



THE WORLD ECONOMY THIS WEEK

25TH APRIL 2022

SAUL ESLAKE

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INDEPENDENT ECONOMICS

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What's new?

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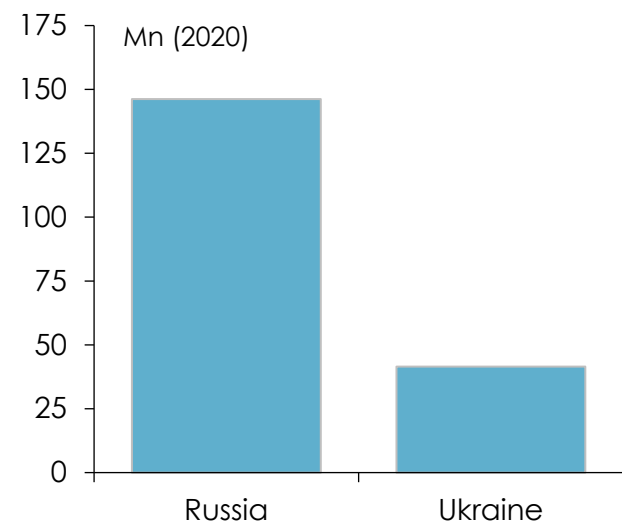
- ❑ Russian forces this week launched an intense assault on those parts of Donbas it didn't capture in 2014, whilst also seeking to consolidate its control of the so-called 'land bridge' to Crimea along Ukraine's south-east coast ([slide 6](#))
- ❑ The IMF, in its latest *World Economic Outlook* released last week, revised down its forecasts for global economic growth in 2022 and 2023 by $\frac{3}{4}$ and $\frac{1}{4}$ pc pt, respectively, and raised its forecasts for global inflation by $2\frac{1}{4}$ pc pts and 1 pc pt respectively, largely as a result of the war in Ukraine, though also partly as a result of Covid-related disruptions in China ([slide 9](#) and [slides 25-26](#))
- ❑ There were 'only' 5.1 mn new Covid infections worldwide last week, the lowest number since mid-December last year, while there fewer fatalities last week than in any week in the past two years ([slide 14](#)) – but the continued increase in new infections in China (and the Chinese authorities' ongoing zero tolerance for it) represents a 'headwind' for Chinese and global economic growth ([slide 15](#))
- ❑ US Federal Reserve Chair Jay Powell last week signalled that the Fed was likely to raise its funds rate target by 50 basis points at its 3rd-4th May FOMC meeting ([slide 68](#)), which in turn prompted a further rise in bond yields and in the US dollar, and falls in stockmarkets ([slides 46-49](#))
- ❑ US housing activity remains strong but shortages of both new and existing housing for sale are maintaining upward pressure on prices, despite rising mortgage rates ([slide 55](#))
- ❑ The US dollar's gains vs the euro were further accentuated by ECB President Christine Lagarde's re-iteration that the ECB will not start raising rates until "some time after" it has ended its asset purchases, which won't be until "some time in Q3", and that (unlike the Fed and most other central banks) it has no plans to begin shrinking its balance sheet ([slide 77](#))
- ❑ China's economy grew by a better-than-expected 1.3% in Q1 ([slide 82](#)) – but monthly data suggest that most of this growth occurred in the first two months of the quarter, with industrial production and particularly retail sales slowing sharply in March ([slides 83-84](#))
- ❑ Japan's 'headline' inflation rate rose to 1.2% over the year to March, the highest in four years, driven by a 21% increase in energy prices ([slide 95](#))
- ❑ Both the IMF and the ADB made relatively small downward revisions to their growth forecasts for East and South-East Asian economies (except for Hong Kong), but more significant upward revisions to their forecasts for inflation ([slide 99](#))
- ❑ Bank Indonesia again left its policy settings unchanged at its Board of Governors meeting last week ([slide 110](#)), but Paraguay's central bank raised its policy rate by 50bp to 6.75% (the eighth increase, for a total of 600bp since last August), while the State Bank of Pakistan raised its policy rates by 250 bp to 12.25% ([slides 127](#) and [131](#))
- ❑ Canada's 'headline' inflation rate rose to 6.4% in March, the highest since April 1983 ([slide 123](#)), while New Zealand's 'headline' inflation rate over the year to Q1 of 6.9% was the highest since Q2 1990 ([slide 125](#))
- ❑ This week's data calendar is very full, with Q1 GDP estimates for the US, euro area, Korea & Taiwan, US March PCE price deflator, Australia's Q1 CPI, April PMIs for China and a BoJ meeting the highlights ([slide 134](#))

Russia's invasion of Ukraine

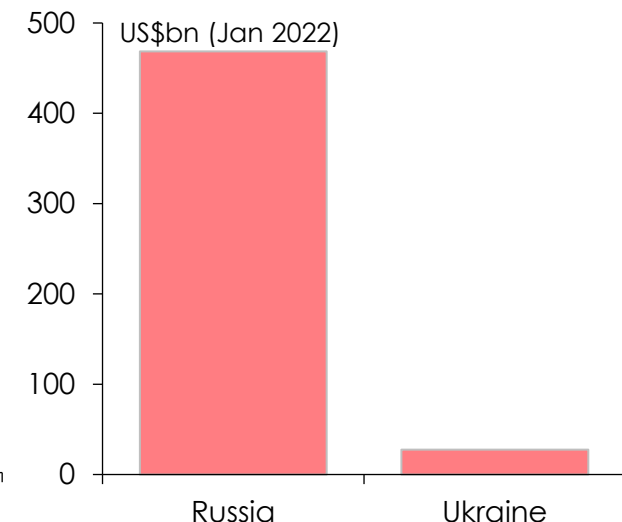
Russia outnumbered Ukraine in just about everything – except courage and ‘moral capital’ – but that hasn’t given it the ‘easy victory’ it expected

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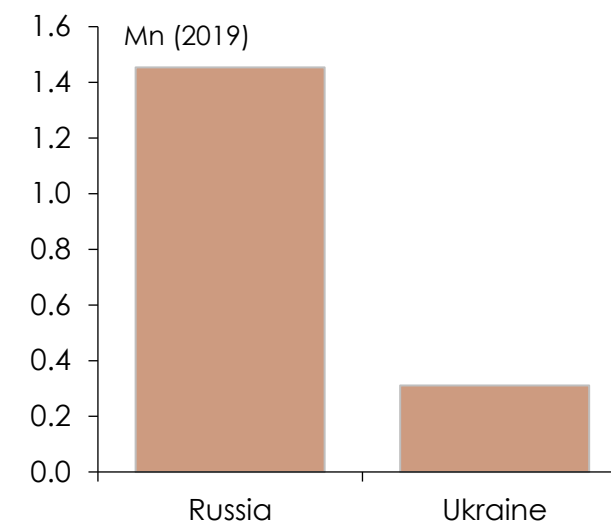
Population



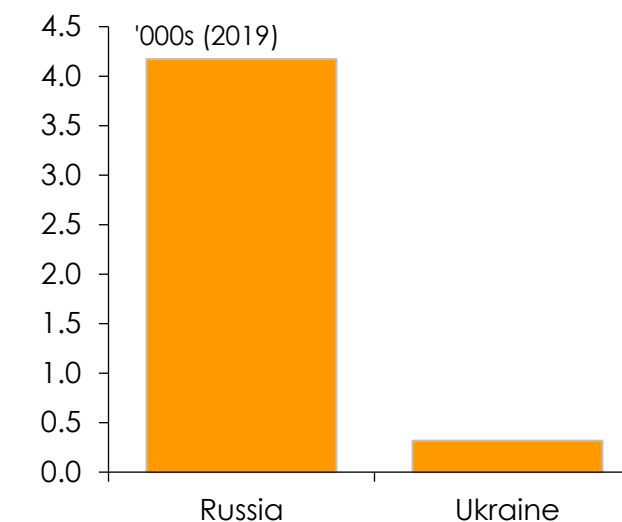
FX reserves



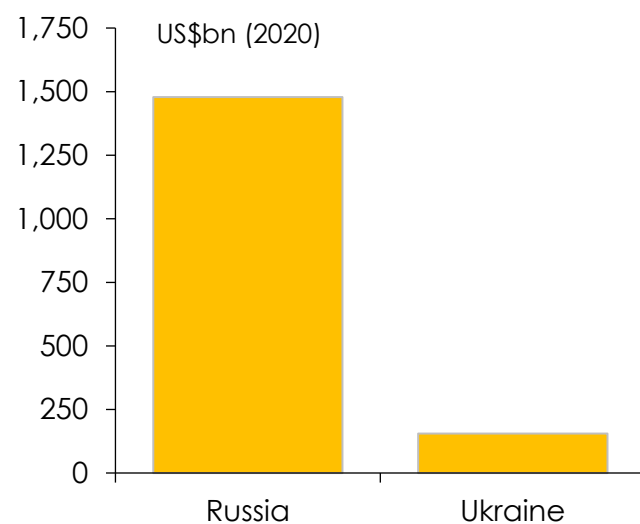
Armed forces



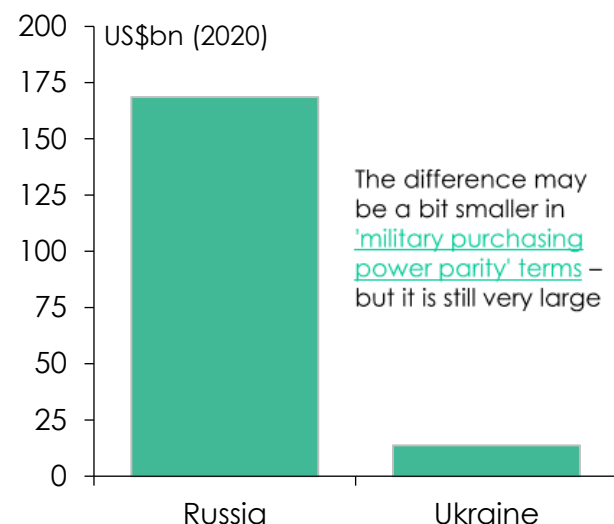
Military aircraft



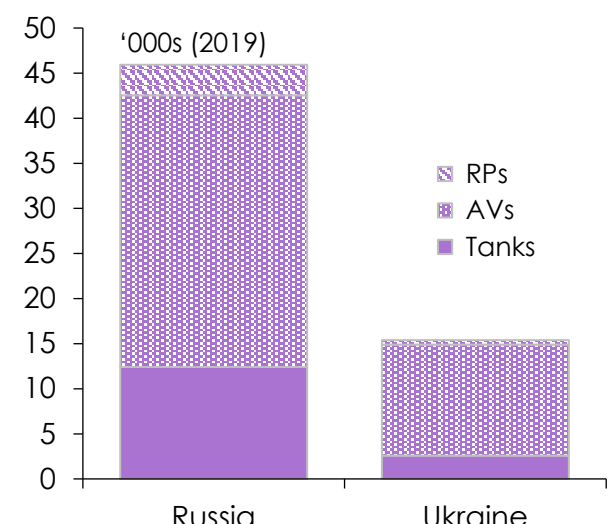
GDP



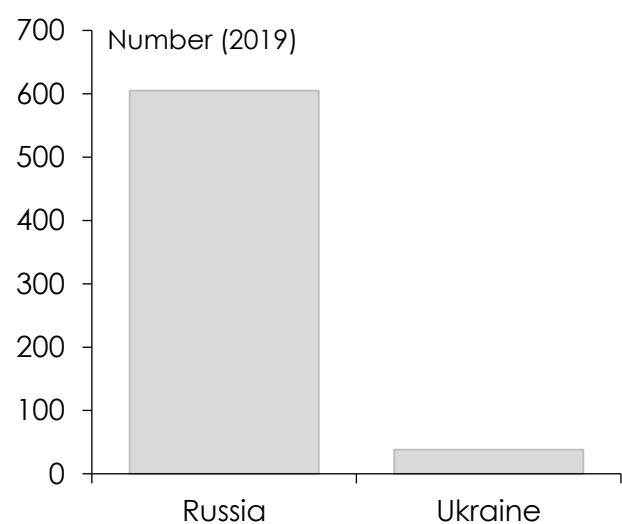
Military spending



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 last week began a new offensive in Donbas, while the IMF and the Russian & Ukrainian central banks provided estimates of the economic costs

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- ❑ Having failed to achieve its initial objective of capturing Ukraine's capital Kyiv, and installing a 'puppet' regime there, Russia last week launched an intense assault on those parts of Donbas (Eastern Ukraine) which it didn't occupy in 2014, as well as consolidating its control of much of southern Ukraine, especially along the Sea of Azov coast (the so-called 'land bridge' to Crimea, which Russia also seized in 2014)
- ❑ President Putin has appointed [General Alexander Dvornikov](#) (who commanded Russian forces in Syria in 2015-16) to take control of Russia's military campaign in Ukraine – probably suggesting an intensification of Russian assaults on civilians in the areas which they are targeting, with Putin [reportedly](#) expecting 'victory' by 9th May, the official anniversary of the Soviet Union's defeat of Nazi Germany in World War II
- ❑ Russia also appears to have [purged](#) several senior military and naval commanders for failures in Ukraine (including the sinking of the *Moskva*)
- ❑ Ongoing [revelations of atrocities](#) against civilians in areas of Ukraine previously occupied by Russian forces make it less likely that Ukraine will agree to any kind of 'ceasefire'
- ❑ NATO allies remain determined to avoid any direct military confrontation with Russian forces (including through declaration of 'no-fly' zones) for fear of Russian recourse to nuclear weapons, but have stepped up the provision of other military assistance (including missiles and military vehicles) to Ukraine
- ❑ The IMF last week [estimated](#) that Ukraine's economy would shrink by 35% this year – similar to the [National Bank of Ukraine's estimate](#) of a decline of about one-third – and that Russia's economy would contract by 8½% this year and by 2¼% in 2023 ([slide 26](#))
- ❑ Russia's central bank last week [acknowledged](#) that its economy had "started to decline due to large-scale sanctions and restrictions in foreign trade and finance", and that "the persistence of sanctions and foreign companies' self-imposed restrictions after the economic decline ... will cause a structural transformation in the economy ... [which] will lose a part of its potential, and its recovery will be gradual and long-lasting"
- ❑ CBR Governor Elvira Nabiullina [told the State Duma](#) last week that "the period when the economy can get along with stocks is limited" and that sanctions which so far have mainly affected financial markets "now will start to impact the real economy more significantly"



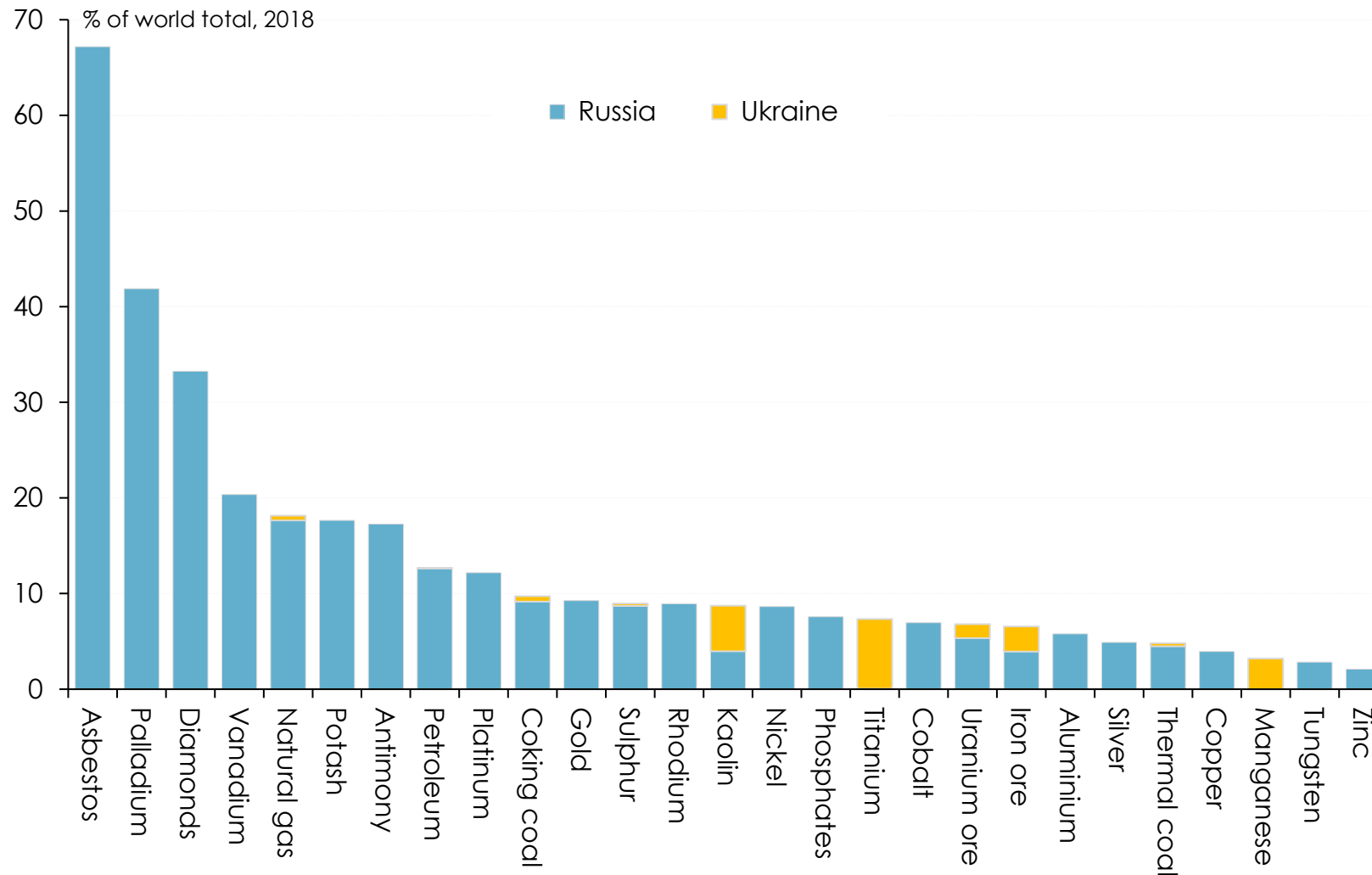
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Russia and Ukraine are major producers of a range of mineral, energy and food commodities whose prices will go up because of the conflict

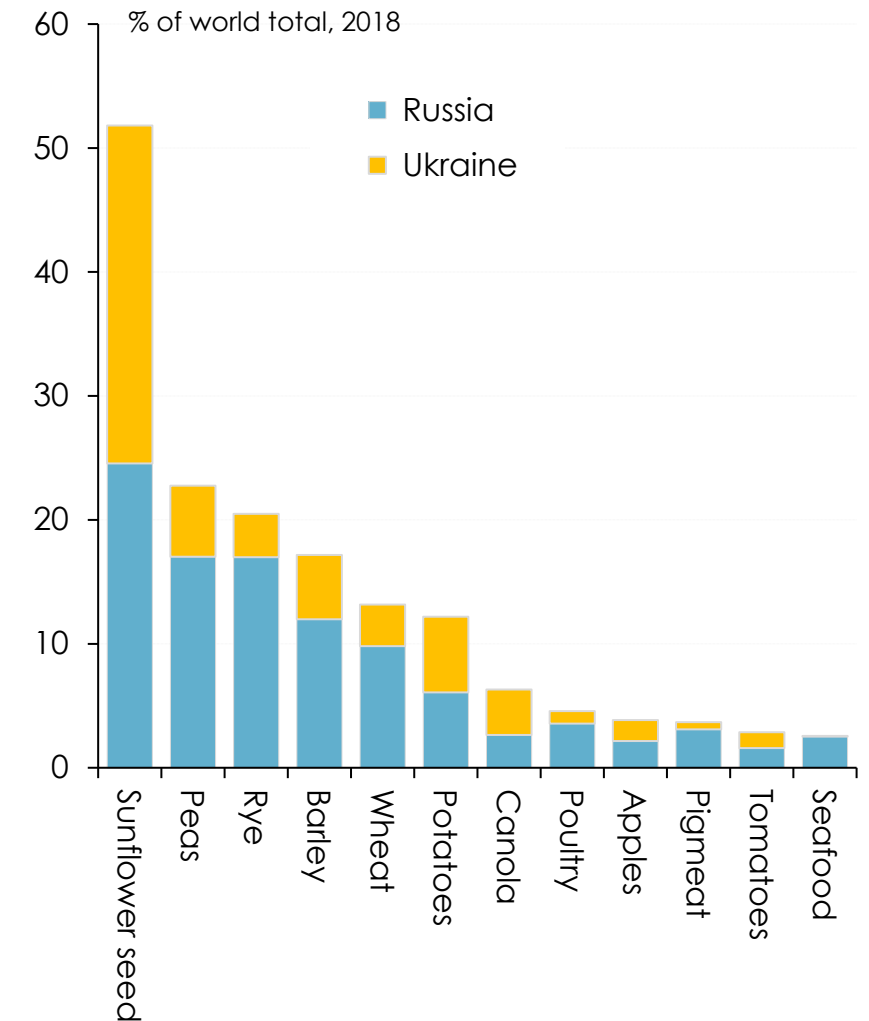
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Russian and Ukrainian shares of global commodity production

Minerals and energy, 2019



Food, 2018

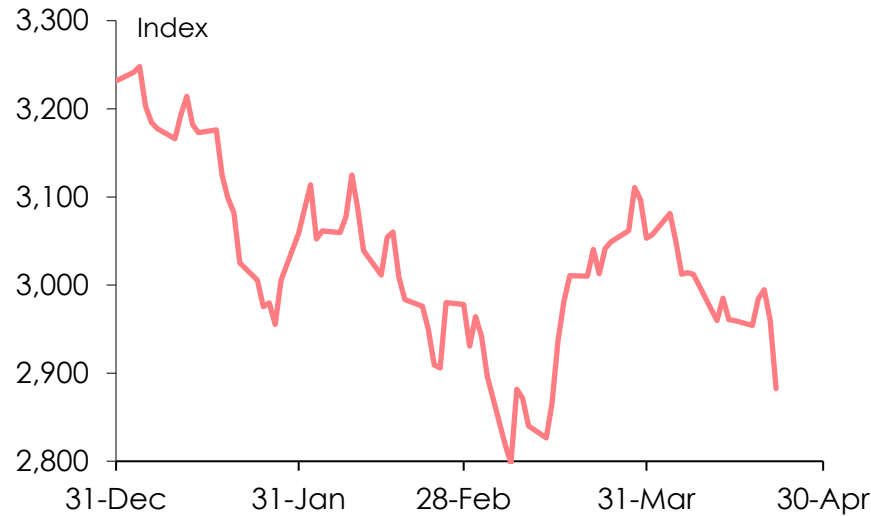


Note: Data for shares of seafood production is 2017. Sources: Austrian Federal Ministry of Agriculture, Regions and Tourism (BMLRT), [World Mining Data](#); Hannah Ritchie and Max Roser, Our World in Data, [Agricultural Production](#). [Return to "What's New"](#).

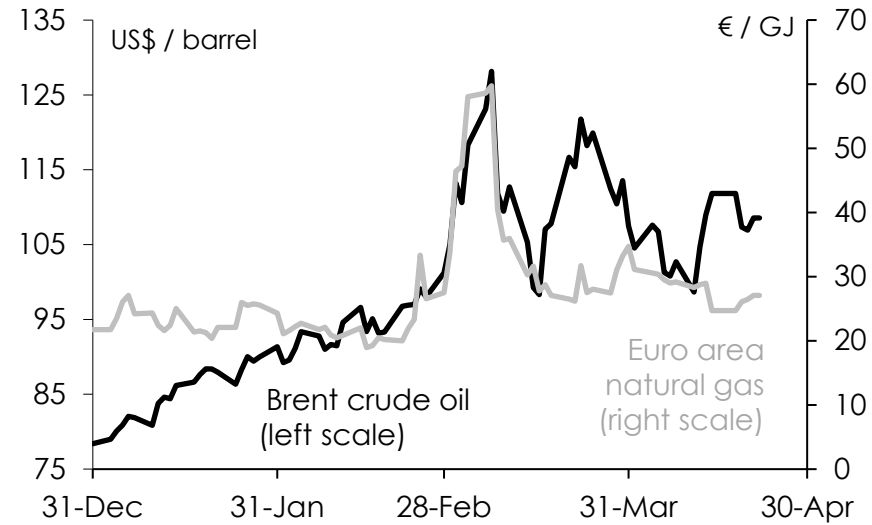
Energy, base metal and grain prices have risen as a result of the Ukraine conflict, bond yields and the US\$ have risen while stockmarkets have fallen

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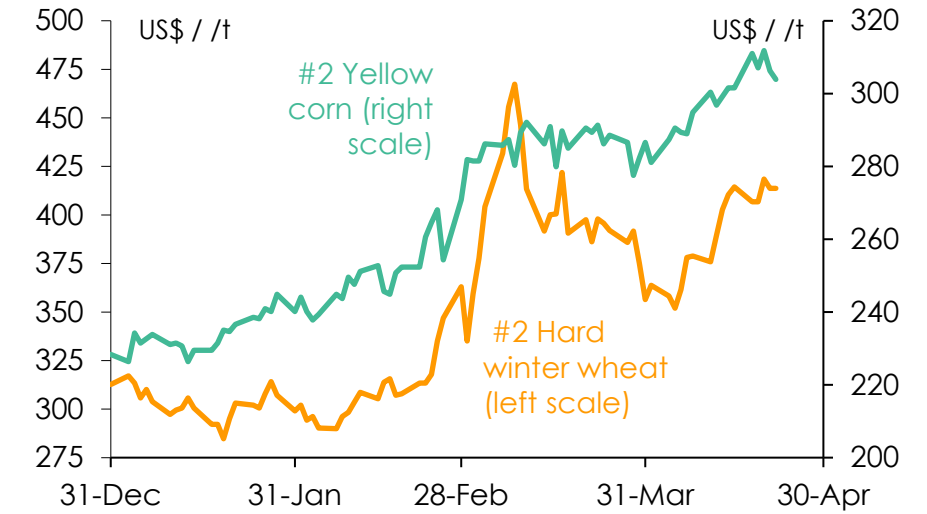
Stockmarkets



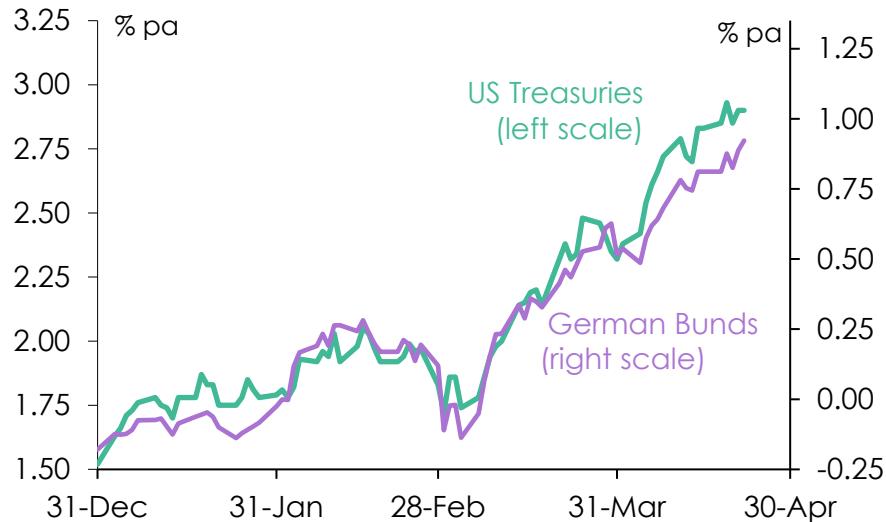
Energy prices



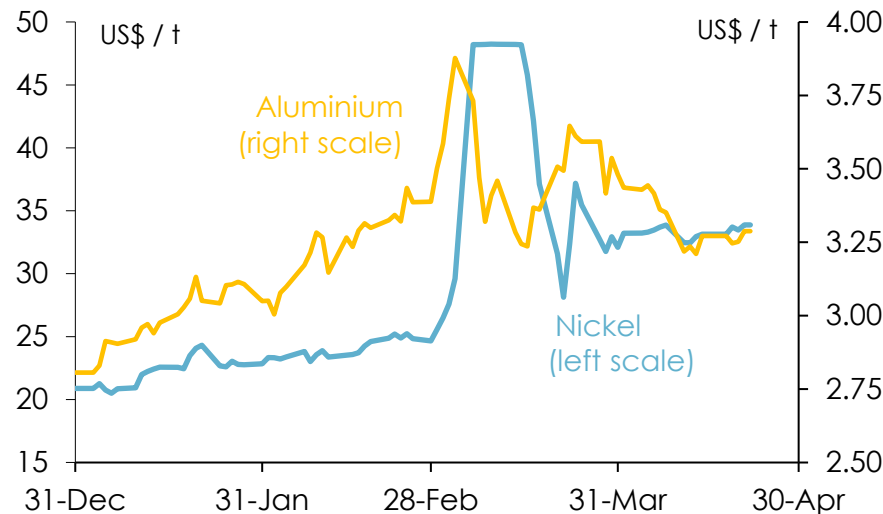
Grain prices



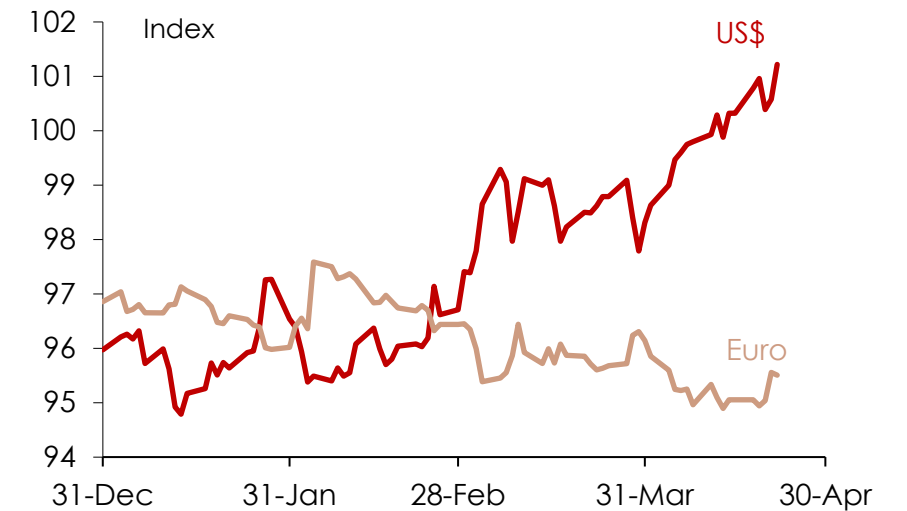
10-year government bond yields



Base metal prices



Currencies



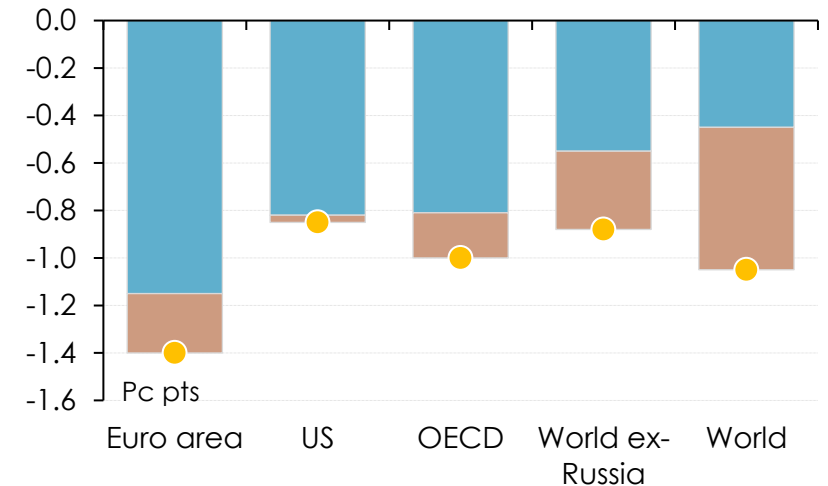
Note: Data up to 22nd April. Source: Refinitiv Datastream. [Return to "What's New"](#).

The conflict in Ukraine (and its broader ramifications) will detract from global economic growth and add to global inflationary pressure

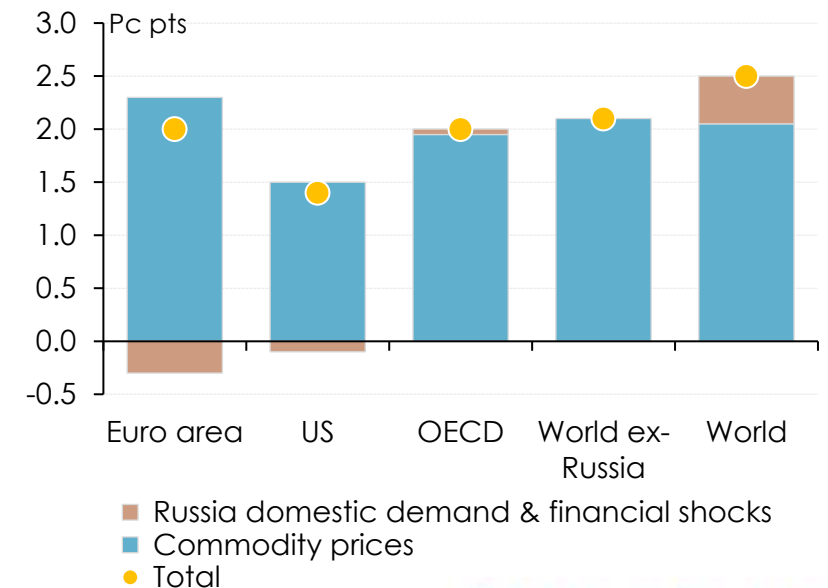
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- ❑ The **OECD** characterizes the war in Ukraine as “a new negative supply shock for the world economy”
 - although Russia & Ukraine together account for 2% of global GDP, they account for 30% of global wheat exports, 20% of global exports of corn, 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 **IMF** also characterizes the war as a yet another “supply shock” which will “severely set back the global recovery [from Covid-19], slowing growth and increasing inflation even further”
 - last week the IMF cut its forecasts for global economic growth in 2022 and 2023 by ¾ and ¼ pc pt respectively, and raised its forecasts for global inflation by 2¼ and 1 pc pt respectively ([slides 25-26](#))
- ❑ The IMF also notes that the war has “increased the risk of a more permanent fragmentation of the world economy into geopolitical blocks with distinct technology standards, cross-border payment systems, and reserve currencies”
 - a “tectonic shift” which, it says, “would entail high adjustment costs and long-run efficiency losses as supply chains and production networks are reconfigured” and “a major challenge to the rules-based framework that has governed international and economic relations for the past 70 years”

Impact on GDP



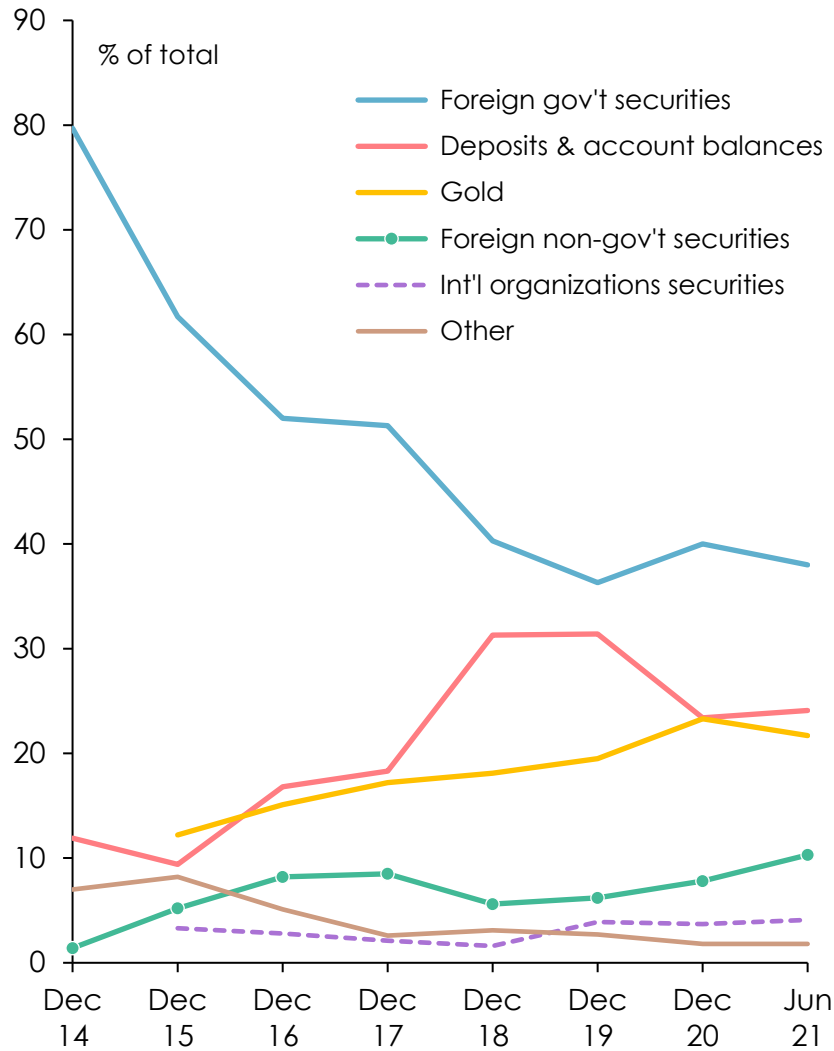
Impact on inflation



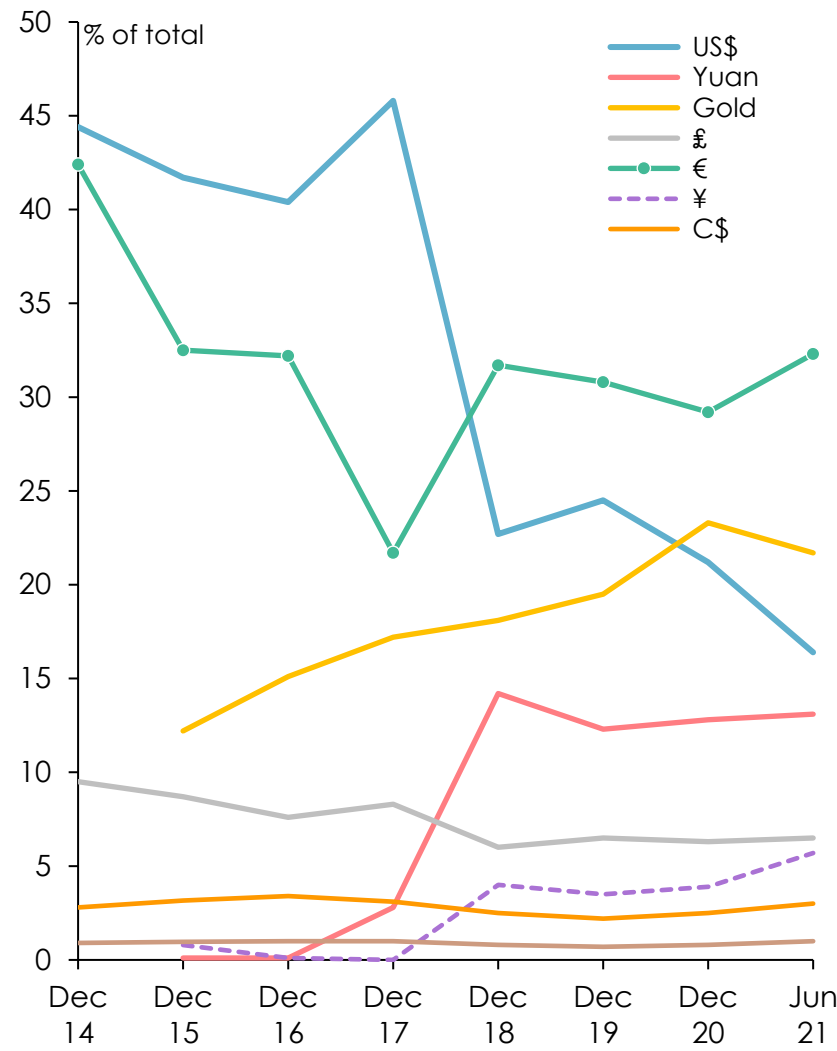
Russia's central bank had been re-arranging its portfolio over the past seven years to reduce its exposure to sanctions, but they will still 'bite'

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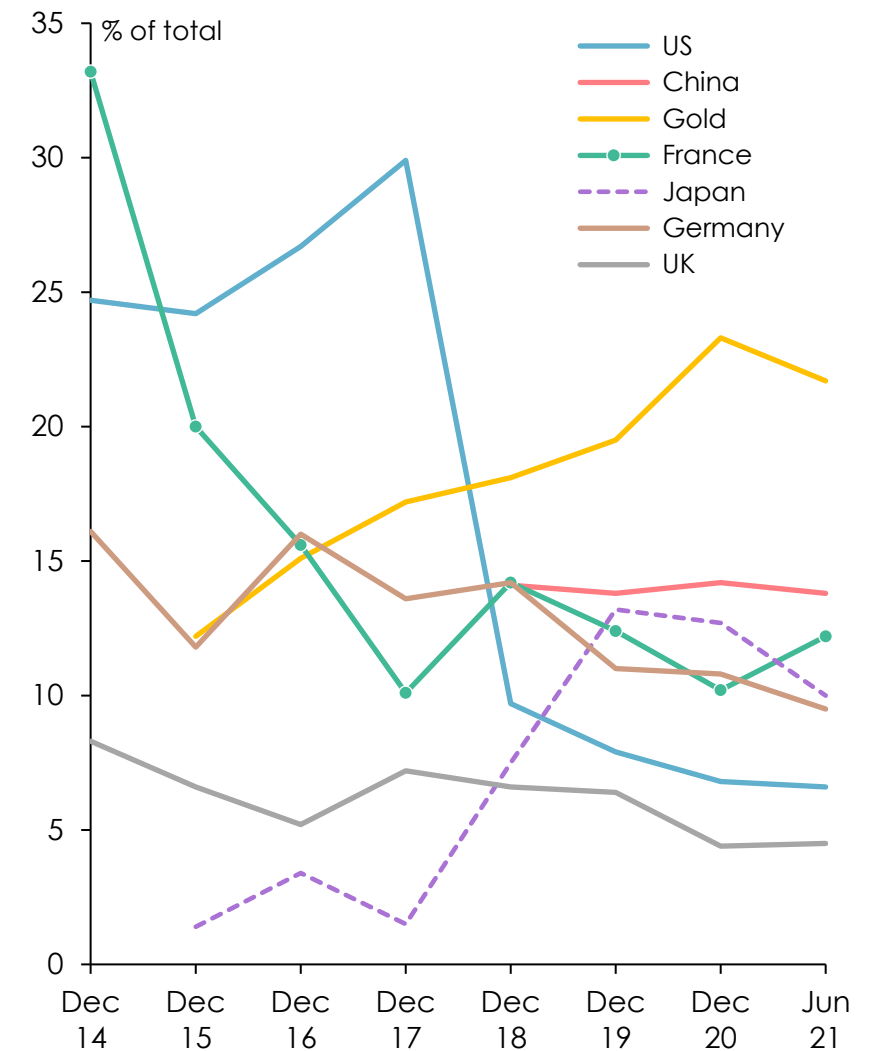
Russian FX reserves by instrument



Russian FX reserves by currency



Russian FX reserves by location

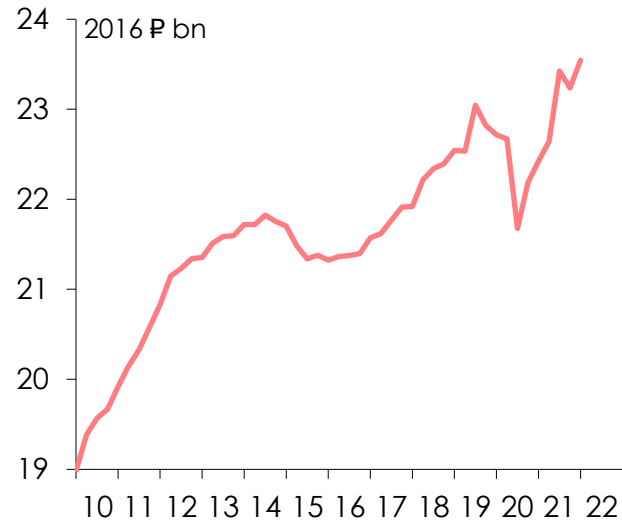


Source: Central Bank of Russia, [Foreign Exchange and Gold Asset Management Report](#), No. 1, 2022 and previous issues. [Return to "What's New"](#).

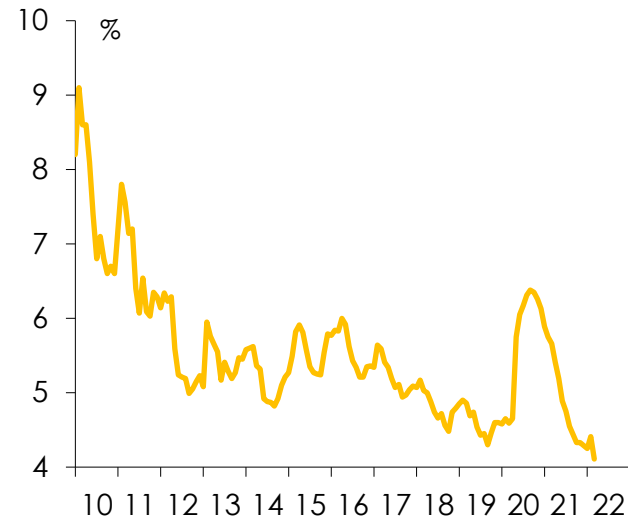
Russia's central bank cut its policy rate by 300 bp, to 17%, on Friday, after the ruble's recovery, and despite inflation rising to 16.7% in March

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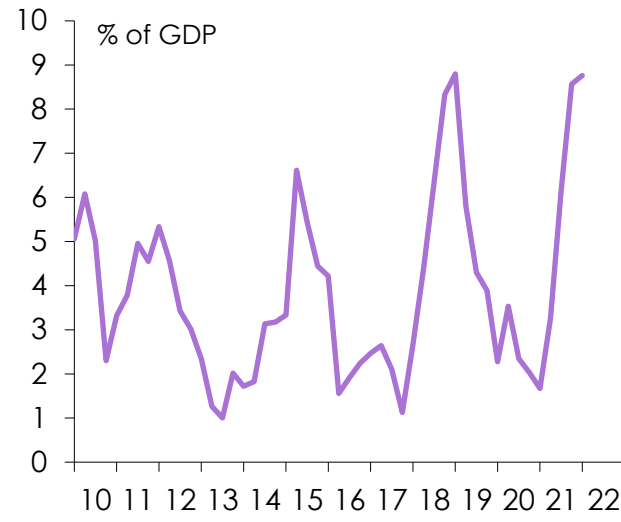
Real GDP



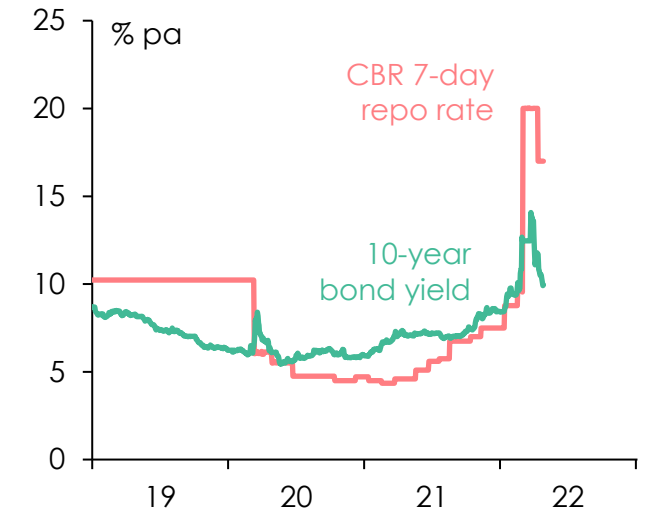
Unemployment



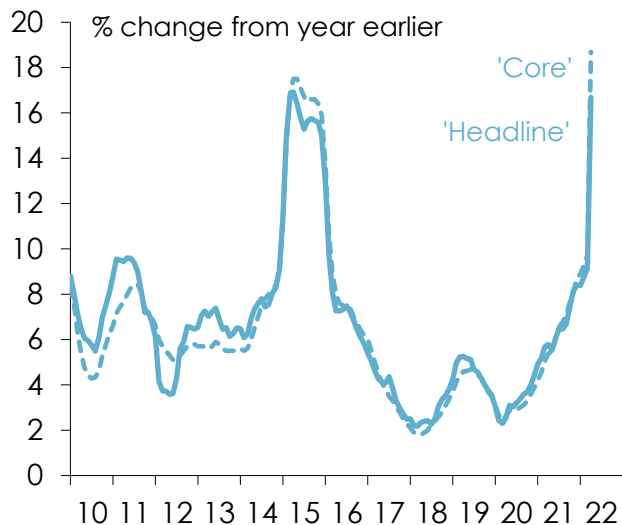
Current account balance



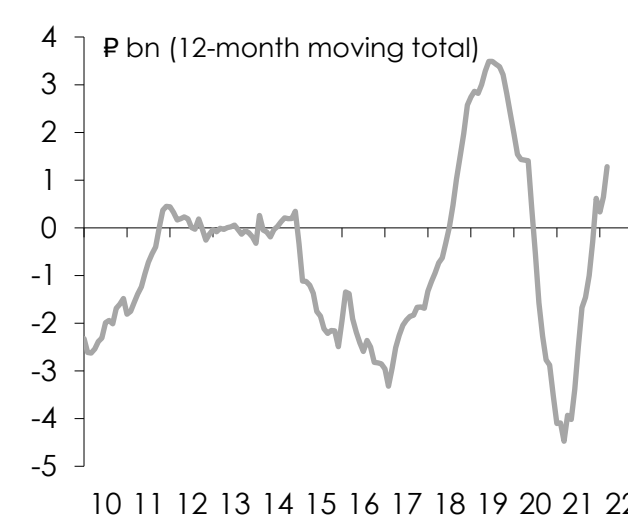
Interest rates



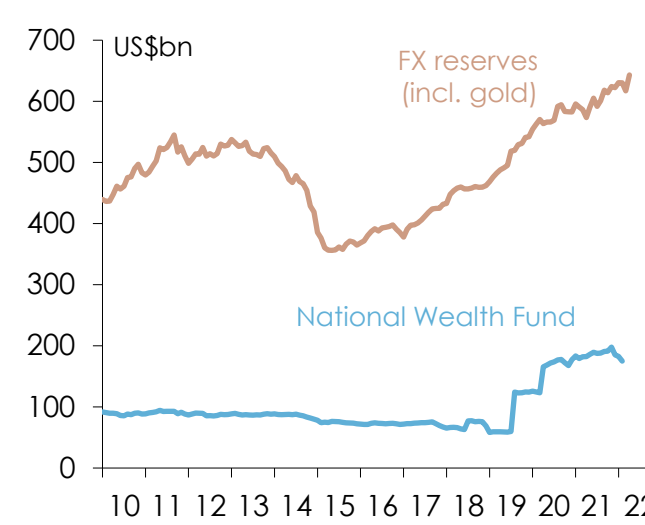
Inflation



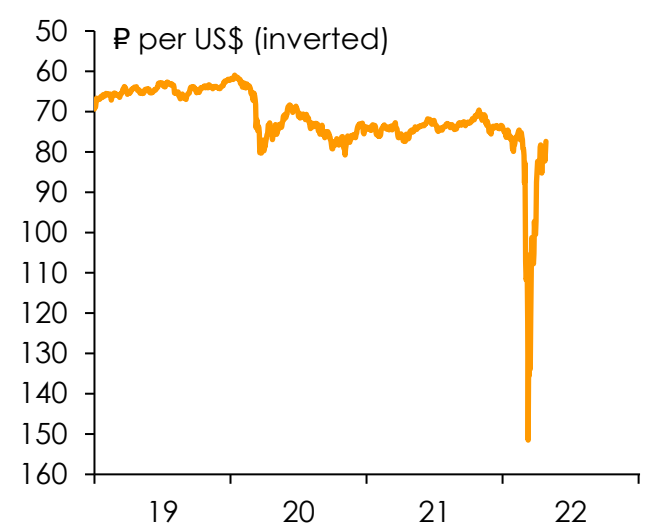
Federal budget balance



State financial assets



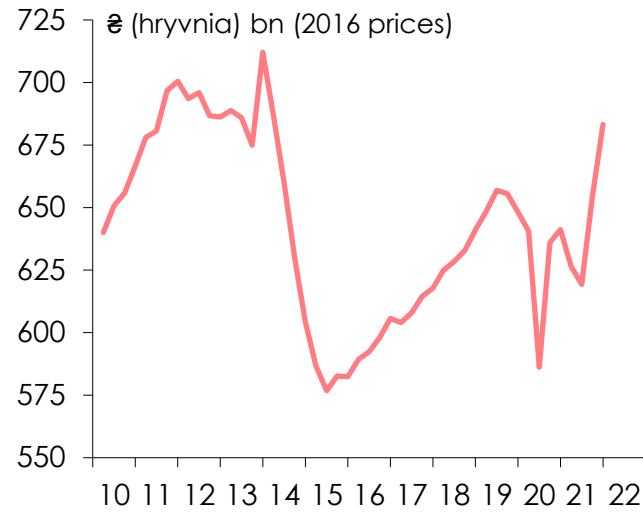
Russian ruble vs US\$



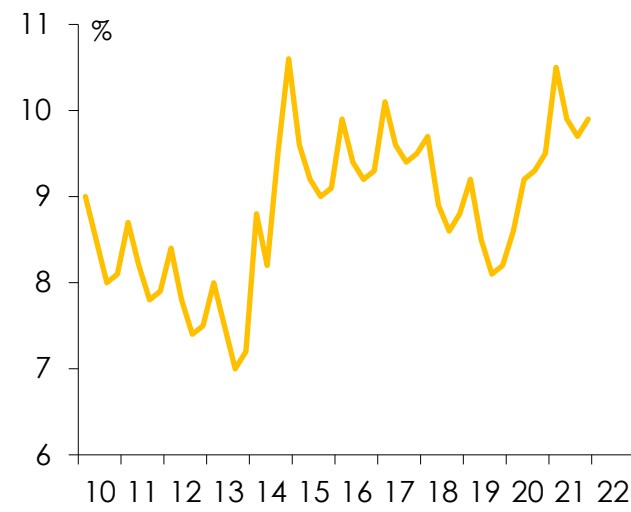
Ukraine's economy was severely harmed by Russia's invasion in 2014, and is in a weaker condition than Russia's as the latter invades again

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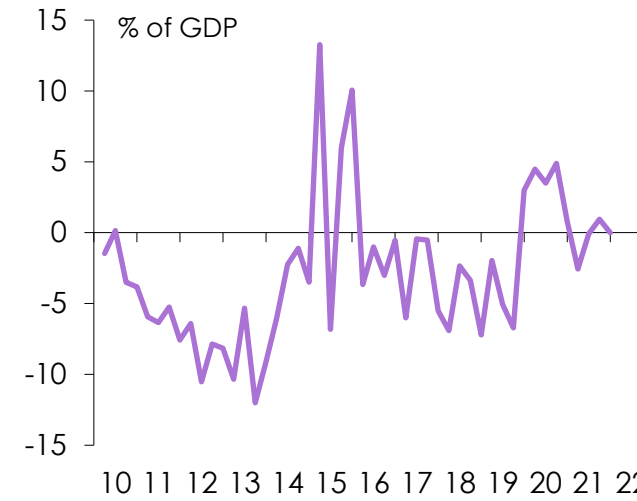
Real GDP



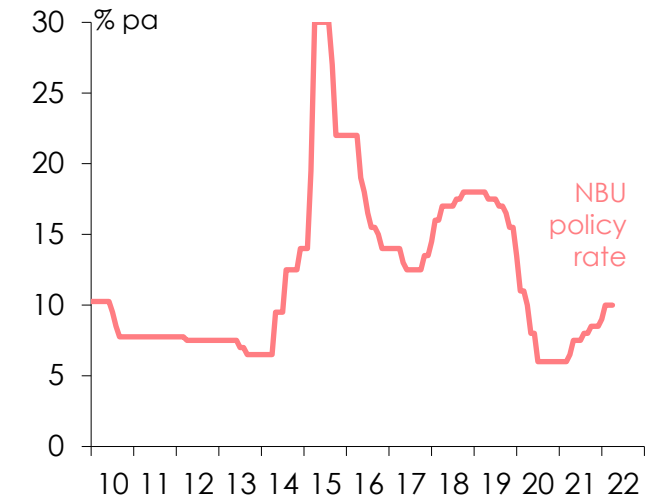
Unemployment



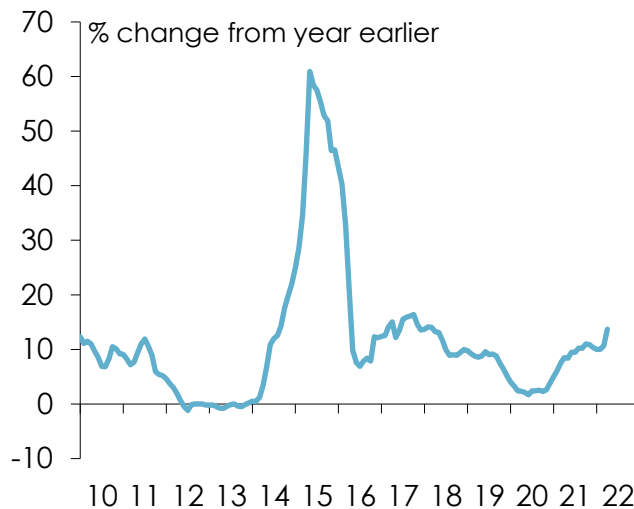
Current account balance



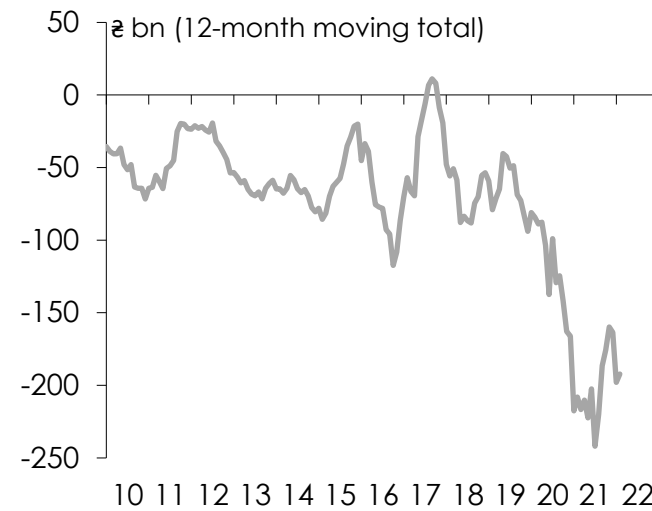
Interest rates



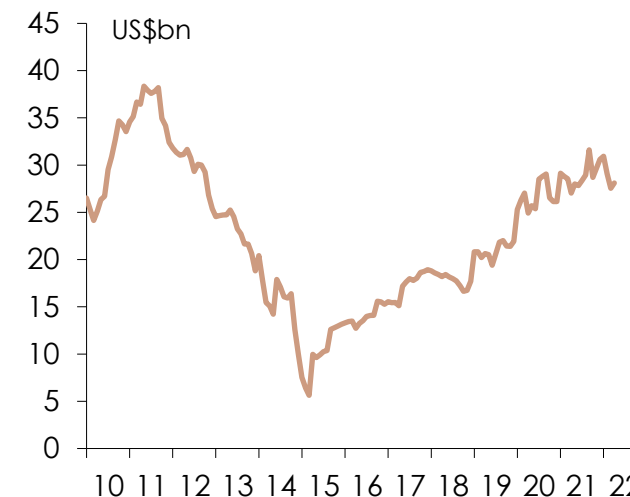
Inflation



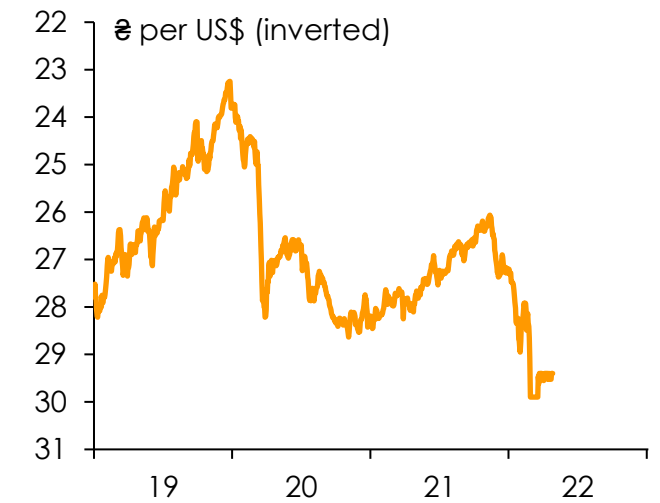
Budget deficit



FX reserves



Ukrainian hryvnia vs US\$



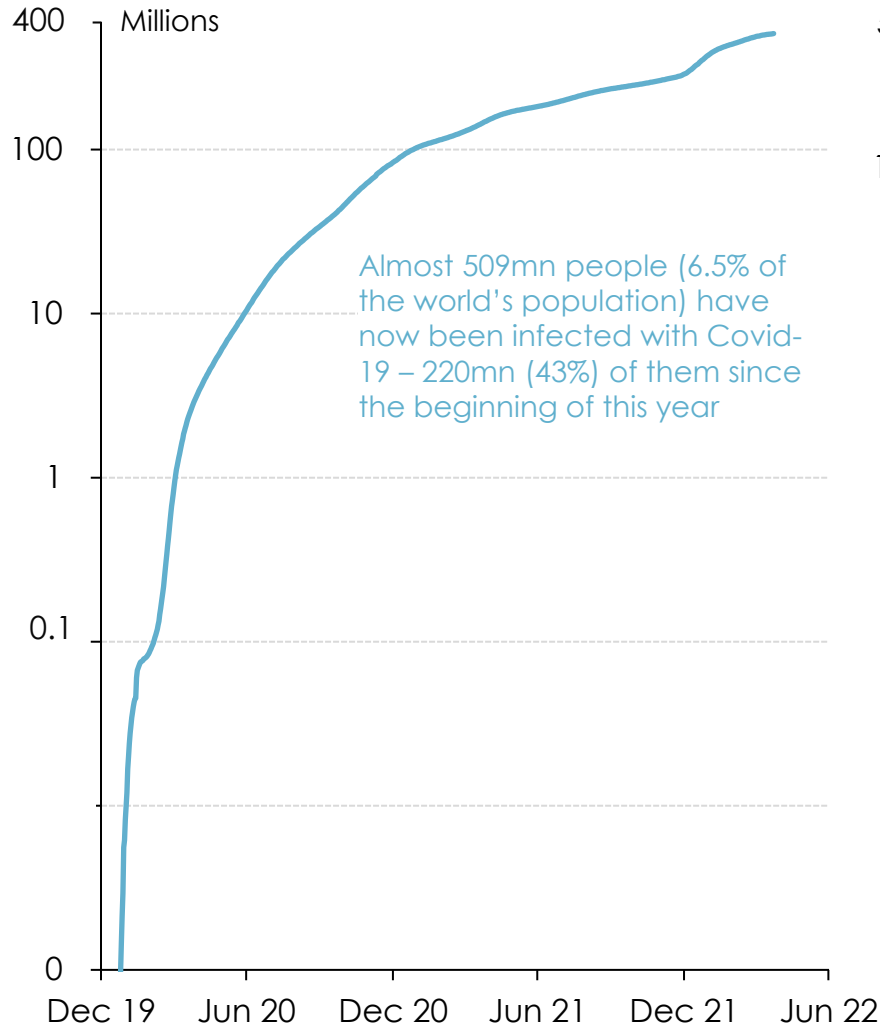
Sources: [State Statistics Service of Ukraine](#); [National Bank of Ukraine](#); Refinitiv Datastream. [Return to "What's New"](#).

The virus

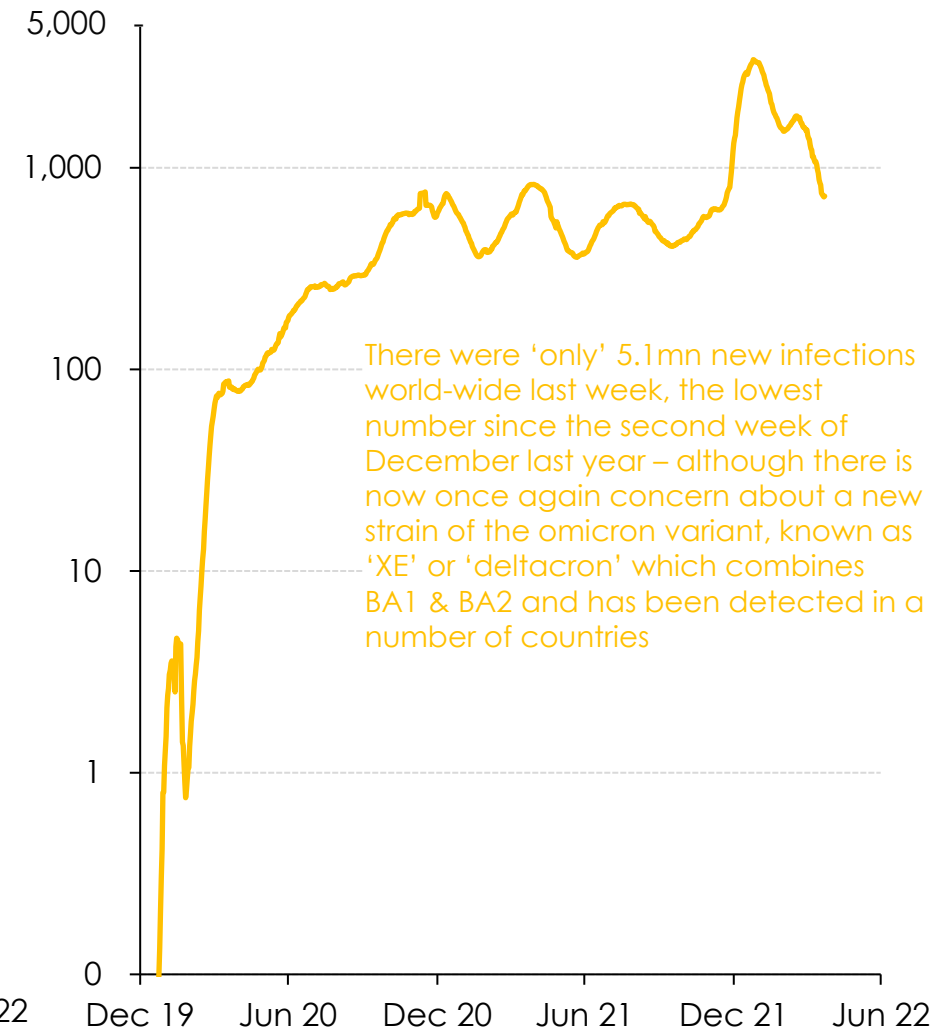
The number of new infections fell again last week – although it remains relatively high – and the fatality rate continues to decline sharply

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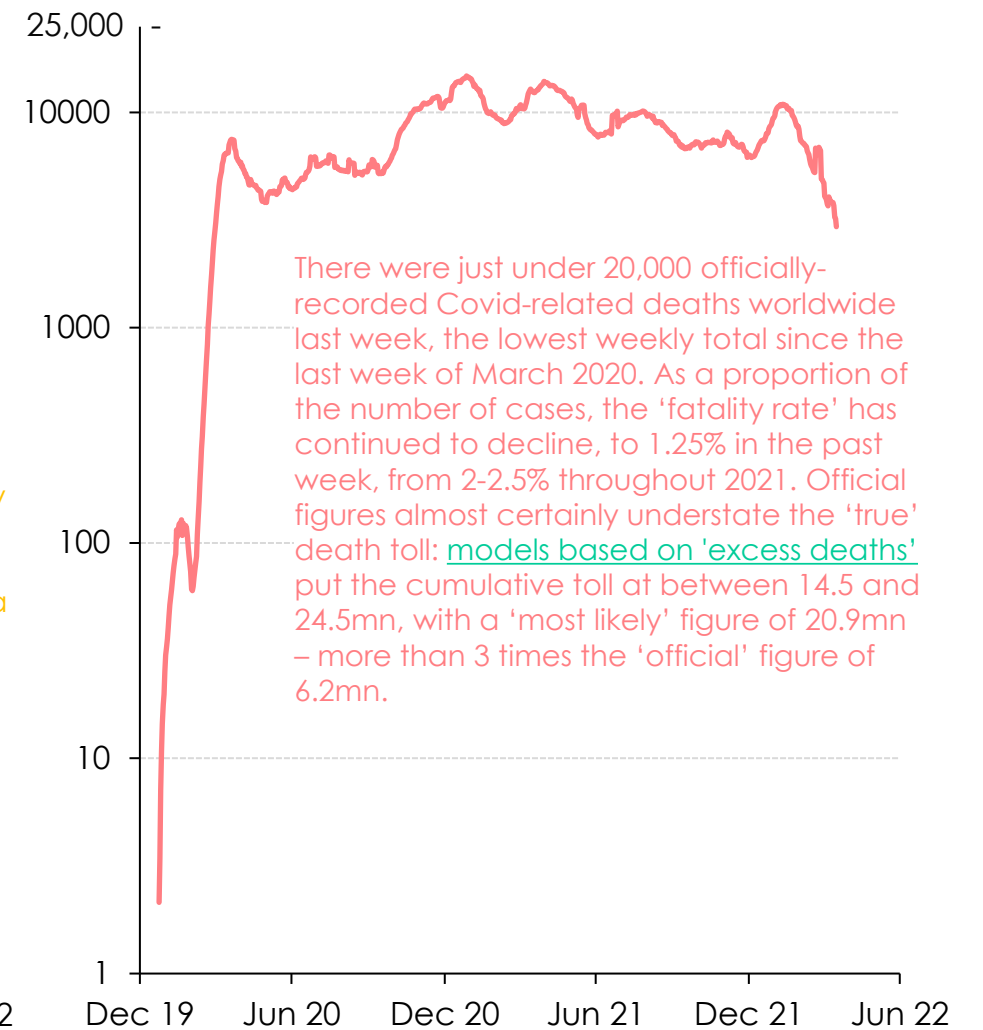
Cumulative confirmed cases – global total



New confirmed cases – global total



New deaths – global total

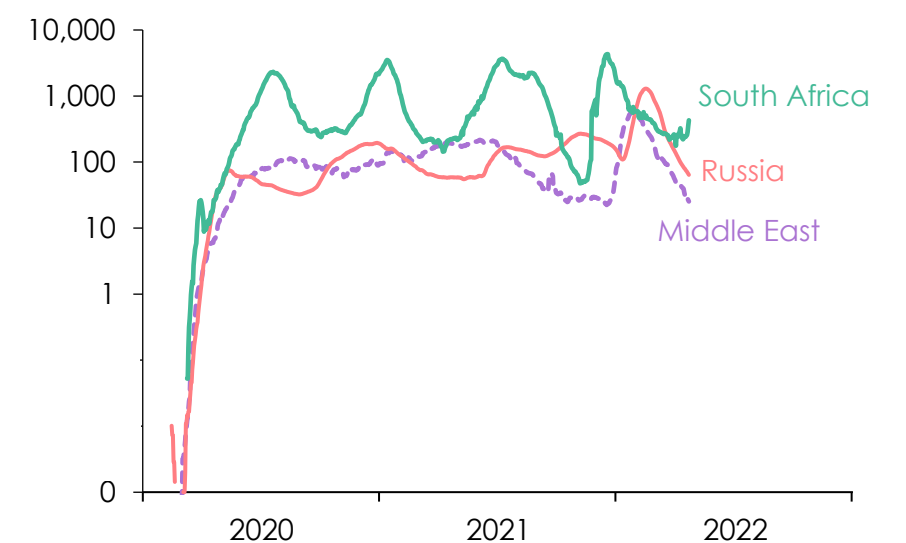
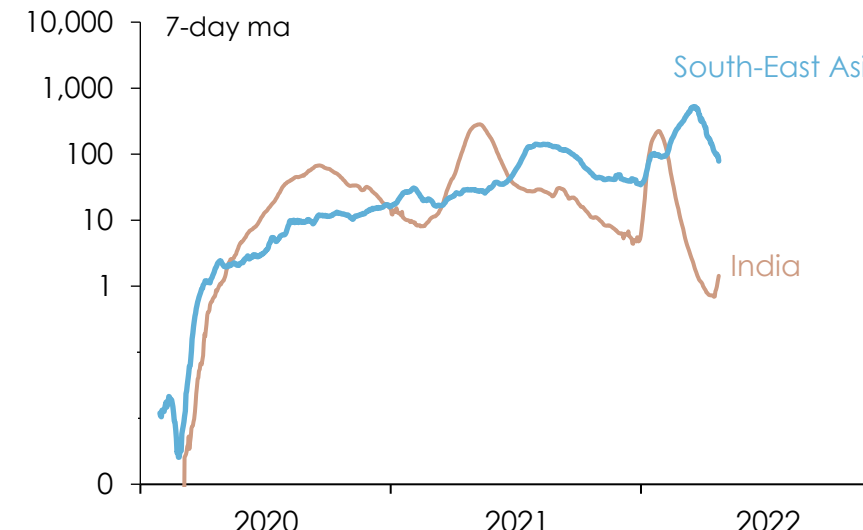
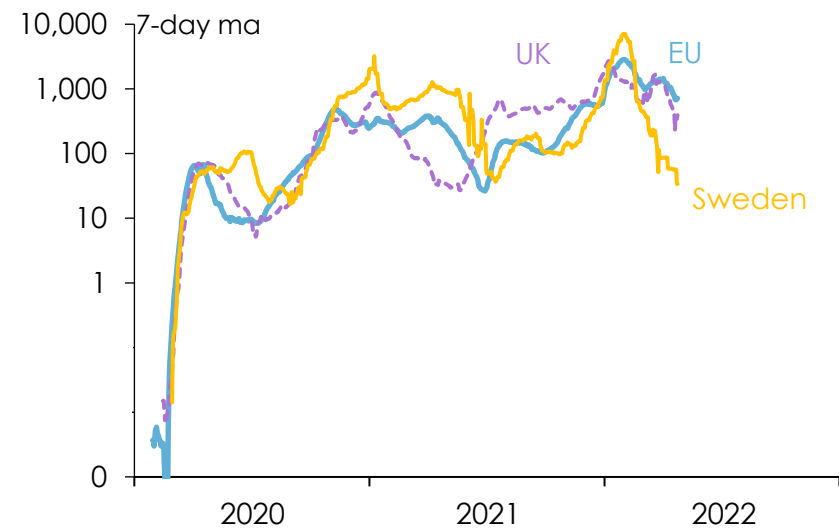
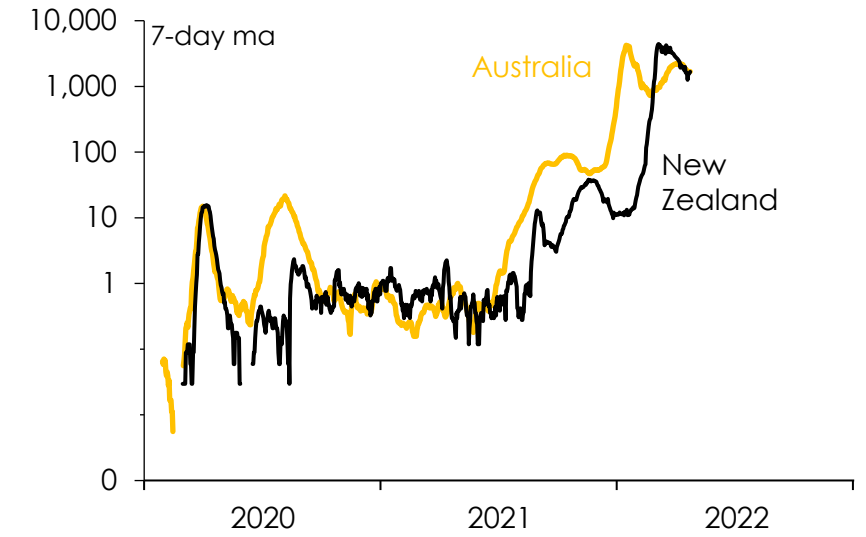
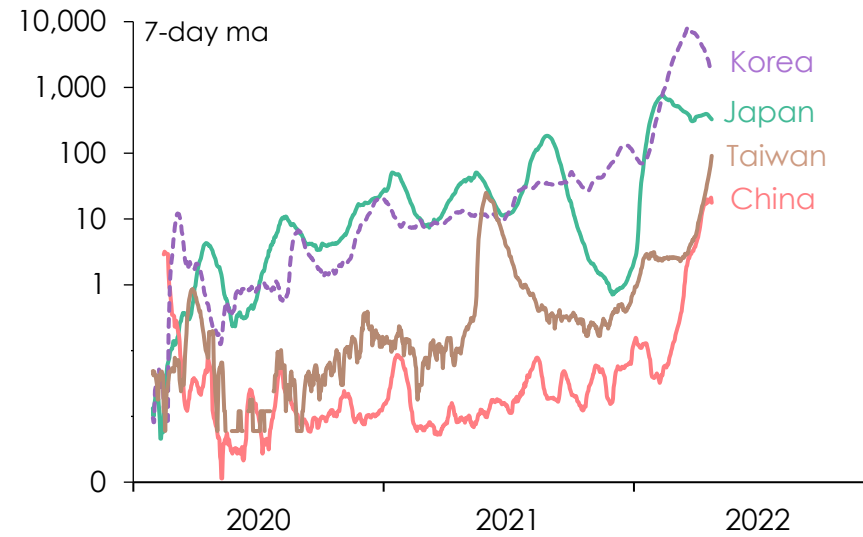
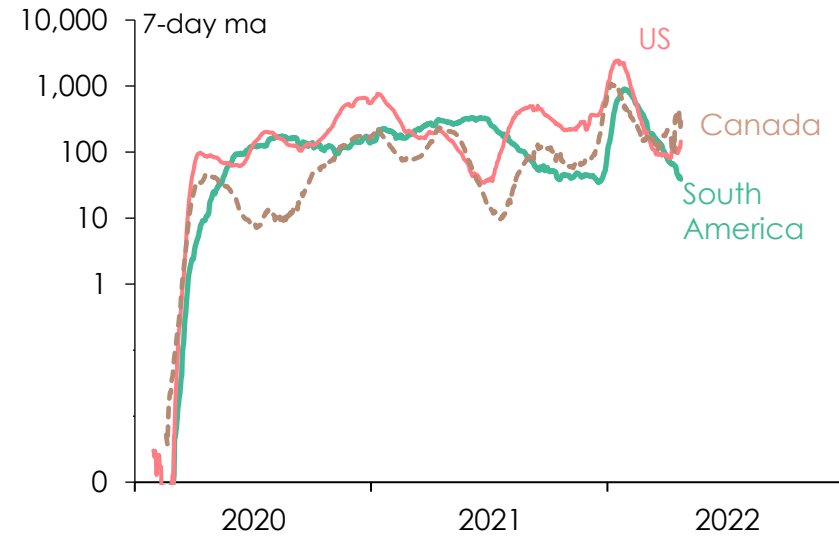


Note: All charts are on logarithmic scales. Data up to 22nd April. Source: University of Oxford, [Our World in Data](#). [Return to "What's New"](#).

43% of last week's new cases were in Europe, 12% in Korea, 7% in SE Asia, and 6% in Australia – but the rise in China has prompted stringent lockdowns

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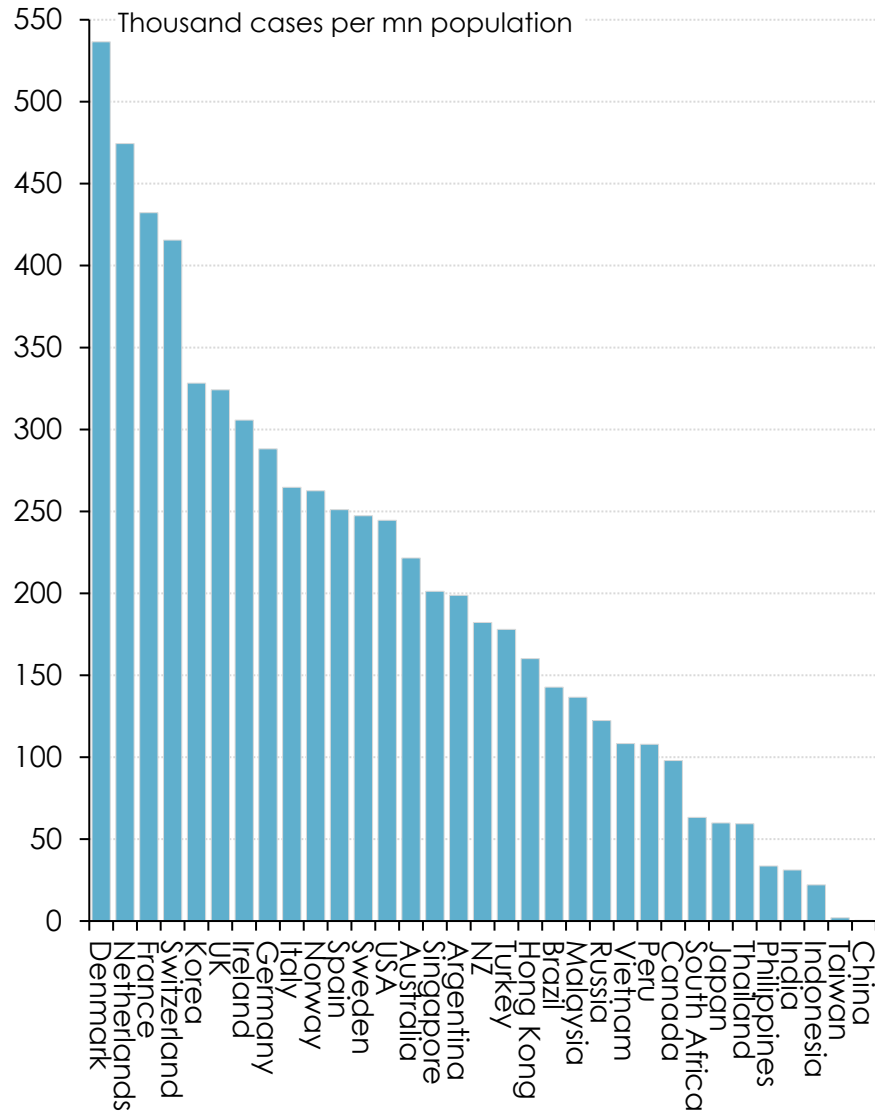
Daily new cases per million population – major countries and regions



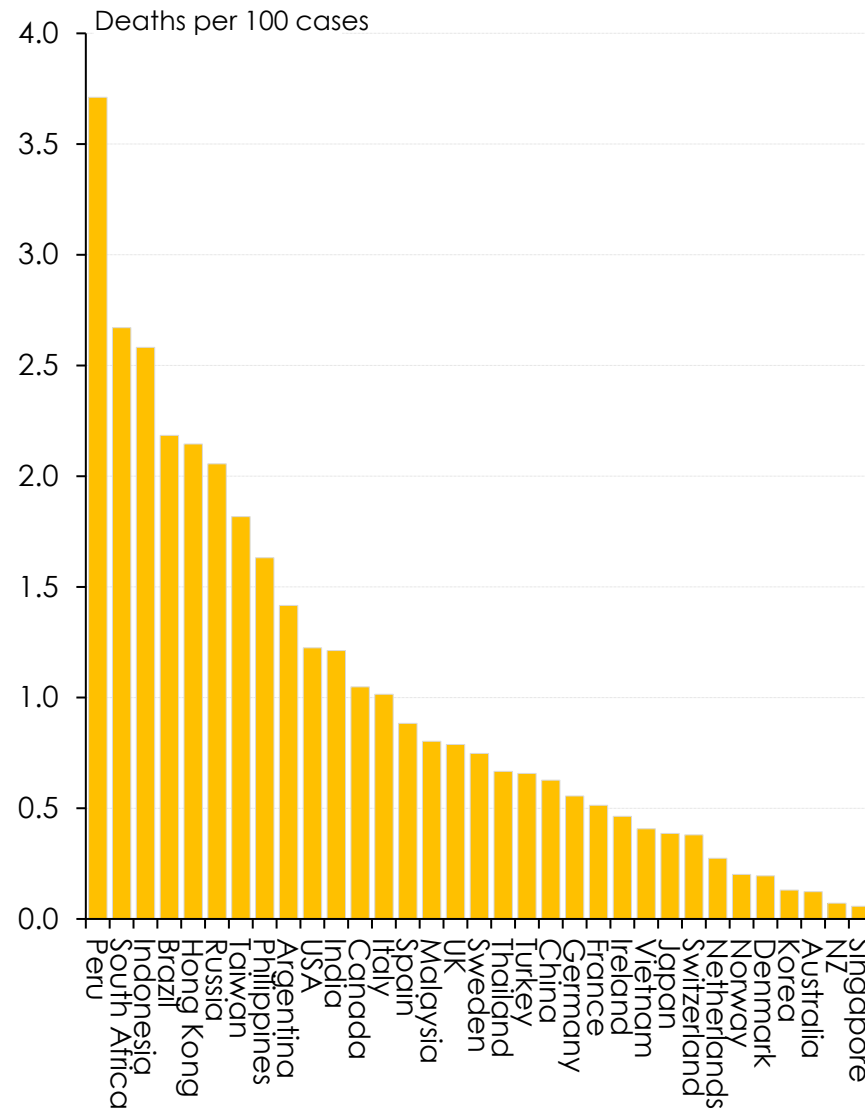
The highest cumulative infection and death rates (since the onset of the pandemic) have been in Europe, South and North America

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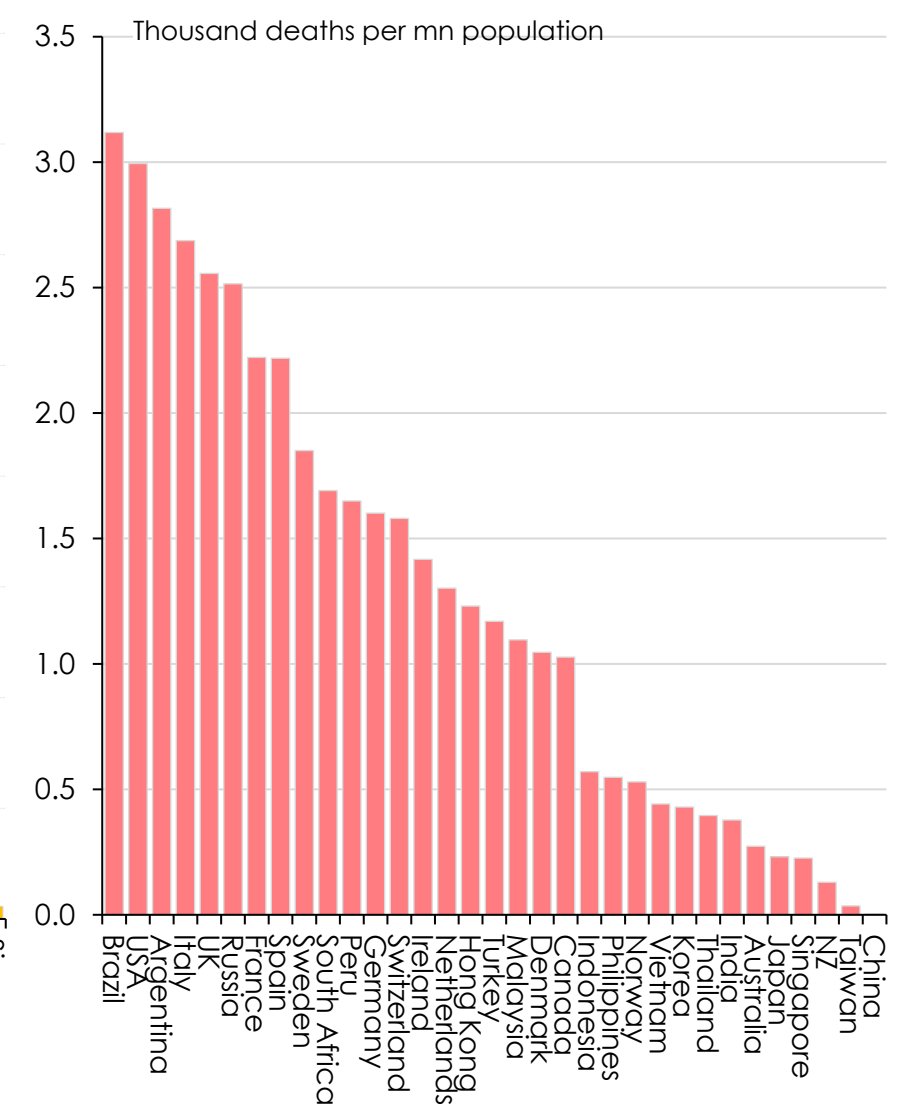
Apparent infection rate



Apparent fatality rate



Apparent death rate



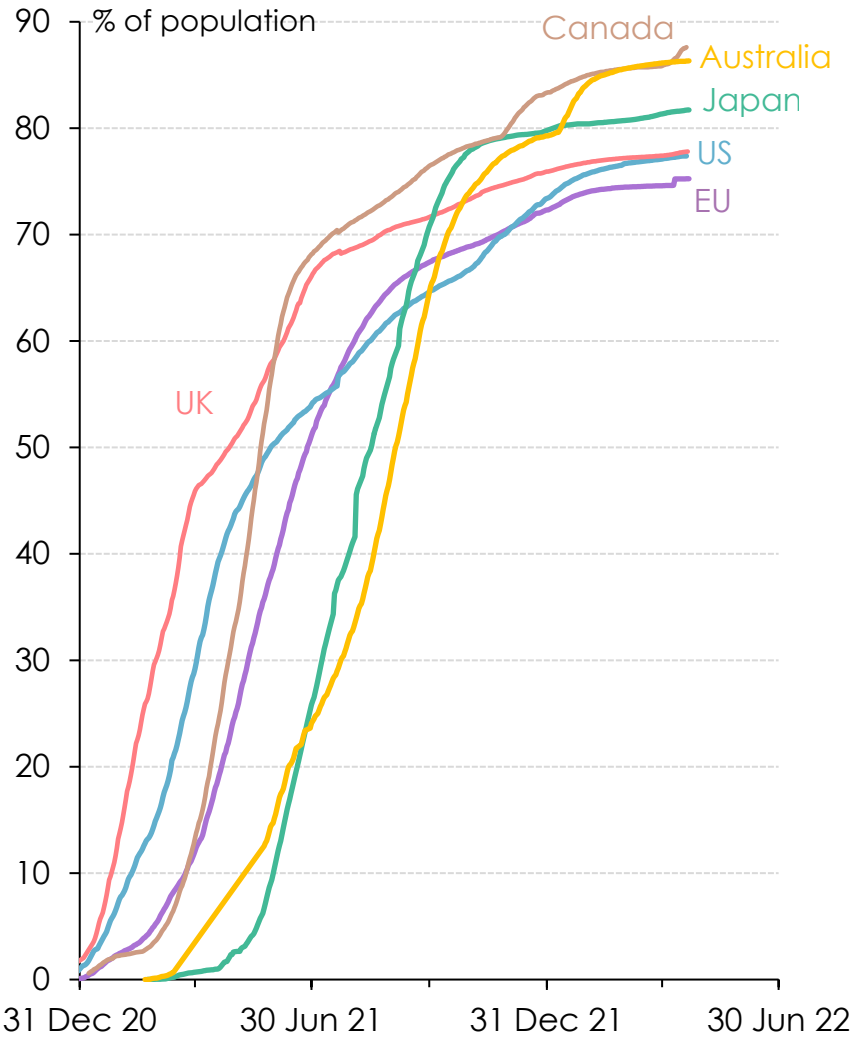
Note: Data shown in these charts are cumulative since the beginning of the pandemic, up to 22nd April. Sources: University of Oxford, [Our World in Data](#); Corinna.

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

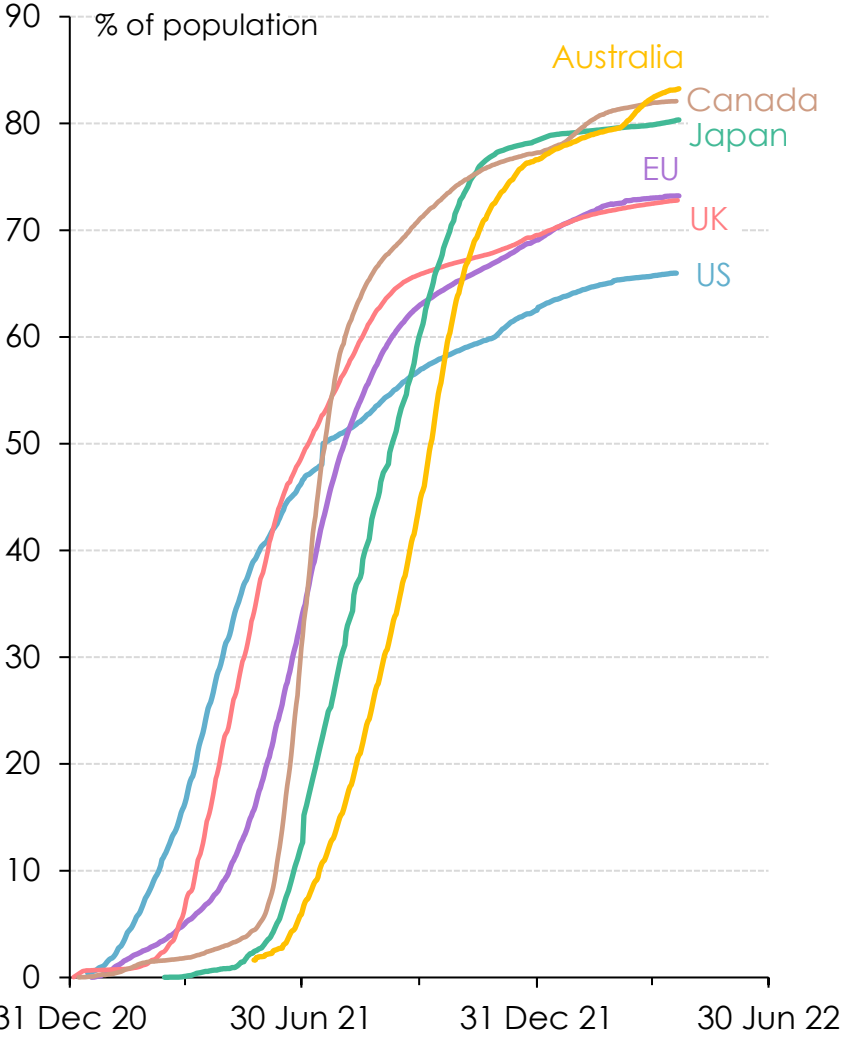
The US lags behind most other 'advanced' economies in fully vaccinating its population and also now with regard to 'boosters'

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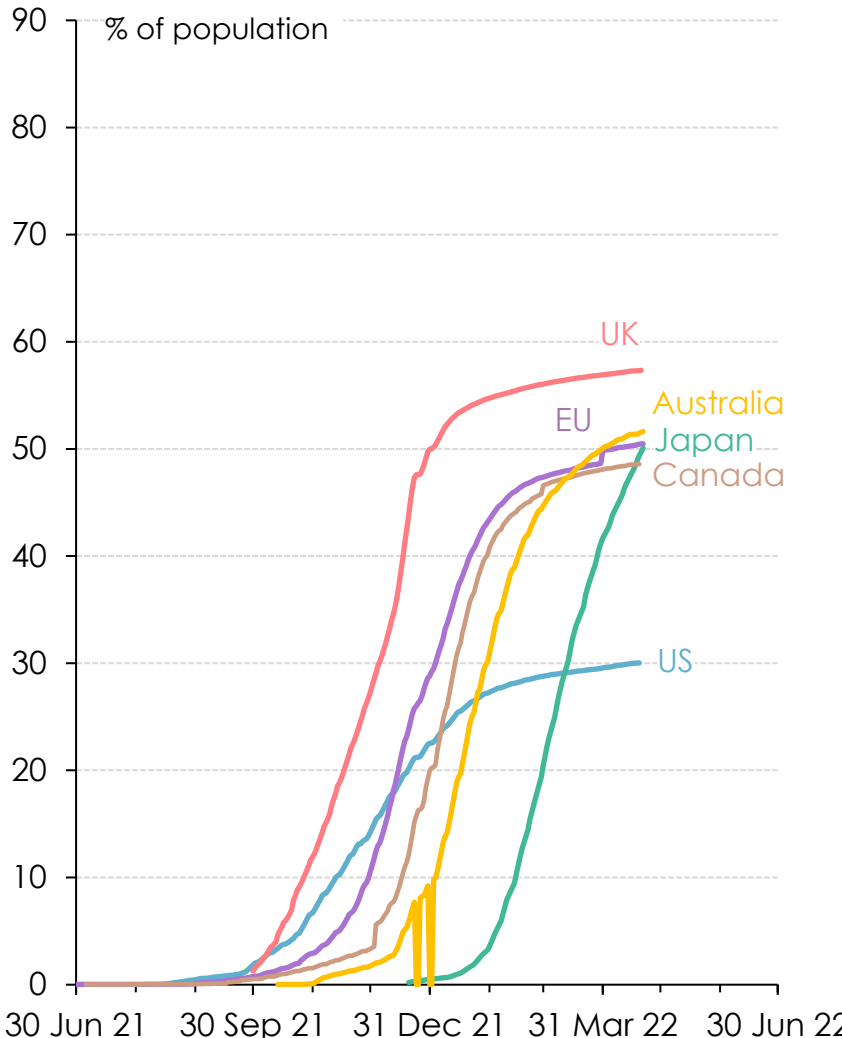
Percentage of populations who have had at least one shot



Percentage of populations who have had two shots



Percentage of populations who have had a 'booster' shot

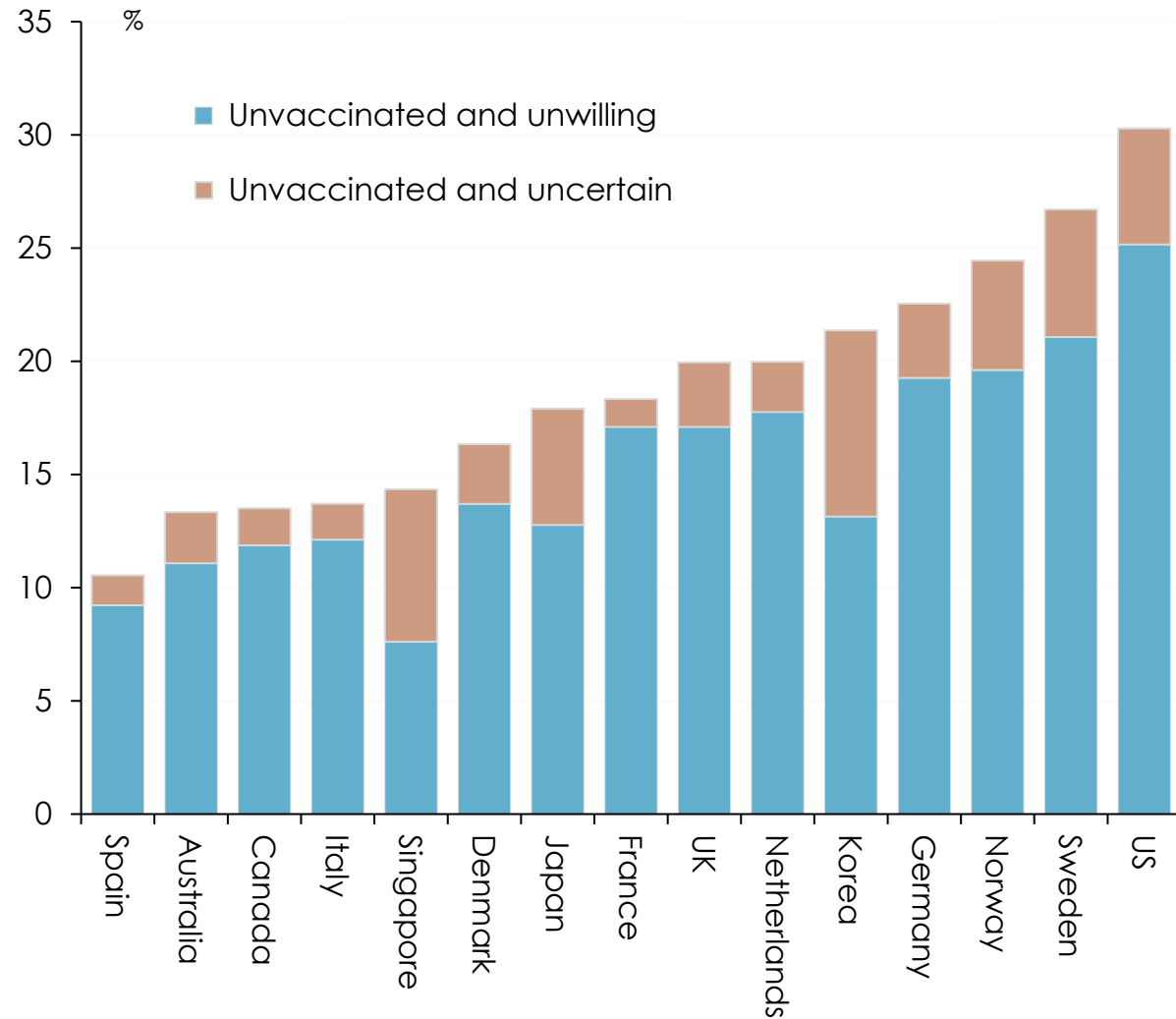


Note: Data up to 21st April. Source: [Our World in Data](#); [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

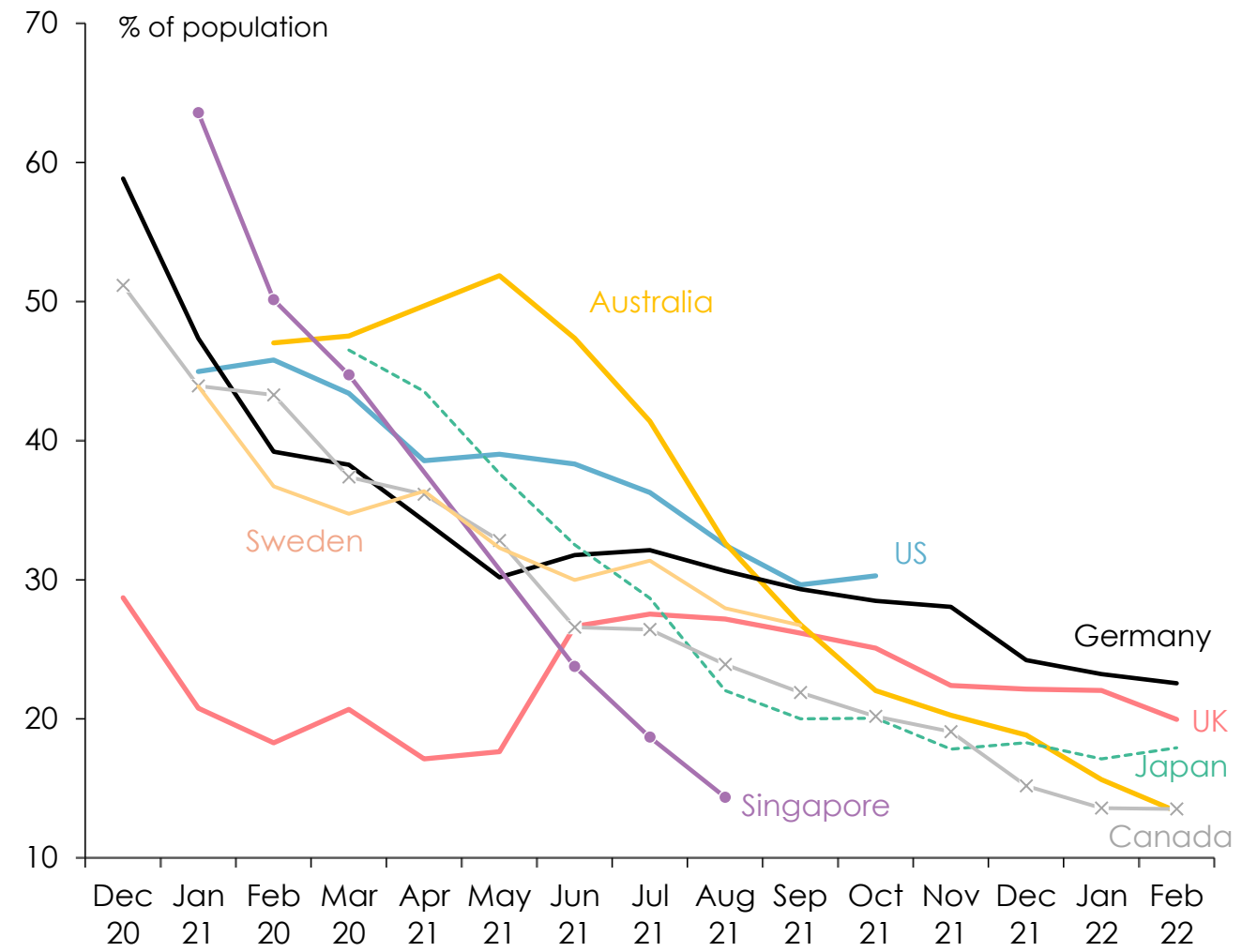
Vaccine hesitancy is now higher in the US and (perhaps more surprisingly) in Germany than in other 'advanced' economies

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



Percentage of populations unvaccinated and unwilling or uncertain about getting vaccinated



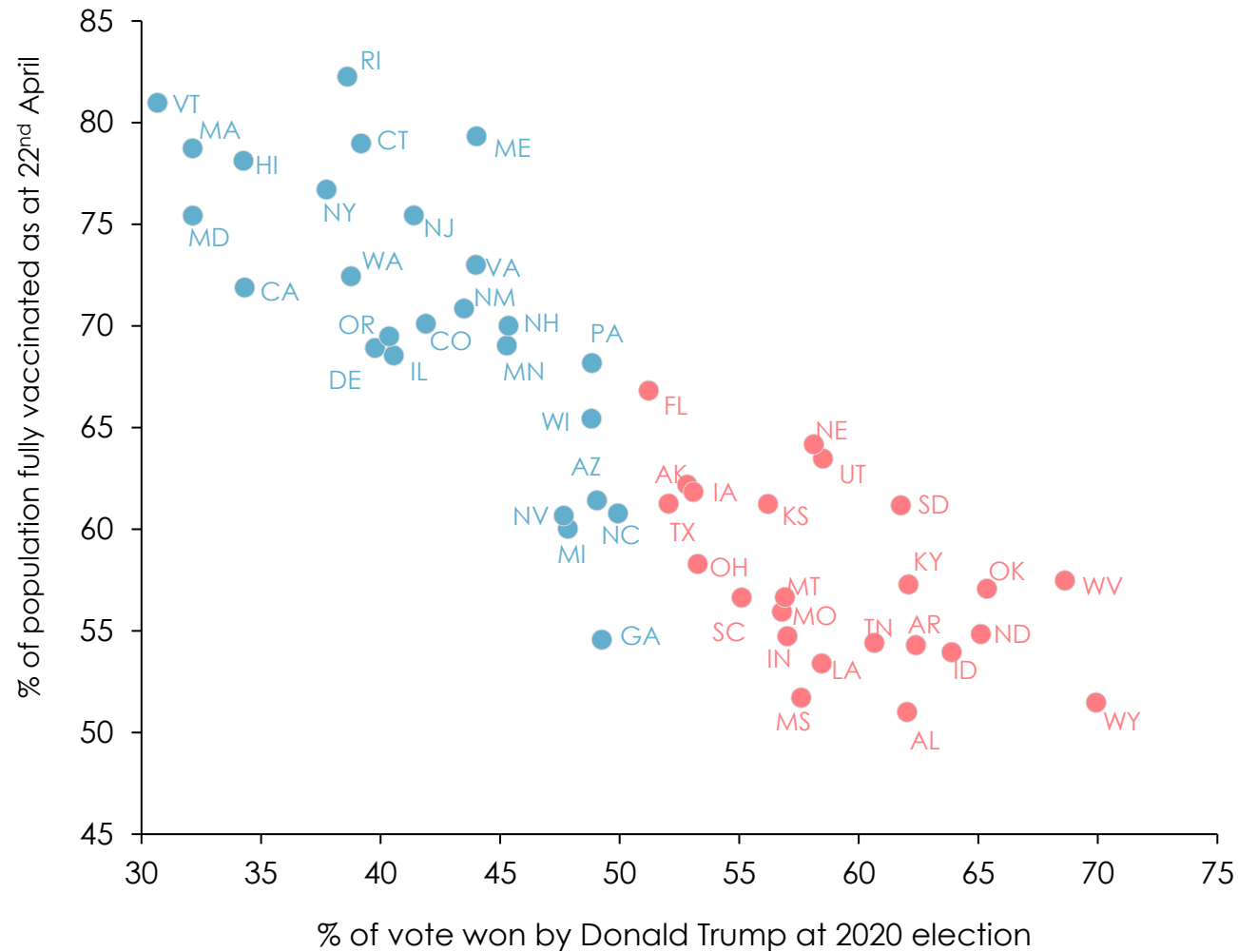
Note: data for Singapore and Norway are for August; data for Korea and Sweden are for September; data for the US are for October; data for Denmark are for January.

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

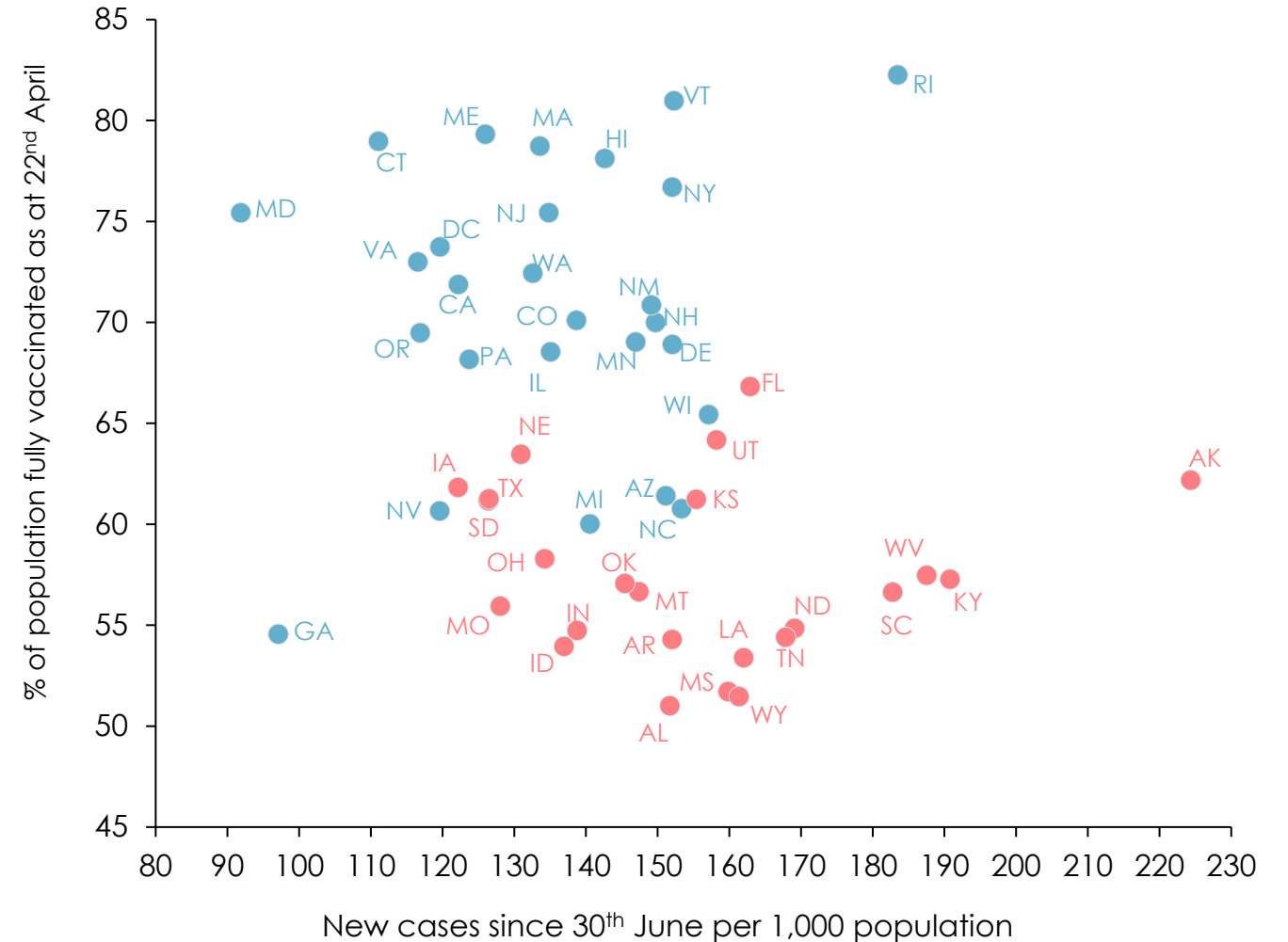
In the US there's a strong correlation between voting patterns and vaccine hesitancy, and (inversely) between vaccination rates and infection rates

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

Vaccination rates vs Trump vote at 2020 elections, by state



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

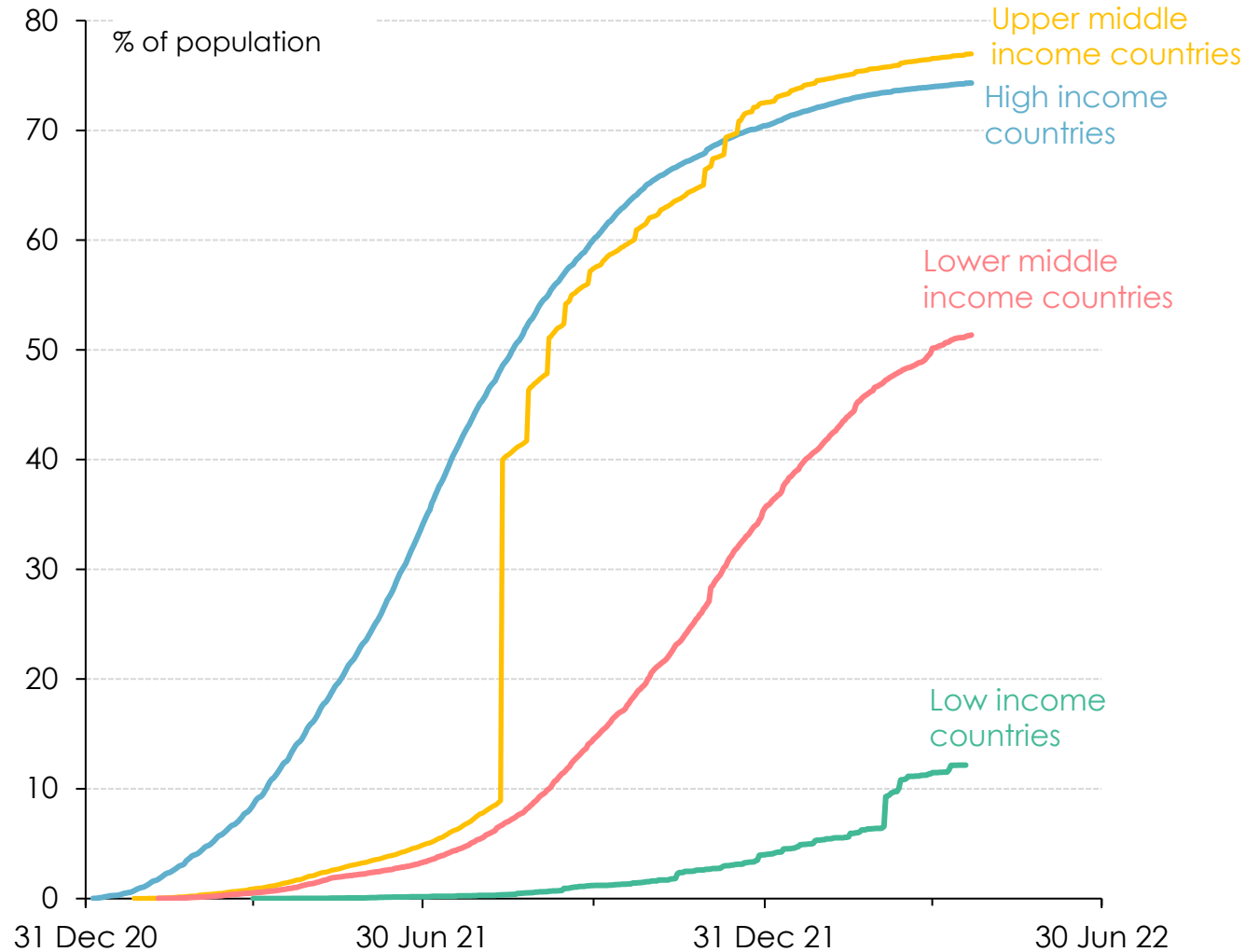


Note: Case data as at 22nd April. Sources: [The Cook Political Report](#); [Our World in Data](#); [USA Facts](#); Corinna. [Return to "What's New"](#).

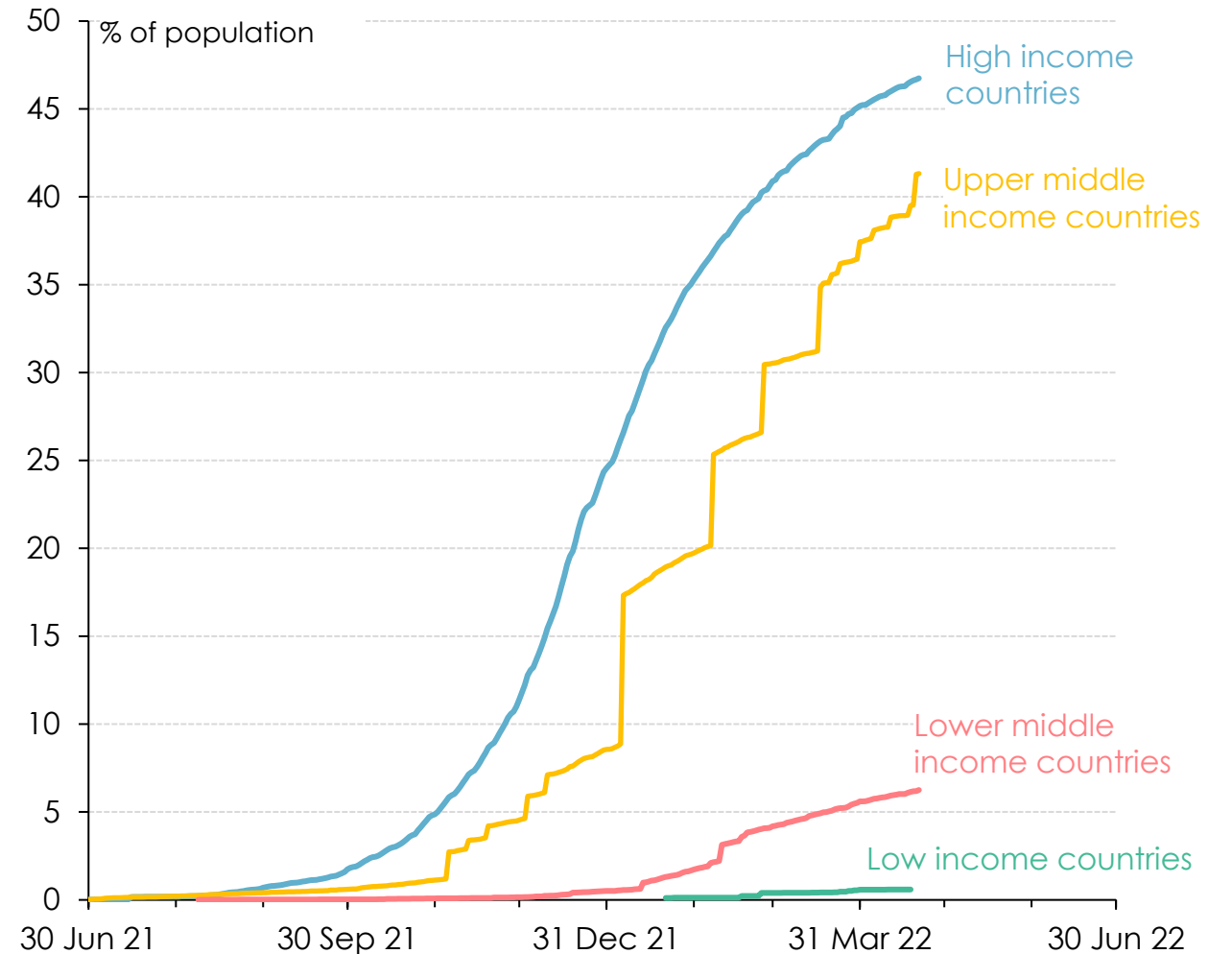
The vaccine roll-out has proceeded much more slowly among low- and lower-middle income countries

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



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



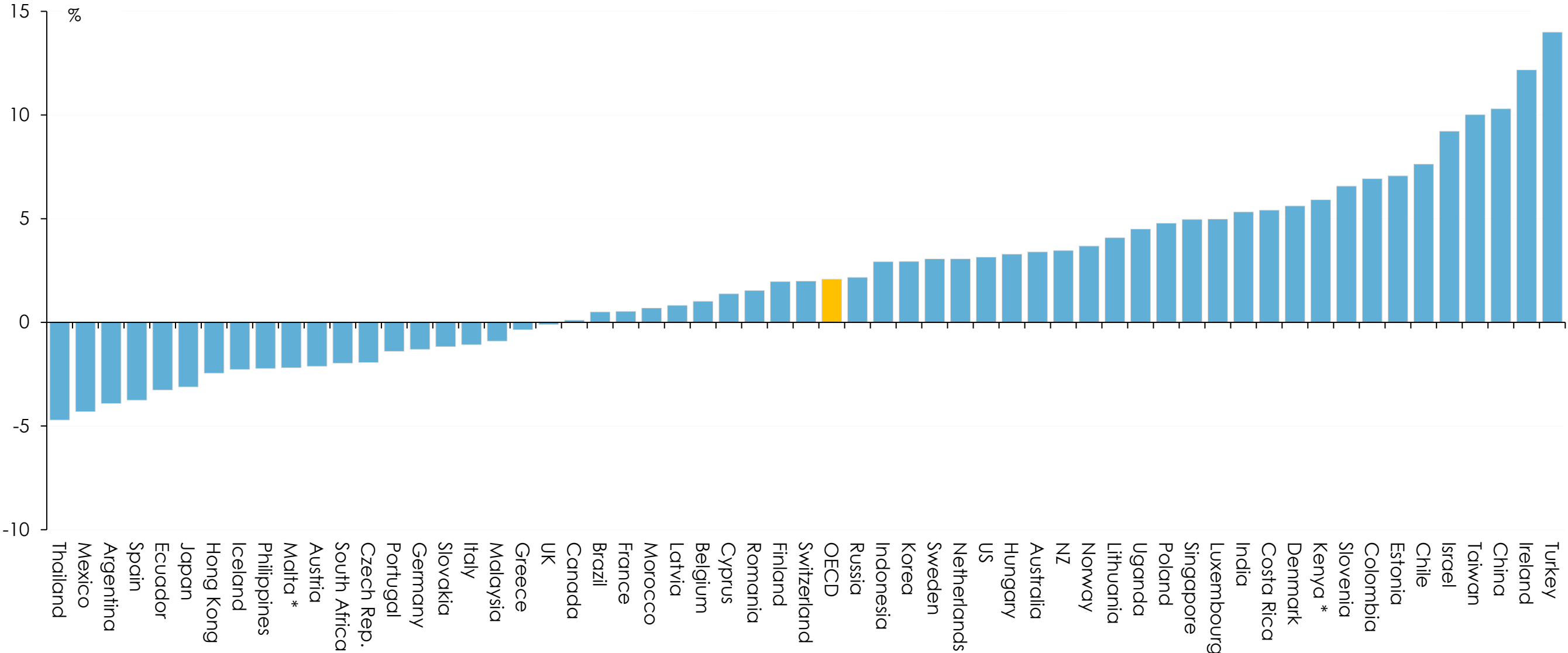
Note: Income categories are as defined by the [World Bank](#): high-income countries are (in 2021) those with a per capita gross national income (GNI) of over US\$12,535; upper-middle income countries are those with per capita GNI between US\$4,046 and \$12,535; lower middle-income countries are those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

The world

38 countries (out of 58 for which seasonally-adjusted Q3 or Q4 GDP estimates are available) have now surpassed their pre-pandemic peaks

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Q4 2021 real GDP compared with pre-recession peak

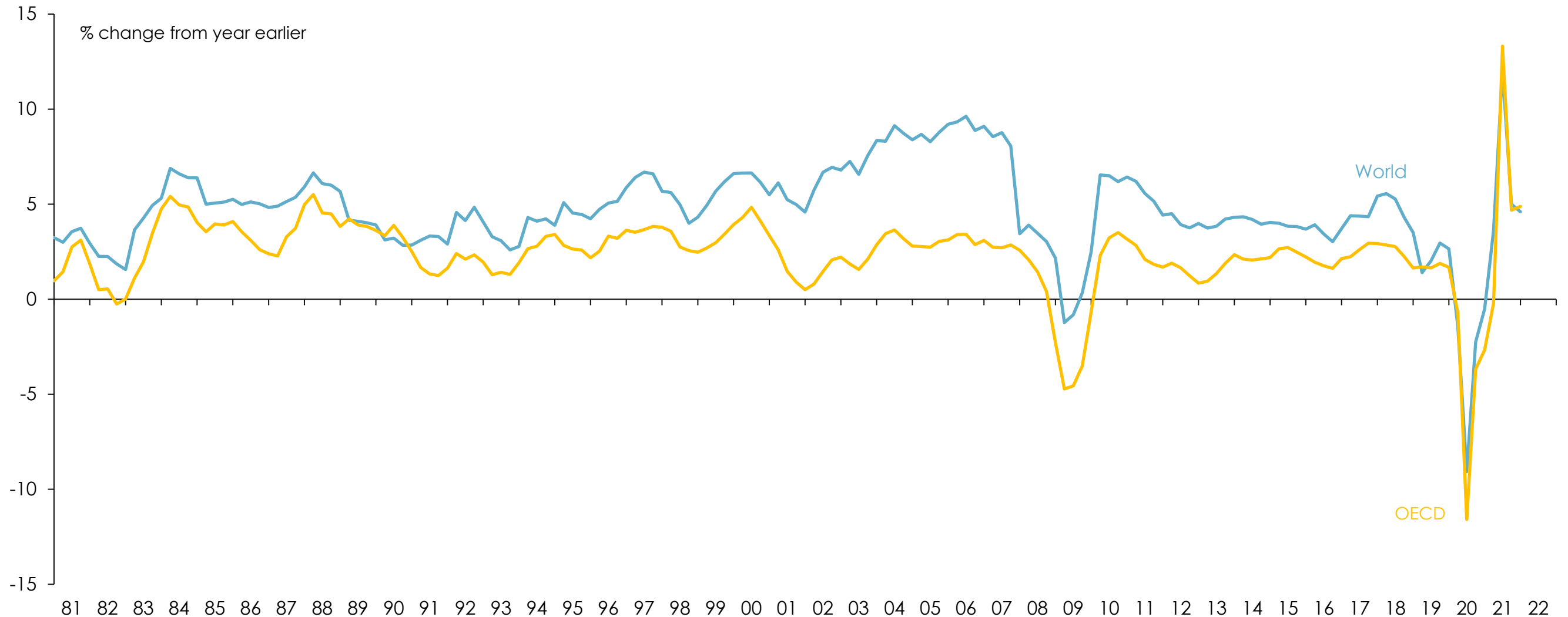


Note: estimate for China is derived from quarterly growth rates published by China NBS; estimates for India, Indonesia and Russia are seasonally adjusted by the OECD. * Estimates for Kenya and Malta are for Q3 2021. Sources: National statistical agencies and central banks, and OECD. [Return to "What's New"](#).

The world economy grew by about 4½% 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

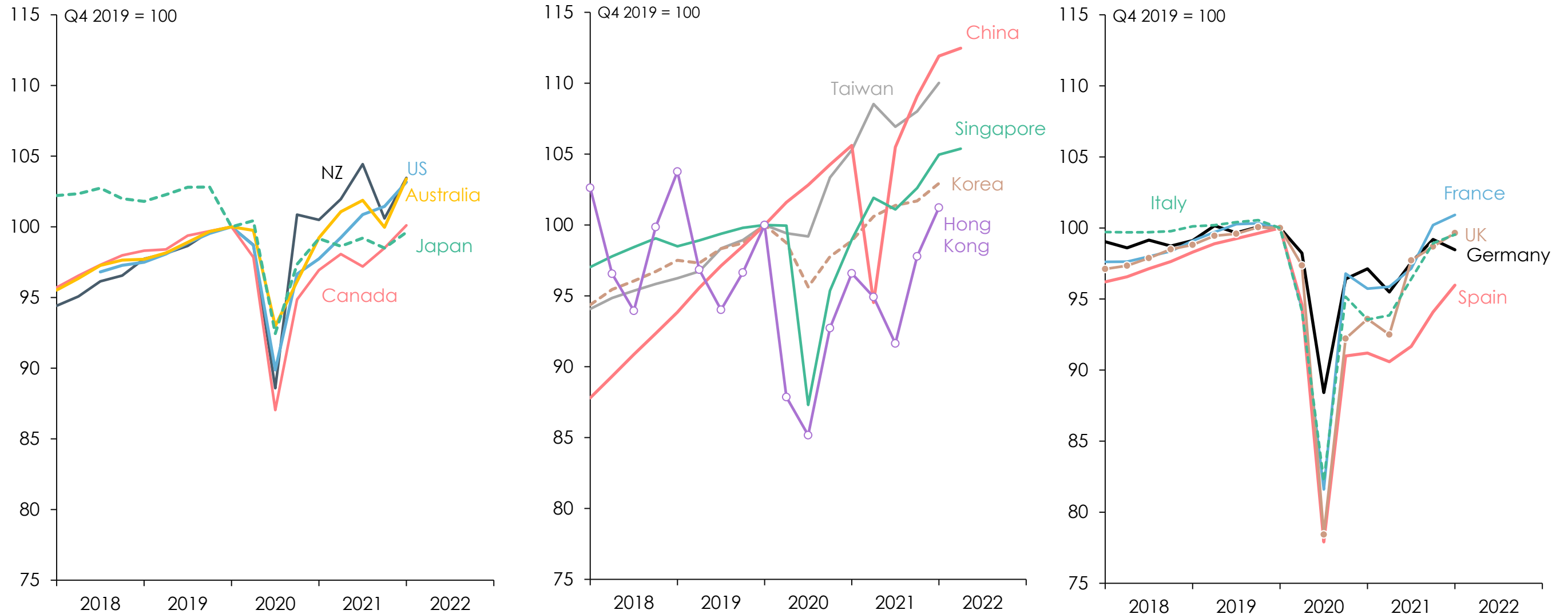


Note: Estimates of global GDP growth compiled by Corinna using data for 100 countries accounting for 94% of 2019 world GDP as measured by the IMF, weighted in accordance with each country's share of global GDP at purchasing power parities in 2019; excludes constituents of the former USSR before 1993, the former Czechoslovakia before 1995, and the former Yugoslavia before 1998. (e) Estimate for Q4 2021 is based on results for 78 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

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Levels of real GDP indexed to Q4 2019 = 100



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

The IMF has cut its forecasts for world economic growth to 3.6% in both 2022 and 2023, representing downward revisions of 0.8 and 0.2 pc pts

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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	5.7	3.7	2.3	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	4.4	5.1	8.1	5.1	5.1	8.0	5.1	5.3	4.8	5.3	5.0
Euro area	1.3	-6.6	5.3	2.8	2.3	5.2	4.3	2.5	4.2	3.7	2.6	3.4	2.3	1.5
India	7.0	-8.0	8.9	8.2	6.9	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	2.4	2.3	1.8	3.4	1.1	1.7	2.9	1.2	2.5	1.5	0.5
UK	1.8	-9.9	7.4	3.7	1.2	6.9	4.7	2.1	na	na	na	na	na	na
Australia	2.6	-2.4	4.7	4.2	2.5	3.8	4.1	3.0	na	na	na	4.8*	2.0*	2.5*
New Zealand	2.9	-3.0	5.6	2.7	2.6	4.7	3.9	2.6	na	na	na	0.8 [†]	4.9 [†]	2.2 [†]
World	3.7	-3.3	6.1	3.6	3.6	5.6	4.5	3.2	5.5	3.2	3.2	3.8	3.8	3.5
World trade	3.7	-8.5	10.2	5.0	4.4	9.3	4.9	4.5	9.5	5.8	4.7	na	na	na
World inflation	3.5	3.2	4.7	7.4	4.8	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](#), 19th April 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 IMF made large downward revisions to its growth forecasts for Europe and, to a lesser extent, China, and upward revisions to its inflation outlook

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IMF real GDP growth forecasts

	April forecast (%)		Revision from January (pc pts)	
	2022	2023	2022	2023
Advanced economies				
US	3.7	2.3	-0.3	-0.3
Euro zone	2.8	2.3	-1.1	-0.2
Japan	2.4	2.3	-0.9	+0.5
UK	3.7	1.2	-1.0	-1.1
Canada	3.9	2.8	-0.2	0.0
Australia	4.2	2.5	+0.1	0.0
Emerging economies				
China	4.4	5.1	-0.4	-0.1
India	8.2	6.9	-0.8	-0.2
Brazil	0.8	1.4	+0.5	-0.2
Russia	-8.5	-2.3	-11.3	-4.4
South Africa	1.9	1.4	0.0	0.0
World	3.6	3.6	-0.8	-0.2

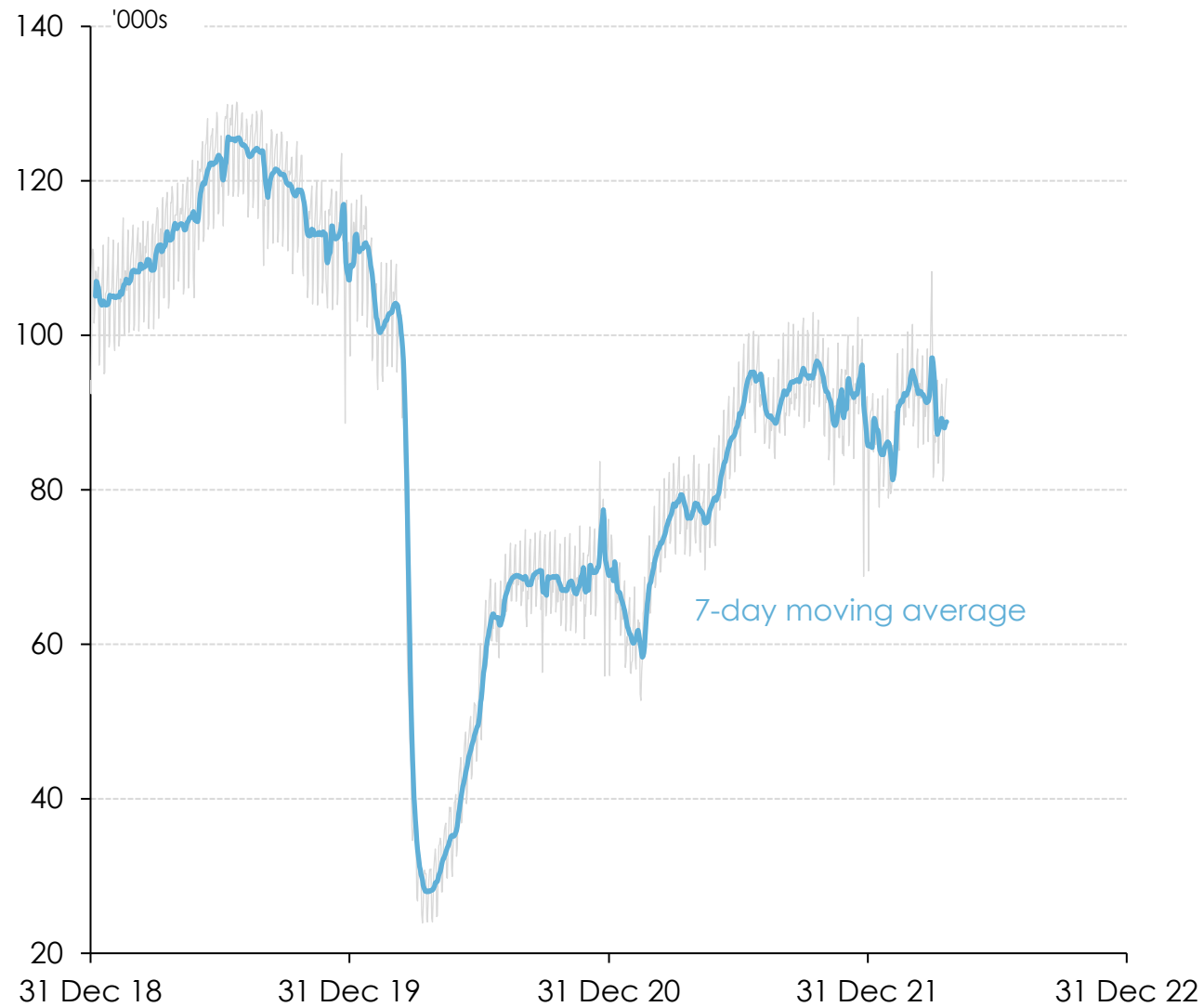
- ❑ The IMF's latest [World Economic Outlook](#), published last Tuesday, lowered its forecast for global GDP growth in 2022 by 0.8 pc pt to 3.6%, and for 2023 by 0.6 pc pt, also to 3.6%
 - the deterioration in the outlook is “largely because of Russia’s invasion of Ukraine ... and the sanctions aimed at pressuring Russia to end hostilities”, which have come at a time when “the global economy ... had not fully recovered from the Covid-19 pandemic”, and when “frequent and wider-ranging lockdowns in China have slowed activity there and could cause new bottlenecks in global supply chains”
- ❑ Apart from Ukraine and Russia (whose economies the IMF expects to contract by 35% and 8½% respectively in 2022), the largest downward revisions to the IMF's growth forecasts are for Europe
 - in particular, the forecasts for Germany, Italy and the UK for 2023 have been revised down by 1.7, 1.5 and 1.0 pc pt, respectively, to 2.1%, 2.3% and 3.7%, while the 2023 forecast for the UK was also revised down by 1.1 pc pt to 1.2%
- ❑ The IMF's forecast for China's growth in 2022 and 2023 were lowered by 0.4 and 0.1 pc pt respectively, reflecting “repeated mobility restrictions and localized lockdowns”, an “anaemic recovery in urban employment”, the significant slowdown in real estate investment growth and weaker external demand
- ❑ The IMF also made significant upward revisions to its forecasts for inflation
 - it now expects inflation to average 5.7% in ‘advanced’ economies in 2022 (revised up from 3.9% in January and 2.3% last October) before slowing to 2.5% (up from 2.1% in January and 1.9% last October) in 2023
 - while in ‘emerging & developing’ economies inflation is expected to average 8.7% this year (up from 5.9% in January and 4.9% last October) and 6.5% next year (up from 4.7% in January and 4.3% in October last year)

Source: International Monetary Fund (IMF), [World Economic Outlook](#), 19th April 2022. [Return to "What's New"](#).

Global aviation traffic turned down in April – which may be a by-product of China’s shutdowns, since US traffic appears to be holding up well

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Daily commercial flights worldwide



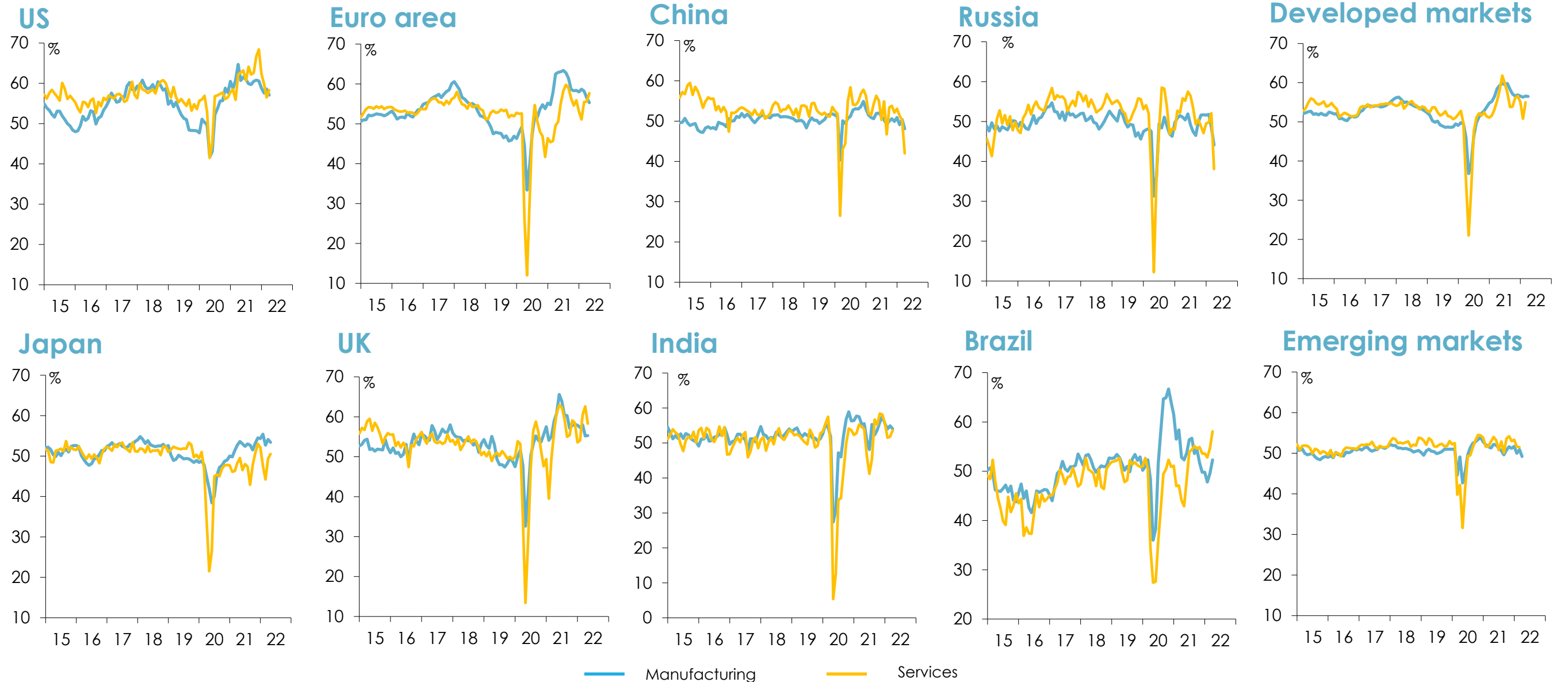
Daily US TSA 'security' checks



Note: Commercial flights include commercial passenger flights, cargo flights, charter flights, and some business jet flights. Data are up to 22nd April for commercial flights and 21st April for TSA checks. Thicker coloured lines are 7-day centred moving averages of daily data plotted in thin grey lines. Sources: [Flightradar24.com](https://www.flightradar24.com); [US Transport Safety Administration](https://www.transportation.gov) (at last, something useful – other than job creation - produced by aviation 'security'!!!). [Return to "What's New"](#).

'Flash' PMIs suggest a pick-up in services sector activity in Japan and the euro area in April, but a decline in manufacturing, and in UK services

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

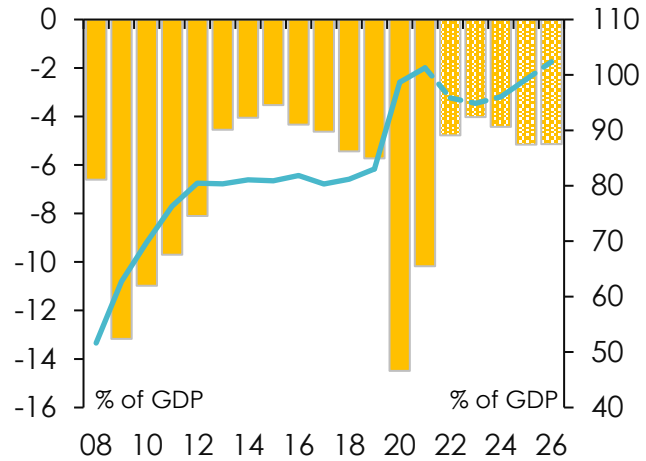


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. Latest data for Japan, euro area and UK are 'flash' readings for April, all others are March. A reading of 50 indicates an overall increase cf. the previous month, and a reading of less than 50 indicates a decrease. See also PMIs for other Asia-Pacific economies on [slide 101](#). Sources: [US Institute for Supply Management](#); [IHS Markit](#); JP Morgan; [Caixin](#); Refinitiv Datastream. [Return to "What's New"](#).

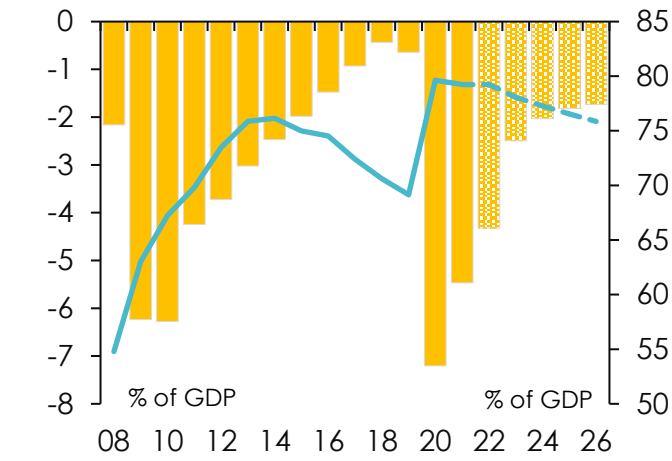
Fiscal policy is set to be tightened significantly in 2022 in most major economies except Japan, China and India

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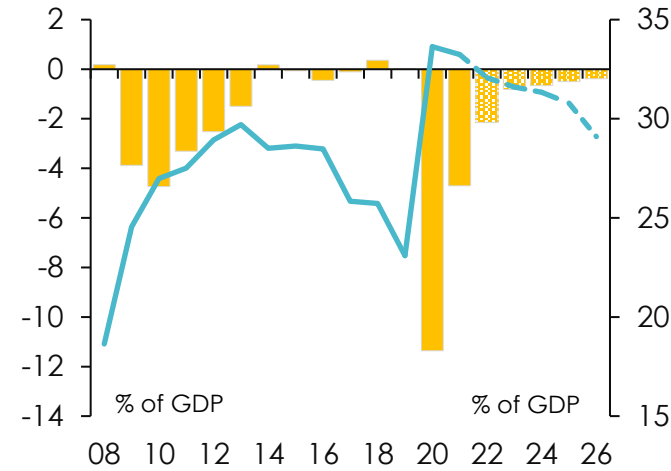
United States



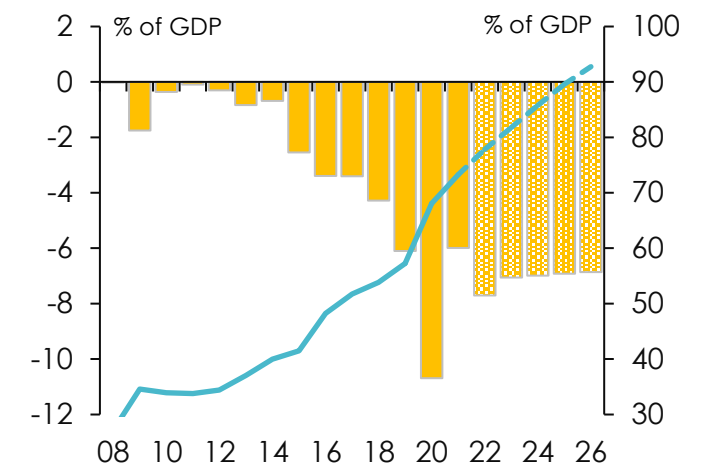
Euro area



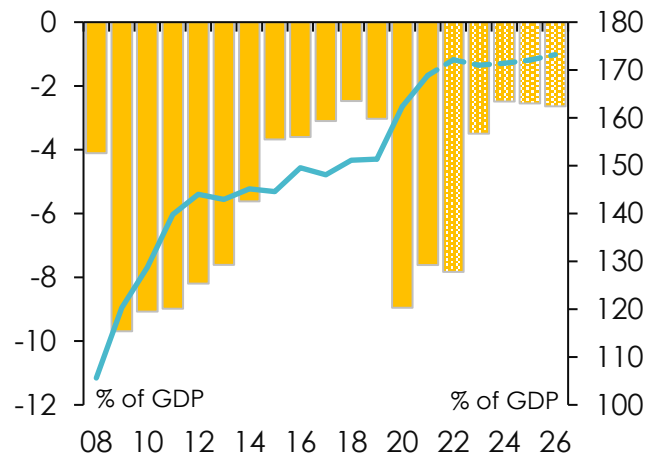
Canada



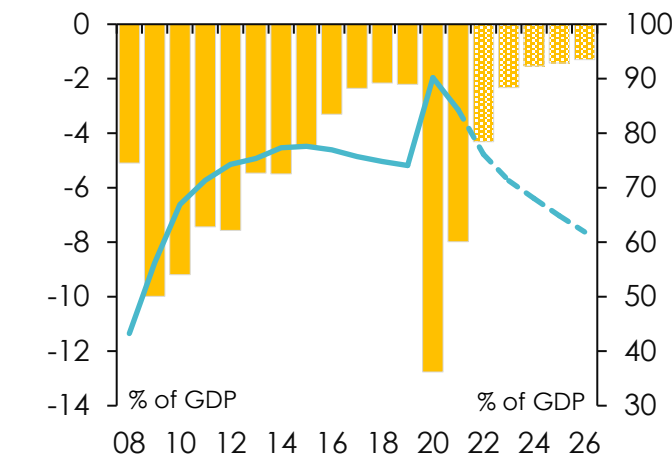
China



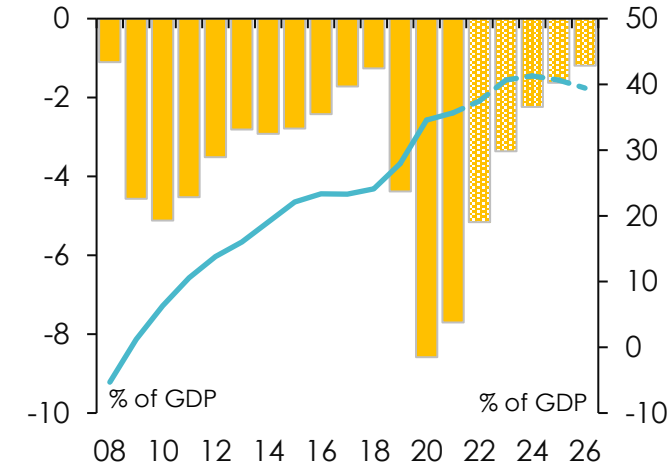
Japan



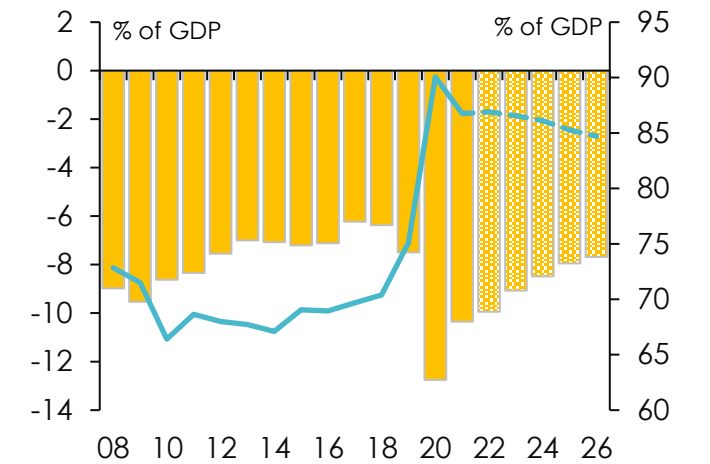
United Kingdom



Australia



India



General government overall fiscal balance (left scale)

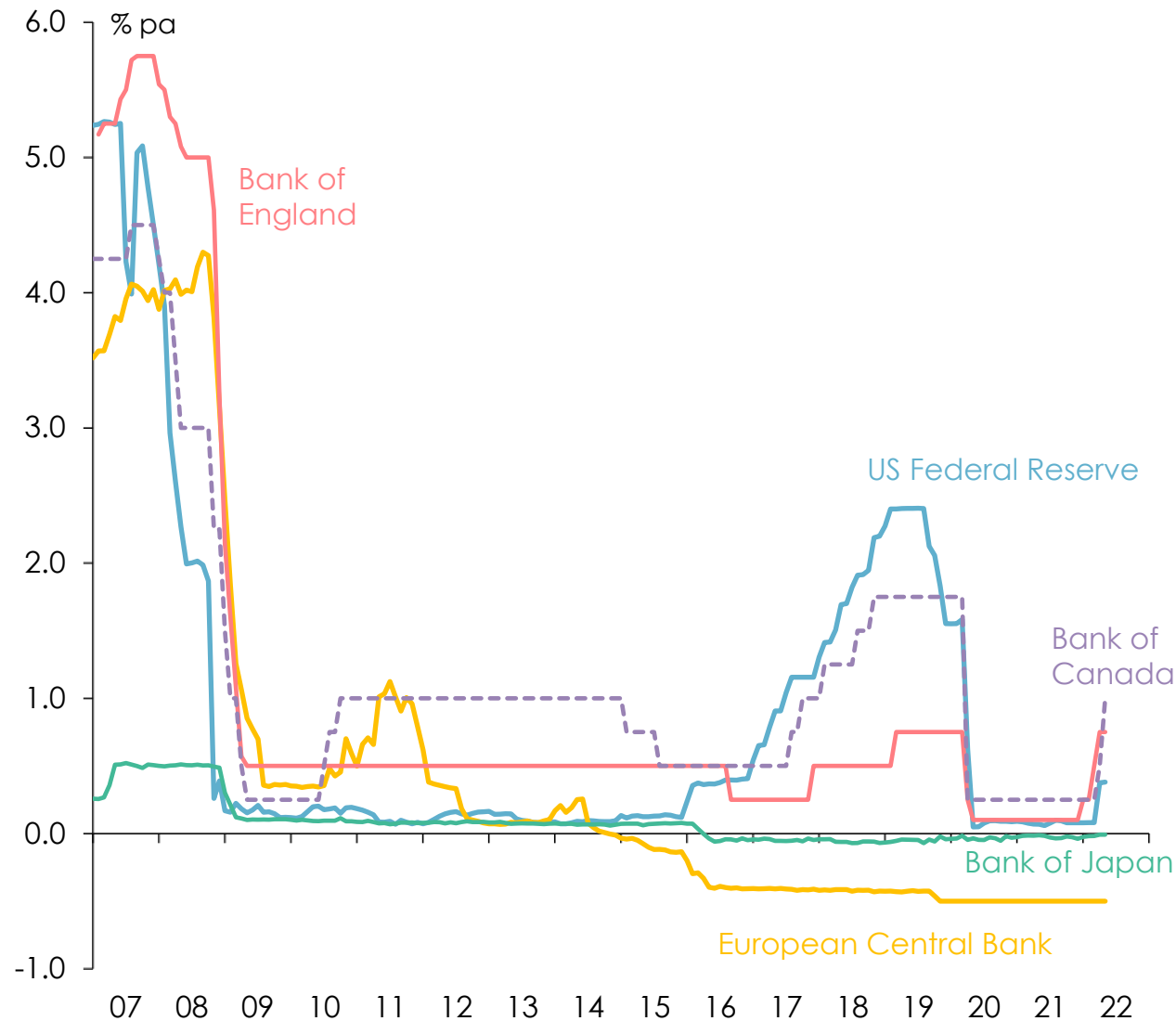


General government net debt (right scale)

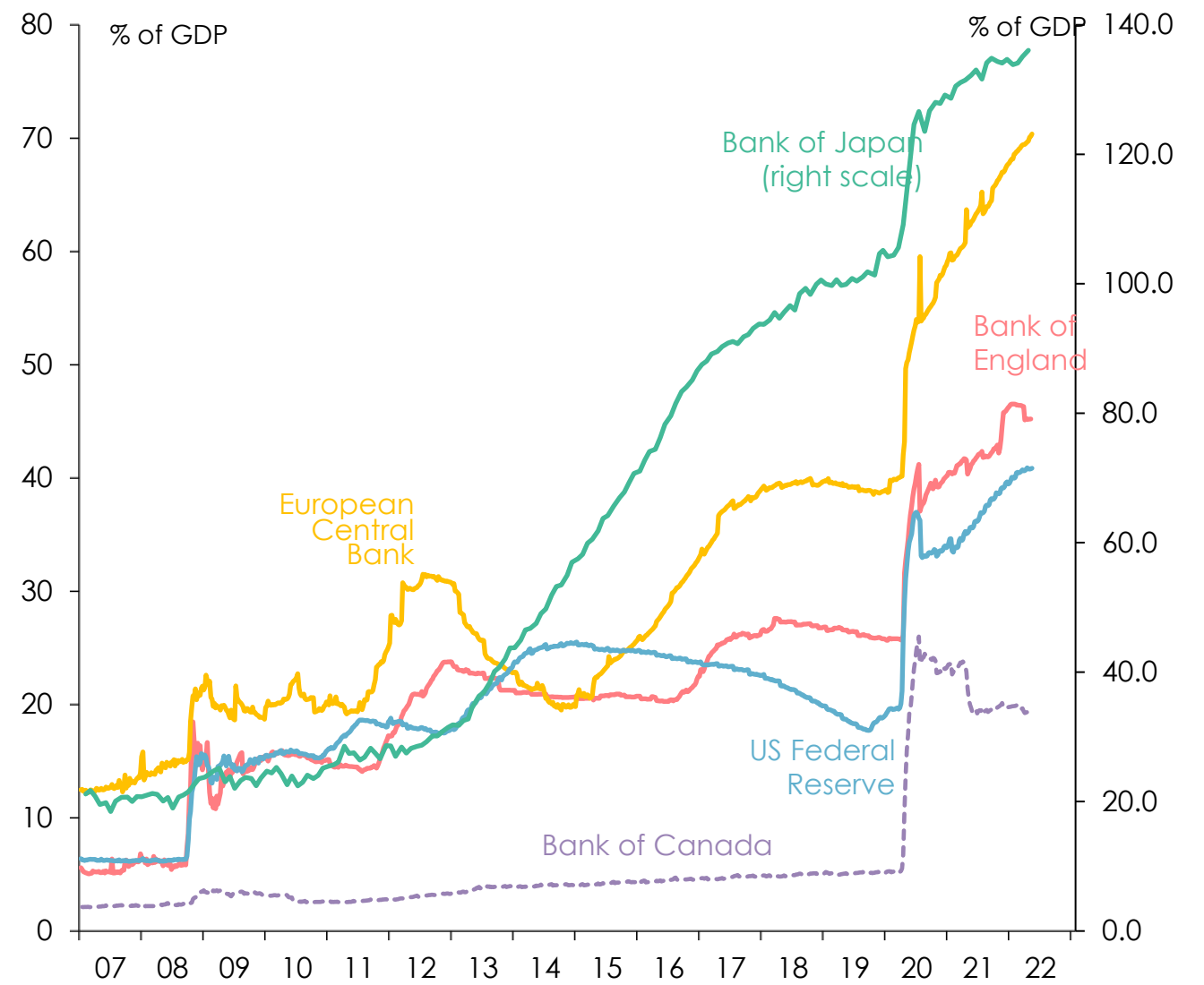
The Bank of Canada raised its policy rate 50bp this month, and the Fed now seems likely to do likewise at its next meeting on 3rd-4th May

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Major central bank policy interest rates



Major central bank balance sheets

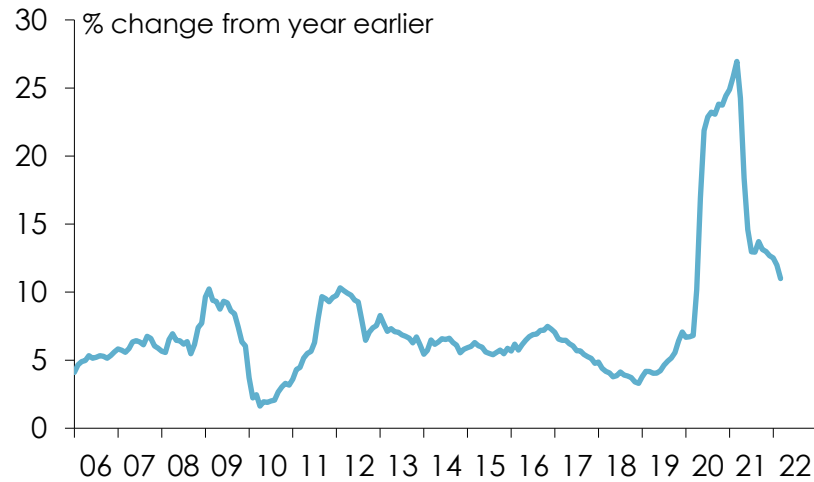


Sources: [US Federal Reserve](#); [European Central Bank](#); [Bank of Japan](#); [Bank of England](#); [Bank of Canada](#); national statistical agencies; Corinna. [Return to "What's New"](#).

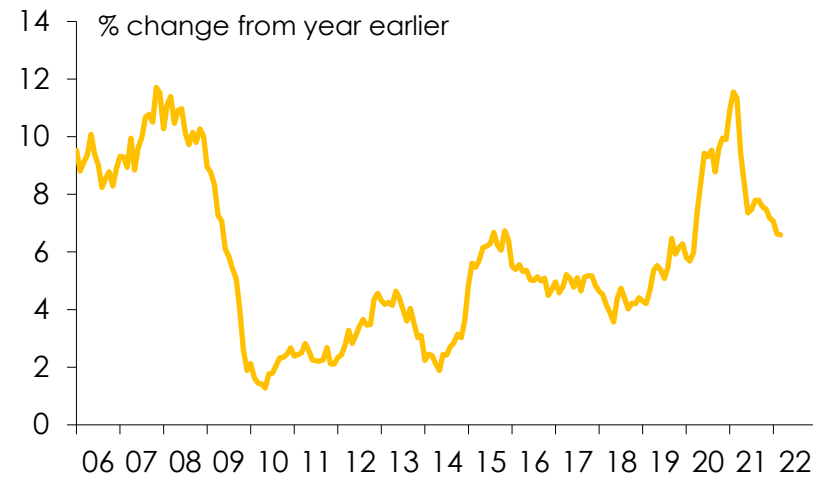
Money supply growth has slowed sharply from the peaks recorded in the first half of 2021 as large monthly increases in 2020 'wash out'

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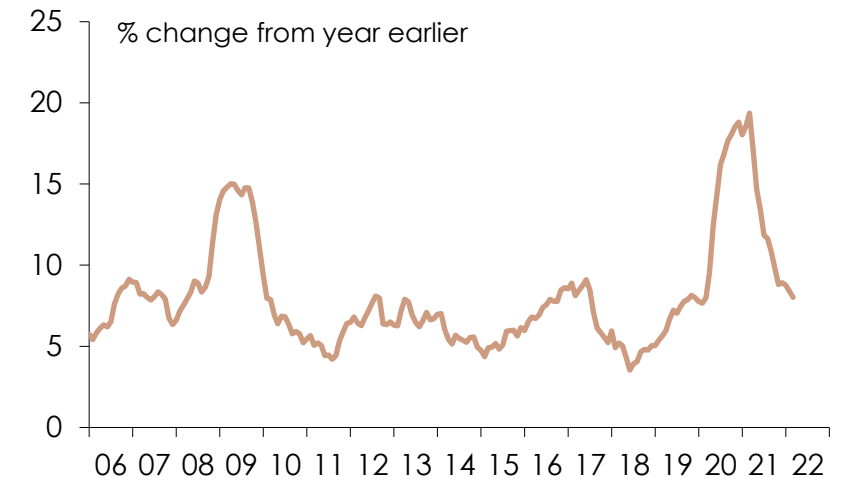
US M2



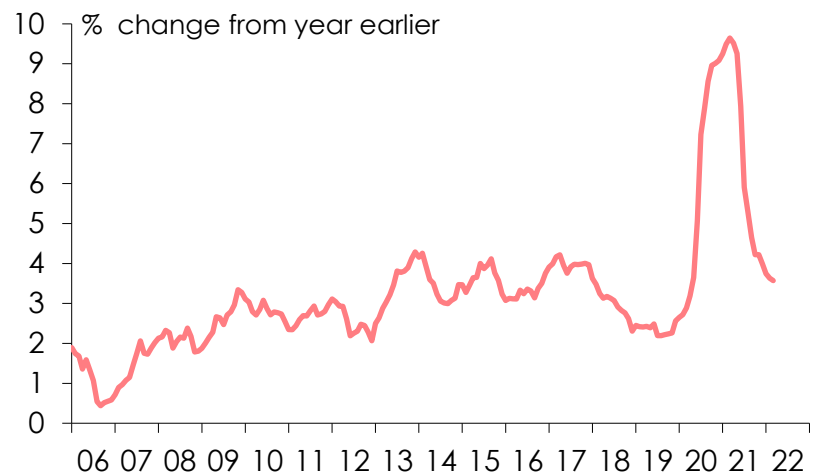
Euro area M2



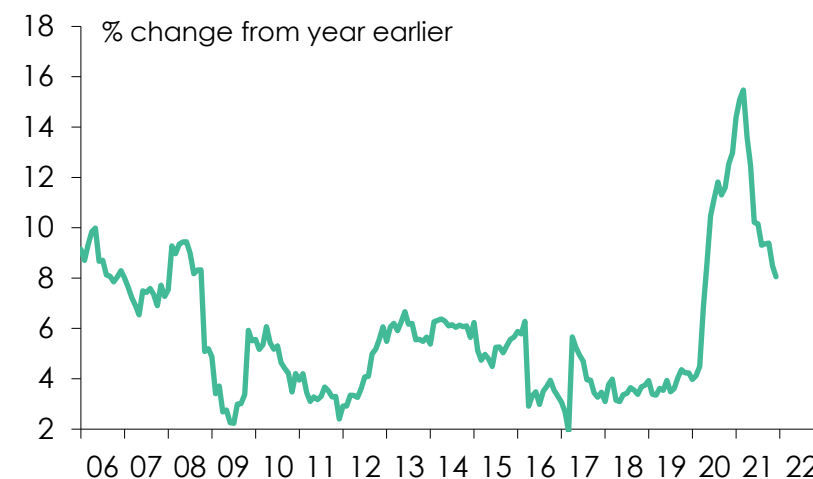
Canada M2



Japan M2 + CDs



UK M2



Australia M3

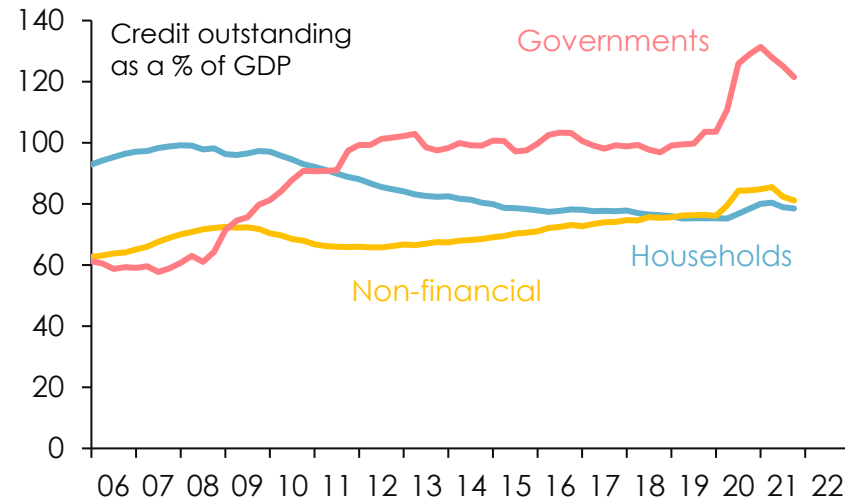


Sources: US Federal Reserve; European Central Bank; Bank of Japan; Bank of England; Bank of Canada; RBA. [Return to "What's New"](#).

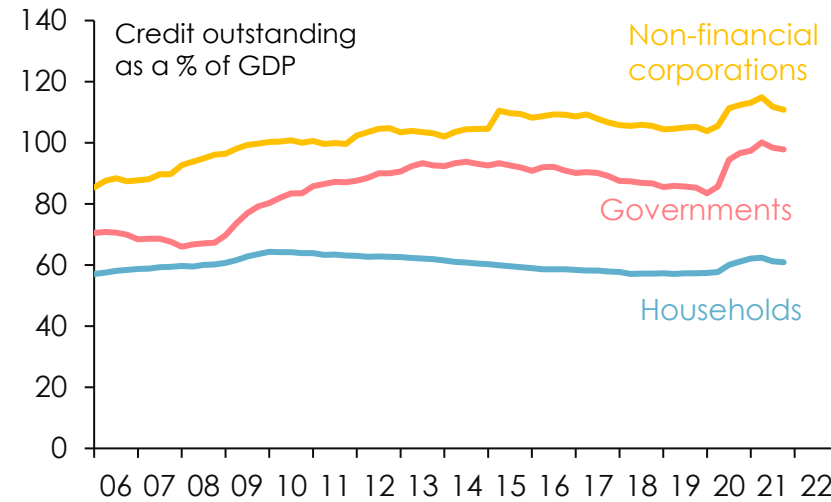
Japanese, US and UK governments, Canadian corporations and Australian households appear most exposed to increases in interest rates

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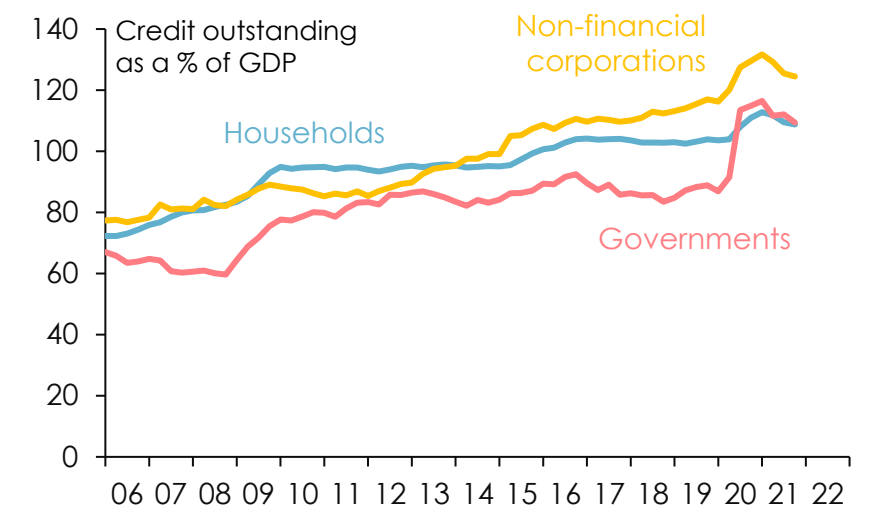
US



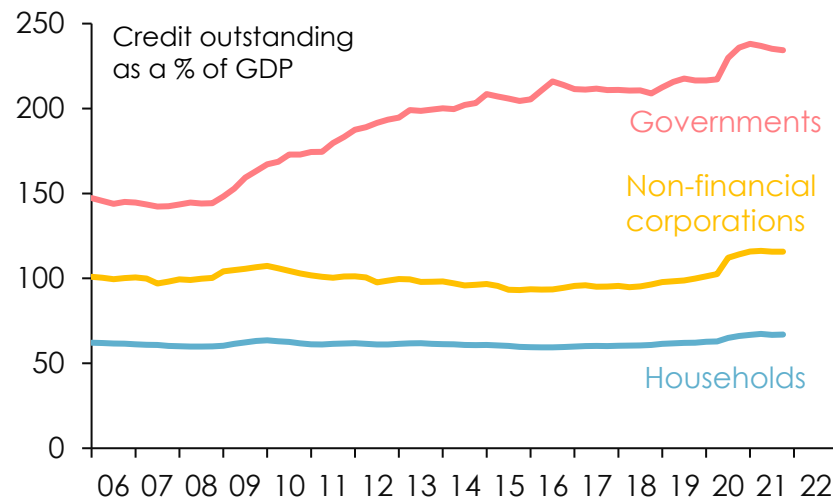
Euro area



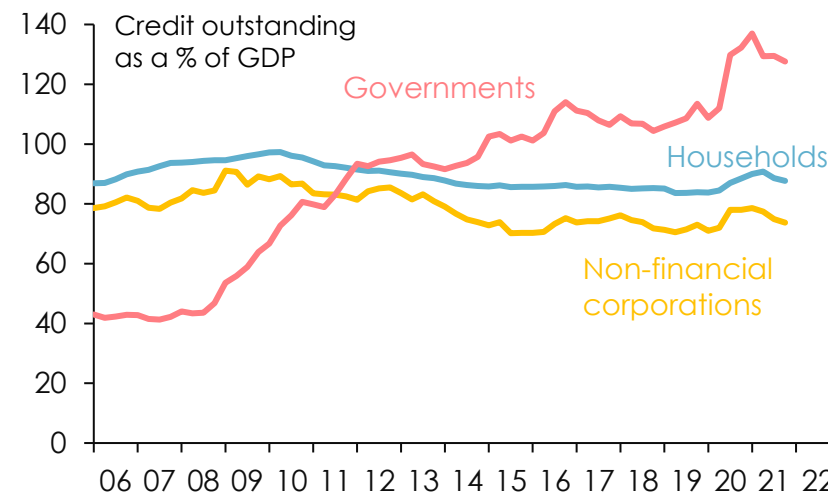
Canada



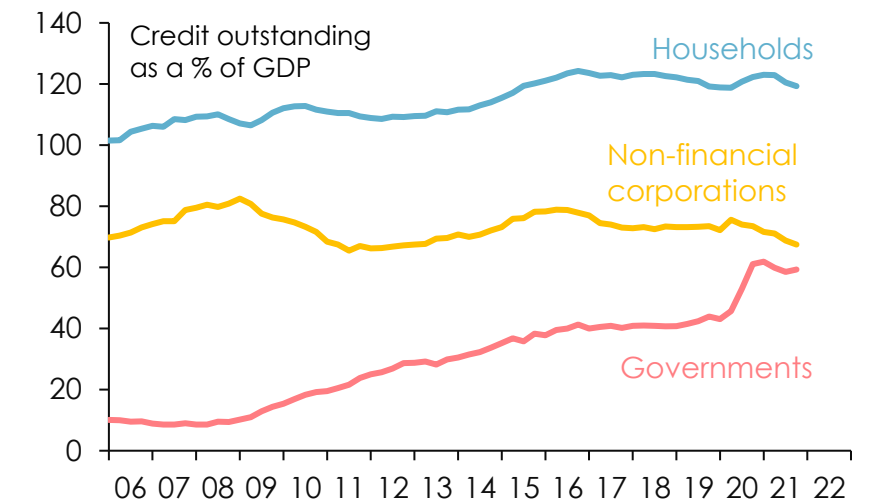
Japan



UK



Australia

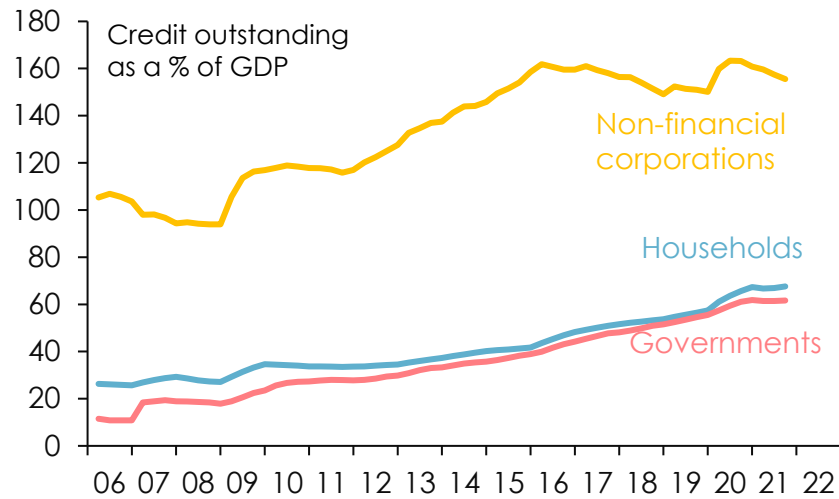


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

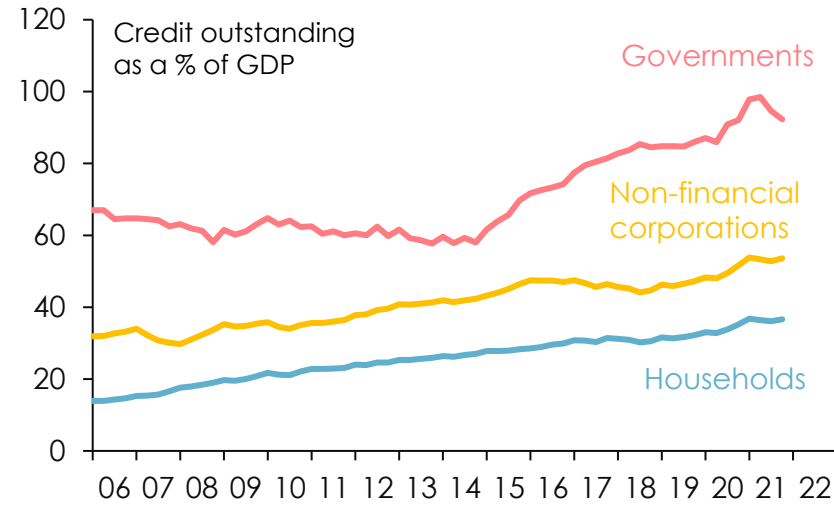
In major 'developing' economies it's usually governments that are most exposed to rising interest rates – except for China, Russia and Turkey

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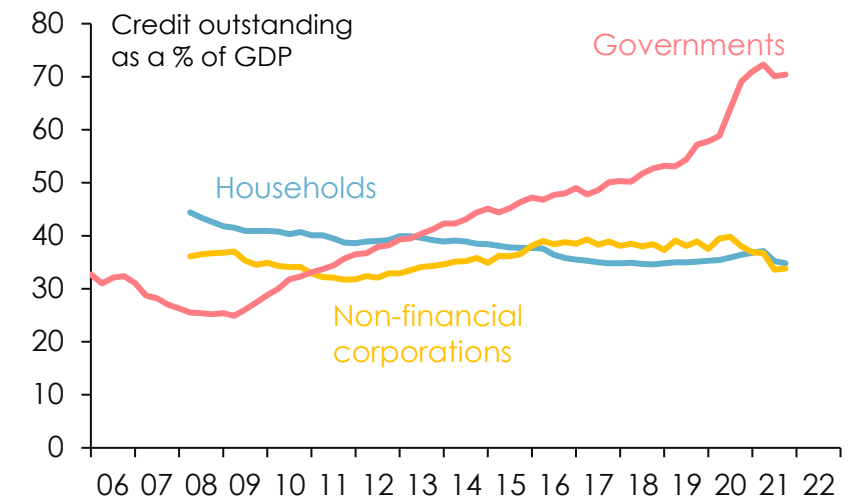
China



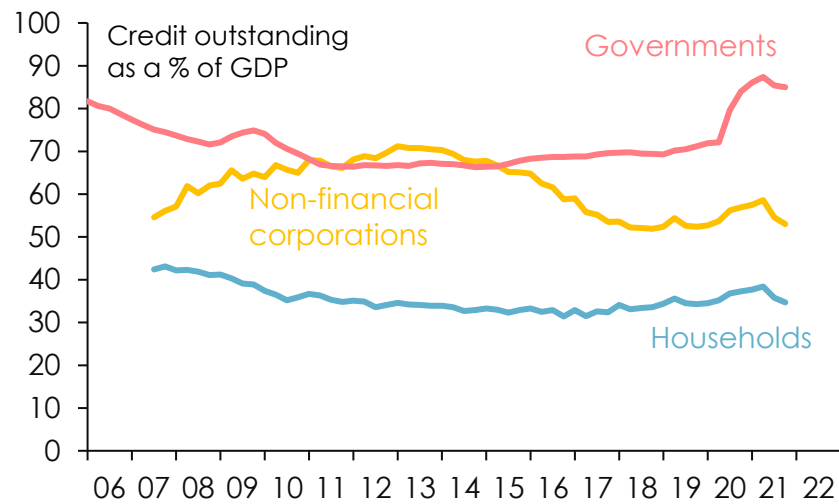
Brazil



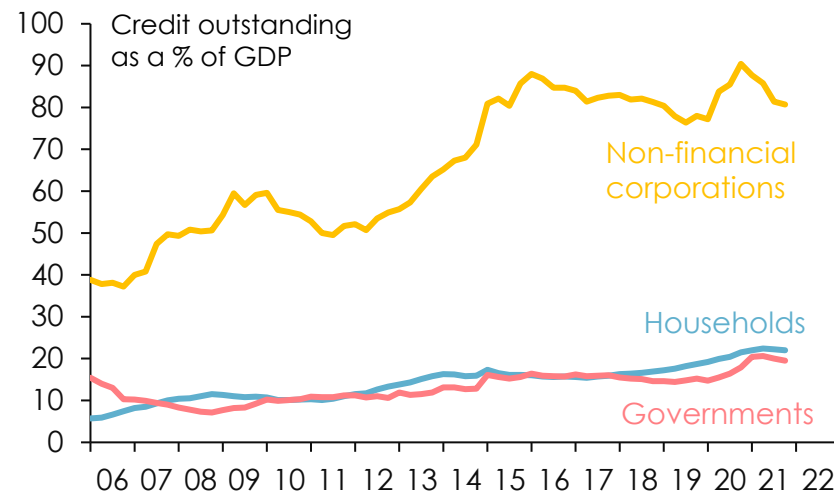
South Africa



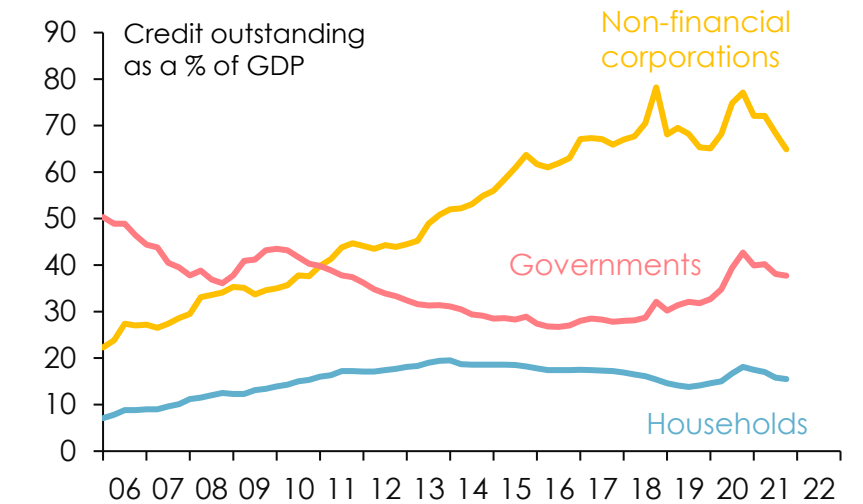
India



Russia



Turkey

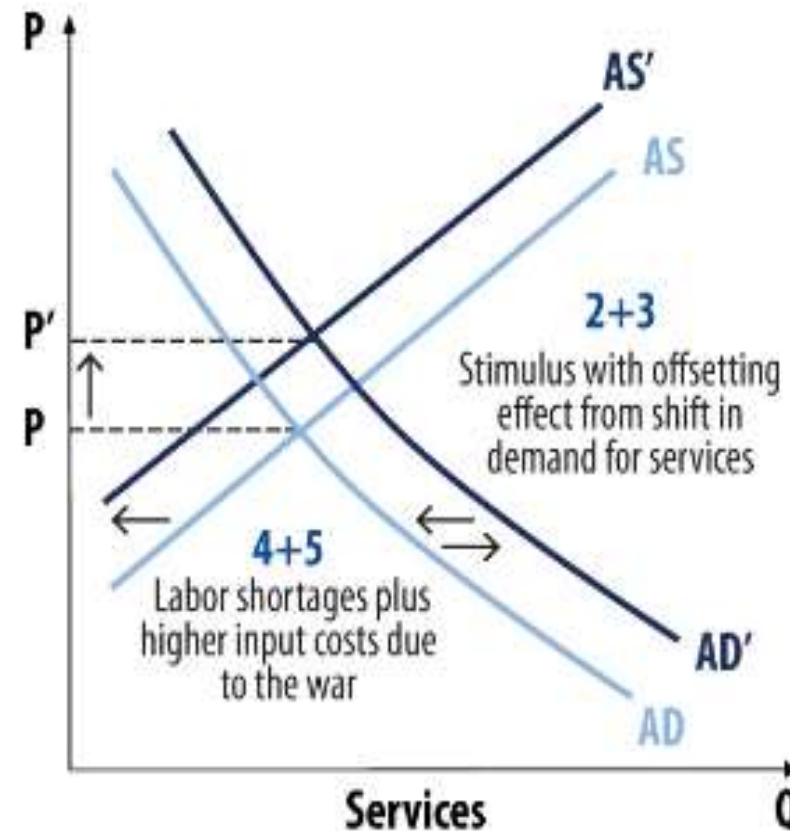
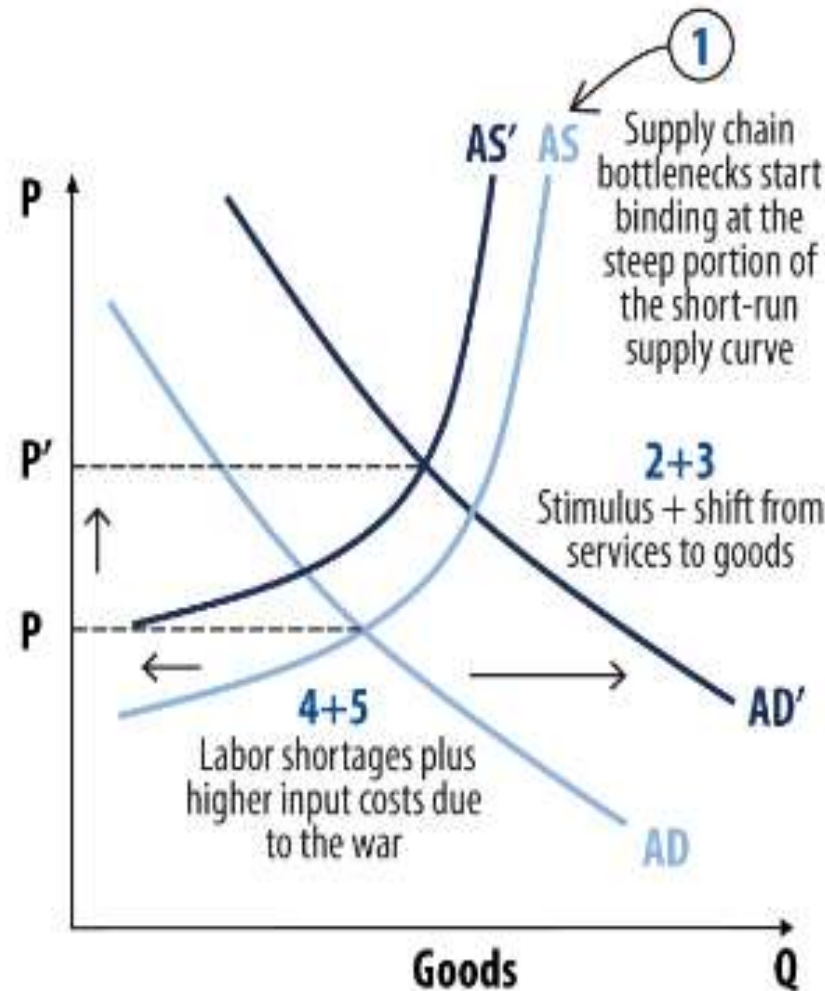


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. For data for other Asian economies see [slide 113](#). [Return to "What's New"](#).

Two IMF researchers have provided a helpful stylized depiction of the sources of upward pressure on inflation over the past 12 months

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An 'old school' aggregate supply- aggregate demand (AS-AD) curve illustration of the factors behind the rise in inflation over the past 12 months



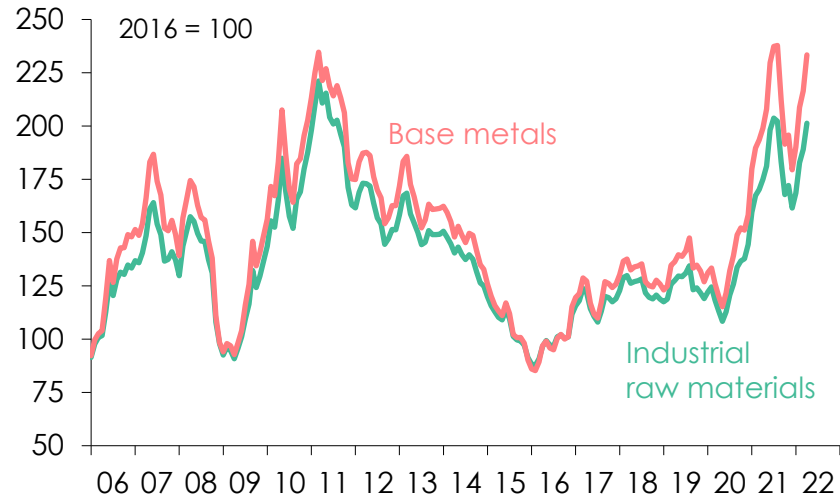
1. Supply chain bottlenecks reducing supply of durable goods – aggregate supply curve shifts to left (AS → AS')
 2. Shift in demand from services to goods (prompted by public health restrictions), with opposite effects on demand for services and goods – aggregate demand curve for goods shifts to right, for services shifts to left (AD → AD')
 3. Policy stimulus, followed by economic recovery, shifts aggregate demand curve (for both goods and services) to the right (increased demand)
 4. Labour shortages (prompted by Covid-19, immigration restrictions, etc) shift aggregate supply curves to the left (AS → AS')
 5. Supply shocks to energy and food due to the war in Ukraine shift aggregate supply curves to the left (AS → AS')
- all resulting in upward movements in prices (P → P')

Source: Ruchir Agawal and Miles Kimball, [Will inflation remain high?](#), International Monetary Fund, 7th April 2022. [Return to "What's New"](#).

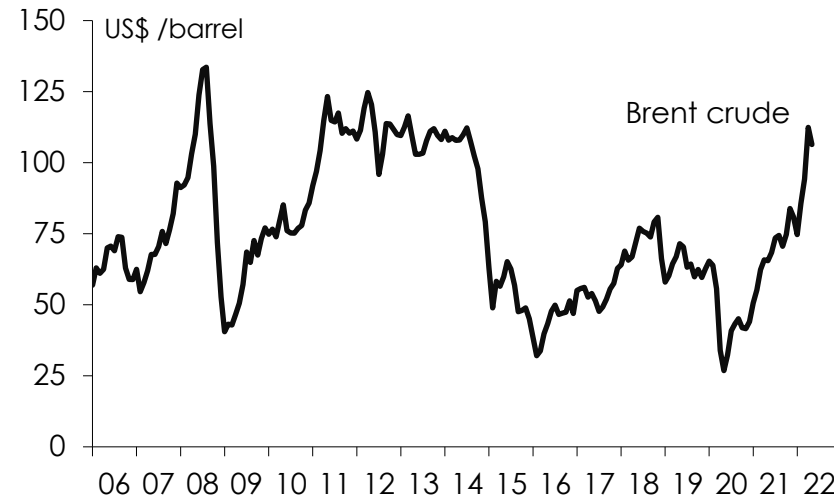
After seeming to have peaked in October, commodity prices have started rising again, especially for oil, gas and food as a result of the Ukraine war

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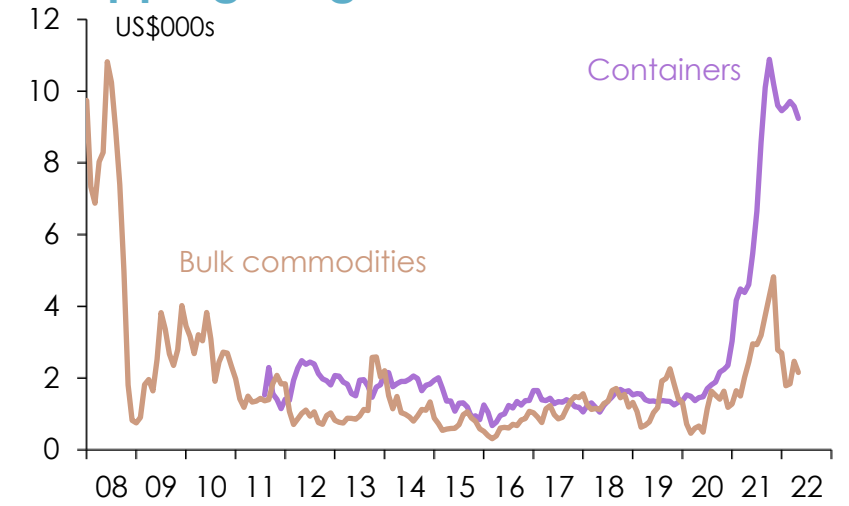
'Hard' commodity prices



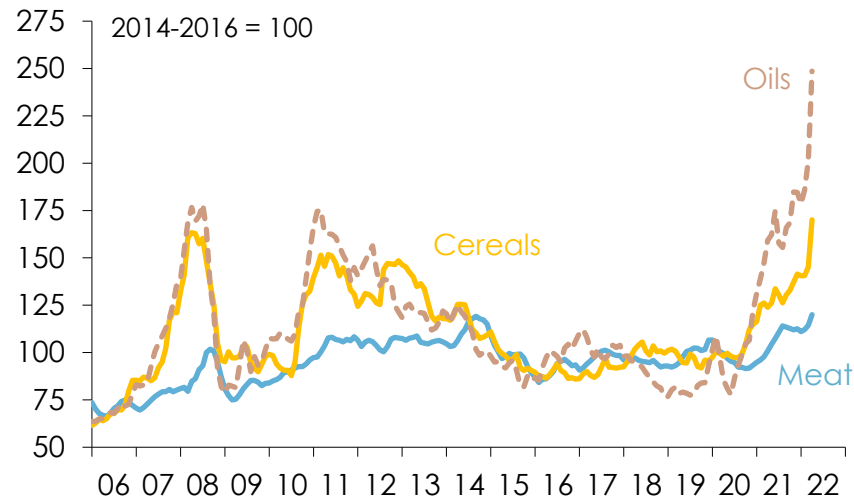
Crude oil price



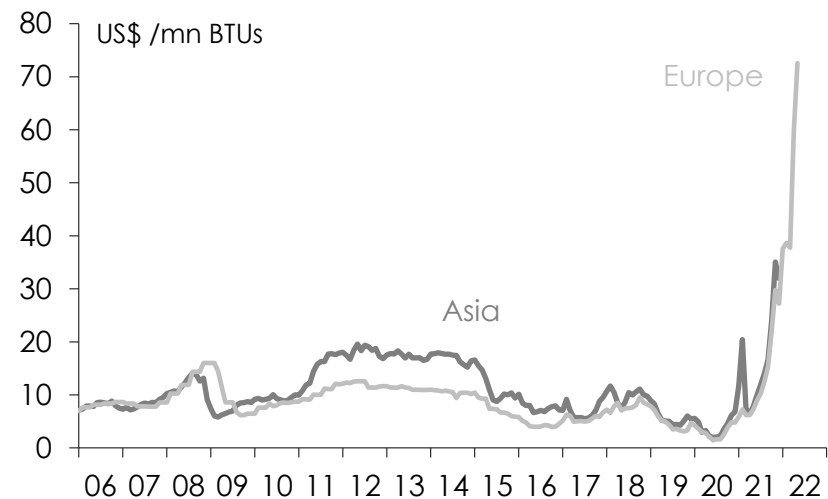
Shipping freight costs



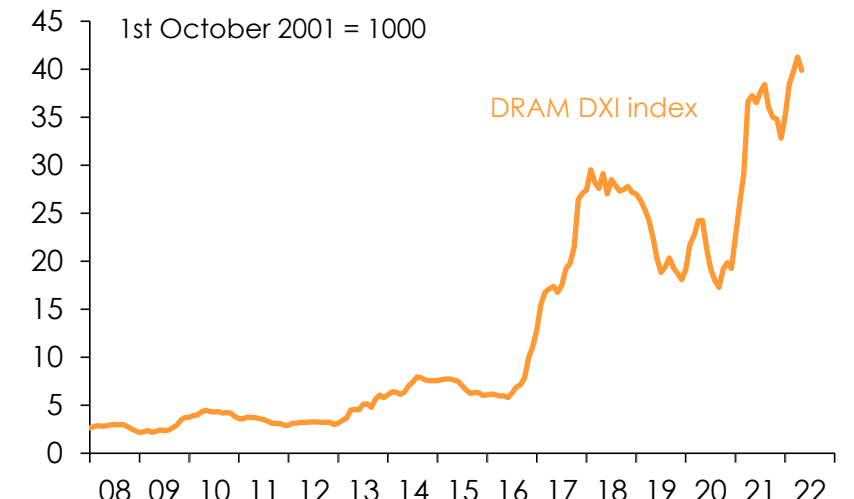
Food commodity prices



Natural gas prices



Semiconductor chip prices

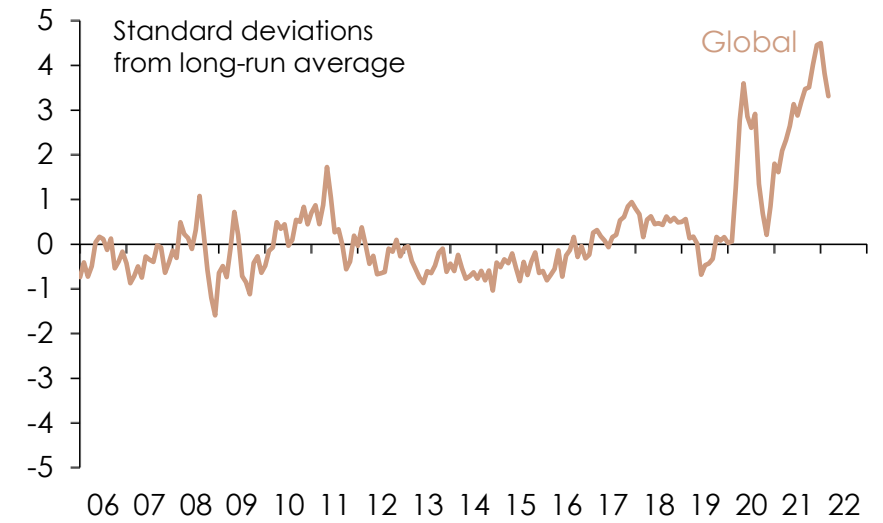
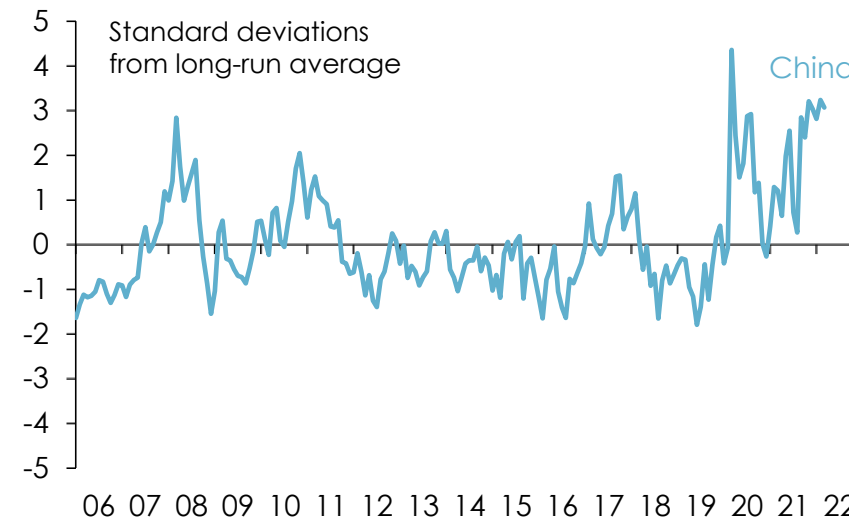
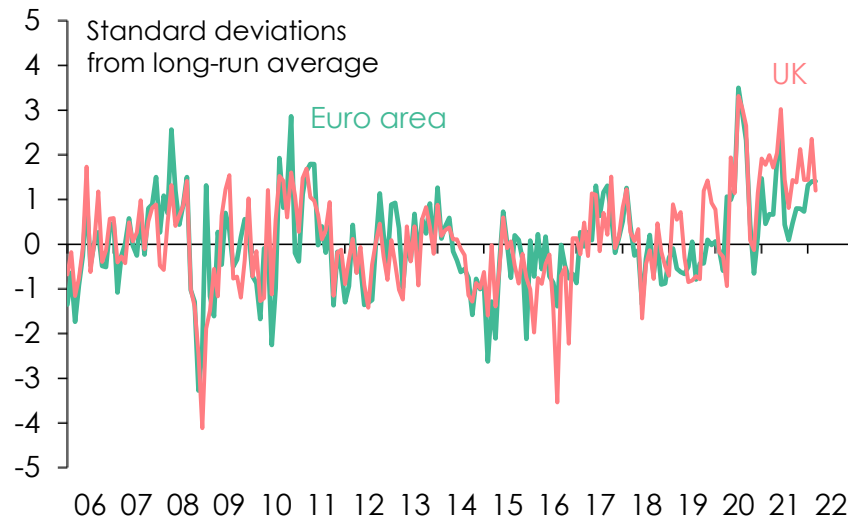
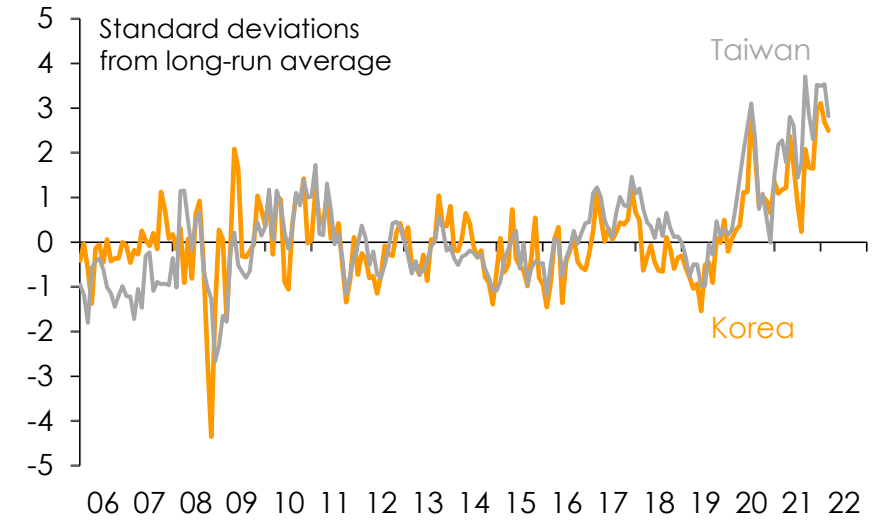
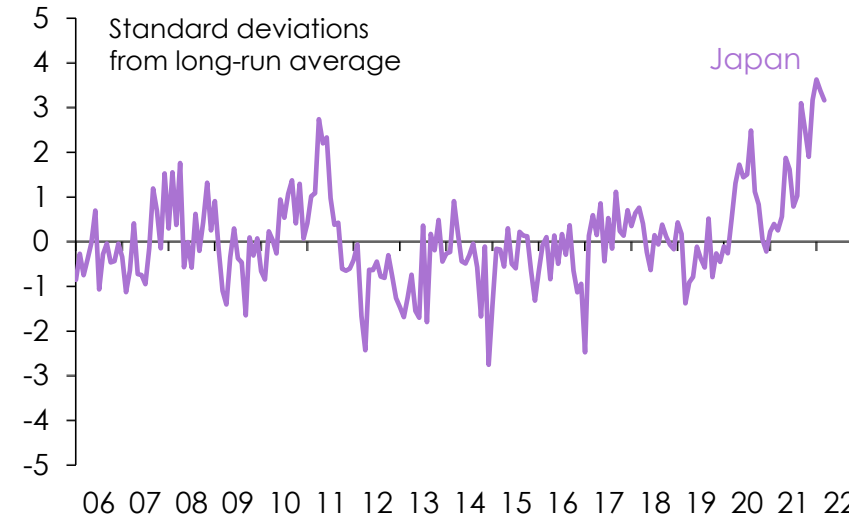
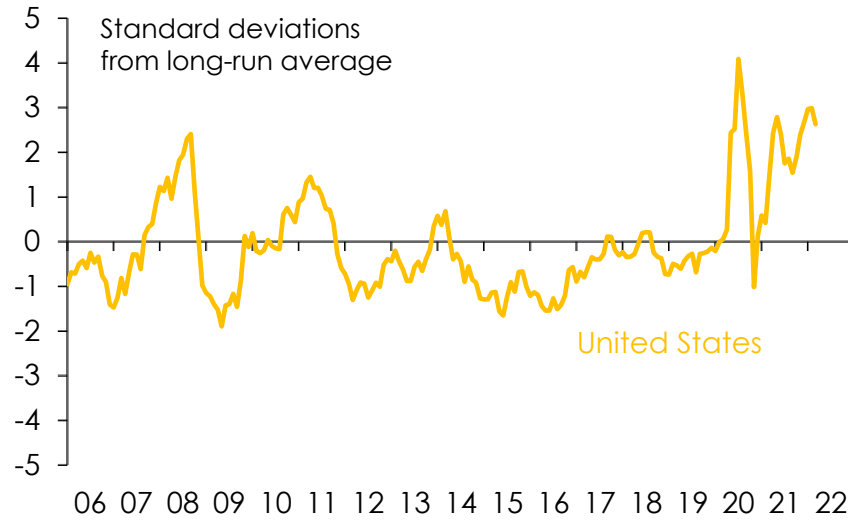


Note: The IMF commodity price indices were re-based to 2016 = 100 (previously 2005) in October 2021; but the IMF appears to have indefinitely suspended its series of commodity prices (other than indexes). Sources: [International Monetary Fund](#); [UN Food and Agriculture Organization](#); [Freightos](#); [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 – 25TH APRIL 2022

NY Fed global supply chain pressure index

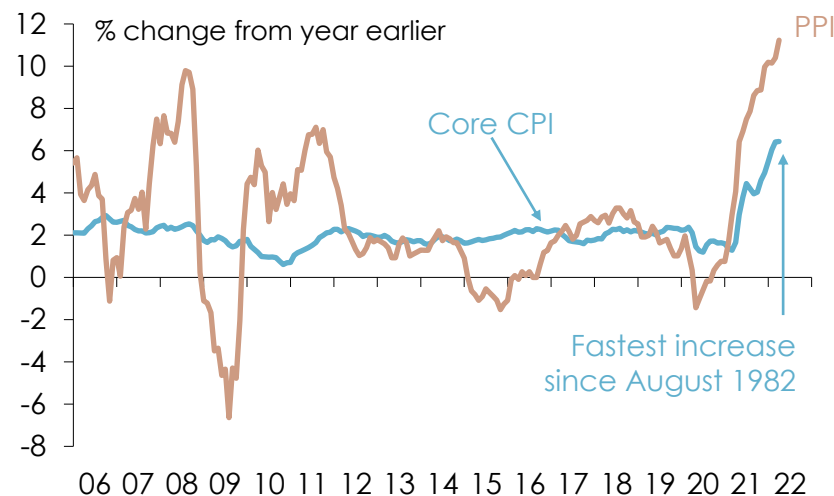


Sources: Gianluca Benigno, Julian Di Giovanni, Jan Groen & Adam Noble, [A New Barometer of Global Supply Chain Pressures](#), Federal Reserve Bank of New York, 4th January 2022 (which contains a detailed explanation of the construction of this index); and [Global Supply Chain Pressure Index: March 2022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

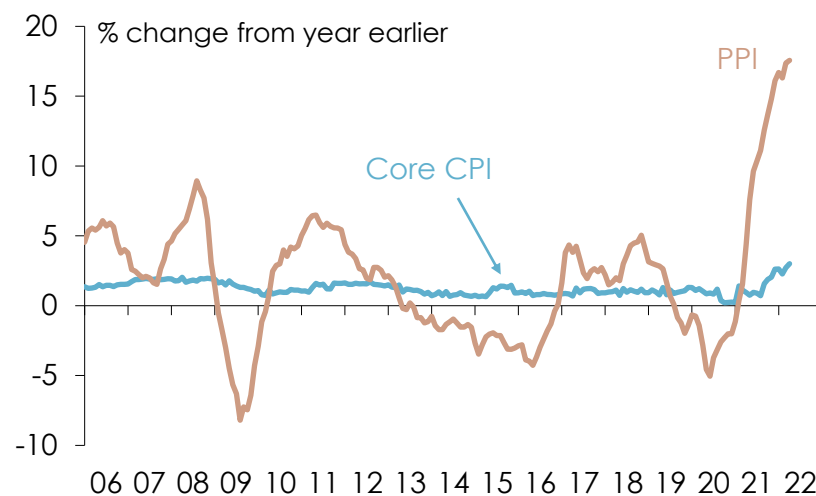
Producer prices are surging in all major economies: but only in the US and the UK is this feeding into markedly higher core CPI inflation

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

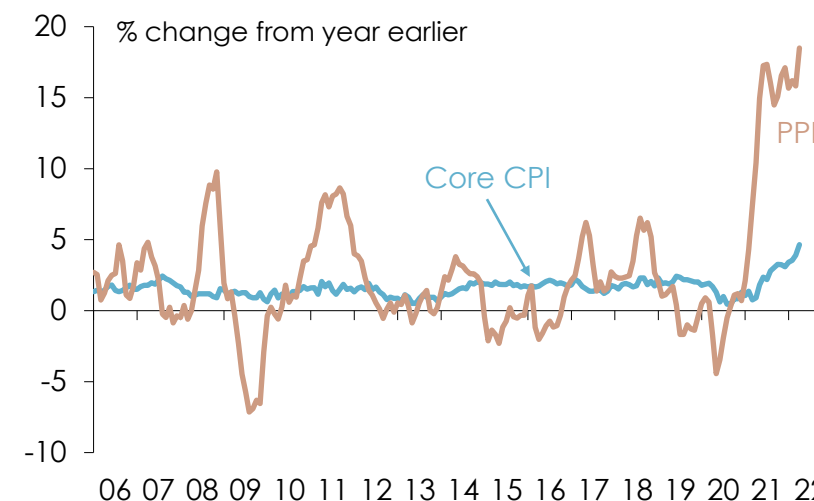
United States



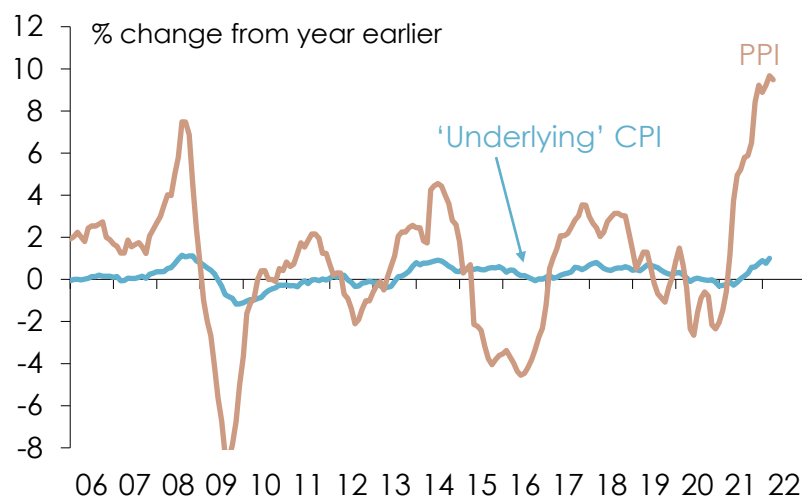
Euro area



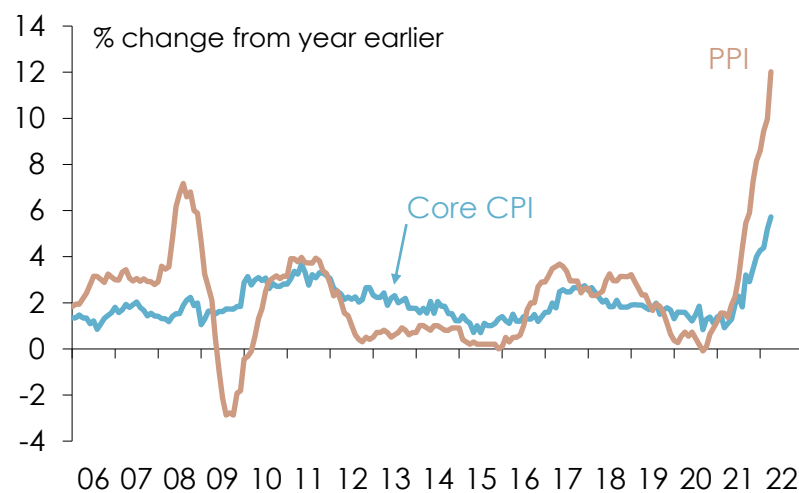
Canada



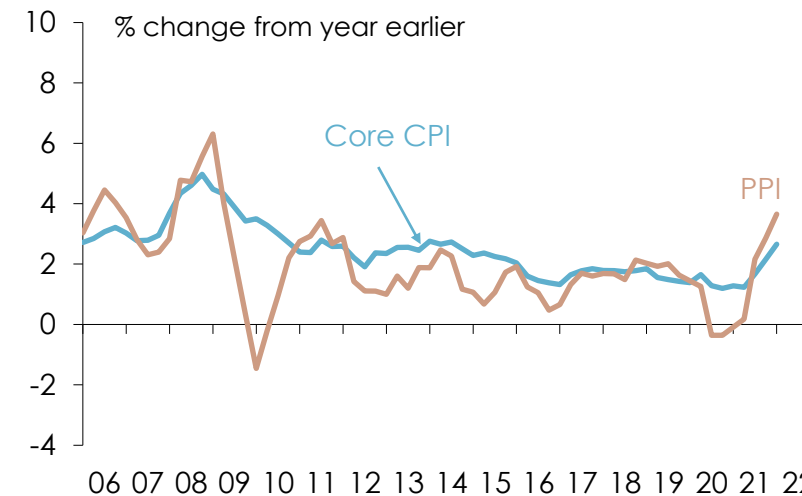
Japan



United Kingdom



Australia

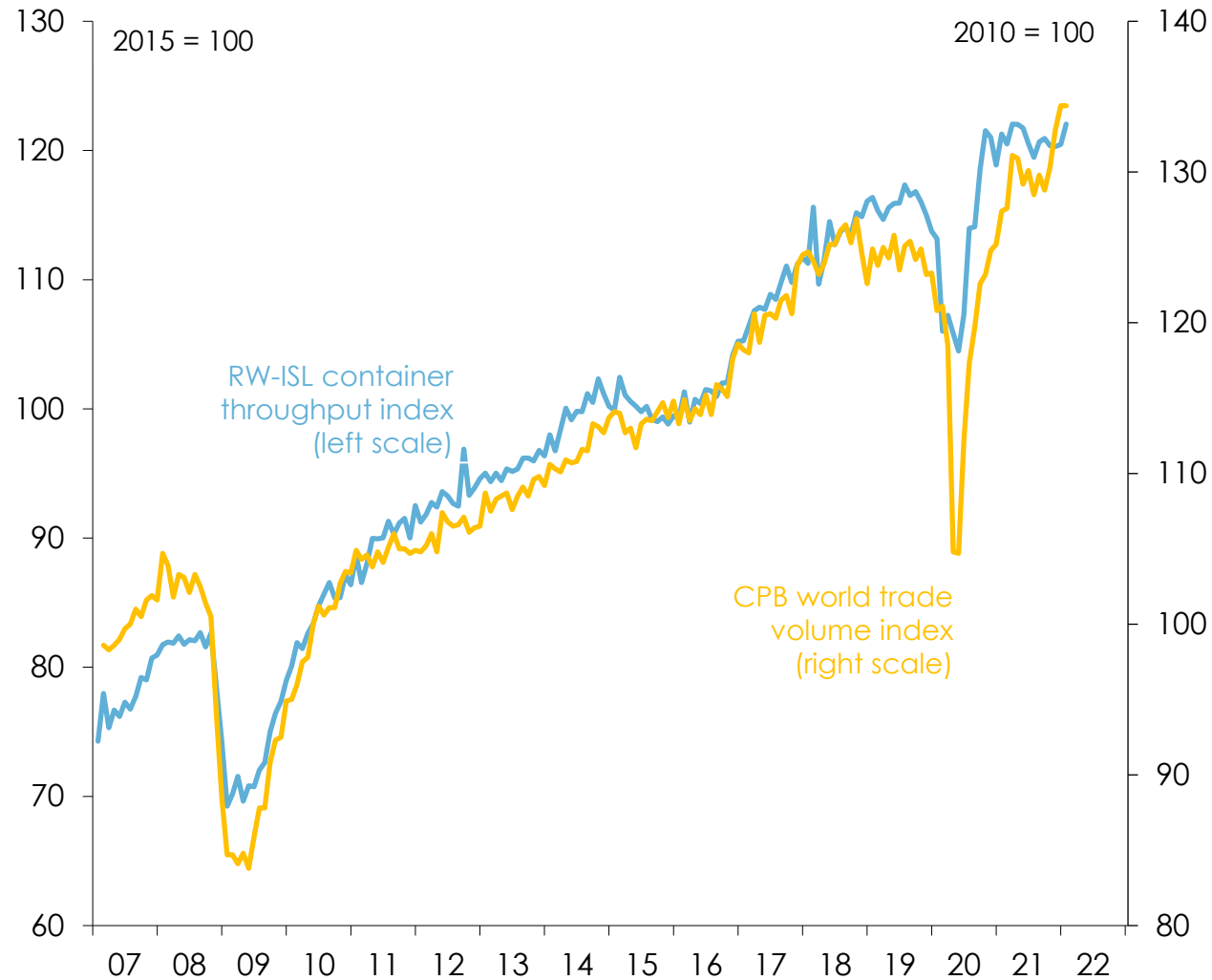


For a more detailed analysis of recent US inflation data see [slides 60-64](#). Sources: [US Bureau of Labor Statistics](#); [Statistics Bureau of Japan](#) and [Bank of Japan](#); [Eurostat](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Australian Bureau of Statistics](#). [Return to "What's New"](#).

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

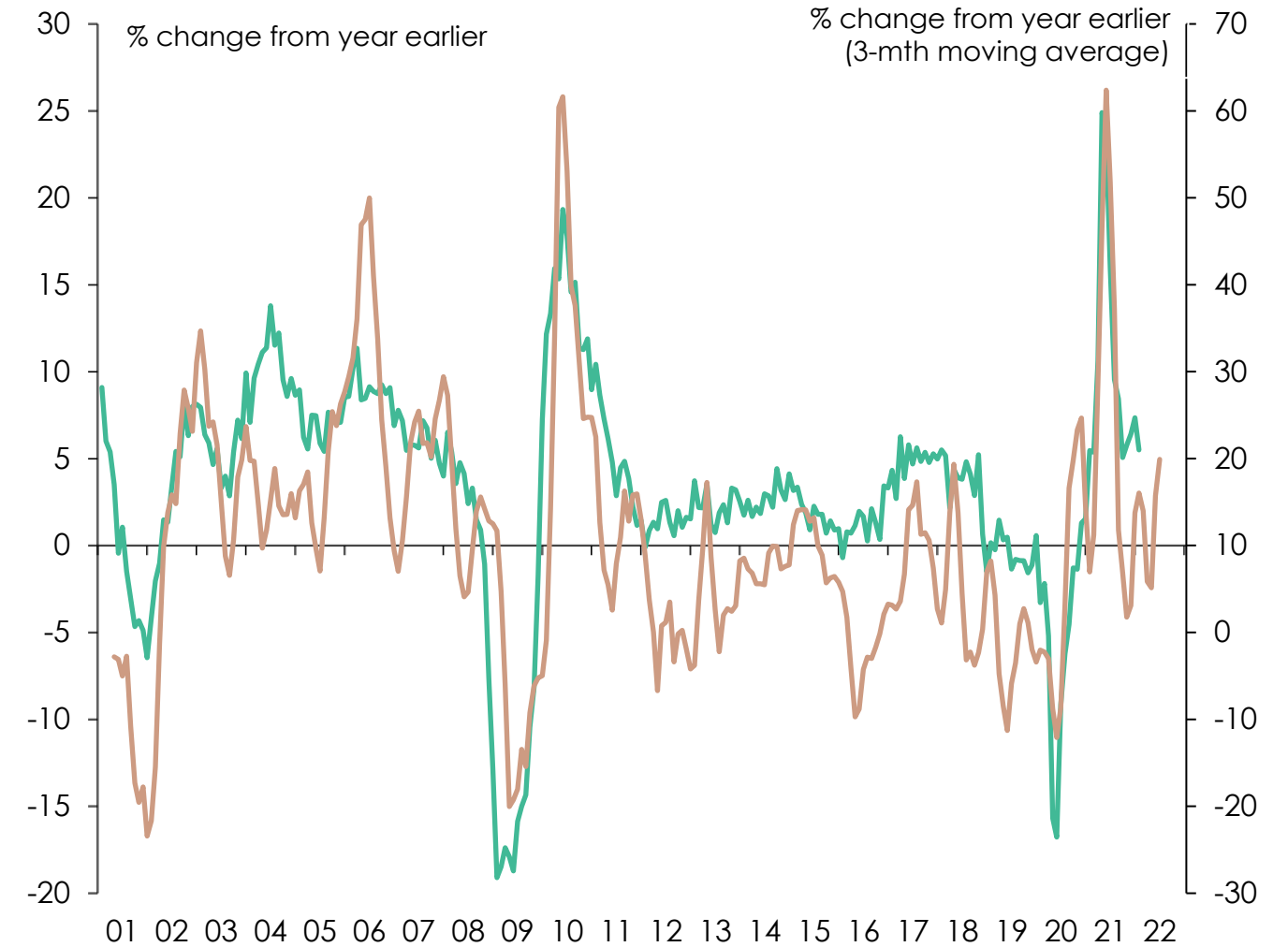
THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

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



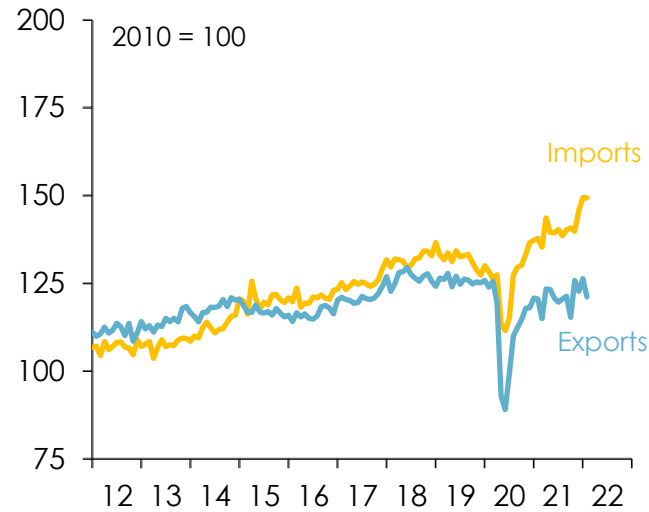
— Volume of world trade (left scale)
 — Taiwan export orders, fwd 3 months (right scale)

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"](#).

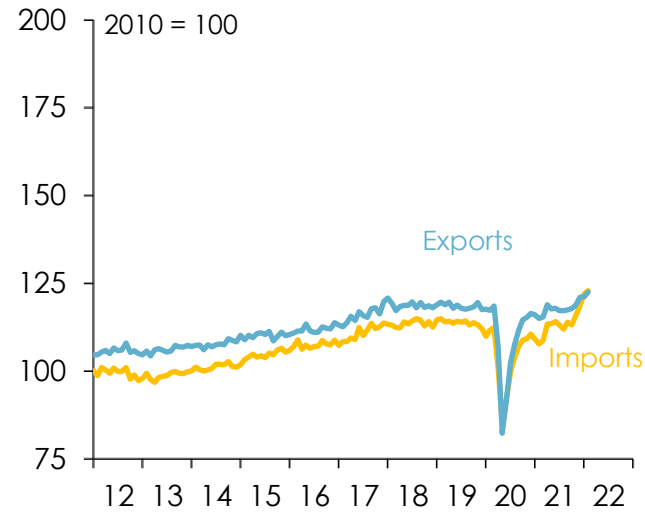
Imbalances in trade between the US and 'emerging' Asia (including China) are the major factor in the mal-distribution of containers around the world

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

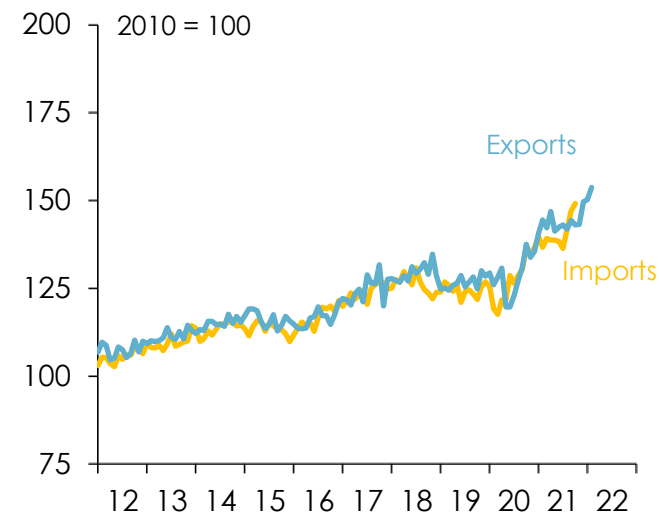
United States



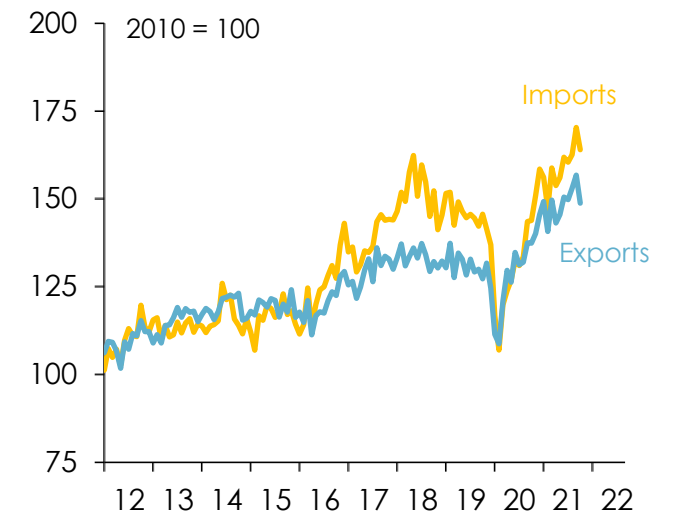
Euro area



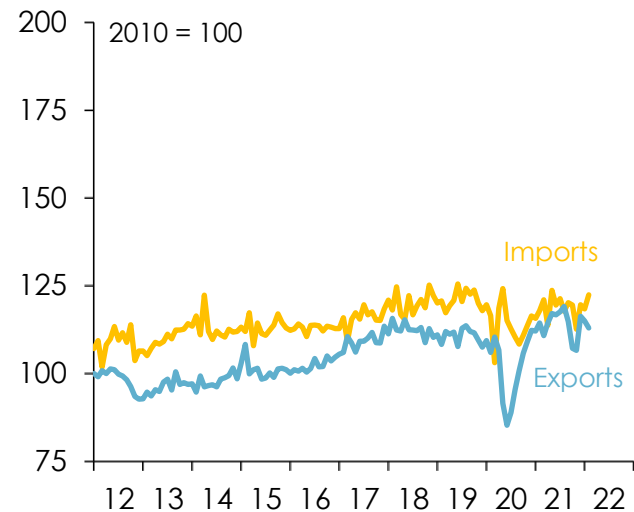
Other 'advanced' Asia



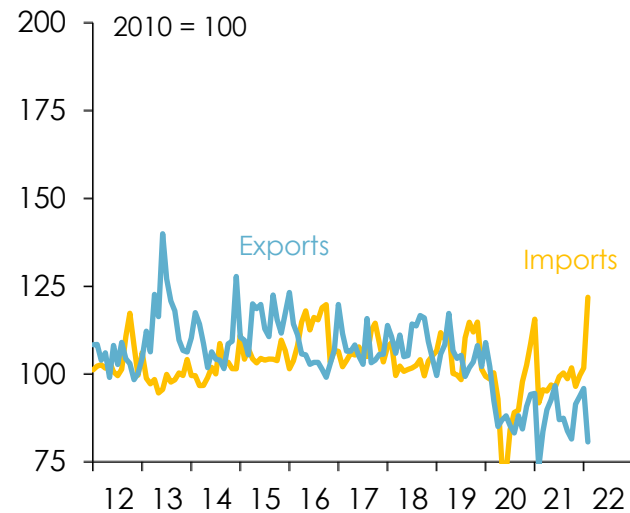
Other 'emerging' Asia



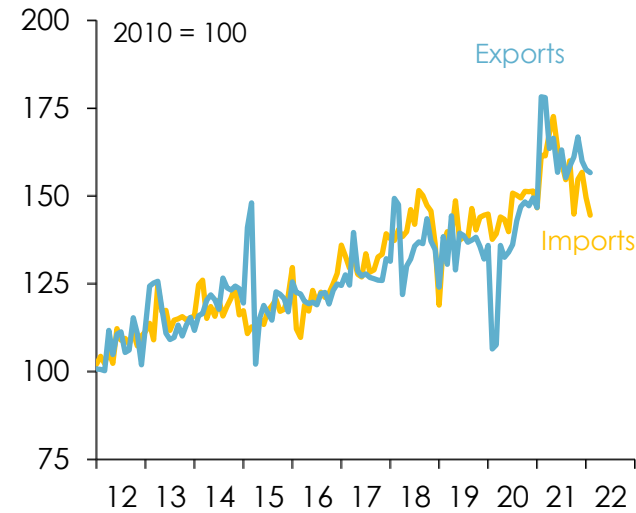
Japan



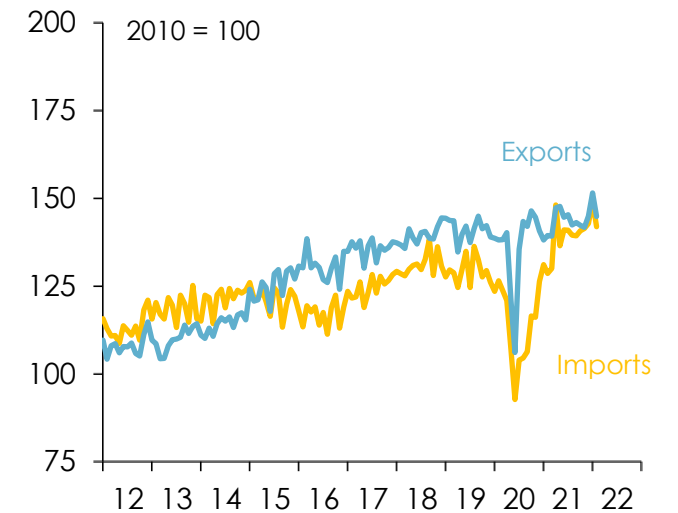
United Kingdom



China



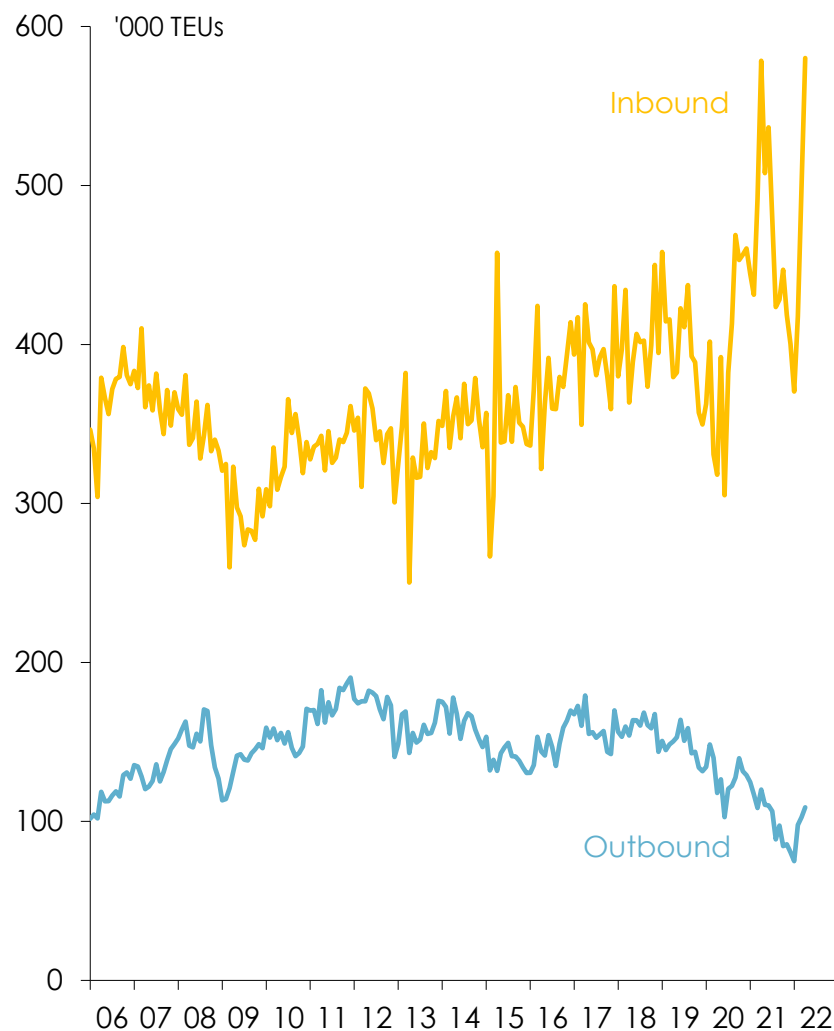
Latin America



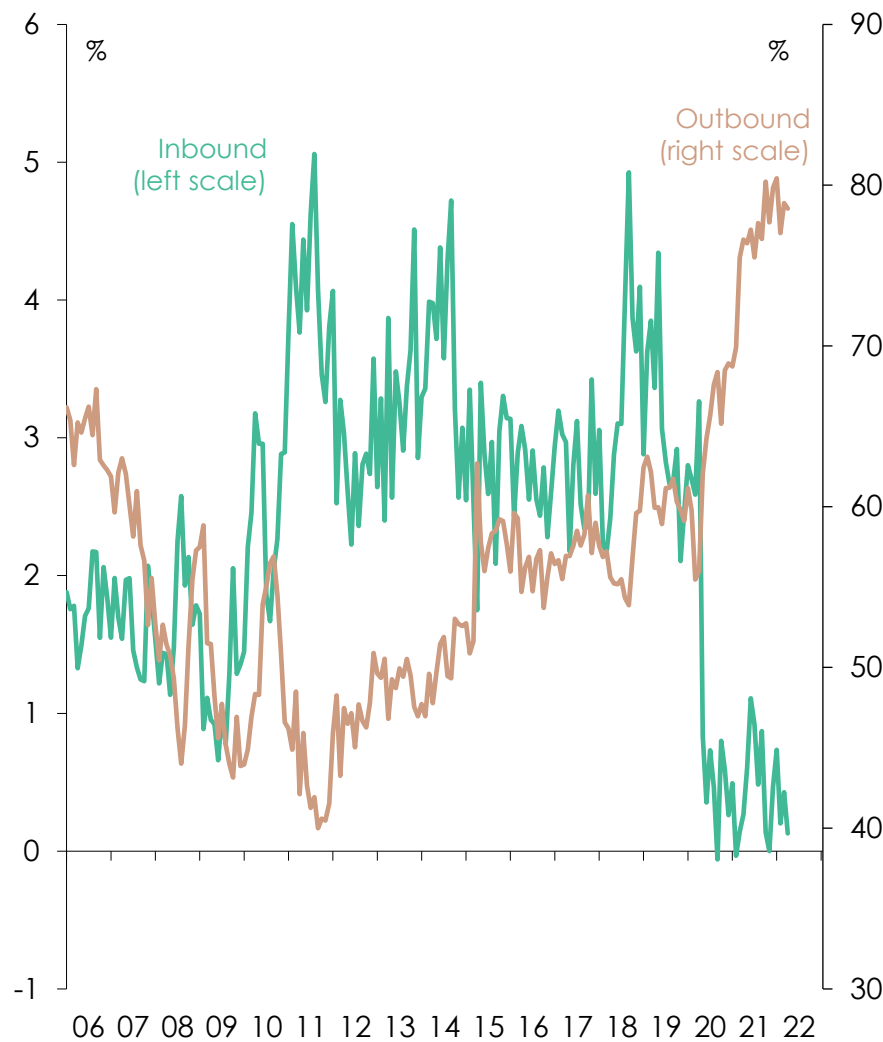
Congestion at the Port of Los Angeles (the US' largest container port) has eased significantly but trade flows remain unusually unbalanced

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

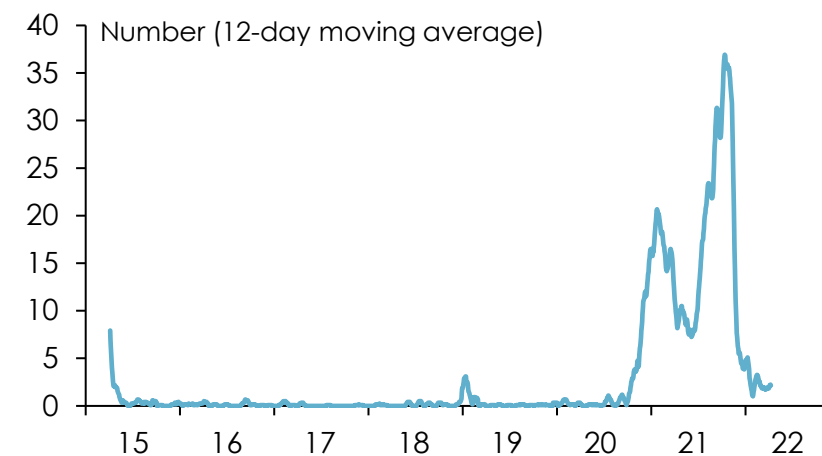
Container traffic through the Port of Los Angeles



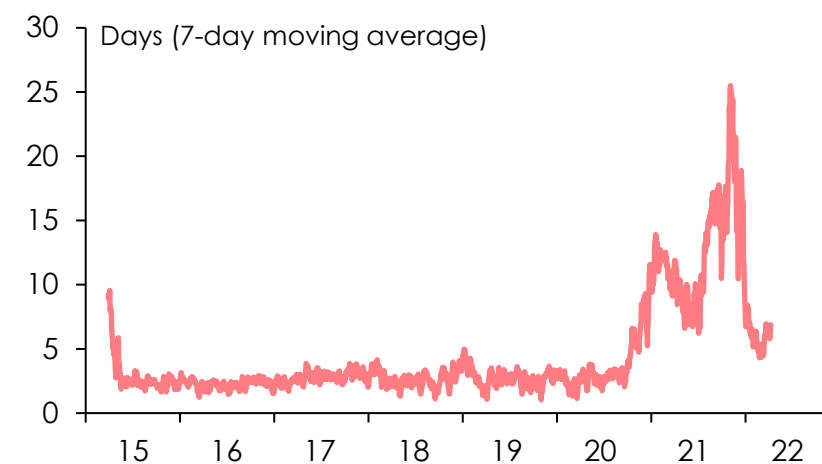
Empty containers as a pc of total passing through PoLA



Number of vessels at anchor outside PoLA



Average time at anchor and berth for ships at PoLA

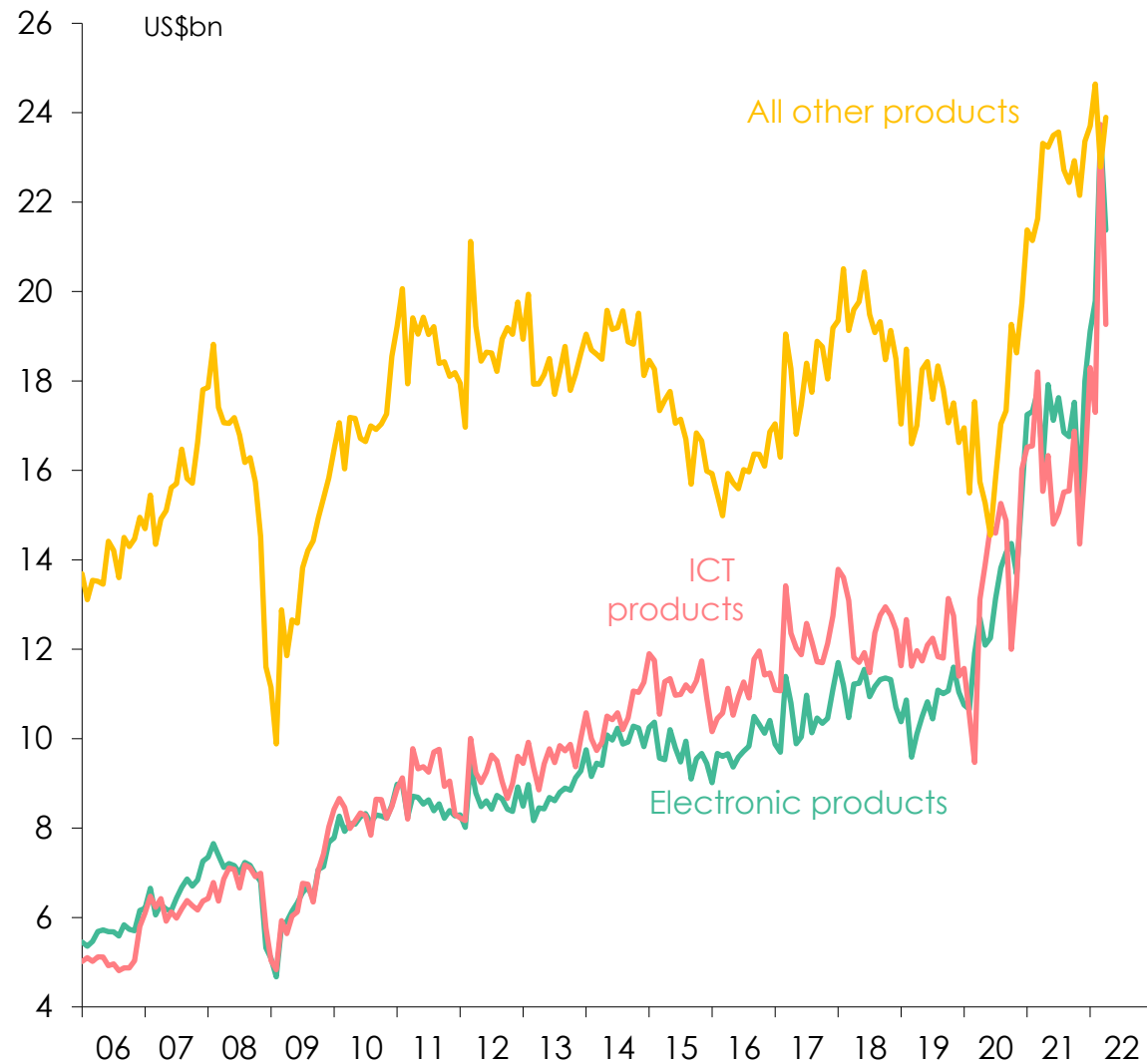


Note: TEU = 20-foot equivalent unit. Data on inbound and outbound container traffic in the first two charts have been seasonally adjusted by Corinna using Refinitiv Datastream. Data up to 15th April. Source: The Port of Los Angeles, [Container Statistics](#) and [Container vessels in port](#). [Return to "What's New"](#).

Export orders for Taiwanese ICT products fell back in March – and semi-conductor production may be adversely affected by the Ukraine conflict

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Taiwan export orders, by product



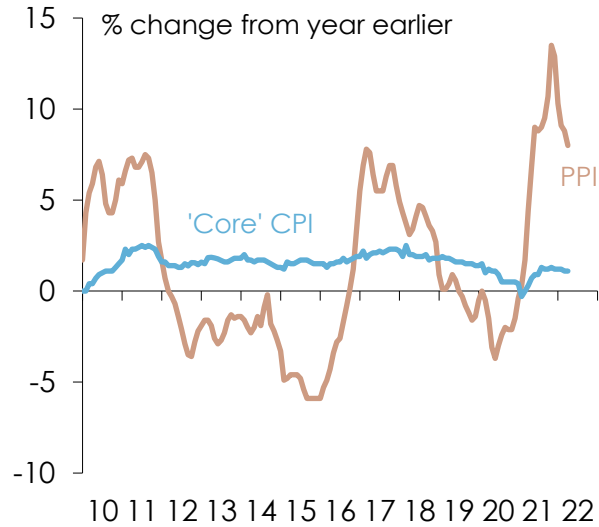
Note: Data have been seasonally adjusted by Corinna using Refinitiv Datastream. Latest data are for March. Source: Taiwan [Ministry of Economic Affairs](#). [Return to "What's New"](#).

- ❑ Taiwan accounts for 63% of the US\$85bn global semi-conductor chip market (followed by Korea 18% and China 6%)
 - one Taiwanese company, Taiwan Semiconductor Manufacturing Co (TSMC) has 54% of the world market, and United Microelectronics Co (UMC) a further 7% (Samsung accounts for Korea's 18%)
- ❑ Semiconductor fabrication plants ("fabs") use very large amounts of water to rinse chips during their manufacture – a typical fab uses 7½-15 million litres of water daily (and water in Taiwan is very cheap, at less than US40¢/t)
 - Taiwan had been experiencing its worst drought in 56 years, resulting in rationing of water supplies including to semi-conductor manufacturers, although recent heavy rainfalls appear to have broken the drought
- ❑ World-wide semi-conductor production has also been crimped by [plant shutdowns](#) in Vietnam, Malaysia and the Philippines due to covid-19 outbreaks, and by damage caused by a fire at a Japanese fab earlier this year and a storm at a Texas plant
- ❑ Shortages of semi-conductor chips have caused major headaches for the motor vehicle industry (which uses lots of them)
- ❑ Foreign orders for Taiwanese ICT products fell by 18.8% in March, after a 37.2% surge in February, although they remain 5.8% above their pre-pandemic peak
- ❑ Semi-conductor production is likely to be disrupted in the near term by the war in Ukraine, because Ukraine is a major producer of neon gas which is used in semi-conductor production

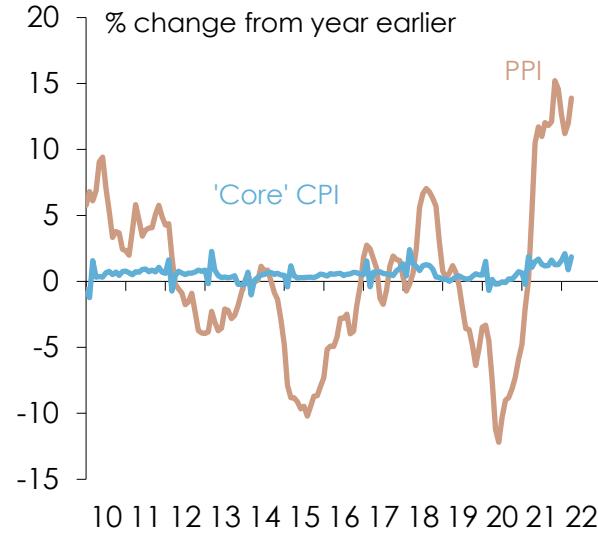
Most Asian economies have been experiencing rapid 'upstream' inflation for some time, and 'core' consumer price inflation is now starting to pick up

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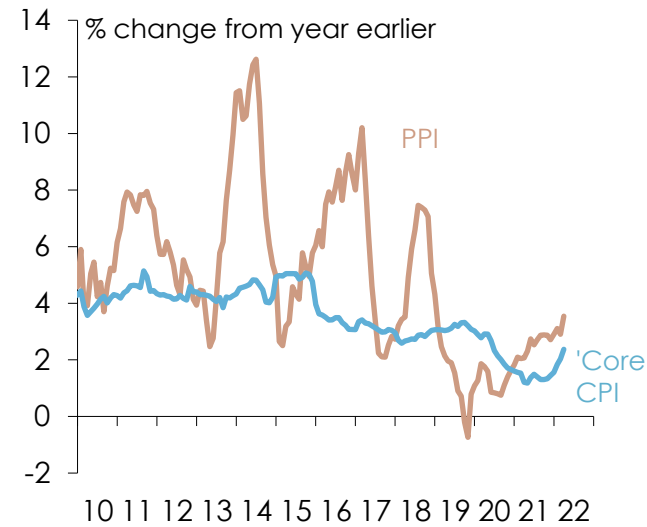
China



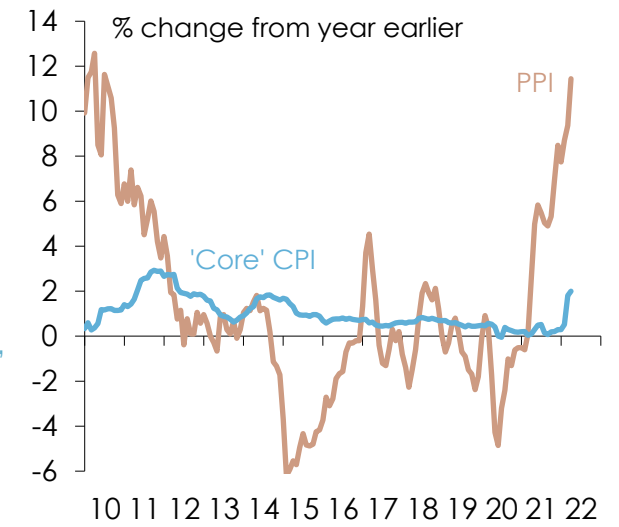
Taiwan



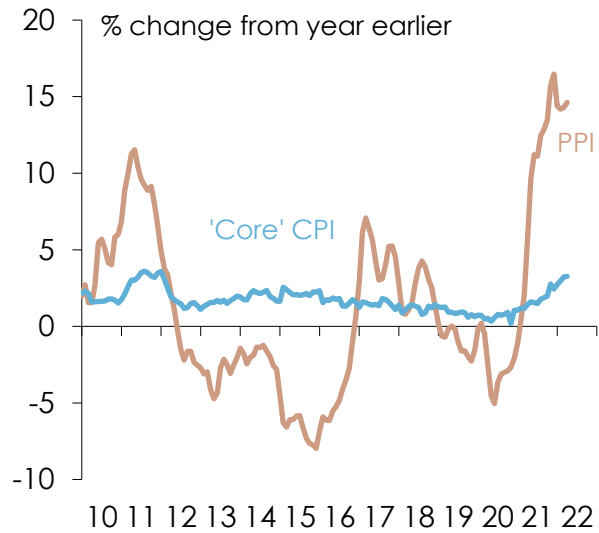
Indonesia



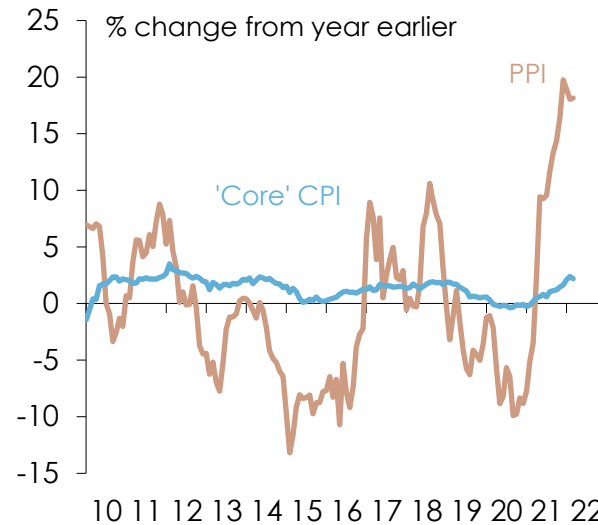
Thailand



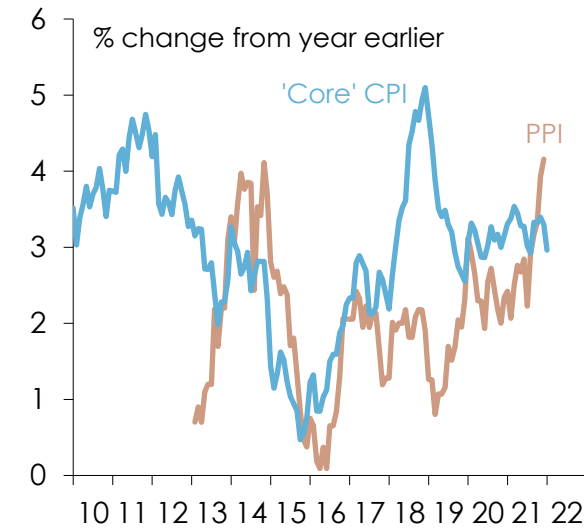
Korea



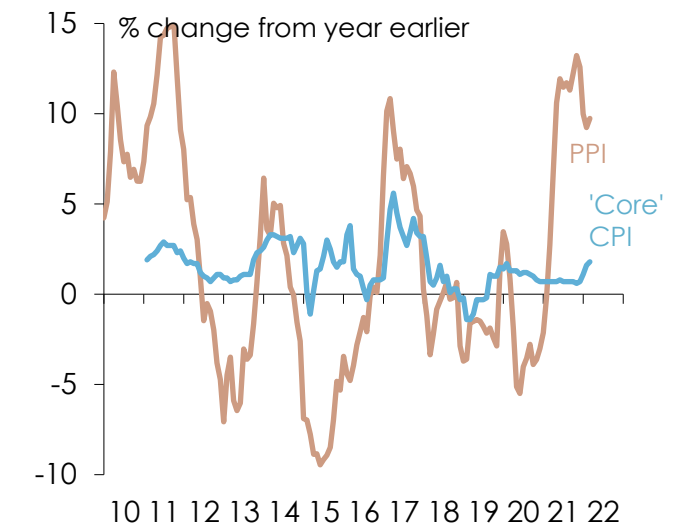
Singapore



Philippines



Malaysia

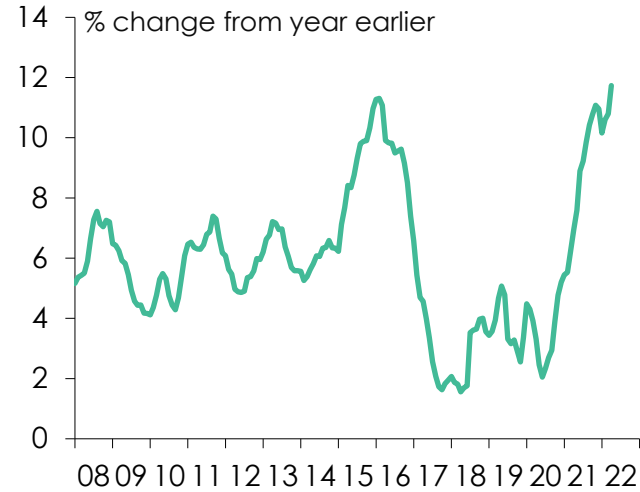


Note: 'Core' CPIs measure different things in different Asian economies – see footnotes to [slide 103](#). Sources: [China National Bureau of Statistics](#); [Statistics Korea](#); [Bank of Korea](#); [Taiwan Statistical Bureau](#); [Singstat](#); [Monetary Authority of Singapore](#); [Statistics Indonesia](#);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

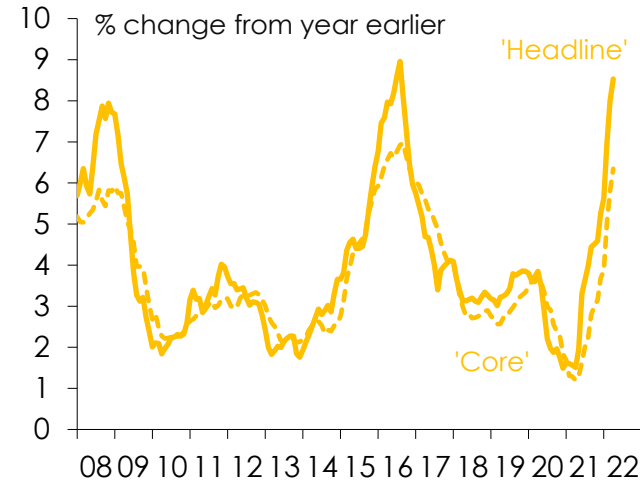
Consumer price inflation is rising sharply across Latin America (except for Venezuela, where it's now down to just 261%!)

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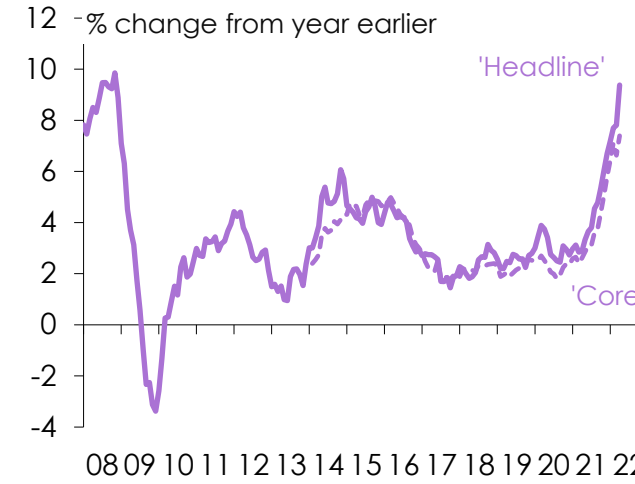
Brazil



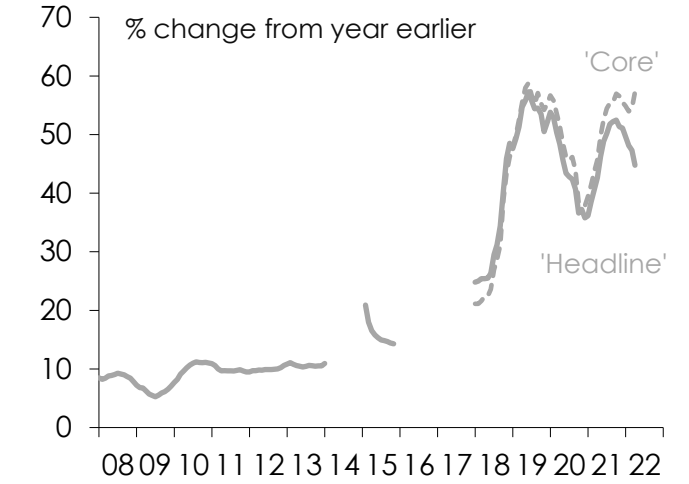
Colombia



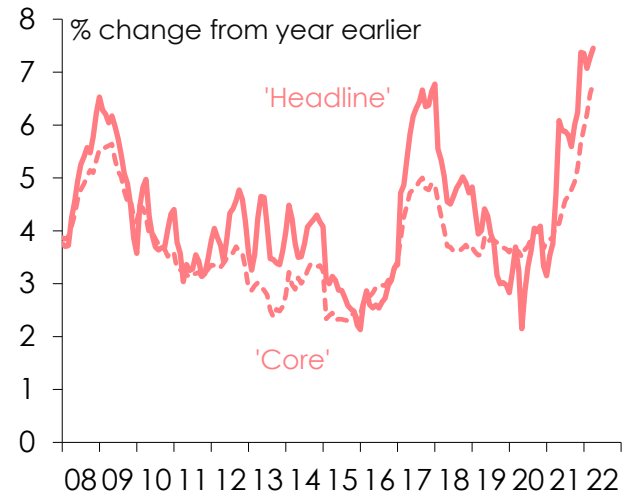
Chile



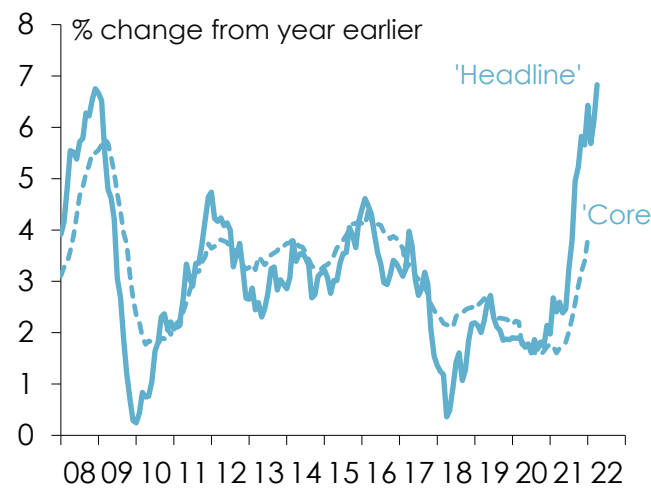
Argentina



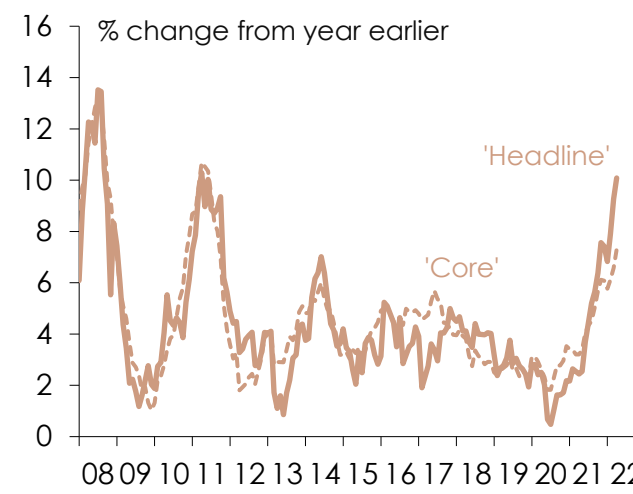
Mexico



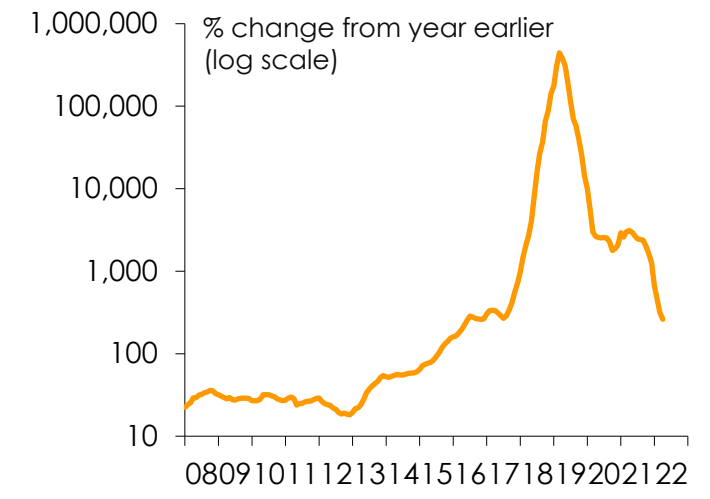
Peru



Paraguay



Venezuela

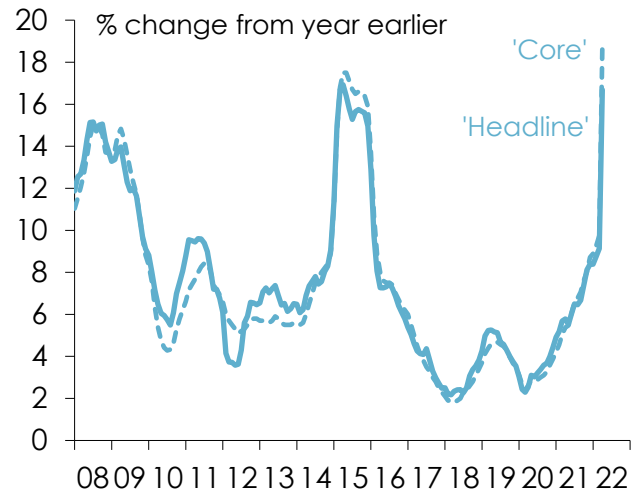


Sources: [Instituto Brasileiro de Geografia e Estatística](#); [Instituto Nacional de Estadística y Geografía](#) (Mexico); [Departamento Administrativo Nacional de Estadística](#) (Colombia); [Instituto Nacional de Estadística e Informática](#) (Peru); [Instituto Nacional de Estadísticas](#) (Chile);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

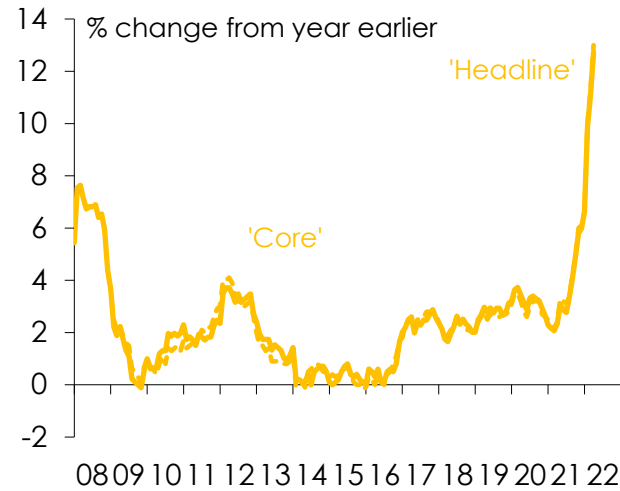
Consumer price inflation is also rising across Central and Eastern Europe, and in South Africa

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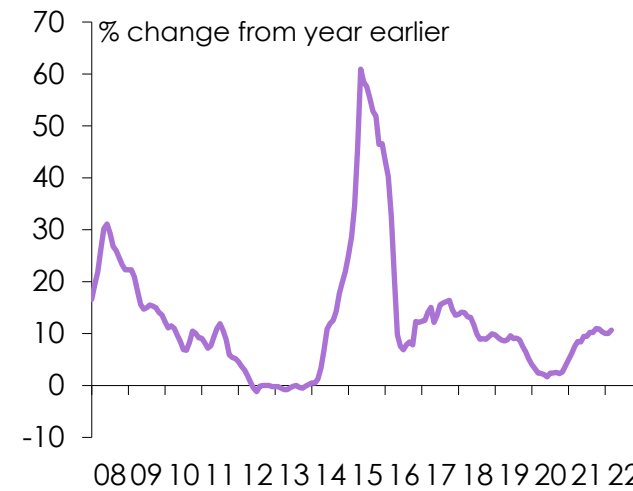
Russia



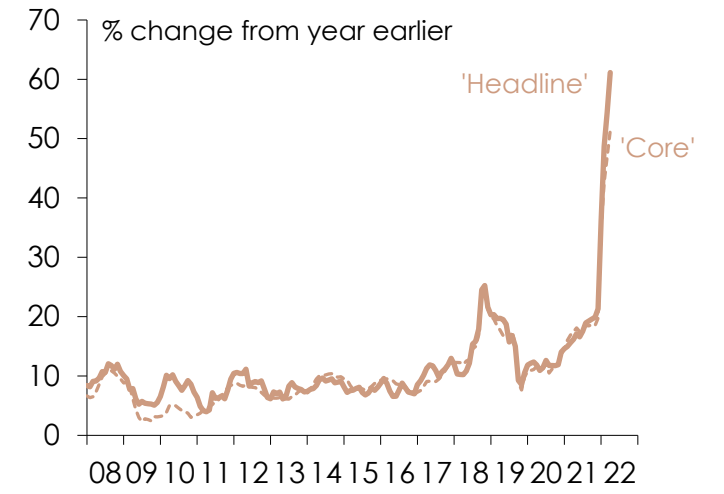
Czech Republic



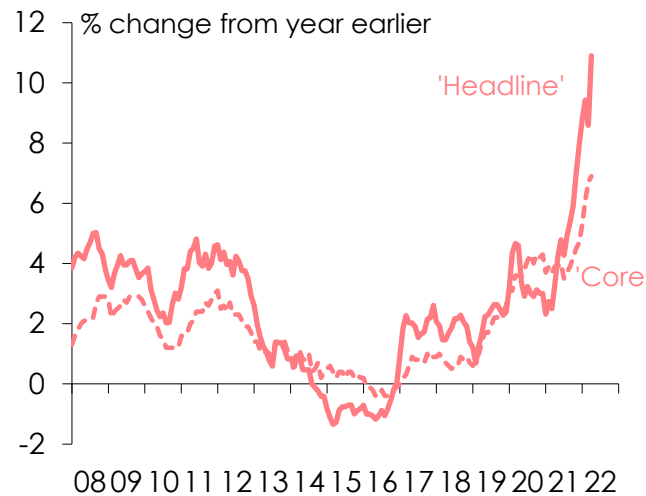
Ukraine



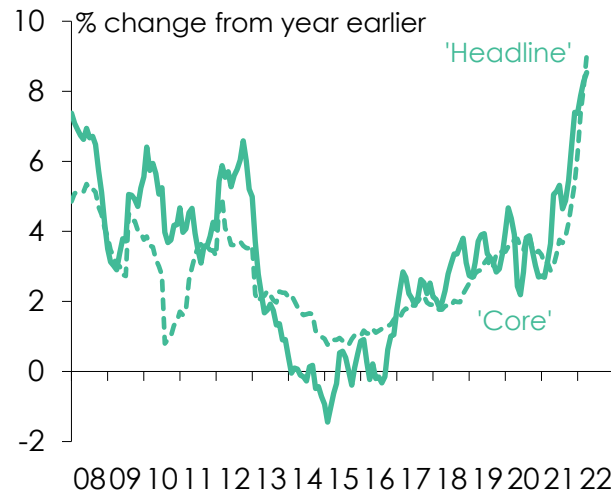
Turkey



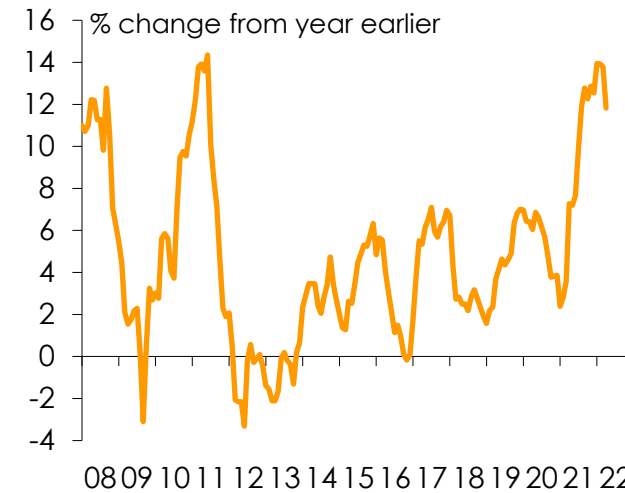
Poland



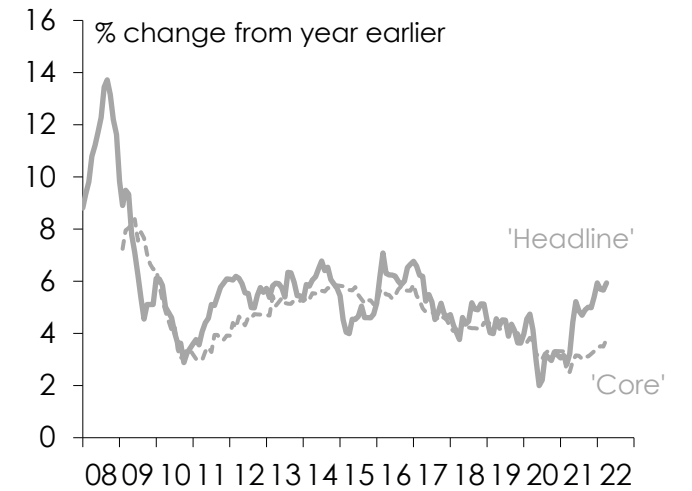
Hungary



Georgia



South Africa

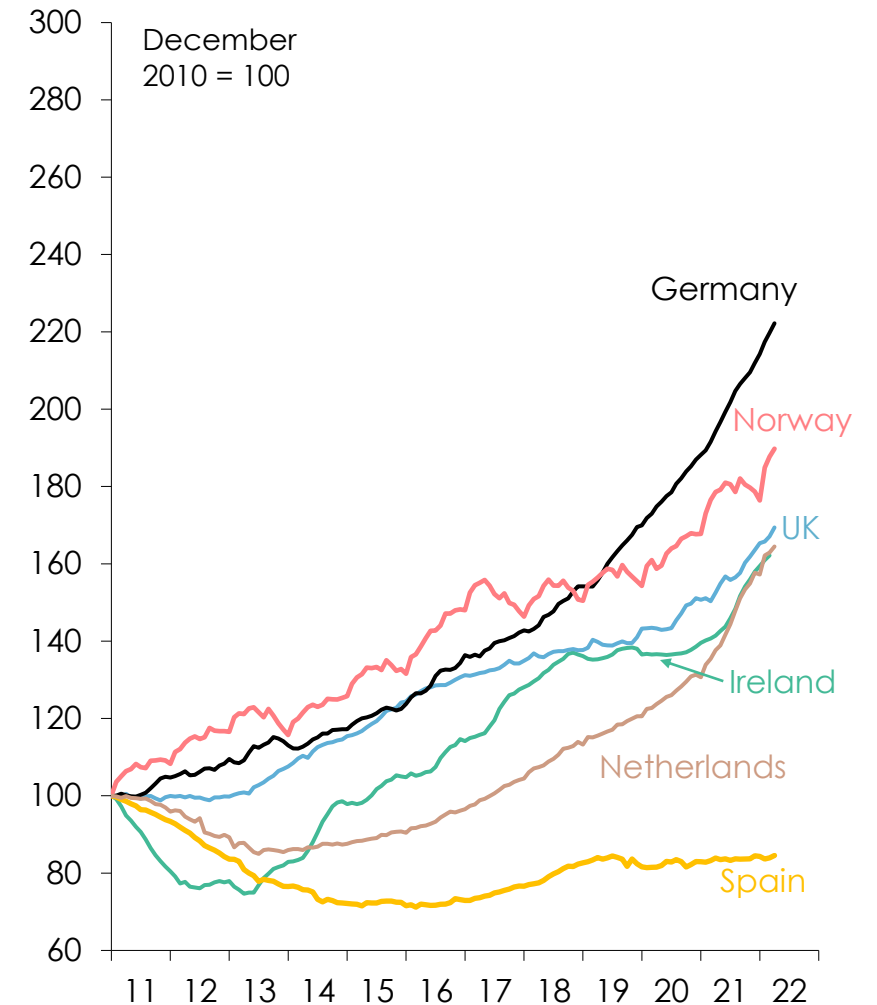
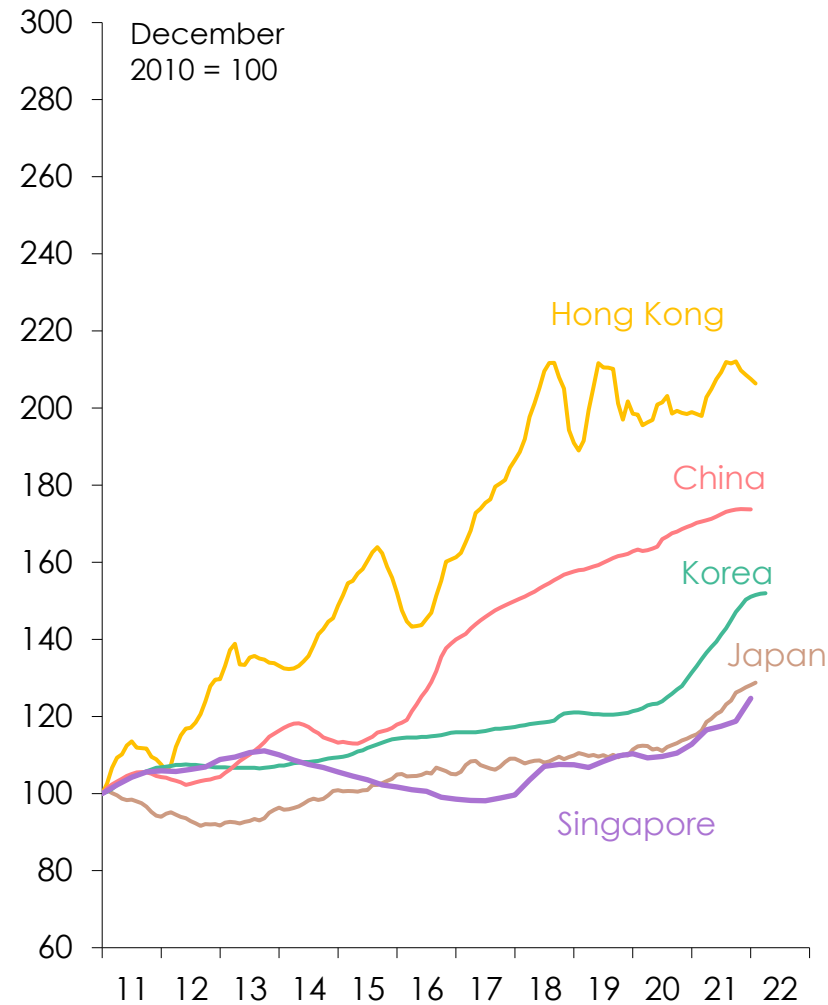
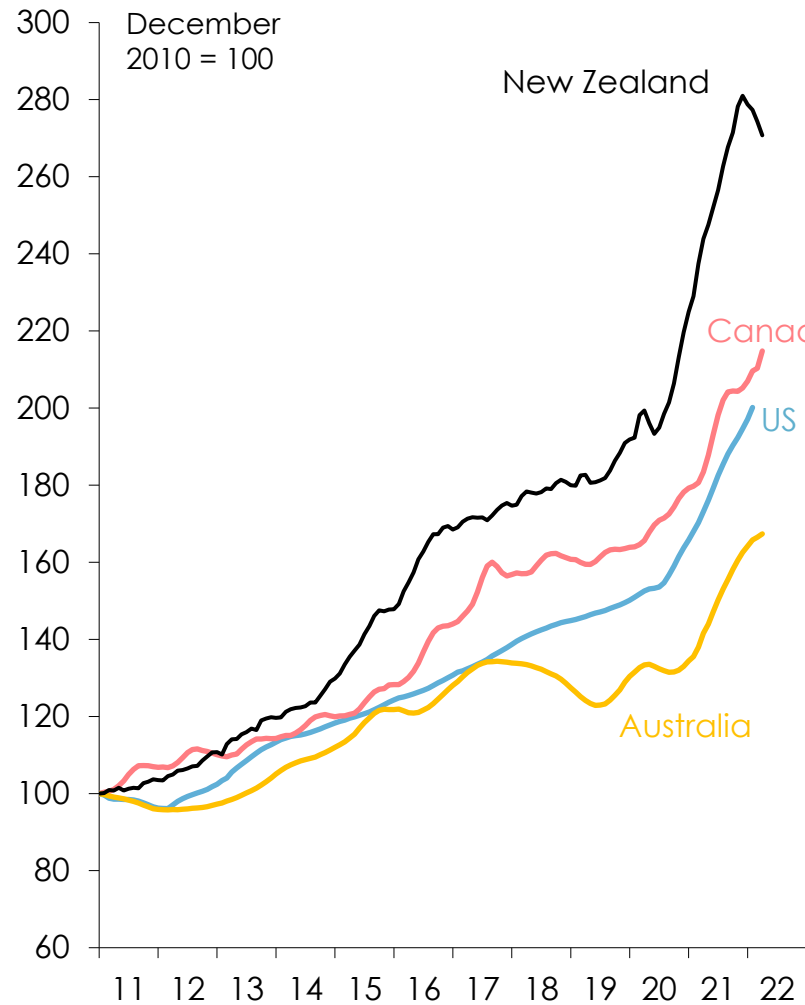


Sources: [Rosstat](#); [Główny Urząd Statystyczny](#) (Poland); [Český statistický úřad](#) (Czech Republic); [Központi Statisztikai Hivatal](#) (Hungary); [Ukrstat](#); [Sak'art'velos statistikis erovnuli samsakhuri](#) (Georgia); [Turkstat](#); [Statistics South Africa](#). [Return to "What's New"](#).

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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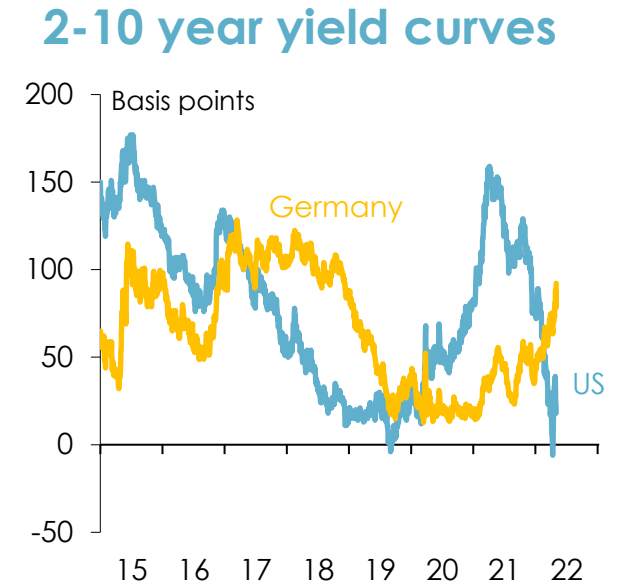
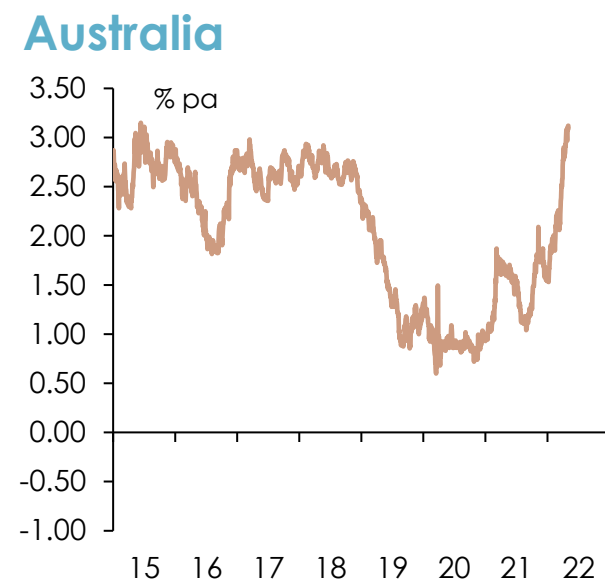
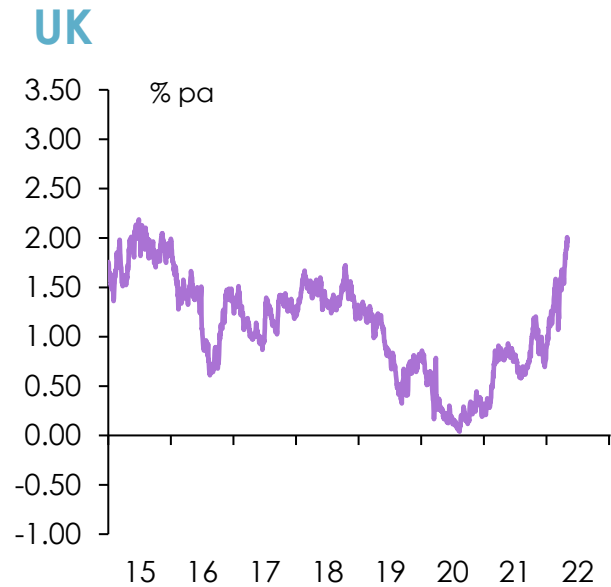
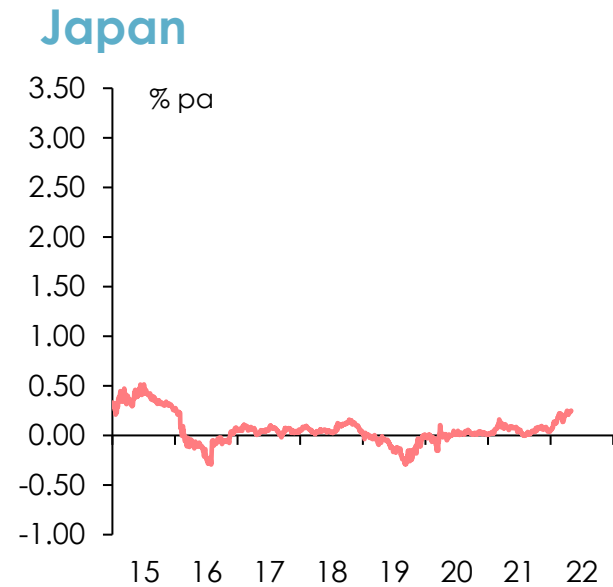
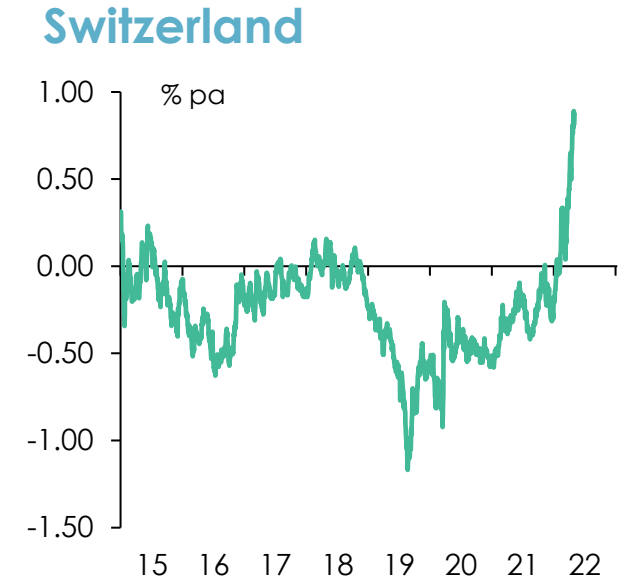
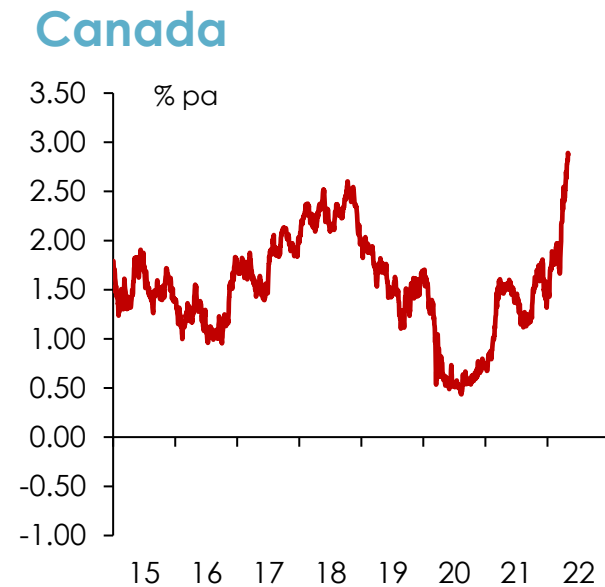
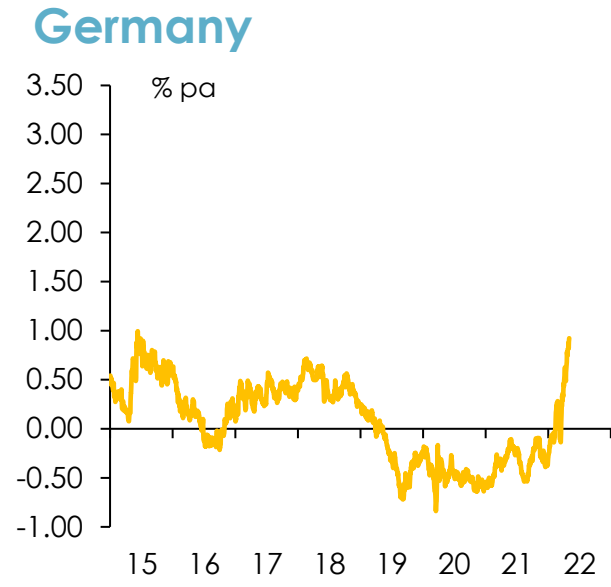
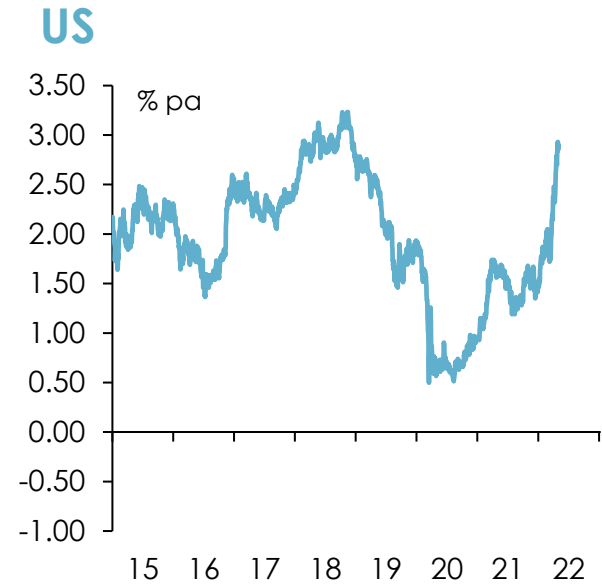
House price indices



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"](#).

10-year bond yields rose in all 'advanced' economies after Jerome Powell signalled that the Fed was likely to raise rates by 50bp next month

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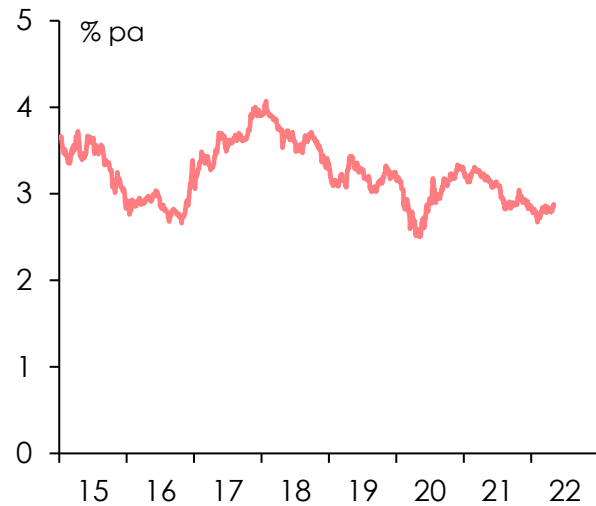
Note: Data up to 22nd April. For bond yields in other large euro area member states see [slide 75](#), and for bond yields in Asian economies see [slide 111](#).

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

10-year bond yields also rose in most emerging markets, with the exceptions of India, Russia and (more surprisingly) Turkey

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China



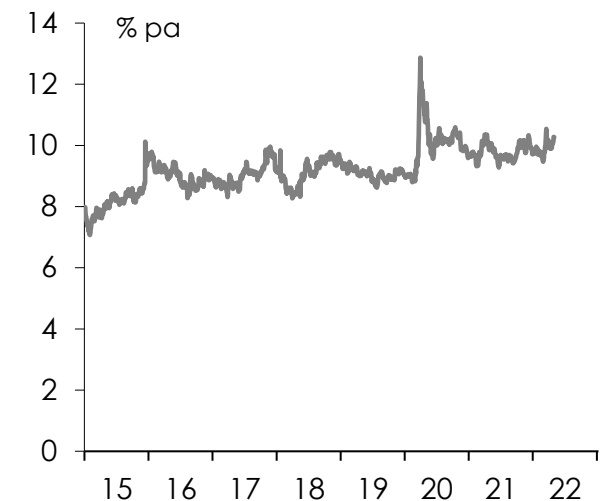
Brazil



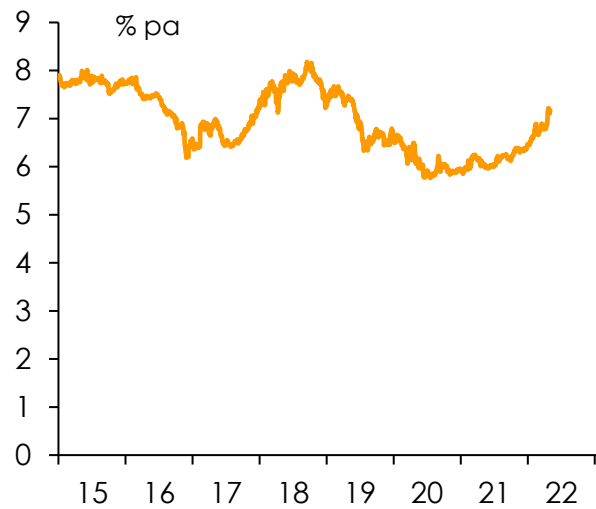
Russia



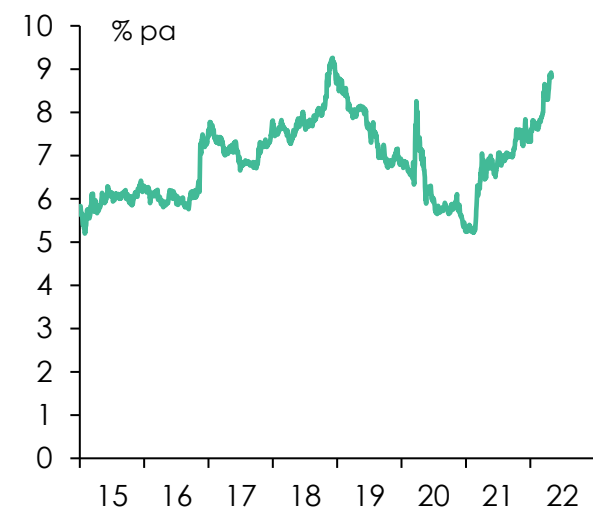
South Africa



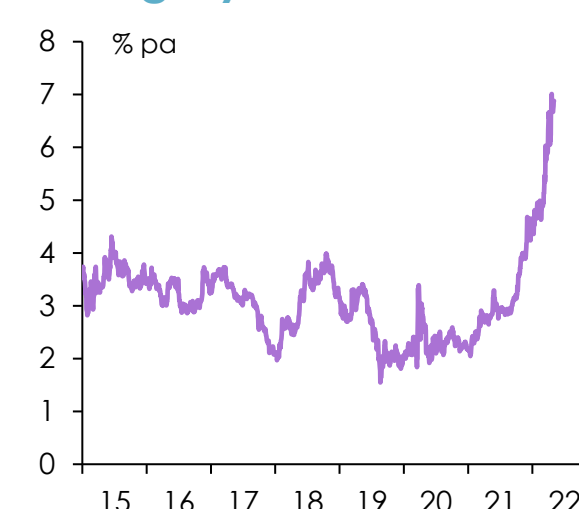
India



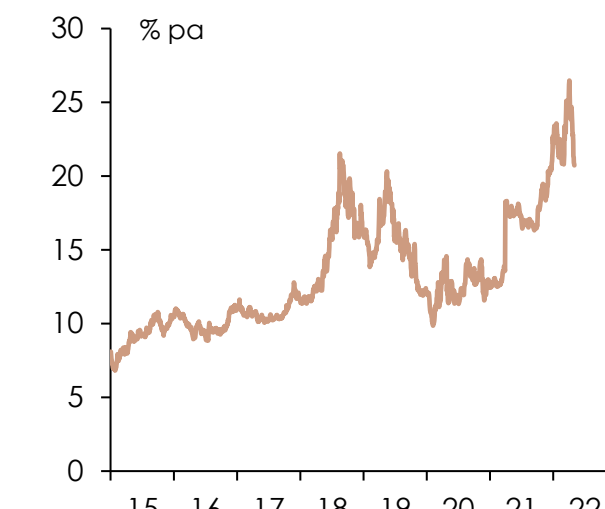
Mexico



Hungary



Turkey



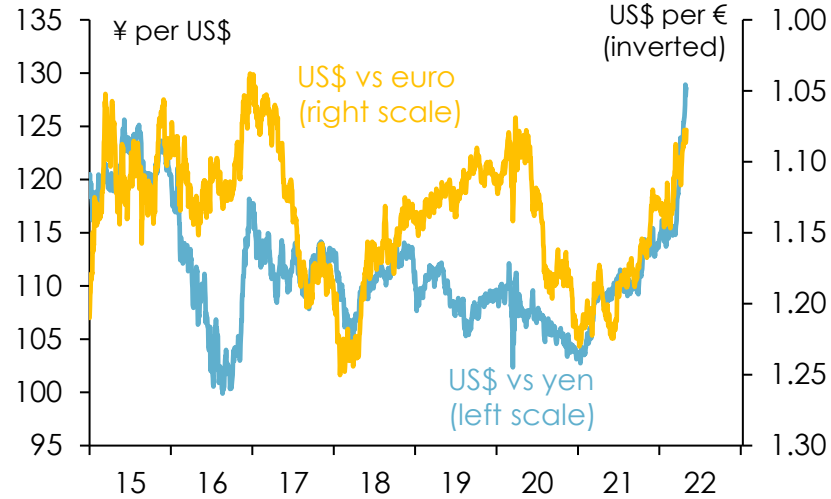
Note: Data up to 22nd April. For bond yields in other Asian economies see [slide 111](#); and for policy interest rates in other emerging markets see [slide 131](#).

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

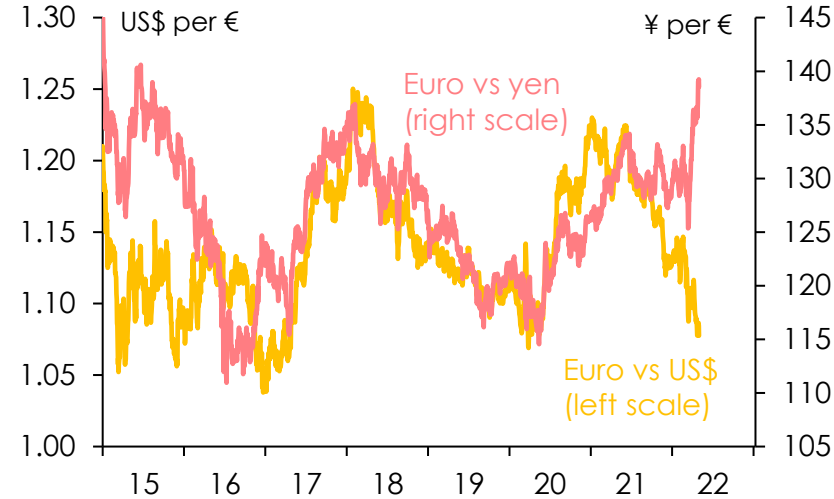
The prospect of more rapid hikes in US rates pushed the US\$ up to its highest level (in trade weighted-terms) since the 'market seizure' of late March 2020

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

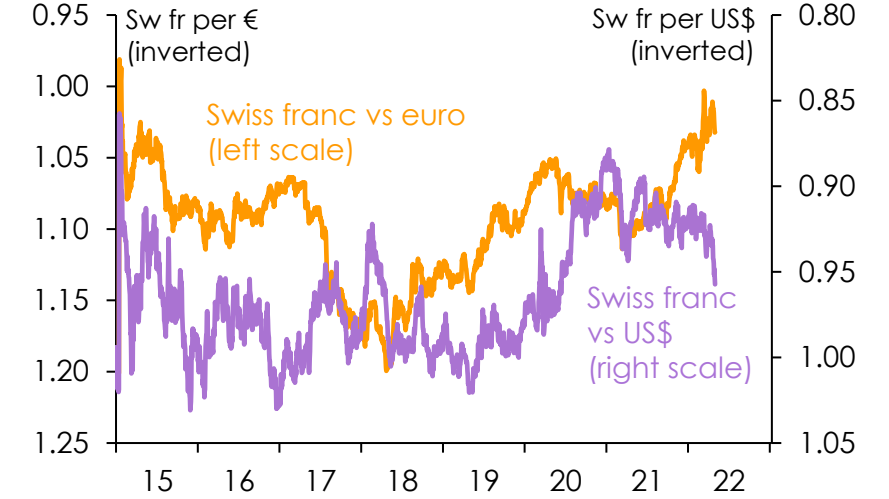
US dollar



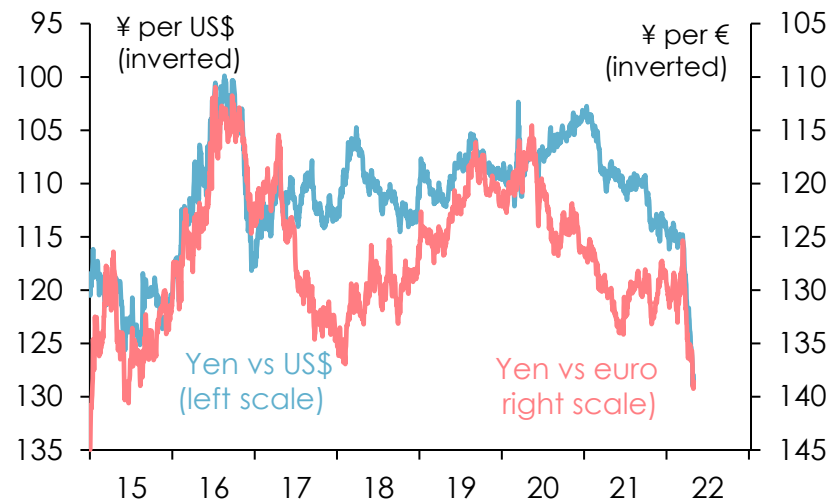
Euro



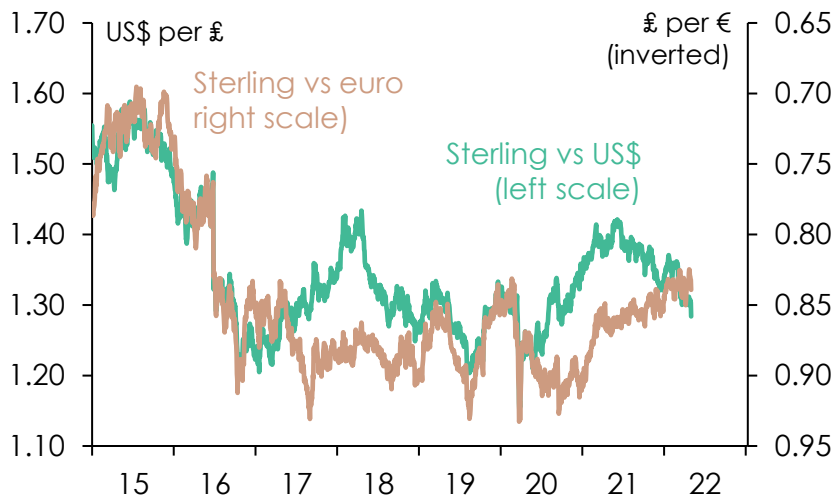
Swiss franc



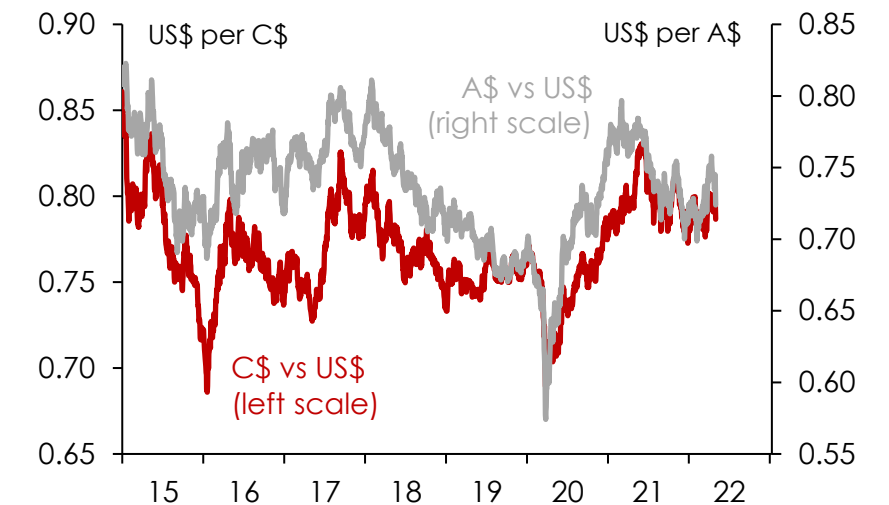
Japanese yen



Sterling



Canadian & Australian dollars

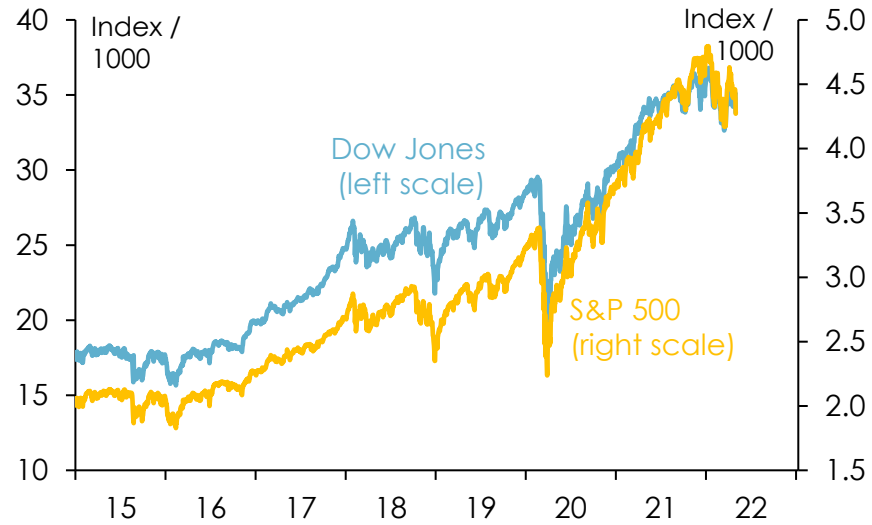


Note: Data up to 22nd April. For Asian exchange rates see [slide 113](#). Source: Refinitiv Datastream. [Return to "What's New"](#).

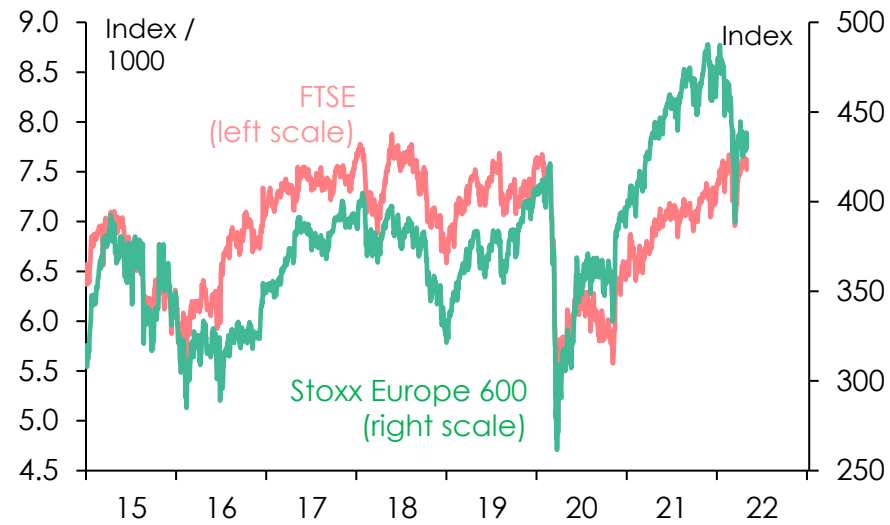
The prospect of larger US interest rate hikes also prompted falls in stock markets around the world

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

US stock market



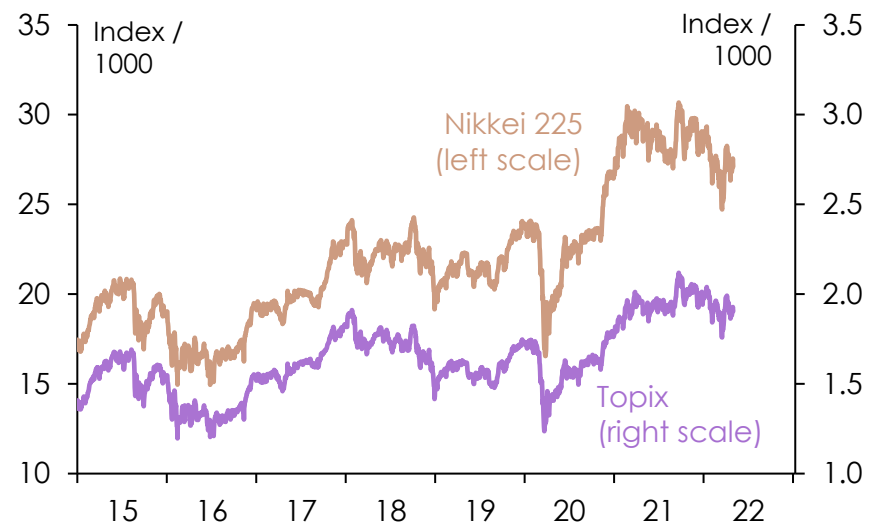
European stock markets



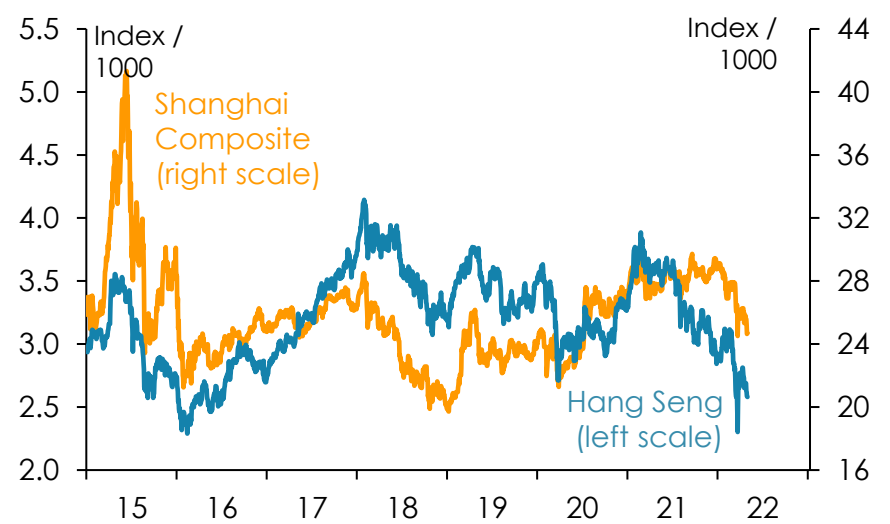
Canadian & Australian stock markets



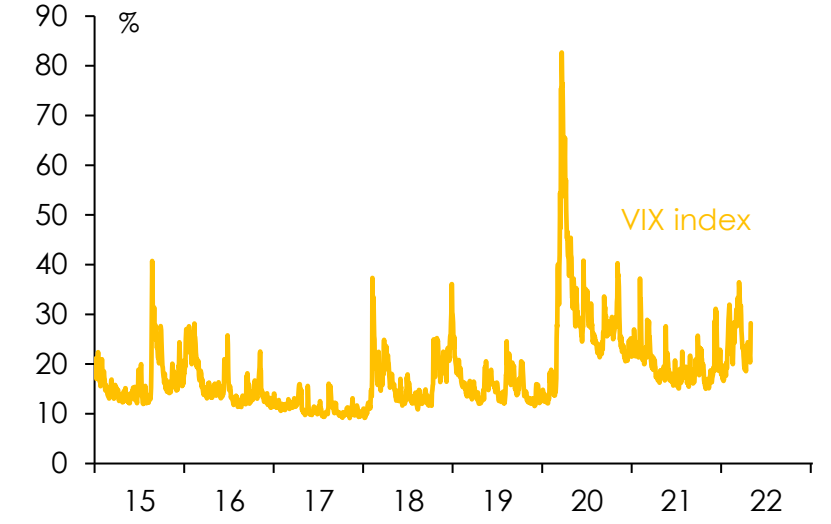
Japanese stock market



Chinese & HK stock markets



Equity market volatility



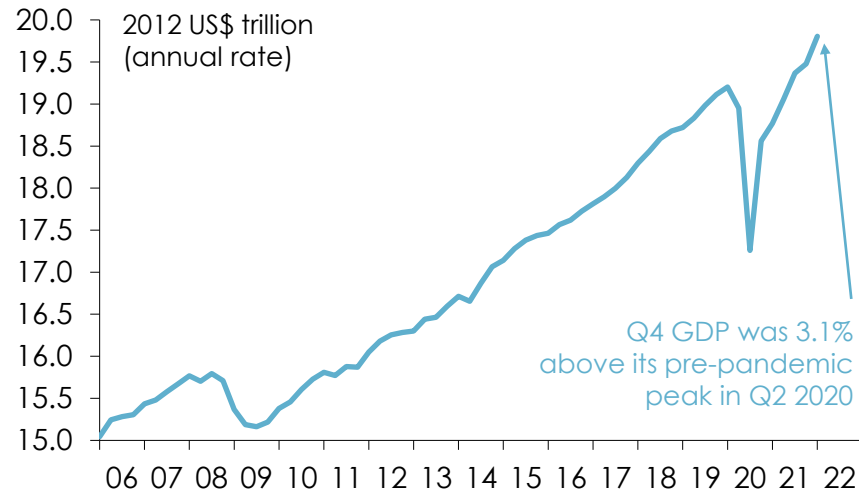
Note: Data up 22nd April. Source: Refinitiv Datastream. For East Asian stock markets see [slide 114](#). [Return to "What's New"](#).

The United States

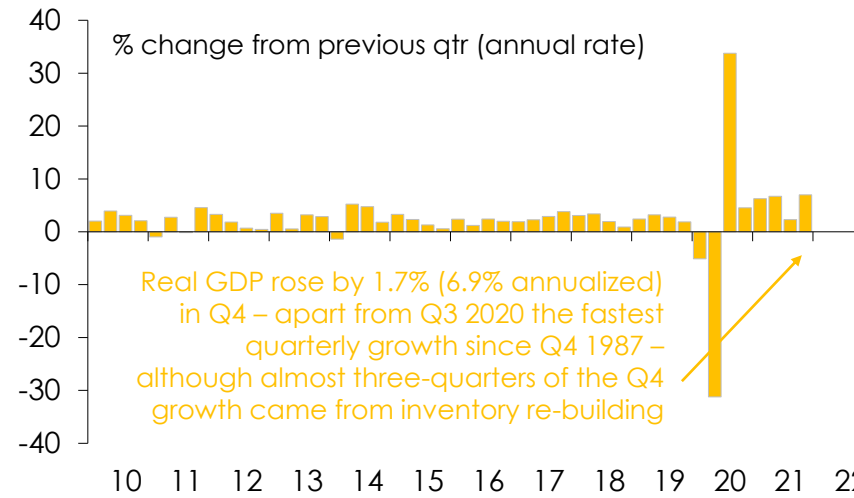
US real GDP grew 1.7% (6.9% annualized) in Q4 2021 – almost eliminating the ‘output gap’ – though most of the growth came from inventories

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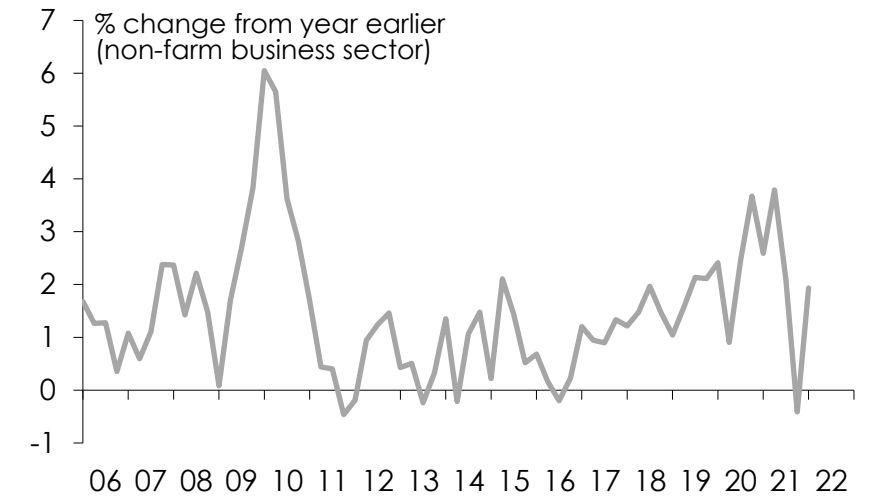
Level of real GDP



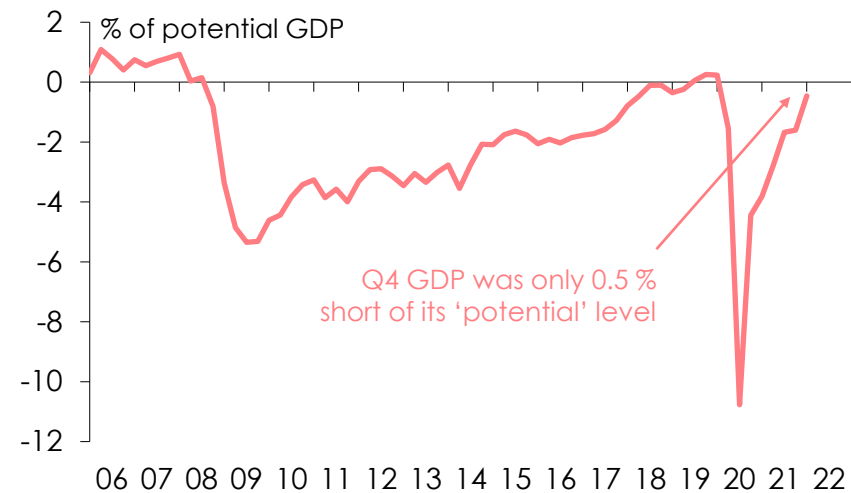
Quarterly change in real GDP



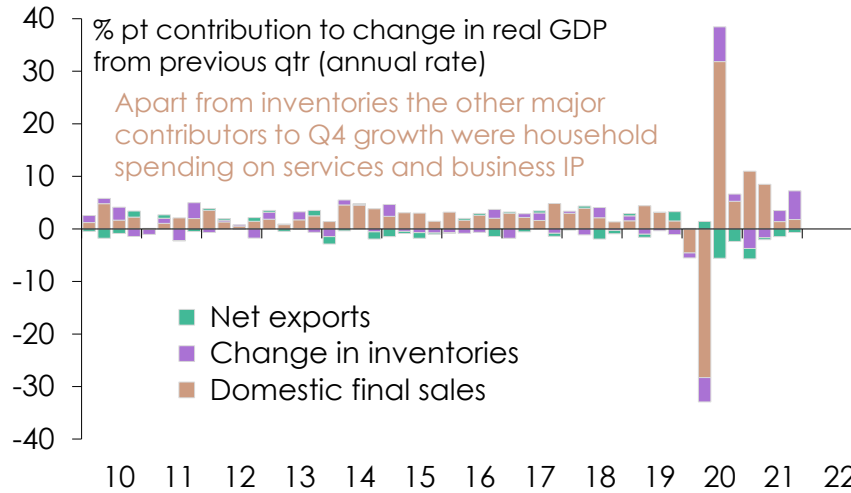
Labour productivity growth



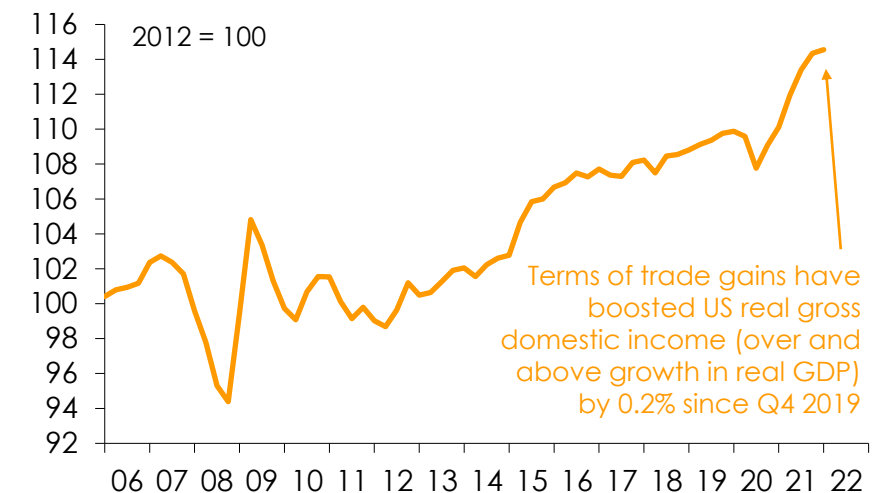
The ‘output gap’



Contributions to change in real GDP



Terms of trade

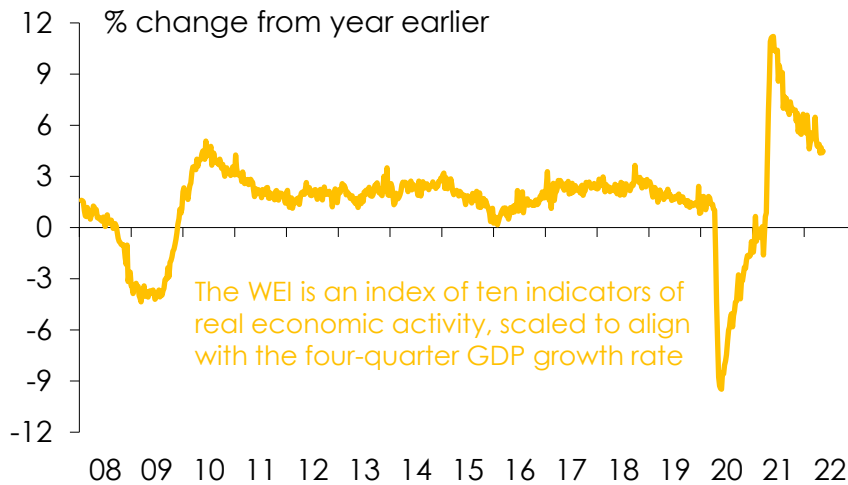


Note: the ‘output gap’ is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the ‘terms of trade’ is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

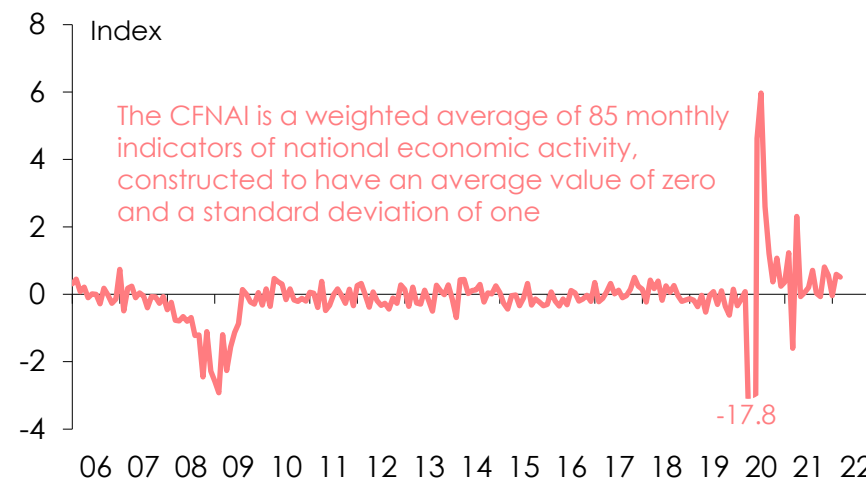
Most survey-based and 'leading' indicators are signalling a slowing in US economic activity in the first half of this year

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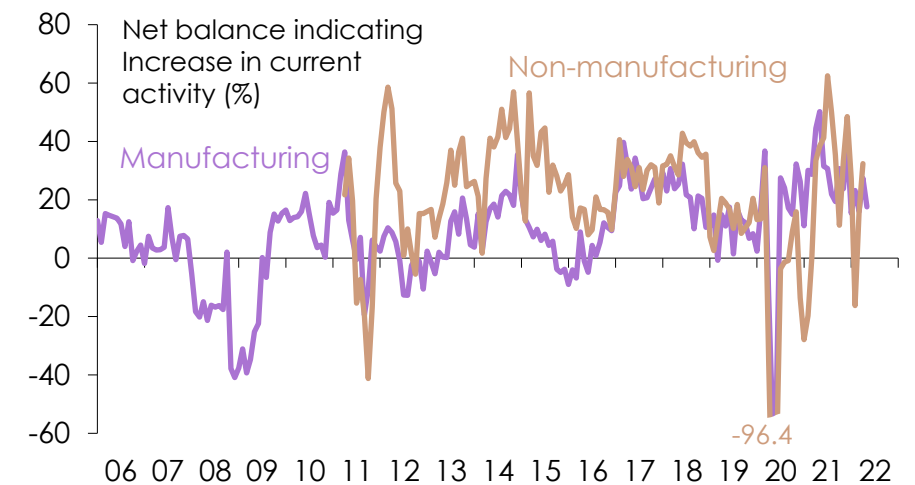
NY Fed weekly economic index



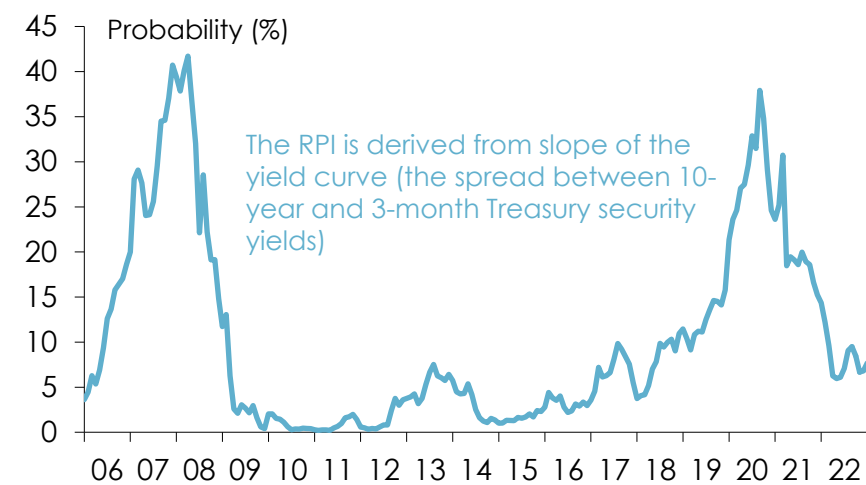
Chicago Fed national activity index



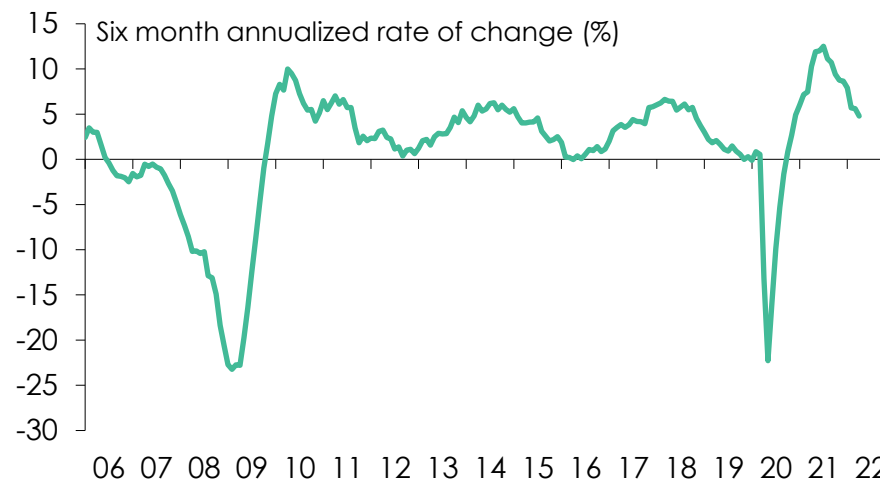
'Philly Fed' business outlook survey



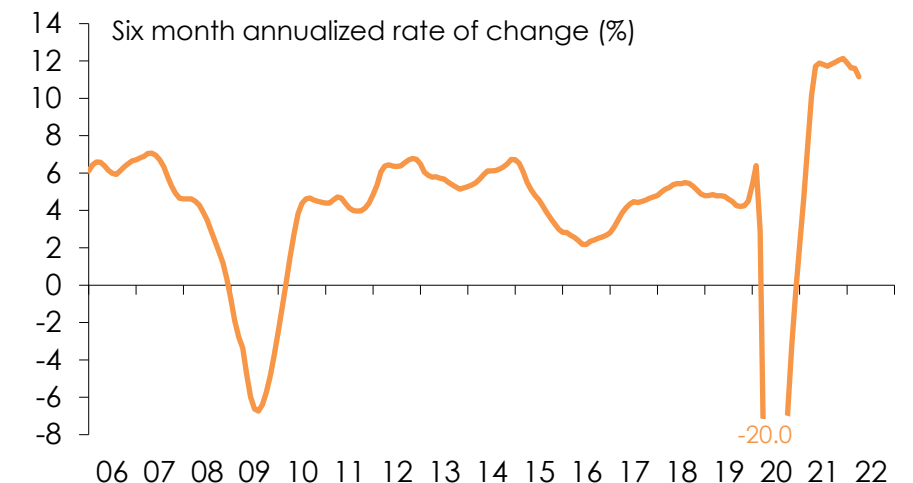
NY Fed recession probability index



Conference Board leading indicators



Dallas Fed Texas business index

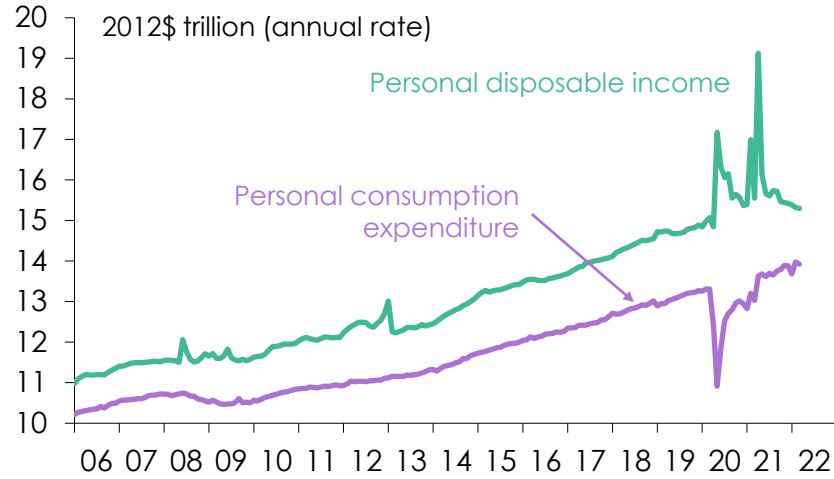


Sources: Federal Reserve Bank of New York, [Weekly Economic Index](#) and [The Yield Curve as a Leading Indicator](#); Federal Reserve Bank of Chicago, [Chicago Fed National Activity Index \(CFNAI\)](#); The Conference Board, [Global Business Cycle Indicators](#); Federal Reserve Bank of Philadelphia,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

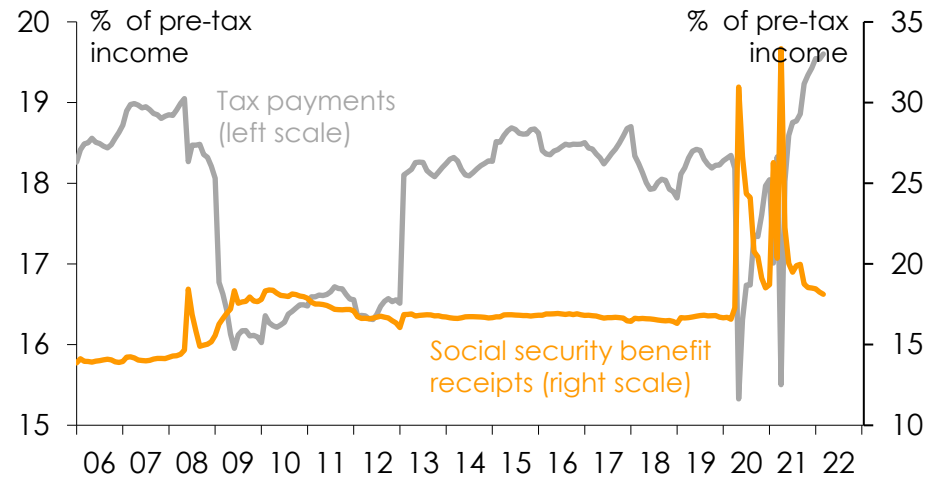
US real personal disposable income has fallen for seven months in a row, by 2.8%, but spending has been supported by reduced saving

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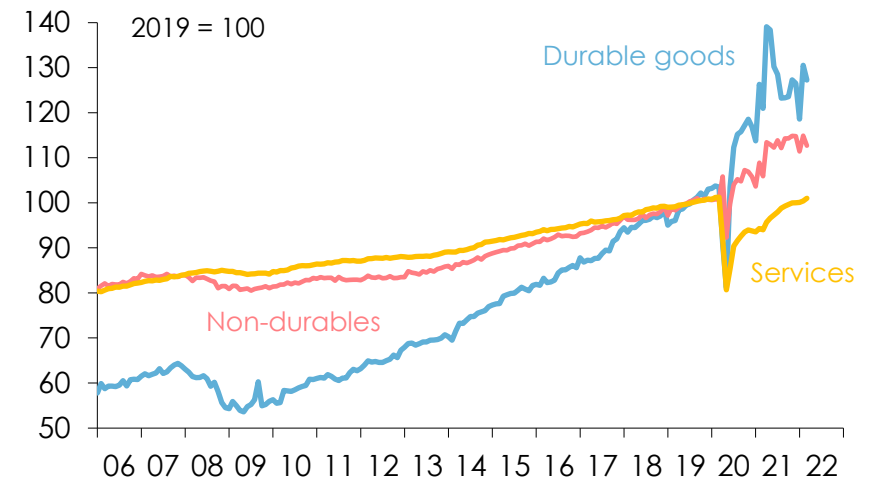
Personal income and expenditure



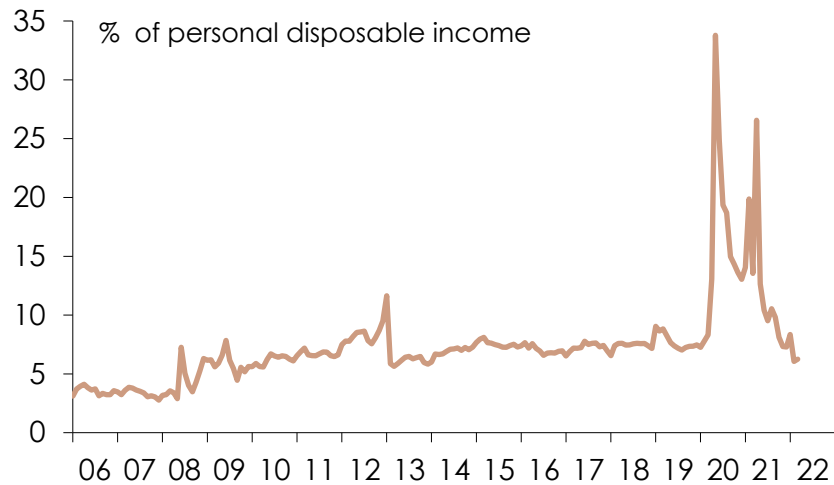
Tax and social security



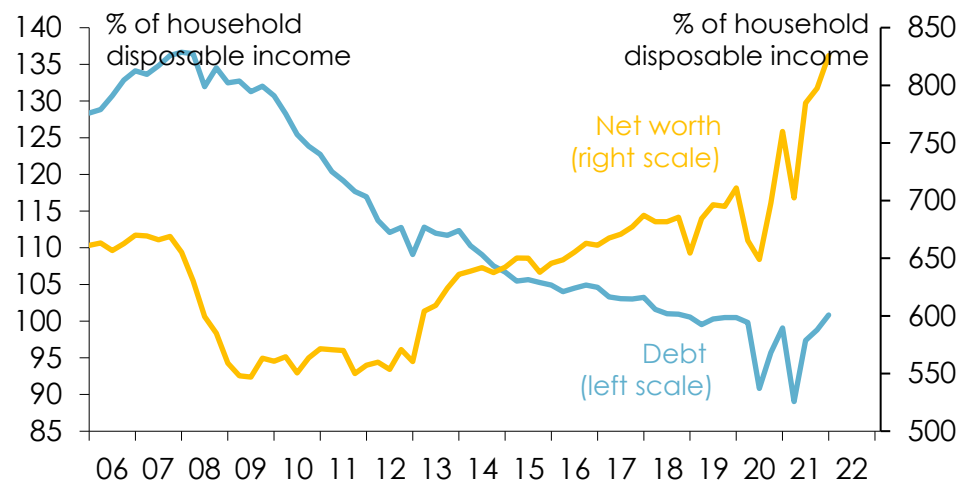
Personal consumption expenditure



Personal saving rate



Household debt and net worth



Spending on energy

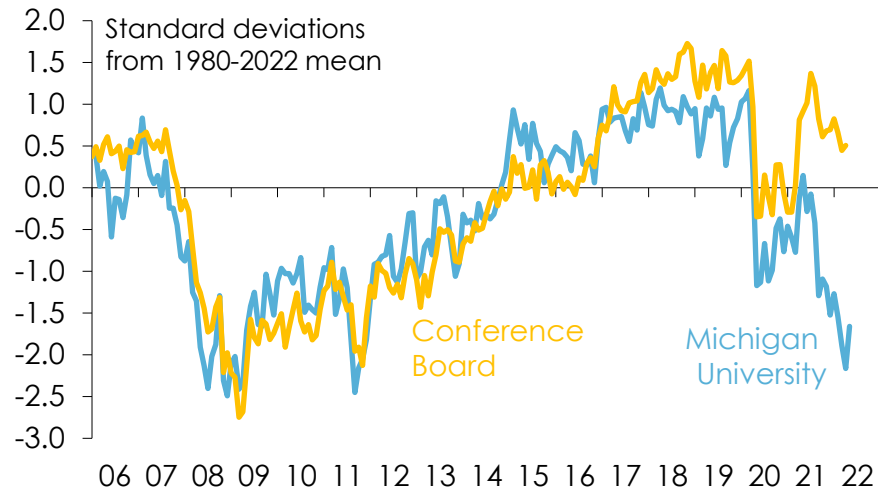


Note: data on personal income, spending and saving are monthly; data on debt and net worth are quarterly. Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#), [Consumer Spending](#) and [Income and Saving](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#). [Return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

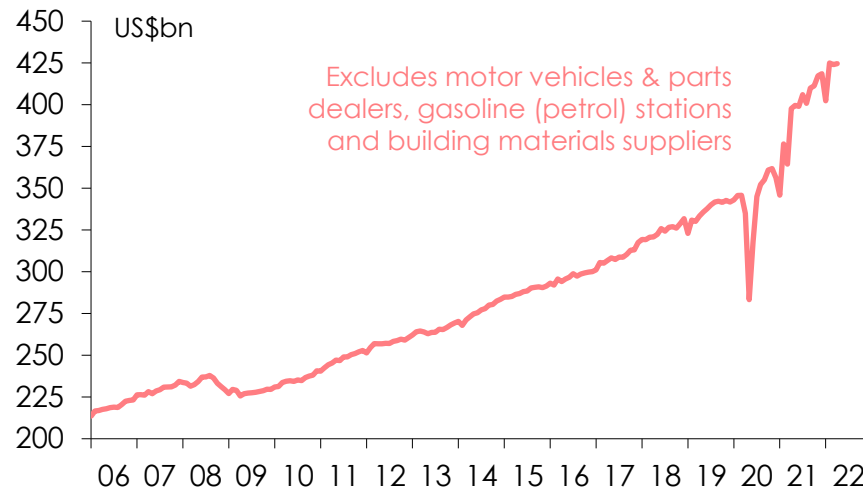
Total retail sales rose 0.5% in March, but that included an 8.9% increase in sales at gas stations (after 6.7% in February) – ‘core’ sales only rose 0.1%

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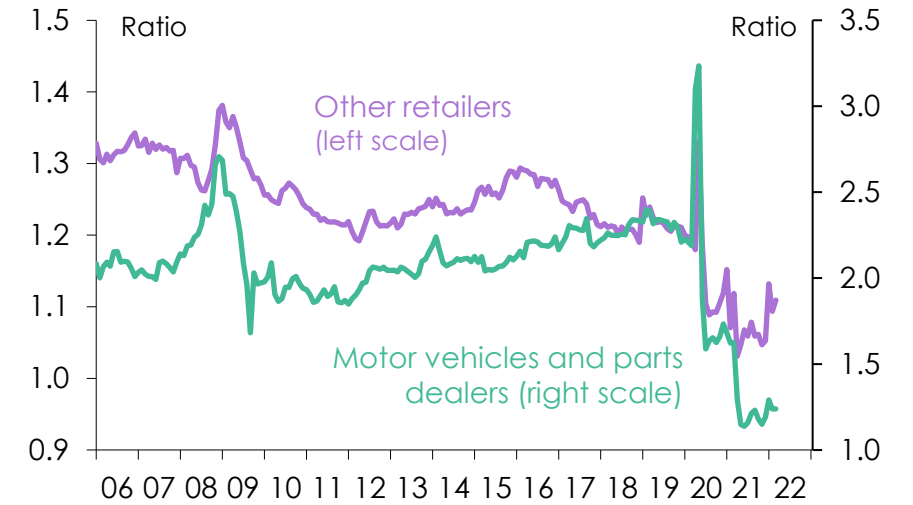
Consumer sentiment



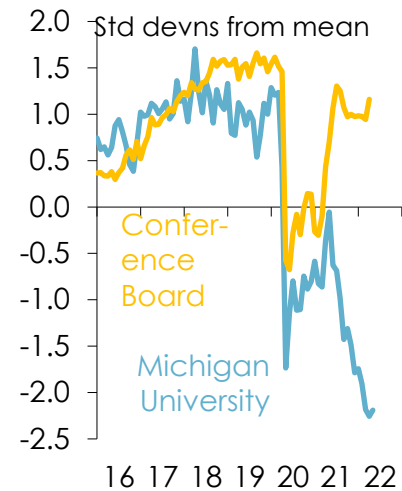
Level of ‘core’ retail sales



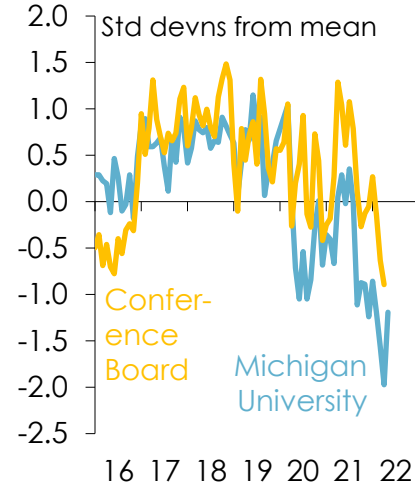
Retail inventories-sales ratios



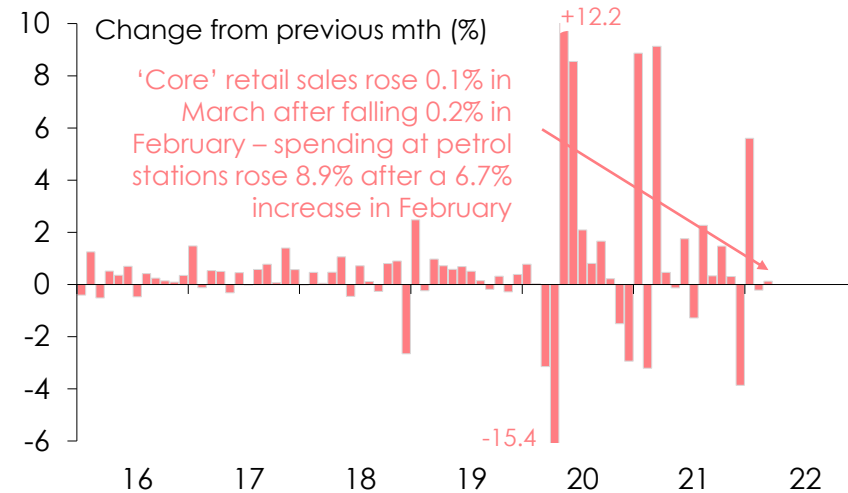
Present situation



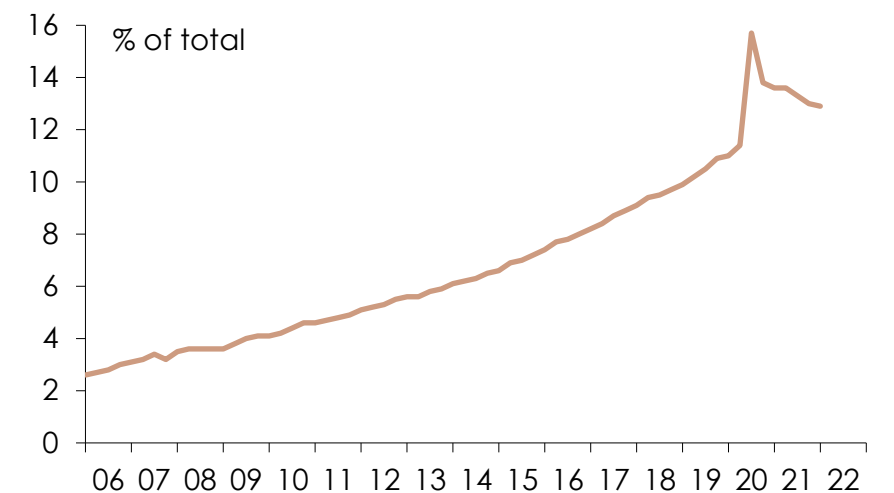
Expectations



Monthly changes in ‘core’ retail sales



On-line retail sales

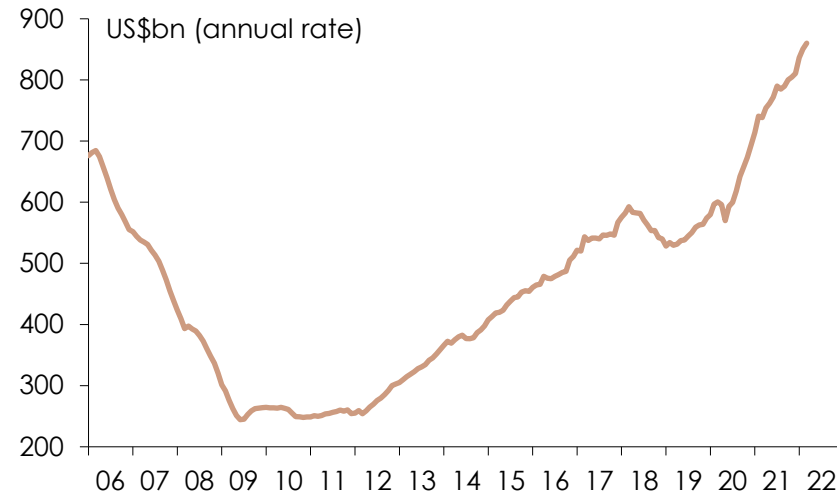


Note: ‘Core’ retail sales excludes motor vehicles, petrol stations and building materials stores. Sources: Michigan University Survey Research Center, [Survey of Consumers](#); The Conference Board, [US Consumer confidence](#); US Census Bureau, [Monthly Retail Trade](#) and [Advance Economic Indicators](#).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

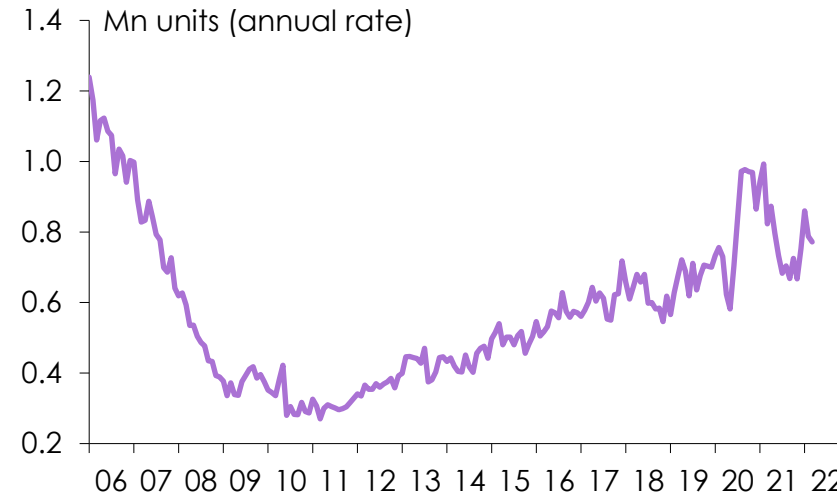
Housing starts in March were the strongest since June 2006, but supply still isn't keeping up with demand, so prices are still rising

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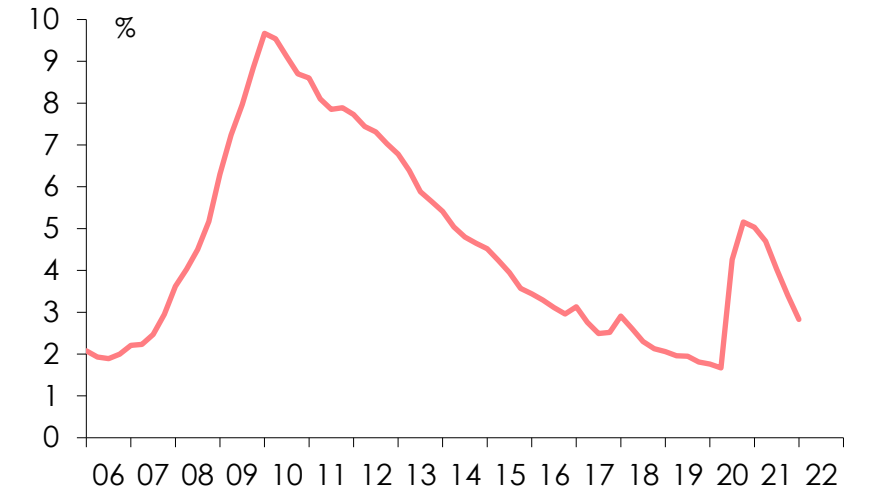
Housing construction spending



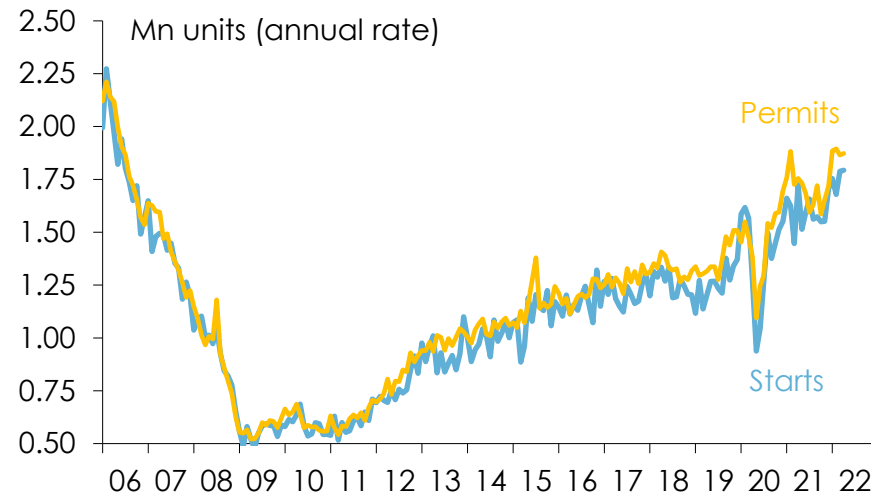
New single-family home sales



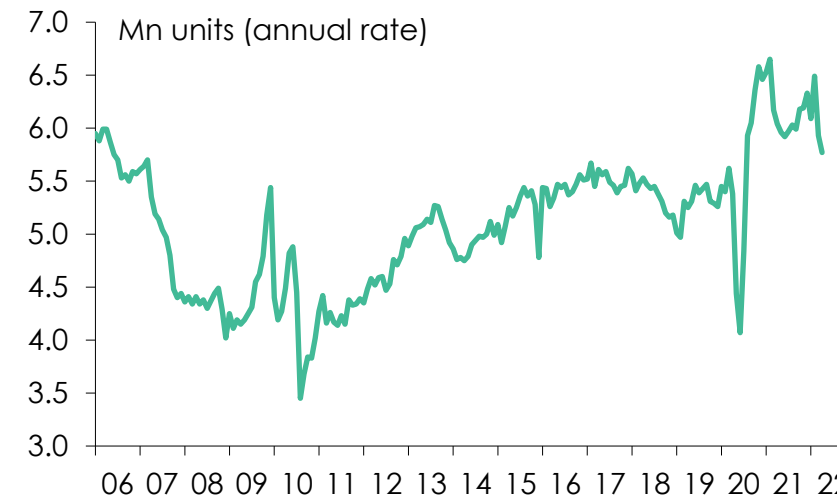
Mortgage delinquency rate



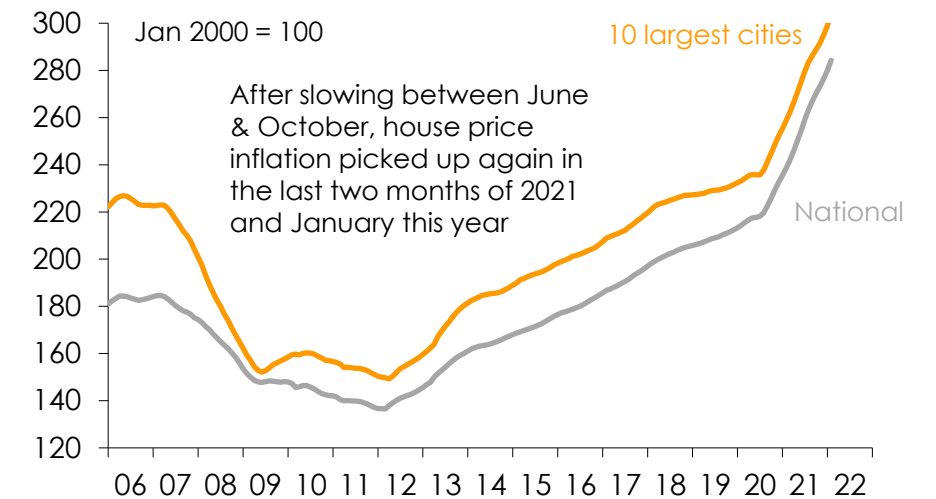
Housing starts and permits



Existing home sales



House prices

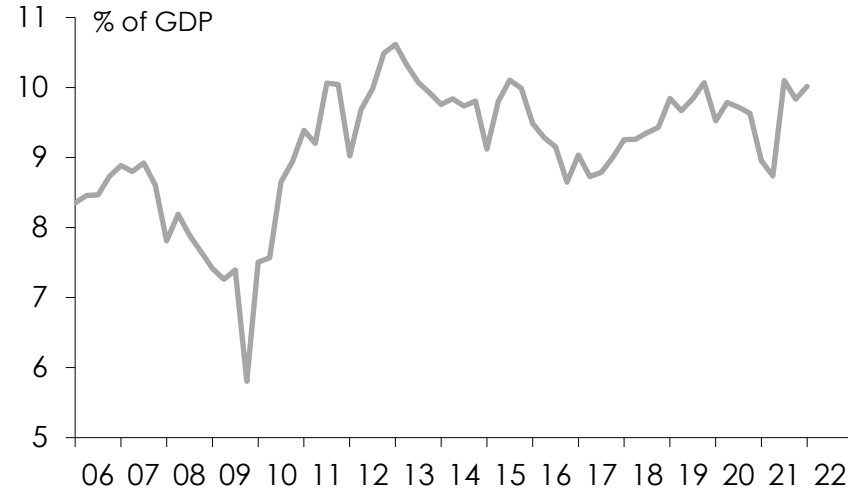


Sources: US Census Bureau, [Construction Spending](#), [New residential construction](#) and [New Residential Sales](#); US National Association of Realtors, [Existing-Home Sales](#); Mortgage Bankers' Association, [National Delinquency Survey](#); S&P Global, [S&P CoreLogic Case-Shiller Home Price Indices](#).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

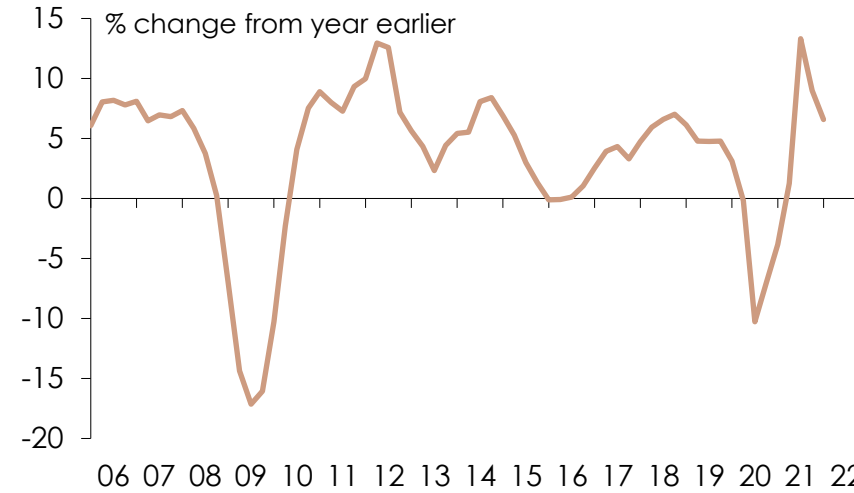
US corporate profits and balance sheets are strong, and investment is increasing – except in non-residential construction

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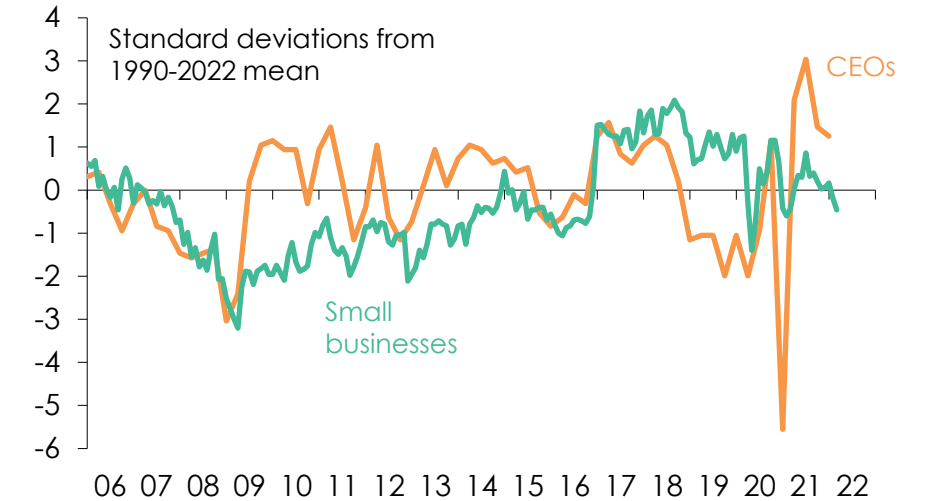
After-tax corporate profits



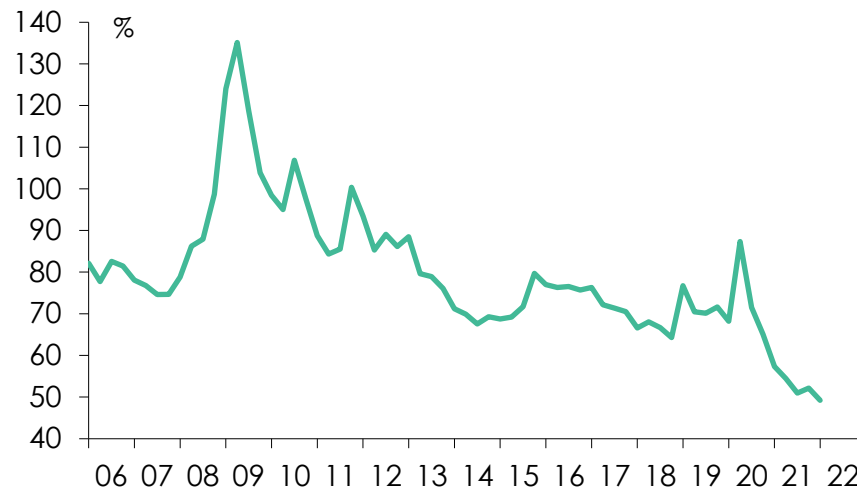
Business investment



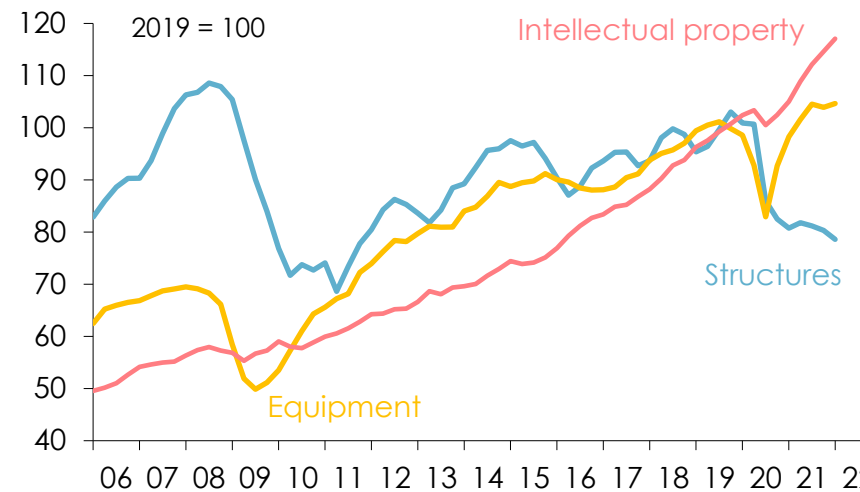
Business confidence



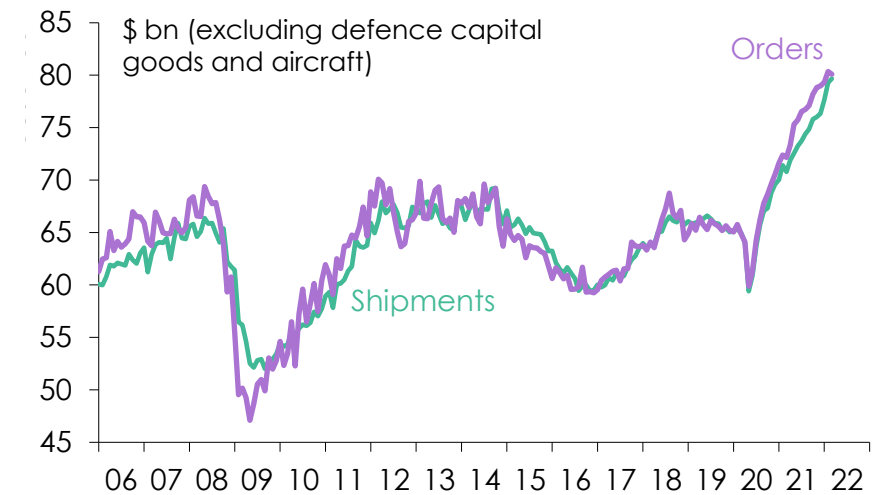
Corporate debt-equity ratio



Business investment by type



Capital goods orders & shipments

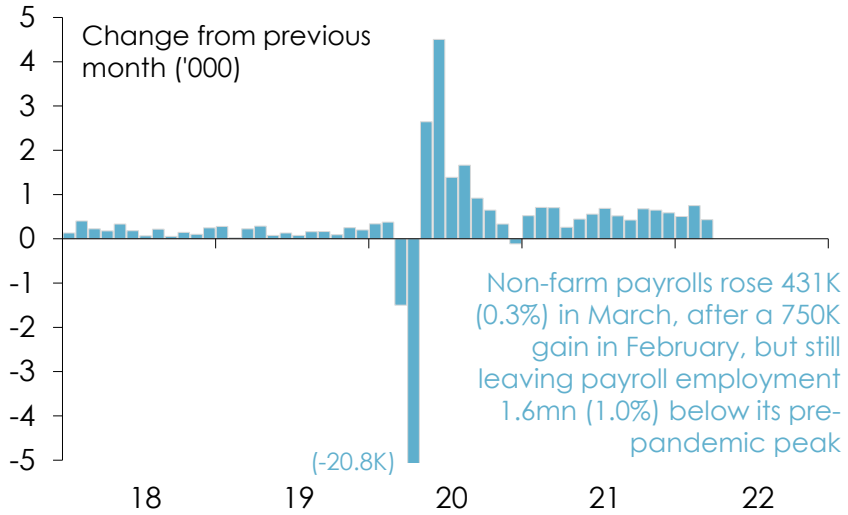


Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#); The Conference Board, [US CEO Confidence](#); National Federation of Independent Business, [Small Business Economic Trends](#); US Commerce Department, [Manufacturers'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

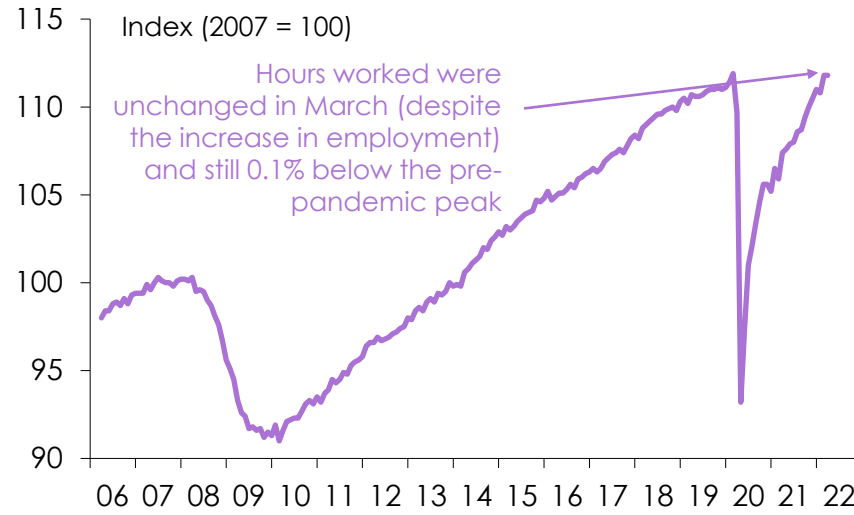
Employment rose another 0.3% in March, pushing the unemployment rate down 0.2 pc pt to 3.6%, just 0.1 pc pt above the pre-pandemic low

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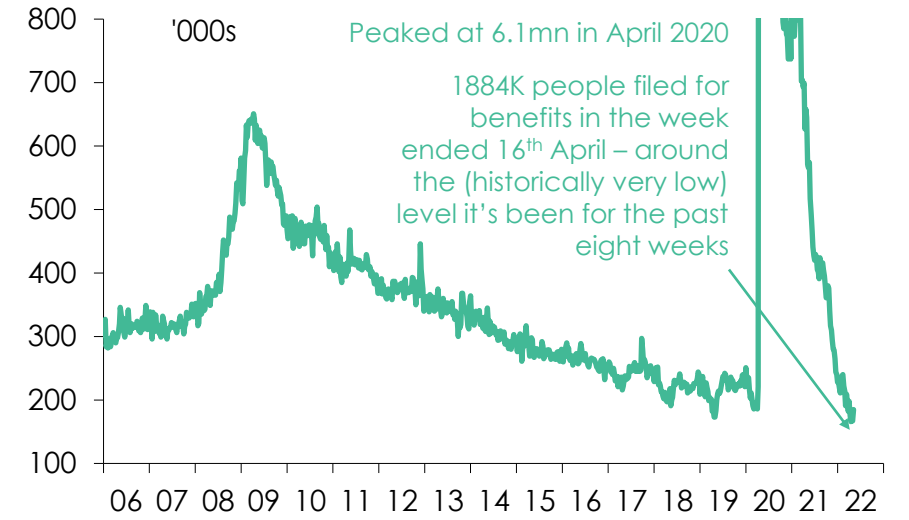
Non-farm payroll employment



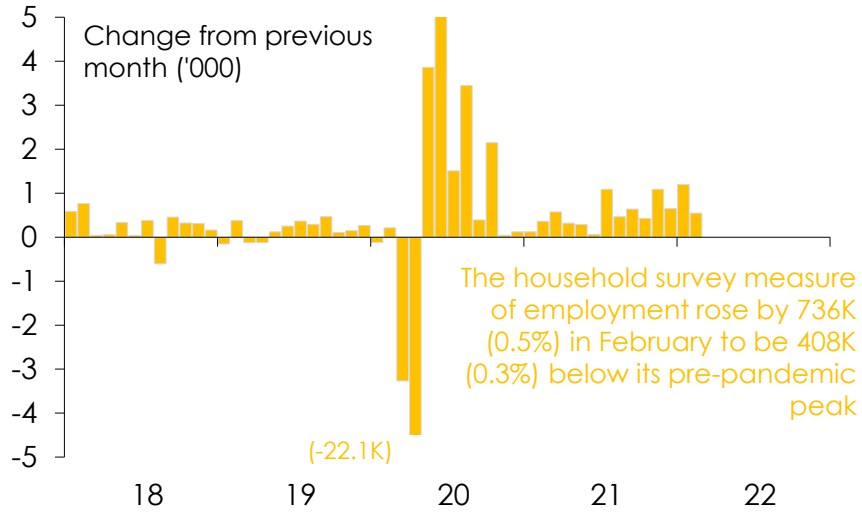
Hours worked (private sector)



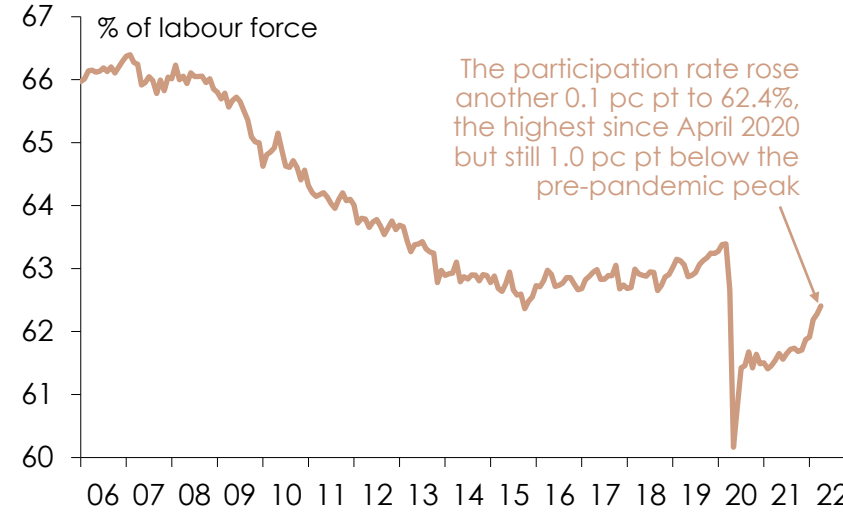
Unemployment benefit initial claims



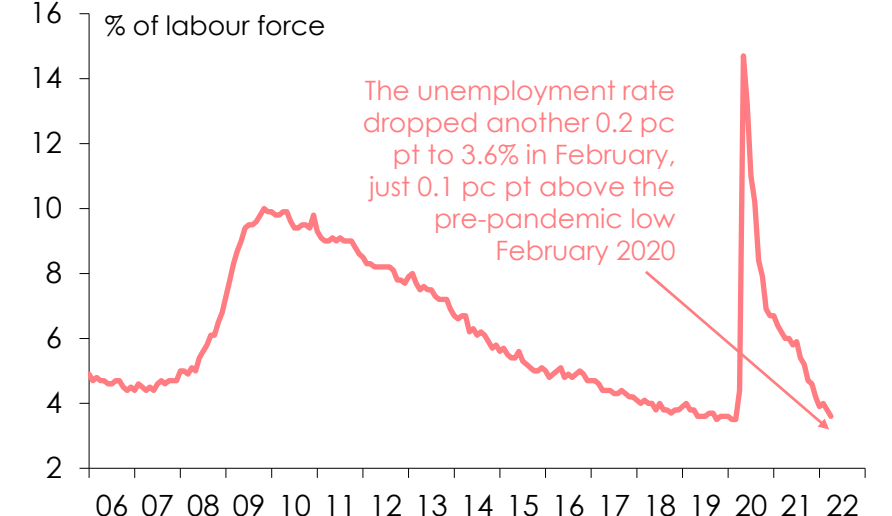
Household survey employment



Labour force participation rate



Unemployment rate

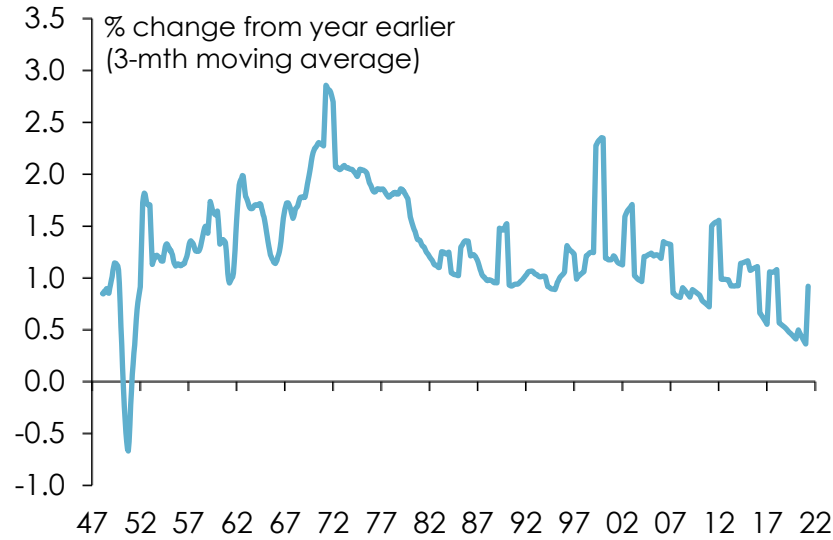


Sources: US Bureau of Labor Statistics, [Employment Situation](#); US Department of Labor, [Unemployment Insurance Weekly Claims](#). [Return to "What's New"](#).

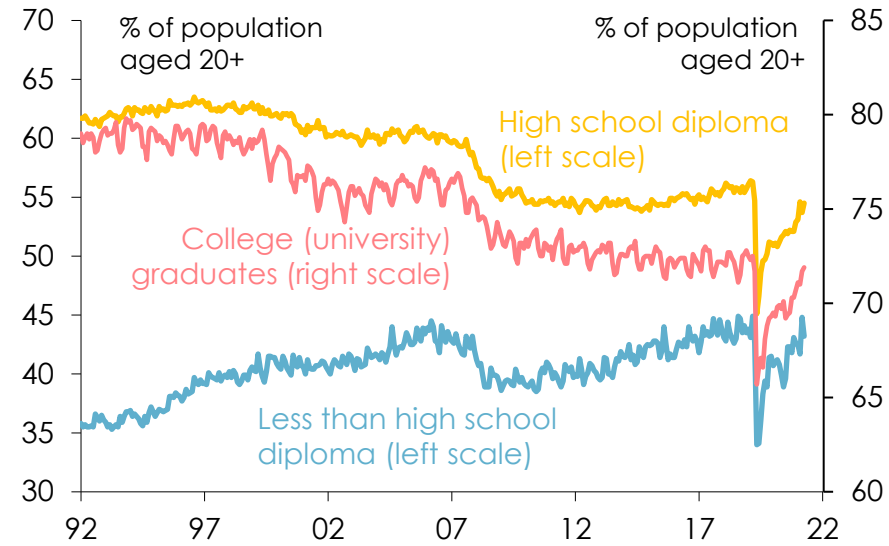
US labour market tightness owes a lot to restrictions on immigration, and to barriers to the return to the labour market of specific groups

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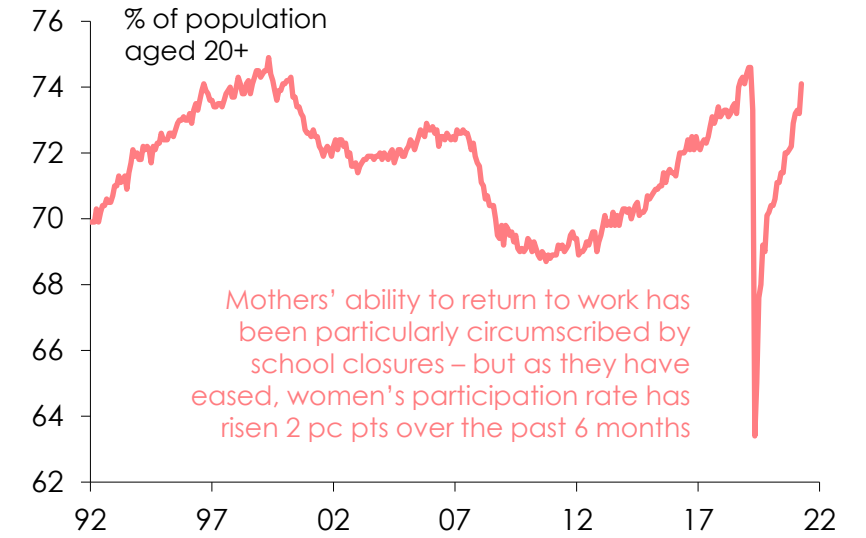
Civilian working age population



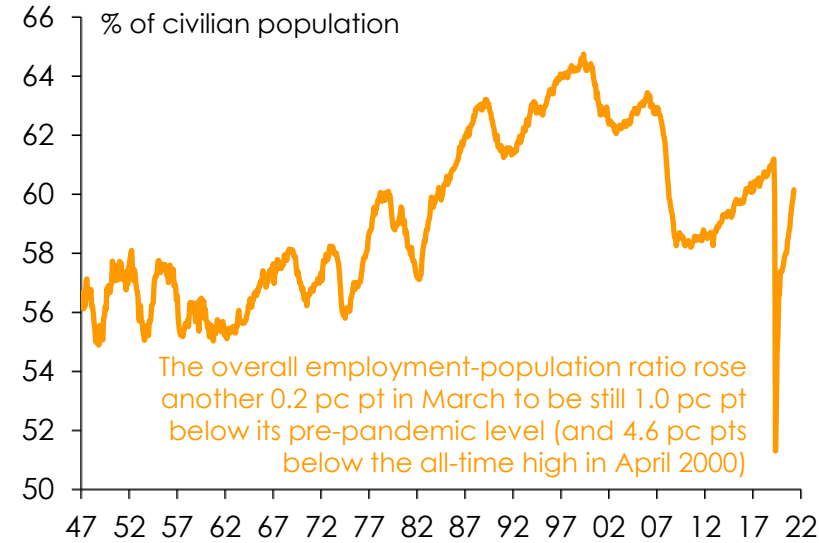
'E-pop' ratio – by education



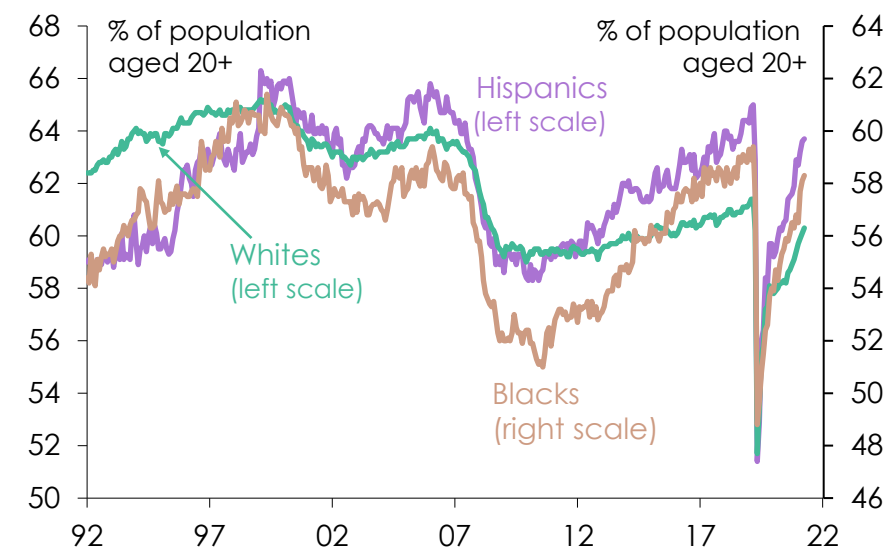
'E-pop' ratio – women 25-54



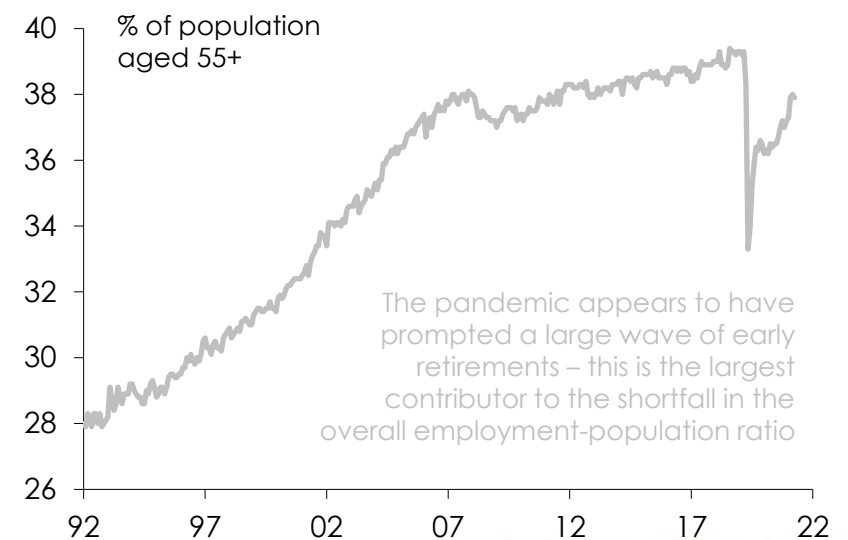
Employment-to-population ratio



'E-Pop' ratio – Blacks & Hispanics



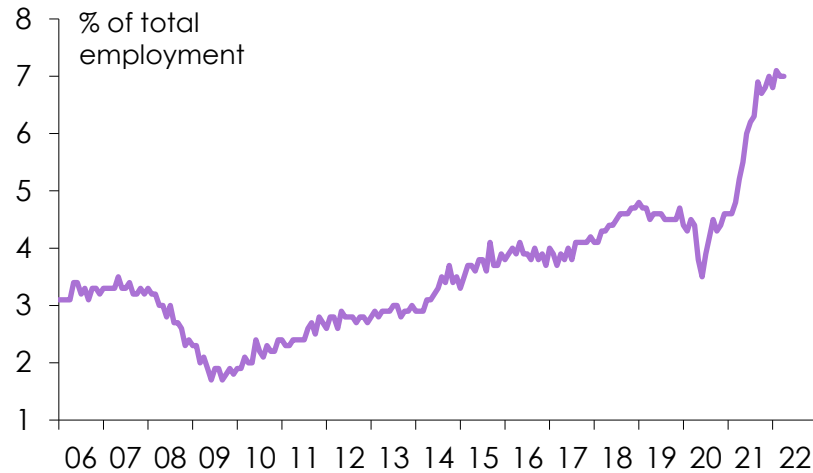
'E-pop' ratio – people 55 & over



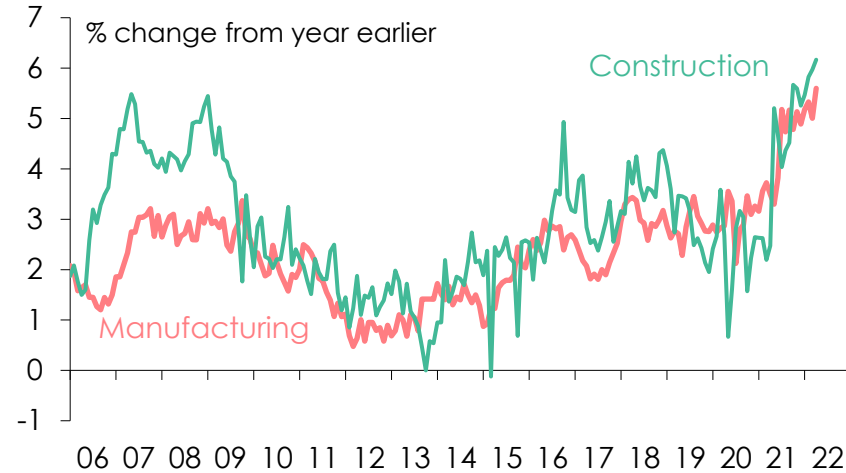
The Atlanta Fed's 'wage tracker', which abstracts from changes in the composition of employment, rose a record 6.0% over the year to March

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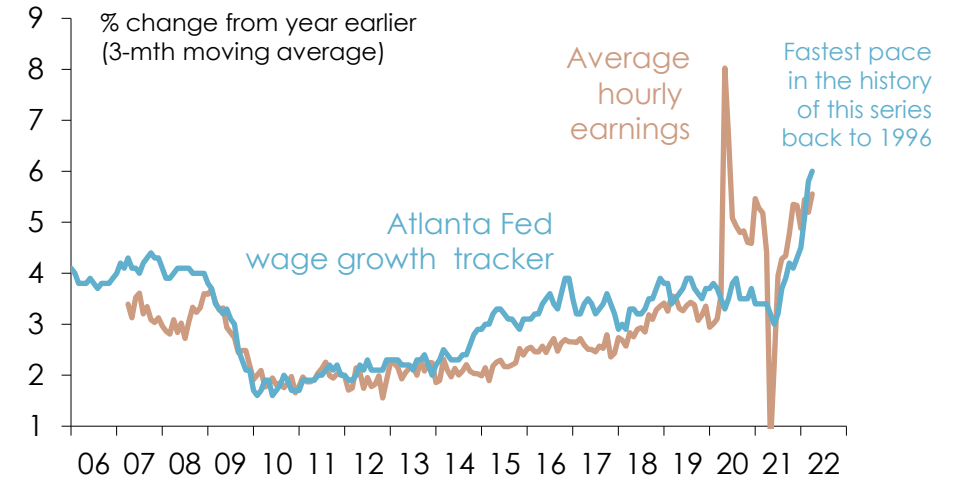
Job openings



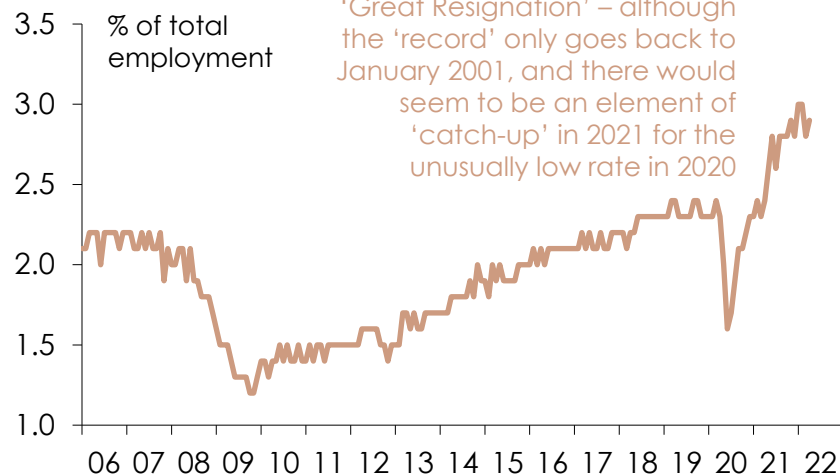
Average hourly earnings



Overall wages growth - monthly

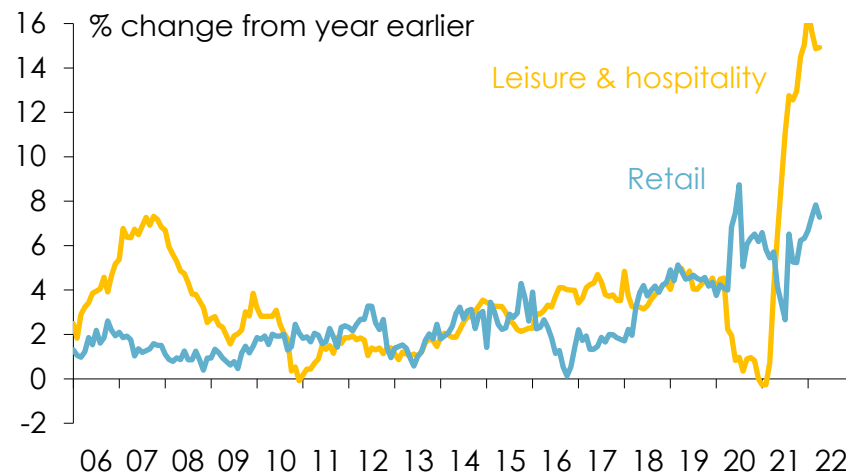


Quit rate

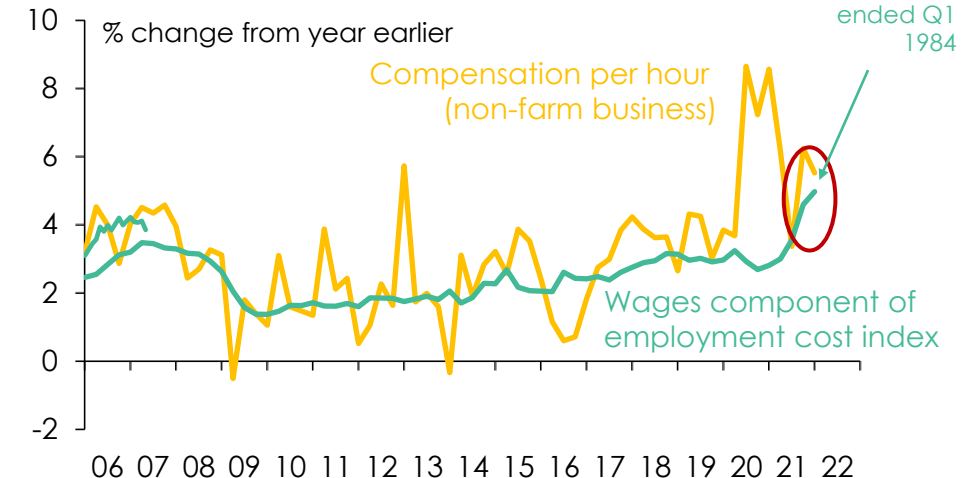


The record high 'quit rate' is the main evidence for the so-called 'Great Resignation' – although the 'record' only goes back to January 2001, and there would seem to be an element of 'catch-up' in 2021 for the unusually low rate in 2020

Average hourly earnings



Wages growth - quarterly

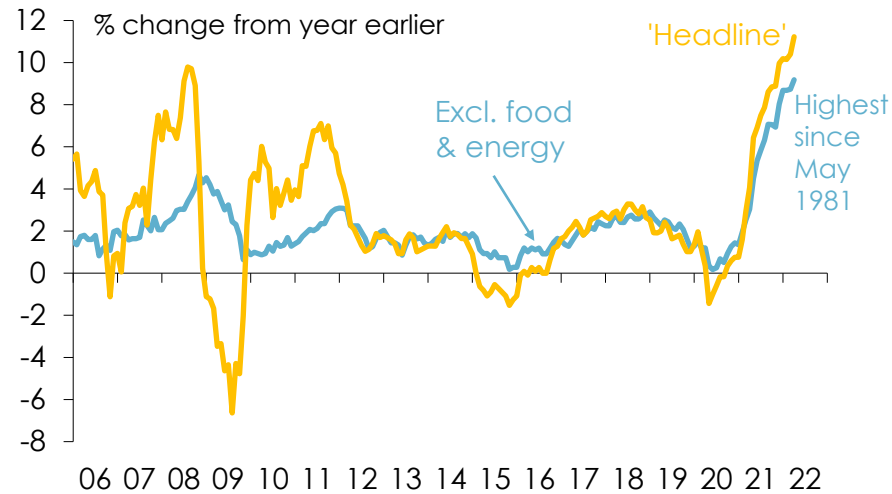


Note: Measures of average hourly earnings (especially the all-industries measures) and of average compensation per hour are affected by changes in the composition of employment (so for example they rose sharply in Q2 2020 when large numbers of low-paid workers were laid off and fell markedly when they returned to work) whereas the Atlanta Fed 'wage growth tracker' (which uses micro-data from the BLS survey to track 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"](#).

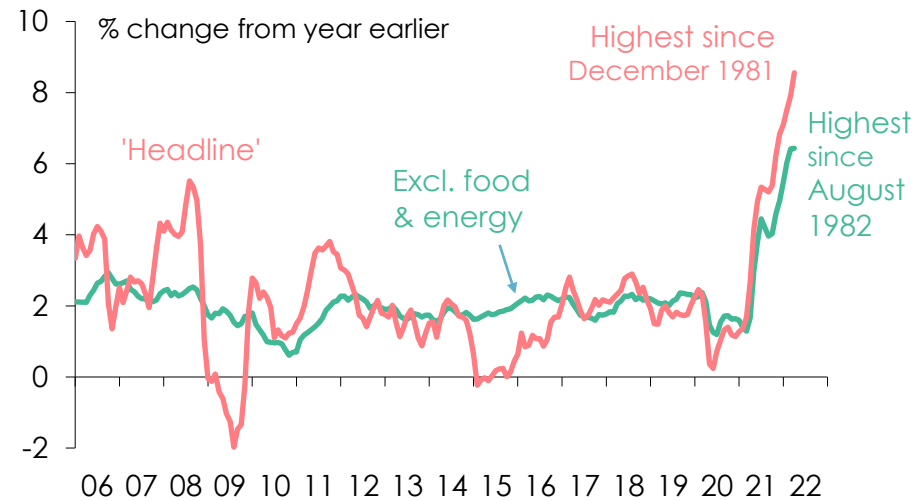
The US CPI rose 8.5% over the year to March, the highest annual rate since December 1981 – although monthly core inflation was the least in 6 months

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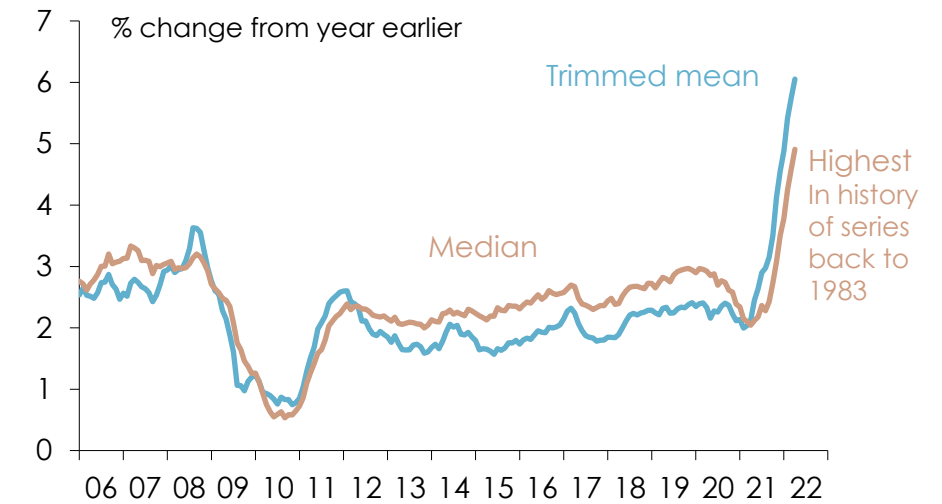
Producer price index



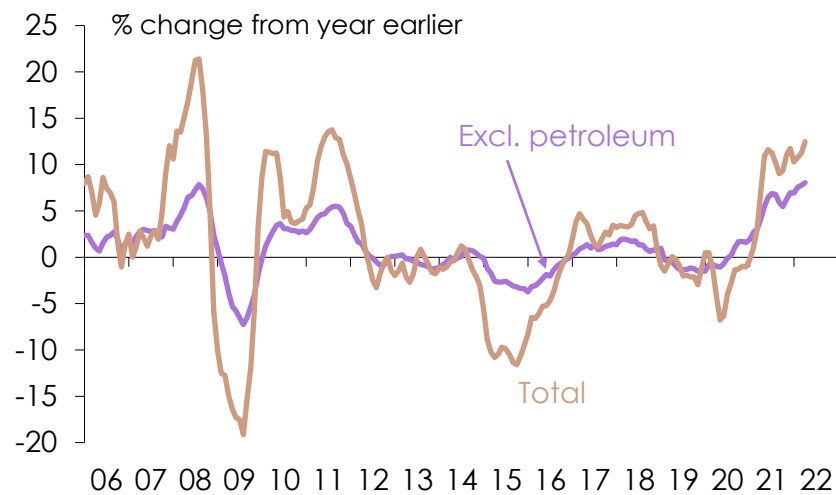
Consumer price index



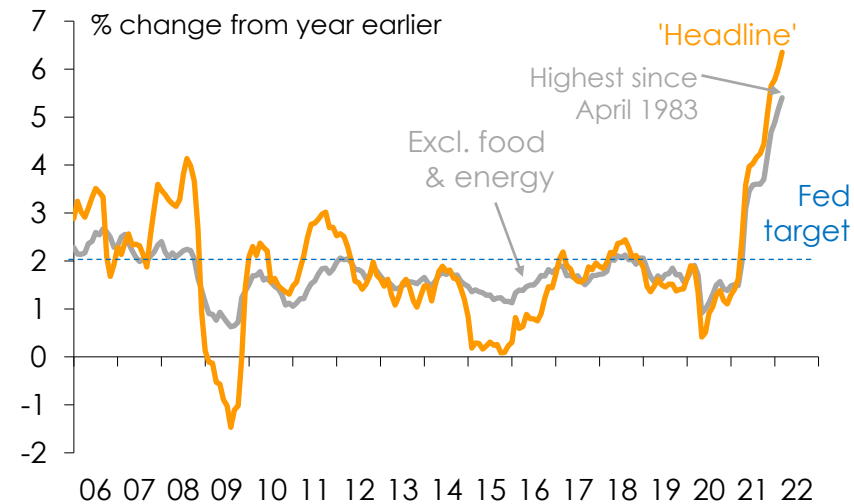
'Underlying' CPI inflation



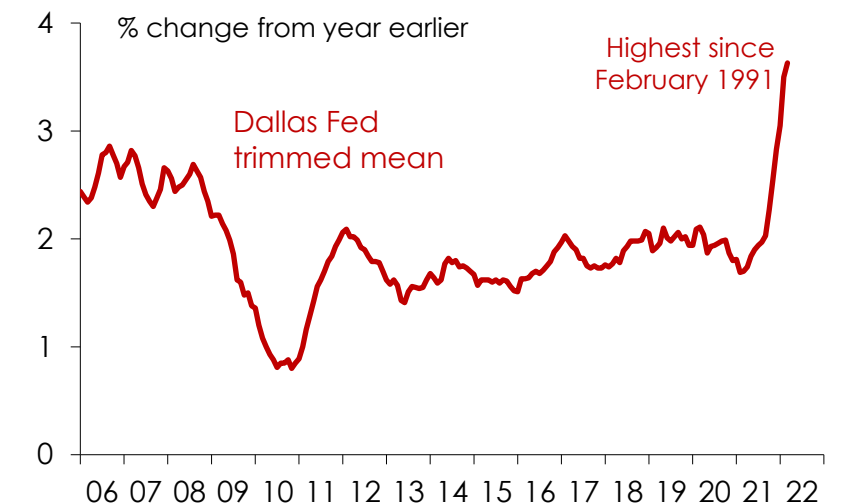
Import price index



Personal consumption deflator



'Underlying' PCE deflator inflation

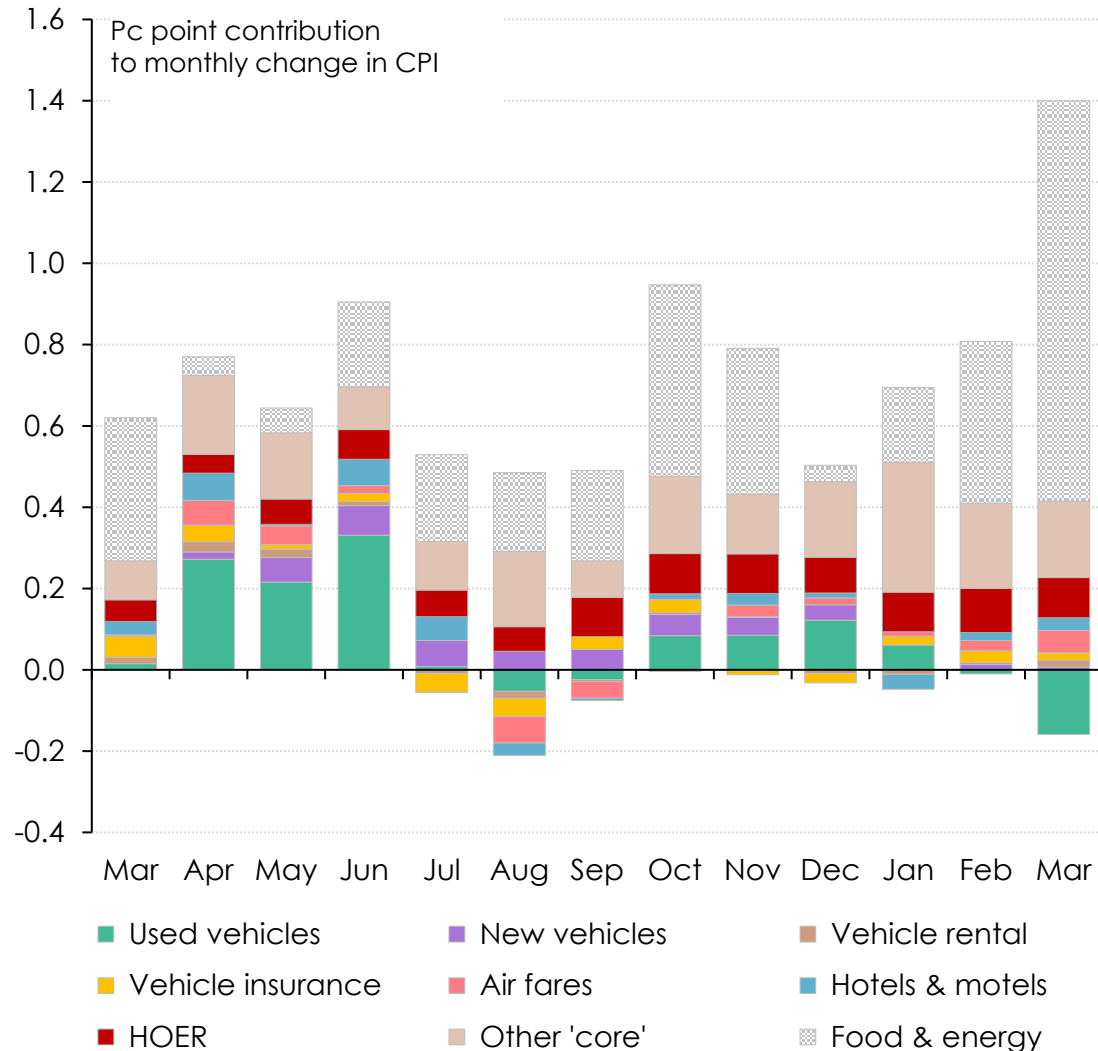


Sources: US Bureau of Labor Statistics, [Producer Price Index](#), [Import and Export Price Indexes](#) and [Consumer Price Index](#); US Bureau of Economic Analysis, [Personal Consumption Expenditures Price Index](#); Federal Reserve Bank of Cleveland, [Median CPI](#); Federal Reserve Bank of Dallas,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

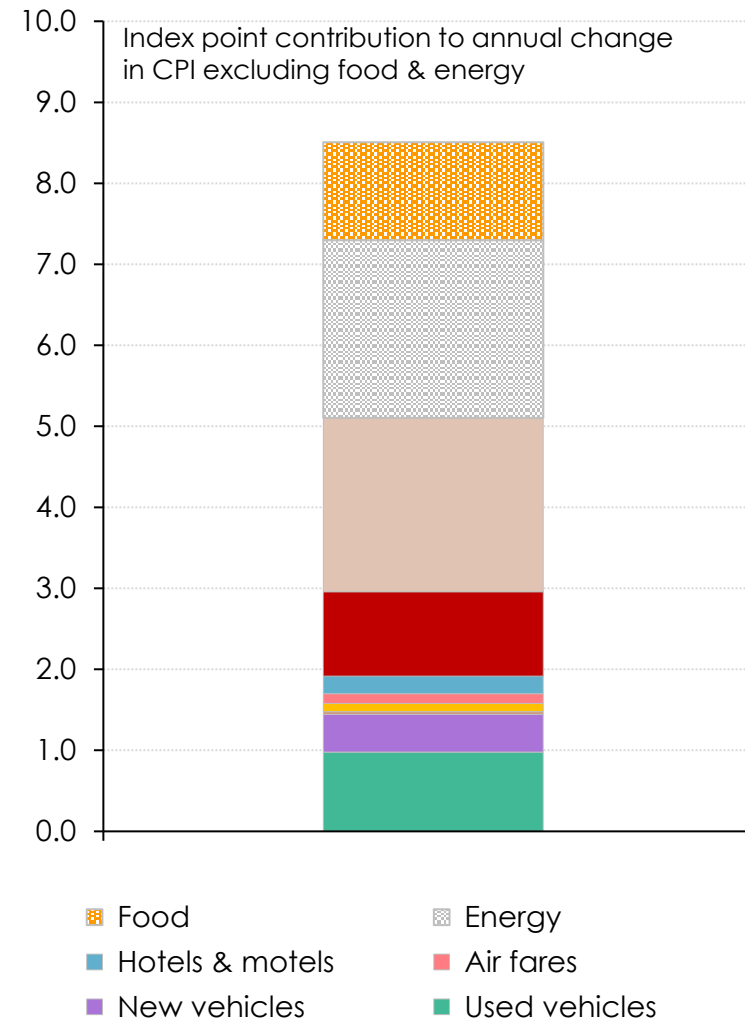
Food & energy have been the largest contributors to the CPI increases in February and especially March – ‘core’ CPI increases have been smaller

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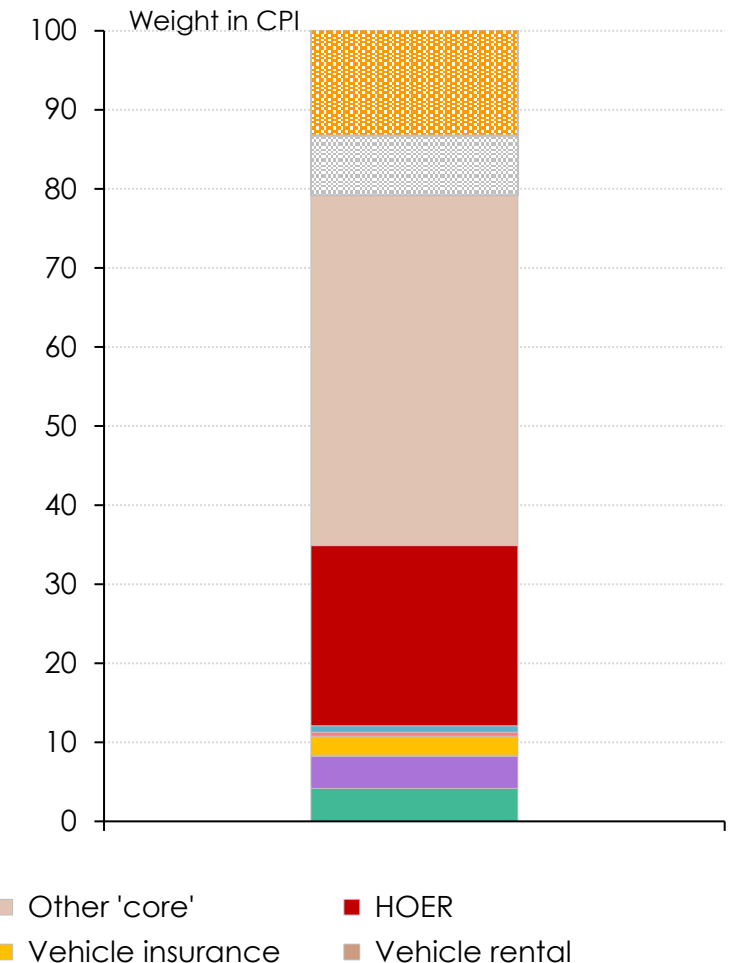
Contributions to monthly changes in the US CPI



Contributions to change in CPI over the year to March



Weights in CPI

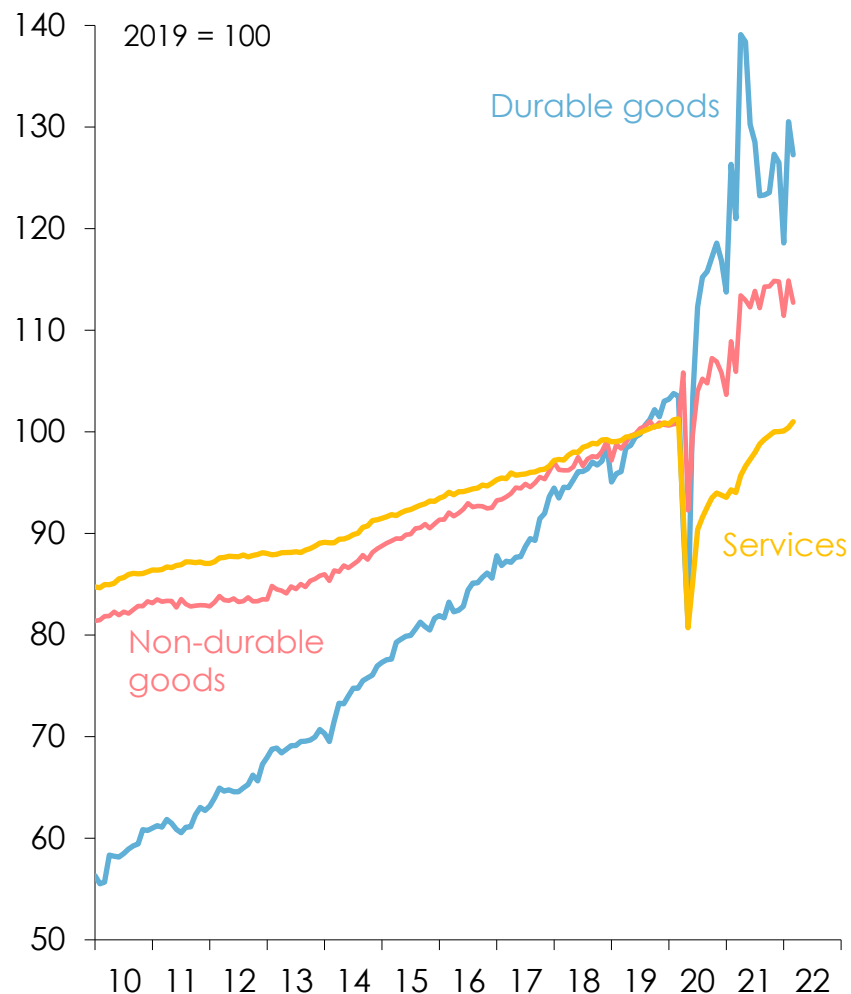


Note: 'HOER' = home-owners' equivalent rent (a measure of the 'imputed rent' notionally paid by owner-occupiers to themselves), and which accounts for (an uncommonly large, by international standards) 28½% of the CPI excluding food and energy. Source: US Bureau of Labor Statistics, CPI Table 6; Corinna.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

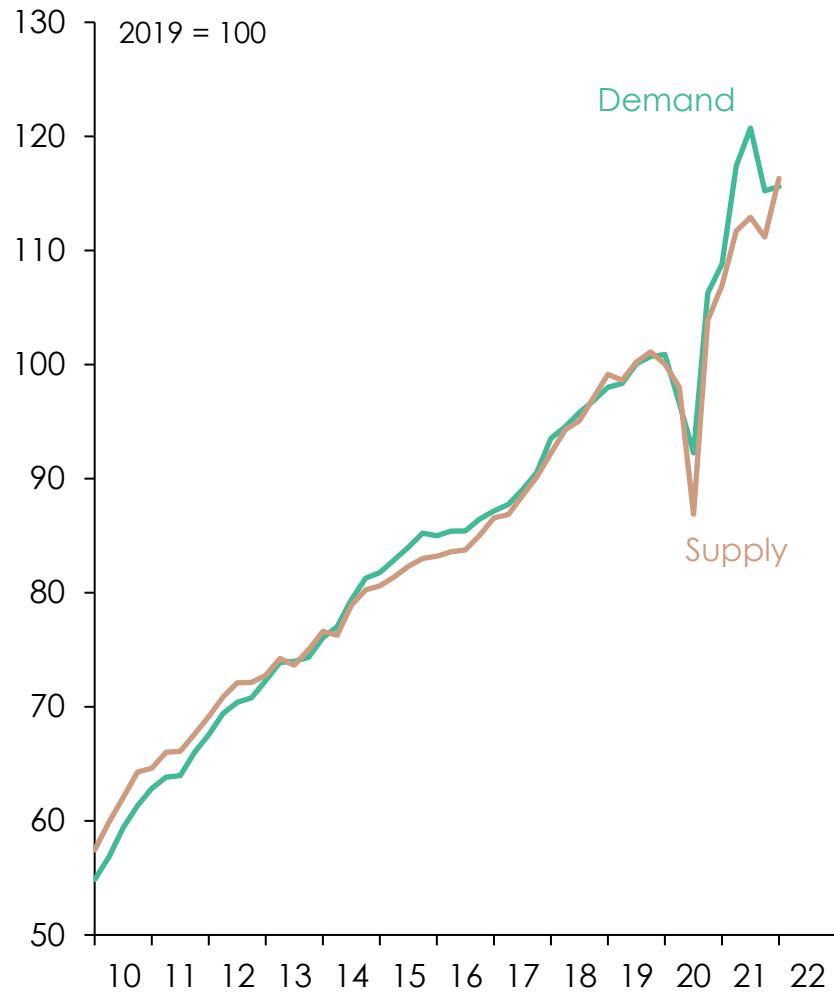
The rise in inflation as measured by the PCE deflator is largely attributable to the imbalance between demand for and supply of durable goods

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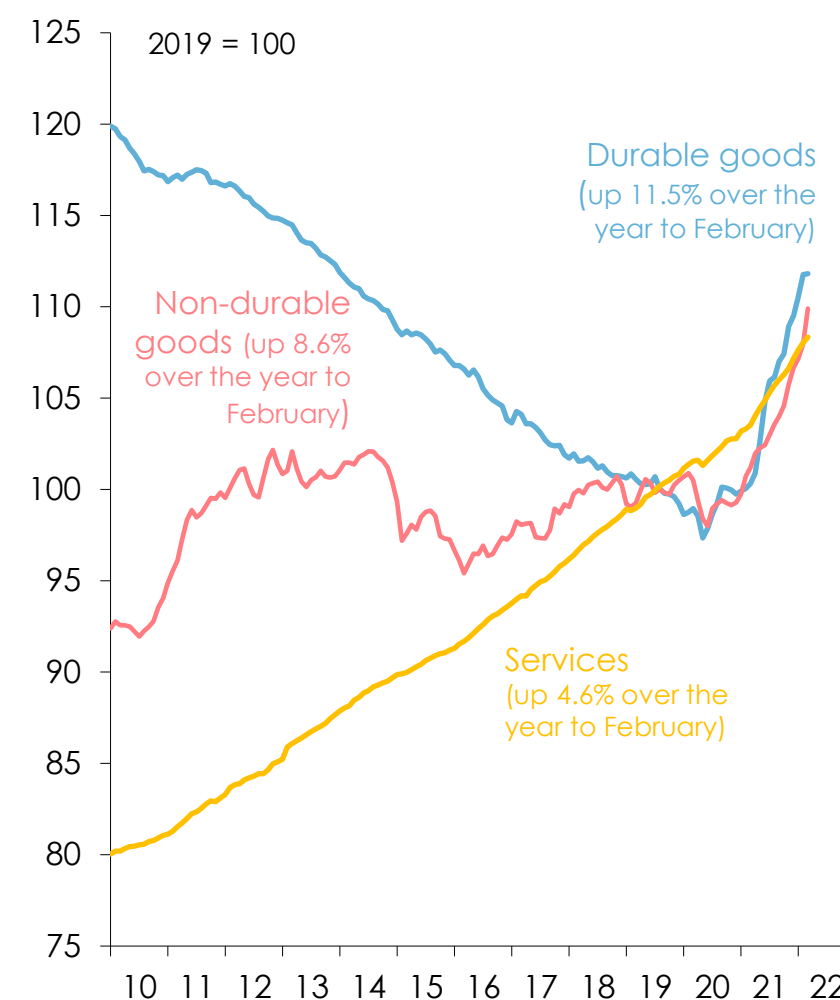
Composition of personal consumption expenditures



Aggregate demand for and supply of durable goods



Implicit price deflators of personal consumption

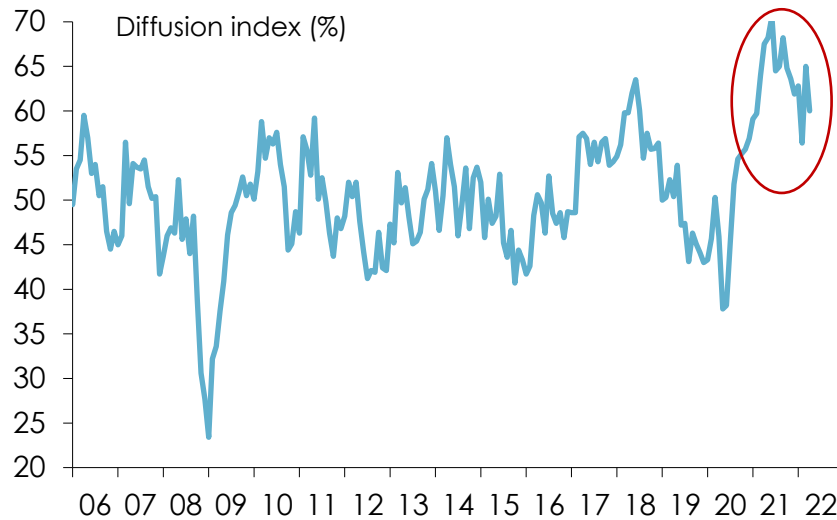


Note: 'Aggregate demand' for durable goods comprises personal consumption of durable goods plus business investment in equipment. 'Aggregate supply' of durable goods comprises gross domestic product (final sales plus change in inventories) plus net imports of durable goods. Sources: US Bureau of Economic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

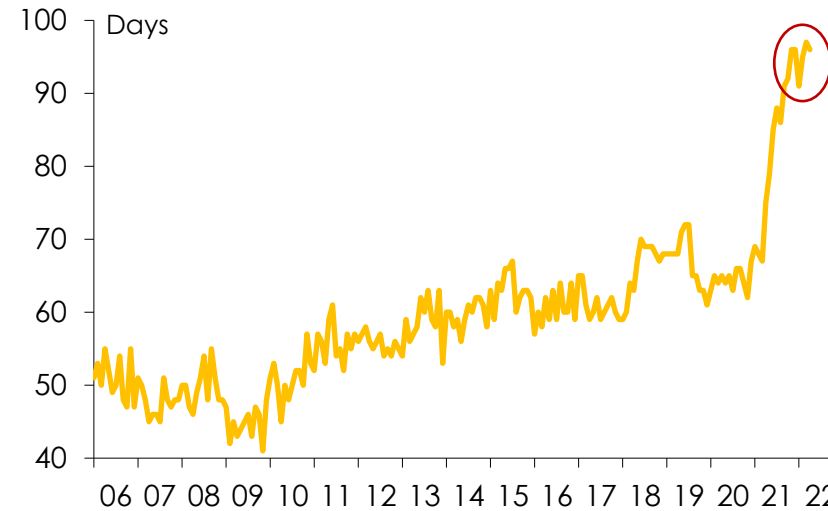
Supply-chain difficulties have intensified again this year, after seeming to have peaked during the second half of last year

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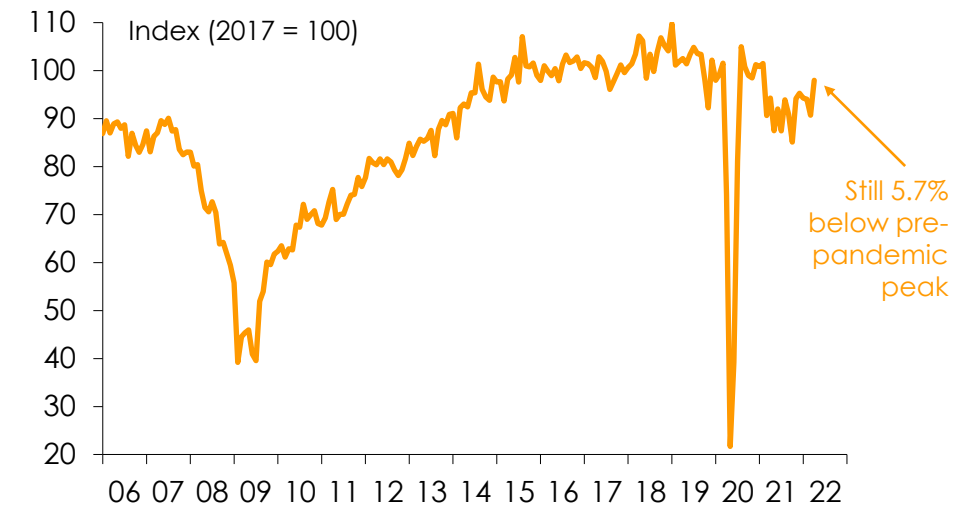
Manufacturers' order backlogs



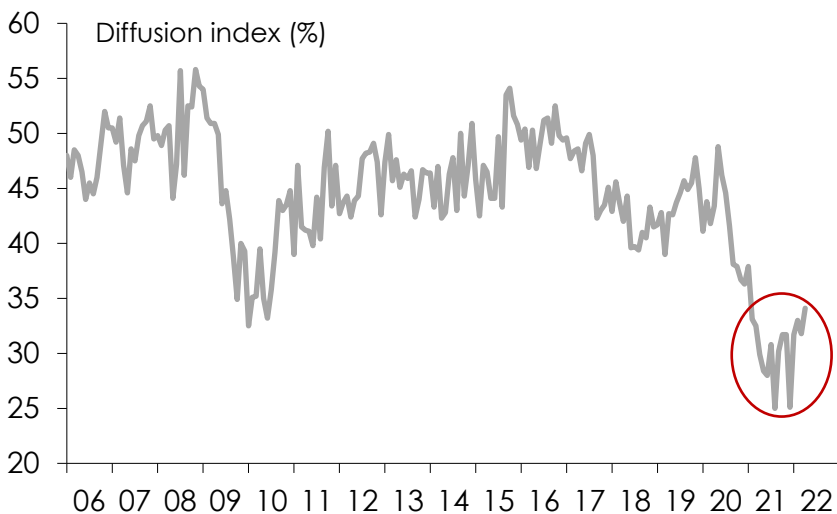
Lead-time for production materials



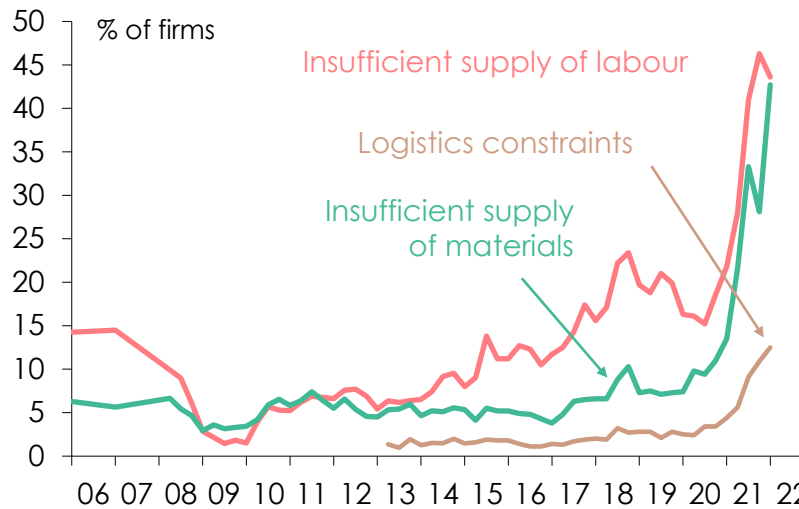
Motor vehicles & parts production



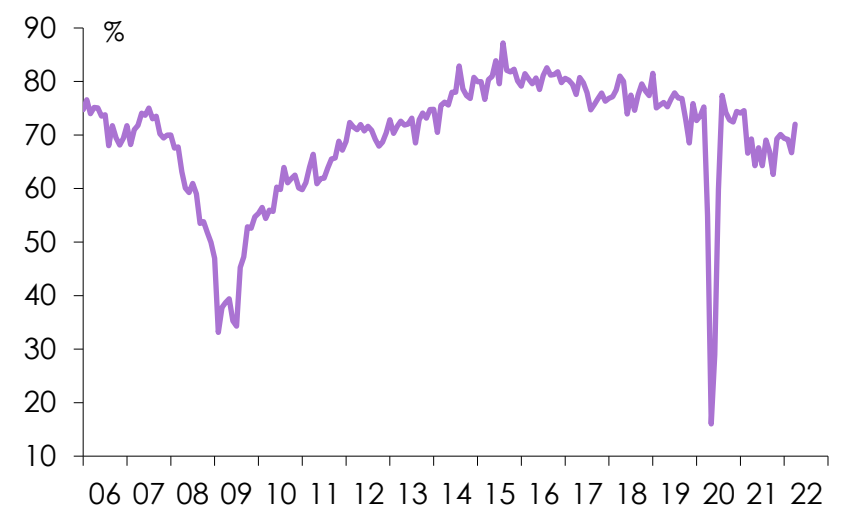
Manufacturers' customer inventories



Reasons for < full capacity



Auto industry capacity utilization

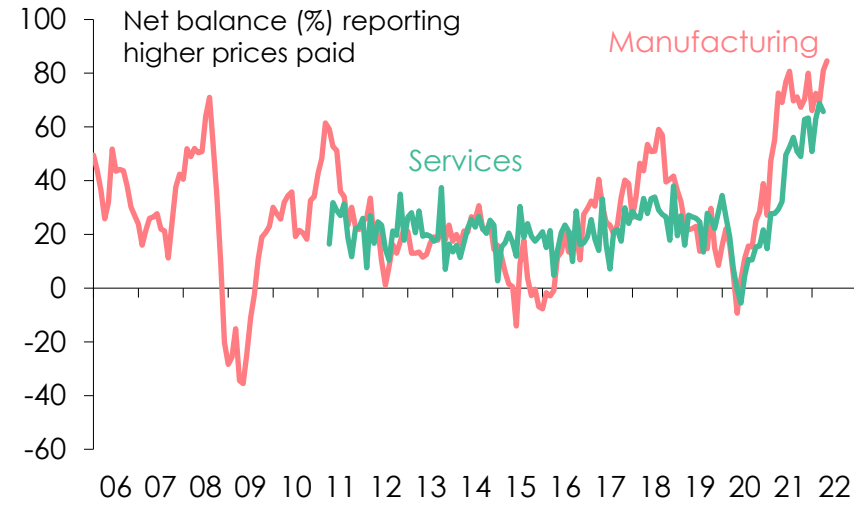


Note: The diffusion index of order backlogs is 50 plus the percentage of respondents reporting longer backlogs minus the percentage reporting shorter backlogs (and similarly for customer inventories). 'Reasons for < full capacity' means reasons for operating at less than full capacity. Sources: Institute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

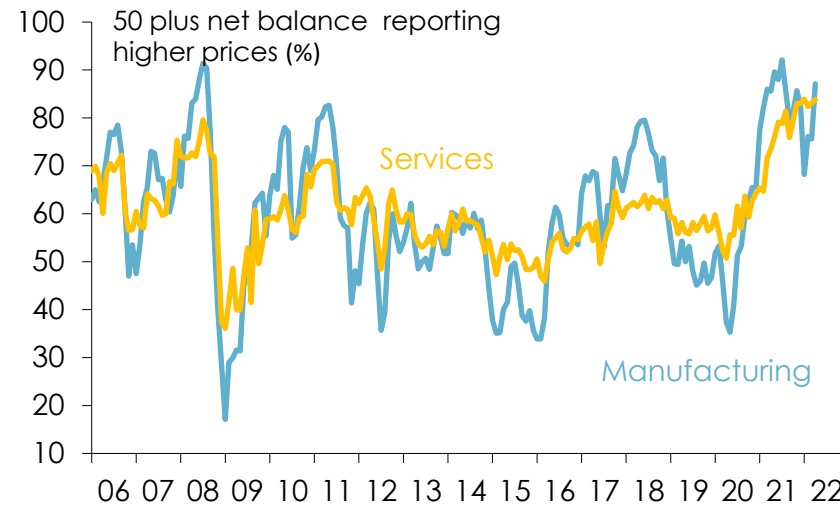
Longer-term household inflation expectations have remained remarkably stable over the past few months despite the sharp rise in actual inflation

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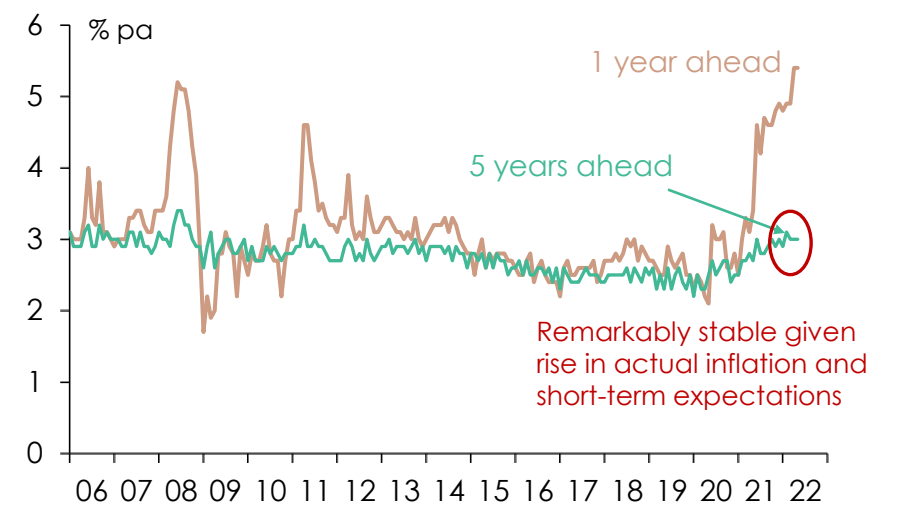
'Philly Fed' survey – prices paid



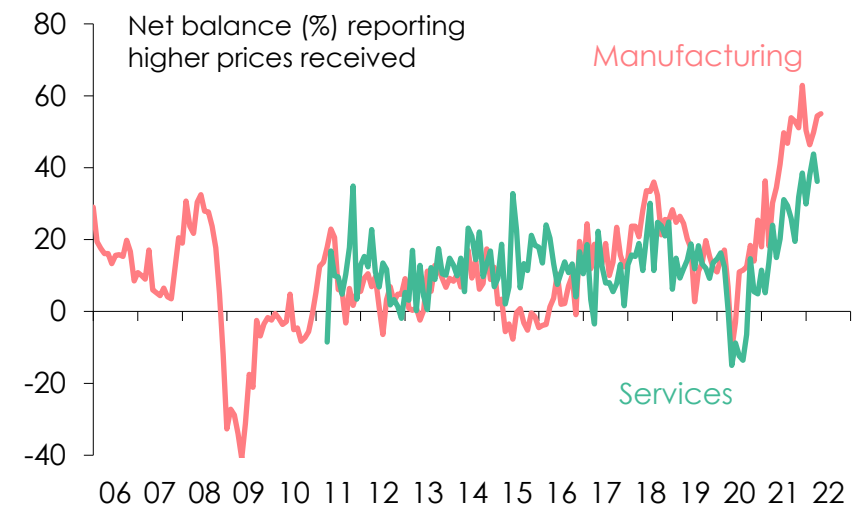
ISM survey – prices paid



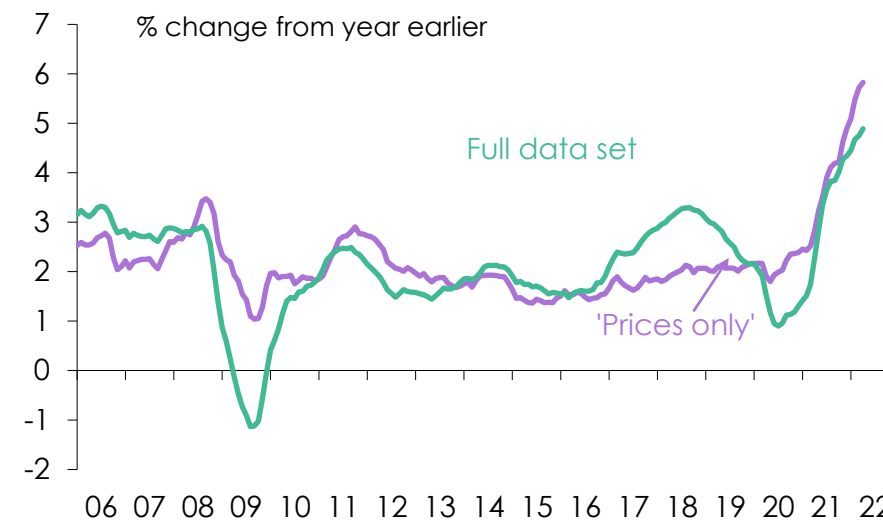
Household inflation expectations



'Philly Fed' survey – prices received



NY Fed 'underlying inflation gauge'



Market-priced inflation probabilities

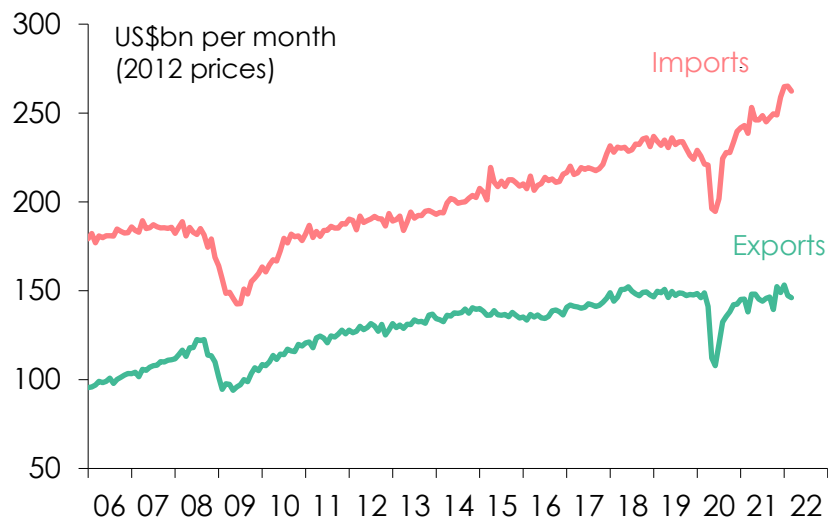


Sources: Federal Reserve Bank of Philadelphia, [Regional Economic Analysis](#), Manufacturing and Non-Manufacturing Business Outlook Surveys; Institute for Supply Management, [ISM Report on Business](#); Federal Reserve Bank of New York, [Underlying Inflation Gauge](#); Federal Reserve Bank of Minneapolis,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

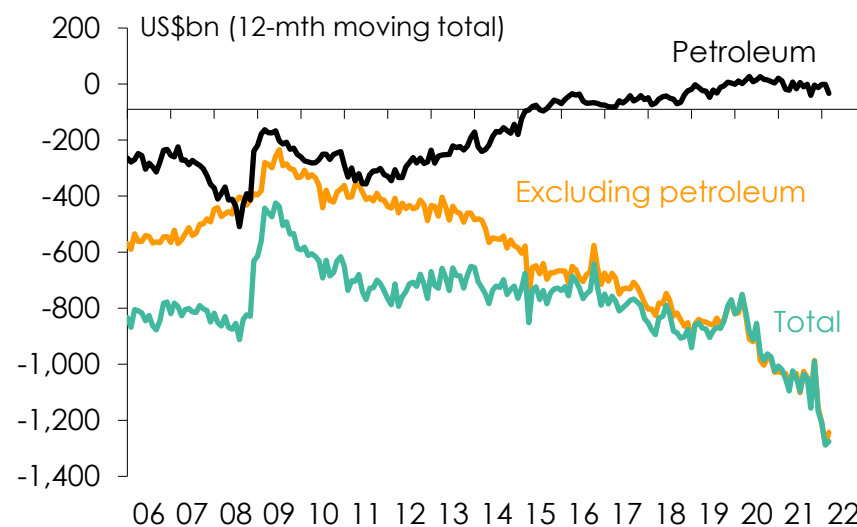
The February US goods and services trade deficit was only fractionally smaller than January's record despite soaring prices for US exports

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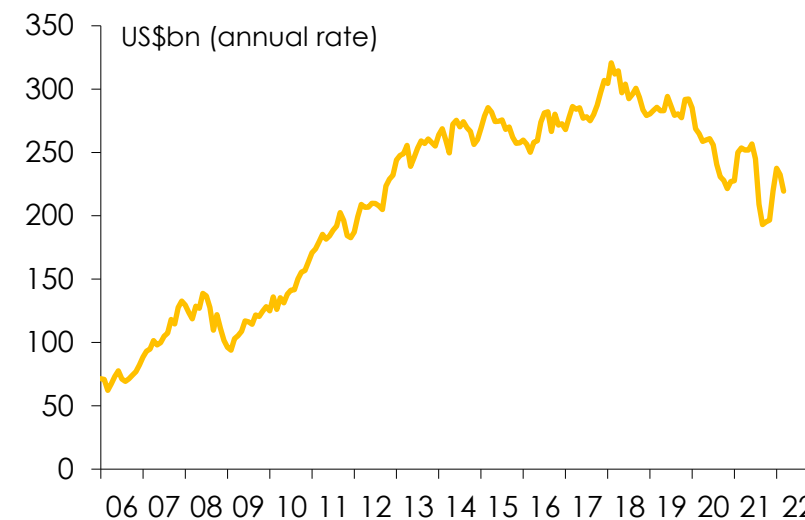
US merchandise trade volumes



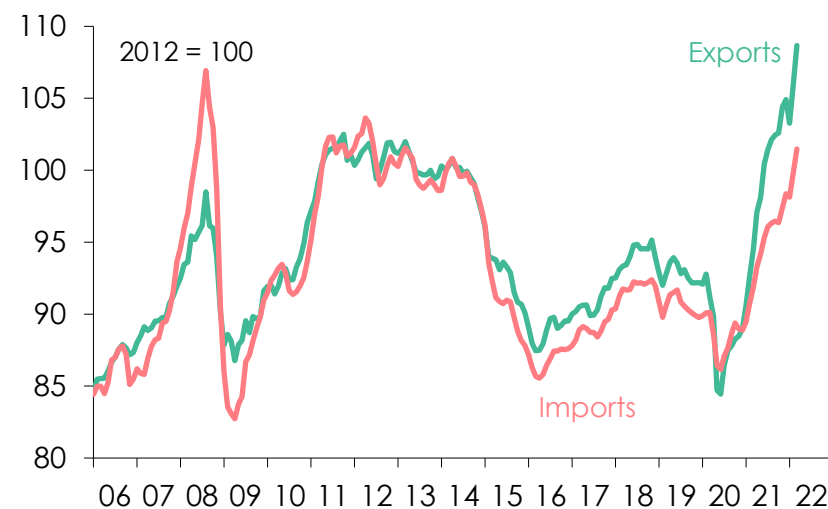
US goods trade balance



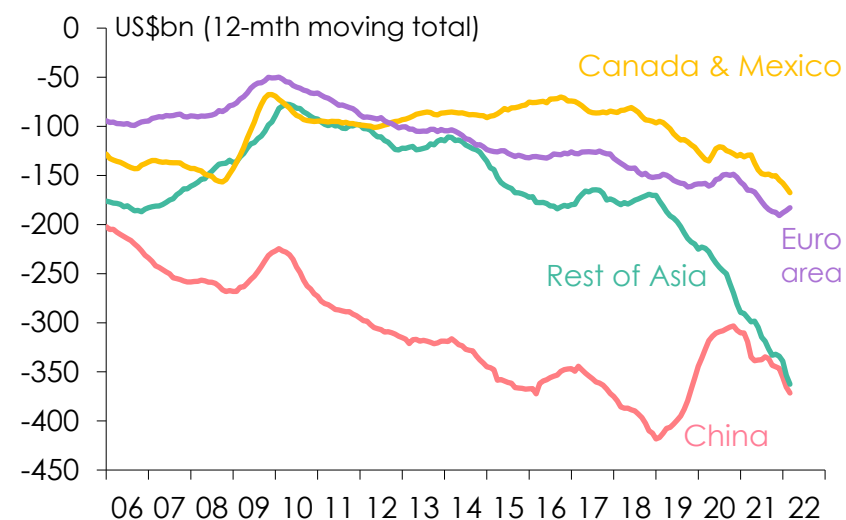
US services trade balance



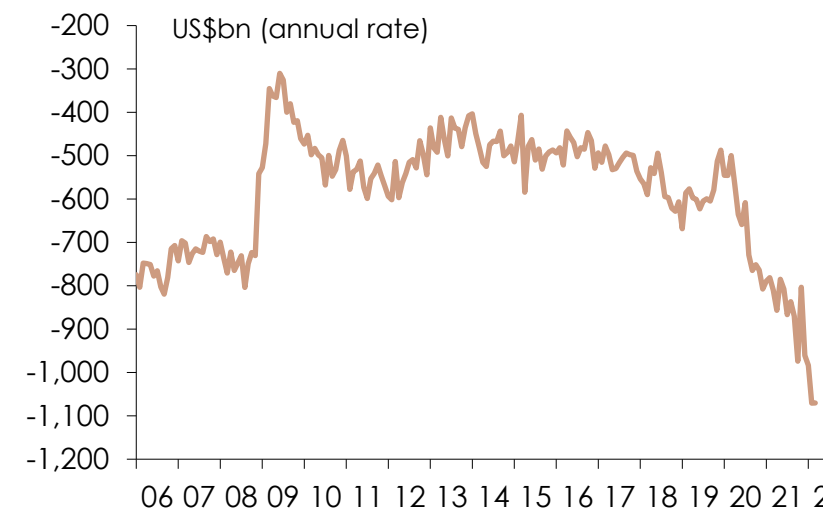
US merchandise trade prices



US bilateral goods trade balances



US goods & services trade balance

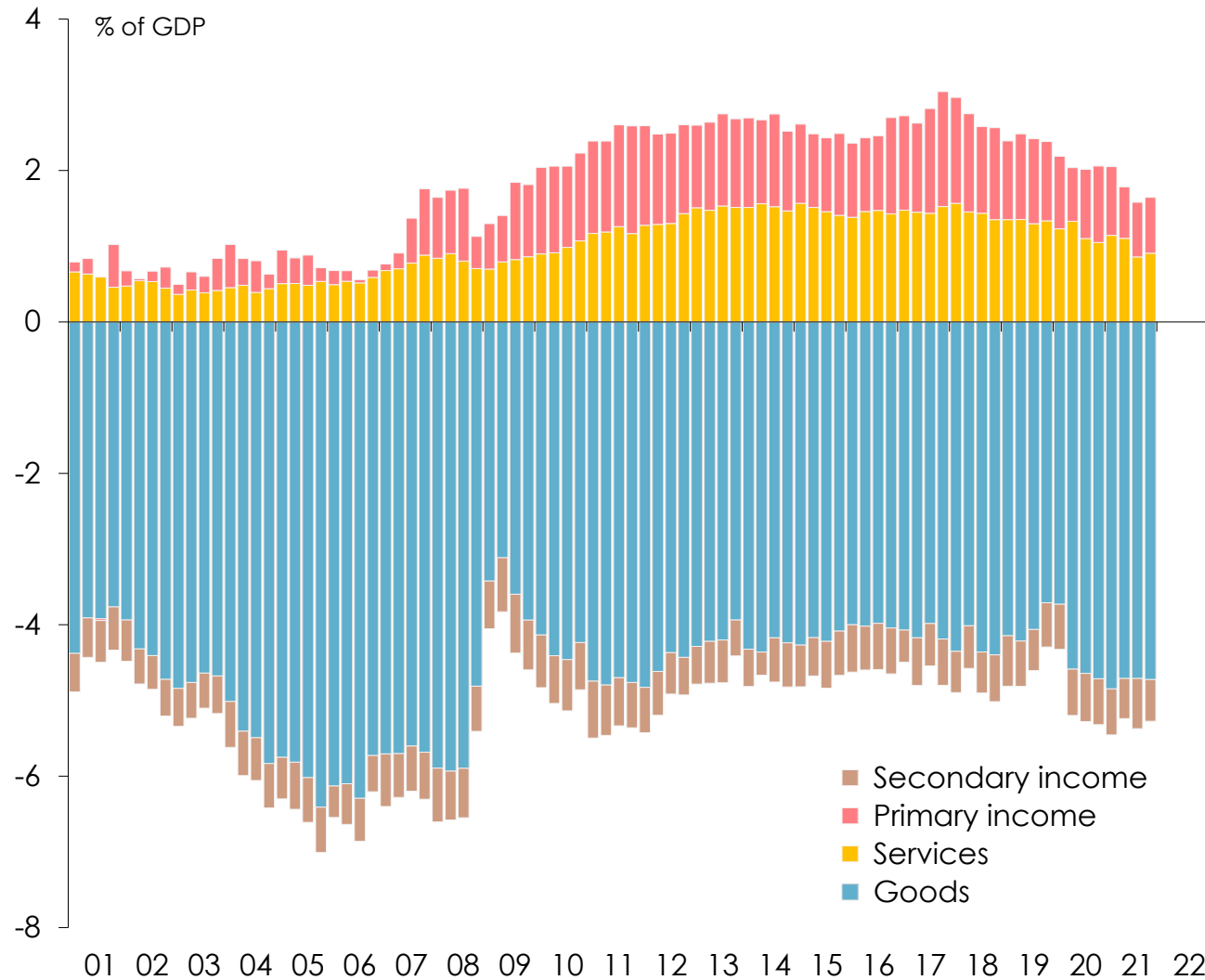


Source: US Census Bureau, [Foreign Trade](#); and US Bureau of Economic Analysis, [Advance Economic Indicators](#), and [U.S. International Trade in Goods and Services](#).
[Return to "What's New"](#).

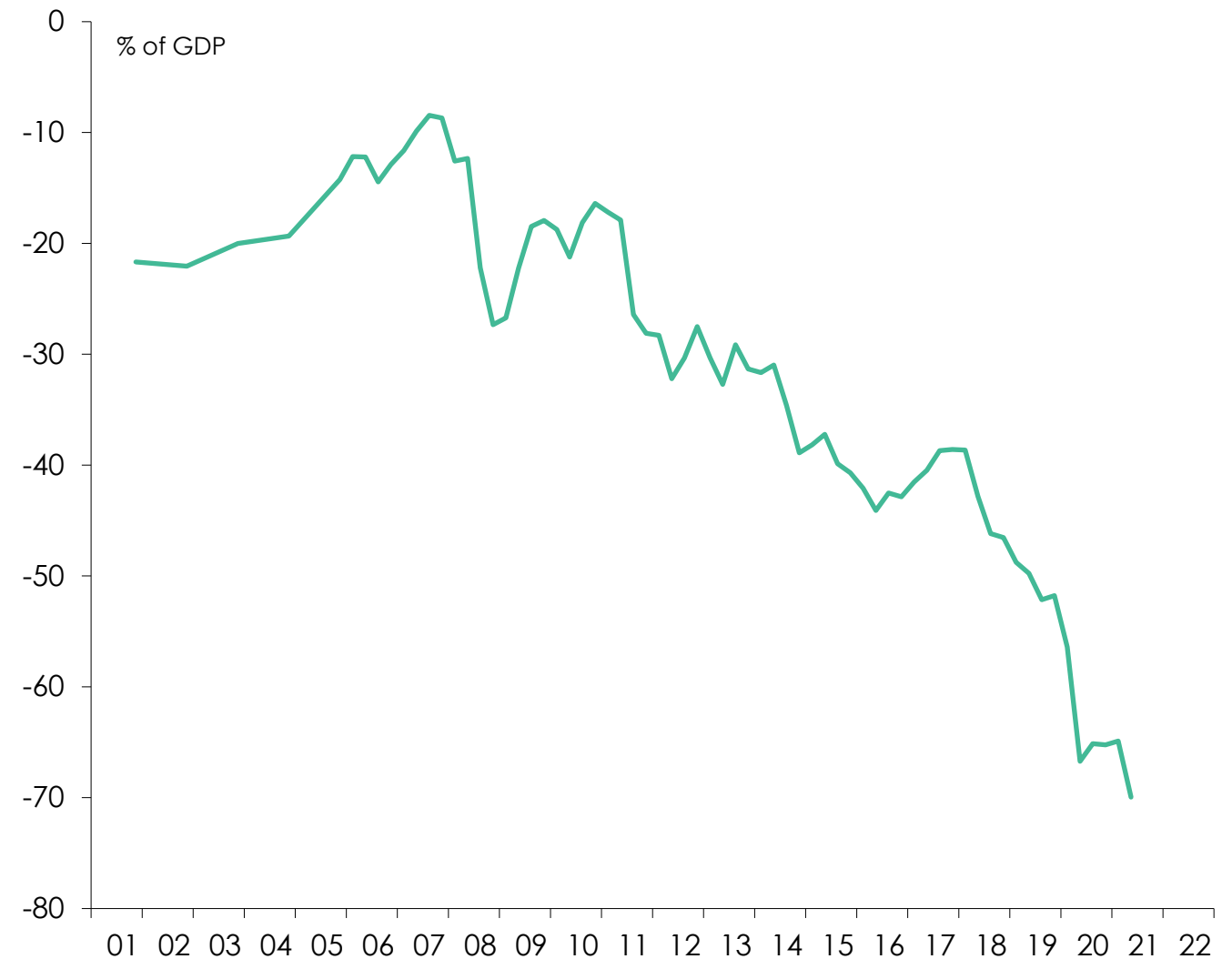
The US current account deficit narrowed slightly in Q4 2021, thanks to larger surpluses on trade in services and on investment income

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US current account balance



US net international investment position

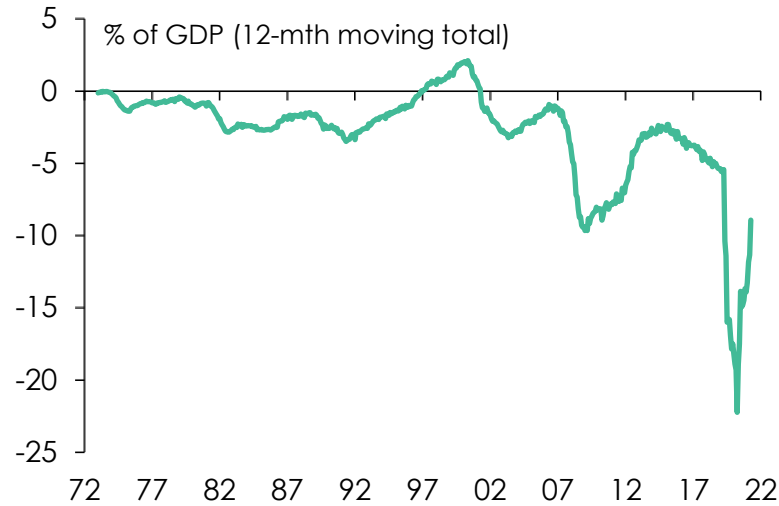


Note: 'Primary income' transactions are those involving investment income or compensation of employees. The US typically runs a surplus on investment income despite having a negative net international investment position since 1989, because US investors are able to derive much higher returns from their 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"](#).

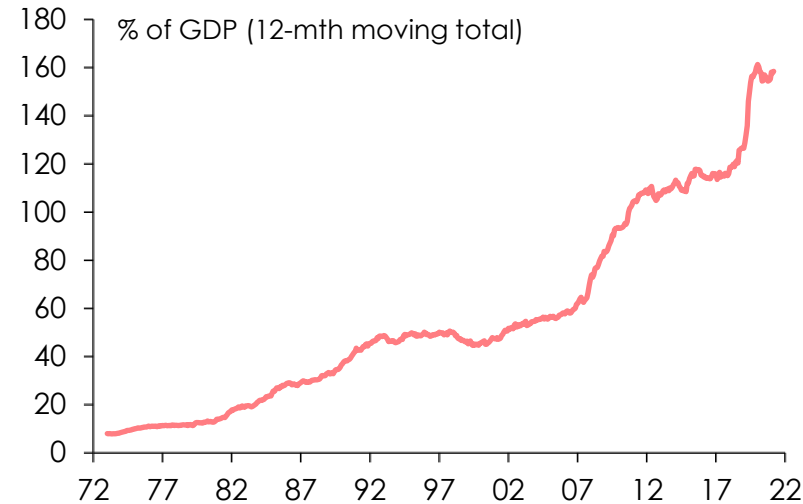
The US budget deficit is now starting to shrink rapidly (though it's still very large) as revenues rebound and outlays fall

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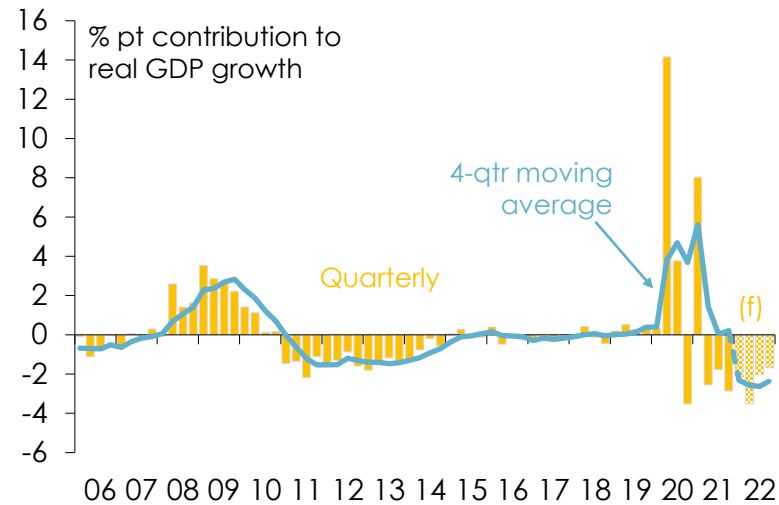
US Federal budget deficit



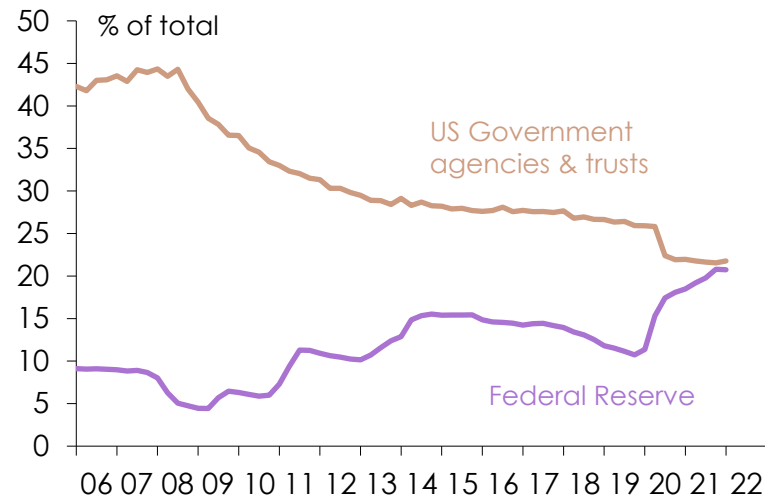
US gross Federal debt



Fiscal policy impact on GDP



Holdings of US Federal debt



- ❑ The US Federal Government incurred a budget deficit of US\$192.7bn in March – less than one third of the \$659.6bn deficit it recorded in March last year
- ❑ For the 12 months ended March the budget deficit totalled \$1.7 trn (8.9% of GDP), the smallest 12-month total since March 2020, and down from a peak of \$4.1 trn (22.2% of GDP) in the 12 months ended June 2021
- ❑ The Biden Administration's [Budget](#) for FY23 (which begins on 1st October) envisages the deficit falling from \$1.4trn or 5.8% of GDP in FY22 (cf. 15% of GDP in FY20 and 12.4% of GDP in FY21) to \$1.2trn or 4.5% of GDP in FY23, and remaining at 4.5%-4.8% of GDP through FY27 – although of course what eventually gets through Congress is likely to look very different
- ❑ 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

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 and other senior Fed officials have signalled that a 50bp rate increase at next month's FOMC meeting is more likely than not

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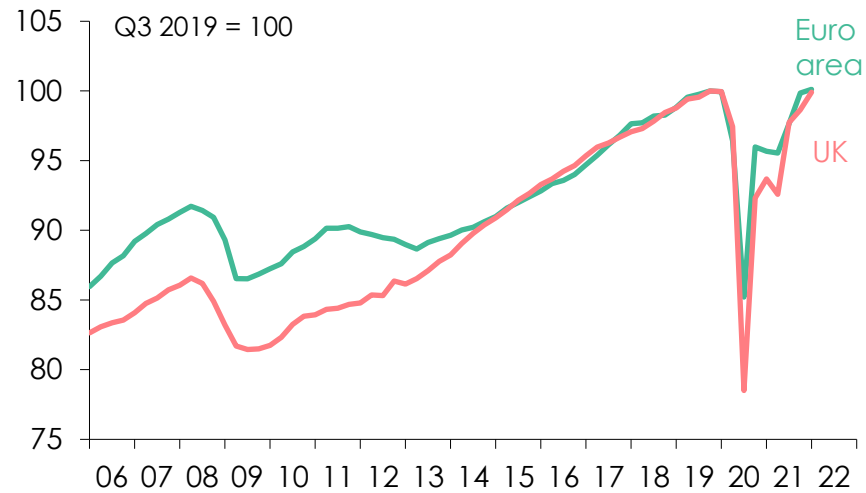
- ❑ **The Federal Reserve raised its fed funds rate target by 25 basis points, to 0.25-0.50%, at its Federal Open Market Committee meeting on 16th March**
 - in a very brief [post-meeting statement](#), the FOMC indicated that “ongoing increases in the target range will be appropriate”, and that the 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%
- ❑ **The [minutes](#) of that meeting provide more detail of the Fed’s plans to shrink its balance sheet**
 - “participants agreed”, the minutes record, to “a faster pace of decline in securities holdings than over the 2017-19 period”, with holdings of Treasury and agency mortgage-backed securities likely to be reduced (by not re-investing maturing principal payments) by up to \$60bn and \$35bn per month, respectively – intentionally, “a faster pace of decline in securities holdings than over the 2017-19 period” (when the Fed last sought to shrink its balance sheet)
 - they also agreed that “after balance sheet run-off was well under way”, a program of active agency MBS sales would be considered “to enable suitable progress to be made towards a longer-run portfolio comprised primarily of Treasury securities”
- ❑ **Fed Chair Jerome Powell last week [strongly hinted](#) that the Fed would raise its funds rate target by 50 basis points (the first increase of that magnitude since 2000) at its 3rd-4th May FOMC meeting**
 - speaking at the IMF-World Bank annual ‘Spring meeting’ Powell said “it is appropriate in my view to be moving a little more quickly” than the Fed has done in the recent past, and that “fifty basis points will be on the table for the May meeting”
 - Powell’s remarks follow a [similar suggestion](#) the previous week by NY Fed President (and FOMC Vice-Chair) John Williams, describing a 50bp increase as a “very reasonable option” which would “not send the economy into recession or cause pain”
 - St Louis Fed President James Bullard, one of the FOMC’s most hawkish members (who wanted a 50bp hike at the March meeting) last week [said](#) a 75 basis point increase “could be an option if needed”

Europe

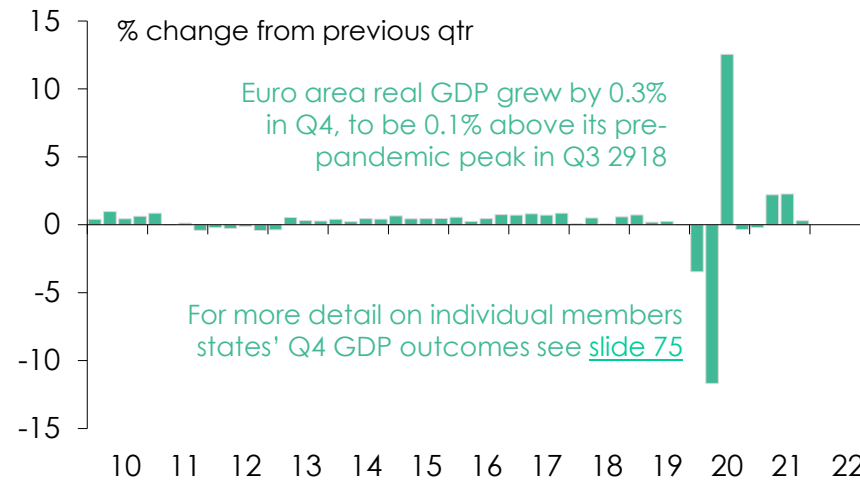
Euro area real GDP was 0.1% above its pre-pandemic peak in Q4 2021, whereas UK real GDP was still 0.1% below its pre-pandemic peak

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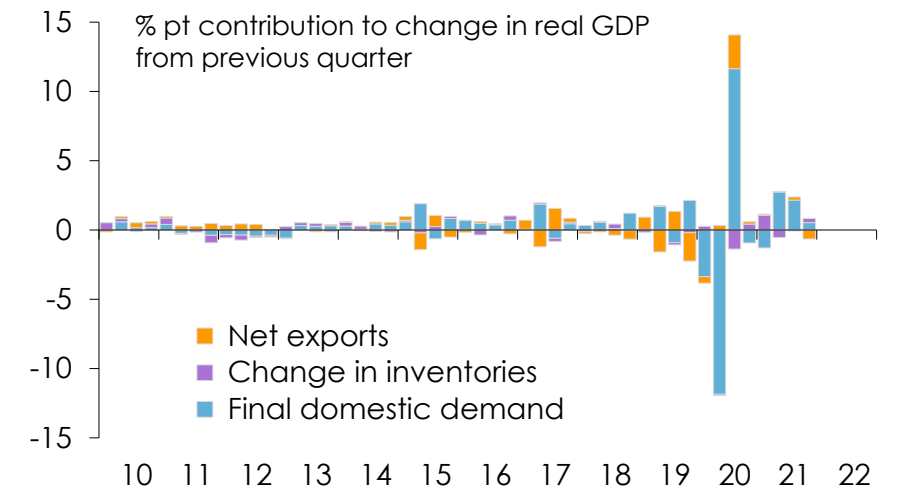
Euro area and UK real GDP



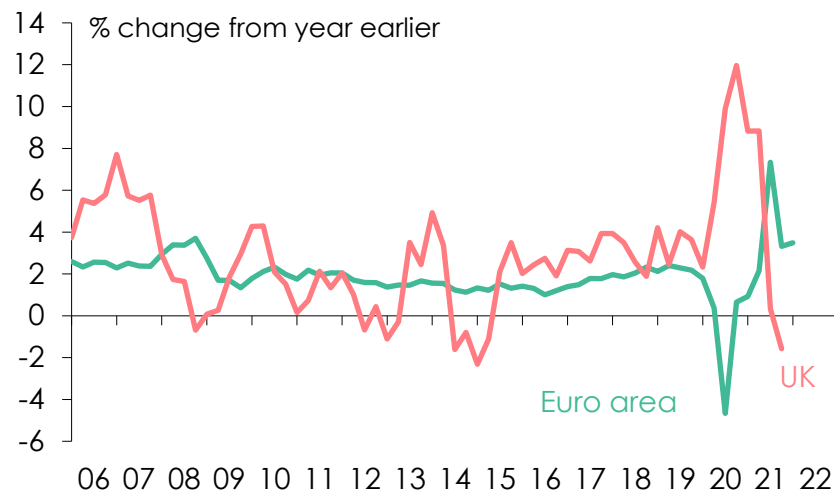
Euro area quarterly GDP growth



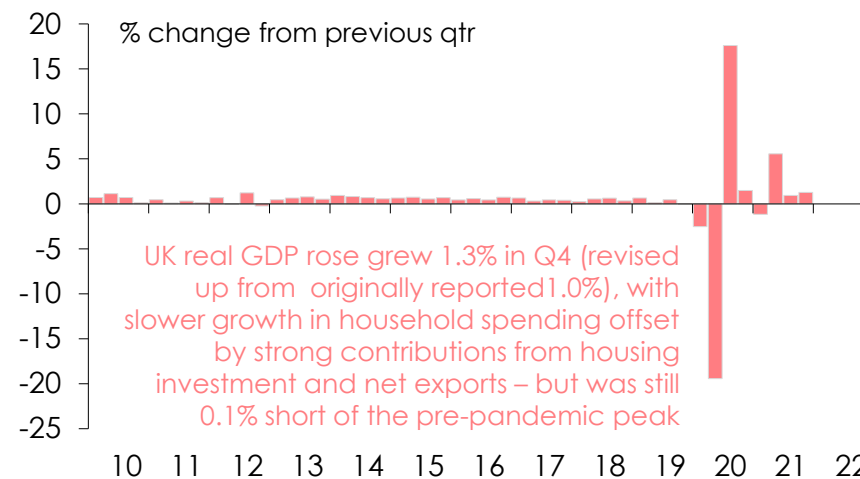
Contributions to quarterly EA GDP



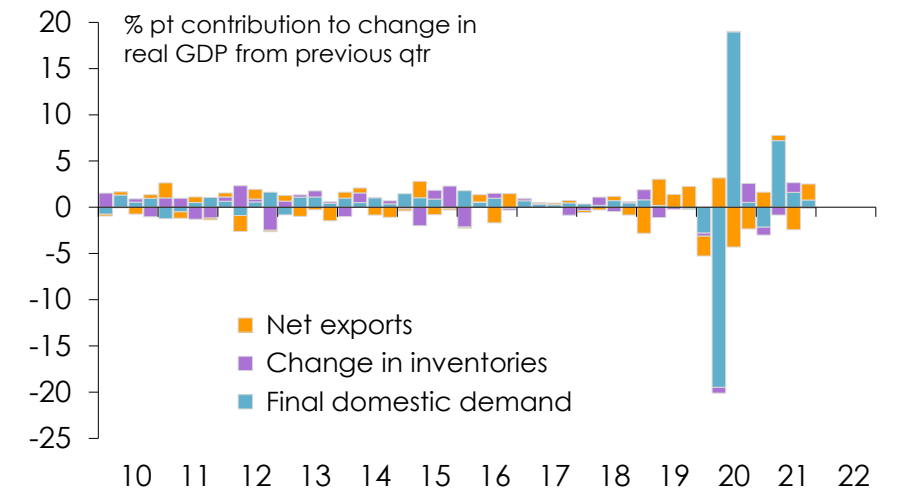
Euro area and UK terms of trade



UK quarterly GDP growth



Contributions to quarterly UK GDP

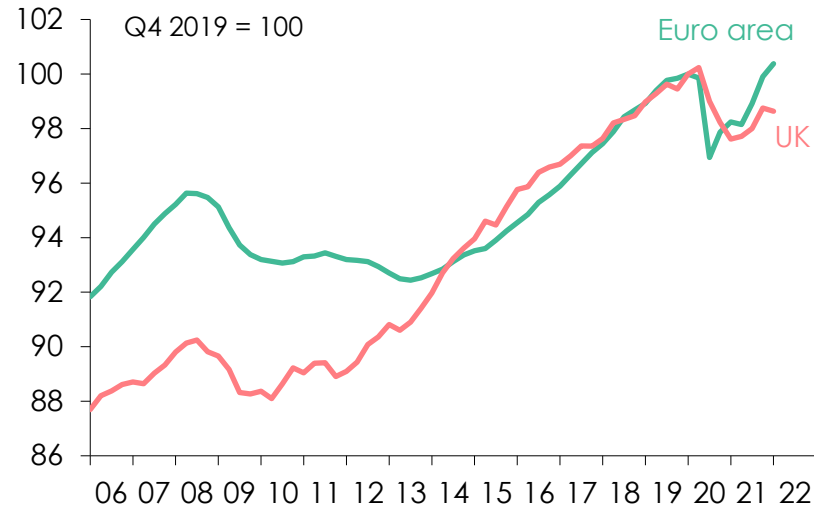


Note: the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded with the rest of the world. Sources: Eurostat,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

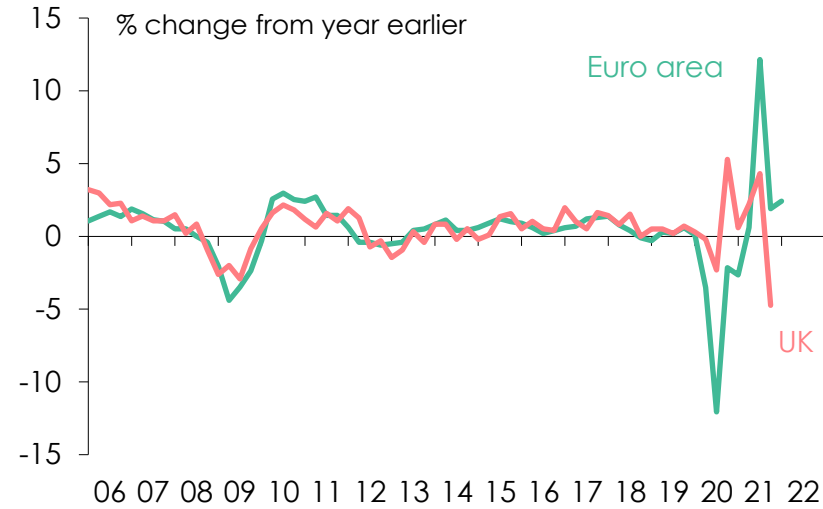
Unemployment is much lower in the UK than in the euro area, but in other respects euro area households are in a stronger position

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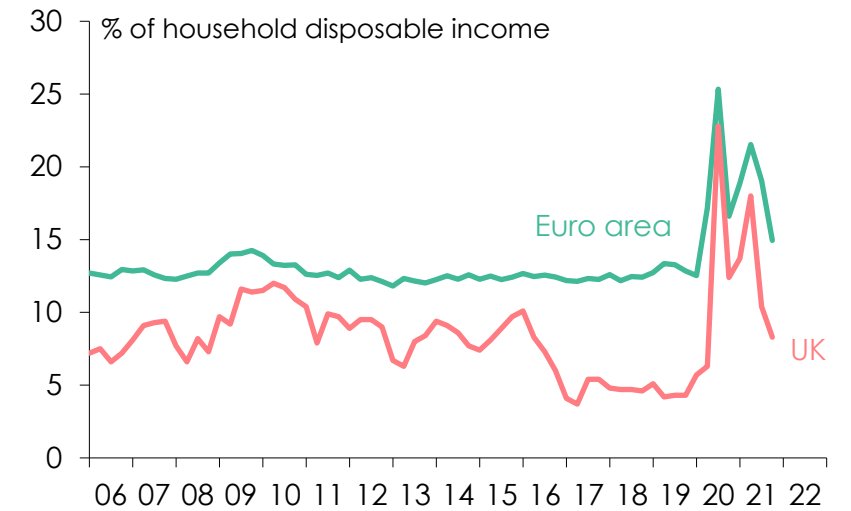
Employment



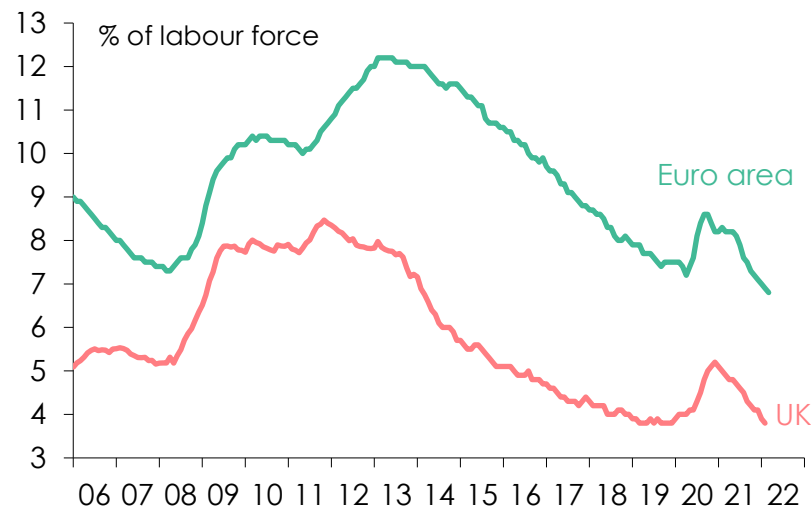
Labour productivity



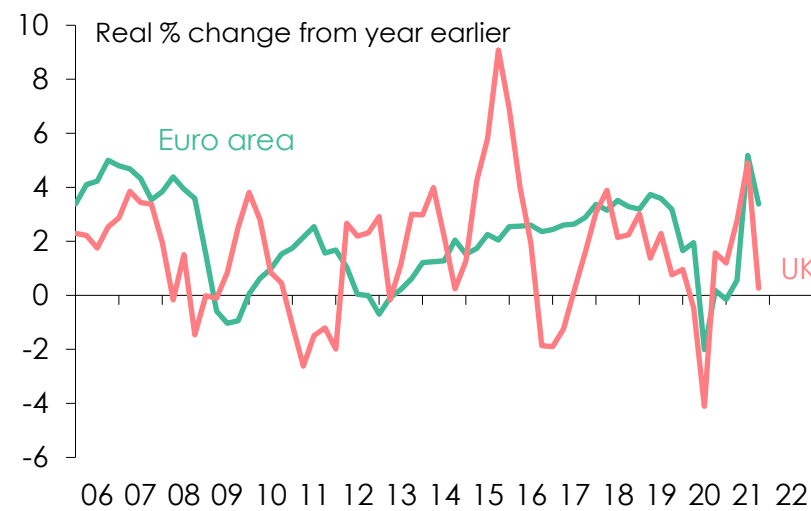
Household saving rates



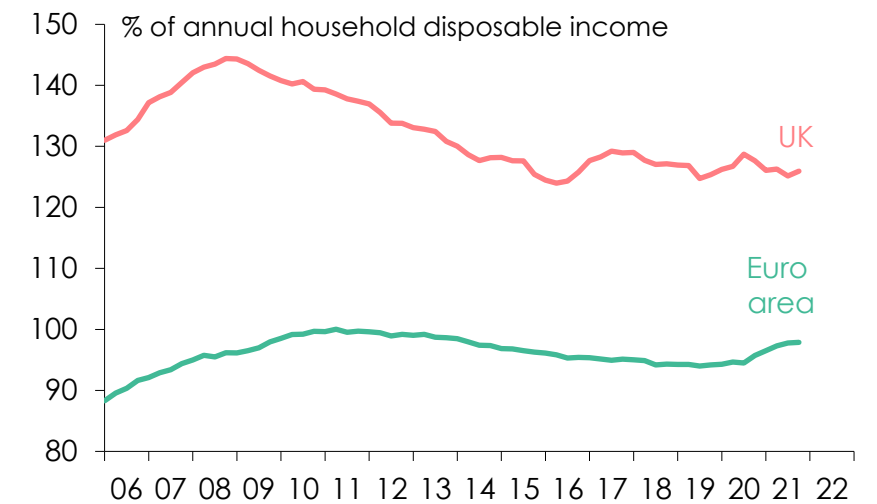
Unemployment rates



Household disposable income



Household debt

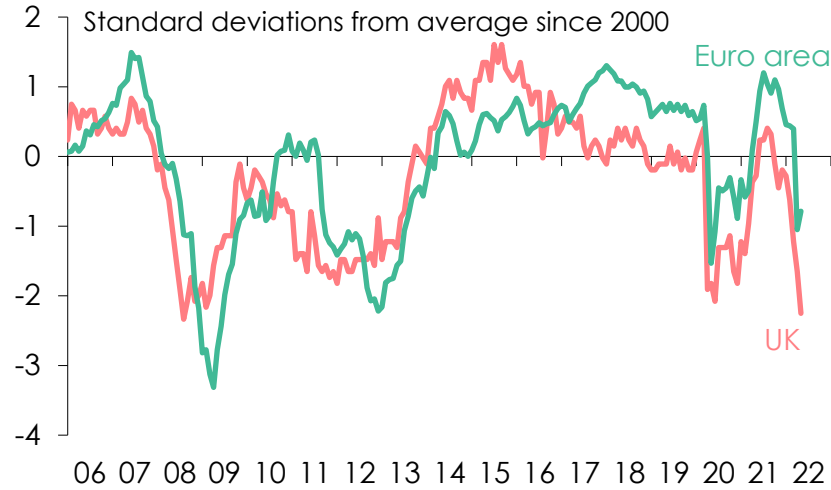


Sources: Eurostat, [Employment and unemployment \(Labour force survey\)](#), [Household saving rate](#) and [Labour productivity and unit labour costs](#); UK Office for National Statistics, [Employment in the UK](#), [Unemployment rate](#) (note, UK unemployment data are shown as a three-month moving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

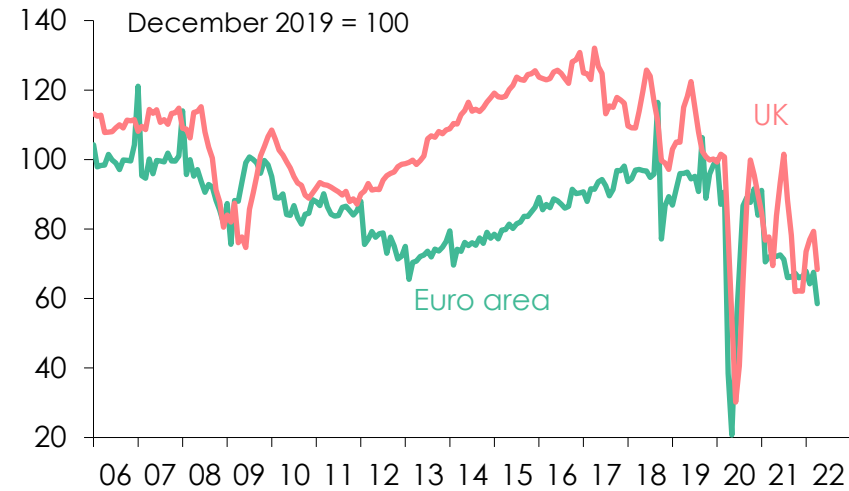
Consumer confidence in the euro area improved a little in April after a big fall in March, but worsened further in the UK to its lowest since July 2008

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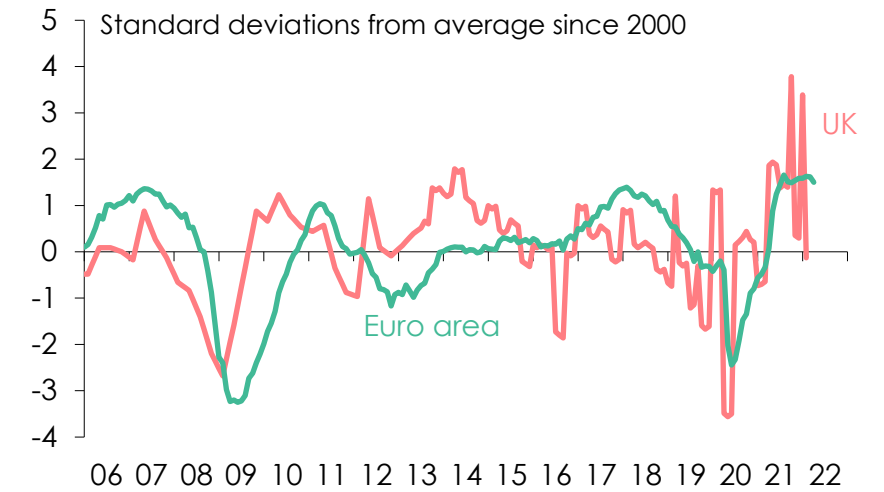
Consumer confidence



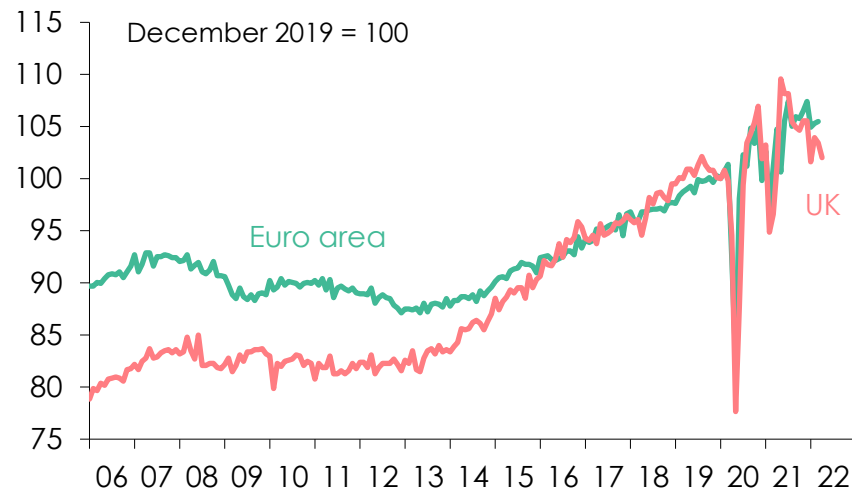
New car registrations



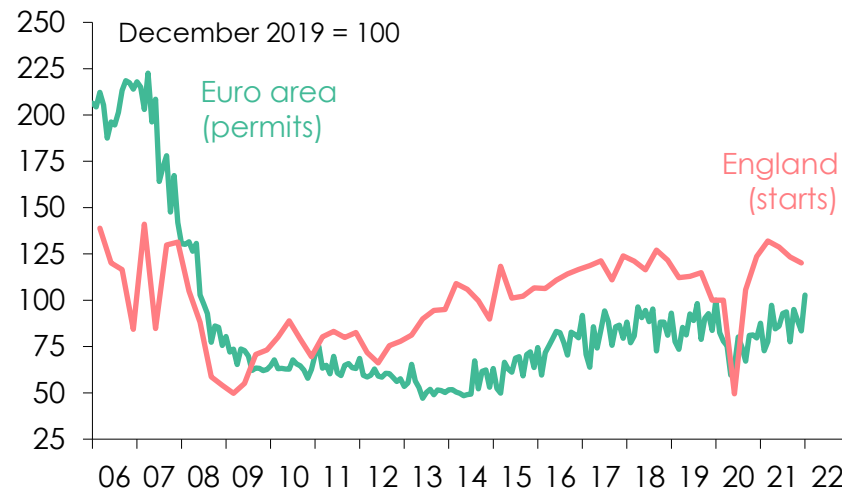
Business confidence



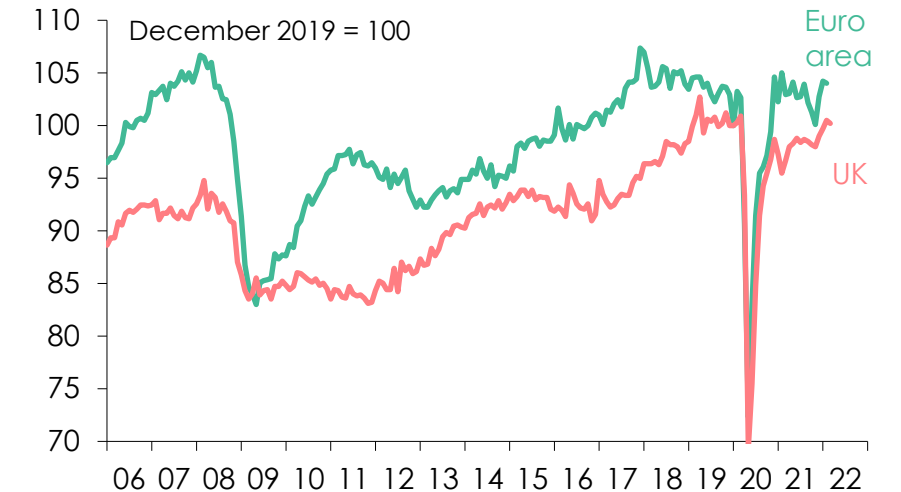
Retail sales volume



Housing activity



Manufacturing production

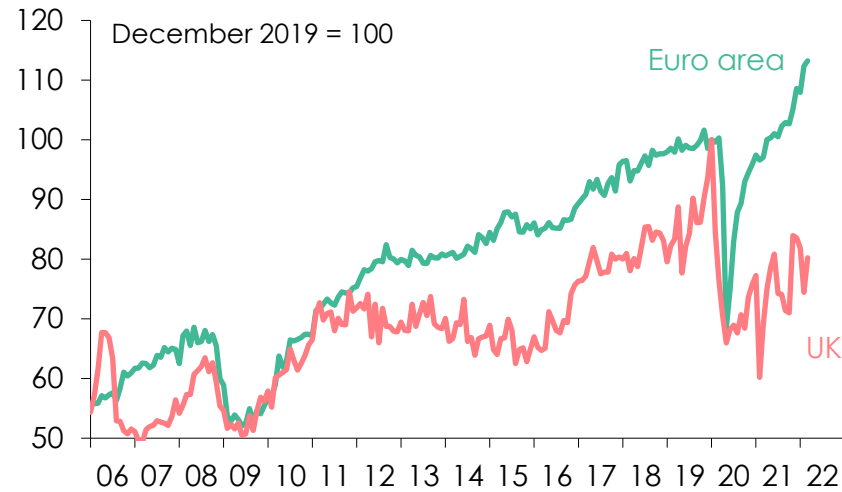


Sources: European Commission, [Business and consumer surveys](#); GfK, [Consumer confidence barometer](#); Confederation of British Industry, [Industrial Trends Survey](#); Eurostat, [Turnover and volume of sales in wholesale and retail trade](#), [New registrations of passenger cars](#), [Building permits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

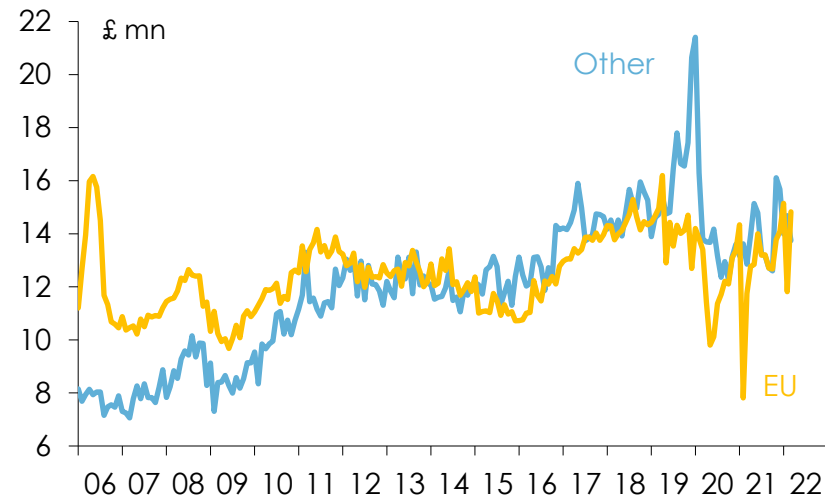
'Brexit' has not been a boon for the UK's trade performance, with the UK recording a record monthly trade deficit of £26½bn in January

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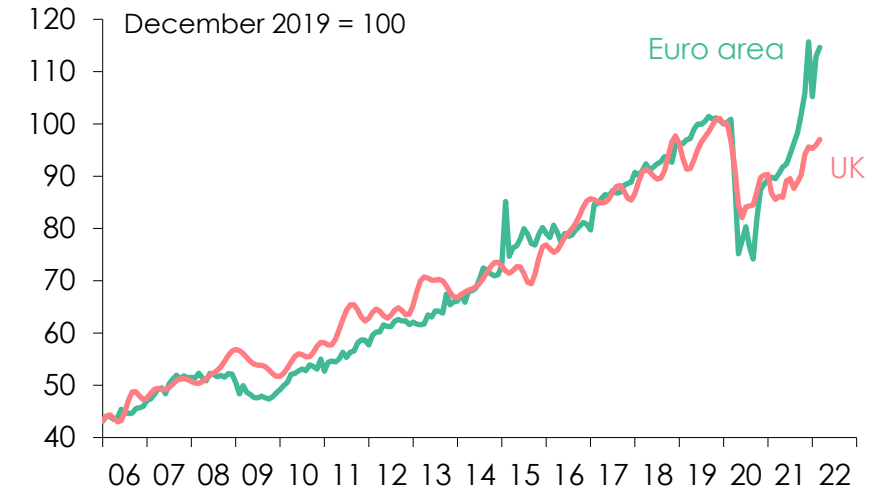
Merchandise exports



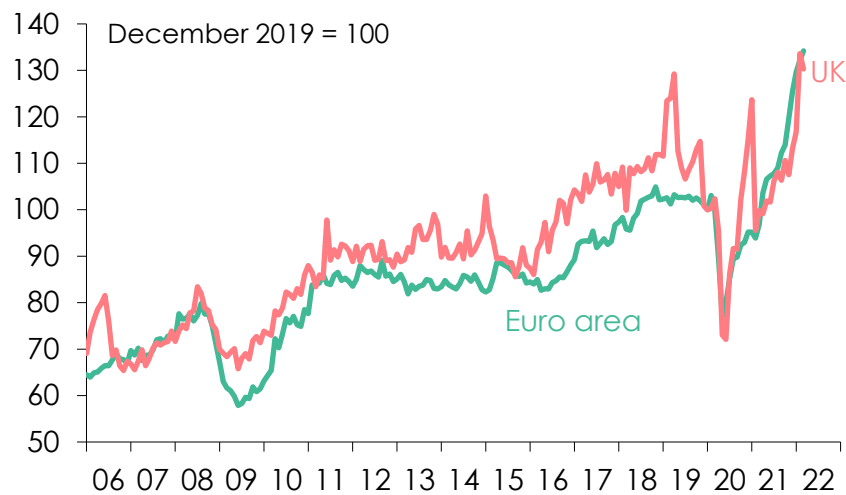
UK exports by destination



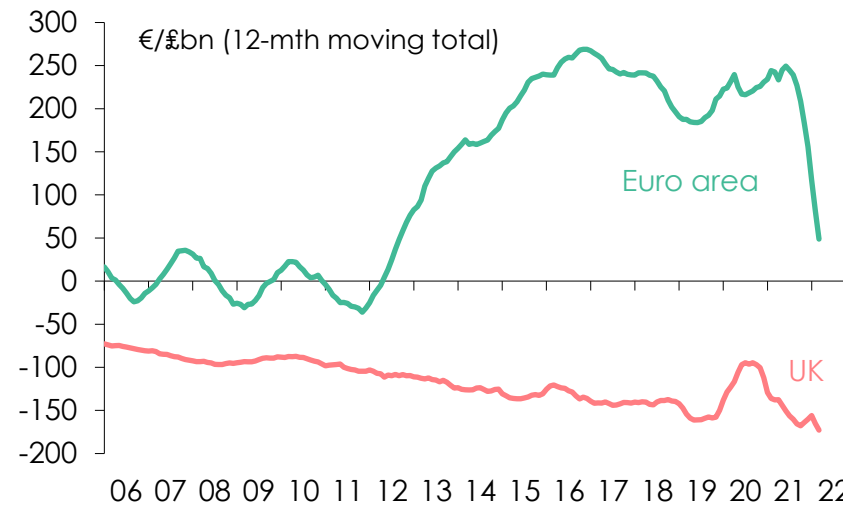
Services exports



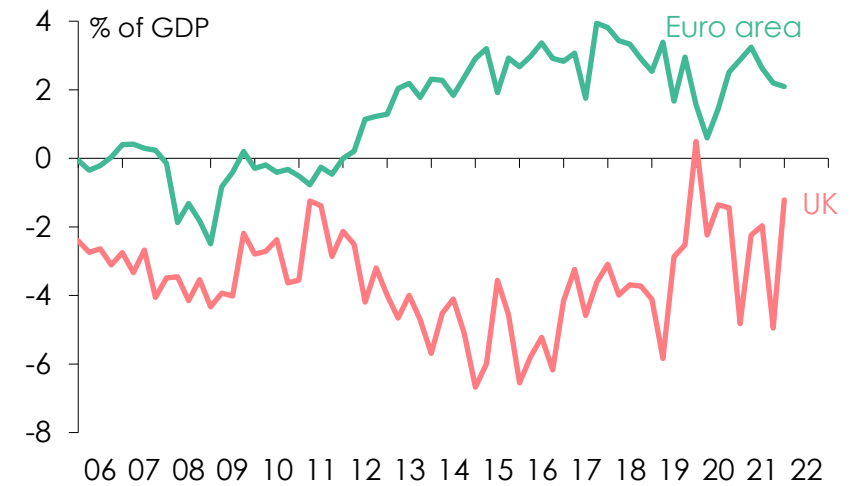
Merchandise imports



Merchandise trade balances



Current account balance

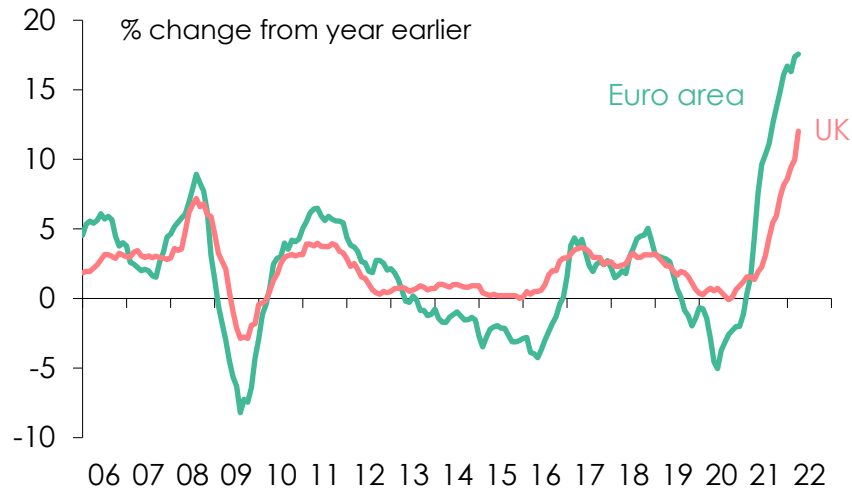


Sources: European Central Bank, Statistical Data Warehouse, [External Trade](#), [Balance of Payments and International Investment Position - Services](#), and [Balance of Payments and International Investment Position - Current Account](#); UK Office for National Statistics, [UK Trade](#) and [BoP Current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

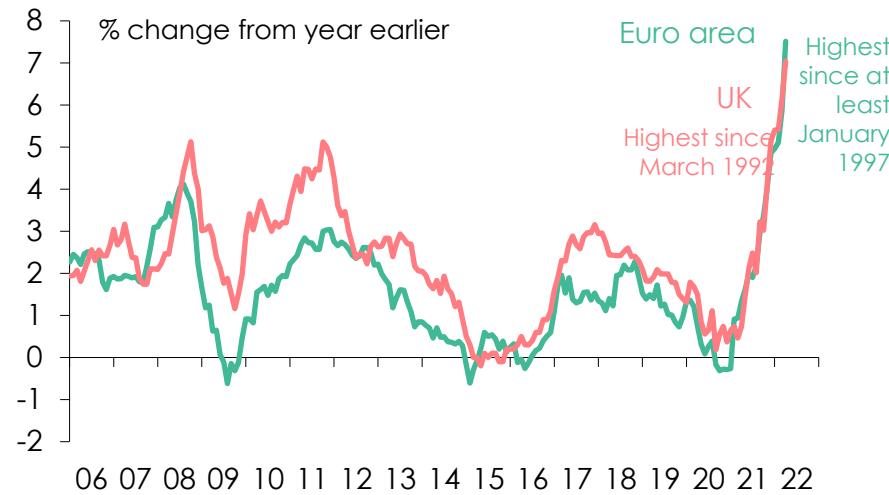
UK 'headline' and 'core' inflation rose to 7.0% and 5.7%, respectively, in March, in each case the highest in 30 years

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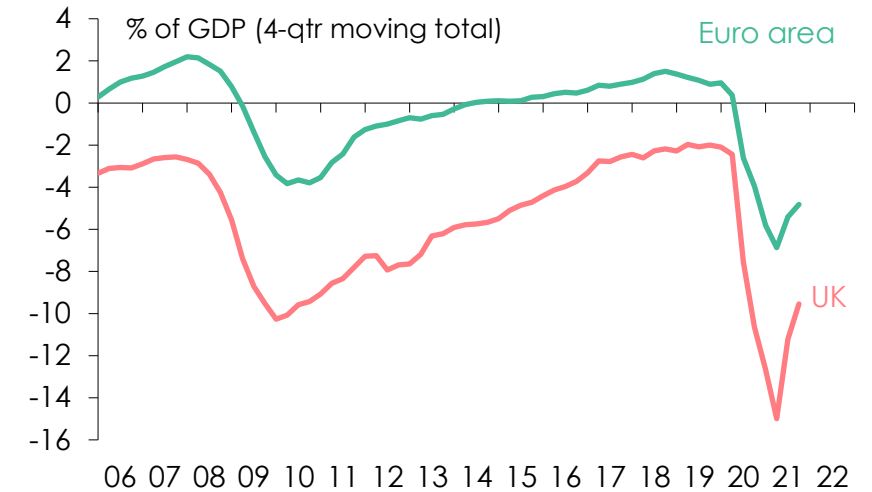
Producer prices



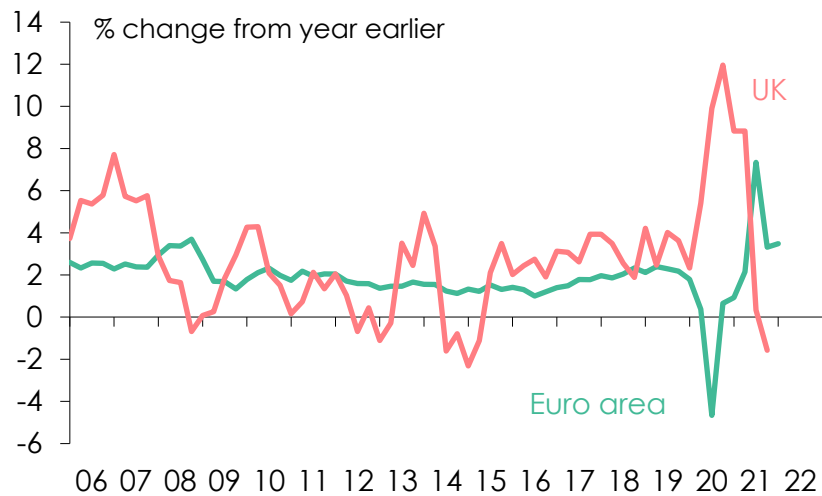
'Headline' consumer prices



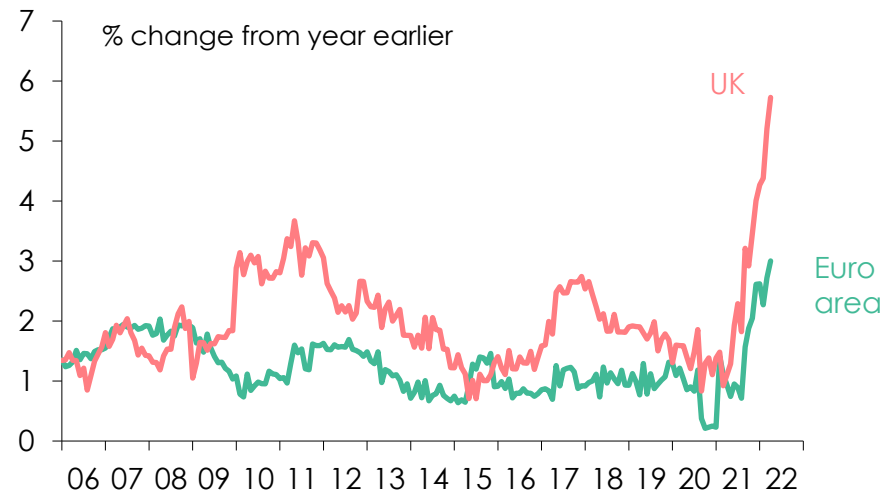
Government fiscal balance



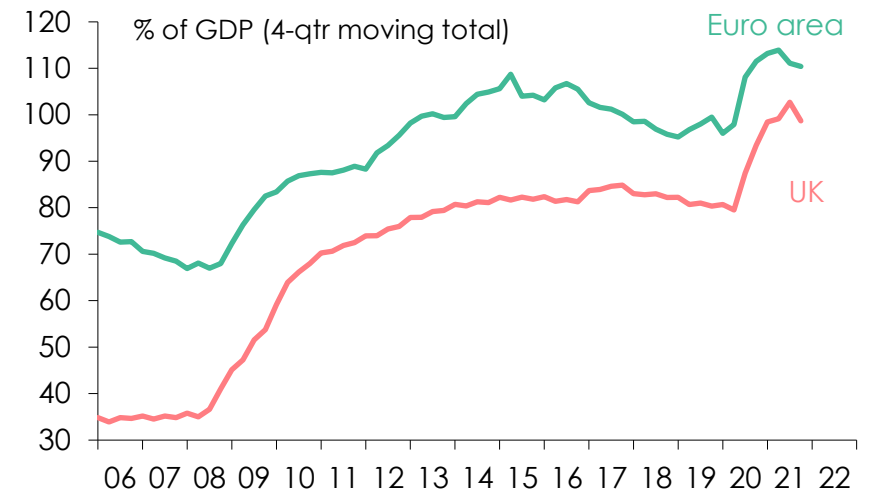
Labour costs



'Core' consumer prices



Government net debt

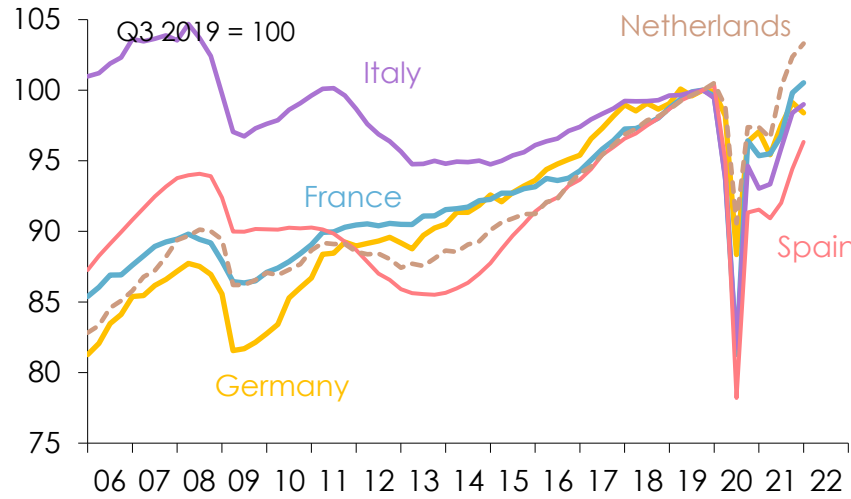


Note: Consumer price indices for the euro area and UK are 'harmonized' indices which exclude owner-occupied housing costs. Sources: Eurostat, [Producer prices in industry](#), [Compensation per employee and hours worked per employed person](#), [Consumer price index](#), and [Government finance statistics 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"](#).

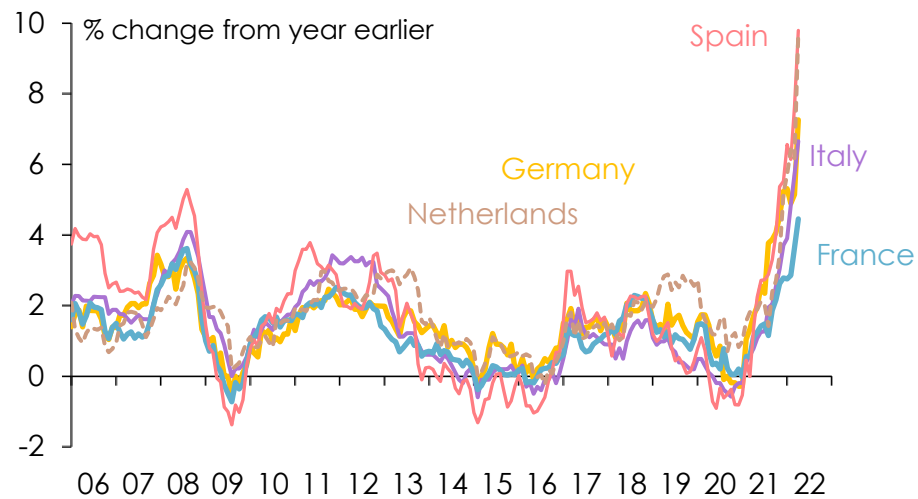
Germany's economy shrank 0.7% in Q4, while France's grew 0.7% (to surpass its pre-pandemic peak) and Spain's by 2.0%

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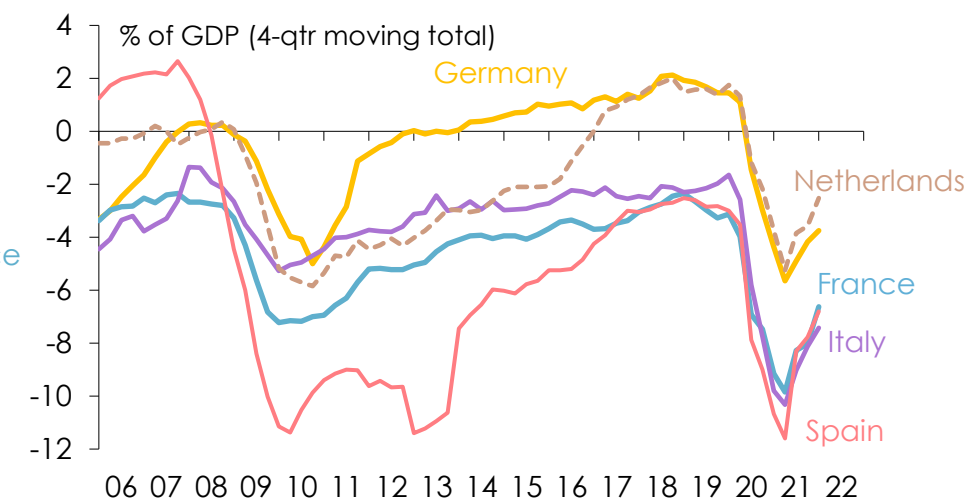
Real GDP



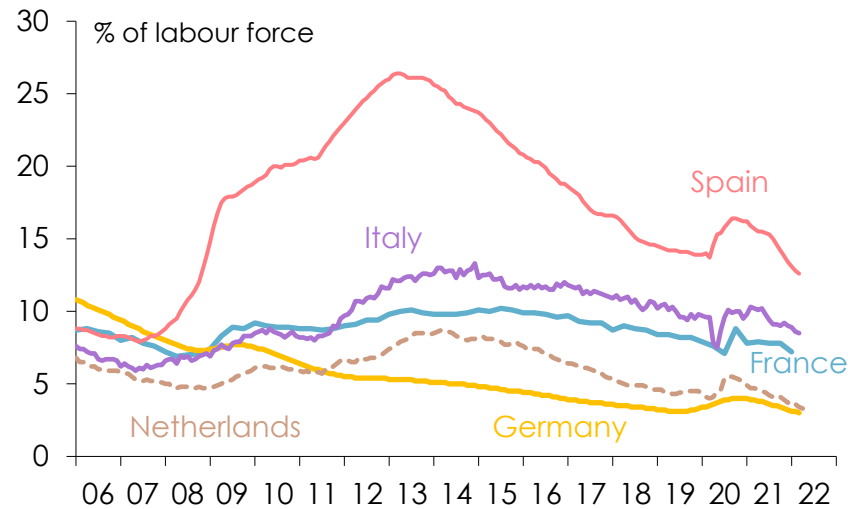
Inflation



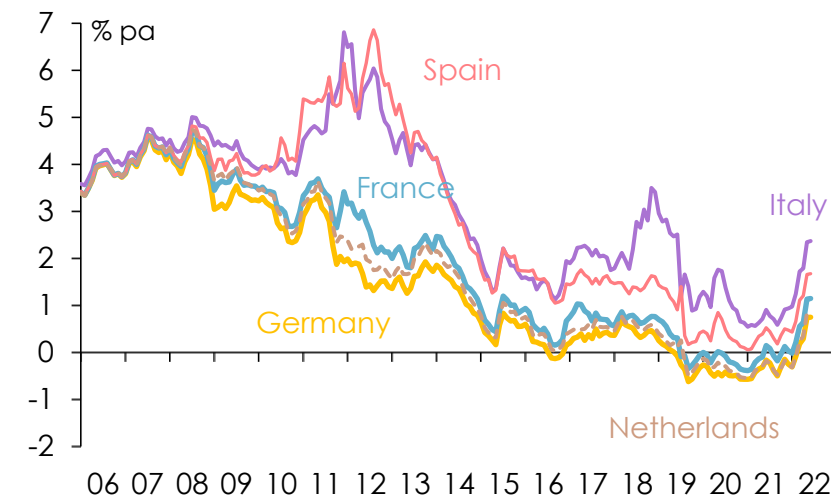
Government net lending



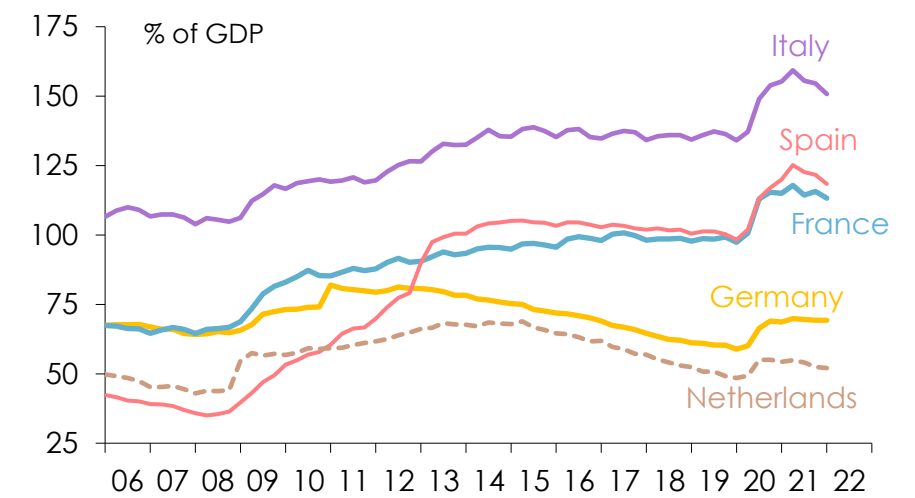
Unemployment



10-year bond yields



Government gross debt

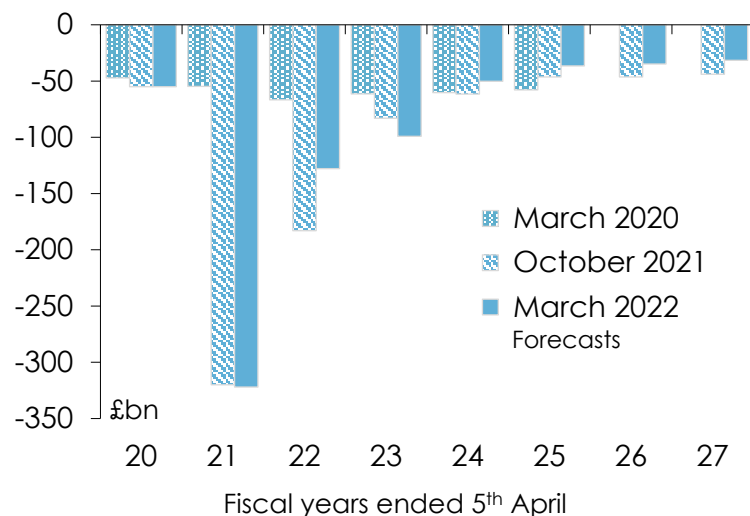


Sources: Eurostat, [National accounts - Main tables](#), [Employment and unemployment \(Labour force survey\)](#), [HICP - all items](#), [Quarterly non-financial accounts for general government](#) and [Quarterly government debt](#); Refinitiv Datastream. [Return to "What's New"](#).

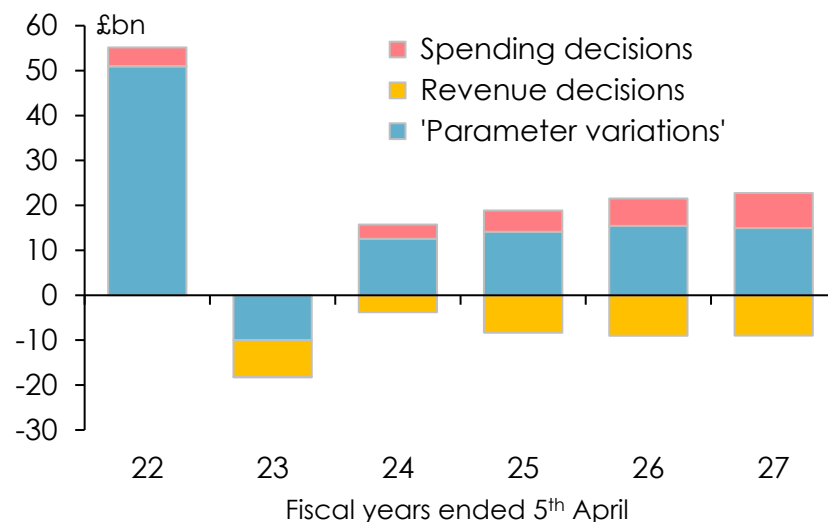
The 2022 UK 'Spring Budget' directs windfall revenue gains partly to tax relief for households and partly towards smaller budget deficits

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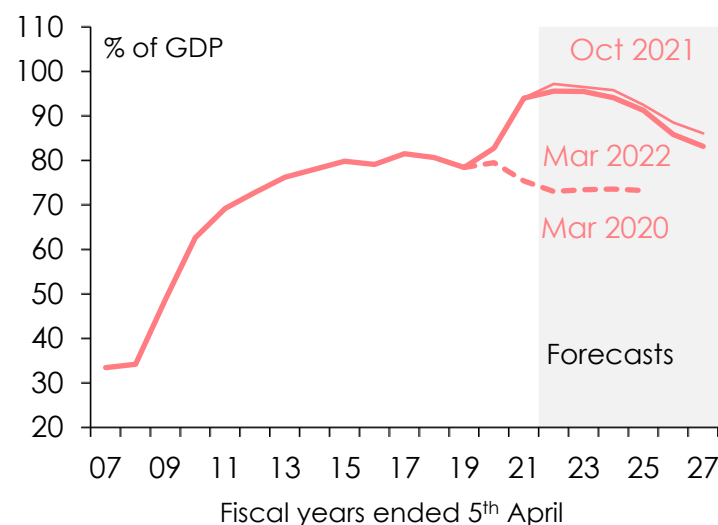
Public sector net borrowing



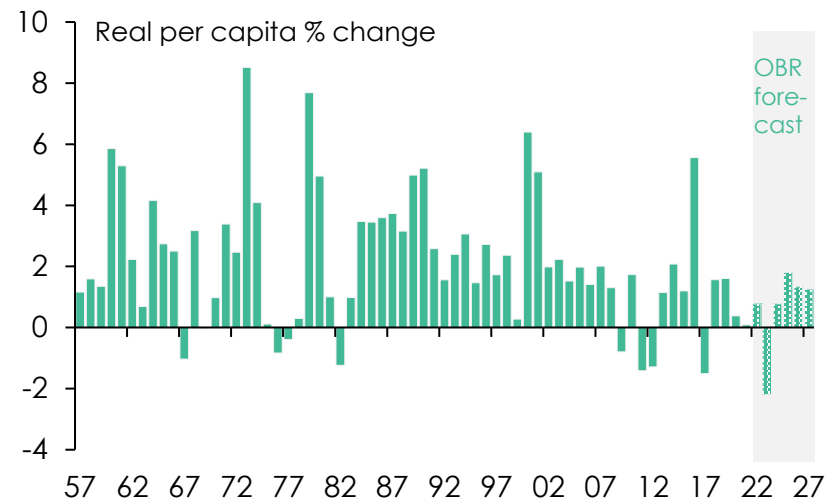
Sources of change in PSNB



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 ECB again left its policy settings unchanged this month, and signalled a very different approach to tightening from that of the Fed and the BoE

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

- ❑ The **European Central Bank** left its policy interest rates unchanged at its Governing Council meeting on 14th April, and re-affirmed its intention to ‘taper’ purchases under its long-standing Asset Purchase Program with a view to terminating them during Q3 (with the ‘calibration’ of asset purchases during Q3 being “data dependent” and reflecting the Governing Council’s “evolving assessment of the outlook”)
 - it also **indicated** that it will continue to reinvest maturing principal payments from bonds purchased under its now-ended Pandemic Emergency Purchase Program until “at least the end of 2024”, and those from bonds purchased under its APP “for an extended period of time past the date when it starts raising key ECB interest rates”
 - in other words, unlike the Fed, BOE & BoC, the ECB is not planning to undertake any ‘quantitative tightening’ any time soon
- ❑ **Explaining** its thinking, ECB President Christine Lagarde said that “downside risks to the growth outlook have increased substantially as a result of the war in Ukraine”, suggesting that “the war may have an even stronger effect on economic sentiment and could further worsen supply-side constraints”, and that higher energy costs combined with a loss of confidence “could drag down demand and restrain consumption and investment more than expected”
- ❑ She acknowledged that “upside risks surrounding the inflation outlook have also intensified, especially in the near term” but also argued that “if demand were to weaken over the medium term, it would lower pressure on prices”
- ❑ Mme Lagarde re-affirmed that the ECB wouldn’t start raising interest rates until “some time after” it had concluded net asset purchases, and that “some time after” could mean “anywhere between a week to several months”
 - and re-iterated (several times) the importance the ECB attaches to “optionality, gradualism and flexibility”
- ❑ Speaking at the IMF-World Bank ‘Spring meetings’ last week, Mme Lagarde **again stressed** differences between the euro area and the US, saying “our economies are moving at a different pace” and “our inflation is fed by different components”

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

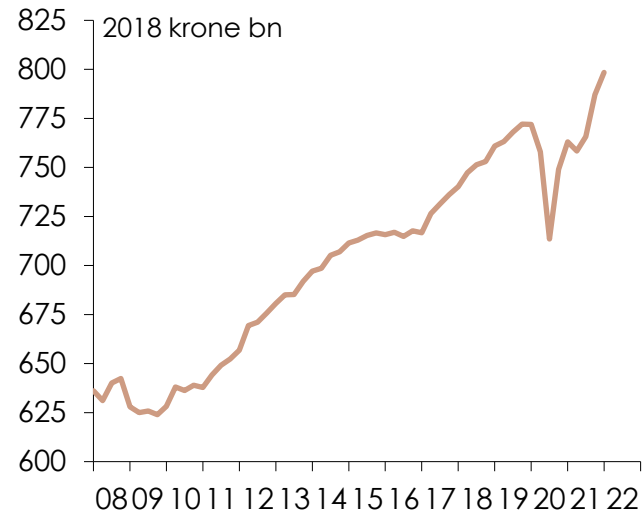
THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

- ❑ 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

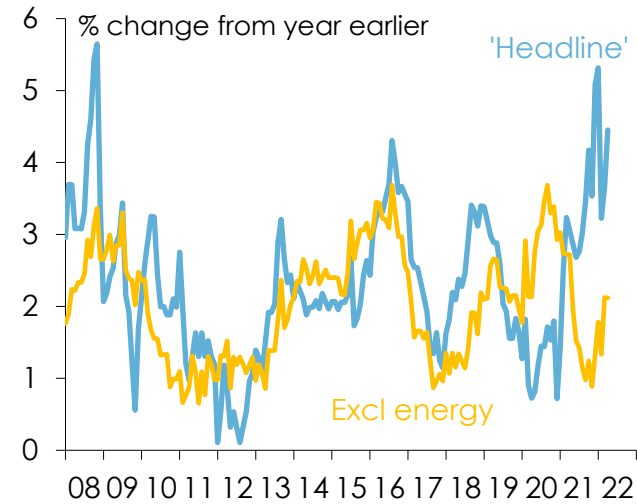
Norway's central bank raised its policy rate another 25 bp last month, for the third time since last October, and foreshadowed another rise in June

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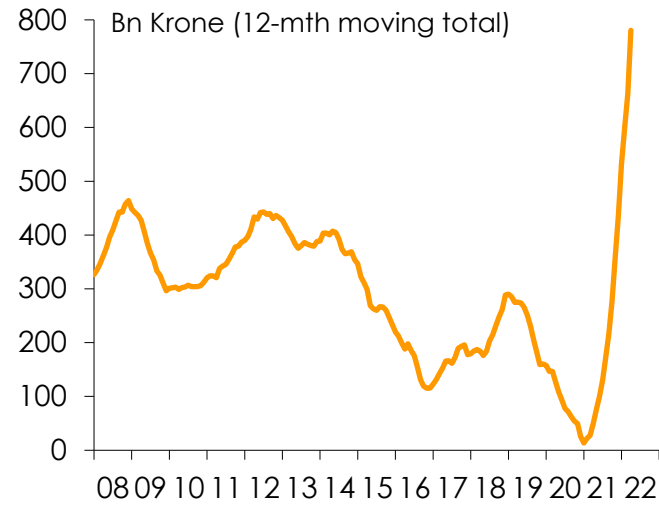
'Mainland' real GDP



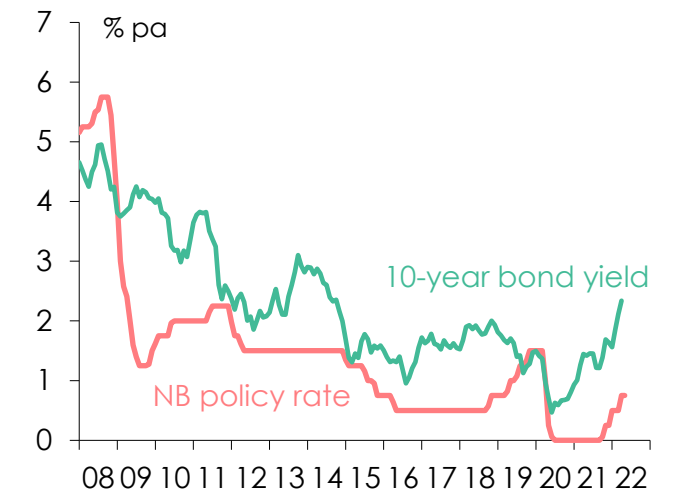
Inflation



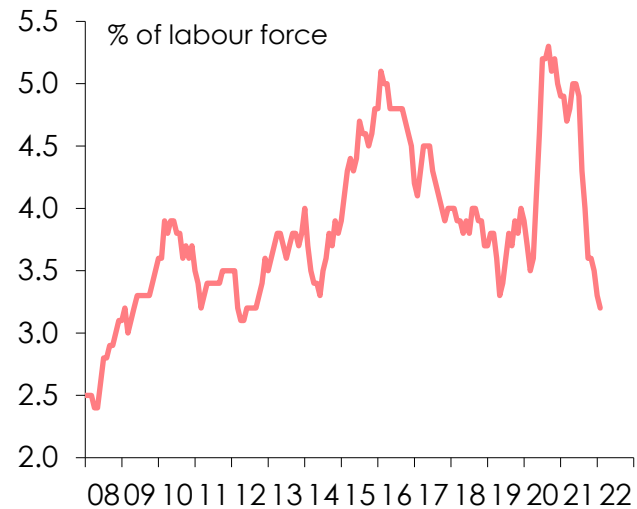
Trade balance



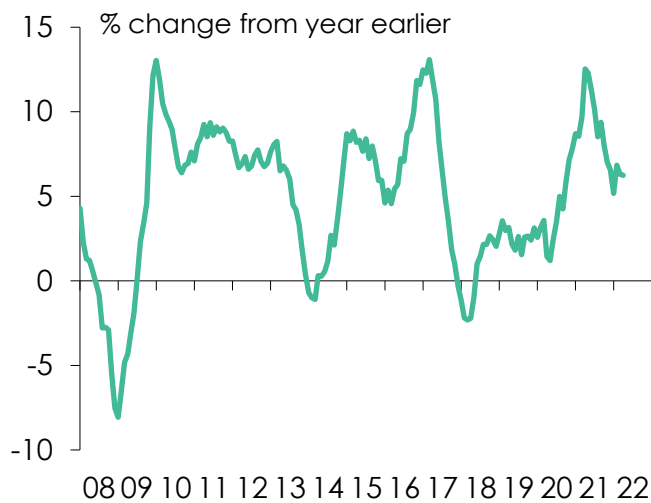
Interest rates



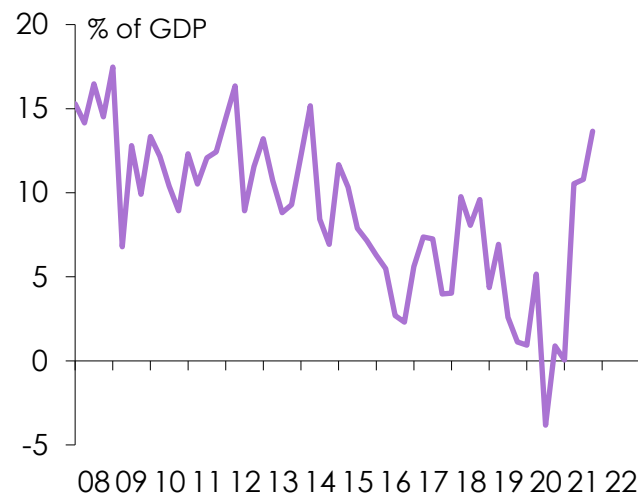
Unemployment



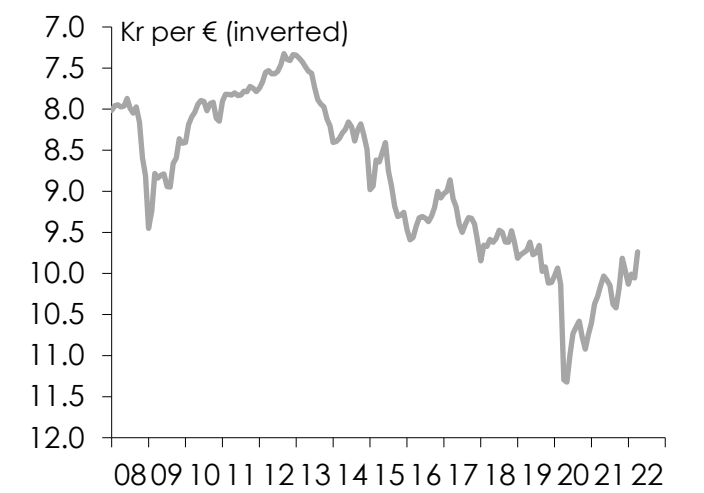
House prices



Current account balance



Krone vs euro

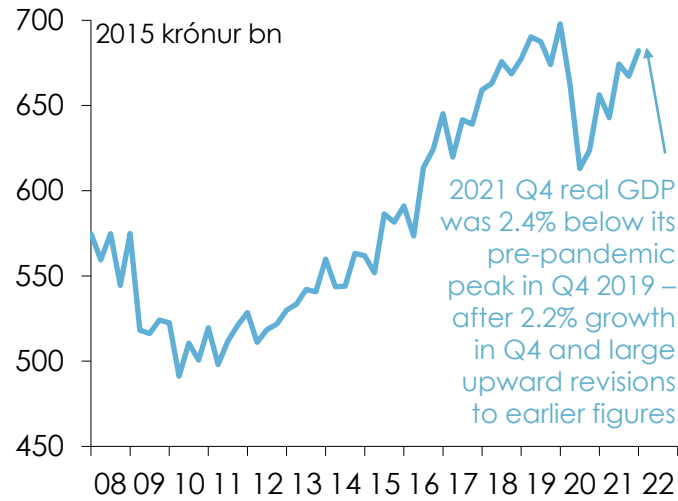


Note: 'mainland' GDP means excluding Norway's oil and gas industry which is entirely located offshore. Sources: [Statistisk sentralbyrå](#); [Norges Bank](#); Refinitiv Datastream.
[Return to "What's New"](#).

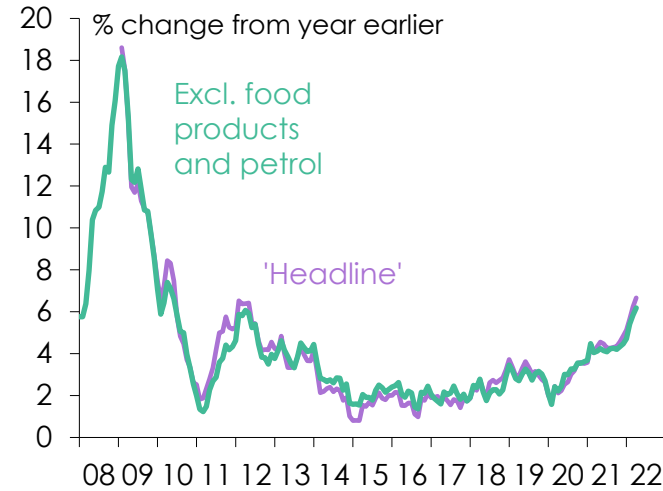
Iceland's central bank raised its policy rates another 75 bp in February, the fifth increase since last May, following a 'marked deterioration' in inflation

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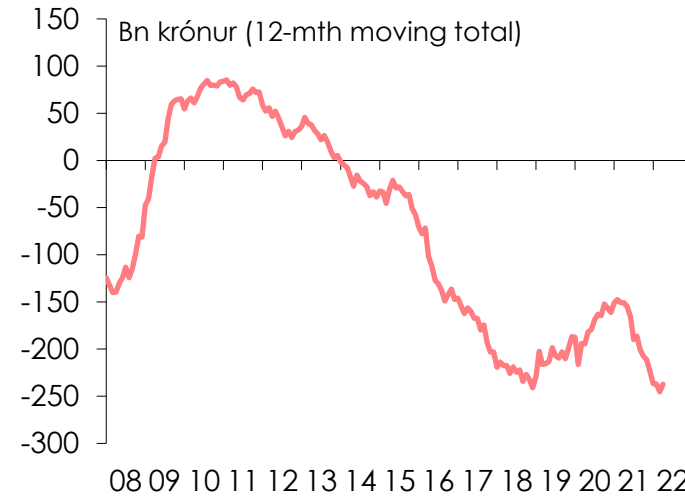
Real GDP



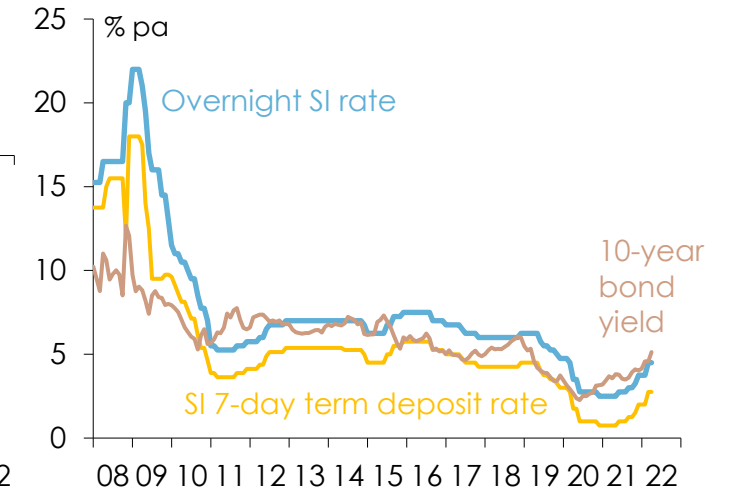
Inflation



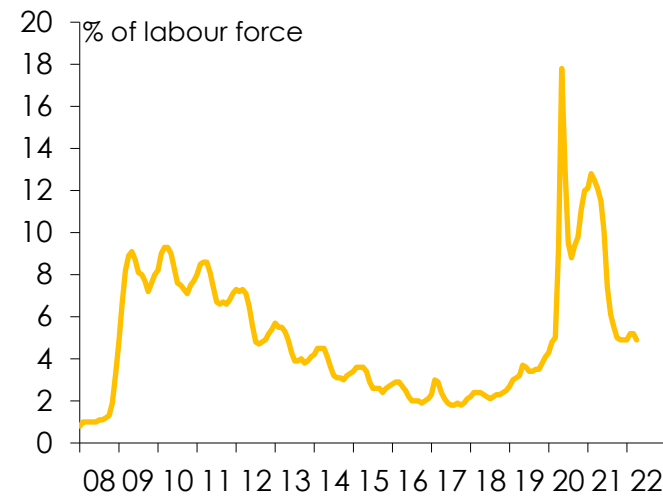
Trade balance



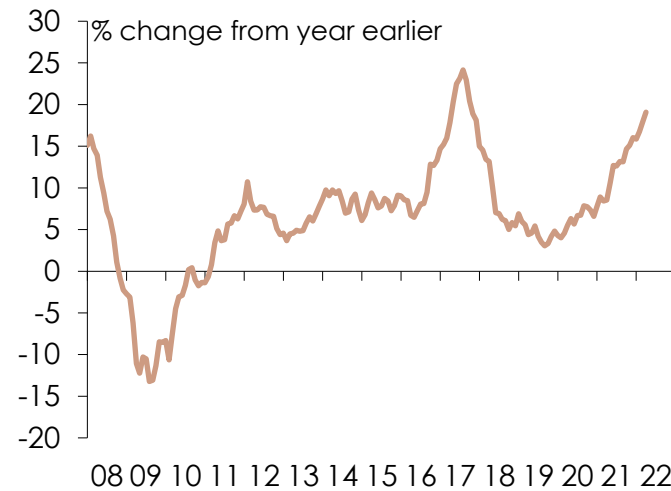
Interest rates



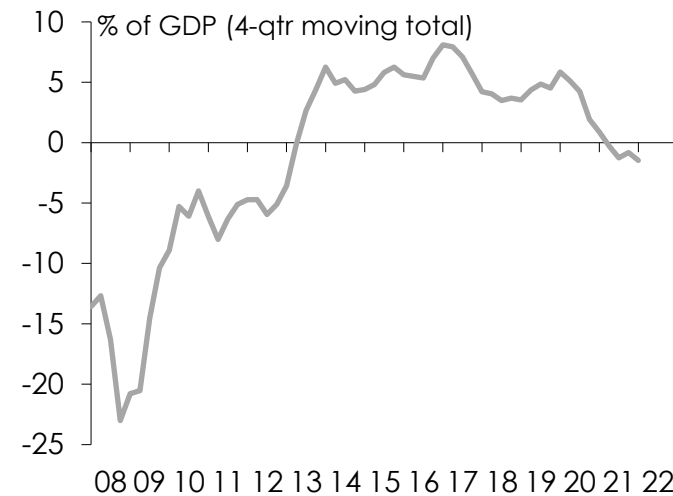
Unemployment



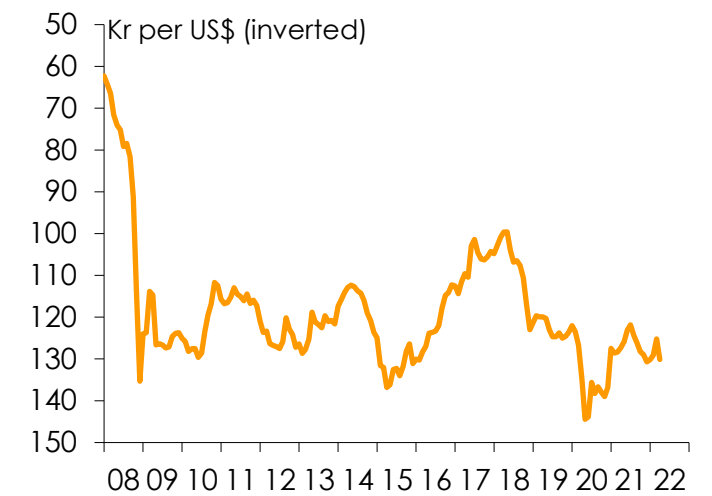
House prices



Current account balance



Króna vs US dollar

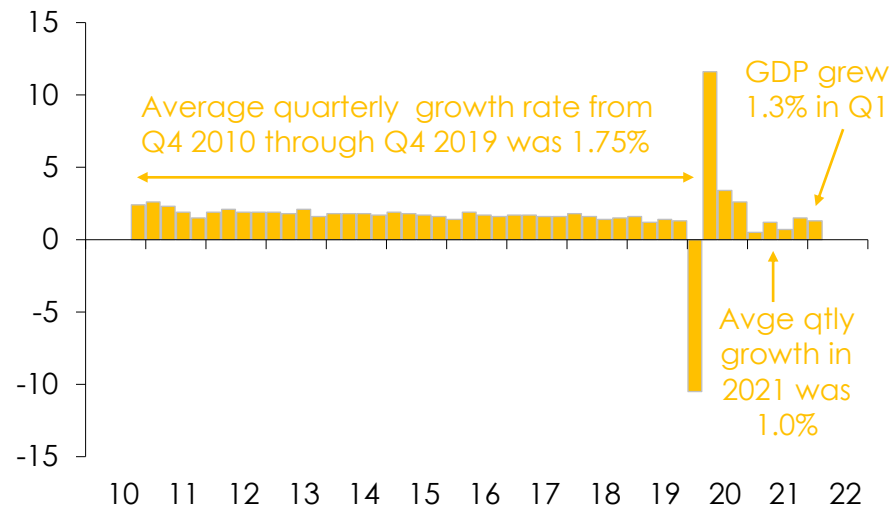


China

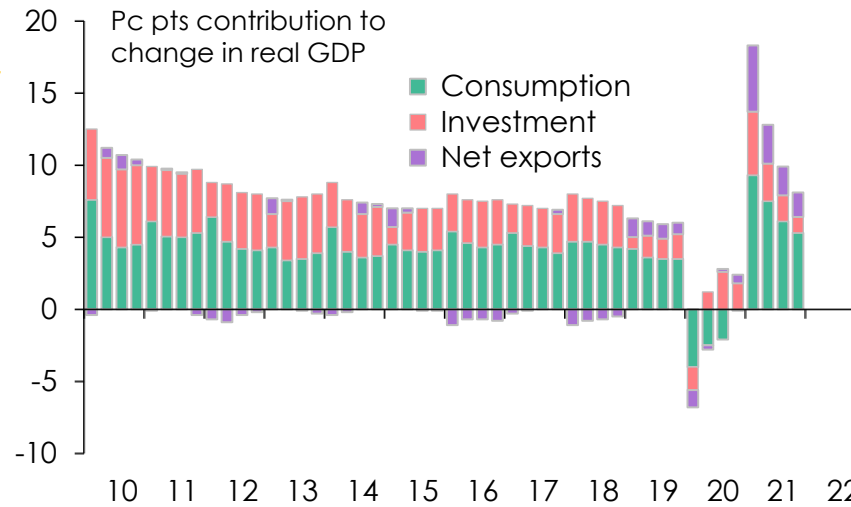
China's economy grew by 1.3% in Q1, and by 4.8% from Q1 2021, both a bit more than expected, but growth is likely to have slowed sharply in Q2

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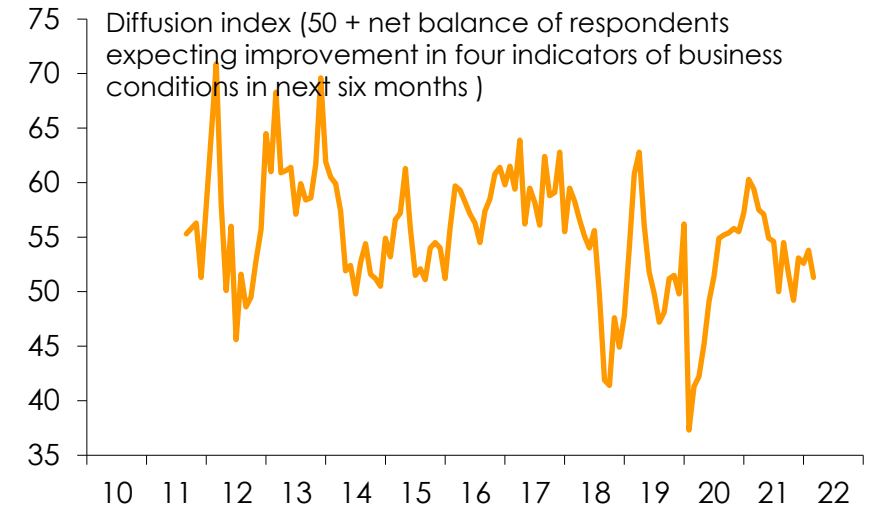
Quarterly real GDP growth



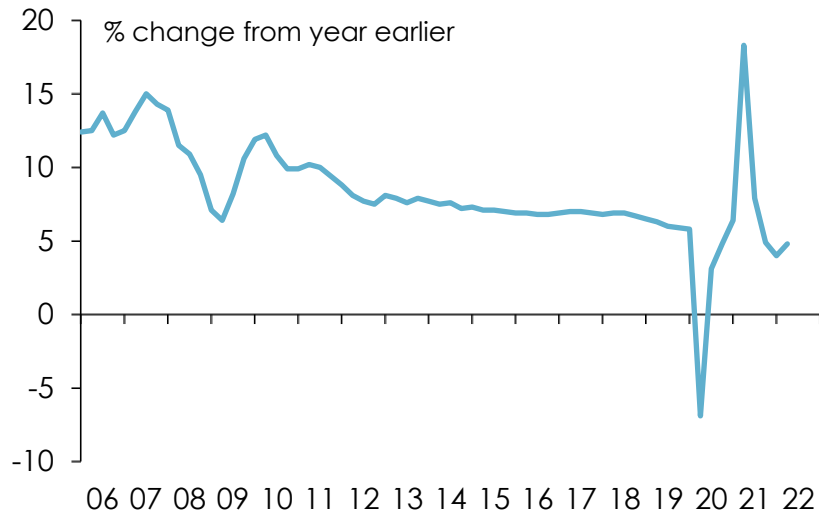
Contributions to real GDP growth



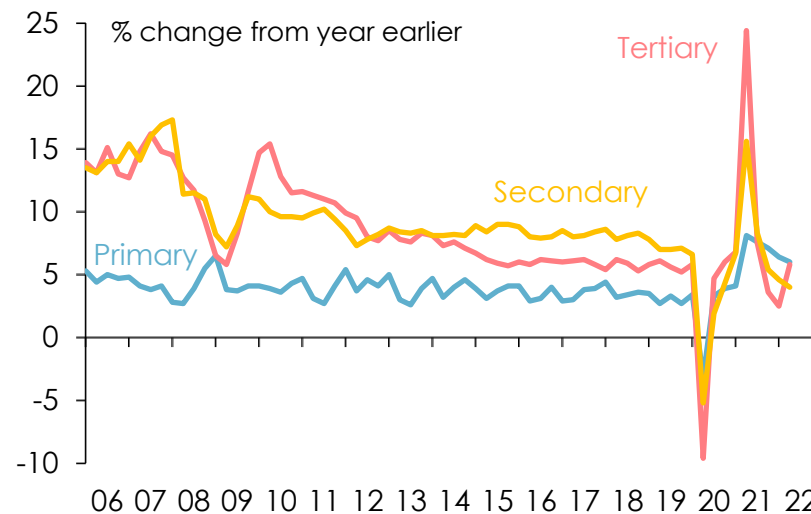
CKGSB business conditions index



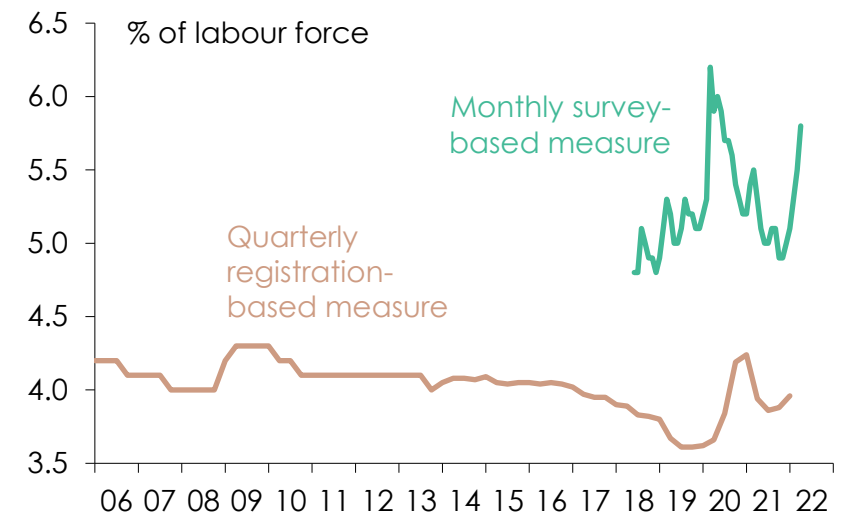
Annual real GDP growth



Annual GDP growth by industry



Urban unemployment rate

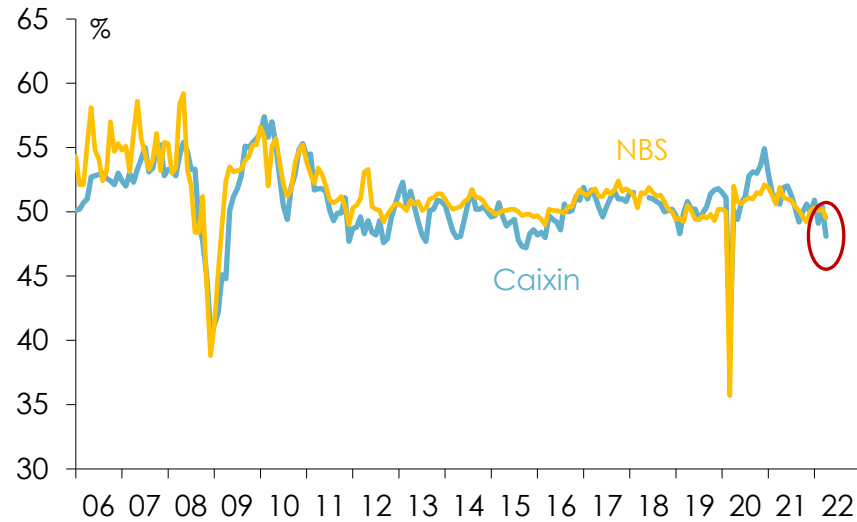


Sources: China National Bureau of Statistics, [National Data - National Accounts](#) and [The Urban Surveyed Unemployment Rate](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#). Before the monthly unemployment survey was introduced in 2018, the quarterly measure was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

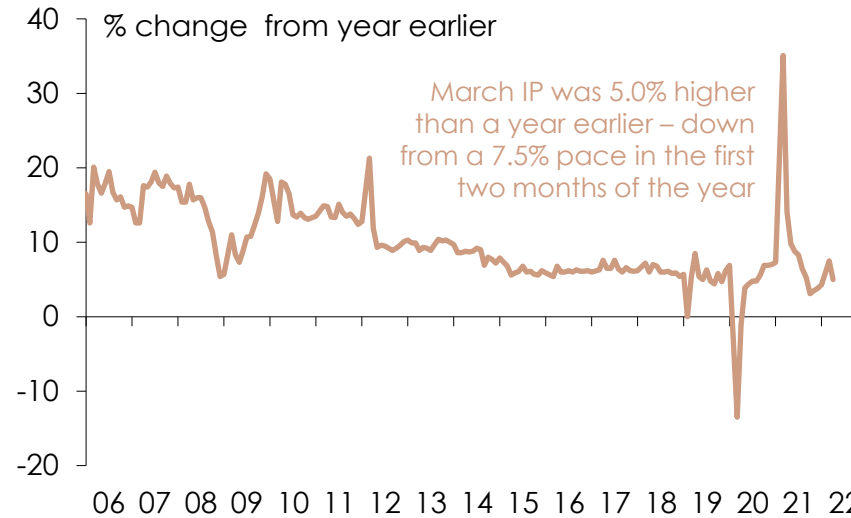
Lockdowns and other mobility restrictions resulted in a slowing in economic activity in March, which is likely to have intensified in April

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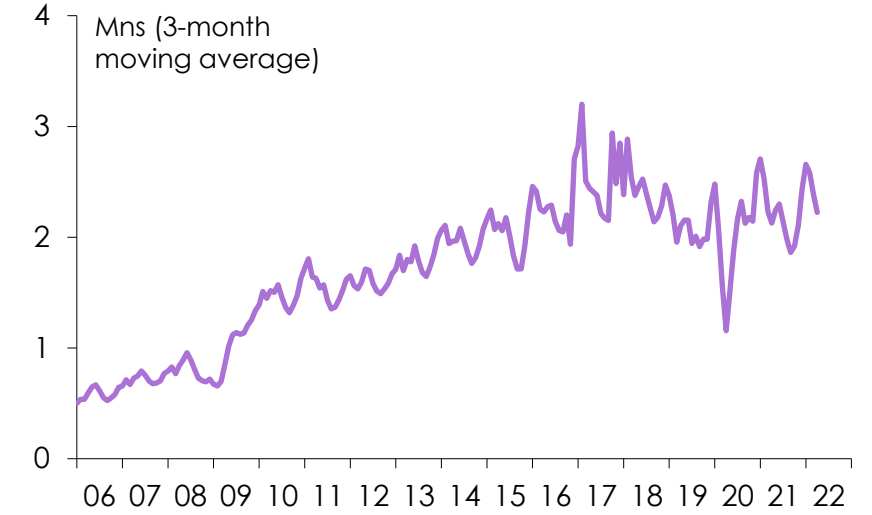
Manufacturing PMIs



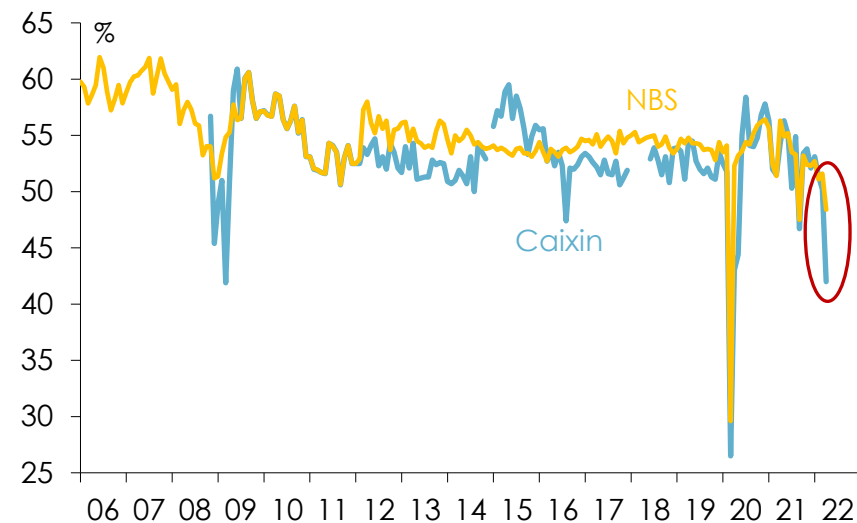
Industrial production



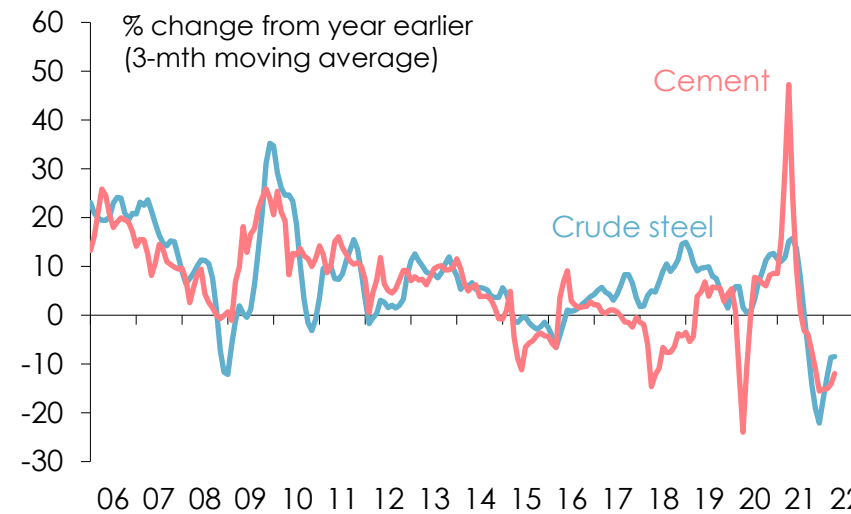
Motor vehicle production



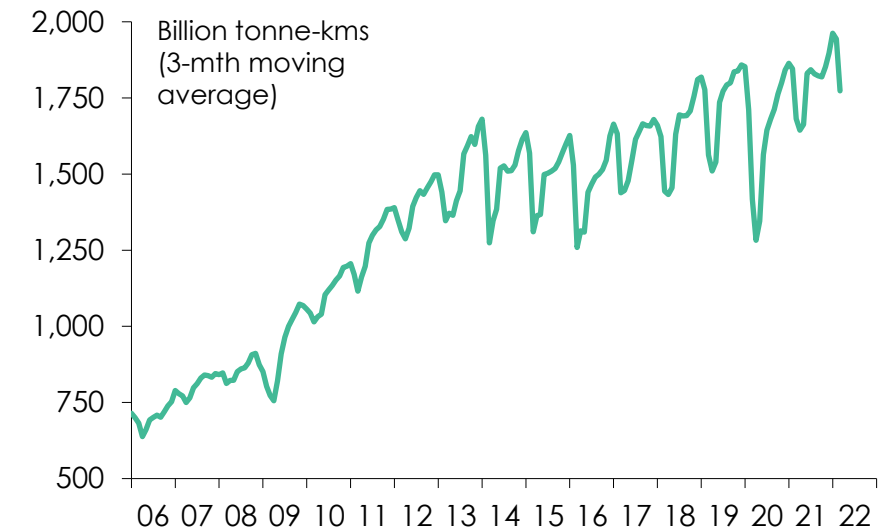
Non-manufacturing PMIs



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 March, except for freight traffic. Sources: China National Bureau of Statistics, [National Data](#); Caixin Global, [Indexes](#); China Association of Automobile Manufacturers, [Production of Automobiles](#). [Return to "What's New"](#).

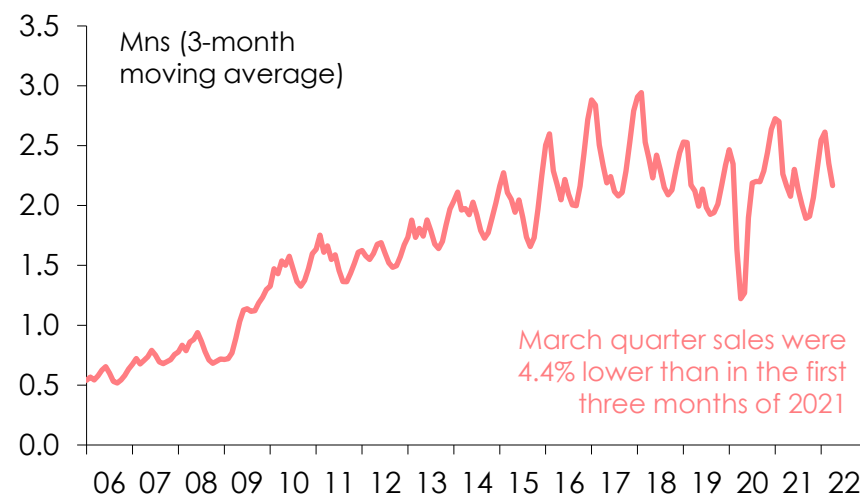
Retail sales were much weaker in March, due to lockdowns, and property investment continued to slow

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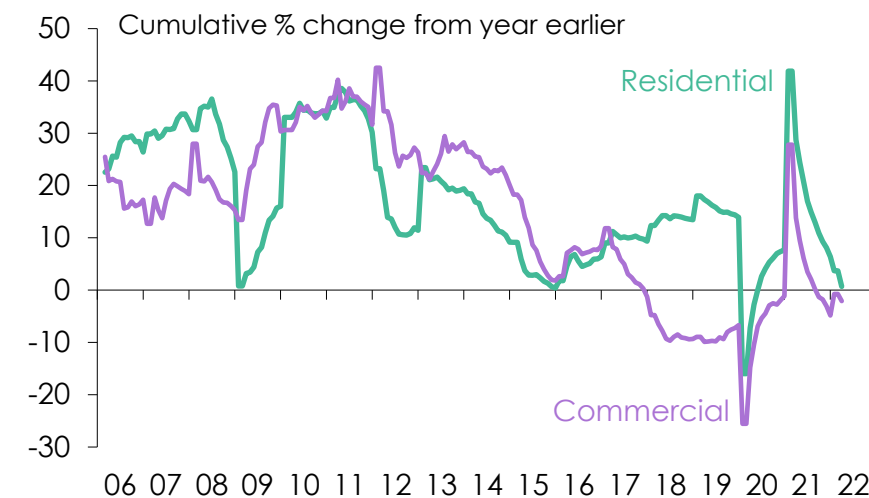
Consumer sentiment



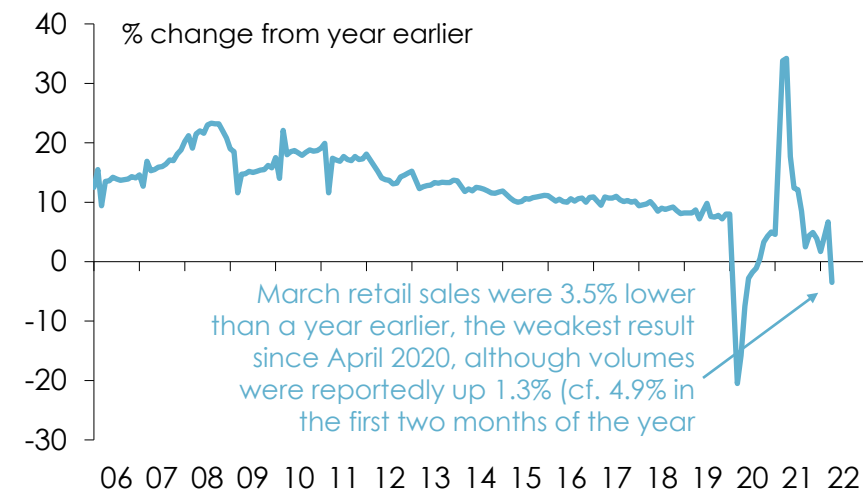
Motor vehicle sales



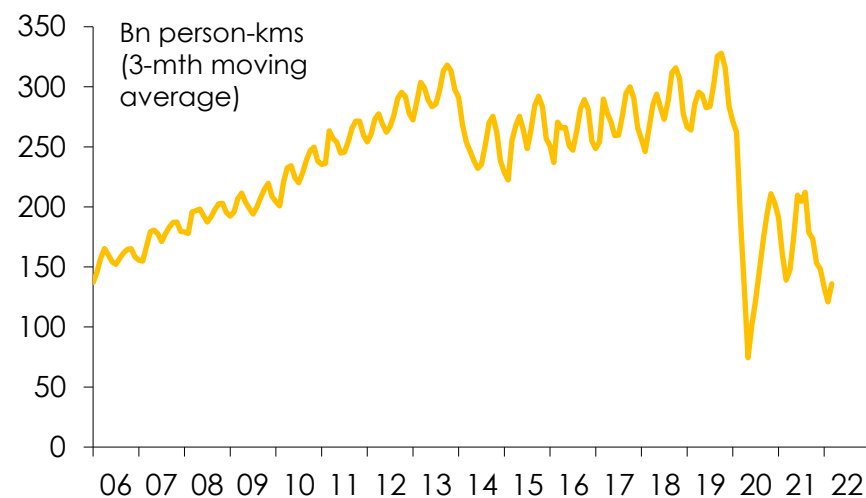
Real estate investment



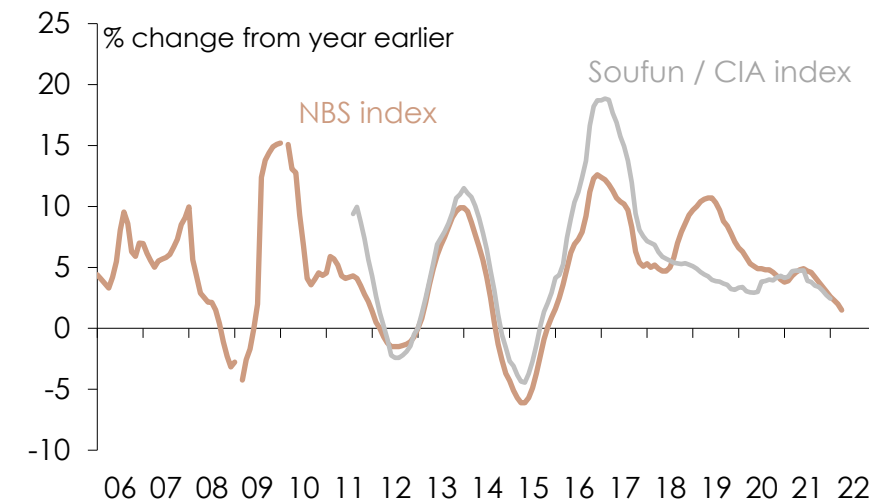
Retail sales



Passenger traffic volumes



Residential real estate prices

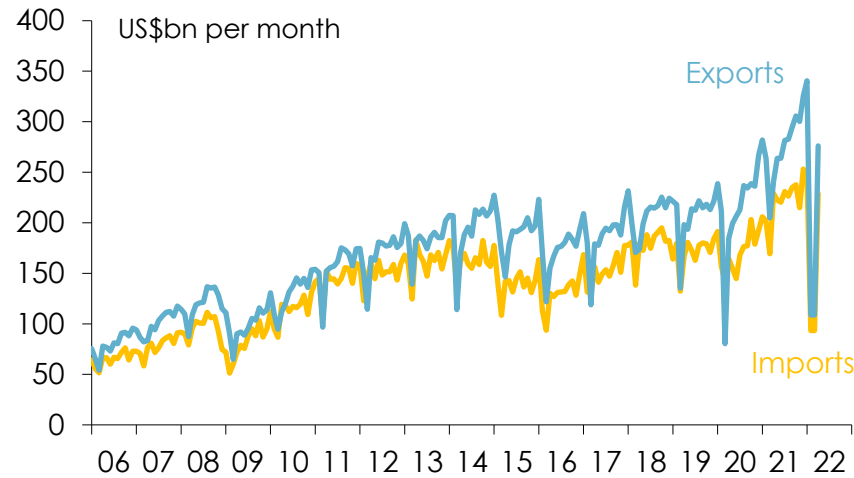


Note: Latest data are for March, except for passenger volumes, which are February. Sources: China National Bureau of Statistics, [National Data](#); China Association of Automobile Manufacturers, [Sales of Automobiles](#); China Index Academy, [CREIS China Residential HPI-100 Monthly](#). [Return to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

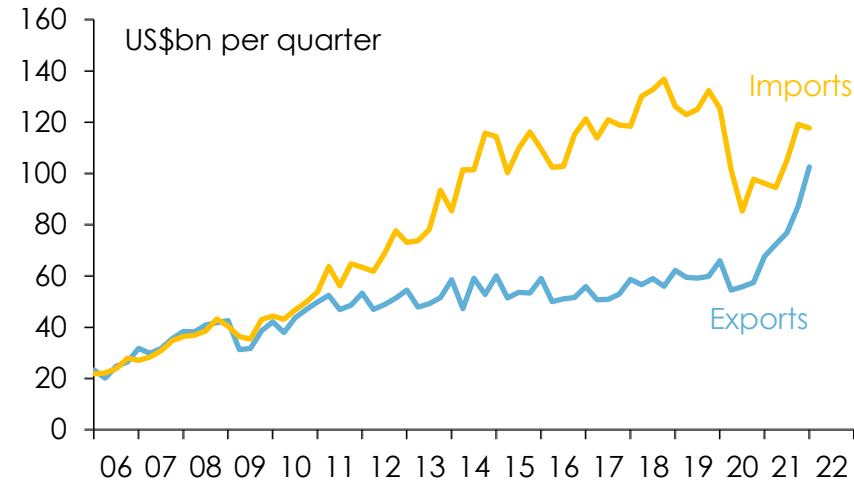
China recorded its largest-ever March surplus of US\$47.4bn, despite a slowing in export growth, as Covid curbs cut imports across the board

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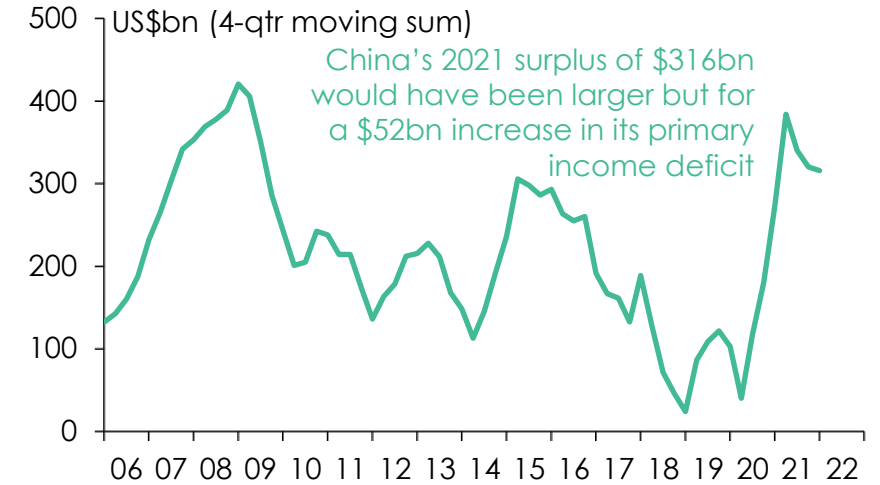
Merchandise exports and imports



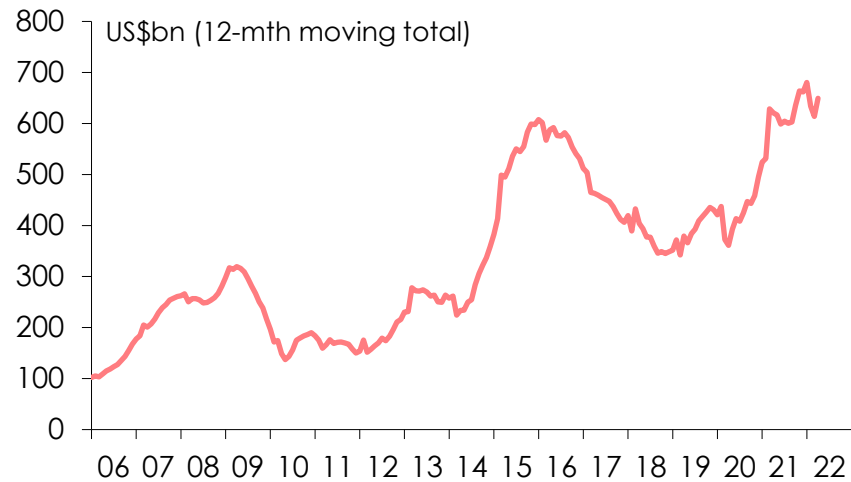
Services exports and imports



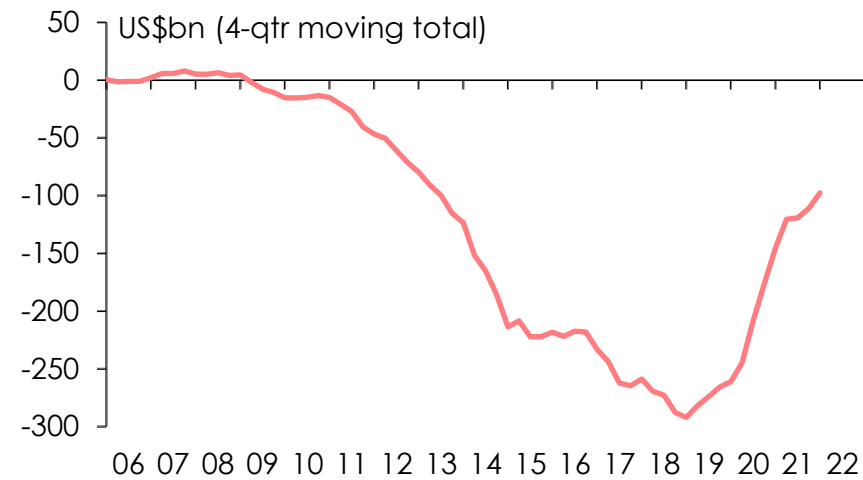
Current account balance



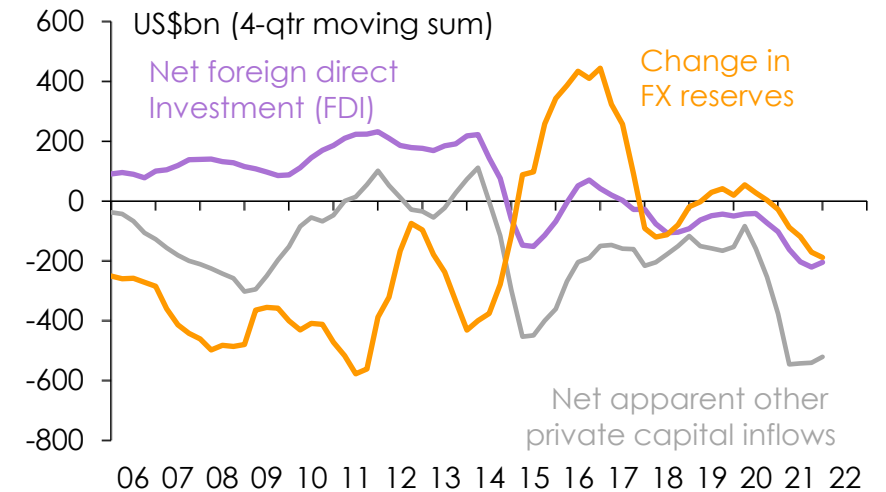
Merchandise trade balance



Services trade balance



Capital flows

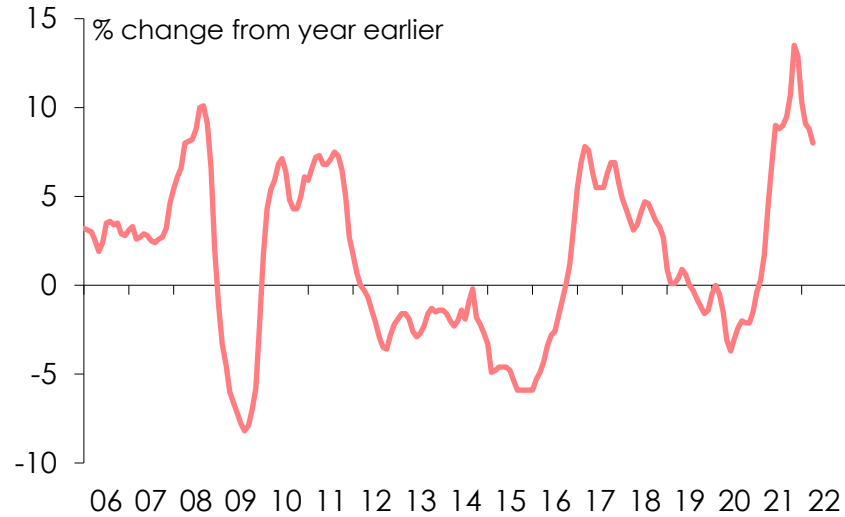


Sources: China General Administration of Customs, [Preliminary Release](#) and [Monthly Bulletin](#); State Administration of Foreign Exchange, [The time-series data of Balance of Payments of China](#). [Return to "What's New"](#).

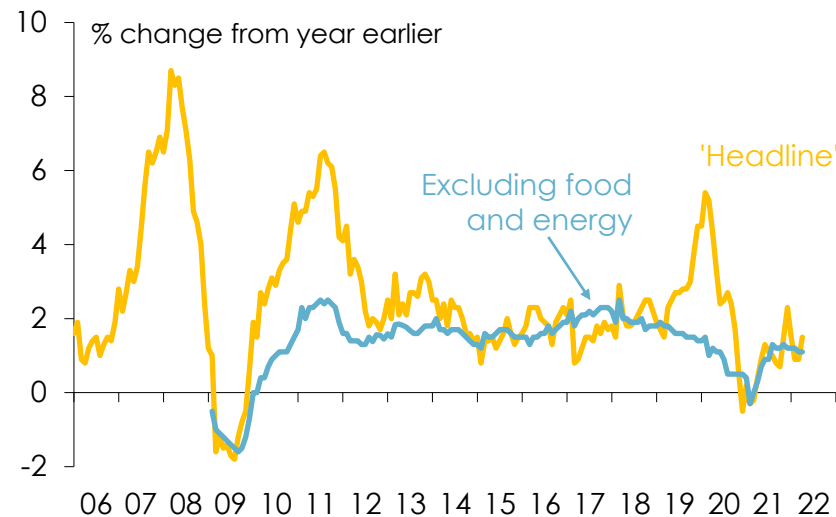
'Headline' consumer price inflation picked up slightly to 1.6% in March, mainly due to higher grain prices, but 'core' inflation remained at 1.1%

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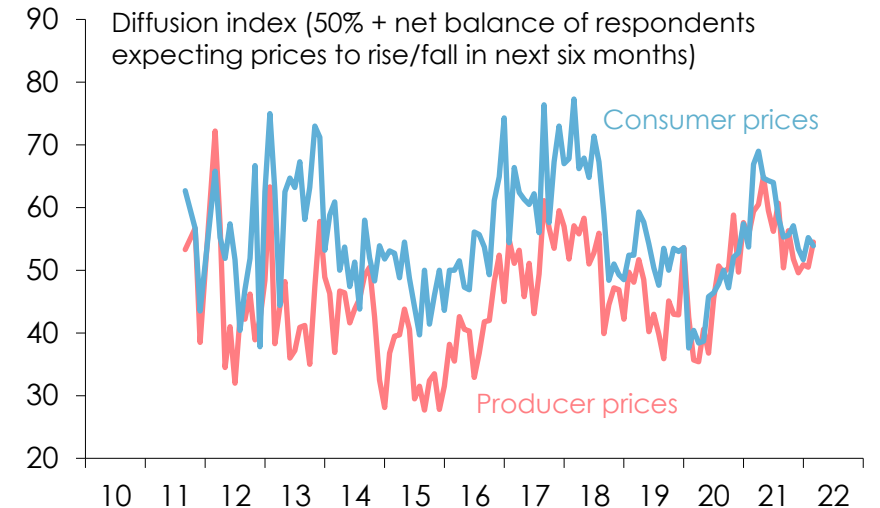
Producer prices



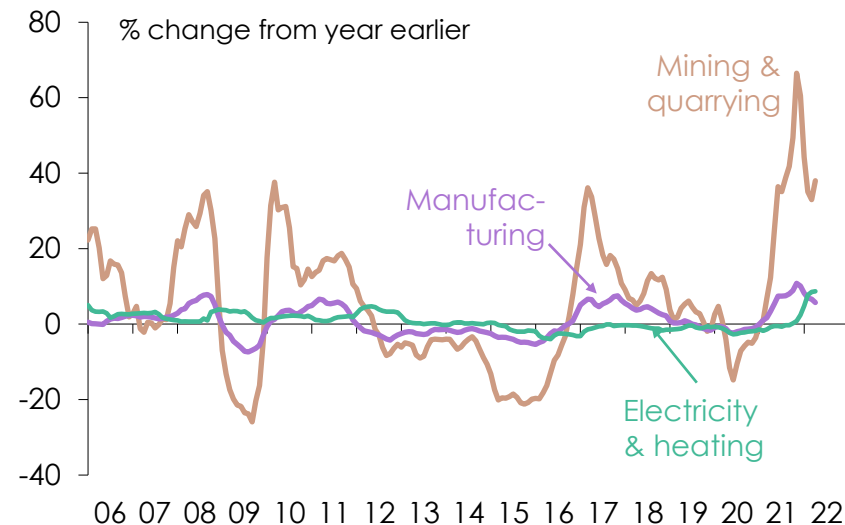
Consumer prices



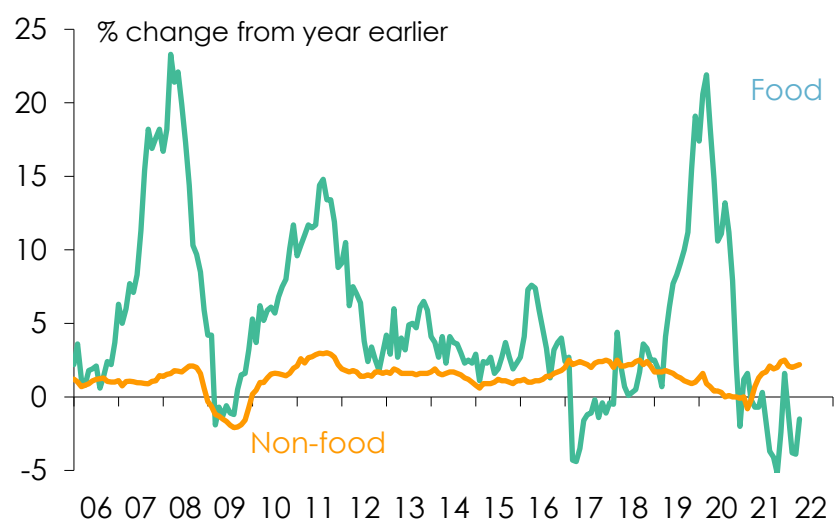
CKGSB price diffusion indexes



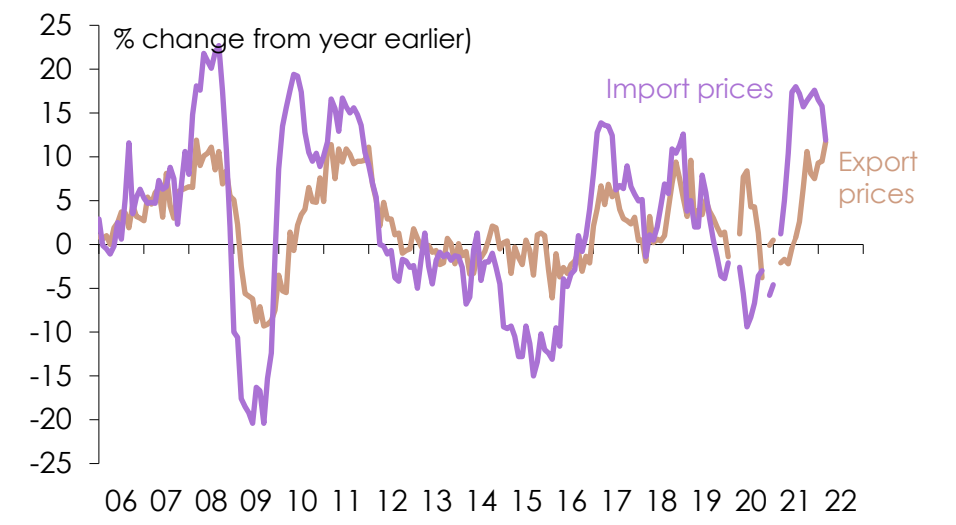
Producer prices – major categories



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"](#).

The State Council foreshadowed a series of small stimulus measures at an Executive meeting before Easter, and the PBoC followed up with an RRR cut

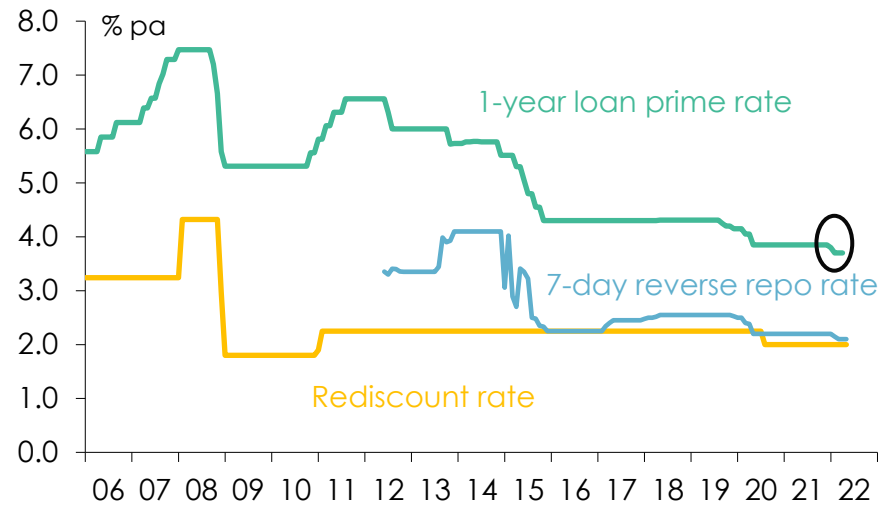
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- ❑ **An Executive Meeting of the State Council on 13th April agreed to a series of measures to boost consumption spending**
 - as foreshadowed at the previous meeting of the full State Council, these focussed on deferrals of social security insurance premiums for five “hard-hit sectors” - food and hospitality, retail, tourism, civil aviation, and road/water/rail transport – with local authorities also “encouraged to intensify support and assistance for these sectors” and to “stabilize more market entities in consumer services”
 - consumption in “priority areas” – medical and health care, elderly care, and child care – will “be expanded”, with more support for private sector providers in these areas “to shore up any weak links”, while spending on “home appliances, automobiles and other big-ticket items will be encouraged”
- ❑ **The State Council also agreed to measures intended to “ease difficulties facing foreign trade firms”**
 - including “better alignment” of export rebates with export credit insurance, and “expedited processes” for export rebates, cutting the average time for processing rebates from seven to six days, and “more efficient” customs clearance for export goods
- ❑ **It indicated that “a variety of monetary policy tools, such as relending, should be used flexibly and timely ... to increase support for the real economy**
 - it agreed to “use monetary policy tools like reserve requirement ratio cuts at an appropriate time” to ensure “a reasonable abundance of liquidity” especially for “virus-hit sectors”, SMEs and self-employed individuals)
- ❑ **Underscoring where the ultimate authority over monetary policy resides, on 14th April the People’s Bank of China announced a 25 bp reduction in banks’ reserve requirement ratios (effective from 25th April)**
 - the PBoC said it would “put stability in the first place and pursue progress while maintaining stability” whilst “refrain[ing] from a deluge of strong stimulus policies”

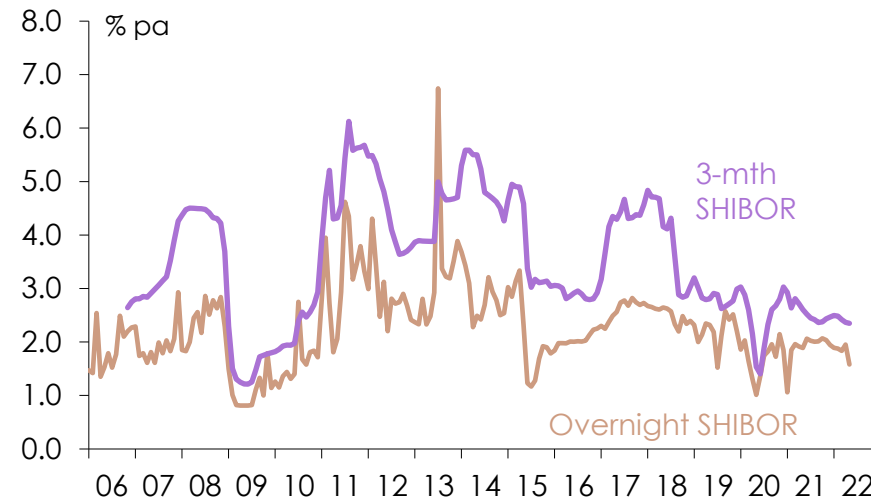
The PBoC cut banks' reserve requirement ratios by 25 bp effective this week, following decisions of the State Council Executive earlier this month

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

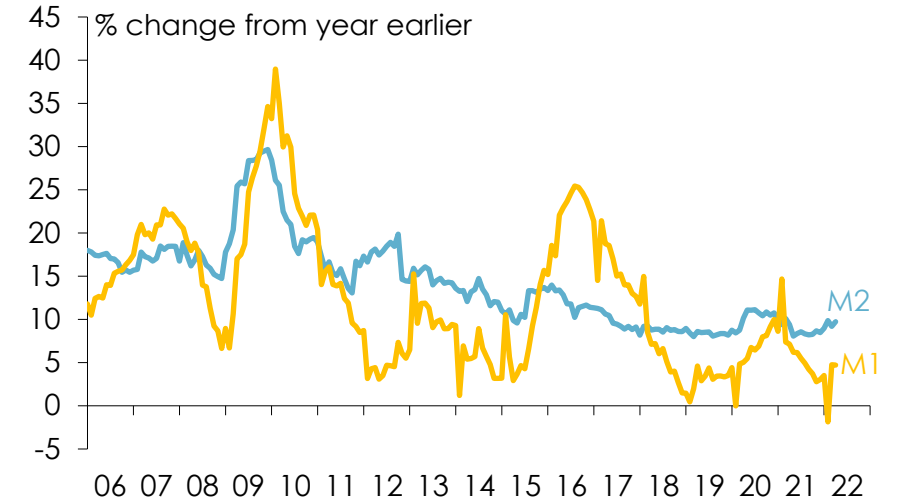
PBoC policy interest rates



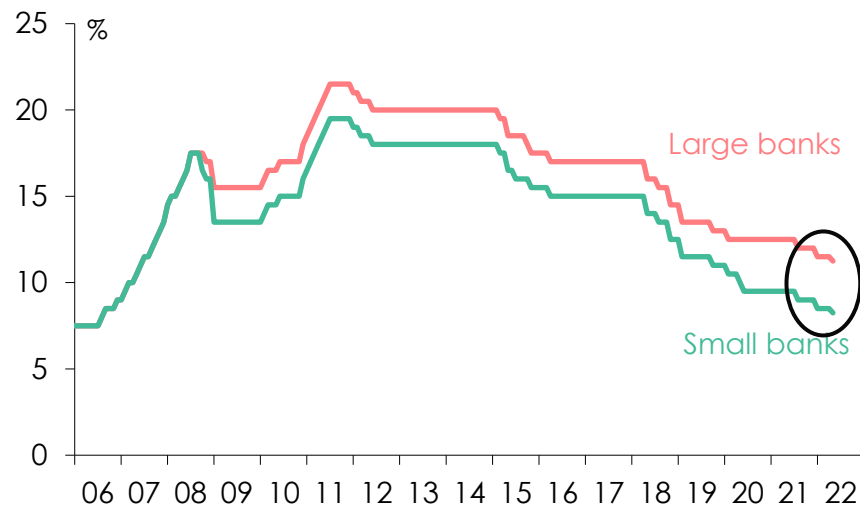
Short-term market interest rates



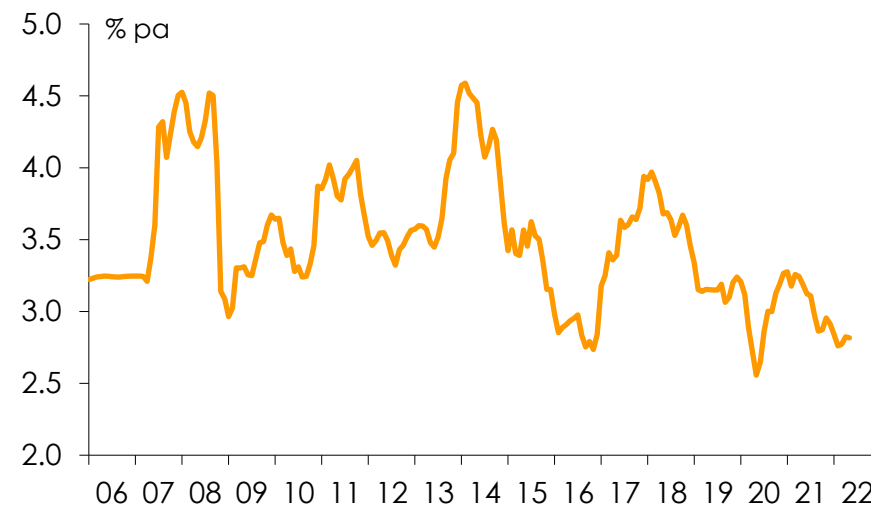
Monetary aggregates



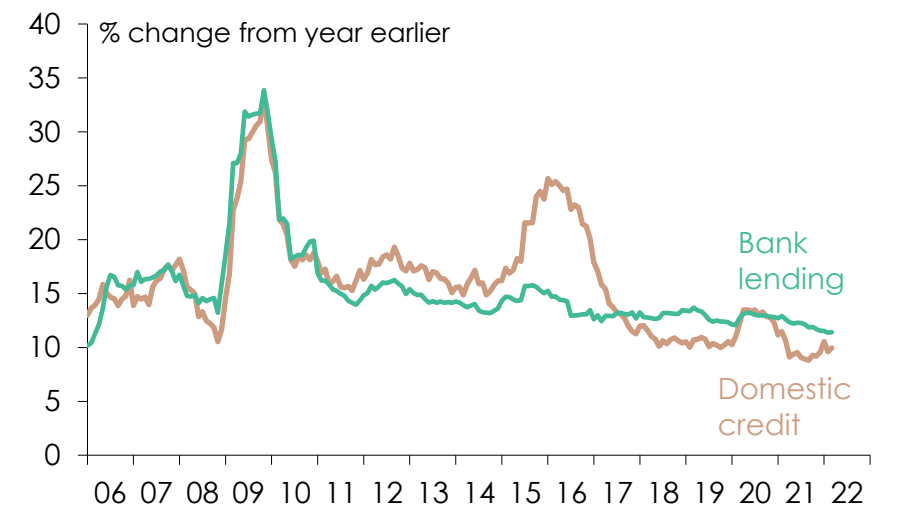
Bank reserve requirement ratios



10-year government bond yield



Credit growth

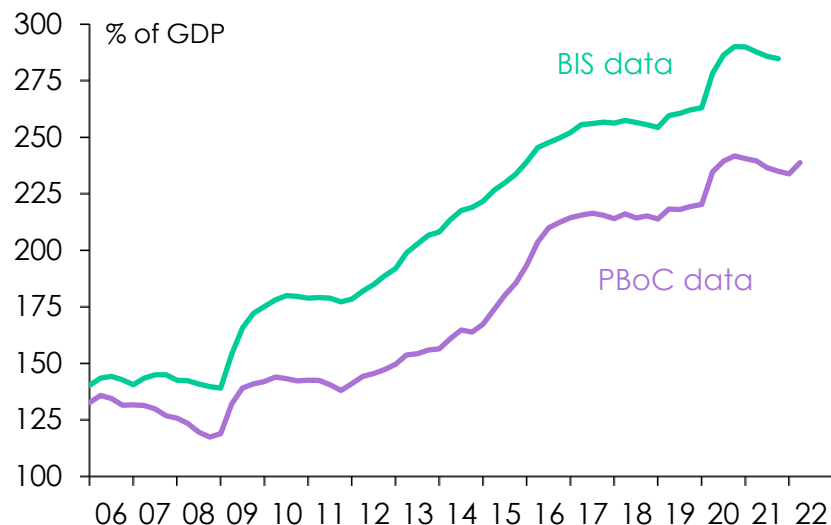


Note: 'SHIBOR' is the Shanghai Inter-Bank Offered Rate. Sources: Refintiv Datastream; People's Bank of China, [Financial Statistics Reports](#) and [Aggregate Financing Reports](#). [Return to "What's New"](#).

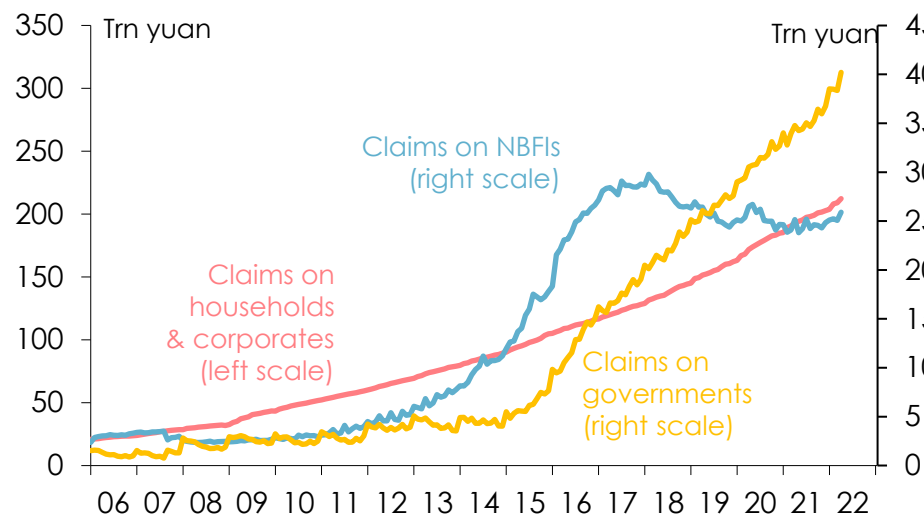
The Chinese banking system's risk profile has increased significantly over the past decade – particularly on the liabilities side of its balance sheet

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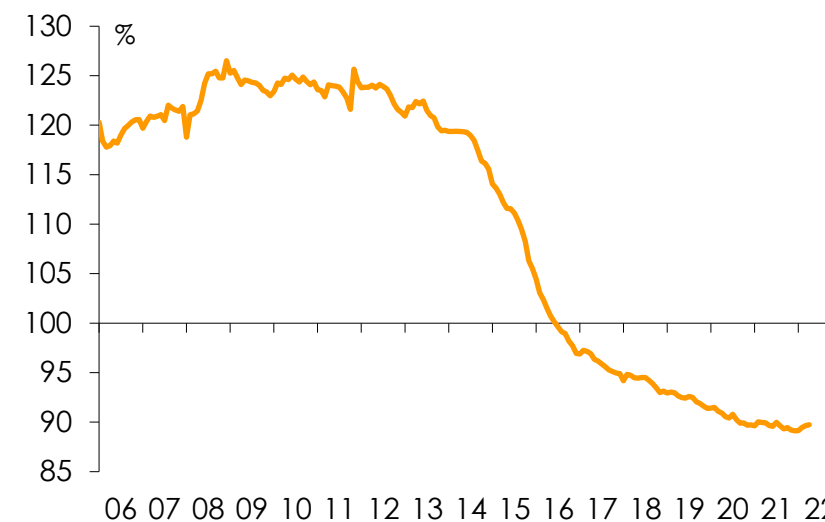
Credit outstanding as a pc of GDP



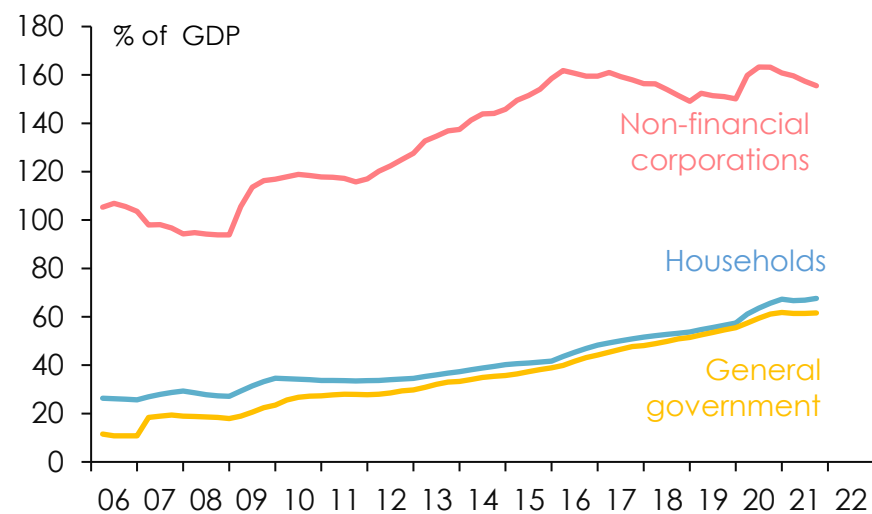
Banks' assets



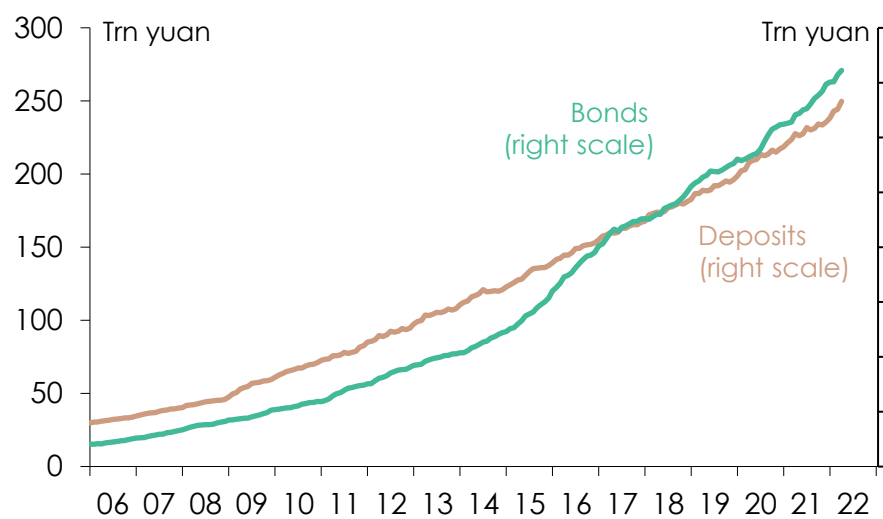
Banks' deposits-to-loans ratio



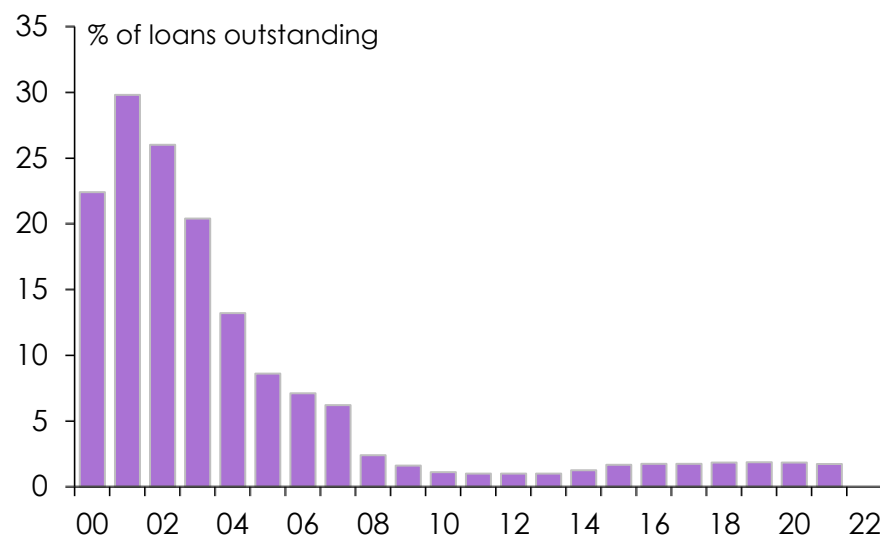
Credit outstanding by sector



Banks' liabilities



Banks NPLs – official estimates

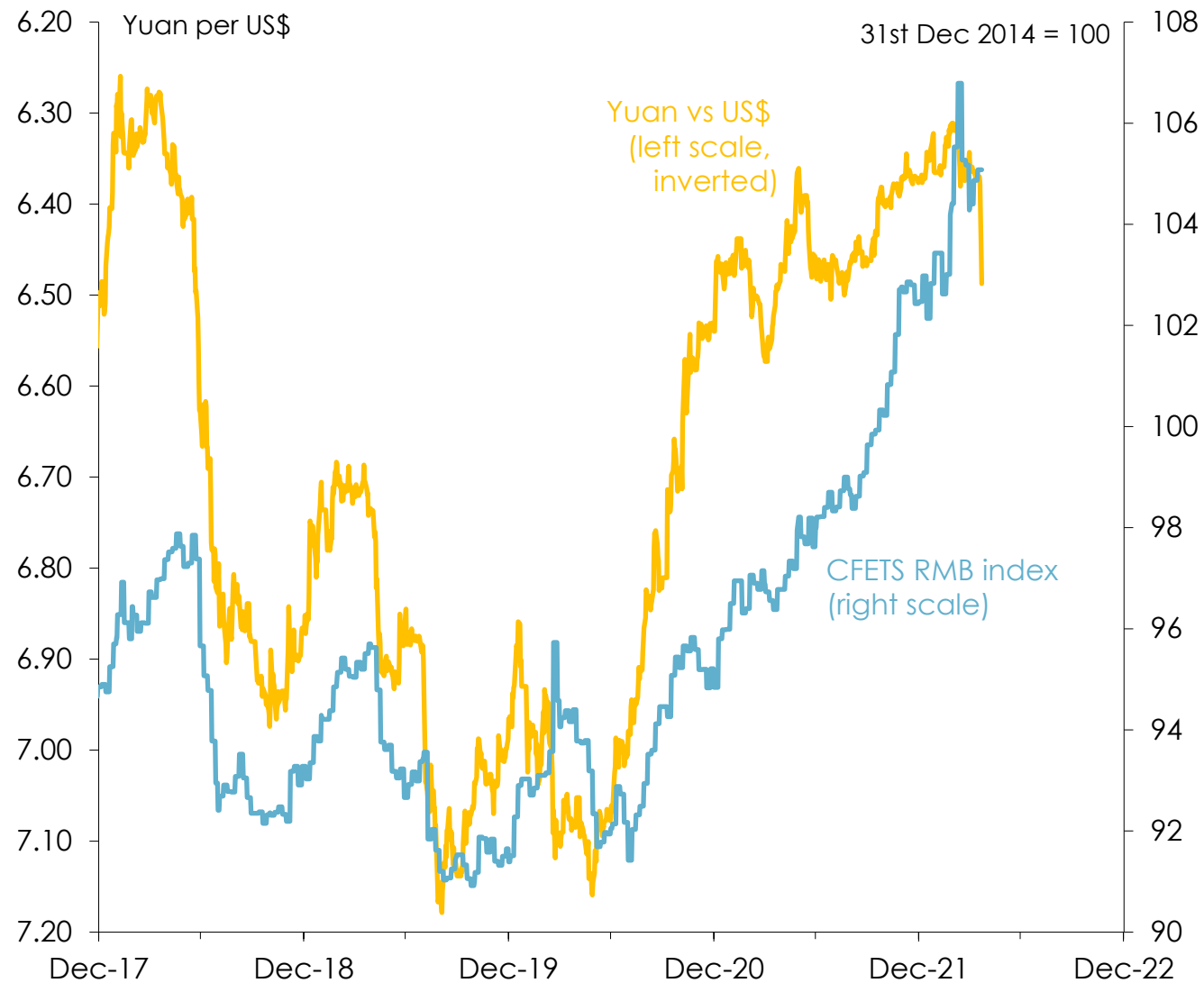


Sources: People's Bank of China, [Financial Statistics Reports](#); Bank for International Settlements, [Credit to the non-financial sector](#); China Banking and Insurance Regulatory Commission, [Supervisory Statistics of the Banking and Insurance Sectors](#). [Return to "What's New"](#).

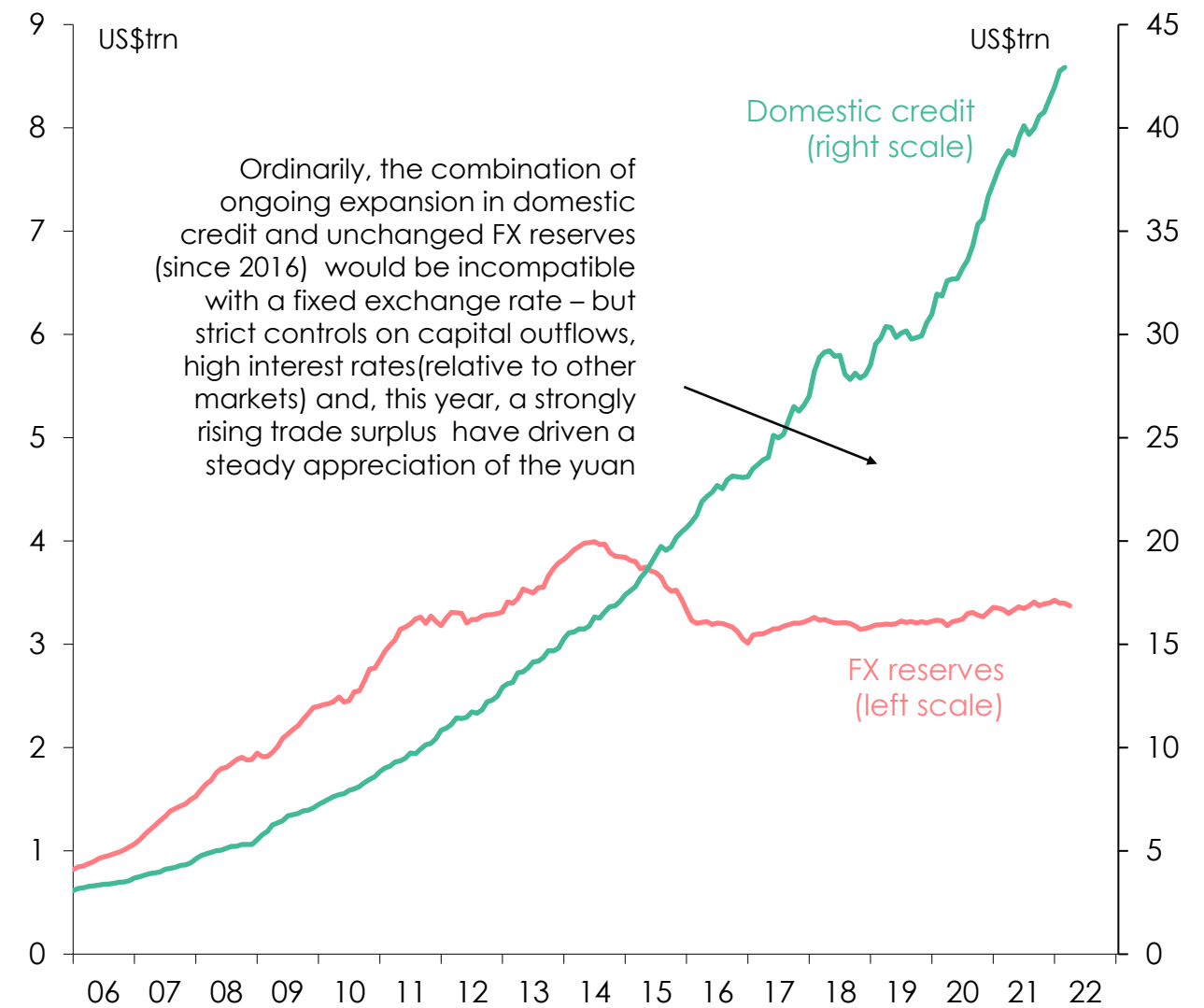
The yuan fell 1.8% against the US\$ last week (reflecting the latter's strength against all currencies) but rose 0.2% in trade-weighted terms

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Chinese renminbi vs US\$ and trade-weighted index



FX reserves and domestic credit



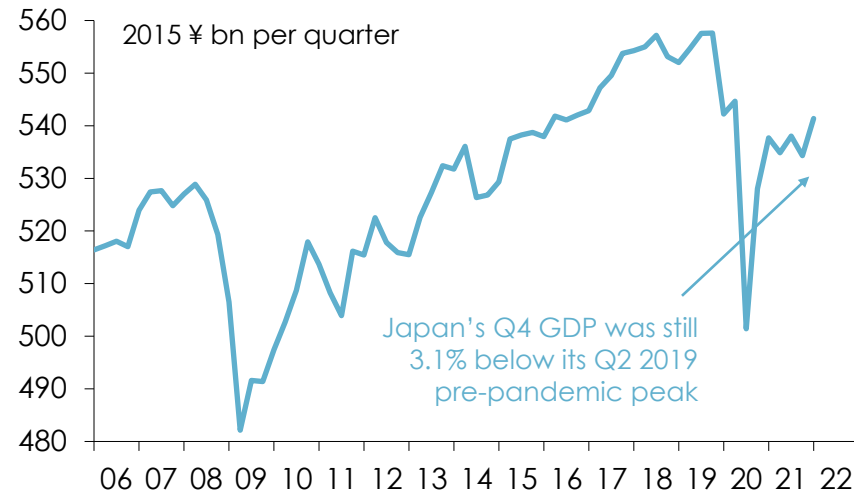
Note: The Russian ruble has a weight of 2.6% in the CFETs index, so its large movements since the invasion of Ukraine would appear to account for most of the swings in the PBoC's index over the past three weeks. Sources: Refinitiv Datastream; China Foreign Exchange Trading System; People's Bank of China. Exchange rates up to 22nd April; FX reserves and credit data up to March. [Return to "What's New"](#).

Japan

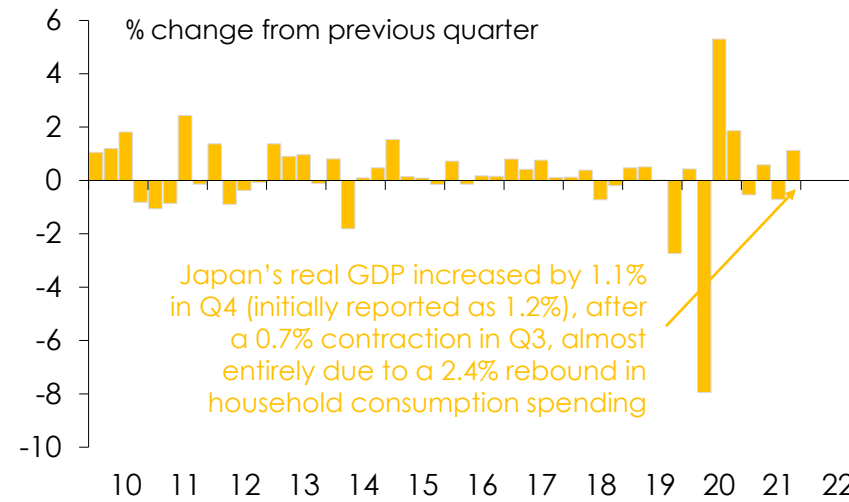
Japan's real GDP rebounded 1.1% in Q4 last year after falling in two of the three previous quarters but was still 3.1% short of its pre-pandemic peak

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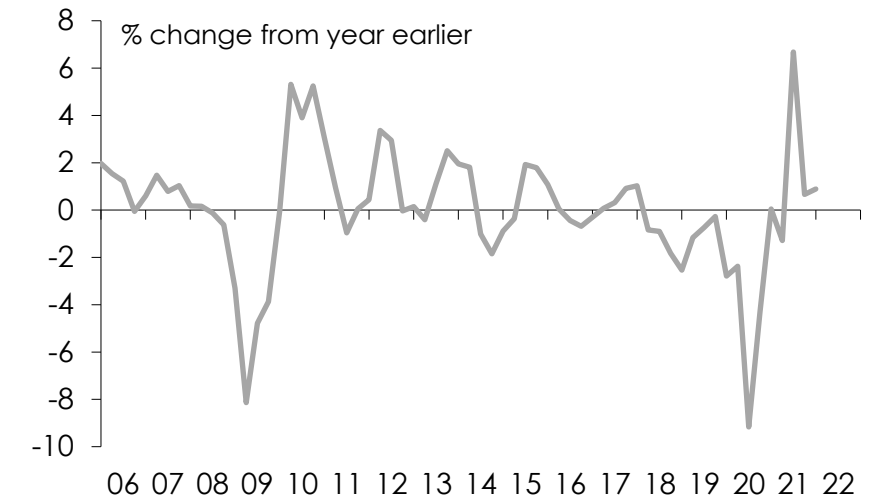
Level of real GDP



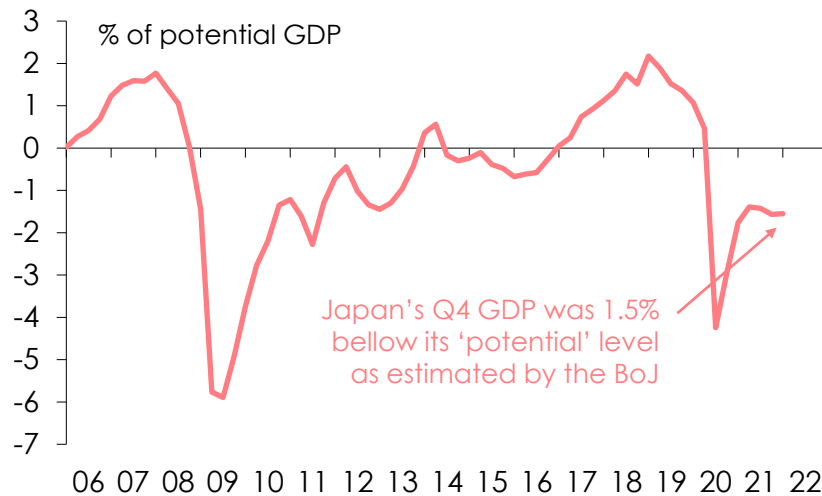
Quarterly change in real GDP



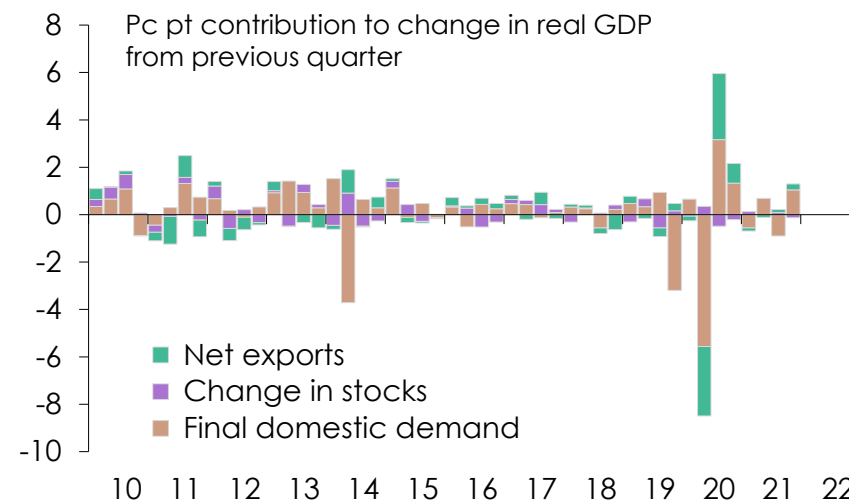
Labour productivity growth



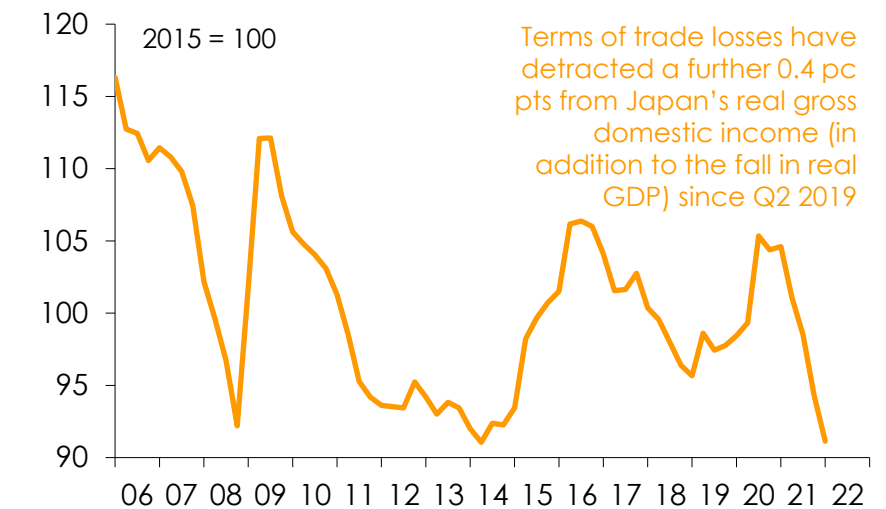
The 'output gap'



Contributions to change in real GDP



Terms of trade

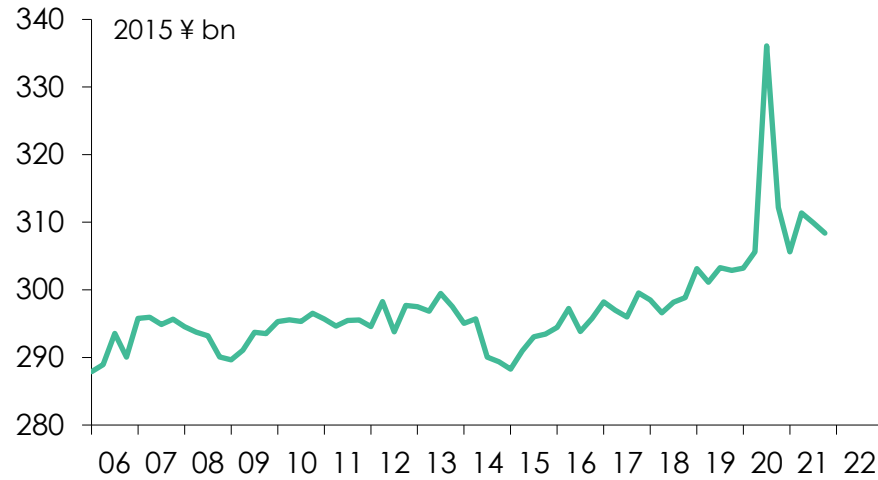


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

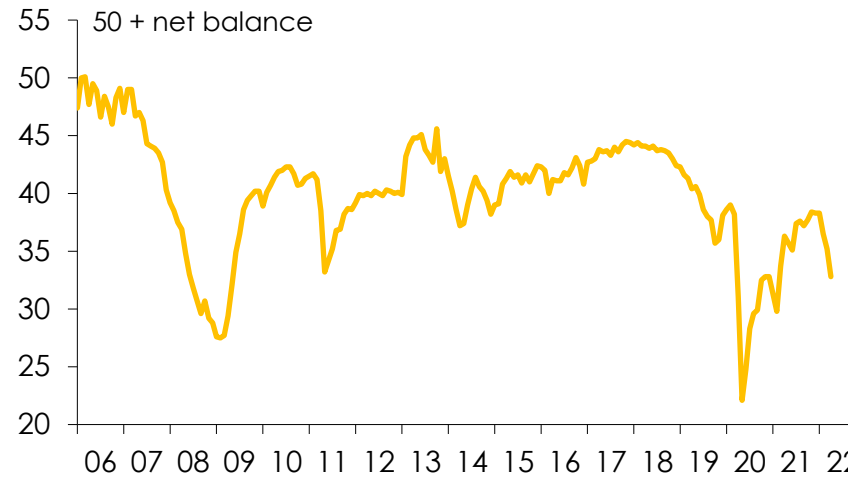
Household incomes have been supported by fiscal transfers, but much of them have been saved so household spending has remained weak

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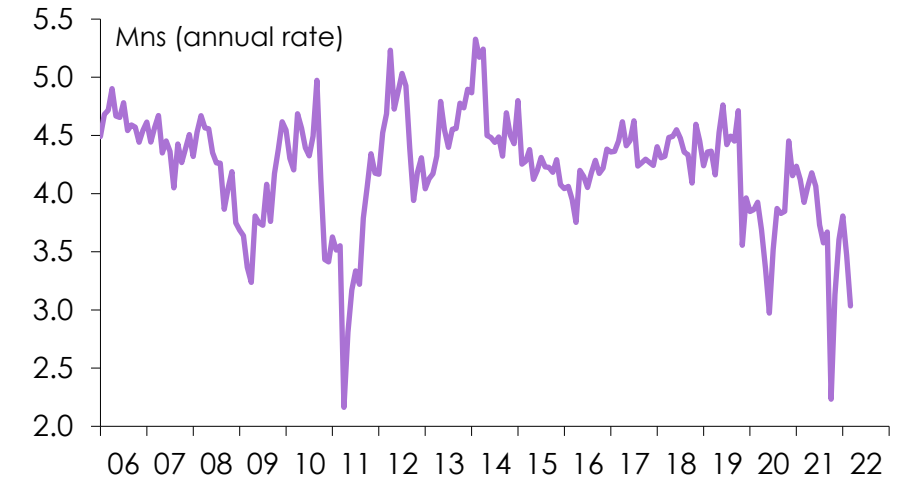
Real household disposable income



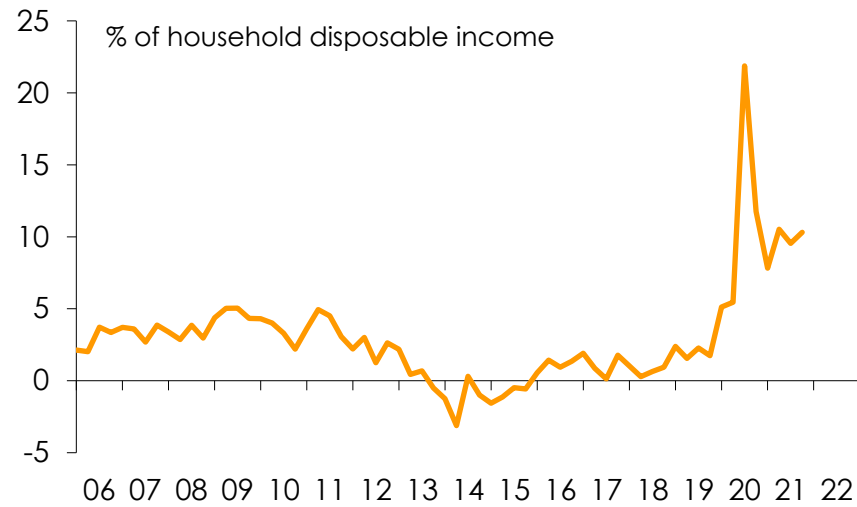
Consumer confidence



Motor vehicle sales



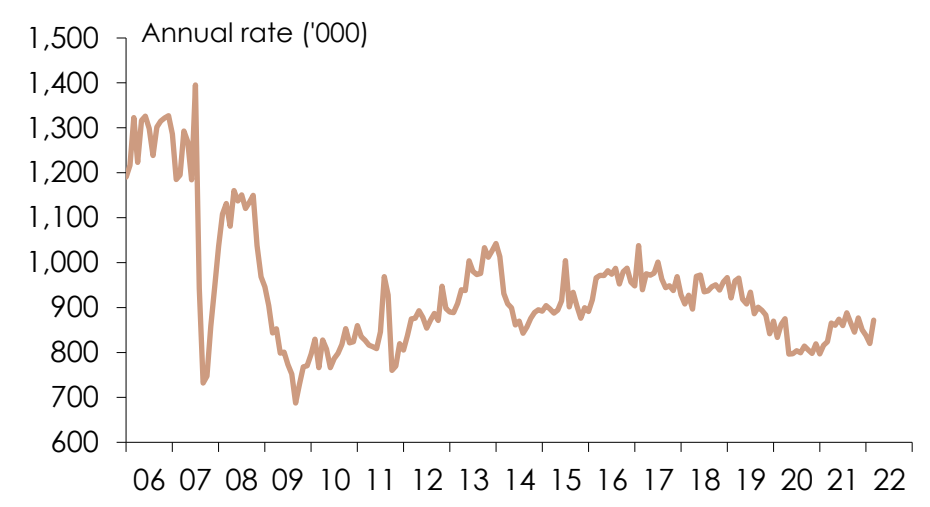
Household saving



Consumption activity index



Housing starts

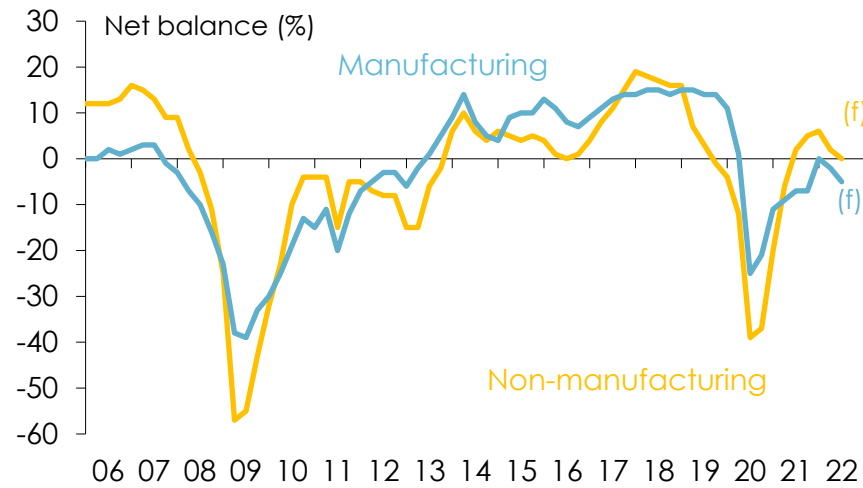


Sources: Japan Cabinet Office, [Quarterly Estimates of Household Disposable Income and Household Saving Ratio](#) and [Consumer Confidence Survey](#); Bank of Japan, [Consumption Activity Index](#); Japan Automobile Dealers Association, [Statistical Data](#); Japan e-Stat, [Building Starts](#). [Return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

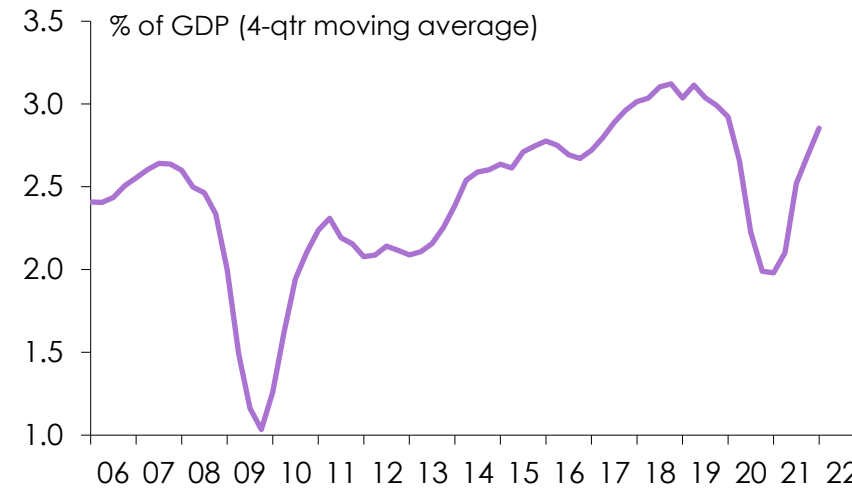
Japanese business confidence deteriorated in the first quarter of this year according to the BoJ's *tankan* survey, largely reflecting rising input costs

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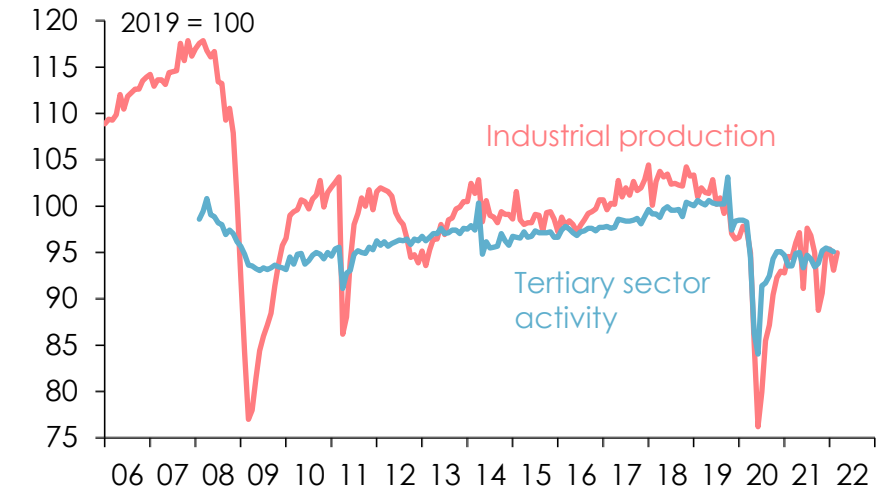
Business conditions by industry



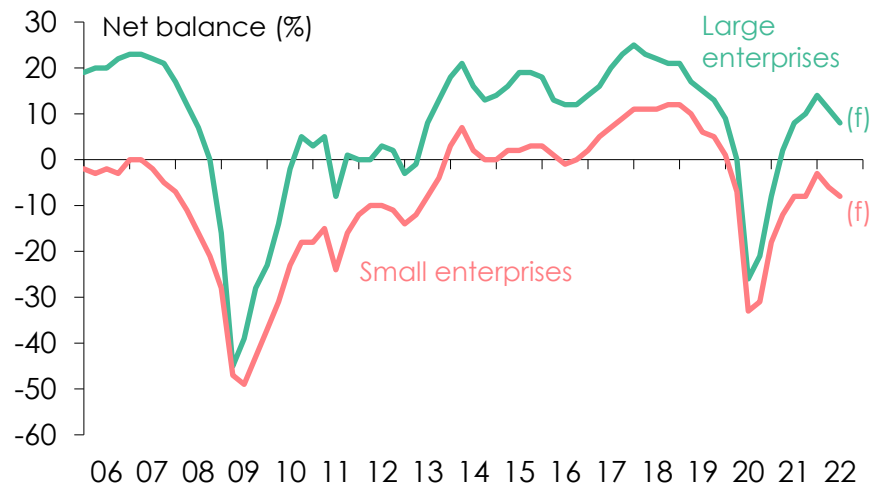
Corporate operating profits



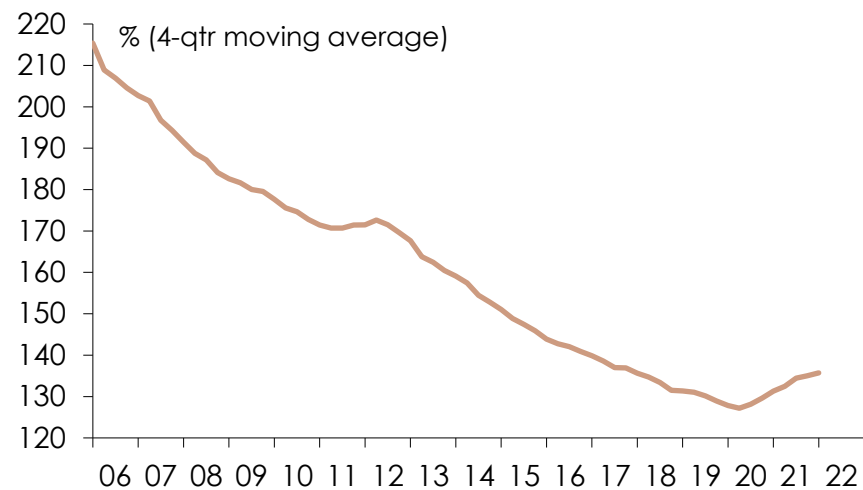
Indexes of economic activity



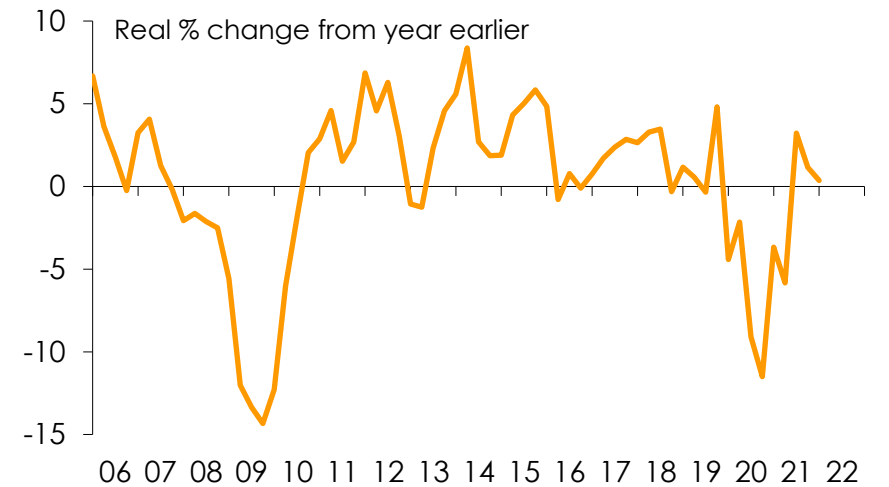
Business conditions by firm size



Corporate debt-equity ratio



Business investment

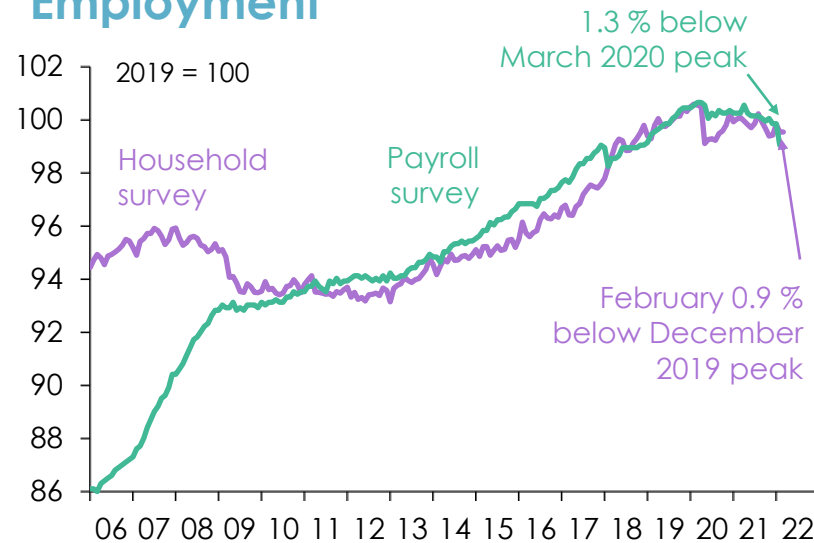


Sources: Bank of Japan, [Short-Term Economic Survey of Enterprises in Japan \('Tankan'\)](#); Policy Research Institute, Ministry of Finance, [Financial Statements Statistics of Corporations by Industry, Quarterly](#); Ministry of Economy, Trade & Industry, [Indices of Industrial Production](#) and [Indices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

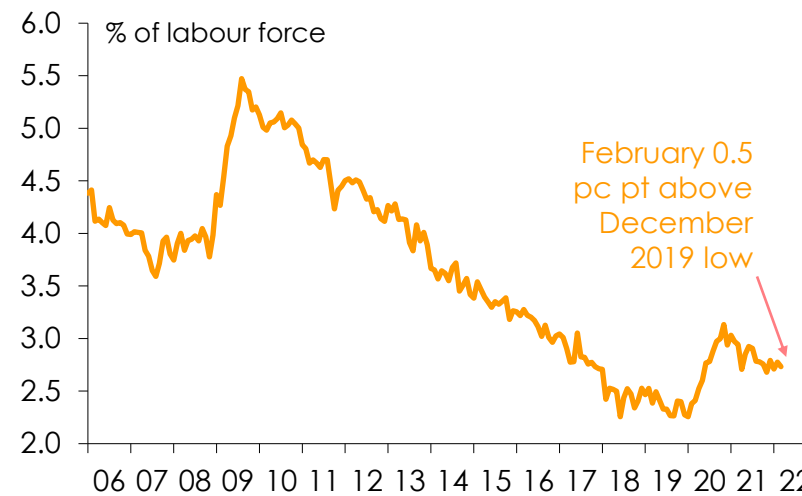
'Headline' inflation in Japan rose to 1.2% in March, the highest in almost four years, driven by a 20.8% increase in energy prices

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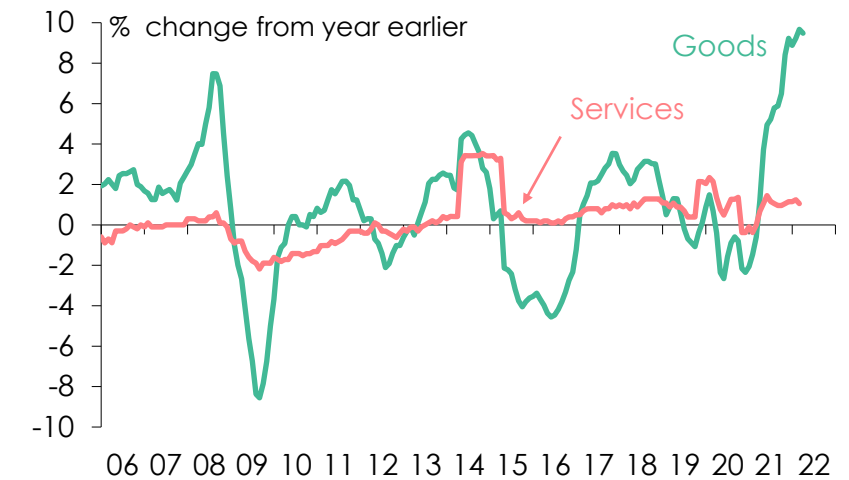
Employment



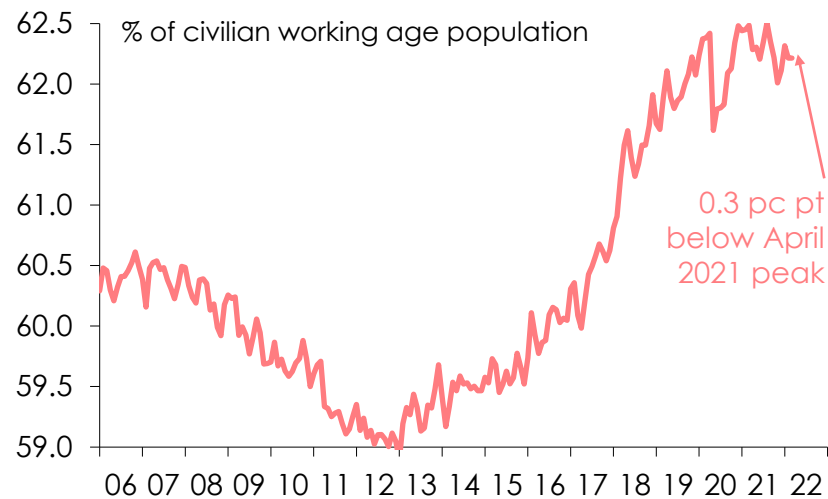
Unemployment rate



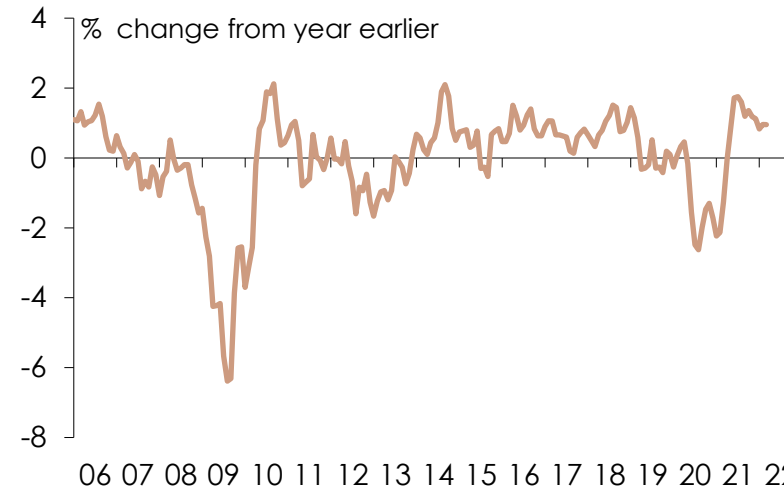
'Corporate' (producer) prices



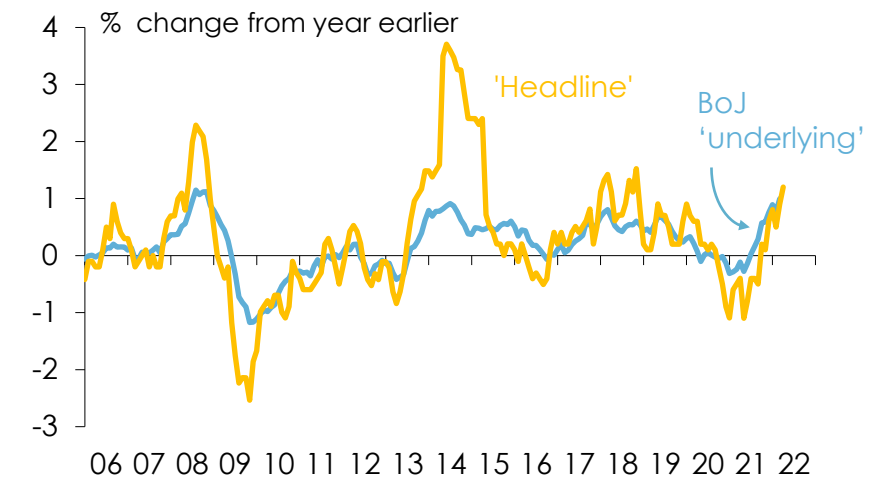
Labour force participation rate



Wages growth



Consumer prices

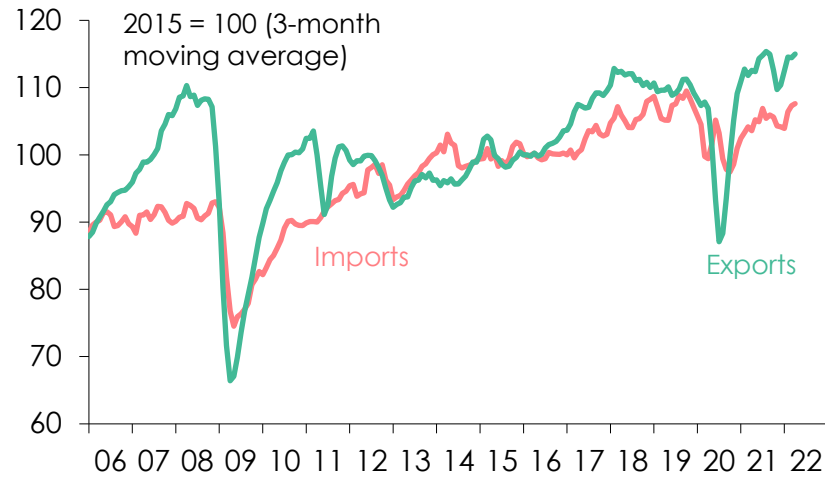


Sources: Statistics Bureau of Japan, [Labour Force Survey](#) and [Consumer Price Index](#); Ministry of Health, Labour and Welfare, [Monthly Labour Survey](#); Bank of Japan, [Prices and Measures of Underlying Inflation](#). [Return to "What's New"](#).

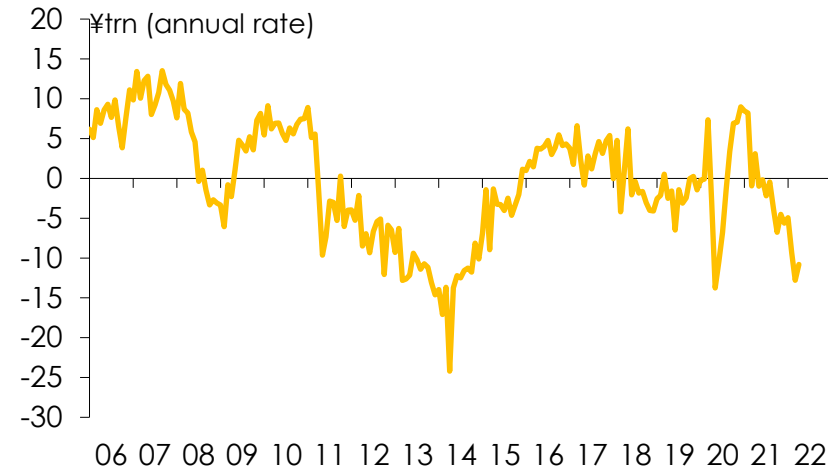
Japan's auto exports have been impacted by supply-chain difficulties, which together with higher import prices have erased its trade surpluses

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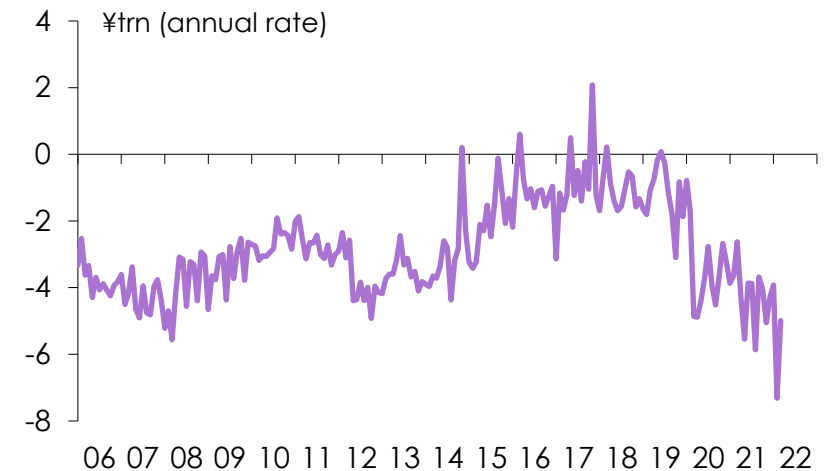
Merchandise trade volumes



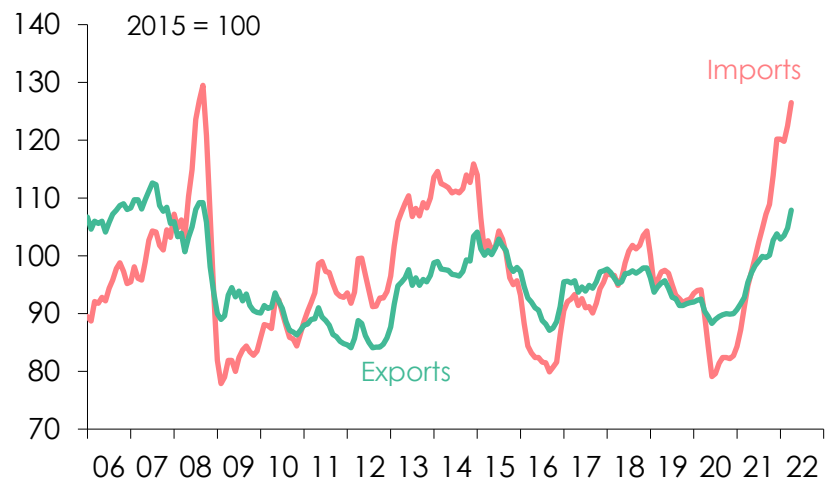
Merchandise trade balance



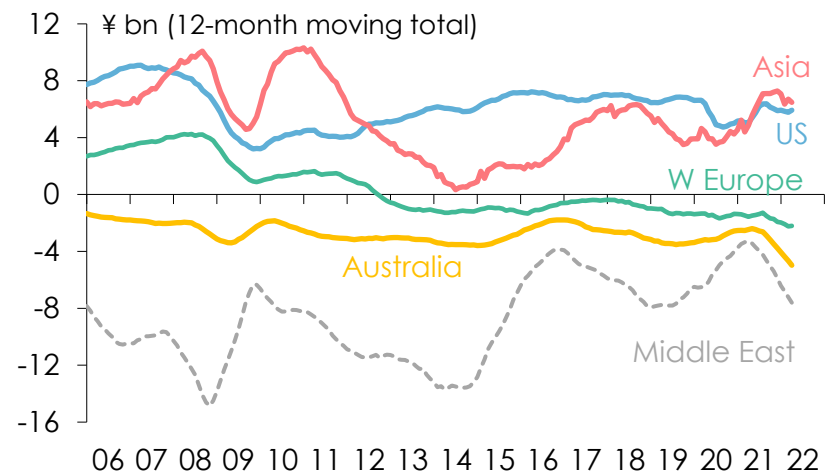
Services trade balance



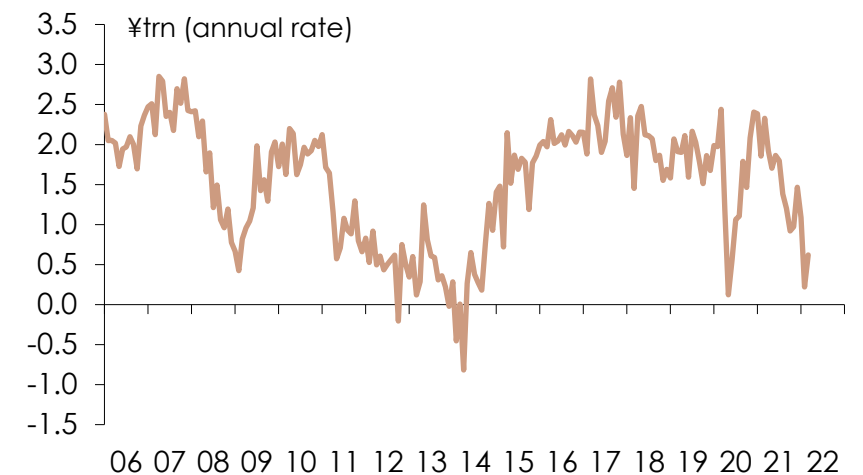
Merchandise trade prices



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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- ❑ The BoJ left 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
- ❑ The Policy Board meets again this Wednesday

Other East Asian economies

The IMF & ADB made small downward revisions to growth forecasts for most Asian economies in 2022 (except for HK), but revised inflation forecasts up

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

IMF and Asian Development Bank forecasts for East Asian economies

	Real GDP growth							Inflation						
	Actual		IMF			ADB		Actual		IMF			ADB	
	2010-19*	2020	2021	2022	2023	2022	2023	2010-19*	2020	2021	2022	2023	2022	2023
Korea	3.3	-0.9	4.0	2.5	2.9	3.0	2.6	1.7	0.5	2.5	4.0	2.4	3.2	2.0
Taiwan	3.6	3.1	5.9	3.2	2.9	3.8	3.0	1.0	-0.2	1.8	2.3	2.2	1.9	1.6
Hong Kong	2.8	-6.1	6.4	0.5	4.9	2.0	3.7	3.3	0.3	1.6	1.9	2.1	2.4	2.0
Singapore	4.9	-5.4	6.0	4.0	2.9	4.3	3.2	1.6	-0.2	2.3	3.5	2.0	3.0	2.3
Indonesia	5.4	-2.1	3.3	5.4	6.0	5.0	5.2	4.7	2.0	1.6	3.3	3.3	3.6	3.0
Philippines	6.4	-9.6	4.6	6.5	6.3	6.0	6.3	3.0	2.6	3.9	4.3	3.7	4.2	3.5
Thailand	3.6	-6.1	1.3	3.3	4.1	3.0	4.5	1.6	-0.8	1.2	3.5	2.8	3.3	2.2
Malaysia	5.4	-5.6	3.5	5.6	5.5	6.0	5.4	2.1	-1.1	2.5	3.0	2.4	3.0	2.5
Vietnam	6.5	2.9	3.8	6.0	7.2	6.5	6.7	6.0	3.2	1.9	3.8	3.2	3.8	4.0
Cambodia	7.0	-3.1	2.2	5.1	5.9	4.2	3.6	3.1	2.9	3.0	3.0	3.0	1.6	1.0
Laos	7.1	-0.4	3.2	3.5	4.5	3.4	3.7	3.7	5.1	3.8	6.2	5.0	5.8	5.0
Myanmar	3.1	-8.0	-17.9	1.6	3.0	-0.3	2.6	6.1	5.7	3.6	14.1	8.2	8.0	8.5

Note: * Pp per annum. Sources : International Monetary Fund (IMF), [World Economic Outlook](#), 19th April 2022; Asian Development Bank, [Asian Development Outlook](#), 6th April 2022. [Return to "What's New"](#).

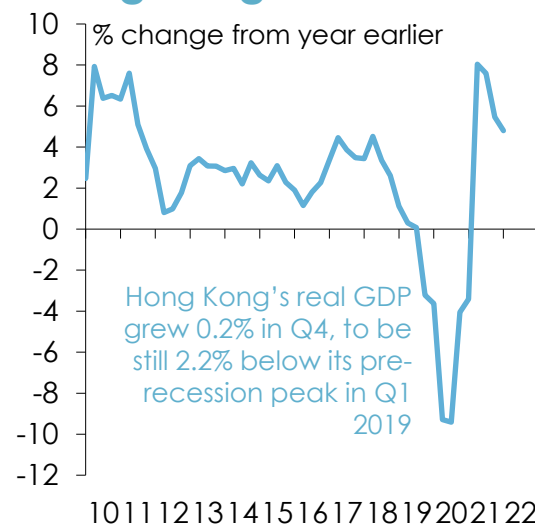
Singapore's economy expanded 0.4% in Q1, down from 2.3% in Q4 2021, cutting the annual growth rate to 3.4% from 6.1%

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Korea



Hong Kong



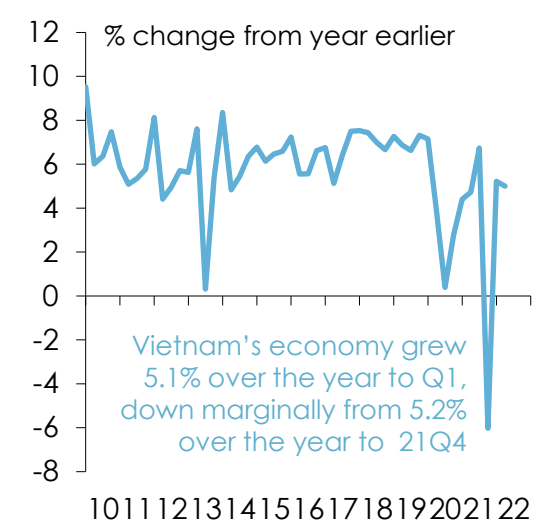
Indonesia



Thailand



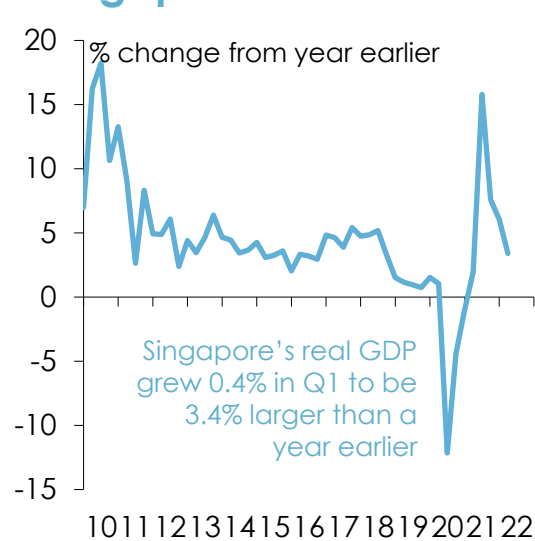
Vietnam



Taiwan



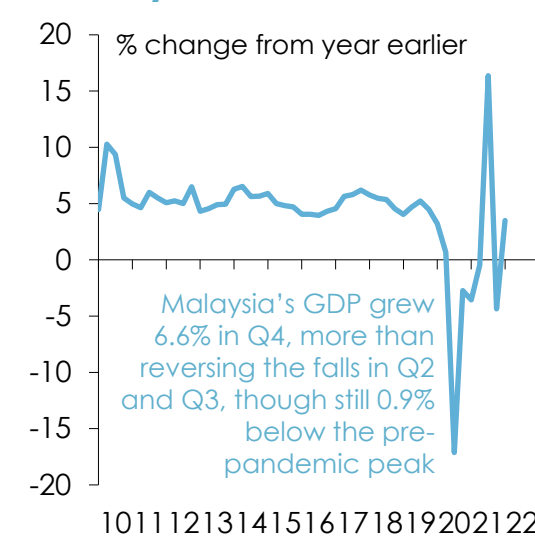
Singapore



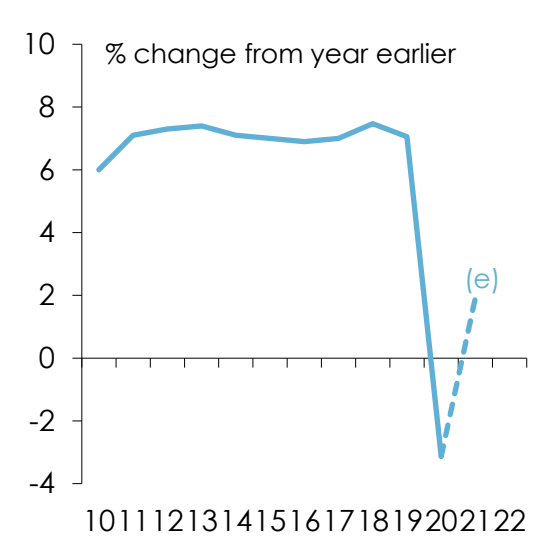
Philippines



Malaysia



Cambodia

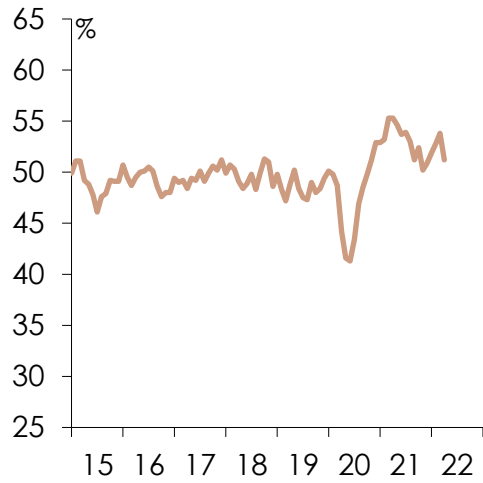


Sources: Bank of Korea; Taiwan Directorate-General of Budget, Accounting & Statistics; Hong Kong Census & Statistics Department; Singapore Ministry of Trade and Industry; Department of Statistics Malaysia; Office of the National Economic & Social Development Council of Thailand; Statistics Indonesia;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

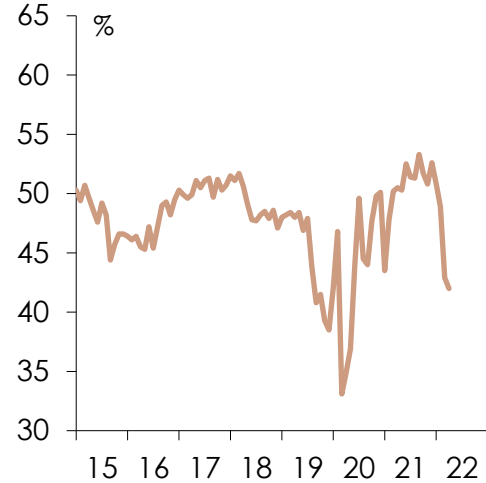
March PMIs indicate a softening in manufacturing activity in most east Asian economies, except for Indonesia and the Philippines

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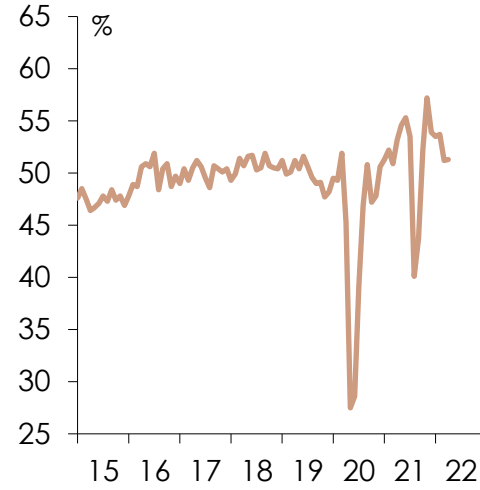
Korea



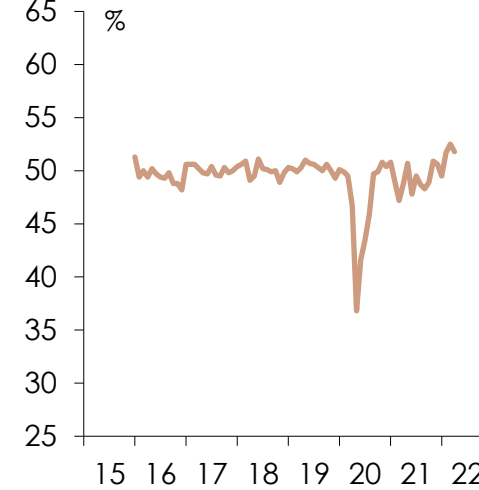
Hong Kong



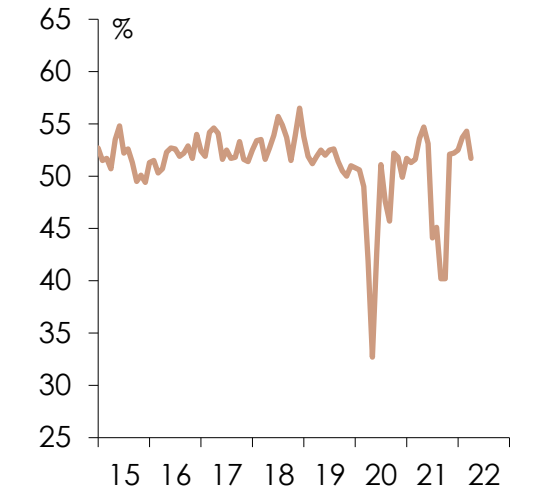
Indonesia



Thailand



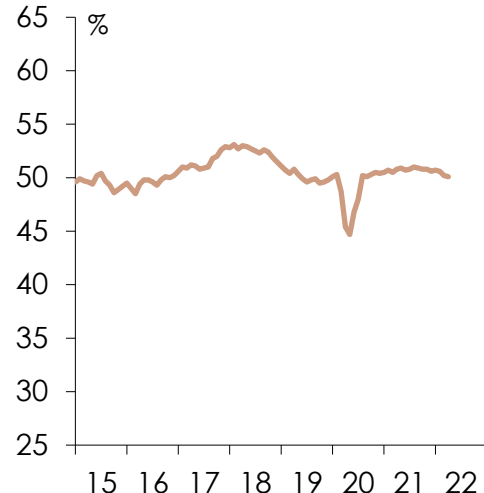
Vietnam



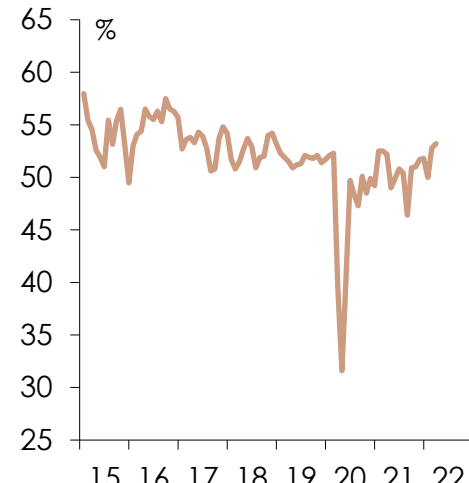
Taiwan



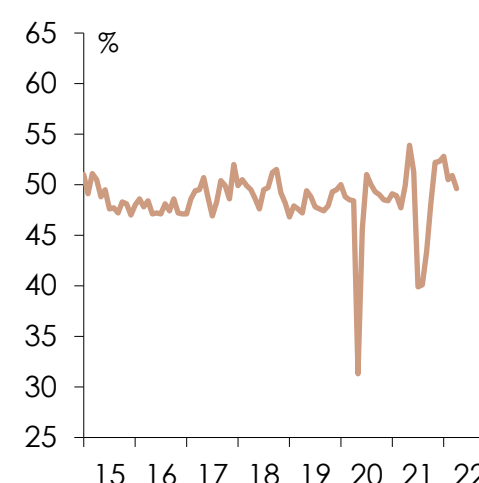
Singapore



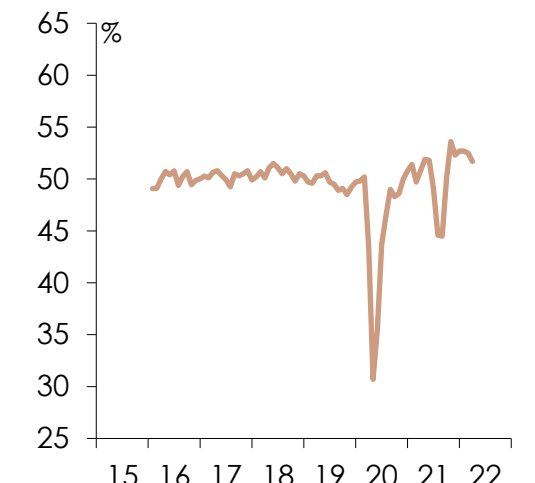
Philippines



Malaysia



ASEAN

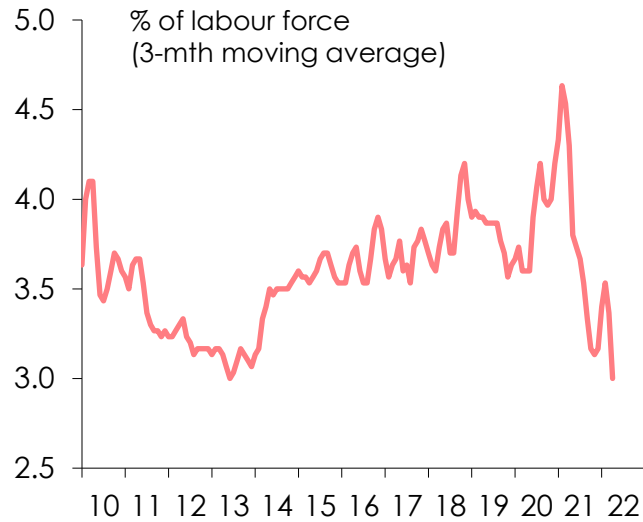


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous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

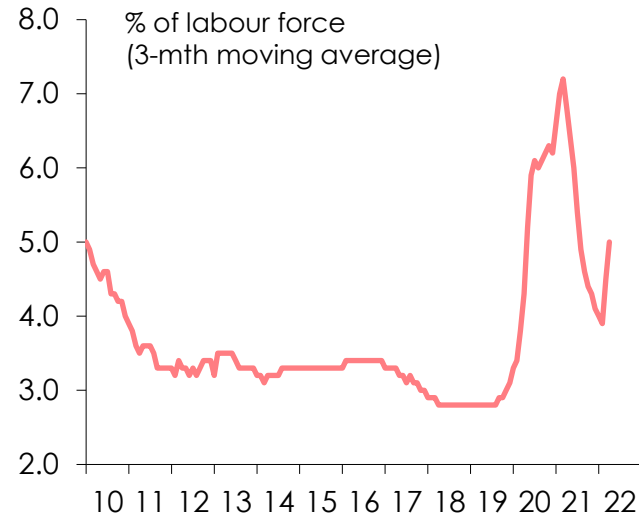
Unemployment rose sharply in most Asian economies last year but is now falling in most of them (except for Hong Kong)

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

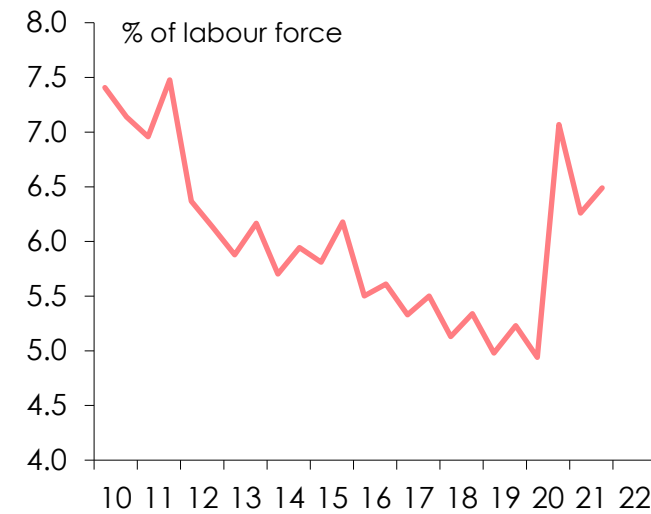
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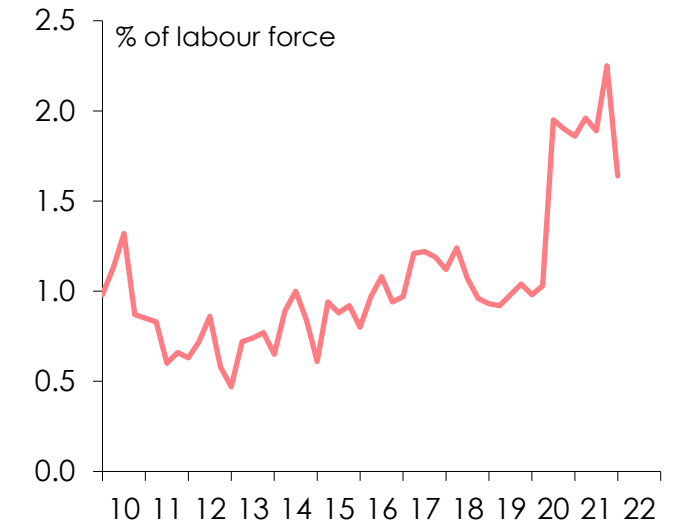
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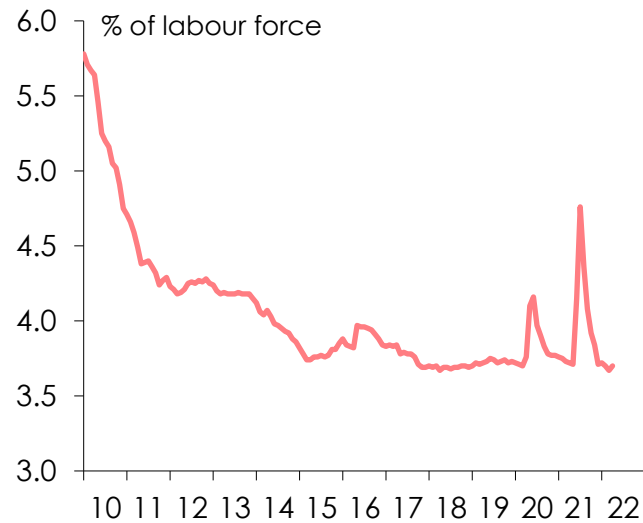
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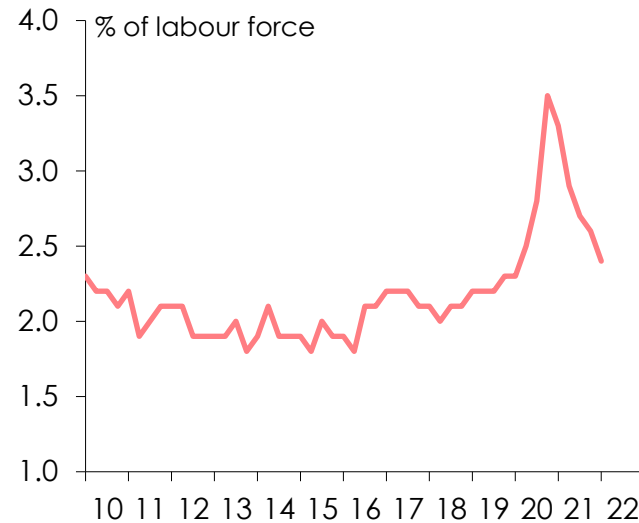
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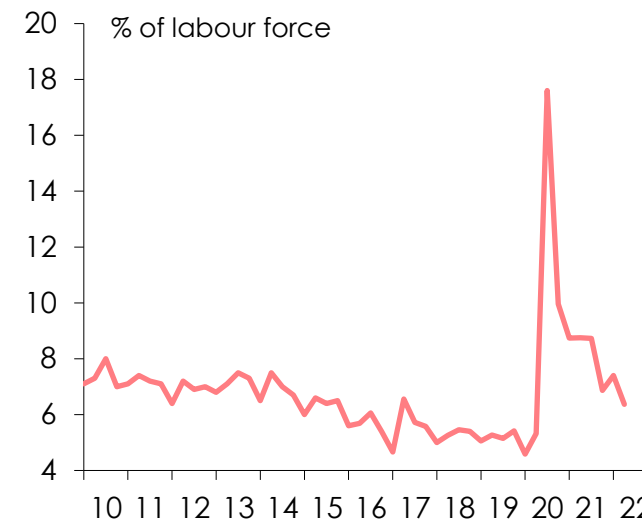
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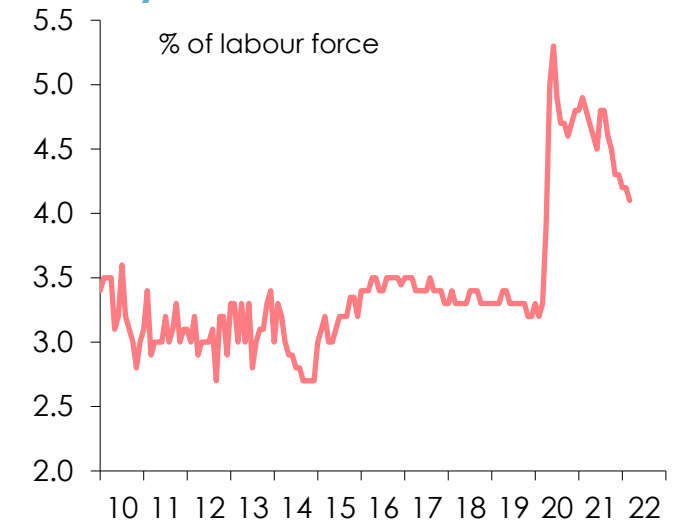
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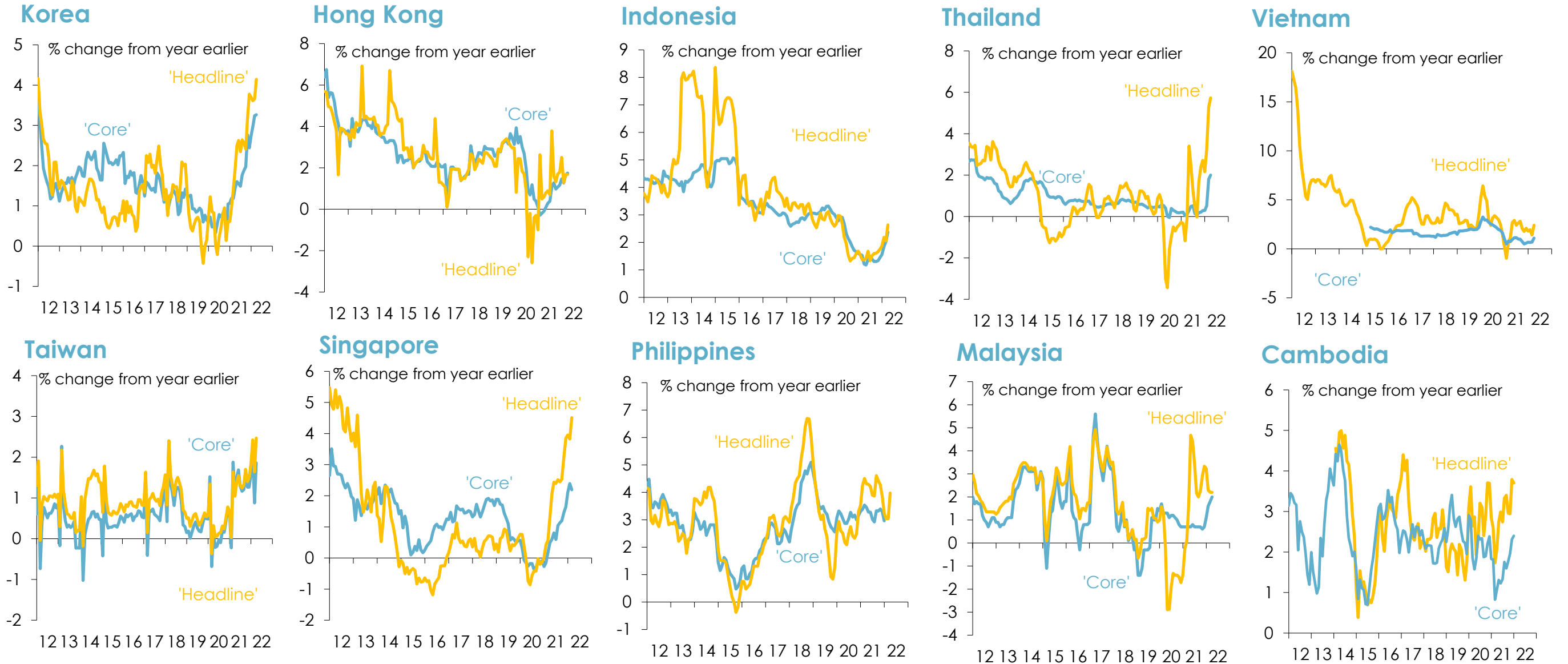
Malaysia



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 Korea, Indonesia, Thailand, Malaysia and Singapore

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

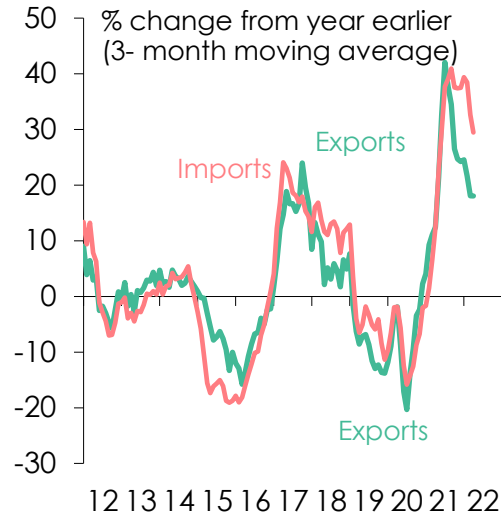


Note: 'Core' inflation in Korea excludes agricultural products and oil; in Taiwan it excludes fresh fruit, vegetables and energy; in Singapore it excludes accommodation and private transport; and in Hong Kong it excludes the effect of 'one-off government relief measures'. 'Core' inflation in Indonesia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

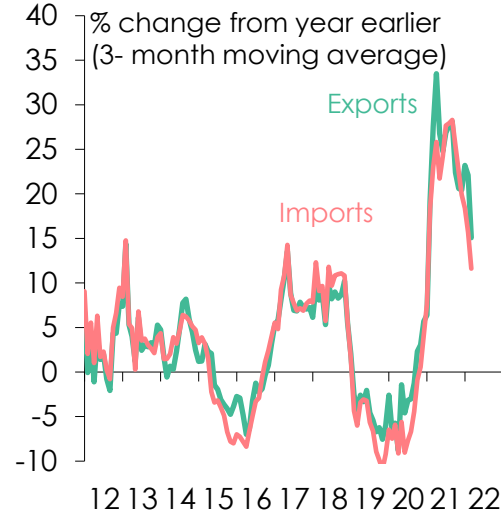
Asian exports are returning to more 'normal' growth rates following the 'bump' in 2021 inflated by comparison with 2020

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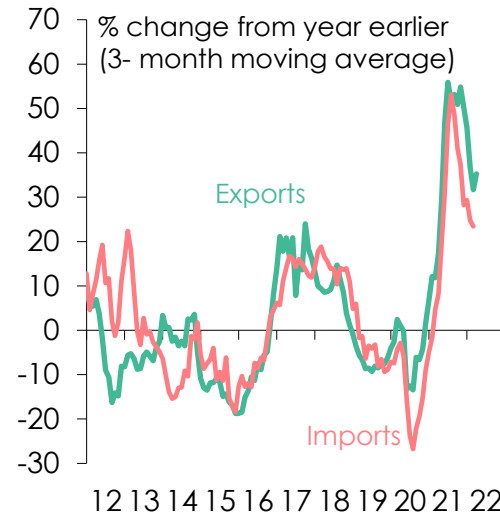
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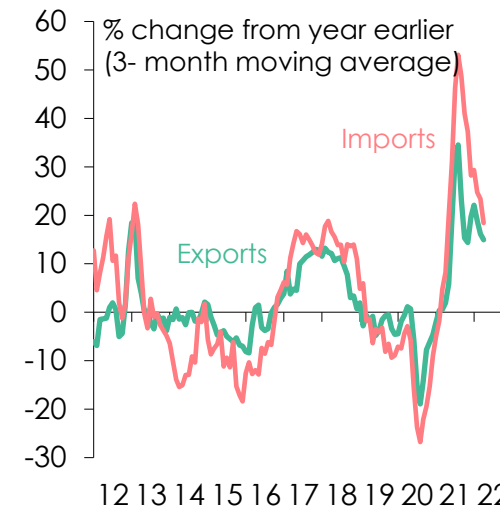
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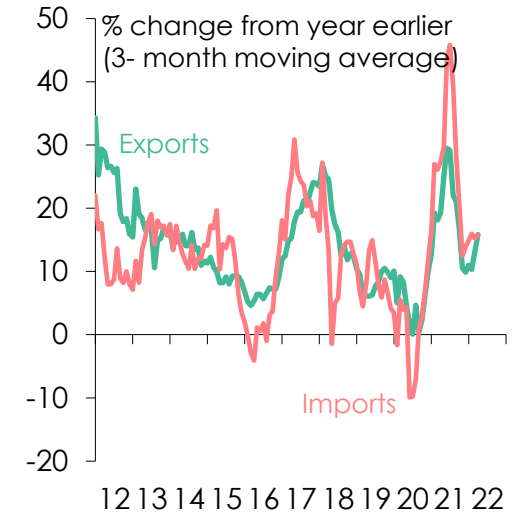
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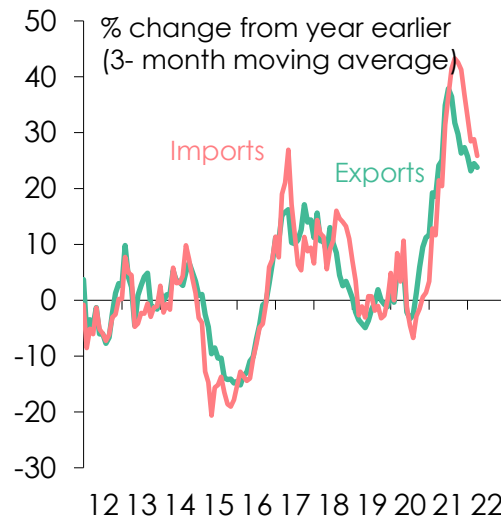
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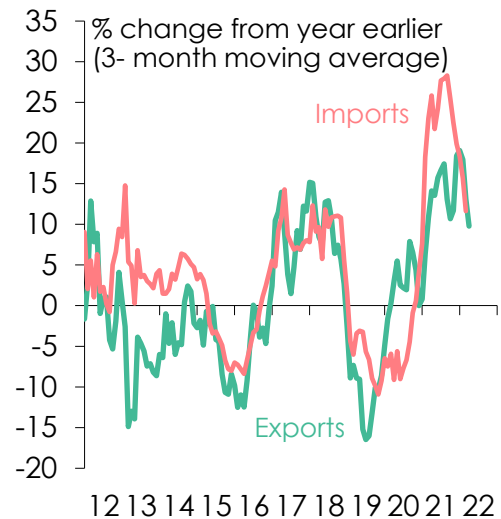
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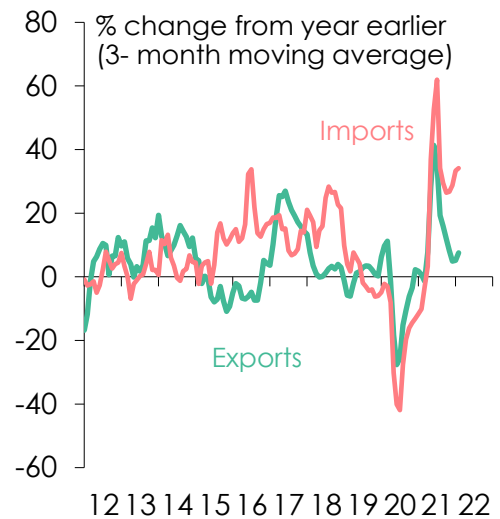
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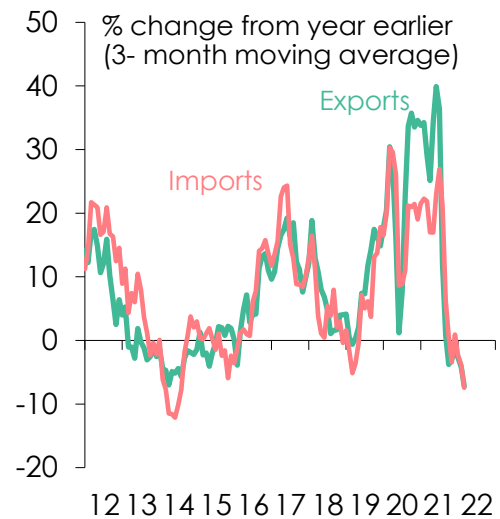
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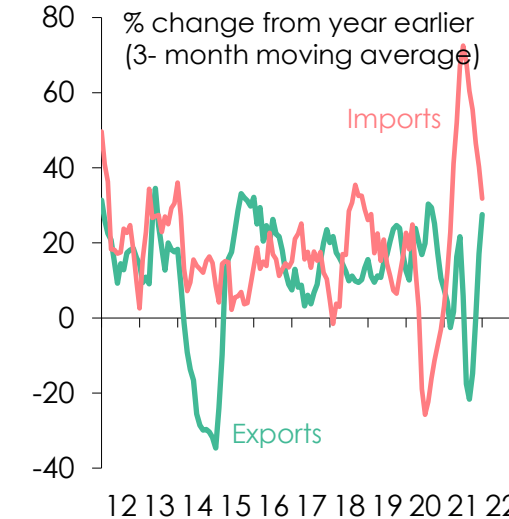
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Malaysia



Cambodia

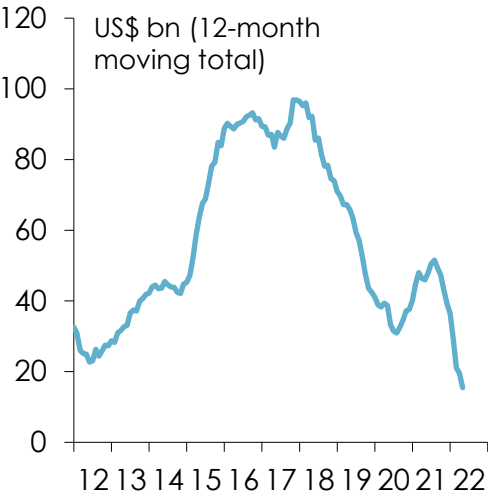


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

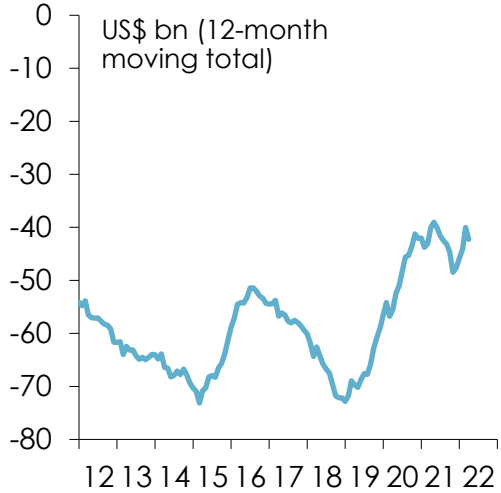
Most Asian economies – except for Indonesia, Malaysia and Singapore – are experiencing some deterioration in their trade balances

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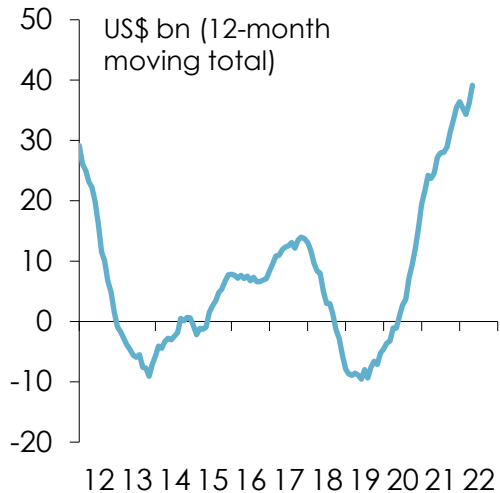
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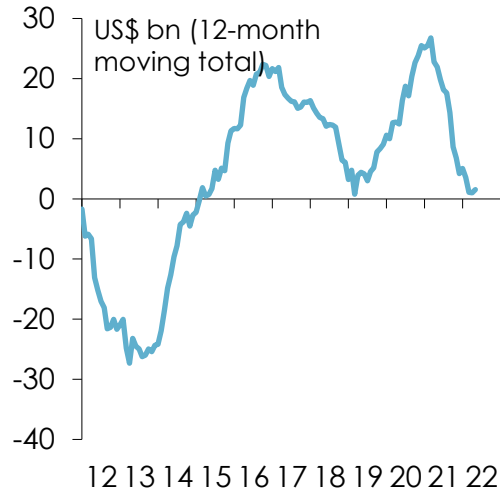
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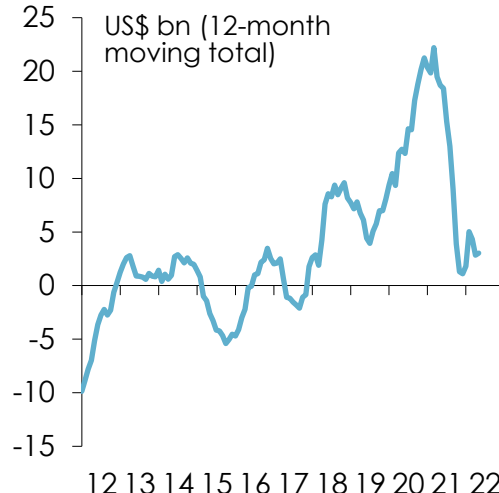
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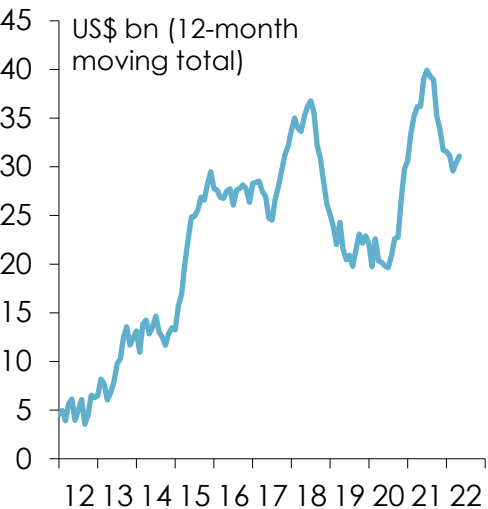
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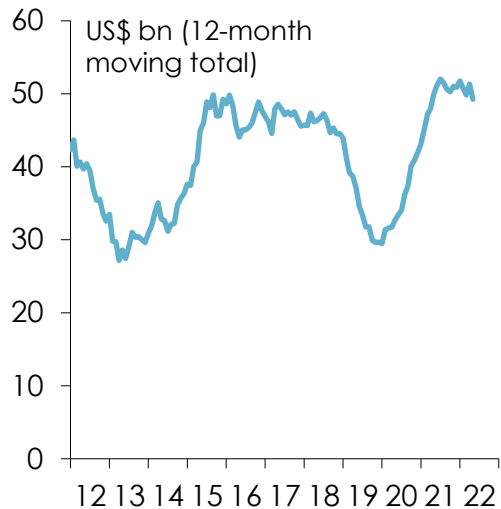
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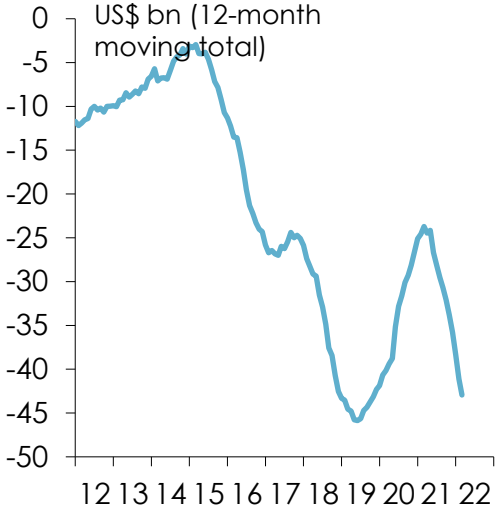
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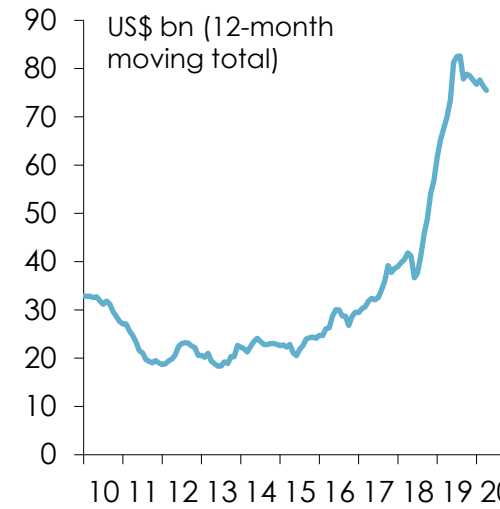
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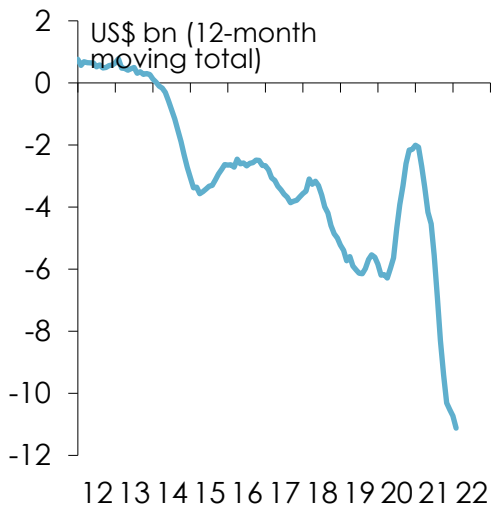
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Malaysia



Cambodia

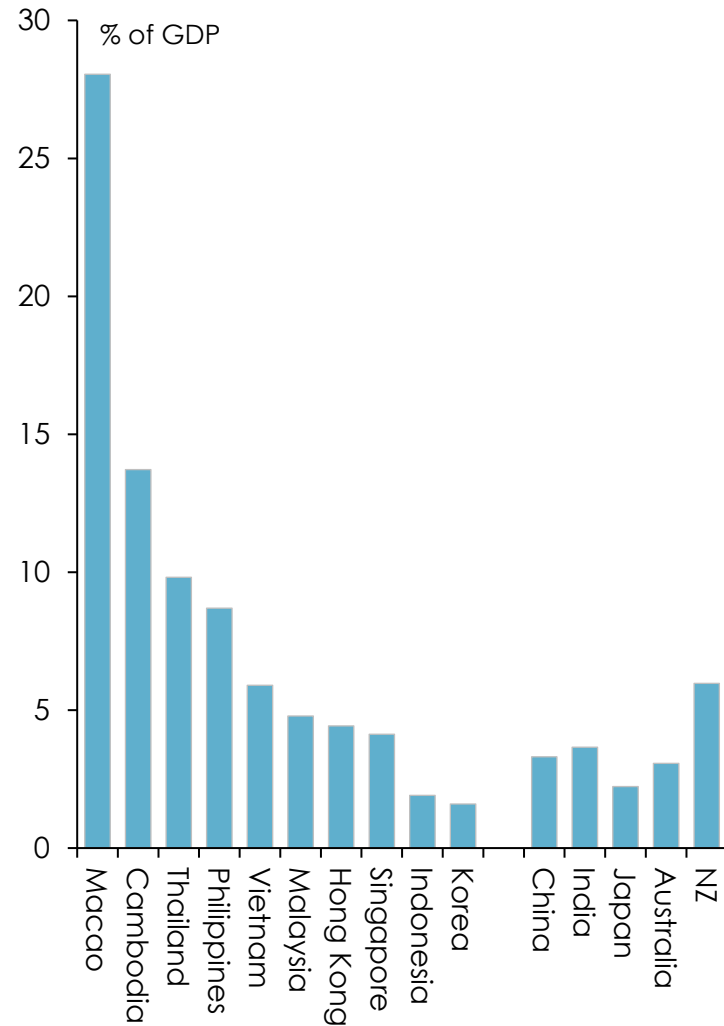


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

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

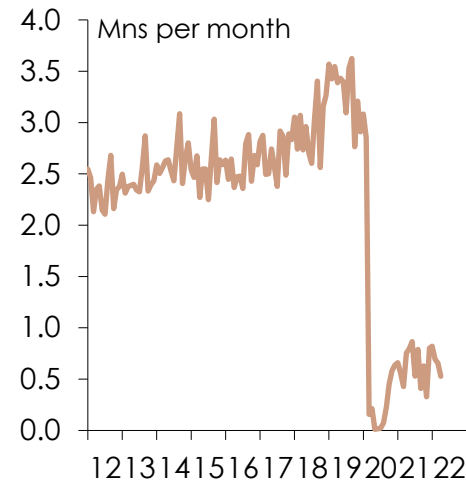
THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

International tourism direct contribution to GDP, 2018

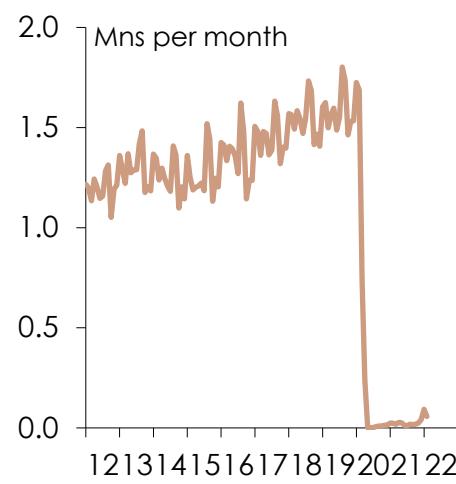


International visitor arrivals

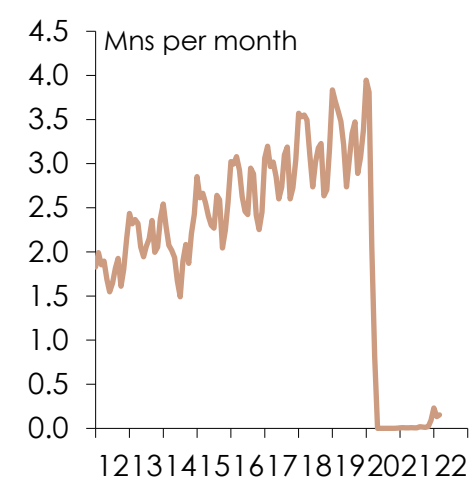
Macao



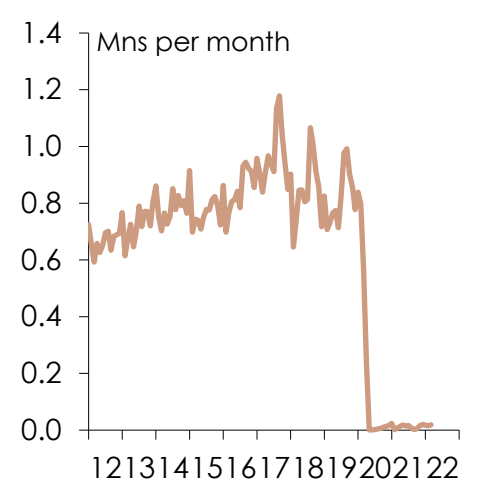
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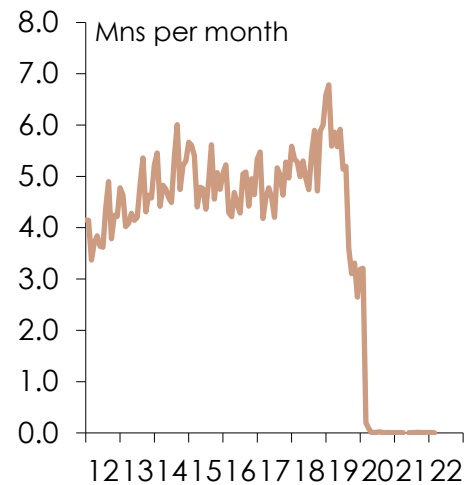
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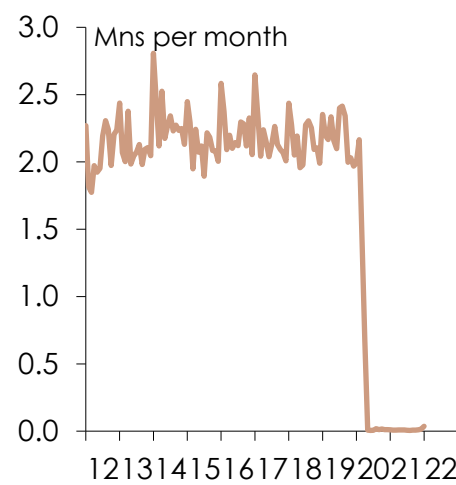
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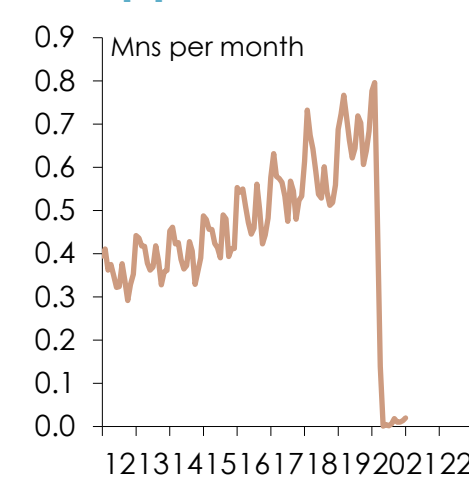
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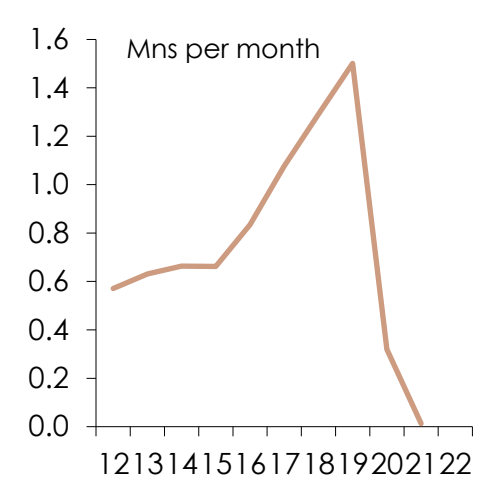
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Philippines



Vietnam



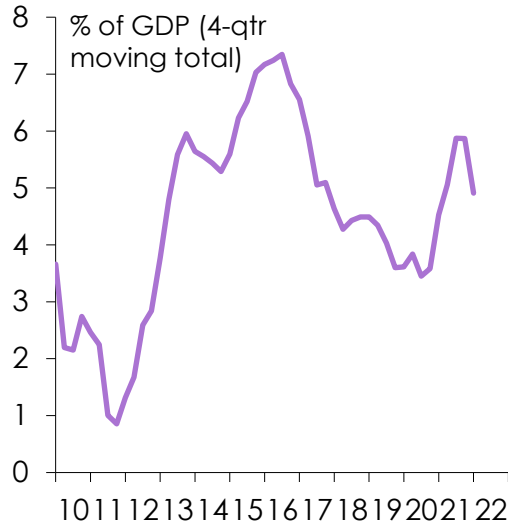
Note: Visitor arrivals data for Vietnam is only published annually. The Philippines stopped publishing data on visitor arrivals in December 2020.

Sources: The World Bank, [ICdata360](#); national statistical agencies. [Return to "What's New"](#).

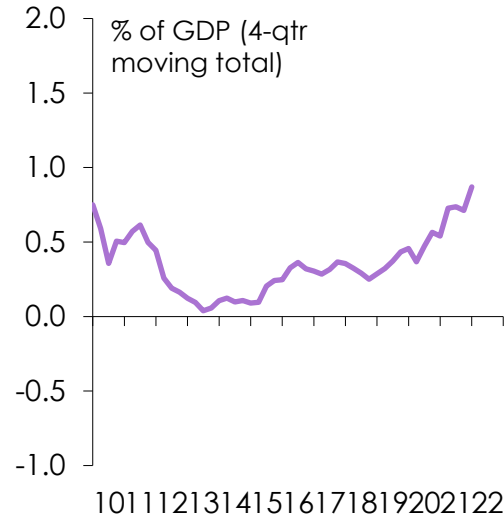
The more 'advanced' Asian economies have strong current account positions, Indonesia's is much improved but others have deteriorated

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

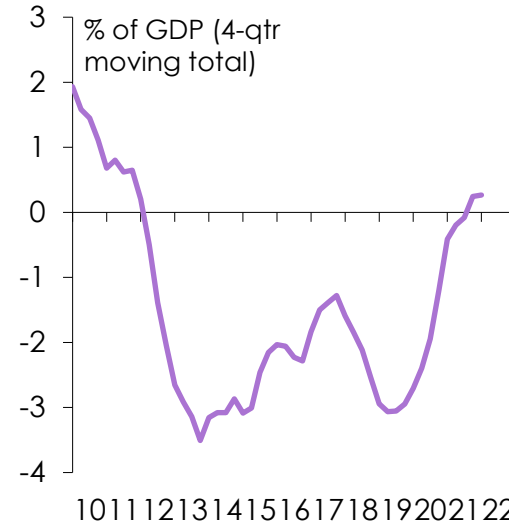
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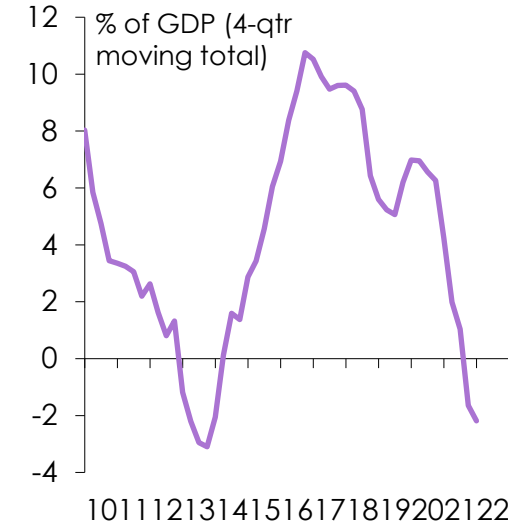
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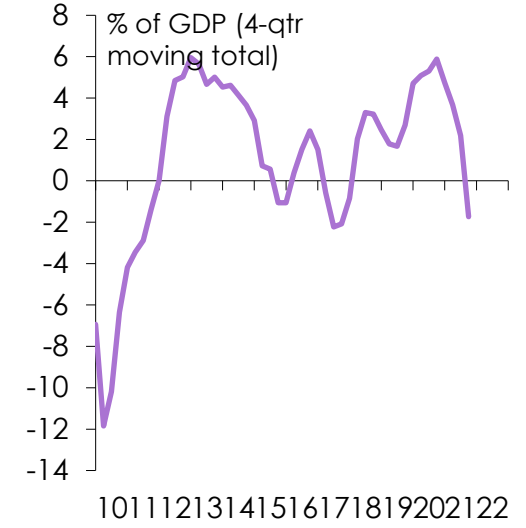
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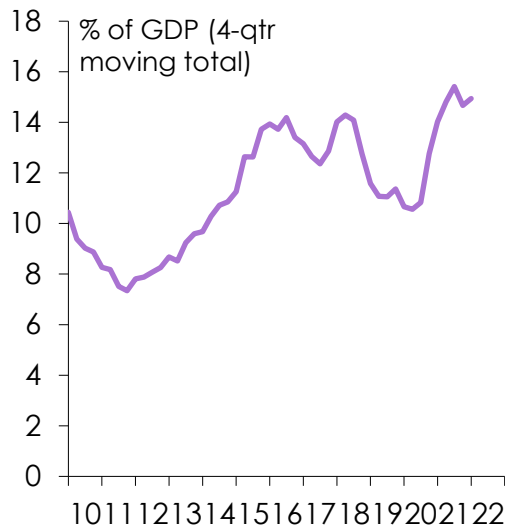
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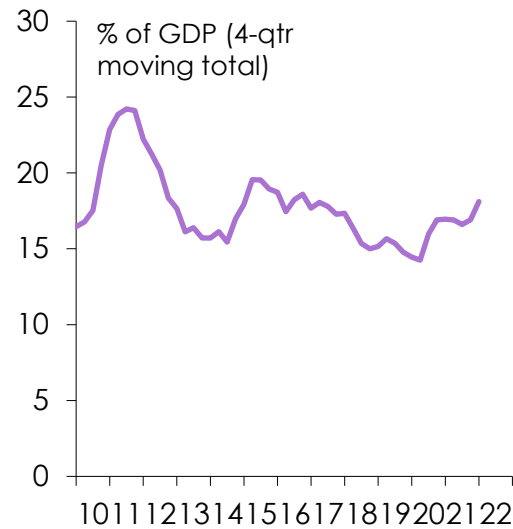
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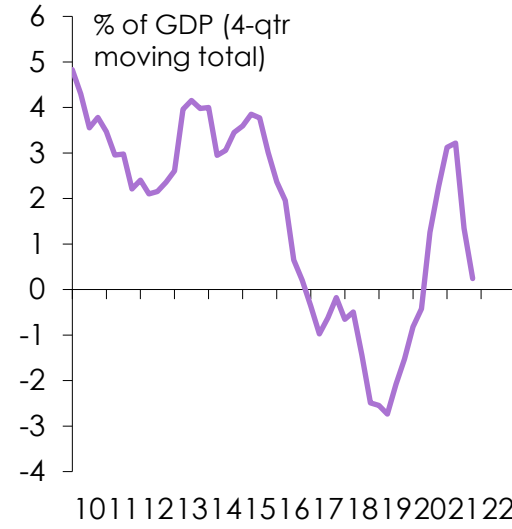
Taiwan



Singapore



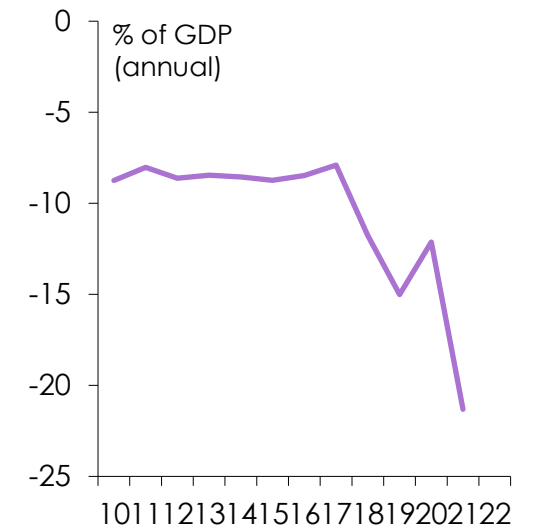
Philippines



Malaysia



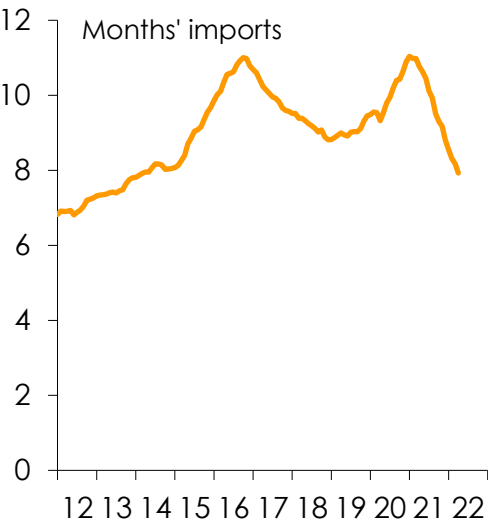
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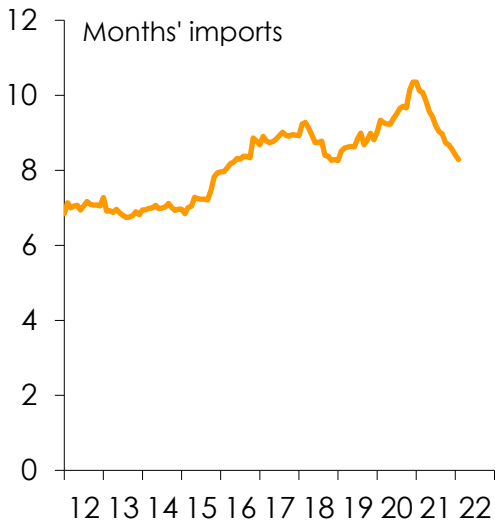
Most Asian economies have sought to maintain high levels of FX reserves since the 1997-98 crisis – although Malaysia's have deteriorated recently

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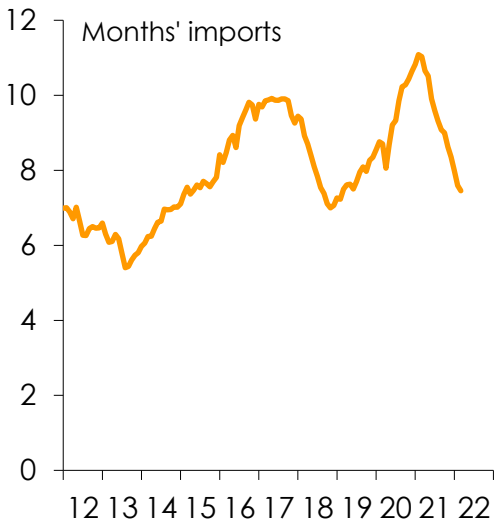
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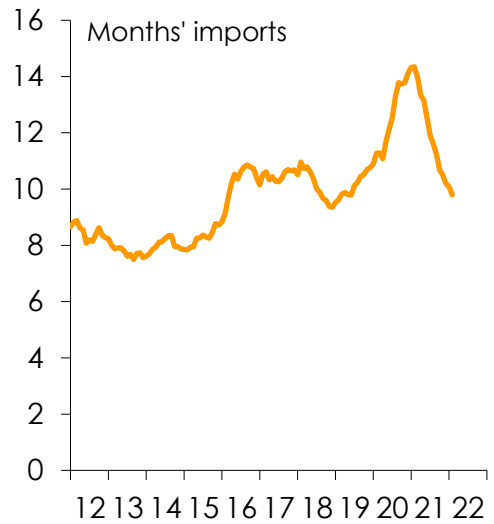
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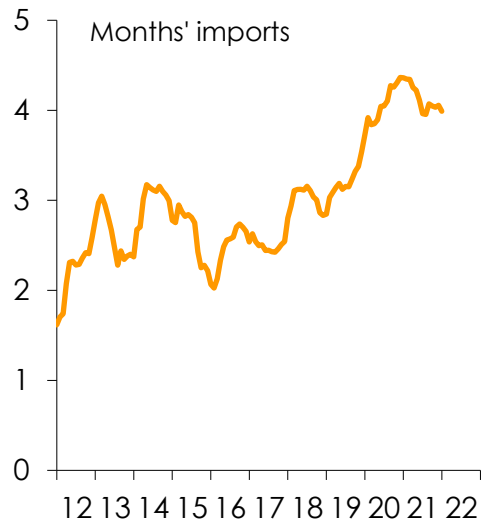
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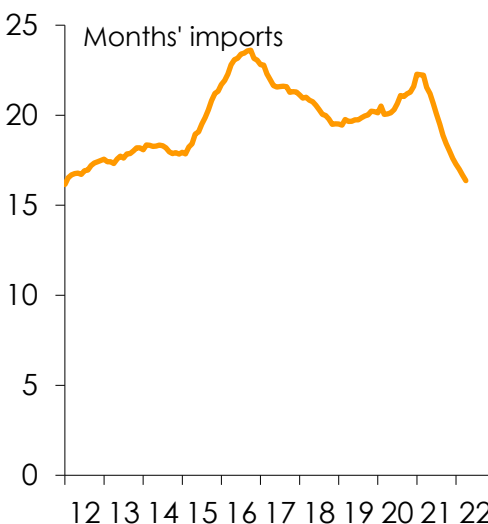
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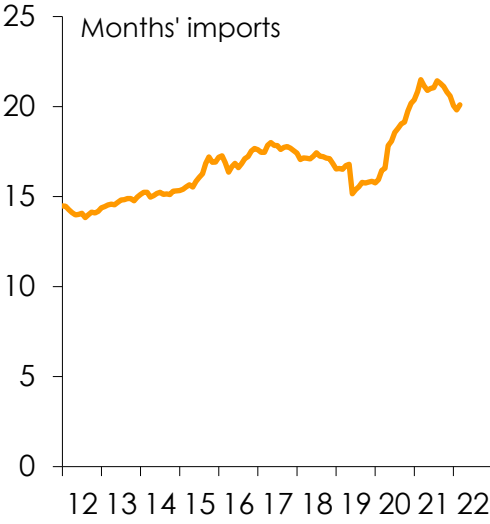
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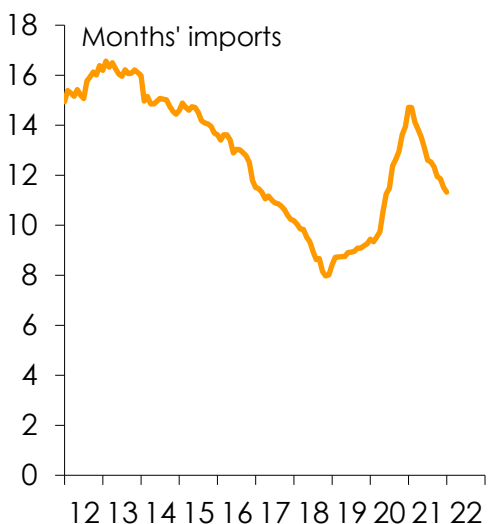
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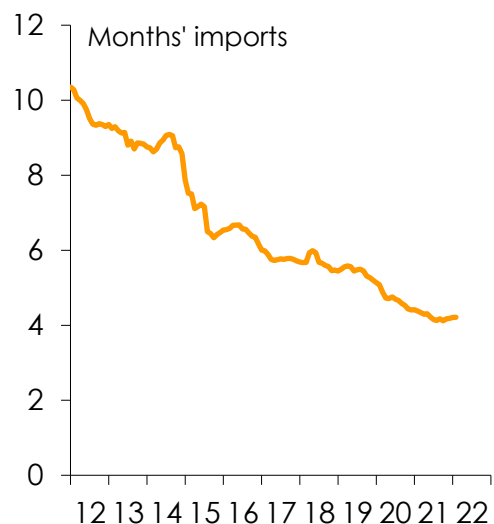
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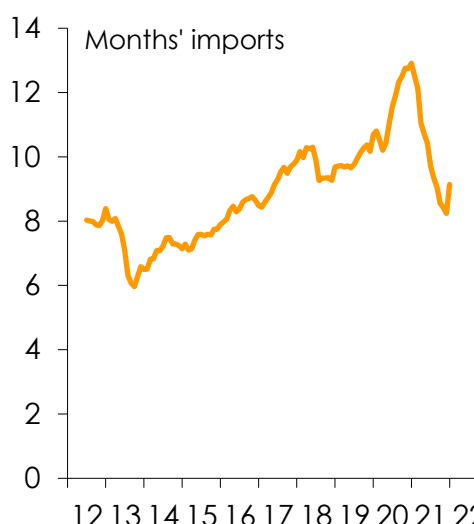
Philippines



Malaysia



Cambodia

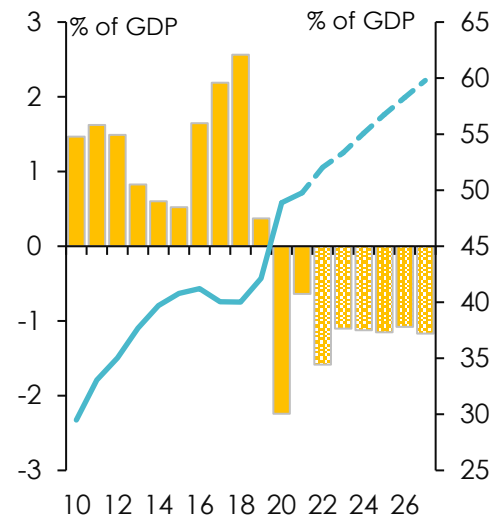


Note: Foreign exchange reserves in the above charts are shown as a multiple of average monthly imports (measured in US\$) over the preceding 12 months. Sources: national statistical agencies and central banks; IMF; Refinitiv Datastream. [Return to "What's New"](#).

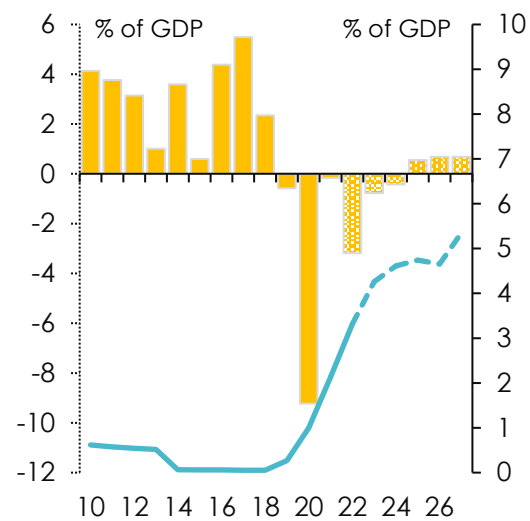
Most Asian governments, apart from Korea, Taiwan, Malaysia and Vietnam, will be tightening fiscal policy over the next few years

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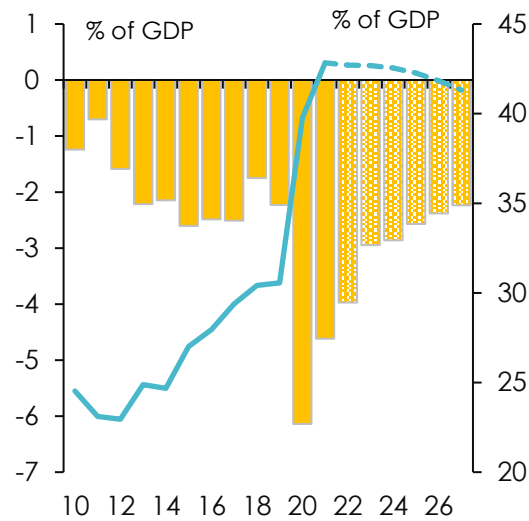
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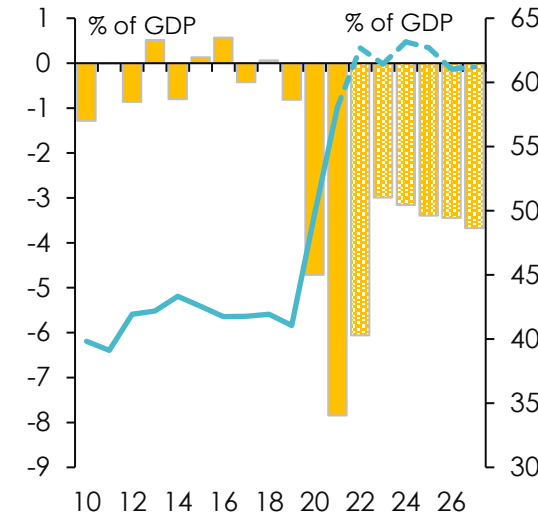
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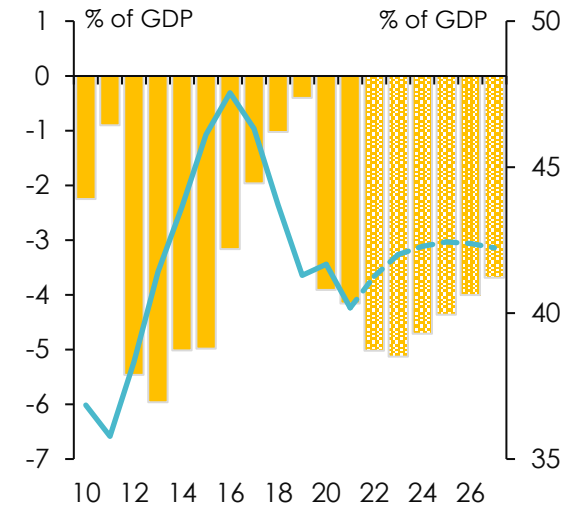
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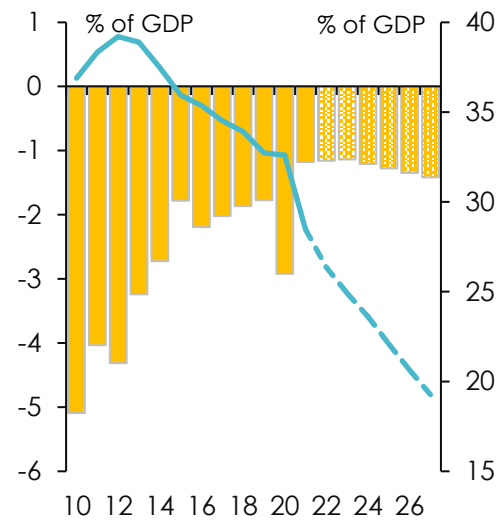
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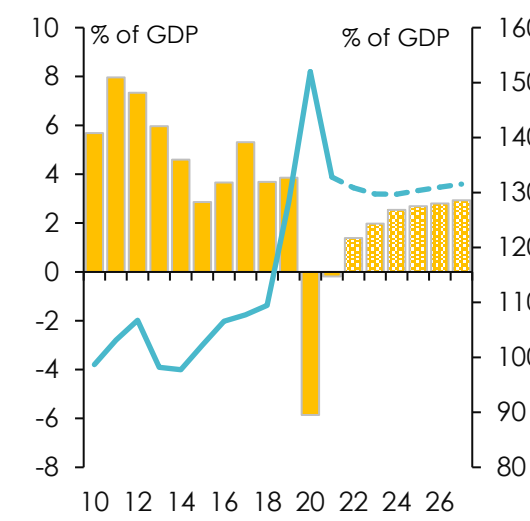
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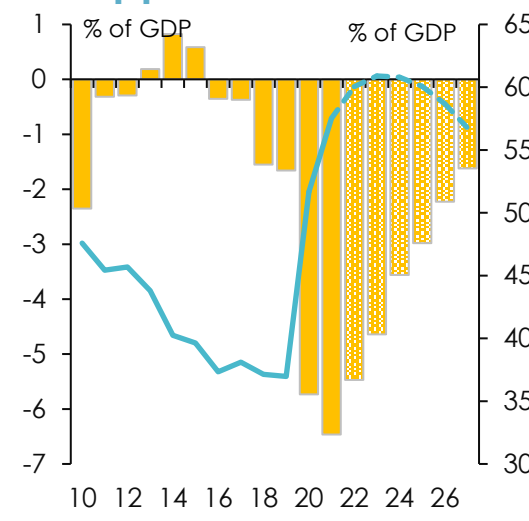
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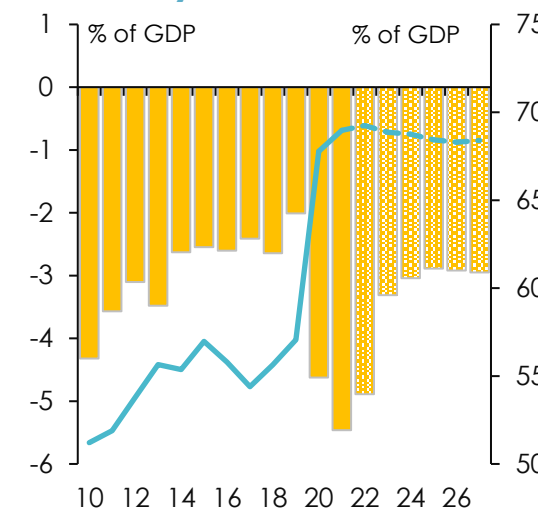
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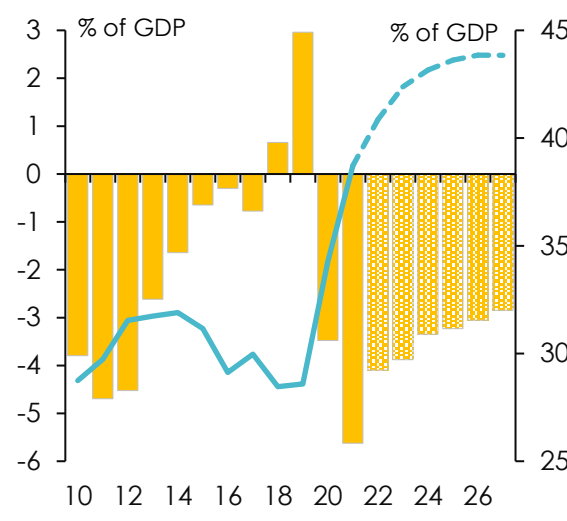
Philippines



Malaysia



Cambodia



General government overall fiscal balance (left scale)



General government gross debt (right scale)

Source: International Monetary Fund, [Fiscal Monitor](#), and [World Economic Outlook](#), April 2022. [Return to "What's New"](#)

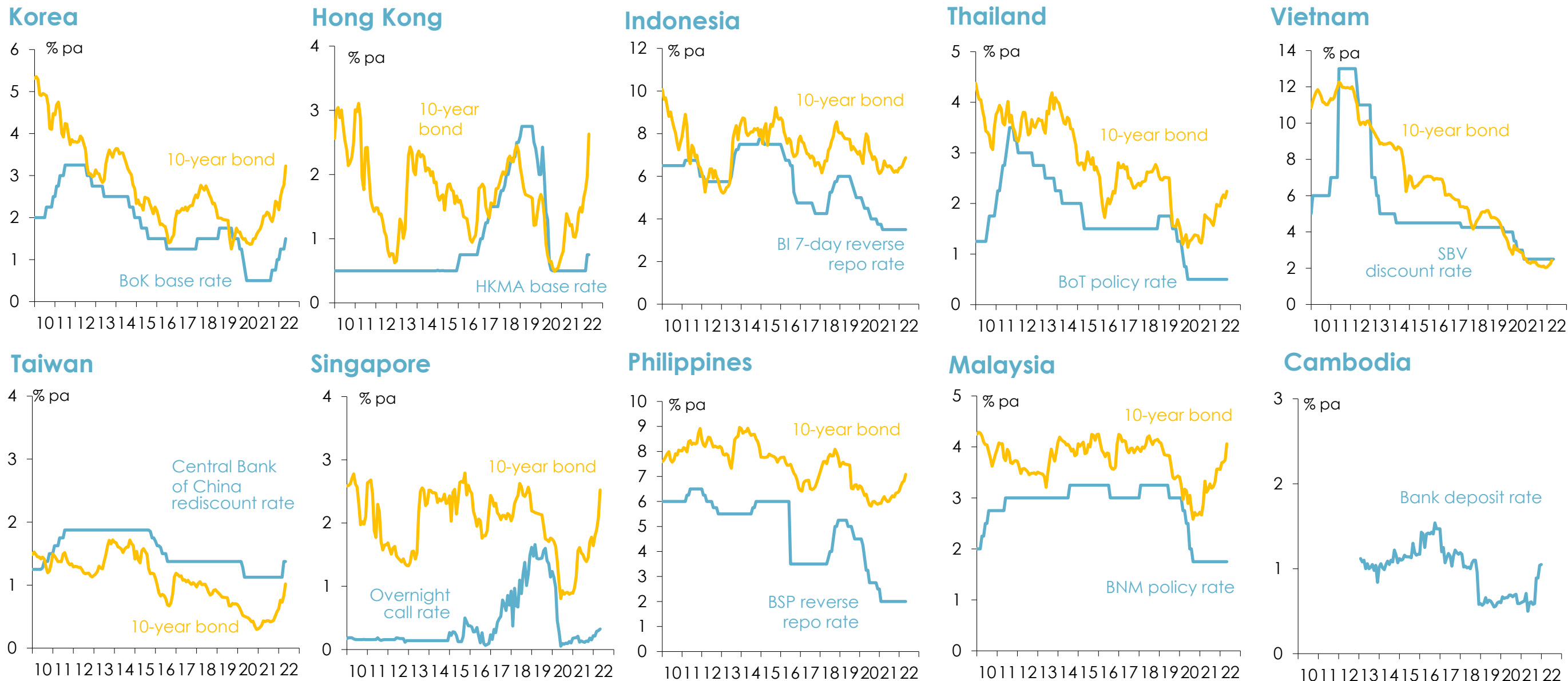
Bank Indonesia left its monetary policy settings 'on hold' last week, after the BoK and MAS tightened policy the week before

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- ❑ **Bank Indonesia** left its seven-day repo rate unchanged at 3.50%, as it has been since February 2021, at last week's Board of Governors meeting
 - BI **characterized** this decision as “in line with the need to maintain exchange rate stability and inflation control, as well as efforts to keep boosting economic growth, amid heightened external pressures related to Russian-Ukrainian geopolitical tensions and accelerated normalization of monetary policy in developed countries”
 - BI shaved its projection for real GDP growth in 2022 by $\frac{1}{4}$ pc pt to 4½-5¾%, and (thanks to higher commodity prices) its forecast for the current account deficit by $\frac{1}{2}$ pc pt of GDP to ½-1¼% of GDP, but expects inflation to remain within its $3 \pm 1\%$ target band “in line with the still adequate supply side in responding to the increase in the demand side, the control of inflation expectations and stability of the rupiah exchange rate”
- ❑ The **Bank of Korea** lifted its base rate by another 25 bp, to 1.50% at its Monetary Policy Board meeting on 14th April, the fourth such increase since August last year, for a total of 100 bp ([slide 111](#))
 - **explaining** its decision, the BoK forecast that consumer price inflation would “remain high in the 4% range for some time, and run substantially above the February forecast of 3.1% for the year overall”, with core inflation also “forecast to remain around 3% for a considerable time” (cf. BoK's inflation target of 2%)
 - it foreshadowed further adjustments to the “degree of monetary policy accommodation” given that “the Korean economy is expected to continue its recovery and inflation to run above the target level for a considerable time”
- ❑ The **Monetary Authority of Singapore** announced a **further tightening** of monetary policy on 14th April, by 're-centring' the mid-point of its exchange rate policy band at its current TWI level (which is about 1% above its level in October when the MAS first began tightening), and “increasing slightly” the rate of appreciation of the policy band “to exert a continuing dampening effect on inflation”
 - the MAS raised its forecasts for 'headline' and 'core' inflation to 4½-5½% and 2½-3½% (from 2½-3½% and 2-3% previously)
- ❑ The next Asian central bank meeting is Bank Negara Malaysia on 11th May, followed by the Bank of Thailand and Bangko Sentral ng Pilipinas on 18th and 19th May, respectively

The Bank of Korea raised rates again this month, for the fourth time, the CBoC (Taiwan) and HKMA raised rates last month and others may follow

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

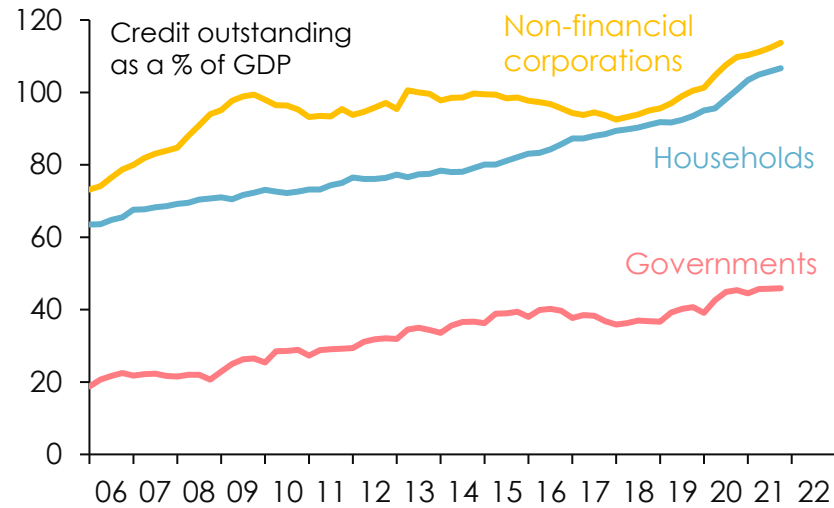


Note: Neither Hong Kong nor Singapore use a monetary policy indicator interest rate. Hong Kong has a currency board system, under which the HKMA base rate moves in line with a pre-set formula based on the US fed funds rate; the Monetary Authority of Singapore uses the (effective) exchange rate as its 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 22nd April 2022. Sources: national central banks; Refinitiv Datastream. [Return to "What's New"](#).

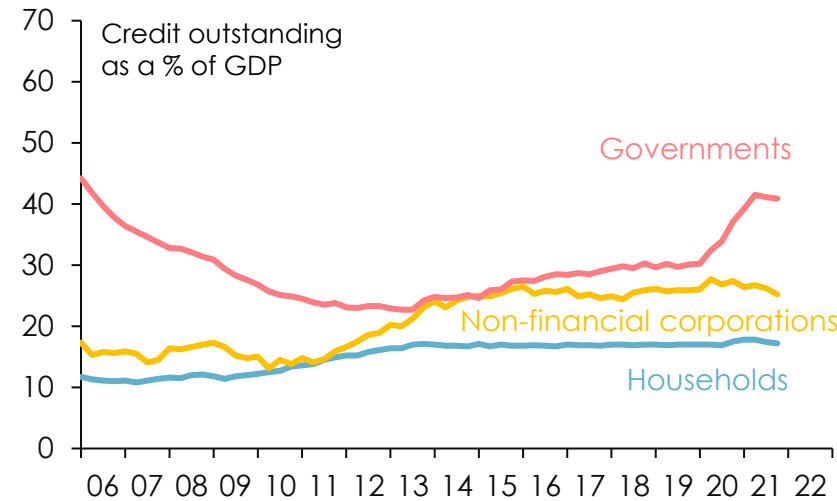
In Asia, Hong Kong, Singaporean and Korean corporates, and Korean households, have the greatest exposure to any increases in interest rates

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

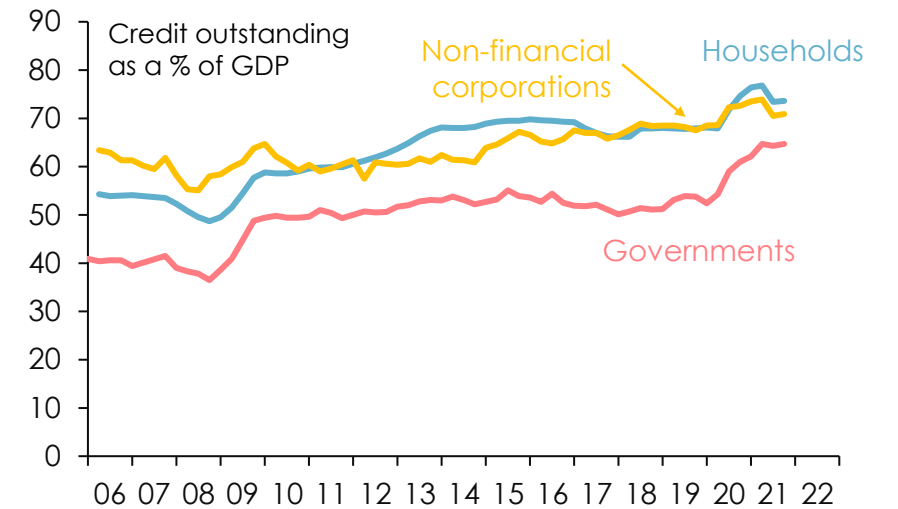
Korea



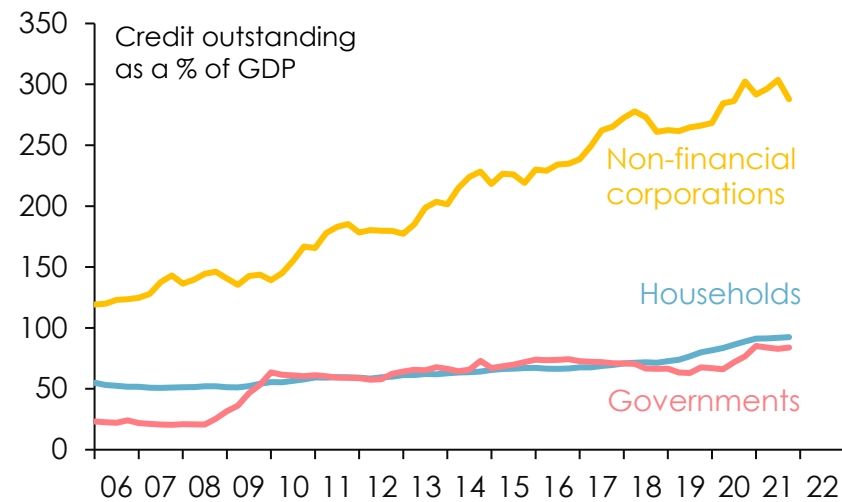
Indonesia



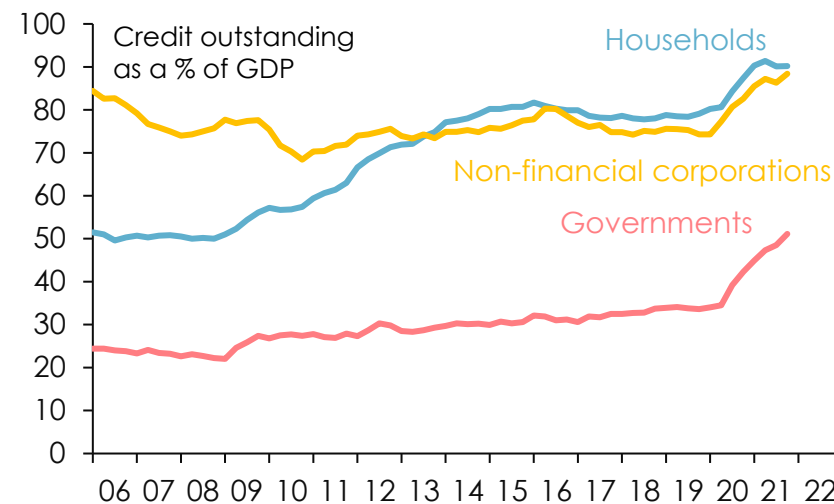
Malaysia



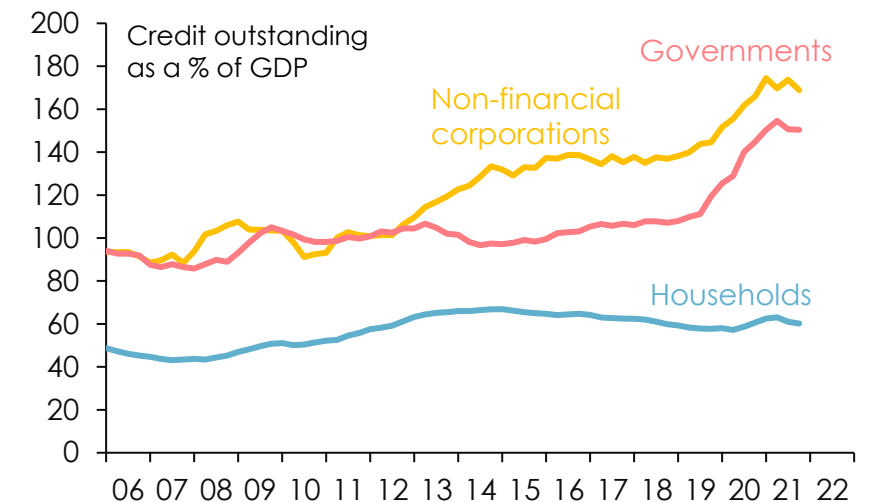
Hong Kong



Thailand



Singapore

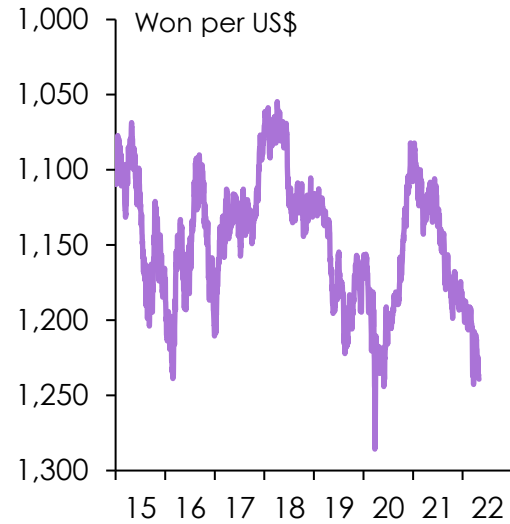


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

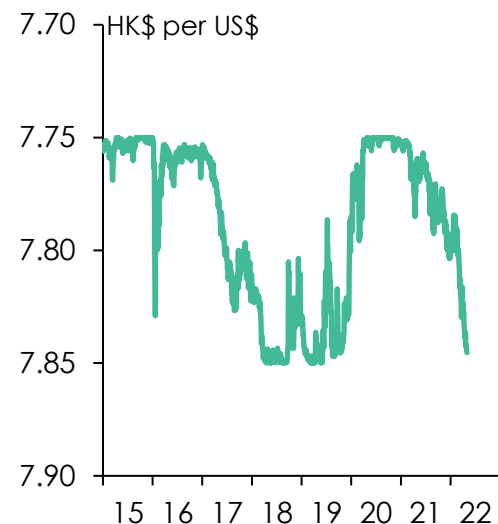
Asian currencies fell against the stronger US dollar last week, with the ringgit down more than 2%, but the rupiah down only 0.1%

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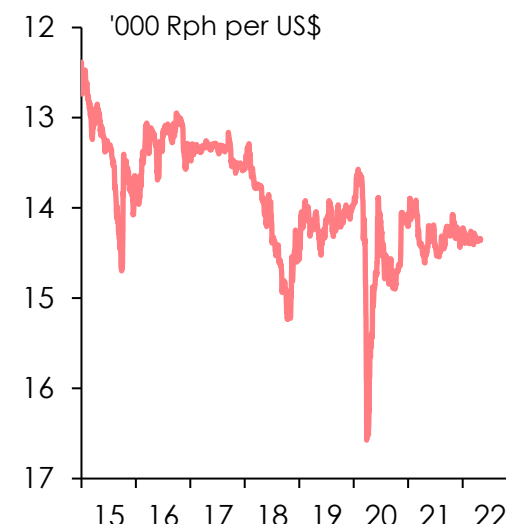
Korean won



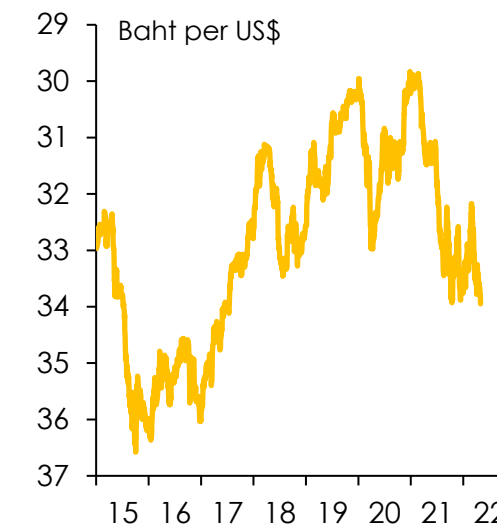
Hong Kong dollar



Indonesian rupiah



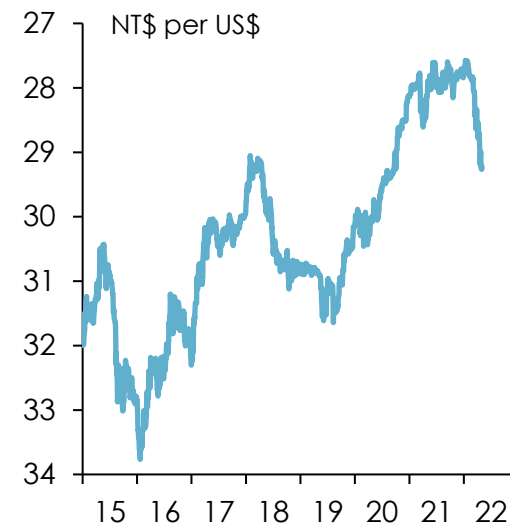
Thai baht



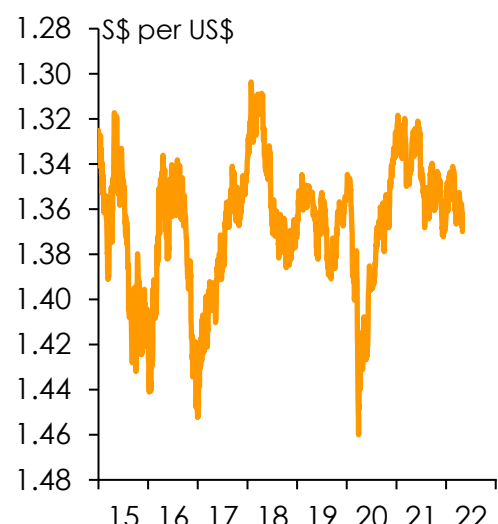
Vietnamese dong



New Taiwan dollar



Singapore dollar



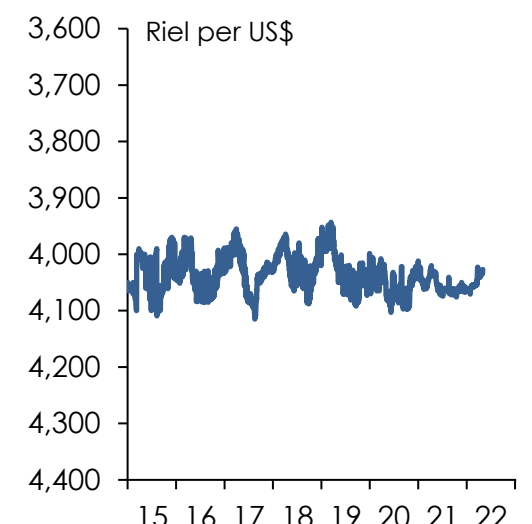
Philippine peso



Malaysian ringgit



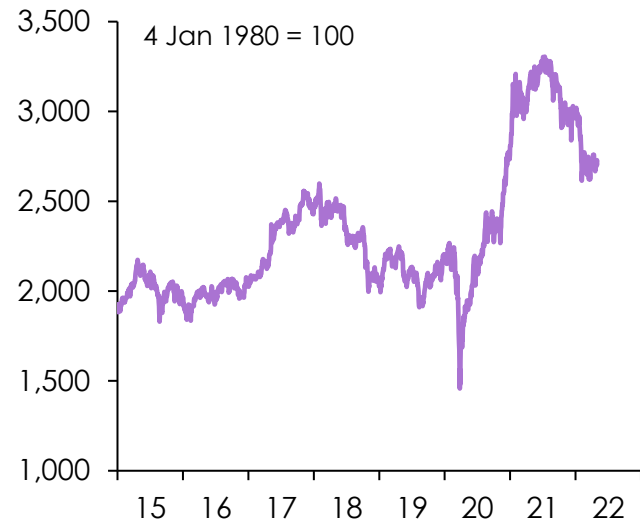
Cambodian riel



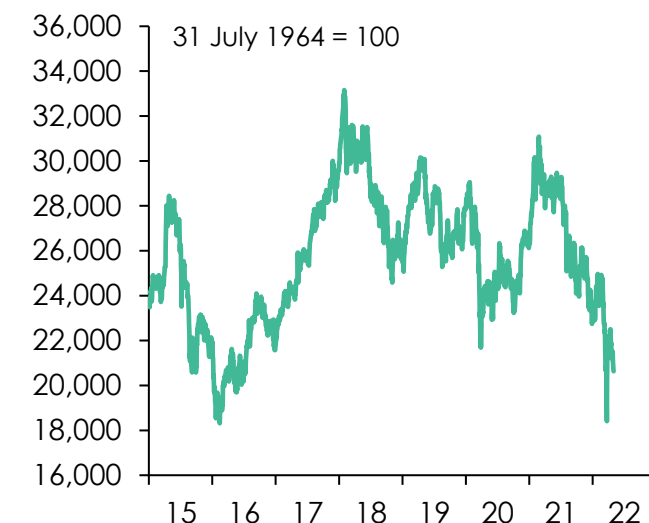
Apart from Hong Kong, which fell 4% last week, Asian stock markets were fairly resilient in the face of the falls in major 'developed' markets

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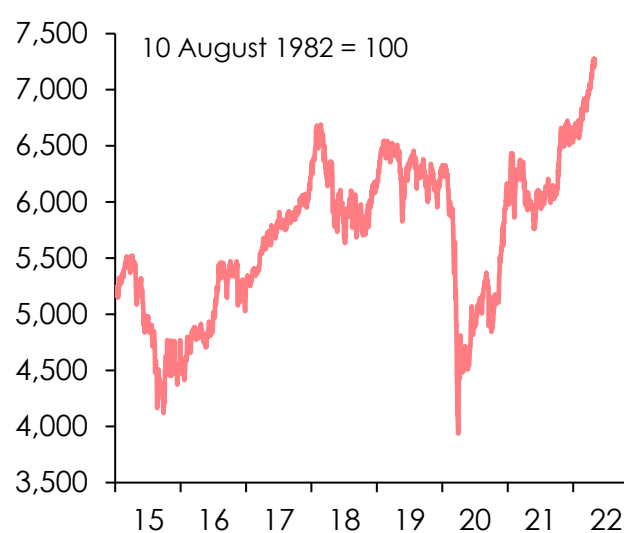
KOSPI



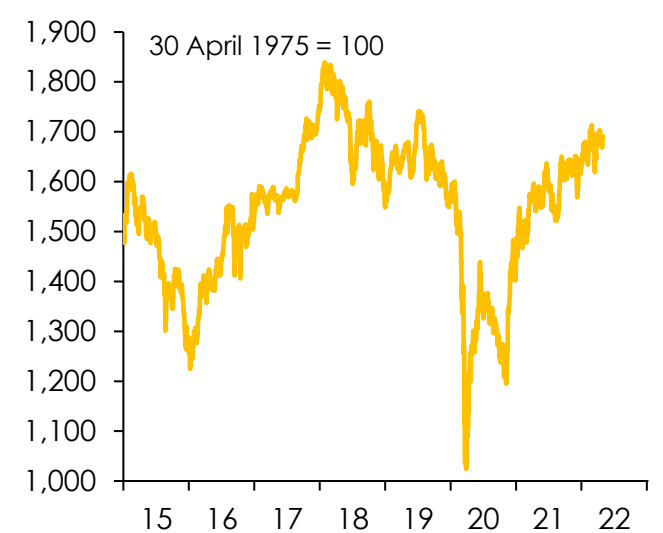
Hang Seng Index



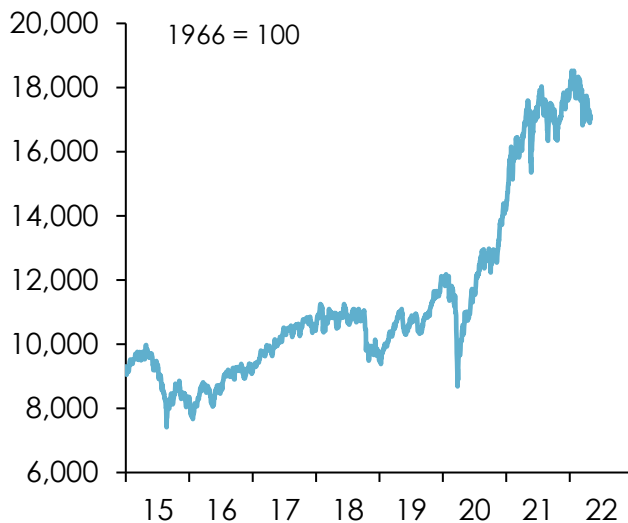
JCI



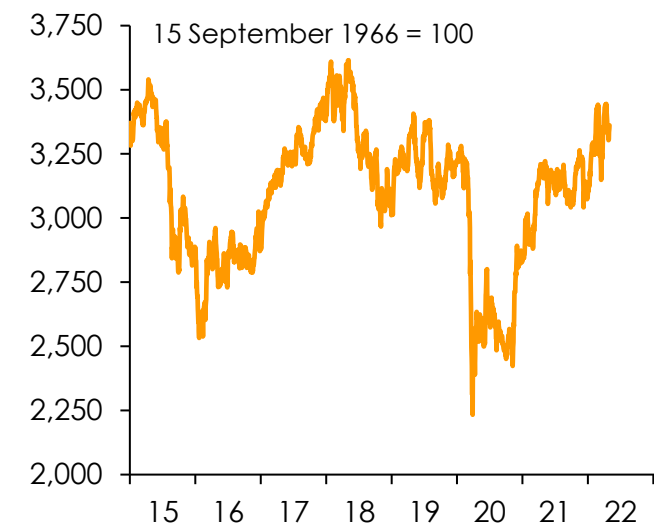
SETI



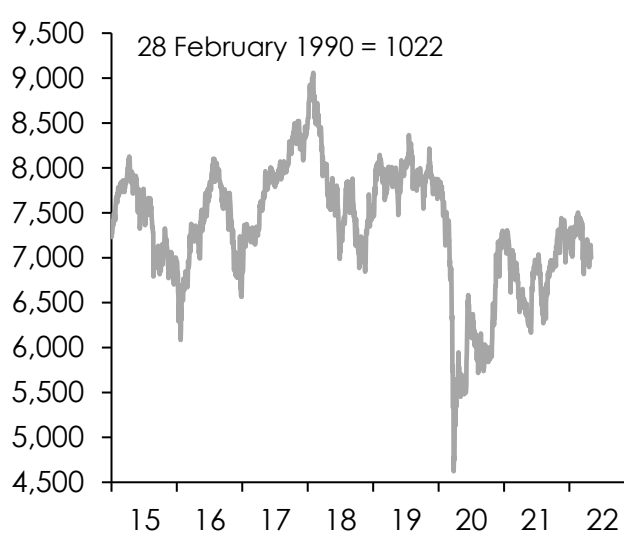
TAIEX



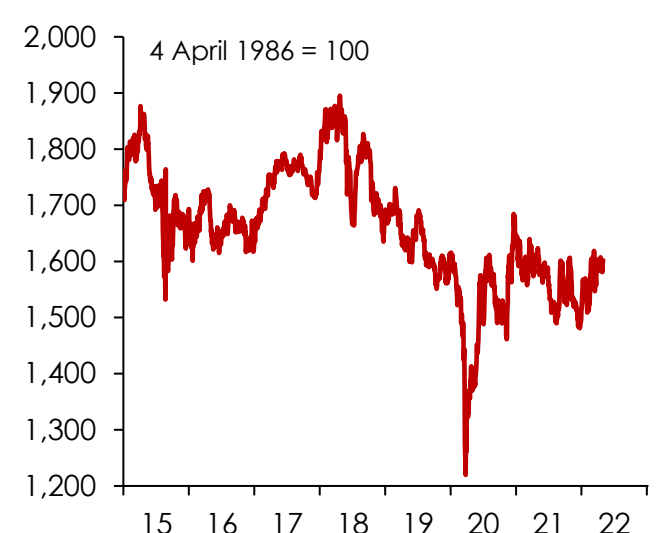
Straits Times Index



PSE i



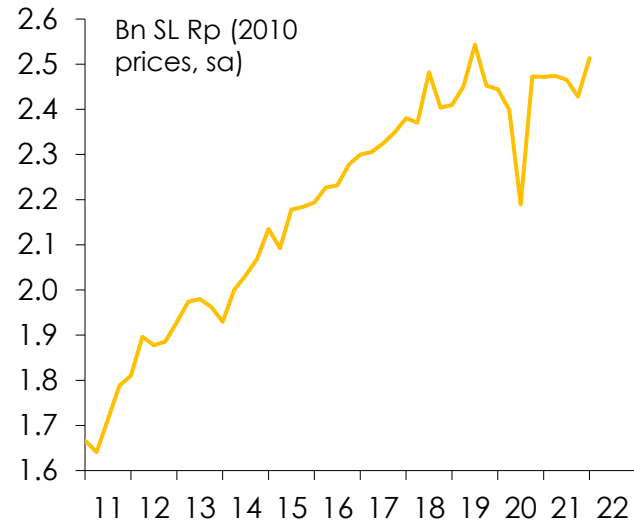
KLCI



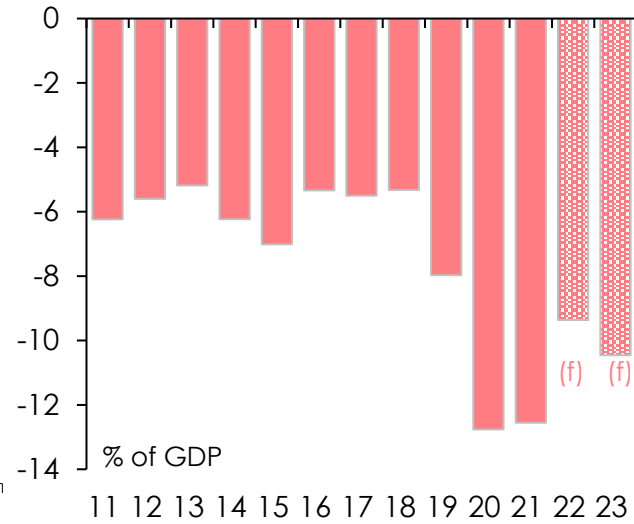
Sri Lanka last week requested financial assistance from the IMF, after its currency dropped 40% and its central bank raised interest rates by 700 bp

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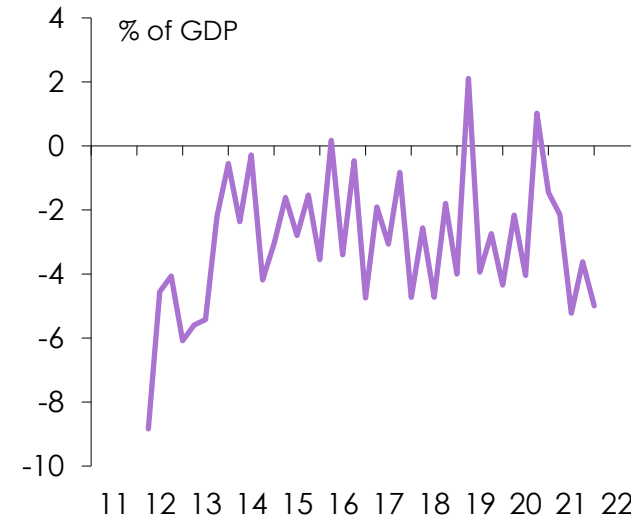
Real GDP



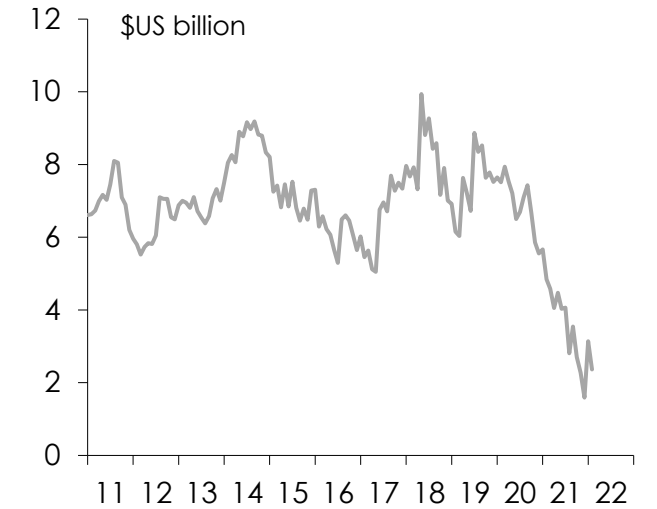
Fiscal balance



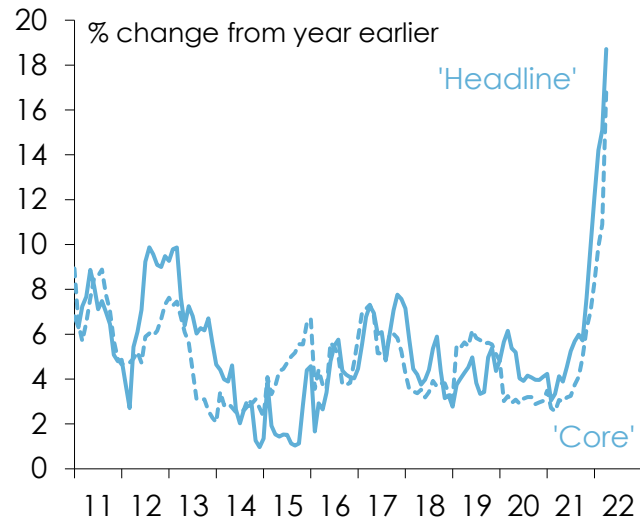
Current account balance



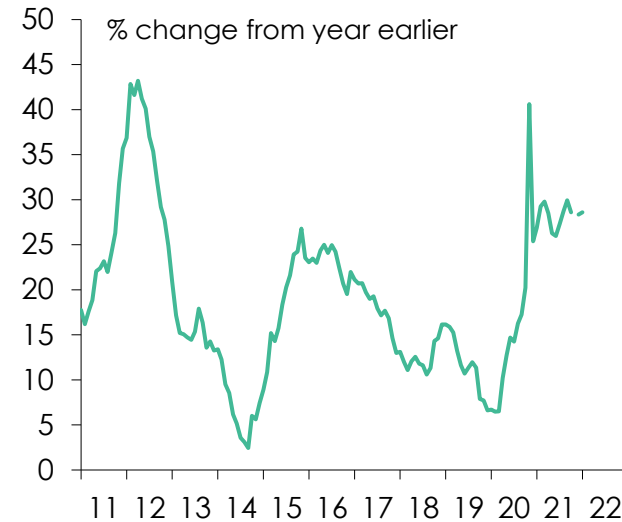
FX reserves



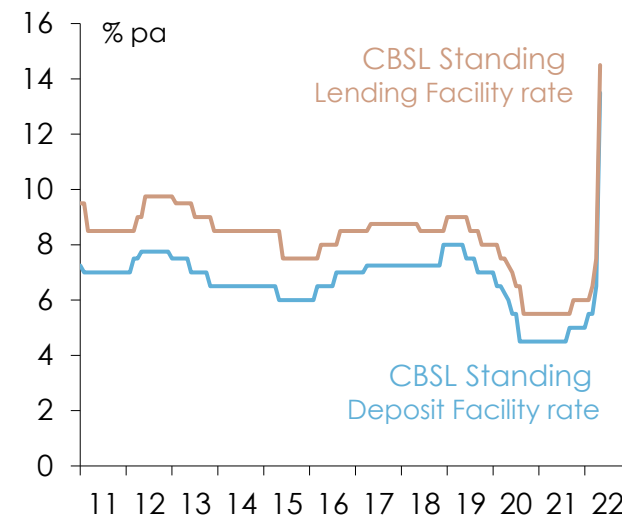
Consumer prices



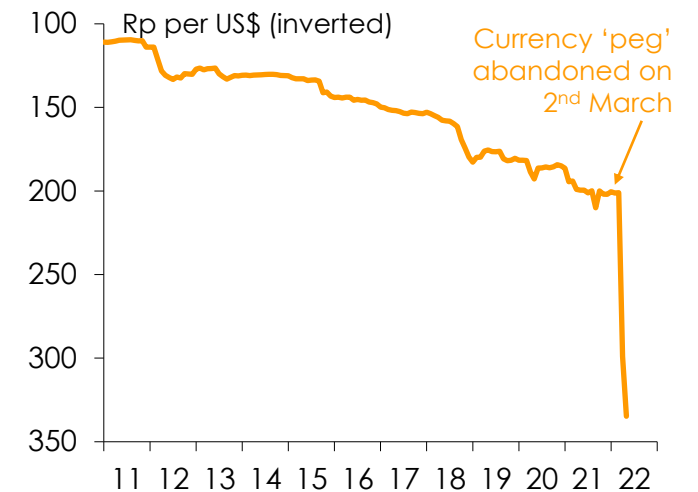
Credit growth



Interest rates



SL rupee vs US\$



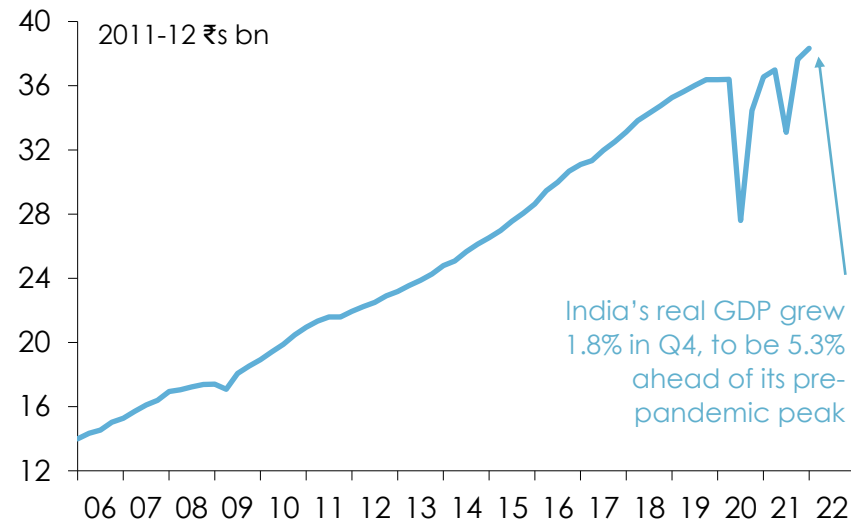
Note: GDP data seasonally adjusted using Refinitiv Datastream; CPI data are for Colombo. Sources: [Sri Lanka Department of Census and Statistics](#); [Central Bank of Sri Lanka](#); IMF, [Fiscal Monitor](#), April 2022; Refinitiv Datastream. [Return to "What's New"](#).

India

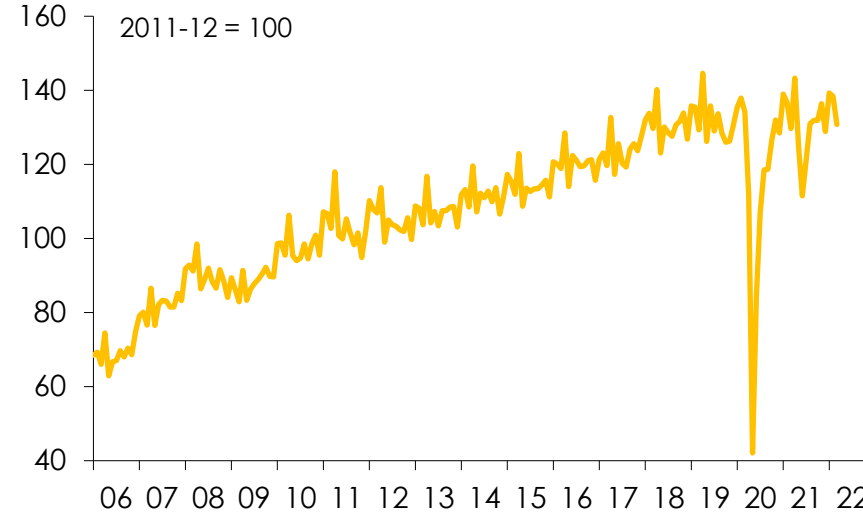
India's economy is recovering from two waves of virus-induced contractions in Q2 2020 and Q2 2021

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

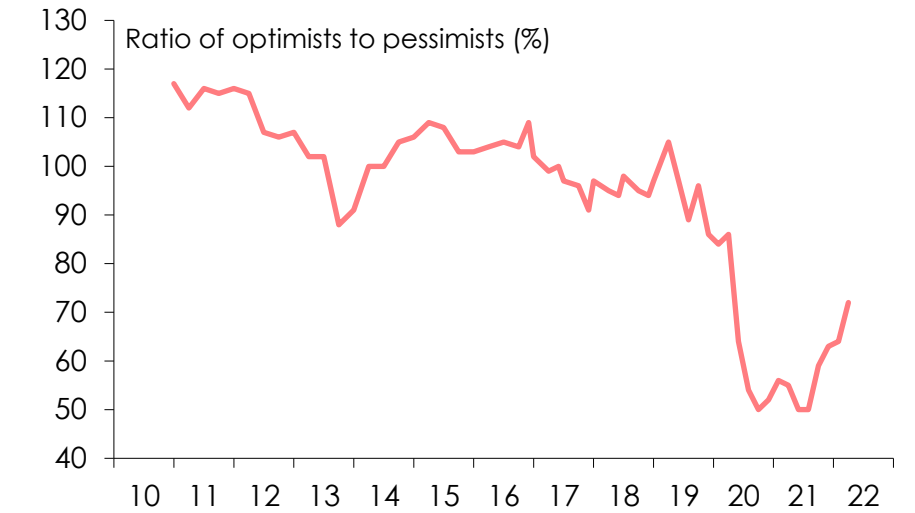
Quarterly real GDP



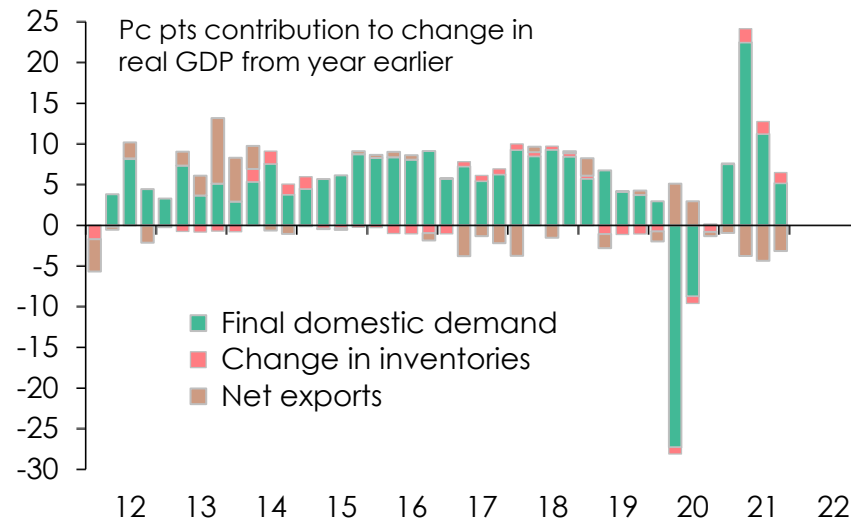
Manufacturing production



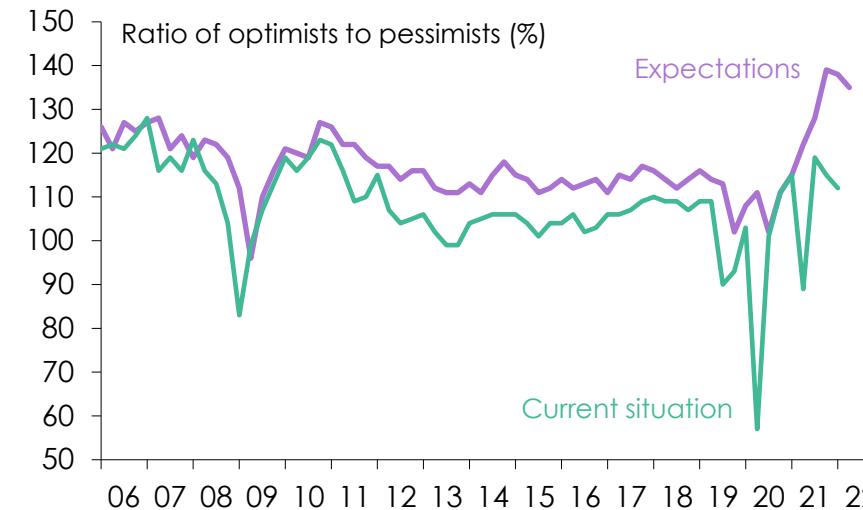
Consumer confidence



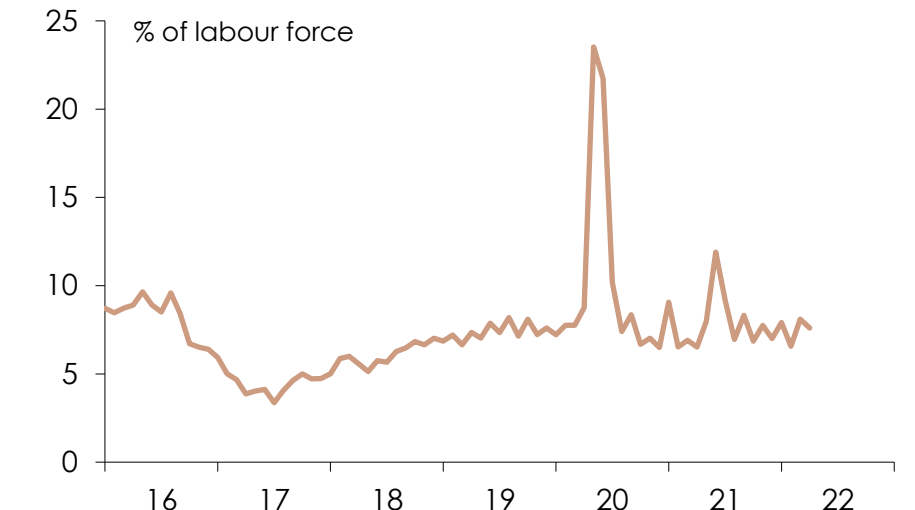
Contributions to real GDP growth



Industrial sector sentiment



Unemployment rate

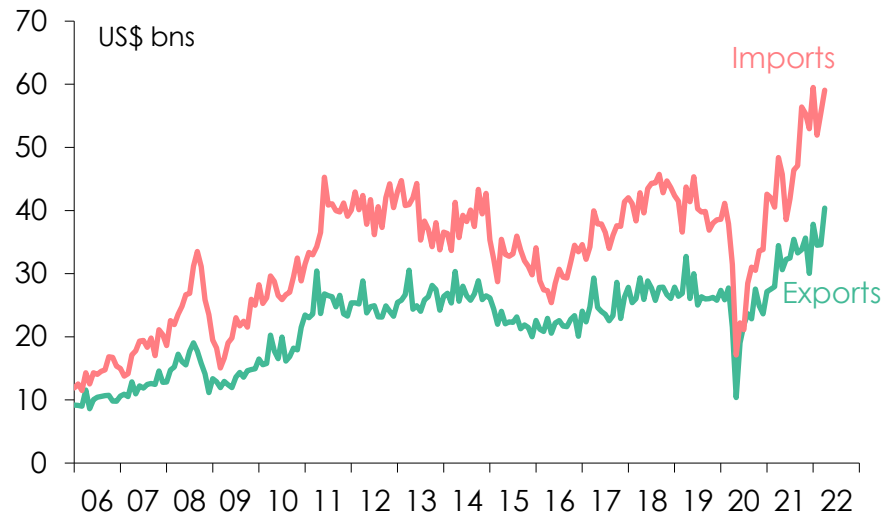


Sources: OECD, [Quarterly National Accounts dataset](#); Government of India, Ministry of Statistics and Programme Implementation, [National Accounts Data](#), and [IIP Data](#); Reserve Bank of India, [Quarterly Industrial Outlook Survey](#) and [Consumer Confidence Survey Bi-Monthly](#); Centre for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

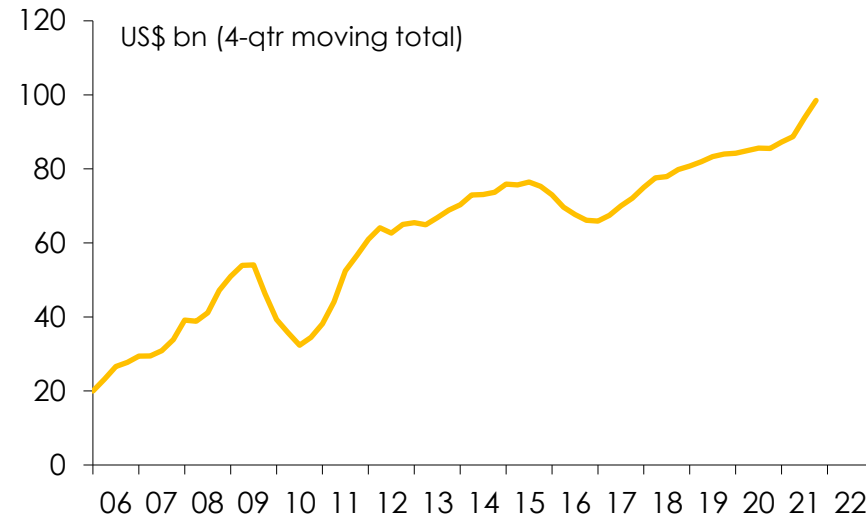
India's merchandise trade deficit has deteriorated sharply due to higher oil prices but its overall external position remains relatively stable

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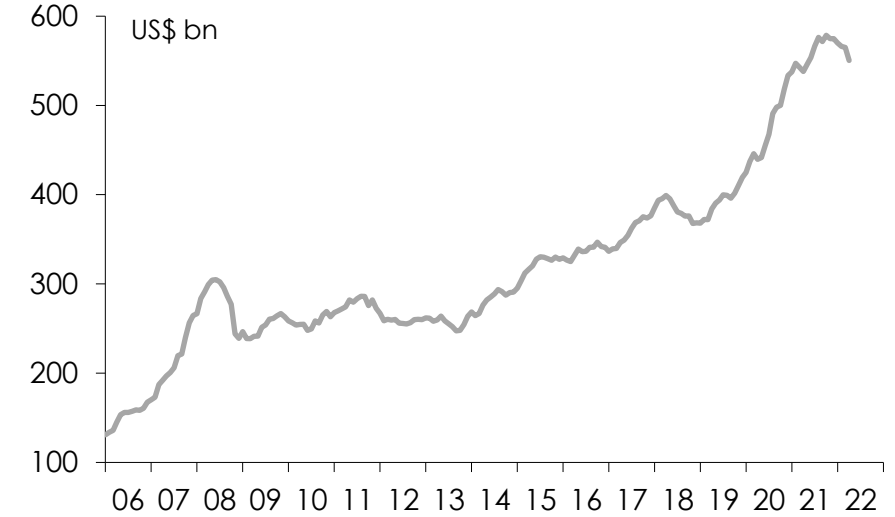
Merchandise exports and imports



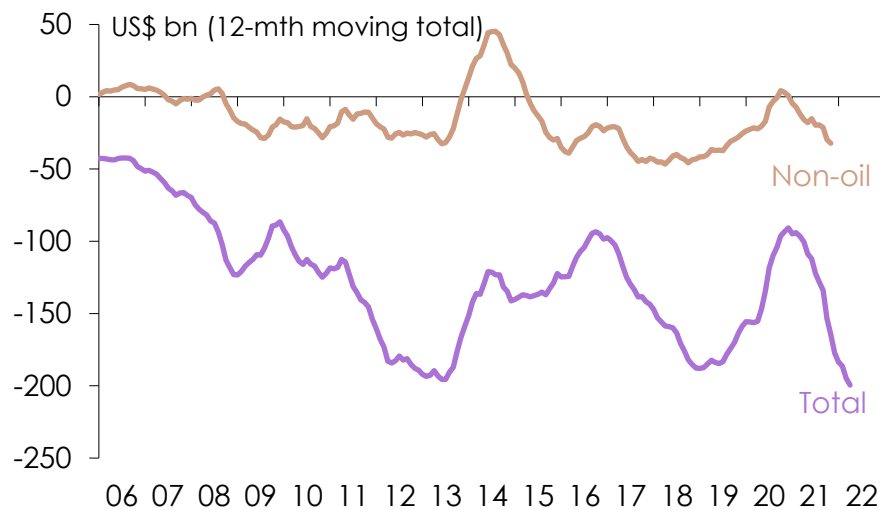
Services trade balance



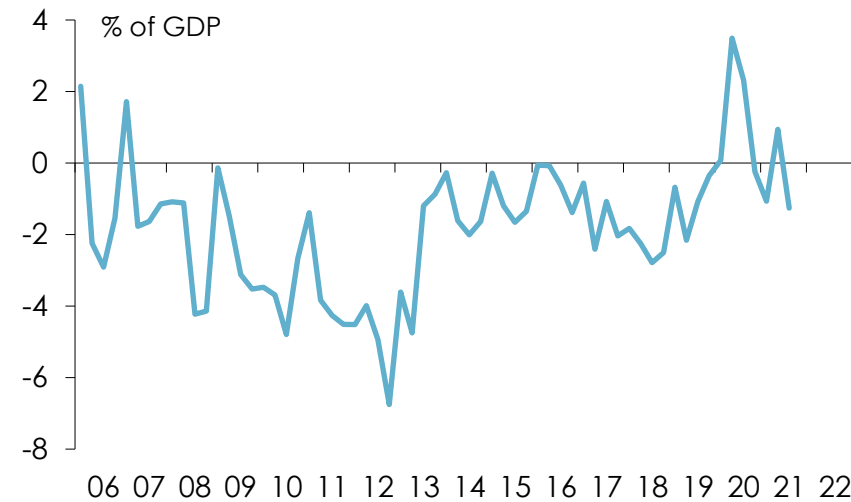
Foreign exchange reserves



Merchandise trade balance



Current account balance



Rupee vs US dollar

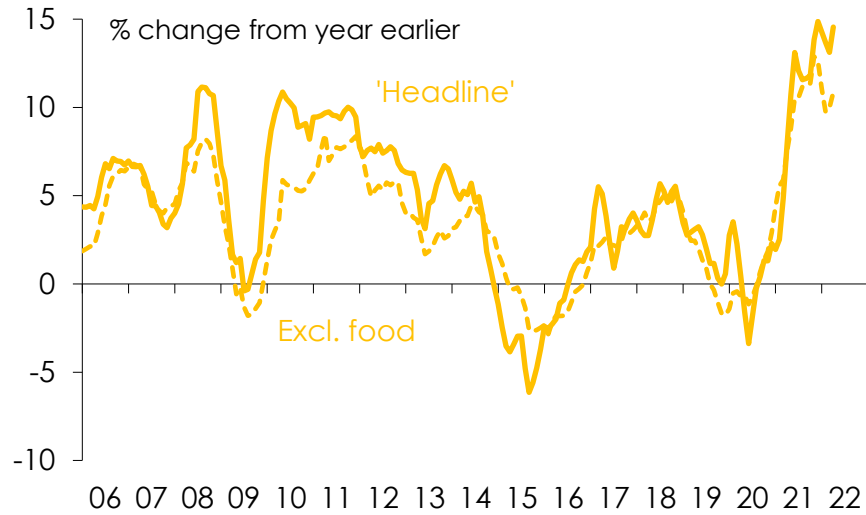


Sources: Government of India, Ministry of Commerce and Industry, [Trade Statistics](#); Reserve Bank of India, [Special Data Dissemination Standards - Balance of Payments](#) and [Weekly Statistical Supplement - Extract](#); Refinitiv Datastream. [Return to "What's New"](#).

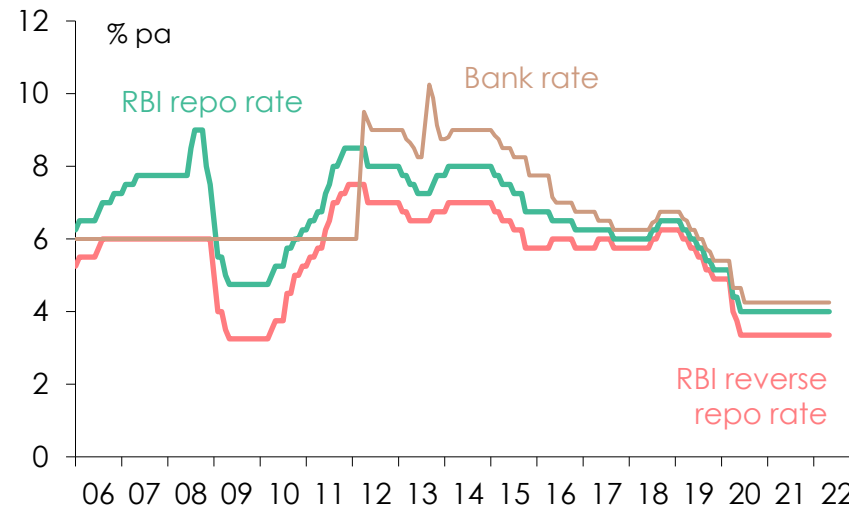
India's consumer prices rose 7.0% over the year to March – well above the RBI's 2-6% target band, yet the RBI has done nothing

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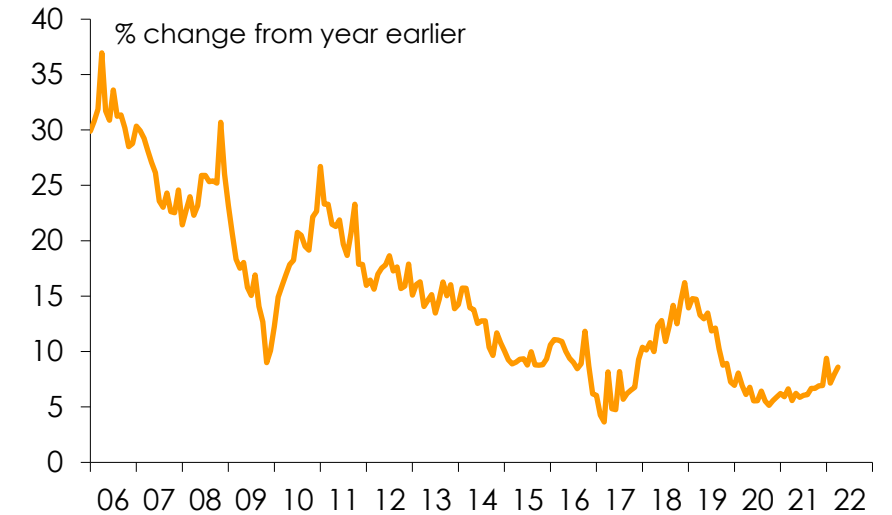
Wholesale prices



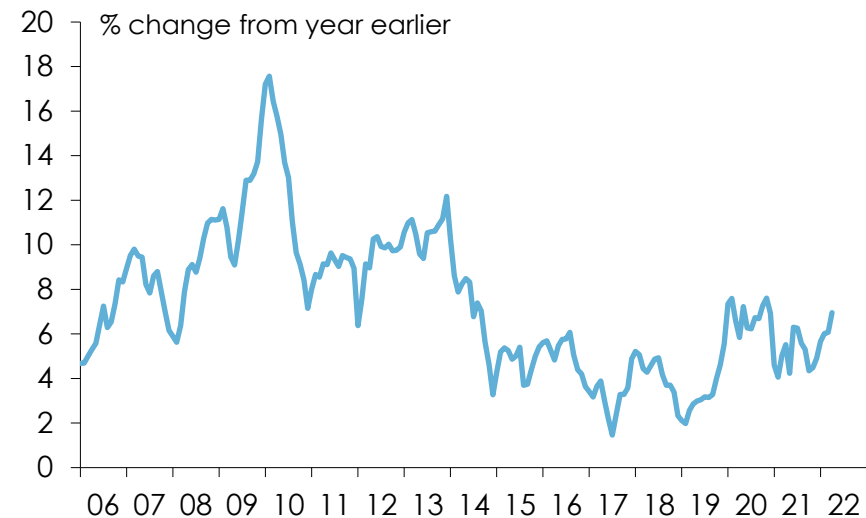
RBI policy interest rates



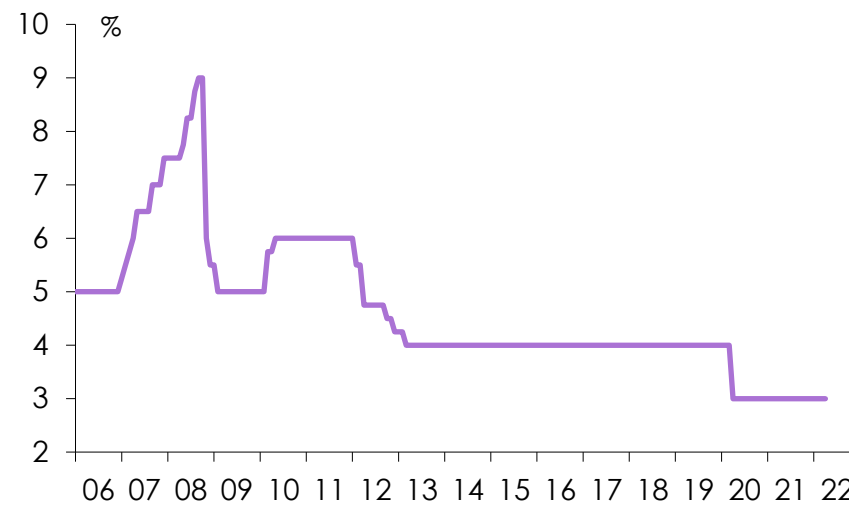
Bank lending



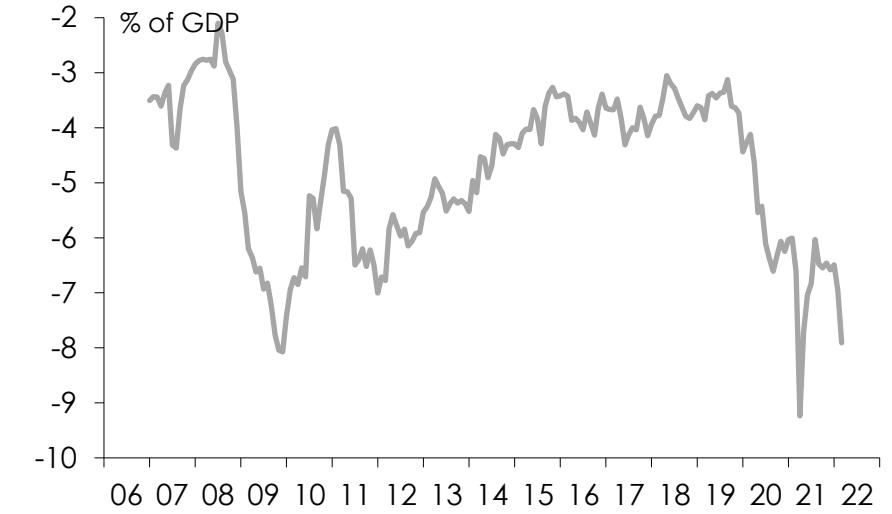
Consumer prices



RBI cash reserve ratio



Central government fiscal balance

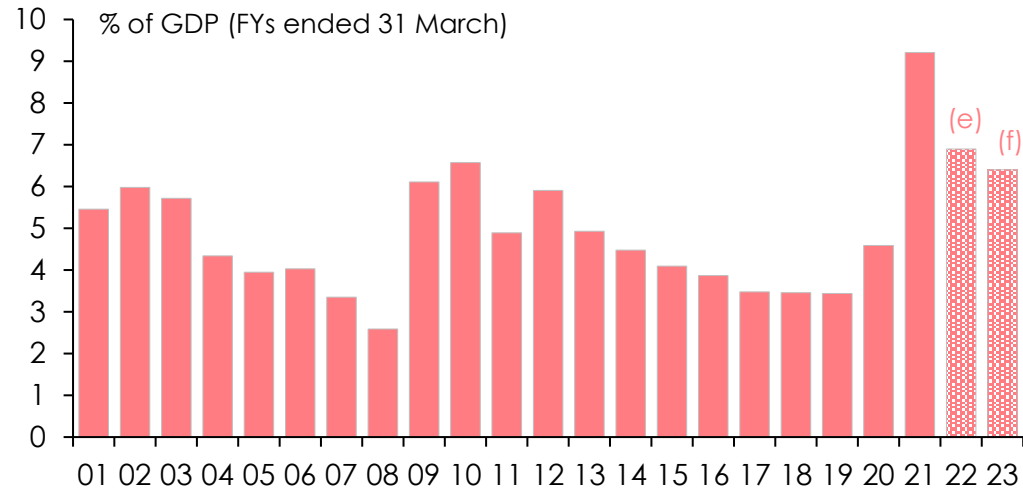


Note: The RBI's inflation target is 4% \pm 2 pc points. Sources: Government of India, Office of the Economic Adviser, Ministry of Commerce and Industry, [WPI Press Release](#); Ministry of Statistics and Programme Implementation, [CPI](#); Reserve Bank of India, [Monetary Policy](#) and [RBI Bulletin](#);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

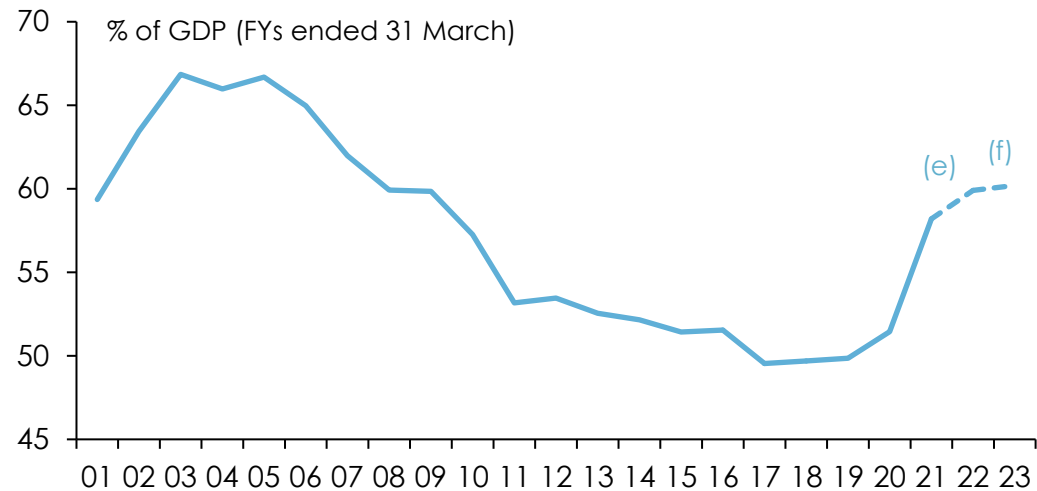
India's 2022-23 Budget maintains a deficit of over 6% of GDP in order to fund another large increase in capital spending

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Central government fiscal deficit



Central government gross debt



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

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

Canada, Australia and New Zealand

The Bank of Canada and the Reserve Bank of New Zealand both raised their policy rates by 50 bp this month

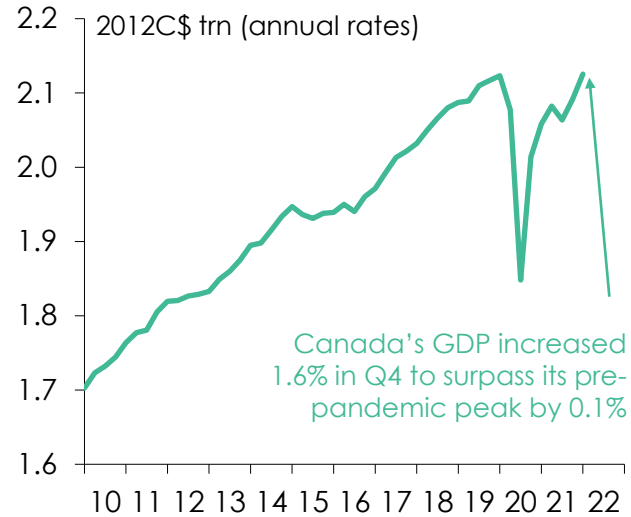
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- ❑ The [Bank of Canada](#) lifted its policy rate by 50bp, to 1.0%, at its Governing Council meeting on 12 April ([slide 123](#))
 - the decision follows [upward revisions](#) to the BoC's near-term forecast for inflation, which is now expected to peak at 5¾% in Q2, and average 5.3% this year (up from 4.2% previously) before declining to 2½% in H2 2023 and then 2% in 2024
 - BoC Governor Tiff Macklem [warned](#) that “Canadians should expect interest rates to continue to rise toward more normal settings”, which he explained meant “within the range we consider for a neutral rate of interest”, ie “between 2% and 3%”
 - the BoC [also indicated](#) that it would commence ‘quantitative tightening’ on 25th April, by ceasing re-investment of maturing bonds from its portfolio
- ❑ The [Reserve Bank of Australia](#) left its cash rate unchanged at 0.10%, as expected, at its Board meeting on 5th April – but indicated that the first rate could come sooner than previously foreshadowed
 - the [post-meeting statement](#) dropped the previous references to the Board's preparedness to “be patient” in assessing whether ‘underlying’ inflation was ‘sustainably’ within its 2-3% target range, instead foreshadowing that the RBA would “over coming months” assess “important additional evidence ... on both inflation and the evolution of labour costs”
 - which seems to suggest the RBA is waiting for the Q1 CPI data (released just before its May meeting) and the Q1 wages data (released three weeks before the June meeting, which will be after the federal elections to be held on 21st May)
- ❑ The [Reserve Bank of New Zealand](#) raised its official cash rate (OCR) by 50bp, to 1.50%, at its Monetary Policy Committee meeting on 13th April, the fourth increase, for a cumulative 125bp, since last October ([slide 125](#))
 - with ‘headline’ inflation now expected to peak at 7% in the current half (cf. 5.9% in Q4, and the target of 1-3%), “capacity pressures apparent across a wide range of indicators”, and “employment above its maximum sustainable level”, the MPC [concluded](#) that the “path of least regret” was “to increase the OCR by more now, rather than later”
 - the MPC indicated that it hadn't changed its view of where the OCR would peak, but believed that moving to “a more neutral stance sooner” would “reduce the risk of rising inflation expectations” and “provide more policy flexibility ahead in light of the highly uncertain global economic environment”

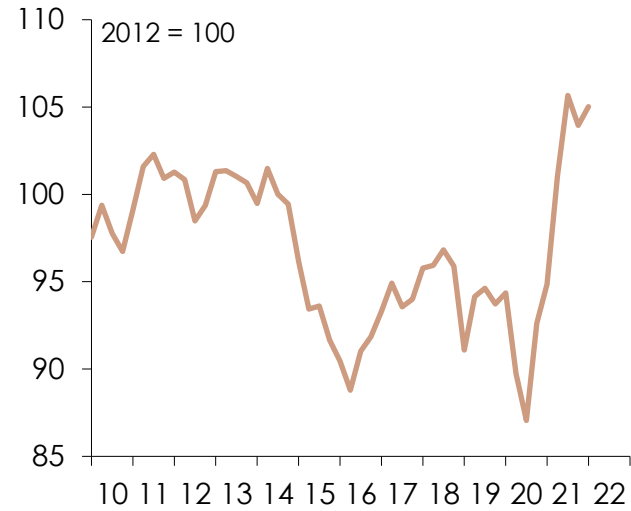
Canada's annual 'headline' inflation rate rose to 6.4% in March, the highest since April 1983, with 'core' inflation at 4.6%

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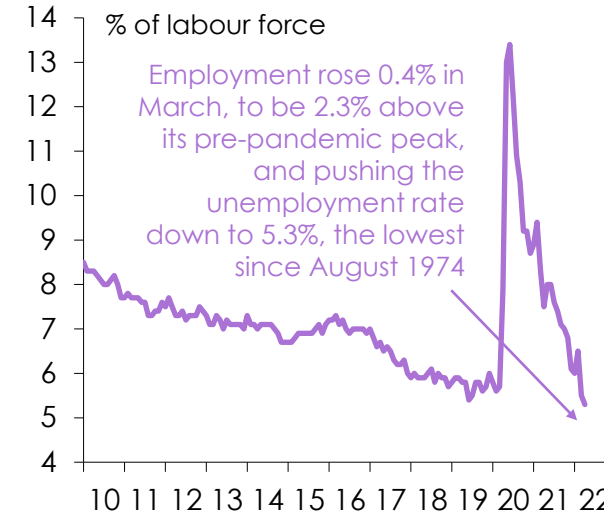
Real GDP



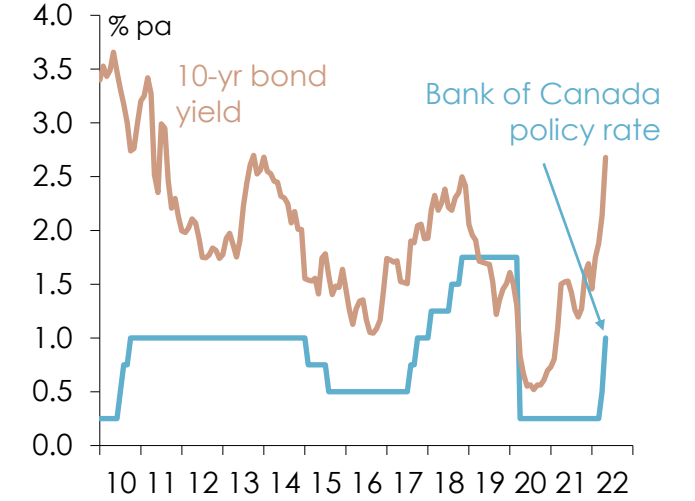
Terms of trade



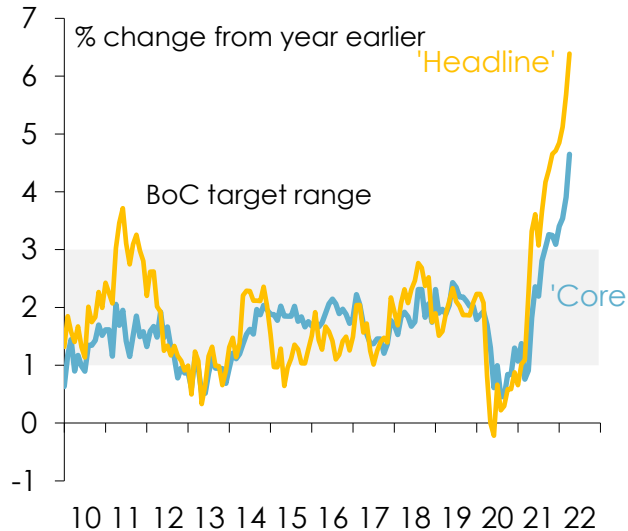
Unemployment



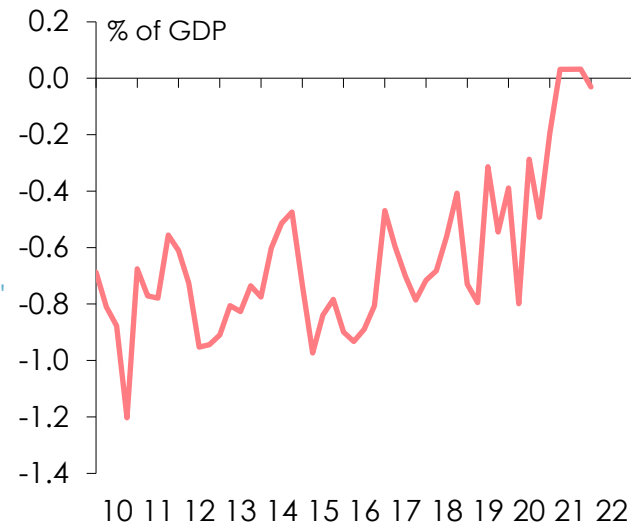
Interest rates



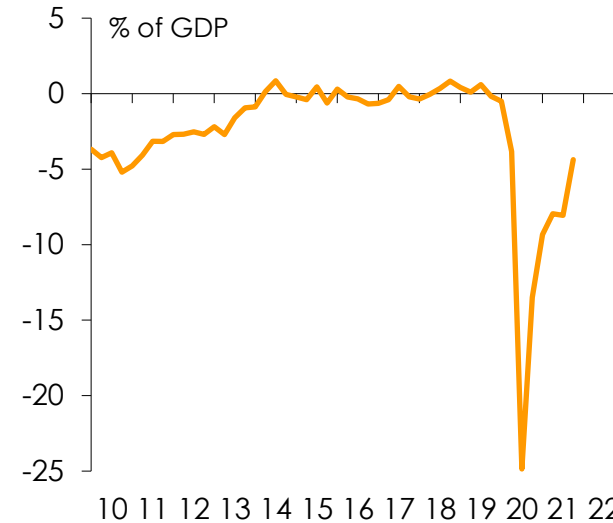
Consumer prices



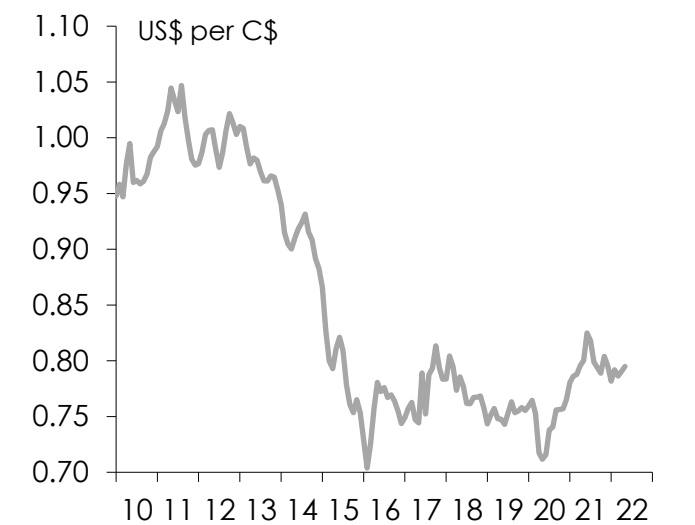
Current account balance



Government net lending



C\$ vs US\$

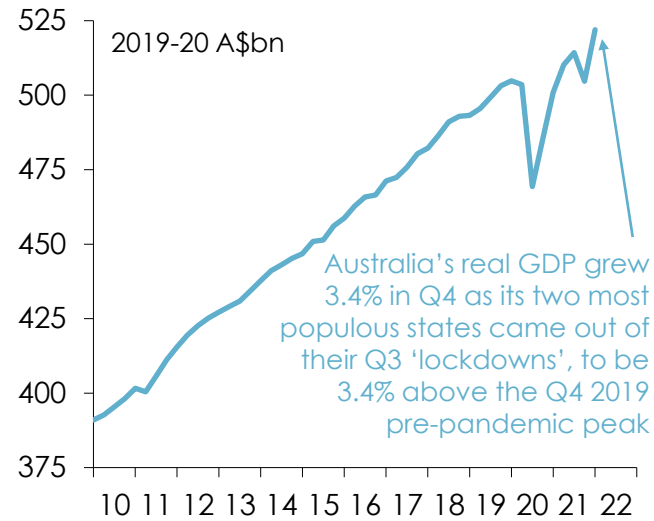


Sources: Statistics Canada, [National Gross Domestic Product \(GDP\) by Income and by Expenditure Accounts](#); [Consumer price index portal](#); [Canada's Balance of International Payments](#); [Labour Statistics](#); Bank of Canada, [Policy Interest Rate](#); Refinitiv Datastream. [Return to "What's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

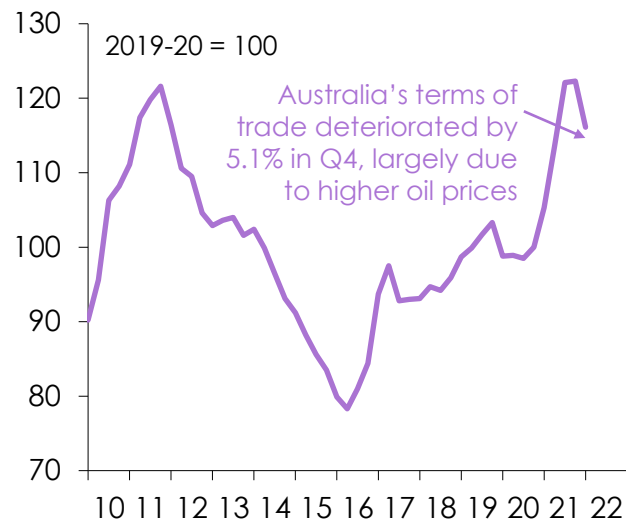
Australia's March quarter CPI figures out this Wednesday will likely show 'headline' inflation close to 4½% and 'underlying' inflation near 3½%

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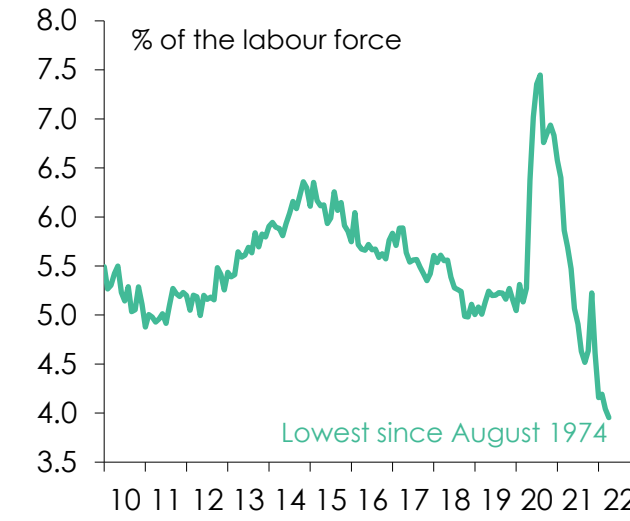
Real GDP



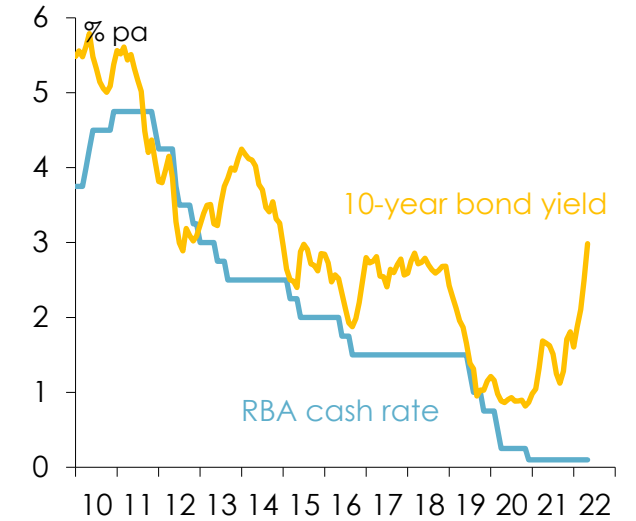
Terms of trade



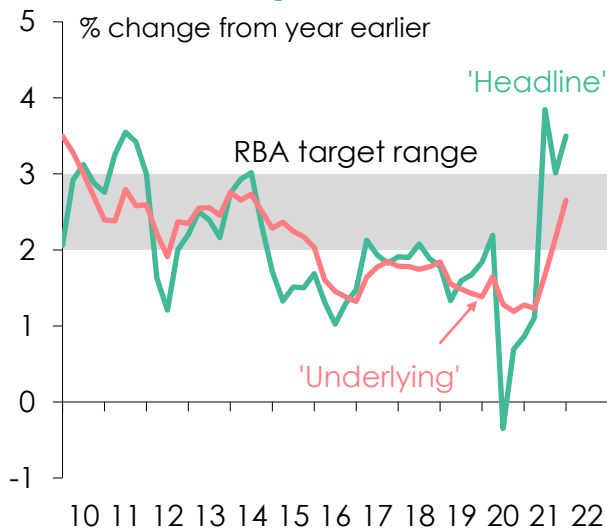
Unemployment



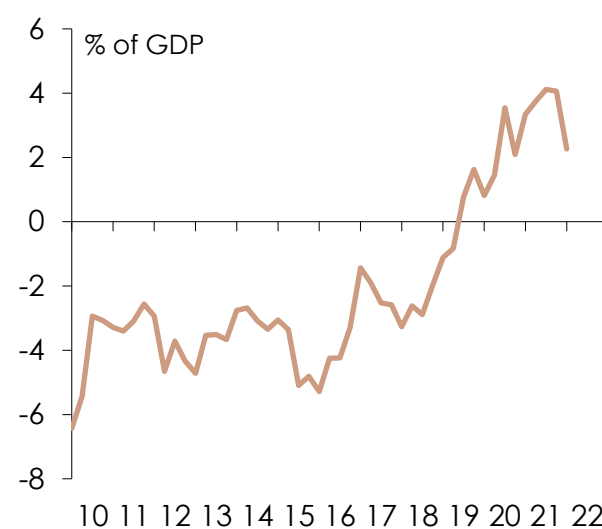
Interest rates



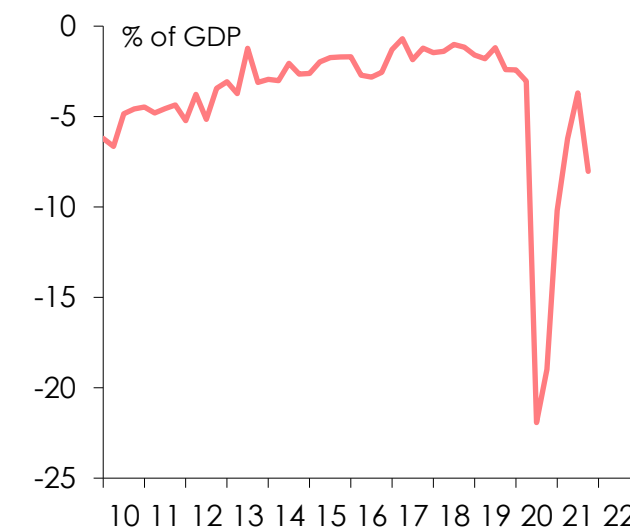
Consumer prices



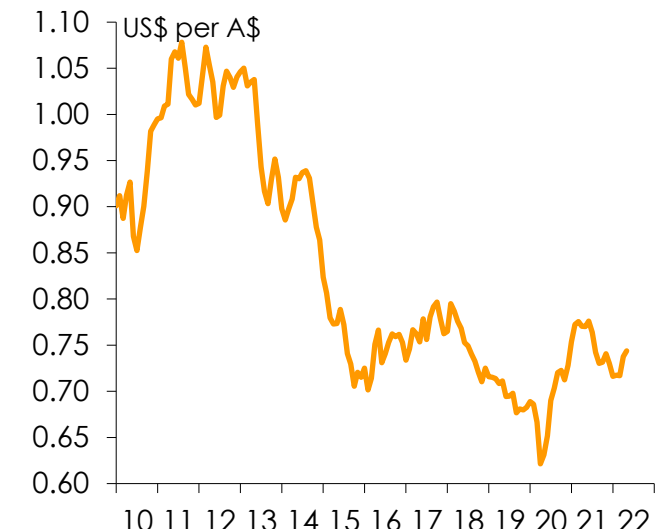
Current account balance



Government net lending



A\$ vs US\$

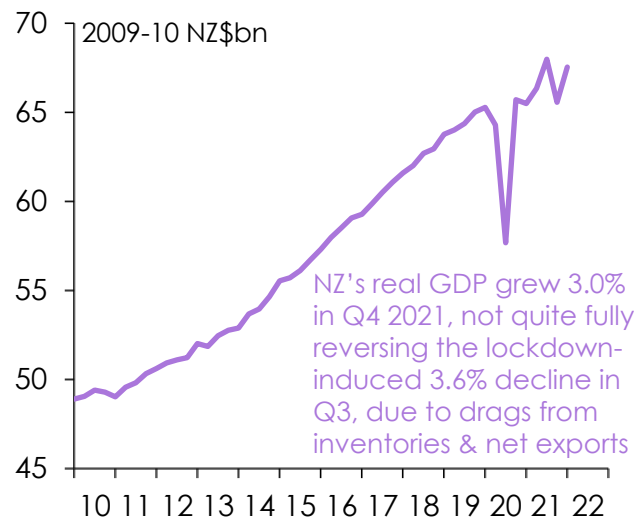


Note: The measure of 'underlying' inflation shown here is the trimmed mean. Sources: Australian Bureau of Statistics, [Australian National Accounts: National Income, Expenditure and Product](#); [Consumer Price Index](#); [Balance of Payments and International Investment Position](#); [Labour Force](#);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

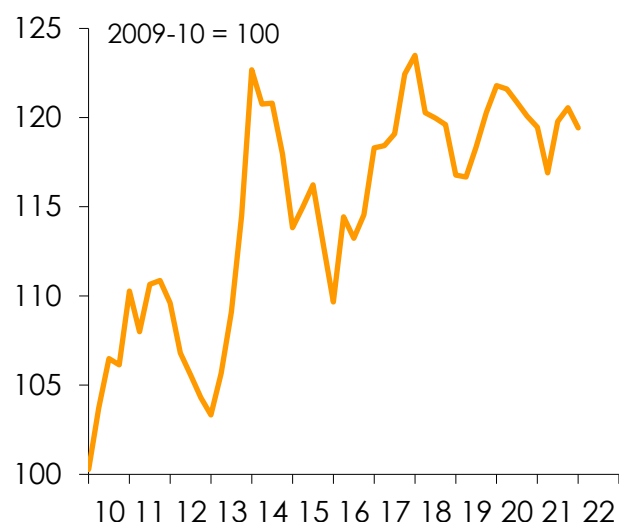
New Zealand's annual 'headline' inflation rate reached 6.9% in Q1, the fastest since Q2 1990, with the RBNZ's 'underlying' measure at 4.2%

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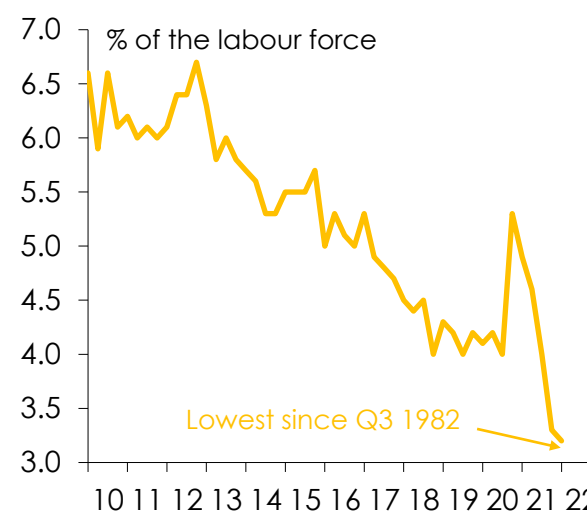
Real GDP



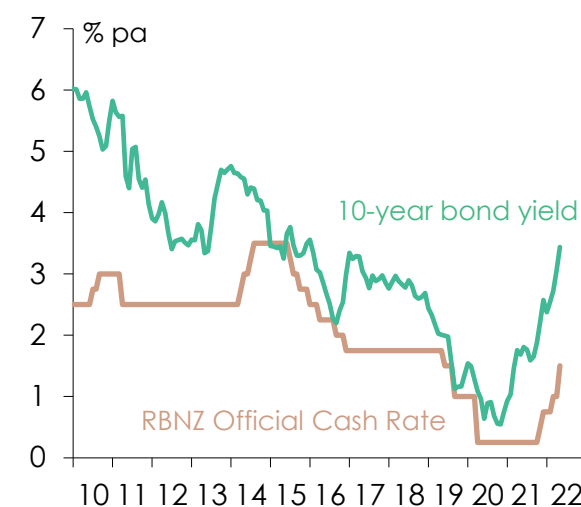
Terms of trade



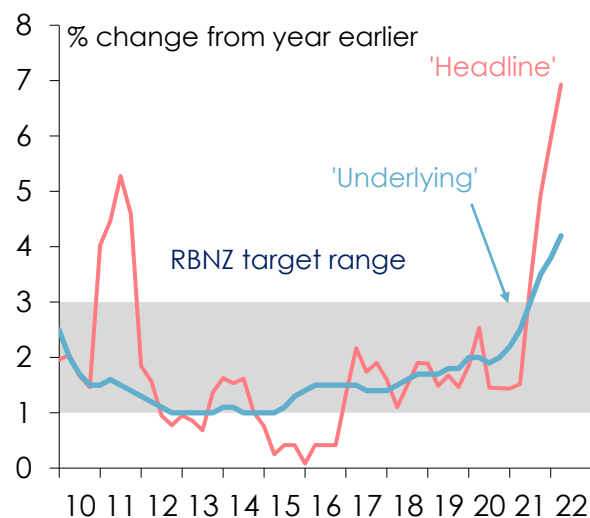
Unemployment



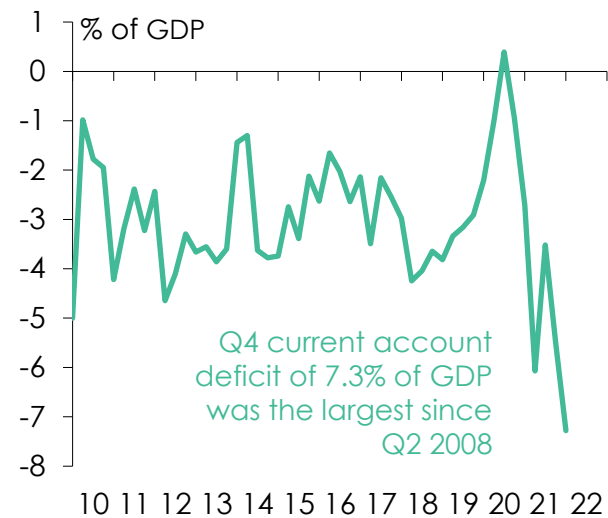
Interest rates



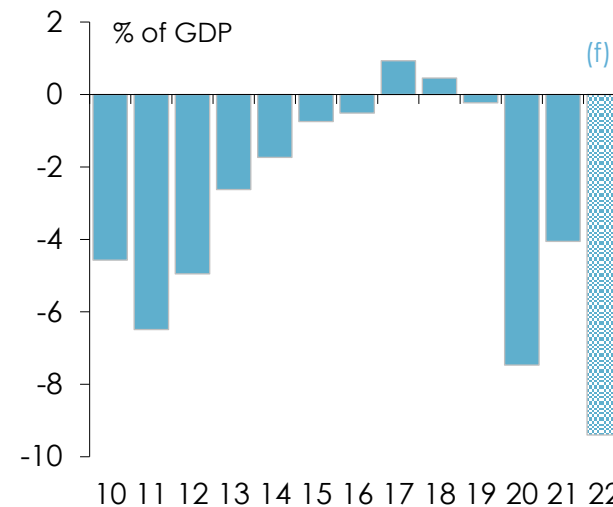
Consumer prices



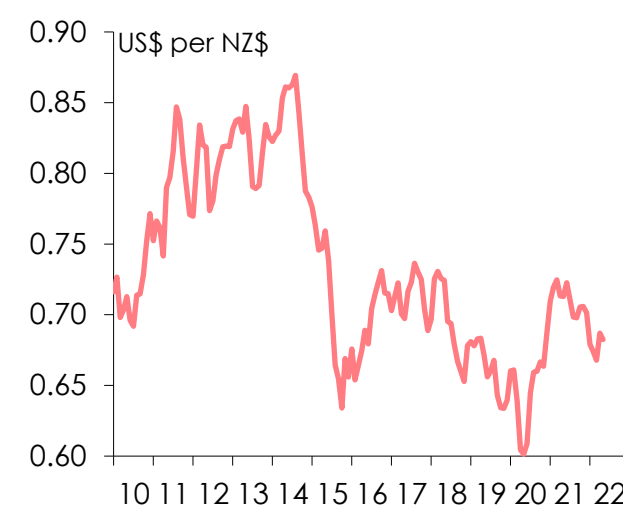
Current account balance



Government cash balance



NZ\$ vs US\$



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

The rest of the world

Paraguay's central bank raised its policy rate, for the 8th time, by 50 bp last week while earlier this month Pakistan's central bank hiked rates by 250 bp

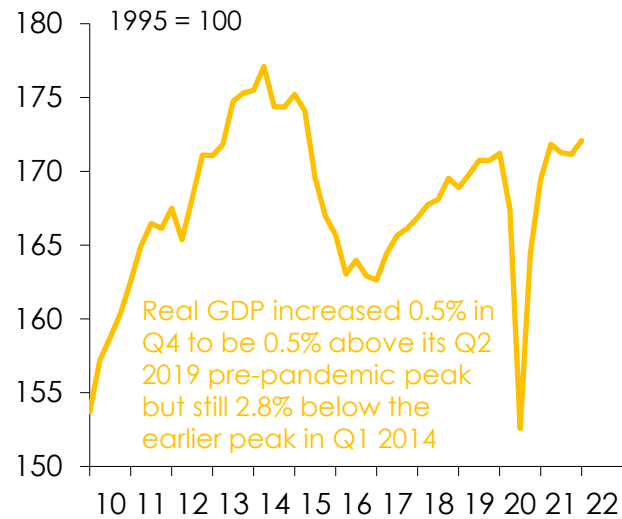
THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

- ❑ **Banco Central del Paraguay lifted its policy rate by 50 bp, to 6.75%, at its Monetary Policy Committee meeting last Friday ([slide 131](#))**
 - this is the eighth increase since August last year, for a cumulative total of 600 bp
 - [explaining its decision](#) the CPM acknowledged that although inflation (of 10.1% over the year to March) was “largely explained by external factors”, it also noted that “in recent months there have been some second-round effects on certain service prices” and that “the inflation expectations of economic agents have increased again in the margin for the different time horizons consulted”
 - BCP expects inflation to “remain above the ceiling of the $[4 \pm 2\%]$ target range in the short term, but a gradual convergence [to the target] is expected from the second half of the year”
- ❑ **At an ‘emergency meeting’ of its Monetary Policy Committee on 7th April, the State Bank of Pakistan lifted its policy rate by 250 bp to 12.25%, the fourth (and by far the largest) increase since September last year, for a total of 525 bp ([slide 131](#))**
 - the MPC characterized its decision as a “strong and proactive policy response” to a deterioration in the outlook for inflation (which reached 12.7% over the year to March, cf. the SBP target of 5-7%) and rising risks to “external stability” (including a 5³/₄% depreciation of Pakistan’s rupee since the beginning of March, a sharp decline in Pakistani domestic and foreign-currency bond yields, and a US\$5.3bn (24%) drop in Pakistan’s FX reserves since mid-March)
 - it asserted that these measures, combined with “a reduction in political uncertainty” (presumably a reference to the replacement of Imran Khan as Prime Minister by Shehbaz Sharif) and “prudent fiscal policies” should “ensure Pakistan’s robust recovery from Covid-18 remains sustainable”
- ❑ **Non-Asian ‘emerging market’ central bank meetings this week including Hungary (Tuesday), and Russia and Colombia (Friday)**

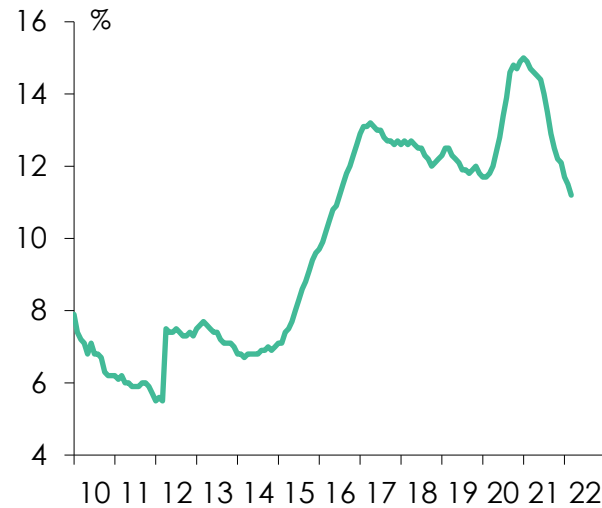
Banco Central do Brazil raised its policy rate another 100bp last month, for a total of 975 bp over the past 12 months, and with more to come

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

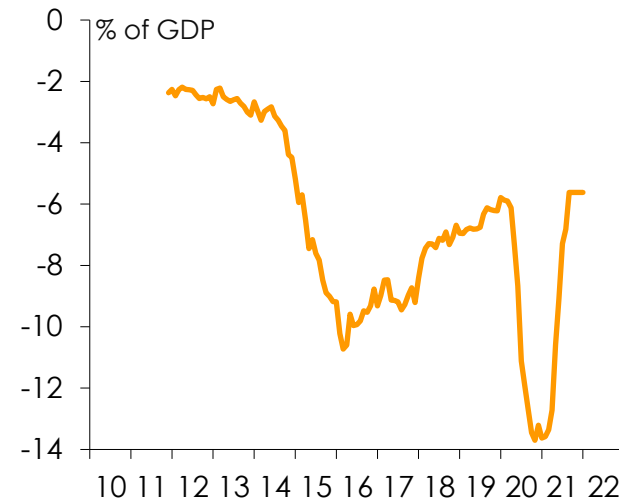
Real GDP



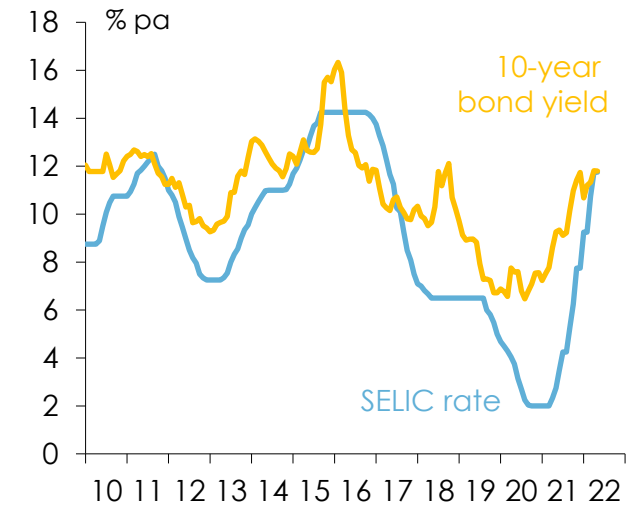
Unemployment



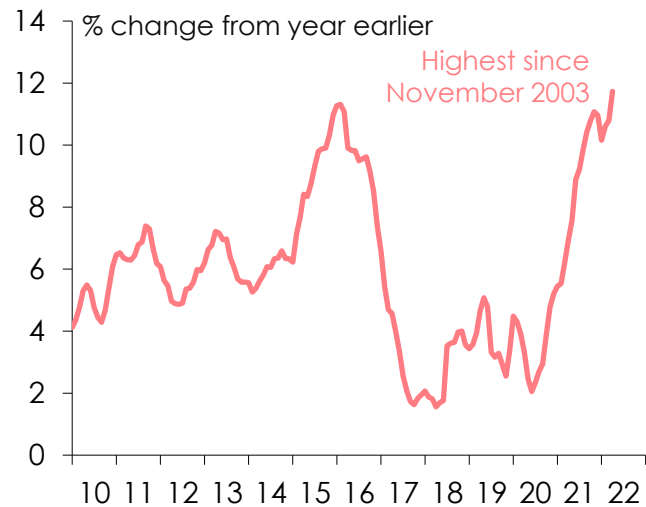
Public sector borrowing



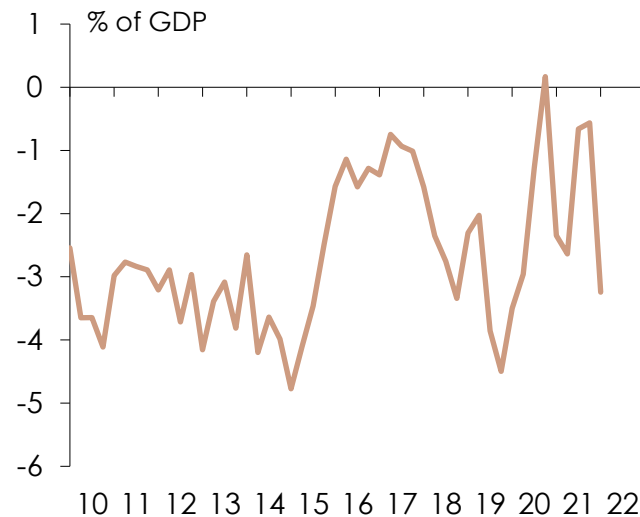
Interest rates



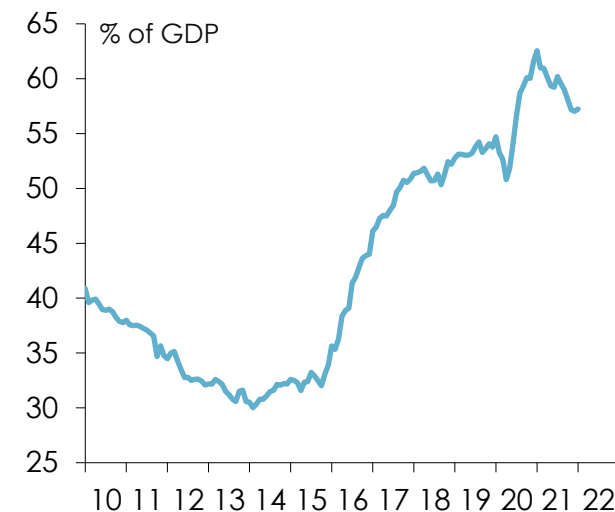
Inflation



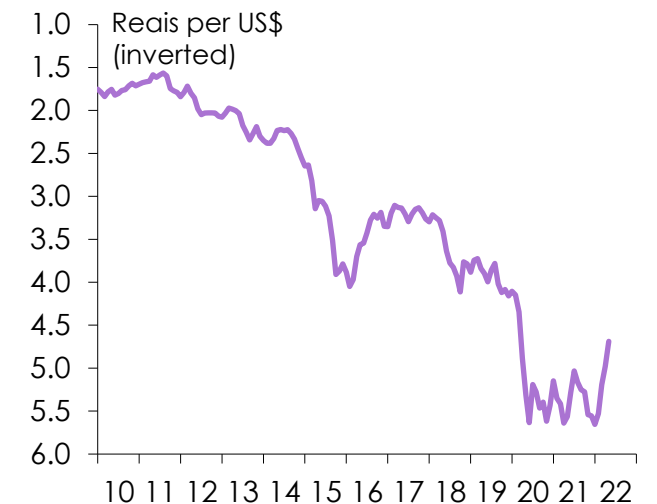
Current account balance



Public sector net debt



Brazilian real vs US\$

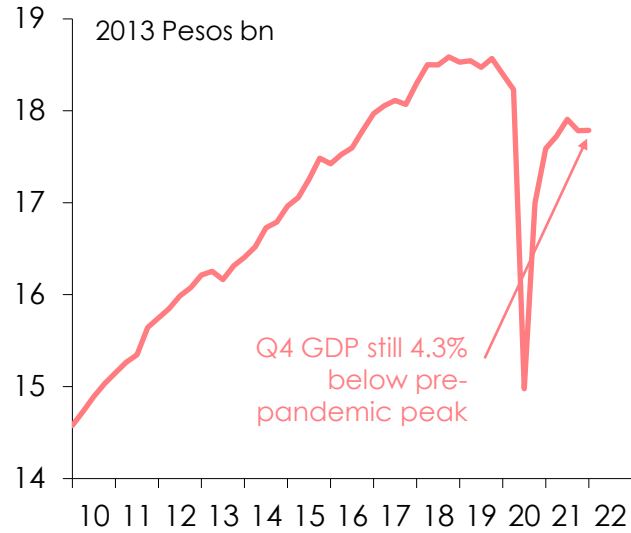


Sources: [Instituto Brasileiro de Geografia e Estatística](#) (IBGE); [Banco Central do Brasil](#); Refinitiv Datastream. [Return to "What's New"](#).

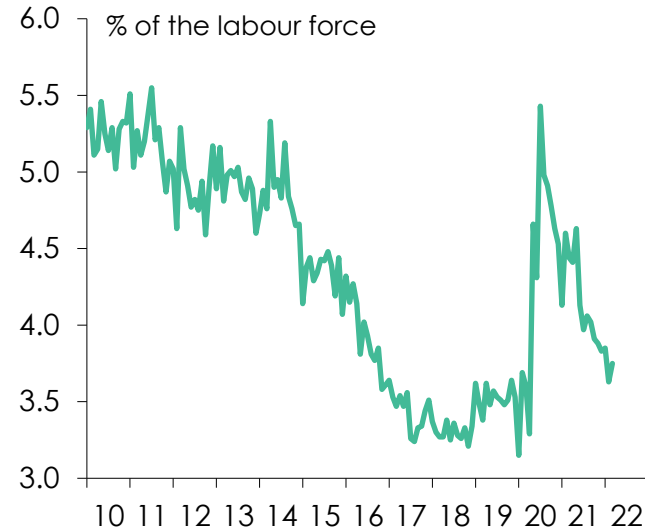
Mexico's central bank raised its policy rate another 50 bp this month, bringing the total increase since last June to 250 bp

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

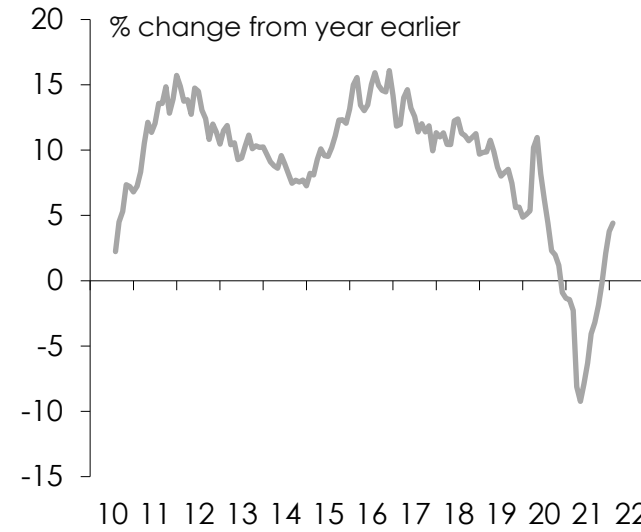
Real GDP



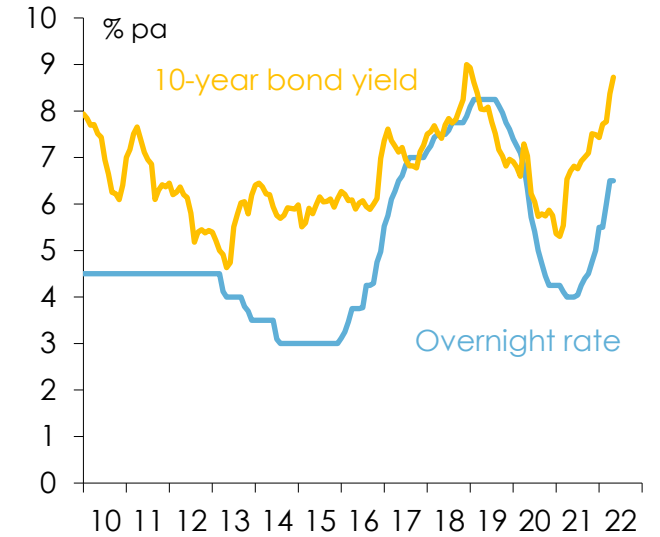
Unemployment



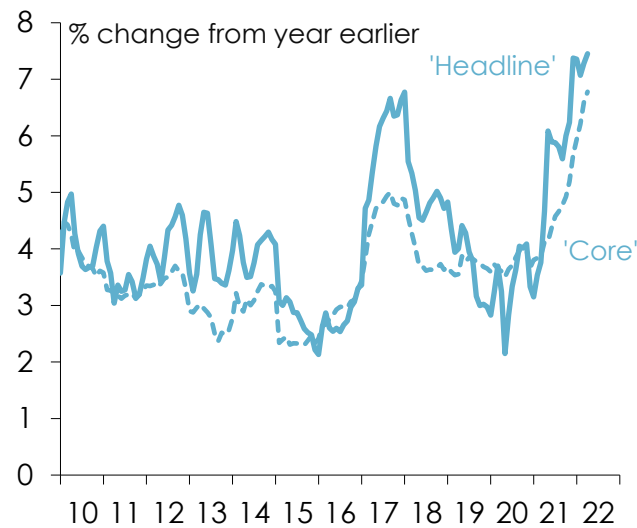
Bank lending



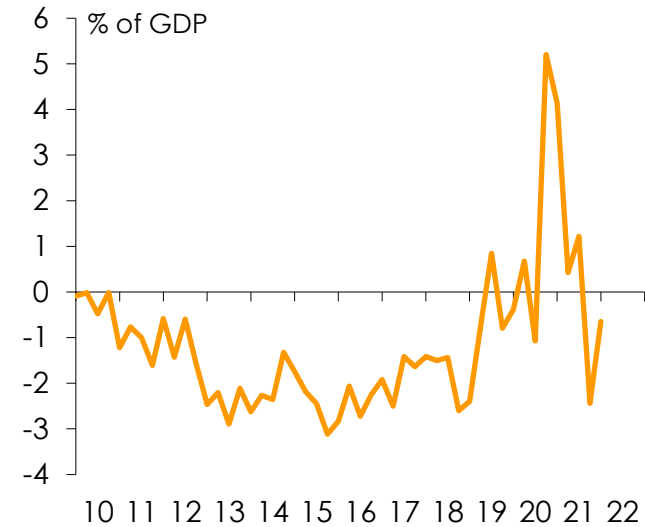
Interest rates



Inflation



Current account balance



Federal budget deficit



Mexican peso vs US\$

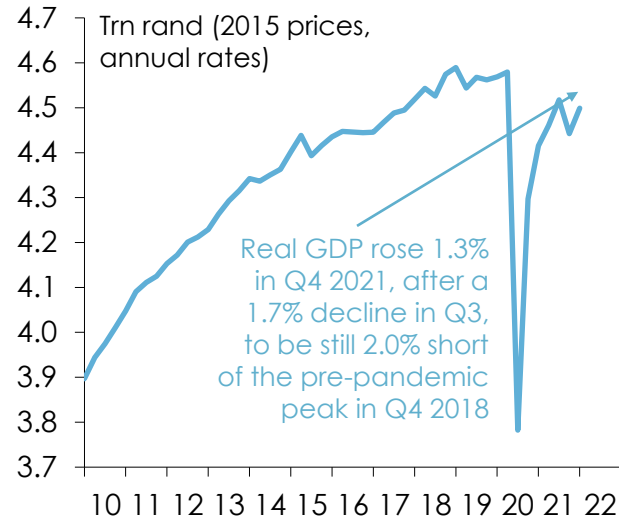


Sources [Banco de México](#); [Instituto Nacional de Estadística y Geografía \(INEGI\)](#); Refinitiv Datastream.. [Return to "What's New"](#).

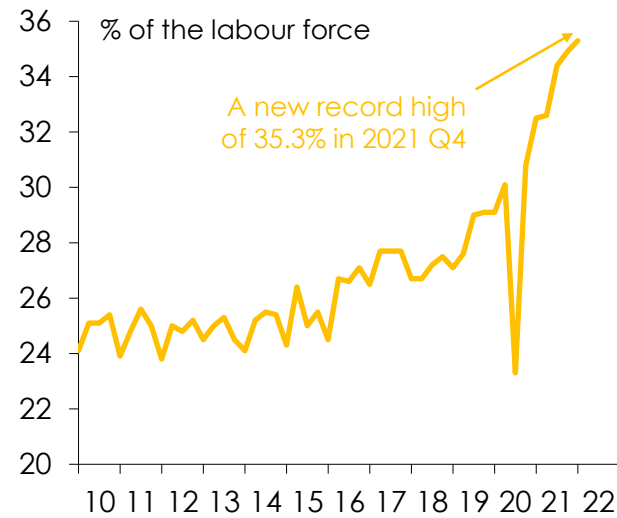
South Africa's CPI rose 5.9% over the year to March, the highest in five years, while the annual 'core' inflation rate rose to 3.8%

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

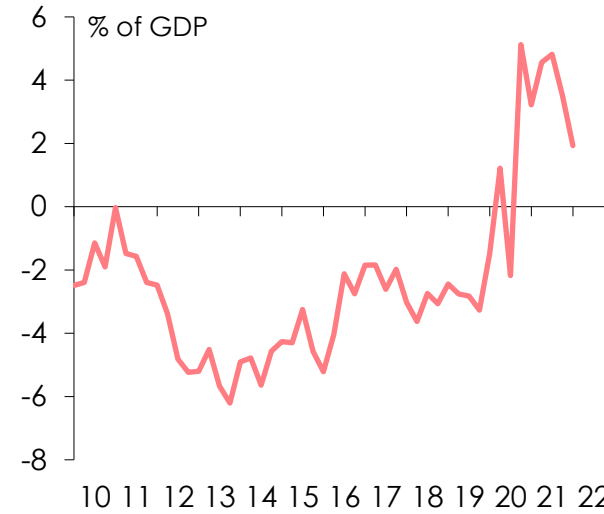
Real GDP



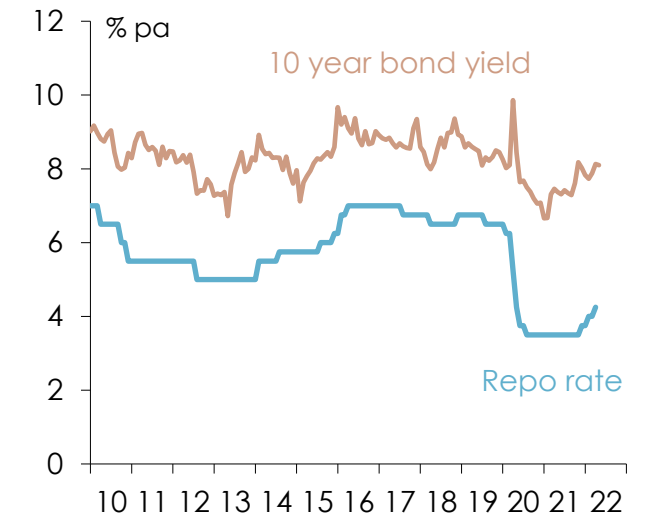
Unemployment



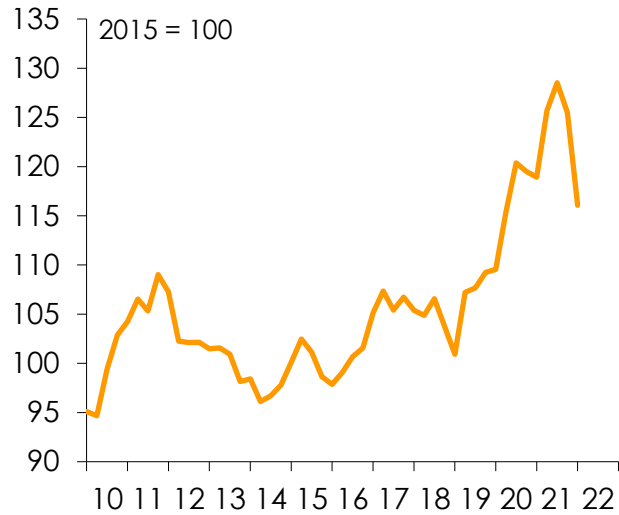
Current account balance



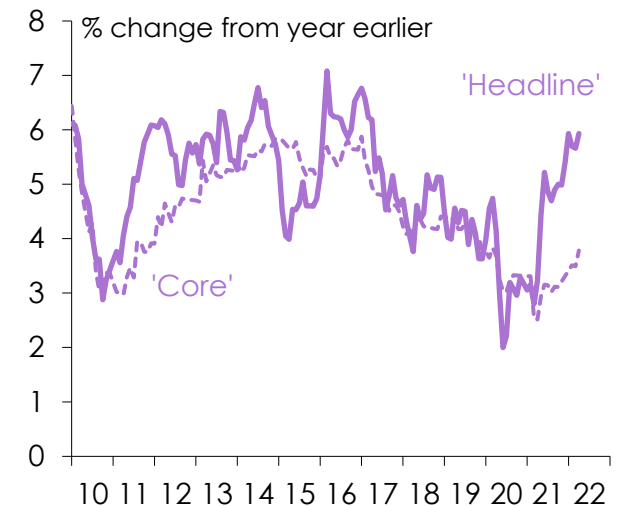
Interest rates



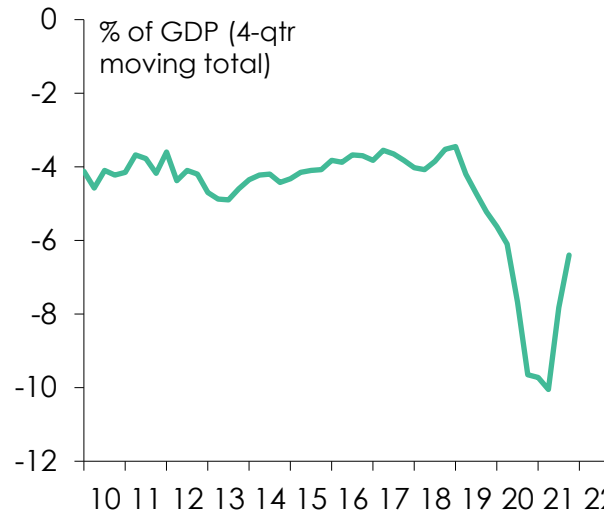
Terms of trade



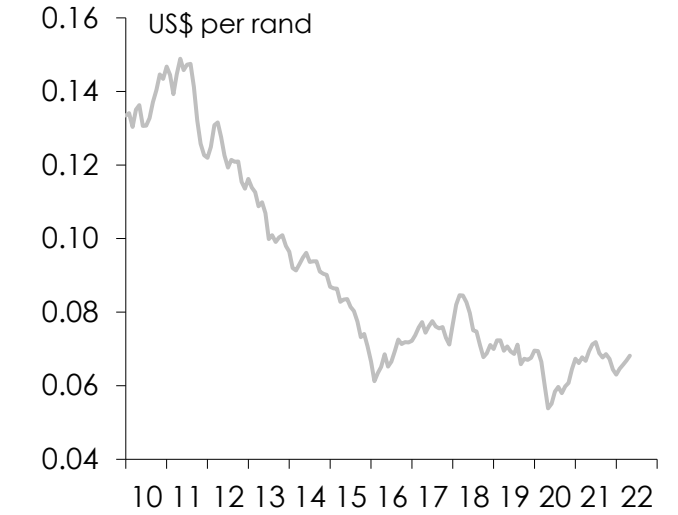
Inflation



Budget deficit



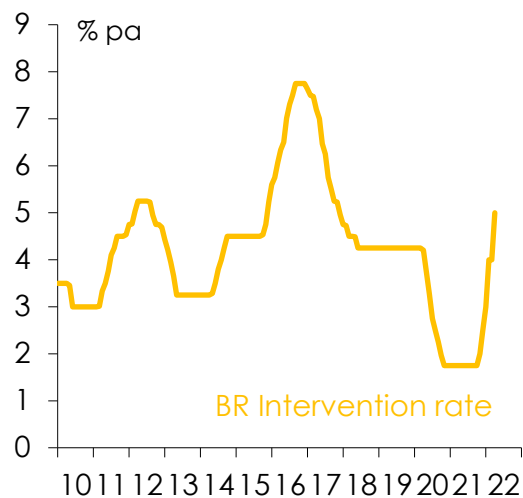
Rand vs US\$



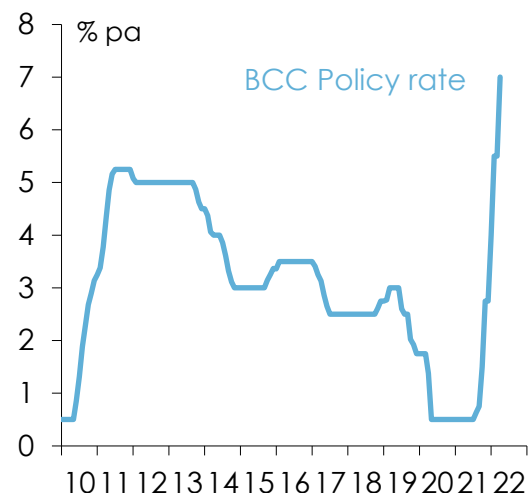
A growing number of other 'emerging' market central banks have begun tightening monetary policy

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

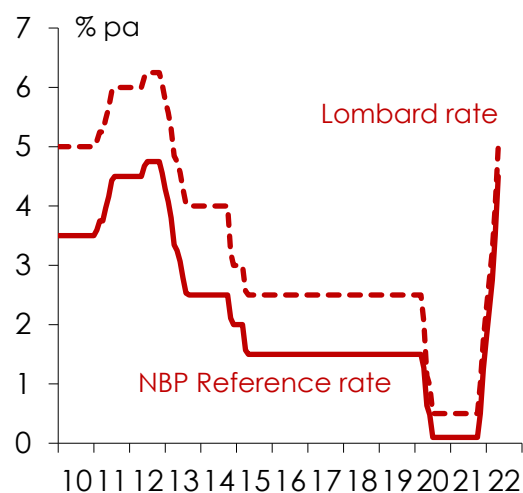
Colombia



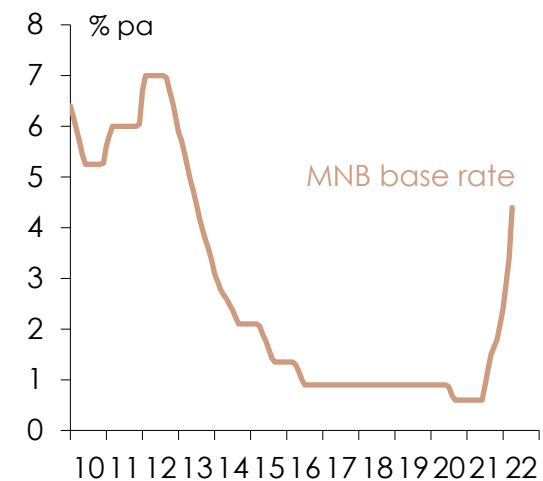
Chile



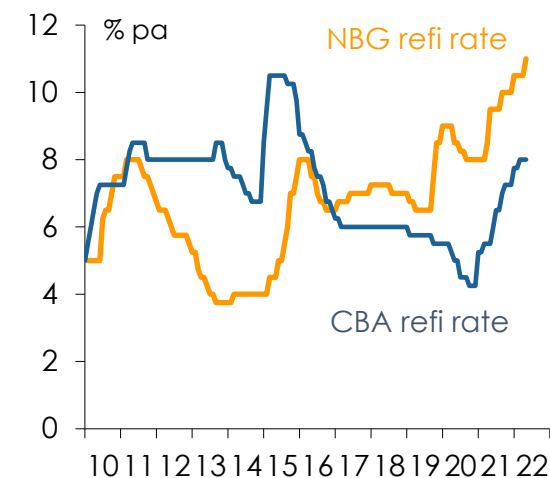
Poland



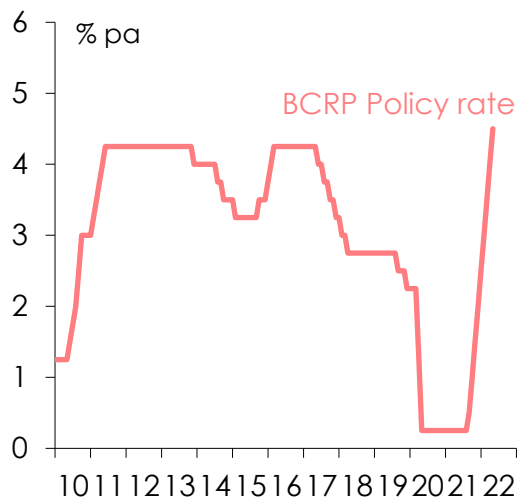
Hungary



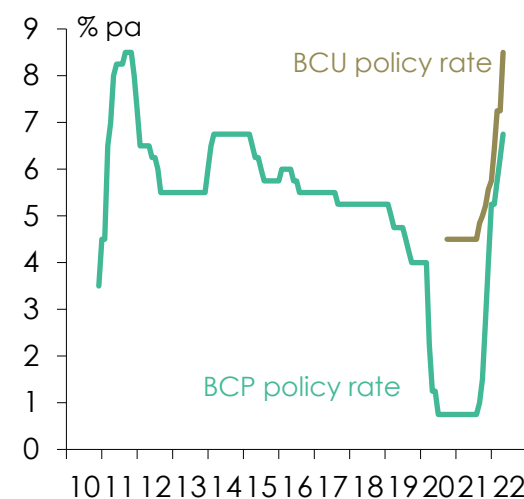
Georgia & Armenia



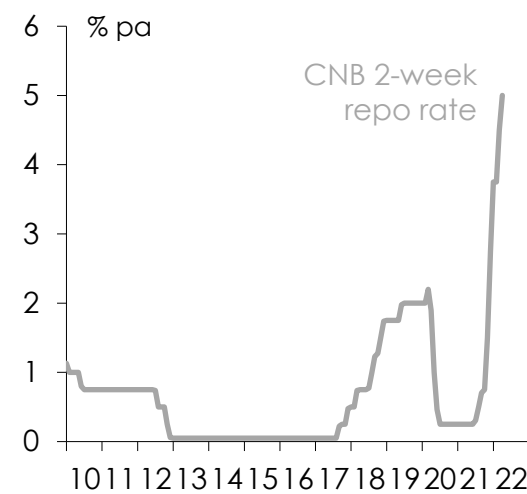
Peru



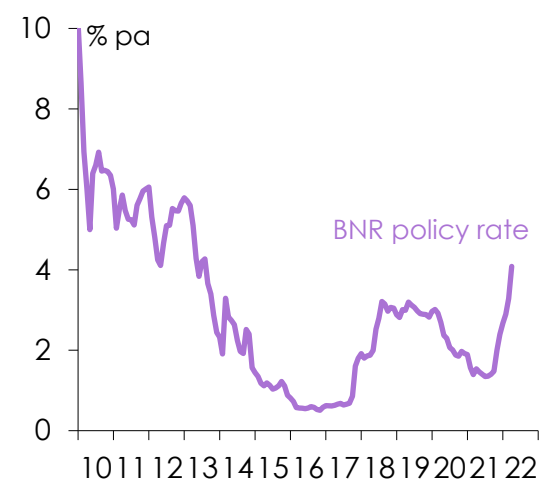
Paraguay & Uruguay



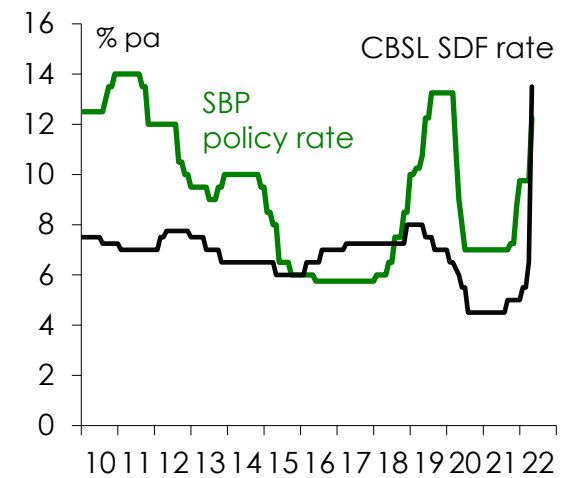
Czech Republic



Romania



Pakistan & Sri Lanka

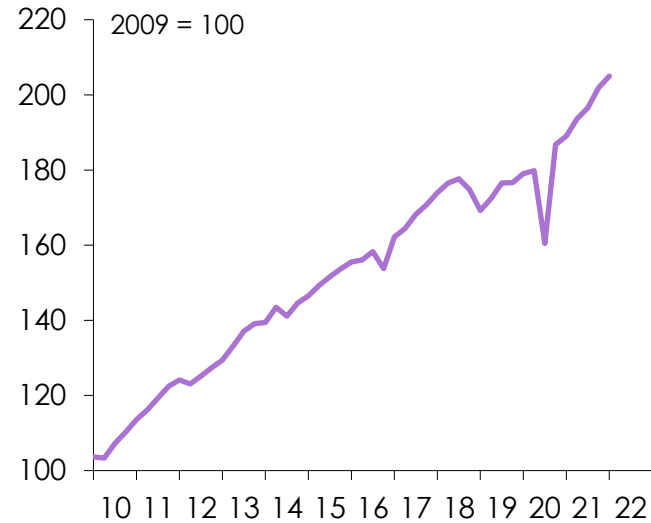


Sources: [Banco de la República Colombia](#); [Banco Central de Reserva del Perú](#); [Banco Central de Chile](#); [Banco Central del Uruguay](#); [Banco Central del Paraguay](#); [Narodowy Bank Polski](#); [Česká Národní Banka](#); [Magyar Nemzeti Bank](#); [Banca Națională a României](#); [Sakartvelos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

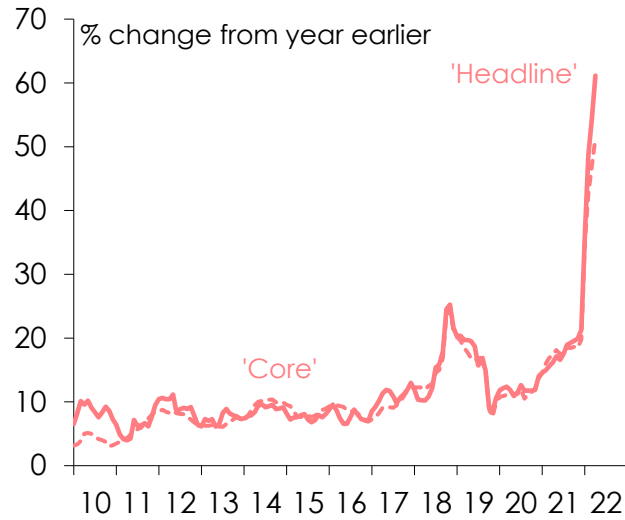
Turkey's central bank has cut interest rates by 500 bp since last September, despite inflation accelerating to 61% over the year to March

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

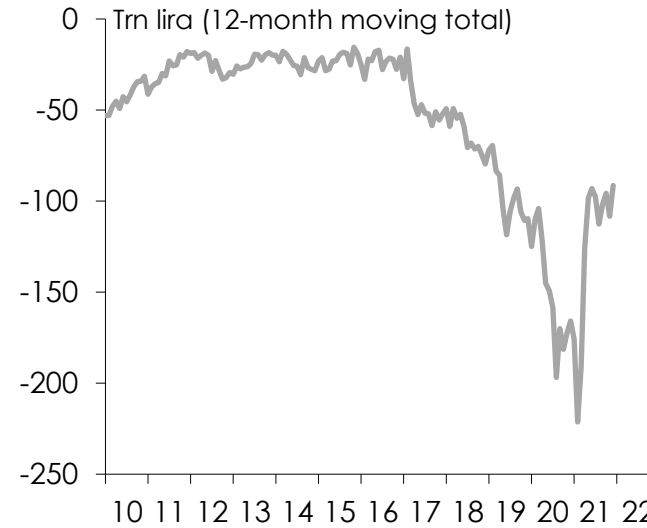
Real GDP



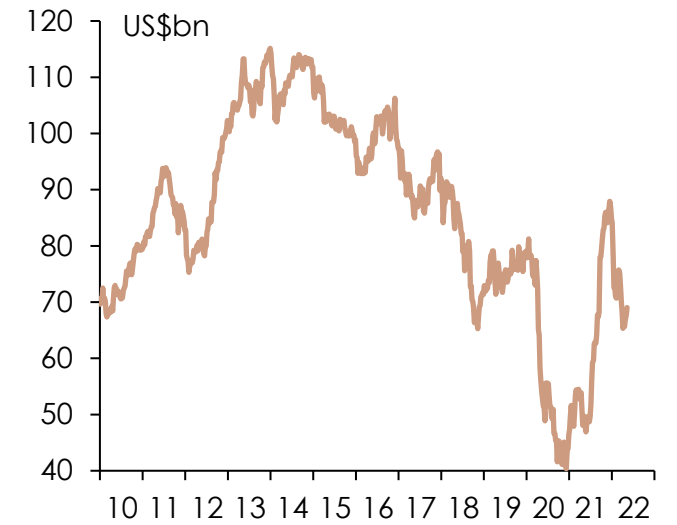
Inflation



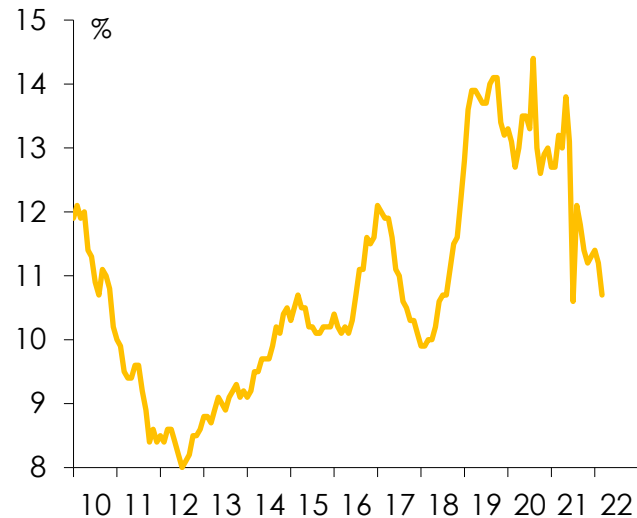
Budget balance



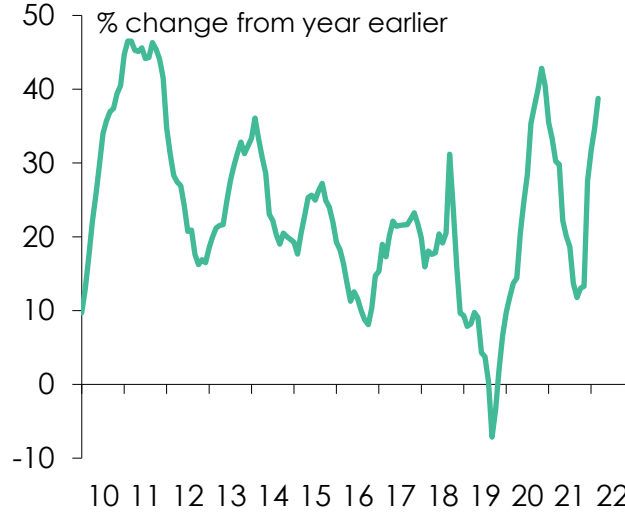
FX reserves



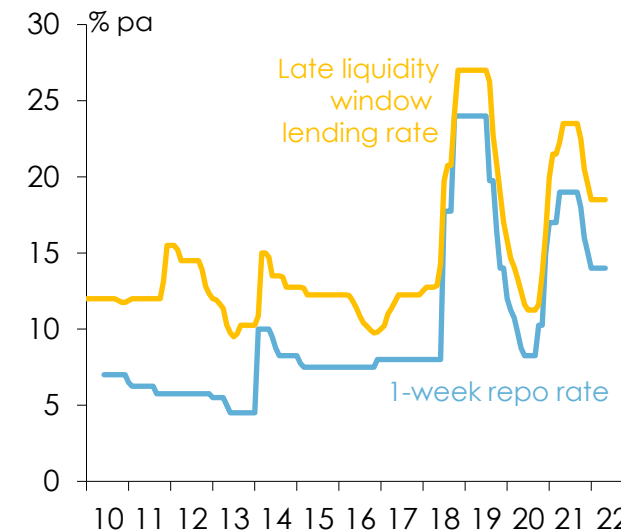
Unemployment rate



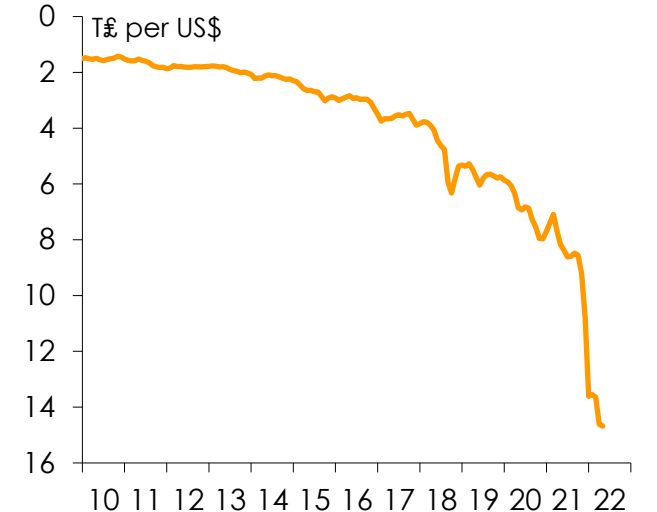
Bank lending



Interest rates



Turkish lira vs US\$



Key data and events this week

Key data and events for week ended 29th April

THE WORLD ECONOMY THIS WEEK – 25TH APRIL 2022

Monday 25 th April	Singapore March CPI; Taiwan March retail sales and industrial production; Turkey April business confidence; Germany Ifo business survey; UK Q2 CBI business sentiment; US March Chicago Fed national economic activity index; Brazil April business confidence
Tuesday 26 th April	Korea Q1 GDP (p); Japan March employment & unemployment; Singapore March industrial production; Hungary MNB meeting; US March durable goods orders (p), February house prices, March new home sales and March Conference Board consumer confidence; Canada March factory orders; US March housing starts; Canada March housing starts; Mexico February retail sales
Wednesday 27 th April	Australia Q1 CPI; Korea April consumer confidence; Taiwan April consumer confidence; Russia March unemployment, retail sales & industrial production, and April business confidence; US March merchandise trade (p) and March wholesale & retail inventories; Mexico March merchandise trade
Thursday 28 th April	New Zealand March merchandise trade; Australia Q1 export & import prices; Korea April business confidence; Japan BoJ meeting and March retail sales, industrial production & housing starts; Singapore Q1 unemployment; Malaysia March PPI; Thailand March industrial production; Taiwan Q1 GDP (p); Norway Q1 unemployment; euro area April EC business & consumer sentiment; Iceland April CPI; US Q1 GDP (p); Canada March average earnings; Chile March unemployment
Friday 29 th April	New Zealand April consumer confidence; Australia Q1 PPI and March credit aggregates; Korea March retail sales & industrial production; Philippines March PPI; Singapore March PPI & Q1 business confidence; Thailand March current account balance and BoT consumption & investment indexes; Turkey March merchandise trade; South Africa March merchandise trade; euro area Q1 GDP (p), April 'flash' CPI, and March money & credit aggregates; Russia CBR meeting; US March personal income & expenditure, and PCE deflator, Q1 employment cost index; Brazil March unemployment & February current account balance; Colombia CBR meeting; Chile March industrial production & retail sales
Saturday 30 th April	China April 'official' manufacturing & non-manufacturing PMIs, and 'unofficial' (Caixin) manufacturing PMI

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

Important information

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