

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

THE WORLD ECONOMY THIS WEEK

9TH MAY 2022

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INDEPENDENT ECONOMICS

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What's new?

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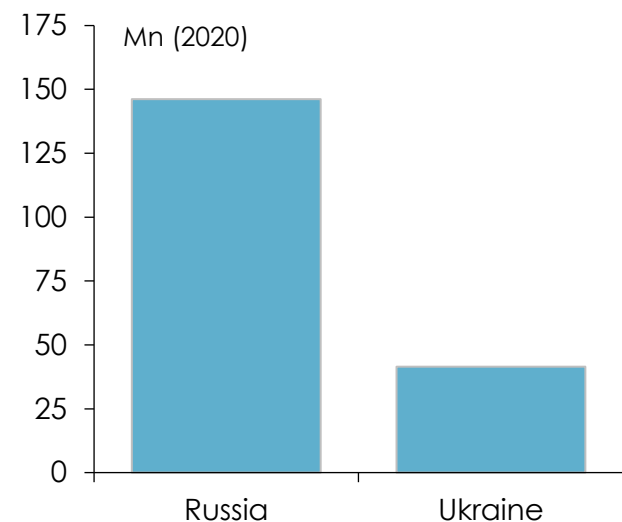
- ❑ The conflict in Ukraine appears increasingly stalemated, with Russian forces seemingly unable to make much headway (from their perspective) in Eastern Ukraine – which raise concerns as to what Russia might do in order to accomplish some kind of ‘victory’ by Vladimir Putin’s supposed ‘deadline’ of 9th May ([slide 6](#)); meanwhile energy and food commodity prices remain elevated compared to pre-conflict levels ([slide 8](#))
- ❑ The US Federal Reserve raised its target for the Fed funds rate by 50 bp, to 0.75-1.00% (as had been well telegraphed beforehand), and flagged that further 50 (but not 75) bp increases would be ‘on the table’ for the next two FOMC meetings ([slides 30](#) and [68](#)); the Fed also indicated that it would begin ‘quantitative tightening’ from 1st June at a pace that would see its balance sheet shrink by US\$3 trn (one-third) over the next three years
- ❑ US non-farm payrolls rose 428K (0.3%) in April, but the household survey measure of employment fell by 353K (0.2%); the labour force participation rate dropped 0.2 pc pts (to be still, in contrast to almost all other ‘advanced’ economies, 1.5 pc pts below its pre-Covid peak), which in turn meant that the unemployment rate remained unchanged at 3.6% ([slides 57-58](#))
- ❑ The US deficit on trade in goods and services widened by US\$20bn to \$109.8bn in March, the fourth successive record monthly deficit ([slide 65](#))
- ❑ The Bank of England raised its bank rate by 25 bp to 1.0%, the fourth increase in a row, and indicated that some further tightening “may be appropriate in coming months” despite forecasting a sharp slowing in economic growth over the next two years ([slides 30](#) and [78](#))
- ❑ Elsewhere in Europe Norway’s central bank left its policy rate on hold but foreshadowed another rate rise next month ([slide 79](#)) while its counterpart in Iceland raised its policy rate by 100 bp, to 3.75%, the sixth and largest increase since last May ([slide 80](#))
- ❑ China’s Politburo re-affirmed its “unswerving” commitment to its ‘zero Covid’ policy ([slide 87](#)) despite mounting evidence of its economic costs, including a fall in China’s ‘unofficial’ services PMI in April to its lowest level since February 2020 ([slide 83](#))
- ❑ Hong Kong’s economy contracted by 2.9% in Q1, largely as a result of the protracted lockdowns required by conformity with Beijing’s ‘zero Covid’ policy in response to the ‘omicron’ outbreak ([slide 100](#))
- ❑ The Reserve Bank of India raised its policy rates by 40 bp, and banks’ cash reserve ratio by ½ pc point, at an unscheduled meeting this week, in a belated response to inflation rising well above its 2-6% target range ([slide 119](#))
- ❑ Canada’s unemployment rate dropped 0.1 pc pt to 5.2% in April, the lowest since July 1974 ([slide 123](#))
- ❑ The Reserve Bank of Australia raised its cash rate by 25 bp, to 0.35%, and signalled that further increases would be “necessary” in order to bring inflation down from an upwardly-revised forecast peak of 6% in Q4 to the top end of its 2-3% target range by mid-2024 ([slide 124](#))
- ❑ ‘Emerging market’ central banks continue to tighten monetary policy aggressively – last week Brazil’s central bank raised its policy rate by 100bp (to 12.75%), Chile’s by 125 bp (to 8.25%) and Poland’s and Czechia’s each by 75 bp (to 5.25% and 5.75% respectively) ([slides 127-128](#) and [131](#))
- ❑ Highlights of this coming week’s calendar include US April CPI; Chinese April CPI, trade & credit; UK Q1 GDP; and central bank meetings in Malaysia, Mexico and Peru

Russia's invasion of Ukraine

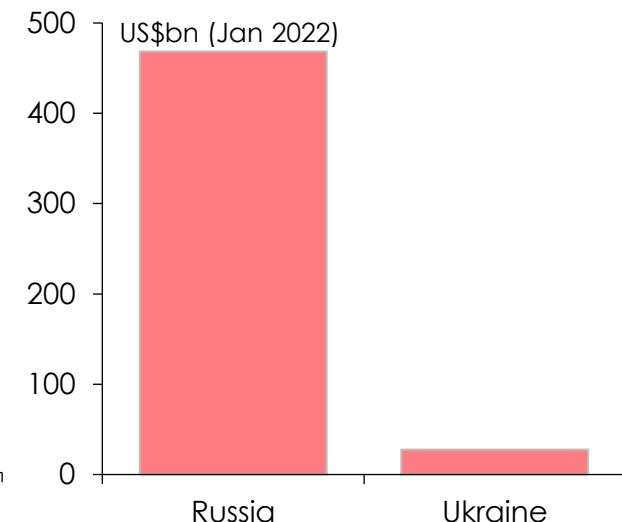
Russia outnumbered Ukraine in just about everything – except courage and ‘moral capital’ – but that hasn’t given it the ‘easy victory’ it expected

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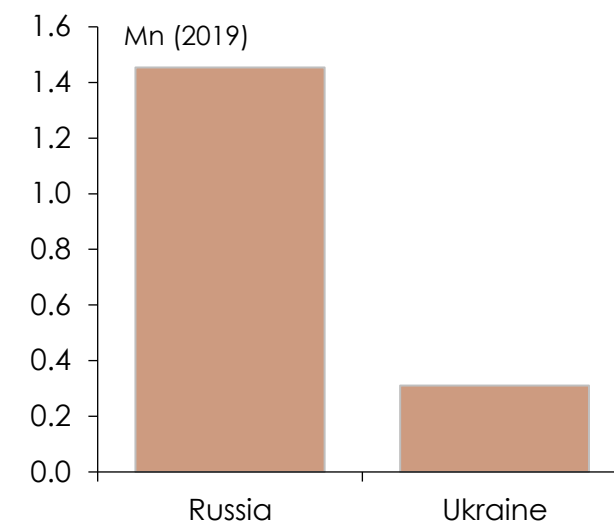
Population



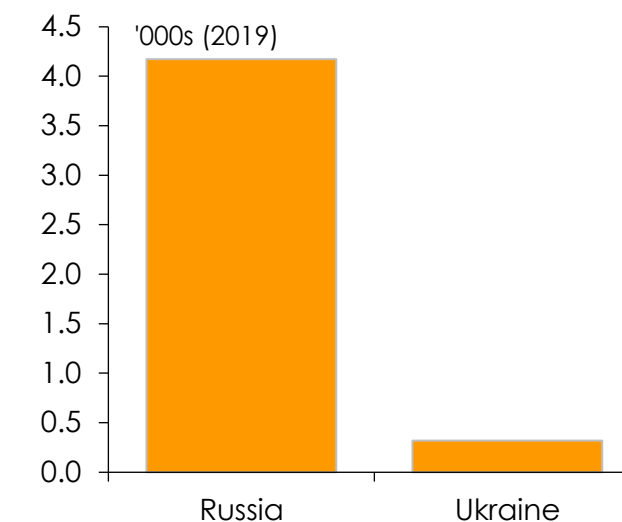
FX reserves



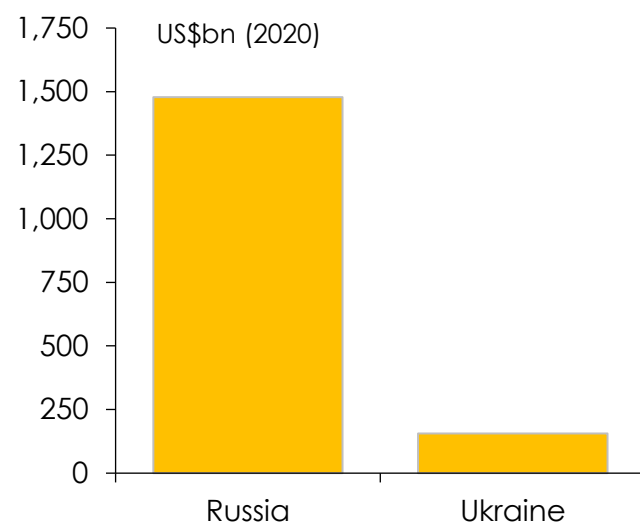
Armed forces



Military aircraft



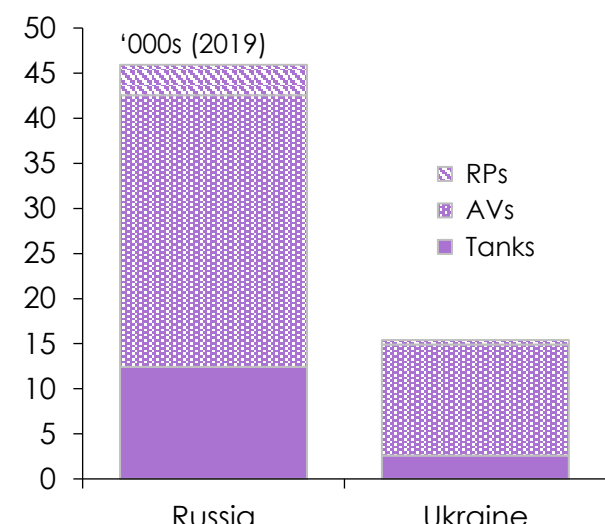
GDP



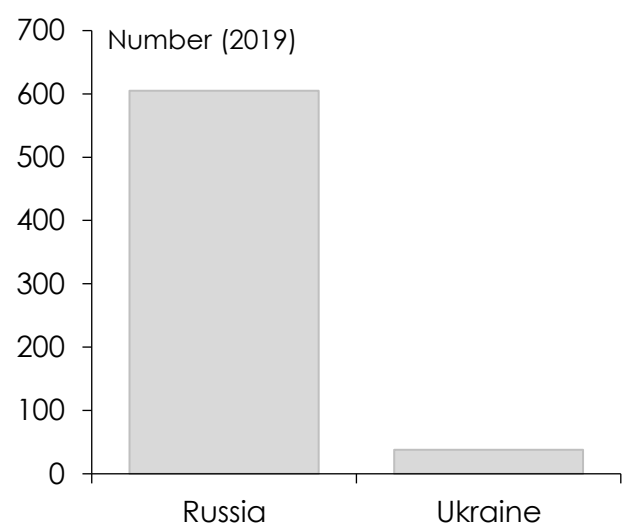
Military spending



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's new offensive in Donbas is yet to make much headway, while there have been suggestions it is trying to extend the conflict to Moldova

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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 month 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) – but this past week Ukrainian forces appear to have pushed Russian forces away from Kharkiv
- ❑ Russian President Vladimir Putin is **reportedly** expecting 'victory' by 9th May, the official anniversary of the Soviet Union's defeat of Nazi Germany in World War II – but thus far Russian forces have (despite several changes in leadership, with Chief of the Russian General Staff Valery Gerasimov **apparently** taking personal command of operations) failed to make a great deal of headway beyond the territory they previously controlled
- ❑ There have also been **reports** of Russian 'false flag' operations in Transnistria, a Russia-linked 'breakaway' region in western Moldova, seeking to widen the conflict
- ❑ 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 month **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 month **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 month that "sanctions which so far have mainly affected financial markets "now will start to impact the real economy more significantly"

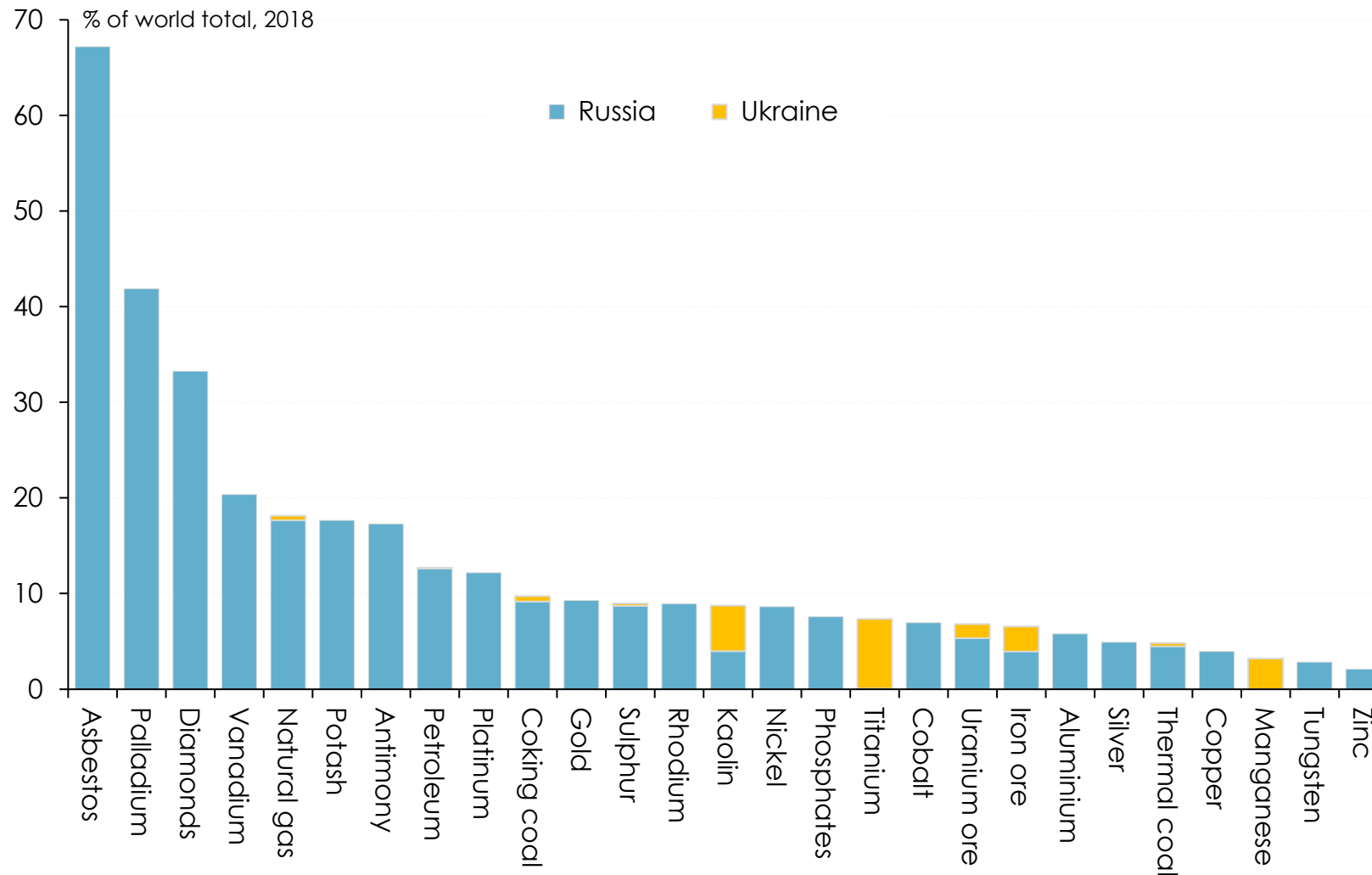


Russia and Ukraine are major producers of a range of mineral, energy and food commodities whose prices will go up because of the conflict

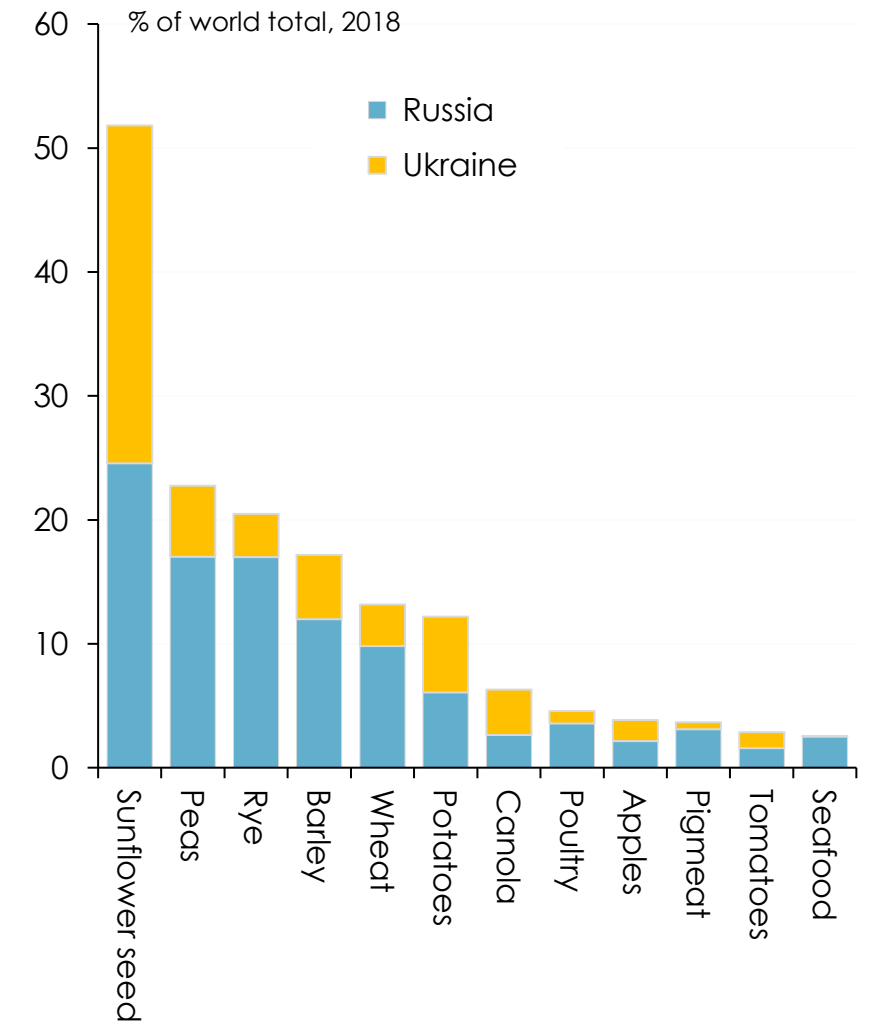
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Russian and Ukrainian shares of global commodity production

Minerals and energy, 2019



Food, 2018

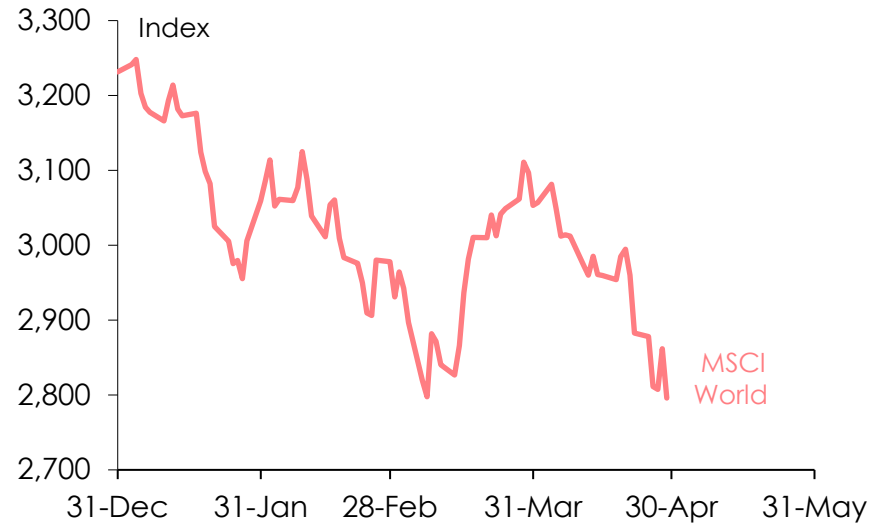


Note: Data for shares of seafood production is 2017. Sources: Austrian Federal Ministry of Agriculture, Regions and Tourism (BMLRT), [World Mining Data](#); Hannah Ritchie and Max Roser, Our World in Data, [Agricultural Production](#). [Return to "What's New"](#).

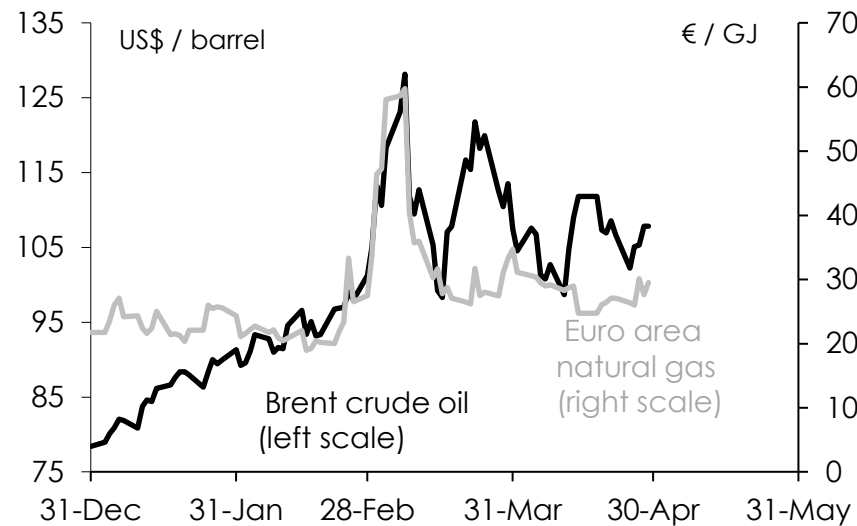
Energy, base metal & grain prices, bond yields and the US\$ have risen as a result of the Ukraine conflict, while stockmarkets & the euro have fallen

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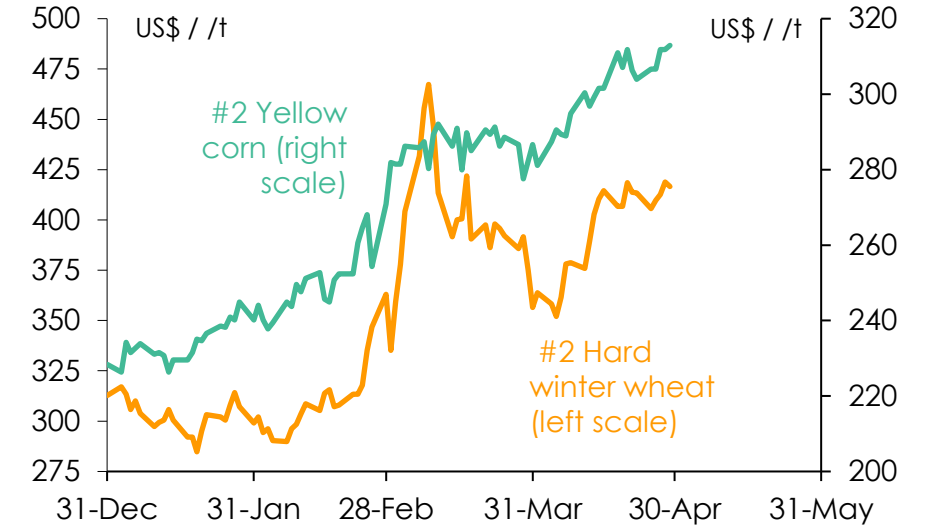
Stockmarkets



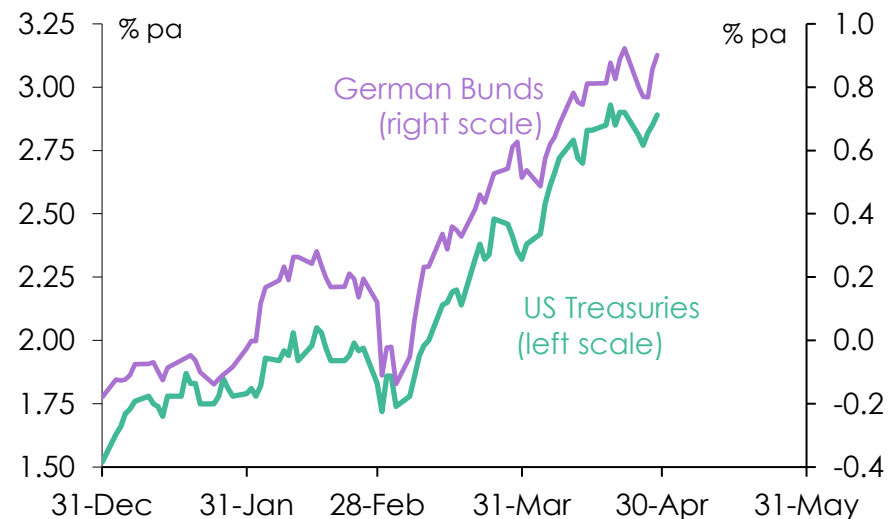
Energy prices



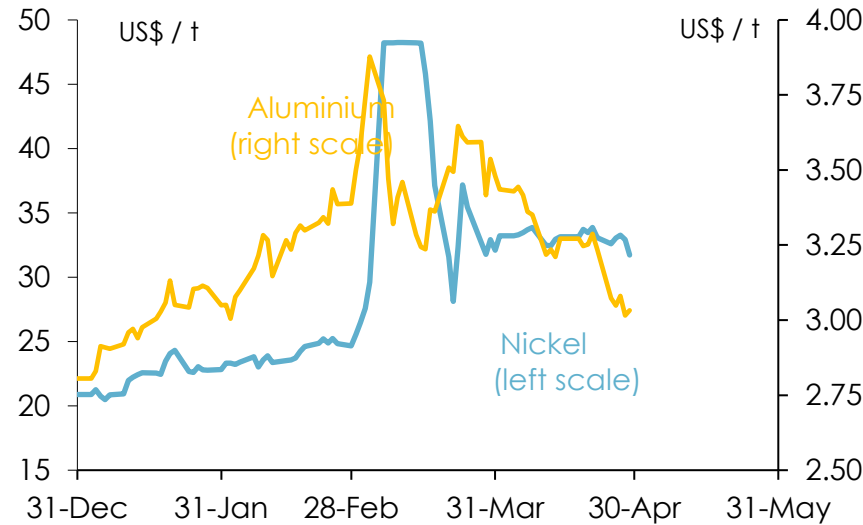
Grain prices



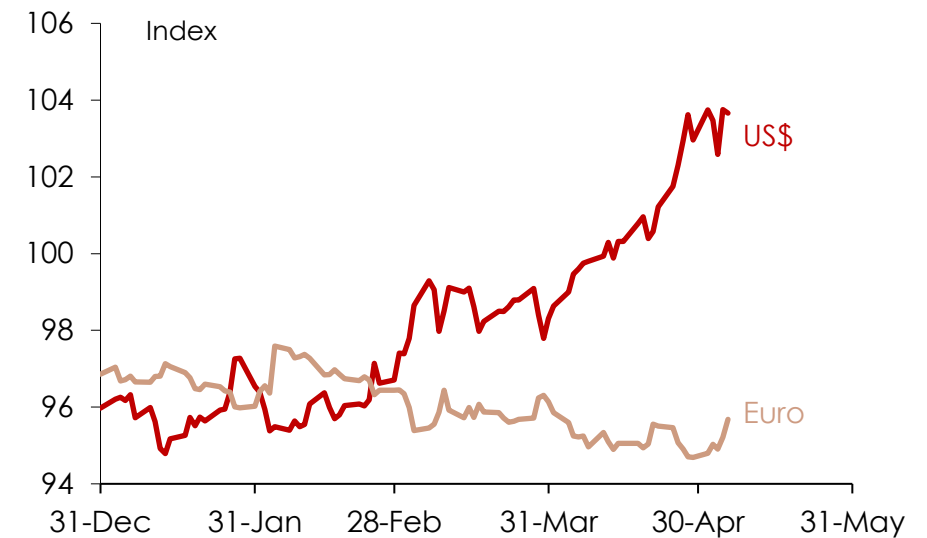
10-year government bond yields



Base metal prices



Currencies



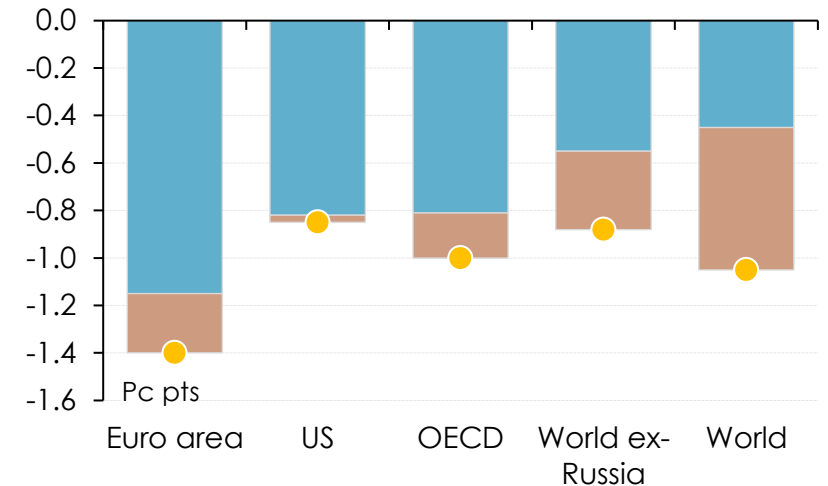
Note: Data up to 6yh May. Source: Refintiv Datastream. [Return to "What's New"](#).

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

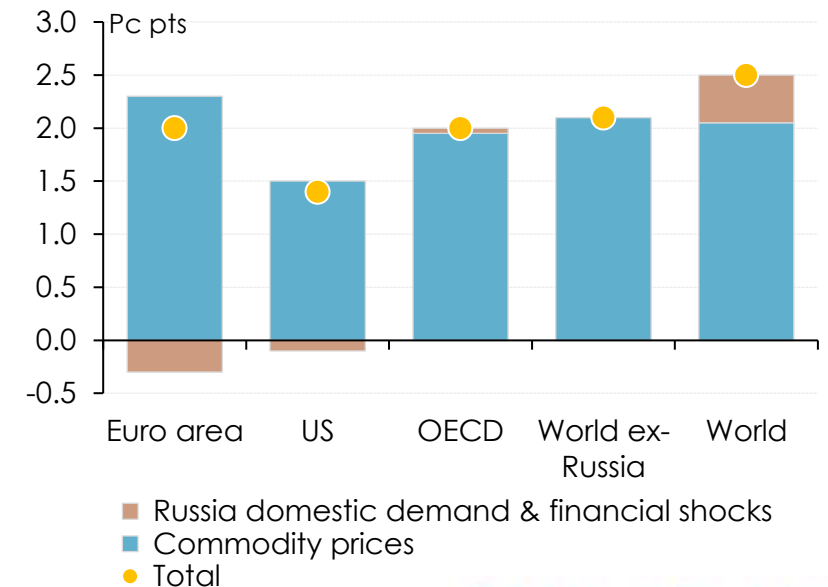
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- ❑ The **OECD** characterizes the war in Ukraine as “a new negative supply shock for the world economy”
 - although Russia & Ukraine together account for 2% of global GDP, they account for 30% of global wheat exports, 20% of global exports of corn,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



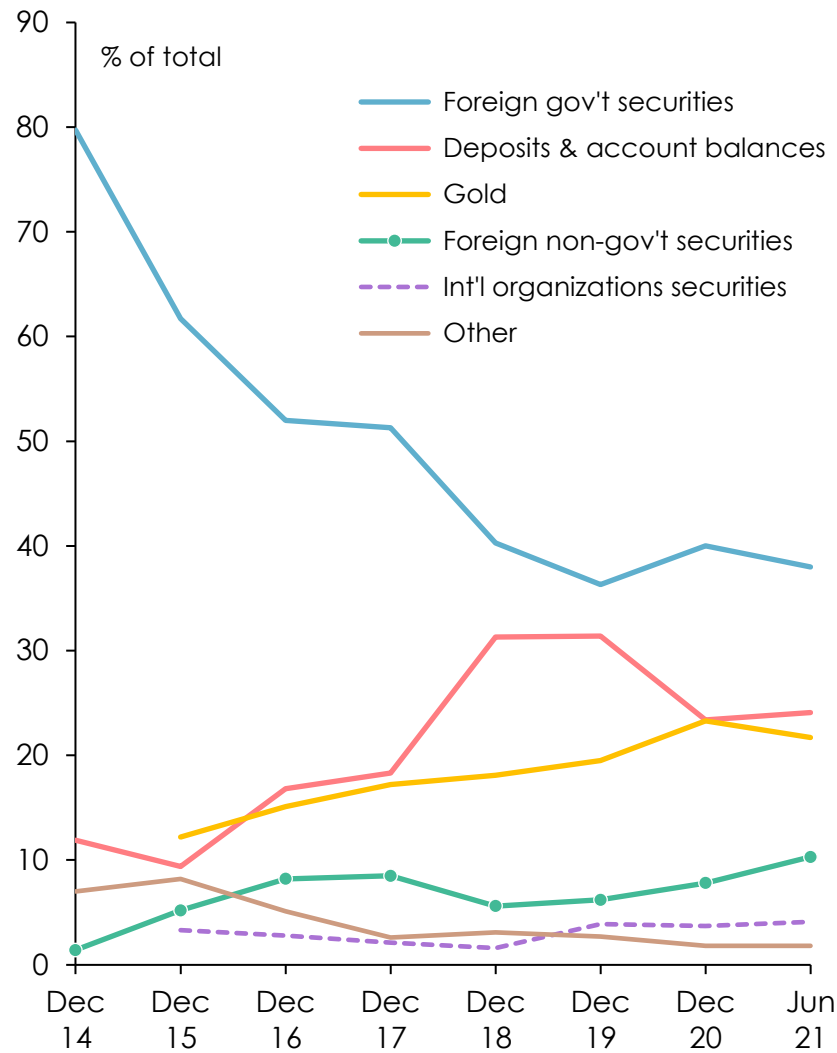
Impact on inflation



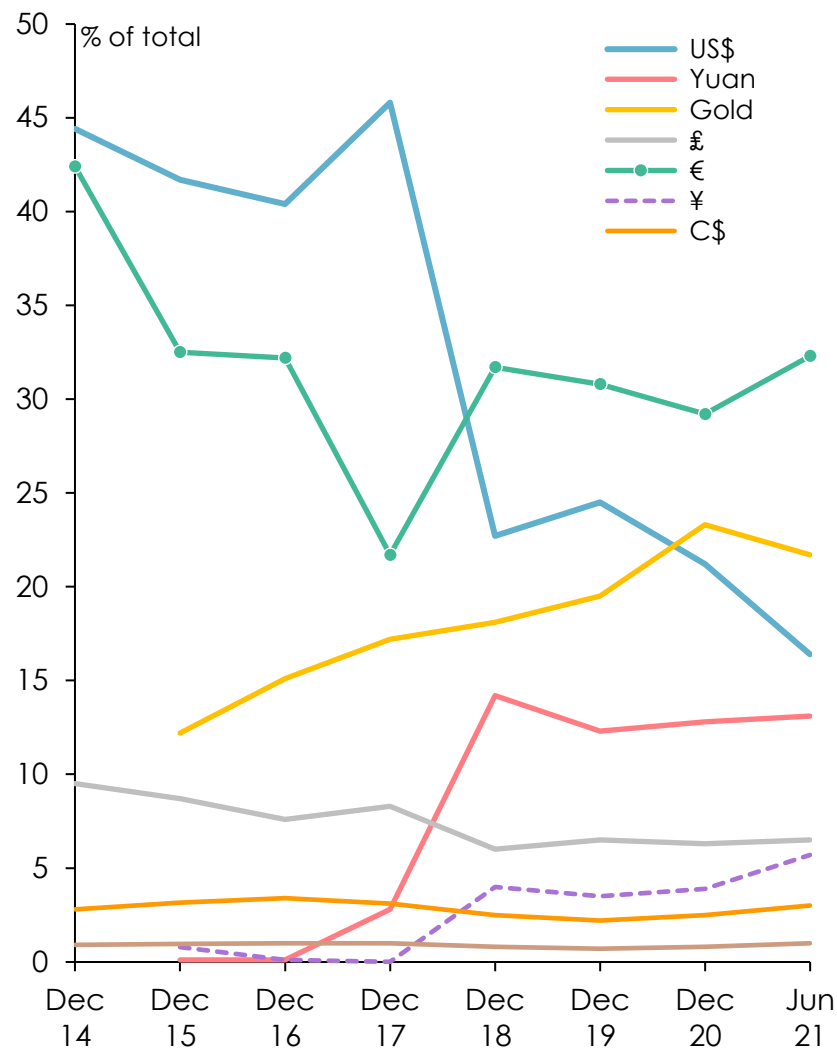
Russia's central bank had been re-arranging its portfolio over the past seven years to reduce its exposure to sanctions, but they will still 'bite'

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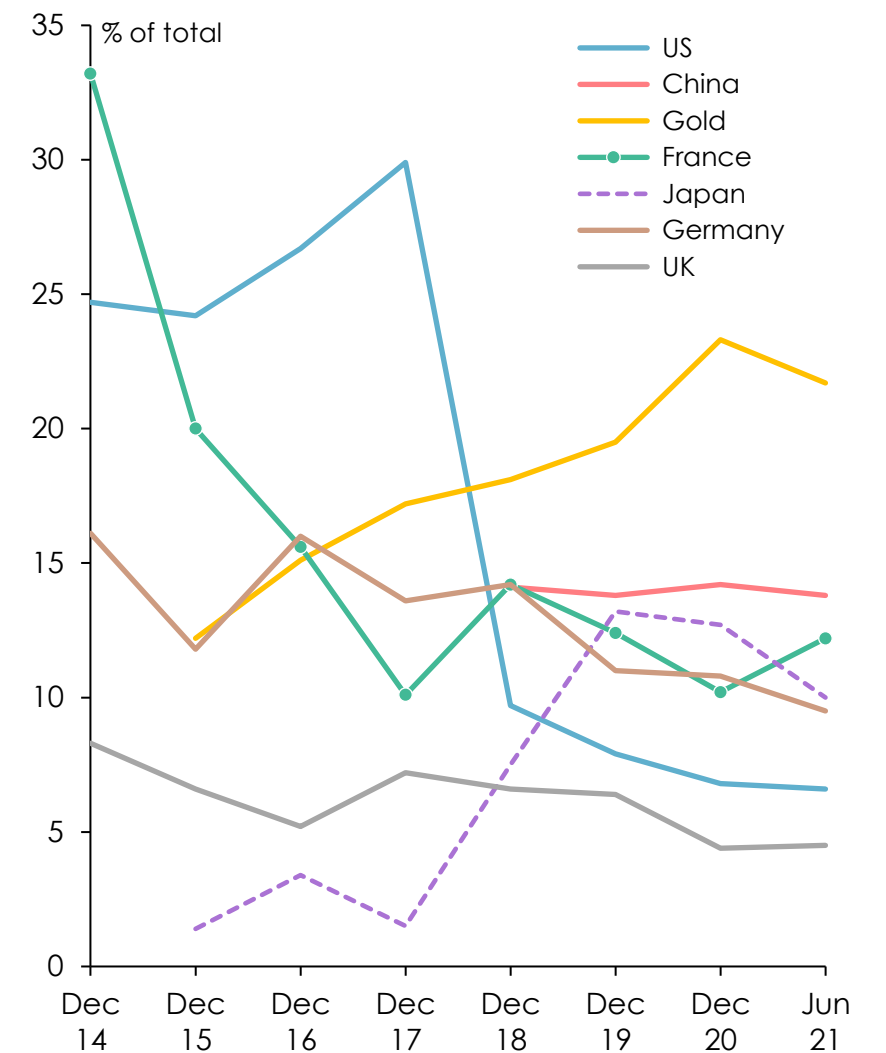
Russian FX reserves by instrument



Russian FX reserves by currency



Russian FX reserves by location

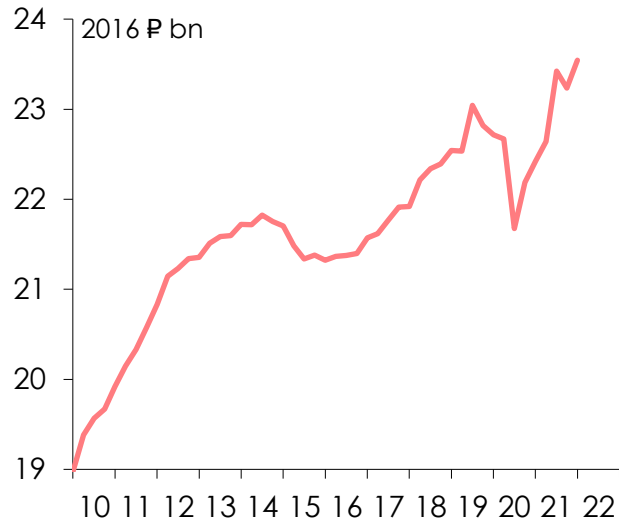


Source: Central Bank of Russia, [Foreign Exchange and Gold Asset Management Report](#), No. 1, 2022 and previous issues. [Return to "What's New"](#).

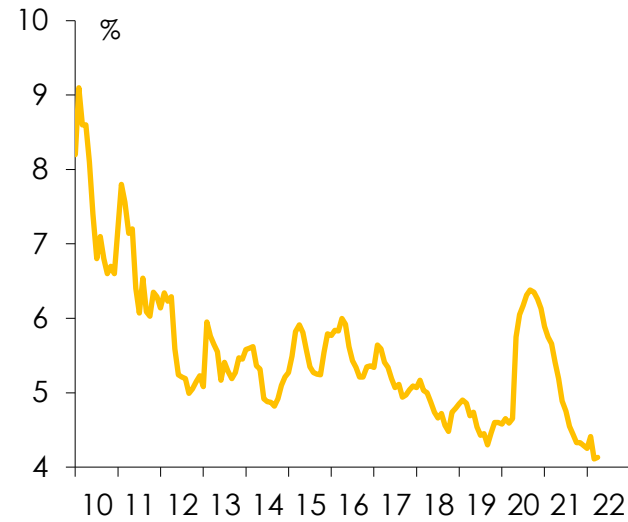
Russia's central bank cut its policy rate by 300 bp, to 17%, on Friday, after the ruble's recovery, and despite inflation rising to 16.7% in March

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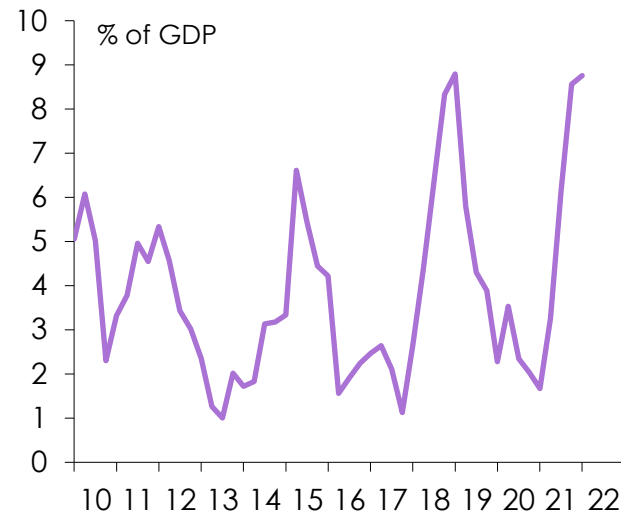
Real GDP



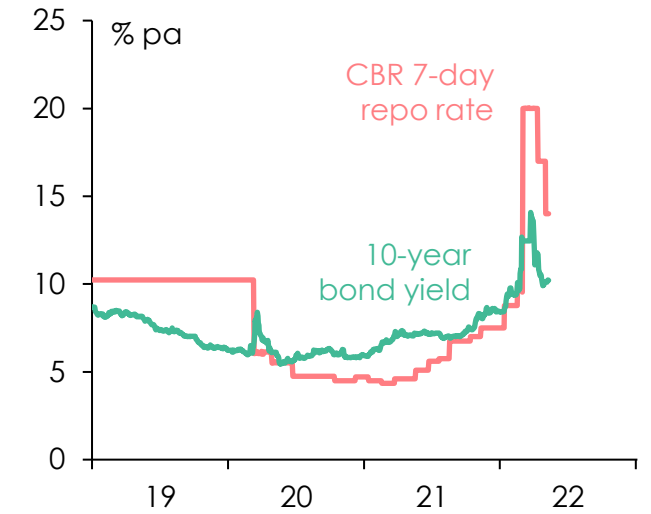
Unemployment



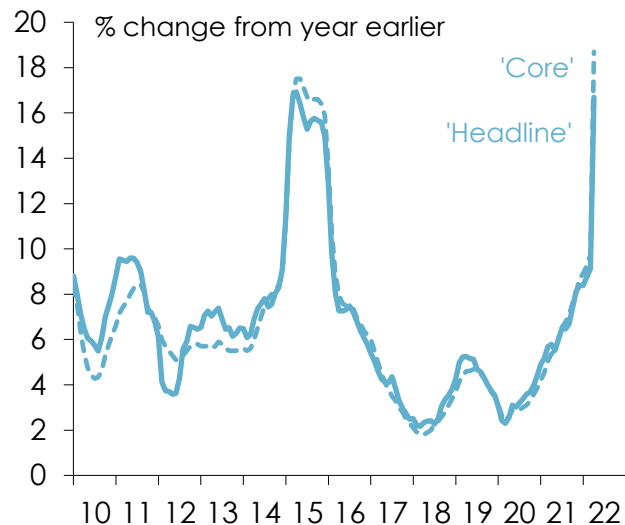
Current account balance



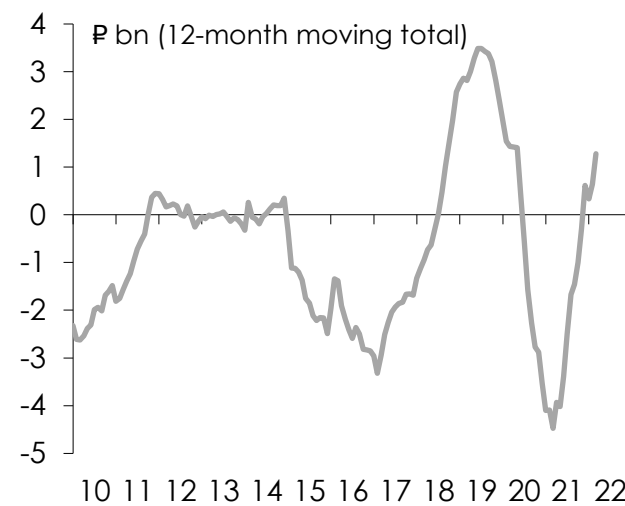
Interest rates



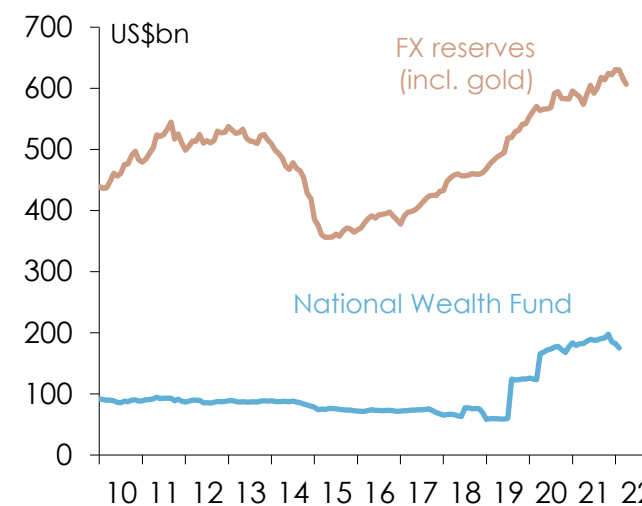
Inflation



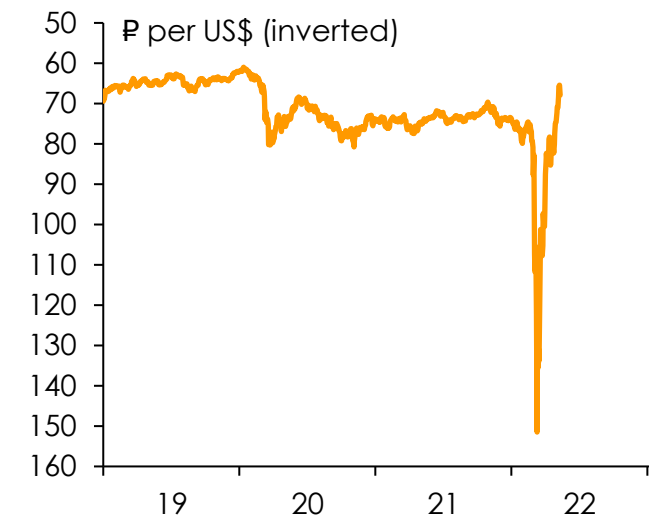
Federal budget balance



State financial assets



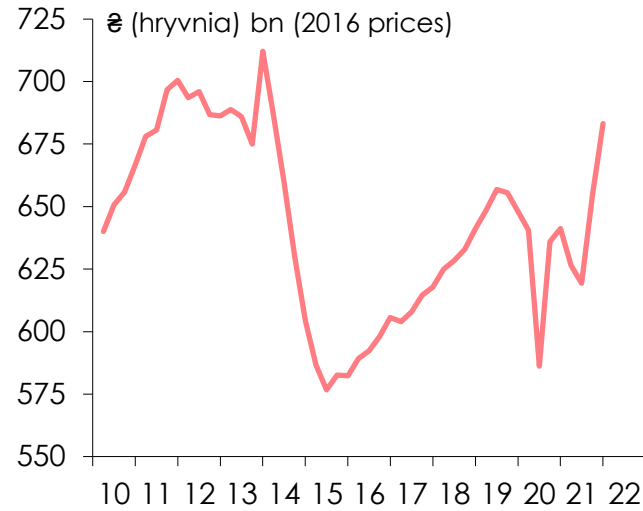
Russian ruble vs US\$



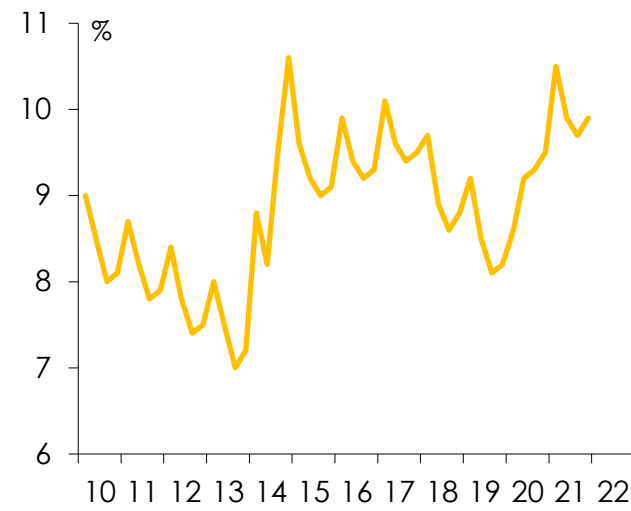
Ukraine's economy was severely harmed by Russia's invasion in 2014, and is in a weaker condition than Russia's as the latter invades again

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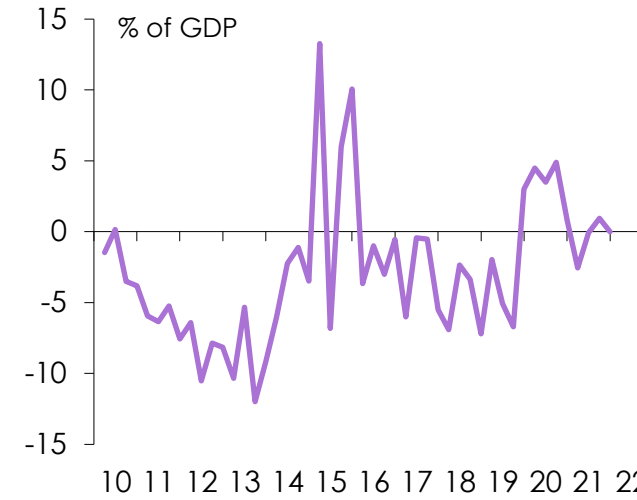
Real GDP



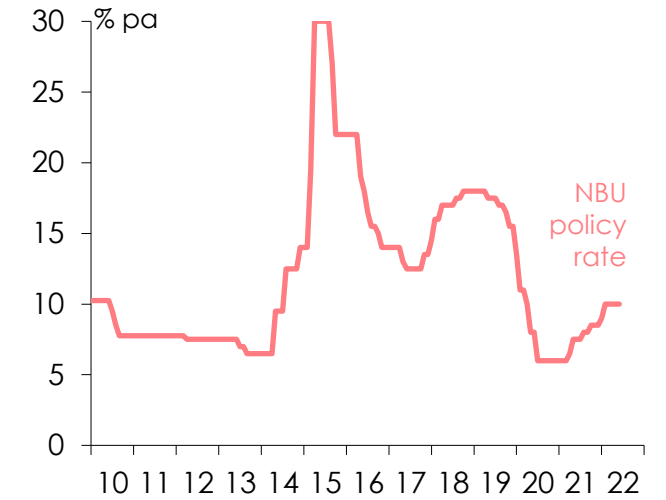
Unemployment



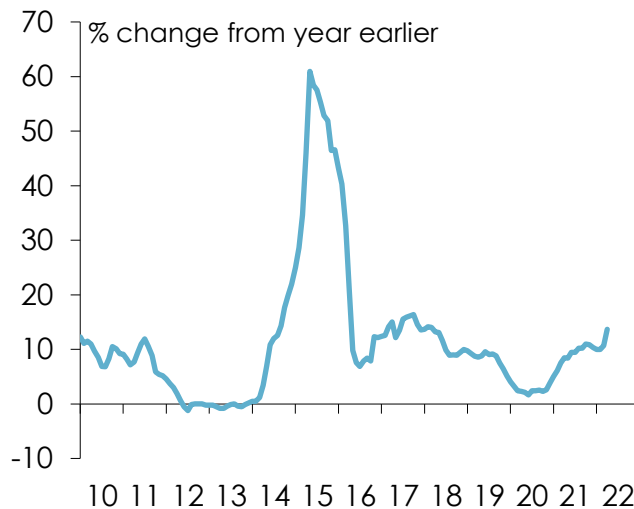
Current account balance



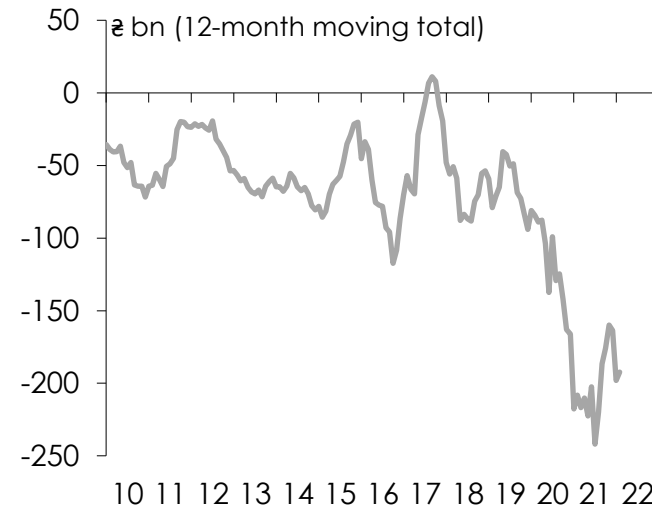
Interest rates



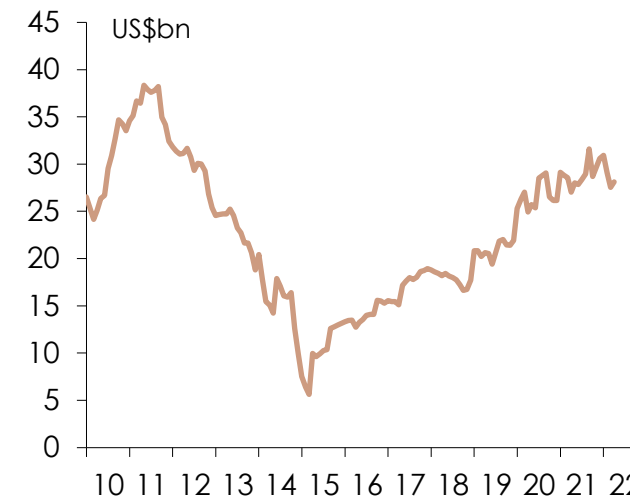
Inflation



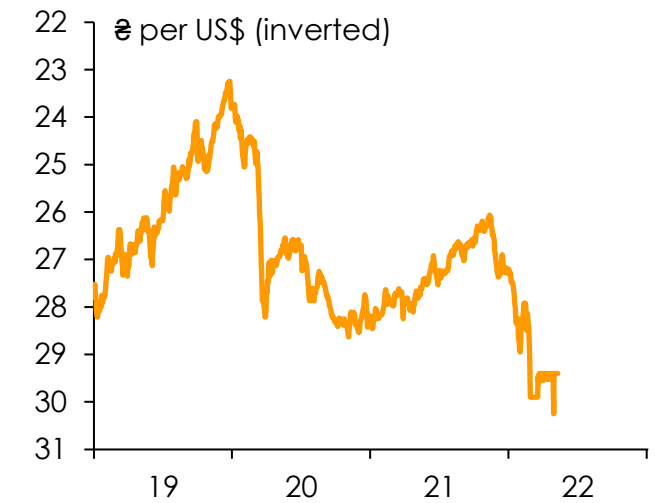
Budget deficit



FX reserves



Ukrainian hryvnia vs US\$



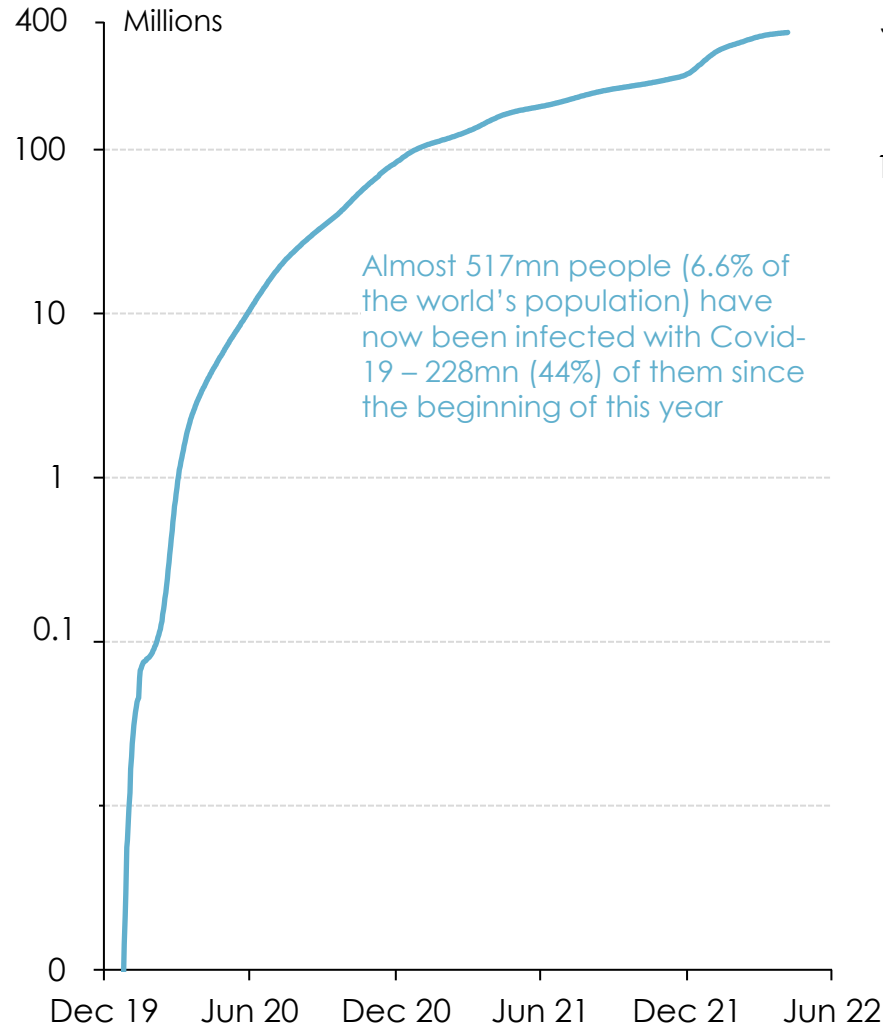
Sources: [State Statistics Service of Ukraine](#); [National Bank of Ukraine](#); Refinitiv Datastream. [Return to "What's New"](#).

The virus

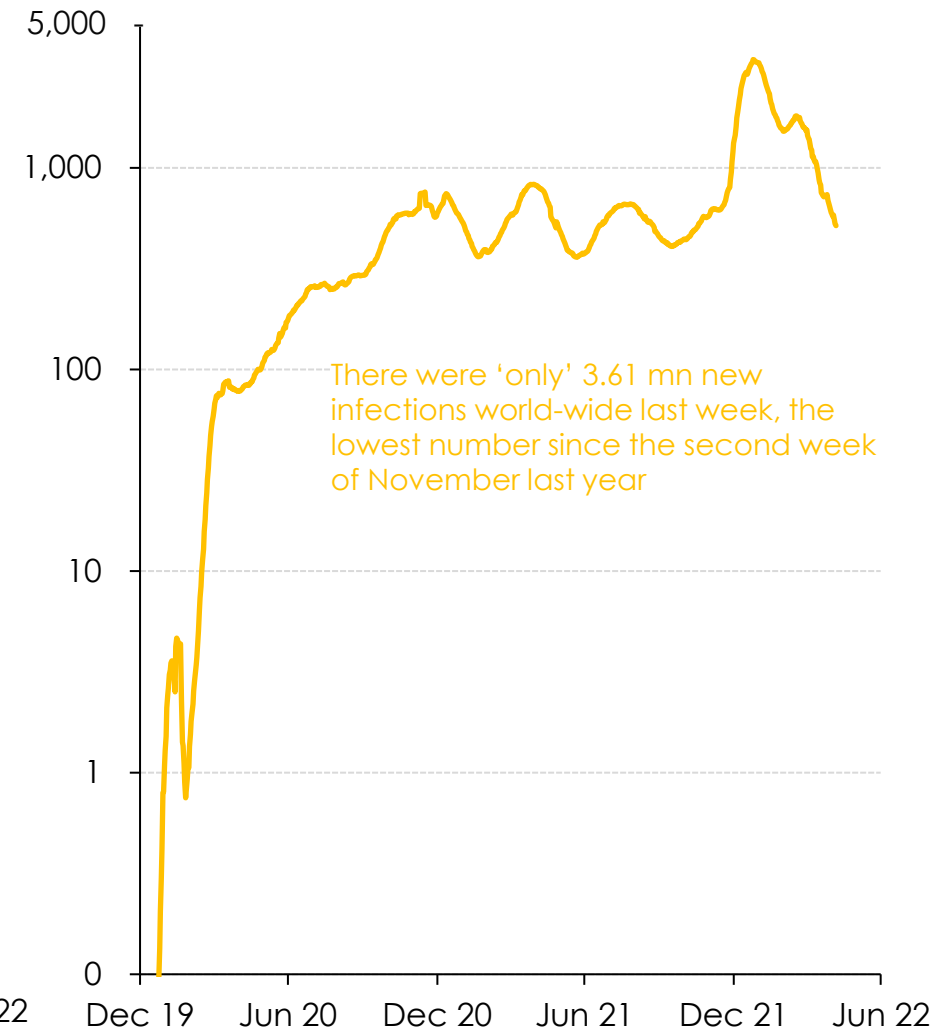
The number of new infections fell again last week – although it remains relatively high – and the fatality rate continues to decline sharply

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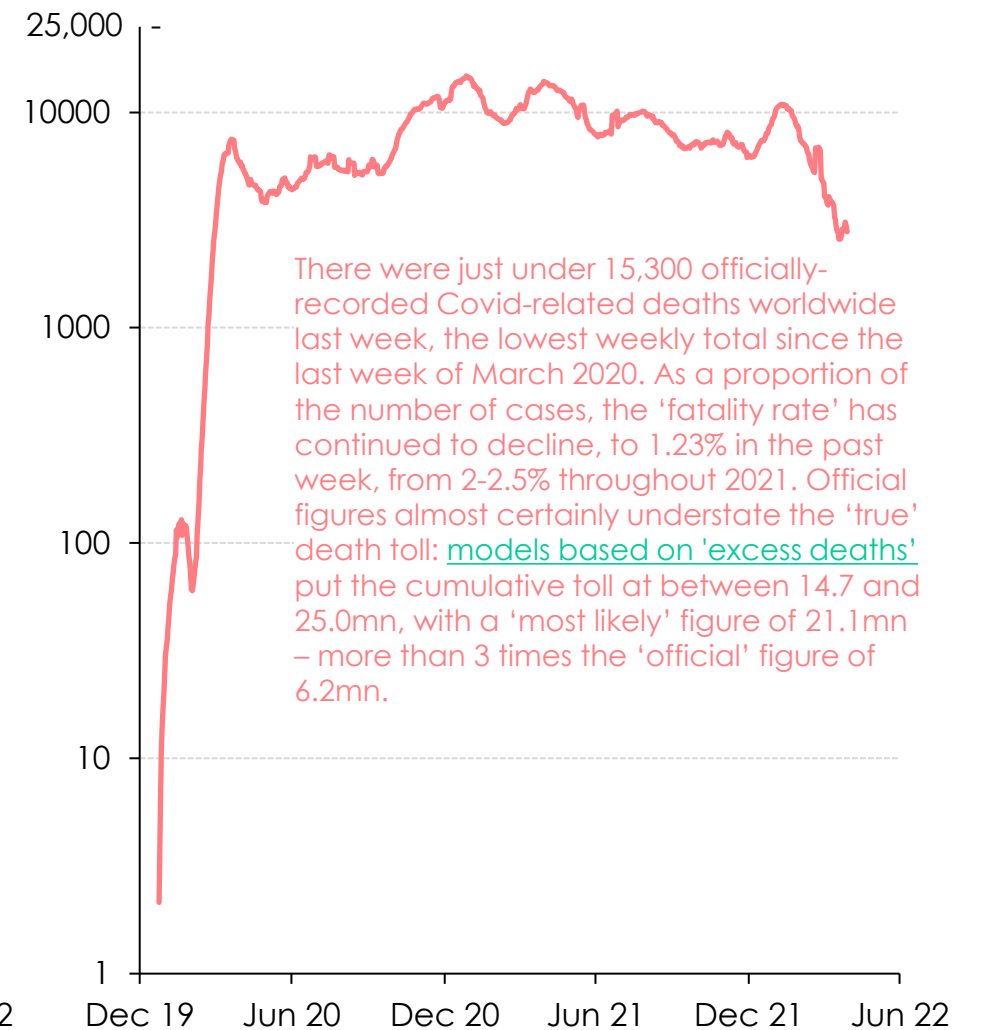
Cumulative confirmed cases – global total



New confirmed cases – global total



New deaths – global total

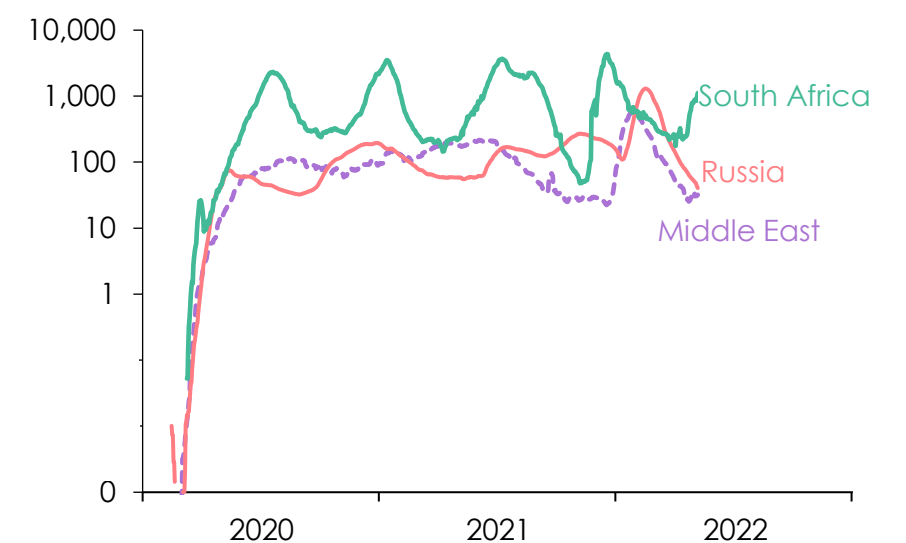
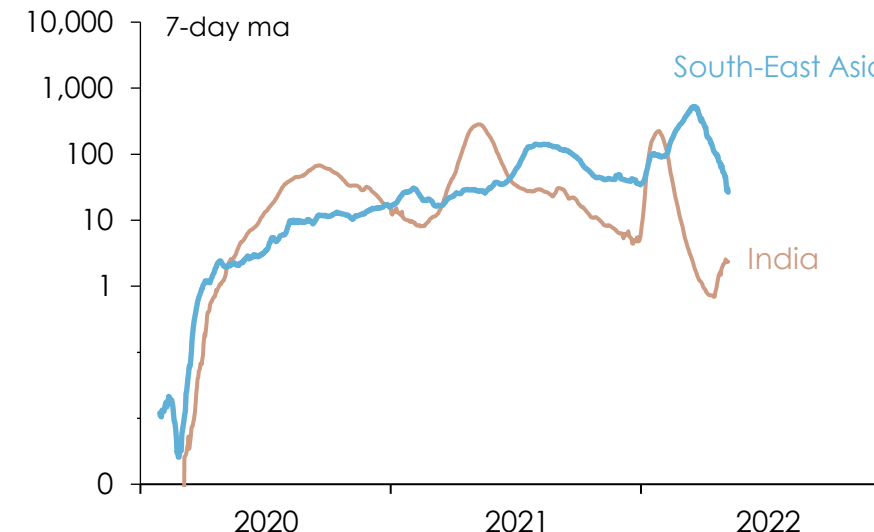
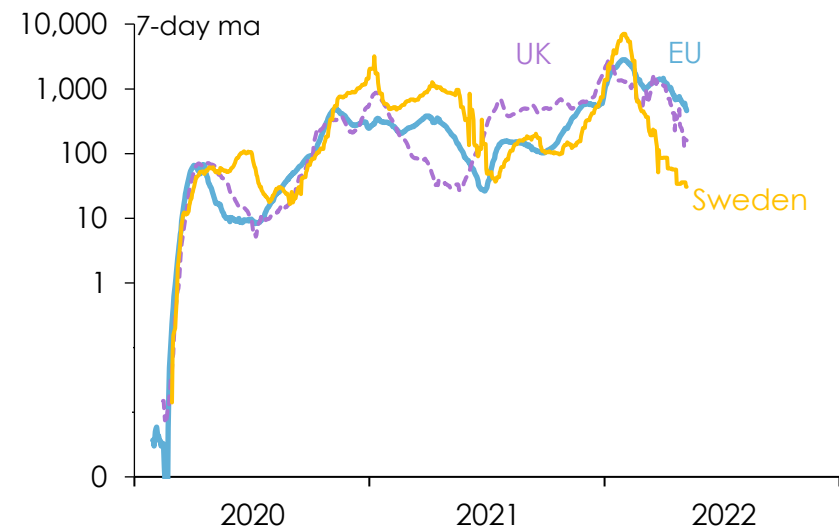
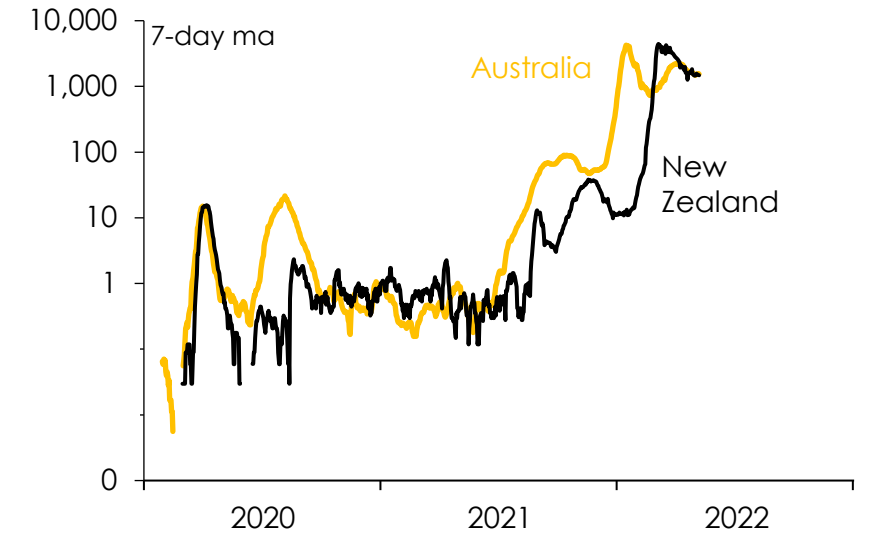
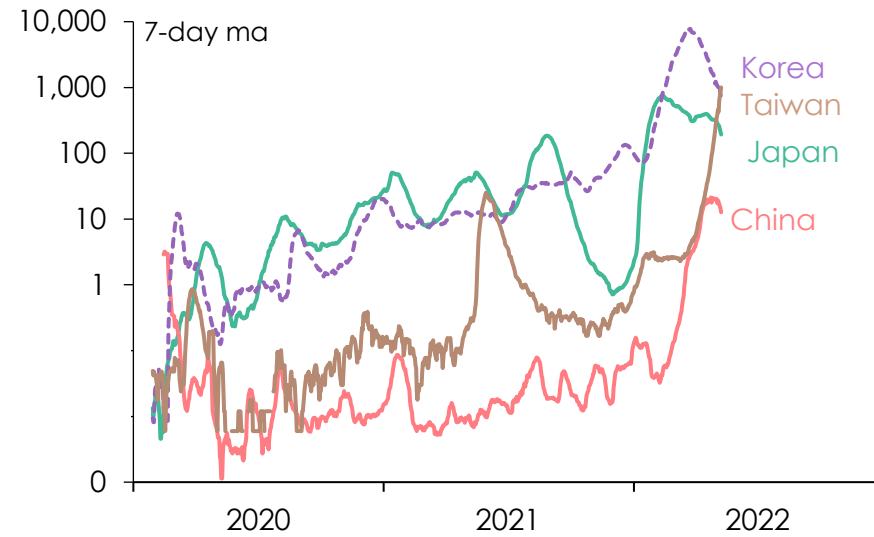
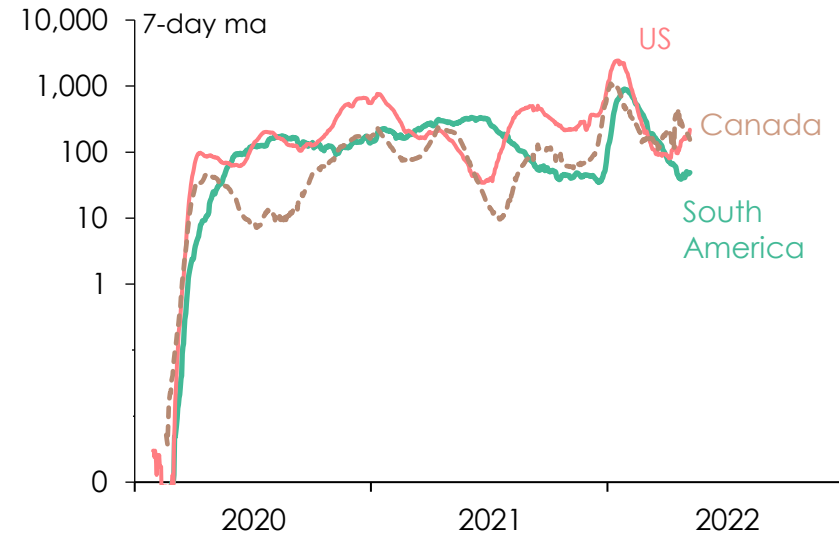


Note: All charts are on logarithmic scales. Data up to 6th May. Source: University of Oxford, [Our World in Data](#). [Return to "What's New"](#).

42% of last week's new cases were in Europe, 14% in the US, 8% in Australia, 7½% in Korea, 4½% in Taiwan, and 3½% each in China and SE Asia

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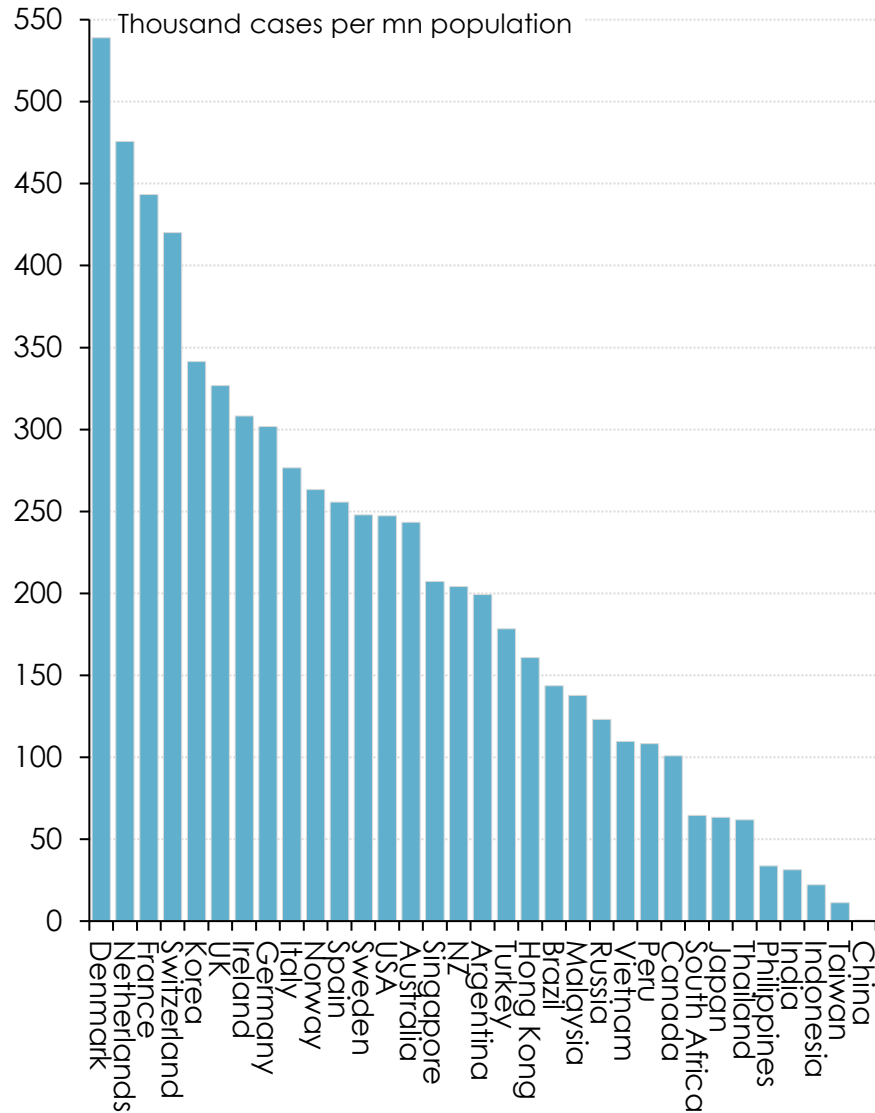
Daily new cases per million population – major countries and regions



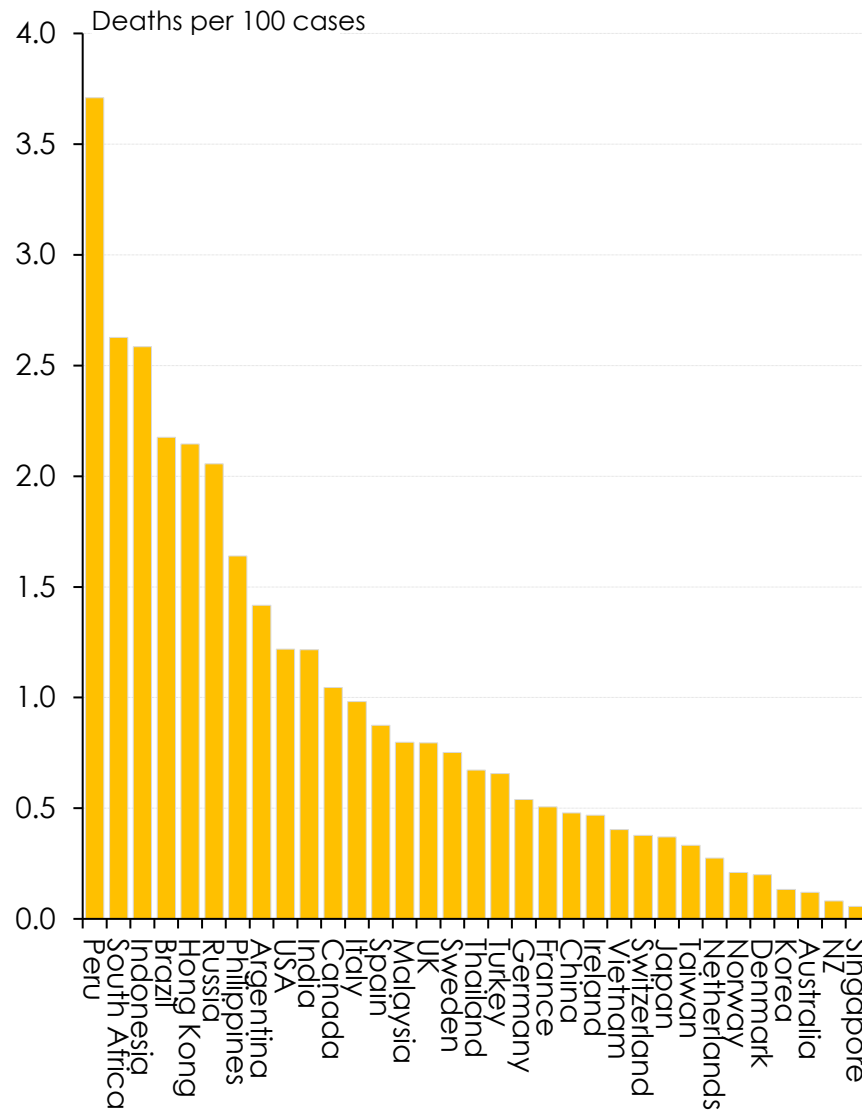
The highest cumulative infection and death rates (since the onset of the pandemic) have been in Europe, South and North America

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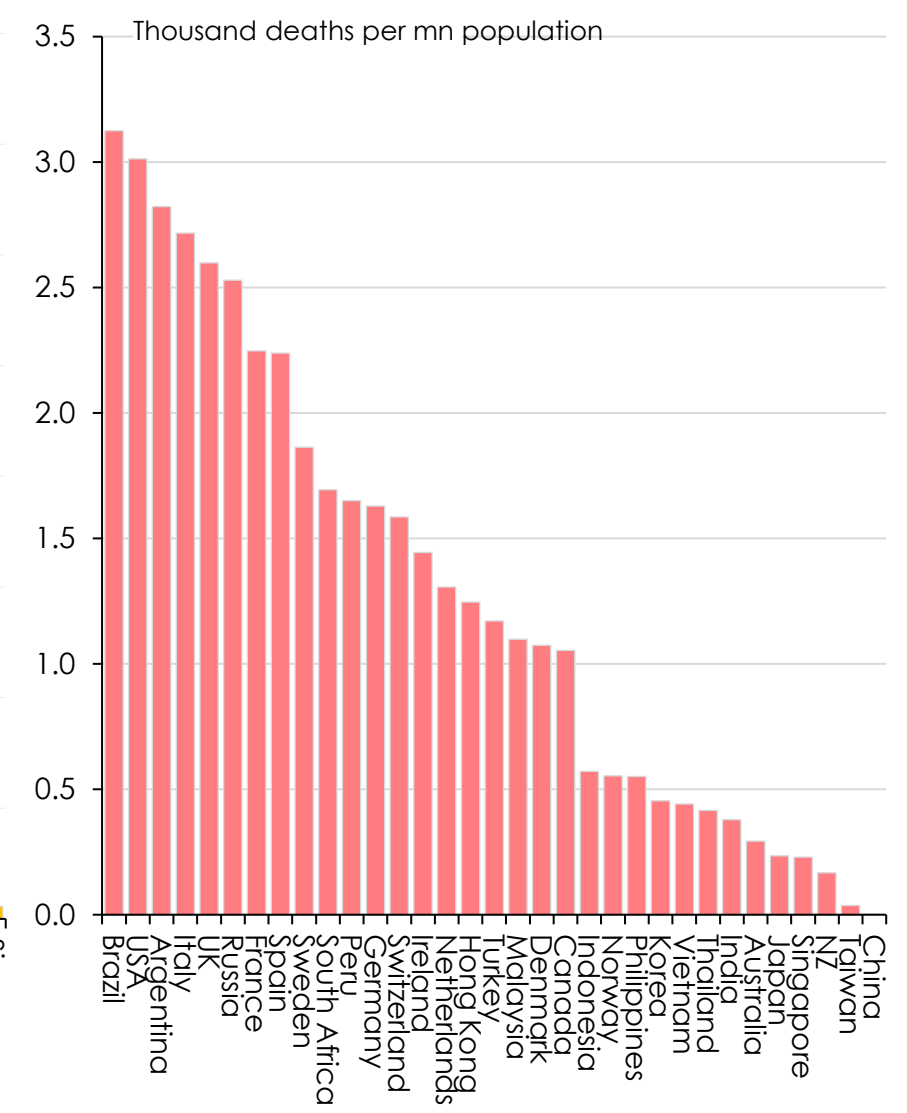
Apparent infection rate



Apparent fatality rate



Apparent death rate



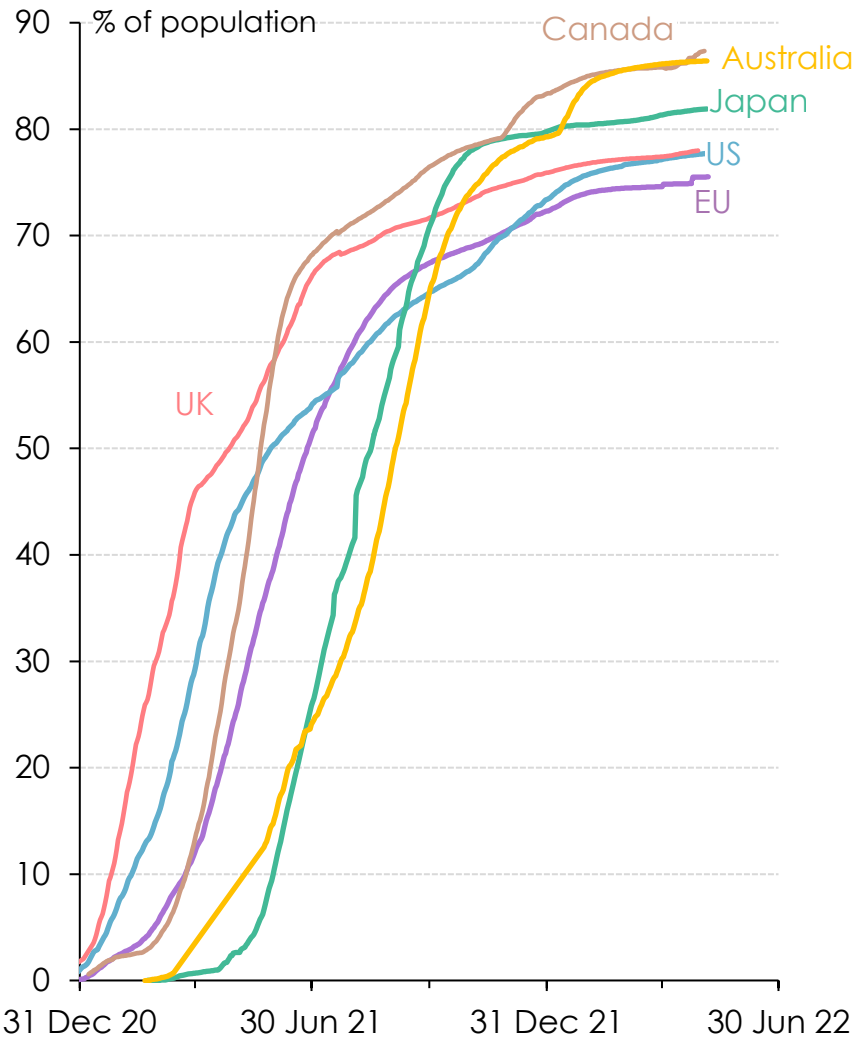
Note: Data shown in these charts are cumulative since the beginning of the pandemic, up to 6th May. Sources: University of Oxford, [Our World in Data](#); Corinna.

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

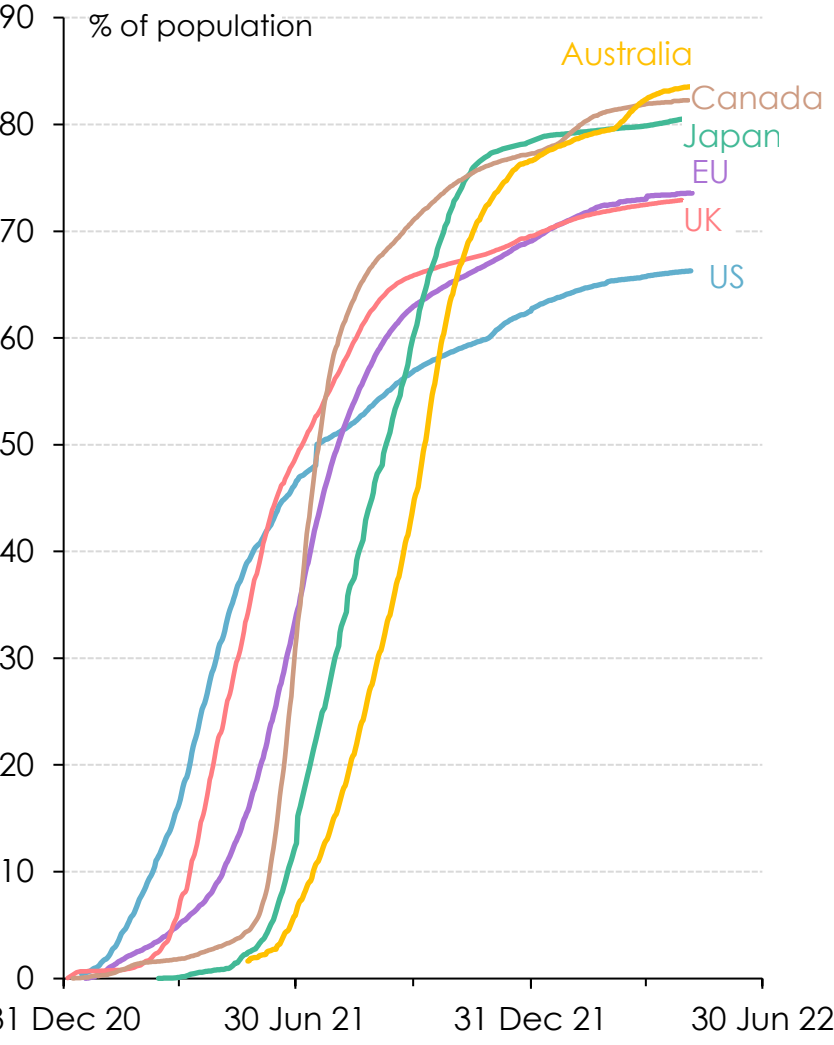
The US lags behind most other 'advanced' economies in fully vaccinating its population and also now with regard to 'boosters'

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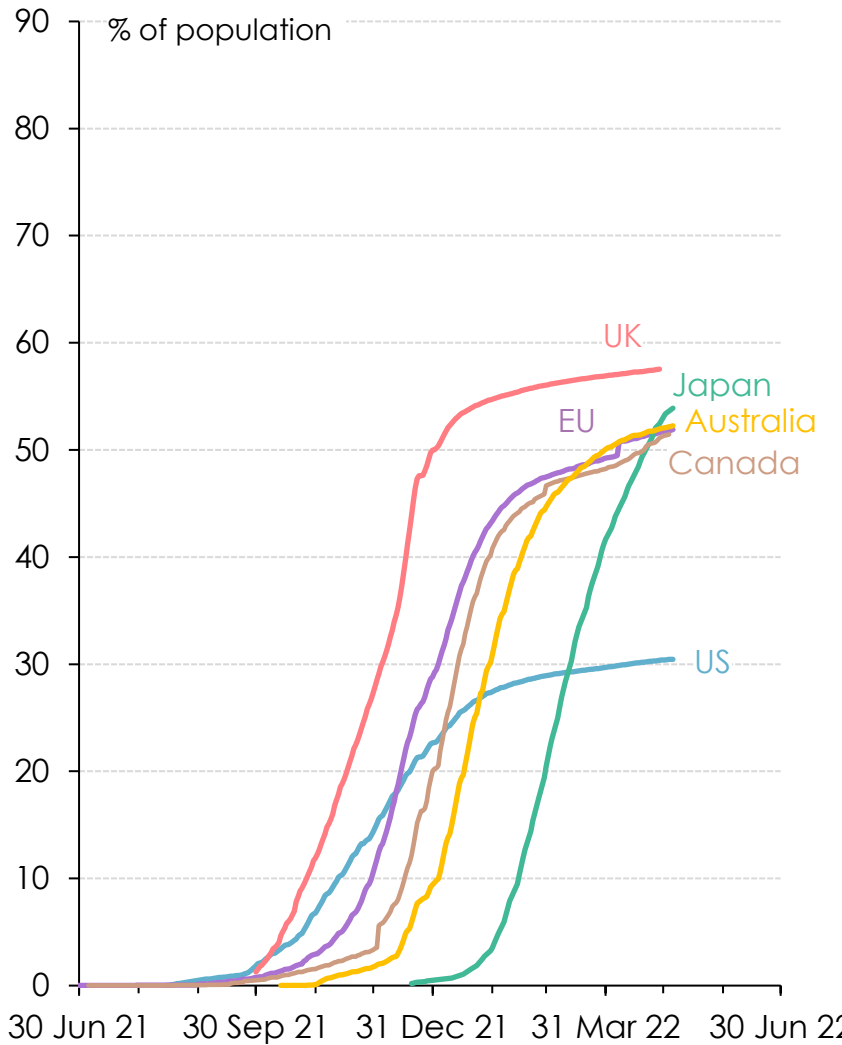
Percentage of populations who have had at least one shot



Percentage of populations who have had two shots



Percentage of populations who have had a 'booster' shot

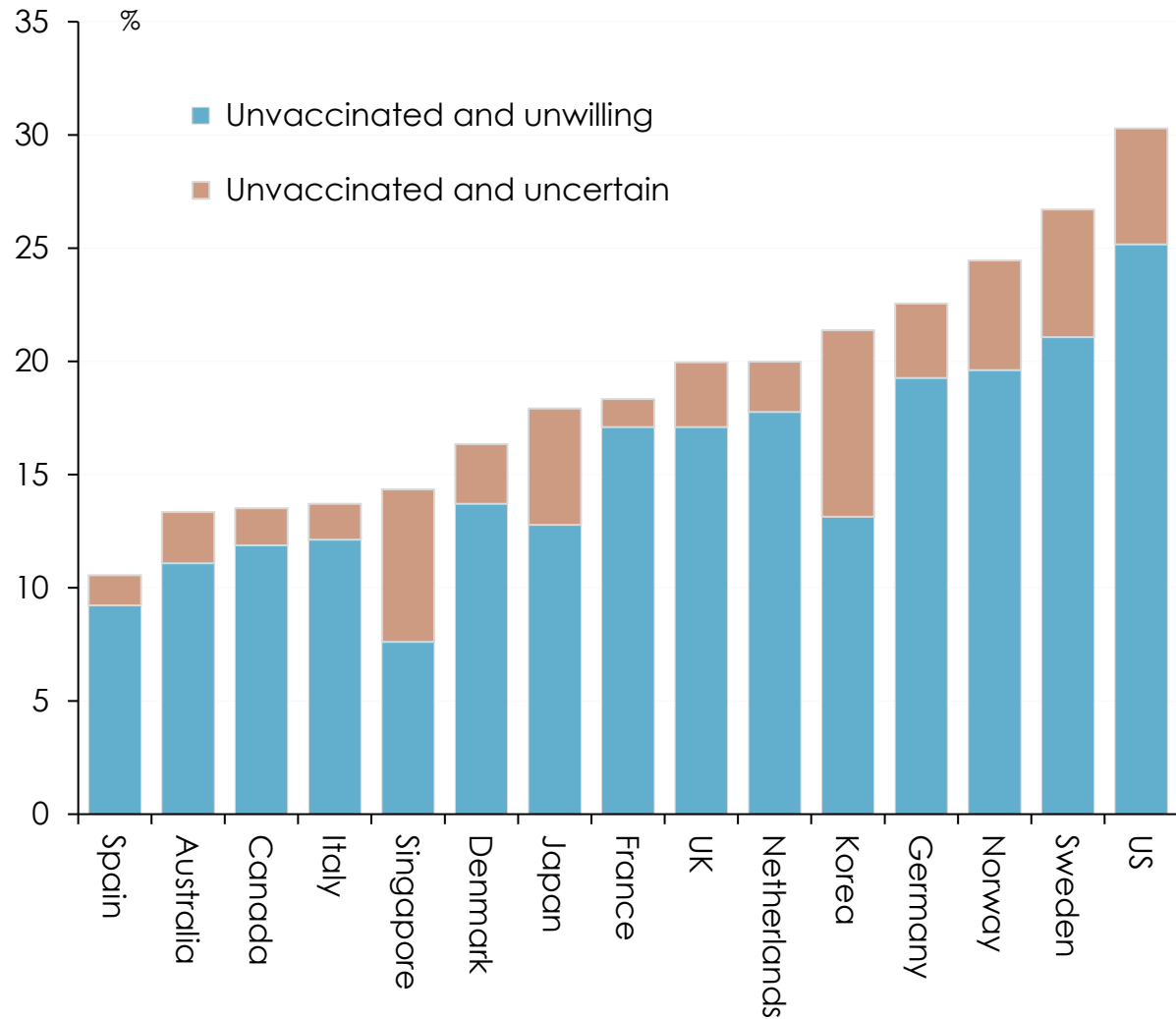


Note: Data up to 5th or 6th May, except for UK, for which data stops at 28th April. Source: [Our World in Data](#); [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

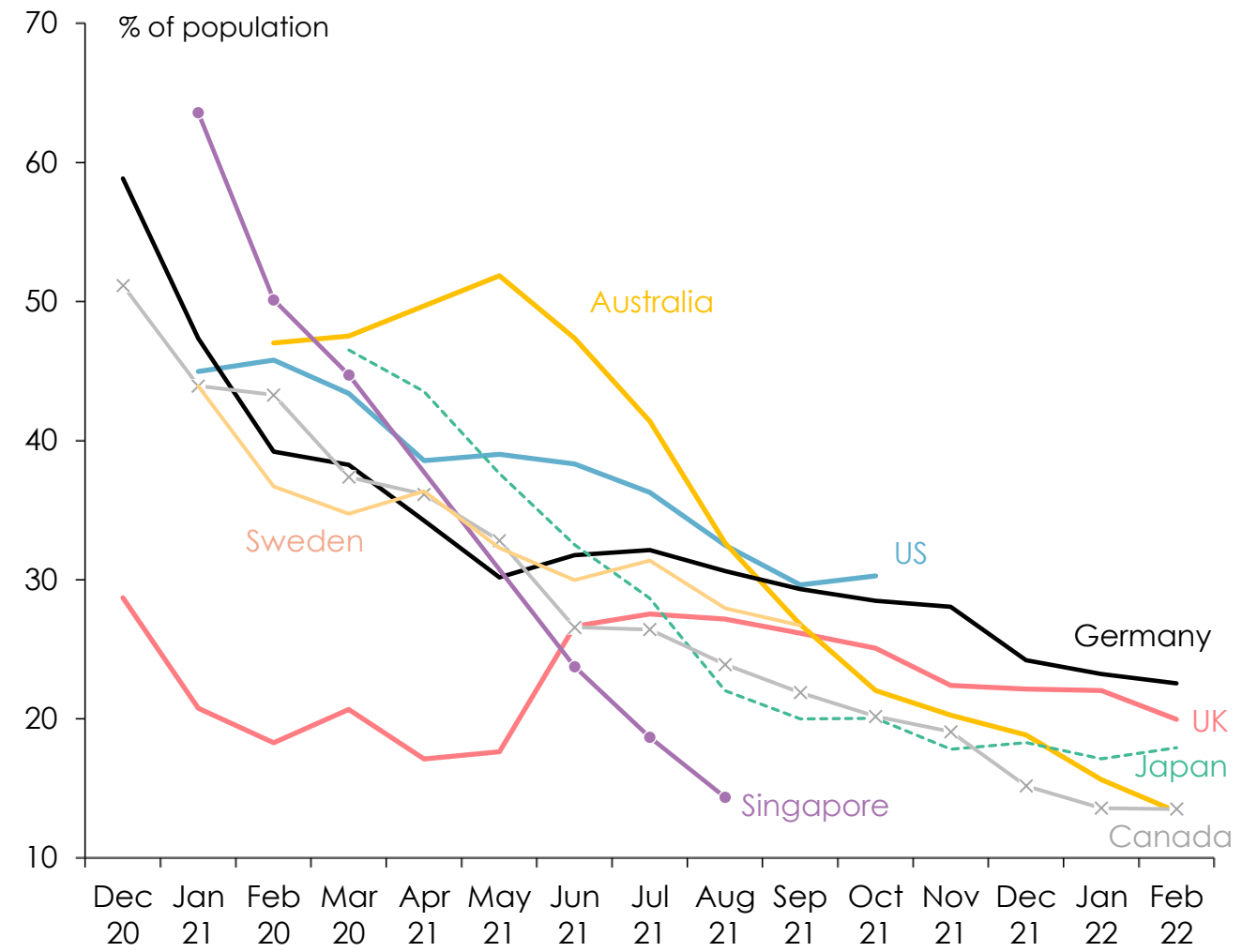
Vaccine hesitancy is now higher in the US and (perhaps more surprisingly) in Germany than in other 'advanced' economies

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

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



Percentage of populations unvaccinated and unwilling or uncertain about getting vaccinated



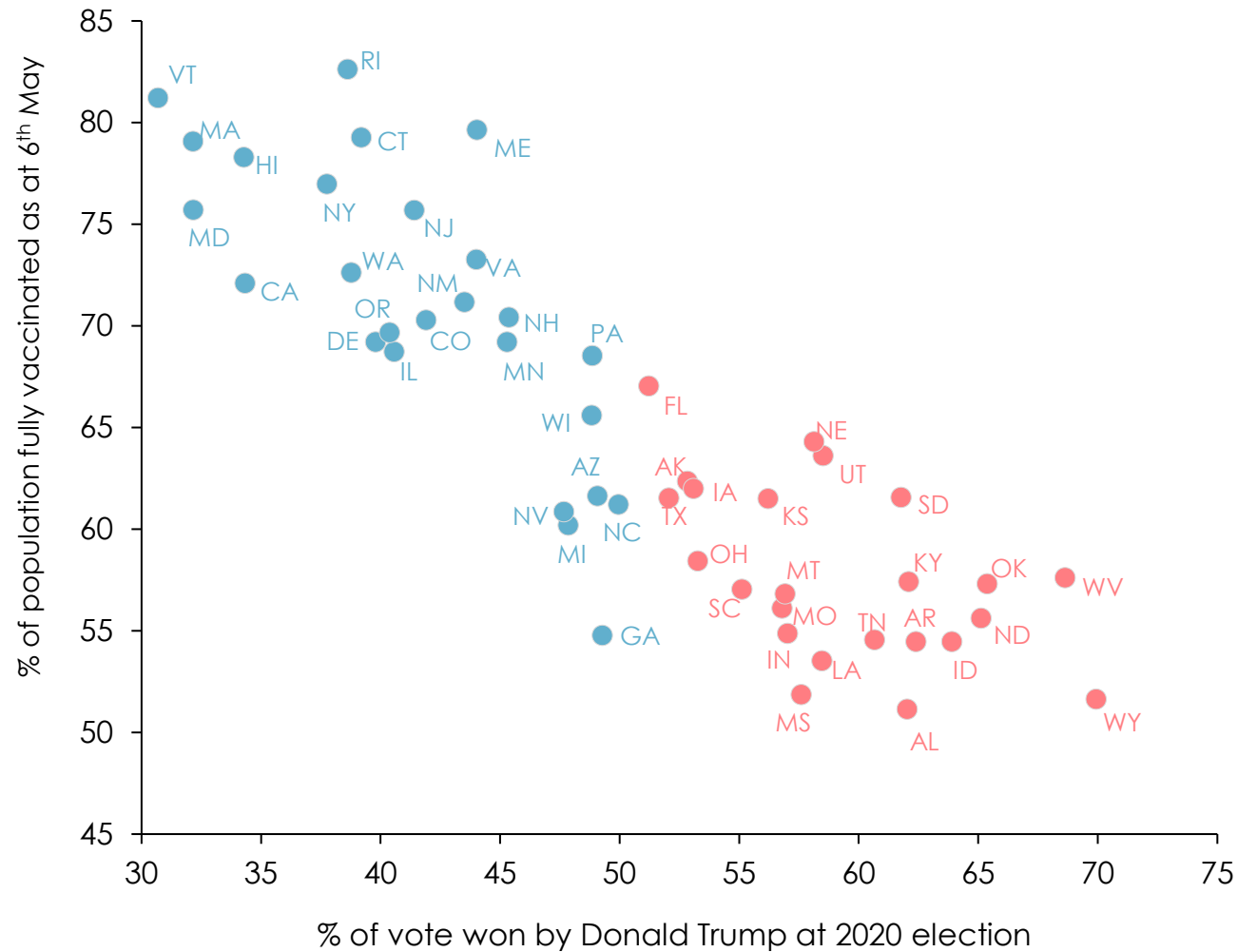
Note: data for Singapore and Norway are for August; data for Korea and Sweden are for September; data for the US are for October; data for Denmark are for January.

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

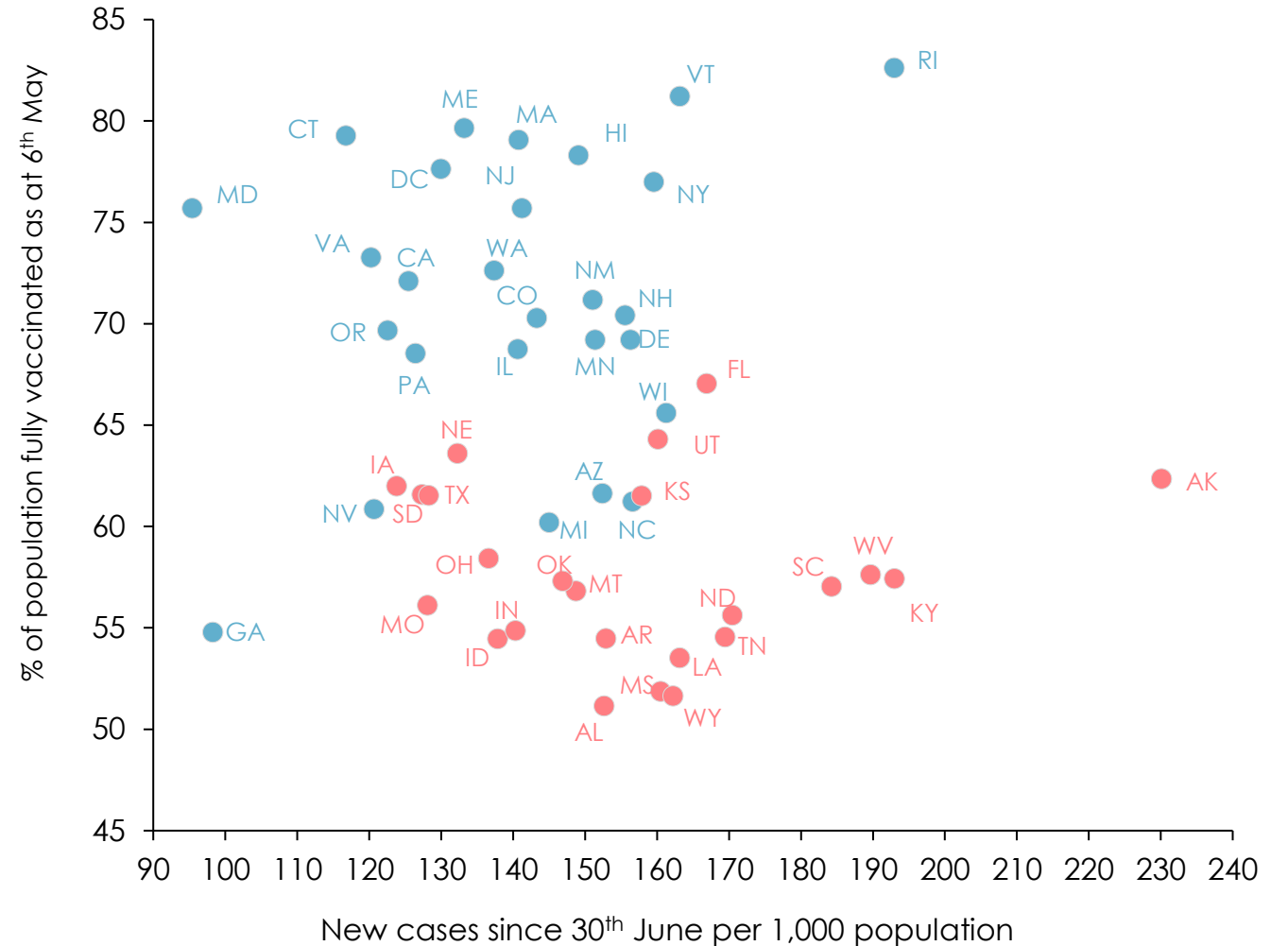
In the US there's a strong correlation between voting patterns and vaccine hesitancy, and (inversely) between vaccination rates and infection rates

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

Vaccination rates vs Trump vote at 2020 elections, by state



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

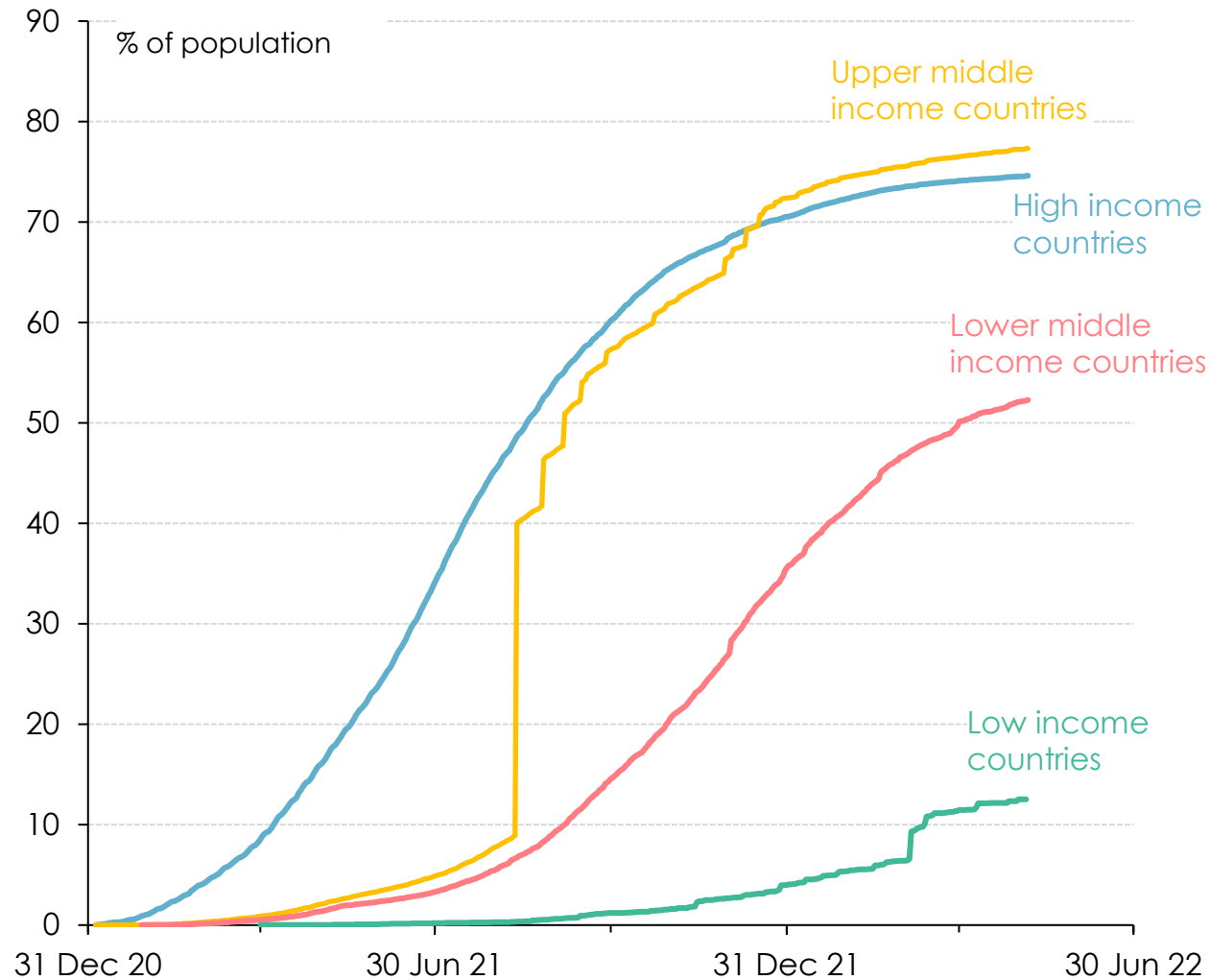


Note: Case data as at 5th May. Sources: [The Cook Political Report](#); [Our World in Data](#); [USA Facts](#); Corinna. [Return to "What's New"](#).

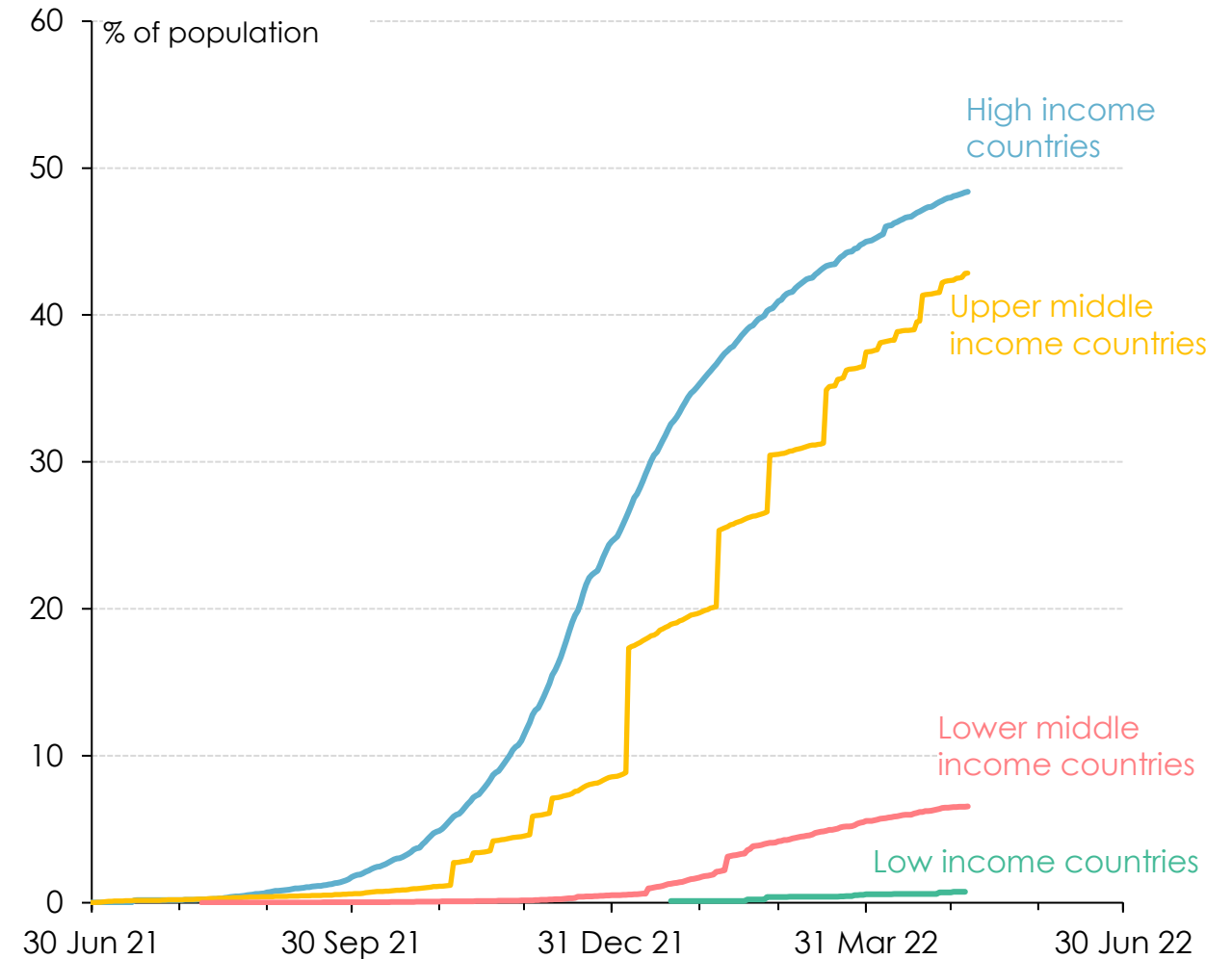
The vaccine roll-out has proceeded much more slowly among low- and lower-middle income countries

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

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



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



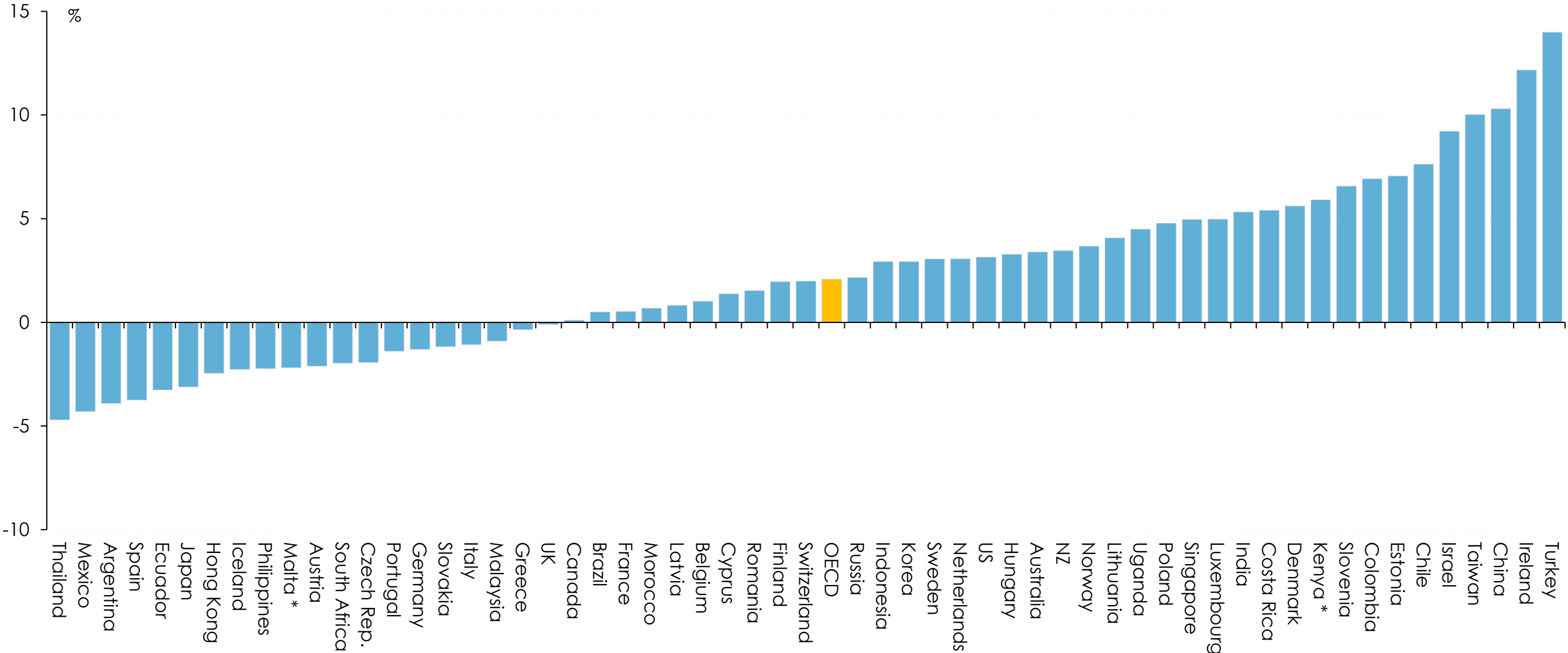
Note: Income categories are as defined by the [World Bank](#): high-income countries are (in 2021) those with a per capita gross national income (GNI) of over US\$12,535; upper-middle income countries are those with per capita GNI between US\$4,046 and \$12,535; lower middle-income countries are those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

The world

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

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

Q4 2021 real GDP compared with pre-recession peak

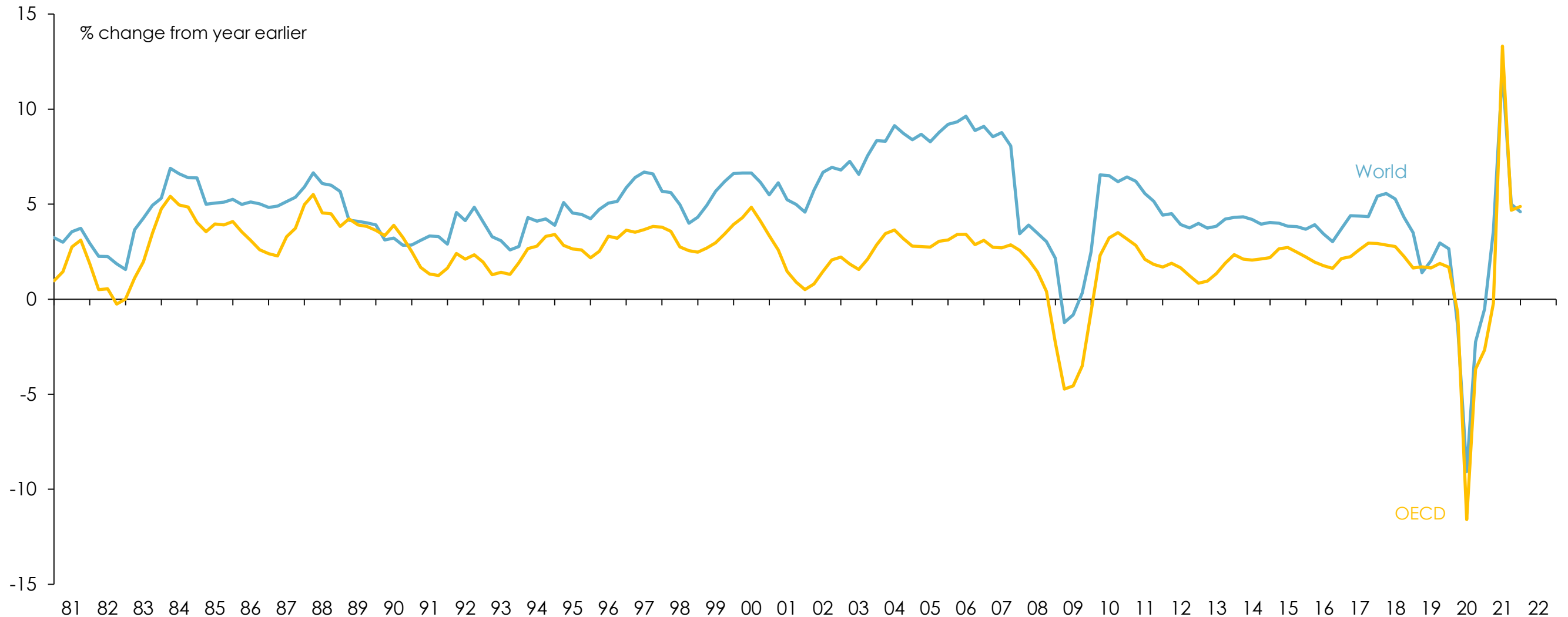


Note: estimate for China is derived from quarterly growth rates published by China NBS; estimates for India, Indonesia and Russia are seasonally adjusted by the OECD. * Estimates for Kenya and Malta are for Q3 2021. Sources: National statistical agencies and central banks, and OECD. [Return to "What's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

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

World and OECD area real GDP growth

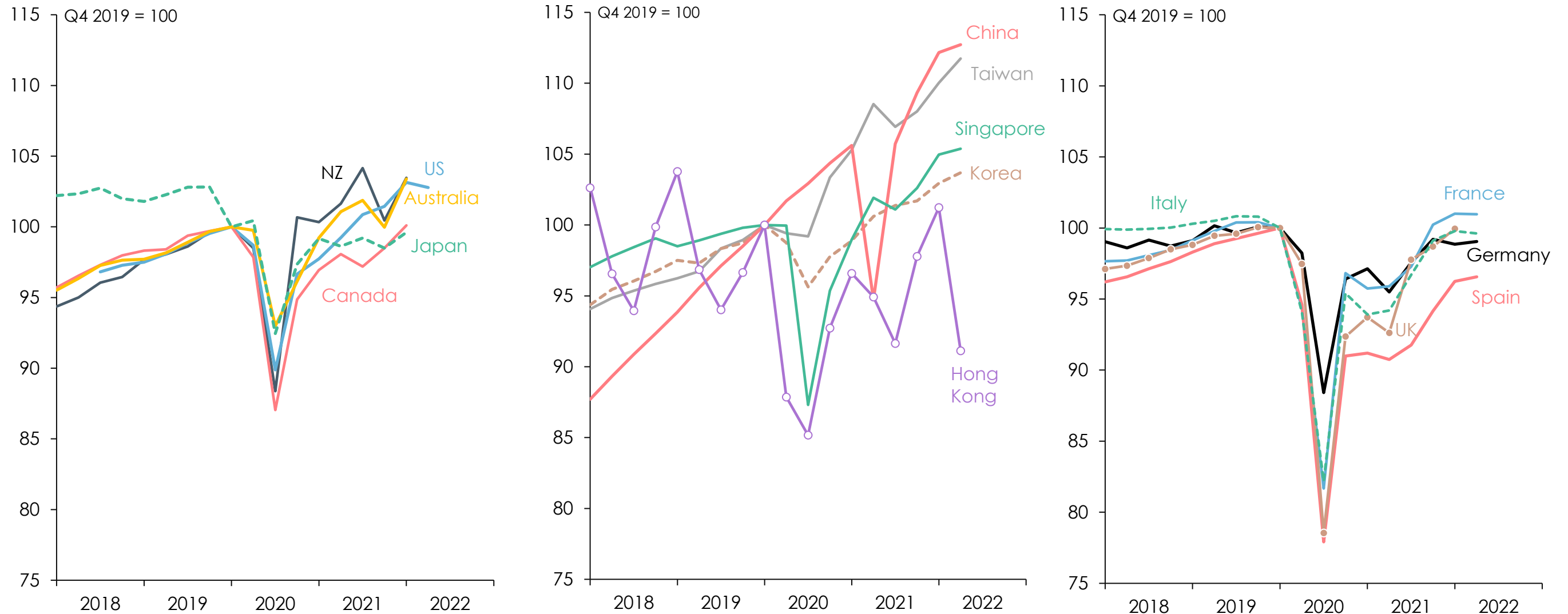


Note: Estimates of global GDP growth compiled by Corinna using data for 100 countries accounting for 94% of 2019 world GDP as measured by the IMF, weighted in accordance with each country's share of global GDP at purchasing power parities in 2019; excludes constituents of the former USSR before 1993,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

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

Levels of real GDP indexed to Q4 2019 = 100



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

The IMF 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

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

Major global institutions' growth forecasts for 2021- 2023 compared

| | Actual | | IMF | | | OECD | | | World Bank | | | Australian/NZ Treasury | | |
|-----------------|----------------------|------|------|------|------|------|------|------|------------|------|------|------------------------|------------------|------------------|
| | 2010-19 [^] | 2020 | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 | 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

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

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 |

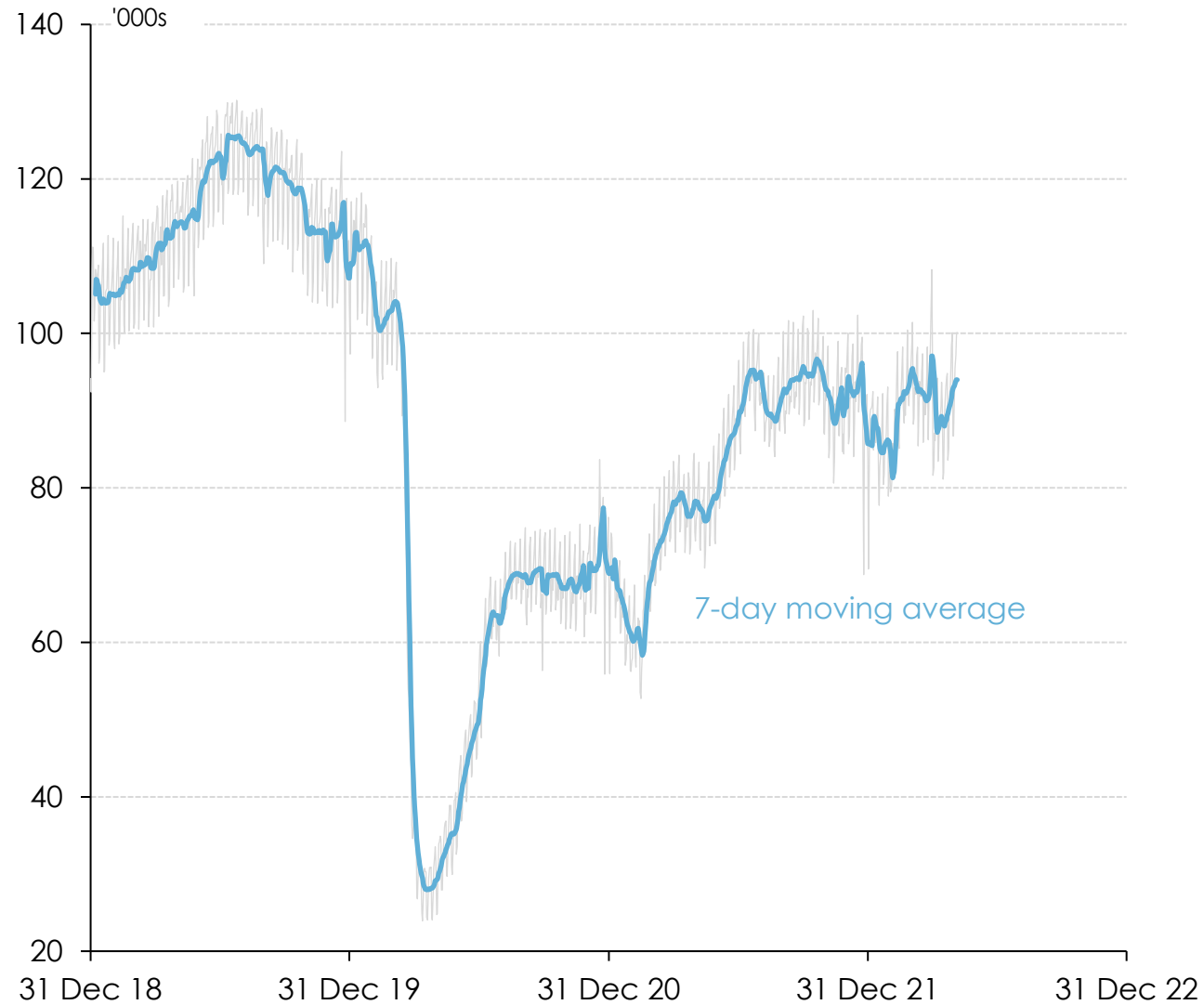
- ❑ The IMF's latest [World Economic Outlook](#), published last Tuesday, lowered its forecast for global GDP growth in 2022 by 0.8 pc pt to 3.6%, and for 2023 by 0.6 pc pt, also to 3.6%
 - the deterioration in the outlook is “largely because of Russia’s invasion of Ukraine ... and the sanctions aimed 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

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

Daily commercial flights worldwide



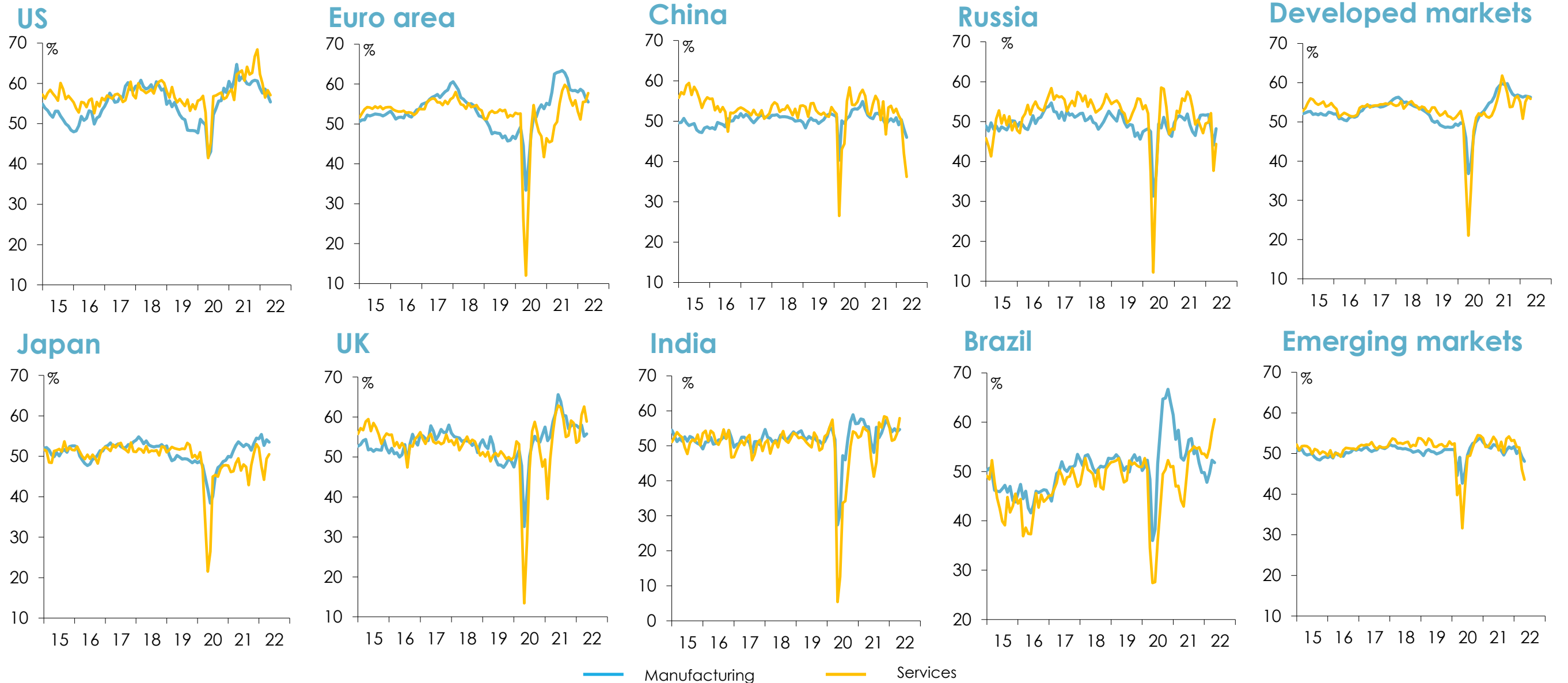
Daily US TSA 'security' checks



Note: Commercial flights include commercial passenger flights, cargo flights, charter flights, and some business jet flights. Data are up to 6th May for commercial flights and TSA checks. Thicker coloured lines are 7-day centred moving averages of daily data plotted in thin grey lines. Sources: [Flightradar24.com](https://www.flightradar24.com); [US Transport Safety Administration](https://www.transportation.gov) (at last, something useful – other than job creation - produced by aviation 'security'!!!). [Return to "What's New"](#).

April PMIs point to a softening in economic activity in most major economies, but especially in services sectors in China

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

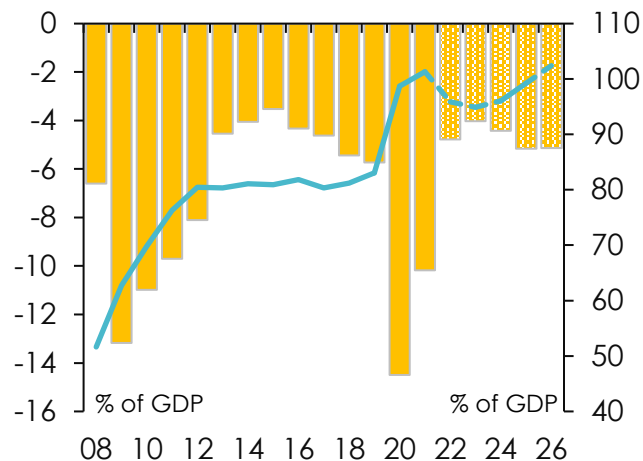


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous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

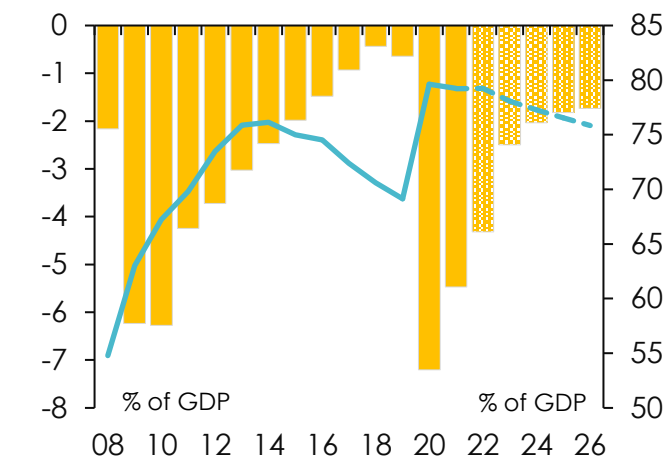
Fiscal policy is set to be tightened significantly in 2022 in most major economies except Japan, China and India

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

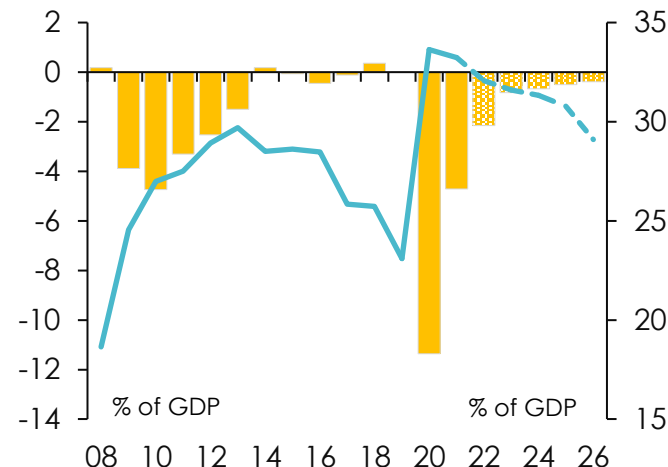
United States



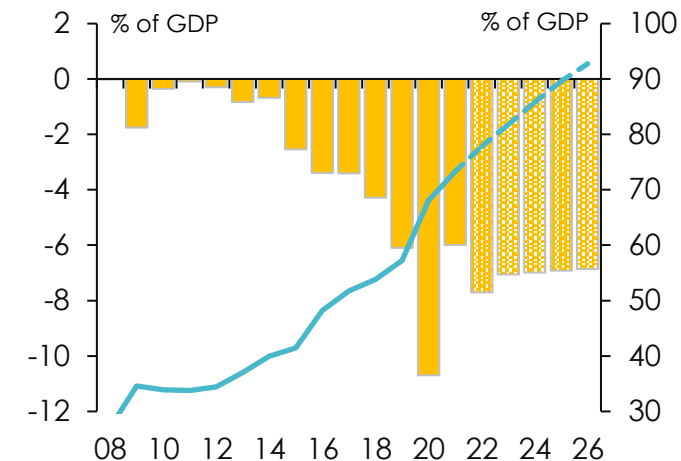
Euro area



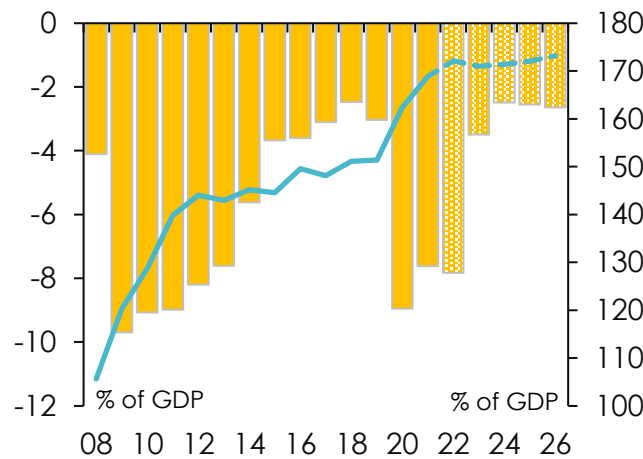
Canada



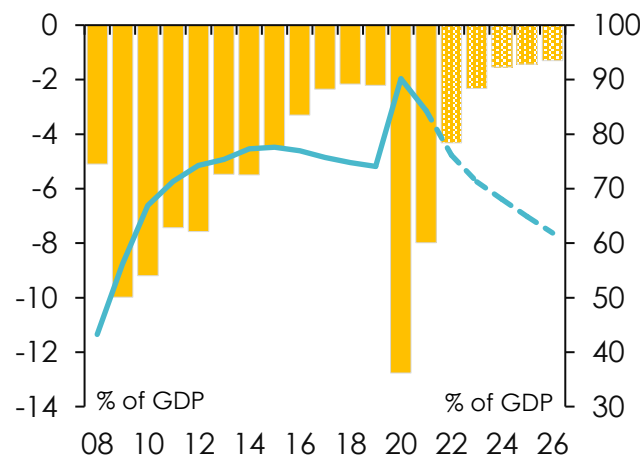
China



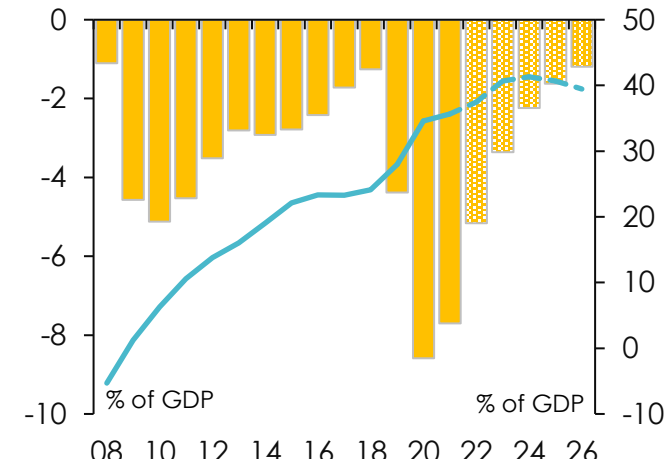
Japan



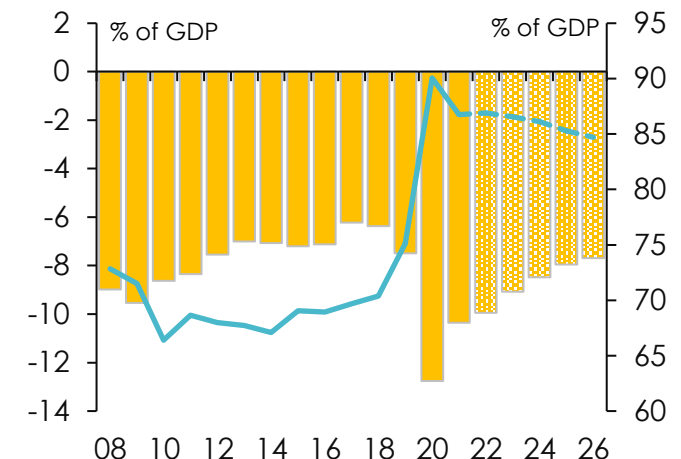
United Kingdom



Australia



India



General government overall fiscal balance (left scale)

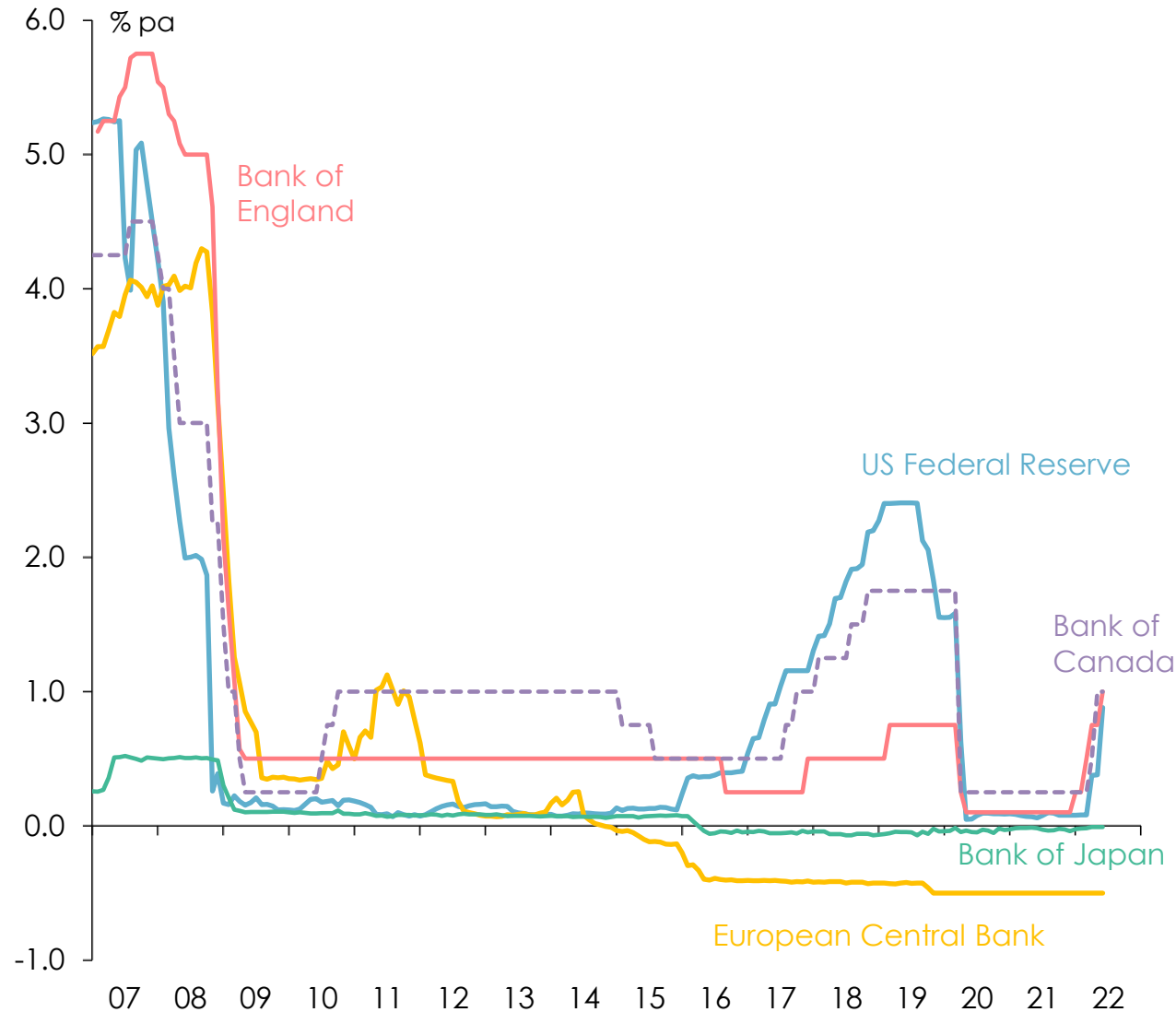


General government net debt (right scale)

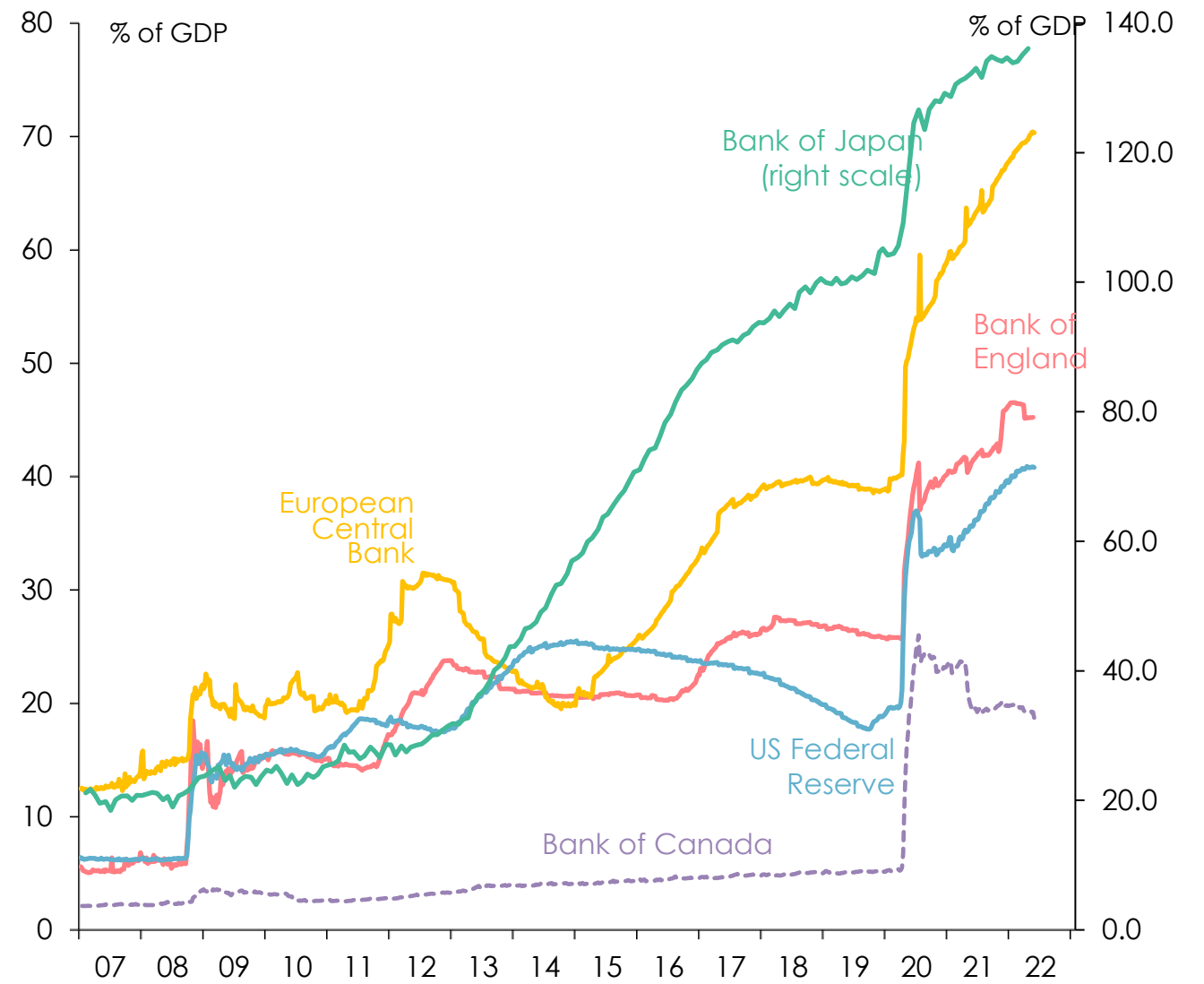
The Federal Reserve raised its funds rate target another 50 bp, to 0.75-1.0%, and the Bank of England raised its bank rate 25 bp, to 1.0%

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

Major central bank policy interest rates



Major central bank balance sheets

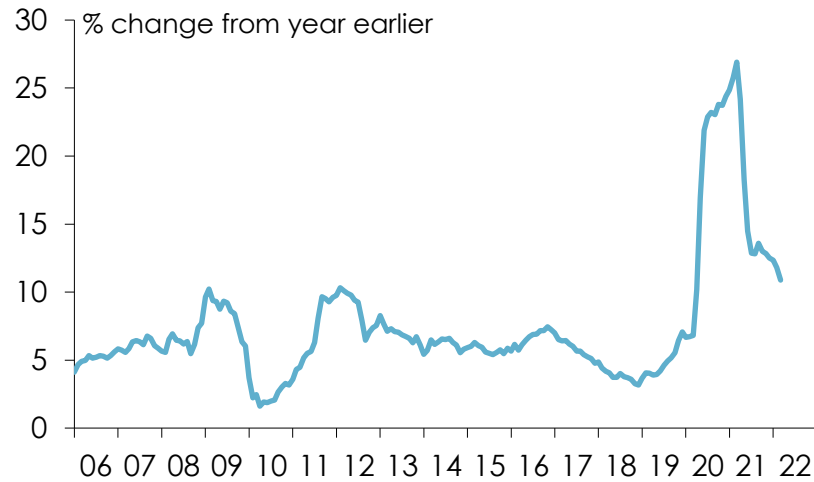


Sources: [US Federal Reserve](#); [European Central Bank](#); [Bank of Japan](#); [Bank of England](#); [Bank of Canada](#); national statistical agencies; Corinna. [Return to "What's New"](#).

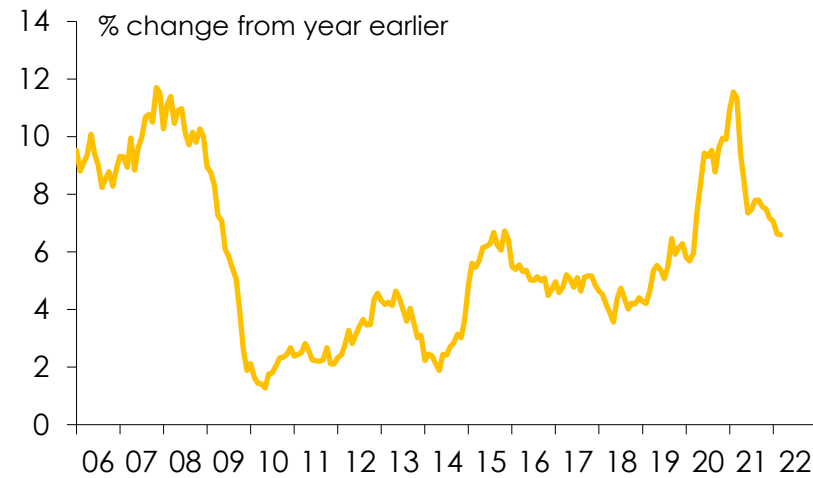
Money supply growth has slowed sharply from the peaks recorded in the first half of 2021 as large monthly increases in 2020 'wash out'

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

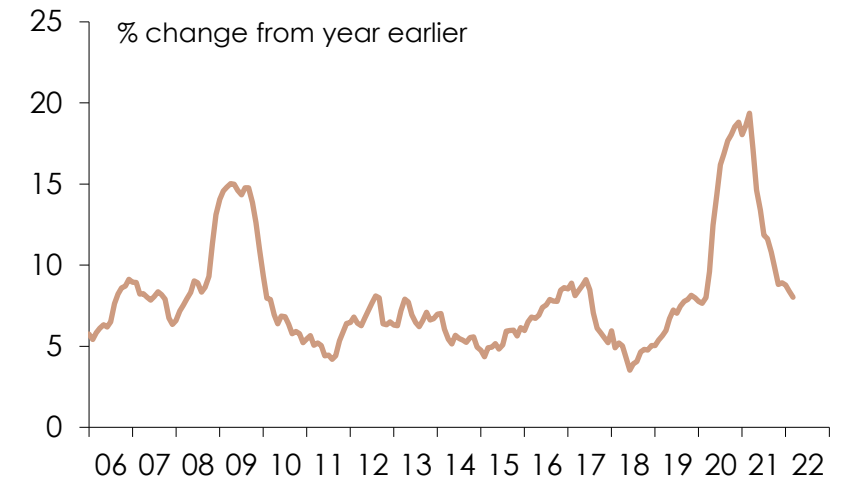
US M2



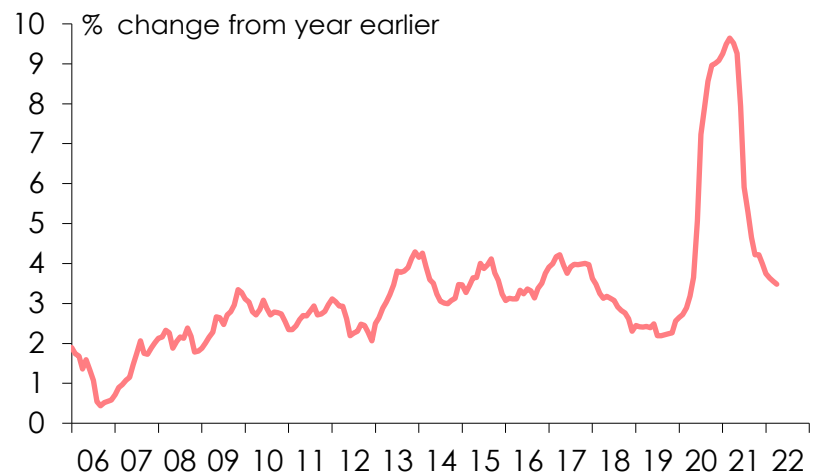
Euro area M2



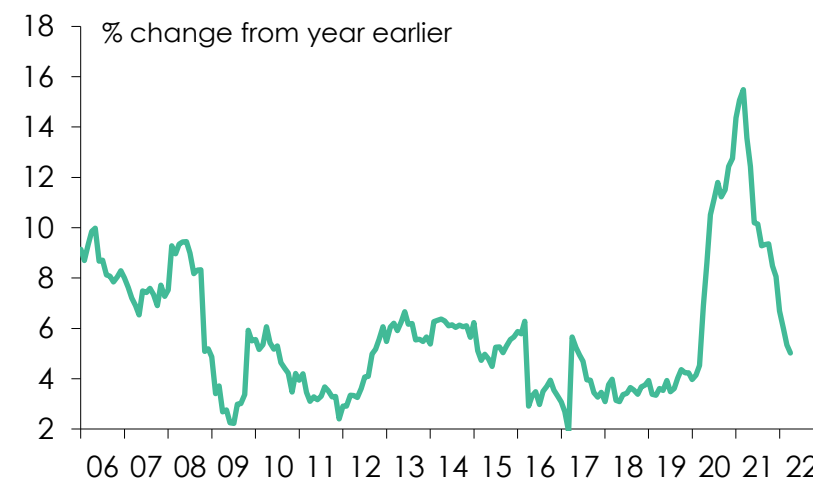
Canada M2



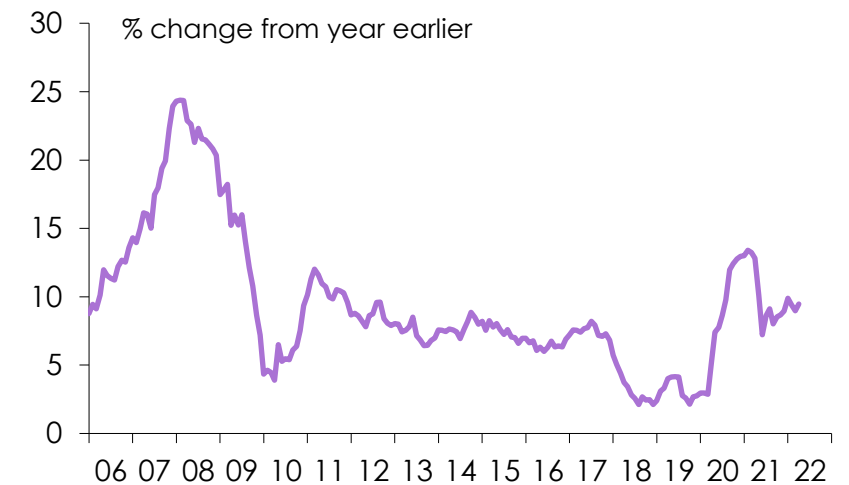
Japan M2 + CDs



UK M2



Australia M3

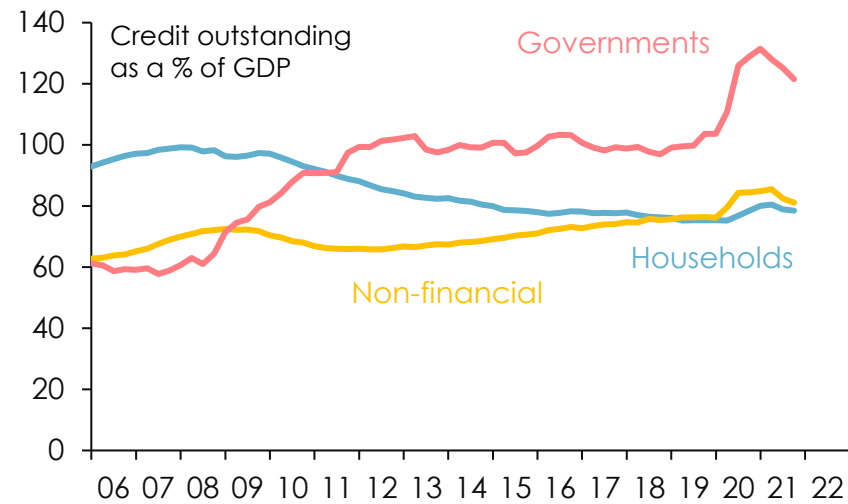


Sources: US Federal Reserve; European Central Bank; Bank of Japan; Bank of England; Bank of Canada; RBA. [Return to "What's New"](#).

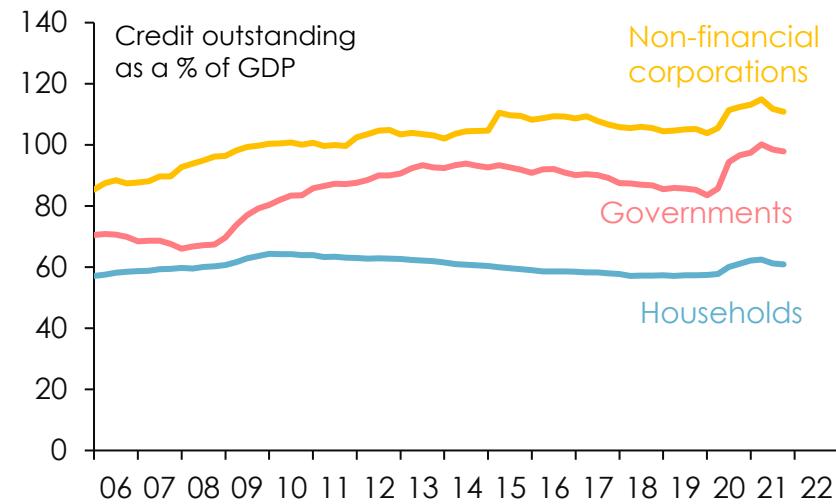
Japanese, US and UK governments, Canadian corporations and Australian households appear most exposed to increases in interest rates

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

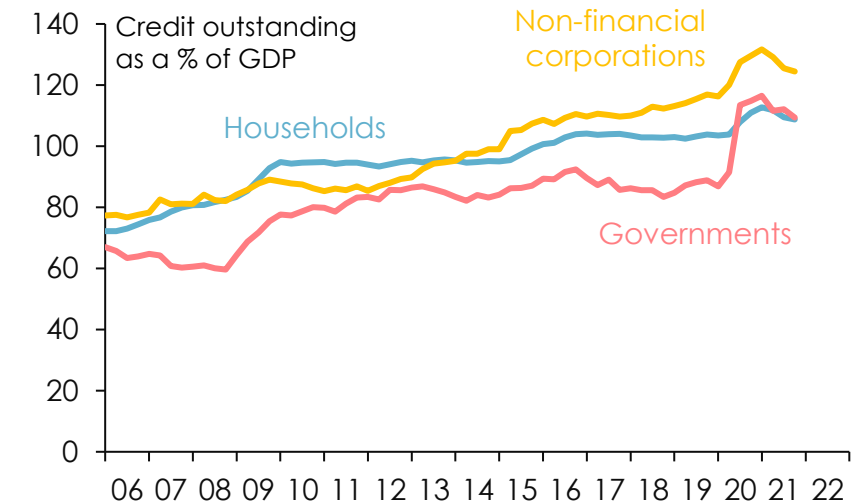
US



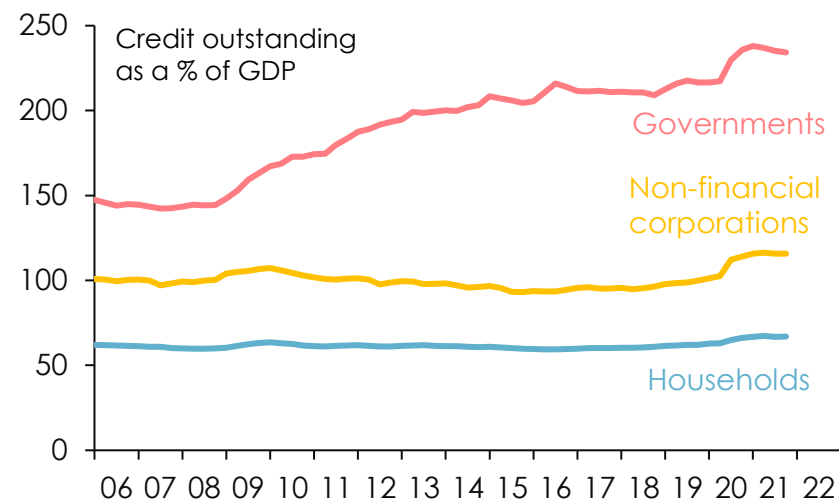
Euro area



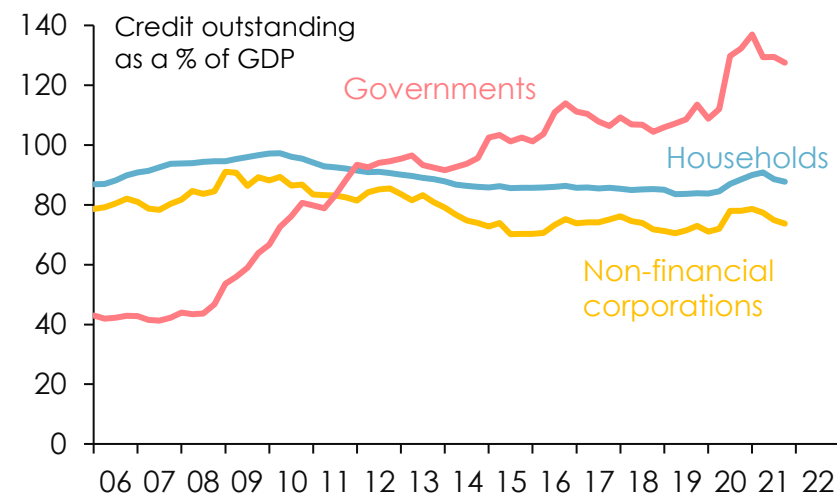
Canada



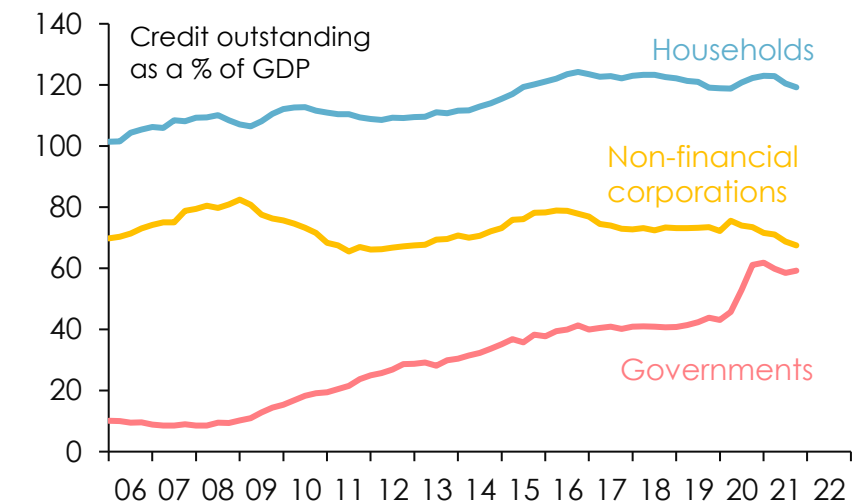
Japan



UK



Australia

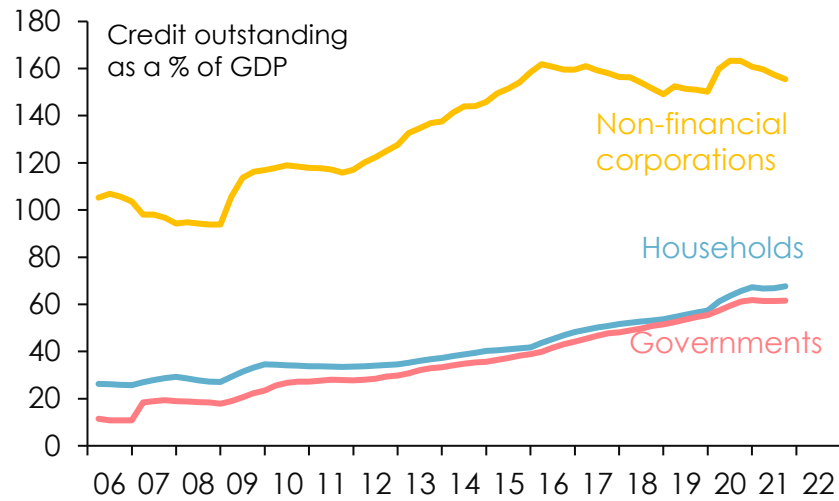


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

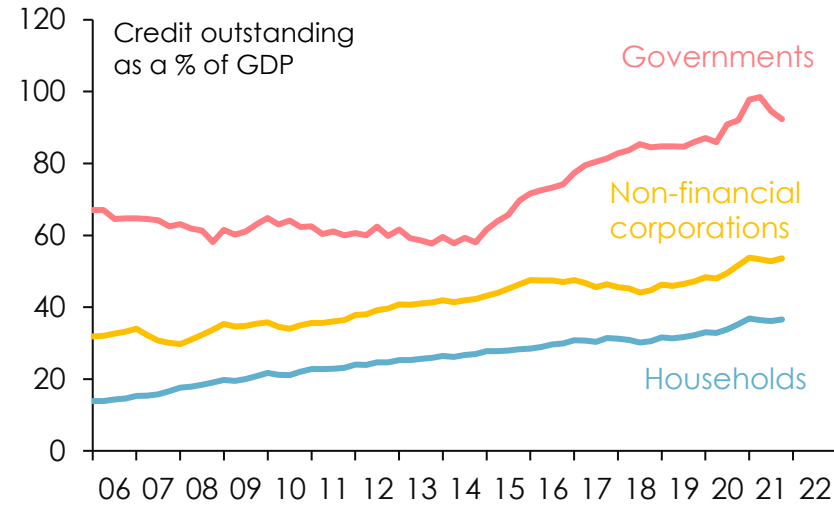
In major 'developing' economies it's usually governments that are most exposed to rising interest rates – except for China, Russia and Turkey

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

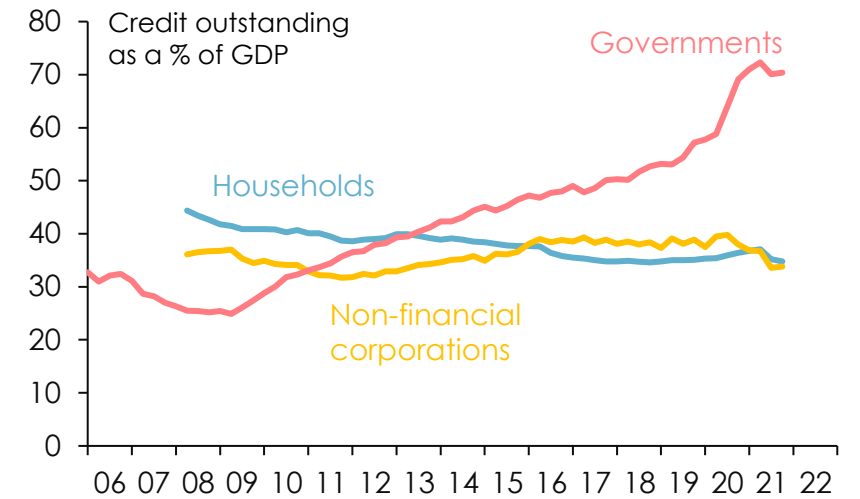
China



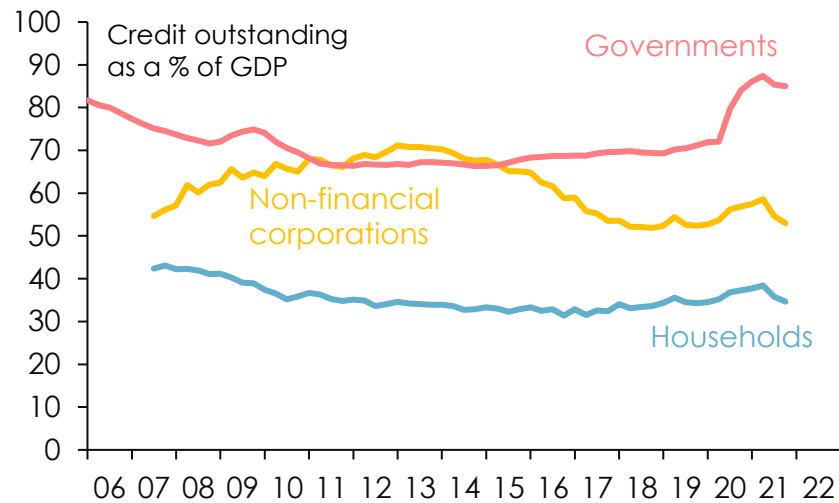
Brazil



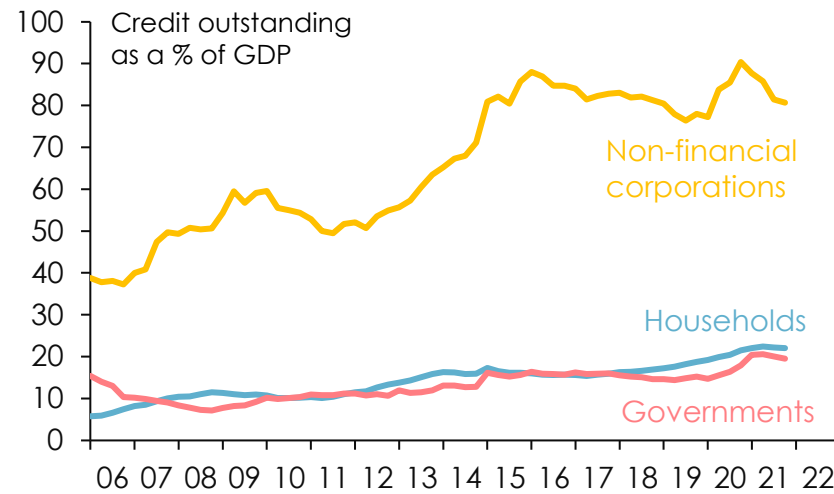
South Africa



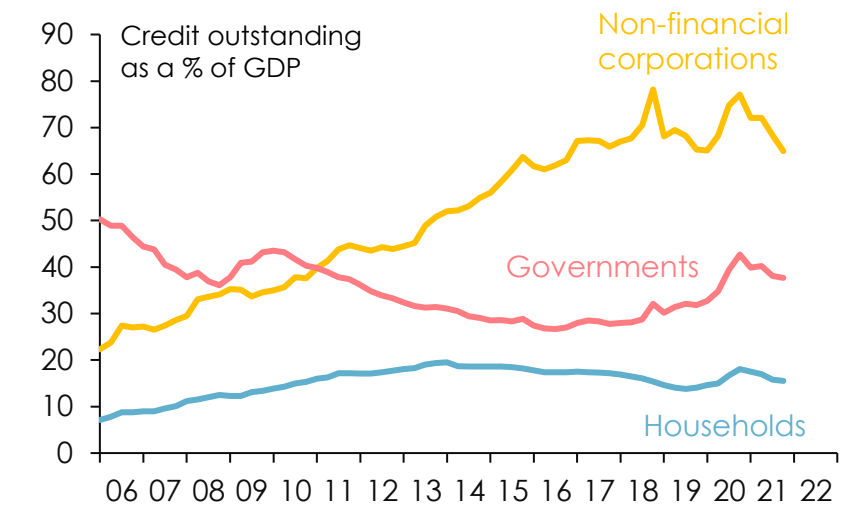
India



Russia



Turkey

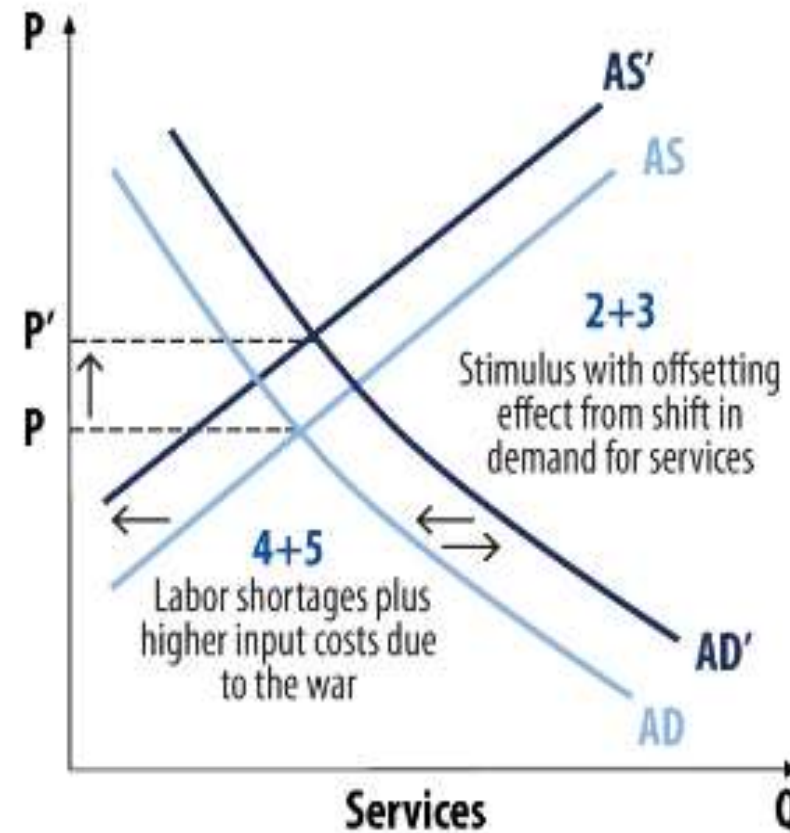
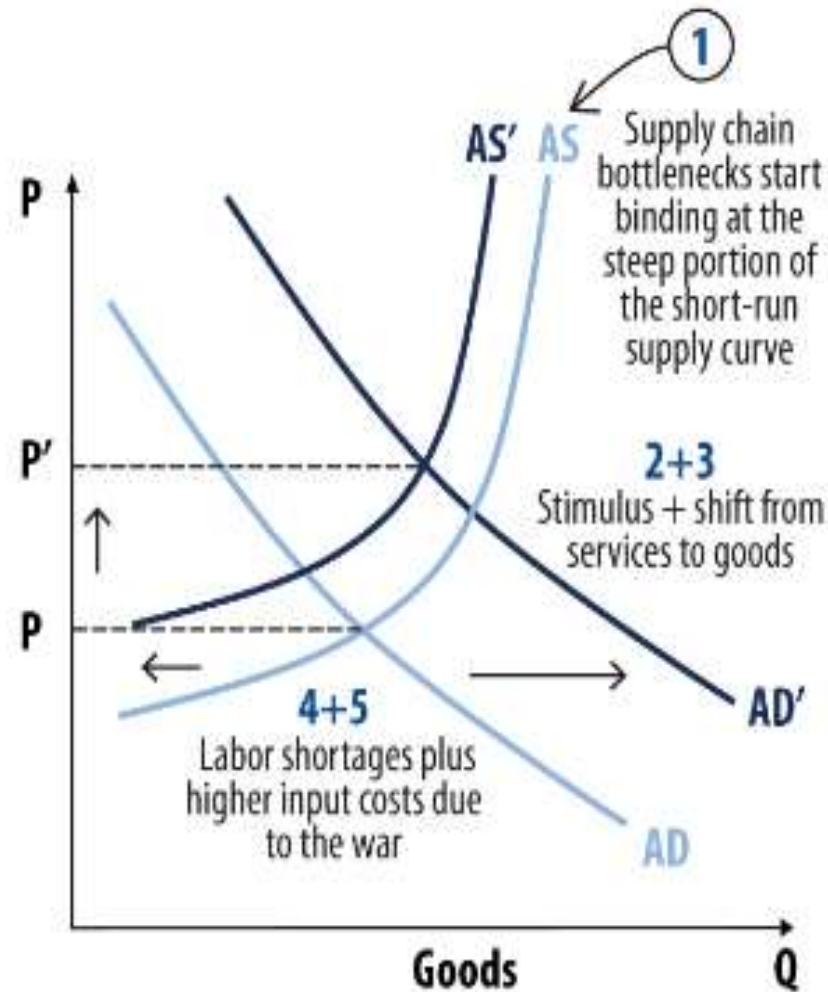


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. For data for other Asian economies see [slide 113](#). [Return to "What's New"](#).

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

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

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



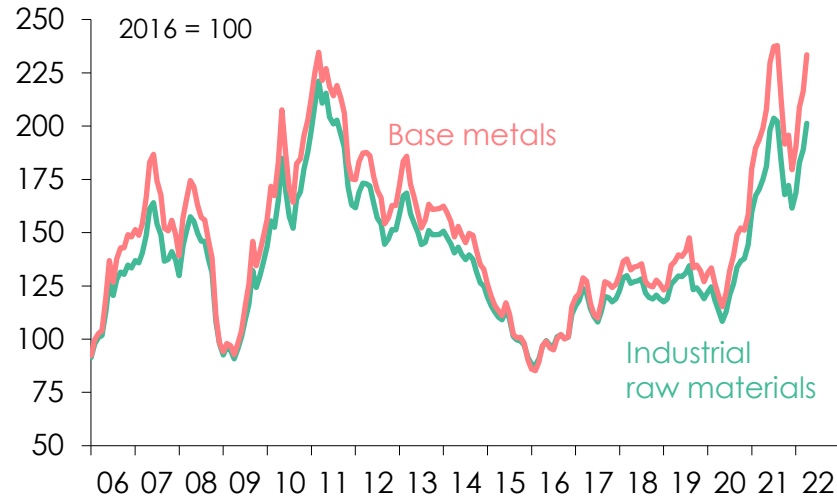
1. Supply chain bottlenecks reducing supply of durable goods – aggregate supply curve shifts to left (AS → AS')
 2. Shift in demand from services to goods (prompted by public health restrictions), with opposite effects on demand for services and goods – aggregate demand curve for goods shifts to right, 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"](#).

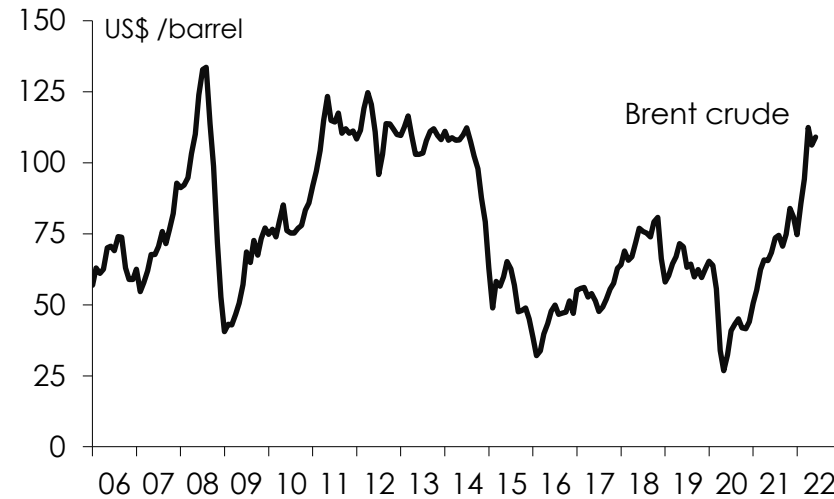
After seeming to have peaked in October, commodity prices have started rising again, especially for oil, gas and food as a result of the Ukraine war

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

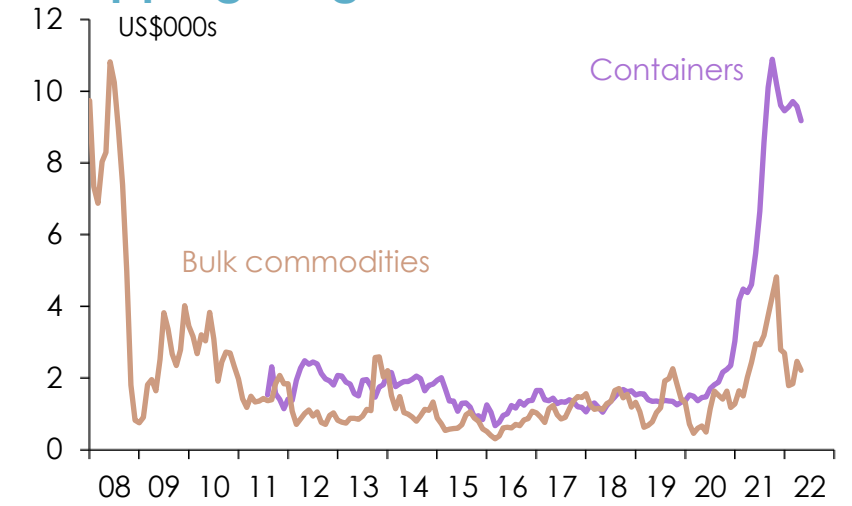
'Hard' commodity prices



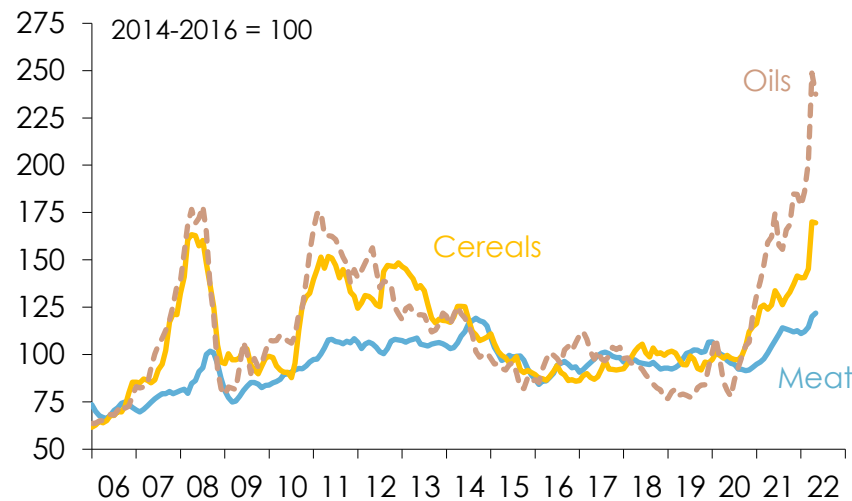
Crude oil price



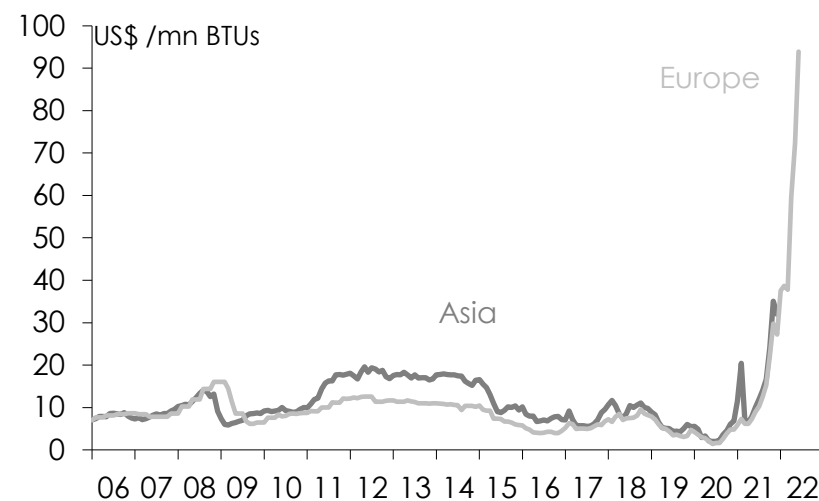
Shipping freight costs



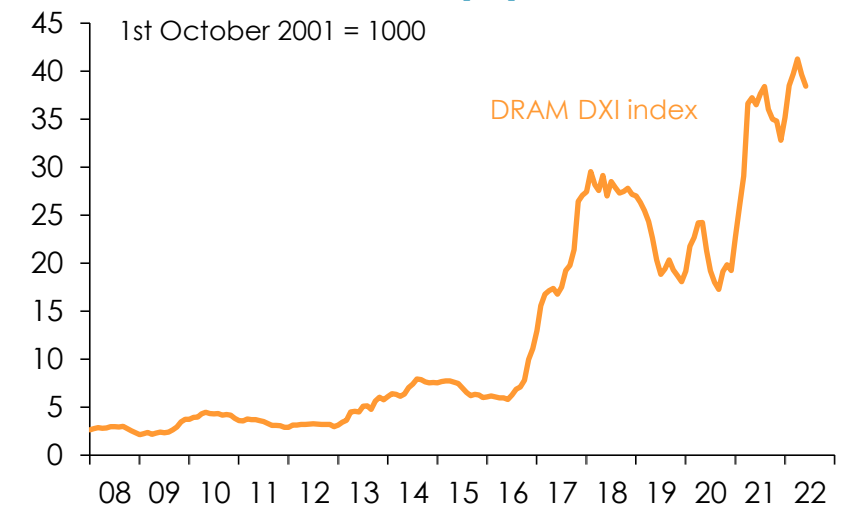
Food commodity prices



Natural gas prices



Semiconductor chip prices

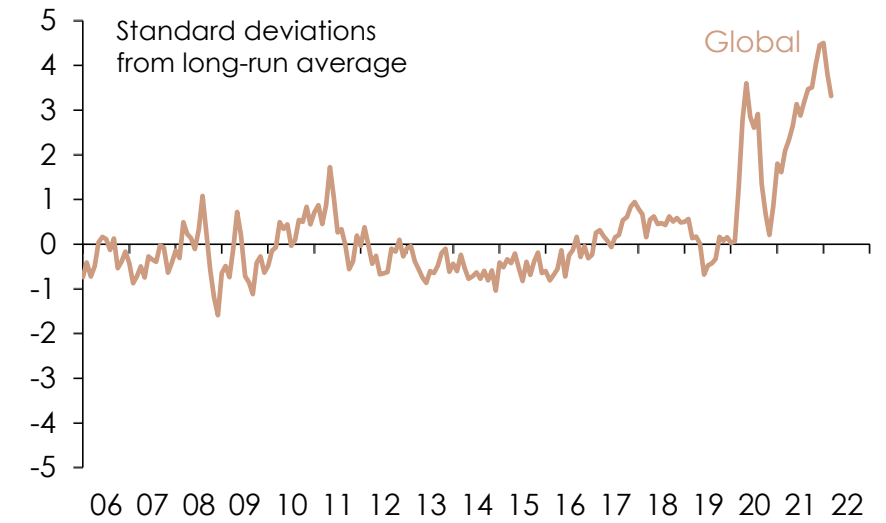
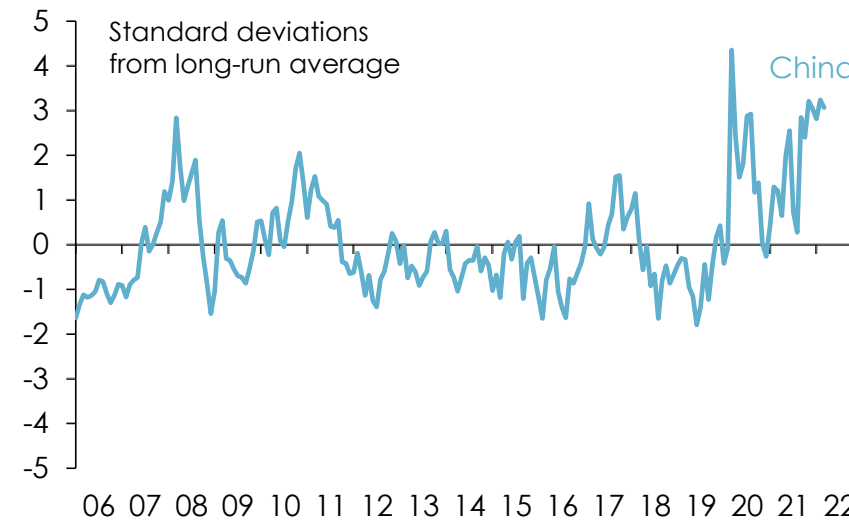
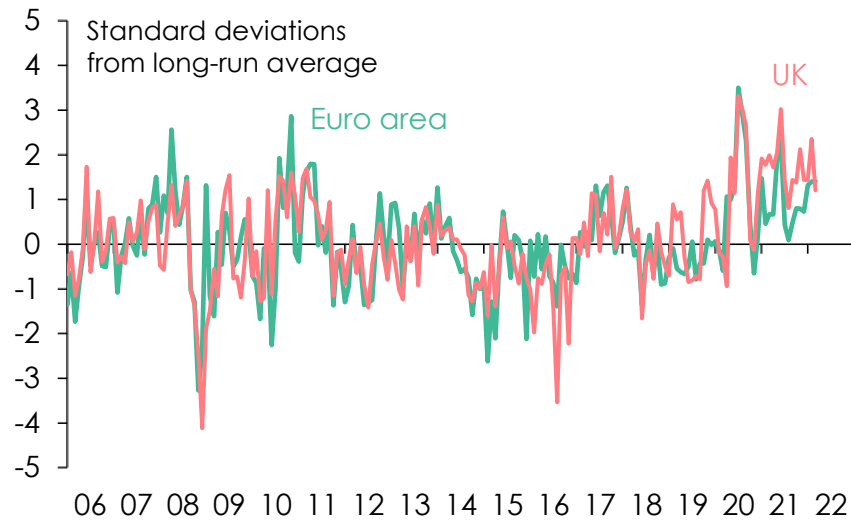
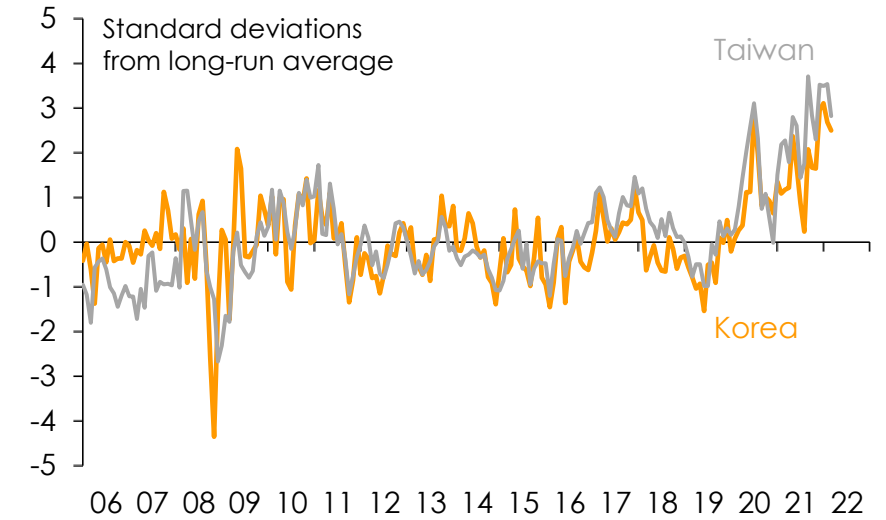
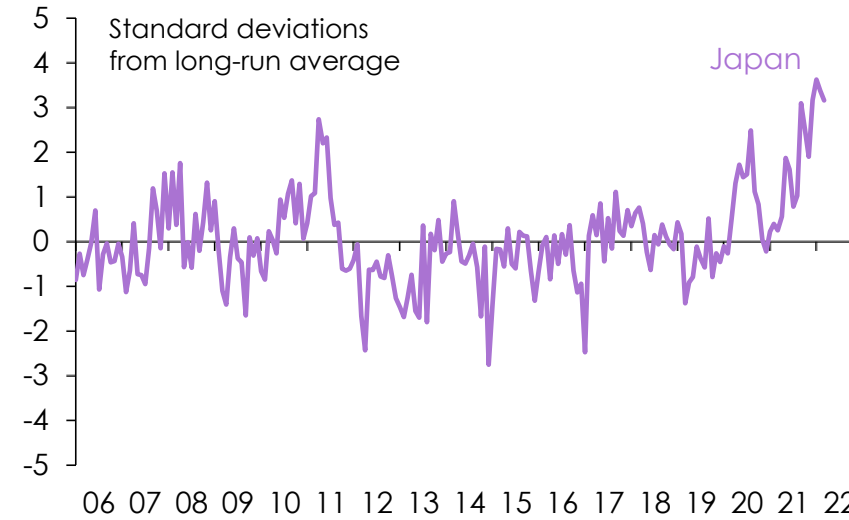
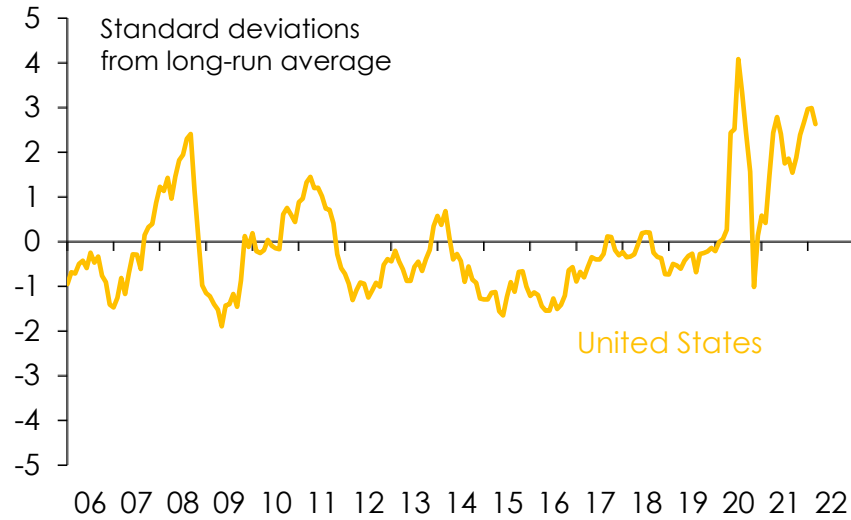


Note: The IMF commodity price indices were re-based to 2016 = 100 (previously 2005) in October 2021; but the IMF appears to have indefinitely suspended its series of commodity prices (other than indexes). Sources: [International Monetary Fund](#); [UN Food and Agriculture Organization](#); [Freightos](#); [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 – 9TH MAY 2022

NY Fed global supply chain pressure index



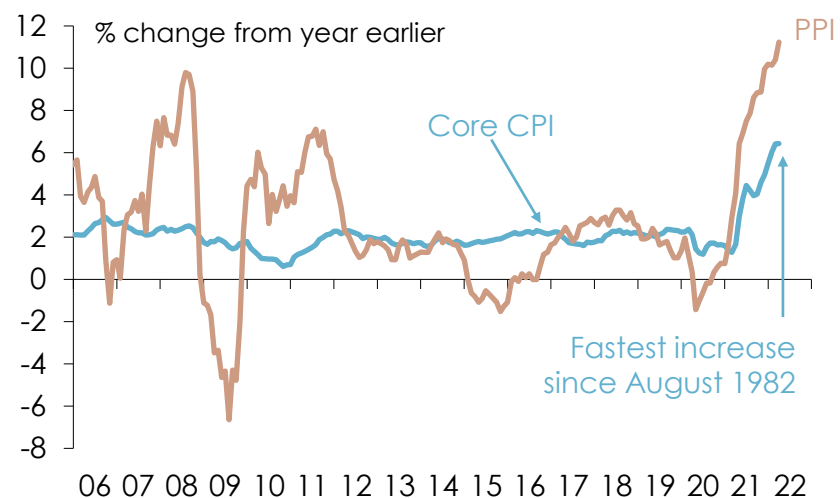
Sources: Gianluca Benigno, Julian Di Giovanni, Jan Groen & Adam Noble, [A New Barometer of Global Supply Chain Pressures](#), Federal Reserve Bank of New York, 4th January 2022 (which contains a detailed explanation of the construction of this index); and [Global Supply Chain Pressure Index: March 2022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

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

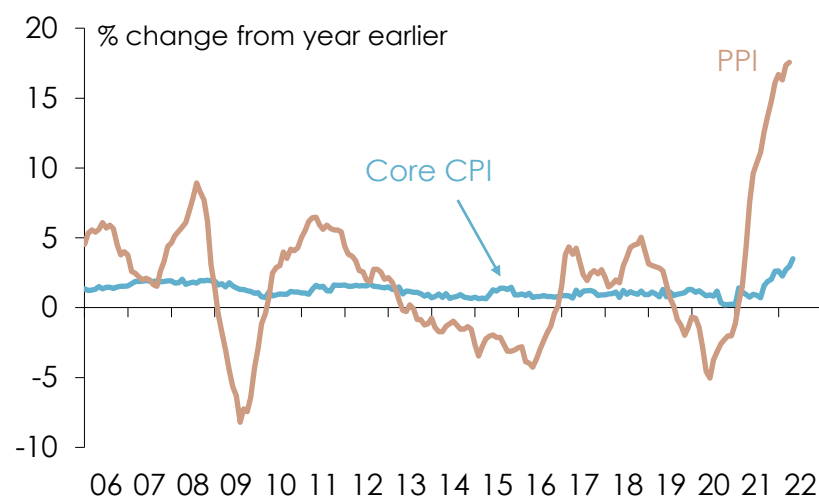
Producer prices are surging in all major economies: but only in the US and the UK is this feeding into markedly higher core CPI inflation

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

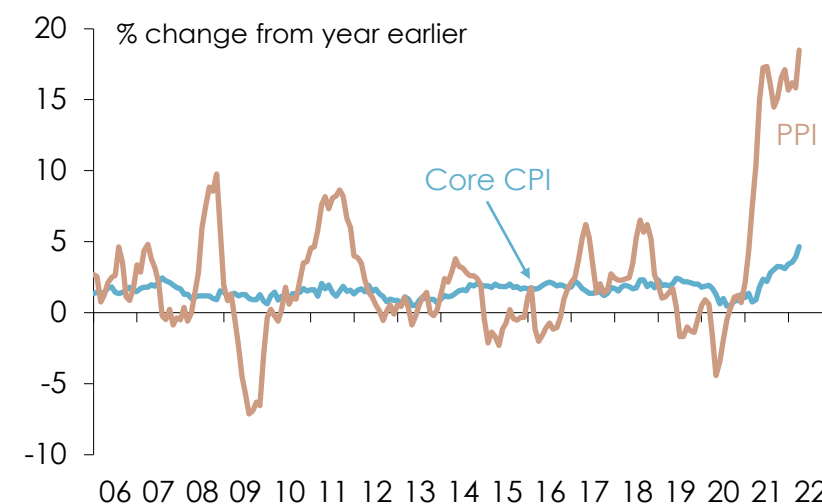
United States



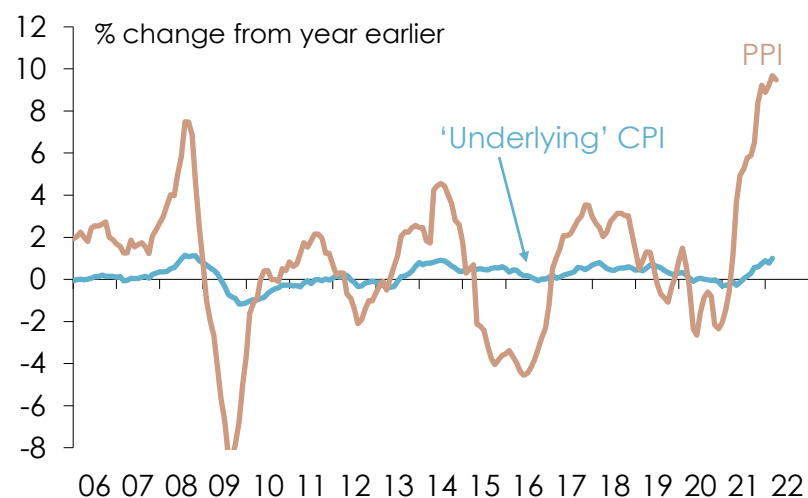
Euro area



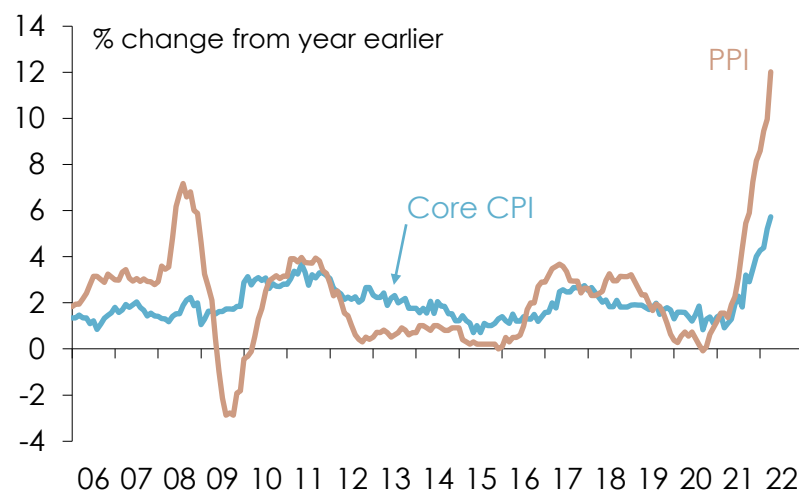
Canada



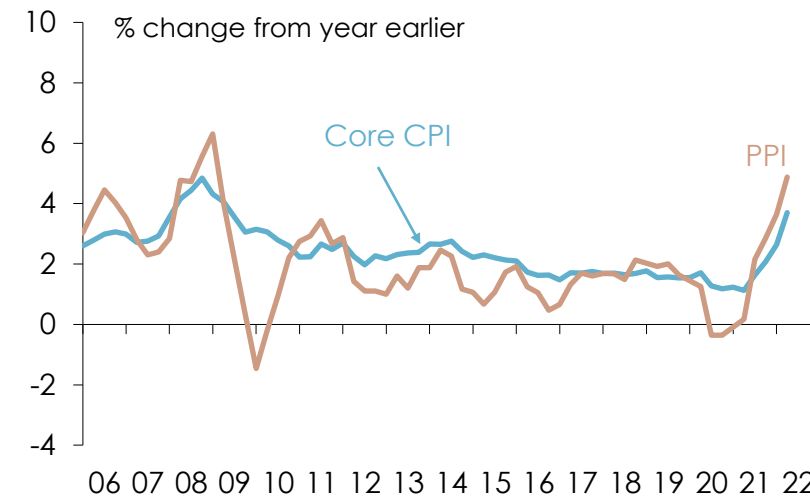
Japan



United Kingdom



Australia

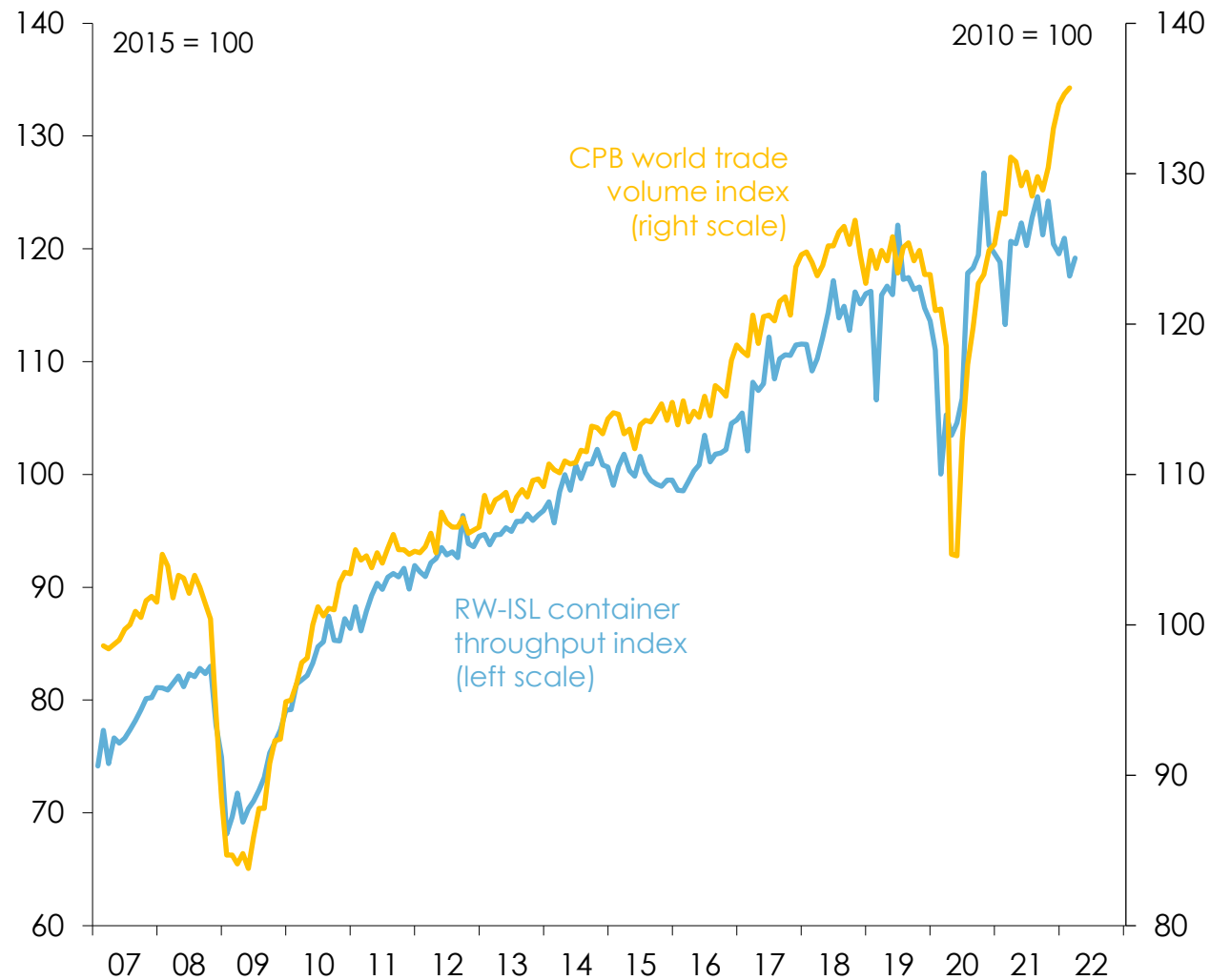


For a more detailed analysis of recent US inflation data see [slides 60-64](#). Sources: [US Bureau of Labor Statistics](#); [Statistics Bureau of Japan](#) and [Bank of Japan](#); [Eurostat](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Australian Bureau of Statistics](#). [Return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

The volume of world trade rose 0.3% in February after a 0.5% gain in January, to be 6.9% above its pre-pandemic peak in October 2018

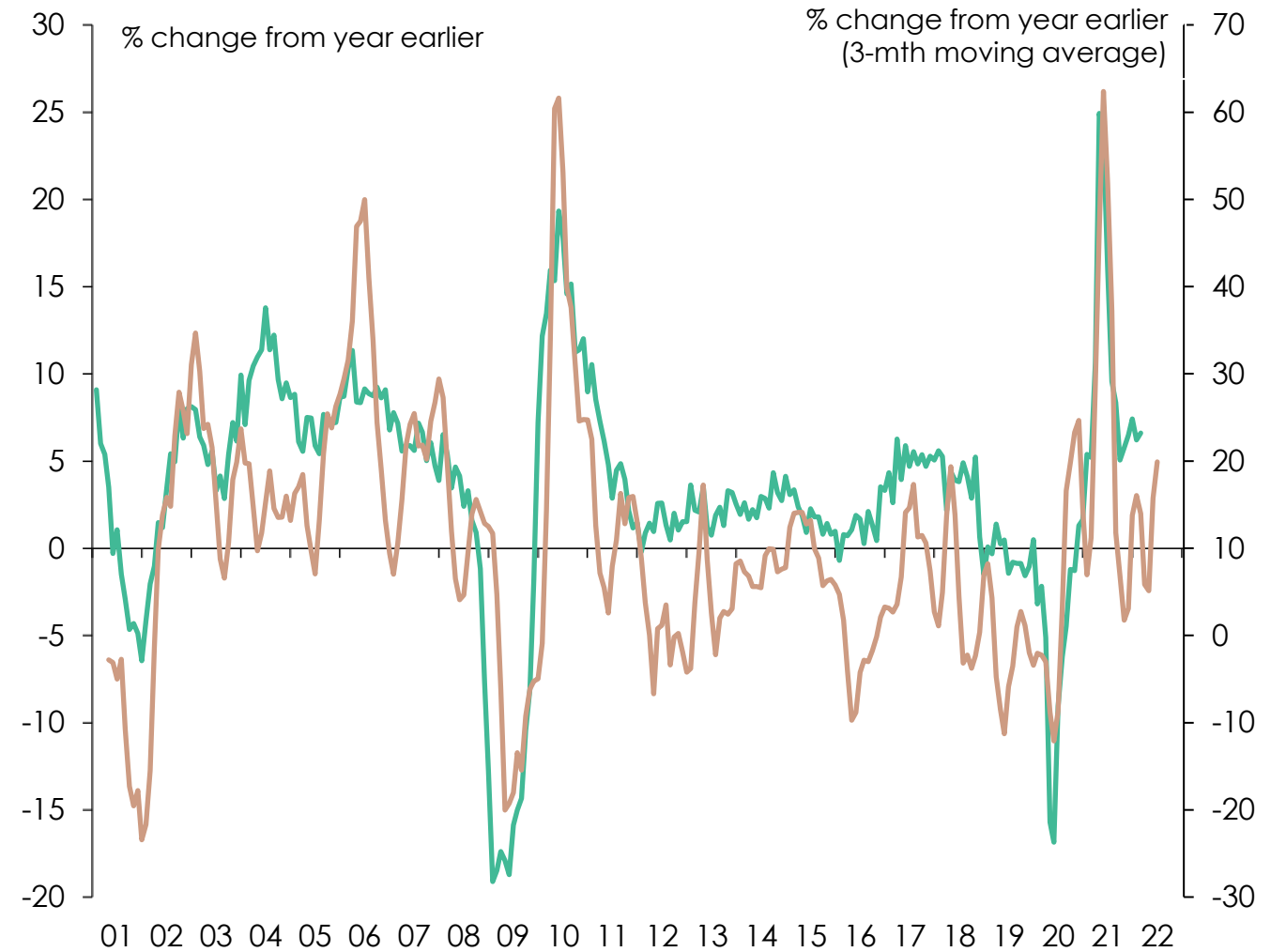
THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

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)

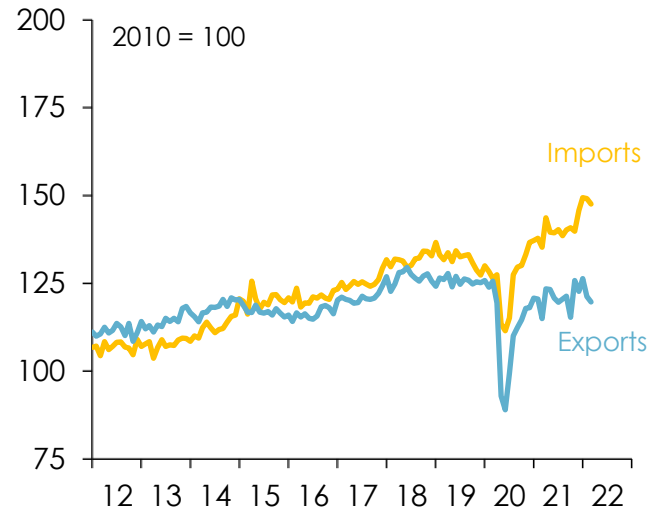
Note: The shipping container throughput index is based on reports from 91 ports around the world handling over 60% of global container shipping.

Sources: CPB Netherlands Economic Planning Bureau, [World Trade Monitor](#), February 2022 (March data to be released on 25th May); 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"](#).

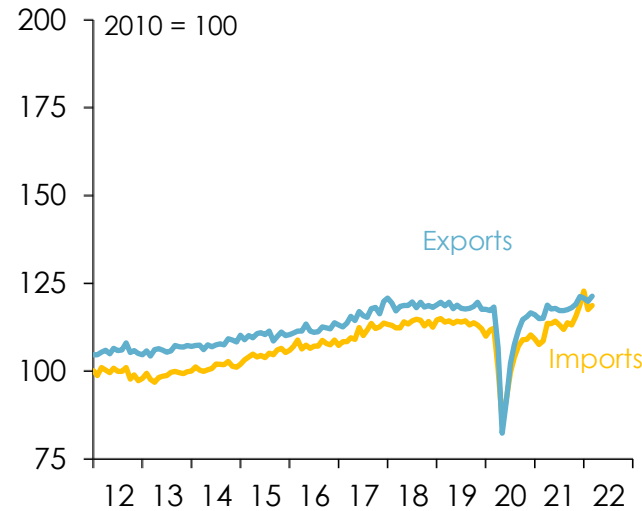
Imbalances in trade between the US and 'emerging' Asia (including China) are the major factor in the mal-distribution of containers around the world

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

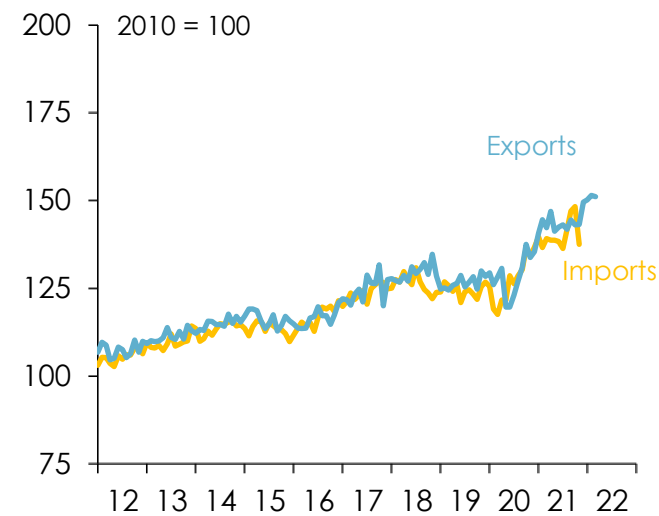
United States



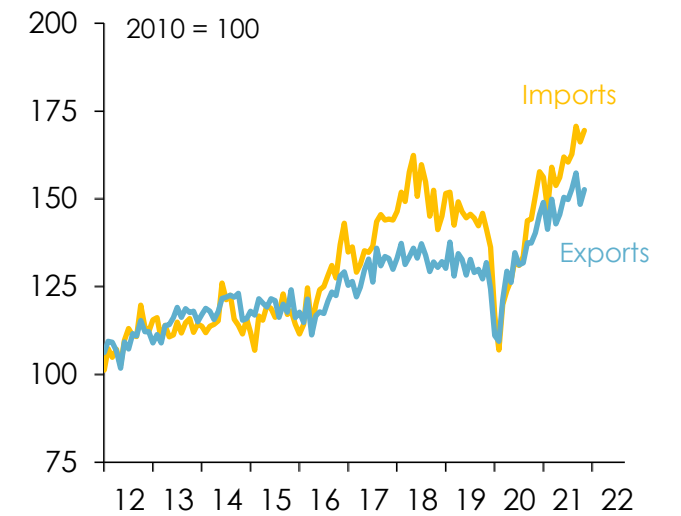
Euro area



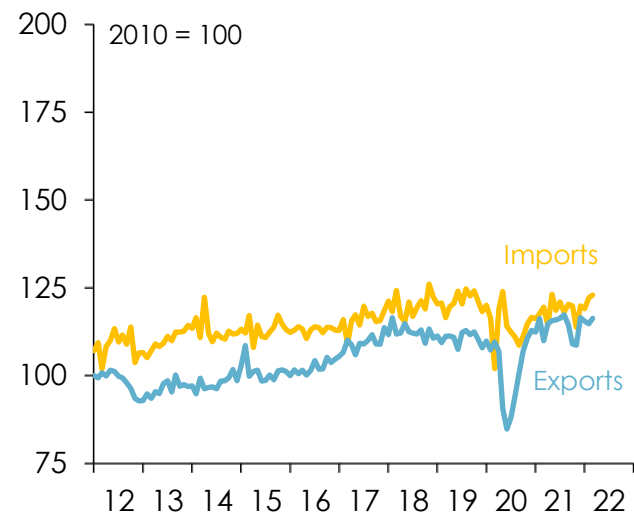
Other 'advanced' Asia



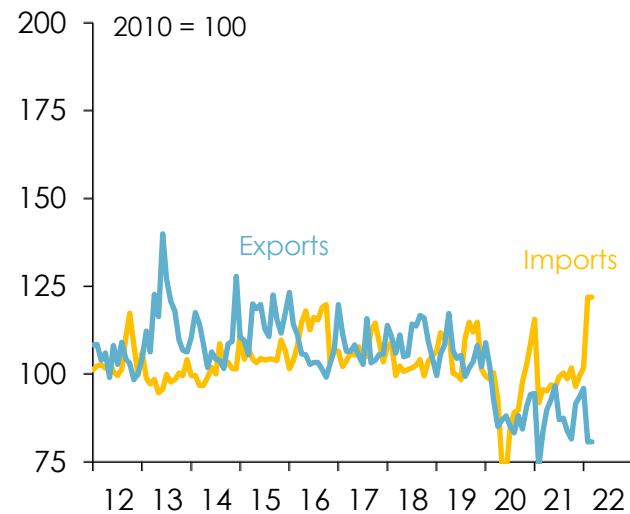
Other 'emerging' Asia



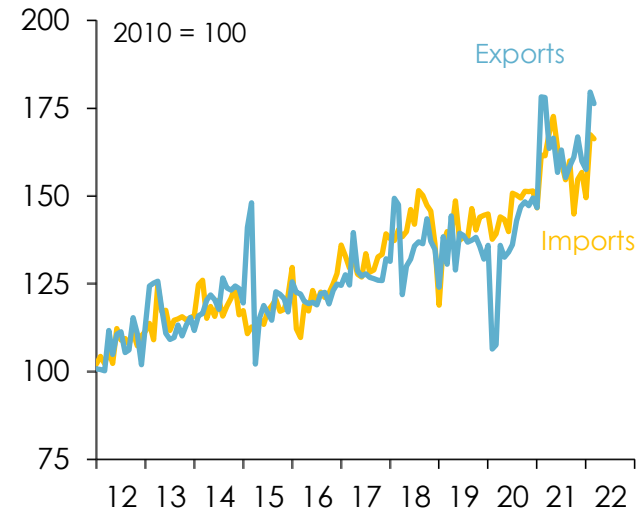
Japan



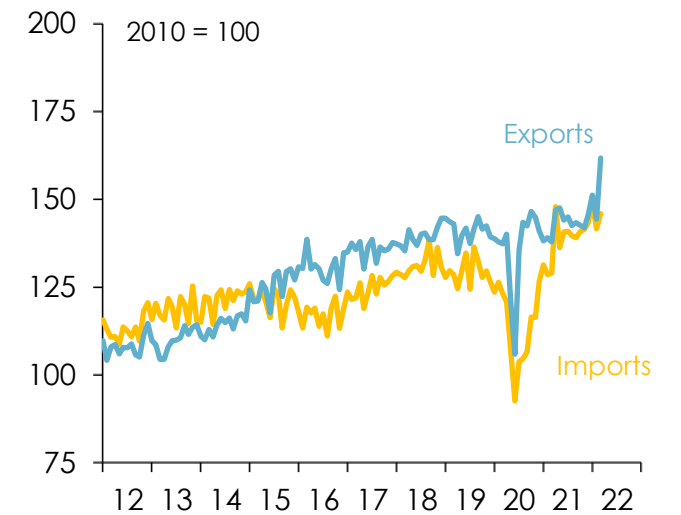
United Kingdom



China



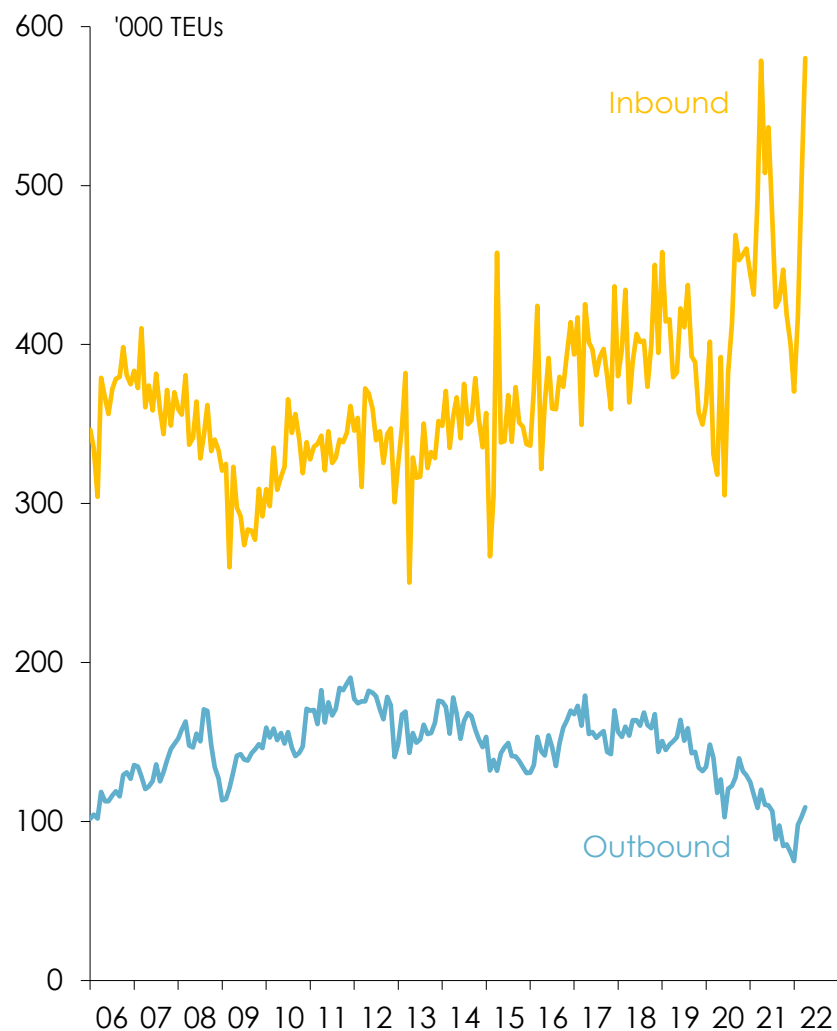
Latin America



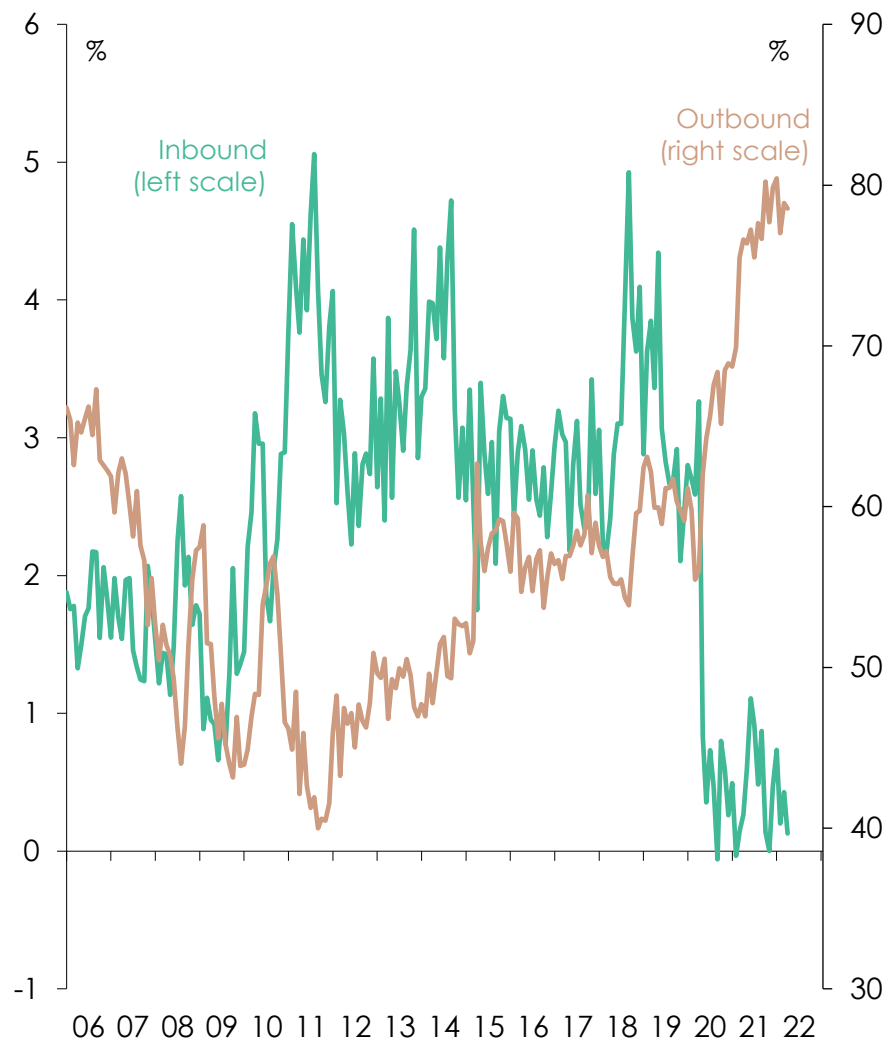
Congestion at the Port of Los Angeles (the US' largest container port) has eased significantly but trade flows remain unusually unbalanced

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

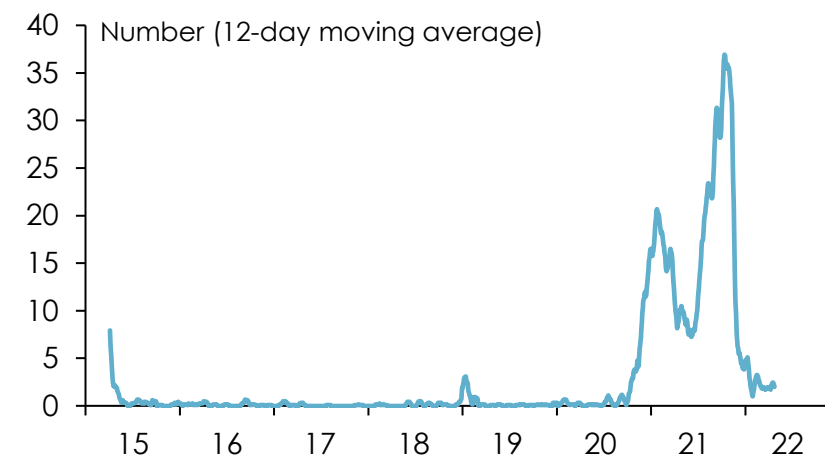
Container traffic through the Port of Los Angeles



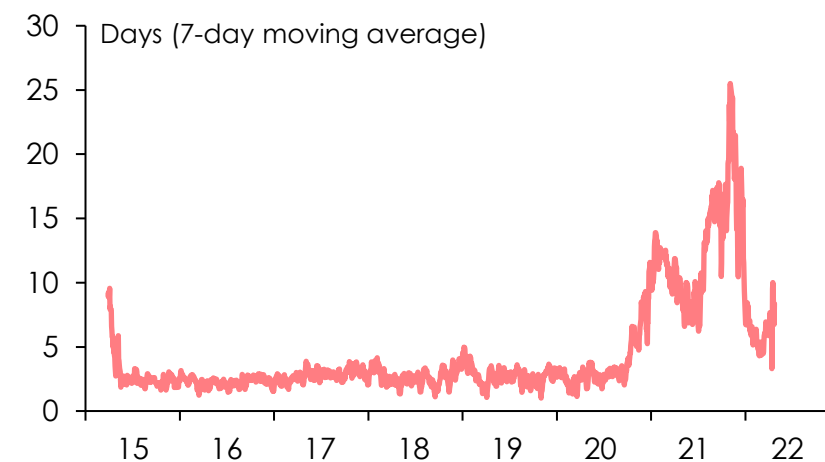
Empty containers as a pc of total passing through PoLA



Number of vessels at anchor outside PoLA



Average time at anchor and berth for ships at PoLA

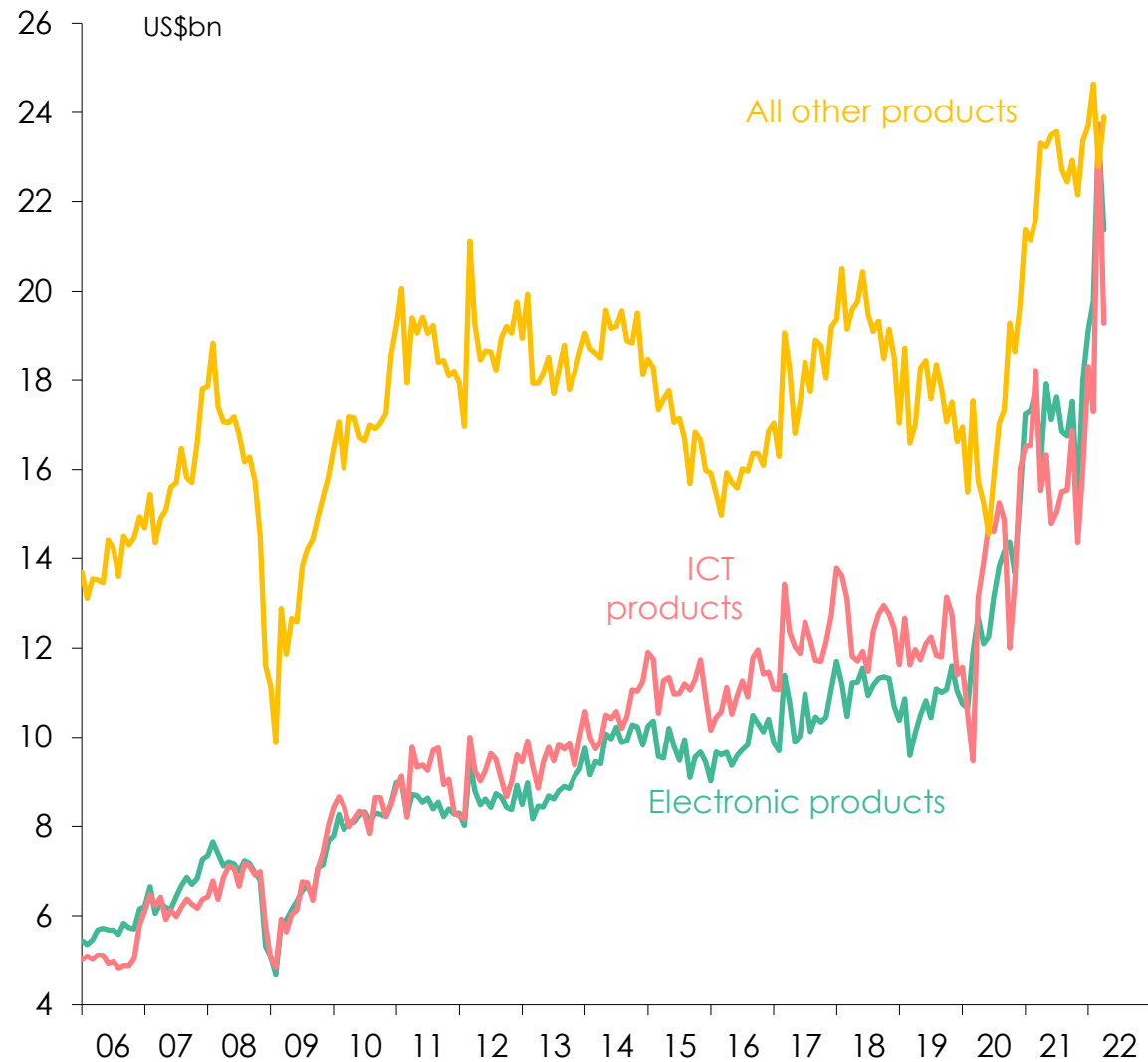


Note: TEU = 20-foot equivalent unit. Data on inbound and outbound container traffic in the first two charts have been seasonally adjusted by Corinna using Refinitiv Datastream. Data up to 6th May. Source: The Port of Los Angeles, [Container Statistics](#) and [Container vessels in port](#). [Return to "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

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

Taiwan export orders, by product



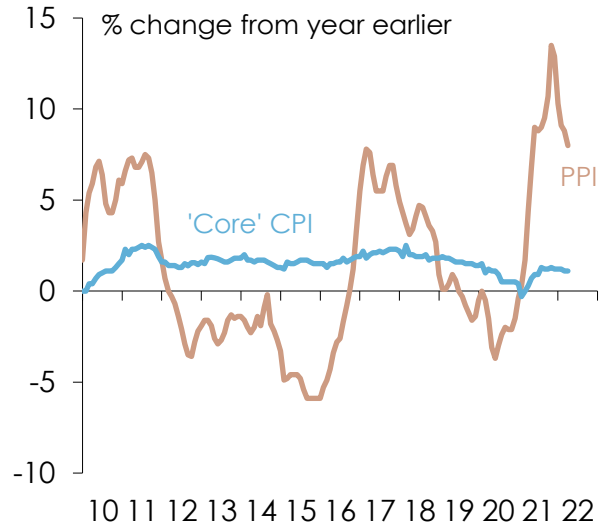
Note: Data have been seasonally adjusted by Corinna using Refinitiv Datastream. Latest data are for March. Source: Taiwan [Ministry of Economic Affairs](#). [Return to "What's New"](#).

- ❑ 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

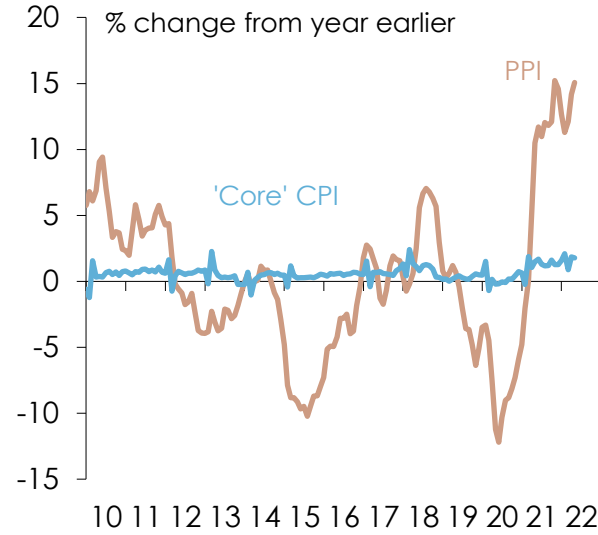
Most Asian economies have been experiencing rapid 'upstream' inflation for some time, and 'core' consumer price inflation is now starting to pick up

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

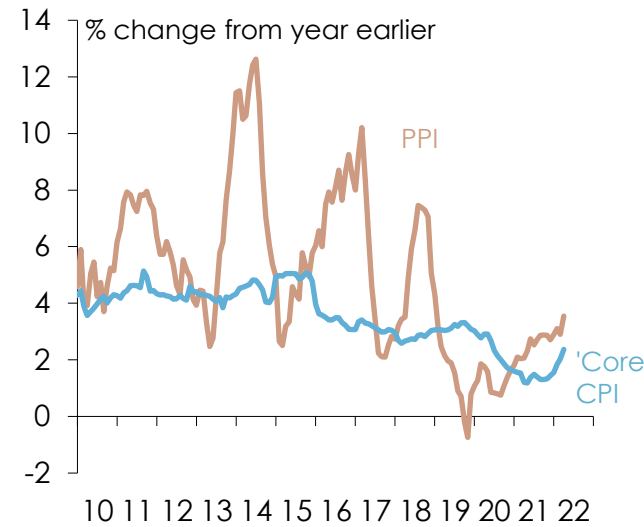
China



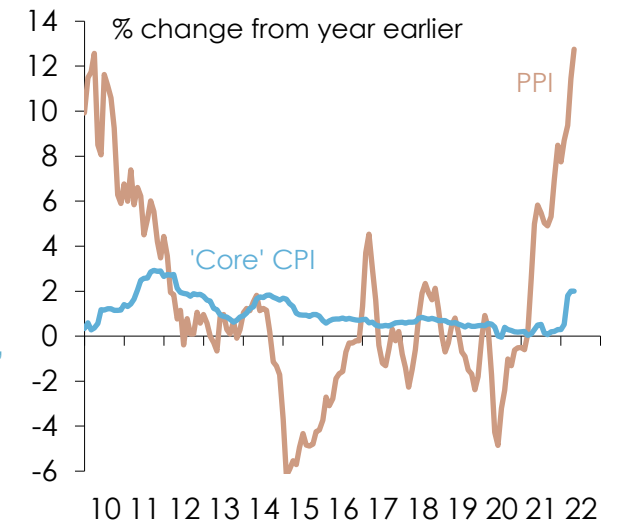
Taiwan



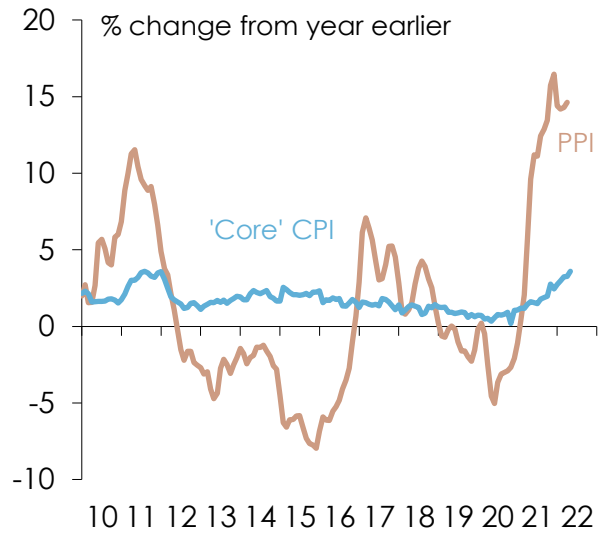
Indonesia



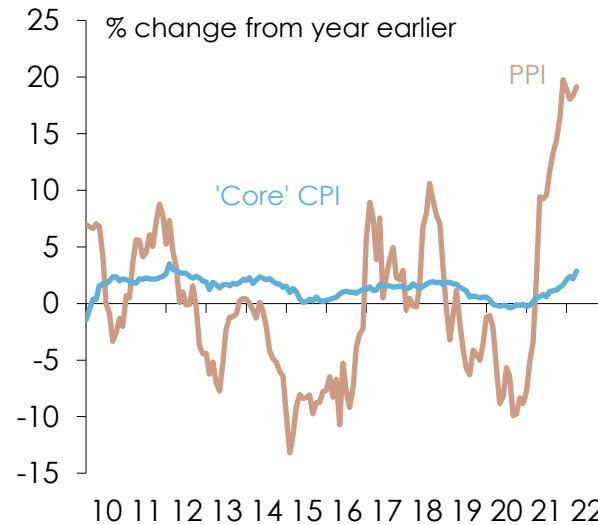
Thailand



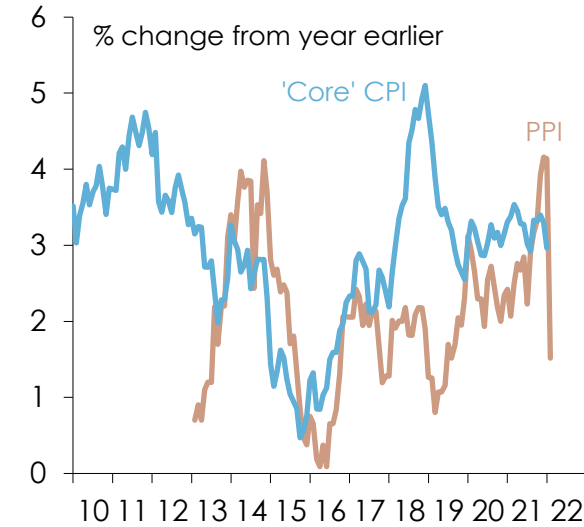
Korea



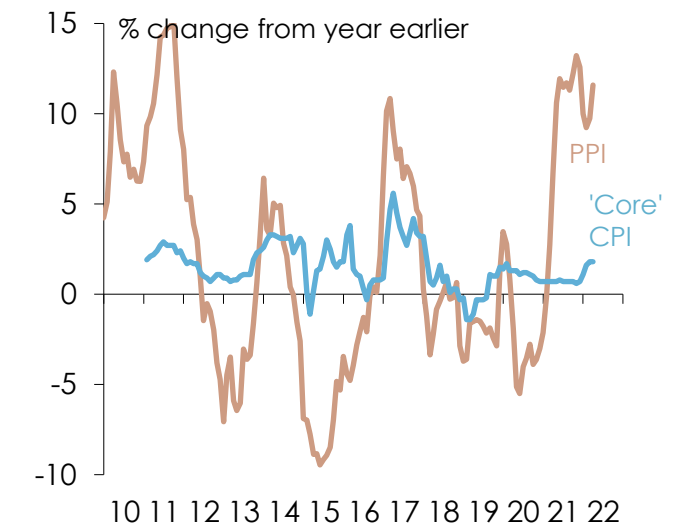
Singapore



Philippines



Malaysia

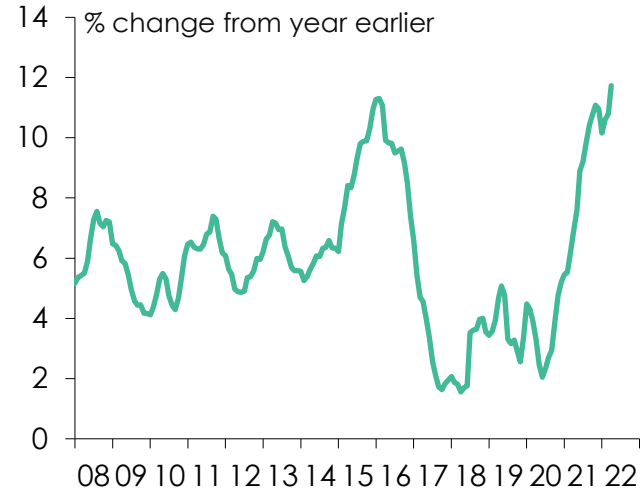


Note: 'Core' CPIs measure different things in different Asian economies – see footnotes to [slide 103](#). Sources: [China National Bureau of Statistics](#); [Statistics Korea](#); [Bank of Korea](#); [Taiwan Statistical Bureau](#); [Singstat](#); [Monetary Authority of Singapore](#); [Statistics Indonesia](#);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

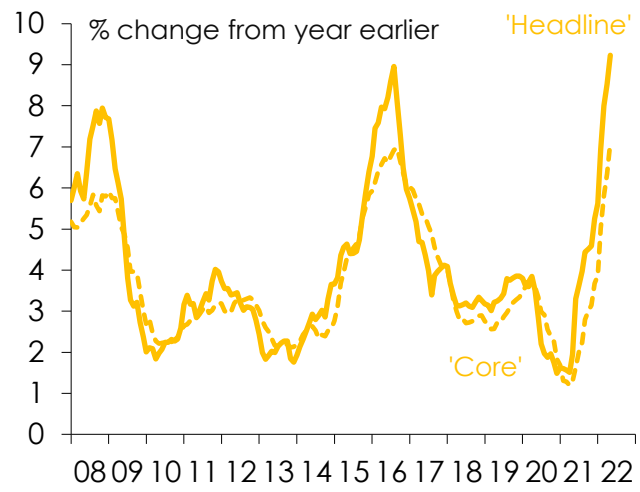
Consumer price inflation is rising sharply across Latin America (except for Venezuela, where it's now down to just 261%!)

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

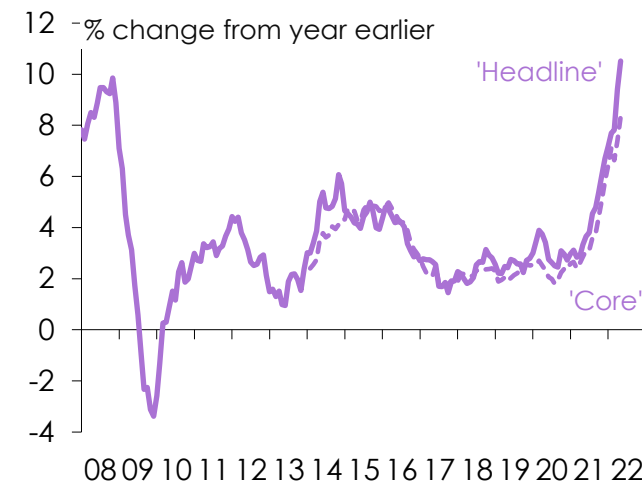
Brazil



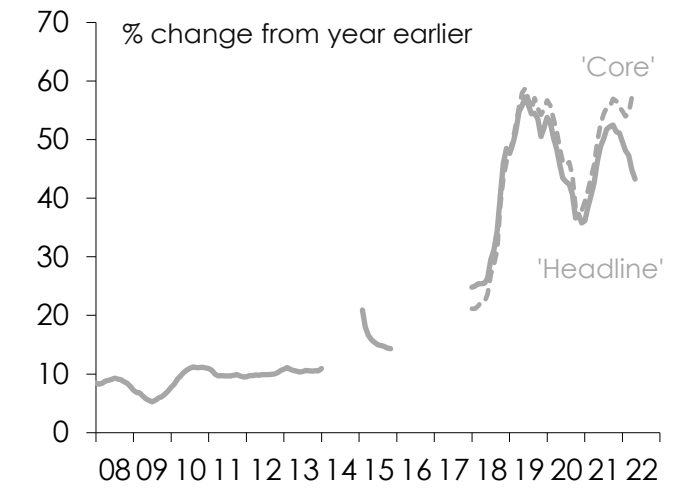
Colombia



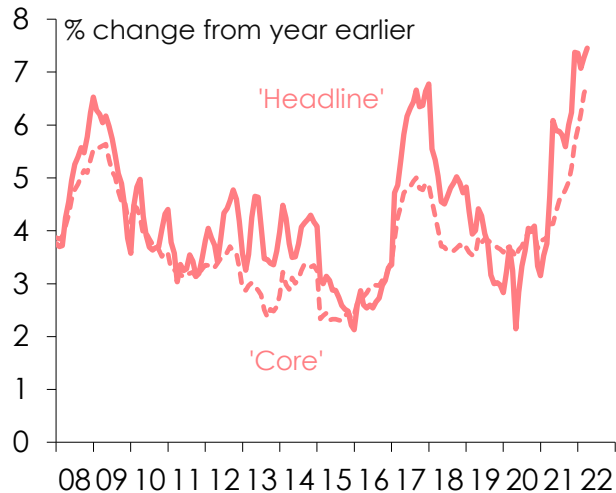
Chile



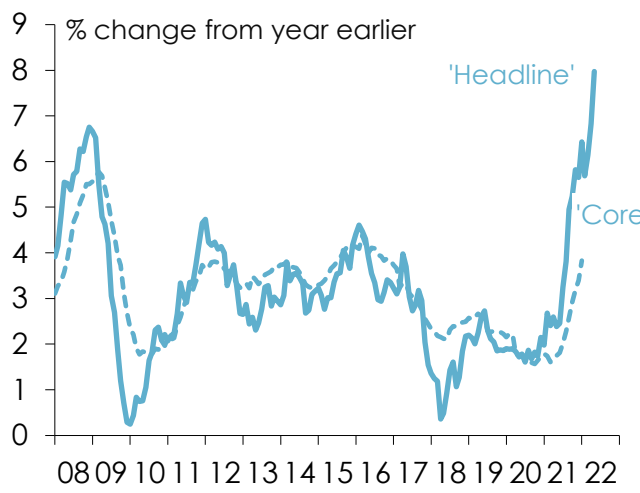
Argentina



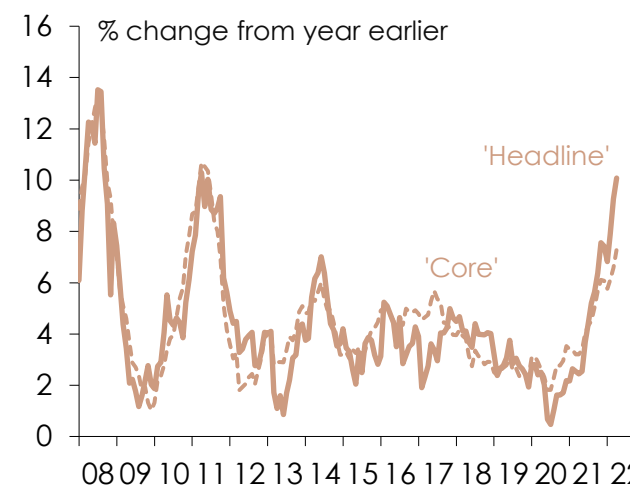
Mexico



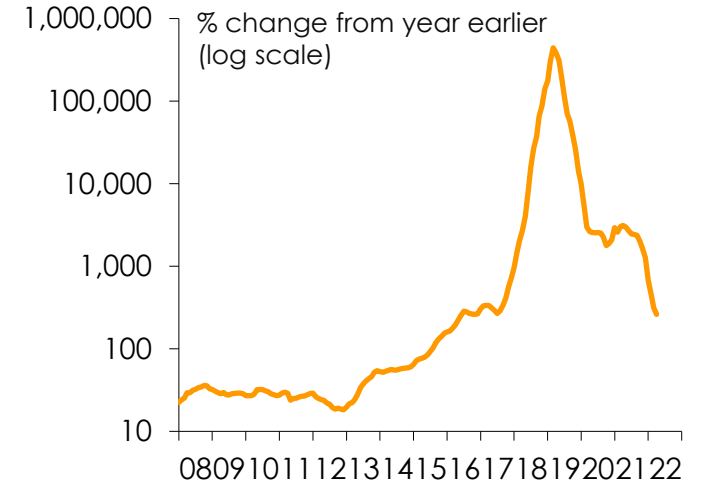
Peru



Paraguay



Venezuela

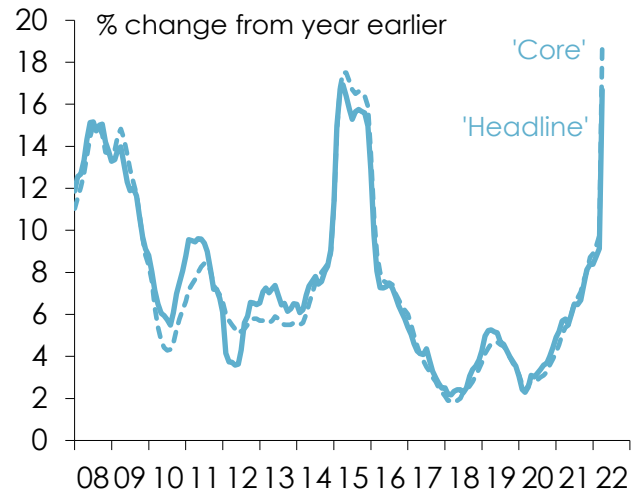


Sources: [Instituto Brasileiro de Geografia e Estatística](#); [Instituto Nacional de Estadística y Geografía](#) (Mexico); [Departamento Administrativo Nacional de Estadística](#) (Colombia); [Instituto Nacional de Estadística e Informática](#) (Peru); [Instituto Nacional de Estadísticas](#) (Chile);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

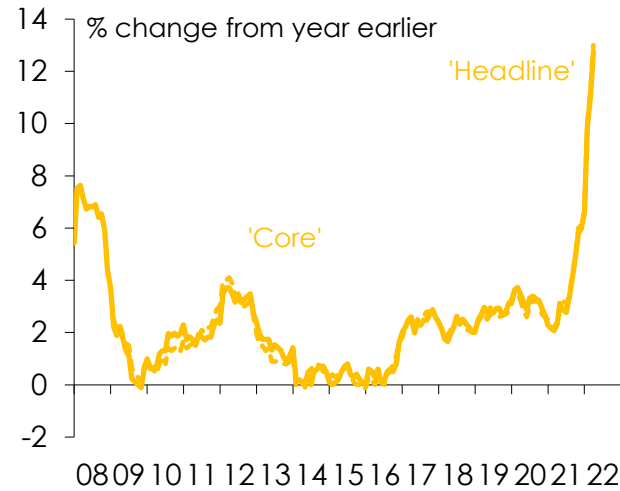
Consumer price inflation is also rising across Central and Eastern Europe, and in South Africa

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

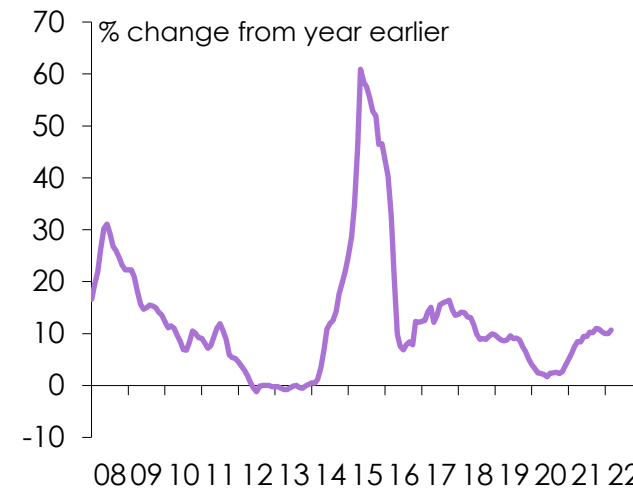
Russia



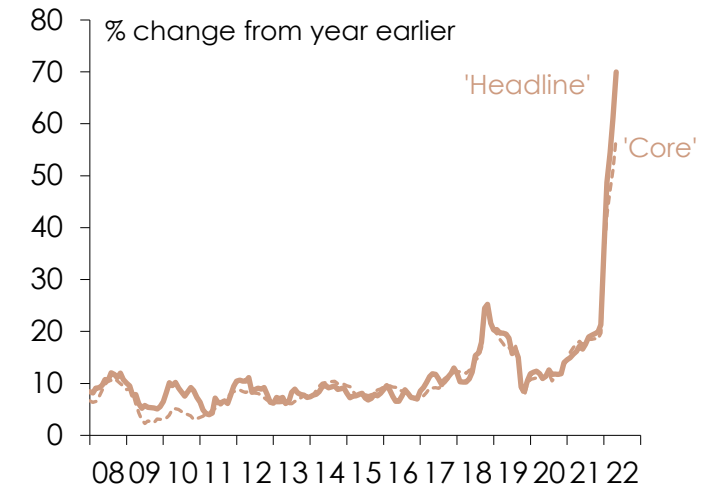
Czech Republic



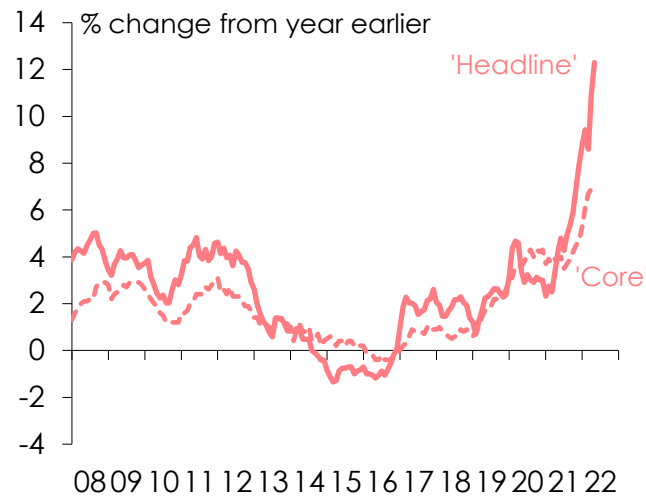
Ukraine



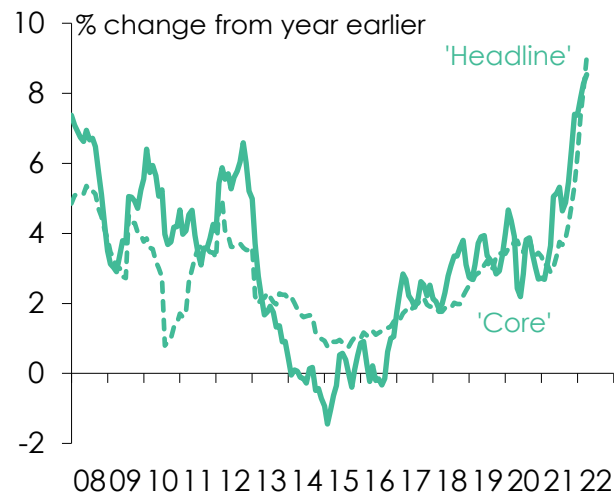
Turkey



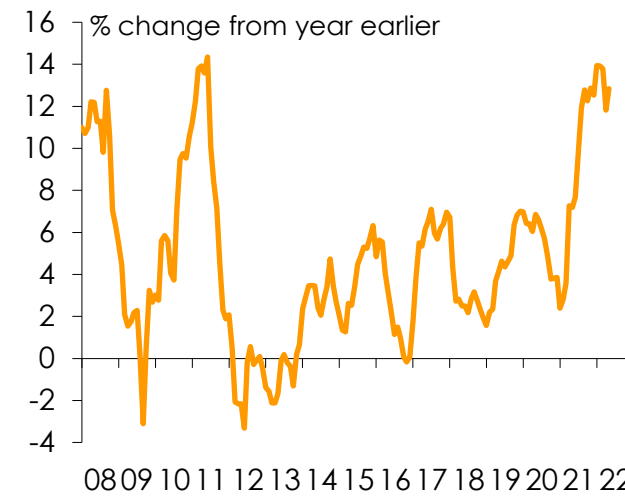
Poland



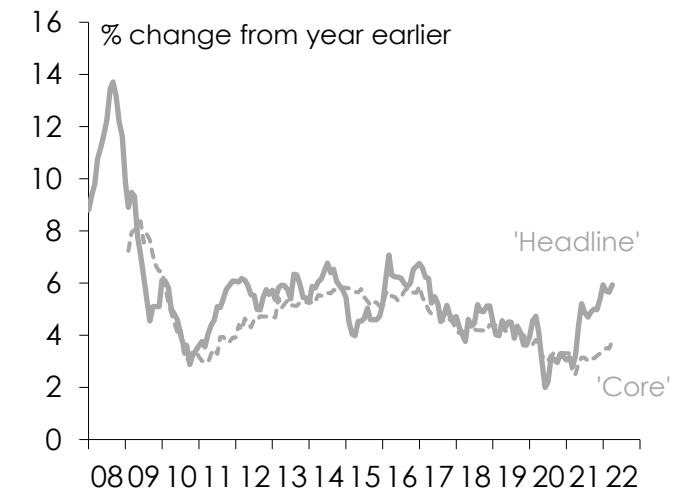
Hungary



Georgia



South Africa

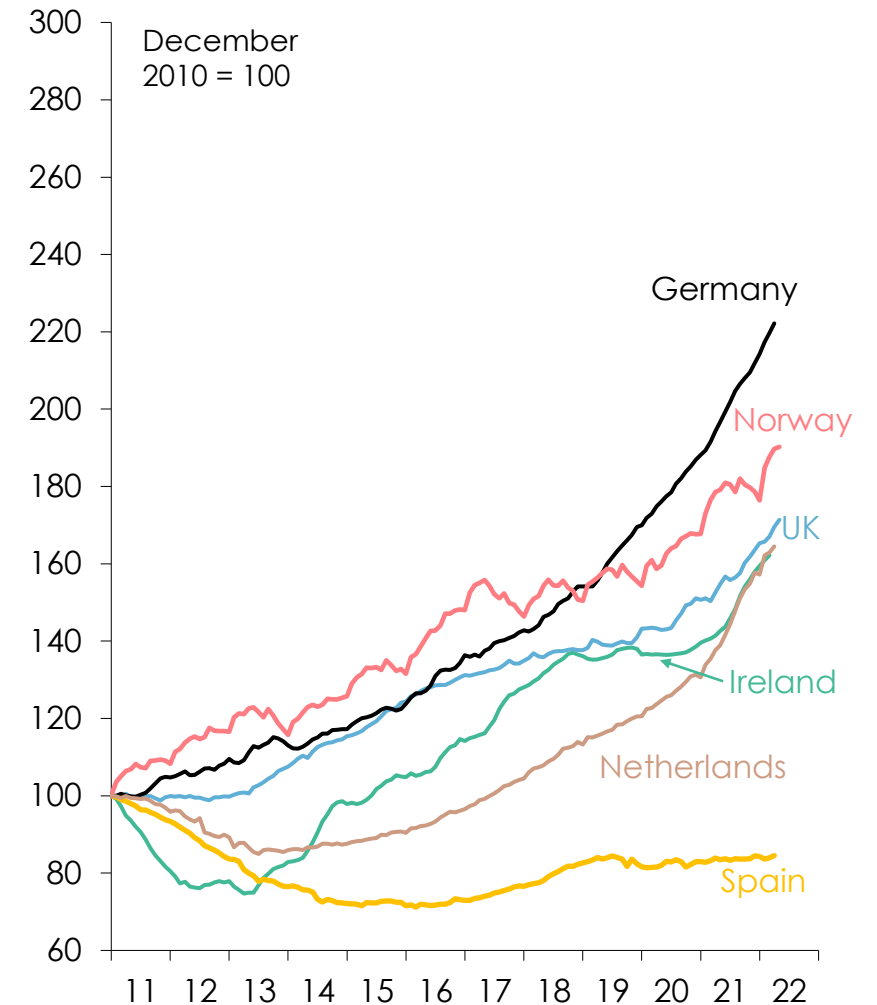
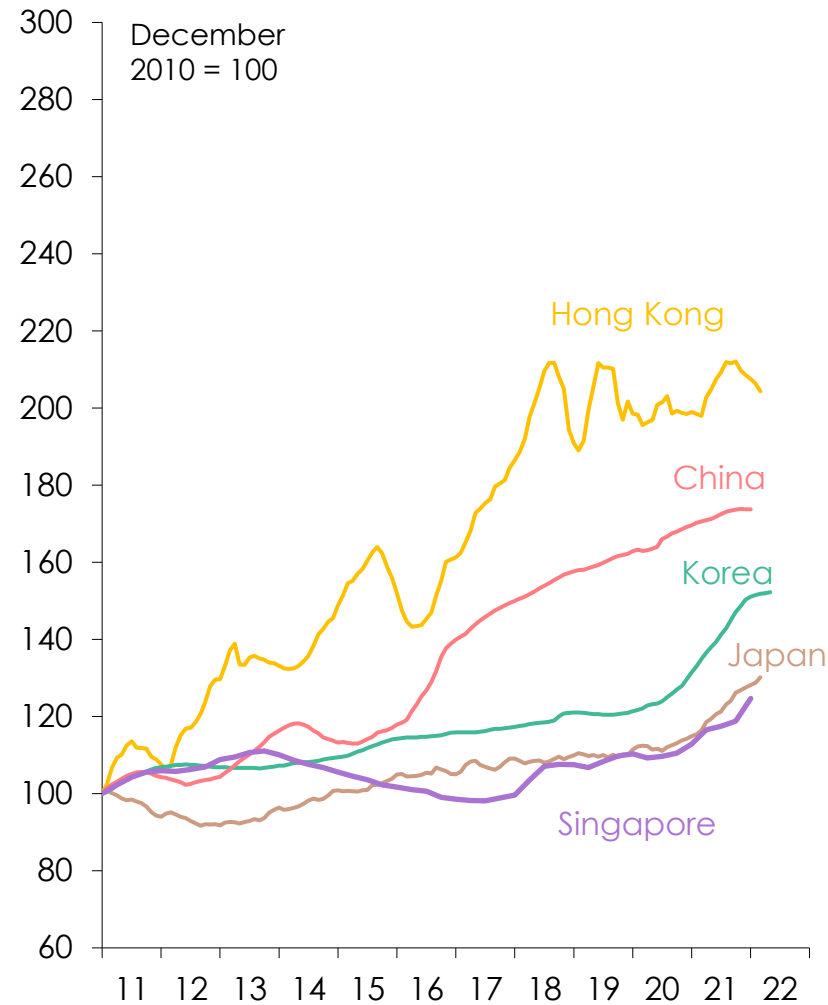
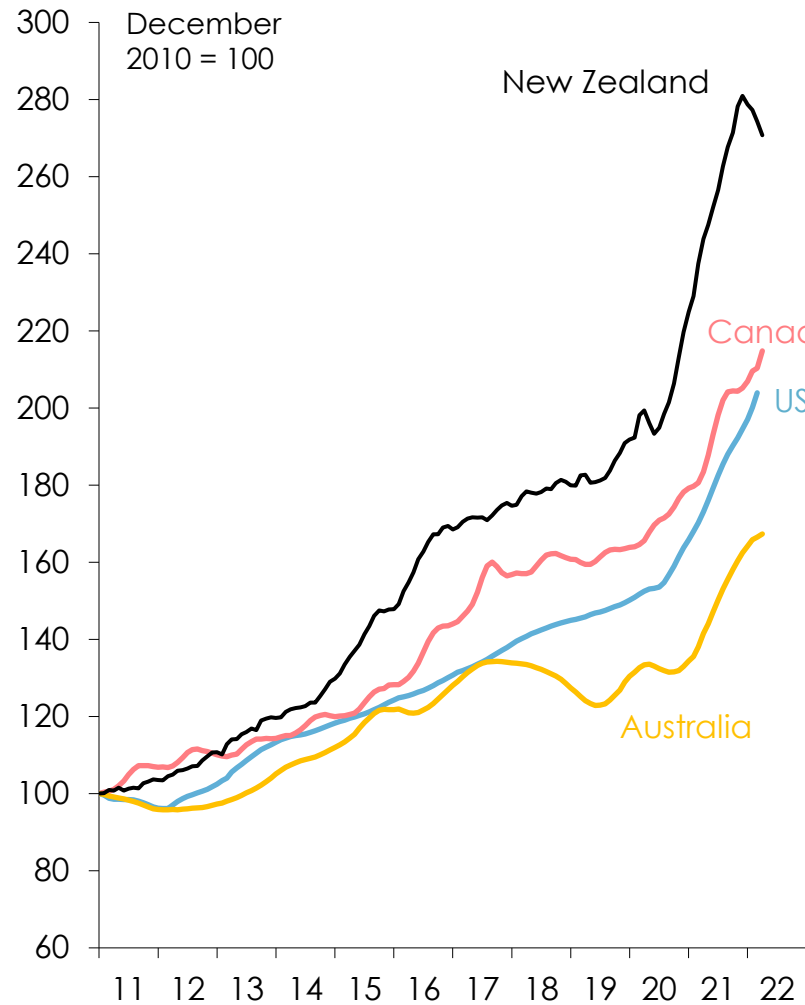


Sources: [Rosstat](#); [Główny Urząd Statystyczny](#) (Poland); [Český statistický úřad](#) (Czech Republic); [Központi Statisztikai Hivatal](#) (Hungary); [Ukrstat](#); [Sak'art'velos statistikis erovnuli samsakhuri](#) (Georgia); [Turkstat](#); [Statistics South Africa](#). Return to "What's New".

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

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

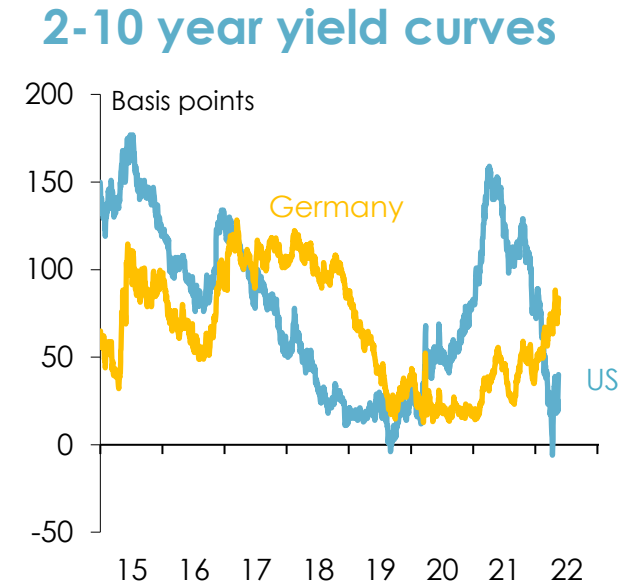
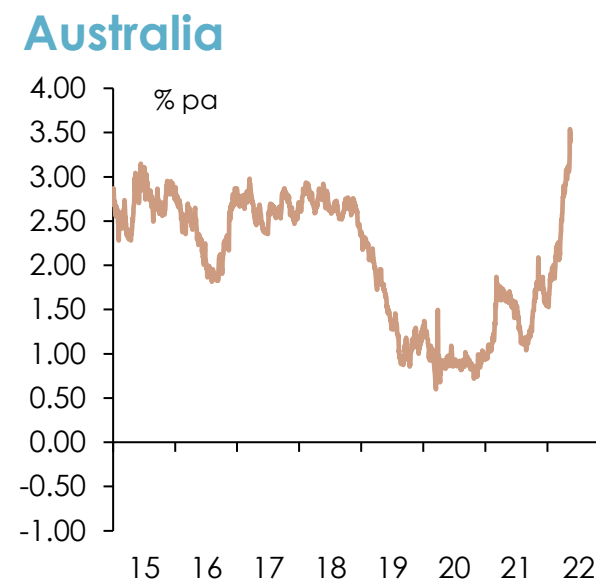
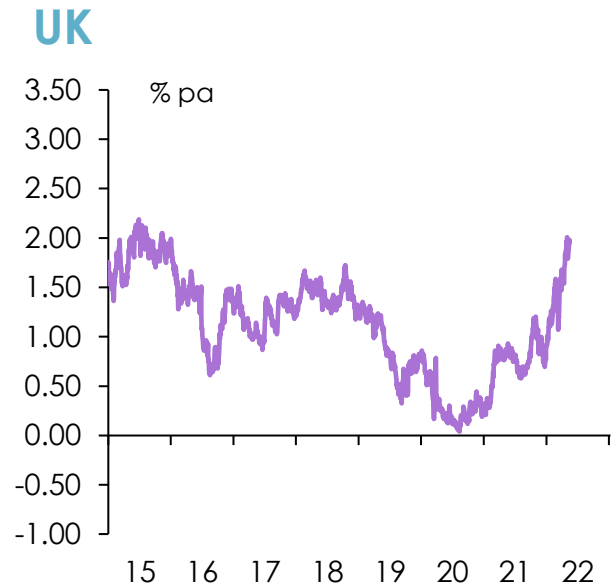
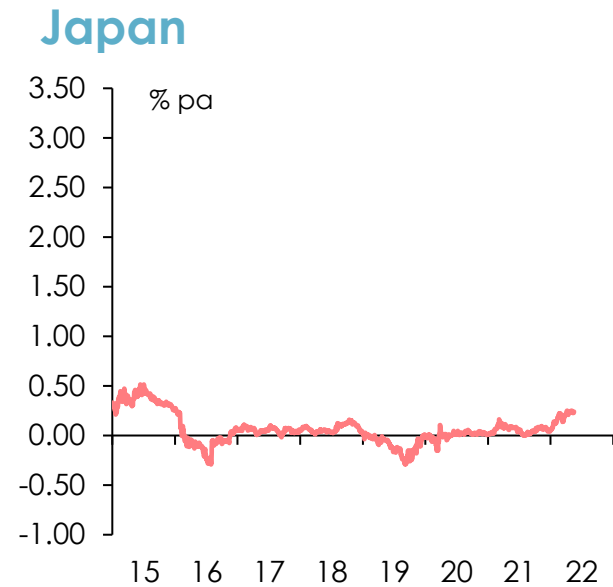
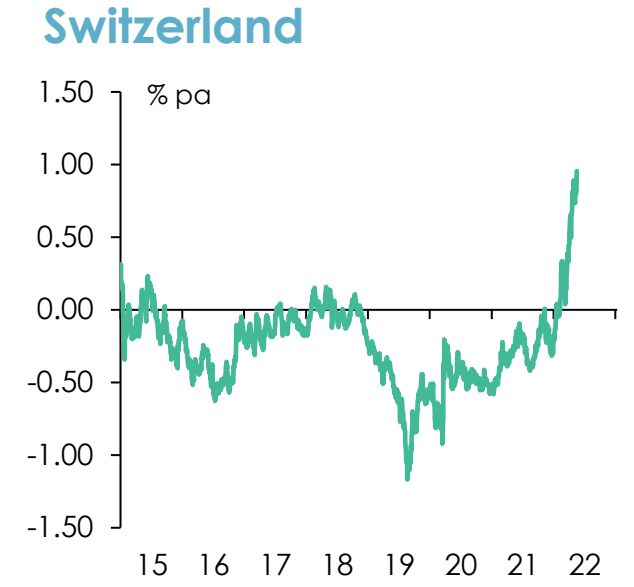
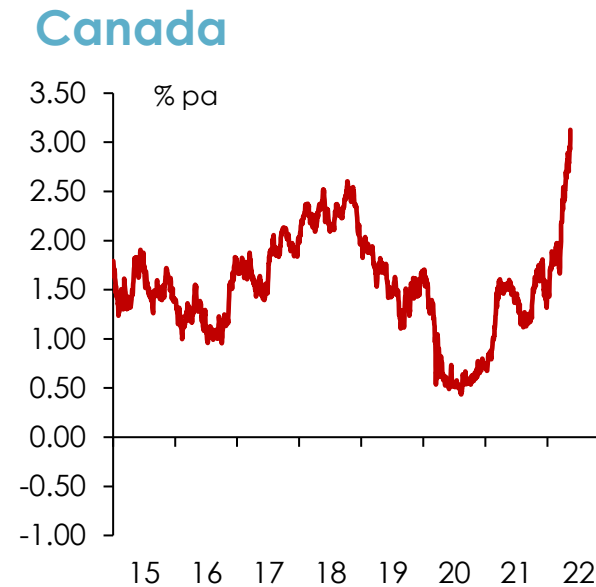
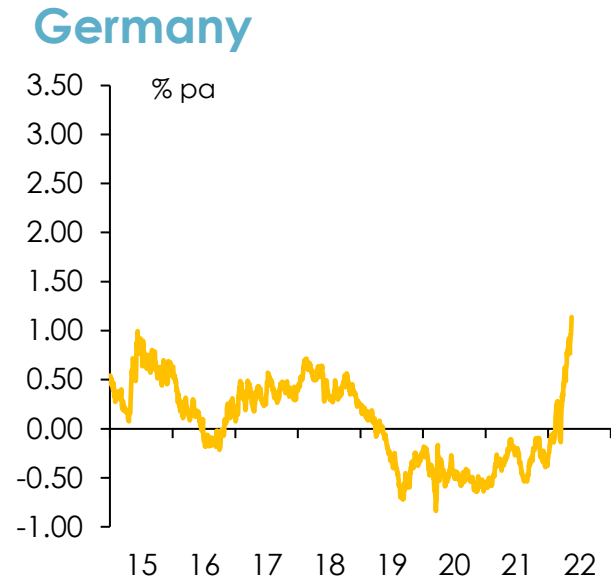
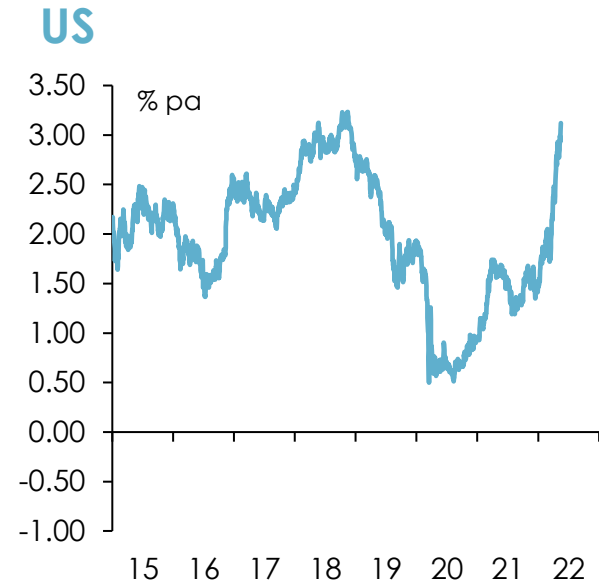
House price indices



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

10-year bond yields continued rising last week with US yields moving above 3%, and German & Swiss yields above 1%

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022



Note: Data up to 6th May. 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, except for China and Turkey

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

China



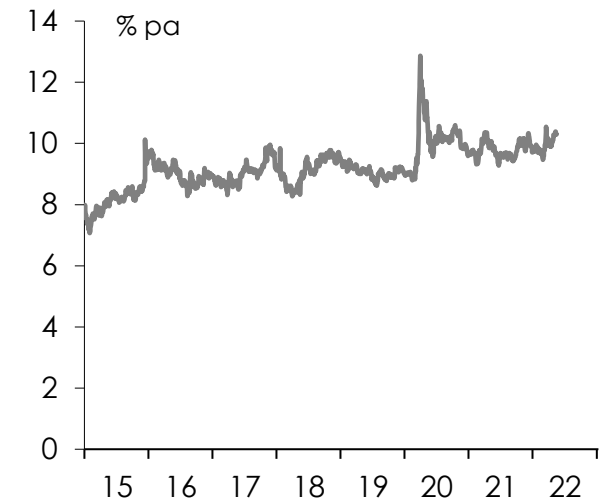
Brazil



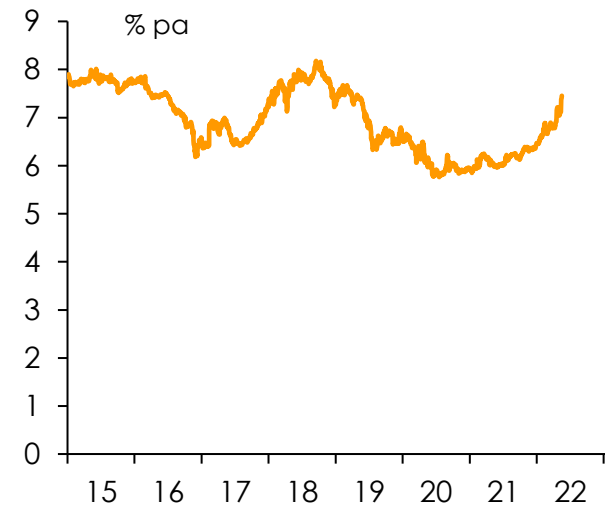
Russia



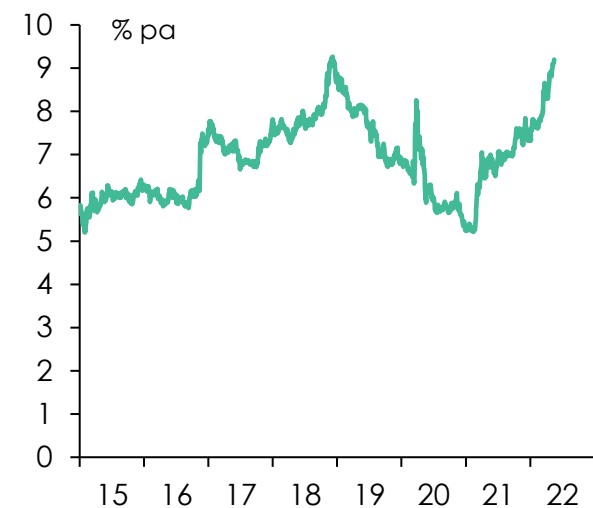
South Africa



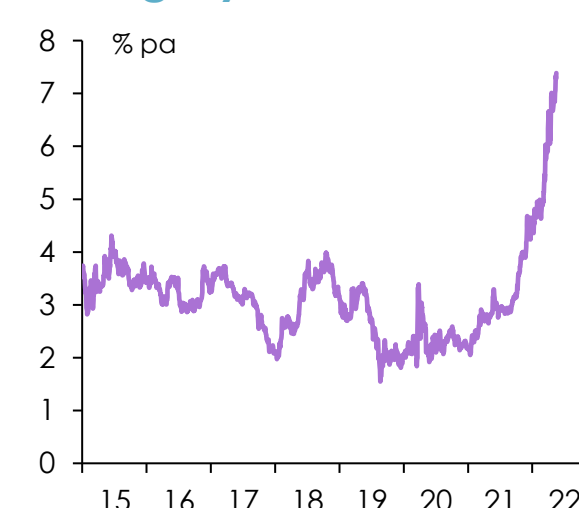
India



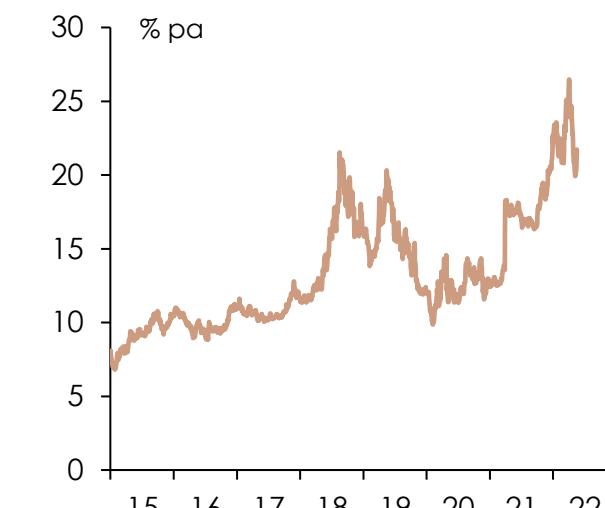
Mexico



Hungary



Turkey



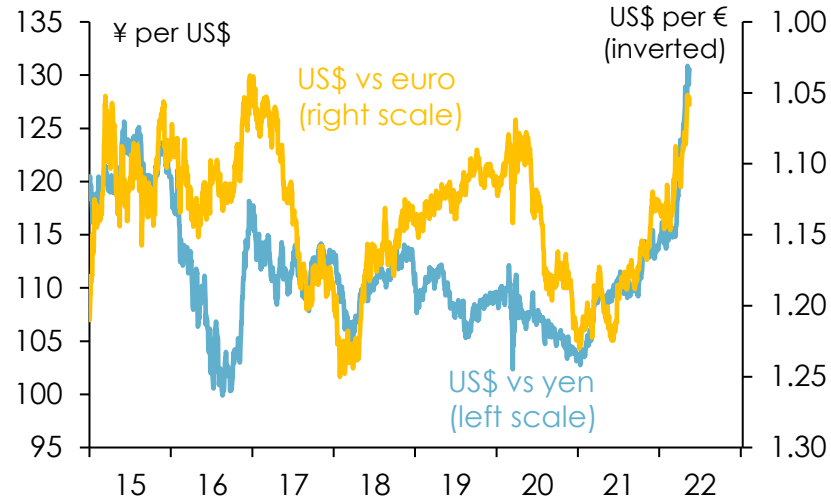
Note: Data up to 6th May. For bond yields in other Asian economies see [slide 111](#); and for policy interest rates in other emerging markets see [slide 131](#).

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

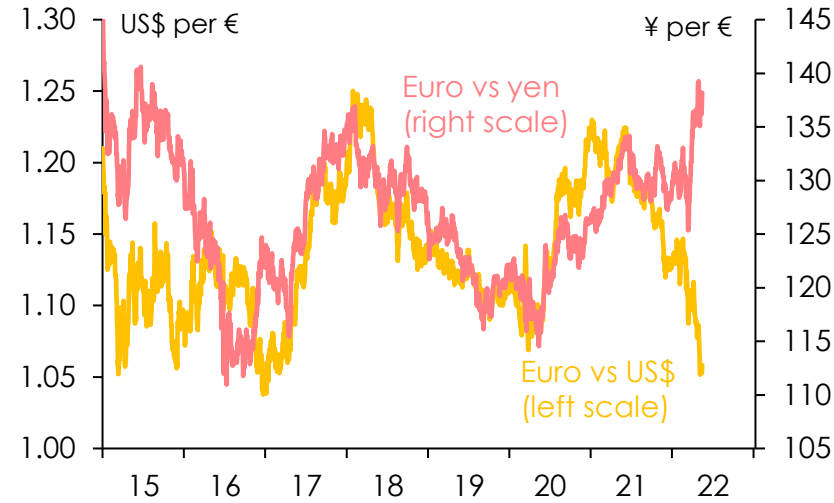
The US dollar rose further last week to its highest level since late December 2002, while the yen hit its lowest against the US\$ since April 2002

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

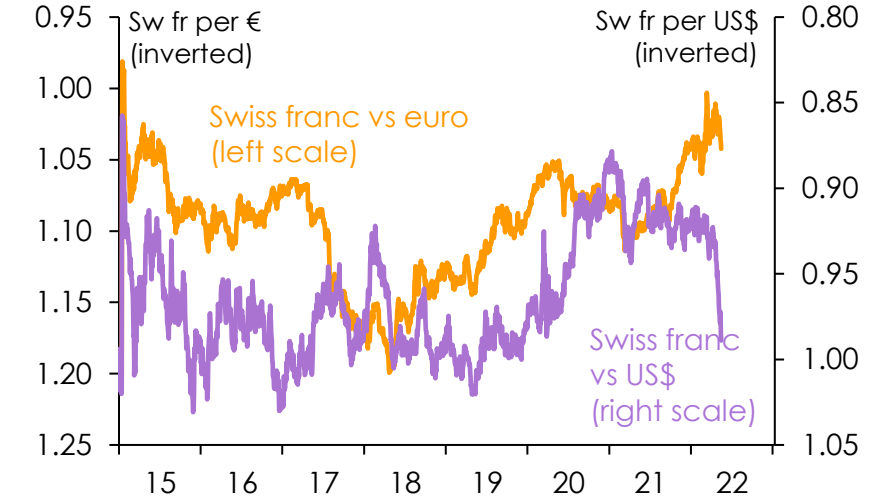
US dollar



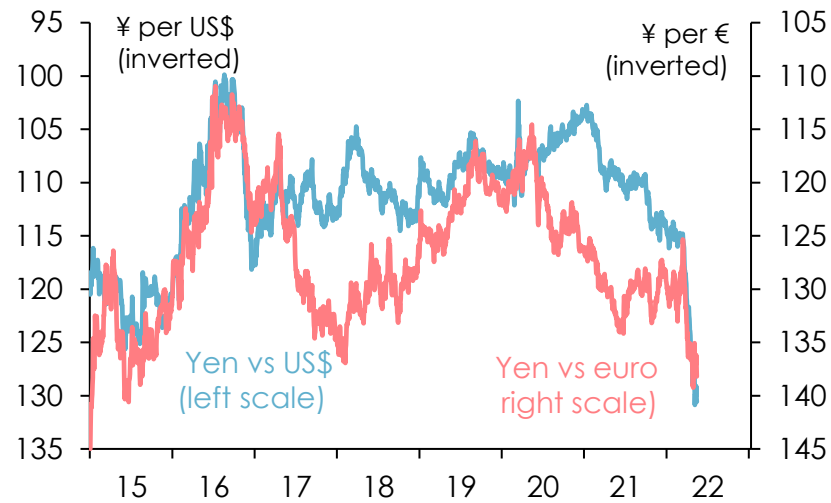
Euro



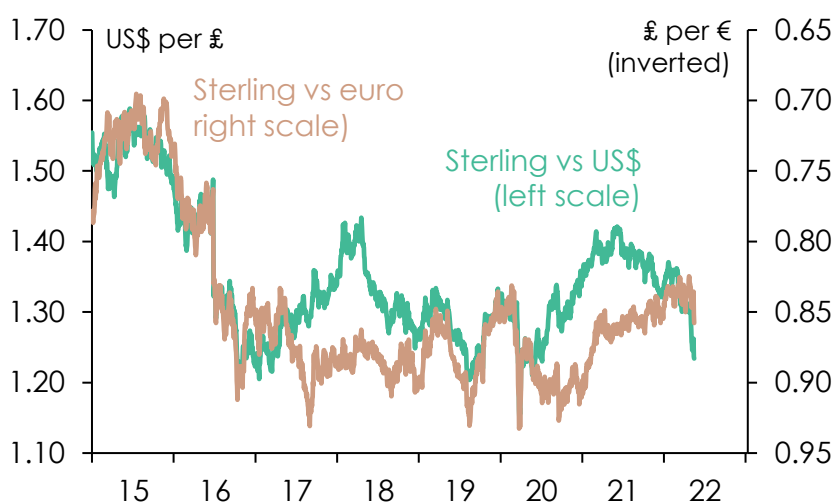
Swiss franc



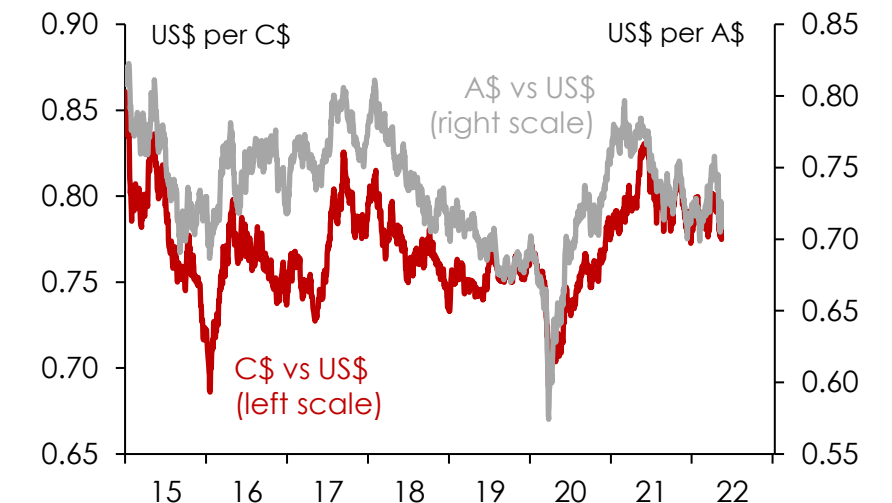
Japanese yen



Sterling



Canadian & Australian dollars

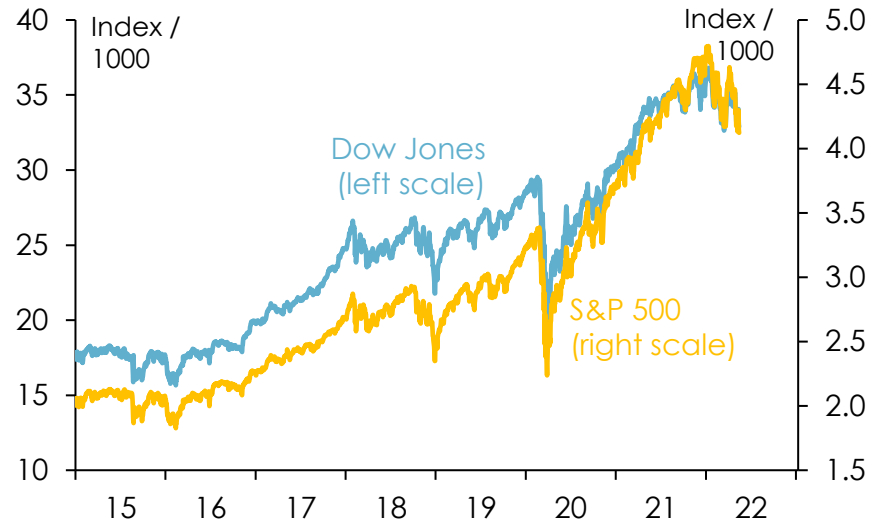


Note: Data up to 6th May. For Asian exchange rates see [slide 113](#). Source: Refinitiv Datastream. [Return to "What's New"](#).

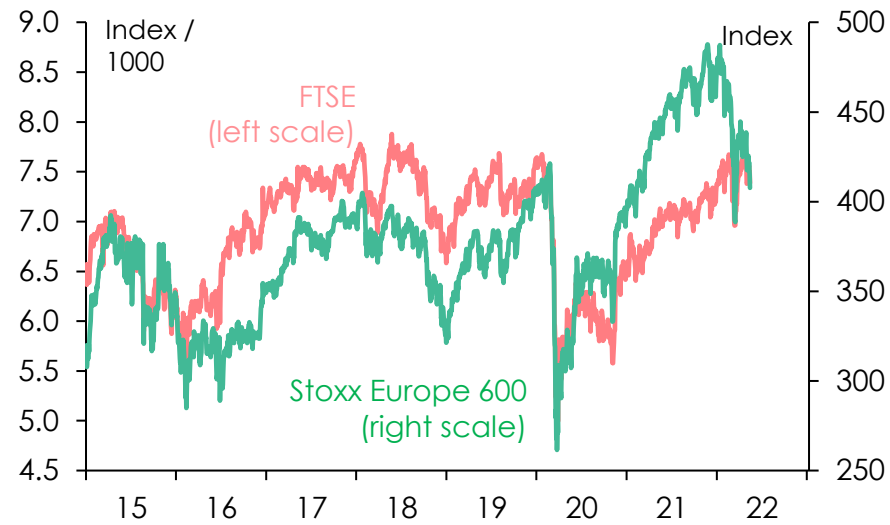
Stock markets fell further in all major 'advanced' economies except Japan, where companies are benefiting from the weaker yen

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

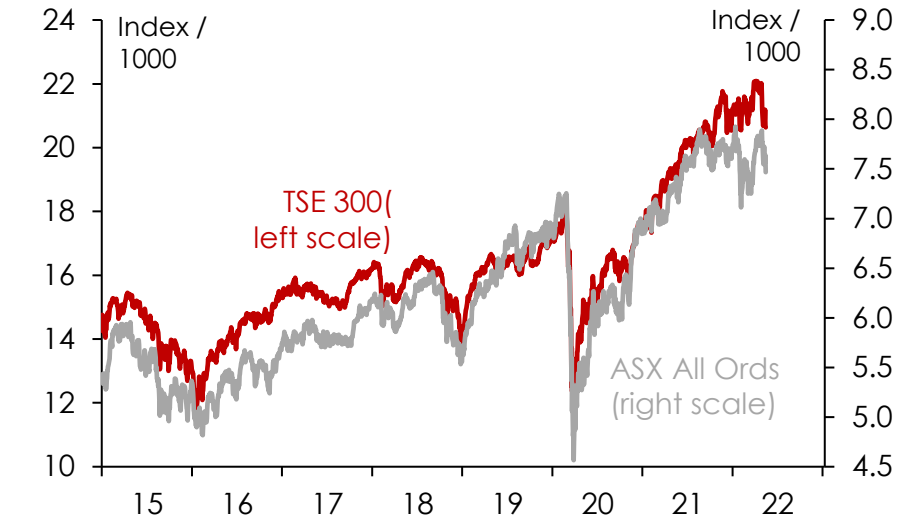
US stock market



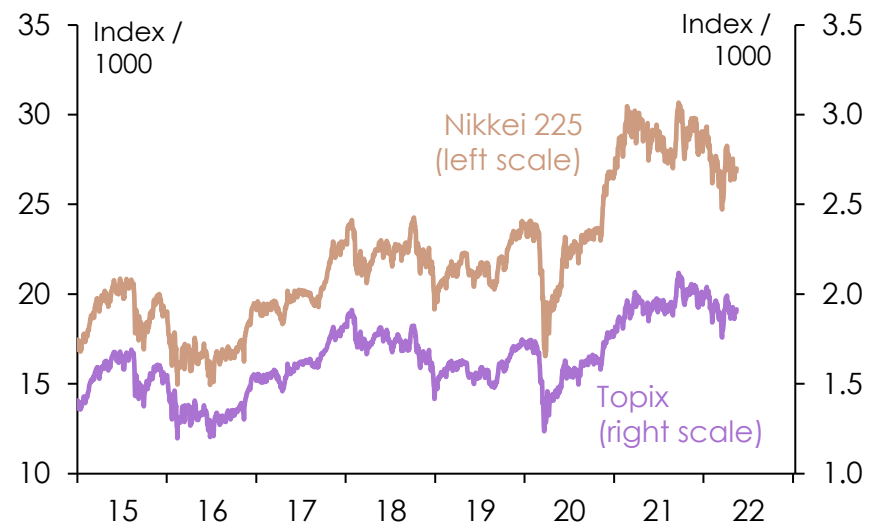
European stock markets



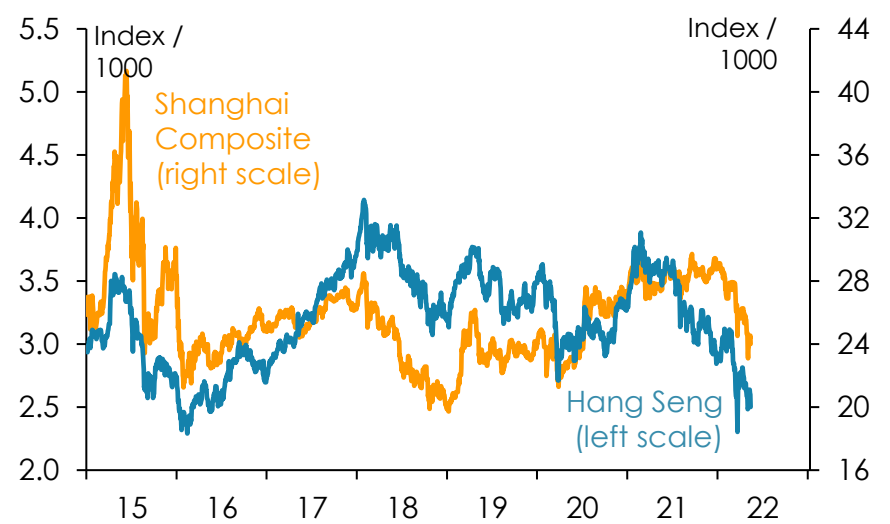
Canadian & Australian stock markets



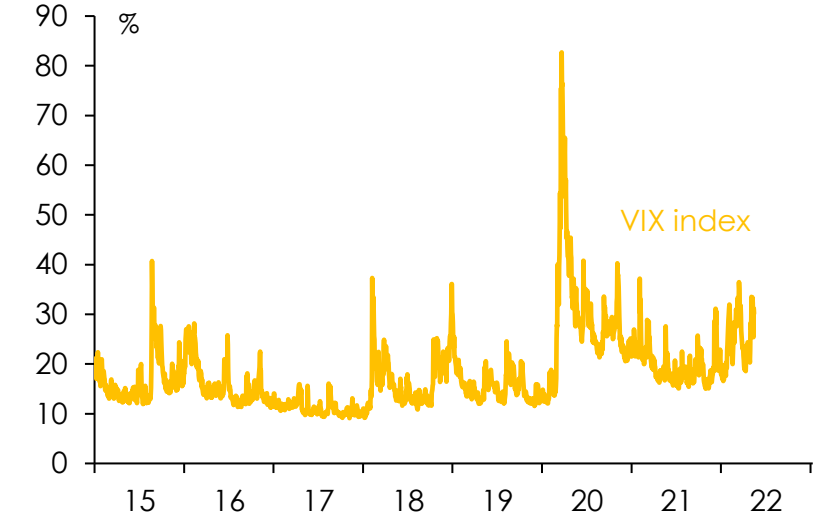
Japanese stock market



Chinese & HK stock markets



Equity market volatility



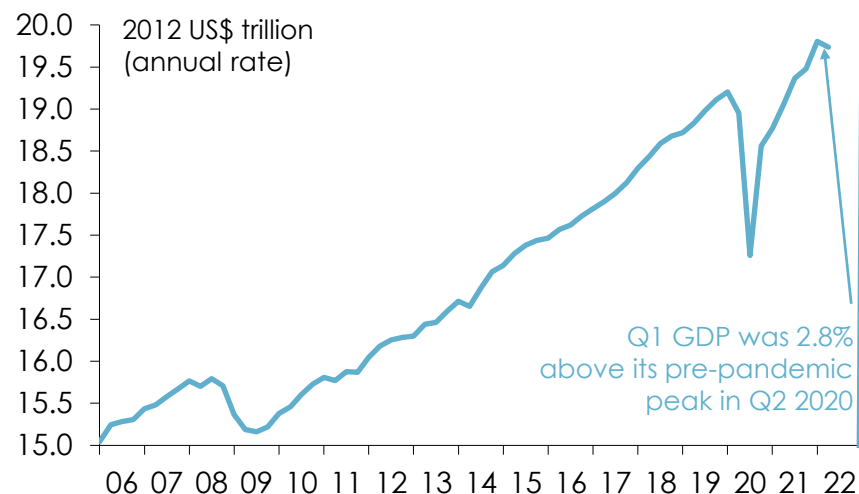
Note: Data up 6th May. Source: Refinitiv Datastream. For East Asian stock markets see [slide 114](#). [Return to "What's New"](#).

The United States

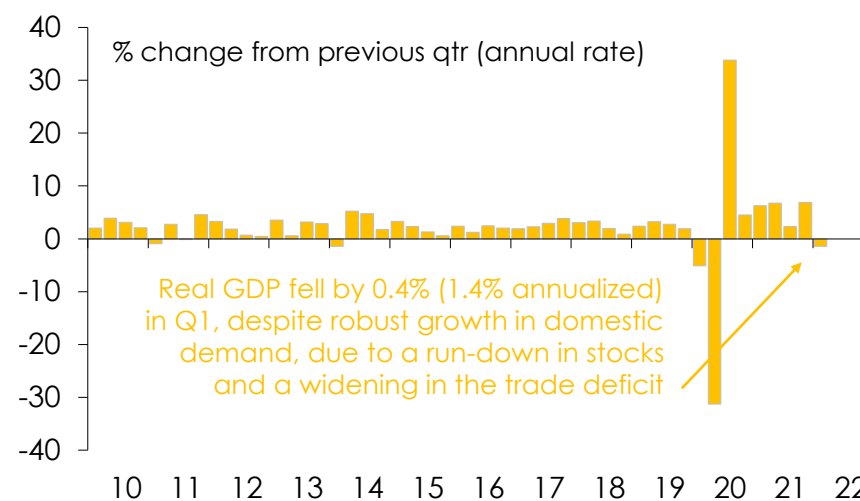
US real GDP grew 1.7% (6.9% annualized) in Q4 2021 – almost eliminating the ‘output gap’ – though most of the growth came from inventories

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

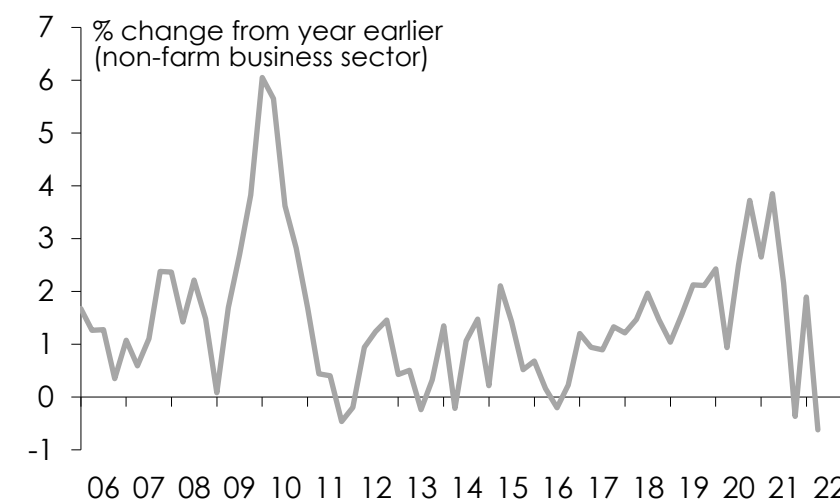
Level of real GDP



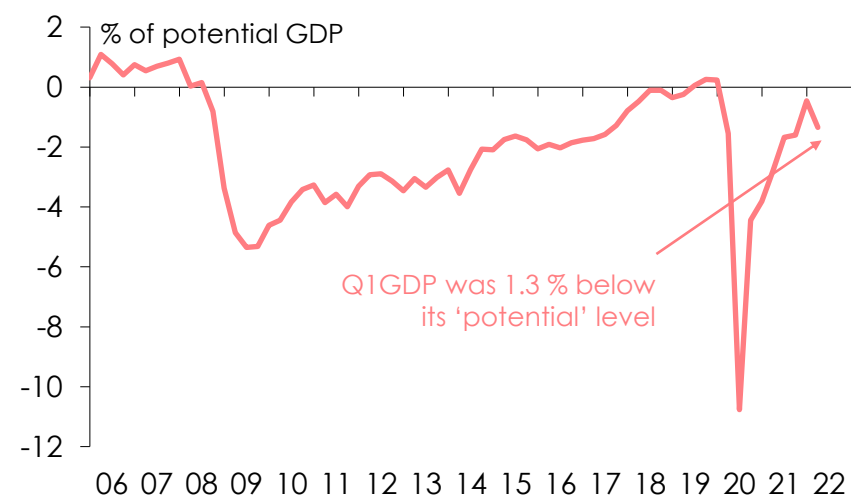
Quarterly change in real GDP



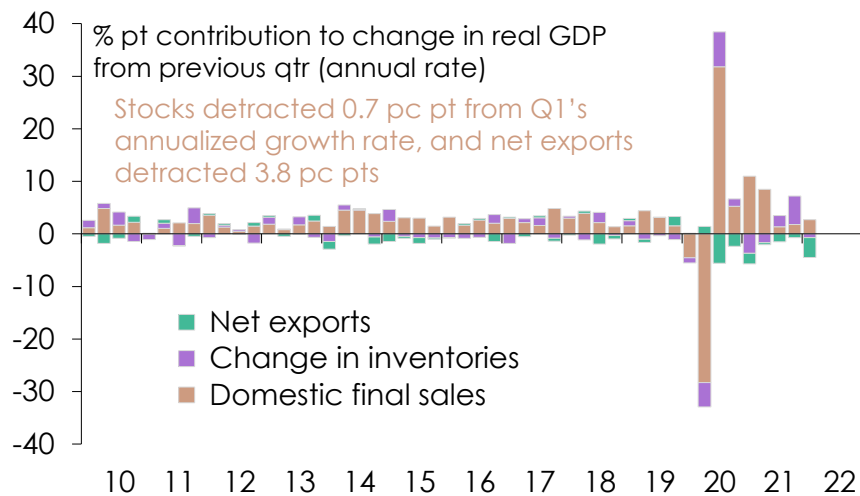
Labour productivity growth



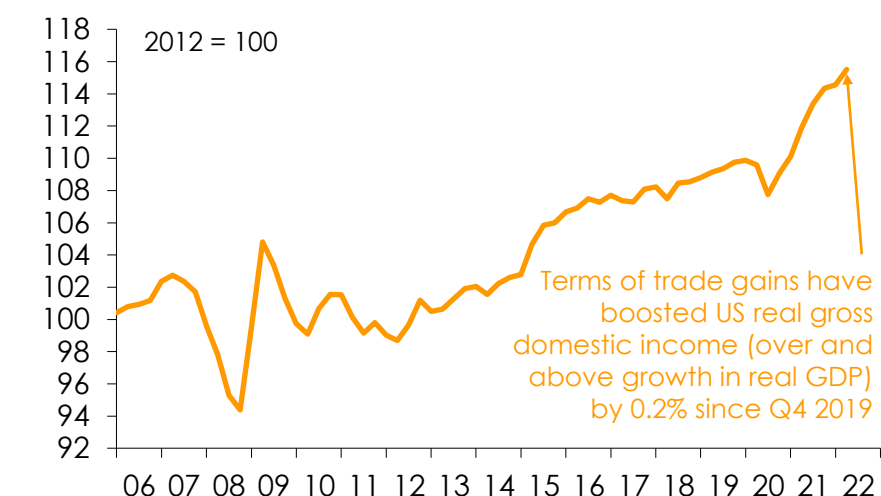
The ‘output gap’



Contributions to change in real GDP



Terms of trade

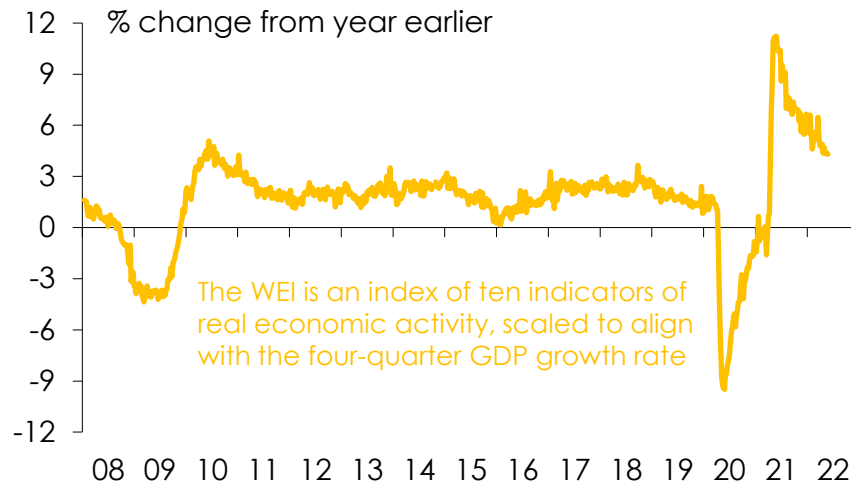


Note: the ‘output gap’ is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the ‘terms of trade’ is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

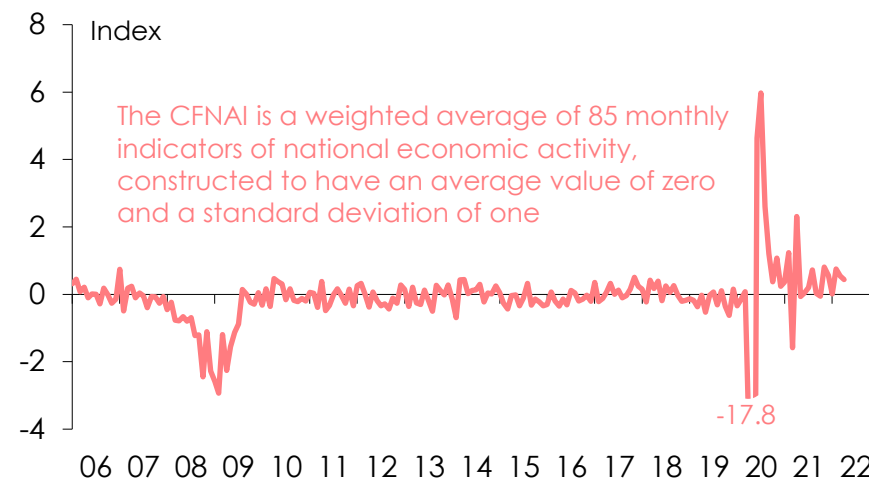
Most survey-based and 'leading' indicators are signalling a slowing in US economic activity in the first half of this year

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

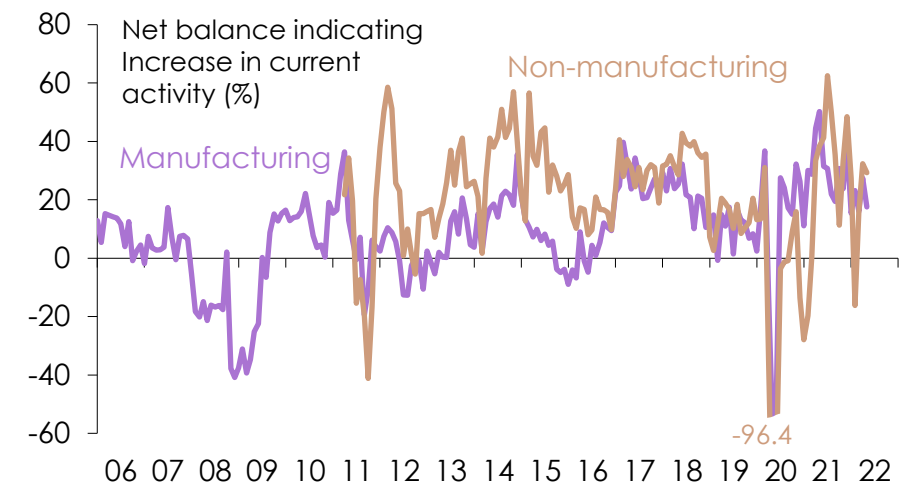
NY Fed weekly economic index



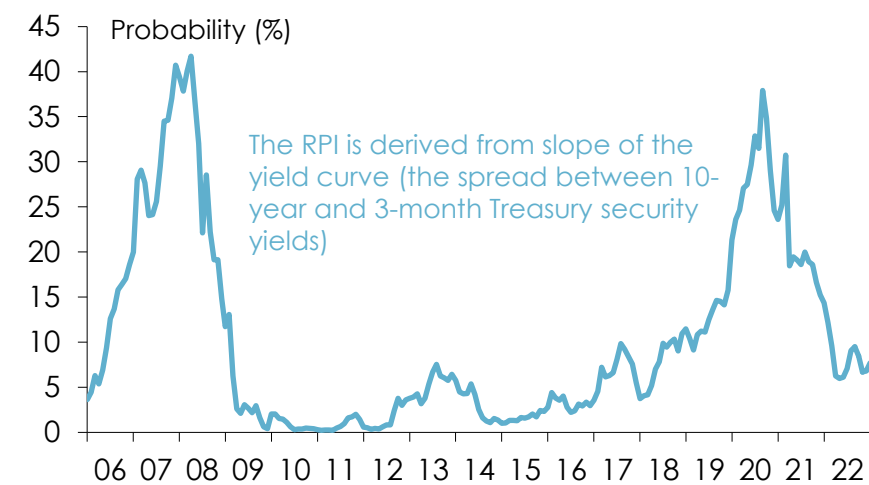
Chicago Fed national activity index



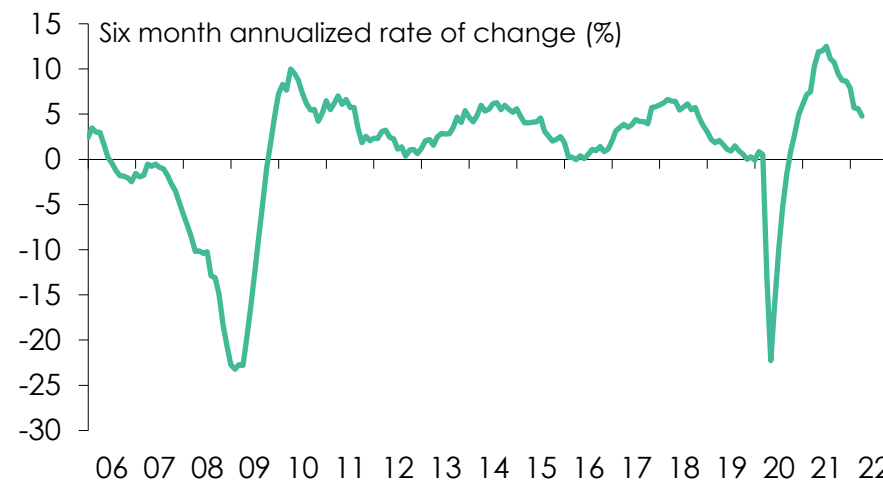
'Philly Fed' business outlook survey



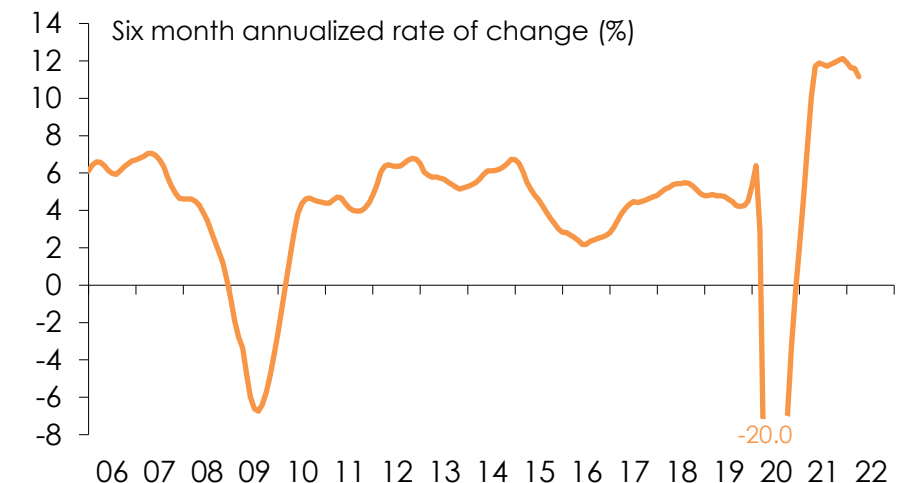
NY Fed recession probability index



Conference Board leading indicators



Dallas Fed Texas business index

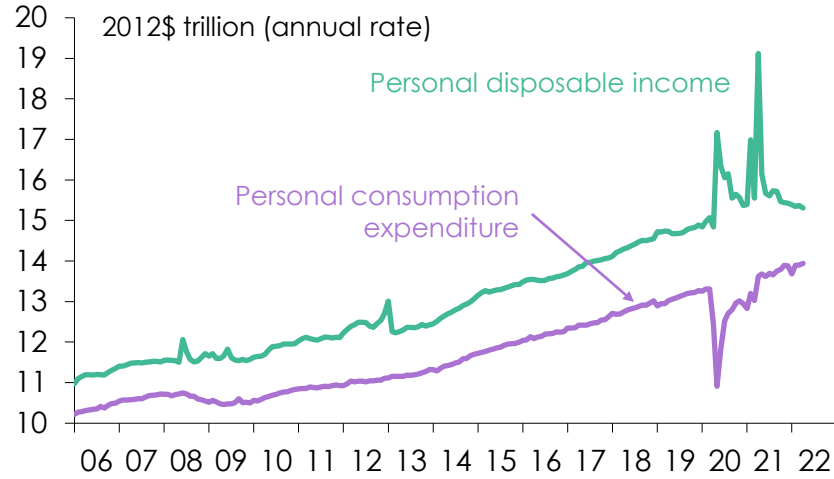


Sources: Federal Reserve Bank of New York, [Weekly Economic Index](#) and [The Yield Curve as a Leading Indicator](#); Federal Reserve Bank of Chicago, [Chicago Fed National Activity Index \(CFNAI\)](#); The Conference Board, [Global Business Cycle Indicators](#); Federal Reserve Bank of Philadelphia,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

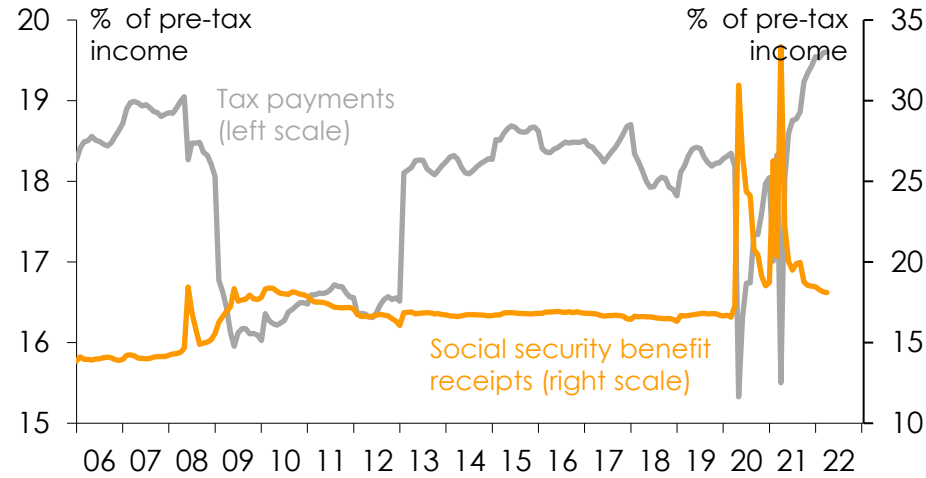
US real personal disposable income has fallen for 7 of the past 8 months, by a total of 2.7%, forcing households to reduce saving

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

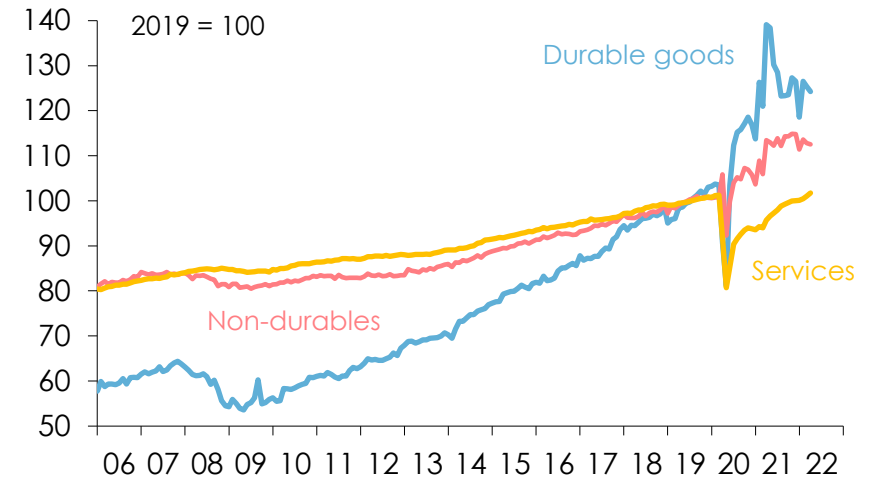
Personal income and expenditure



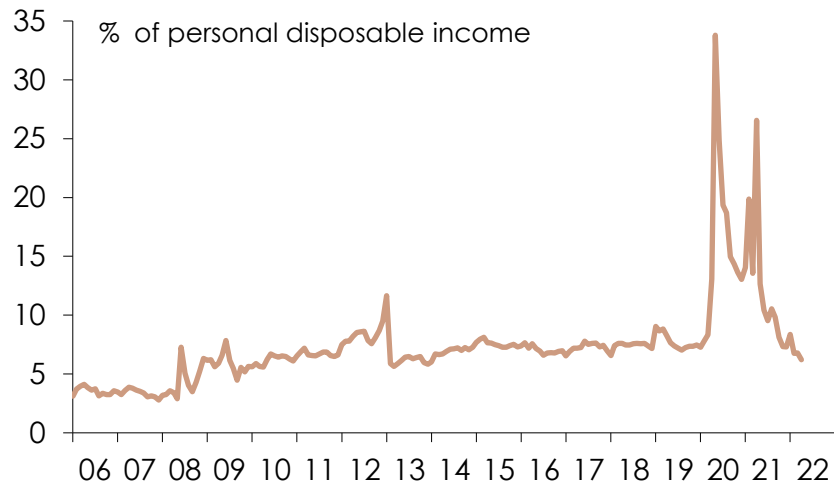
Tax and social security



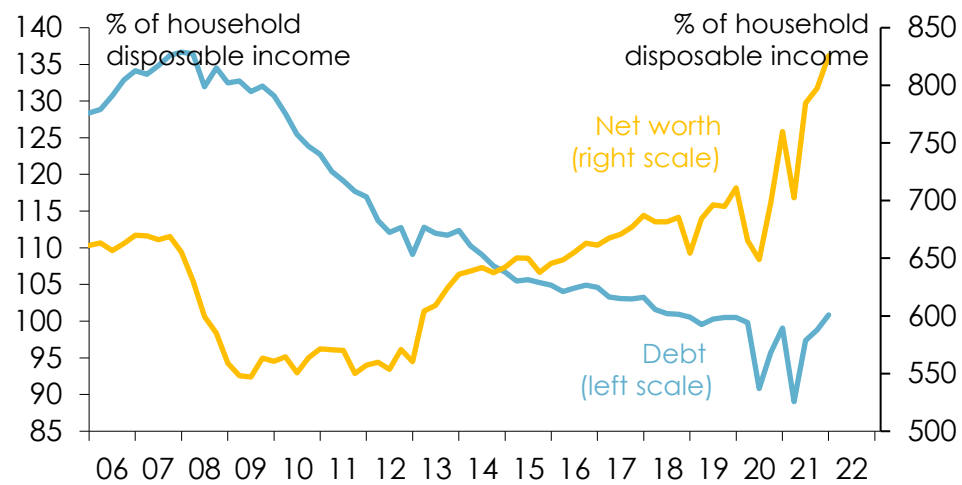
Personal consumption expenditure



Personal saving rate



Household debt and net worth



Spending on energy

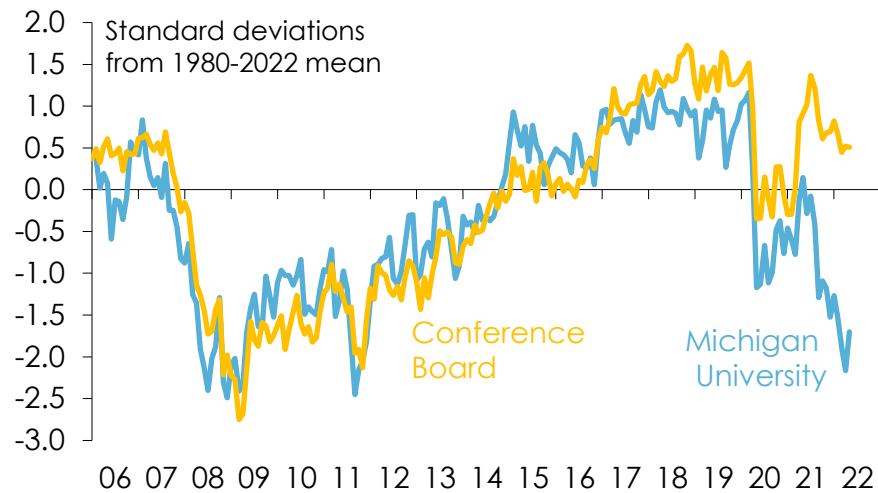


Note: data on personal income, spending and saving are monthly; data on debt and net worth are quarterly. Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#), [Consumer Spending](#) and [Income and Saving](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#). [Return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

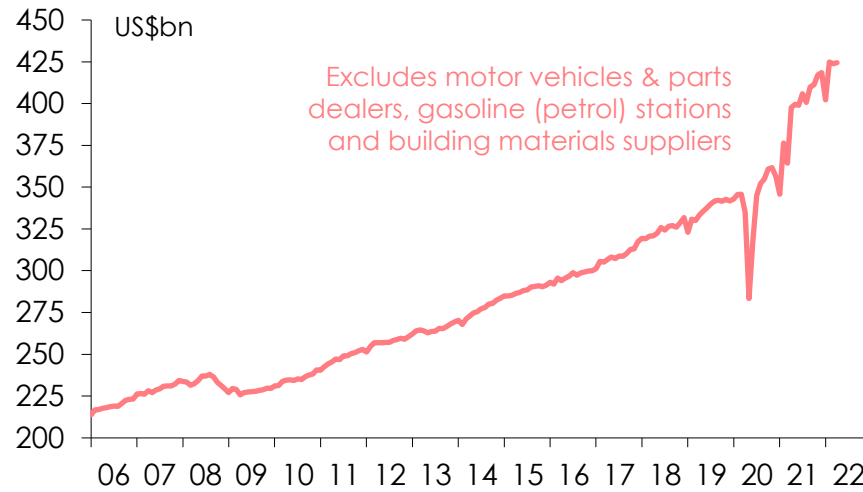
Total retail sales rose 0.5% in March, but that included an 8.9% increase in sales at gas stations (after 6.7% in February) – ‘core’ sales only rose 0.1%

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

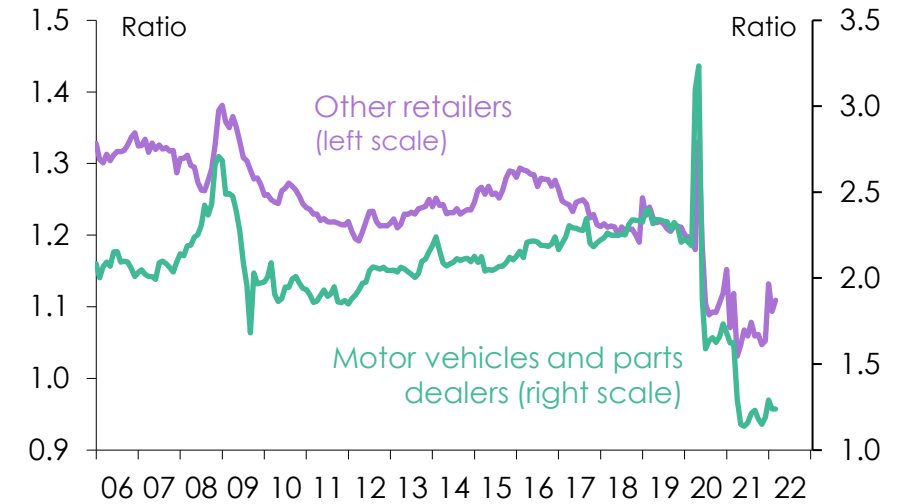
Consumer sentiment



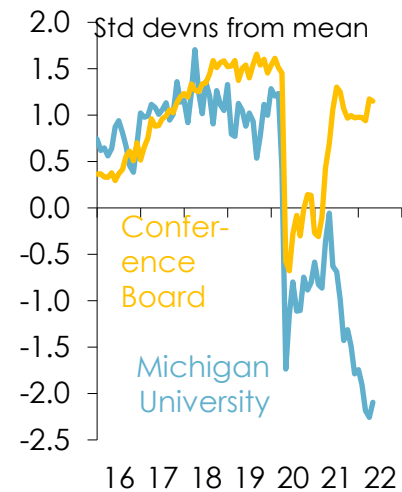
Level of ‘core’ retail sales



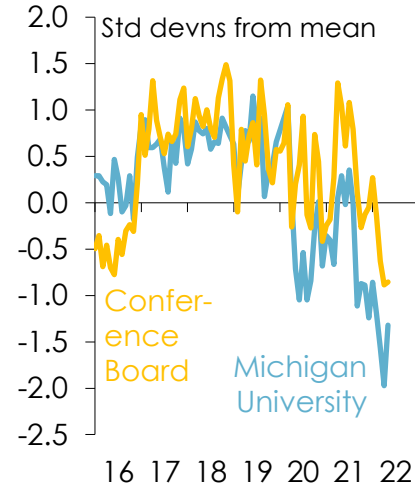
Retail inventories-sales ratios



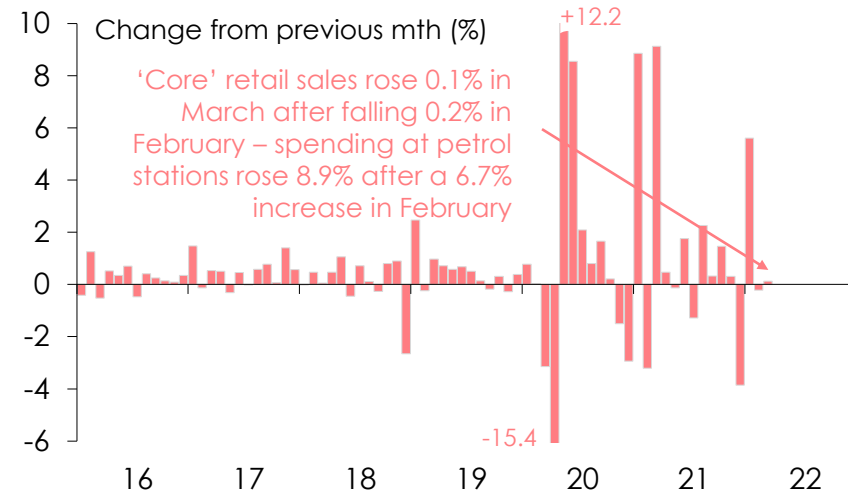
Present situation



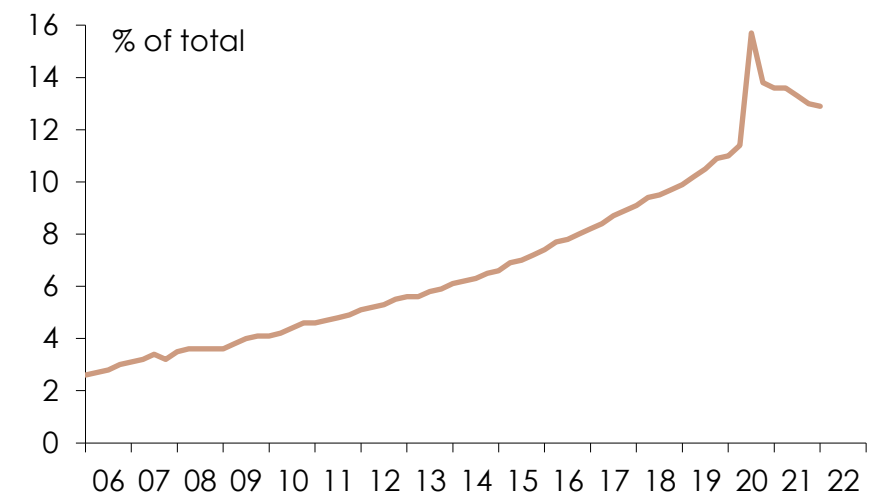
Expectations



Monthly changes in ‘core’ retail sales



On-line retail sales

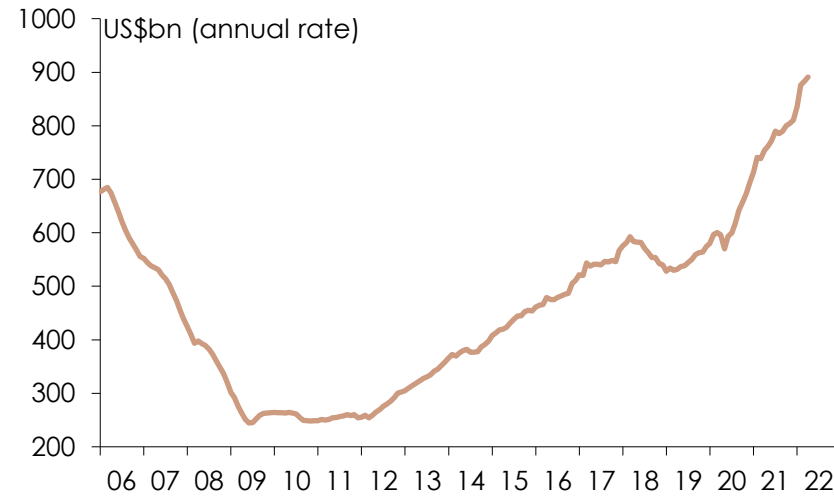


Note: ‘Core’ retail sales excludes motor vehicles, petrol stations and building materials stores. Sources: Michigan University Survey Research Center, [Survey of Consumers](#); The Conference Board, [US Consumer confidence](#); US Census Bureau, [Monthly Retail Trade](#) and [Advance Economic Indicators](#).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

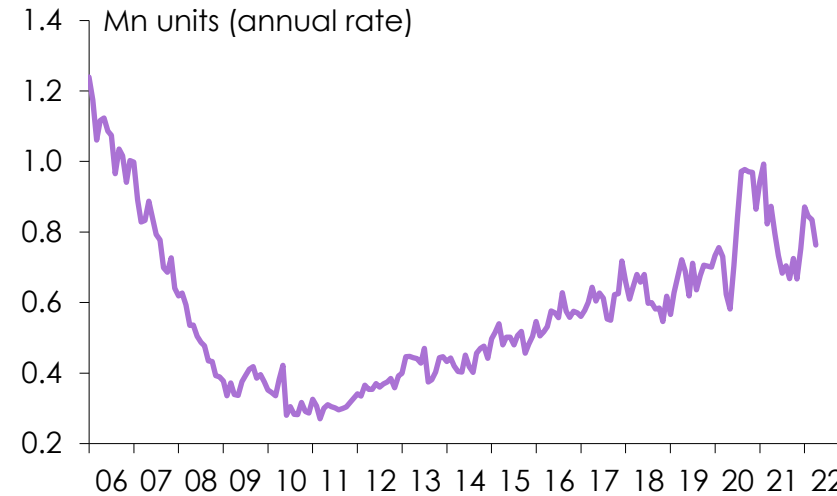
Housing starts in March were the strongest since June 2006, but supply still isn't keeping up with demand, so prices are still rising

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

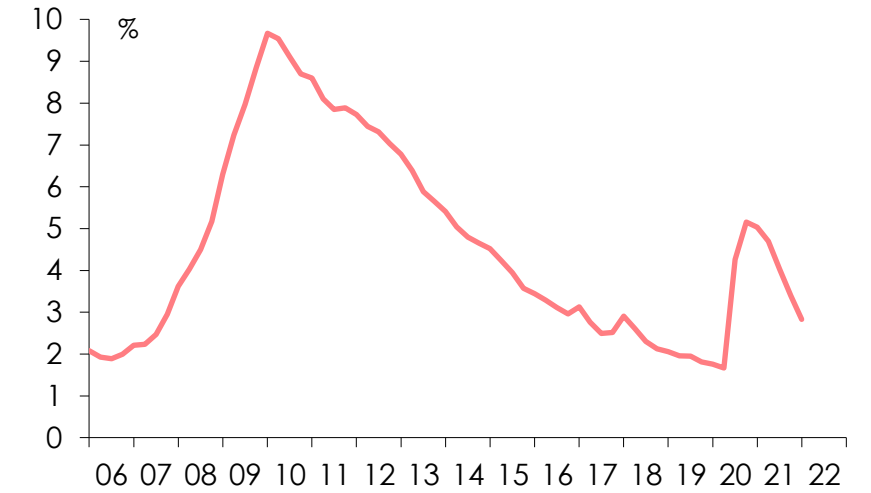
Housing construction spending



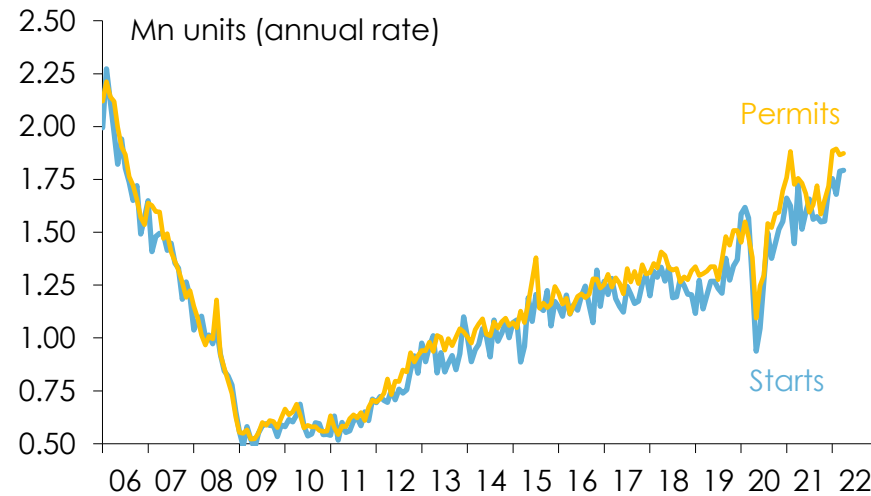
New single-family home sales



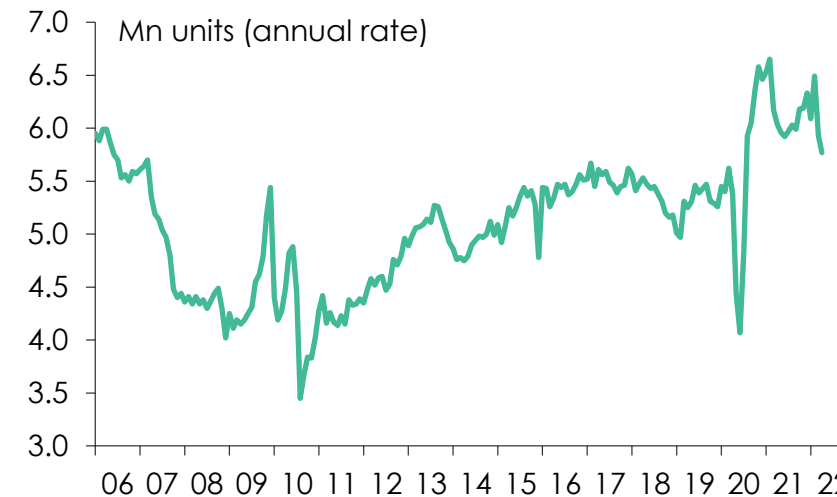
Mortgage delinquency rate



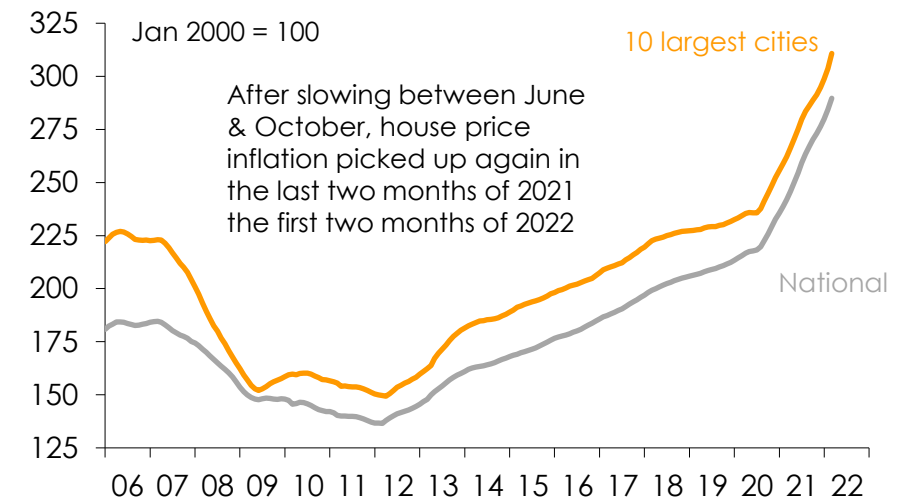
Housing starts and permits



Existing home sales



House prices

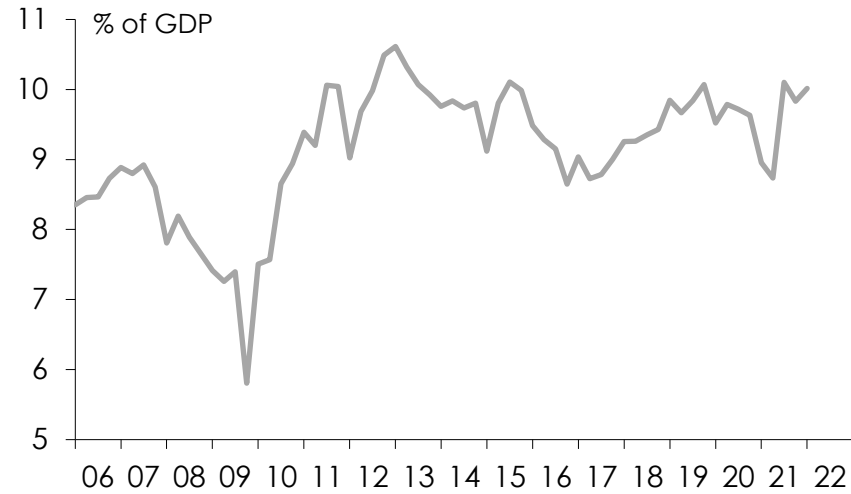


Sources: US Census Bureau, [Construction Spending](#), [New residential construction](#) and [New Residential Sales](#); US National Association of Realtors, [Existing-Home Sales](#); Mortgage Bankers' Association, [National Delinquency Survey](#); S&P Global, [S&P CoreLogic Case-Shiller Home Price Indices](#).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

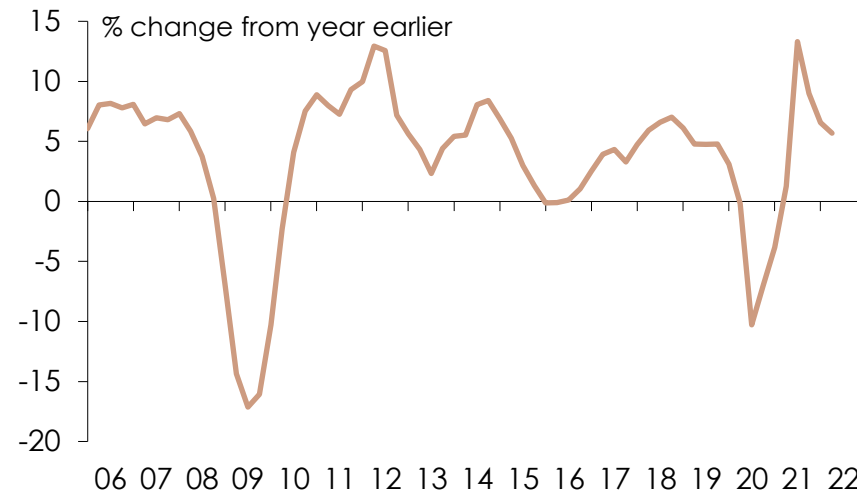
US corporate profits and balance sheets are strong, and investment is increasing – except in non-residential construction

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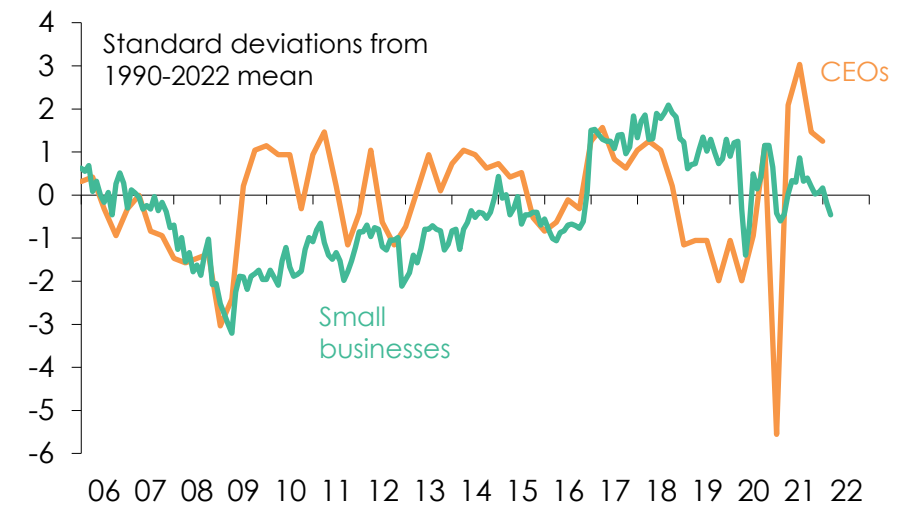
After-tax corporate profits



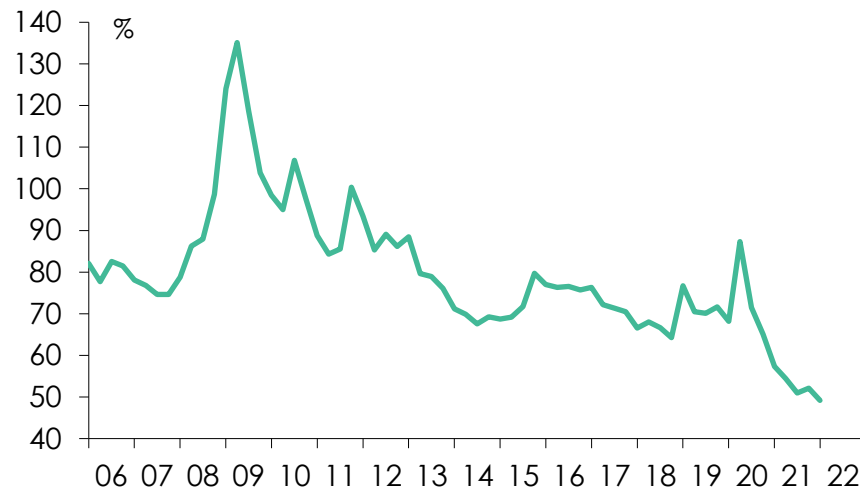
Business investment



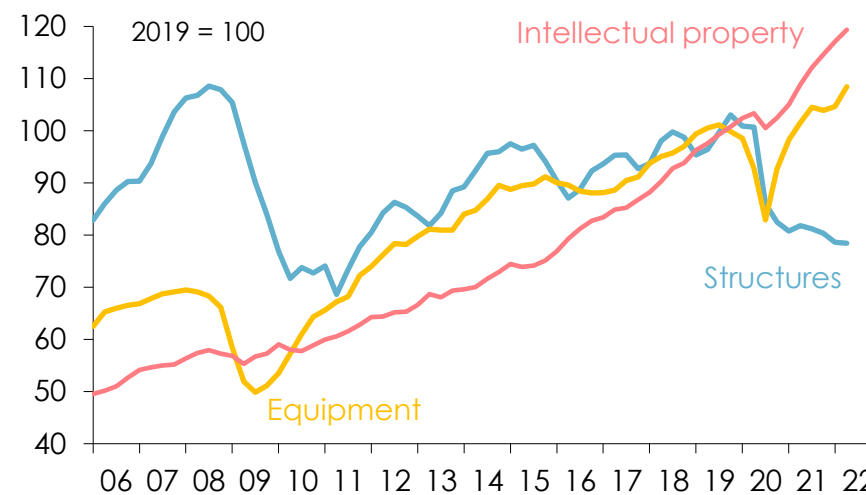
Business confidence



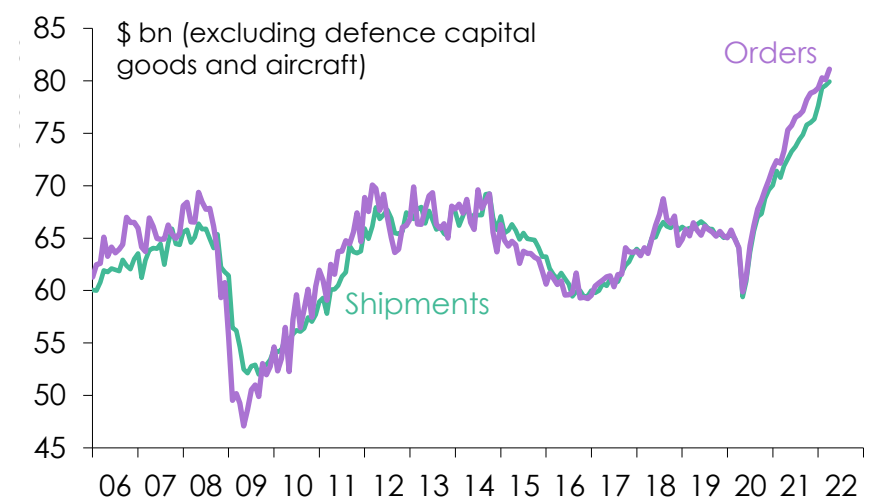
Corporate debt-equity ratio



Business investment by type



Capital goods orders & shipments

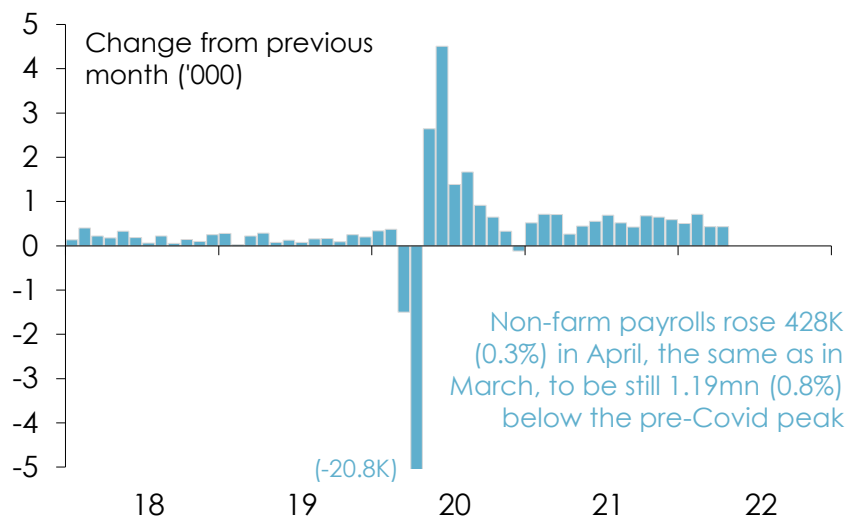


Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#); The Conference Board, [US CEO Confidence](#); National Federation of Independent Business, [Small Business Economic Trends](#); US Commerce Department, [Manufacturers'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

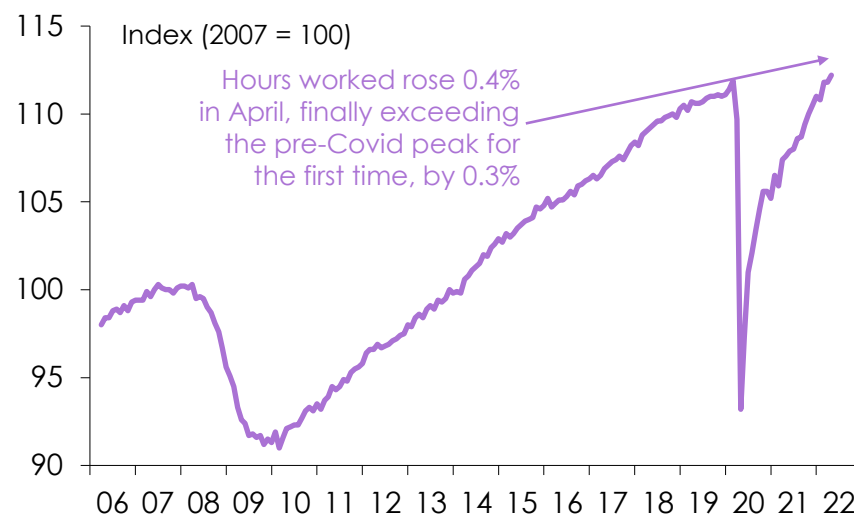
Payroll employment rose another 0.3% in April, but the unemployment rate remained unchanged at 3.6%

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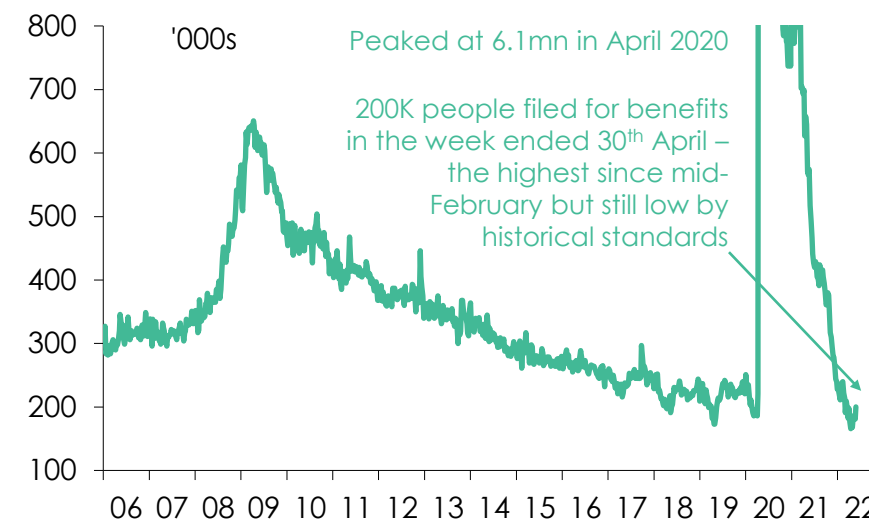
Non-farm payroll employment



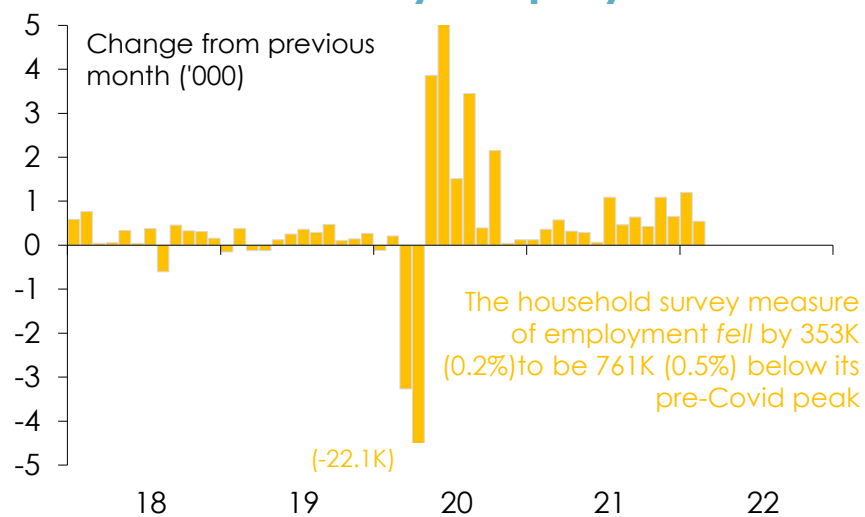
Hours worked (private sector)



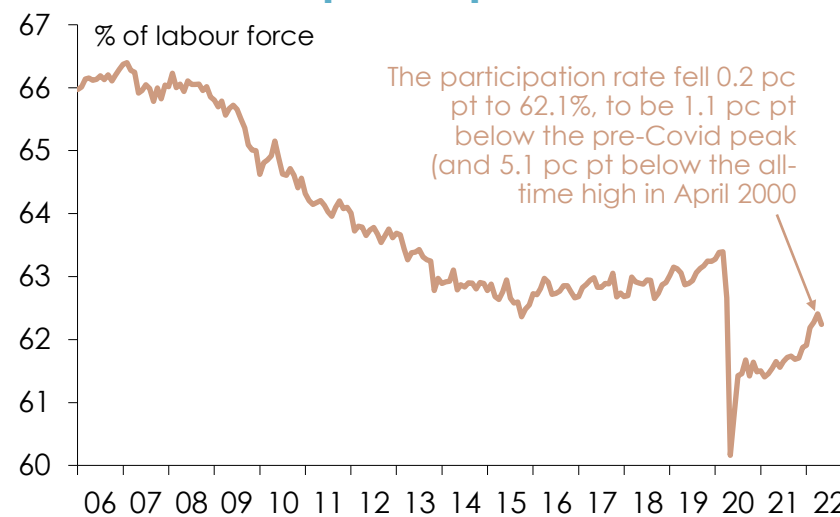
Unemployment benefit initial claims



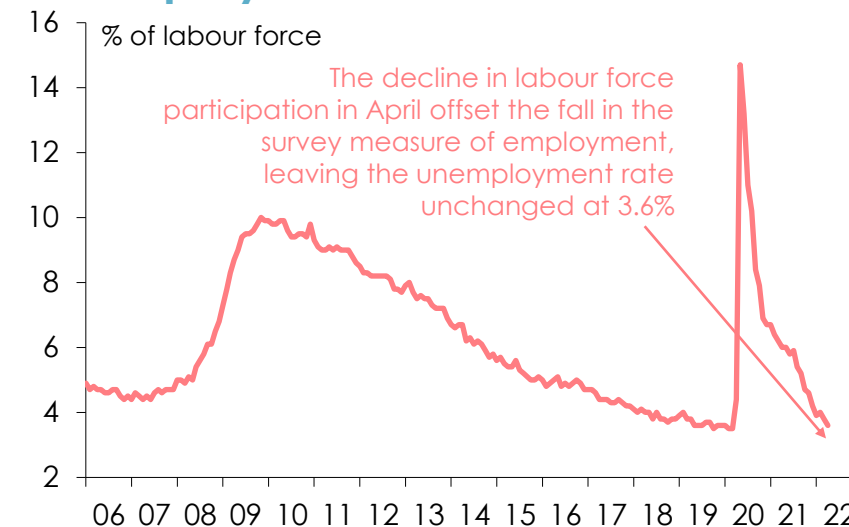
Household survey employment



Labour force participation rate



Unemployment rate

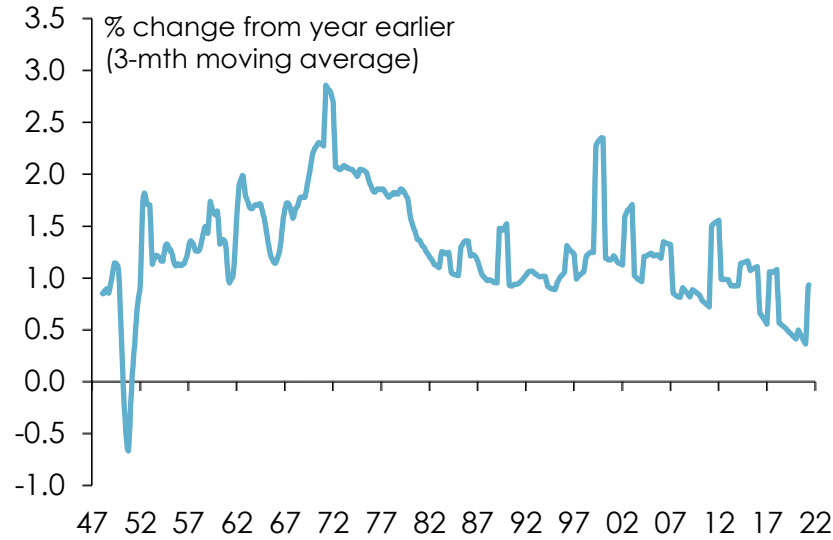


Sources: US Bureau of Labor Statistics, [Employment Situation](#); US Department of Labor, [Unemployment Insurance Weekly Claims](#). [Return to "What's New"](#).

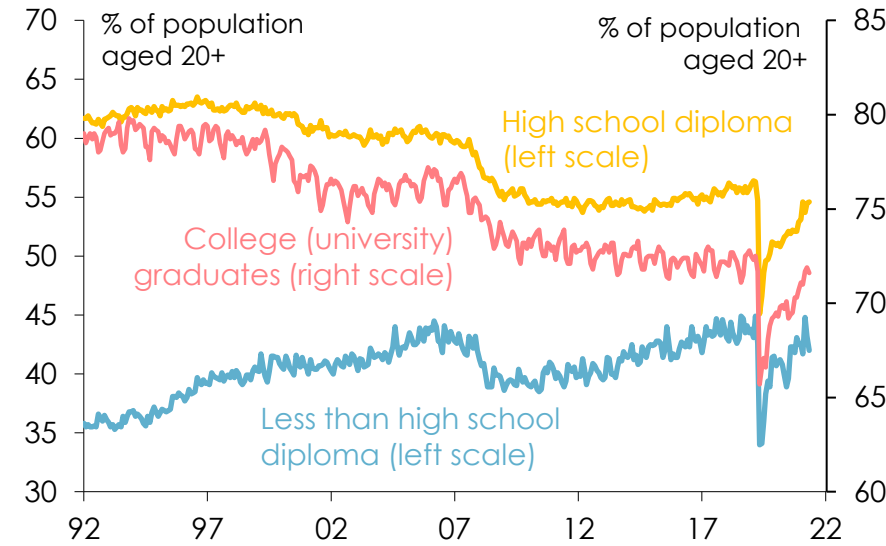
US labour market tightness owes much to a persistent shortfall in labour force participation, especially among people aged 55 and over

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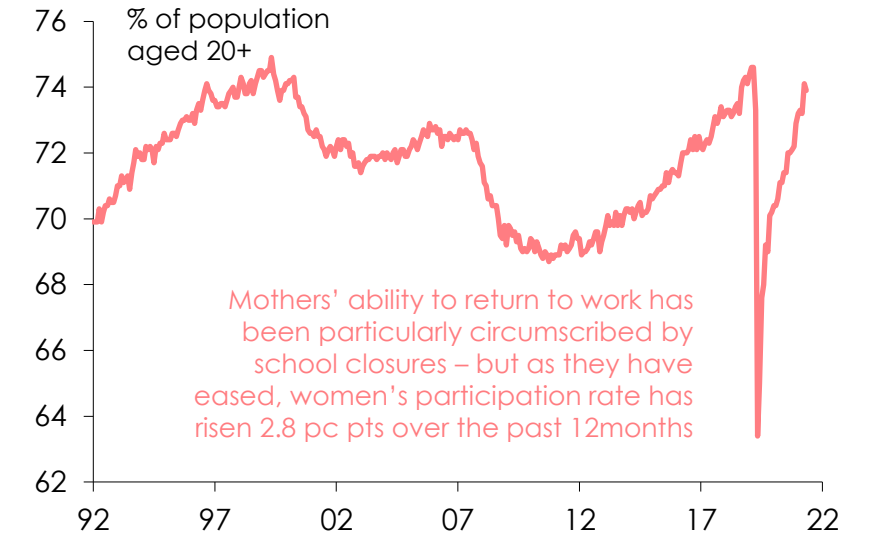
Civilian working age population



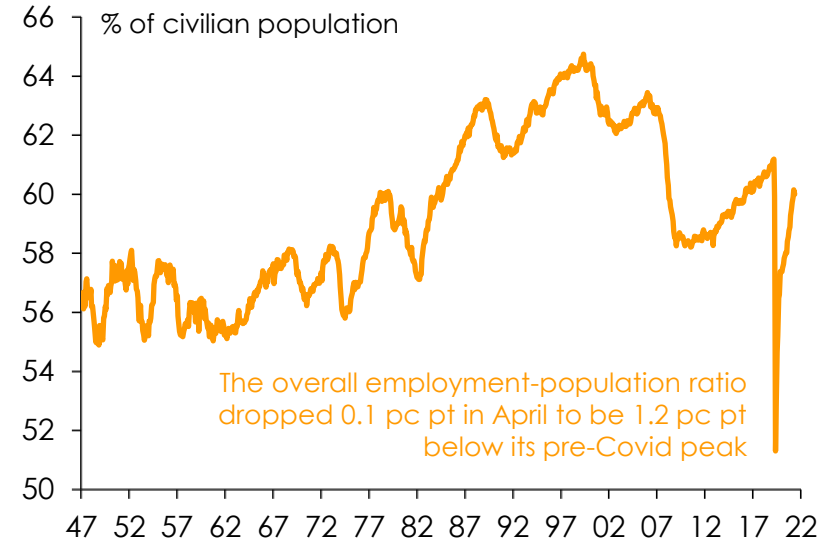
'E-pop' ratio – by education



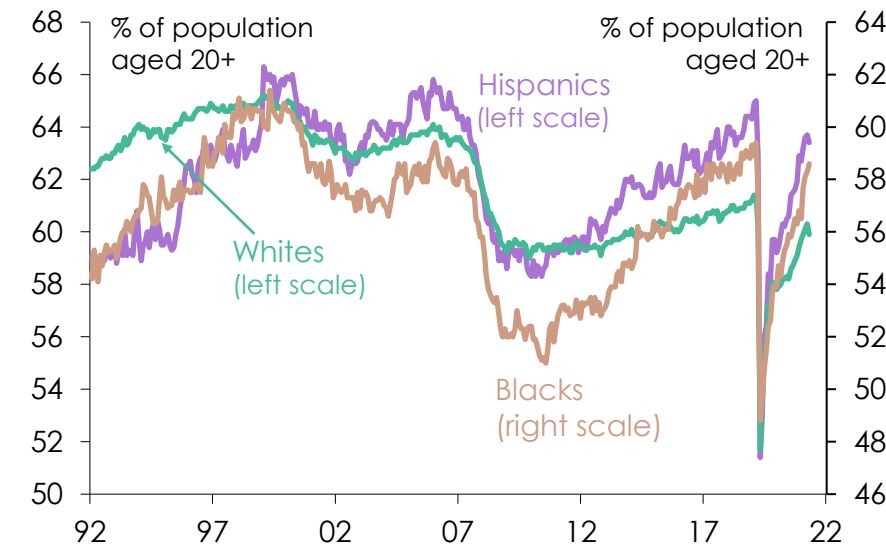
'E-pop' ratio – women 25-54



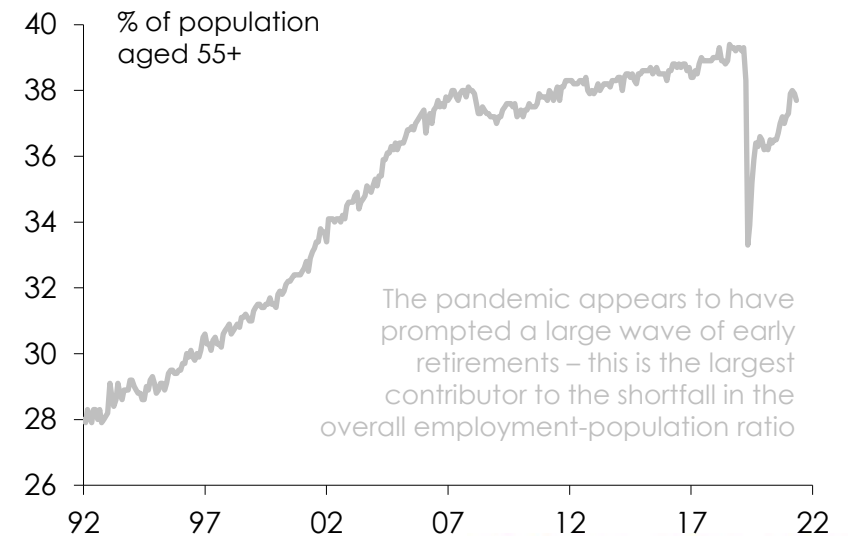
Employment-to-population ratio



'E-Pop' ratio – Blacks & Hispanics



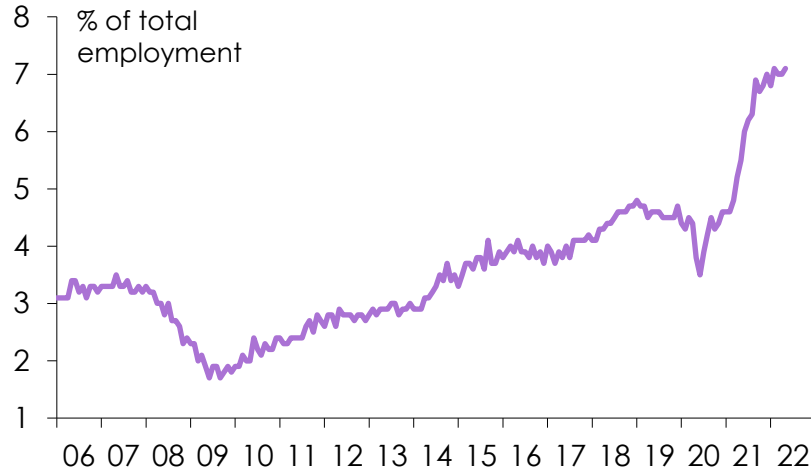
'E-pop' ratio – people 55 & over



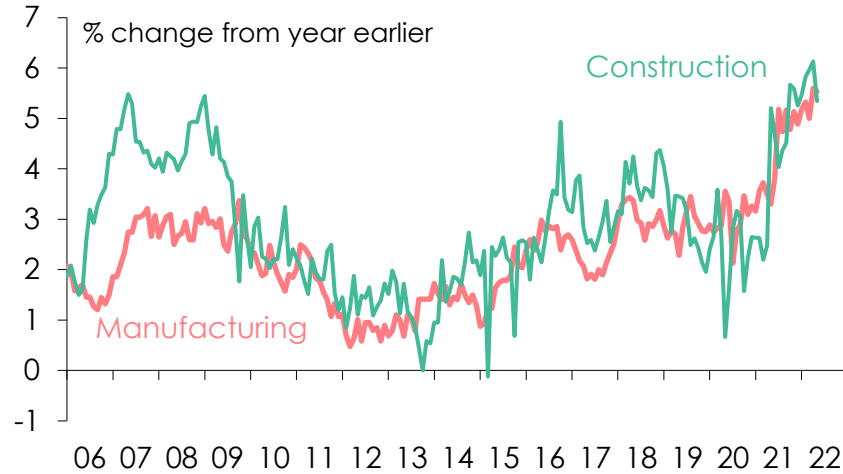
The wages component of the employment cost index (the best measure of US wages growth) rose by 5.0% over the year to Q1

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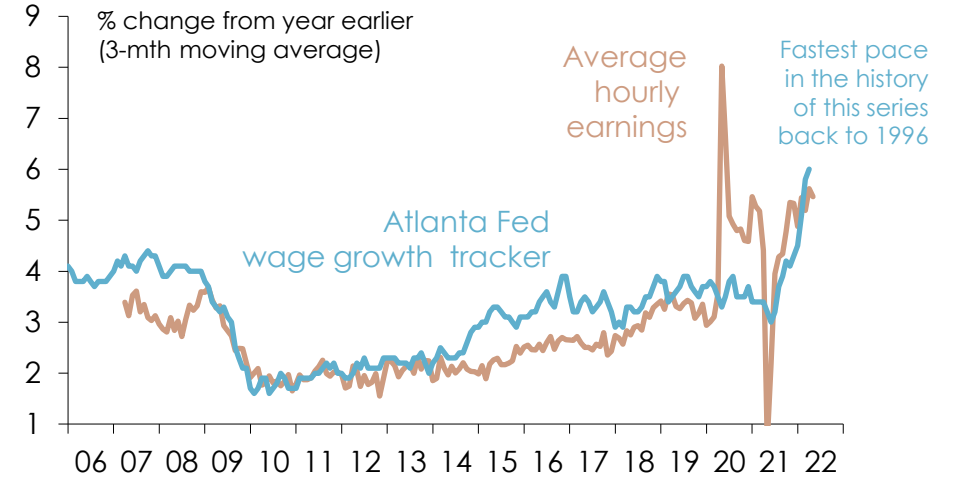
Job openings



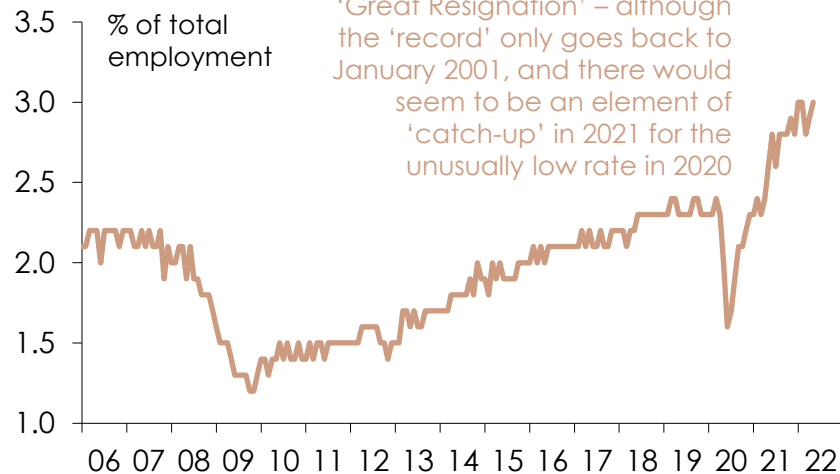
Average hourly earnings



Overall wages growth - monthly

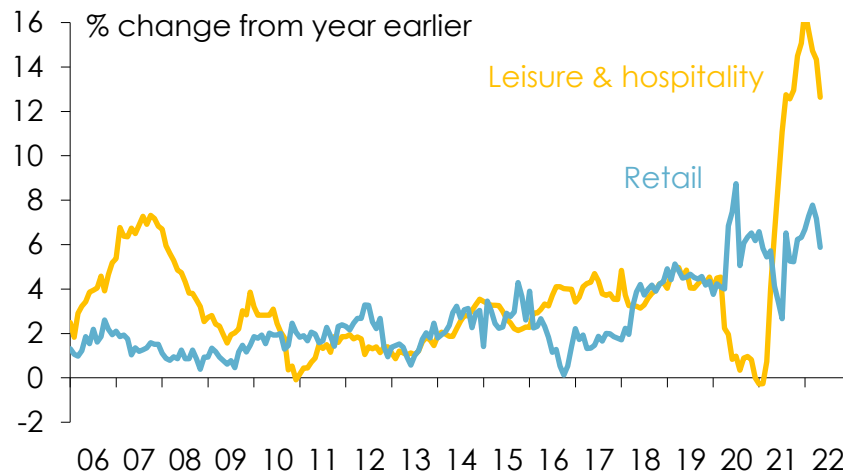


Quit rate

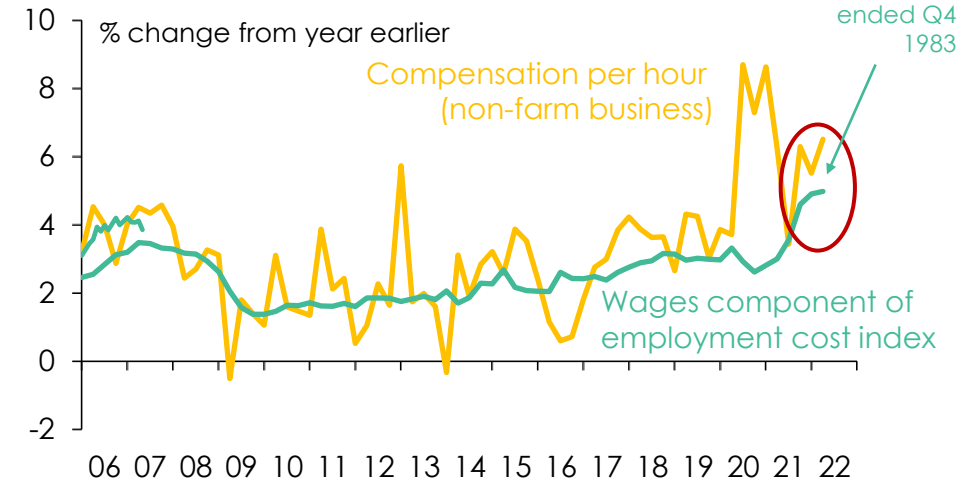


The record high 'quit rate' is the main evidence for the so-called 'Great Resignation' – although the 'record' only goes back to January 2001, and there would seem to be an element of 'catch-up' in 2021 for the unusually low rate in 2020

Average hourly earnings



Wages growth - quarterly

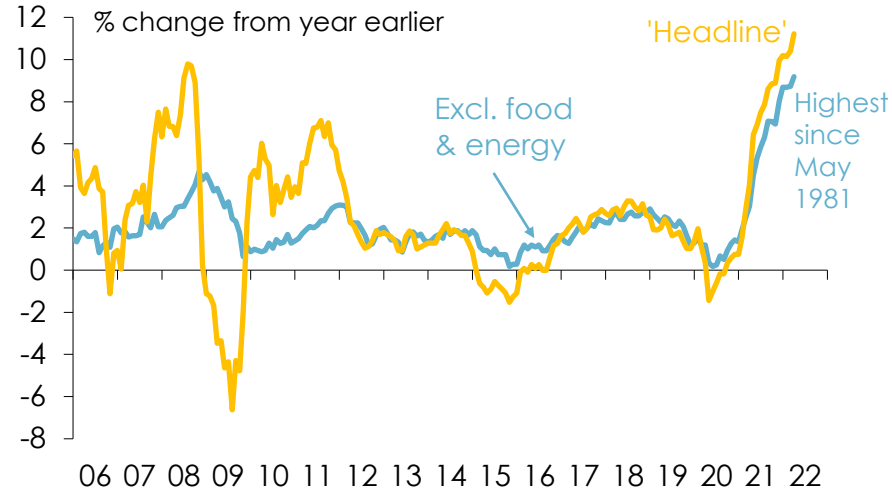


Note: Measures of average hourly earnings (especially the all-industries measures) and of average compensation per hour are affected by changes in the composition of employment (so for example they rose sharply in Q2 2020 when large numbers of low-paid workers were laid off and fell markedly when they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

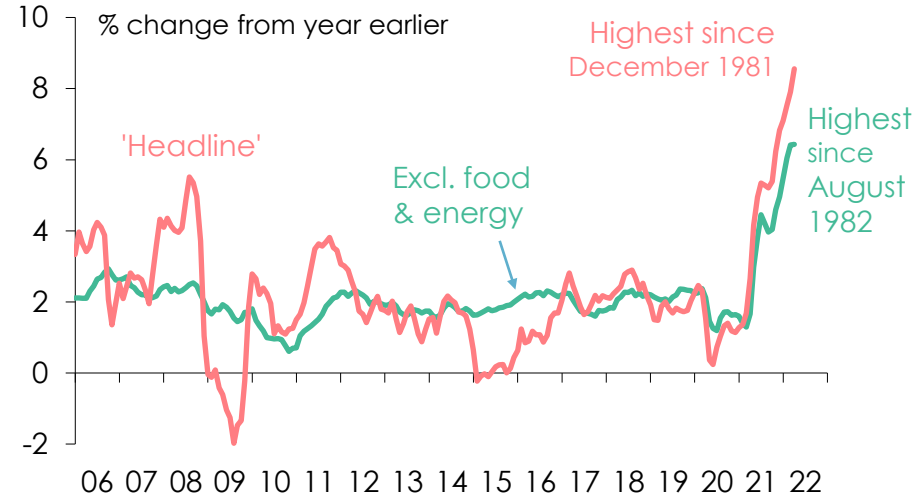
The US PCE deflator rose 6.6% over the year to March – but the ‘core’ measure slipped slightly to 5.2% (from 5.3% in February)

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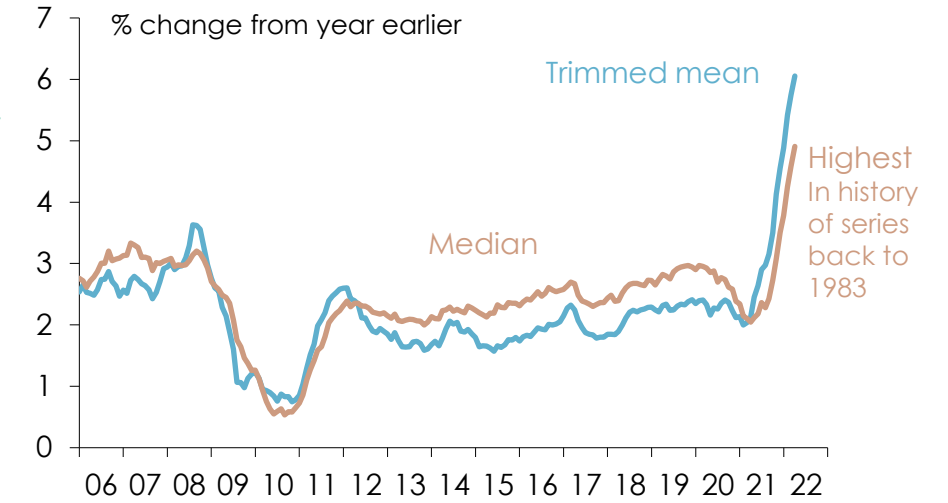
Producer price index



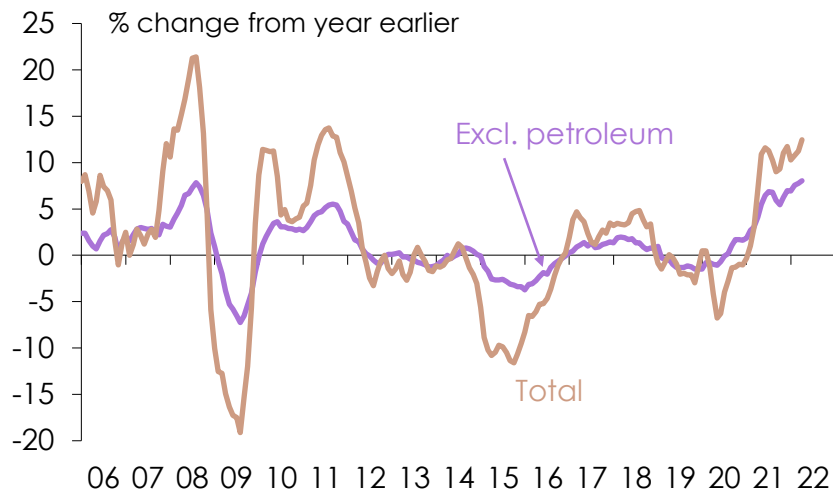
Consumer price index



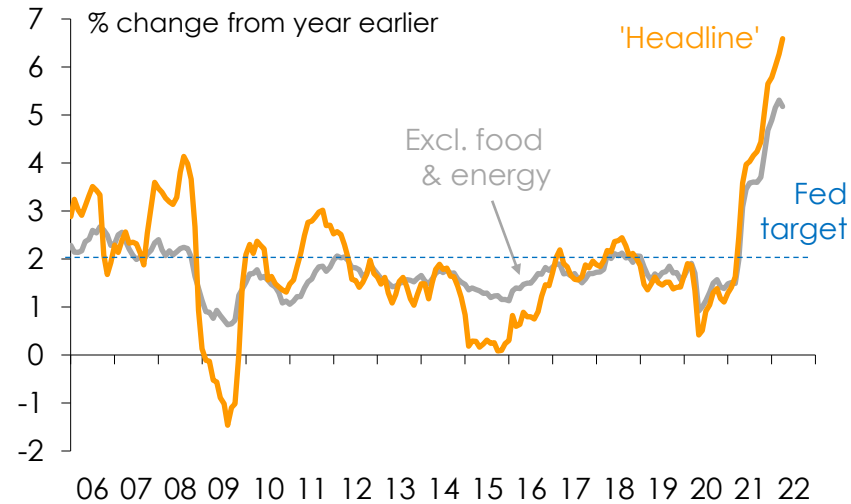
'Underlying' CPI inflation



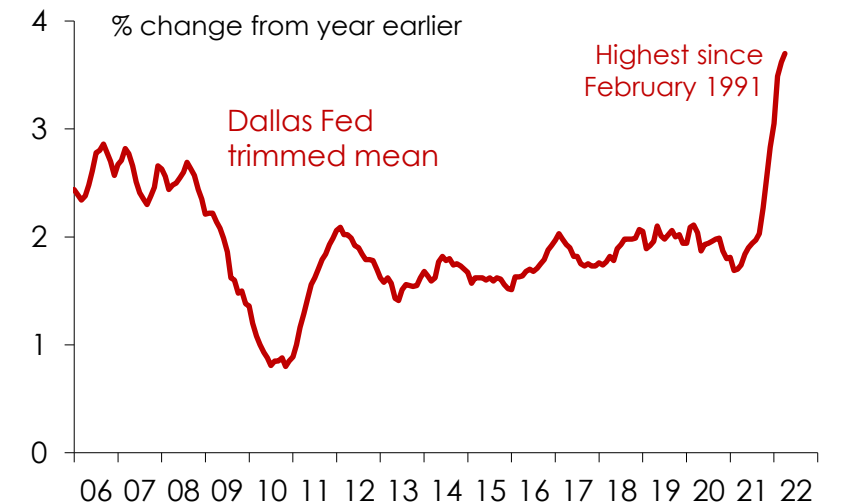
Import price index



Personal consumption deflator



'Underlying' PCE deflator inflation

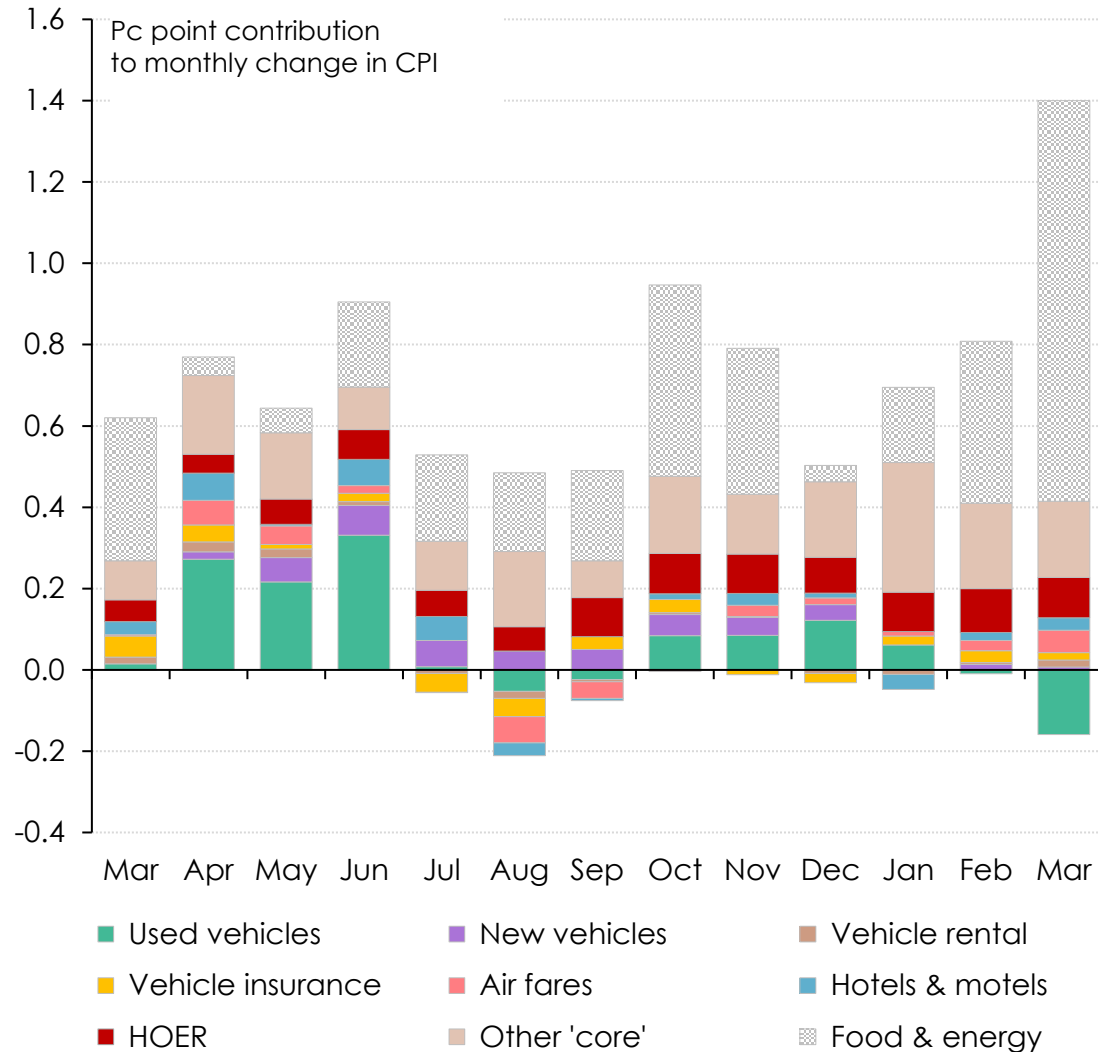


Sources: US Bureau of Labor Statistics, [Producer Price Index](#), [Import and Export Price Indexes](#) and [Consumer Price Index](#); US Bureau of Economic Analysis, [Personal Consumption Expenditures Price Index](#); Federal Reserve Bank of Cleveland, [Median CPI](#); Federal Reserve Bank of Dallas,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

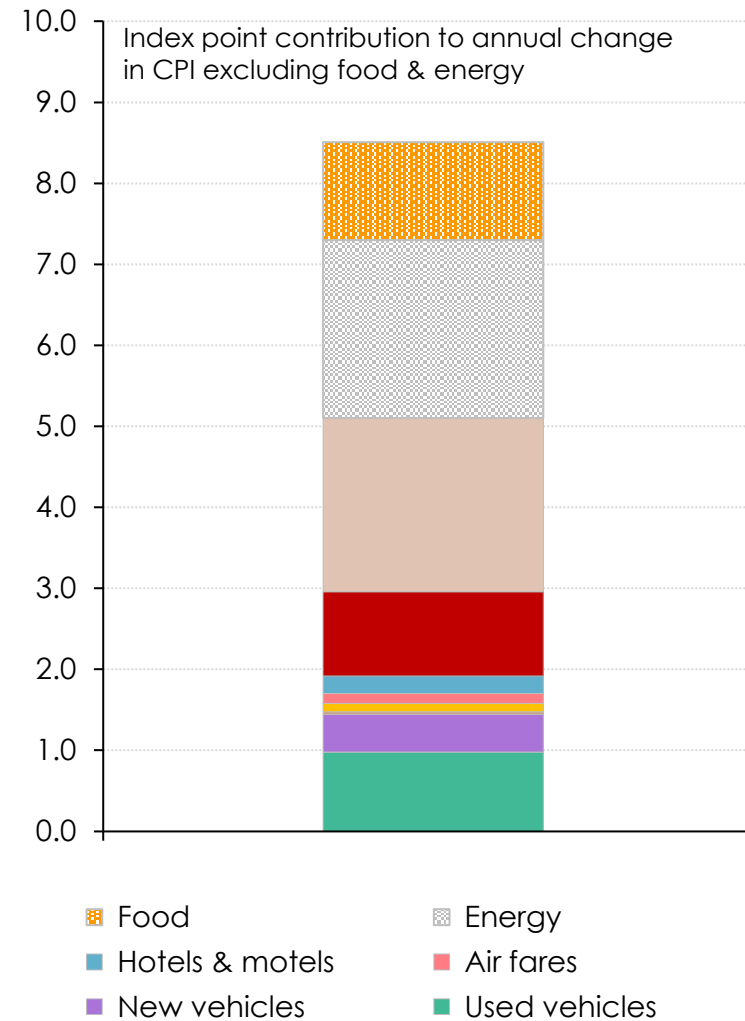
Food & energy have been the largest contributors to the CPI increases in February and especially March – ‘core’ CPI increases have been smaller

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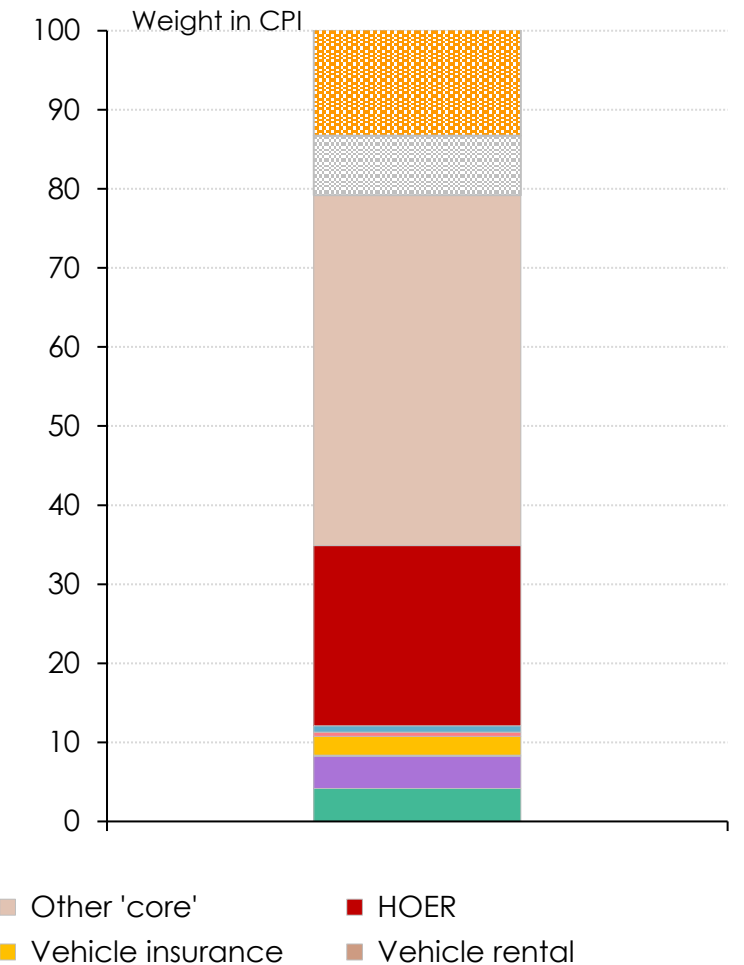
Contributions to monthly changes in the US CPI



Contributions to change in CPI over the year to March



Weights in CPI

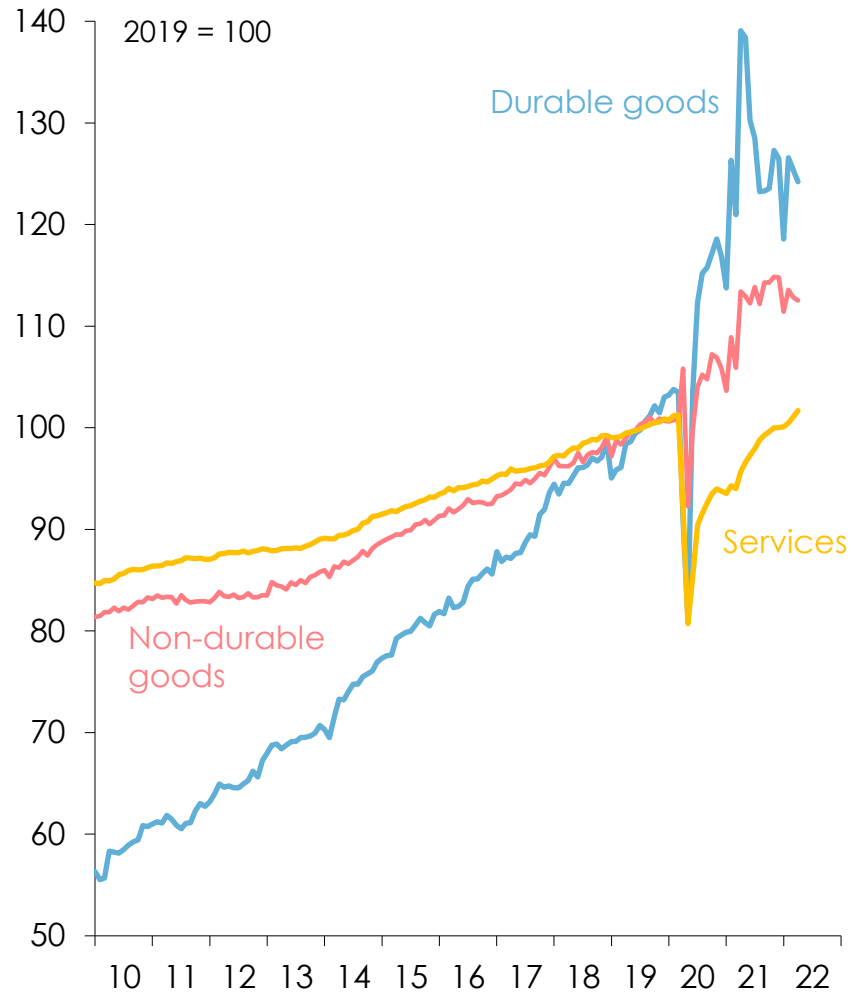


Note: 'HOER' = home-owners' equivalent rent (a measure of the 'imputed rent' notionally paid by owner-occupiers to themselves), and which accounts for (an uncommonly large, by international standards) 28½% of the CPI excluding food and energy. Source: US [Bureau of Labor Statistics](#), CPI Table 6;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

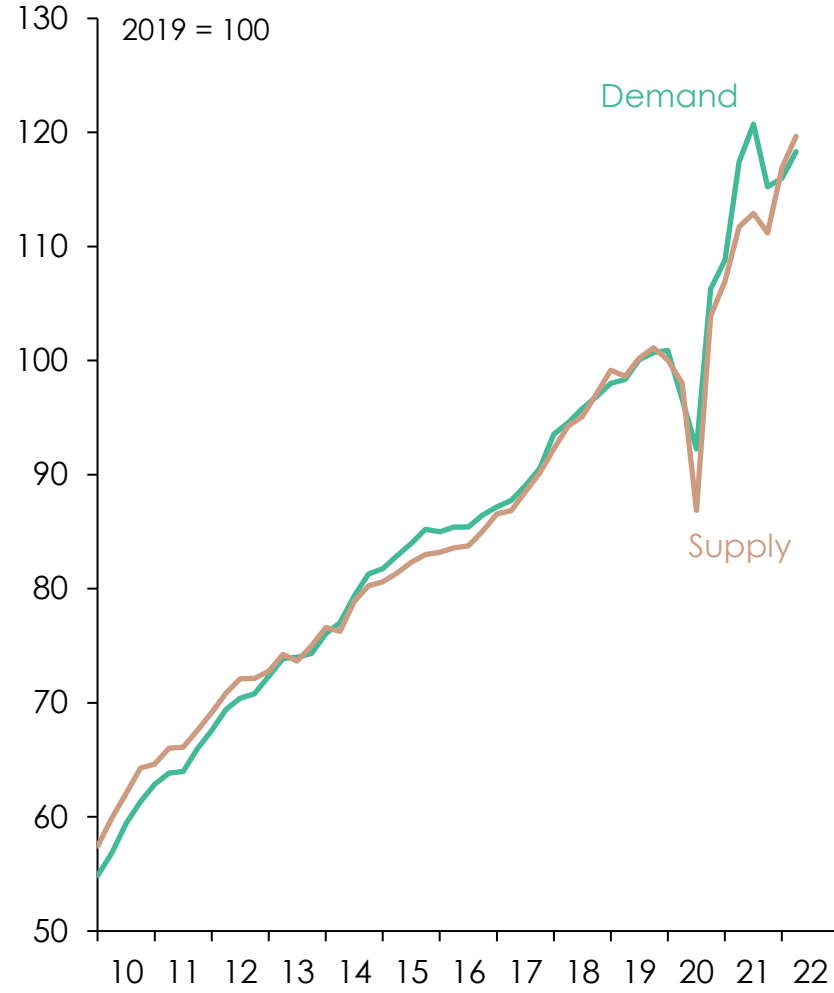
The rise in inflation has until recently been largely attributable to the imbalance between supply and demand for durable goods

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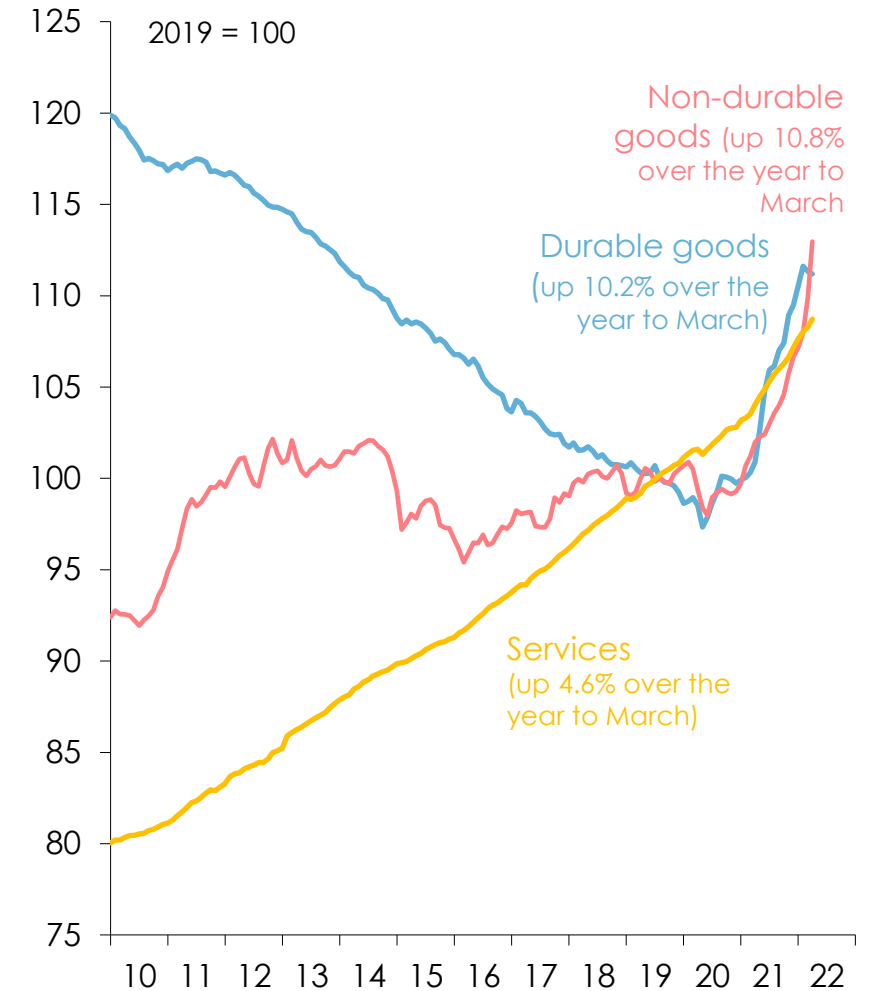
Composition of personal consumption expenditures



Aggregate demand for and supply of durable goods



Implicit price deflators of personal consumption

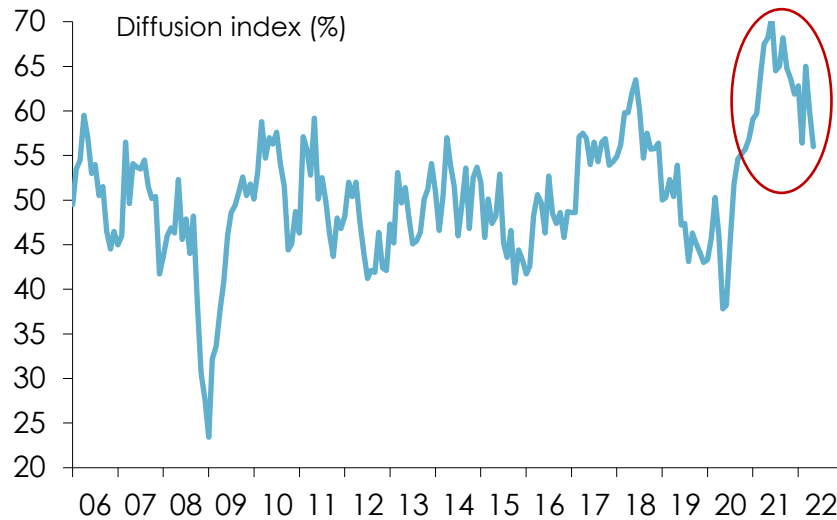


Note: 'Aggregate demand' for durable goods comprises personal consumption of durable goods plus business investment in equipment. 'Aggregate supply' of durable goods comprises gross domestic product (final sales plus change in inventories) plus net imports of durable goods. Sources: US Bureau of Economic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

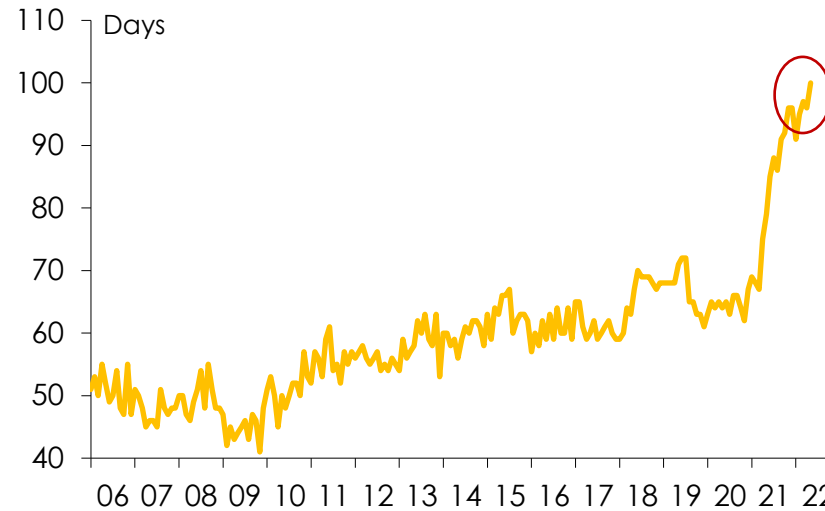
Supply-chain difficulties have intensified again this year, after seeming to have peaked during the second half of last year

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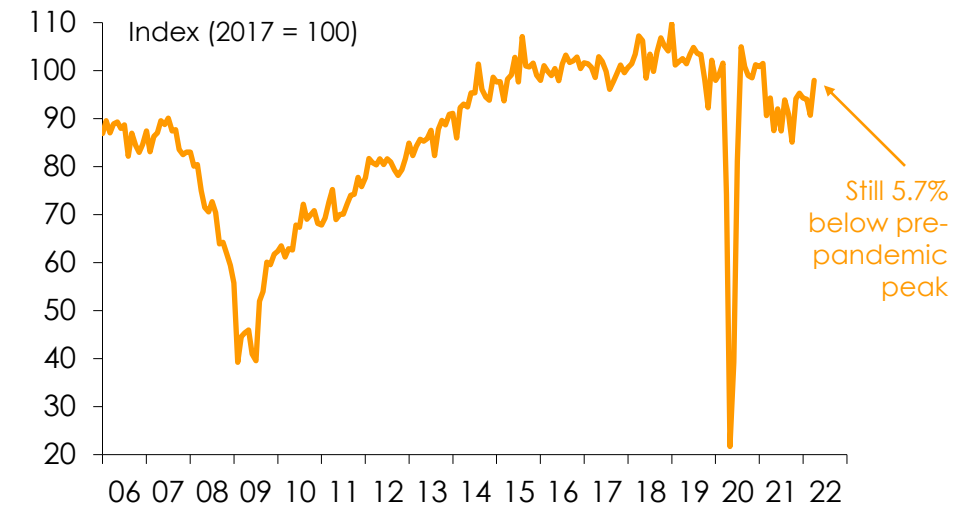
Manufacturers' order backlogs



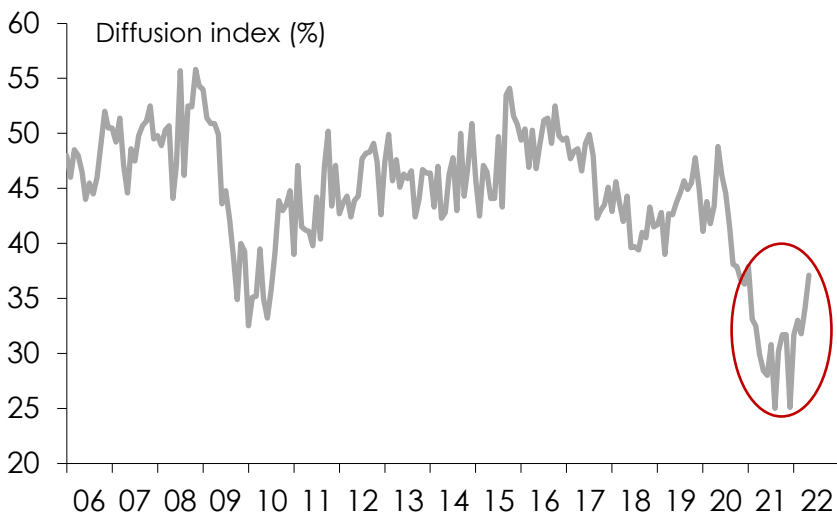
Lead-time for production materials



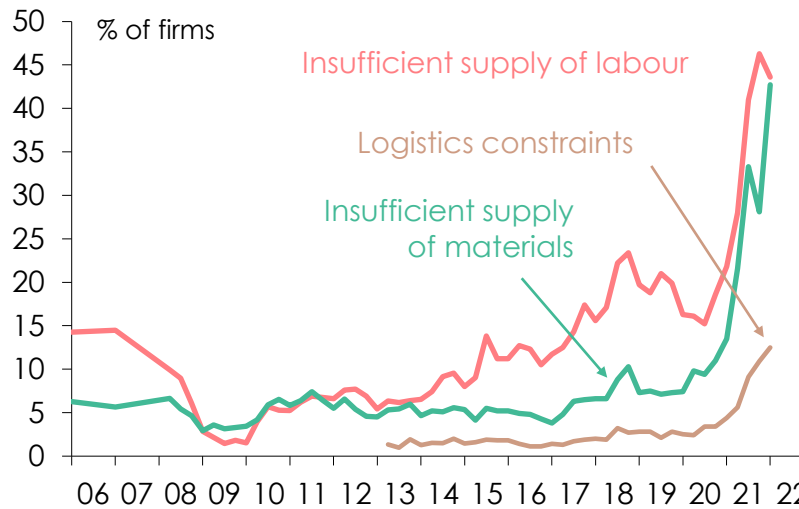
Motor vehicles & parts production



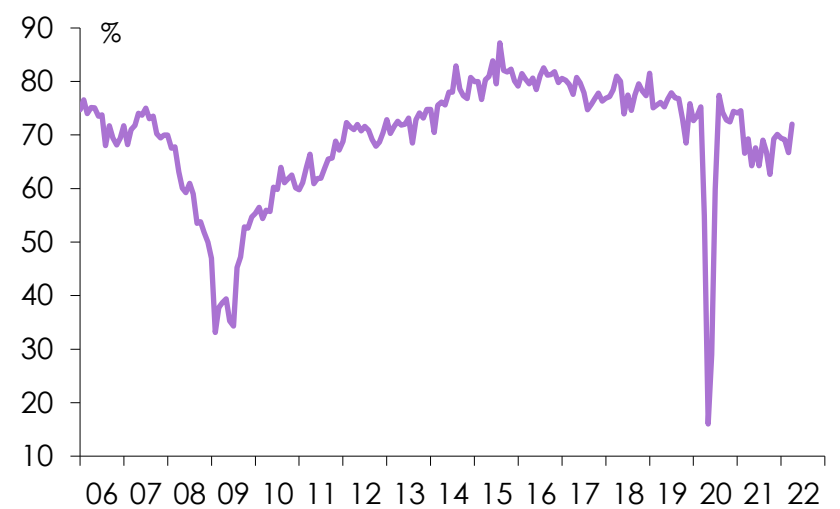
Manufacturers' customer inventories



Reasons for < full capacity



Auto industry capacity utilization

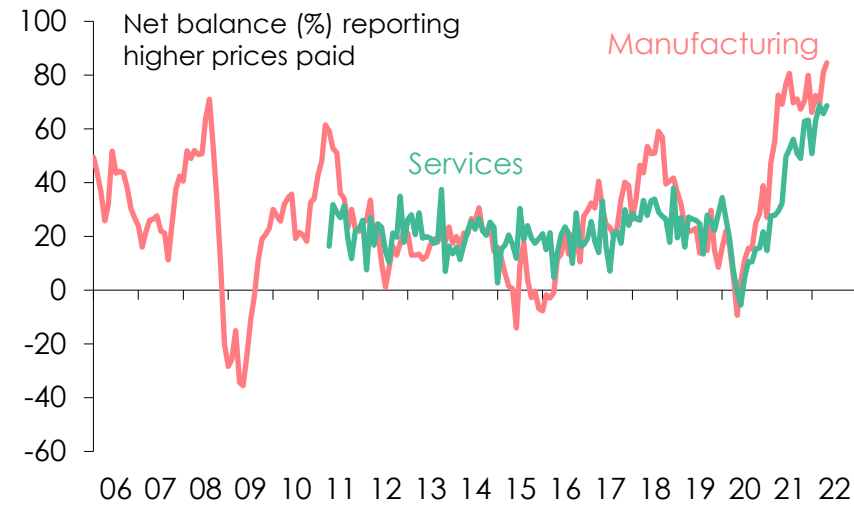


Note: The diffusion index of order backlogs is 50 plus the percentage of respondents reporting longer backlogs minus the percentage reporting shorter backlogs (and similarly for customer inventories). 'Reasons for < full capacity' means reasons for operating at less than full capacity. Sources: Institute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

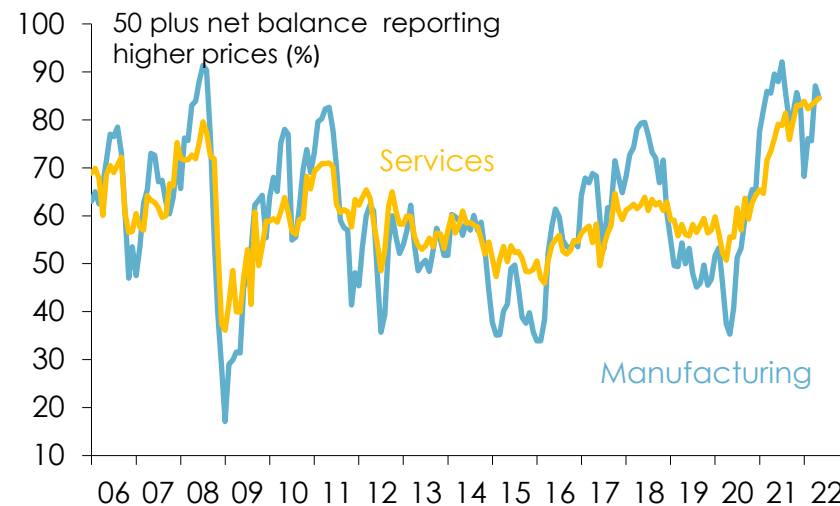
Longer-term household inflation expectations have remained remarkably stable over the past few months despite the sharp rise in actual inflation

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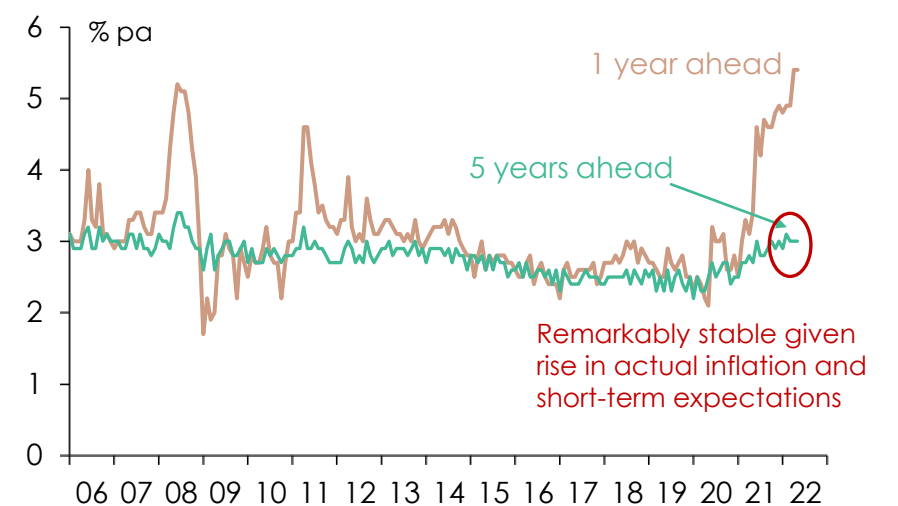
'Philly Fed' survey – prices paid



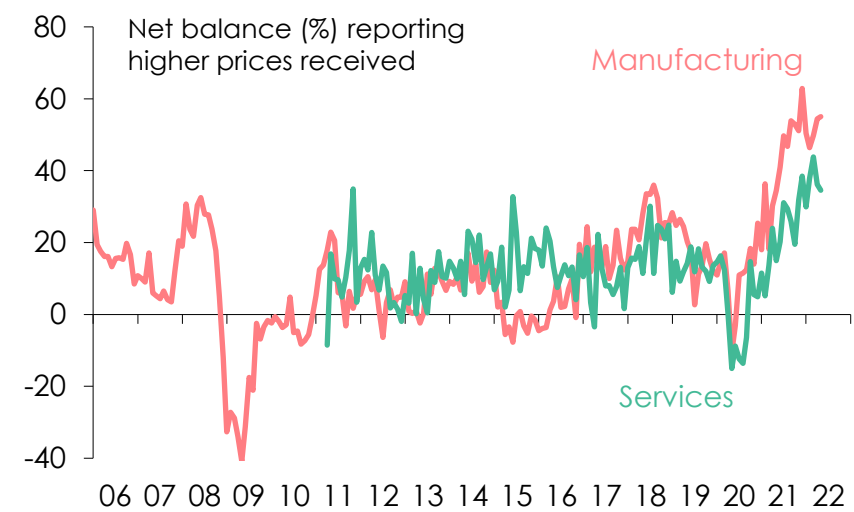
ISM survey – prices paid



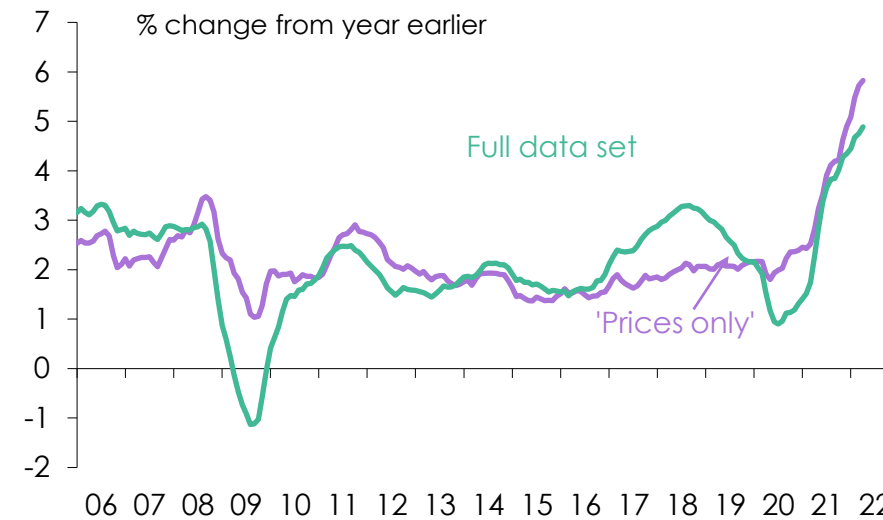
Household inflation expectations



'Philly Fed' survey – prices received



NY Fed 'underlying inflation gauge'



Market-priced inflation probabilities

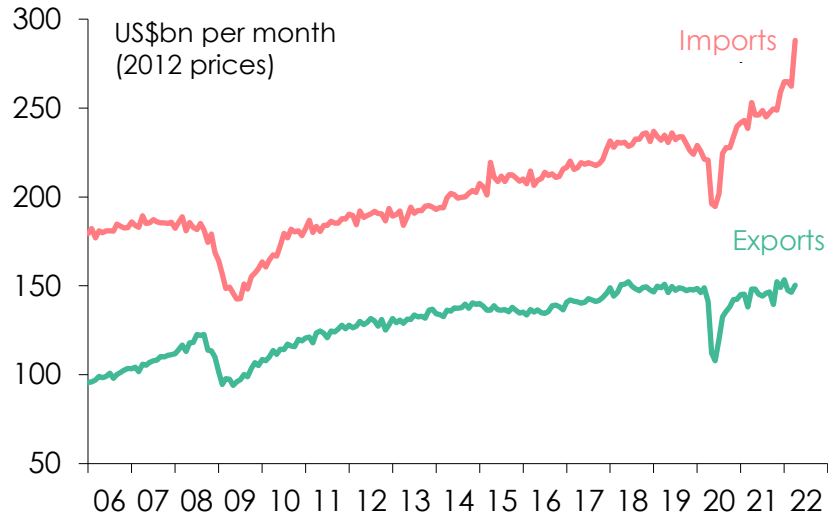


Sources: Federal Reserve Bank of Philadelphia, [Regional Economic Analysis](#), Manufacturing and Non-Manufacturing Business Outlook Surveys ; Institute for Supply Management, [ISM Report on Business](#); Federal Reserve Bank of New York, [Underlying Inflation Gauge](#); Federal Reserve Bank of Minneapolis,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

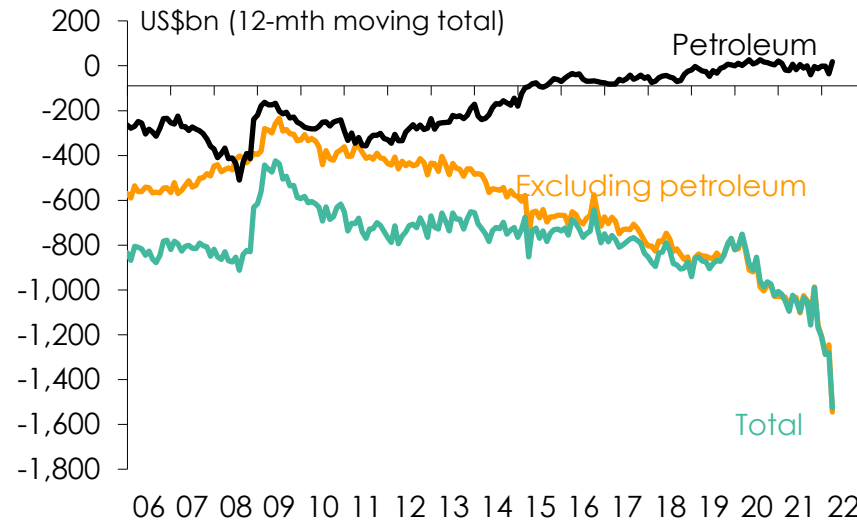
The US incurred a record goods & services trade deficit (for the 4th month in a row) of US\$109.8bn in March, reflecting a 9.8% leap in import volumes

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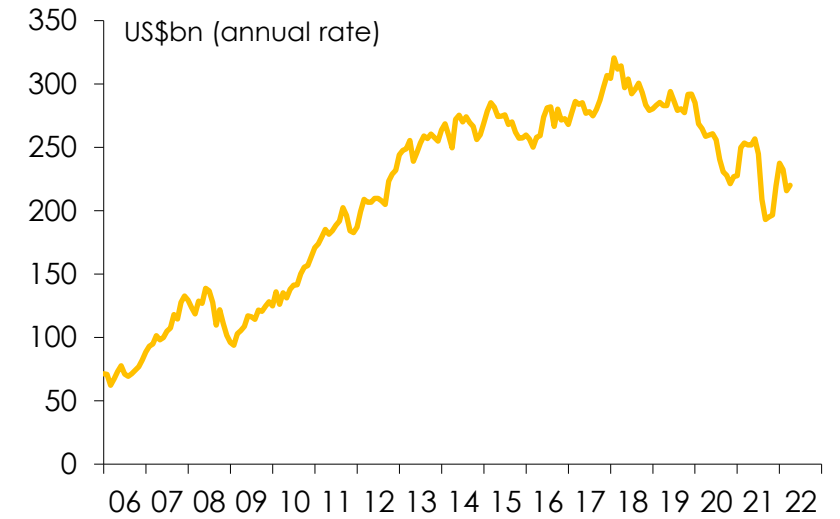
US merchandise trade volumes



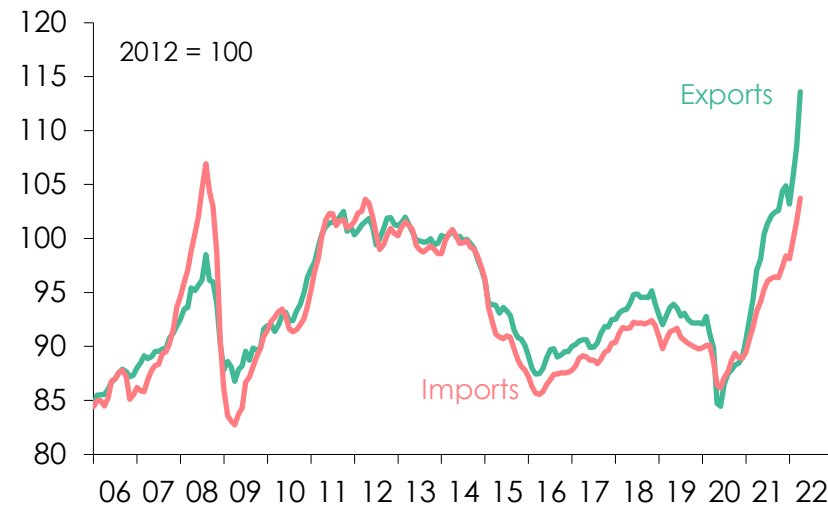
US goods trade balance



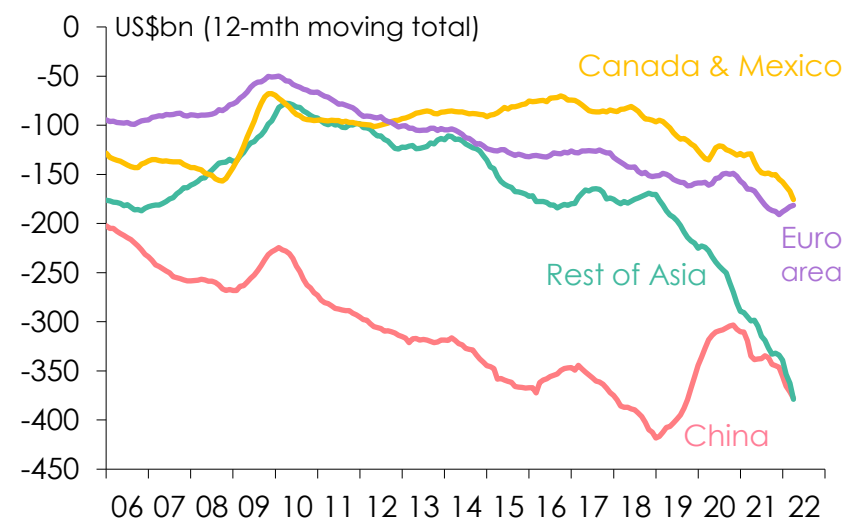
US services trade balance



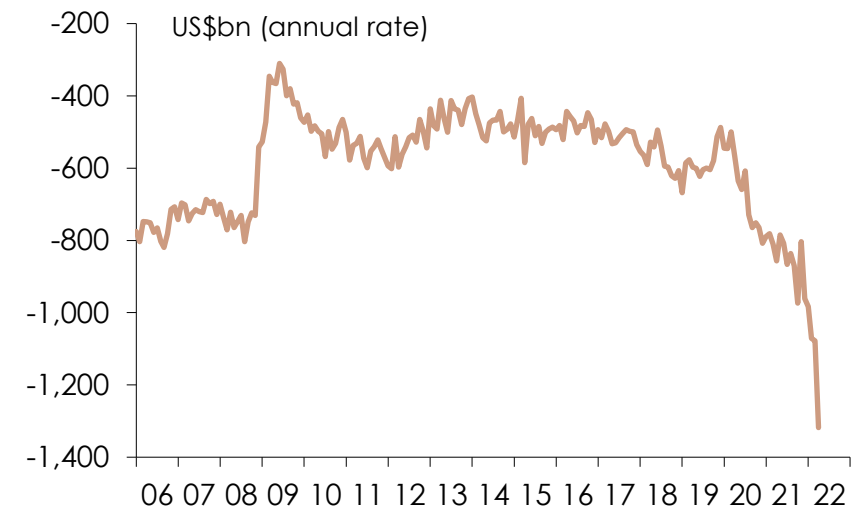
US merchandise trade prices



US bilateral goods trade balances



US goods & services trade balance

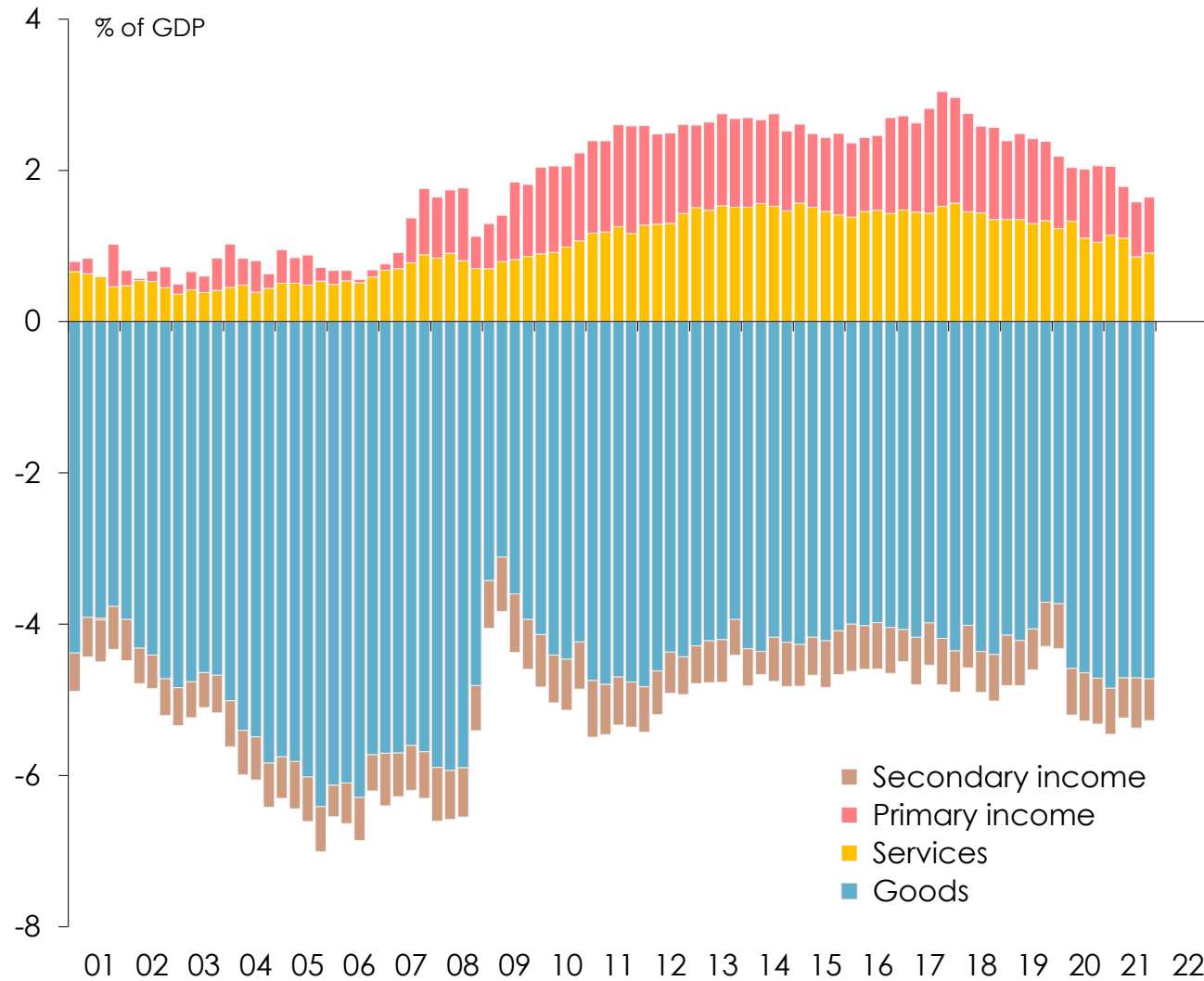


Source: US Census Bureau, [Foreign Trade](#); and US Bureau of Economic Analysis, [Advance Economic Indicators](#), and [U.S. International Trade in Goods and Services](#).
[Return to "What's New"](#).

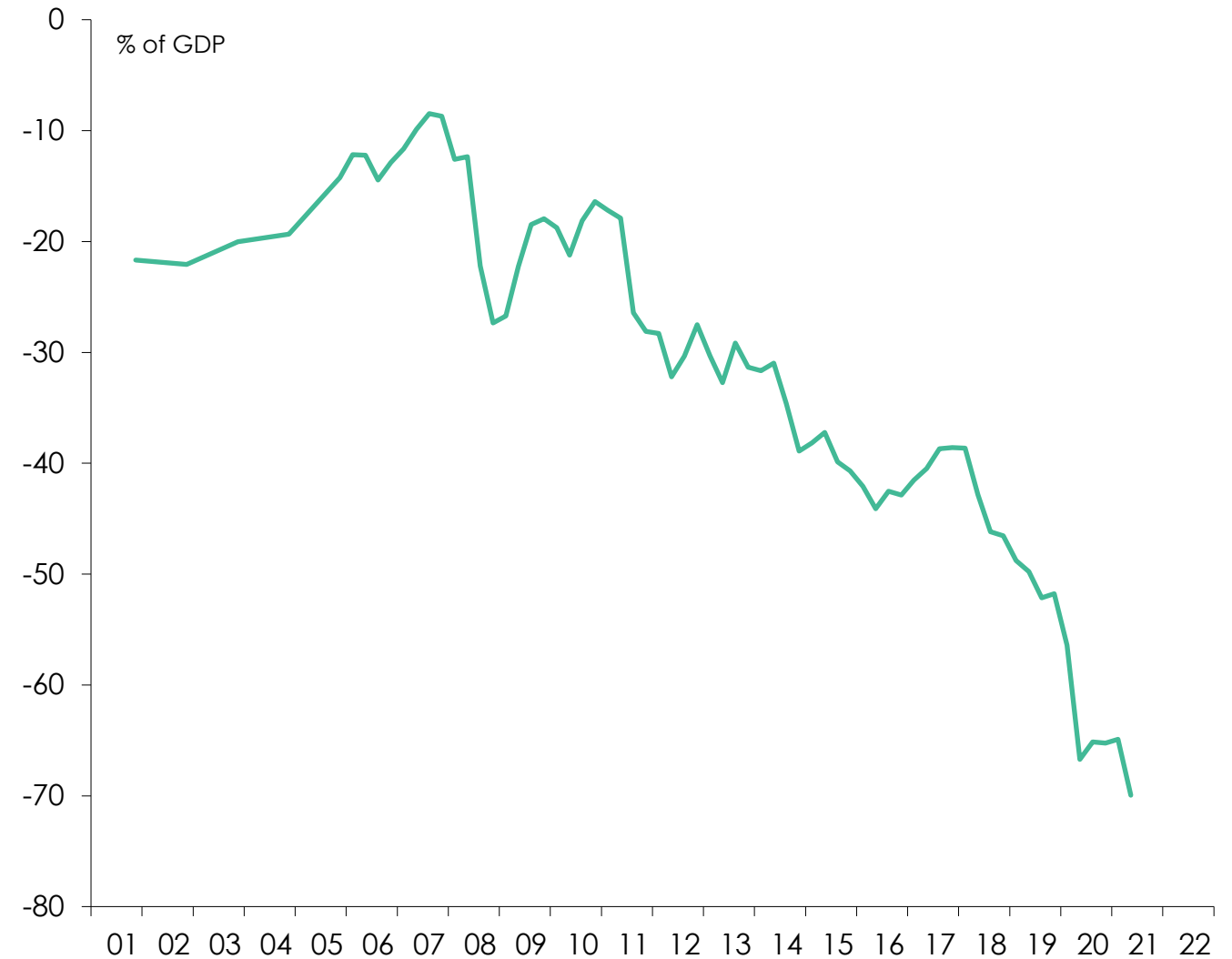
The US current account deficit narrowed slightly in Q4 2021, thanks to larger surpluses on trade in services and on investment income

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US current account balance



US net international investment position

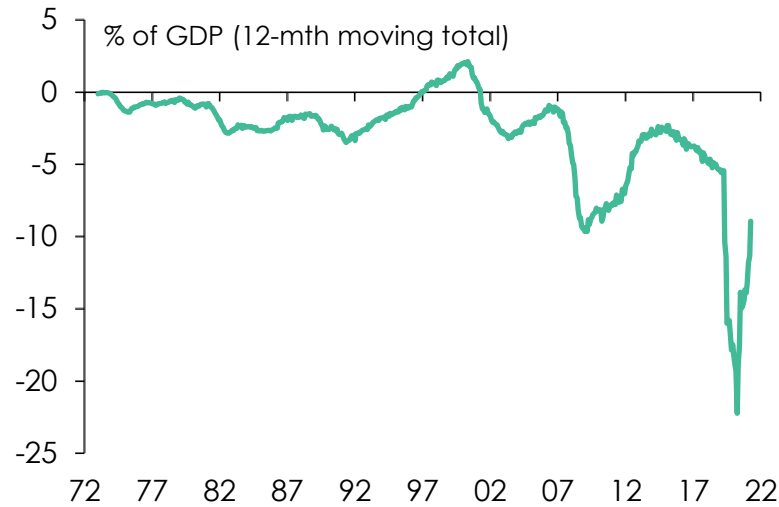


Note: 'Primary income' transactions are those involving investment income or compensation of employees. The US typically runs a surplus on investment income despite having a negative net international investment position since 1989, because US investors are able to derive much higher returns from their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

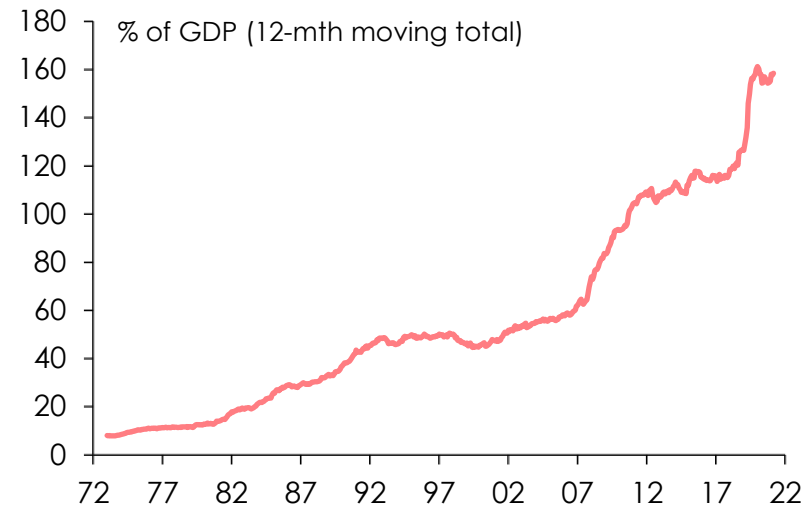
The US budget deficit is now starting to shrink rapidly (though it's still very large) as revenues rebound and outlays fall

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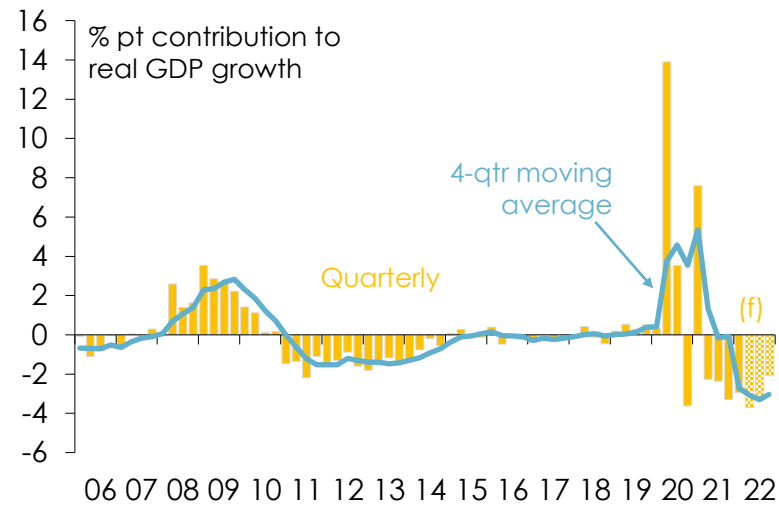
US Federal budget deficit



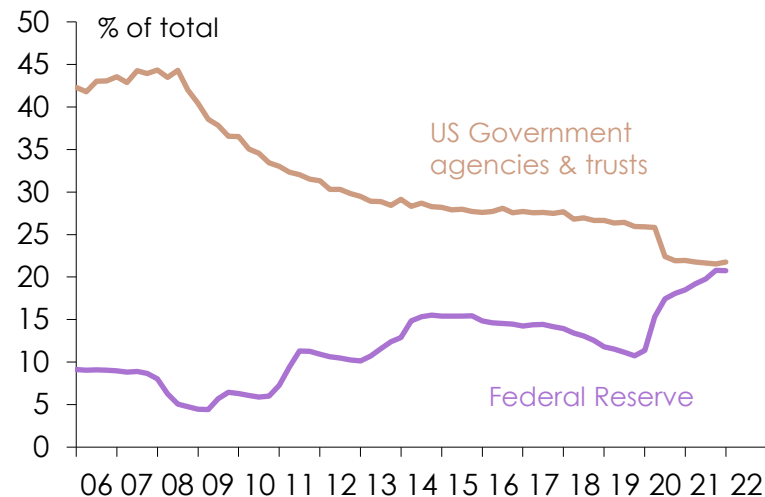
US gross Federal debt



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"](#).

The Fed raised its target for the fed funds rate by 50bp at last week's FOMC meeting, and foreshadowed further hikes of that magnitude

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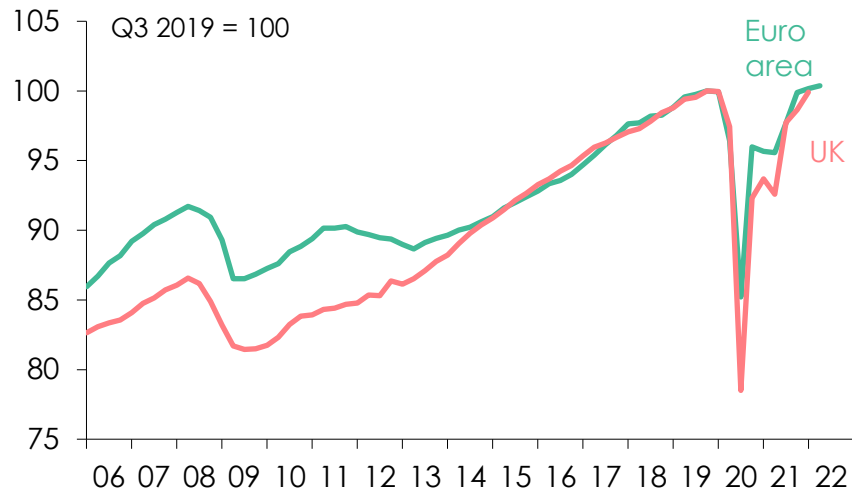
- ❑ The Federal Reserve **raised its target for the Fed funds rate** by 50 basis points, to 0.75-1.00%, at its Federal Open Market Committee meeting on 4th May
- ❑ It also **detailed** its plans for 'quantitative tightening, foreshadowing that it would, beginning on 1st June, allow its holdings of Treasury and mortgage-backed securities to shrink by \$30bn and \$17½bn per month respectively, (by not reinvesting maturing principal payments up to these 'caps'), and then from 1st September onwards, by \$60bn and \$35bn respectively, before eventually slowing and then stopping the rate of decline in its balance sheet "when reserves are somewhat above the level the FOMC judges to be consistent with ample reserves"
 - this implies a reduction of almost \$3 trillion in the Fed's balance sheet (currently just over \$9 trillion) over the next three years
- ❑ At his **post-meeting Press Conference**, Fed Chair Jerome Powell asserted that "inflation is much too high" and promised that the Fed is "moving expeditiously to bring it back down", pledging that the Fed has "both the tools ... and the resolve it will take to restore price stability"
- ❑ To that end, he indicated that there was "a broad sense on the [FOMC] that "additional 50 basis point increases should be on the table at the next couple of meetings" – but also downplayed the prospect of a 75 basis point rise at the next meeting in June
 - although he also emphasized that "in this uncertain environment ... the economy often evolves in unexpected ways" and that the Fed would therefore "need to be nimble in responding to the incoming data and the evolving outlook"
- ❑ Powell expressed confidence that the Fed had "a good chance" of "restoring stable prices ... without a significant increase in unemployment or a really sharp slowdown"
 - but conceded that the Fed doesn't have "surgical tools" – that the tools which it does have (interest rates, the balance sheet and forward guidance) are "famously blunt tools"
 - and that these tools work on demand, and "don't really work on supply shocks"

Europe

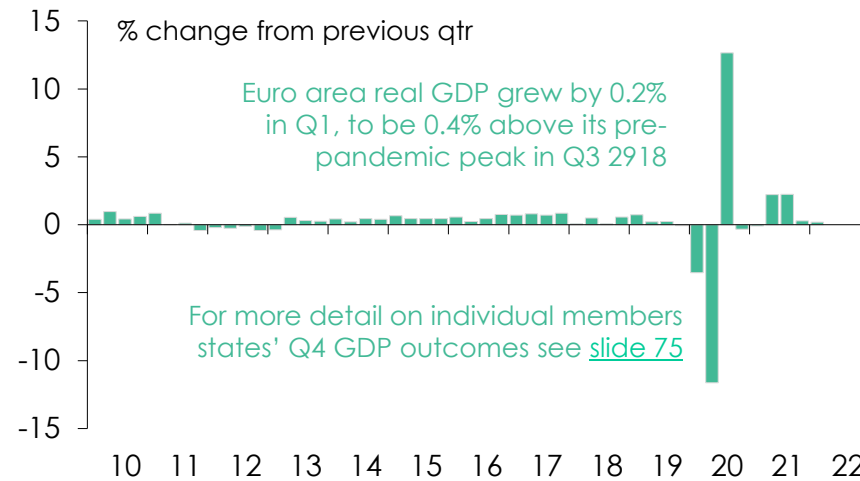
Euro area real GDP grew 0.2% in Q1 according to Eurostat's 'flash' estimate, to be 0.4% ahead of its pre-pandemic peak

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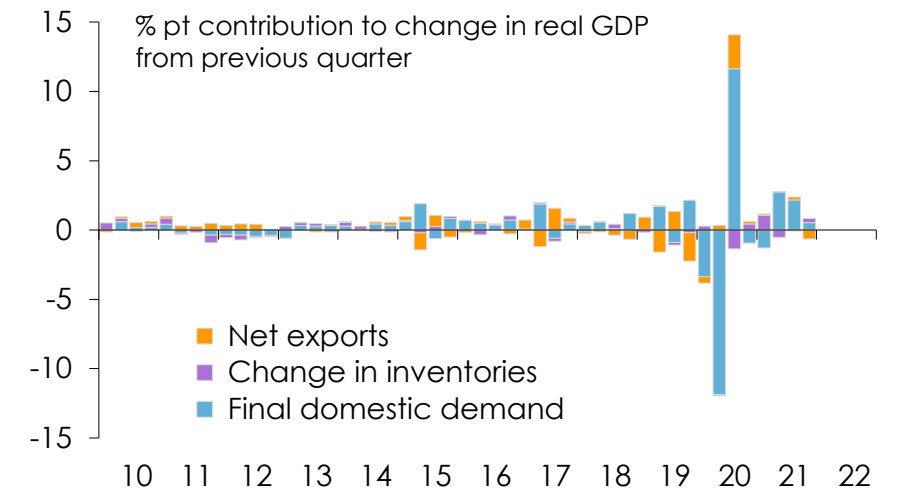
Euro area and UK real GDP



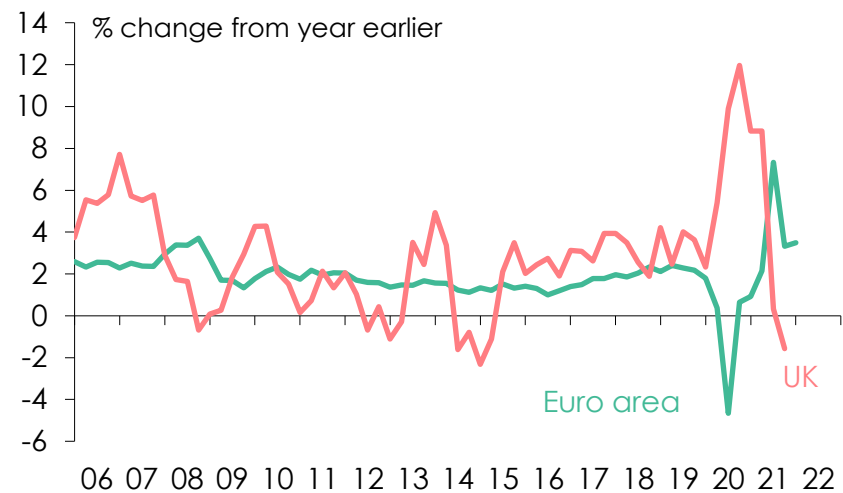
Euro area quarterly GDP growth



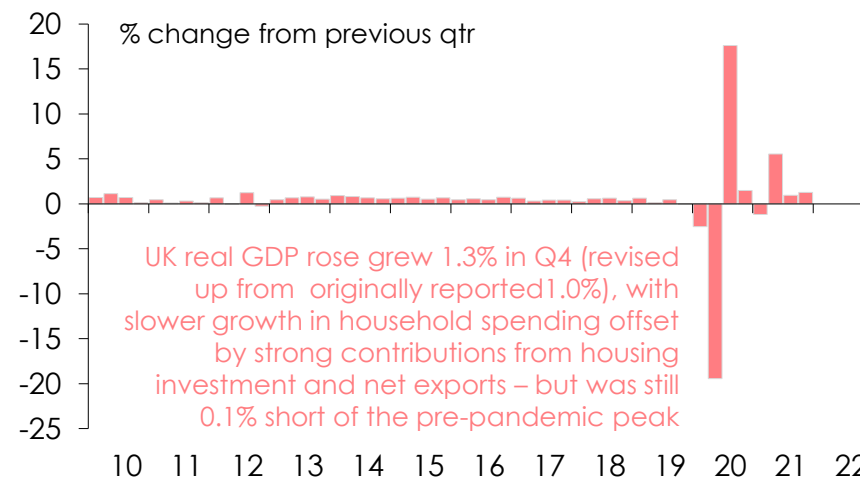
Contributions to quarterly EA GDP



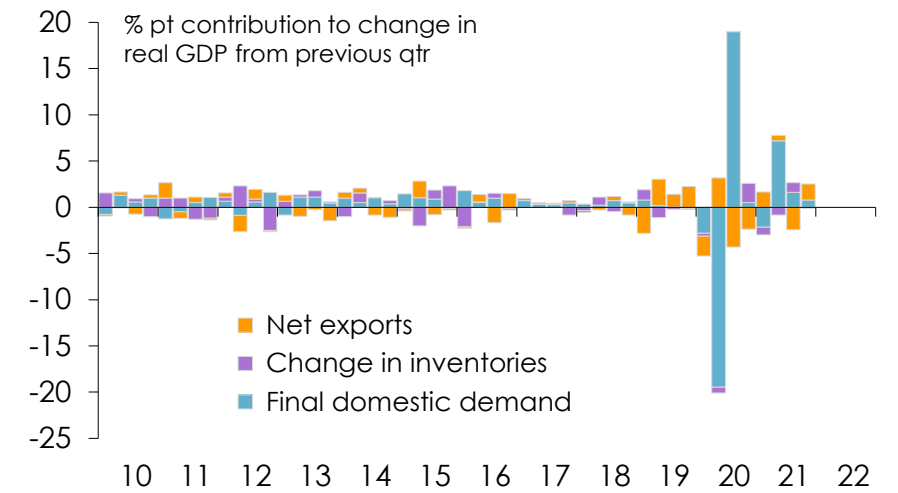
Euro area and UK terms of trade



UK quarterly GDP growth



Contributions to quarterly UK GDP

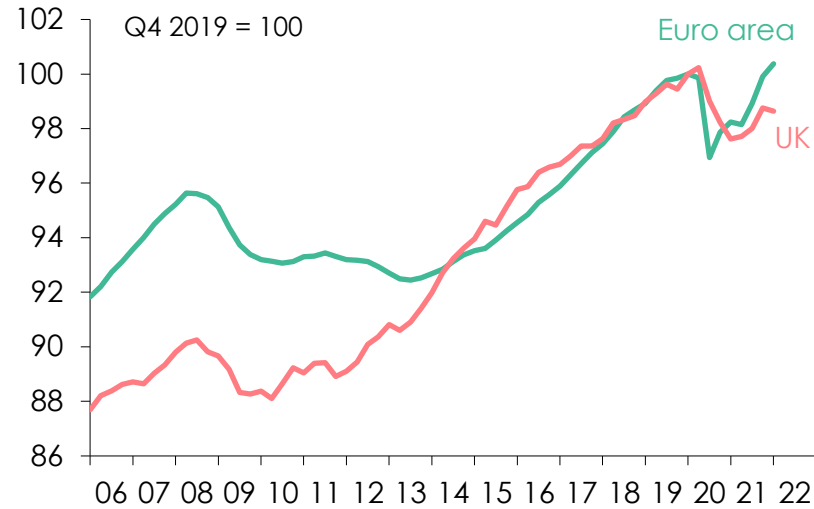


Note: the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded with the rest of the world. Sources: Eurostat,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

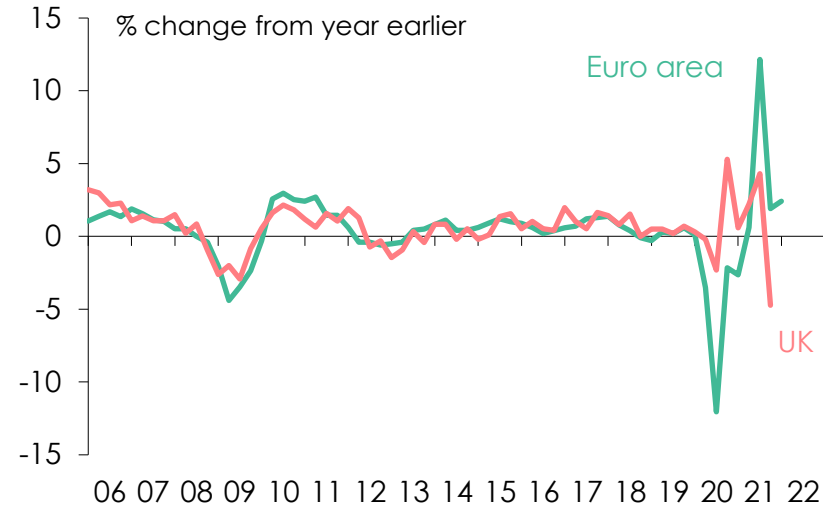
Euro area unemployment fell to 6.8% in March, the lowest since its inception, but remains well above the UK's 3.8%

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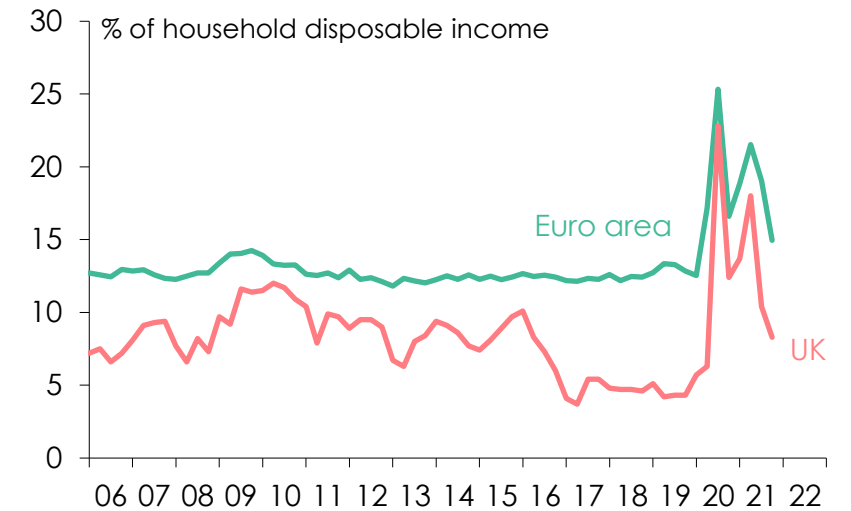
Employment



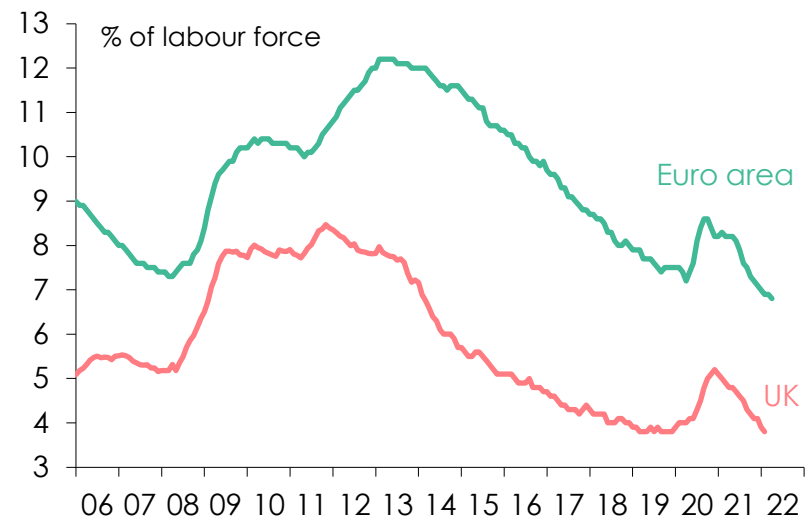
Labour productivity



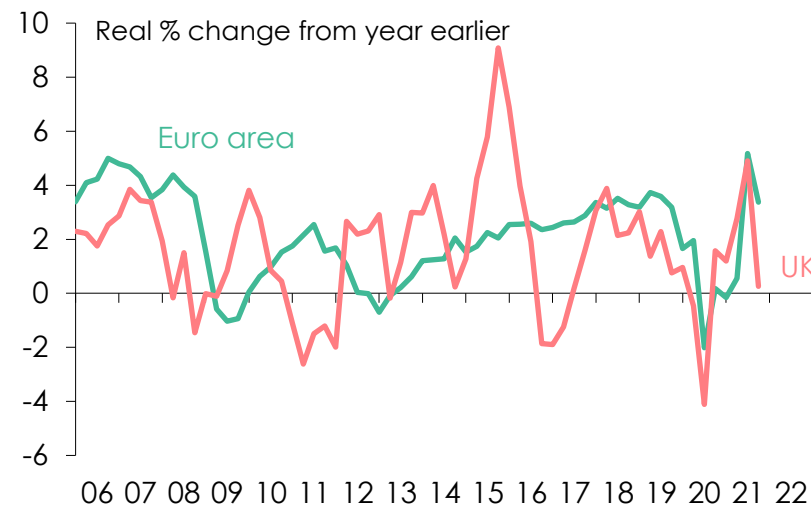
Household saving rates



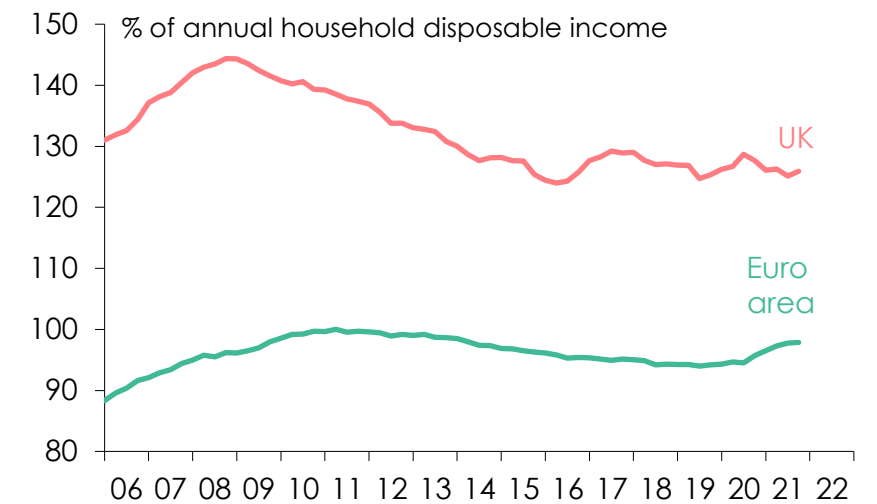
Unemployment rates



Household disposable income



Household debt

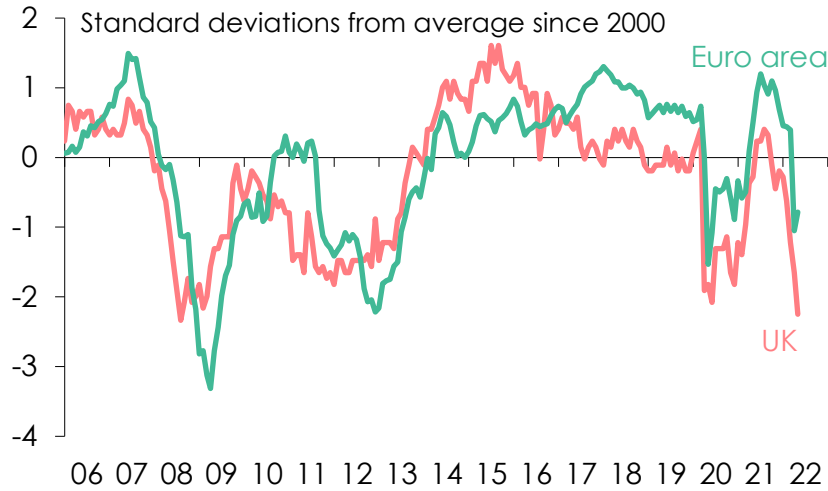


Sources: Eurostat, [Employment and unemployment \(Labour force survey\)](#), [Household saving rate](#) and [Labour productivity and unit labour costs](#); UK Office for National Statistics, [Employment in the UK](#), [Unemployment rate](#) (note, UK unemployment data are shown as a three-month moving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

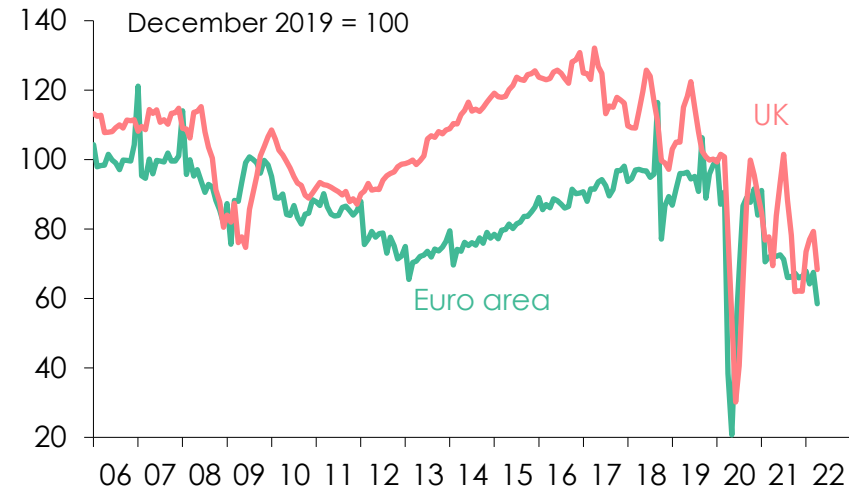
Consumer confidence in the euro area improved a little in April after a big fall in March, but worsened further in the UK to its lowest since July 2008

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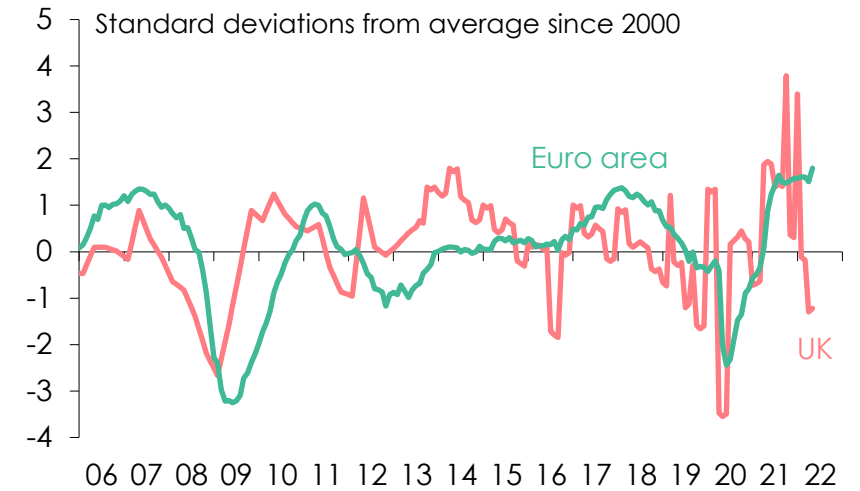
Consumer confidence



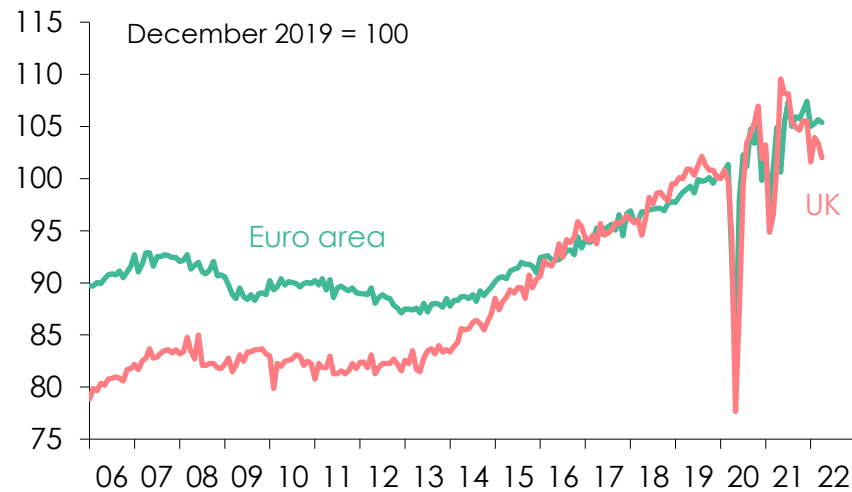
New car registrations



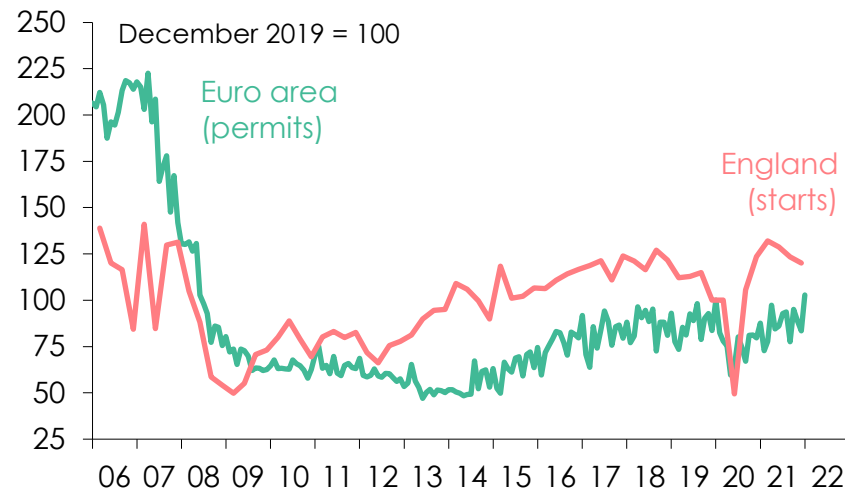
Business confidence



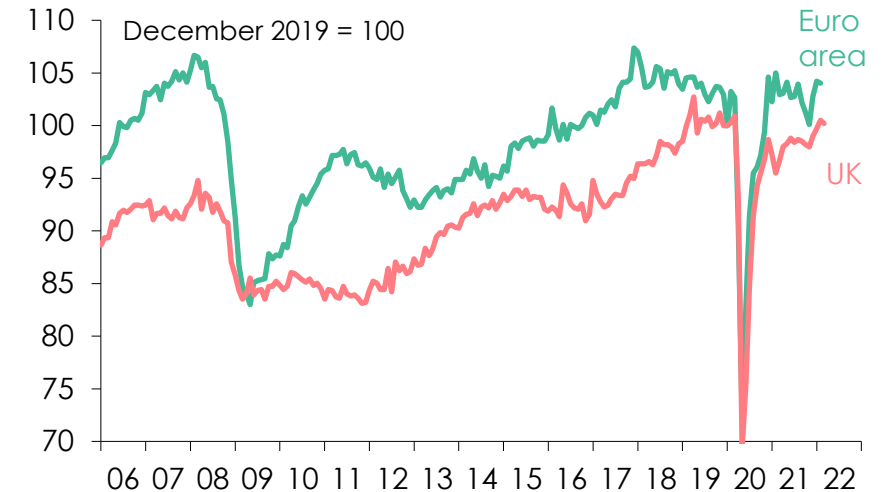
Retail sales volume



Housing activity



Manufacturing production

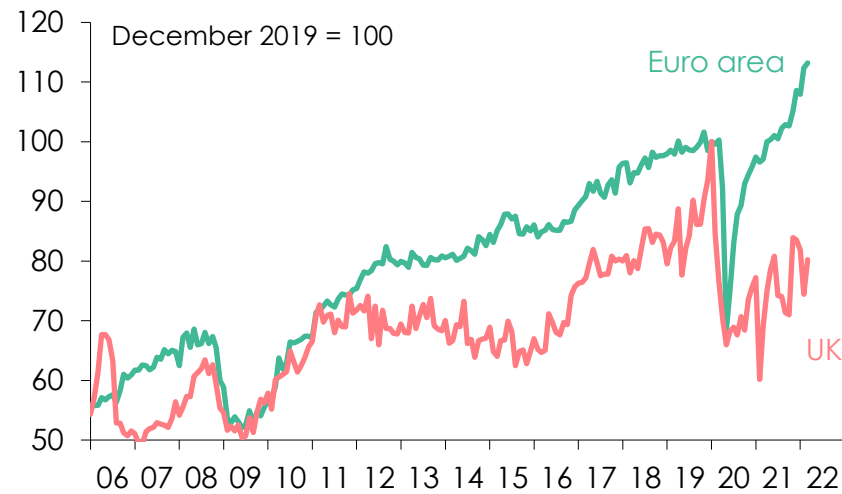


Sources: European Commission, [Business and consumer surveys](#); GfK, [Consumer confidence barometer](#); Confederation of British Industry, [Industrial Trends Survey](#); Eurostat, [Turnover and volume of sales in wholesale and retail trade](#), [New registrations of passenger cars](#), [Building permits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

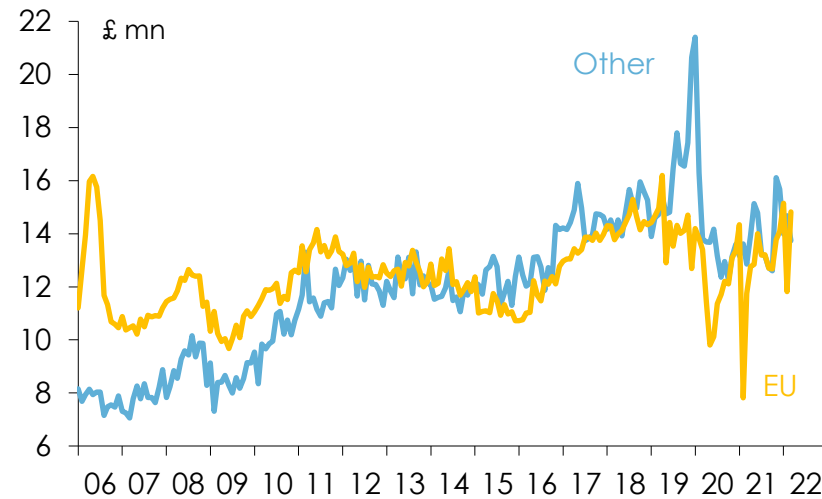
'Brexit' has not been a boon for the UK's trade performance, with the UK recording a record monthly trade deficit of £26½bn in January

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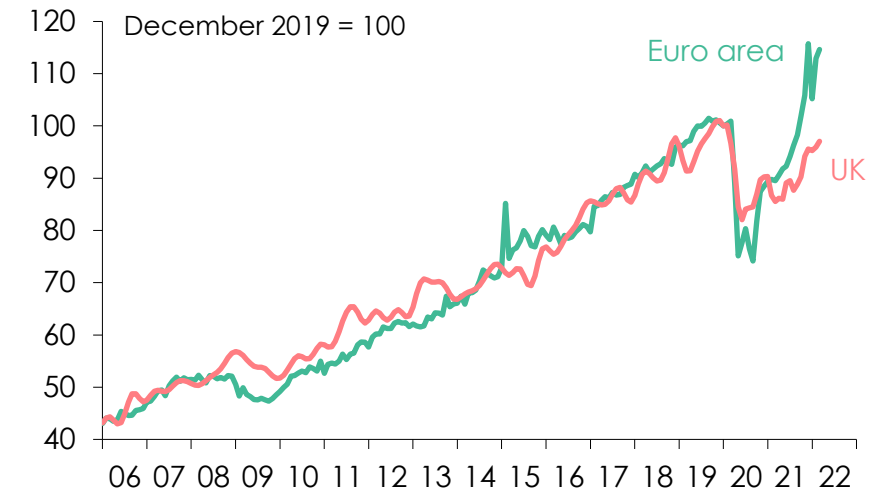
Merchandise exports



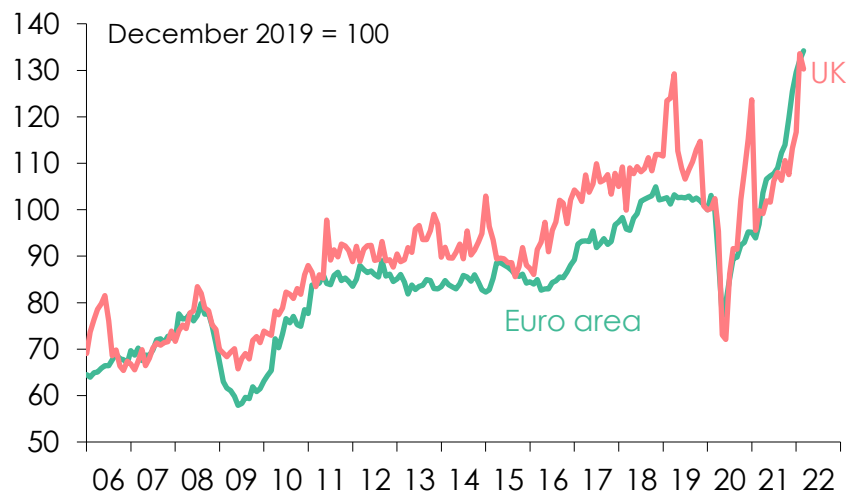
UK exports by destination



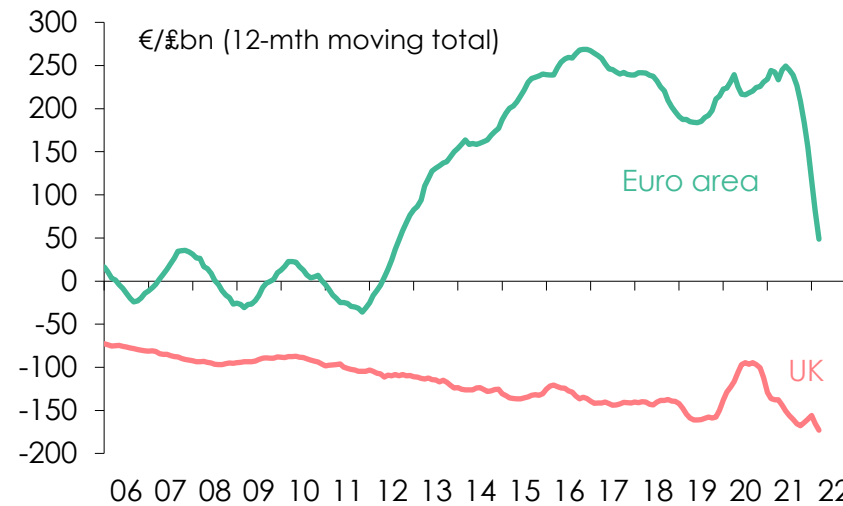
Services exports



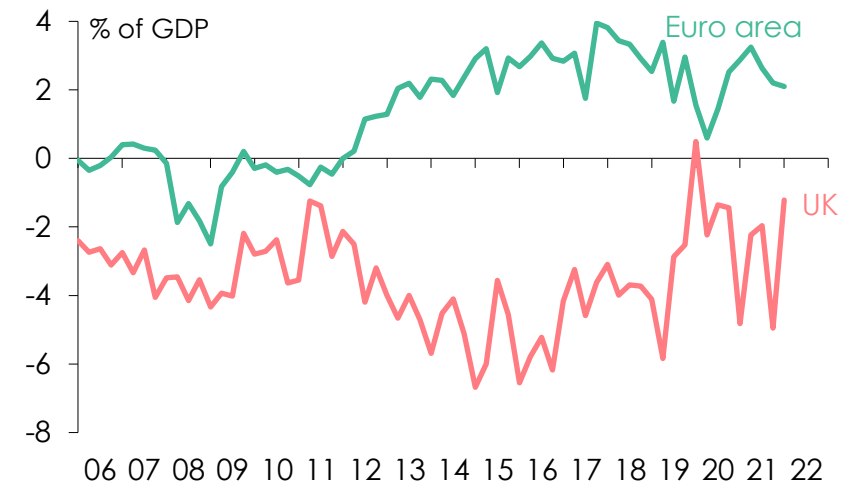
Merchandise imports



Merchandise trade balances



Current account balance

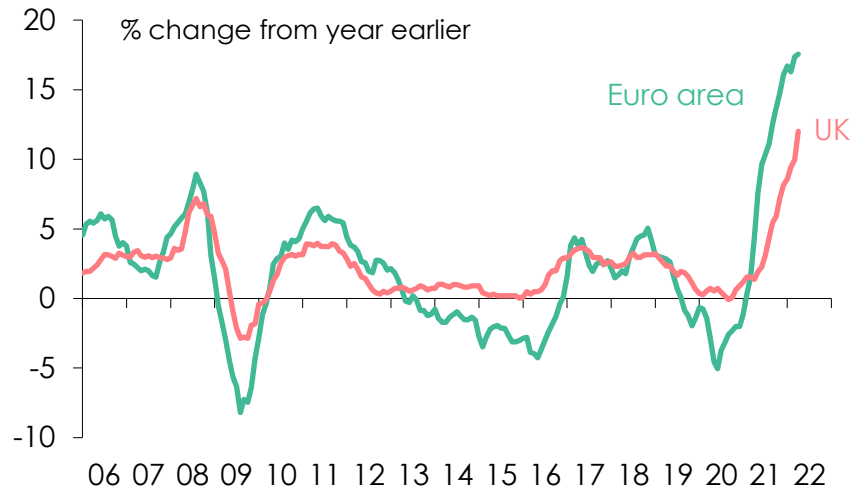


Sources: European Central Bank, Statistical Data Warehouse, [External Trade](#), [Balance of Payments and International Investment Position - Services](#), and [Balance of Payments and International Investment Position - Current Account](#); UK Office for National Statistics, [UK Trade](#) and [BoP Current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

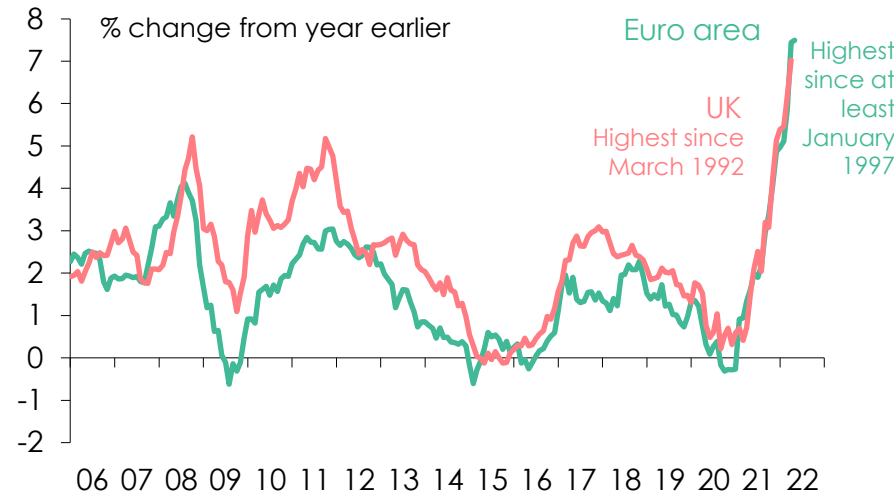
The euro area's 'headline' inflation rose marginally to 7.5% in April, while 'core' inflation was unchanged at 2.9%, according to 'flash' estimates

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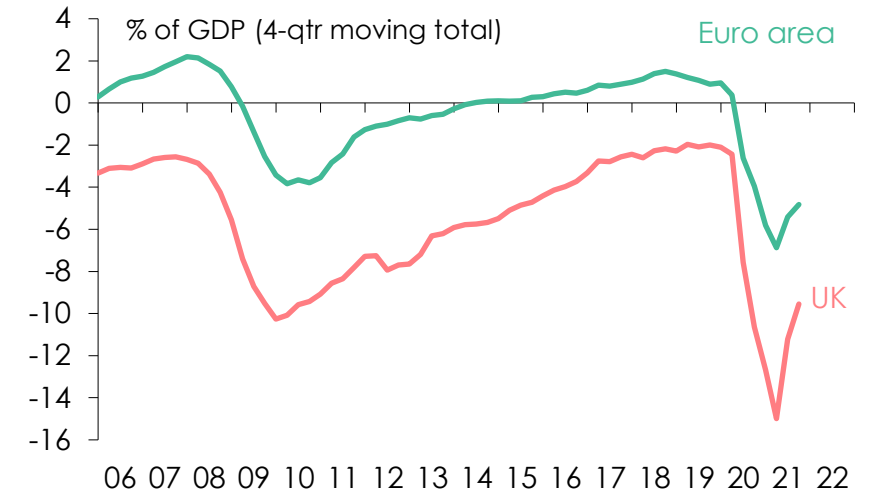
Producer prices



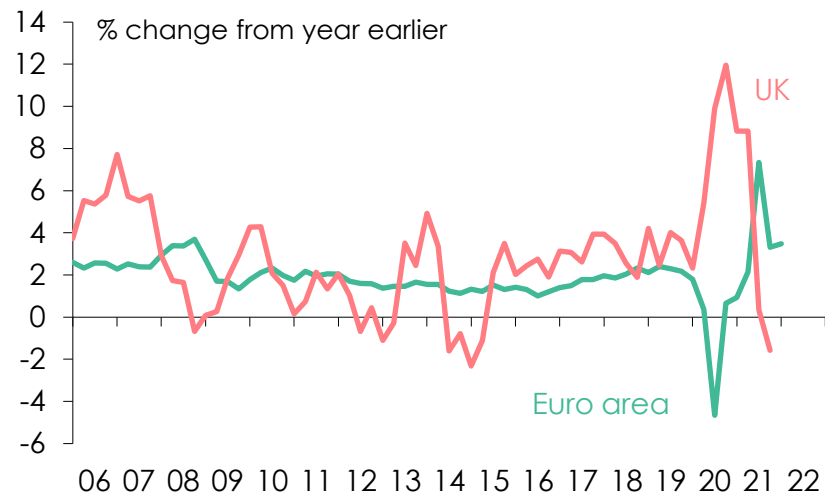
'Headline' consumer prices



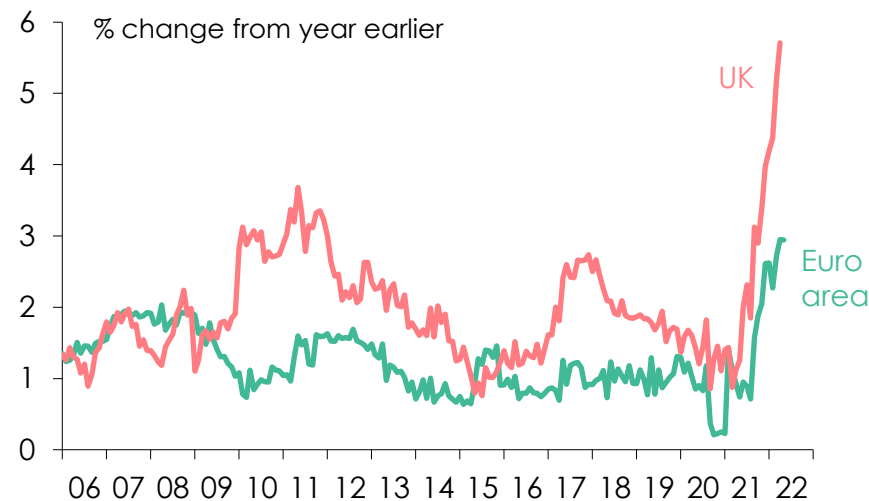
Government fiscal balance



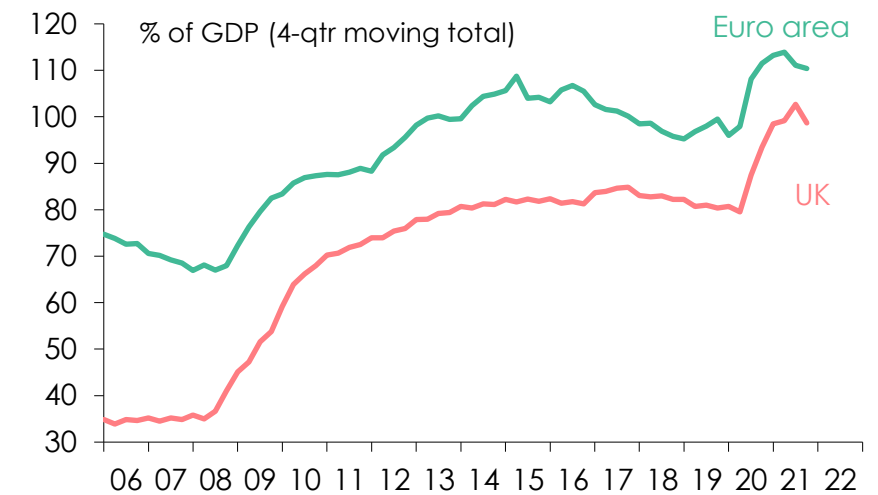
Labour costs



'Core' consumer prices



Government net debt

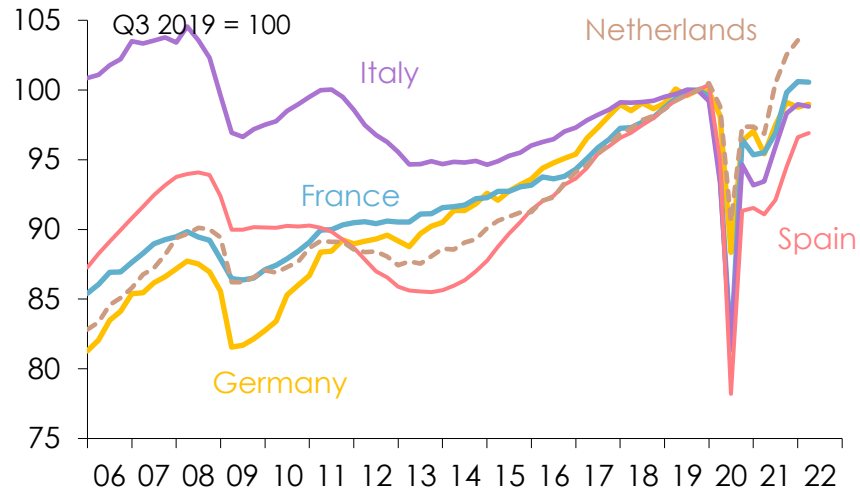


Note: Consumer price indices for the euro area and UK are 'harmonized' indices which exclude owner-occupied housing costs. Sources: Eurostat, [Producer prices in industry](#), [Compensation per employee and hours worked per employed person](#), [Consumer price index](#), and [Government finance statistics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

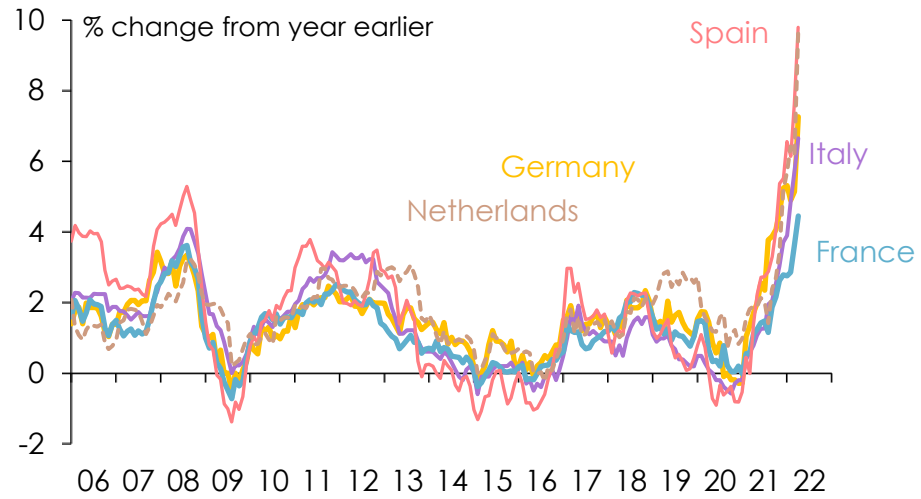
Germany's real GDP grew by 0.2% in Q1, and Spain's by 0.3%, but France's was unchanged and Italy's contracted by 0.2%

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

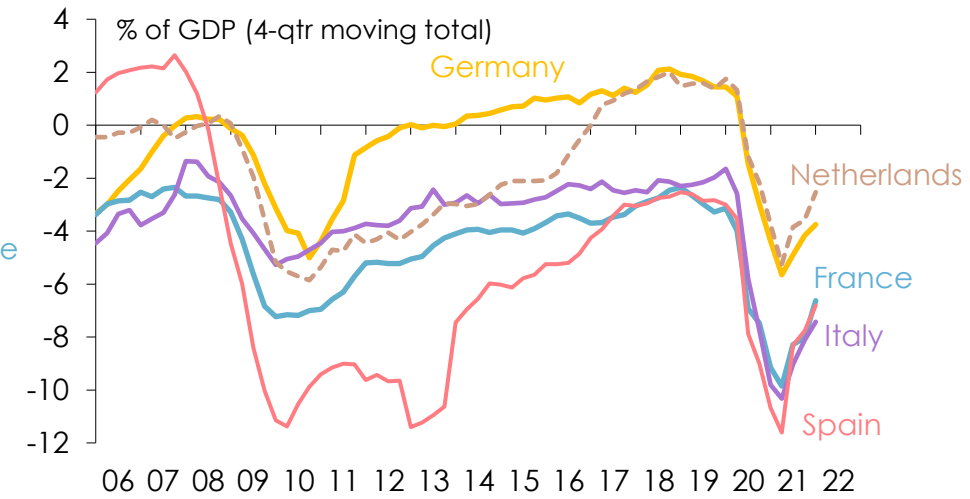
Real GDP



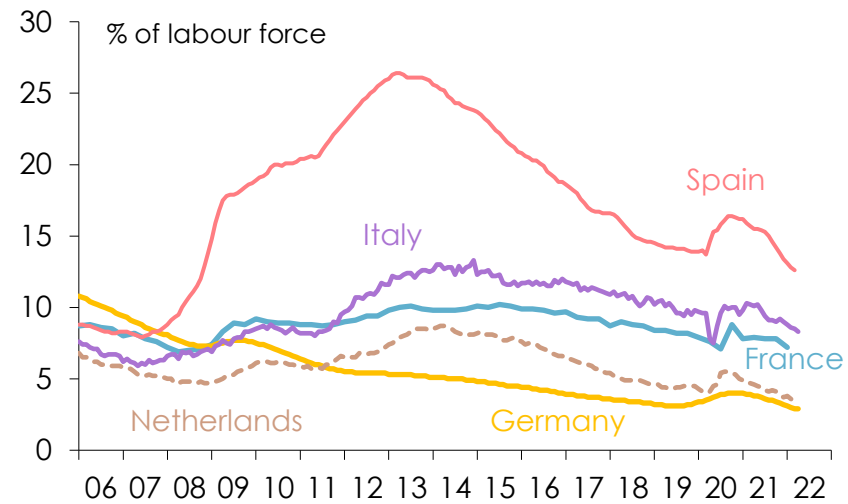
Inflation



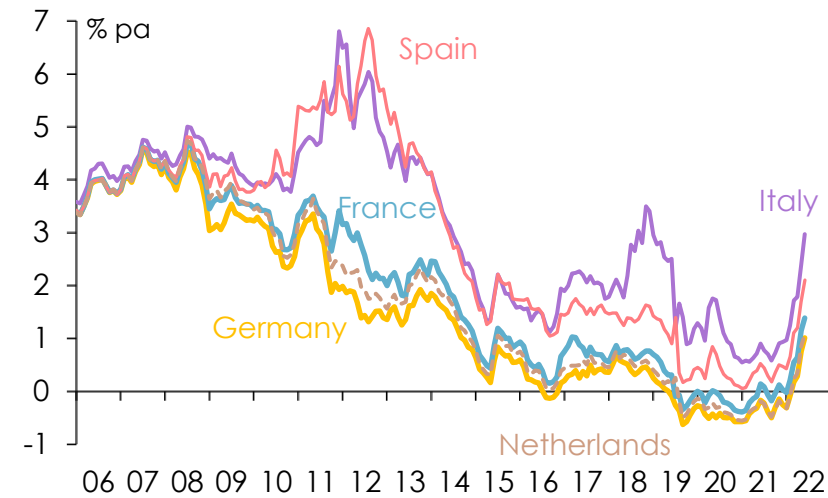
Government net lending



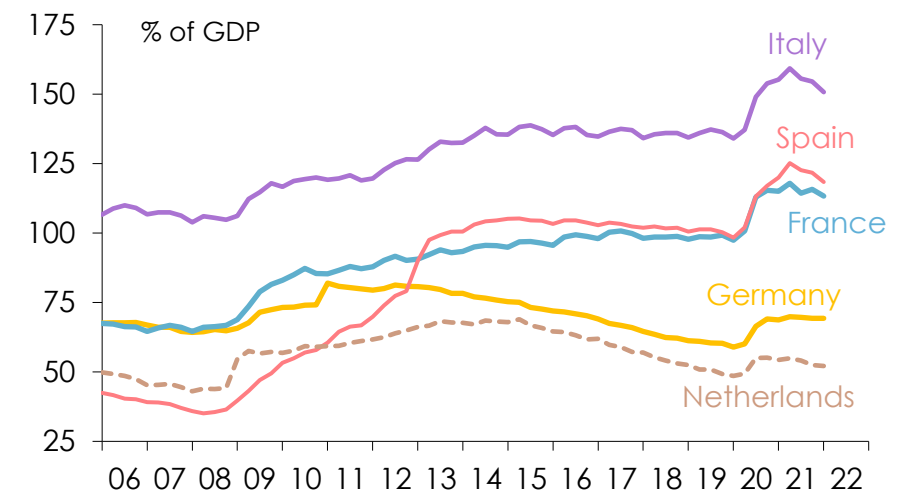
Unemployment



10-year bond yields



Government gross debt

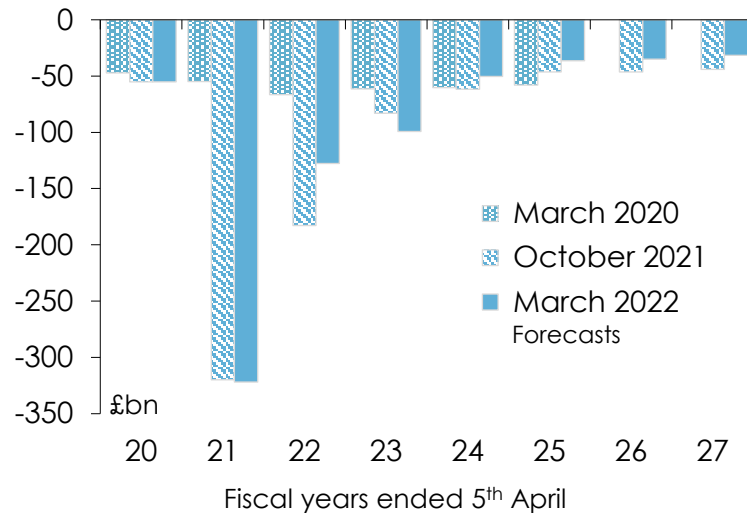


Sources: Eurostat, [National accounts - Main tables](#), [Employment and unemployment \(Labour force survey\)](#), [HICP - all items](#), [Quarterly non-financial accounts for general government](#) and [Quarterly government debt](#); Refinitiv Datastream. [Return to "What's New"](#).

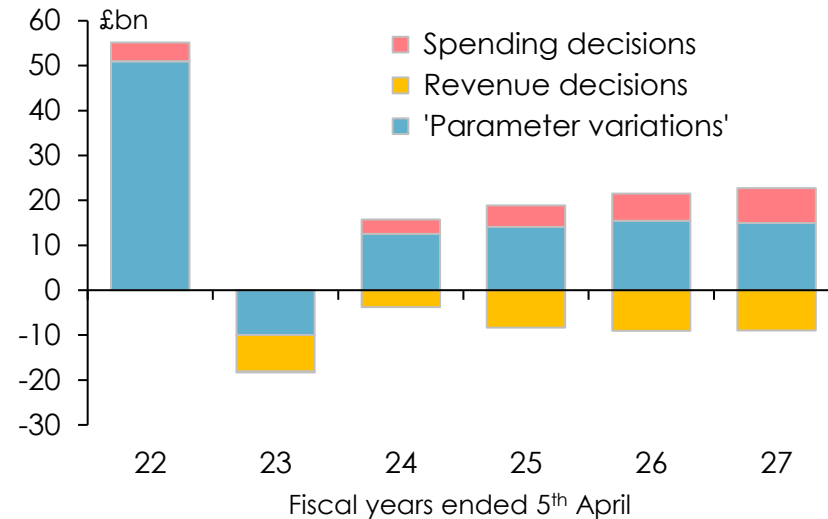
The 2022 UK 'Spring Budget' directs windfall revenue gains partly to tax relief for households and partly towards smaller budget deficits

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

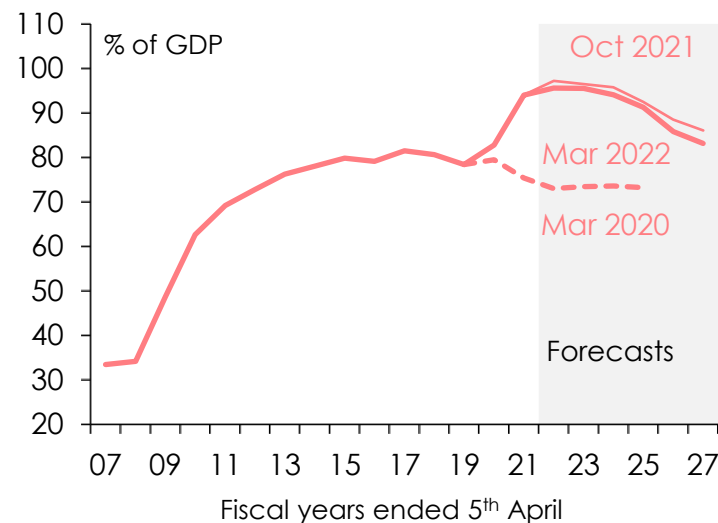
Public sector net borrowing



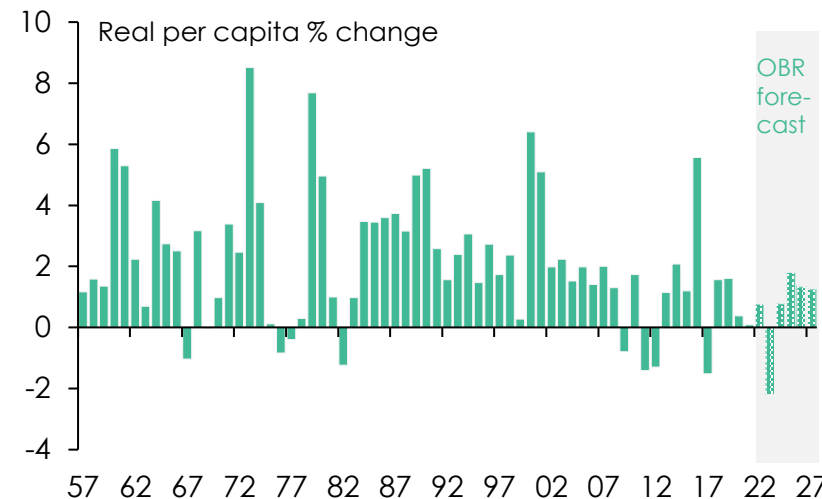
Sources of change in PSNB



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 last month, and signalled a very different approach to tightening from that of the Fed and the BoE

THE WORLD ECONOMY THIS WEEK – 9TH MAY 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 month, 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 to 1.0%, Norges Bank presaged a rate rise next month, and Iceland's central bank hiked 100bp

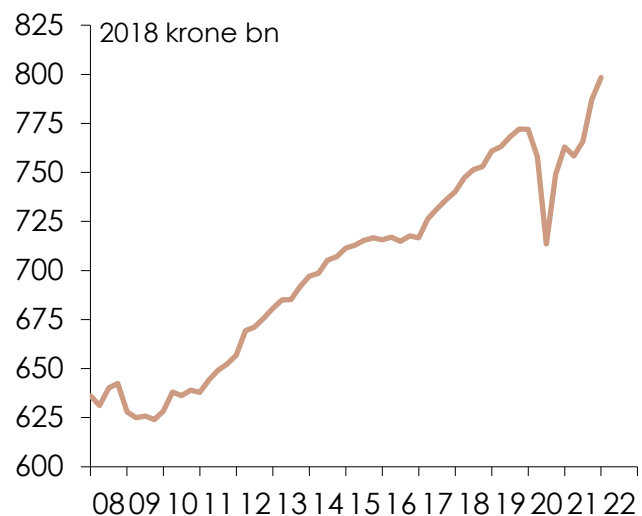
THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

- ❑ The Bank of England raised its Bank Rate by another 25 bp, to 1.00%, at its Monetary Policy Committee meeting on 4th May – the fourth consecutive increase, following increases of 15bp in December and 25bp at its February and March meetings
 - three of the nine members of the MPC dissented in favour of a 50 bp hike
 - The MPC also indicated that it would “consider beginning the process of selling UK government bonds” acquired through its now-terminated Asset Purchase Program, with further details to be provided at its August meeting
- ❑ In its May [Monetary Policy Report](#) issued at the conclusion of the MPC meeting, the Bank forecast ‘headline’ CPI inflation to peak at “slightly above 10%” in Q4 (up from 7% in March), largely as a result of the 54% increase in regulated household energy prices which occurred in April, and the expected 40% further increase in October, before falling back to 2.1% in Q2 2023 and then to just 1.3% by Q2 2024
- ❑ The Bank expects real household disposable income to fall by 1¾% in 2022, the second-largest contraction on record since 1964, resulting in a “sharp slowing” in real GDP growth over the course of 2022 and into the early part of 2023, in turn leading to a rise in the unemployment rate from 3.6% in the current quarter to 3.9% in Q2 2023, 4.7% in Q2 2024 and 5.5% by Q2 2025
 - which results in ‘excess demand’ equivalent to ½% of GDP in the current quarter turning into ‘excess supply’ equivalent to 1¼% of GDP by Q2 next year and 2¼% of GDP by Q2 2025
- ❑ The MPC [judged](#) that “some degree of further tightening in monetary policy may still be appropriate in the coming months”, although it also acknowledged “risks on both sides of that judgement
- ❑ Norges Bank kept its policy rate unchanged at 0.75% last Wednesday, but [foreshadowed](#) a fourth rate increase next month ([slide 79](#)); but Iceland's central bank [raised its policy rate](#) by 100bp to 3.75%, its sixth (and largest) increase since last May, and foreshadowed further tightening ([slide 80](#))

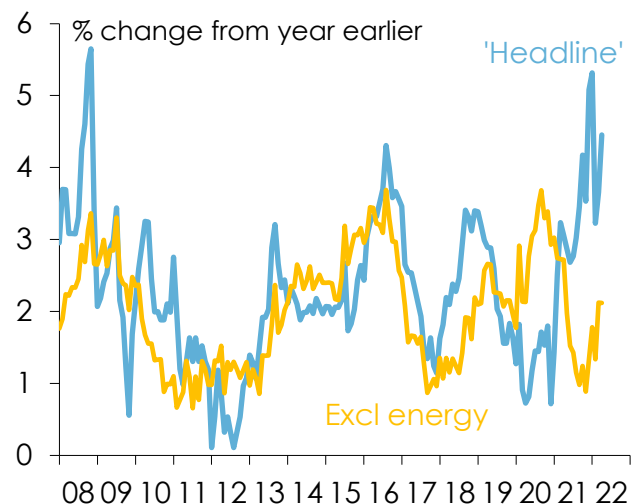
Norway's central bank raised its policy rate another 25 bp in March, for the third time since last October, and foreshadowed another rise in June

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

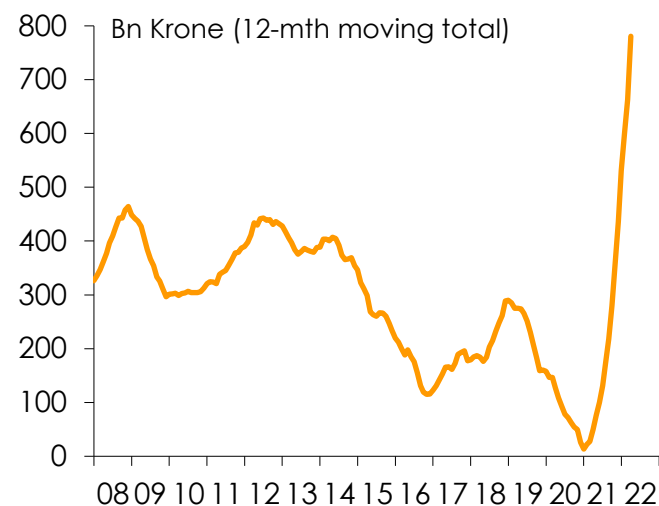
'Mainland' real GDP



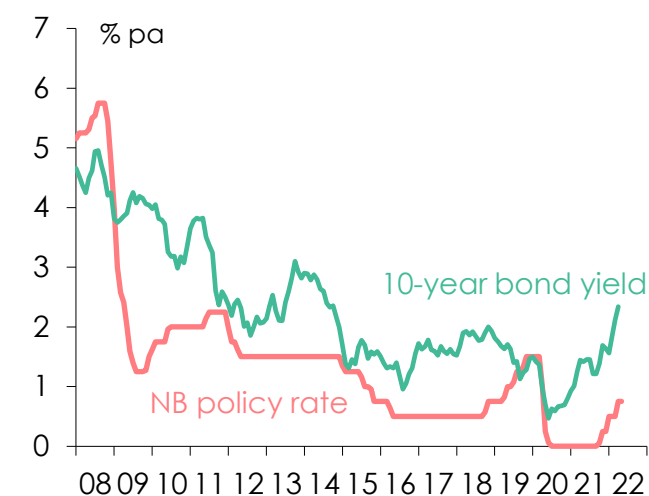
Inflation



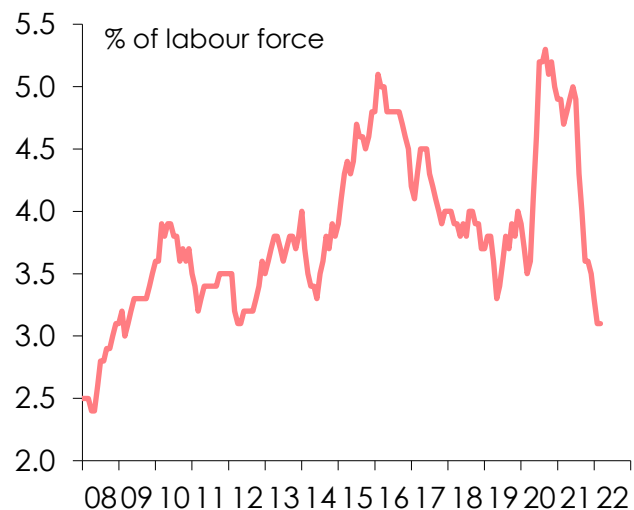
Trade balance



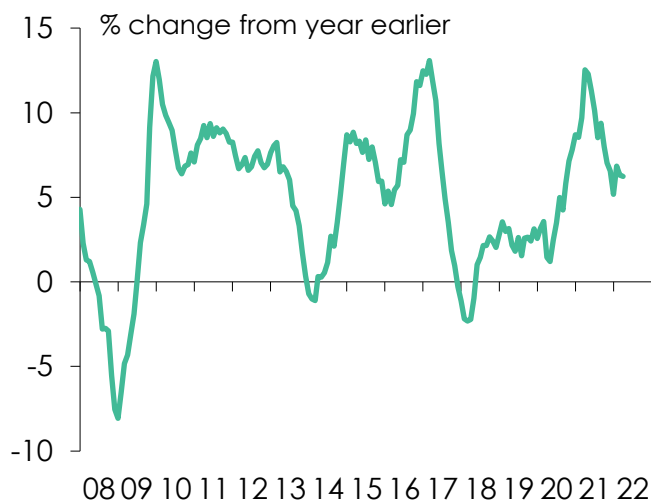
Interest rates



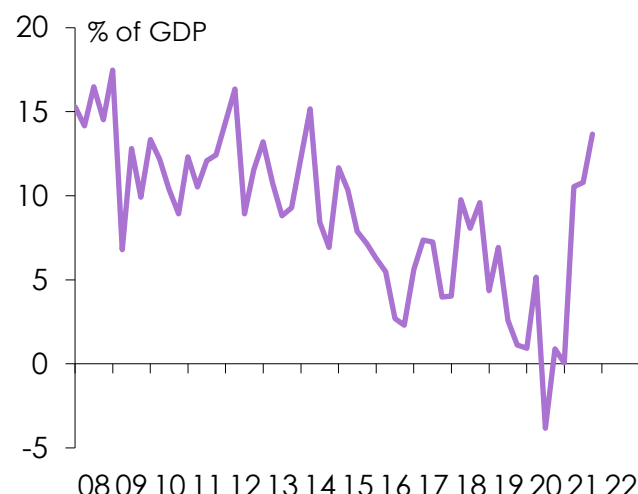
Unemployment



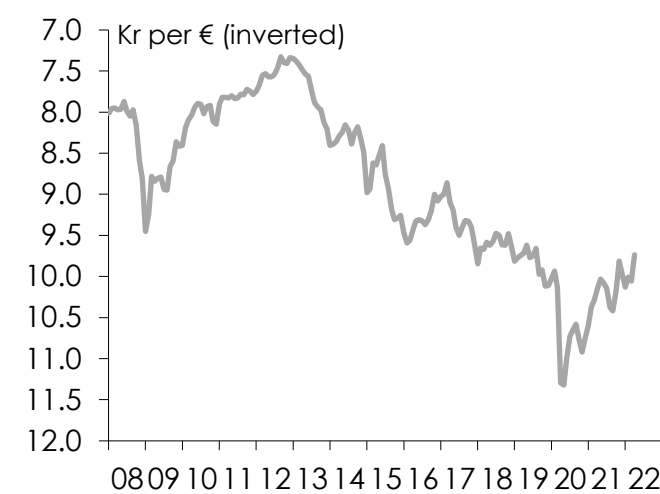
House prices



Current account balance



Krone vs euro

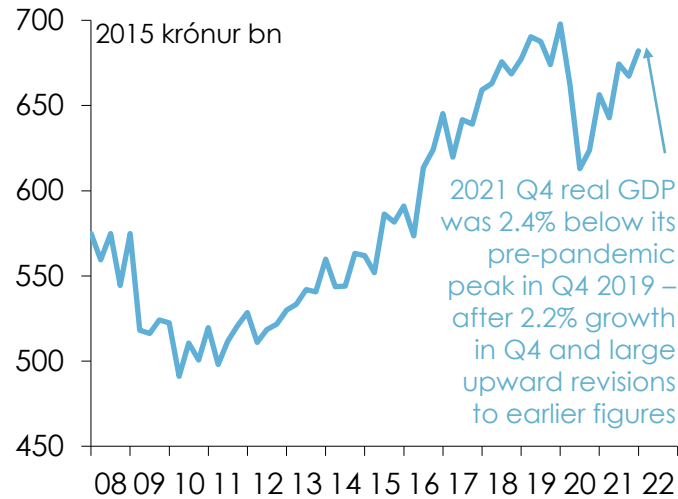


Note: 'mainland' GDP means excluding Norway's oil and gas industry which is entirely located offshore. Sources: [Statistisk sentralbyrå](#); [Norges Bank](#); Refinitiv Datastream.
[Return to "What's New"](#).

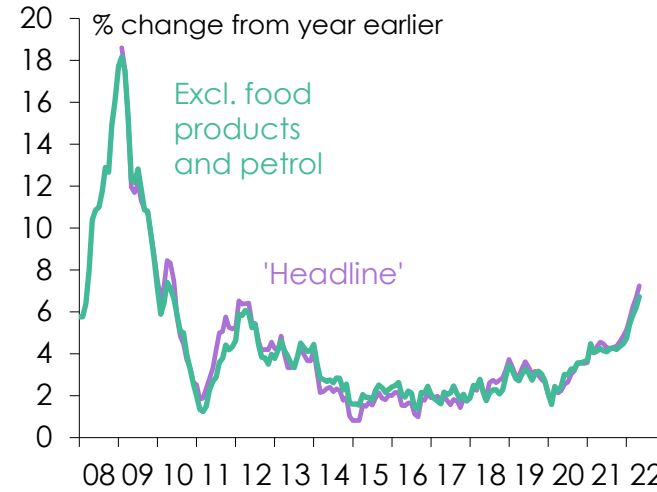
Iceland's central bank raised its policy rate by 100bp, to 3.75%, last week, the sixth (and largest) increase since May last year, with more to come

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

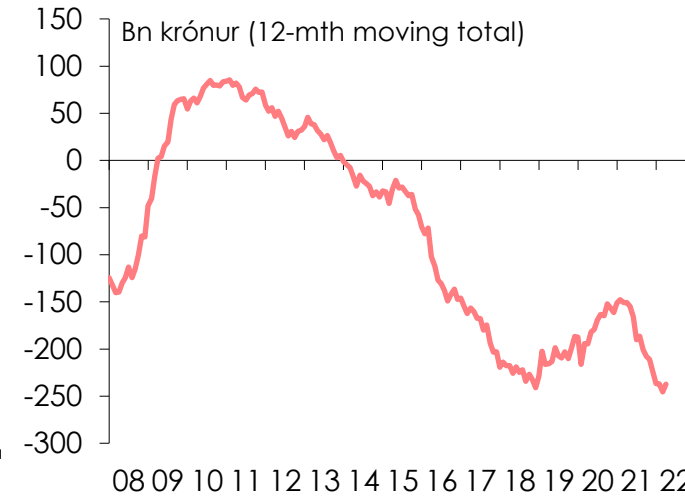
Real GDP



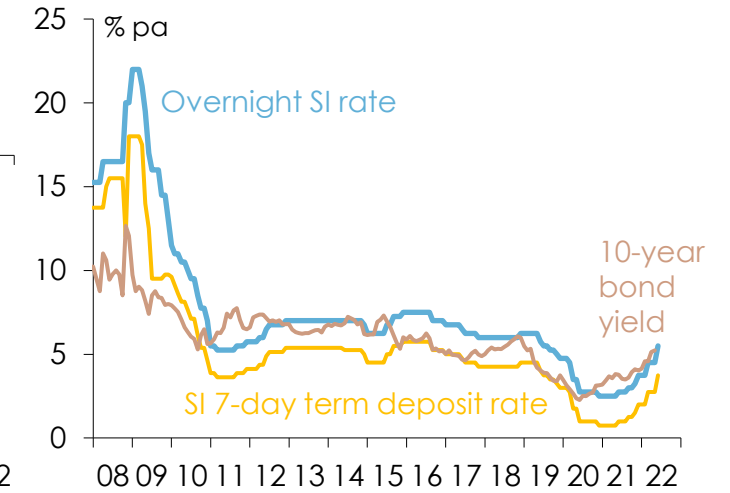
Inflation



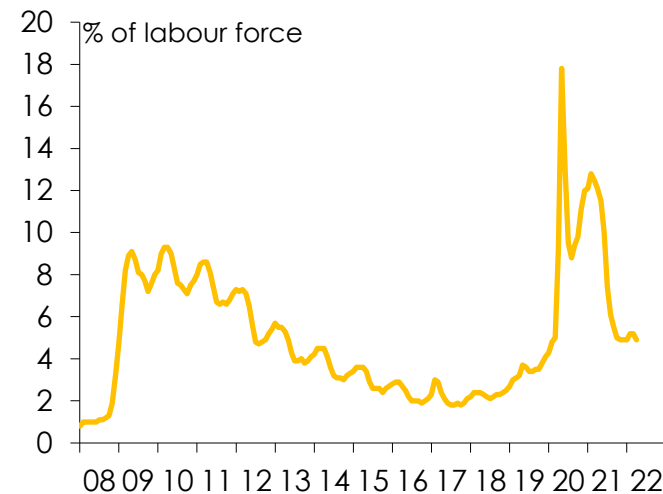
Trade balance



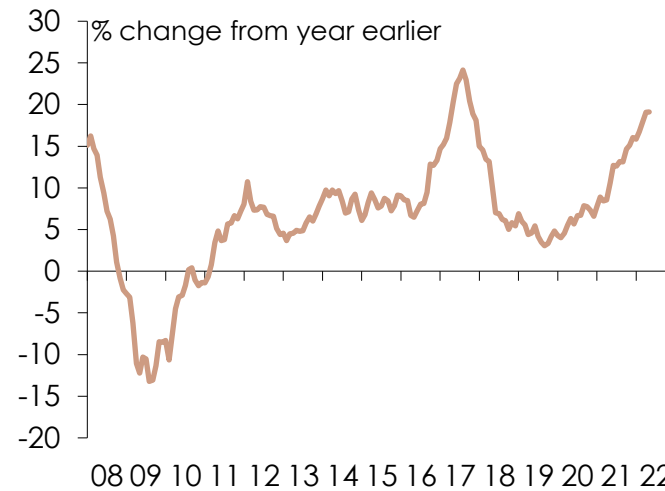
Interest rates



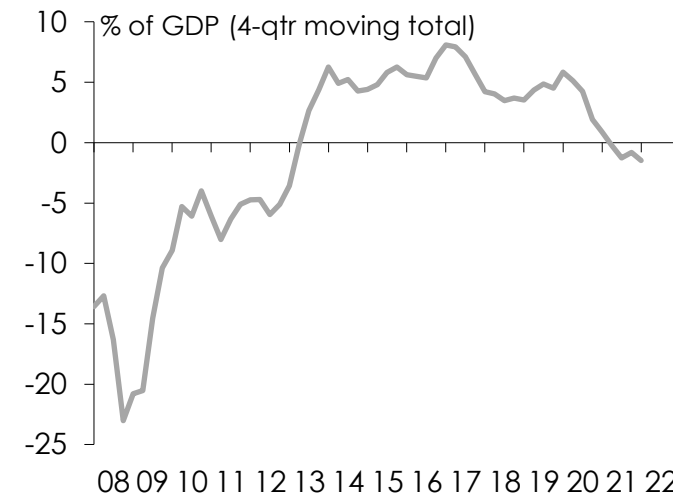
Unemployment



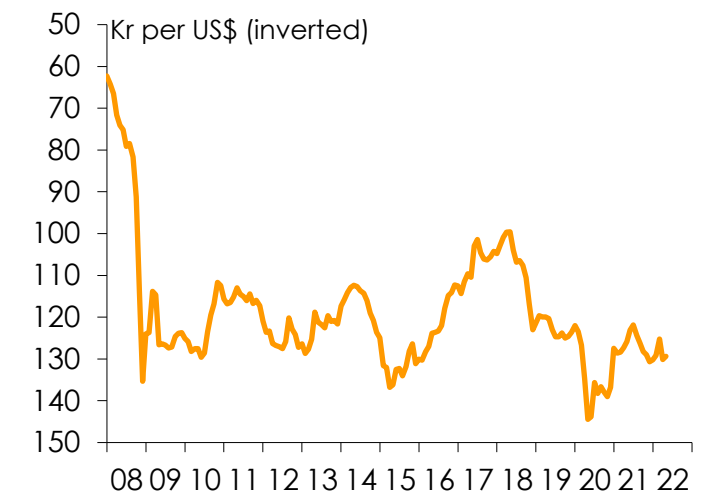
House prices



Current account balance



Króna vs US dollar

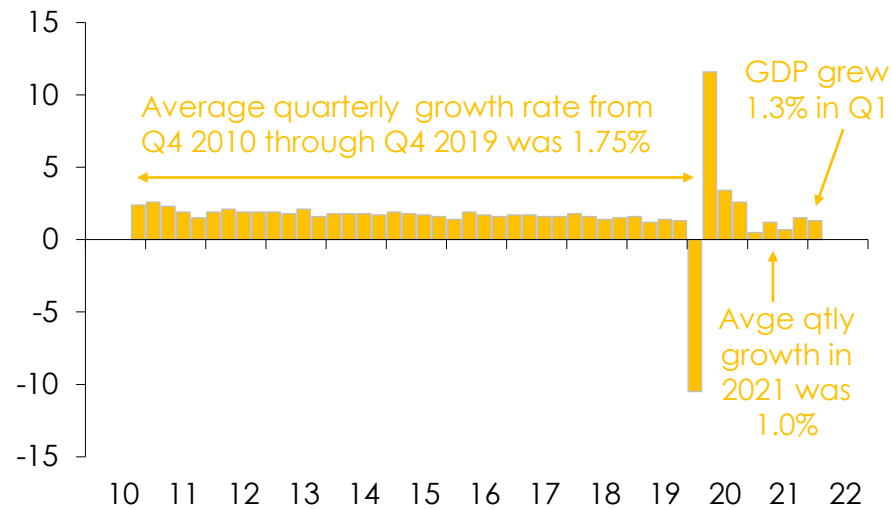


China

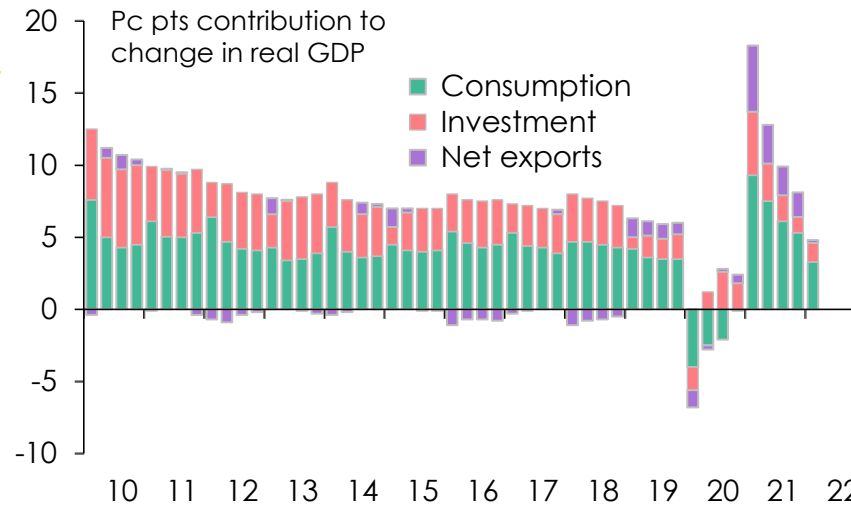
China's economy grew by 1.3% in Q1, and by 4.8% from Q1 2021, both a bit more than expected, but growth is likely to have slowed sharply in Q2

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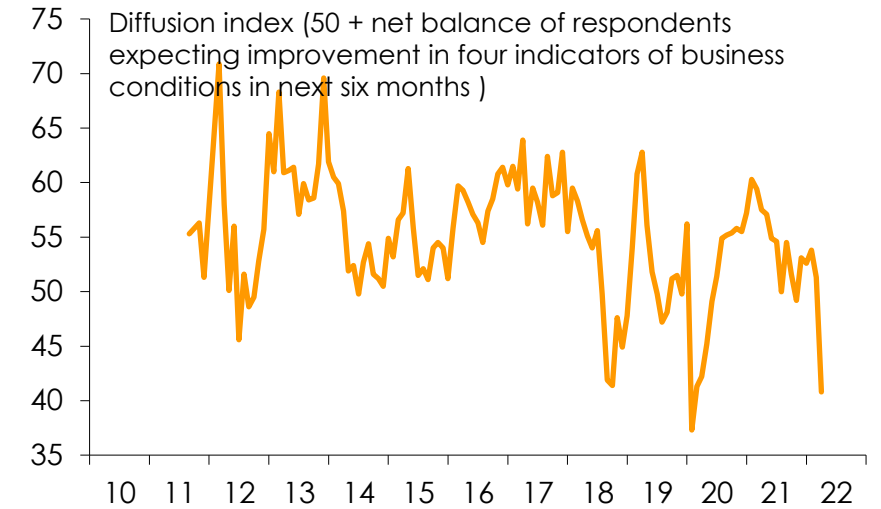
Quarterly real GDP growth



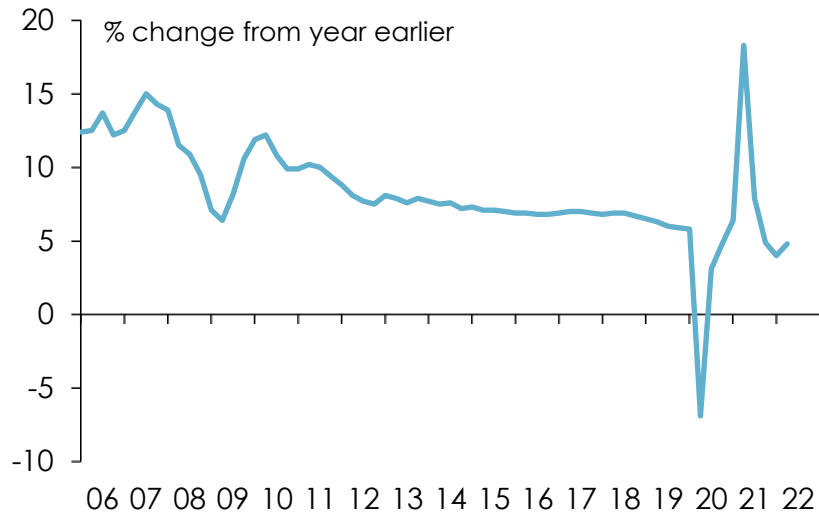
Contributions to real GDP growth



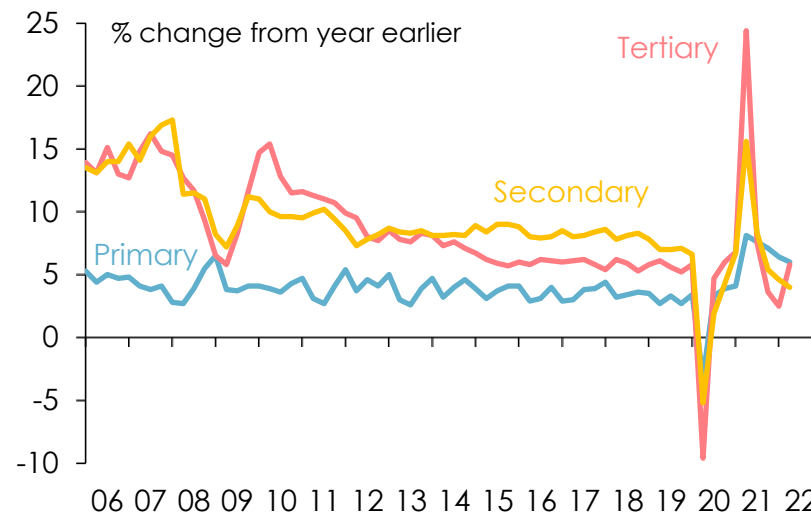
CKGSB business conditions index



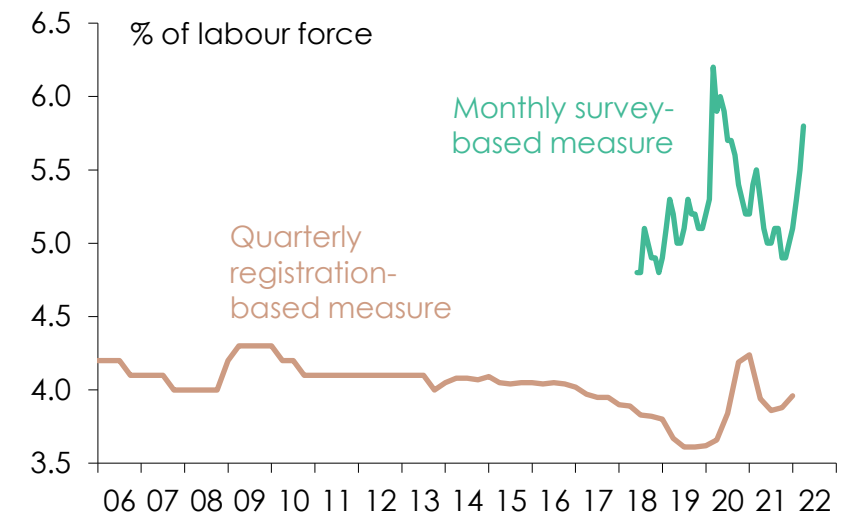
Annual real GDP growth



Annual GDP growth by industry



Urban unemployment rate

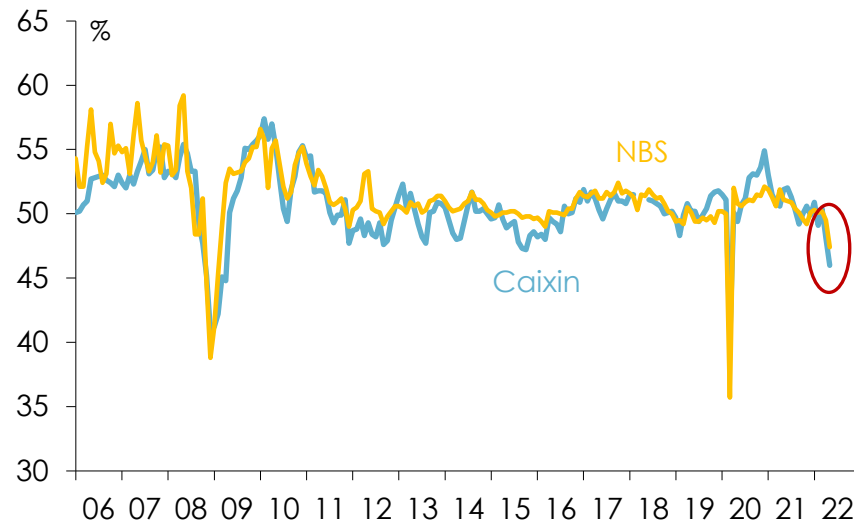


Sources: China National Bureau of Statistics, [National Data - National Accounts](#) and [The Urban Surveyed Unemployment Rate](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#). Before the monthly unemployment survey was introduced in 2018, the quarterly measure was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

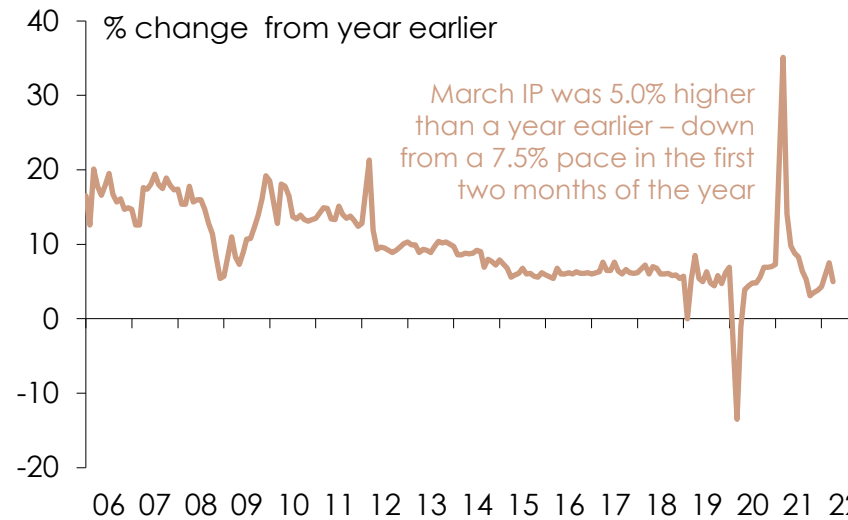
April PMIs show a sharp slowing in economic activity, especially in services, due to widespread strict lockdowns

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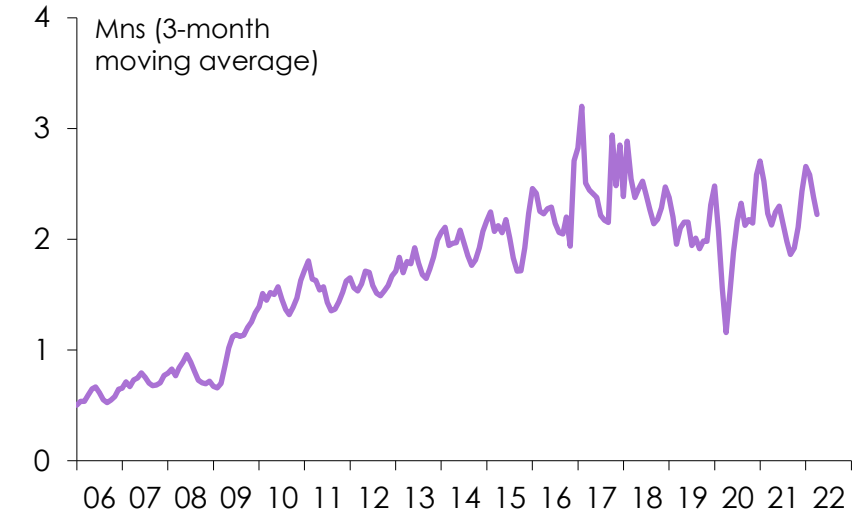
Manufacturing PMIs



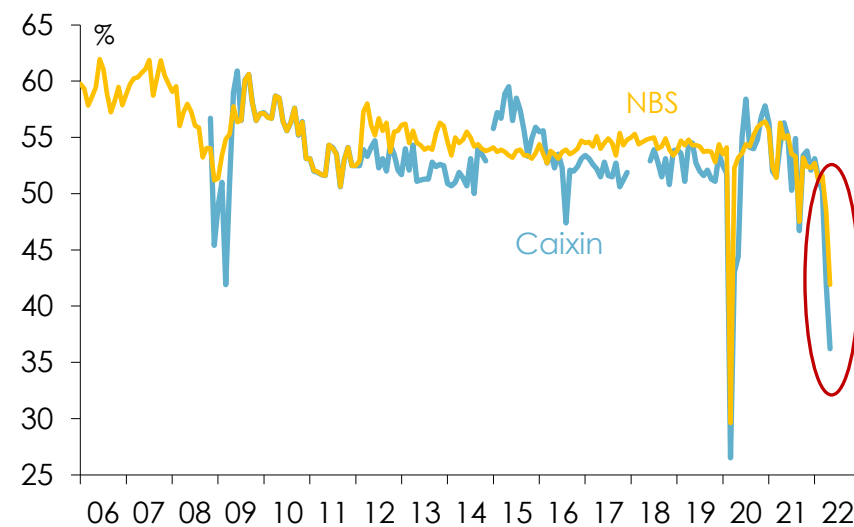
Industrial production



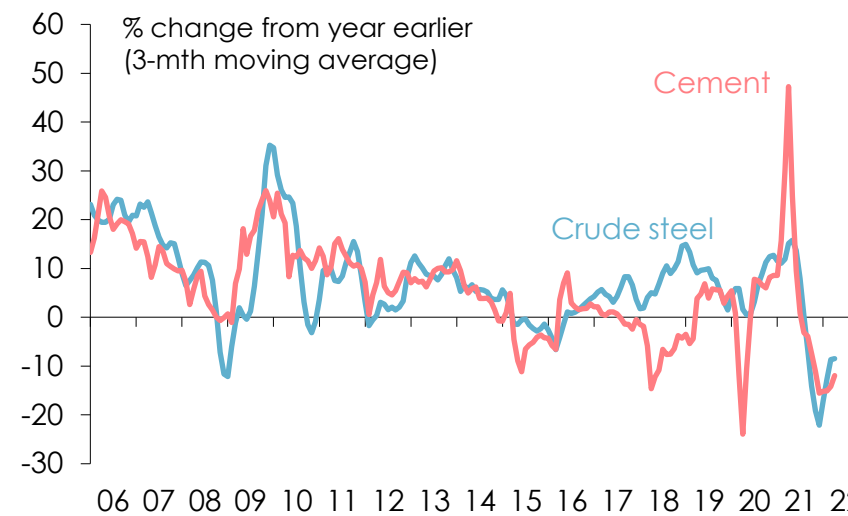
Motor vehicle production



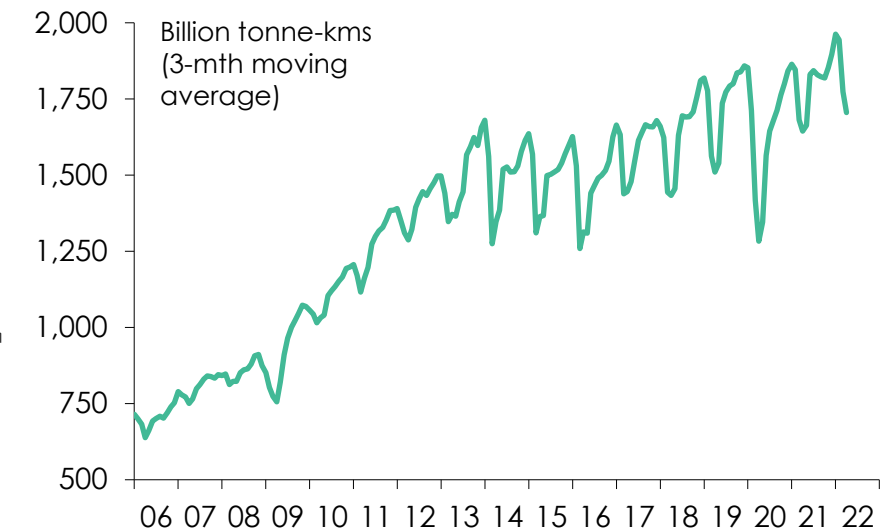
Non-manufacturing PMIs



Steel and cement production



Freight traffic volumes



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

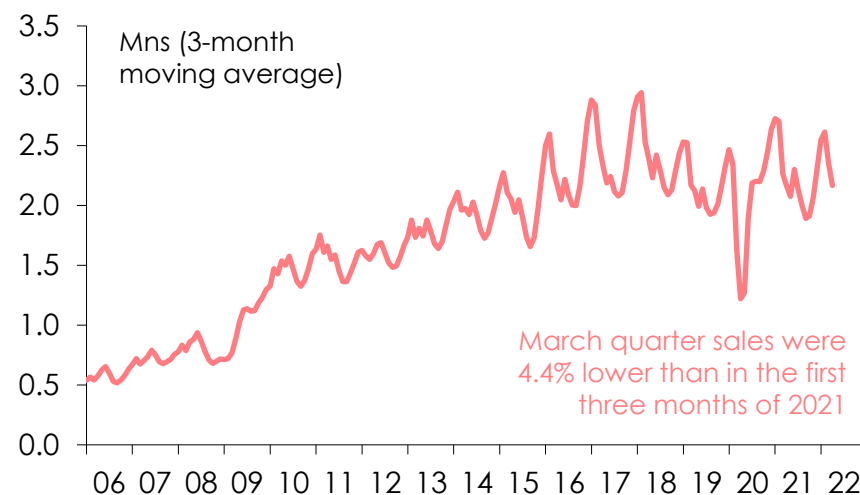
Retail sales were much weaker in March, due to lockdowns, and property investment continued to slow

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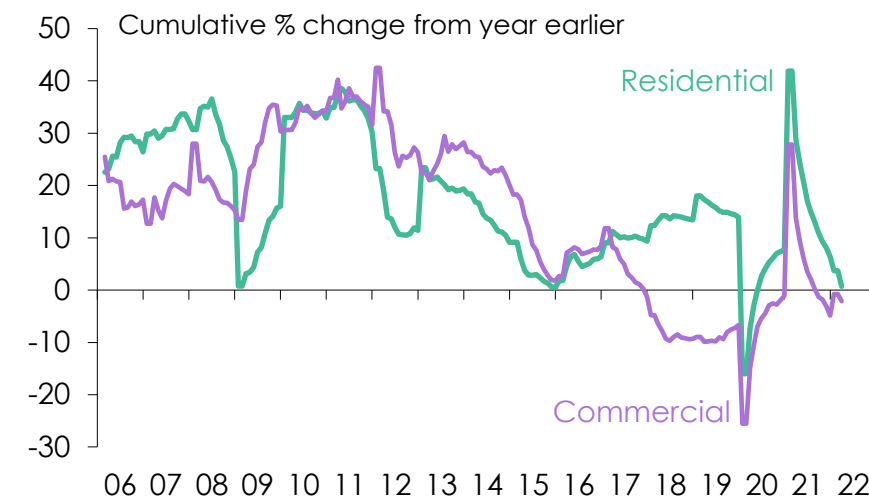
Consumer sentiment



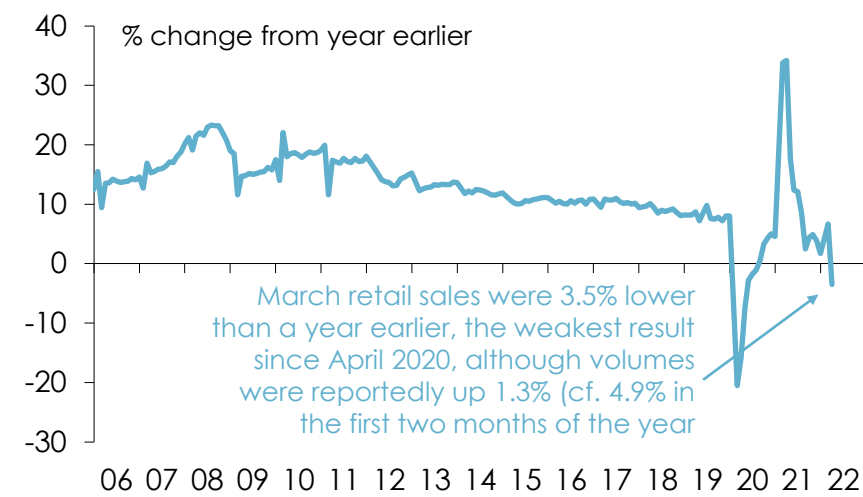
Motor vehicle sales



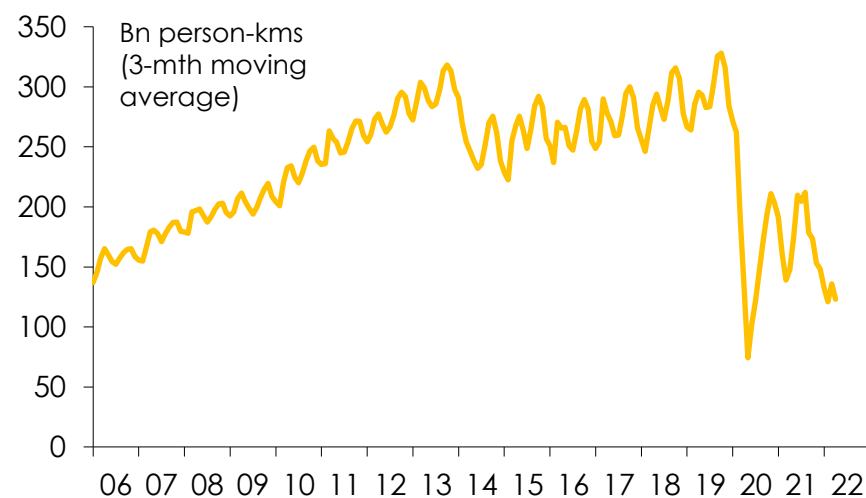
Real estate investment



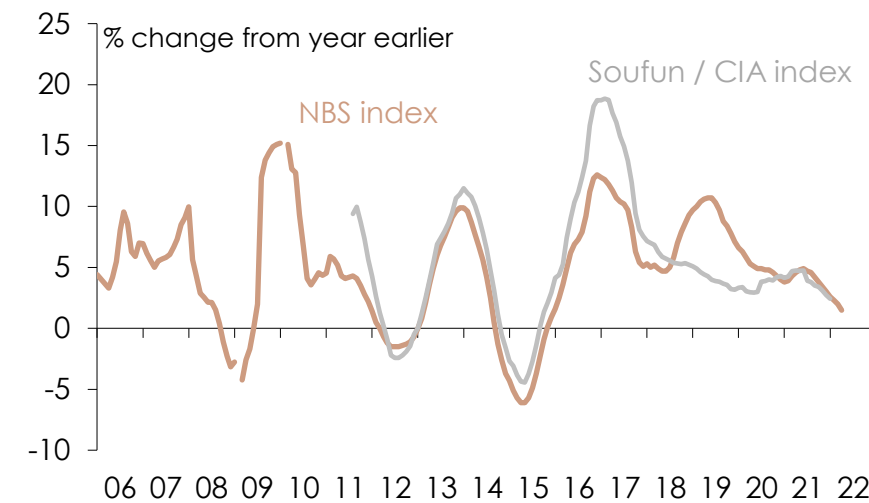
Retail sales



Passenger traffic volumes



Residential real estate prices

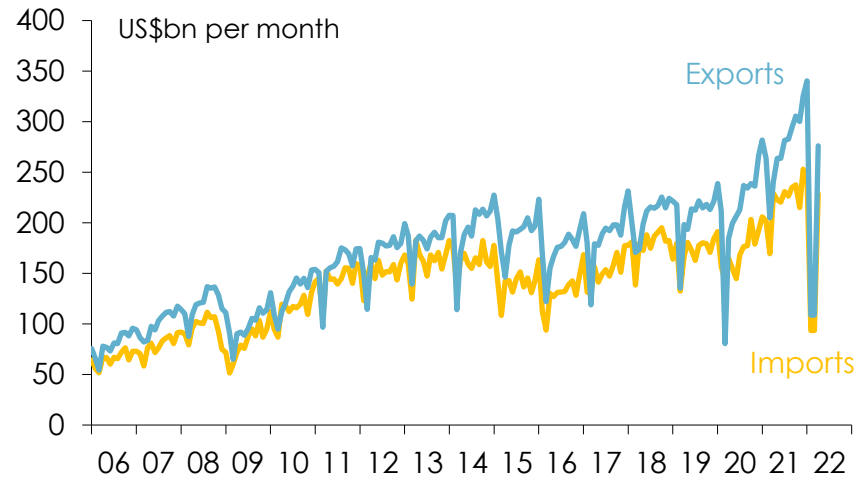


Sources: China National Bureau of Statistics, [National Data](#); China Association of Automobile Manufacturers, [Sales of Automobiles](#); China Index Academy, [CREIS China Residential](#)

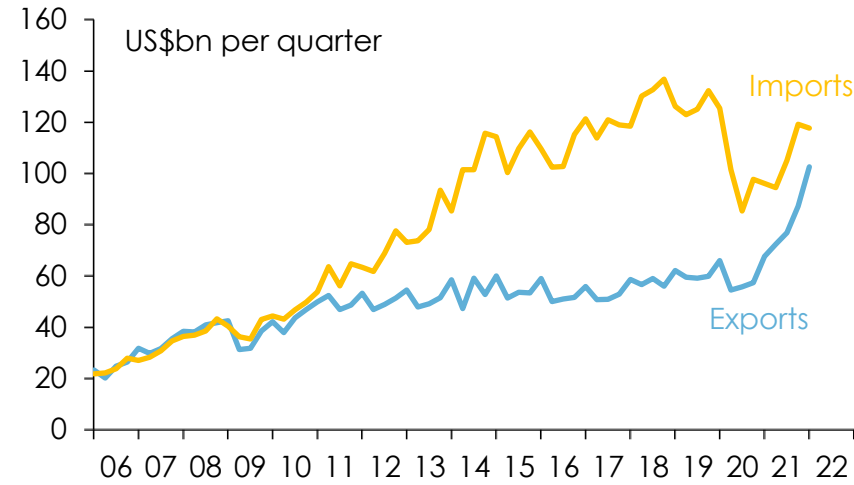
China recorded its largest-ever March surplus of US\$47.4bn, despite a slowing in export growth, as Covid curbs cut imports across the board

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

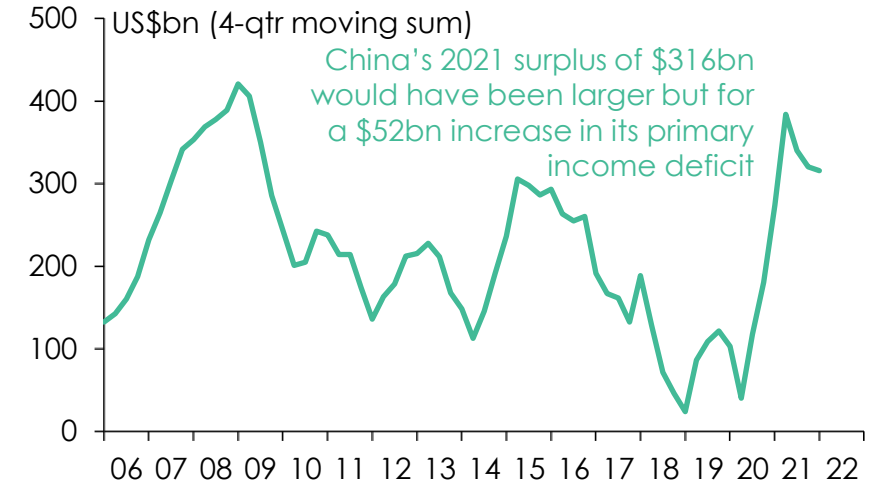
Merchandise exports and imports



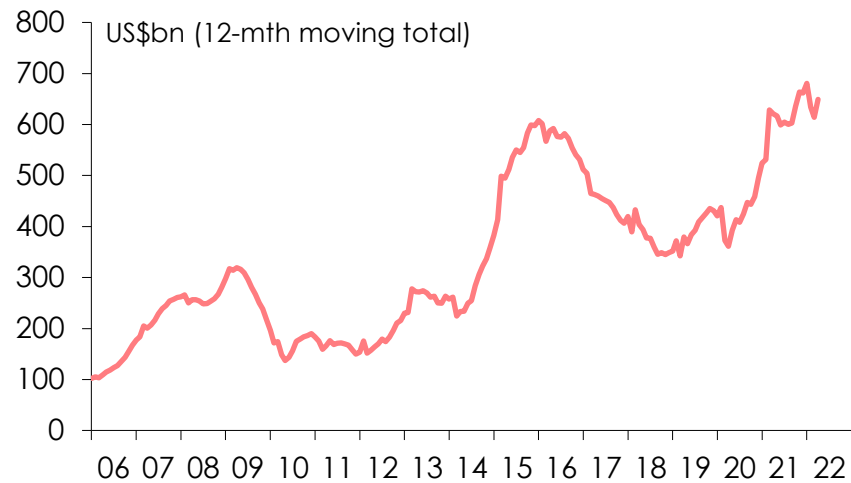
Services exports and imports



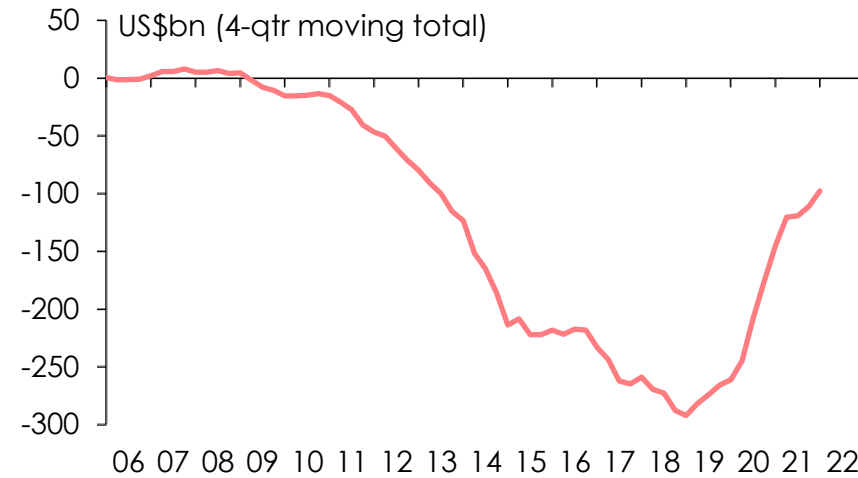
Current account balance



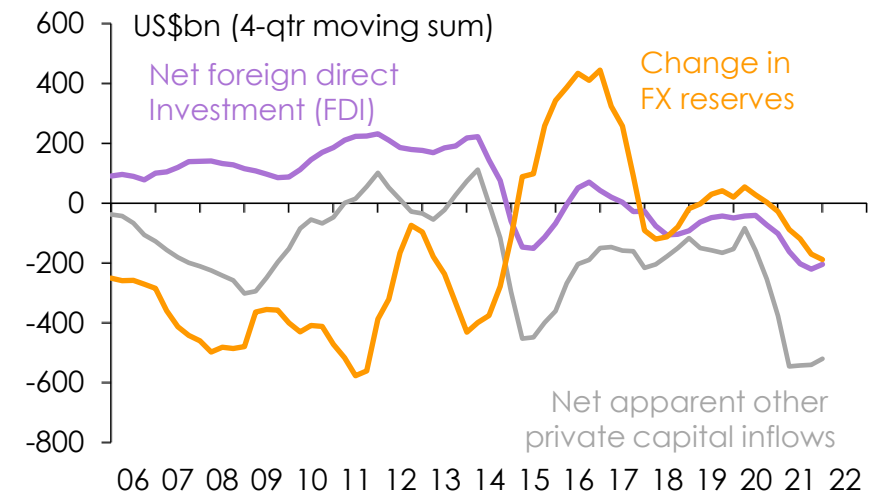
Merchandise trade balance



Services trade balance



Capital flows

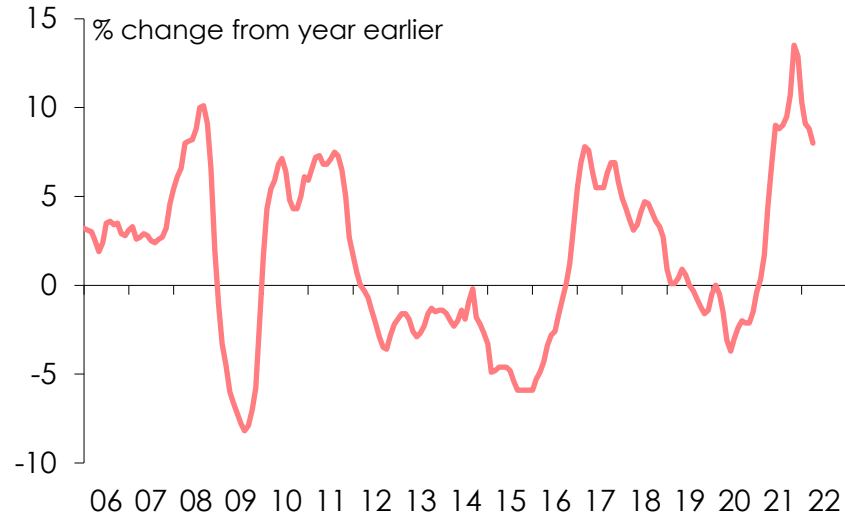


Sources: China General Administration of Customs, [Preliminary Release](#) and [Monthly Bulletin](#); State Administration of Foreign Exchange, [The time-series data of Balance of Payments of China](#). [Return to "What's New"](#).

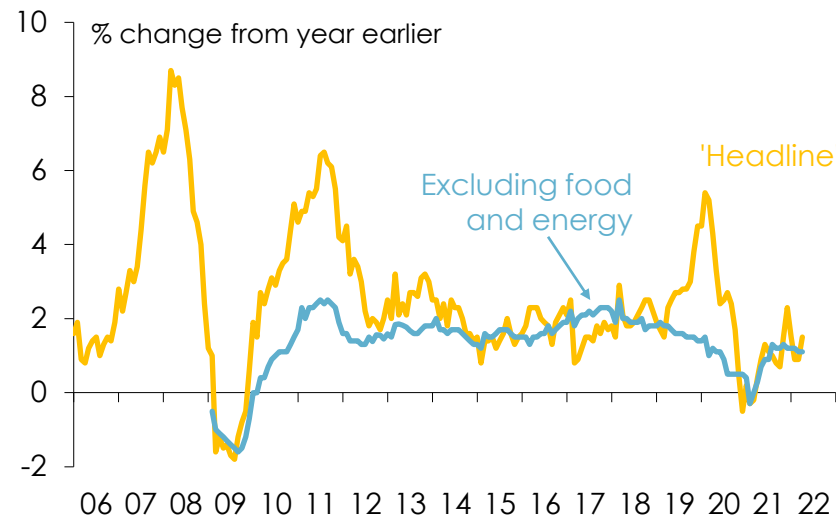
'Headline' consumer price inflation picked up slightly to 1.6% in March, mainly due to higher grain prices, but 'core' inflation remained at 1.1%

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

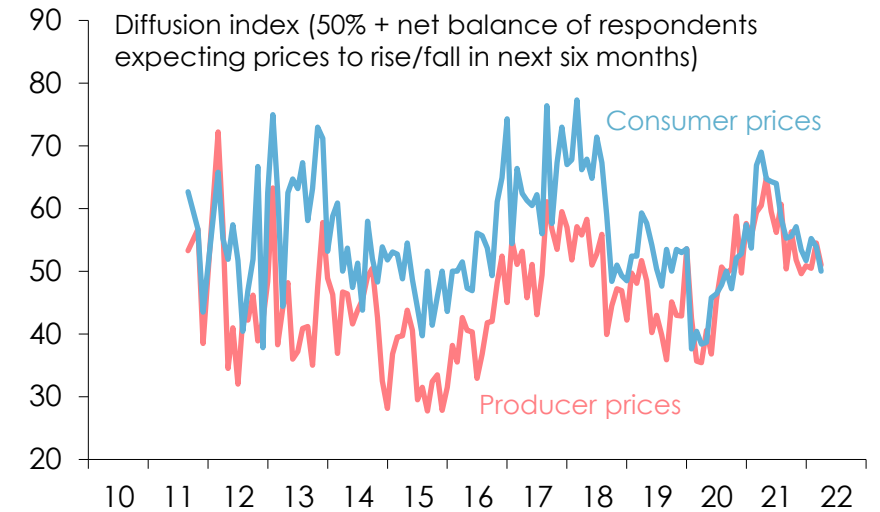
Producer prices



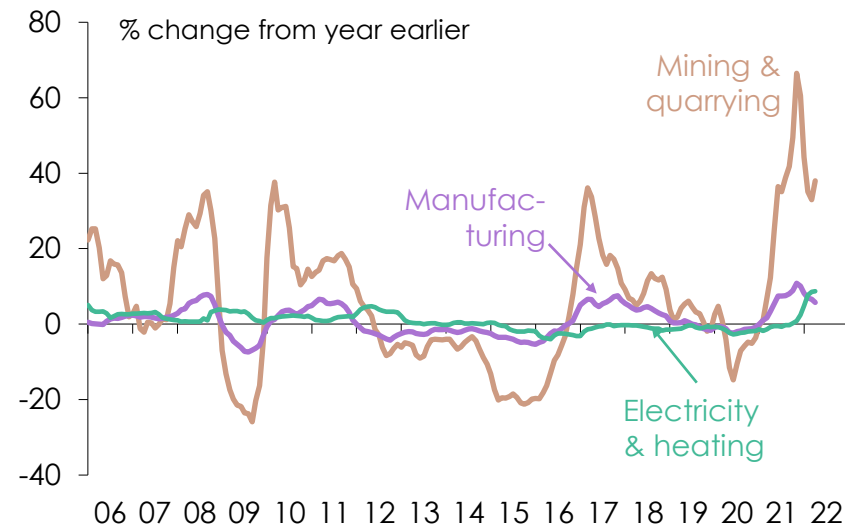
Consumer prices



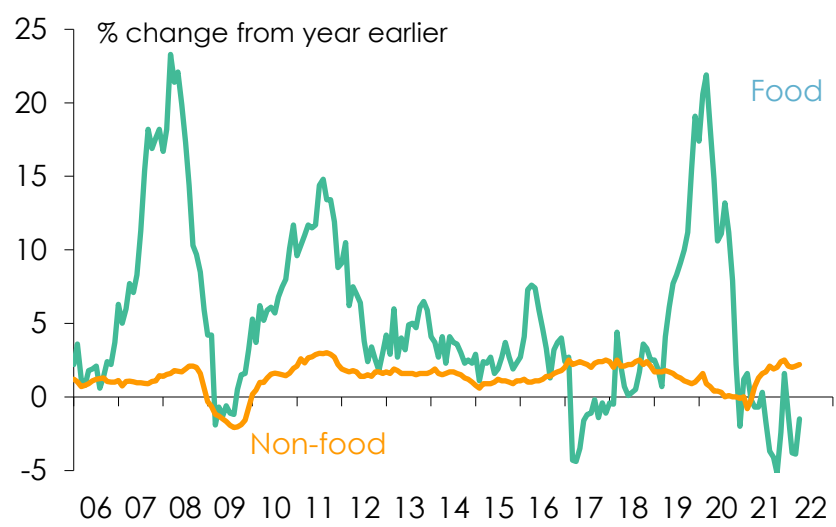
CKGSB price diffusion indexes



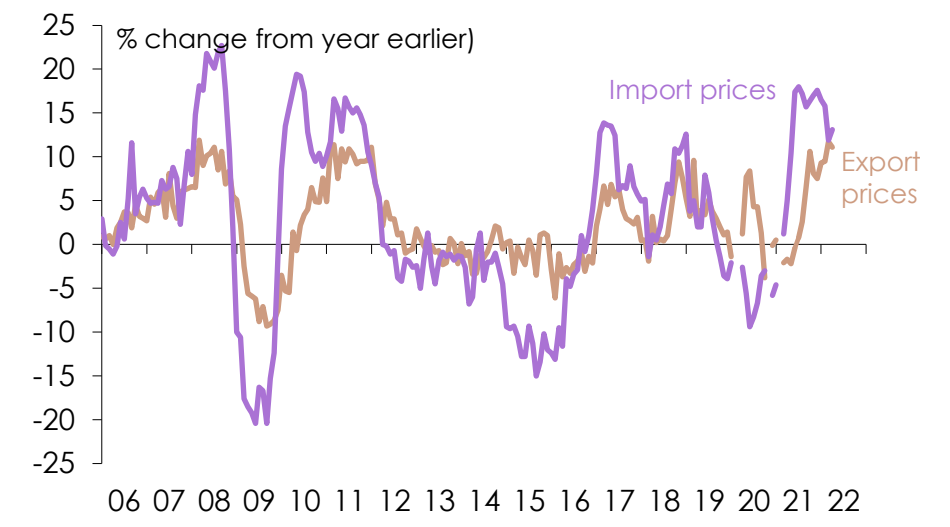
Producer prices – major categories



Consumer prices – food and other



Trade prices



Note: Food accounts for about 33% of China's CPI; for more details see [here](#). The PBoC has an informal inflation target of "about 3%". Sources: China National Bureau of Statistics, [National Data](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#); and China General Administration of Customs, [Trade Indices](#).
Return to "What's New".

China last week 'doubled down' on its 'zero Covid' policy, despite the economic costs

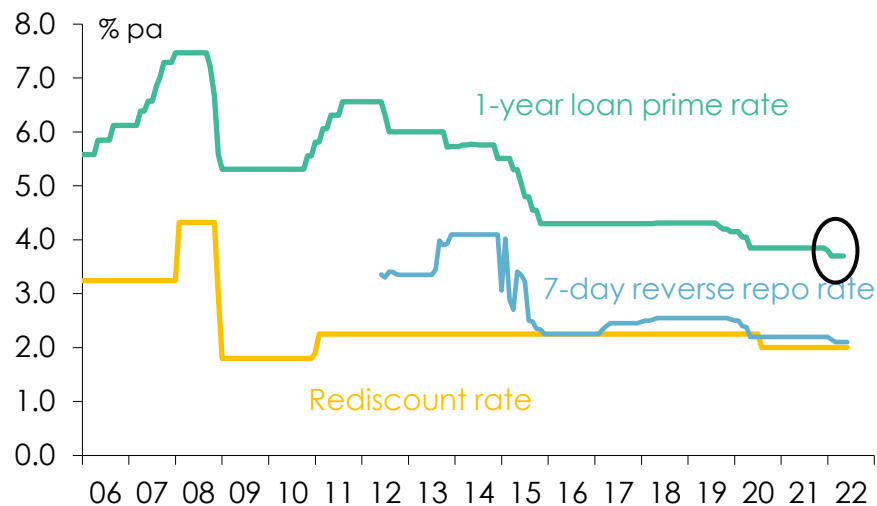
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- ❑ The Politburo Standing Committee (chaired by Xi Jinping) re-iterated China's commitment to its 'zero Covid' policy at a meeting last Thursday, the subsequent [readout](#) reporting that “it is necessary to ... unswervingly adhere to the general policy of 'dynamic zero clearance' and resolutely fight against all words and deeds that distort, doubt, and negate China's epidemic prevention guidelines and policies”
- ❑ A week earlier, the Politburo signalled a [relaxation](#) of its 'crackdown' on China's tech and property sectors at a on 29th April, whilst also re-iterating its 'zero Covid' strategy
 - the Politburo reportedly agreed to “speed up” the implementation of previously agreed tax cuts and other “supportive policies”, the use of “new monetary policy tools and effective investment”, and to “refining regulatory policies”
 - other [reports](#) indicated that the Politburo had agreed to increase support for China's 'platform economy', and that to that end, Xi and other leaders would host a 'symposium' with internet companies in mid-May
- ❑ This follows an [Executive Meeting of the State Council](#) on 13th April which 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”
- ❑ However the only monetary policy action following this resolution has been a 25 bp reduction in banks' reserve requirement ratios (effective from 25th April) – there has been no further reduction in interest rates

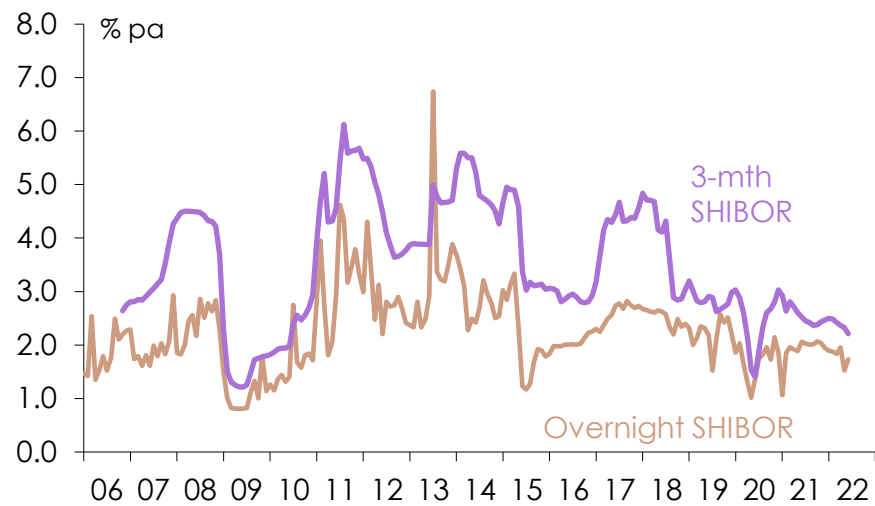
The PBoC has made only token reductions in interest rates since late last year (and none since January) plus two cuts in the reserve ratio

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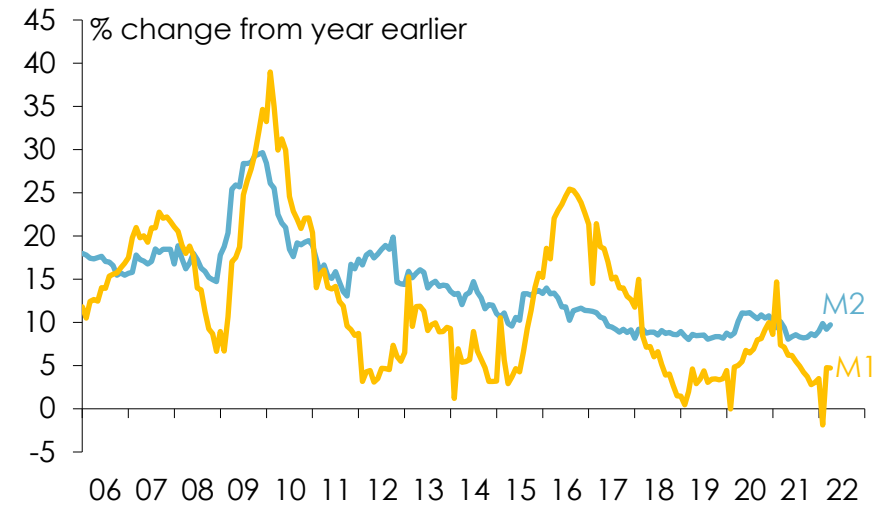
PBoC policy interest rates



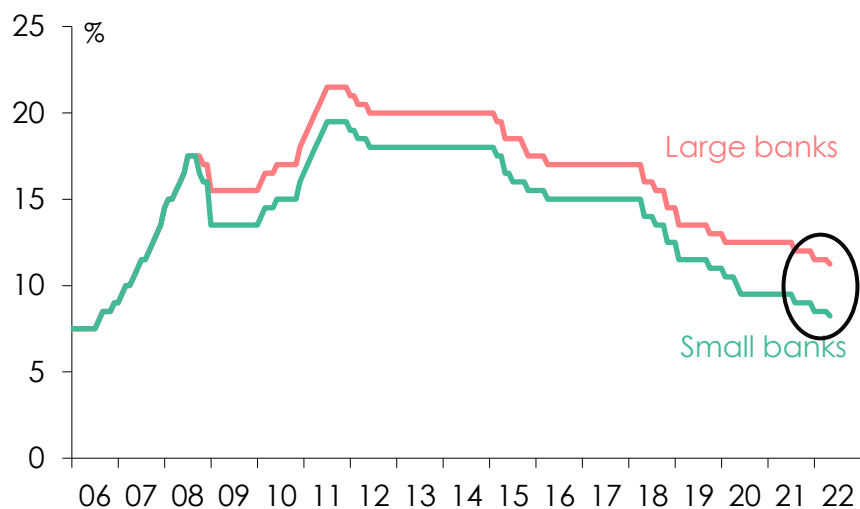
Short-term market interest rates



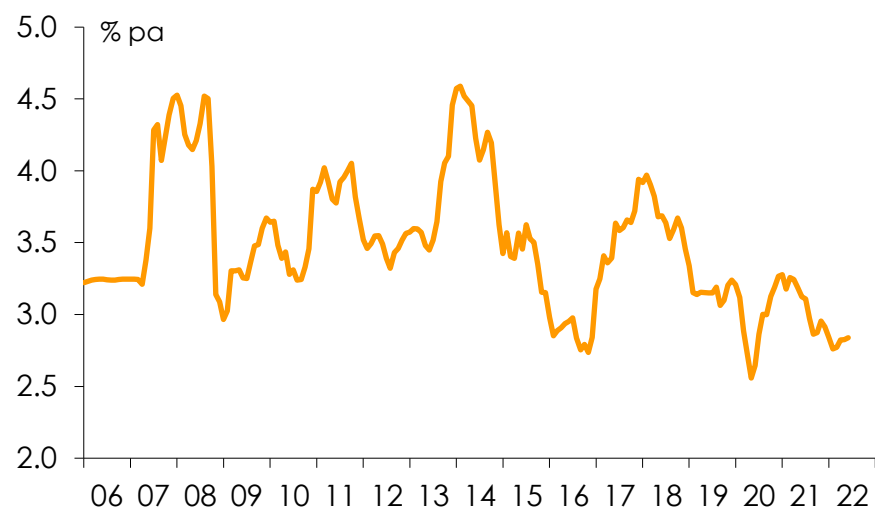
Monetary aggregates



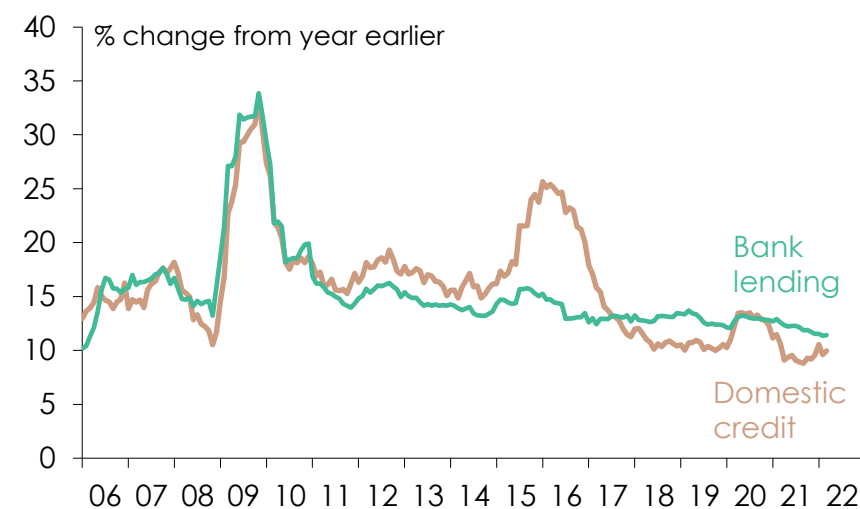
Bank reserve requirement ratios



10-year government bond yield



Credit growth

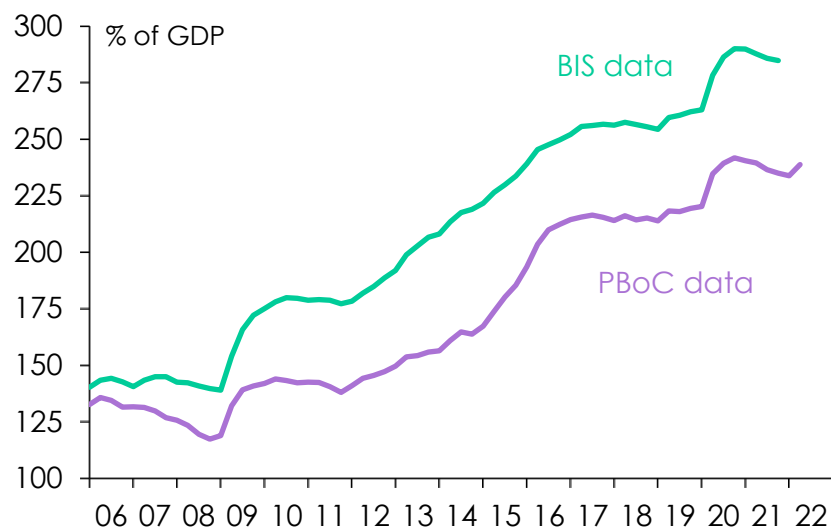


Note: 'SHIBOR' is the Shanghai Inter-Bank Offered Rate. Sources: Refintiv Datastream; People's Bank of China, [Financial Statistics Reports](#) and [Aggregate Financing Reports](#).
[Return to "What's New"](#).

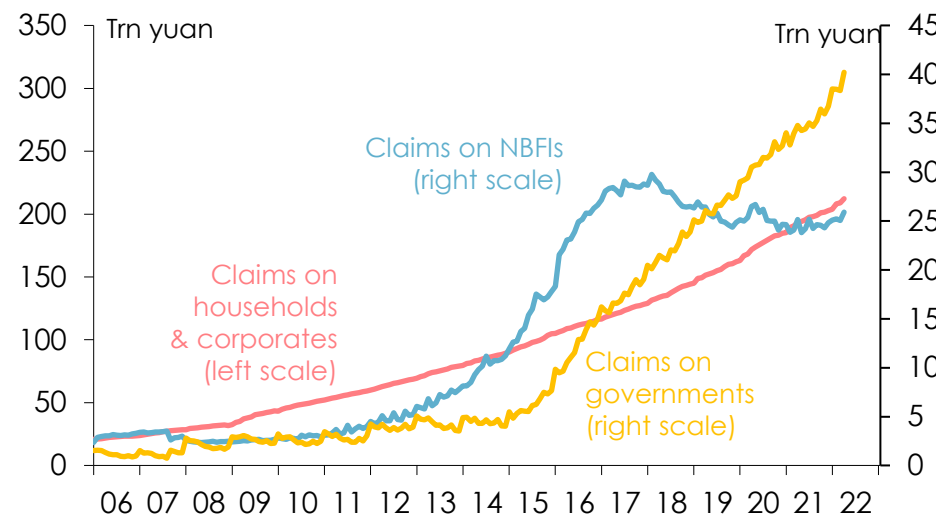
The Chinese banking system's risk profile has increased significantly over the past decade – particularly on the liabilities side of its balance sheet

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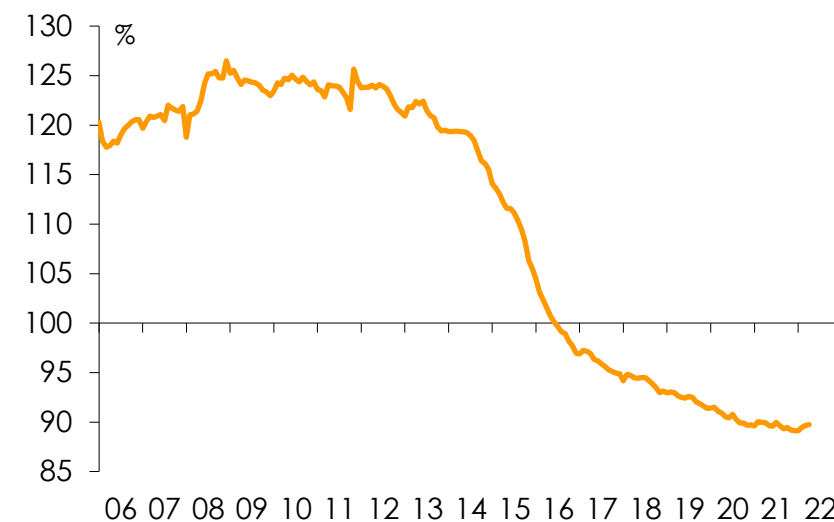
Credit outstanding as a pc of GDP



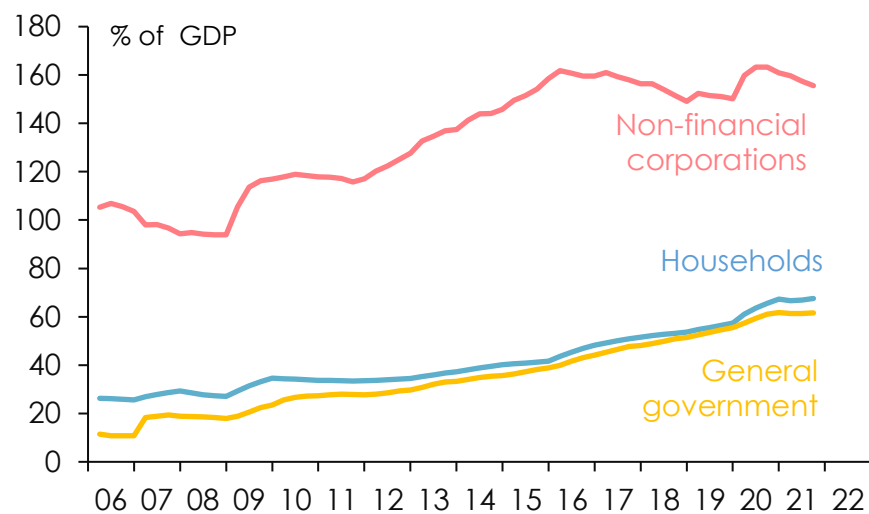
Banks' assets



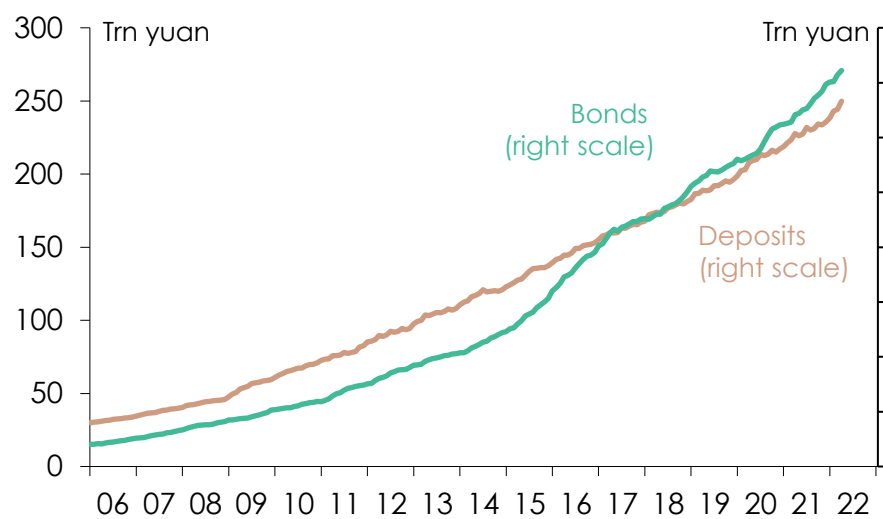
Banks' deposits-to-loans ratio



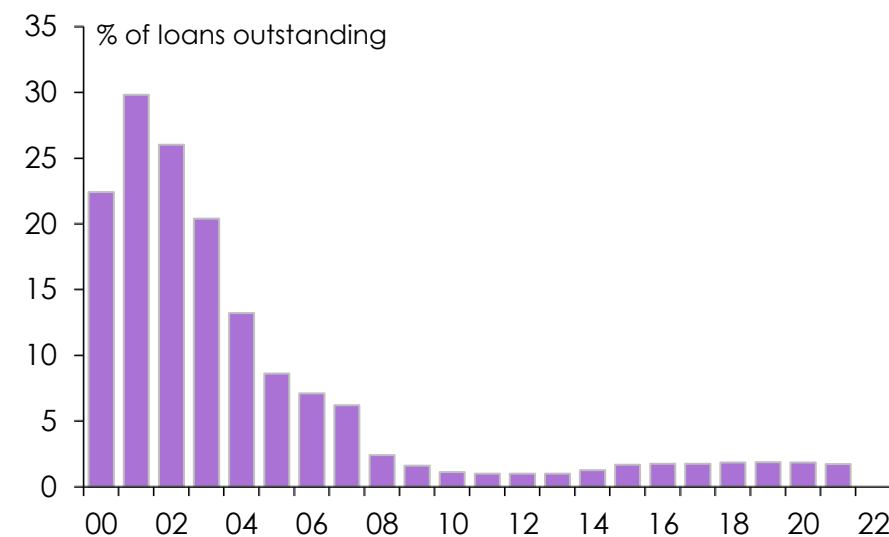
Credit outstanding by sector



Banks' liabilities



Banks NPLs – official estimates

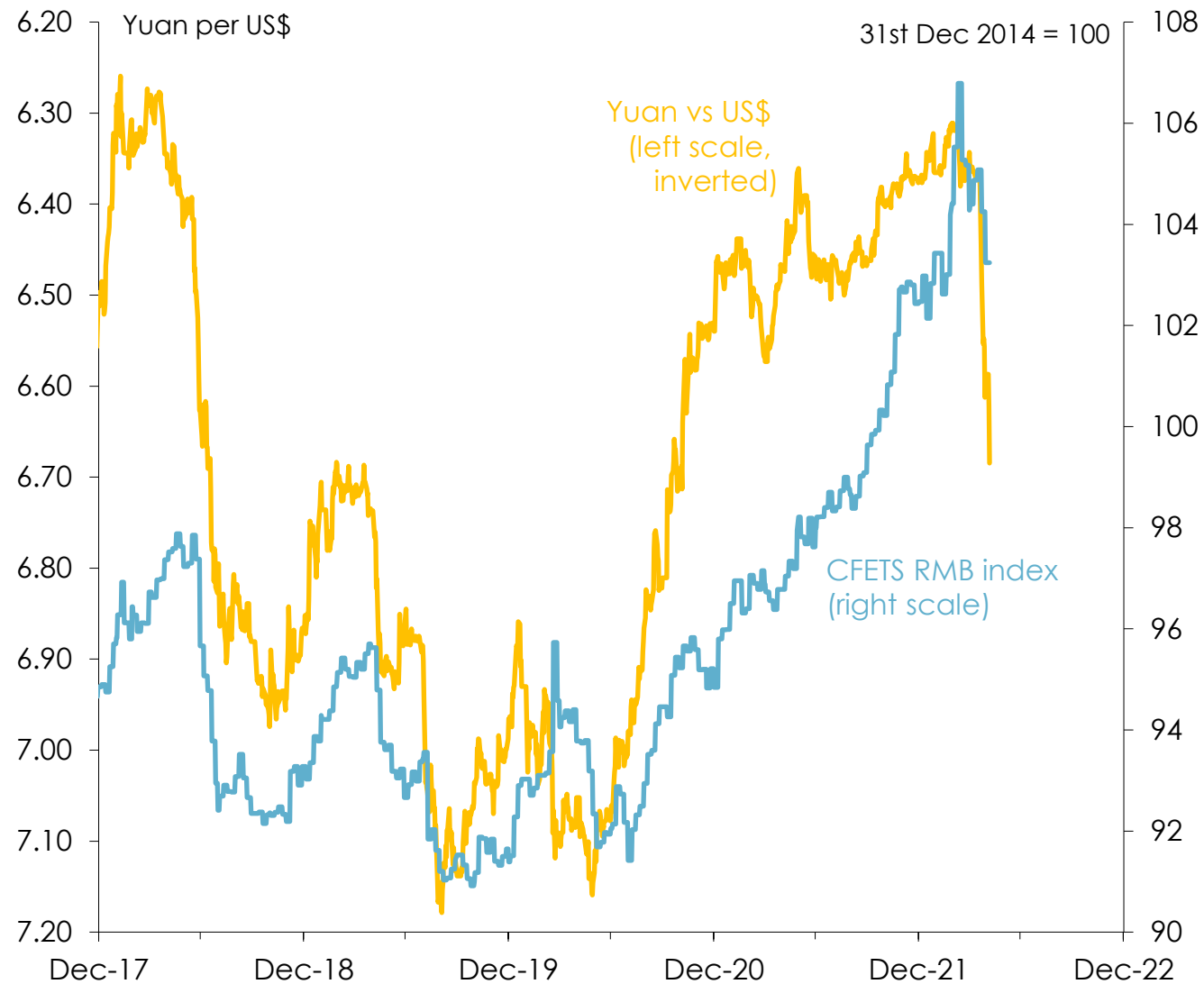


Sources: People's Bank of China, [Financial Statistics Reports](#); Bank for International Settlements, [Credit to the non-financial sector](#); China Banking and Insurance Regulatory Commission, [Supervisory Statistics of the Banking and Insurance Sectors](#). [Return to "What's New"](#).

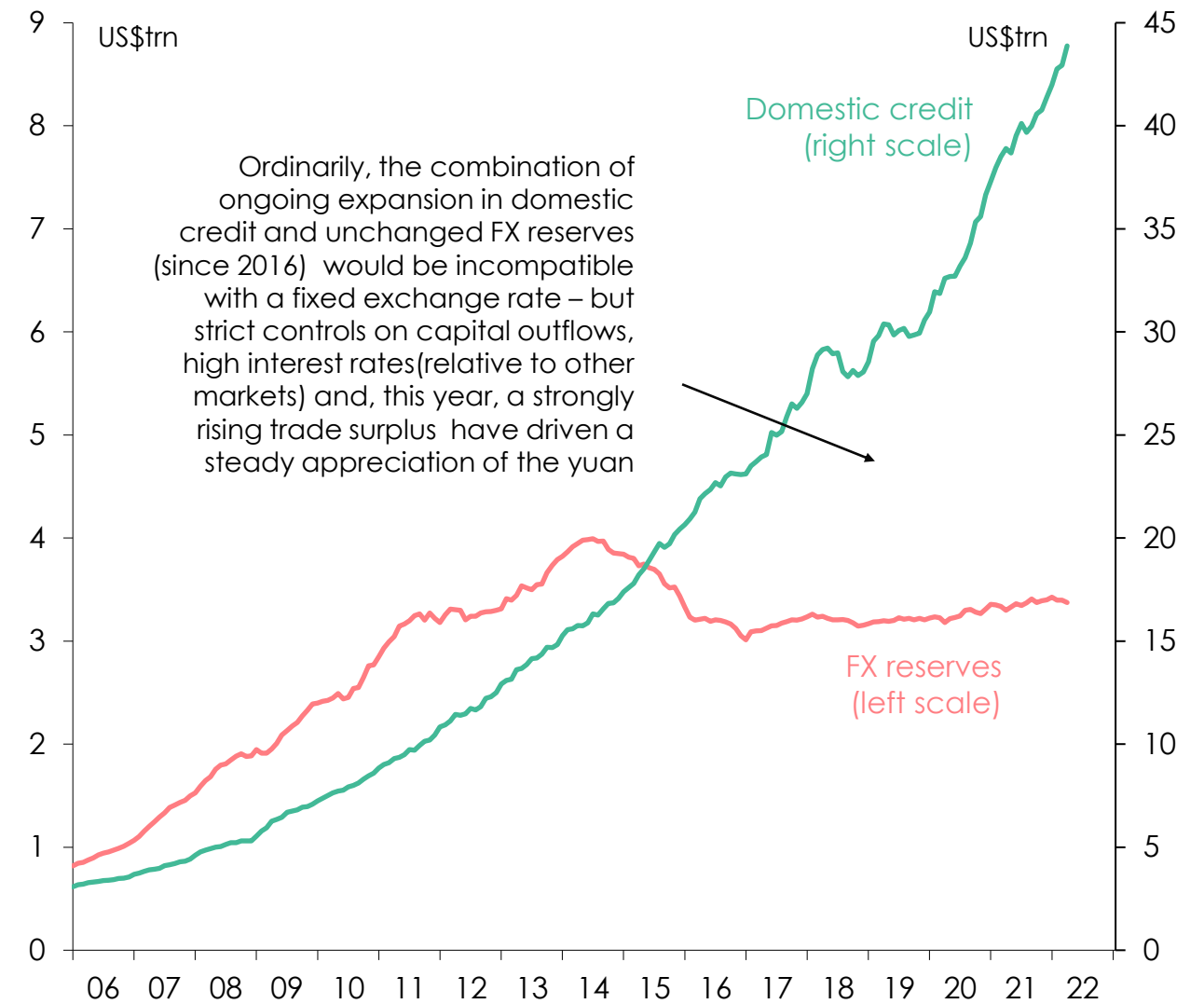
The yuan fell another 1½% against the US\$ last week (to its lowest level since November 2020) and also fell 1% on the PBoC's trade-weighted index

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Chinese renminbi vs US\$ and trade-weighted index



FX reserves and domestic credit



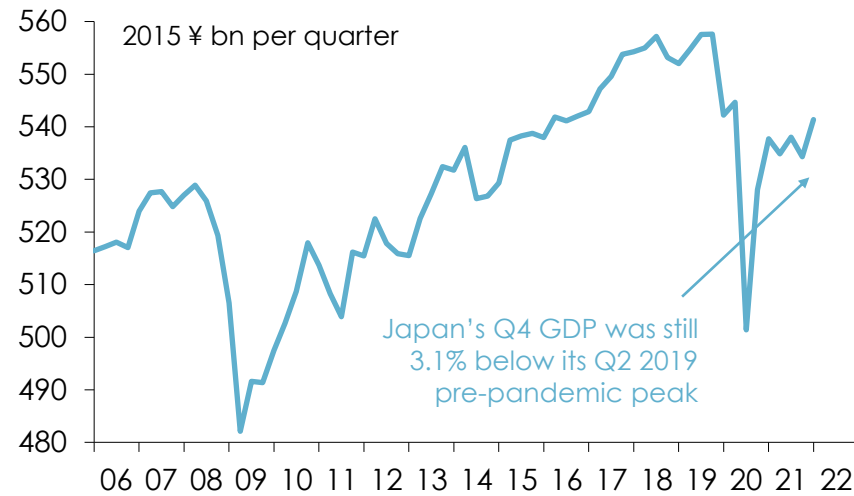
Sources: Refinitiv Datastream; China Foreign Exchange Trading System; People's Bank of China. Exchange rates up to 22nd April; FX reserves and credit data up to March.
[Return to "What's New"](#).

Japan

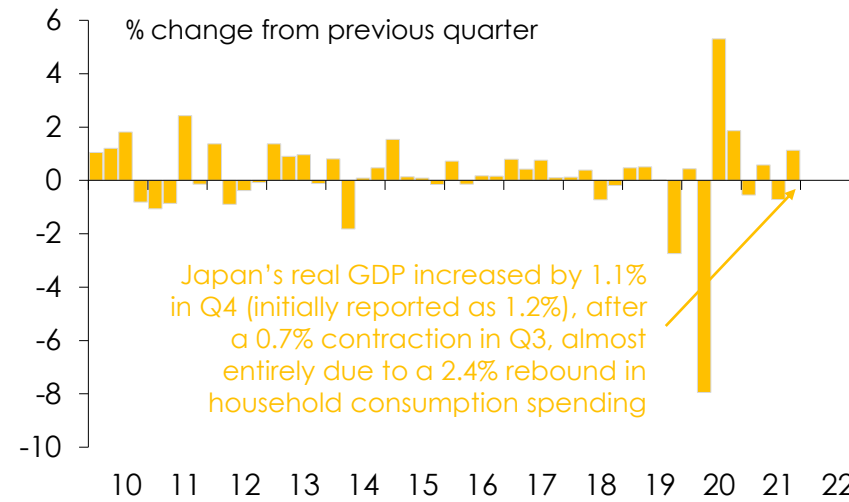
Japan's real GDP rebounded 1.1% in Q4 last year after falling in two of the three previous quarters but was still 3.1% short of its pre-pandemic peak

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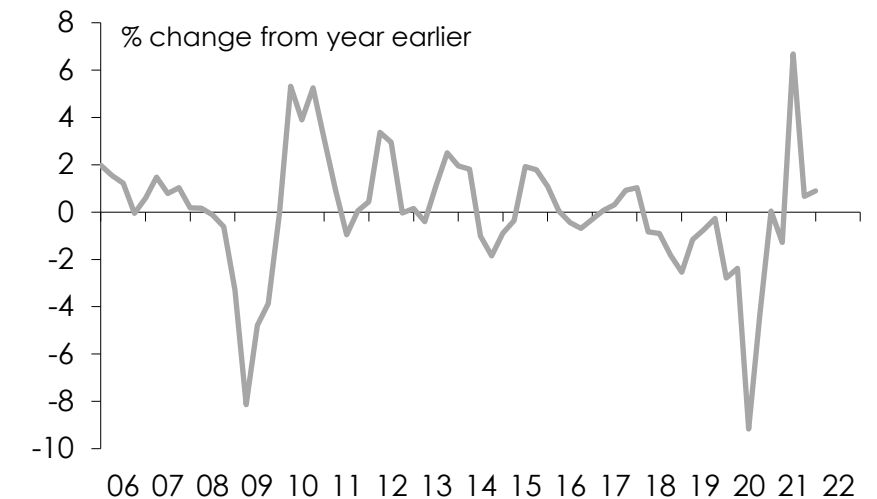
Level of real GDP



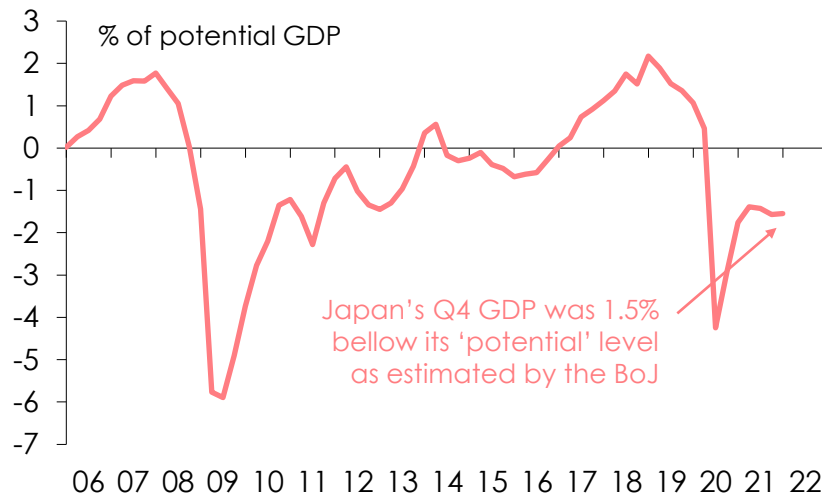
Quarterly change in real GDP



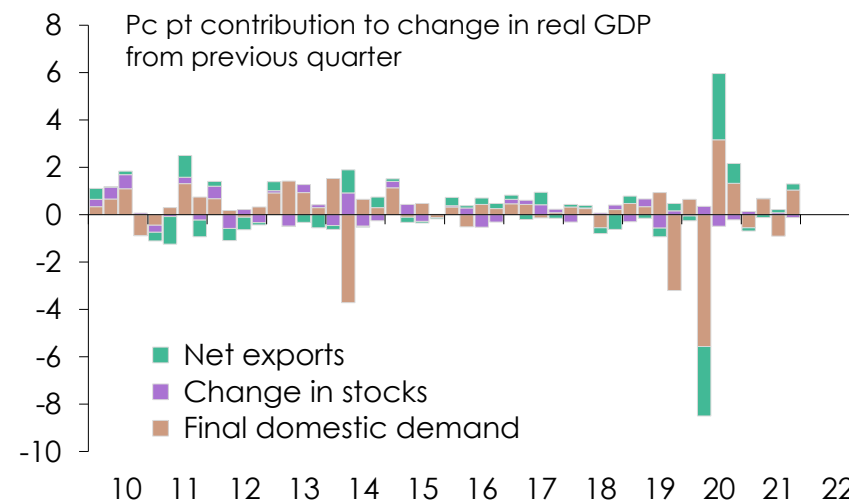
Labour productivity growth



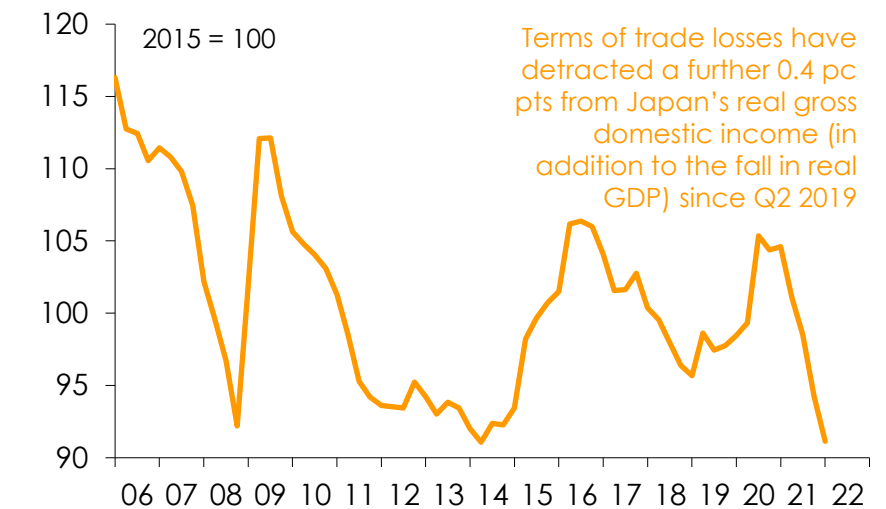
The 'output gap'



Contributions to change in real GDP



Terms of trade

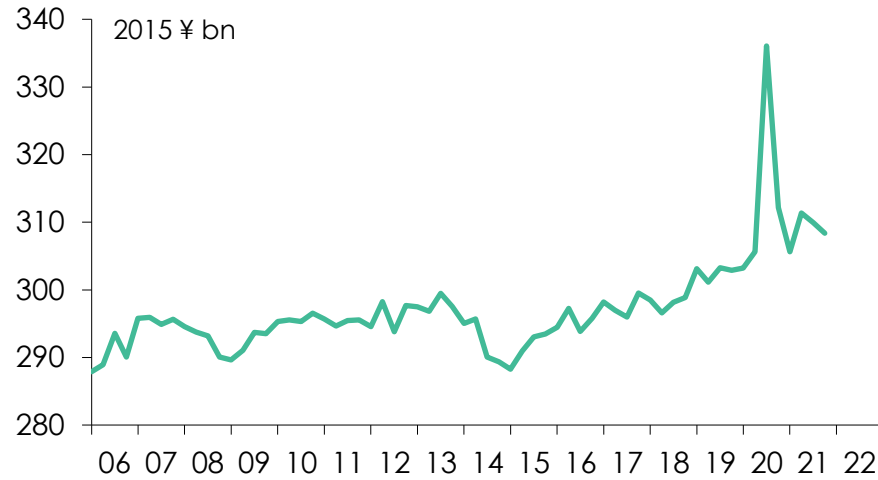


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

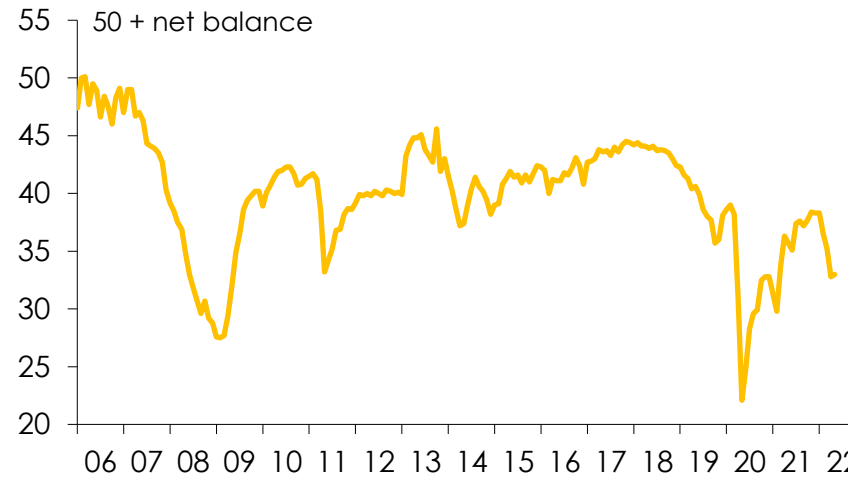
Household incomes have been supported by fiscal transfers, but much of them have been saved so household spending has remained weak

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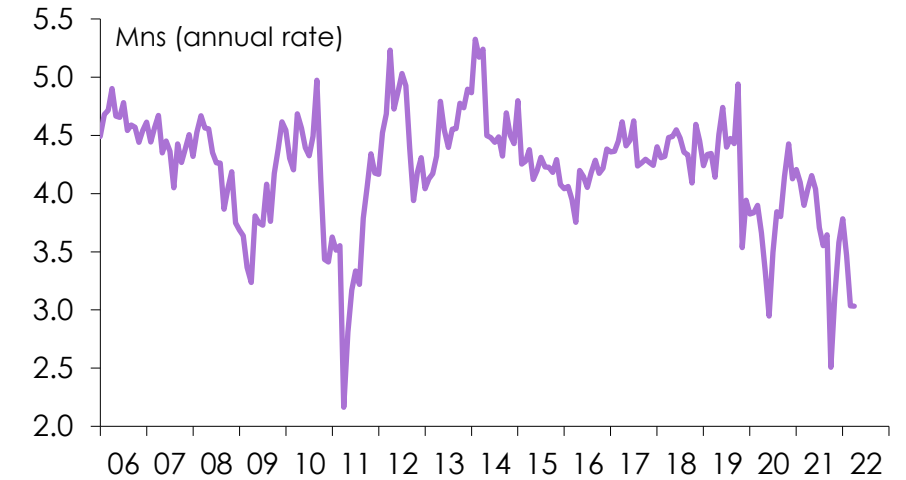
Real household disposable income



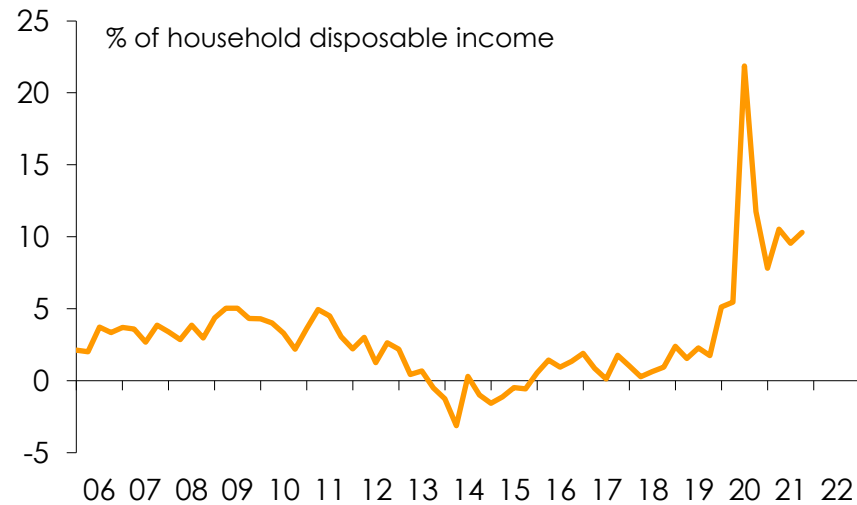
Consumer confidence



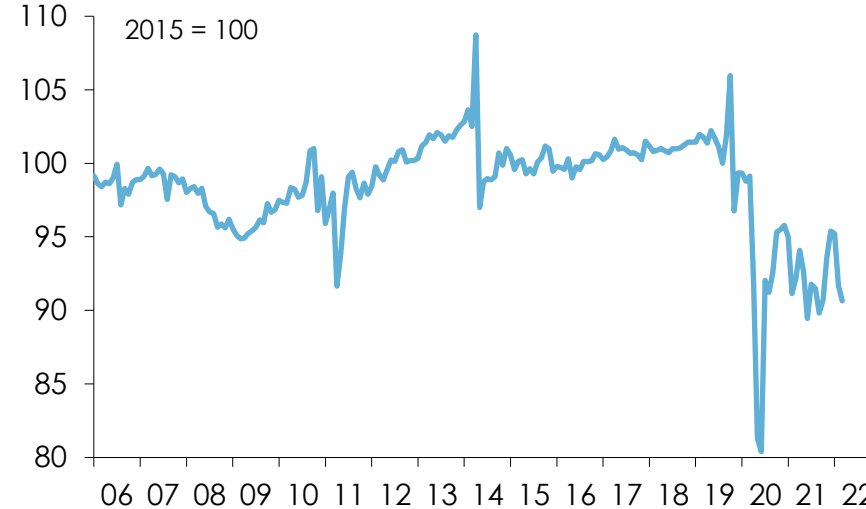
Motor vehicle sales



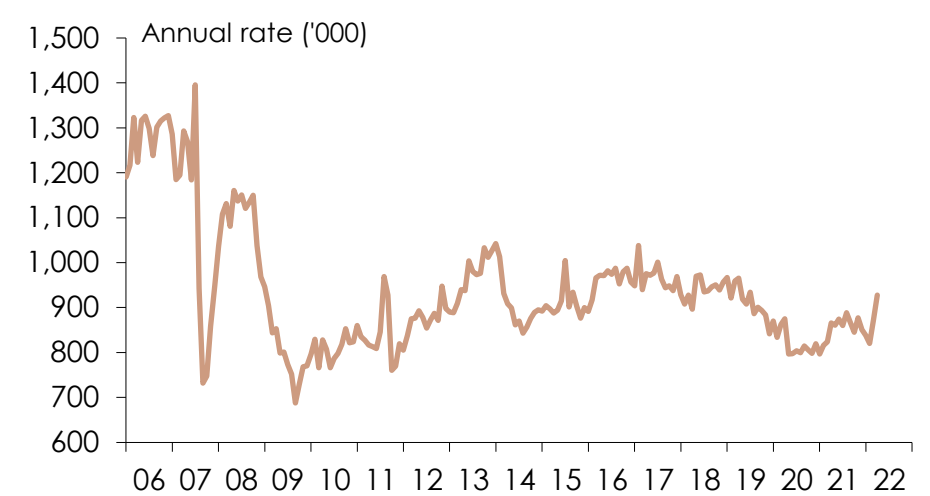
Household saving



Consumption activity index



Housing starts

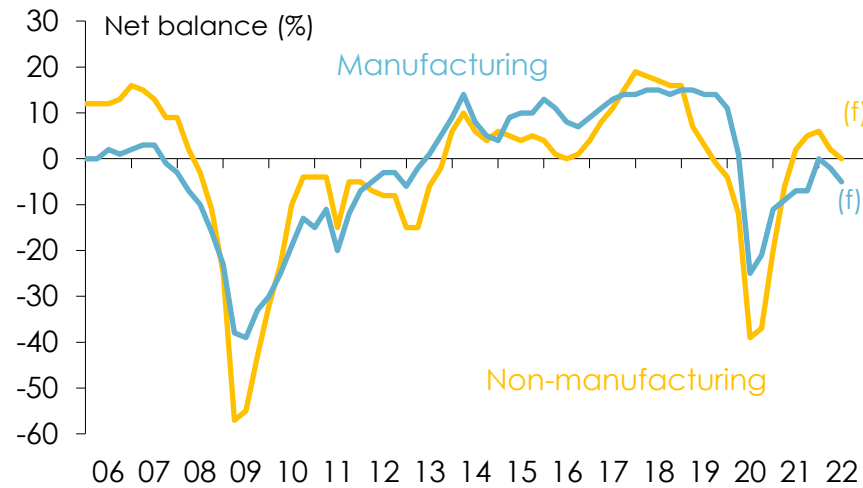


Sources: Japan Cabinet Office, [Quarterly Estimates of Household Disposable Income and Household Saving Ratio](#) and [Consumer Confidence Survey](#); Bank of Japan, [Consumption Activity Index](#); Japan Automobile Dealers Association, [Statistical Data](#); Japan e-Stat, [Building Starts](#). [Return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

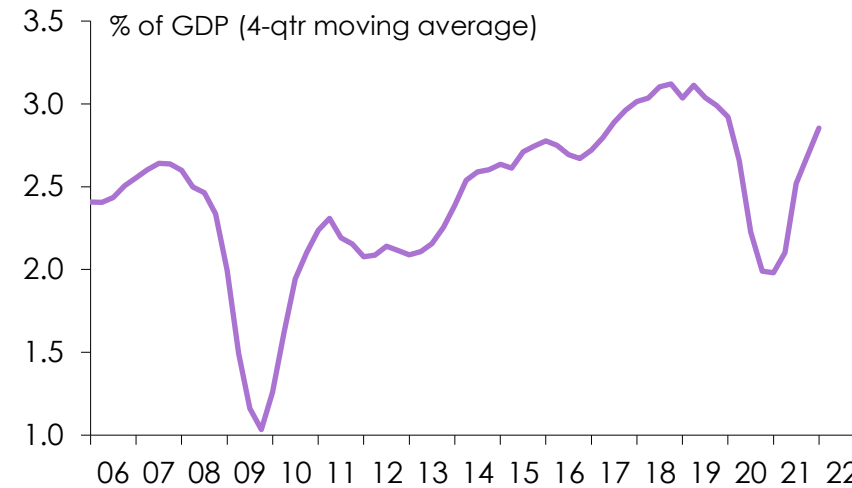
Japanese business confidence deteriorated in the first quarter of this year according to the BoJ's *tankan* survey, largely reflecting rising input costs

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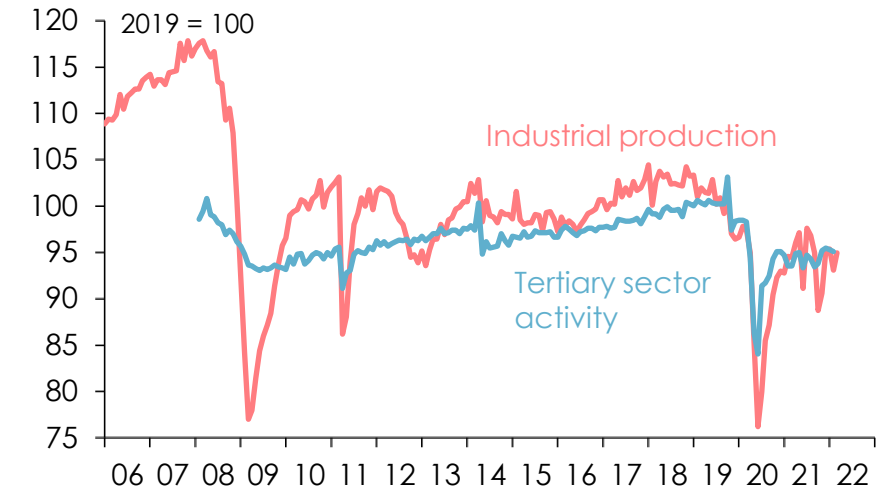
Business conditions by industry



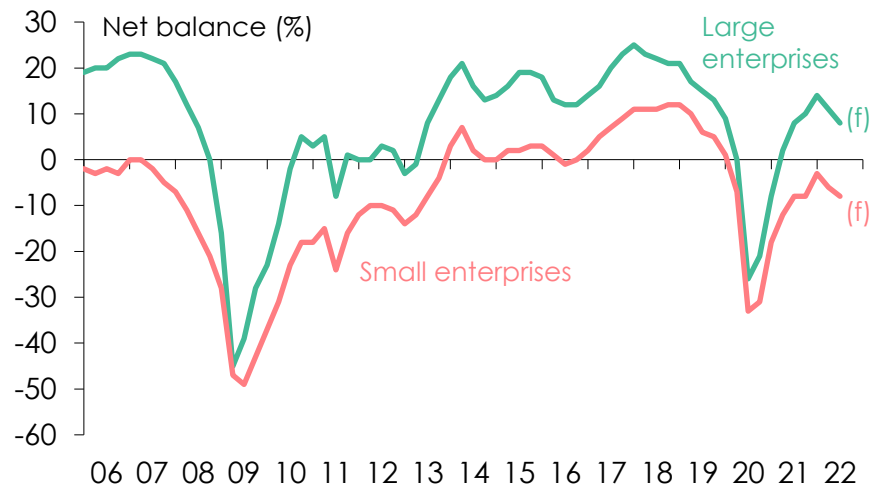
Corporate operating profits



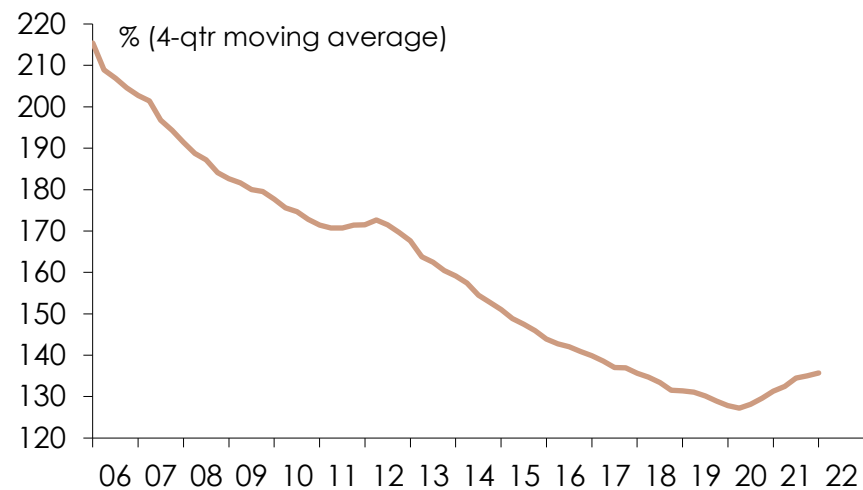
Indexes of economic activity



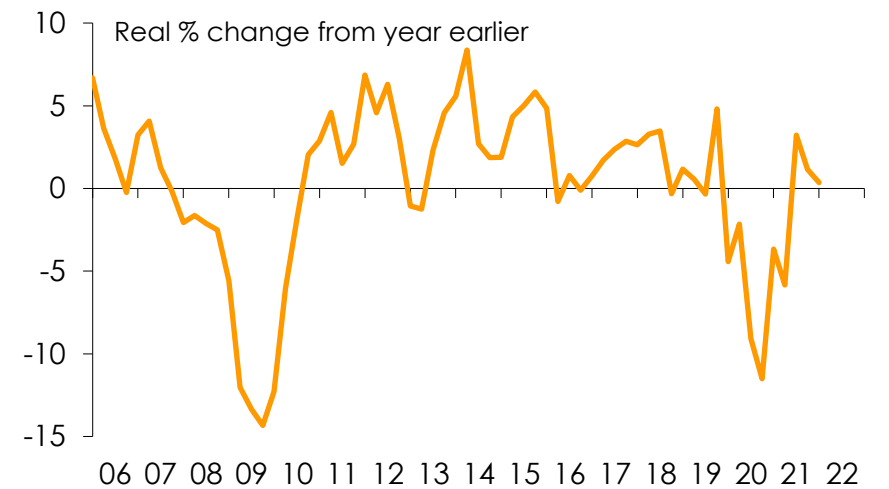
Business conditions by firm size



Corporate debt-equity ratio



Business investment

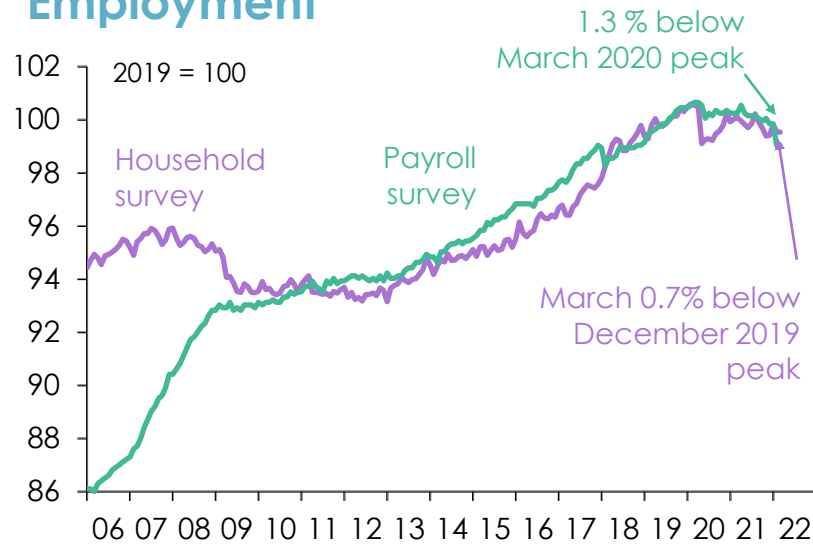


Sources: Bank of Japan, [Short-Term Economic Survey of Enterprises in Japan \('Tankan'\)](#); Policy Research Institute, Ministry of Finance, [Financial Statements Statistics of Corporations by Industry, Quarterly](#); Ministry of Economy, Trade & Industry, [Indices of Industrial Production](#) and [Indices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

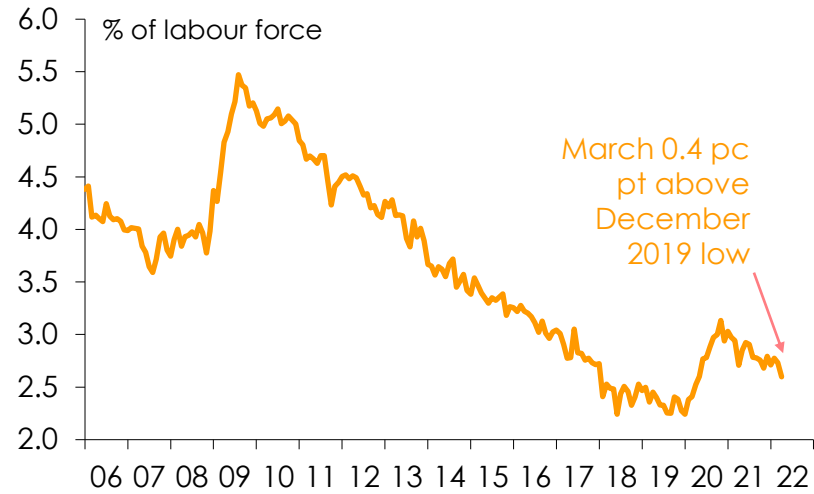
Employment in Japan rose 0.3% in March, to be 0.7% below its pre-pandemic peak, while the unemployment rate fell 0.1 pc pt to 2.6%

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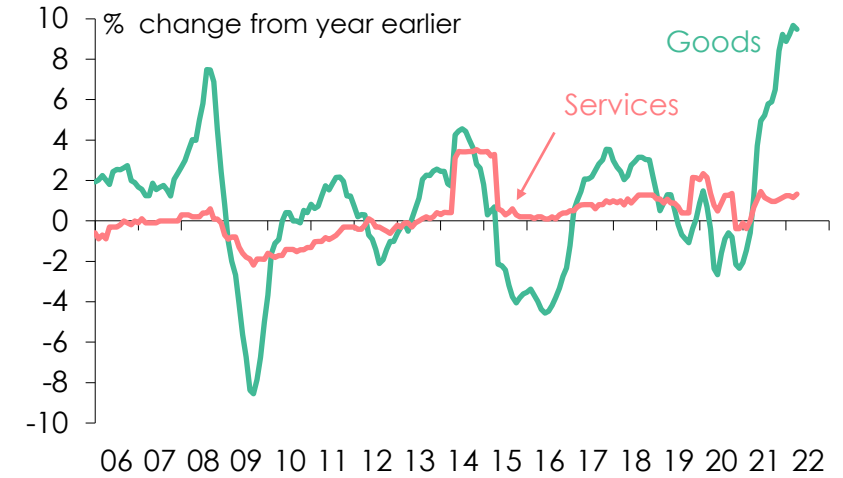
Employment



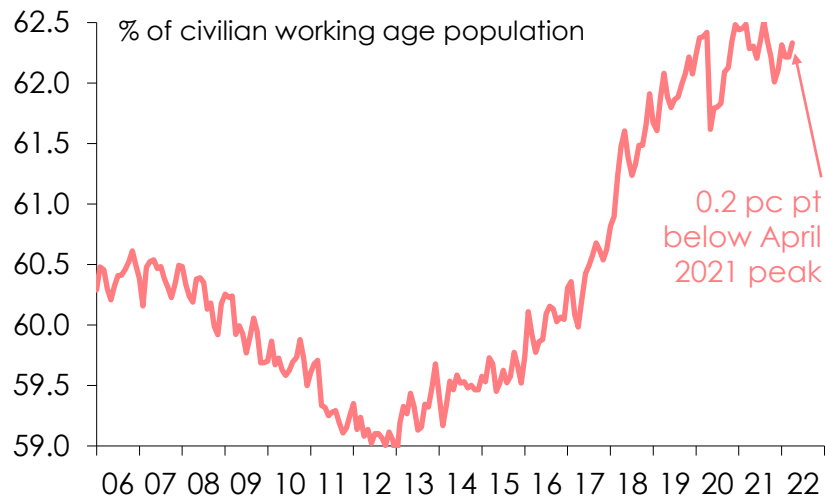
Unemployment rate



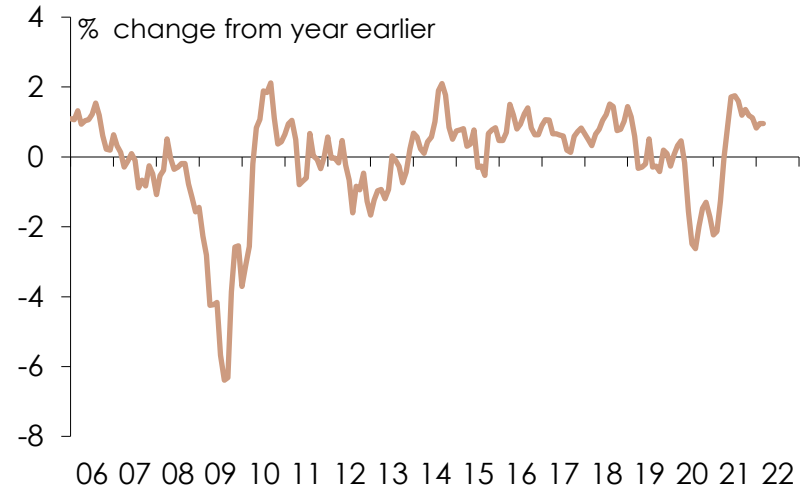
'Corporate' (producer) prices



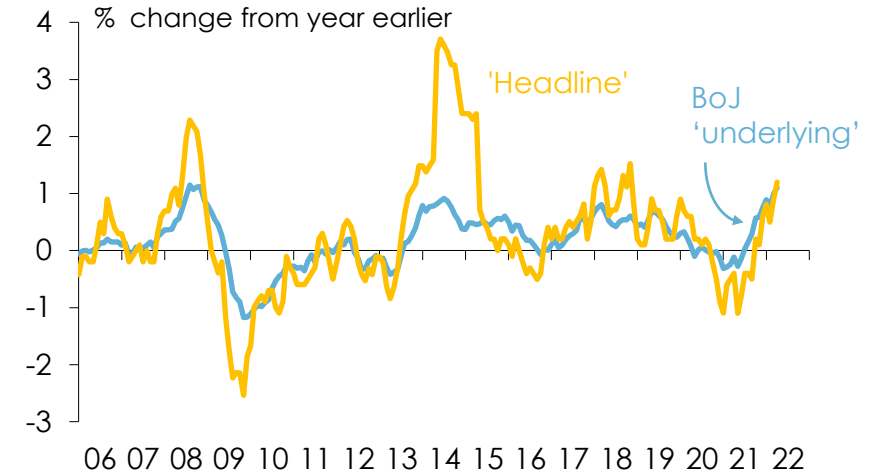
Labour force participation rate



Wages growth



Consumer prices

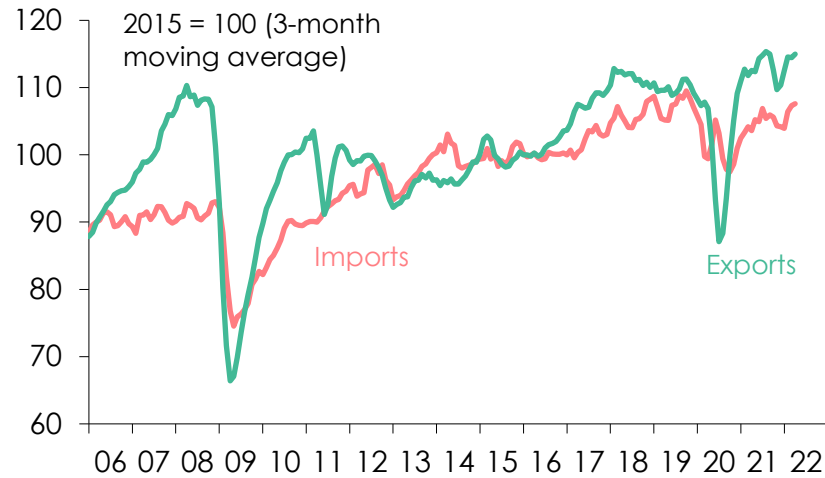


Sources: Statistics Bureau of Japan, [Labour Force Survey](#) and [Consumer Price Index](#); Ministry of Health, Labour and Welfare, [Monthly Labour Survey](#); Bank of Japan, [Prices and Measures of Underlying Inflation](#). [Return to "What's New"](#).

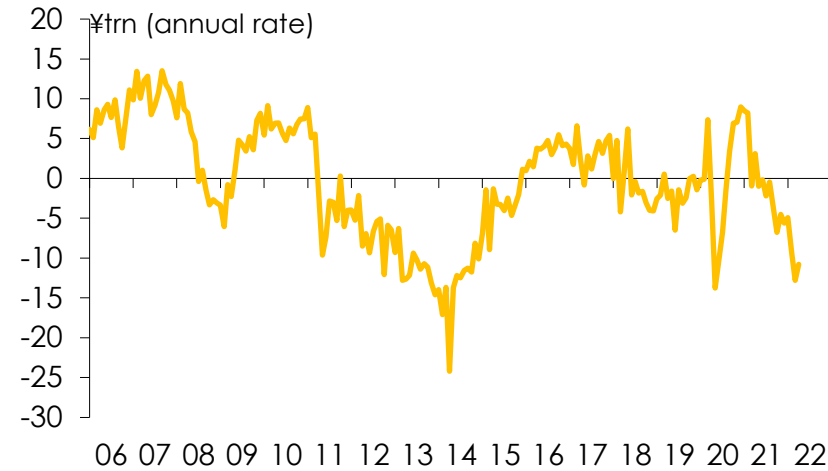
Japan's auto exports have been impacted by supply-chain difficulties, which together with higher import prices have erased its trade surpluses

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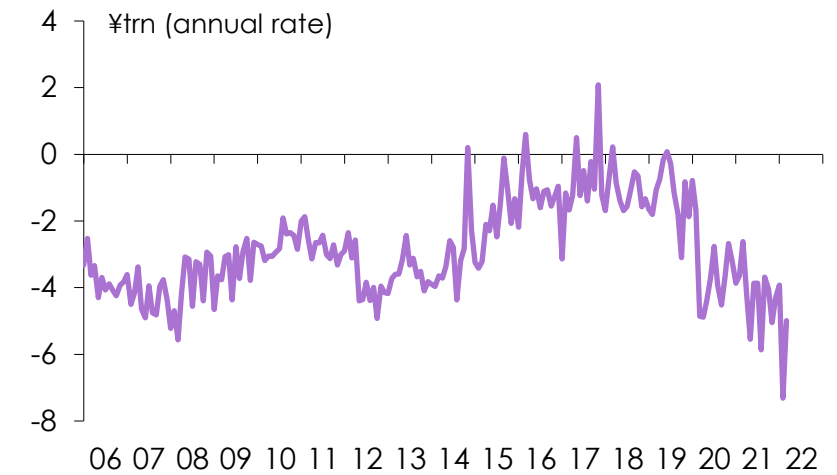
Merchandise trade volumes



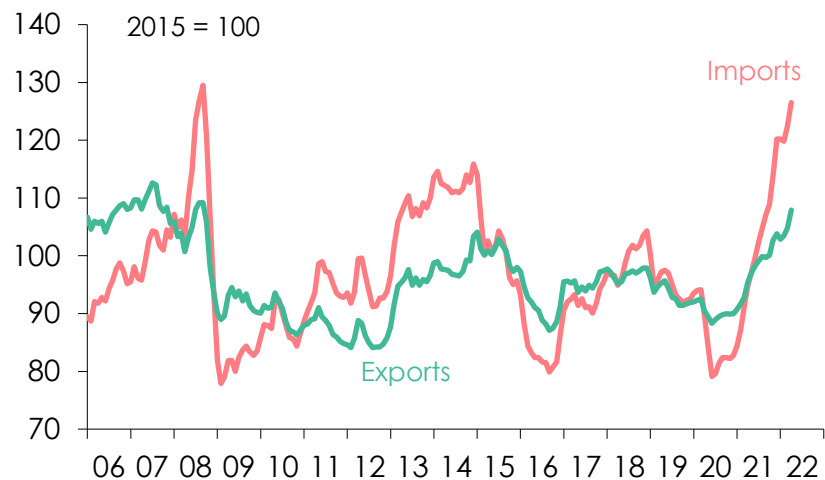
Merchandise trade balance



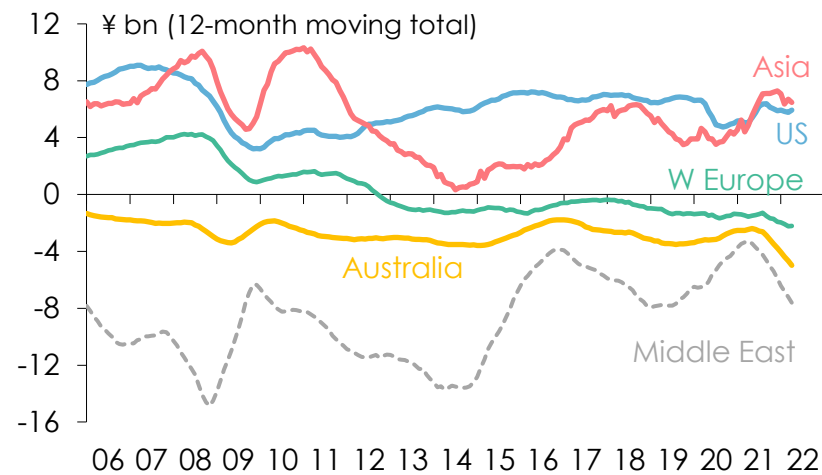
Services trade balance



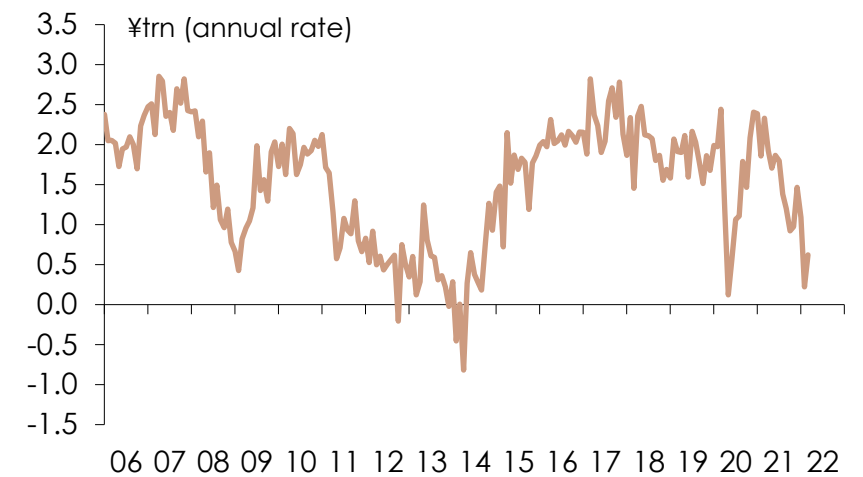
Merchandise trade prices



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](#).

The Bank of Japan again left its policy settings on hold at last month's Policy Board meeting

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- ❑ **The BoJ left its monetary policy settings unchanged at its Policy Board meeting on 28th April**
 - although one of the Board's nine members again dissented in favour of “further strengthen[ing] monetary easing by lowering short- and long-term interest rates”
- ❑ **In its post-meeting Economic Outlook Statement the BoJ lowered its real GDP growth forecast for FY2022 (which began on 1st April) to 2.9% (from 3.8% in January), reflecting the effects of the resurgence of Covid-19 at the end of FY2021, the rise in commodity prices and a slowdown in overseas economies**
 - but raised its forecast for FY 2023 growth to 1.9% (from 1.1%), assuming a rebound from the lowered projection for FY2022, and supported by an uptrend in business investment and a high level of government spending
- ❑ **Conversely the BoJ raised its projection for ‘headline’ CPI inflation in FY 2022 to 1.9% (from 1.1% in January), reflecting the impact of higher energy prices, while leaving the projection for FY 2023 unchanged at 1.1%**
 - it noted as risks to its inflation outlook “uncertainties over firms’ price- and wage-setting behaviour” arising from upward pressure on costs, balanced against “deeply entrenched” expectations that prices and wages won’t increase, and from “future developments in FX rates and commodity prices”, and “the extent to which such developments feed into domestic prices”
 - this was the only reference to the recent weakness in the yen
- ❑ **The BoJ sees the risks to economic activity and inflation as being “skewed” to the downside and upside, respectively, “for the time being”, but “generally balanced” thereafter”**
 - but it also re-iterated that it “expects short- and long-term policy interest rates to remain at their present or lower levels” and that it “would not hesitate to take additional easing measures if necessary”, without saying anything about the circumstances in which it might consider raising rates

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

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IMF and Asian Development Bank forecasts for East Asian economies

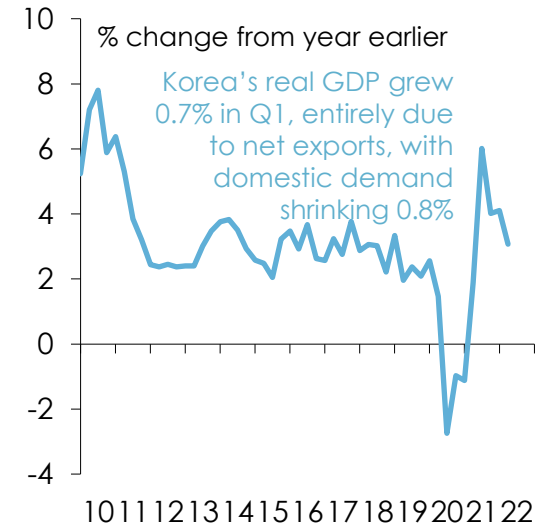
| | Real GDP growth | | | | | | | Inflation | | | | | | |
|-------------|-----------------|------|-------|------|------|------|------|-----------|------|------|------|------|------|------|
| | Actual | | IMF | | | ADB | | Actual | | IMF | | | ADB | |
| | 2010-19* | 2020 | 2021 | 2022 | 2023 | 2022 | 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"](#).

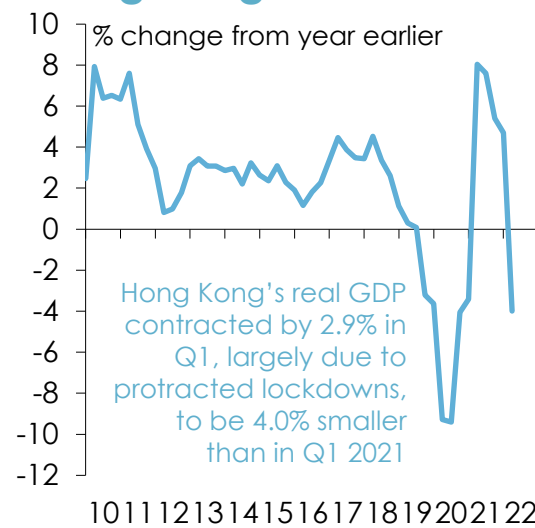
Hong Kong's real GDP shrank 2.9% in Q1, reflecting the impact of Covid lockdowns and disruptions to exports

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Korea



Hong Kong



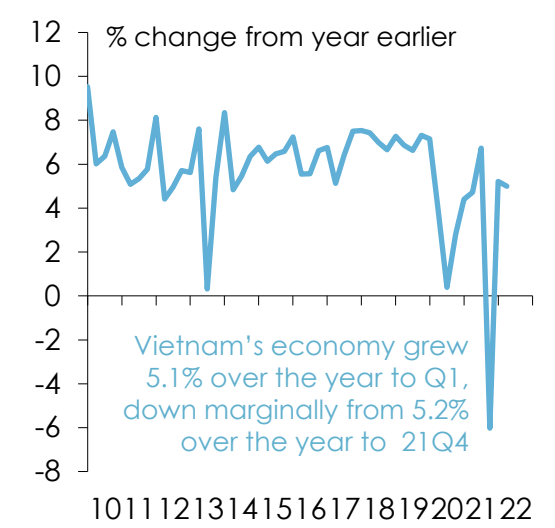
Indonesia



Thailand



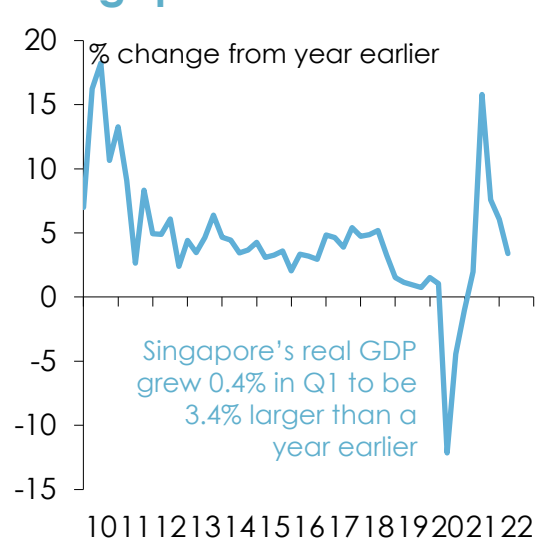
Vietnam



Taiwan



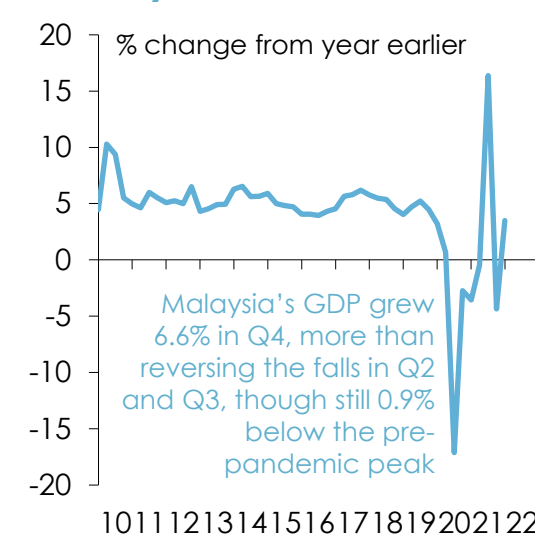
Singapore



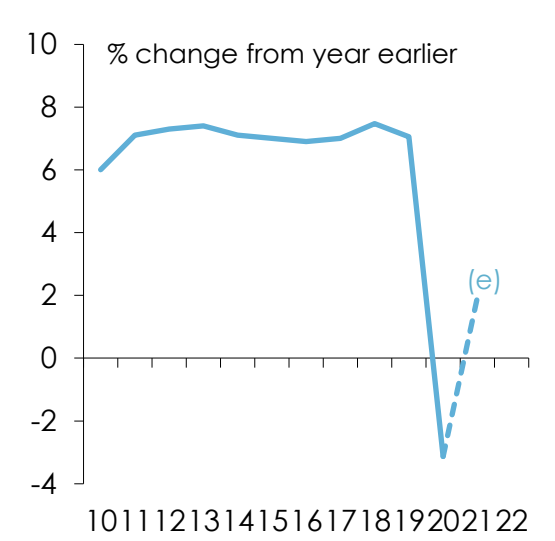
Philippines



Malaysia



Cambodia

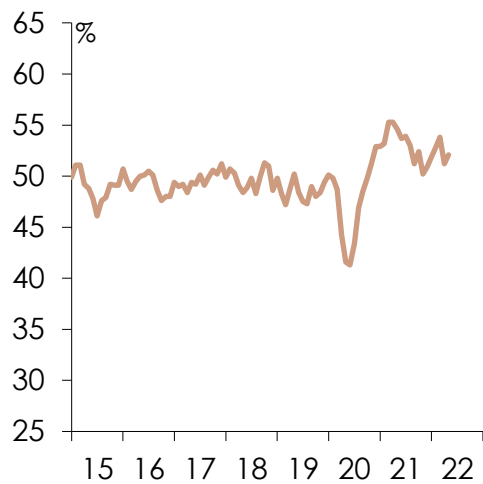


Sources: Bank of Korea; Taiwan Directorate-General of Budget, Accounting & Statistics; Hong Kong Census & Statistics Department; Singapore Ministry of Trade and Industry; Department of Statistics Malaysia; Office of the National Economic & Social Development Council of Thailand; Statistics Indonesia;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

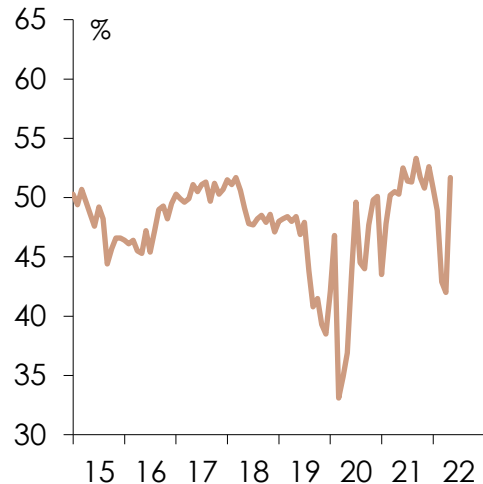
April PMIs show a strong rebound in HK after the easing of restrictions, more modest pick-ups in the Philippines & Malaysia, and an easing in Taiwan

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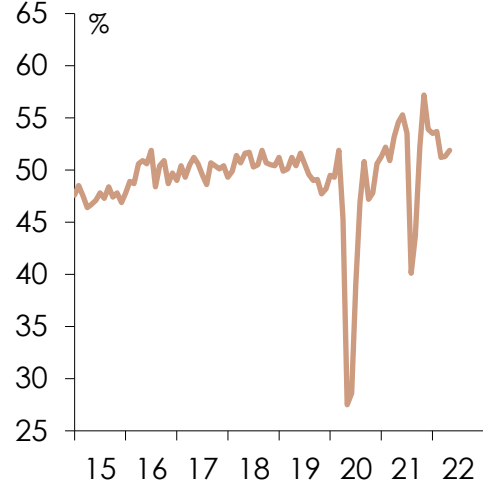
Korea



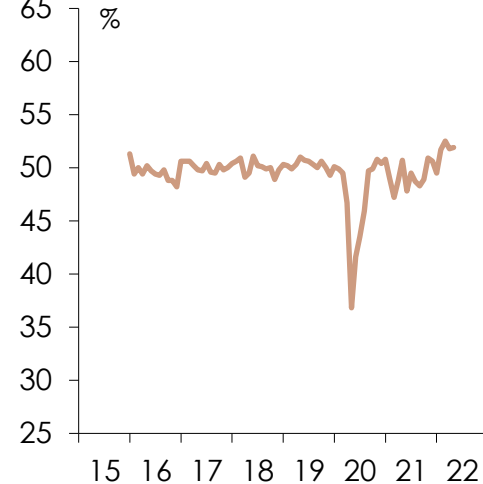
Hong Kong



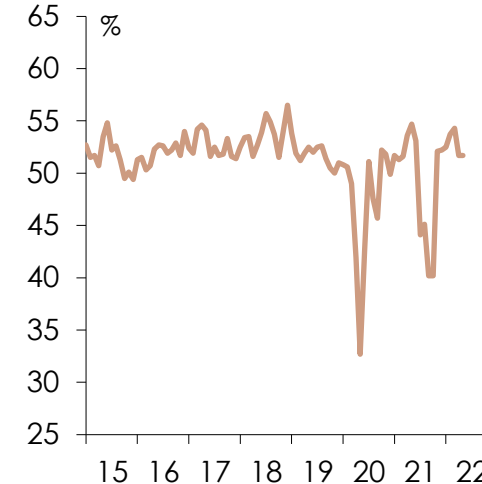
Indonesia



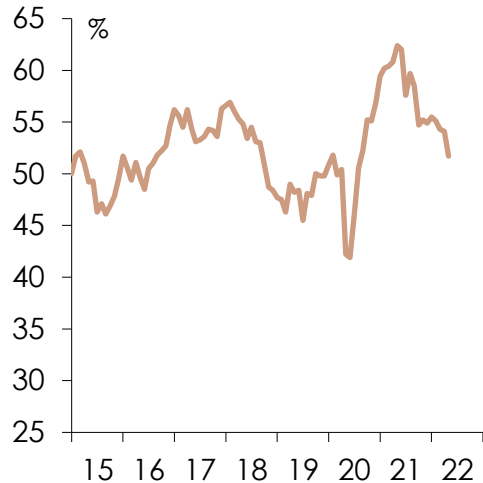
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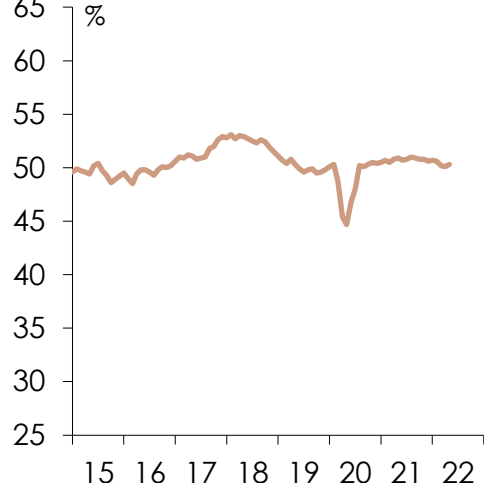
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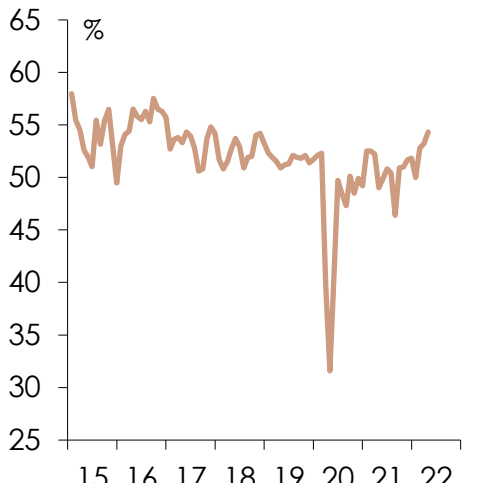
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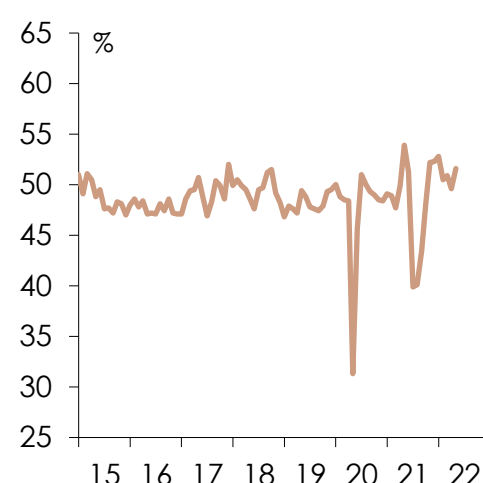
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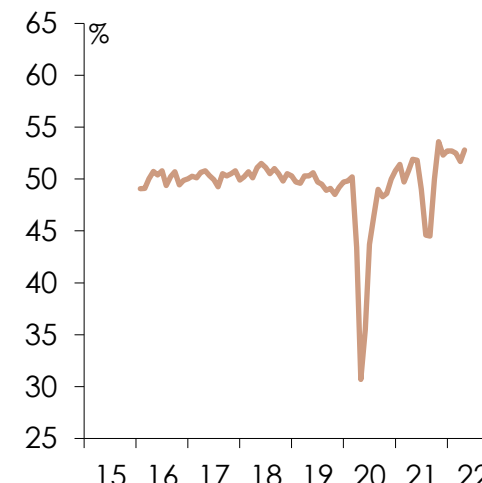
Philippines



Malaysia



ASEAN

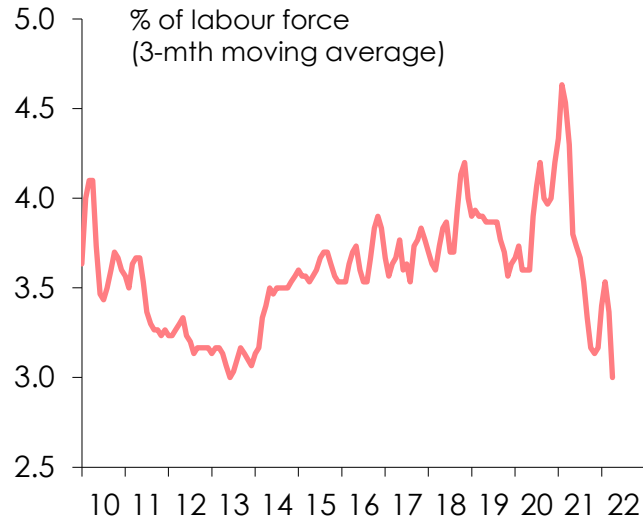


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous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

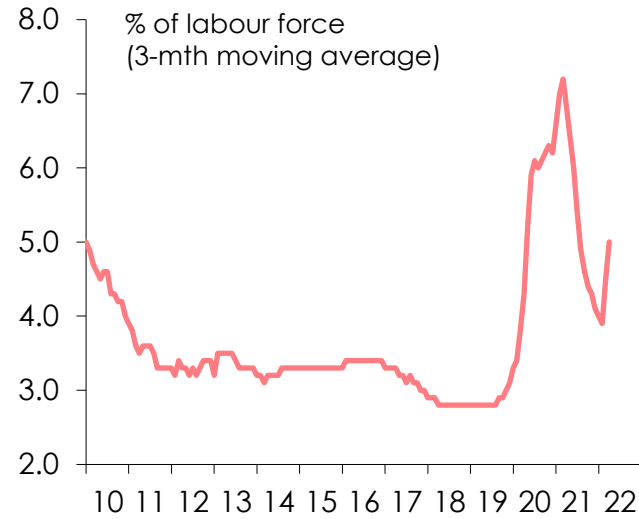
Unemployment rose sharply in most Asian economies last year but is now falling in most of them (except for Hong Kong)

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

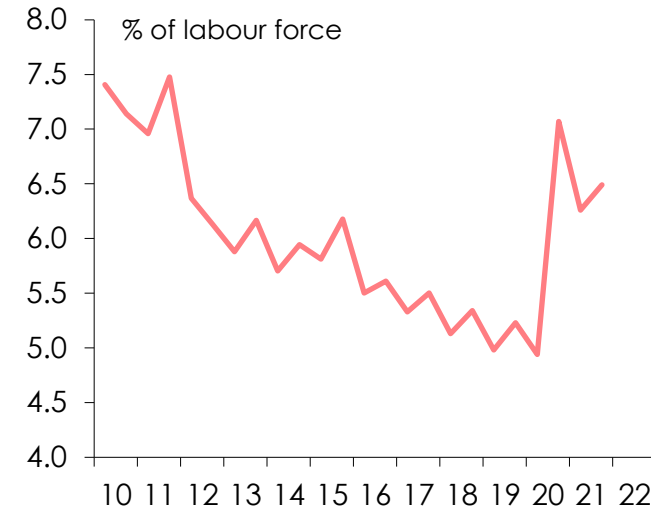
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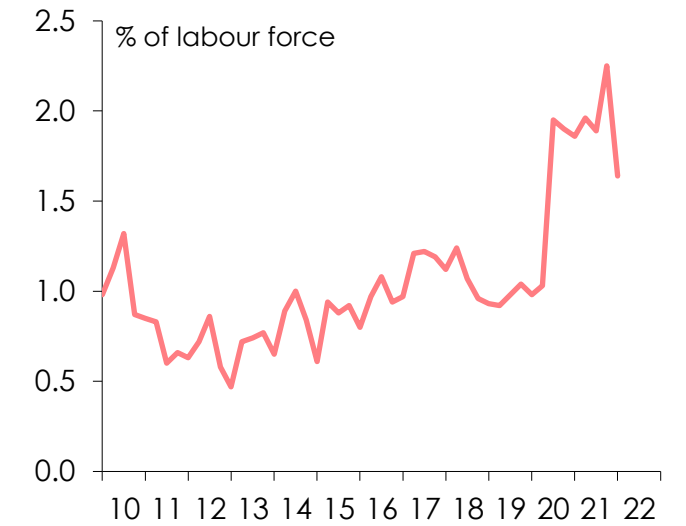
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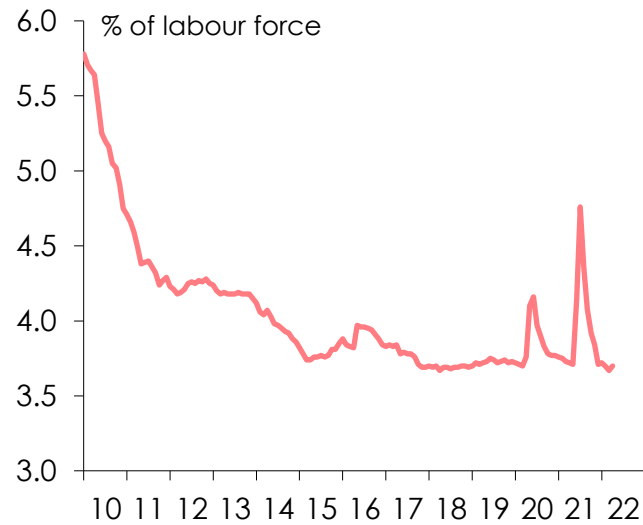
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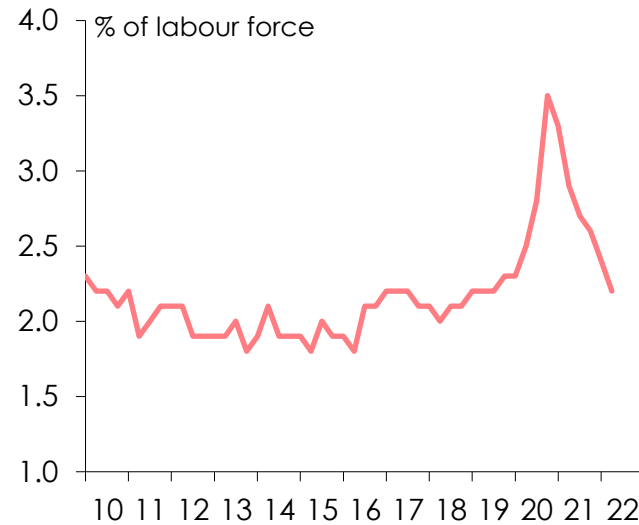
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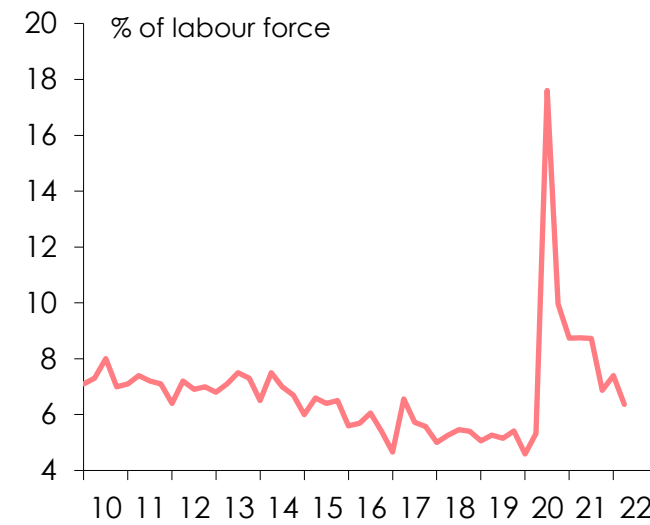
Taiwan



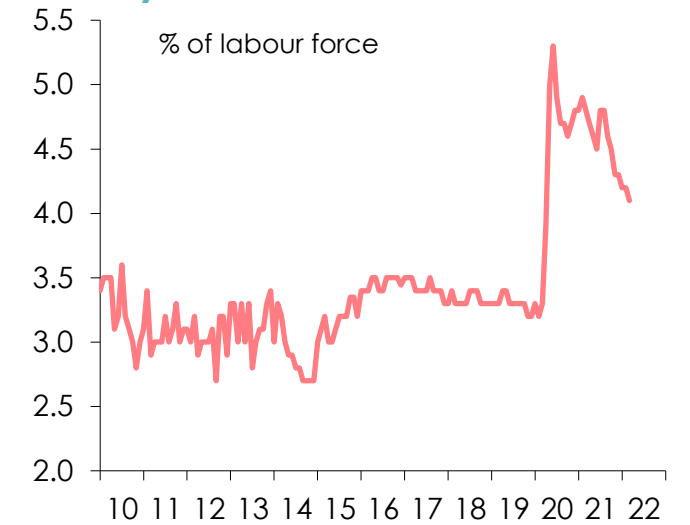
Singapore



Philippines



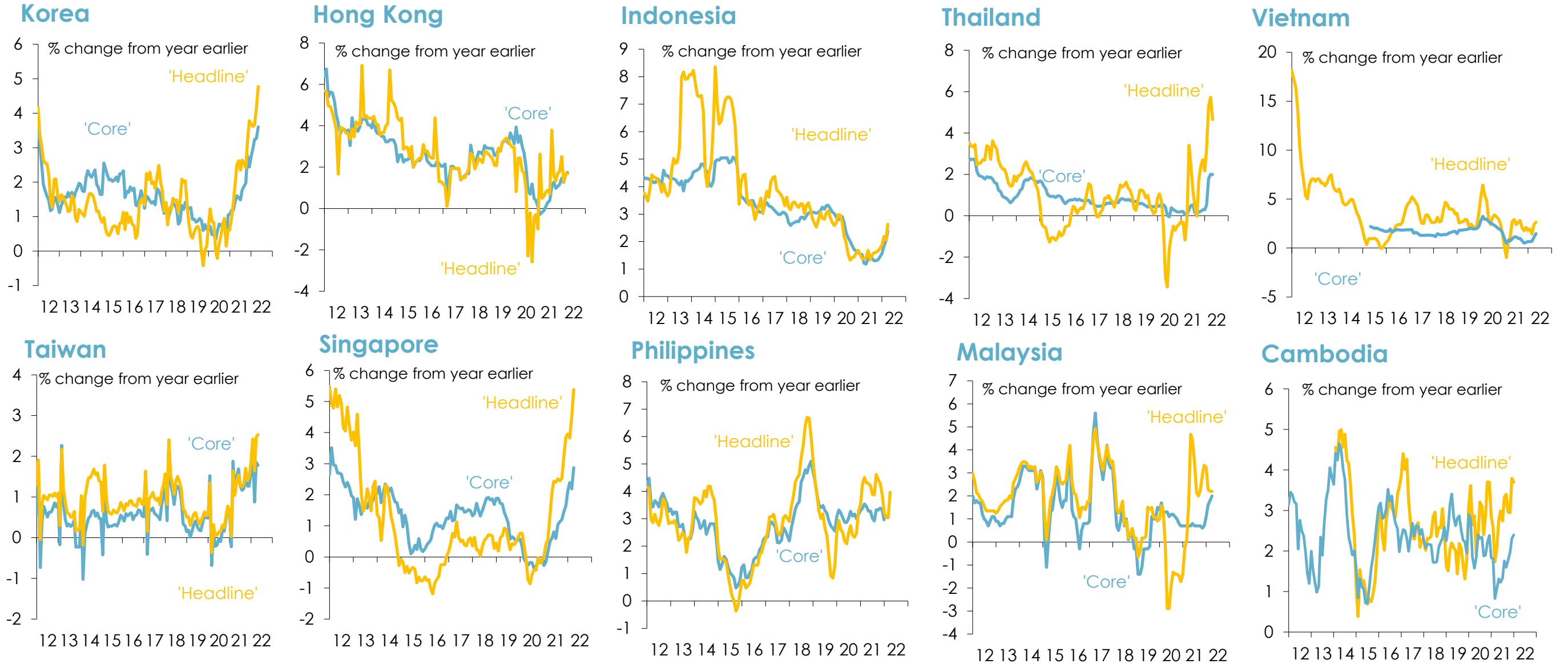
Malaysia



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

'Core' inflation is rising in a growing number of Asian economies, including now Korea, Indonesia, Thailand, Malaysia and Singapore

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

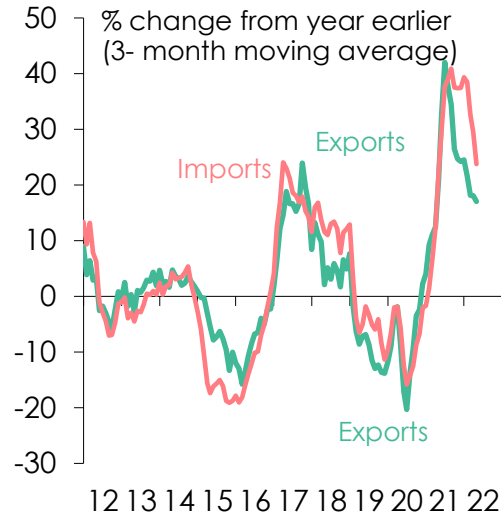


Note: 'Core' inflation in Korea excludes agricultural products and oil; in Taiwan it excludes fresh fruit, vegetables and energy; in Singapore it excludes accommodation and private transport; and in Hong Kong it excludes the effect of 'one-off government relief measures'. 'Core' inflation in Indonesia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

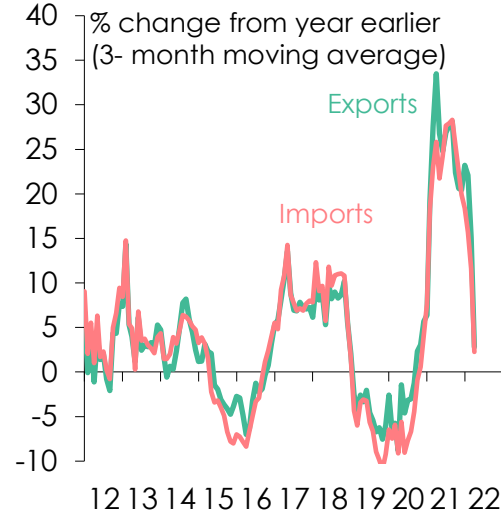
Asian exports are returning to more 'normal' growth rates following the 'bump' in 2021 inflated by comparison with 2020

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

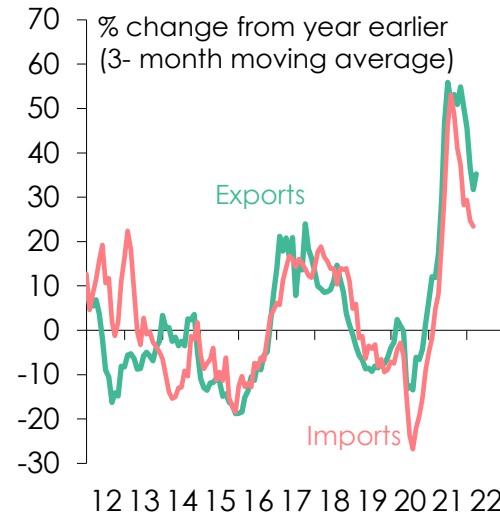
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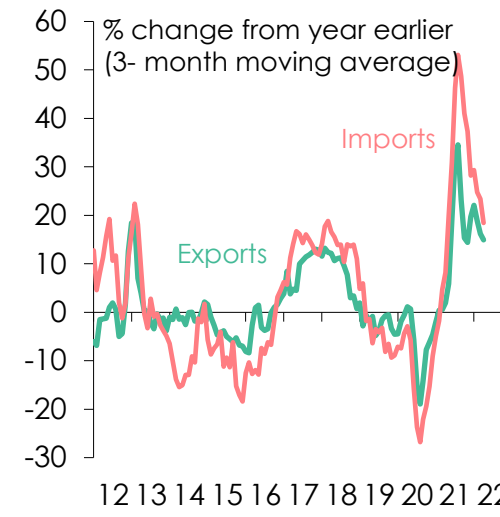
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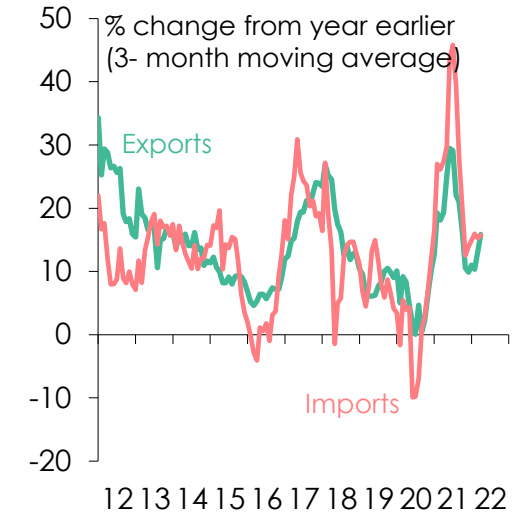
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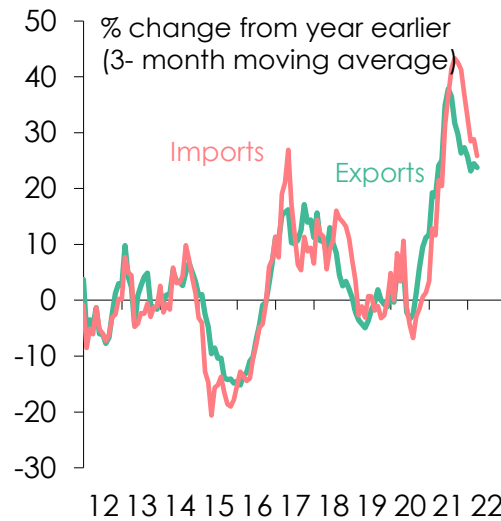
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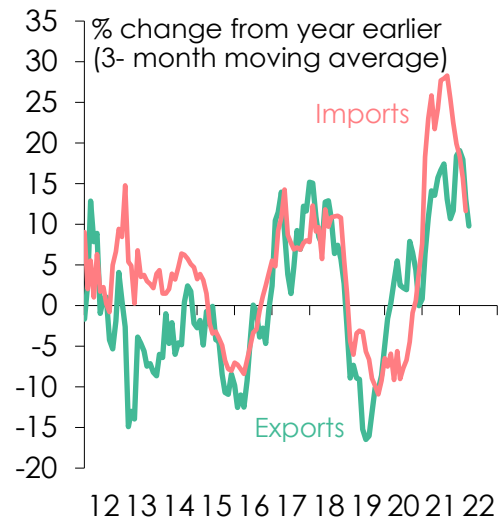
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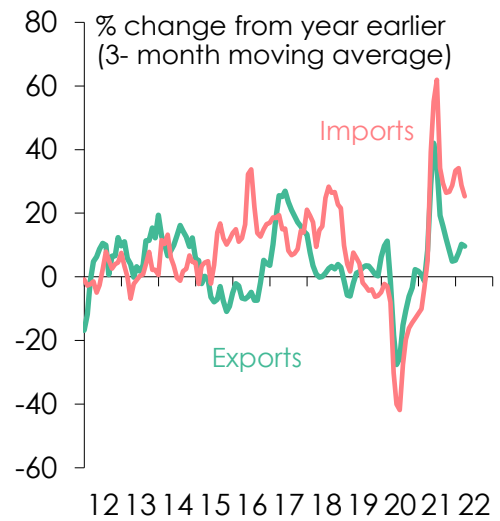
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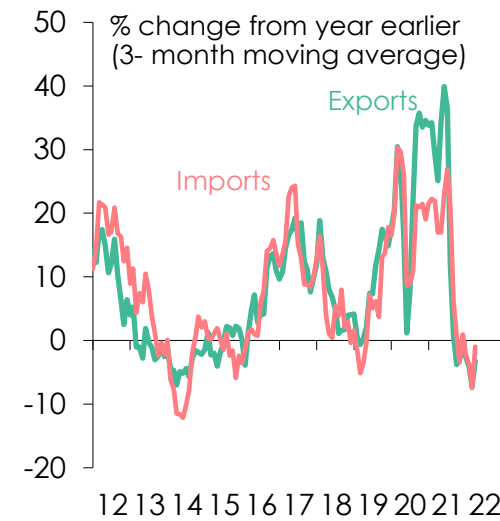
Singapore



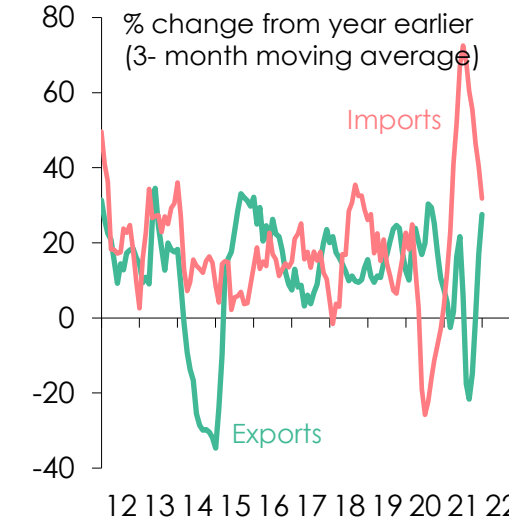
Philippines



Malaysia



Cambodia

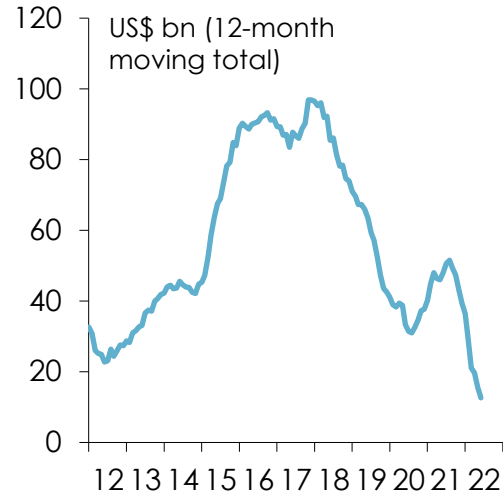


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

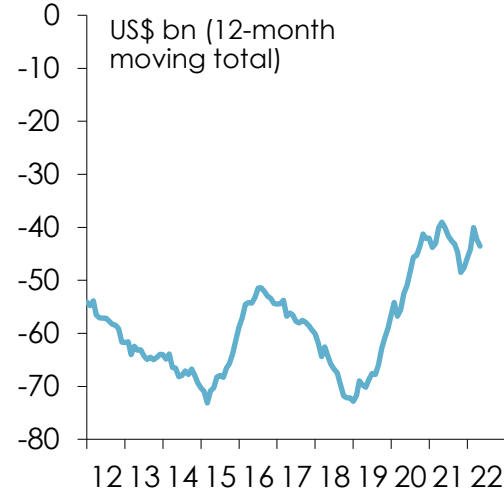
Most Asian economies – except for Indonesia, Malaysia and Singapore – are experiencing some deterioration in their trade balances

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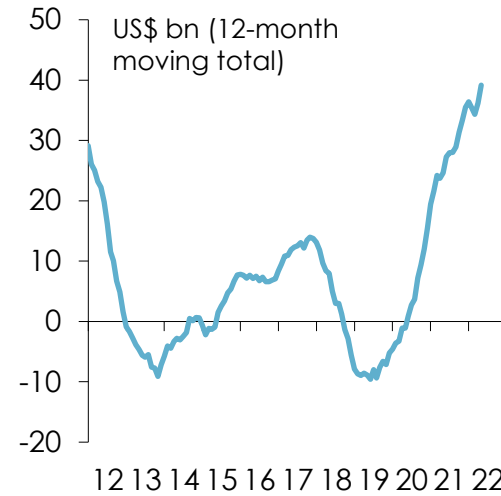
Korea



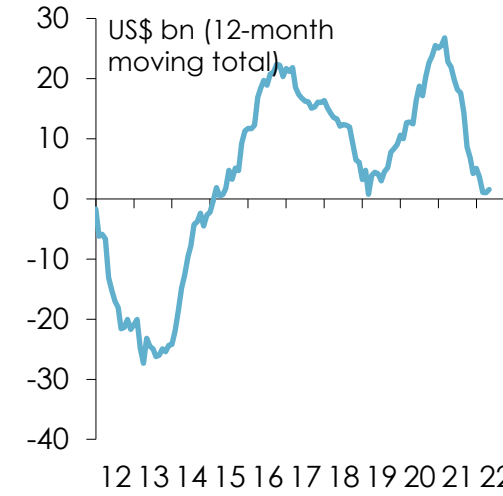
Hong Kong



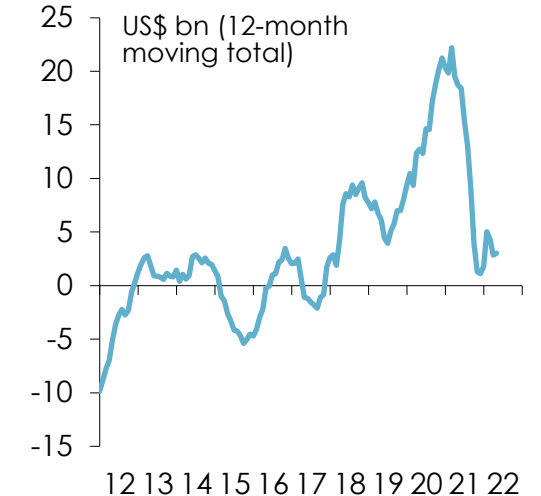
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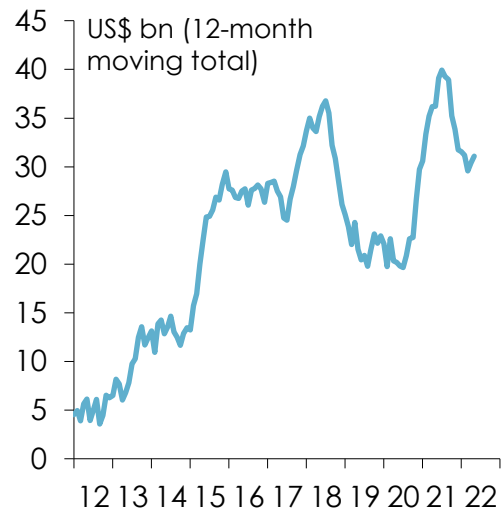
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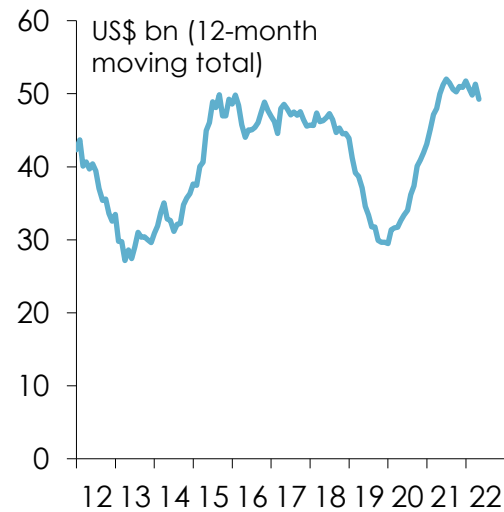
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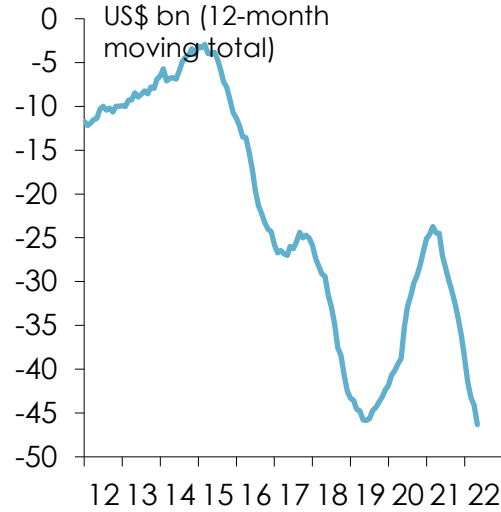
Taiwan



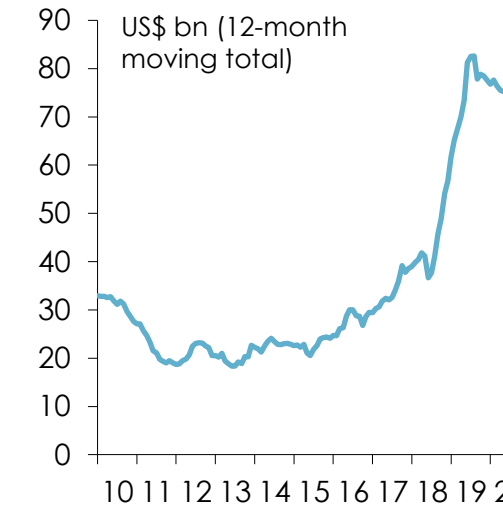
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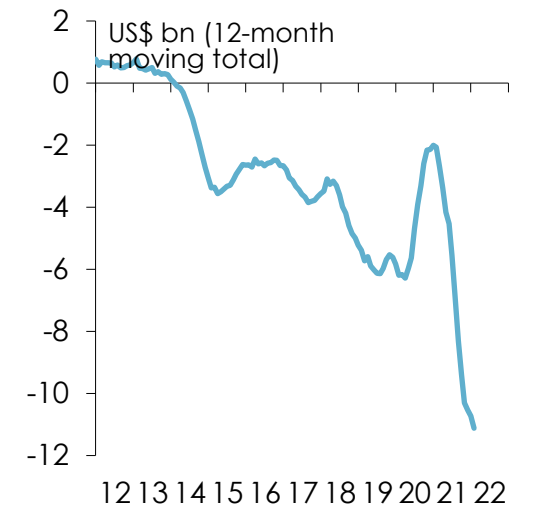
Philippines



Malaysia



Cambodia

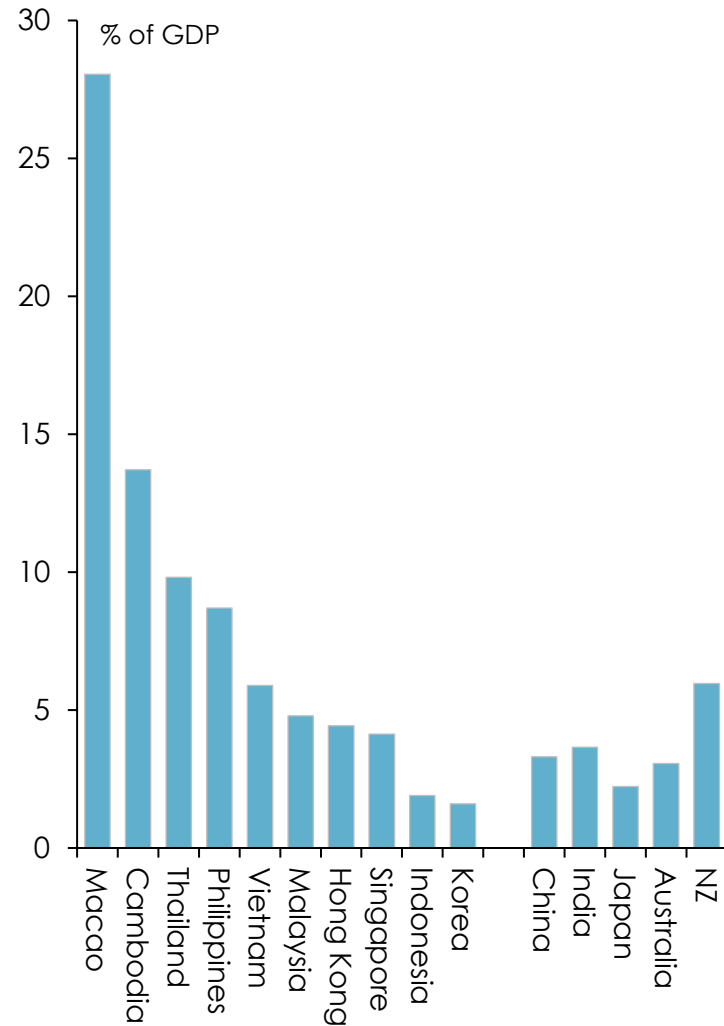


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

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

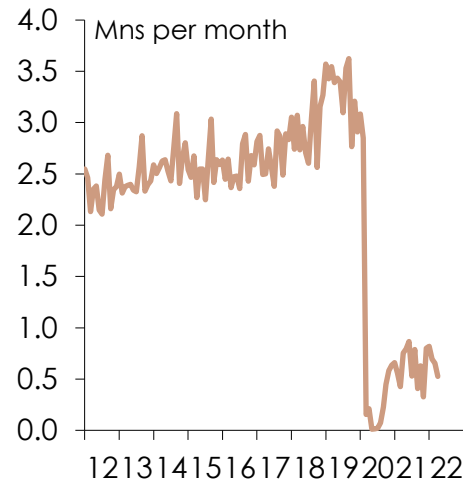
THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

International tourism direct contribution to GDP, 2018

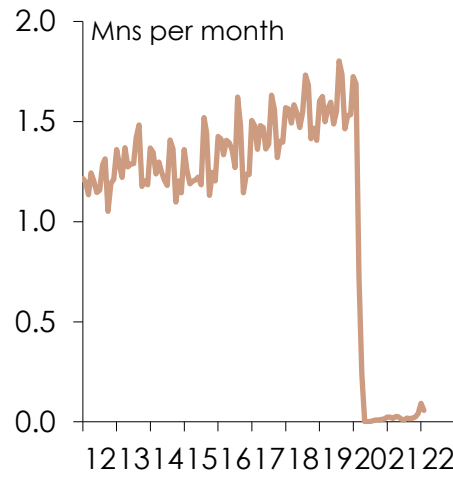


International visitor arrivals

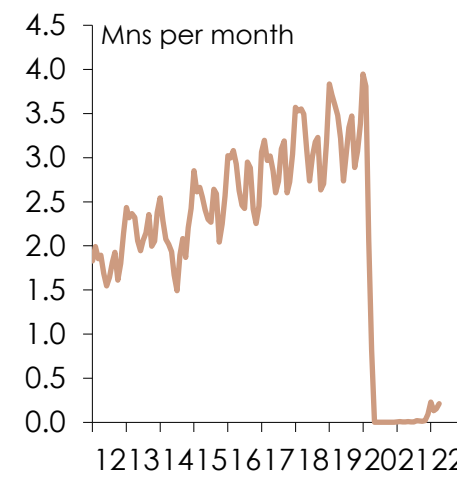
Macao



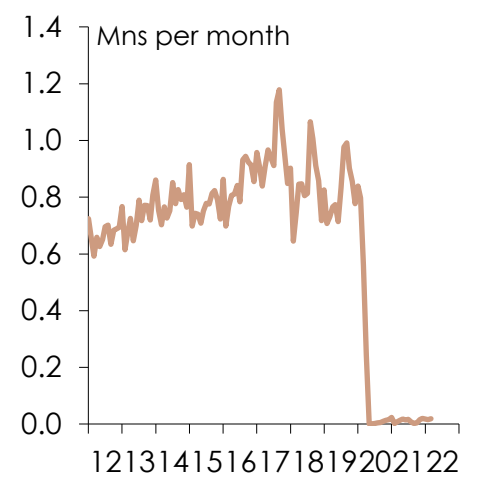
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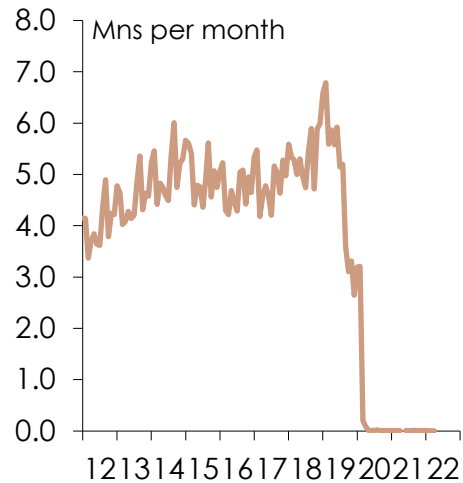
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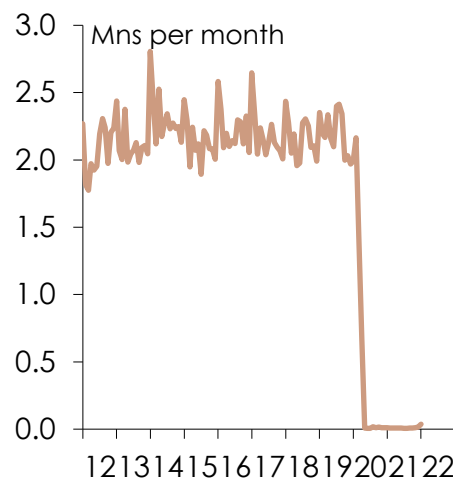
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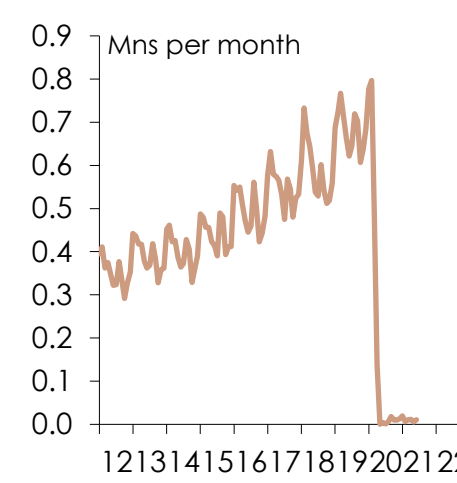
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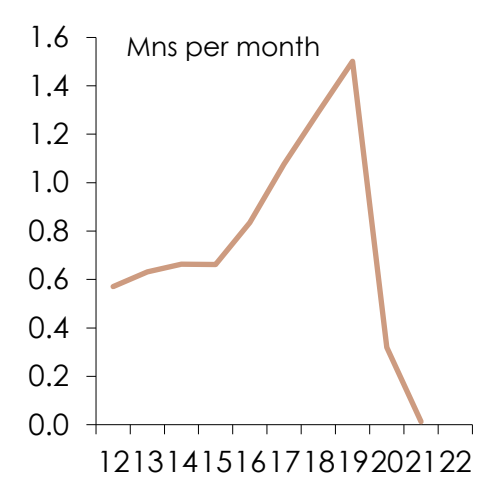
Malaysia



Philippines



Vietnam

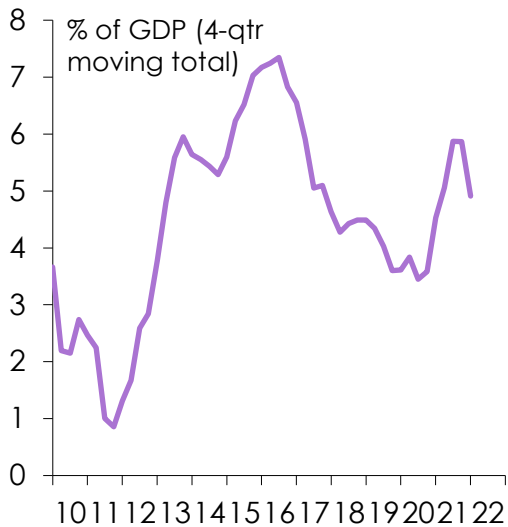


Note: Visitor arrivals data for Vietnam is only published annually. The Philippines stopped publishing data on visitor arrivals in December 2020.
Sources: The World Bank, [ICdata360](https://data.worldbank.org/); national statistical agencies. [Return to "What's New"](#).

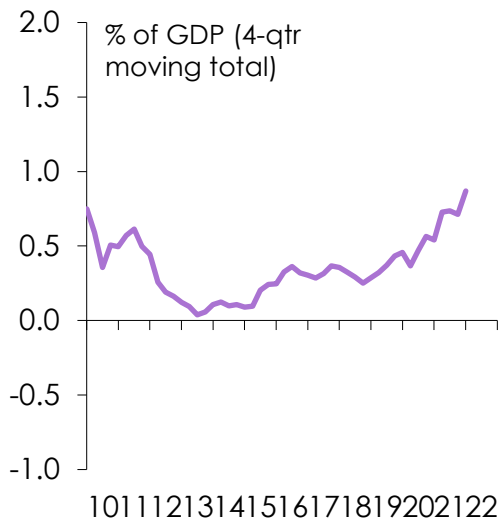
The more 'advanced' Asian economies have strong current account positions, Indonesia's is much improved but others have deteriorated

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

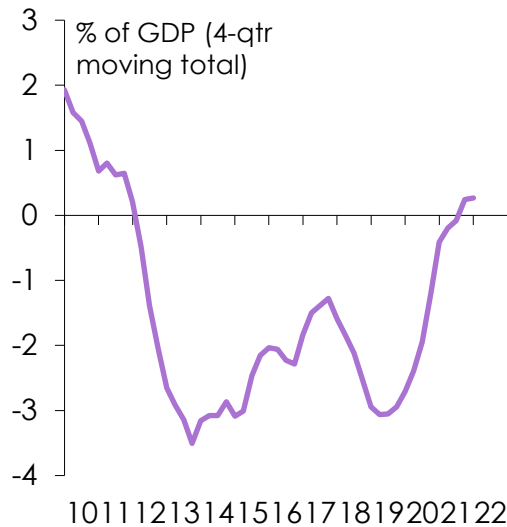
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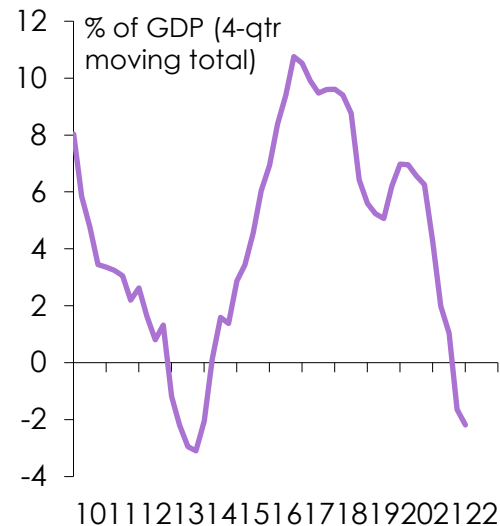
Hong Kong



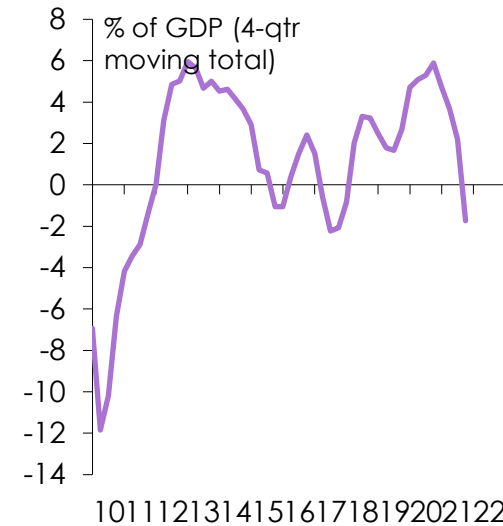
Indonesia



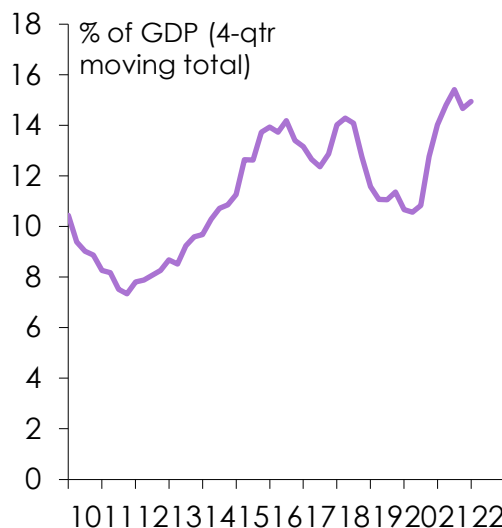
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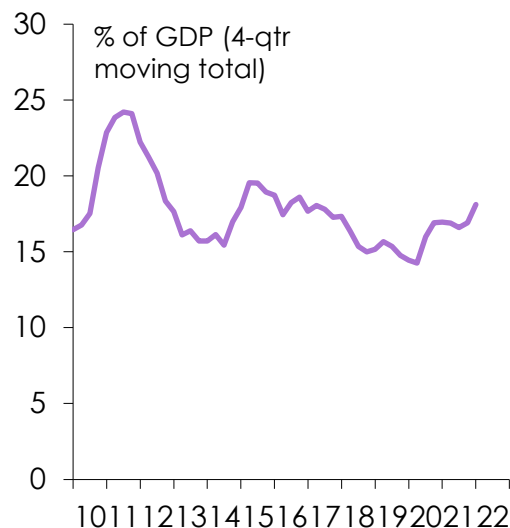
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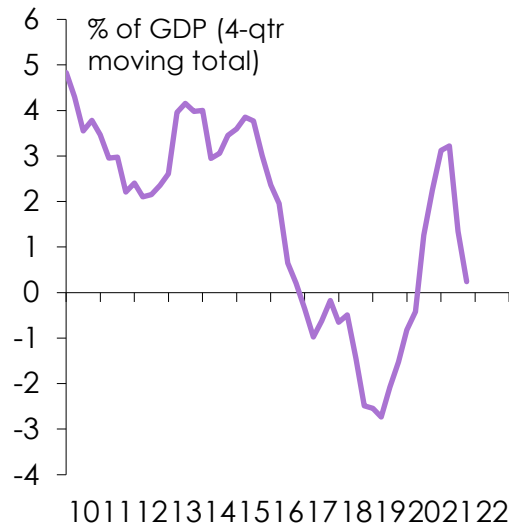
Taiwan



Singapore



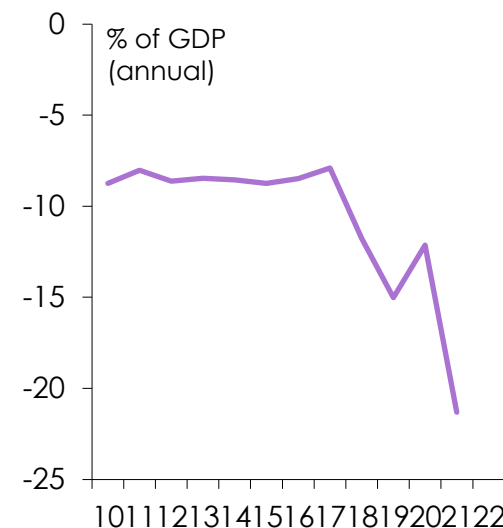
Philippines



Malaysia



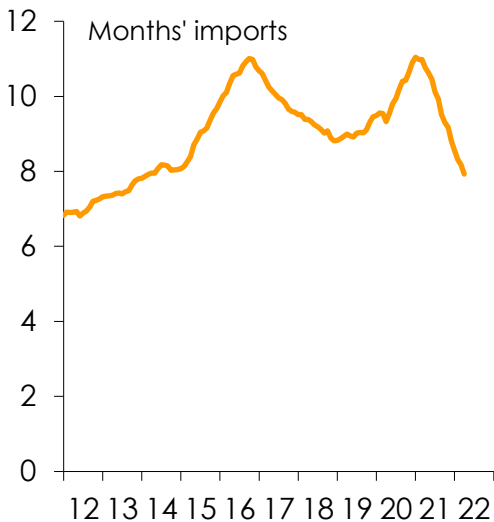
Cambodia



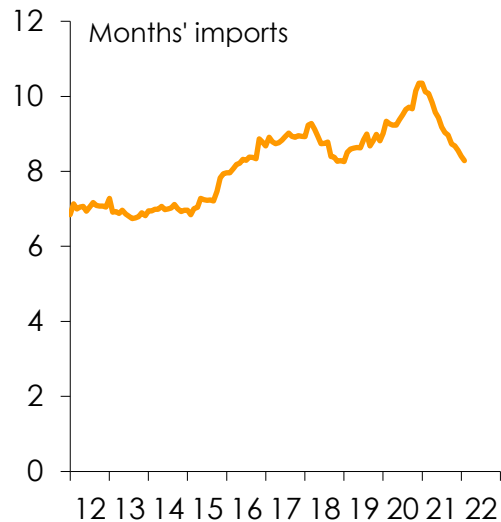
Most Asian economies have sought to maintain high levels of FX reserves since the 1997-98 crisis – although Malaysia's have deteriorated recently

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

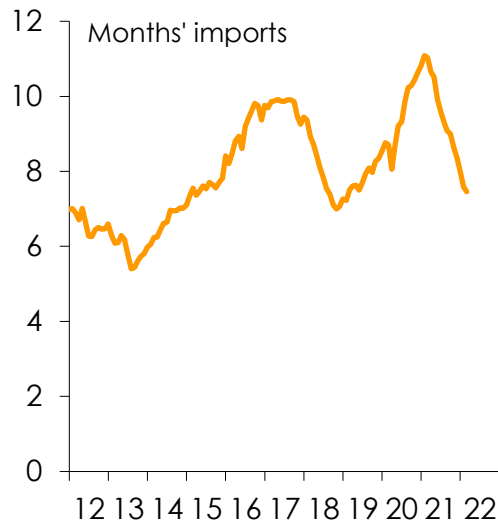
Korea



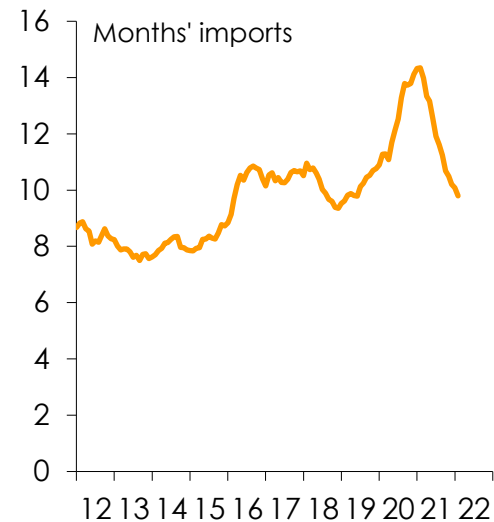
Hong Kong



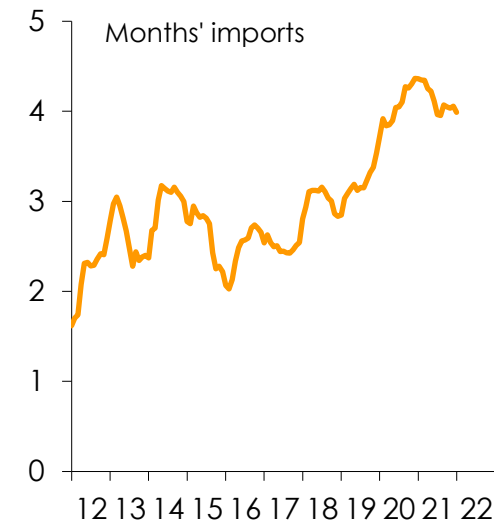
Indonesia



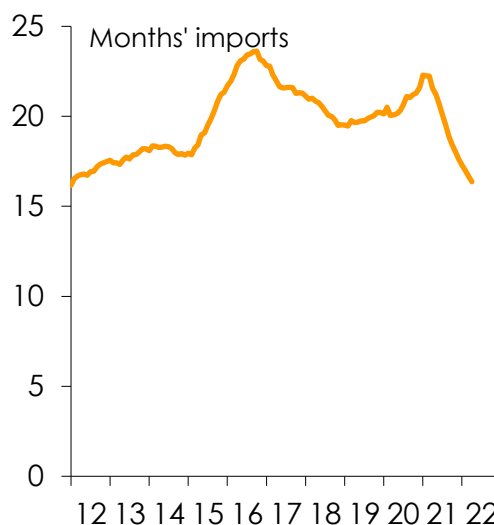
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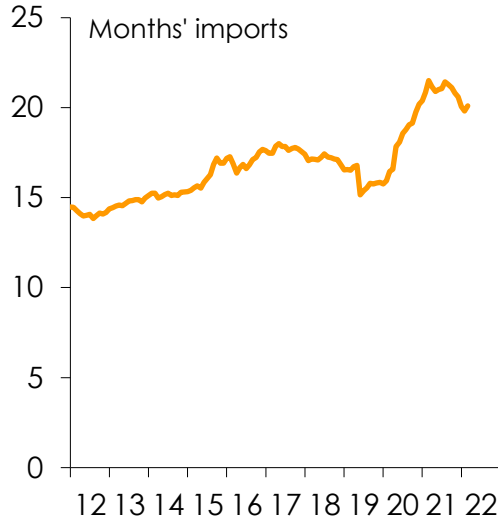
Vietnam



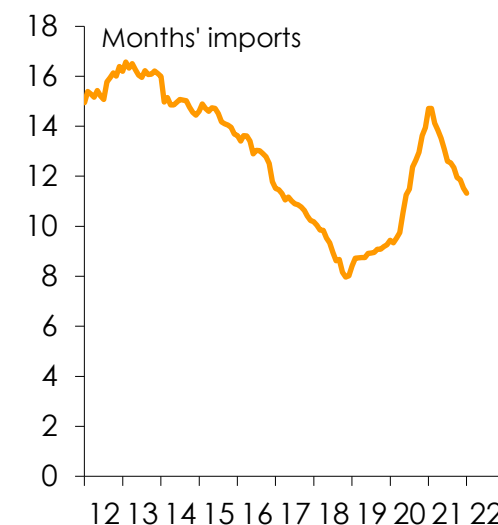
Taiwan



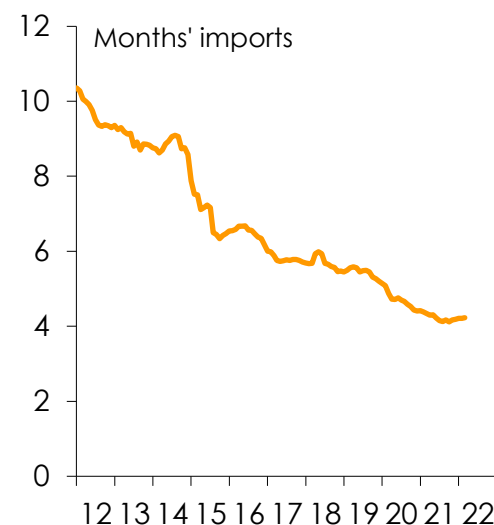
Singapore



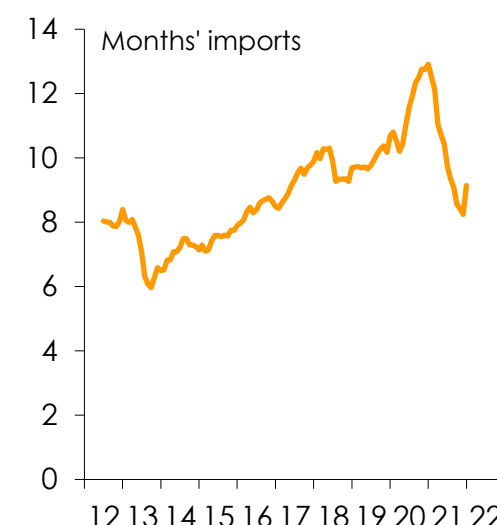
Philippines



Malaysia



Cambodia



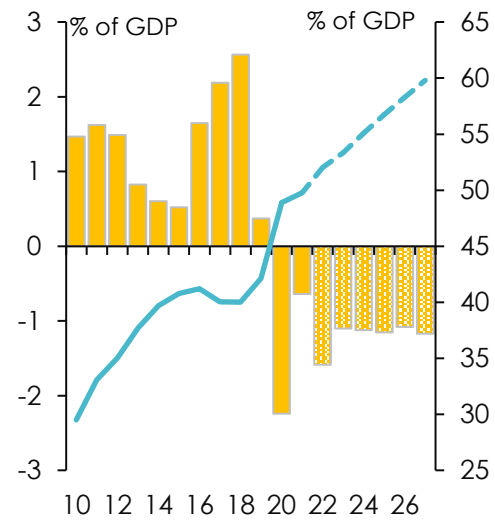
Note: Foreign exchange reserves in the above charts are shown as a multiple of average monthly imports (measured in US\$) over the preceding 12 months.

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

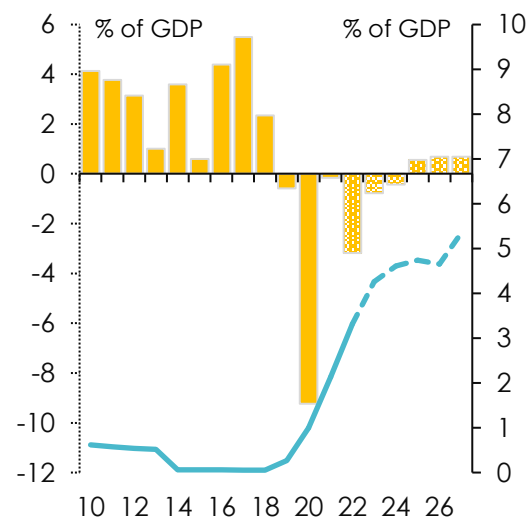
Most Asian governments, apart from Korea, Taiwan, Malaysia and Vietnam, will be tightening fiscal policy over the next few years

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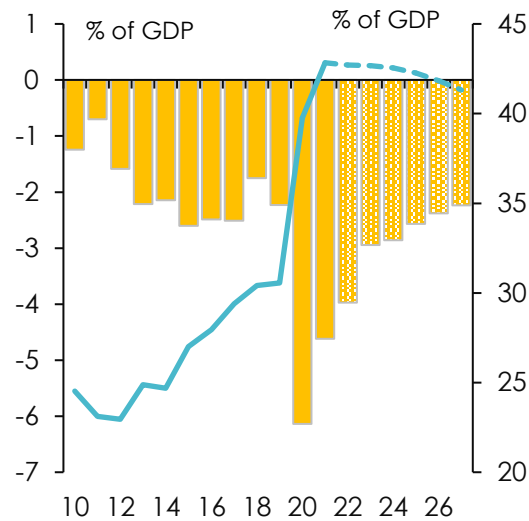
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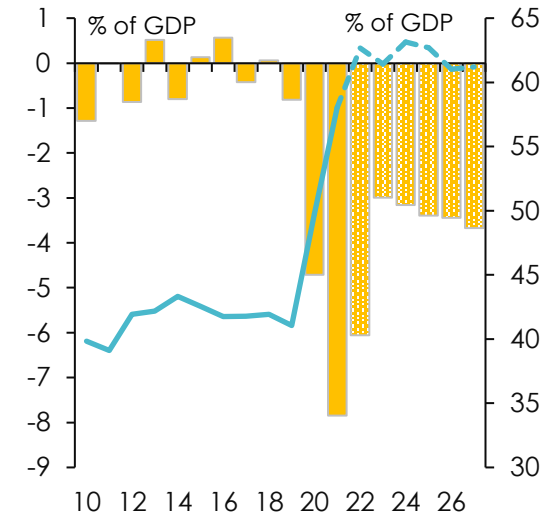
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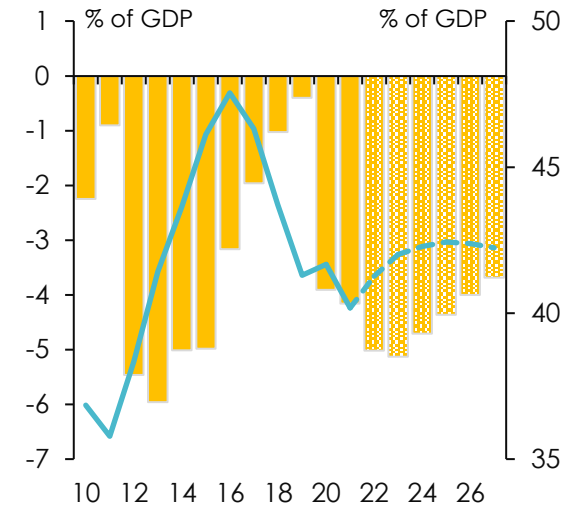
Indonesia



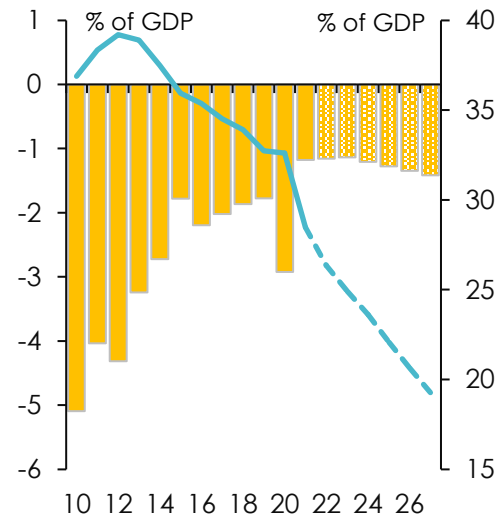
Thailand



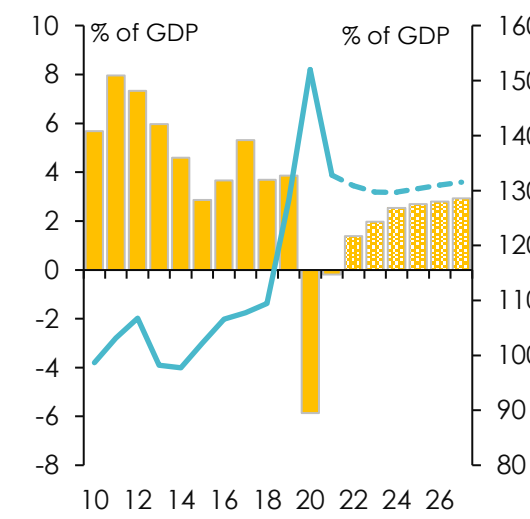
Vietnam



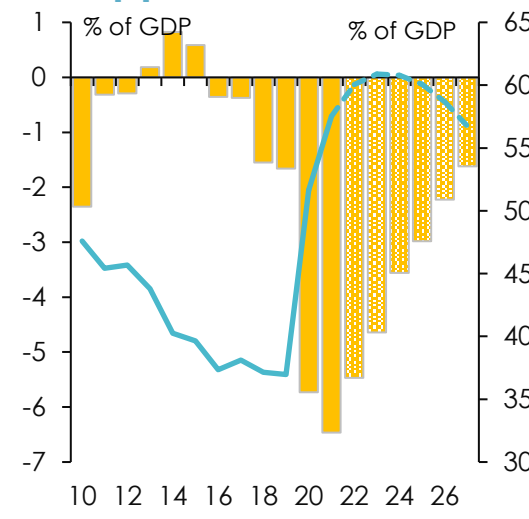
Taiwan



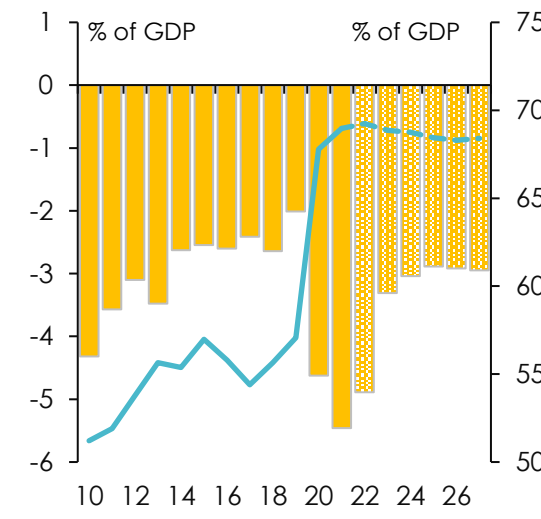
Singapore



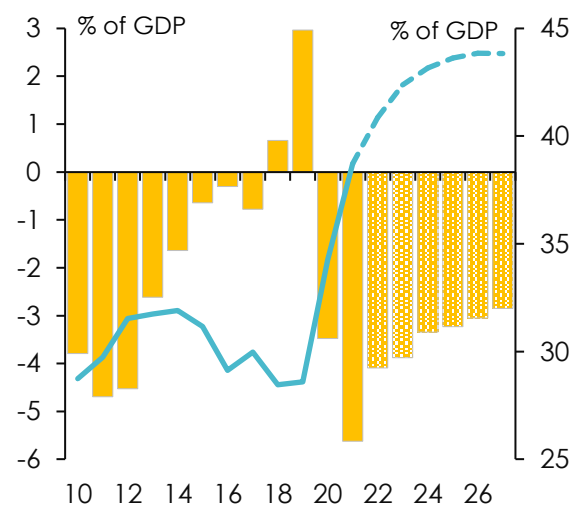
Philippines



Malaysia



Cambodia



General government overall fiscal balance (left scale)



General government gross debt (right scale)

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

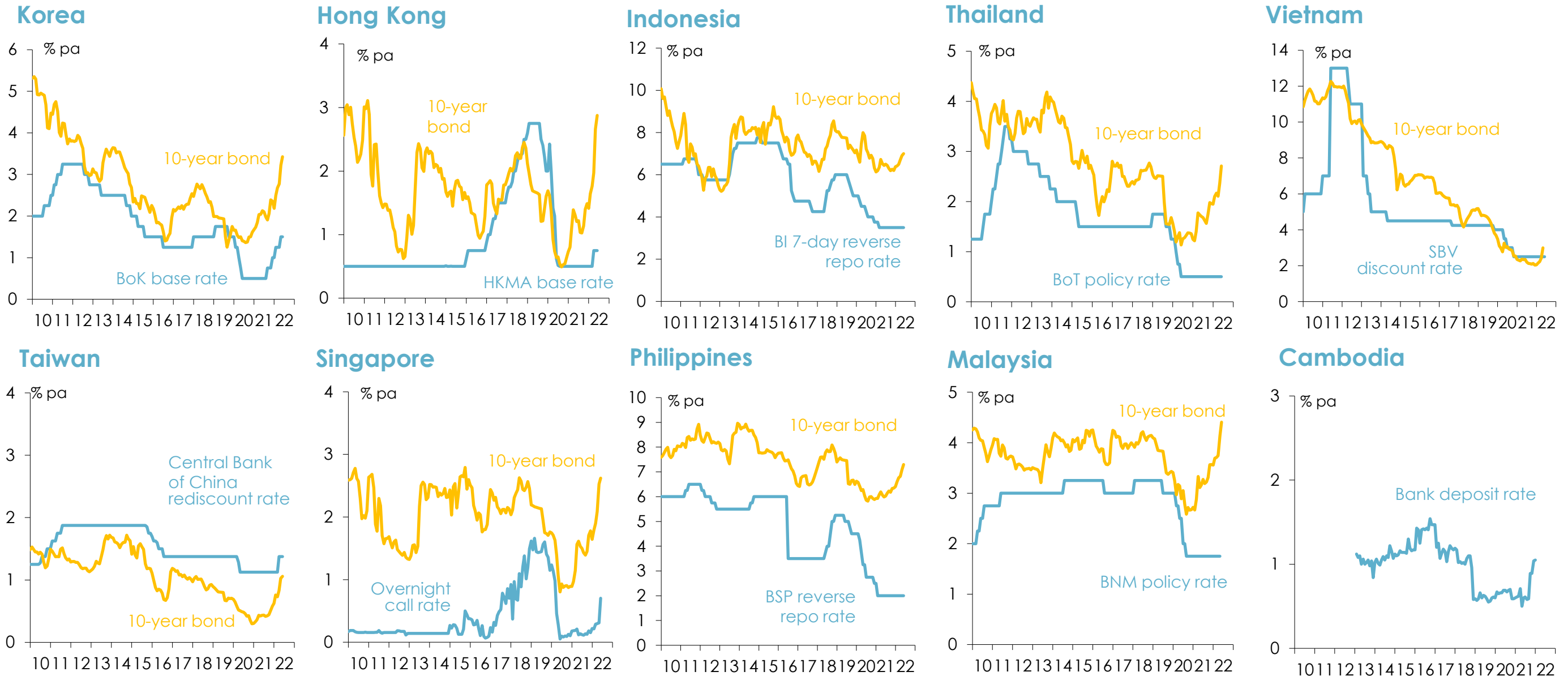
Bank Indonesia left its monetary policy settings 'on hold' last month, after the BoK and MAS tightened policy the week before

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

- ❑ **Bank Indonesia** left its seven-day repo rate unchanged at 3.50%, as it has been since February 2021, at last month'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 in April, for the fourth time, the CBoC (Taiwan) and HKMA raised rates in March and others may eventually follow

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

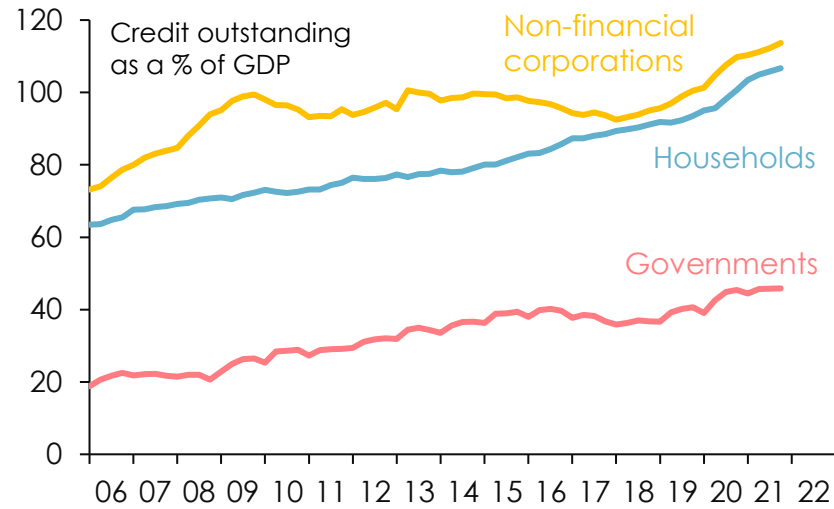


Note: Neither Hong Kong nor Singapore use a monetary policy indicator interest rate. Hong Kong has a currency board system, under which the HKMA base rate moves in line with a pre-set formula based on the US fed funds rate; the Monetary Authority of Singapore uses the (effective) exchange rate as its 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 6th May 2022. Sources: national central banks; Refinitiv Datastream. [Return to "What's New"](#).

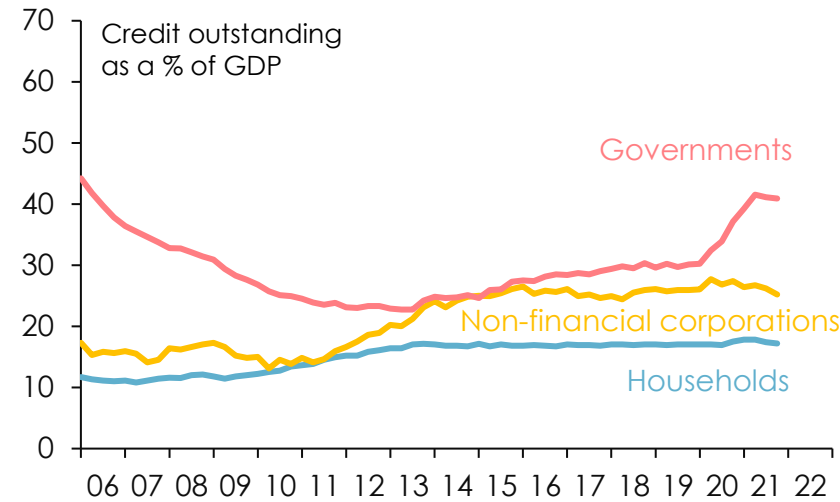
In Asia, Hong Kong, Singaporean and Korean corporates, and Korean households, have the greatest exposure to any increases in interest rates

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

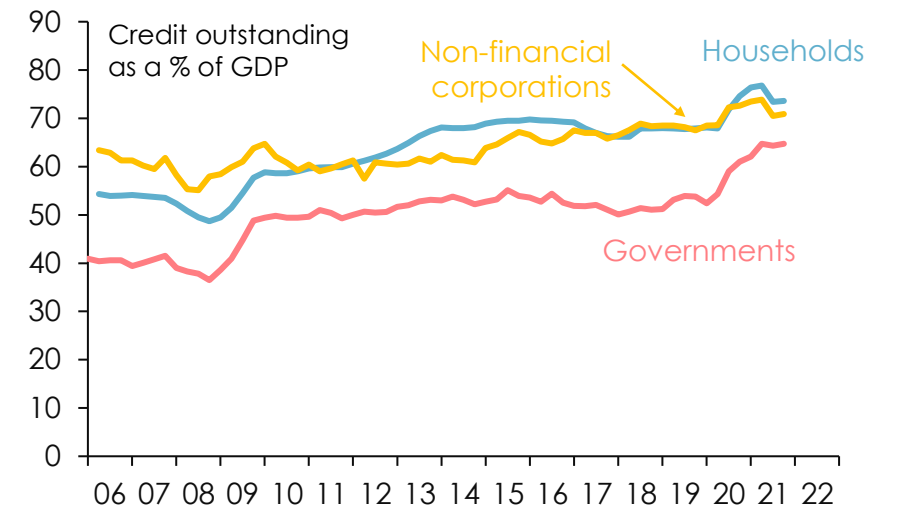
Korea



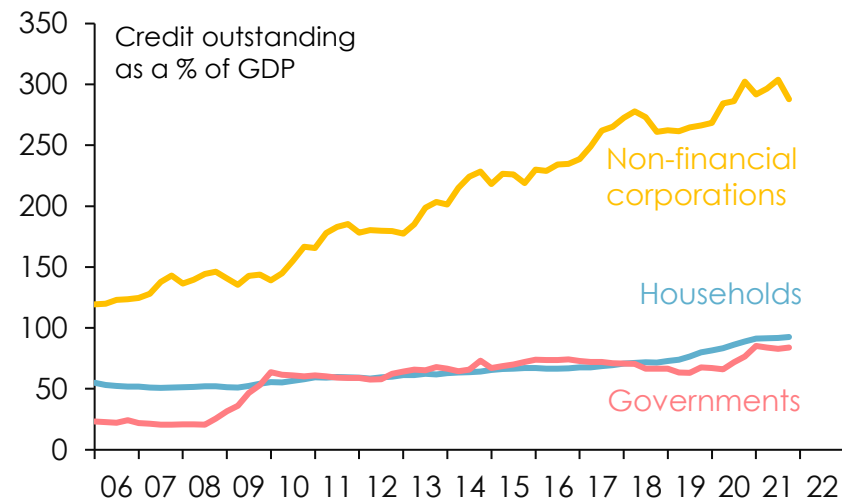
Indonesia



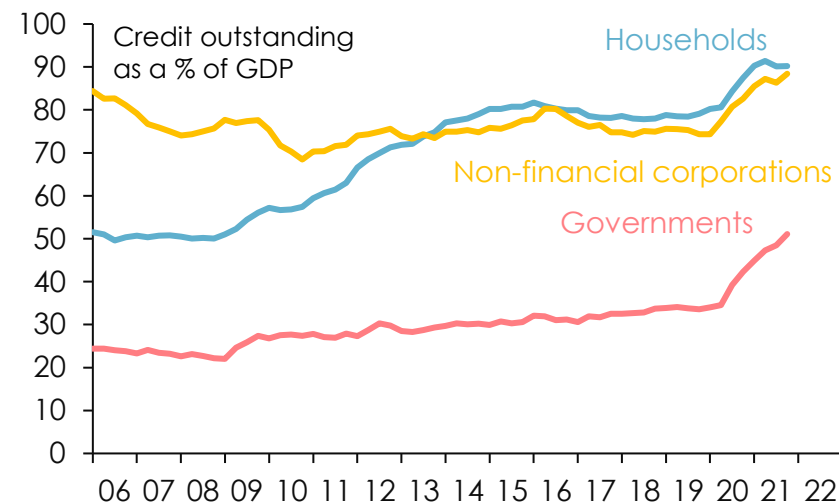
Malaysia



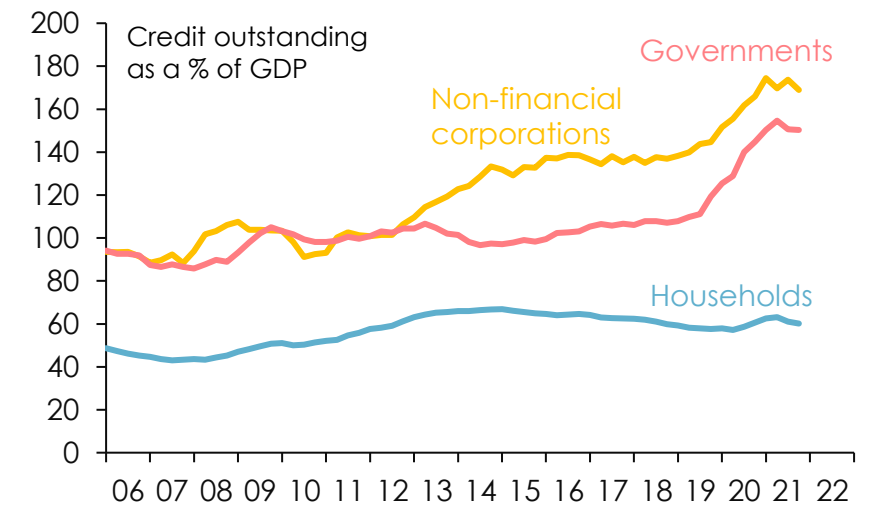
Hong Kong



Thailand



Singapore

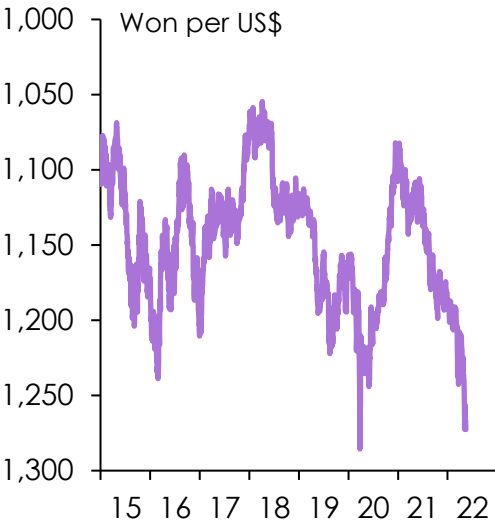


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

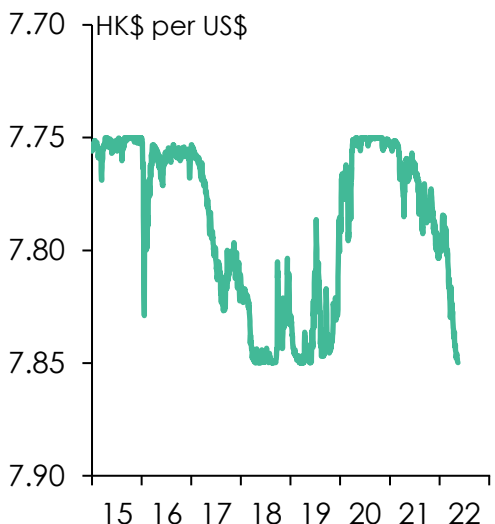
All Asian currencies except the rupiah and dong were weaker against the US\$ last week, with the won down 1.3% and the NT\$ down 0.7%

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

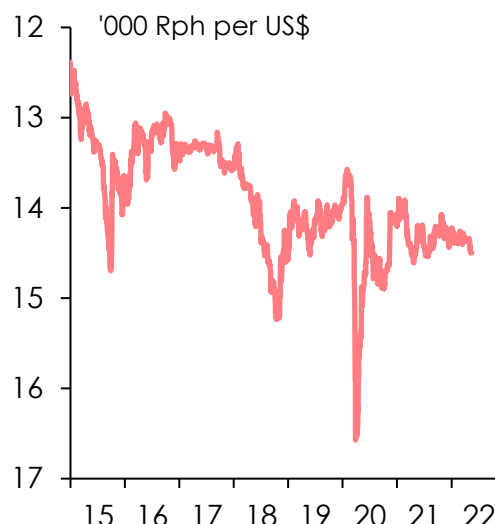
Korean won



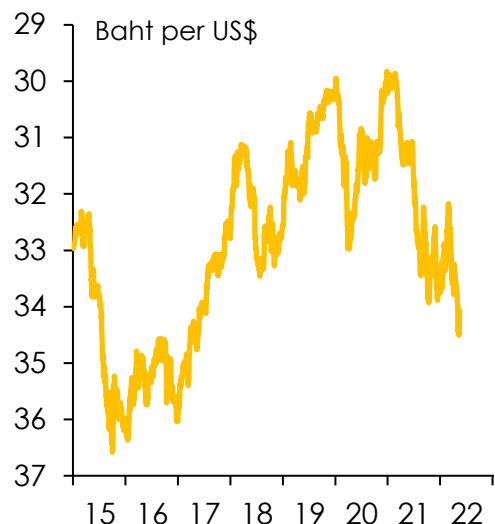
Hong Kong dollar



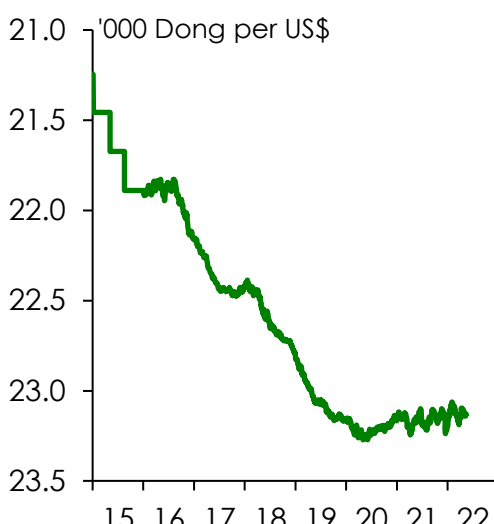
Indonesian rupiah



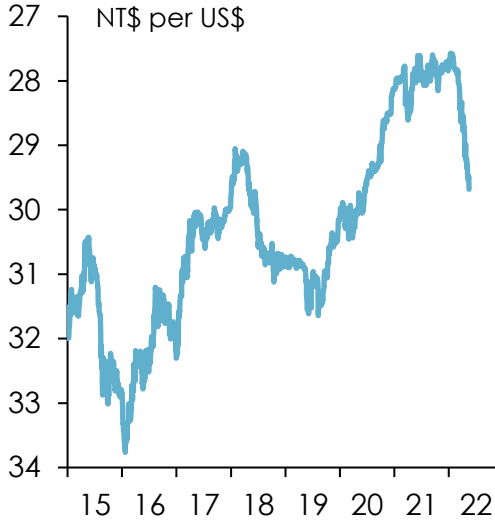
Thai baht



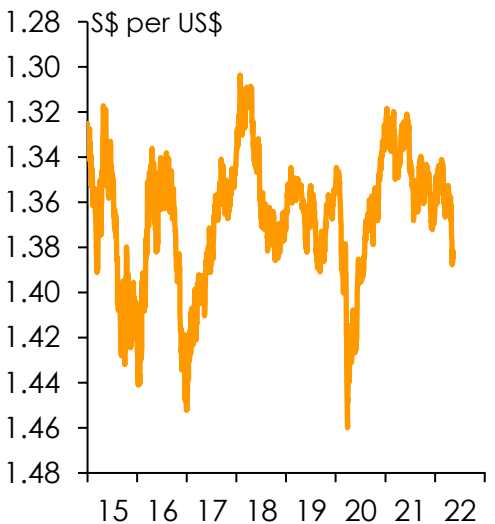
Vietnamese dong



New Taiwan dollar



Singapore dollar



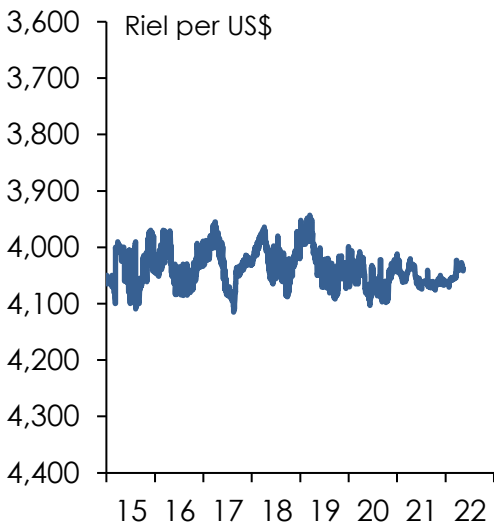
Philippine peso



Malaysian ringgit



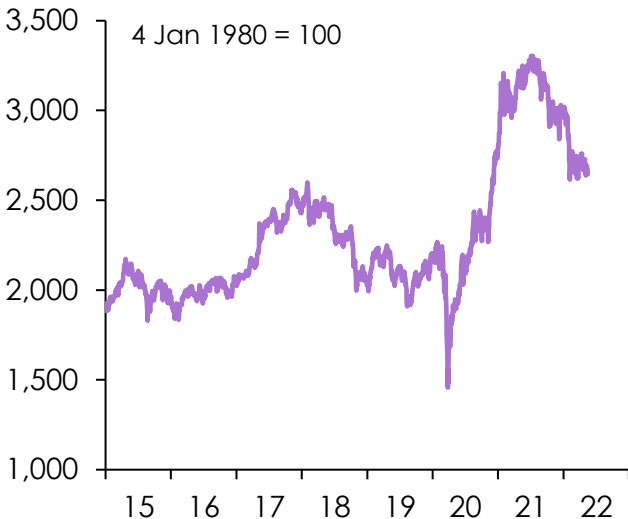
Cambodian riel



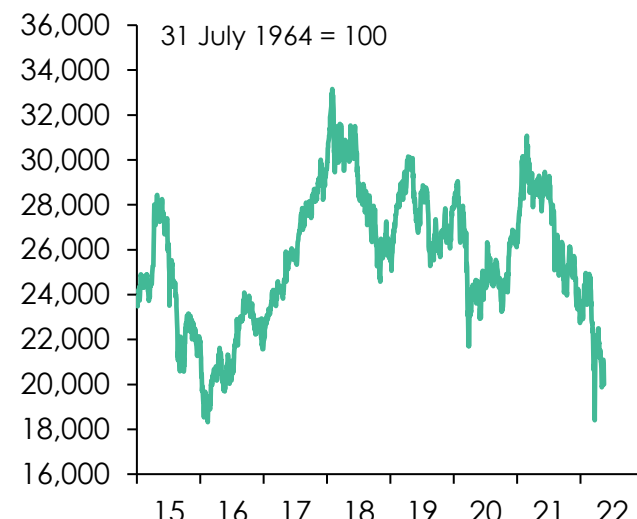
All Asian stockmarkets fell last week, except for Jakarta (which was observing Eid holidays) and Manila: Hong Kong was down more than 5%

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

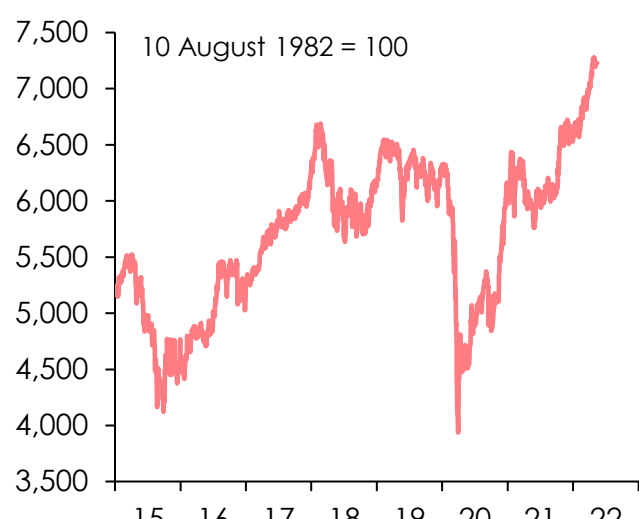
KOSPI



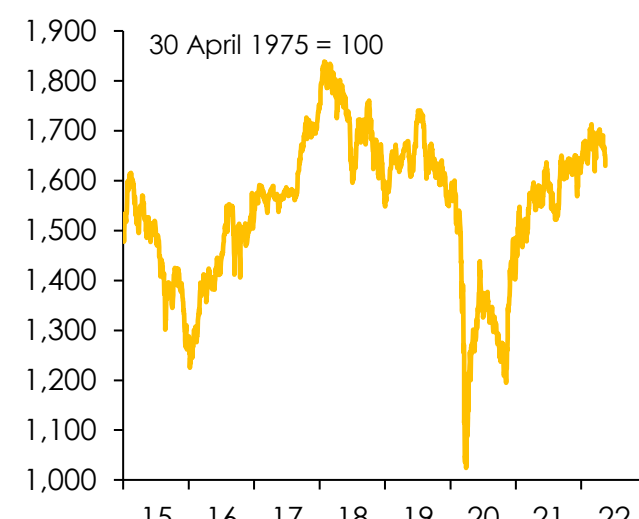
Hang Seng Index



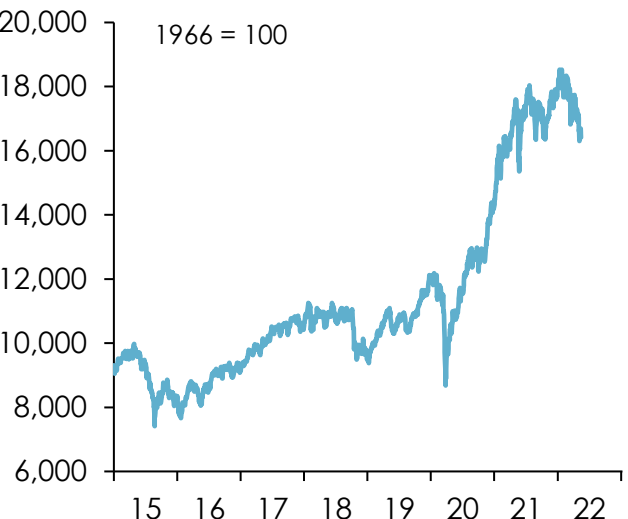
JCI



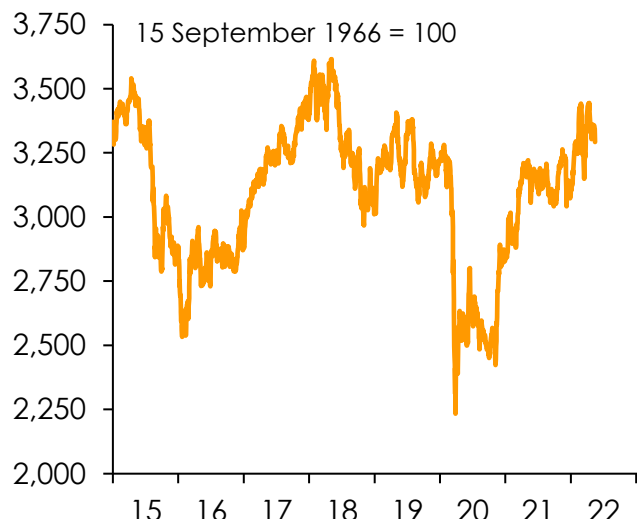
SETI



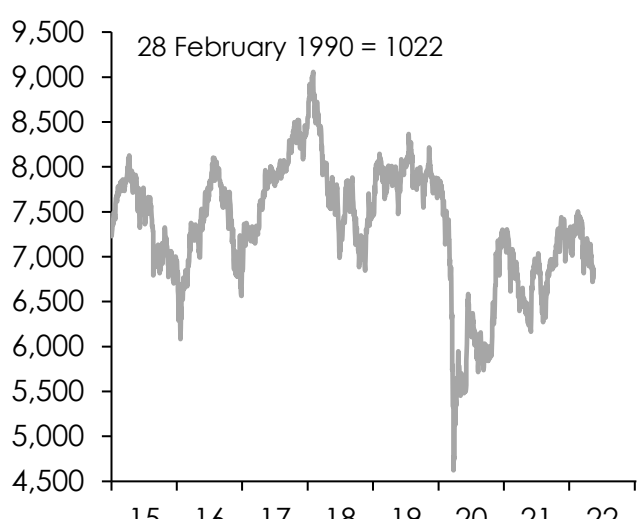
TAIEX



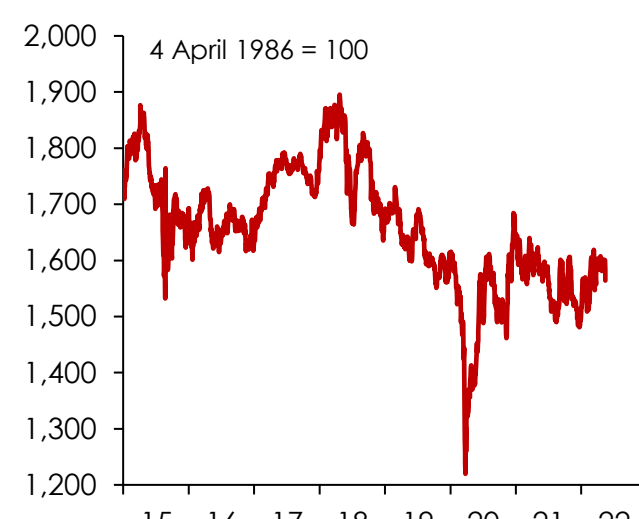
Straits Times Index



PSE i



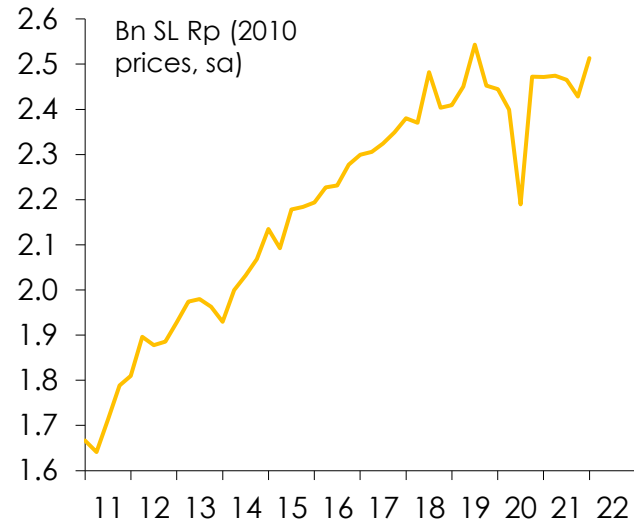
KLCI



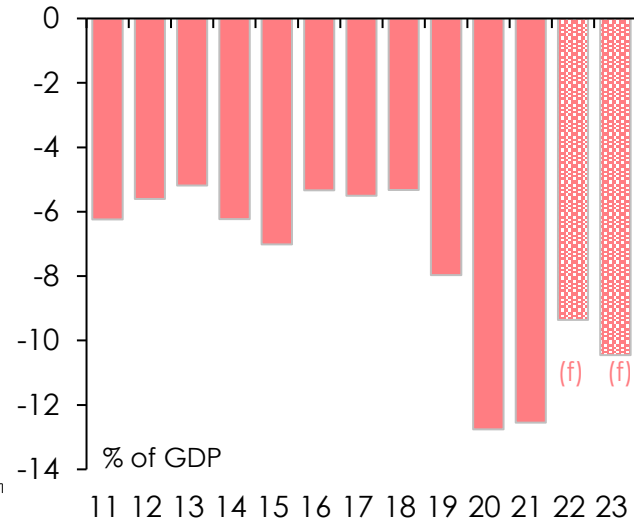
Sri Lanka's inflation rate hit almost 30% in April after the currency's 44% plunge since being 'unpegged' at the beginning of March

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

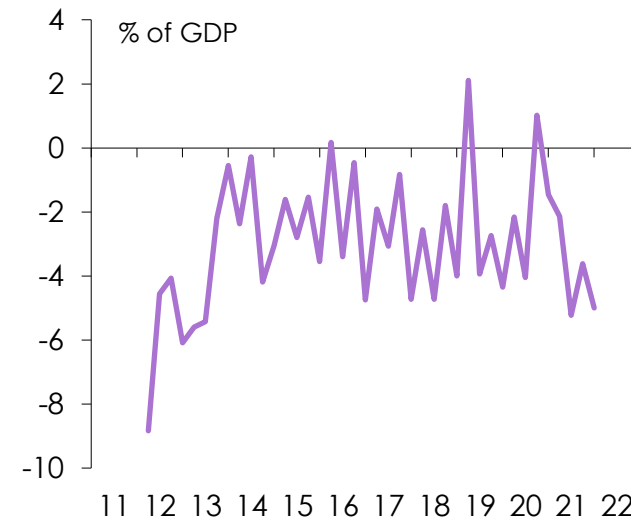
Real GDP



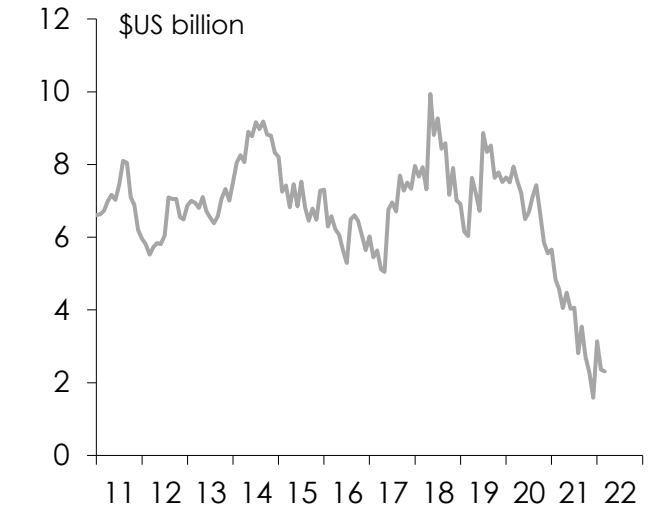
Fiscal balance



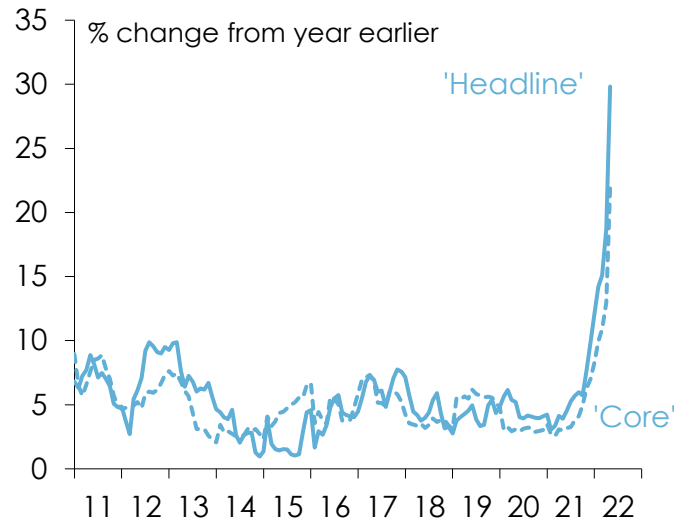
Current account balance



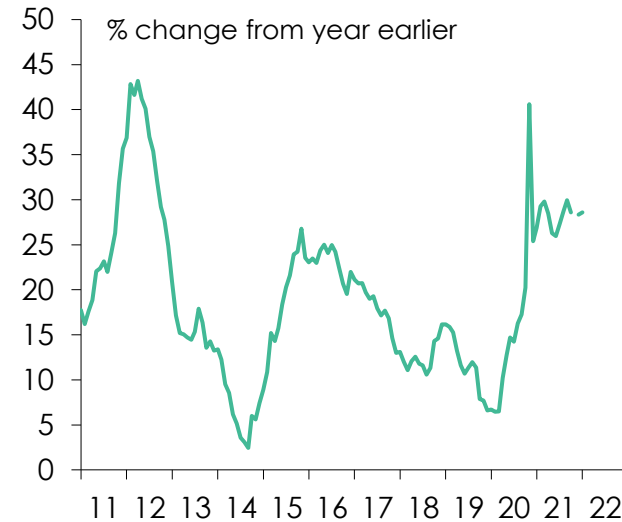
FX reserves



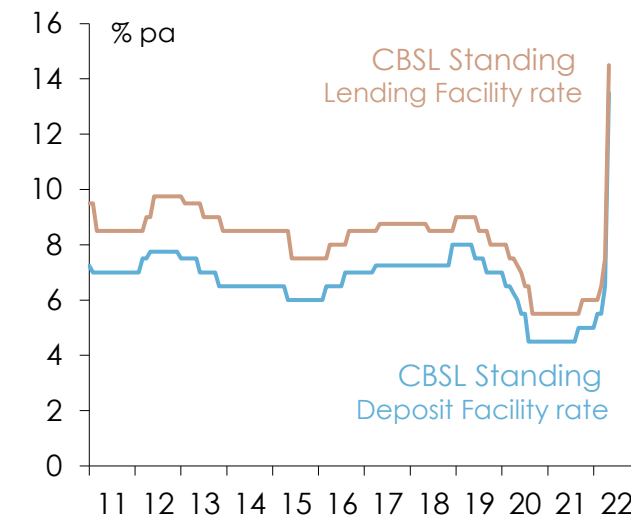
Consumer prices



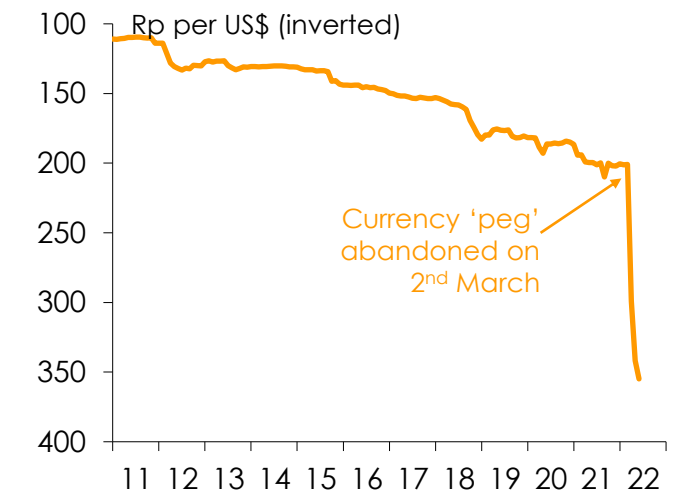
Credit growth



Interest rates



SL rupee vs US\$



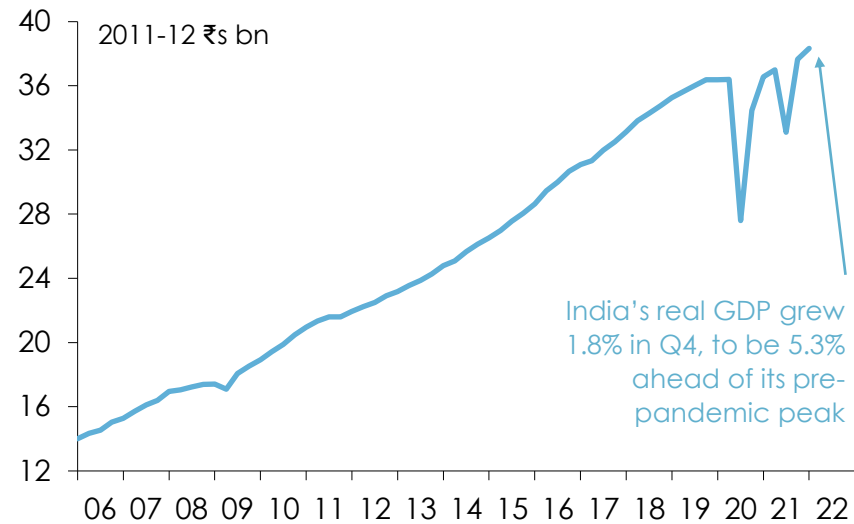
Note: GDP data seasonally adjusted using Refinitiv Datastream; CPI data are for Colombo. Sources: [Sri Lanka Department of Census and Statistics](#); [Central Bank of Sri Lanka](#); IMF, [Fiscal Monitor](#), April 2022; Refinitiv Datastream. [Return to "What's New"](#).

India

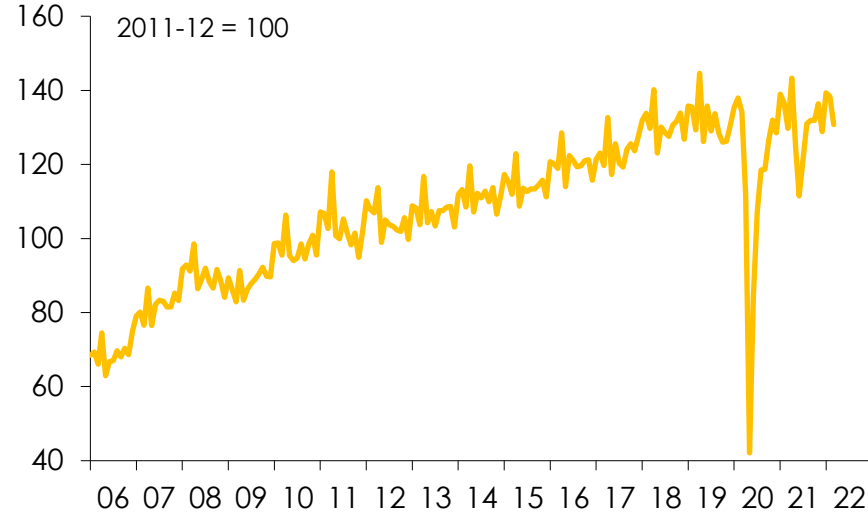
India's economy is recovering from two waves of virus-induced contractions in Q2 2020 and Q2 2021

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

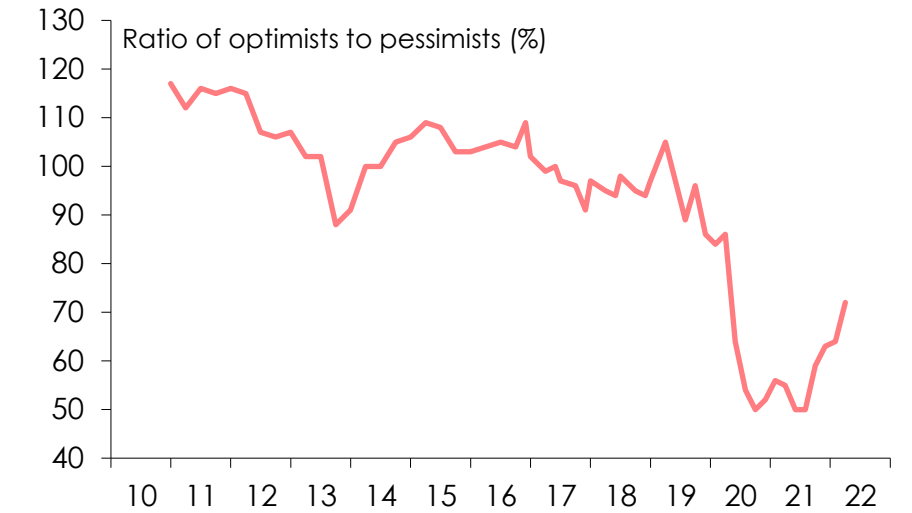
Quarterly real GDP



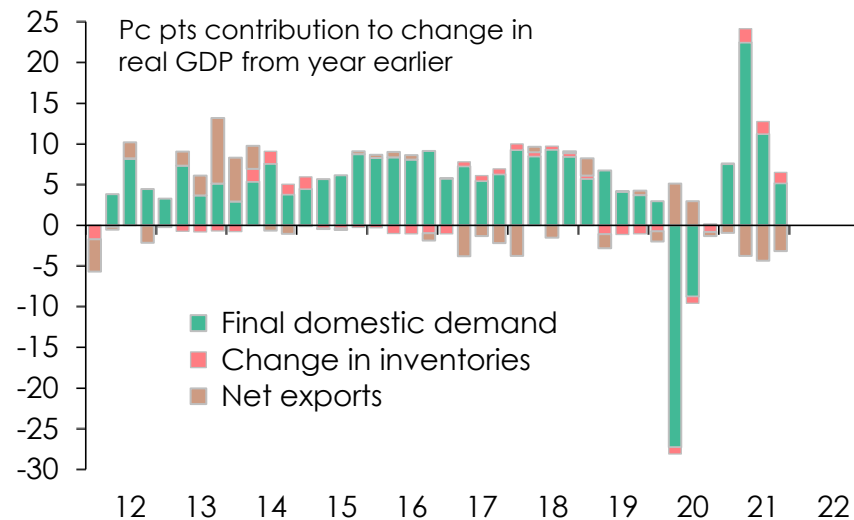
Manufacturing production



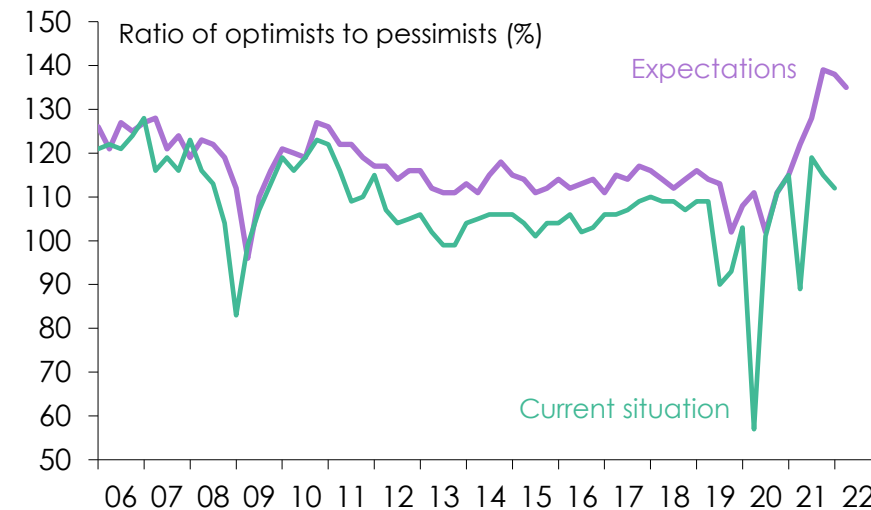
Consumer confidence



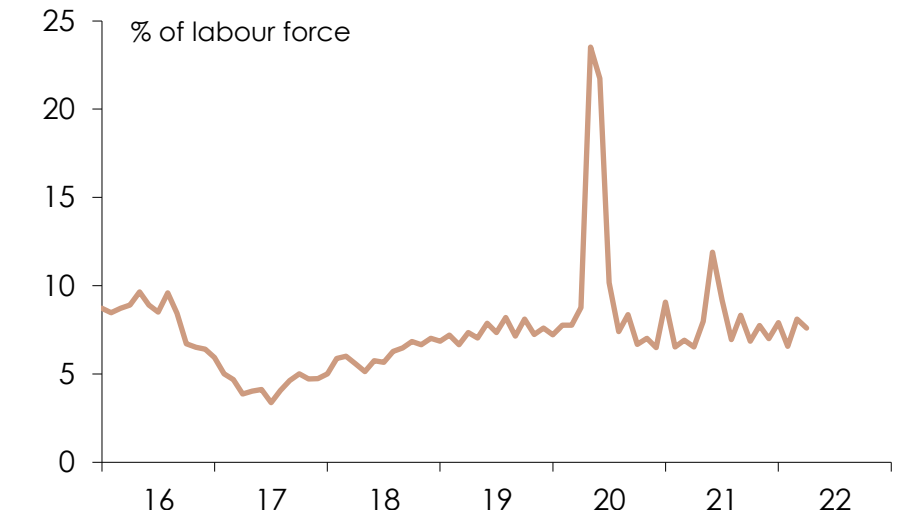
Contributions to real GDP growth



Industrial sector sentiment



Unemployment rate

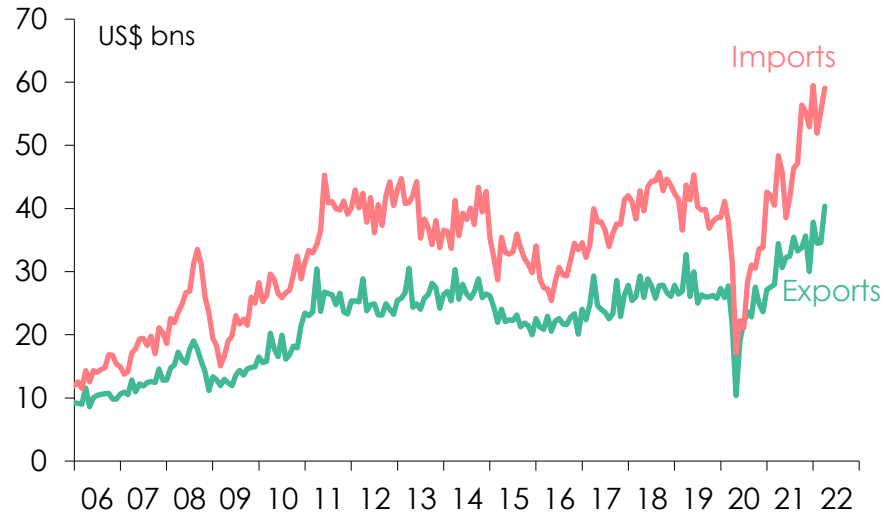


Sources: OECD, [Quarterly National Accounts dataset](#); Government of India, Ministry of Statistics and Programme Implementation, [National Accounts Data](#), and [IIP Data](#); Reserve Bank of India, [Quarterly Industrial Outlook Survey](#) and [Consumer Confidence Survey Bi-Monthly](#); Centre for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

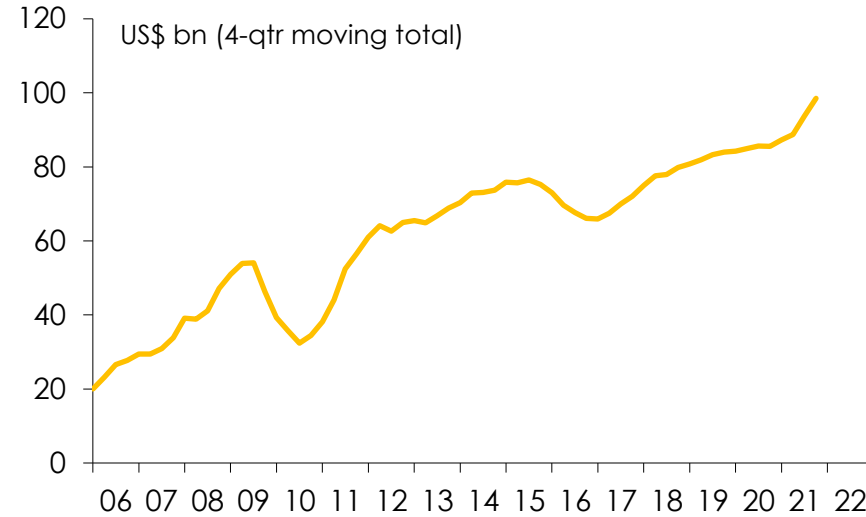
India's merchandise trade deficit has deteriorated sharply due to higher oil prices but its overall external position remains relatively stable

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

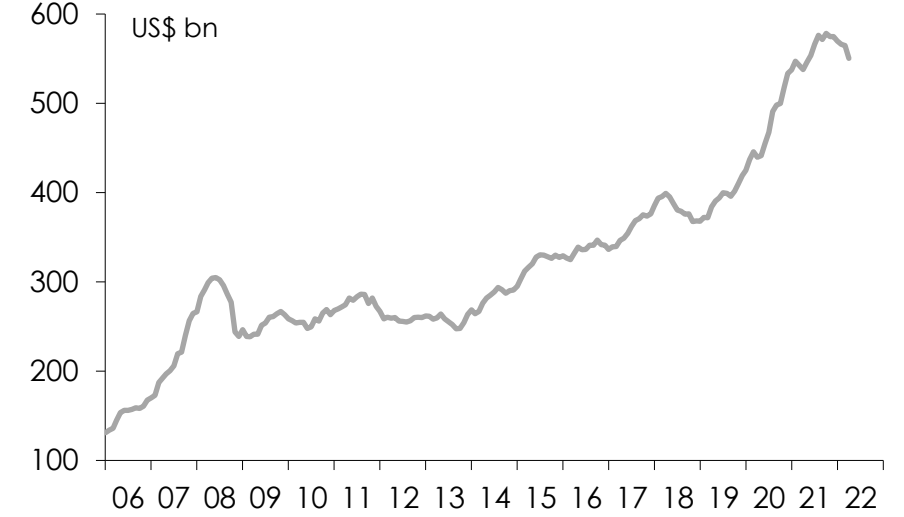
Merchandise exports and imports



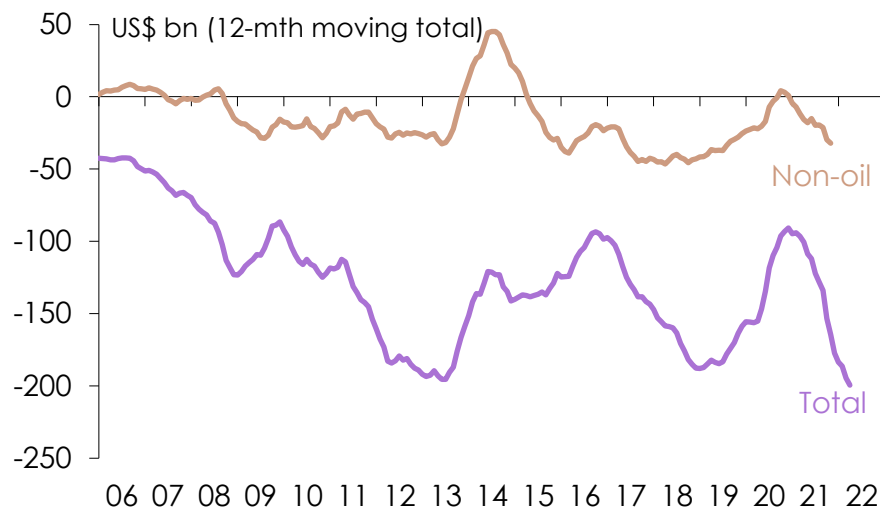
Services trade balance



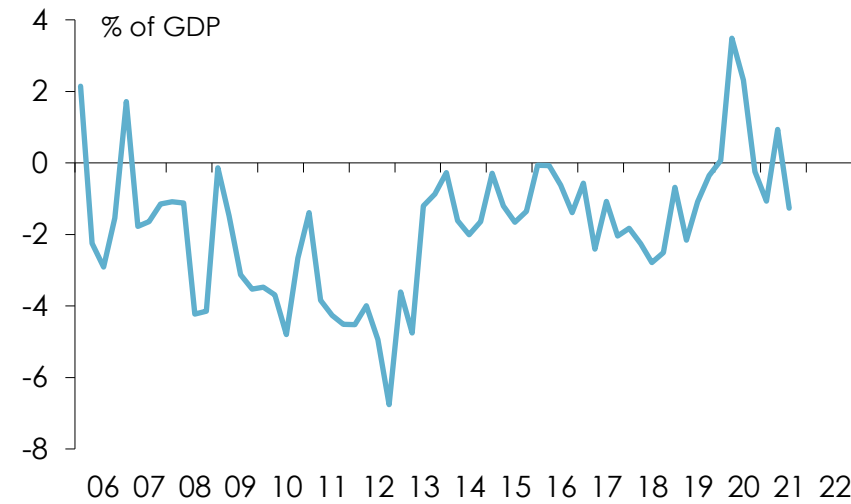
Foreign exchange reserves



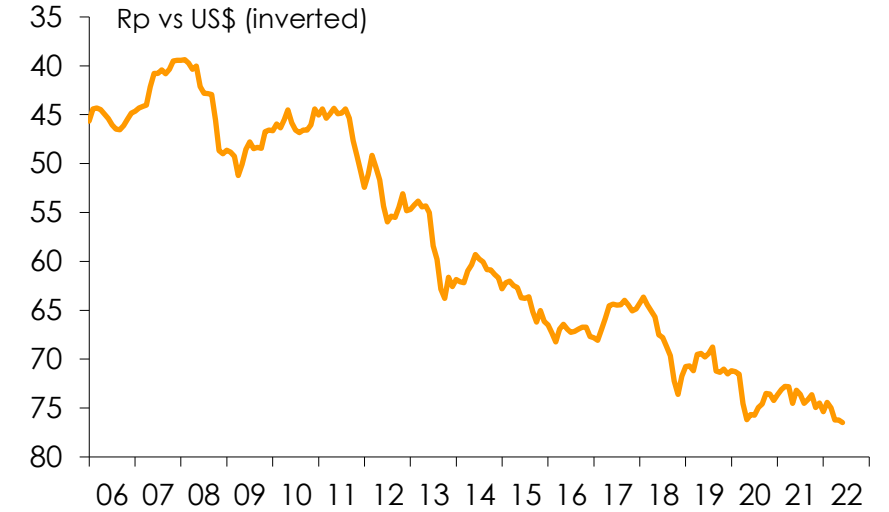
Merchandise trade balance



Current account balance



Rupee vs US dollar

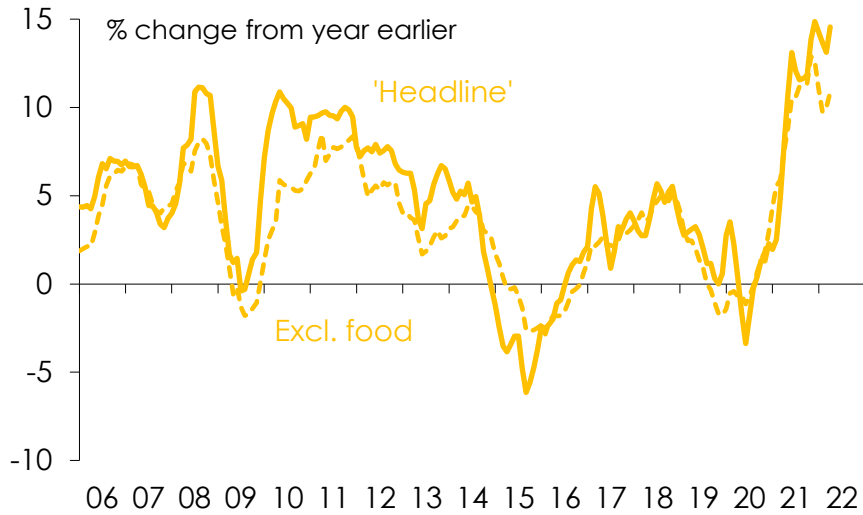


Sources: Government of India, Ministry of Commerce and Industry, [Trade Statistics](#); Reserve Bank of India, [Special Data Dissemination Standards - Balance of Payments](#) and [Weekly Statistical Supplement - Extract](#); Refinitiv Datastream. [Return to "What's New"](#).

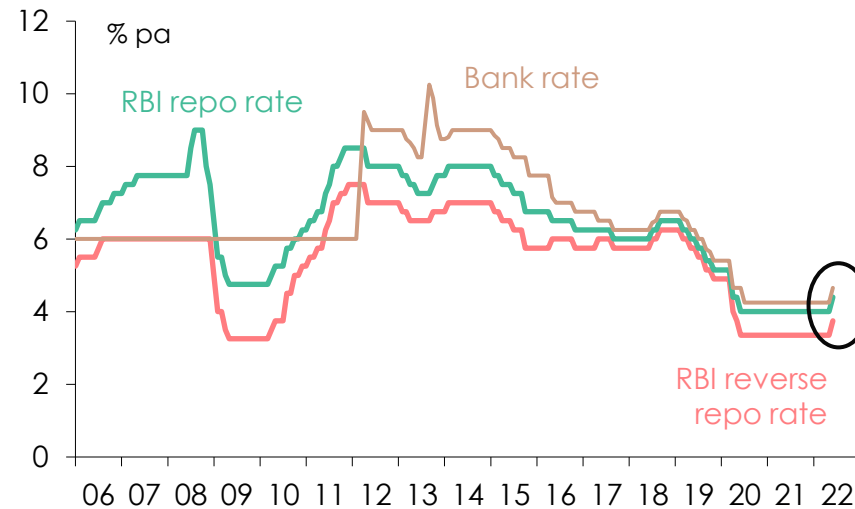
The RBI surprised by raising its policy rates by 40 bp, and the banks' cash reserve ratio by 1/2 pc point, at an unscheduled MPC meeting last week

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

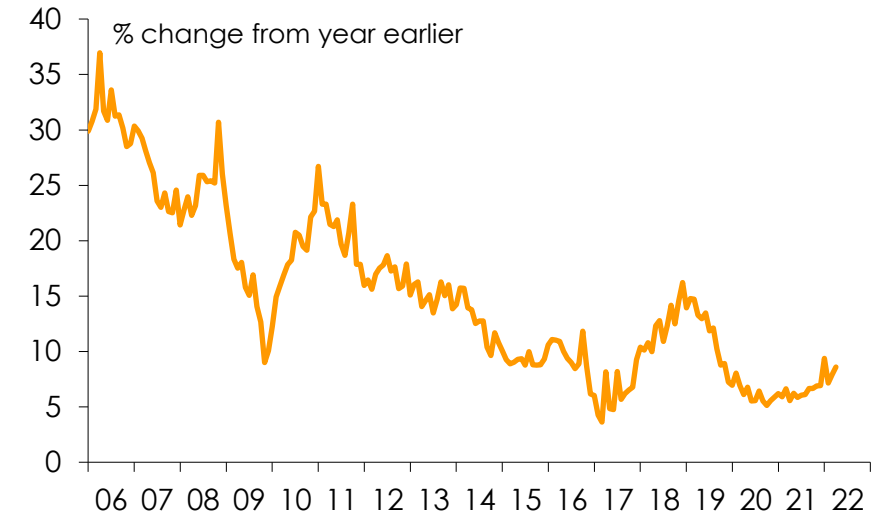
Wholesale prices



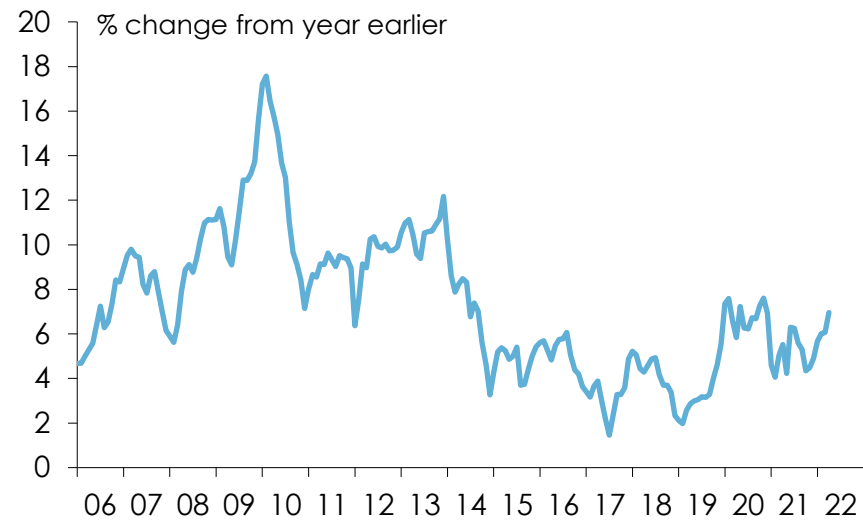
RBI policy interest rates



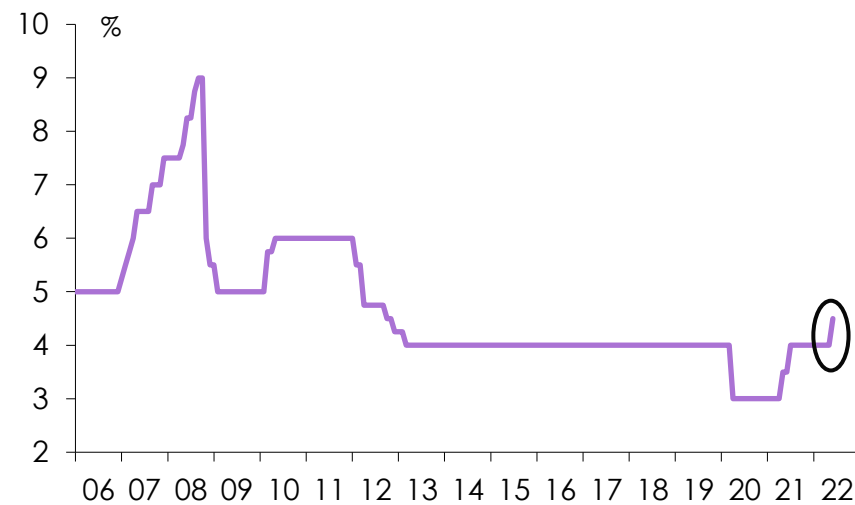
Bank lending



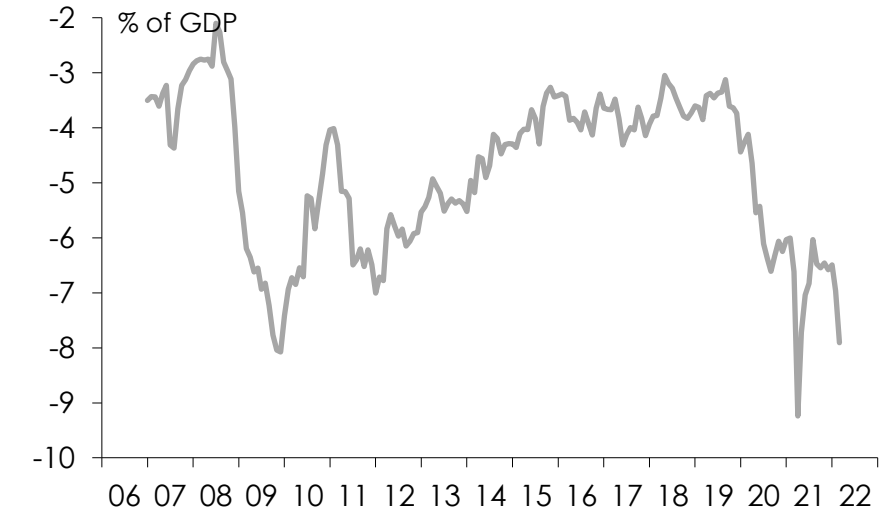
Consumer prices



RBI cash reserve ratio



Central government fiscal balance

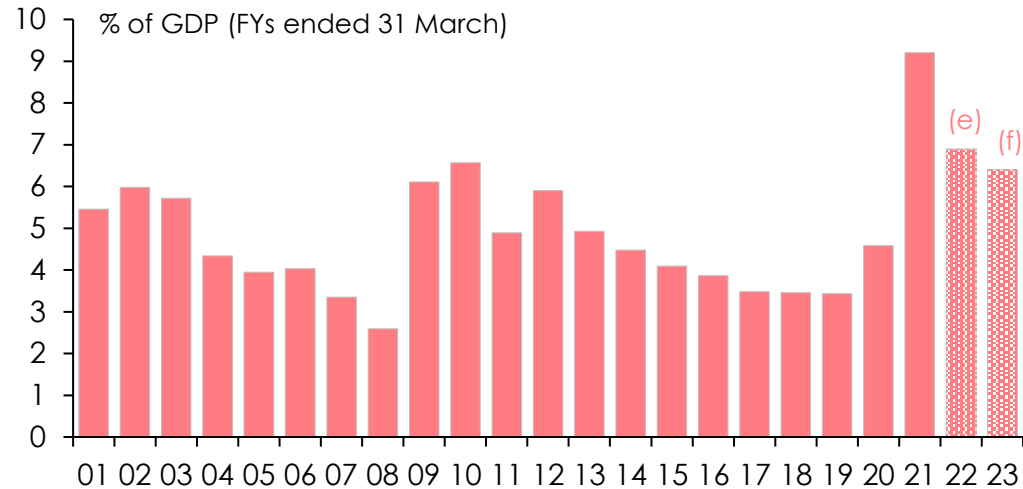


Note: The RBI's inflation target is 4% ± 2 pc points. Sources: Government of India, Office of the Economic Adviser, Ministry of Commerce and Industry, [WPI Press Release](#); Ministry of Statistics and Programme Implementation, [CPI](#); Reserve Bank of India, [Monetary Policy](#) and [RBI Bulletin](#);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

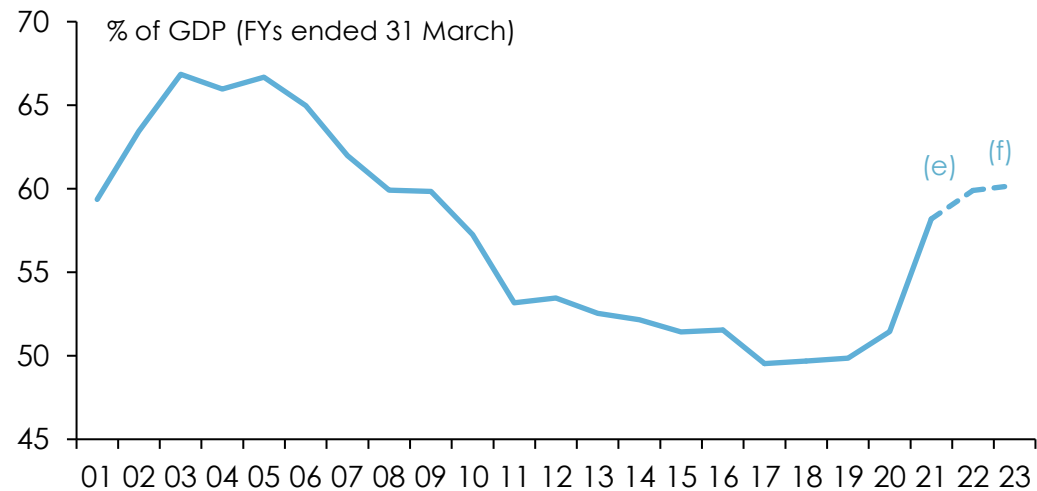
India's 2022-23 Budget maintains a deficit of over 6% of GDP in order to fund another large increase in capital spending

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

Central government fiscal deficit



Central government gross debt



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

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

Canada, Australia and New Zealand

The Reserve Bank of Australia raised its cash rate (for the first time since November 2010) by 25 bp at its Board meeting last Tuesday

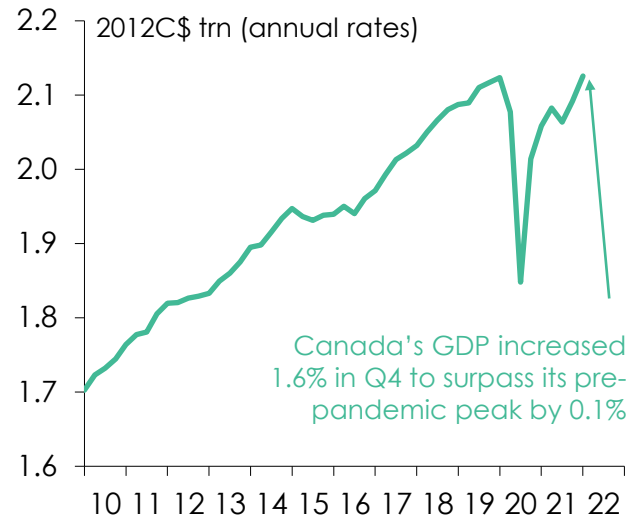
THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

- ❑ The [Reserve Bank of Australia](#) raised its cash rate by 25bp, to 0.35% at last Tuesday’s Board meeting, the first increase since November 2010, and indicated that “further increases would be necessary” ([slide 124](#))
 - the move comes just 18 days before a federal election, and follows a much higher-than-expected increase in inflation in Q1, which prompted the RBA to raise its [forecasts](#) for ‘headline’ and ‘underlying’ inflation to peak at 5.9% and 4.6% respectively in Q4 this year, and not return to target until Q2 2024
 - the RBA also foreshadowed that it would begin shrinking its balance sheet by no longer re-investing maturing principal payments from its bond portfolio
- ❑ 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 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”

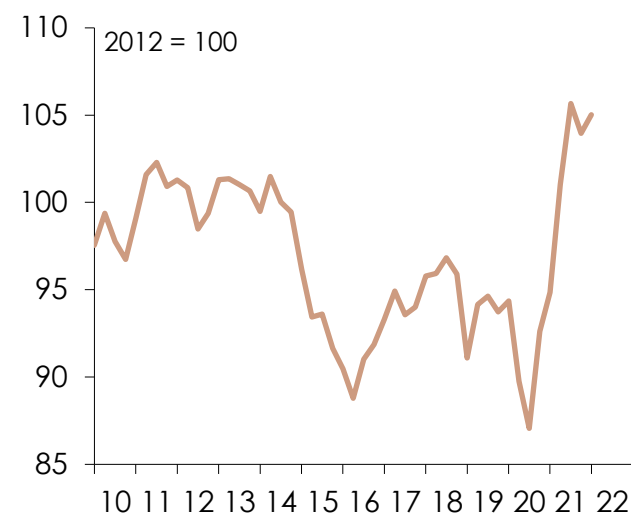
Canada's unemployment rate declined another 0.1 pc pt in April to 5.2%, the lowest since July 1974

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

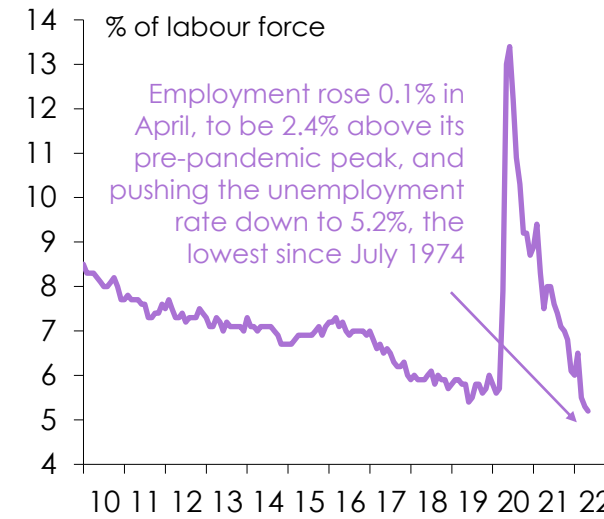
Real GDP



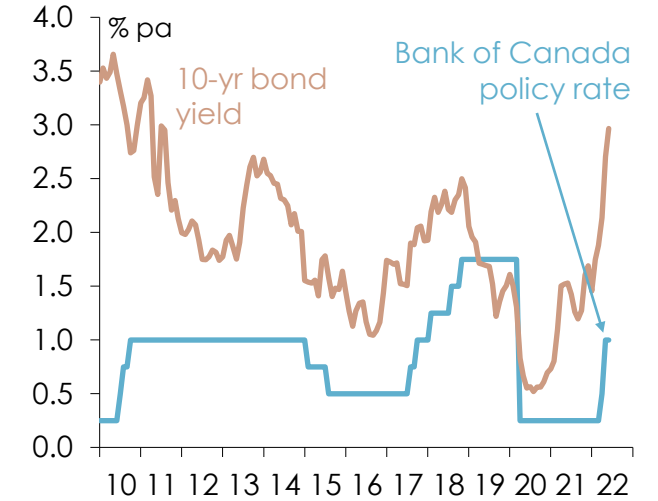
Terms of trade



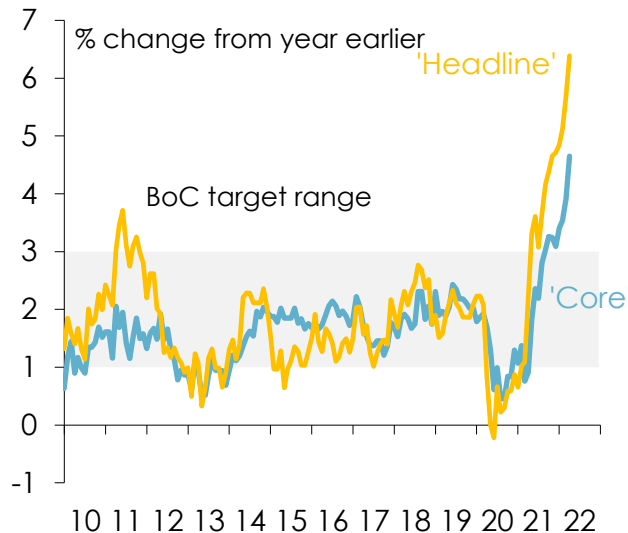
Unemployment



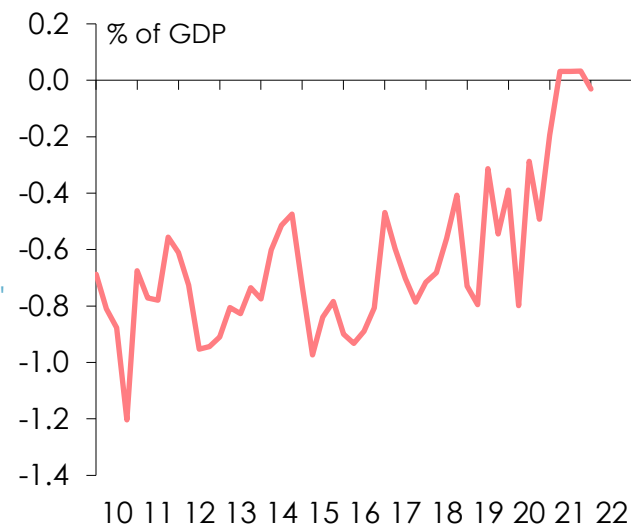
Interest rates



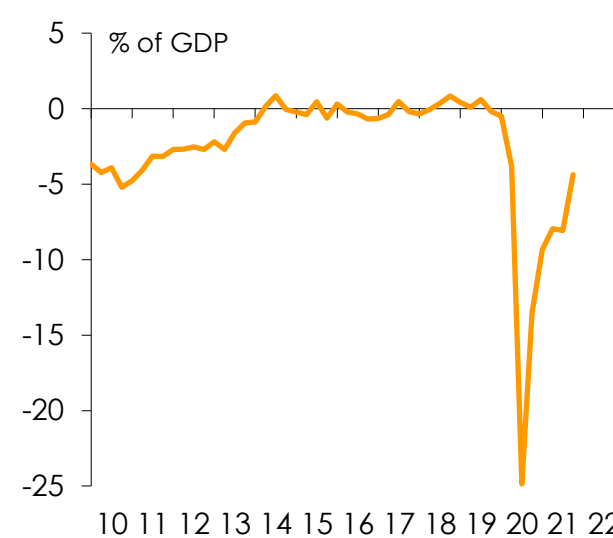
Consumer prices



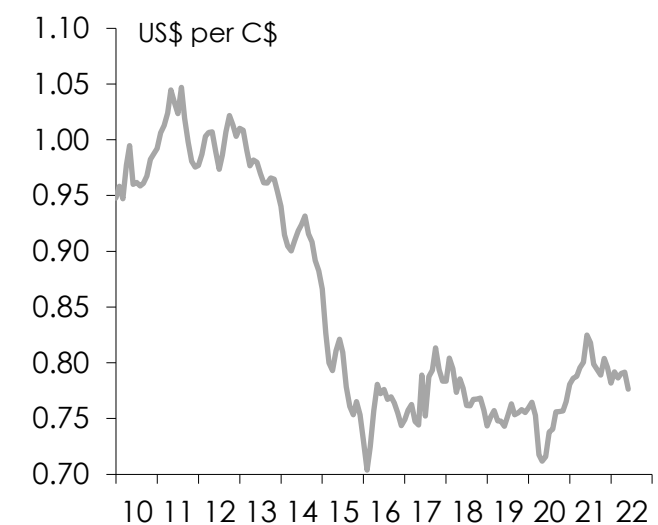
Current account balance



Government net lending



C\$ vs US\$

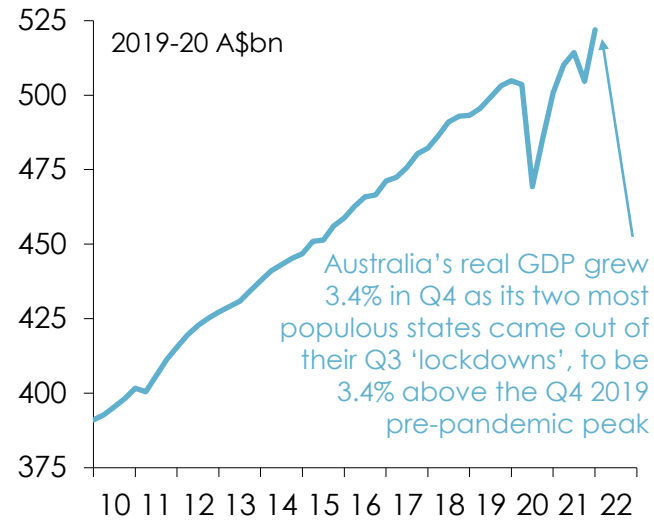


Sources: Statistics Canada, [National Gross Domestic Product \(GDP\) by Income and by Expenditure Accounts](#); [Consumer price index portal](#); [Canada's Balance of International Payments](#); [Labour Statistics](#); Bank of Canada, [Policy Interest Rate](#); Refinitiv Datastream. [Return to "What's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

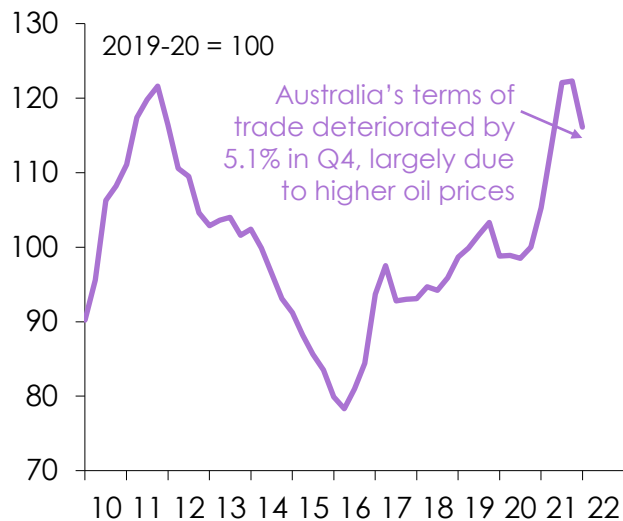
The RBA raised its cash rate (for the first time since late 2010) by 25 bp, to 0.35%, last Tuesday following much higher than expected Q1 inflation

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

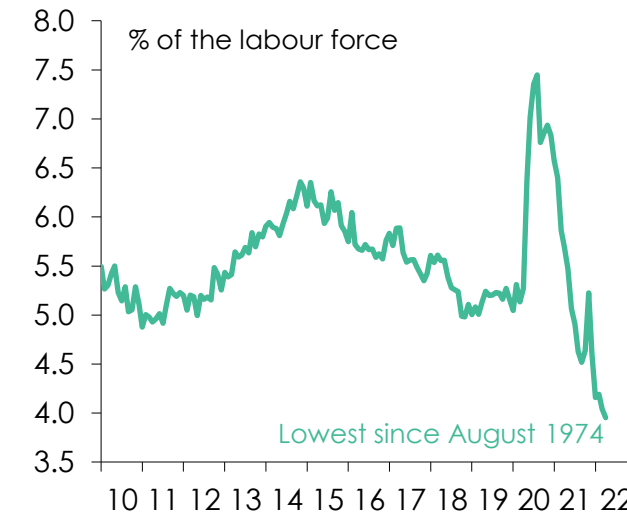
Real GDP



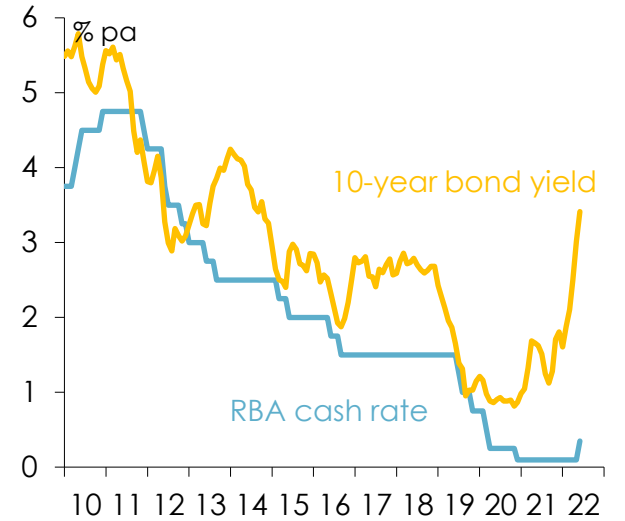
Terms of trade



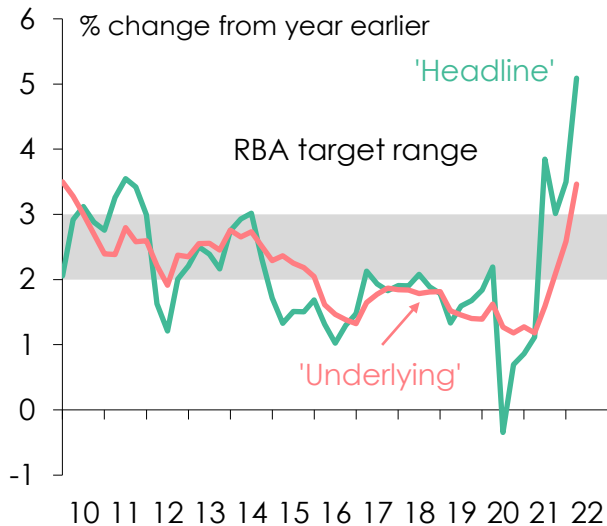
Unemployment



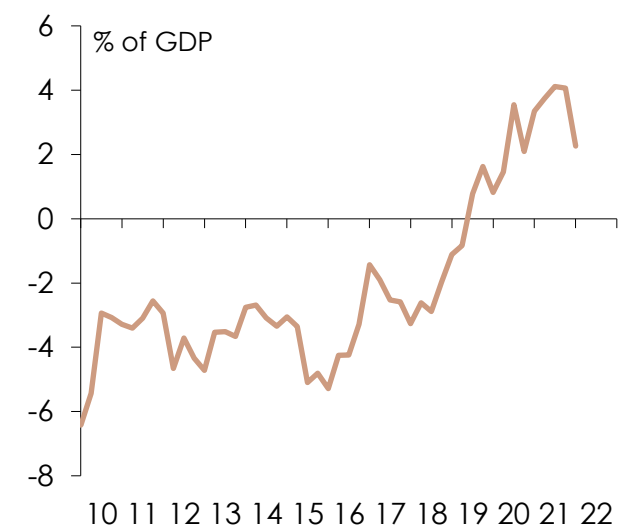
Interest rates



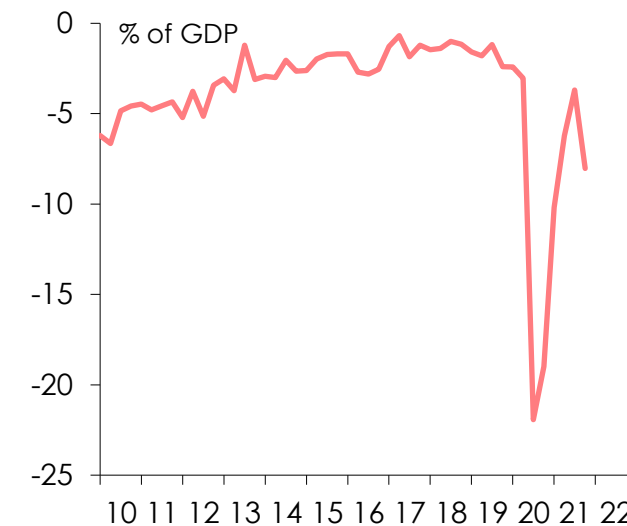
Consumer prices



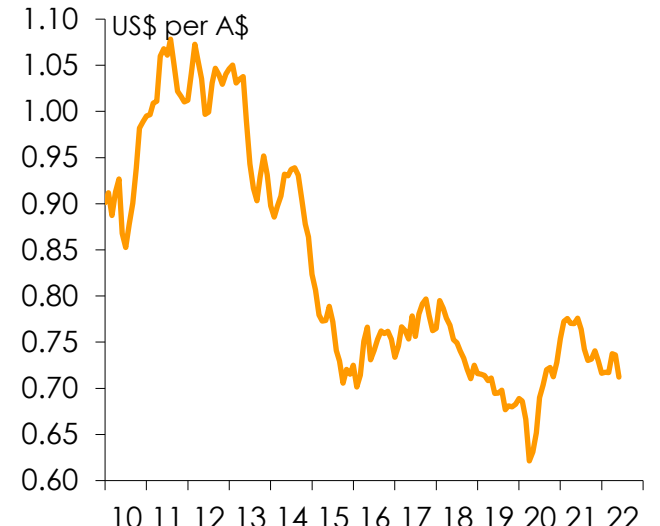
Current account balance



Government net lending



A\$ vs US\$

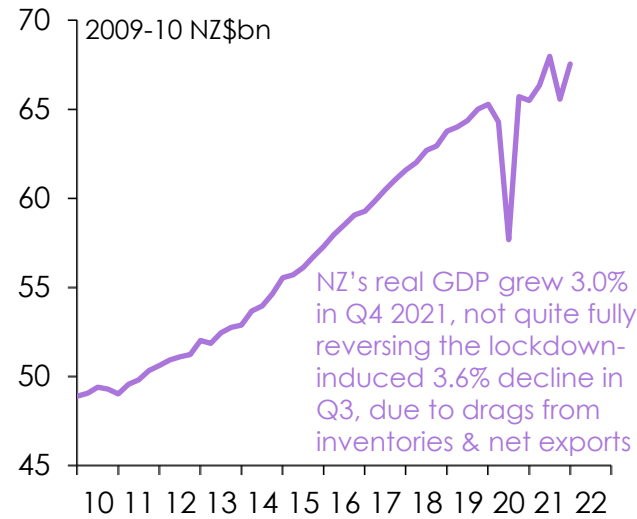


Note: The measure of 'underlying' inflation shown here is the trimmed mean. Sources: Australian Bureau of Statistics, [Australian National Accounts: National Income, Expenditure and Product](#); [Consumer Price Index](#); [Balance of Payments and International Investment Position](#); [Labour Force](#);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

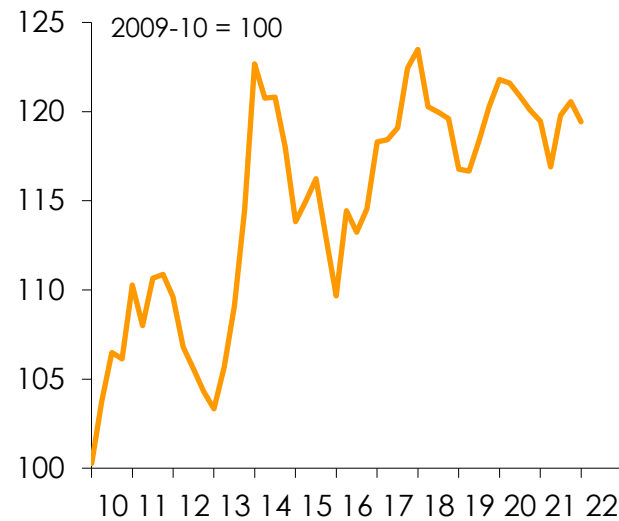
New Zealand's unemployment rate remained at a 40-year low of 3.2% in Q1, and annual labour cost inflation rose to a 12-year high of 3.0%

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

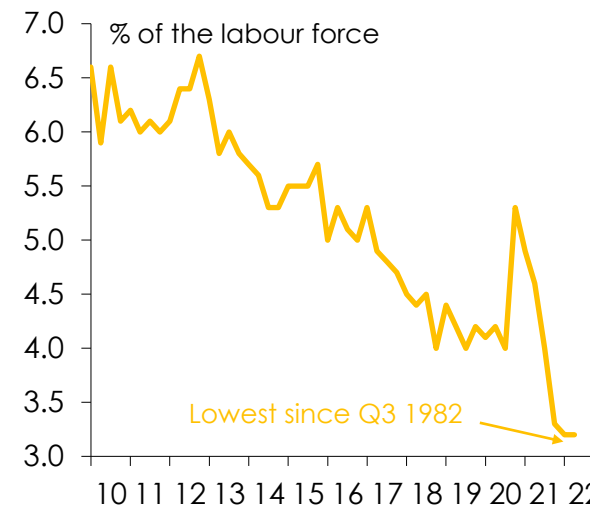
Real GDP



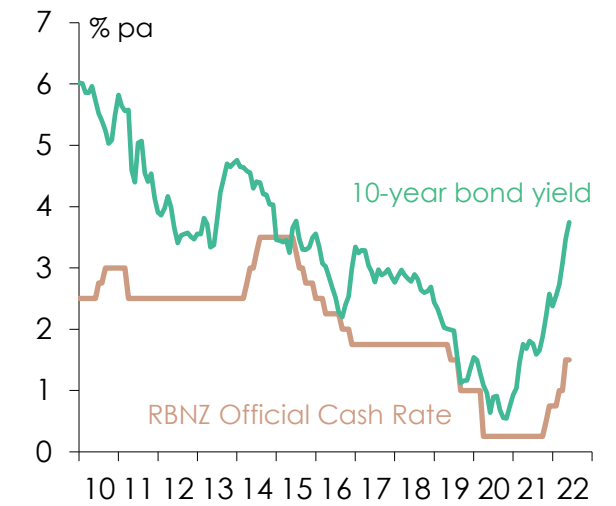
Terms of trade



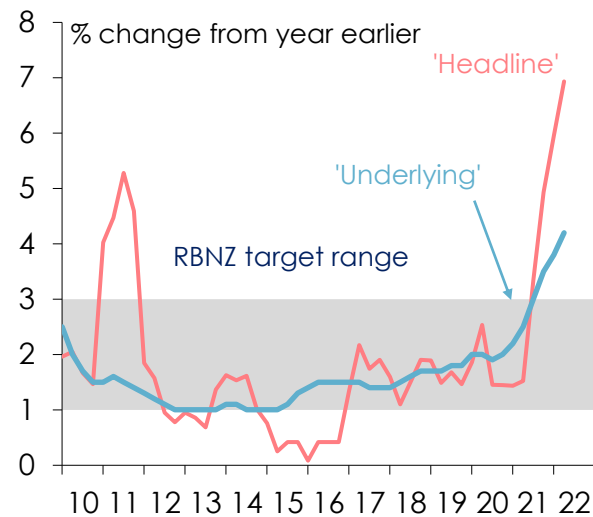
Unemployment



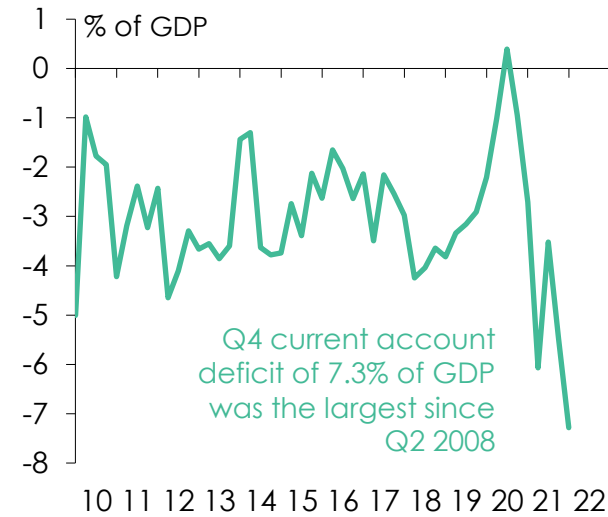
Interest rates



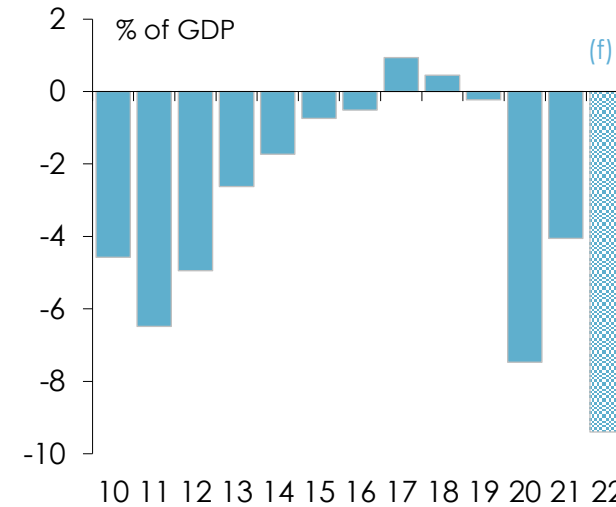
Consumer prices



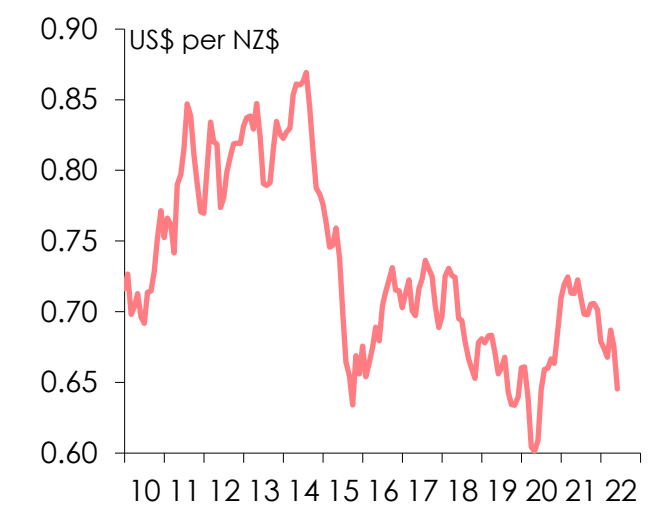
Current account balance



Government cash balance



NZ\$ vs US\$



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

The rest of the world

Brazil's central bank raised its policy rate by another 100 bp last week, Chile's by 125 bp, and Poland's & the Czech Republic's each by 75 bp

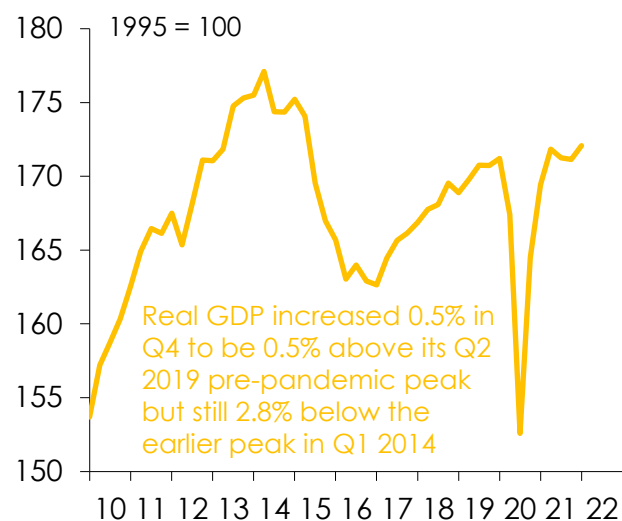
THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

- ❑ **Banco Central do Brasil** raised its SELIC rate another 100 bp, to 12.75% (its highest level since March 2017), at its Copom meeting last Wednesday, the 10th increase since March last year, for a total of 1075 bp ([slide 128](#))
 - [explaining](#) its latest move Copom indicated it was “appropriate to continue advancing in the process of monetary tightening significantly into even more restrictive territory” given its inflation projections and “the risk of a deanchoring of long-term expectations”
 - while it foreshadowed “an extension of the cycle” [of rate increases] at its next meeting, it also indicated that the adjustment would be “of lower magnitude”
 - it again referenced “an increase in the risk premium due to the uncertainty about the country's future fiscal framework” as one of the sources of upside risks to its inflation forecast, although it also noted potential downside risks from “a possible reversion, even if partial, of the increase in commodity prices” as well as a greater-than-projected economic slowdown
- ❑ **Banco Central de Chile** raised its policy interest rate by 125 basis points to 8.25% at its Monetary Policy Committee meeting on Thursday, the seventh increase since July last year, for a total of 775 bp ([slide 131](#))
 - the [decision](#) follows the rise in Chile's annual ‘headline’ and ‘core’ inflation rates to 9.4% and 7.6%, respectively, in March, “significantly higher than assumed” in BCC's most recent Monetary Policy Report, and stronger-than-expected economic activity which it estimates grew 7.9% over the year to Q1
- ❑ **Narodowy Bank Polski** (Poland's central bank) raised its reference rate by 75 basis points to 5.25% at its Monetary Policy Council meeting on Friday, the eighth increase since October last year, for a total of 515 basis points
 - the latest increase followed a further acceleration in Poland's annual ‘headline’ inflation rate to 12.3% in April, as well as a “marked rise in wages”, leading to what the MPC [characterized](#) as a “persist[ent] risk of inflation running above the NBP target [of 2.5% ± 1%] in the monetary policy transmission horizon”
- ❑ **Česká národní banka** (the Czech central bank) increased its 2-week repo rate by 75bp to 5.75%, following [upward revisions](#) to its inflation and growth forecasts

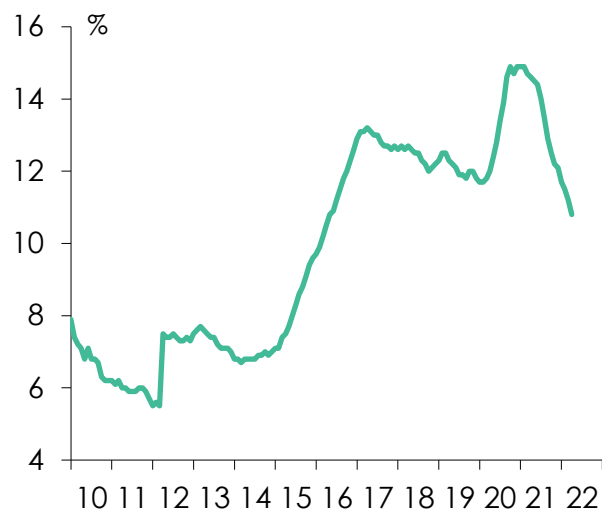
Banco Central do Brazil raised its policy rate another 100bp last week for a total of 1075 bp over the past 13 months, and with more to come

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

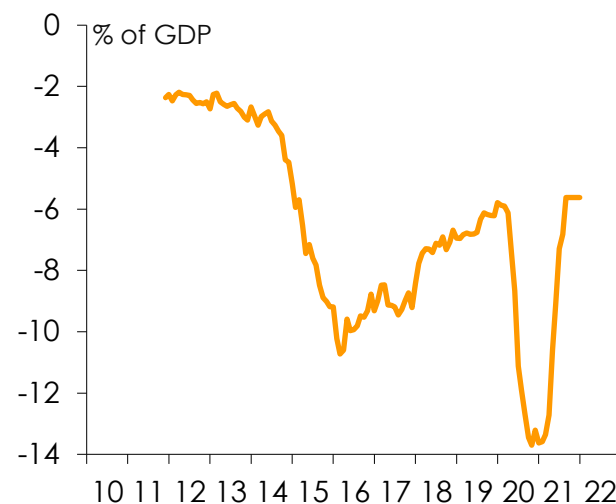
Real GDP



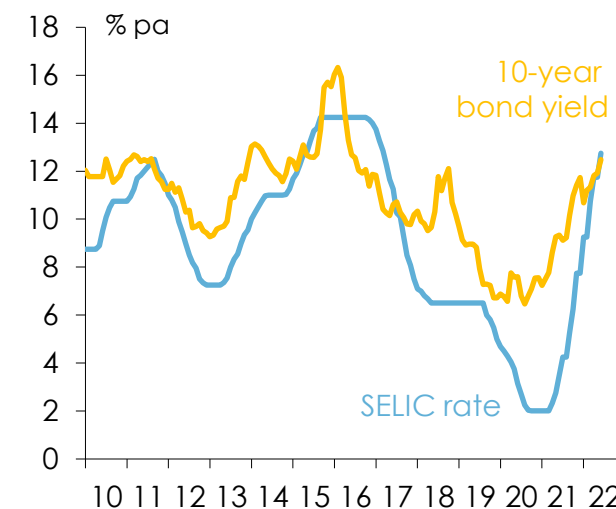
Unemployment



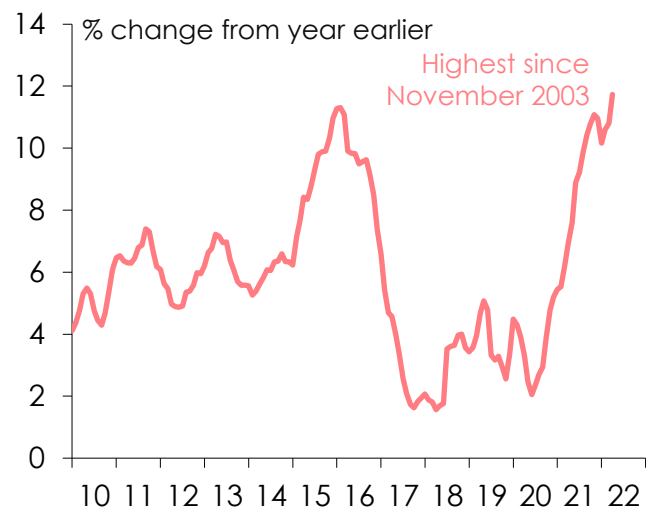
Public sector borrowing



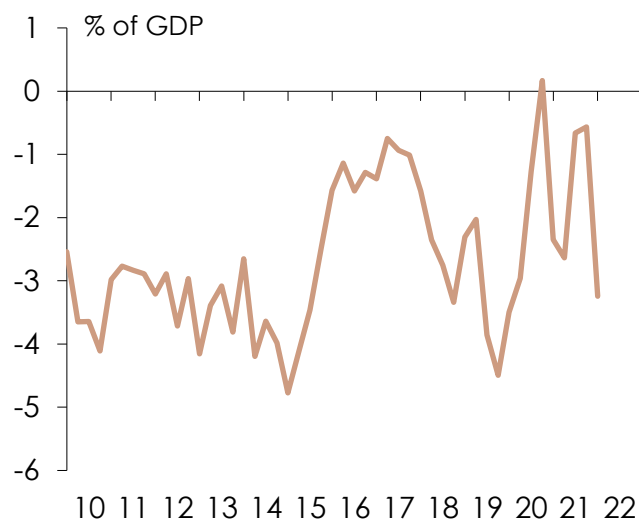
Interest rates



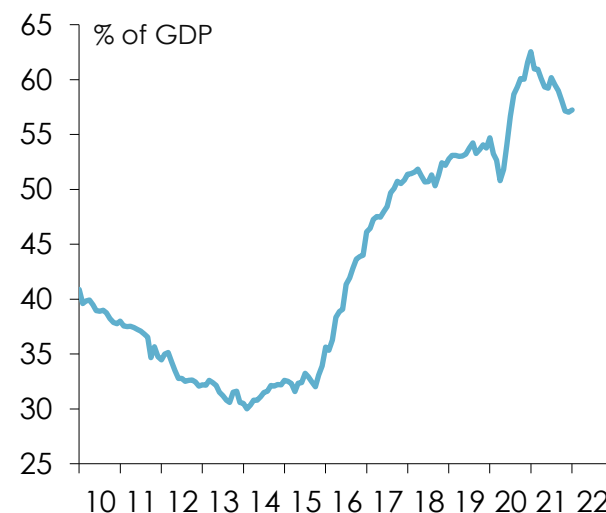
Inflation



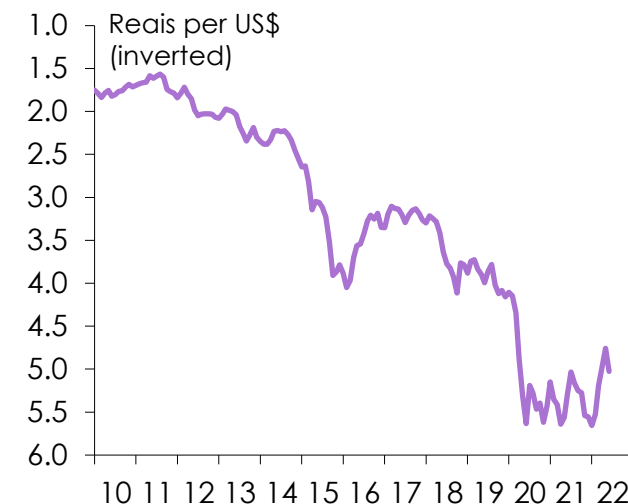
Current account balance



Public sector net debt



Brazilian real vs US\$

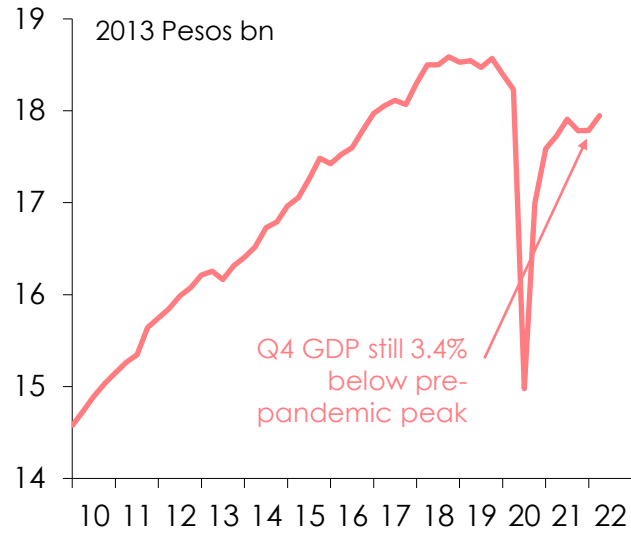


Sources: [Instituto Brasileiro de Geografia e Estatística](#) (IBGE); [Banco Central do Brasil](#); Refinitiv Datastream. [Return to "What's New"](#).

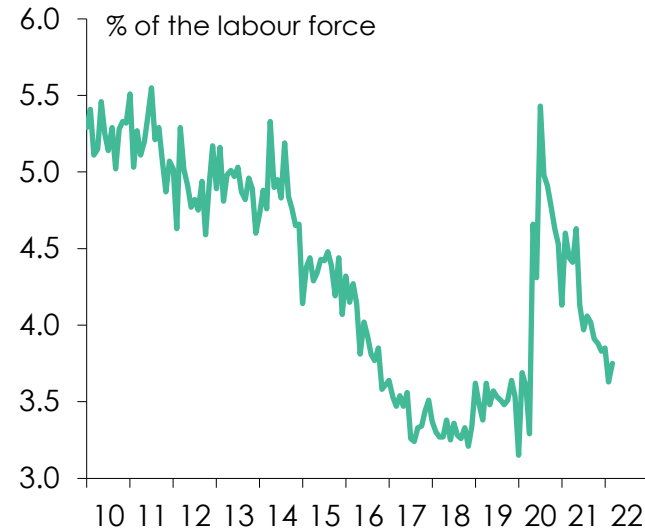
Mexico's real GDP grew a slightly weaker-than-expected 0.9% in Q1, leaving it still 3.4% smaller than its pre-pandemic peak level

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

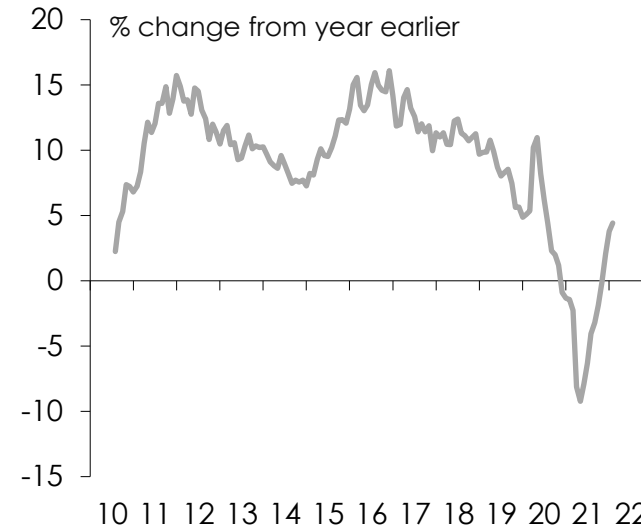
Real GDP



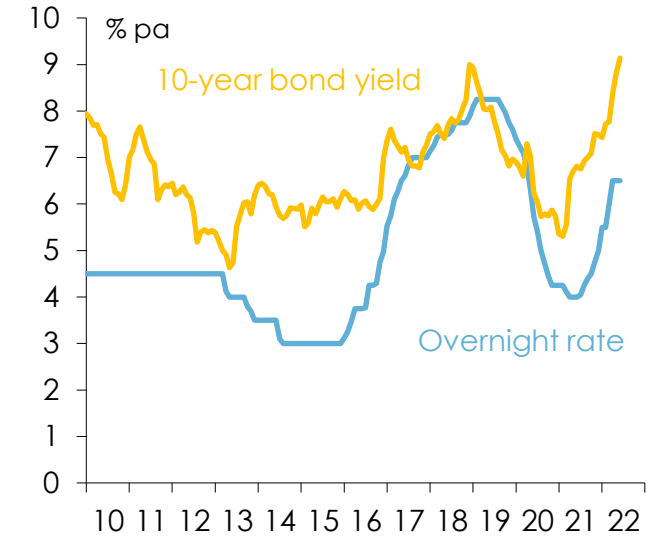
Unemployment



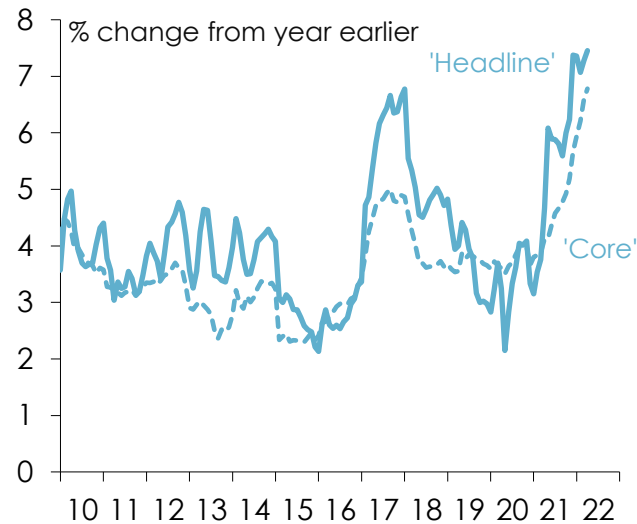
Bank lending



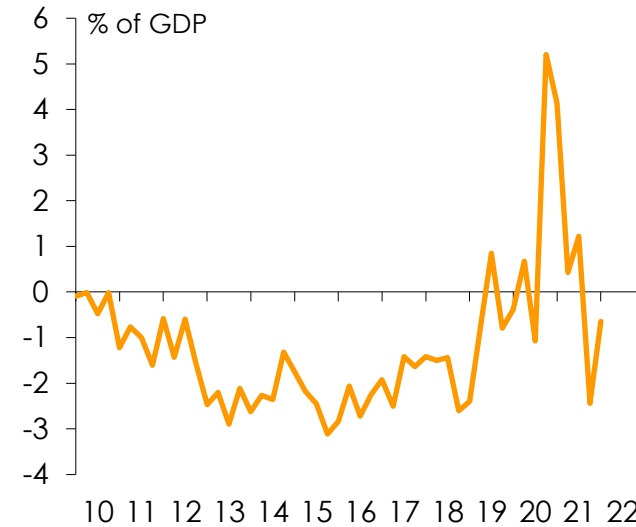
Interest rates



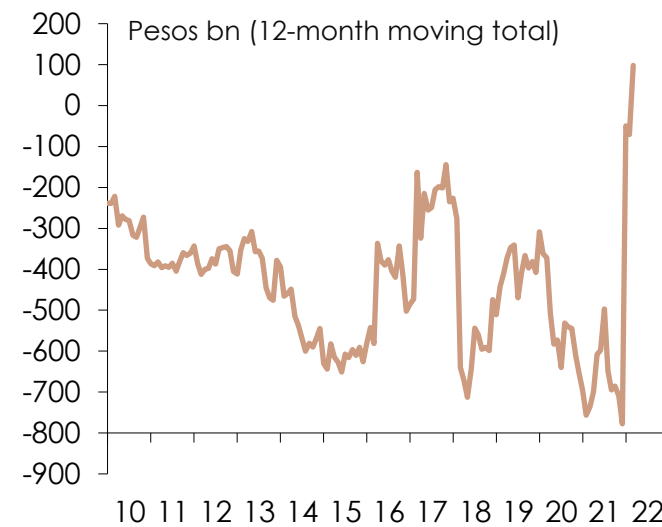
Inflation



Current account balance



Federal budget deficit



Mexican peso vs US\$

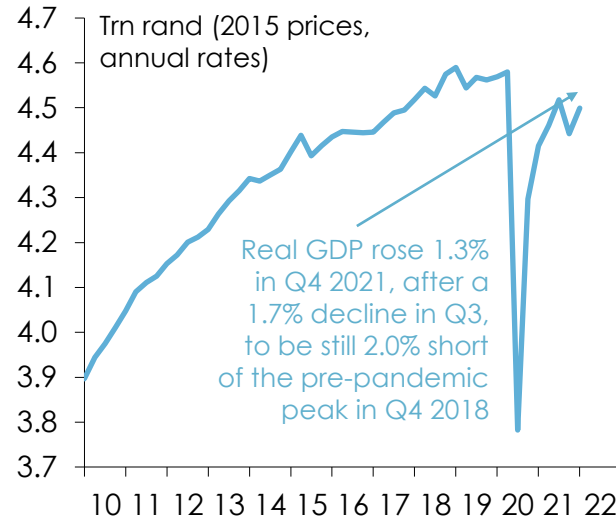


Sources [Banco de México](#); [Instituto Nacional de Estadística y Geografía \(INEGI\)](#); Refinitiv Datastream.. [Return to "What's New"](#).

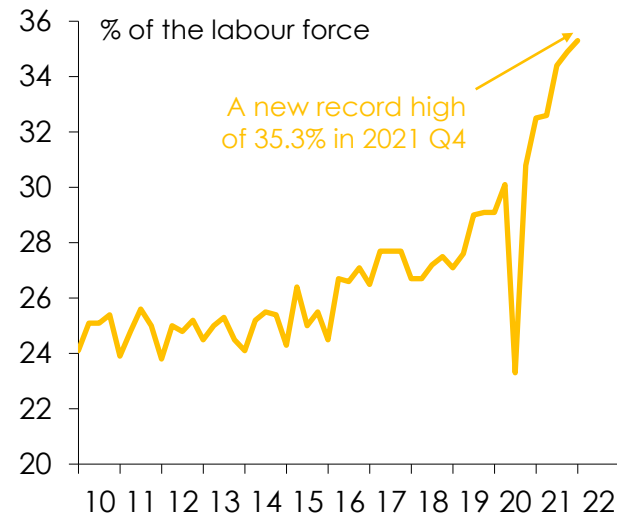
South Africa's CPI rose 5.9% over the year to March, the highest in five years, while the annual 'core' inflation rate rose to 3.8%

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

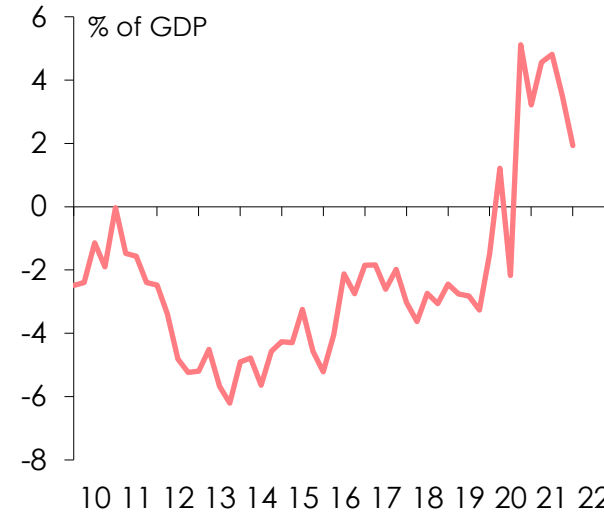
Real GDP



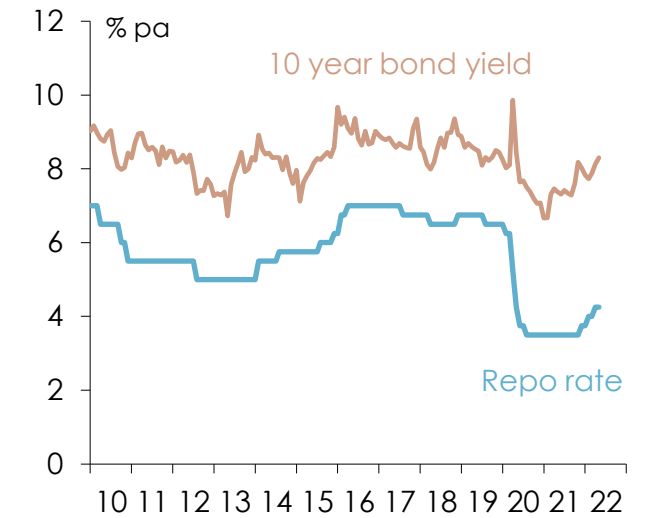
Unemployment



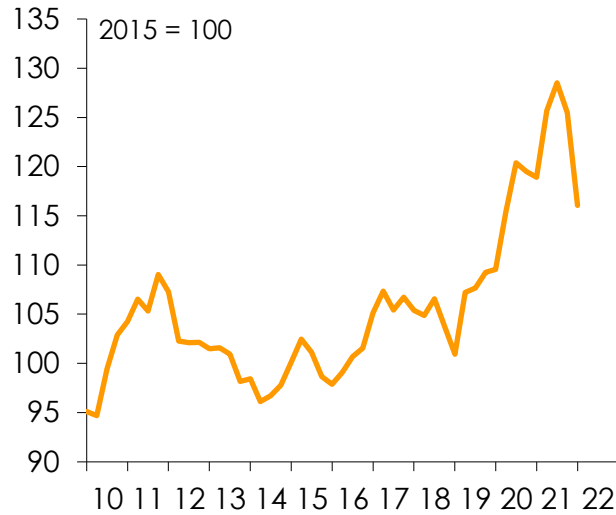
Current account balance



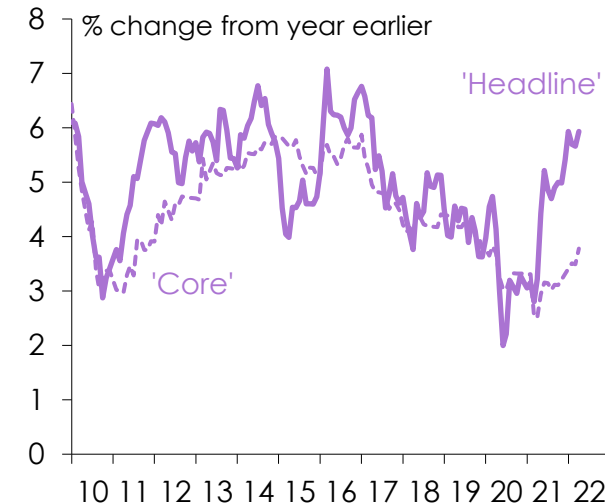
Interest rates



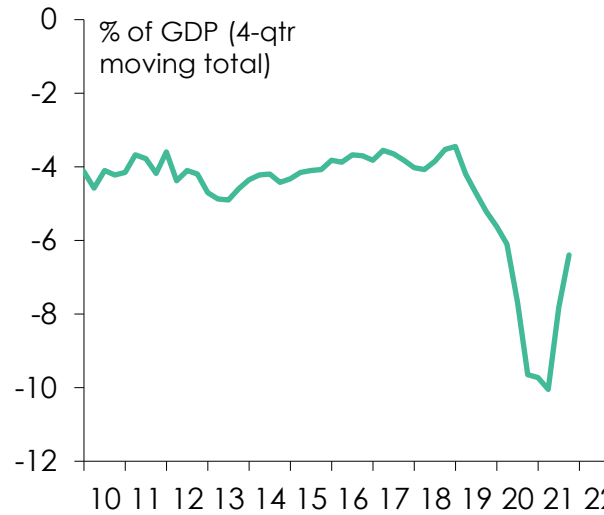
Terms of trade



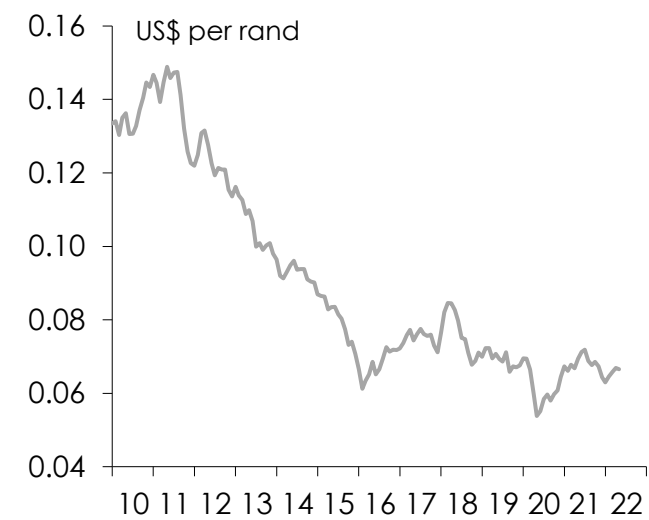
Inflation



Budget deficit



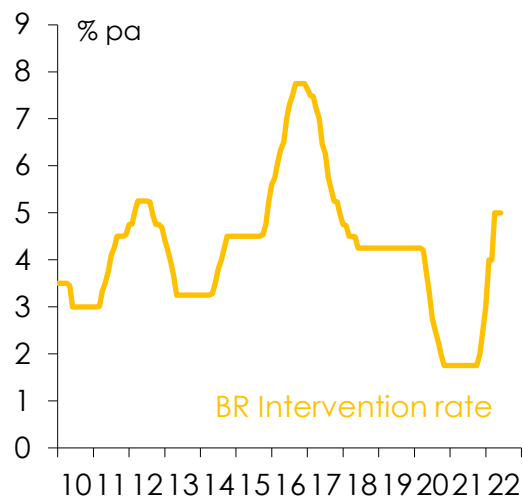
Rand vs US\$



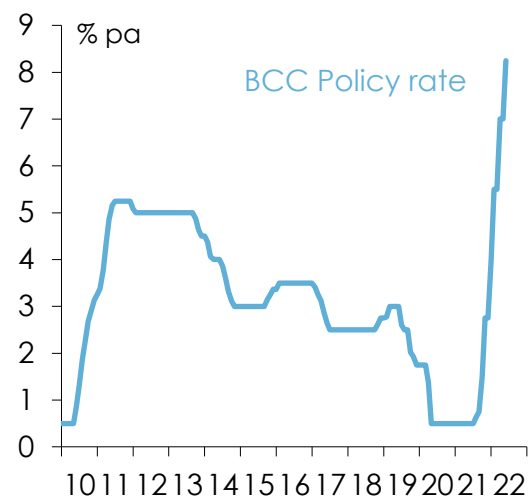
A growing number of other 'emerging' market central banks have begun tightening monetary policy

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

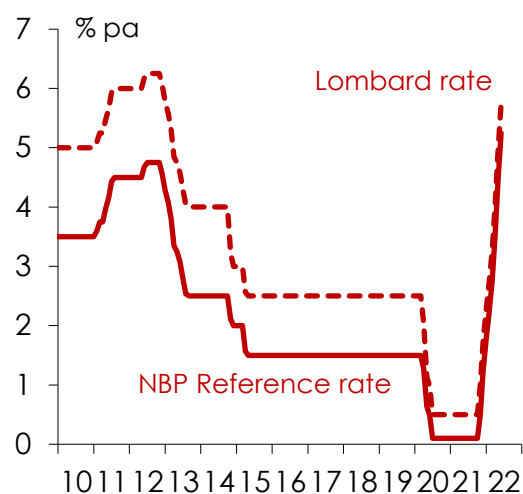
Colombia



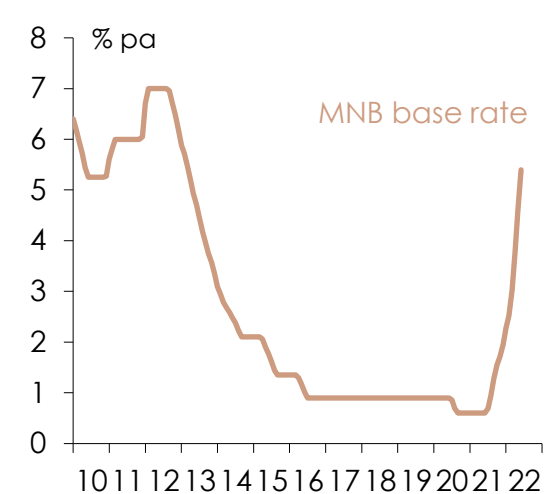
Chile



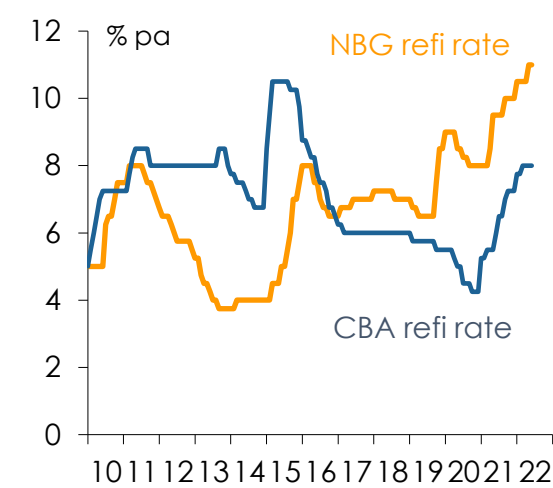
Poland



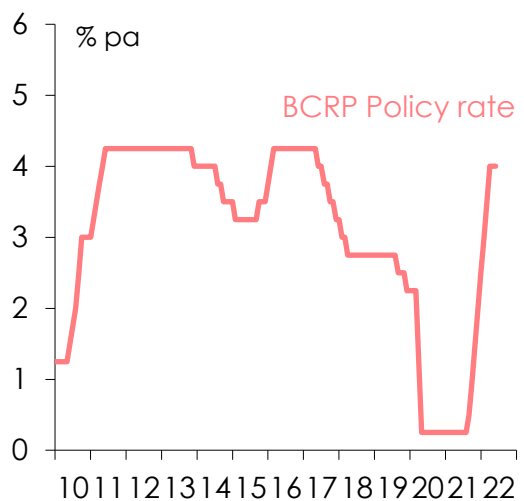
Hungary



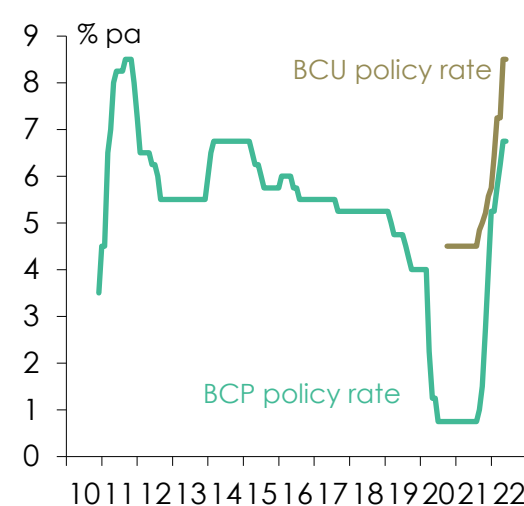
Georgia & Armenia



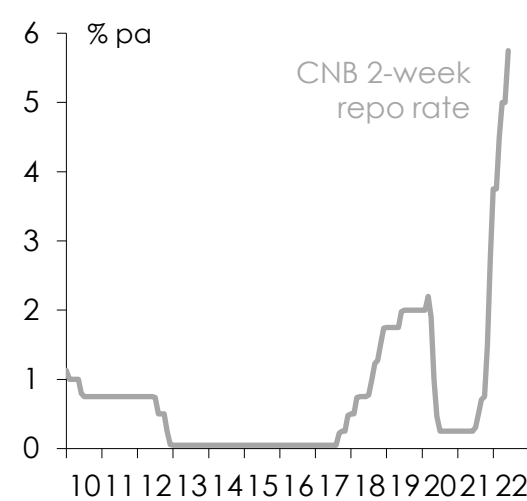
Peru



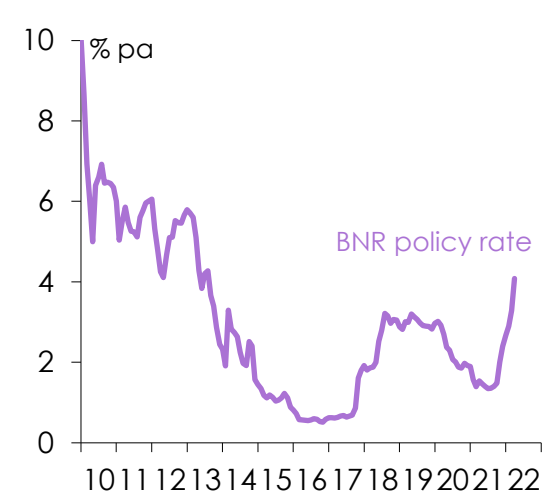
Paraguay & Uruguay



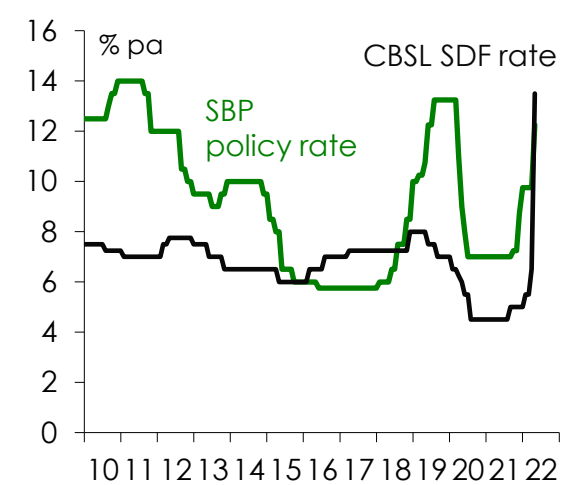
Czech Republic



Romania



Pakistan & Sri Lanka

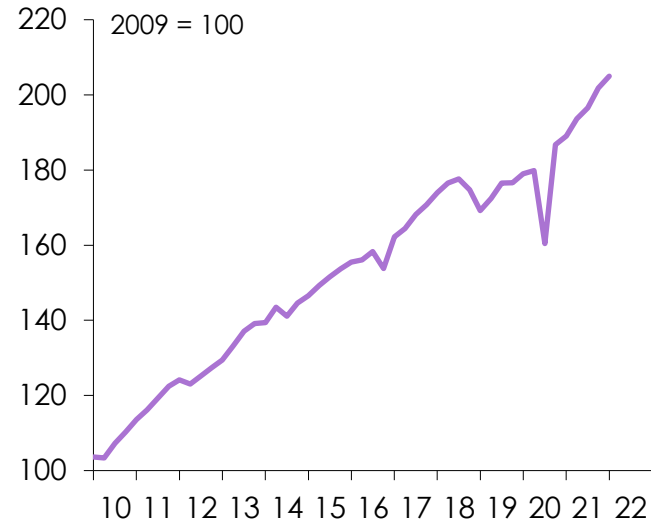


Sources: [Banco de la República Colombia](#); [Banco Central de Reserva del Perú](#); [Banco Central de Chile](#); [Banco Central del Uruguay](#); [Banco Central del Paraguay](#); [Narodowy Bank Polski](#); [Česká Národní Banka](#); [Magyar Nemzeti Bank](#); [Banca Națională a României](#); [Sakartvelos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

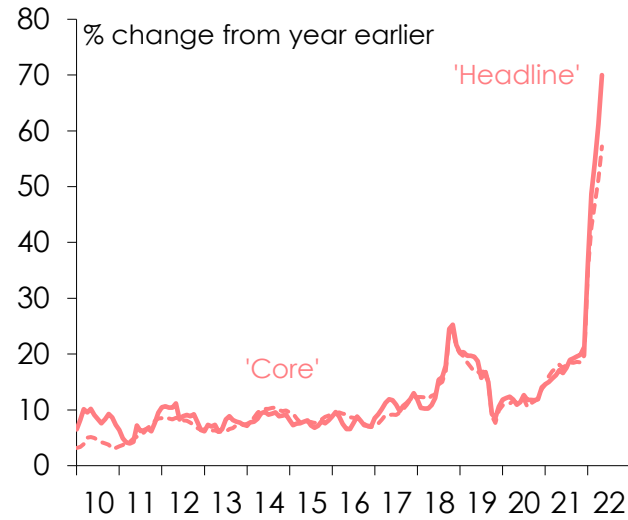
Turkey's annual 'headline' inflation rate rose another 9 pc pts in April to 70%, with 'core' inflation at 57.2%

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

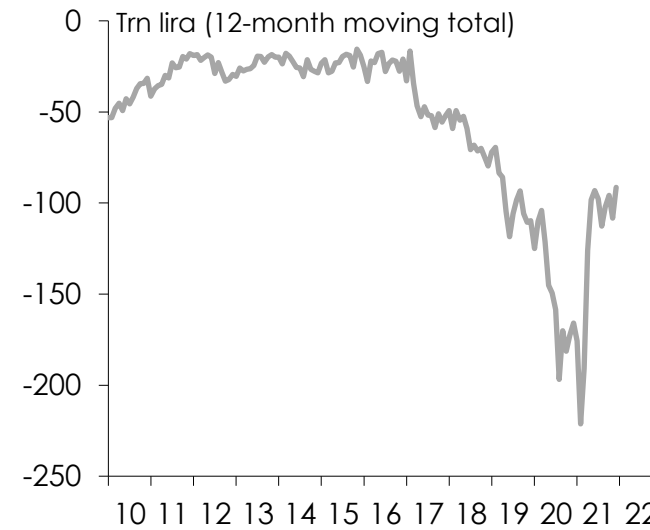
Real GDP



Inflation



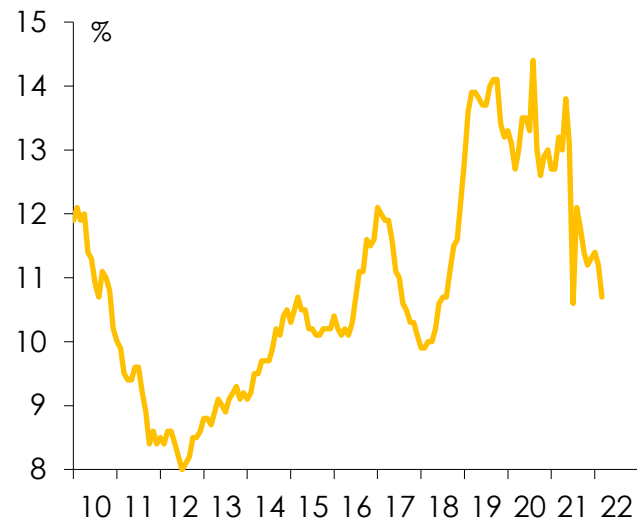
Budget balance



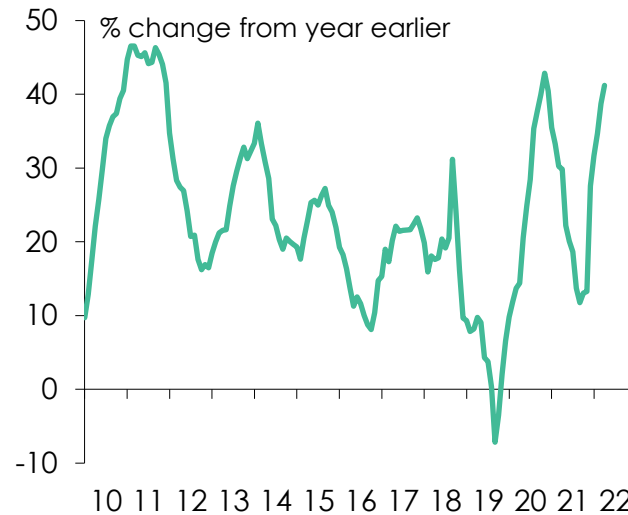
FX reserves



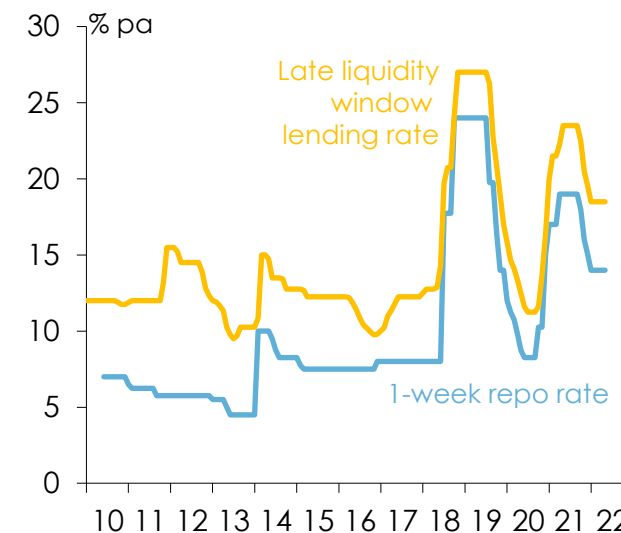
Unemployment rate



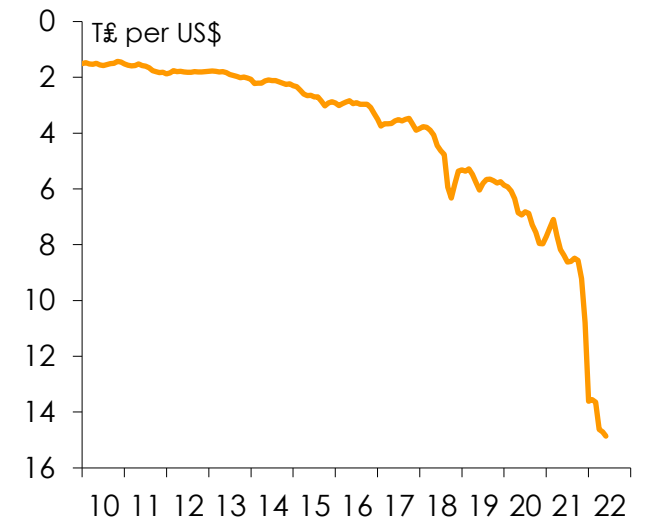
Bank lending



Interest rates



Turkish lira vs US\$



Key data and events this week

Key data and events for week ended 13th May

THE WORLD ECONOMY THIS WEEK – 9TH MAY 2022

Monday 9th May

China April merchandise trade; **Philippines** Presidential election; **Indonesia** Q1 GDP and April CPI & PPI; **Taiwan** April merchandise trade; **Norway** industrial production; **Iceland** April merchandise trade; **US** NY Fed April consumer inflation expectations survey; **Canada** March building permits; **Mexico** April CPI; **Chile** April merchandise trade

Tuesday 10th May

Australia April business conditions & confidence; **Korea** March current account balance; **Japan** March household spending; **Malaysia** March unemployment & industrial production; **Thailand** April consumer confidence; **Norway** April CPI & PPI; **Turkey** April unemployment; **US** NFIB April small business confidence; **Brazil** March retail sales & current account balance

Wednesday 11th May

Australia May consumer confidence; **Korea** April unemployment; **Philippines** March industrial production; **Indonesia** April consumer confidence; **China** April CPI & PPI; **Malaysia** Bank Negara meeting; **Russia** April FX reserves; **US** April CPI & April budget balance; **Brazil** April CPI

Thursday 12th May

Japan April current account balance; **Philippines** Q1 GDP; **Indonesia** March retail sales; **China** April money & credit growth; **India** April CPI and March industrial production; **UK** Q1 GDP, March industrial production & merchandise trade; **South Africa** March industrial production; **US** April PPI; **Mexico** Banxico meeting; **Argentina** April CPI; **Peru** CBRP meeting

Friday 13th May

Korea April export & import prices; **Malaysia** Q1 GDP & current account balance; **Hong Kong** final Q1 GDP; **Norway** Q1 GDP; **Turkey** March industrial production & retail sales; **India** April merchandise trade; **Russia** April CPI; **euro zone** March industrial production; **US** April export & import prices and May Michigan consumer sentiment (p)

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

Important information

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

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

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