

A dark blue world map is centered in the background of the slide. The map shows the outlines of continents and is rendered in a lighter shade of blue against the darker background.

THE WORLD ECONOMY THIS WEEK

4TH APRIL 2022

SAUL ESLAKE

CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

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What's new?

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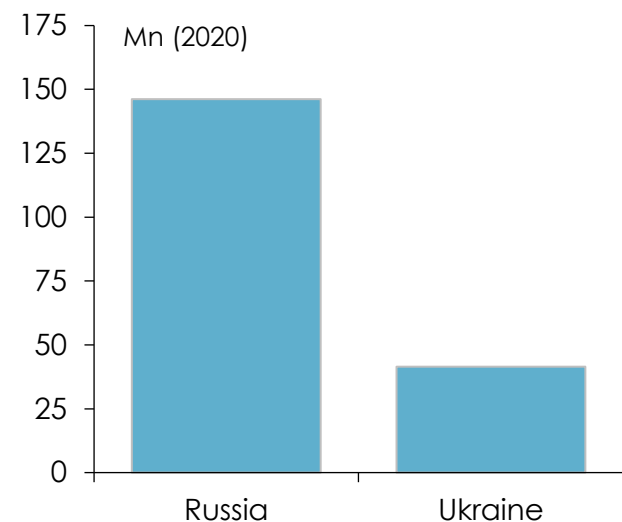
- ❑ The war in Ukraine is thus far turning out “not necessarily to Russia’s advantage”, despite its seemingly insuperable advantages in terms of resources ([slides 5-6](#)): commodity prices have reversed some, though not all, of their initial spikes ([slide 8](#)), while sharply higher interest rates and strict capital controls have seen the ruble claw back about 85% of its initial decline after the imposition of western sanctions ([slide 11](#))
- ❑ There were just over 10mn new Covid-19 infections last week, down more than 50% from mid-January’s peak ([slide 14](#)), with most of them in Europe, Korea and Vietnam: the number of new cases in China, though small, is rising and testing China’s ‘zero tolerance’ policy ([slide 15](#))
- ❑ March PMIs show a mild softening in manufacturing activity in most ‘advanced’ economies, though still generally strong, but a more marked easing in most ‘emerging’ economies ([slide 28](#))
- ❑ US non-farm payroll employment rose 431K (0.3%) in February, to be still 1.5mn (1.0%) below its pre-pandemic peak: but because the labour force participation rate is still 1.0 pc pt below its pre-pandemic peak, the unemployment rate fell another 0.2 pc pt to 3.6%, just 0.1 pc pt above its pre-pandemic low ([slide 56](#)) – and the tight labour market is underpinning the fastest wages growth since the mid-1980s ([slide 58](#)), though not enough to keep pace with inflation
- ❑ US real personal disposable income fell 0.2% in February, the seventh decline in a row (for a cumulative total of 2.8%) – but personal spending has been supported by falling saving ([slide 52](#))
- ❑ US ‘core’ consumer prices as measured by the personal consumption expenditure deflator excluding food & energy (the measure which the Fed targets) increased 0.4% in February, and by 5.4% from a year earlier, the fastest annual rate by this measure since April 1983 ([slide 59](#))
- ❑ ‘Headline’ inflation in the euro area accelerated to 7.5% over the year to March, according to Eurostat’s ‘flash’ estimate, the fastest since at least 1997 (which is as far back as euro area statistics go): energy prices rose 44.7% over the past 12 months, while ‘core’ inflation rose to 3.0%, also a record since the creation of the euro area though a lot less than in the UK or US ([slide 73](#))
- ❑ Japanese business confidence deteriorated in Q1, particularly among smaller enterprises, largely as a result of rising input costs, according to the BoJ’s *tankan* survey ([slide 93](#))
- ❑ Inflation is starting to rise in more East Asian economies, albeit from a low base: Indonesia’s ‘headline’ CPI rose 2.6% over the year to March, the highest since April 2020 after having been below 2% for most of the intervening period, with ‘core’ CPI rising 2.4% - inflation has also picked up noticeably in Korea, Taiwan, Hong Kong, Singapore, Thailand and Malaysia ([slide 102](#))
- ❑ Central banks in Chile, Colombia, the Czech Republic and Georgia raised interest rates last week, the latest in sequences of policy tightenings which have seen rates rise by totals of 650, 325, 475 and 300 bp respectively since last year ([slides 126-127](#) and [131](#))
- ❑ This week’s data calendar is mostly ‘second tier’ releases including services PMIs; US, Canadian and Australian February trade data; Canada’s March labour market data; and central bank meetings in Australia, Poland, Sri Lanka, India, Peru and Uruguay ([slide 134](#))

Russia's invasion of Ukraine

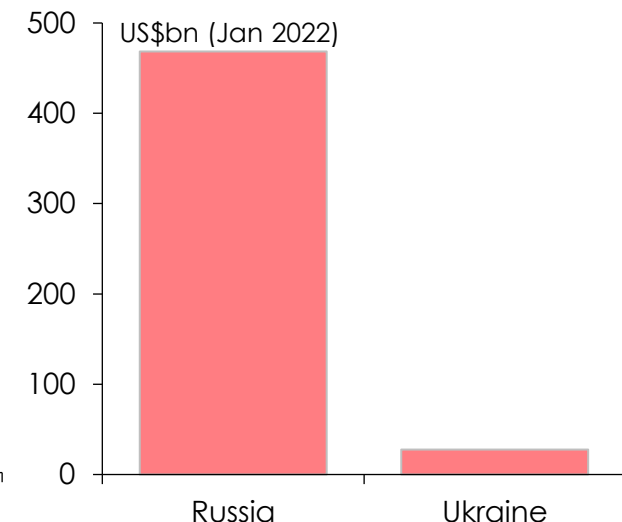
Russia outnumbered Ukraine in just about everything – except courage and ‘moral capital’ – but that hasn’t given it the ‘easy victory’ it expected

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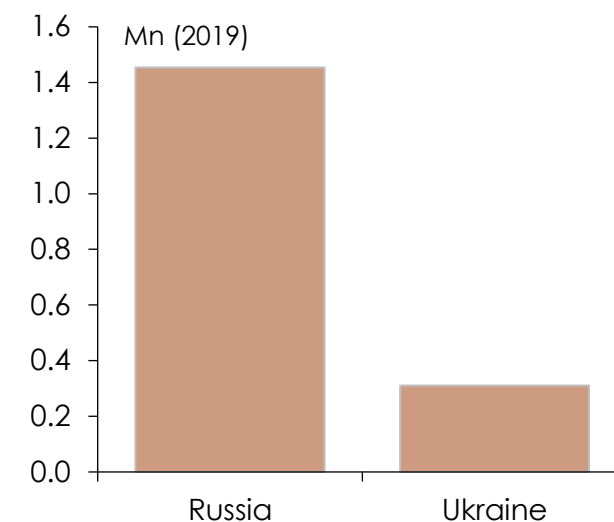
Population



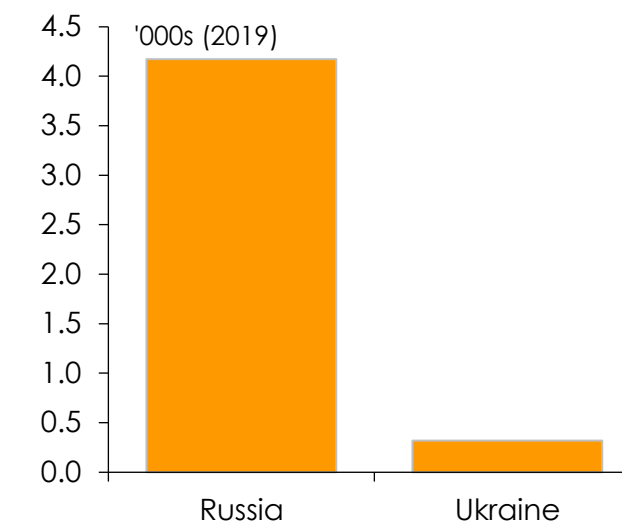
FX reserves



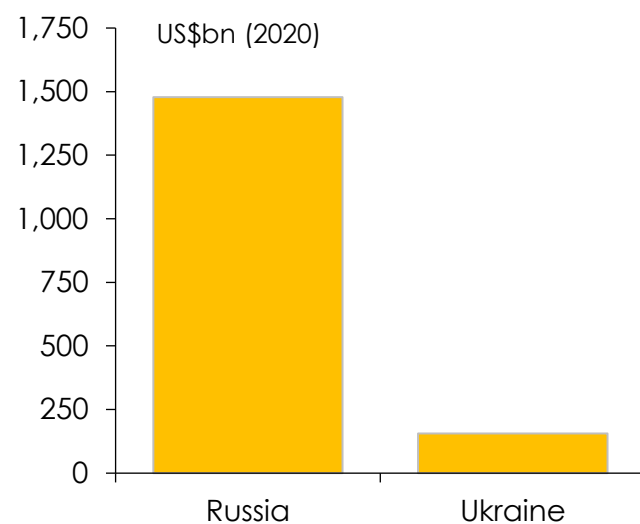
Armed forces



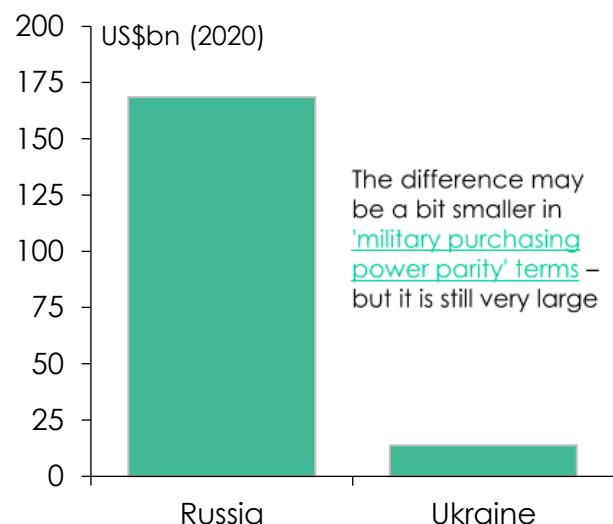
Military aircraft



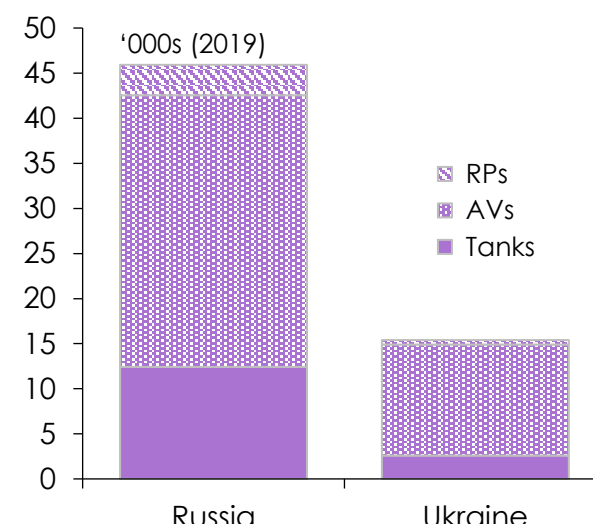
GDP



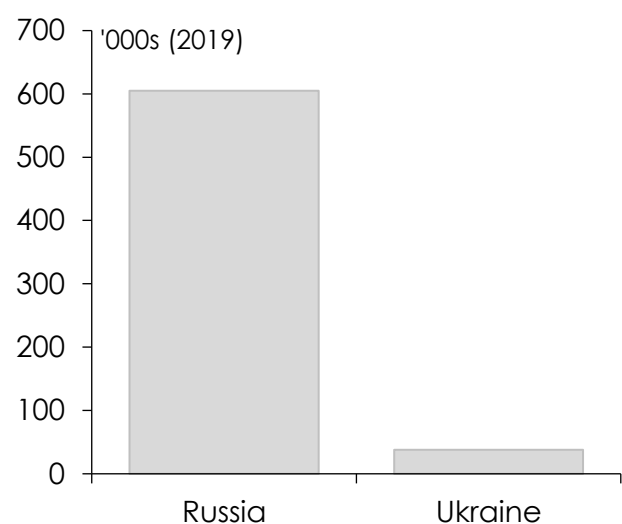
Military spending



Military hardware



Naval assets

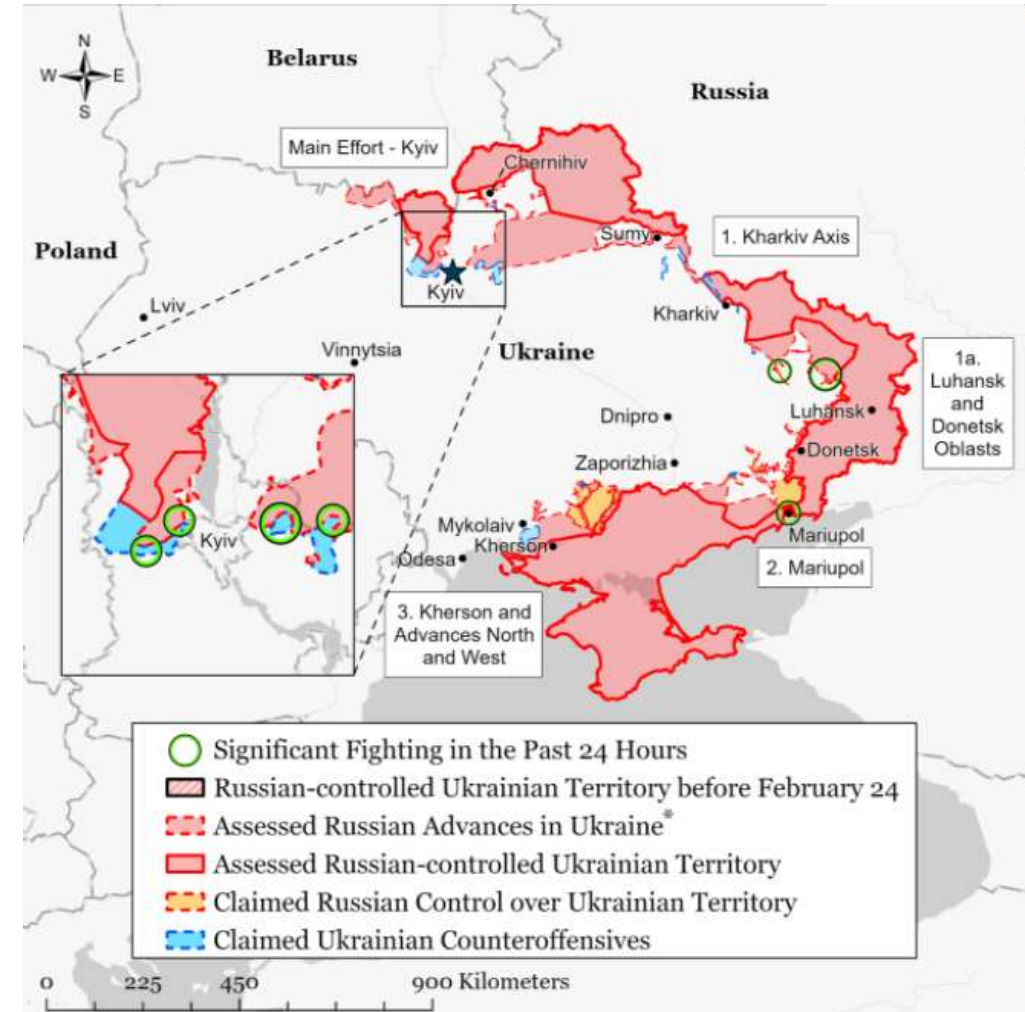


Note: GDP is in US\$ at market exchange rates; 'AVs' are armoured vehicles; 'RPs' are rocket projectors; 'military aircraft' include airplanes, helicopters, transports and tankers; 'naval assets' include aircraft & helicopter carriers, destroyers, frigates, corvettes, submarines and other vessels. Sources: 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 hasn't been able to attain its original objectives in Ukraine – but it's not clear whether that means peace is any closer to hand

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- ❑ Russia (and China) will have been surprised by both the resistance shown by the Ukrainian military and people, and by the unity and determination shown by 'the west' – as well as the apparent ineptitude of the Russian military
- ❑ Despite Russia's overwhelming superiority in military capabilities ([slide 5](#)), and the ruthlessness and callousness 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), the Russian military appears increasingly incapable of achieving its ostensible original objectives (of quickly over-running most if not all of Ukraine, including Kyiv, and installing a compliant 'puppet regime' similar to the one in Belarus)
- ❑ Russia has supposedly 'reset' its stated goals towards consolidating its control over eastern Ukraine (Donbas) and, perhaps, the 'land bridge' to Crimea (ie, Ukraine's Azov Sea coast) – meanwhile Ukraine has apparently reclaimed some territory previously taken by Russia
- ❑ 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' – entailing 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 other Ukrainian territory it has occupied since the beginning of its invasion
- ❑ But it's also possible that any Russian offer of a 'ceasefire' on terms such as these may simply provide a 'cover' for Russian military forces to regroup in preparation for another assault on Kyiv
- ❑ Meanwhile the ruble has rebounded almost back to its pre-war level ([slide 11](#)) after the Russian central bank more than doubled interest rates, Russian exporters were obliged to convert 80% of their foreign currency revenue into rubles, other capital controls were imposed, and Putin proposed requiring purchases of Russian oil and gas (thus far exempted from Western sanctions) to be settled in rubles



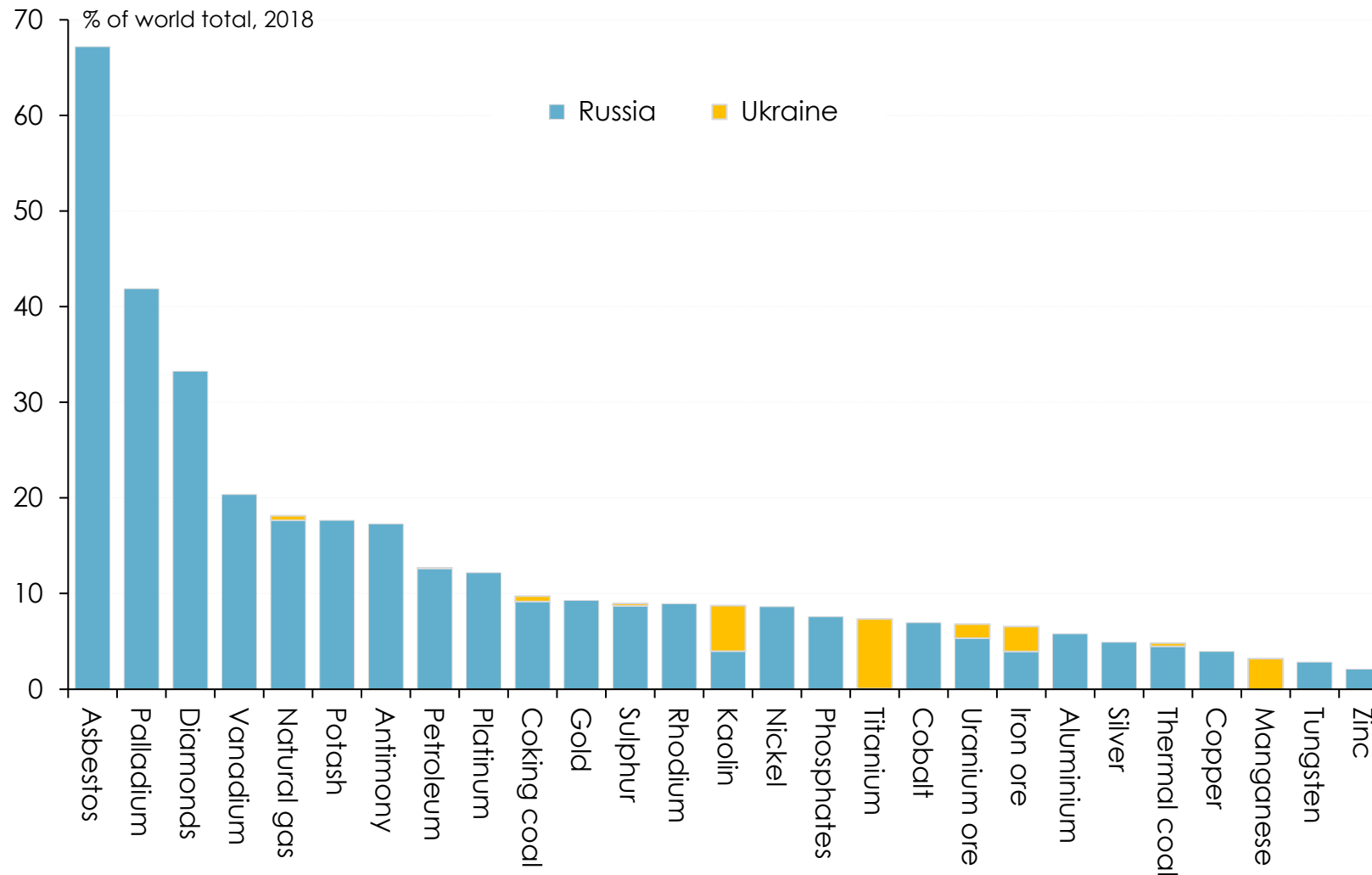
Sources: Institute for the Study of War, [Ukrainian conflict updates](#), 31st March; John Llewellyn & John Dew, *Ukraine: Mr Putin may be biting off more than he can chew*, [Llewellyn Consulting | Independent Economics](#), 25th February 2022, and [Prospects for Iraq: Some Lessons from History](#), 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

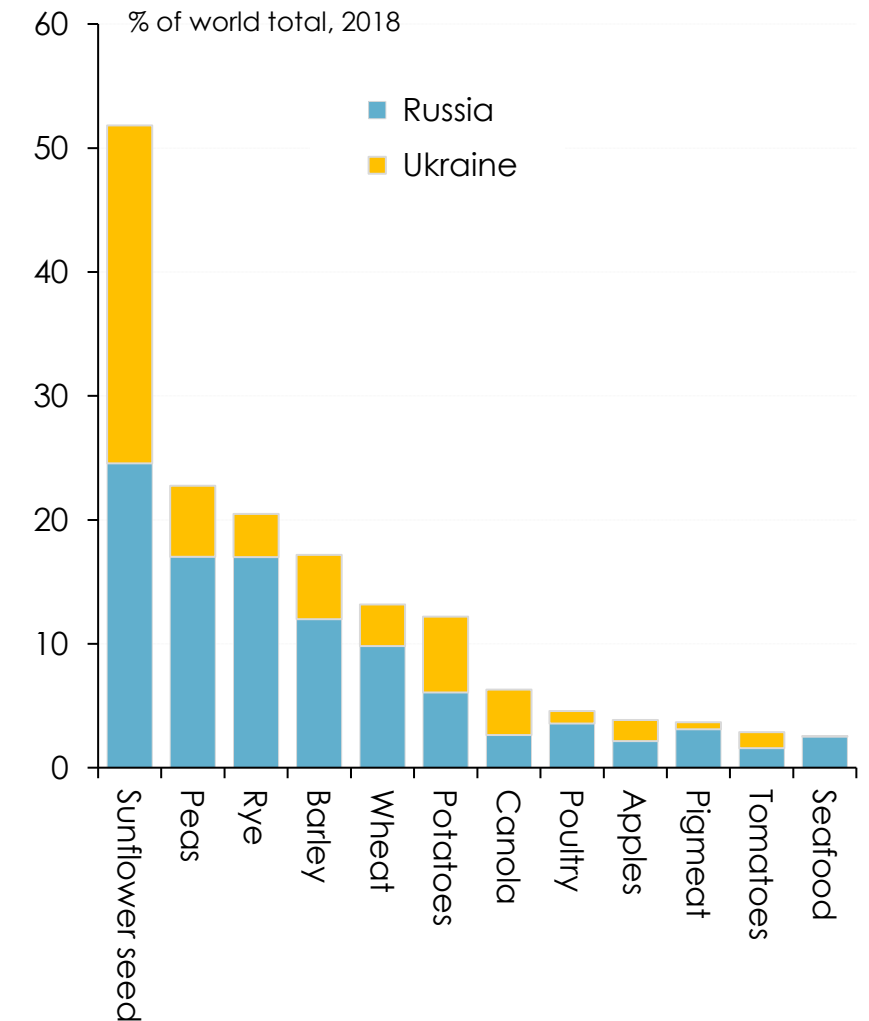
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Russian and Ukrainian shares of global commodity production

Minerals and energy, 2019



Food, 2018

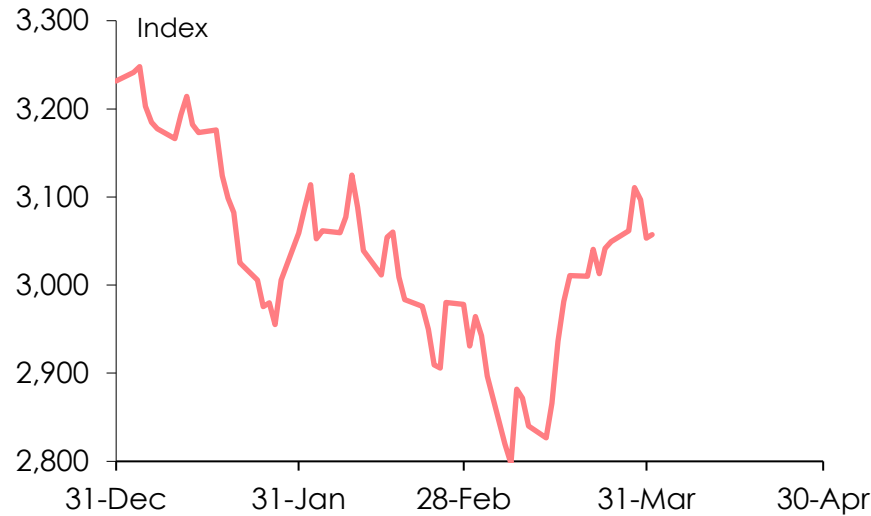


Note: Data for shares of seafood production is 2017. Sources: Austrian Federal Ministry of Agriculture, Regions and Tourism (BMLRT), [World Mining Data](#); Hannah Ritchie and Max Roser, Our World in Data, [Agricultural Production](#). [Return to "What's New"](#).

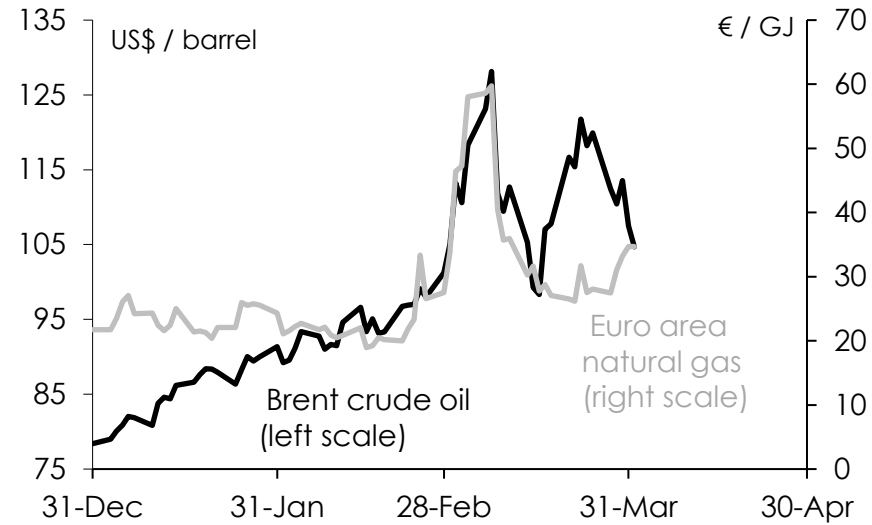
Energy, base metal and grain prices have risen as a result of the Ukraine conflict, as have bond yields, the US\$ and (more surprisingly) stockmarkets

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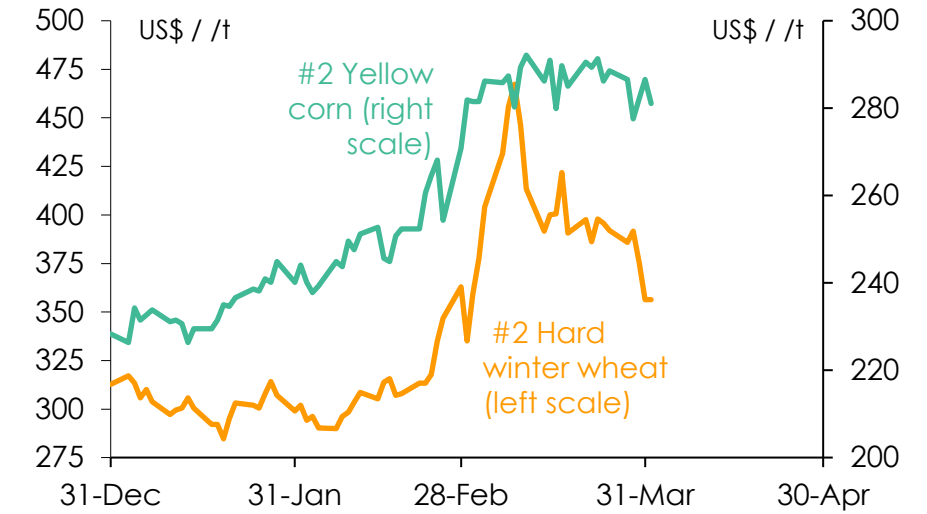
Stockmarkets



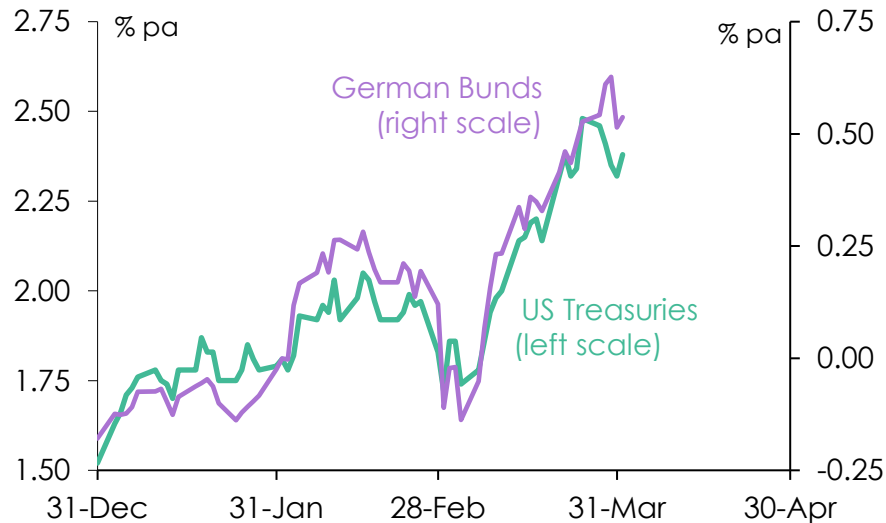
Energy prices



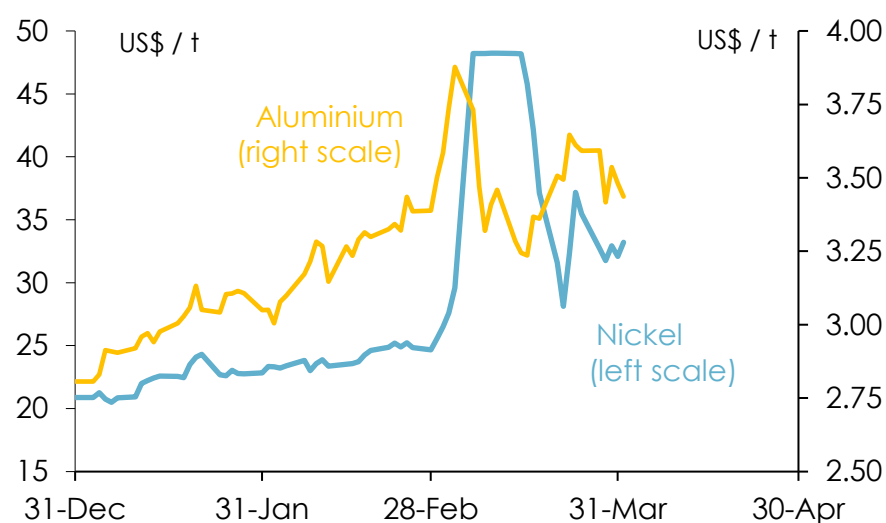
Grain prices



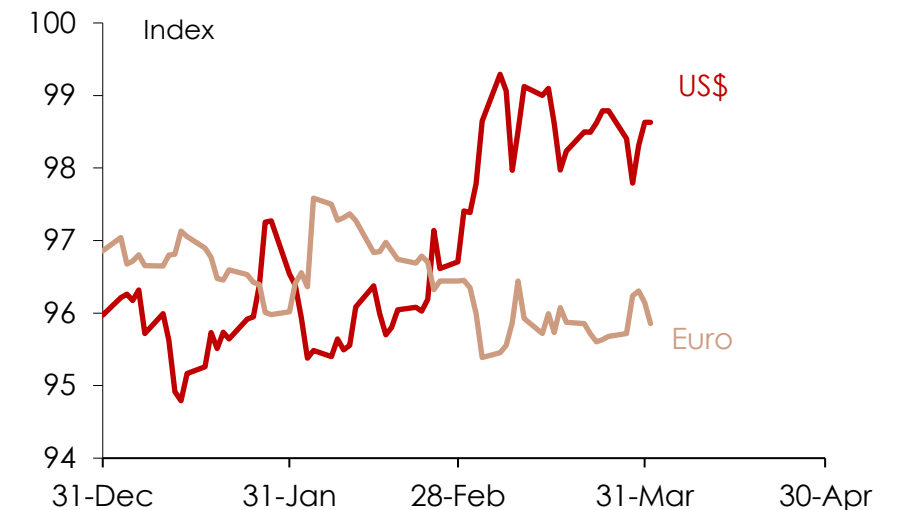
10-year government bond yields



Base metal prices



Currencies



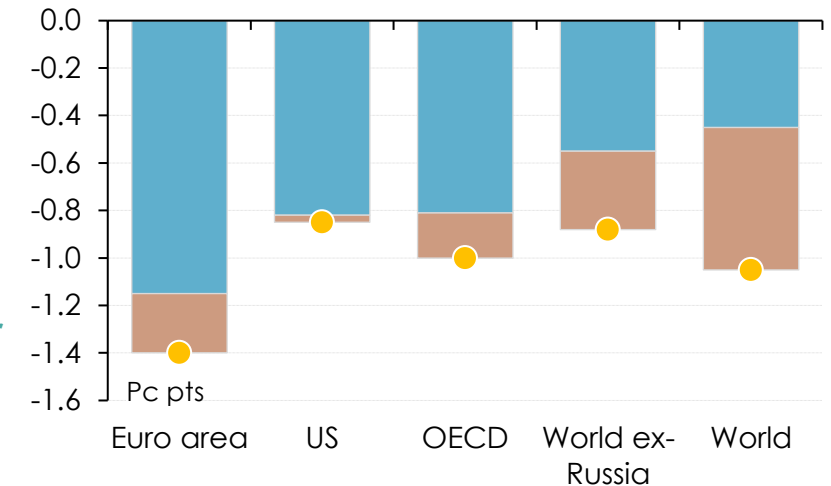
Note: Data up to 1st April. Source: Refinitiv Datastream. [Return to "What's New"](#).

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

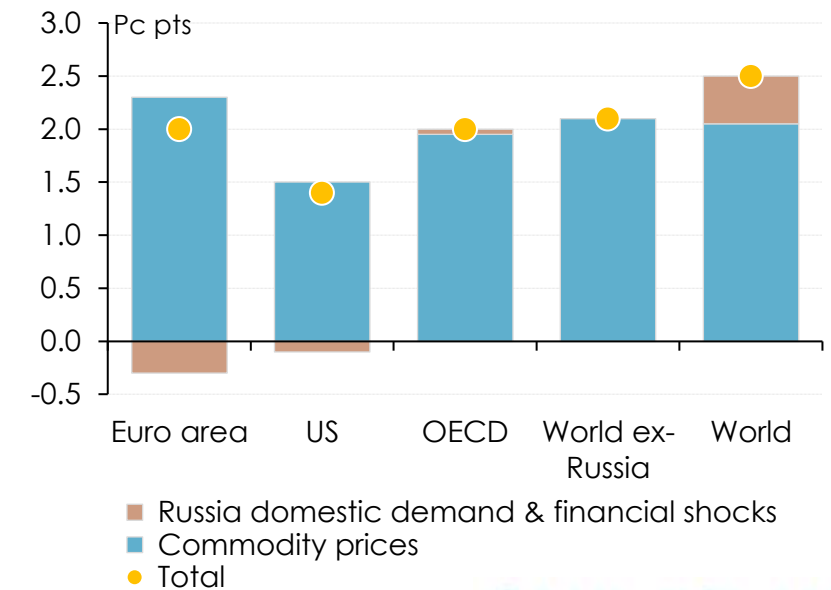
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- ❑ The **OECD** characterizes the war in Ukraine as “a new negative supply shock for the world economy”
 - although Russia & Ukraine together account for 2% of global GDP, they account for 30% of global wheat exports, 20% of global exports of corn, 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



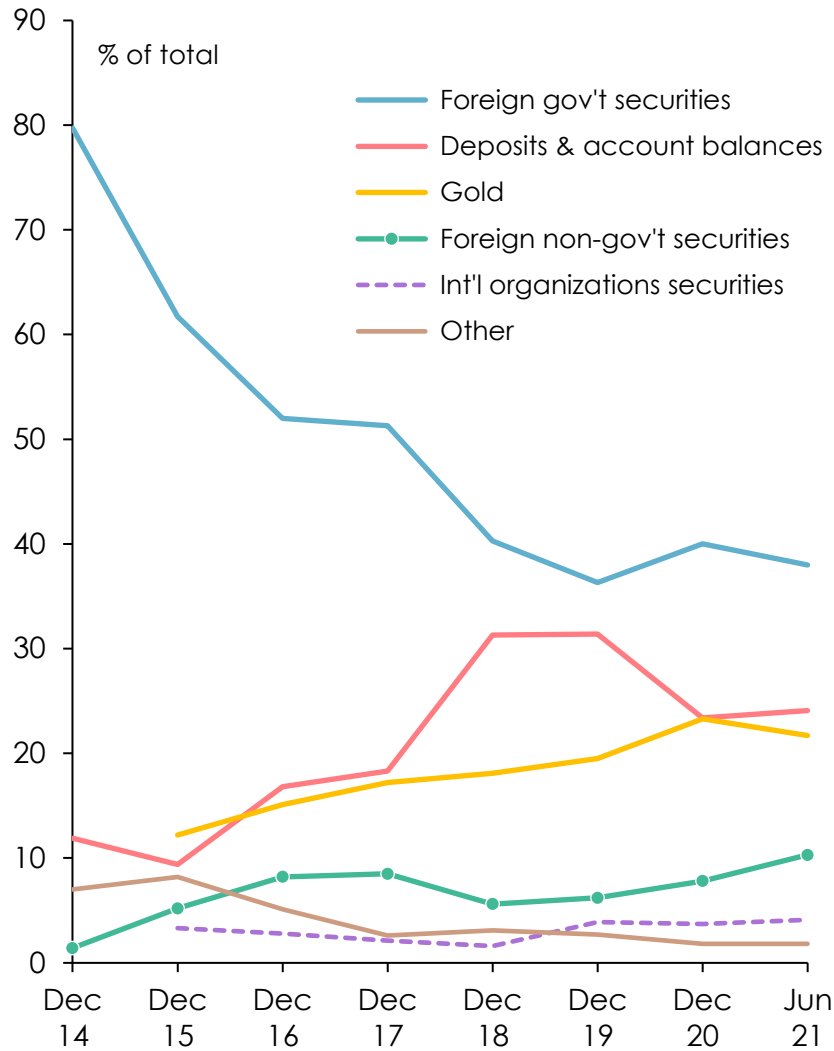
Impact on inflation



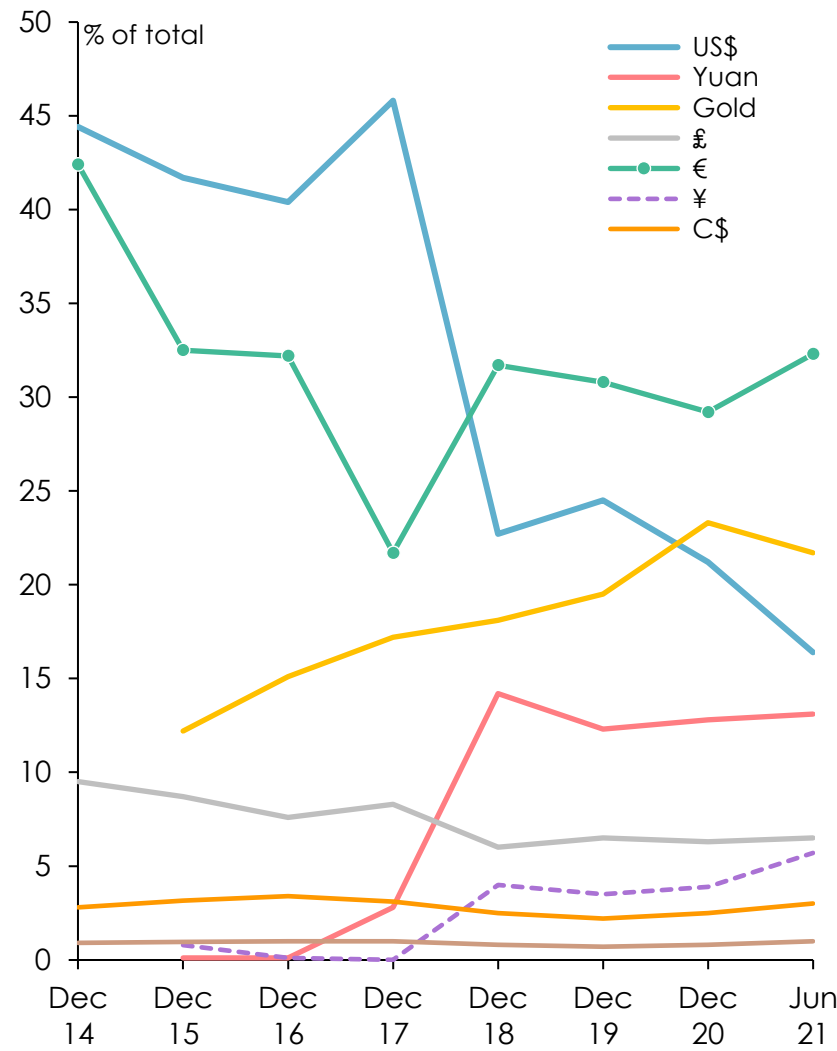
Russia's central bank had been re-arranging its portfolio over the past seven years to reduce its exposure to sanctions, but they will still 'bite'

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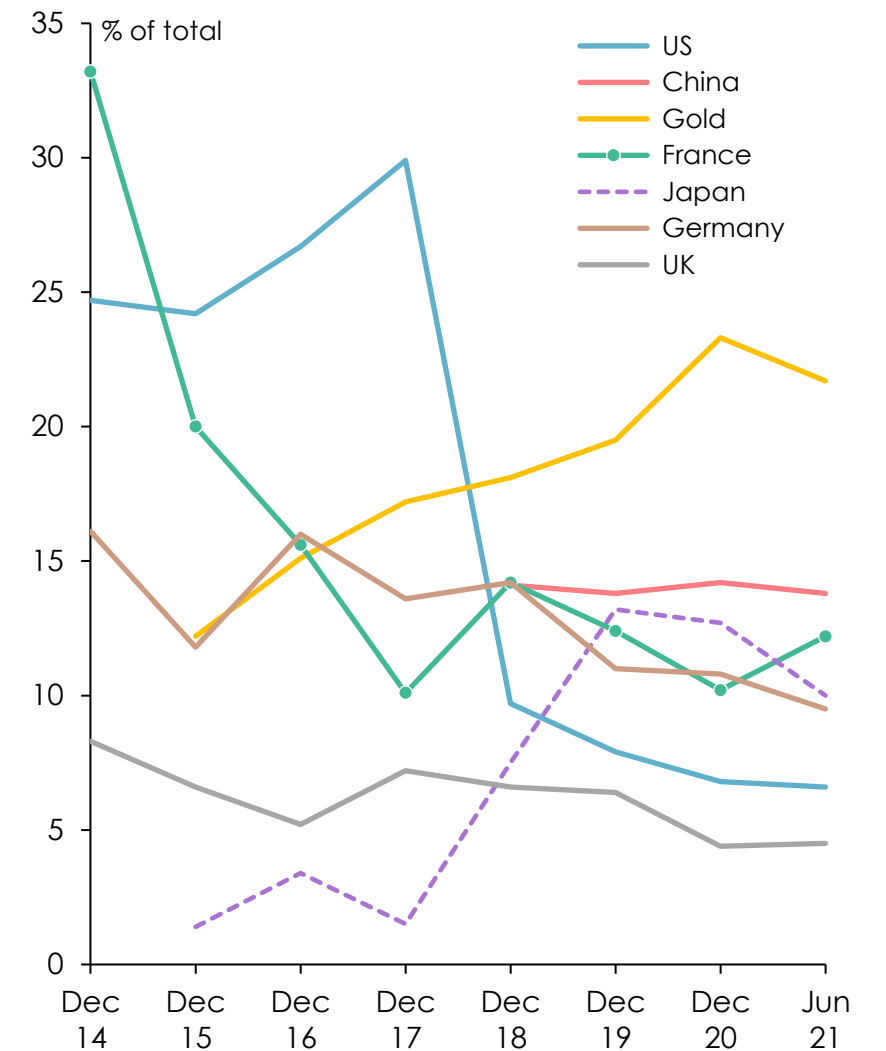
Russian FX reserves by instrument



Russian FX reserves by currency



Russian FX reserves by location

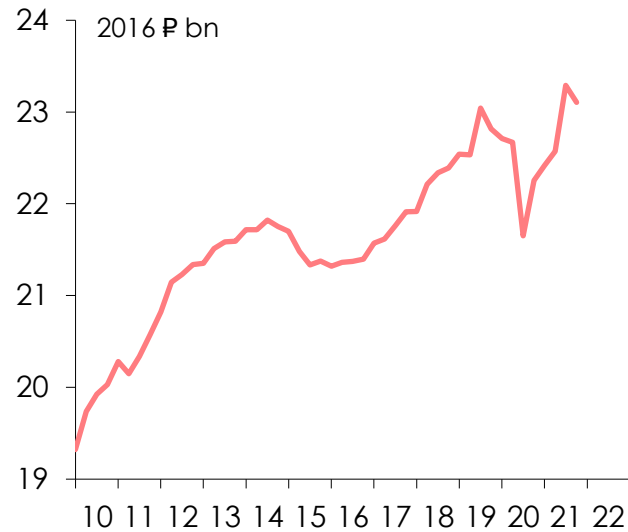


Source: Central Bank of Russia, [Foreign Exchange and Gold Asset Management Report](#), No. 1, 2022 and previous issues. [Return to "What's New"](#).

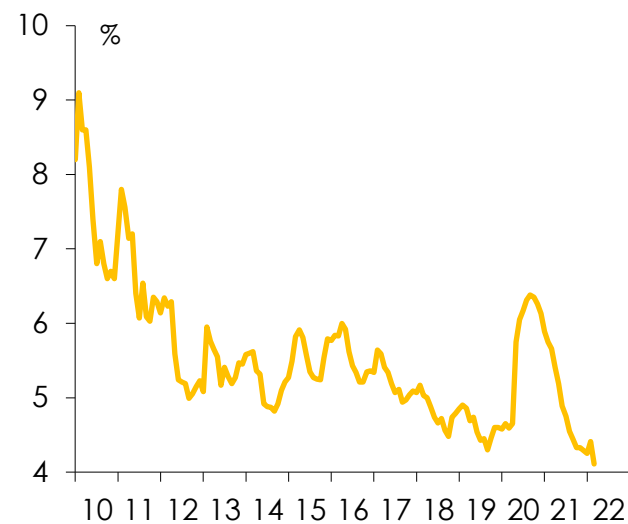
The ruble has recouped around 85% of the losses initially sustained after the imposition of sanctions, through capital controls and rate hikes

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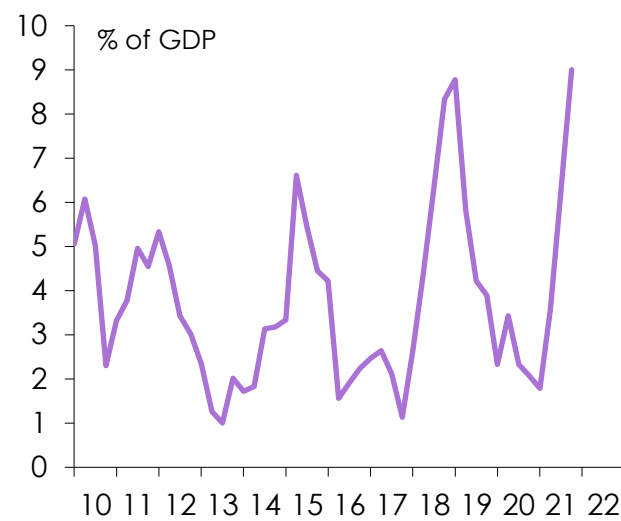
Real GDP



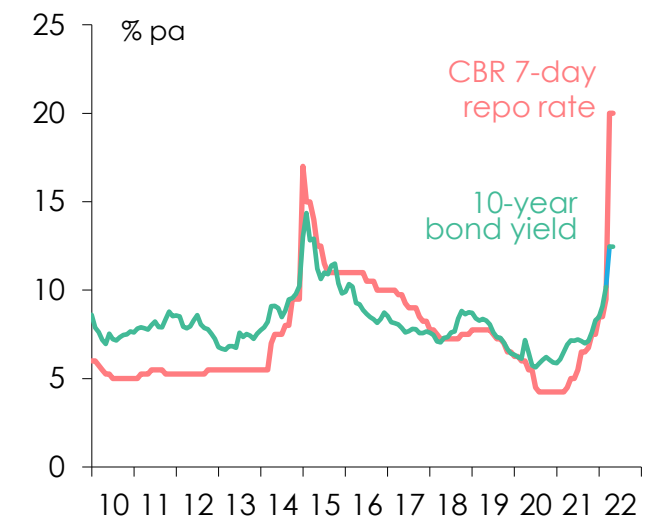
Unemployment



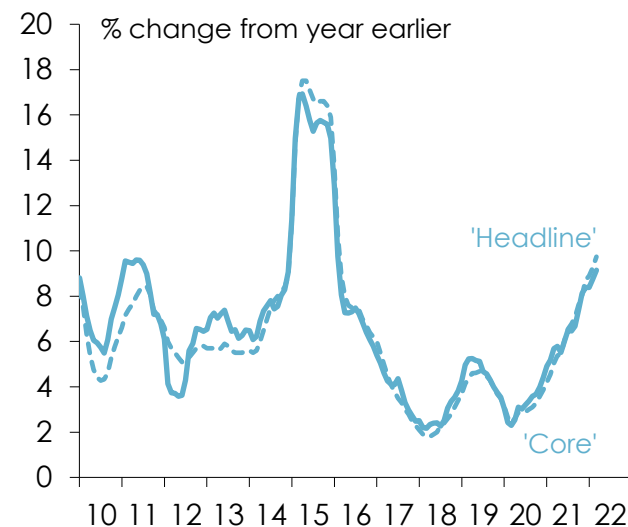
Current account balance



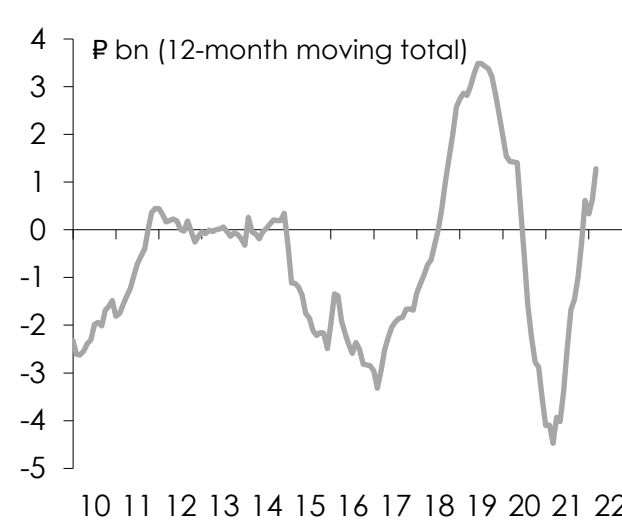
Interest rates



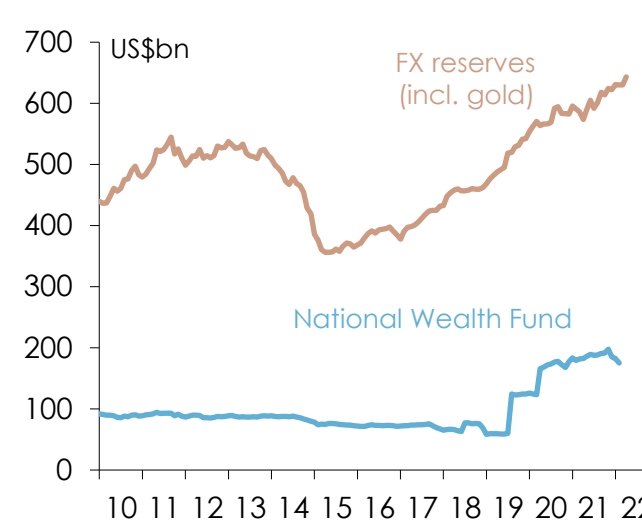
Inflation



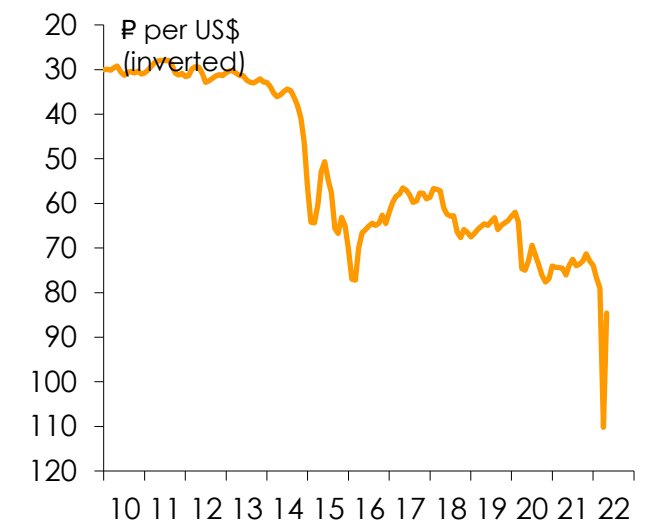
Federal budget balance



State financial assets



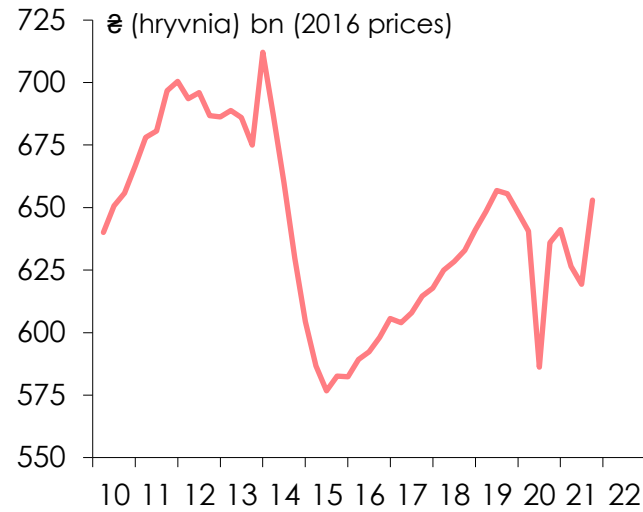
Russian ruble vs US\$



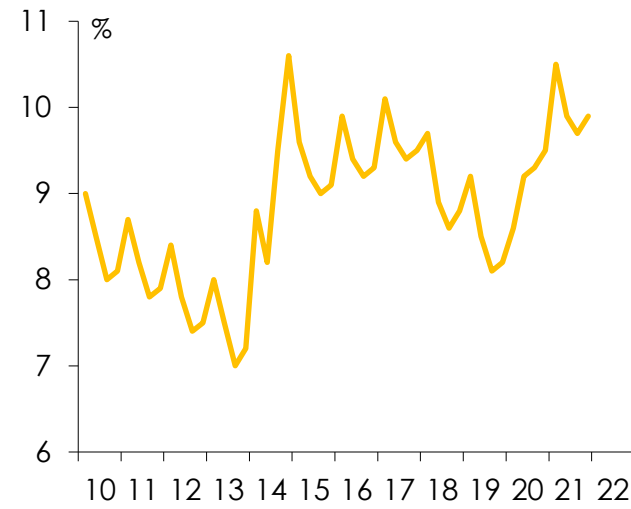
Ukraine's economy was severely harmed by Russia's invasion in 2014, and is in a weaker condition than Russia's as the latter invades again

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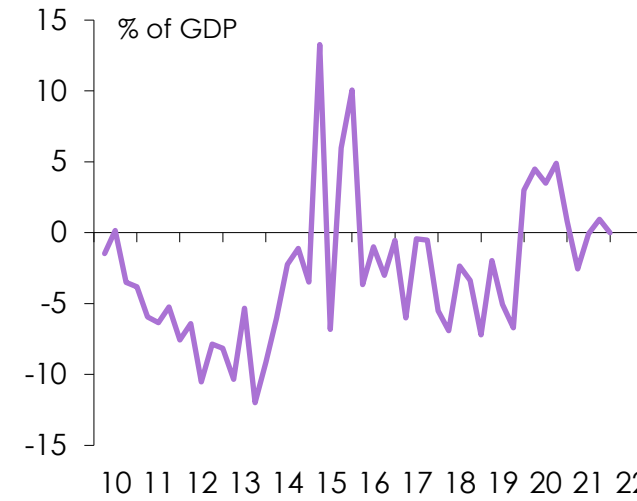
Real GDP



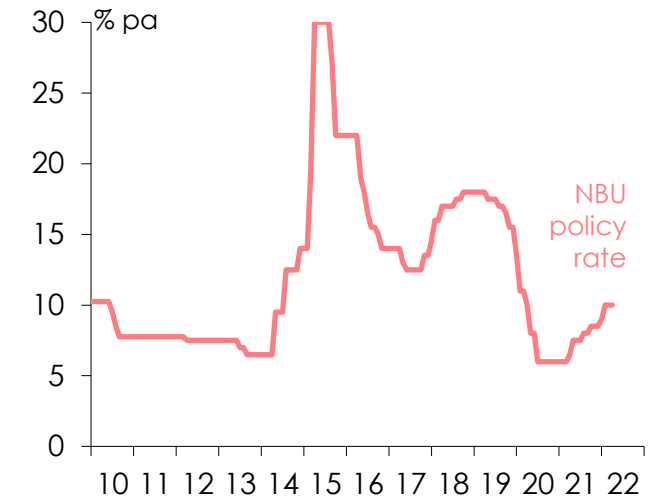
Unemployment



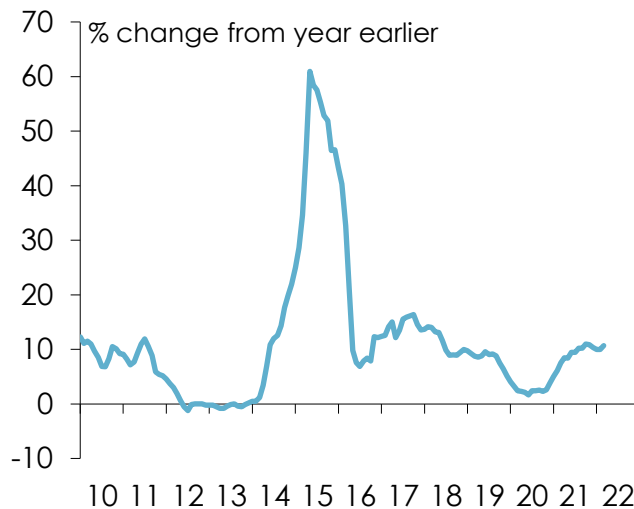
Current account balance



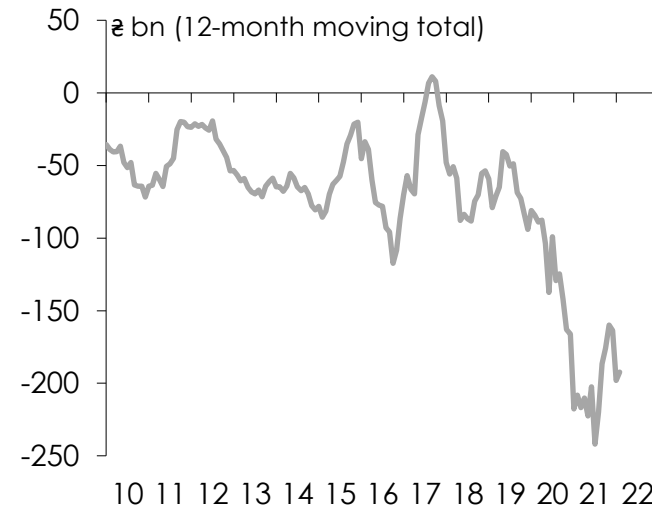
Interest rates



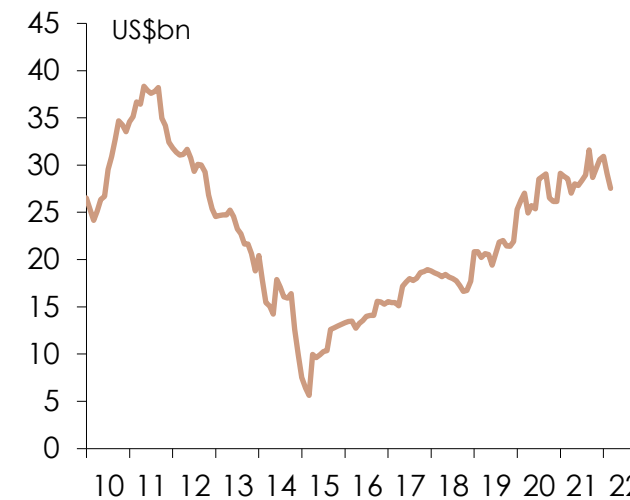
Inflation



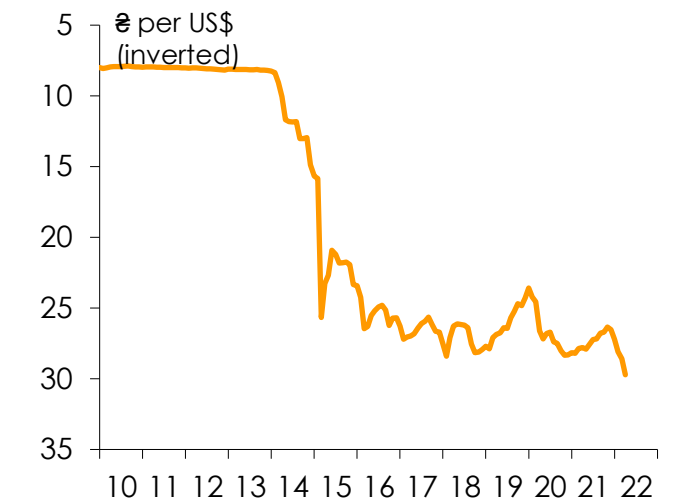
Budget deficit



FX reserves



Ukrainian hryvnia vs US\$

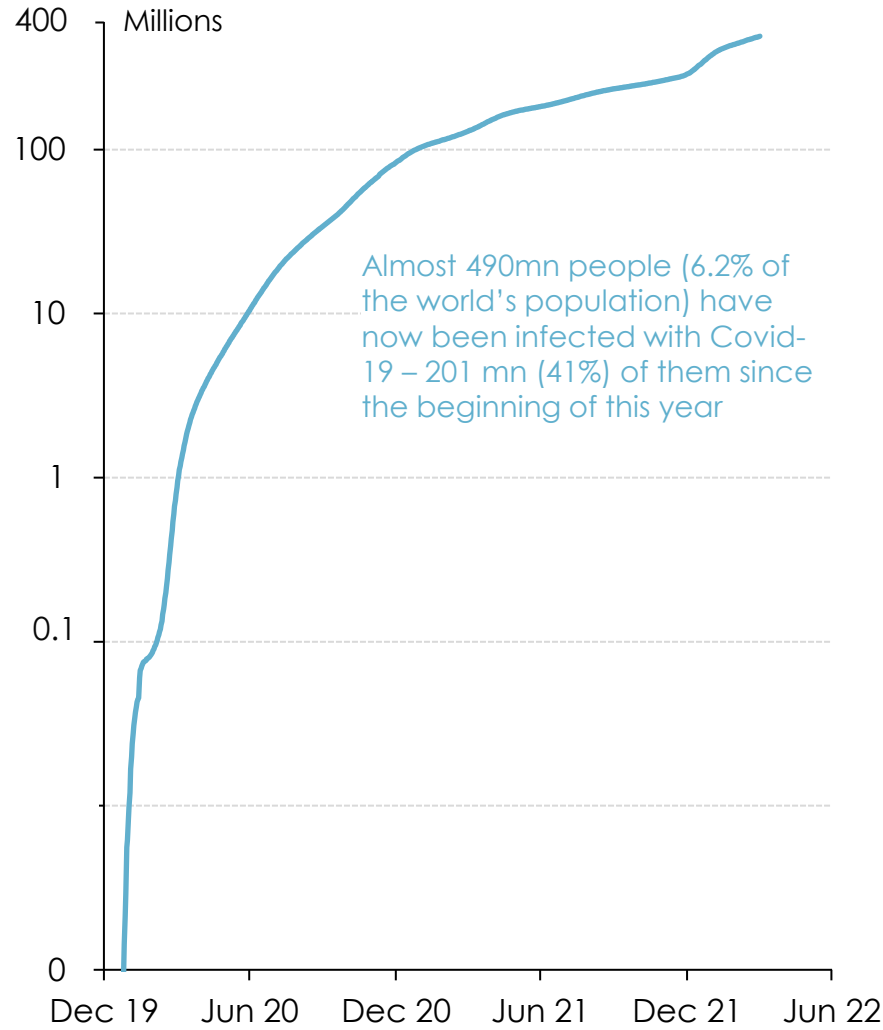


The virus

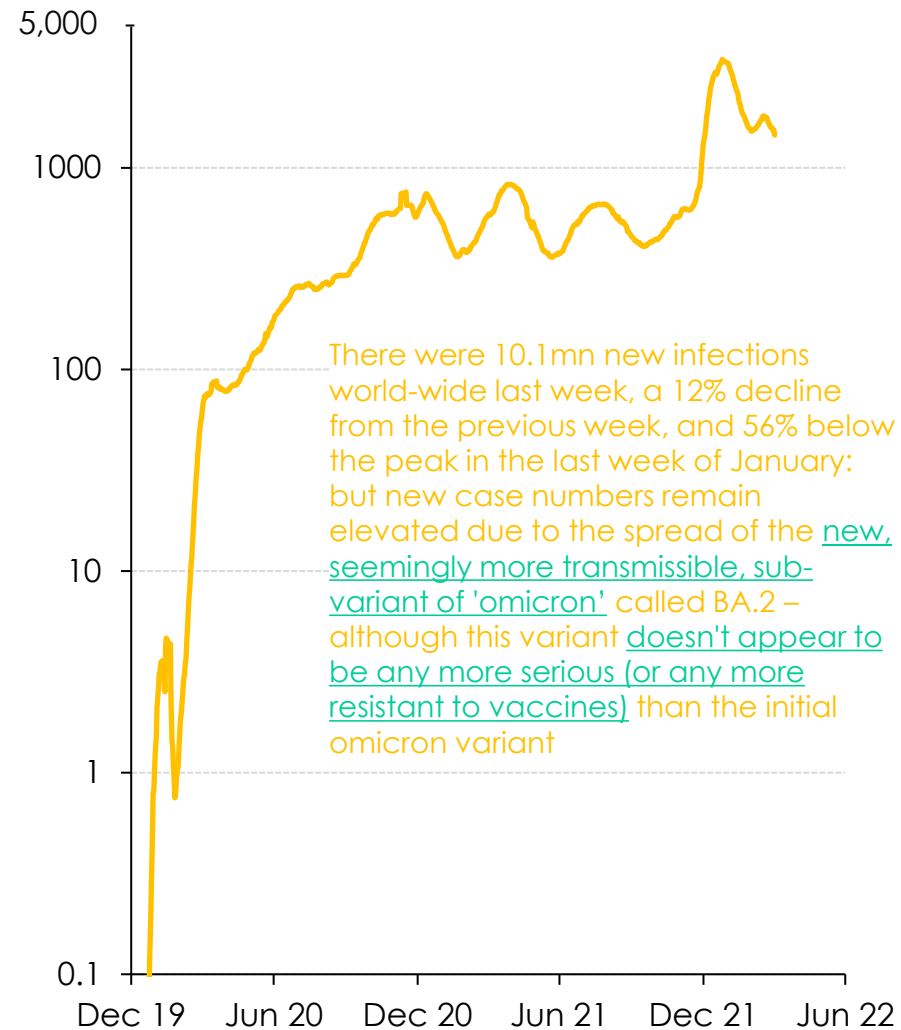
The number of new infections fell again last week – although it remains relatively high – but the fatality rate continues to decline sharply

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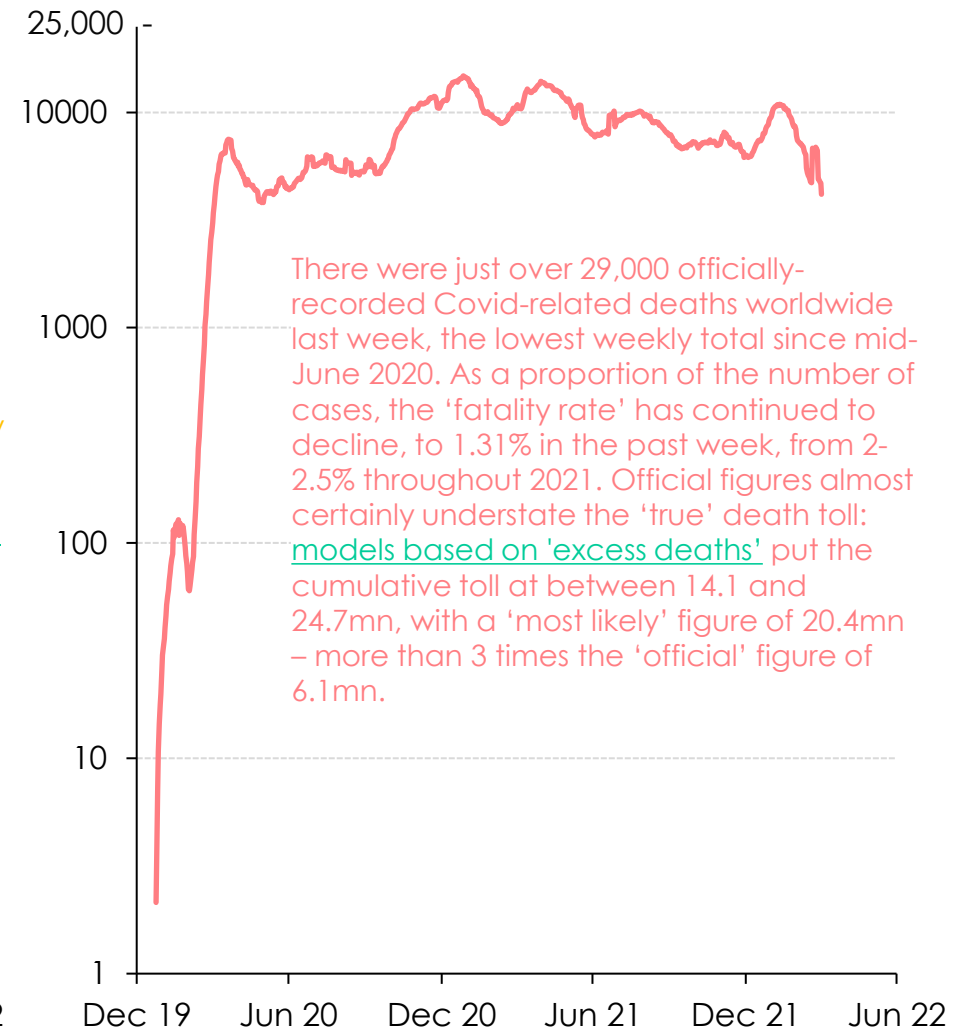
Cumulative confirmed cases – global total



New confirmed cases – global total



New deaths – global total

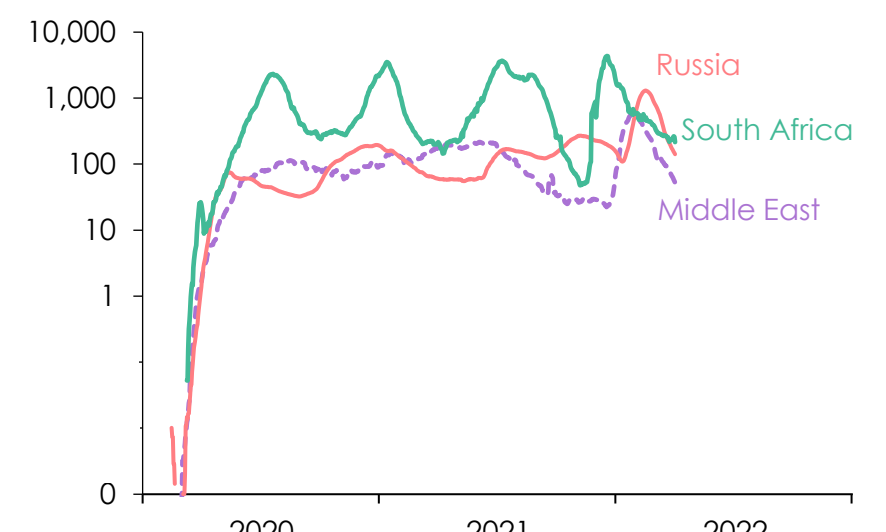
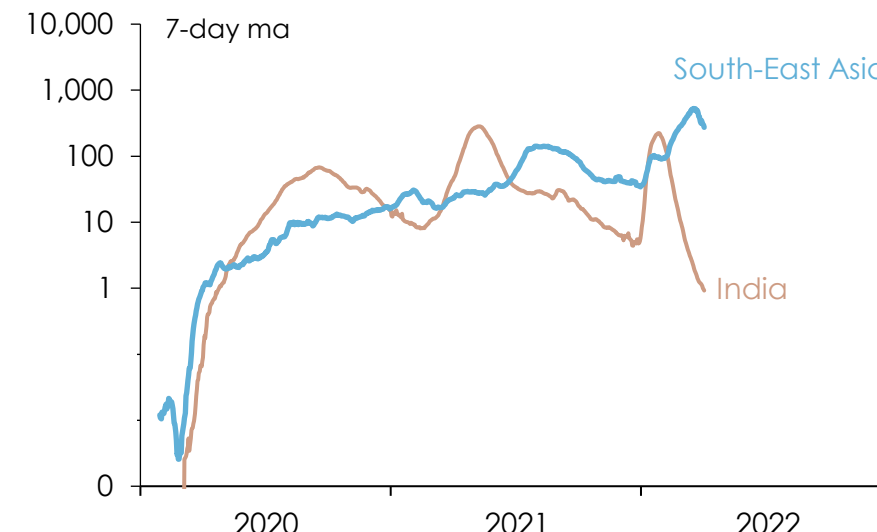
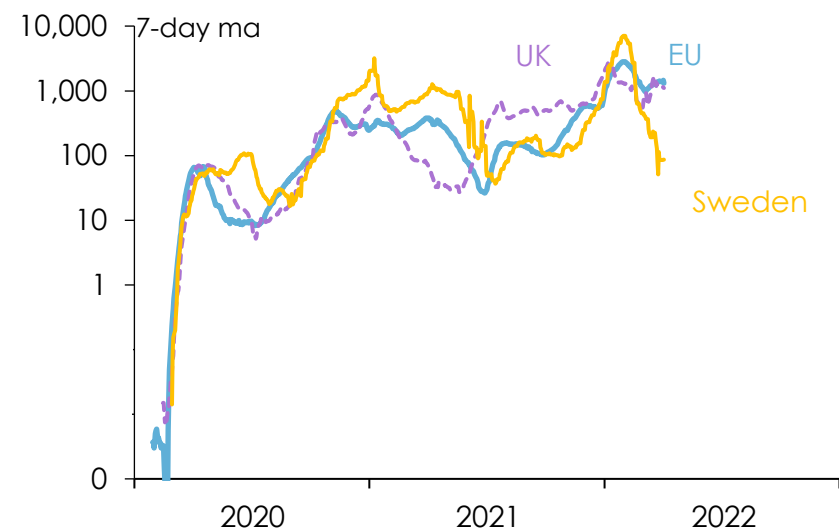
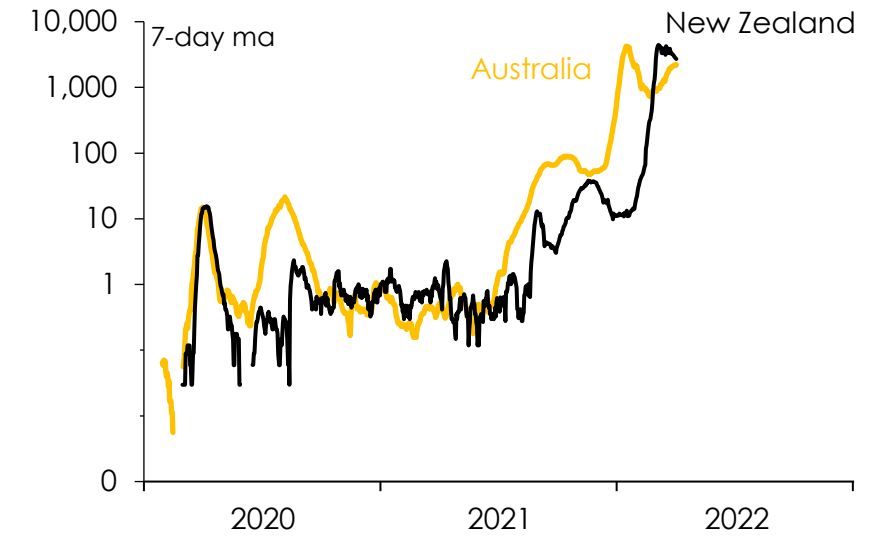
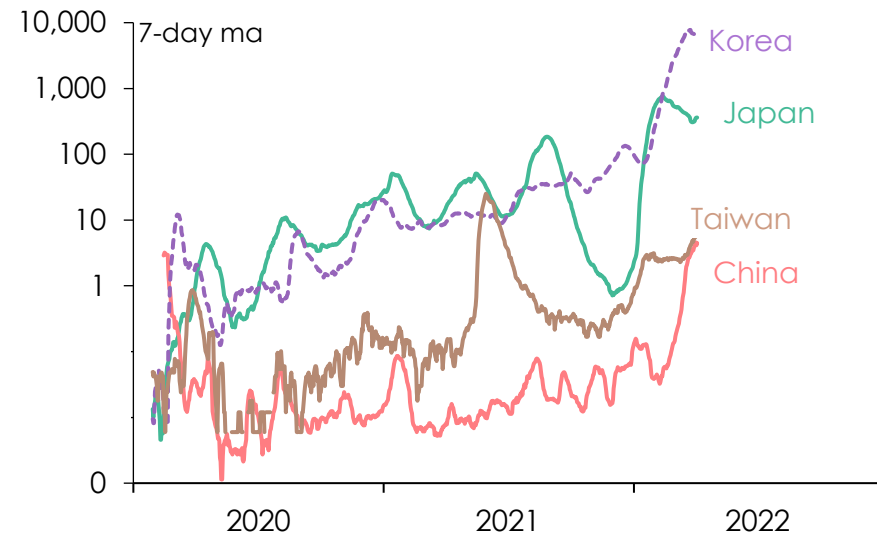
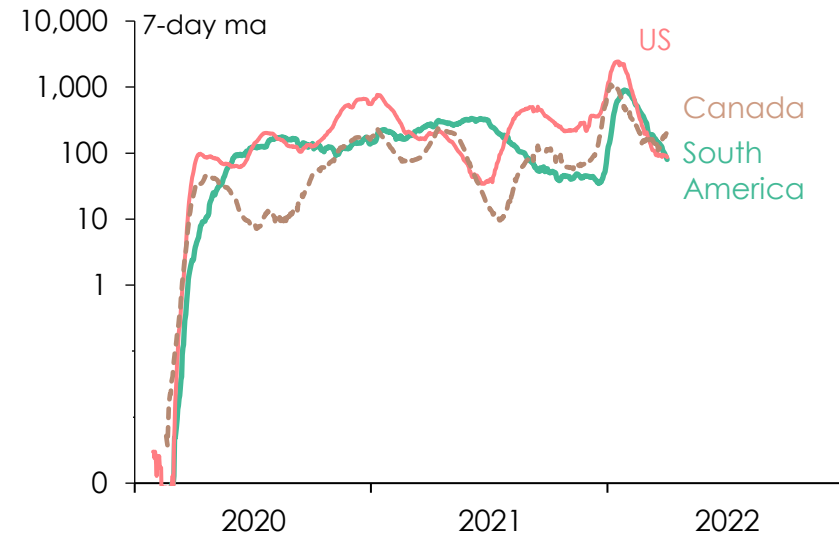


Note: All charts are on logarithmic scales. Data up to 1st April. Source: University of Oxford, [Our World in Data](#). [Return to "What's New"](#).

46% of the world's new cases last week were in Europe, 21% in Korea, 9% in Vietnam and 4% in Australia – the numbers in China are small but rising

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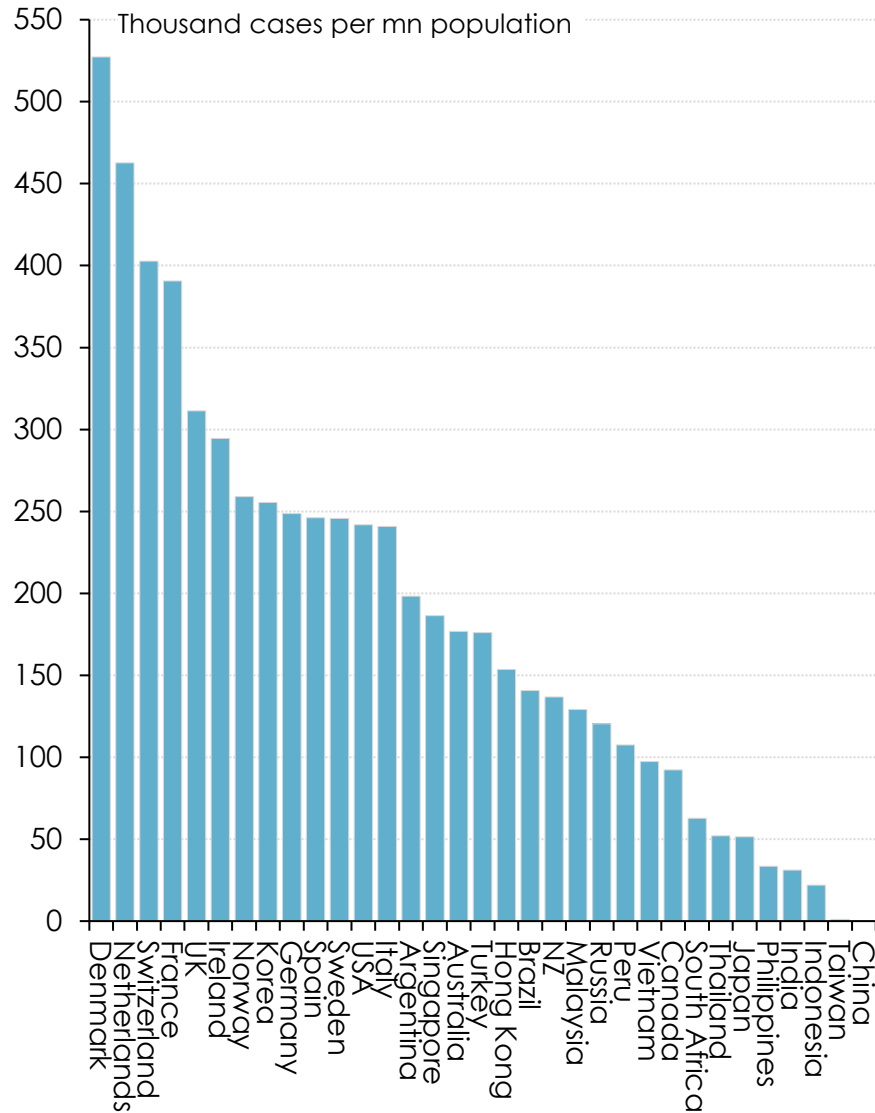
Daily new cases per million population – major countries and regions



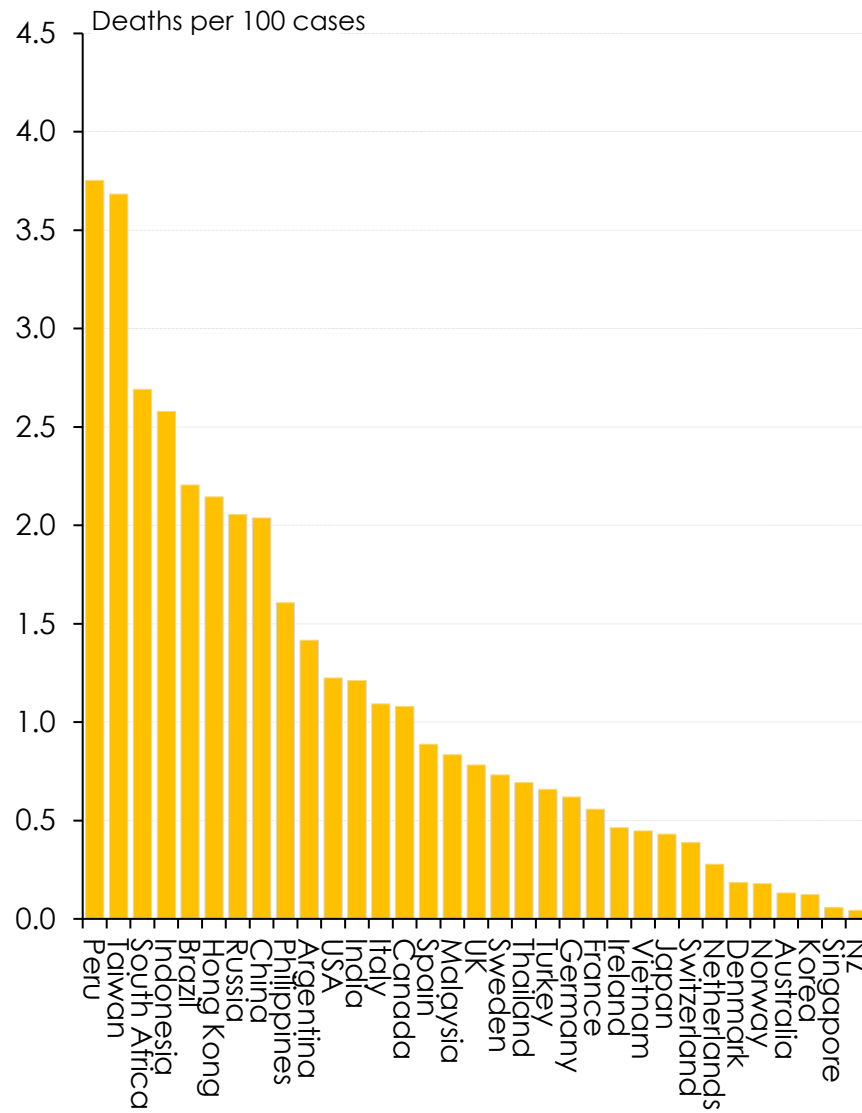
The highest cumulative infection and death rates (since the onset of the pandemic) have been in Europe, South and North America

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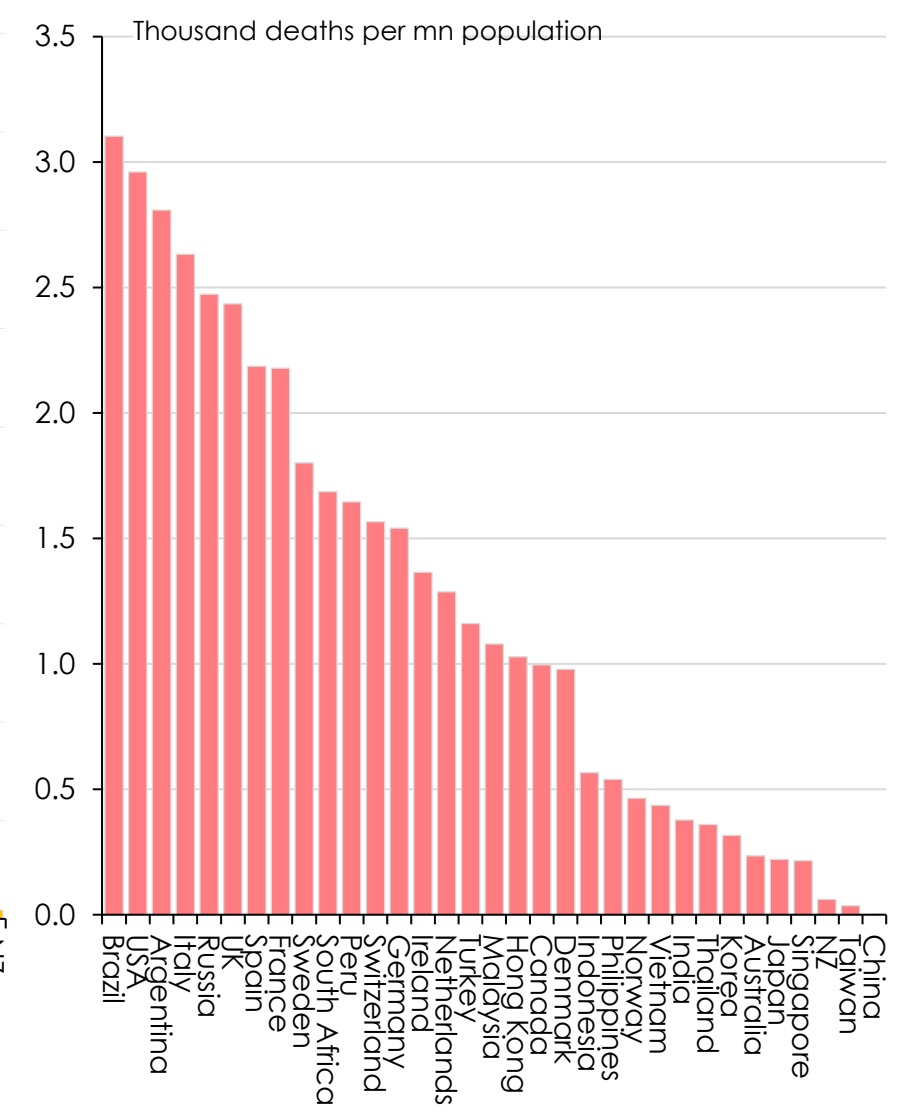
Apparent infection rate



Apparent fatality rate



Apparent death rate



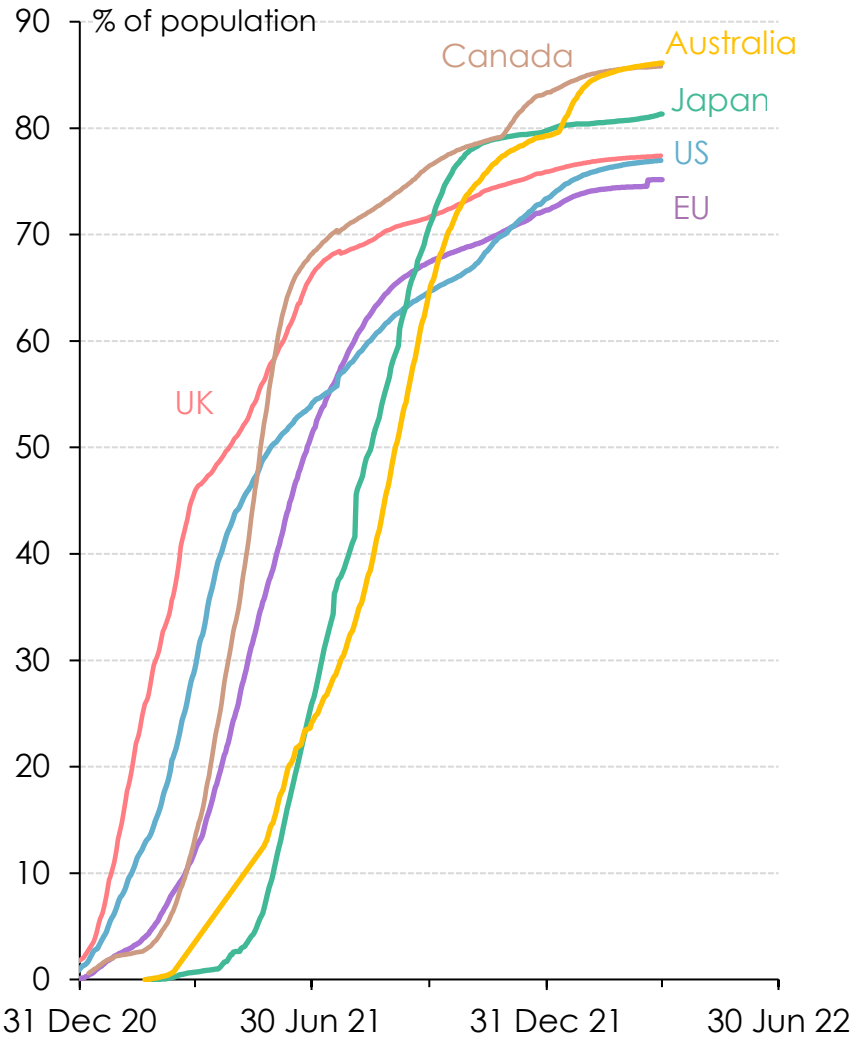
Note: Data shown in these charts are cumulative since the beginning of the pandemic, up to 1st April. Sources: University of Oxford, [Our World in Data](#); Corinna.

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

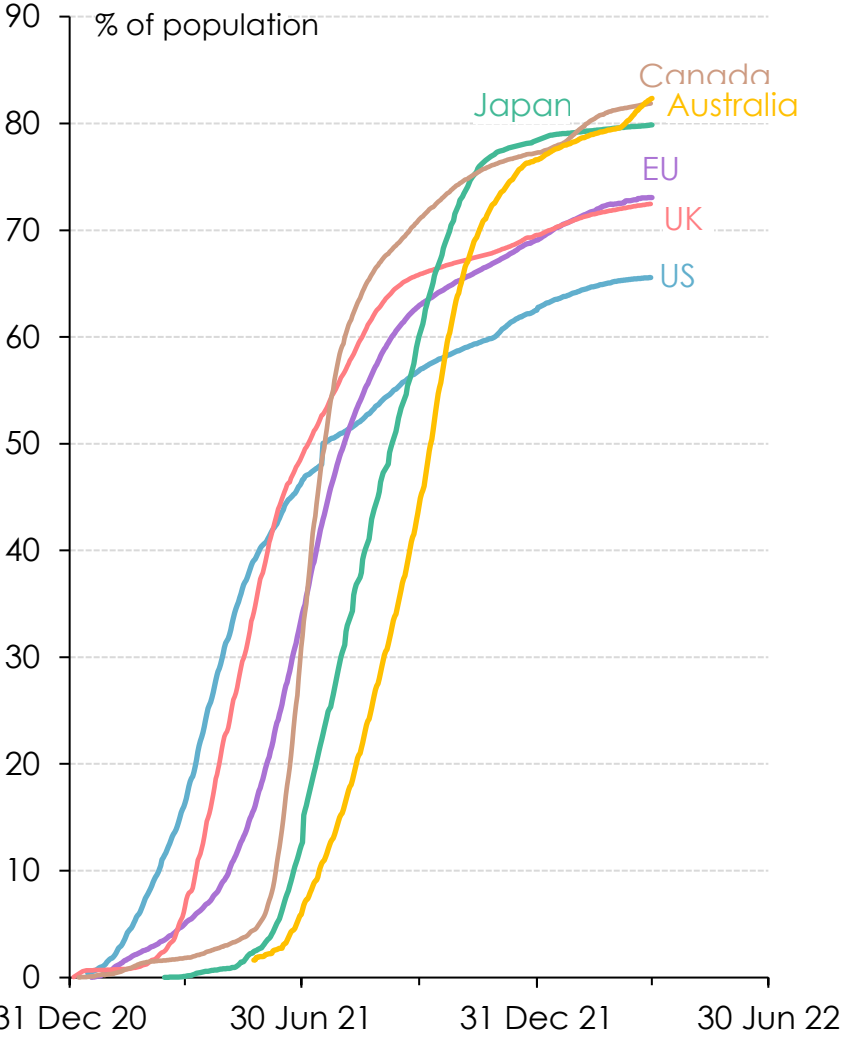
The US lags behind most other 'advanced' economies in fully vaccinating its population while the US & Japan are lagging with 'booster' shots

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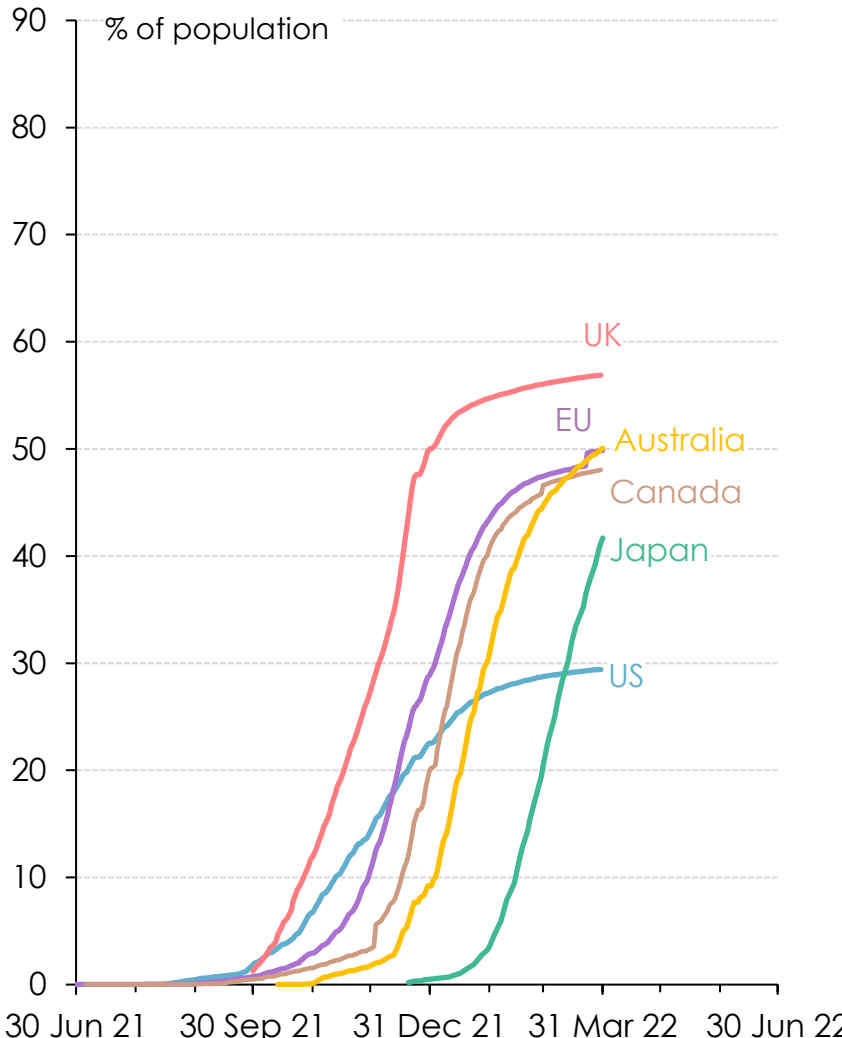
Percentage of populations who have had at least one shot



Percentage of populations who have had two shots



Percentage of populations who have had a 'booster' shot

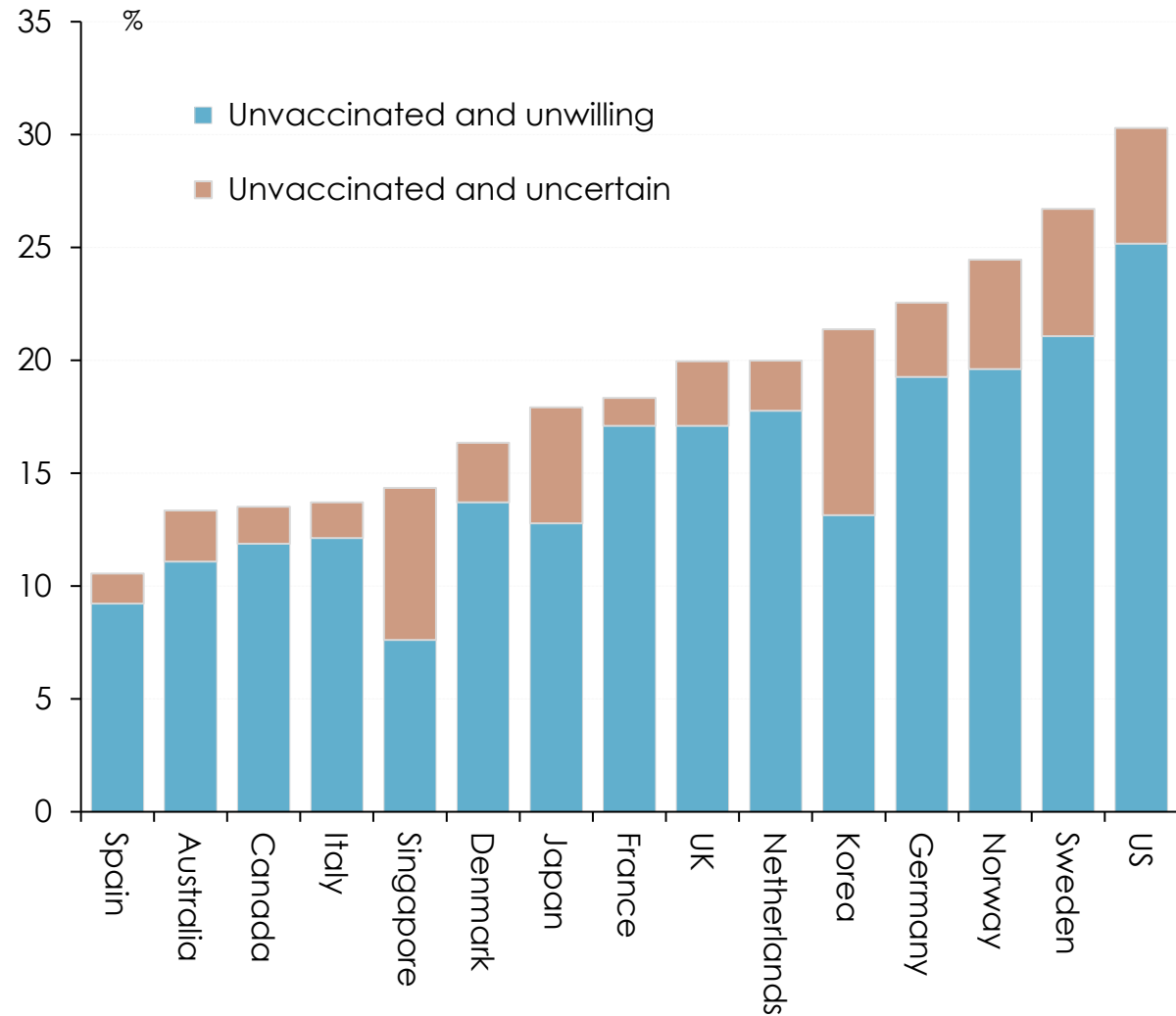


Note: Data up to 31st March. Source: [Our World in Data](#); [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

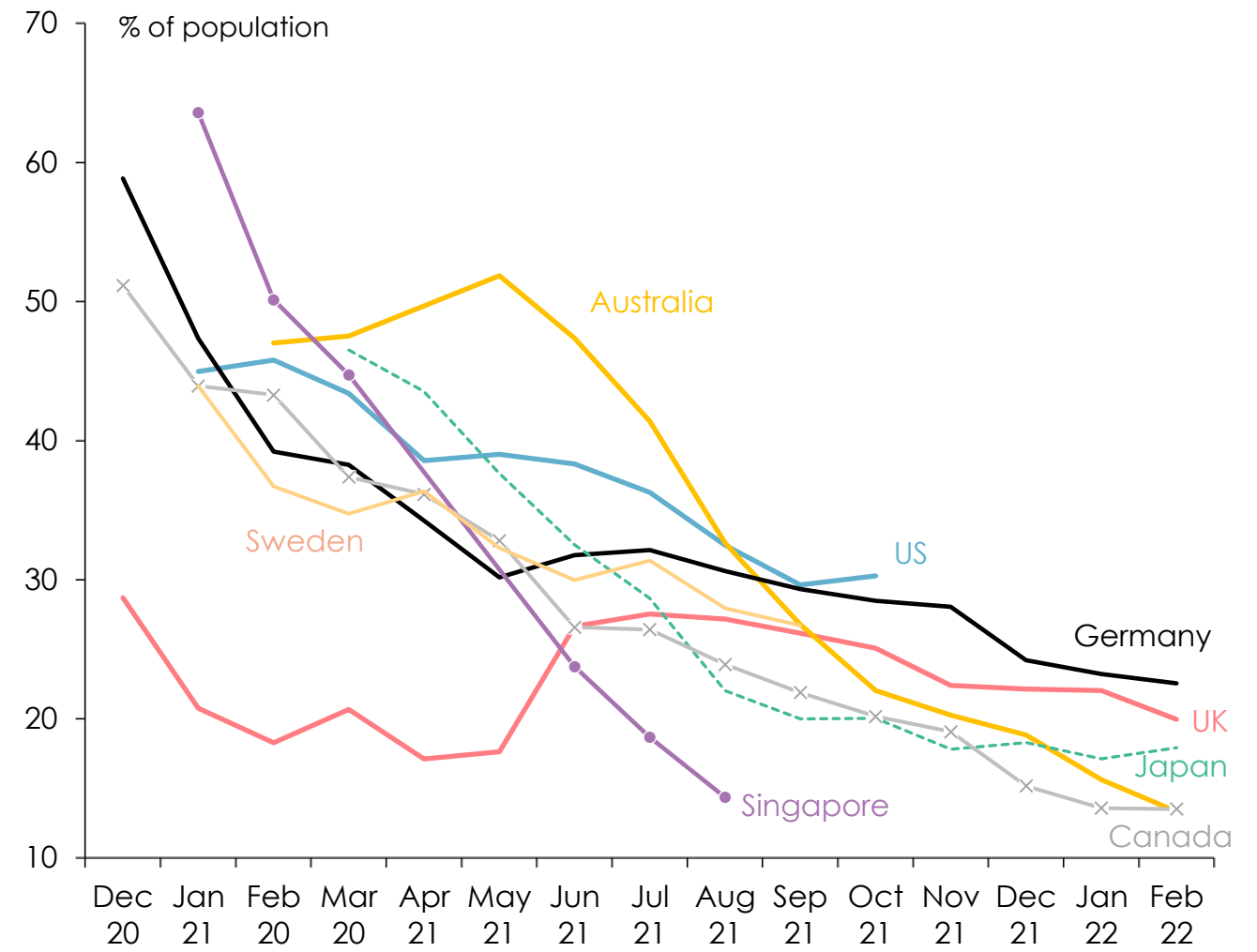
Vaccine hesitancy is now higher in the US and (perhaps more surprisingly) in Germany than in other 'advanced' economies

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

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



Percentage of populations unvaccinated and unwilling or uncertain about getting vaccinated



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

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

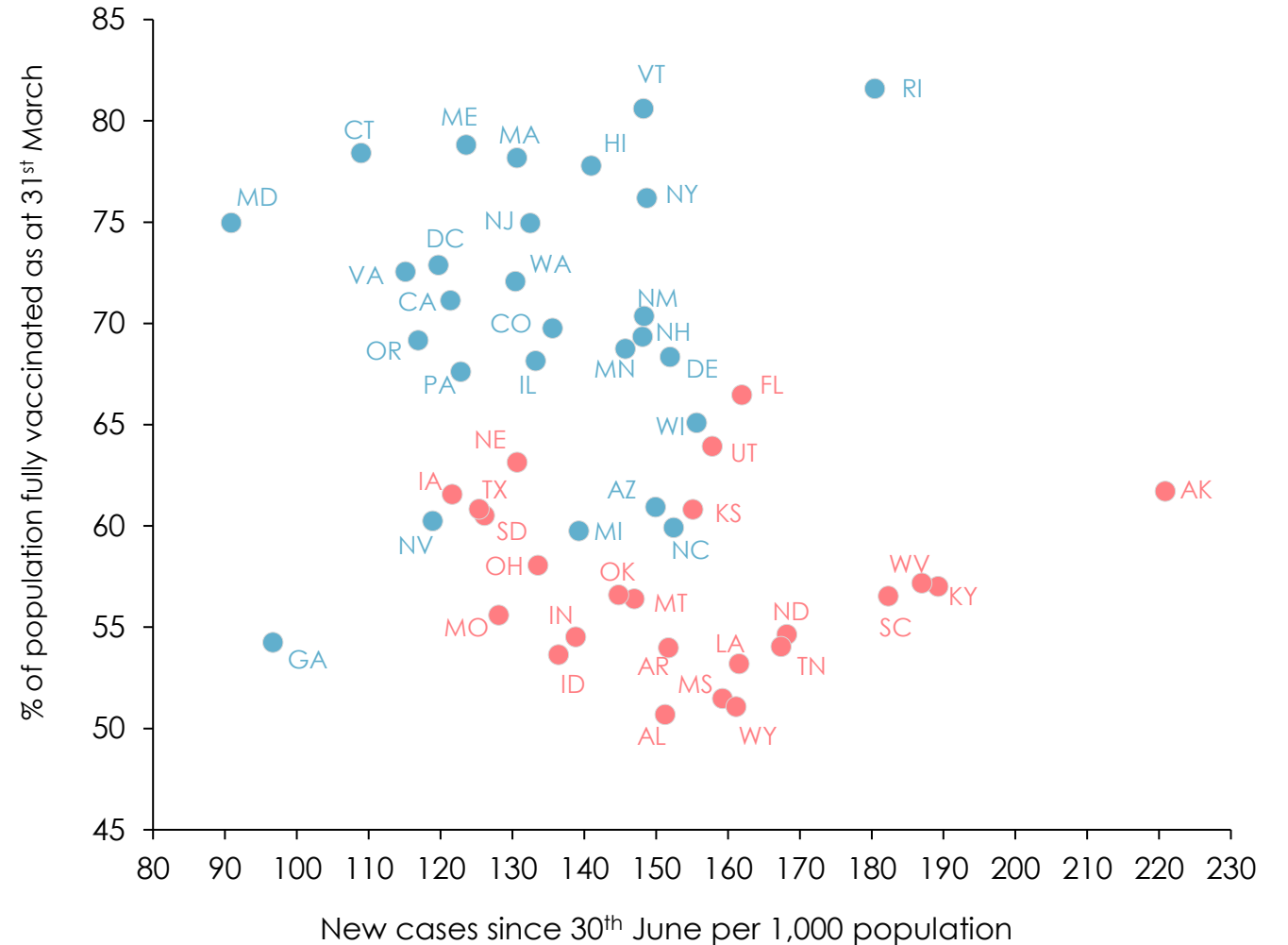
In the US there's a strong correlation between voting patterns and vaccine hesitancy, and (inversely) between vaccination rates and infection rates

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

Vaccination rates vs Trump vote at 2020 elections, by state



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

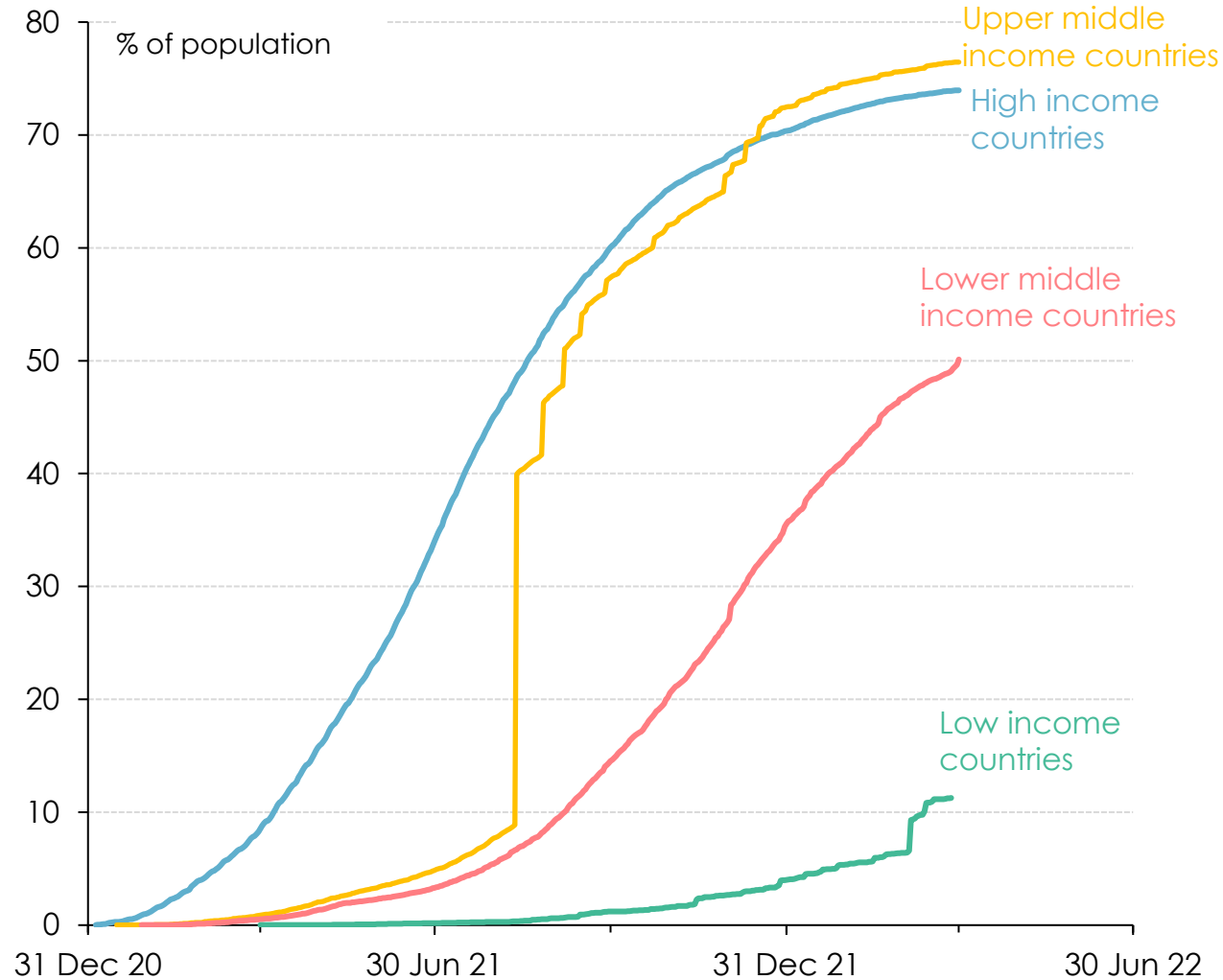


Note: Case data as at 31st March. Sources: [The Cook Political Report](#); [Our World in Data](#); [USA Facts](#); Corinna. [Return to "What's New"](#).

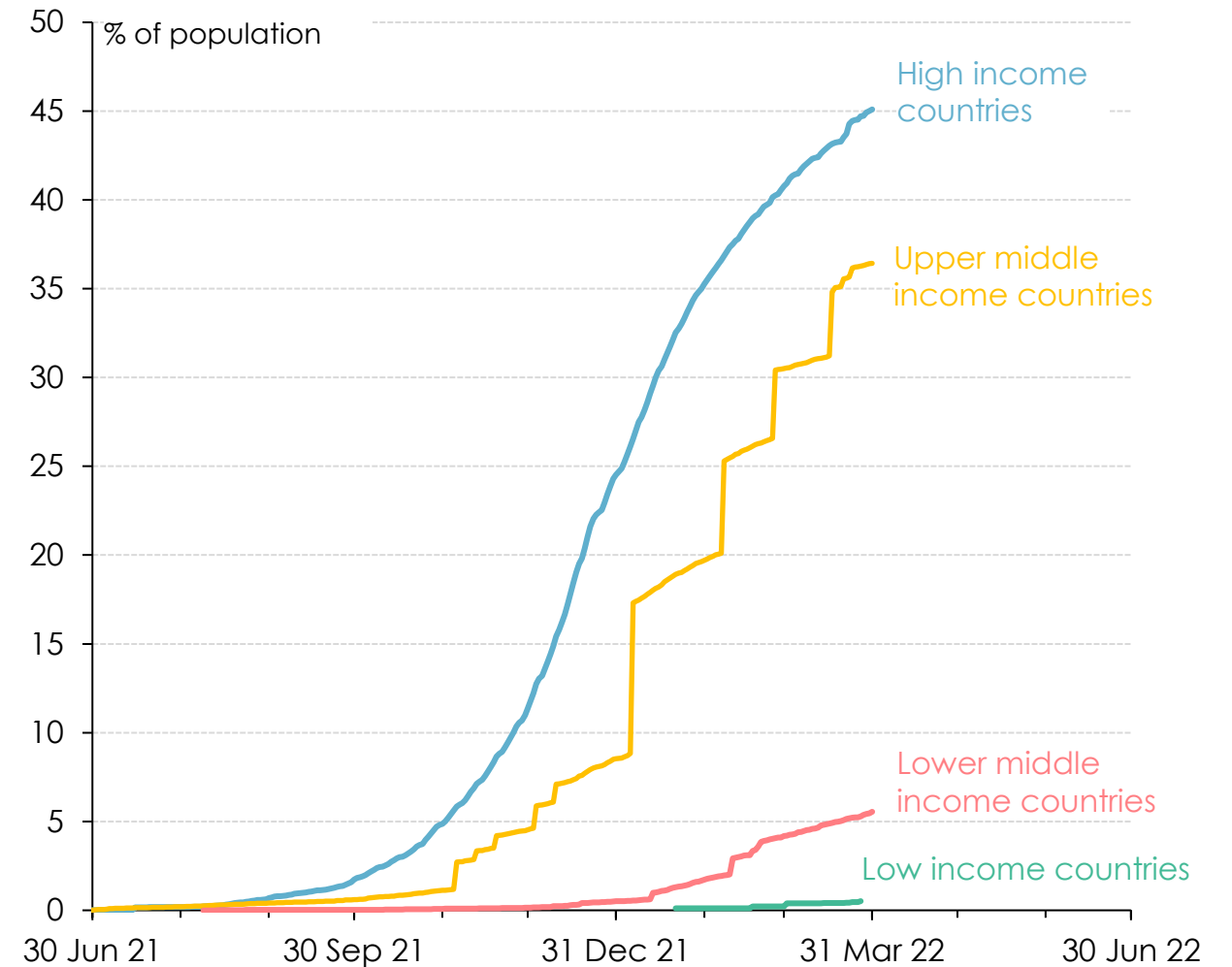
The vaccine roll-out has proceeded much more slowly among low- and lower-middle income countries

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 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"](#).

The world

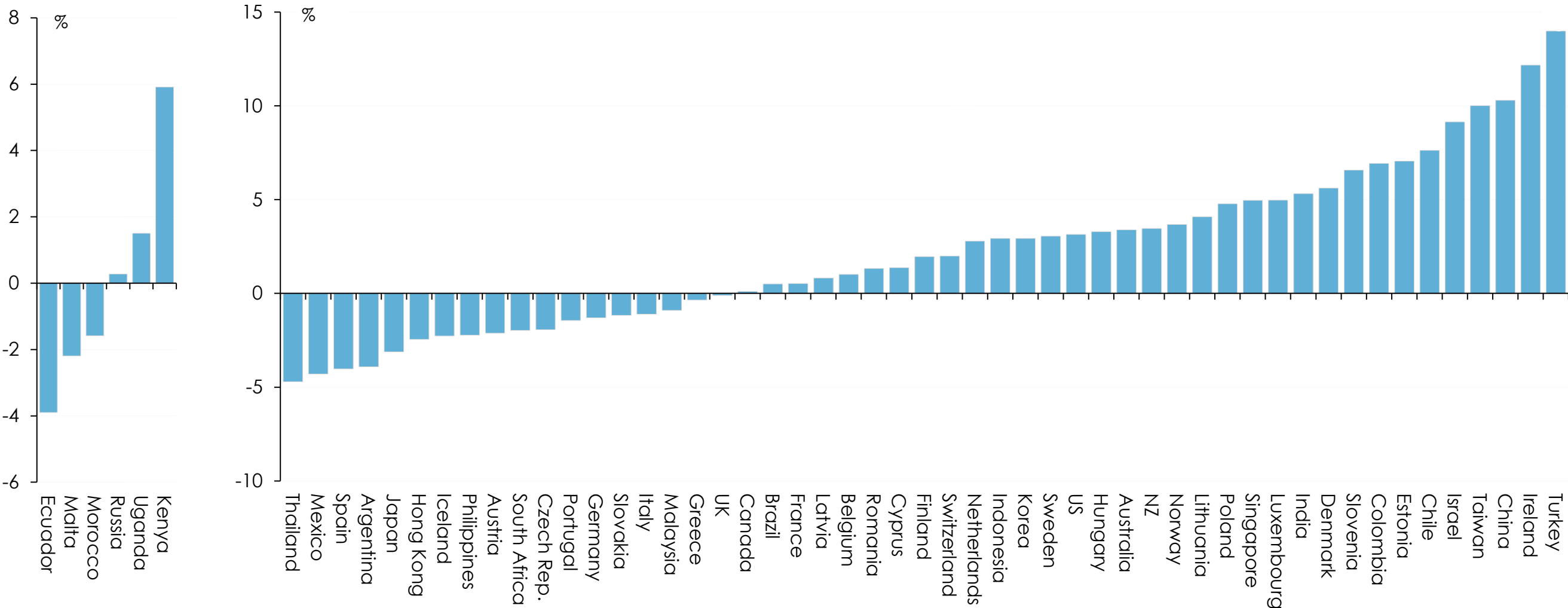
36 countries (out of 57 for which seasonally-adjusted Q3 or Q4 GDP estimates are available) have now surpassed their pre-pandemic peaks

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

Real GDP compared with pre-recession peak

Q3 2021

Q4 2021

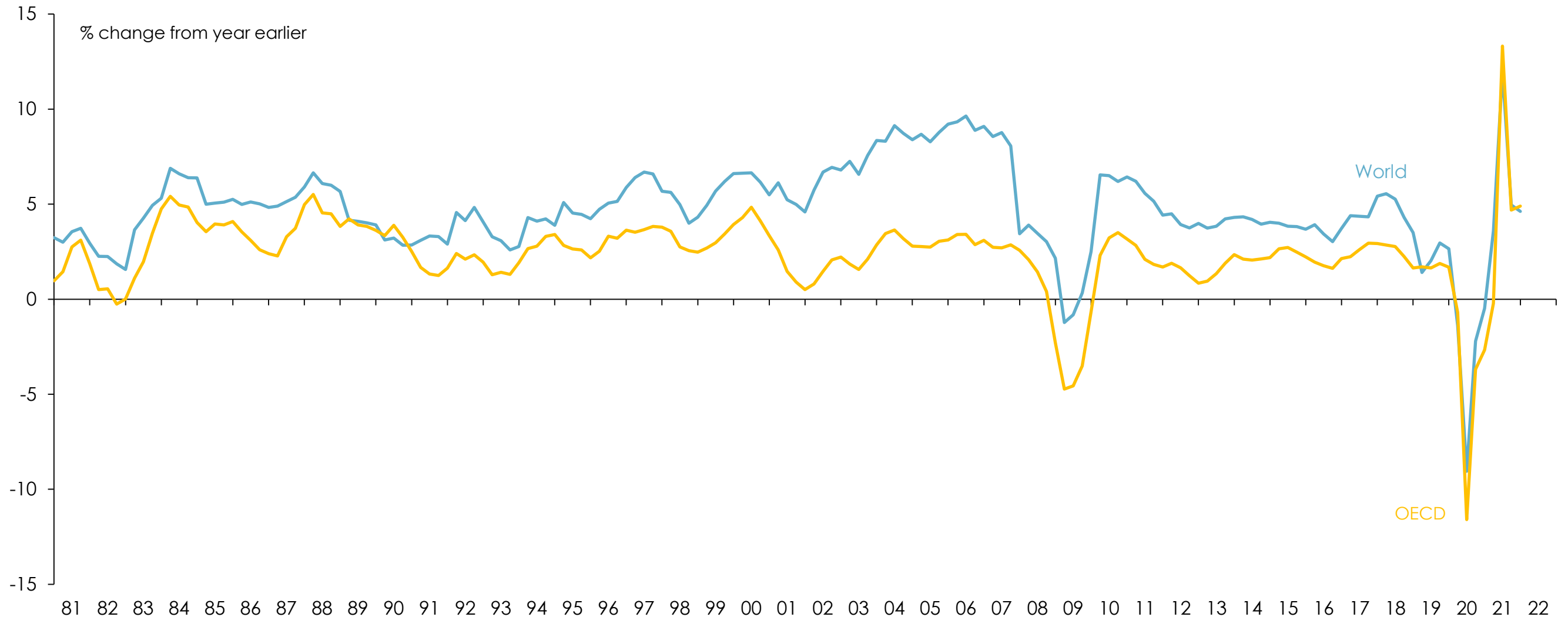


Note: estimate for China is derived from quarterly growth rates published by China NBS; estimates for India and Indonesia are seasonally adjusted by the OECD (and the Q4 estimate for India isn't available yet). Sources: National statistical agencies and central banks. [Return to "What's New"](#).

The world economy grew by about 4³/₄% over the year to Q4 – down from 12% over the year to Q2 which was flattered by comparison with Q2 2020

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World and OECD area real GDP growth

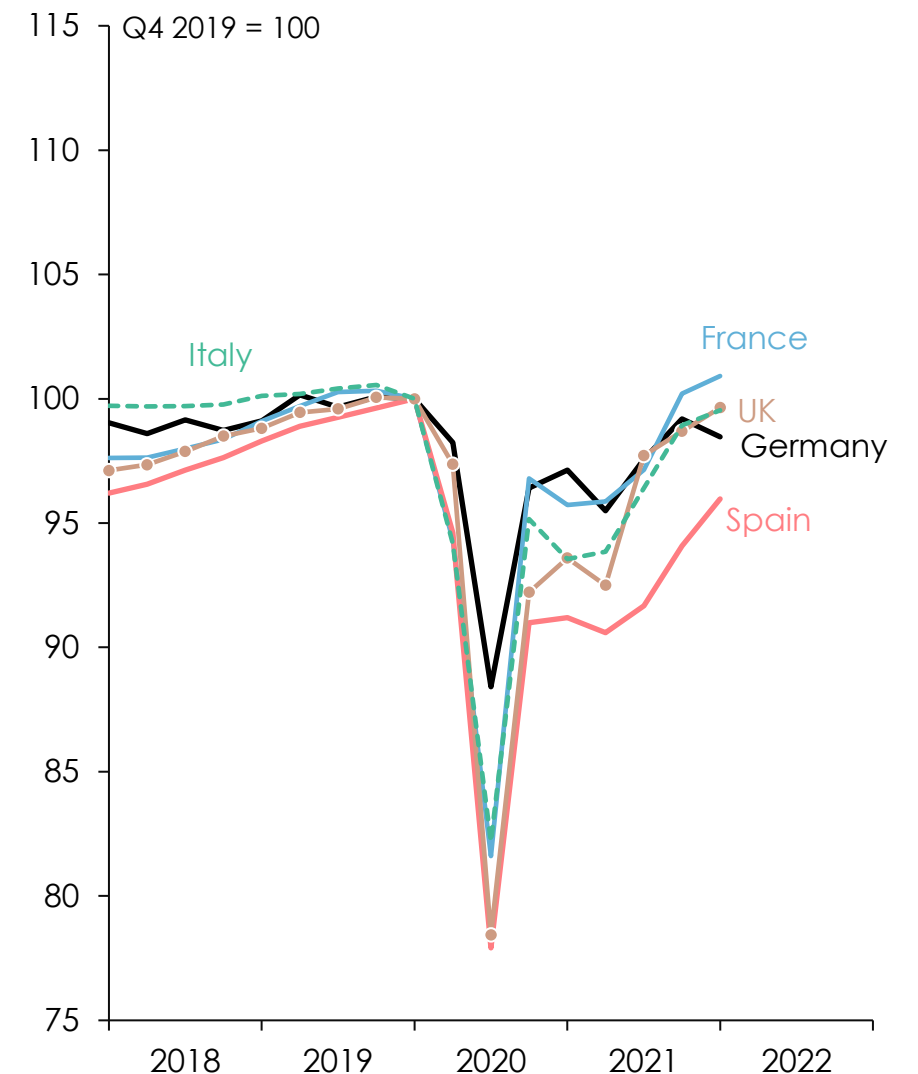
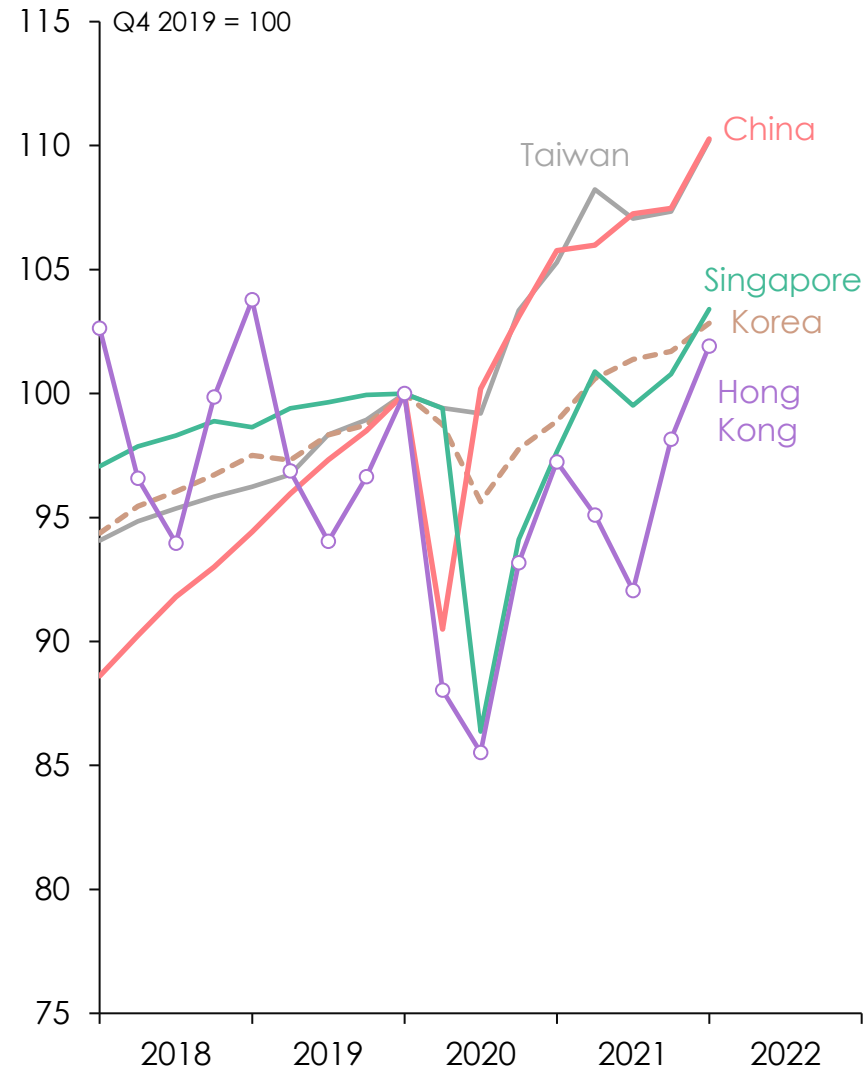
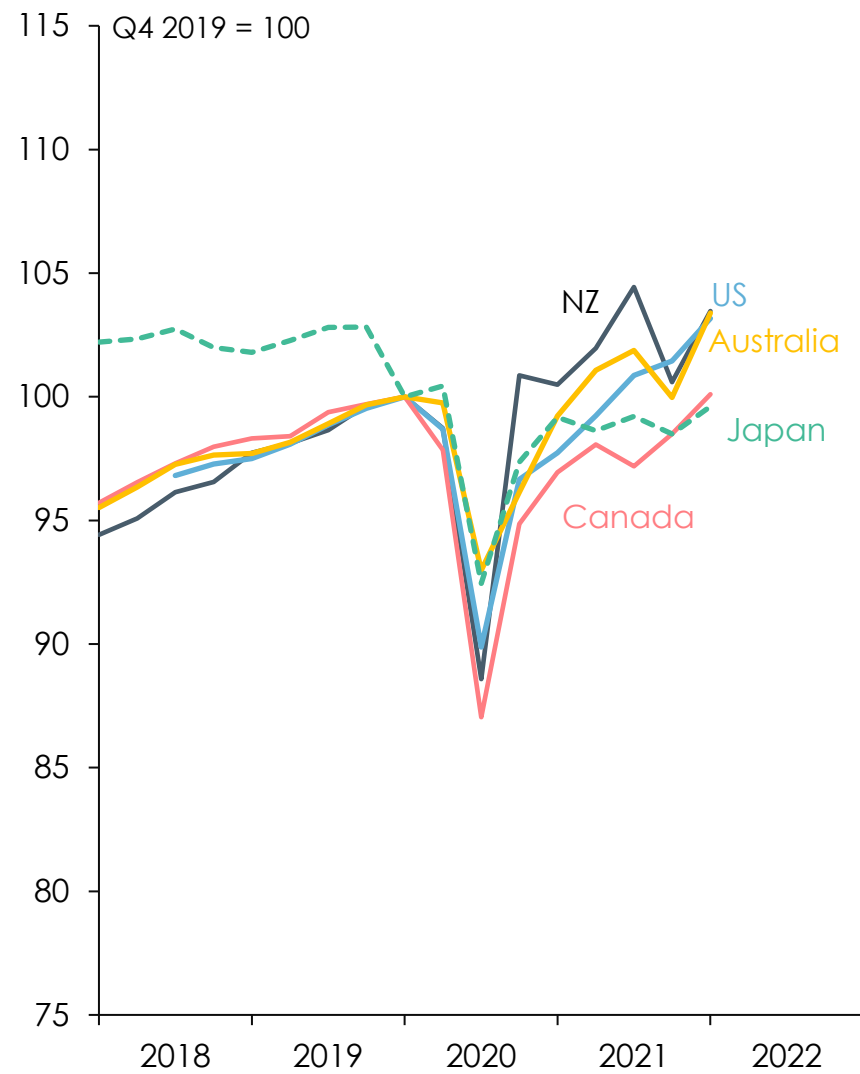


Note: Estimates of global GDP growth compiled by Corinna using data for 100 countries accounting for 94% of 2019 world GDP as measured by the IMF, weighted in accordance with each country's share of global GDP at purchasing power parities in 2019; excludes constituents of the former USSR before 1993, 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 – 4TH APRIL 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's most recent update lowered its 2022 world growth forecast to 4.4% (from 4.9%) and raised its global inflation forecasts for 2022 and 2023

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Major global institutions' growth forecasts for 2021- 2023 compared

	Actual		IMF			OECD			World Bank			Australian/NZ Treasury		
	2010-19 [^]	2020	2021	2022	2023	2021	2022	2023	2021	2022	2023	2022	2023	2024
US	2.2	-3.5	5.6	4.0	2.6	5.6	3.7	2.4	5.6	3.8	2.3	3.5	2.5	2.0
China	7.7	2.3	8.1	4.8	5.2	8.1	5.1	5.1	8.0	5.1	5.3	4.8	5.3	5.0
Euro area	1.3	-6.6	5.2	3.9	2.5	5.2	4.3	2.5	4.2	3.7	2.6	3.4	2.3	1.5
India	7.0	-8.0	9.0	9.0	7.1	9.4	8.1	5.5	8.3	8.7	6.8	8.3	6.5	7.3
Japan	1.2	-4.8	1.6	3.3	1.8	1.8	3.4	1.1	1.7	2.9	1.2	2.5	1.5	0.5
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	4.8*	2.0*	2.5*
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	3.8	3.8	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, 2022-23 [Budget Paper No. 1](#), 29th March 2022; 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

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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

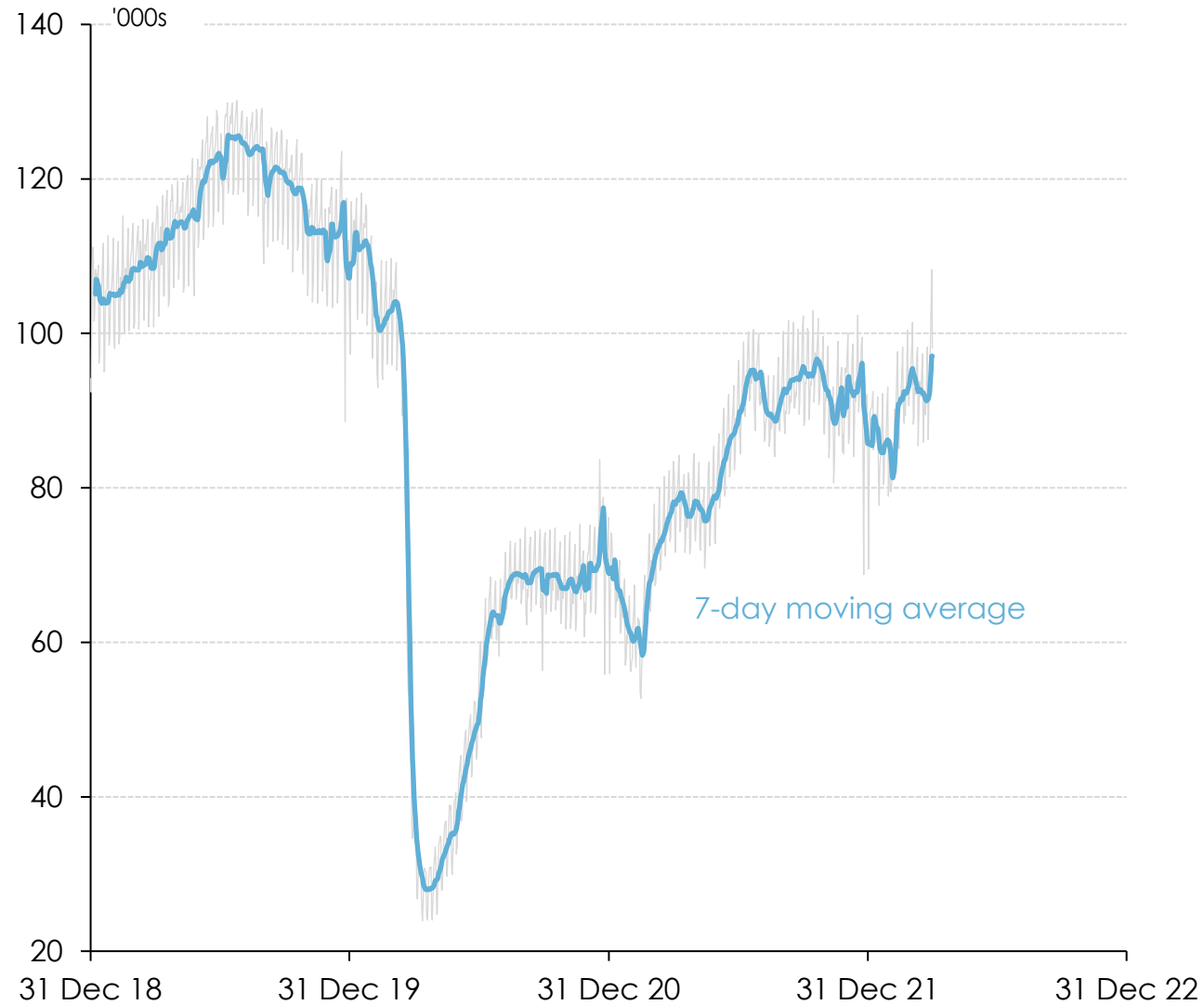
- The IMF's latest [World Economic Update](#), published in the last week of January, lowered its forecast for global GDP growth in 2022 by 0.5 pc pt to 4.4%, with a 'mechanical' 0.2 pc pt upgrade to the 2023 forecast
 - the IMF sees the risks to global growth as still “tilted to the downside”, in particular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

Global aviation traffic picked up noticeably last week after three weeks of decline – although a similar pick-up isn't so obvious in the US

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

Daily commercial flights worldwide



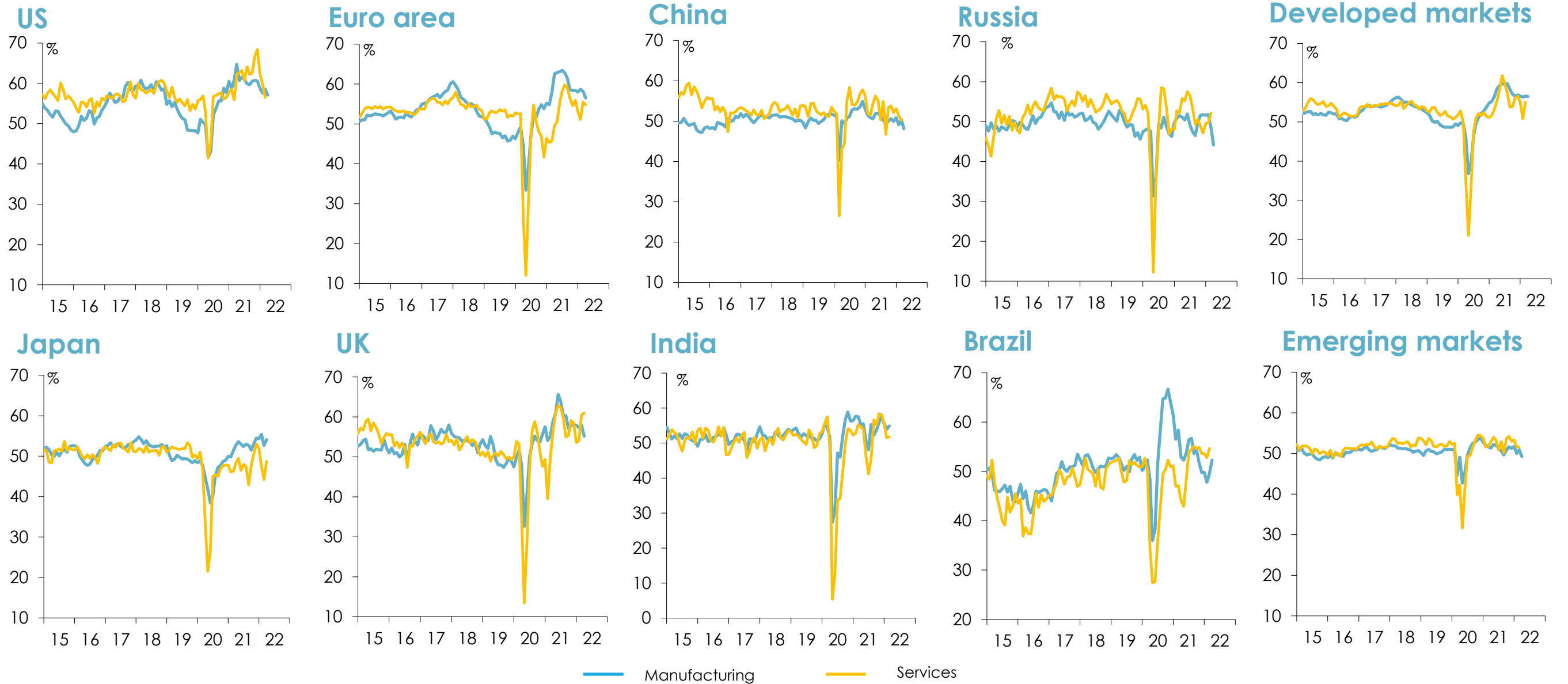
Daily US TSA 'security' checks



Note: Commercial flights include commercial passenger flights, cargo flights, charter flights, and some business jet flights. Data are up to 1st April for commercial flights and 31st March for TSA checks. Thicker coloured lines are 7-day centred moving averages of daily data plotted in thin grey lines. Sources: [Flightradar24.com](https://www.flightradar24.com); [US Transport Safety Administration](https://www.transportation.gov/air-traffic) (at last, something useful – other than job creation - produced by aviation 'security'!!!). [Return to "What's New"](#).

March PMIs suggest a slight softening in manufacturing activity in most 'advanced' economies and a more marked slowing in 'emerging' ones

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

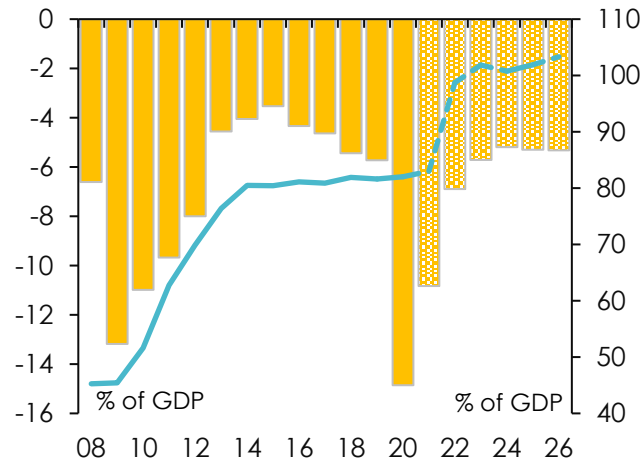


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. Latest data for Japan, euro area and UK are 'flash' readings for March, all others are 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 100](#). Sources: [US Institute for Supply Management](#); [IHS Markit](#); JP Morgan; [Caixin](#); Refinitiv Datastream. [Return to "What's New"](#).

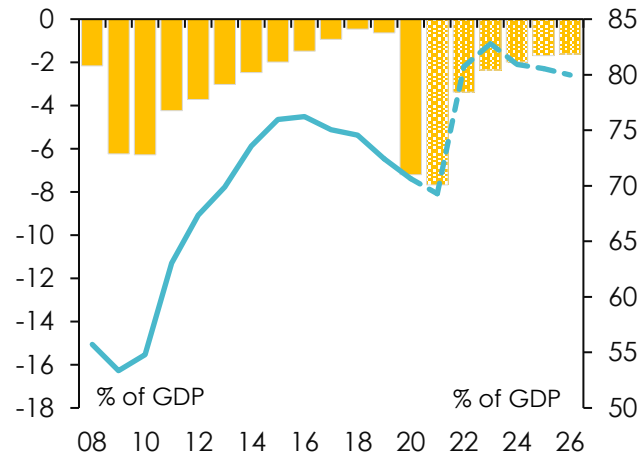
Fiscal policy in almost all major economies is set to tighten significantly in 2022

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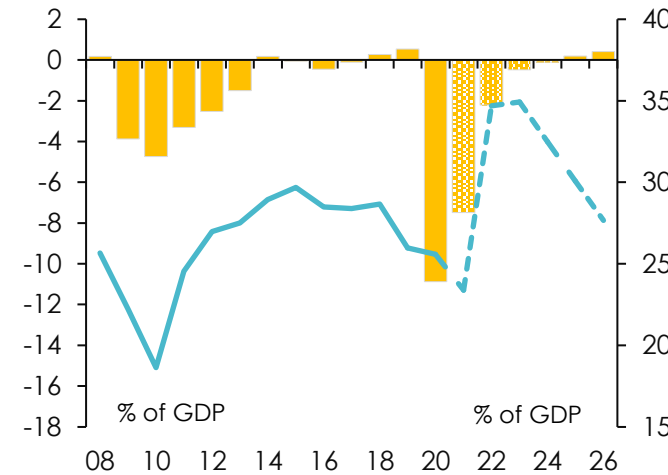
United States



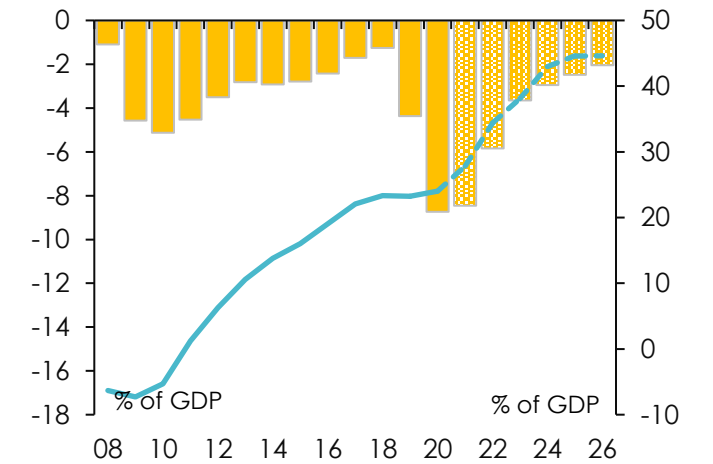
Euro area



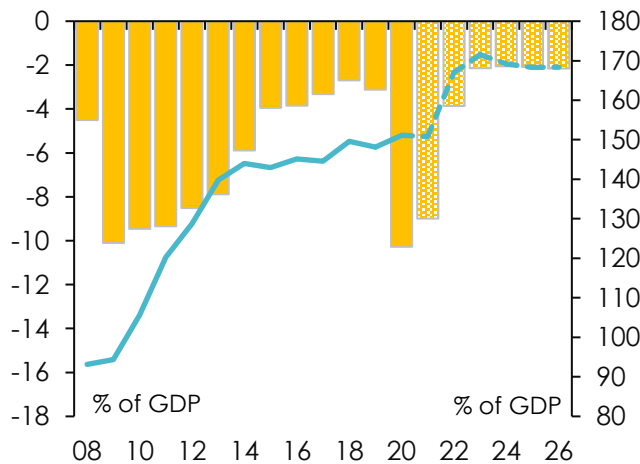
Canada



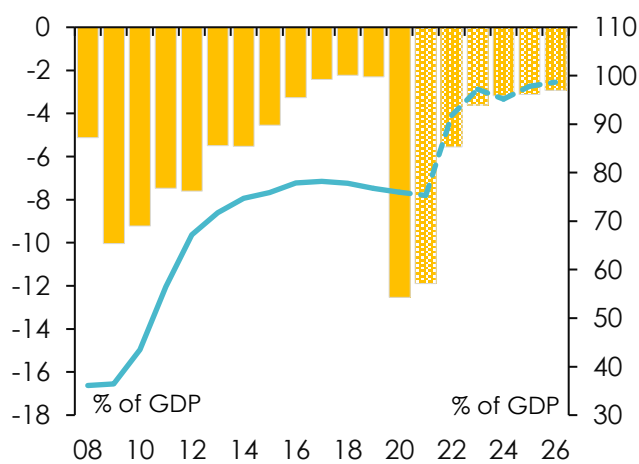
Australia



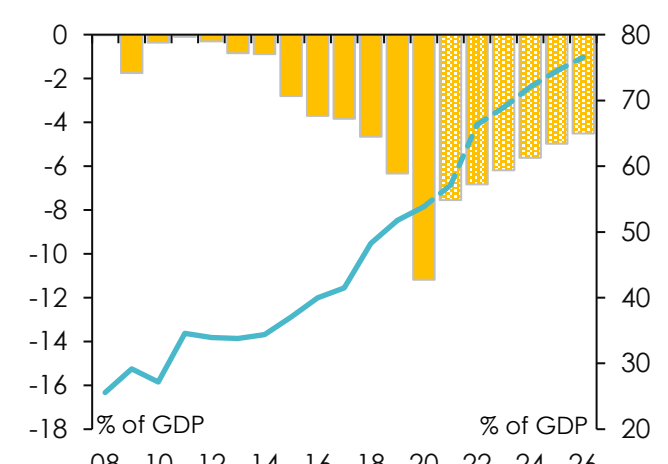
Japan



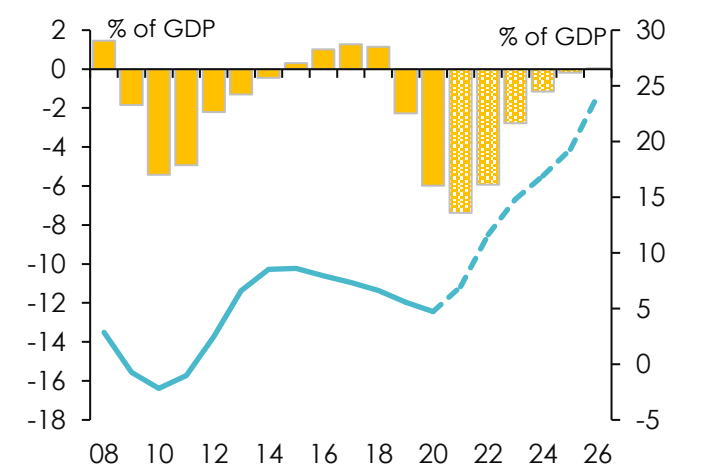
United Kingdom



China



New Zealand



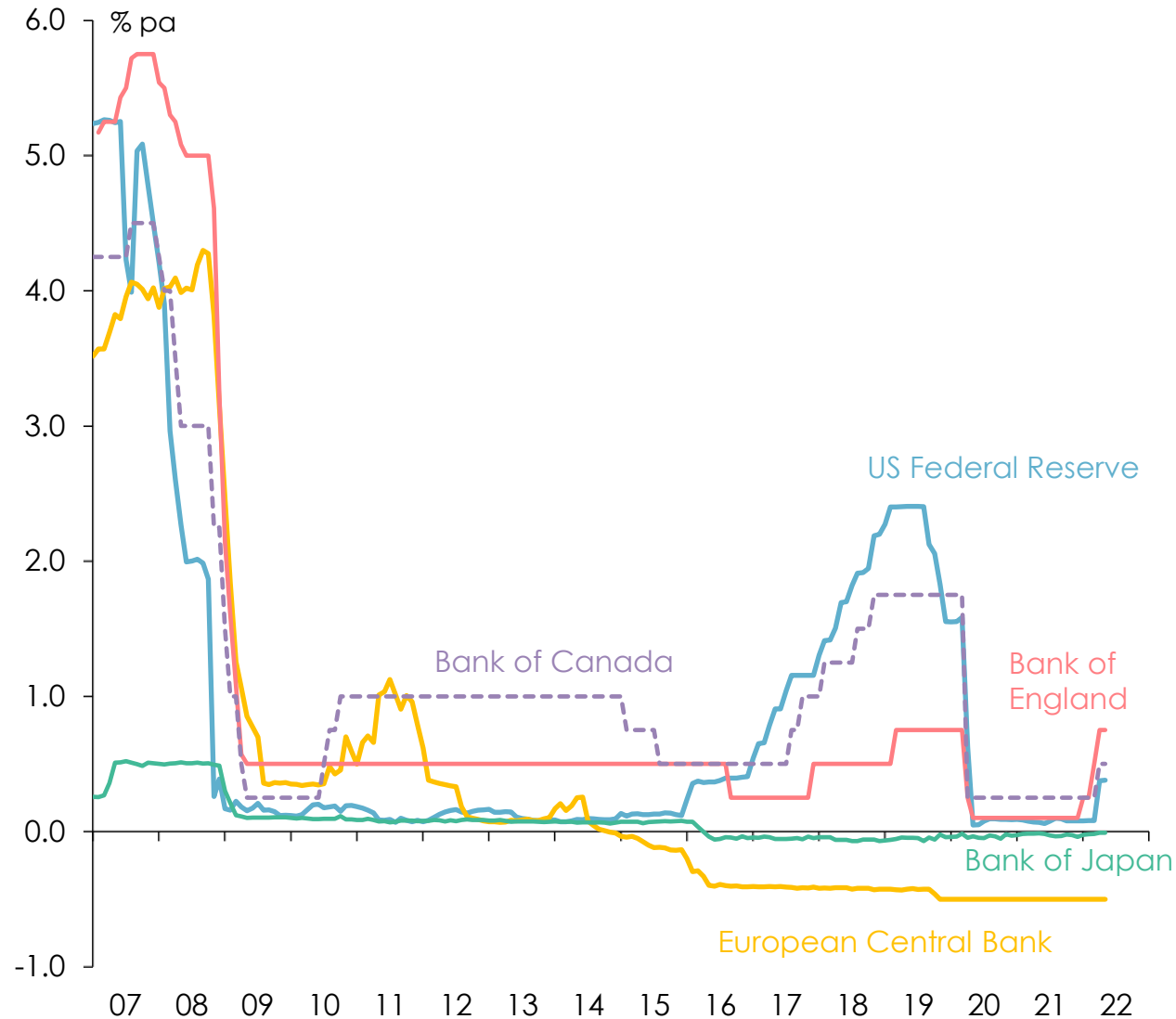
 General government overall fiscal balance (left scale)  General government net debt (right scale)

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"](#)

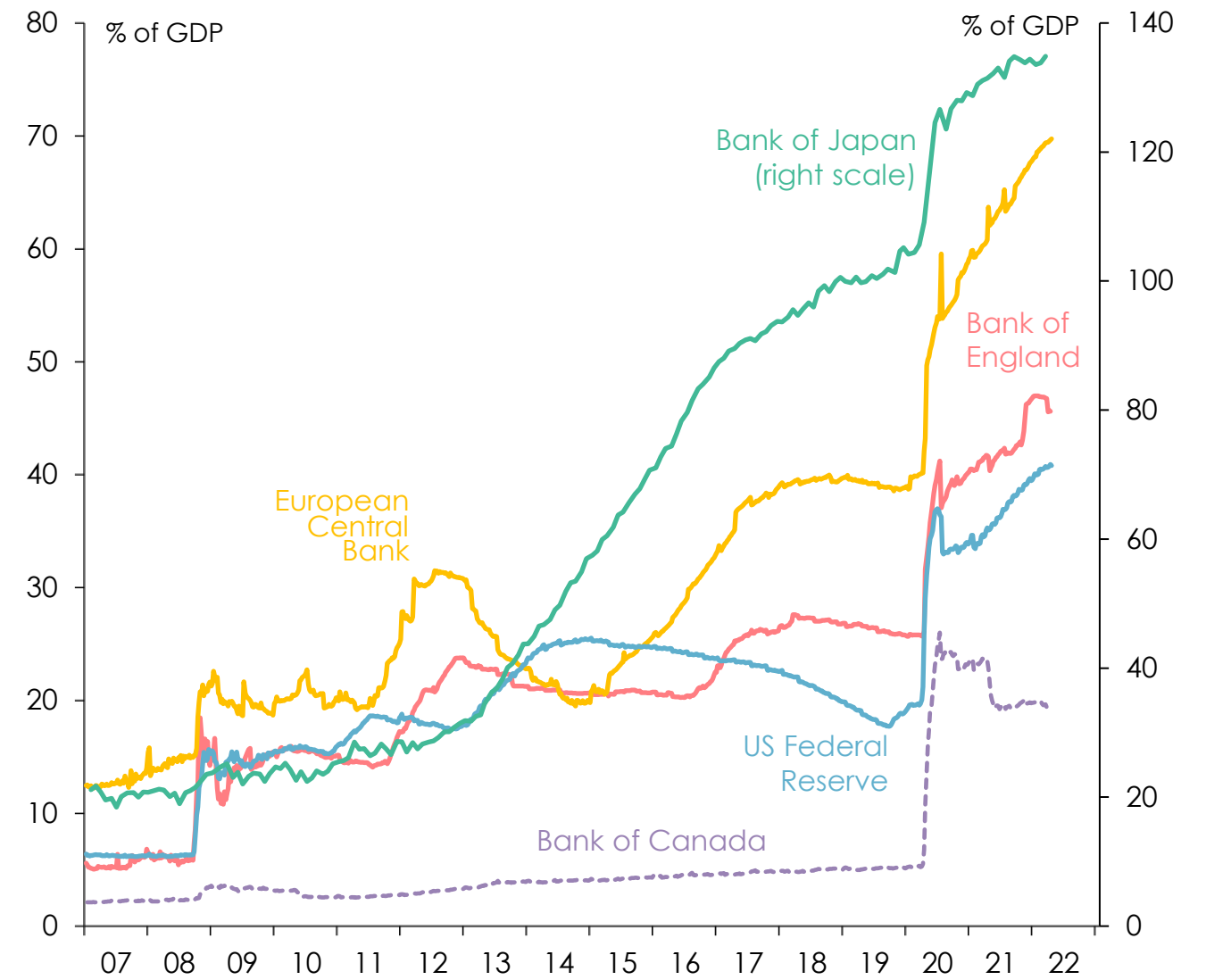
The Fed raised its funds rate last month for the first time since January 2019, while the Bank of England raised its Bank Rate for the third time in 4 months

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

Major central bank policy interest rates



Major central bank balance sheets

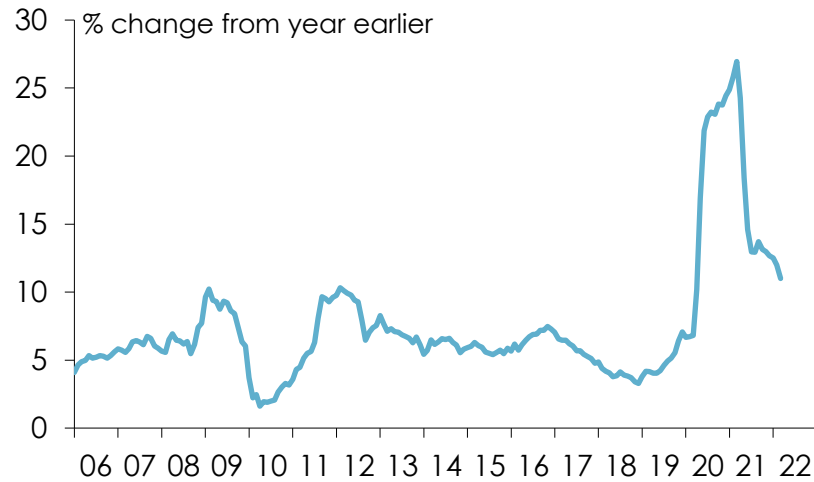


Sources: [US Federal Reserve](#); [European Central Bank](#); [Bank of Japan](#); [Bank of England](#); [Bank of Canada](#); national statistical agencies; Corinna. [Return to "What's New"](#).

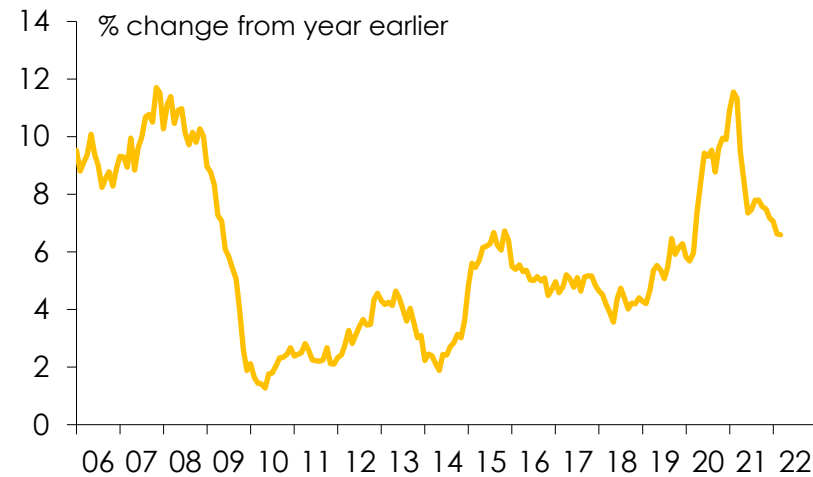
Money supply growth has slowed sharply from the peaks recorded in the first half of 2021 as large monthly increases in 2020 'wash out'

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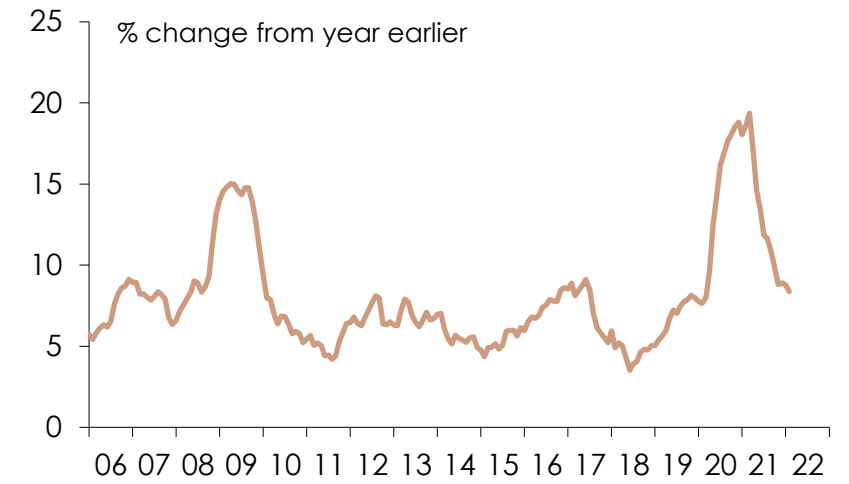
US M2



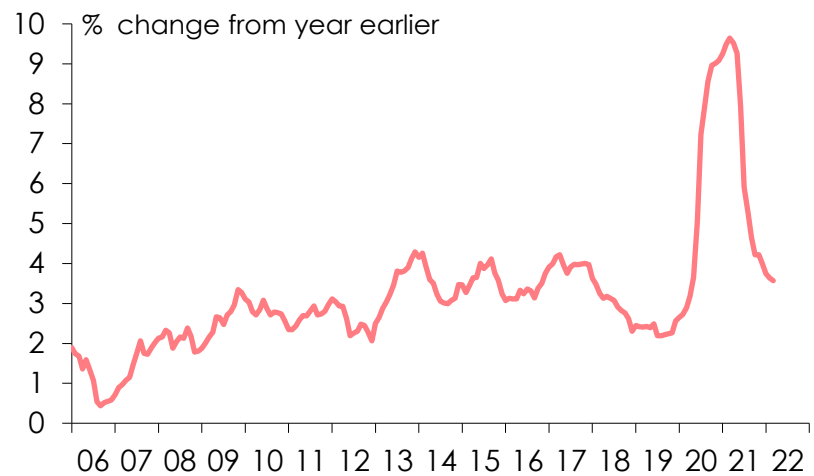
Euro area M2



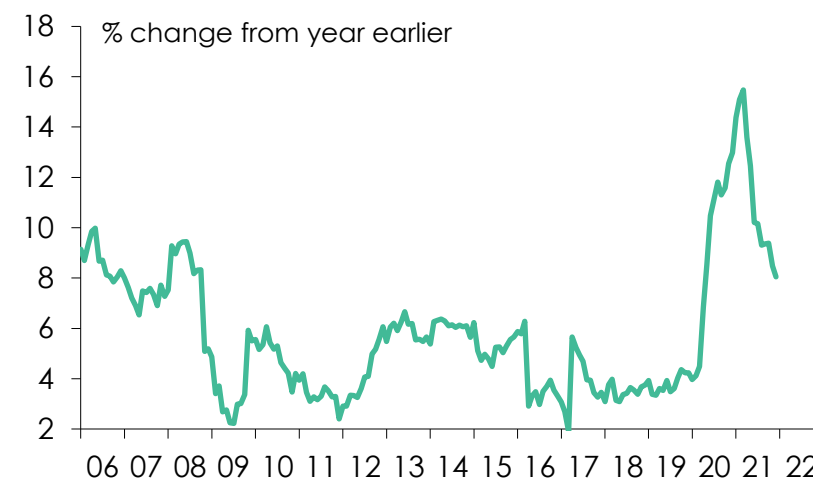
Canada M2



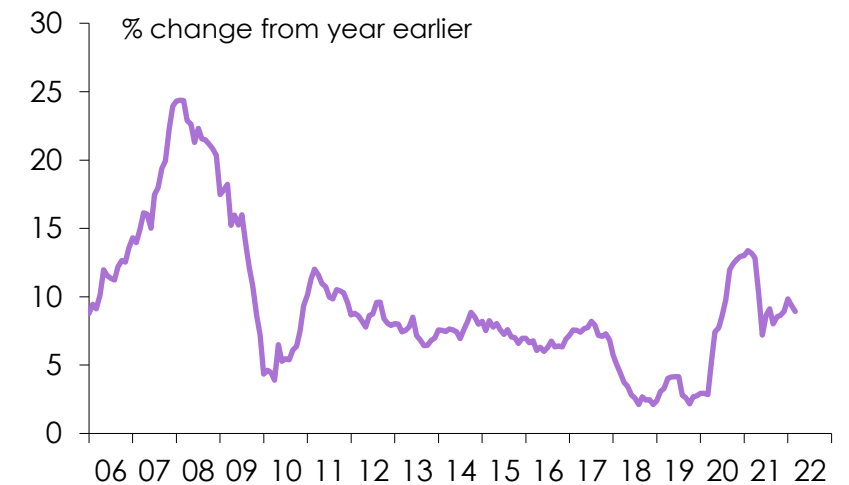
Japan M2 + CDs



UK M2



Australia M3

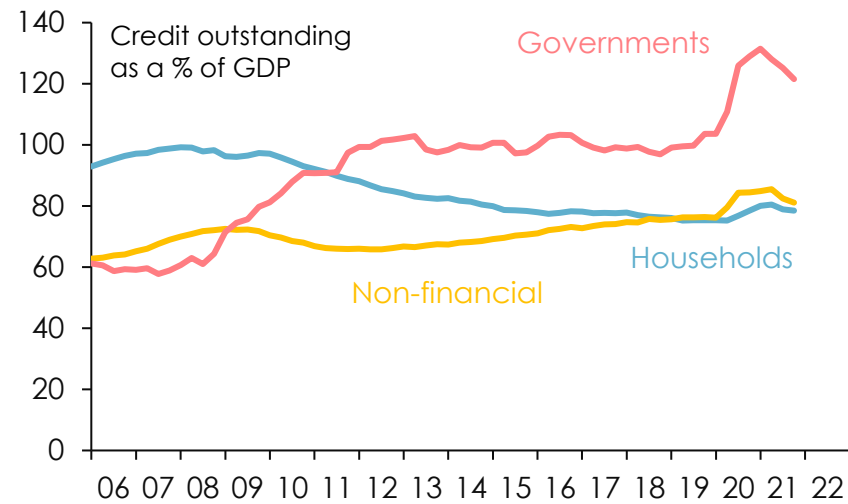


Sources: US Federal Reserve; European Central Bank; Bank of Japan; Bank of England; Bank of Canada; RBA. [Return to "What's New"](#).

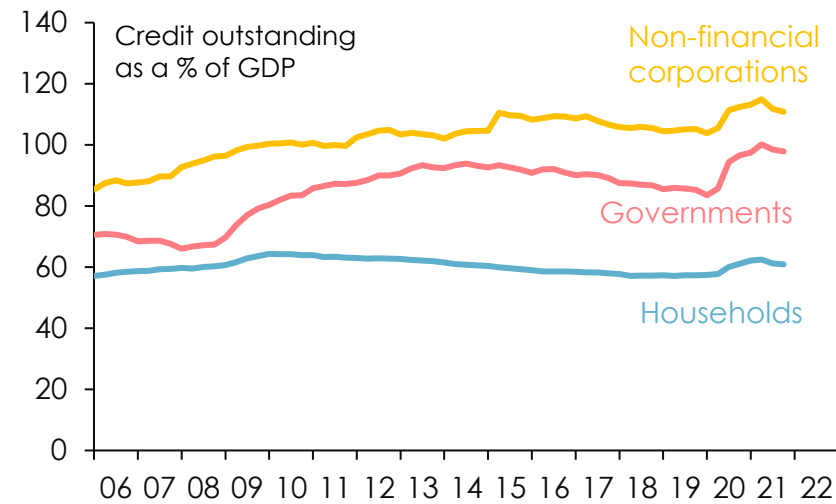
Japanese, US and UK governments, Canadian corporations and Australian households appear most exposed to increases in interest rates

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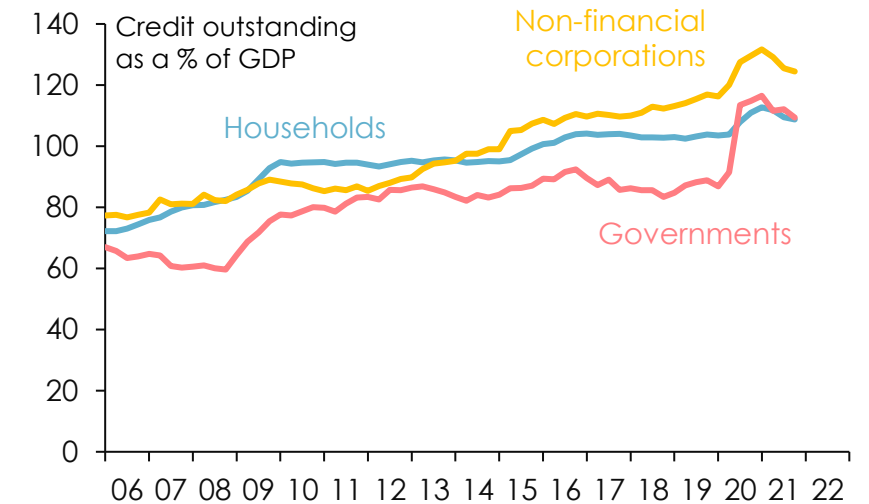
US



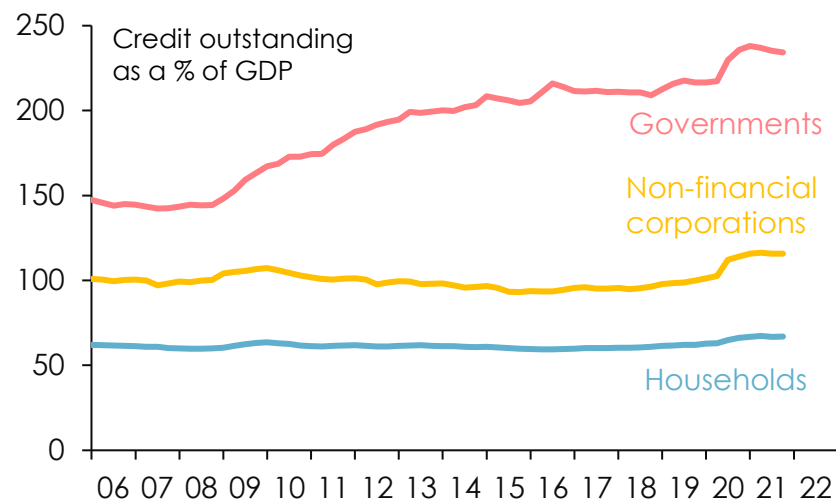
Euro area



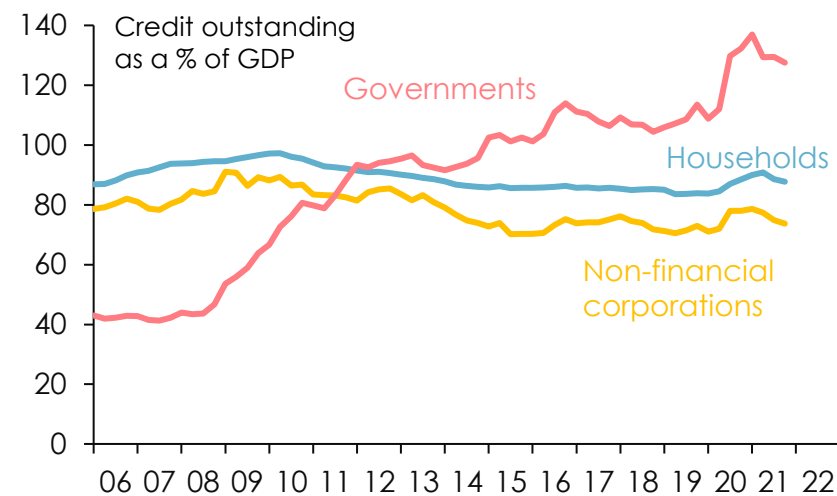
Canada



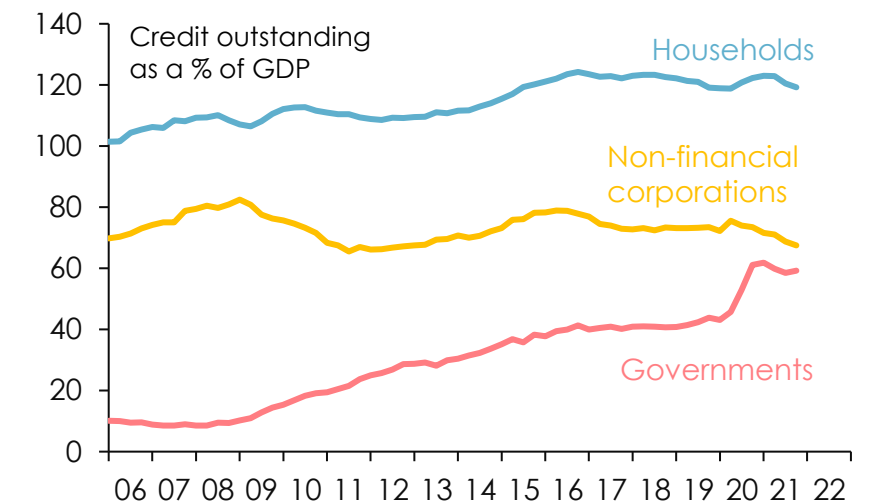
Japan



UK



Australia

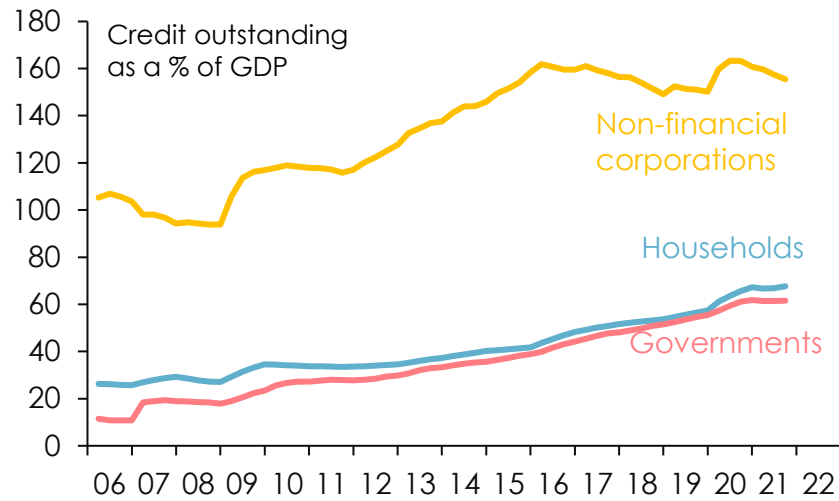


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

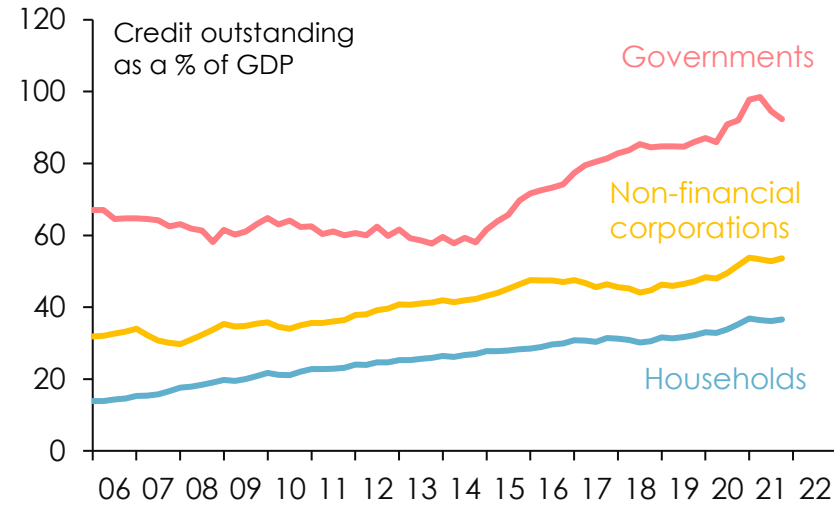
In major 'developing' economies it's usually governments that are most exposed to rising interest rates – except for China, Russia and Turkey

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

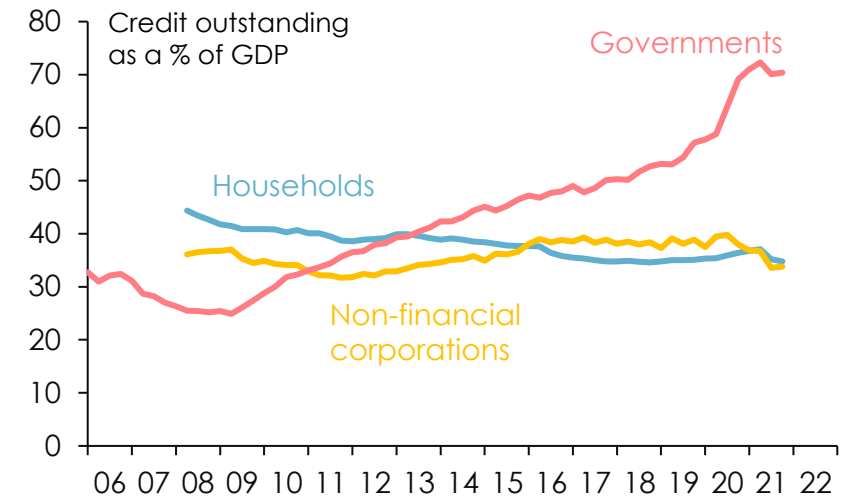
China



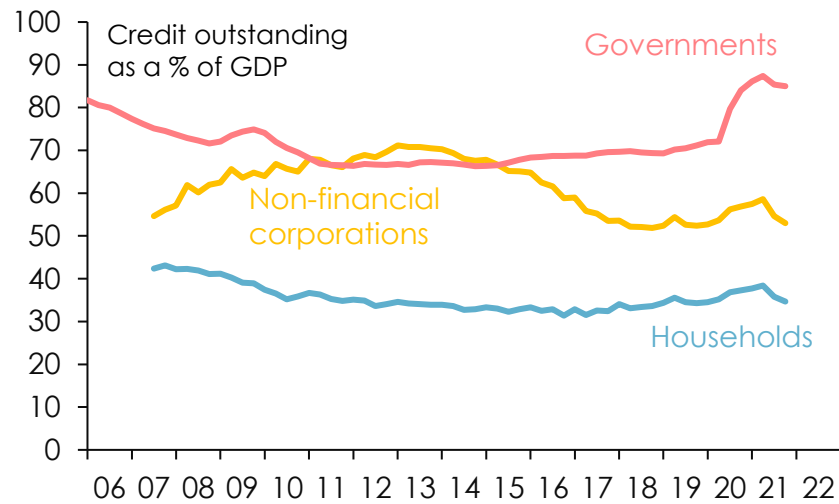
Brazil



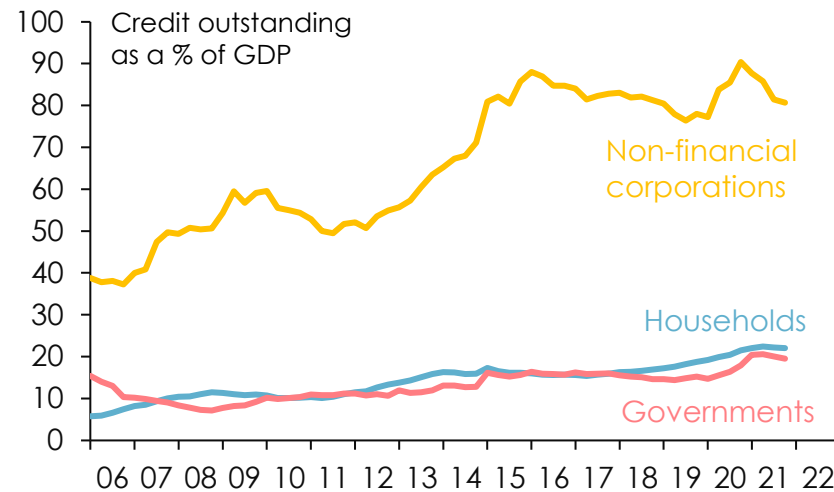
South Africa



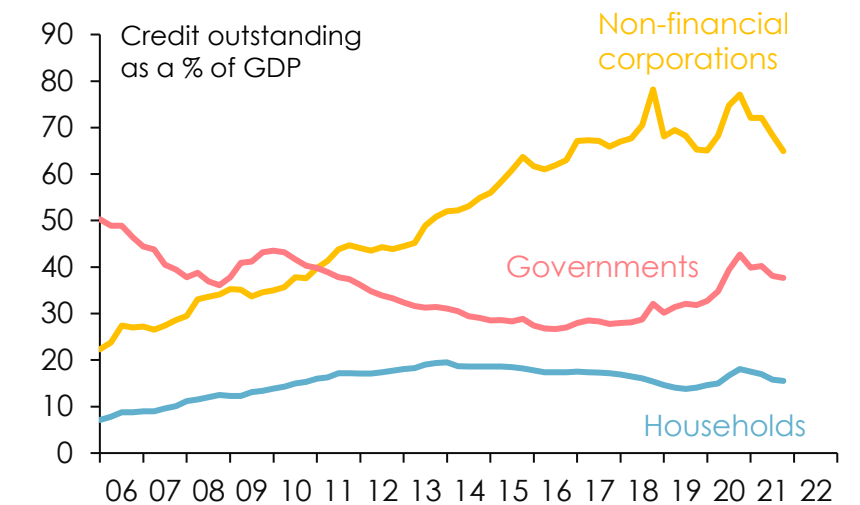
India



Russia



Turkey

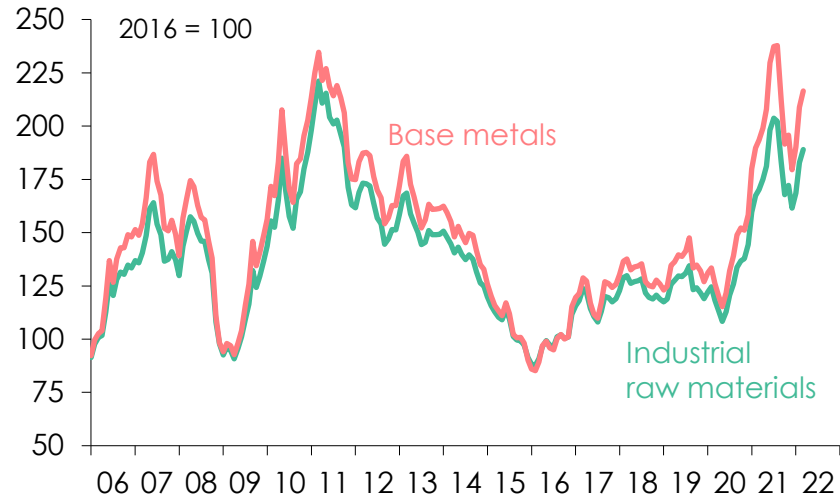


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. For data for other Asian economies see [slide 112](#). [Return to "What's New"](#).

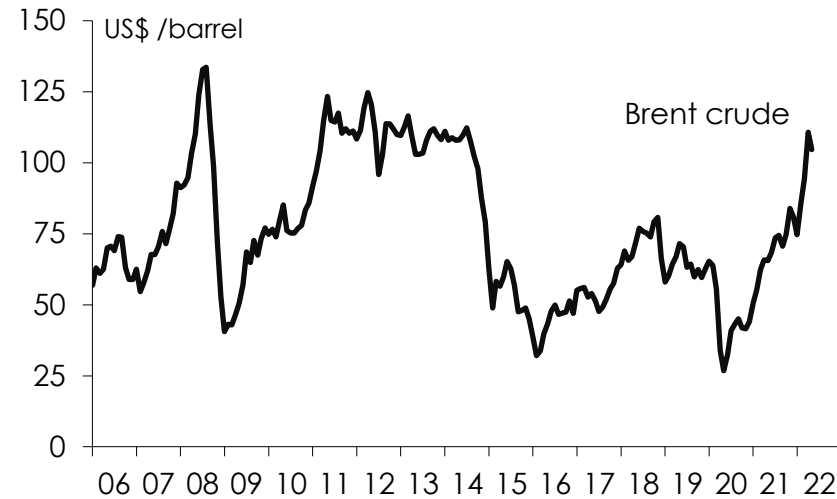
After seeming to have peaked in October, commodity prices have started rising again, especially for oil and gas in the wake of the Ukraine conflict

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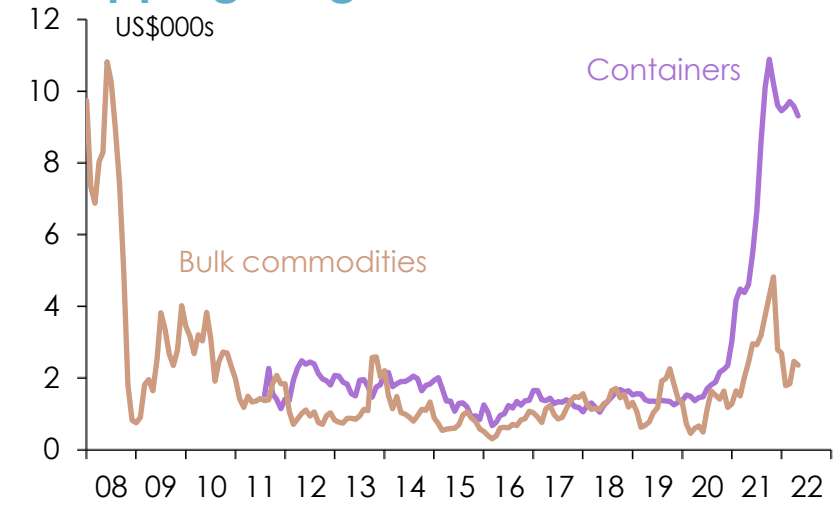
'Hard' commodity prices



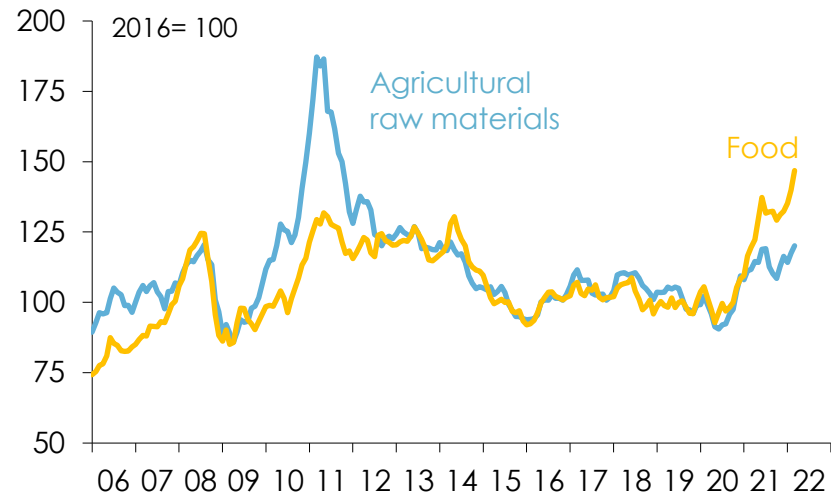
Crude oil price



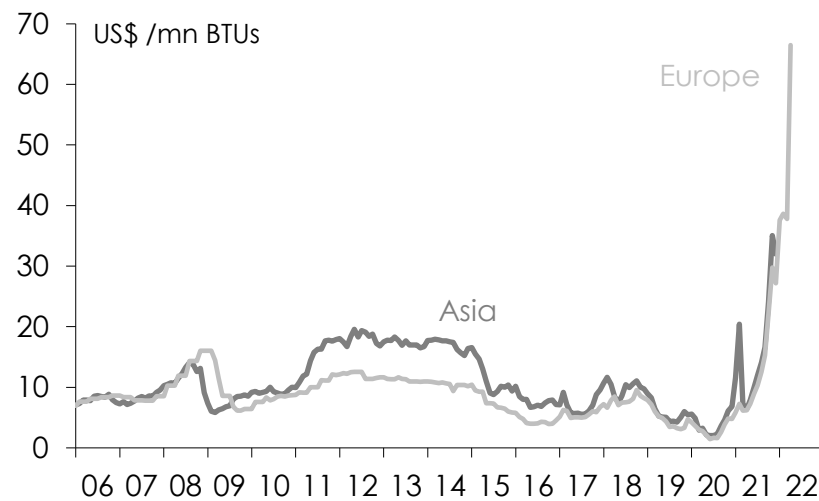
Shipping freight costs



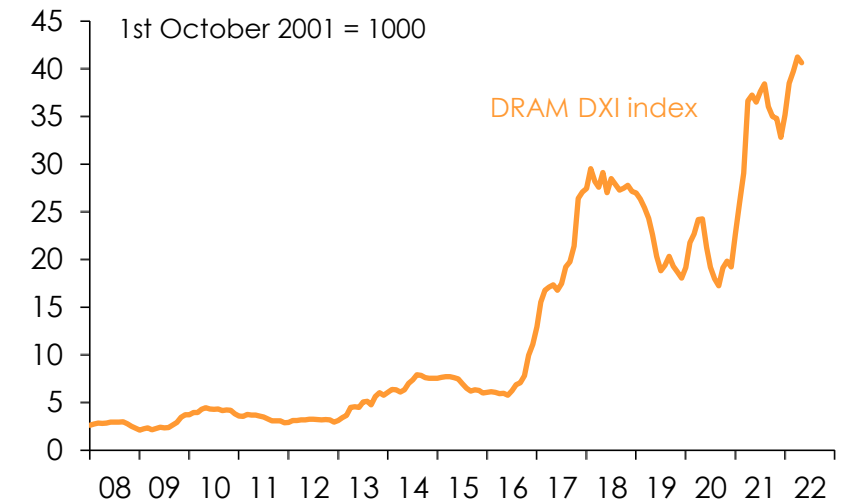
'Soft' commodity prices



Natural gas prices



Semiconductor chip prices

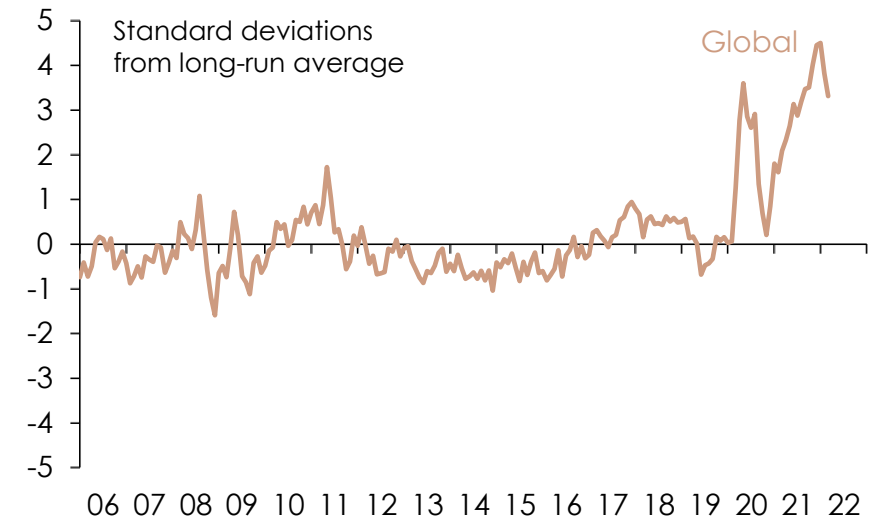
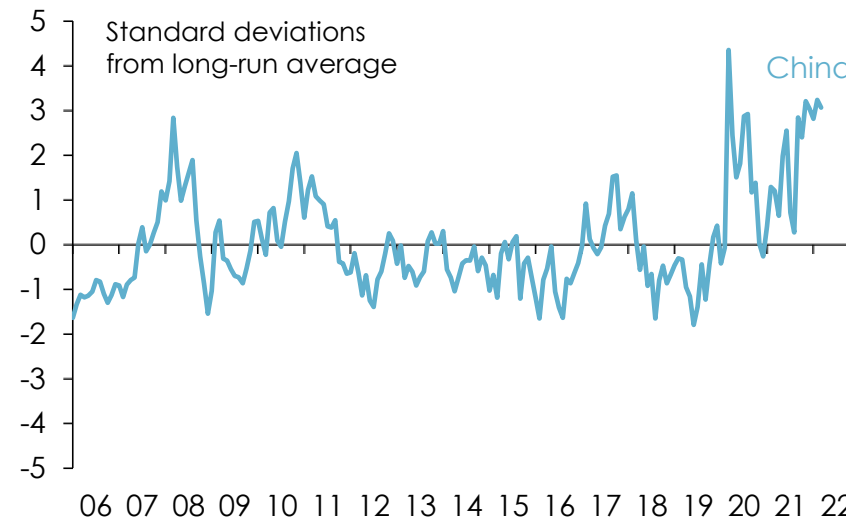
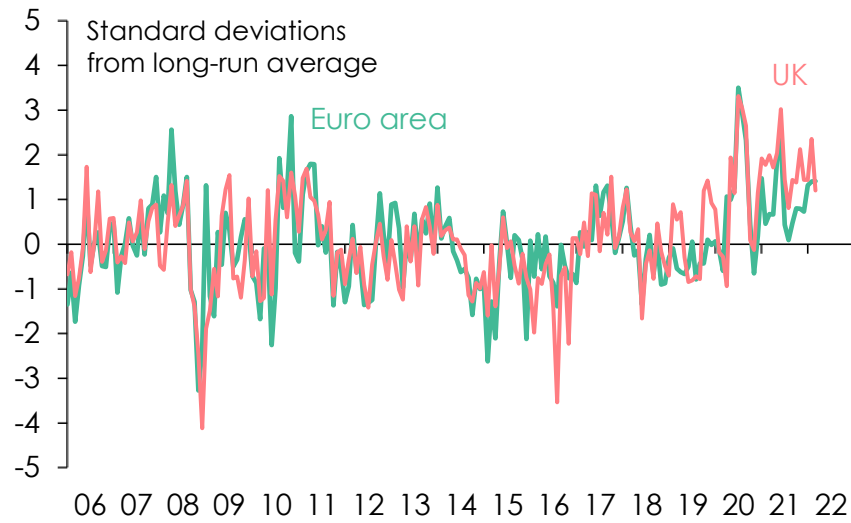
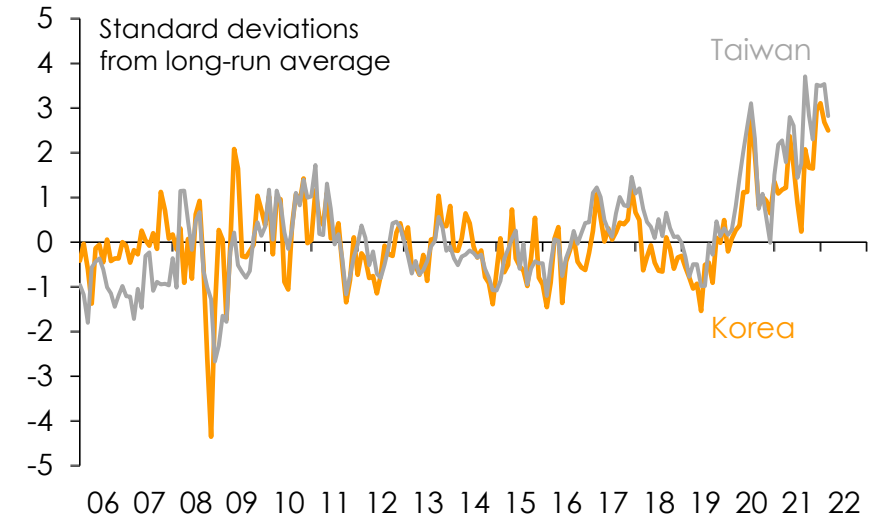
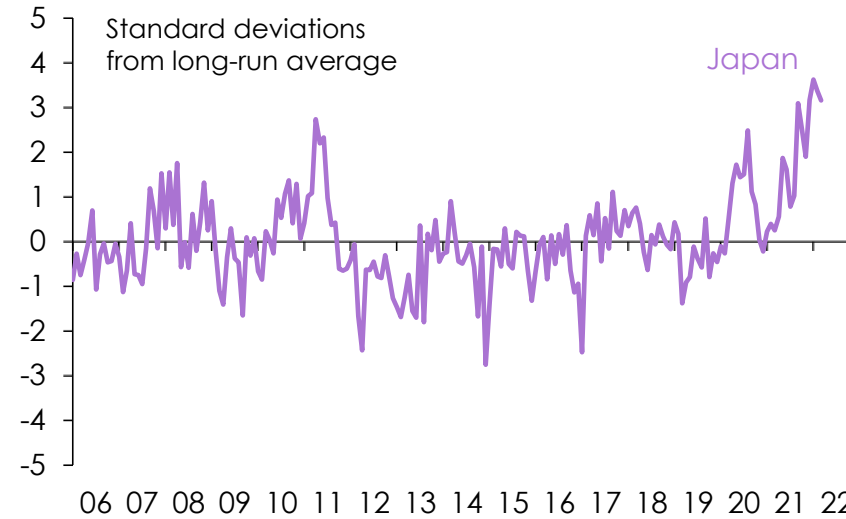
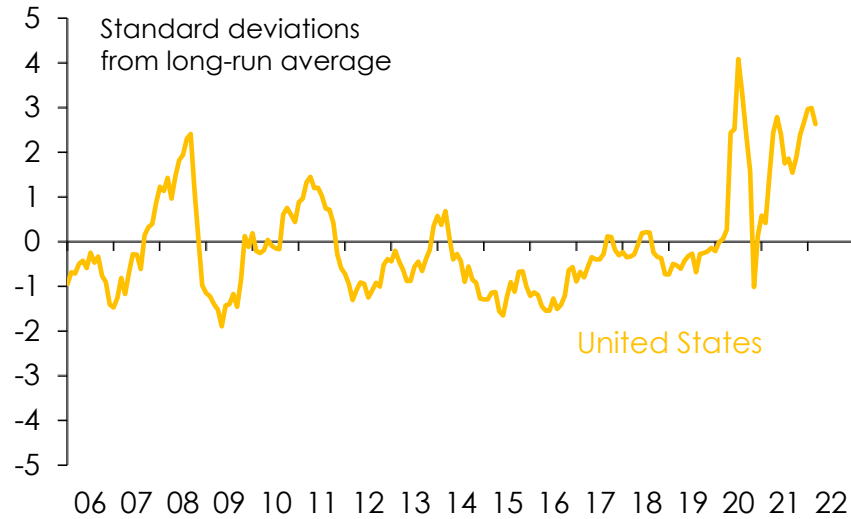


Note: The IMF commodity price indices were re-based to 2016 = 100 (previously 2005) in October 2021. The European natural gas price is the Netherlands TTF forward day ahead price, up to November; estimates since then are derived by adjusting the November value for subsequent movements in the Rotterdam 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 – 4TH APRIL 2022

NY Fed global supply chain pressure index

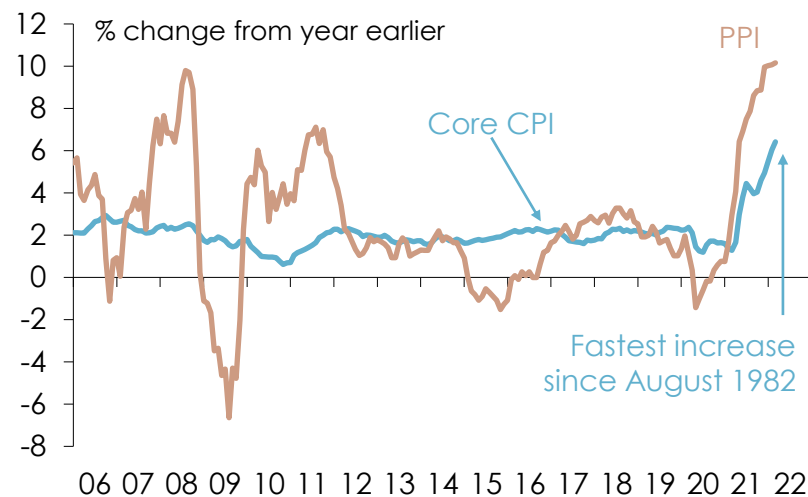


Sources: Gianluca Benigno, Julian Di Giovanni, Jan Groen & Adam Noble, [A New Barometer of Global Supply Chain Pressures](#), Federal Reserve Bank of New York, 4th January 2022 (which contains a detailed explanation of the construction of this index); and [Global Supply Chain Pressure Index: March 2022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

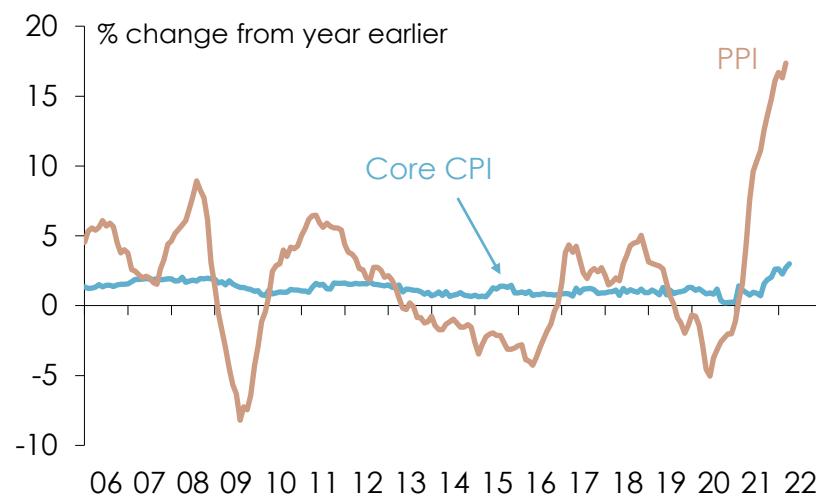
Producer prices are surging in all major economies: but only in the US and the UK is this feeding into markedly higher core CPI inflation

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

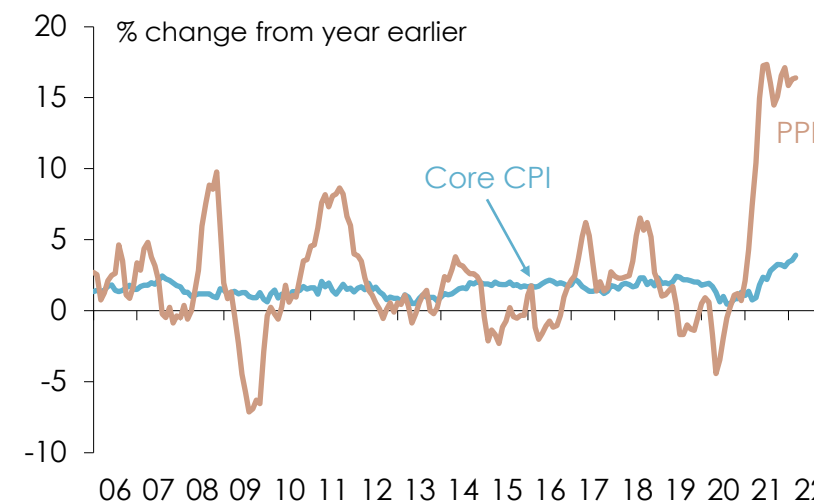
United States



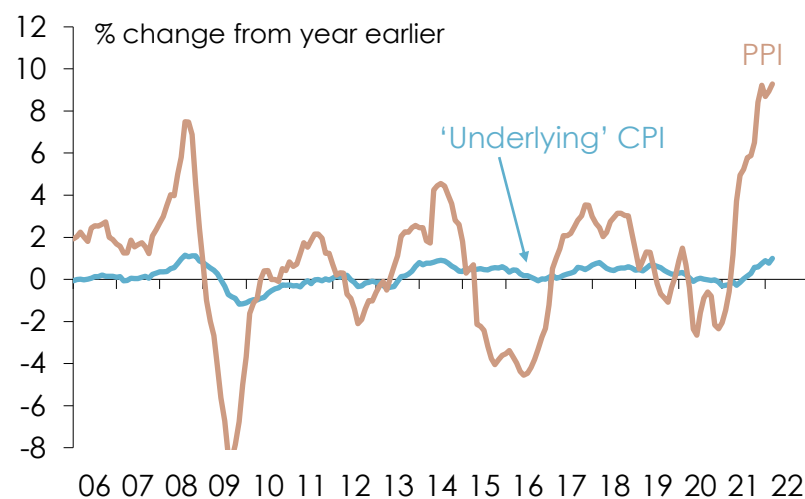
Euro area



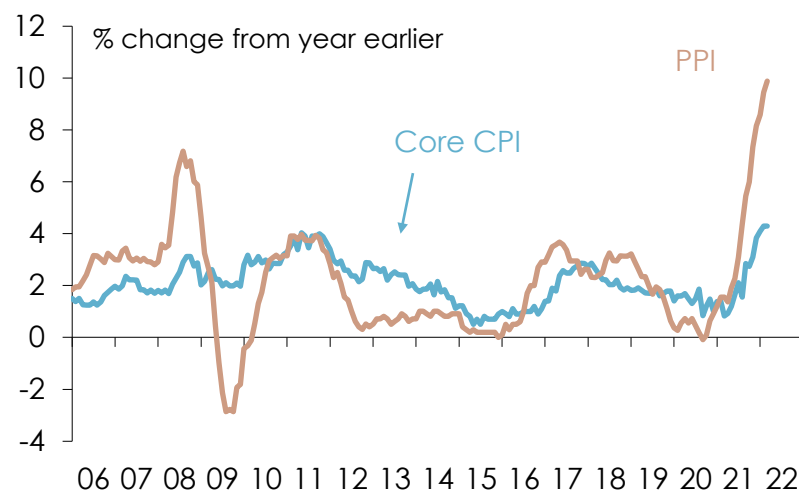
Canada



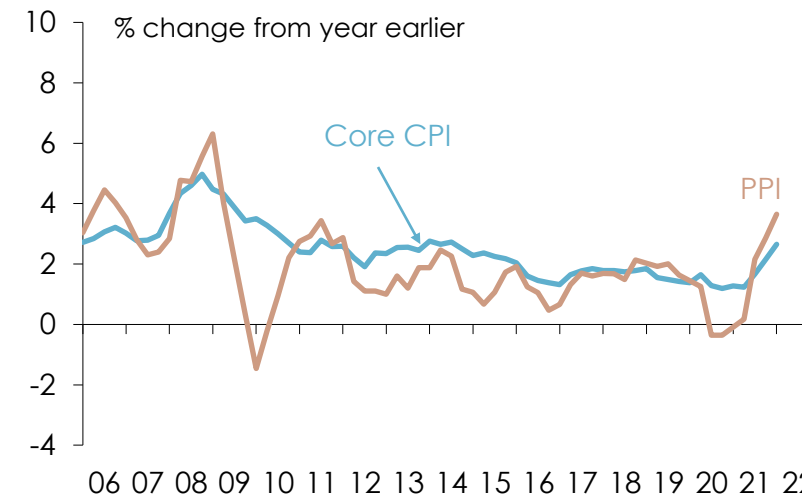
Japan



United Kingdom



Australia

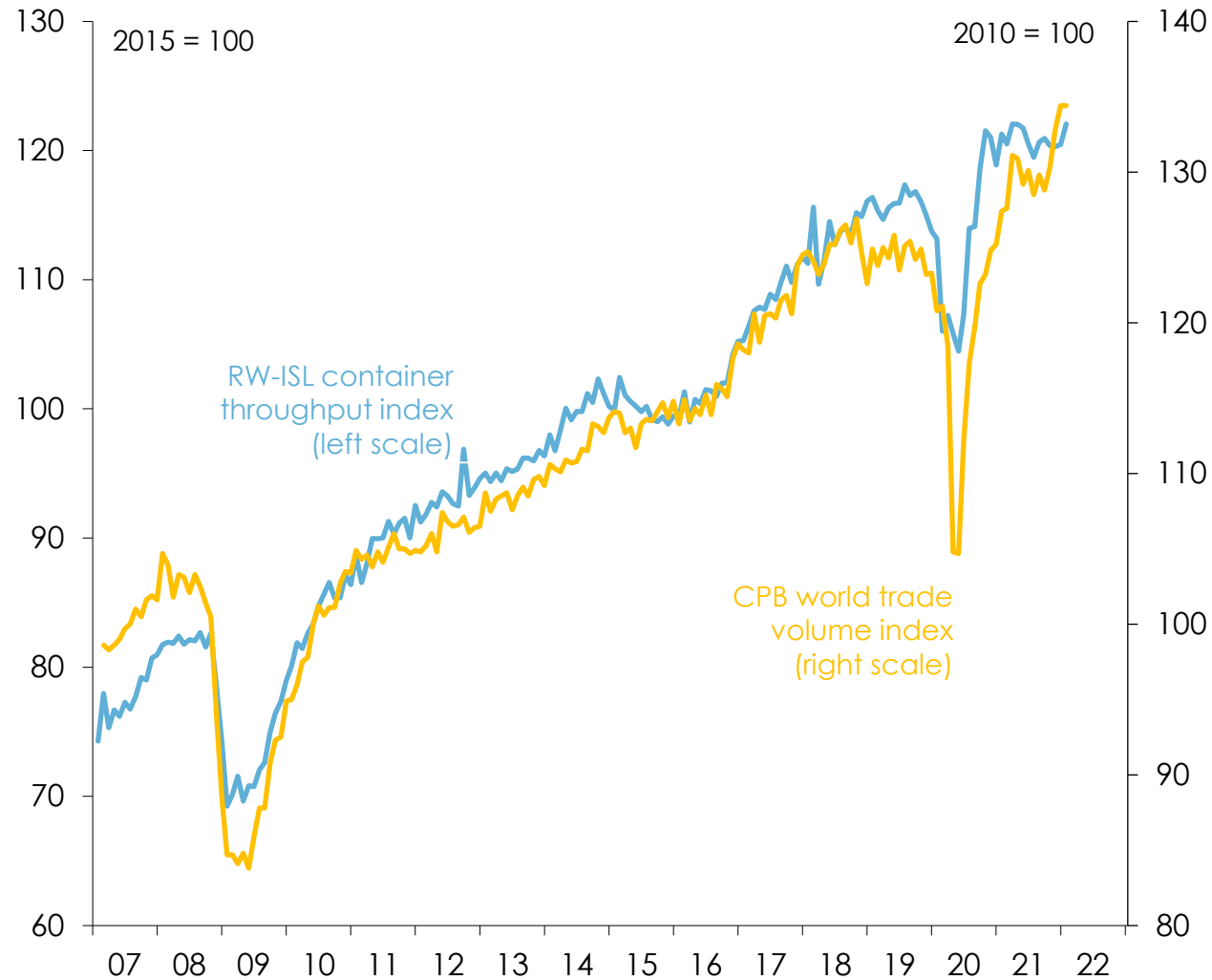


For a more detailed analysis of recent US inflation data see [slides 59-63](#). Sources: [US Bureau of Labor Statistics](#); [Statistics Bureau of Japan](#) and [Bank of Japan](#); [Eurostat](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Australian Bureau of Statistics](#). [Return to "What's New"](#).

World trade volumes were unchanged in January after strong gains in the last three months of 2021

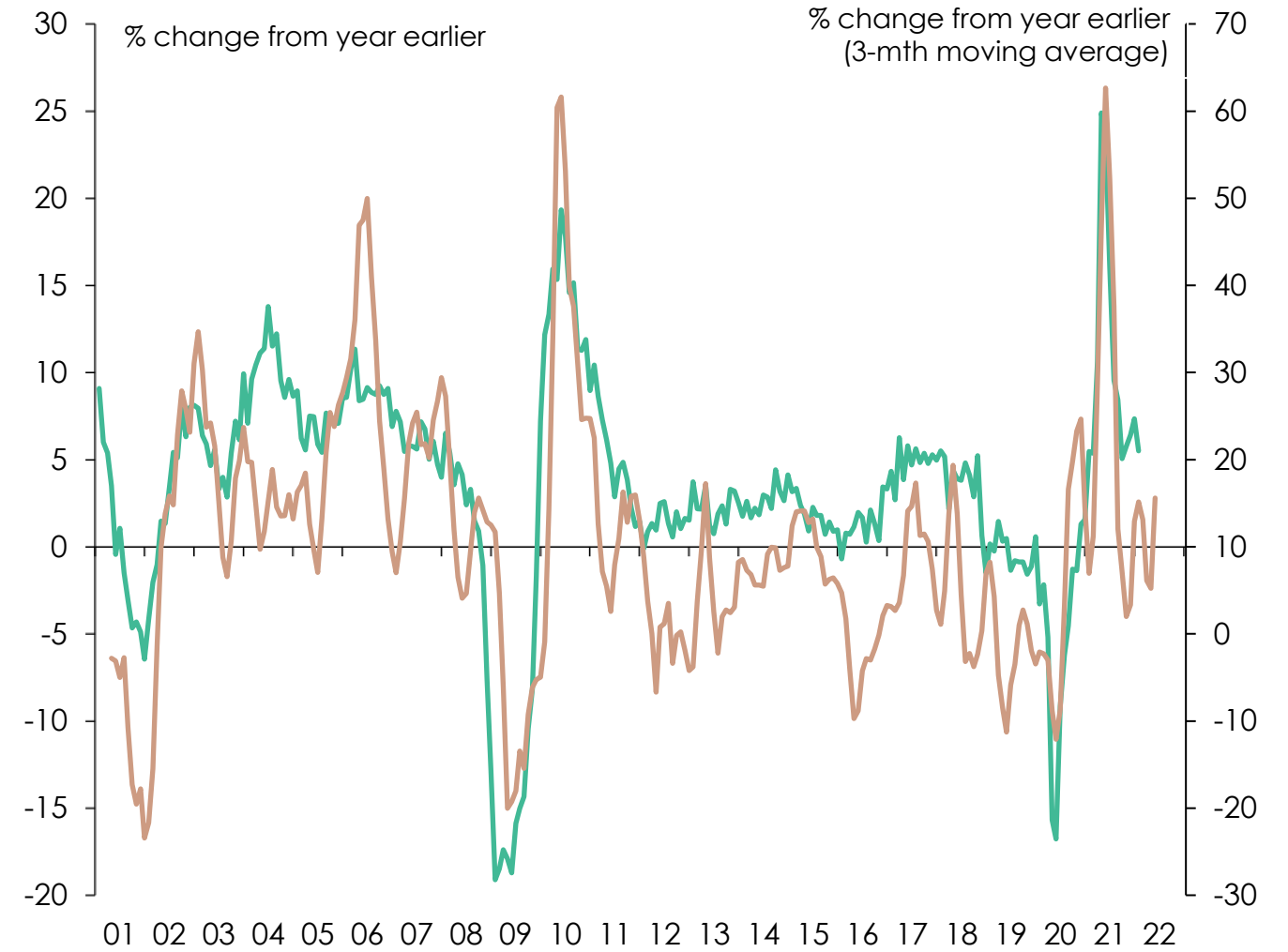
THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

World trade volumes and container throughput



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

Taiwan export orders and world trade volumes



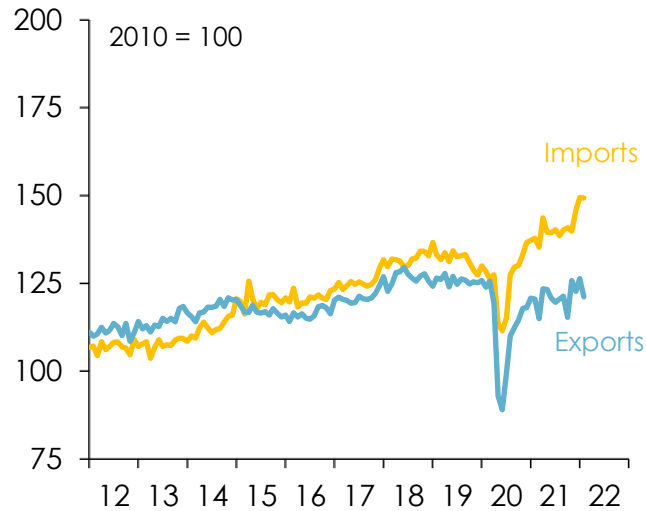
— Volume of world trade (left scale)
 — Taiwan export orders, fwd 3 months (right scale)

Note: The shipping container throughput index is based on reports from 91 ports around the world handling over 60% of global container shipping.
 Sources: CPB Netherlands Economic Planning Bureau, [World Trade Monitor](#), January 2022 (February data to be released on 25th April); 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"](#).

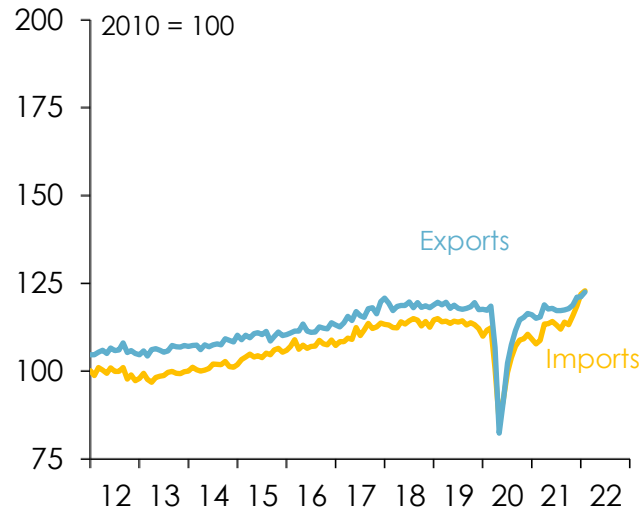
Imbalances in trade between the US and 'emerging' Asia (including China) are the major factor in the mal-distribution of containers around the world

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

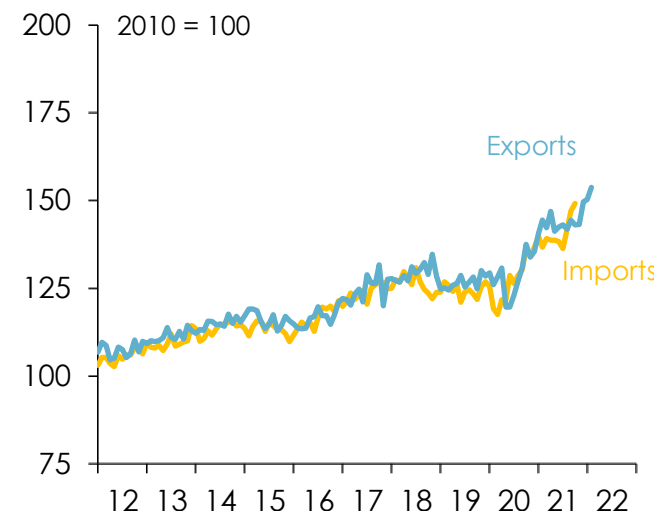
United States



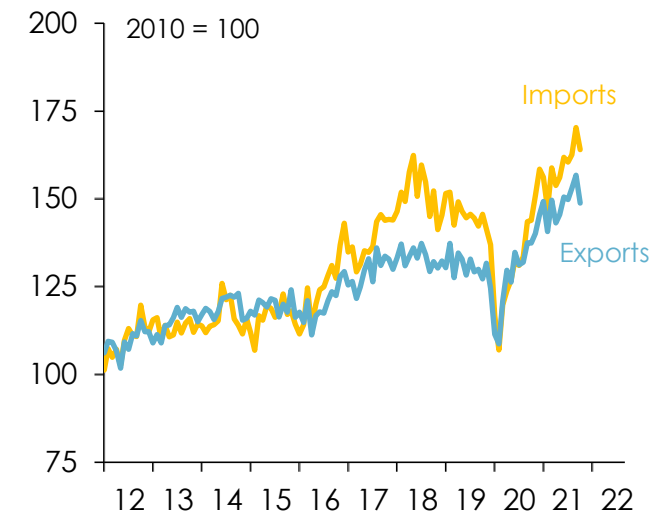
Euro area



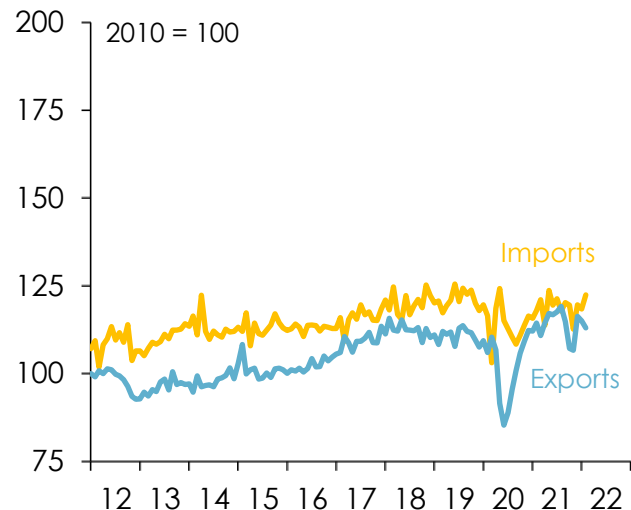
Other 'advanced' Asia



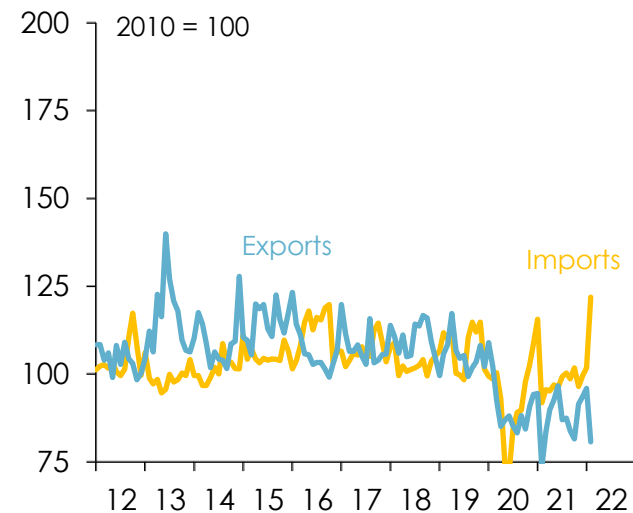
Other 'emerging' Asia



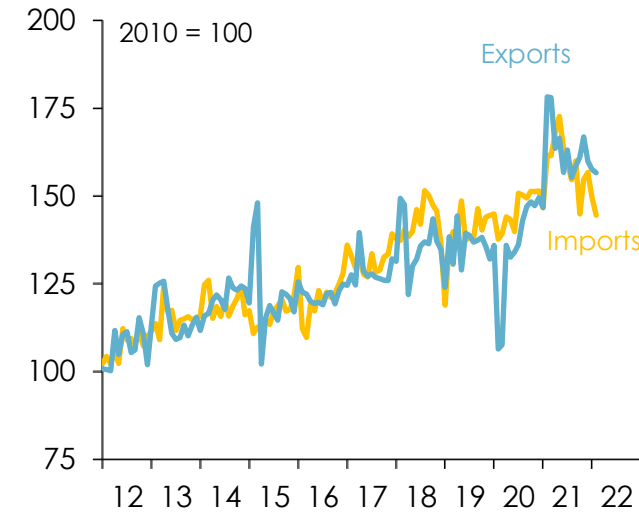
Japan



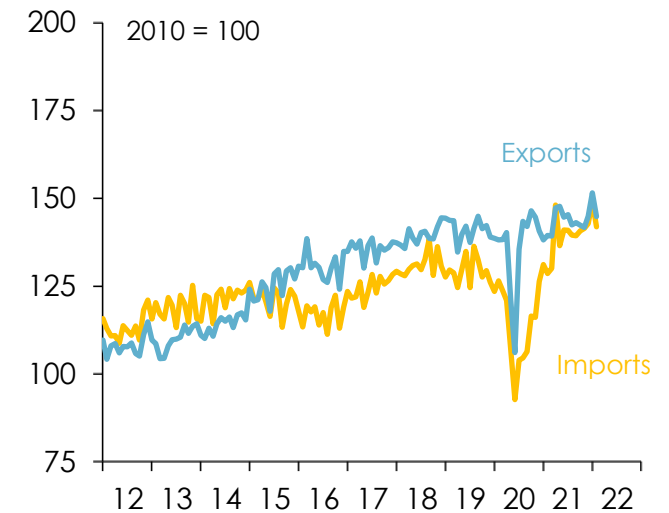
United Kingdom



China



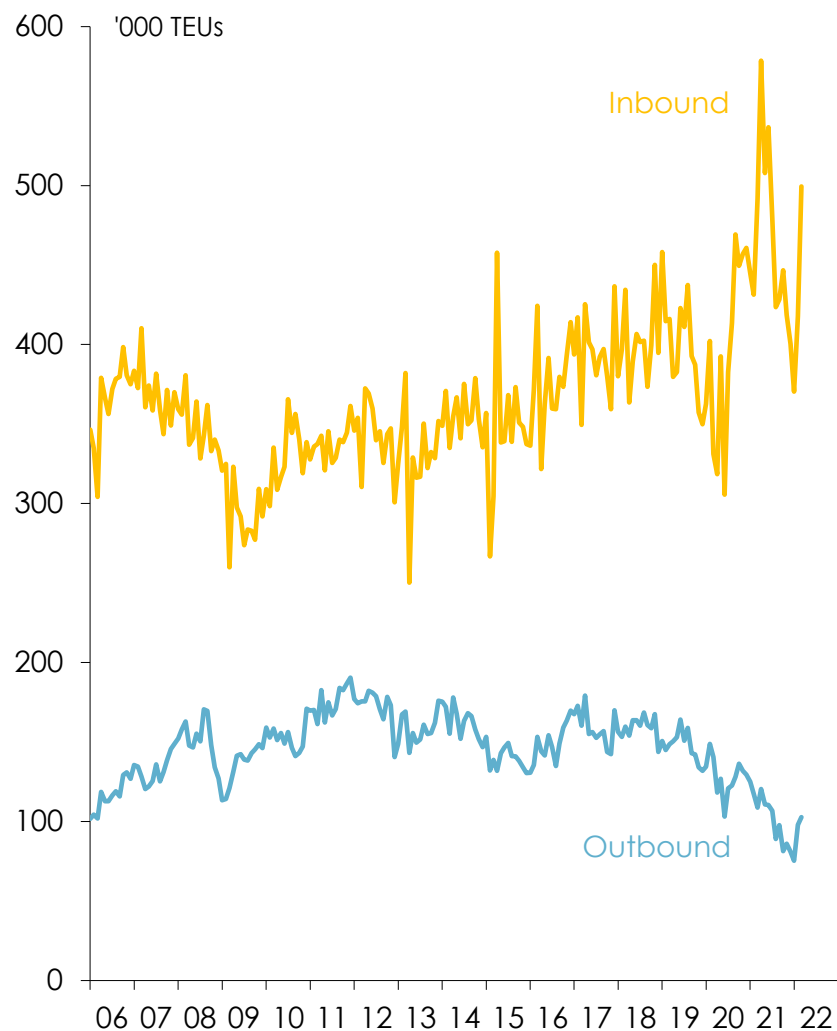
Latin America



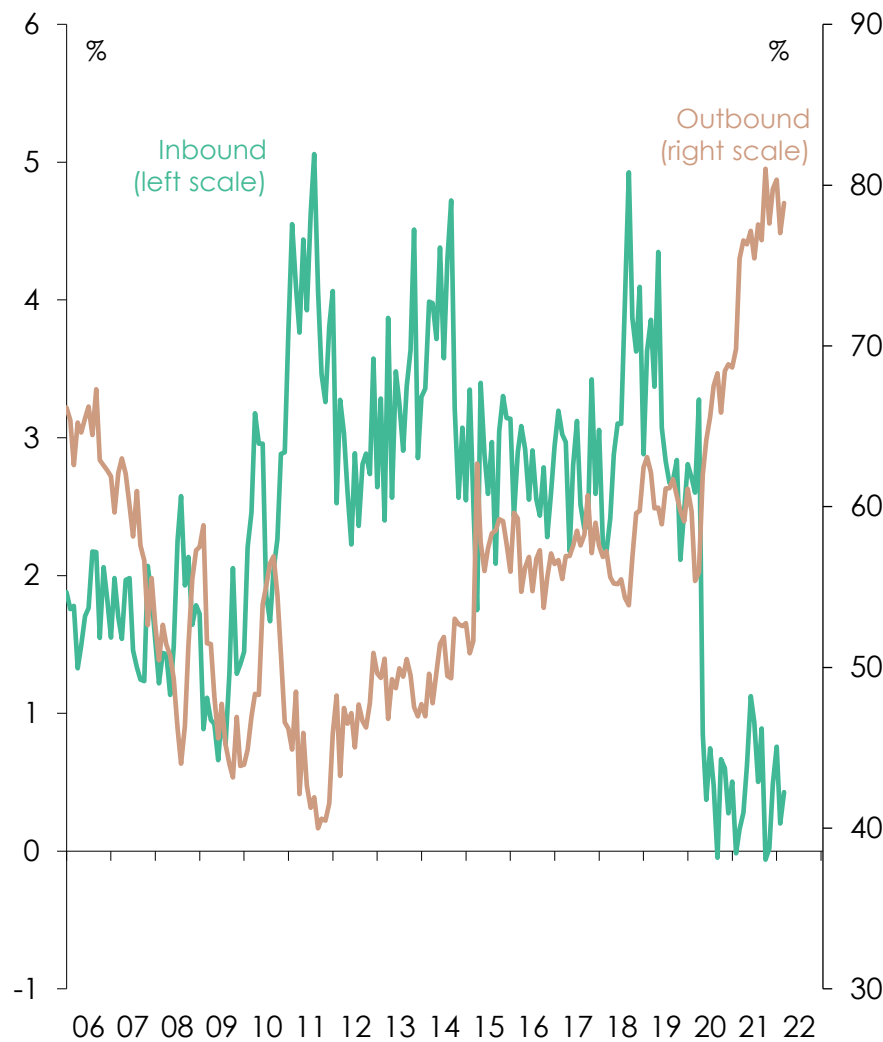
Congestion at the Port of Los Angeles (the US' largest container port) has eased significantly but trade flows remain unusually unbalanced

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

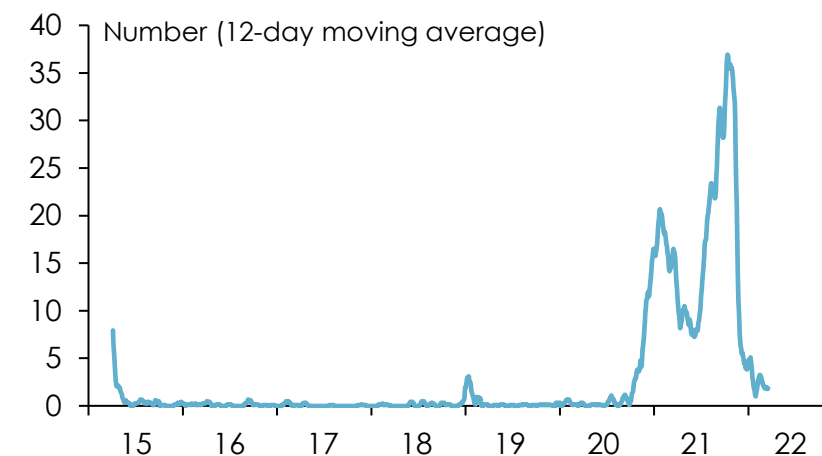
Container traffic through the Port of Los Angeles



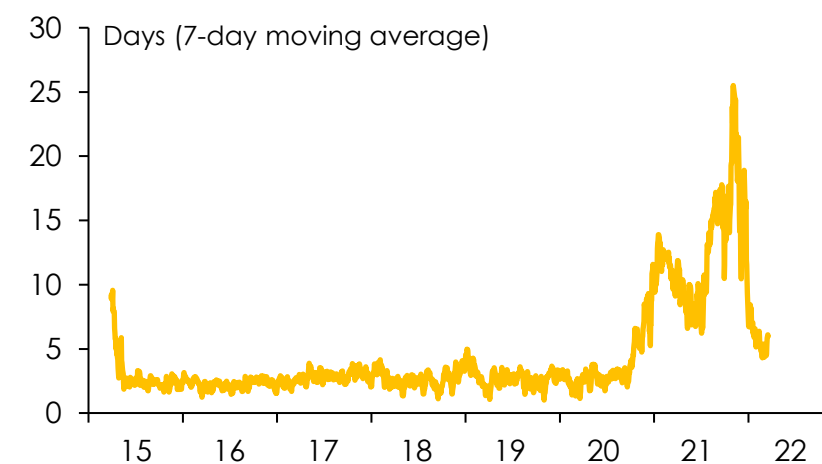
Empty containers as a pc of total passing through PoLA



Number of vessels at anchor outside PoLA



Average time at anchor and berth for ships at PoLA

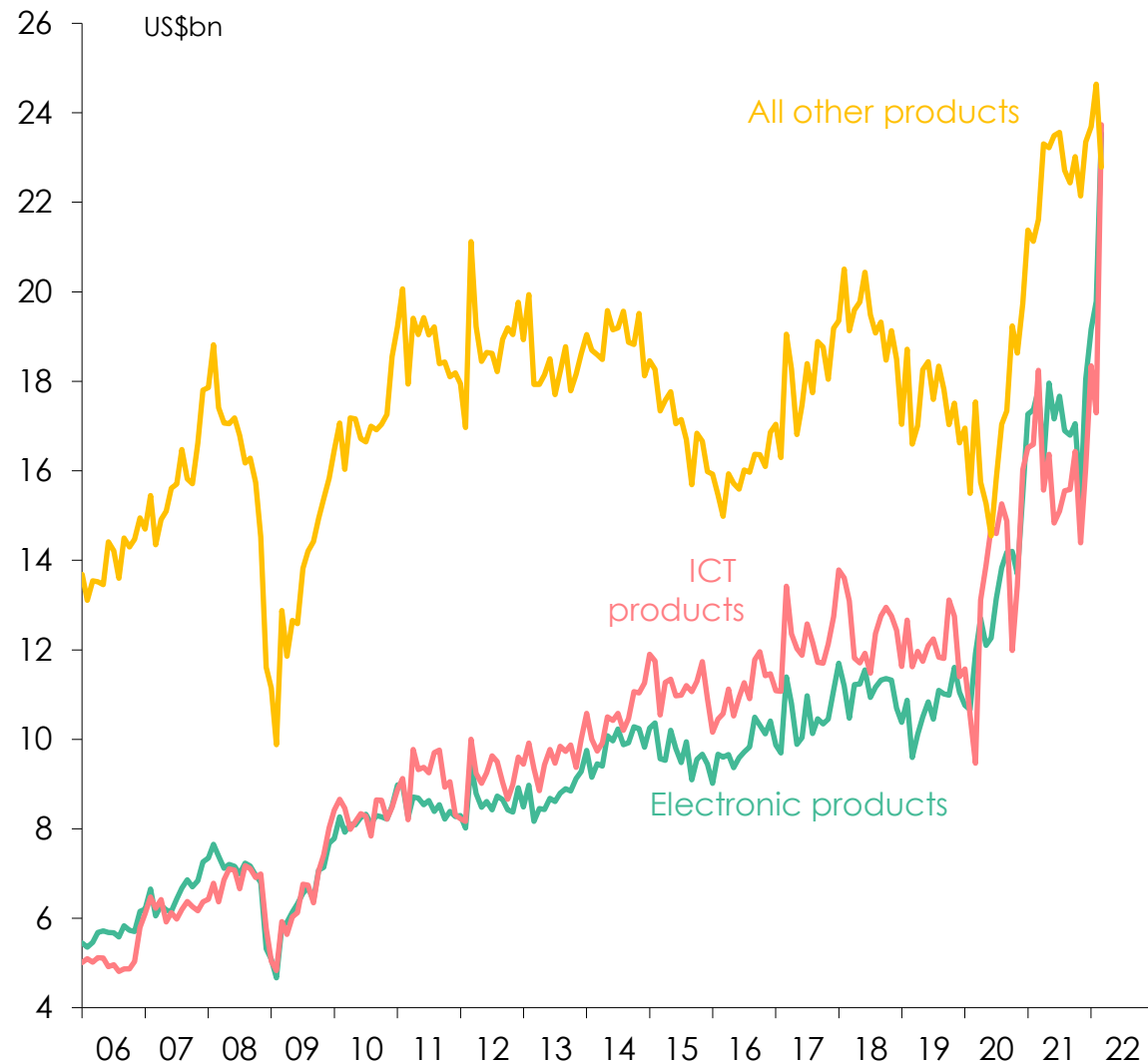


Note: TEU = 20-foot equivalent unit. Data on inbound and outbound container traffic in the first two charts have been seasonally adjusted by Corinna using Refinitiv Datastream. Data up to 25th March. Source: The Port of Los Angeles, [Container Statistics](#) and [Container vessels in port](#). [Return to "What's New"](#).

Export orders for Taiwanese ICT and other electronics products jumped sharply to new record highs in February

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Taiwan export orders, by product



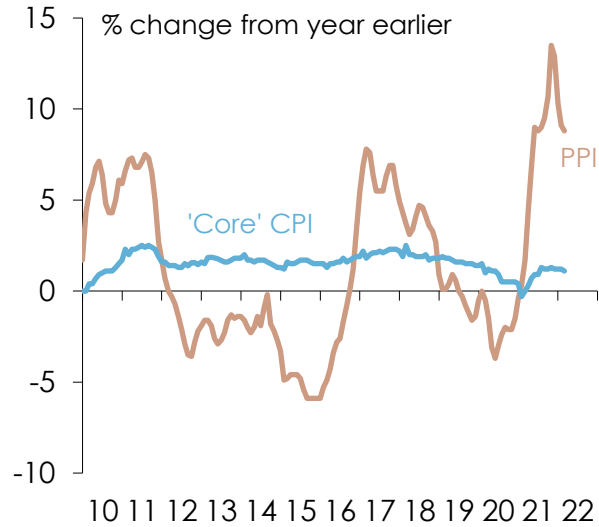
- ❑ Taiwan accounts for 63% of the US\$85bn global semi-conductor chip market (followed by Korea 18% and China 6%)
 - one Taiwanese company, Taiwan Semiconductor Manufacturing Co (TSMC) has 54% of the world market, and United Microelectronics Co (UMC) a further 7% (Samsung accounts for Korea's 18%)
- ❑ 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 jumped by 37.2% in February, to a new record high, 30% above the previous peak
 - and orders for other electronics products were up 19% in February to be 32% above the previous peak

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"](#).

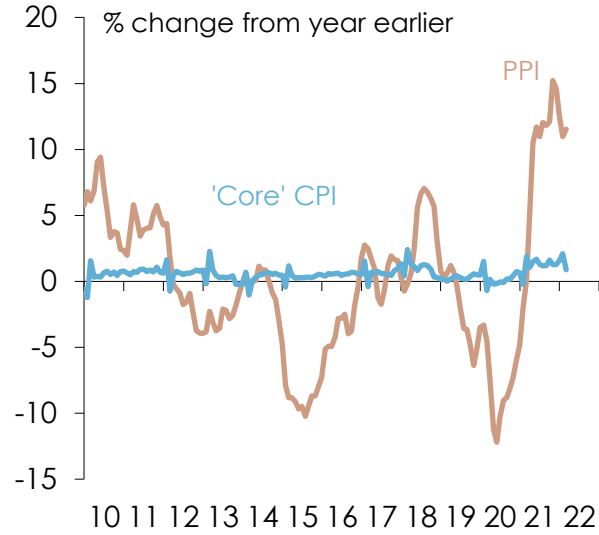
Most Asian economies have been experiencing rapid 'upstream' inflation for some time, and 'core' consumer price inflation is now starting to pick up

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

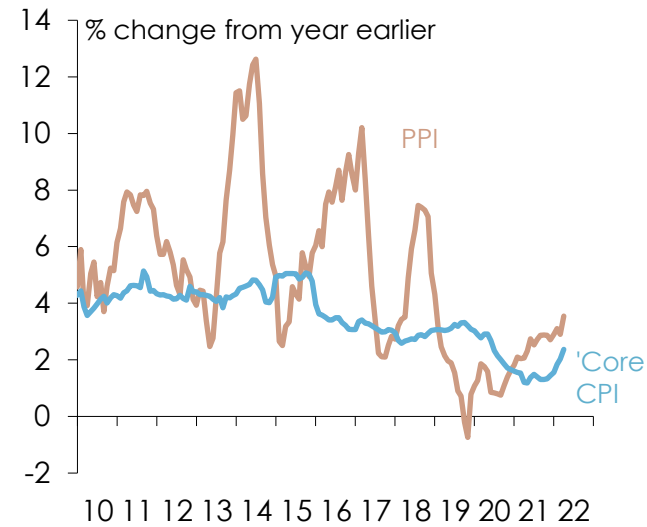
China



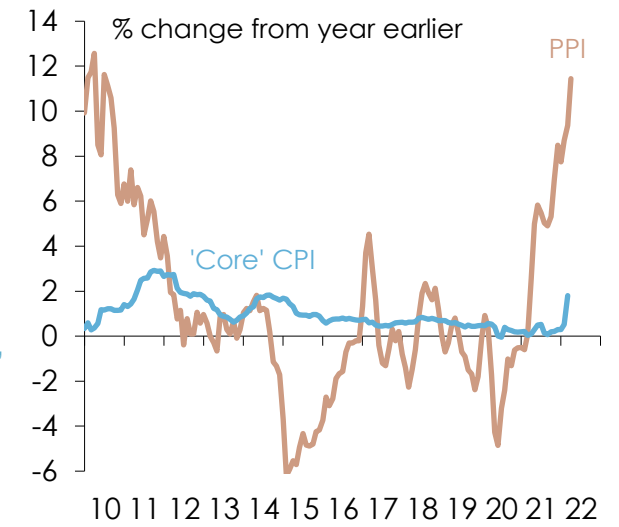
Taiwan



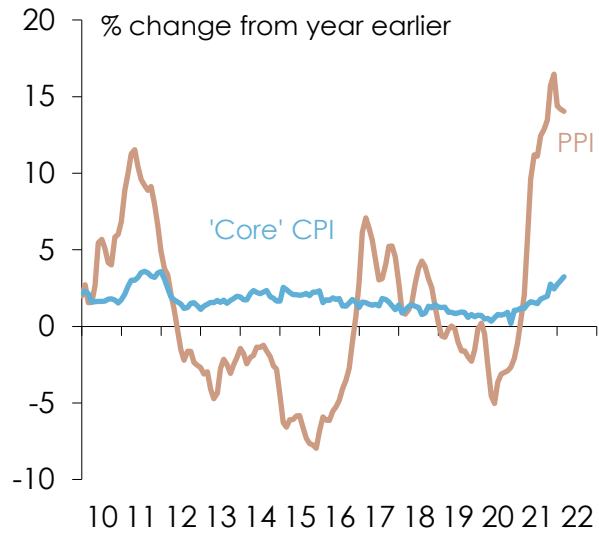
Indonesia



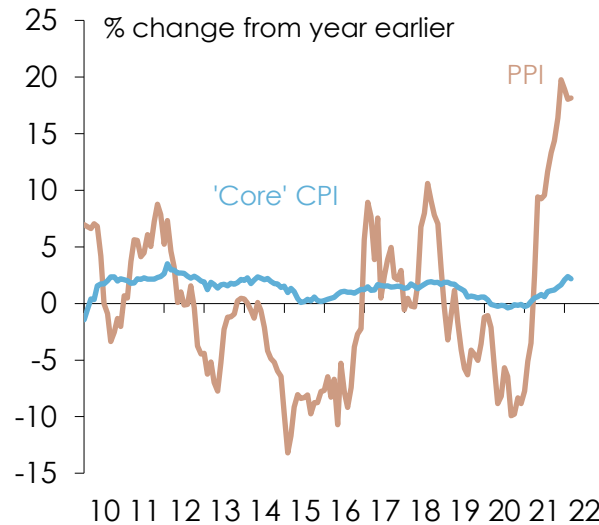
Thailand



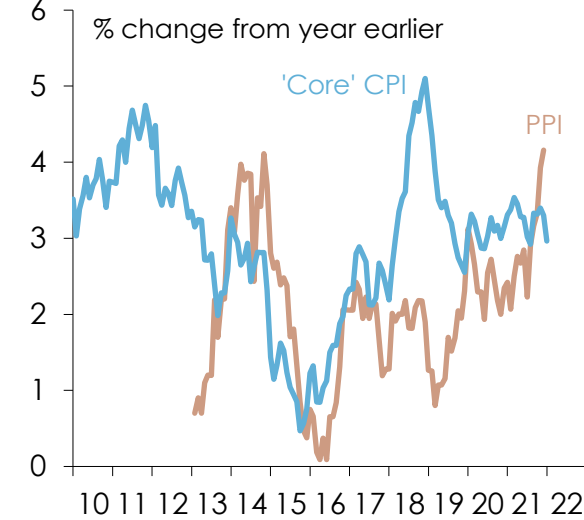
Korea



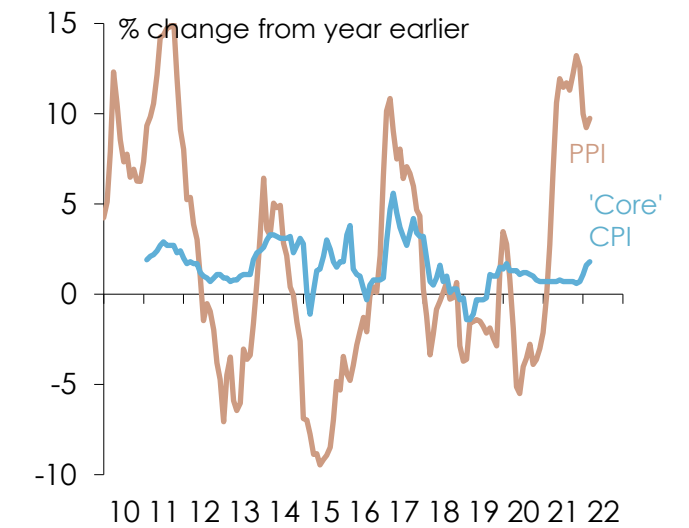
Singapore



Philippines



Malaysia

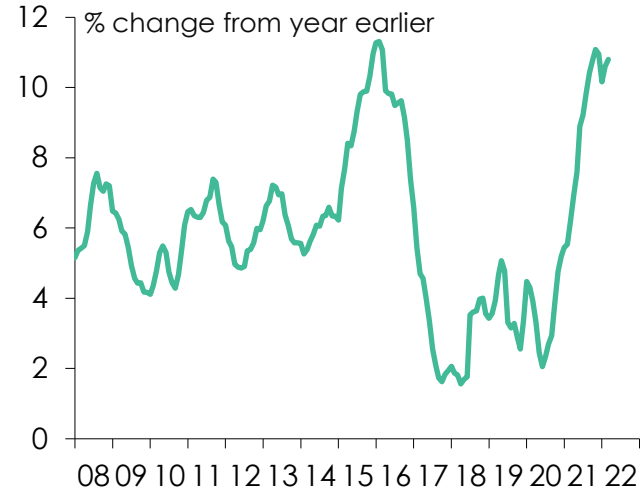


Note: 'Core' CPIs measure different things in different Asian economies – see footnotes to [slide 102](#). Sources: [China National Bureau of Statistics](#); [Statistics Korea](#); [Bank of Korea](#); [Taiwan Statistical Bureau](#); [Singstat](#); [Monetary Authority of Singapore](#); [Statistics Indonesia](#); [Philippine Statistics Authority](#); [Thailand Bureau of Trade and Economic Indices](#); [Department of Statistics Malaysia](#). [Return to "What's New"](#).

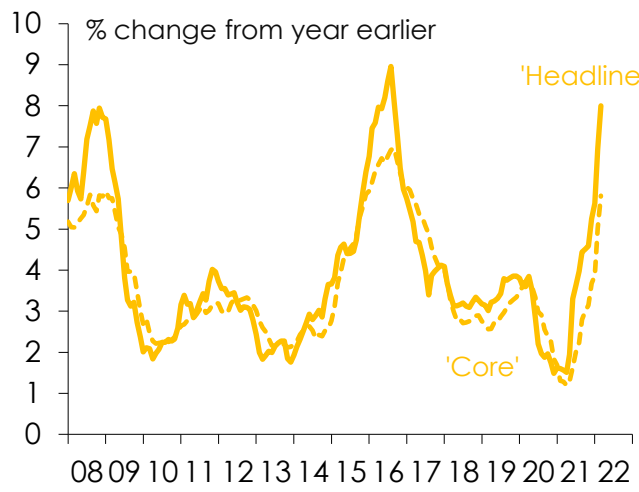
Consumer price inflation is rising sharply across Latin America (except for Venezuela, where it's now down to just 313%!)

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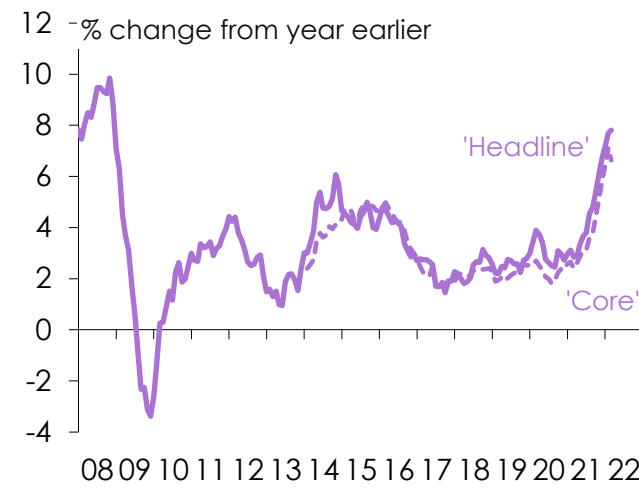
Brazil



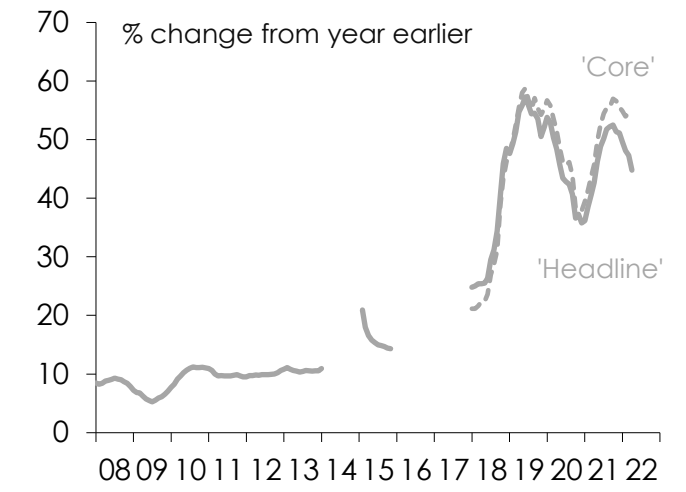
Colombia



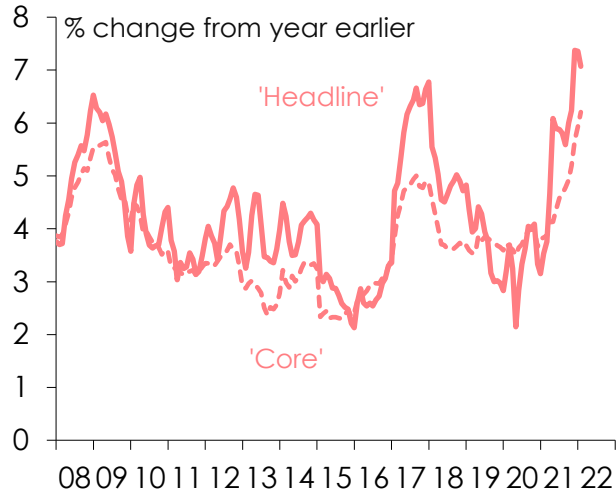
Chile



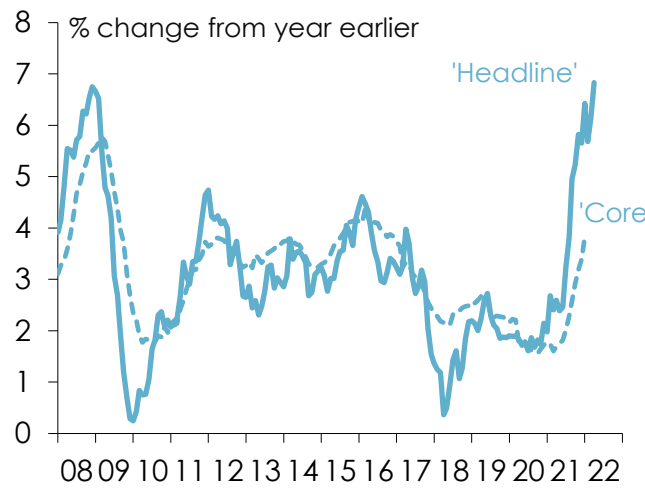
Argentina



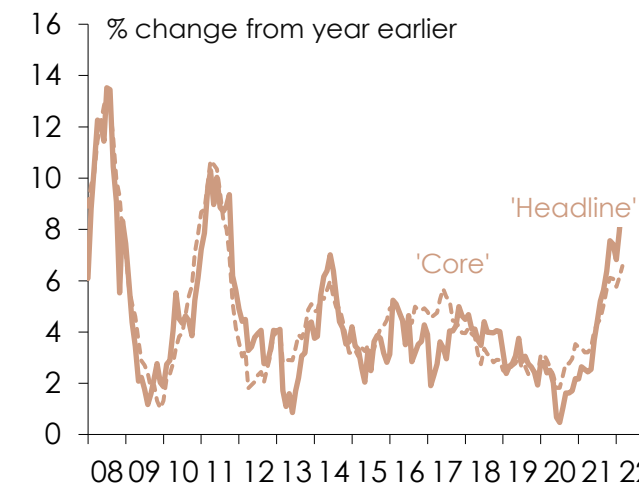
Mexico



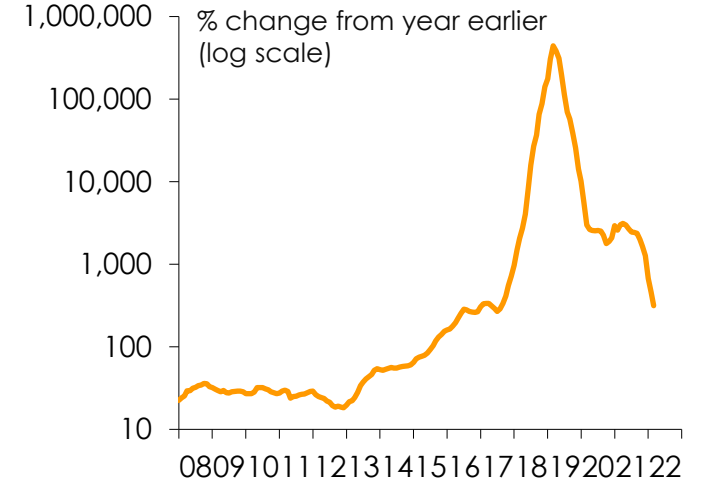
Peru



Paraguay



Venezuela

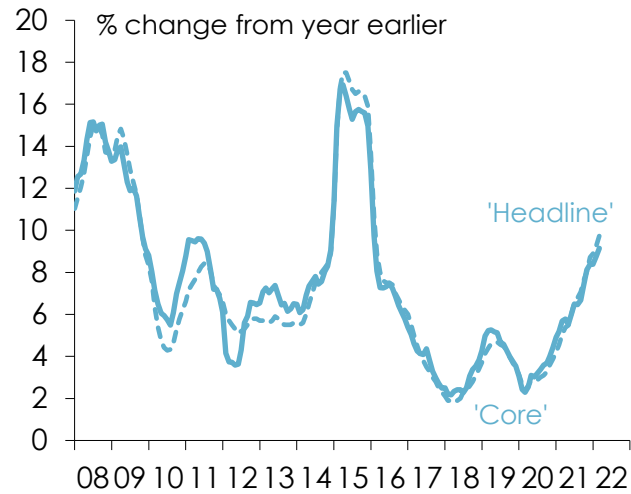


Sources: [Instituto Brasileiro de Geografia e Estatística](#); [Instituto Nacional de Estadística y Geografía](#) (Mexico); [Departamento Administrativo Nacional de Estadística](#) (Colombia); [Instituto Nacional de Estadística e Informática](#) (Peru); [Instituto Nacional de Estadísticas](#) (Chile);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

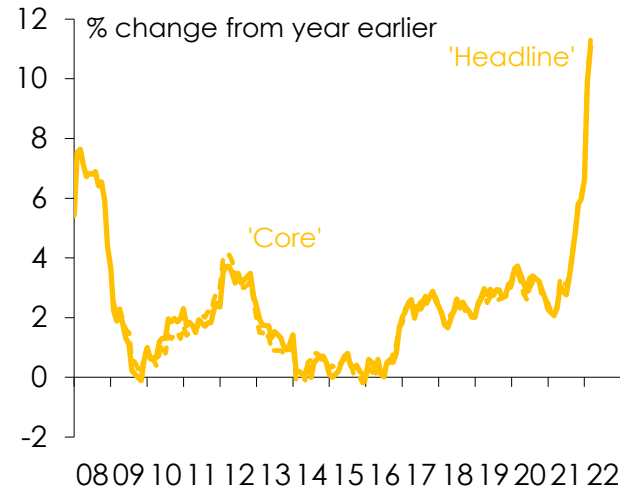
Consumer price inflation is also rising across Central and Eastern Europe, and in South Africa

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

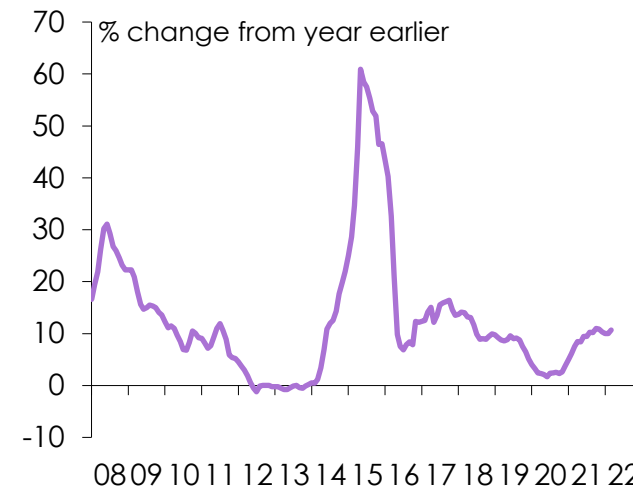
Russia



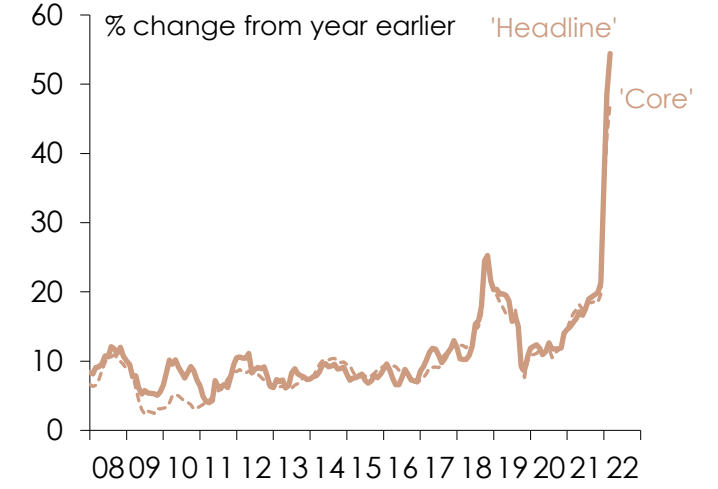
Czech Republic



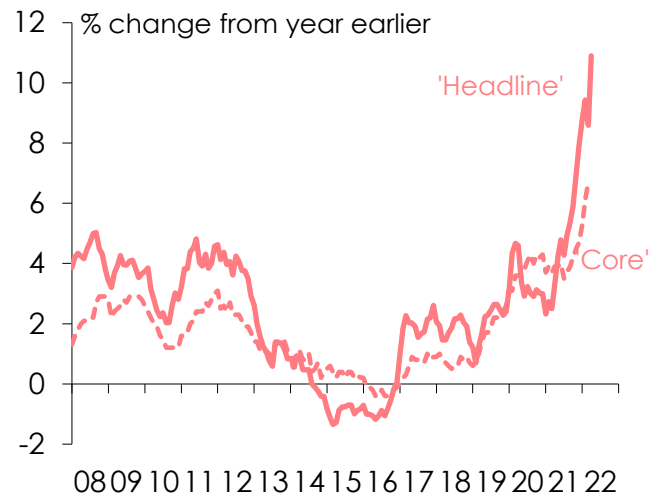
Ukraine



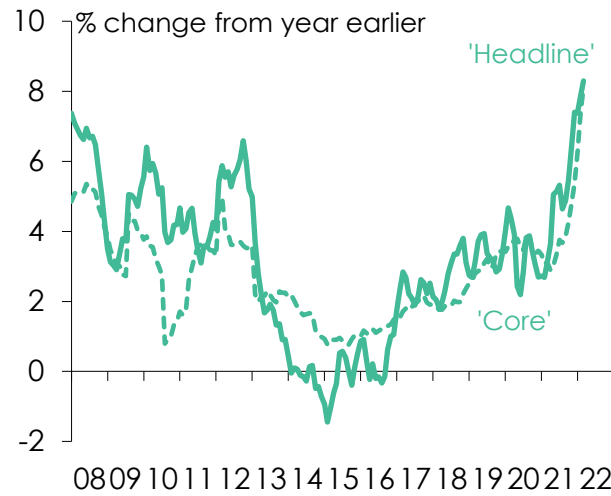
Turkey



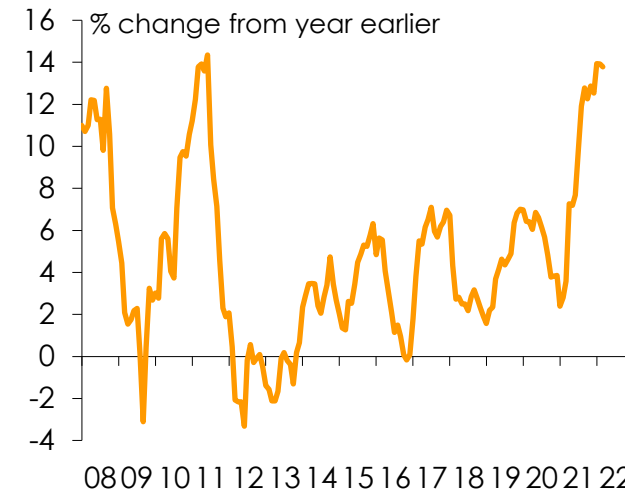
Poland



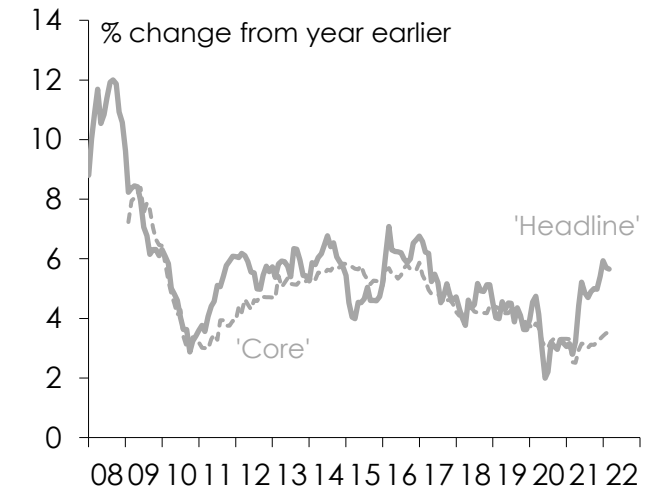
Hungary



Georgia



South Africa

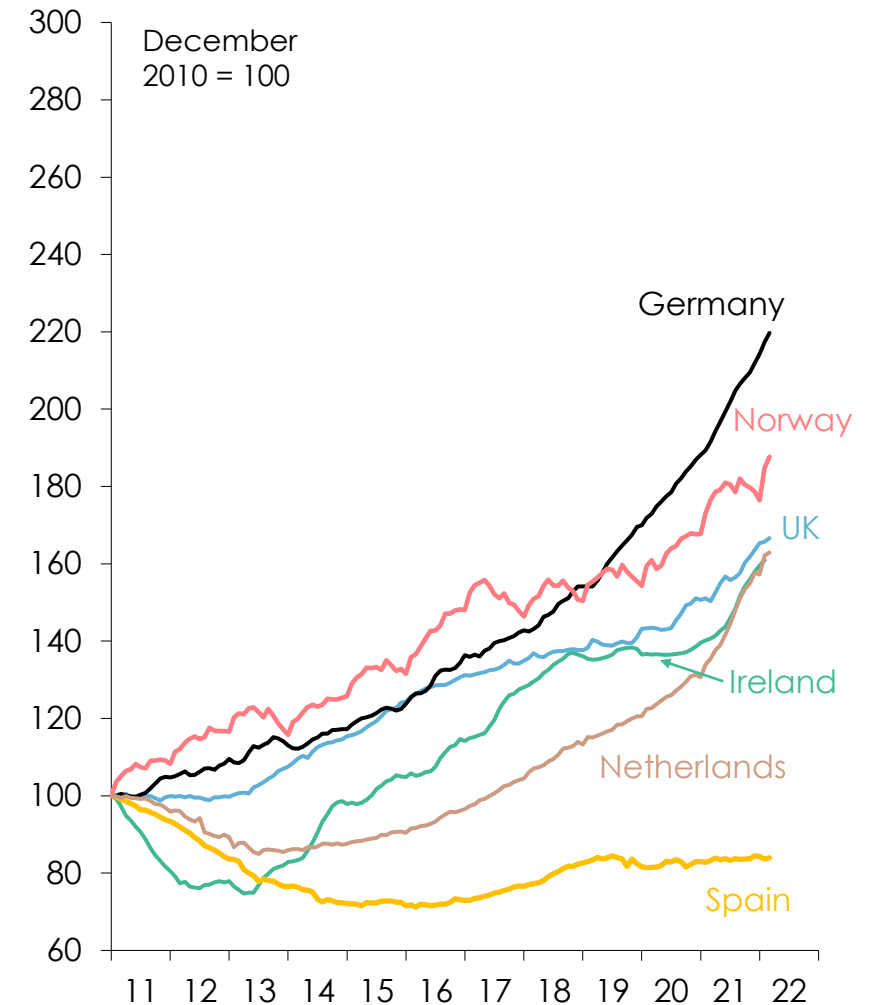
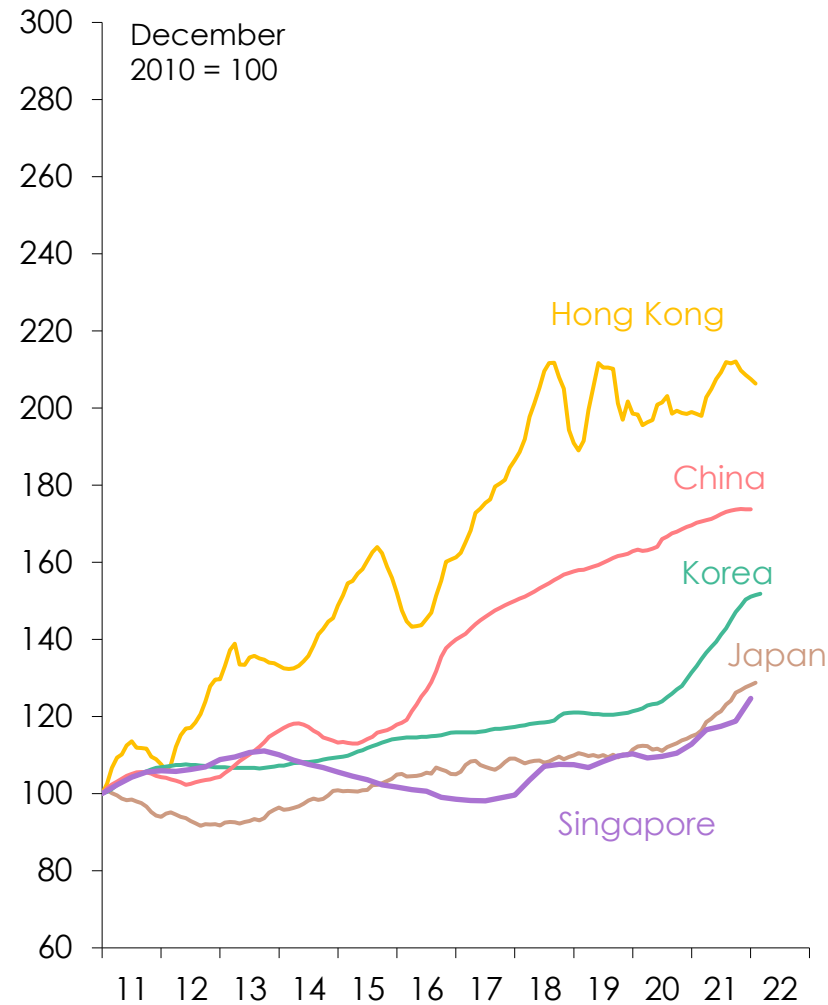
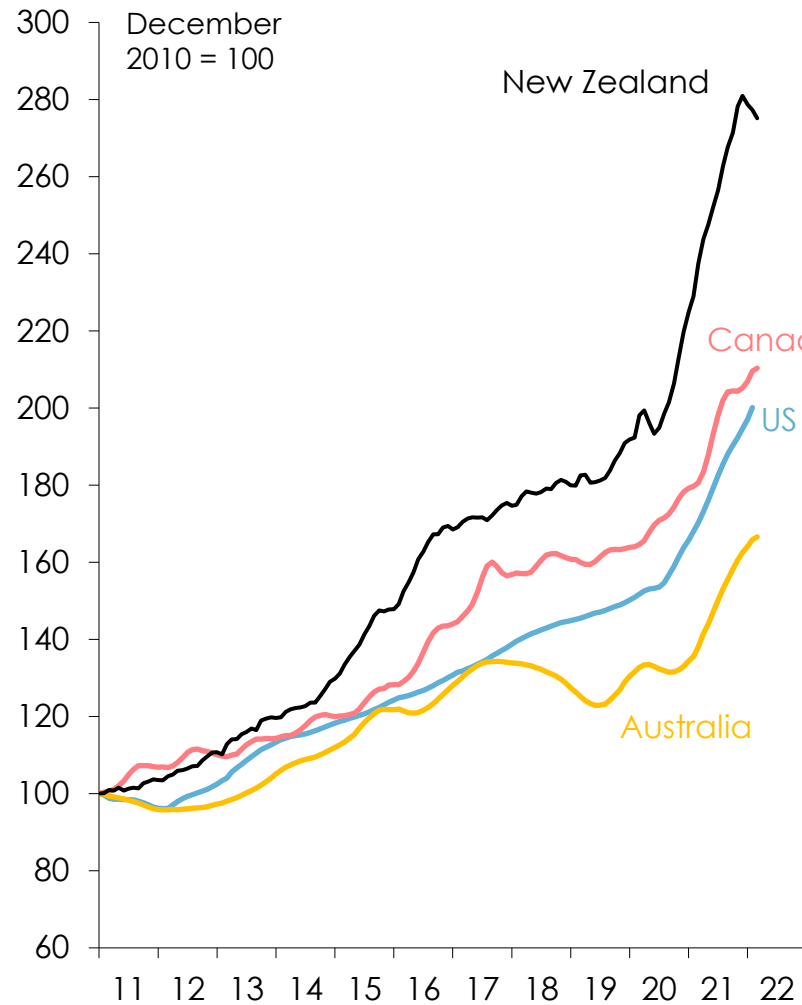


Sources: [Rosstat](#); [Główny Urząd Statystyczny](#) (Poland); [Český statistický úřad](#) (Czech Republic); [Központi Statisztikai Hivatal](#) (Hungary); [Ukrstat](#); [Sak'art'velos statistikis erovnuli samsakhuri](#) (Georgia); [Statistics South Africa](#); [Turkstat](#). Return to "What's New".

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

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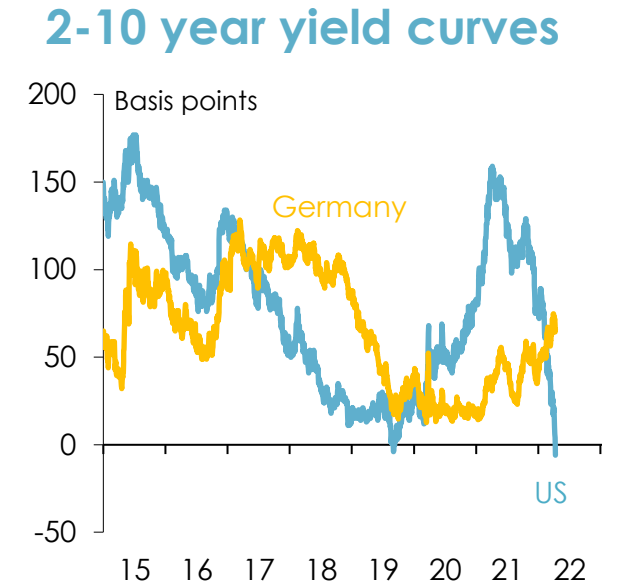
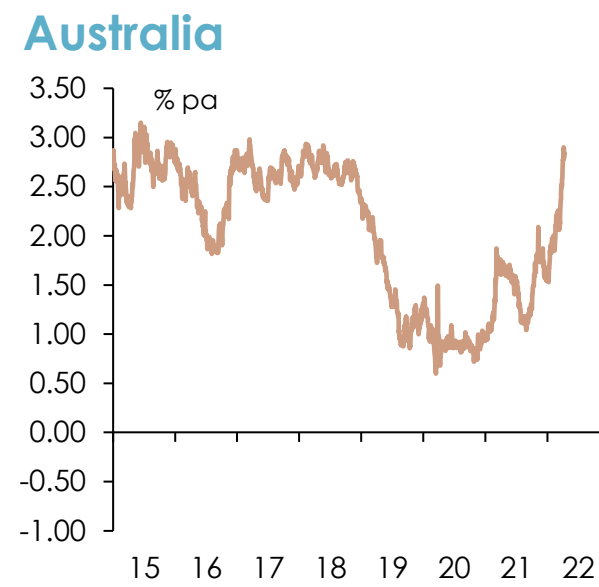
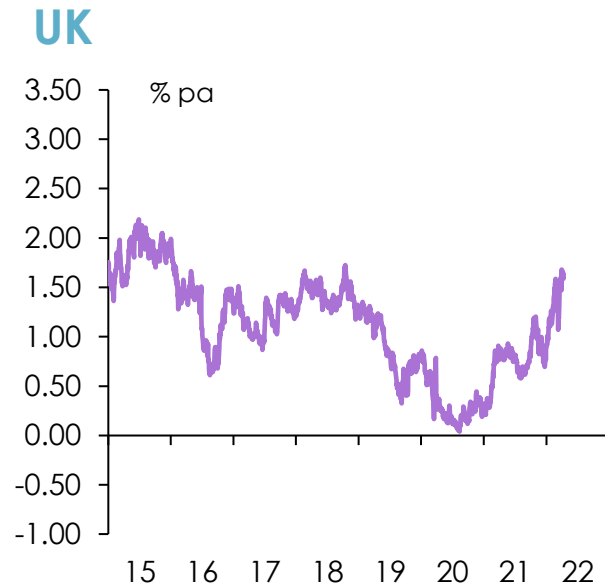
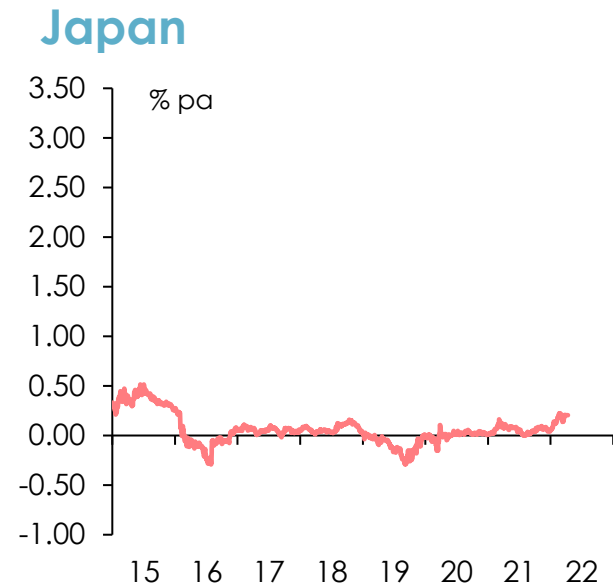
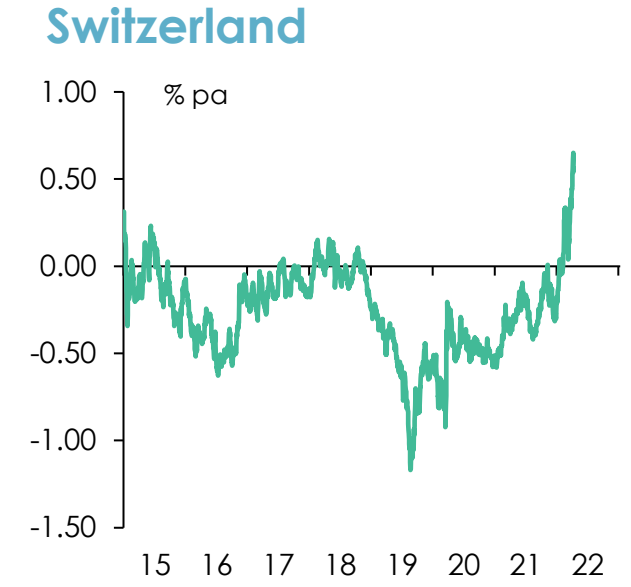
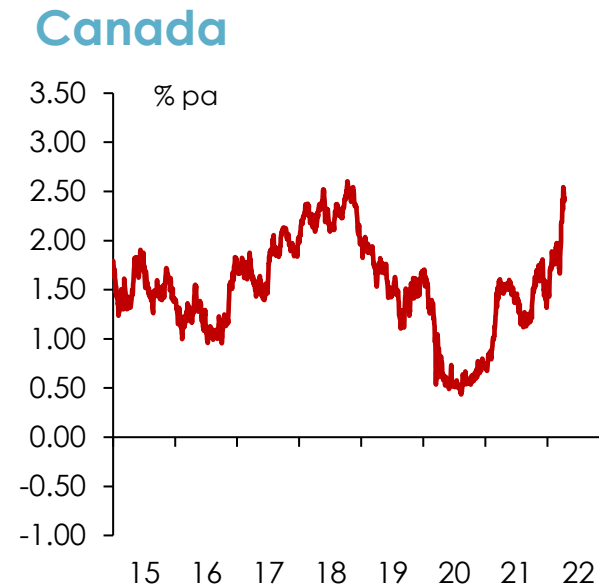
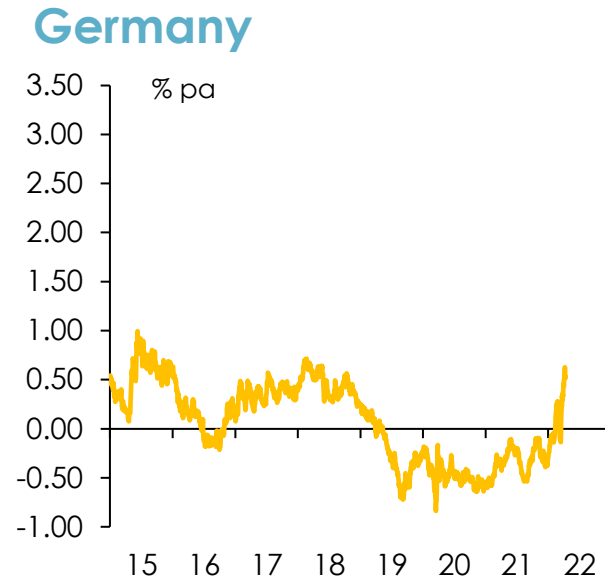
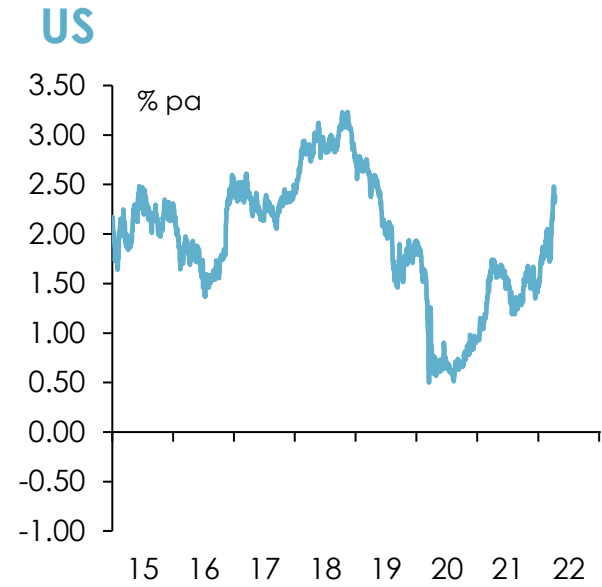
House price indices



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

The US Treasury bond yield curve (2s/10s) inverted last week – something that has often been a harbinger of recessions in the past

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Note: Data up to 1st April. For bond yields in other large euro area member states see [slide 74](#), and for bond yields in Asian economies see [slide 111](#).

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

Bond yields fell in most emerging markets last week, particularly in Russia (with the rebound in the ruble) and Turkey, both down more than 200 bp

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

China



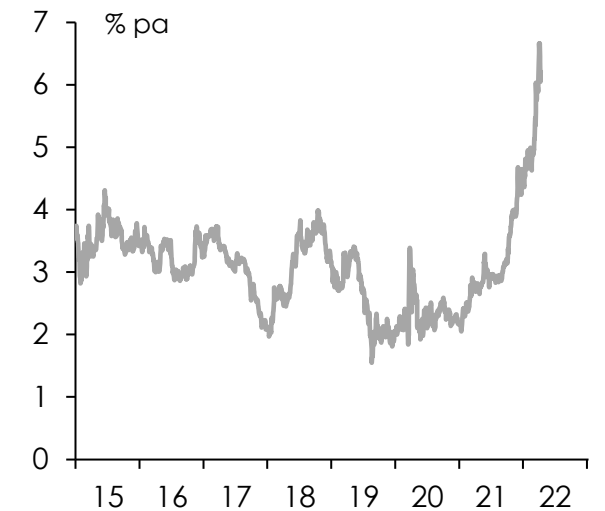
Brazil



Russia



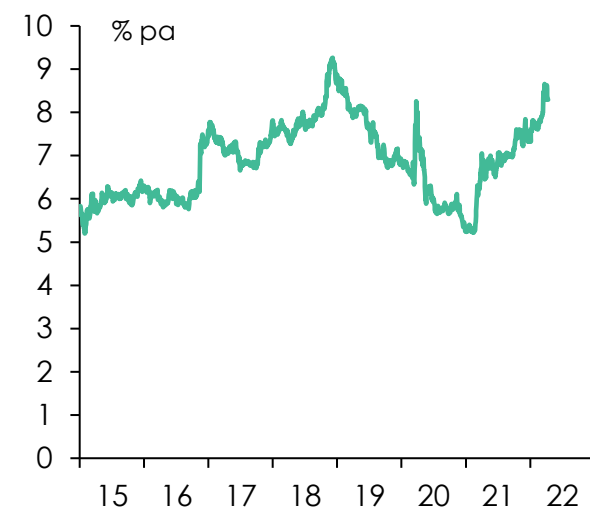
South Africa



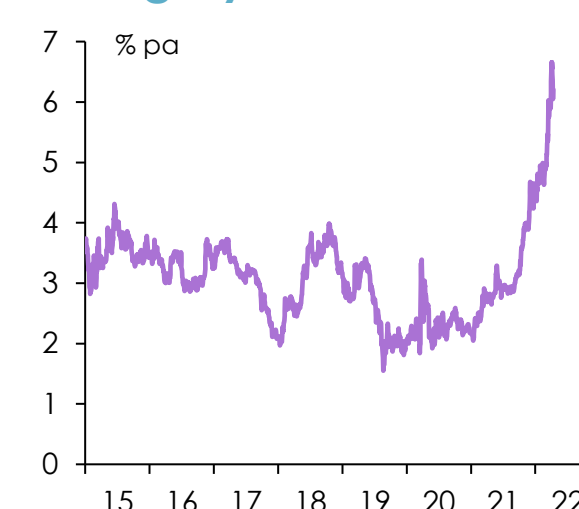
India



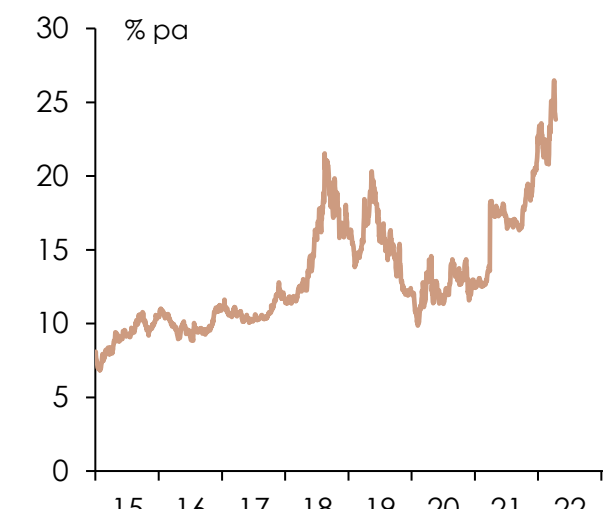
Mexico



Hungary



Turkey



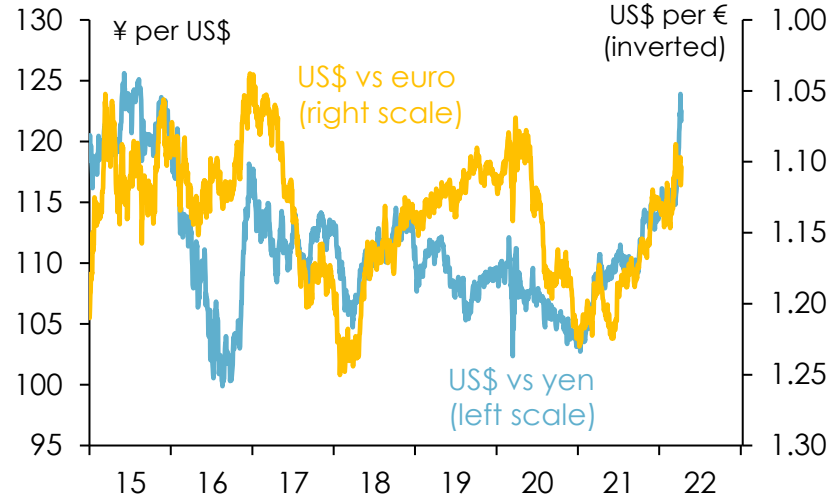
Note: Data up to 1st April. For bond yields in other Asian economies see [slide 111](#); and for policy interest rates in other emerging markets see [slide 131](#).

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

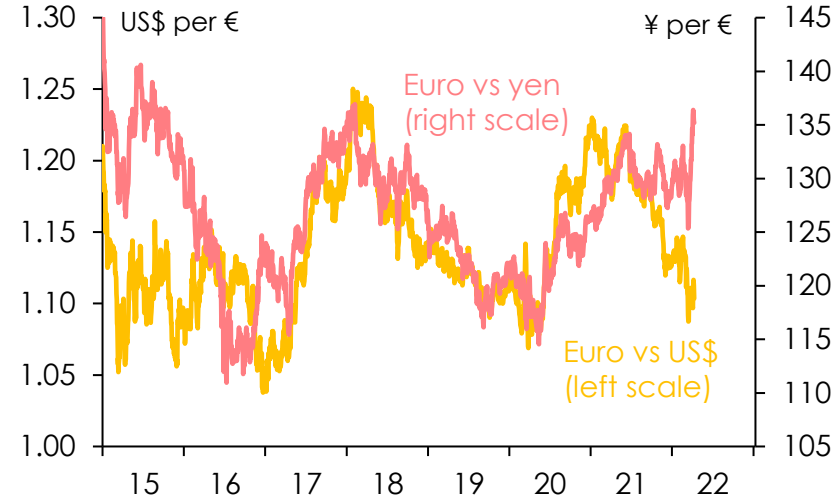
The euro (the major FX 'casualty' of the Ukraine conflict) recovered a little last week, along with the Swiss franc, while other currencies eased

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

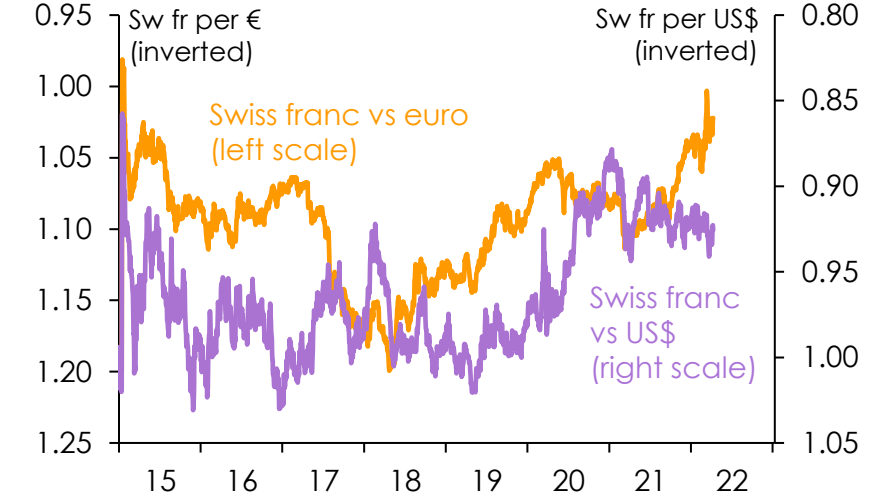
US dollar



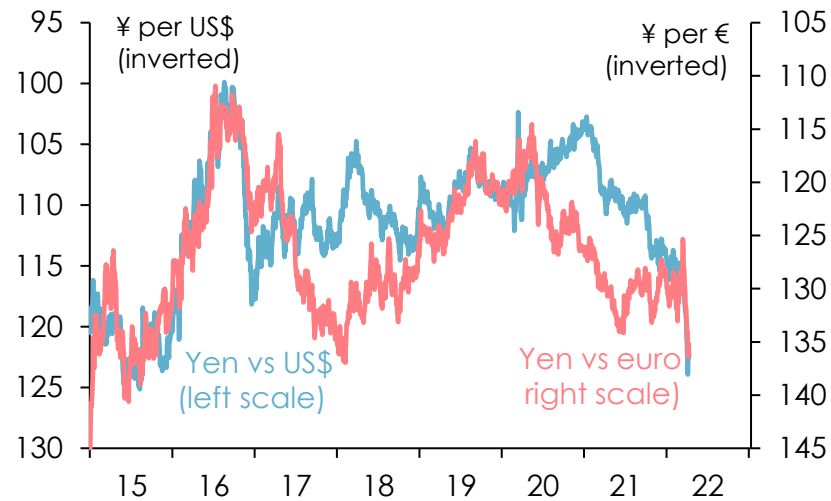
Euro



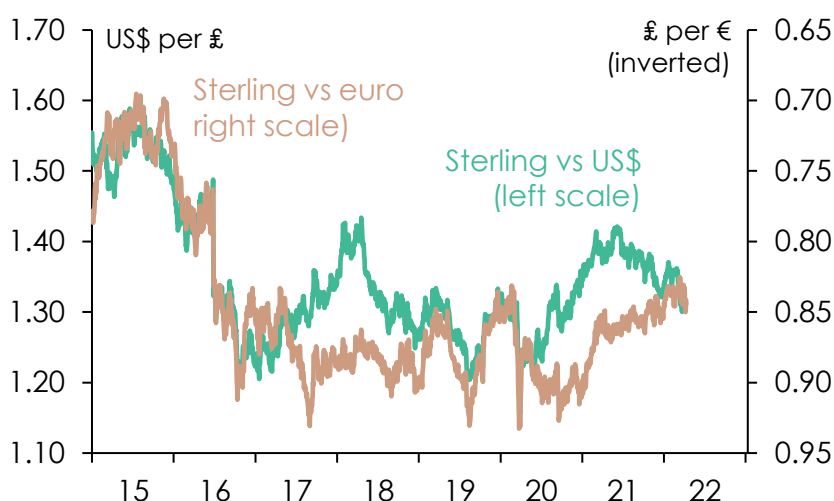
Swiss franc



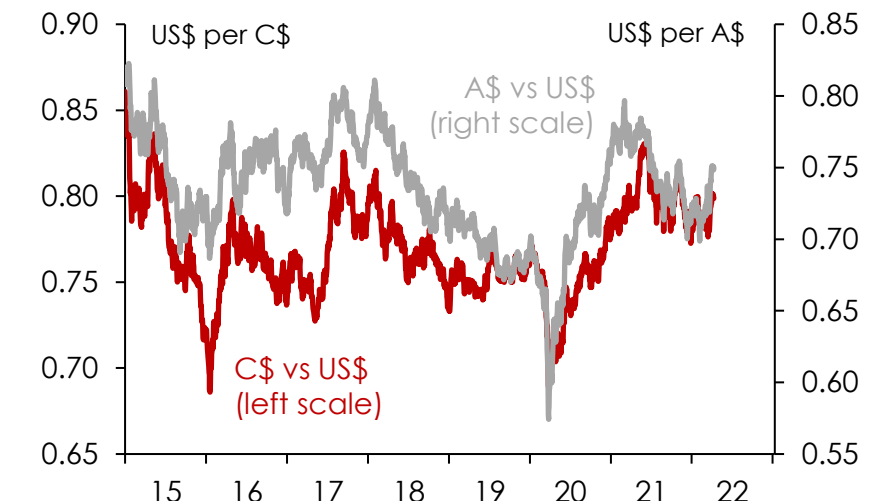
Japanese yen



Sterling



Canadian & Australian dollars

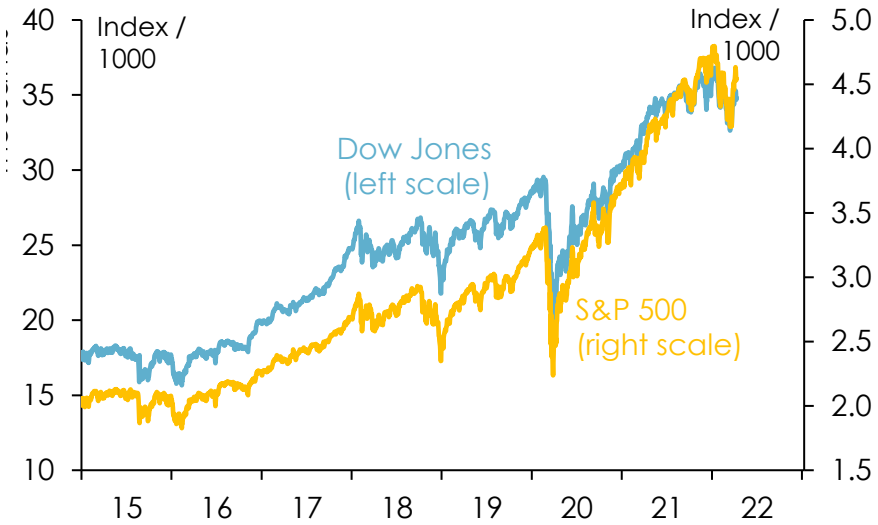


Note: Data up to 1st April. For Asian exchange rates see [slide 113](#). Source: Refinitiv Datastream. [Return to "What's New"](#).

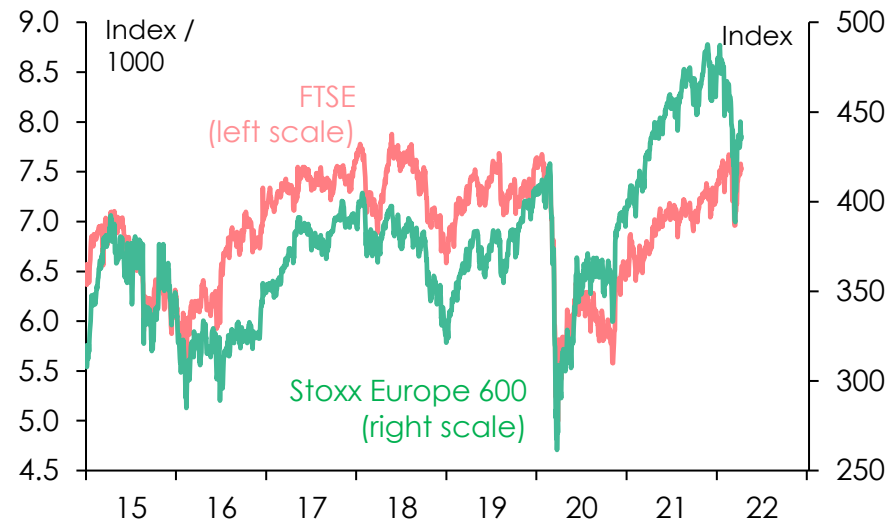
Stock markets rose over the first half of last week, fell after the US Treasury yield curve briefly inverted, then bounced on Friday's US jobs data

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

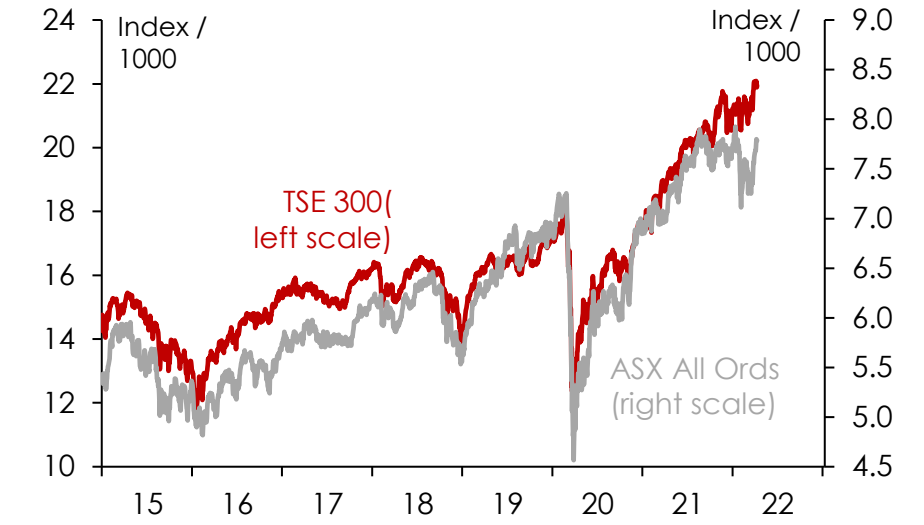
US stock market



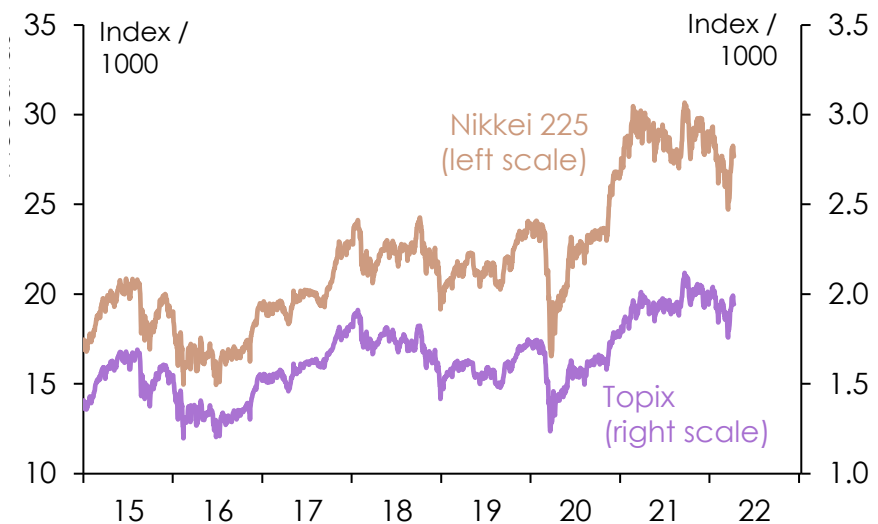
European stock markets



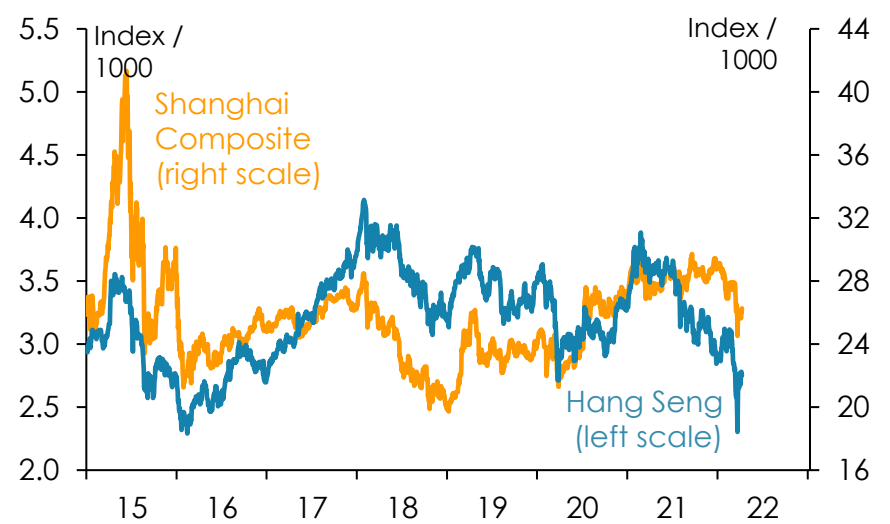
Canadian & Australian stock markets



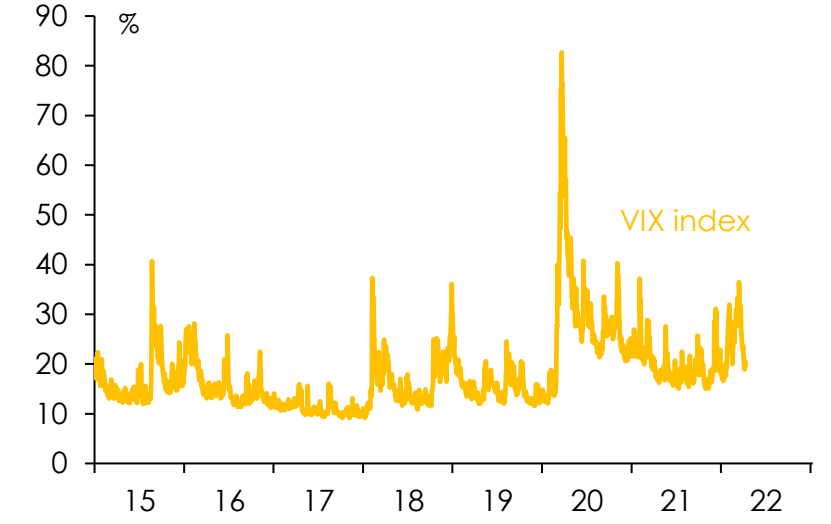
Japanese stock market



Chinese & HK stock markets



Equity market volatility



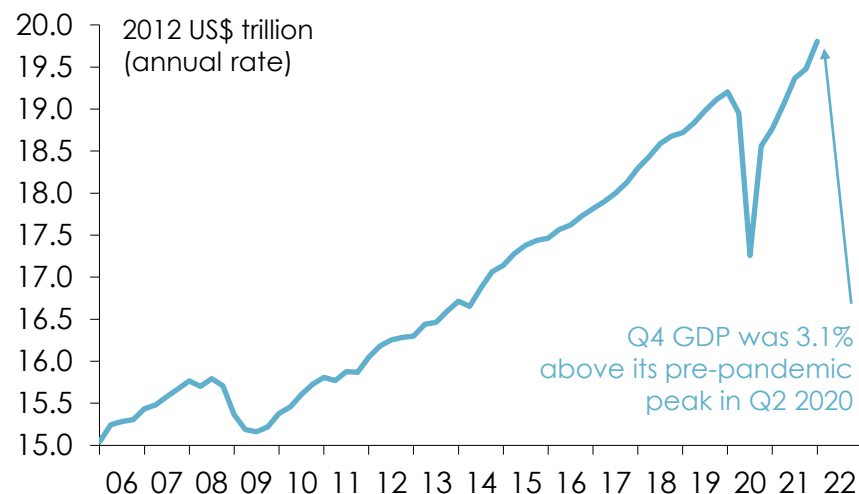
Note: Data up 1st April. Source: Refinitiv Datastream. For East Asian stock markets see [slide 114](#). [Return to "What's New"](#).

The United States

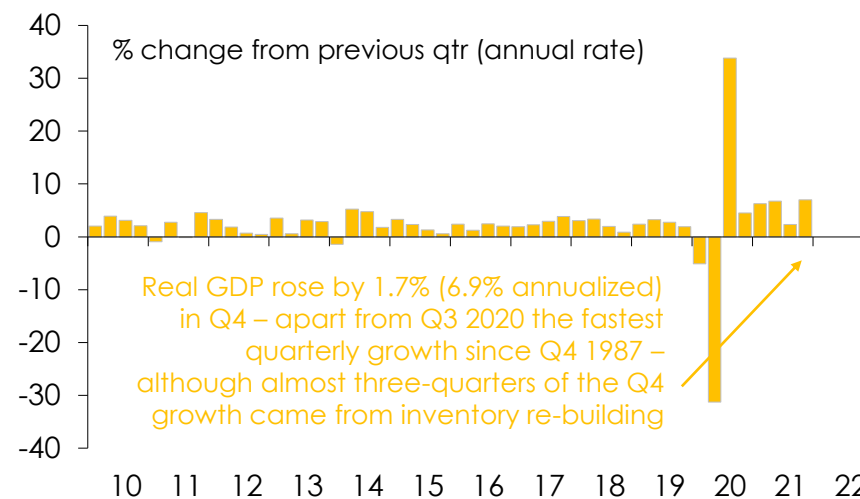
US real GDP grew 1.7% (6.9% annualized) in Q4 2021 – almost eliminating the ‘output gap’ – though most of the growth came from inventories

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

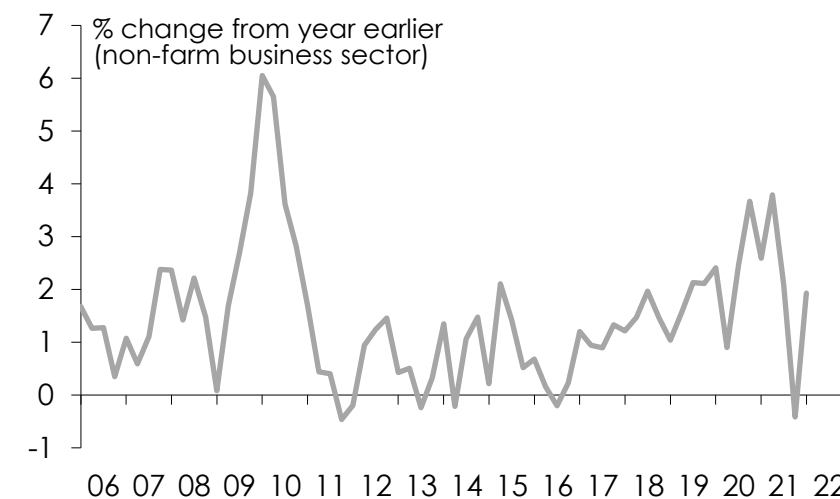
Level of real GDP



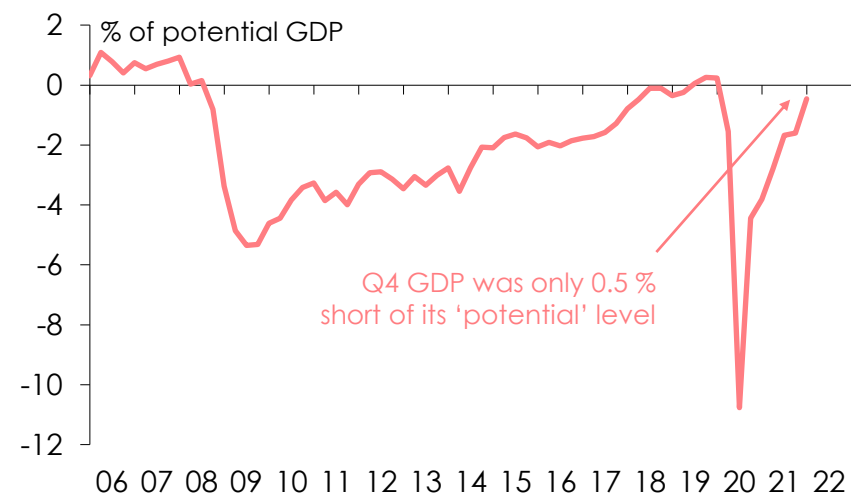
Quarterly change in real GDP



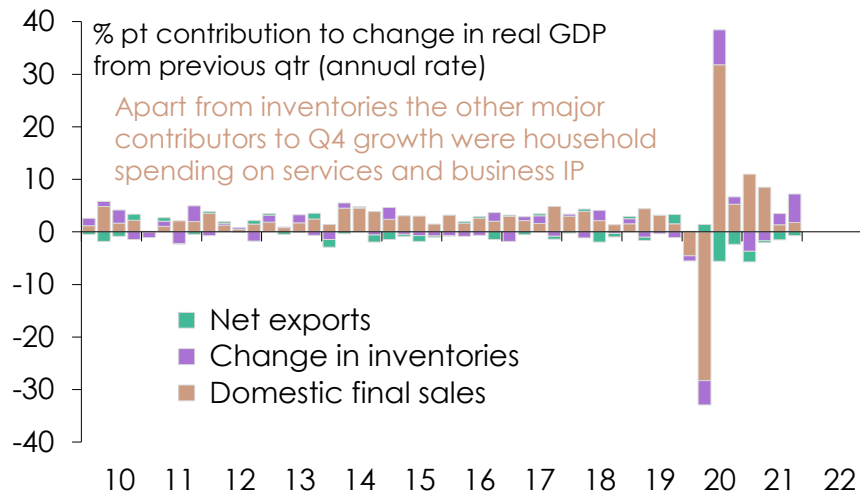
Labour productivity growth



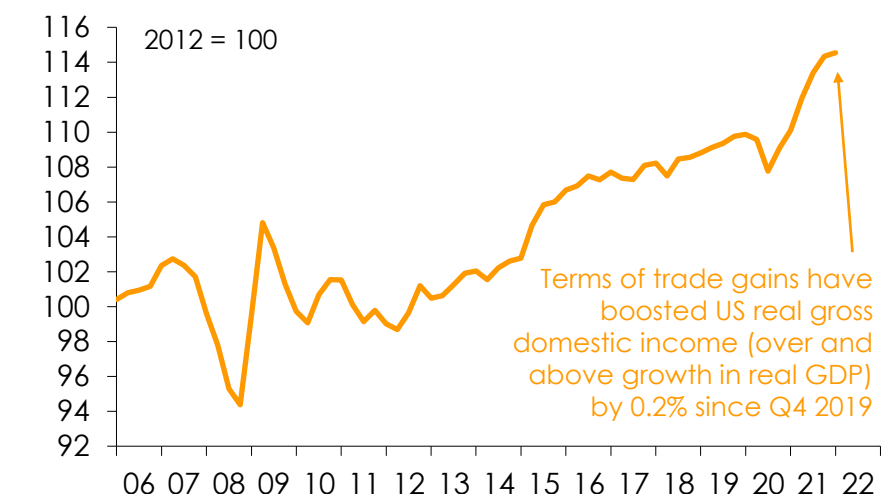
The ‘output gap’



Contributions to change in real GDP



Terms of trade

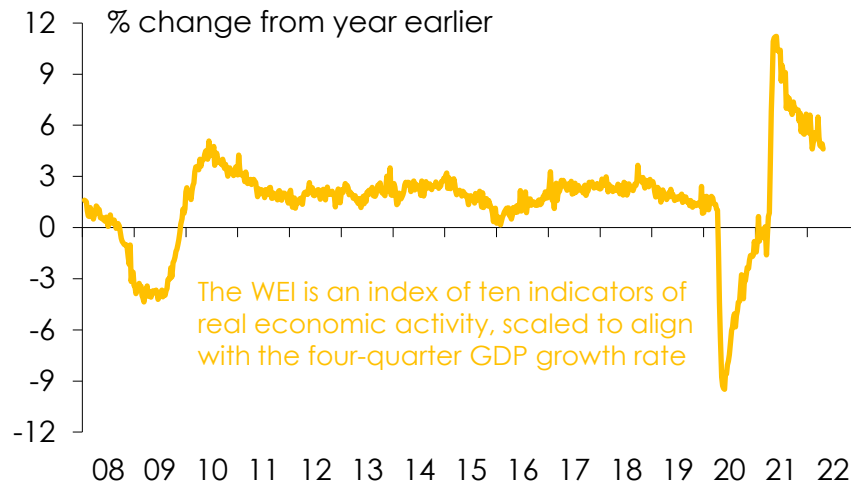


Note: the ‘output gap’ is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the ‘terms of trade’ is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

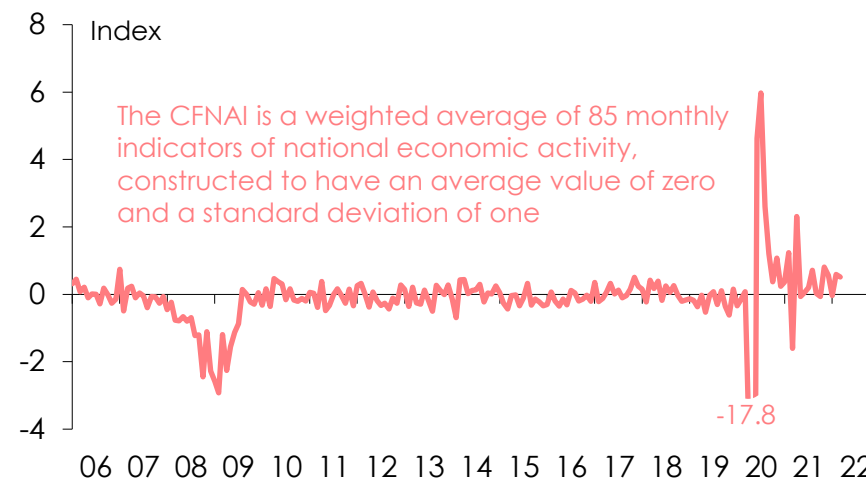
Survey data and composite indexes for the most part suggest only a mild slowing in economic activity in the early part of the first quarter of 2022

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

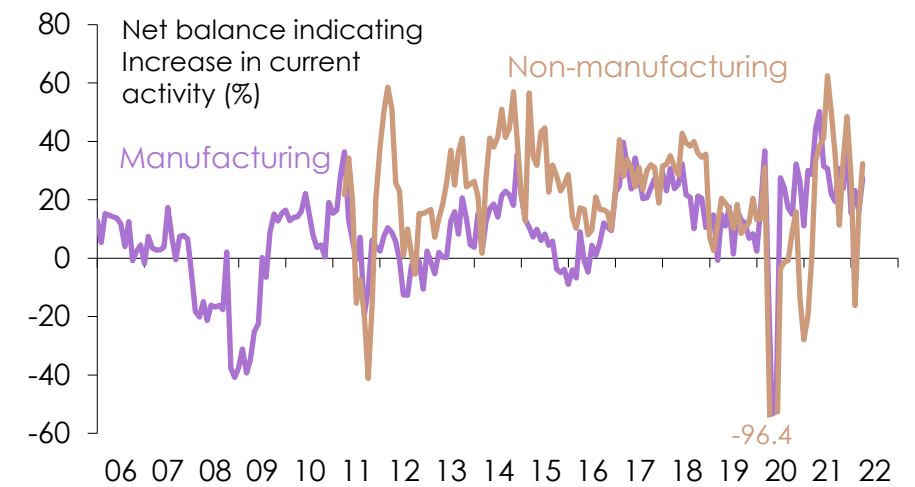
NY Fed weekly economic index



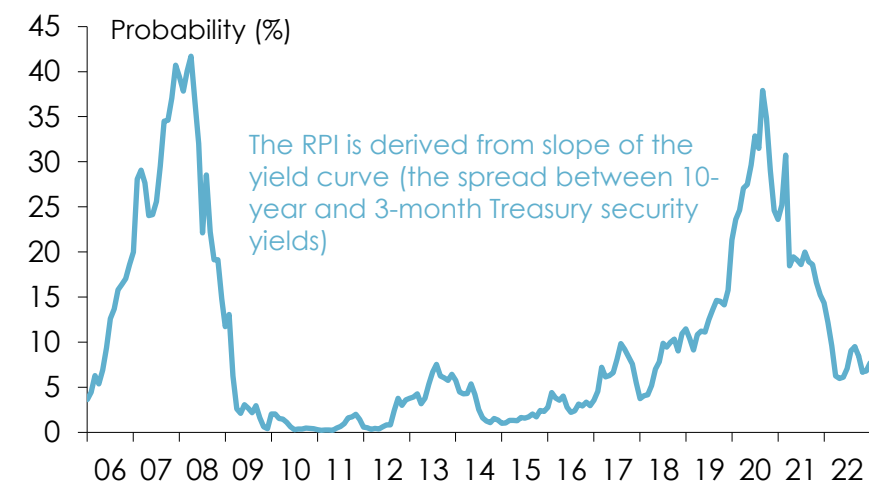
Chicago Fed national activity index



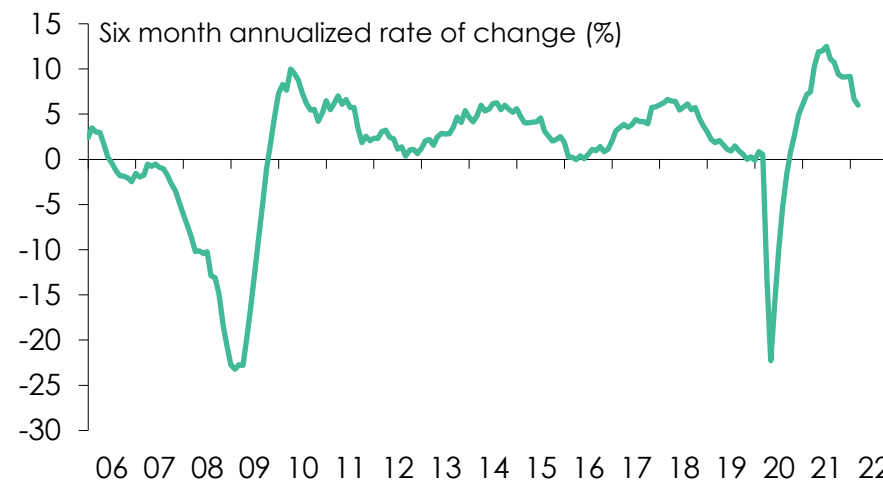
'Philly Fed' business outlook survey



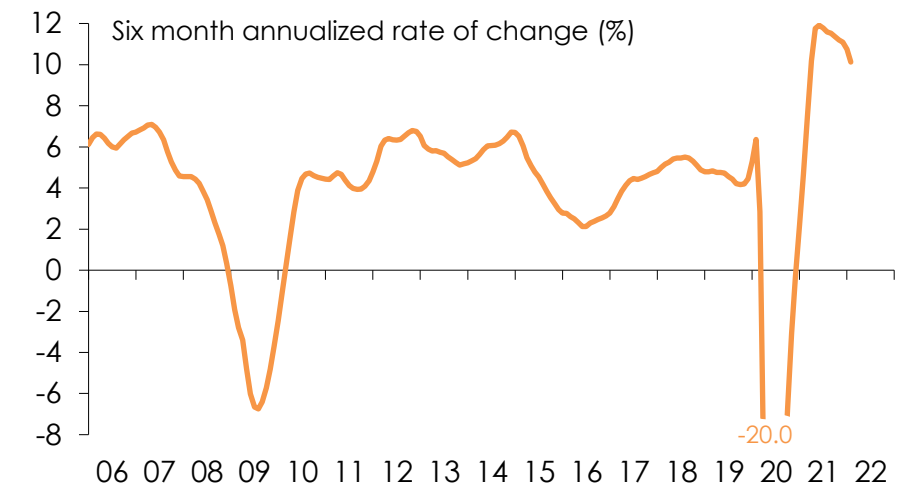
NY Fed recession probability index



Conference Board leading indicators



Dallas Fed Texas business index

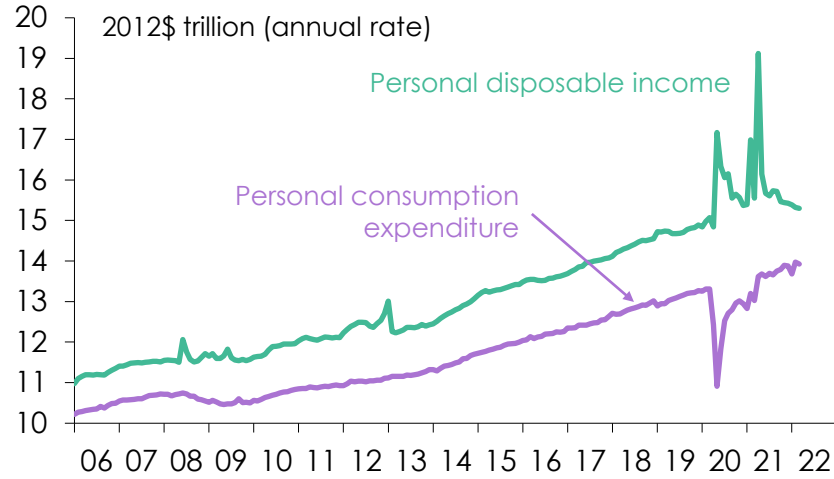


Sources: Federal Reserve Bank of New York, [Weekly Economic Index](#) and [The Yield Curve as a Leading Indicator](#); Federal Reserve Bank of Chicago, [Chicago Fed National Activity Index \(CFNAI\)](#); The Conference Board, [Global Business Cycle Indicators](#); Federal Reserve Bank of Philadelphia,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

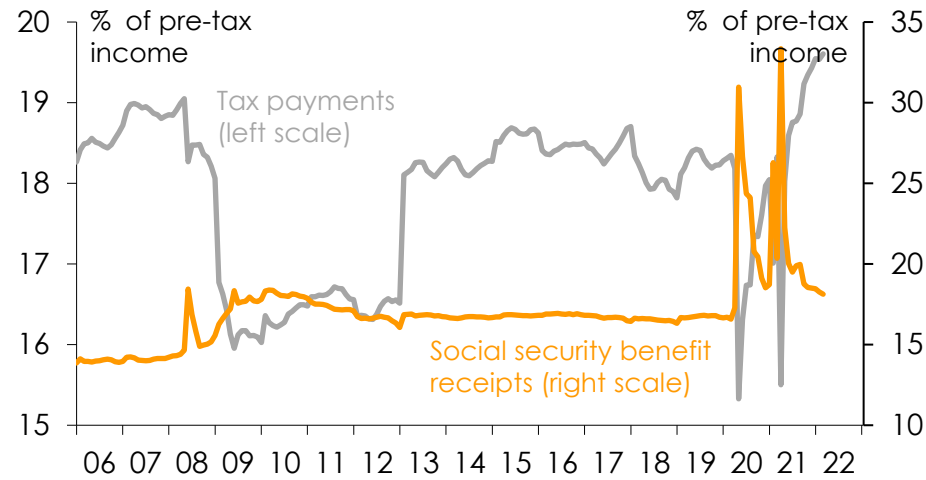
US real personal disposable income has fallen for seven months in a row, by 2.8%, but spending has been supported by reduced saving

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

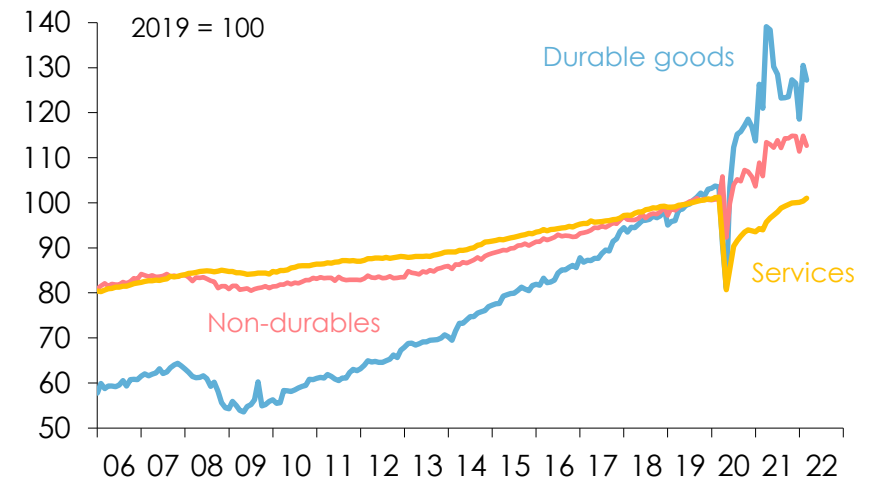
Personal income and expenditure



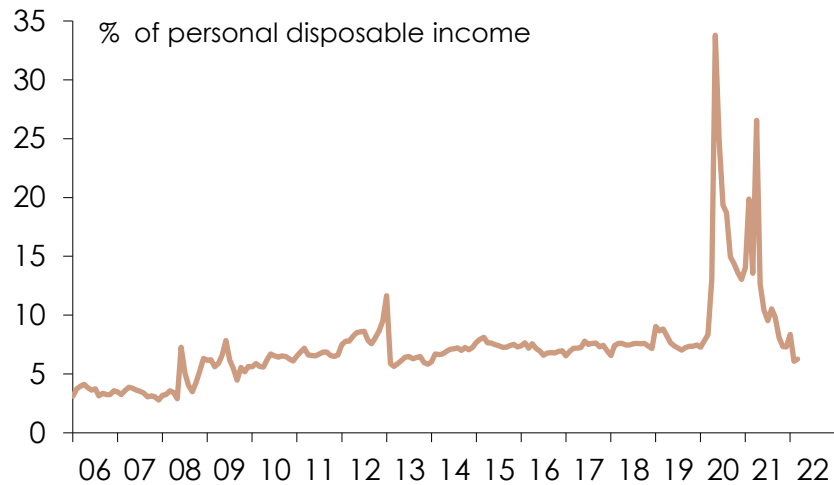
Tax and social security



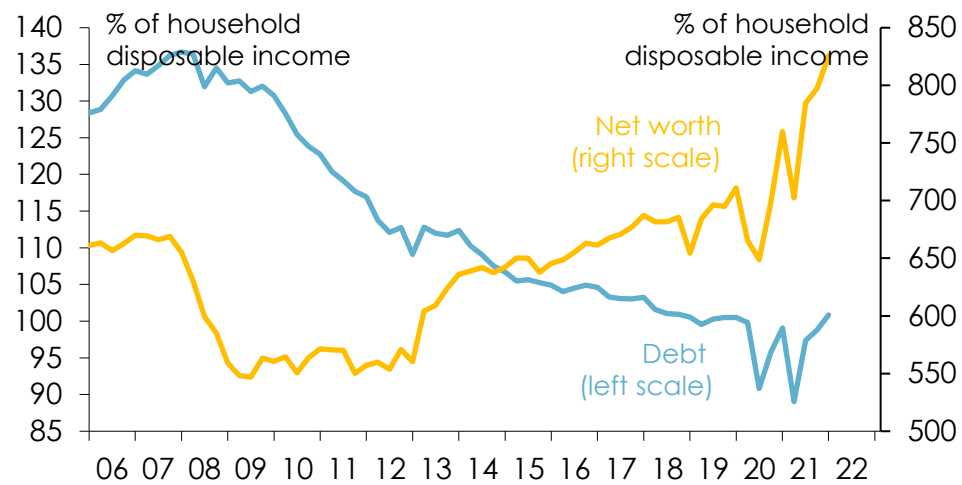
Personal consumption expenditure



Personal saving rate



Household debt and net worth



Spending on energy

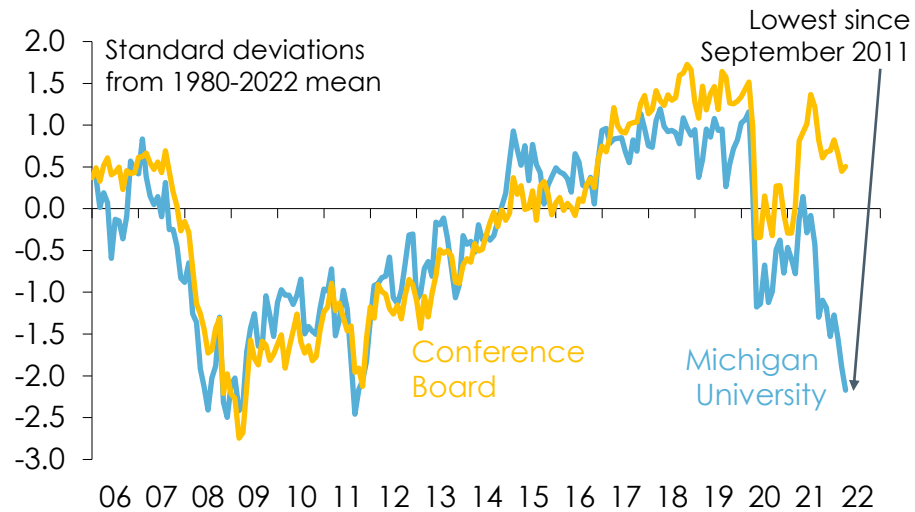


Note: data on personal income, spending and saving are monthly; data on debt and net worth are quarterly. Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#), [Consumer Spending](#) and [Income and Saving](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#). [Return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

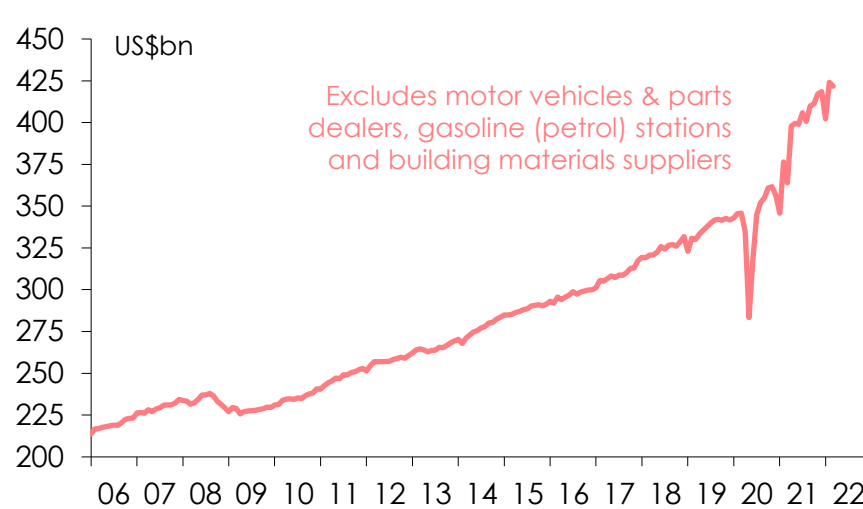
Retail sales rose 0.3% in February, but only because of a 5.3% increase in spending at petrol stations – ‘core’ retail sales fell 0.6%

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

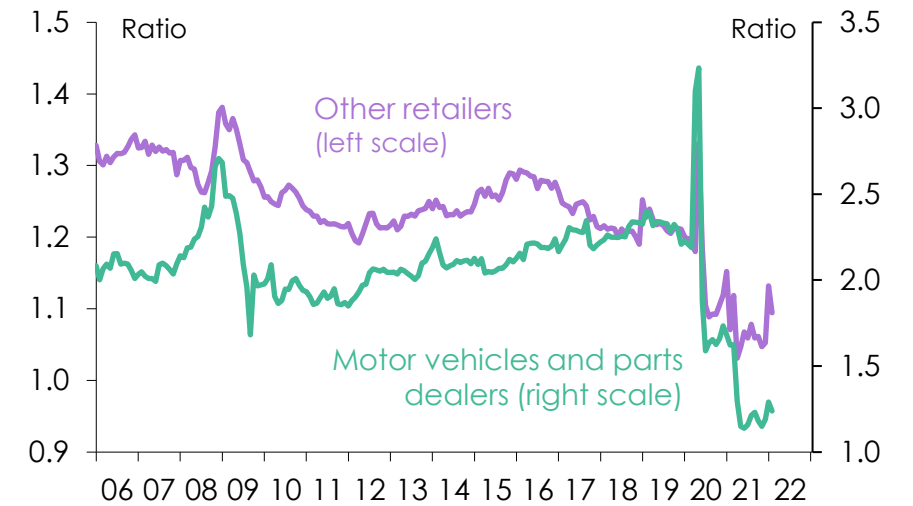
Consumer sentiment



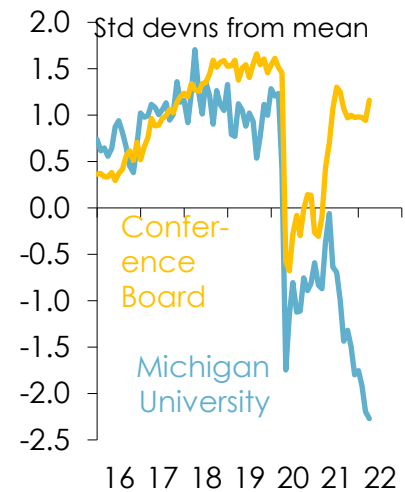
Level of ‘core’ retail sales



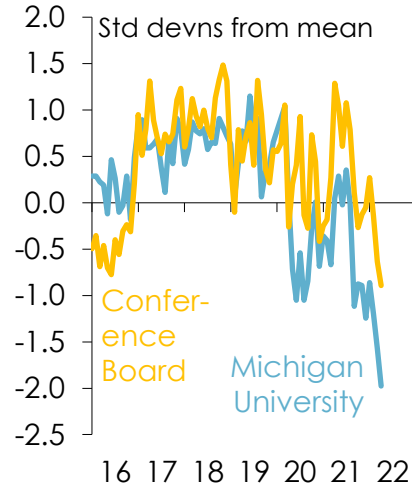
Retail inventories-sales ratios



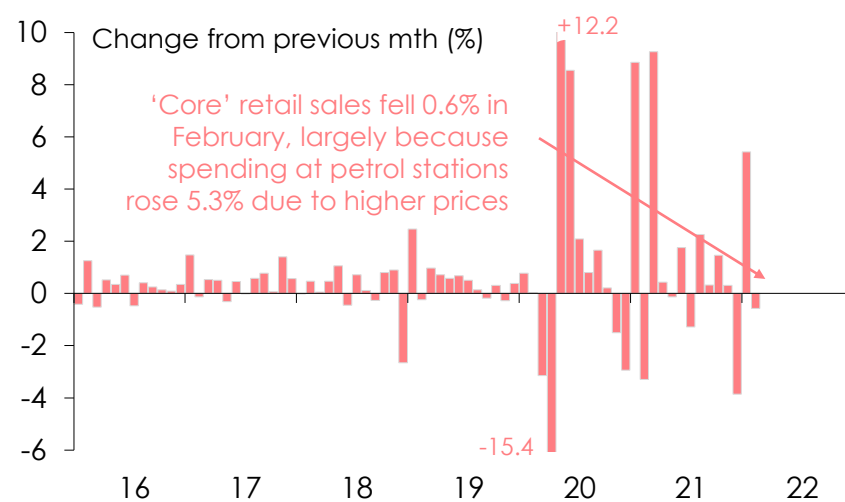
Present situation



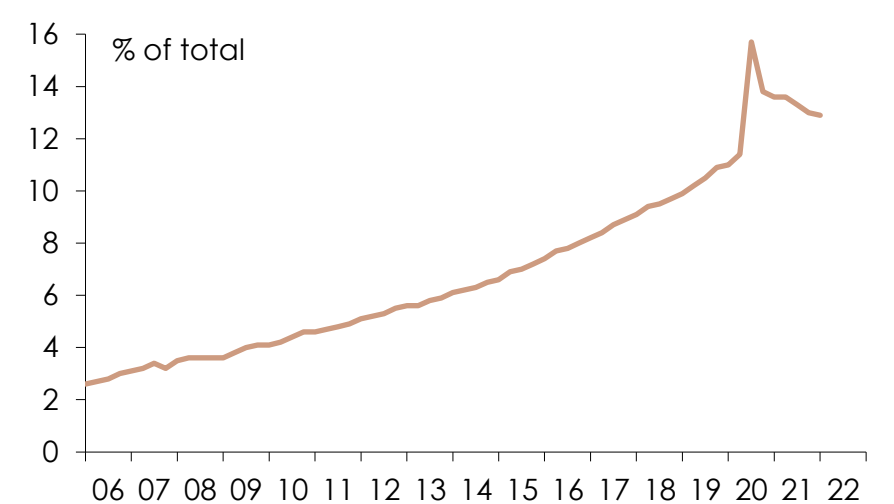
Expectations



Monthly changes in ‘core’ retail sales



On-line retail sales

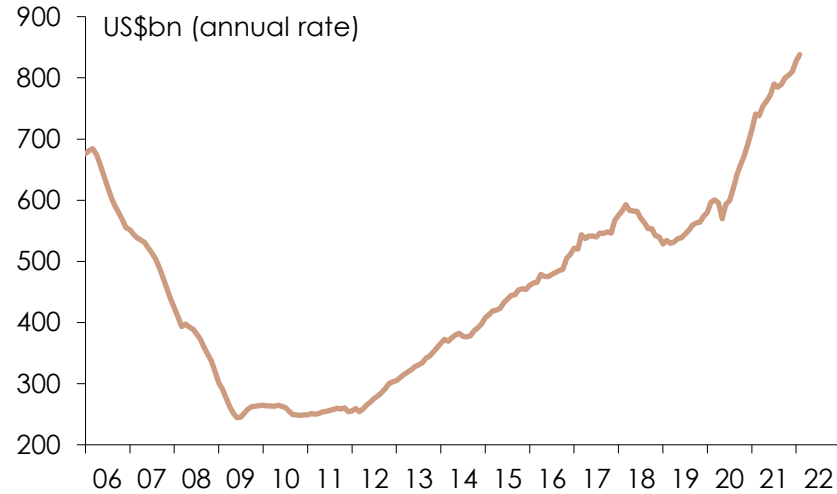


Note: ‘Core’ retail sales excludes motor vehicles, petrol stations and building materials stores. Sources: Michigan University Survey Research Center, [Survey of Consumers](#); The Conference Board, [US Consumer confidence](#); US Census Bureau, [Monthly Retail Trade](#) and [Advance Economic Indicators](#).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

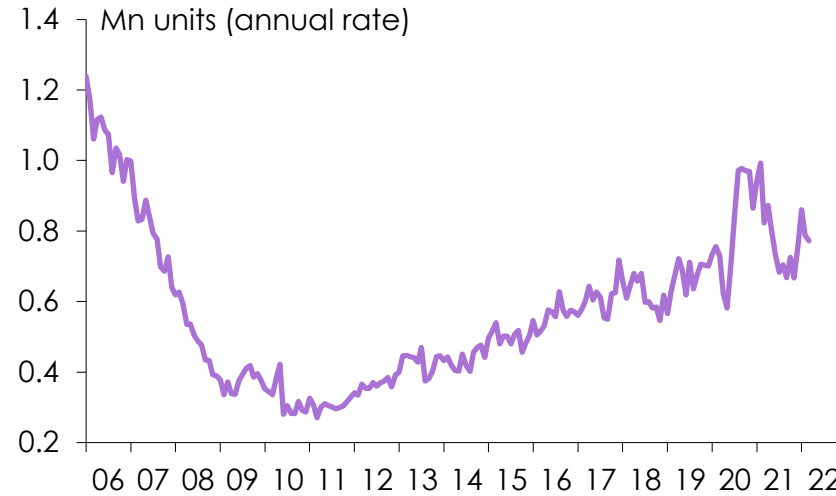
US house price inflation has re-accelerated since October last year, perhaps reflecting supply constraints on new housing

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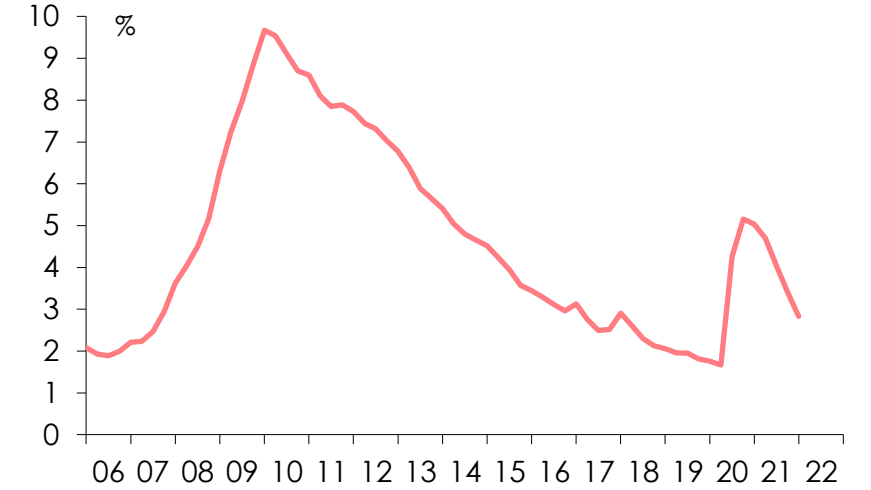
Housing construction spending



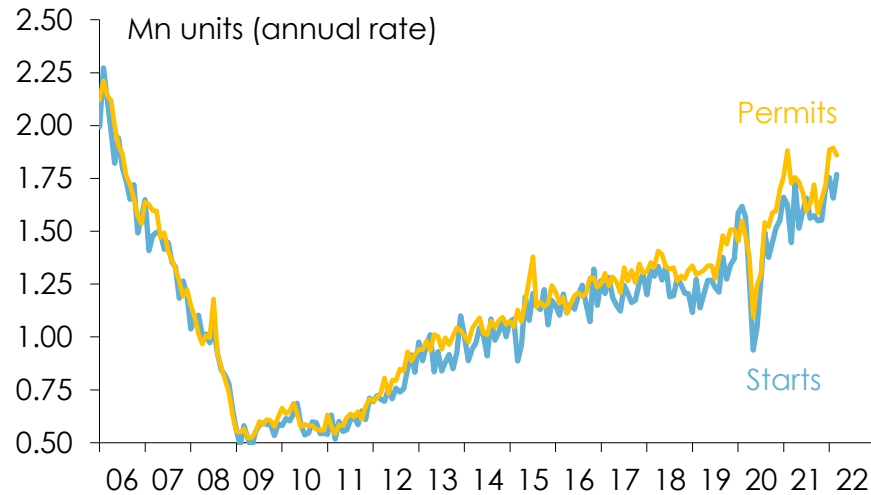
New single-family home sales



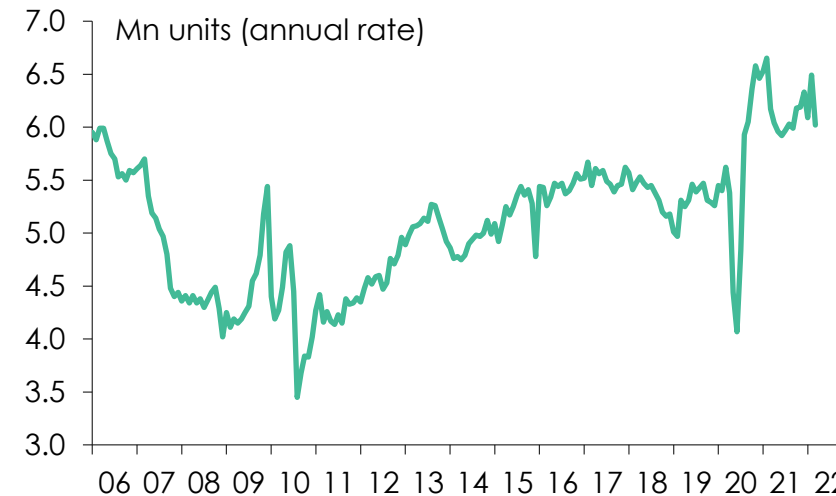
Mortgage delinquency rate



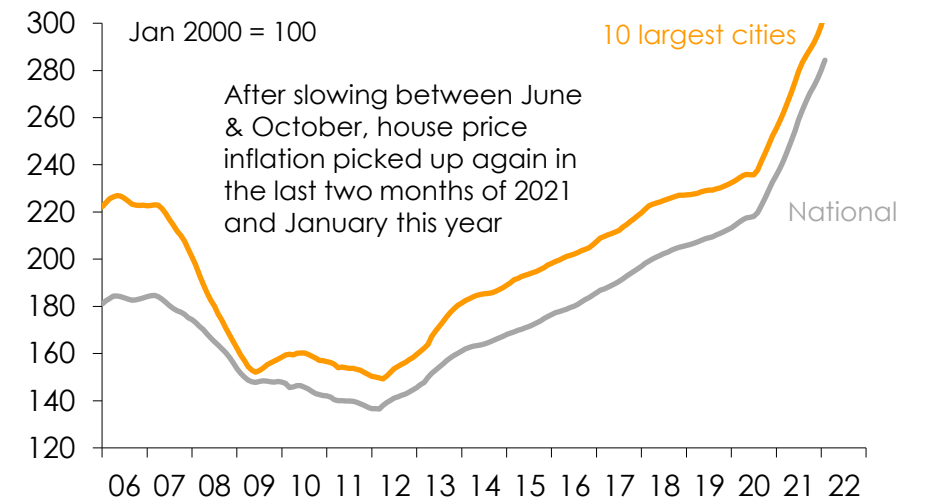
Housing starts and permits



Existing home sales



House prices

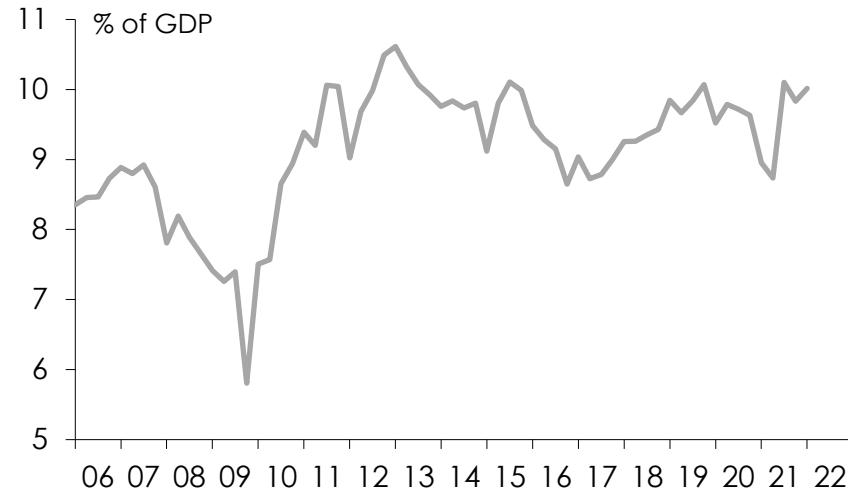


Sources: US Census Bureau, [Construction Spending](#), [New residential construction](#) and [New Residential Sales](#); US National Association of Realtors, [Existing-Home Sales](#); Mortgage Bankers' Association, [National Delinquency Survey](#); S&P Global, [S&P CoreLogic Case-Shiller Home Price Indices](#).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

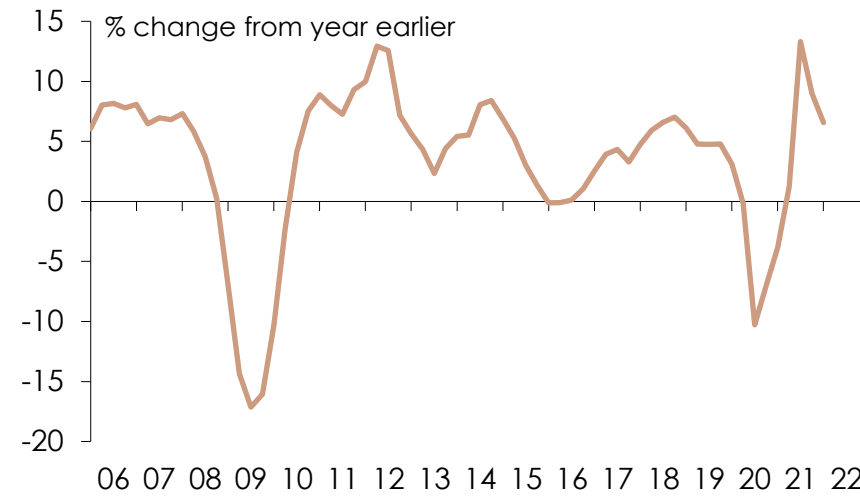
US corporate profits and balance sheets are strong, and investment is increasing – except in non-residential construction

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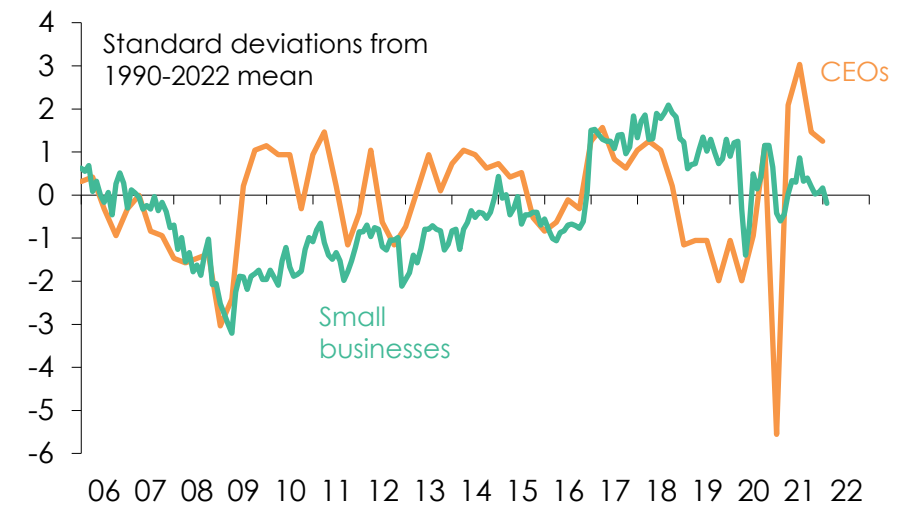
After-tax corporate profits



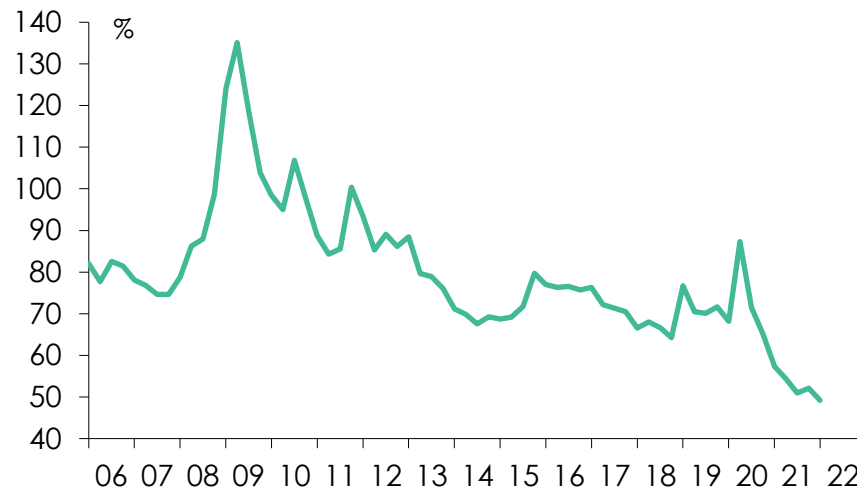
Business investment



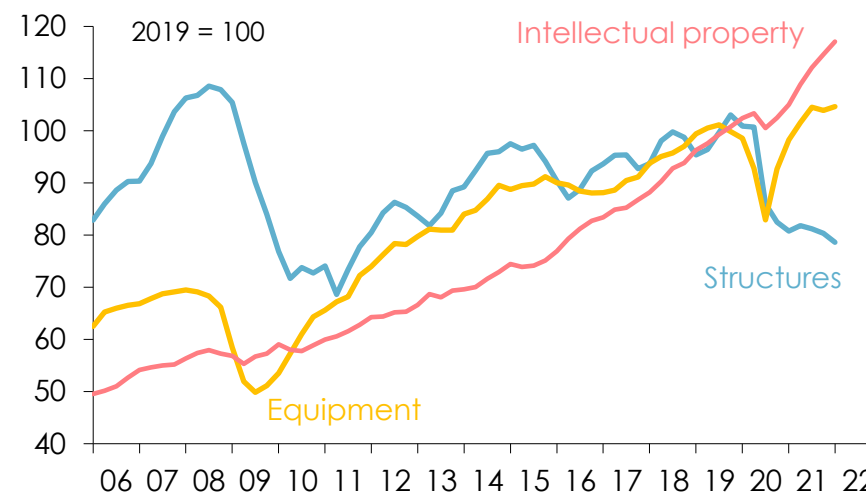
Business confidence



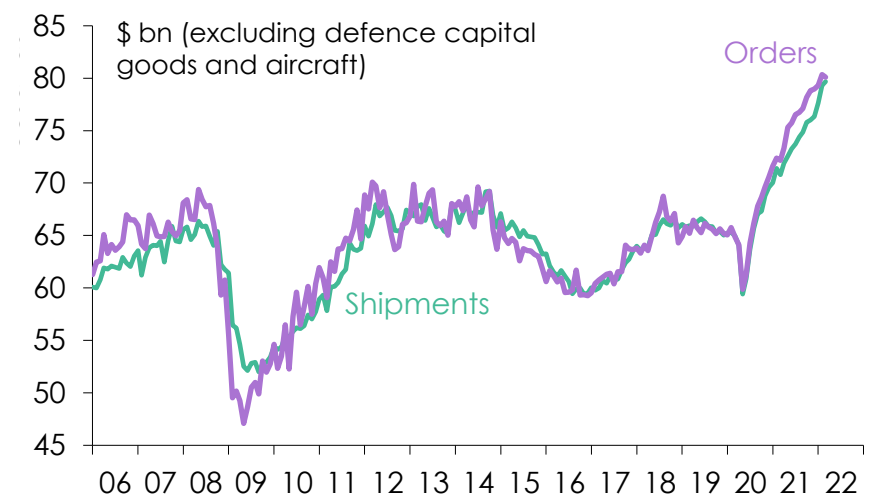
Corporate debt-equity ratio



Business investment by type



Capital goods orders & shipments

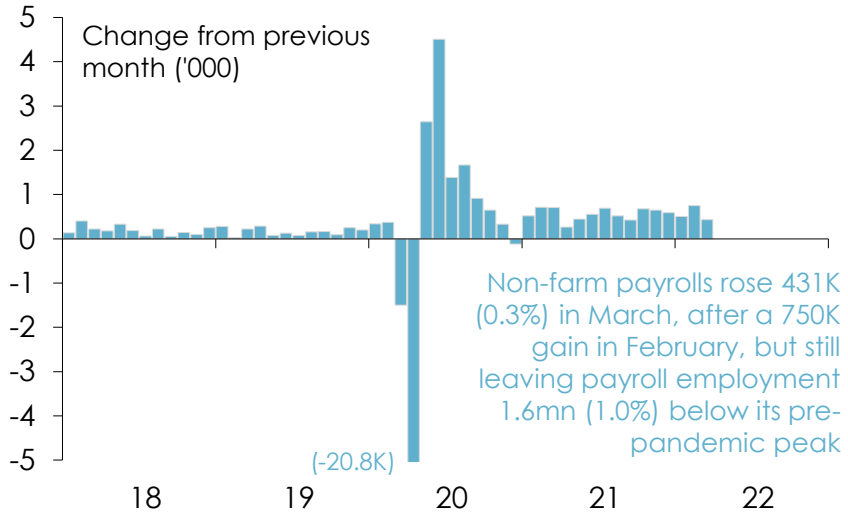


Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#); The Conference Board, [US CEO Confidence](#); National Federation of Independent Business, [Small Business Economic Trends](#); US Commerce Department, [Manufacturers'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

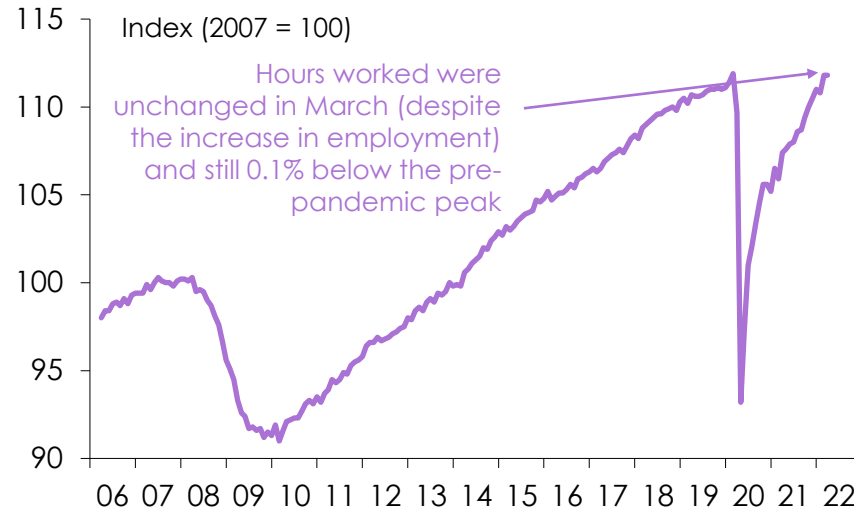
Employment rose another 0.3% in March, pushing the unemployment rate down 0.2 pc pt to 3.6%, just 0.1 pc pt above the pre-pandemic low

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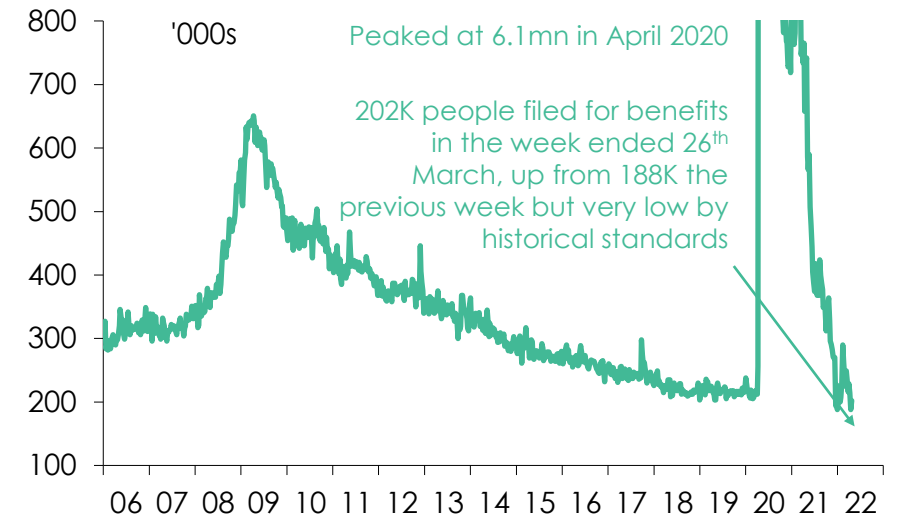
Non-farm payroll employment



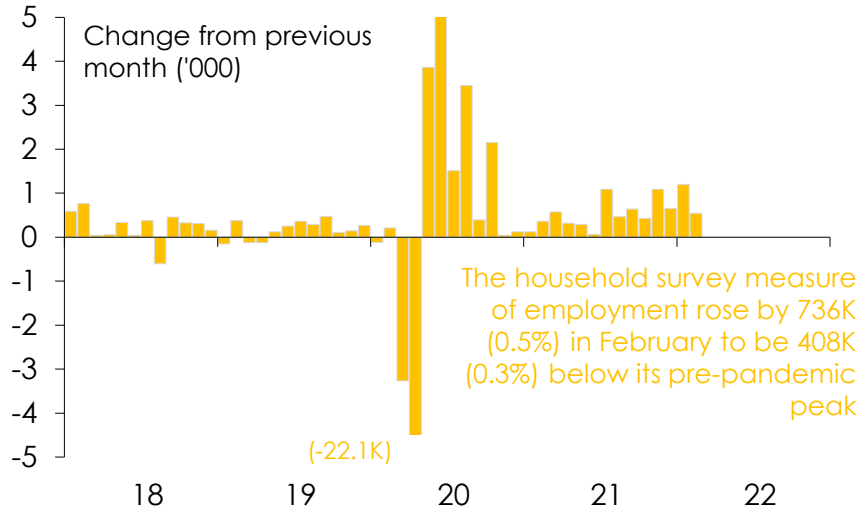
Hours worked (private sector)



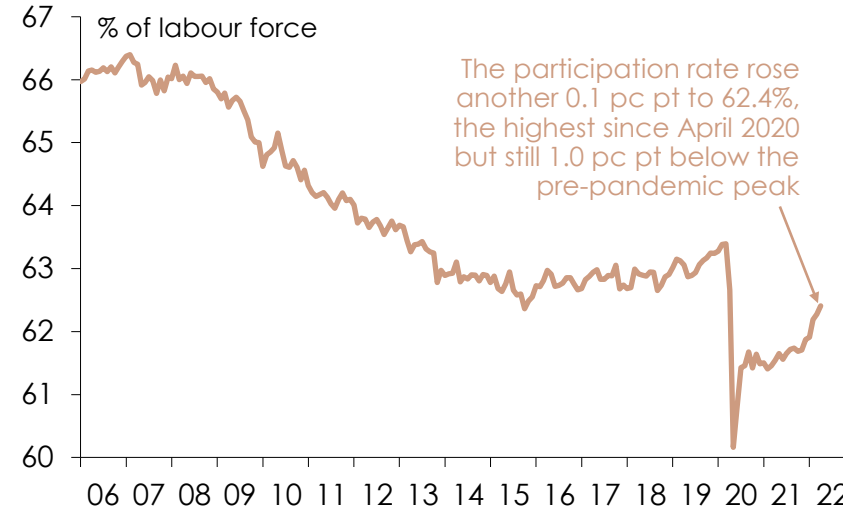
Unemployment benefit initial claims



Household survey employment



Labour force participation rate



Unemployment rate

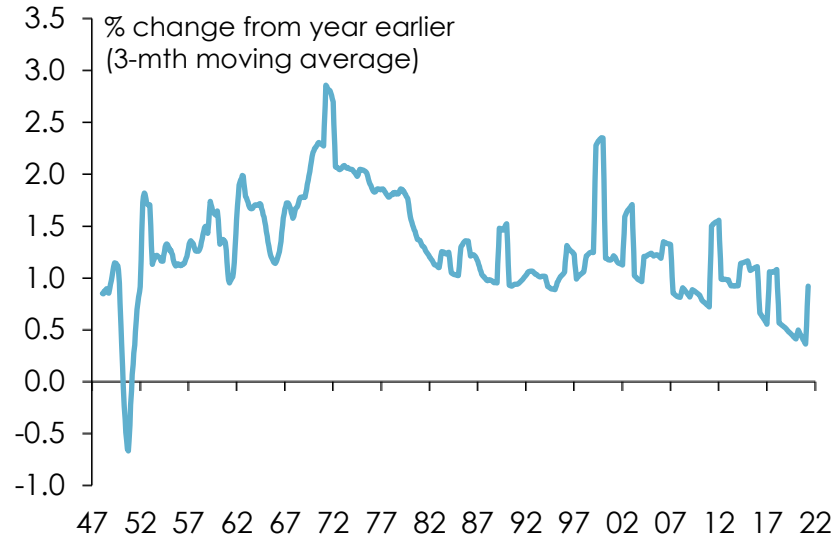


Sources: US Bureau of Labor Statistics, [Employment Situation](#); US Department of Labor, [Unemployment Insurance Weekly Claims](#). [Return to "What's New"](#).

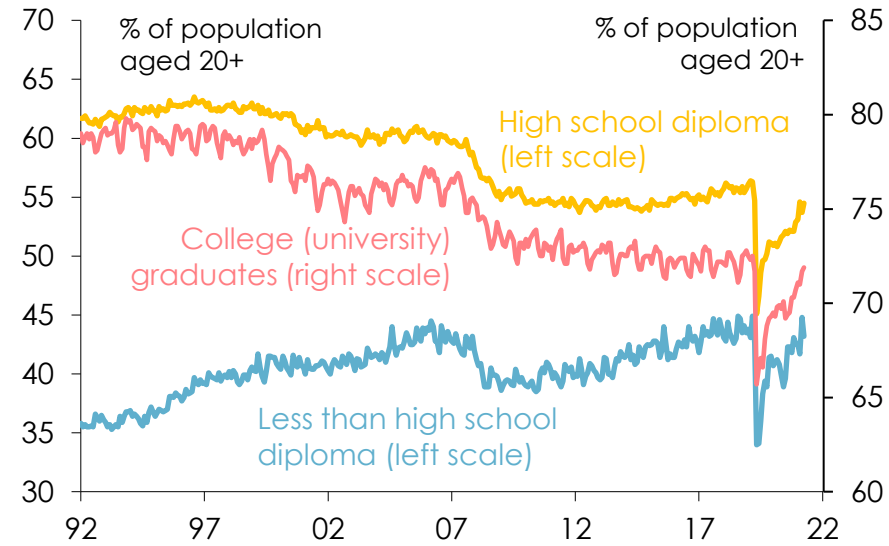
US labour market tightness owes a lot to restrictions on immigration, and to barriers to the return to the labour market of specific groups

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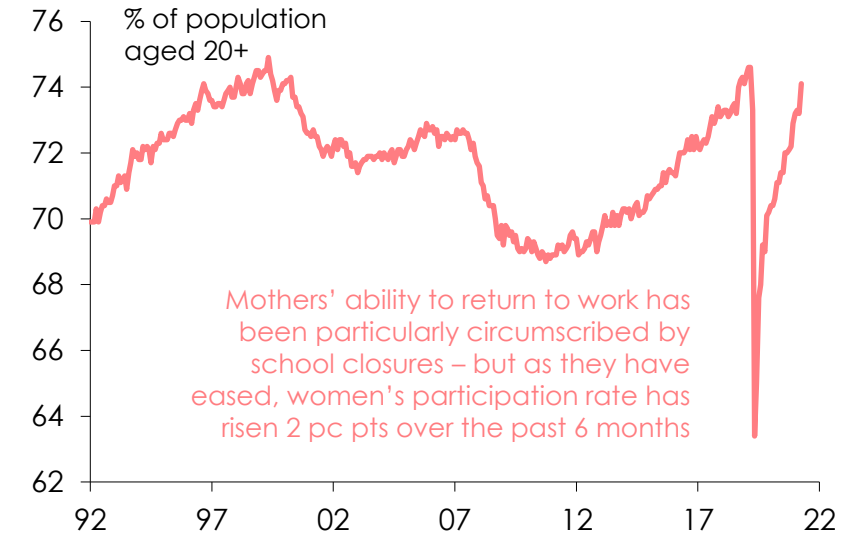
Civilian working age population



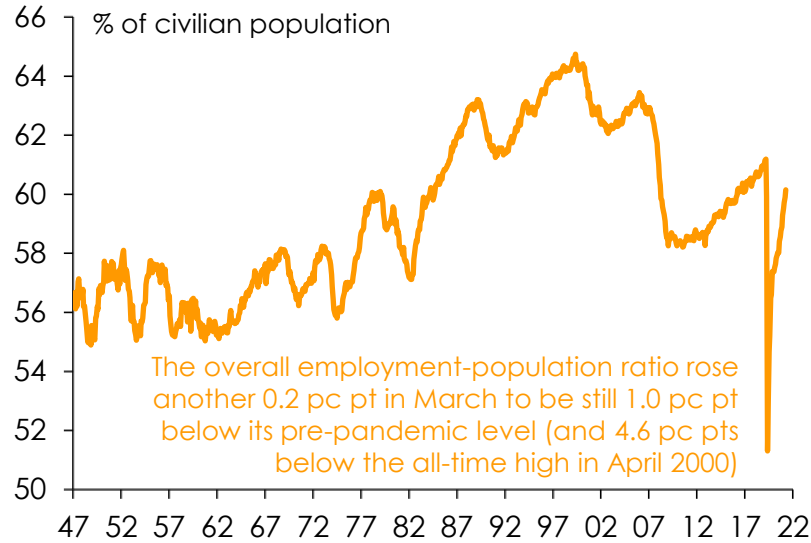
'E-pop' ratio – by education



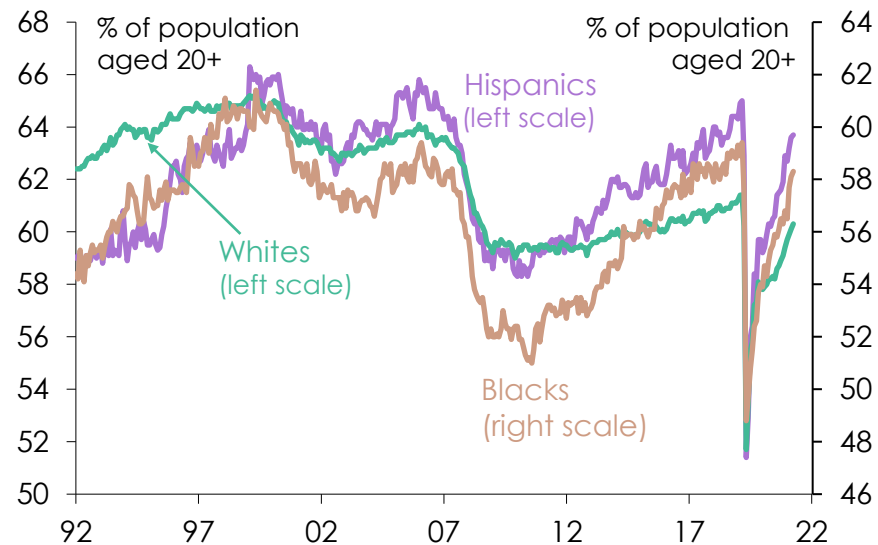
'E-pop' ratio – women 25-54



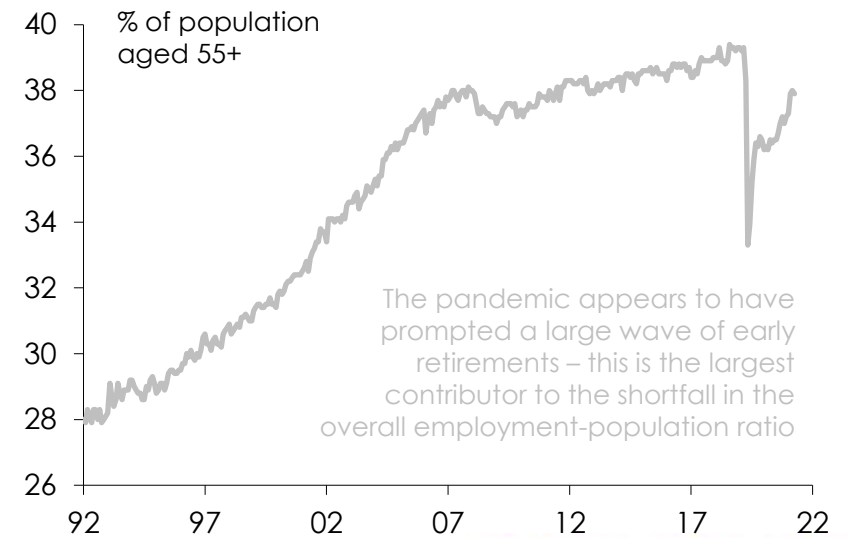
Employment-to-population ratio



'E-Pop' ratio – Blacks & Hispanics



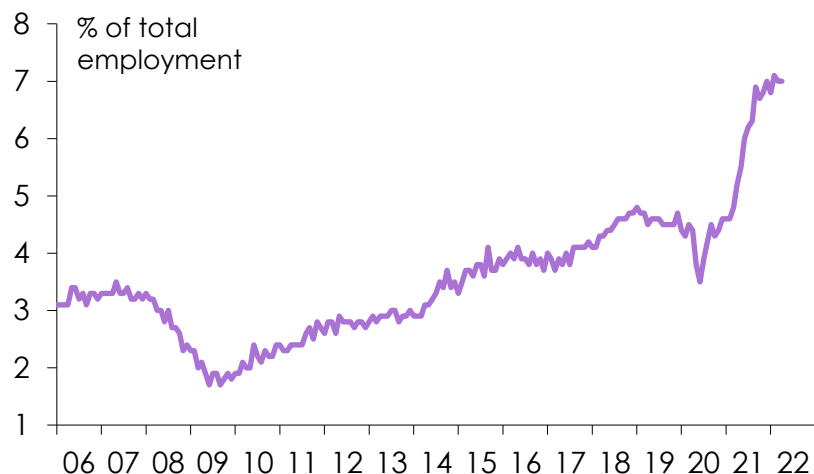
'E-pop' ratio – people 55 & over



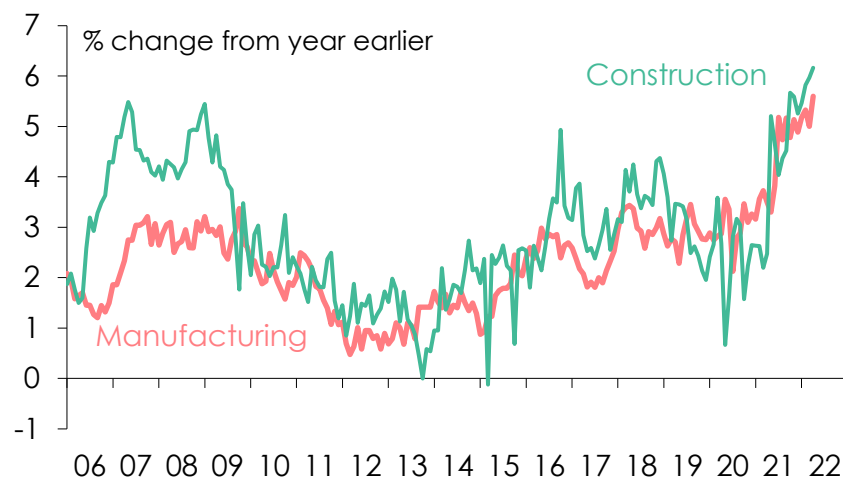
The 'best' measure of US wages growth – the employment cost index – rose 5% over the year to Q4, the fastest pace since Q1 1984

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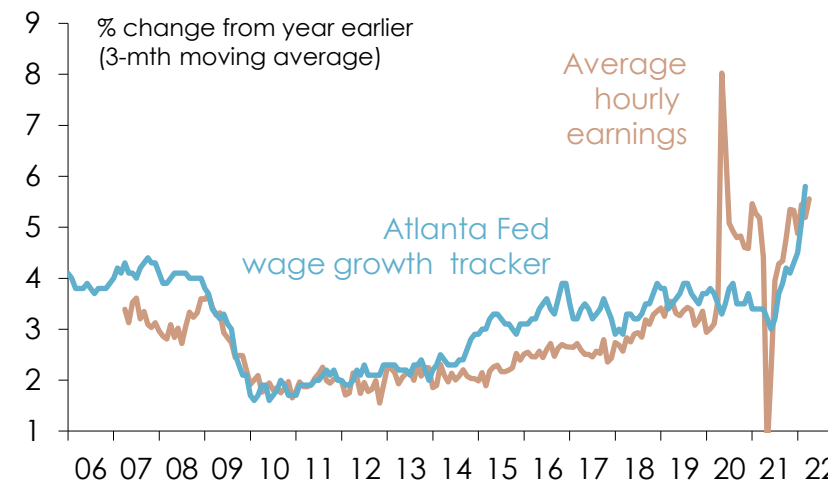
Job openings



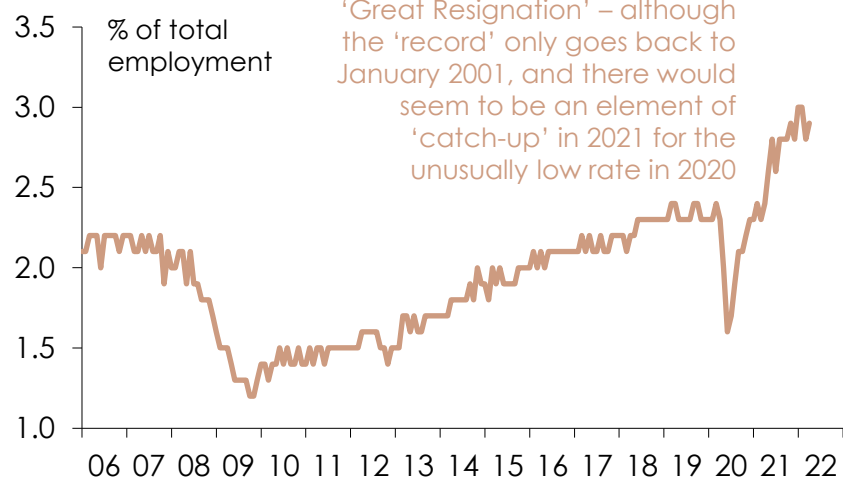
Average hourly earnings



Overall wages growth - monthly

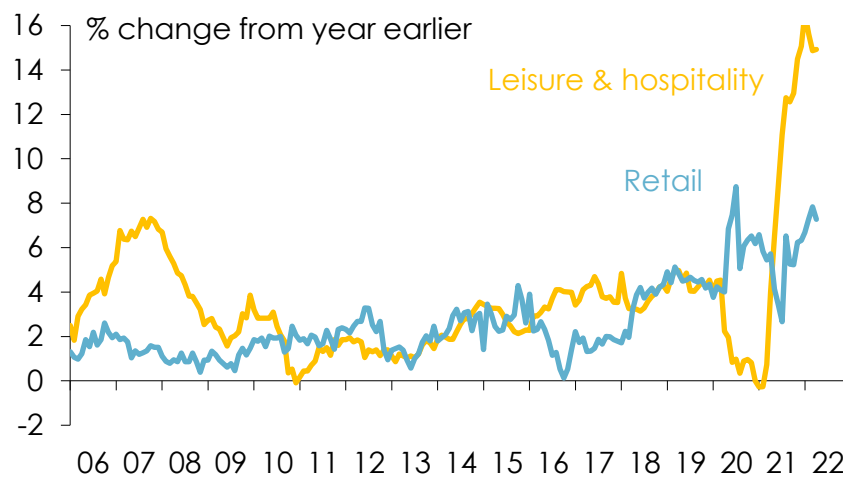


Quit rate

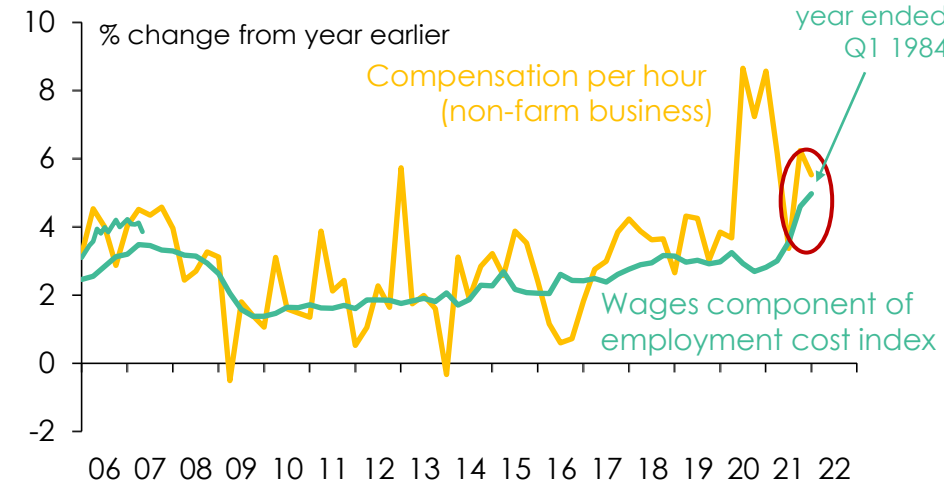


The record high 'quit rate' is the main evidence for the so-called 'Great Resignation' – although the 'record' only goes back to January 2001, and there would seem to be an element of 'catch-up' in 2021 for the unusually low rate in 2020

Average hourly earnings



Wages growth - quarterly

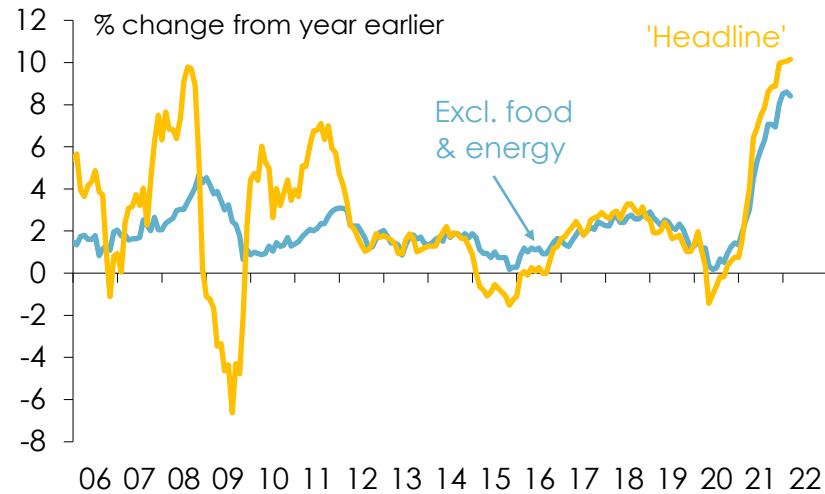


Note: Measures of average hourly earnings (especially the all-industries measures) and of average compensation per hour are affected by changes in the composition of employment (so for example they rose sharply in Q2 2020 when large numbers of low-paid workers were laid off and fell markedly when they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

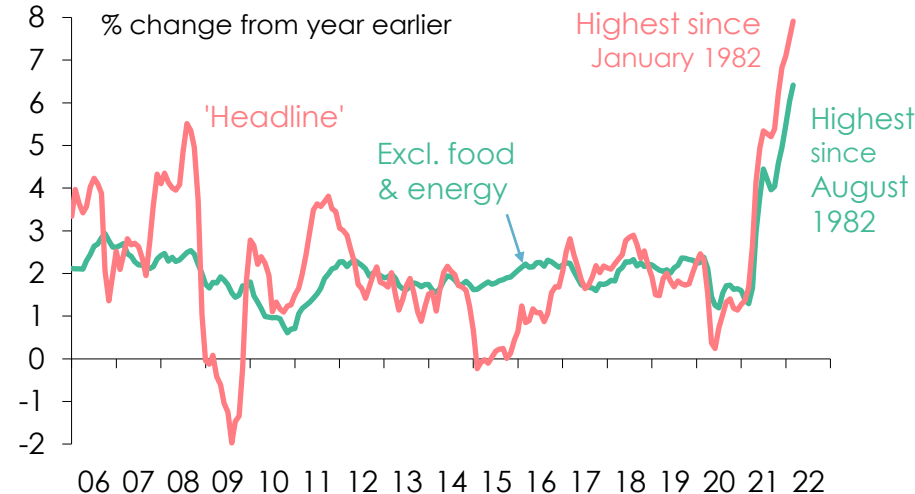
The Fed's preferred measure of 'core' inflation rose 0.4% in February and by 5.4% over the year to February, the fastest since April 1983

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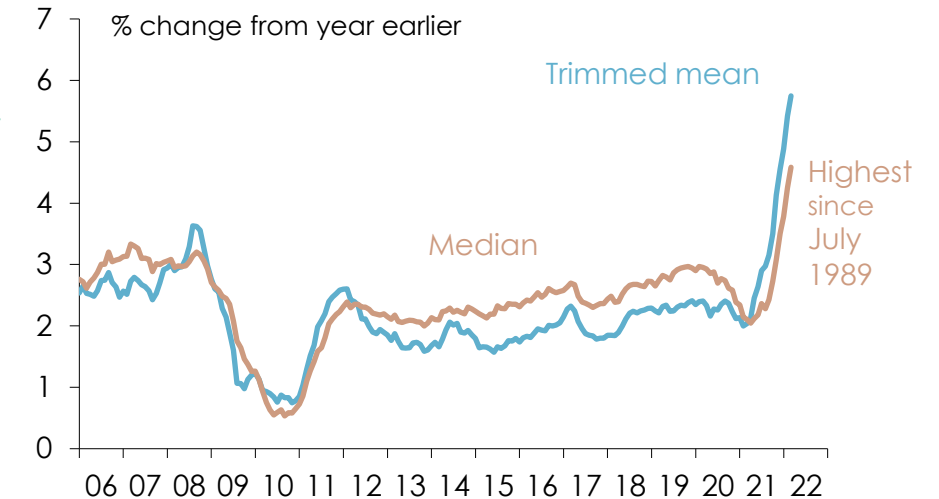
Producer price index



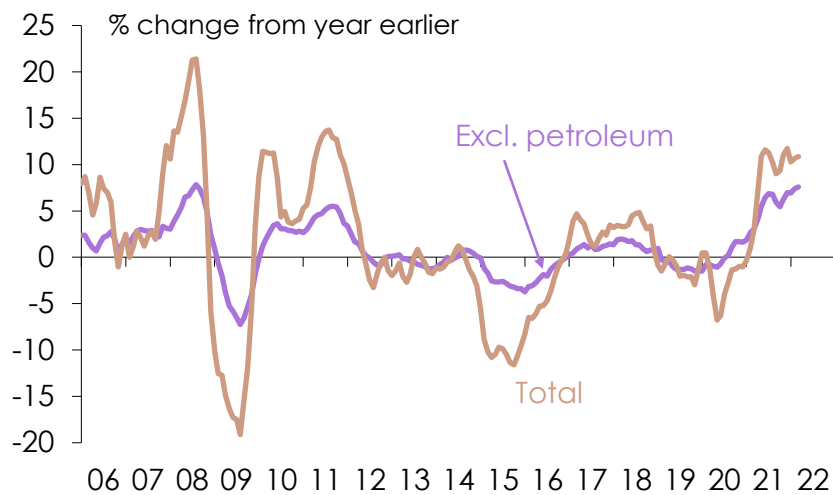
Consumer price index



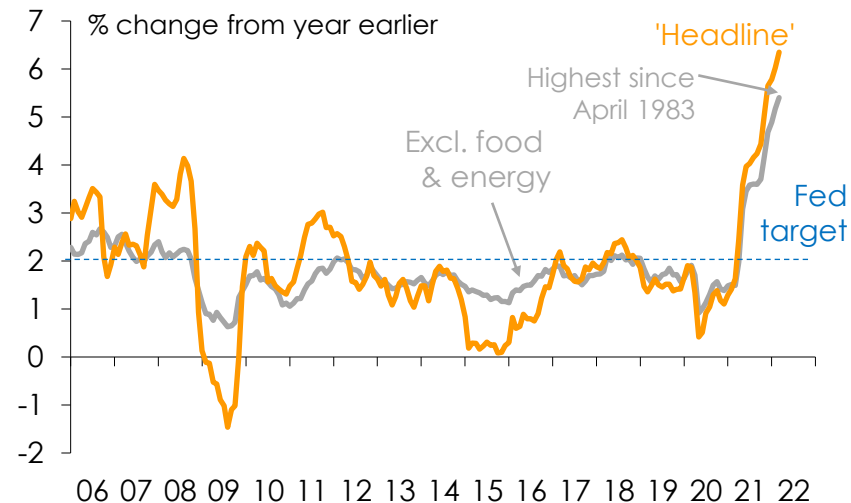
'Underlying' CPI inflation



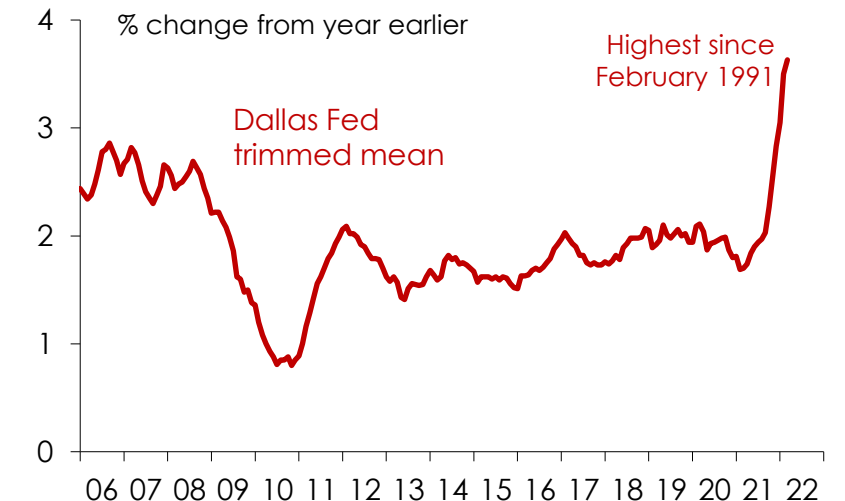
Import price index



Personal consumption deflator



'Underlying' PCE deflator inflation

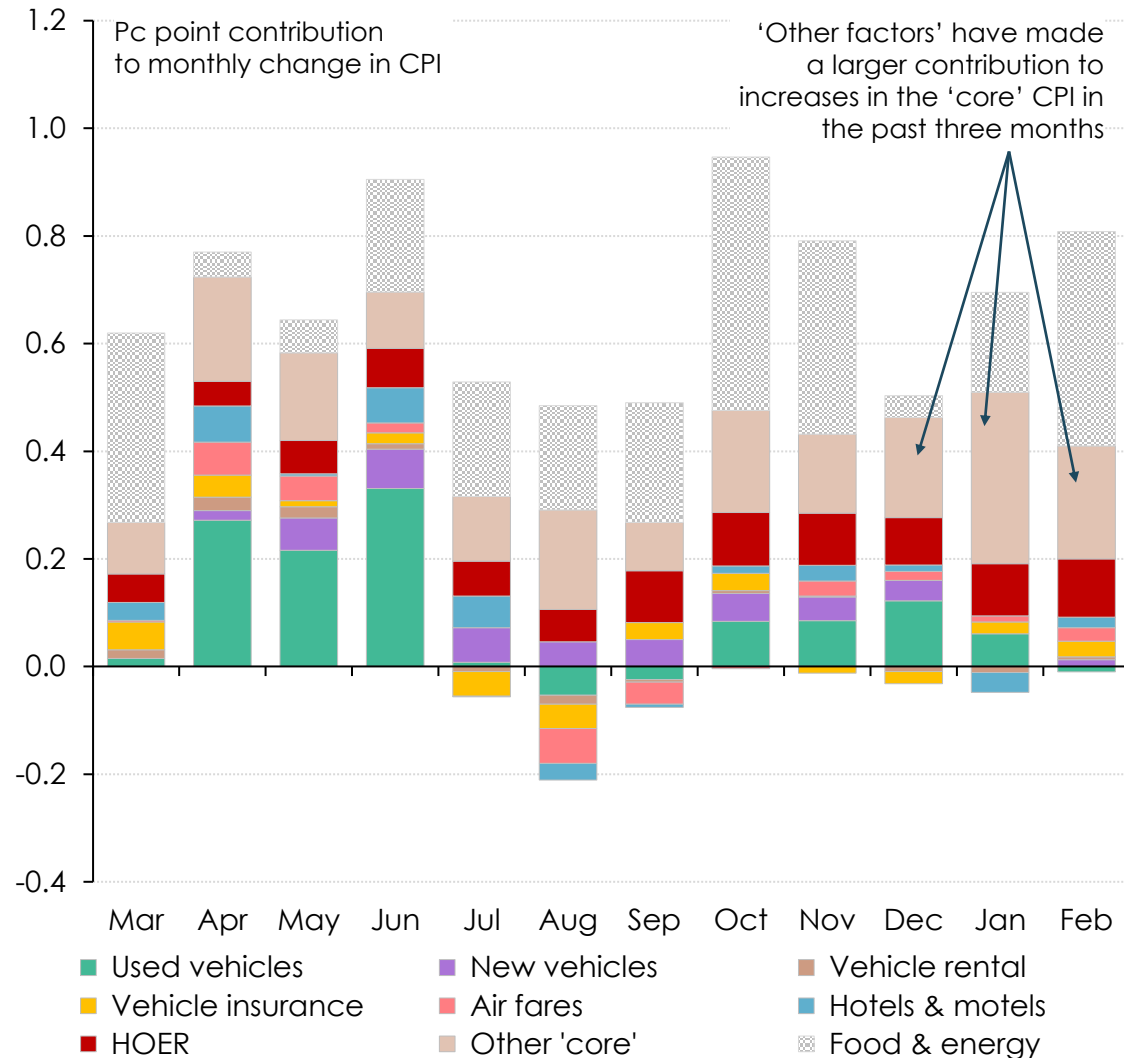


Sources: US Bureau of Labor Statistics, [Producer Price Index](#), [Import and Export Price Indexes](#) and [Consumer Price Index](#); US Bureau of Economic Analysis, [Personal Consumption Expenditures Price Index](#); Federal Reserve Bank of Cleveland, [Median CPI](#); Federal Reserve Bank of Dallas,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

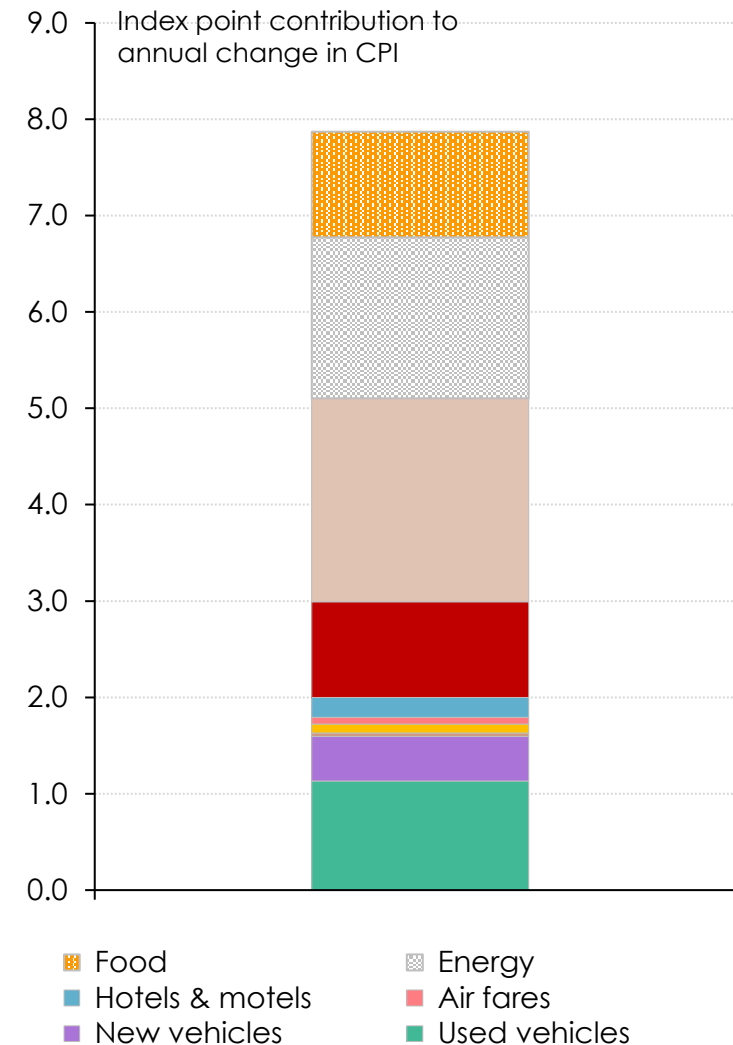
Price increases have become more broadly-based over the past three months, in contrast to the initial 'spike' in inflation in April-June last year

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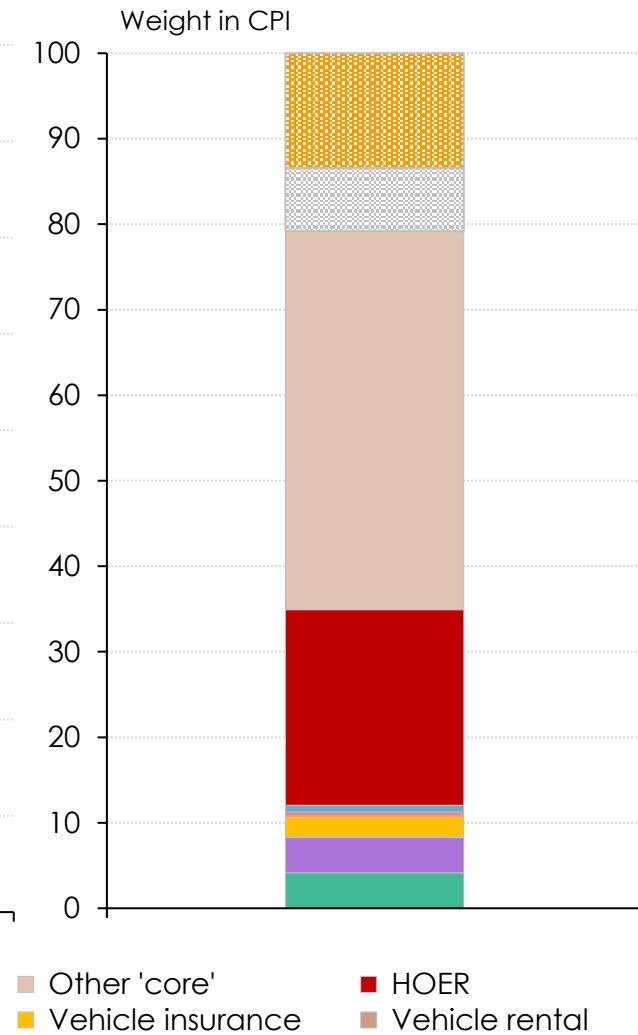
Contributions to monthly changes in the US CPI



Contributions to change in CPI over the year to February



Weights in CPI

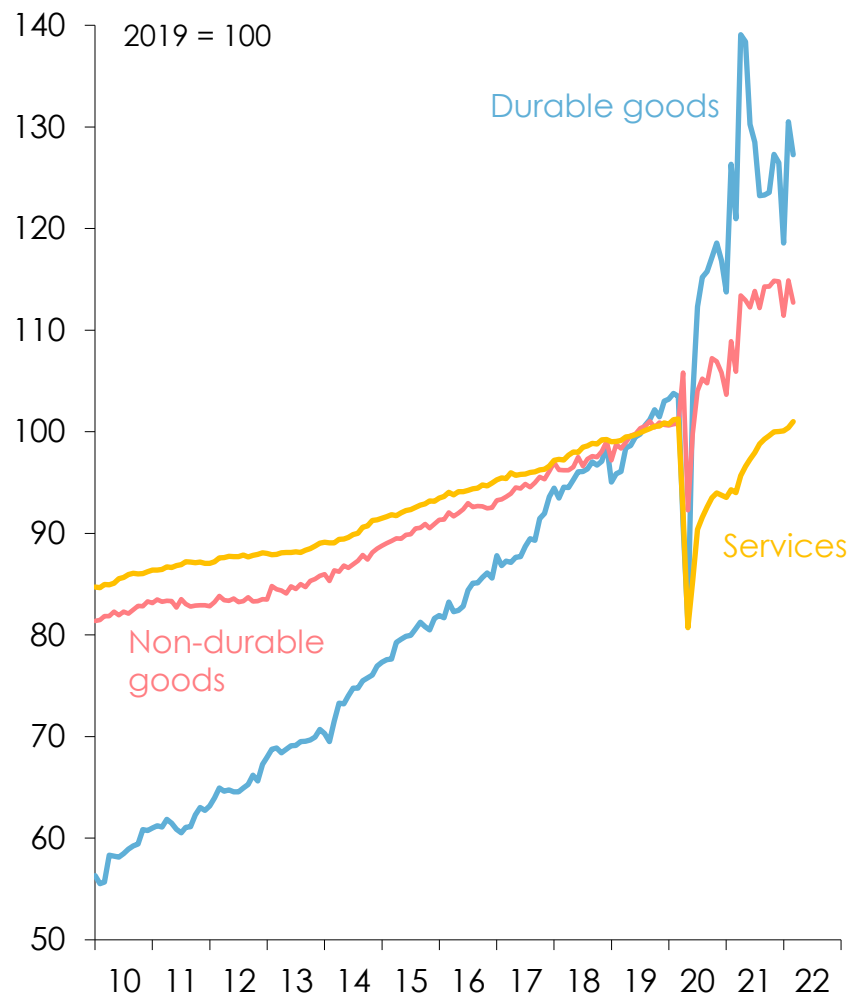


Note: 'HOER' = home-owners' equivalent rent (a measure of the 'imputed rent' notionally paid by owner-occupiers to themselves), and which accounts for (an uncommonly large, by international standards) 28½% of the CPI excluding food and energy. Source: US Bureau of Labor Statistics, CPI Table 6; Corinna.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

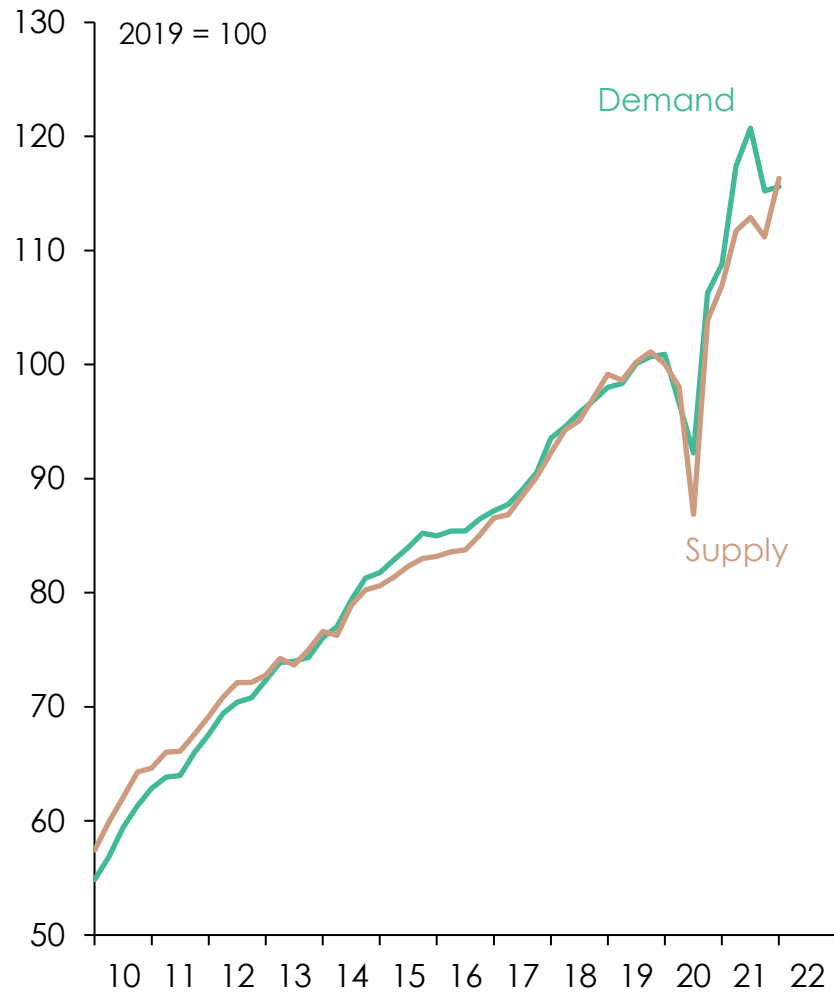
The rise in inflation as measured by the PCE deflator is largely attributable to the imbalance between demand for and supply of durable goods

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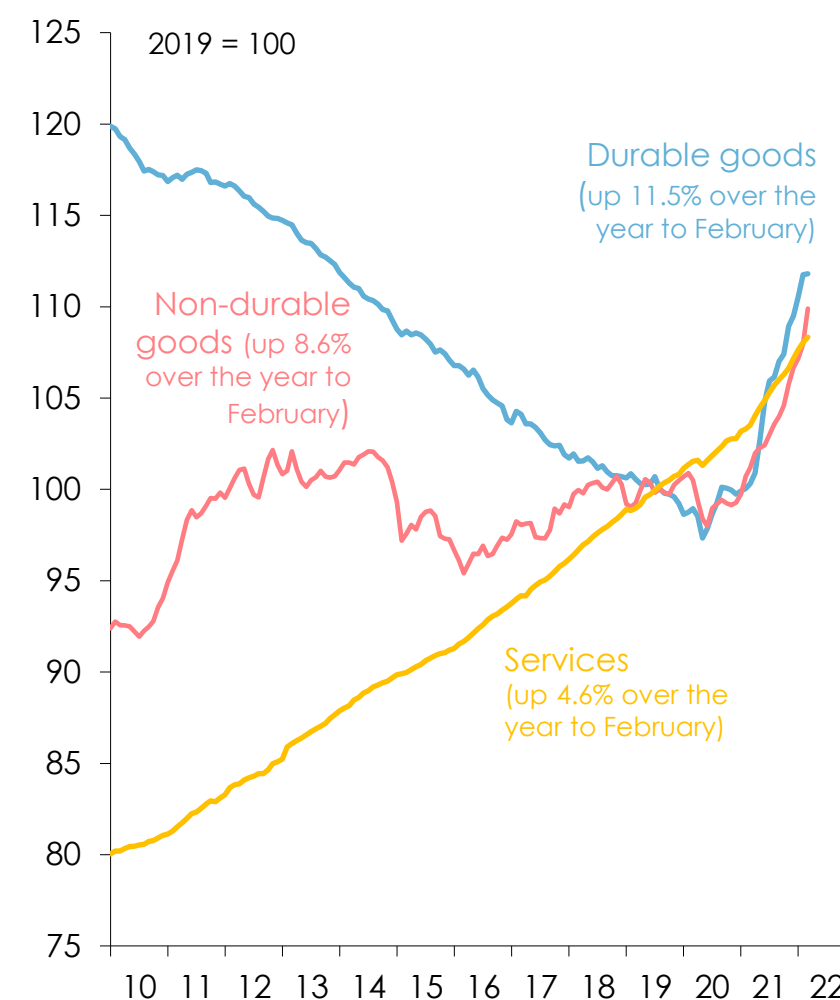
Composition of personal consumption expenditures



Aggregate demand for and supply of durable goods



Implicit price deflators of personal consumption

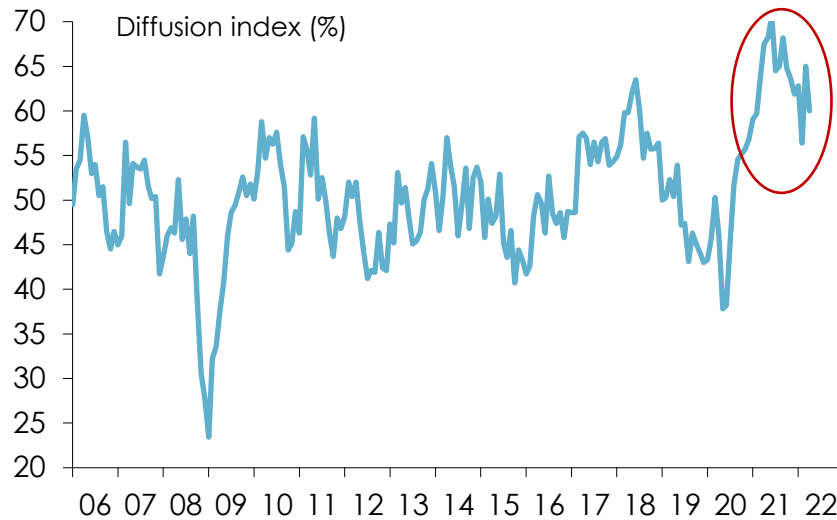


Note: 'Aggregate demand' for durable goods comprises personal consumption of durable goods plus business investment in equipment. 'Aggregate supply' of durable goods comprises gross domestic product (final sales plus change in inventories) plus net imports of durable goods. Sources: US Bureau of Economic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

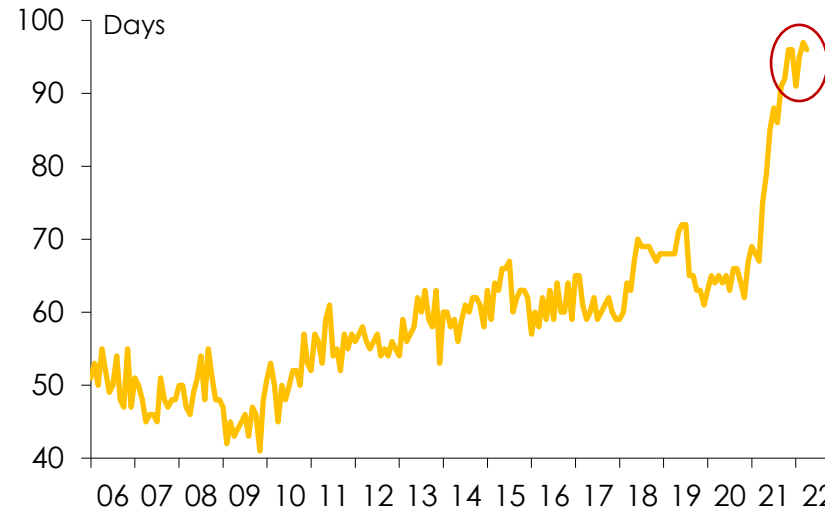
Supply-chain difficulties have intensified again this year, after seeming to have peaked during the second half of last year

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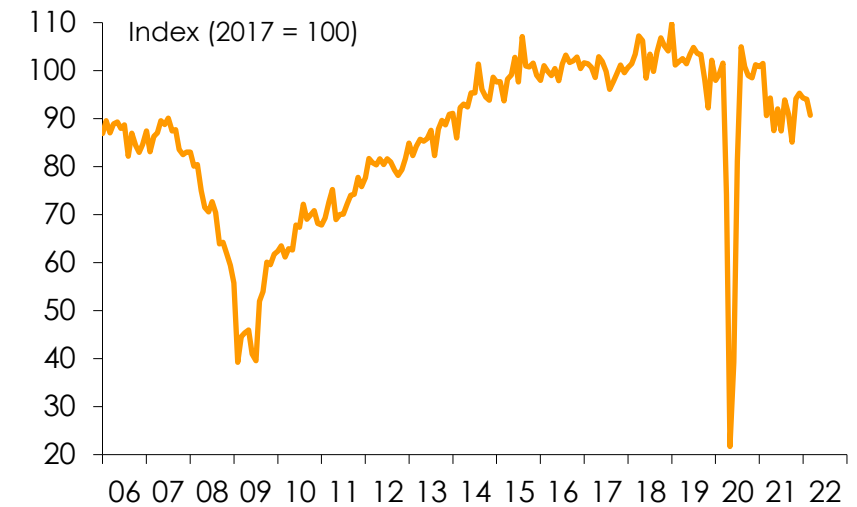
Manufacturers' order backlogs



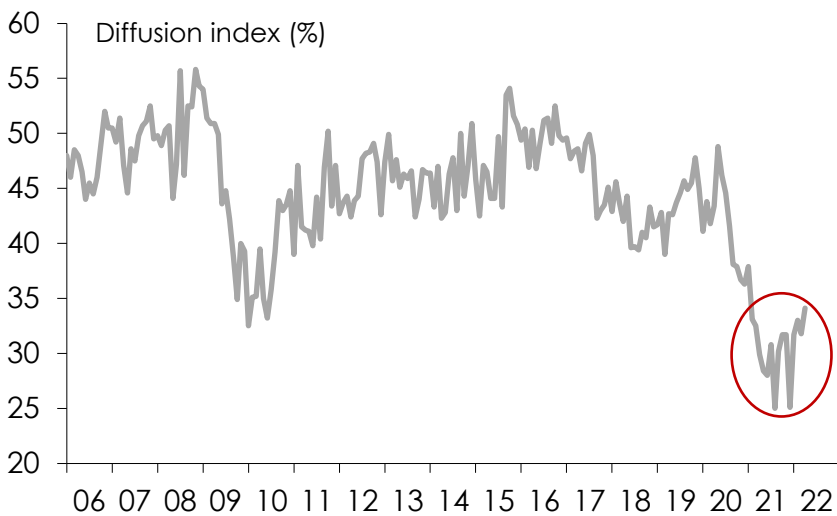
Lead-time for production materials



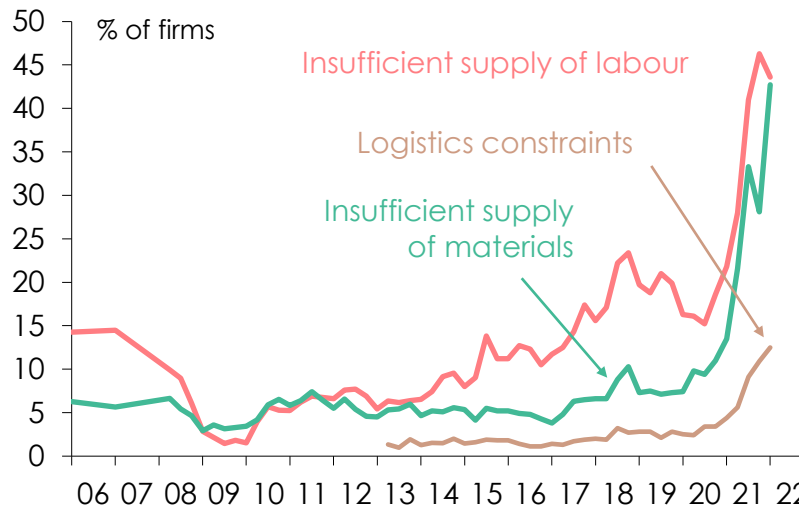
Motor vehicles & parts production



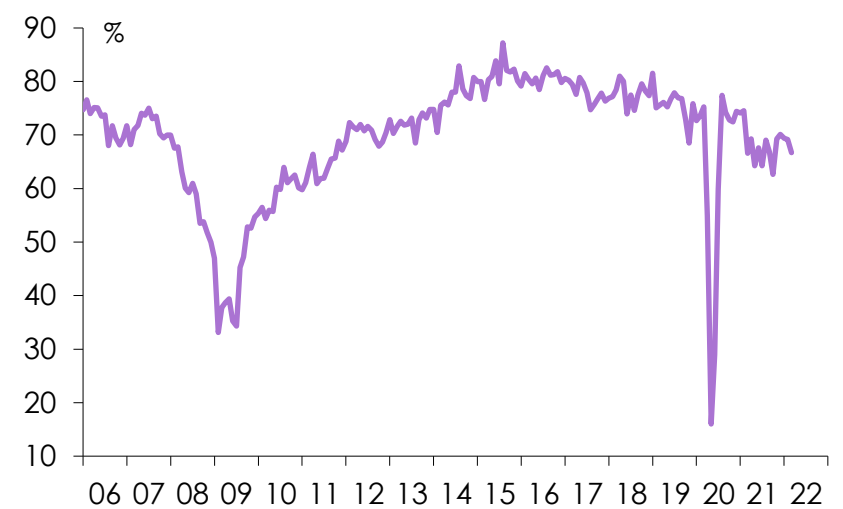
Manufacturers' customer inventories



Reasons for < full capacity



Auto industry capacity utilization

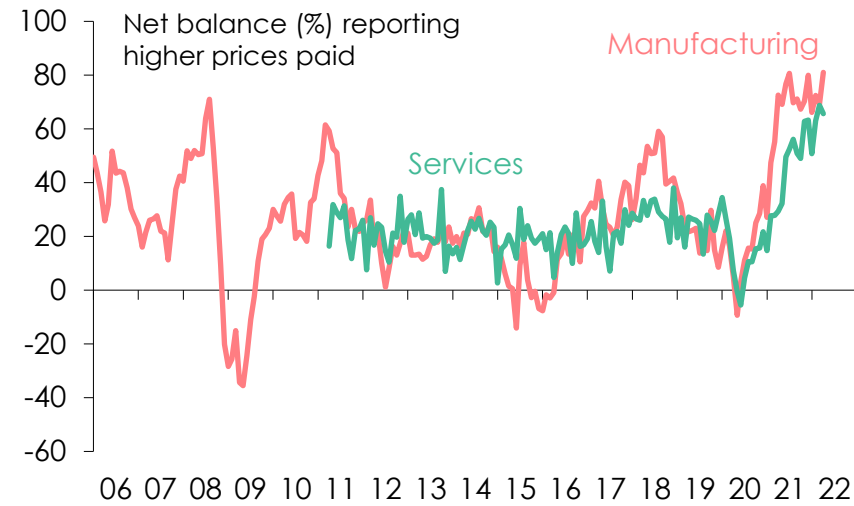


Note: The diffusion index of order backlogs is 50 plus the percentage of respondents reporting longer backlogs minus the percentage reporting shorter backlogs (and similarly for customer inventories). 'Reasons for < full capacity' means reasons for operating at less than full capacity. Sources: Institute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

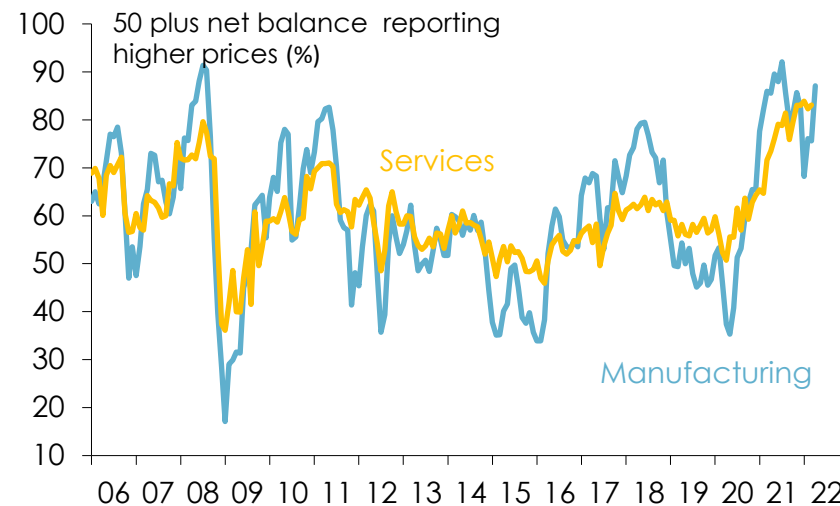
Longer-term household inflation expectations have remained remarkably stable over the past few months despite the sharp rise in actual inflation

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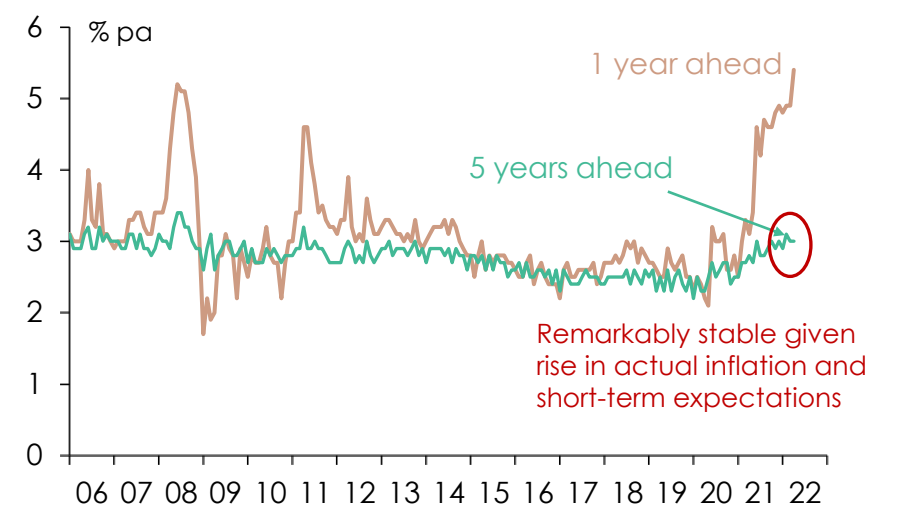
'Philly Fed' survey – prices paid



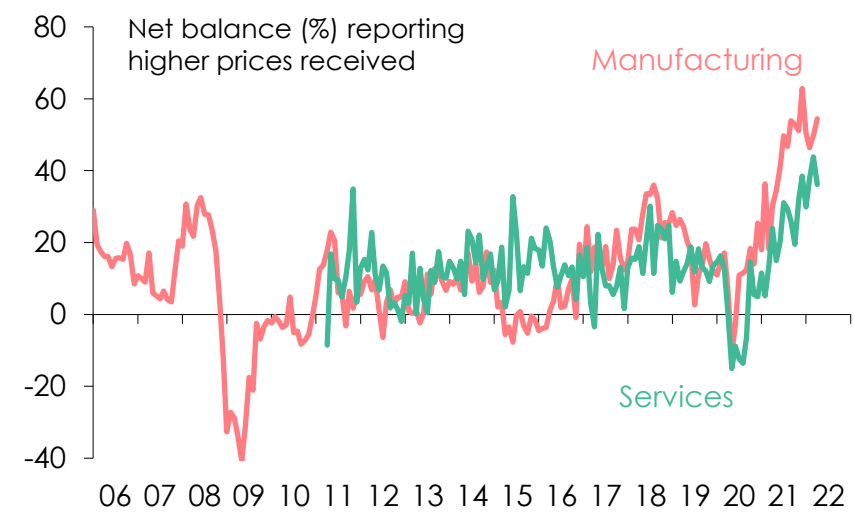
ISM survey – prices paid



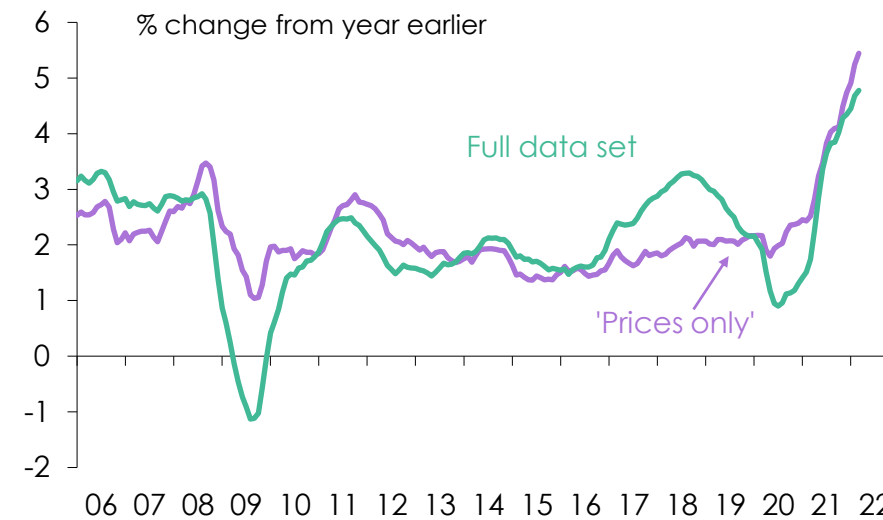
Household inflation expectations



'Philly Fed' survey – prices received



NY Fed 'underlying inflation gauge'



Market-priced inflation probabilities

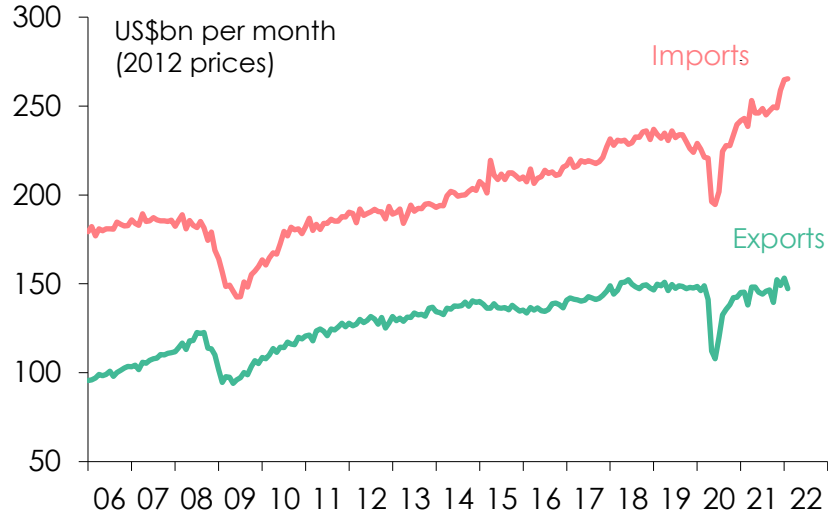


Sources: Federal Reserve Bank of Philadelphia, [Regional Economic Analysis](#), Manufacturing and Non-Manufacturing Business Outlook Surveys ; Institute for Supply Management, [ISM Report on Business](#); Federal Reserve Bank of New York, [Underlying Inflation Gauge](#); Federal Reserve Bank of Minneapolis,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

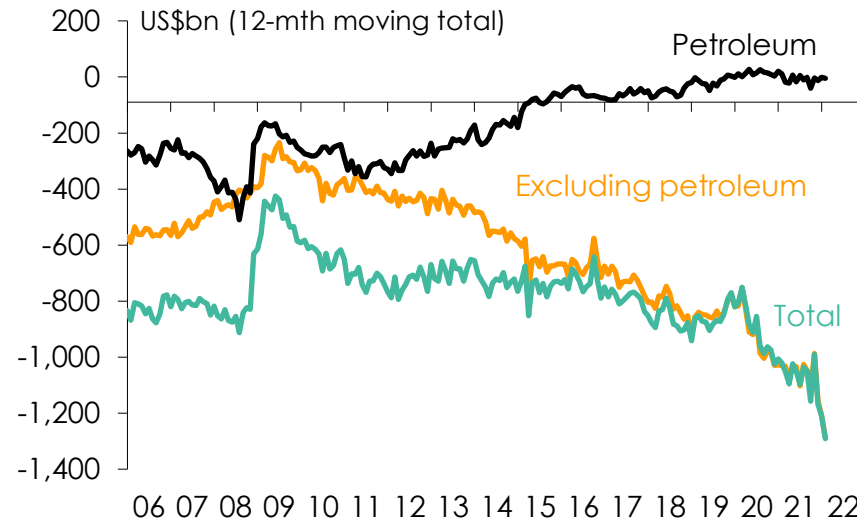
The US merchandise trade deficit narrowed by US\$1bn, to \$106.6bn, in February – the second highest ever recorded

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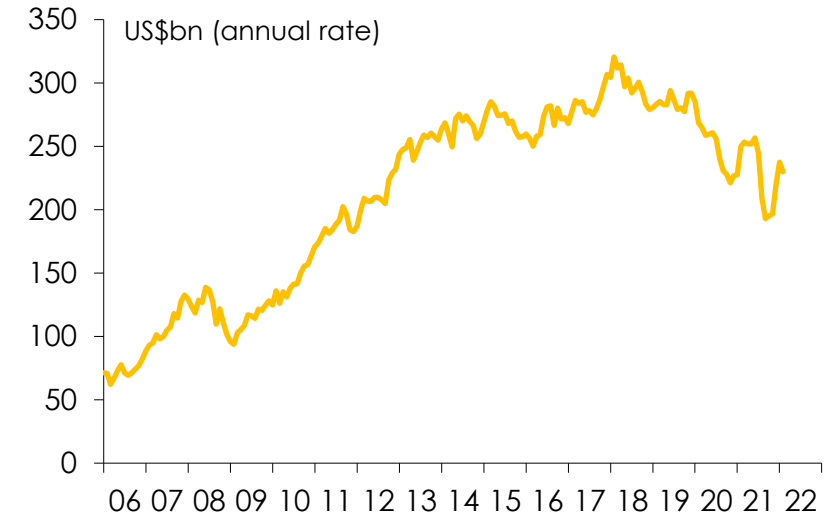
US merchandise trade volumes



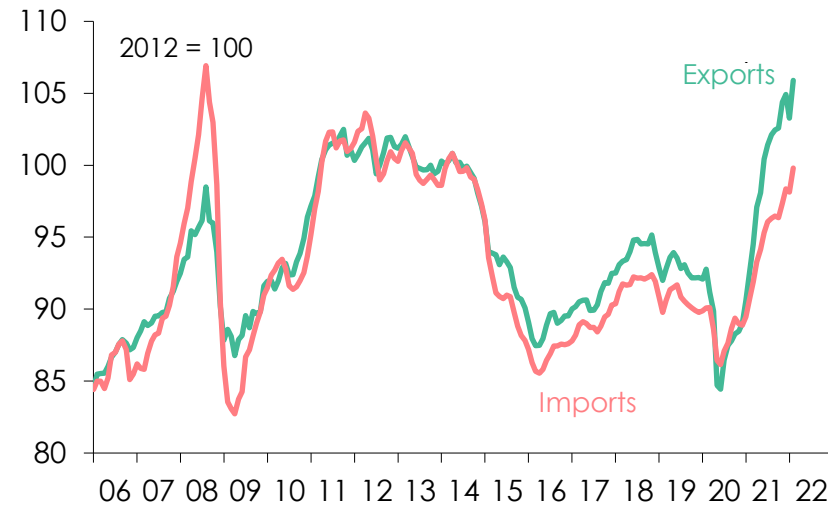
US goods trade balance



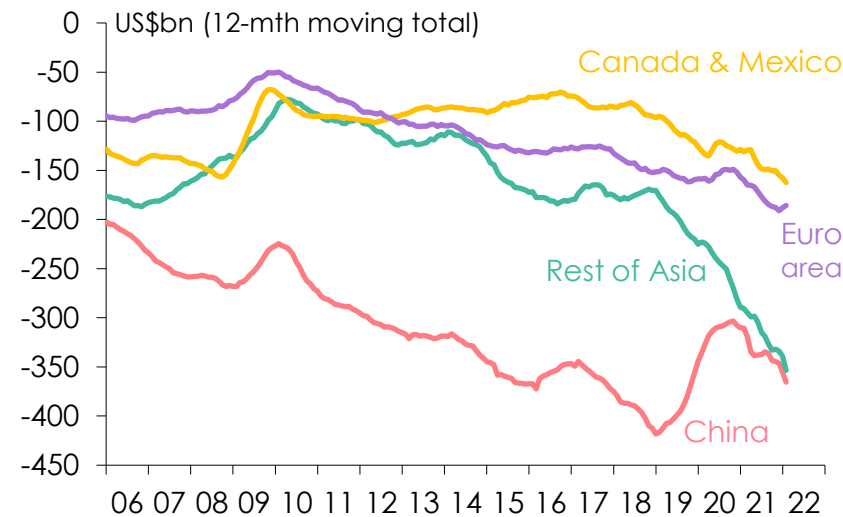
US services trade balance



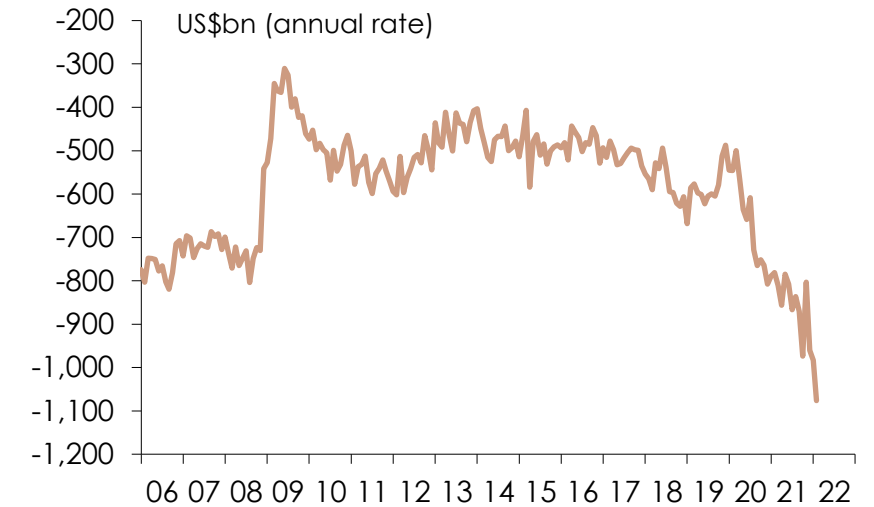
US merchandise trade prices



US bilateral goods trade balances



US goods & services trade balance

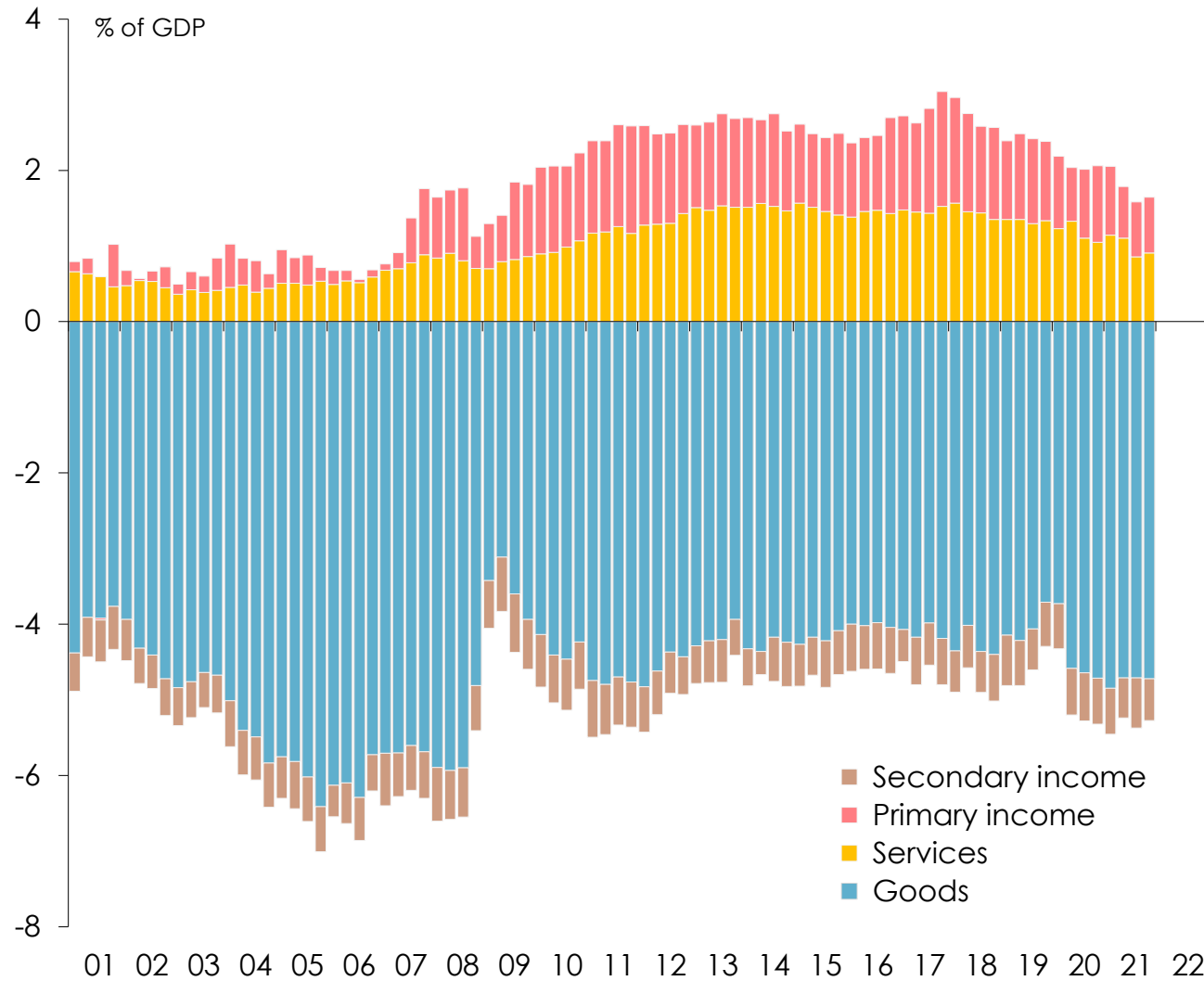


Source: US Census Bureau, [Foreign Trade](#); and US Bureau of Economic Analysis, [Advance Economic Indicators](#), and [U.S. International Trade in Goods and Services](#).
[Return to "What's New"](#).

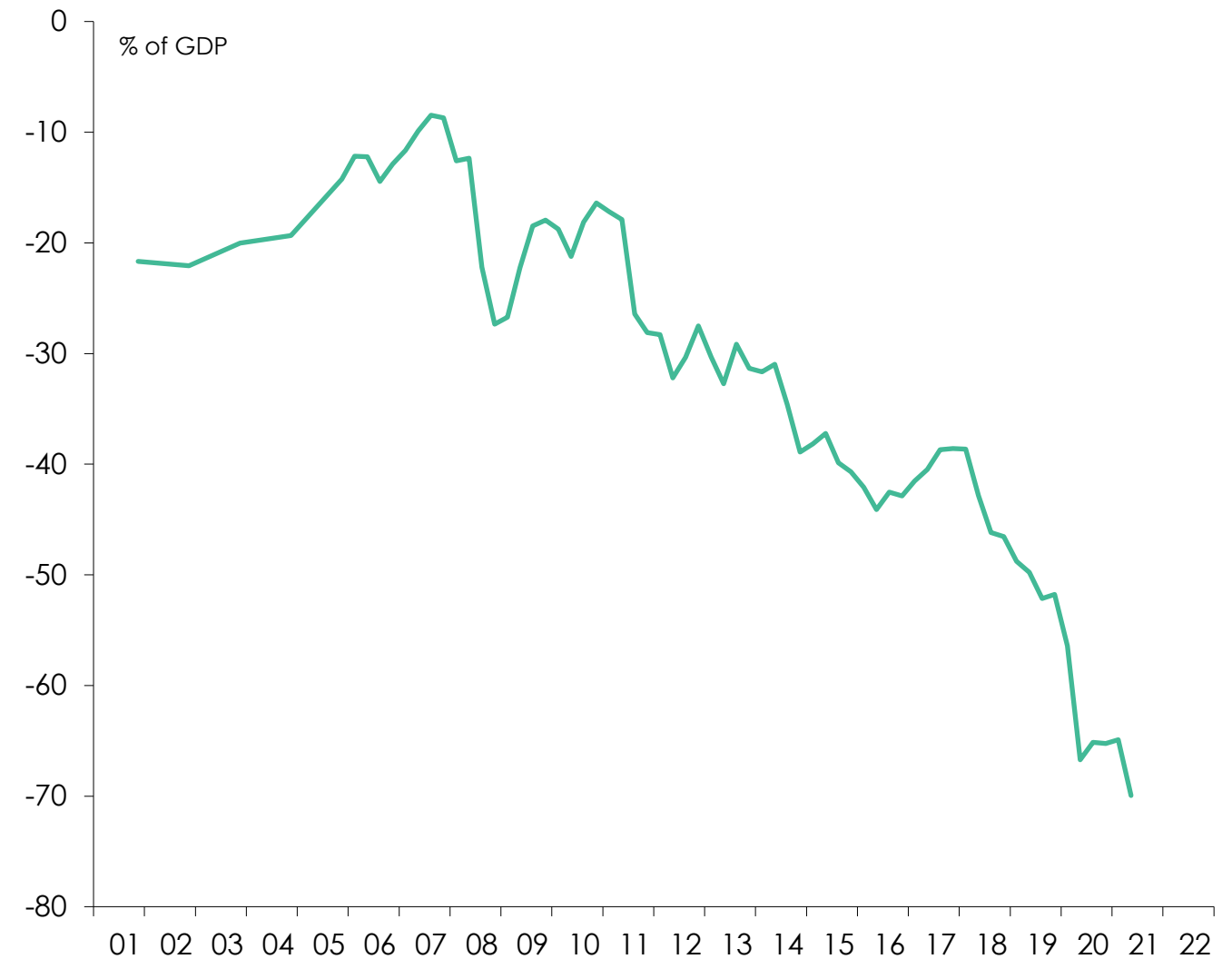
The US current account deficit narrowed slightly in Q4 2021, thanks to larger surpluses on trade in services and on investment income

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US current account balance



US net international investment position

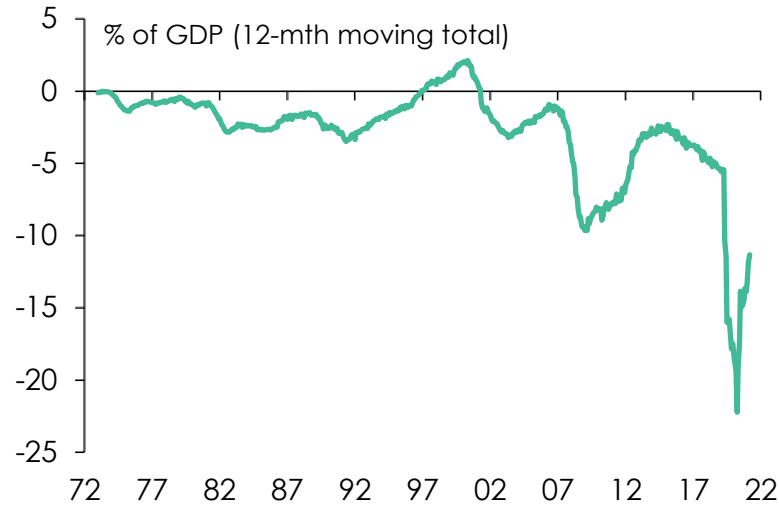


Note: 'Primary income' transactions are those involving investment income or compensation of employees. The US typically runs a surplus on investment income despite having a negative net international investment position since 1989, because US investors are able to derive much higher returns from their overseas assets than foreign investors derive from their investments in the US. 'Secondary income' transactions are current transfers between US residents and non-residents (including foreign aid, pensions, gifts, and insurance payments). Source: US [Bureau of Economic Analysis](#). [Return to "What's New"](#).

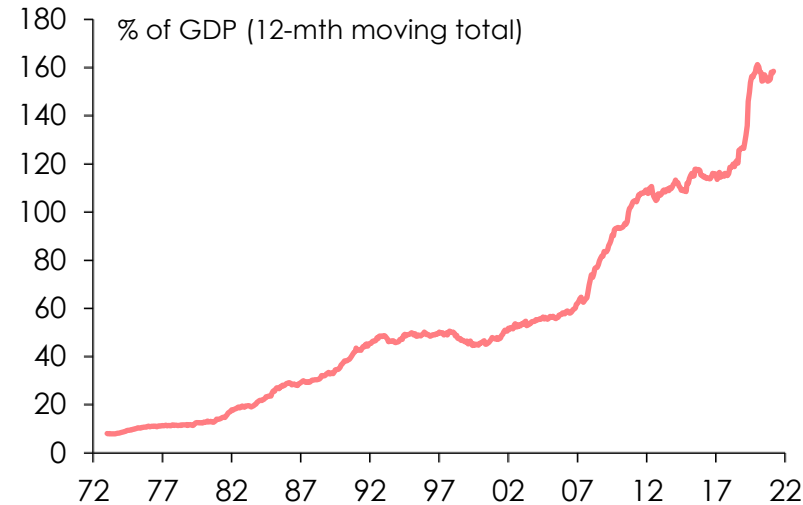
The US Federal Government posted a budget surplus in January for the first time since September 2019

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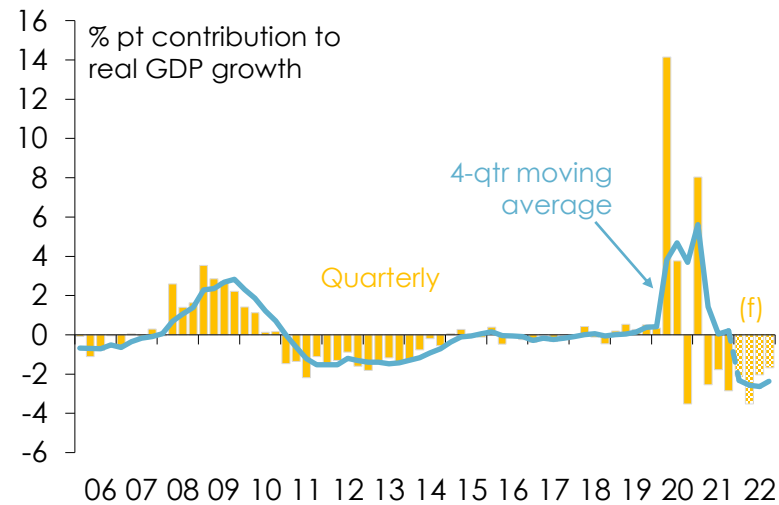
US Federal budget deficit



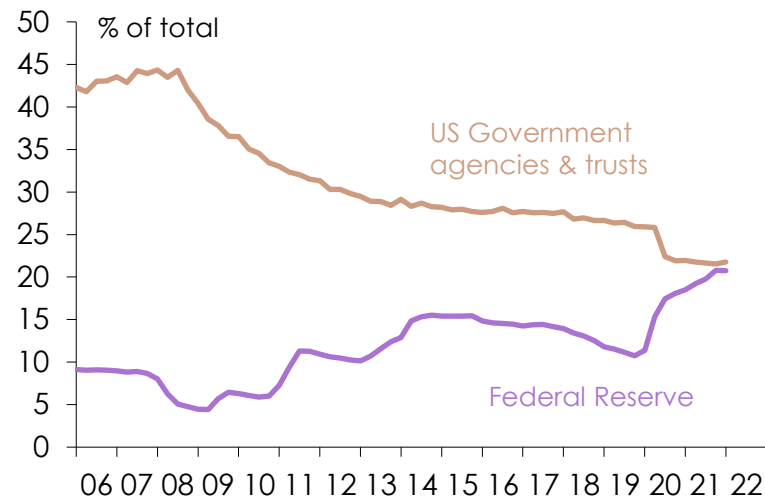
US gross Federal debt



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"](#).

Fed Chair Jerome Powell forcefully re-iterated the Fed's determination to bring inflation down without precipitating a recession

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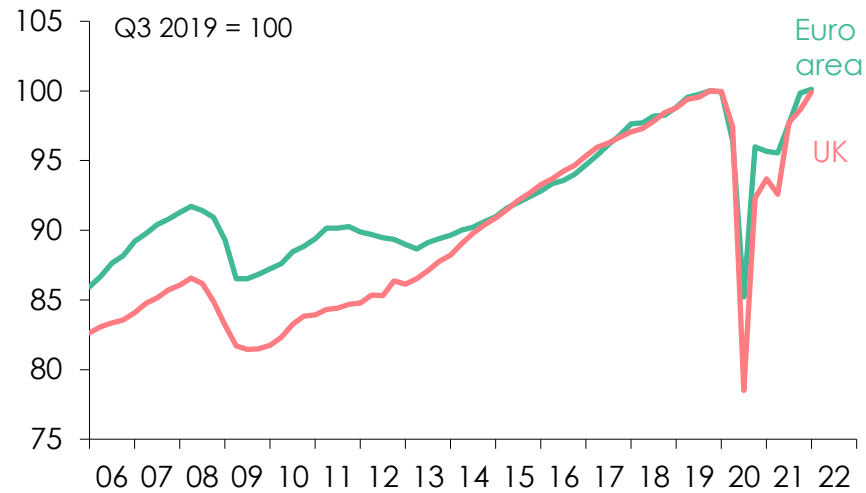
- ❑ **The Federal Reserve raised its fed funds rate target by 25 basis points, to 0.25-0.50%, at its Federal Open Market Committee meeting on 16th March**
 - in a very brief [post-meeting statement](#), the FOMC indicated that “ongoing increases in the target range will be appropriate”, and that the Fed “expects to begin” reducing its holdings of bonds and other securities “at a coming meeting”
 - the [summary of FOMC members' forecasts](#) issued after the meeting showed 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%
- ❑ **Fed Chair Jerome Powell set out the Fed's determination to bring inflation under control in a [speech to the National Association of Business Economists](#) in Washington on 21st March**
 - he characterized the labour market as “extremely tight”, with “total demand for labour, measured by total employment plus posted job openings ... far exceed[ing] the size of the workforce” resulting in a “clear imbalance of supply and demand”, and inflation being “much too high”, in part because “forecasters widely underestimated the severity and persistence of supply-side frictions”
 - he indicated that “there is an obvious need to move expeditiously to return the stance of monetary policy to a more neutral level, and then to move to more restrictive levels if that is what is required to restore price stability”
 - saying that if the FOMC “conclude that it is appropriate to move more aggressively by raising the federal funds rate by more than 25 basis points at a meeting or meetings, well do so”, and that “if we determine that we need to tighten beyond common measures of neutral and into a more restrictive stance, we will do that as well”
- ❑ **Powell indicated confidence that the Fed's proposed actions would “help bring inflation down near 2% over the next three years” without “precipitating a recession”**
 - whilst acknowledging that bringing about a ‘soft landing’ would not be “straightforward”, he pointed to “three episodes – in 1965, 1984 and 1994 – [when] the Fed raised the federal funds rate significantly in response to perceived overheating without precipitating a recession”

Europe

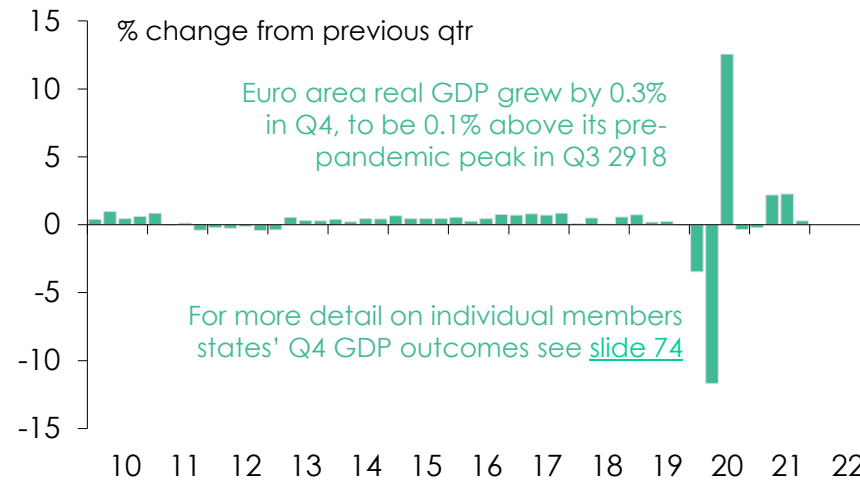
Euro area real GDP was 0.1% above its pre-pandemic peak in Q4 2021, whereas UK real GDP was still 0.1% below its pre-pandemic peak

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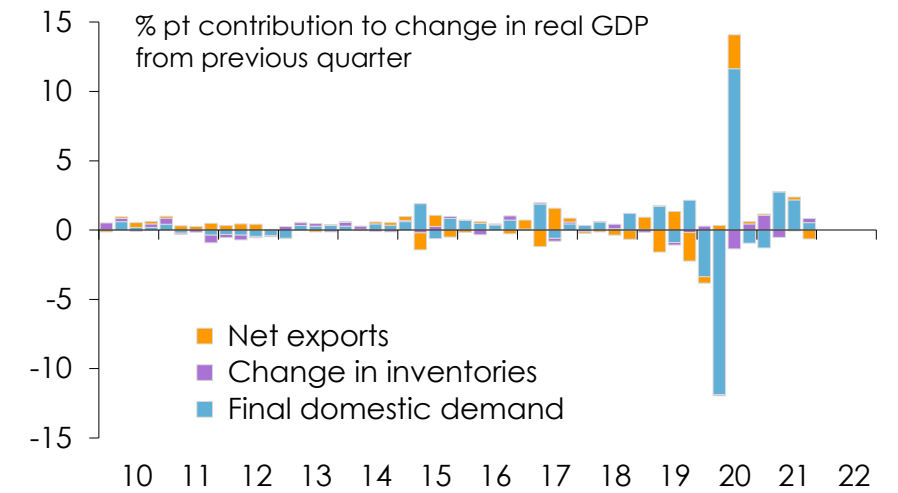
Euro area and UK real GDP



Euro area quarterly GDP growth



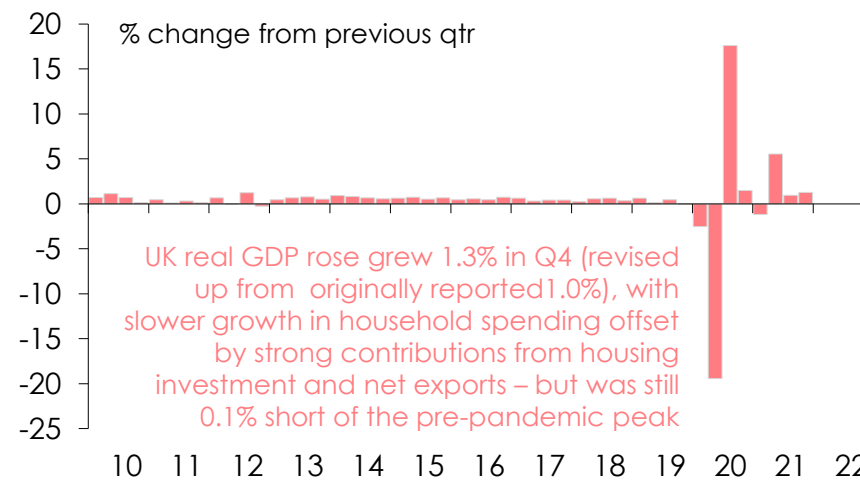
Contributions to quarterly EA GDP



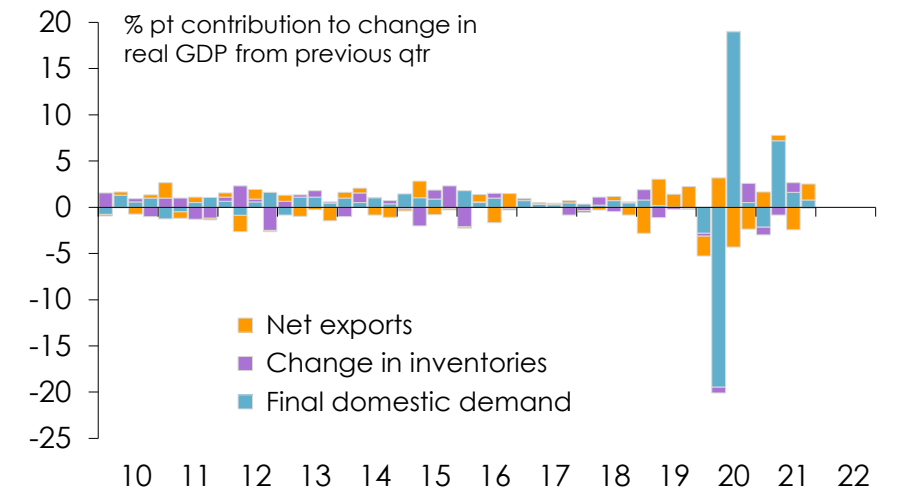
Euro area and UK terms of trade



UK quarterly GDP growth



Contributions to quarterly UK GDP

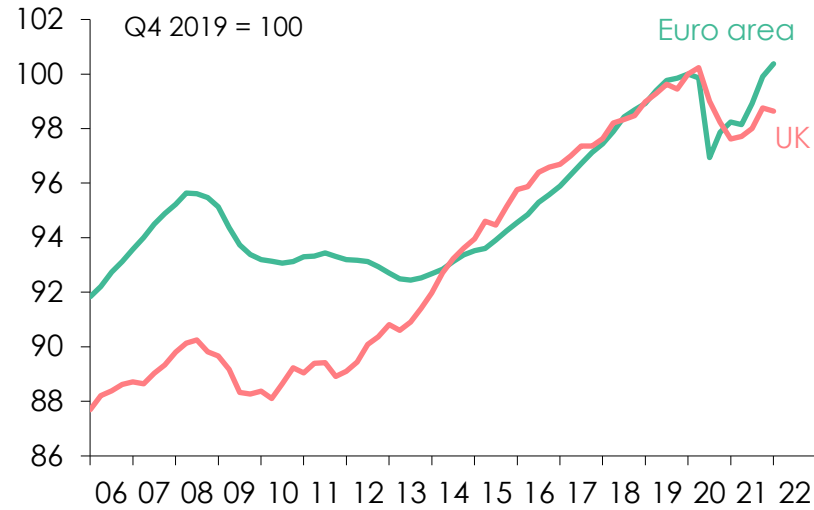


Note: the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded with the rest of the world. Sources: Eurostat,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

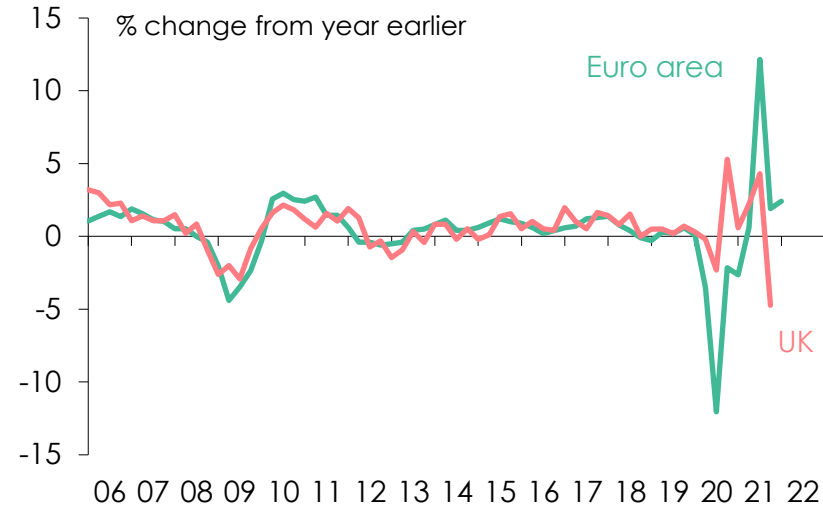
Unemployment is much lower in the UK than in the euro area, but in other respects euro area households are in a stronger position

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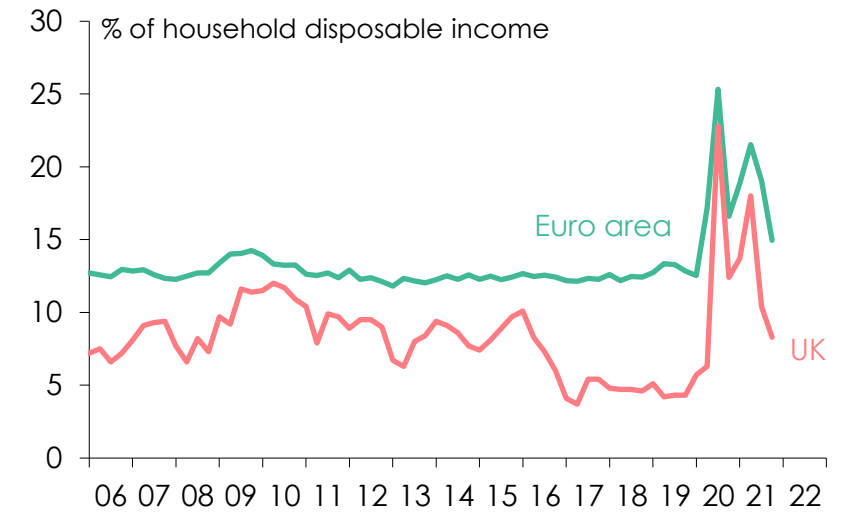
Employment



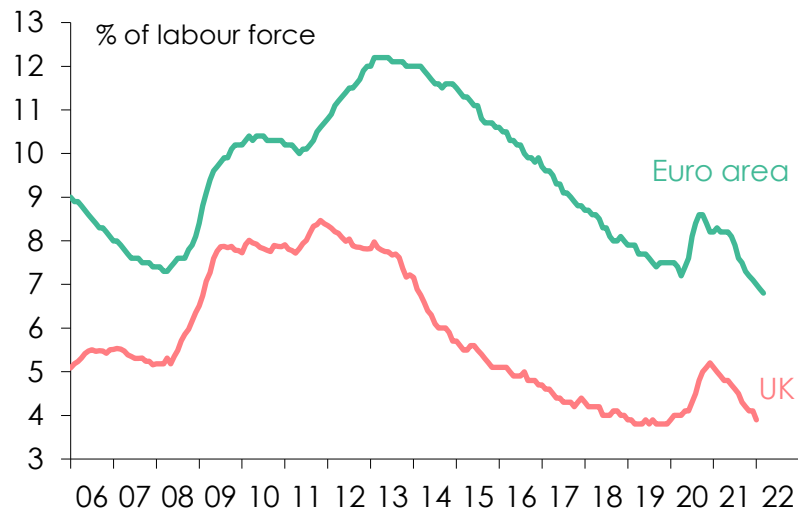
Labour productivity



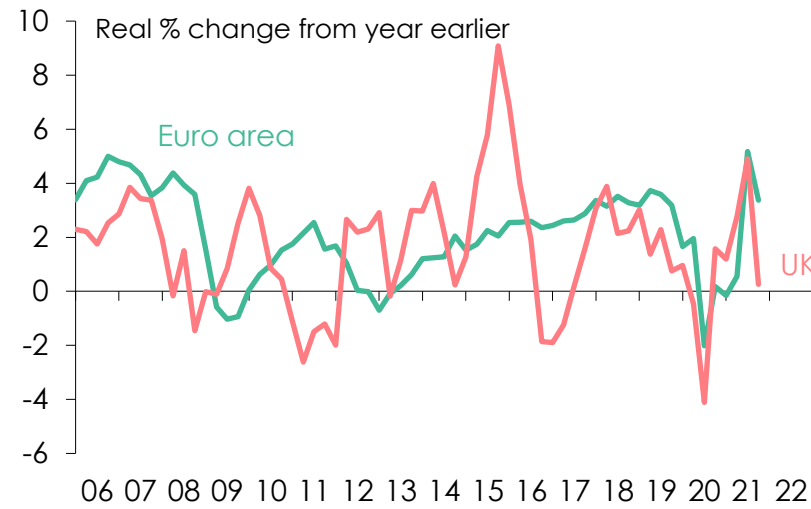
Household saving rates



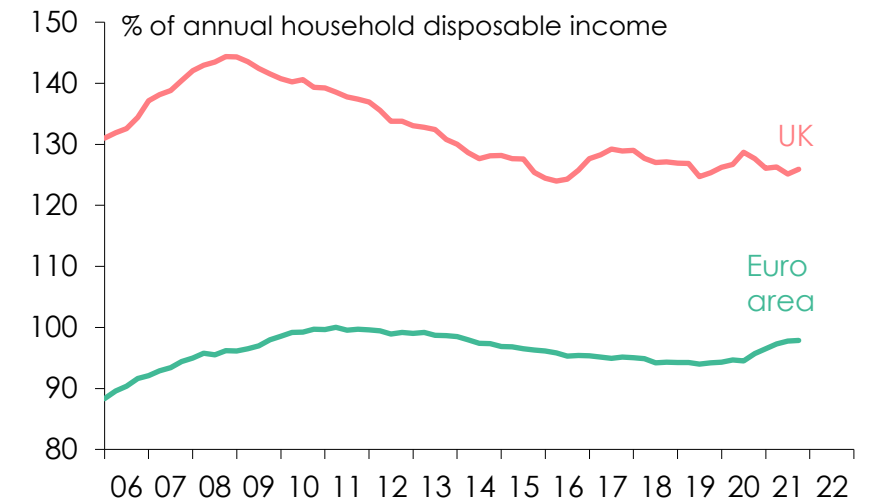
Unemployment rates



Household disposable income



Household debt

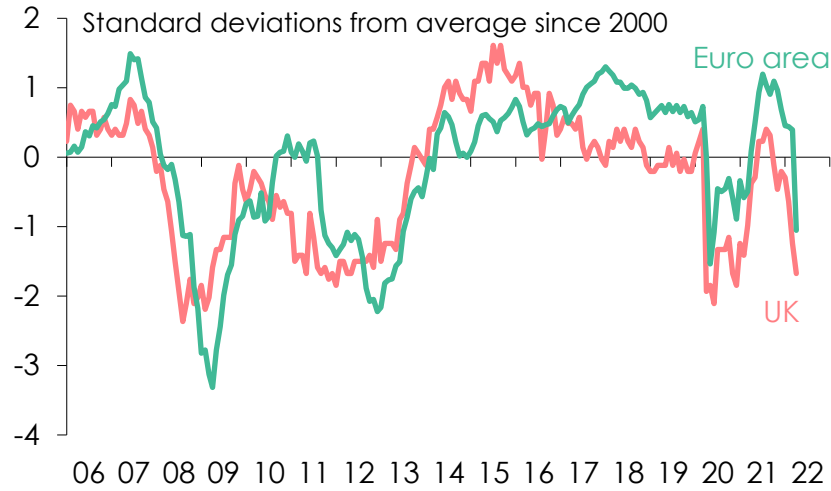


Sources: Eurostat, [Employment and unemployment \(Labour force survey\)](#), [Household saving rate](#) and [Labour productivity and unit labour costs](#); UK Office for National Statistics, [Employment in the UK](#), [Unemployment rate](#) (note, UK unemployment data are shown as a three-month moving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

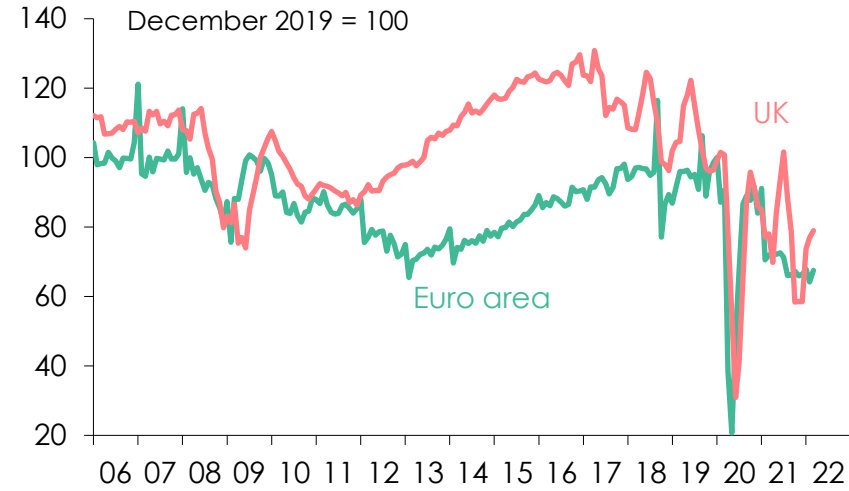
Consumer confidence fell sharply in both the euro area and the UK in March, to the lowest levels since the beginning of the Covid-19 pandemic

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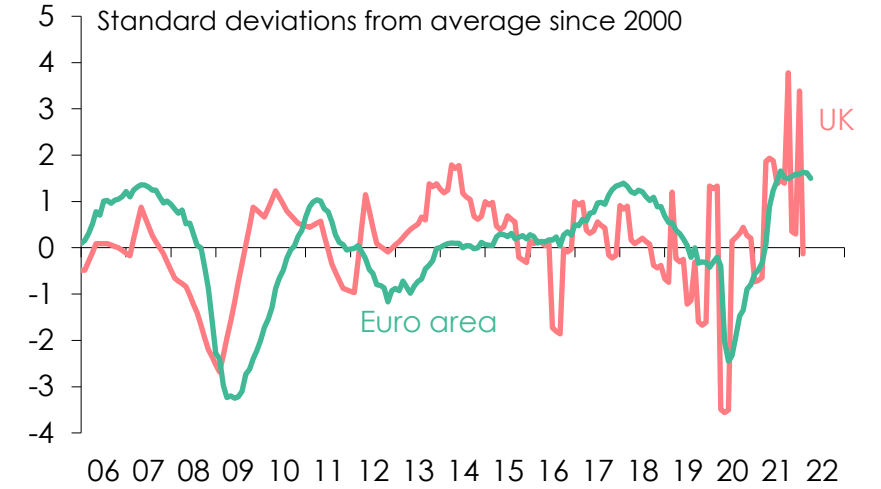
Consumer confidence



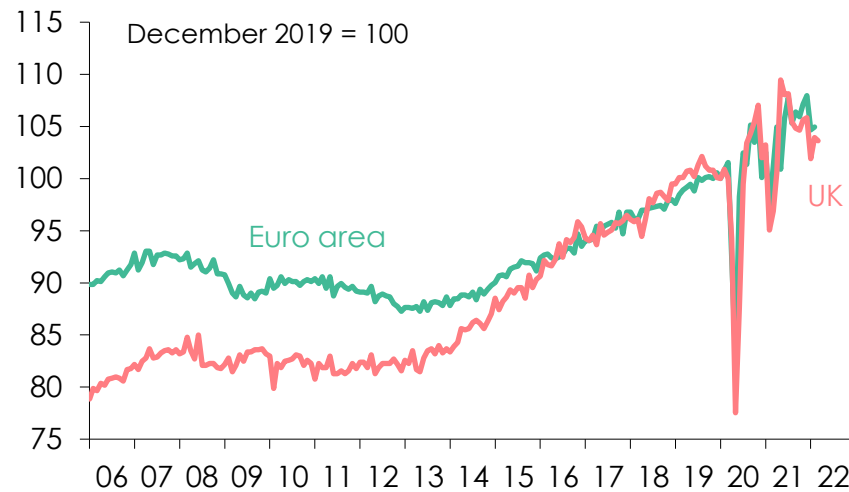
New car registrations



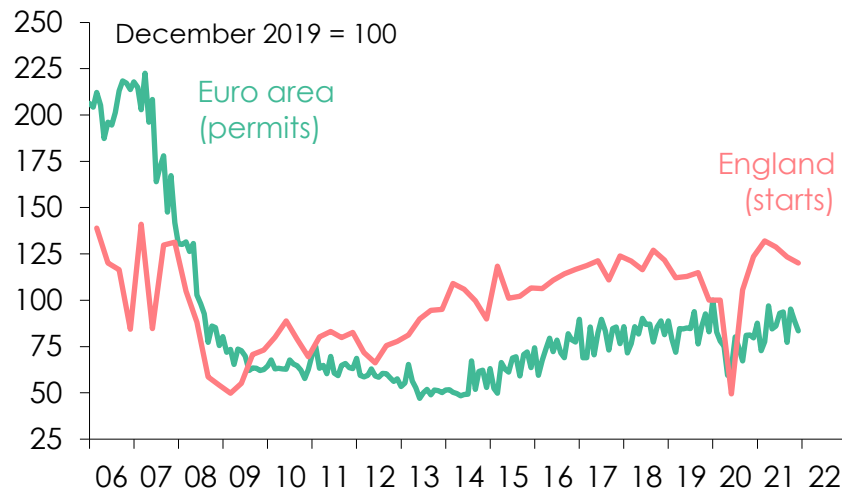
Business confidence



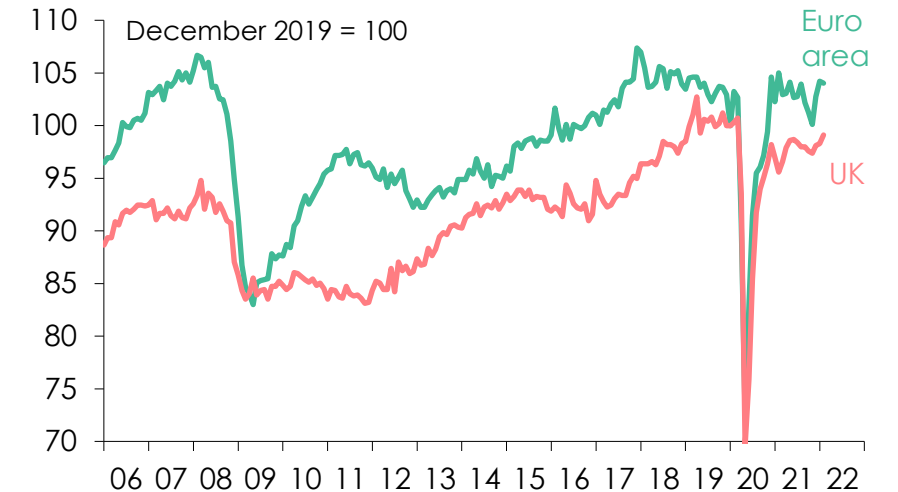
Retail sales volume



Housing activity



Manufacturing production

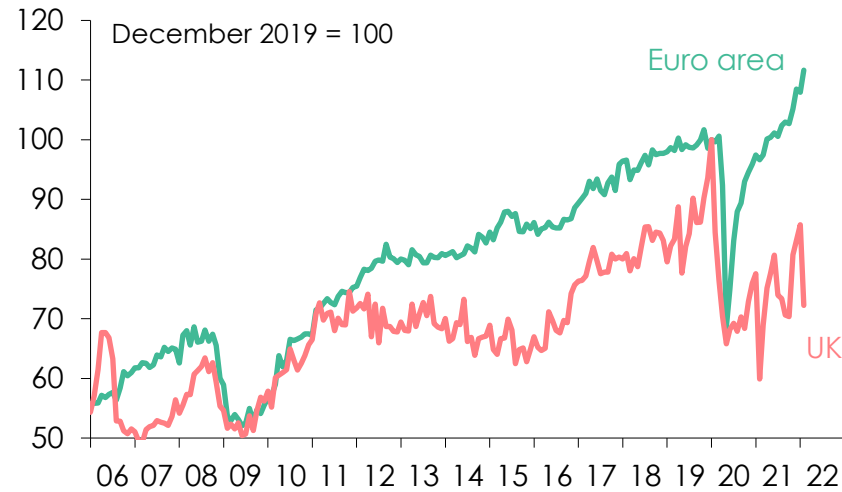


Sources: European Commission, [Business and consumer surveys](#); GfK, [Consumer confidence barometer](#); Confederation of British Industry, [Industrial Trends Survey](#); Eurostat, [Turnover and volume of sales in wholesale and retail trade](#), [New registrations of passenger cars](#), [Building permits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

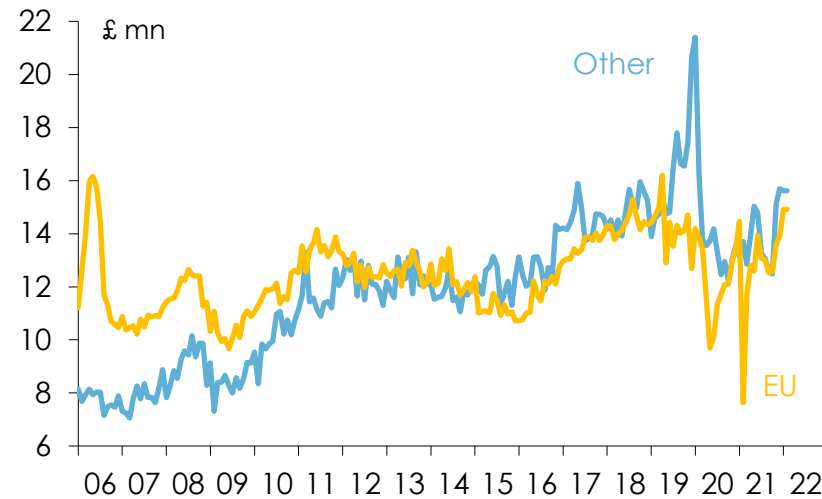
'Brexit' has not been a boon for the UK's trade performance, with the UK recording a record monthly trade deficit of £26½bn in January

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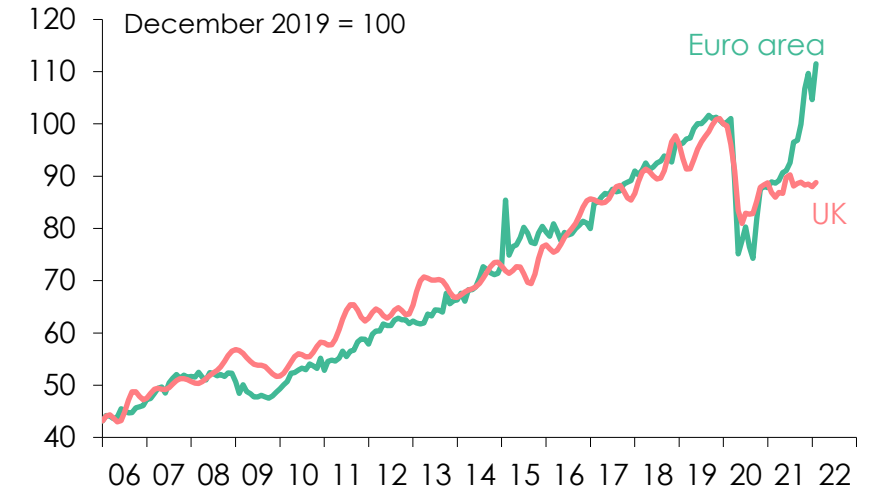
Merchandise exports



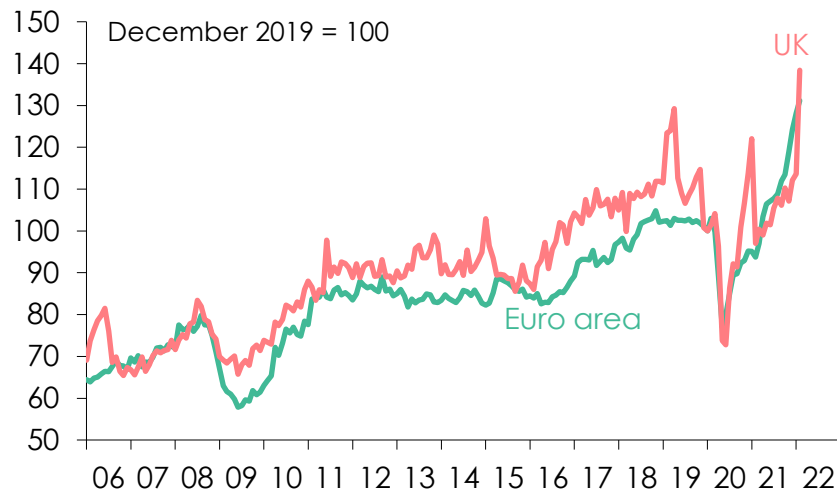
UK exports by destination



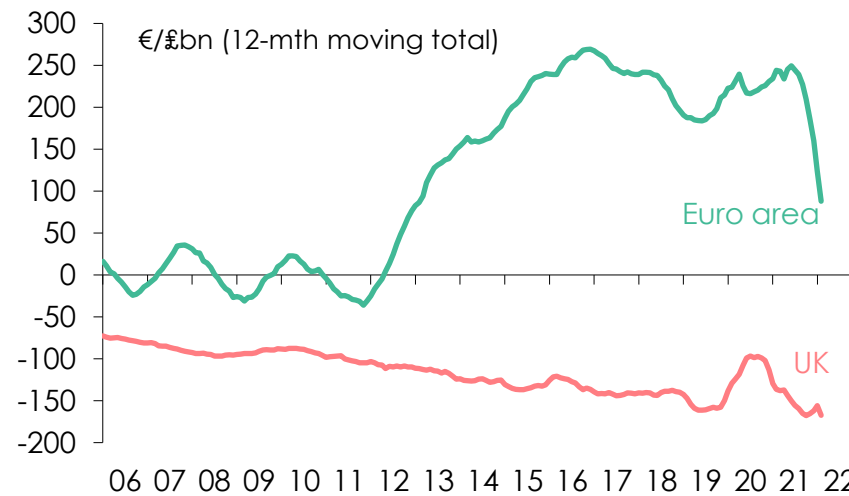
Services exports



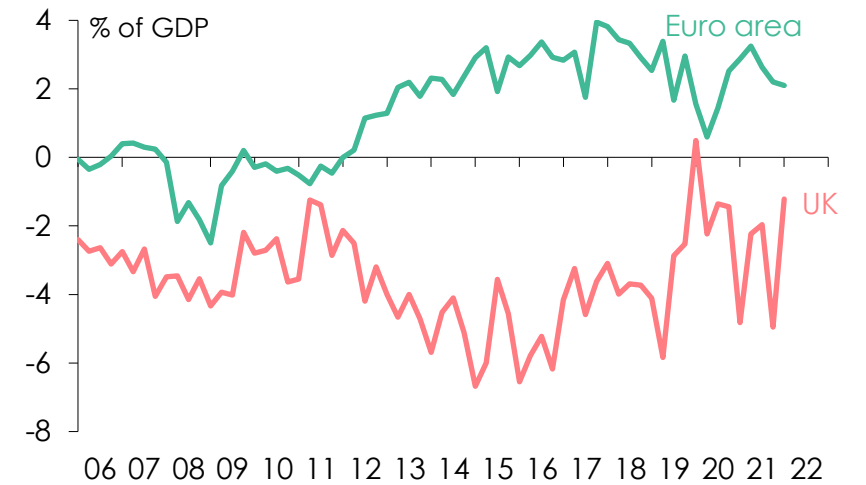
Merchandise imports



Merchandise trade balances



Current account balance

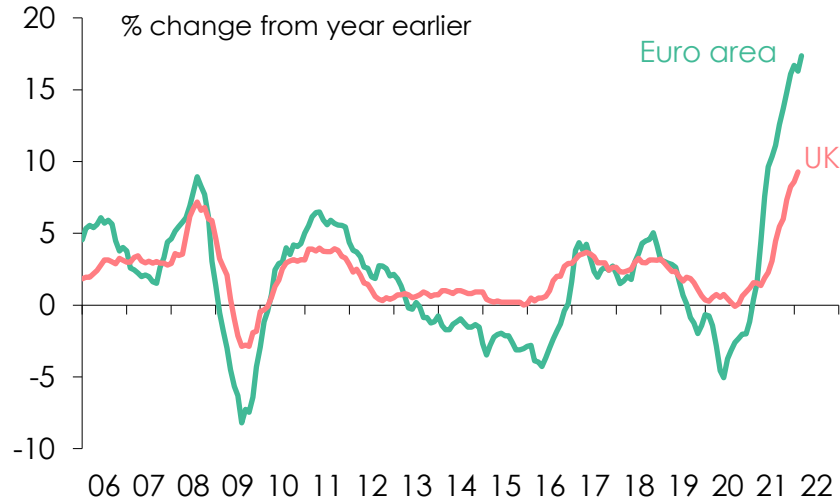


Sources: European Central Bank, Statistical Data Warehouse, [External Trade](#), [Balance of Payments and International Investment Position - Services](#), and [Balance of Payments and International Investment Position - Current Account](#); UK Office for National Statistics, [UK Trade](#) and [BoP Current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

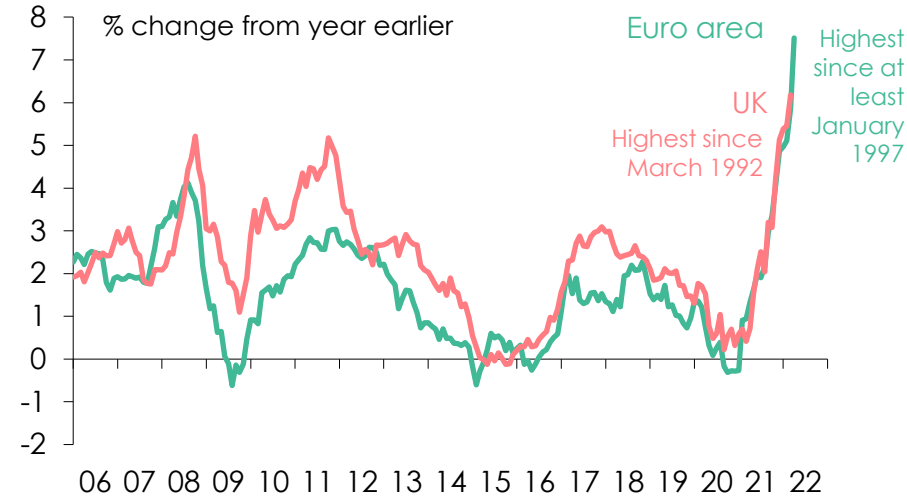
'Headline' inflation has risen a lot more in the euro area than in the UK, due to energy prices, but 'core' inflation has risen by a lot less

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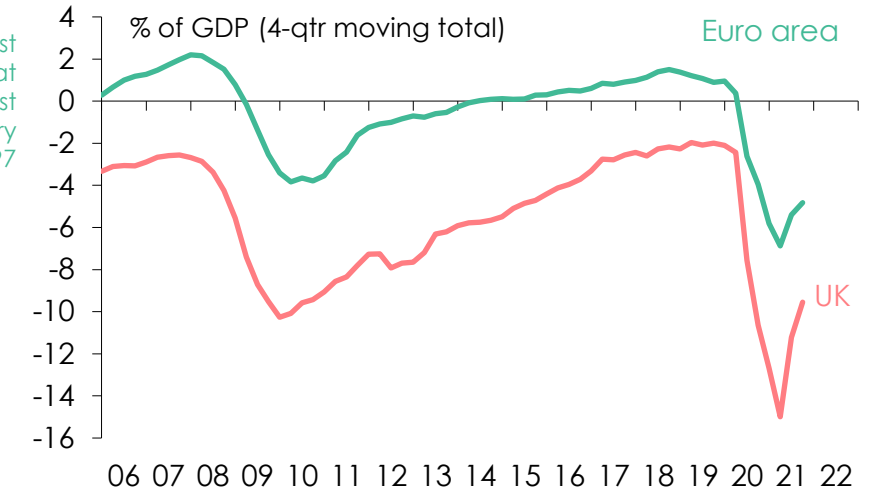
Producer prices



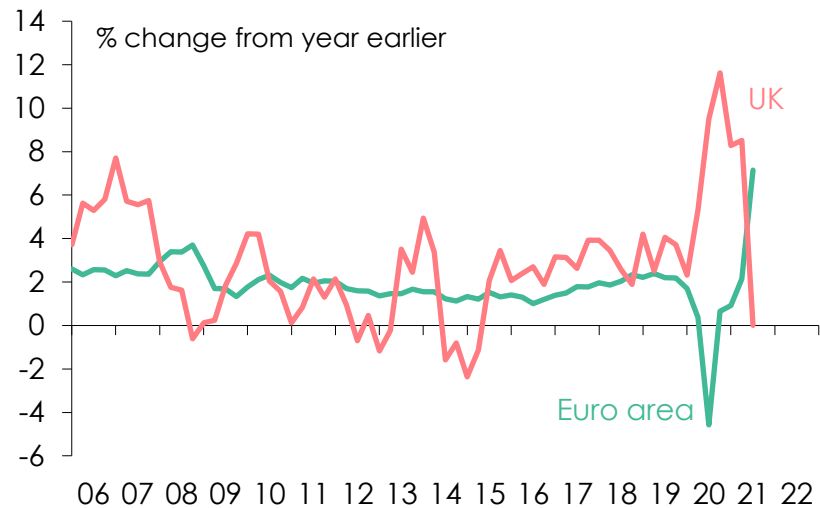
'Headline' consumer prices



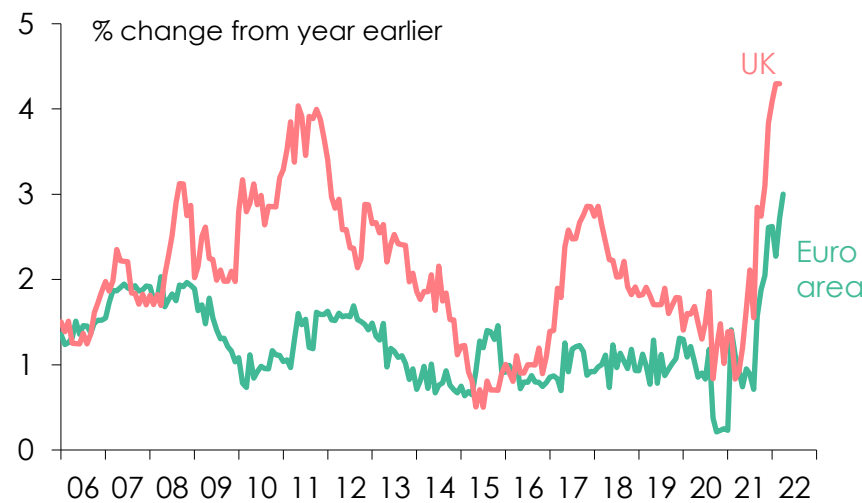
Government fiscal balance



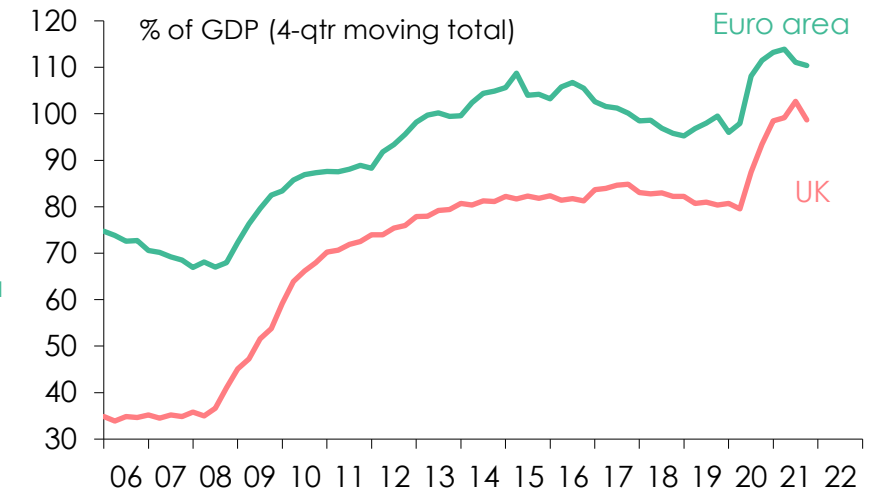
Labour costs



'Core' consumer prices



Government net debt

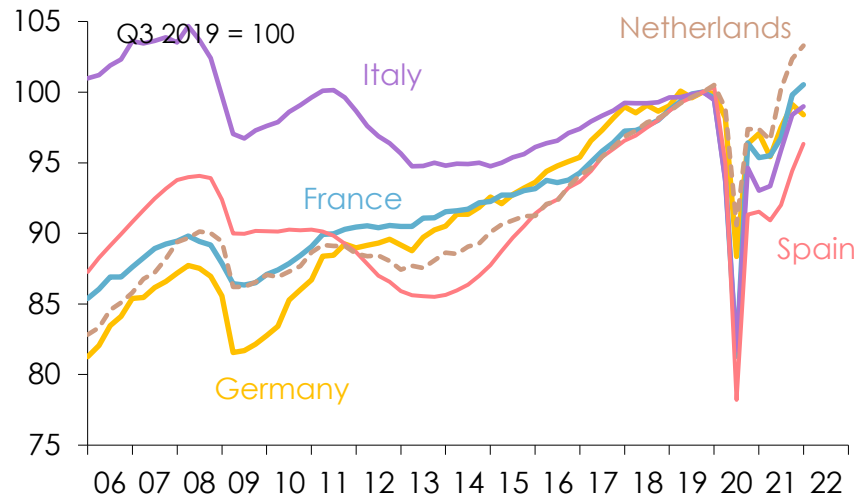


Sources: Eurostat, [Producer prices in industry](#), [Compensation per employee and hours worked per employed person](#), [Consumer price index](#), and [Government finance statistics and EDP statistics](#); UK Office for National Statistics, [Inflation and price indices](#), [Unit labour cost and unit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

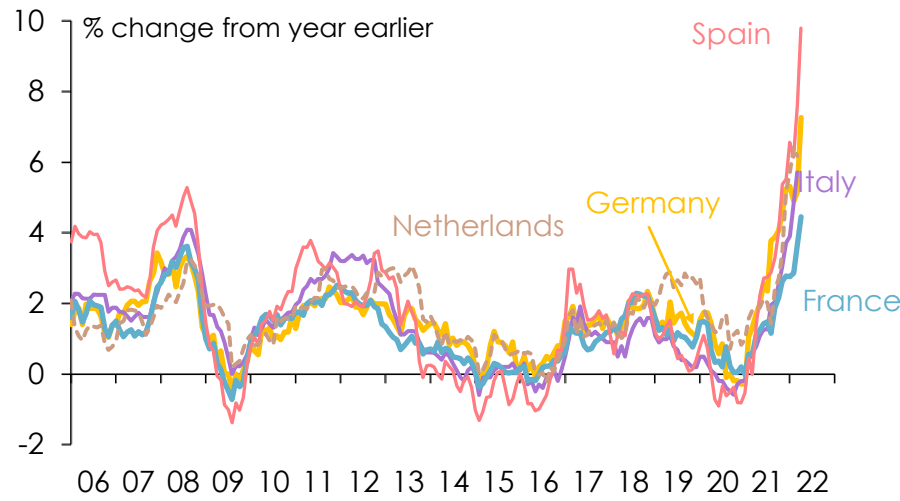
Germany's economy shrank 0.7% in Q4, while France's grew 0.7% (to surpass its pre-pandemic peak) and Spain's by 2.0%

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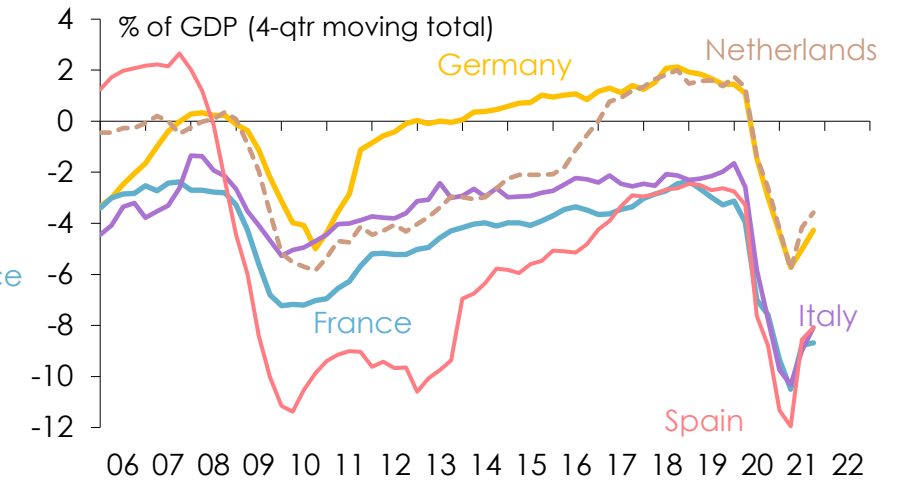
Real GDP



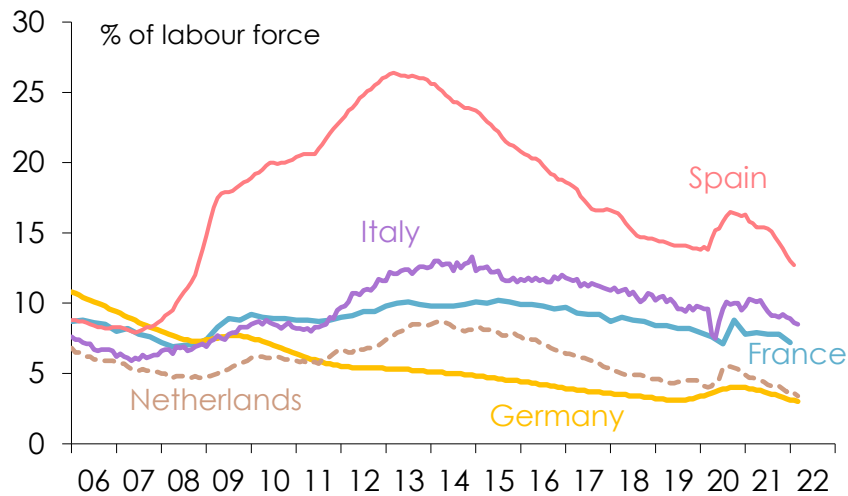
Inflation



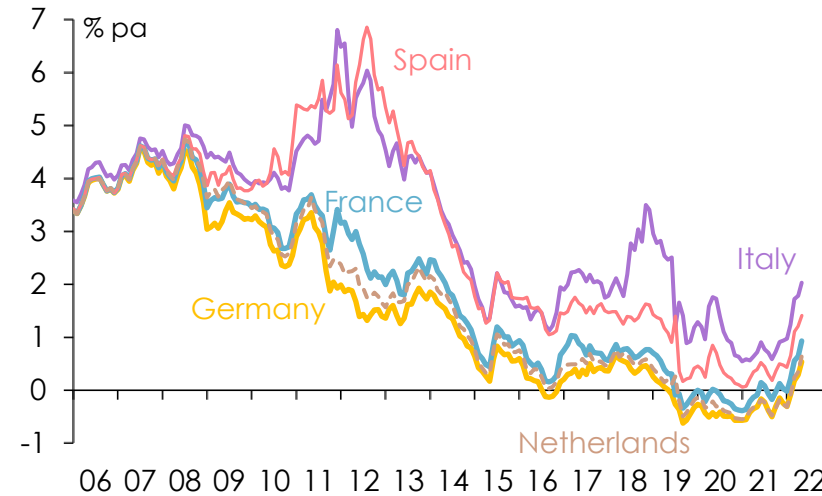
Government net lending



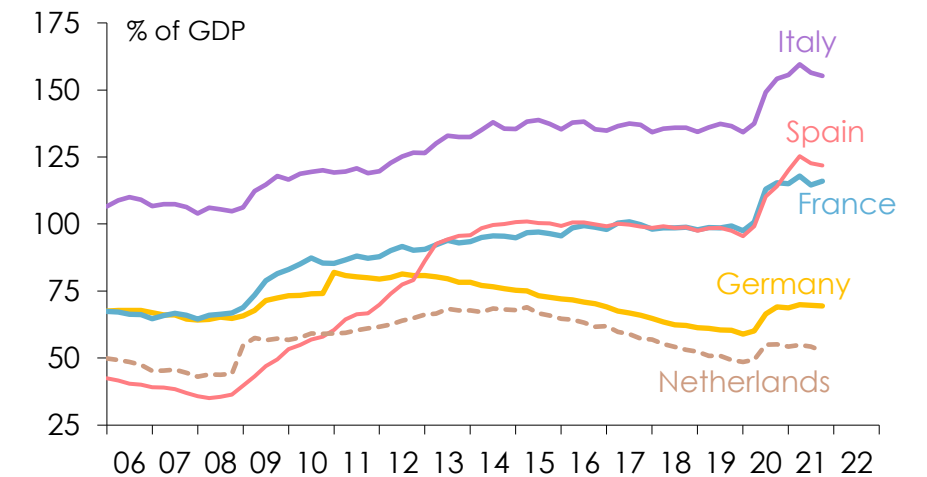
Unemployment



10-year bond yields



Government gross debt

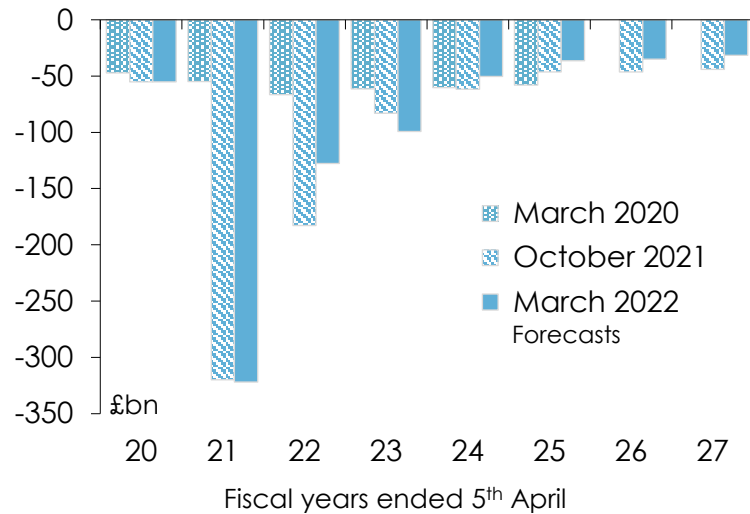


Sources: Eurostat, [National accounts - Main tables](#), [Employment and unemployment \(Labour force survey\)](#), [HICP - all items](#), [Quarterly non-financial accounts for general government](#) and [Quarterly government debt](#); Refinitiv Datastream. [Return to "What's New"](#).

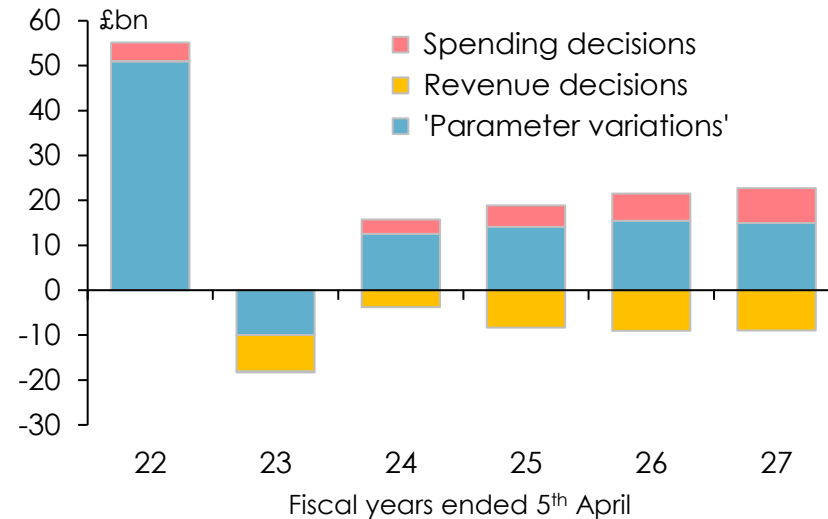
The 2022 UK 'Spring Budget' directs windfall revenue gains partly to tax relief for households and partly towards smaller budget deficits

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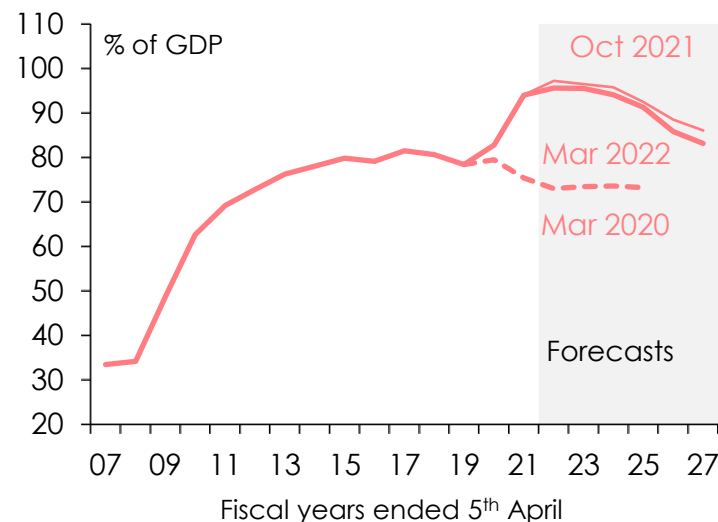
Public sector net borrowing



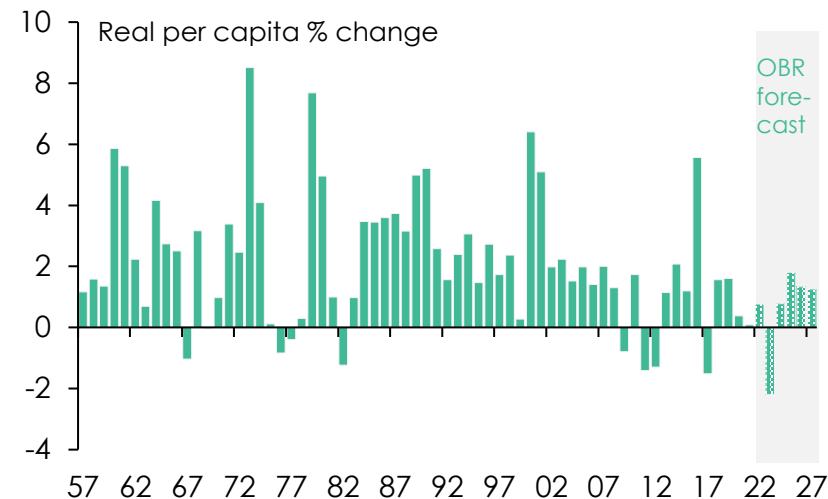
Sources of change in PSNB



Public sector net debt



Household disposable income



- ❑ The UK Government's [Spring Budget Statement](#) revised down the deficits forecast for the five years to FY2026-27 by £72bn (17%) from what had been forecast last October
- ❑ The improvement is largely the result of favourable 'parameter variations' (faster nominal GDP growth, partly due to higher inflation, and partly offset by higher interest expenses) in FY 2021-22
- ❑ With the independent [Office for Budget Responsibility](#) forecasting the largest fall in real per capita household disposable income ever recorded in 2023, Chancellor Rishi Sunak applied some of these windfall revenue gains to fund aid to households with cost-of-living pressures
 - in particular, a 5p reduction in fuel excise for 12 months, as well as previously-announced cash payments to assist with higher utilities costs
- ❑ The Chancellor also announced a £3,000 increase in the thresholds for National Insurance Contributions (the UK equivalent of Australia's Medicare levy), bringing it into line with the tax-free threshold for personal income tax, and a 1 pc pt cut (to 19%) in the 'basic rate' of personal income tax from 2024
- ❑ The principal 'saving' measure in the Statement were previously announced changes to student loan repayment schedules

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

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

- ❑ The Bank of England raised its Bank Rate by another 25 bp on 17th March, 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, this time 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 its March meeting but kept its options open about raising interest rates

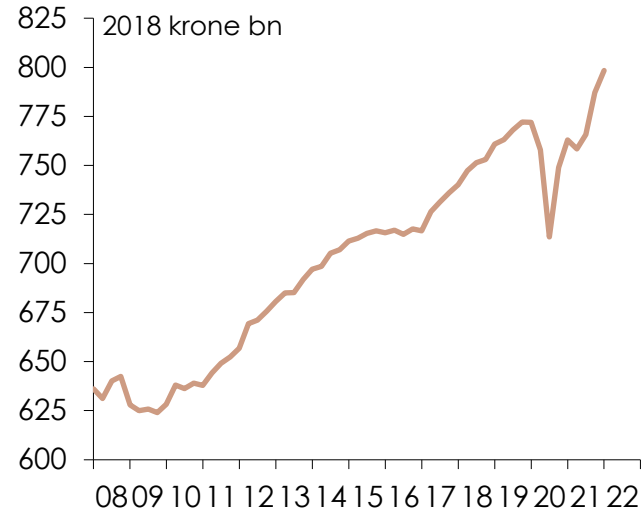
THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

- ❑ At its Governing Council meeting on 10th March, the [European Central Bank](#) brought forward the ‘tapering’ of bond purchases under its Asset Purchase Program (originally introduced in October 2014) to €40bn in April, €30bn in May and €20bn in June (cf. the trajectory foreshadowed last month which didn’t see bond purchases falling to €20bn a month until October)
 - the ECB will then terminate net purchases under the AAP in Q3 if “the incoming data support the expectation that the medium-term inflation outlook will not weaken”
 - the Governing Council also re-affirmed February’s decision to terminate net purchases under its Pandemic Emergency Purchase Program (PEPP) at the end of March
 - 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”
- ❑ [Norges Bank](#) raised its policy rate by 25bp, to 0.75%, at its Monetary Policy & Financial Stability Committee meeting on 23rd March, the third such increase since October last year
 - the Committee was “concerned with the risk of accelerating price and wage inflation as a result of capacity constraints in the economy and persistent global price pressures”, and foreshadowed that the policy rate “will most likely be raised further in June”, and that the policy rate would reach “around 2.5% at the end of 2023”

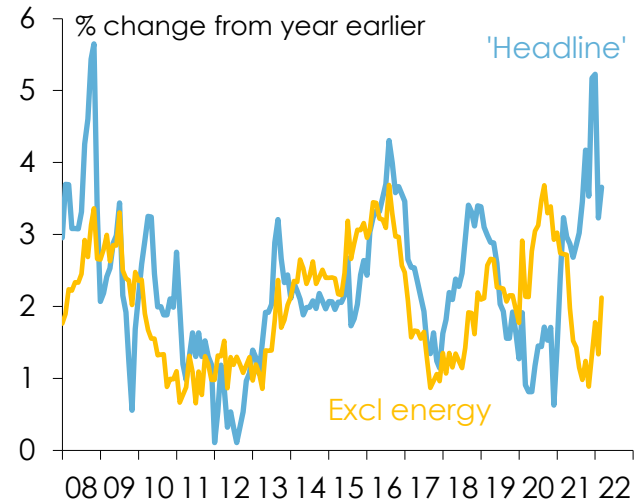
Norway's central bank raised its policy rate another 25 bp last month, for the third time since last October, and foreshadowed another rise in June

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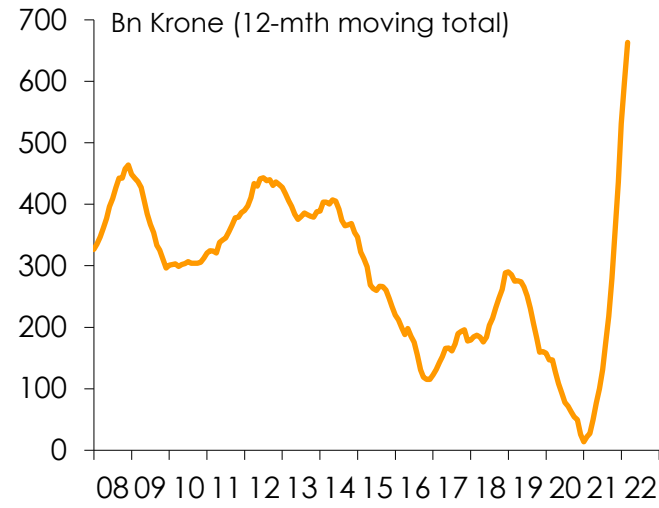
'Mainland' real GDP



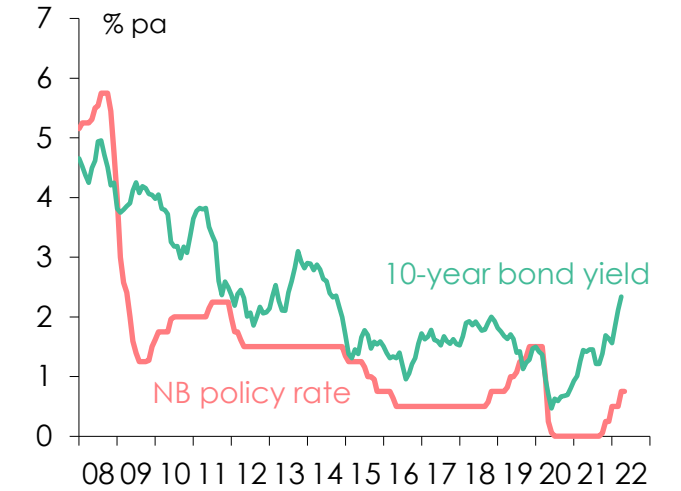
Inflation



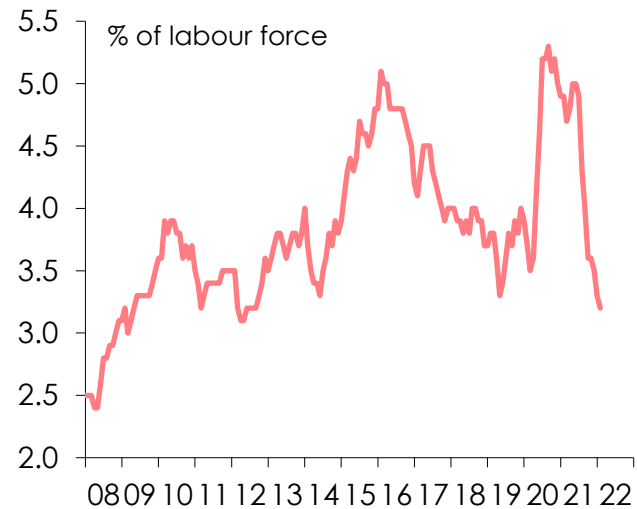
Trade balance



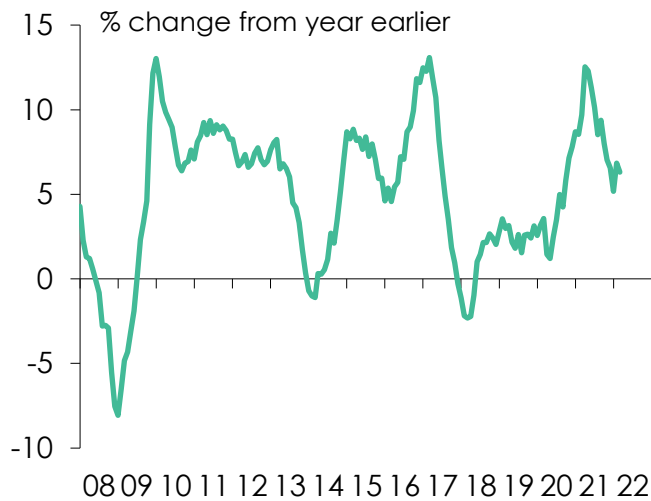
Interest rates



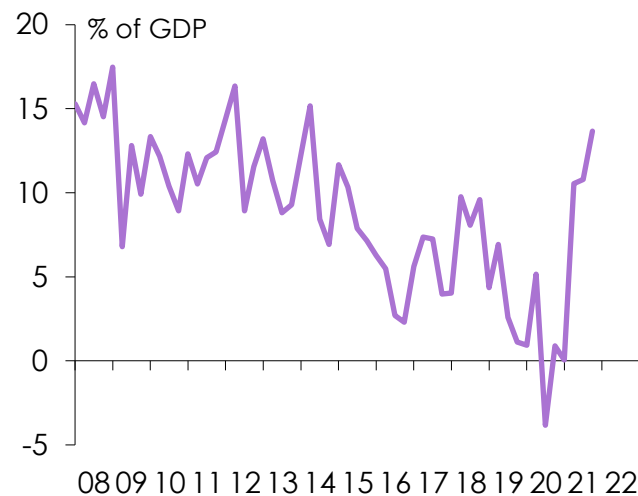
Unemployment



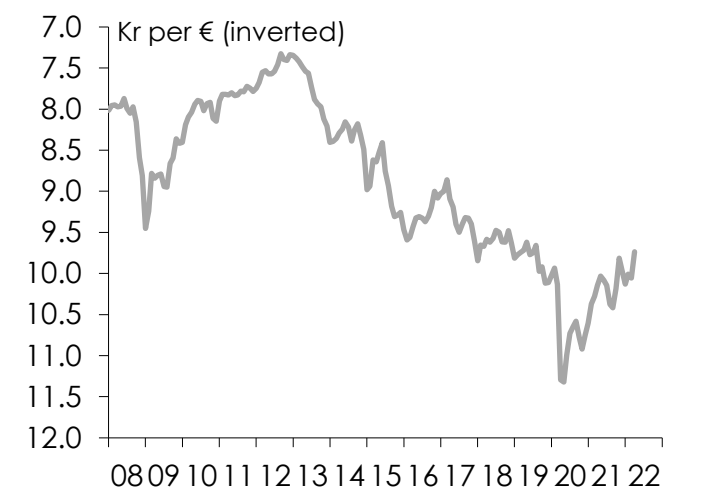
House prices



Current account balance



Krone vs euro

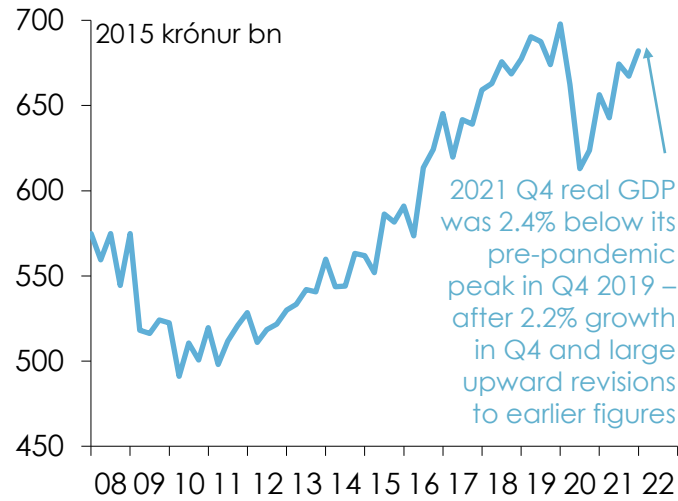


Note: 'mainland' GDP means excluding Norway's oil and gas industry which is entirely located offshore. Sources: [Statistisk sentralbyrå](#); [Norges Bank](#); Refinitiv Datastream.
[Return to "What's New"](#).

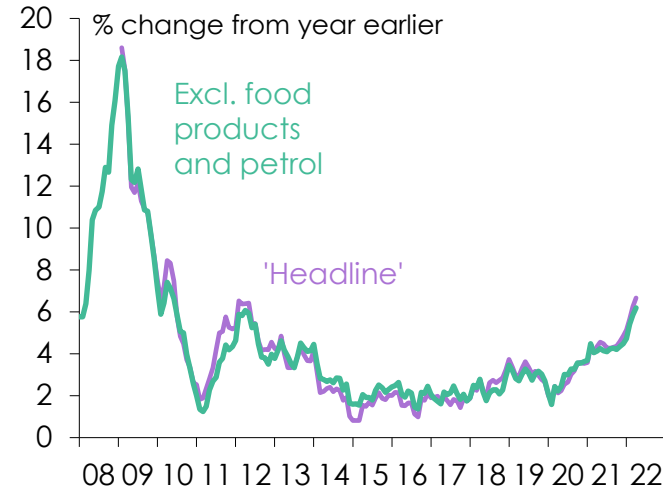
Iceland's central bank raised its policy rates another 75 bp in February, the fifth increase since last May, following a 'marked deterioration' in inflation

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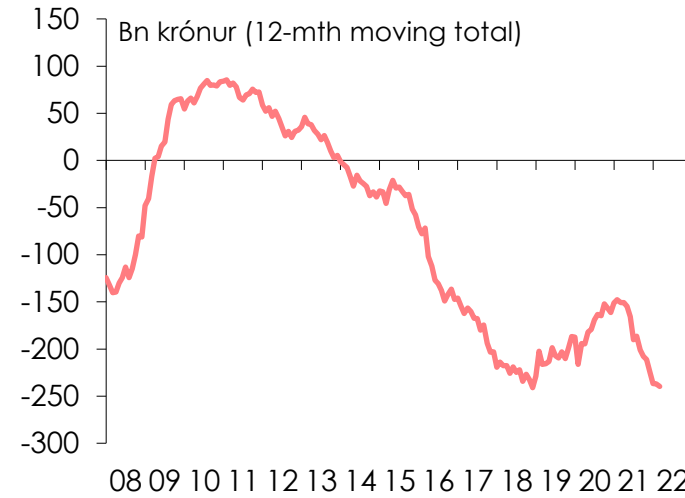
Real GDP



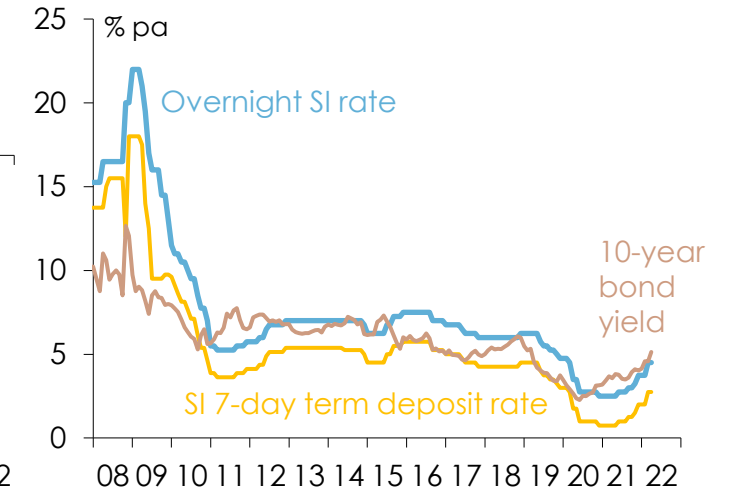
Inflation



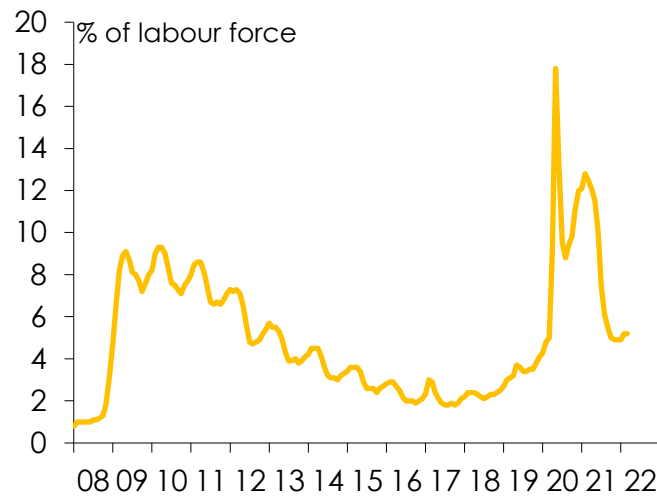
Trade balance



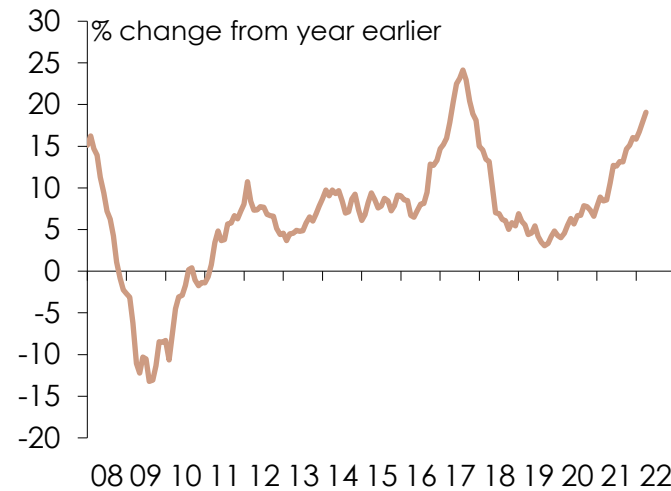
Interest rates



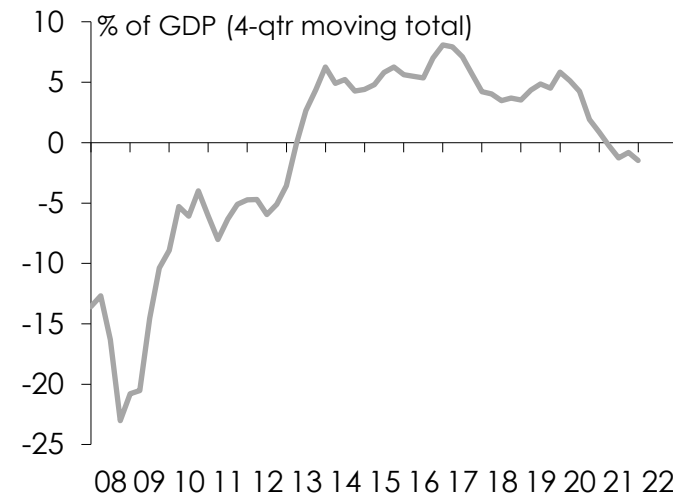
Unemployment



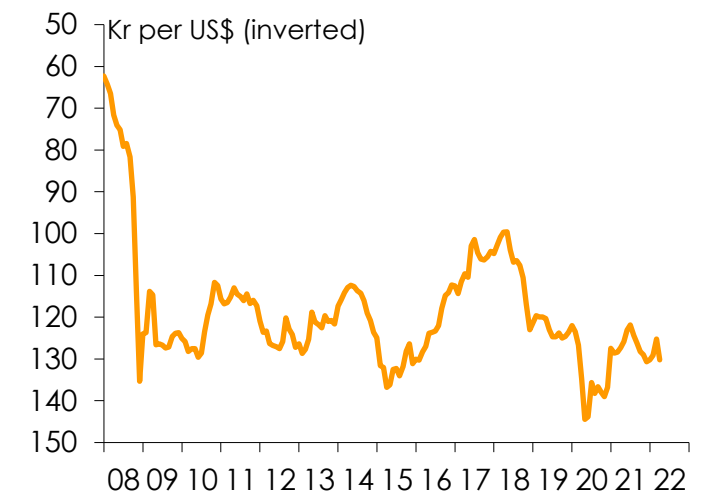
House prices



Current account balance



Króna vs US dollar

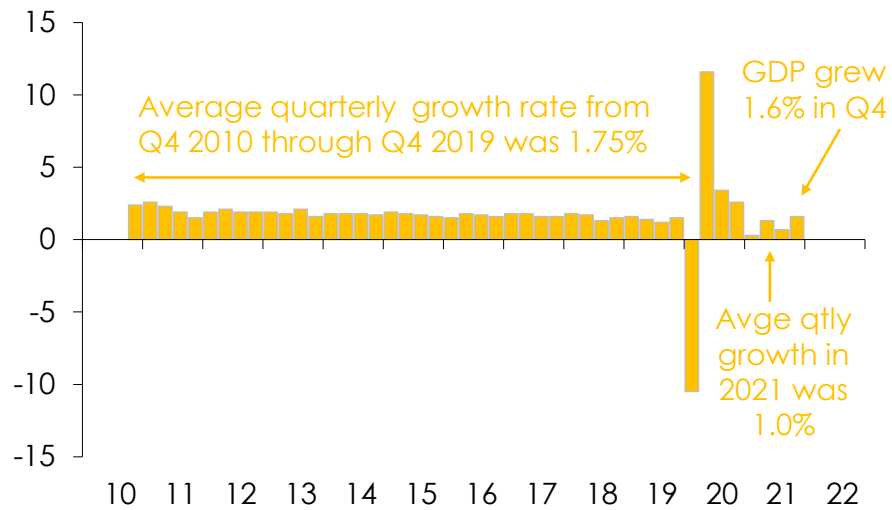


China

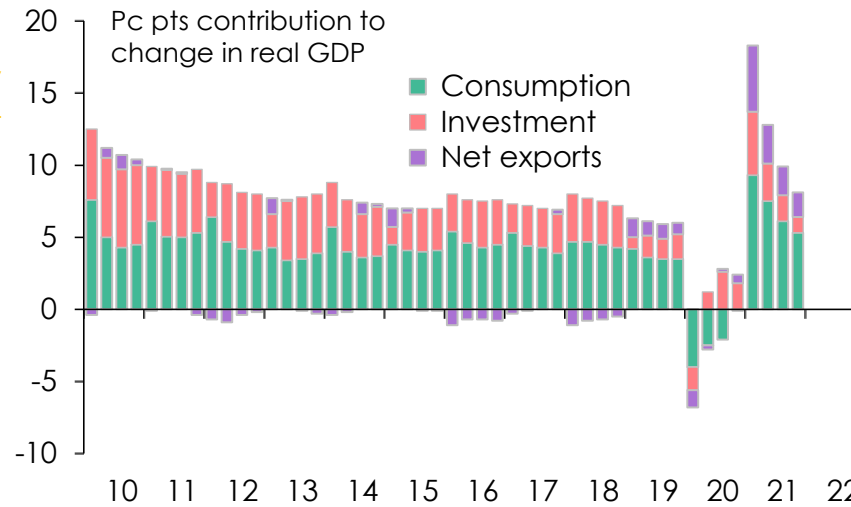
China's urban unemployment rate has risen to 5.5% in March, its highest level since August 2020 – and the latest lockdowns may push it up further

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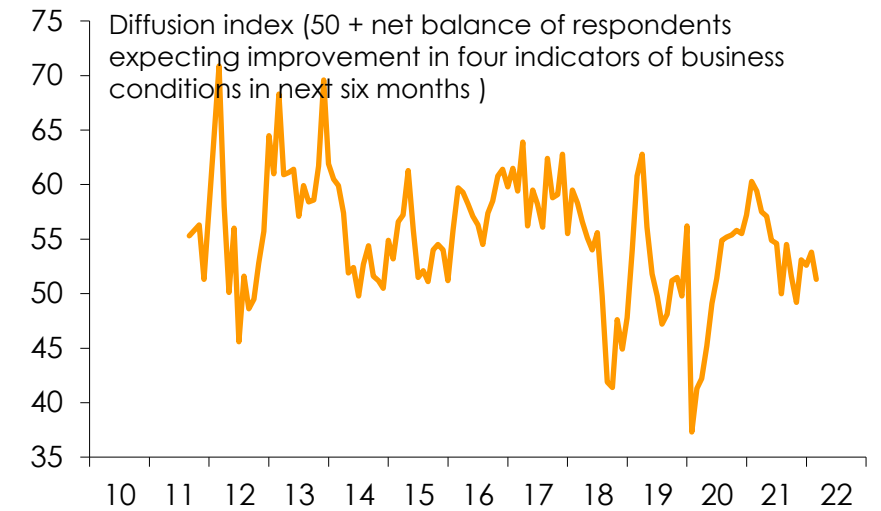
Quarterly real GDP growth



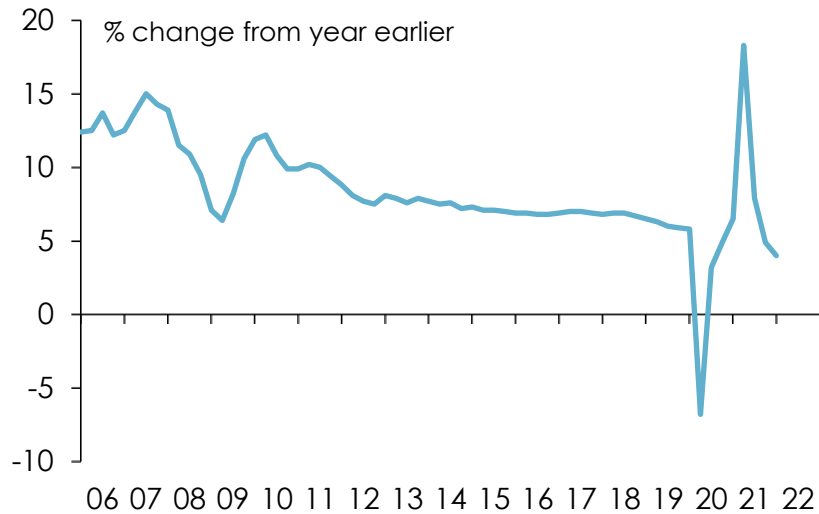
Contributions to real GDP growth



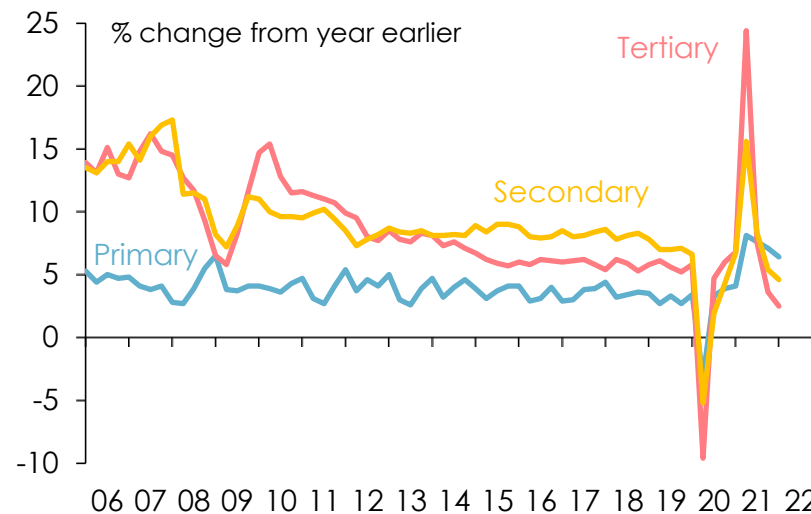
CKGSB business conditions index



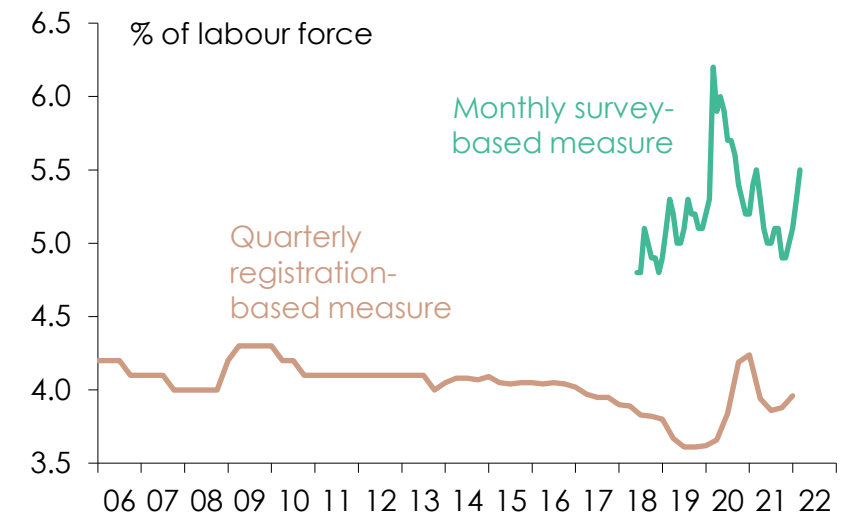
Annual real GDP growth



Annual GDP growth by industry



Urban unemployment rate

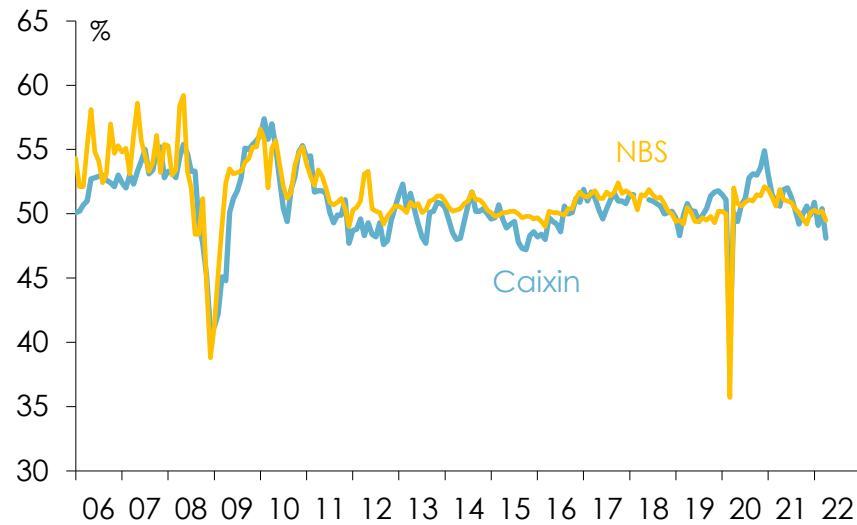


Sources: China National Bureau of Statistics, [National Data - National Accounts](#) and [The Urban Surveyed Unemployment Rate](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#). Before the monthly unemployment survey was introduced in 2018, the quarterly measure was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

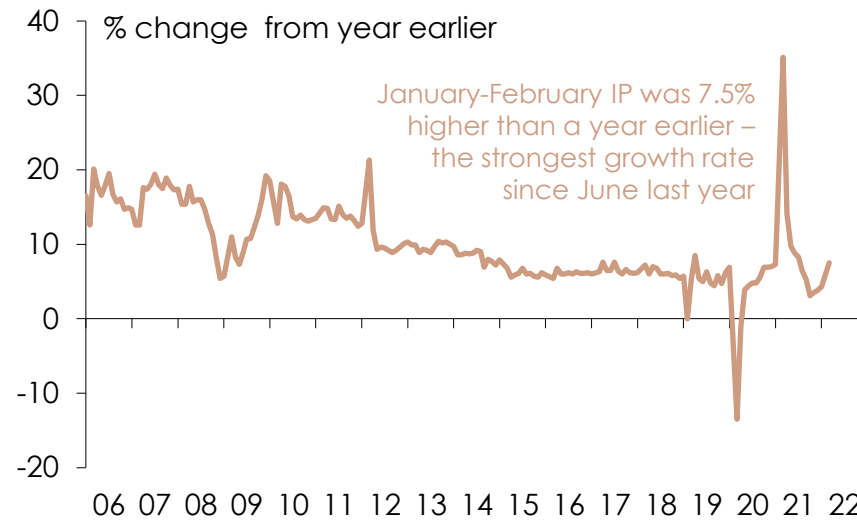
March PMIs point to lockdowns in Shanghai, Shenzhen and Jilin likely having a negative impact on economic activity

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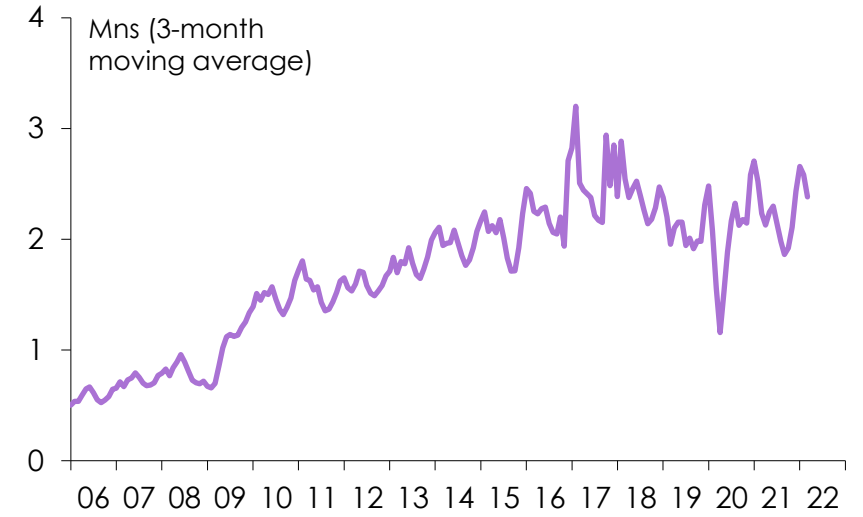
Manufacturing PMIs



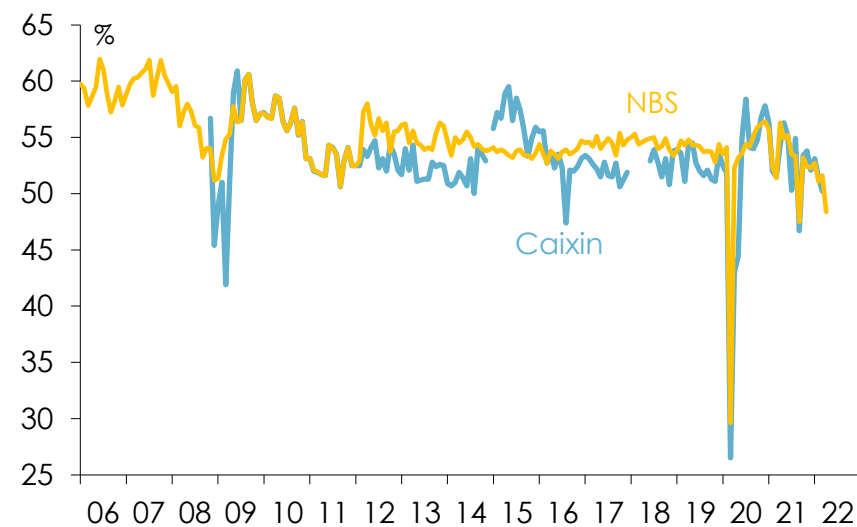
Industrial production



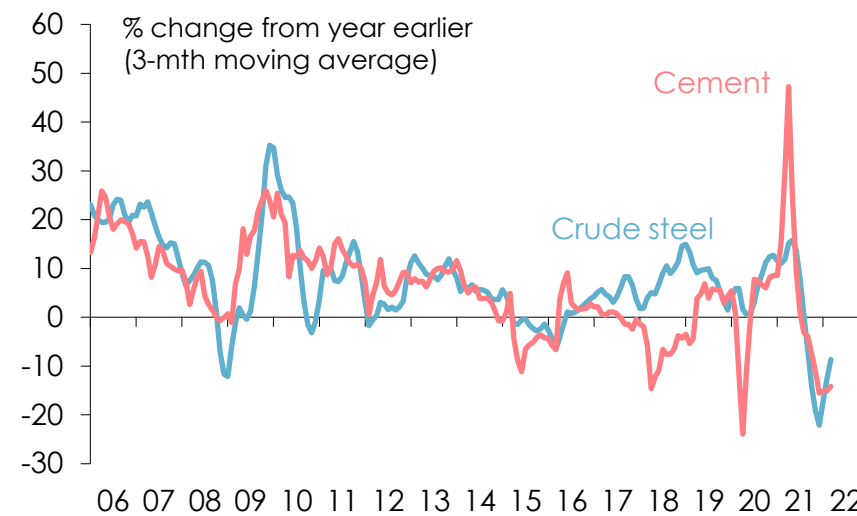
Motor vehicle production



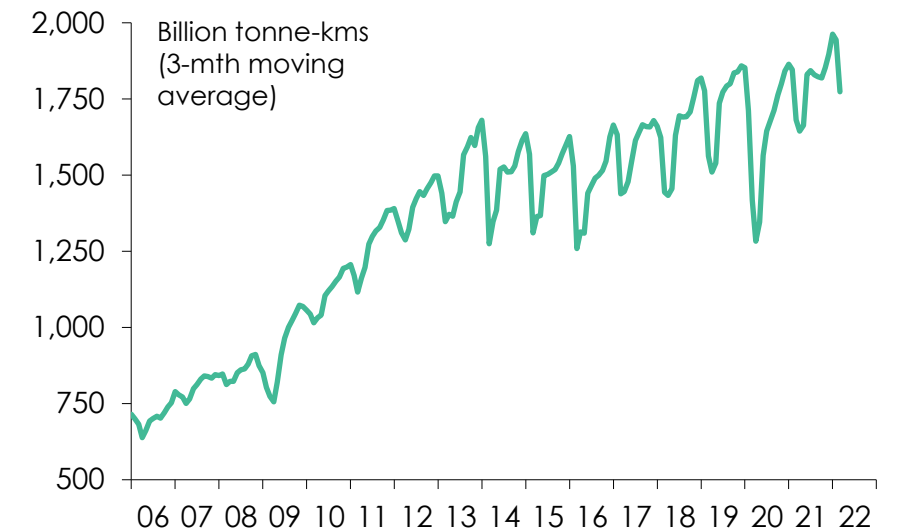
Non-manufacturing PMIs



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"](#).

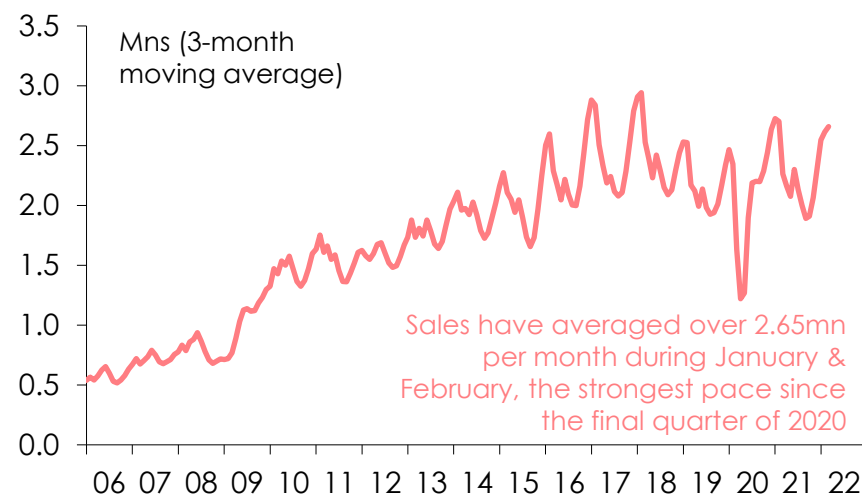
Consumer spending picked up in January-February, although is likely to turn down again in March due to widespread lockdowns

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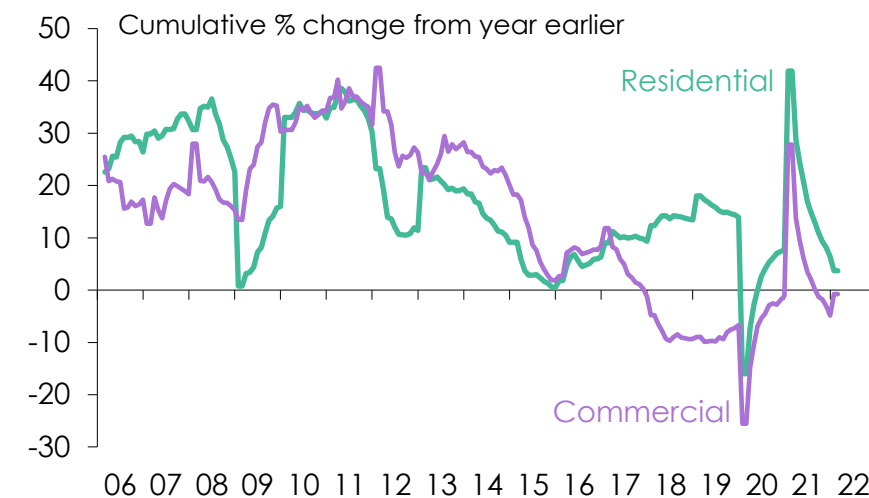
Consumer sentiment



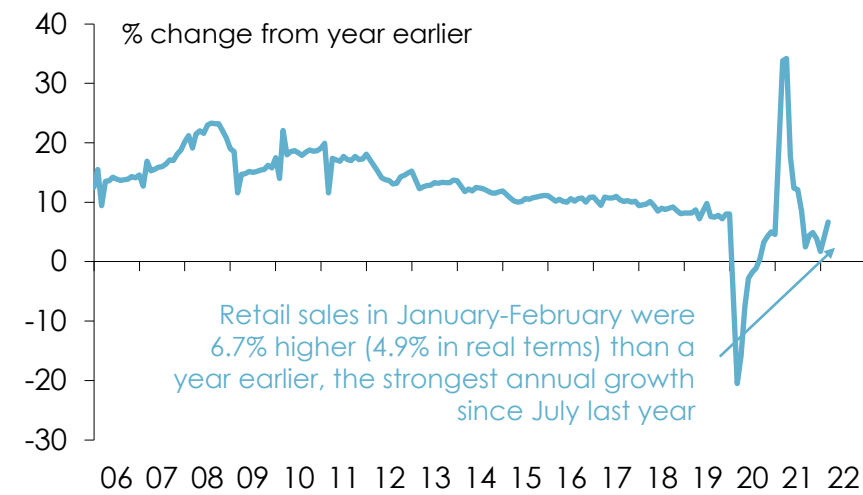
Motor vehicle sales



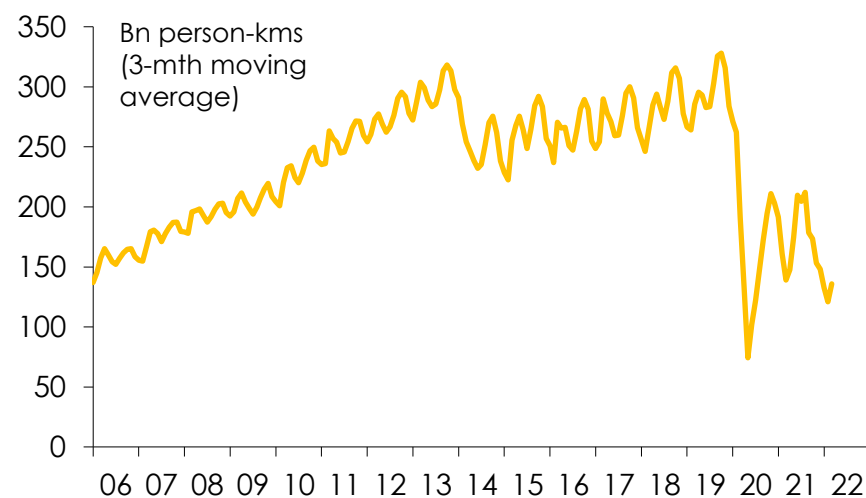
Real estate investment



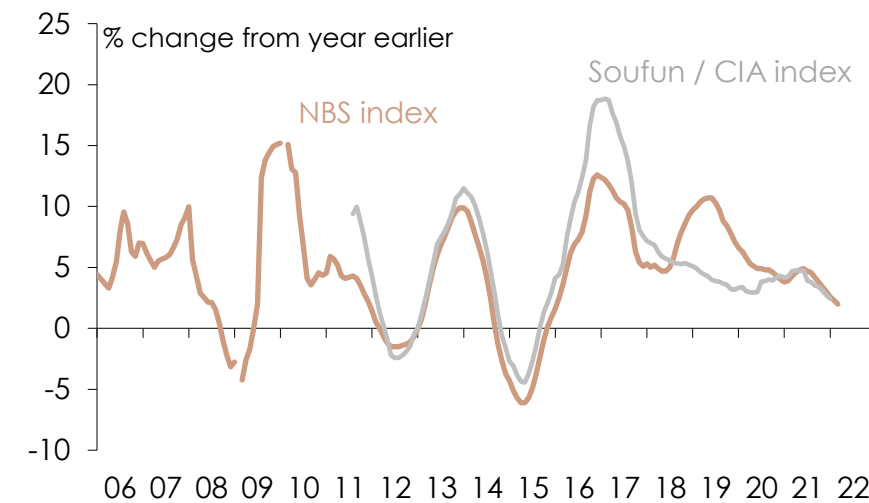
Retail sales



Passenger traffic volumes



Residential real estate prices

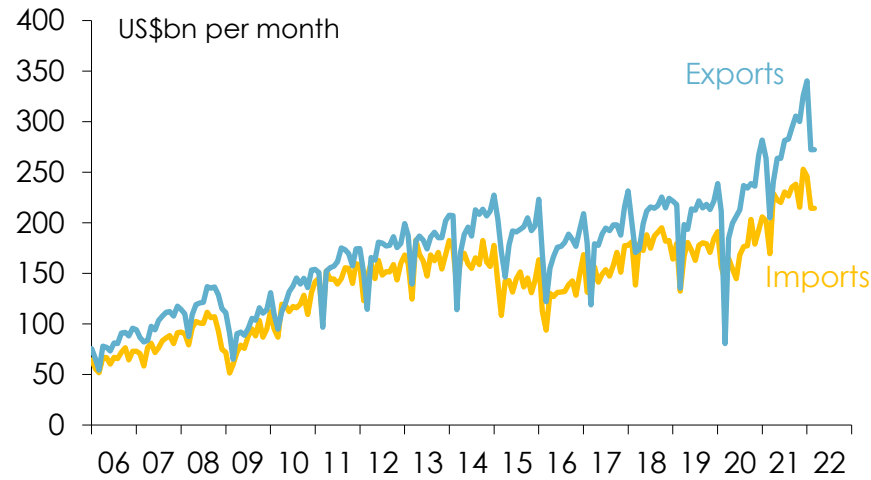


Note: Latest data are for January and February (combined, in most cases, because of the shifting timing of Lunar New Year holidays). Sources: China National Bureau of Statistics, [National Data](#); China Association of Automobile Manufacturers, [Sales of Automobiles](#); China Index Academy, [CREIS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

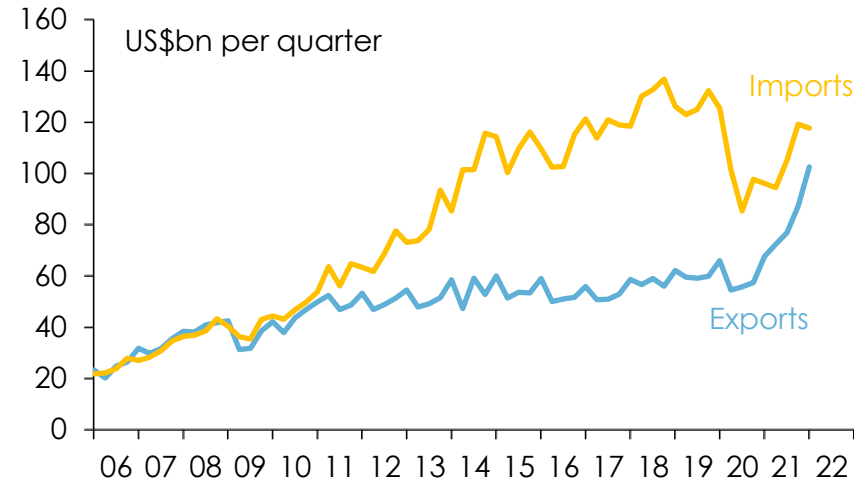
China's merchandise trade surplus for the first two months of 2022 was US\$18½bn (19%) larger than for the first two months of last year

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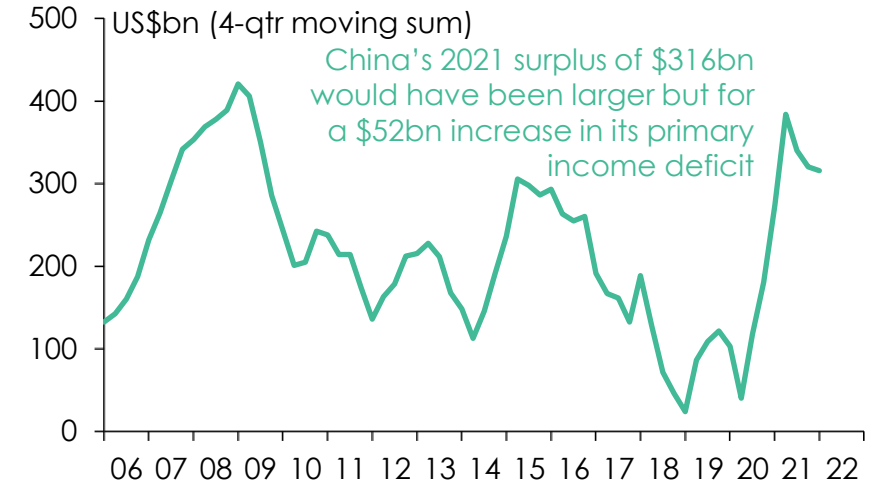
Merchandise exports and imports



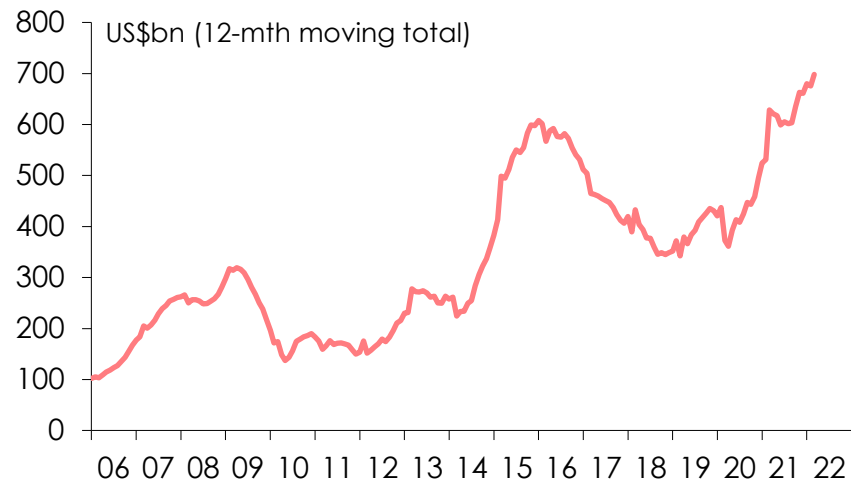
Services exports and imports



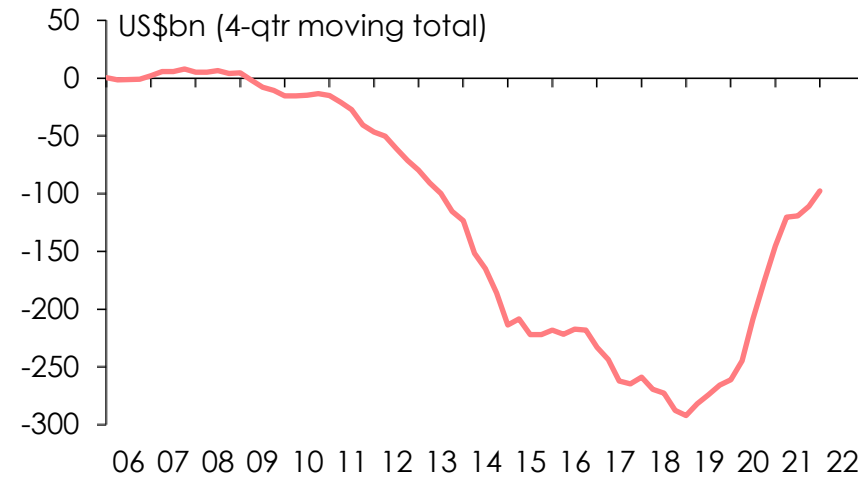
Current account balance



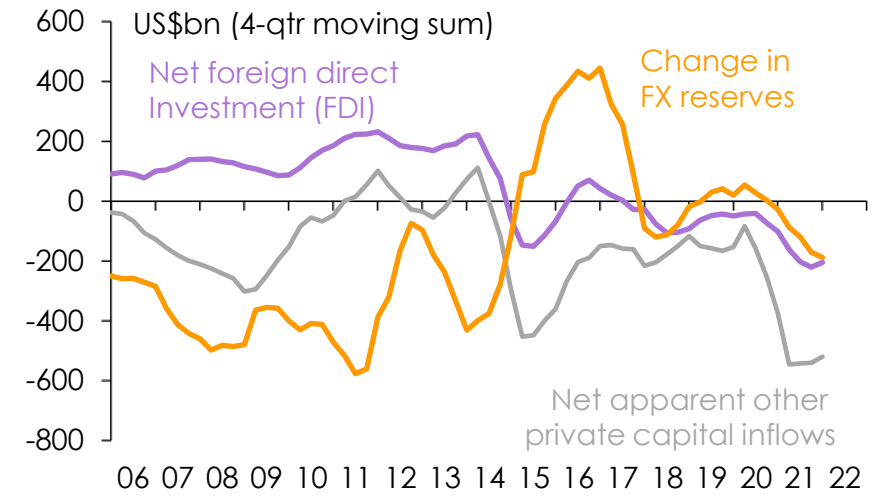
Merchandise trade balance



Services trade balance



Capital flows

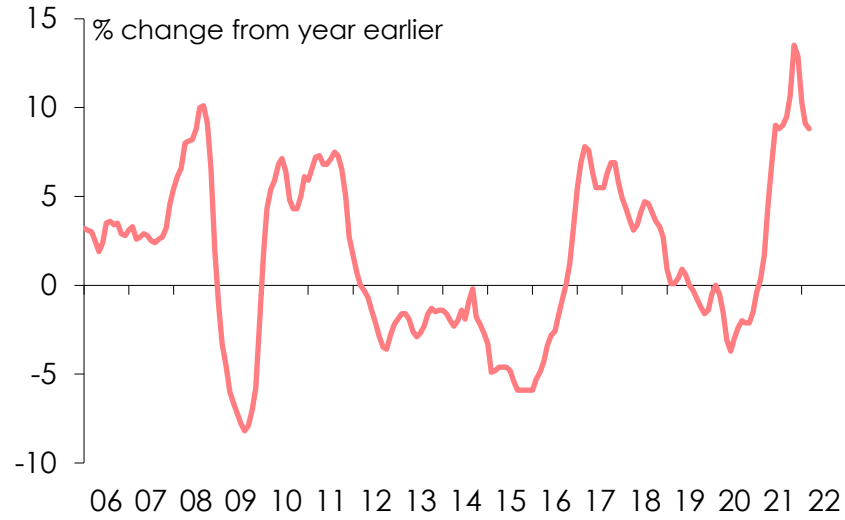


Sources: China General Administration of Customs, [Preliminary Release](#) and [Monthly Bulletin](#); State Administration of Foreign Exchange, [The time-series data of Balance of Payments of China](#). [Return to "What's New"](#).

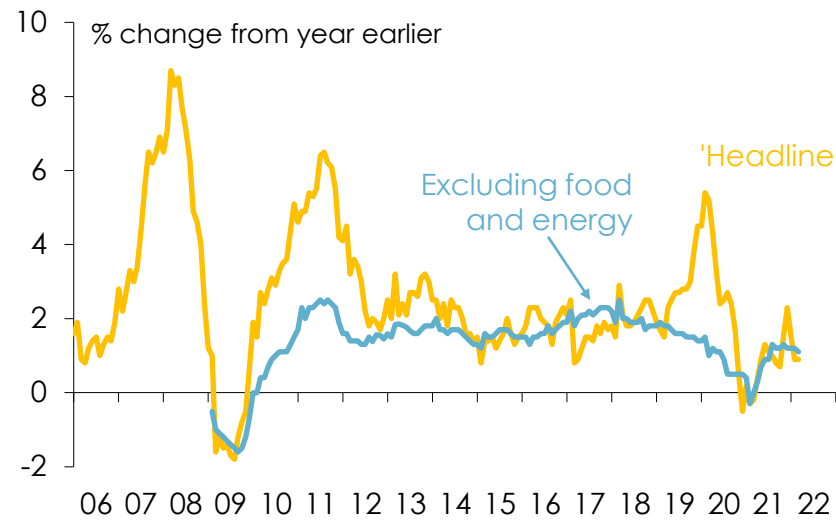
Producer price inflation in China has passed its peak, while consumer price inflation remains low and stable

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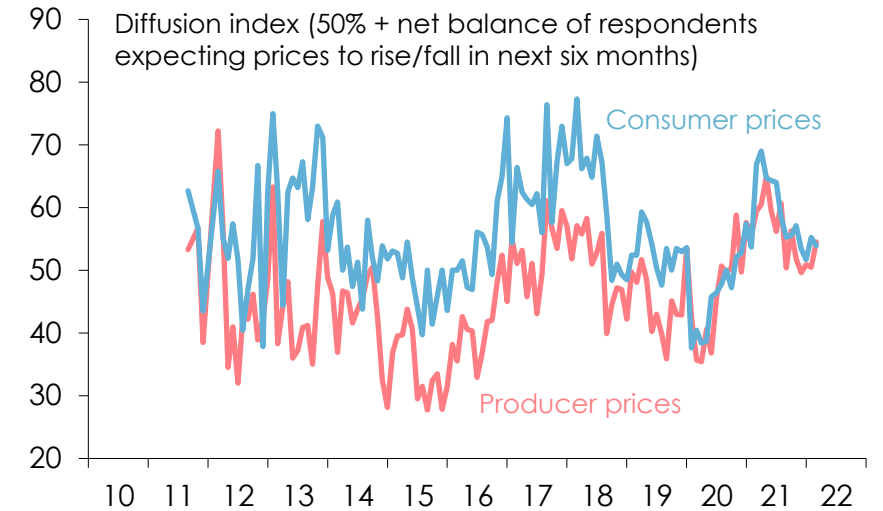
Producer prices



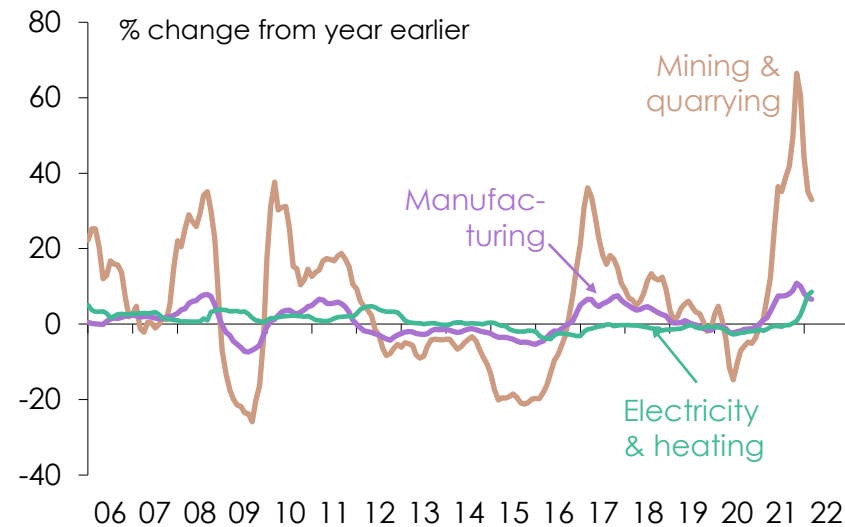
Consumer prices



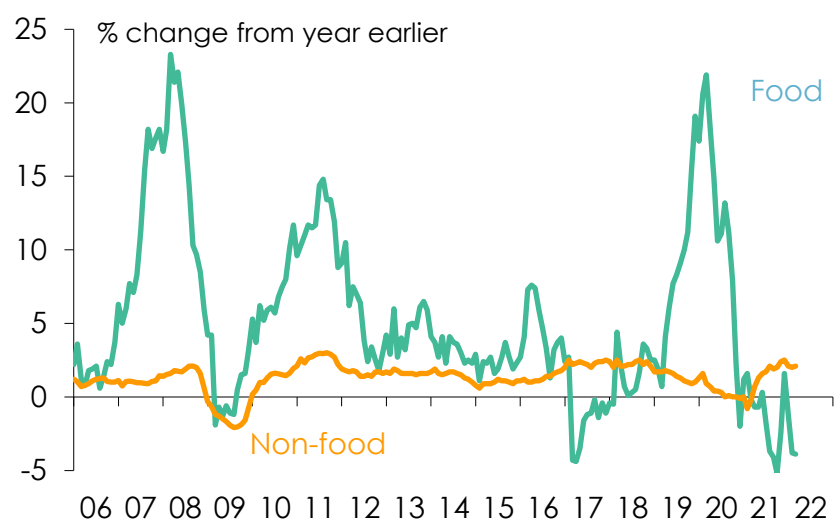
CKGSB price diffusion indexes



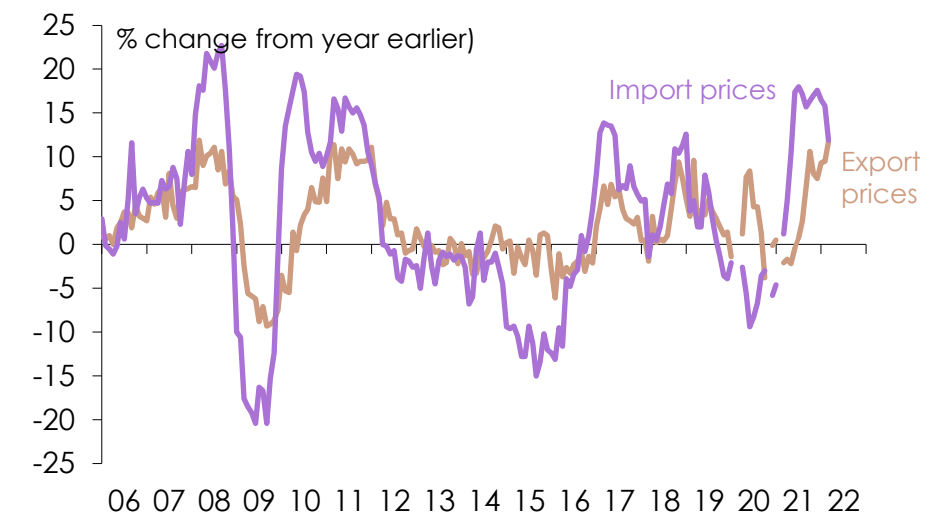
Producer prices – major categories



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

A further easing in monetary policy and/or other regulatory instruments may be in the offing

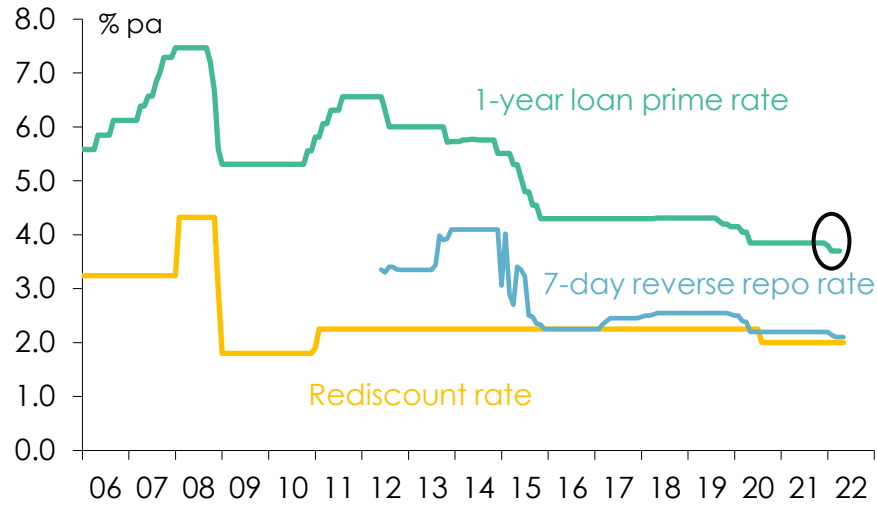
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- ❑ The State Council's Financial Stability and Development Committee, chaired by Vice Premier Liu He, last month **"urged measures"** to keep "major economic indicators within an appropriate range" and "maintain stable operation of the capital market" 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 in February 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

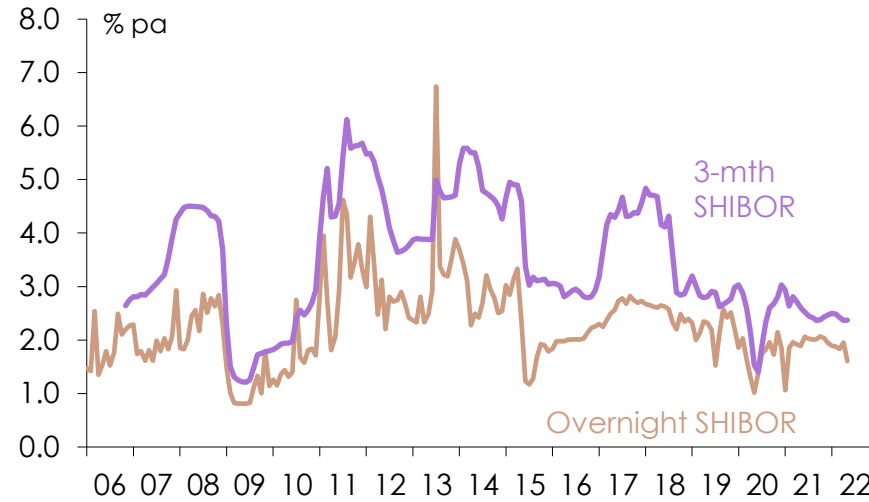
The PBoC has begun to ease monetary policy ever-so-slightly – and it looks increasingly likely that there will be more to come

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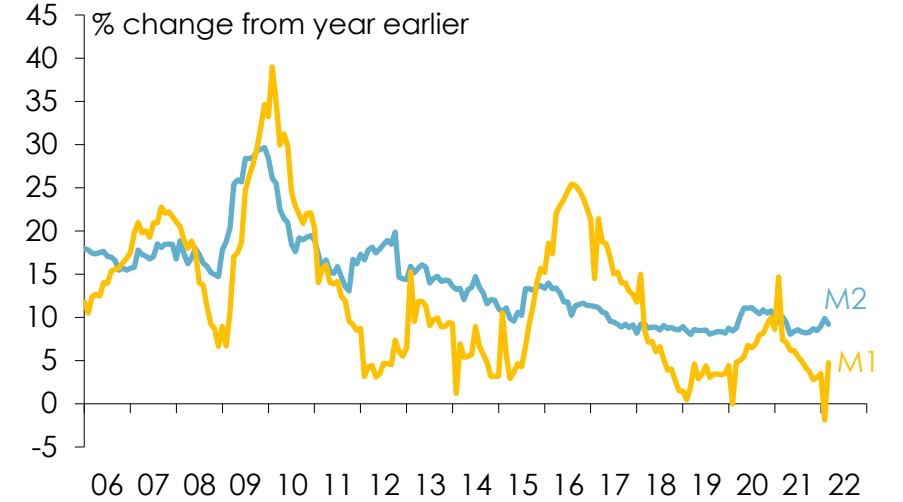
PBoC policy interest rates



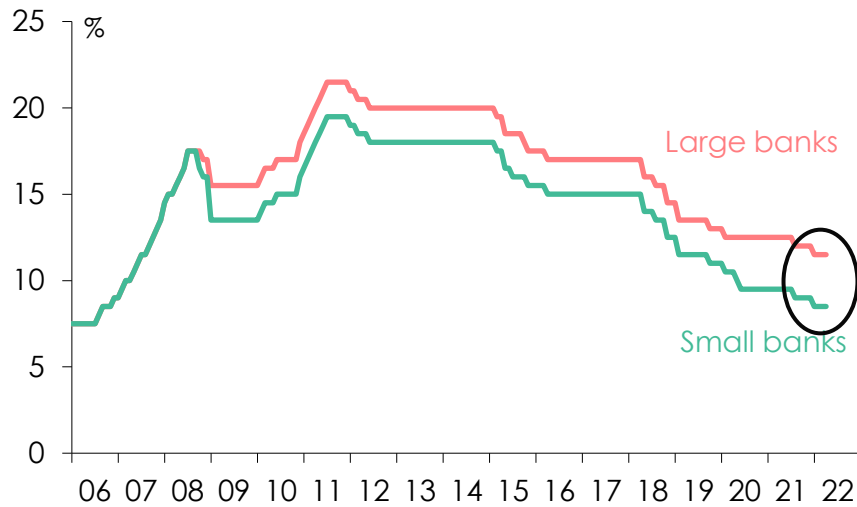
Short-term market interest rates



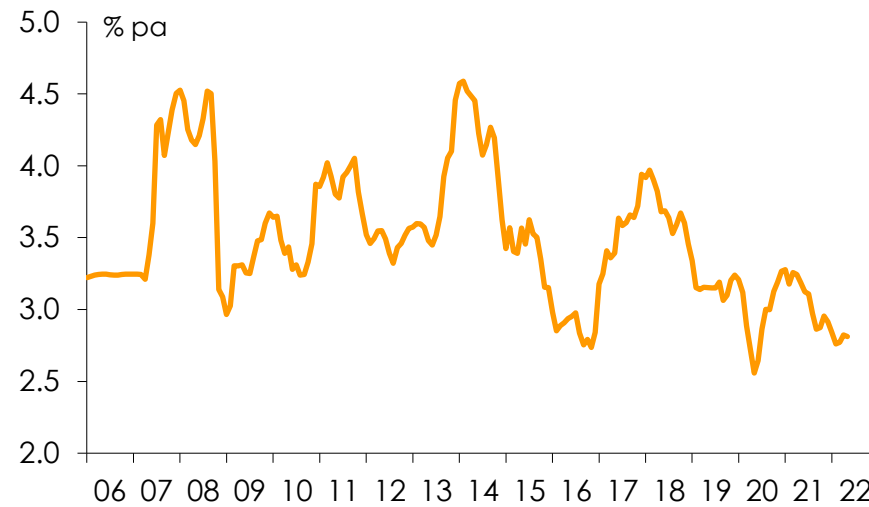
Monetary aggregates



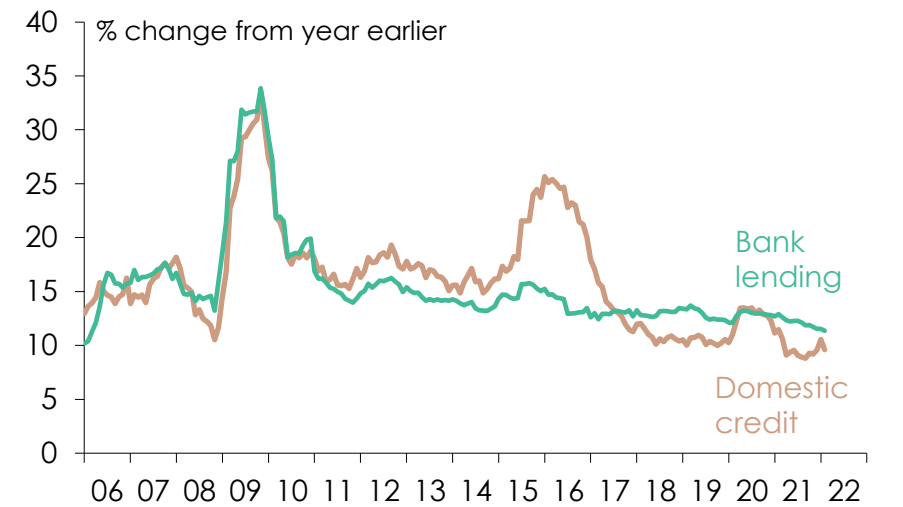
Bank reserve requirement ratios



10-year government bond yield



Credit growth

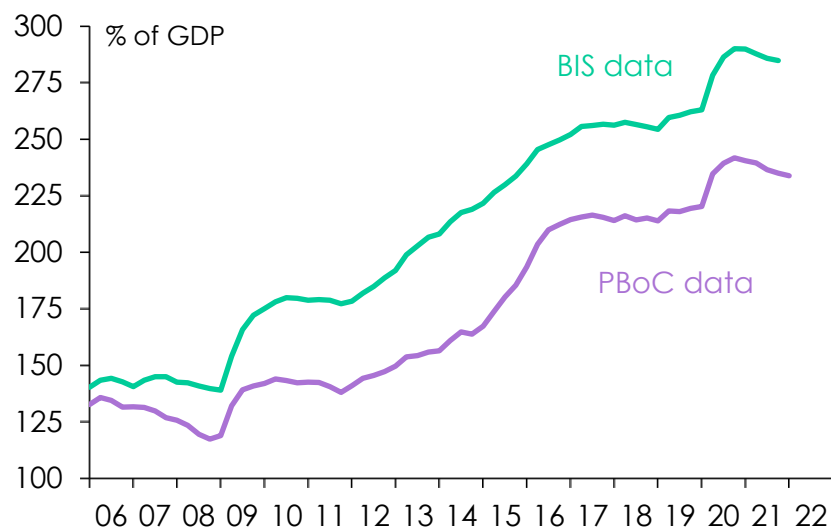


Note: 'SHIBOR' is the Shanghai Inter-Bank Offered Rate. Sources: Refintiv Datastream; People's Bank of China, [Financial Statistics Reports](#) and [Aggregate Financing Reports](#). [Return to "What's New"](#).

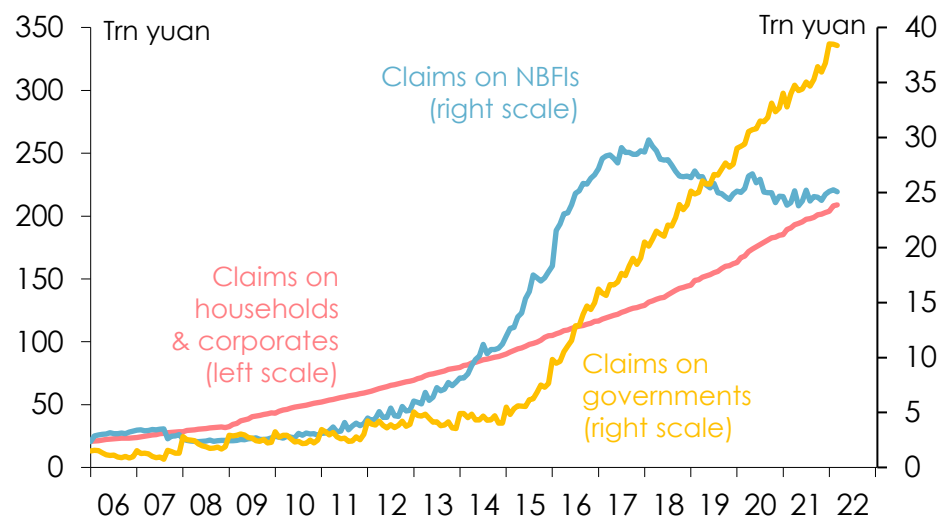
The Chinese banking system's risk profile has increased significantly over the past decade – particularly on the liabilities side of its balance sheet

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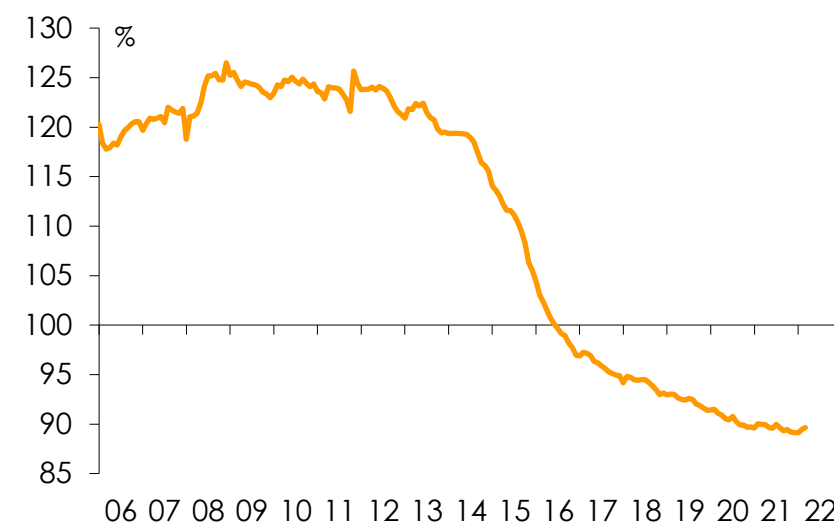
Credit outstanding as a pc of GDP



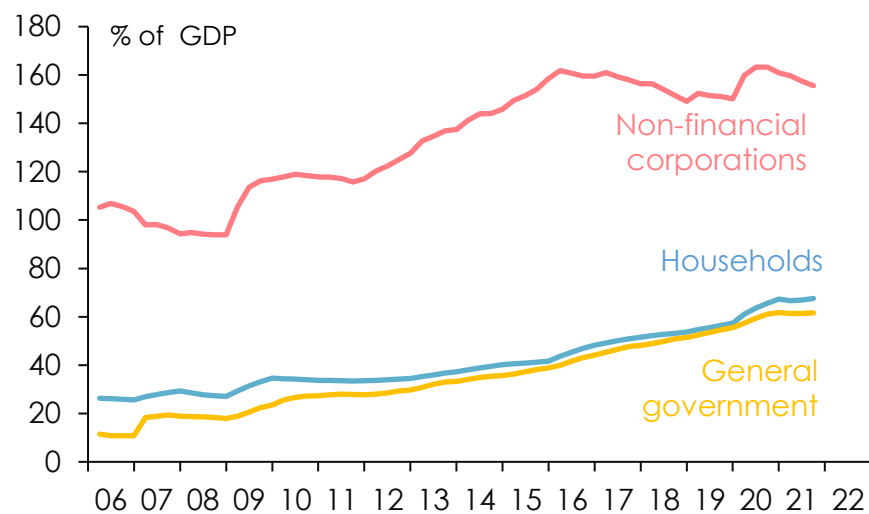
Banks' assets



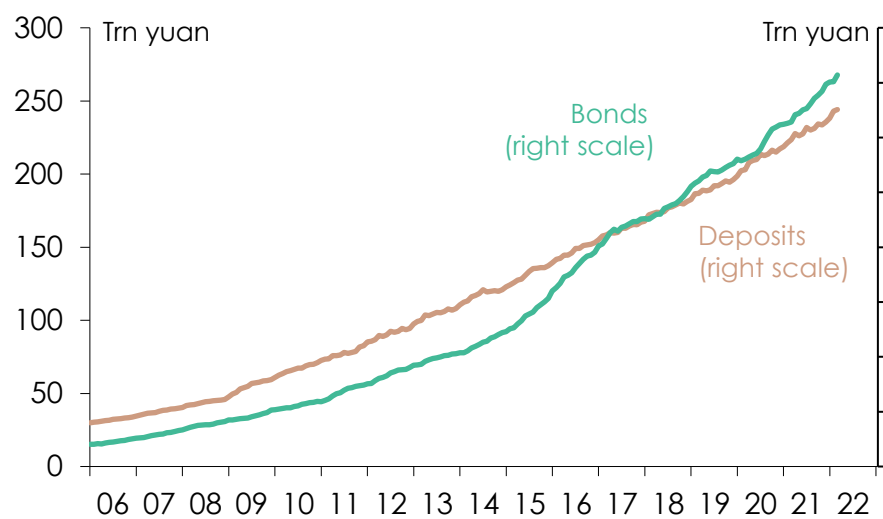
Banks' deposits-to-loans ratio



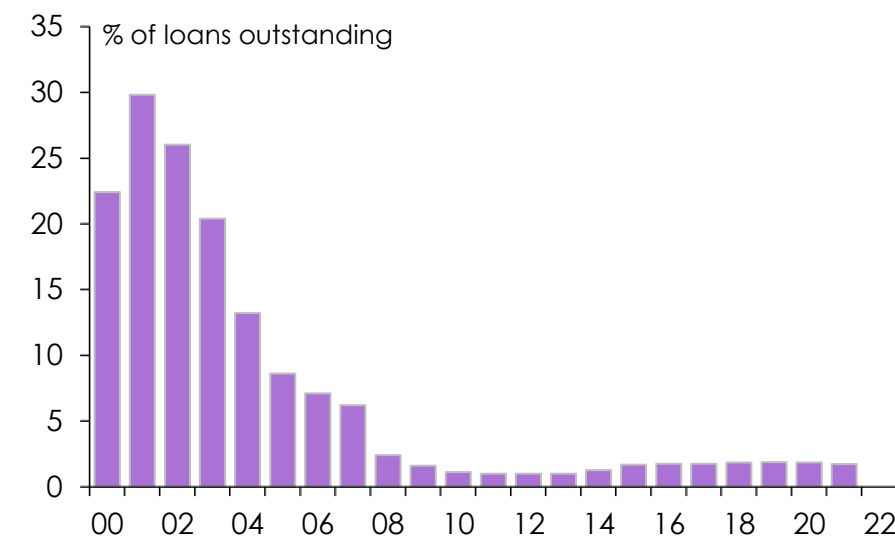
Credit outstanding by sector



Banks' liabilities



Banks NPLs – official estimates

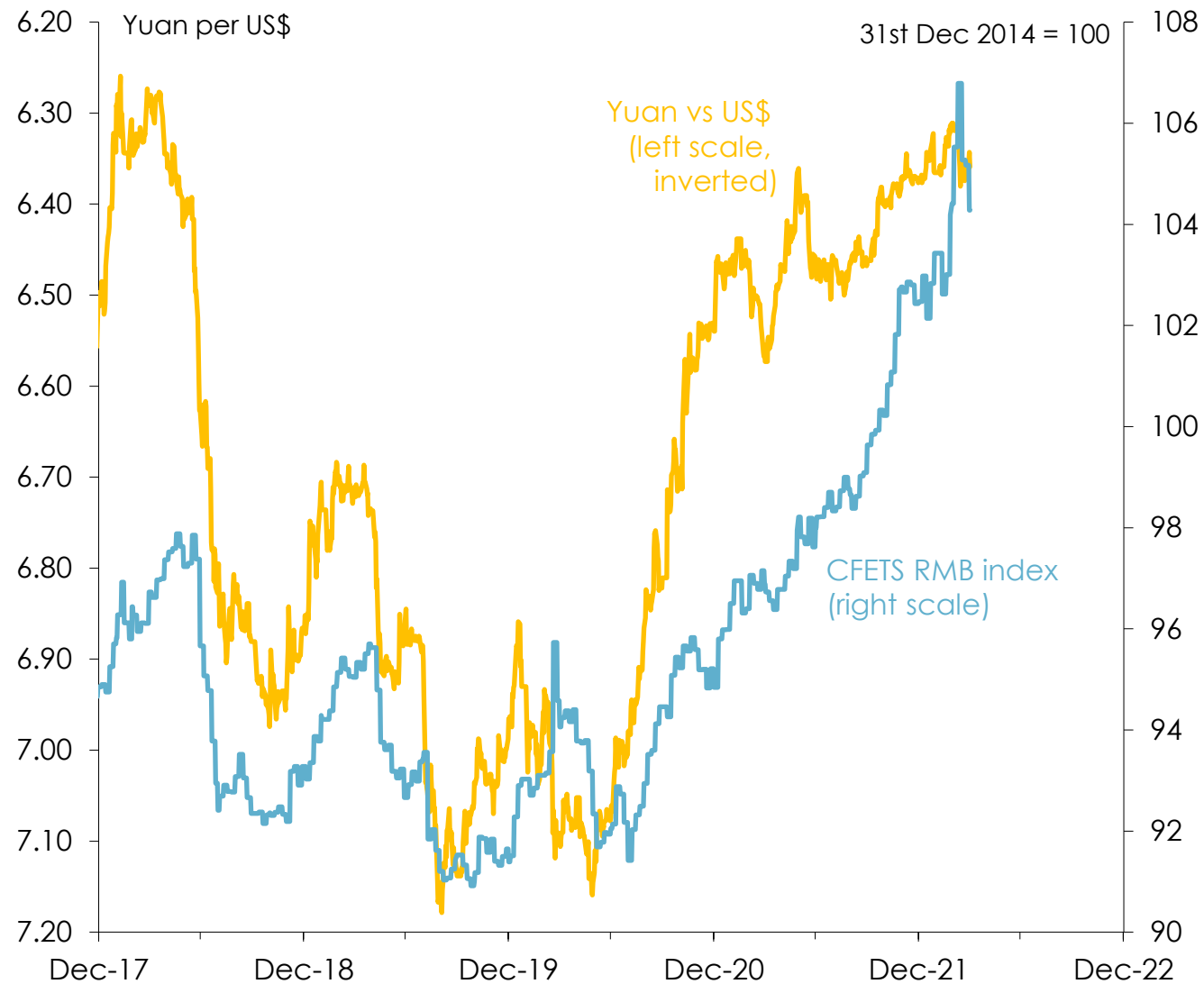


Sources: People's Bank of China, [Financial Statistics Reports](#); Bank for International Settlements, [Credit to the non-financial sector](#); China Banking and Insurance Regulatory Commission, [Supervisory Statistics of the Banking and Insurance Sectors](#). [Return to "What's New"](#).

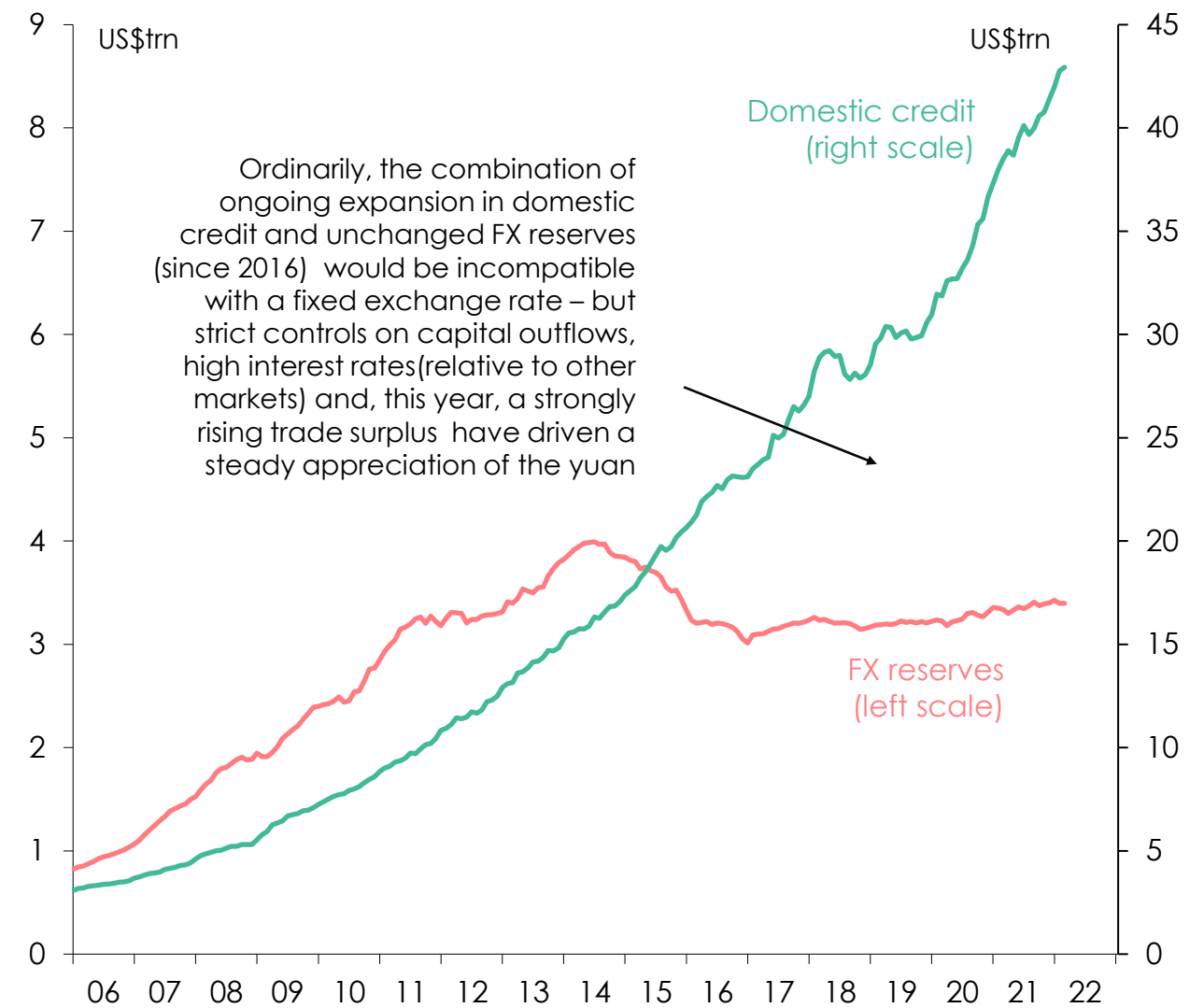
The yuan rose 0.1% against the US\$ last week but fell another 0.9% against the PBoC's TWI reflecting the further recovery in the ruble

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Chinese renminbi vs US\$ and trade-weighted index



FX reserves and domestic credit



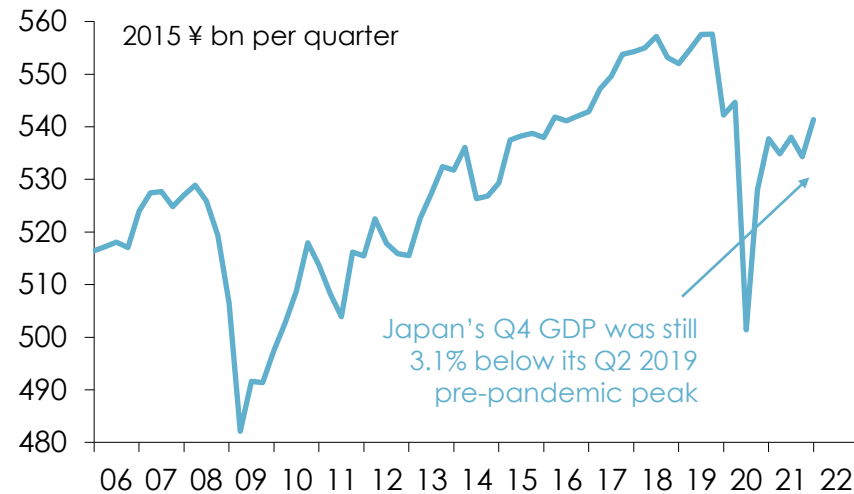
Note: The Russian ruble has a weight of 2.6% in the CFETS index, so its large movements since the invasion of Ukraine would appear to account for most of the swings in the PBoC's index over the past three weeks. Sources: Refinitiv Datastream; China Foreign Exchange Trading System; People's Bank of China. Exchange rates up to 18th March; FX reserves and credit data up to February. [Return to "What's New"](#).

Japan

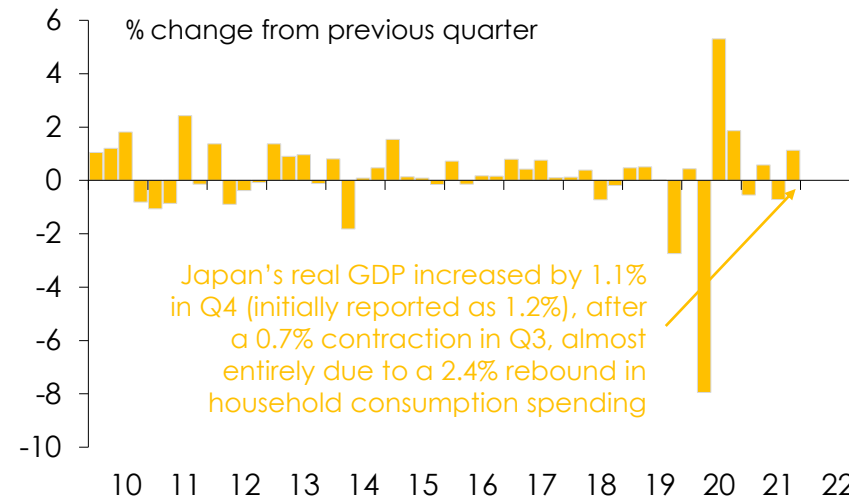
Japan's real GDP rebounded 1.1% in Q4 last year after falling in two of the three previous quarters but was still 3.1% short of its pre-pandemic peak

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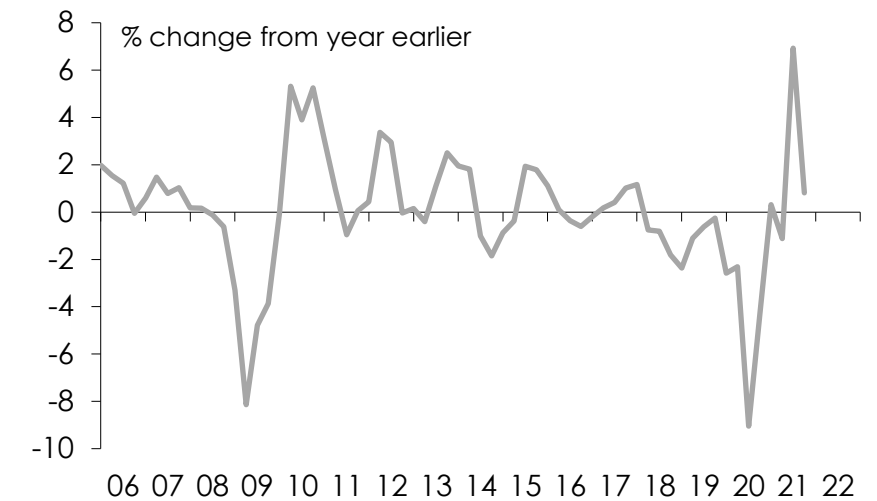
Level of real GDP



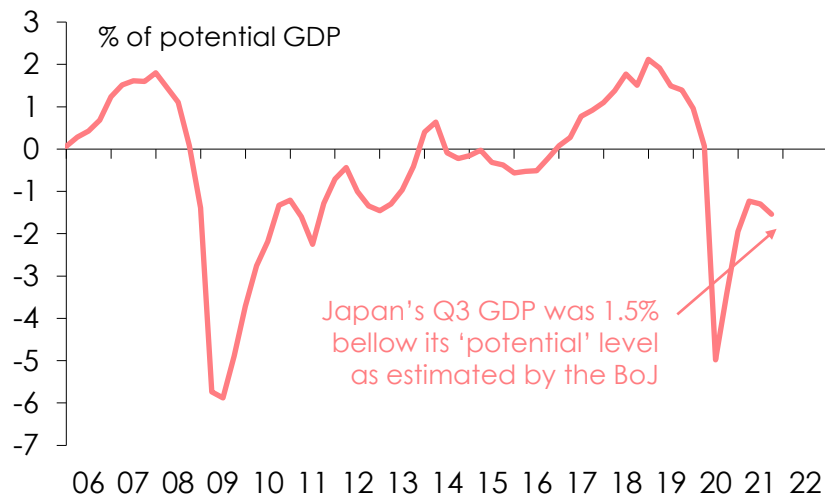
Quarterly change in real GDP



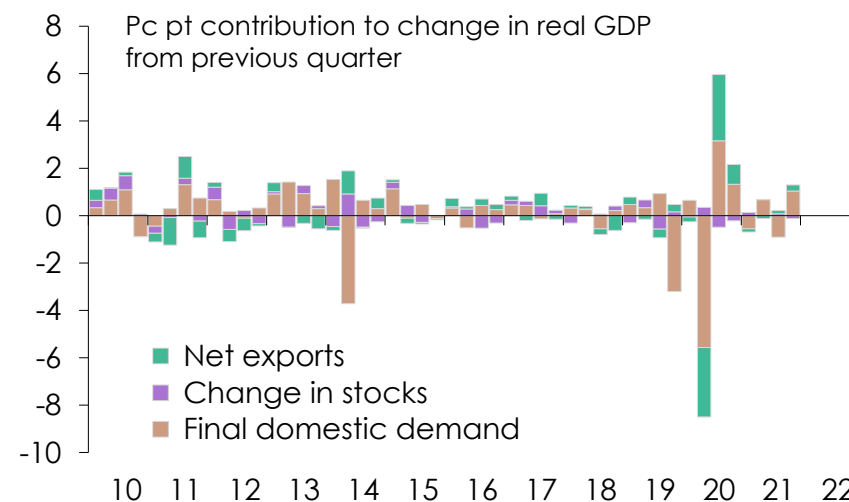
Labour productivity growth



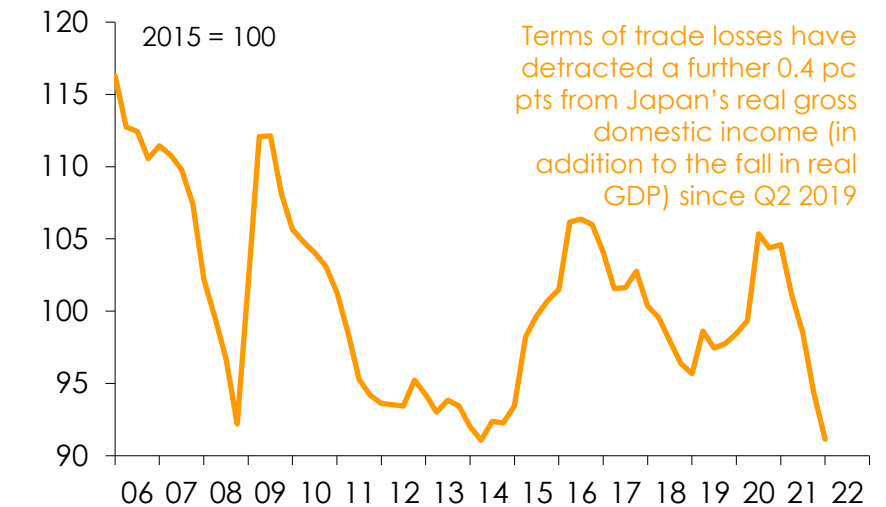
The 'output gap'



Contributions to change in real GDP



Terms of trade

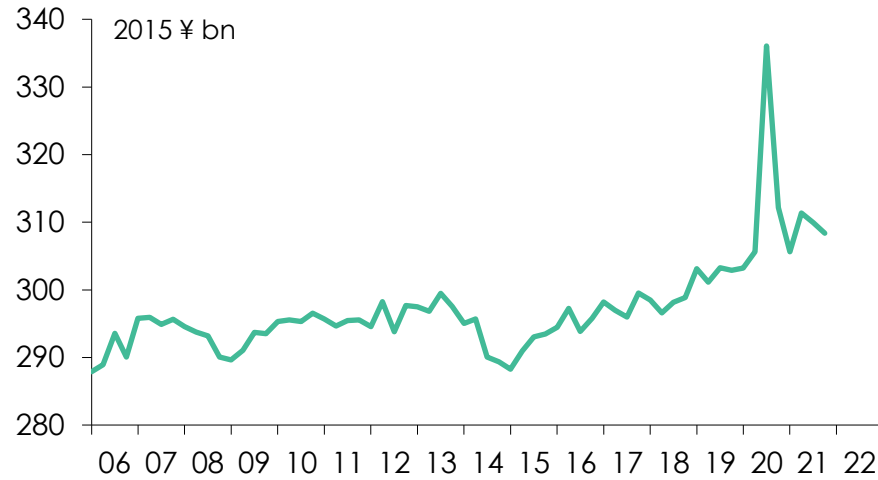


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

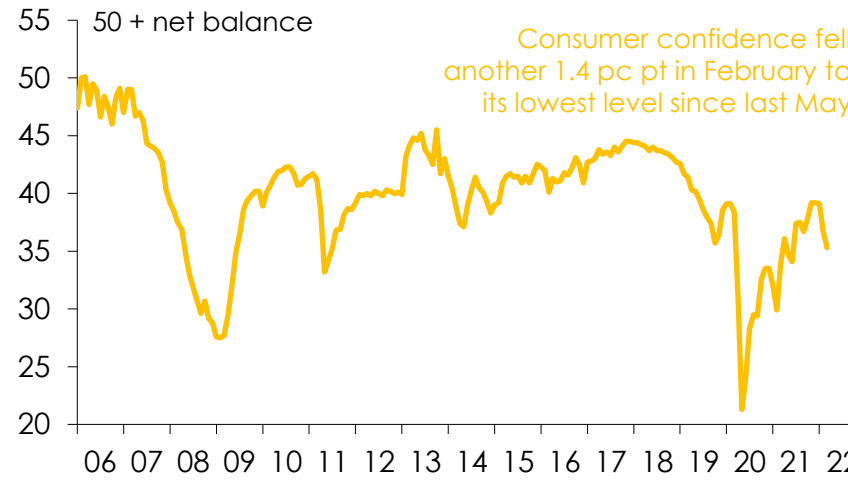
Household incomes have been supported by fiscal transfers, but much of them have been saved so household spending has remained weak

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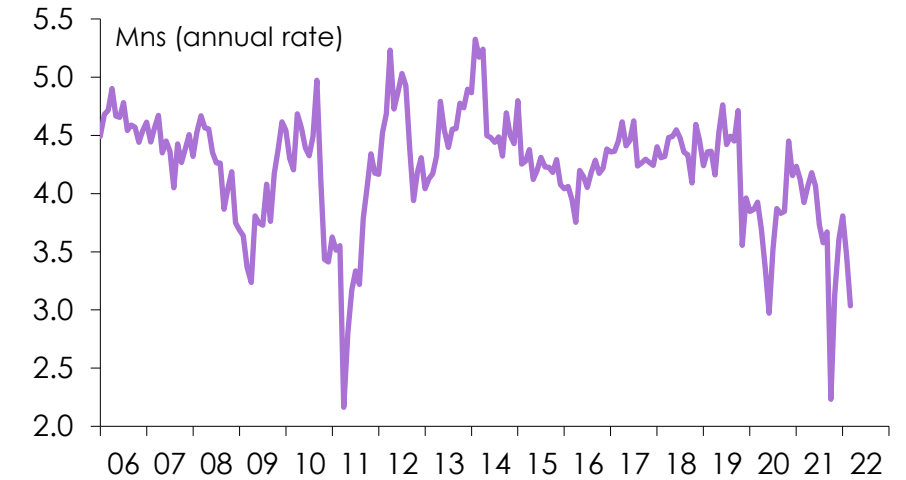
Real household disposable income



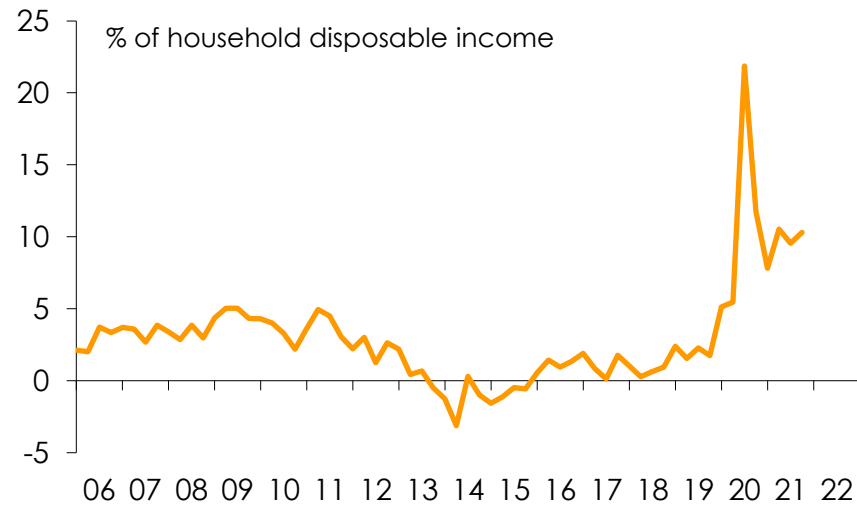
Consumer confidence



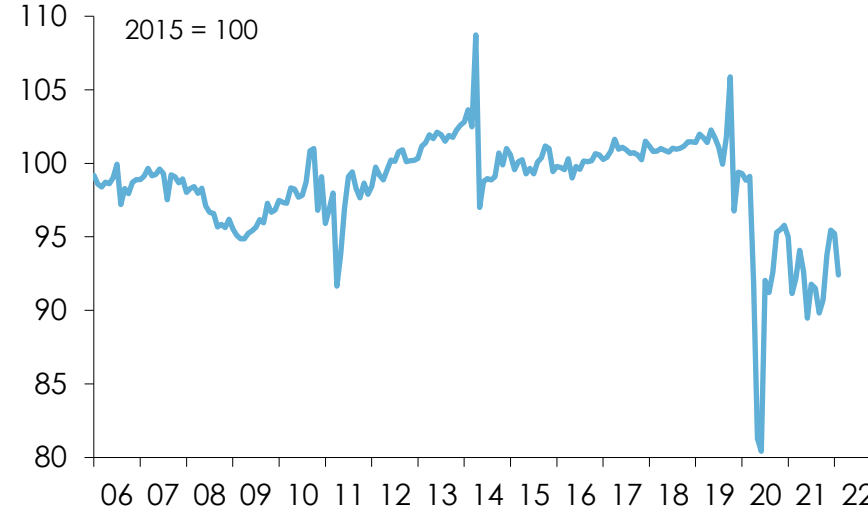
Motor vehicle sales



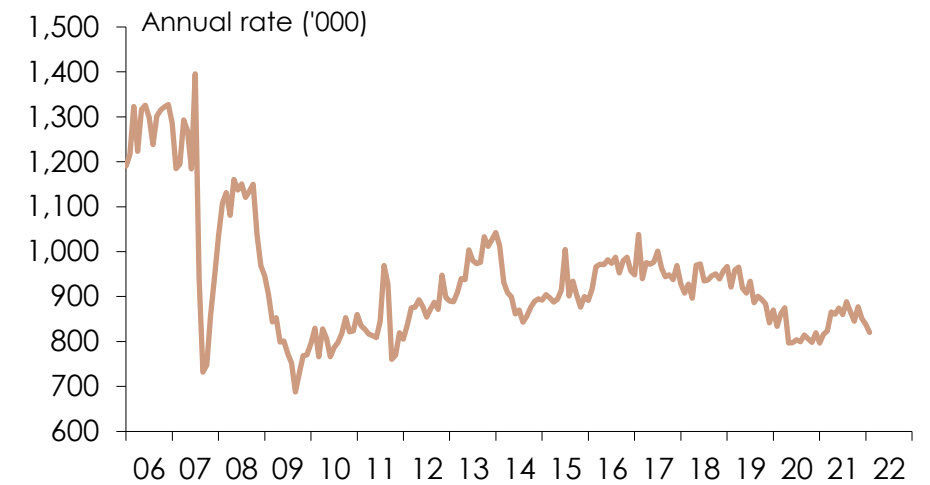
Household saving



Consumption activity index



Housing starts

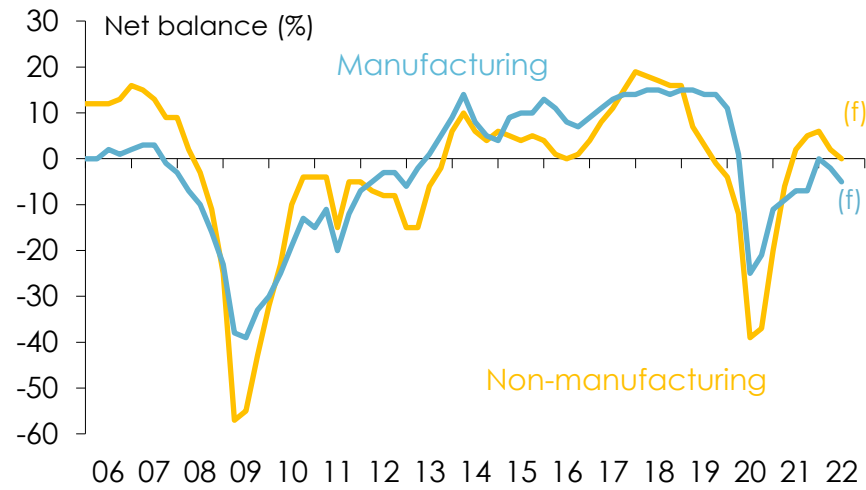


Sources: Japan Cabinet Office, [Quarterly Estimates of Household Disposable Income and Household Saving Ratio](#) and [Consumer Confidence Survey](#); Bank of Japan, [Consumption Activity Index](#); Japan Automobile Dealers Association, [Statistical Data](#); Japan e-Stat, [Building Starts](#). [Return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

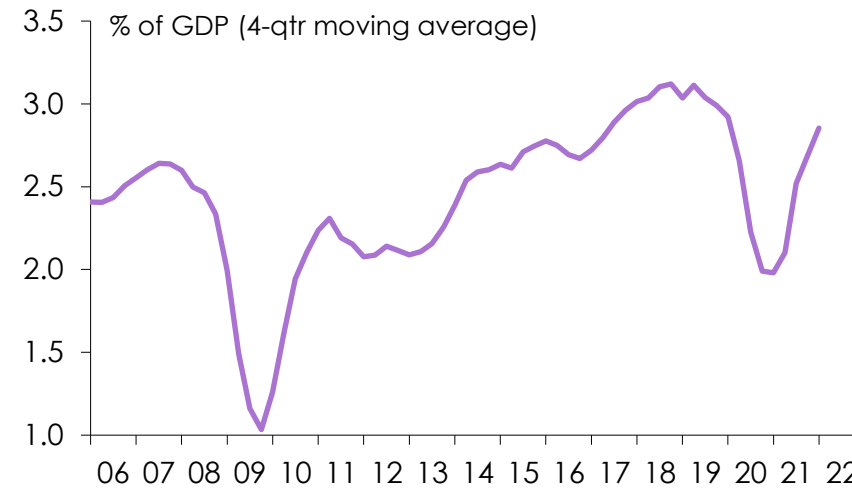
Japanese business confidence deteriorated in the first quarter of this year according to the BoJ's *tankan* survey, largely reflecting rising input costs

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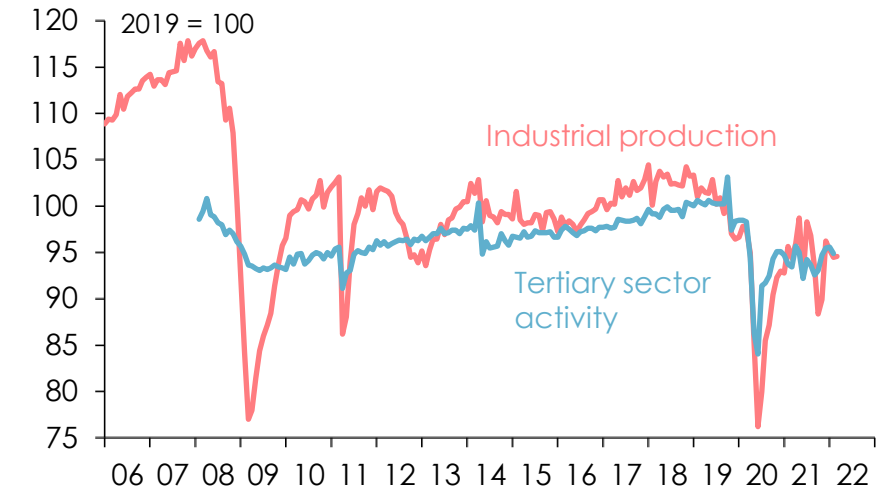
Business conditions by industry



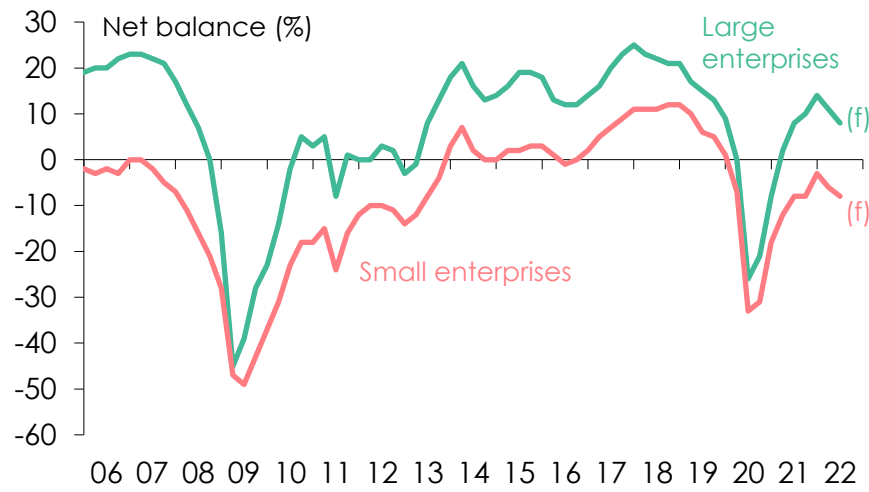
Corporate operating profits



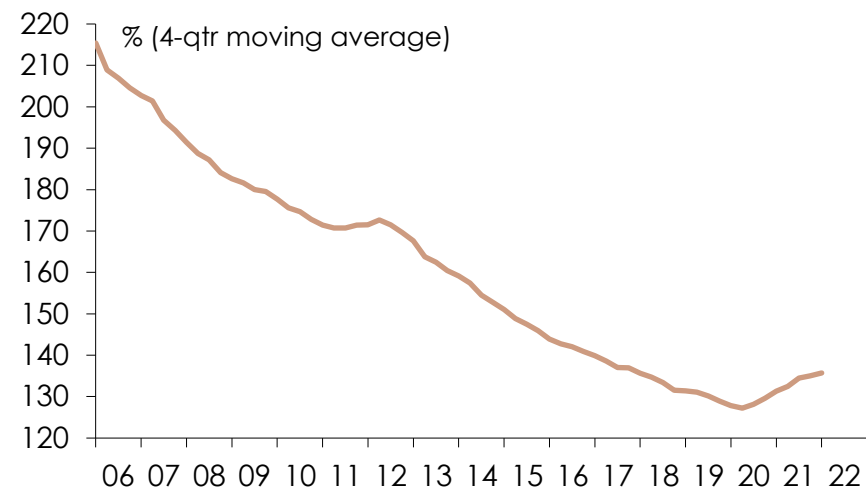
Indexes of economic activity



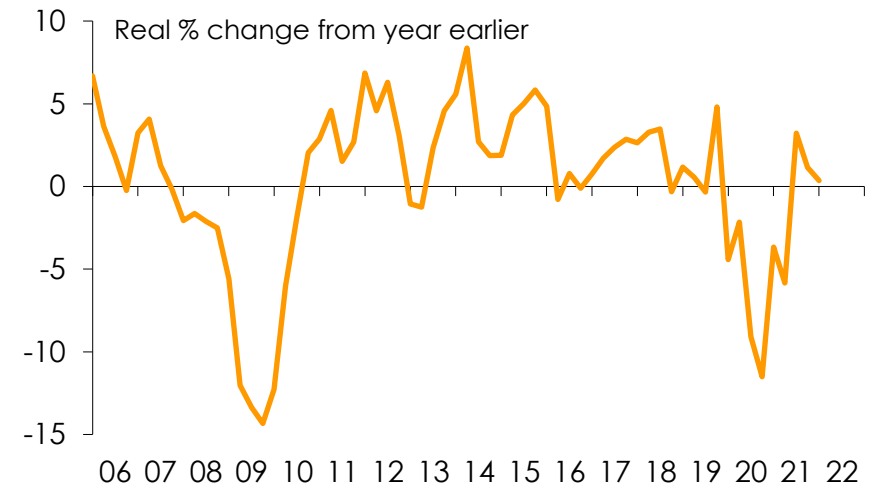
Business conditions by firm size



Corporate debt-equity ratio



Business investment

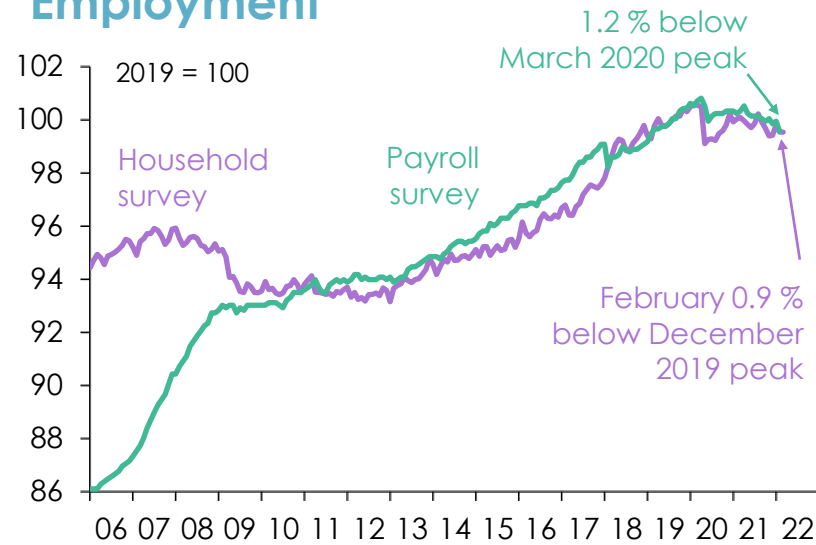


Sources: Bank of Japan, [Short-Term Economic Survey of Enterprises in Japan \('Tankan'\)](#); Policy Research Institute, Ministry of Finance, [Financial Statements Statistics of Corporations by Industry, Quarterly](#); Ministry of Economy, Trade & Industry, [Indices of Industrial Production](#) and [Indices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

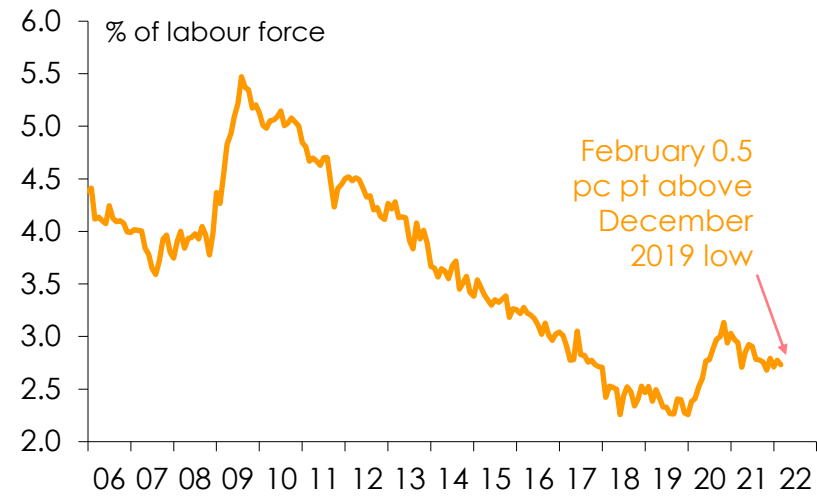
Employment was unchanged in Japan in February, still 0.9% below its pre-pandemic peak, while the unemployment rate dropped 0.1 pc pt to 2.7%

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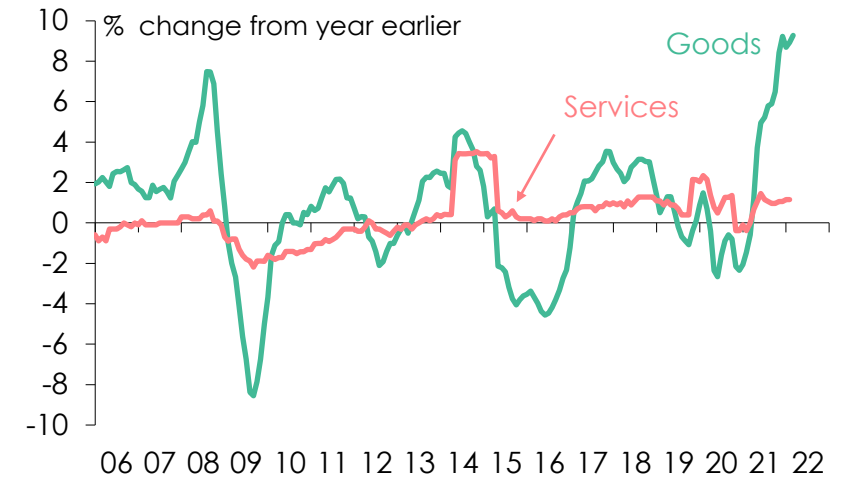
Employment



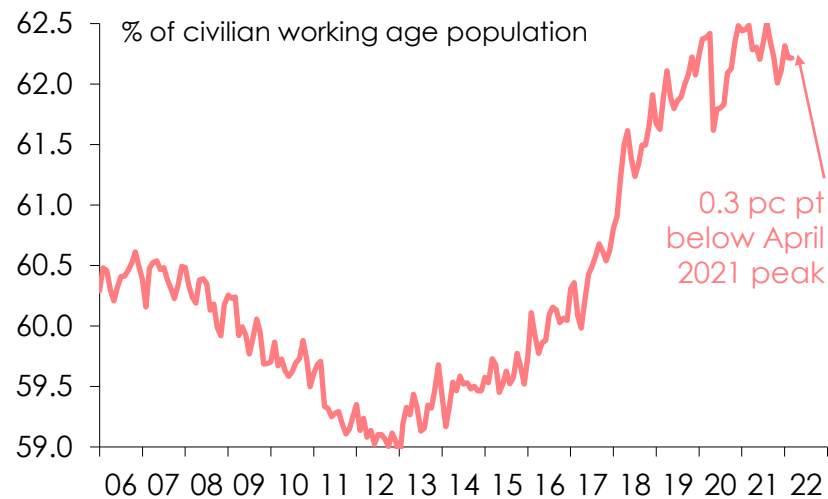
Unemployment rate



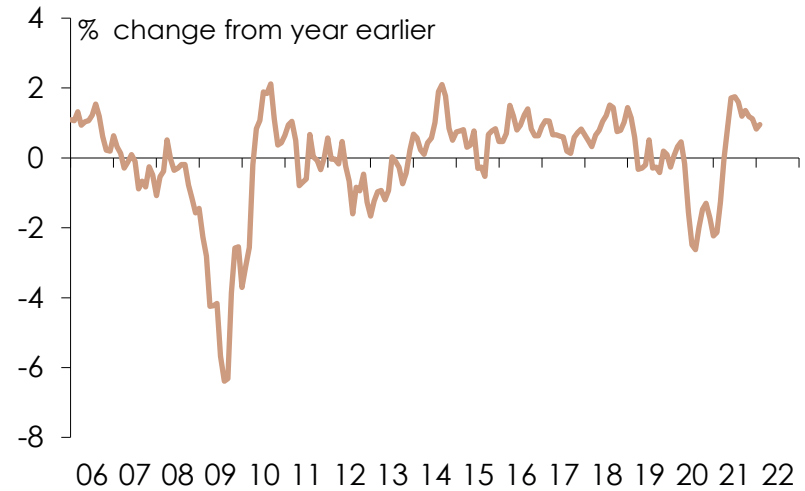
'Corporate' (producer) prices



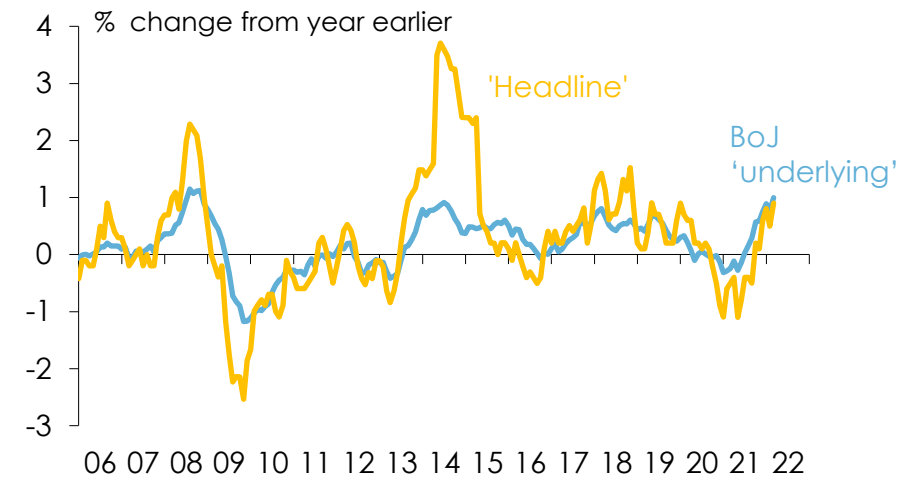
Labour force participation rate



Wages growth



Consumer prices

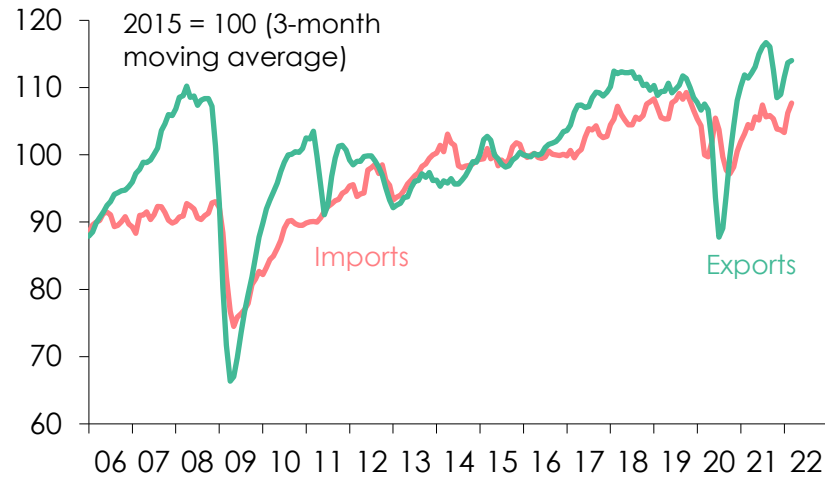


Sources: Statistics Bureau of Japan, [Labour Force Survey](#) and [Consumer Price Index](#); Ministry of Health, Labour and Welfare, [Monthly Labour Survey](#); Bank of Japan, [Prices and Measures of Underlying Inflation](#). [Return to "What's New"](#).

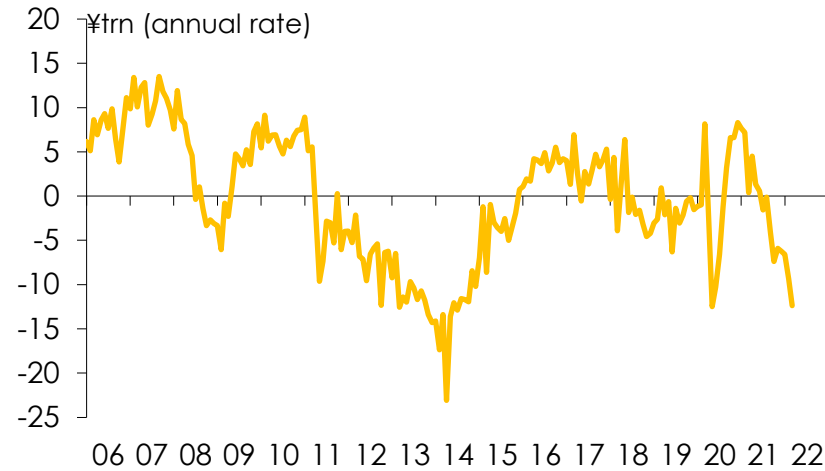
Japan's auto exports have been impacted by supply-chain difficulties, which together with higher import prices have erased its trade surpluses

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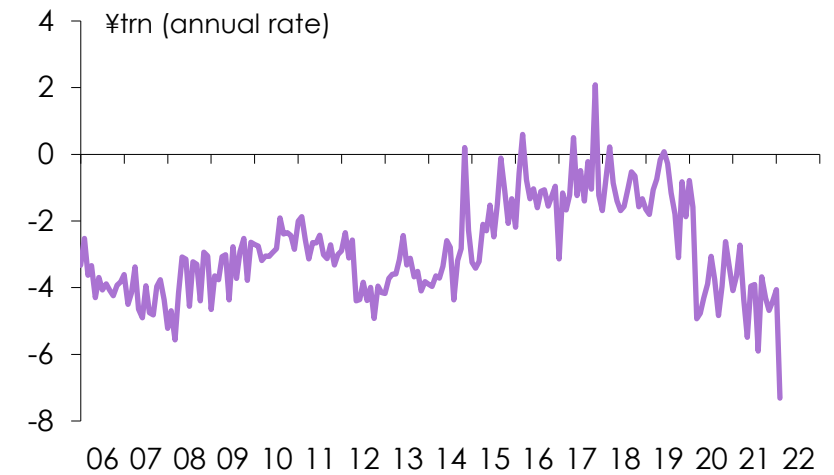
Merchandise trade volumes



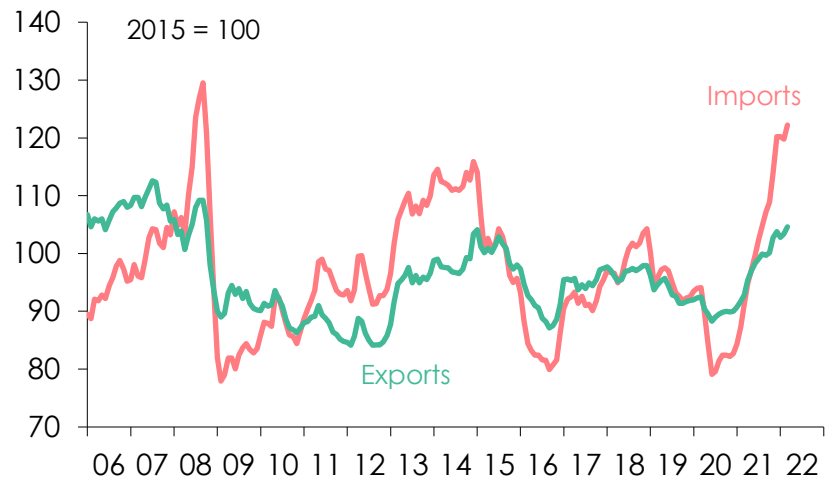
Merchandise trade balance



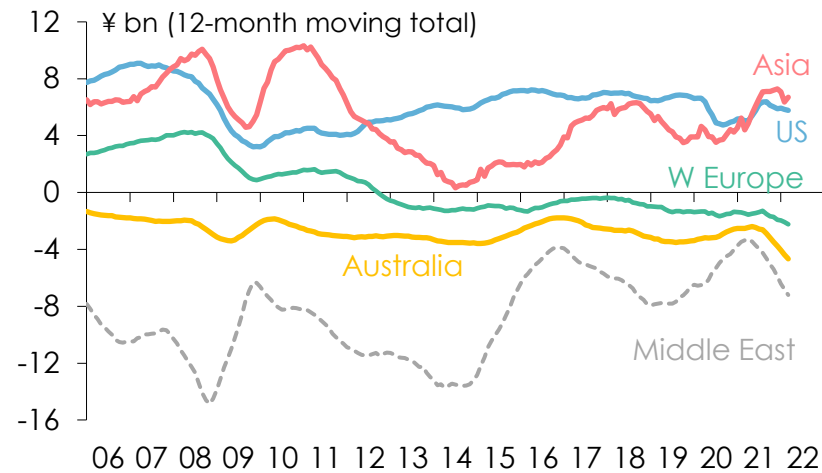
Services trade balance



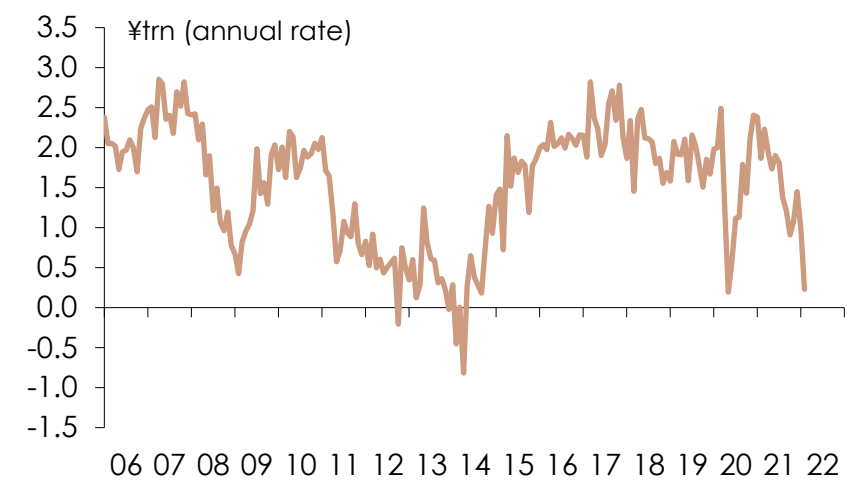
Merchandise trade prices



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 month's Policy Board meeting, and continues to emphasize downside rather than upside risks

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- ❑ **As universally expected, the BoJ left all its monetary policy settings unchanged at its Policy Board meeting on 18th March**
 - 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

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IMF and Asian Development Bank forecasts for East Asian economies

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

Note: * Pc 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"](#).

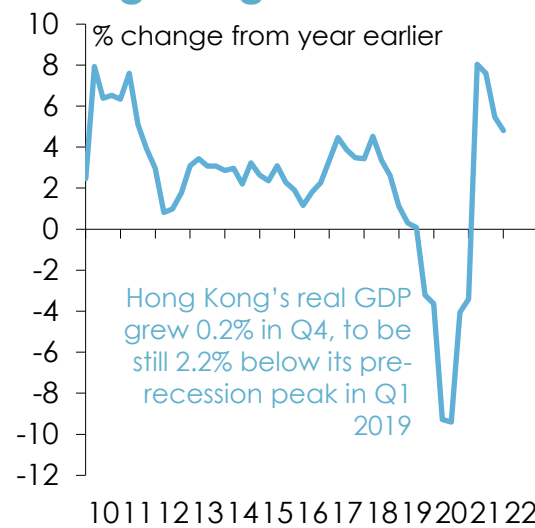
Thailand, Philippines and Malaysia have yet to regain their pre-pandemic levels of GDP

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Korea



Hong Kong



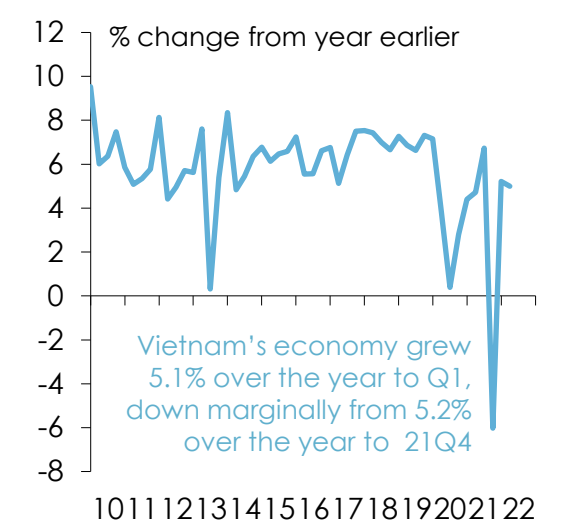
Indonesia



Thailand



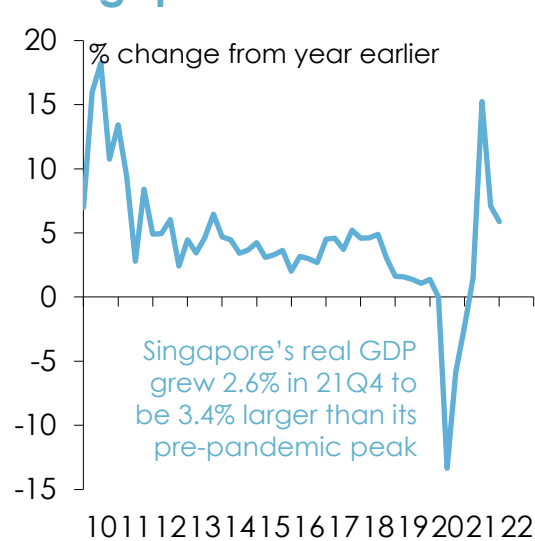
Vietnam



Taiwan



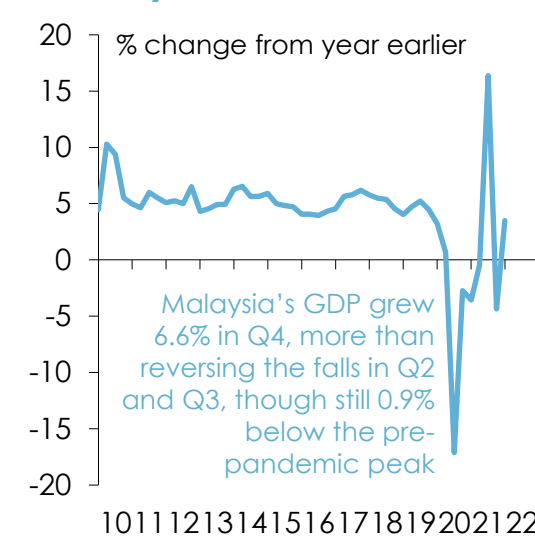
Singapore



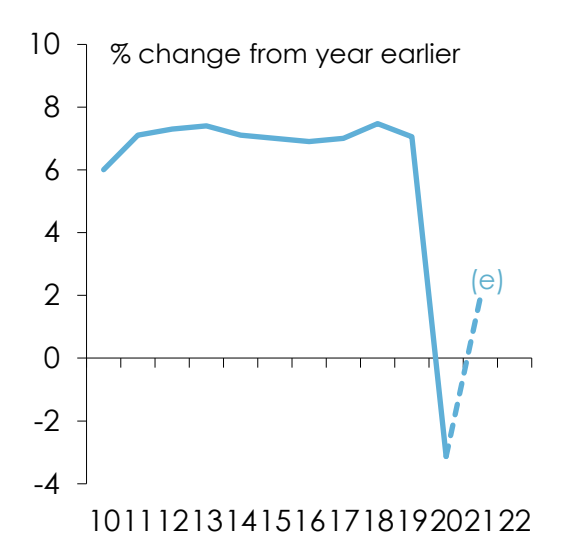
Philippines



Malaysia



Cambodia

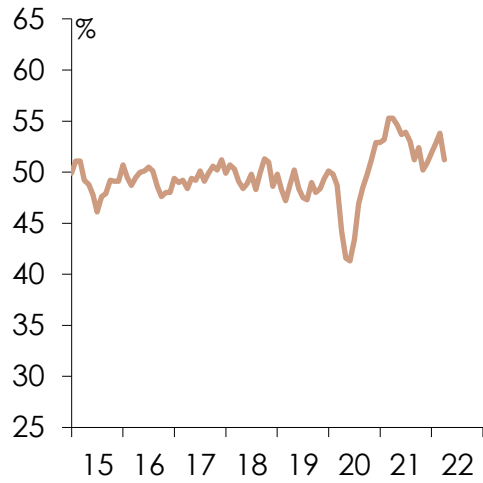


Sources: Bank of Korea; Taiwan Directorate-General of Budget, Accounting & Statistics; Hong Kong Census & Statistics Department; Singapore Ministry of Trade and Industry; Department of Statistics Malaysia; Office of the National Economic & Social Development Council of Thailand; Statistics Indonesia;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

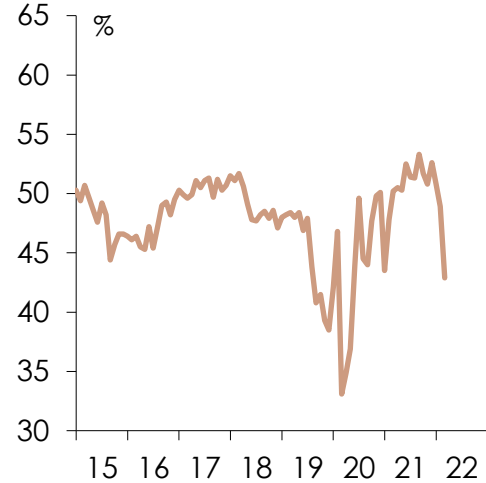
March PMIs indicate a softening in manufacturing activity in most east Asian economies, except for Indonesia and the Philippines

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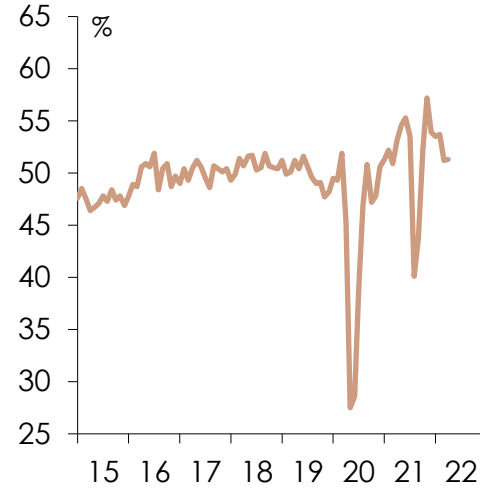
Korea



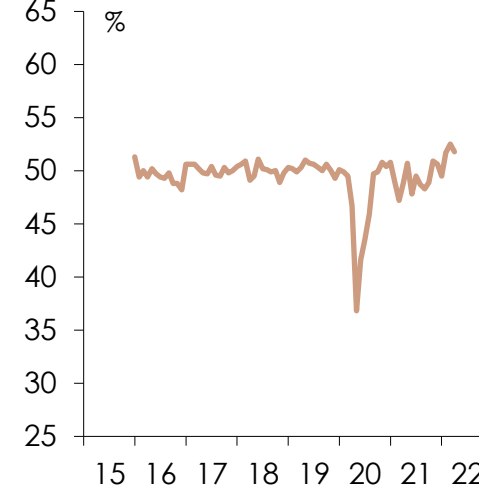
Hong Kong



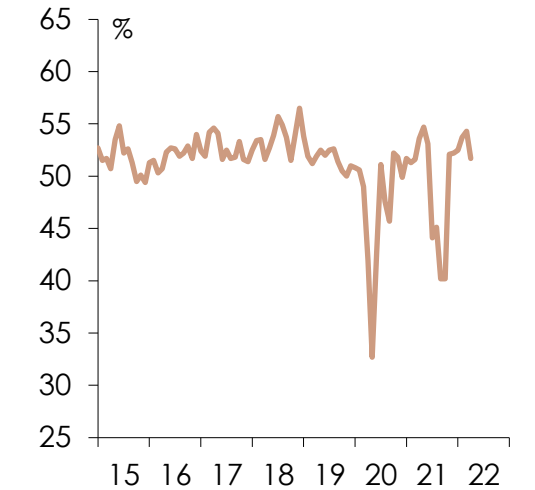
Indonesia



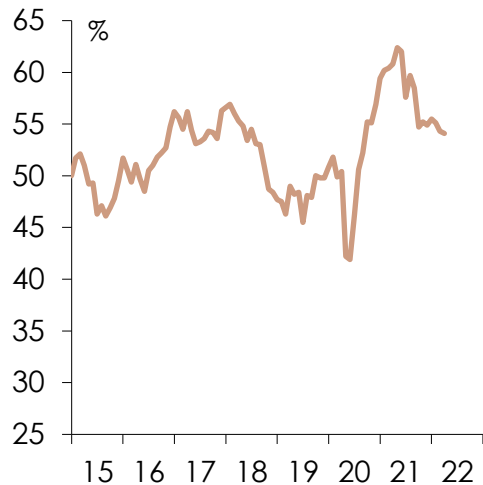
Thailand



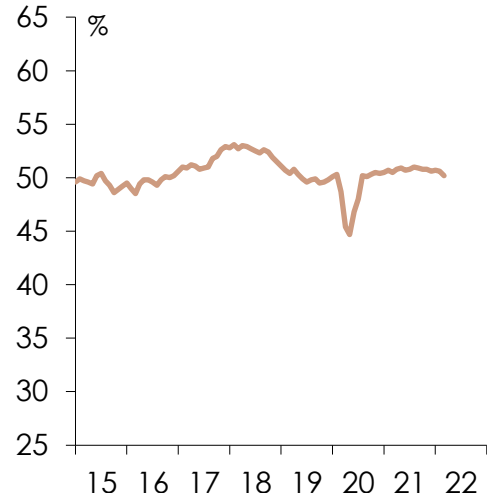
Vietnam



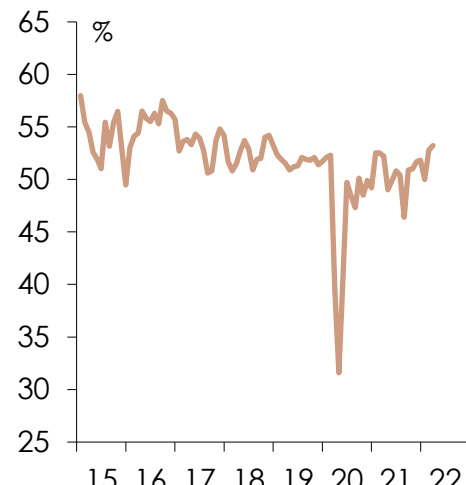
Taiwan



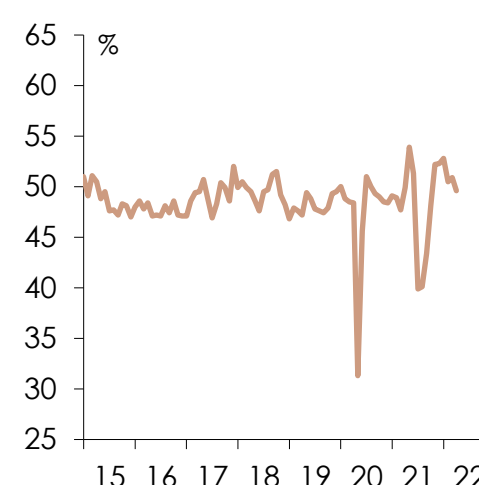
Singapore



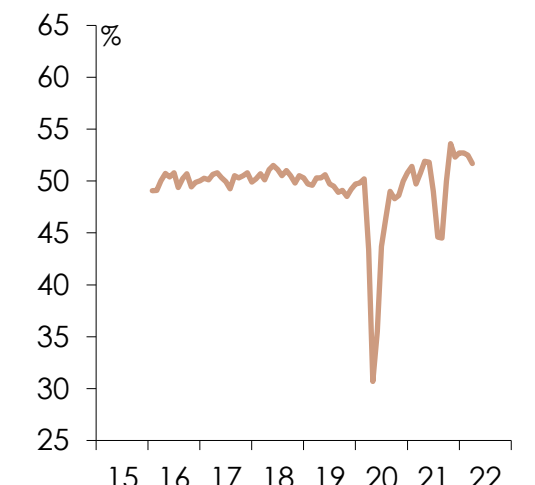
Philippines



Malaysia



ASEAN

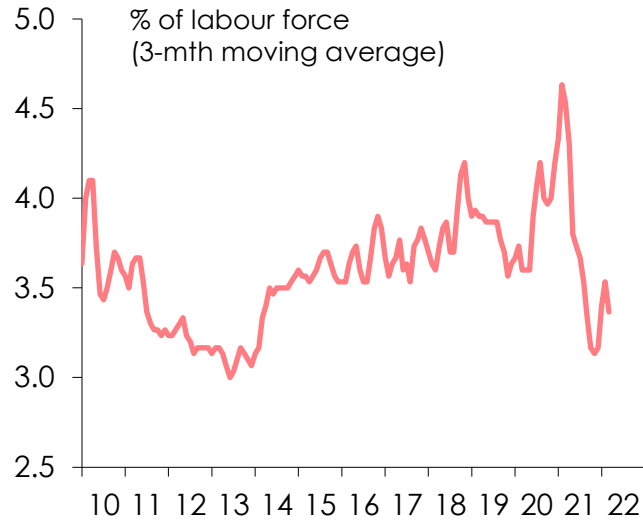


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous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

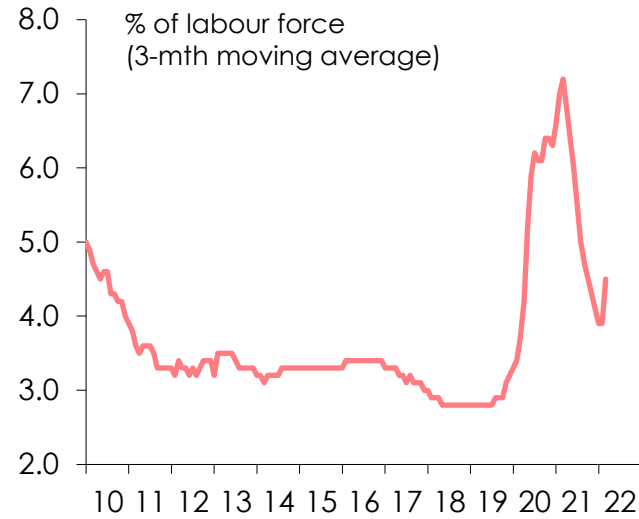
Unemployment rose sharply in most Asian economies last year but is now falling in most of them

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

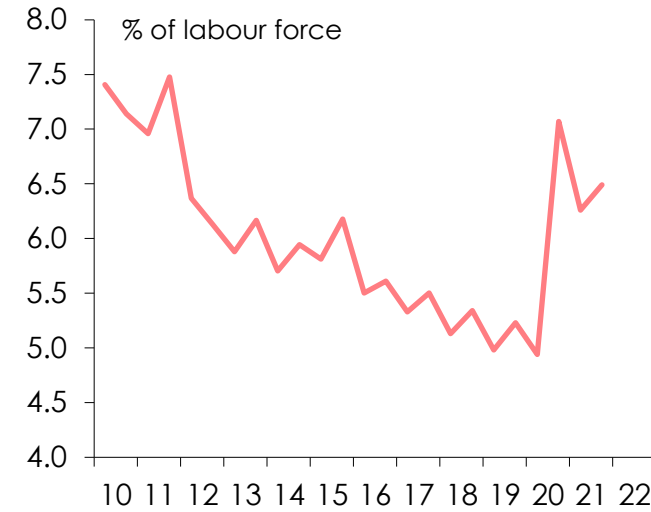
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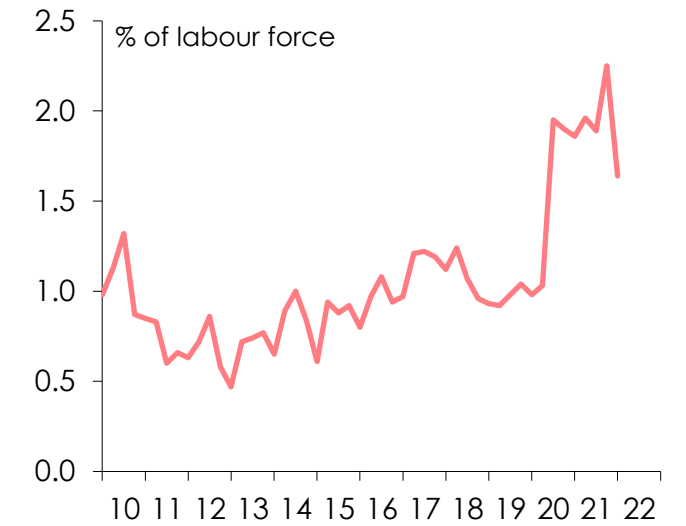
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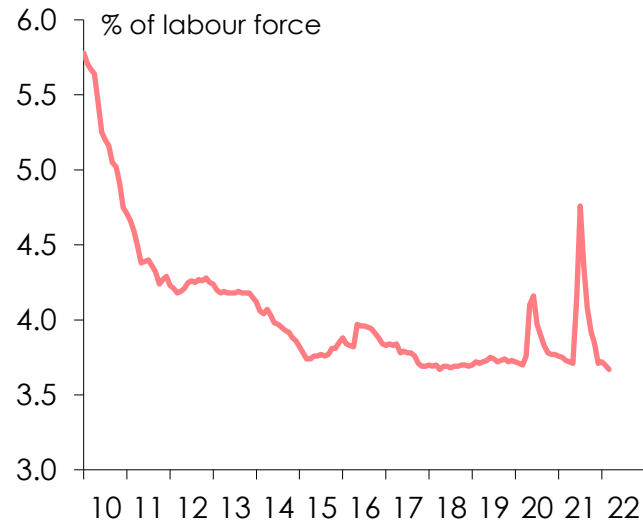
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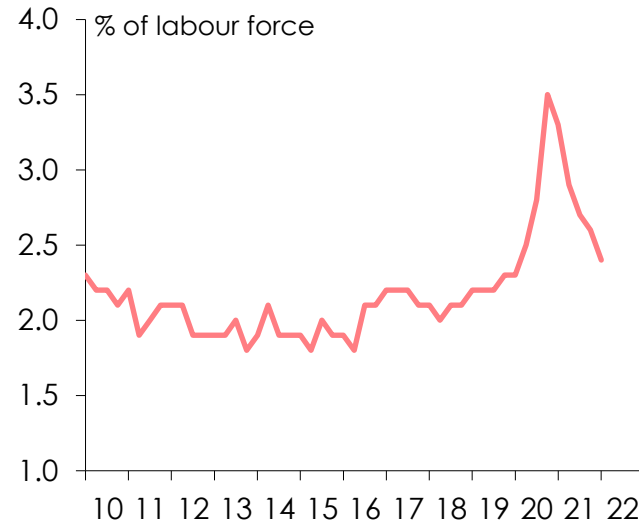
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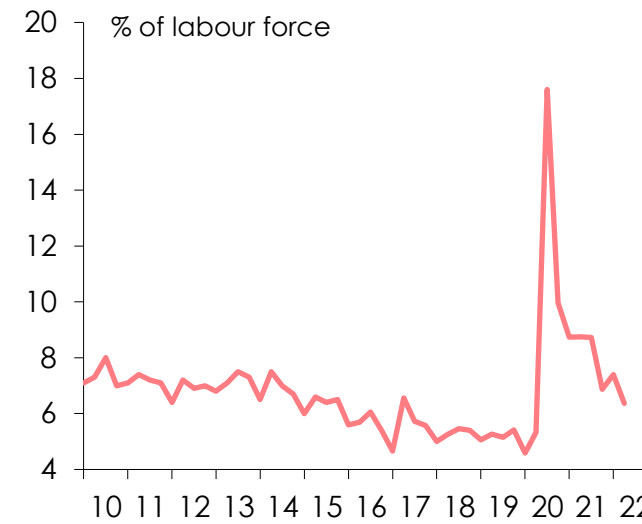
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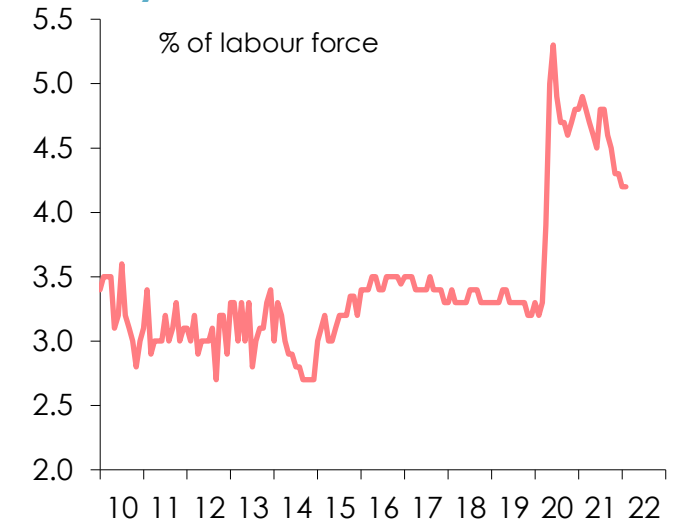
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Philippines



Malaysia

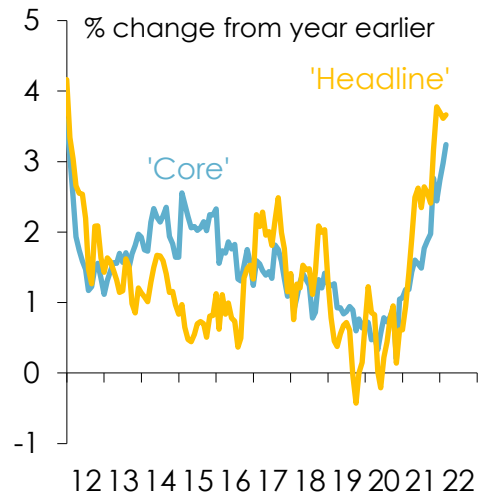


Note: Unemployment data is published monthly in Korea, Taiwan, Hong Kong, and Malaysia; quarterly in Singapore, Thailand and the Philippines; semi-annually (February and August) in Indonesia. Sources: national statistical agencies. [Return to "What's New"](#).

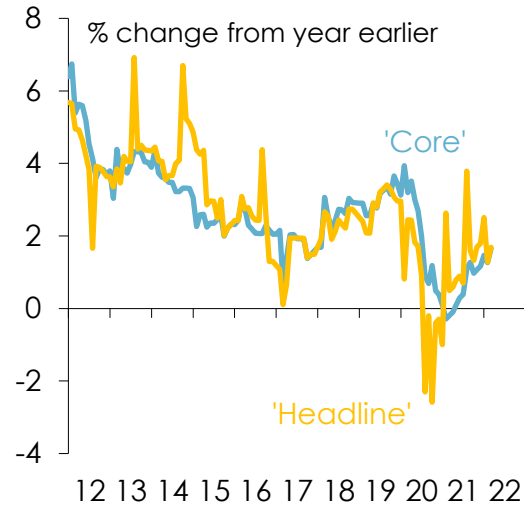
'Core' inflation is rising in a growing number of Asian economies, including now Indonesia

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

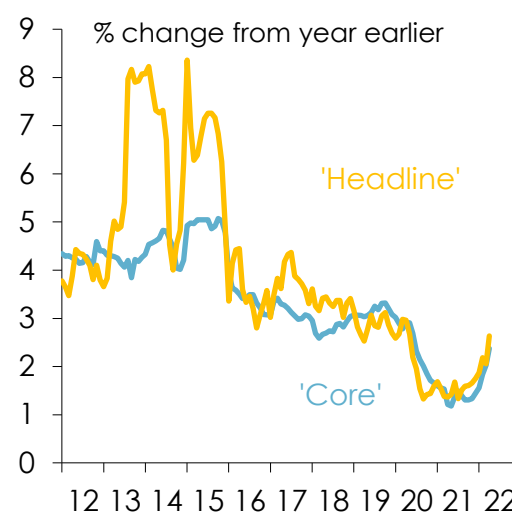
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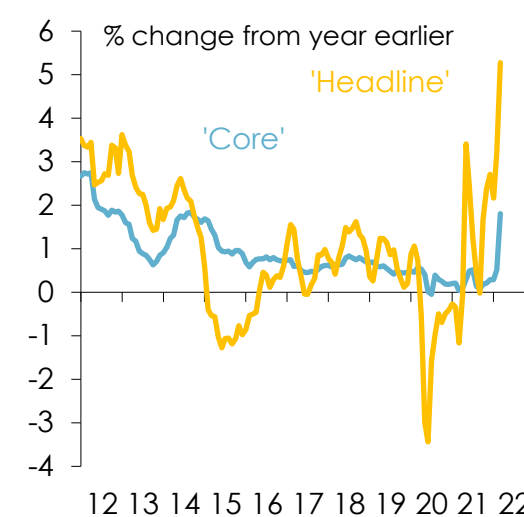
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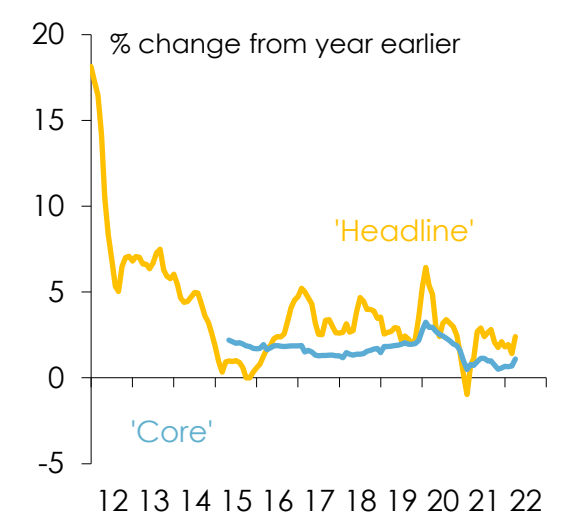
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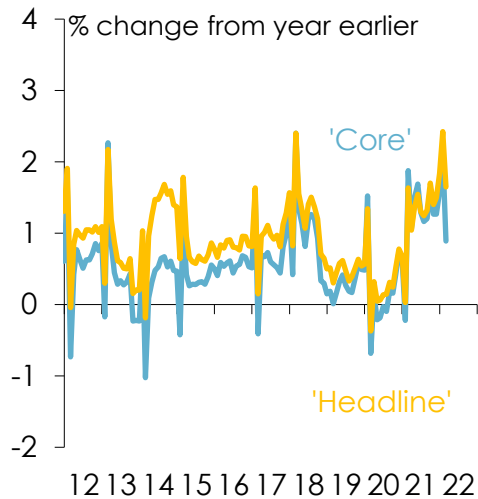
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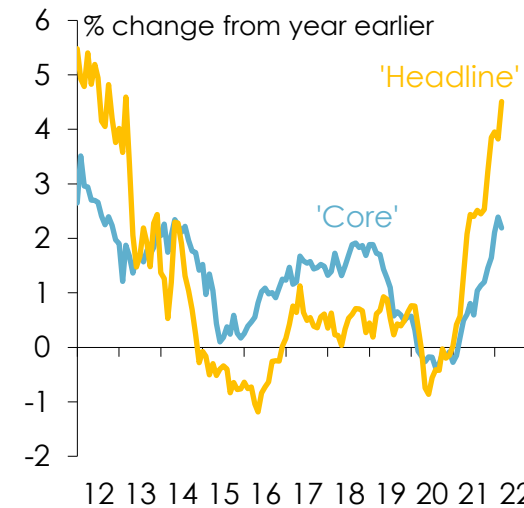
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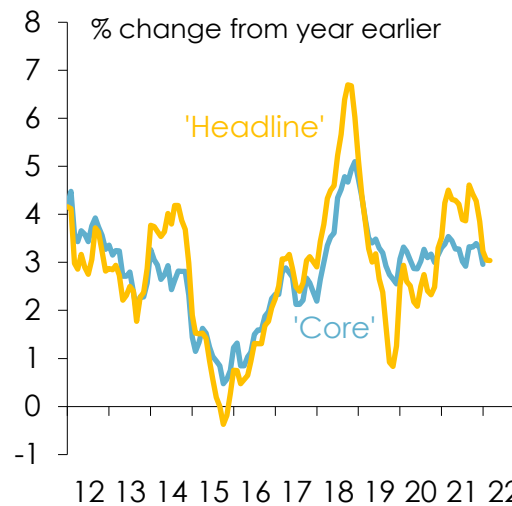
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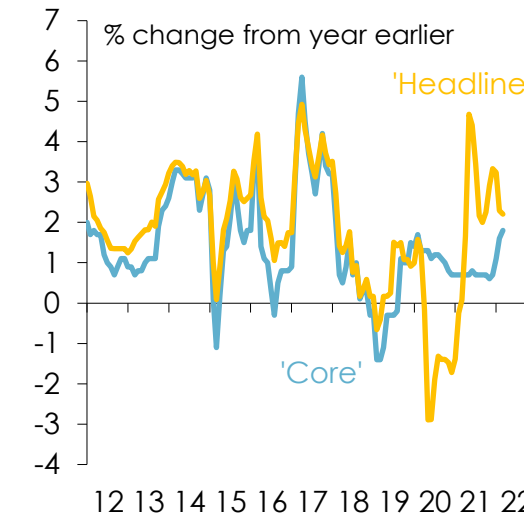
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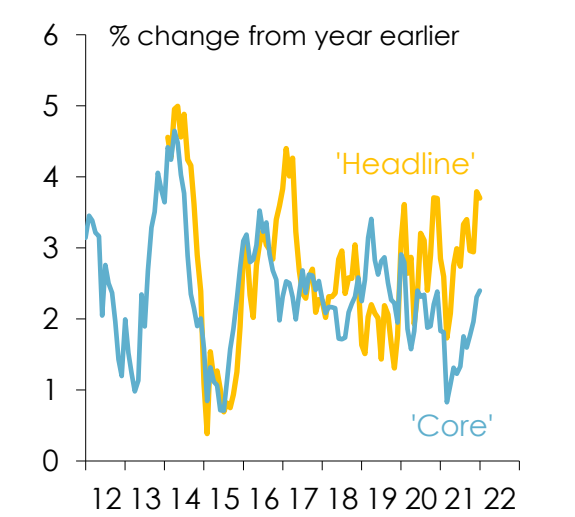
Philippines



Malaysia



Cambodia

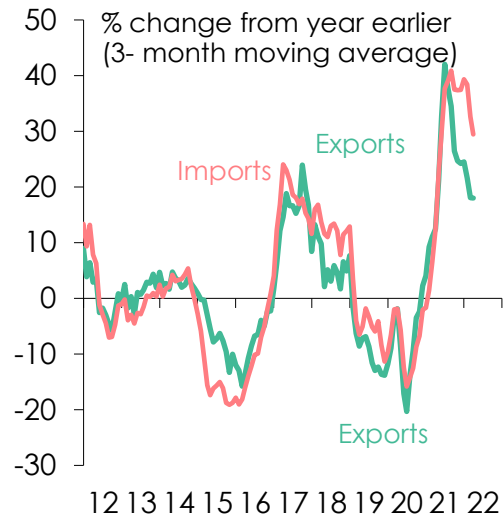


Note: 'Core' inflation in Korea excludes agricultural products and oil; in Taiwan it excludes fresh fruit, vegetables and energy; in Singapore it excludes accommodation and private transport; and in Hong Kong it excludes the effect of 'one-off government relief measures'. 'Core' inflation in Indonesia 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 returning to more 'normal' growth rates following the 'bump' in 2021 inflated by comparison with 2020

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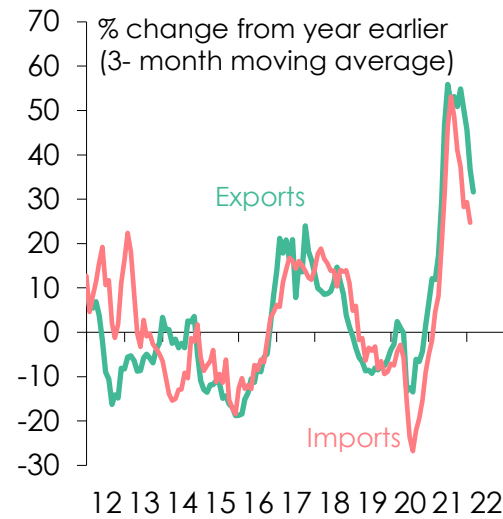
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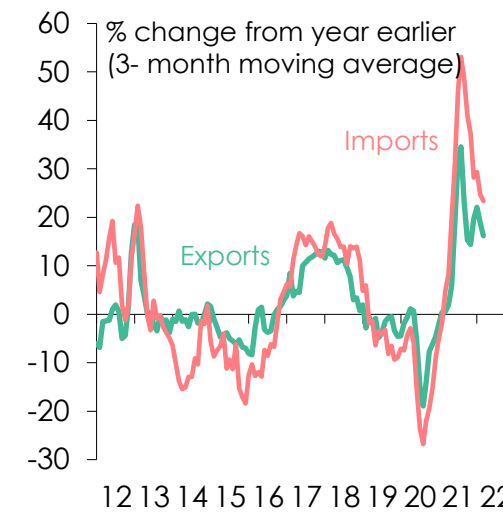
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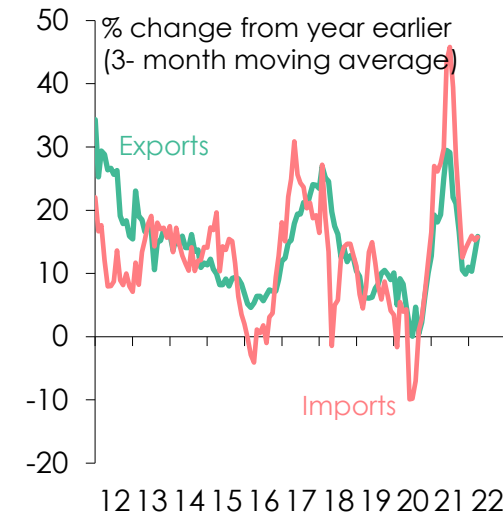
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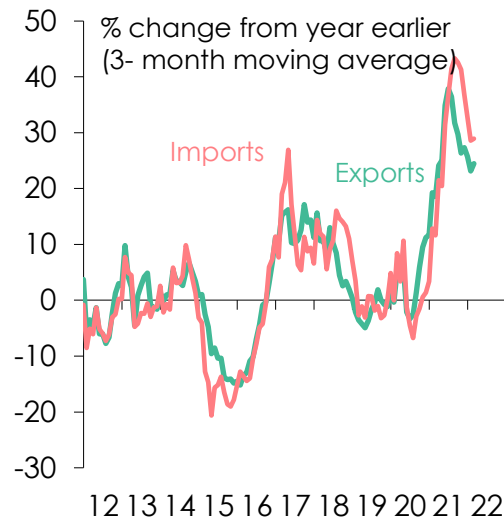
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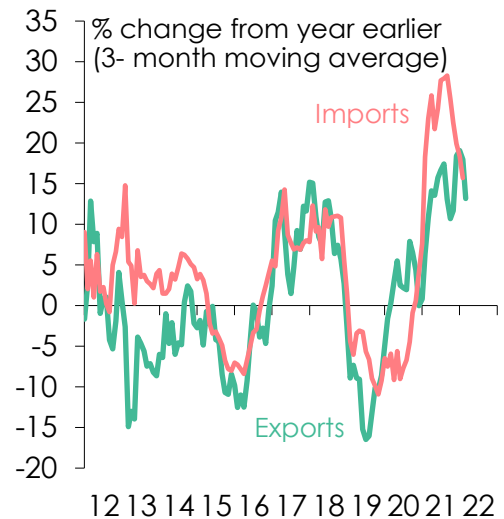
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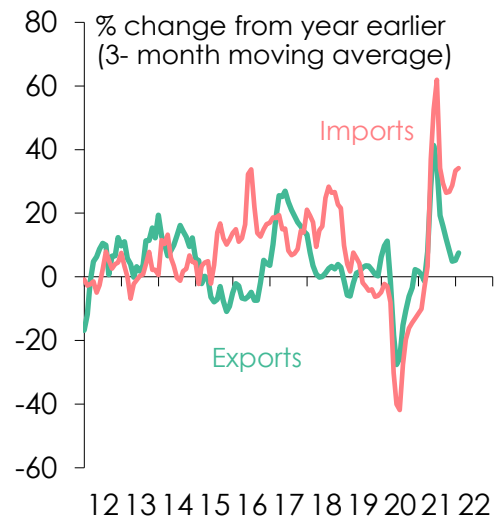
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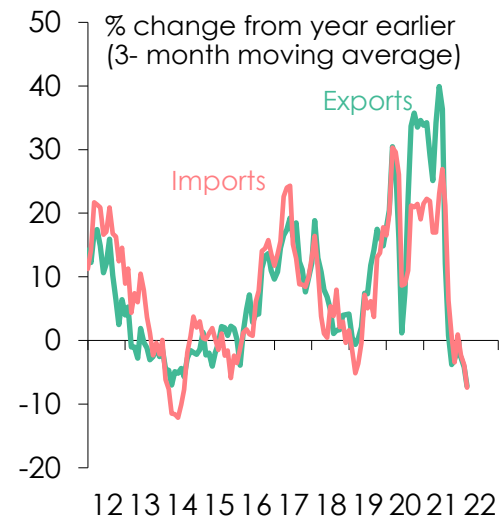
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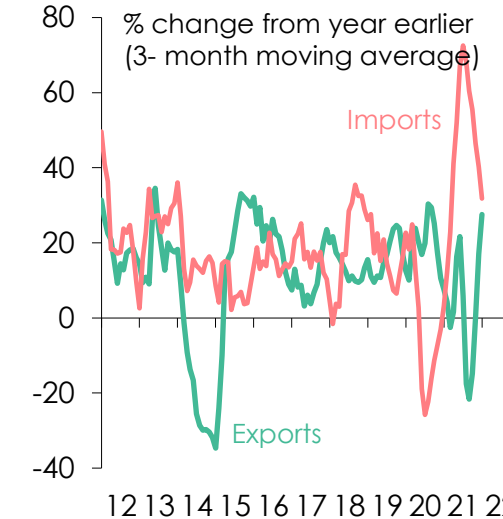
Philippines



Malaysia



Cambodia

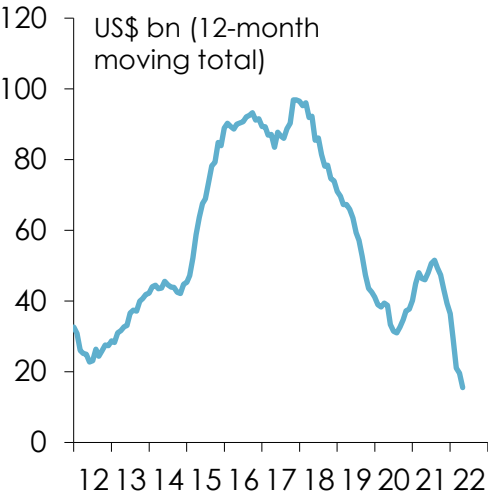


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

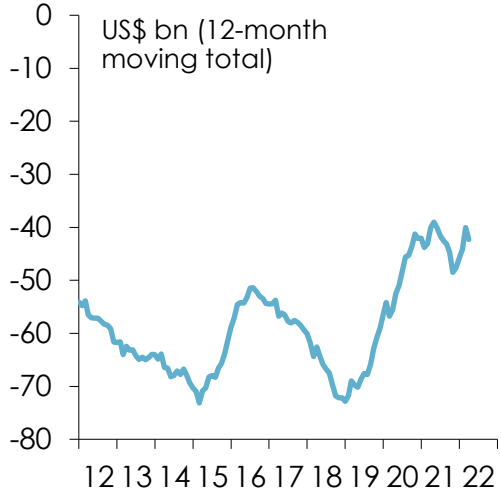
Most Asian economies – except for Indonesia, Malaysia and Singapore – are experiencing some deterioration in their trade balances

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

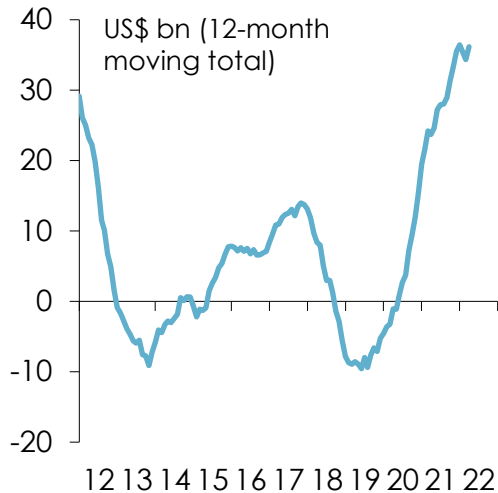
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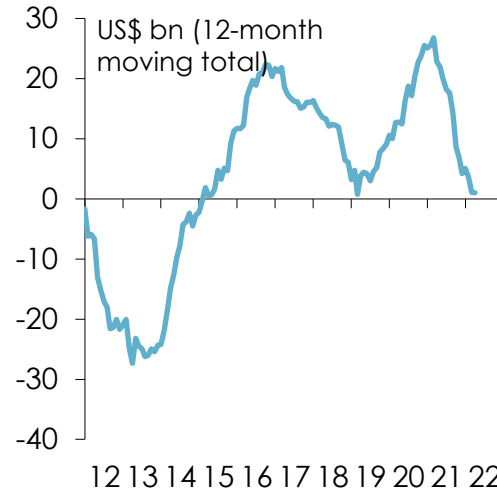
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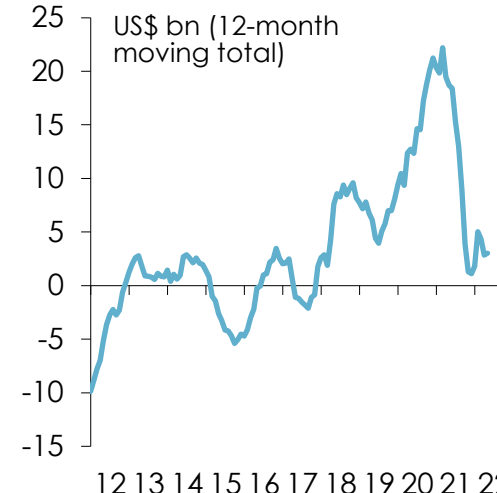
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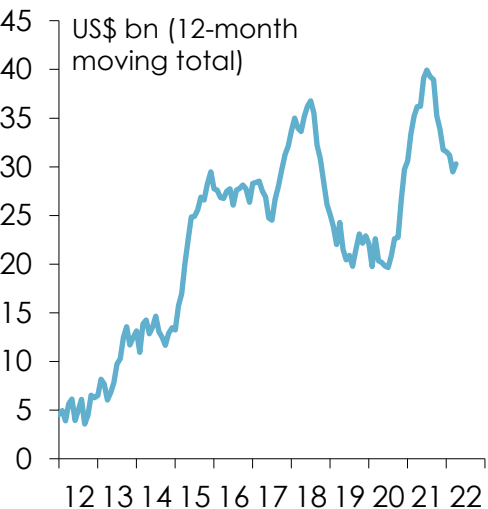
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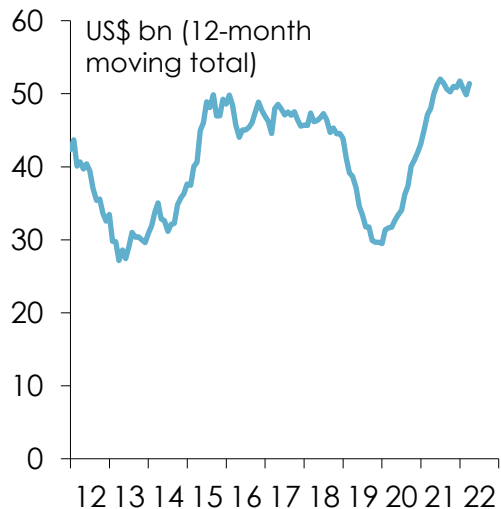
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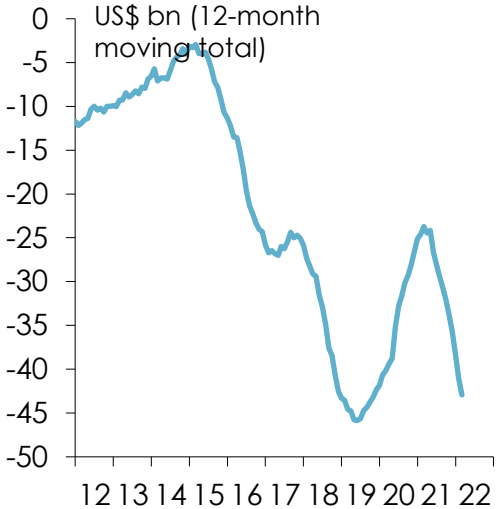
Taiwan



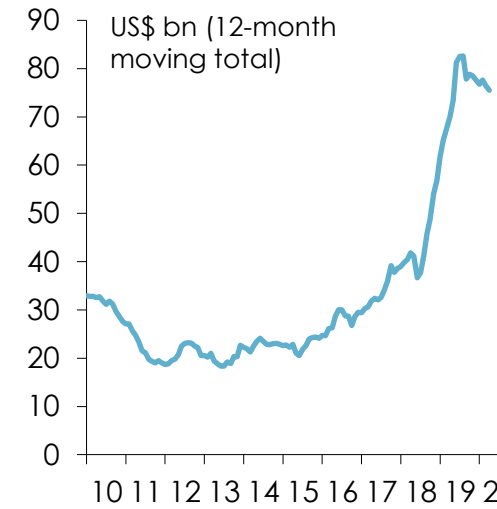
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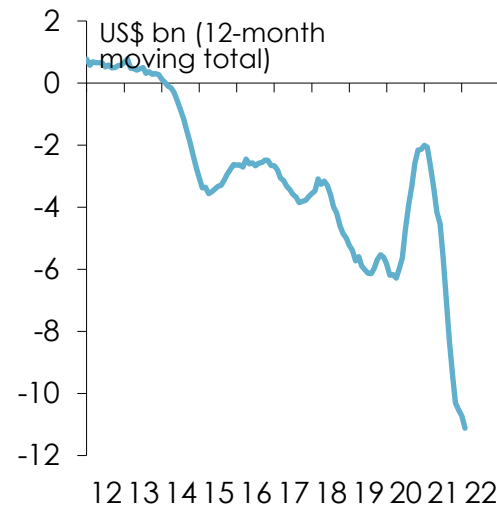
Philippines



Malaysia



Cambodia

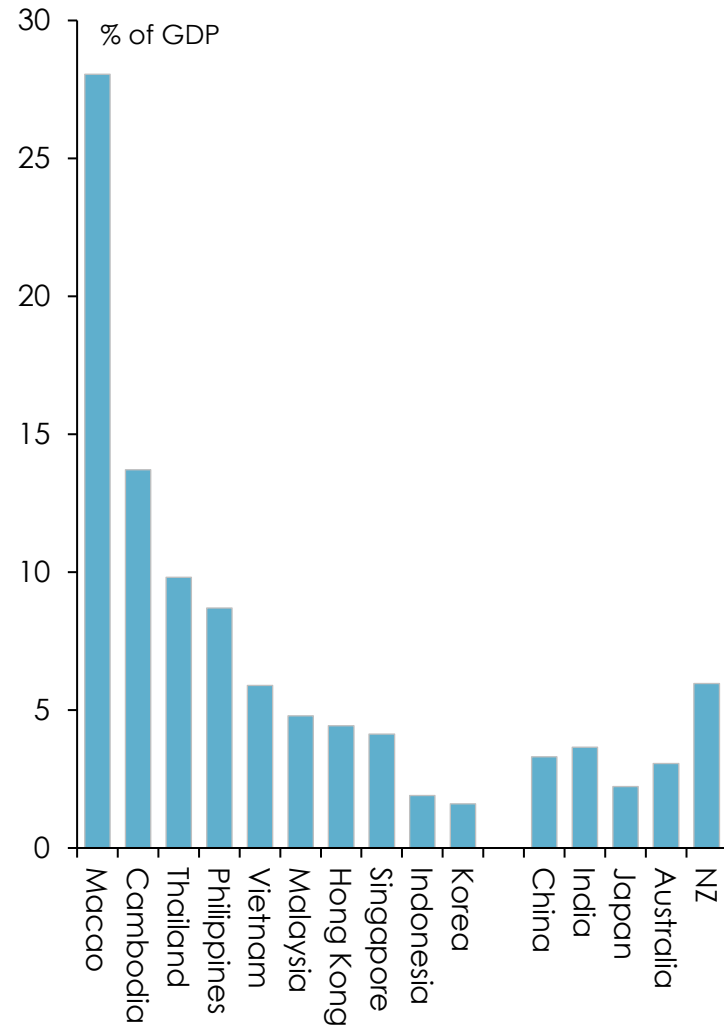


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

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

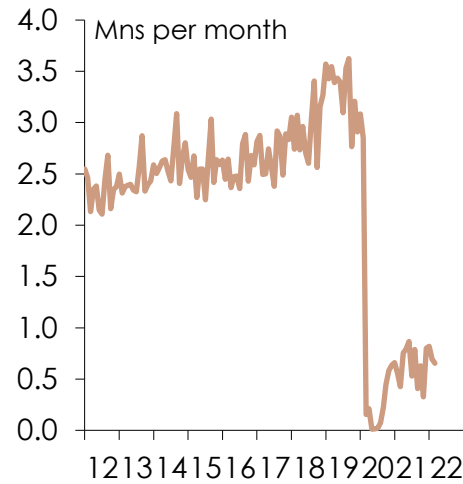
THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

International tourism direct contribution to GDP, 2018

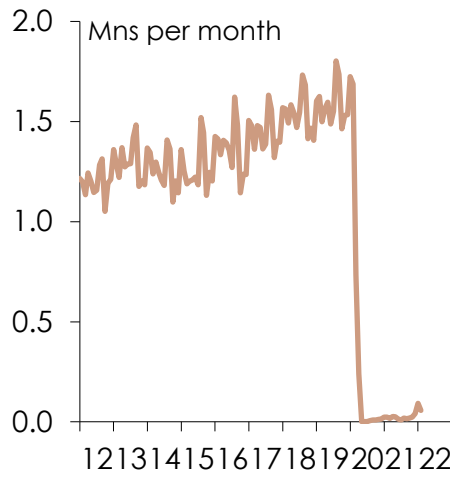


International visitor arrivals

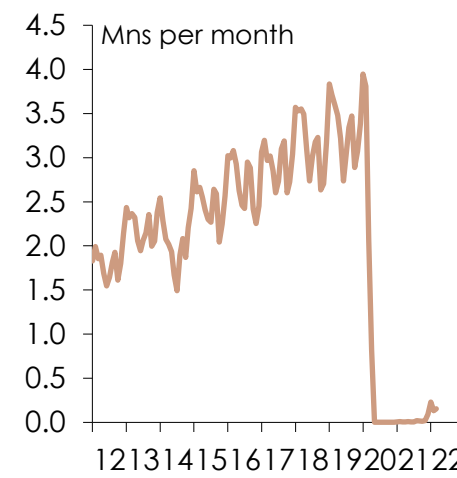
Macao



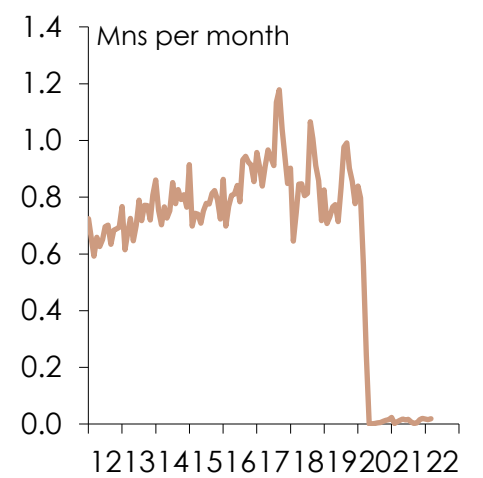
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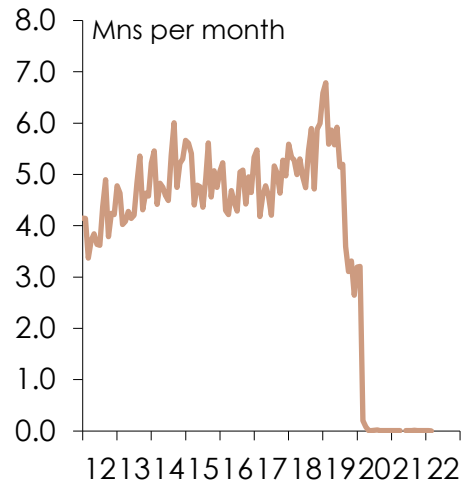
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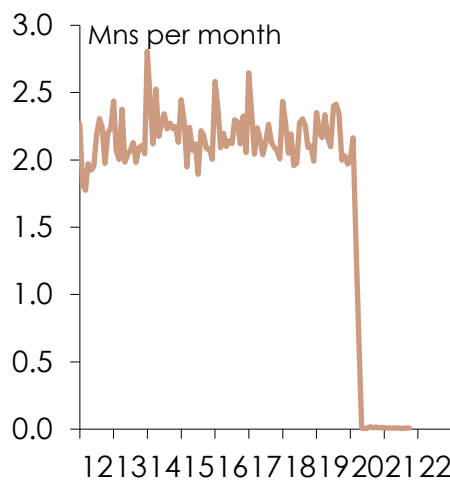
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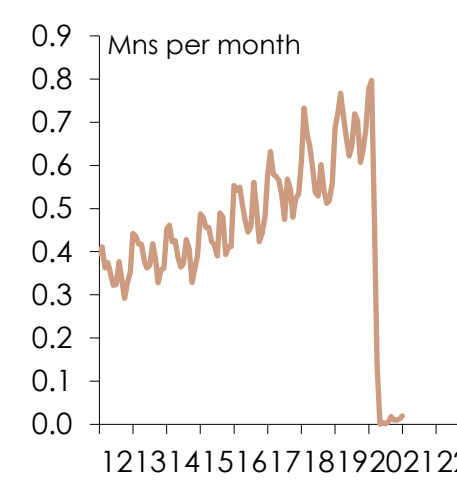
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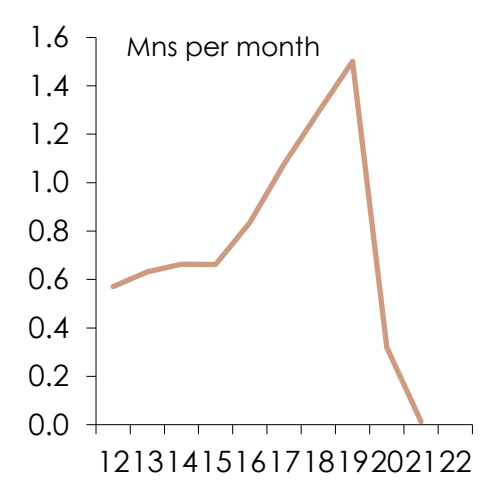
Malaysia



Philippines



Vietnam

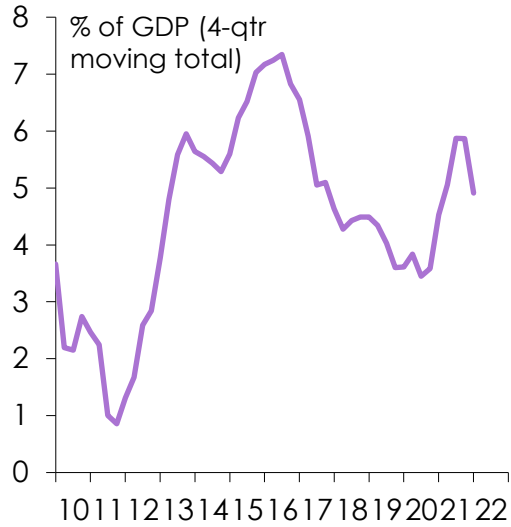


Note: Visitor arrivals data for Vietnam is only published annually. Sources: The World Bank, [TCdata360](#); national statistical agencies. [Return to "What's New"](#).

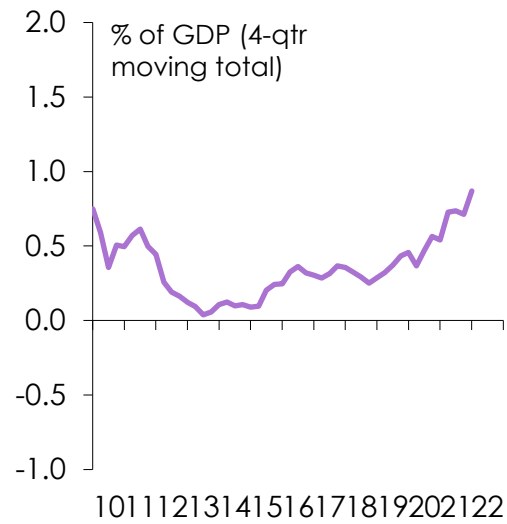
The more 'advanced' Asian economies have strong current account positions, Indonesia's is much improved but others have deteriorated

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

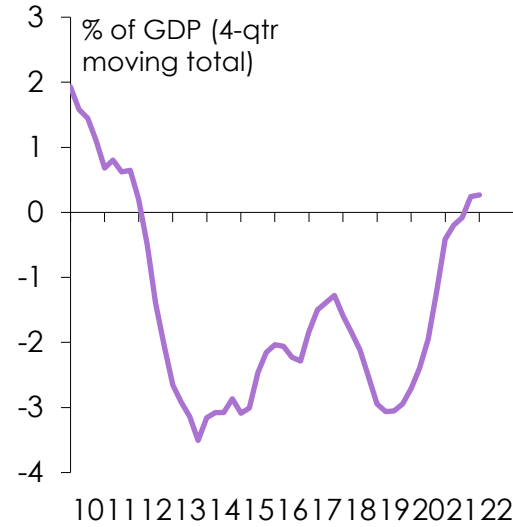
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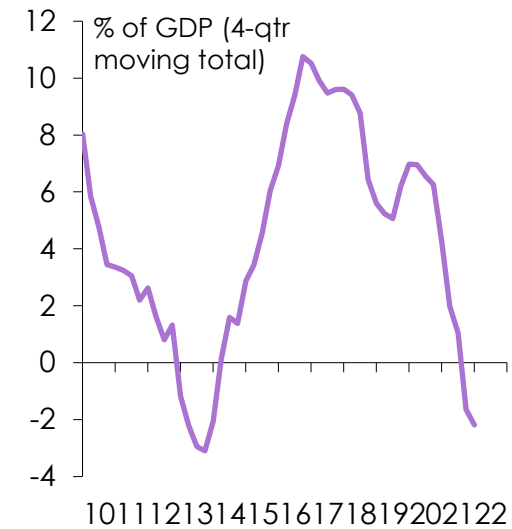
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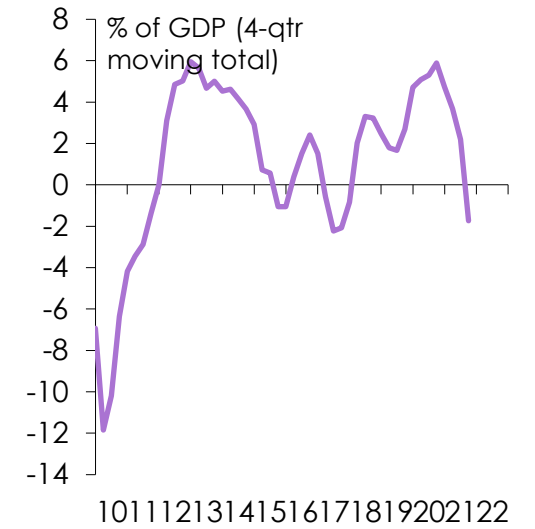
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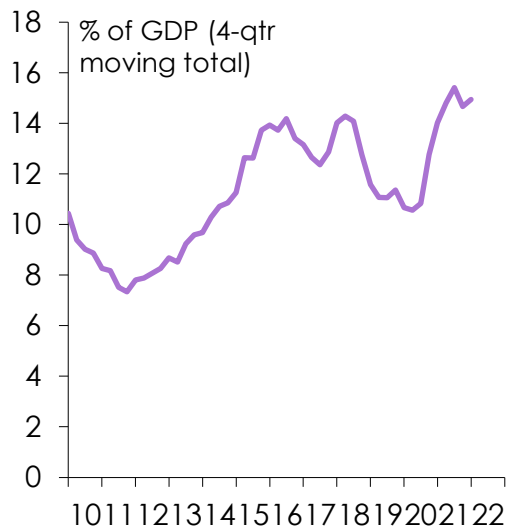
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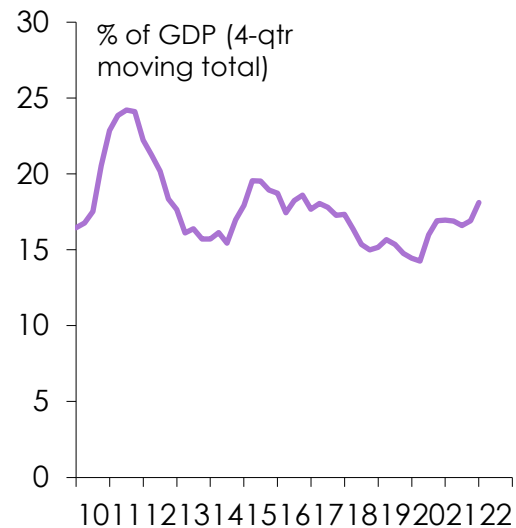
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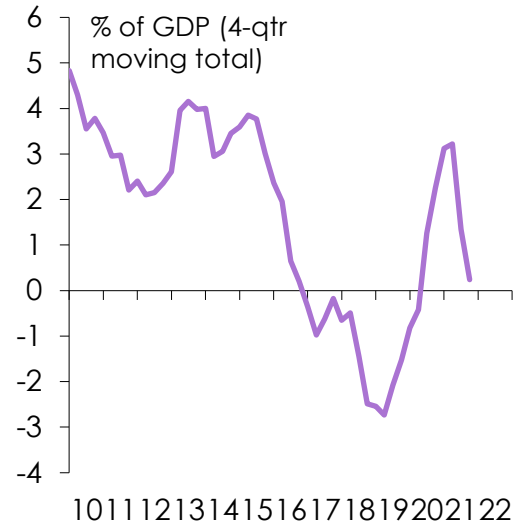
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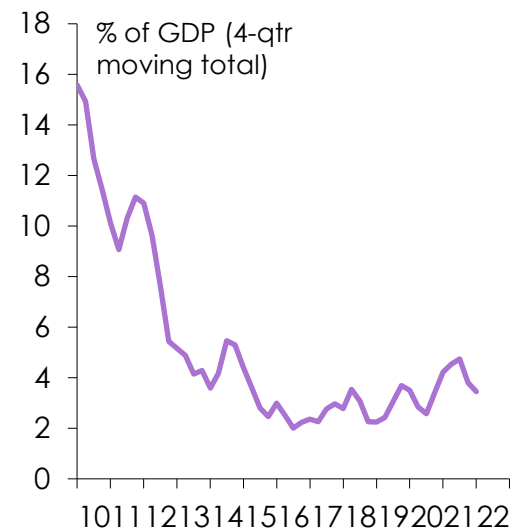
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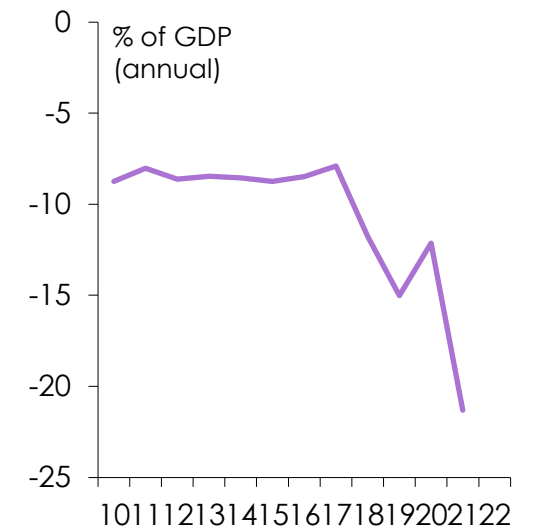
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Malaysia



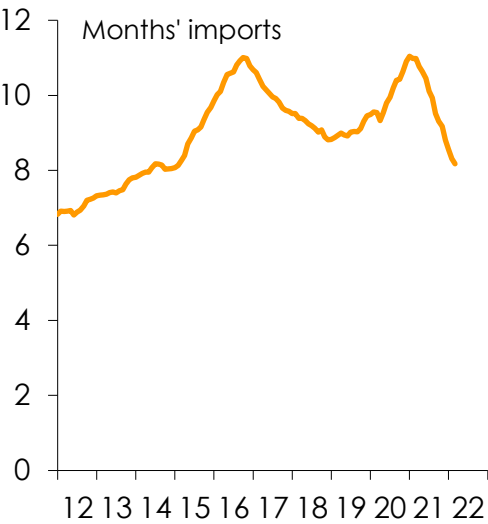
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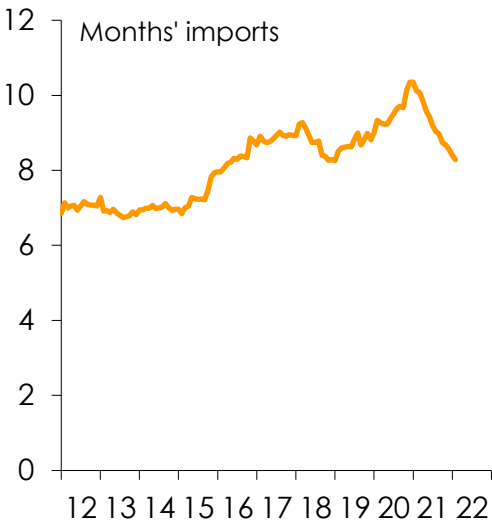
Most Asian economies have sought to maintain high levels of FX reserves since the 1997-98 crisis – although Malaysia's have deteriorated recently

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

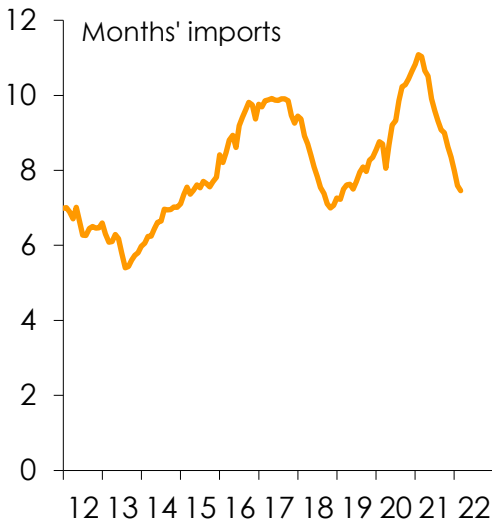
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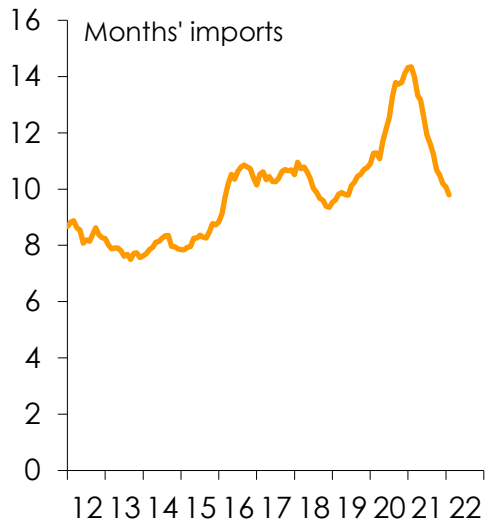
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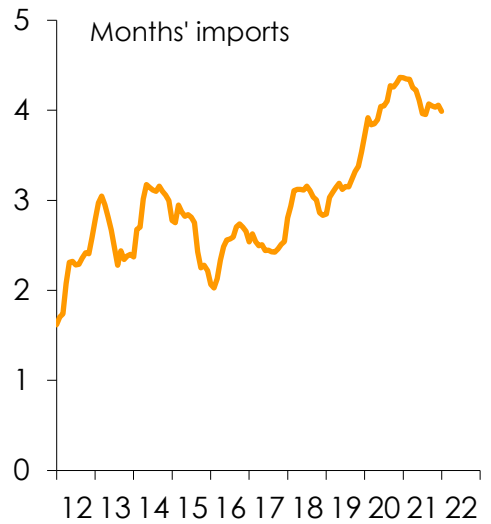
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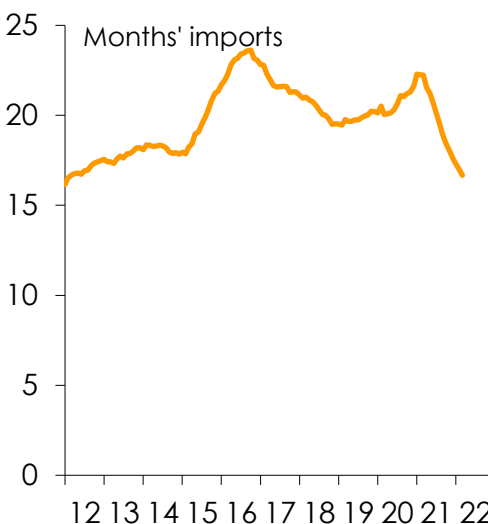
Thailand



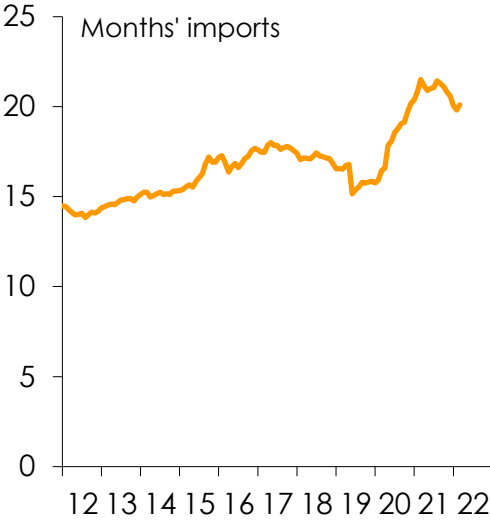
Vietnam



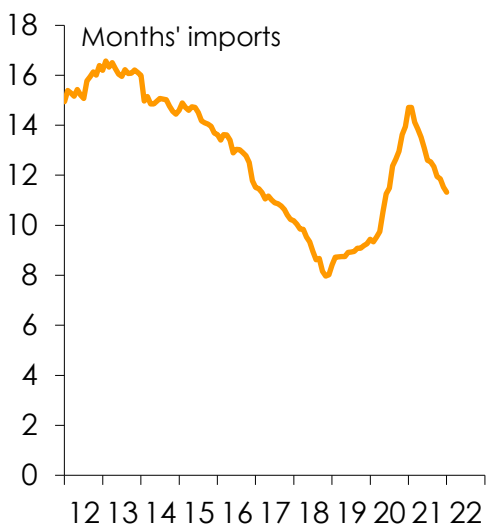
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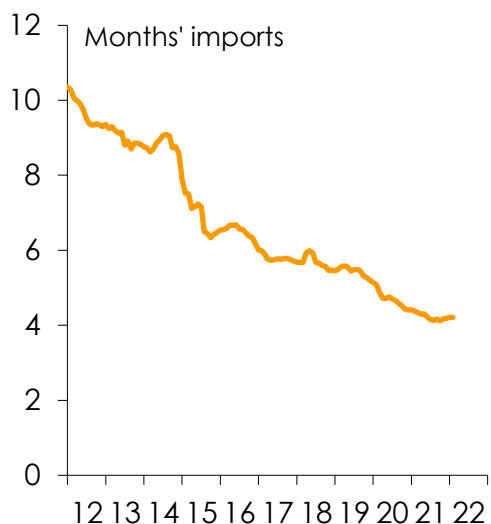
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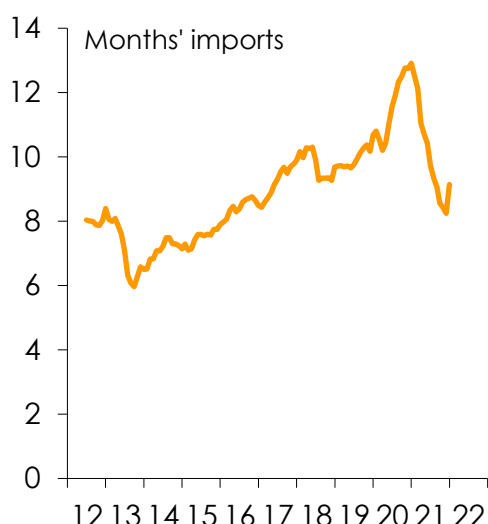
Philippines



Malaysia



Cambodia

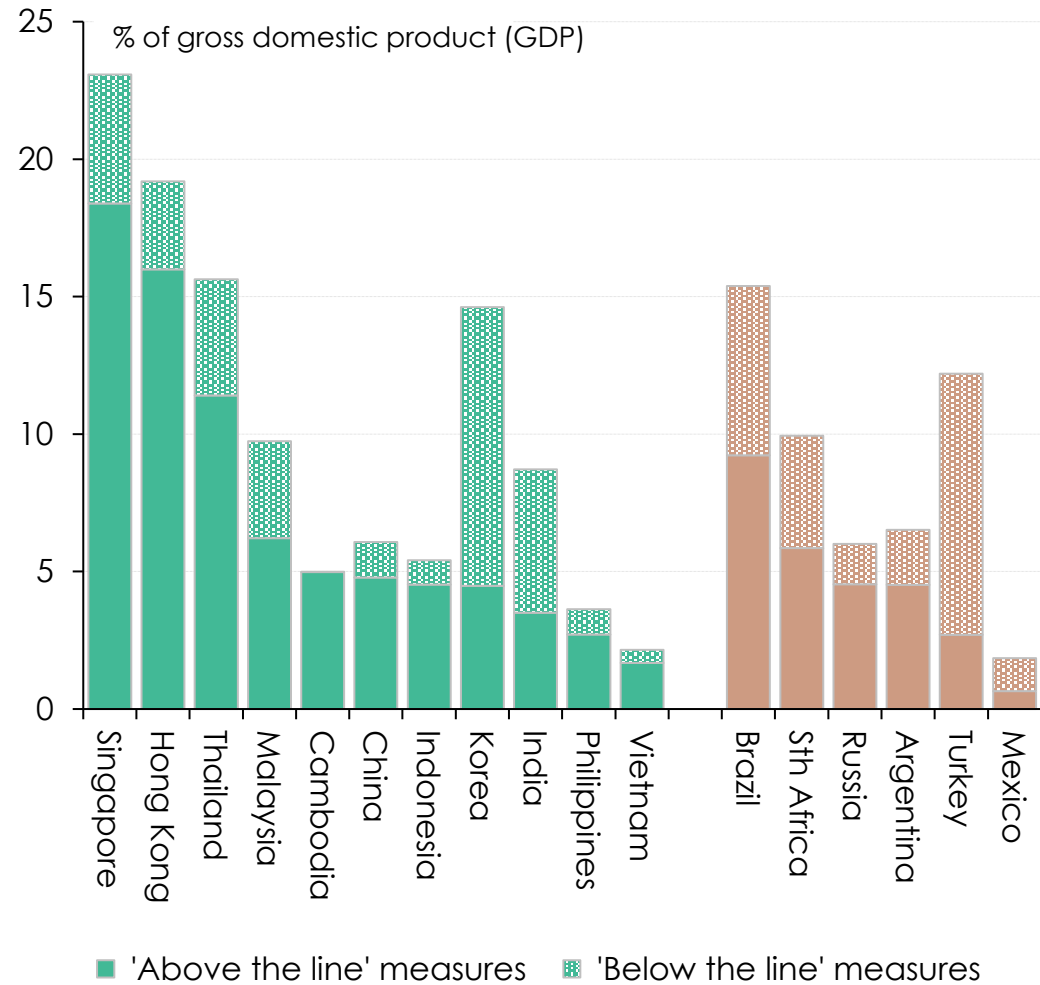


Note: Foreign exchange reserves in the above charts are shown as a multiple of average monthly imports (measured in US\$) over the preceding 12 months. Sources: national statistical agencies and central banks; IMF; Refinitiv Datastream. [Return to "What's New"](#).

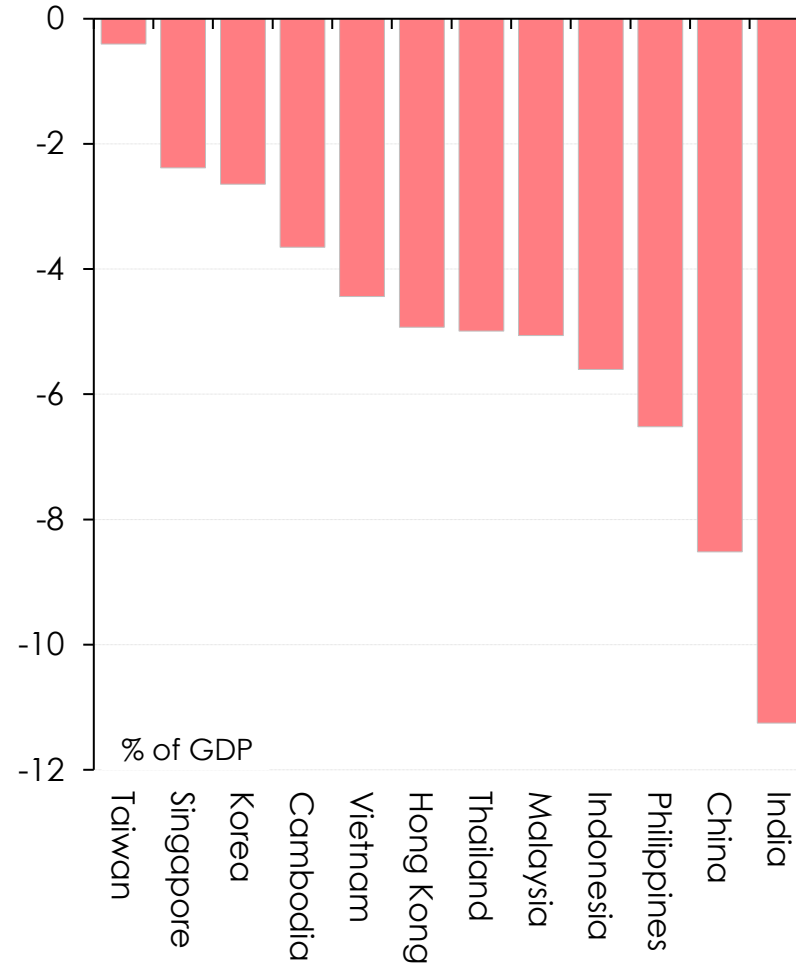
Apart from Singapore, Hong Kong and Thailand, Asian governments' discretionary fiscal responses to Covid-19 have been relatively modest

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

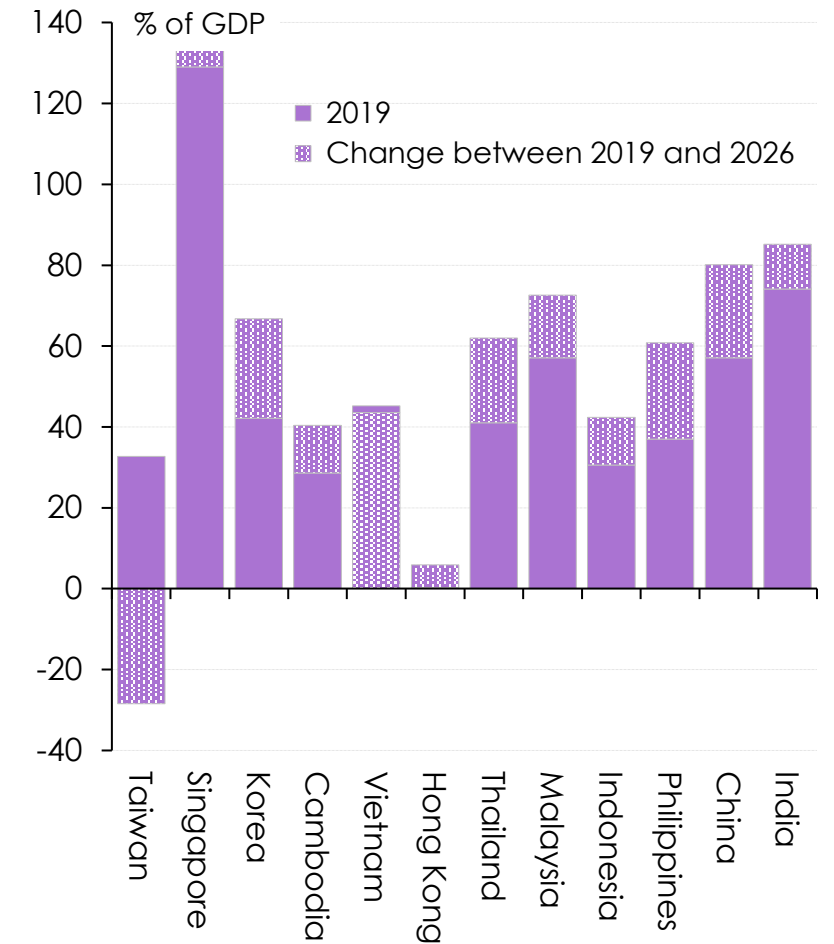
Fiscal policy responses to Covid-19 – Asian & other selected emerging market economies



Budget balances – Asian economies 2020-2022



Gross government debt – Asian economies 2019-26

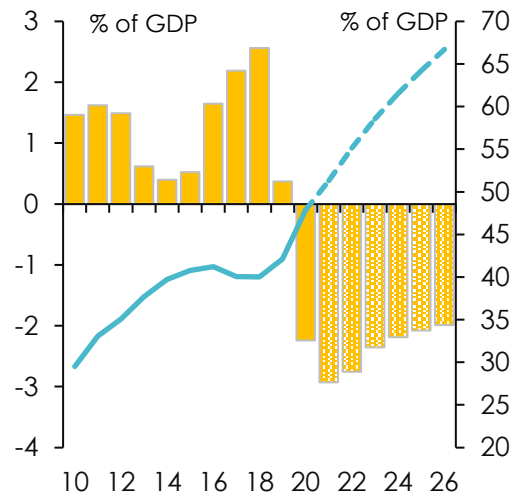


Note: 'Above the line' measures comprise additional or accelerated spending and deferred or foregone revenue. 'Below the line' measures comprise equity injections, loans, asset purchases and debt assumptions, but do not include loan guarantees or other contingent liabilities. 'DMS' means 'developed markets'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

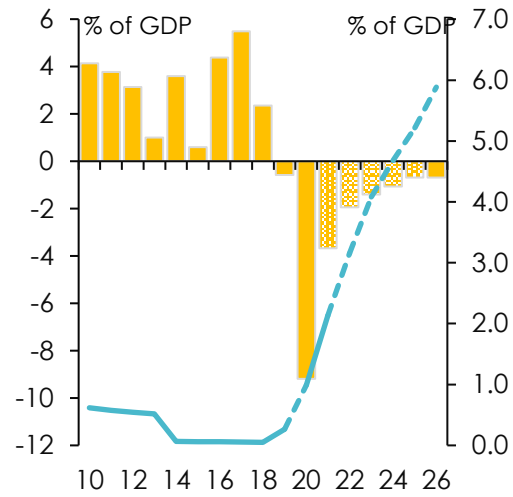
Asian governments, except for Taiwan, Singapore and Hong Kong, will be running large budget deficits for the next five years

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

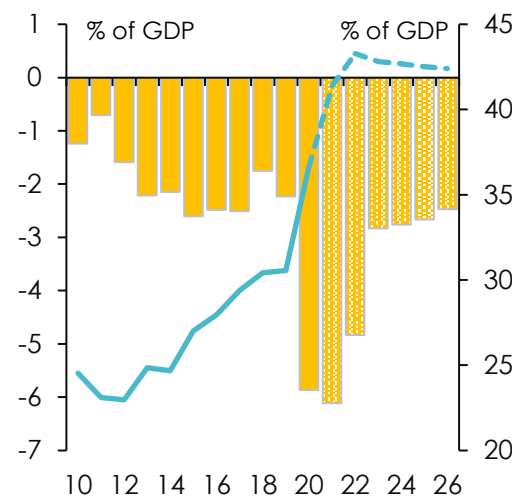
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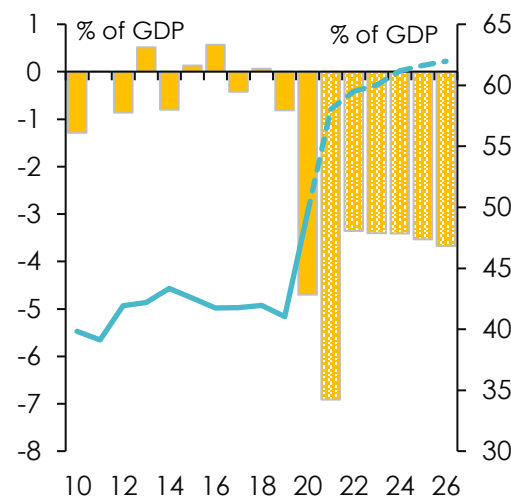
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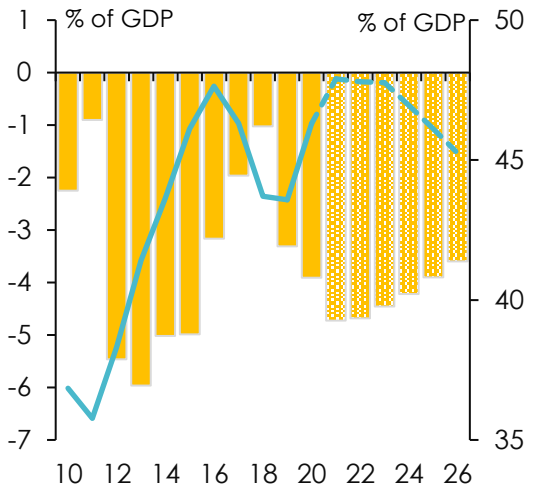
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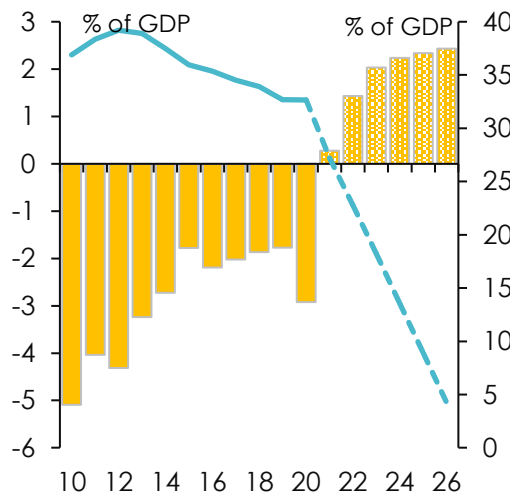
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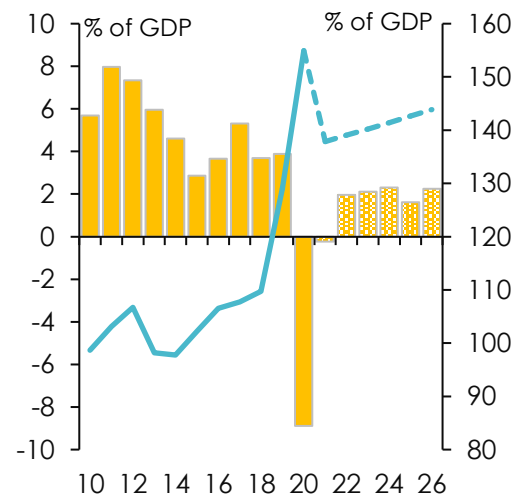
Vietnam



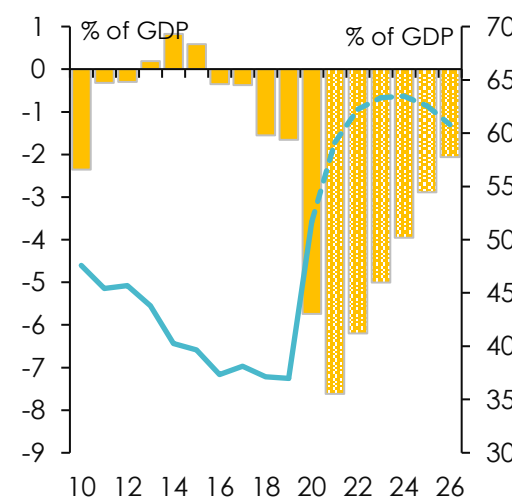
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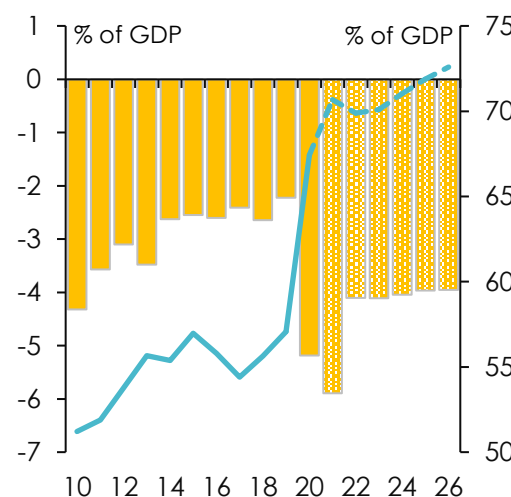
Singapore



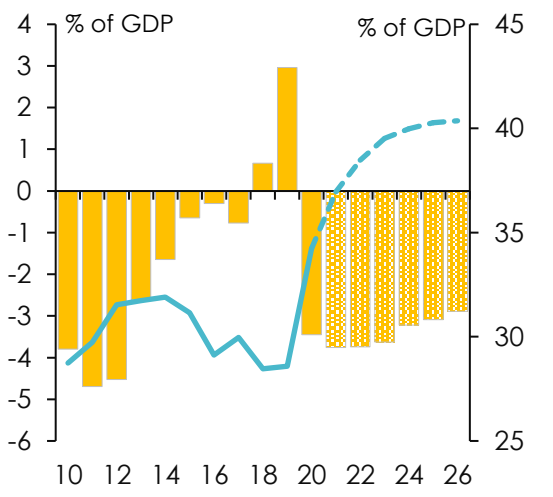
Philippines



Malaysia



Cambodia



General government overall fiscal balance (left scale)



General government gross debt (right scale)

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

The Bank of Thailand left its policy unchanged last week, as Bangko Sentral ng Pilipinas did the week before

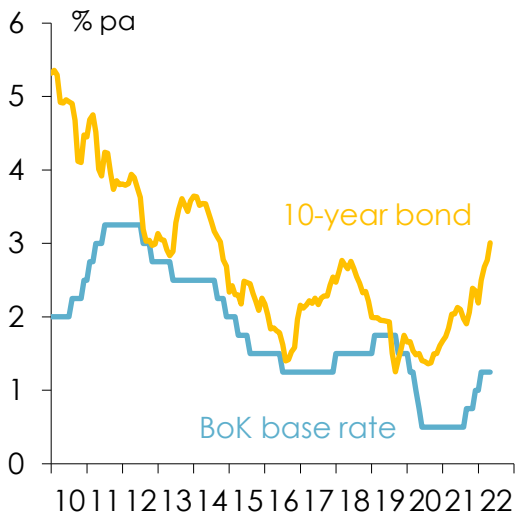
THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

- ❑ The [Bank of Thailand](#) maintained its policy rate at 0.50% at its Monetary Policy Committee meeting on 30th March
 - BoT now [expects](#) ‘headline’ inflation to exceed 5% in Q2 and Q3, but “mainly due to cost-push factors” while “demand-pull inflationary pressures remain subdued in line with a slow recovery of income” and medium-term inflation expectations remain anchored within the target range”
 - it expects growth in the Thai economy to pick up from 3.2% in 2022 to 4.4% in 2023 “on the back of improving domestic demand and tourism”, but considers that “downside risks to growth remain” from “prolonged shortages of raw materials ... and the impact of higher prices on living costs for households and production costs for businesses”
 - as a result the BoT “continues to put emphasis on supporting economic recovery”
- ❑ [Bangko Sentral ng Pilipinas](#) left its overnight repo rate unchanged at 2.0% at its 24th March Monetary Board meeting
 - BSP acknowledged that “upside risks to inflation have increased for 2022”, raising its forecast to 4.3% from 3.7% previously, but considered the balance of risks to the outlook for 2023 to “remain broadly balanced”
 - hence while “standing ready to respond to the build-up in inflation pressures that can disanchor inflation expectations”, the Board saw “scope to maintain its policy settings in order to safeguard the momentum of recovery amid increased uncertainty”
- ❑ The [Hong Kong Monetary Authority](#) and the [Central Bank of the Republic of China \(Taiwan\)](#) raised their policy interest rates on 17th March, for the first time since the onset of the pandemic, following the Fed’s initial increase in its Fed funds rate target
- ❑ The next Asian central bank meeting is the Bank of Korea on 14th April (the BoK has raised its policy rate three times, by a total of 75 basis points, since last August), followed by Bank Indonesia on 19th April, Bank Negara Malaysia on 11th May, and the Bank of Thailand on 18th May

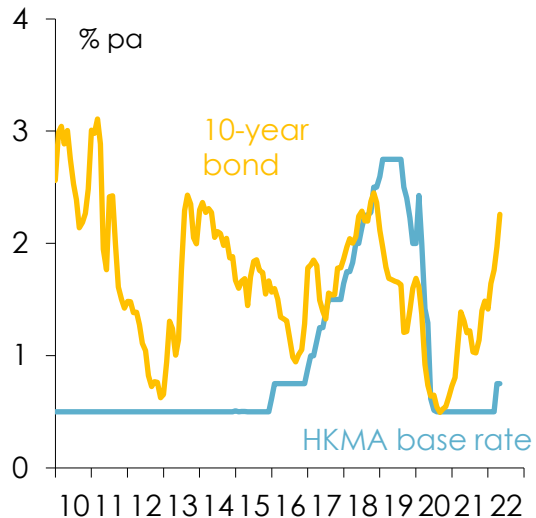
Four Asian central banks (BoK, CBC-Taiwan, HKMA and MAS) have now begun to tighten monetary policy

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

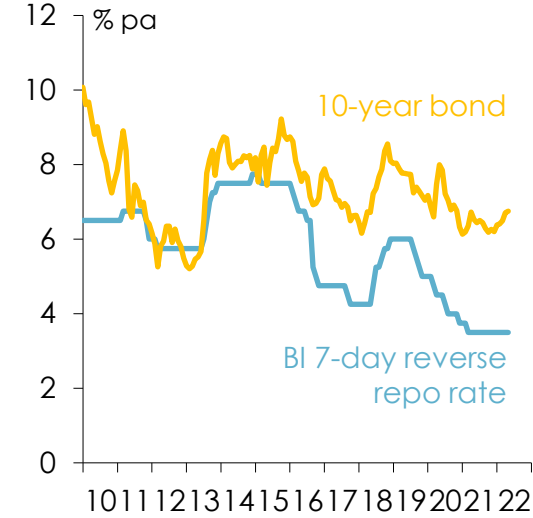
Korea



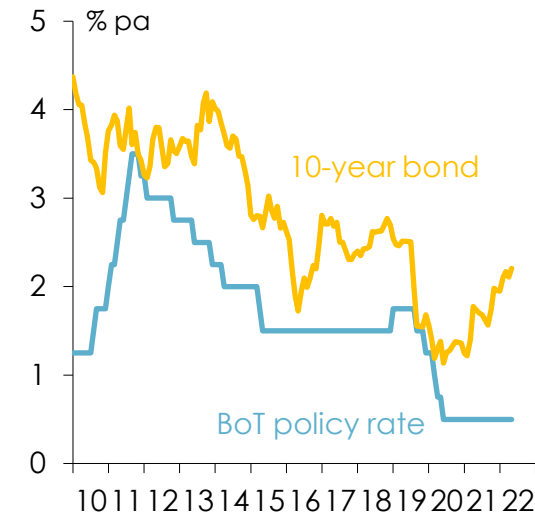
Hong Kong



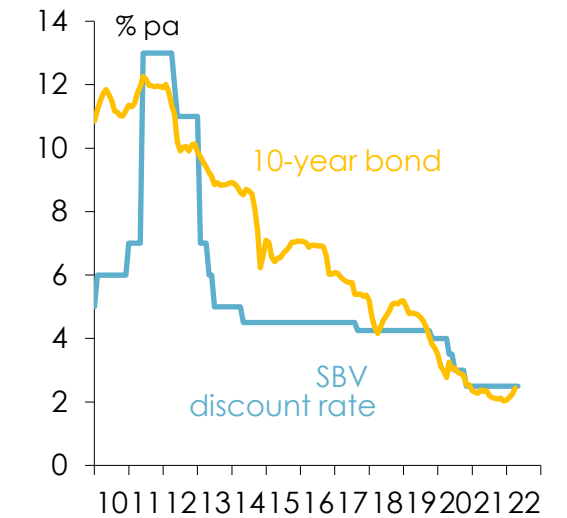
Indonesia



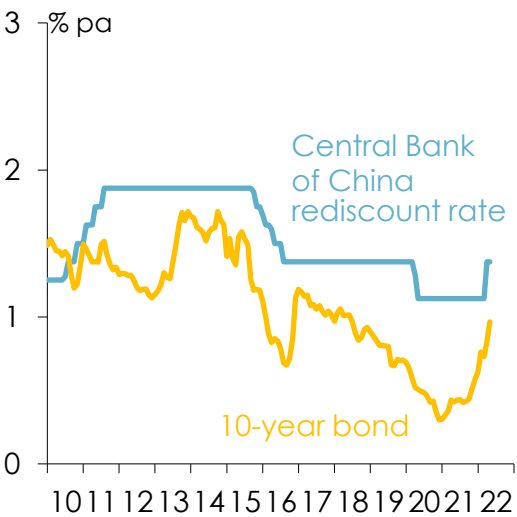
Thailand



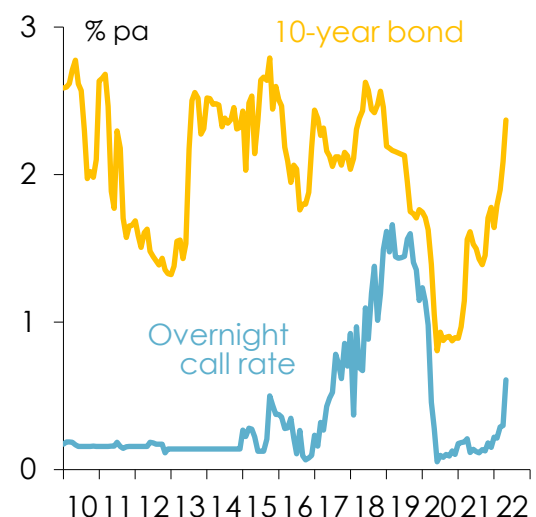
Vietnam



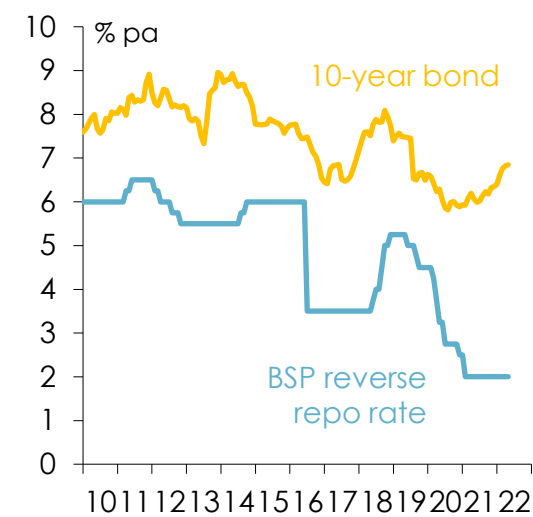
Taiwan



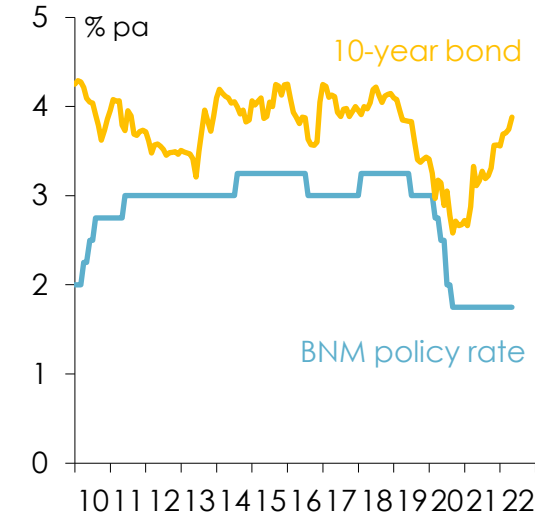
Singapore



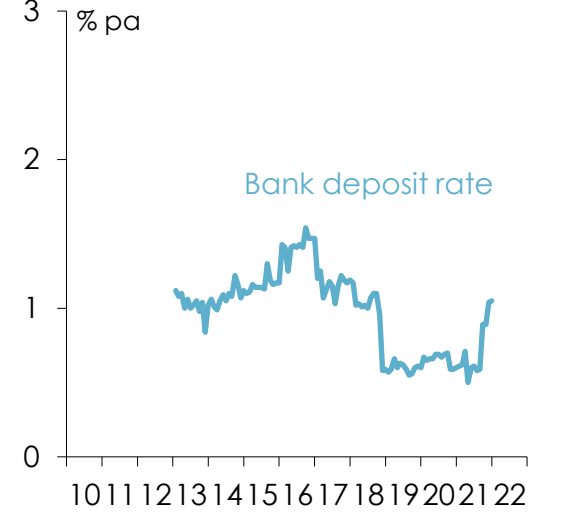
Philippines



Malaysia



Cambodia

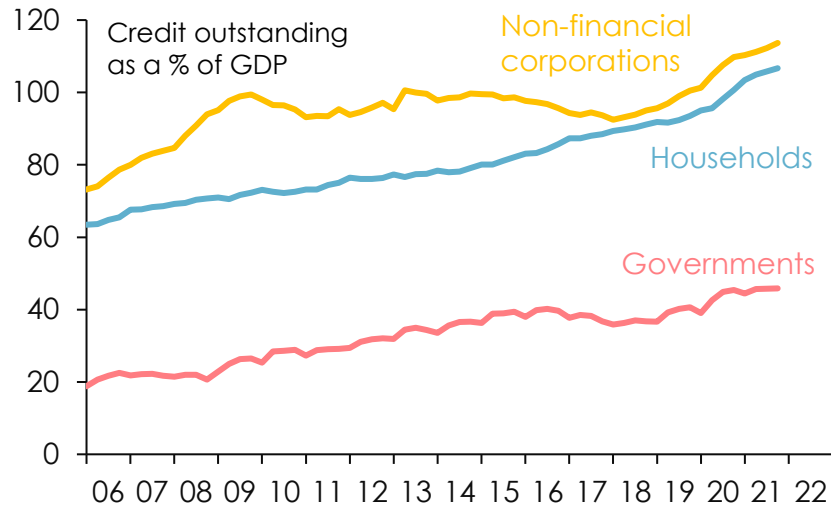


Note: Neither Hong Kong nor Singapore use a monetary policy indicator interest rate. Hong Kong has a currency board system, under which the HKMA base rate moves in line with a pre-set formula based on the US fed funds rate; the Monetary Authority of Singapore uses the (effective) exchange rate as its principal monetary policy instrument. The National Bank of Cambodia administers monetary policy primarily through changes in bank reserve requirement ratios. Data are monthly averages up to 25th March 2022. Sources: national central banks; Refinitiv Datastream. [Return to "What's New"](#).

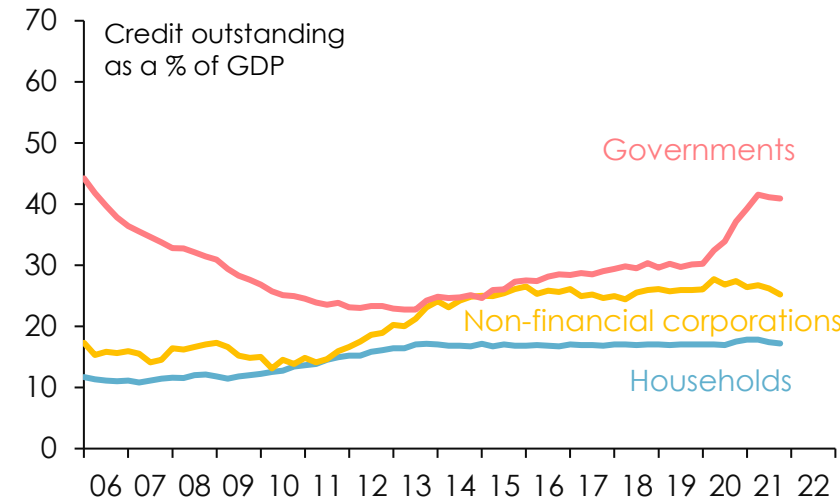
In Asia, Hong Kong, Singaporean and Korean corporates, and Korean households, have the greatest exposure to any increases in interest rates

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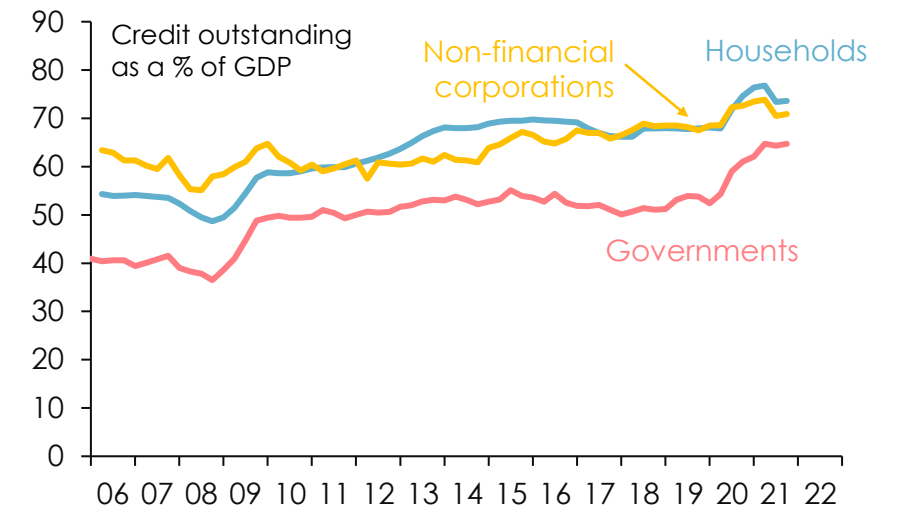
Korea



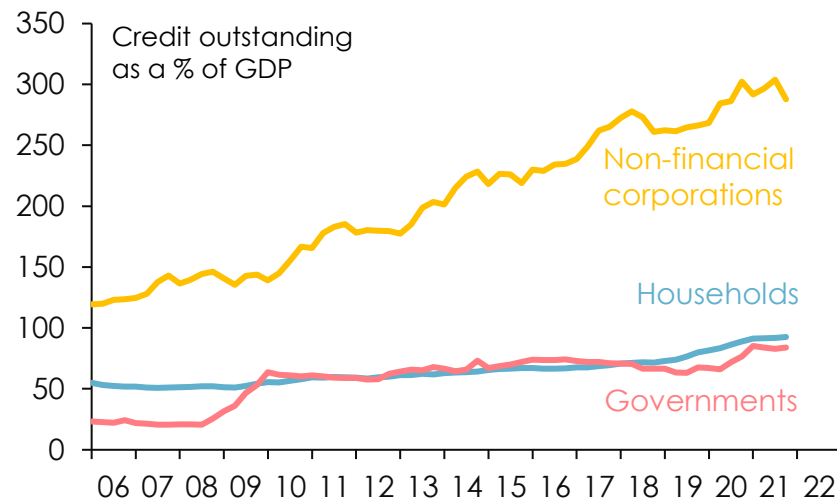
Indonesia



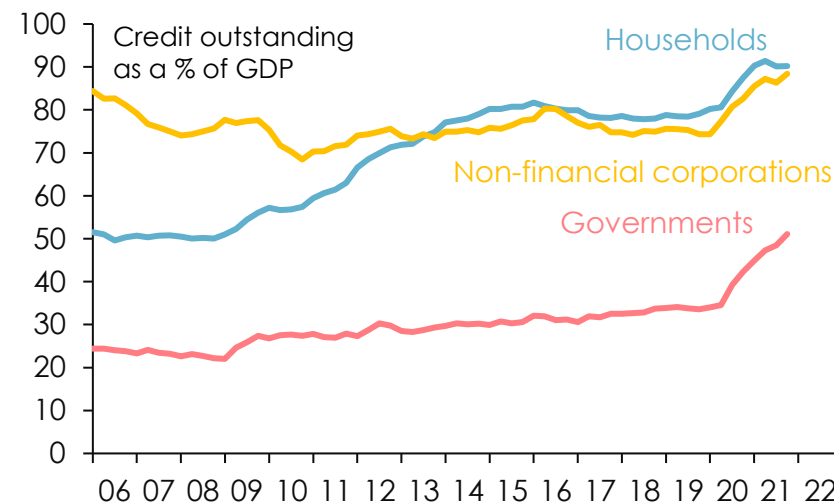
Malaysia



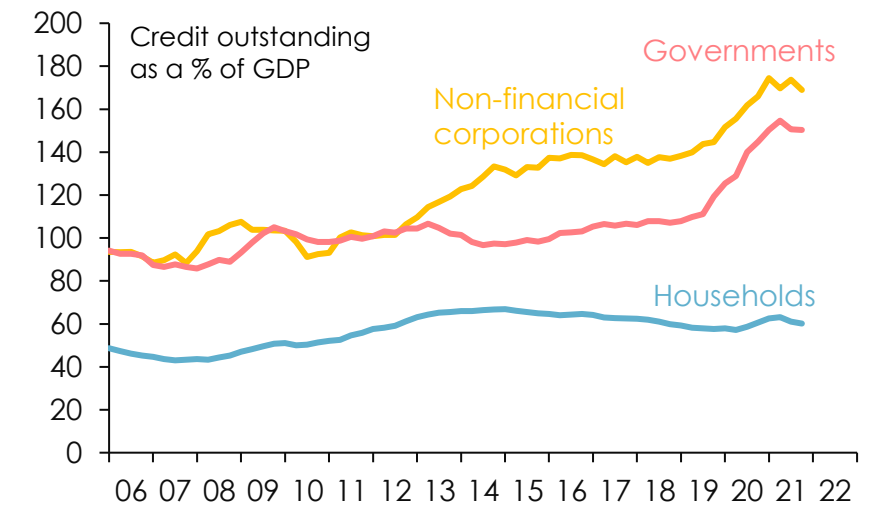
Hong Kong



Thailand



Singapore

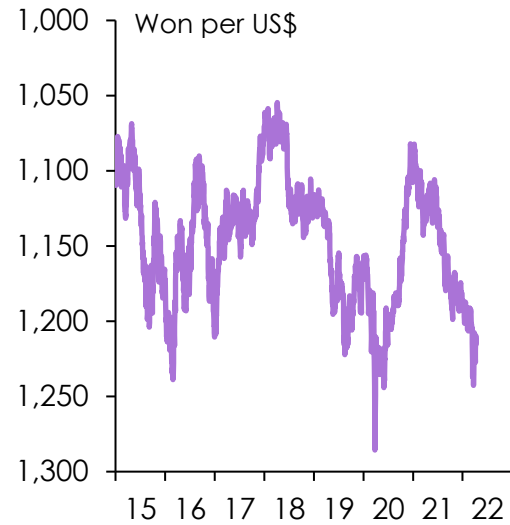


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

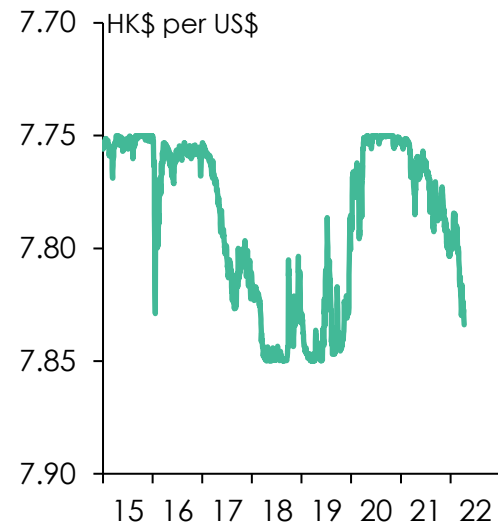
Asian currencies were mixed against the US\$ last week, with the peso up 0.9%, the won and baht up 0.3% but the NT\$ down 0.3% and rupiah 0.2%

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

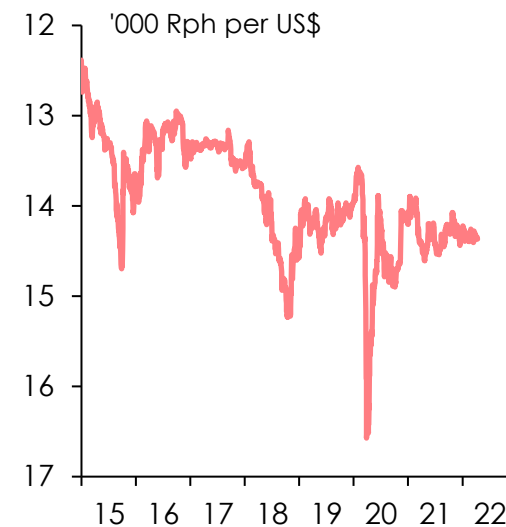
Korean won



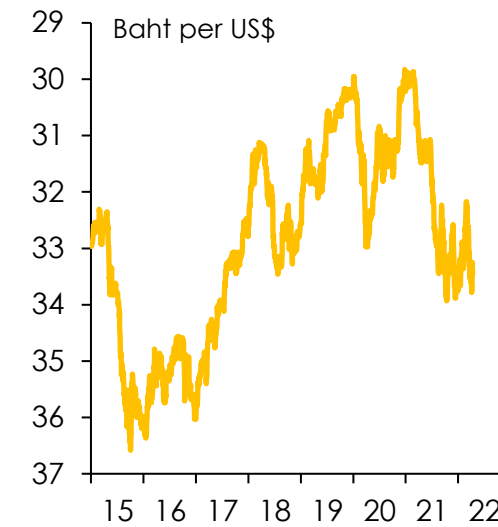
Hong Kong dollar



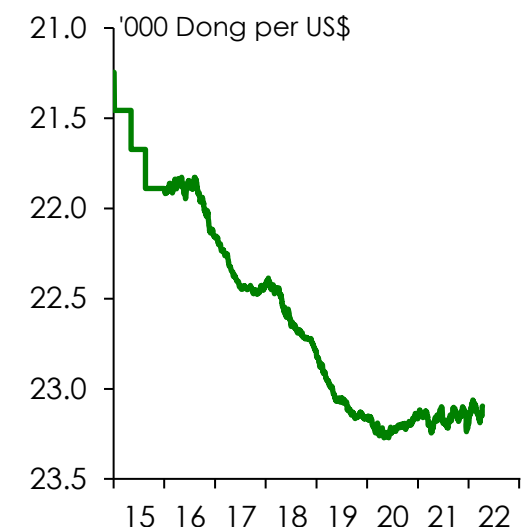
Indonesian rupiah



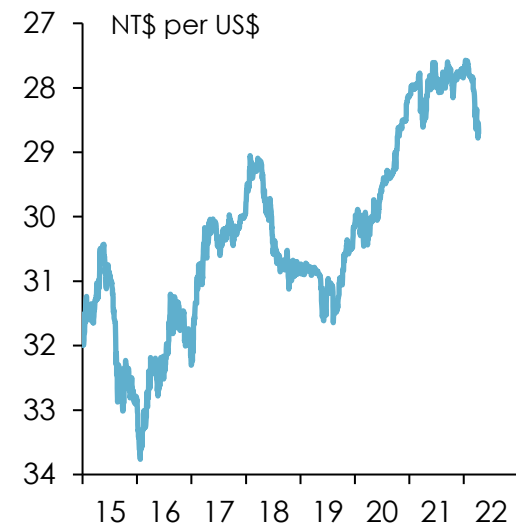
Thai baht



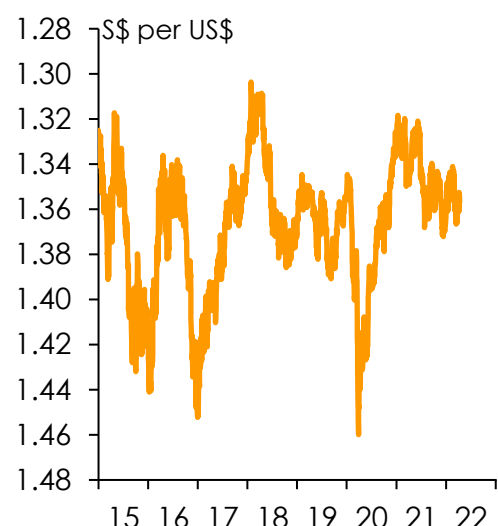
Vietnamese dong



New Taiwan dollar



Singapore dollar



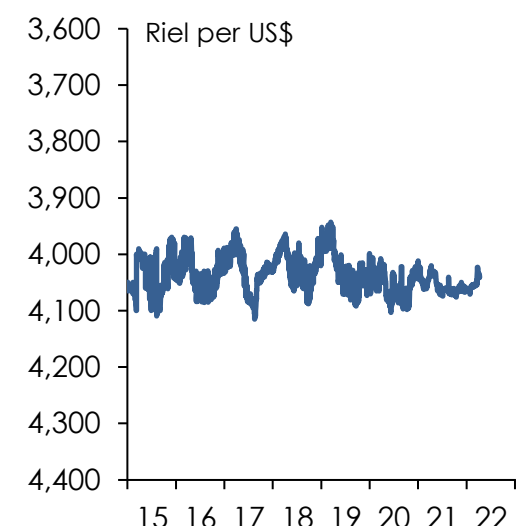
Philippine peso



Malaysian ringgit



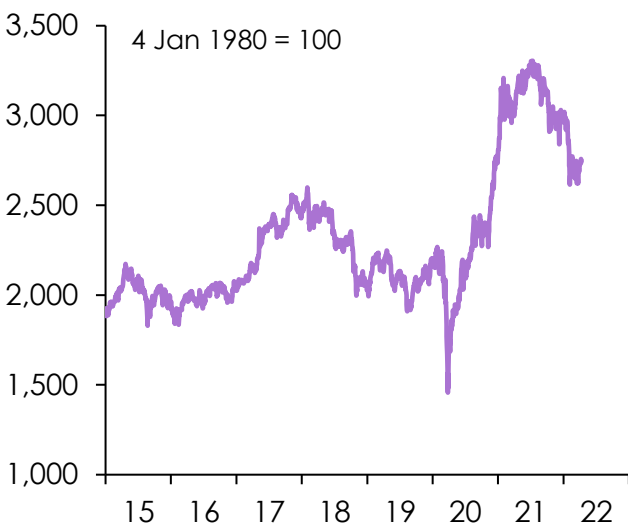
Cambodian riel



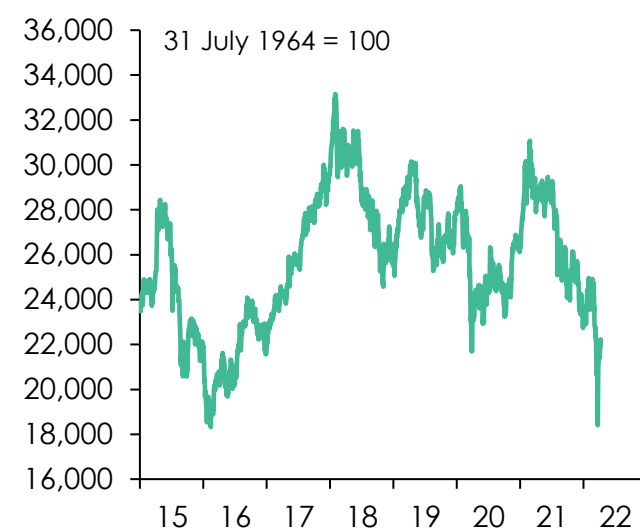
Most Asian stock markets rose last week, especially HK up 3%, Bangkok 1½% and Jakarta 1%, but Taipei and KL were down marginally

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

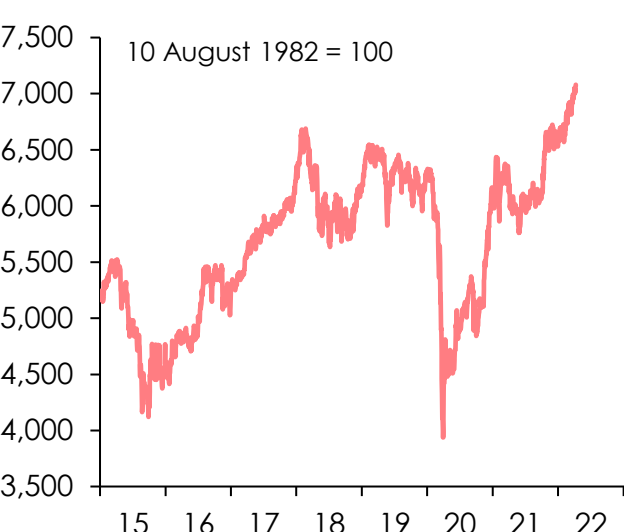
KOSPI



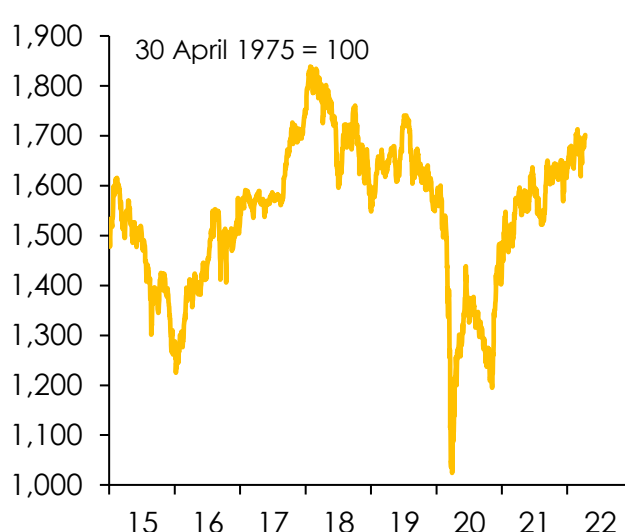
Hang Seng Index



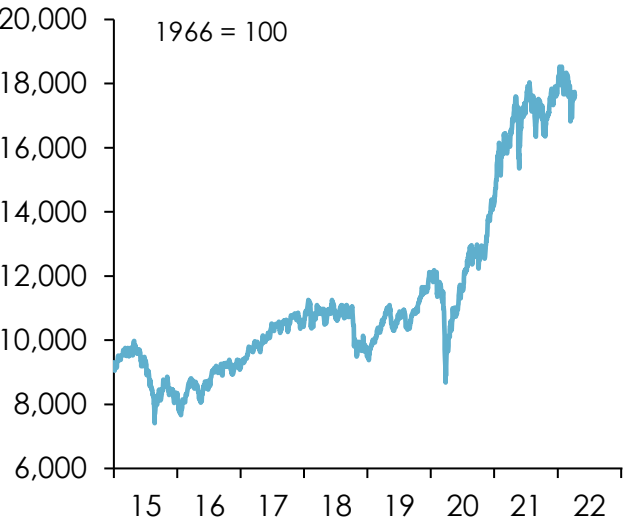
JCI



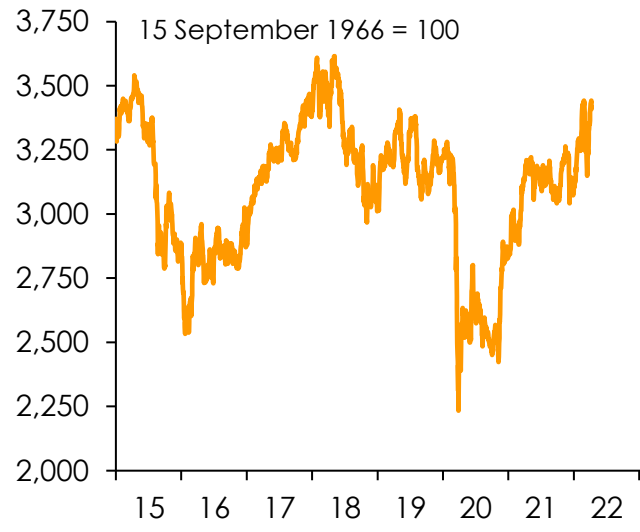
SETI



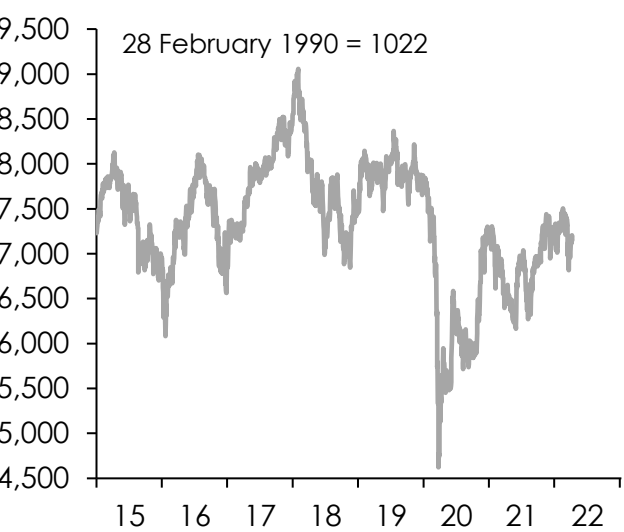
TAIEX



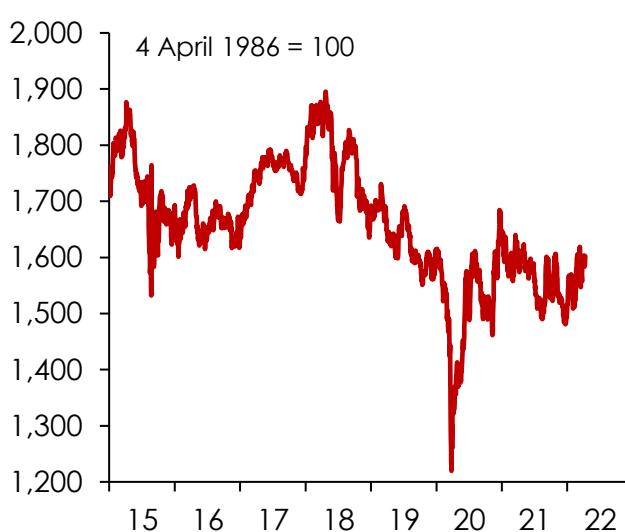
Straits Times Index



PSE i



KLCI

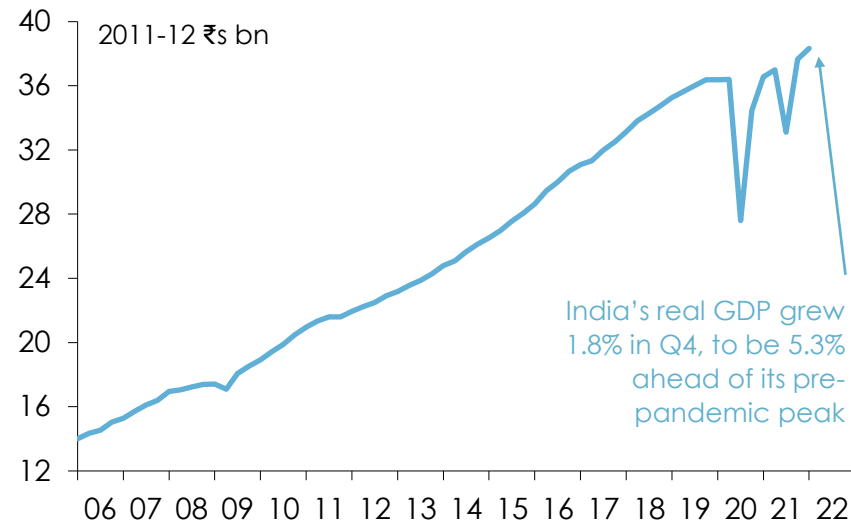


India

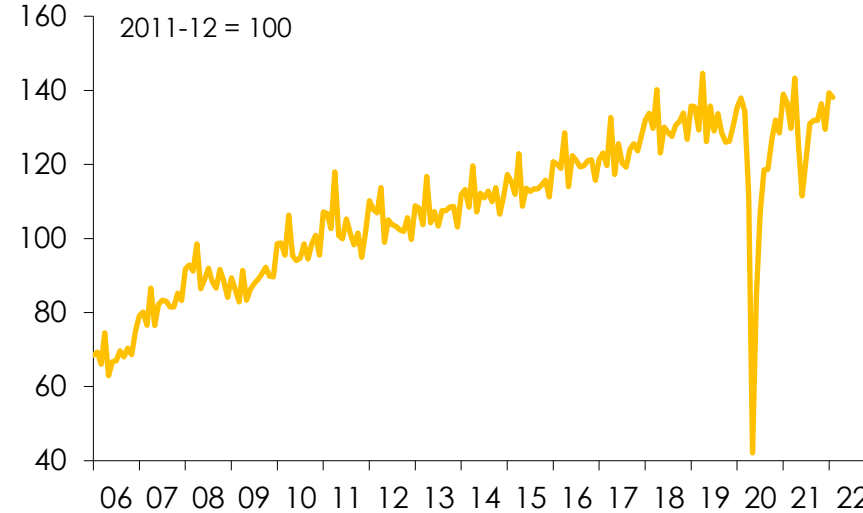
India's economy is recovering from two waves of virus-induced contractions in Q2 2020 and Q2 2021

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

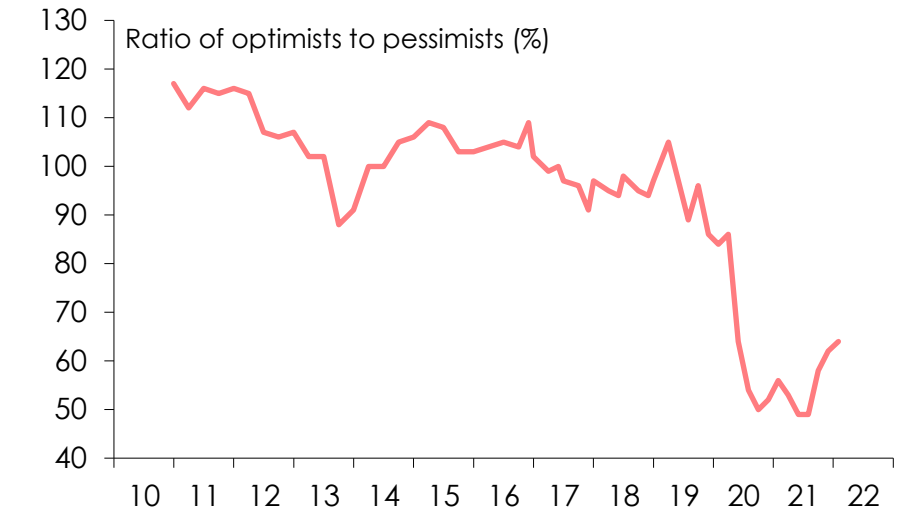
Quarterly real GDP



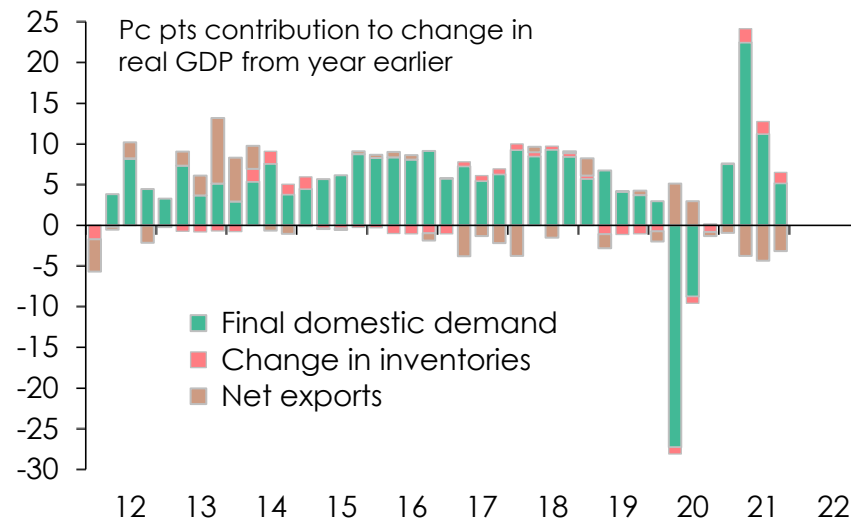
Manufacturing production



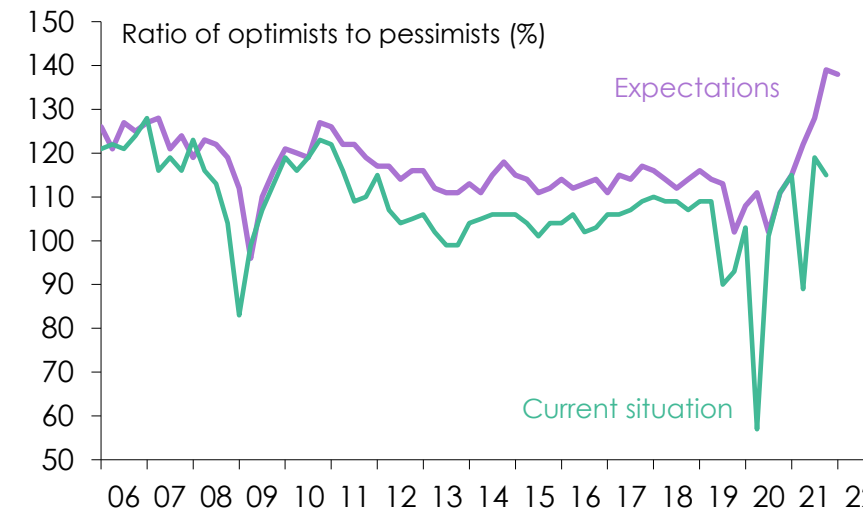
Consumer confidence



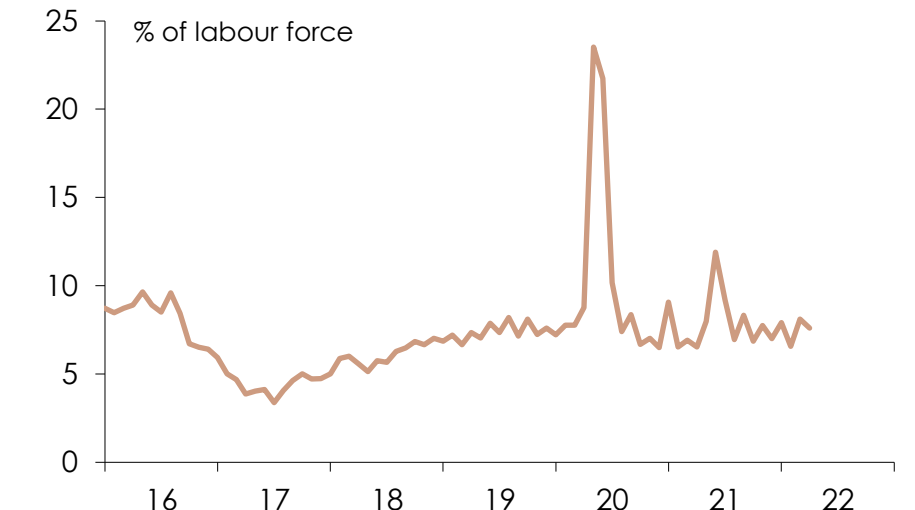
Contributions to real GDP growth



Industrial sector sentiment



Unemployment rate

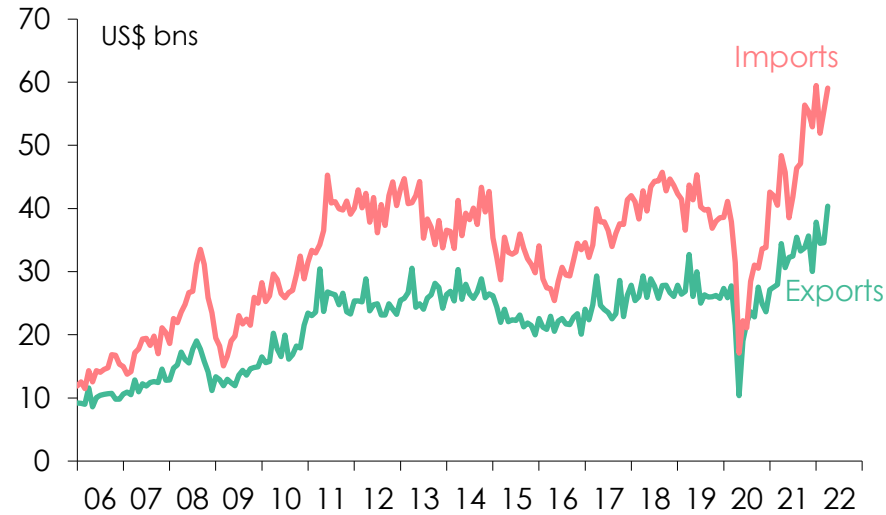


Sources: OECD, [Quarterly National Accounts dataset](#); Government of India, Ministry of Statistics and Programme Implementation, [National Accounts Data](#), and [IIP Data](#); Reserve Bank of India, [Quarterly Industrial Outlook Survey](#) and [Consumer Confidence Survey Bi-Monthly](#); Centre for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

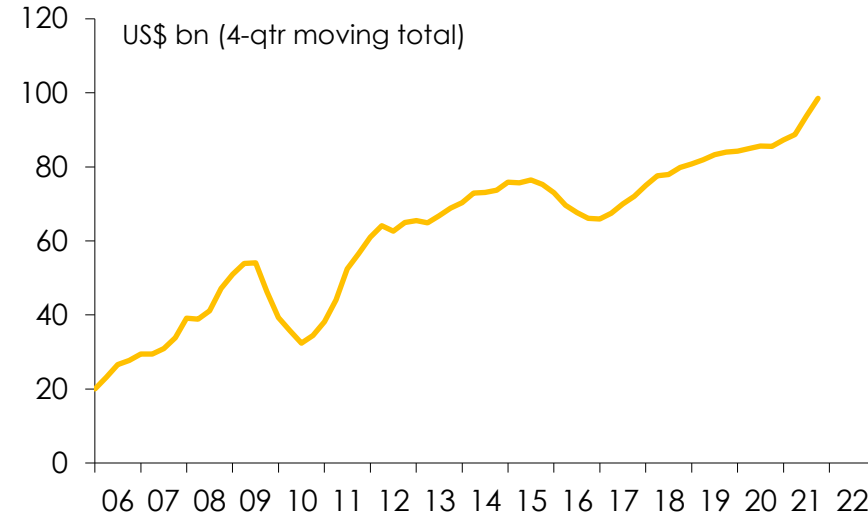
India's merchandise trade deficit has deteriorated sharply due to higher oil prices but its overall external position remains relatively stable

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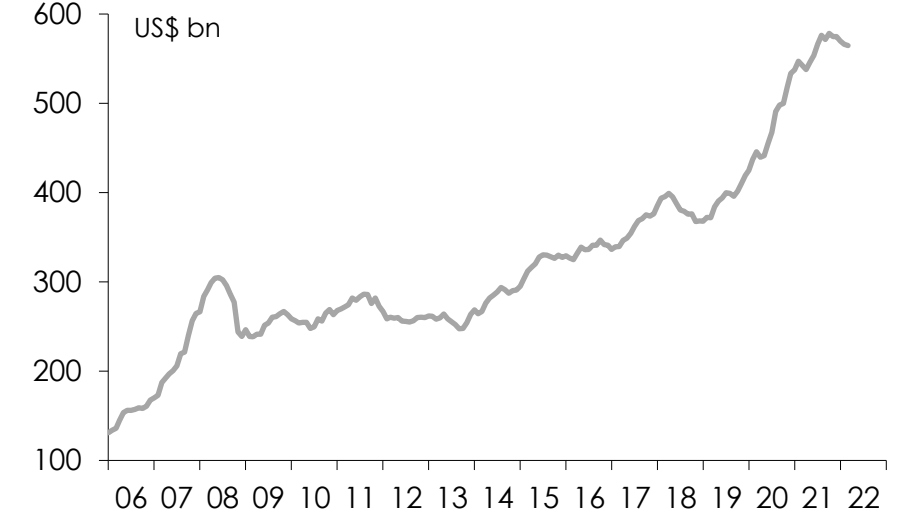
Merchandise exports and imports



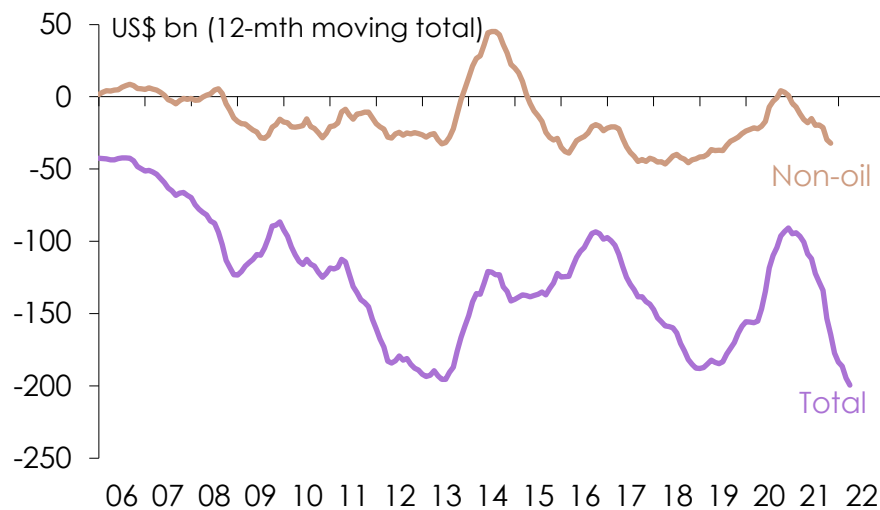
Services trade balance



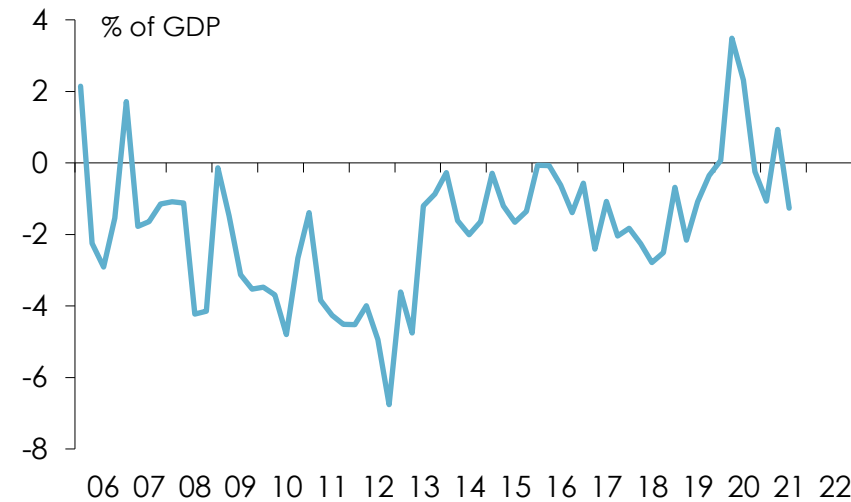
Foreign exchange reserves



Merchandise trade balance



Current account balance



Rupee vs US dollar

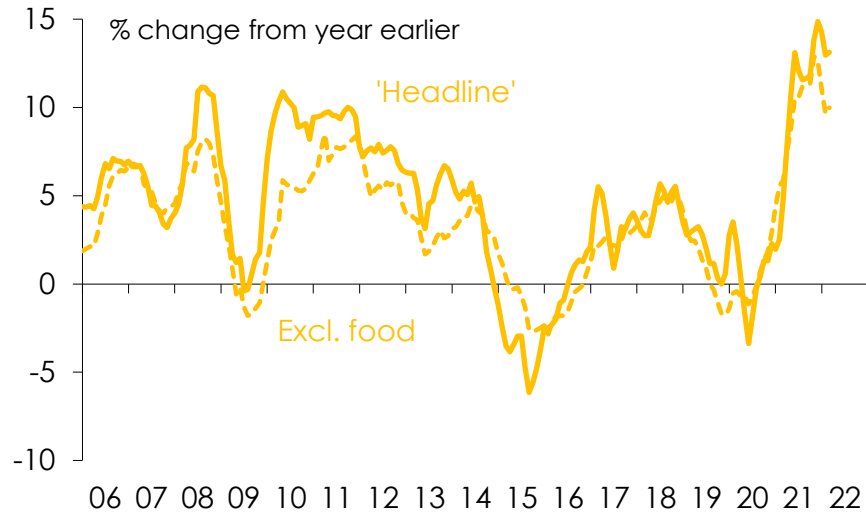


Sources: Government of India, Ministry of Commerce and Industry, [Trade Statistics](#); Reserve Bank of India, [Special Data Dissemination Standards - Balance of Payments](#) and [Weekly Statistical Supplement - Extract](#); Refinitiv Datastream. [Return to "What's New"](#).

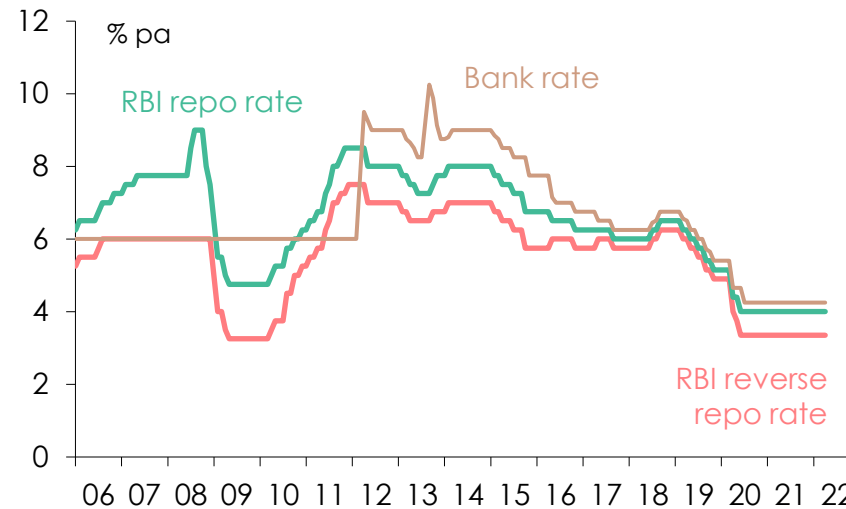
RBI's Monetary Policy Committee meets this week with inflation now running just above its target range

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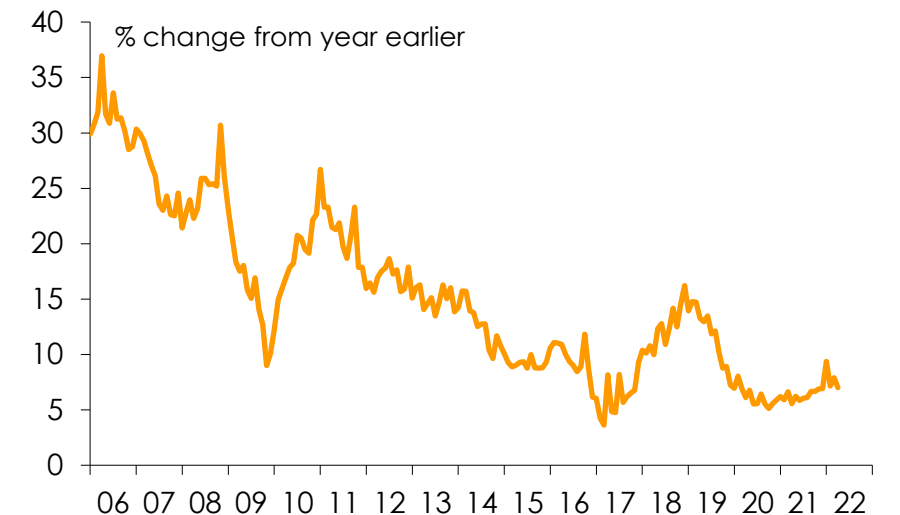
Wholesale prices



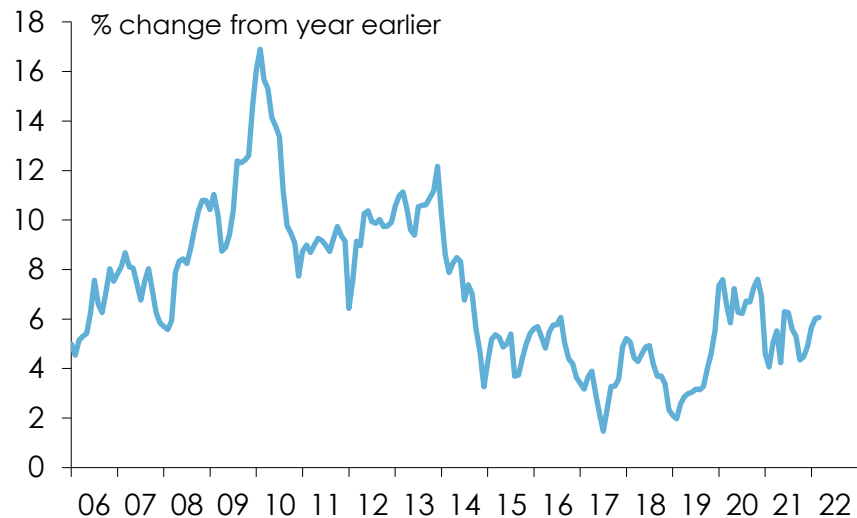
RBI policy interest rates



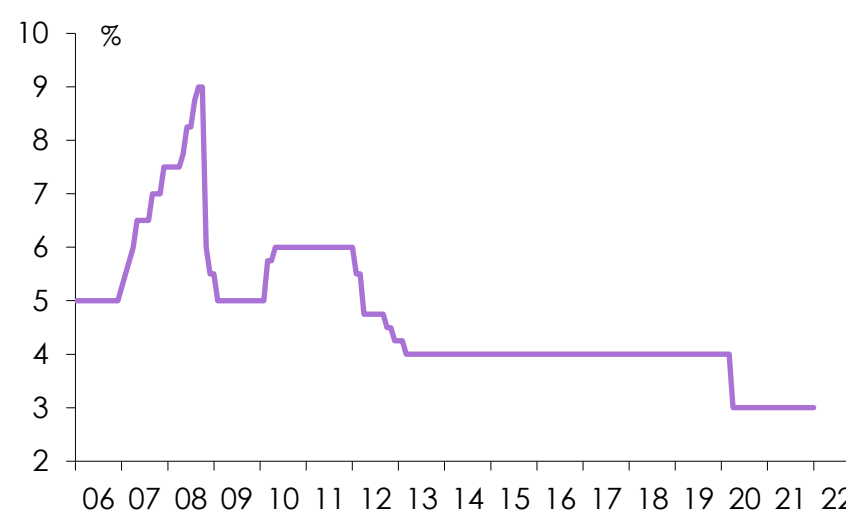
Bank lending



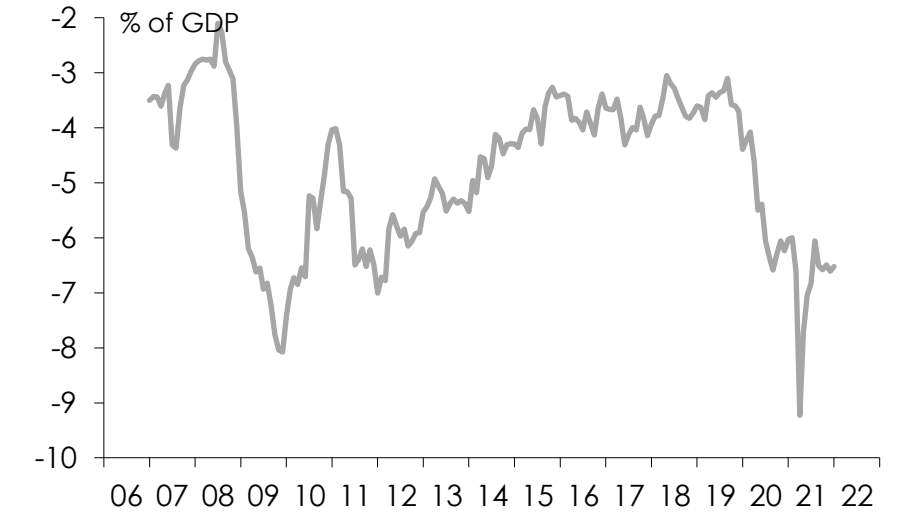
Consumer prices



RBI cash reserve ratio



Central government fiscal balance

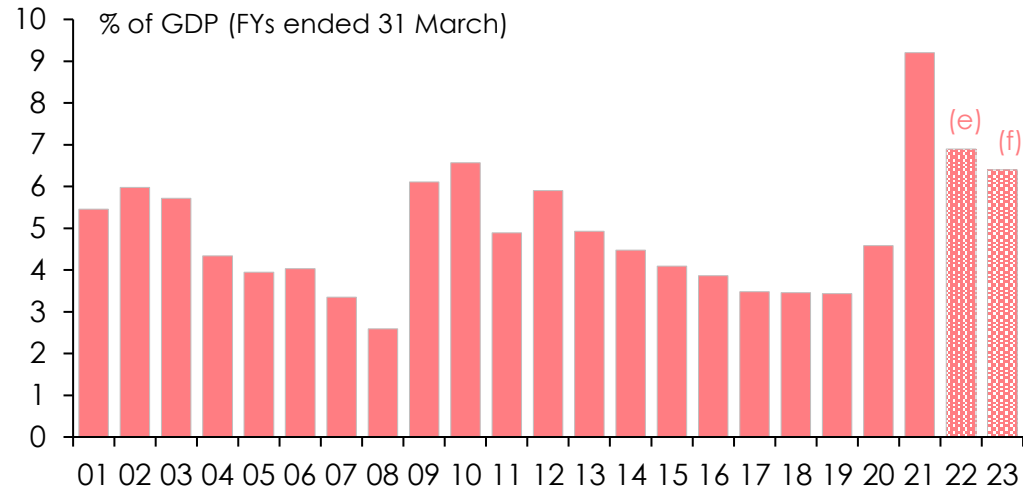


Note: The RBI's inflation target is 4% \pm 2 pc points. Sources: Government of India, Office of the Economic Adviser, Ministry of Commerce and Industry, [WPI Press Release](#); Ministry of Statistics and Programme Implementation, [CPI](#); Reserve Bank of India, [Monetary Policy](#) and [RBI Bulletin](#);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

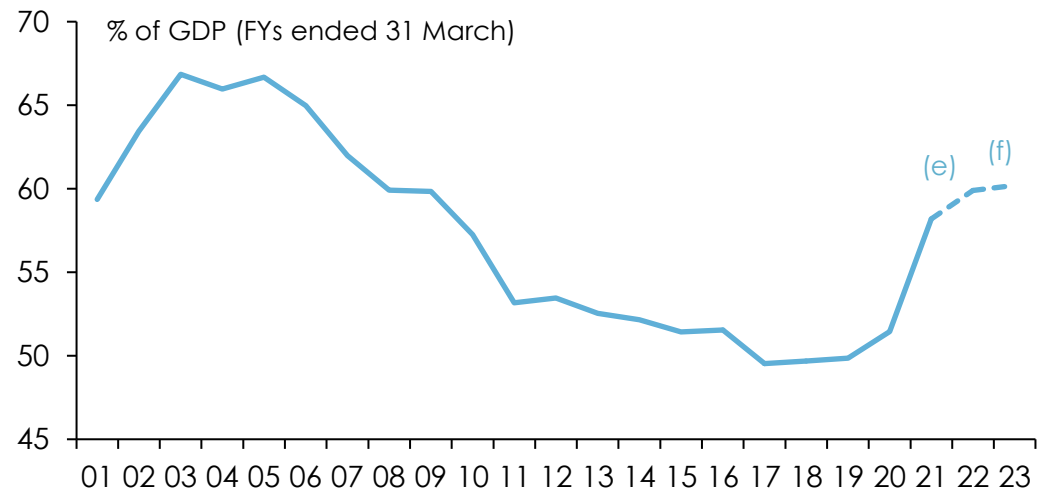
India's 2022-23 Budget, presented last month, maintains a deficit of over 6% of GDP in order to fund another large increase in capital spending

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 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 last month, for the first time since October 2018, while the Reserve Bank of Australia again held back

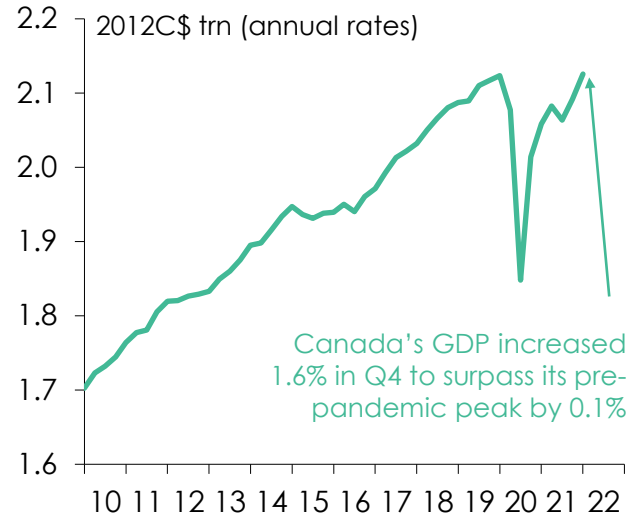
THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

- ❑ **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](#) will likely leave its cash rate on hold, again, at this Tuesday’s Board meeting**
 - 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 124](#))**
 - 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

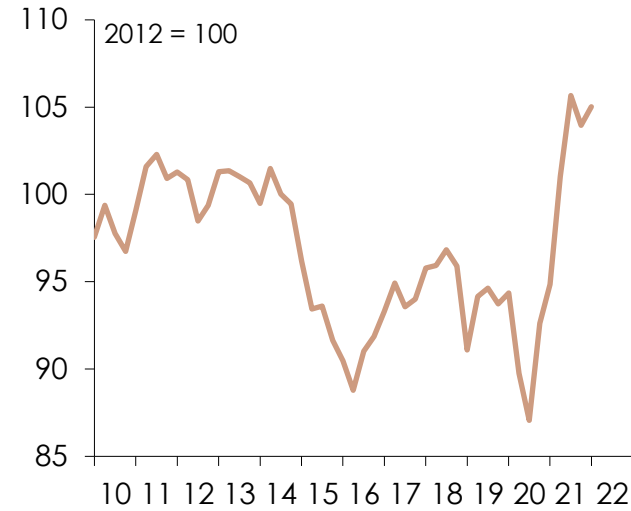
Canada's CPI rose 0.6% in February, pushing annual 'headline' inflation to 5.5% and 'core' inflation to 3.9% (the highest in 19 years)

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

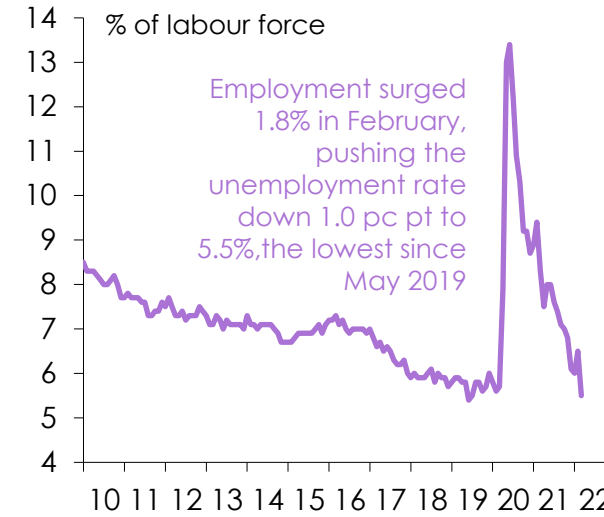
Real GDP



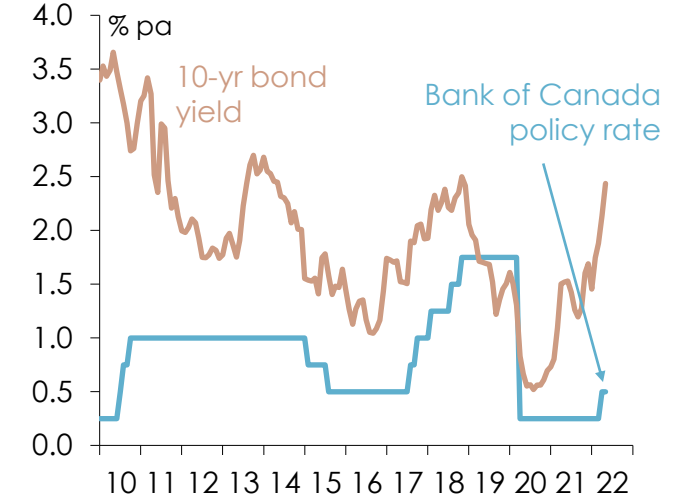
Terms of trade



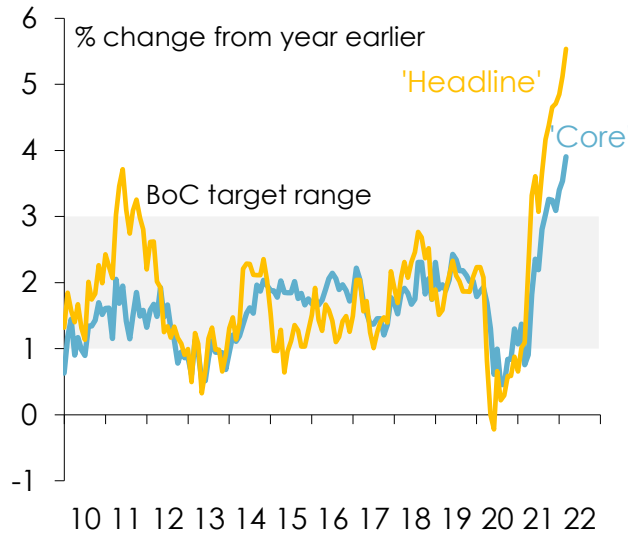
Unemployment



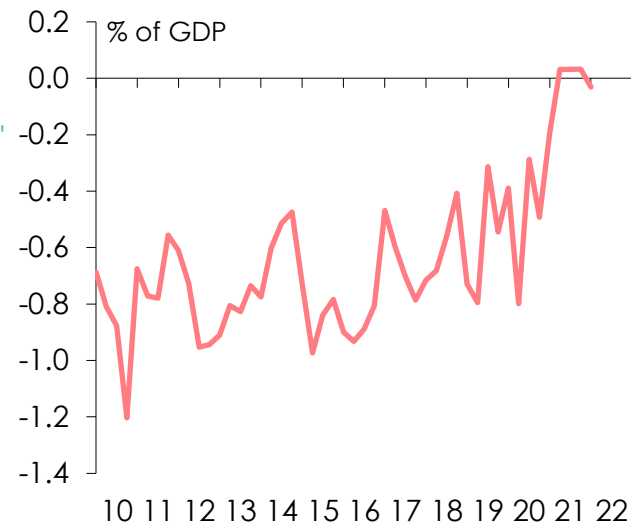
Interest rates



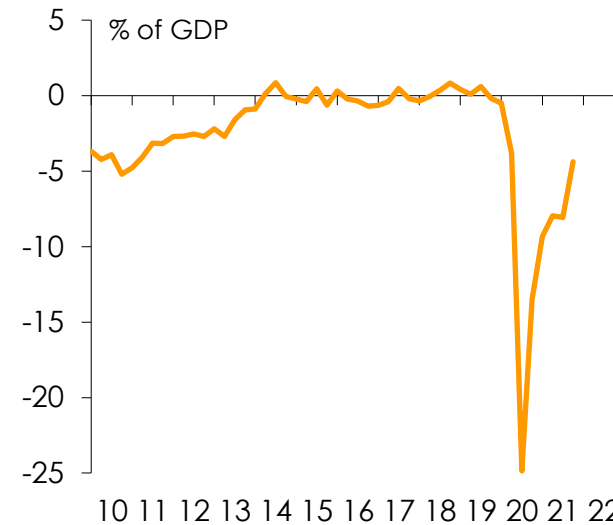
Consumer prices



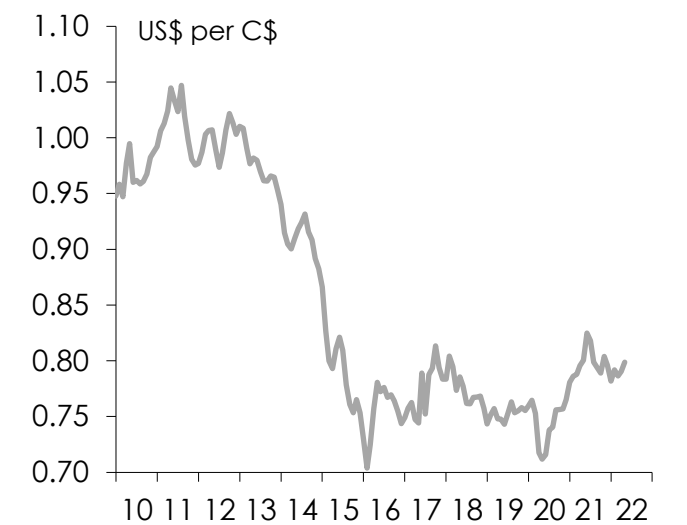
Current account balance



Government net lending



C\$ vs US\$

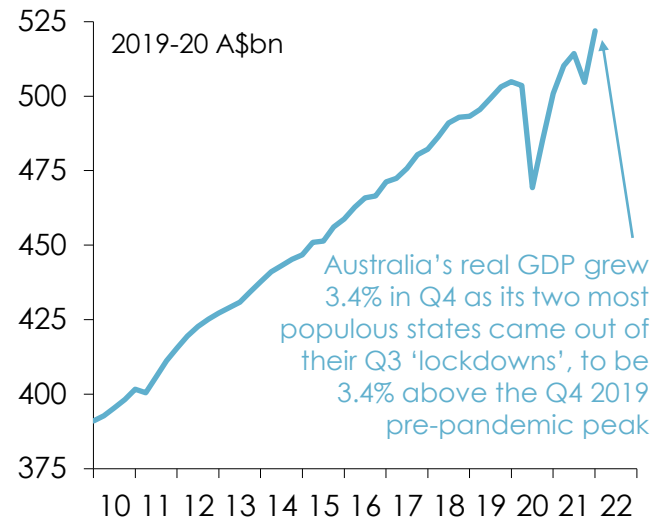


Sources: Statistics Canada, [National Gross Domestic Product \(GDP\) by Income and by Expenditure Accounts](#); [Consumer price index portal](#); [Canada's Balance of International Payments](#); [Labour Statistics](#); Bank of Canada, [Policy Interest Rate](#); Refinitiv Datastream. [Return to "What's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

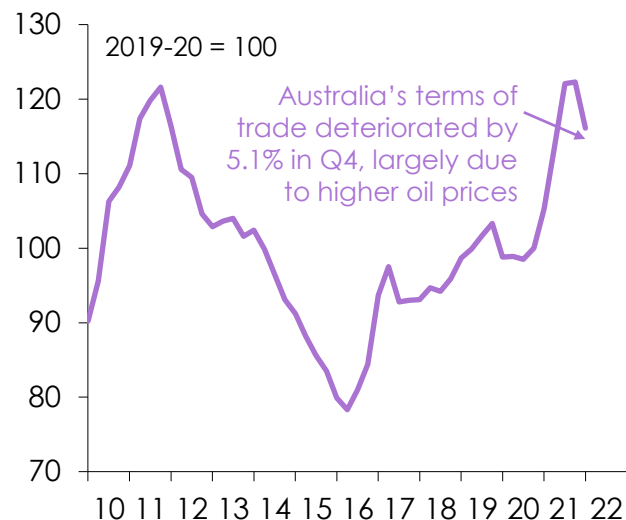
Australia's unemployment rate fell to 4.0% in February, a figure that has been bettered only twice (by less than 0.1 pc pt) since 1974

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

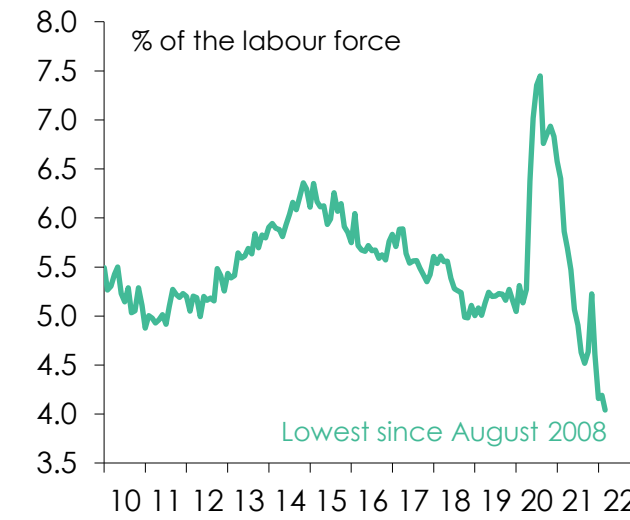
Real GDP



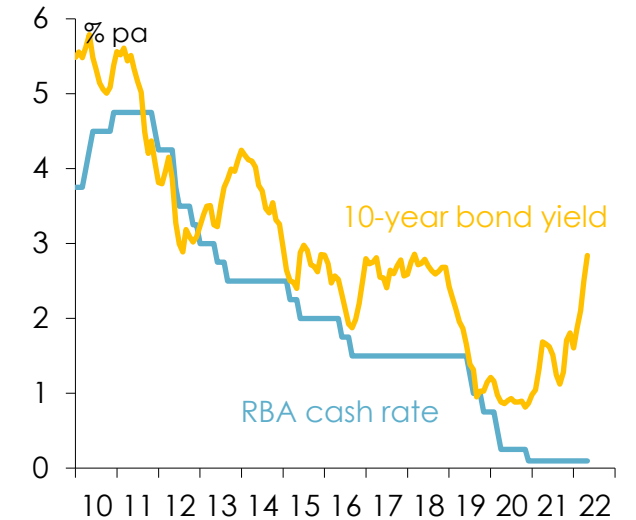
Terms of trade



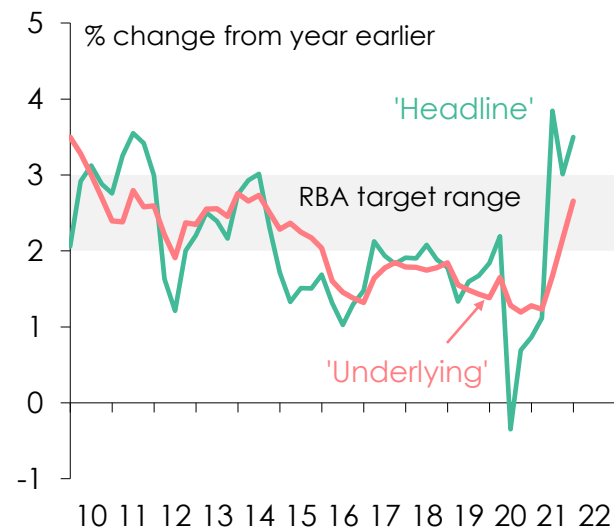
Unemployment



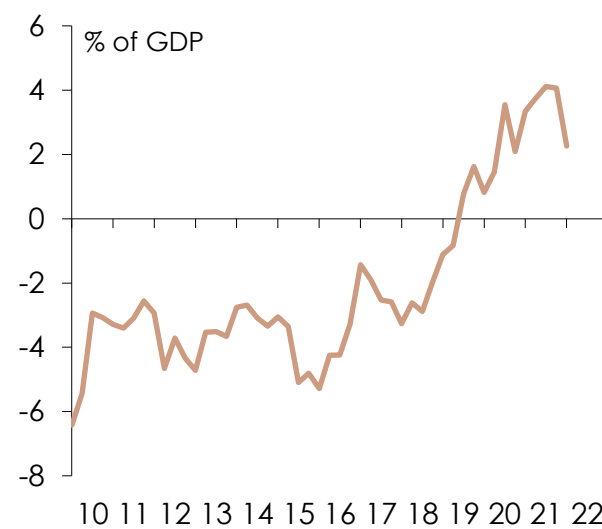
Interest rates



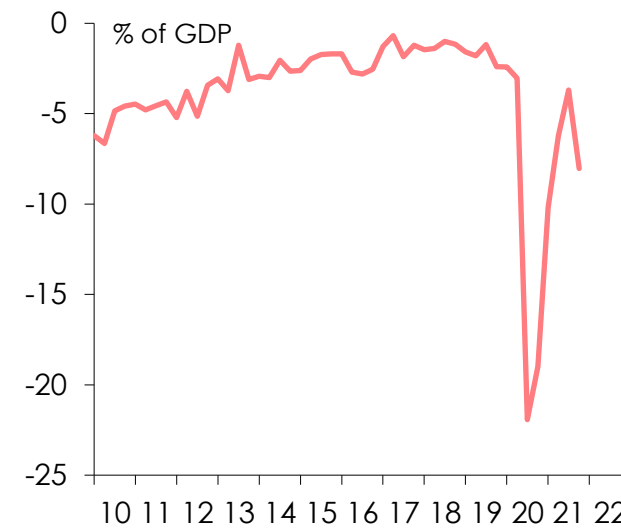
Consumer prices



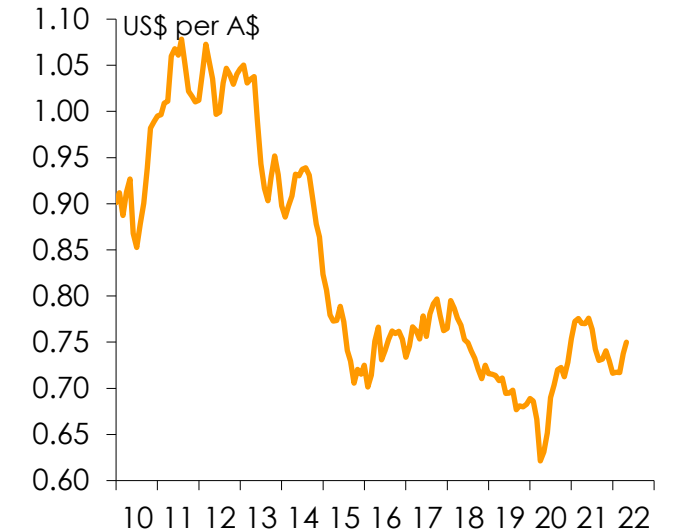
Current account balance



Government net lending



A\$ vs US\$

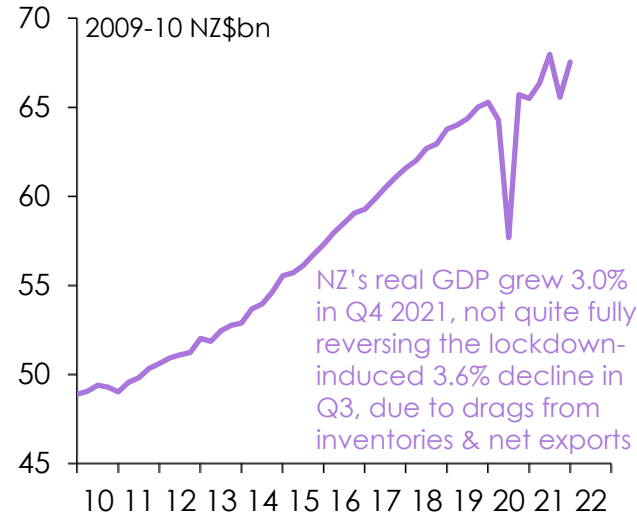


Note: The measure of 'underlying' inflation shown here is the trimmed mean. Sources: Australian Bureau of Statistics, [Australian National Accounts: National Income, Expenditure and Product](#); [Consumer Price Index](#); [Balance of Payments and International Investment Position](#); [Labour Force](#);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

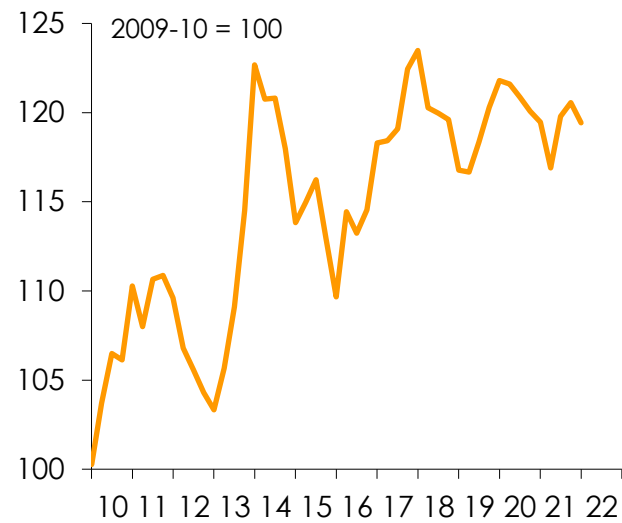
NZ's economy grew 3% in 2021Q4, not completely reversing the 3.6% decline in Q3, partly because of a large decline in net exports

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

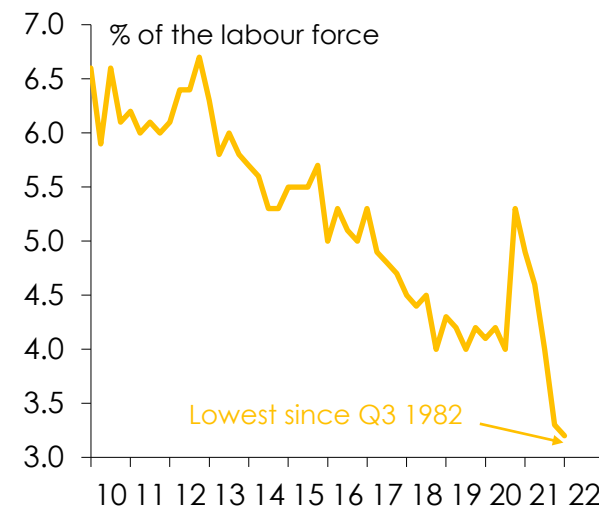
Real GDP



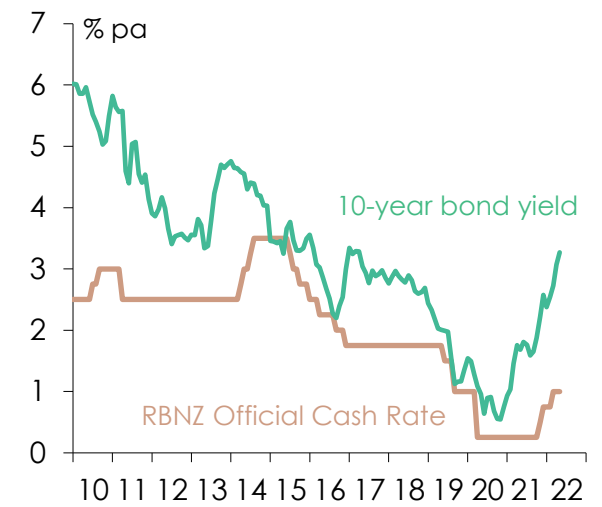
Terms of trade



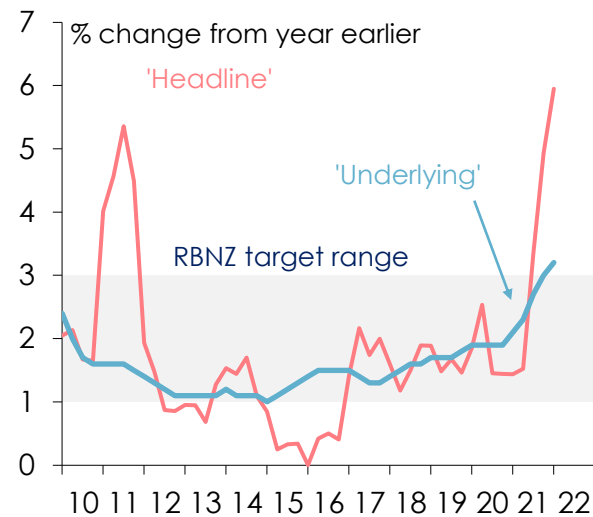
Unemployment



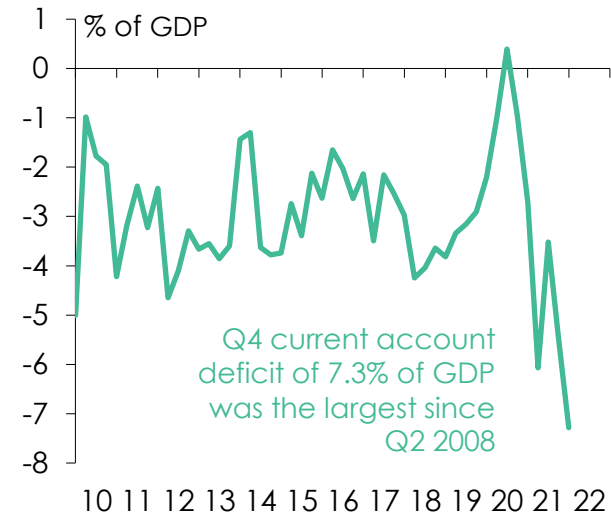
Interest rates



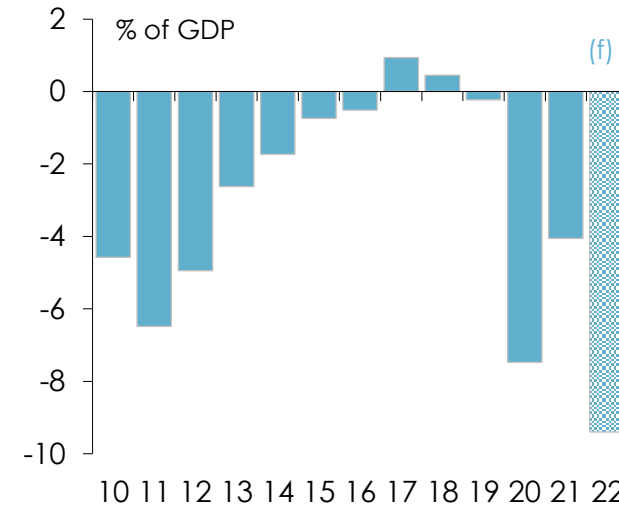
Consumer prices



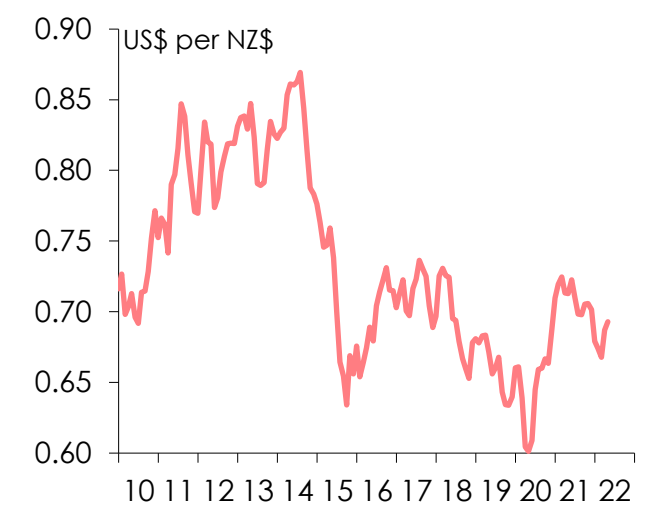
Current account balance



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

The Chilean, Colombian and Czech central banks all raised interest rates (again) last week

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

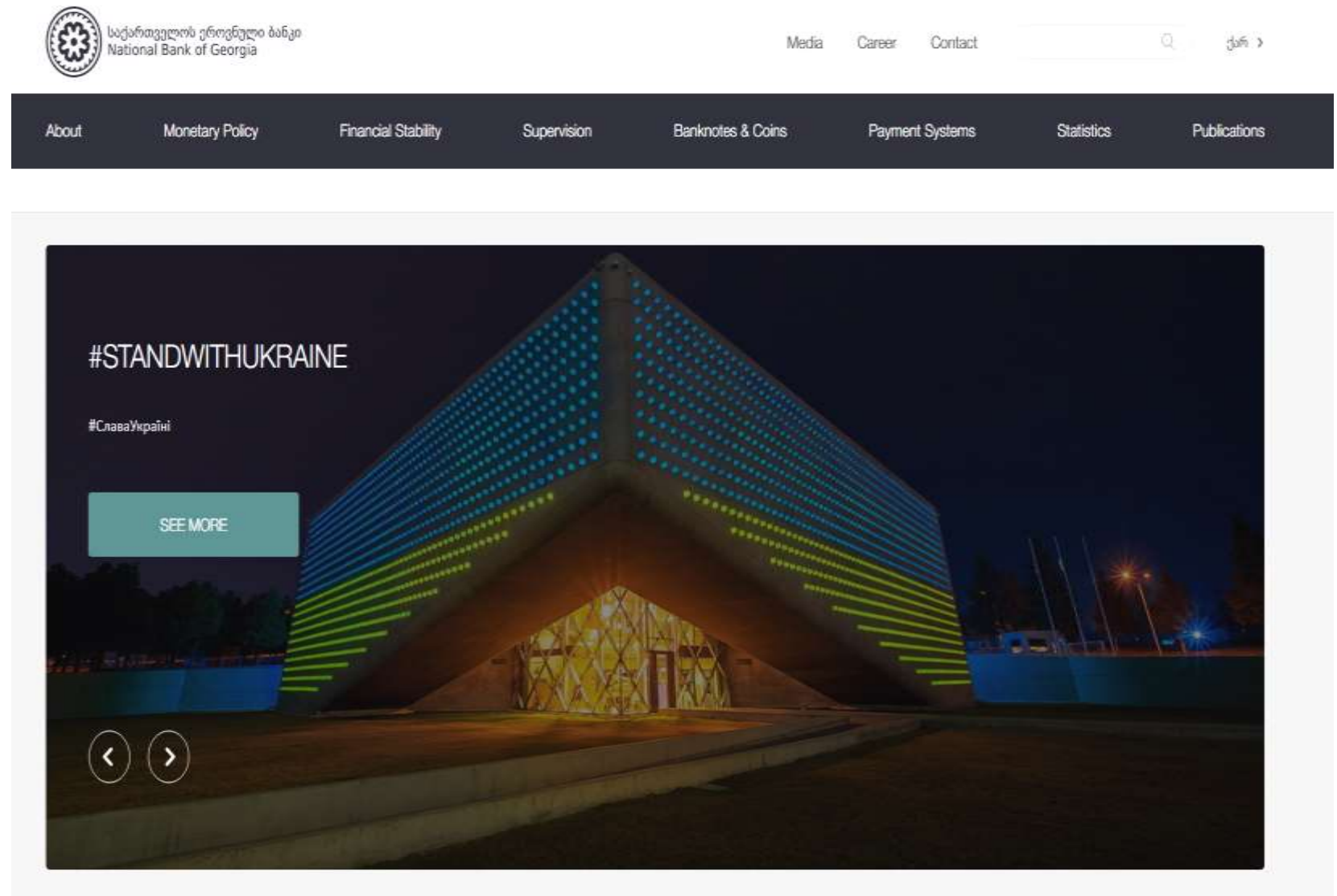
- ❑ **Banco Central de Chile** raised its policy interest rate by 150 bp, to 7.0%, at its Board meeting last Tuesday – the sixth increase (for a total of 650 bp) since last July ([slide 131](#))
 - the decision followed a [further upward revision](#) to BCC’s short-term inflation outlook, which now has the annual inflation rate peaking “closer to 10%” (cf. 7.8% over the year to February, and BCC’s target range of $3 \pm 1\%$), and comes despite “the economy already being on a downward path from last year’s high levels of spending” and “consumers’ and entrepreneurs’ perceptions of the economic situation hav[ing] become more pessimistic”
 - probably with the latter observations in mind, BCC foreshadowed that “future increases in the monetary policy rate” would be smaller than those of recent quarters”
- ❑ **Banco de la República Colombia** raised its intervention rate by 100 bp, to 5.0%, at its Board of Directors meeting on Thursday – the fifth increase since last October, for a total of 325 bp
 - the Board [depicted](#) its decision as “reiterat[ing] its commitment to the 3% annual inflation target”, with ‘headline’ inflation having risen to 8% in February, “diverse indicators of expected inflation” continuing to rise, and other data suggesting that “excess capacity should continue to close at a faster rate than expected”
 - two of the Board’s members voted for a 150 bp increase
- ❑ **Česká národní banka** (the Czech Republic’s central bank) raised its two-week repo rate by 50 bp to 5.0%, the seventh increase since last June, for a total of 475 bp – although the latest increase was smaller than the previous four ([slide 131](#))
 - the CNB Board [assessed](#) the “risks and uncertainties ... as being markedly inflationary”, largely as a result of the war in Ukraine, requiring “significantly tighter monetary policy, and probably for longer than [previously] predicted”
 - it also pointed to “less restrictive fiscal policy related to the refugee crisis” as “an upside risk to inflation this year”, although conversely it noted that “further growth in energy prices and headline inflation is likely to weigh on household consumption this year” and that “worse future economic developments having an impact on the labour market and related lower demand-driven inflation are an anti-inflationary risk”

Georgia's central bank also raised its policy rate by 50 bp, to 11%, last week

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

- ❑ The [National Bank of Georgia](#) (that's the 'landing page' on its website, to the right) raised refi rate by 50 bp, to 11.0%, at its Monetary Policy Committee meeting on 30th March
 - that's the fifth increase since March last year, for a total of 300 bp ([slide 131](#))
- ❑ The "[considered it appropriate](#)" to tighten monetary policy further "in the face of even more intensified inflation risks and inflation being above target for a long time"
 - although it expected inflation to start declining from March, given weak aggregate demand with GDP growth now expected to be 3-4% in 2022, cf. the previous forecast of 5%
 - the MPC indicated that "monetary policy will keep a tightening bias until the risks of rising inflation expectations are sufficiently mitigated"

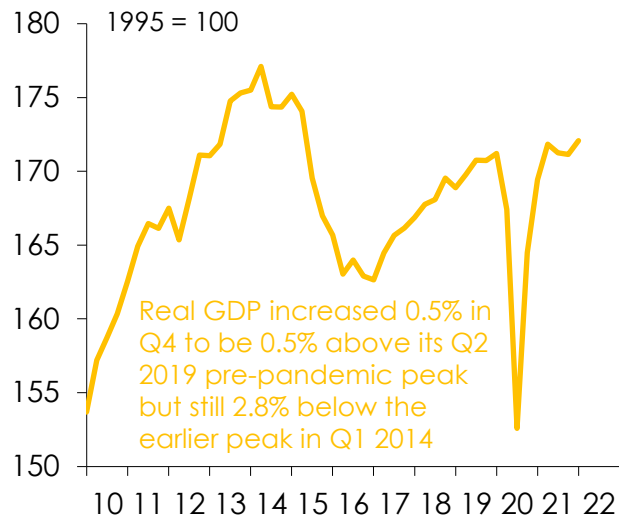
Georgia knows what being invaded by Russians feels like:



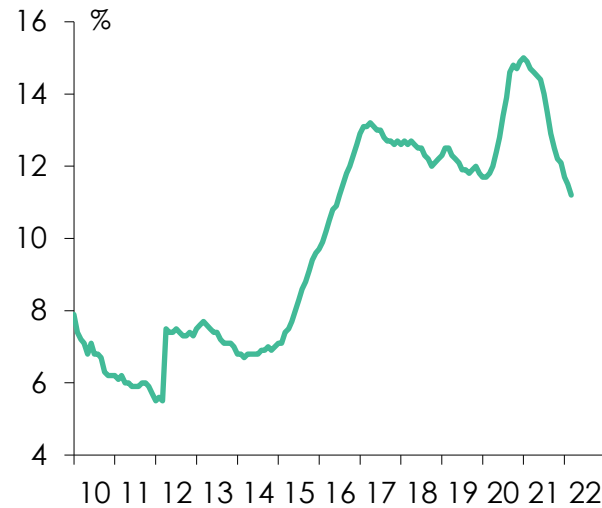
Banco Central do Brazil raised its policy rate another 100bp last month, for a total of 975 bp over the past 12 months, and with more to come

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

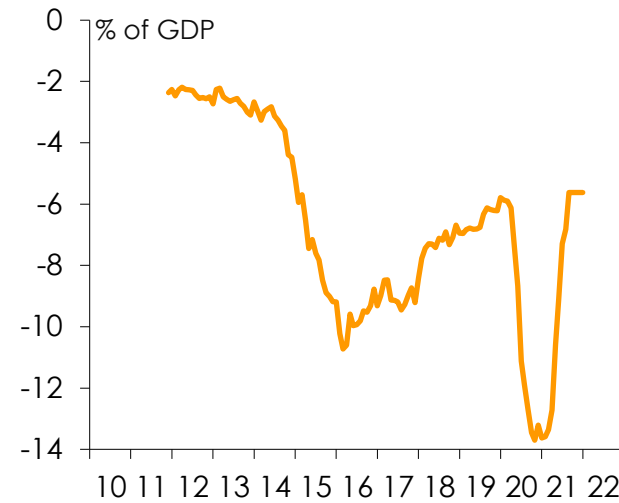
Real GDP



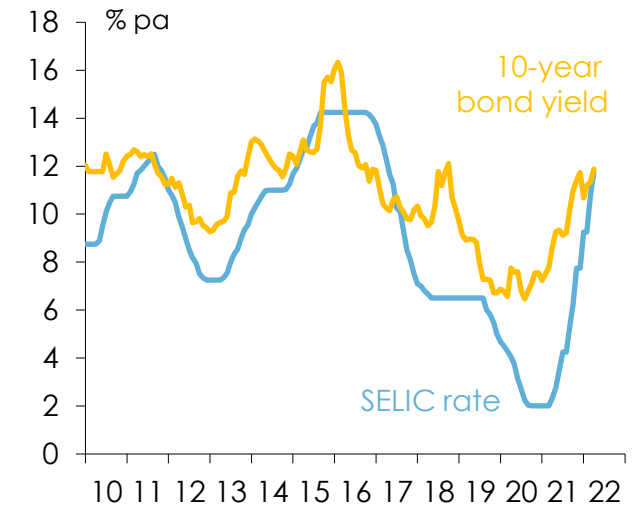
Unemployment



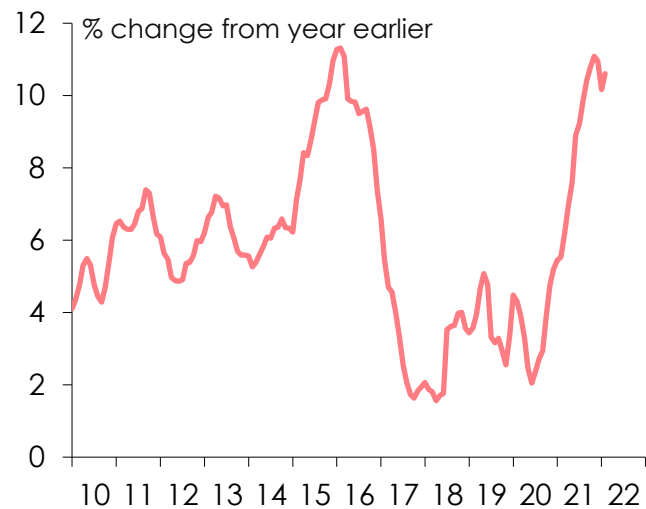
Public sector borrowing



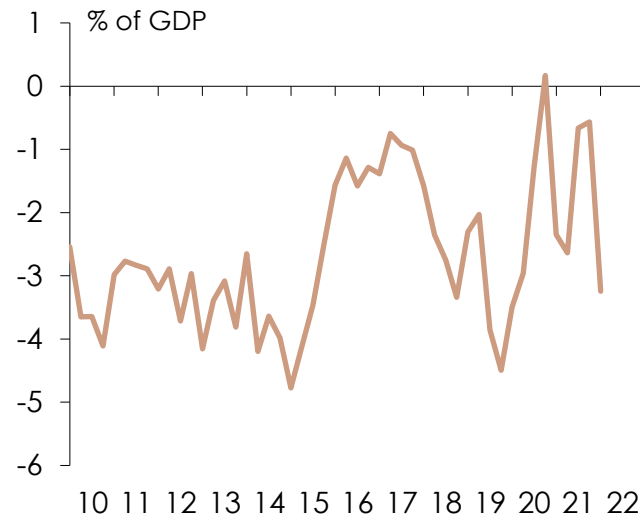
Interest rates



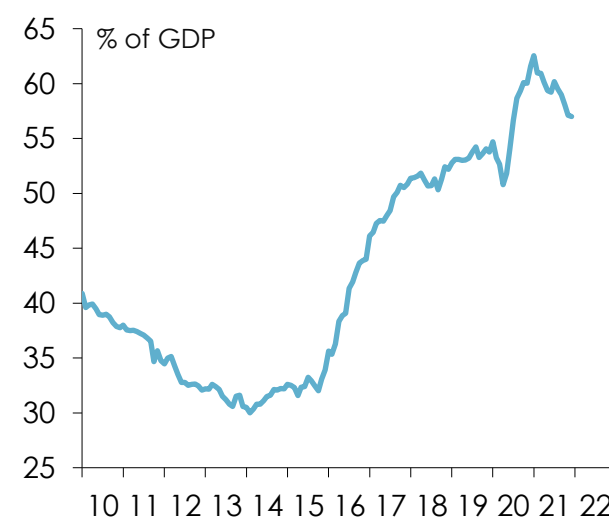
Inflation



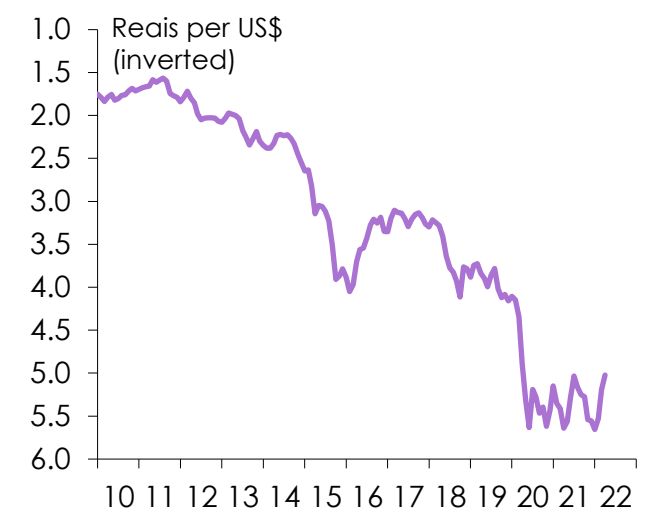
Current account balance



Public sector net debt



Brazilian real vs US\$

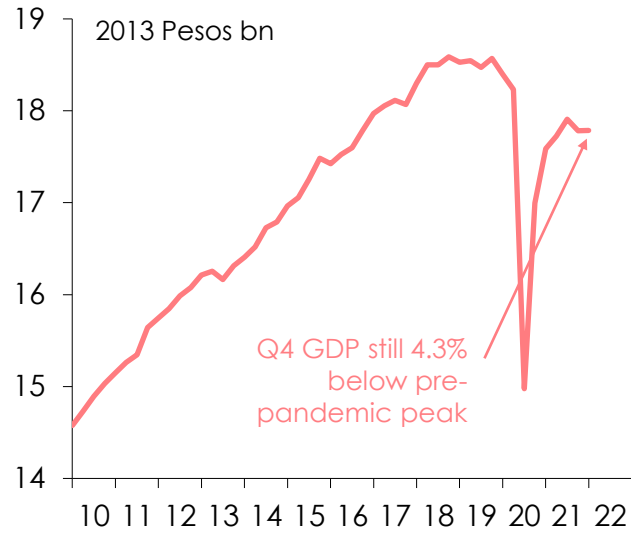


Sources: [Instituto Brasileiro de Geografia e Estatística](#) (IBGE); [Banco Central do Brasil](#); Refinitiv Datastream. [Return to "What's New"](#).

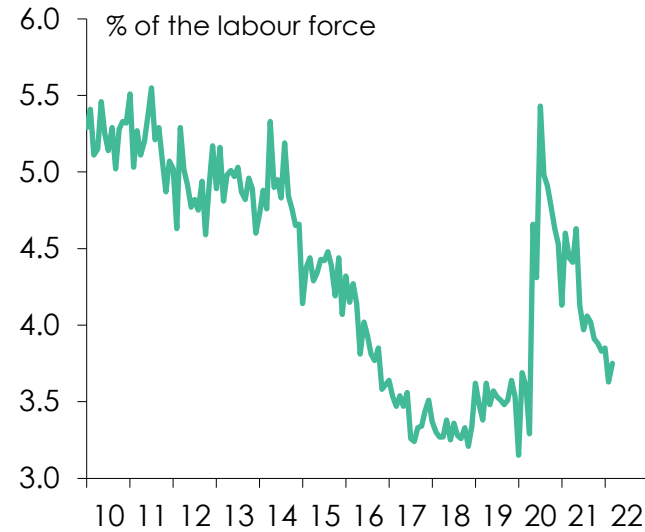
Mexico's central bank raised its policy rate another 50 bp last week, bringing the total increase since last June to 250 bp

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

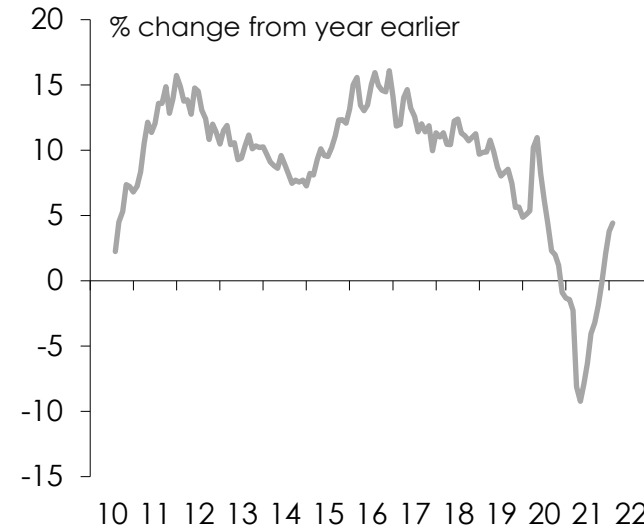
Real GDP



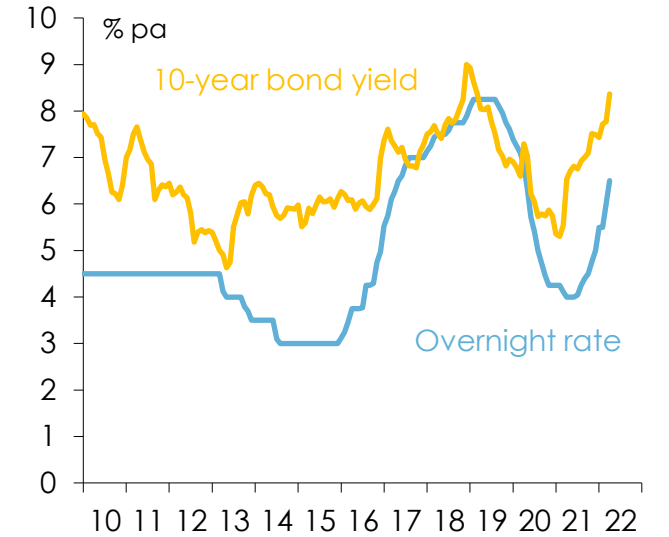
Unemployment



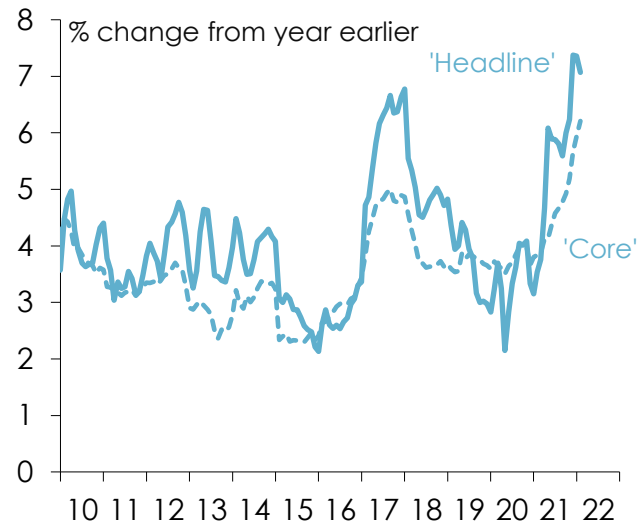
Bank lending



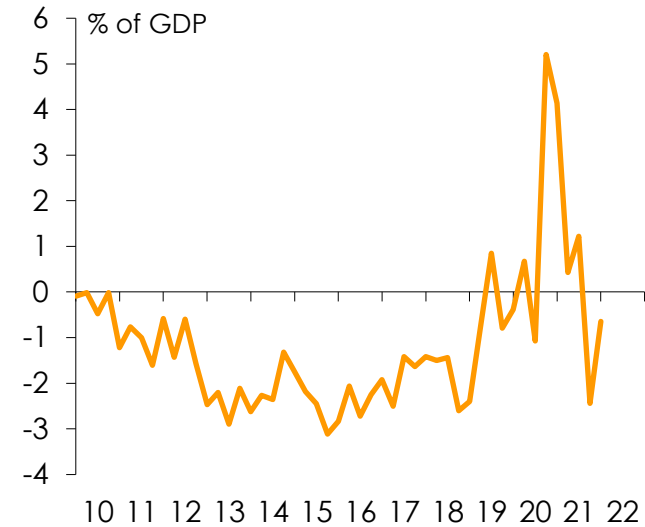
Interest rates



Inflation



Current account balance



Federal budget deficit



Mexican peso vs US\$

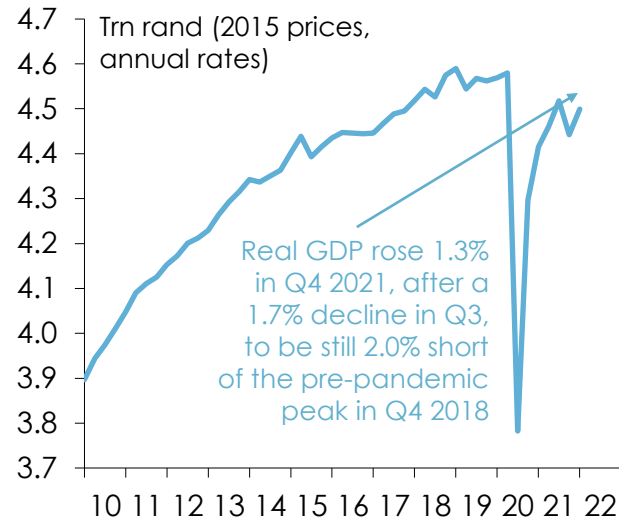


Sources [Banco de México](#); [Instituto Nacional de Estadística y Geografía \(INEGI\)](#); Refinitiv Datastream.. [Return to "What's New"](#).

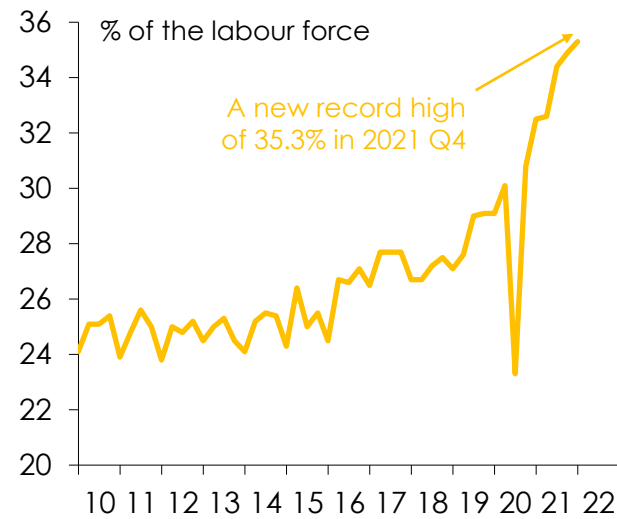
South Africa's central bank raised its repo rate another 25 bp last month, the third such increase since last November

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

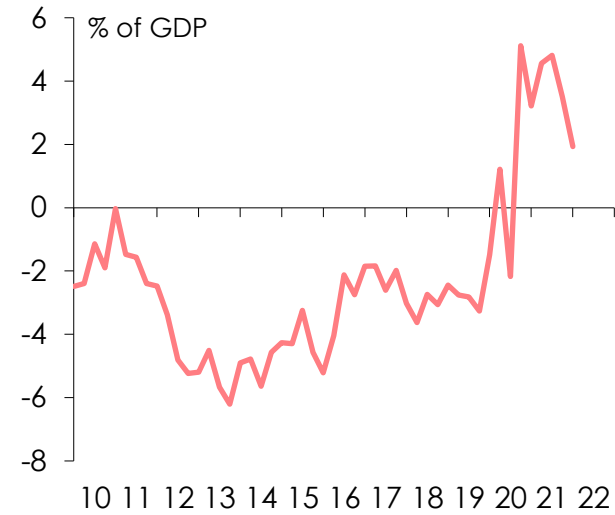
Real GDP



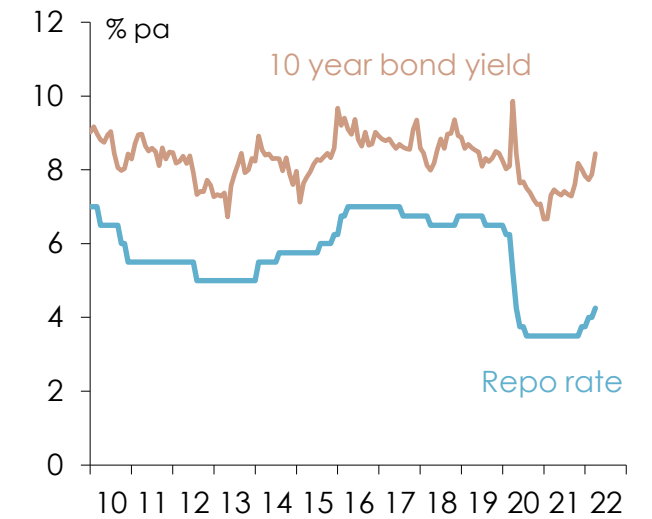
Unemployment



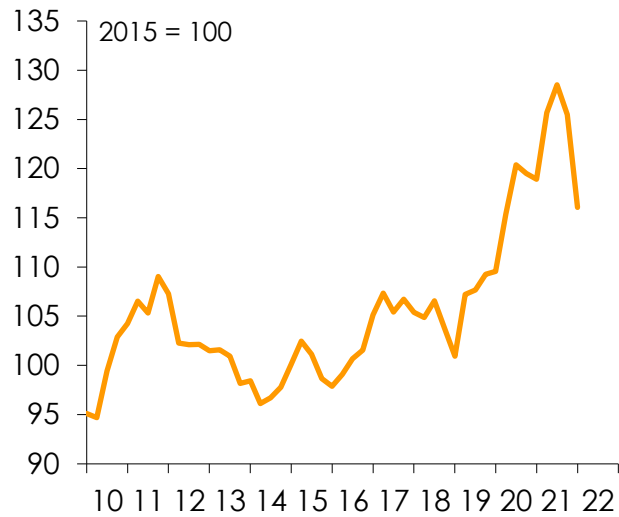
Current account balance



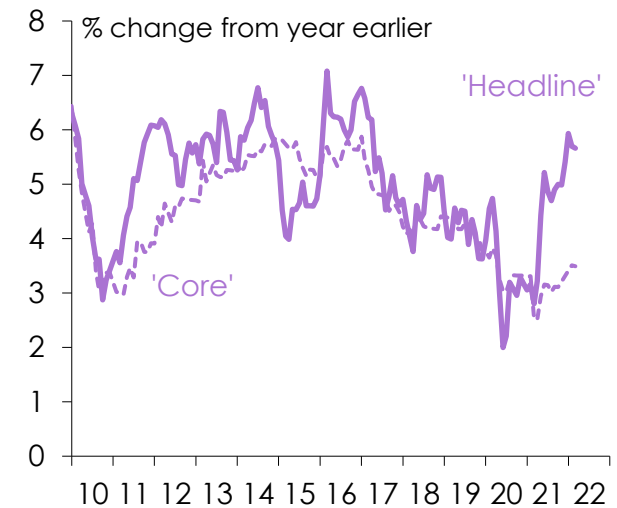
Interest rates



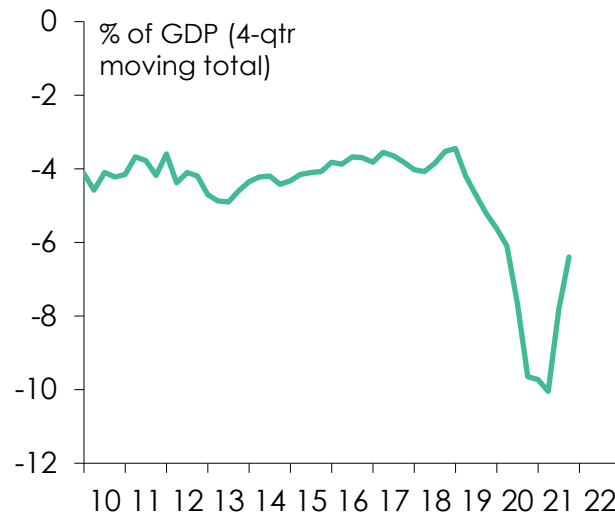
Terms of trade



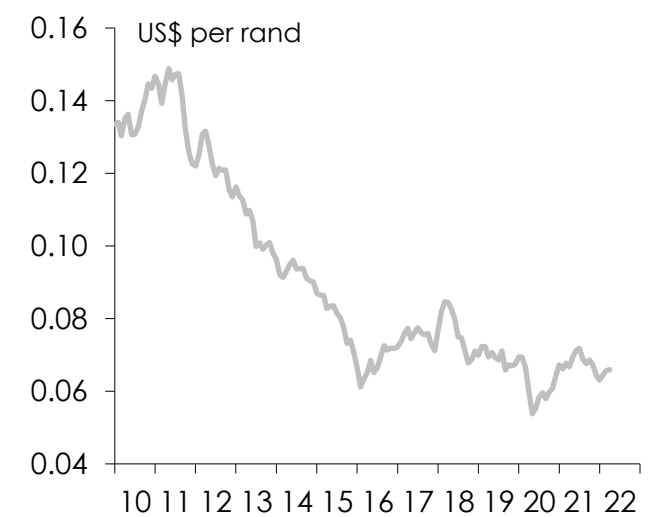
Inflation



Budget deficit



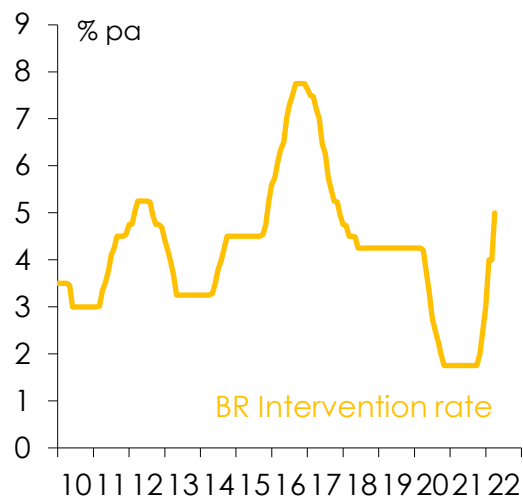
Rand vs US\$



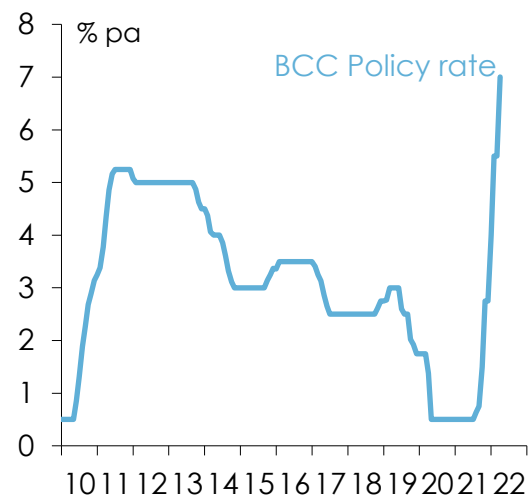
A growing number of other 'emerging' market central banks have begun tightening monetary policy

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

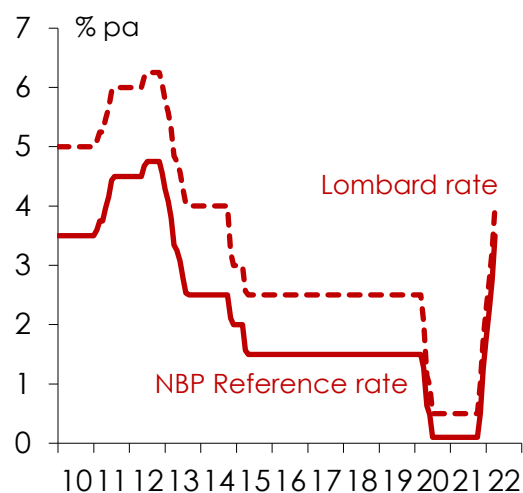
Colombia



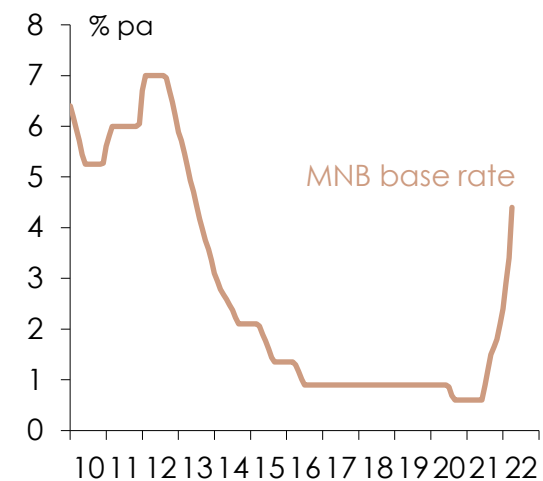
Chile



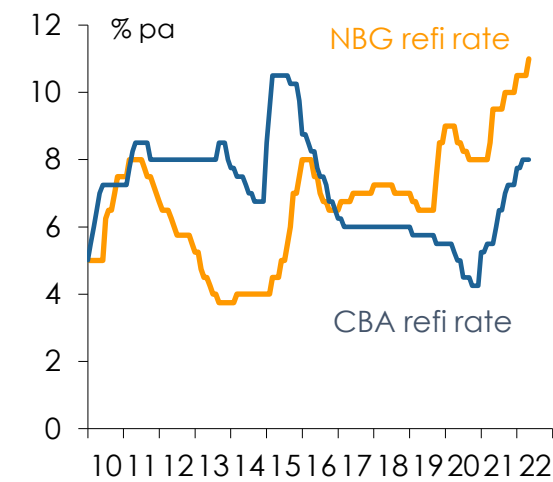
Poland



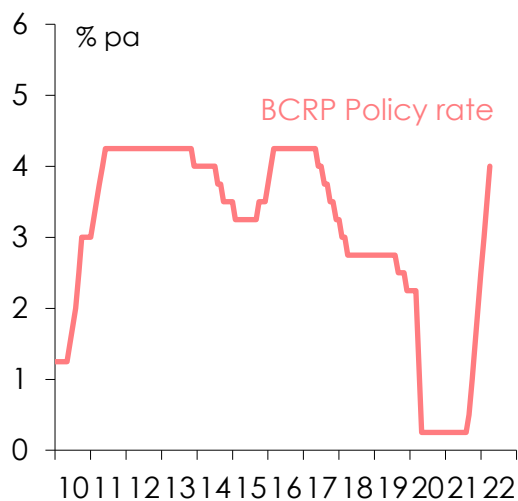
Hungary



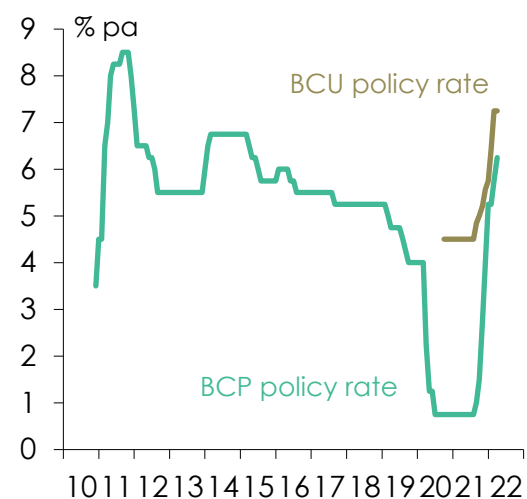
Georgia & Armenia



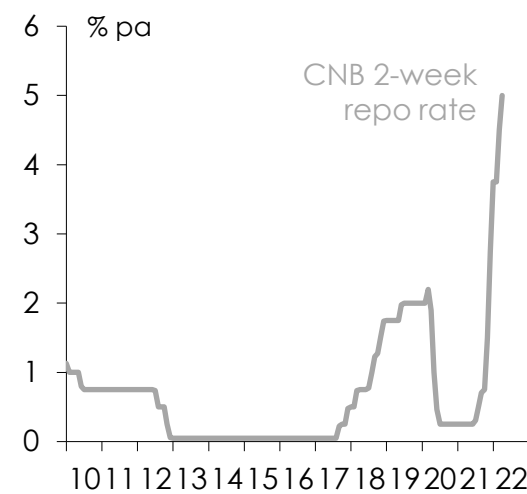
Peru



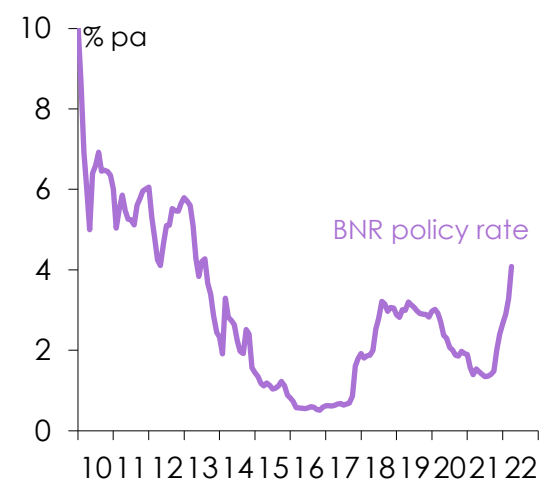
Paraguay & Uruguay



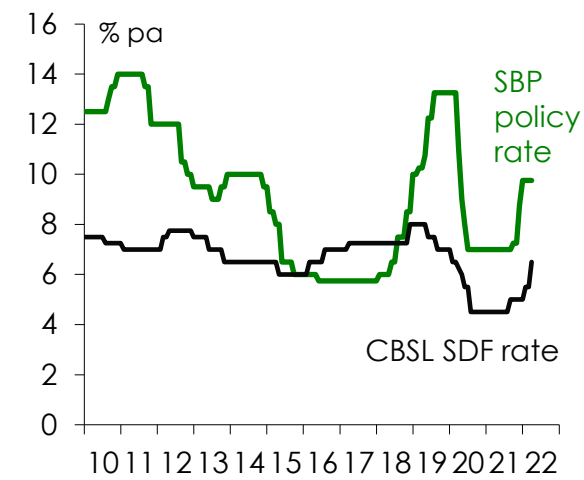
Czech Republic



Romania



Pakistan & Sri Lanka

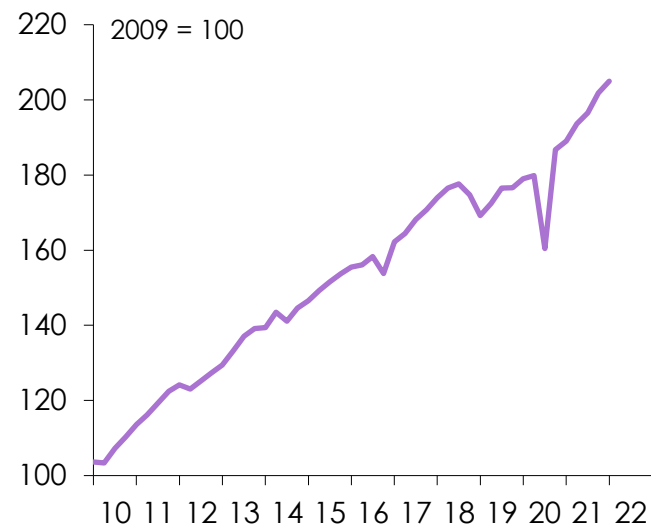


Sources: [Banco de la República Colombia](#); [Banco Central de Reserva del Perú](#); [Banco Central de Chile](#); [Banco Central del Uruguay](#); [Banco Central del Paraguay](#); [Narodowy Bank Polski](#); [Česká Národní Banka](#); [Magyar Nemzeti Bank](#); [Banca Națională a României](#); [Sakartvelos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

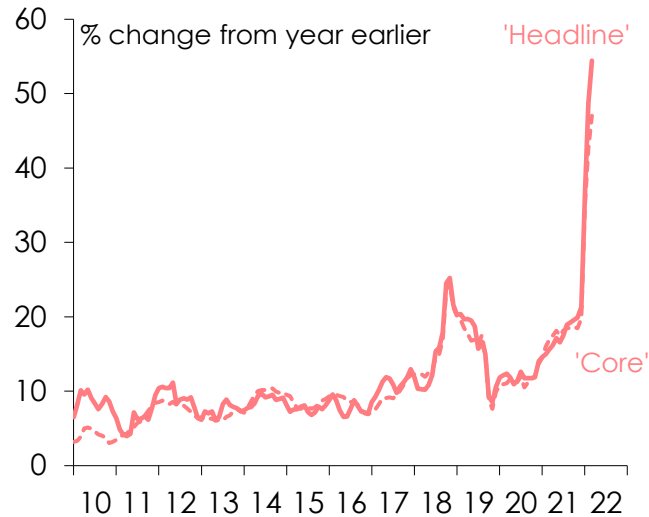
Turkey's central bank has left interest rates unchanged after cutting them by 500 bp over the last three months of 2021 despite surging inflation

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

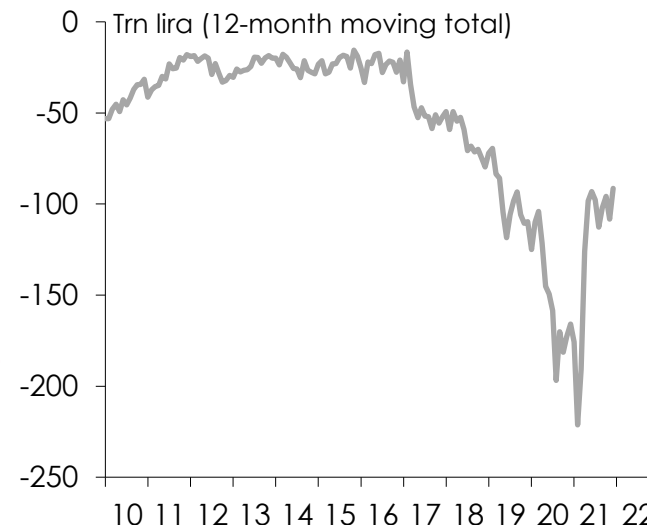
Real GDP



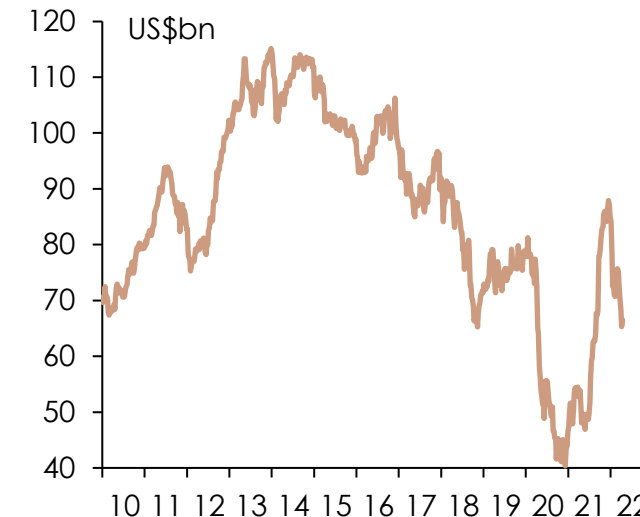
Inflation



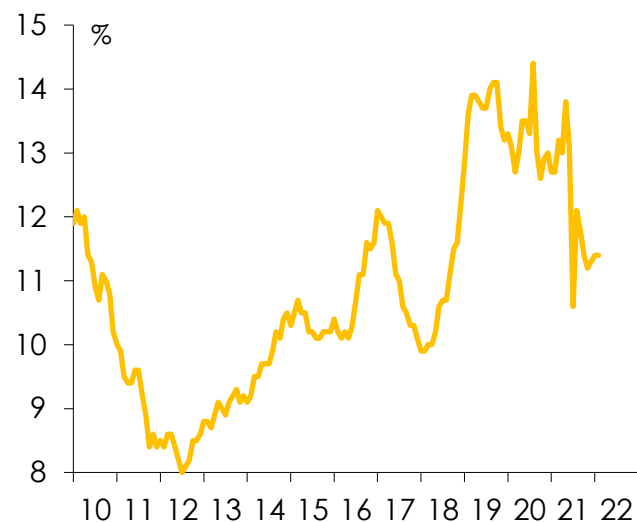
Budget balance



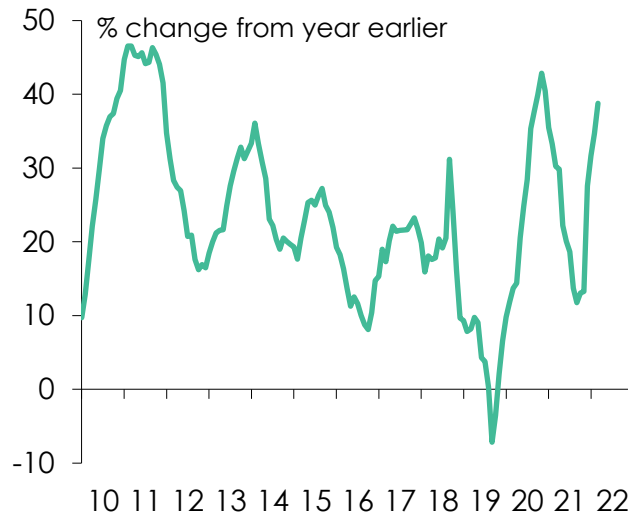
FX reserves



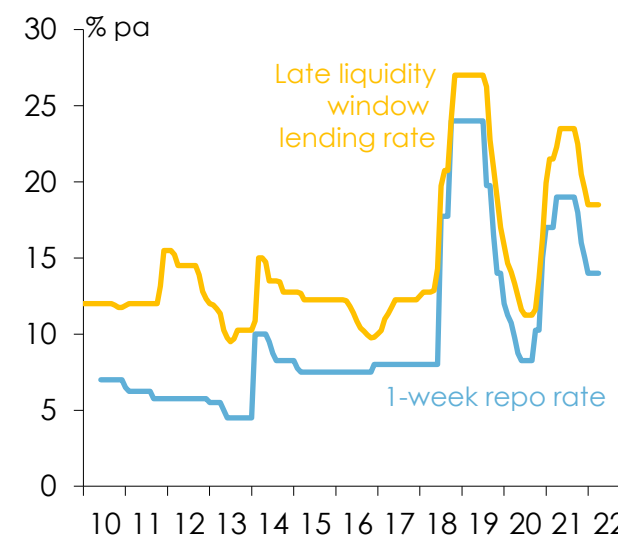
Unemployment rate



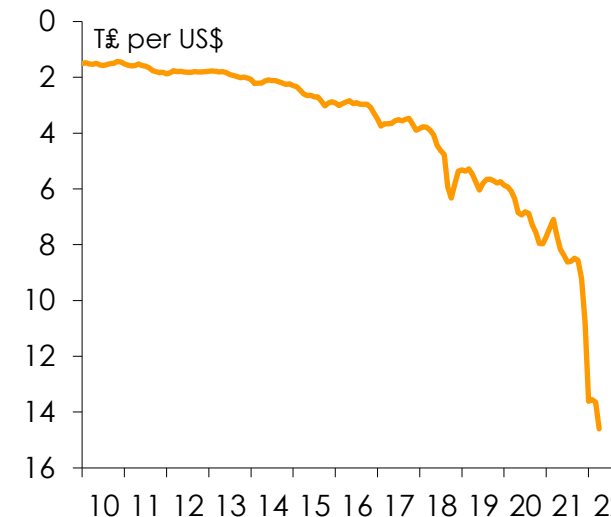
Bank lending



Interest rates



Turkish lira vs US\$



Key data and events this week

Key data and events for week ended 8th April

THE WORLD ECONOMY THIS WEEK – 4TH APRIL 2022

Monday 4th April

Germany February merchandise trade; **Turkey** March CPI & PPI; **Singapore** March PMI; **US** February factory orders (final); **Canada** February building permits

Tuesday 5th April

New Zealand Q1 business confidence; **Australia** March services PMI and RBA Board meeting; **Korea** March CPI; **Japan** March services PMI and February employer survey; **Thailand** March CPI; **Singapore** February retail sales; **euro area** March services PMI (final); **Norway** March house prices; **Canada** February merchandise trade; **US** February goods & services trade and March services ISM; **Brazil** March services PMI

Wednesday 6th April

China March ‘unofficial’ services PMI; **India** services PMI; **euro area** February PPI; **Canada** March PMI; **Poland** NBP meeting; **US** minutes of 15-16th March FOMC meeting

Thursday 7th April

Australia February goods & services trade; **Thailand** March consumer confidence; **Germany** February industrial production; **Sri Lanka** CBSL meeting; **UK** March HBS house price index ; **euro area** February retail sales; **Iceland** March merchandise trade; **Mexico** March CPI; **Chile** March merchandise trade; **Argentina** February industrial production; **Peru** BCRP meeting

Friday 8th April

Japan February current account balance; **Australia** RBA Financial Stability Review; **Indonesia** March consumer confidence; **Taiwan** March CPI, PPI and merchandise trade; **Japan** March consumer confidence; **India** RBI meeting; **Hungary** March CPI; **Chile** March CPI; **Brazil** March CPI; **Canada** March employment & unemployment; **Uruguay** BCU meeting; **Russia** 2021 Q4 GDP and March CPI; **China** March vehicle sales

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.

Corinna Economic Advisory is a partner (with Llewellyn Consulting, of 1 St Andrews Hill, London EC4V 5BY, United Kingdom) in Independent Economics.

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