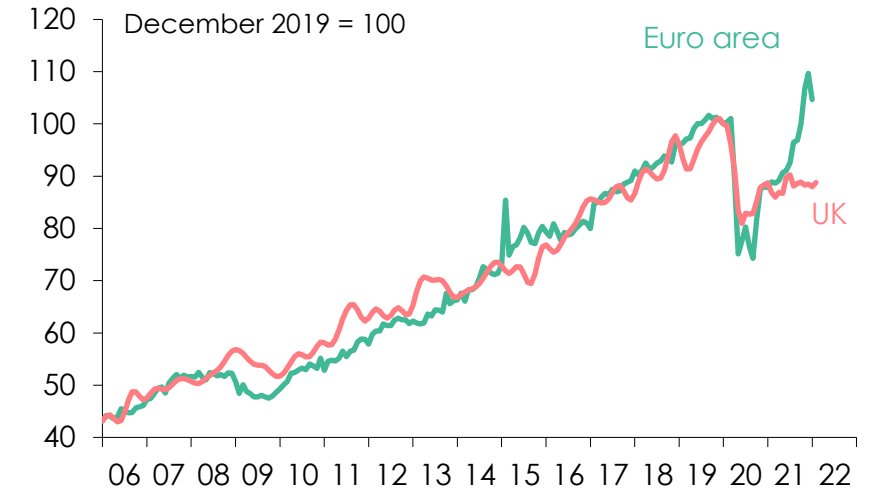
Merchandise exports



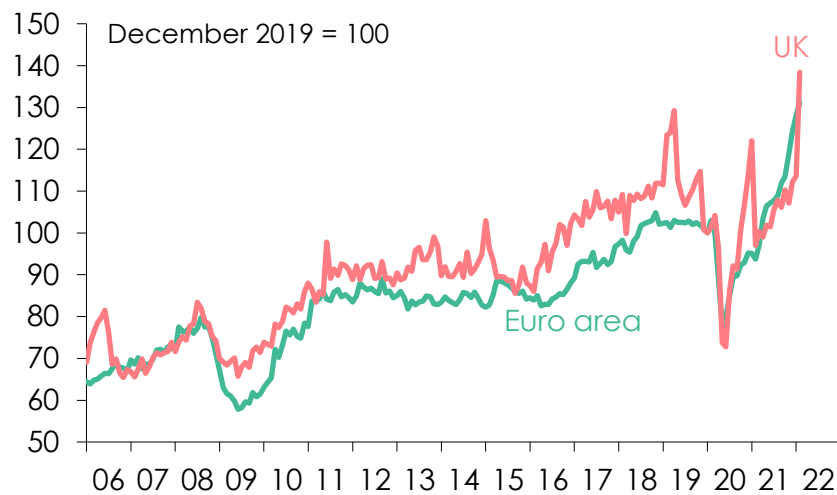
UK exports by destination



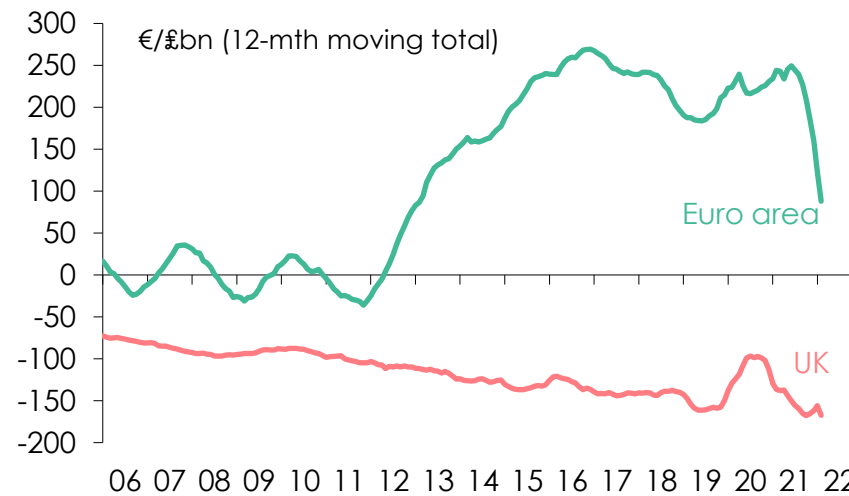
Services exports



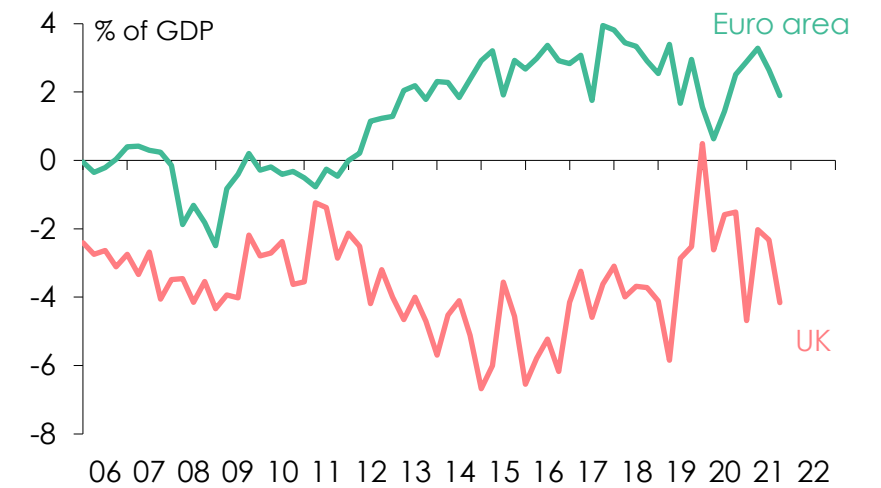
Merchandise imports



Merchandise trade balances



Current account balance

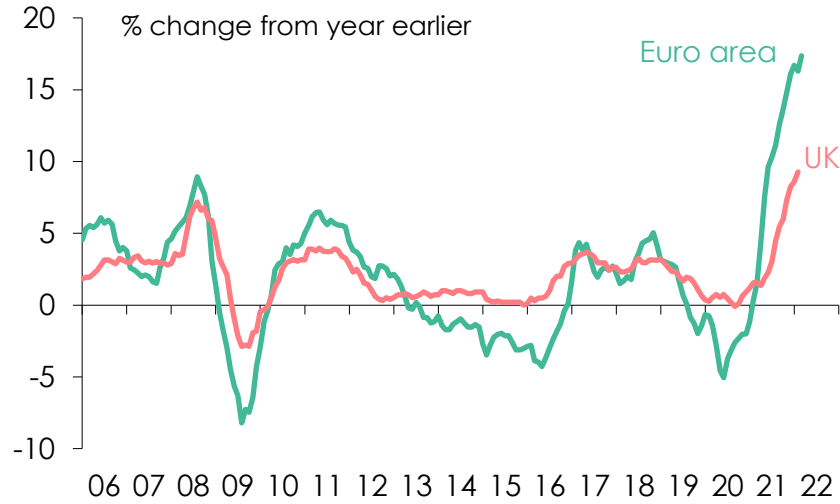


Sources: European Central Bank, Statistical Data Warehouse, [External Trade](#), [Balance of Payments and International Investment Position - Services](#), and [Balance of Payments and International Investment Position - Current Account](#); UK Office for National Statistics, [UK Trade](#) and [BoP Current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

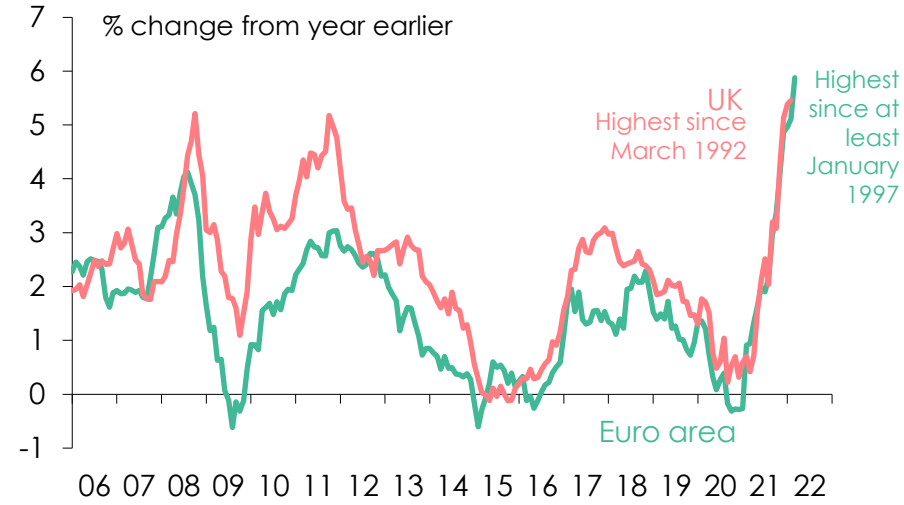
Euro area consumer prices rose 5.8% over the year to February, largely due to a 31.7% surge in energy prices, while 'core' inflation rose to 2.7%

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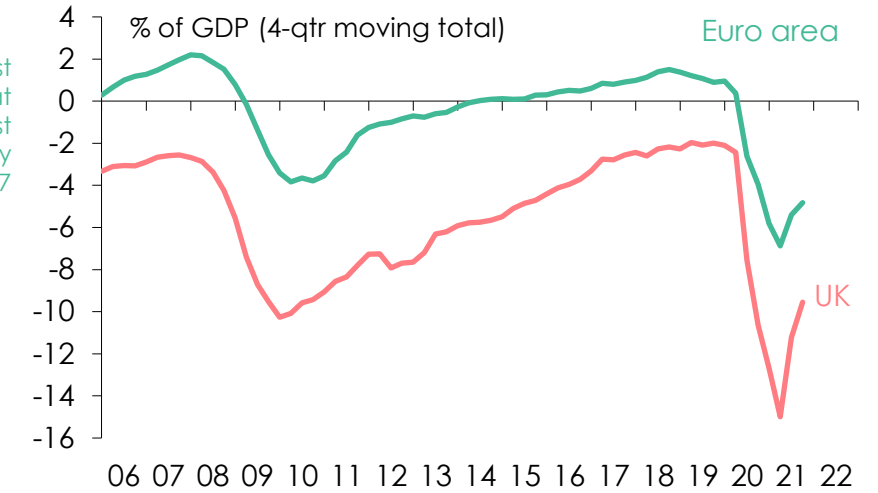
Producer prices



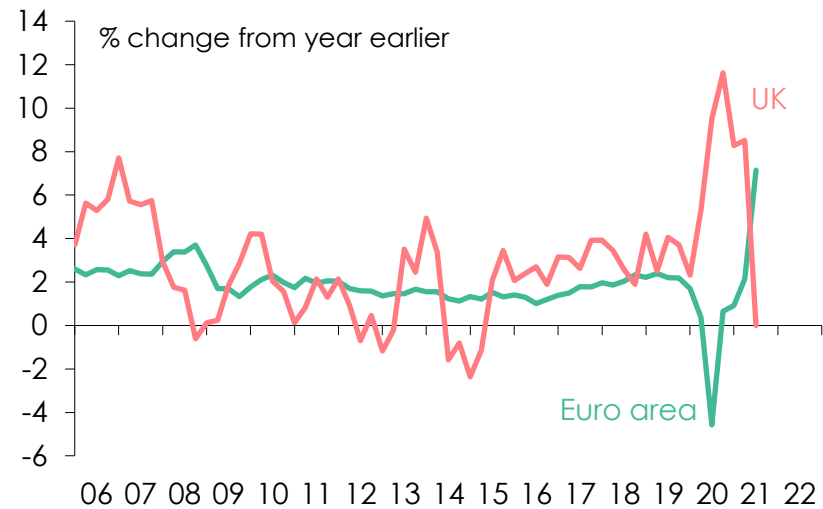
'Headline' consumer prices



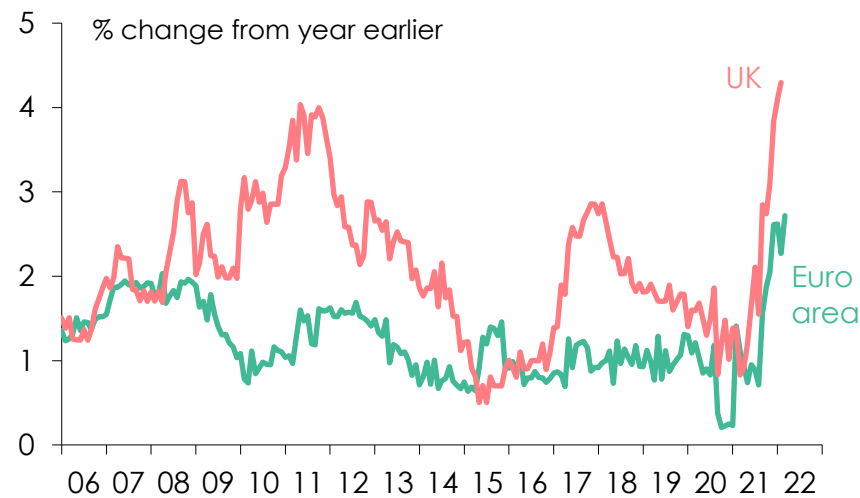
Government fiscal balance



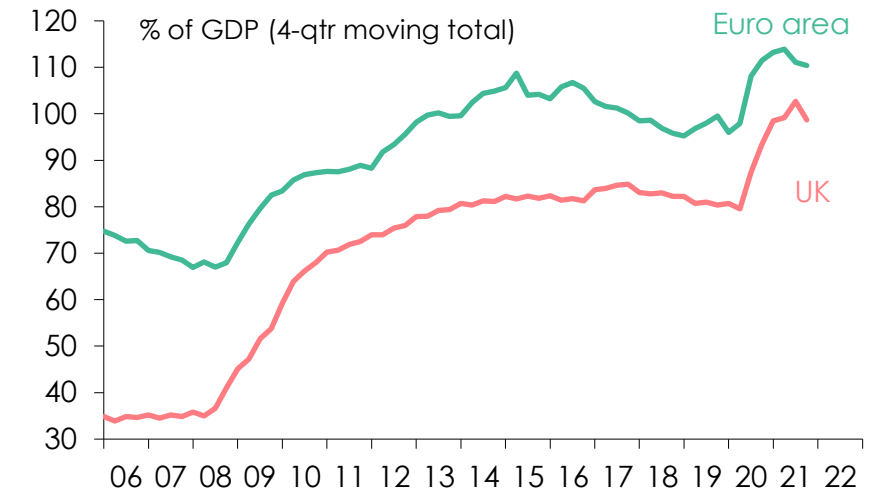
Labour costs



'Core' consumer prices



Government net debt

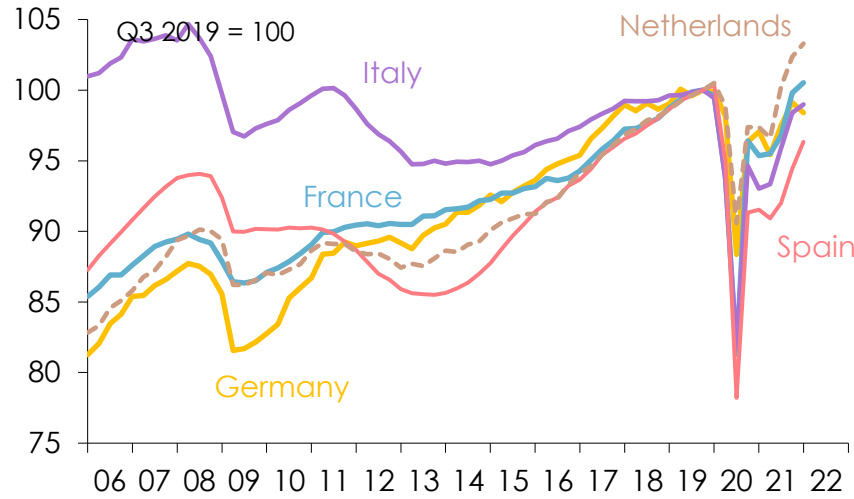


Sources: Eurostat, [Producer prices in industry](#), [Compensation per employee and hours worked per employed person](#), [Consumer price index](#), and [Government finance statistics and EDP statistics](#); UK Office for National Statistics, [Inflation and price indices](#), [Unit labour cost and unit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

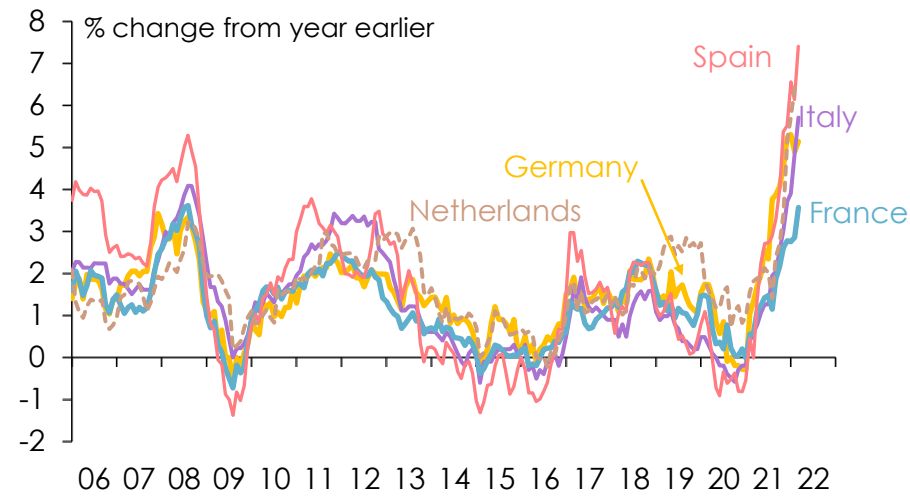
Germany's economy shrank 0.7% in Q4, while France's grew 0.7% (to surpass its pre-pandemic peak) and Spain's by 2.0%

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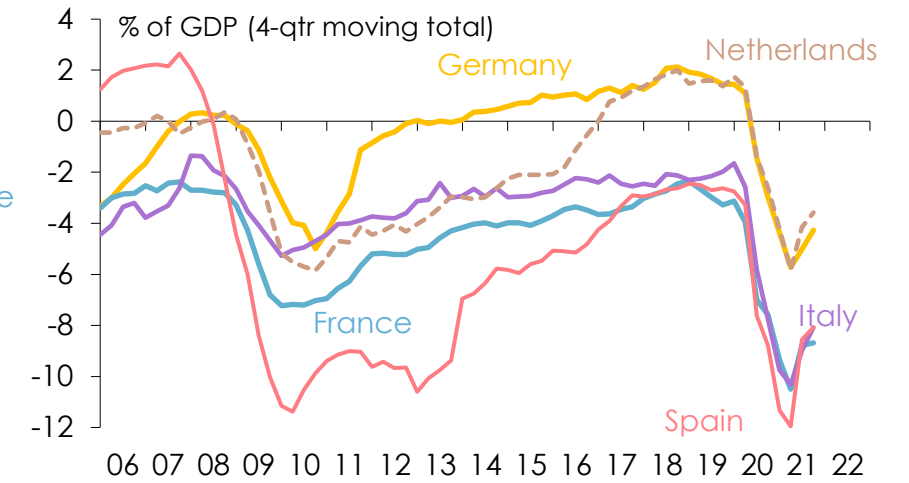
Real GDP



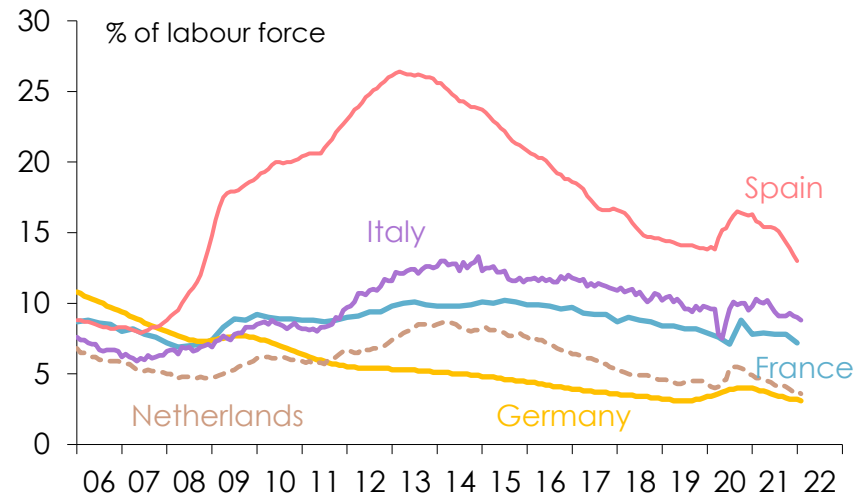
Inflation



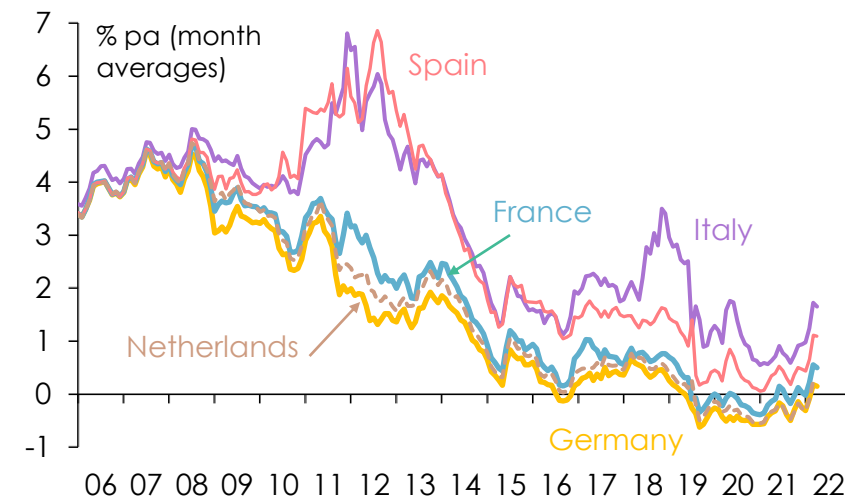
Government net lending



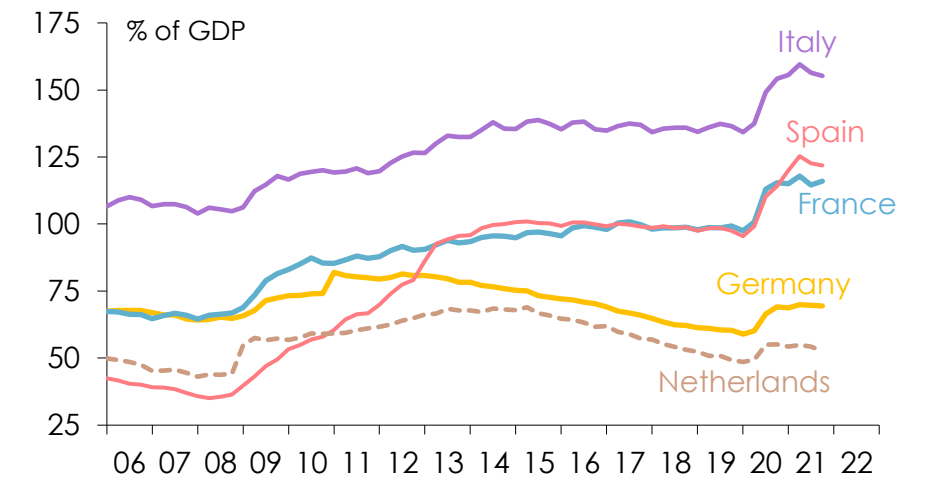
Unemployment



10-year bond yields



Government gross debt



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

The Bank of England raised its Bank Rate another 25bp last week, the third rise, but was more cautious about foreshadowing further tightening

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- ❑ The Bank of England raised its Bank Rate by another 25 bp on Thursday, to 0.75% – the third consecutive increase, following increases of 15bp in December and 25bp in February
- ❑ In its post-meeting [Monetary Policy Summary](#) the MPC noted that “developments” since February (principally, the Russian invasion of Ukraine, which the Bank pointedly “condemned” in its first sentence) “are likely to accentuate both the peak in inflation and the adverse impact on economic activity by intensifying the squeeze on household incomes”
 - inflation is now expected to peak at “around 8% in Q2” (cf. around 7¼% previously) “and perhaps even higher later this year”, if sustained increases in energy prices lead to another rise in regulated utility prices in October
 - after then, however, inflation is “expected to fall back materially, and possibly to a greater extent than had been expected in February, as energy prices stop rising and the squeeze on real incomes and demand puts significant downward pressure on domestically generated inflation”
 - the MPC also noted that “UK economic activity had been somewhat stronger than anticipated” and that “the current tightening in the labour market might not reverse direction as quickly as anticipated”, with ‘underlying private sector regular pay growth’ remaining at around 4-4½% cf. pre-pandemic rates of around 3-3½%
- ❑ The prospect of a more significant squeeze on household income and spending has prompted the MPC to become (at least for the time being) *less hawkish* as regards the prospect of further significant monetary policy tightening
 - whereas four of the MPC’s nine members had wanted a 50bp rate increase at the previous meeting, last week none did, and one (the BoE’s Deputy Governor) voted against any increase at all
 - and instead of foreshadowing that “some further modest tightening ... was likely to be appropriate in coming months”, this time the MPC judged that “some further modest tightening *might* be appropriate” in coming months, “there were risks on both sides of this judgement depending on how medium-term prospects for inflation evolved

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

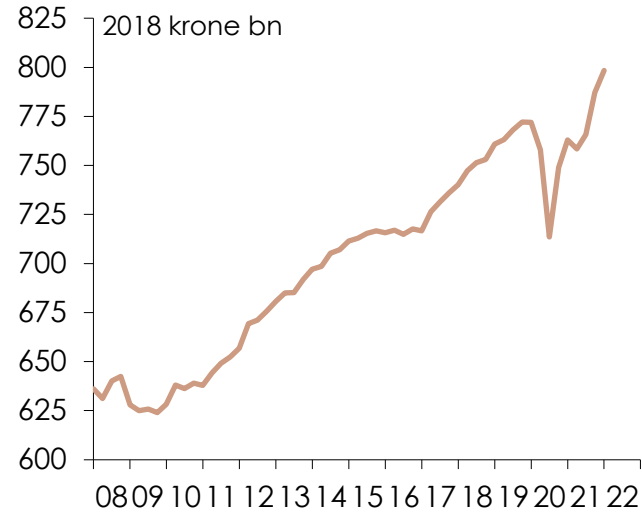
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- ❑ At its Governing Council meeting on 10th March, the [European Central Bank](#) brought forward the ‘tapering’ of bond purchases under its Asset Purchase Program (originally introduced in October 2014) to €40bn in April, €30bn in May and €20bn in 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%)

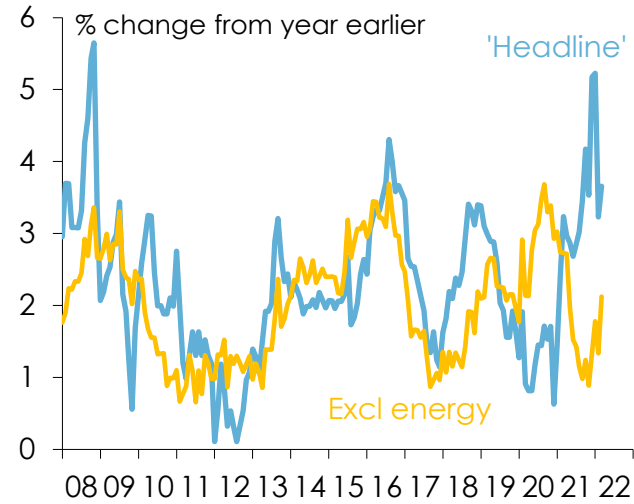
Norway's central bank raised its policy rate twice in the second half of last year, commencing a 'gradual normalization' of monetary policy

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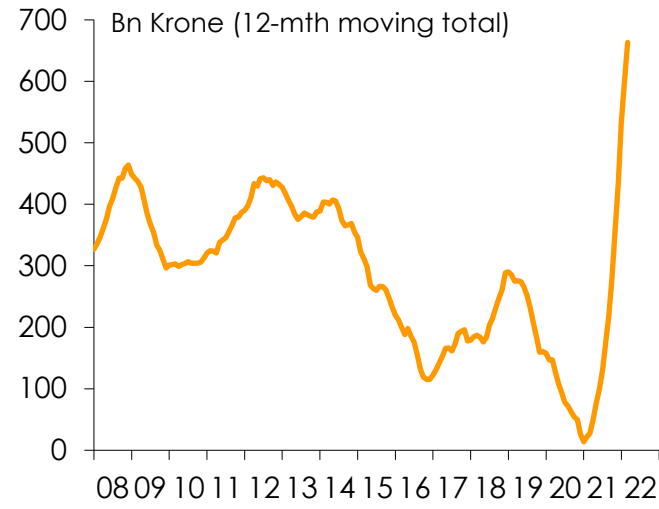
'Mainland' real GDP



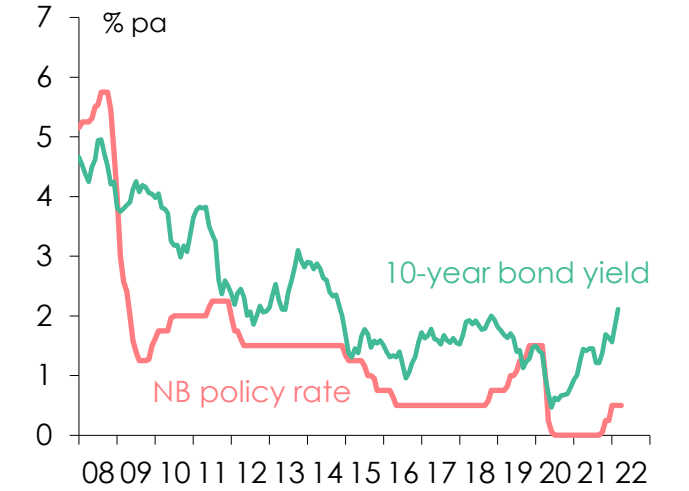
Inflation



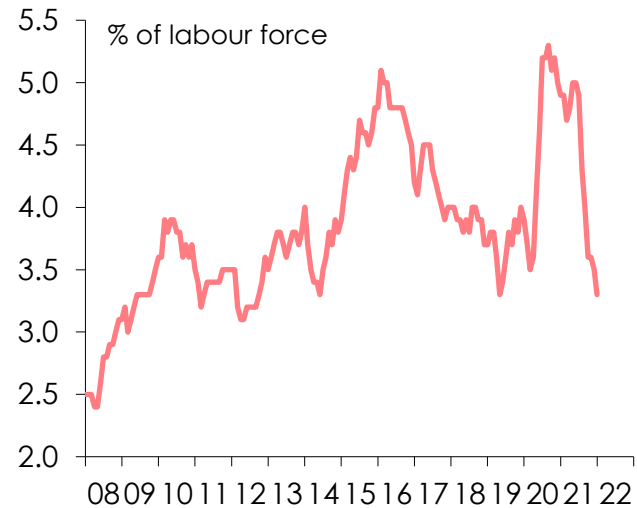
Trade balance



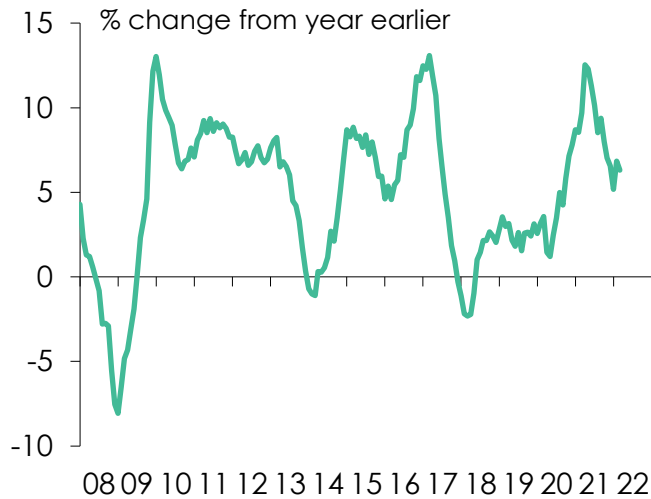
Interest rates



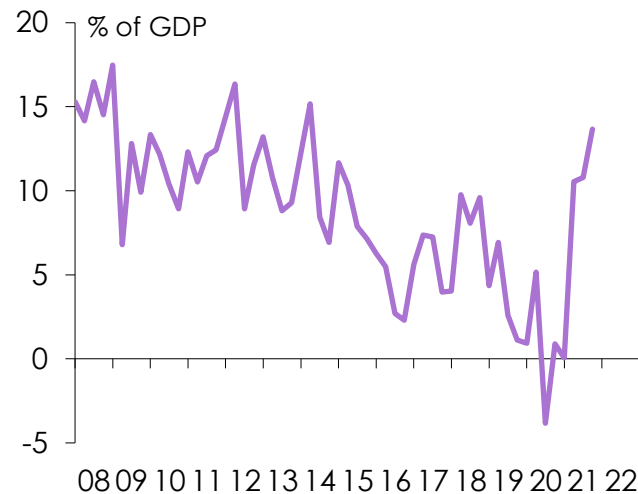
Unemployment



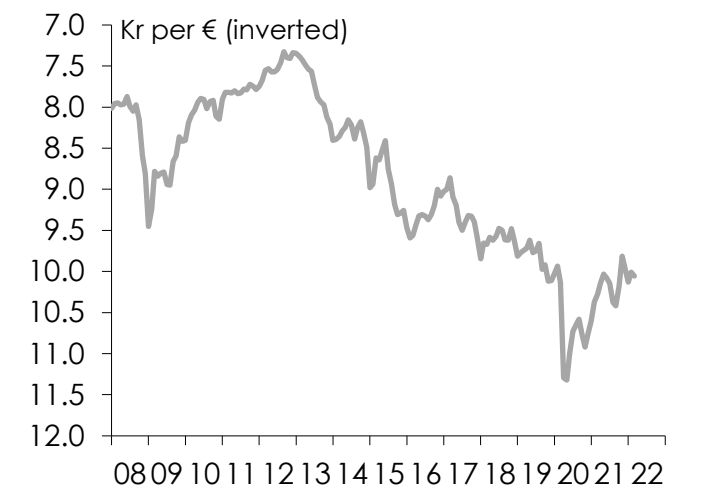
House prices



Current account balance



Krone vs euro

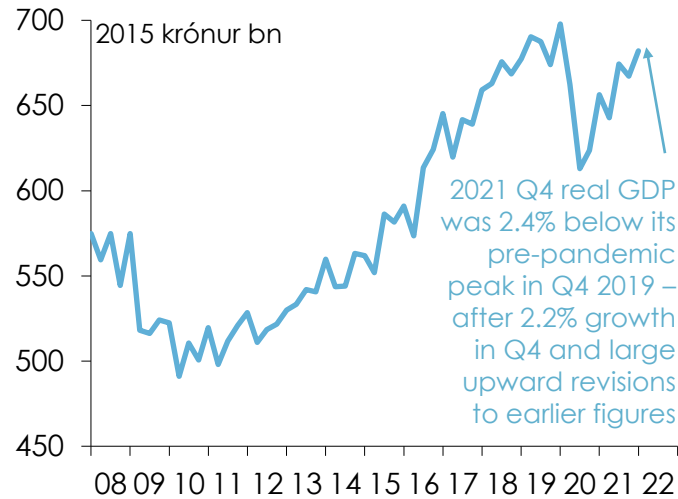


Note: 'mainland' GDP means excluding Norway's oil and gas industry which is entirely located offshore. Sources: [Statistisk sentralbyrå](#); [Norges Bank](#); Refinitiv Datastream.
[Return to "What's New"](#).

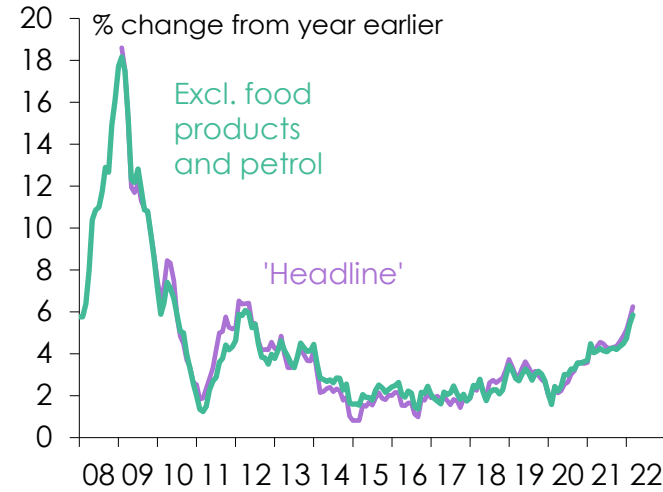
Iceland's central bank raised its policy rates another 75 bp in February, the fifth increase since last May, following a 'marked deterioration' in inflation

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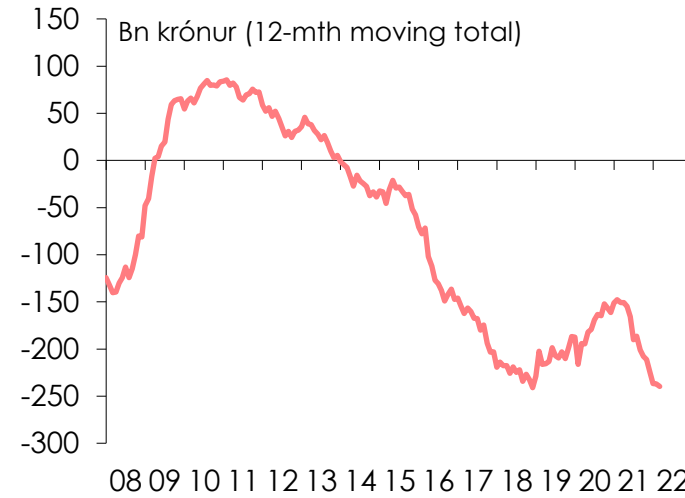
Real GDP



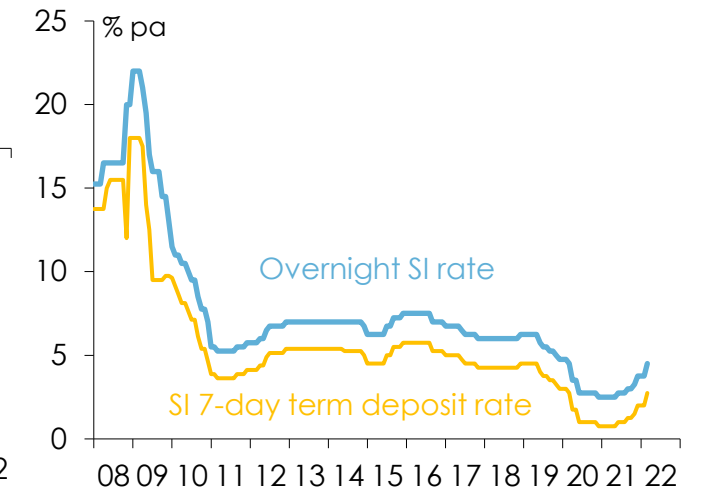
Inflation



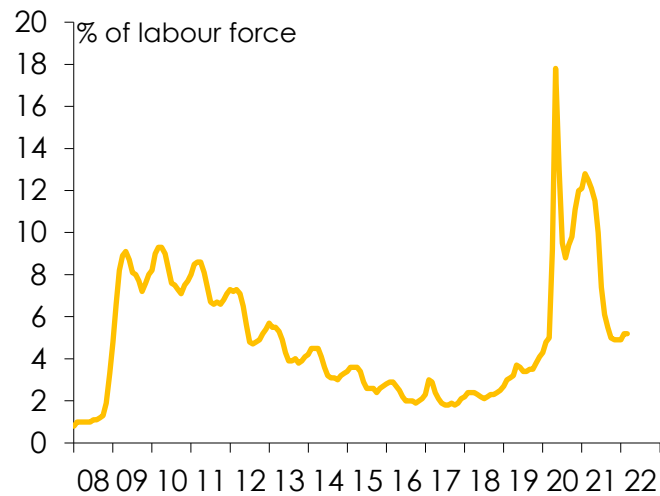
Trade balance



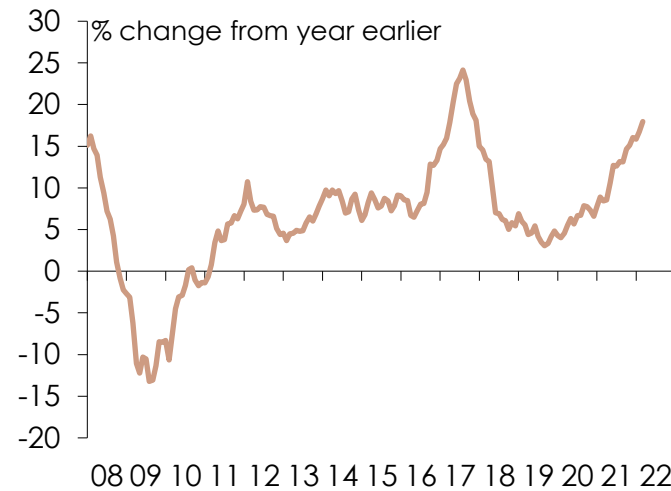
Interest rates



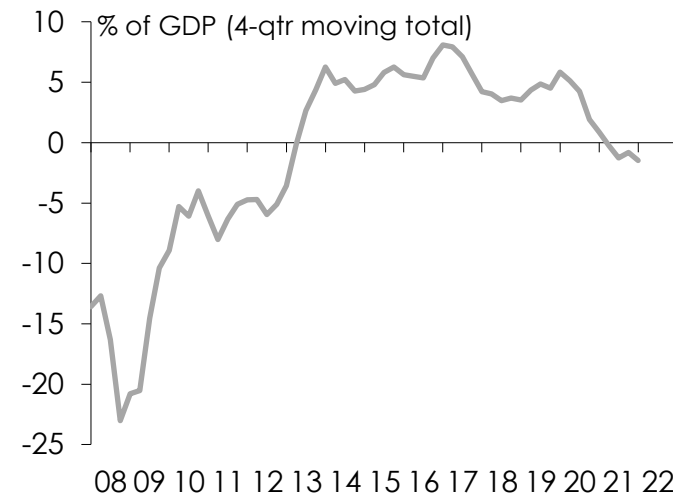
Unemployment



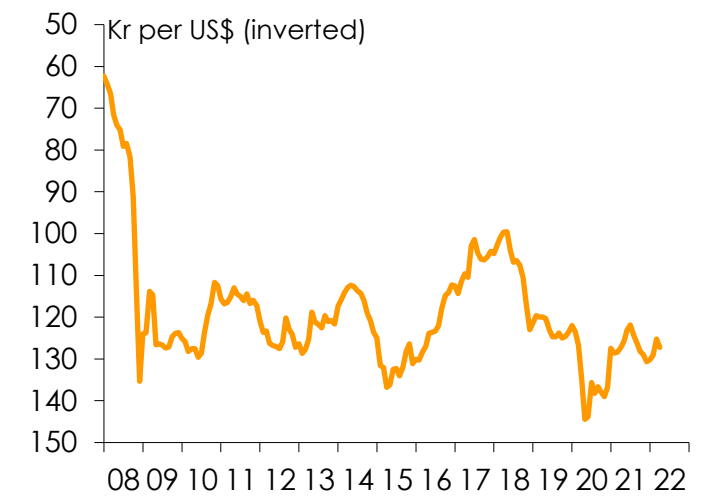
House prices



Current account balance



Króna vs US dollar

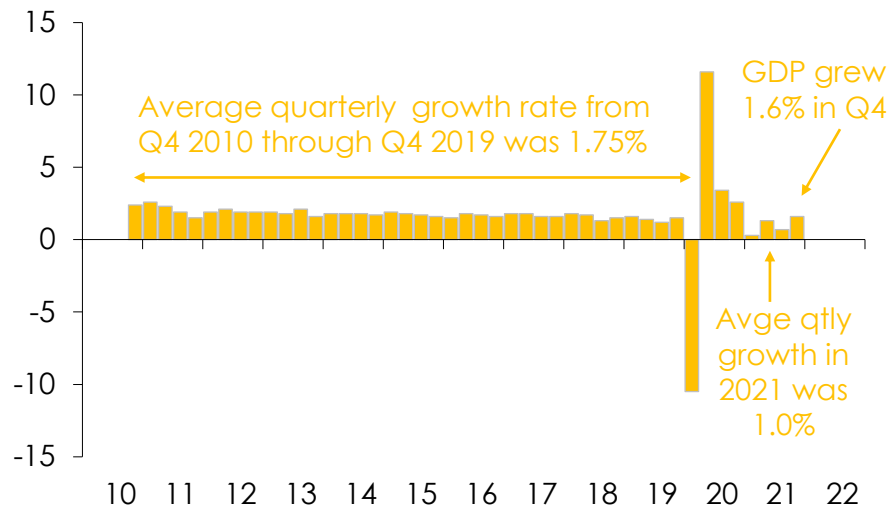


China

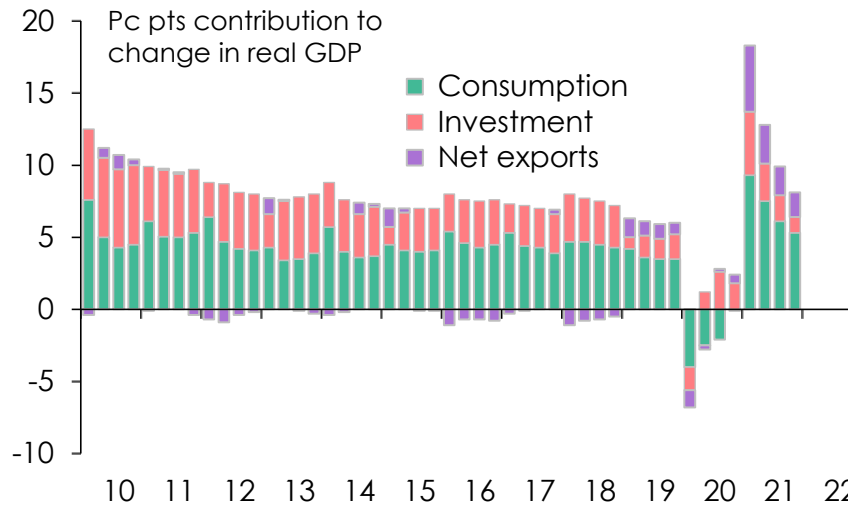
China's urban unemployment rate has risen to 5.5% in March, its highest level since August 2020 – and the latest lockdowns may push it up further

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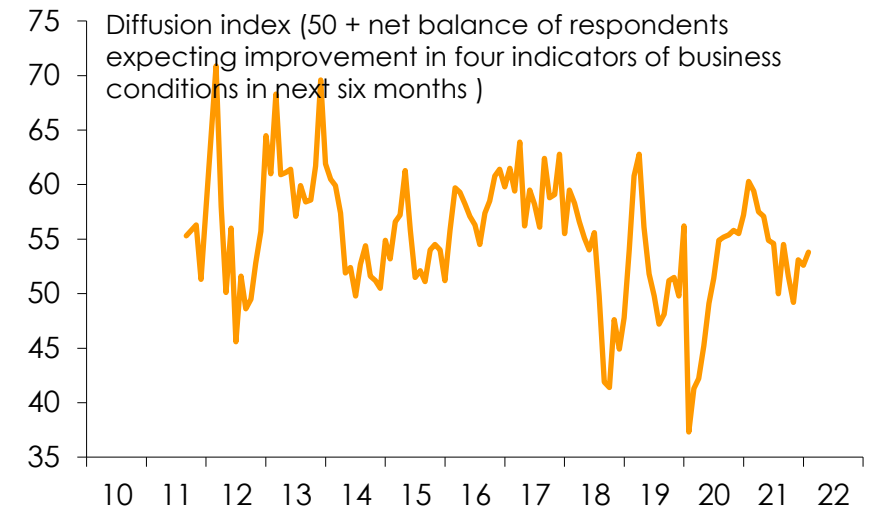
Quarterly real GDP growth



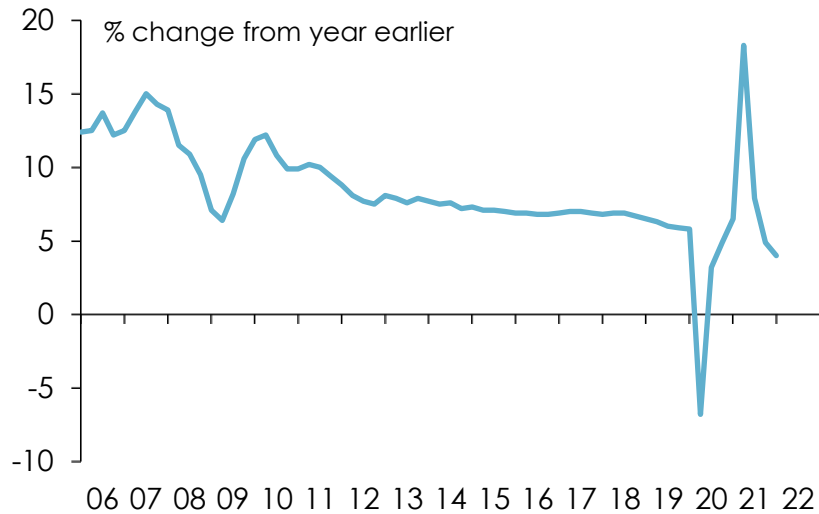
Contributions to real GDP growth



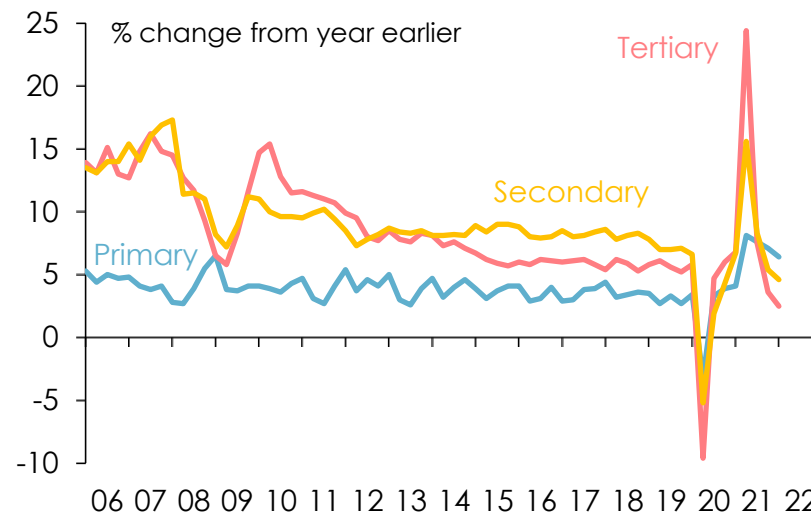
CKGSB business conditions index



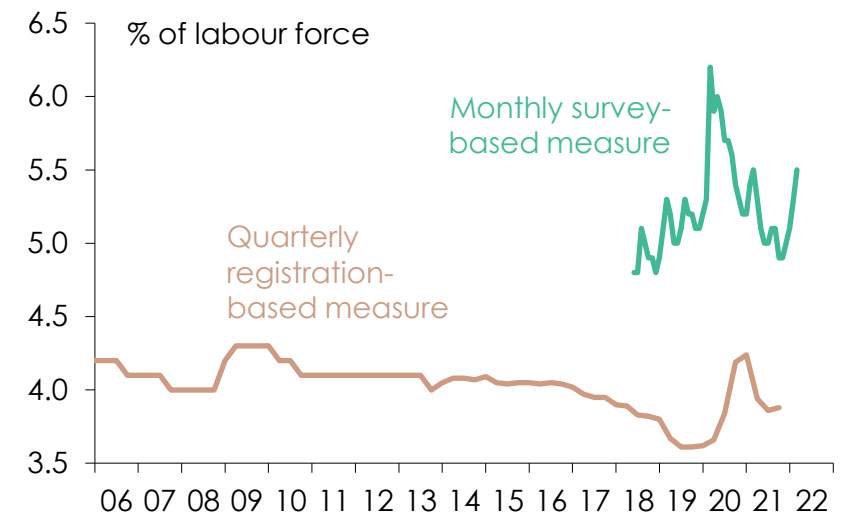
Annual real GDP growth



Annual GDP growth by industry



Urban unemployment rate

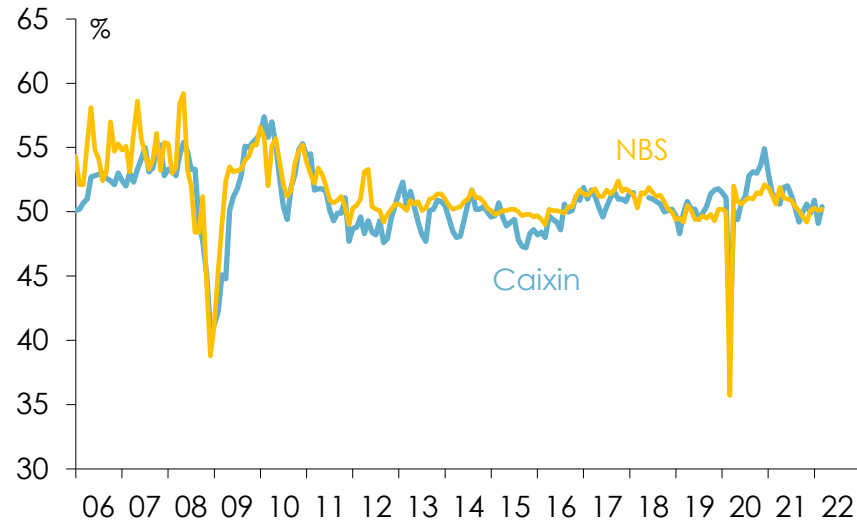


Sources: China National Bureau of Statistics, [National Data - National Accounts](#) and [The Urban Surveyed Unemployment Rate](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#). Before the monthly unemployment survey was introduced in 2018, the quarterly measure was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

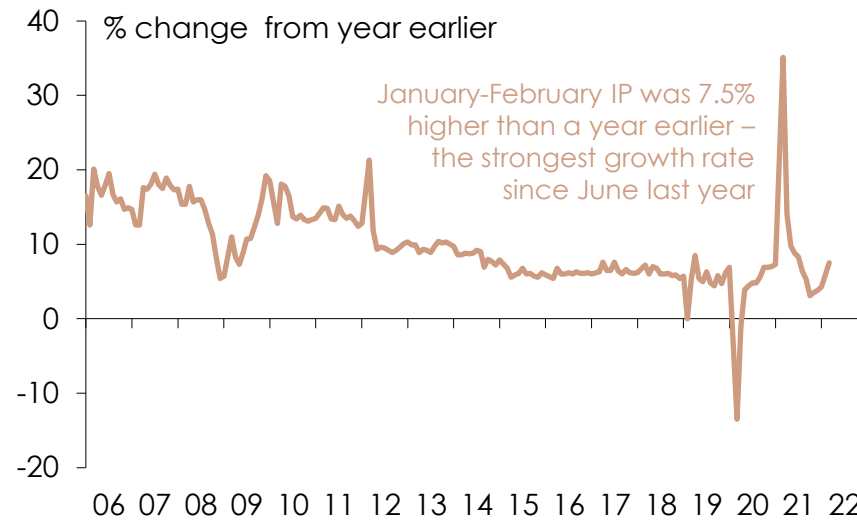
Growth in industrial production picked up in January-February (contrary to what had been suggested by manufacturing PMIs)

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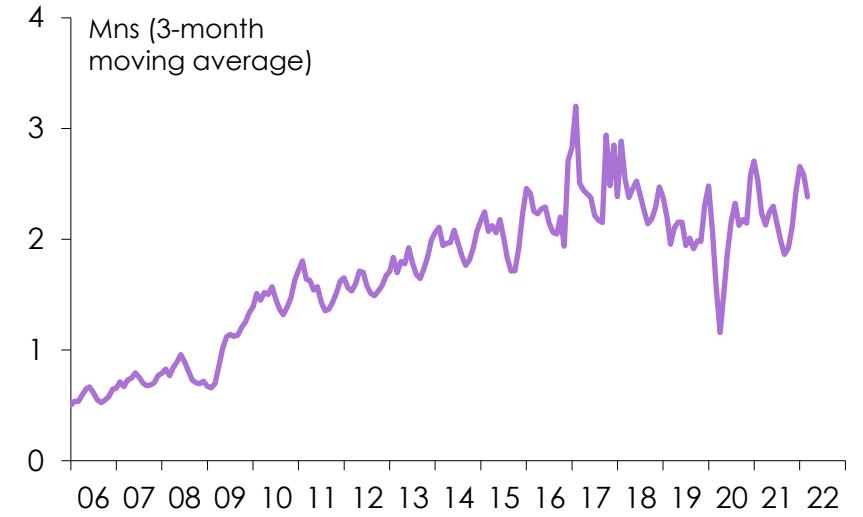
Manufacturing PMIs



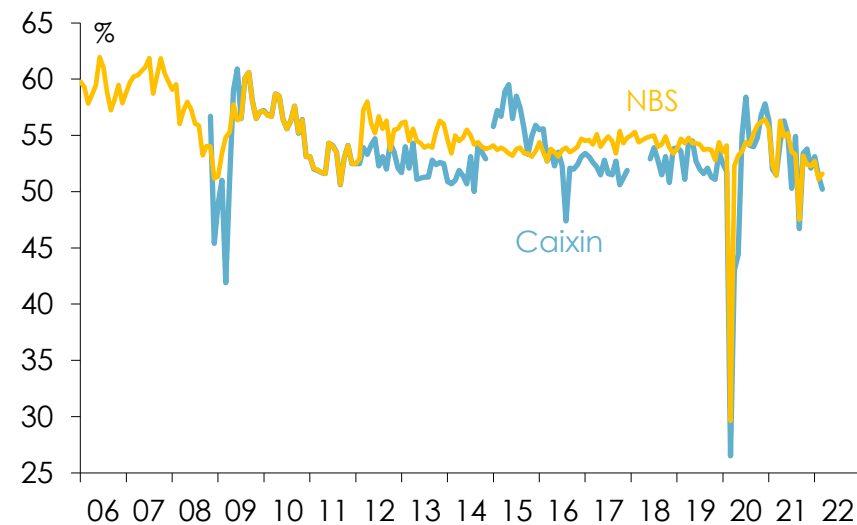
Industrial production



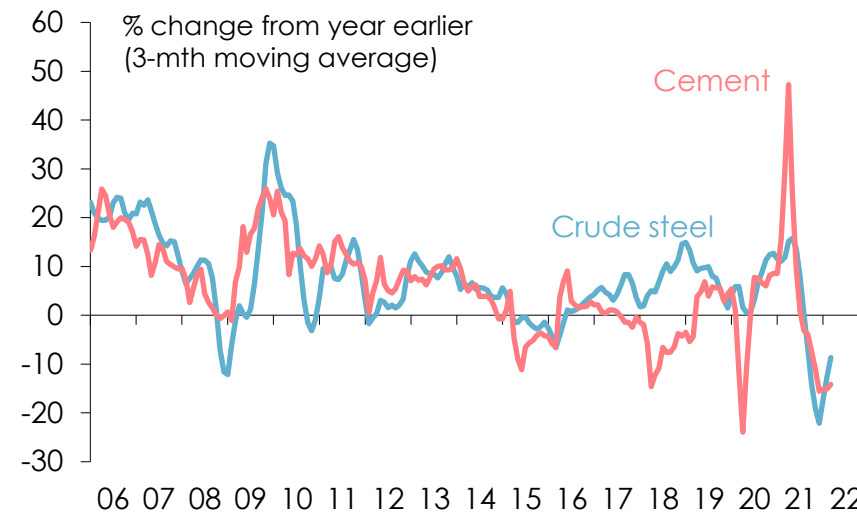
Motor vehicle production



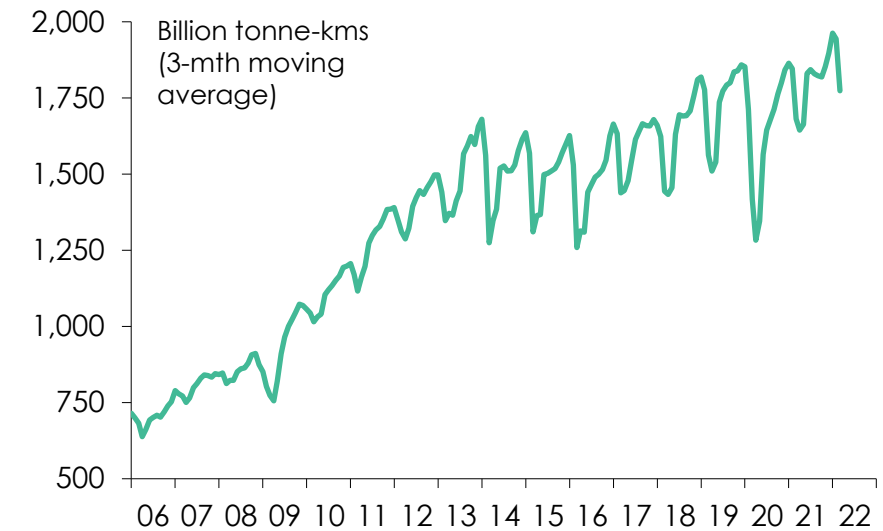
Non-manufacturing PMIs



Steel and cement production



Freight traffic volumes

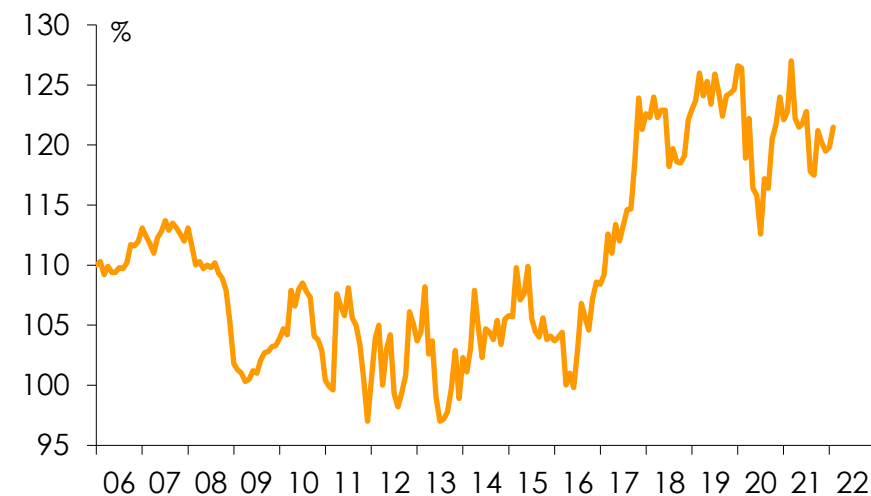


Note: The Caixin PMIs are derived from a survey of around 500, mostly small private, enterprises, while the 'official' NBS PMIs are derived from a survey of about 3,000, mostly state-owned, enterprises; for more detail see [here](#). Latest data are for February. Sources: China National Bureau of Statistics,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

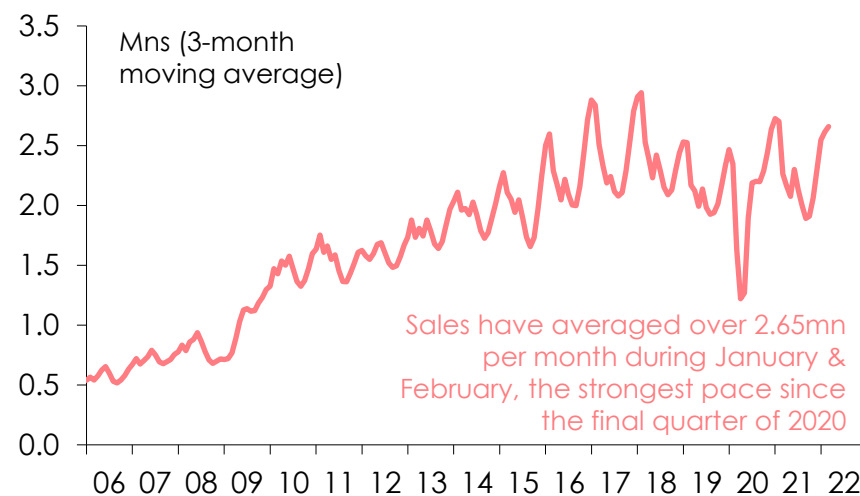
Consumer spending picked up in January-February, although is likely to turn down again in March due to widespread lockdowns

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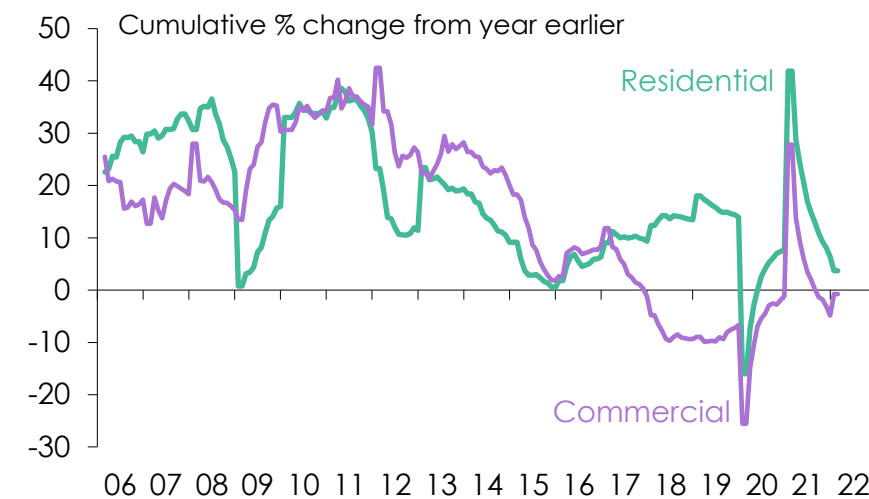
Consumer sentiment



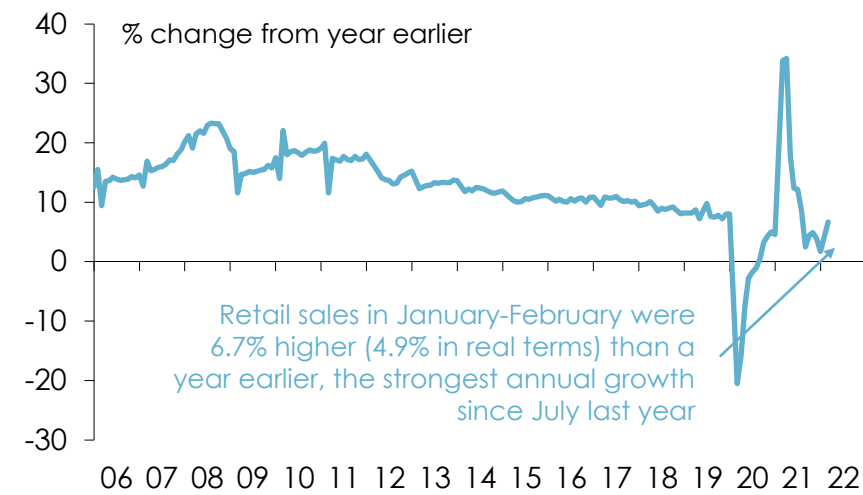
Motor vehicle sales



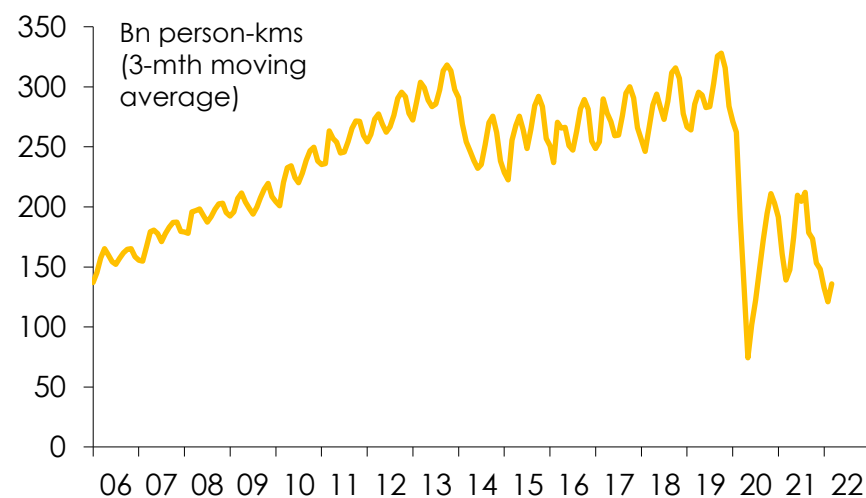
Real estate investment



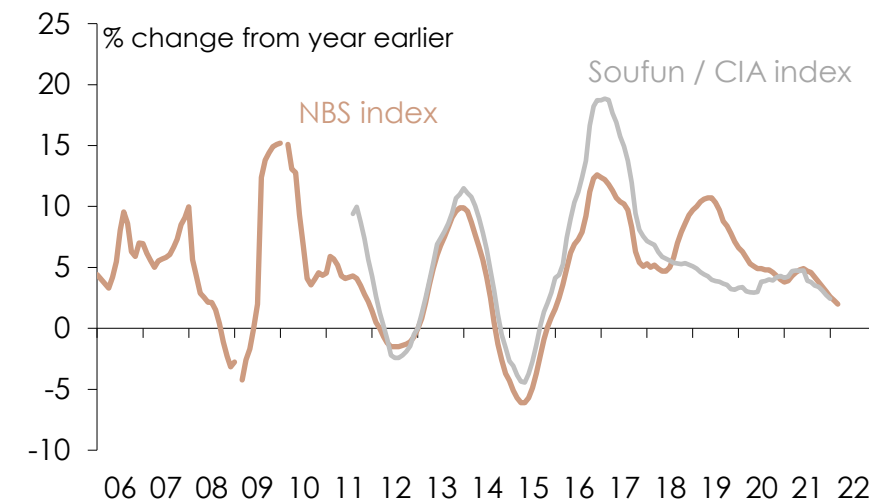
Retail sales



Passenger traffic volumes



Residential real estate prices

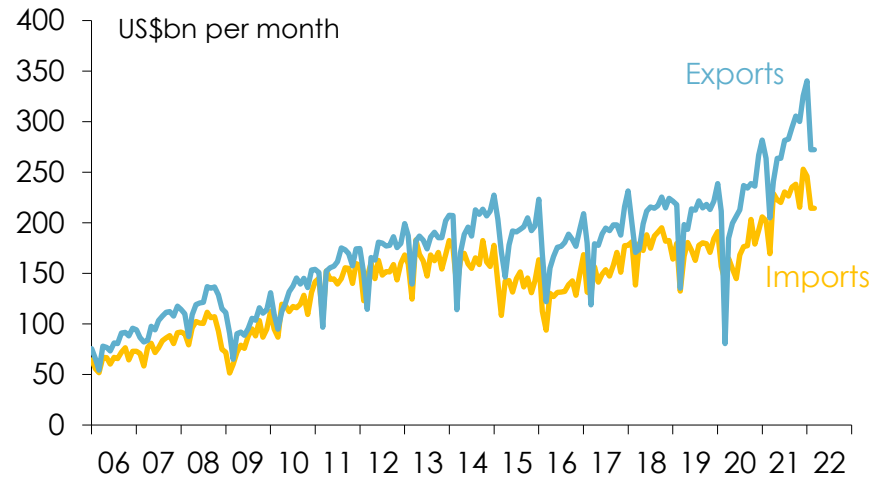


Note: Latest data are for January and February (combined, in most cases, because of the shifting timing of Lunar New Year holidays). Sources: China National Bureau of Statistics, [National Data](#); China Association of Automobile Manufacturers, [Sales of Automobiles](#); China Index Academy, [CREIS China Residential HPI-100 Monthly](#). [Return to "What's New"](#).

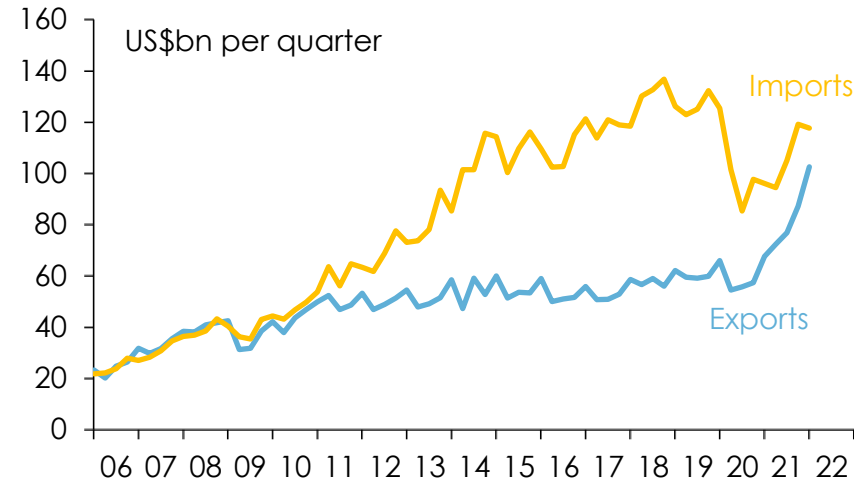
China's merchandise trade surplus for the first two months of 2022 was US\$18½bn (19%) larger than for the first two months of last year

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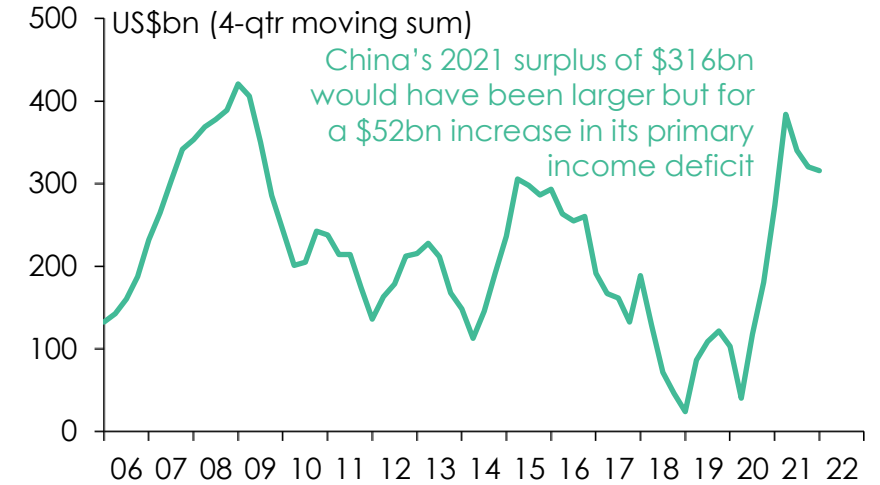
Merchandise exports and imports



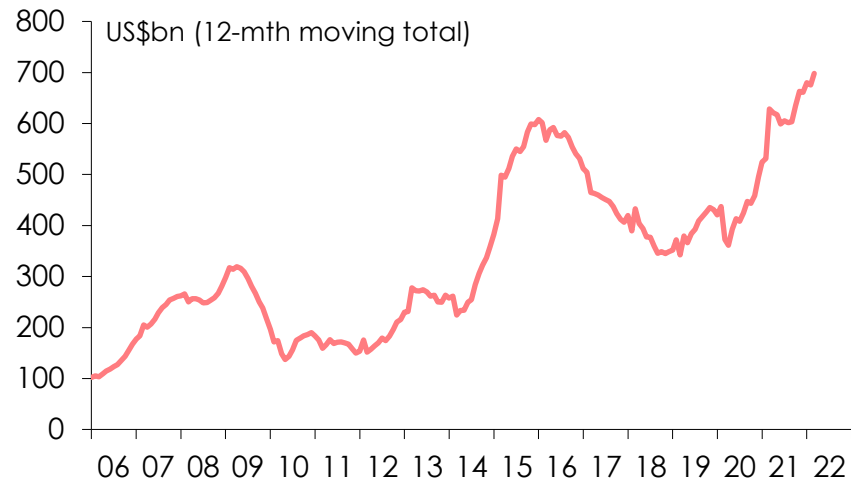
Services exports and imports



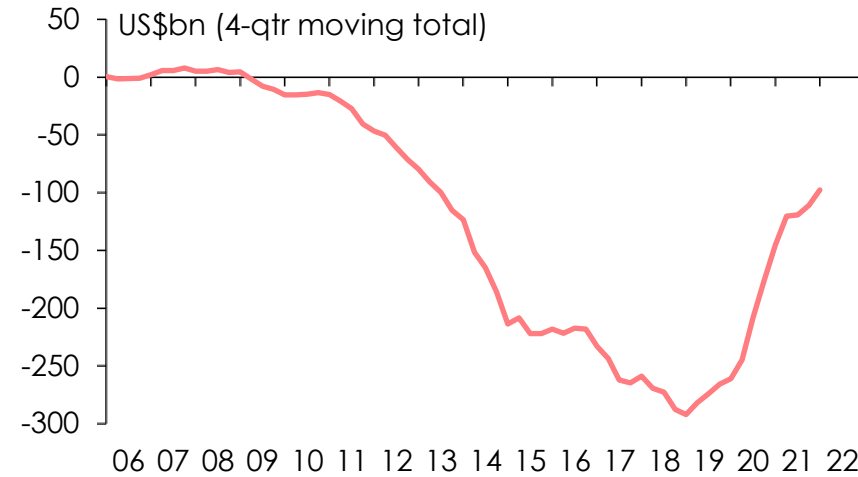
Current account balance



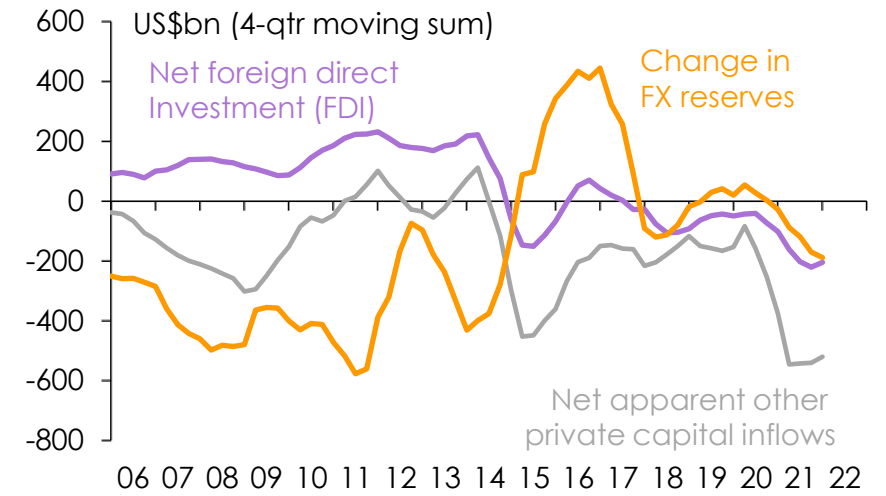
Merchandise trade balance



Services trade balance



Capital flows

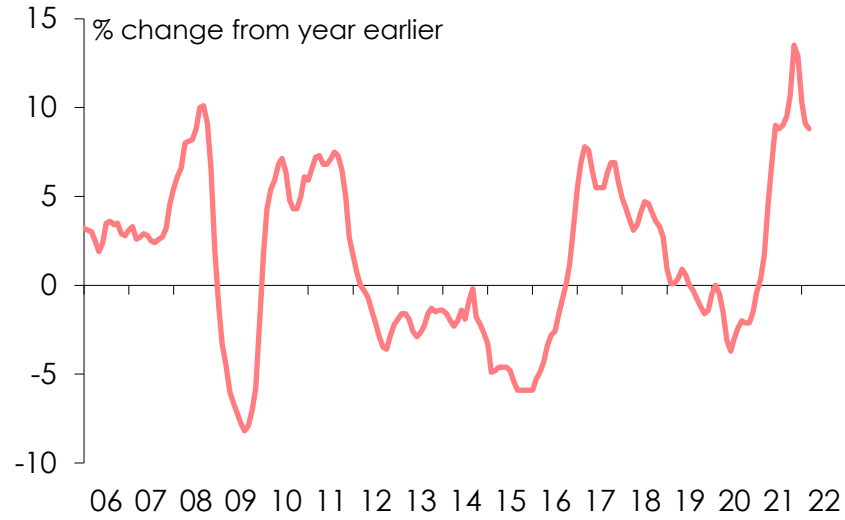


Sources: China General Administration of Customs, [Preliminary Release](#) and [Monthly Bulletin](#); State Administration of Foreign Exchange, [The time-series data of Balance of Payments of China](#). [Return to "What's New"](#).

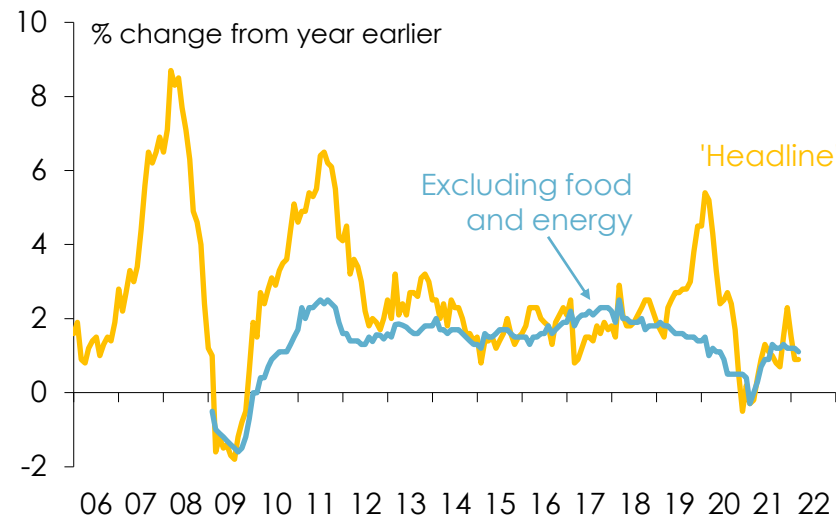
Producer price inflation in China has passed its peak, while consumer price inflation remains low and stable

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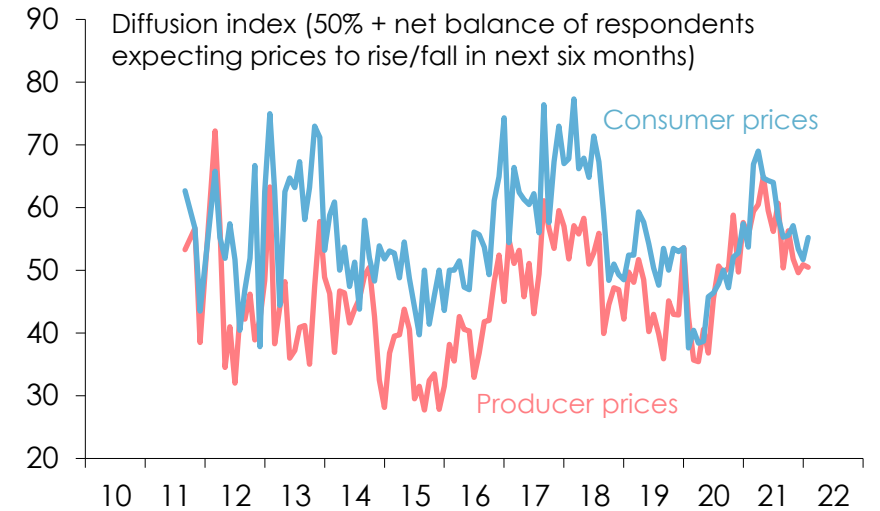
Producer prices



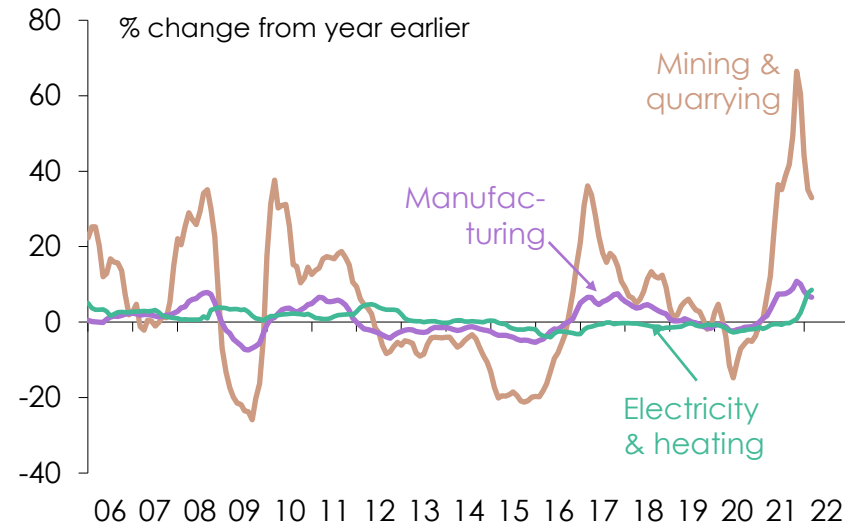
Consumer prices



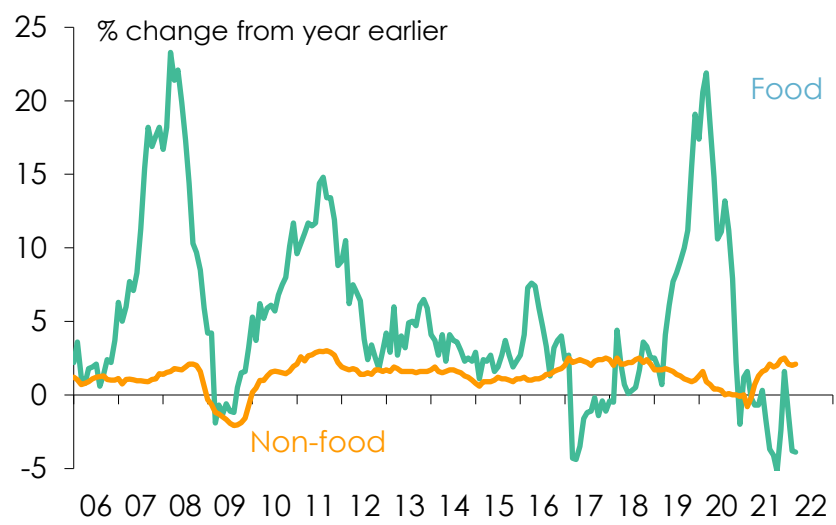
CKGSB price diffusion indexes



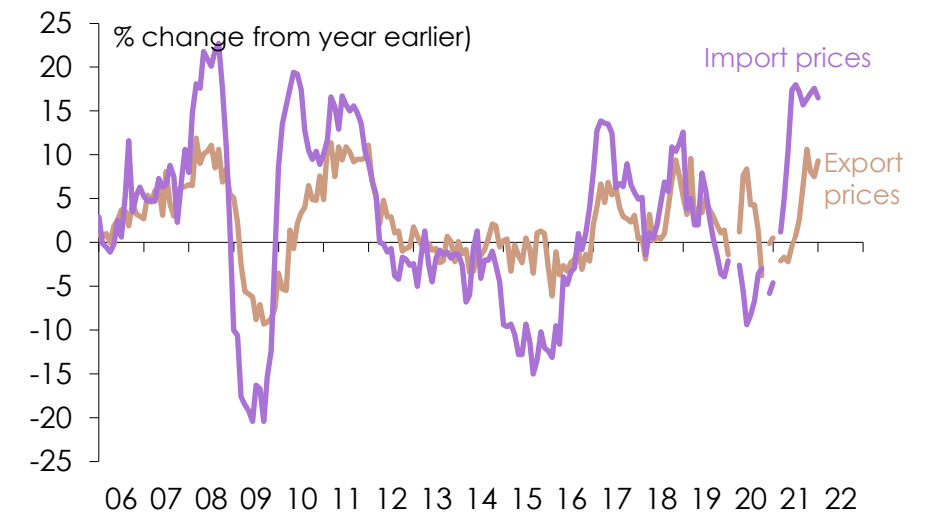
Producer prices – major categories



Consumer prices – food and other



Trade prices



Note: Food accounts for about 33% of China's CPI; for more details see [here](#). The PBoC has an informal inflation target of "about 3%". Sources: China National Bureau of Statistics, [National Data](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#); and China General Administration of Customs, [Trade Indices](#).
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A further easing in monetary policy and/or other regulatory instruments may be in the offing

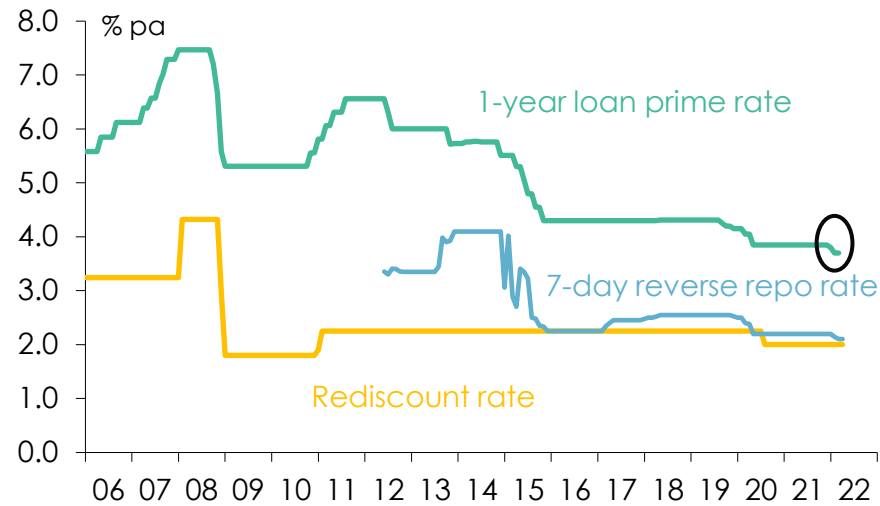
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- ❑ The State Council's Financial Stability and Development Committee, chaired by Vice Premier Liu He, last week **"urged measures"** to keep "major economic indicators within an appropriate range" and "maintain stable operation of the capital market" and called for "concrete actions ... to bolster the economy in the first quarter"
 - FSDC meetings are relatively rare, and these statements have been **widely interpreted** as presaging further easing of monetary policy and/or of other regulatory requirements
- ❑ Premier Li Keqiang's "Work Report" to the annual National People's Congress earlier this month 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

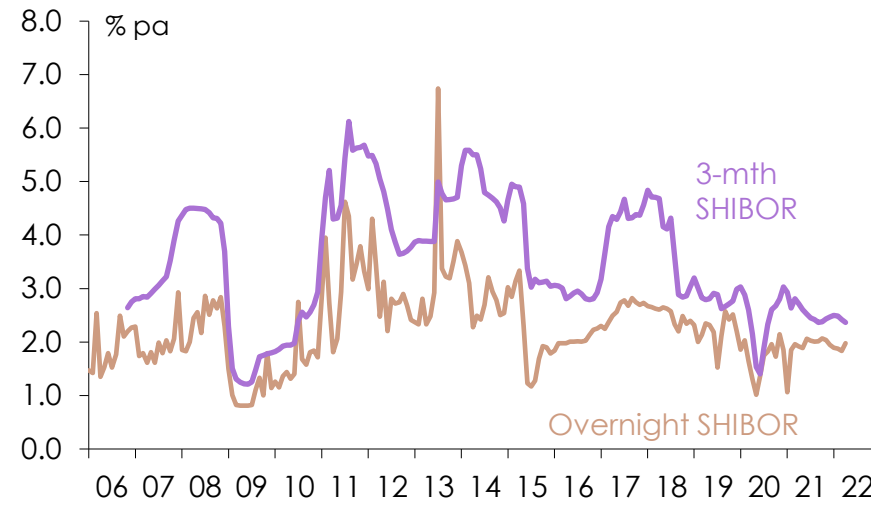
The PBoC has begun to ease monetary policy ever-so-slightly – and it looks increasingly likely that there will be more to come

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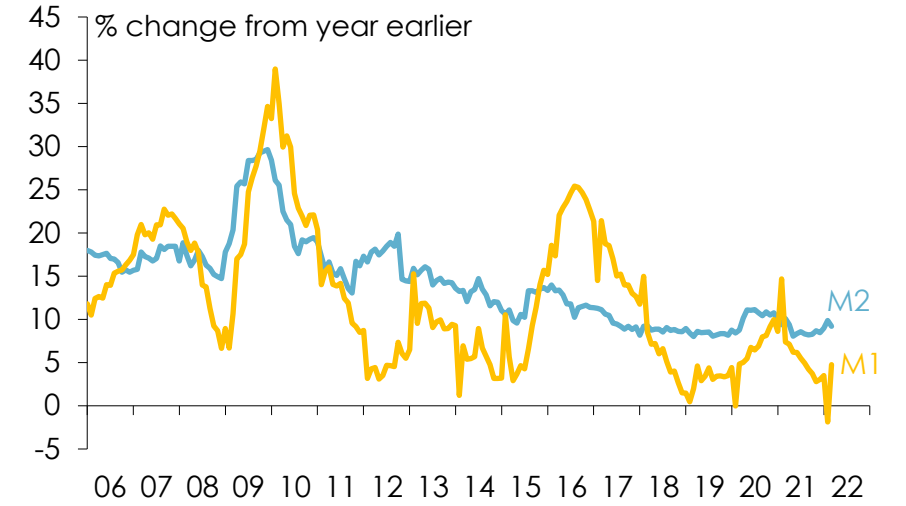
PBoC policy interest rates



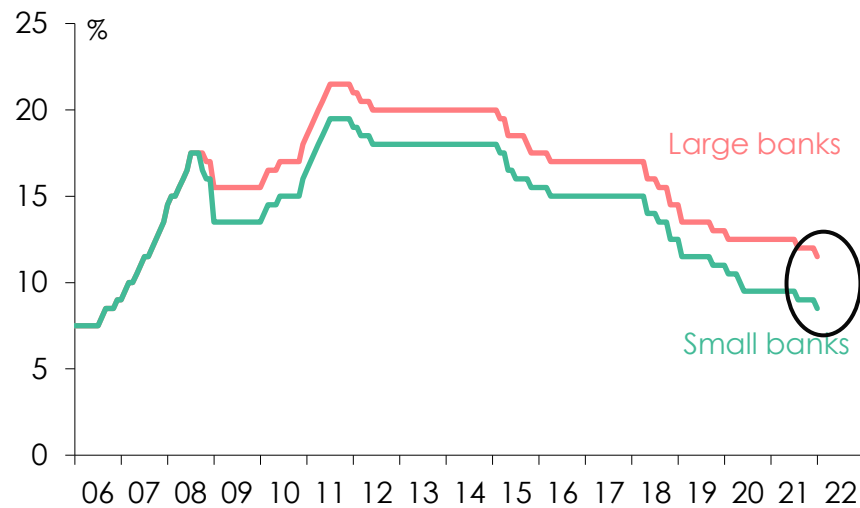
Short-term market interest rates



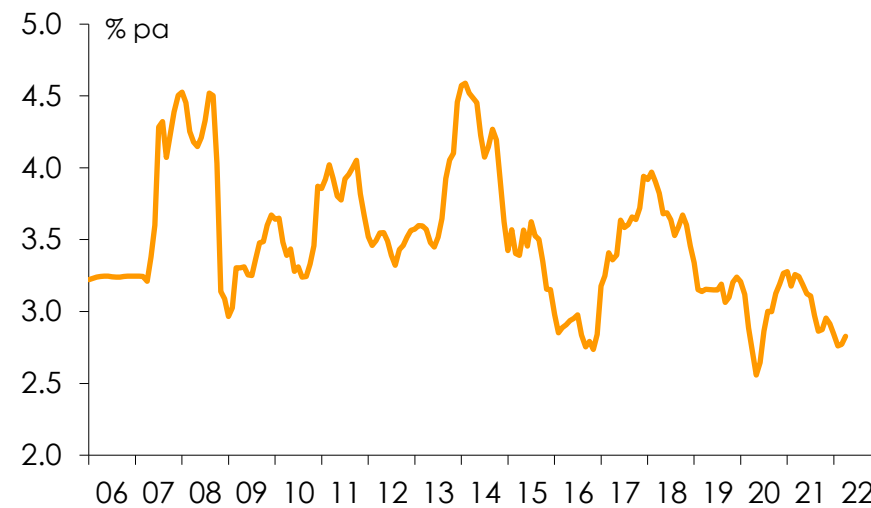
Monetary aggregates



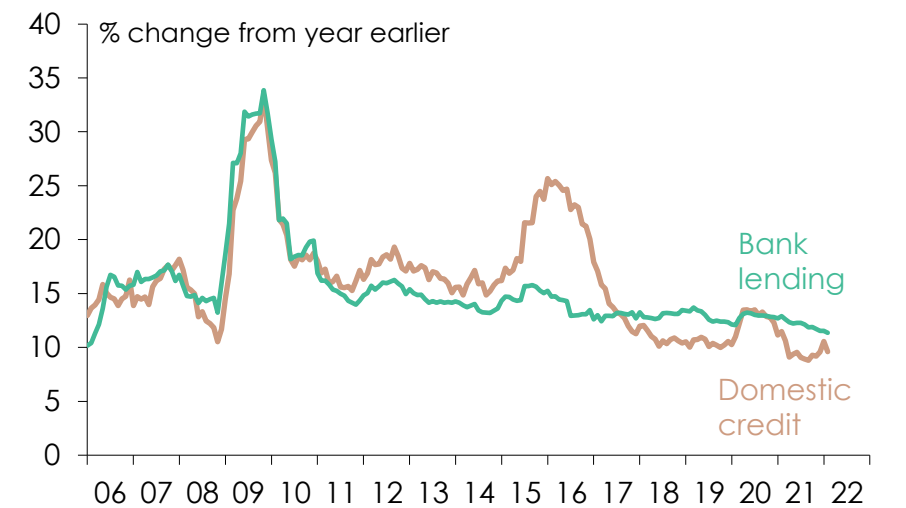
Bank reserve requirement ratios



10-year government bond yield



Credit growth

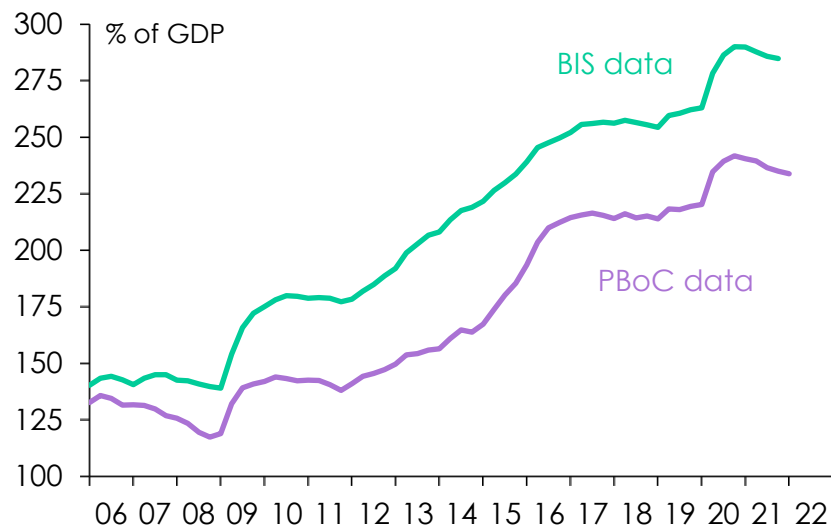


Note: 'SHIBOR' is the Shanghai Inter-Bank Offered Rate. Sources: Refintiv Datastream; People's Bank of China, [Financial Statistics Reports](#) and [Aggregate Financing Reports](#).
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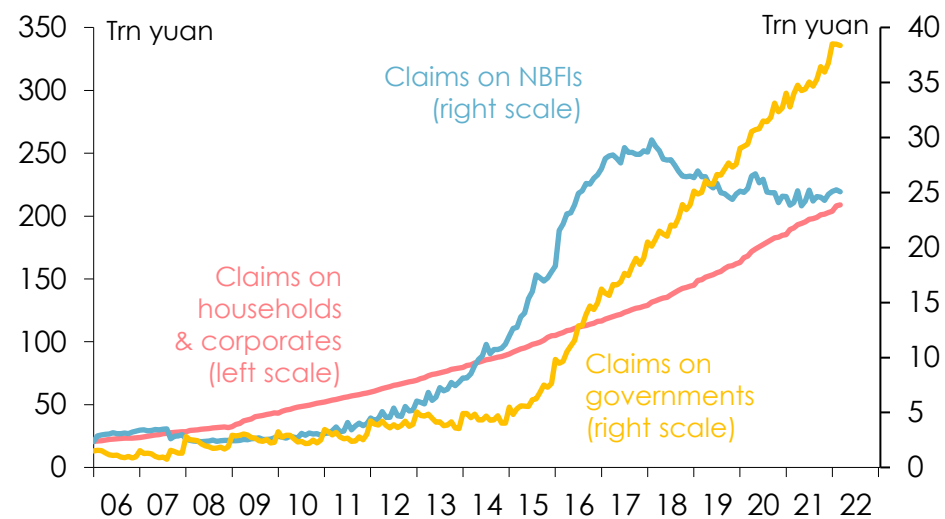
The Chinese banking system's risk profile has increased significantly over the past decade – particularly on the liabilities side of its balance sheet

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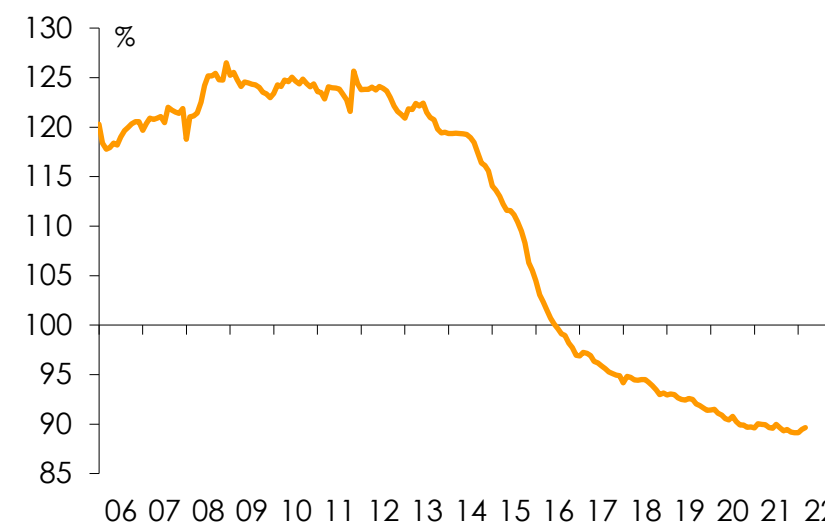
Credit outstanding as a pc of GDP



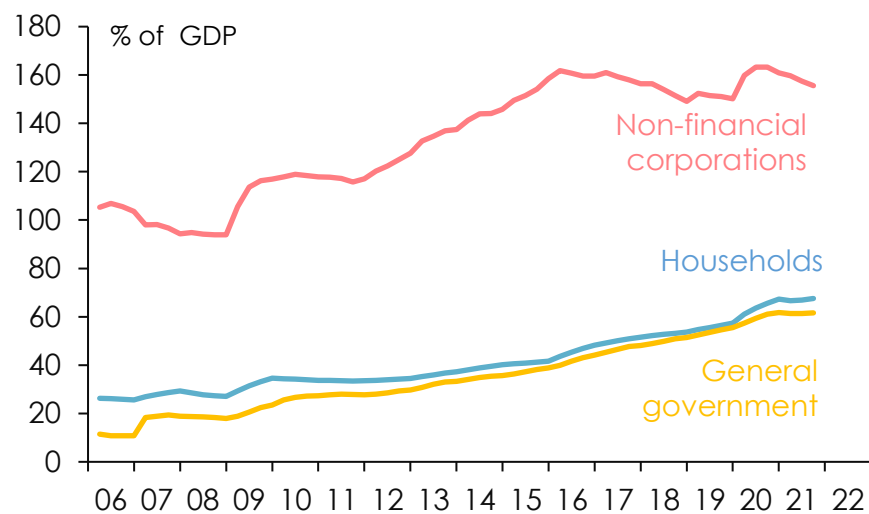
Banks' assets



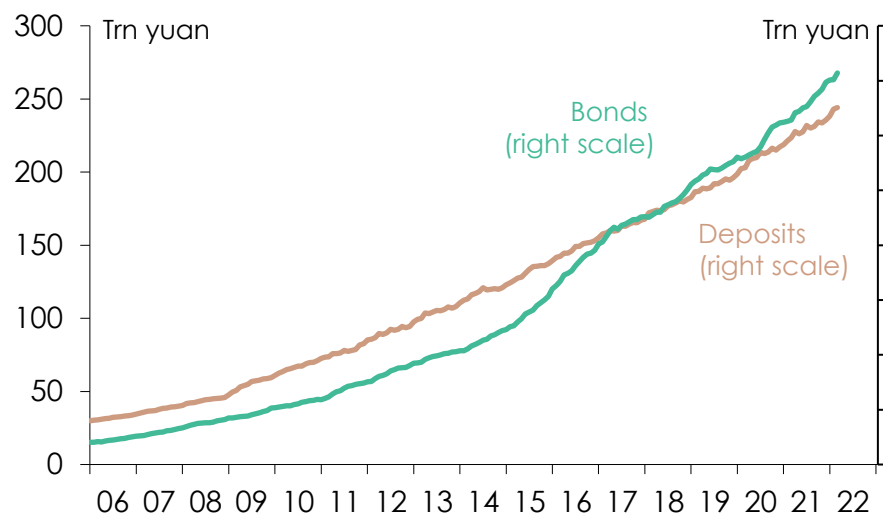
Banks' deposits-to-loans ratio



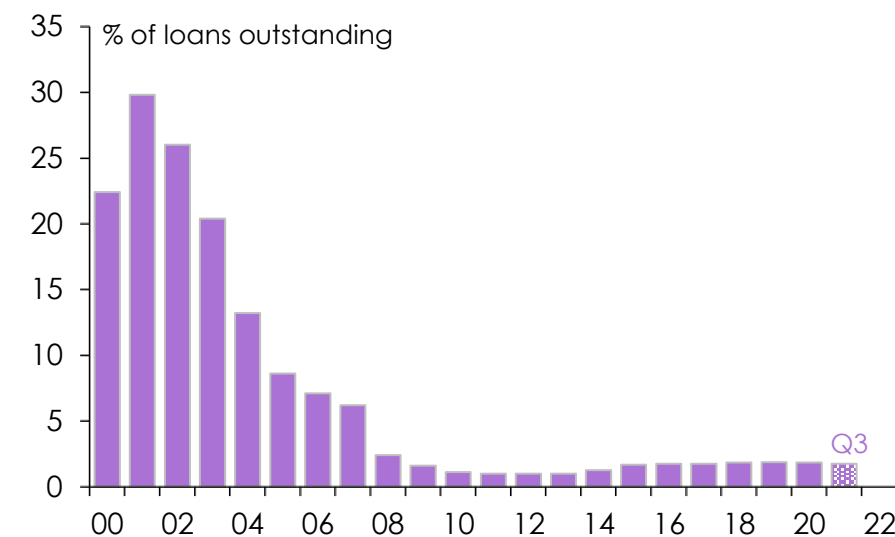
Credit outstanding by sector



Banks' liabilities



Banks NPLs – official estimates

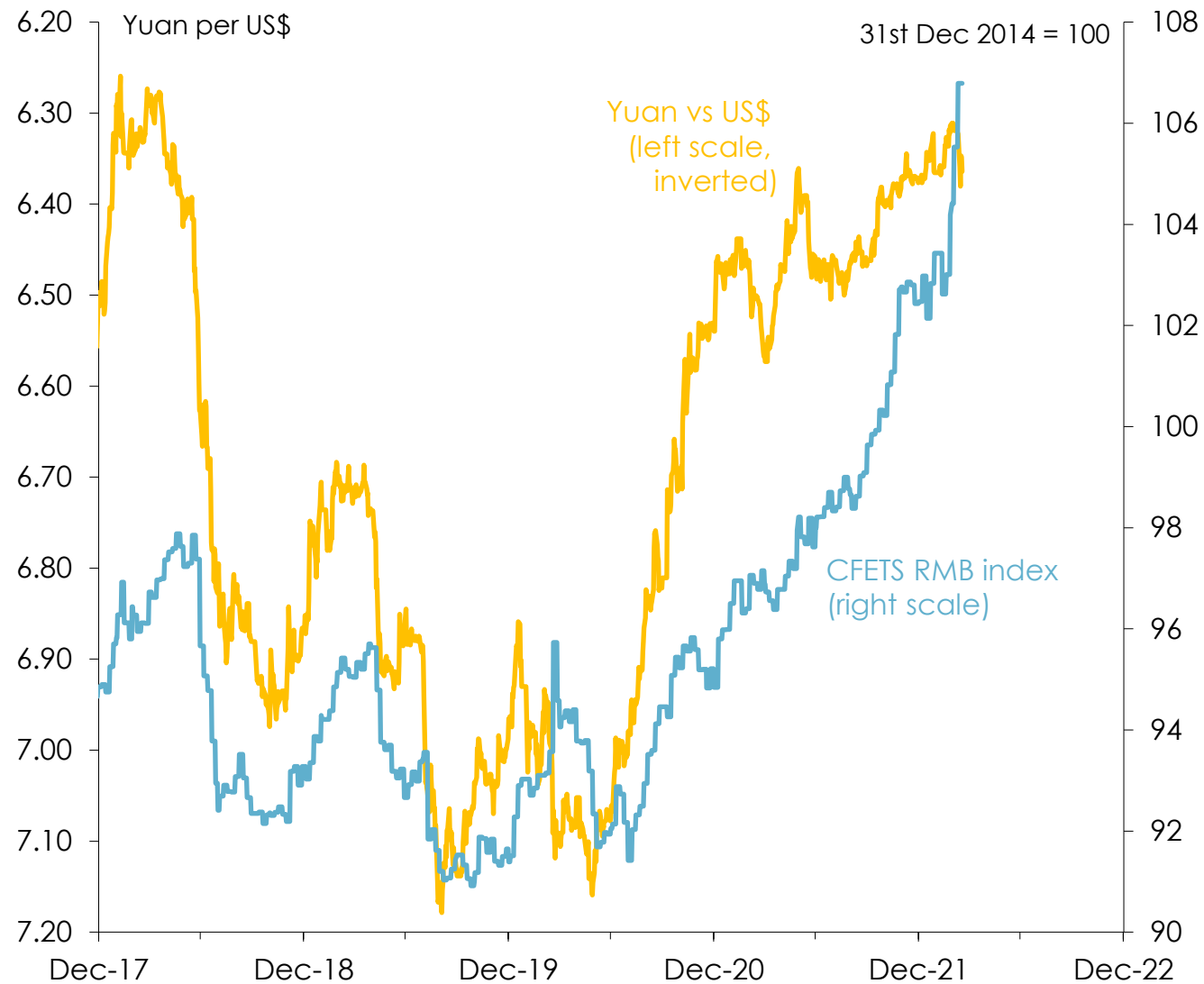


Sources: People's Bank of China, [Financial Statistics Reports](#); Bank for International Settlements, [Credit to the non-financial sector](#); China Banking and Insurance Regulatory Commission, [Supervisory Statistics of the Banking and Insurance Sectors](#). [Return to "What's New"](#).

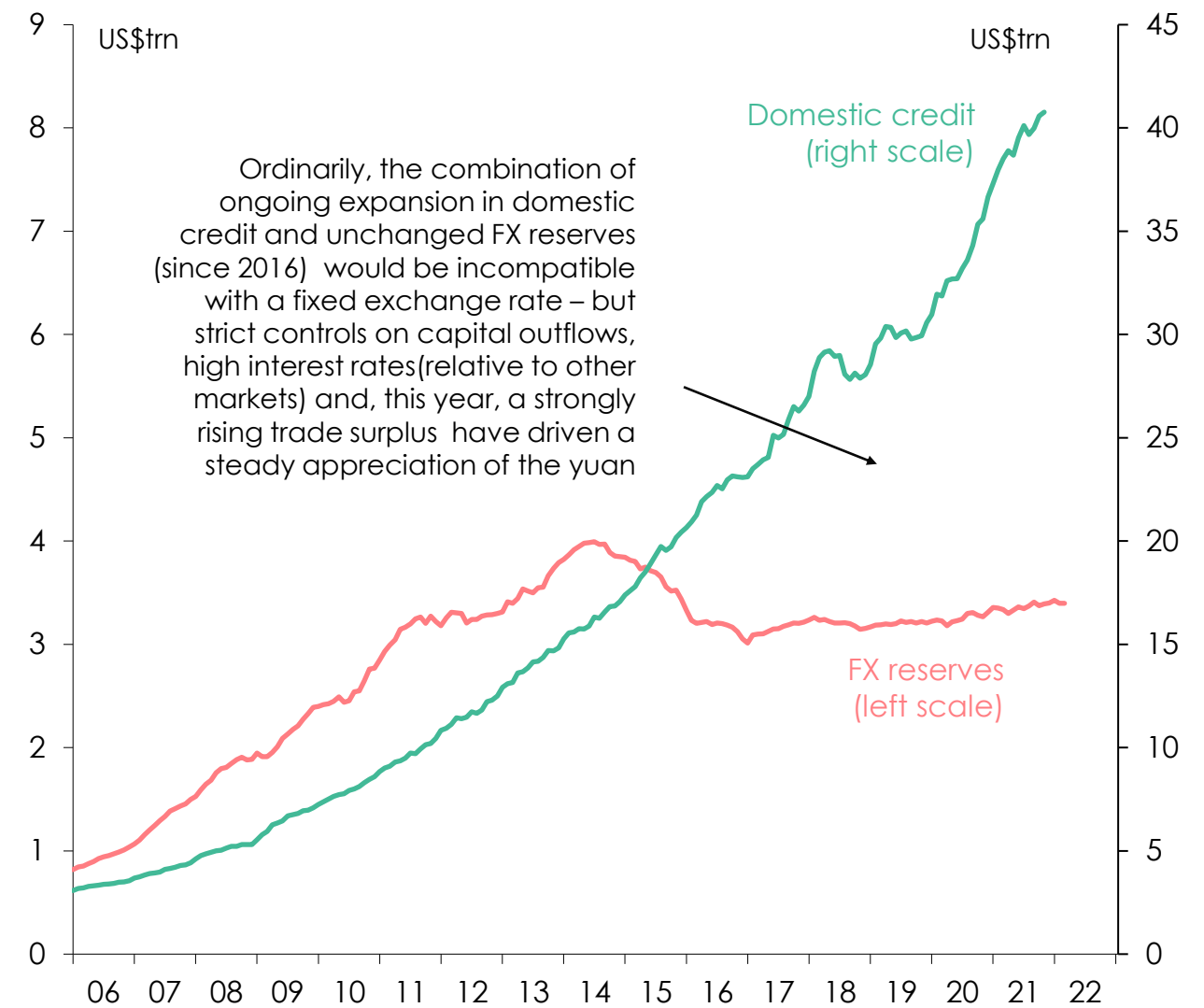
The yuan has fallen 0.7% against the US\$ since the Russian invasion of Ukraine but risen 3.7% against the PBoC's trade-weighted index

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Chinese renminbi vs US\$ and trade-weighted index



FX reserves and domestic credit



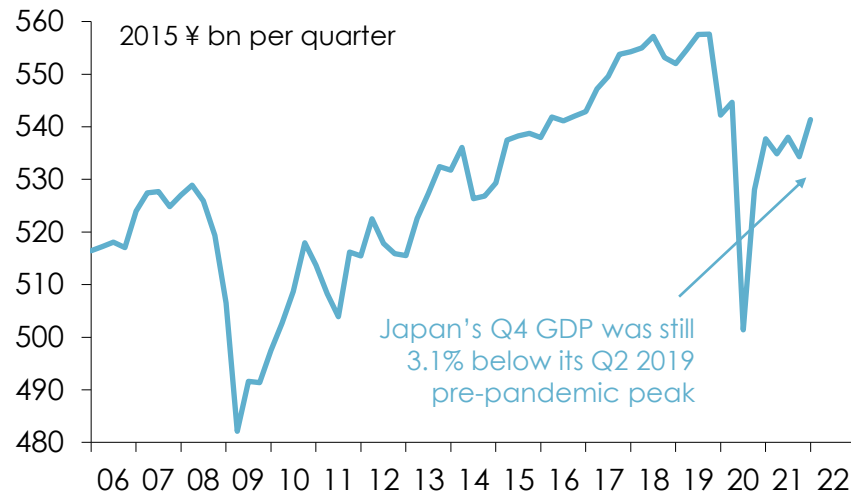
Note: The Russian ruble has a weight of 2.6% in the CFETS index, so its plunge since the Russian invasion of Ukraine probably accounts for some of its large appreciation since then. Sources: Refinitiv Datastream; China Foreign Exchange Trading System; People's Bank of China. Exchange rates up to 18th March; FX reserves and credit data up to February. [Return to "What's New"](#).

Japan

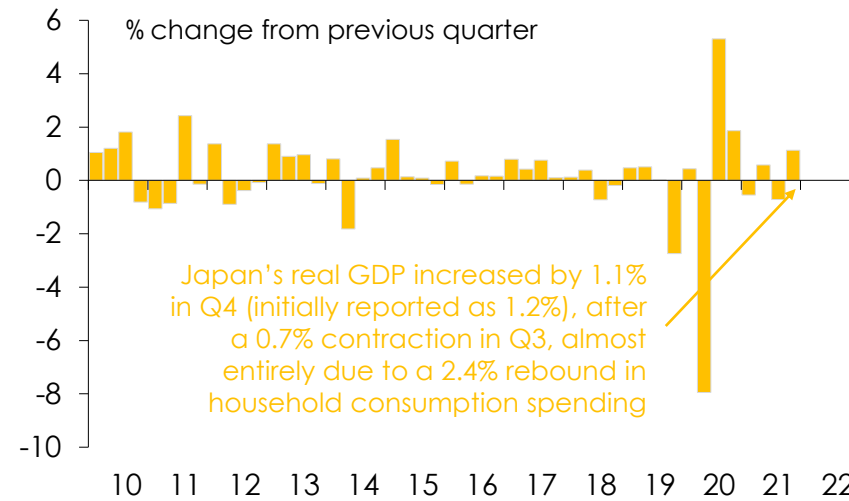
Japan's real GDP rebounded 1.1% in Q4 last year after falling in two of the three previous quarters but was still 3.1% short of its pre-pandemic peak

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

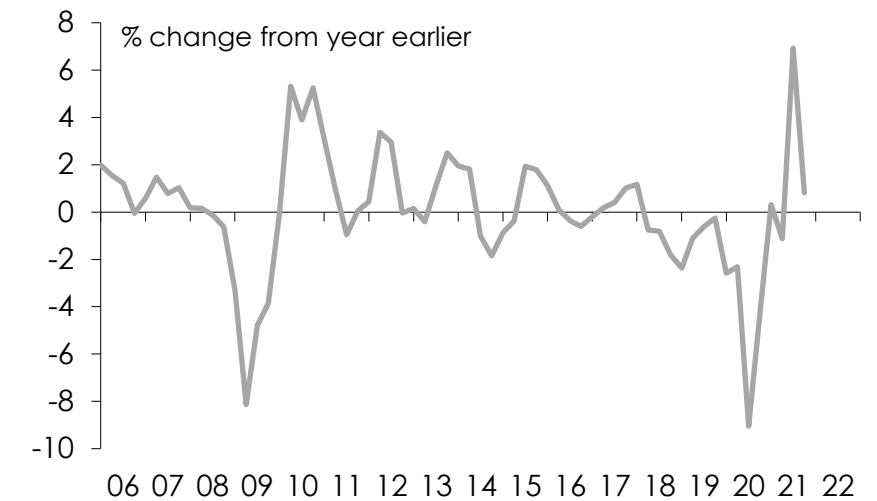
Level of real GDP



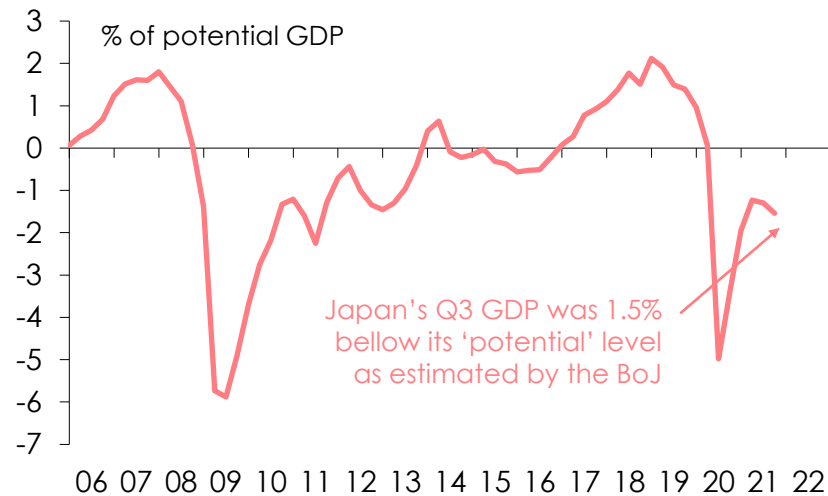
Quarterly change in real GDP



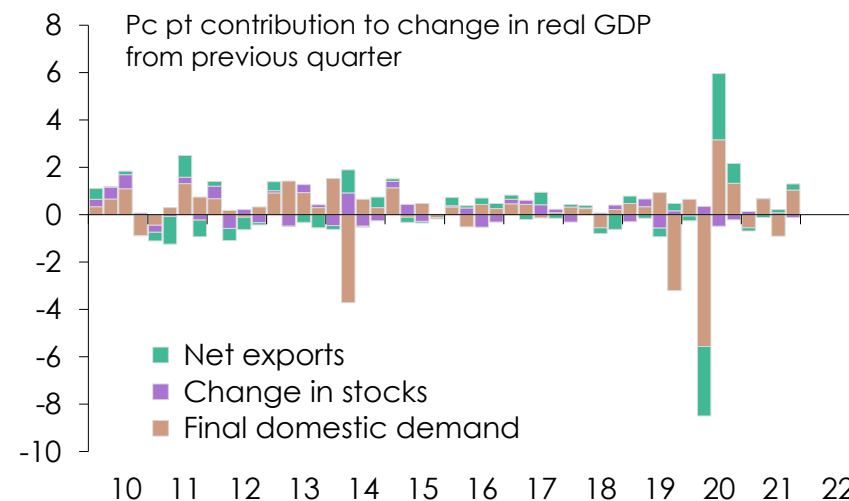
Labour productivity growth



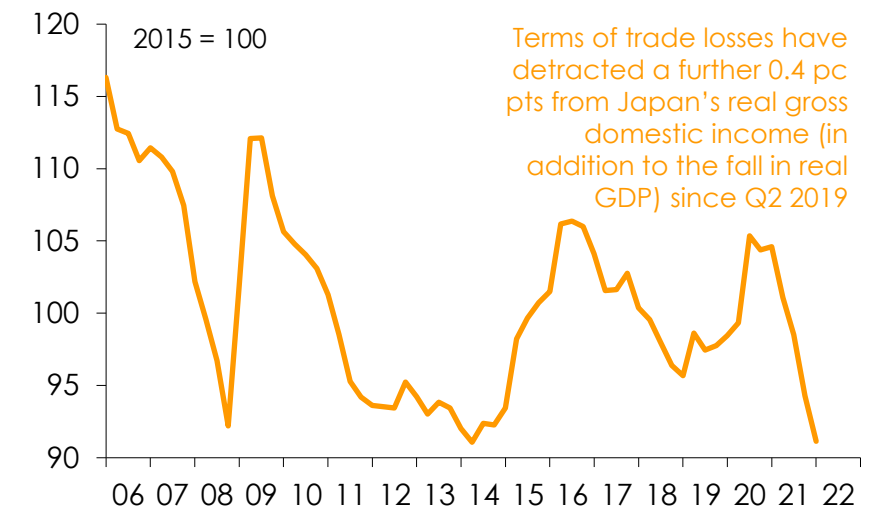
The 'output gap'



Contributions to change in real GDP



Terms of trade

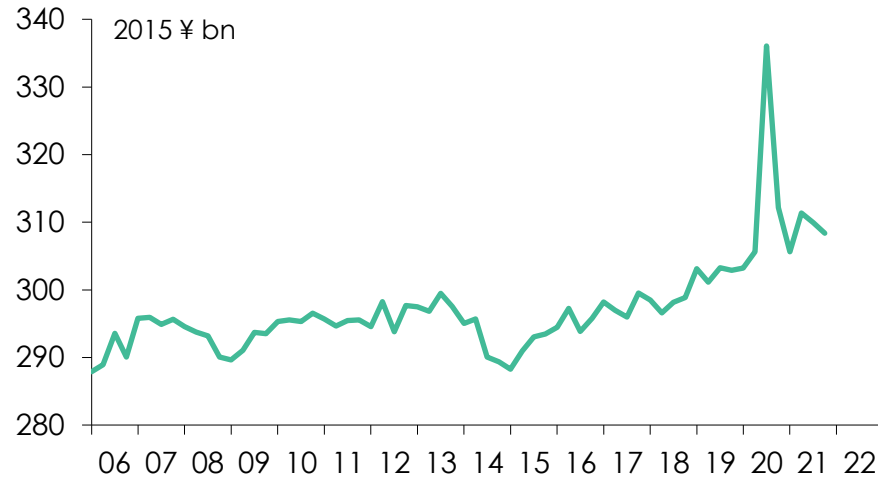


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

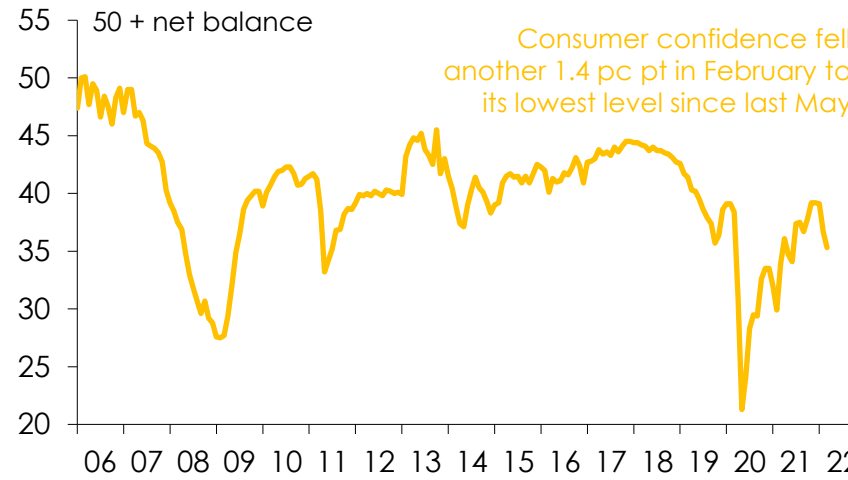
Household incomes have been supported by fiscal transfers, but much of them have been saved so household spending has remained weak

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

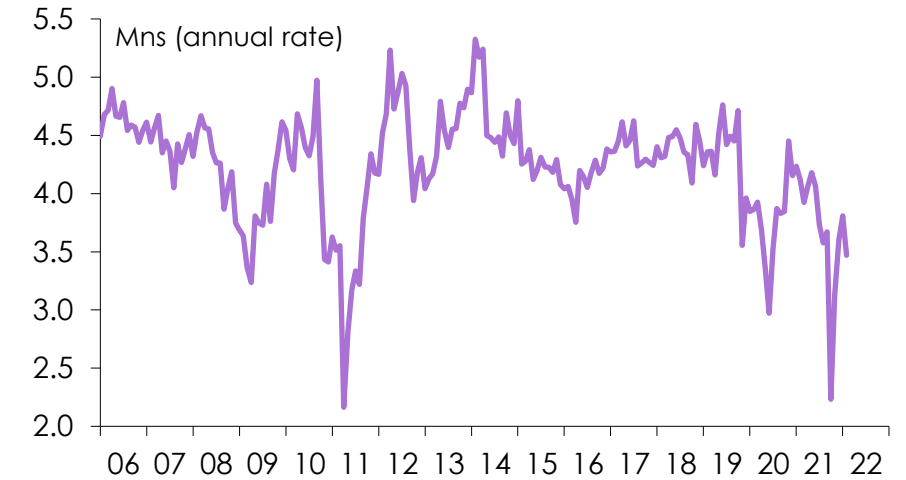
Real household disposable income



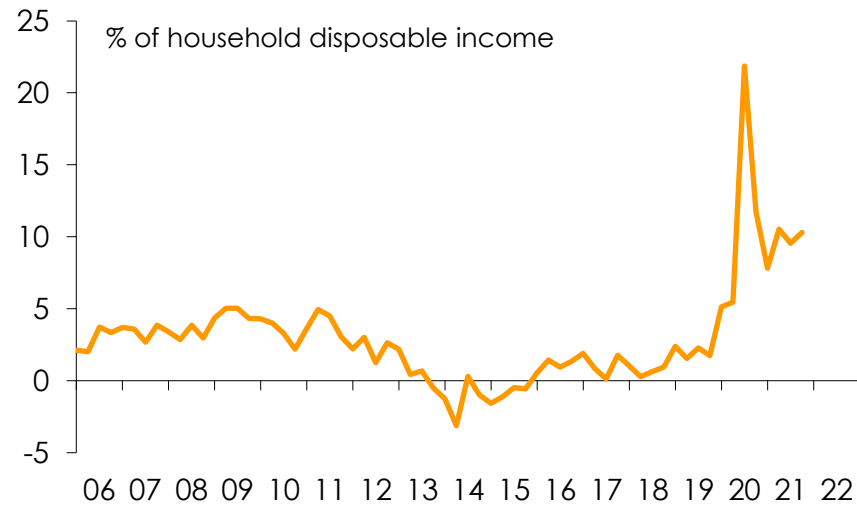
Consumer confidence



Motor vehicle sales



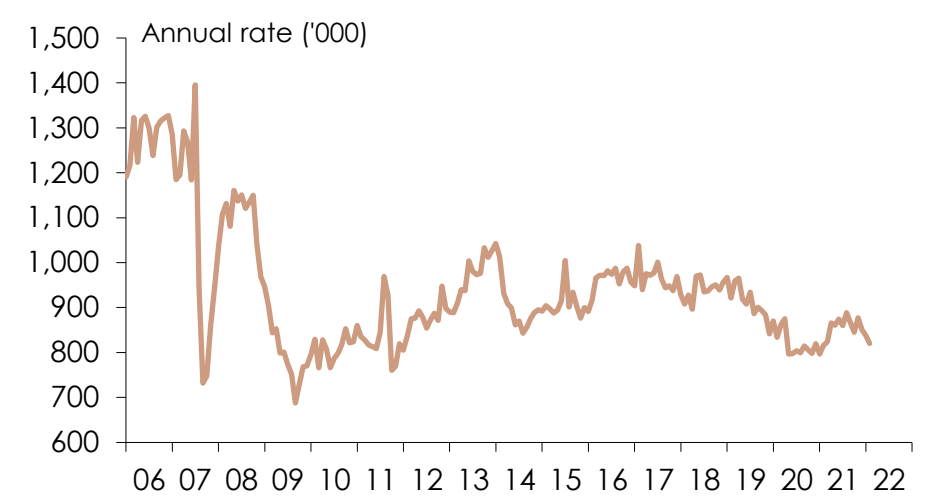
Household saving



Consumption activity index



Housing starts

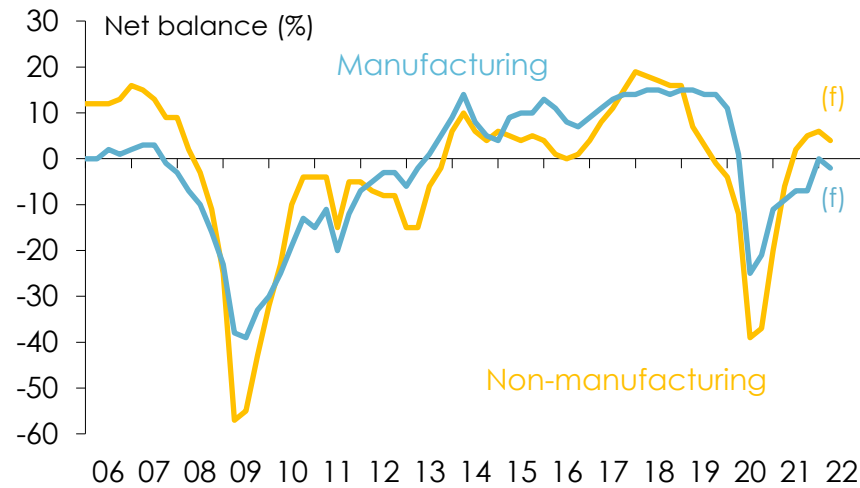


Sources: Japan Cabinet Office, [Quarterly Estimates of Household Disposable Income and Household Saving Ratio](#) and [Consumer Confidence Survey](#); Bank of Japan, [Consumption Activity Index](#); Japan Automobile Dealers Association, [Statistical Data](#); Japan e-Stat, [Building Starts](#). [Return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

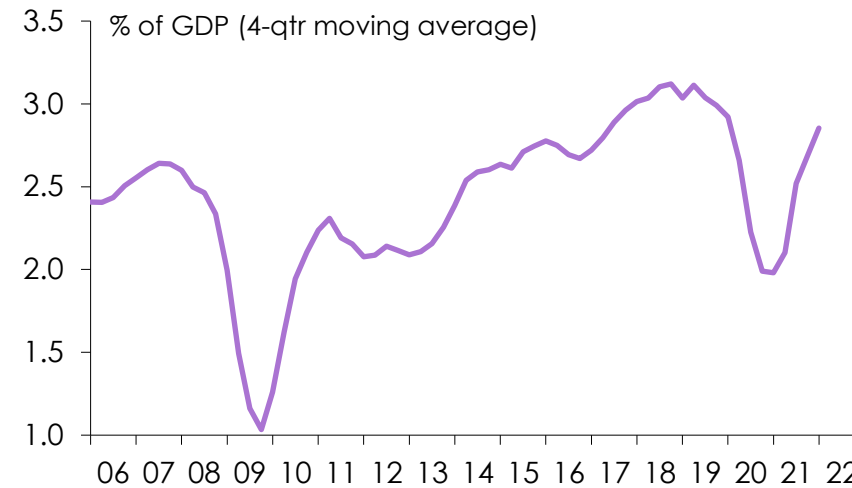
The Japanese corporate sector is reasonably healthy and business confidence is improving

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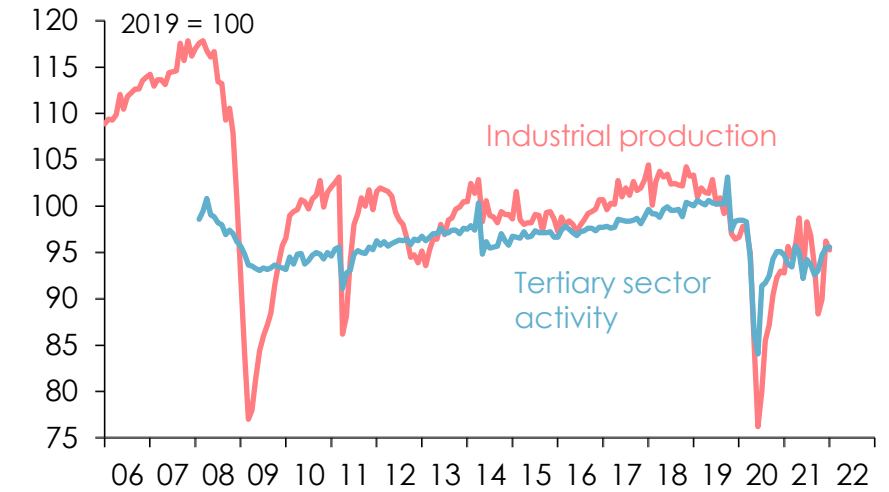
Business conditions by industry



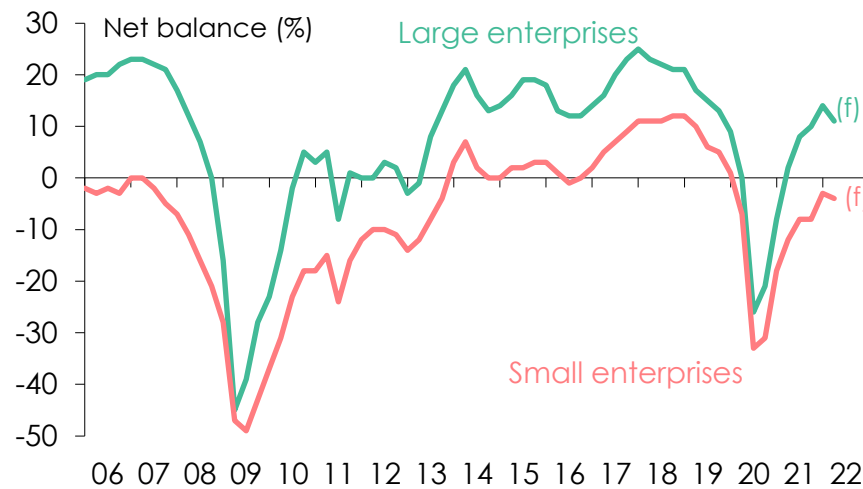
Corporate operating profits



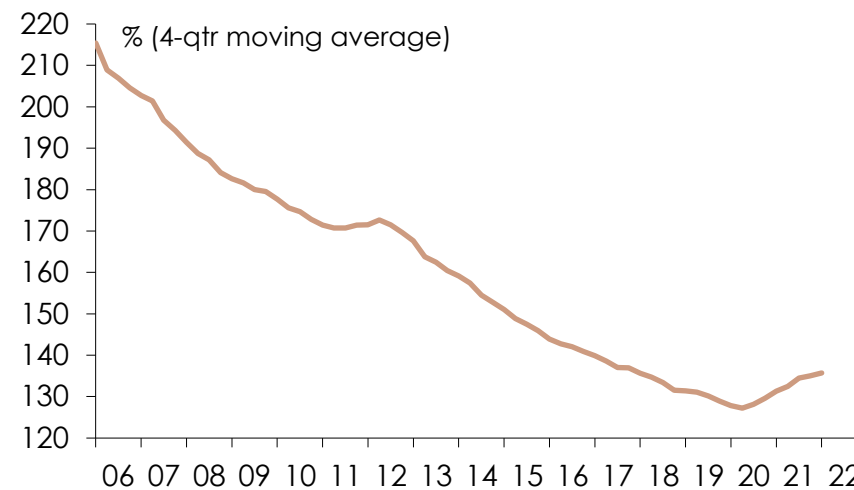
Indexes of economic activity



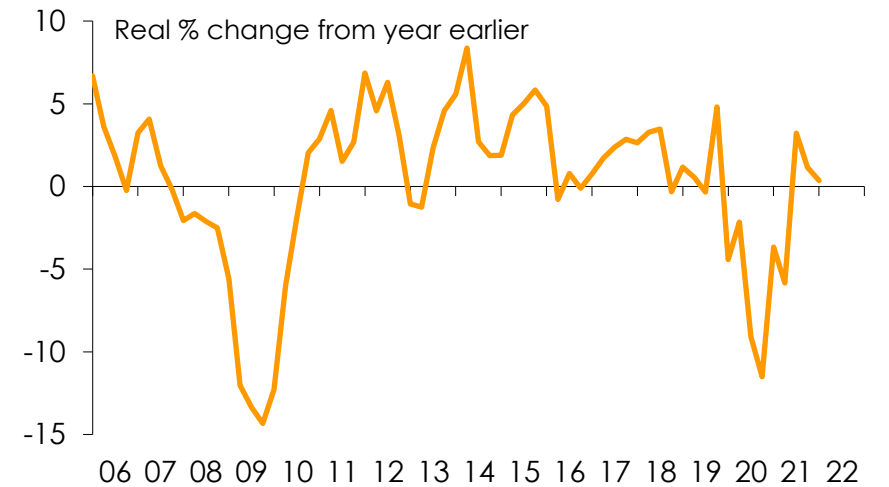
Business conditions by firm size



Corporate debt-equity ratio



Business investment

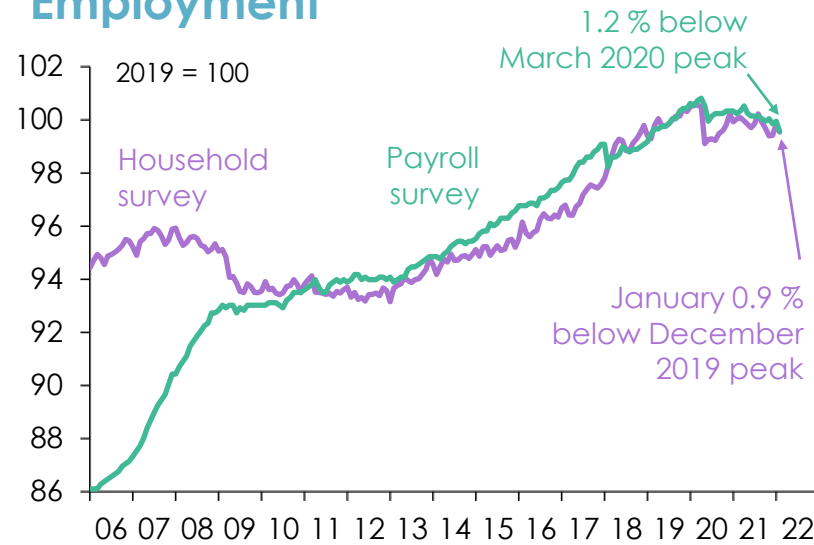


Sources: Bank of Japan, [Short-Term Economic Survey of Enterprises in Japan \('Tankan'\)](#); Policy Research Institute, Ministry of Finance, [Financial Statements Statistics of Corporations by Industry, Quarterly](#); Ministry of Economy, Trade & Industry, [Indices of Industrial Production](#) and [Indices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

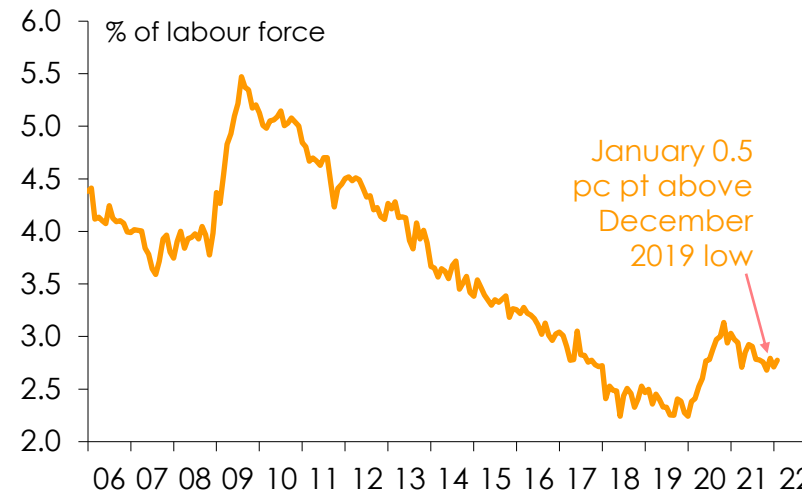
Employment in Japan is still 0.9% below its pre-pandemic peak – but wages growth has picked up and inflation though still very low is now positive

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

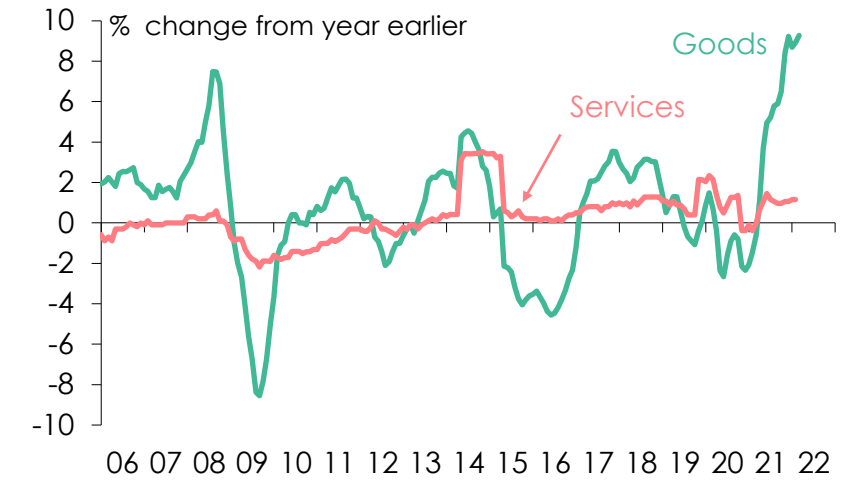
Employment



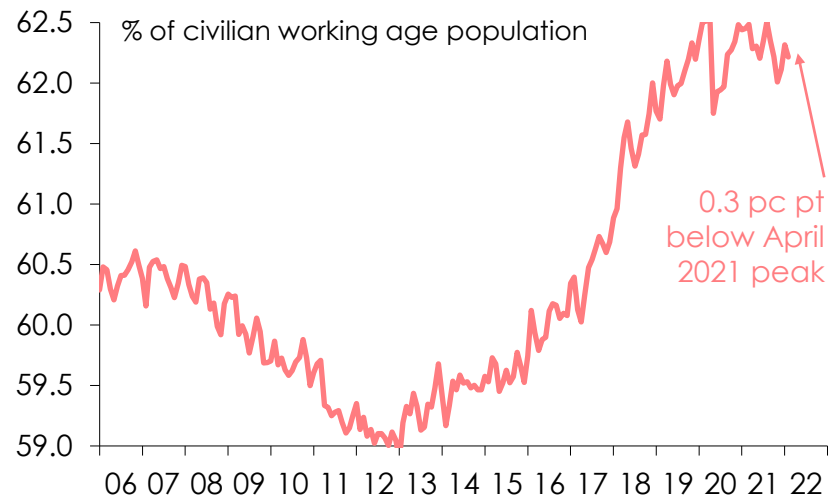
Unemployment rate



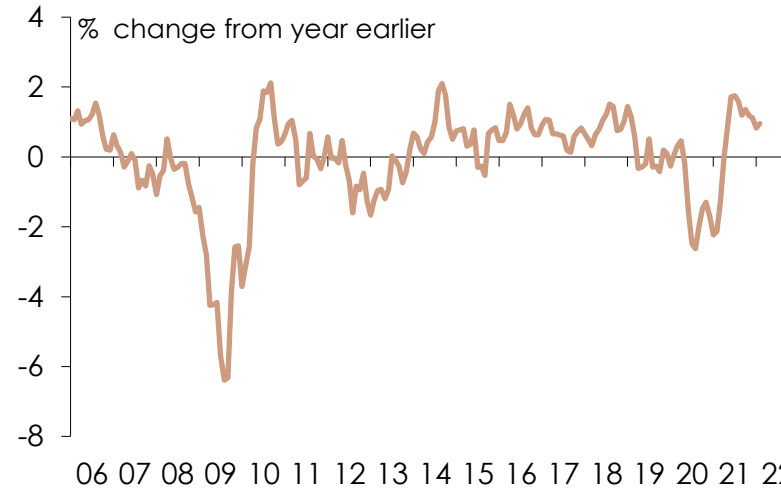
'Corporate' (producer) prices



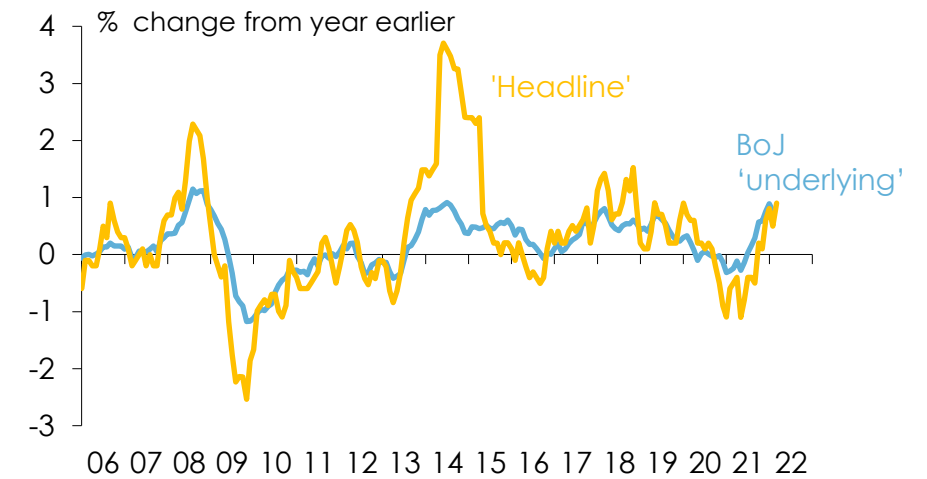
Labour force participation rate



Wages growth



Consumer prices

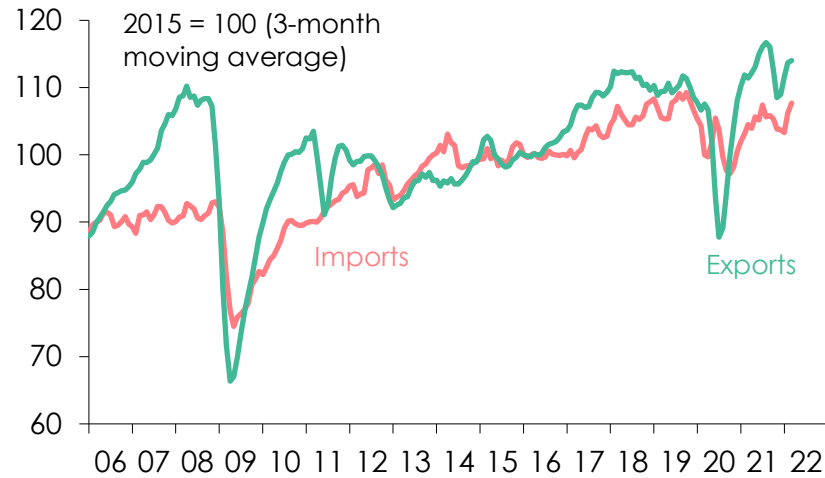


Sources: Statistics Bureau of Japan, [Labour Force Survey](#) and [Consumer Price Index](#); Ministry of Health, Labour and Welfare, [Monthly Labour Survey](#); Bank of Japan, [Prices and Measures of Underlying Inflation](#). [Return to "What's New"](#).

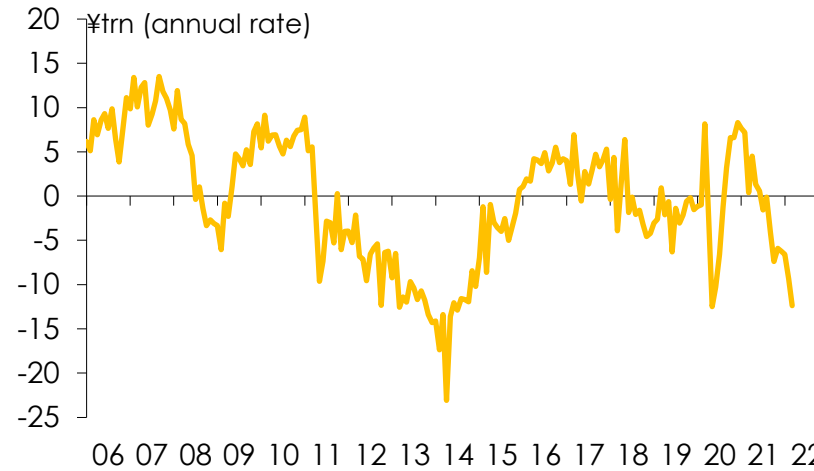
Japan's auto exports have been impacted by supply-chain difficulties, which together with higher import prices have erased its trade surpluses

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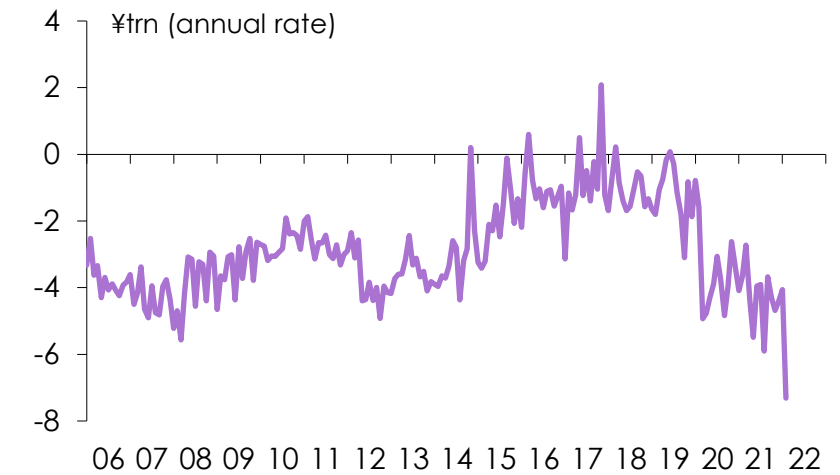
Merchandise trade volumes



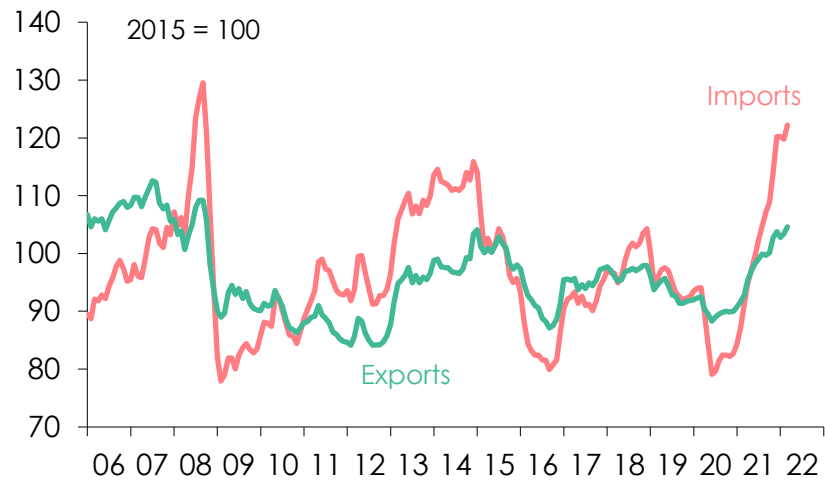
Merchandise trade balance



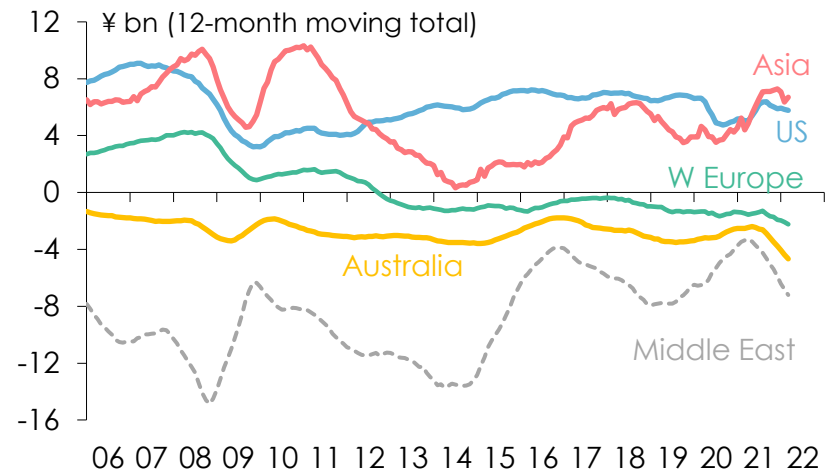
Services trade balance



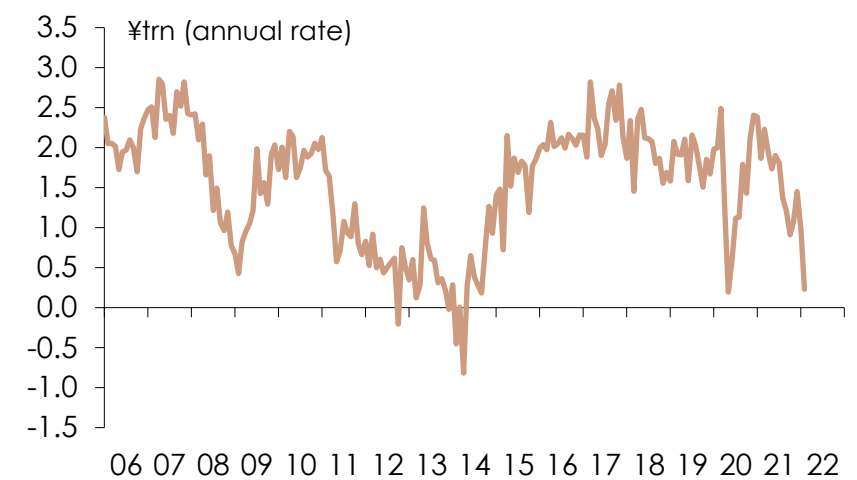
Merchandise trade prices



Bilateral goods trade balances



Current account balance



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

The Bank of Japan left its policy settings on hold at last week's Policy Board meeting, and continues to emphasize downside rather than upside risks

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

- ❑ **As universally expected, the BoJ left all its monetary policy settings unchanged at Friday's Policy Board meeting**
 - although one of the Board's nine members dissented in favour of “further strengthen[ing] monetary easing by lowering short- and long-term interest rates”
- ❑ **In its post-meeting [Monetary Policy Statement](#) the BoJ noted that “Japan's economy has picked up as a trend”, with exports and industrial production continuing to increase “despite the remaining effects of supply-side constraints”, while “corporate profits and business sentiment have continued to improve” ...**
- ❑ **... but, by contrast, “the employment and income situation has remained relatively weak [despite] improvement in some parts”**
- ❑ **The BoJ expects “underlying inflationary pressure ... to increase, mainly on the back of improvement in the output gap and a rise in medium- to long-term inflation expectations”**
- ❑ **Unlike every other major ‘advanced’ economy central bank, the BoJ is giving no indication that it is considering any tightening of monetary policy in the near (or even medium) term**
 - in addition to re-iterating its long-standing commitment to “continue expanding the monetary base [through ‘quantitative and qualitative easing with yield curve control] until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2% and stays above the target in a sustainable manner” ...
 - ... the BoJ “expects short- and long-term policy interest rates to remain at their present or lower levels” (emphasis added), and “will not hesitate to take additional easing measures if necessary”
- ❑ **All of which reflects the fact that with regard to both economic activity and inflation, Japan is in a very different place from the other major ‘advanced’ economies**

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 – 21ST 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"](#).

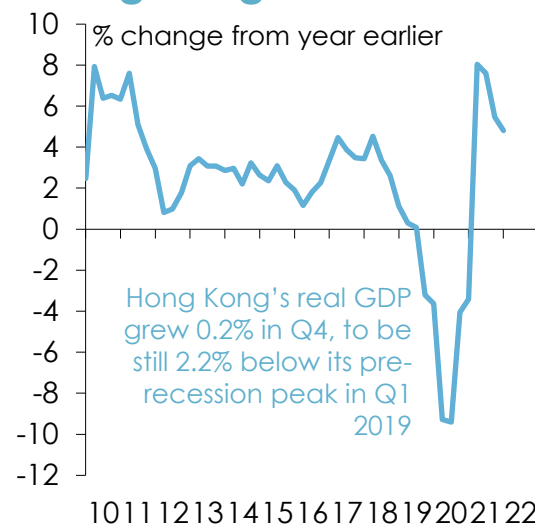
Thailand's economy grew 1.8% in Q4, more than reversing a 0.9% decline in Q3, but was still 4.7% smaller than at its pre-pandemic peak

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

Korea



Hong Kong



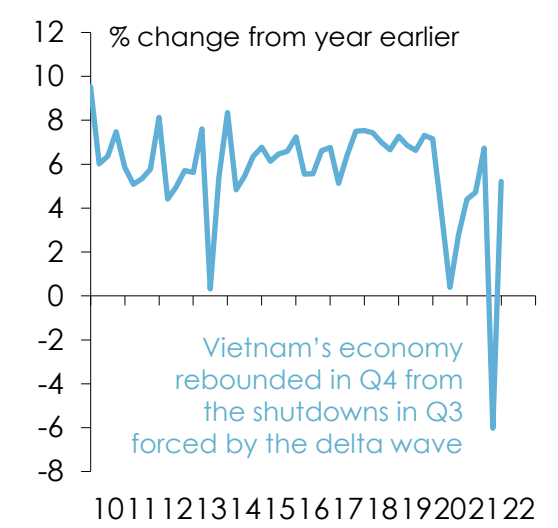
Indonesia



Thailand



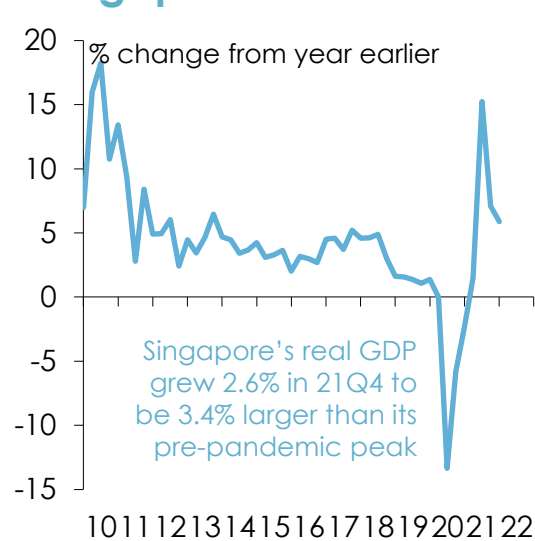
Vietnam



Taiwan



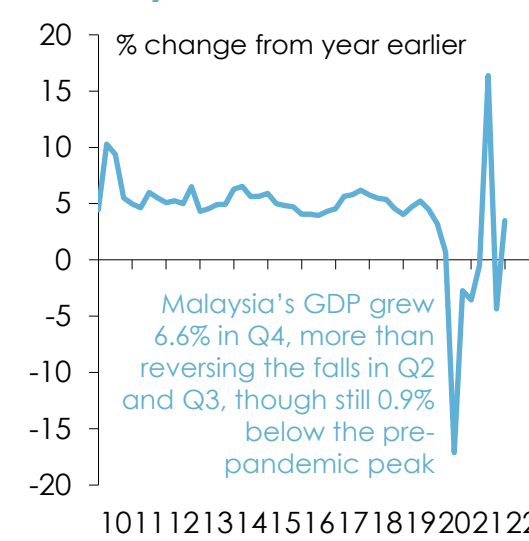
Singapore



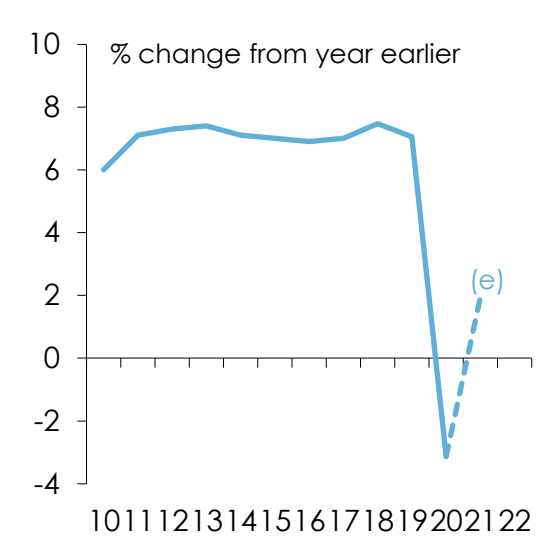
Philippines



Malaysia



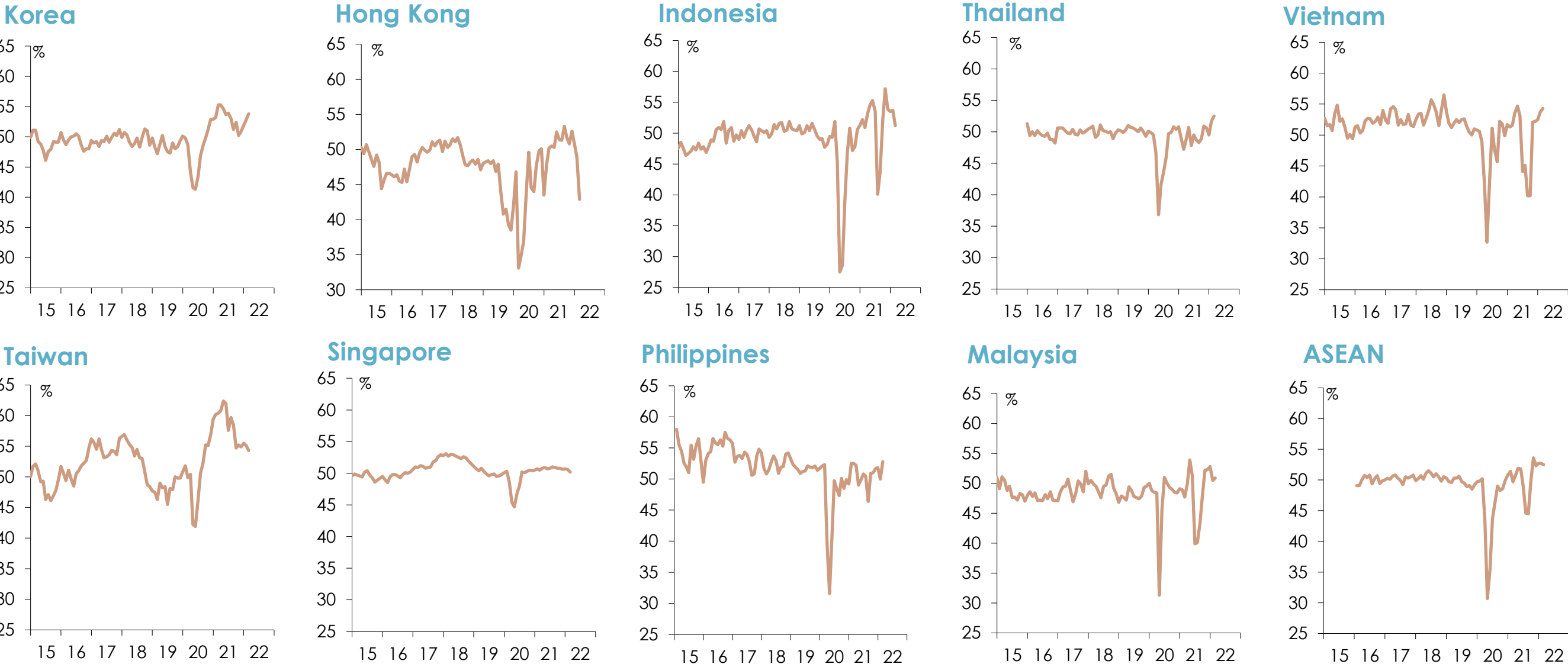
Cambodia



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

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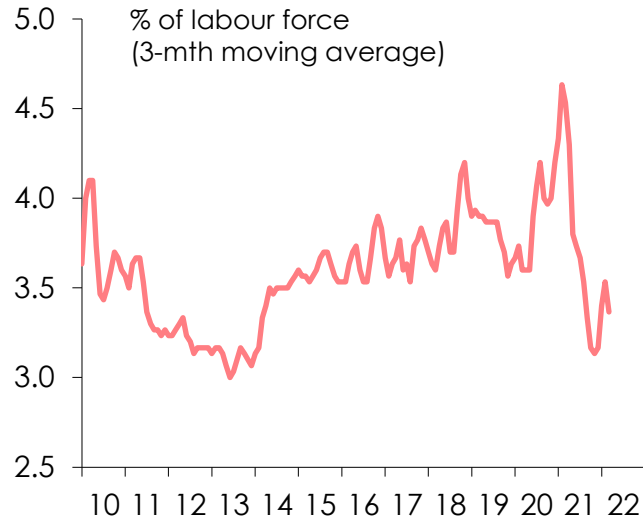


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous month, and a reading of less than 50 indicates a decrease. Surveys are for manufacturing sector only, except for Hong Kong which is 'whole economy'. Latest data are for February. Sources: [IHS Markit](#); [Singapore Institute of Purchasing and Materials Management](#); Refinitiv Datastream. [Return to "What's New"](#).

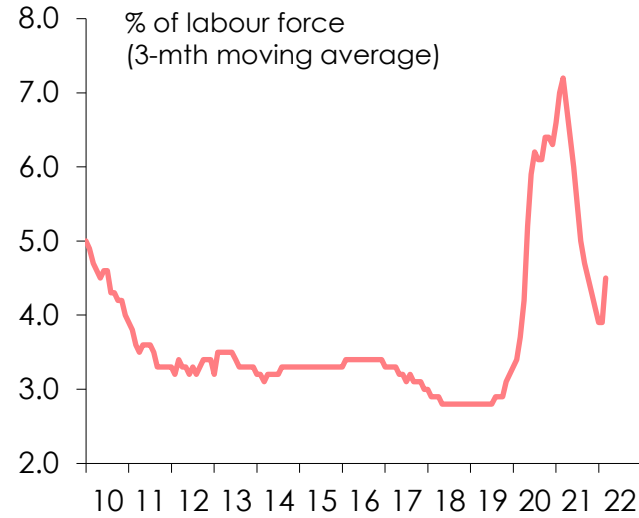
Unemployment rose sharply in most Asian economies last year but is now falling in most of them

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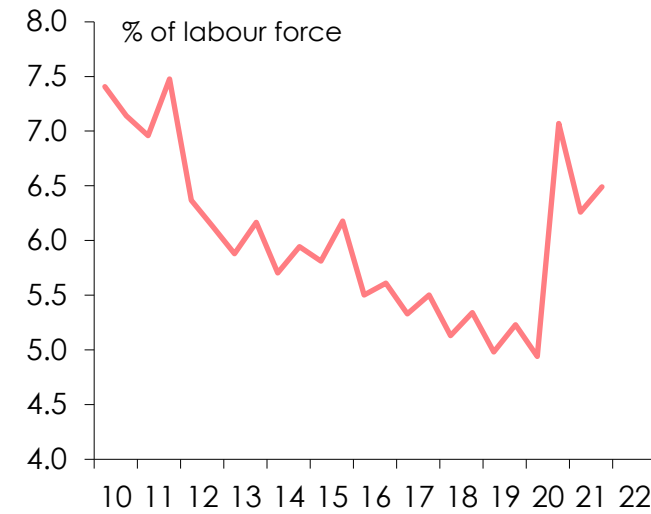
Korea



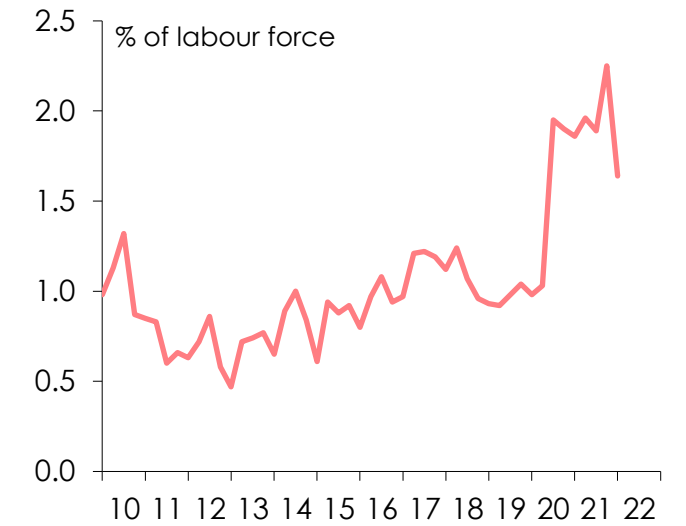
Hong Kong



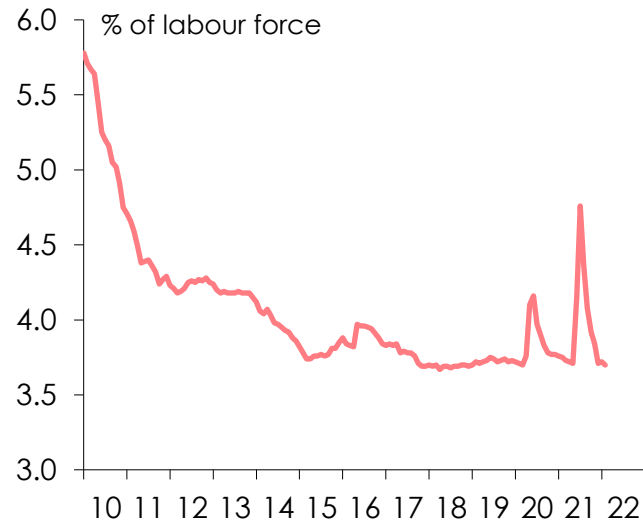
Indonesia



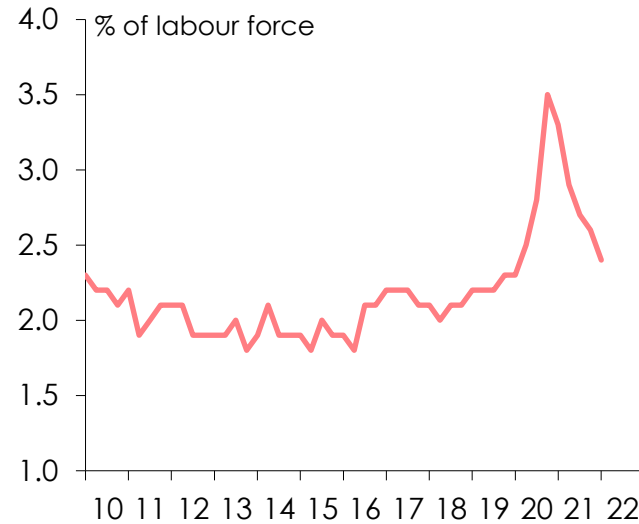
Thailand



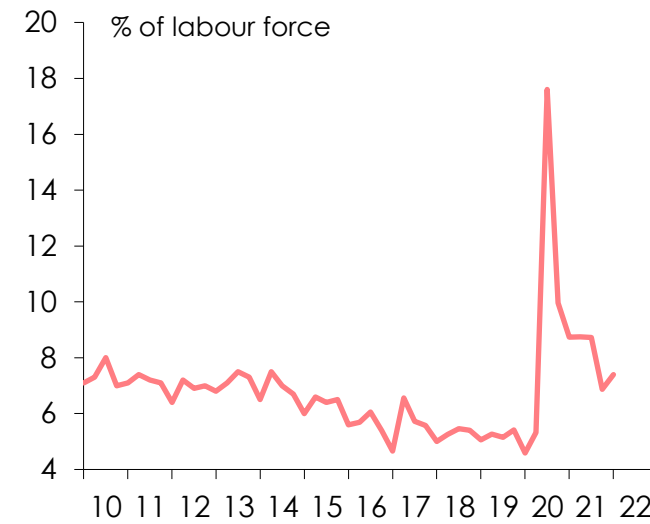
Taiwan



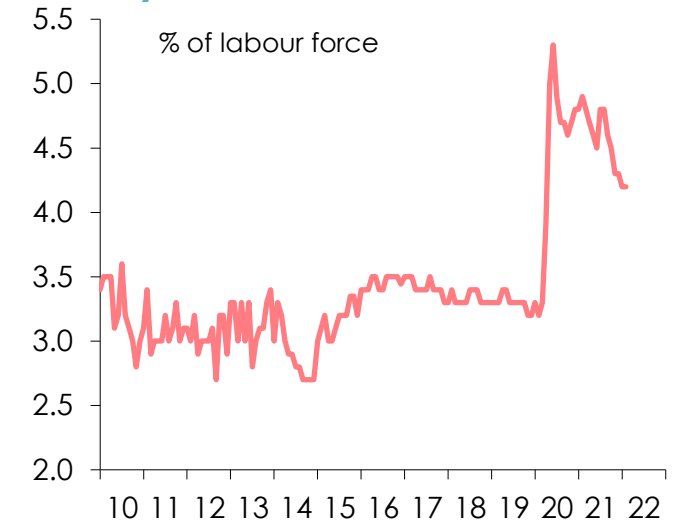
Singapore



Philippines



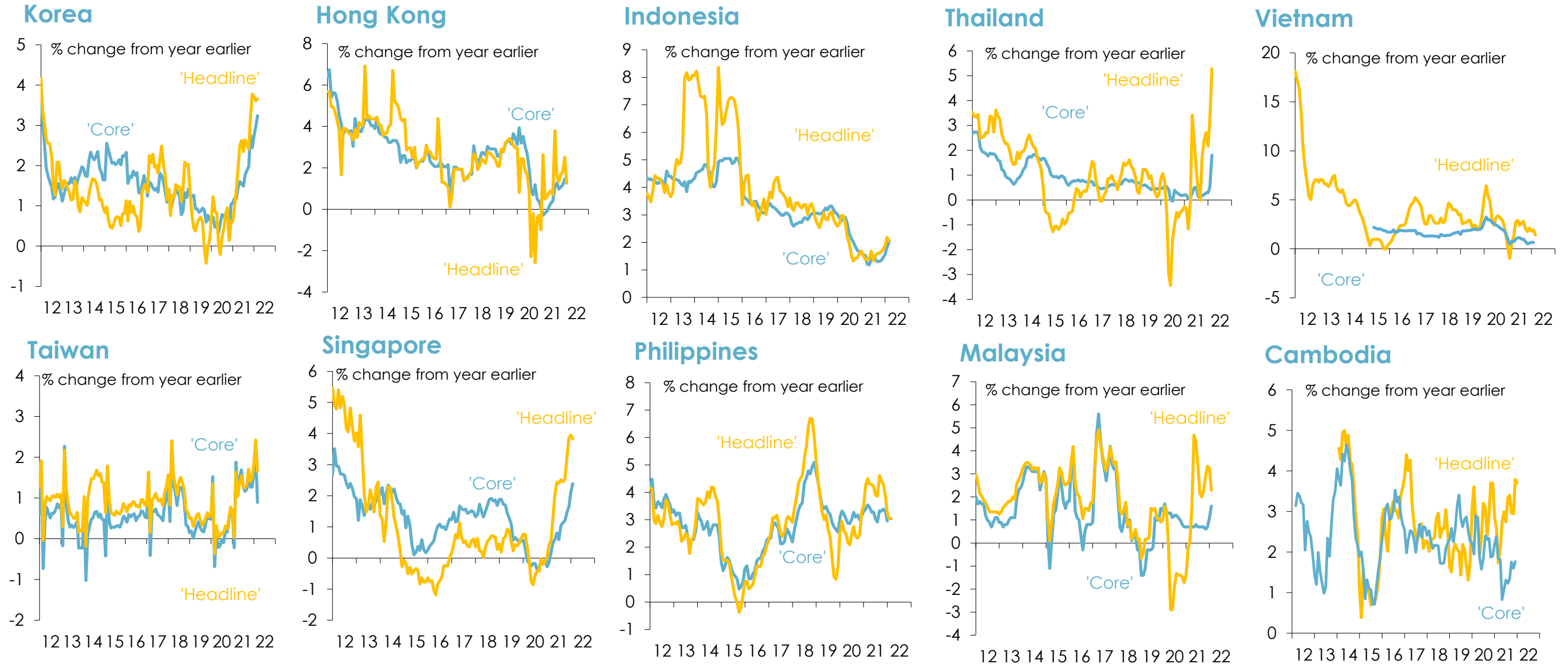
Malaysia



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

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

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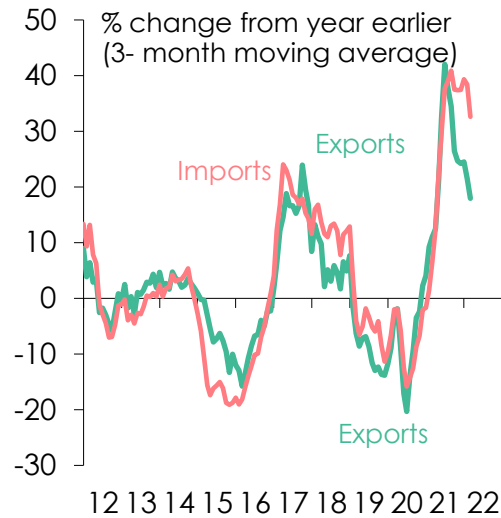


Note: 'Core' inflation in Korea excludes agricultural products and oil; in Taiwan it excludes fresh fruit, vegetables and energy; in Singapore it excludes accommodation and private transport; and in Hong Kong it excludes the effect of 'one-off government relief measures'. 'Core' inflation in Indonesia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

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

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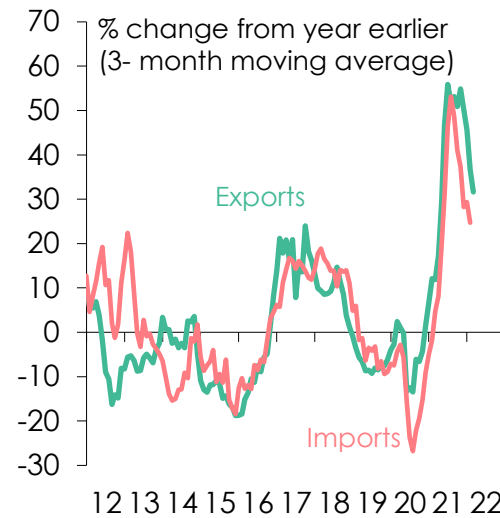
Korea



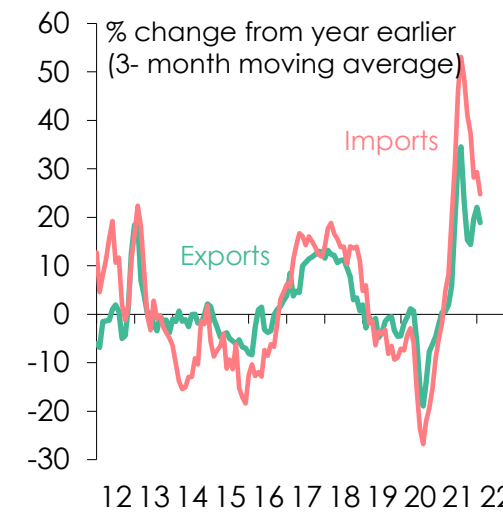
Hong Kong



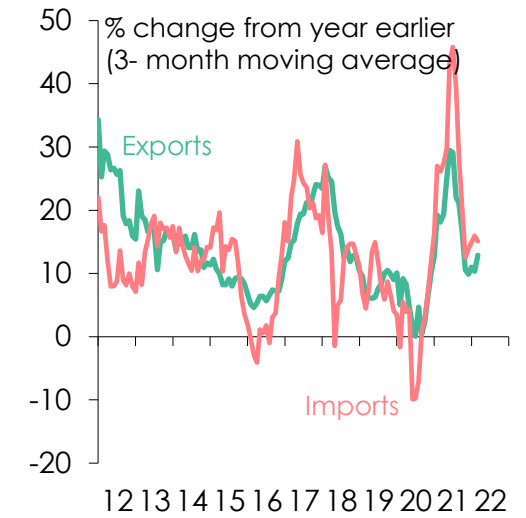
Indonesia



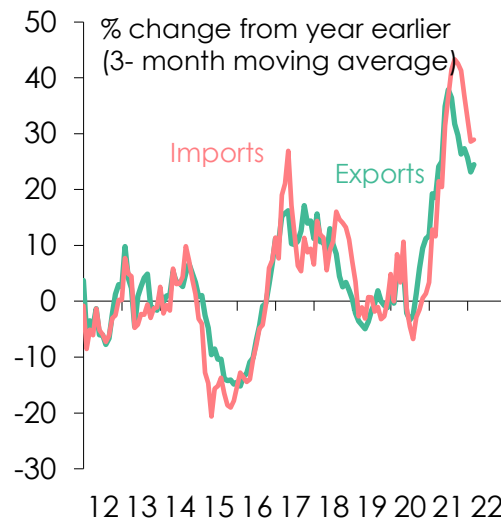
Thailand



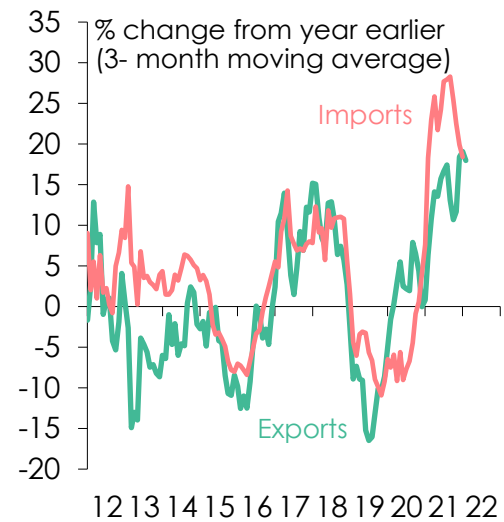
Vietnam



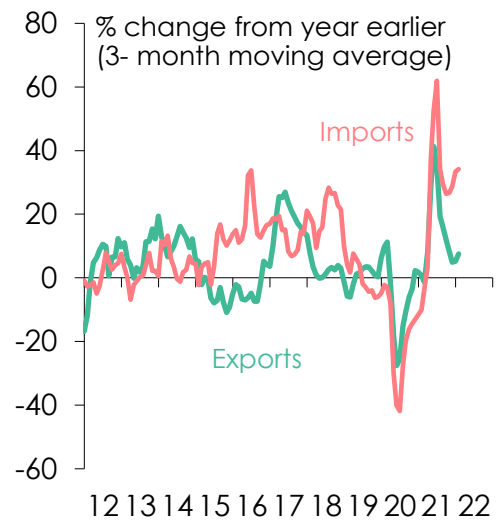
Taiwan



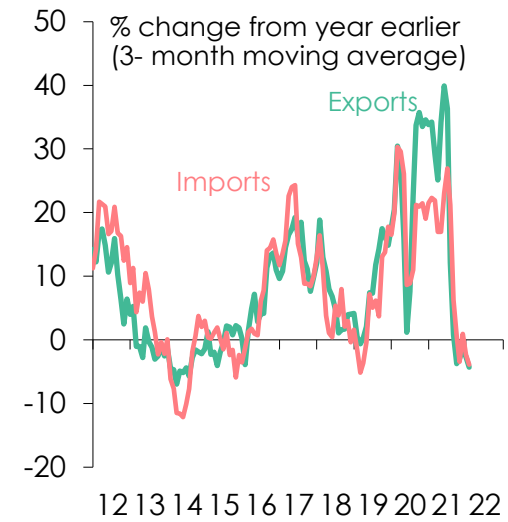
Singapore



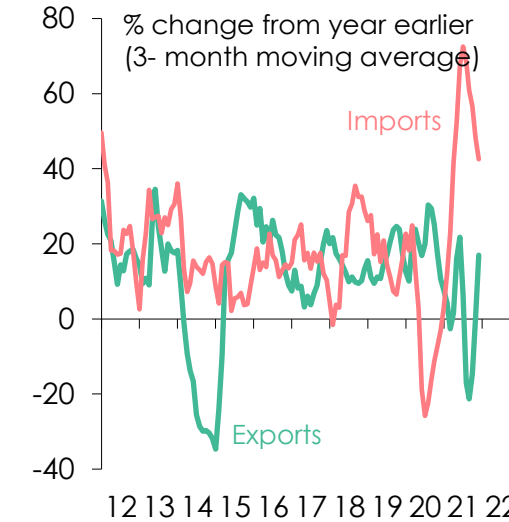
Philippines



Malaysia



Cambodia

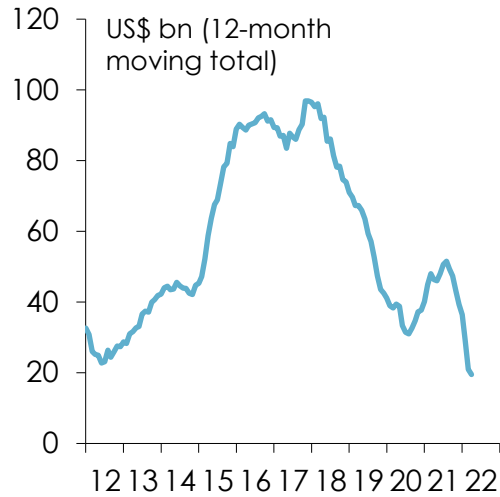


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

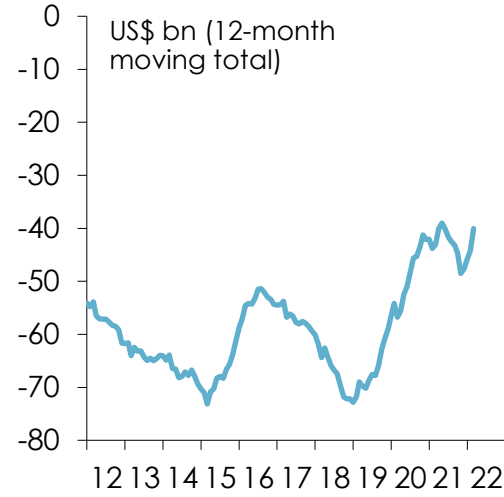
Most Asian economies – except for Indonesia, Malaysia and Singapore – experienced a deterioration in their trade balances during 2021

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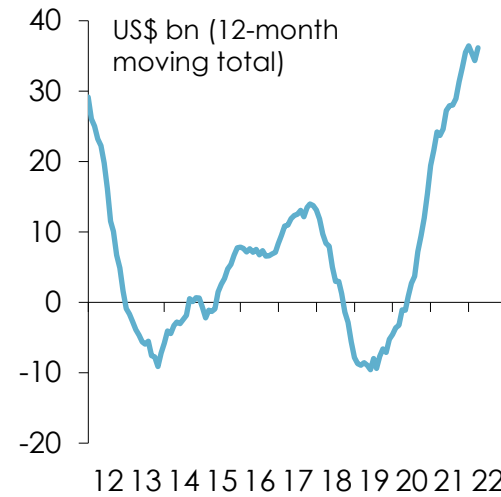
Korea



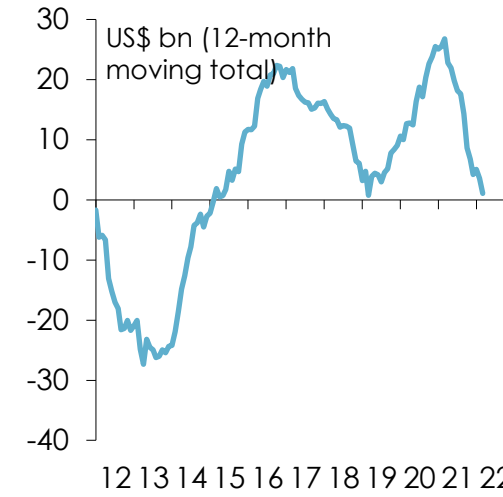
Hong Kong



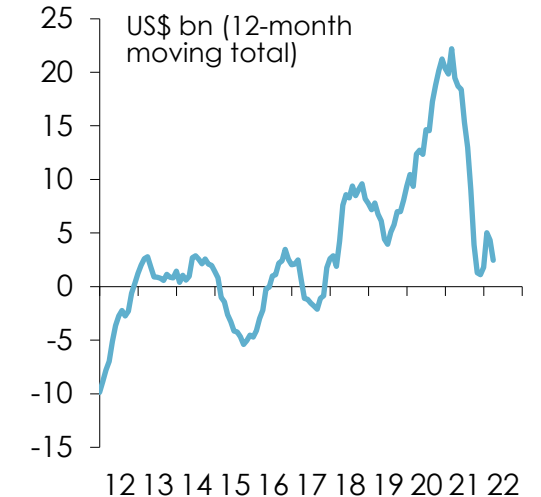
Indonesia



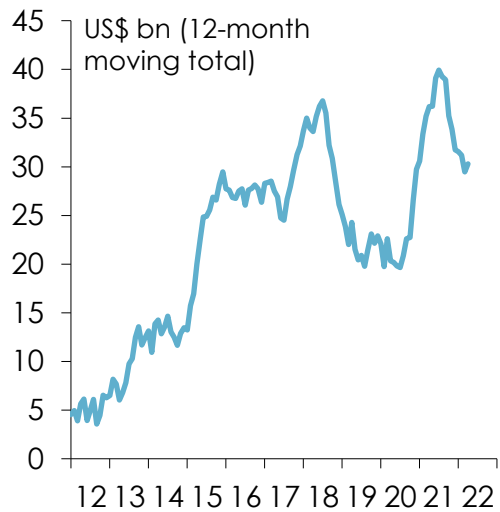
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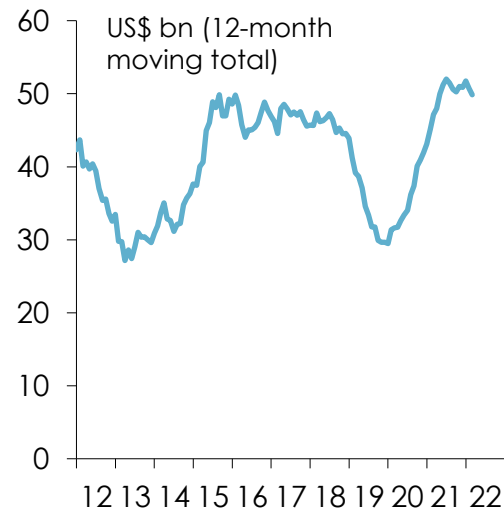
Vietnam



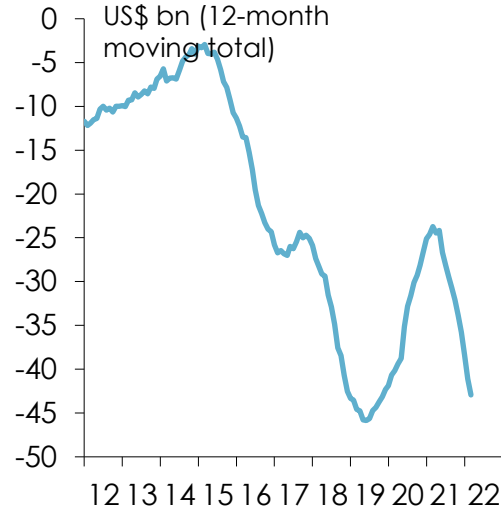
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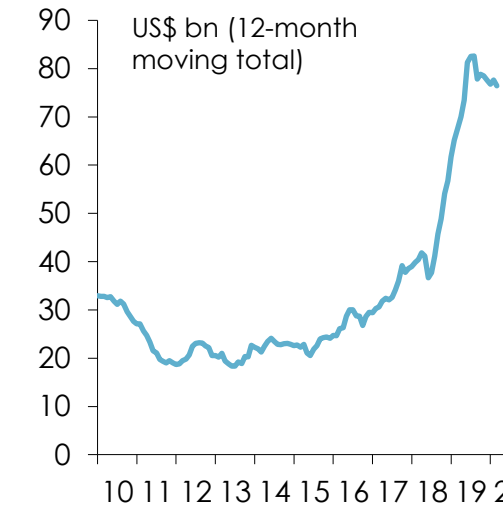
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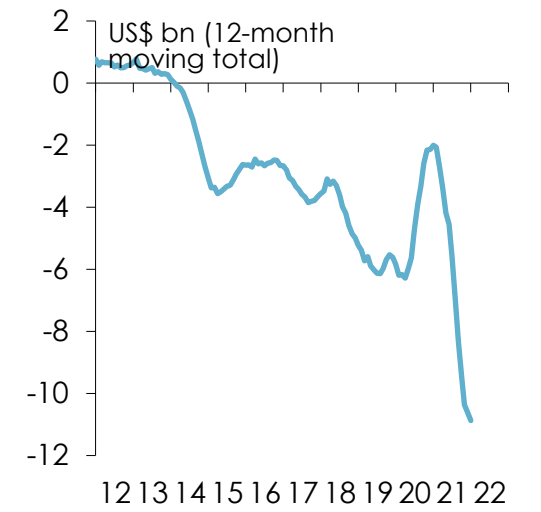
Philippines



Malaysia



Cambodia



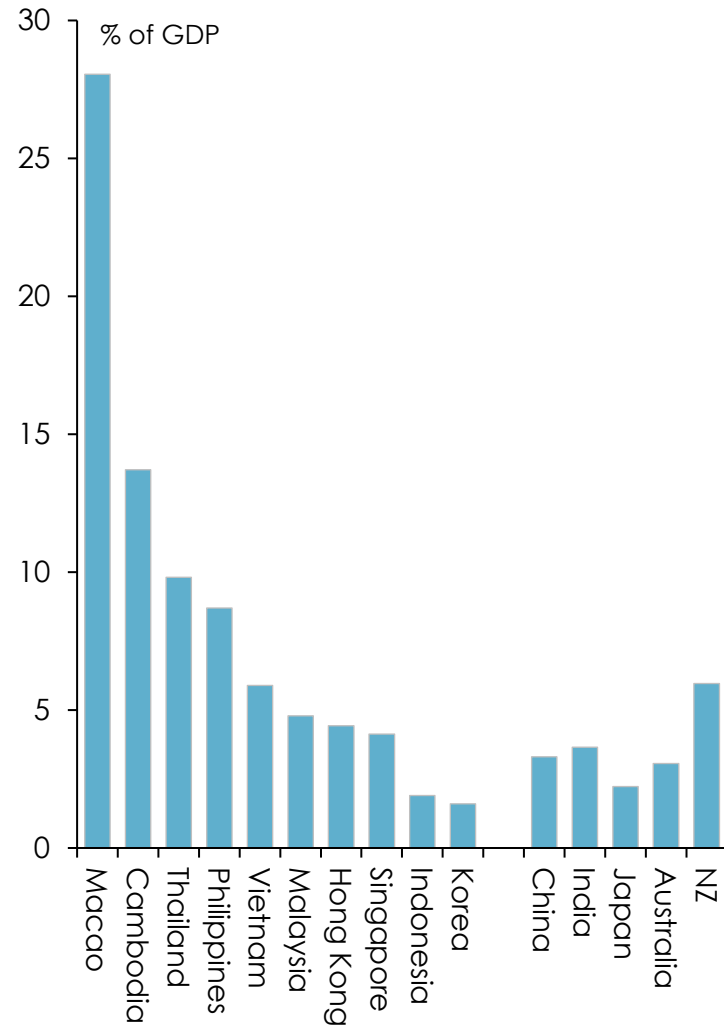
Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates.

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

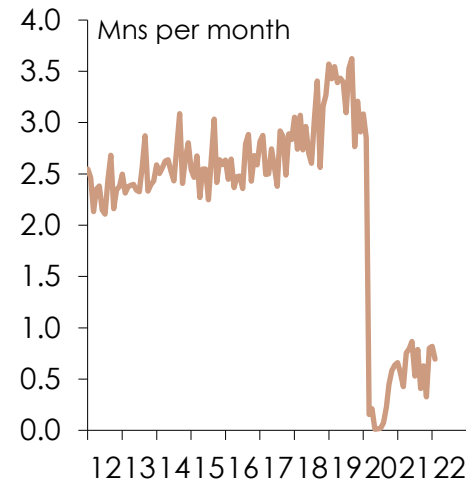
THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

International tourism direct contribution to GDP, 2018

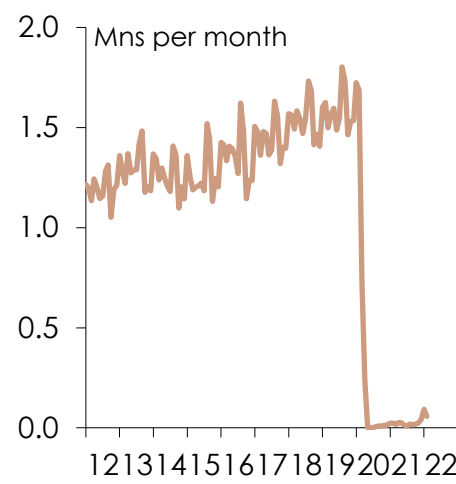


International visitor arrivals

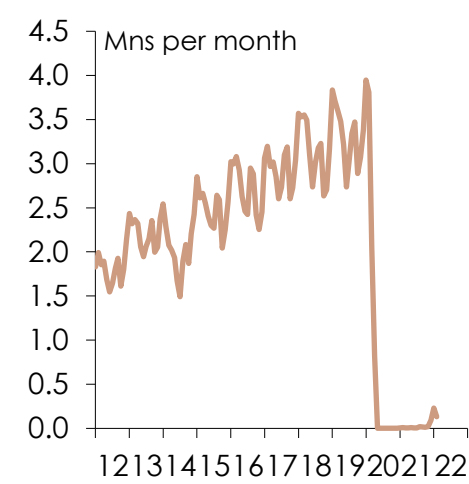
Macao



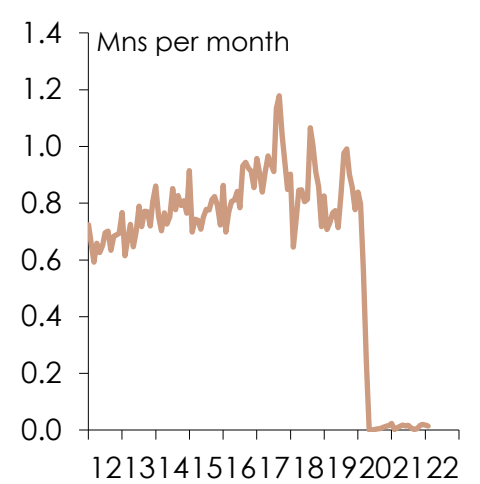
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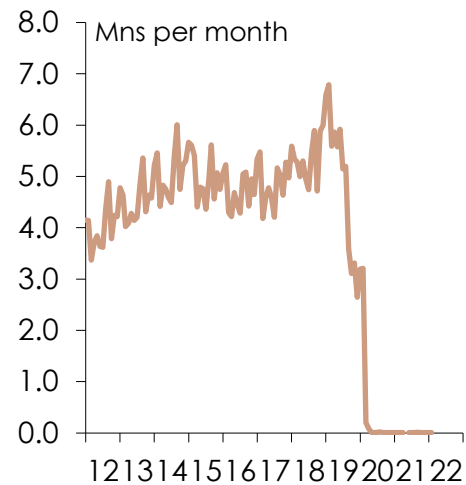
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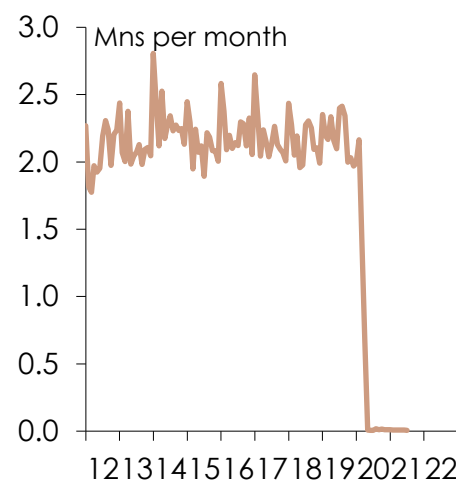
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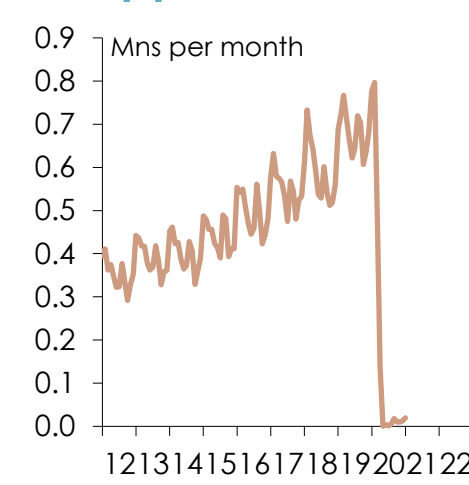
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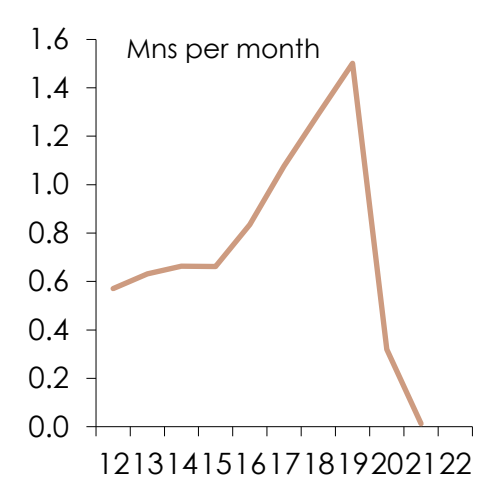
Malaysia



Philippines



Vietnam

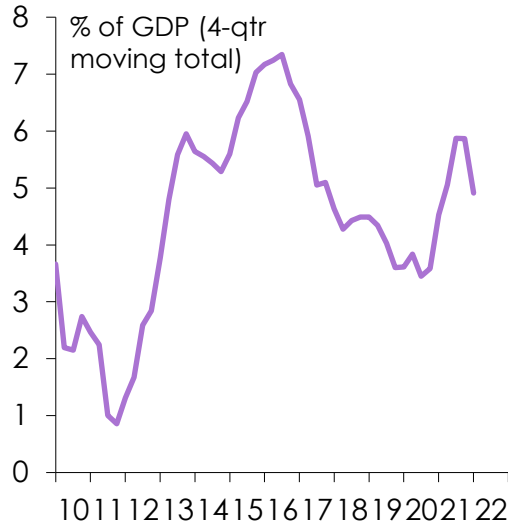


Note: Visitor arrivals data for Vietnam is only published annually. Sources: The World Bank, [TCdata360](#); national statistical agencies. [Return to "What's New"](#).

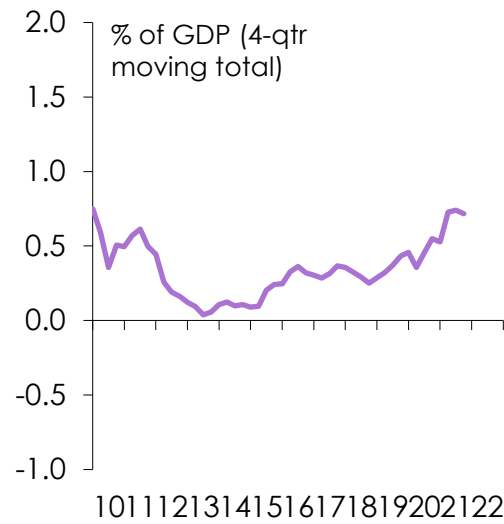
The more 'advanced' Asian economies have strong current account positions, Indonesia's is much improved but others have deteriorated

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

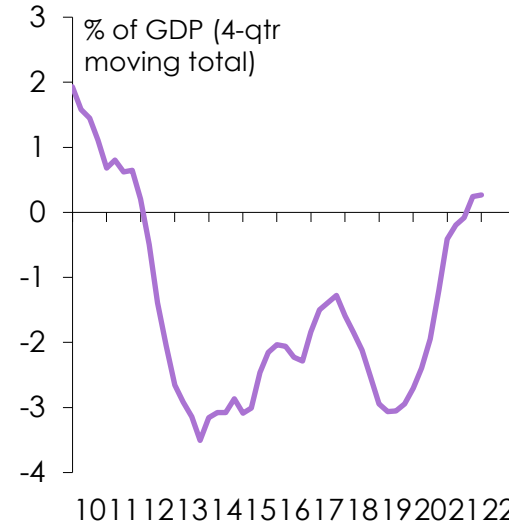
Korea



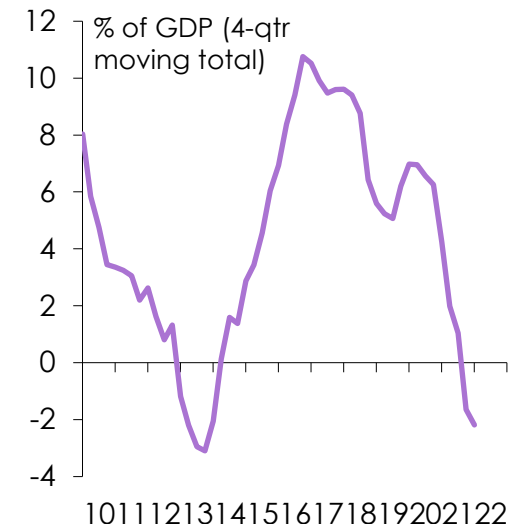
Hong Kong



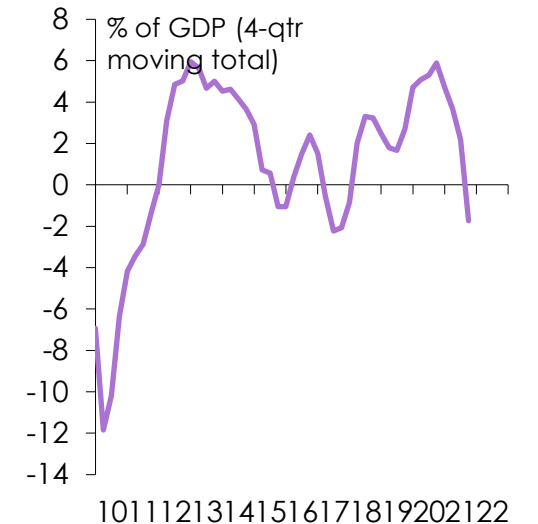
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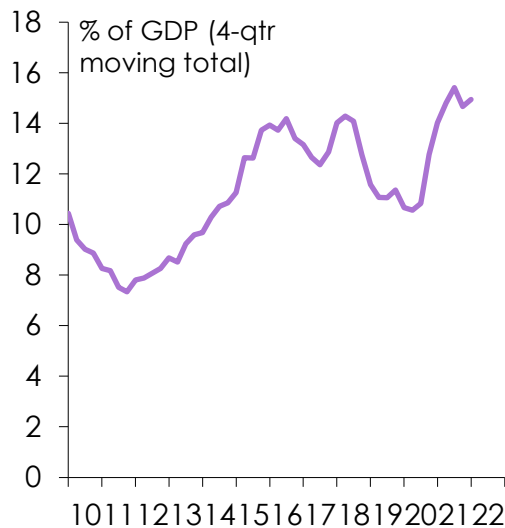
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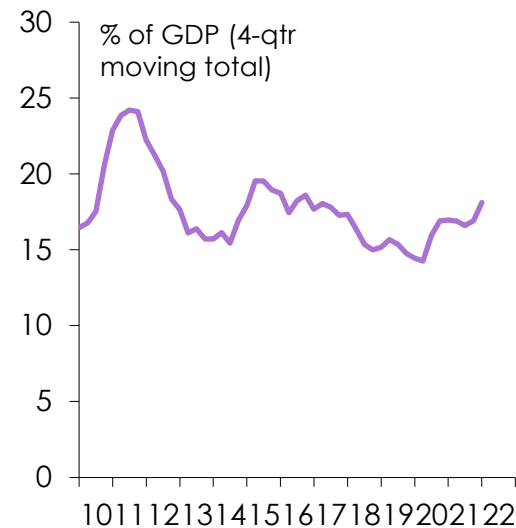
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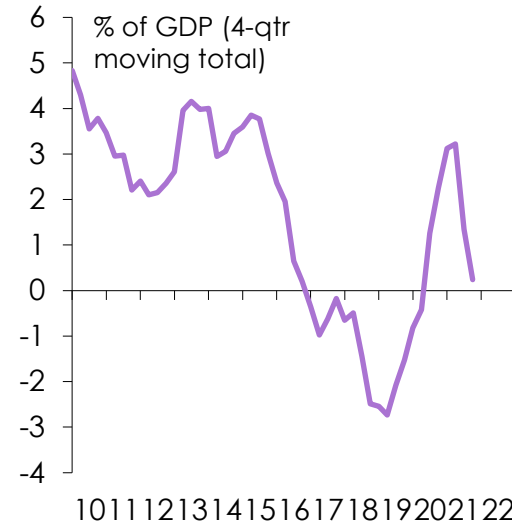
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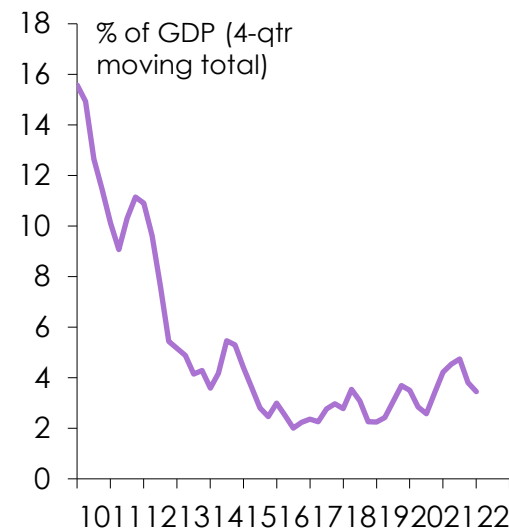
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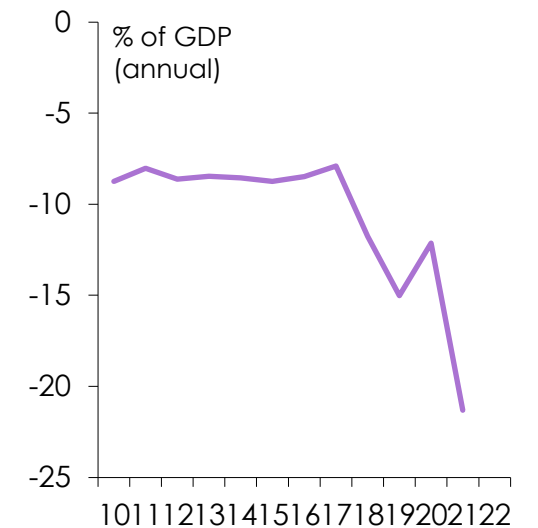
Philippines



Malaysia



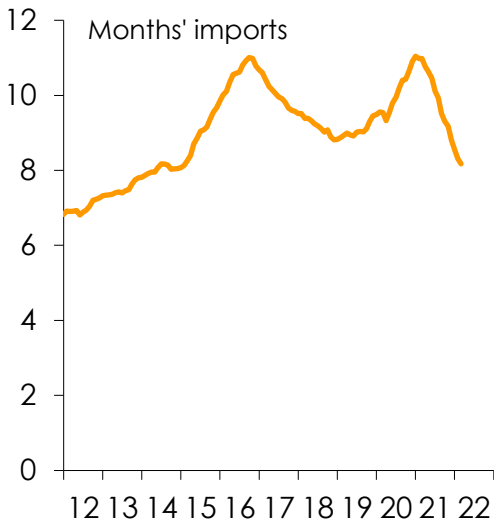
Cambodia



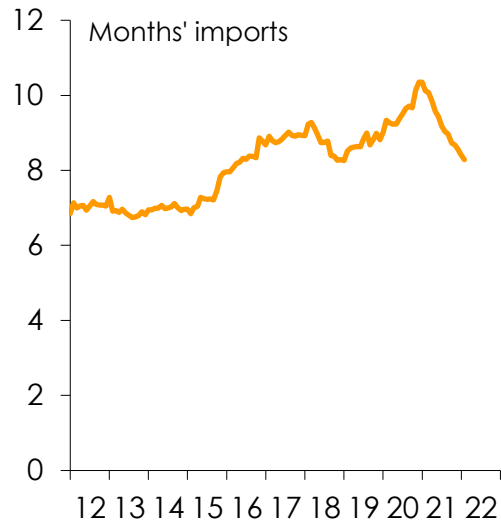
Most Asian economies have sought to maintain high levels of FX reserves since the 1997-98 crisis – although Malaysia's have deteriorated recently

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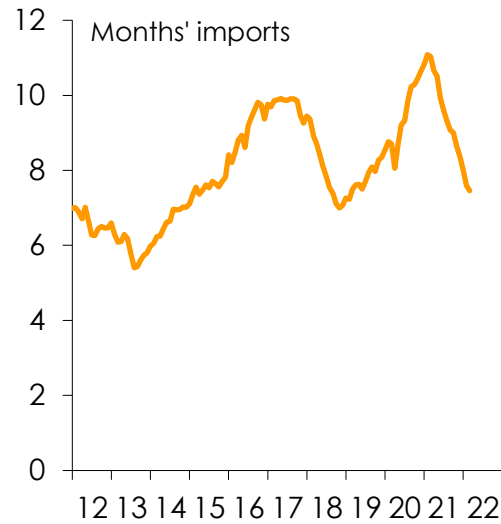
Korea



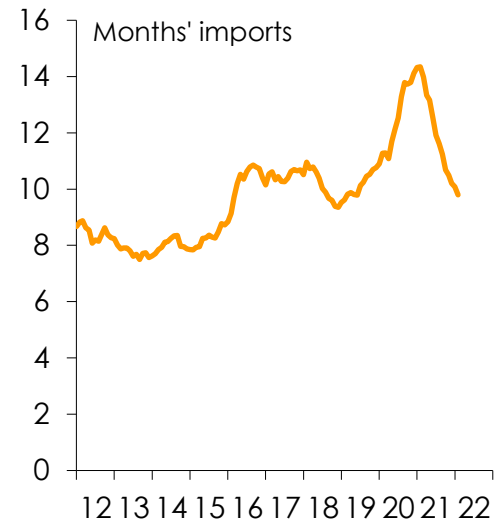
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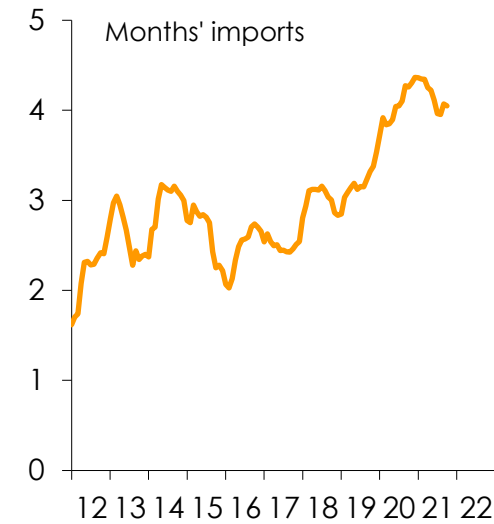
Indonesia



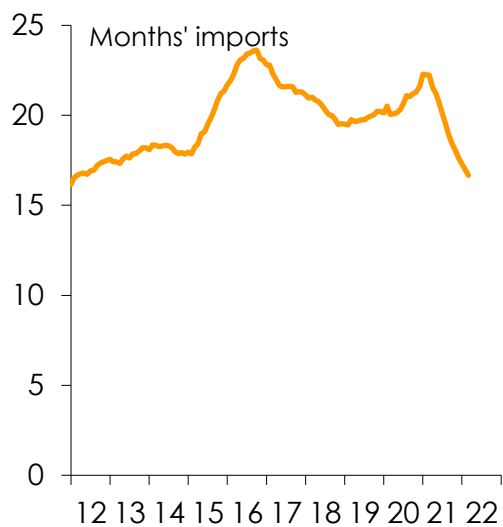
Thailand



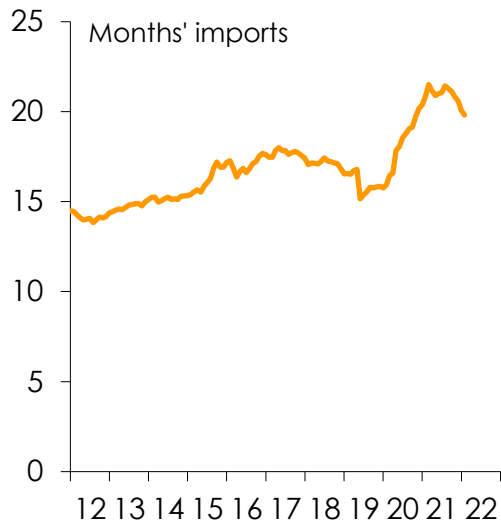
Vietnam



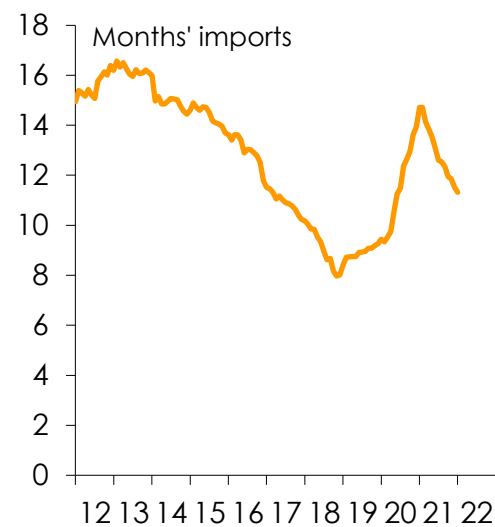
Taiwan



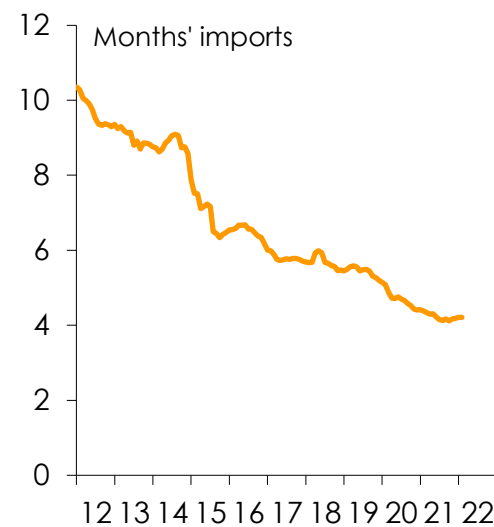
Singapore



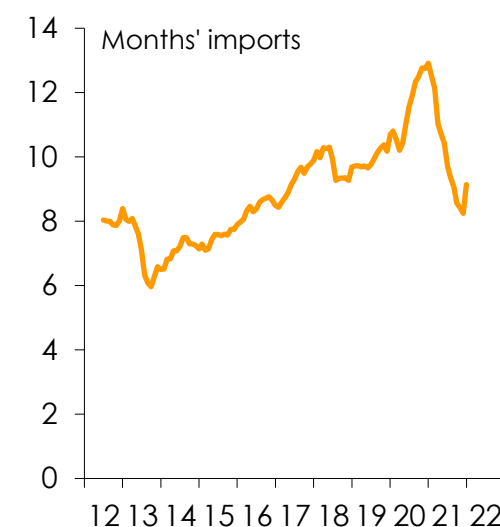
Philippines



Malaysia



Cambodia



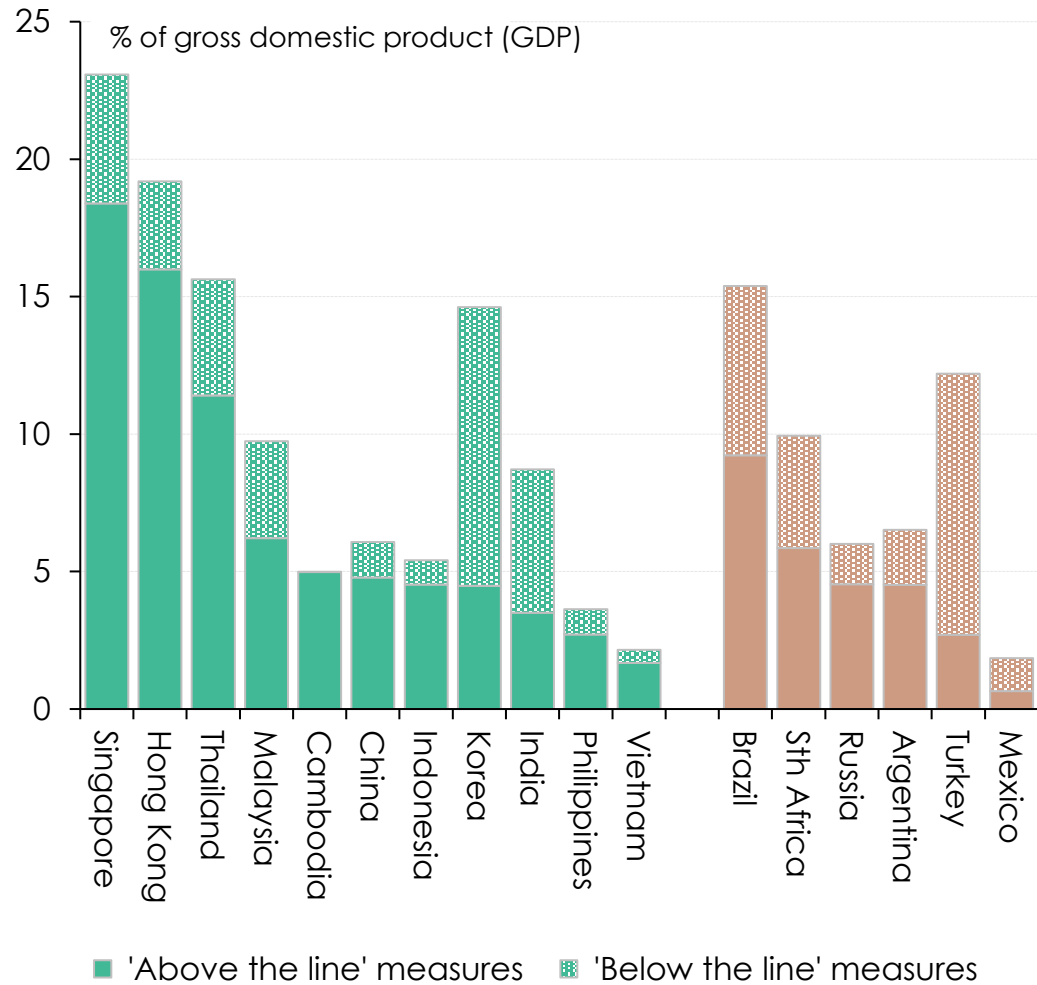
Note: Foreign exchange reserves in the above charts are shown as a multiple of average monthly imports (measured in US\$) over the preceding 12 months.

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

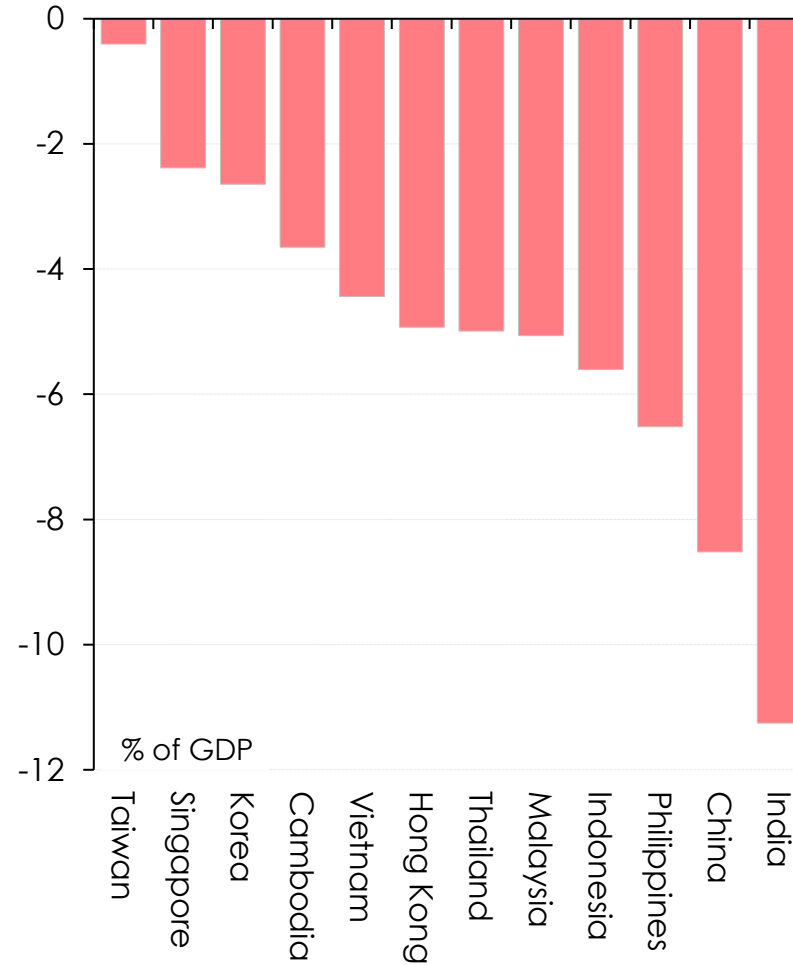
Apart from Singapore, Hong Kong and Thailand, Asian governments' discretionary fiscal responses to Covid-19 have been relatively modest

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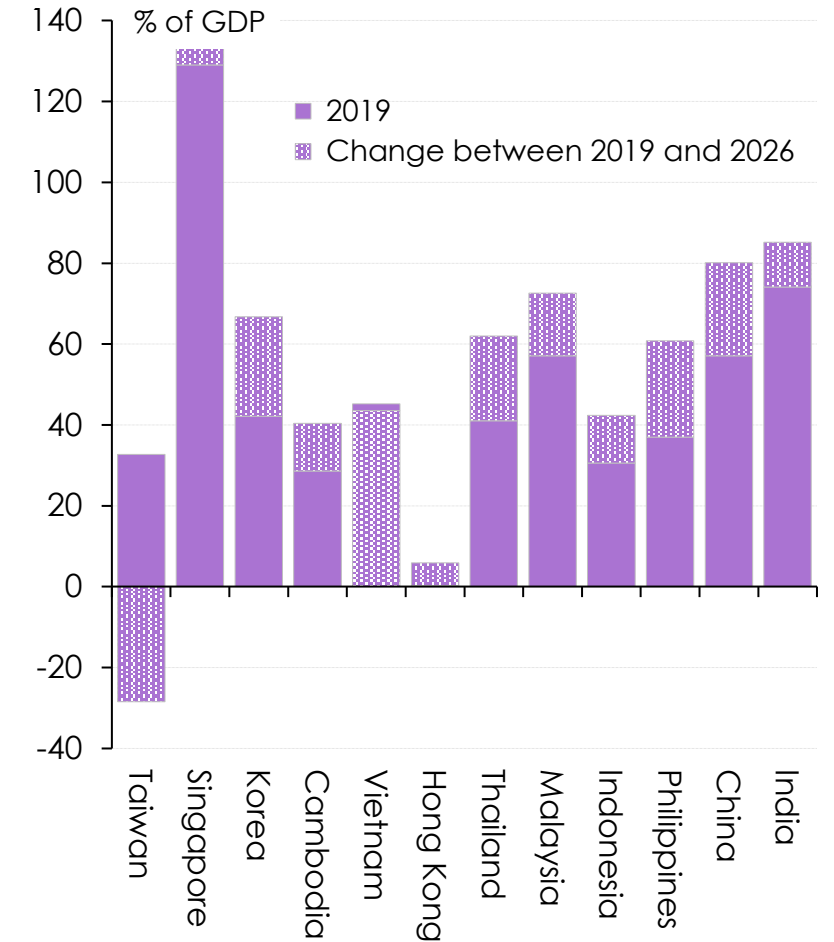
Fiscal policy responses to Covid-19 – Asian & other selected emerging market economies



Budget balances – Asian economies 2020-2022



Gross government debt – Asian economies 2019-26

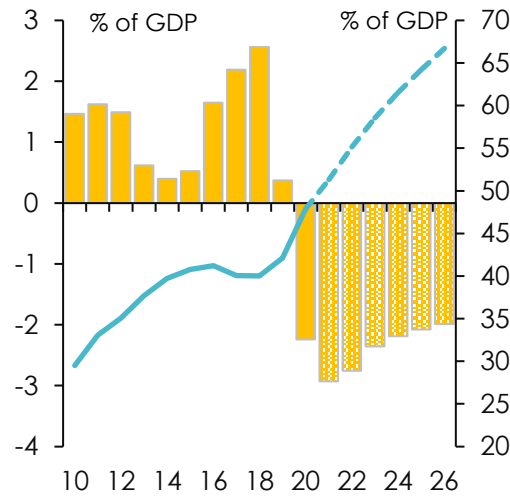


Note: 'Above the line' measures comprise additional or accelerated spending and deferred or foregone revenue. 'Below the line' measures comprise equity injections, loans, asset purchases and debt assumptions, but do not include loan guarantees or other contingent liabilities. 'DMS' means 'developed markets'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

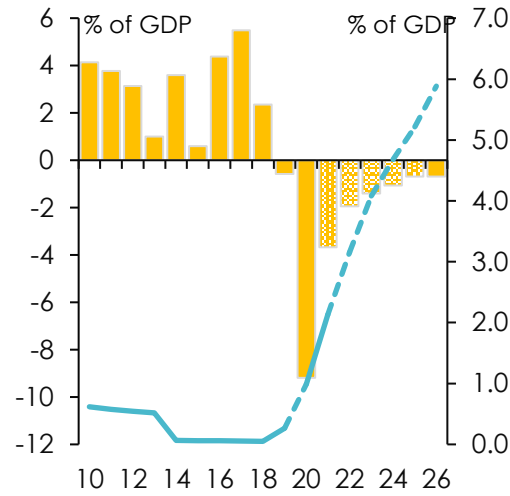
Asian governments, except for Taiwan, Singapore and Hong Kong, will be running large budget deficits for the next five years

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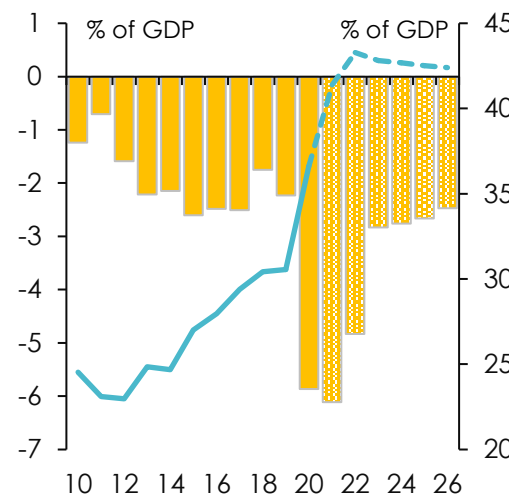
Korea



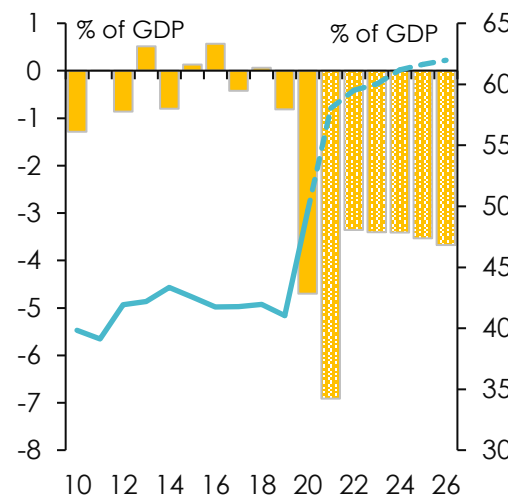
Hong Kong



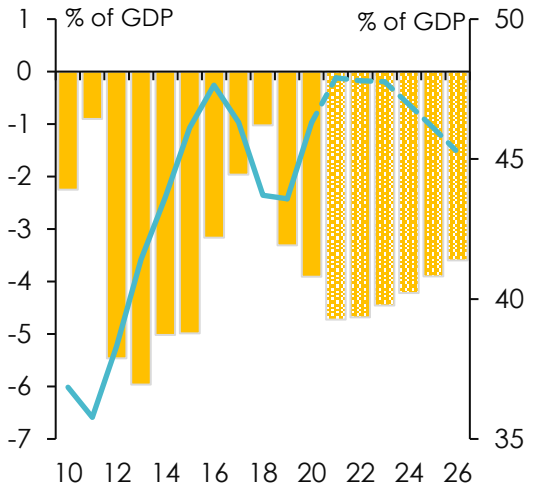
Indonesia



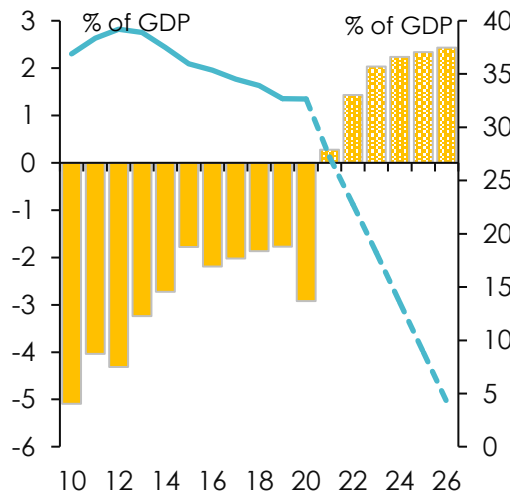
Thailand



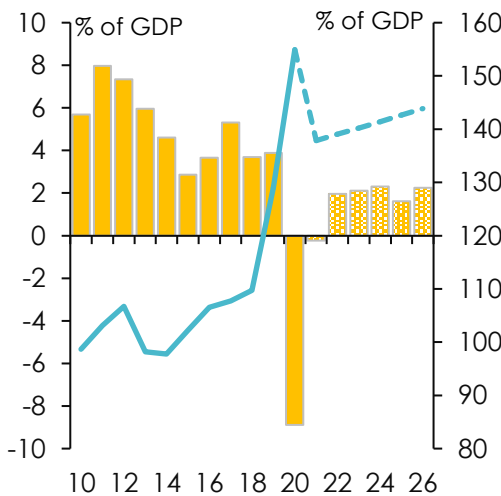
Vietnam



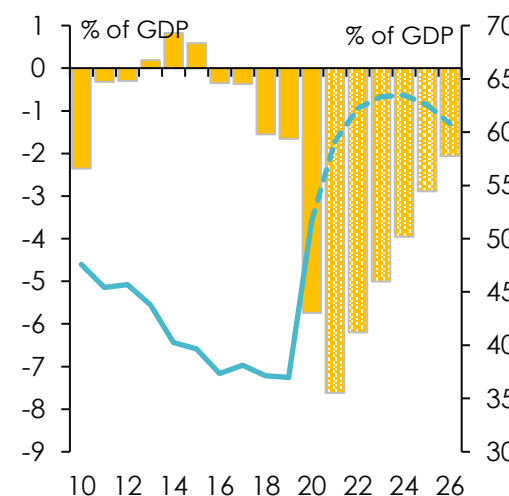
Taiwan



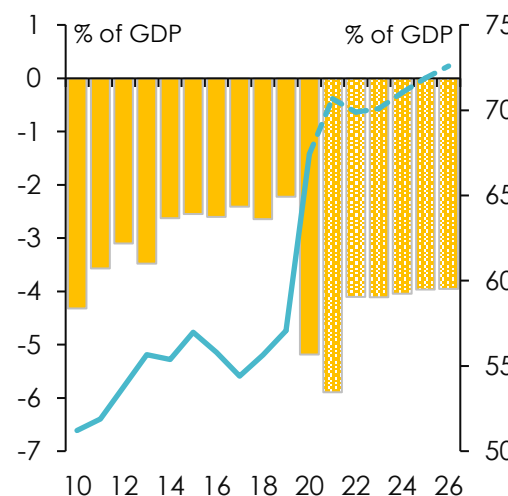
Singapore



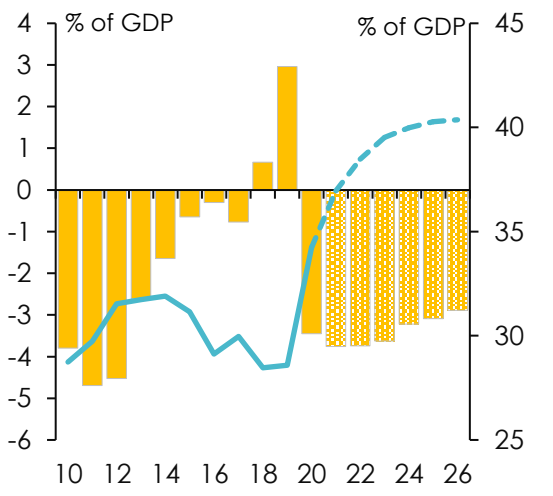
Philippines



Malaysia



Cambodia



General government overall fiscal balance (left scale)



General government gross debt (right scale)

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

Hong Kong's and Taiwan's central banks raised interest rates by 25 bp last week, after the Fed move, but Indonesia's again left rates unchanged

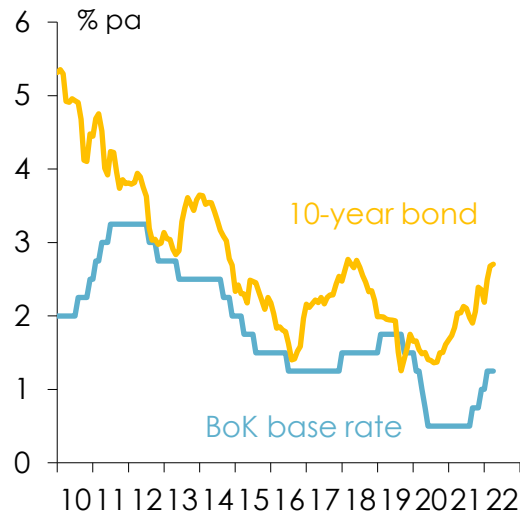
THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

- ❑ The [Hong Kong Monetary Authority](#) raised its base rate by 25 bp, to 0.75%, on Thursday morning, following the increase in the Fed's funds rate target, in accordance with the “pre-set formula” whereby the base rate is either 50bp above the lower bound of the Fed's funds rate target range, or the average of the five-day moving average of the overnight and one-month HK Interbank Offered Rates, whichever is the higher
 - this ‘pre-set formula’ is an essential component of Hong Kong's ‘currency board’ system under which the HK\$-US\$ exchange rate is maintained within the ‘convertibility zone’ of HK\$7.75-7.85
- ❑ The [Central Bank of the Republic of China \(Taiwan\)](#) raised its discount rate by 25 bp, to 1.375%, on Thursday, a move which hadn't been expected by financial markets
 - in its post-meeting [press statement](#), the central bank's Supervisory Board noted that the annual inflation rate had exceeded 2% since August last year, and was expected to average 2.37% in 2022 (revised upwards from 1.59% in December)
 - Governor Yang Chin-long [stated](#) that, following the Fed's first increase in US interest rates, and with domestic economic activity having “significantly recovered” from the Covid-19 shock, inflation rising, and “high pressure from imported inflation” as a result of the conflict in Ukraine, “it was time to act”
- ❑ [Bank Indonesia](#) by contrast left its reverse repo, deposit and lending facility rates unchanged at 3.50%, 2.75% and 4.25%, respectively, at its Board of Governors meeting on Thursday
 - BI noted that core inflation “remained low amid rising domestic demand, maintained exchange rate stability and ... maintained inflation expectations” and was “expected to be controlled within the target of $3 \pm 1\%$ ”
 - BI continues to expect economic growth in 2022 of 4.7-5.5% supported by “accelerated vaccinations, looser travel requirement policies, expanded economic opening up, and continued policy stimulus”
- ❑ The next Asian central bank meeting is Bangko Sentral ng Pilipinas, on 24th March, followed by the Bank of Thailand on 30th March

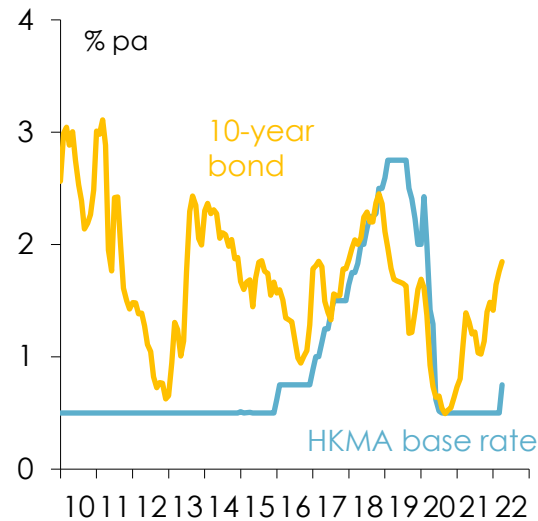
The HKMA and CBC (Taiwan) raised rates last week, for the first time since the onset of Covid-19, while BI left its policy settings on hold

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

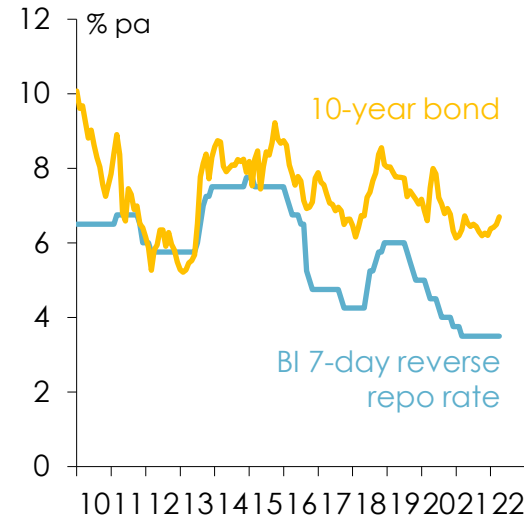
Korea



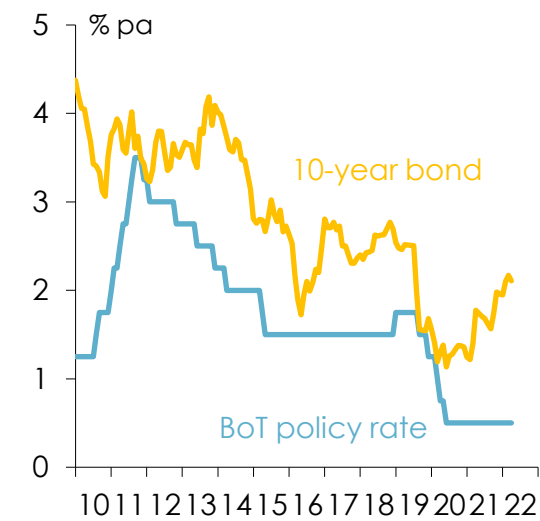
Hong Kong



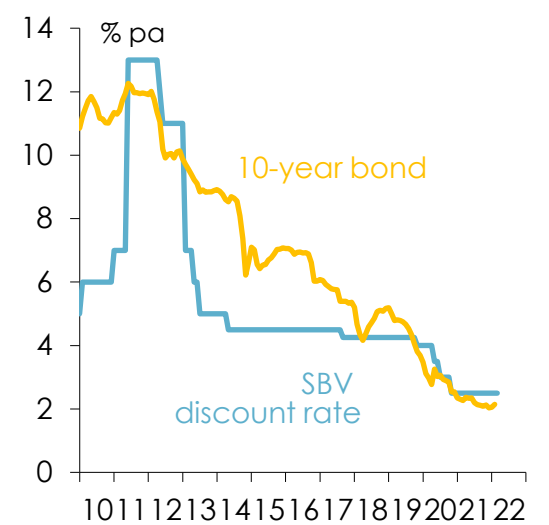
Indonesia



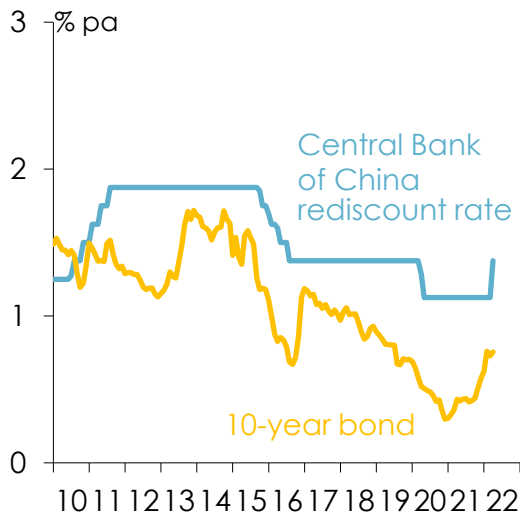
Thailand



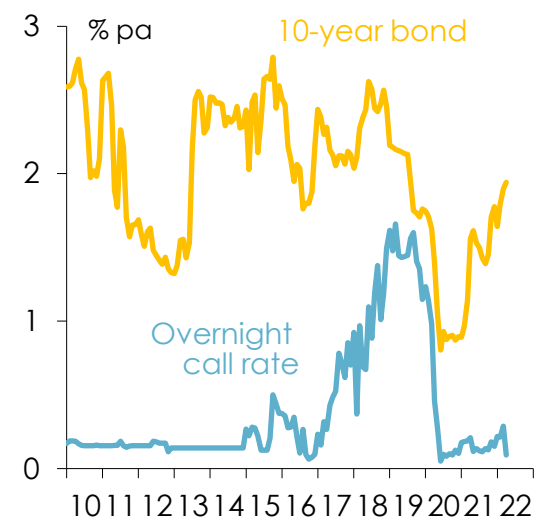
Vietnam



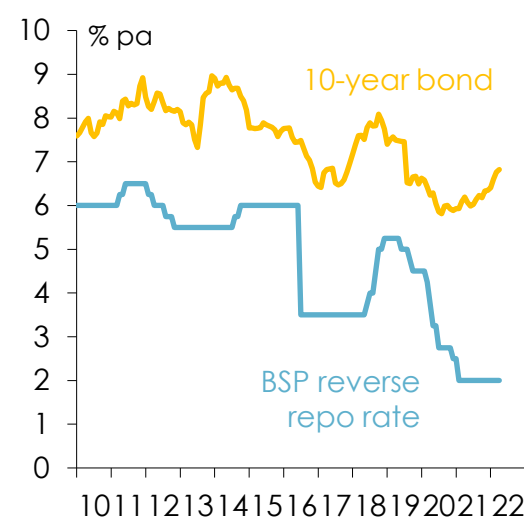
Taiwan



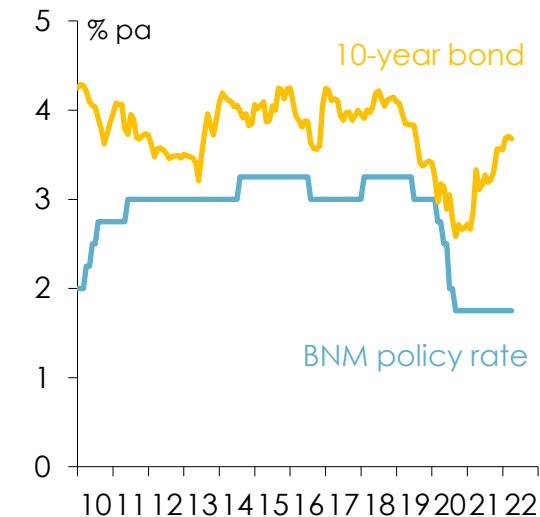
Singapore



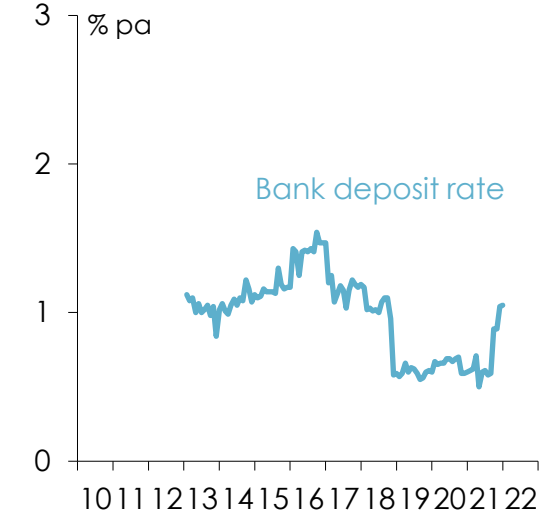
Philippines



Malaysia



Cambodia

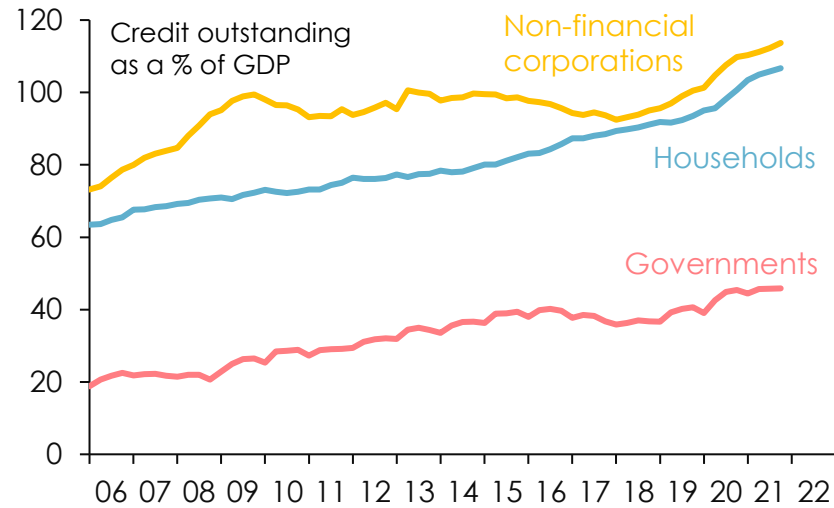


Note: Neither Hong Kong nor Singapore use a monetary policy indicator interest rate. Hong Kong has a currency board system, under which the HKMA base rate moves in line with a pre-set formula based on the US fed funds rate; the Monetary Authority of Singapore uses the (effective) exchange rate as its principal monetary policy instrument. Data are monthly averages up to 18th March 2022. Sources: national central banks; Refinitiv Datastream. [Return to "What's New"](#).

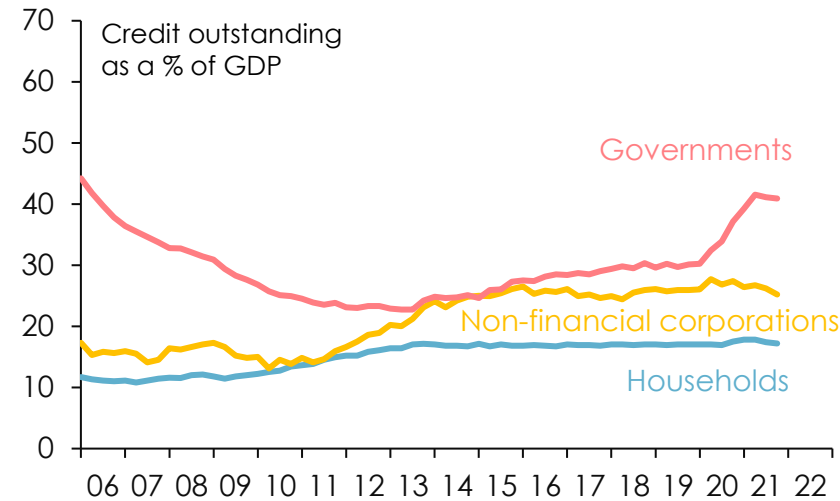
In Asia, Hong Kong, Singaporean and Korean corporates, and Korean households, have the greatest exposure to any increases in interest rates

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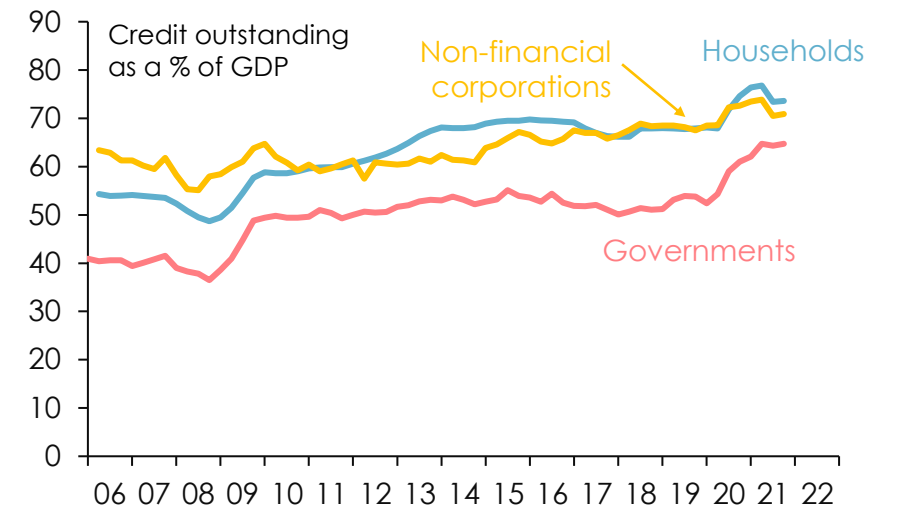
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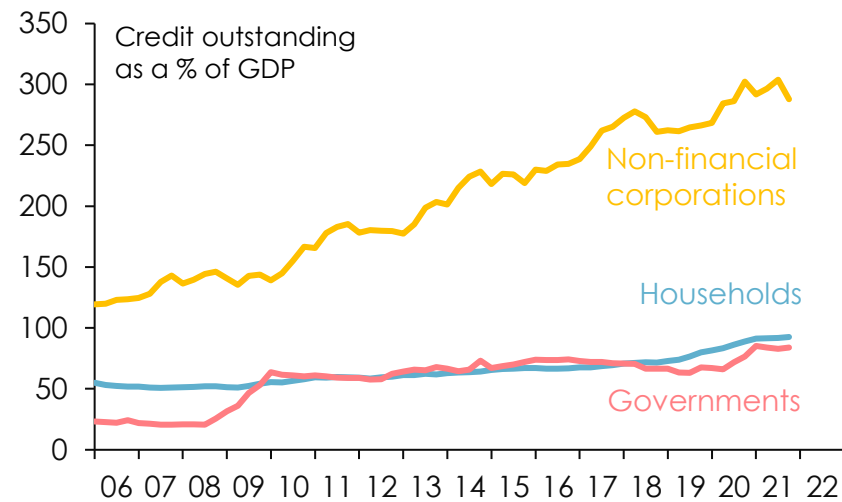
Indonesia



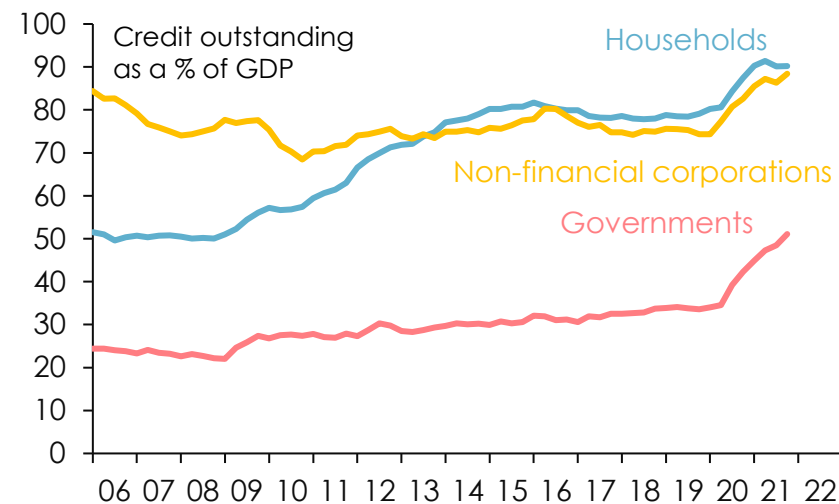
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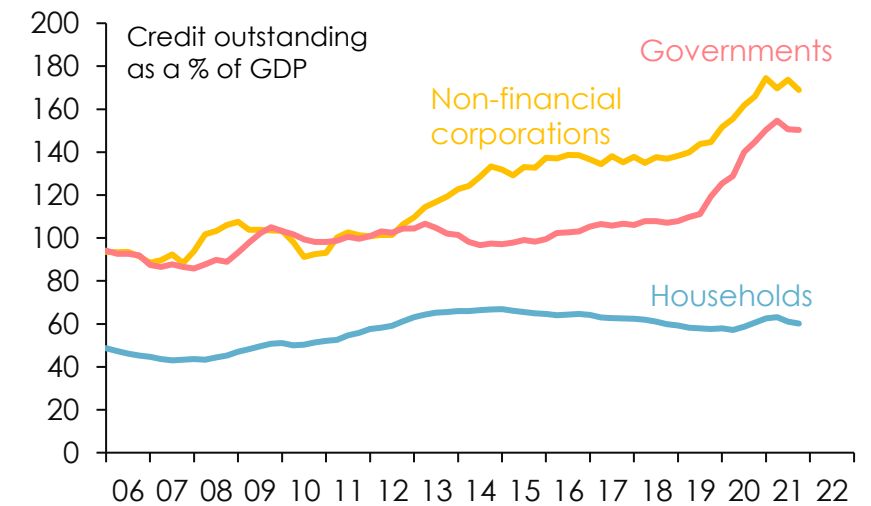
Hong Kong



Thailand



Singapore

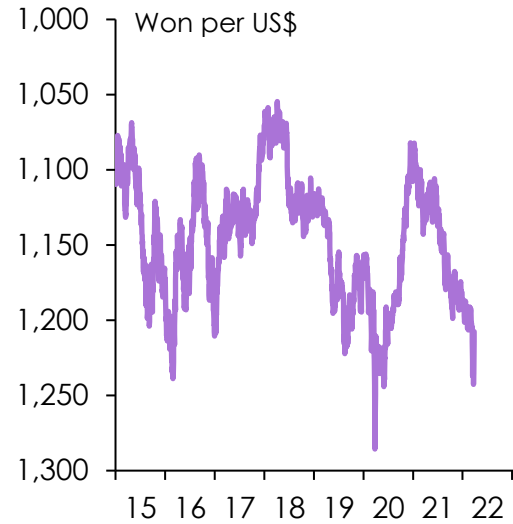


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

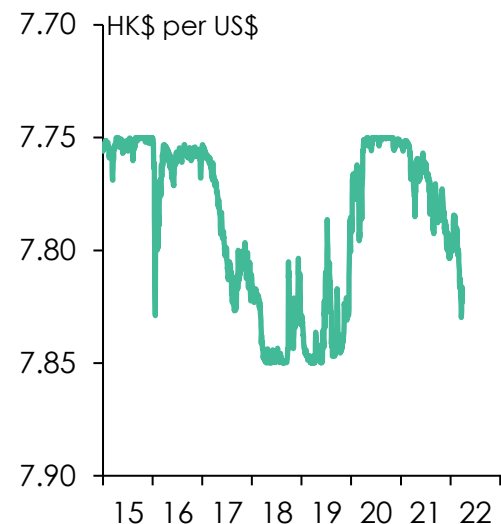
Asian currencies were mixed against the US\$ last week with the won $\uparrow 2\%$, the HK\$ & S\$ $\uparrow 0.2-0.3\%$ but the rupiah $\downarrow 0.3\%$, and the baht & peso $\downarrow 0.2\%$

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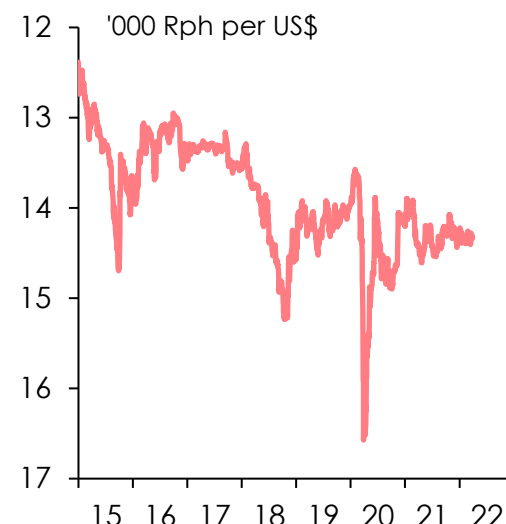
Korean won



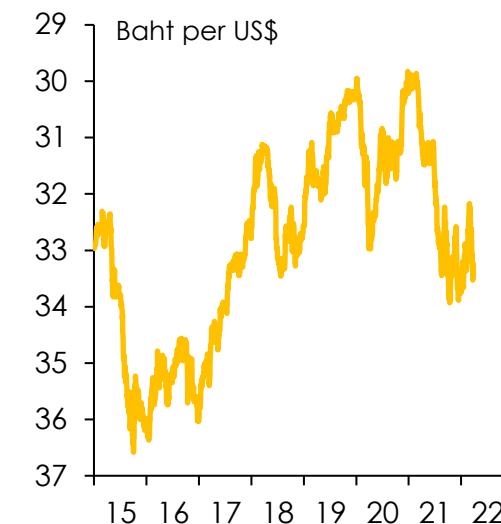
Hong Kong dollar



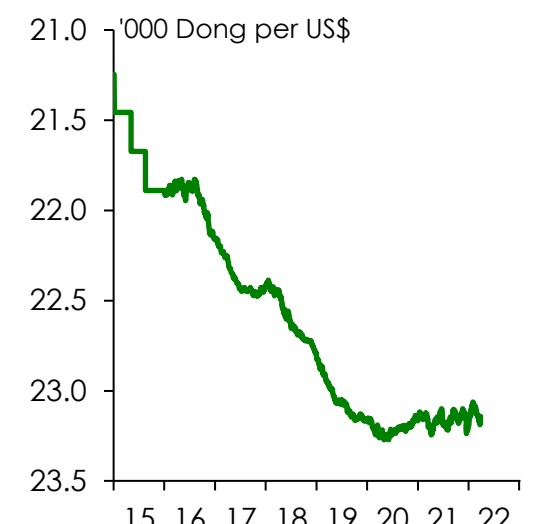
Indonesian rupiah



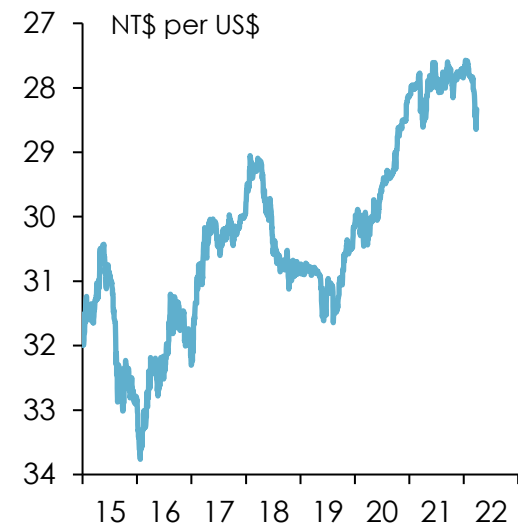
Thai baht



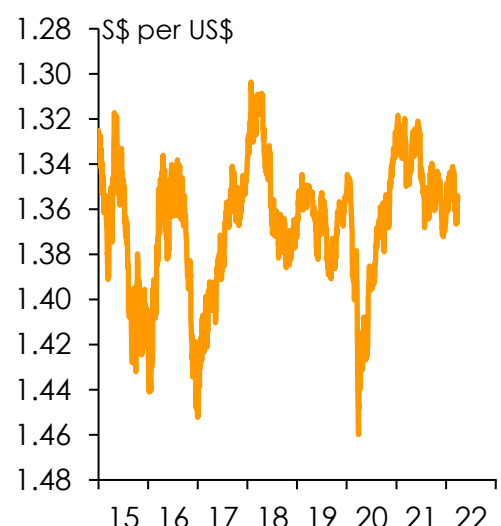
Vietnamese dong



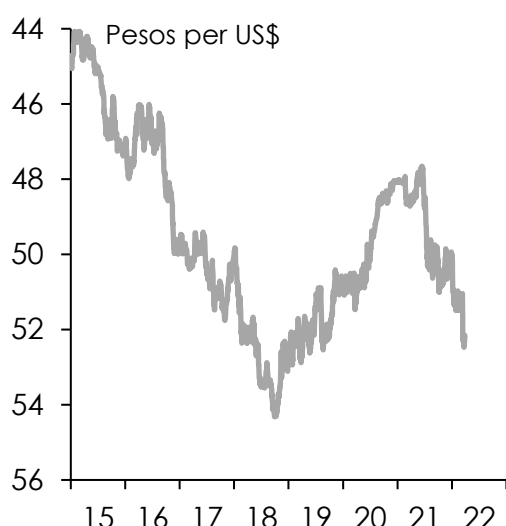
New Taiwan dollar



Singapore dollar



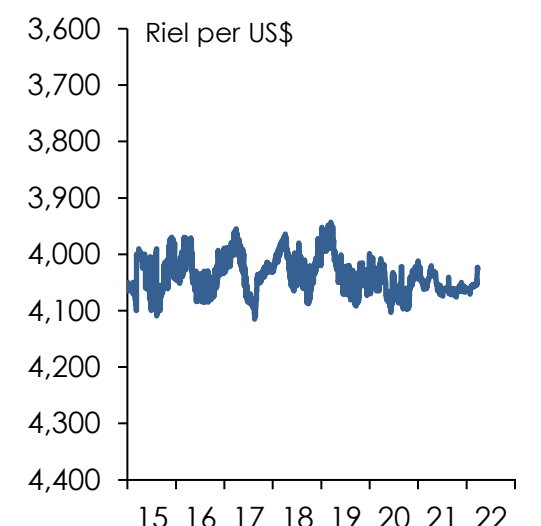
Philippine peso



Malaysian ringgit



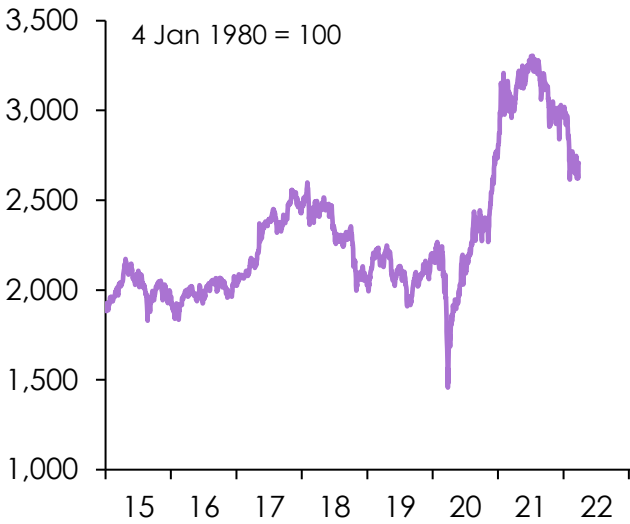
Cambodian riel



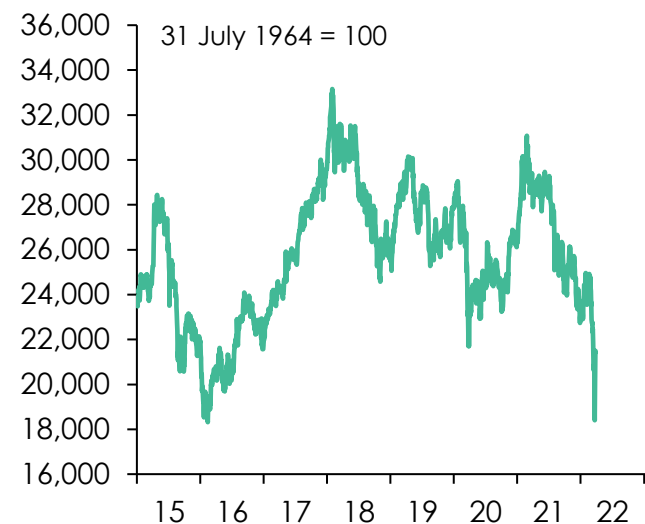
Asian stock markets, particularly Hong Kong clawed back some of the previous week's losses – except for Manila which lost another 1½%

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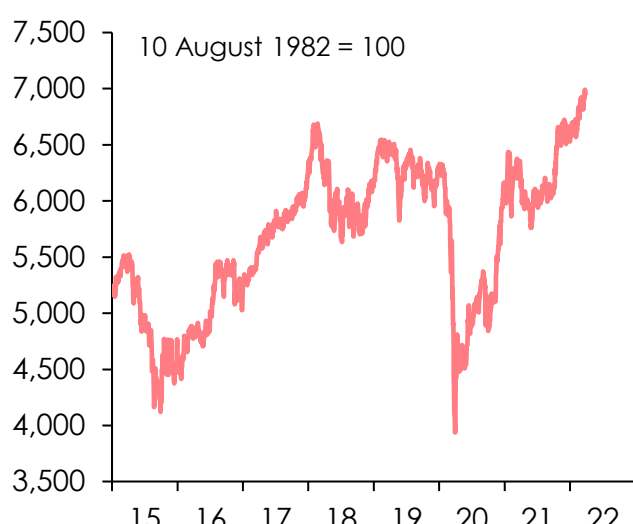
KOSPI



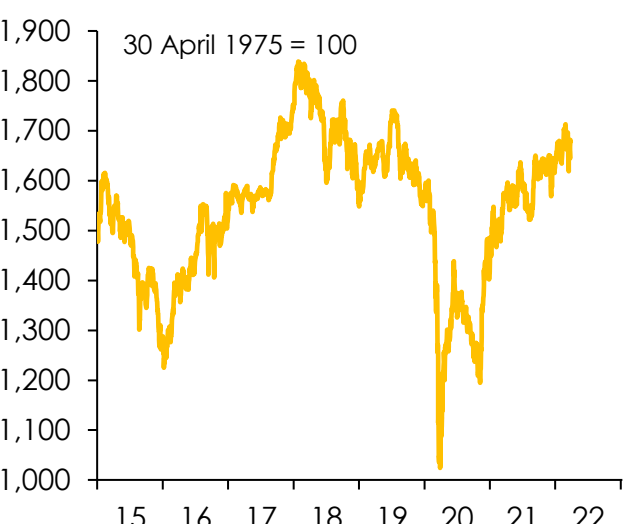
Hang Seng Index



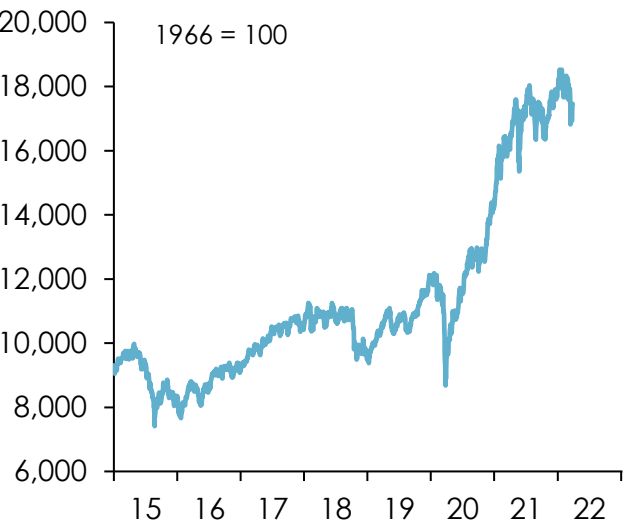
JCI



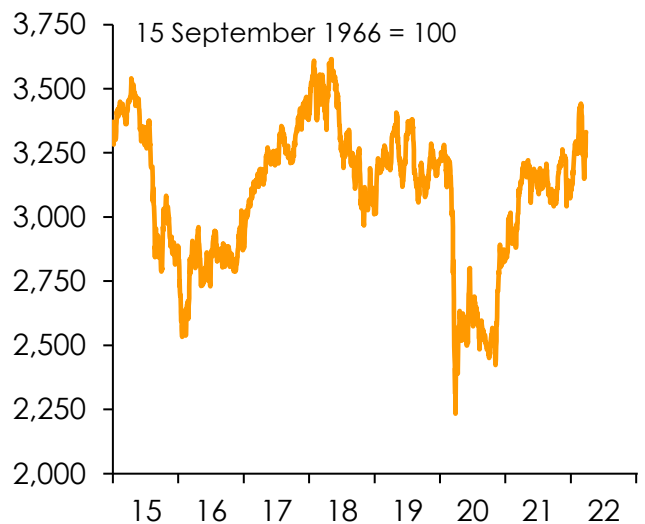
SETI



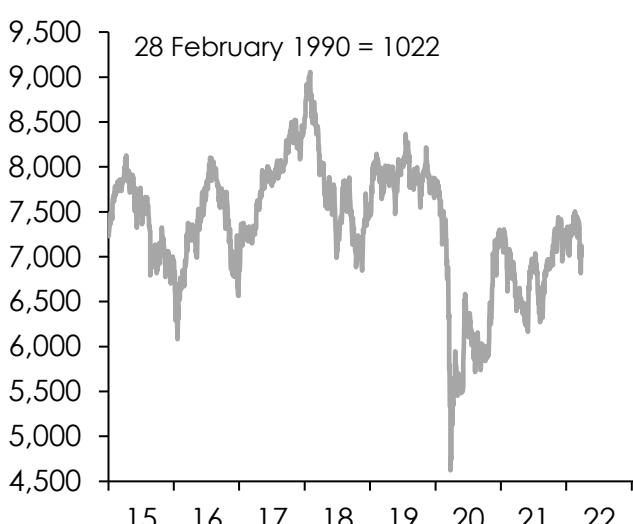
TAIEX



Straits Times Index



PSE i



KLCI

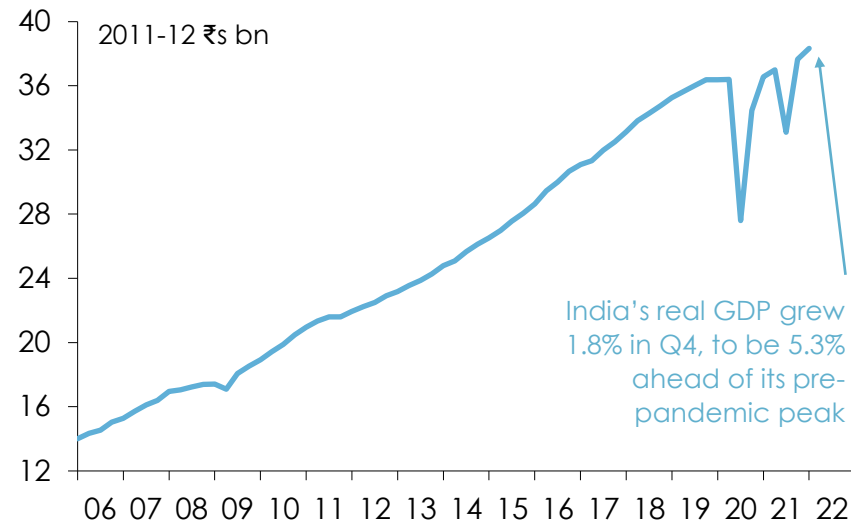


India

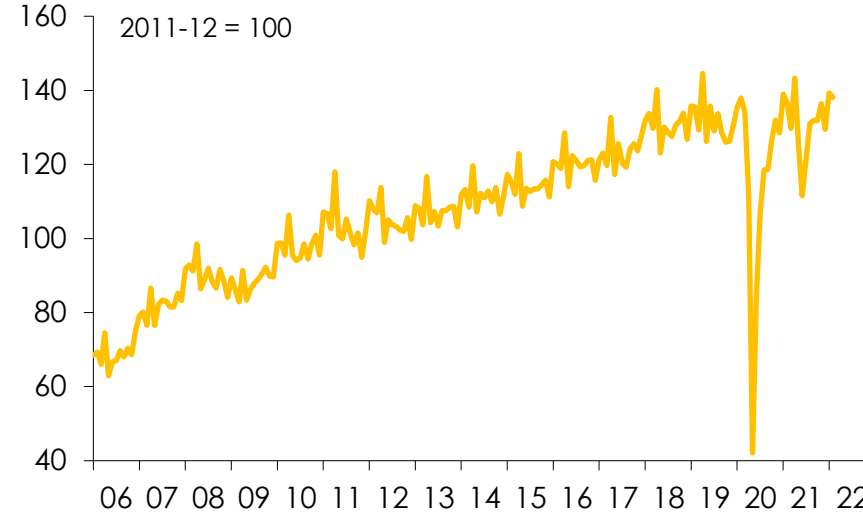
India's economy is recovering from two waves of virus-induced contractions in Q2 2020 and Q2 2021

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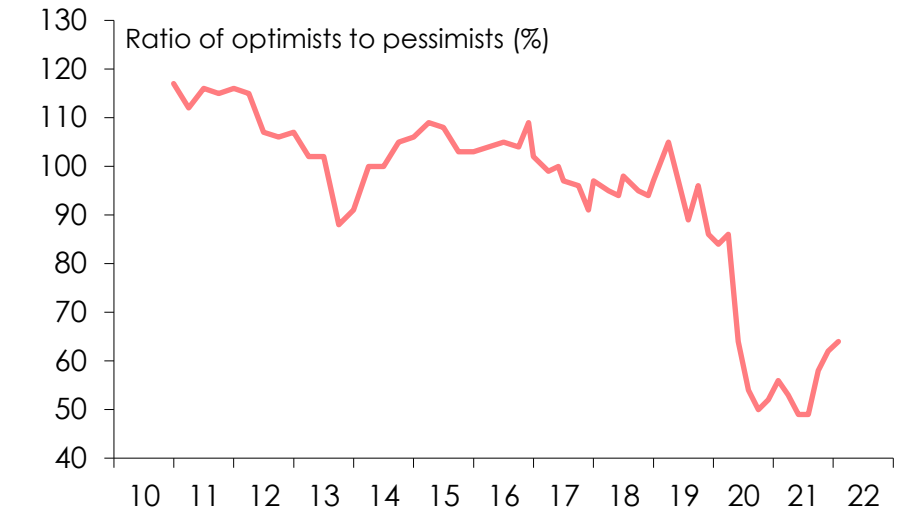
Quarterly real GDP



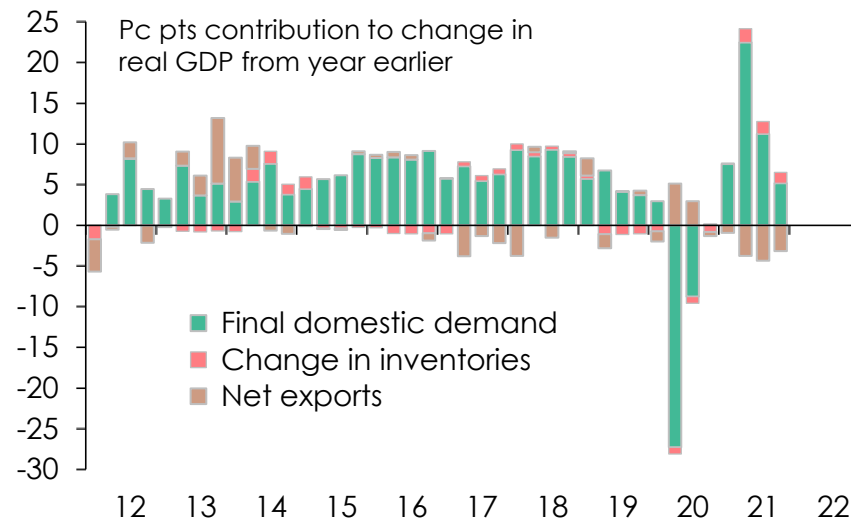
Manufacturing production



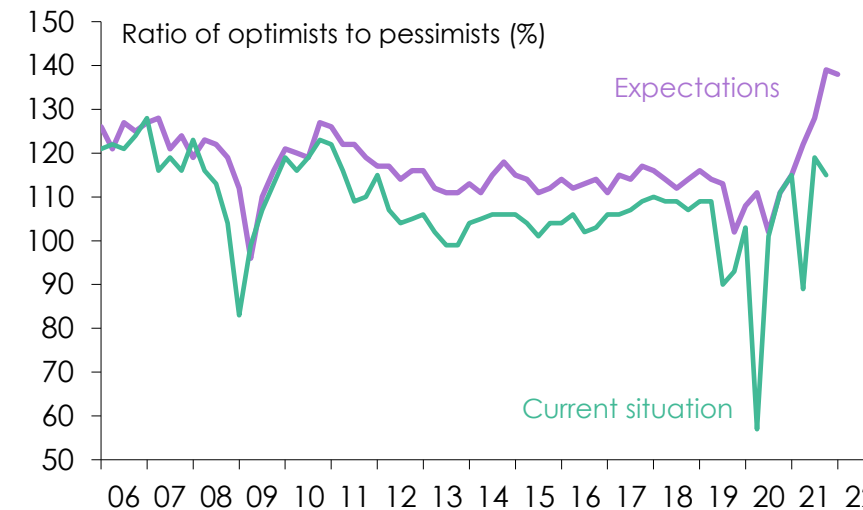
Consumer confidence



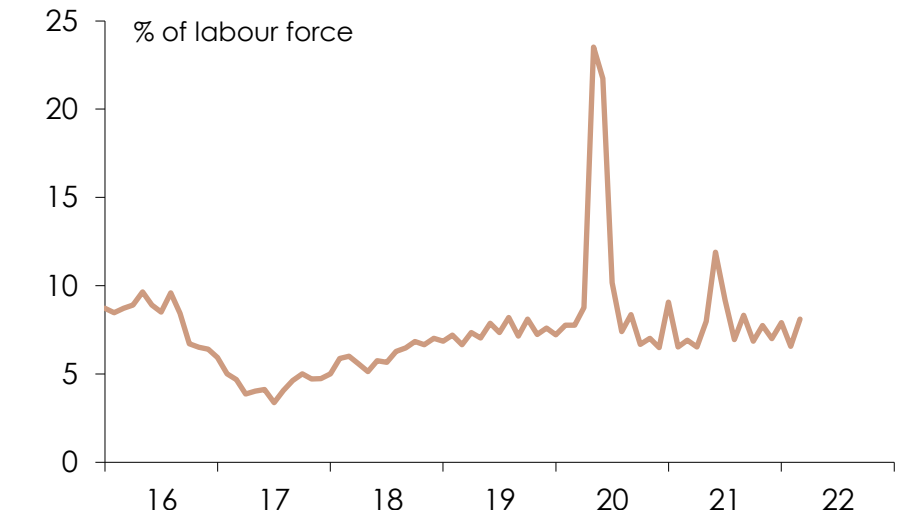
Contributions to real GDP growth



Industrial sector sentiment



Unemployment rate

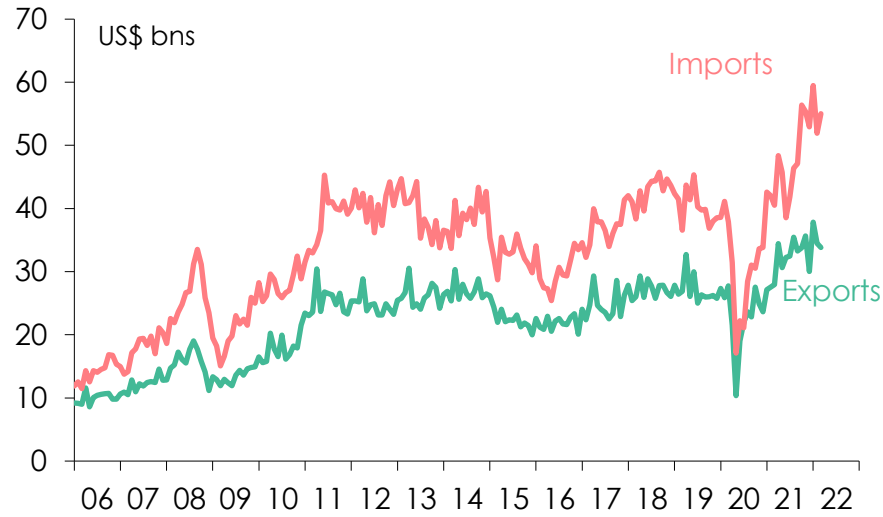


Sources: OECD, [Quarterly National Accounts dataset](#); Government of India, Ministry of Statistics and Programme Implementation, [National Accounts Data](#), and [IIP Data](#); Reserve Bank of India, [Quarterly Industrial Outlook Survey](#) and [Consumer Confidence Survey Bi-Monthly](#); Centre for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

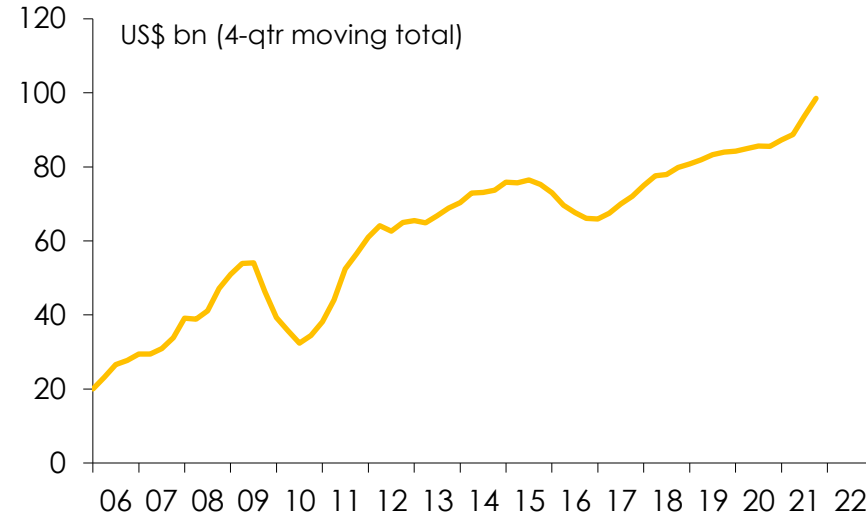
India's merchandise trade deficit has deteriorated sharply due to higher oil prices but its overall external position remains relatively stable

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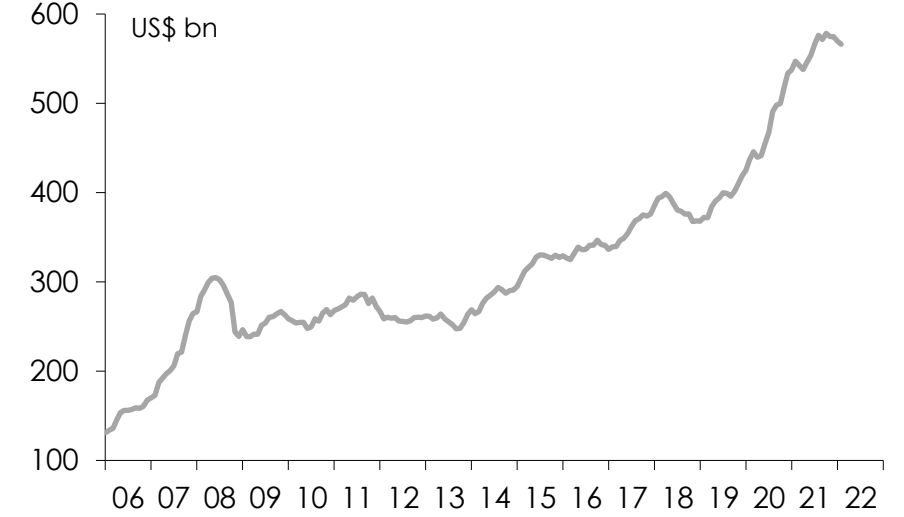
Merchandise exports and imports



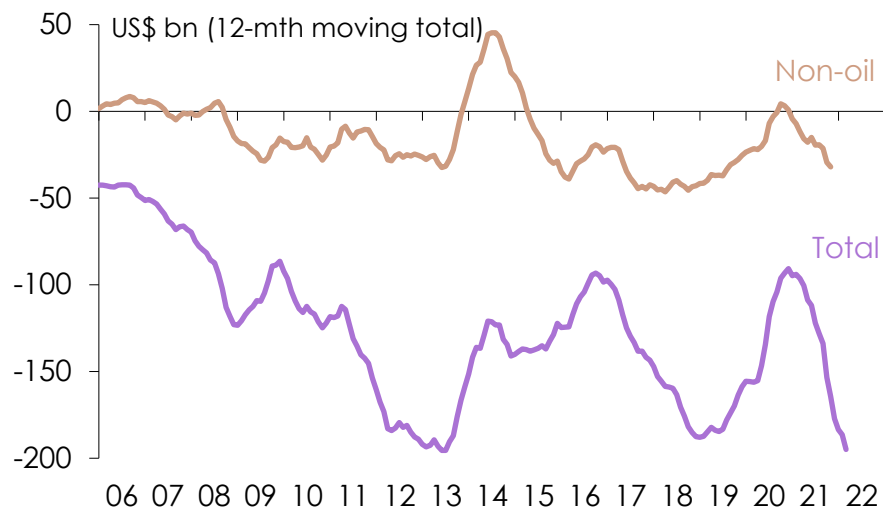
Services trade balance



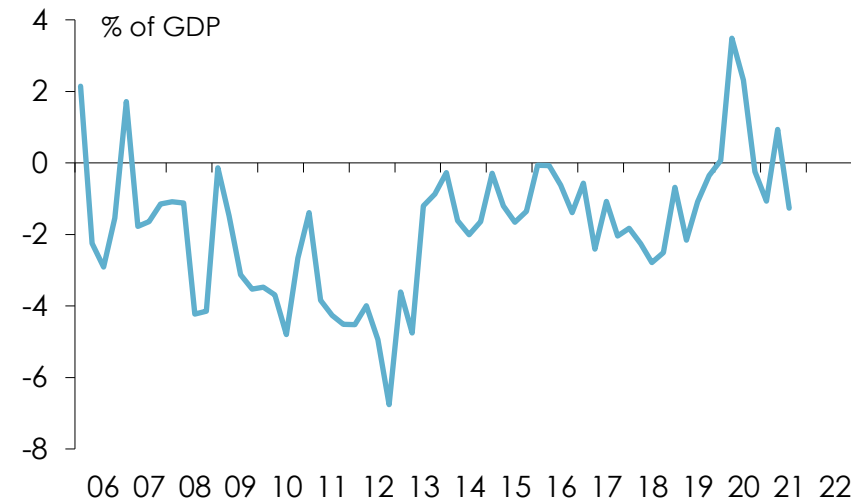
Foreign exchange reserves



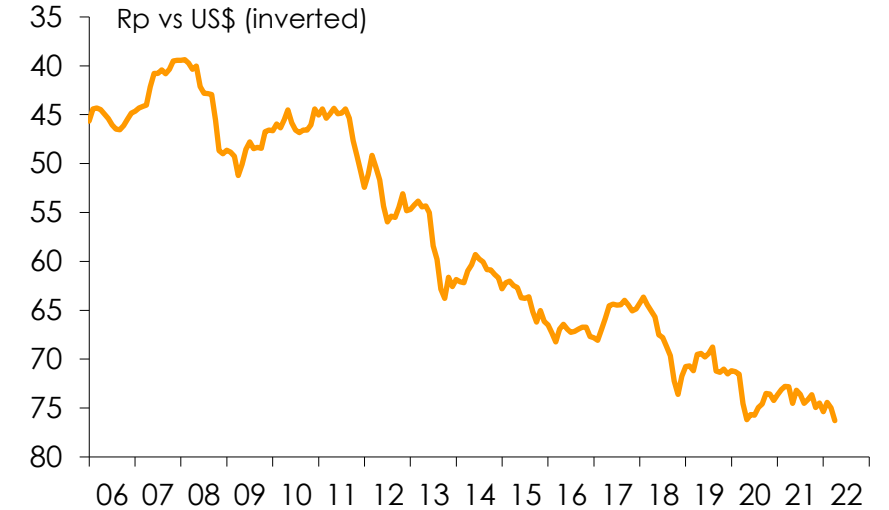
Merchandise trade balance



Current account balance



Rupee vs US dollar

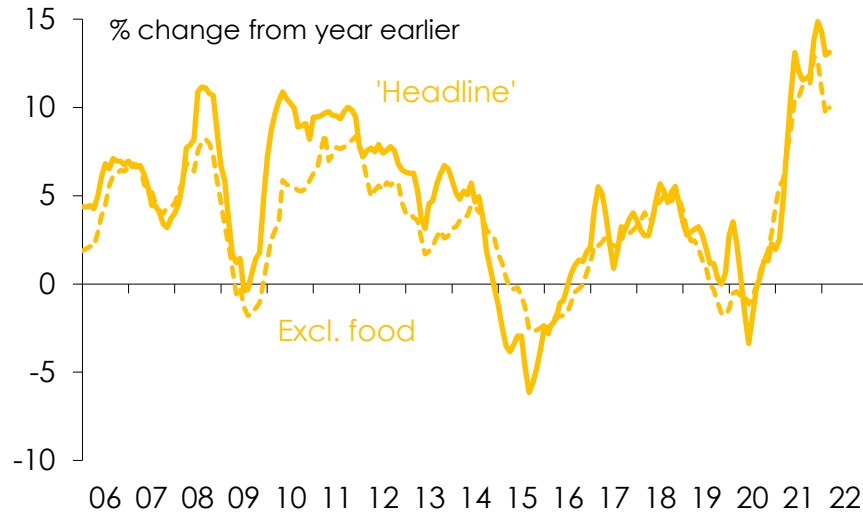


Sources: Government of India, Ministry of Commerce and Industry, [Trade Statistics](#); Reserve Bank of India, [Special Data Dissemination Standards - Balance of Payments](#) and [Weekly Statistical Supplement - Extract](#); Refinitiv Datastream. [Return to "What's New"](#).

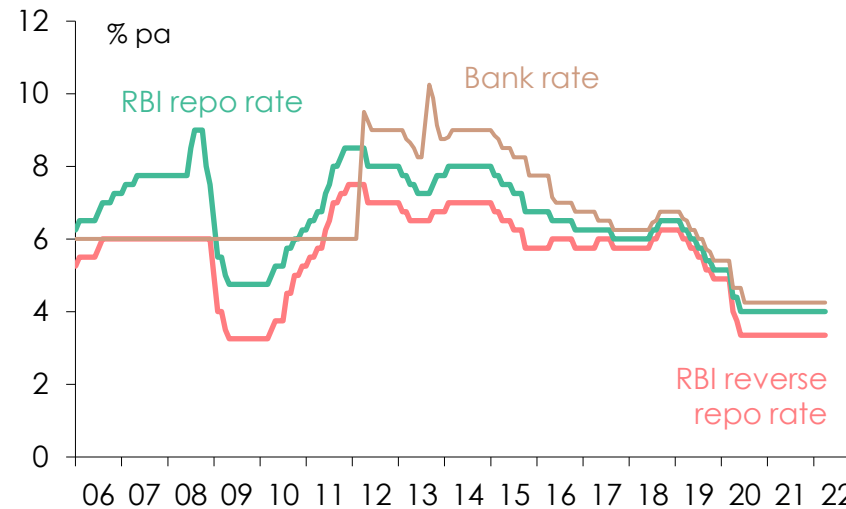
The annual inflation rate rose to 6.1% in February, just above the top of the RBI's target range

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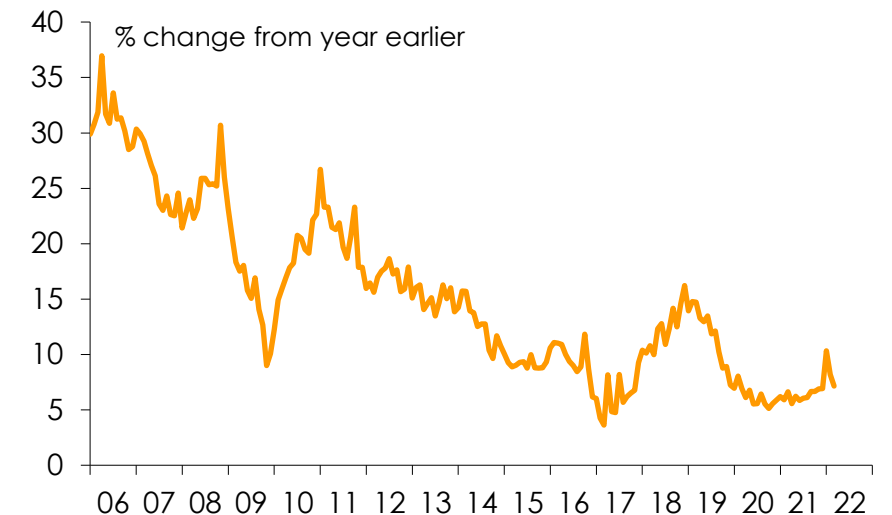
Wholesale prices



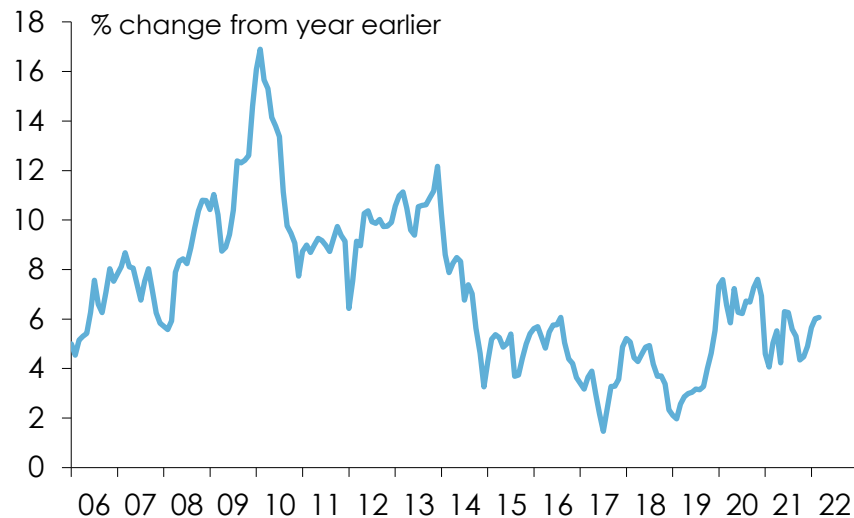
RBI policy interest rates



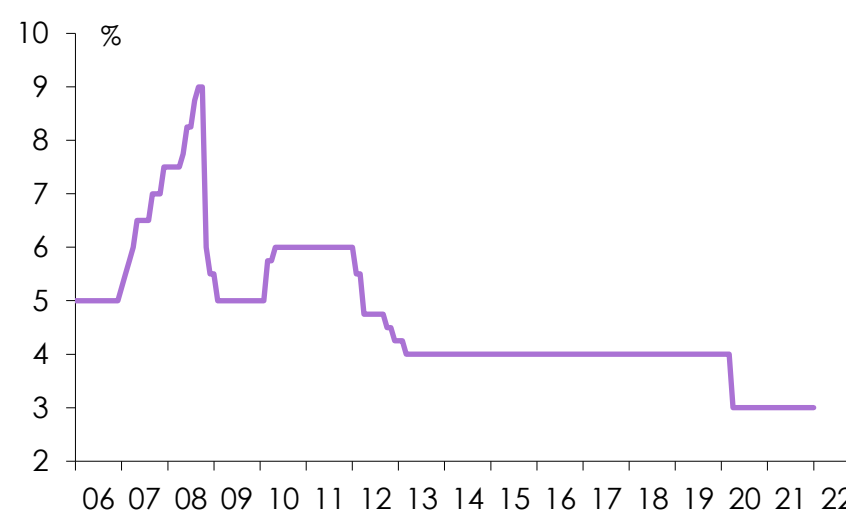
Bank lending



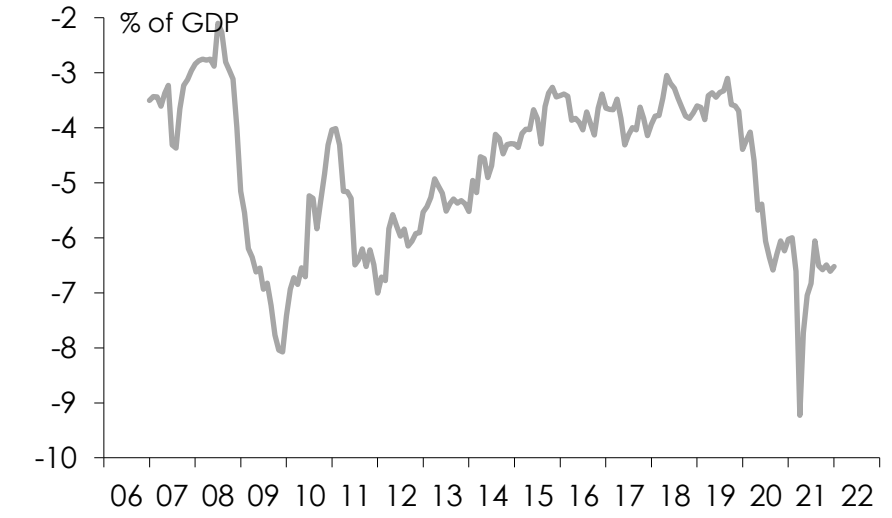
Consumer prices



RBI cash reserve ratio



Central government fiscal balance

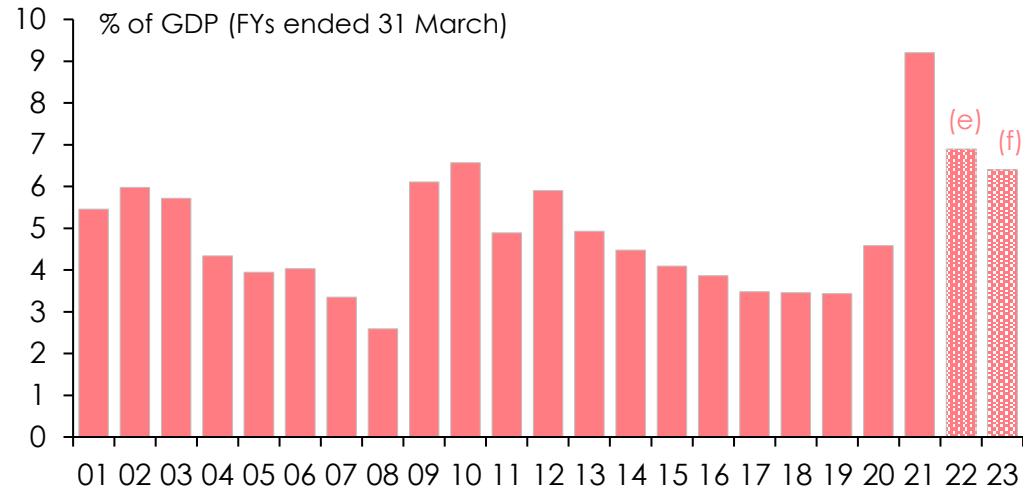


Note: The RBI's inflation target is $4\% \pm 2$ pc points. Sources: Government of India, Office of the Economic Adviser, Ministry of Commerce and Industry, [WPI Press Release](#); Ministry of Statistics and Programme Implementation, [CPI](#); Reserve Bank of India, [Monetary Policy](#) and [RBI Bulletin](#);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

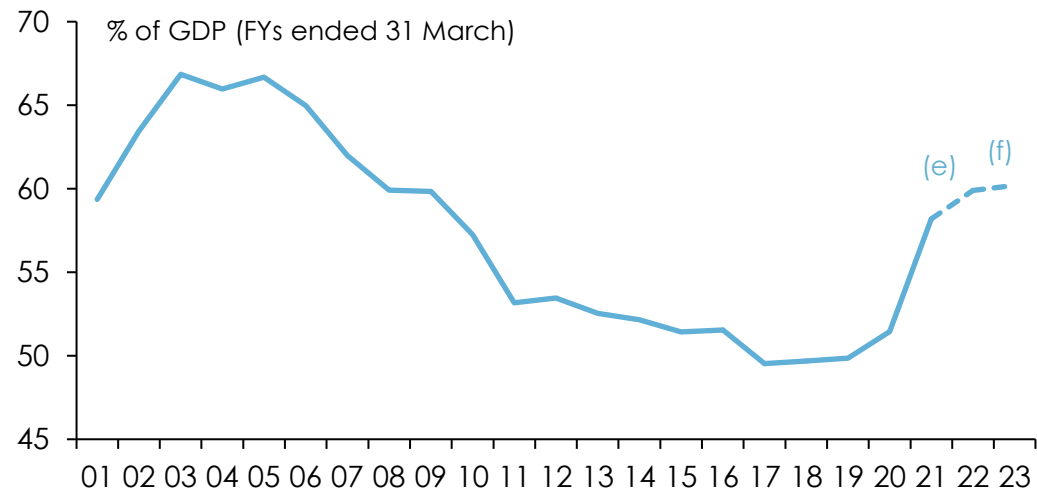
India's 2022-23 Budget, presented last month, maintains a deficit of over 6% of GDP in order to fund another large increase in capital spending

THE WORLD ECONOMY THIS WEEK – 21ST 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

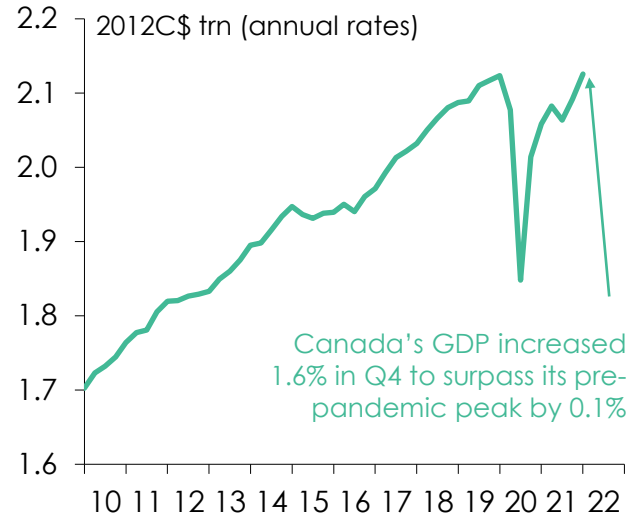
THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

- ❑ 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 on 9th March 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

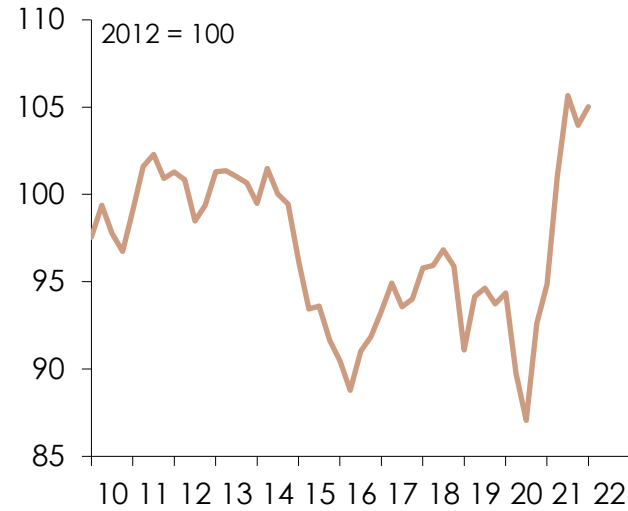
Canada's CPI rose 0.6% in February, pushing annual 'headline' inflation to 5.5% and 'core' inflation to 3.9% (the highest in 19 years)

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

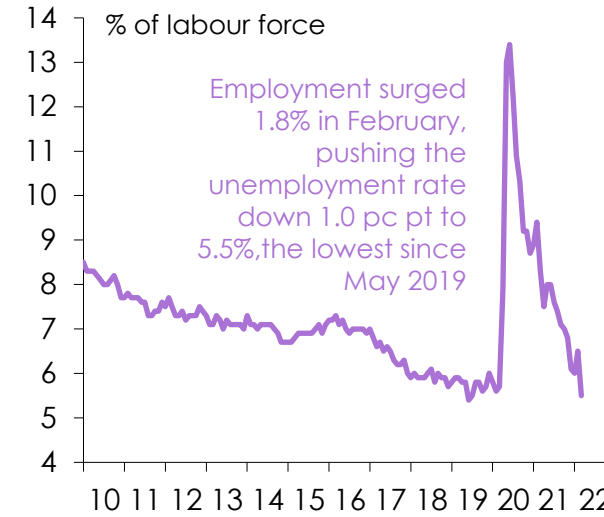
Real GDP



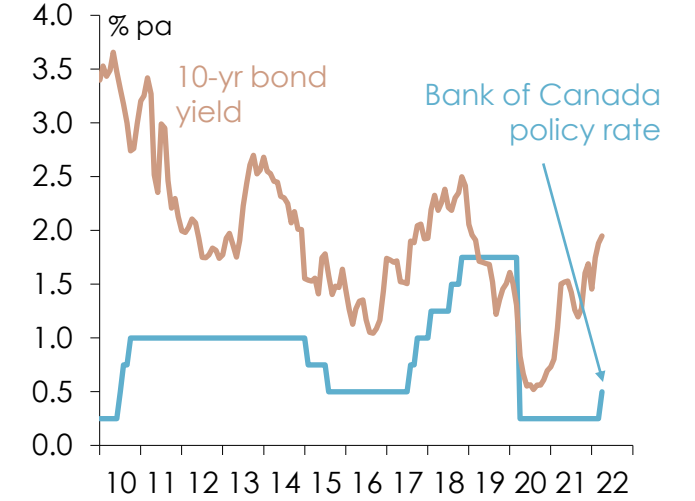
Terms of trade



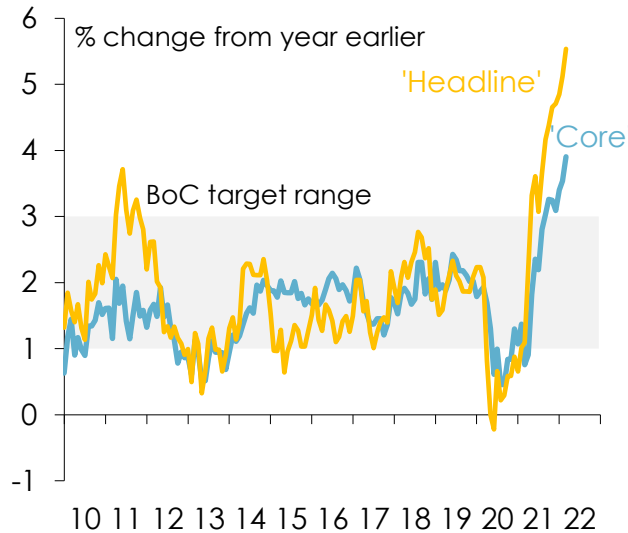
Unemployment



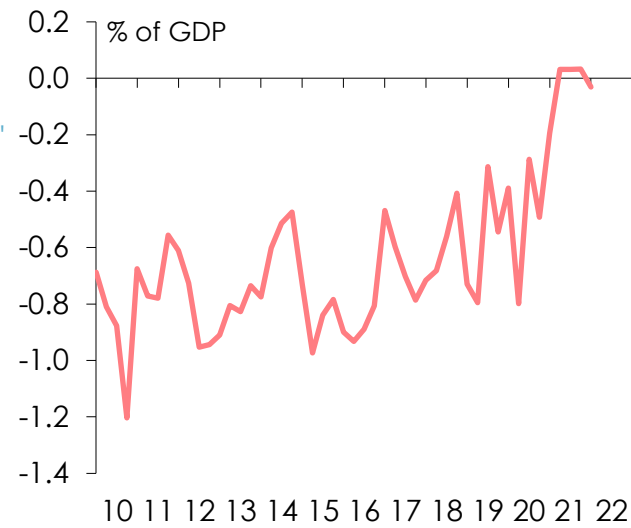
Interest rates



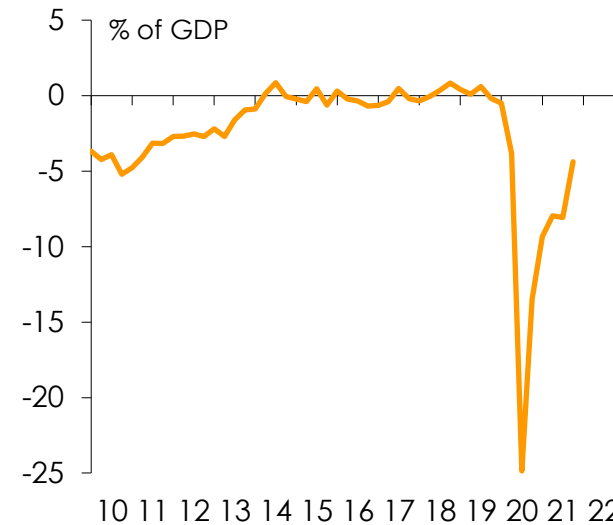
Consumer prices



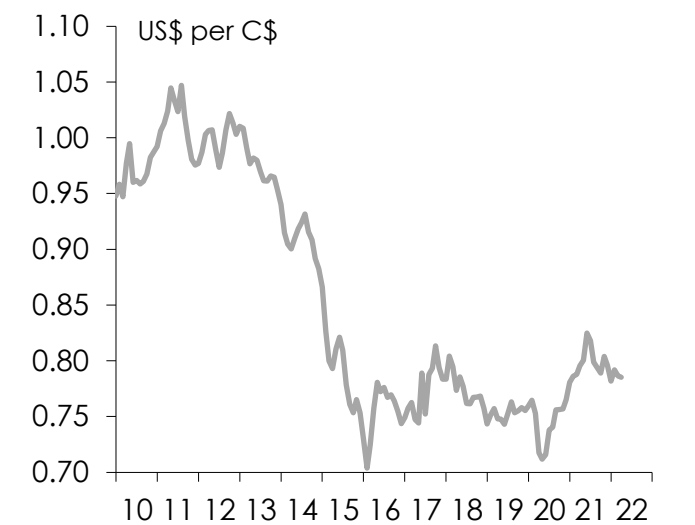
Current account balance



Government net lending



C\$ vs US\$

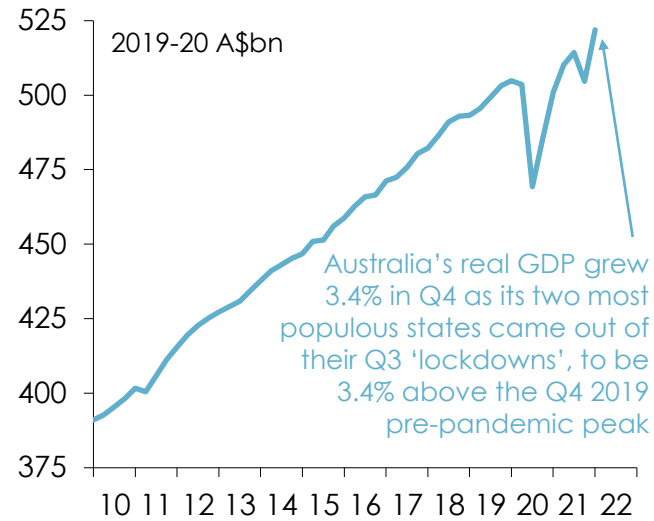


Sources: Statistics Canada, [National Gross Domestic Product \(GDP\) by Income and by Expenditure Accounts](#); [Consumer price index portal](#); [Canada's Balance of International Payments](#); [Labour Statistics](#); Bank of Canada, [Policy Interest Rate](#); Refinitiv Datastream. [Return to "What's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

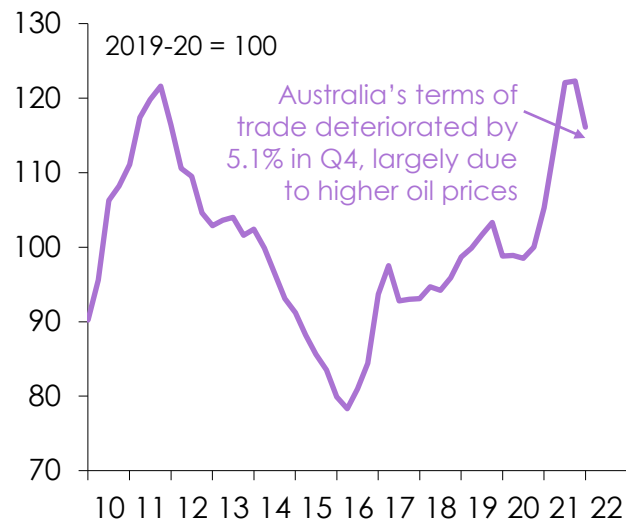
Australia's unemployment rate fell to 4.0% in February, a figure that has been bettered only twice (by less than 0.1 pc pt) since 1974

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

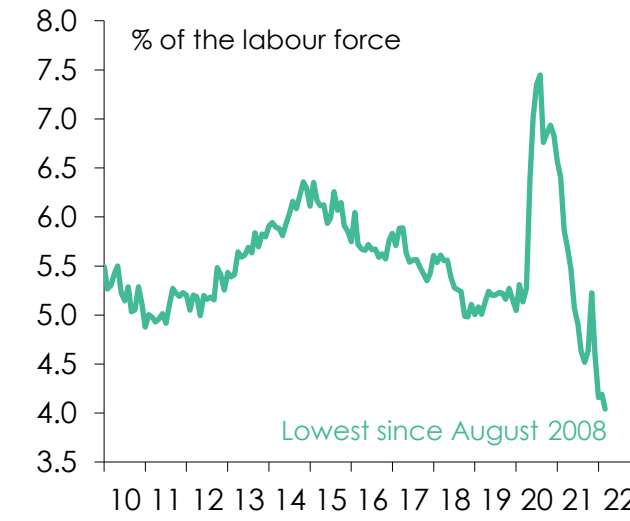
Real GDP



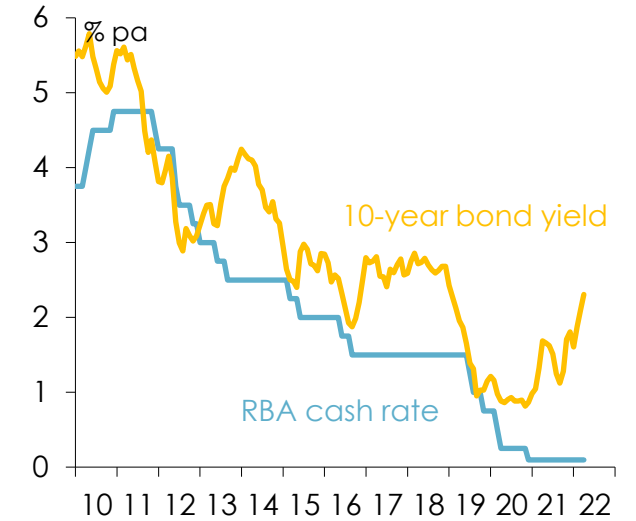
Terms of trade



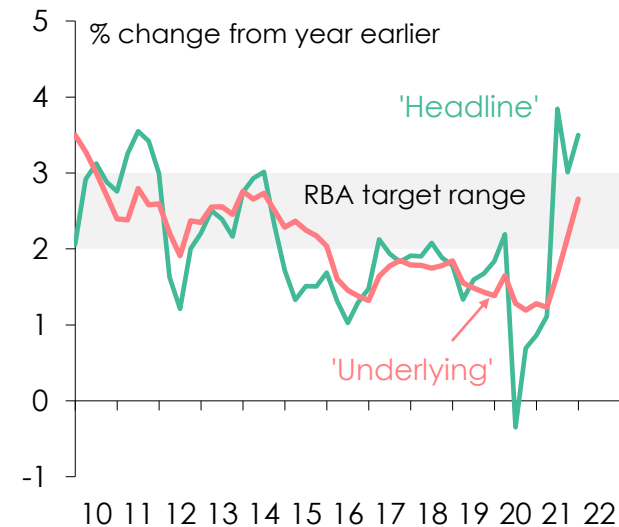
Unemployment



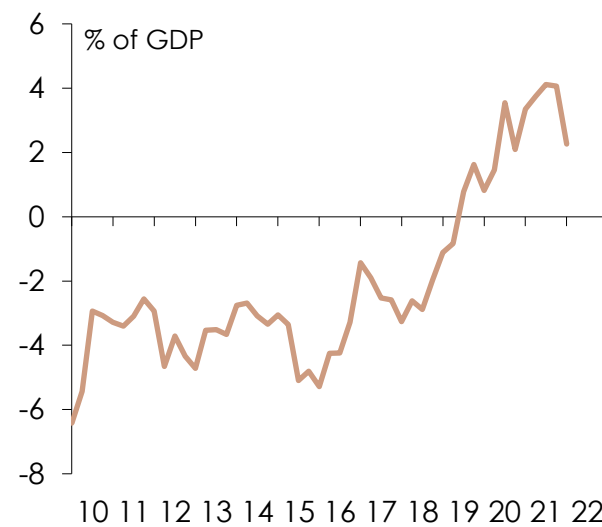
Interest rates



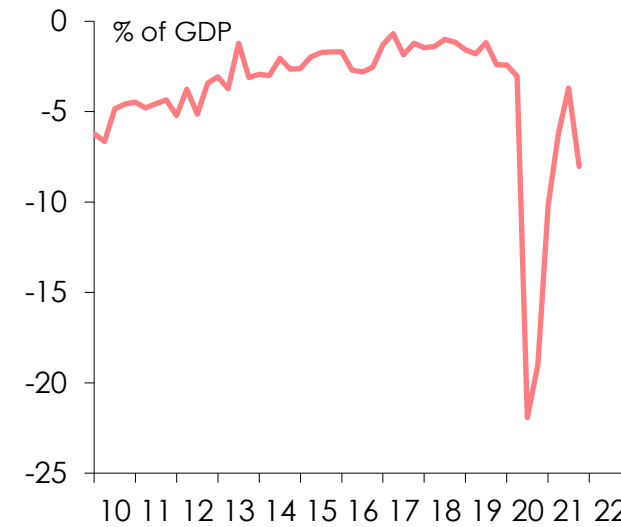
Consumer prices



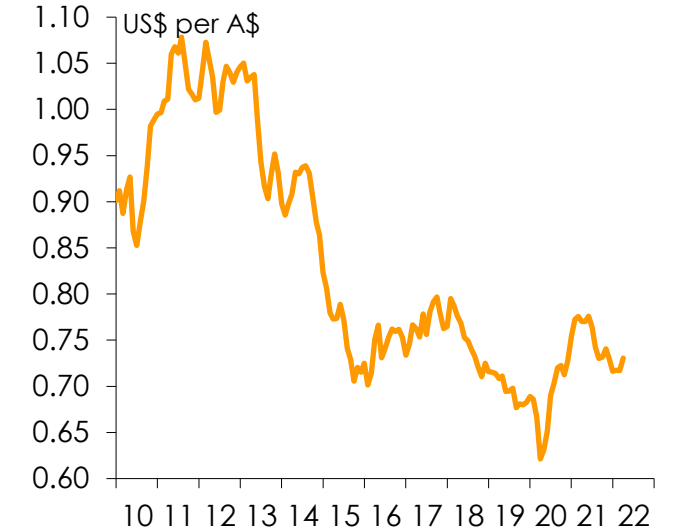
Current account balance



Government net lending



A\$ vs US\$

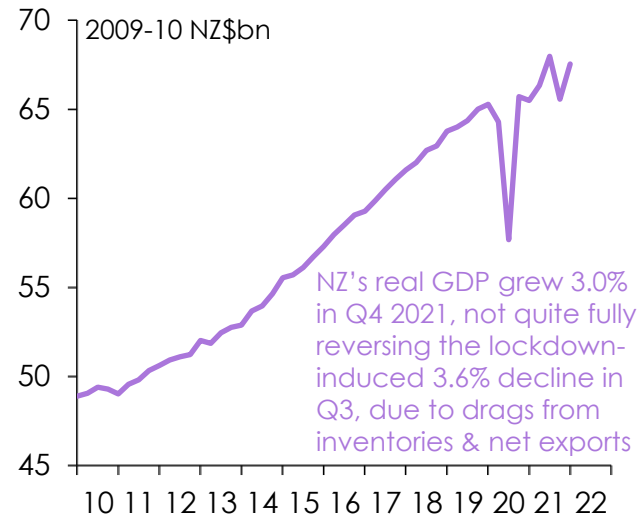


Note: The measure of 'underlying' inflation shown here is the trimmed mean. Sources: Australian Bureau of Statistics, [Australian National Accounts: National Income, Expenditure and Product](#); [Consumer Price Index](#); [Balance of Payments and International Investment Position](#); [Labour Force](#);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

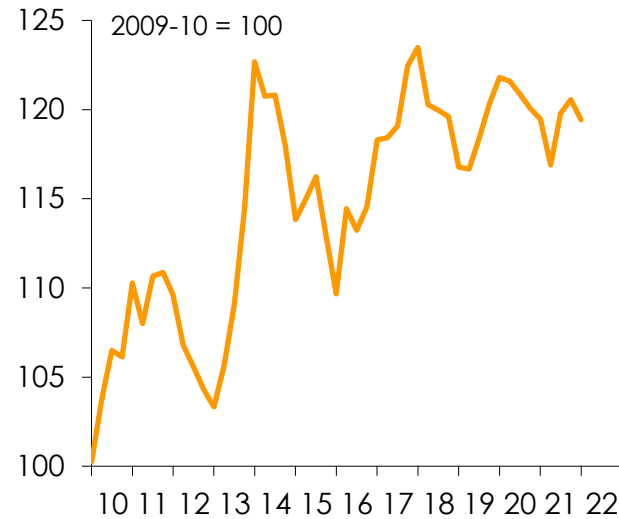
NZ's economy grew 3% in 2021Q4, not completely reversing the 3.6% decline in Q3, partly because of a large decline in net exports

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

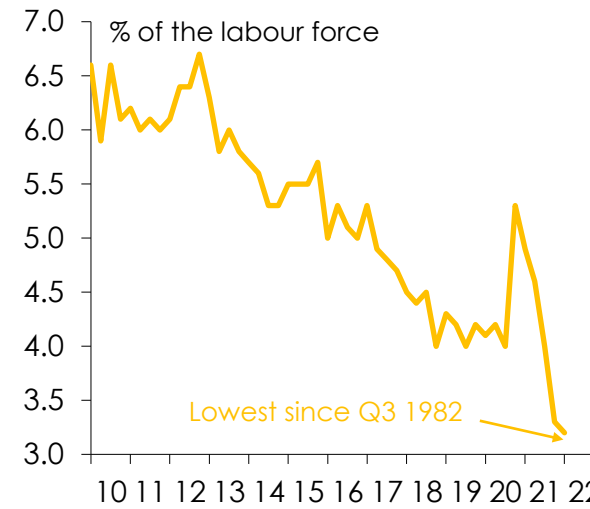
Real GDP



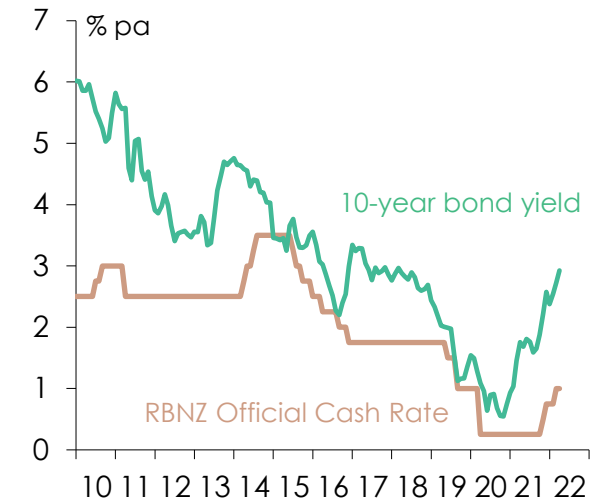
Terms of trade



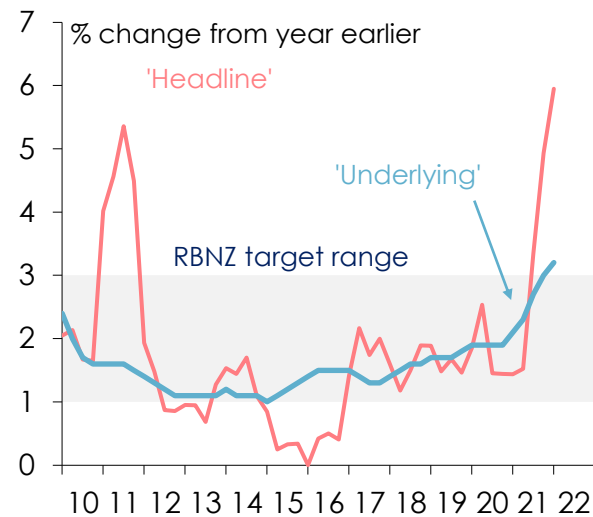
Unemployment



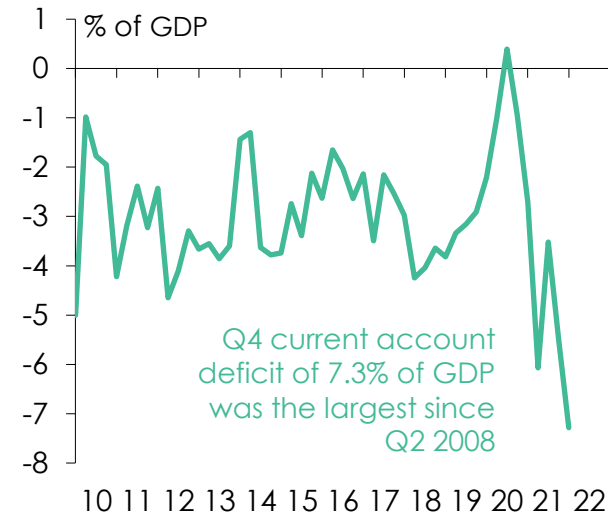
Interest rates



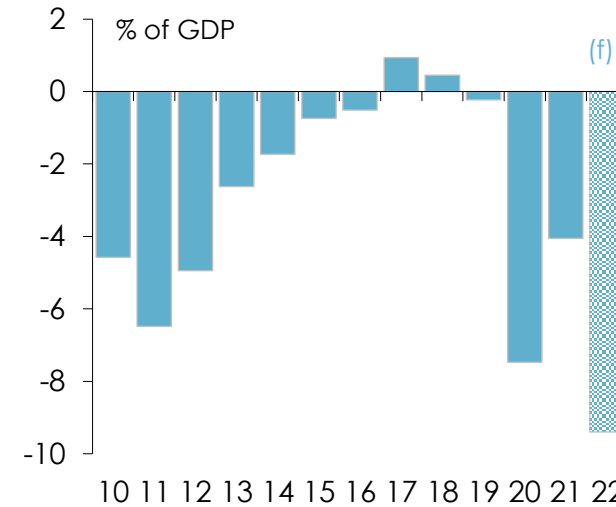
Consumer prices



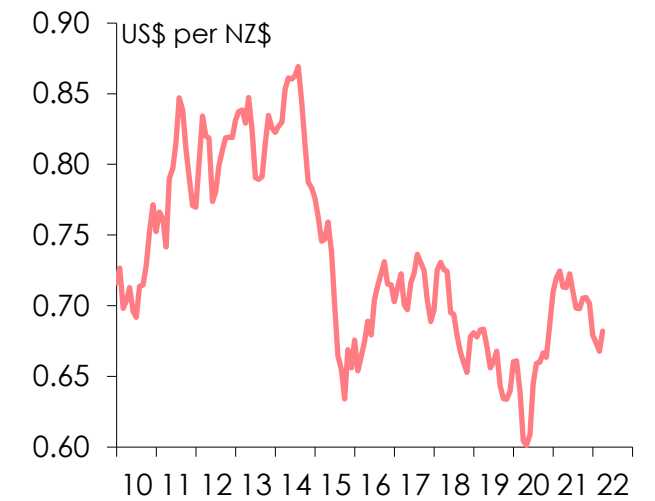
Current account balance



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

Brazil's central bank last week raised rates another 100bp, the ninth increase since last March, while Turkey's central bank left rates on hold

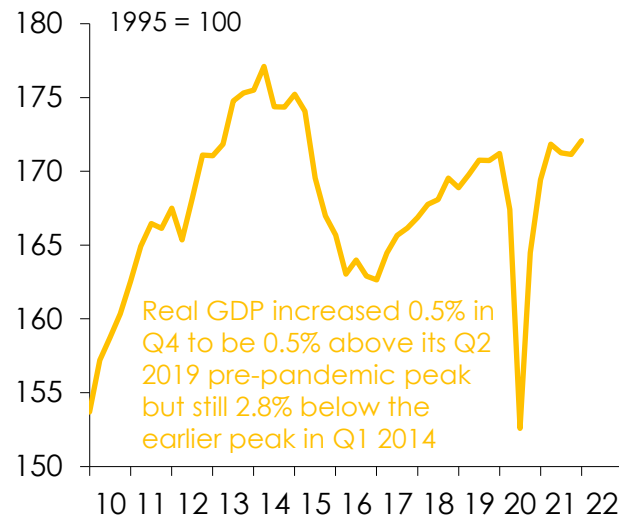
THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

- ❑ **Banco Central do Brasil** raised its SELIC (policy) rate another 100bp, to 11.75%, at last Wednesday's Copom (Monetary Policy Committee meeting)
 - this is the ninth increase since March last year, bringing the cumulative increase in the base rate to 975 bp, although the latest increase was smaller than the previous ones which were each 150bp ([slide 131](#))
 - Copom foreshadowed “another adjustment of the same magnitude” at its next meeting on 3rd-4th May
- ❑ **Outlining the reasons for the latest tightening, Copom noted 2021 Q4 GDP growth had been “higher than expected”, and that “consumer inflation continued to surprise negatively”:** it raised its ‘reference scenario’ inflation projections to 7.1% for 2022 and 3.4% for 2023 (from 5.4% and 3.2%, respectively, at its previous meeting)
 - Copom remains concerned at “uncertainties regarding the fiscal framework” which “imply additional impulses to aggregate demand or deteriorate the future fiscal path” and which “maintain elevated the risk of deanchoring inflation expectations”
 - it also noted “the potential of increasing inflationary pressures, which had already been rising both in emerging and advanced economies” arising from the conflict in Ukraine
- ❑ **TCMB, Turkey's central bank, kept its 7-day repo rate unchanged at 14% at its MPC meeting on Thursday**
 - the key policy rate has been kept at 14% since December, having been lowered by 500bp between September and December under pressure from Turkey's President Erdoğan despite inflation having risen from 15% at the beginning of last year to 36% by December, and since then to 54.4% in February, and the Turkish lira having fallen more than 40% ([slide 132](#))
 - the MPC expects “disinflation to start on the back of measures taken and decisively pursued for sustainable price and financial stability along with the decline in inflation owing to the base effect and the resolution of the ongoing regional conflict” and re-committed to continuing to “take its decisions in a transparent, predictable and data-driven framework”
- ❑ **The Central Bank of Russia left its key rate at 20% (to which it was raised on 28th February) ([slide 11](#))**
 - Governor Elvira Nabiullina indicated that “inflation will exceed our previous estimates” and that “GDP will decline in the next quarters” but foreshadowed that “interest rates will go down when the situation becomes sufficiently stable”

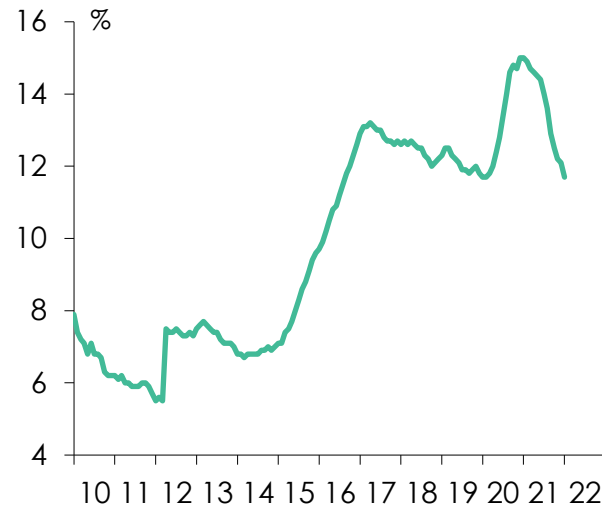
Banco Central do Brazil raised its policy rate another 100bp last week, for a total of 975 bp over the past 12 months, and with more to come

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

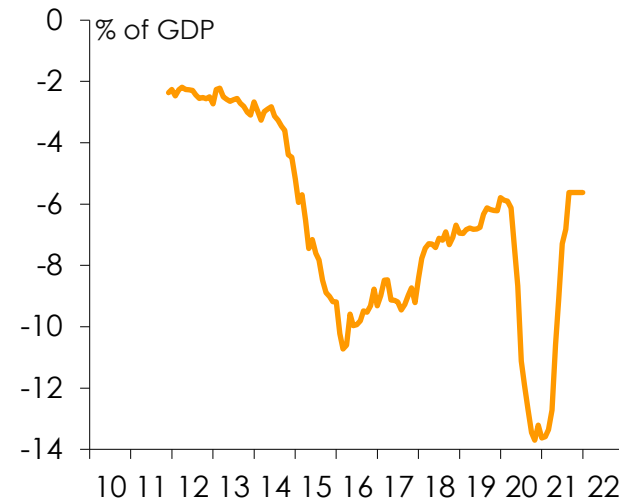
Real GDP



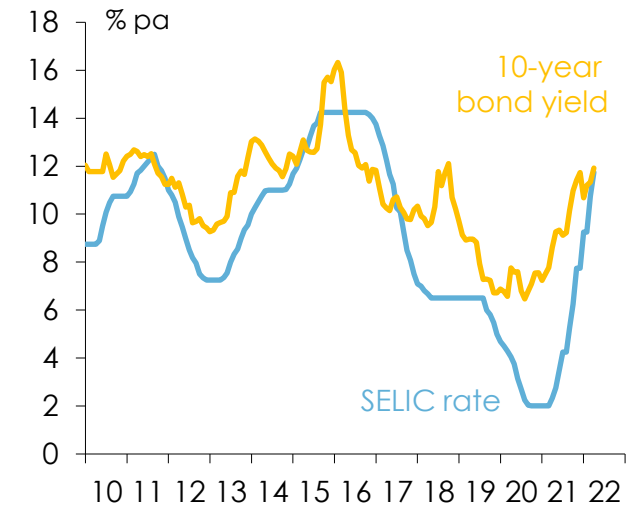
Unemployment



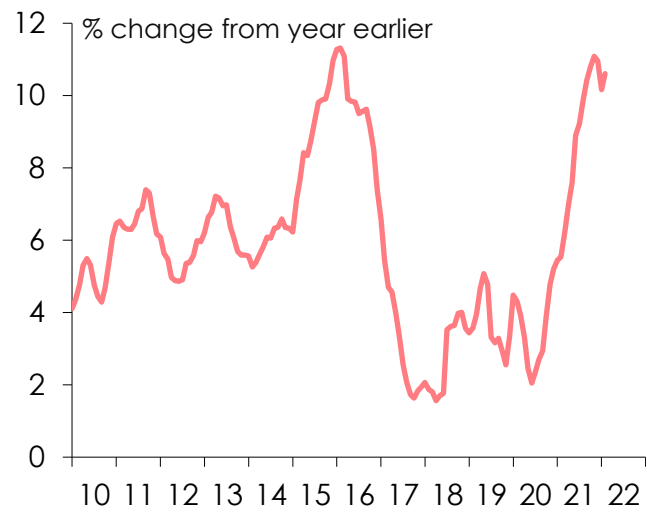
Public sector borrowing



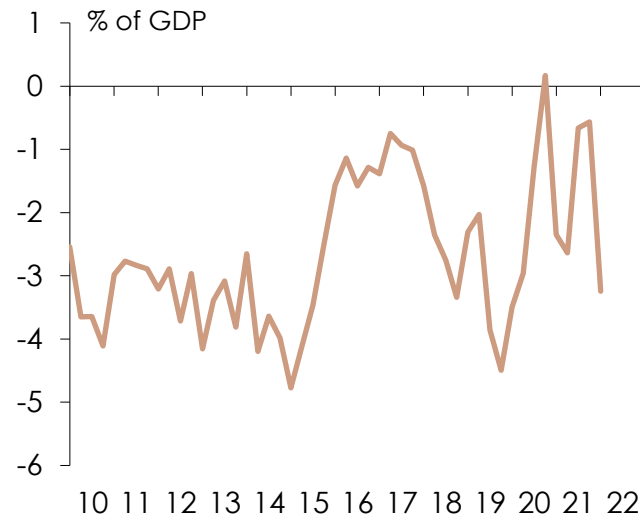
Interest rates



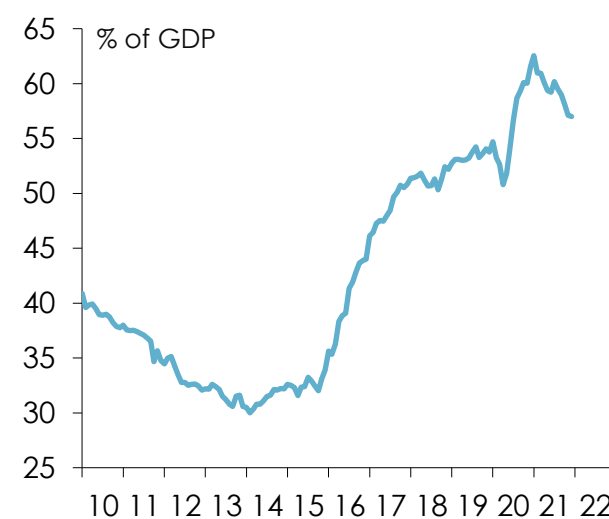
Inflation



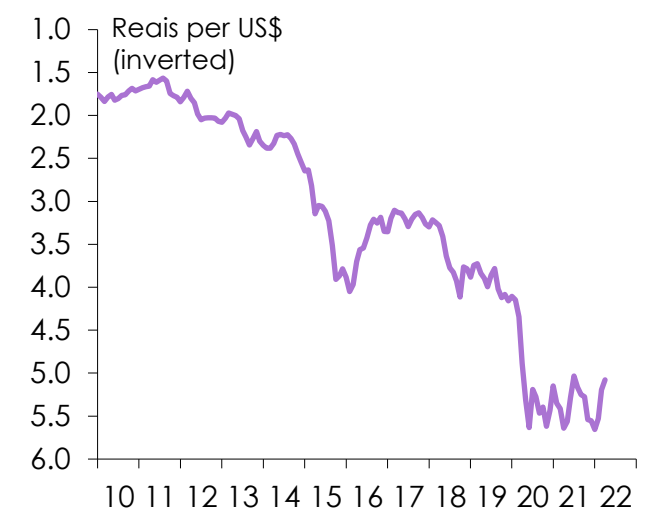
Current account balance



Public sector net debt



Brazilian real vs US\$

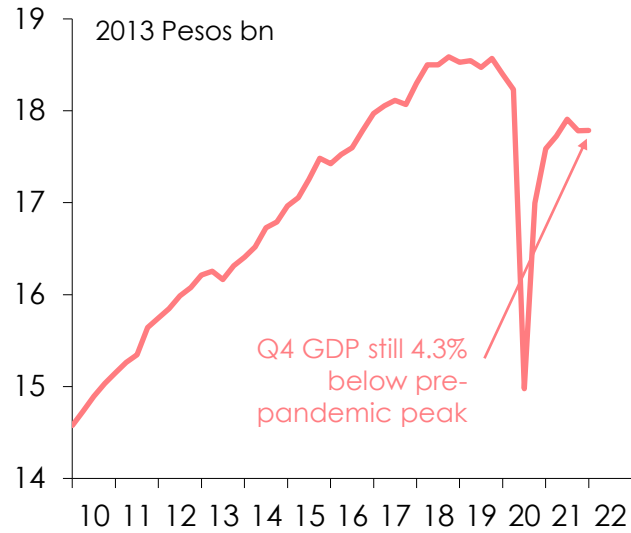


Sources: [Instituto Brasileiro de Geografia e Estatística](#) (IBGE); [Banco Central do Brasil](#); Refinitiv Datastream. [Return to "What's New"](#).

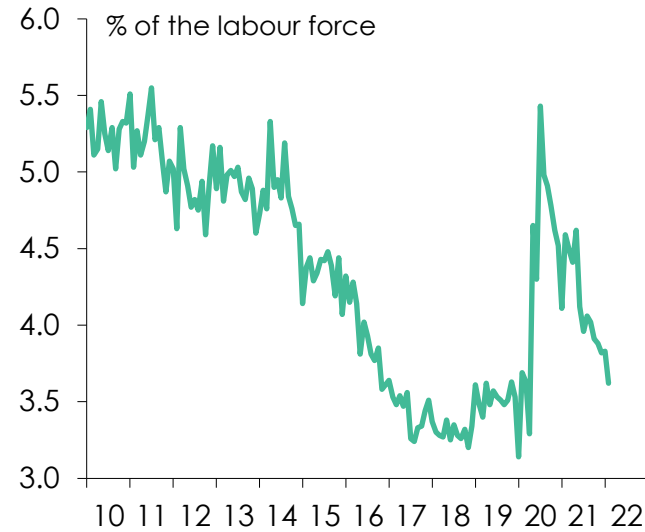
Mexico's central bank hiked rates by 150 basis points in 2021 despite GDP being still 4% below its pre-pandemic peak

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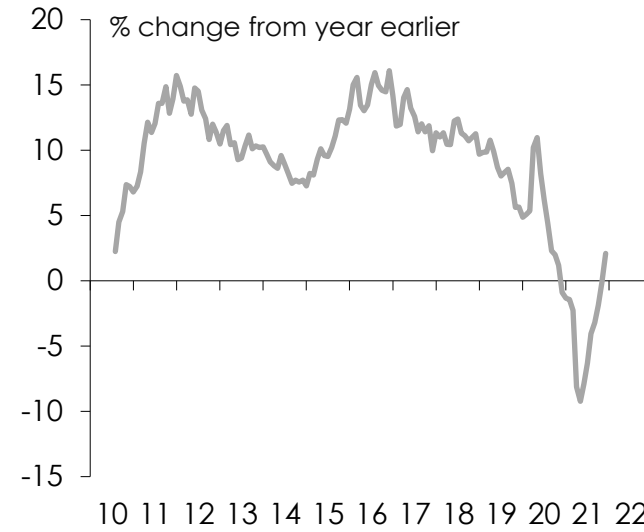
Real GDP



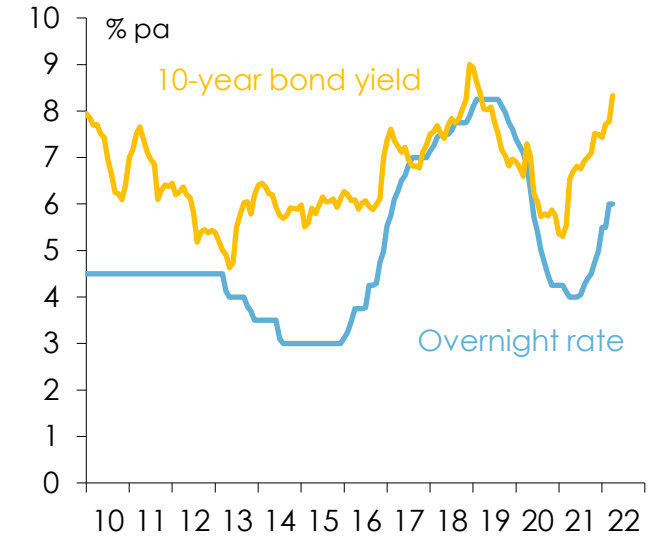
Unemployment



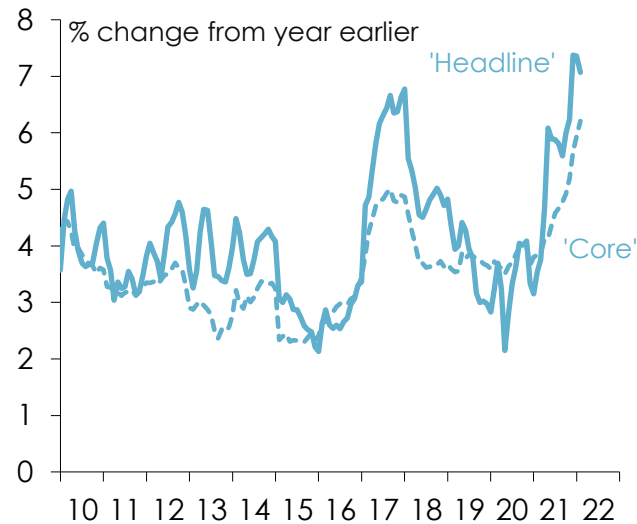
Bank lending



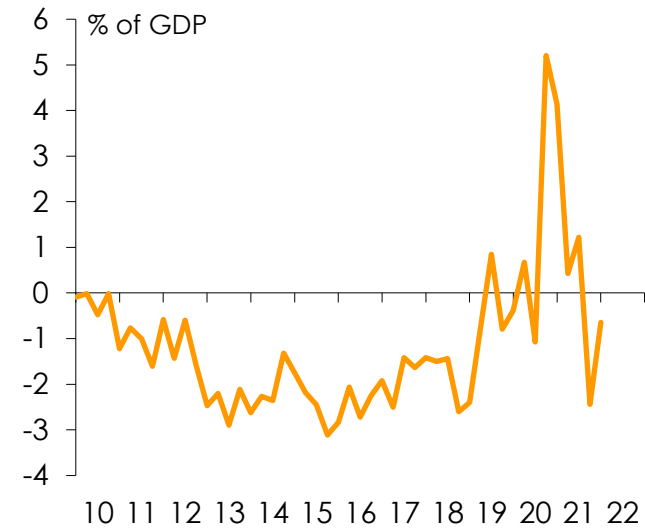
Interest rates



Inflation



Current account balance



Federal budget deficit



Mexican peso vs US\$

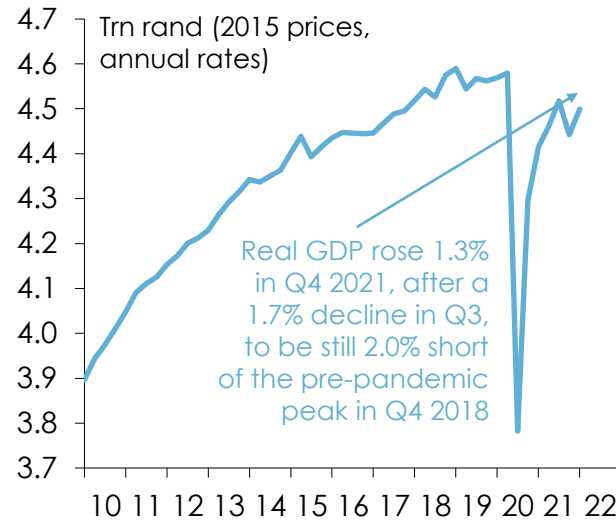


Sources [Banco de México](#); [Instituto Nacional de Estadística y Geografía \(INEGI\)](#); Refinitiv Datastream.. [Return to "What's New"](#).

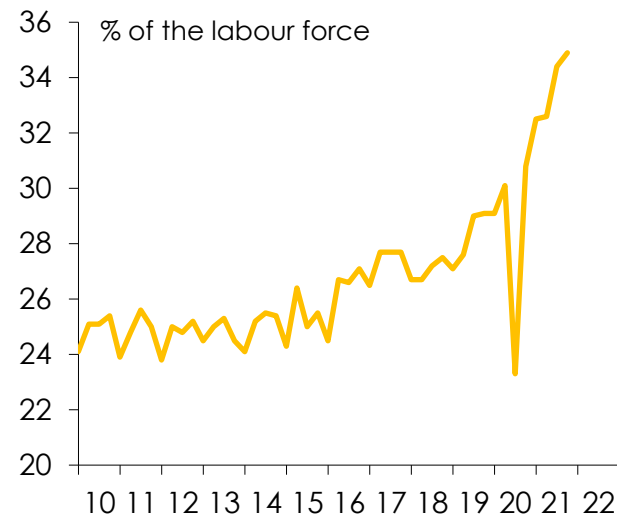
South Africa's economy still hasn't regained its Q4 2018 peak, and unemployment is almost 35%, but inflation is rising and so are interest rates

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

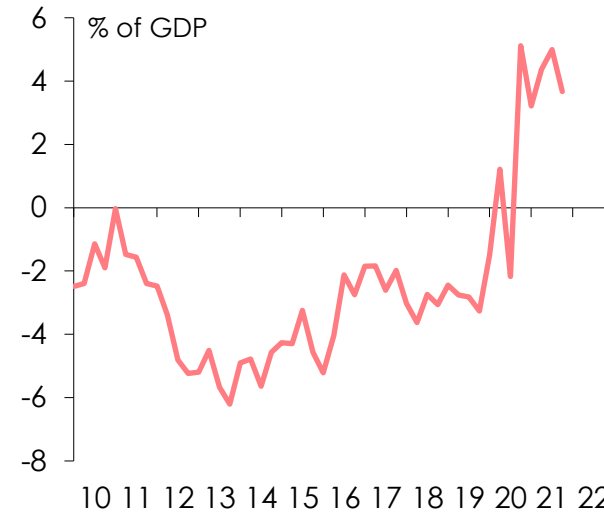
Real GDP



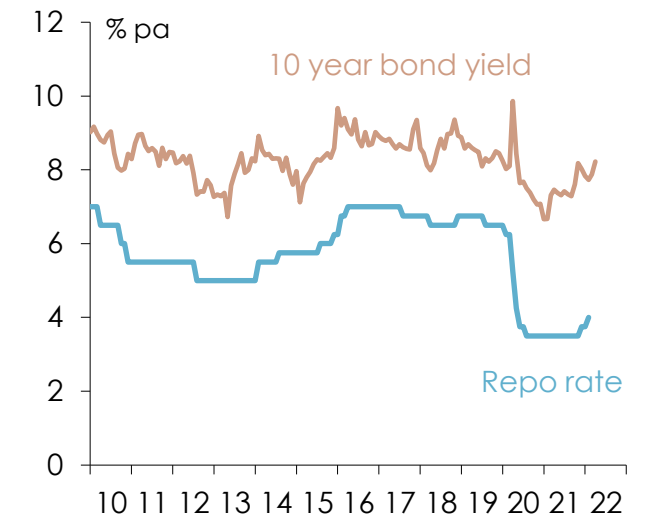
Unemployment



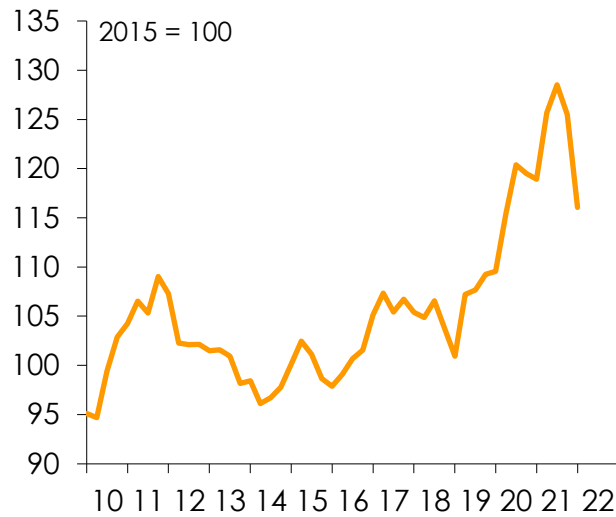
Current account balance



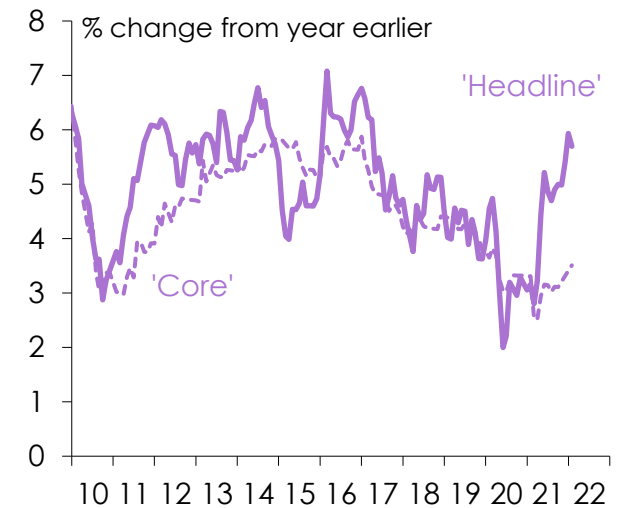
Interest rates



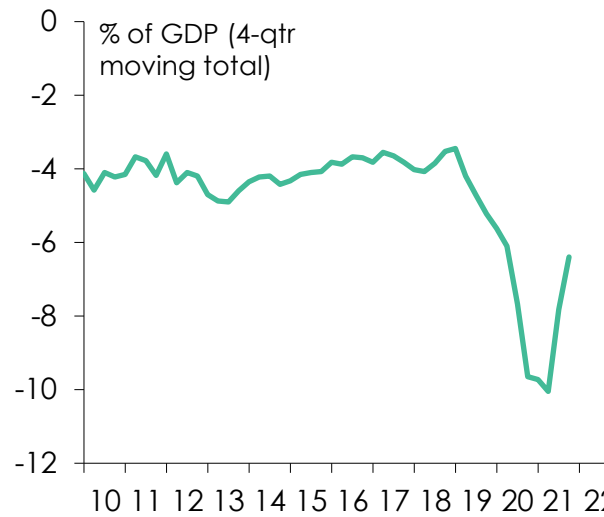
Terms of trade



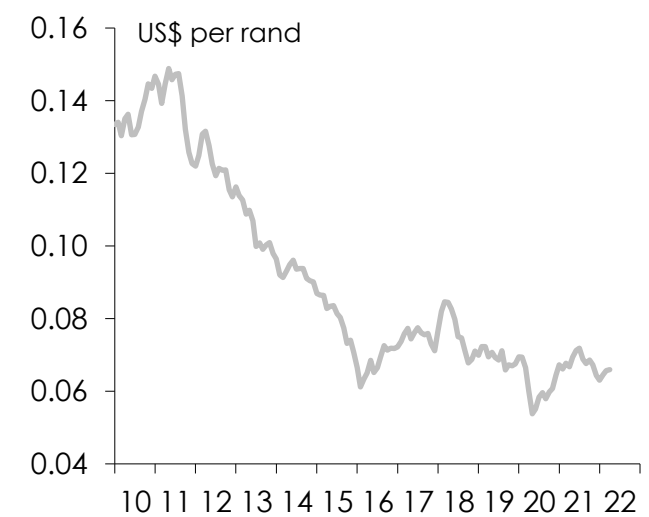
Inflation



Budget deficit



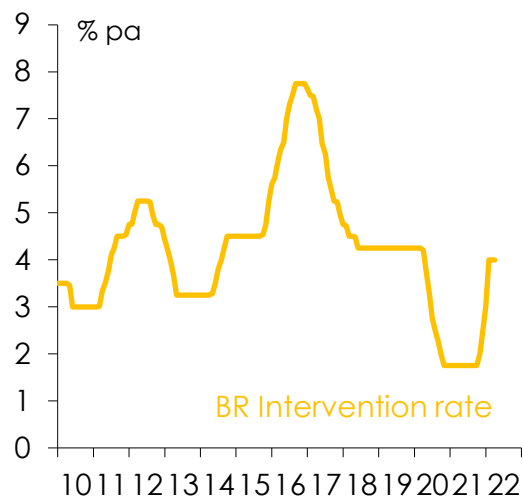
Rand vs US\$



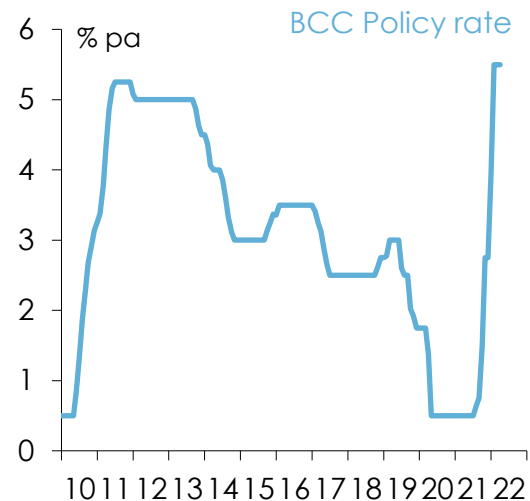
A growing number of other 'emerging' market central banks have begun tightening monetary policy

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

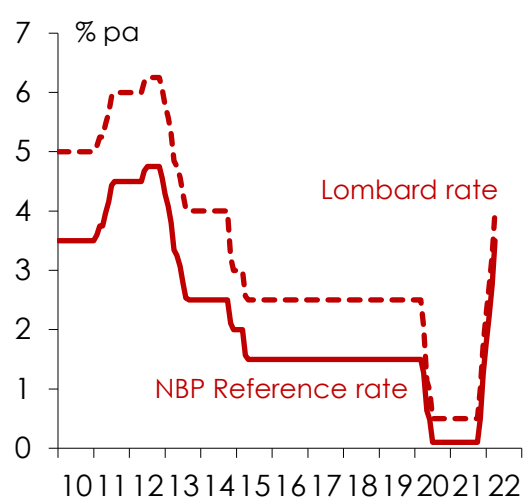
Colombia



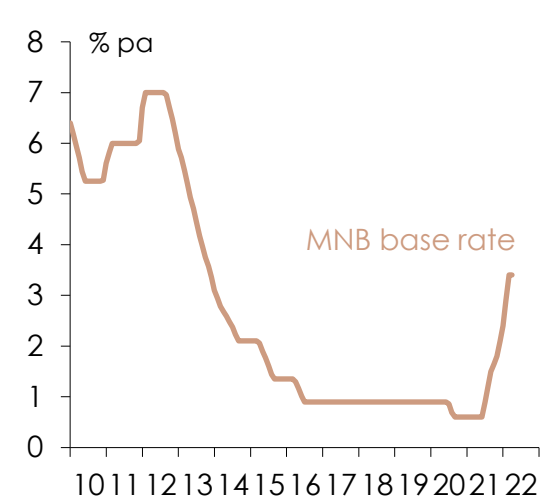
Chile



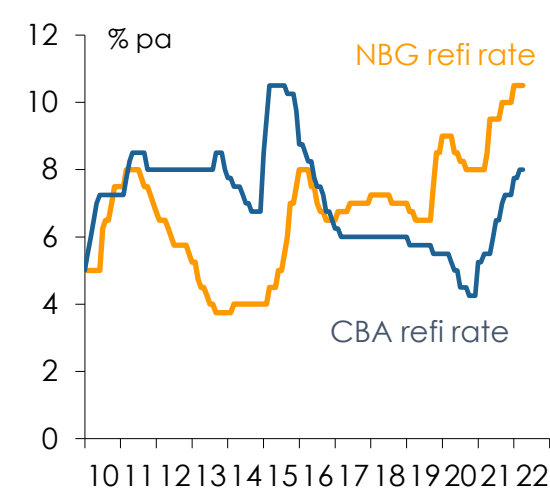
Poland



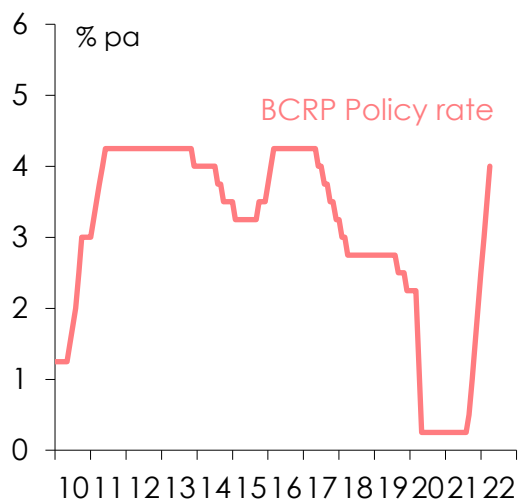
Hungary



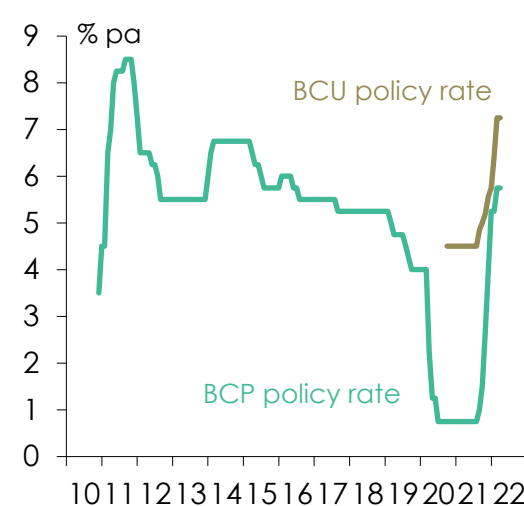
Georgia & Armenia



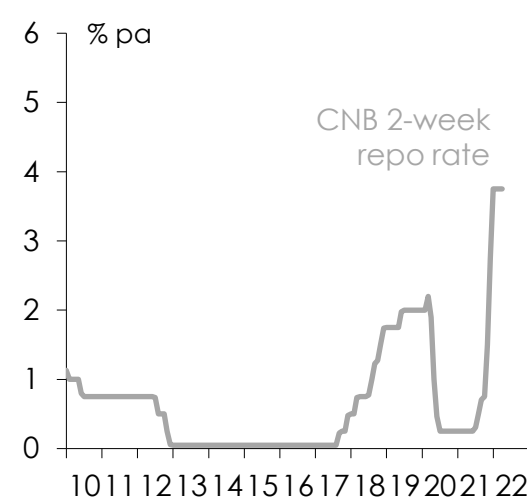
Peru



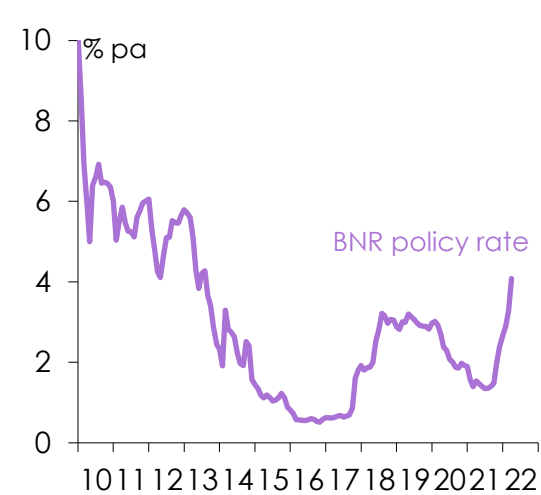
Paraguay & Uruguay



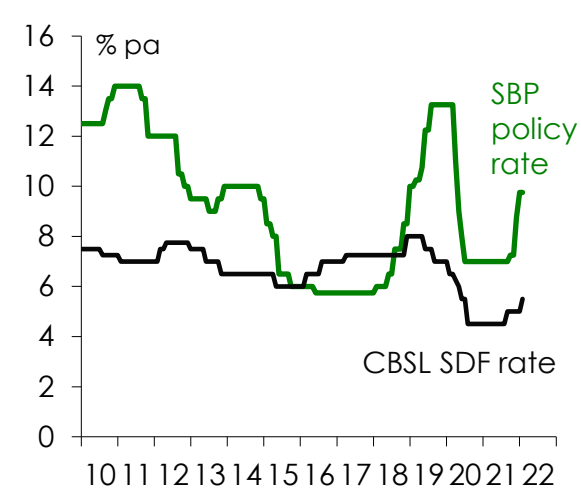
Czech Republic



Romania



Pakistan & Sri Lanka

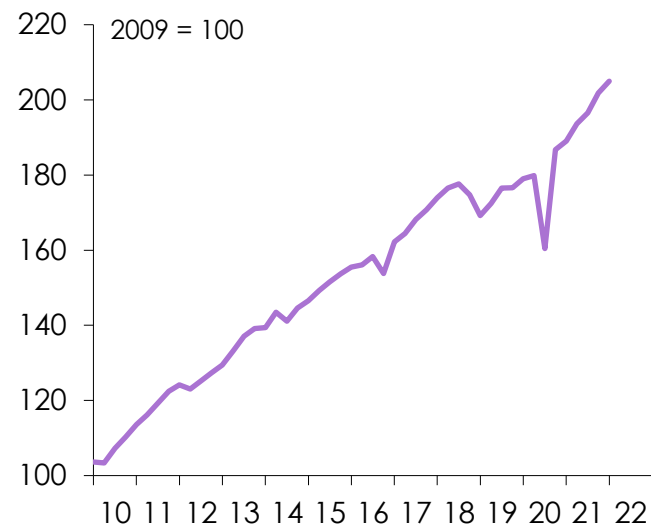


Sources: [Banco de la República Colombia](#); [Banco Central de Reserva del Perú](#); [Banco Central de Chile](#); [Banco Central del Uruguay](#); [Banco Central del Paraguay](#); [Narodowy Bank Polski](#); [Česká Národní Banka](#); [Magyar Nemzeti Bank](#); [Banca Națională a României](#); [Sakartvelos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

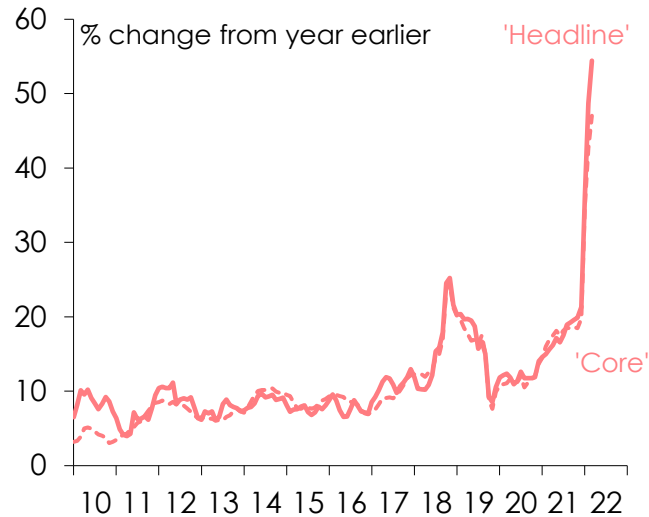
Turkey's central bank has left interest rates unchanged after cutting them by 500 bp over the last three months of 2021 despite surging inflation

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

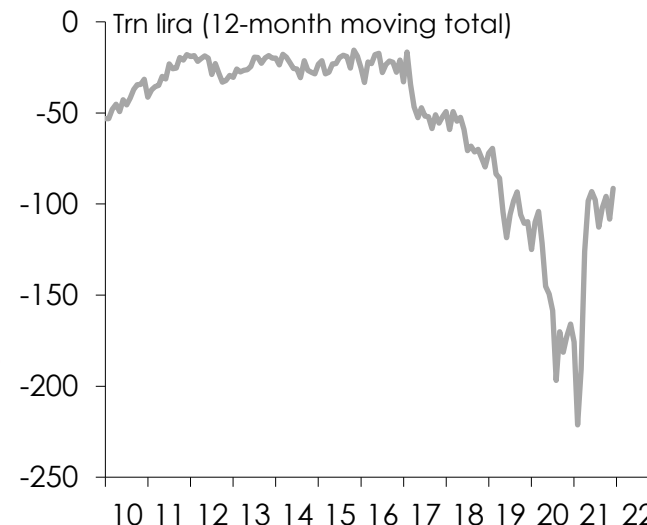
Real GDP



Inflation



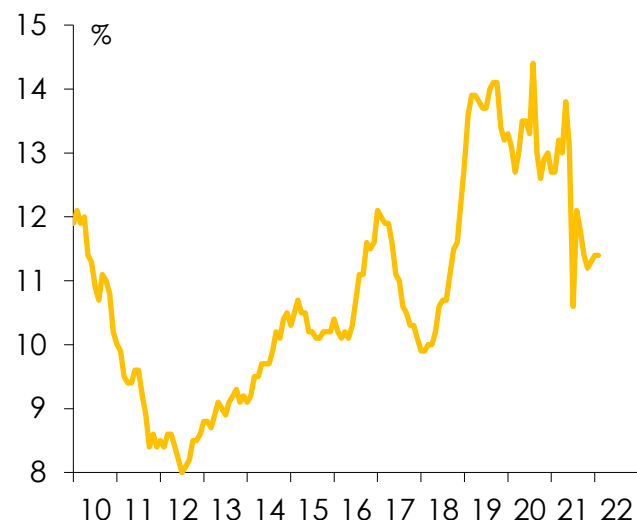
Budget balance



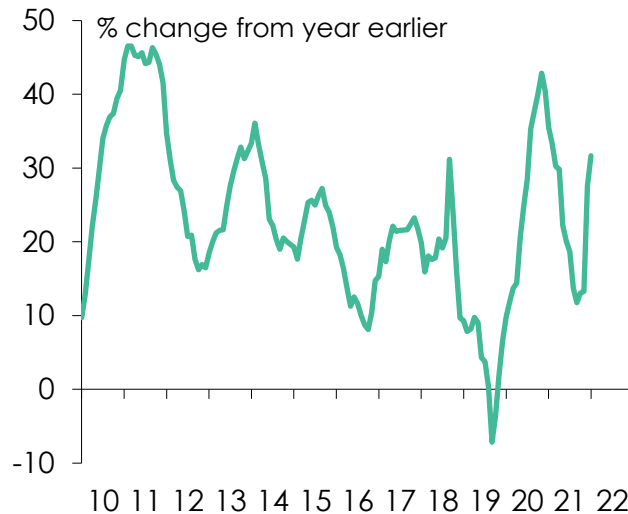
FX reserves



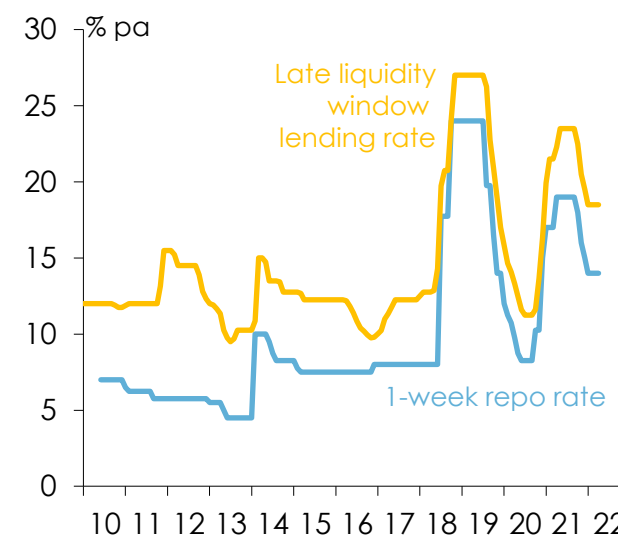
Unemployment rate



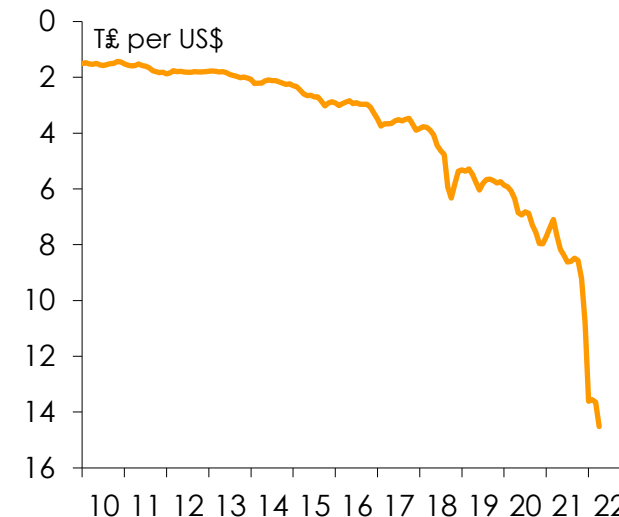
Bank lending



Interest rates



Turkish lira vs US\$



Key data and events this week

Key data and events for week ended 25th March

THE WORLD ECONOMY THIS WEEK – 21ST MARCH 2022

Monday 21st March

New Zealand February merchandise trade; **China** prime loan rate announcement; **Taiwan** February export orders; **Hong Kong** Q4 balance of payments and January CPI; **US** February Chicago Fed national activity index

Tuesday 22nd March

Euro area January balance of payments; **UK** March CBI industrial trends survey; **Canada** February PPI; **South Africa** 2021 Q4 unemployment; **euro area** ECB President Christine Lagarde & Chief Economist Philip Lane speeches; **Hungary** MNB meeting; **US** NY Fed President John Williams speech; **Argentina** 2021 Q4 balance of payments; **Paraguay** BCP meeting

Wednesday 23rd March

Korea February PPI; **Thailand** February merchandise trade; **Singapore** February CPI; **UK** February PPIs and CPI, Spring Budget; **South Africa** February CPI; **Taiwan** February industrial production; **Poland** February unemployment; **US** February new homes sales and Fed Chair Jerome Powell speech; **euro area** March consumer confidence; **Russia** February industrial production and PPI; **Argentina** 2021 Q4 GDP

Thursday 24th March

Japan March 'flash' PMIs; **Philippines** BSP meeting; **Taiwan** February unemployment; **euro area** March 'flash' PMIs; **Switzerland** SNB meeting; **Iceland** February unemployment; **Norway** Norges Bank meeting; **UK** March 'flash' PMIs; **South Africa** Reserve Bank meeting; **US** 2021 Q4 balance of payments and February durable goods orders; **Mexico** Banxico meeting

Friday 25th March

Japan March Tokyo CPI; **Malaysia** February CPI; **Singapore** February industrial production; **China** 2021 Q4 balance of payments (final); **UK** March consumer confidence and February retail sales; **Hungary** February unemployment; **euro area** February lending; **US** March Michigan U consumer sentiment & inflation expectations (final)

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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