

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

23RD MAY 2022

SAUL ESLAKE

CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

Table of contents

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

What's new	<u>3</u>
Russia's invasion of Ukraine	<u>4</u>
The virus	<u>13</u>
The world	<u>20</u>
The United States	<u>50</u>
Europe	<u>69</u>
China	<u>80</u>
Japan	<u>90</u>
Other East Asia	<u>97</u>
India	<u>115</u>
Canada, Australia & New Zealand	<u>120</u>
Other economies	<u>125</u>
Key data and events this coming week	<u>132</u>
Legal information	<u>134</u>

What's new?

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

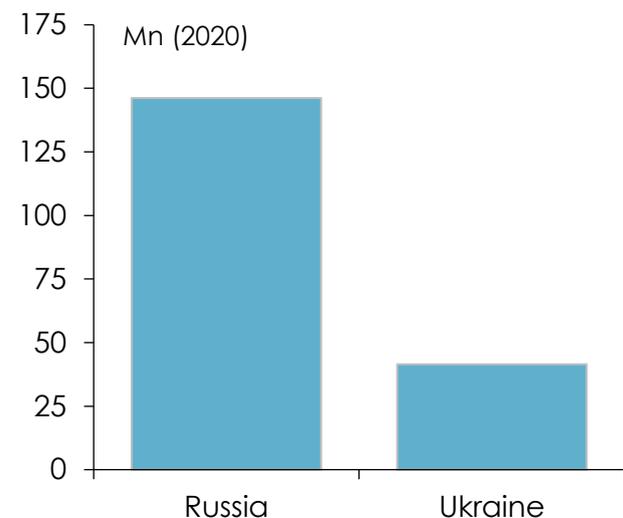
- ❑ Russia finally gained full control of the Ukrainian coastal city of Mariupol last week, completing the 'land bridge' to Crimea and freeing up forces for the ongoing assault on those parts of the Donbas (in Eastern Ukraine) which it doesn't hold ([slide 11](#))
- ❑ The world-wide count of new Covid-19 infections rose last week, for the second successive week after declining for the previous seven weeks ([slide 14](#)), largely reflecting an upturn in new case numbers in Taiwan and the US, and to a lesser extent Japan and Australia ([slide 15](#))
- ❑ China's urban unemployment rate rose 0.3 pc pt to 6.1% in April ([slide 81](#)), industrial production fell 2.9% in April from a year earlier ([slide 82](#)) and retail sales fell 11.1% from a year earlier ([slide 83](#)) – in each case the worst outcome since China's first wave of Covid-19 in the early months of 2020, and highlighting the short-term economic cost of China's continued 'zero tolerance' policy towards the virus; in response the PBoC lowered the 5-year loan prime rate by 15 basis points to 4.45% ([slides 86-87](#))
- ❑ US retail sales rose 0.9% in April, though after excluding a 2.7% fall in sales at petrol stations, 'core' retail sales rose by 1.2%, the fourth consecutive strong monthly gain despite rising inflation and taxes, and declining consumer confidence ([slide 54](#))
- ❑ Japan's real GDP contracted by 0.2% in Q1, the third decline in the past five quarters, as the protracted 'omicron wave' flattened domestic demand ([slide 91](#)): Japan's economy is still 3.5% smaller than at its pre-Covid peak in Q2 2019, the largest shortfall for any economy for which seasonally adjusted quarterly national accounts data are available other than Hong Kong, Thailand and Argentina ([slide 21](#))
- ❑ Meanwhile consumer prices in Japan rose 2.5% over the twelve months to April, the highest 'headline' inflation rate since September 2014 – largely reflecting a 19% increase in energy prices over this period, but the CPI excluding food & energy also rose 0.8% over the year to April, the first positive 'core' inflation rate since July 2020 and the highest since December 2019 ([slide 94](#))
- ❑ Consumer prices in the UK rose 2.5% in April, pushing the annual 'headline' inflation rate up to 9.0%, the highest since 1982, driven largely by a 46.5% increase in energy prices; excluding energy & seasonal foods, the CPI rose 6.2% over the year to April, the highest since March 1992 ([slide 74](#))
- ❑ Thailand's real GDP grew 1.1% in Q1, but remained 3.6% below its pre-pandemic peak ([slide 99](#))
- ❑ The Philippines' central bank raised its policy rate by 25 basis points to 2.25%, becoming the sixth Asian central bank to initiate a monetary policy tightening cycle (after Korea's, Singapore's, Taiwan's, Hong Kong's and most recently Malaysia's) ([slides 109-110](#))
- ❑ Australia's voters ejected the centre-right Liberal-National Party Government of Prime Minister Scott Morrison at elections on Saturday, installing what appears likely to be a minority Labor Government supported by a larger-than-usual number of minor party and independent members ([slide 121](#))
- ❑ New Zealand's 2022-23 Budget forecasts a large increase in spending but also a return to 'operating' surplus in 2024-25 ([slides 121 and 124](#))
- ❑ South Africa's Reserve Bank raised its repo rate by 50 basis points to 4.75% ([slides 126 and 129](#)) while in Latin America Uruguay's and Paraguay's central banks lifted their policy interest rates by 75 and 50 basis points respectively ([slides 126 and 130](#))
- ❑ Highlights of the coming week's calendar include May 'flash' PMIs; US personal income, consumption expenditure & the PCE deflator, and the goods trade deficit for April; and central bank meetings in Indonesia, New Zealand, Korea and Turkey

Russia's invasion of Ukraine

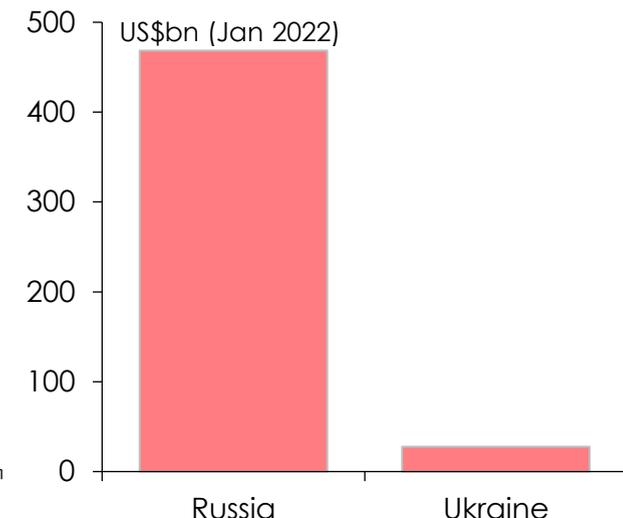
Russia outnumbered Ukraine in just about everything – except courage and ‘moral capital’ – but that hasn’t given it the ‘easy victory’ it expected

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

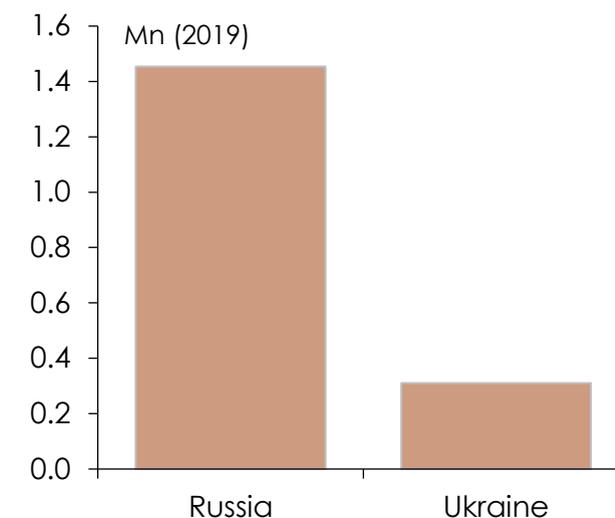
Population



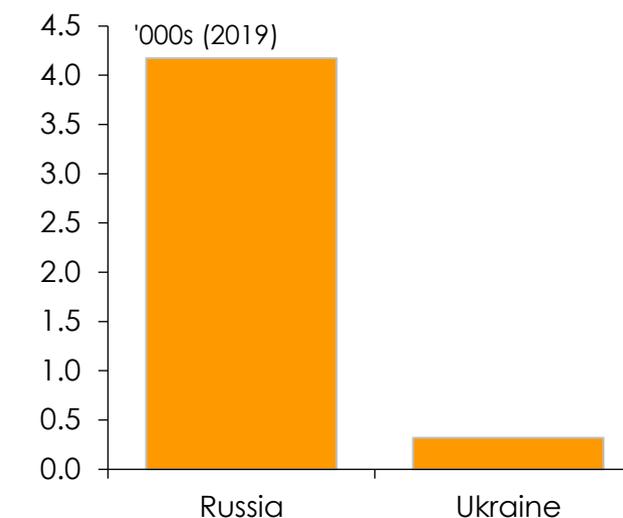
FX reserves



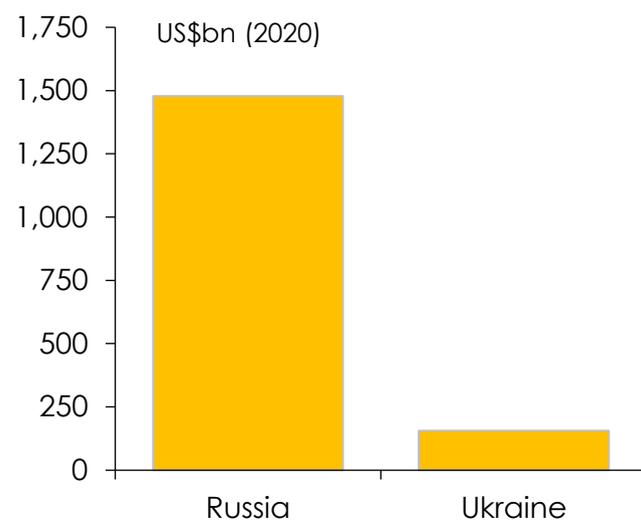
Armed forces



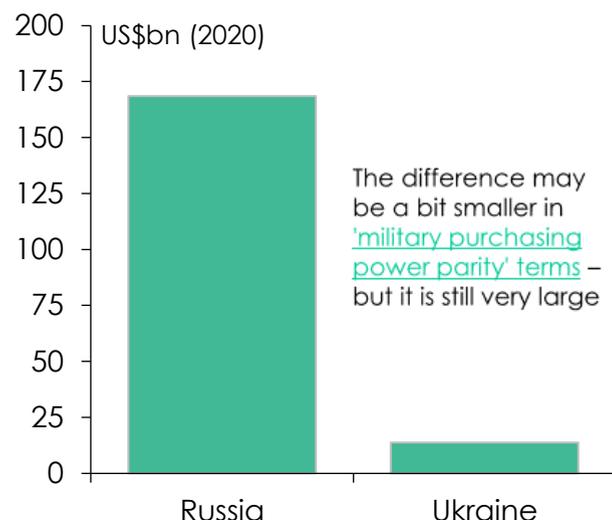
Military aircraft



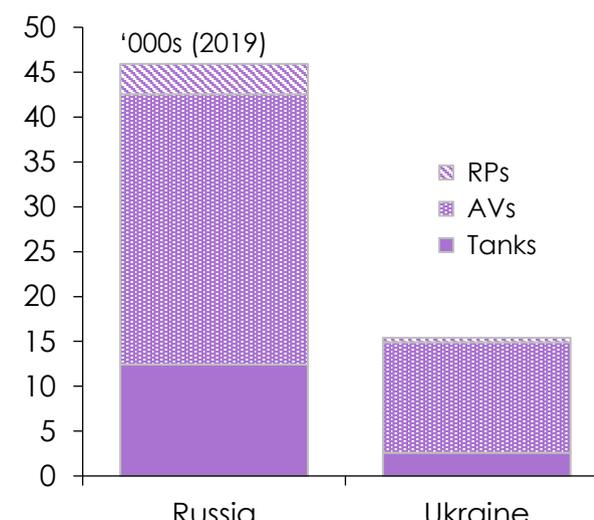
GDP



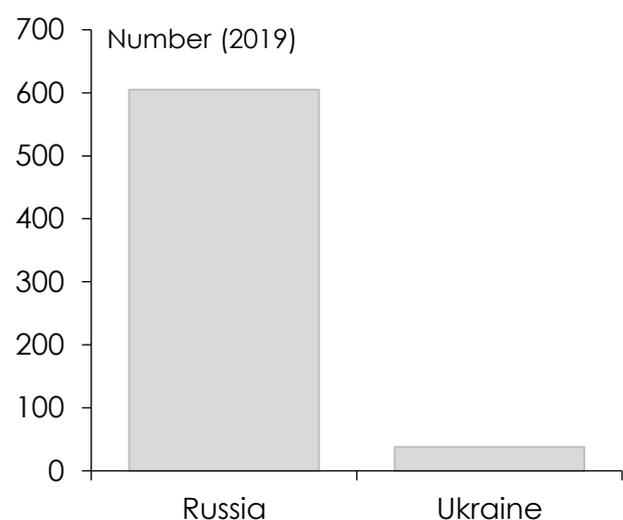
Military spending



Military hardware



Naval assets

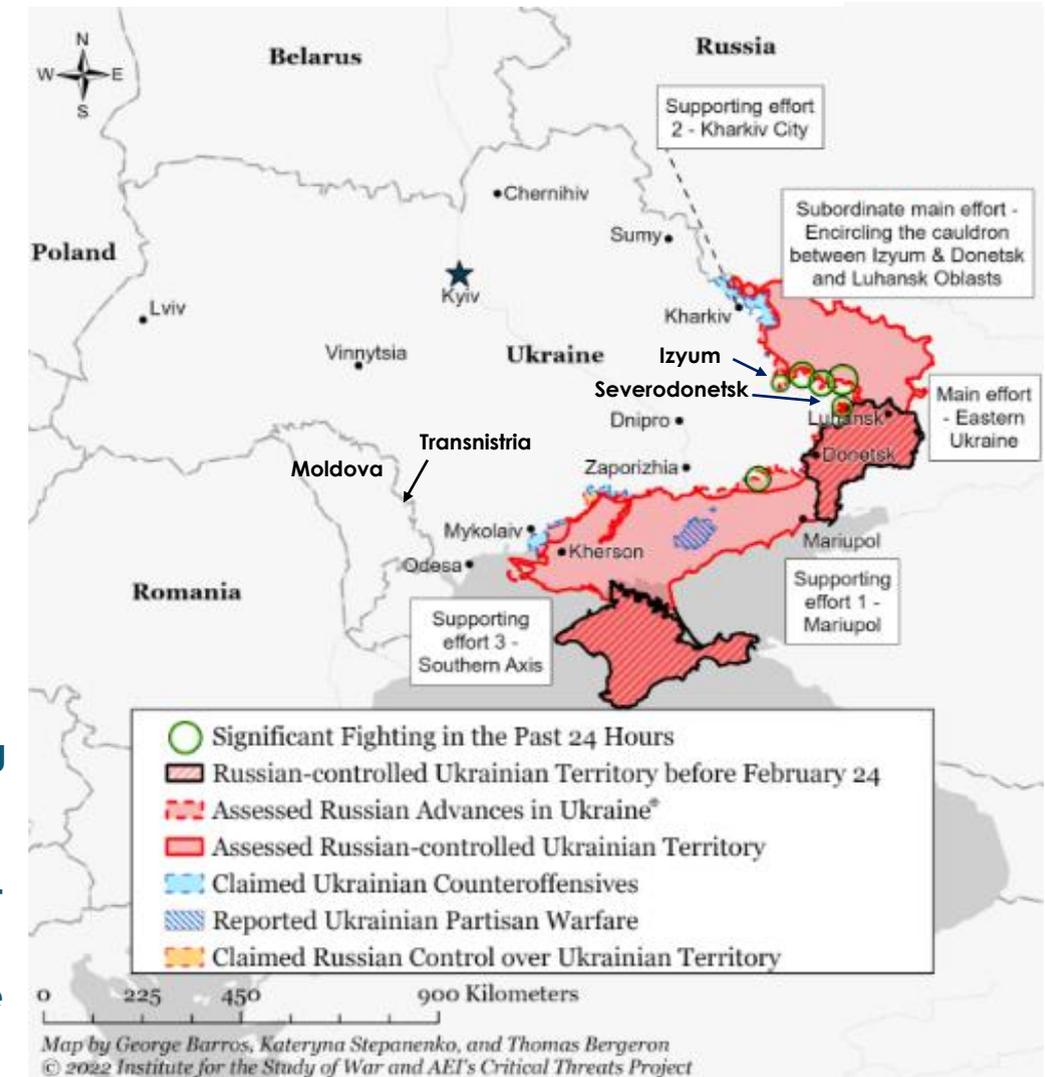


Note: GDP is in US\$ at market exchange rates; 'AVs' are armoured vehicles; 'RPs' are rocket projectors; 'military aircraft' include airplanes, helicopters, transports and tankers; 'naval assets' include aircraft & helicopter carriers, destroyers, frigates, corvettes, submarines and other vessels. Sources: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

Having finally captured the coastal city of Mariupol, Russian forces are intensifying their efforts to take control of more of Donbas in Eastern Ukraine

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

- ❑ 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: in the past few days they have intensified their efforts to encircle and capture Severodonetsk, the last Ukrainian stronghold in Luhansk
- ❑ Russian forces last week finally captured the coastal city of [Mariupol](#), giving them a complete 'land bridge' to Crimea (which Russia annexed in 2014) and 'freeing up' forces to be diverted to Donbas
- ❑ The Russian military seem clearly now to be pursuing the same tactics they used in [Chechnya](#) in 1999-2000 (after Putin became Prime Minister and then President) and [Syria](#) in 2015-17, targeting the civilian population and destroying whatever they can: 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 25](#))
- ❑ Russia's inflation has risen sharply over the past two months, and real GDP appears to have contracted by 0.5% in Q1, based on preliminary estimates of the annual growth rate released last week ([slide 11](#))
- ❑ However the Russian ruble is now stronger than it was prior to the imposition of Western sanctions, because of on-going revenues from oil and gas exports, and the imposition of strict capital controls ([slide 11](#))

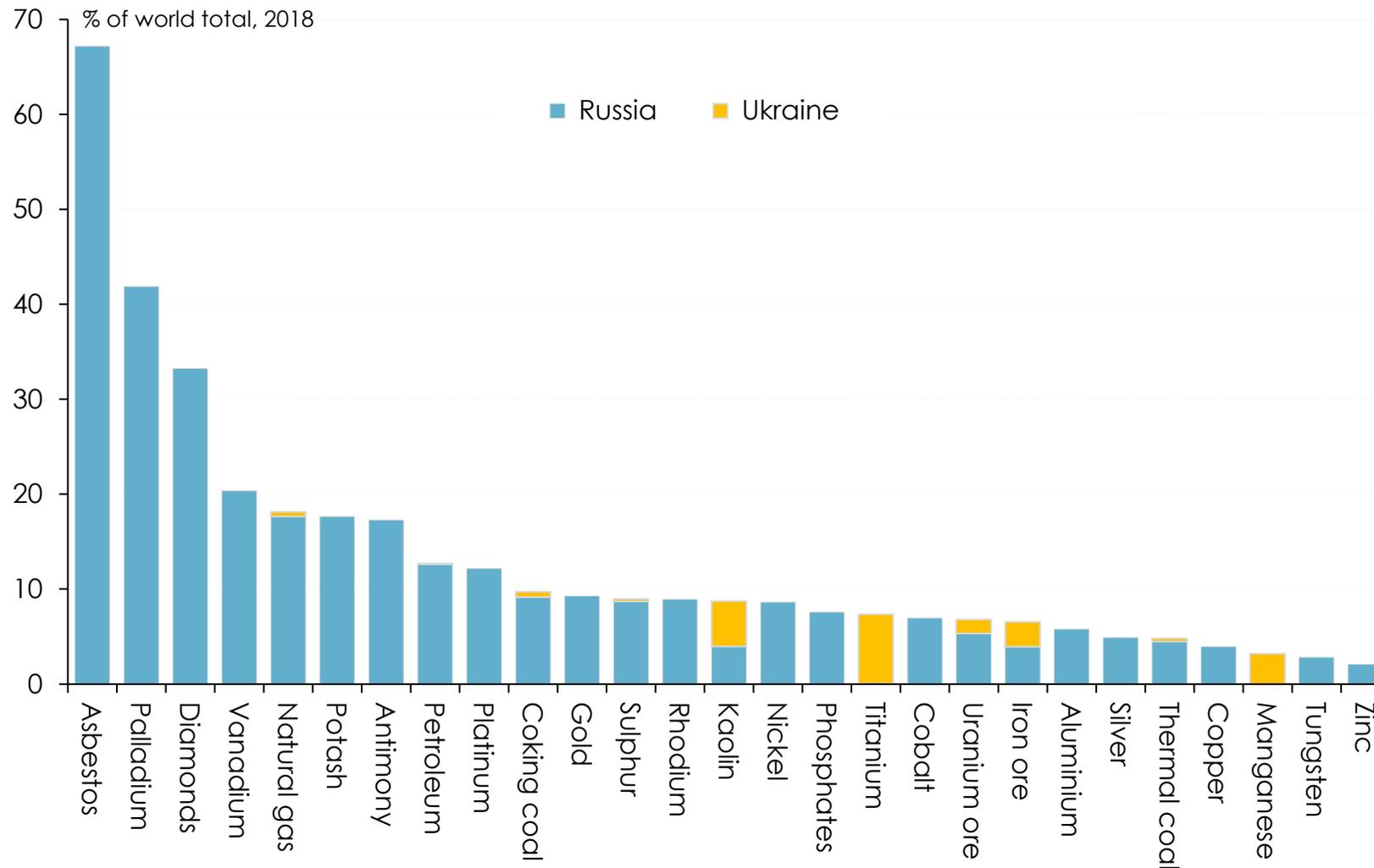


Russia and Ukraine are major producers of a range of mineral, energy and food commodities whose prices will go up because of the conflict

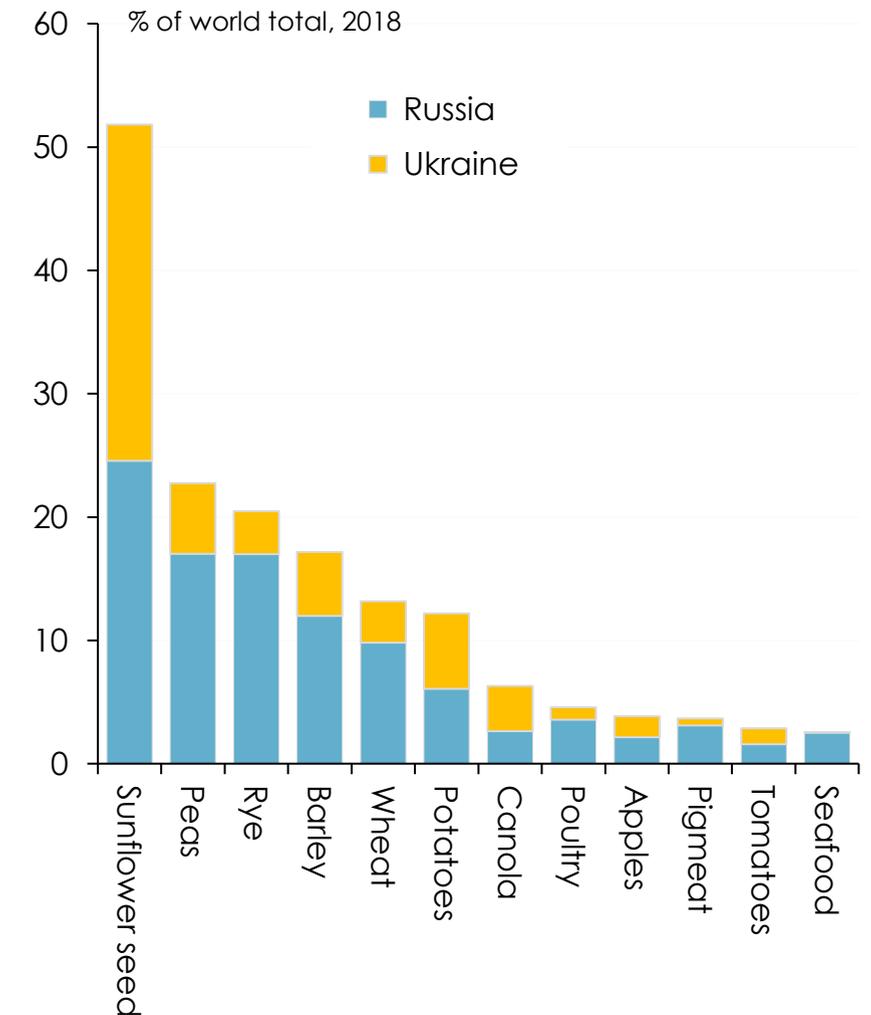
THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Russian and Ukrainian shares of global commodity production

Minerals and energy, 2019



Food, 2018



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

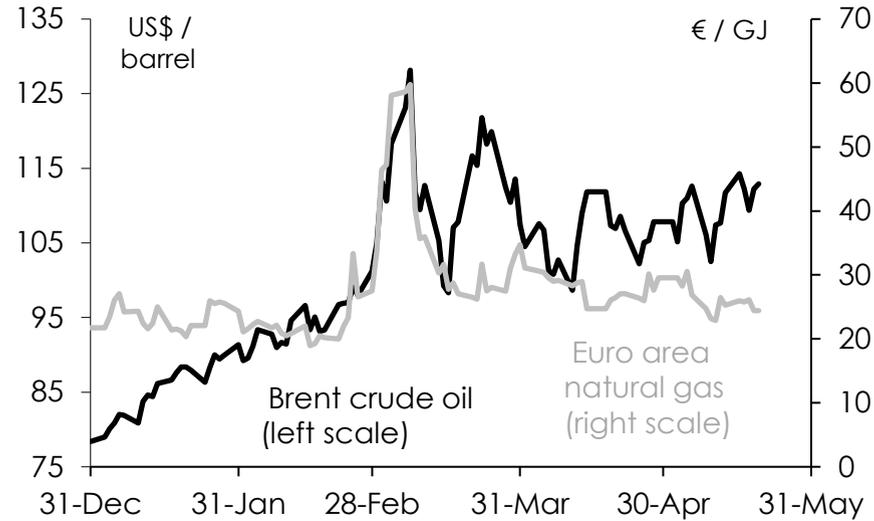
Energy, metal & grain prices, bond yields and the US\$ have risen partly due to the Ukraine conflict, while stockmarkets & the euro have fallen

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

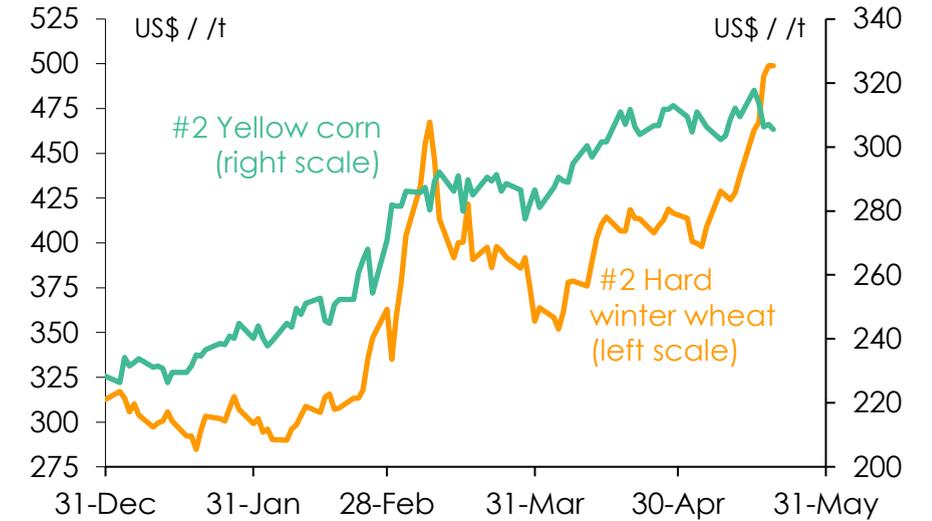
Stockmarkets



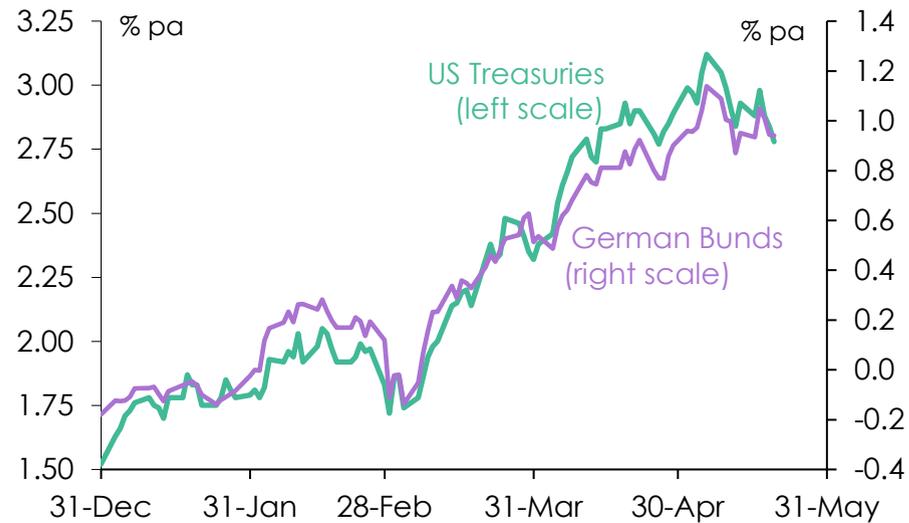
Energy prices



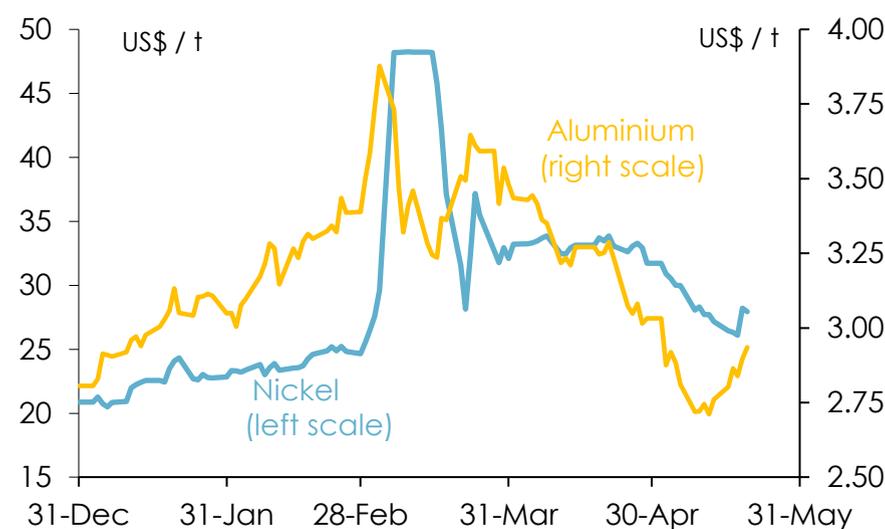
Grain prices



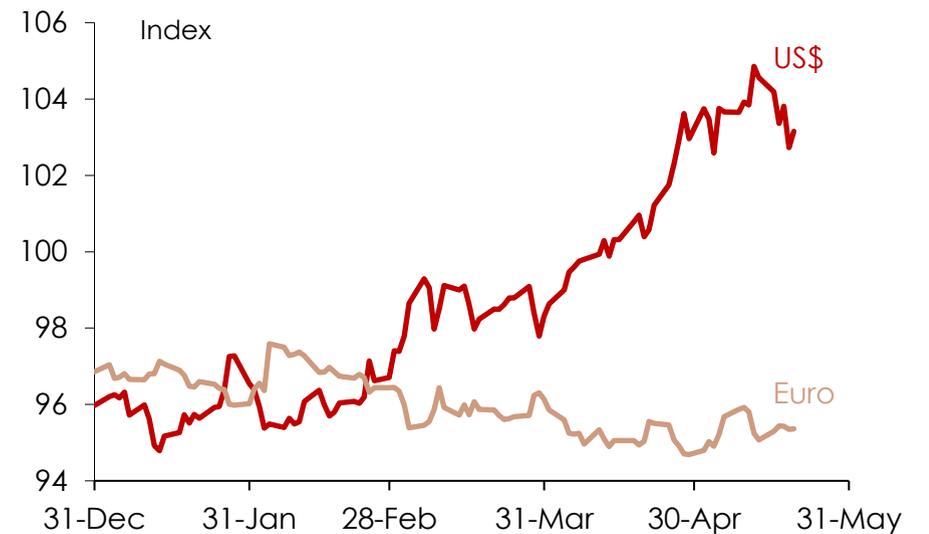
10-year government bond yields



Base metal prices



Currencies



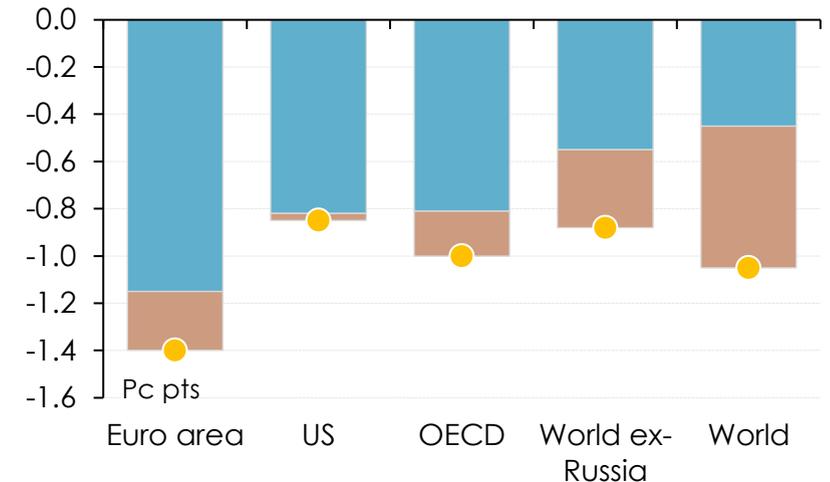
Note: Data up to 20th May. Source: Refinitiv Datastream. [Return to "What's New"](#).

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

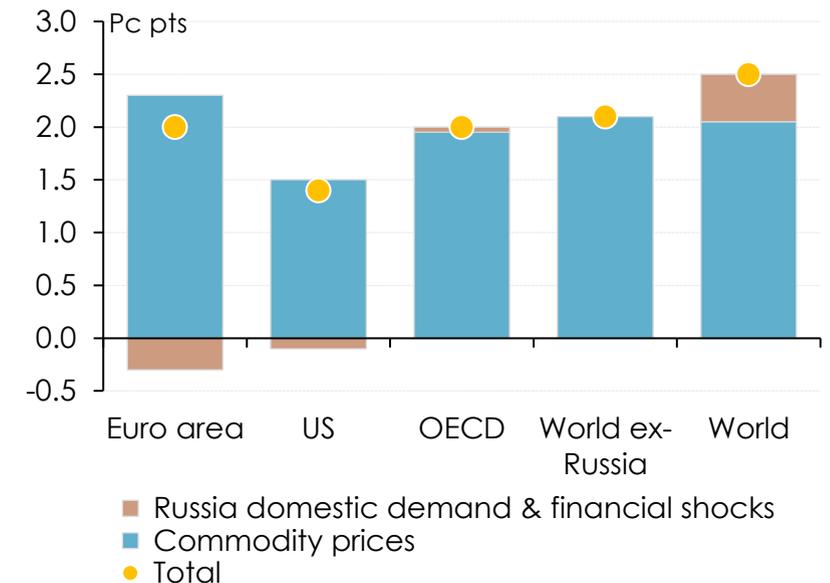
THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

- ❑ 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 24-25](#))
- ❑ 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

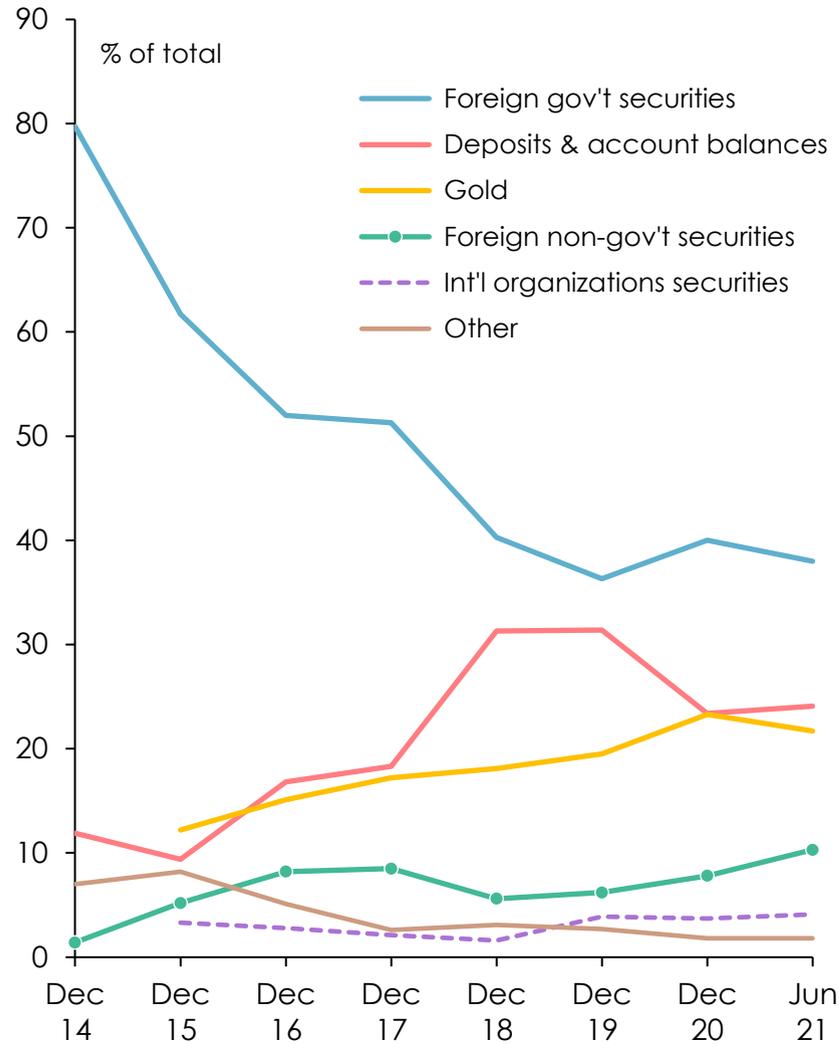


SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

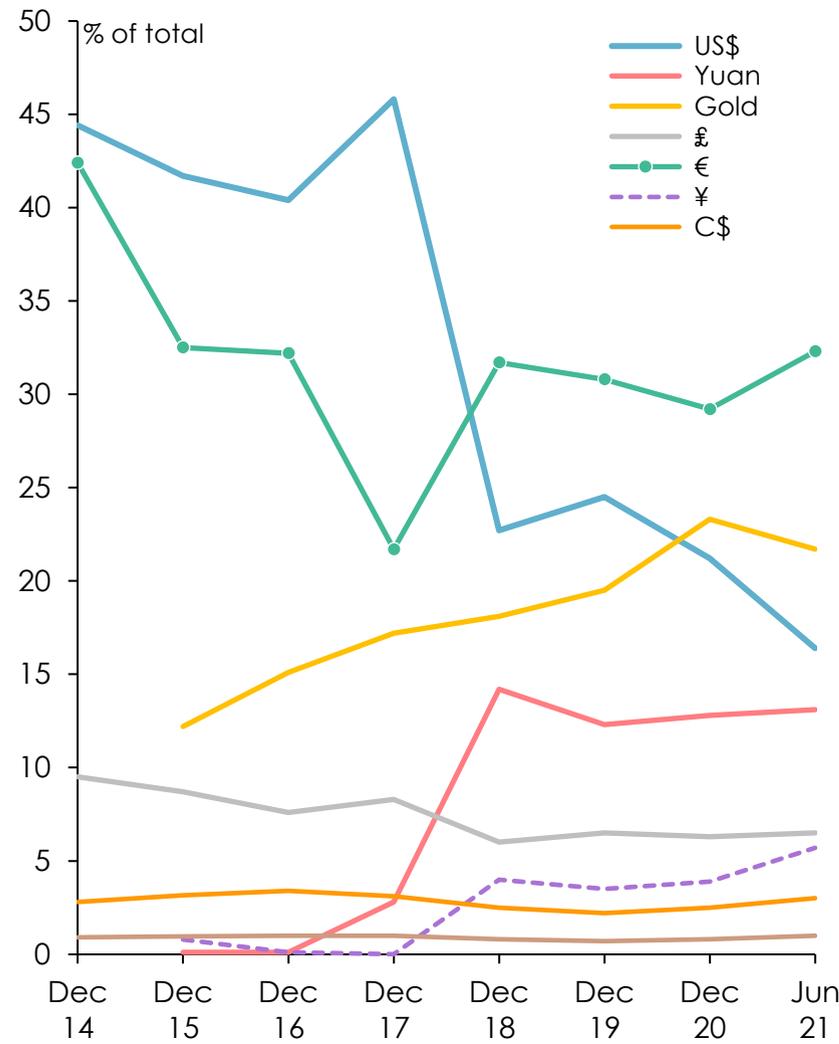
Russia's central bank had been re-arranging its portfolio over the past seven years to reduce its exposure to sanctions, but they will still 'bite'

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

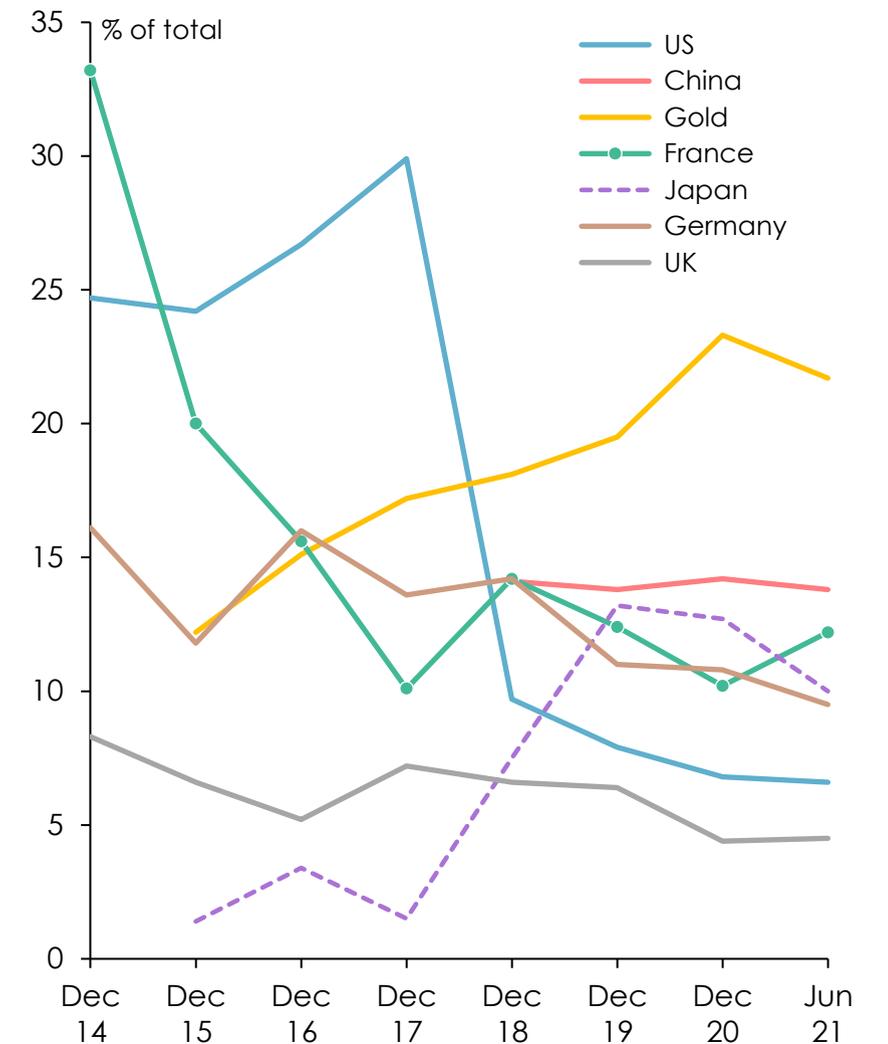
Russian FX reserves by instrument



Russian FX reserves by currency



Russian FX reserves by location

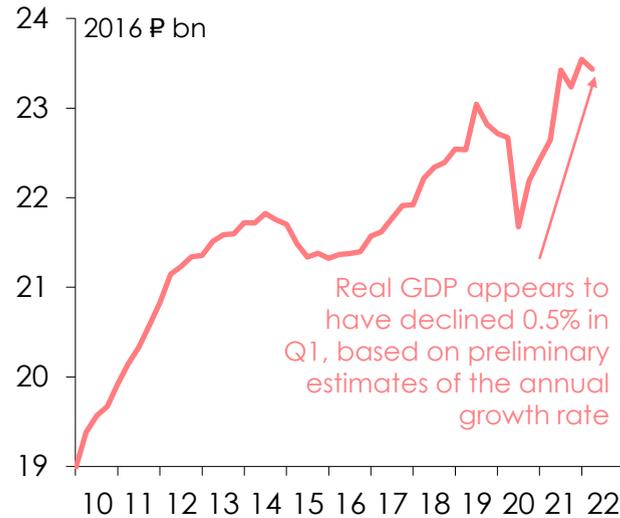


Source: Central Bank of Russia, [Foreign Exchange and Gold Asset Management Report](#), No. 1, 2022 and previous issues. [Return to "What's New"](#).

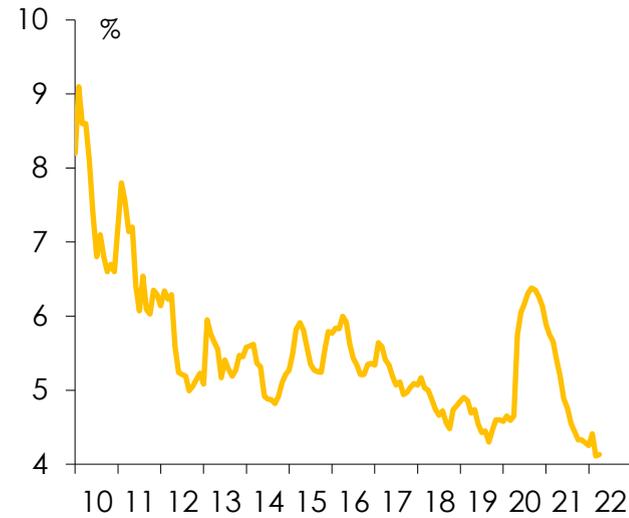
Russia's 'headline' inflation rate rose to 17.8%, and 'core' inflation to 20.4%, in April but the ruble is now stronger than it was before the invasion started

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

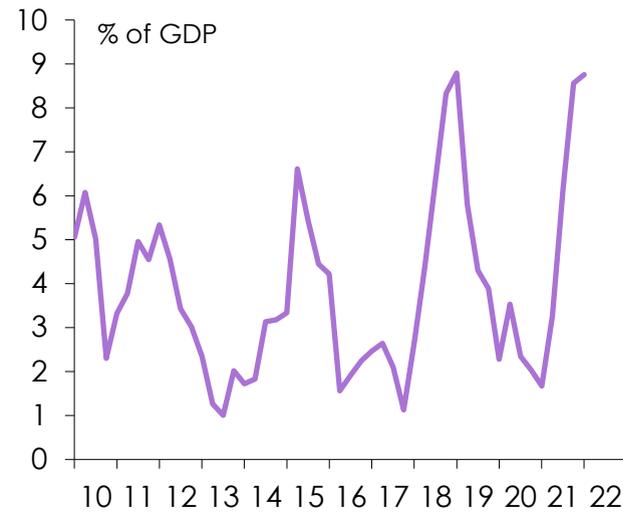
Real GDP



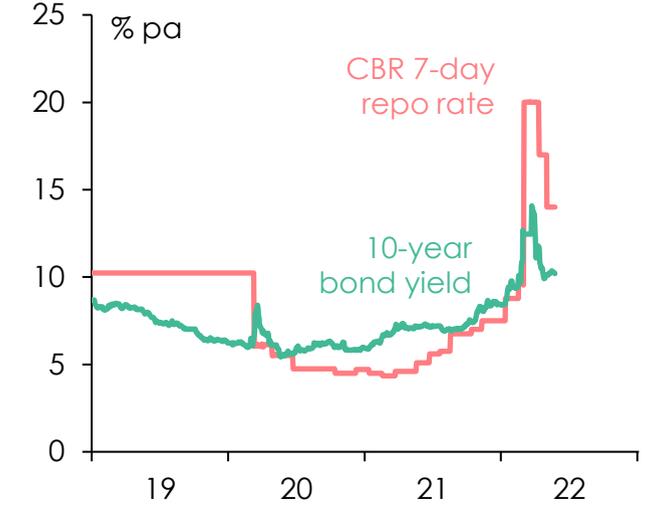
Unemployment



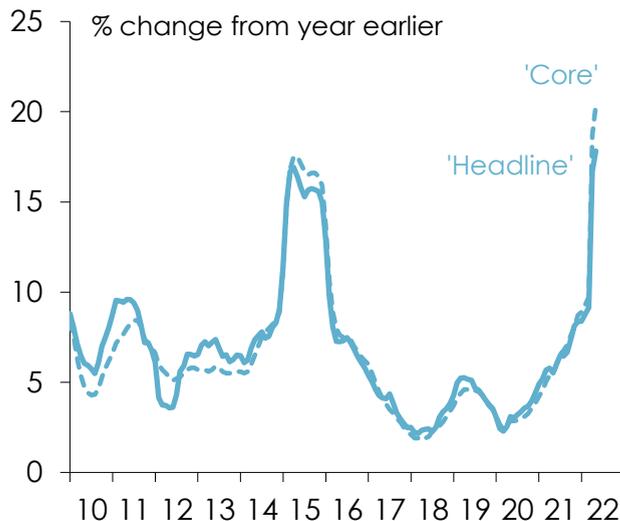
Current account balance



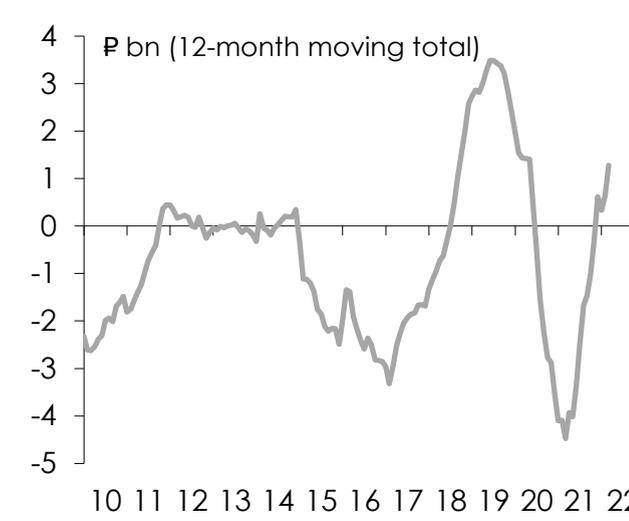
Interest rates



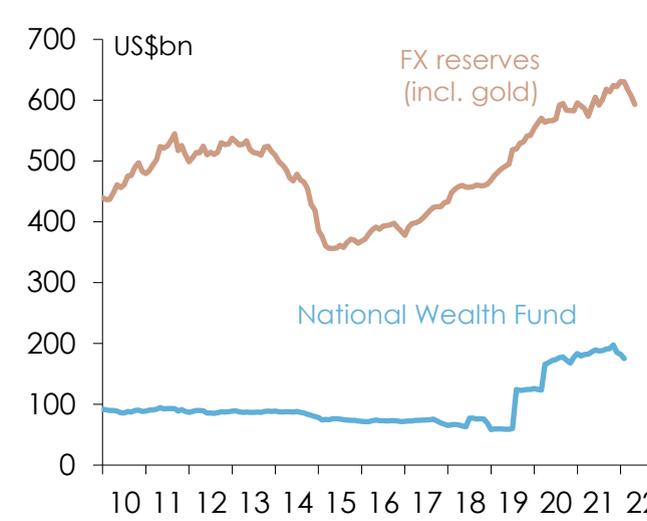
Inflation



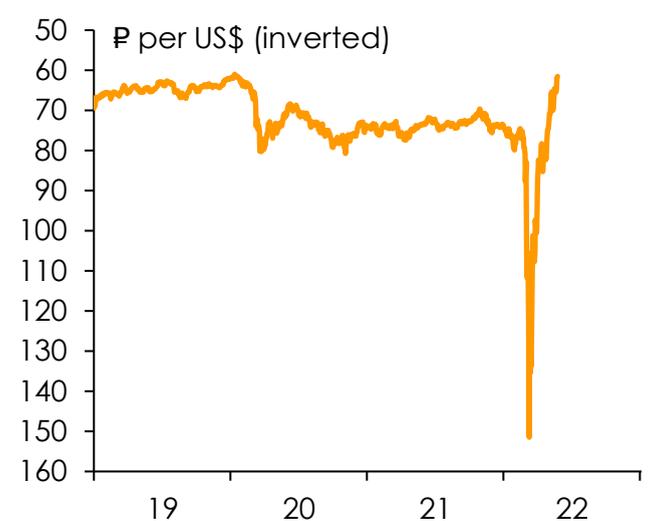
Federal budget balance



State financial assets



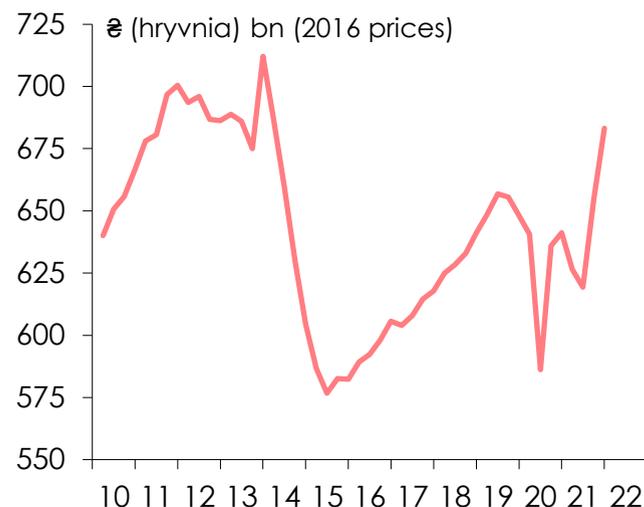
Russian ruble vs US\$



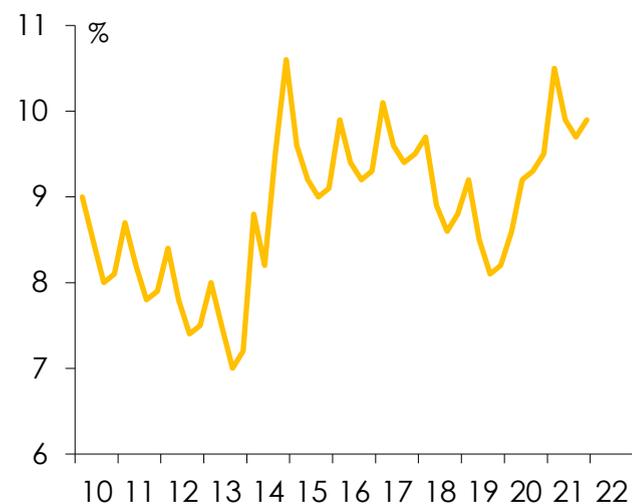
Ukraine's economy will likely be more damaged by the war than Russia's will be by sanctions

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

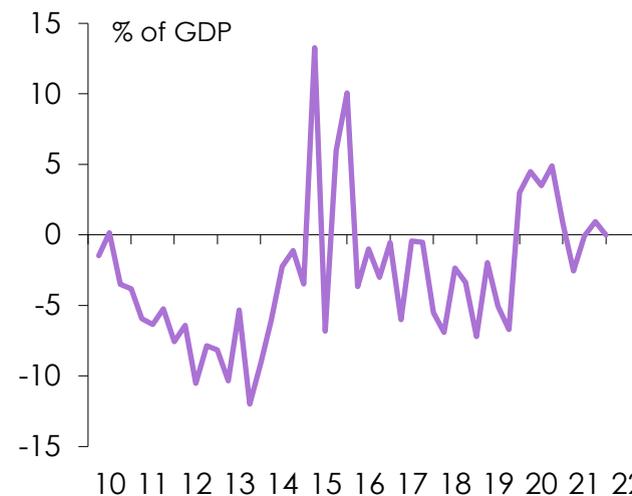
Real GDP



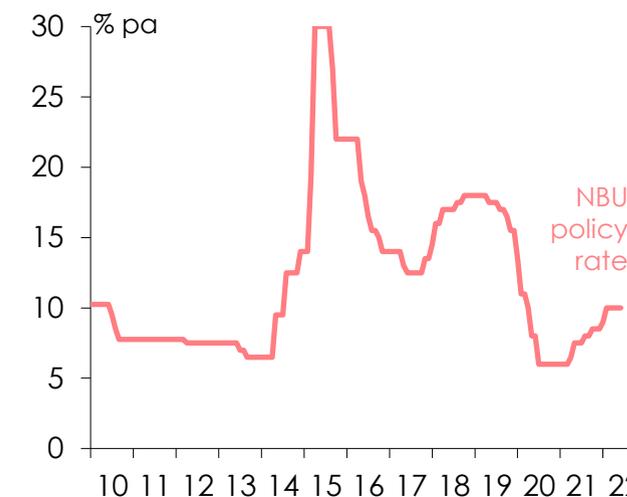
Unemployment



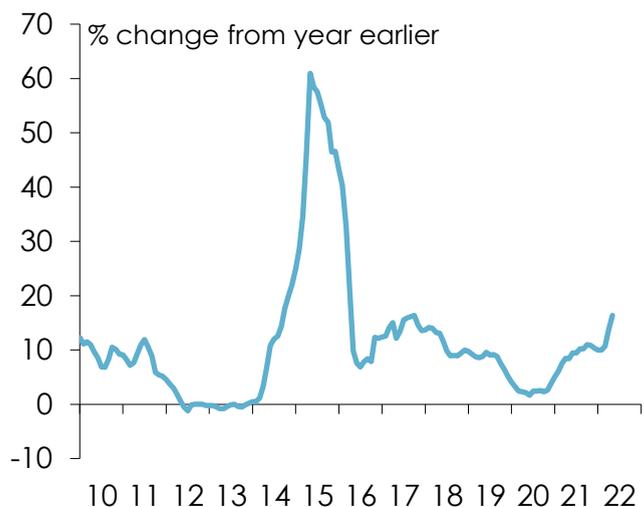
Current account balance



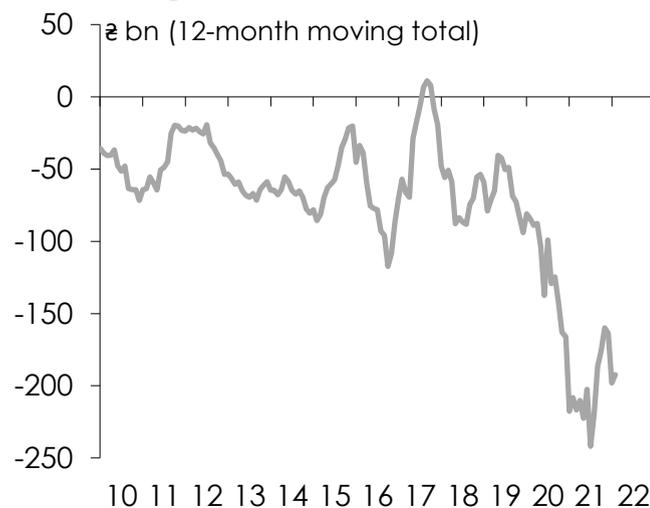
Interest rates



Inflation



Budget deficit



FX reserves



Ukrainian hryvnia vs US\$



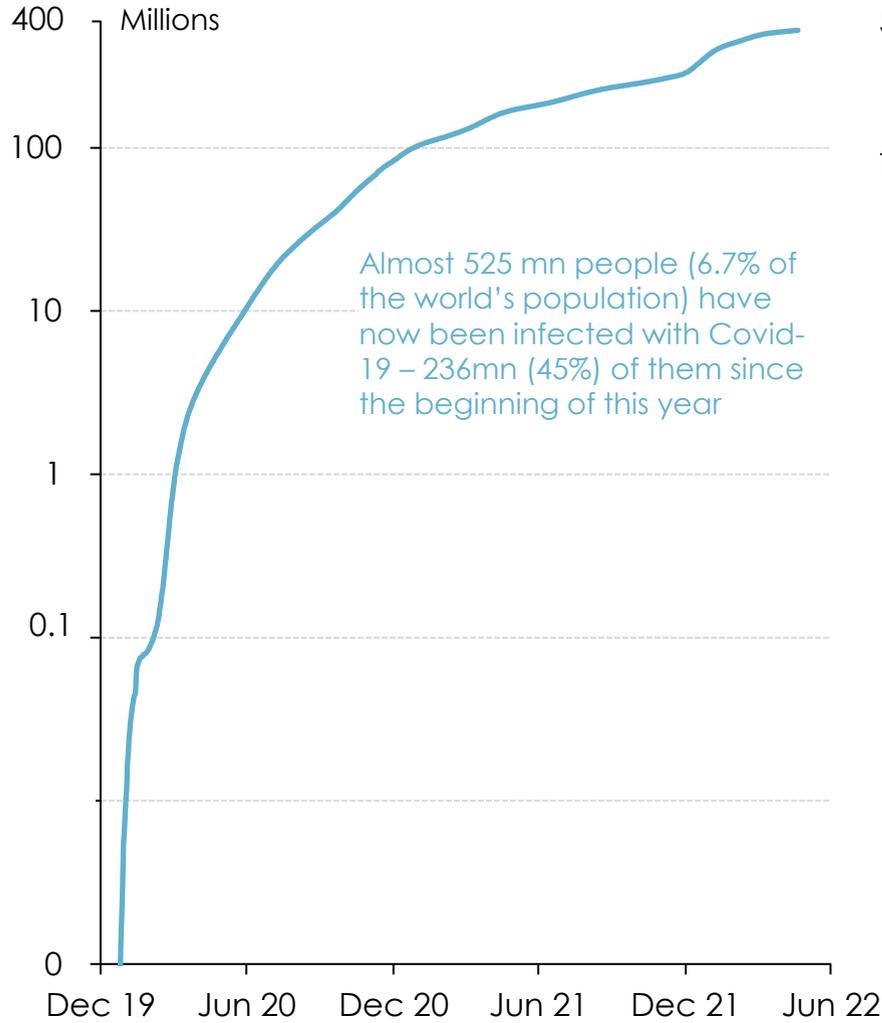
Sources: [State Statistics Service of Ukraine](#); [National Bank of Ukraine](#); Refinitiv Datastream. [Return to "What's New"](#).

The virus

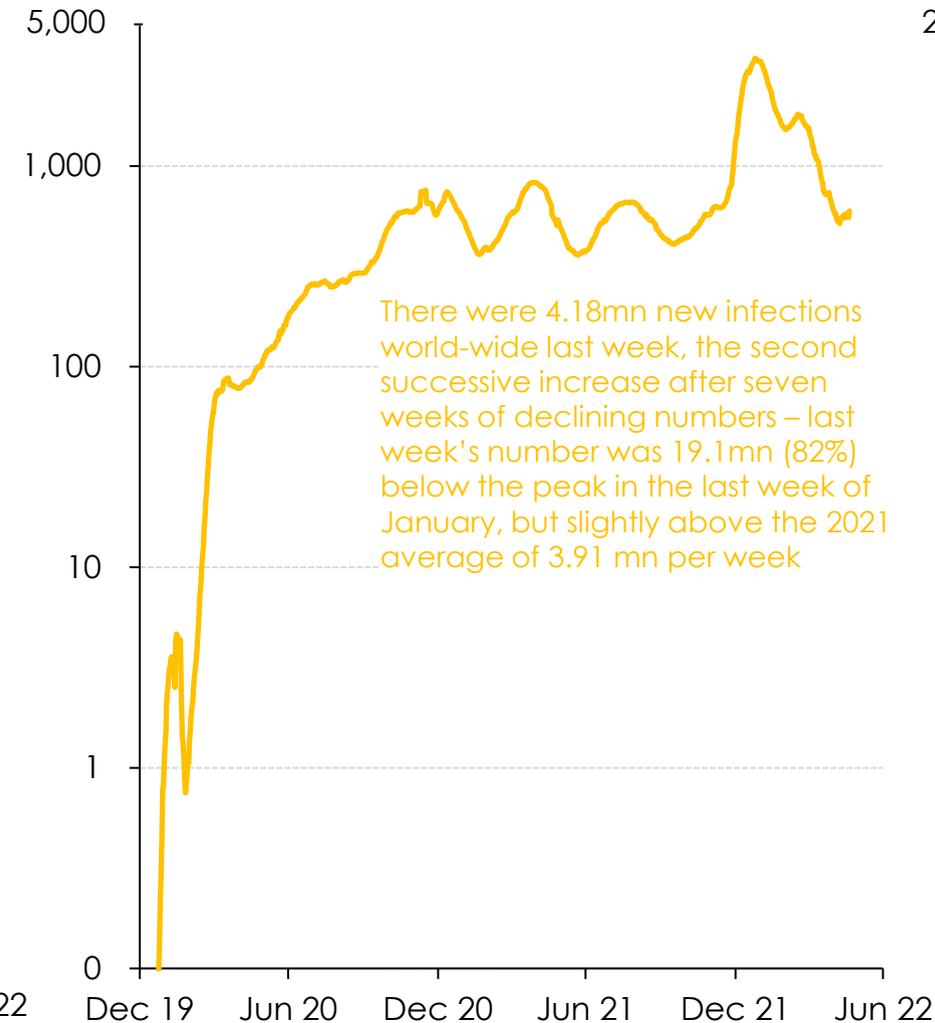
The number of new infections rose slightly last week, for the first time in seven weeks, but was still 83% below the peak in late January

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Cumulative confirmed cases – global total



New confirmed cases – global total



New deaths – global total

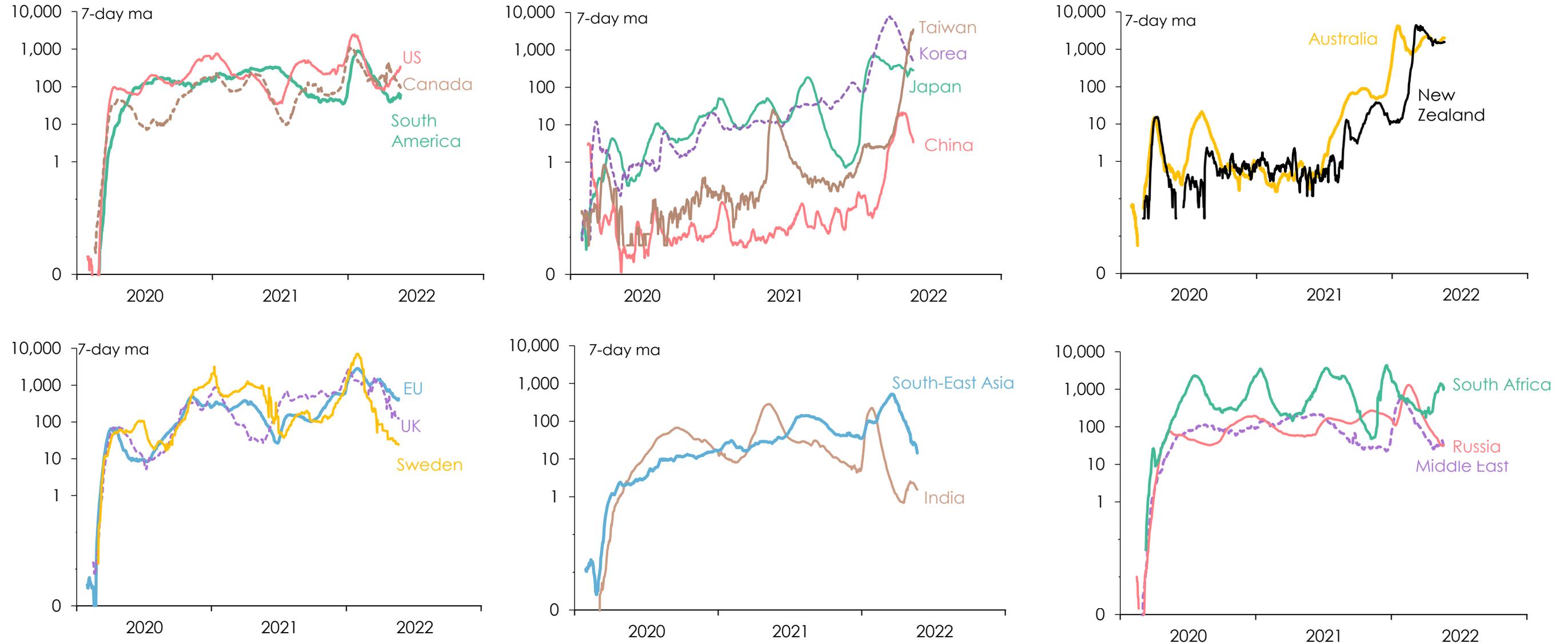


Note: All charts are on logarithmic scales. Data up to 20th May. Source: University of Oxford, [Our World in Data](#). [Return to "What's New"](#).

The uptick in new infections over the past two weeks has been largely in Taiwan & the US, and to a lesser extent Japan & Australia

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

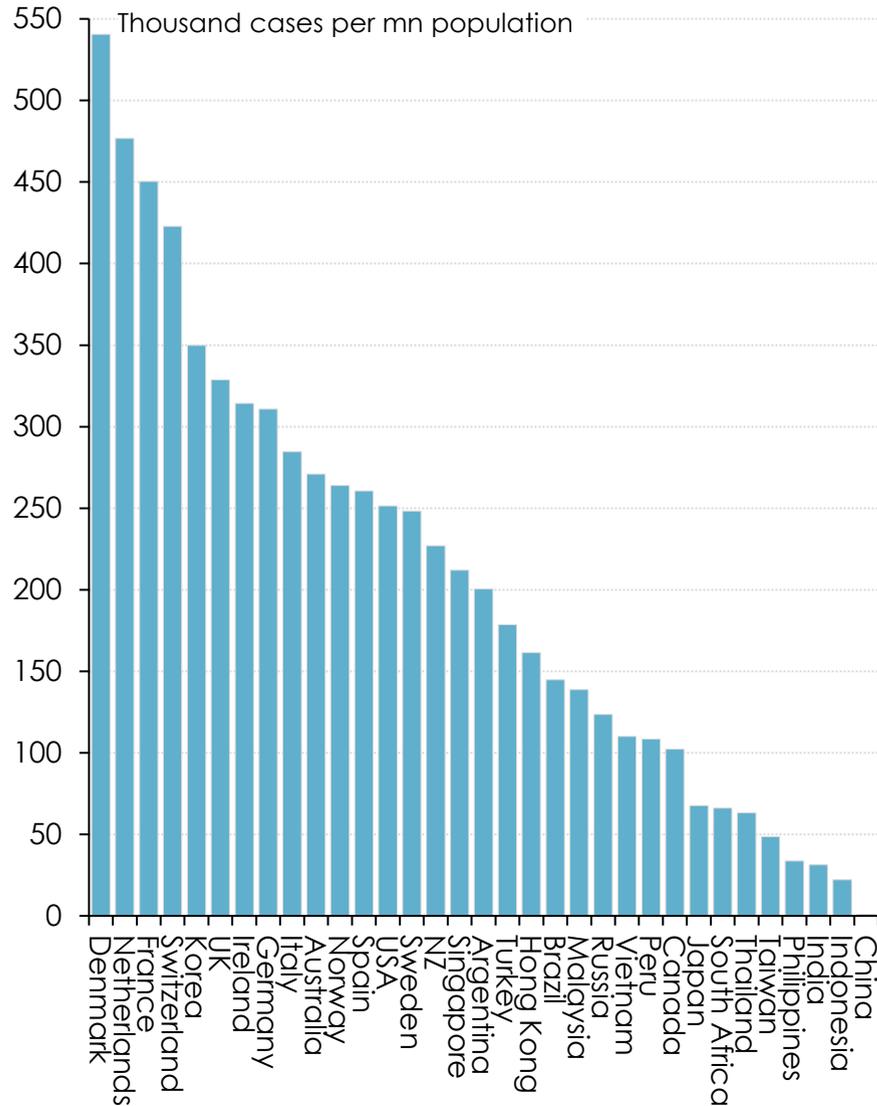
Daily new cases per million population – major countries and regions



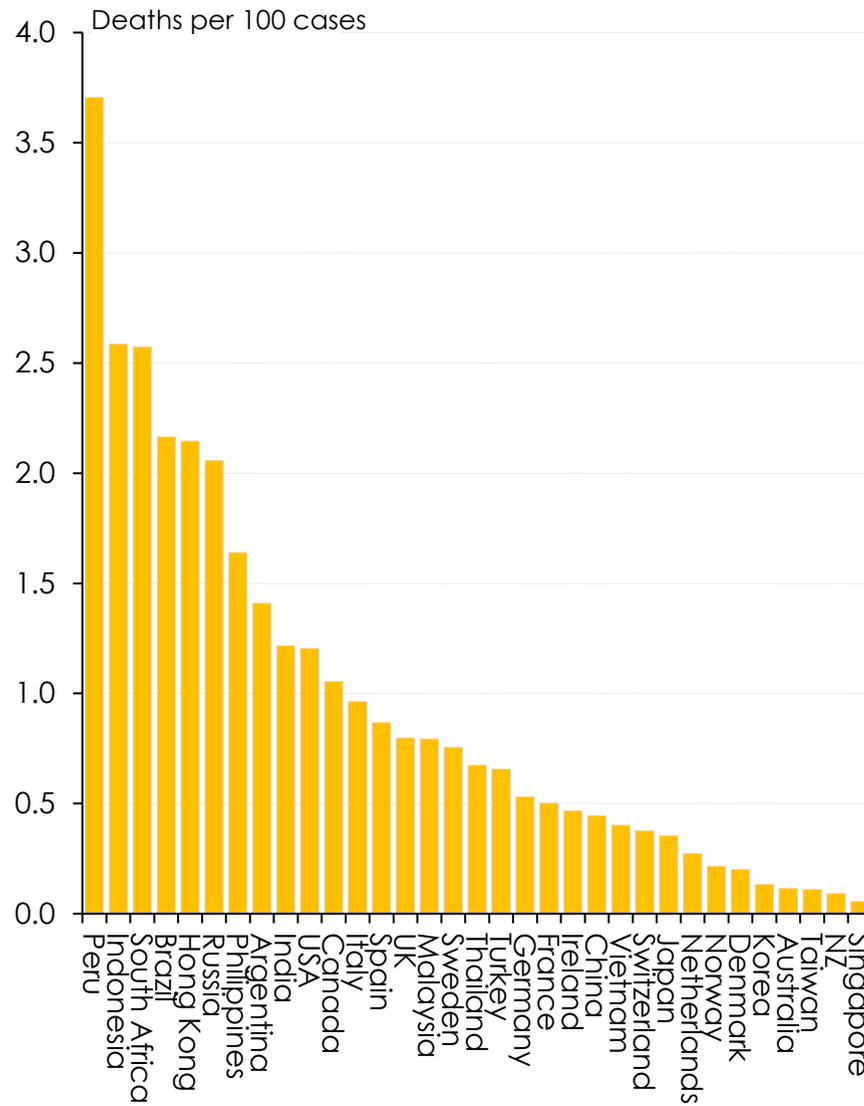
The highest cumulative infection and death rates (since the onset of the pandemic) have been in Europe, South and North America

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

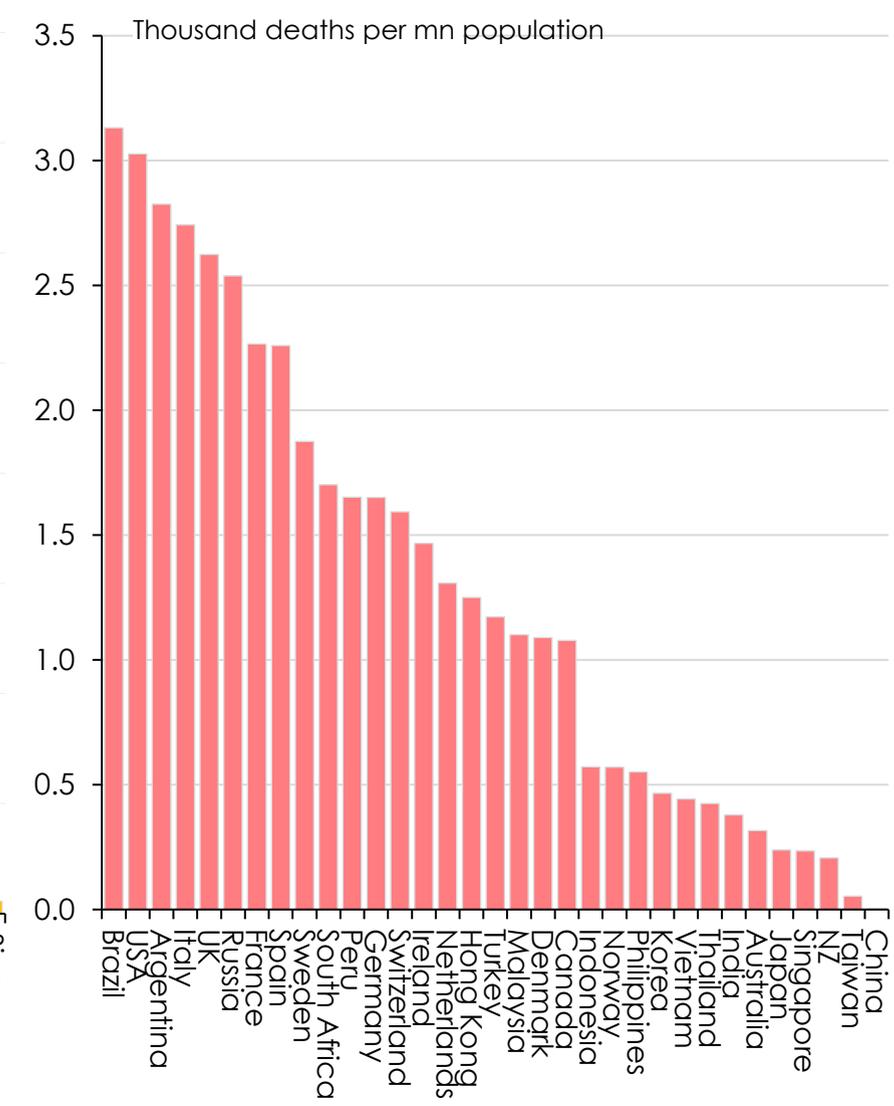
Apparent infection rate



Apparent fatality rate



Apparent death rate



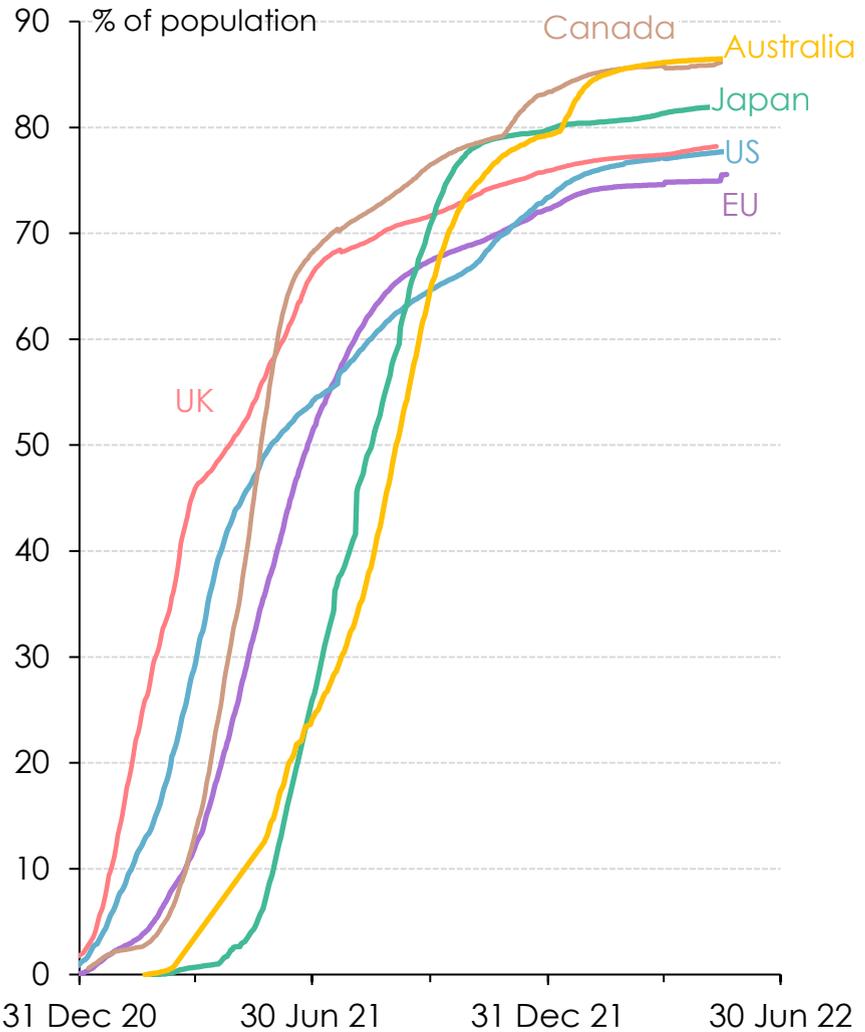
Note: Data shown in these charts are cumulative since the beginning of the pandemic, up to 20th May 2022. Sources: University of Oxford, [Our World in Data](#); Corinna.

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

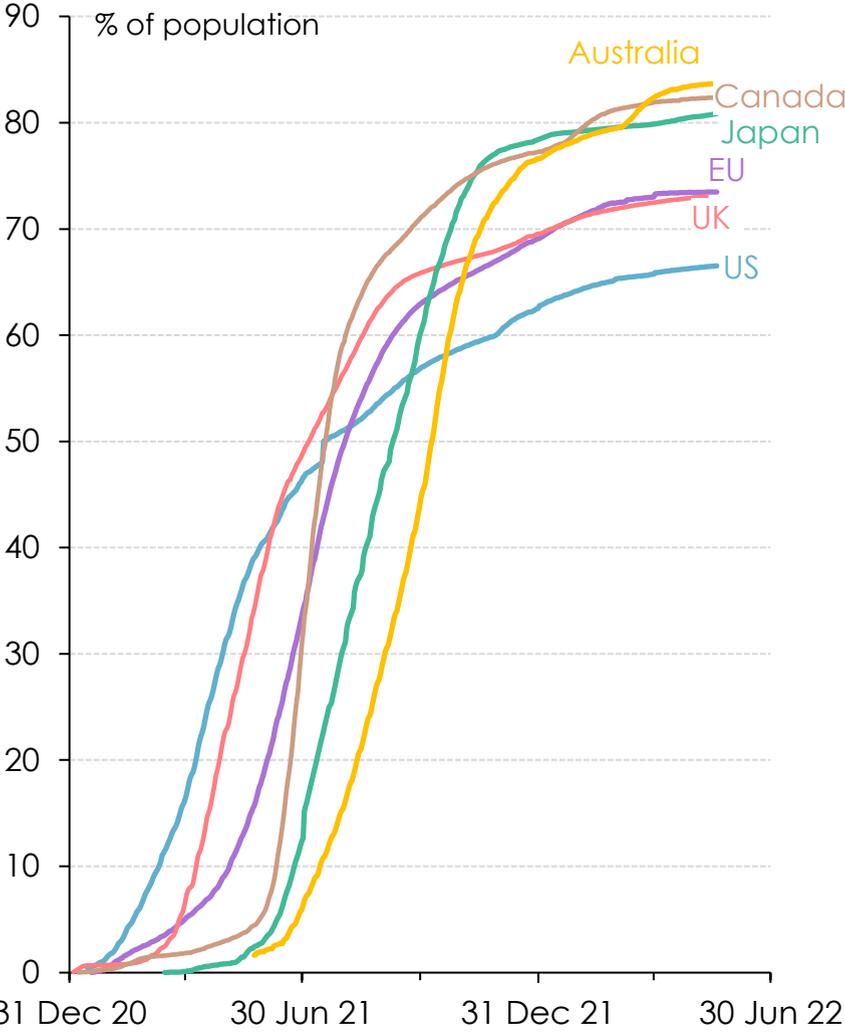
The US lags behind most other 'advanced' economies in fully vaccinating its population and also now with regard to 'boosters'

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

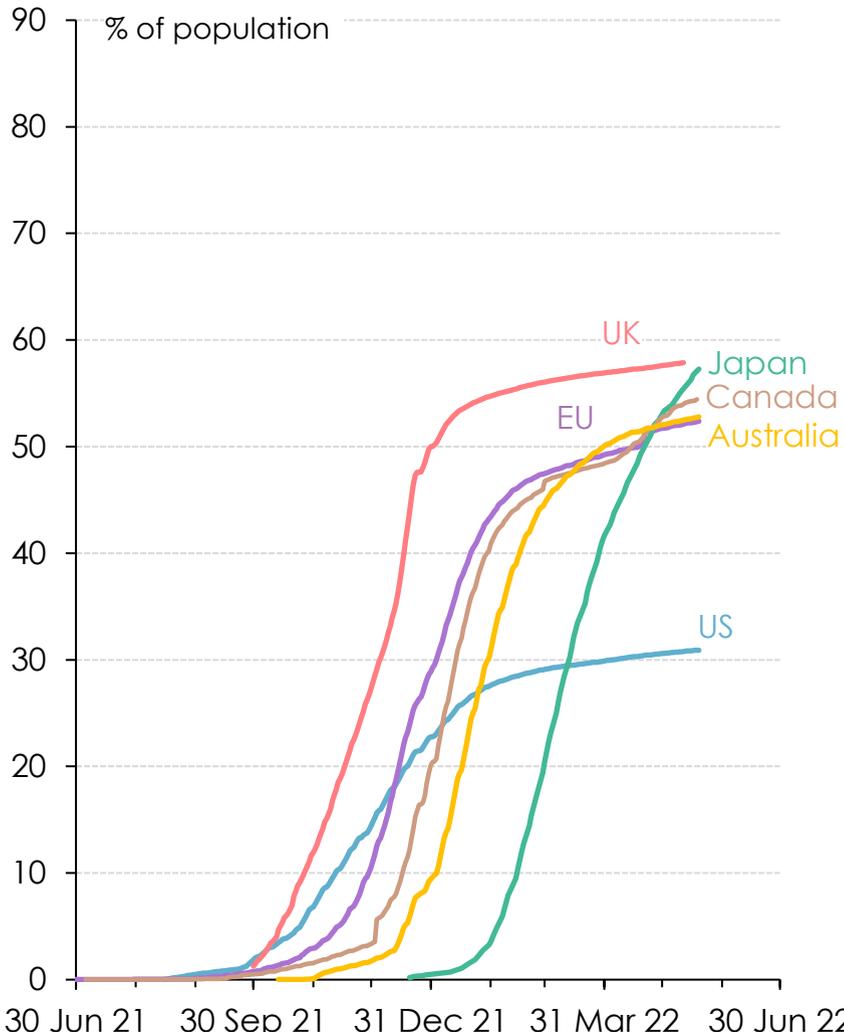
Percentage of populations who have had at least one shot



Percentage of populations who have had two shots



Percentage of populations who have had a 'booster' shot

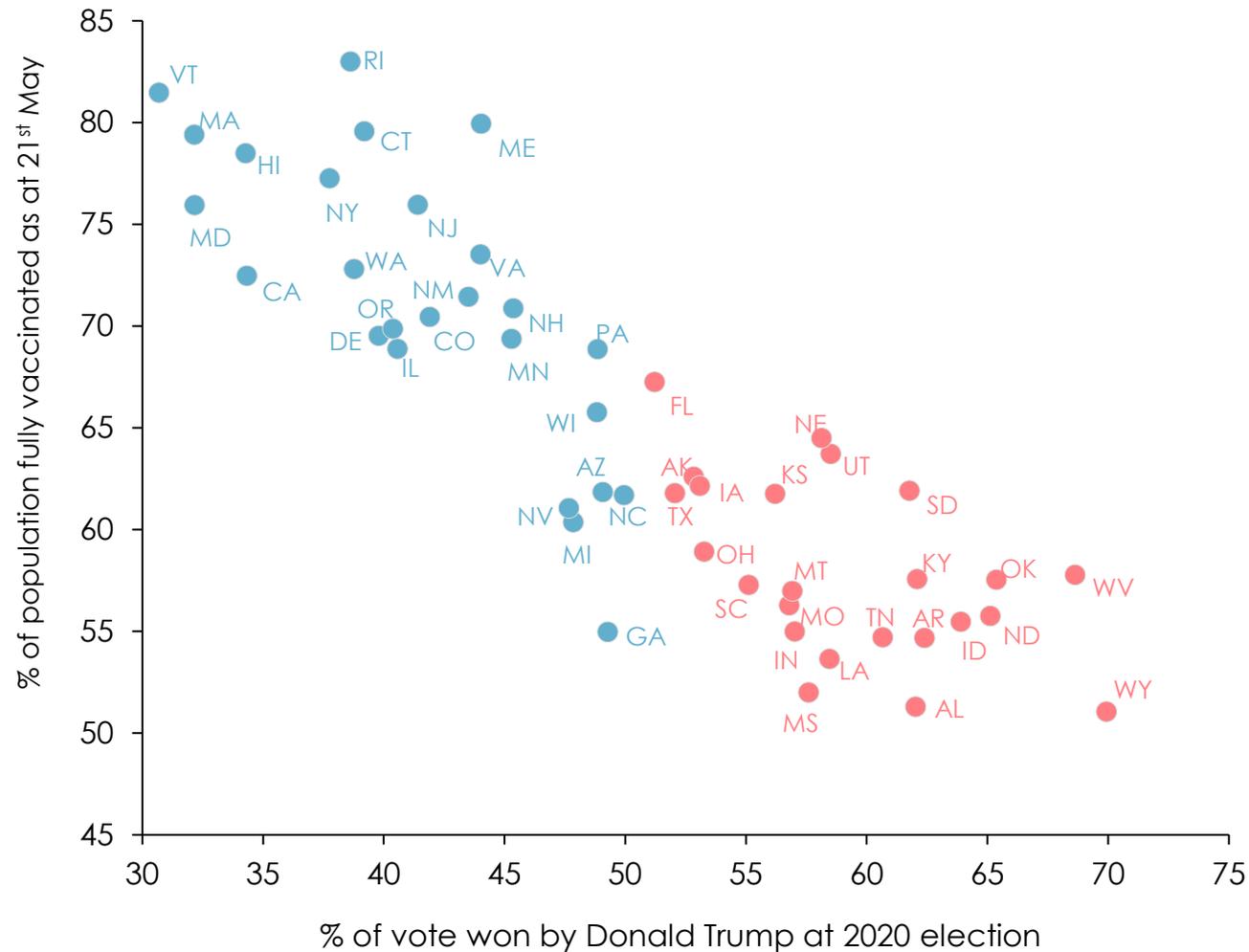


Note: Data up to 20th May, except for the UK, 11th May. Source: [Our World in Data](#); [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

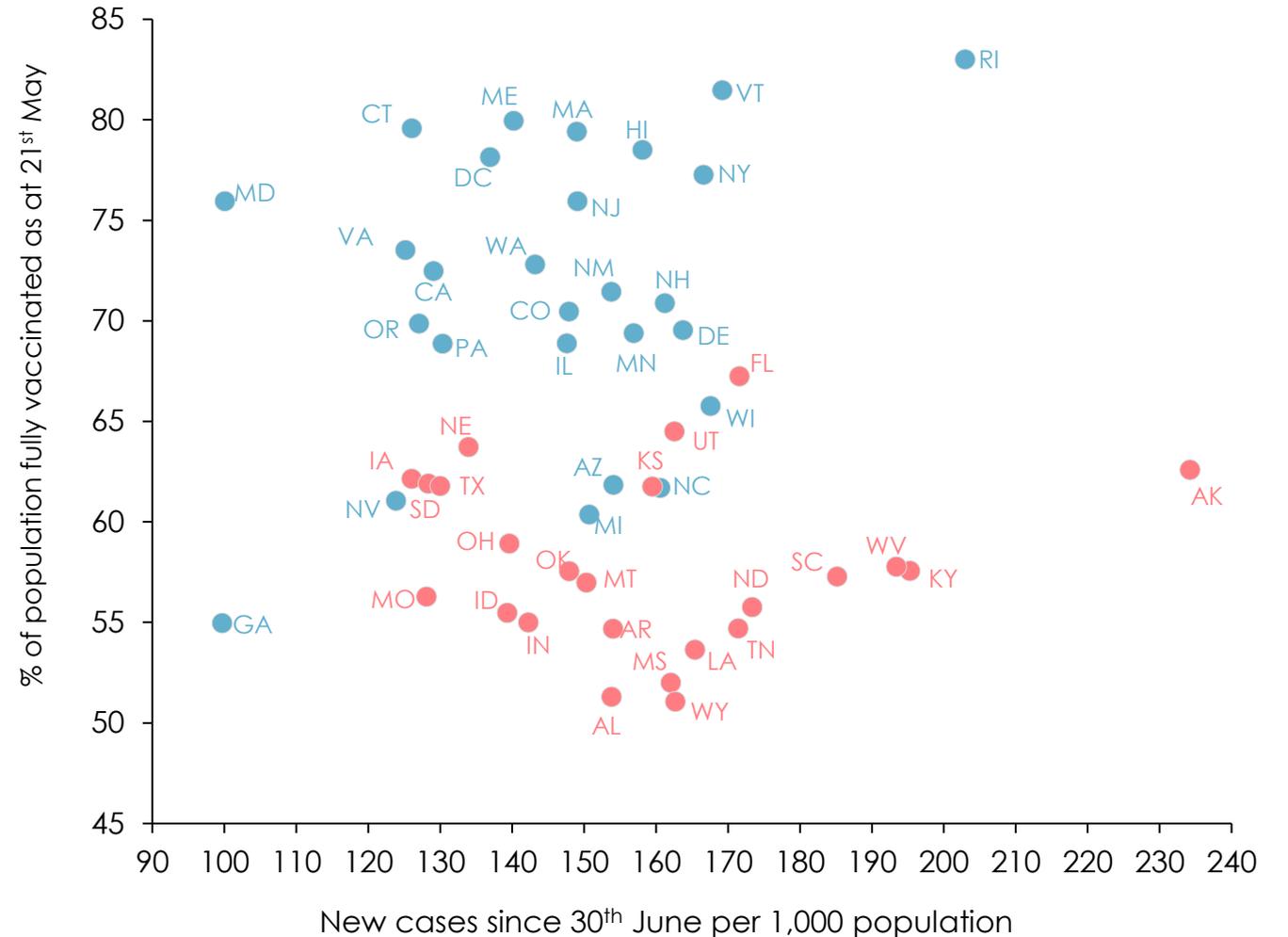
In the US there's a strong correlation between voting patterns and vaccine hesitancy, and (inversely) between vaccination rates and infection rates

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Vaccination rates vs Trump vote at 2020 elections, by state



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

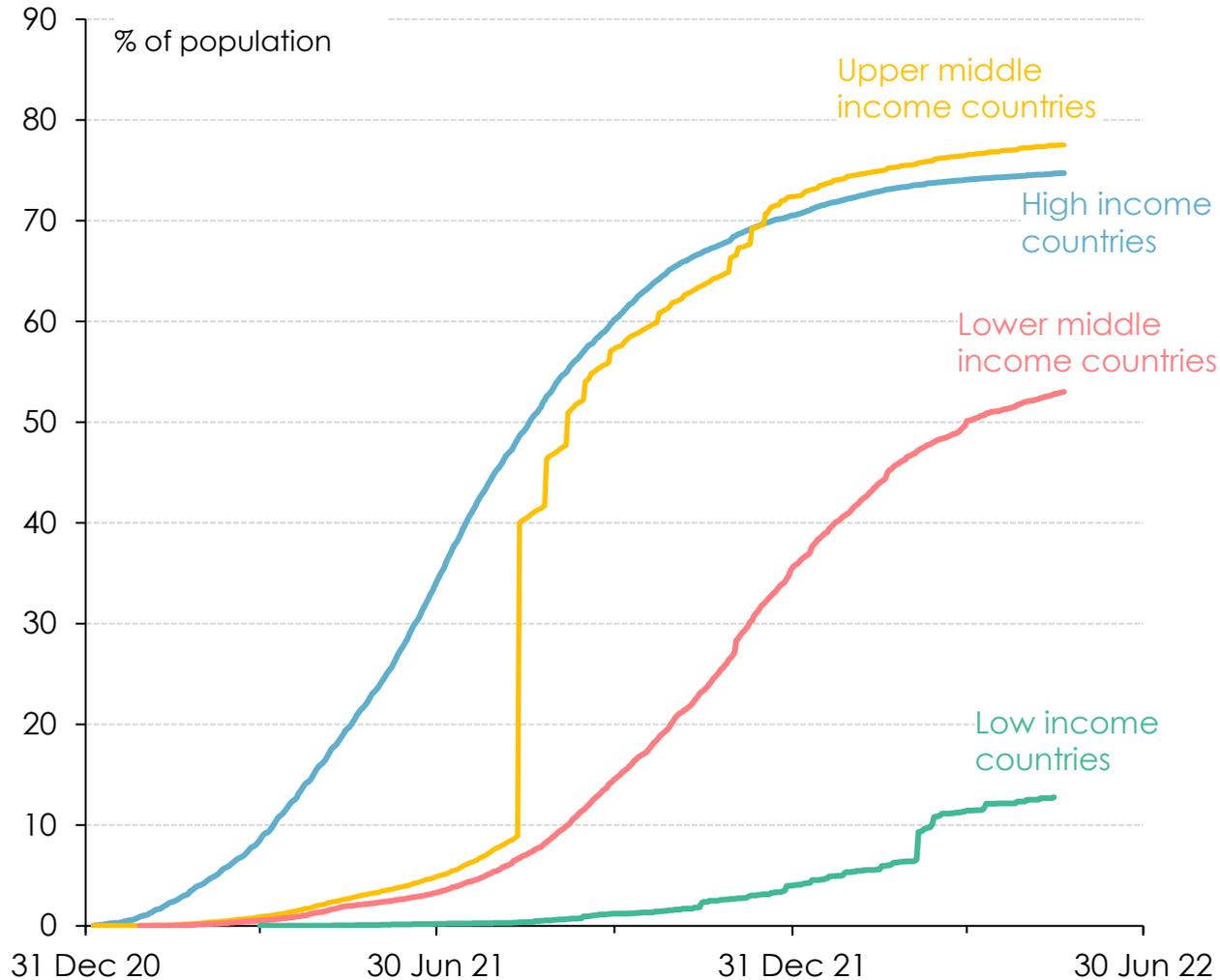


Note: Case data as at 21st May. Sources: [The Cook Political Report](#); [Our World in Data](#); [USA Facts](#); Corinna. [Return to "What's New"](#).

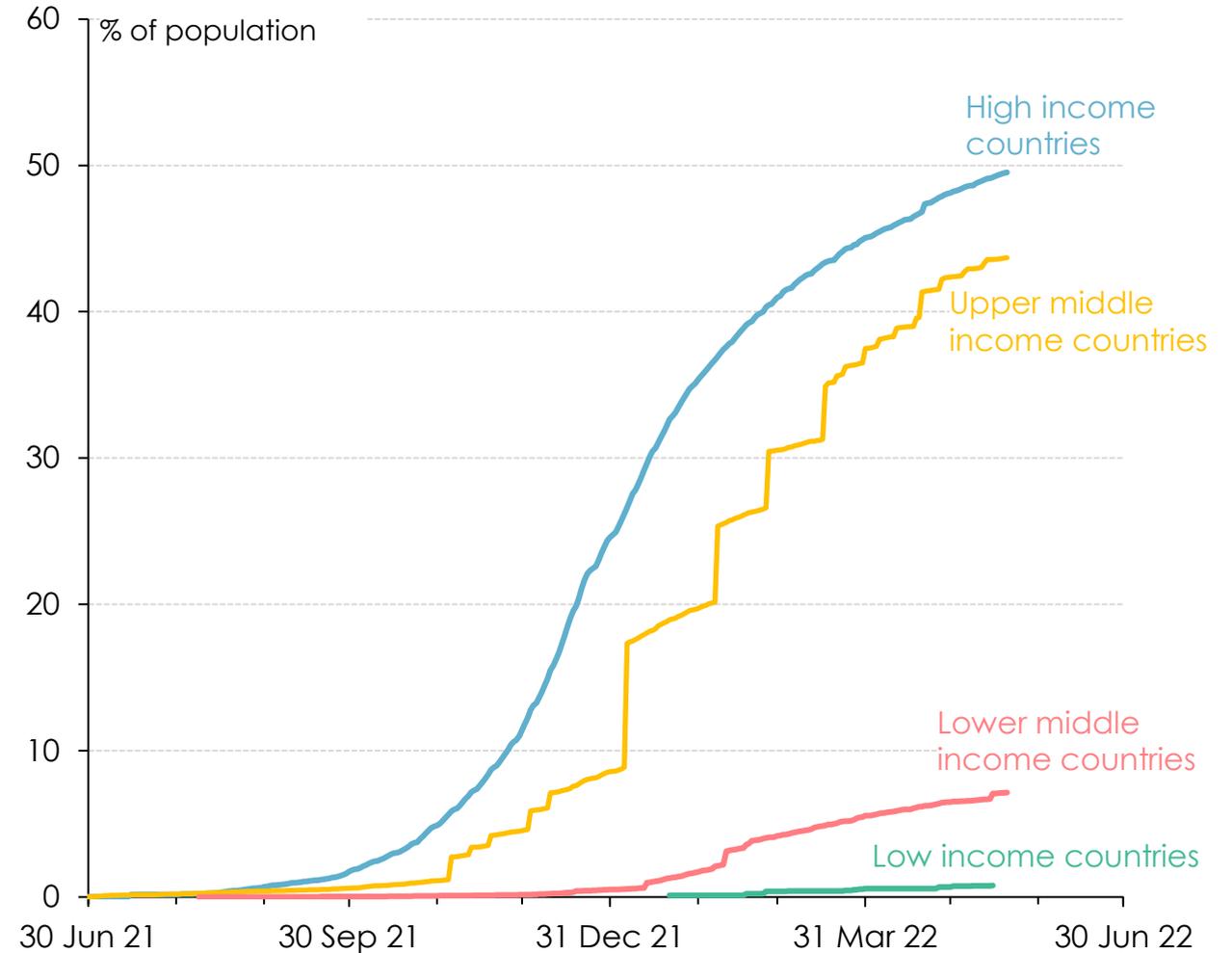
The vaccine roll-out has proceeded much more slowly among low- and lower-middle income countries

THE WORLD ECONOMY THIS WEEK – 23RD 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



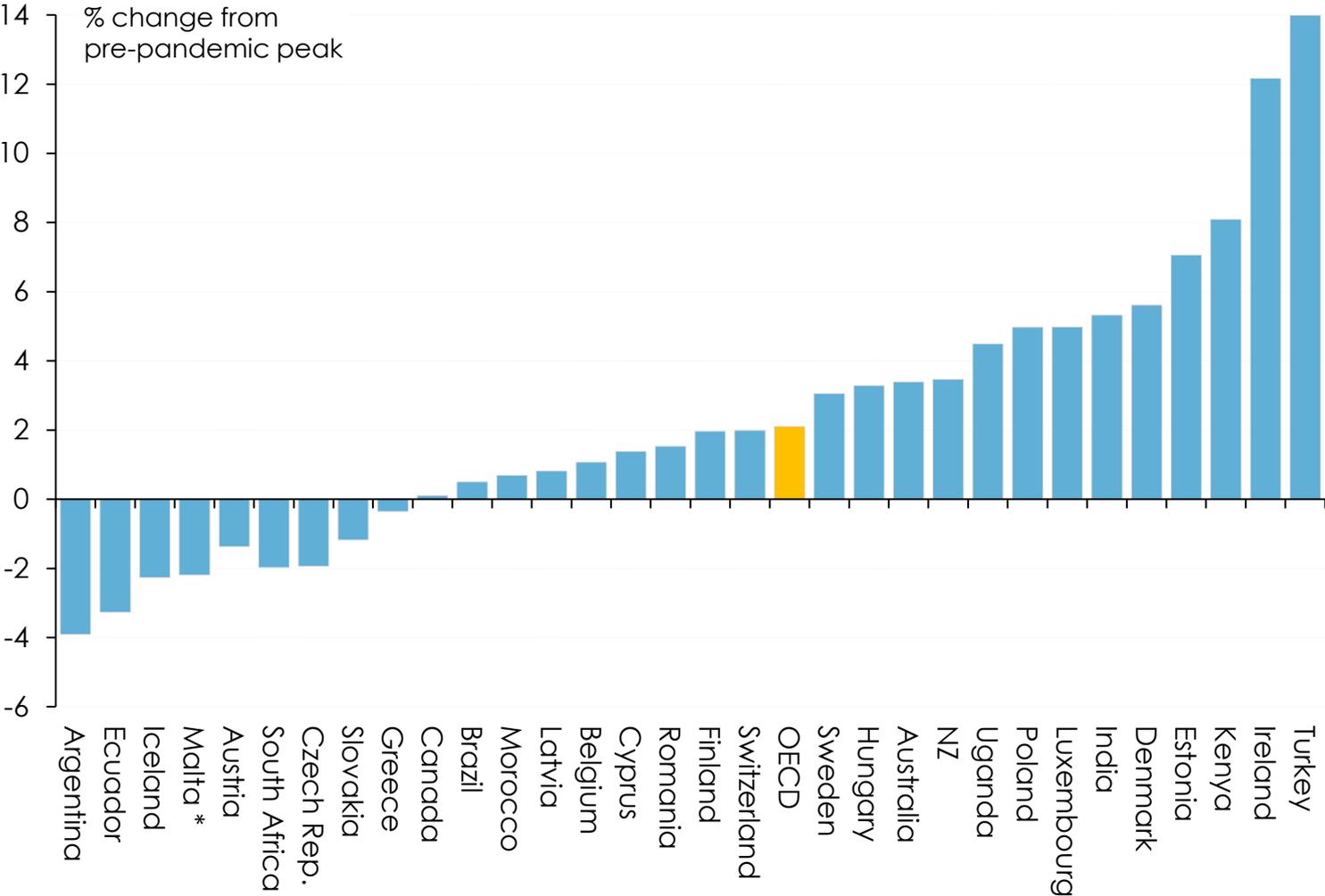
Note: Income categories are as defined by the [World Bank](#): high-income countries are (in 2021) those with a per capita gross national income (GNI) of over US\$12,535; upper-middle income countries are those with per capita GNI between US\$4,046 and \$12,535; lower middle-income countries are those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

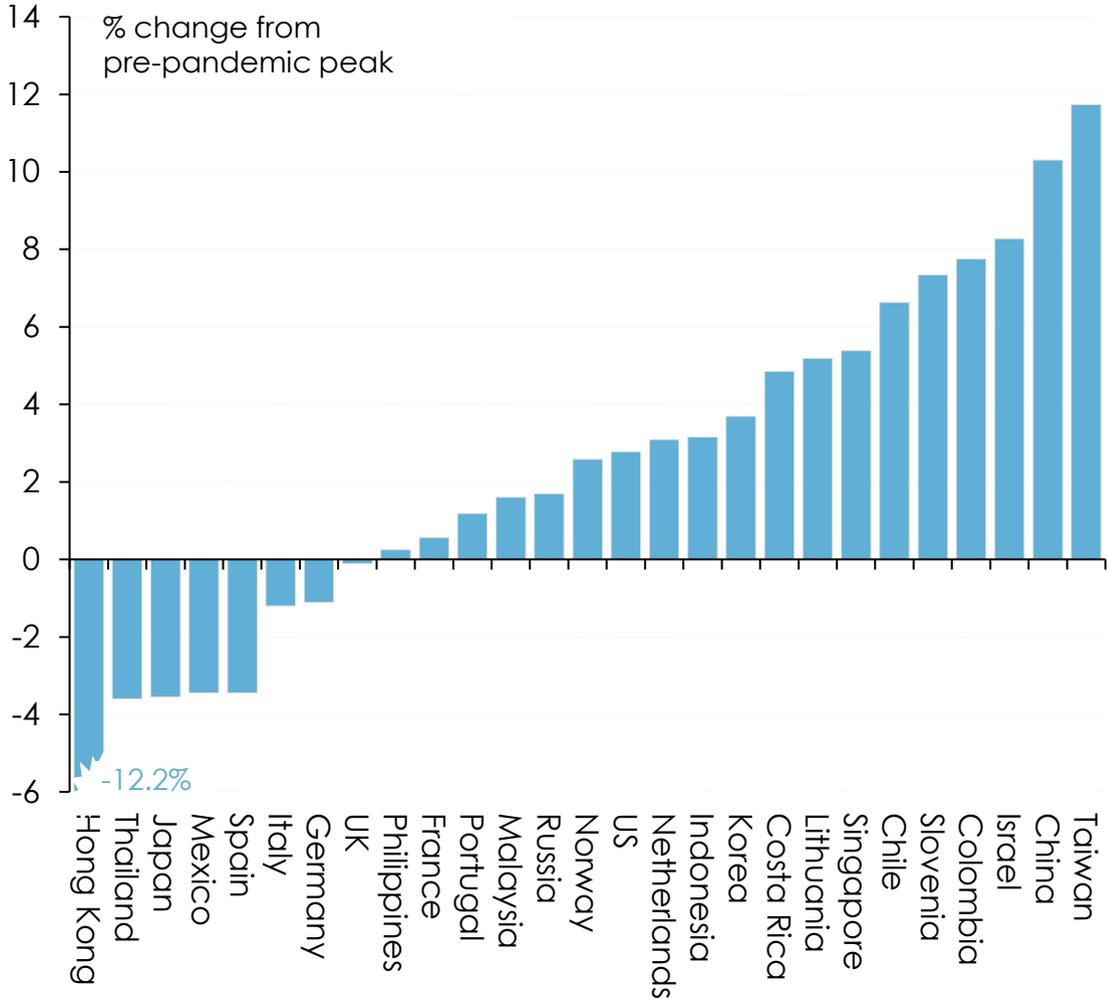
39 countries (of 56 for which seasonally-adjusted 2021 Q4 or 2022 Q1 GDP estimates are available) have now surpassed their pre-pandemic peaks

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Q4 2021 real GDP compared with pre-recession peak



Q1 2022 real GDP compared with pre-recession peak

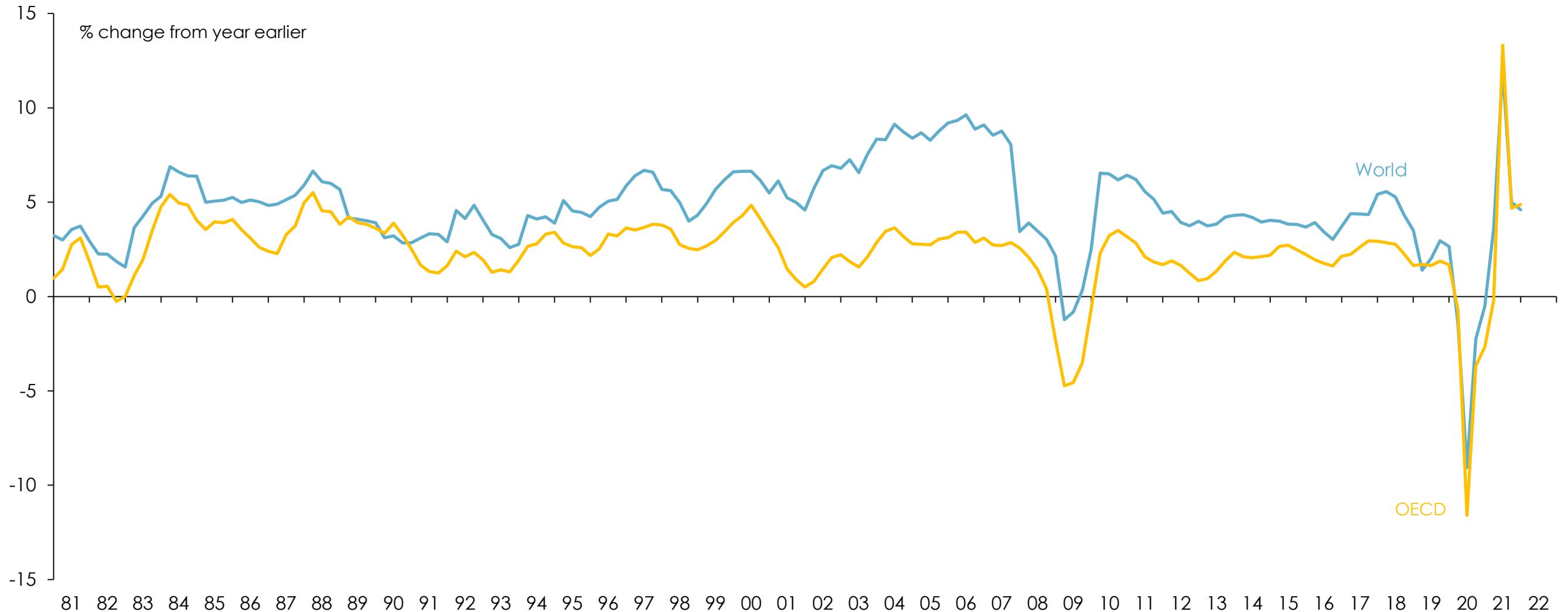


Note: estimate for China is derived from quarterly growth rates published by China NBS; estimates for India, Indonesia and Russia are seasonally adjusted by the OECD.
 * Estimate for Malta is for Q3 2021. Sources: National statistical agencies and central banks, and OECD. [Return to "What's New"](#).

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 – 23RD MAY 2022

World and OECD area real GDP growth

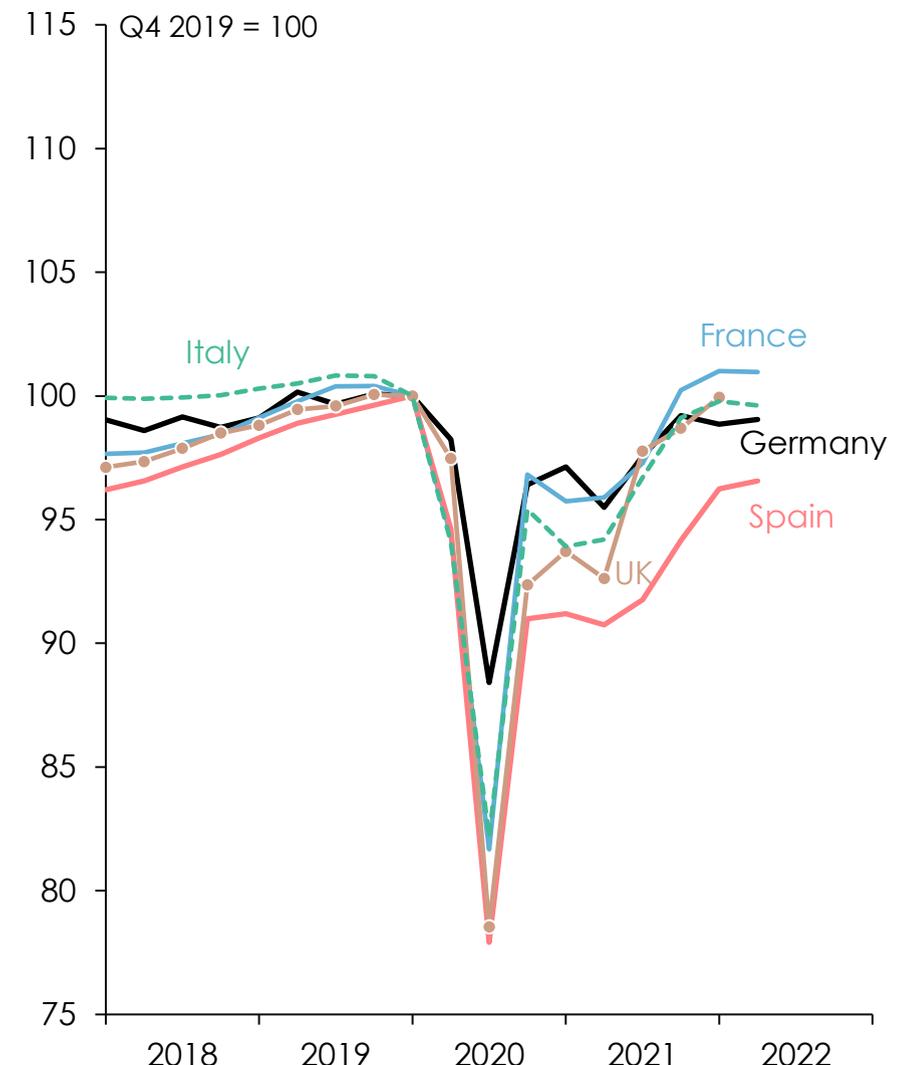
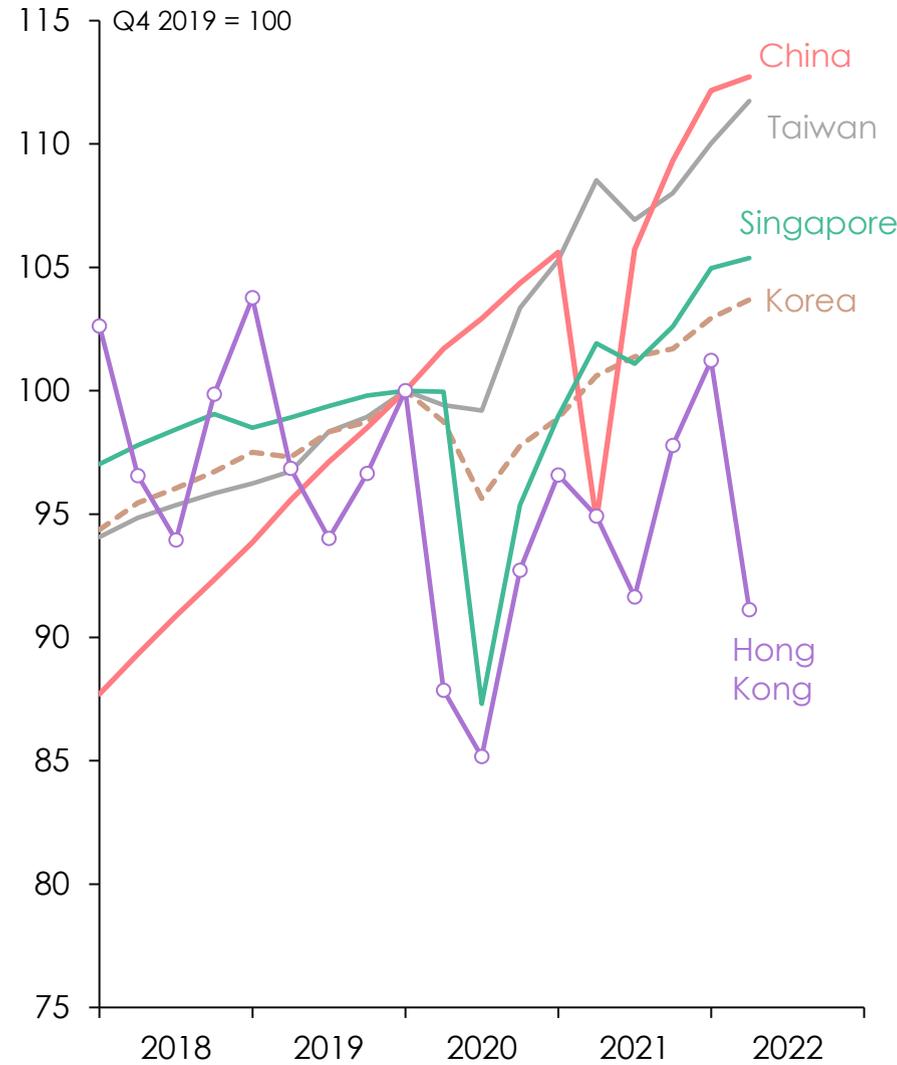
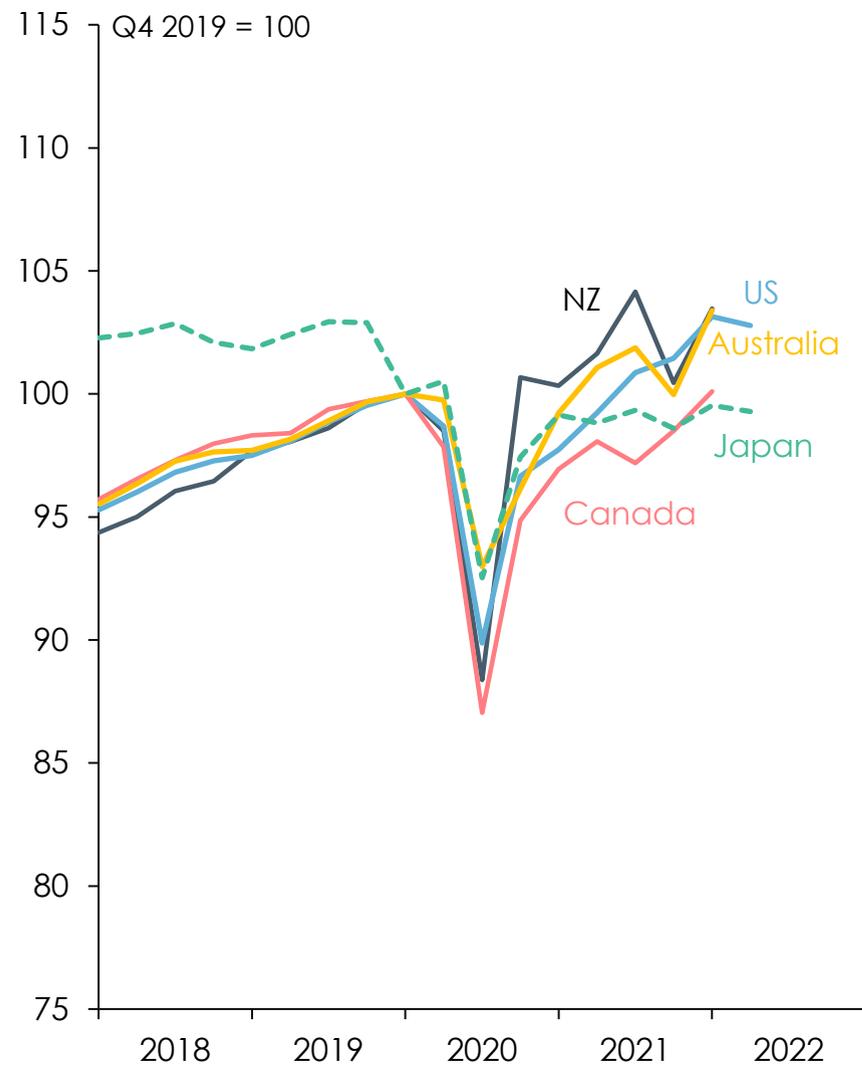


Note: Estimates of global GDP growth compiled by Corinna using data for 100 countries accounting for 94% of 2019 world GDP as measured by the IMF, weighted in accordance with each country's share of global GDP at purchasing power parities in 2019; excludes constituents of the former USSR before 1993, 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 – 23RD 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 – 23RD 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 – 23RD 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

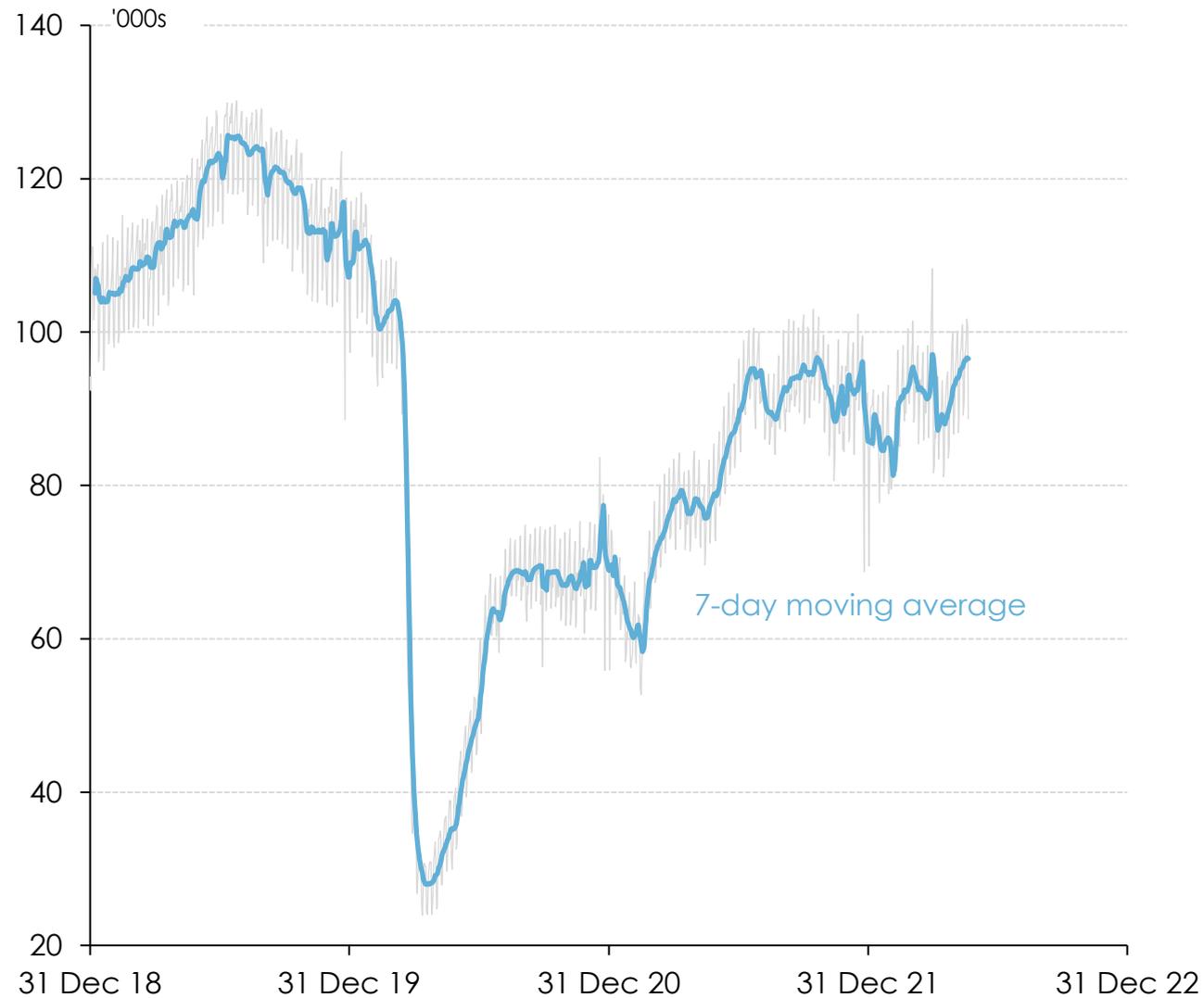
- ❑ The IMF's latest [World Economic Outlook](#), published last Tuesday, lowered its forecast for global GDP growth in 2022 by 0.8 pc pt to 3.6%, and for 2023 by 0.6 pc pt, also to 3.6%
 - the deterioration in the outlook is “largely because of Russia’s invasion of Ukraine ... and the sanctions aimed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

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Daily commercial flights worldwide



Daily US TSA 'security' checks

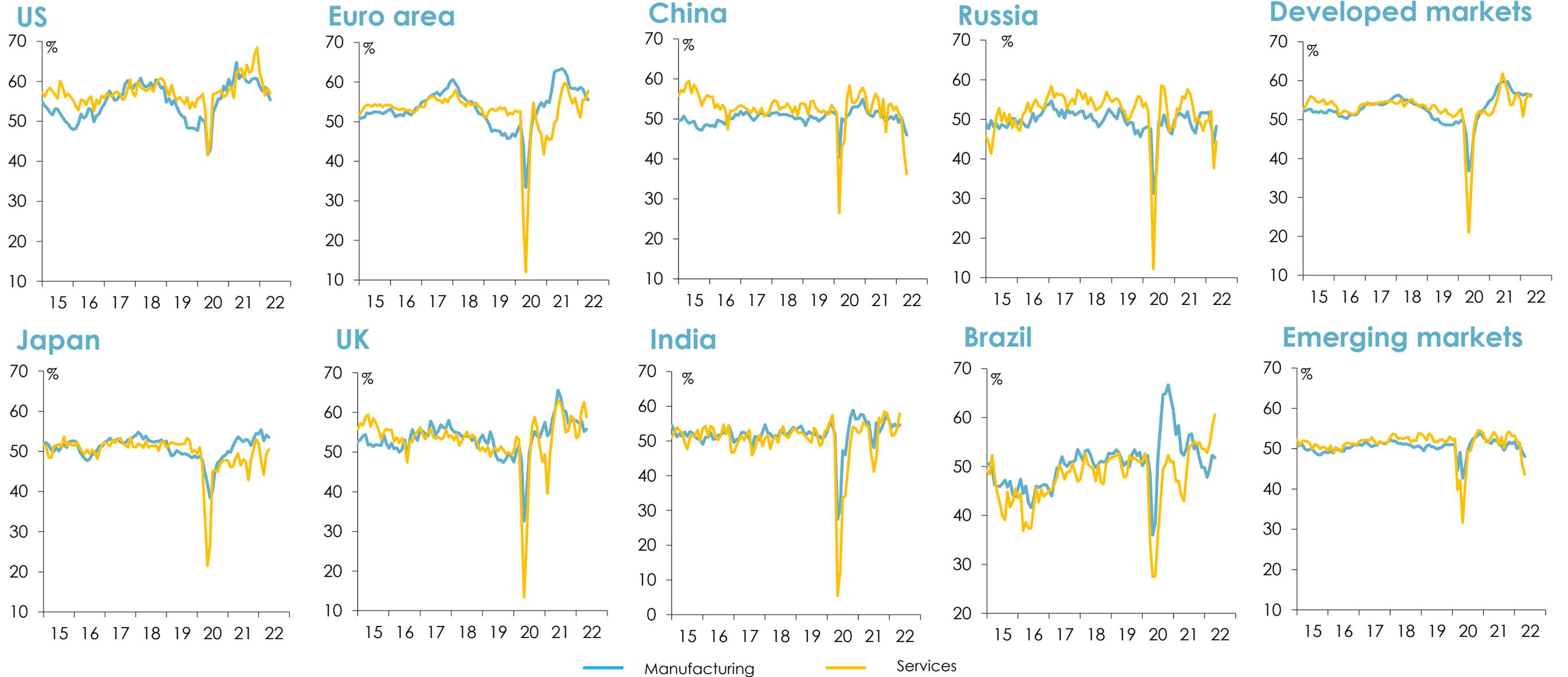


Note: Commercial flights include commercial passenger flights, cargo flights, charter flights, and some business jet flights. Data are up to 21st May for commercial flights and 20th May for TSA checks. Thicker coloured lines are 7-day centred moving averages of daily data plotted in thin grey lines. Sources: [Flightradar24.com](https://www.flightradar24.com); [US Transport Safety Administration](https://www.transportation.gov) (at last, something useful – other than job creation - produced by aviation 'security'!!!). [Return to "What's New"](#).

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

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 – 23RD MAY 2022

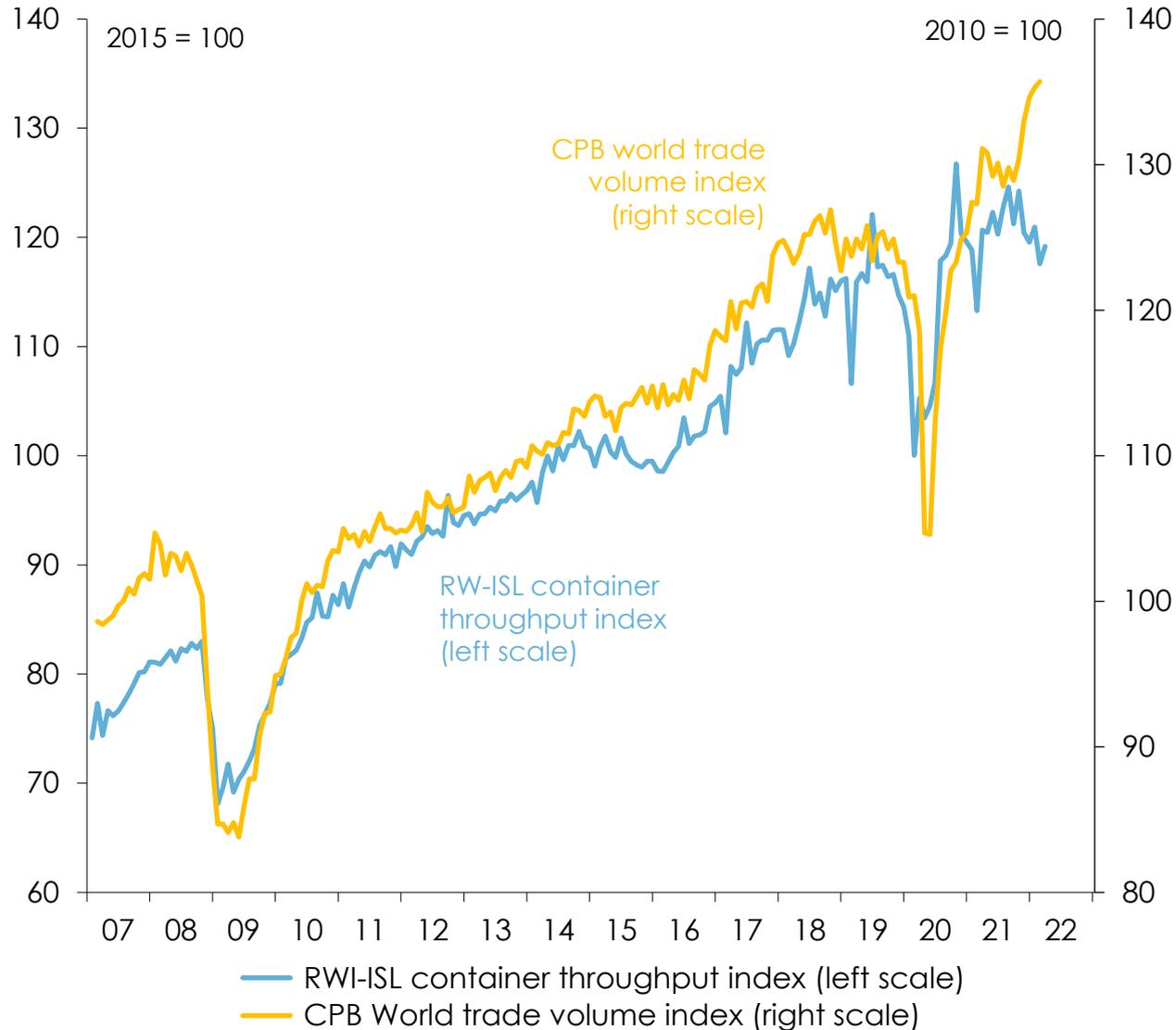


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous month, and a reading of less than 50 indicates a decrease. See also PMIs for other Asia-Pacific economies on [slide 100](#). Sources: [US Institute for Supply Management](#); [IHS Markit](#); JP Morgan; [Caixin](#); Refinitiv Datastream. [Return to "What's New"](#).

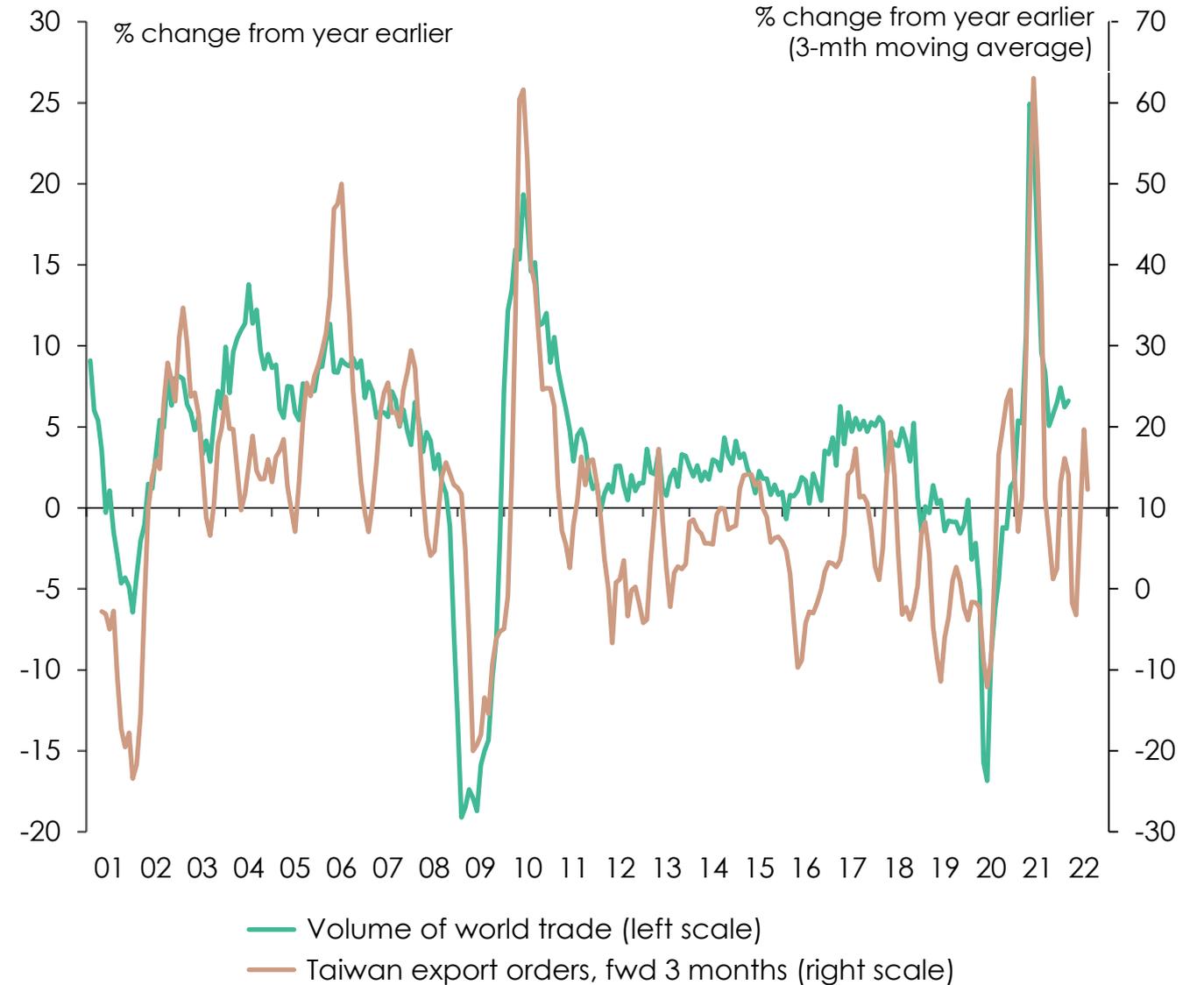
The volume of world trade rose 0.3% in February after a 0.5% gain in January, to be 6.9% above its pre-pandemic peak in October 2018

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

World trade volumes and container throughput



Taiwan export orders and world trade volumes



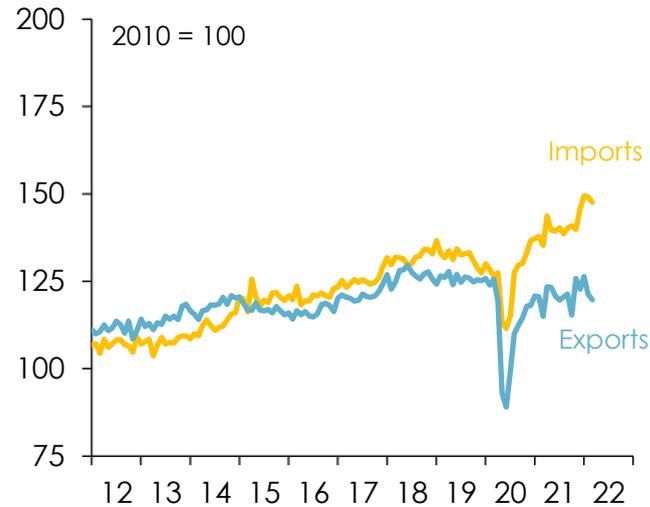
Note: The shipping container throughput index is based on reports from 91 ports around the world handling over 60% of global container shipping.

Sources: CPB Netherlands Economic Planning Bureau, [World Trade Monitor](#), 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"](#).

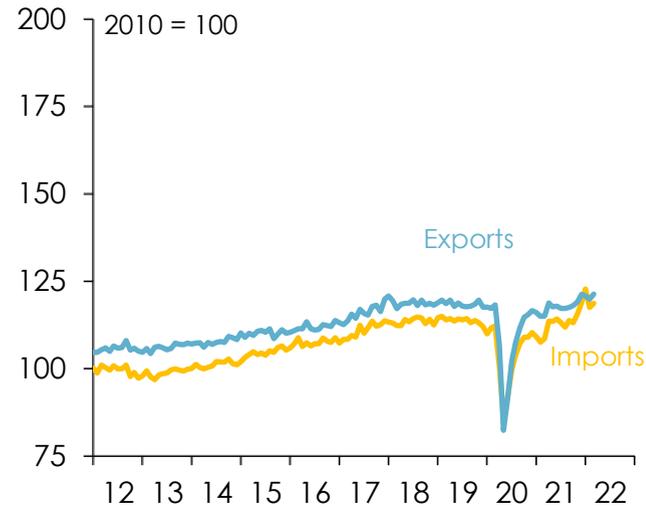
Imbalances in trade between the US and 'emerging' Asia (including China) are the major factor in the mal-distribution of containers around the world

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

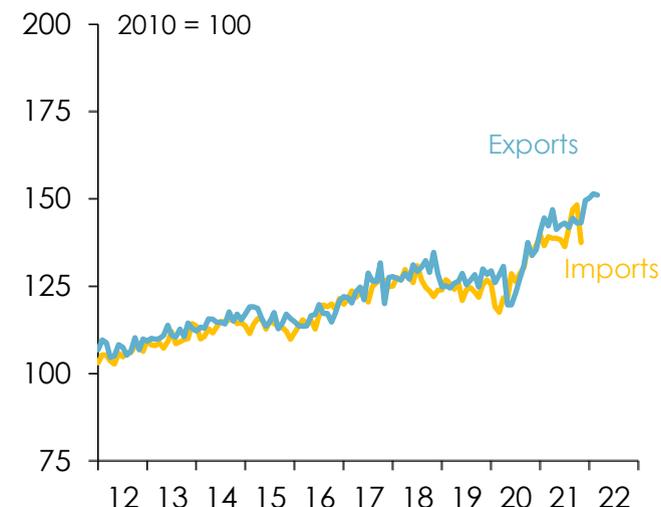
United States



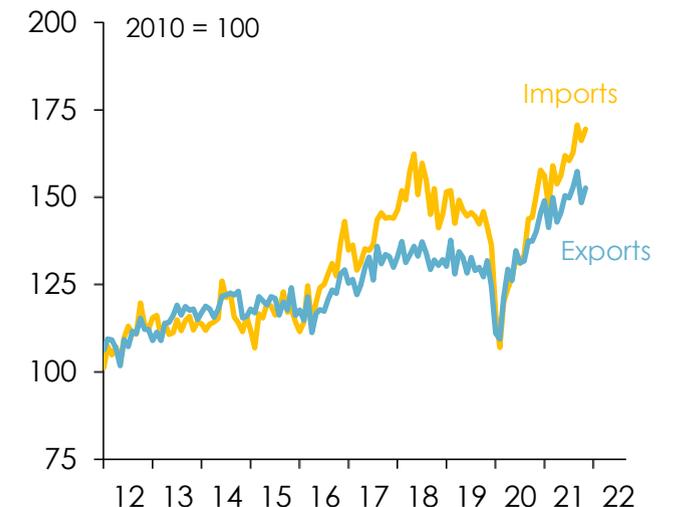
Euro area



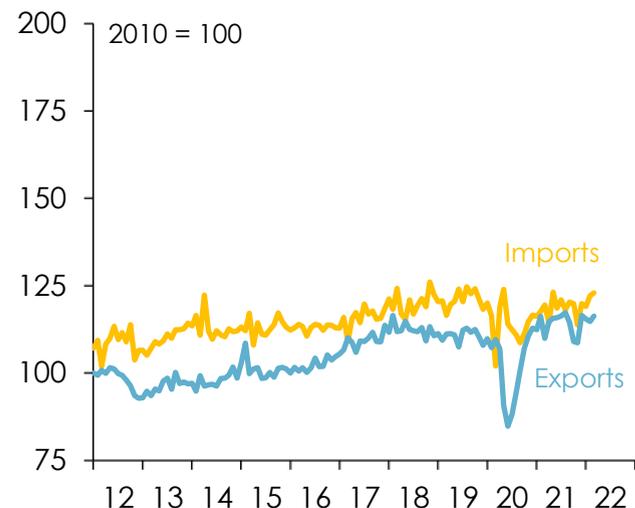
Other 'advanced' Asia



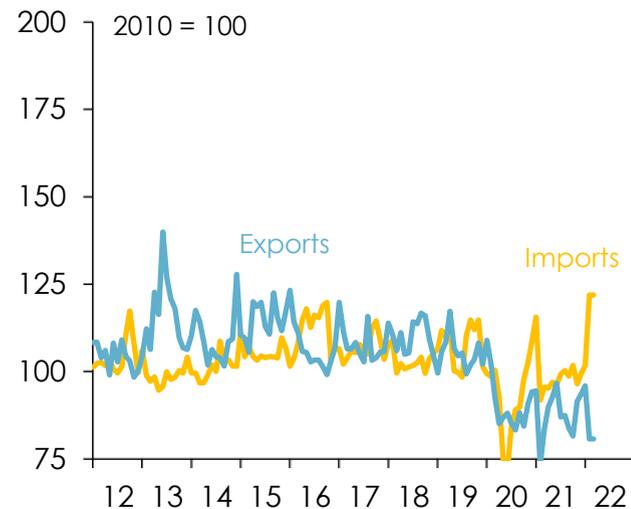
Other 'emerging' Asia



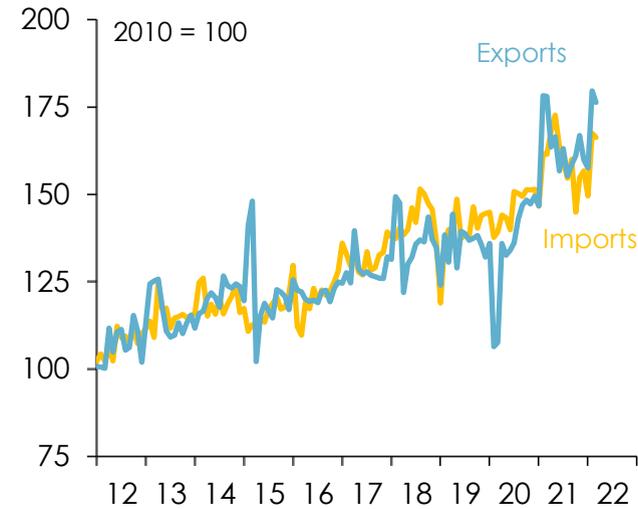
Japan



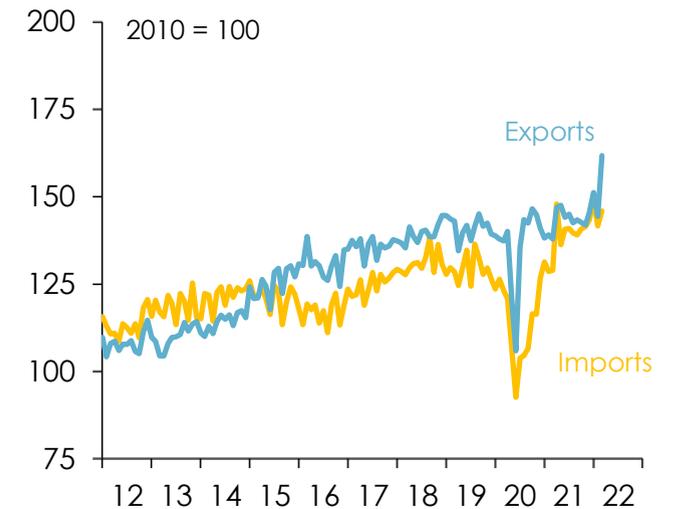
United Kingdom



China



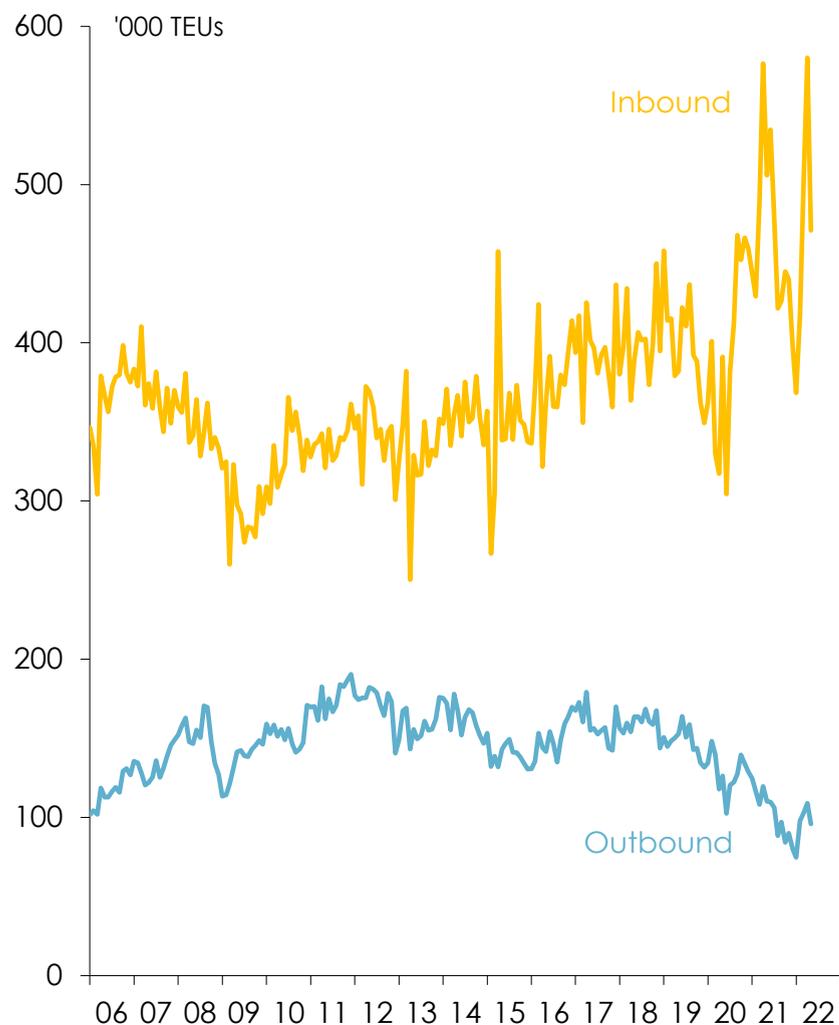
Latin America



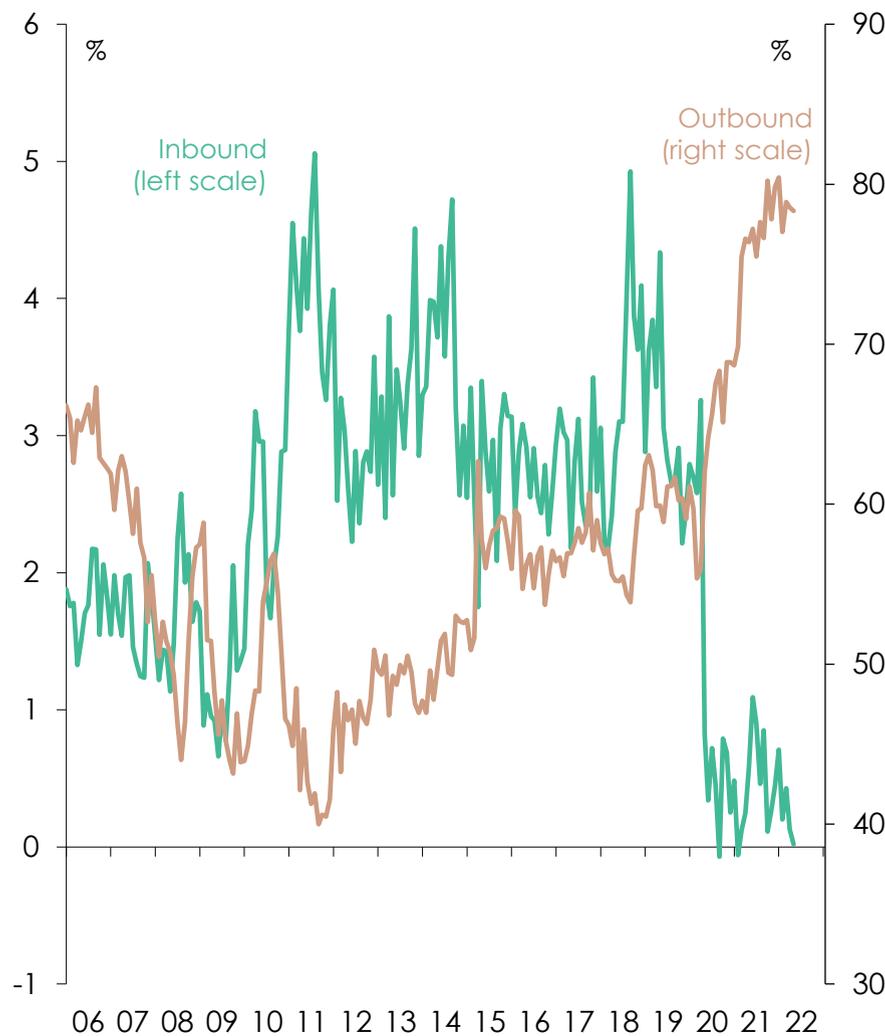
Congestion at the Port of Los Angeles (the US' largest container port) has eased significantly but trade flows remain unusually unbalanced

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

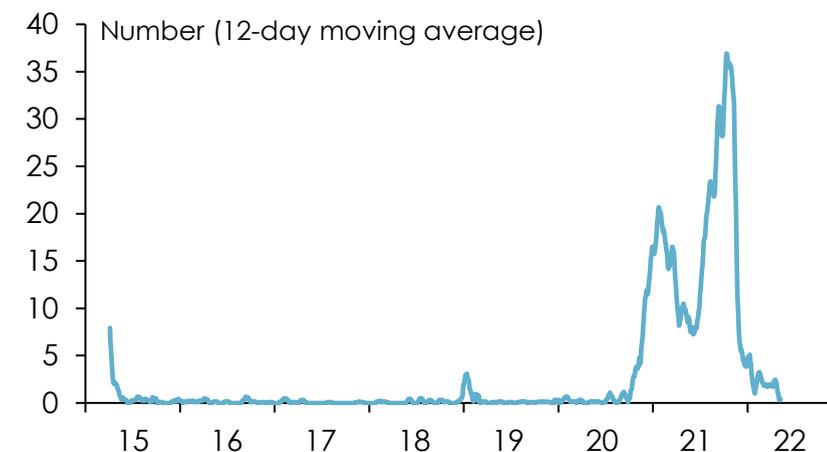
Container traffic through the Port of Los Angeles



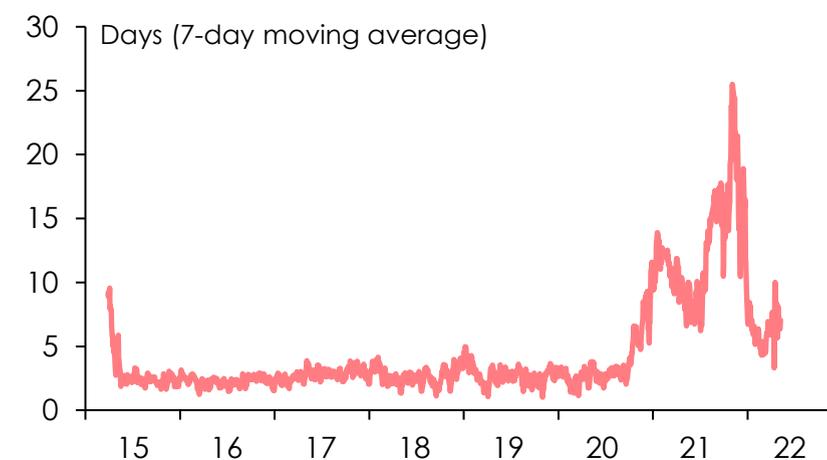
Empty containers as a pc of total passing through PoLA



Number of vessels at anchor outside PoLA



Average time at anchor and berth for ships at PoLA

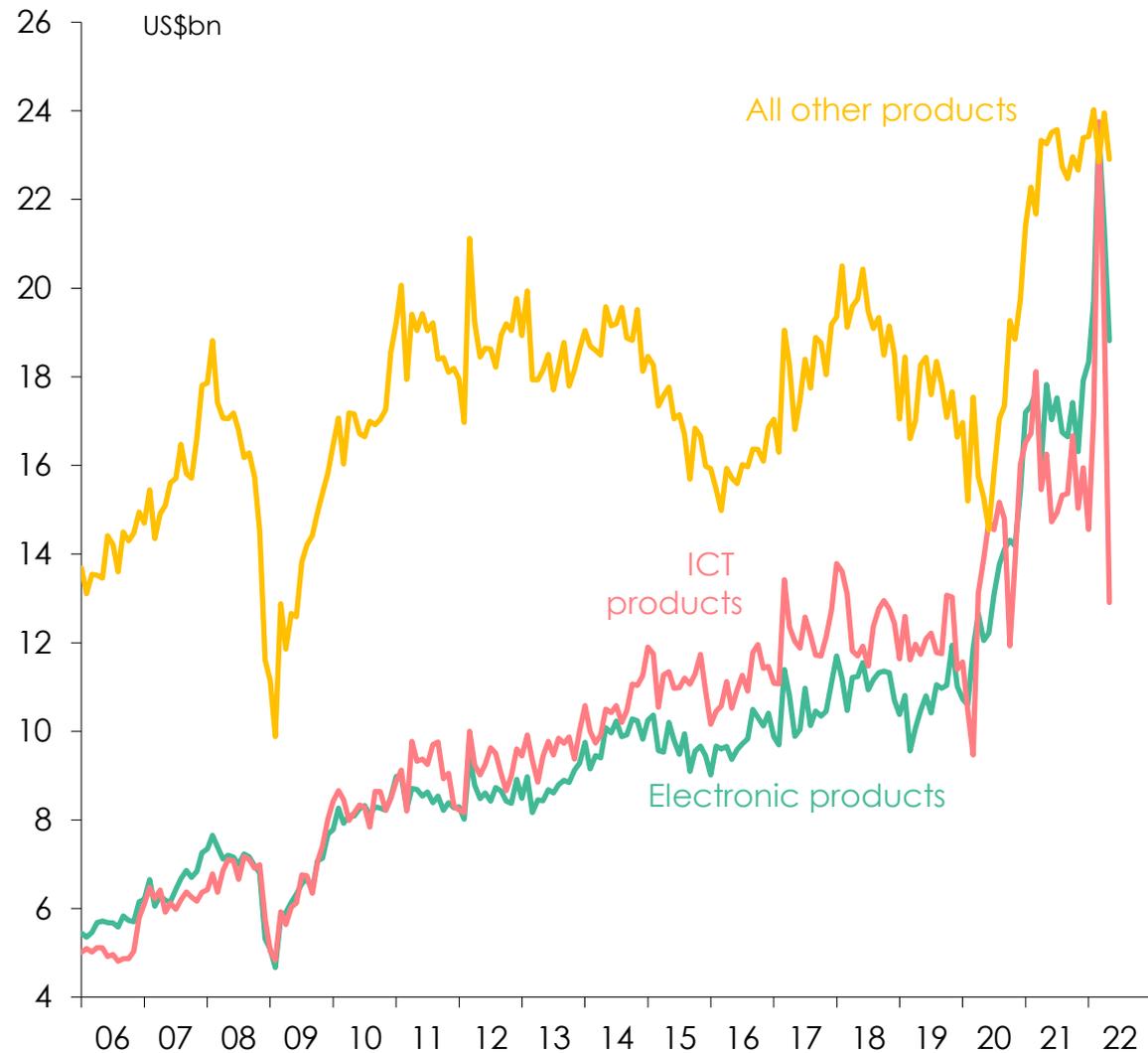


Note: TEU = 20-foot equivalent unit. Data on inbound and outbound container traffic in the first two charts have been seasonally adjusted by Corinna using Refinitiv Datastream. Data up to 20th May. Source: The Port of Los Angeles, [Container Statistics](#) and [Container vessels in port](#). [Return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

Export orders for Taiwanese ICT products fell sharply again in April, partly because of lockdowns in China, but also because of the Ukraine conflict

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Taiwan export orders, by product



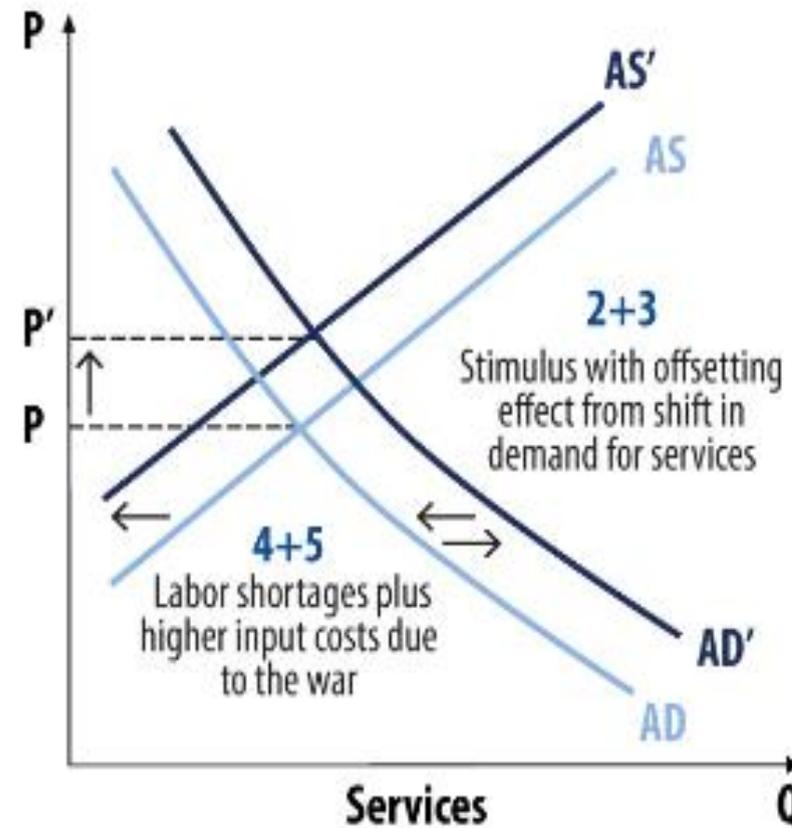
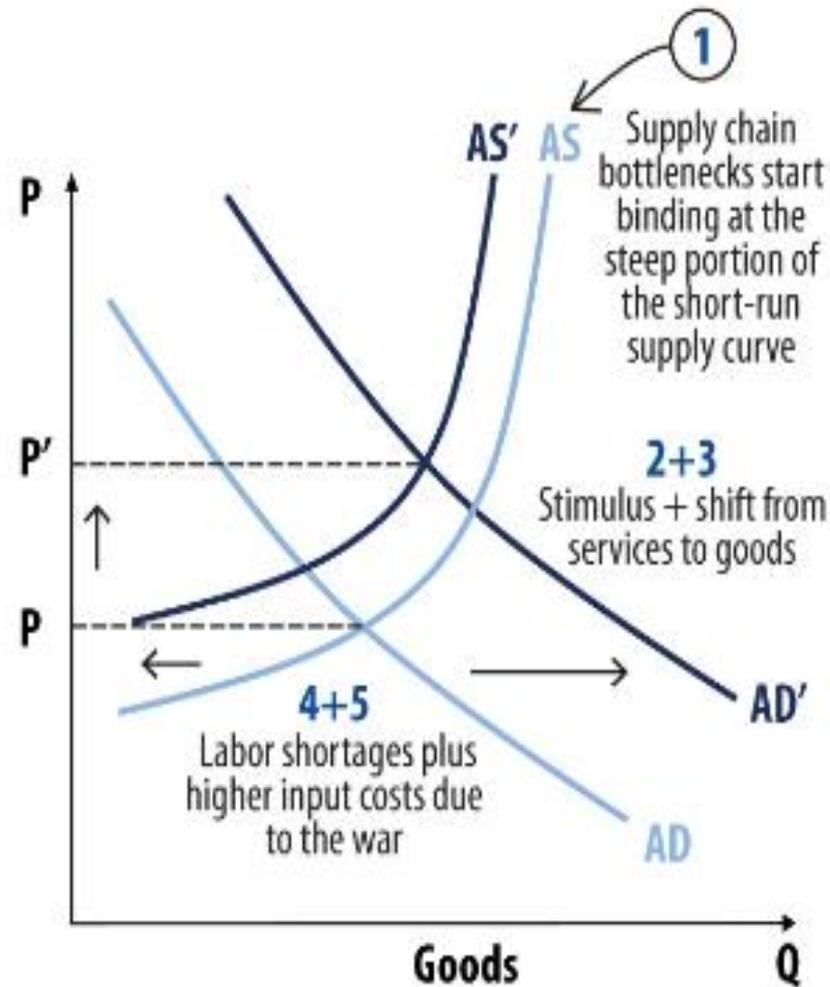
Note: Data have been seasonally adjusted by Corinna using Refinitiv Datastream. Latest data are for April. Source: Taiwan [Ministry of Economic Affairs](#). [Return to "What's New"](#).

- ❑ 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 33% in April, after 19% decline in March, to be almost 29% below their pre-pandemic peak, in part because of supply-chain disruptions arising from lockdowns in China
- ❑ Semi-conductor production is also affected by the war in Ukraine, because Ukraine is a major producer of neon gas which is used in semi-conductor production

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 – 23RD 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"](#).

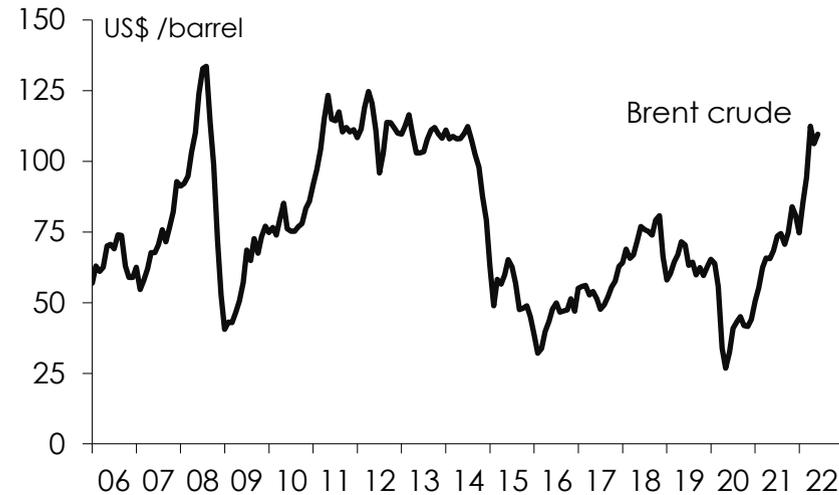
After seeming to have peaked in October, commodity prices have started rising again, especially for oil, gas and food as a result of the Ukraine war

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

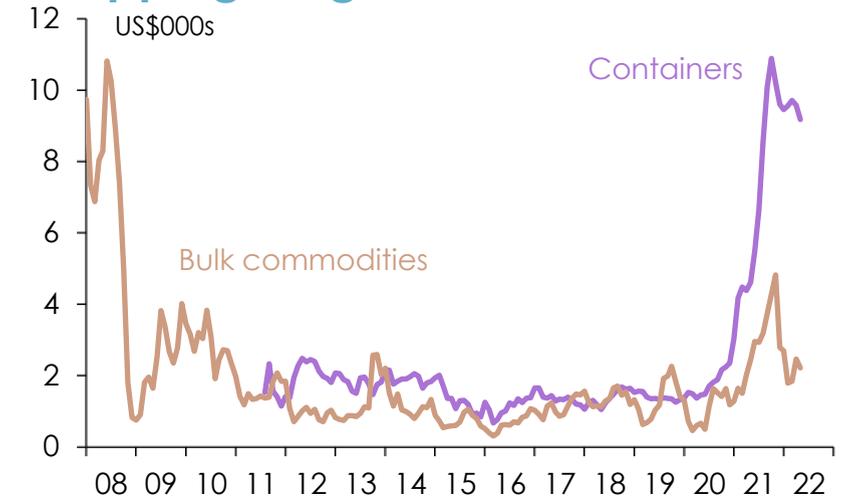
'Hard' commodity prices



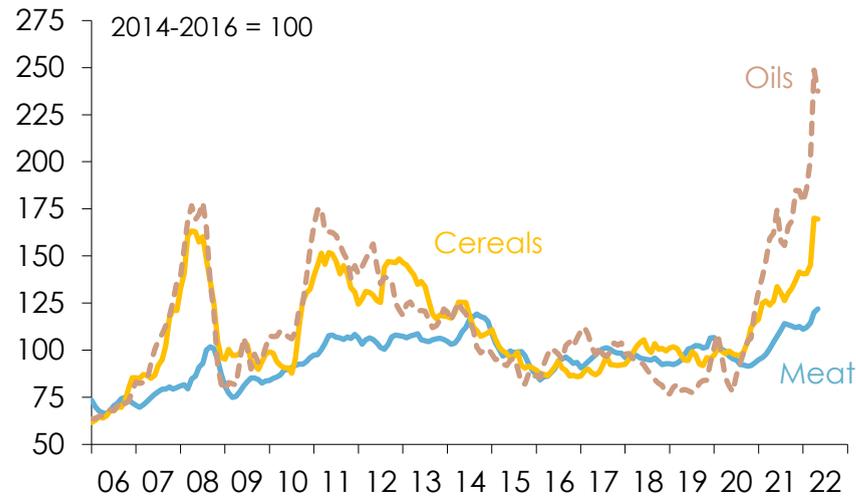
Crude oil price



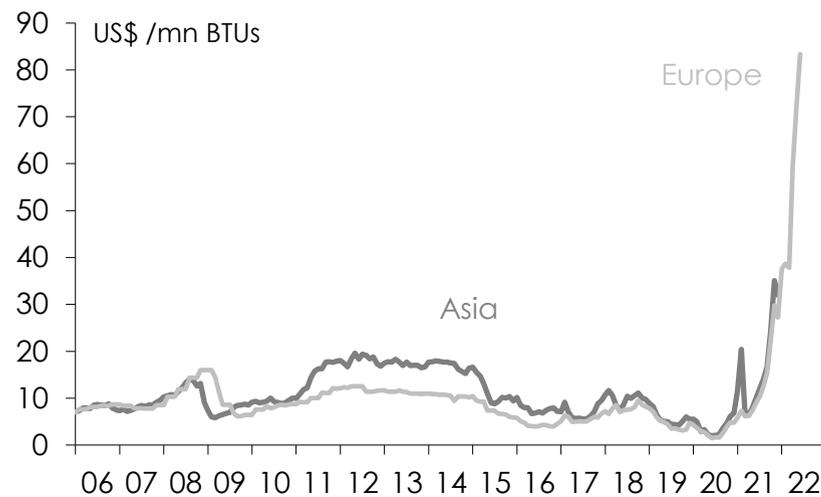
Shipping freight costs



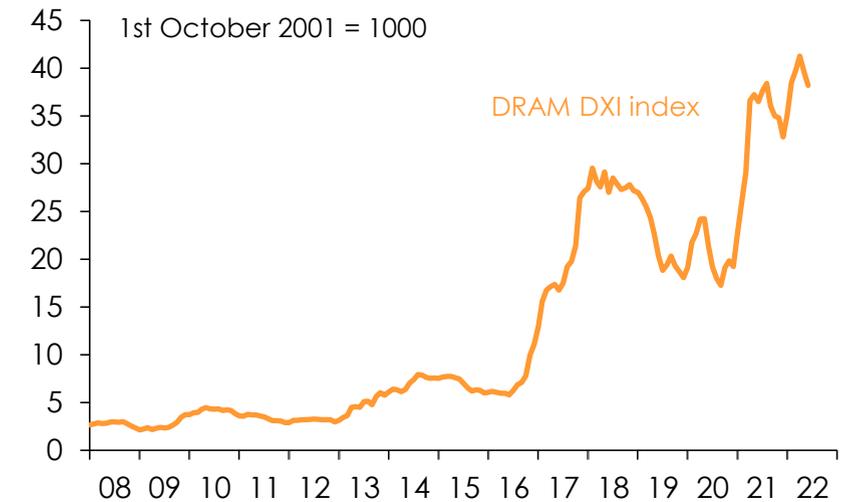
Food commodity prices



Natural gas prices



Semiconductor chip prices

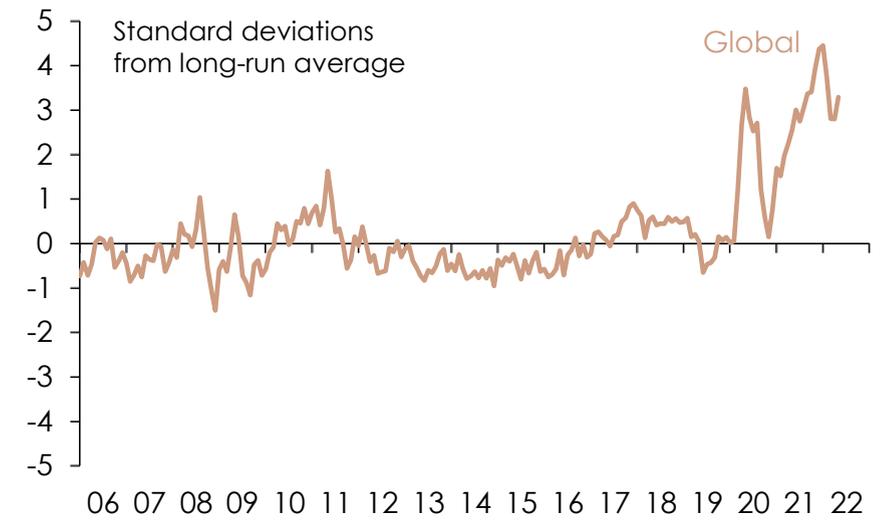
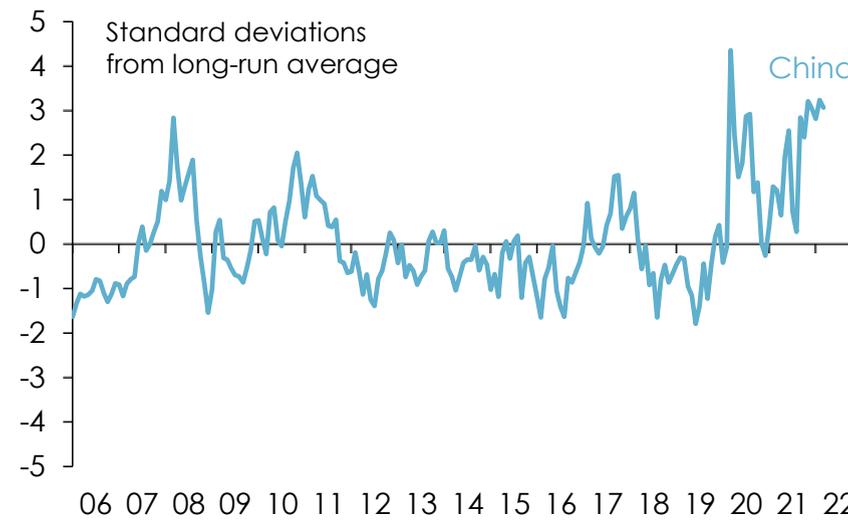
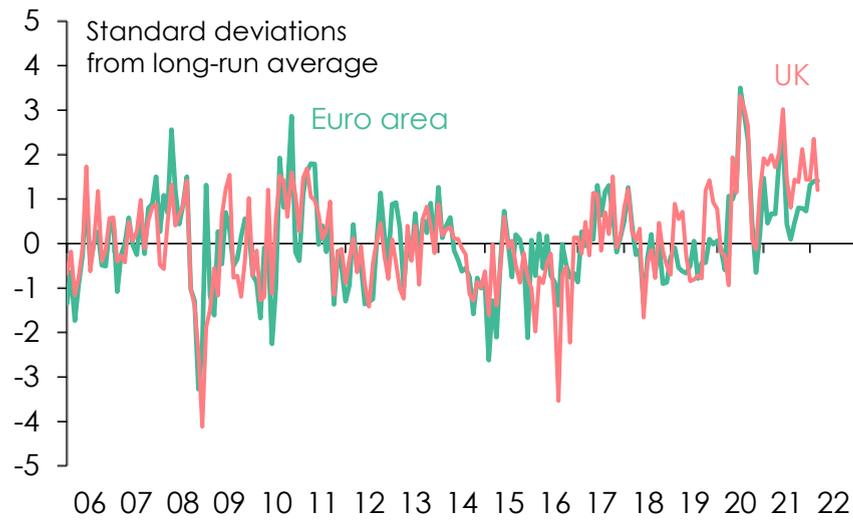
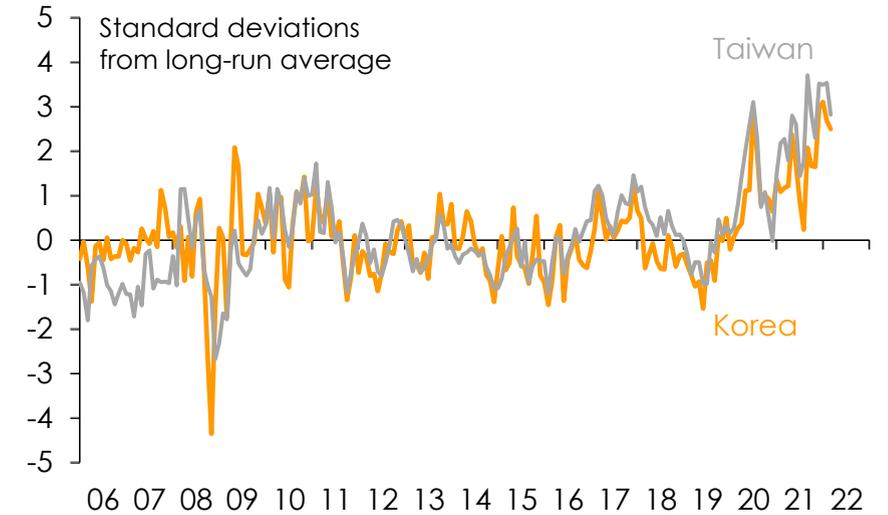
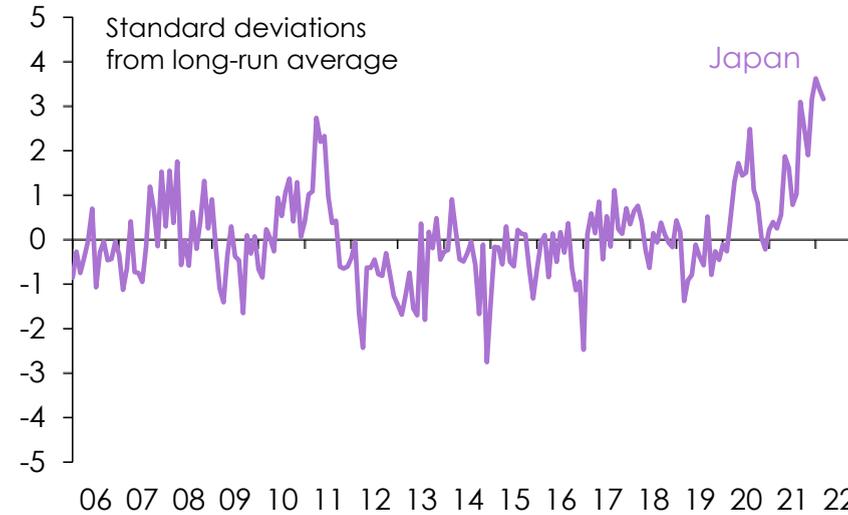
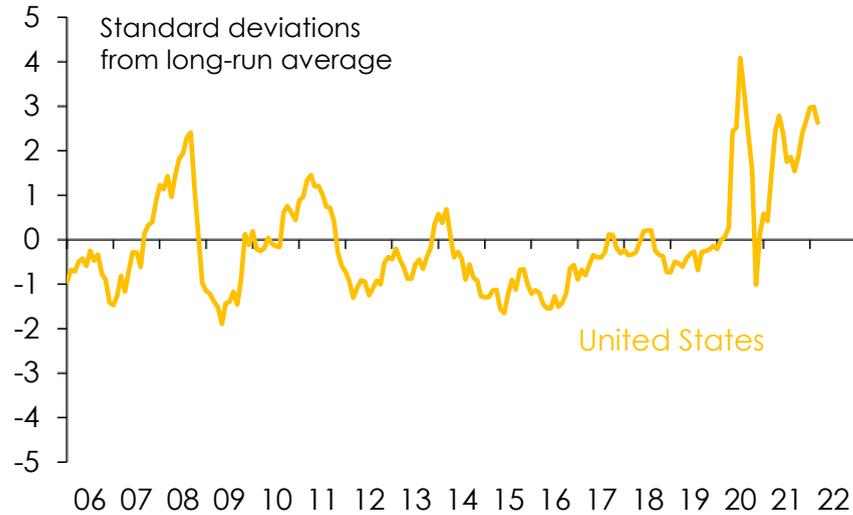


Note: The IMF commodity price indices were re-based to 2016 = 100 (previously 2005) in October 2021; but the IMF appears to have indefinitely suspended its series of commodity prices (other than indexes). Sources: [International Monetary Fund](#); [UN Food and Agriculture Organization](#); [Freightos](#);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

Supply chain pressures increased a little in April, after easing during the first quarter of this year.

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

NY Fed global supply chain pressure index

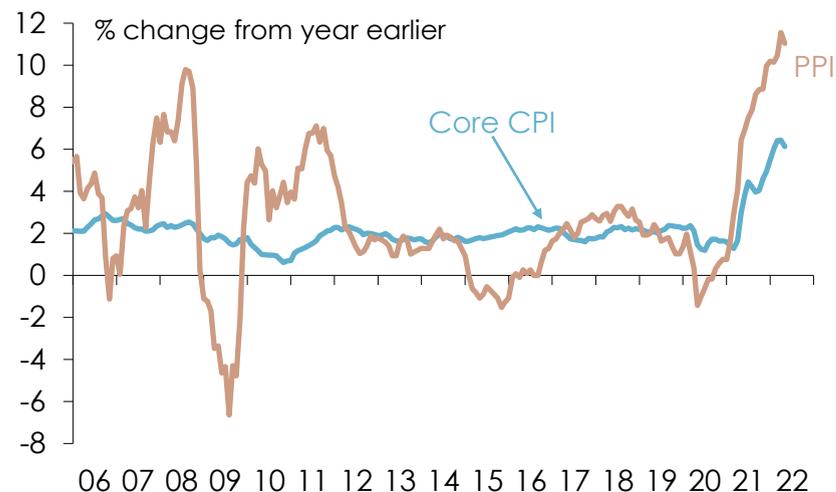


Sources: Gianluca Benigno, Julian Di Giovanni, Jan Groen & Adam Noble, [A New Barometer of Global Supply Chain Pressures](#), Federal Reserve Bank of New York, 4th January 2022 (which contains a detailed explanation of the construction of this index); and [Global Supply Chain Pressure Index: May 2022 Update](#), 18th May 2022.
[Return to "What's New"](#).

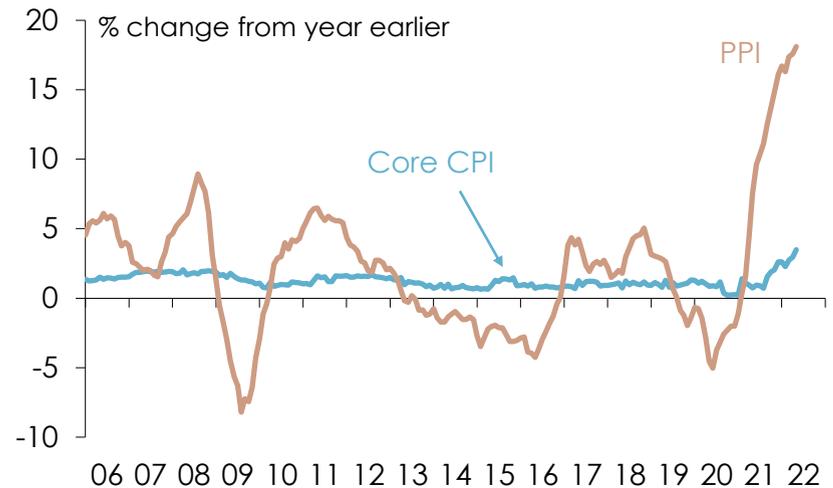
Producer prices are surging in all major economies: but only in the US and the UK is this feeding into markedly higher core CPI inflation

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

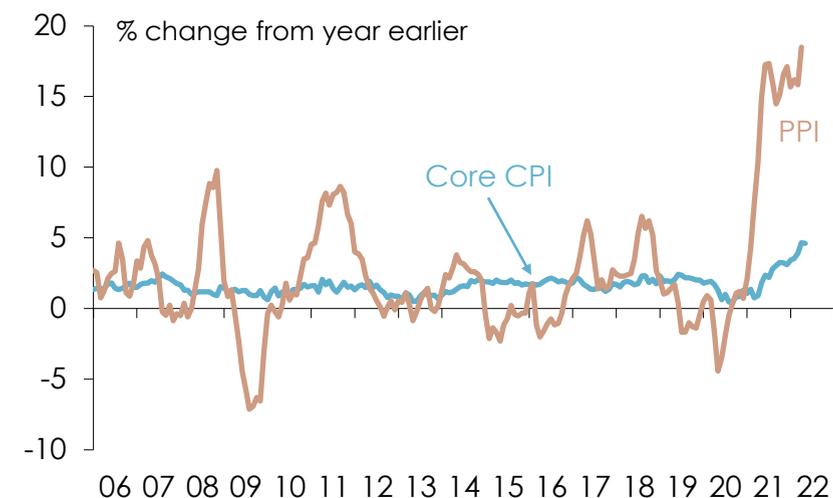
United States



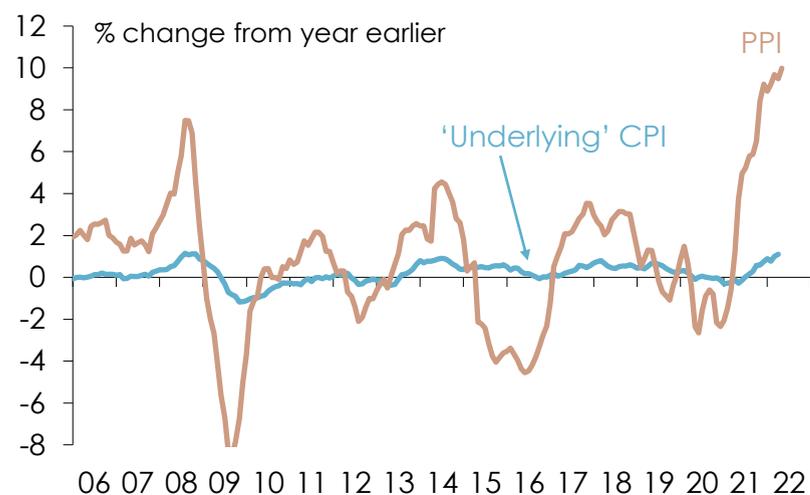
Euro area



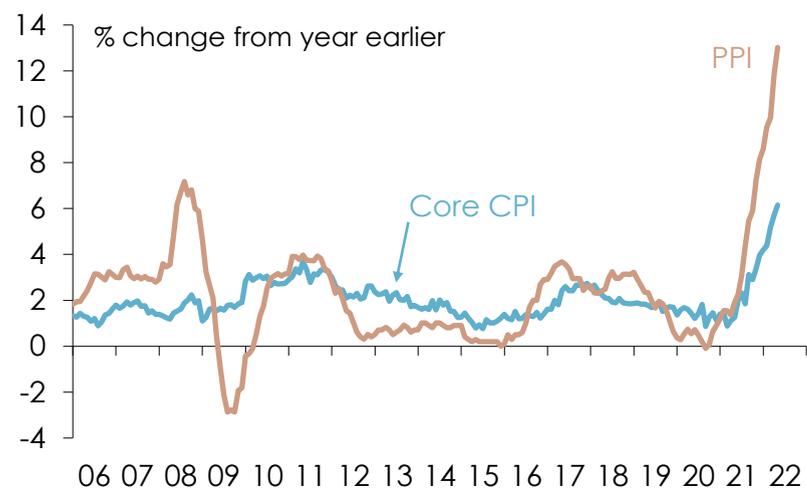
Canada



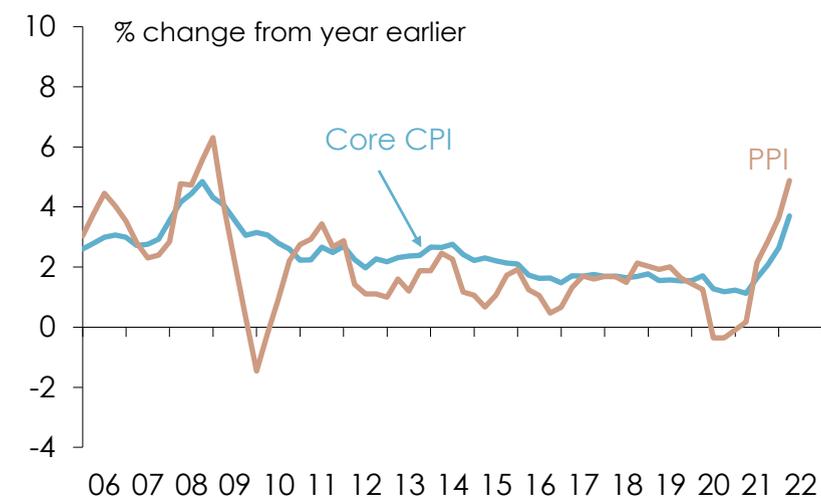
Japan



United Kingdom



Australia

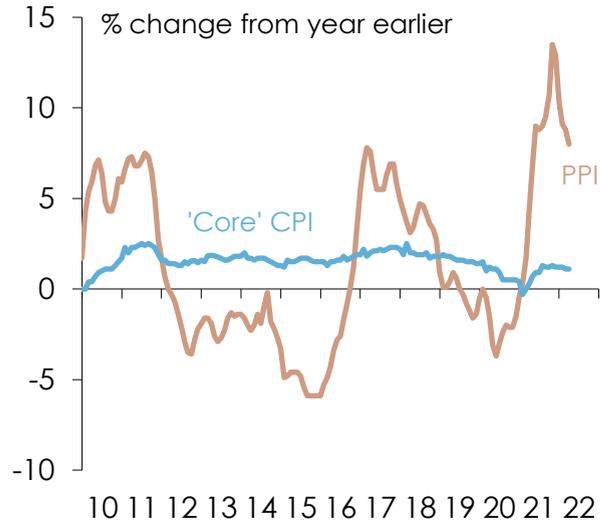


For a more detailed analysis of recent US inflation data see [slides 60-64](#). Sources: [US Bureau of Labor Statistics](#); [Statistics Bureau of Japan](#) and [Bank of Japan](#); [Eurostat](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Australian Bureau of Statistics](#). [Return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

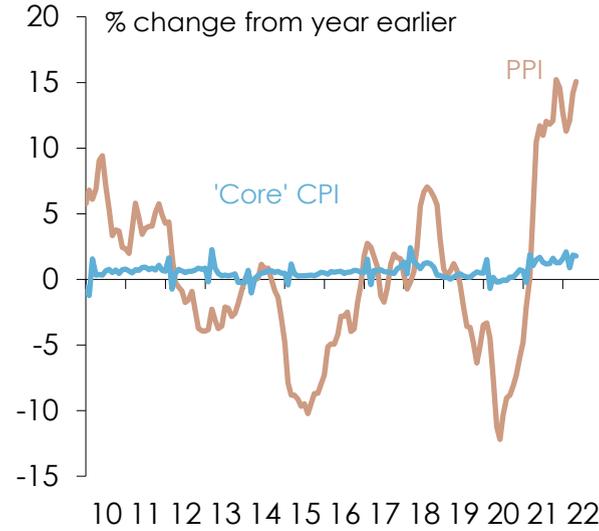
Most Asian economies have been experiencing rapid 'upstream' inflation for some time, and 'core' consumer price inflation is now starting to pick up

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

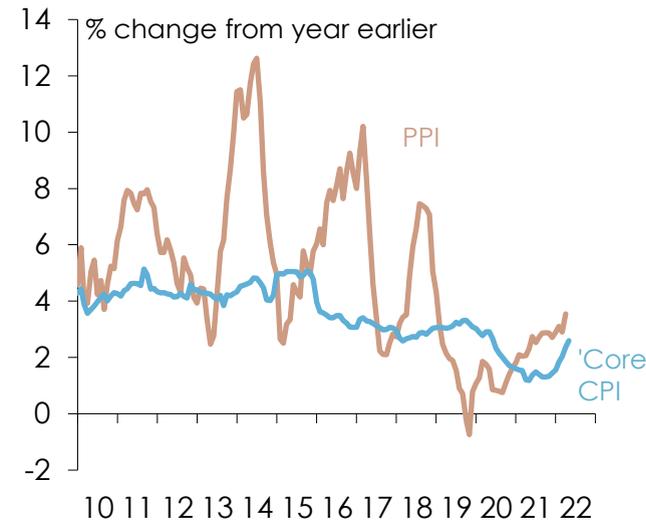
China



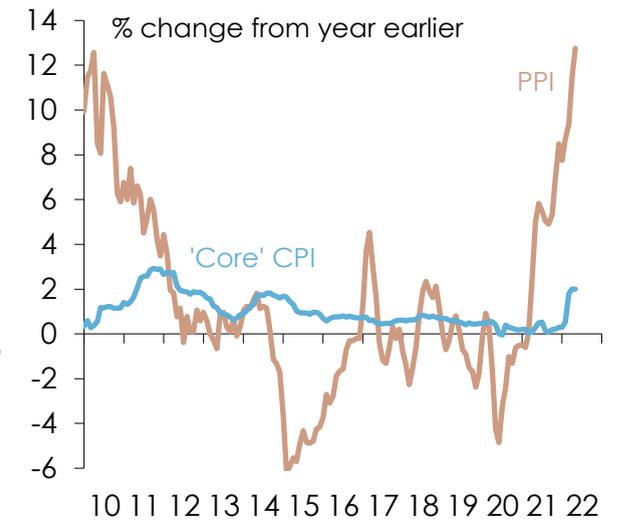
Taiwan



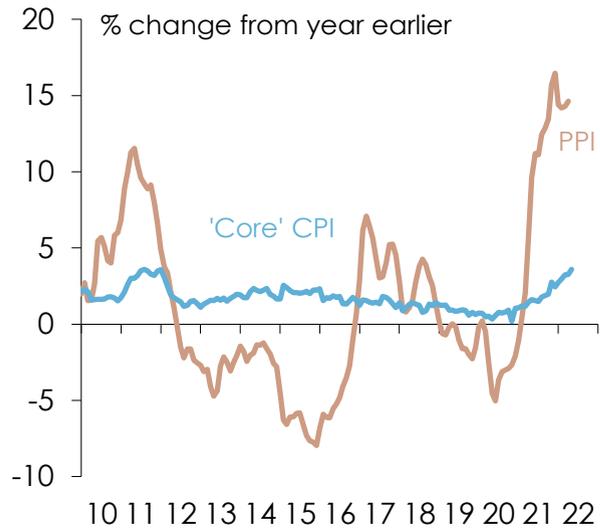
Indonesia



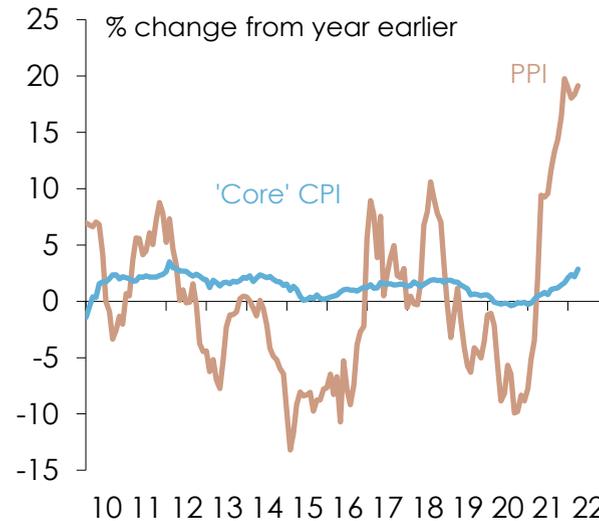
Thailand



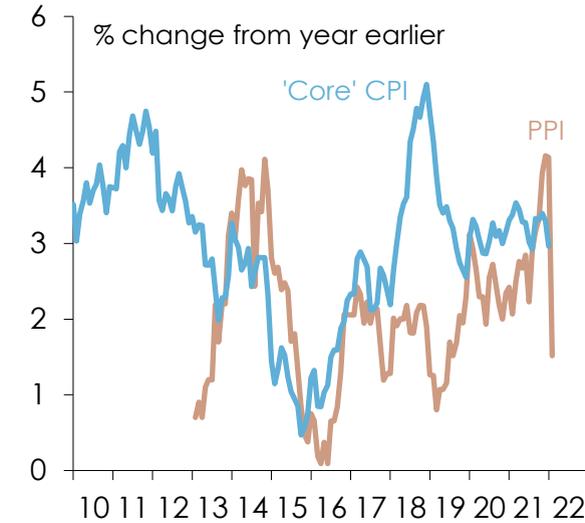
Korea



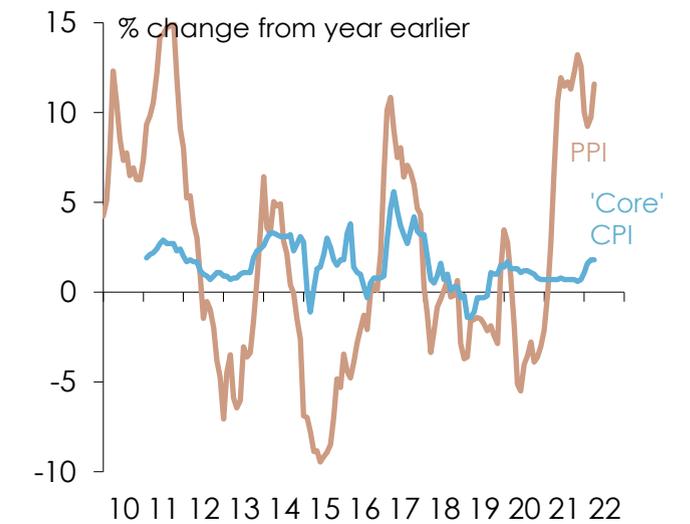
Singapore



Philippines



Malaysia

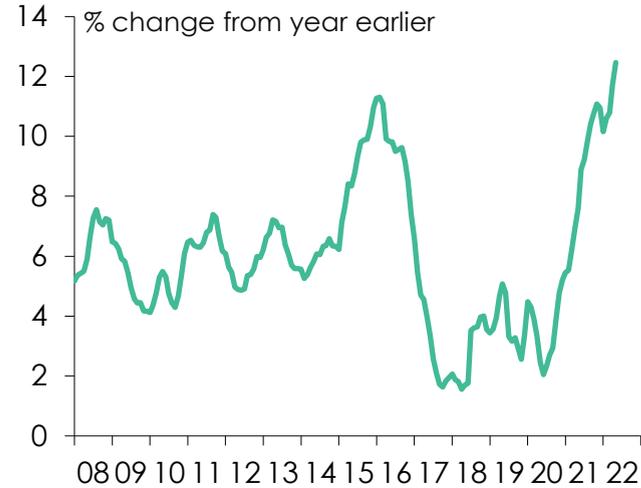


Note: 'Core' CPIs measure different things in different Asian economies – see footnotes to [slide 102](#). Sources: [China National Bureau of Statistics](#); [Statistics Korea](#); [Bank of Korea](#); [Taiwan Statistical Bureau](#); [Singstat](#); [Monetary Authority of Singapore](#); [Statistics Indonesia](#);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

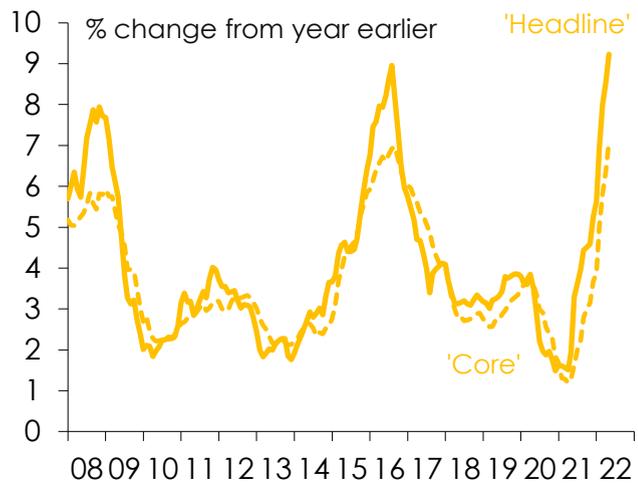
Consumer price inflation is rising sharply across Latin America (except for Venezuela, where it's now down to just 207%!)

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

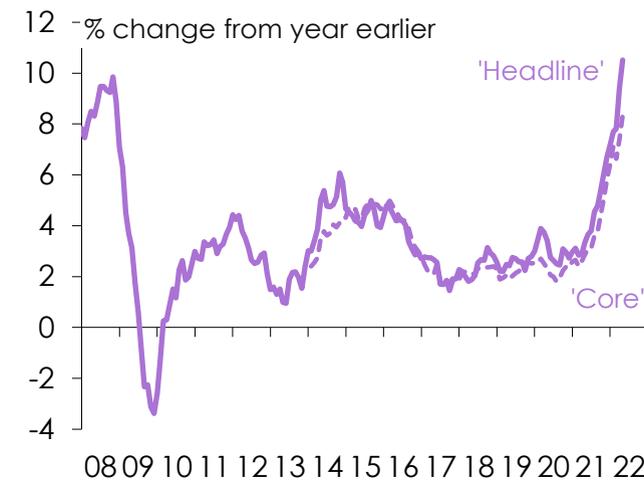
Brazil



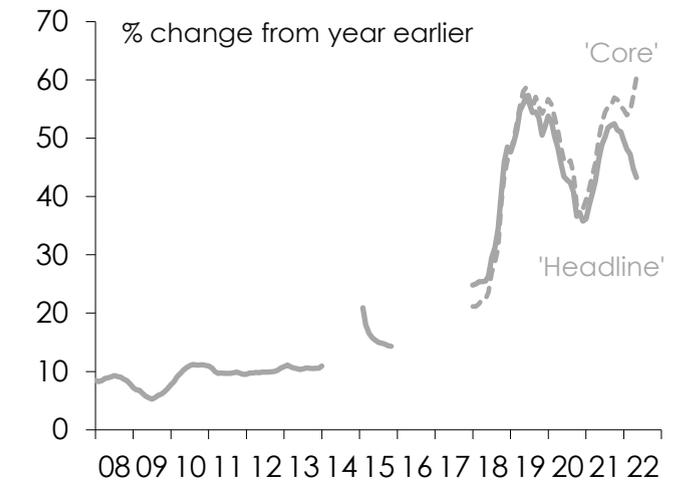
Colombia



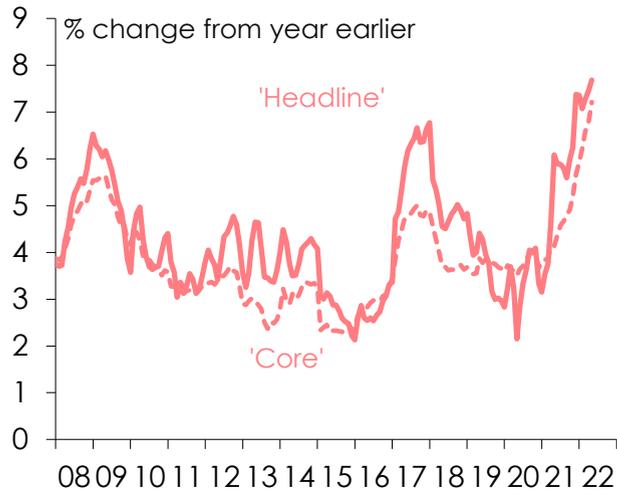
Chile



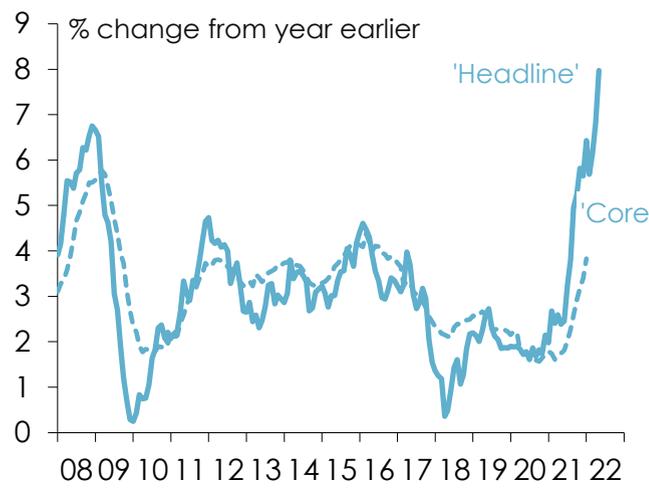
Argentina



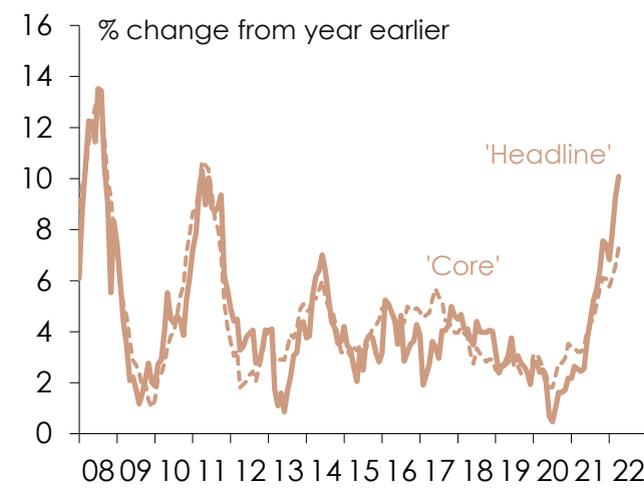
Mexico



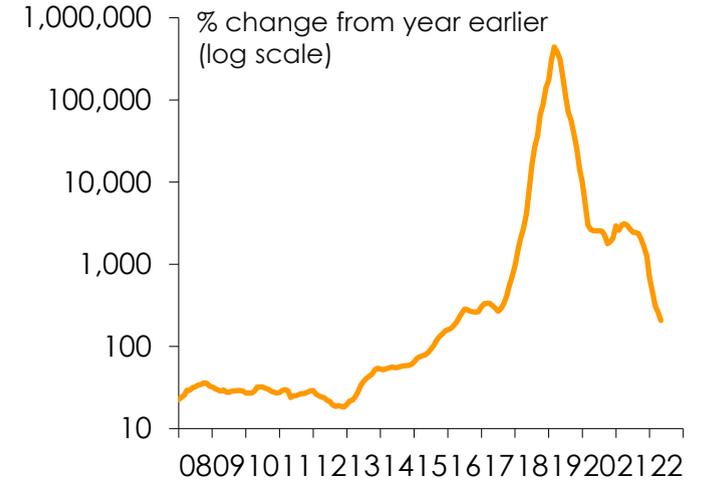
Peru



Paraguay



Venezuela

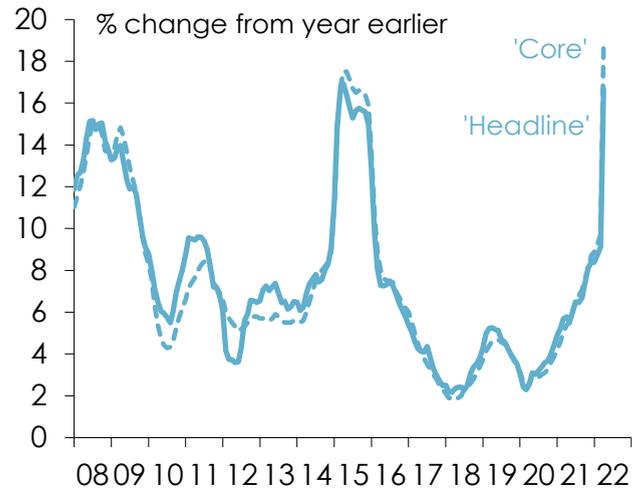


Sources: [Instituto Brasileiro de Geografia e Estatística](#); [Instituto Nacional de Estadística y Geografía](#) (Mexico); [Departamento Administrativo Nacional de Estadística](#) (Colombia); [Instituto Nacional de Estadística e Informática](#) (Peru); [Instituto Nacional de Estadísticas](#) (Chile);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

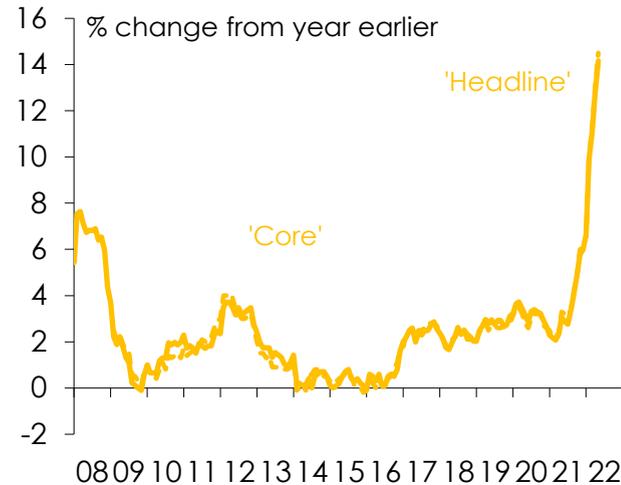
Consumer price inflation is also rising across Central and Eastern Europe, and in South Africa

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

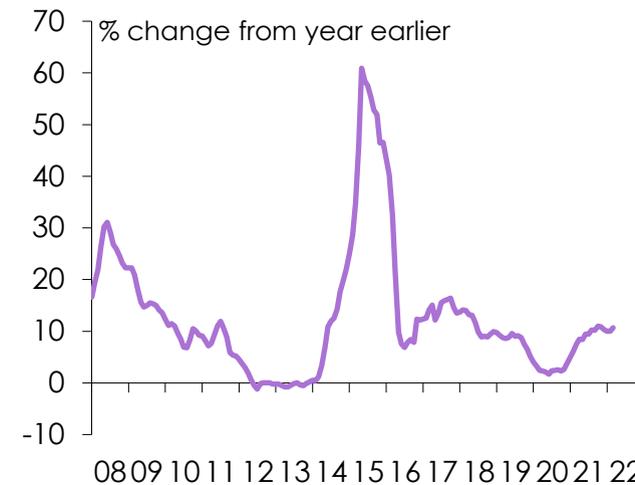
Russia



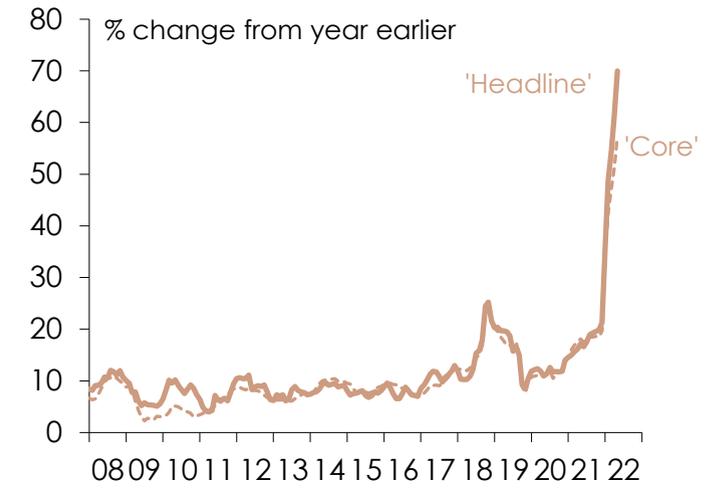
Czech Republic



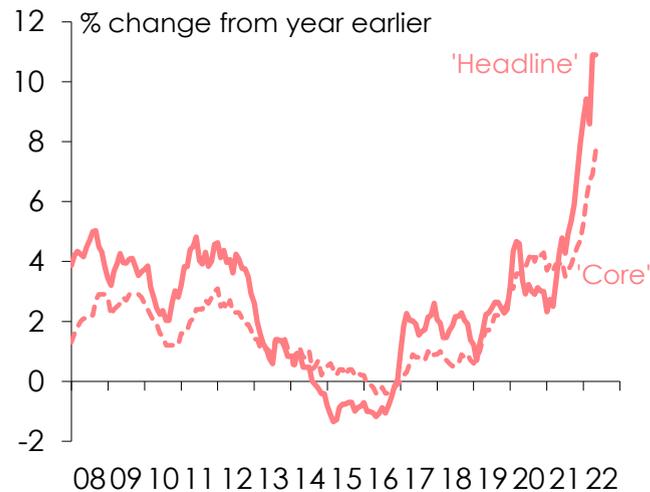
Ukraine



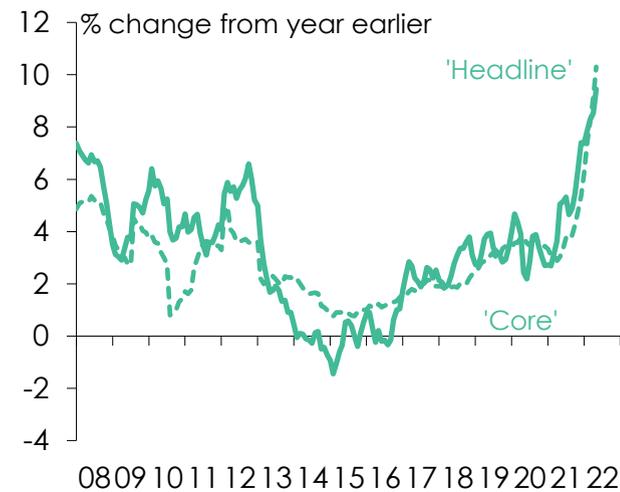
Turkey



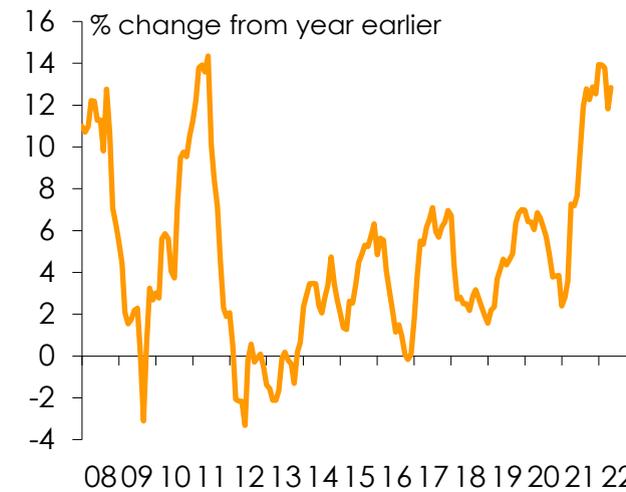
Poland



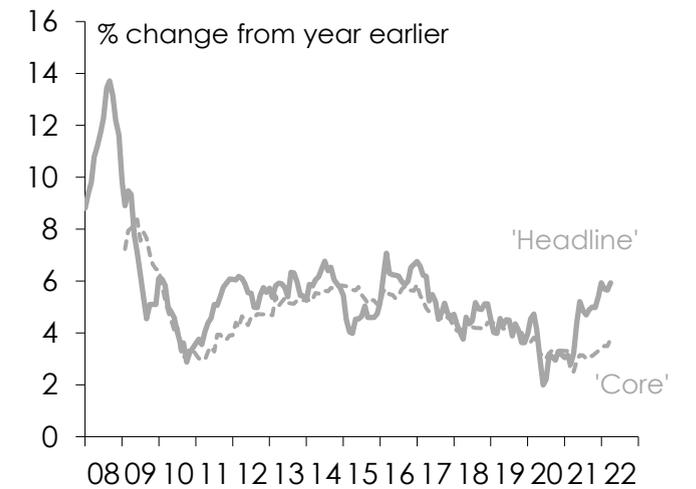
Hungary



Georgia



South Africa

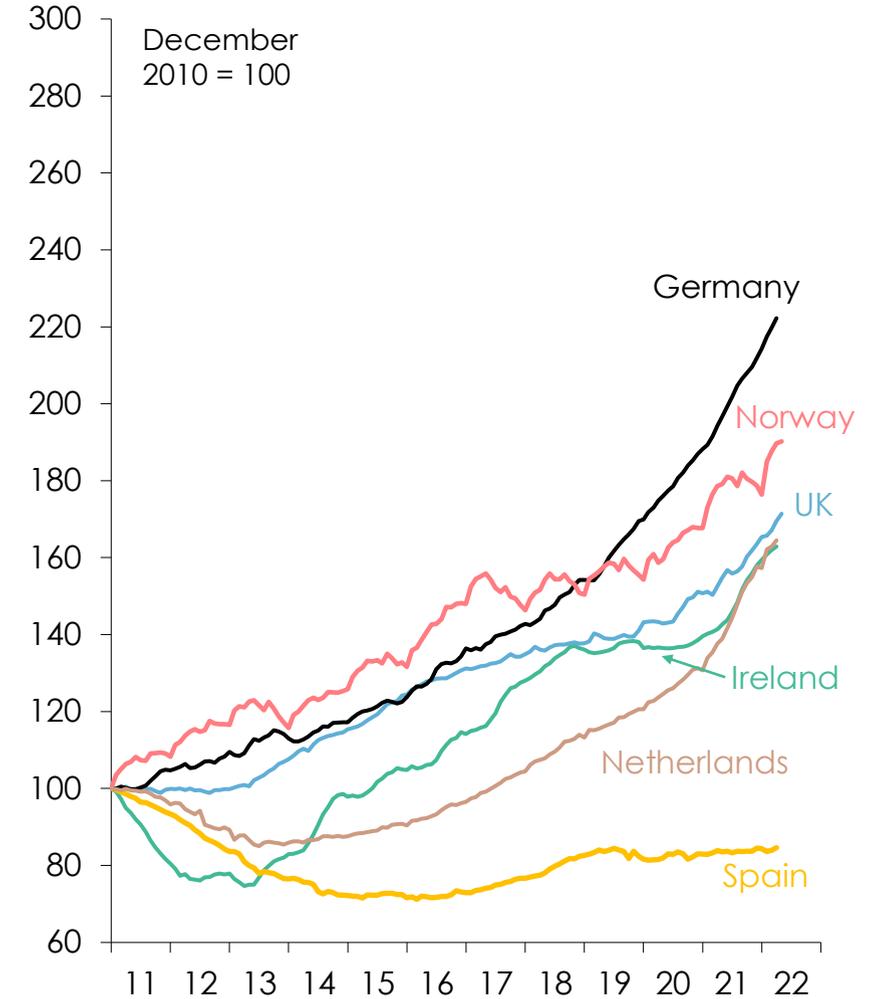
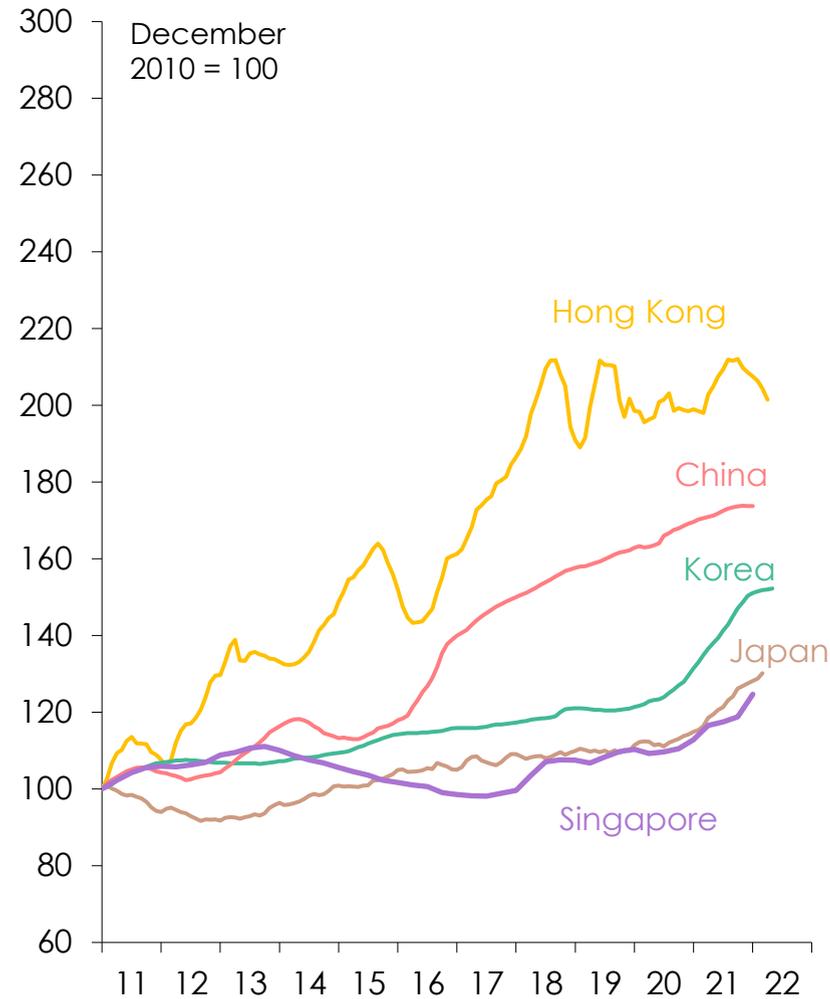
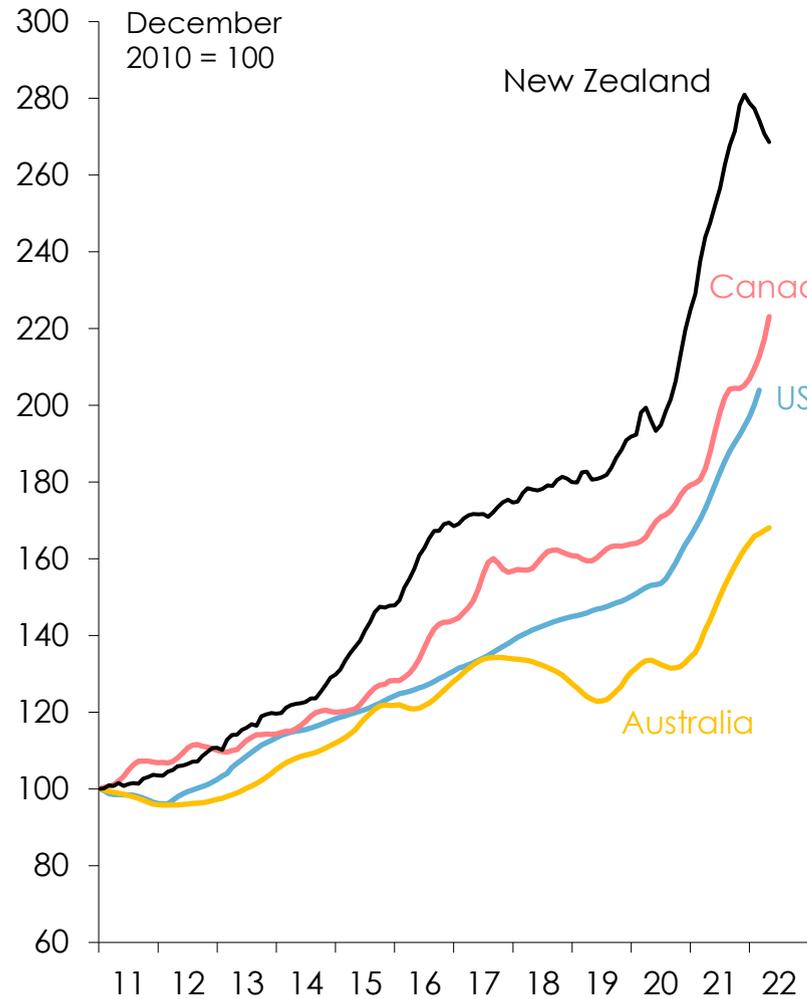


Sources: [Rosstat](#); [Główny Urząd Statystyczny](#) (Poland); [Český statistický úřad](#) (Czech Republic); [Központi Statisztikai Hivatal](#) (Hungary); [Ukrstat](#); [Sak'art'velos statistikis erovnuli samsakhuri](#) (Georgia); [Turkstat](#); [Statistics South Africa](#). Return to "What's New".

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 – 23RD MAY 2022

House price indices

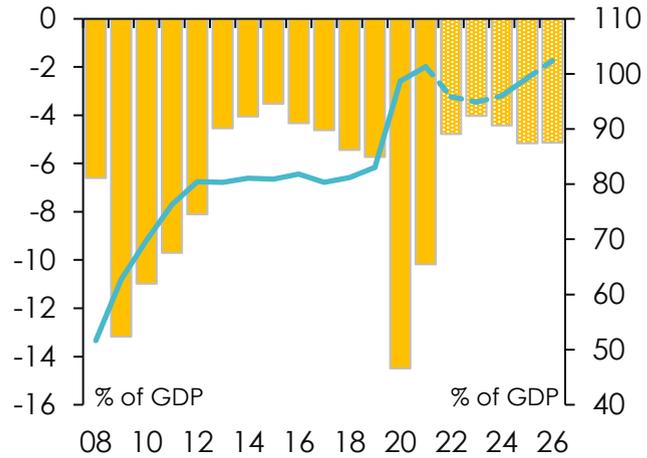


Note: House price indices shown in these charts are those published by [S&P-CoreLogic Case Shiller national](#) (United States); [Teranet-National Bank](#) (Canada); [CoreLogic](#) (Australia); [Real Estate Institute of New Zealand](#); [China Index Academy](#); [Japan Real Estate Institute](#) (Tokyo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

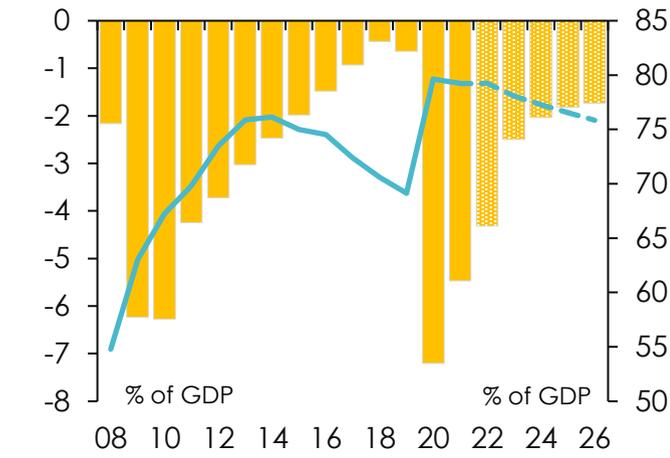
Fiscal policy is set to be tightened significantly in 2022 in most major economies except Japan, China and India

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

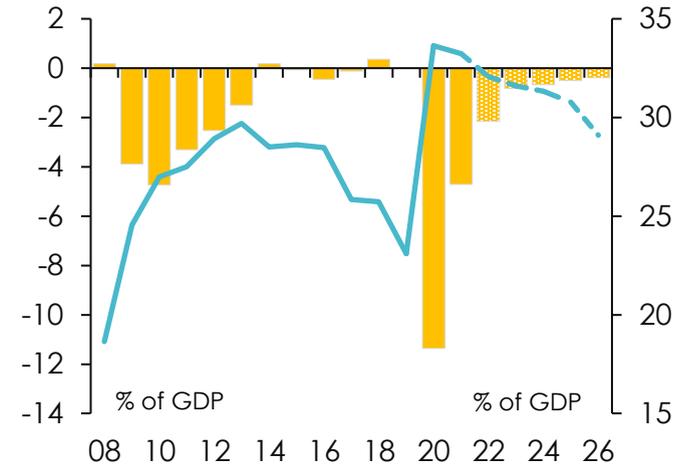
United States



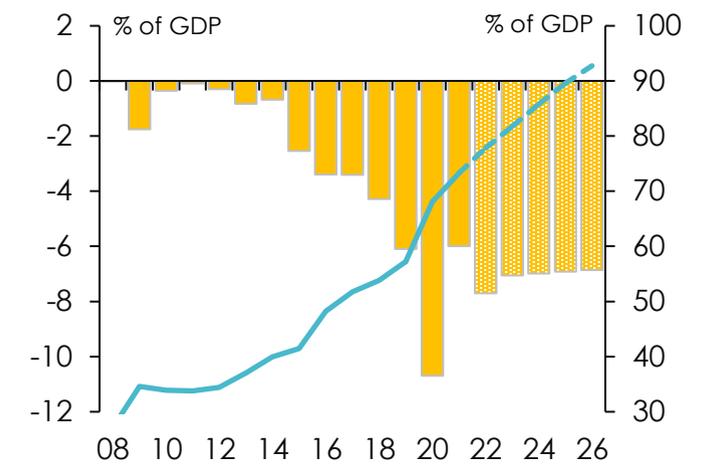
Euro area



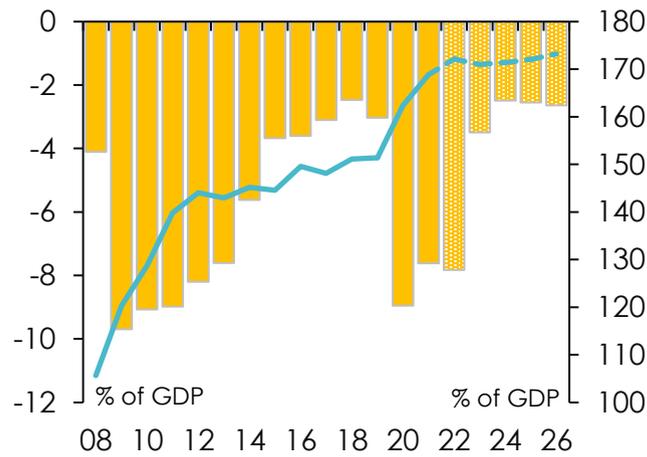
Canada



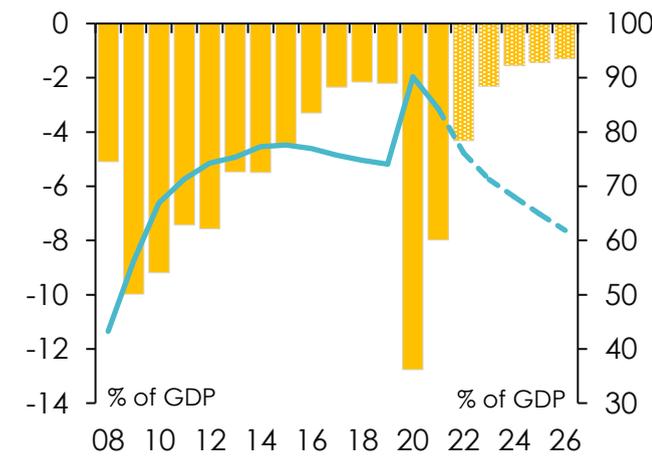
China



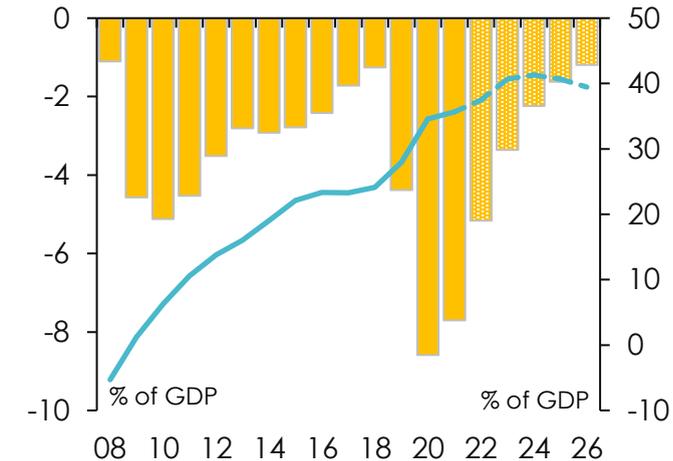
Japan



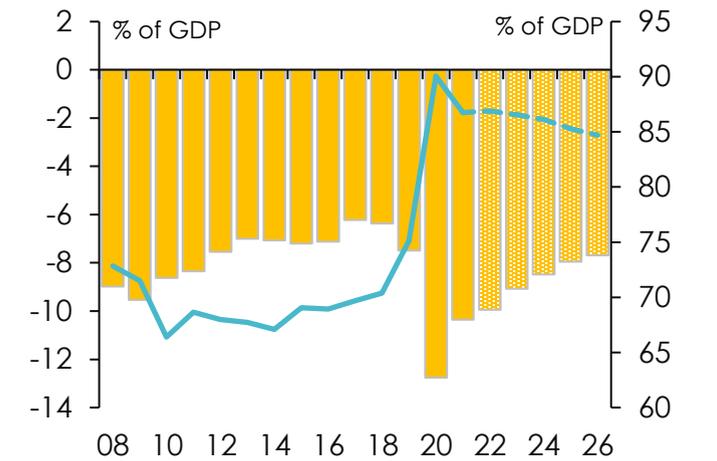
United Kingdom



Australia



India



General government overall fiscal balance (left scale)



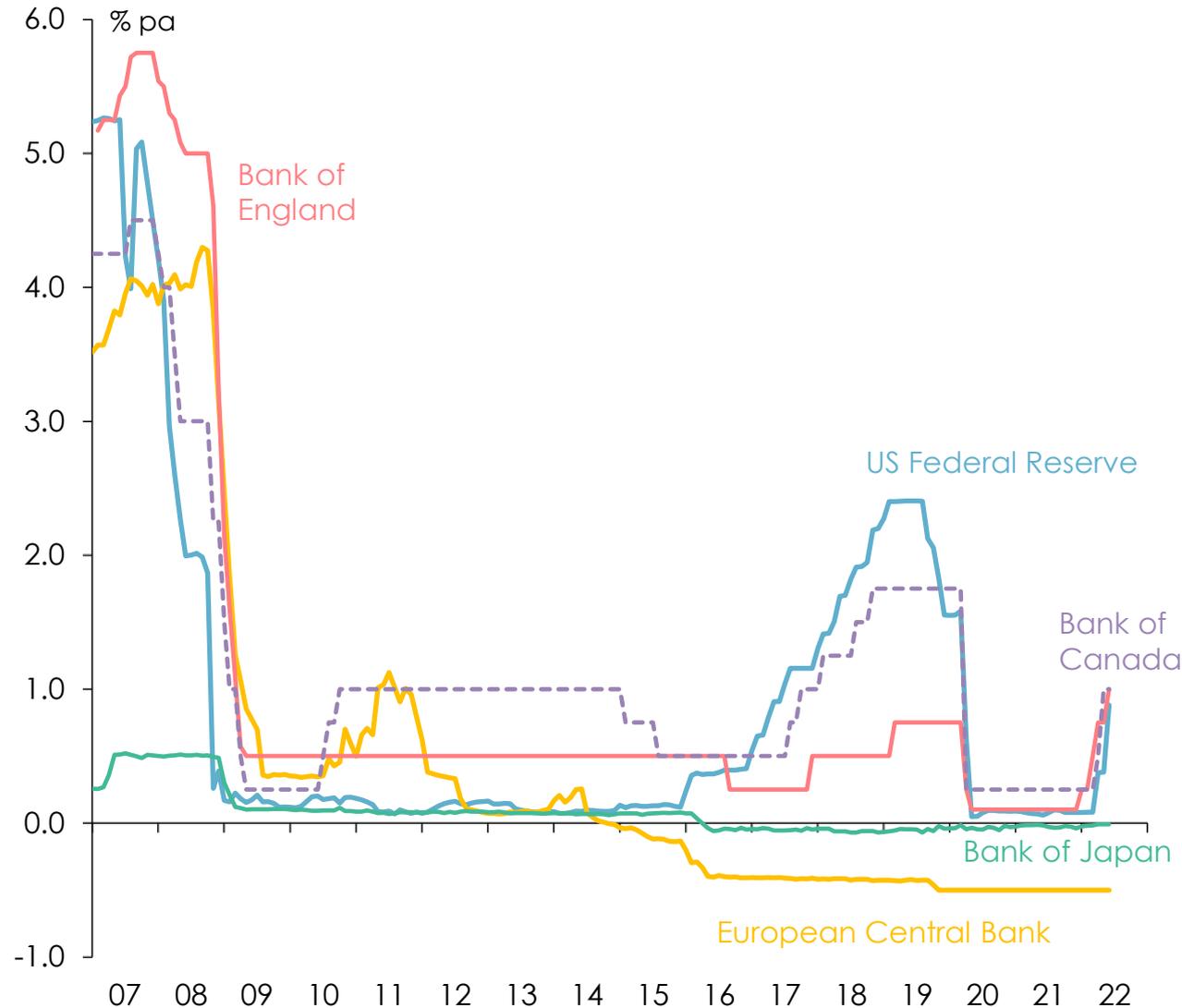
General government net debt (right scale)

Note: China debt is gross debt, not net. Sources: International Monetary Fund, [Fiscal Monitor](#), and [World Economic Outlook](#), April 2022. [Return to "What's New"](#)

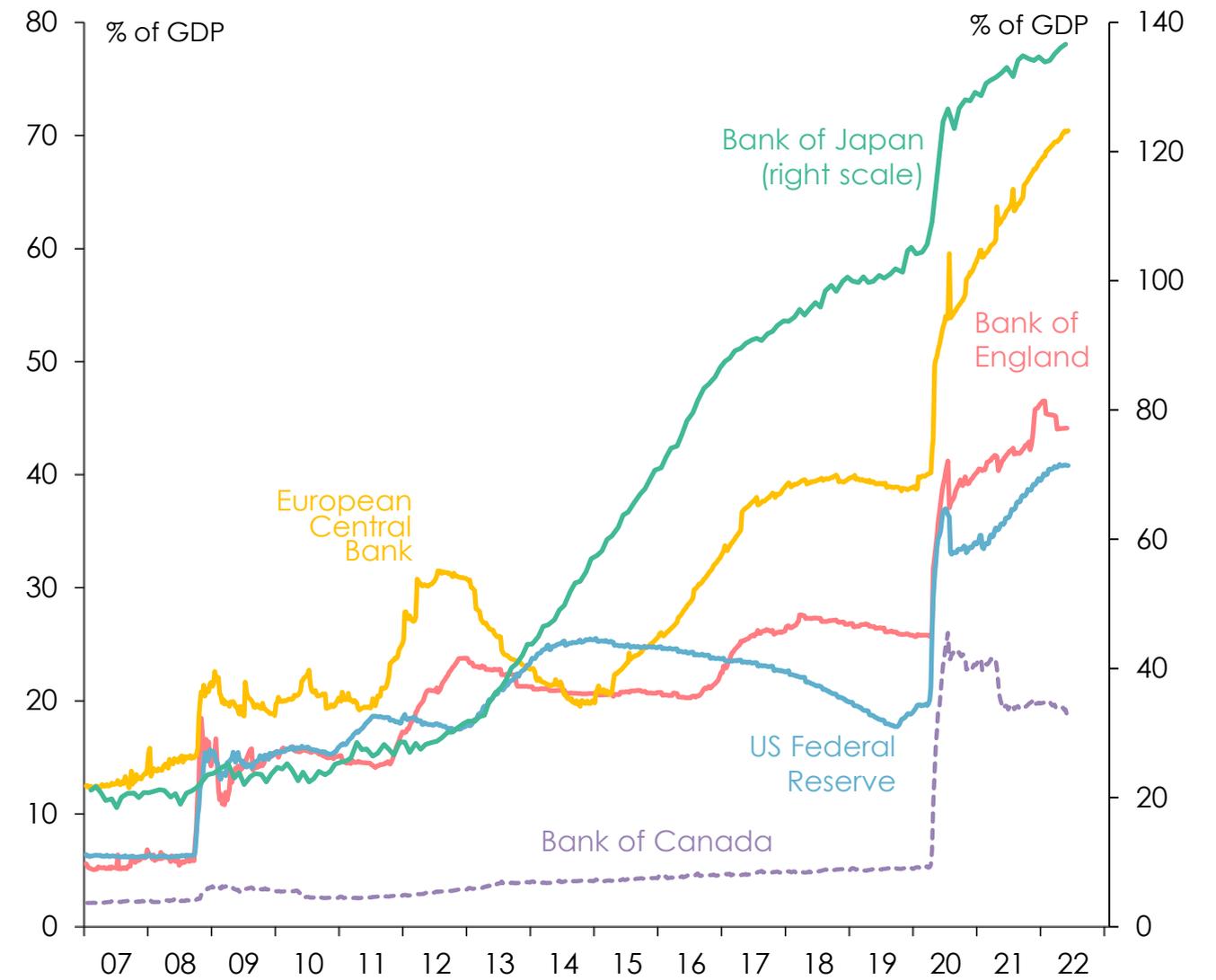
The Federal Reserve this month raised its funds rate target another 50 bp, to 0.75-1.0%, and the Bank of England raised its bank rate 25 bp, to 1.0%

THE WORLD ECONOMY THIS WEEK – 23RD 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"](#).

How will 'quantitative tightening' work, in practice?

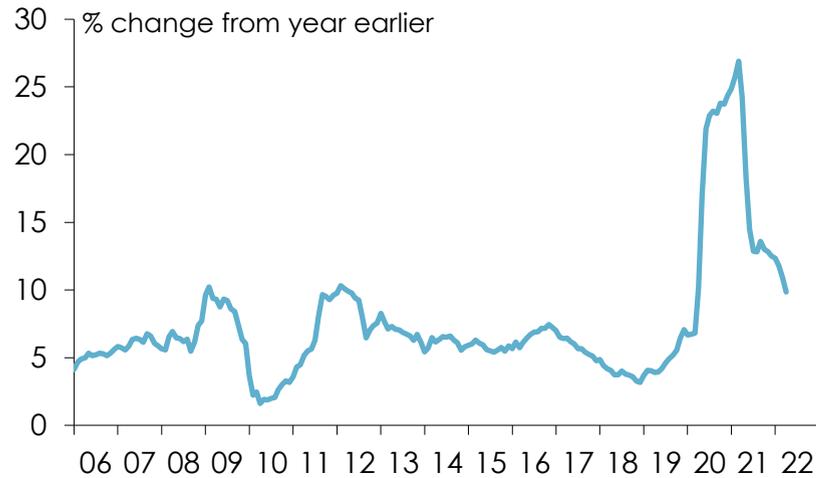
THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

- ❑ Research by central bank and academic economists (see for example [Gagnon et al 2011](#); [D'Amico & King 2011](#); [Bauer & Rudebusch 2014](#); [Di Maggio, Kermani & Palmer 2016](#); [Krishnamurthy & Vissing-Jørgensen 2016](#); [Haddad, Moreira & Muir 2020](#); [Viyanos & Vila 2021](#); [Krishnamurthy 2022](#); and [Lucca & Wright 2022](#)) suggests that 'quantitative easing' (asset purchases) by central banks works through three main 'channels'
 - broad macro channels (similarly to conventional monetary policy administered through policy interest rates) such as exchange rates and (real & financial) asset prices;
 - narrower channels associated with the specific assets which central banks are buying (such as mortgage-backed securities, longer-dated securities, or in the euro area, specific government securities) which affect the 'risk premiums' on those assets;
 - and as an additional 'signalling channel' for communicating more information about central banks' intentions
- ❑ Although central banks have almost no experience with 'quantitative tightening' (other than the Fed's limited episode between October 2017 and June 2019), it seems reasonable to think that it will also 'work' (to the extent that it does) through similar channels (albeit in the opposite direction)
- ❑ Specifically, 'QT' is likely to have a dampening effect on asset prices
 - which is already evident in the falls in stock prices – and especially prices of 'tech stocks' – since the Fed first formally announced that it would embark on 'QT'
 - and it will also likely have a dampening impact on real estate prices
- ❑ 'QT' will also likely have some impact on exchange rates, at least for the US\$ vs the euro and yen
 - because the Fed is doing 'QT', but the BoJ and the ECB aren't
 - it may also put downward pressure on emerging market currencies, compounding the effects of higher US interest rates
- ❑ To the extent that 'QT' does re-inforce the impact of 'conventional' monetary policy (higher policy interest rates), 'QT' may mean that those policy interest rates may not need to rise as much
 - though it may take some time for central banks to reach that judgement, if it's warranted

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 – 23RD MAY 2022

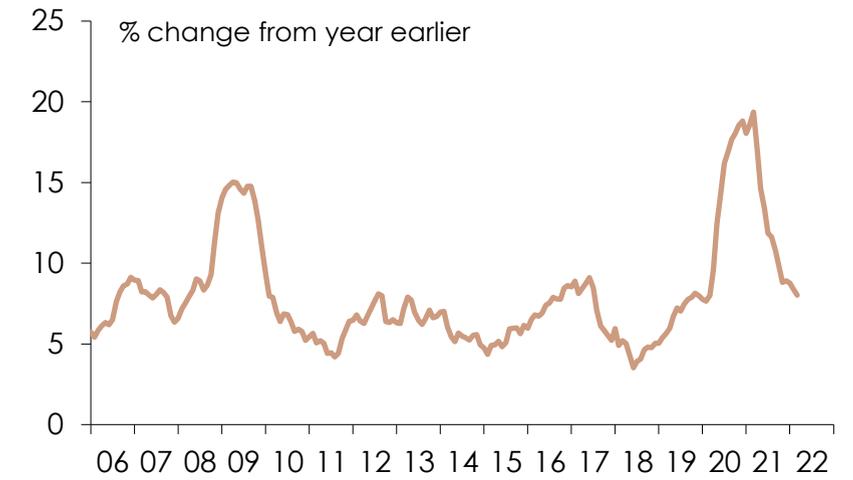
US M2



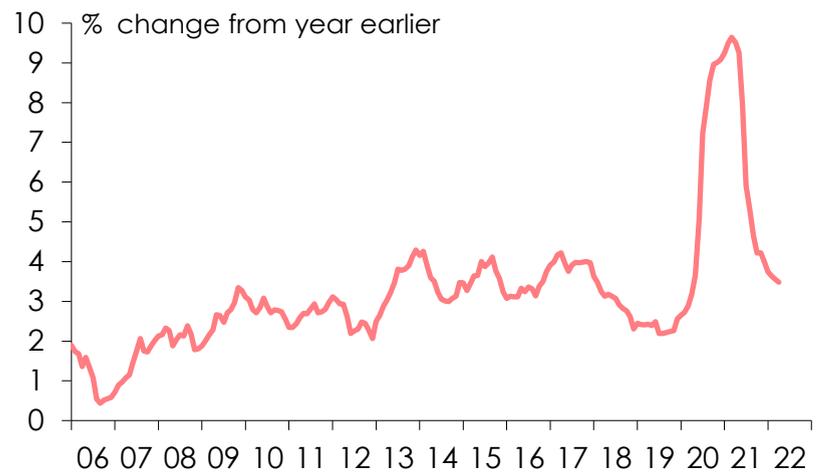
Euro area M2



Canada M2



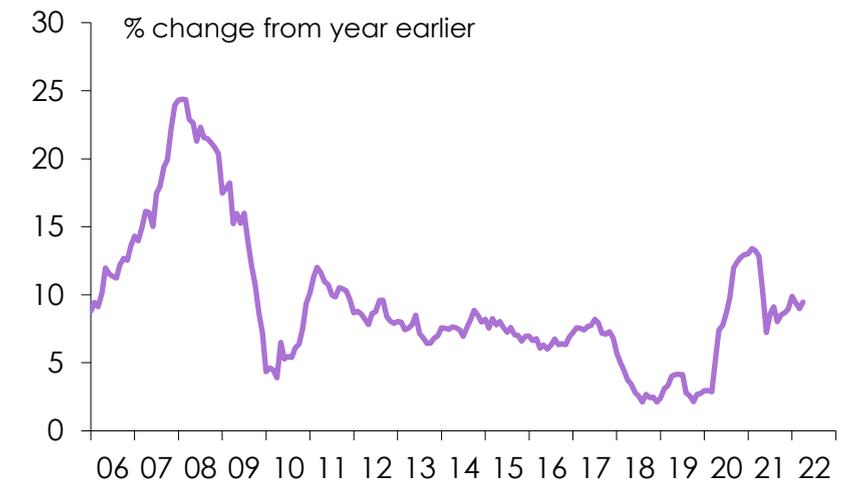
Japan M2 + CDs



UK M2



Australia M3

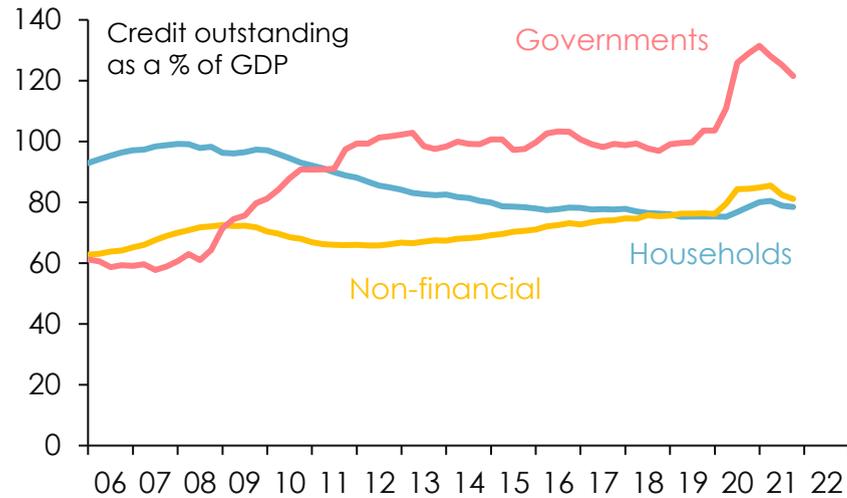


Sources: US Federal Reserve; European Central Bank; Bank of Japan; Bank of England; Bank of Canada; RBA. [Return to "What's New"](#).

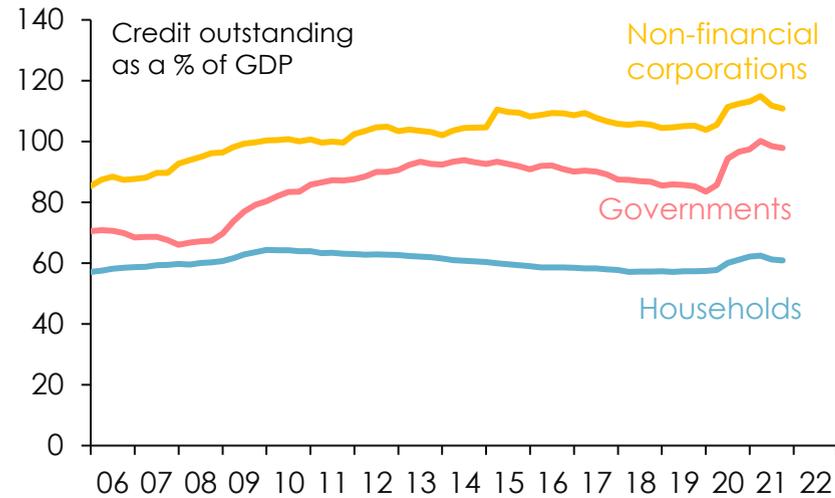
Japanese, US and UK governments, Canadian corporations and Australian households appear most exposed to increases in interest rates

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

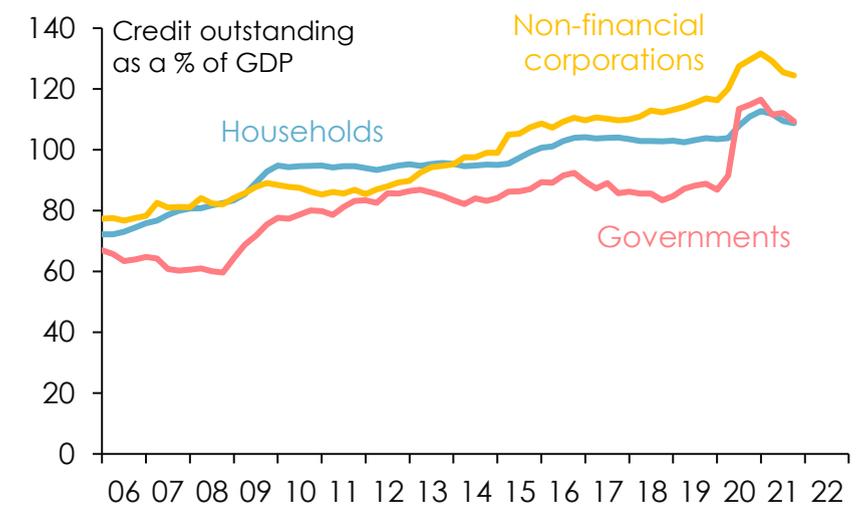
US



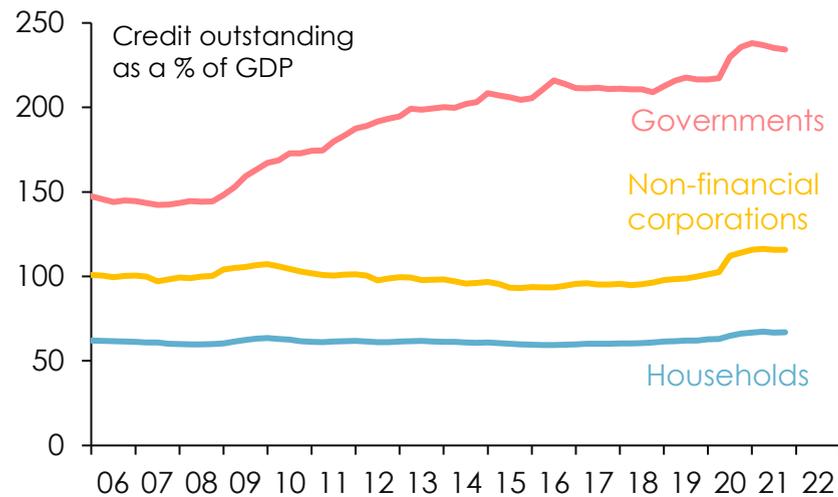
Euro area



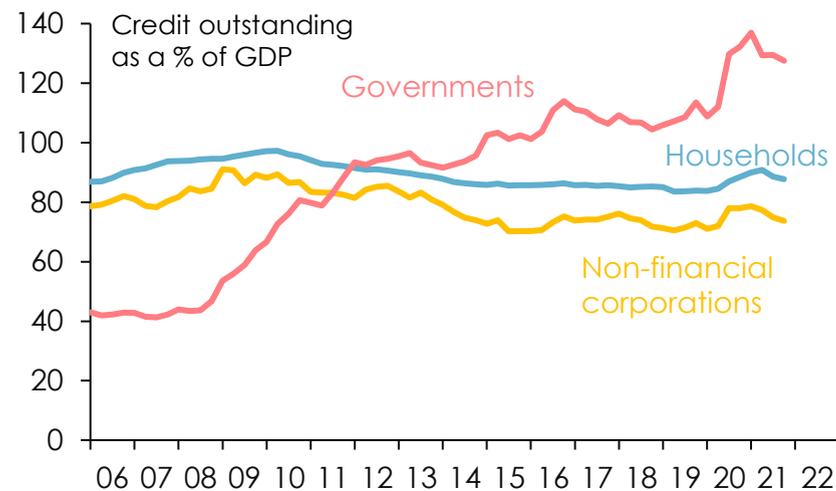
Canada



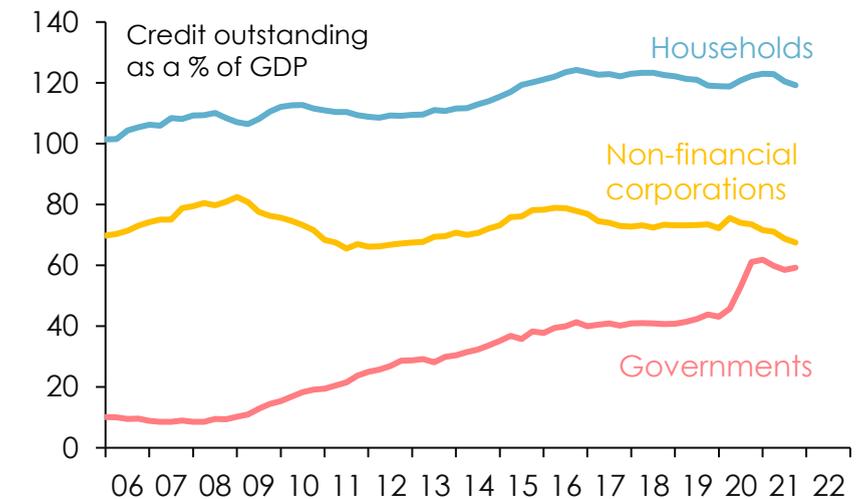
Japan



UK



Australia

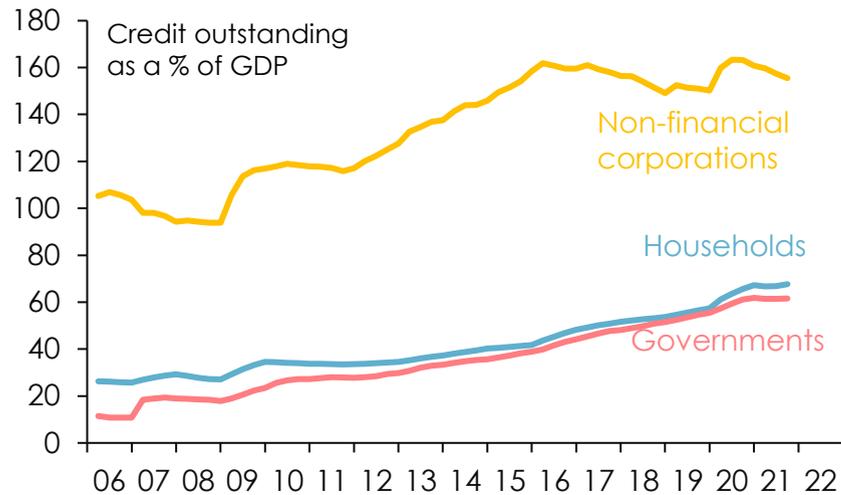


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

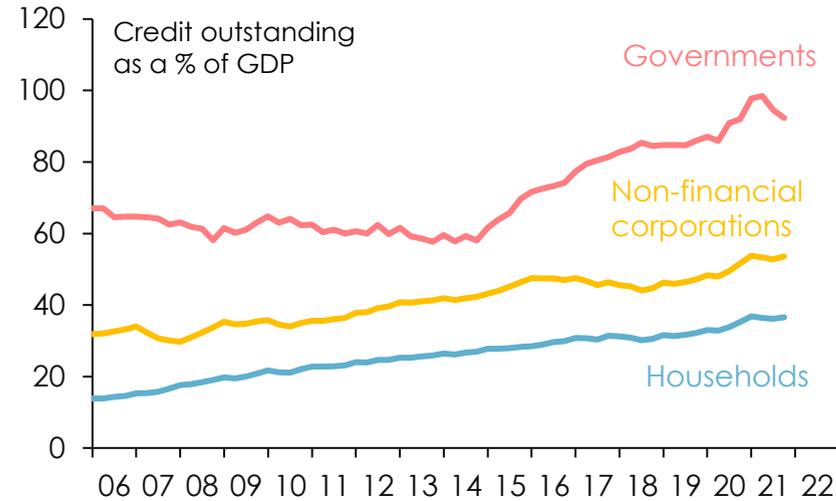
In major 'developing' economies it's usually governments that are most exposed to rising interest rates – except for China, Russia and Turkey

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

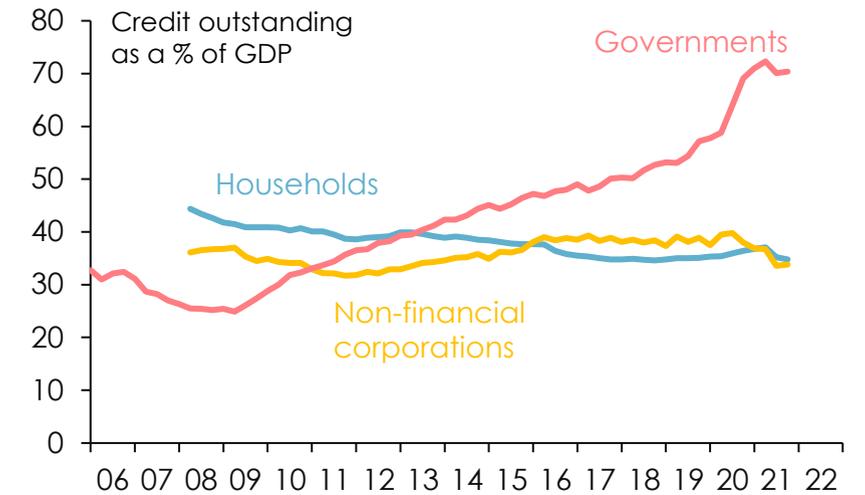
China



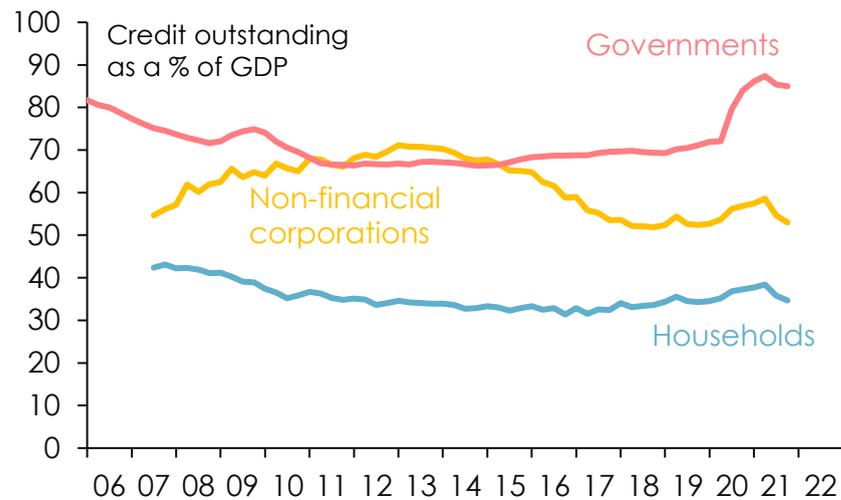
Brazil



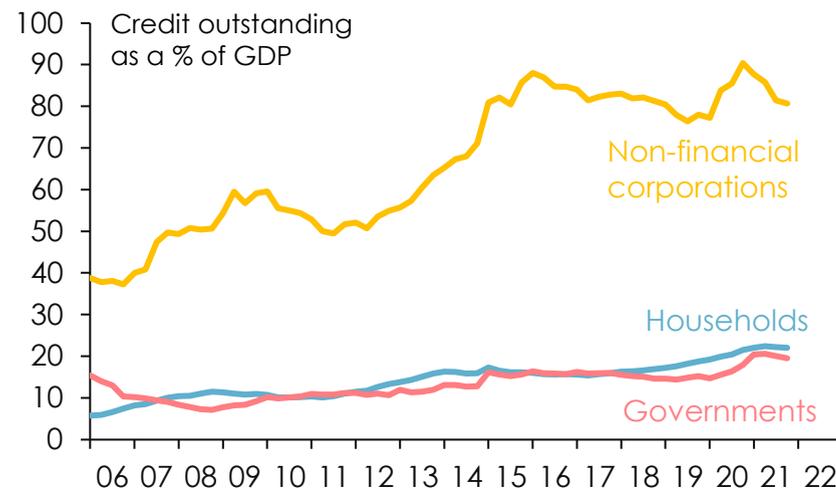
South Africa



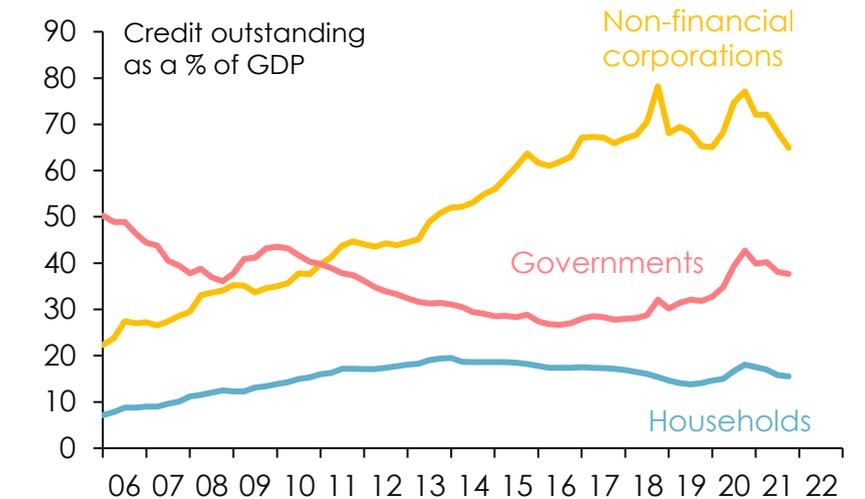
India



Russia



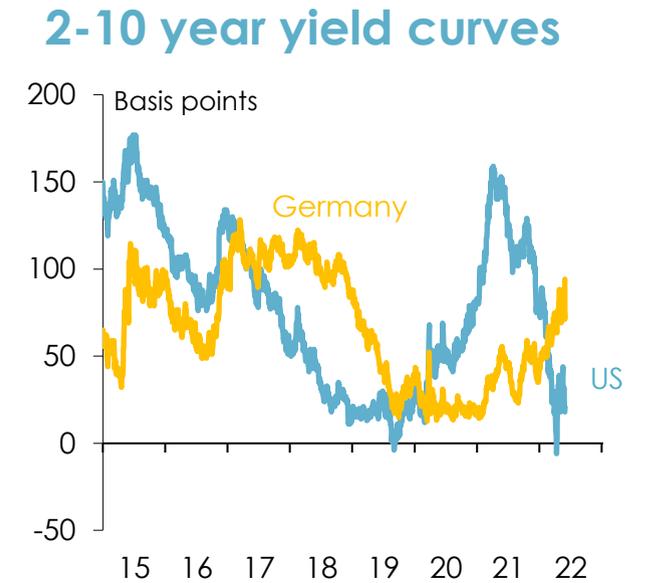
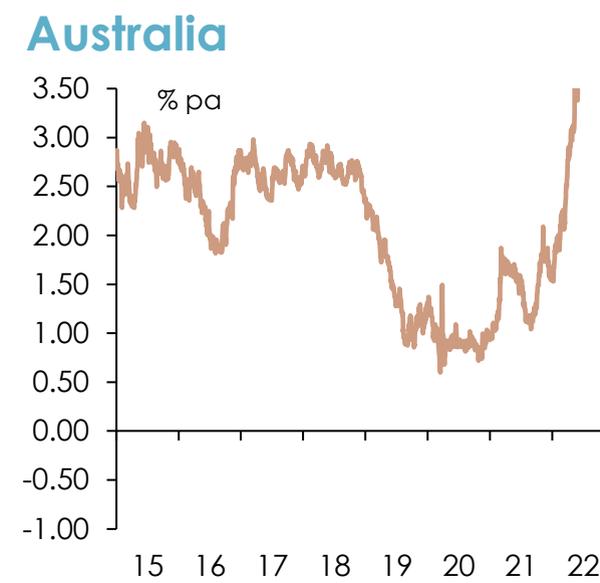
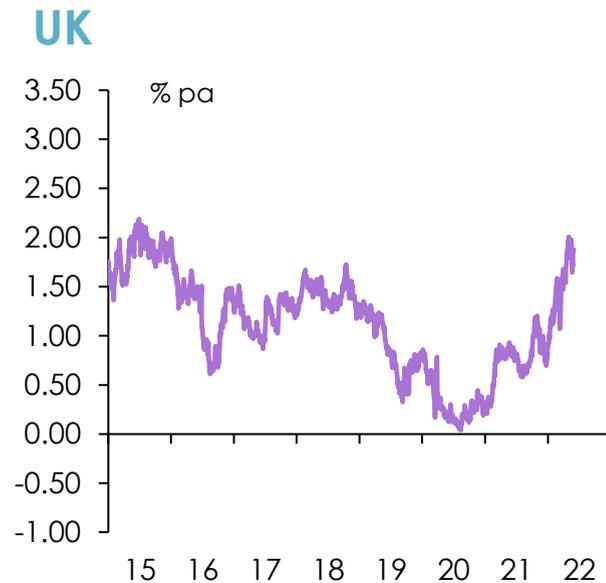
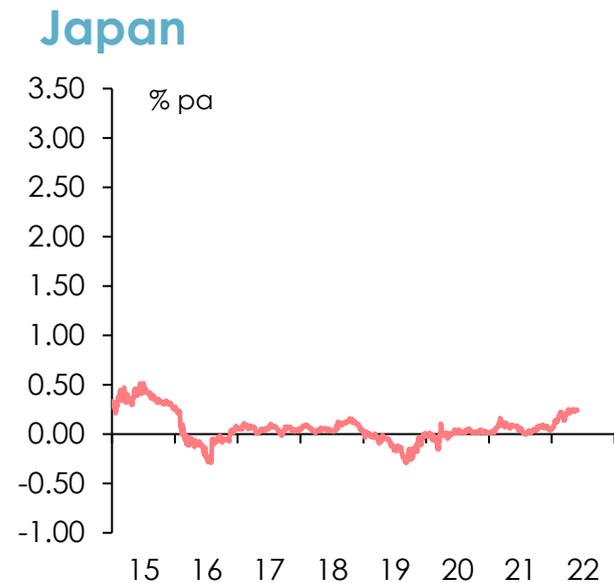
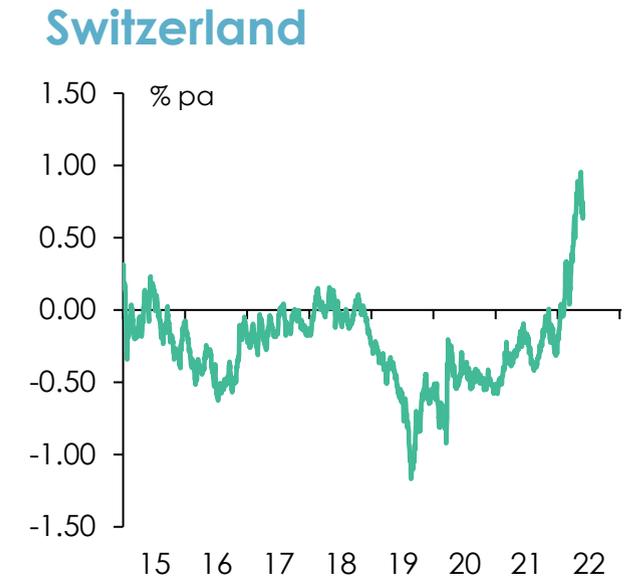
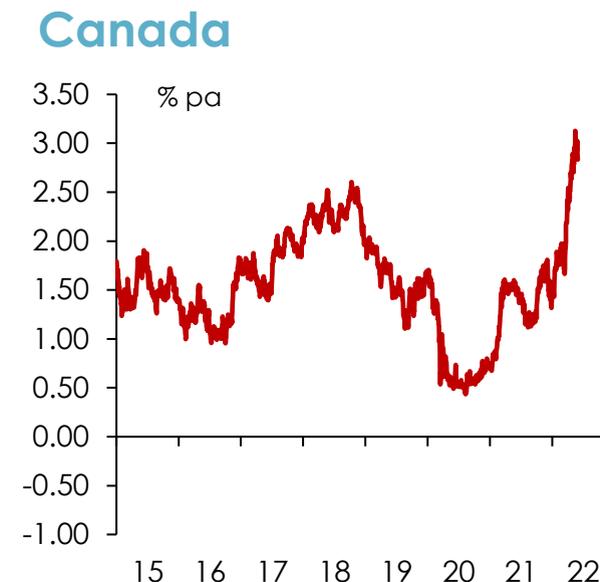
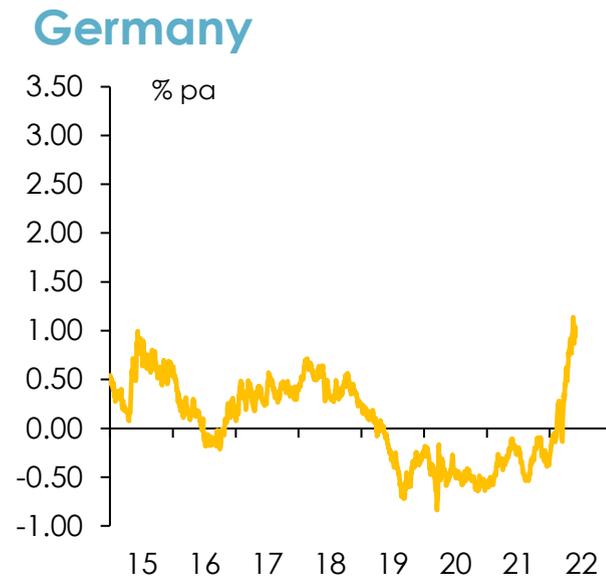
Turkey



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

10-year bond yields fell further in 'advanced' economy markets last week as investors dumped stocks in response to rising recession fears

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022



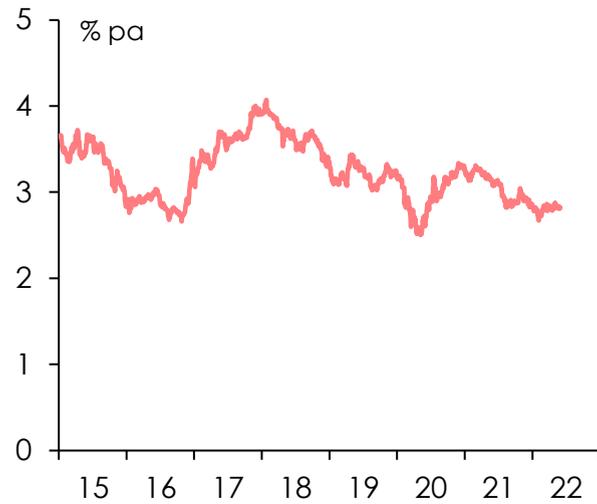
Note: Data up to 20th May. For bond yields in other large euro area member states see [slide 75](#), and for bond yields in Asian economies see [slide 110](#).

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

Bond yields were little changed in China and India, but in other 'emerging' markets followed the downward trend in 'advanced' economy yields

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

China



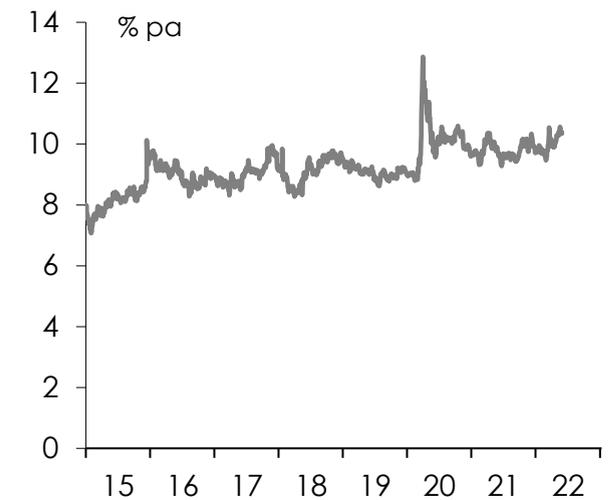
Brazil



Russia



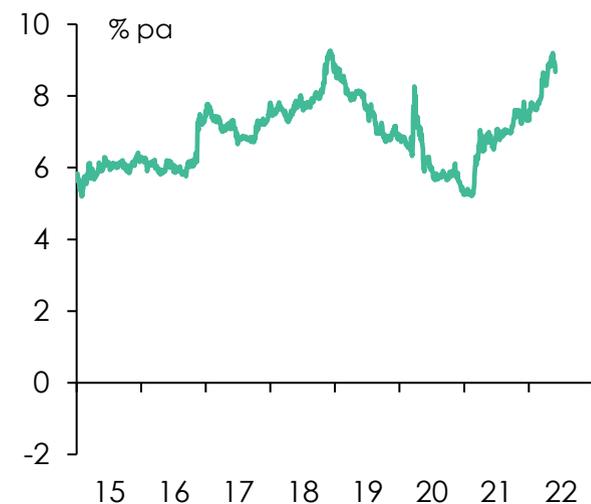
South Africa



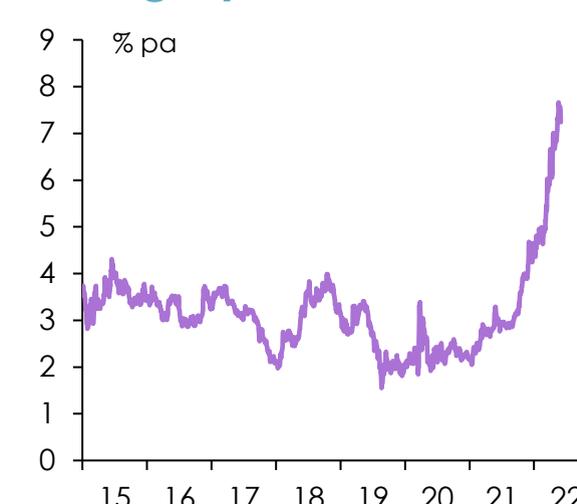
India



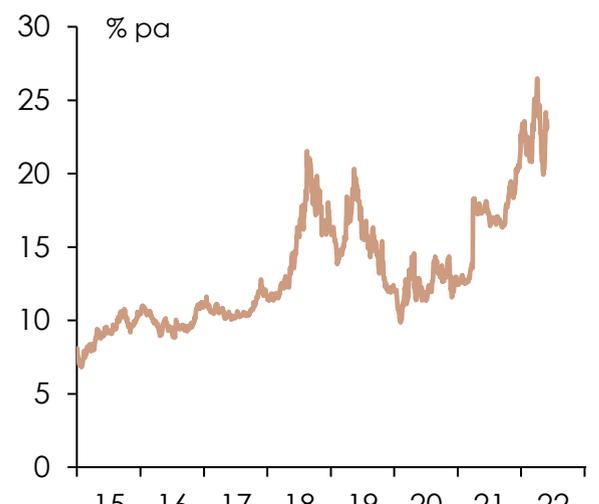
Mexico



Hungary



Turkey



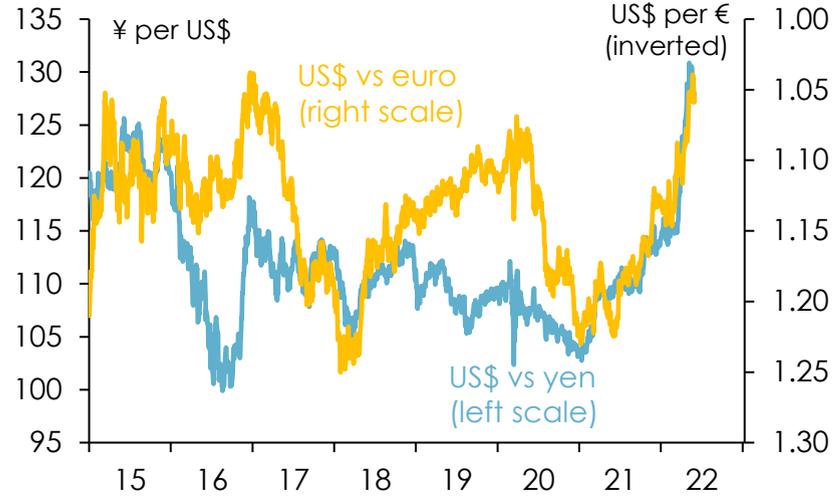
Note: Data up to 20th May. For bond yields in other Asian economies see [slide 110](#); and for policy interest rates in other emerging markets see [slide 130](#).

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

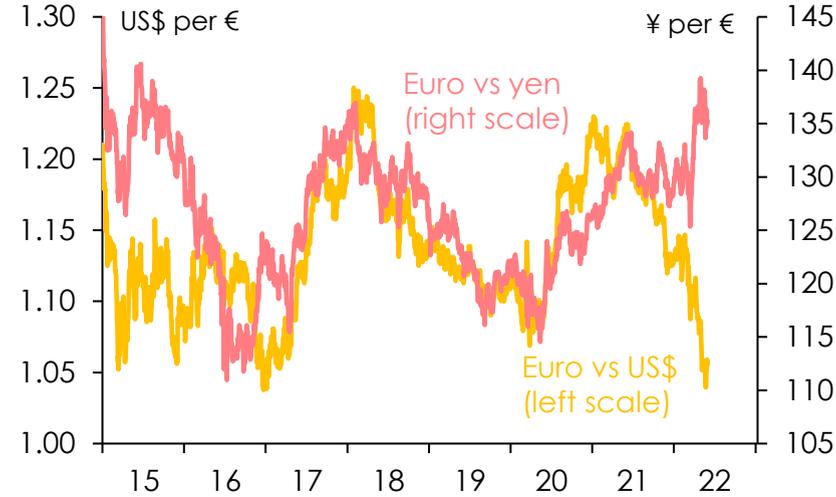
The US dollar fell an average of about 1¼% against other currencies last week with the Swiss franc, sterling and the euro seeing the largest gains

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

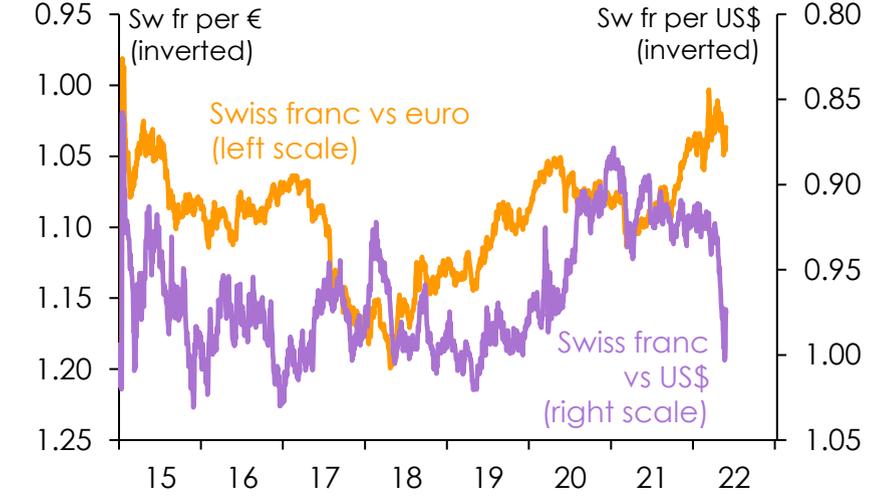
US dollar



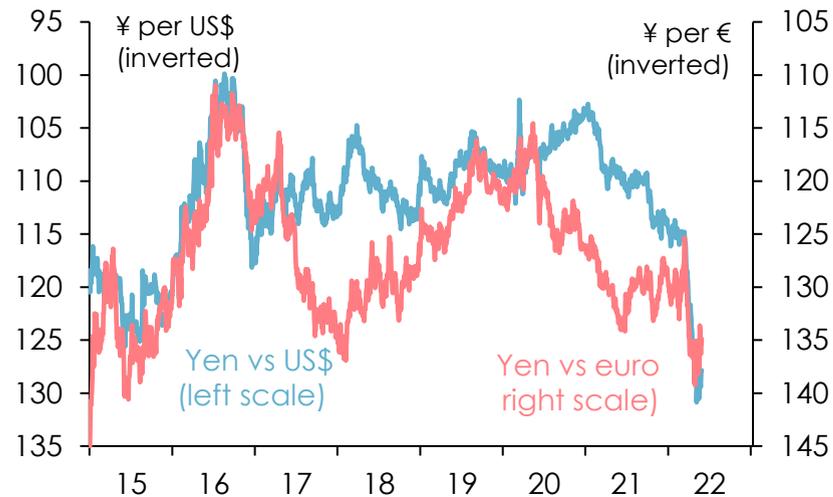
Euro



Swiss franc



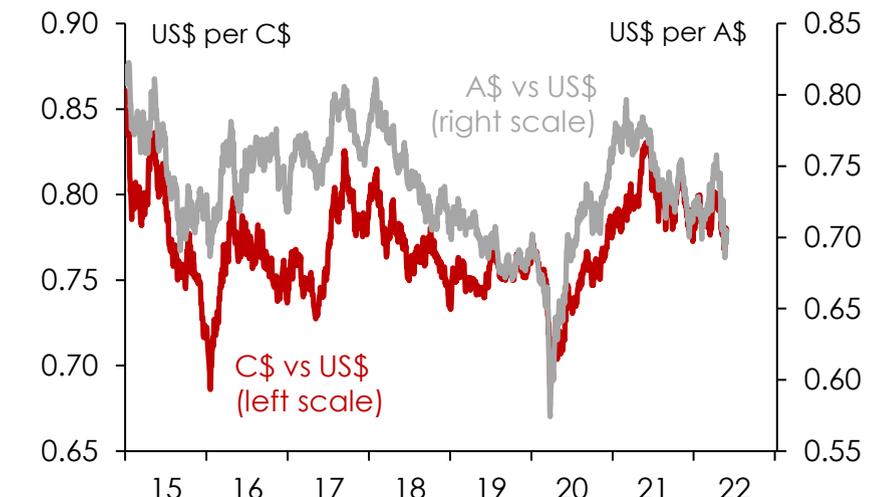
Japanese yen



Sterling



Canadian & Australian dollars

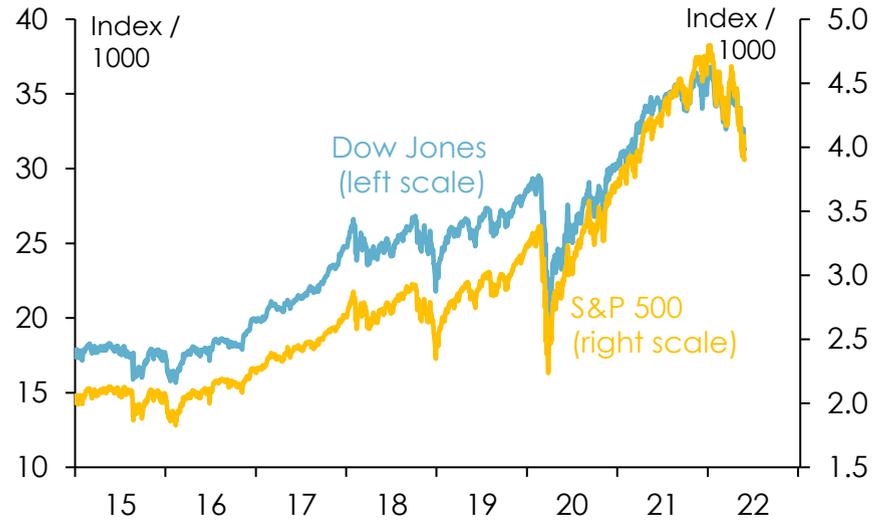


Note: Data up to 20th May. For Asian exchange rates see [slide 112](#). Source: Refintiv Datastream. [Return to "What's New"](#).

The US stock market fell 3% last week in response to rising recession fears, European markets were also down, but Japan, Canada and Australia rose

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

US stock market



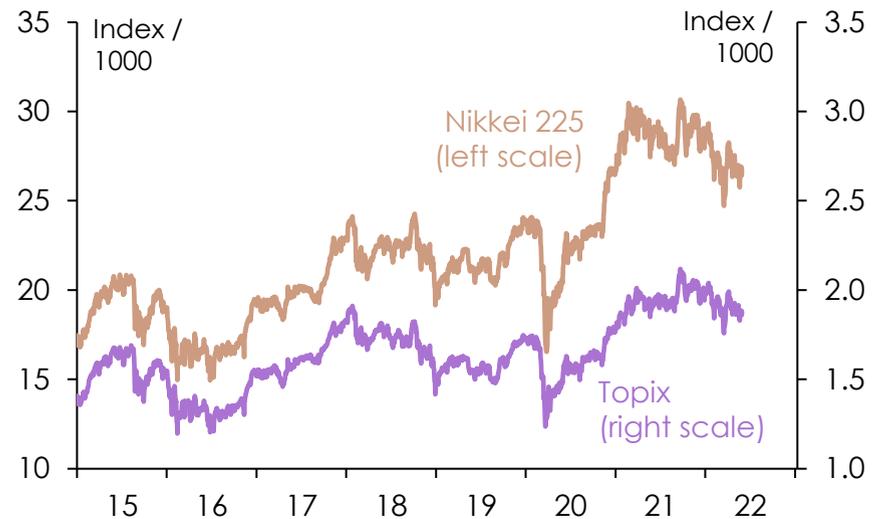
European stock markets



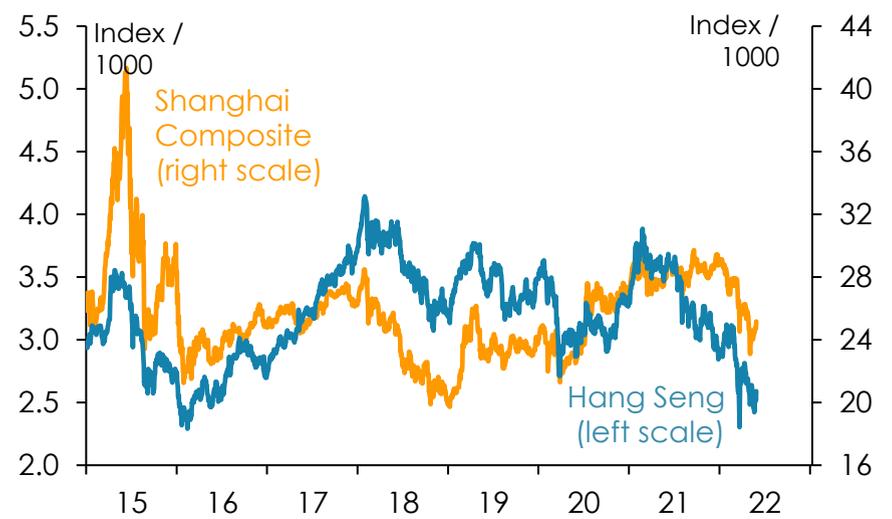
Canadian & Australian stock markets



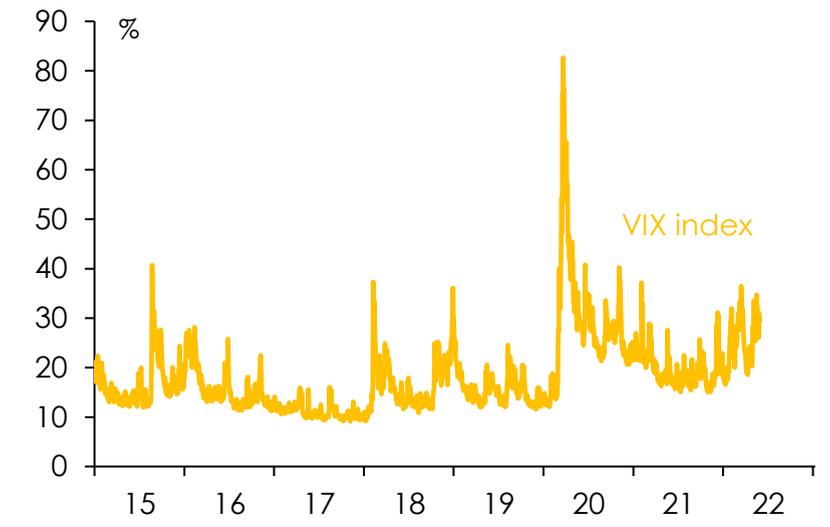
Japanese stock market



Chinese & HK stock markets



Equity market volatility



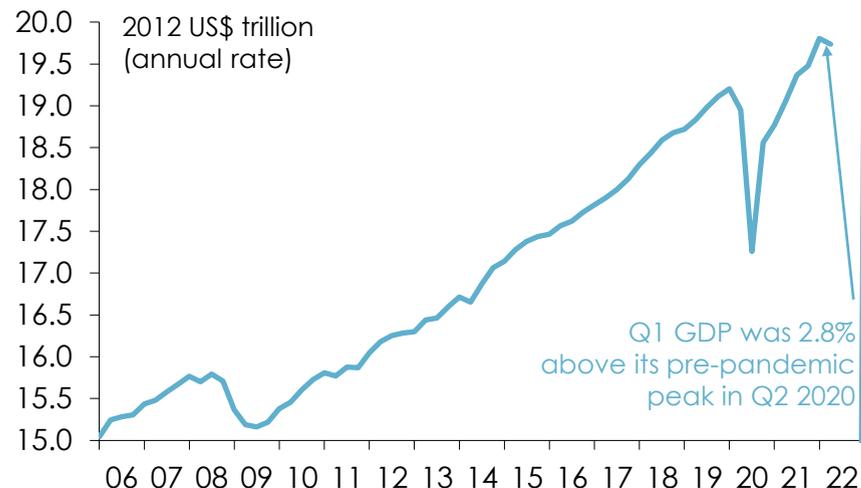
Note: Data up to 20th May. Source: Refinitiv Datastream. For East Asian stock markets see [slide 113](#). [Return to "What's New"](#).

The United States

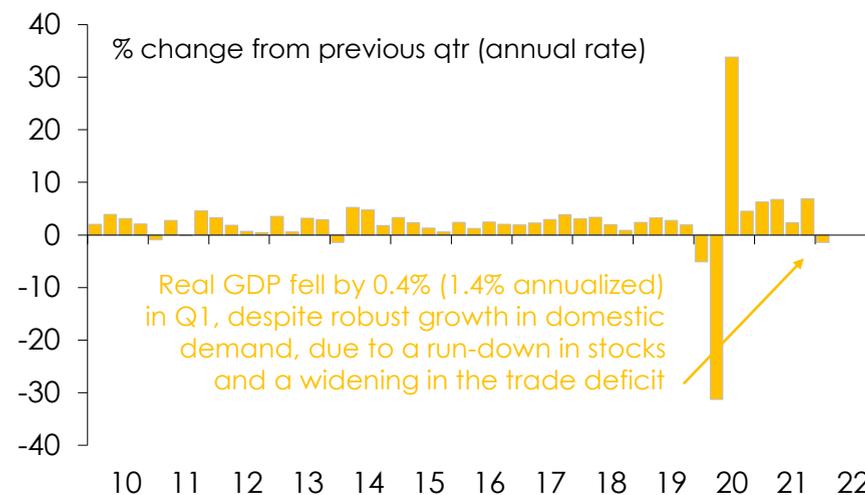
US real GDP grew 1.7% (6.9% annualized) in Q4 2021 – almost eliminating the ‘output gap’ – though most of the growth came from inventories

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

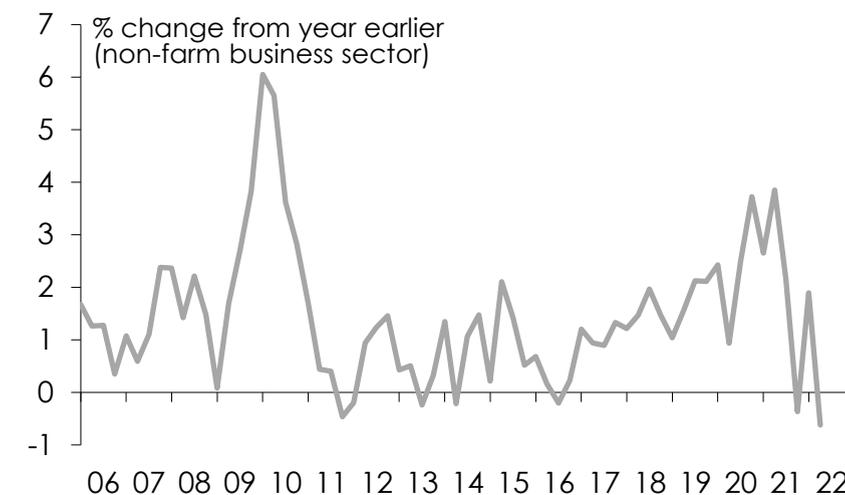
Level of real GDP



Quarterly change in real GDP



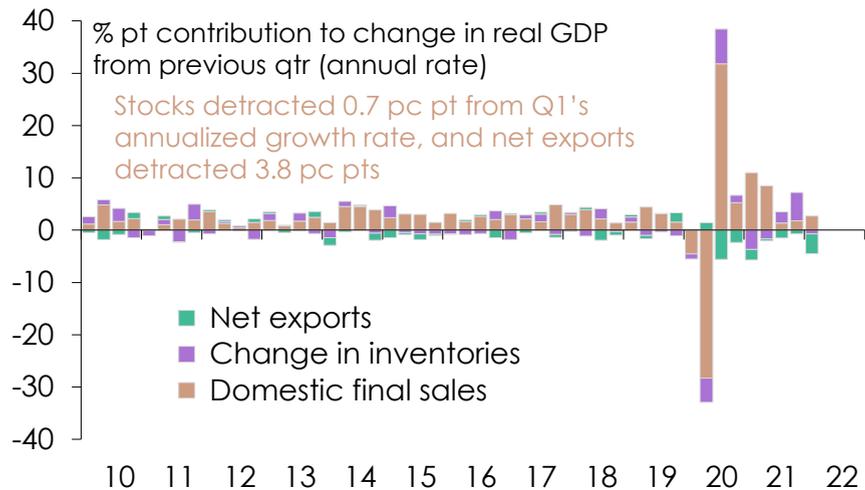
Labour productivity growth



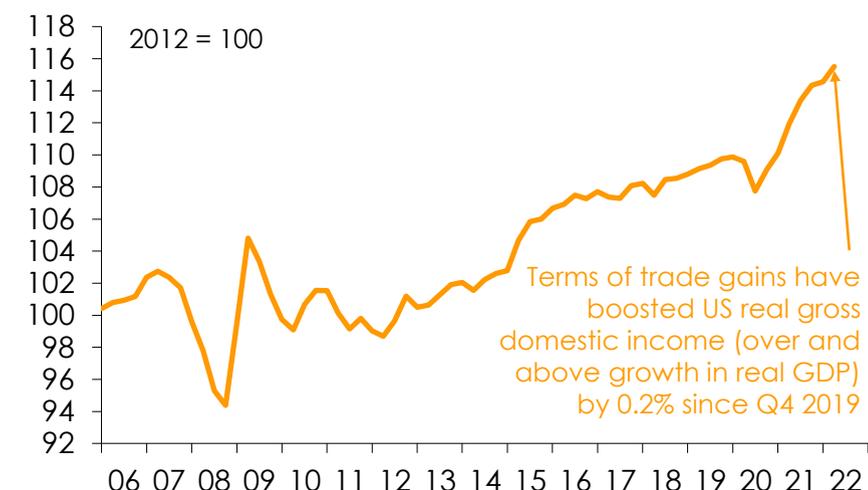
The ‘output gap’



Contributions to change in real GDP



Terms of trade

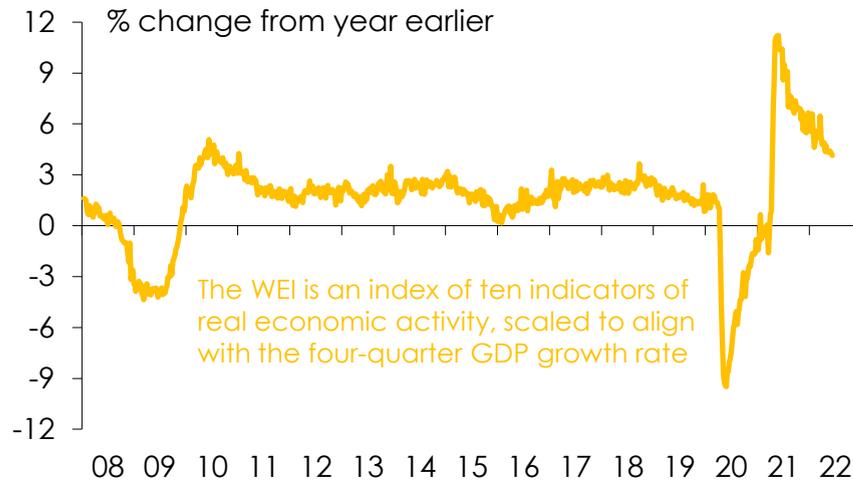


Note: the ‘output gap’ is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the ‘terms of trade’ is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

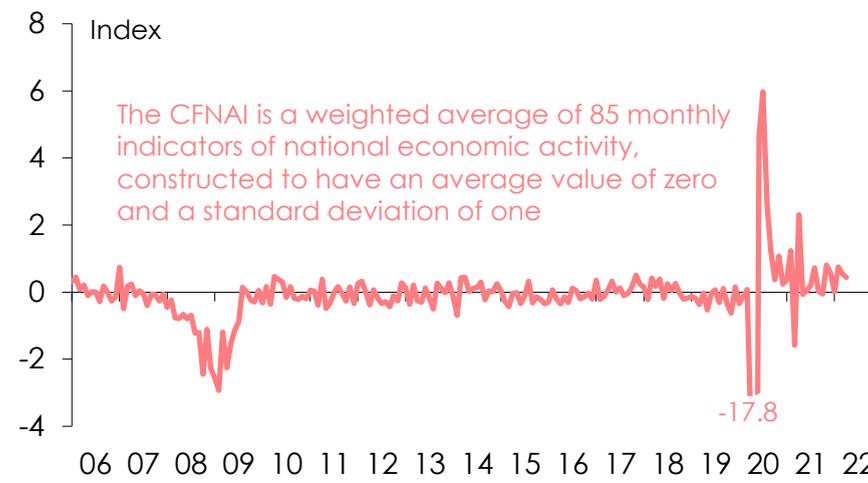
Survey-based and 'leading' indicators are signalling a slowing in US economic activity in the first half of this year

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

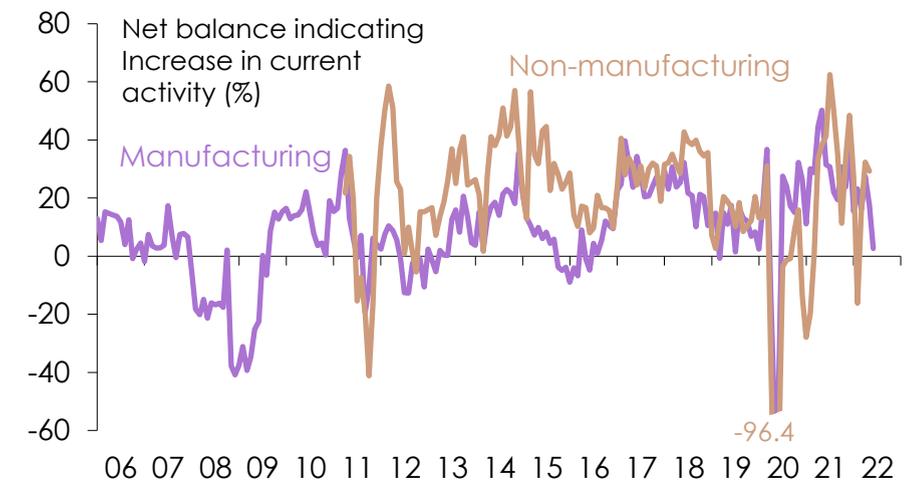
NY Fed weekly economic index



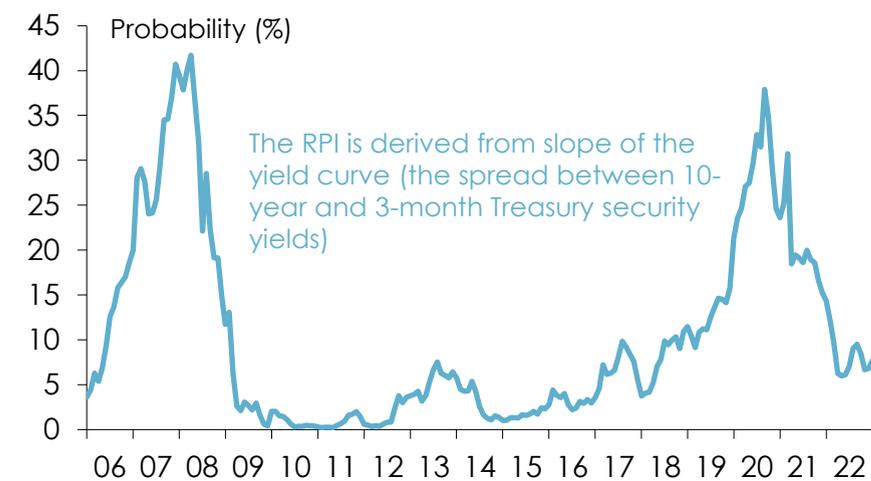
Chicago Fed national activity index



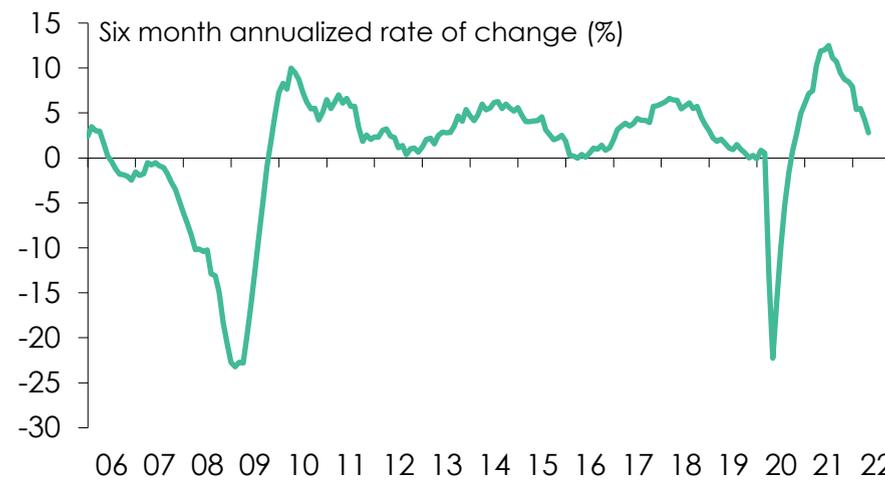
'Philly Fed' business outlook survey



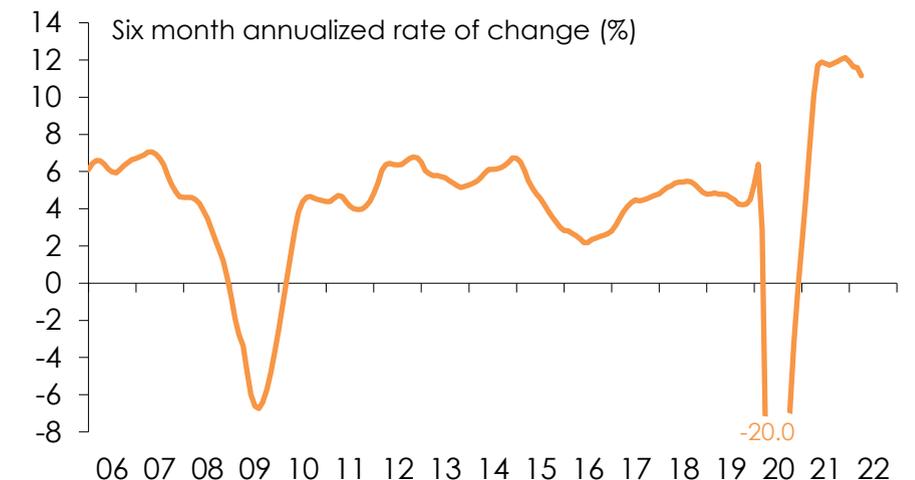
NY Fed recession probability index



Conference Board leading indicators



Dallas Fed Texas business index

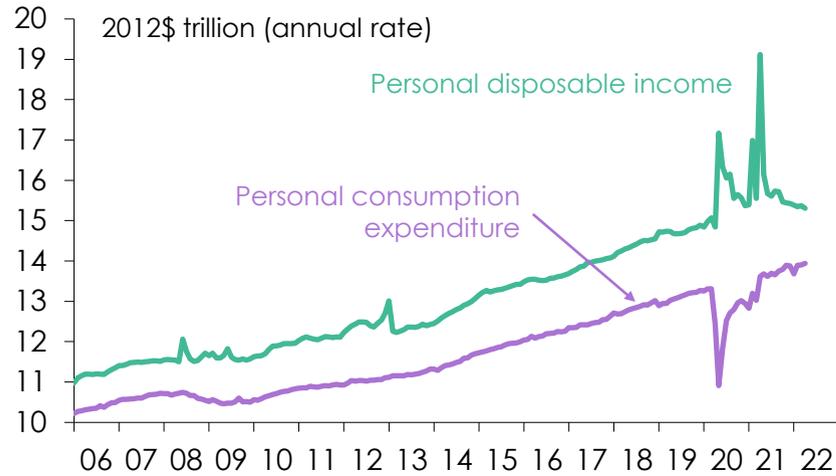


Sources: Federal Reserve Bank of New York, [Weekly Economic Index](#) and [The Yield Curve as a Leading Indicator](#); Federal Reserve Bank of Chicago, [Chicago Fed National Activity Index \(CFNAI\)](#); The Conference Board, [Global Business Cycle Indicators](#); Federal Reserve Bank of Philadelphia,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

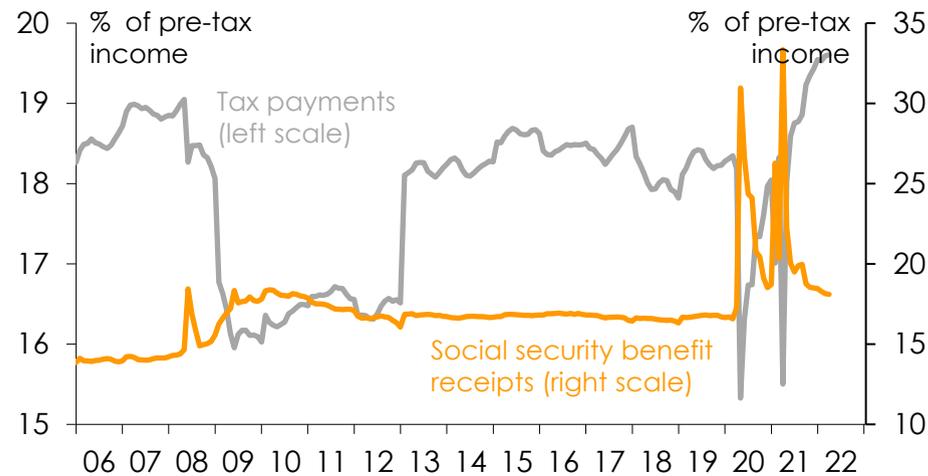
US real personal disposable income has fallen for 7 of the past 8 months, by a total of 2.7%, forcing households to reduce saving

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

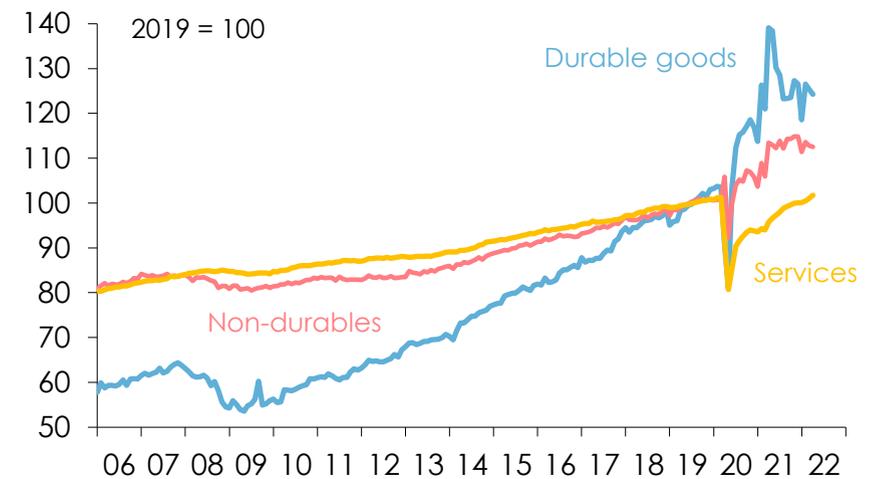
Personal income and expenditure



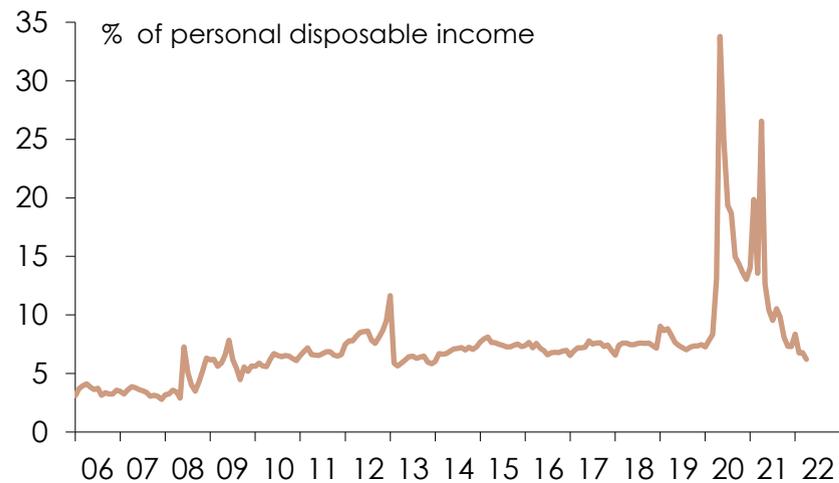
Tax and social security



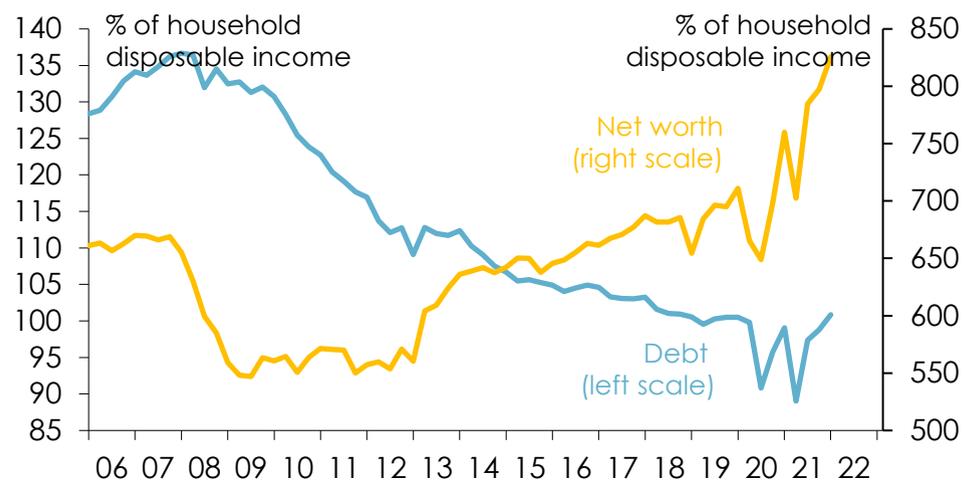
Personal consumption expenditure



Personal saving rate



Household debt and net worth



Spending on energy

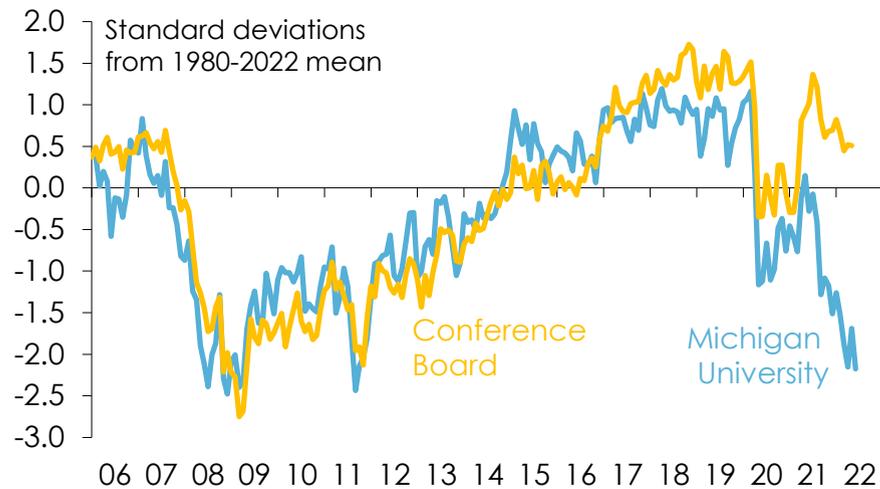


Note: data on personal income, spending and saving are monthly; data on debt and net worth are quarterly. Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#), [Consumer Spending](#) and [Income and Saving](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#). [Return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

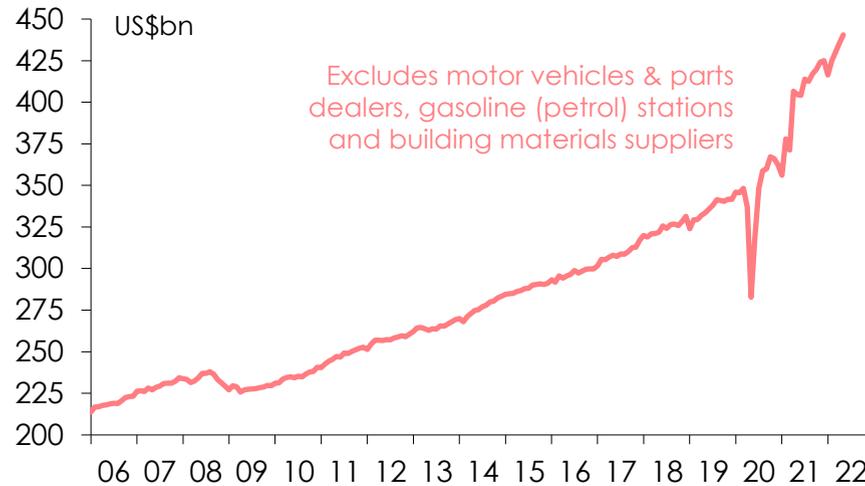
Retail sales recorded another surprisingly strong gain in April, following better-than-previously reported increases in February and March

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

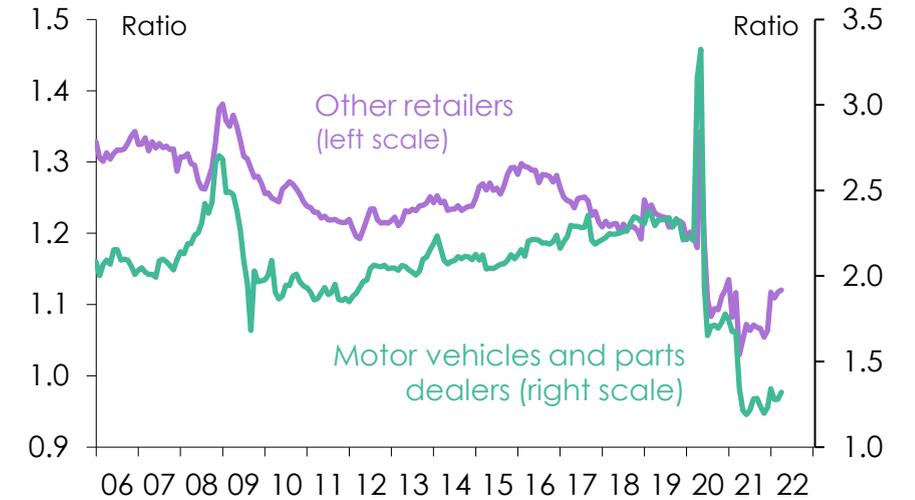
Consumer sentiment



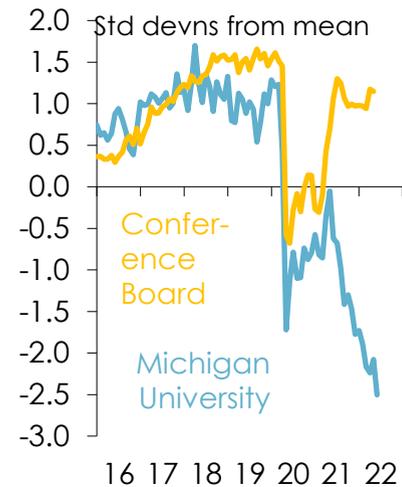
Level of 'core' retail sales



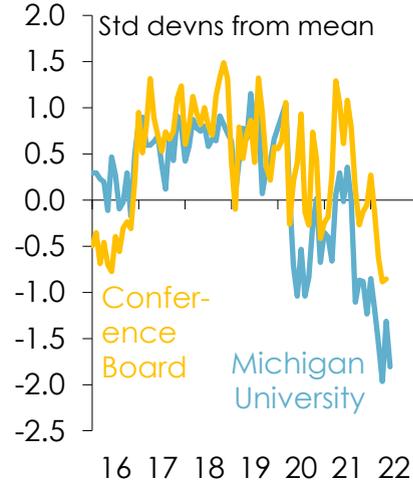
Retail inventories-sales ratios



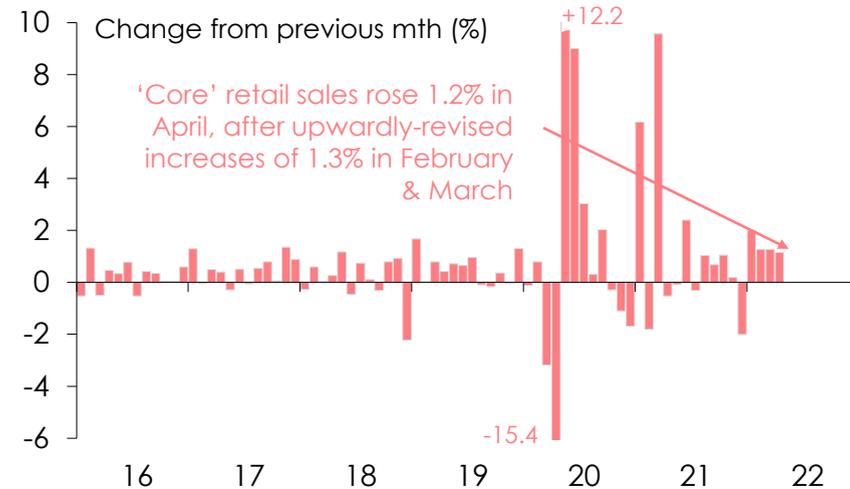
Present situation



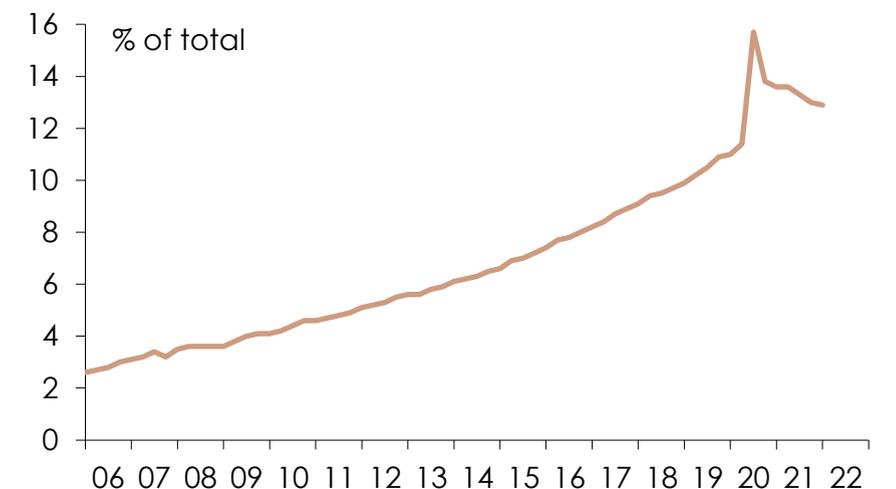
Expectations



Monthly changes in 'core' retail sales



On-line retail sales

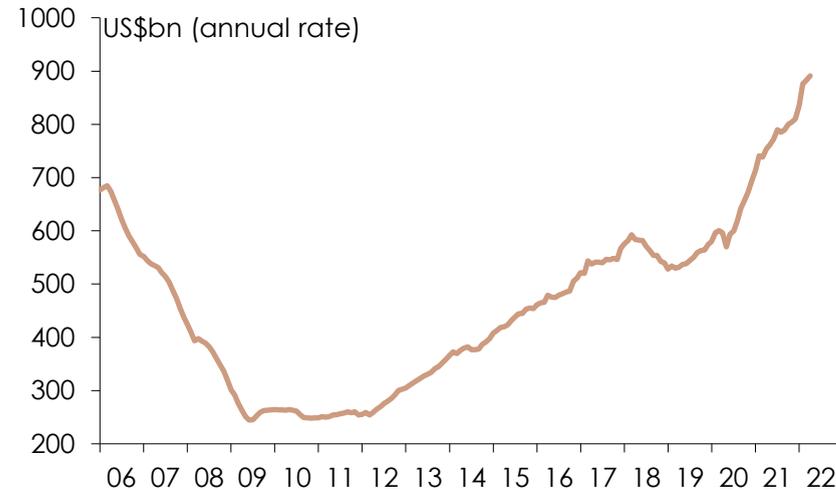


Note: 'Core' retail sales excludes motor vehicles, petrol stations and building materials stores. Sources: Michigan University Survey Research Center, [Survey of Consumers](#); The Conference Board, [US Consumer confidence](#); US Census Bureau, [Monthly Retail Trade](#) and [Advance Economic Indicators](#).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

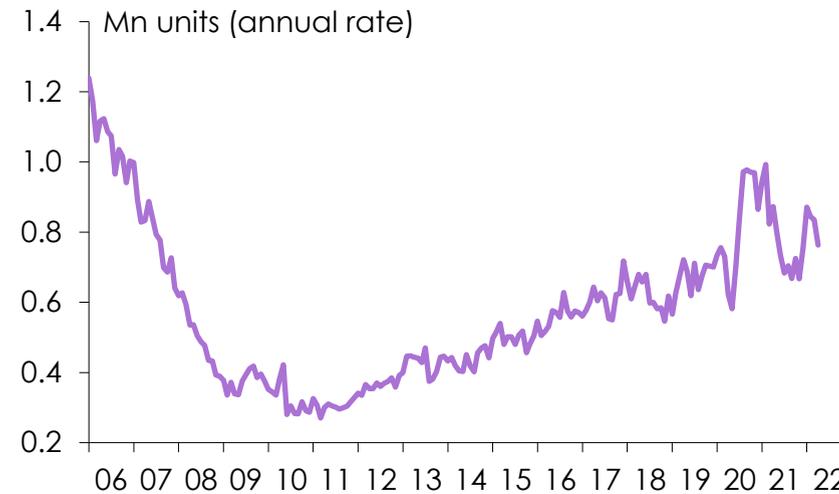
Housing starts remained close to a 15½-year high in April, but new supply remains well short of demand so prices are continuing to rise strongly

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Housing construction spending



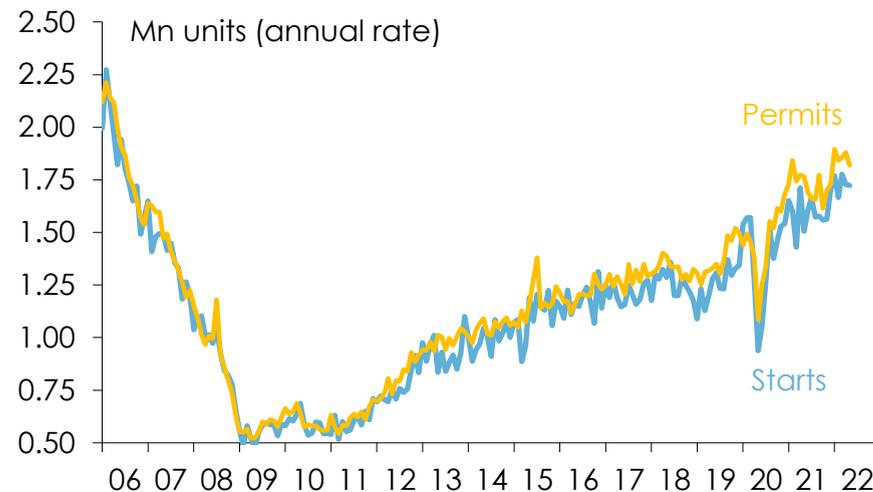
New single-family home sales



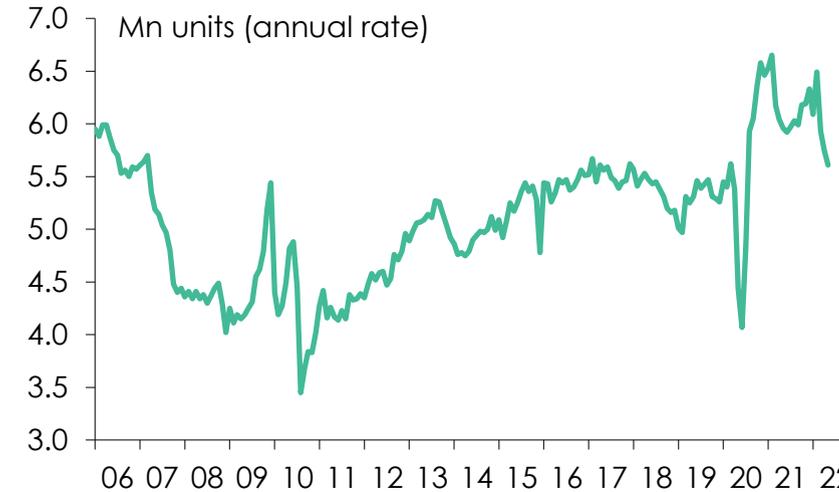
Mortgage delinquency rate



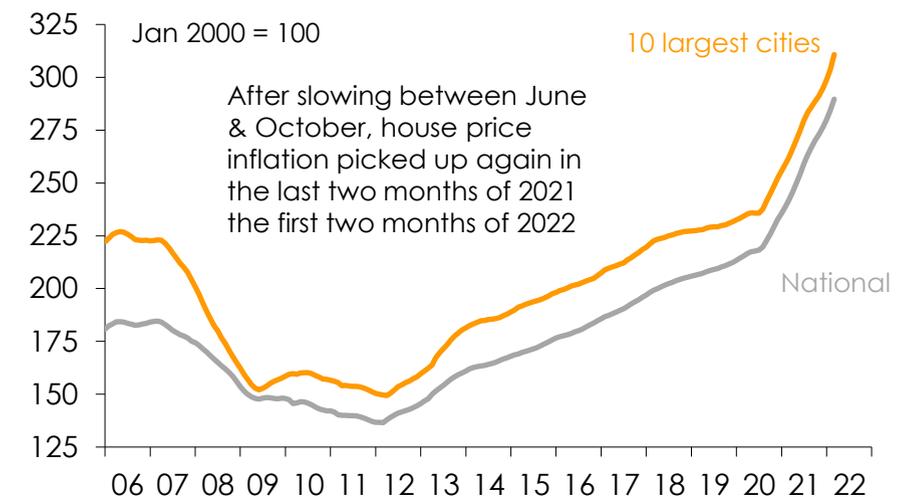
Housing starts and permits



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"](#).

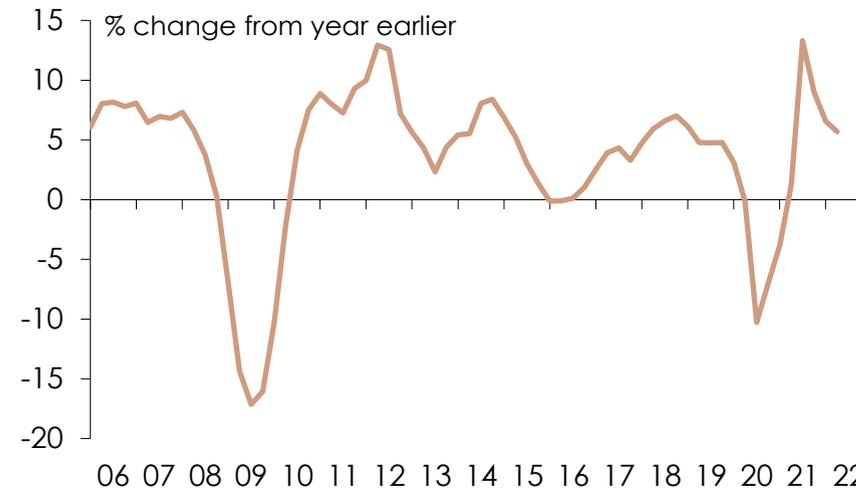
US corporate profits and balance sheets are strong, and investment is increasing – except in non-residential construction

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

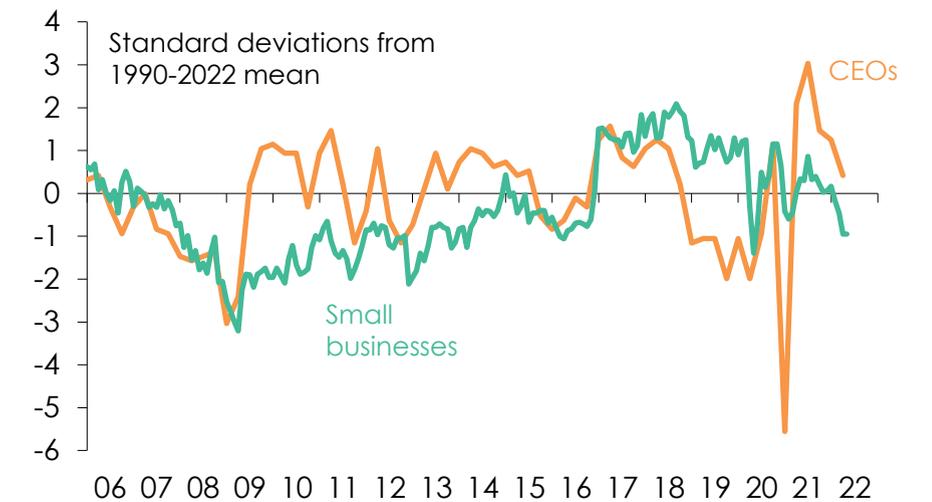
After-tax corporate profits



Business investment



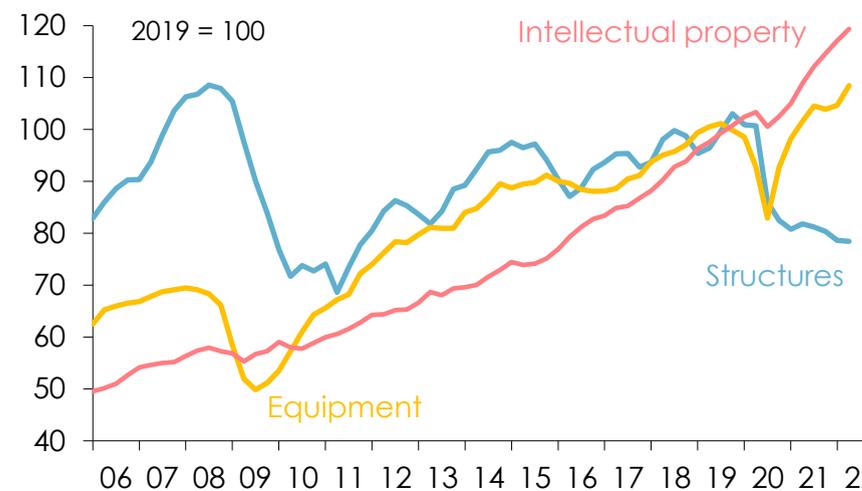
Business confidence



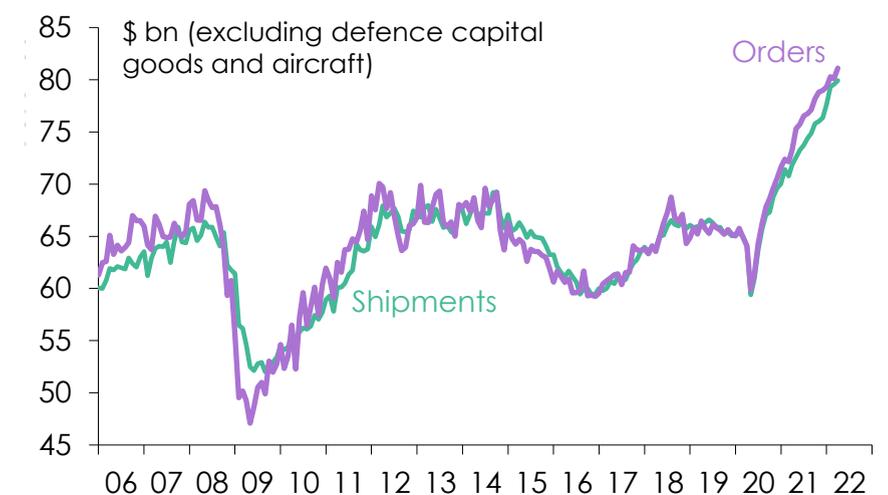
Corporate debt-equity ratio



Business investment by type



Capital goods orders & shipments

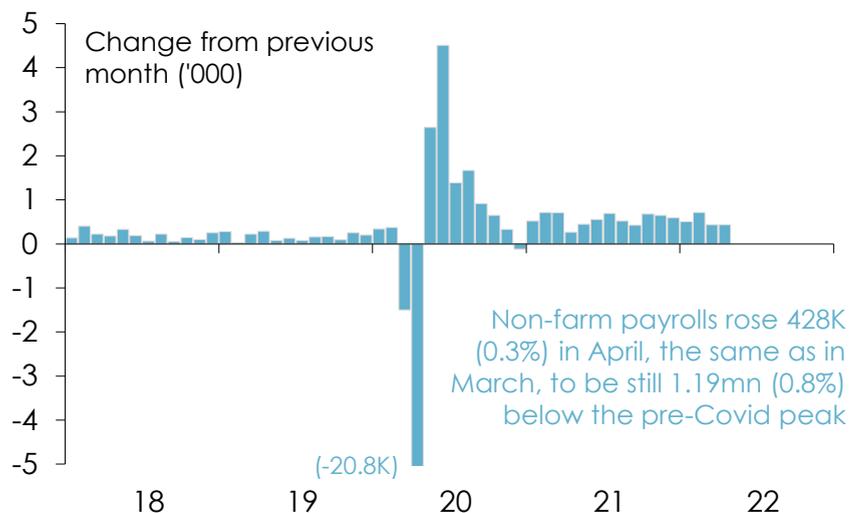


Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#); The Conference Board, [US CEO Confidence](#); National Federation of Independent Business, [Small Business Economic Trends](#); US Commerce Department, [Manufacturers'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

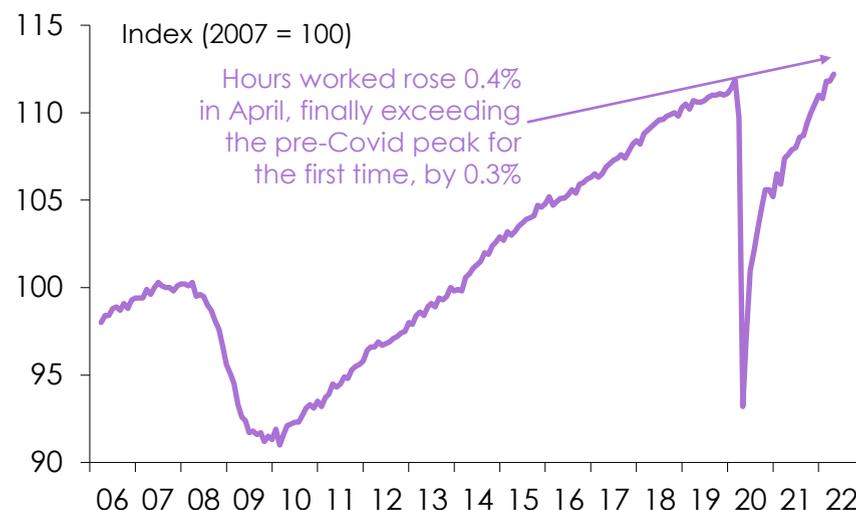
Payroll employment rose another 0.3% in April, but the unemployment rate remained unchanged at 3.6%

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

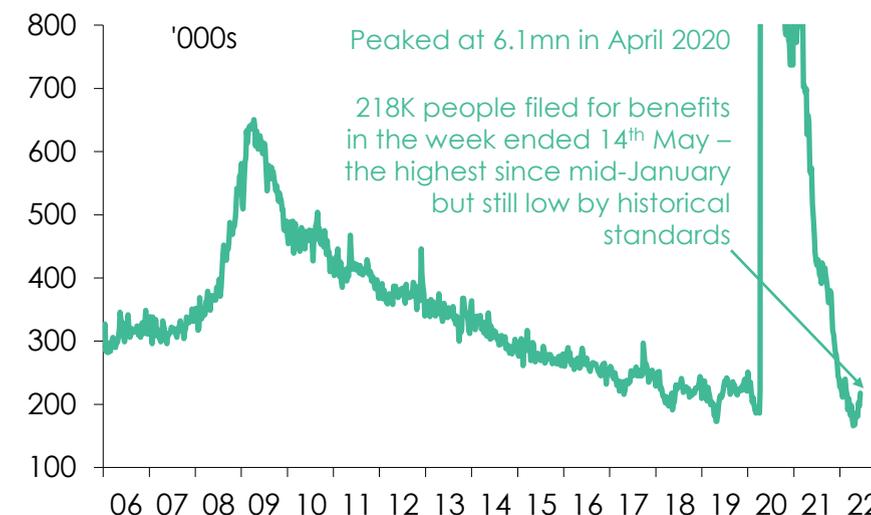
Non-farm payroll employment



Hours worked (private sector)



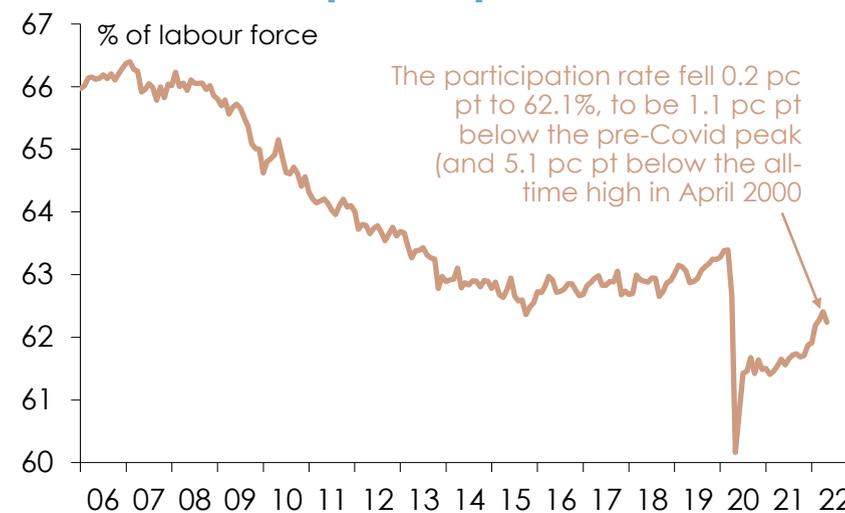
Unemployment benefit initial claims



Household survey employment



Labour force participation rate



Unemployment rate

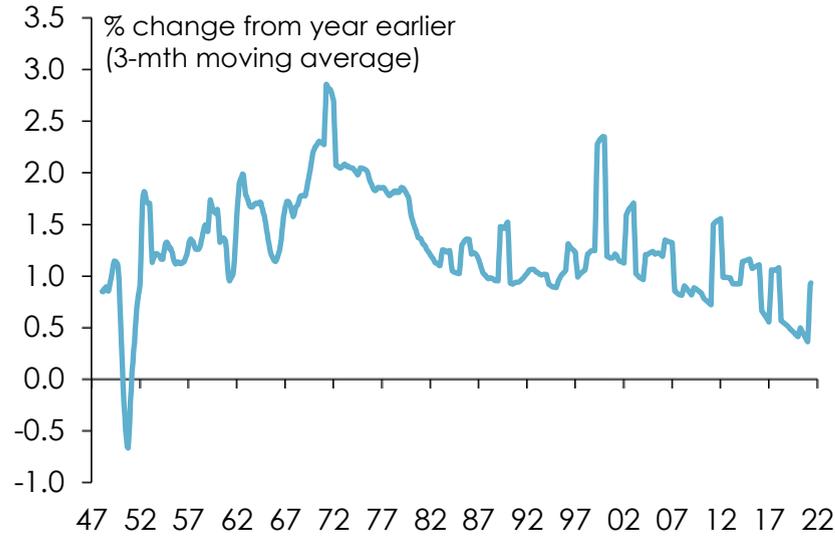


Sources: US Bureau of Labor Statistics, [Employment Situation](#); US Department of Labor, [Unemployment Insurance Weekly Claims](#). [Return to "What's New"](#).

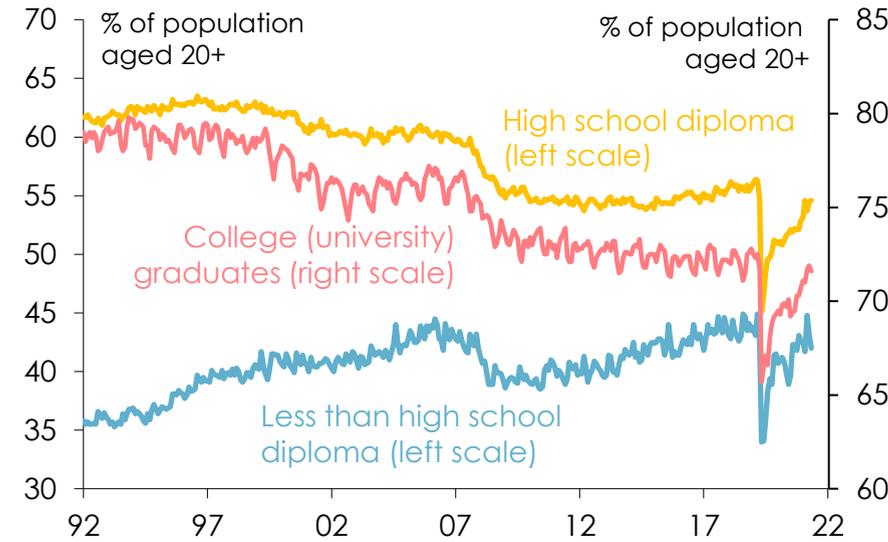
US labour market tightness owes much to a persistent shortfall in labour force participation, especially among people aged 55 and over

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

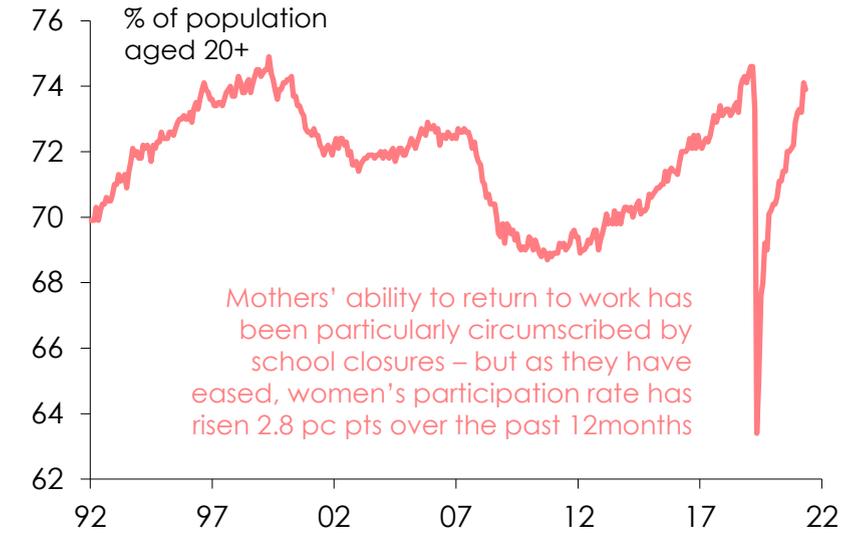
Civilian working age population



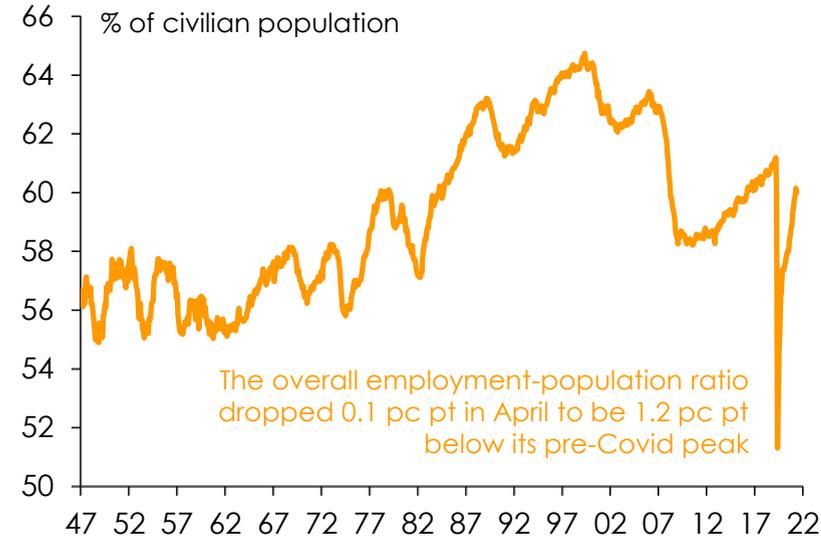
'E-pop' ratio – by education



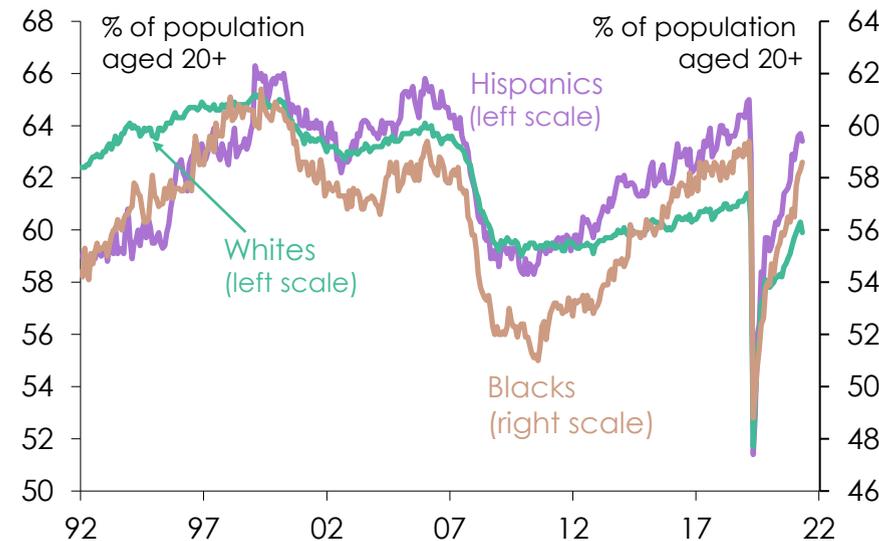
'E-pop' ratio – women 25-54



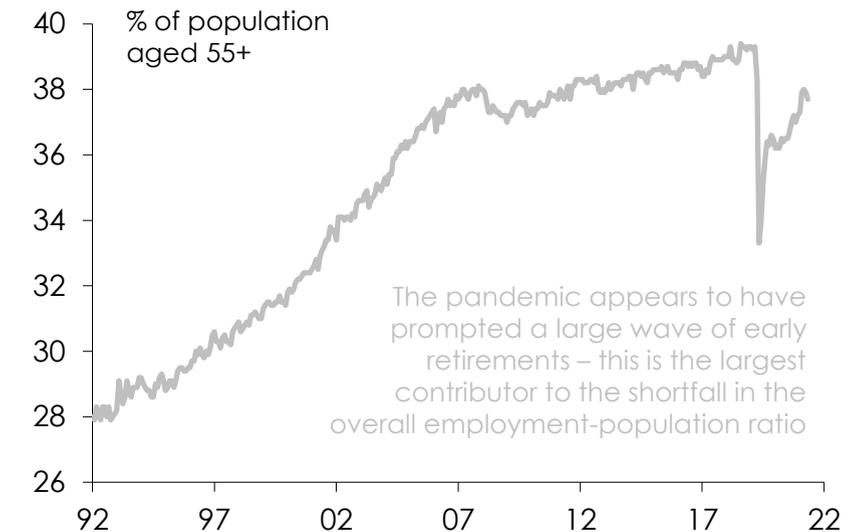
Employment-to-population ratio



'E-Pop' ratio – Blacks & Hispanics



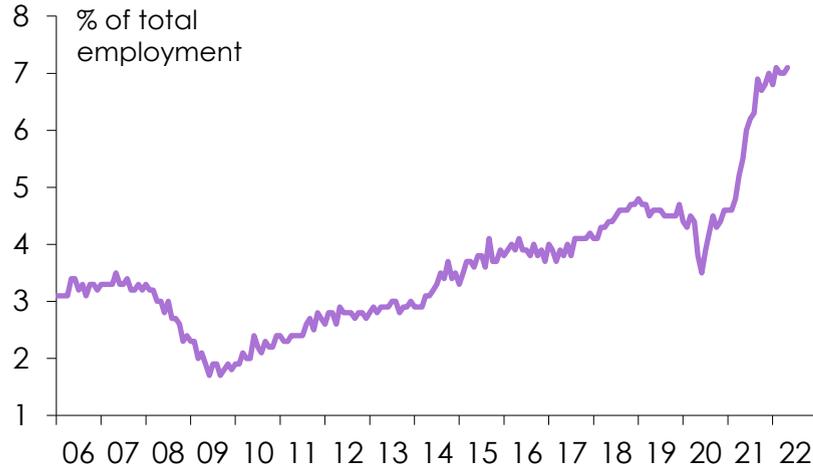
'E-pop' ratio – people 55 & over



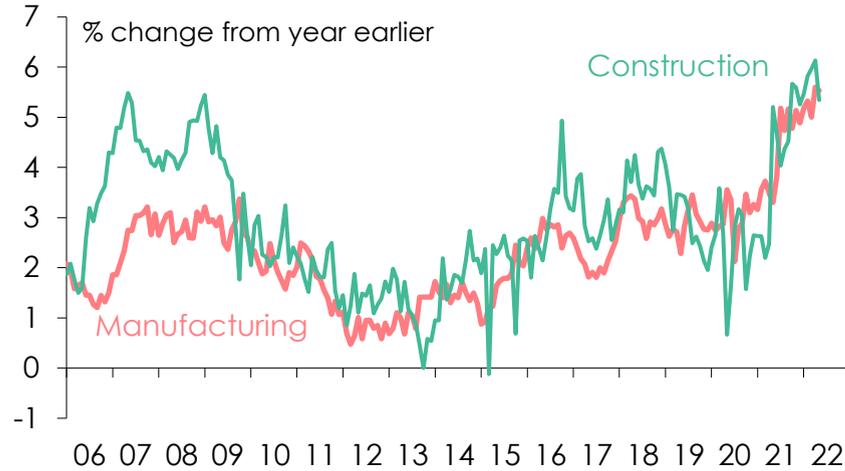
The wages component of the employment cost index (the best measure of US wages growth) rose by 5.0% over the year to Q1

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Job openings



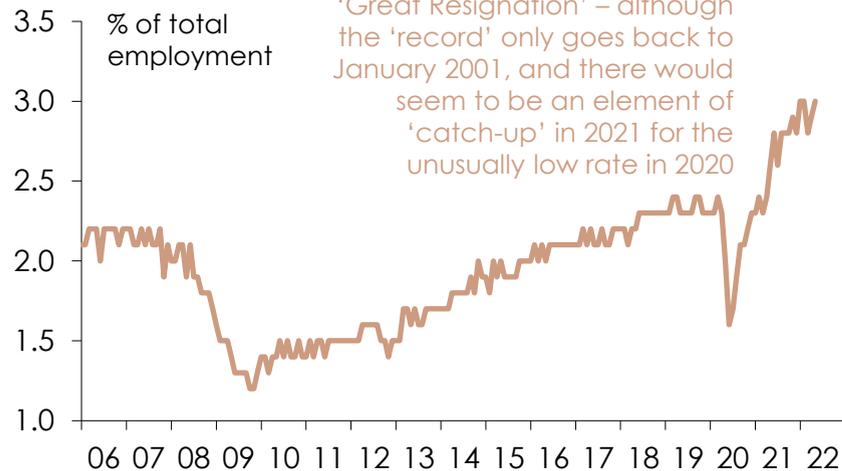
Average hourly earnings



Overall wages growth - monthly

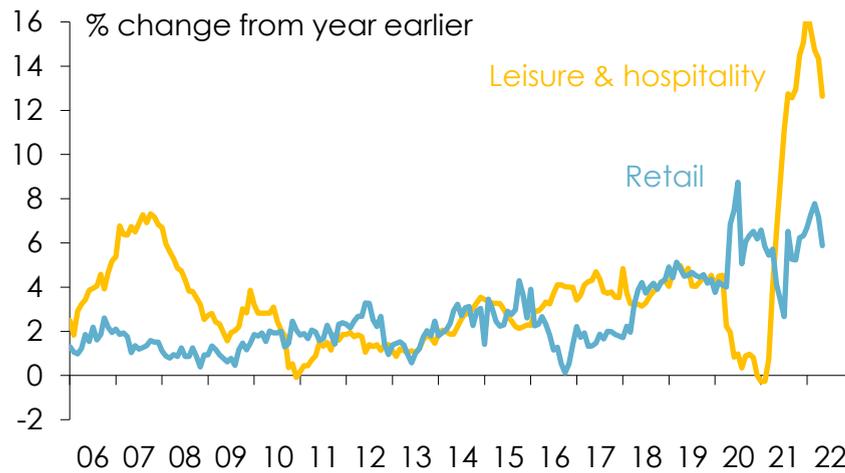


Quit rate

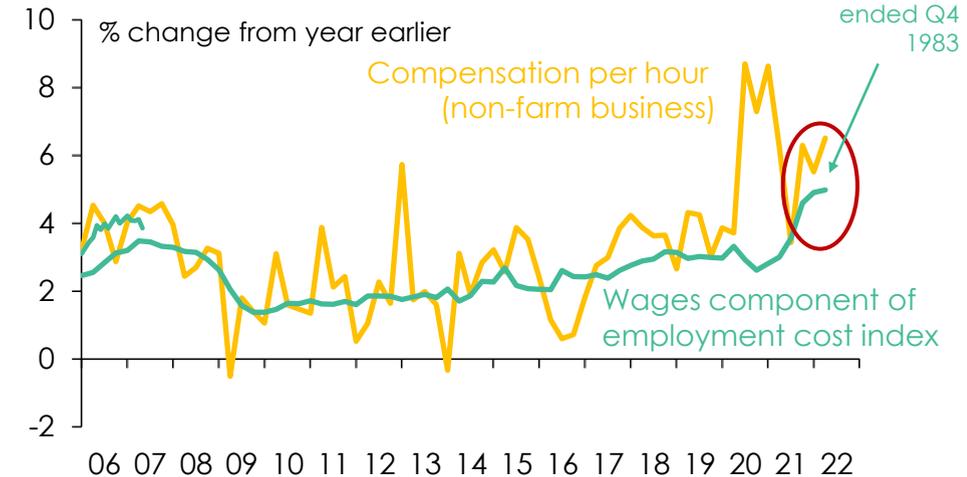


The record high 'quit rate' is the main evidence for the so-called 'Great Resignation' – although the 'record' only goes back to January 2001, and there would seem to be an element of 'catch-up' in 2021 for the unusually low rate in 2020

Average hourly earnings



Wages growth - quarterly

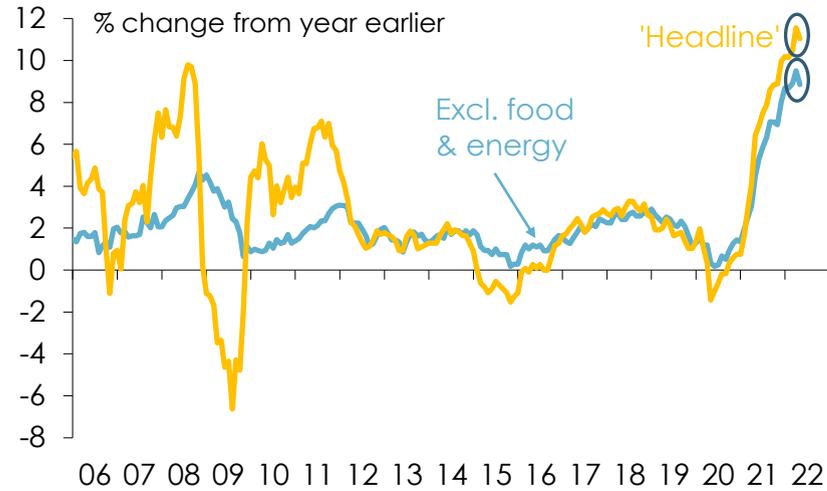


Note: Measures of average hourly earnings (especially the all-industries measures) and of average compensation per hour are affected by changes in the composition of employment (so for example they rose sharply in Q2 2020 when large numbers of low-paid workers were laid off and fell markedly when they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

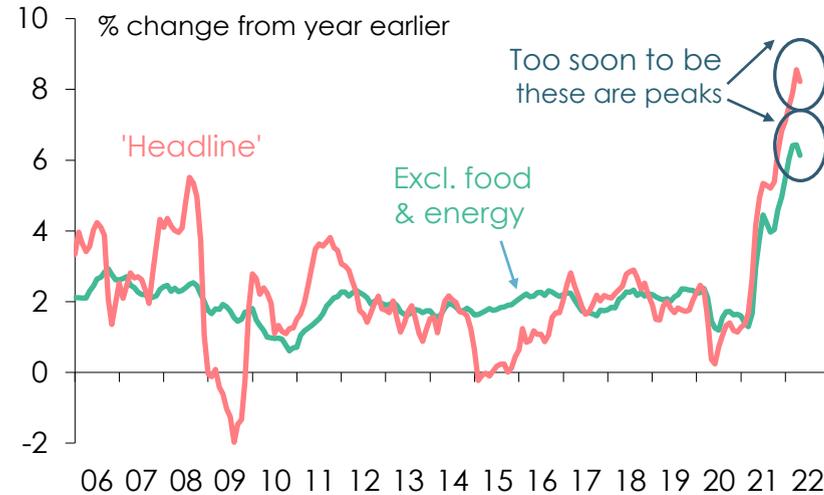
The US CPI rose 0.3% in April, the smallest since last August, cutting the 'headline' inflation rate to 8.2%, while 'core' inflation fell slightly to 6.1%

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

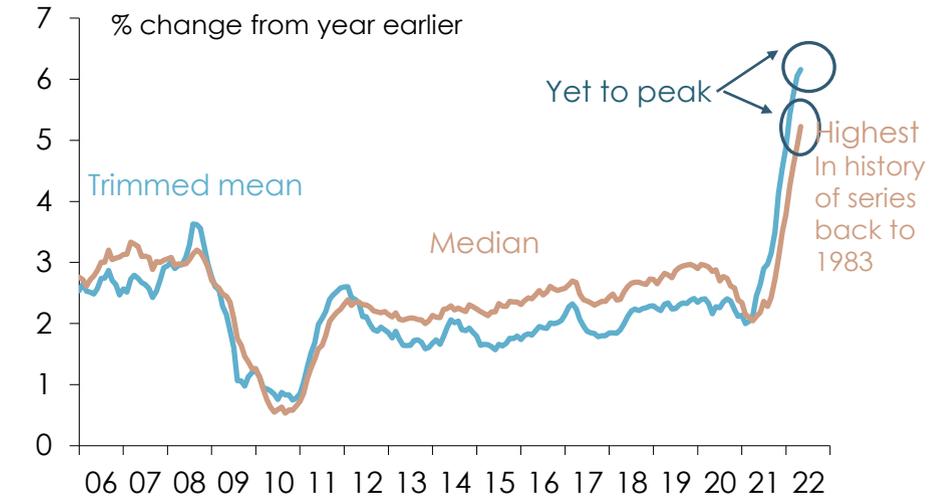
Producer price index



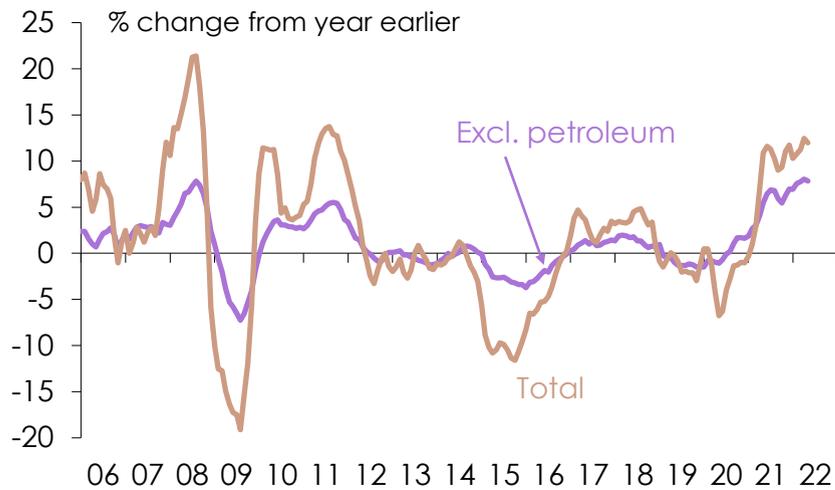
Consumer price index



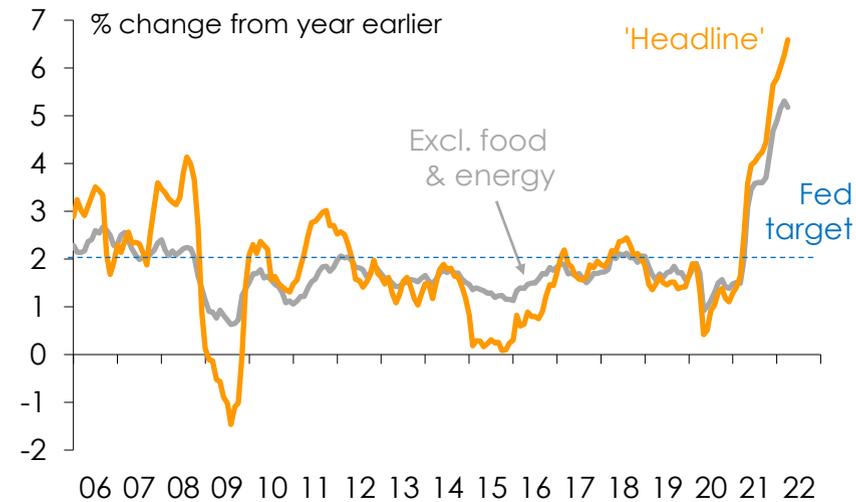
'Underlying' CPI inflation



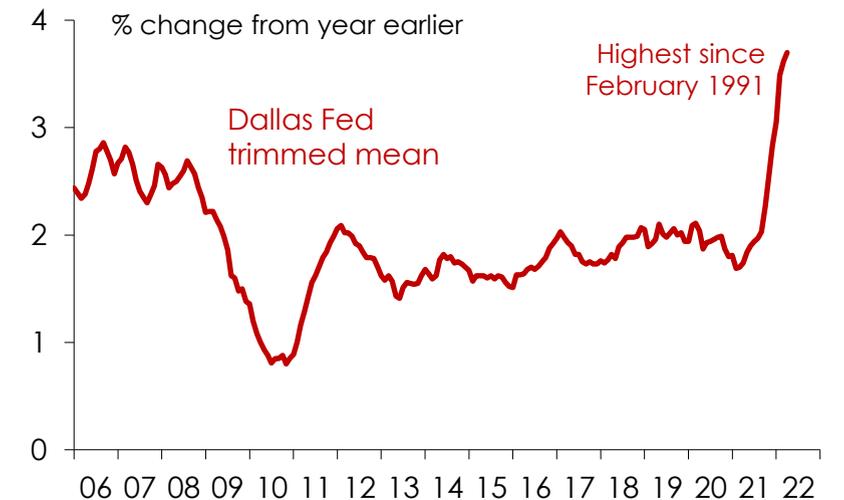
Import price index



Personal consumption deflator



'Underlying' PCE deflator inflation

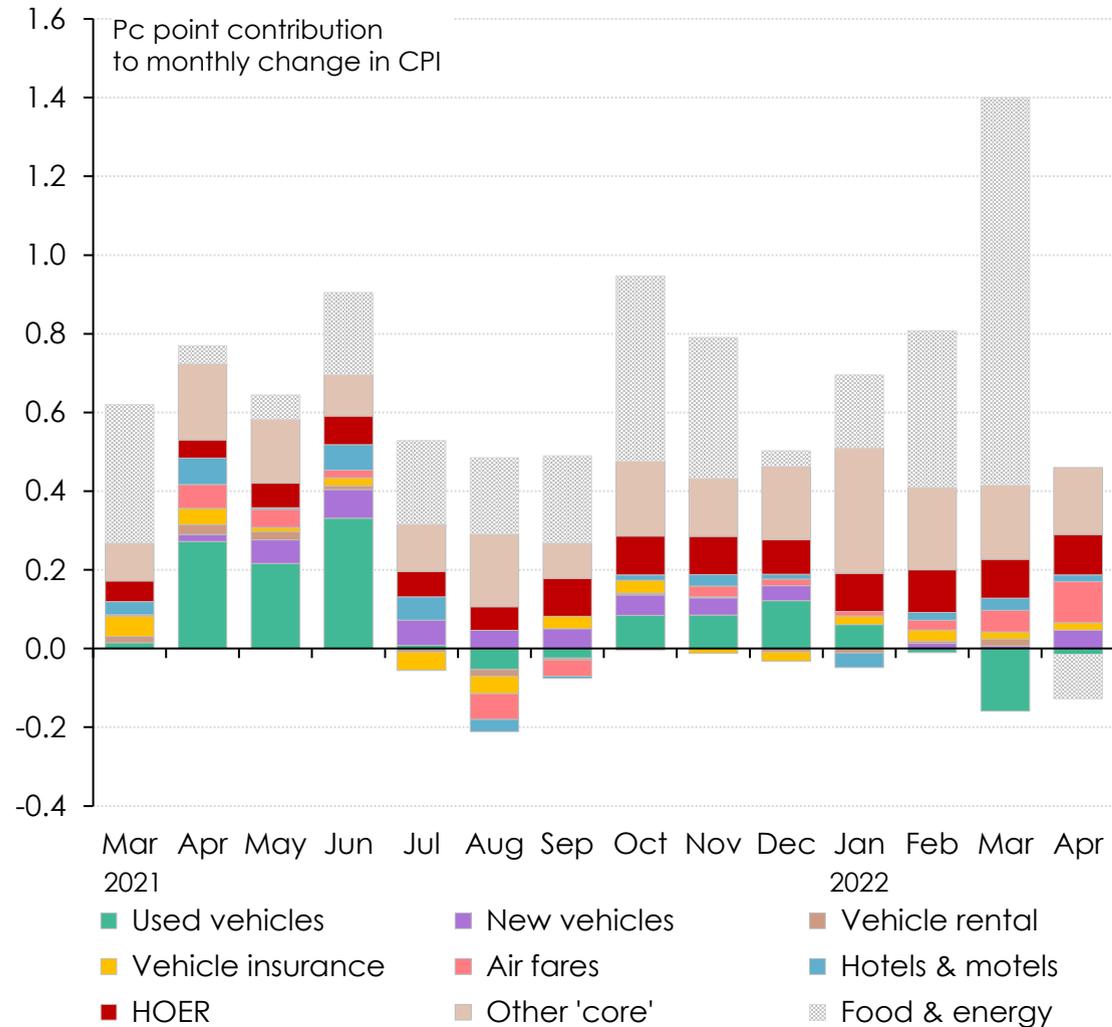


Sources: US Bureau of Labor Statistics, [Producer Price Index](#), [Import and Export Price Indexes](#) and [Consumer Price Index](#); US Bureau of Economic Analysis, [Personal Consumption Expenditures Price Index](#); Federal Reserve Bank of Cleveland, [Median CPI](#); Federal Reserve Bank of Dallas,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

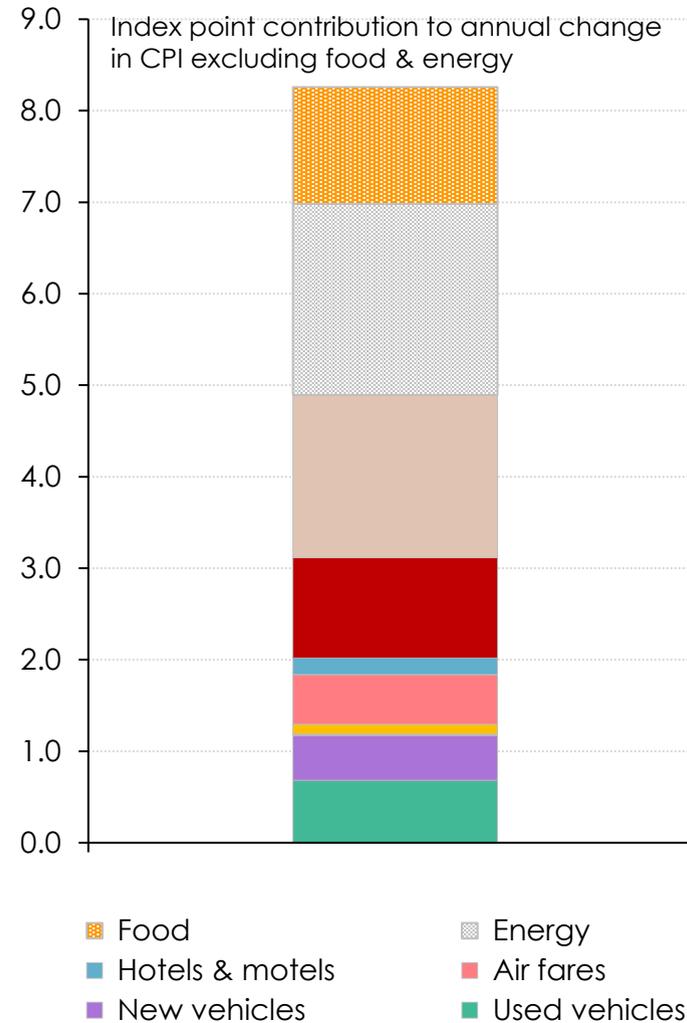
Energy prices fell 2.7% in April, but the CPI ex food & energy rose 0.6%, the fastest in three months, so it's too soon to conclude inflation has peaked

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

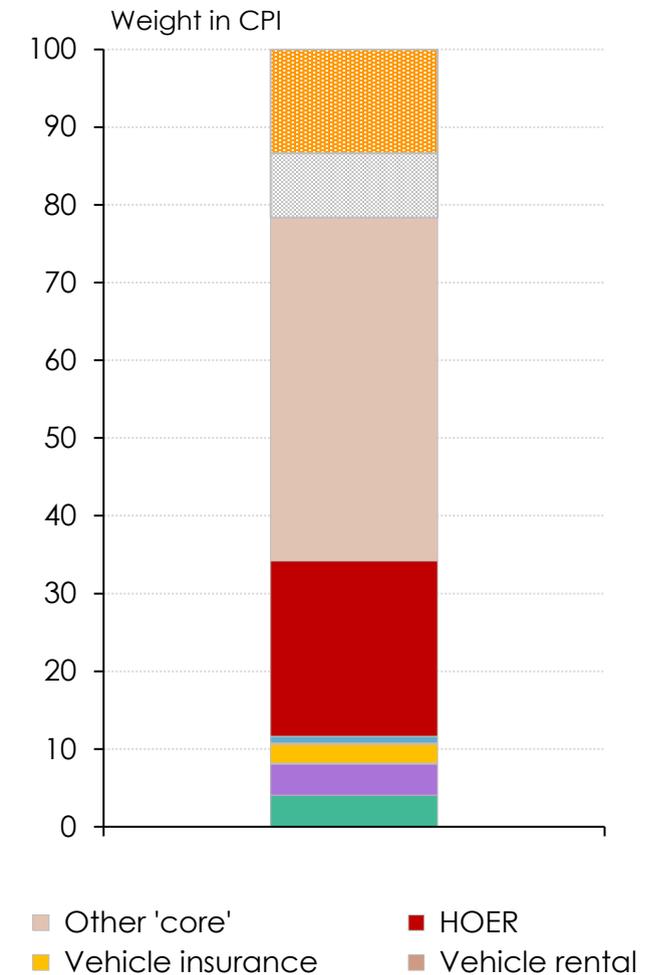
Contributions to monthly changes in the US CPI



Contributions to change in CPI over the year to March



Weights in CPI

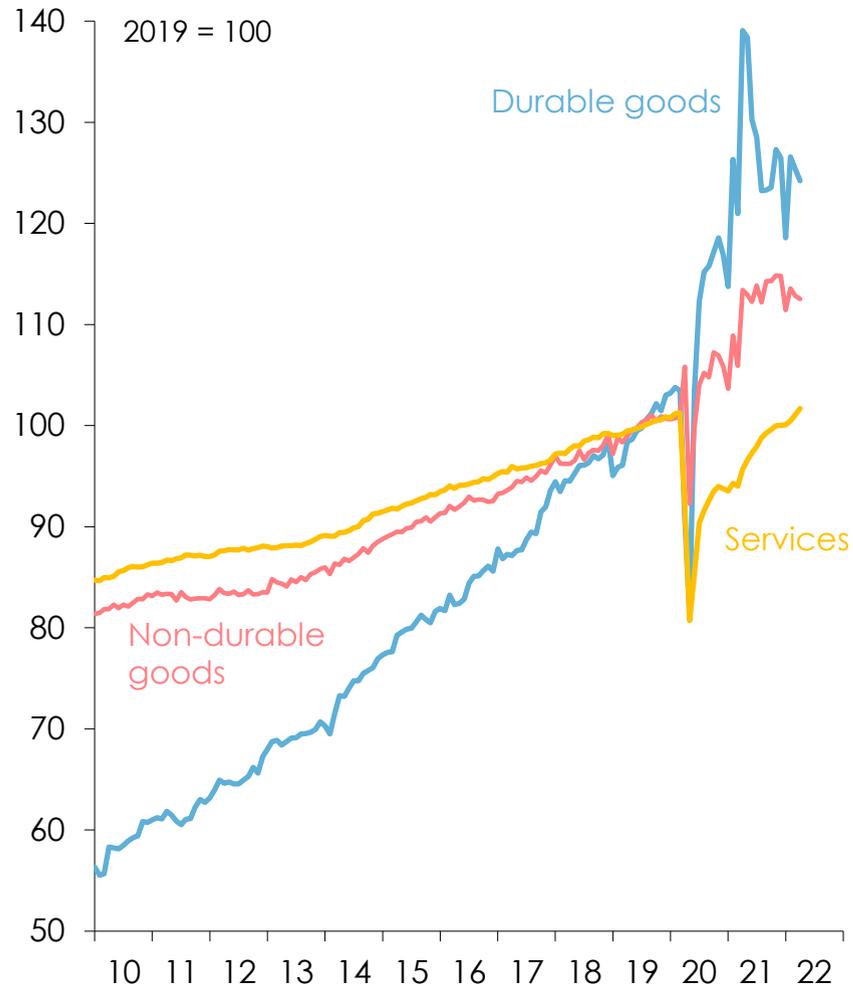


Note: 'HOER' = home-owners' equivalent rent (a measure of the 'imputed rent' notionally paid by owner-occupiers to themselves), and which accounts for (an uncommonly large, by international standards) 28½% of the CPI excluding food and energy. Source: US Bureau of Labor Statistics, CPI Table 6; Corinna.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

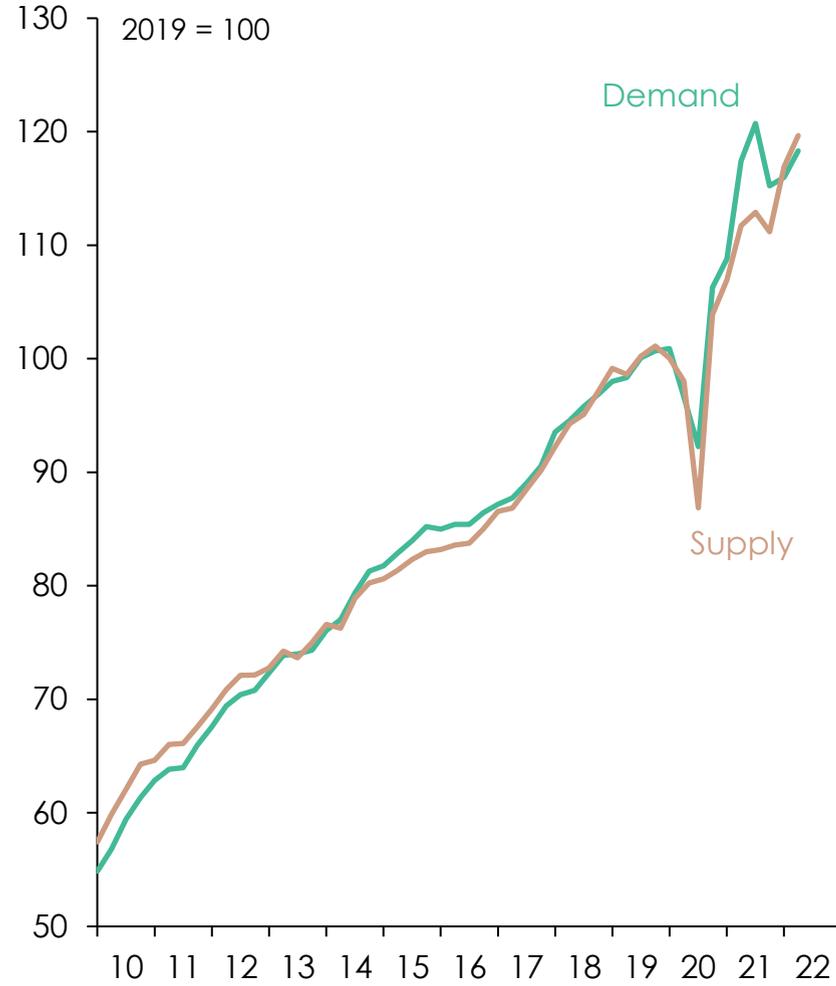
The rise in inflation has until recently been largely attributable to the imbalance between supply and demand for durable goods

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

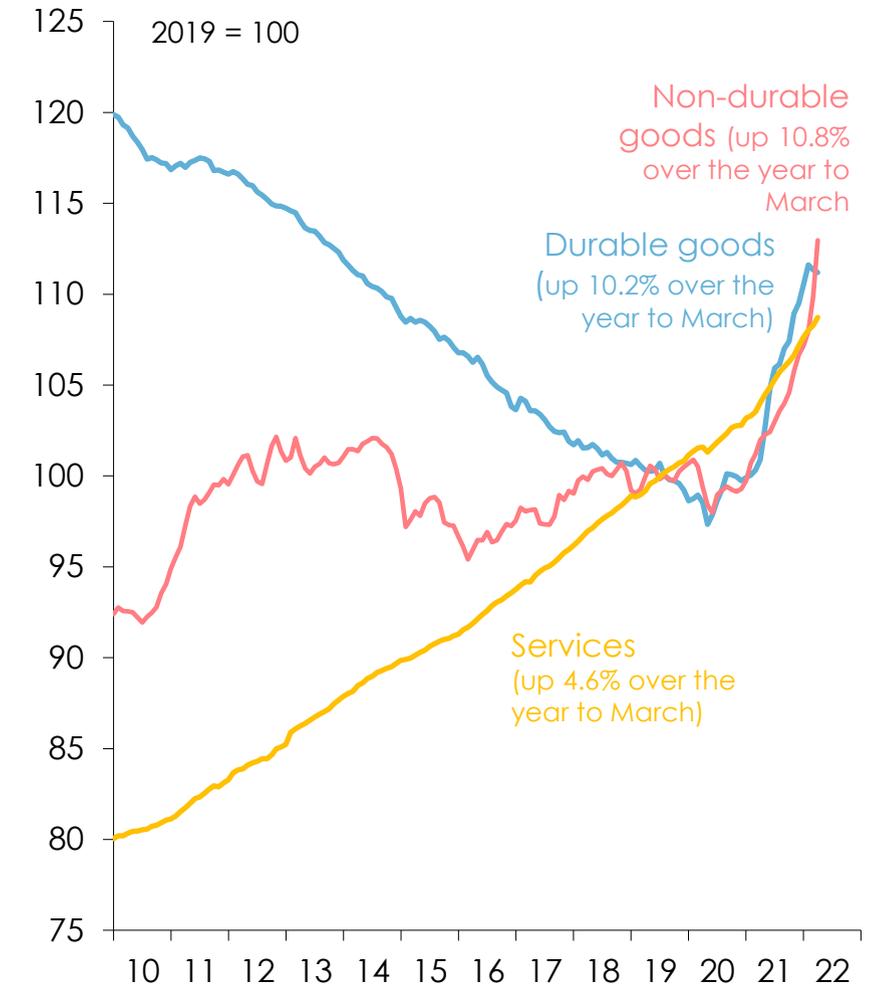
Composition of personal consumption expenditures



Aggregate demand for and supply of durable goods



Implicit price deflators of personal consumption

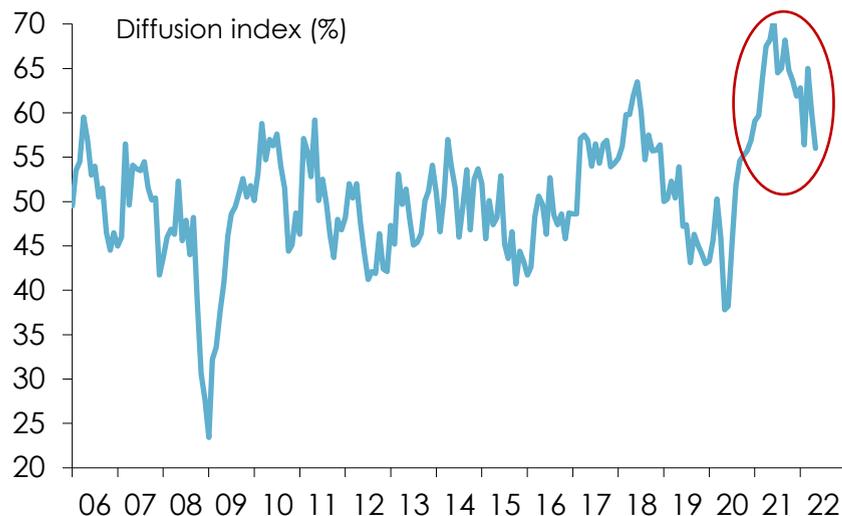


Note: 'Aggregate demand' for durable goods comprises personal consumption of durable goods plus business investment in equipment. 'Aggregate supply' of durable goods comprises gross domestic product (final sales plus change in inventories) plus net imports of durable goods. Sources: US Bureau of Economic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

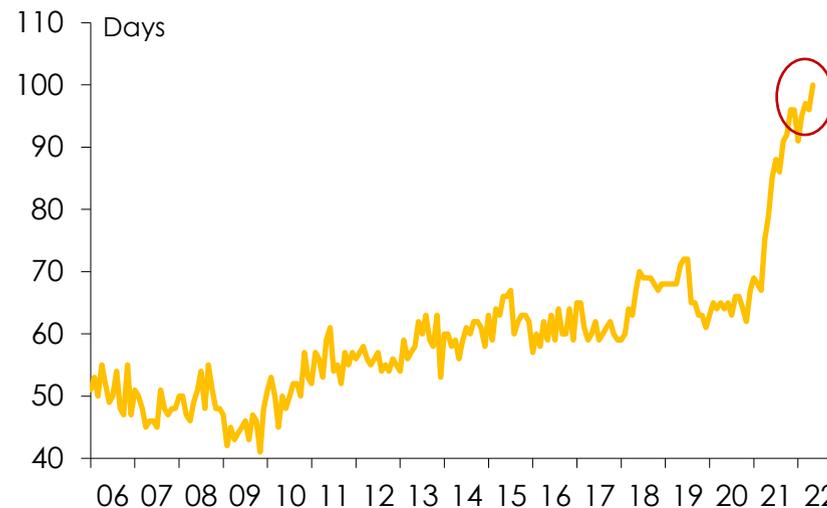
Supply-chain difficulties have intensified again this year, after seeming to have peaked during the second half of last year

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

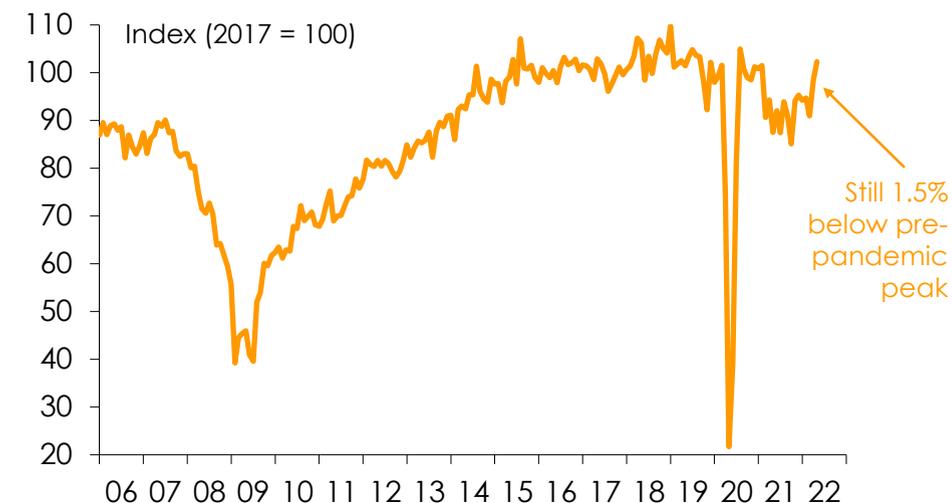
Manufacturers' order backlogs



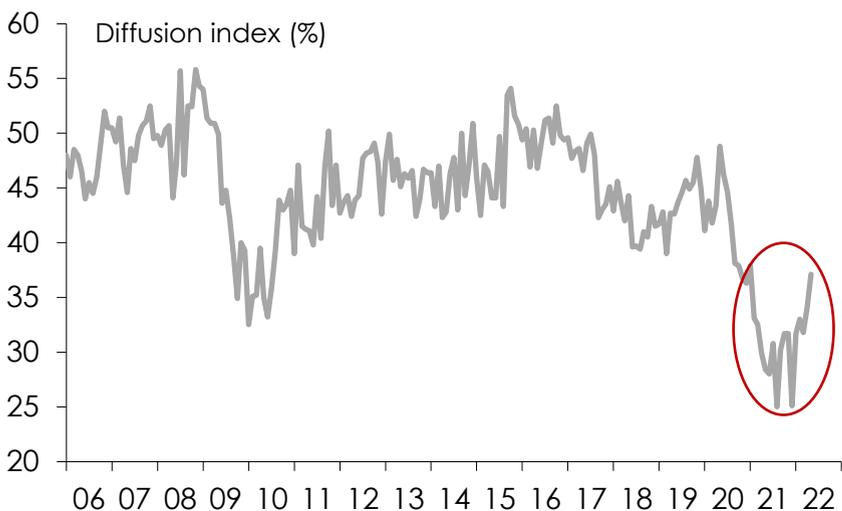
Lead-time for production materials



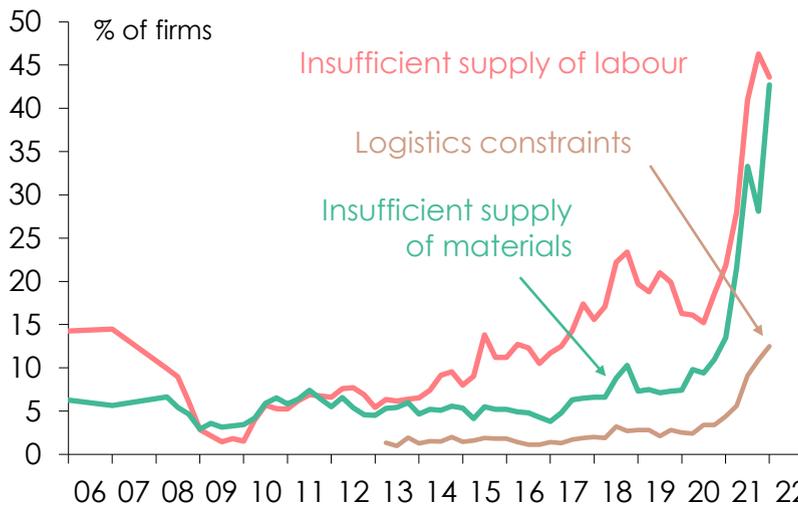
Motor vehicles & parts production



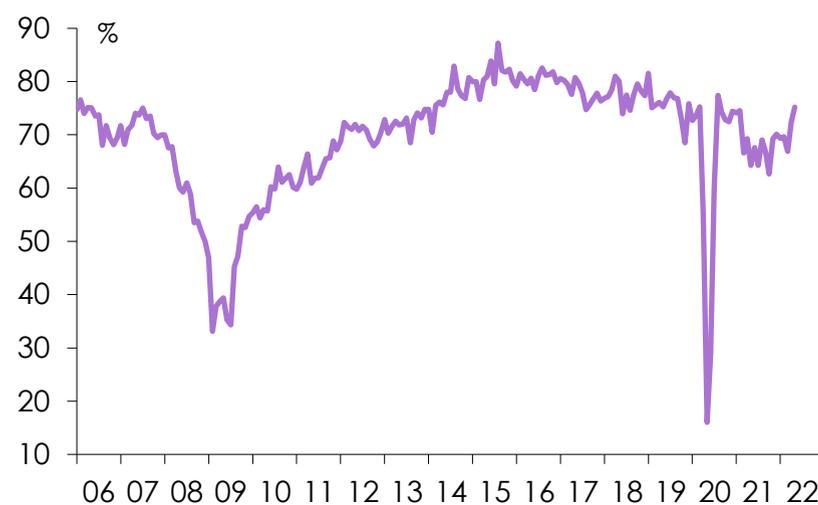
Manufacturers' customer inventories



Reasons for < full capacity



Auto industry capacity utilization

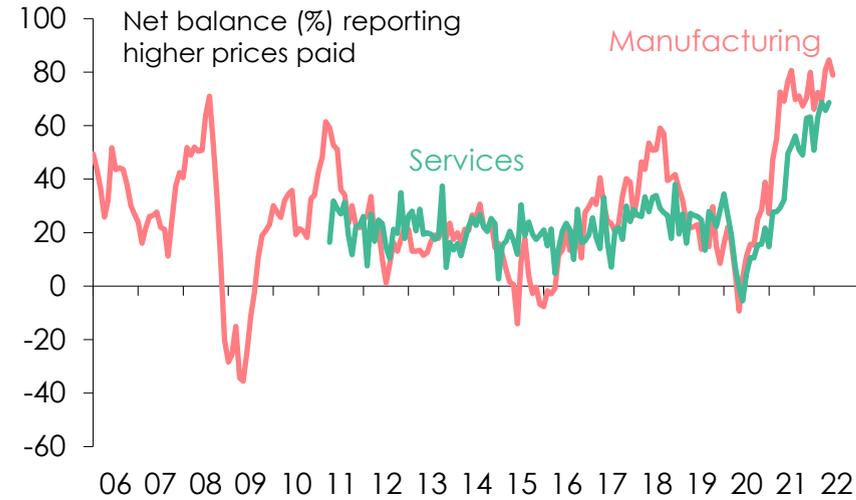


Note: The diffusion index of order backlogs is 50 plus the percentage of respondents reporting longer backlogs minus the percentage reporting shorter backlogs (and similarly for customer inventories). 'Reasons for < full capacity' means reasons for operating at less than full capacity. Sources: Institute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

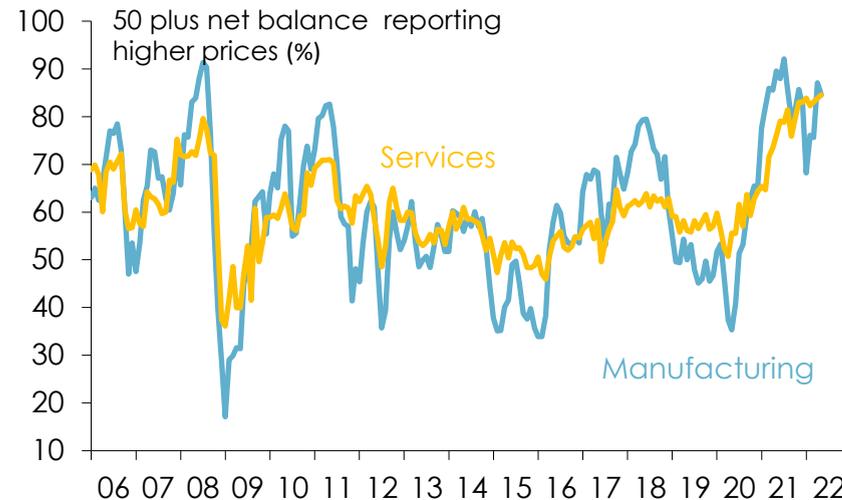
Longer-term household inflation expectations have remained remarkably stable over the past few months despite the sharp rise in actual inflation

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

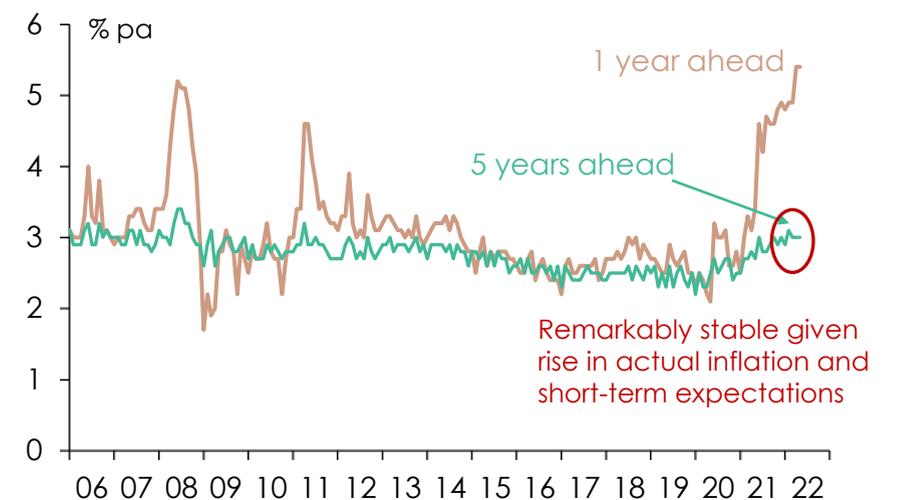
'Philly Fed' survey – prices paid



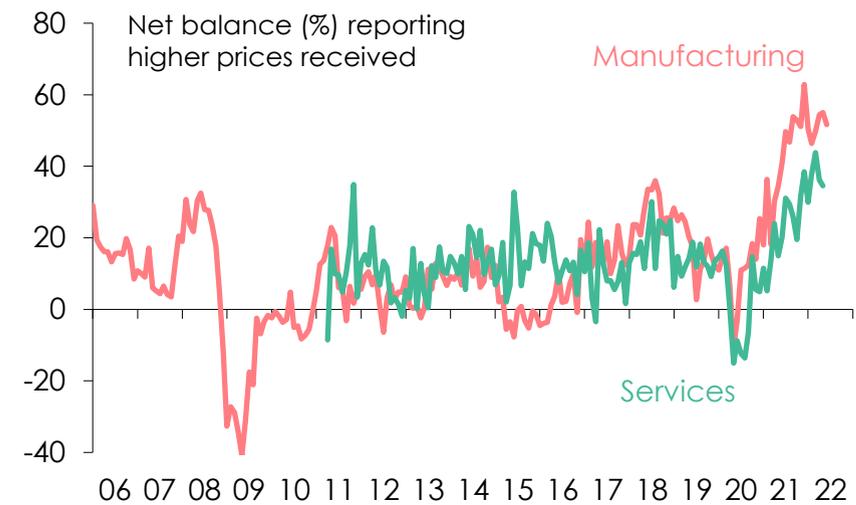
ISM survey – prices paid



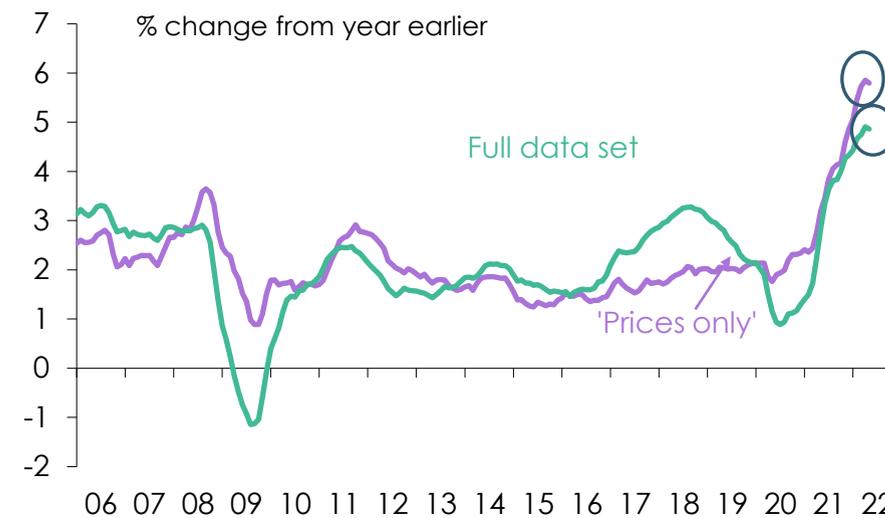
Household inflation expectations



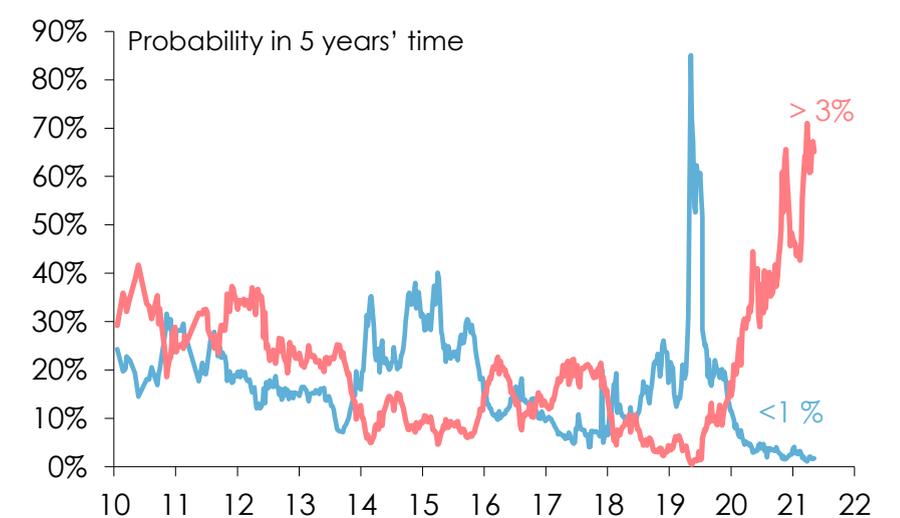
'Philly Fed' survey – prices received



NY Fed 'underlying inflation gauge'



Market-priced inflation probabilities



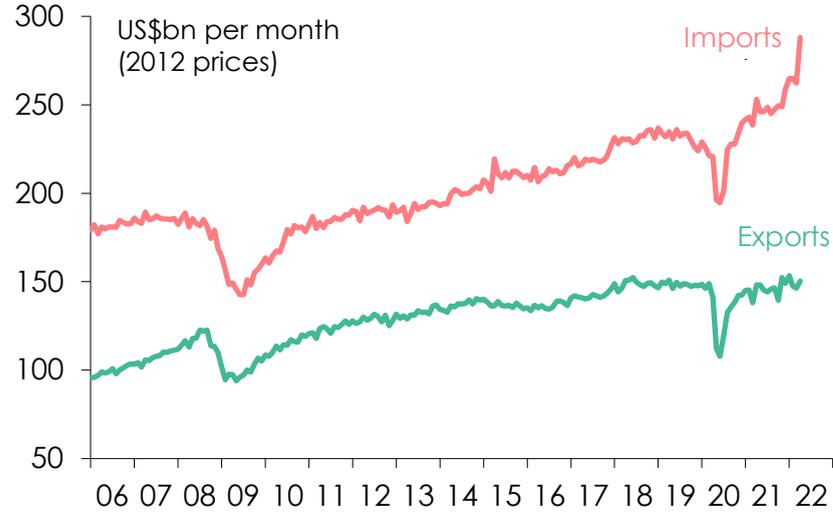
Sources: Federal Reserve Bank of Philadelphia, [Regional Economic Analysis](#), Manufacturing and Non-Manufacturing Business Outlook Surveys ; Institute for Supply Management, [ISM Report on Business](#); Federal Reserve Bank of New York, [Underlying Inflation Gauge](#); Federal Reserve Bank of Minneapolis,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

SAUL ESLAKE
 CORINNA ECONOMIC ADVISORY
 INDEPENDENT ECONOMICS

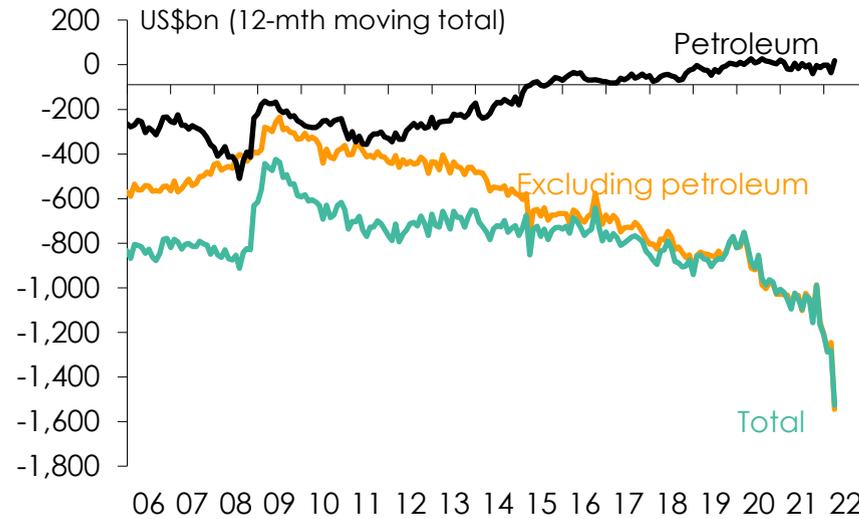
The US incurred a record goods & services trade deficit (for the 4th month in a row) of US\$109.8bn in March, reflecting a 9.8% leap in import volumes

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

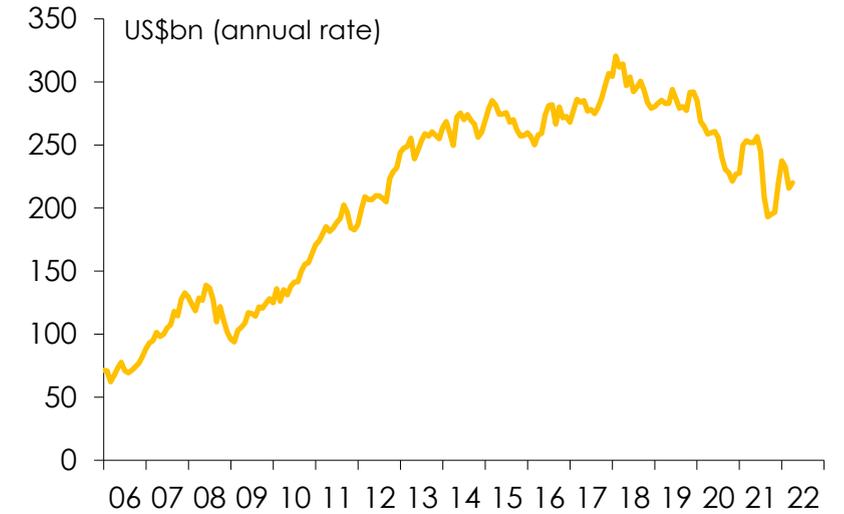
US merchandise trade volumes



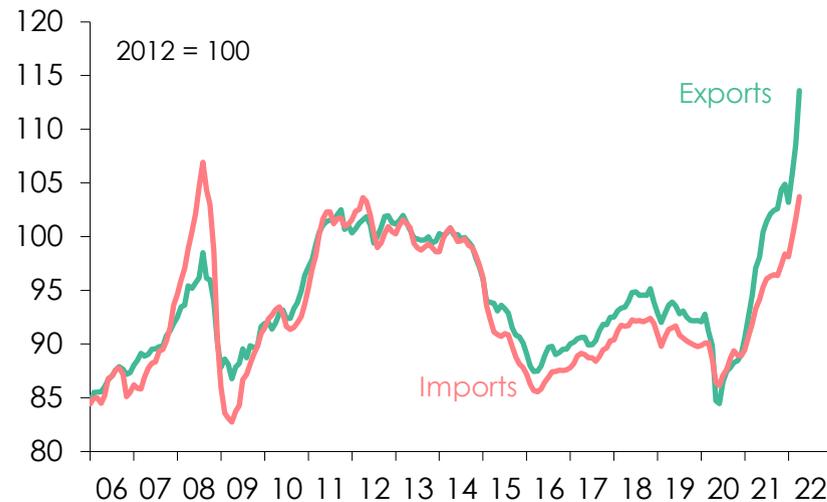
US goods trade balance



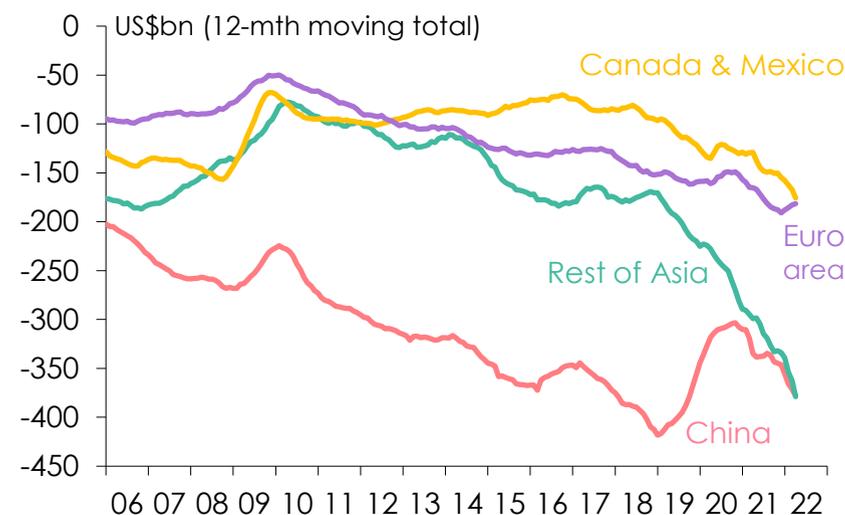
US services trade balance



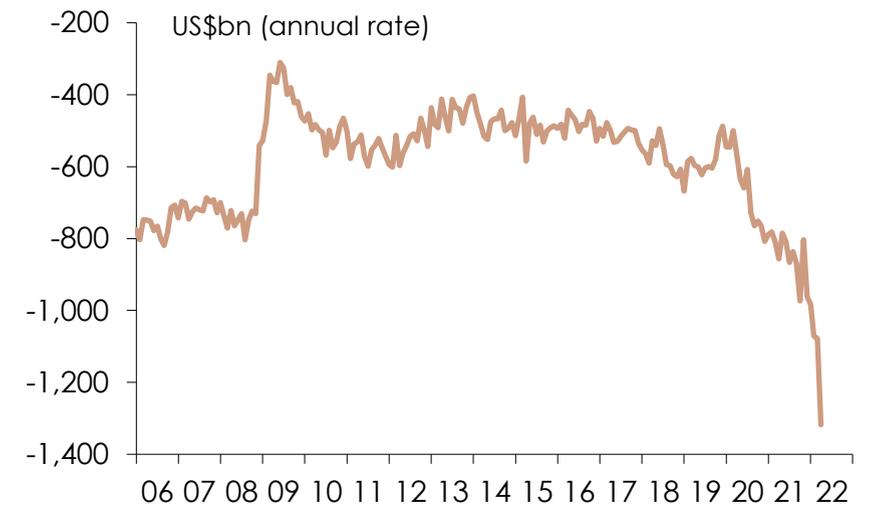
US merchandise trade prices



US bilateral goods trade balances



US goods & services trade balance

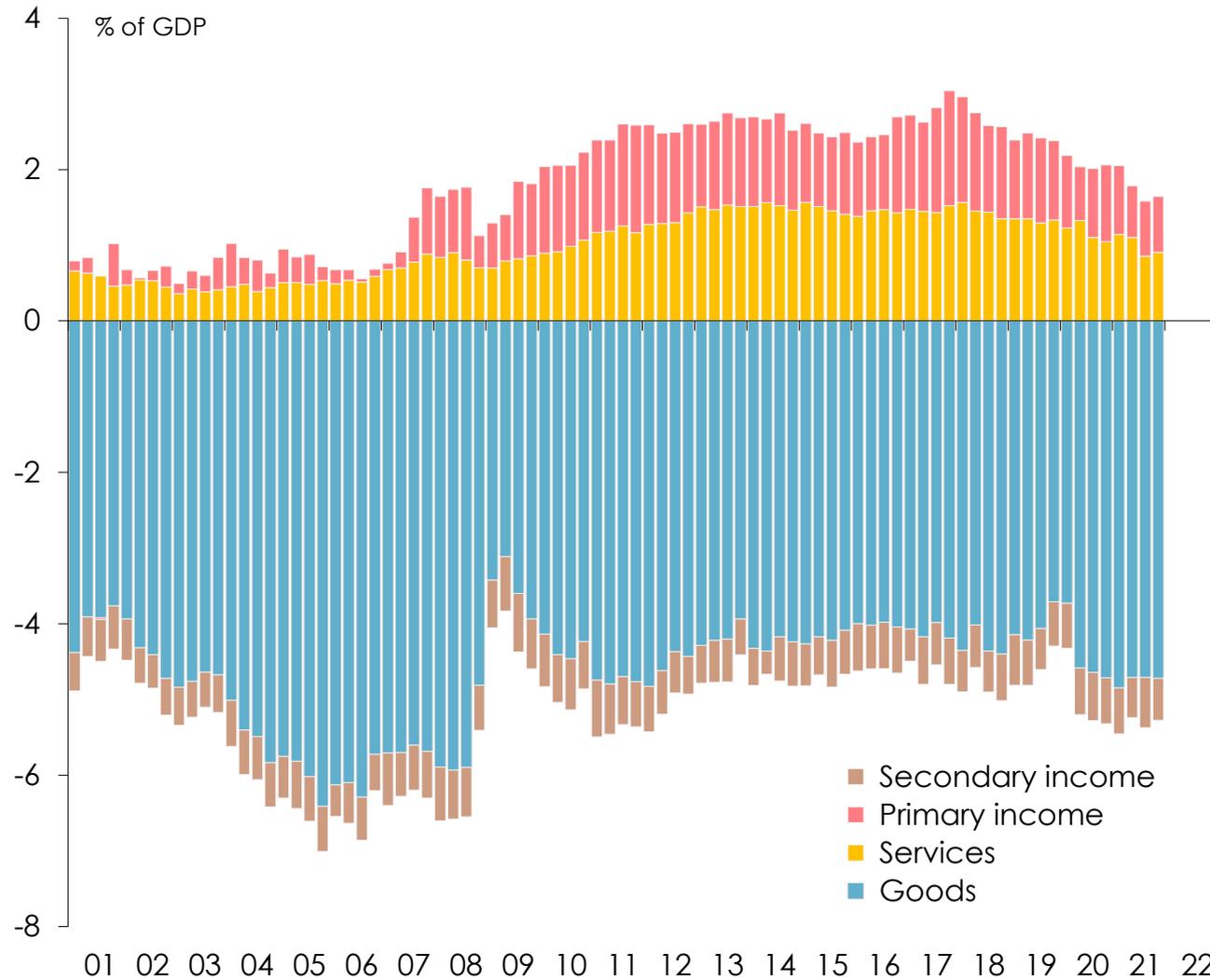


Source: US Census Bureau, [Foreign Trade](#); and US Bureau of Economic Analysis, [Advance Economic Indicators](#), and [U.S. International Trade in Goods and Services](#).
[Return to "What's New"](#).

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

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

US current account balance



US net international investment position

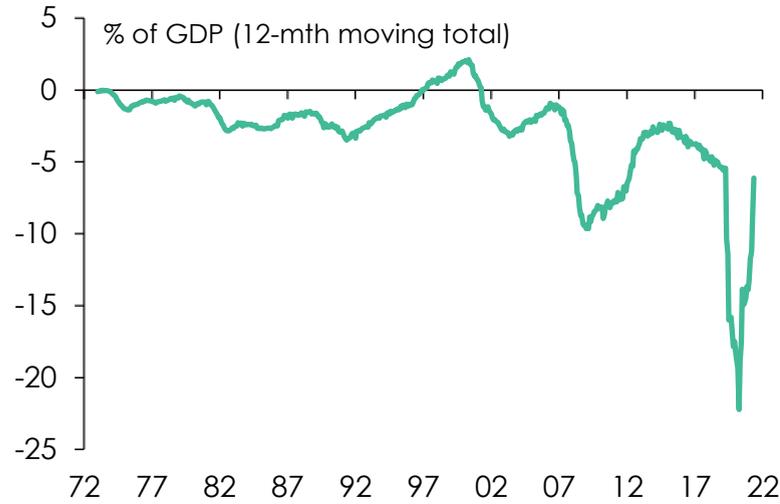


Note: 'Primary income' transactions are those involving investment income or compensation of employees. The US typically runs a surplus on investment income despite having a negative net international investment position since 1989, because US investors are able to derive much higher returns from their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

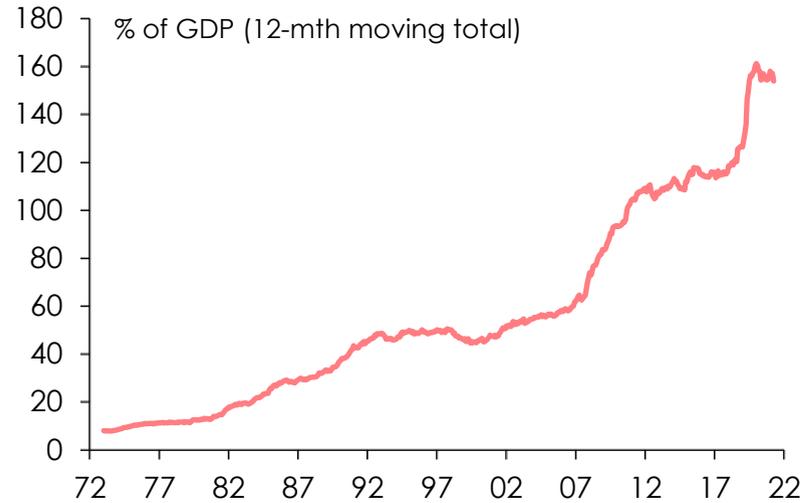
The US Government posted a record budget surplus in April, cutting the total deficit over the past 12 months to 'only' 6% of GDP (from a peak of 22%)

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

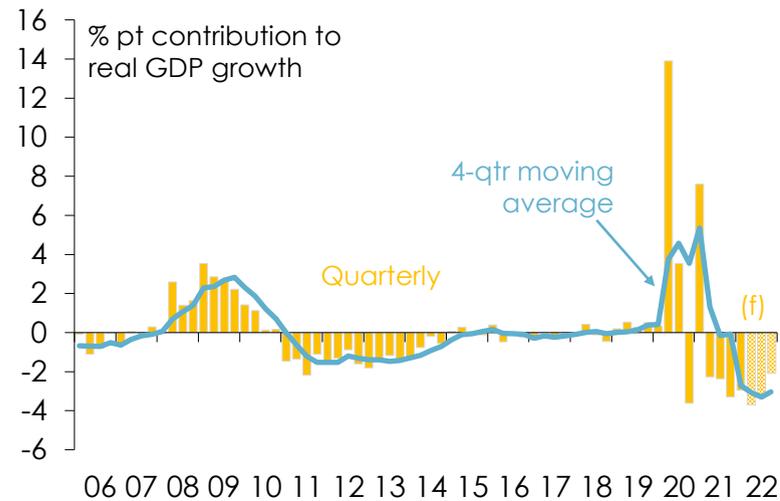
US Federal budget deficit



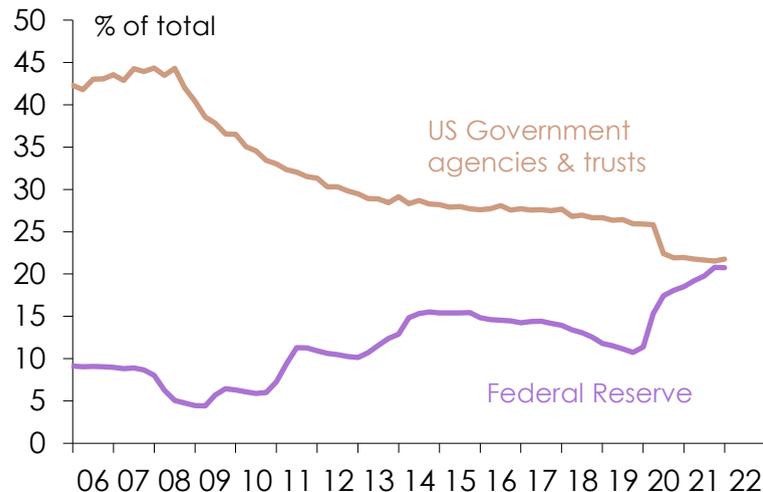
US gross Federal debt



Fiscal policy impact on GDP



Holdings of US Federal debt



- ❑ The US Federal Government recorded a budget *surplus* of US\$308.2bn – the largest ever for a single month – in April, due to a surge in personal income tax payments
- ❑ For the 12 months ended April the budget deficit totalled \$1.2 trn (6.1% 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 this month's FOMC meeting, and foreshadowed further hikes of that magnitude

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

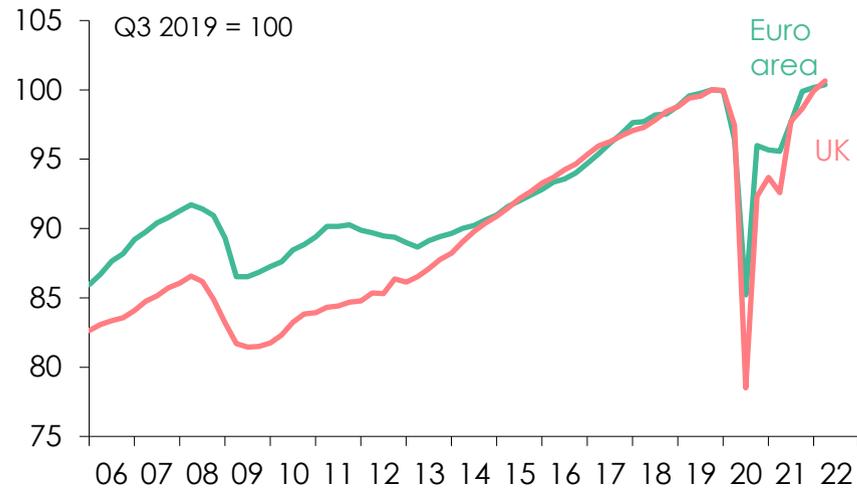
- ❑ The Federal Reserve **raised its target for the Fed funds rate** by 50 basis points, to 0.75-1.00%, at its Federal Open Market Committee meeting on 4th May
- ❑ It also **detailed** its plans for 'quantitative tightening, foreshadowing that it would, beginning on 1st June, allow its holdings of Treasury 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

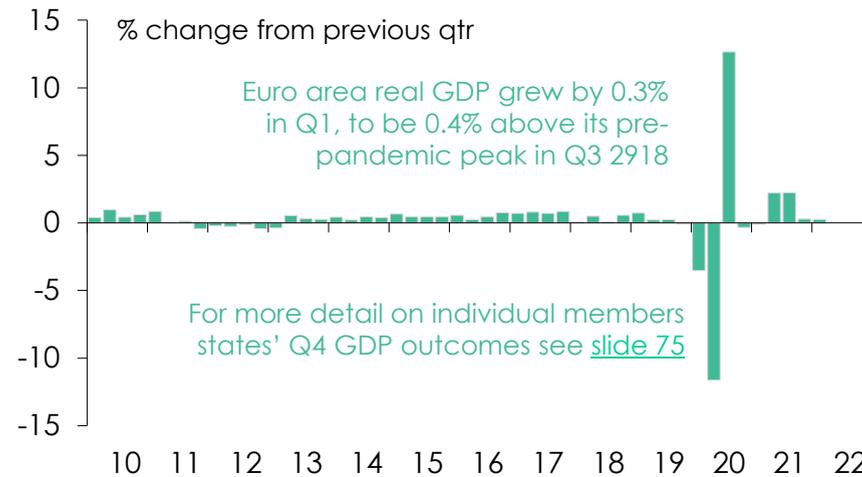
The UK's real GDP grew by 0.8% in Q1 – despite a very large contraction in net exports – to be 0.7% above its pre-Covid peak

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

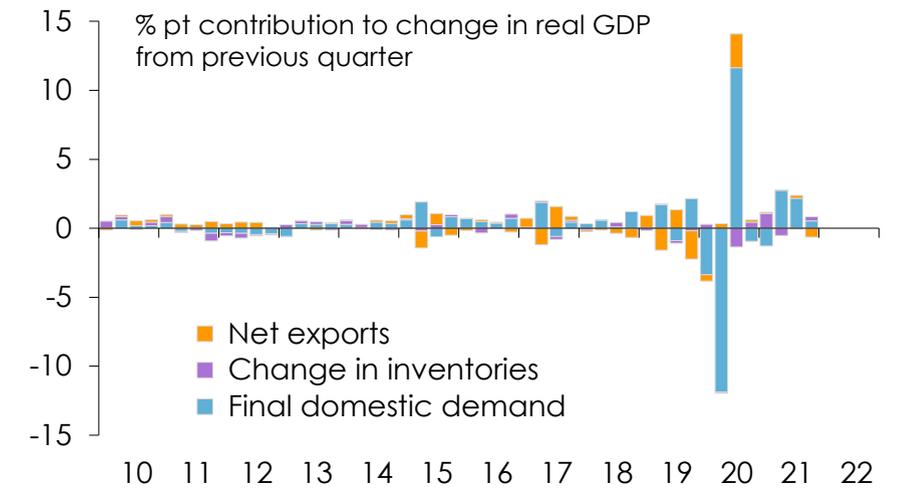
Euro area and UK real GDP



Euro area quarterly GDP growth



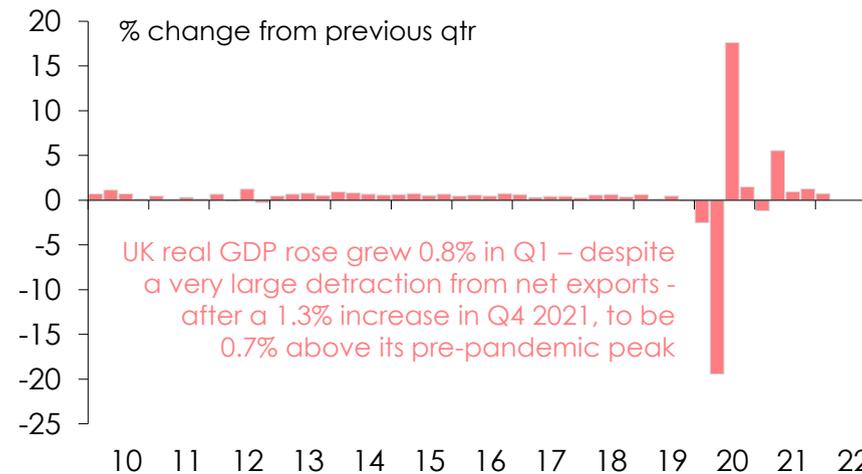
Contributions to quarterly EA GDP



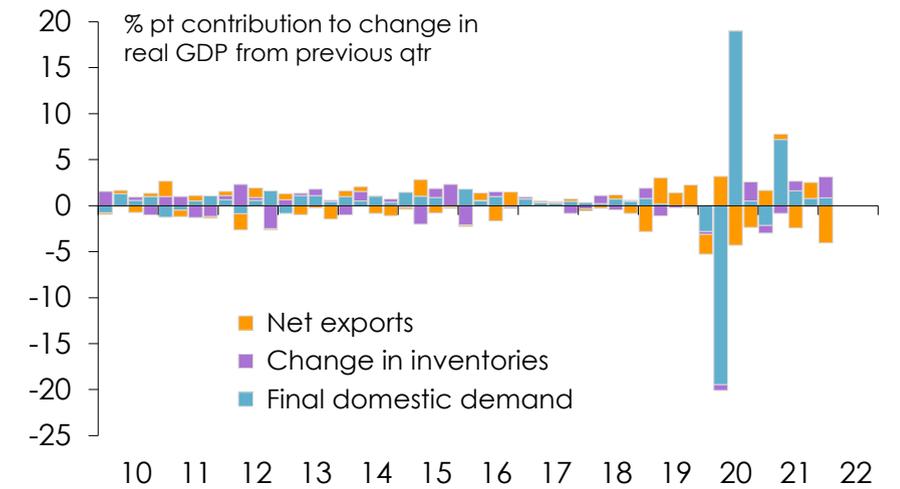
Euro area and UK terms of trade



UK quarterly GDP growth



Contributions to quarterly UK GDP

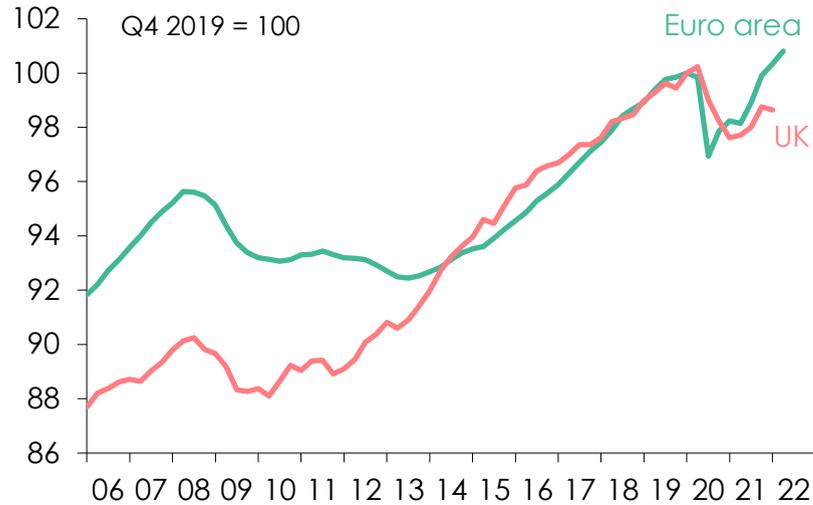


Note: the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded with the rest of the world. Sources: Eurostat,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

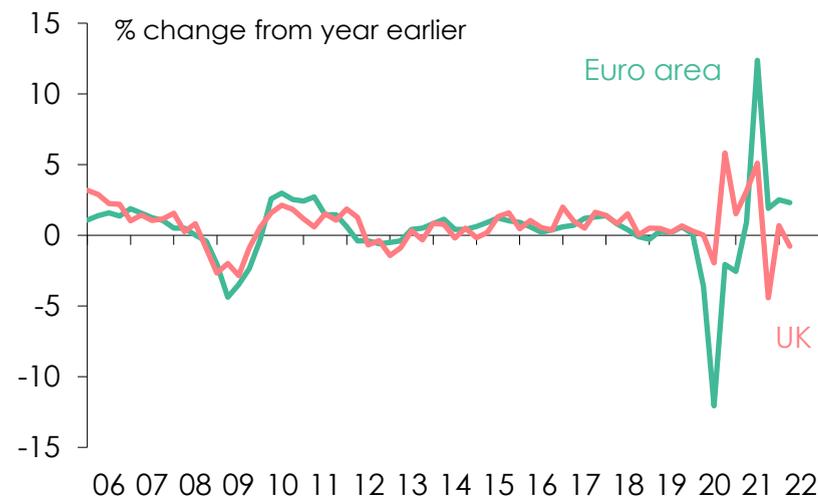
Euro area unemployment fell to 6.8% in March, the lowest since its inception, but remains well above the UK's 3.7%

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

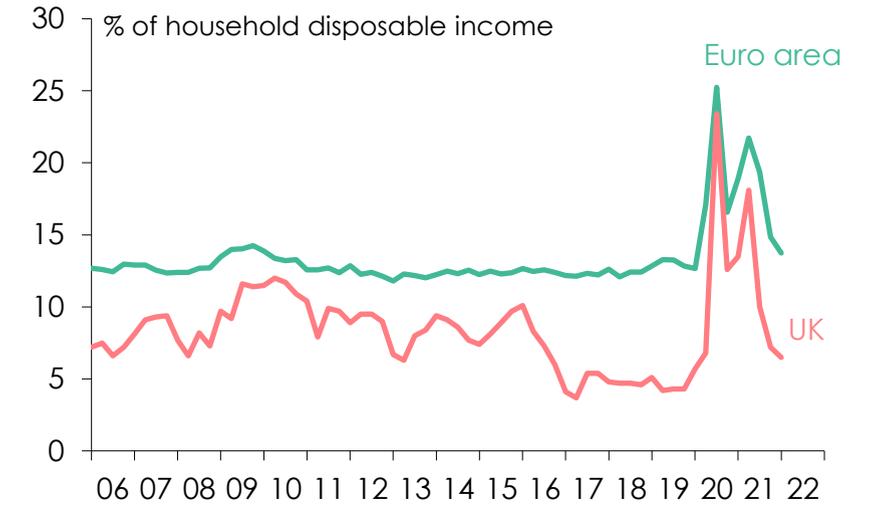
Employment



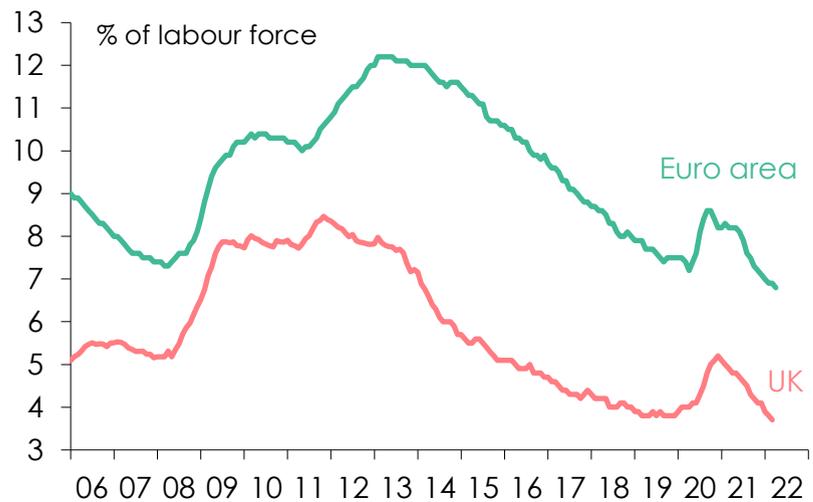
Labour productivity



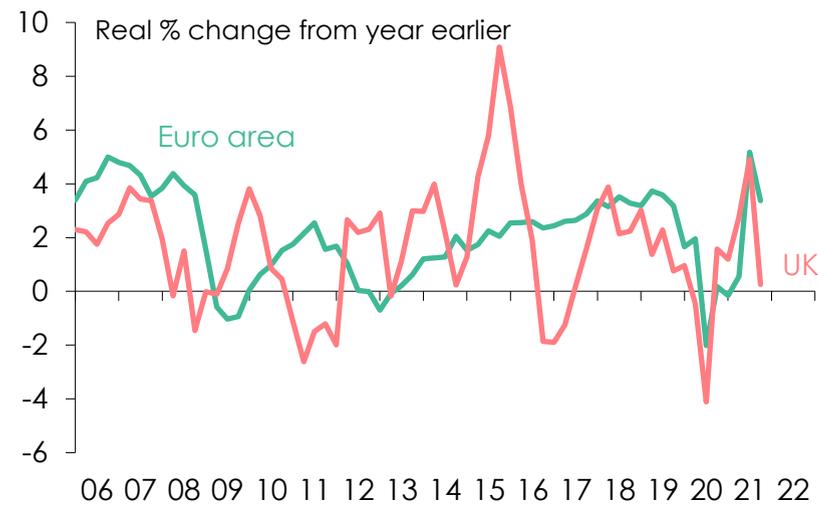
Household saving rates



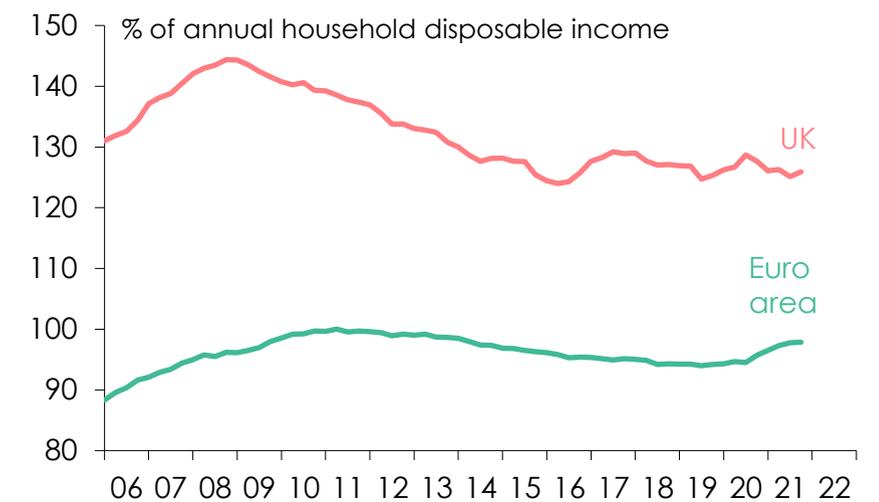
Unemployment rates



Household disposable income



Household debt

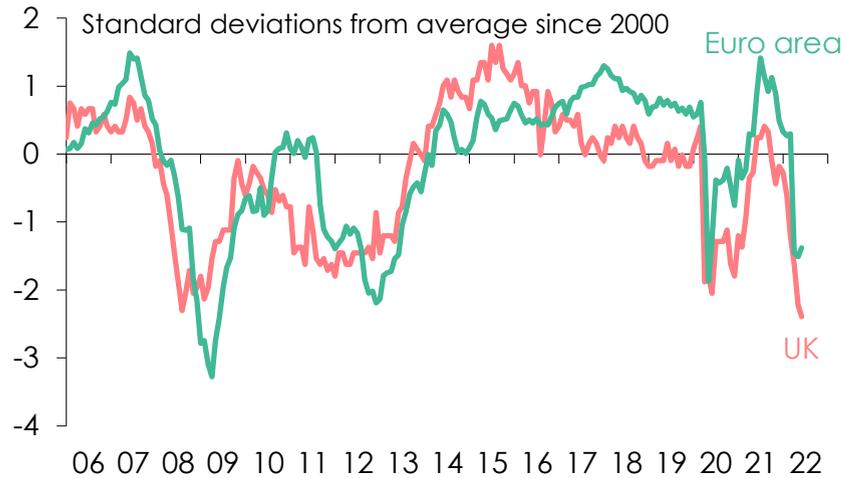


Sources: Eurostat, [Employment and unemployment \(Labour force survey\)](#), [Household saving rate](#) and [Labour productivity and unit labour costs](#); UK Office for National Statistics, [Employment in the UK](#), [Unemployment rate](#) (note, UK unemployment data are shown as a three-month moving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

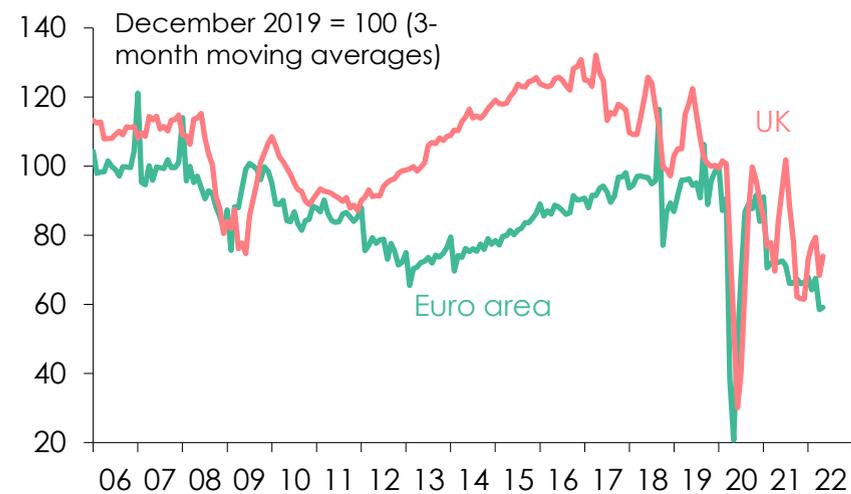
Consumer confidence in the euro area stabilized (at a low level) in May, but in the UK fell to its lowest in at least 49 years

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

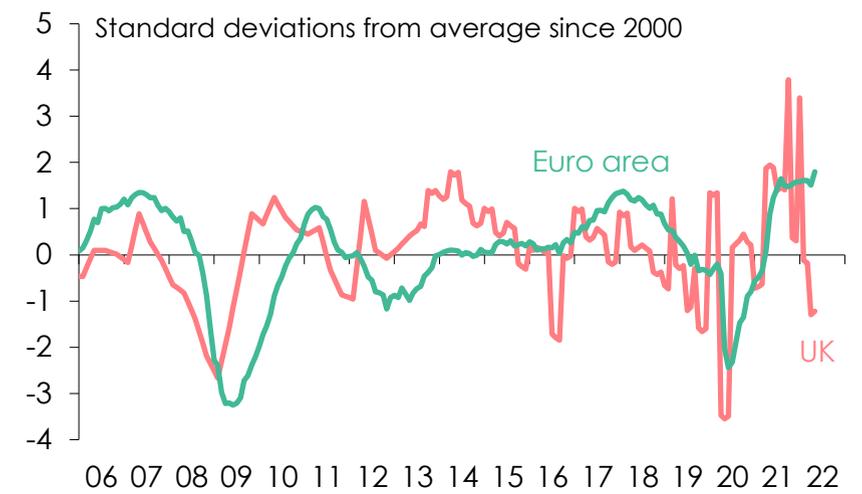
Consumer confidence



New car registrations



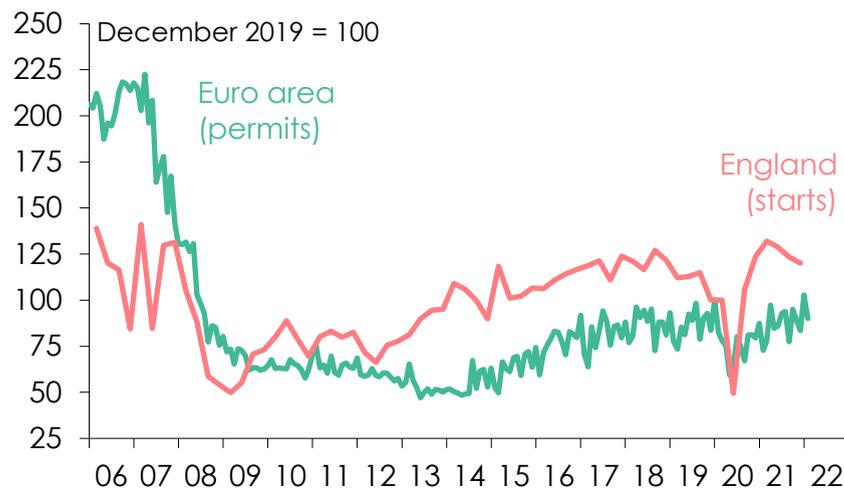
Business confidence



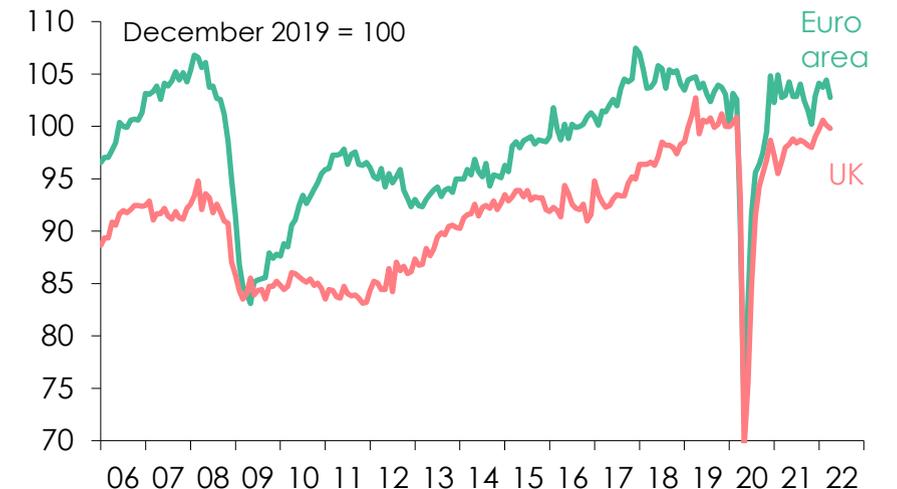
Retail sales volume



Housing activity



Manufacturing production

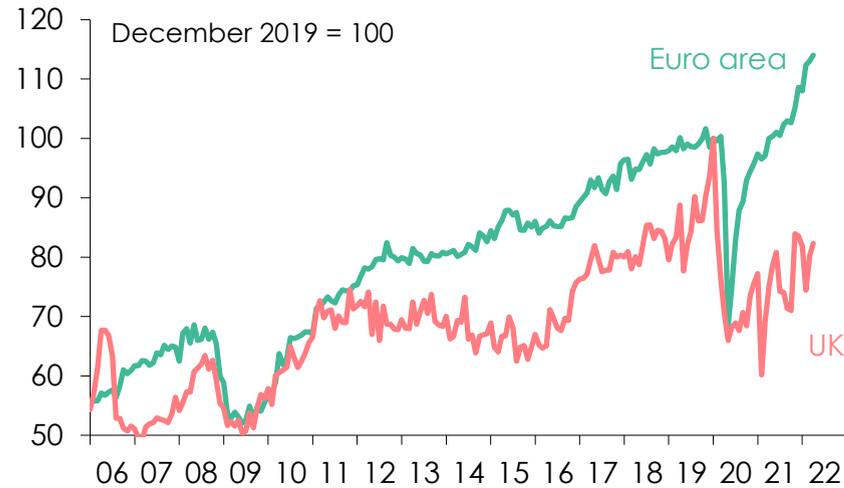


Sources: European Commission, [Business and consumer surveys](#); GfK, [Consumer confidence barometer](#); Confederation of British Industry, [Industrial Trends Survey](#); Eurostat, [Turnover and volume of sales in wholesale and retail trade](#), [New registrations of passenger cars](#), [Building permits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

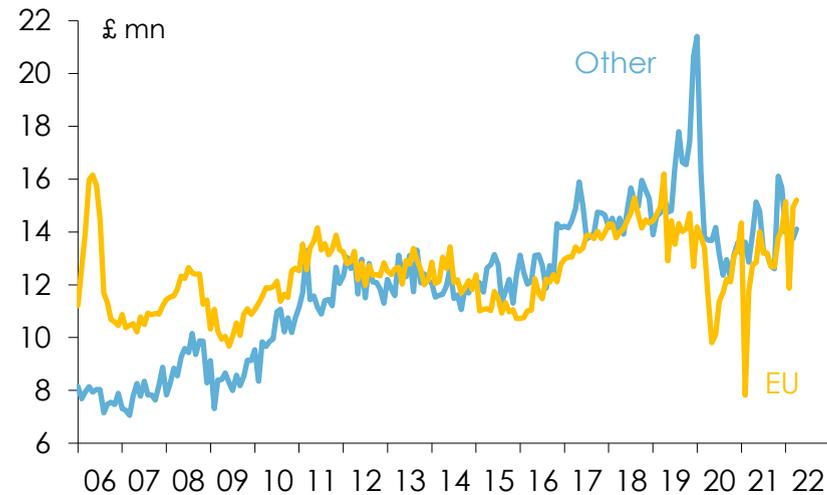
'Brexit' has not been a boon for the UK's trade performance, with the UK recording a record trade deficit of £68bn in the first quarter of 2022

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

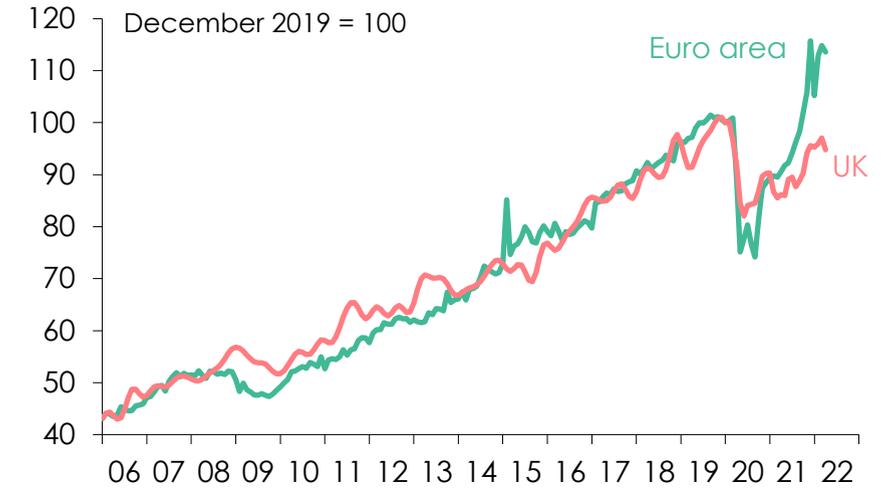
Merchandise exports



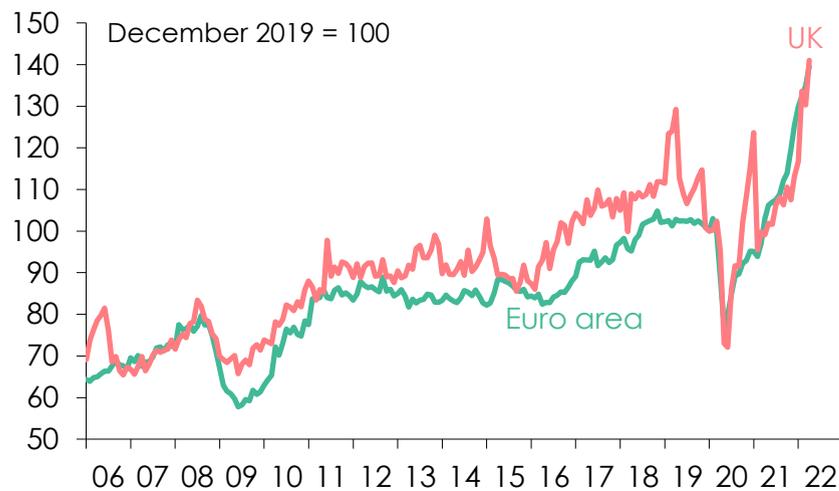
UK exports by destination



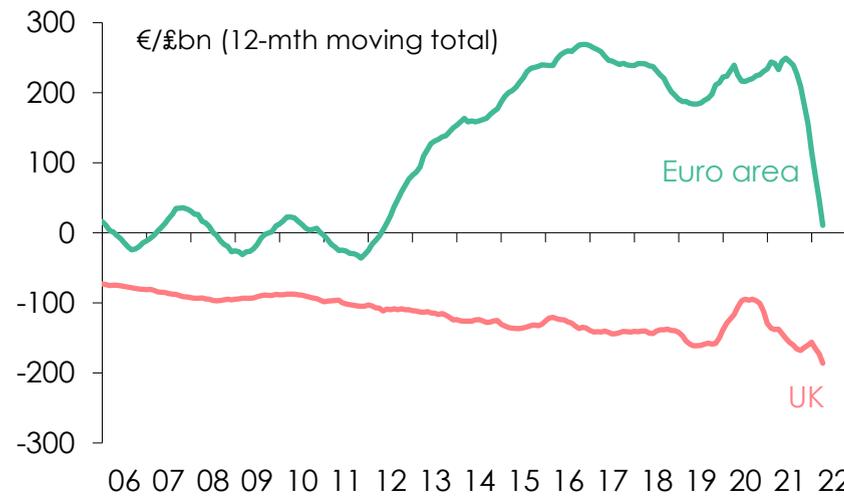
Services exports



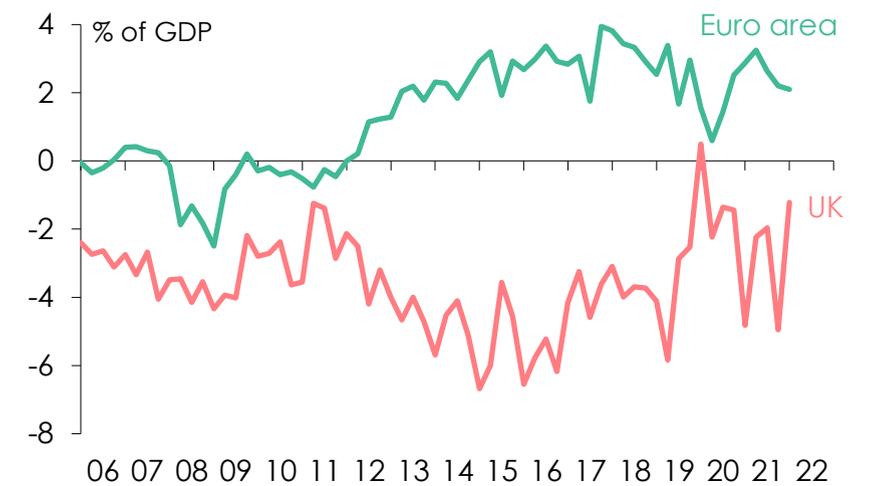
Merchandise imports



Merchandise trade balances



Current account balance

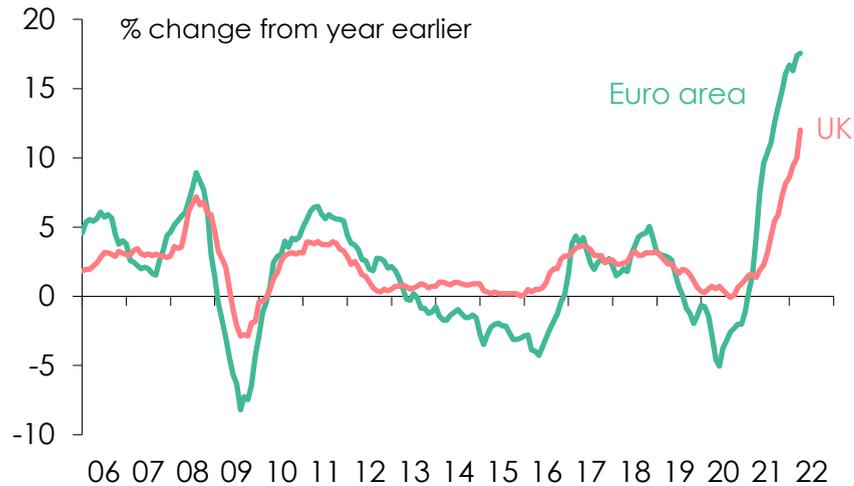


Sources: European Central Bank, Statistical Data Warehouse, [External Trade](#), [Balance of Payments and International Investment Position - Services](#), and [Balance of Payments and International Investment Position - Current Account](#); UK Office for National Statistics, [UK Trade](#) and [BoP Current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

The UK's annual 'headline' inflation rate jumped 2 pc pts to 9.0% in April, the highest in 40 years, while 'core' inflation rose to 6.2%

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

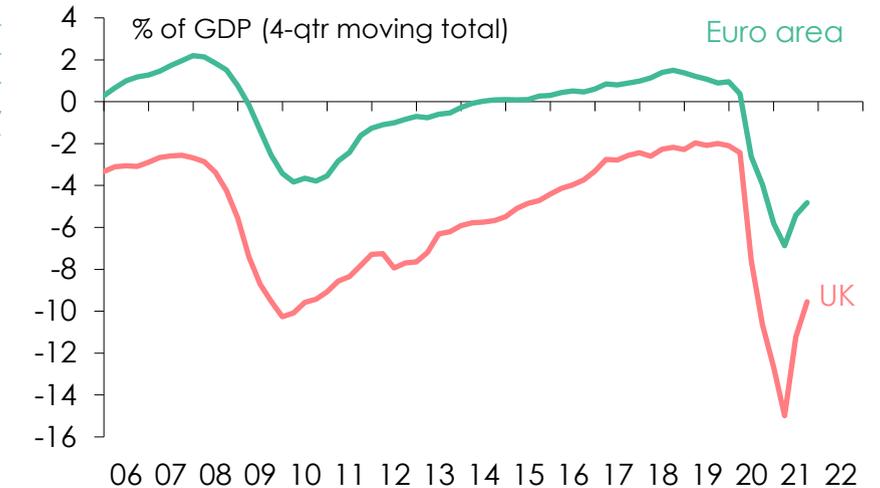
Producer prices



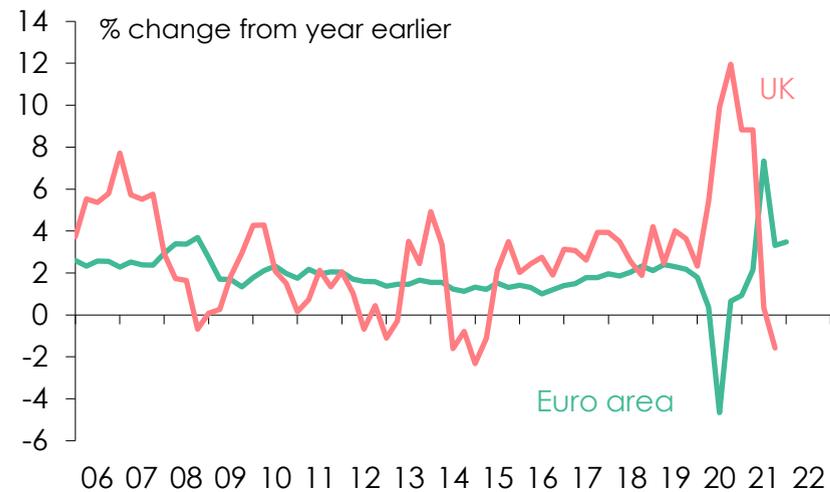
'Headline' consumer prices



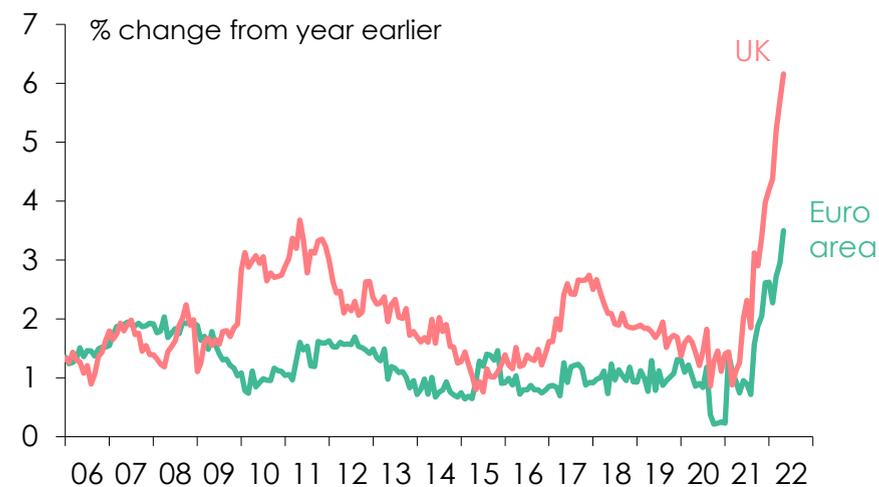
Government fiscal balance



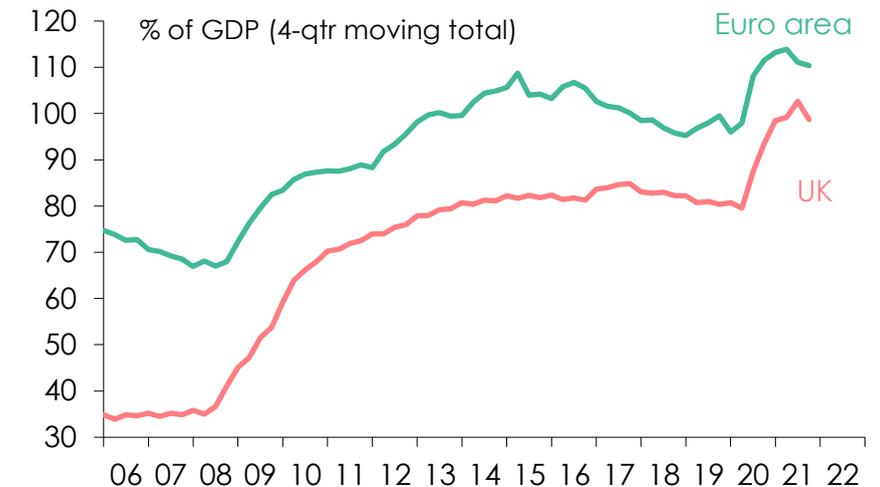
Labour costs



'Core' consumer prices



Government net debt

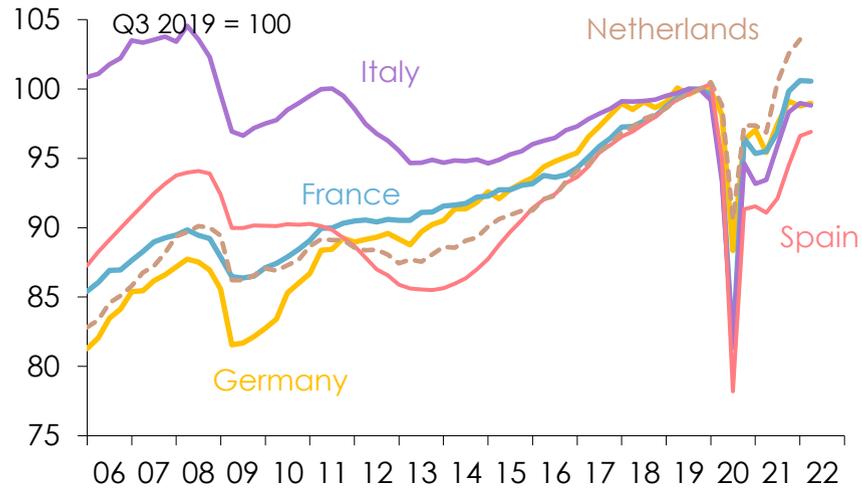


Note: Consumer price indices for the euro area and UK are 'harmonized' indices which exclude owner-occupied housing costs. Sources: Eurostat, [Producer prices in industry](#), [Compensation per employee and hours worked per employed person](#), [Consumer price index](#), and [Government finance statistics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

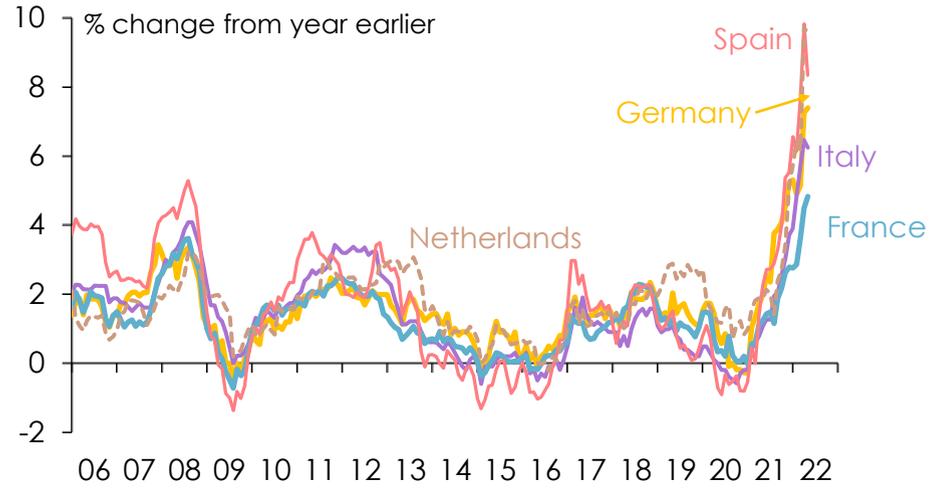
Germany's real GDP grew by 0.2% in Q1, and Spain's by 0.3%, but France's was unchanged and Italy's contracted by 0.2%

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

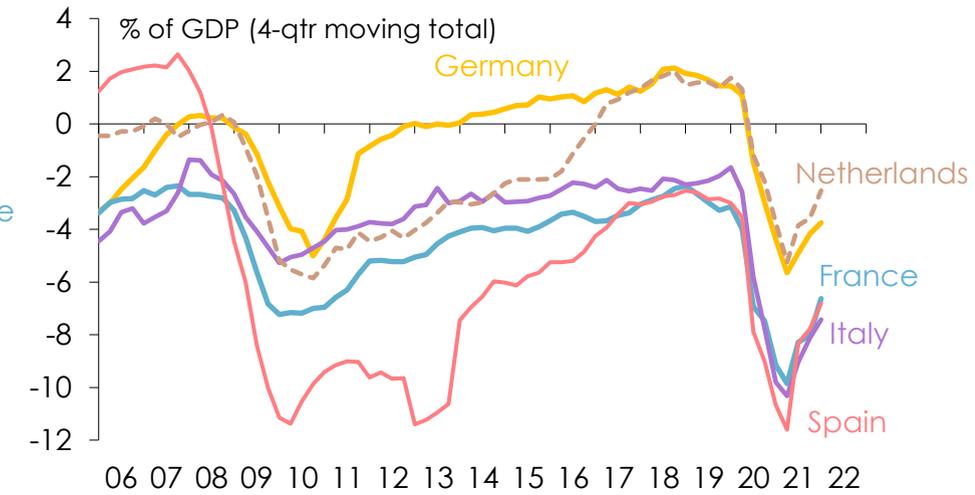
Real GDP



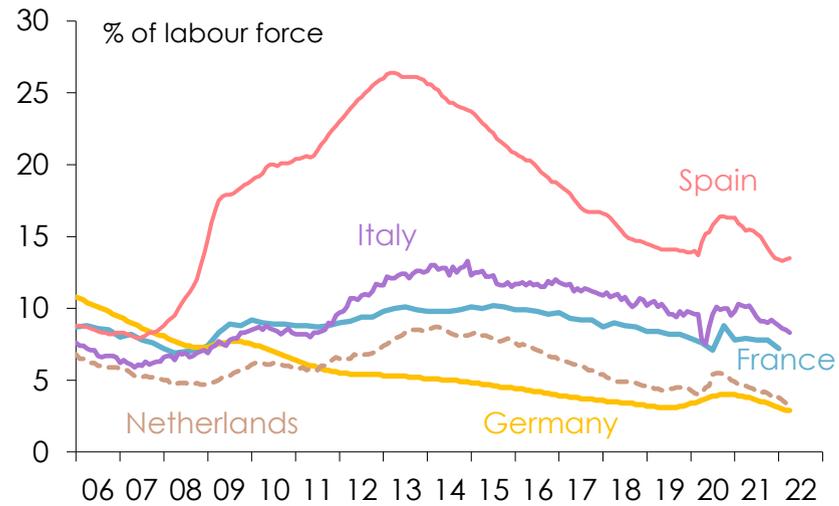
Inflation



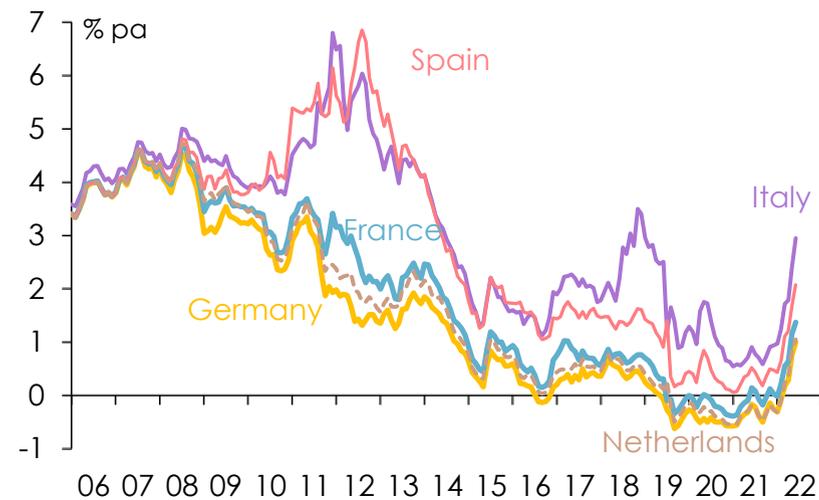
Government net lending



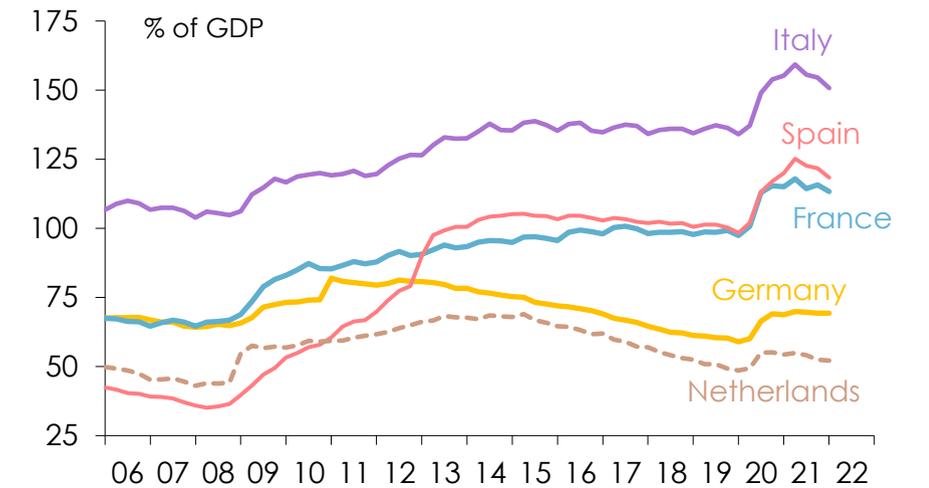
Unemployment



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"](#).

ECB President Christine Lagarde earlier this month hinted that the ECB could begin raising rates in July or August

THE WORLD ECONOMY THIS WEEK – 23RD 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”
- ❑ In a [speech](#) in Ljubljana, Slovenia, on 11th May, Mme Lagarde appeared to indicate that the ECB could begin raising rates in July or August
 - after stating that “it is appropriate for [monetary] policy to return to more normal settings” but also noting that “we do not have excess aggregate demand in the euro area” (unlike the US or UK), she indicated that “purchases under the {ECB’s} asset purchase program ... should be concluded early in the third quarter” and that “the first rate hike will take place some time after [then]”
 - and then added that “some time ... could mean a period of only a few weeks”

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

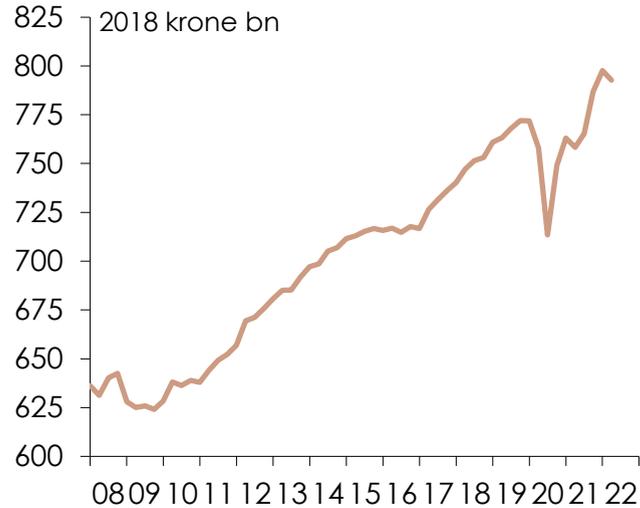
THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

- ❑ 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% this month, but [foreshadowed](#) a fourth rate increase next month ([slide 78](#)); 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 79](#))

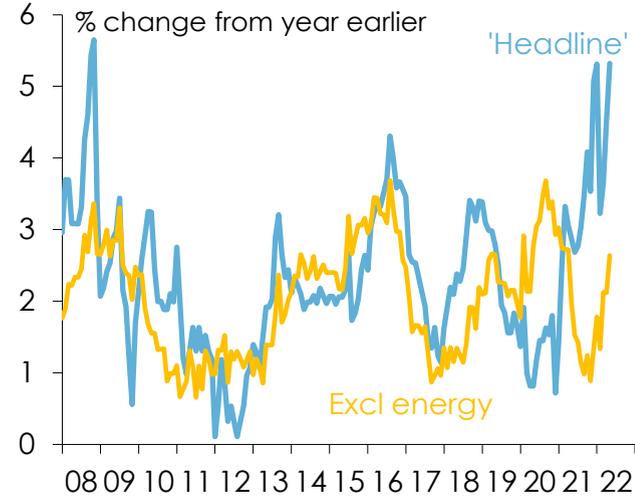
Norway's 'mainland' GDP contracted by 0.6% in Q1, reflecting falls in both domestic demand (after two very strong quarters) and net exports

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

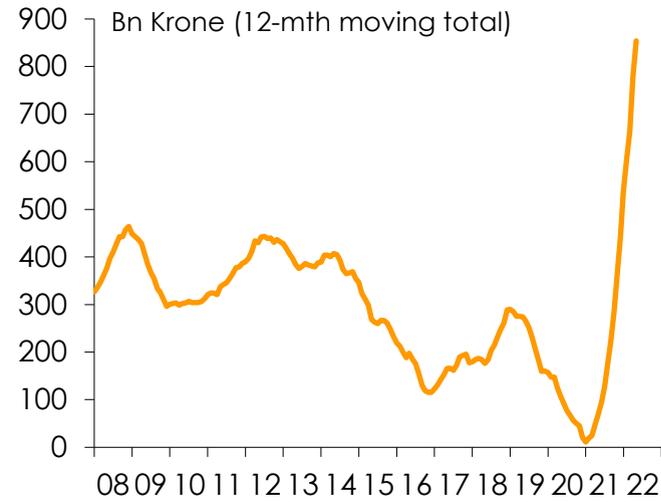
'Mainland' real GDP



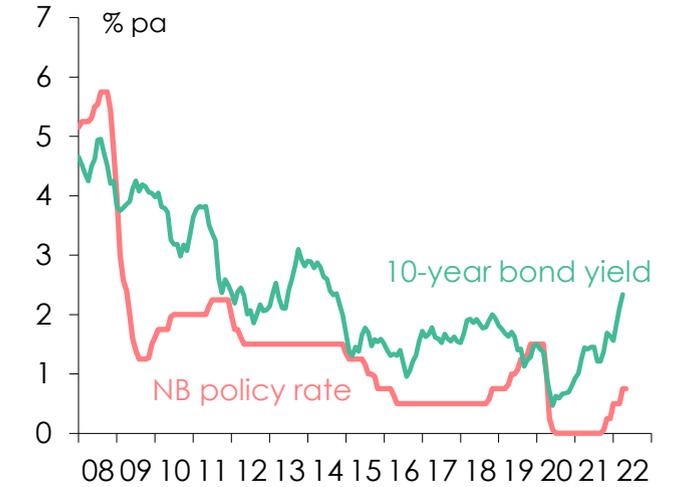
Inflation



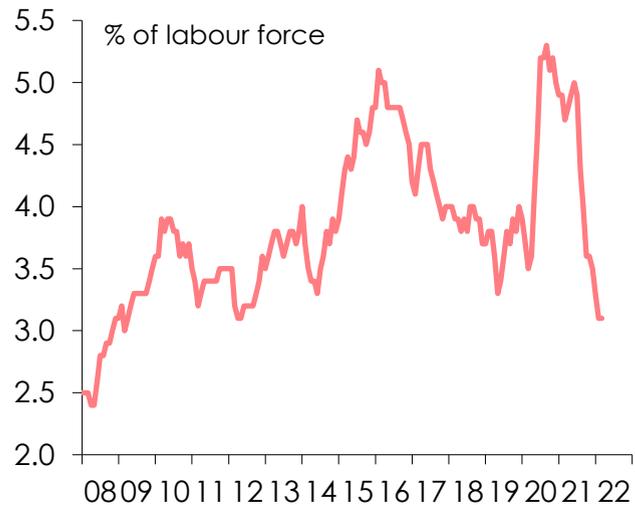
Trade balance



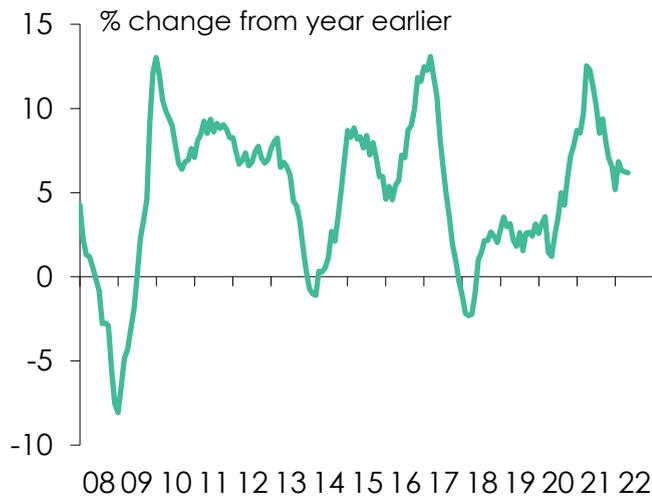
Interest rates



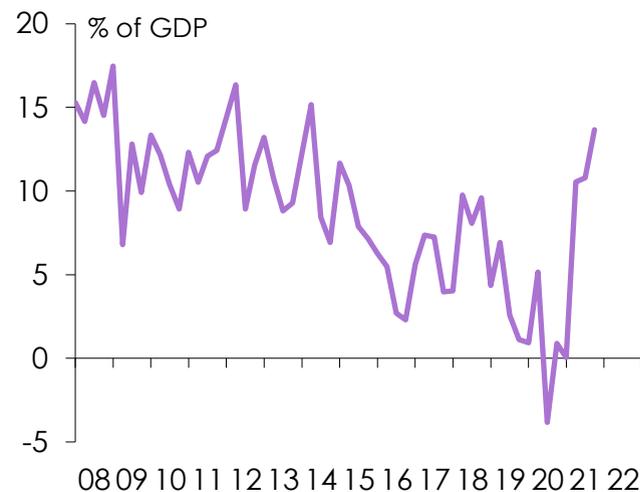
Unemployment



House prices



Current account balance



Krone vs euro

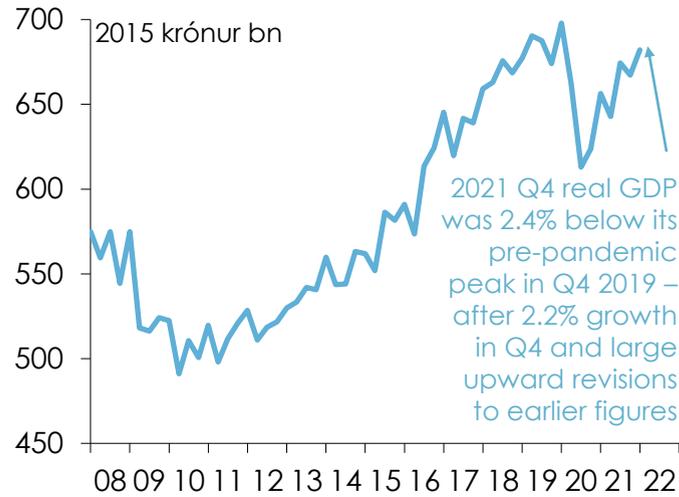


Note: 'mainland' GDP means excluding Norway's oil and gas industry which is entirely located offshore. Sources: [Statistisk sentralbyrå](#); [Norges Bank](#); Refinitiv Datastream.
[Return to "What's New"](#).

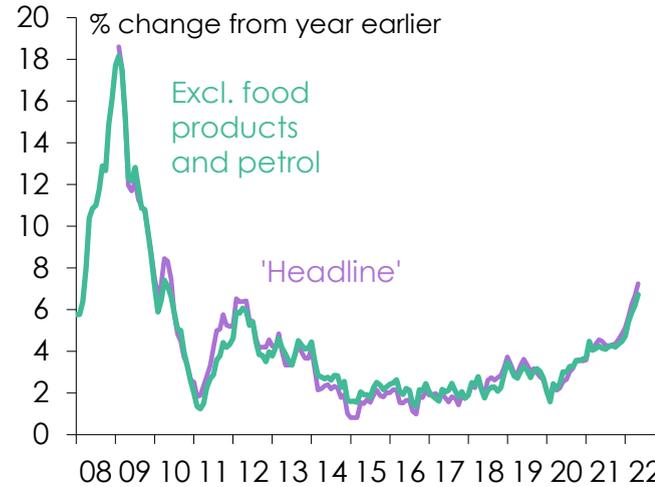
Iceland's central bank raised its policy rate by 100bp, to 3.75%, this month, the sixth (and largest) increase since May last year, with more to come

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

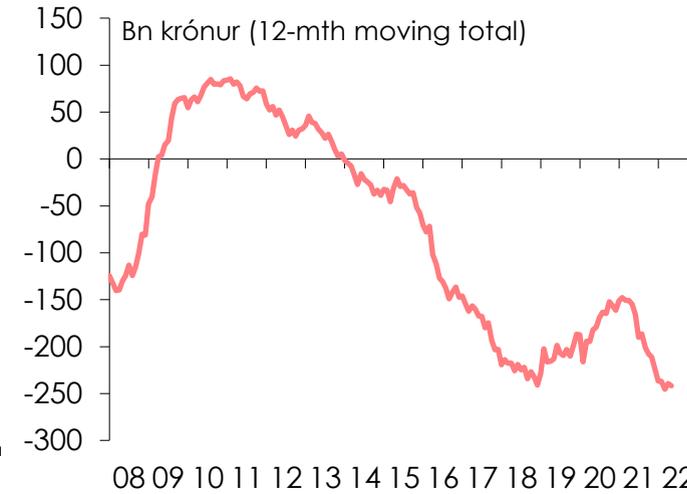
Real GDP



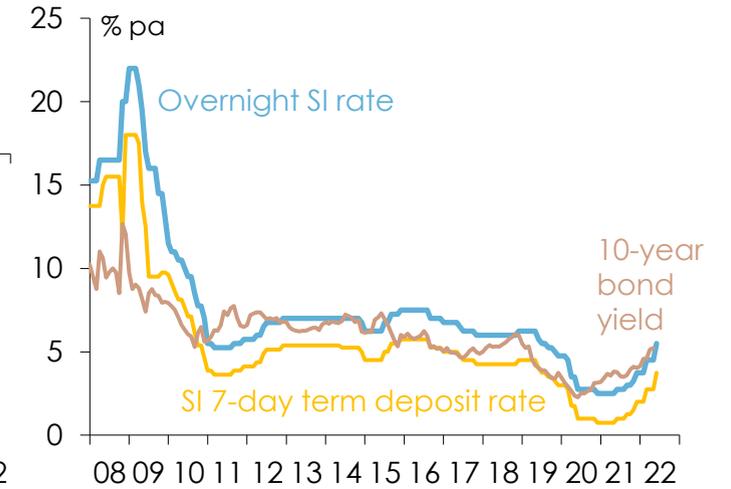
Inflation



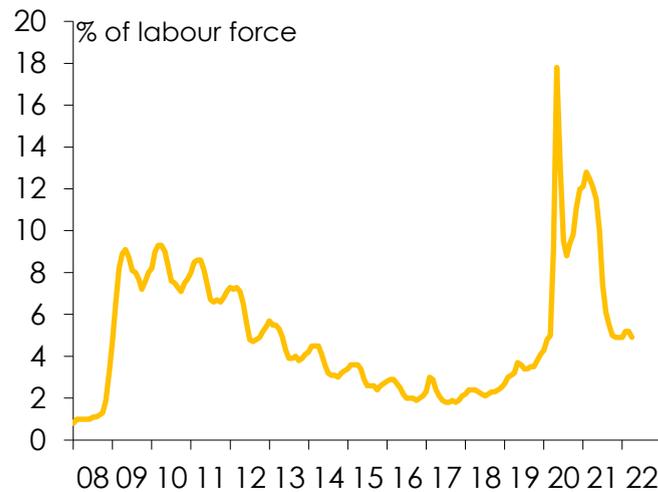
Trade balance



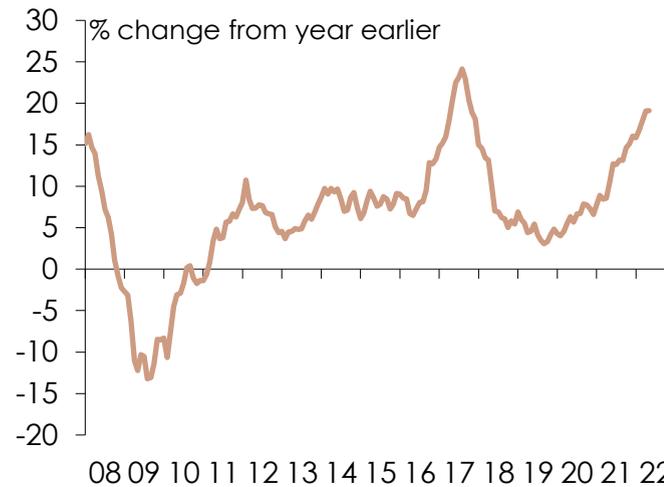
Interest rates



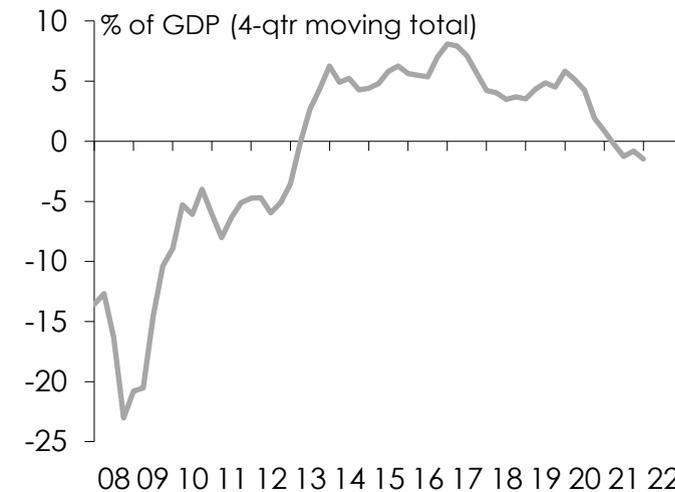
Unemployment



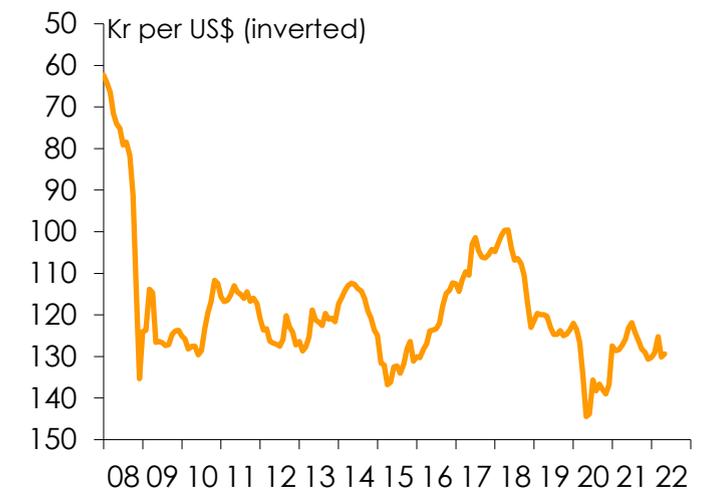
House prices



Current account balance



Króna vs US dollar

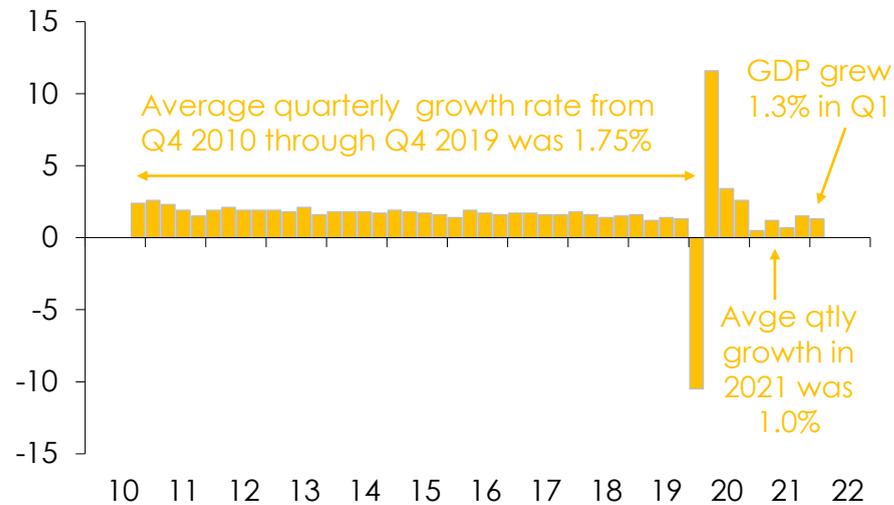


China

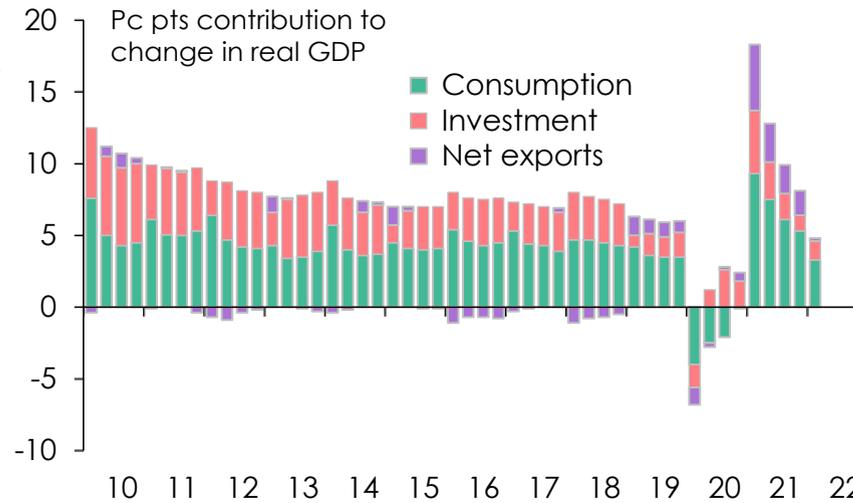
China's urban unemployment rate rose 0.3 pc pt in April to 6.1%, the highest since February 2020

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

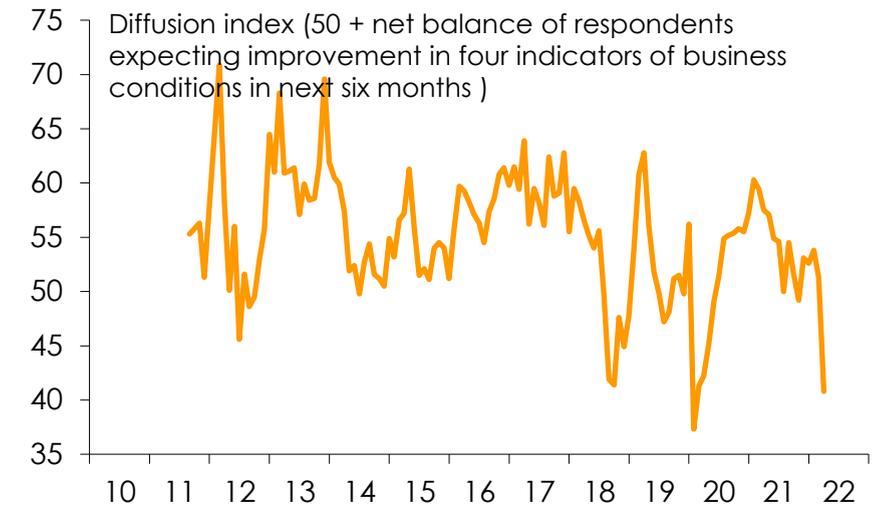
Quarterly real GDP growth



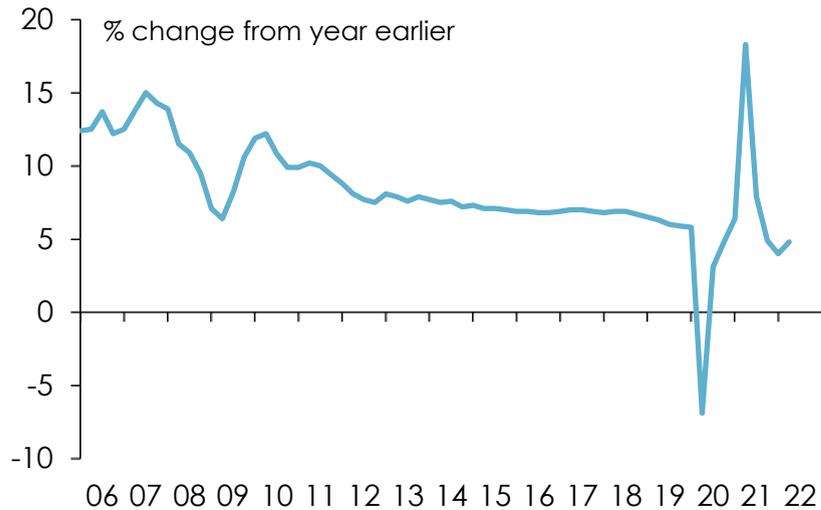
Contributions to real GDP growth



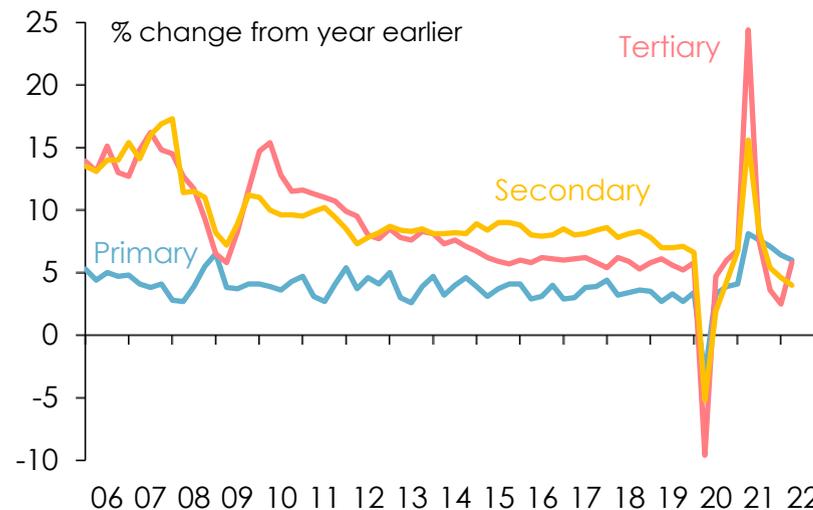
CKGSB business conditions index



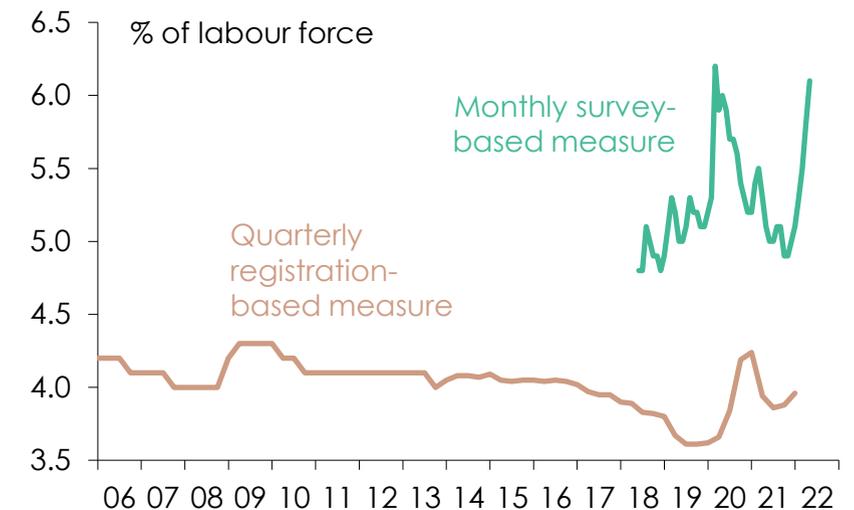
Annual real GDP growth



Annual GDP growth by industry



Urban unemployment rate

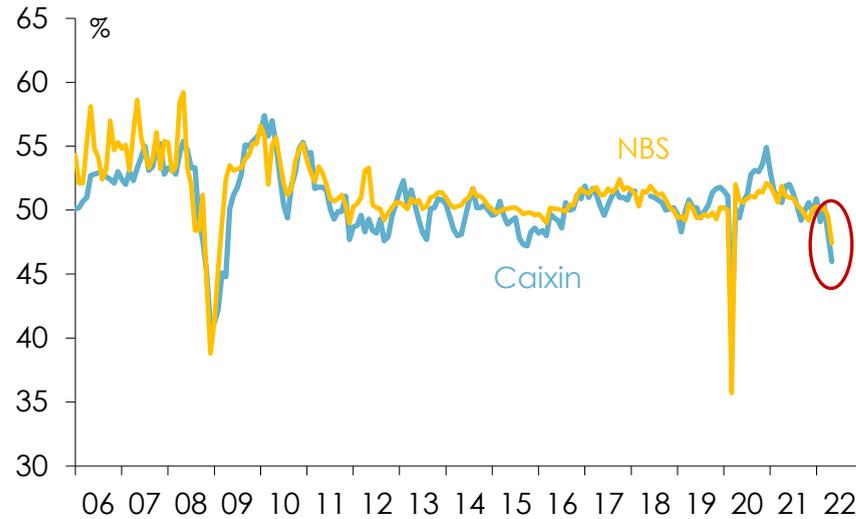


Sources: China National Bureau of Statistics, [National Data - National Accounts](#) and [The Urban Surveyed Unemployment Rate](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#). Before the monthly unemployment survey was introduced in 2018, the quarterly measure was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

Industrial production in April was 2.9% lower than a year earlier, the worst result since February 2020, due to Covid lockdowns

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

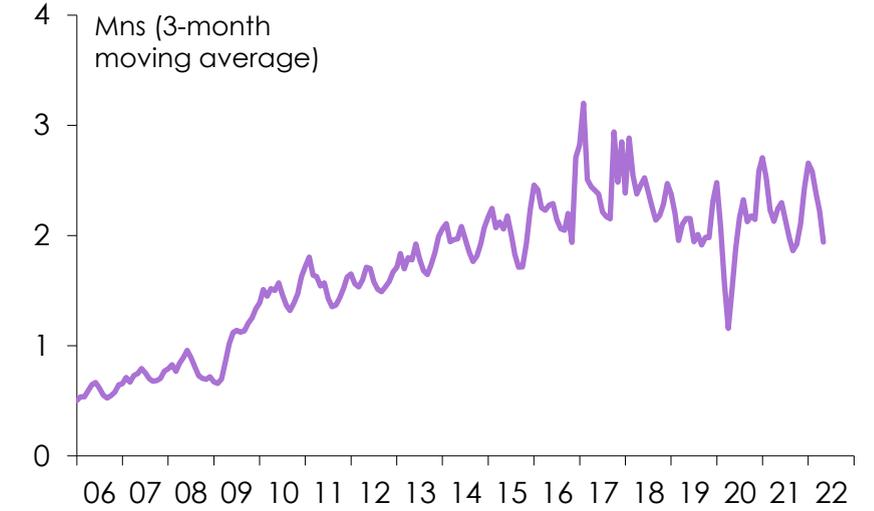
Manufacturing PMIs



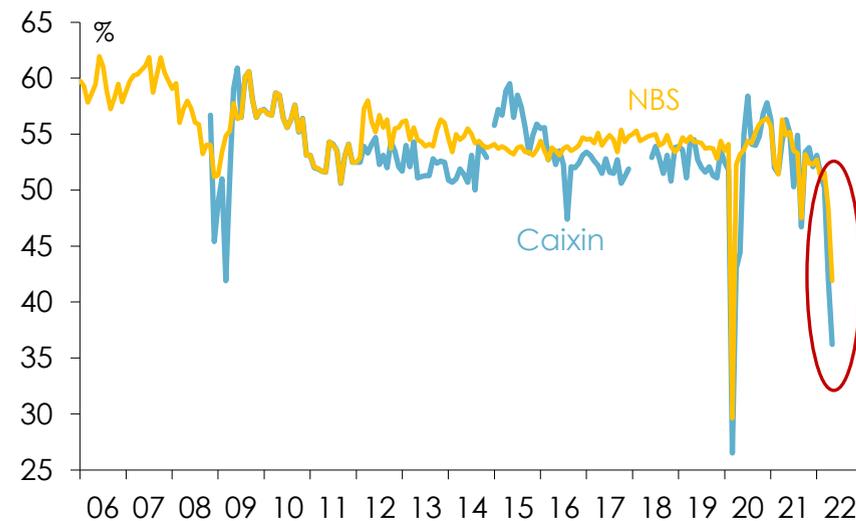
Industrial production



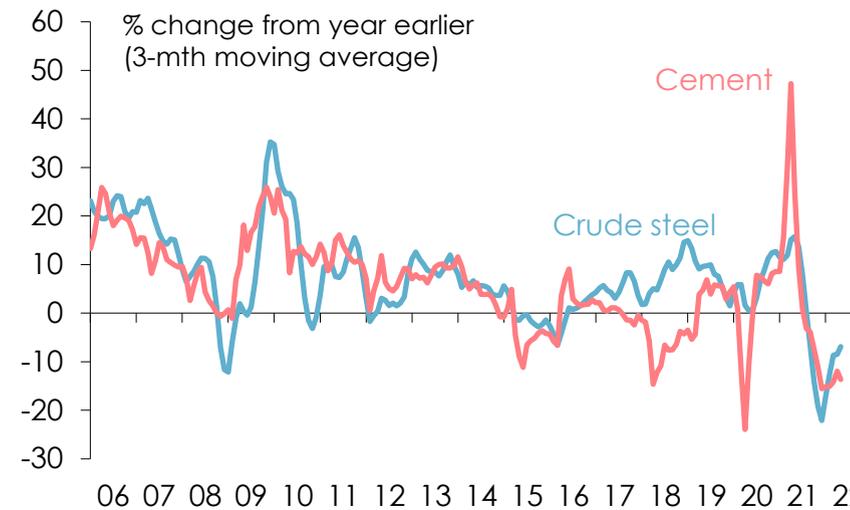
Motor vehicle production



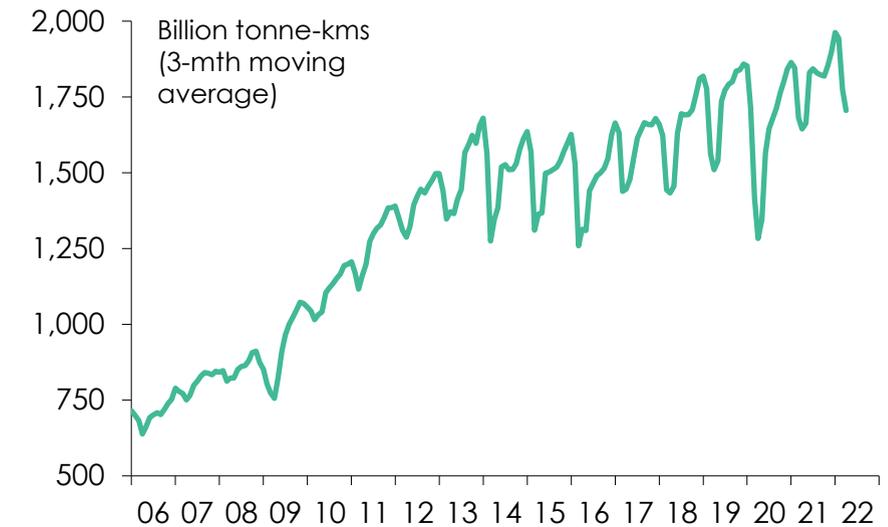
Non-manufacturing PMIs



Steel and cement production



Freight traffic volumes



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

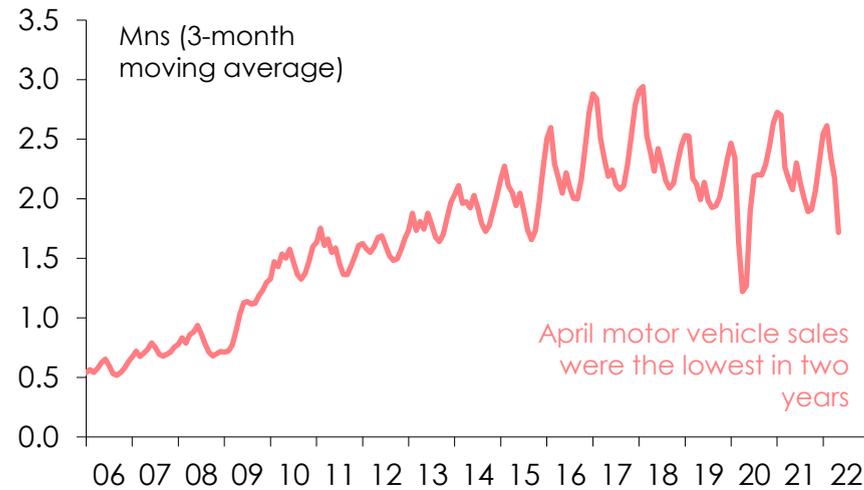
Retail sales were much weaker in March, due to lockdowns, and property investment continued to slow

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

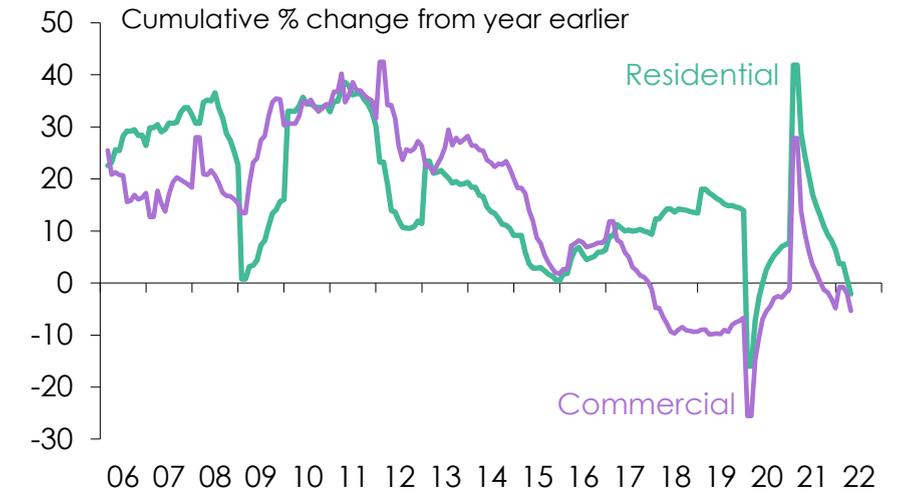
Consumer sentiment



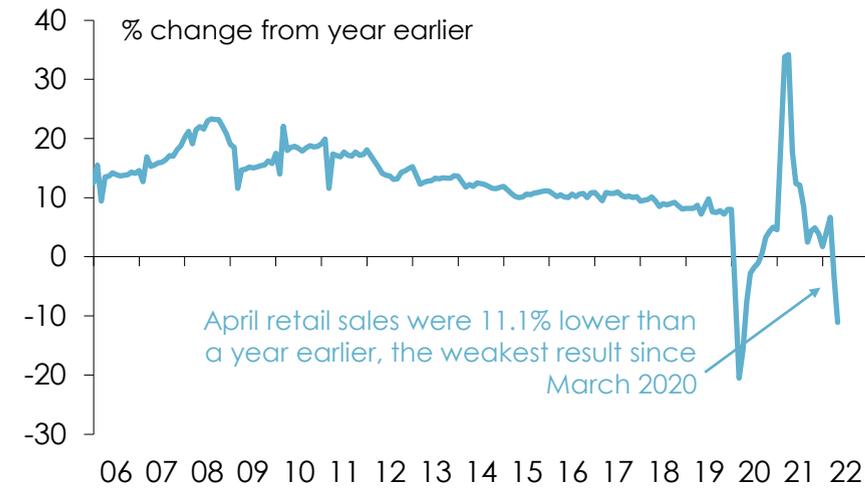
Motor vehicle sales



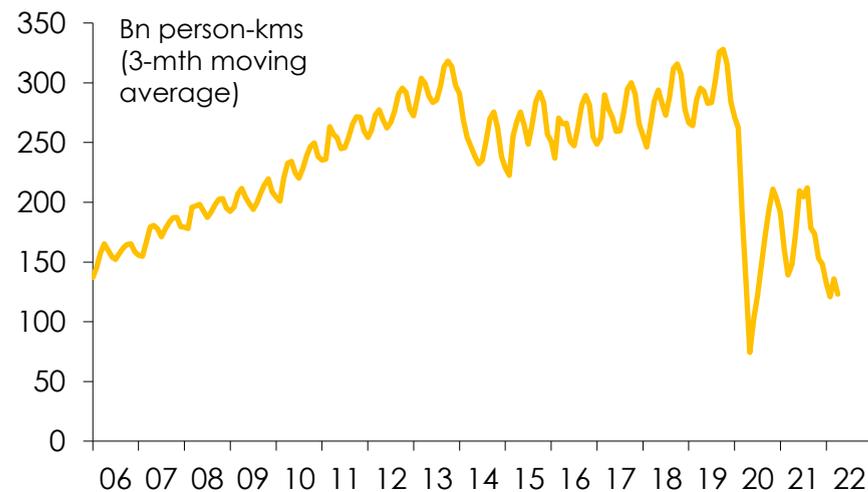
Real estate investment



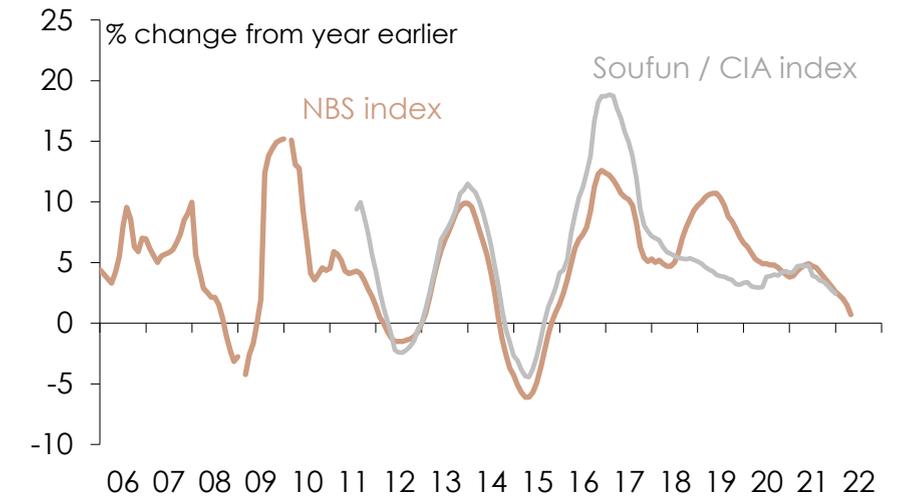
Retail sales



Passenger traffic volumes



Residential real estate prices

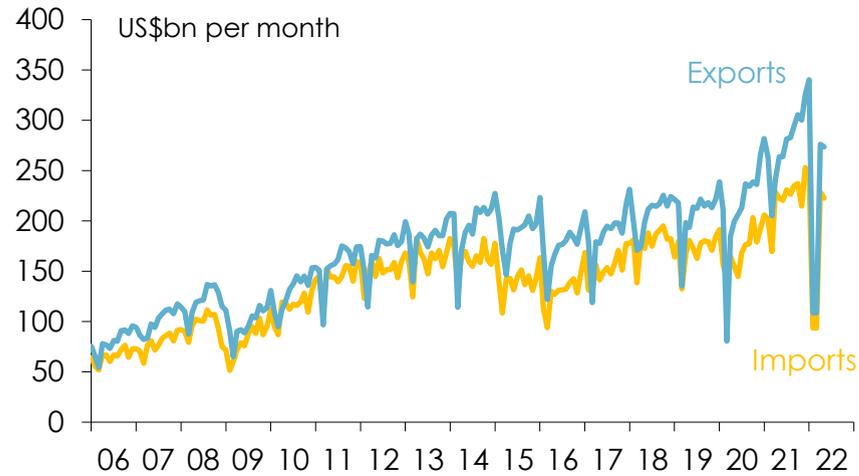


Sources: China National Bureau of Statistics, [National Data](#); China Association of Automobile Manufacturers, [Sales of Automobiles](#); China Index Academy, [CREIS China Residential](#)

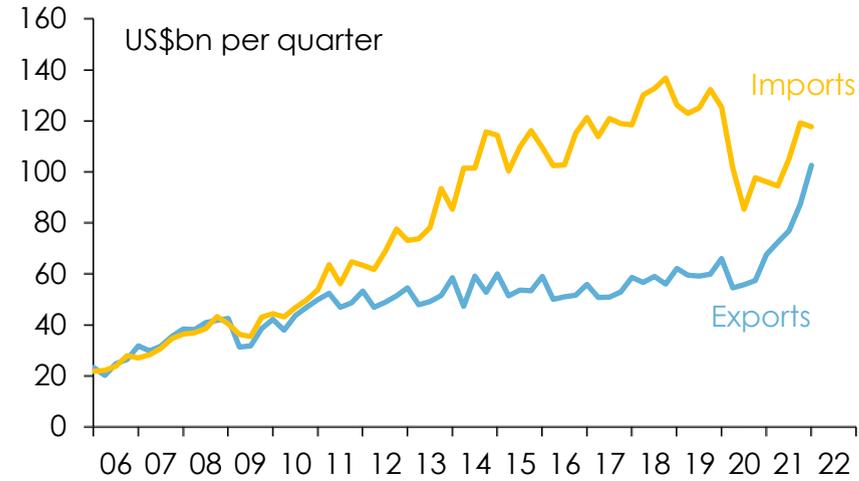
China recorded a merchandise trade surplus of US\$51.1bn in April, with imports falling by a larger margin than exports

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

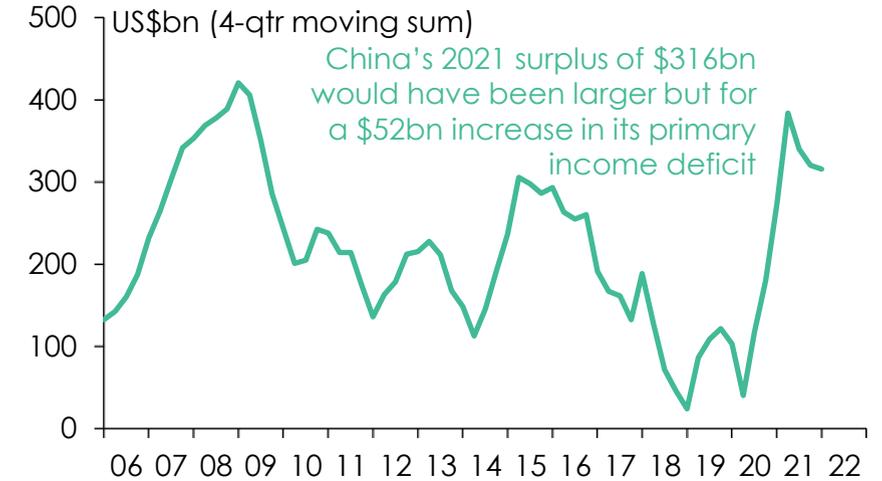
Merchandise exports and imports



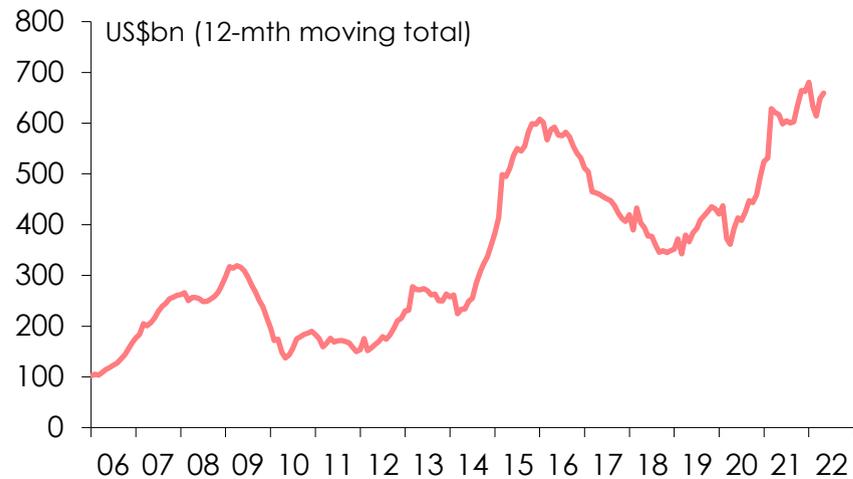
Services exports and imports



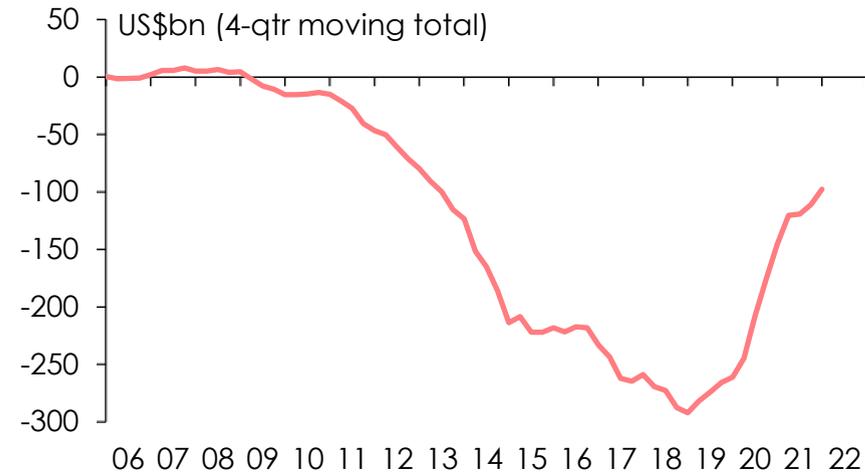
Current account balance



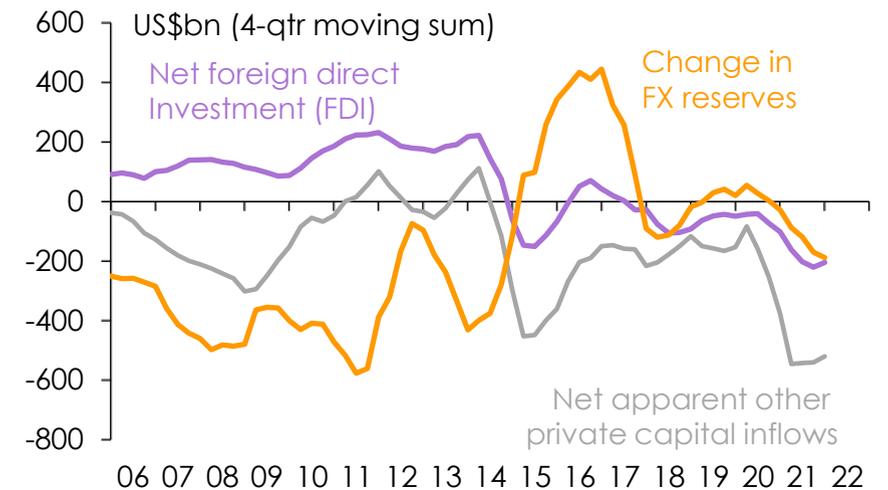
Merchandise trade balance



Services trade balance



Capital flows

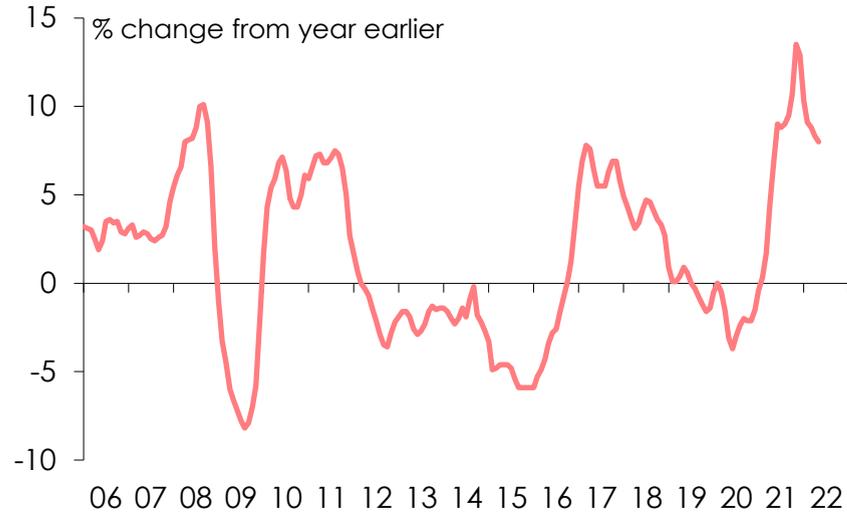


Sources: China General Administration of Customs, [Preliminary Release](#) and [Monthly Bulletin](#); State Administration of Foreign Exchange, [The time-series data of Balance of Payments of China](#). [Return to "What's New"](#).

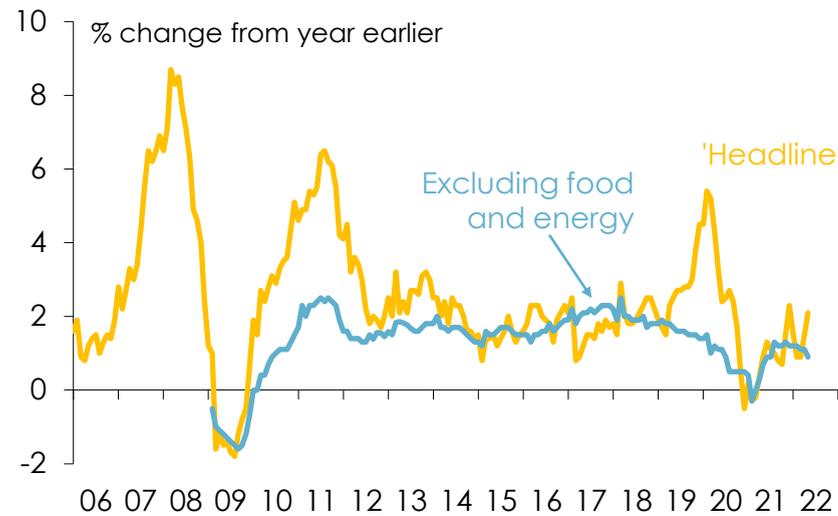
'Headline' CPI inflation ticked up above 2% in April as food prices stopped falling, but 'core' inflation fell below 1% for the first time since last June

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

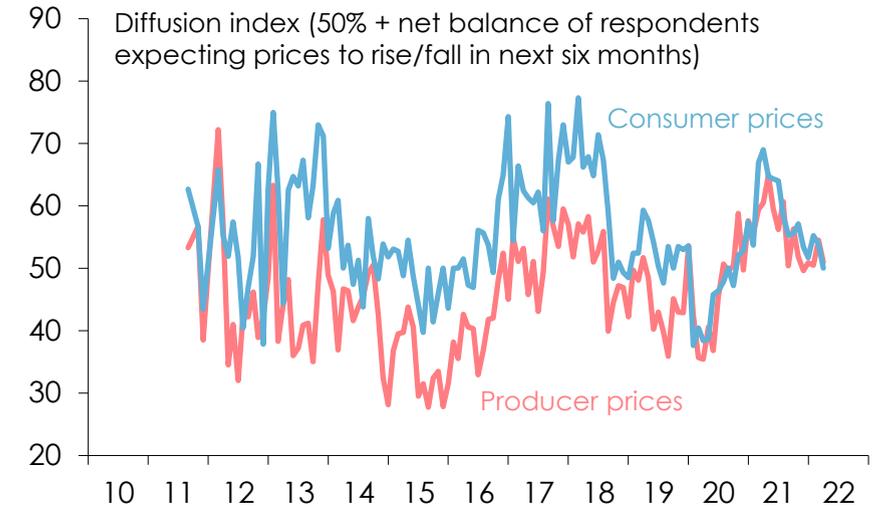
Producer prices



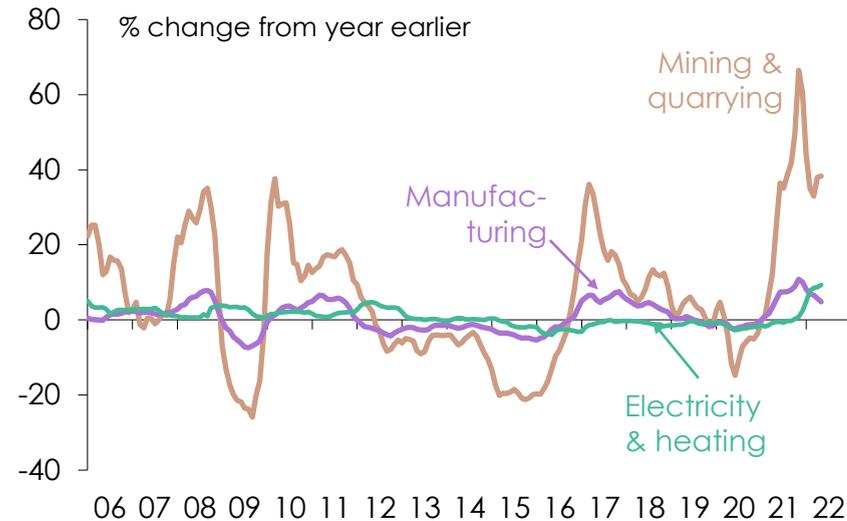
Consumer prices



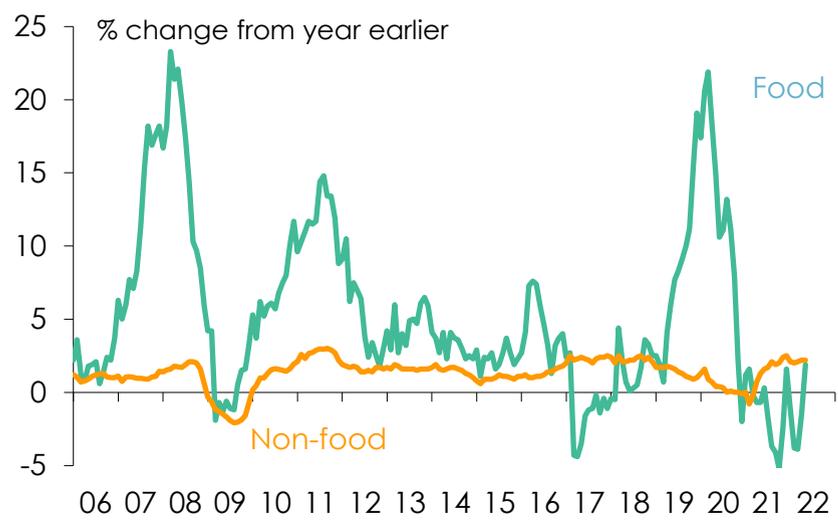
CKGSB price diffusion indexes



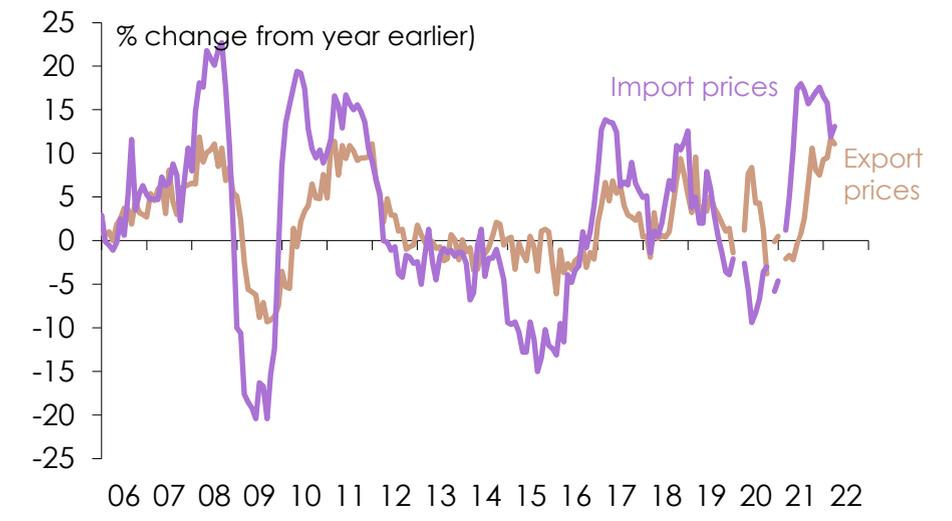
Producer prices – major categories



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".

The PBoC cut one of its loan prime rates by 15 bp last week, following the release of very weak data for April last Monday

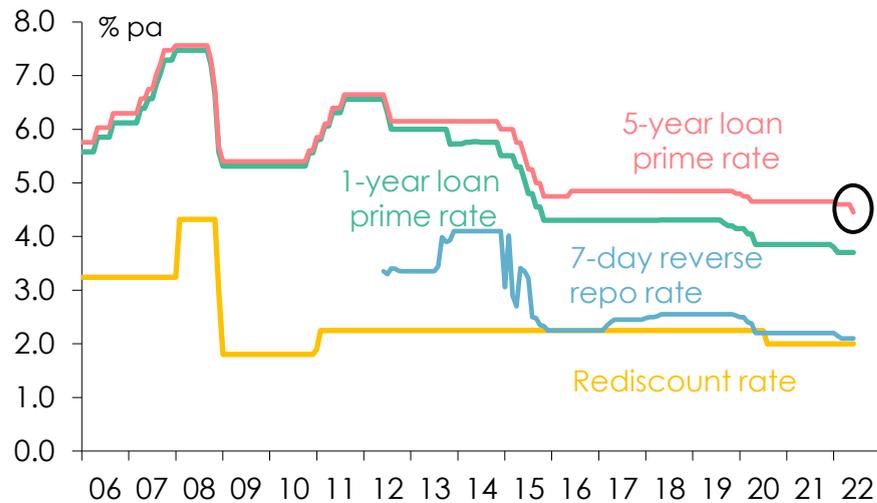
THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

- ❑ Premier Li Keqiang this month **emphasized** the importance of achieving China’s employment growth goals (of 13 mn new jobs in 2022) at a virtual conference with provincial leaders held on 7th May, **reportedly** describing employment conditions as “complicated and grim”
 - at the same conference Vice-Premier Hu Chunhua said that employment was “faced with more risks and challenges due to multiple factors both at home and abroad” and urged provincial leaders to “prioritize stabilizing employment [and] improve employment services in a targeted manner”
- ❑ Li’s remarks came two days after China’s Politburo Standing Committee (chaired by Xi Jinping) re-iterated its commitment to its ‘zero Covid’ policy at a meeting on 5th May, the subsequent **readout** reporting Xi as stating 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
- ❑ On Friday, the PBoC **announced** a 15-bp cut in the 5-year loan prime rate, to 4.45% (which had previously been lowered from 4.65% to 4.60% in December last year), but left the 1-year rate unchanged at 3.70%
 - this move came a week after PBoC Deputy Governor Chen Yulu **pledged** that the PBoC would “make stabilizing growth a more prominent priority”, promising to “accelerate to implement policy measures already announced” and to actively plan new policy tools”

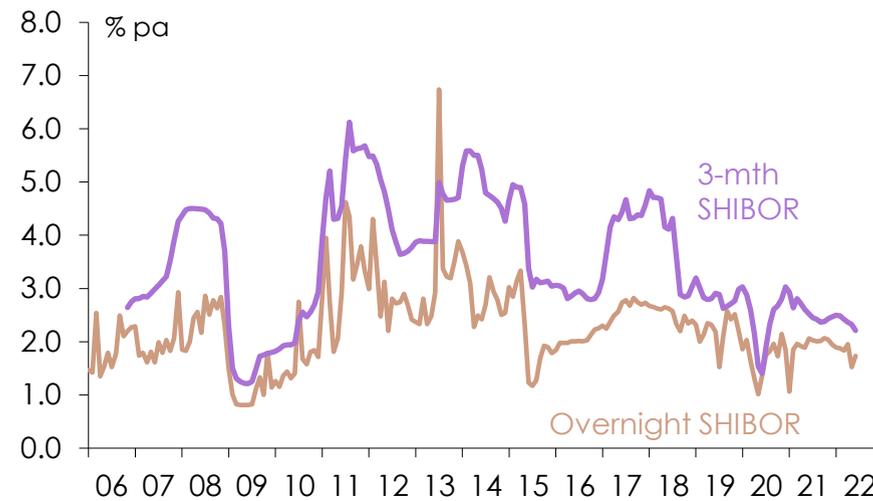
The PBoC lowered the 5-year prime loan rate by 15bp to 4.45% on Friday but left the 1-year rate unchanged

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

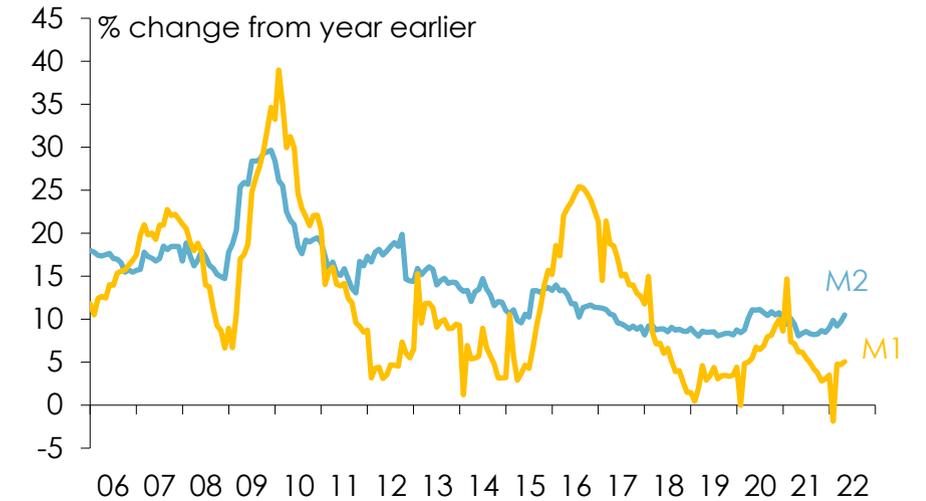
PBoC policy interest rates



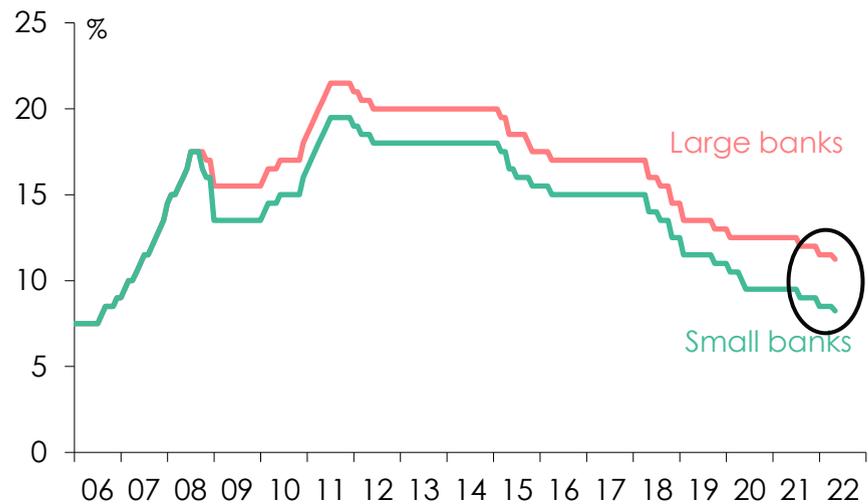
Short-term market interest rates



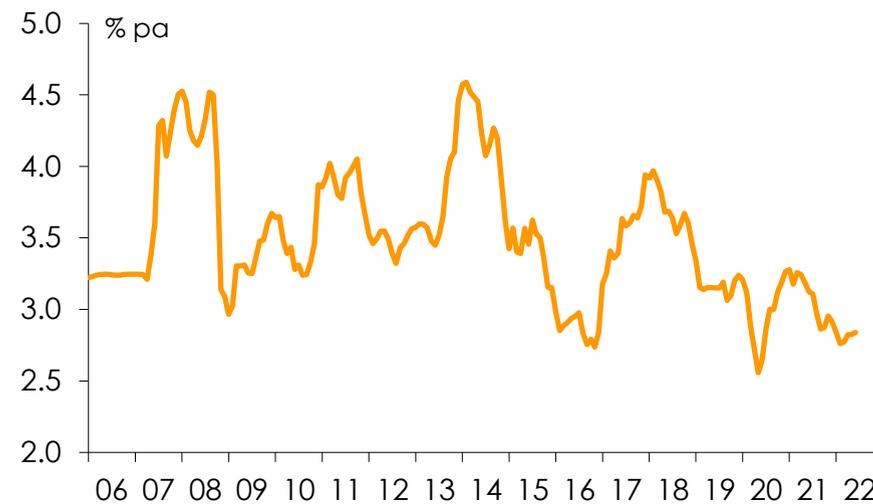
Monetary aggregates



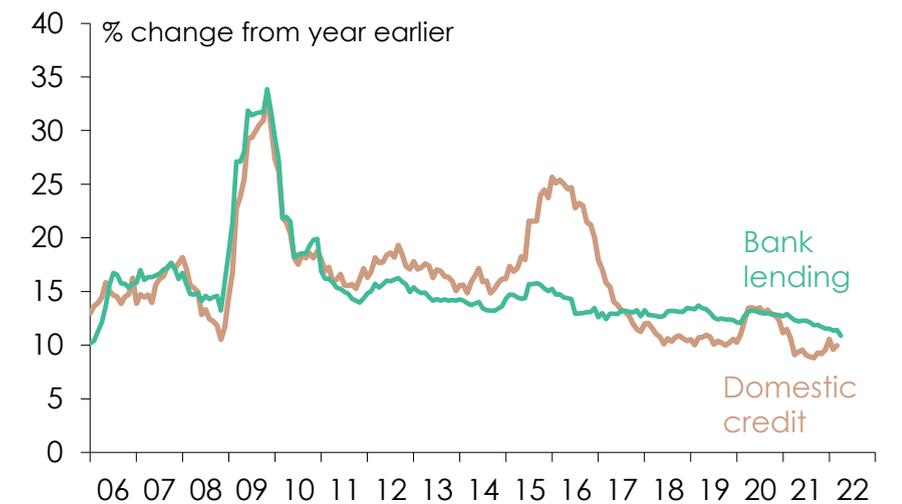
Bank reserve requirement ratios



10-year government bond yield



Credit growth

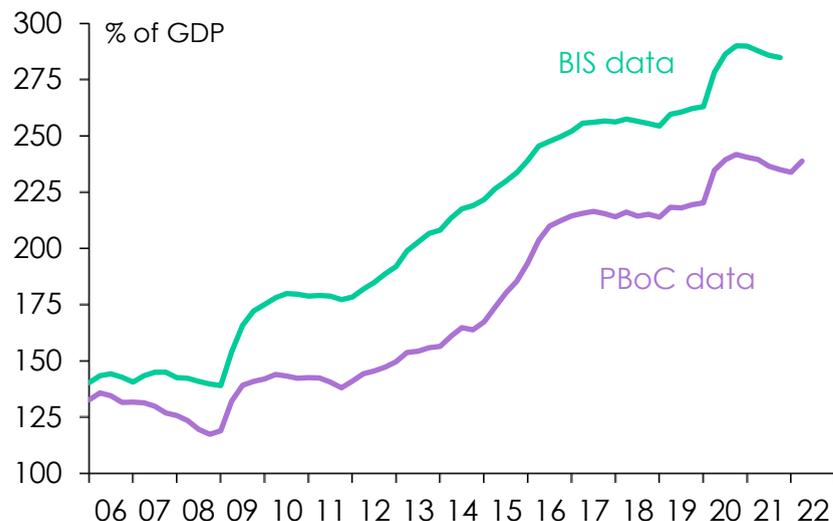


Note: 'SHIBOR' is the Shanghai Inter-Bank Offered Rate. Sources: Refintiv Datastream; People's Bank of China, [Financial Statistics Reports](#) and [Aggregate Financing Reports](#). [Return to "What's New"](#).

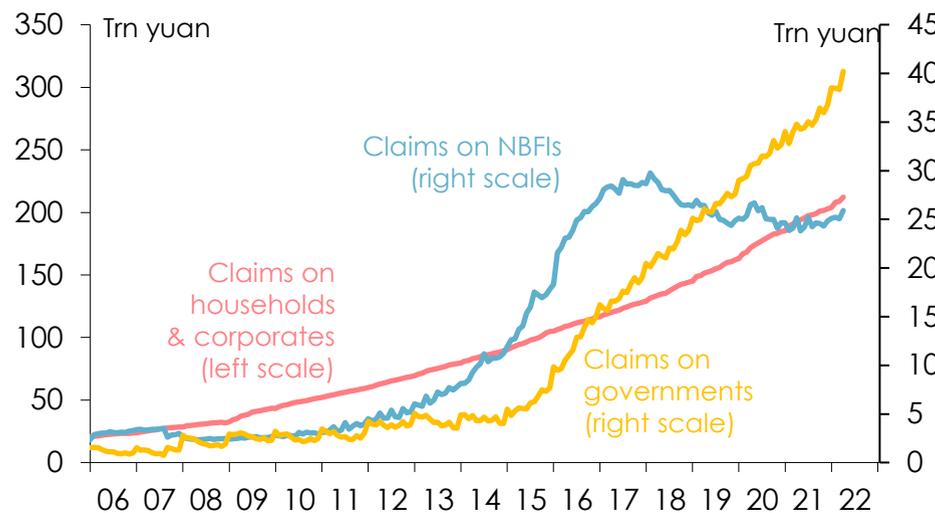
The Chinese banking system's risk profile has increased significantly over the past decade – particularly on the liabilities side of its balance sheet

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

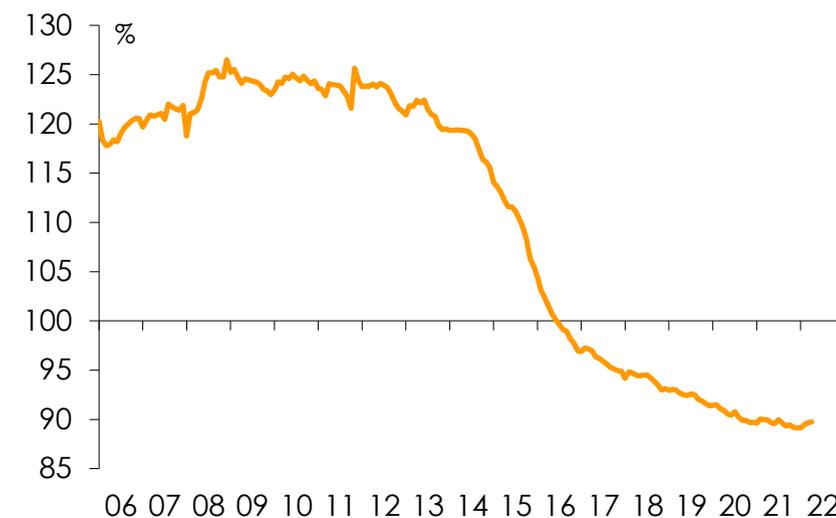
Credit outstanding as a pc of GDP



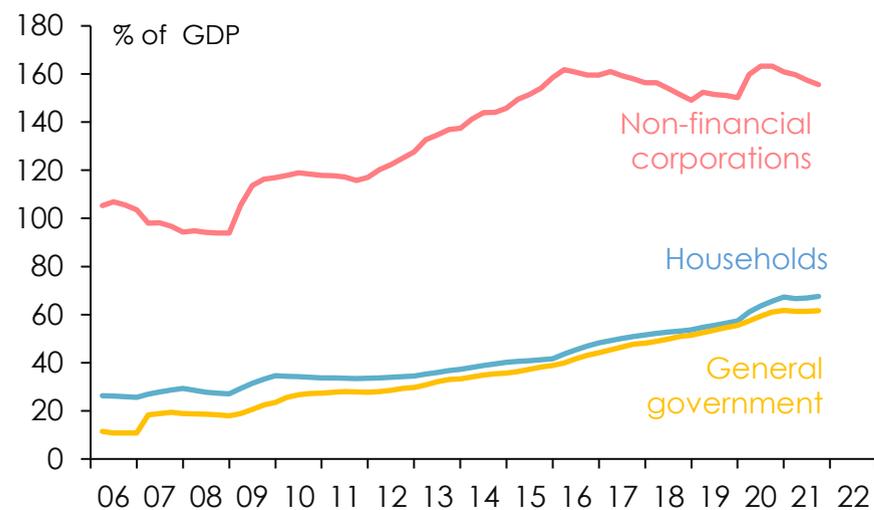
Banks' assets



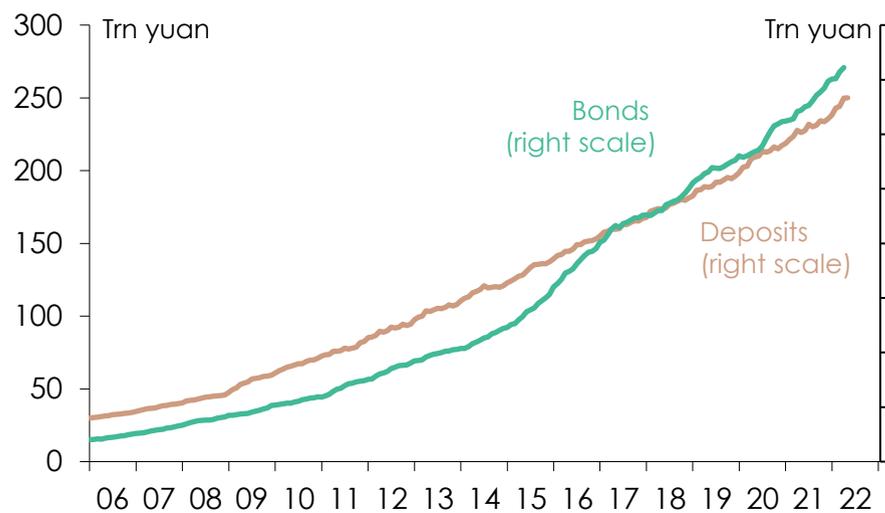
Banks' deposits-to-loans ratio



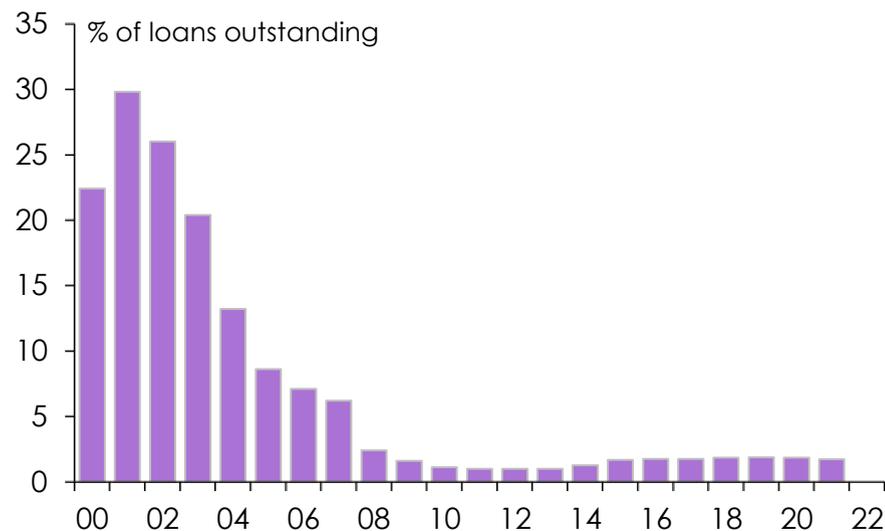
Credit outstanding by sector



Banks' liabilities



Banks NPLs – official estimates

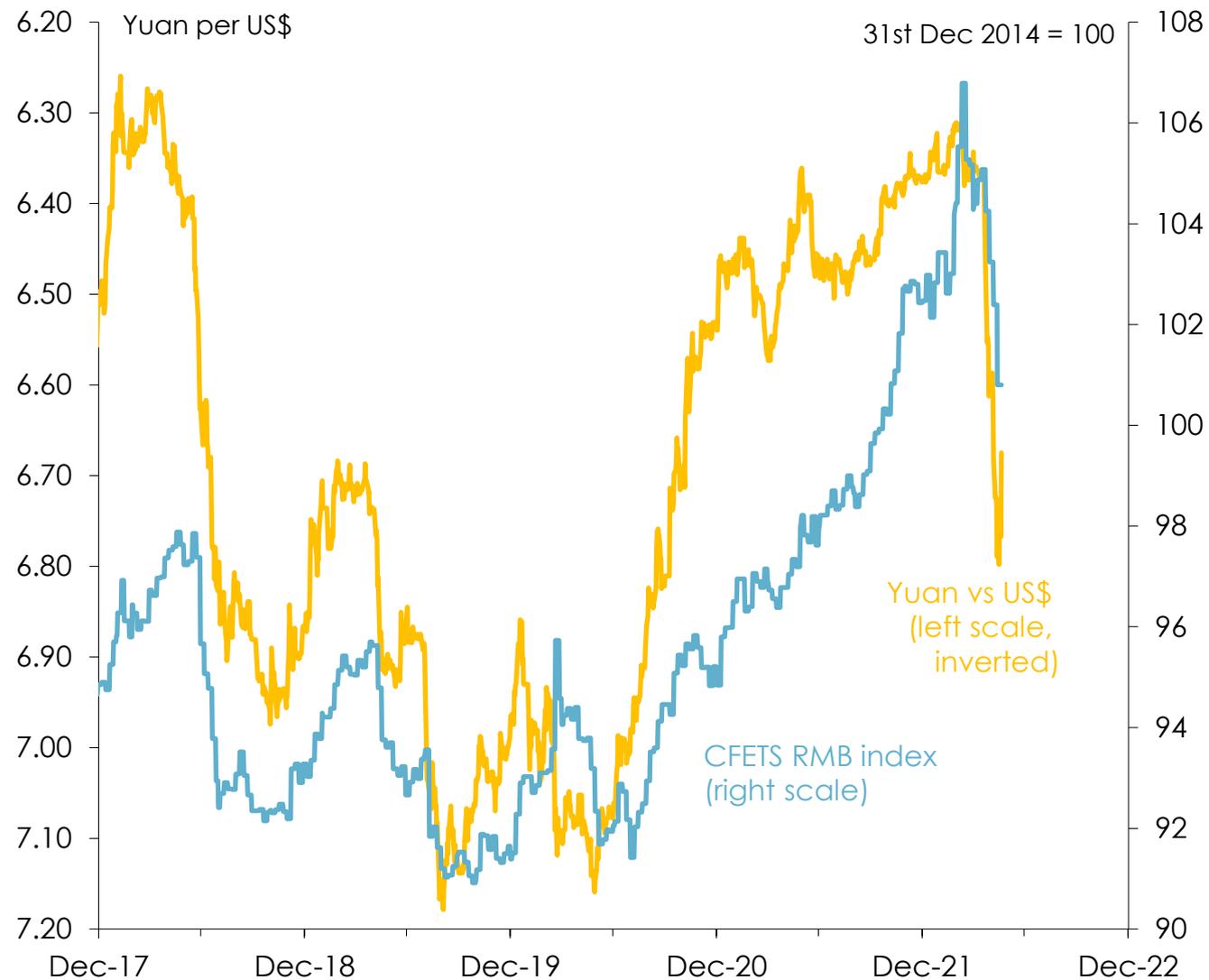


Sources: People's Bank of China, [Financial Statistics Reports](#); Bank for International Settlements, [Credit to the non-financial sector](#); China Banking and Insurance Regulatory Commission, [Supervisory Statistics of the Banking and Insurance Sectors](#). [Return to "What's New"](#).

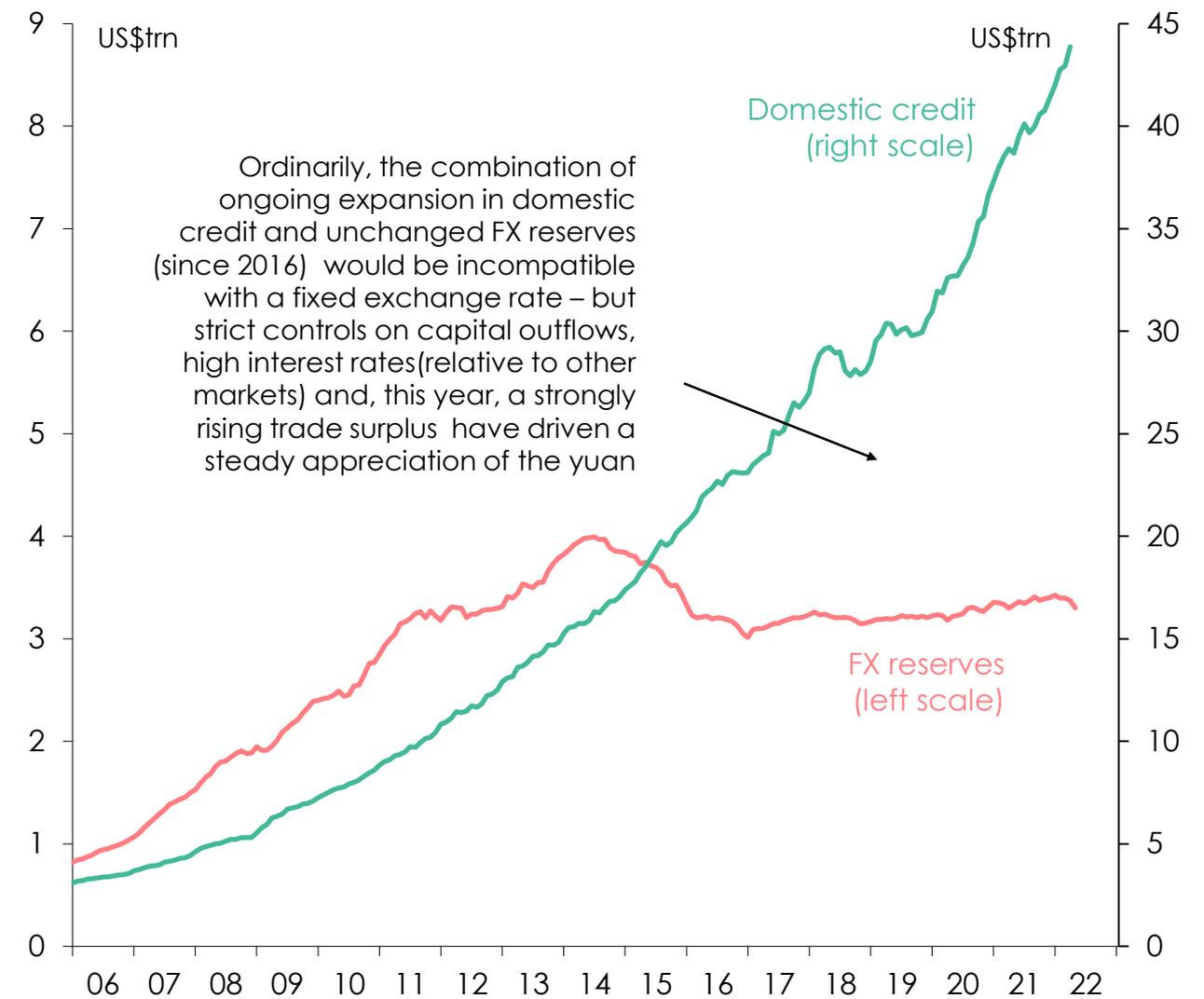
The yuan rebounded 1½% vs the softer US\$ last week (though it is still down 2¼% on net this year), but fell 1½% vs the PBoC's trade-weighted index

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Chinese renminbi vs US\$ and trade-weighted index



FX reserves and domestic credit



Sources: Refinitiv Datastream; China Foreign Exchange Trading System; People's Bank of China. Exchange rates up to 20th May; FX reserves and credit data up to April.

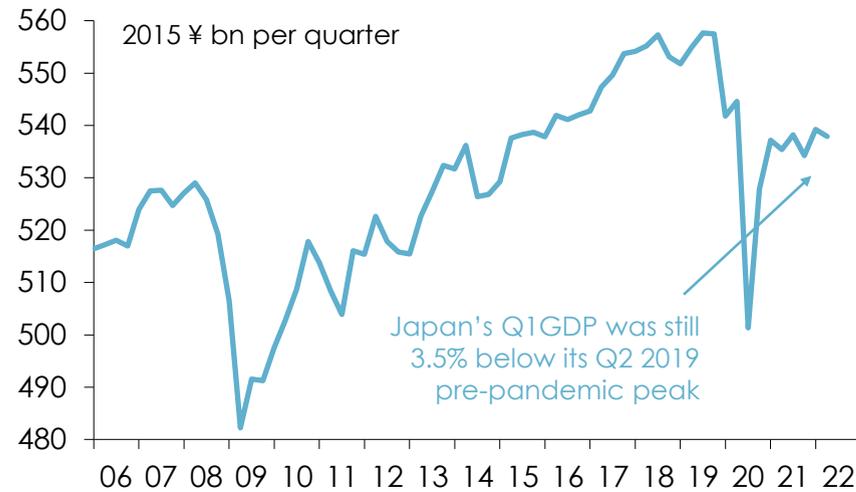
[Return to "What's New".](#)

Japan

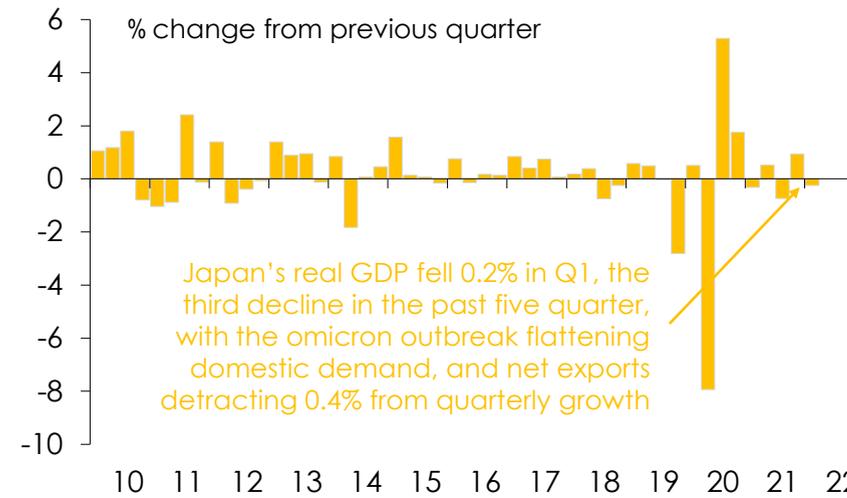
Japan's real GDP fell 0.2% in Q1, the third decline in the past five quarters, to be still 3½% below its pre-pandemic peak

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

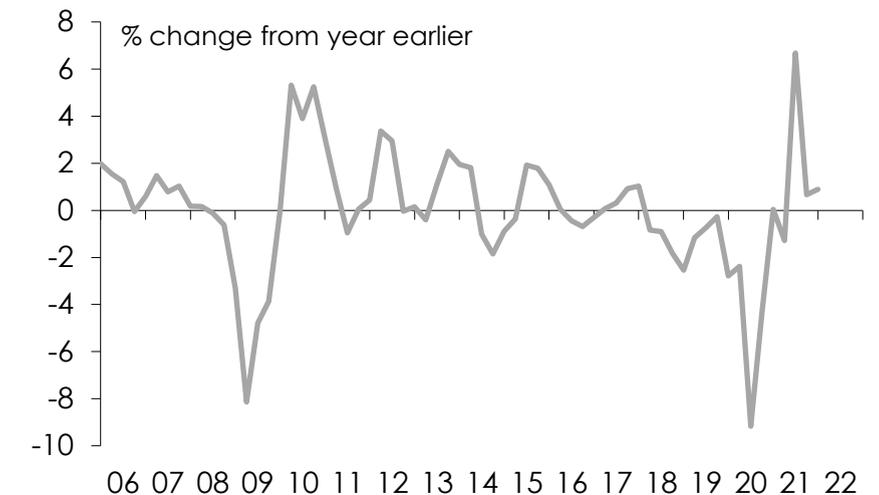
Level of real GDP



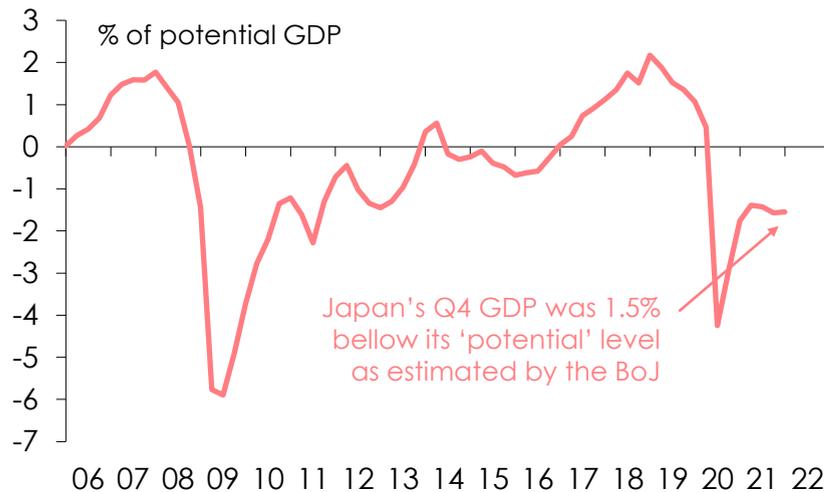
Quarterly change in real GDP



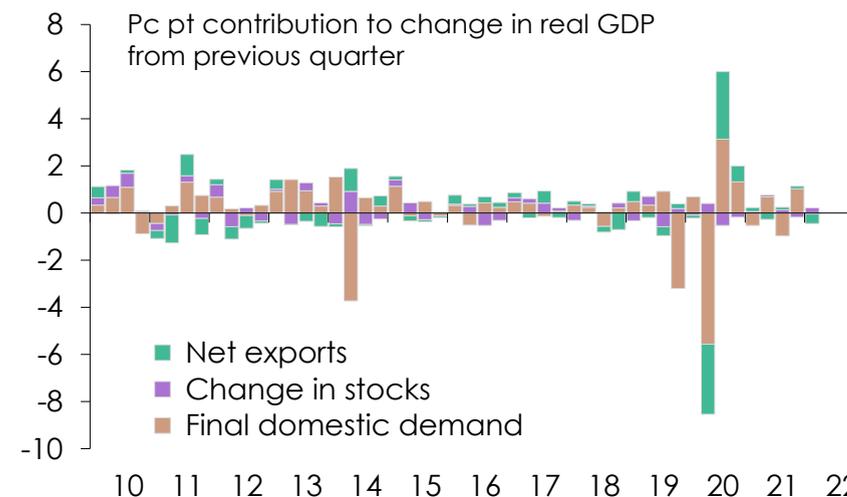
Labour productivity growth



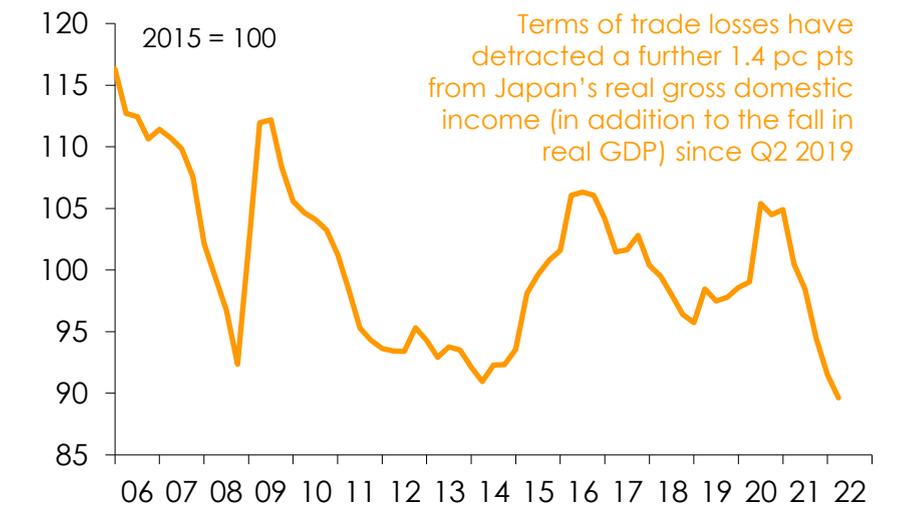
The 'output gap'



Contributions to change in real GDP



Terms of trade

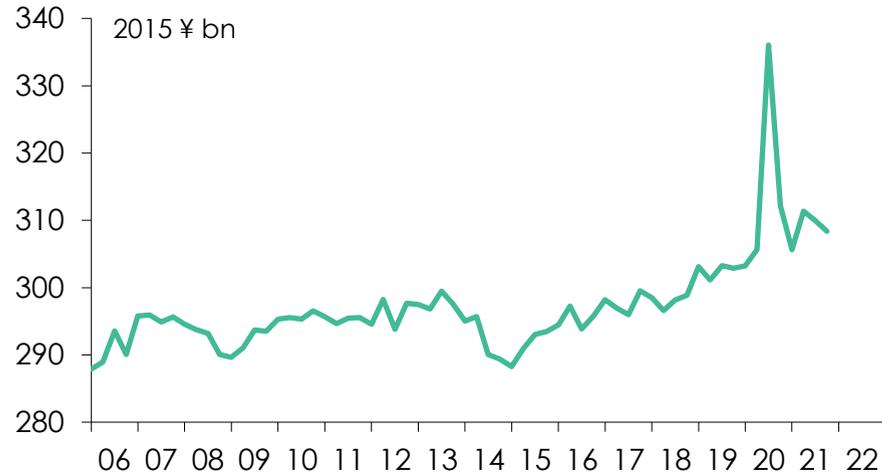


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & 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: Japan Cabinet Office, [Quarterly Estimates of GDP](#); Bank of Japan, [Output Gap and Potential Growth Rate](#); OECD, [Main Economic Indicators](#), Early Estimates of Quarterly ULC Indicators. [Return to "What's New"](#).

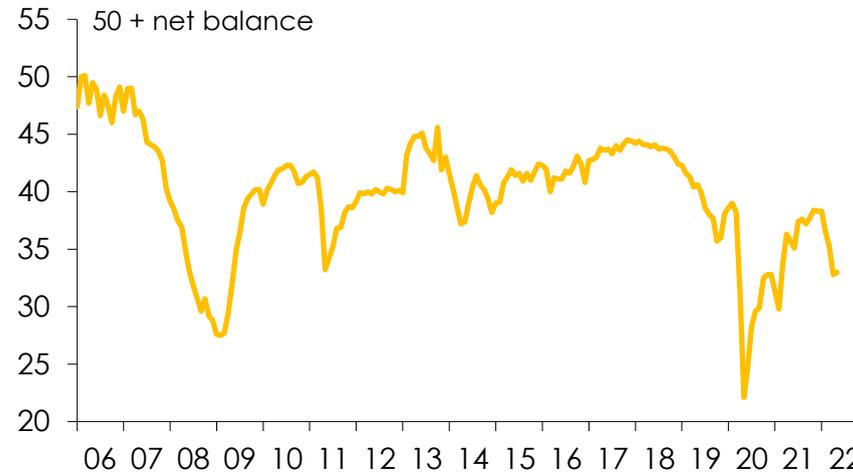
Household incomes have been supported by fiscal transfers, but much of them have been saved so household spending has remained weak

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

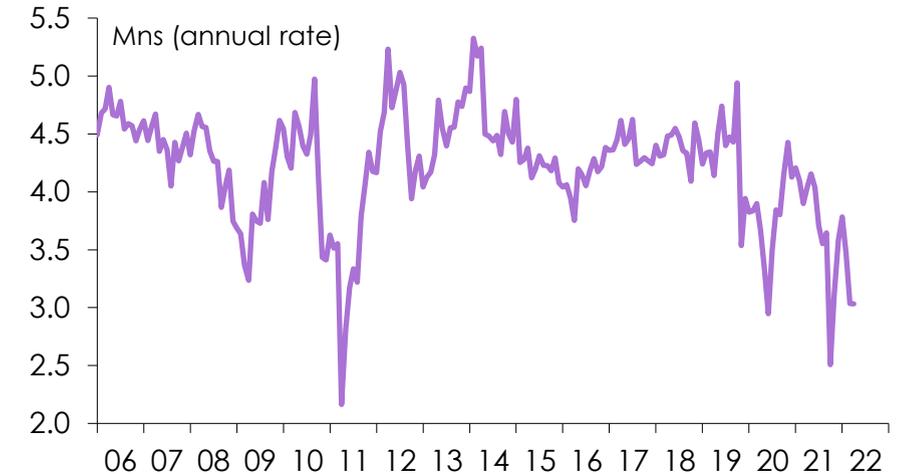
Real household disposable income



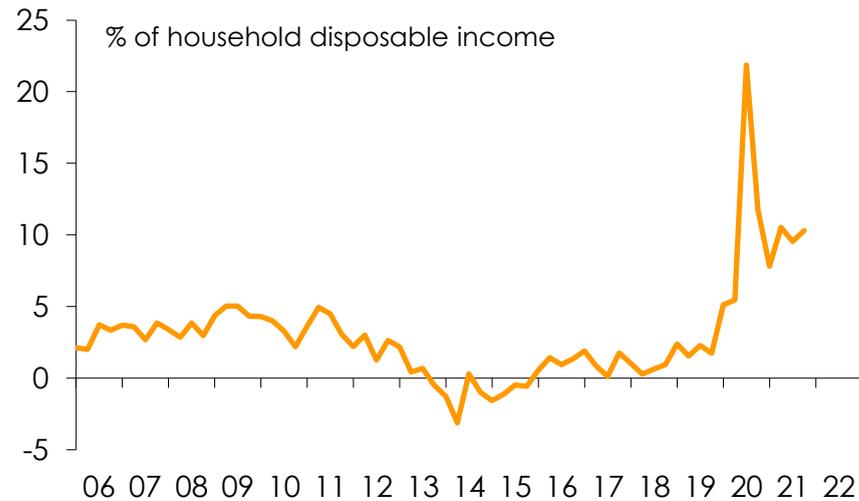
Consumer confidence



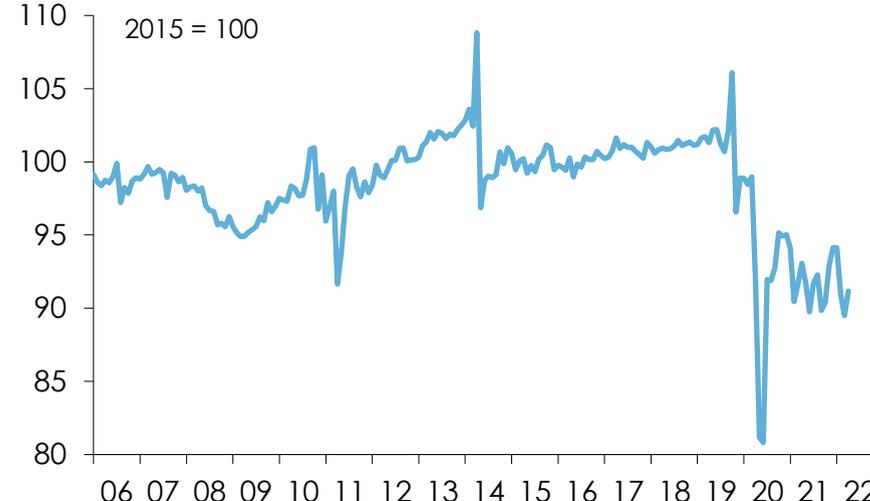
Motor vehicle sales



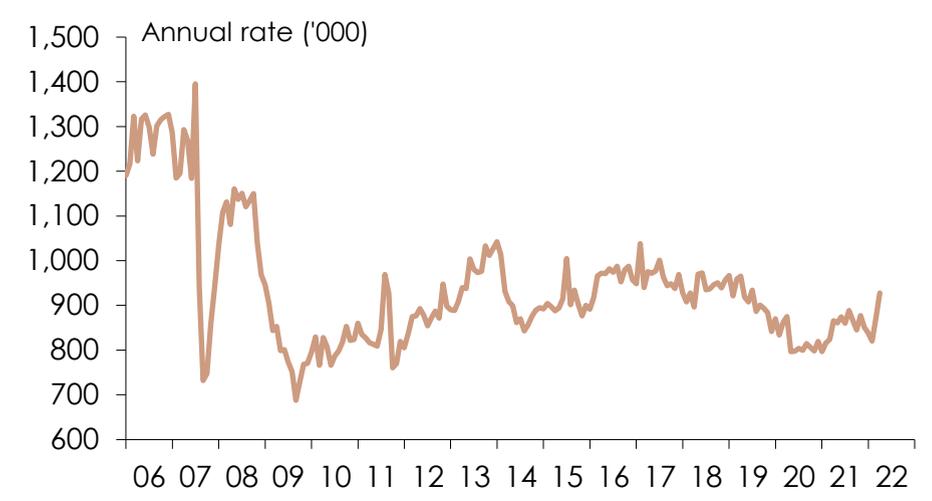
Household saving



Consumption activity index



Housing starts

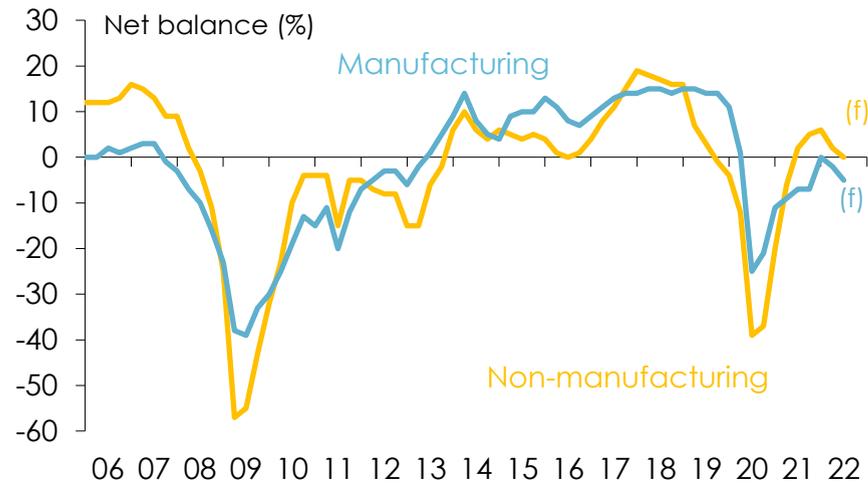


Sources: Japan Cabinet Office, [Quarterly Estimates of Household Disposable Income and Household Saving Ratio](#) and [Consumer Confidence Survey](#); Bank of Japan, [Consumption Activity Index](#); Japan Automobile Dealers Association, [Statistical Data](#); Japan e-Stat, [Building Starts](#). [Return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

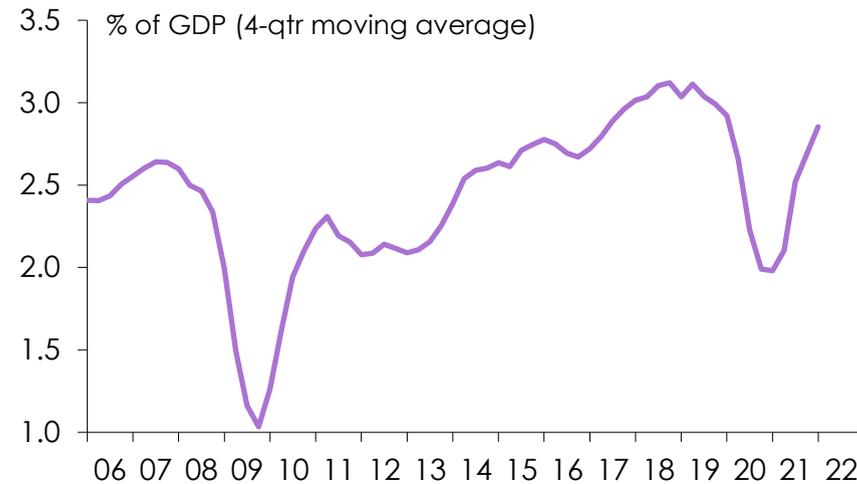
Japanese business confidence deteriorated in the first quarter of this year according to the BoJ's *tankan* survey, largely reflecting rising input costs

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

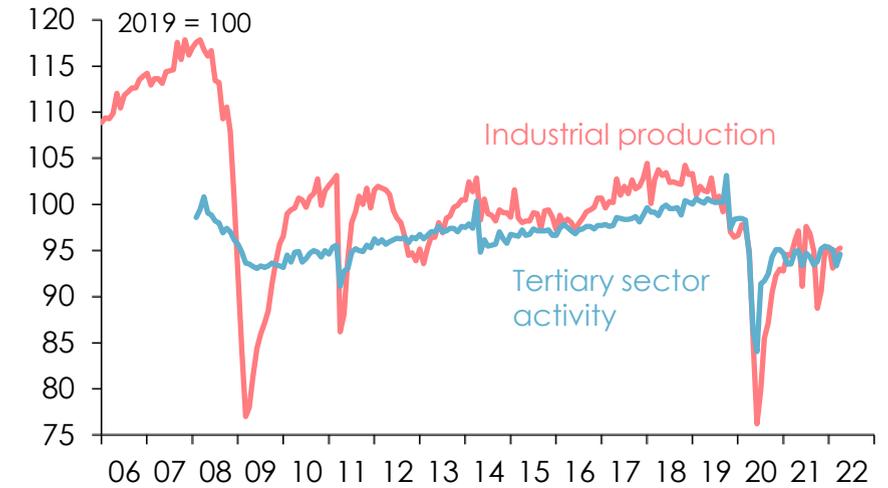
Business conditions by industry



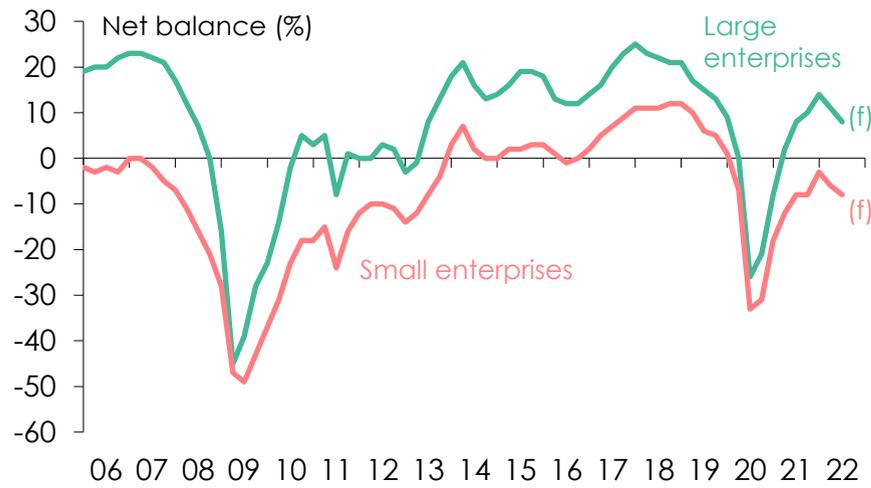
Corporate operating profits



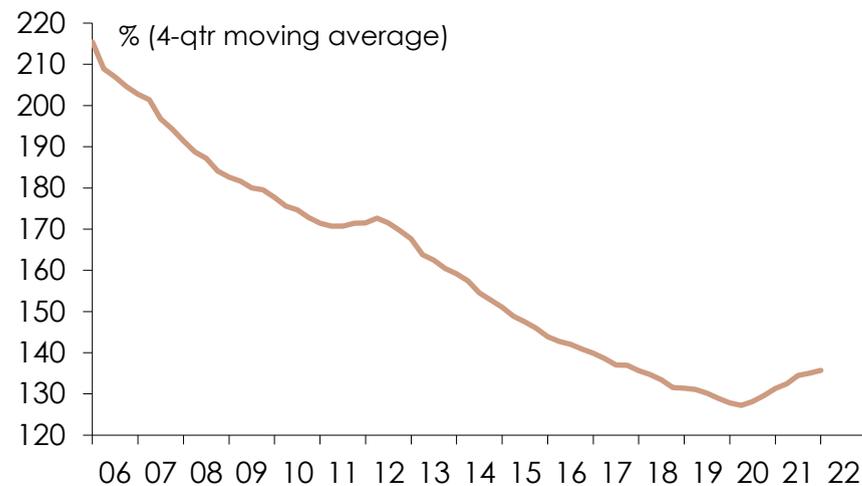
Indexes of economic activity



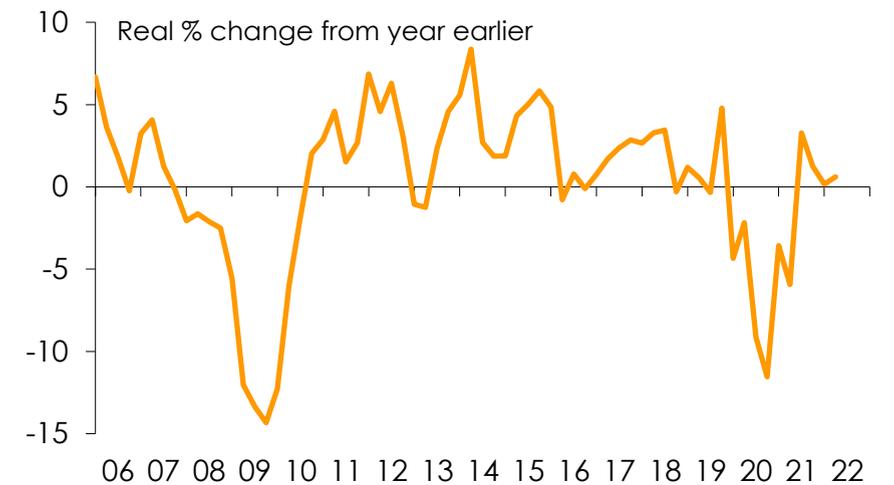
Business conditions by firm size



Corporate debt-equity ratio



Business investment

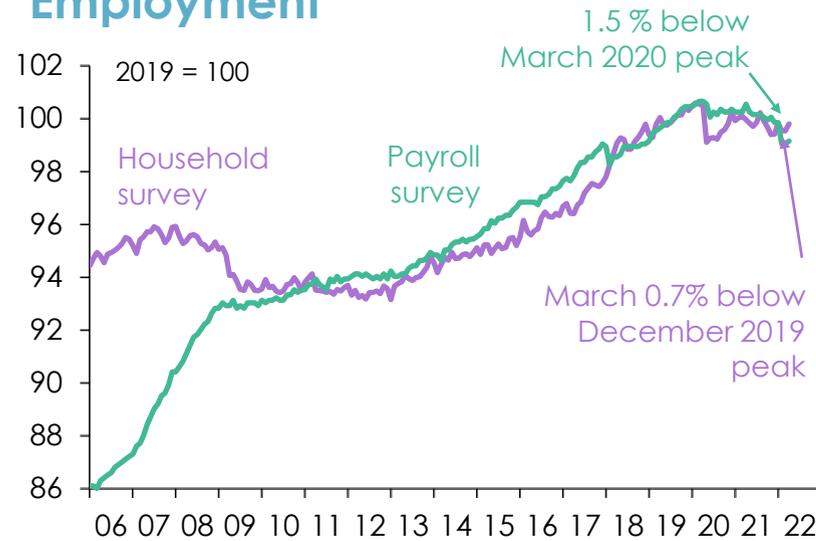


Sources: Bank of Japan, [Short-Term Economic Survey of Enterprises in Japan \('Tankan'\)](#); Policy Research Institute, Ministry of Finance, [Financial Statements Statistics of Corporations by Industry, Quarterly](#); Ministry of Economy, Trade & Industry, [Indices of Industrial Production](#) and [Indices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

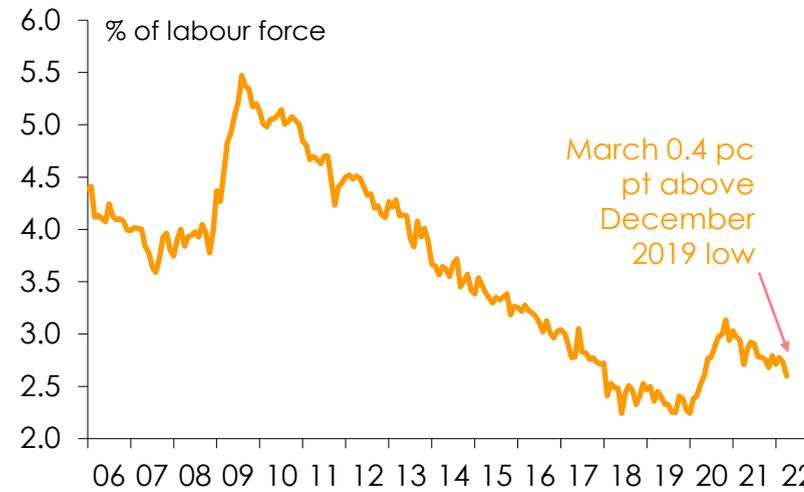
Japan's CPI rose 2.5% over the year to April, the fastest since September 2014

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

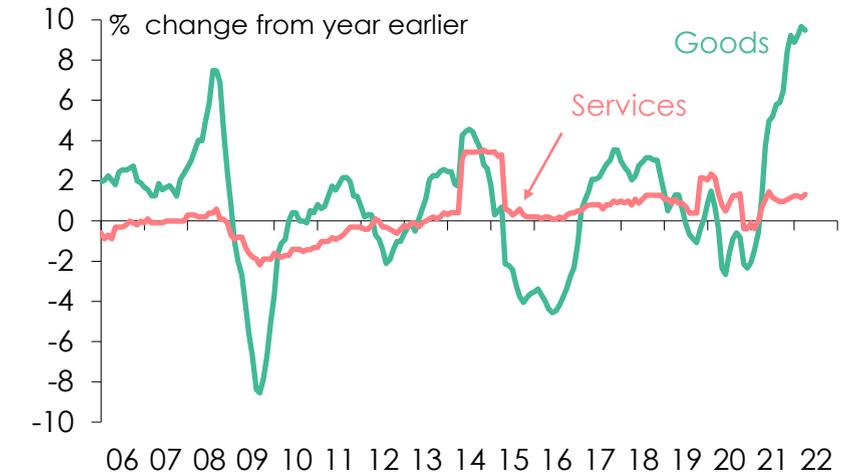
Employment



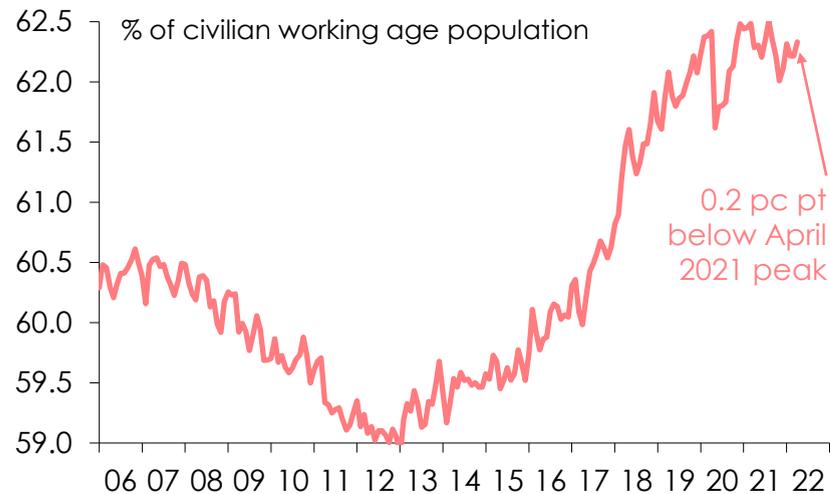
Unemployment rate



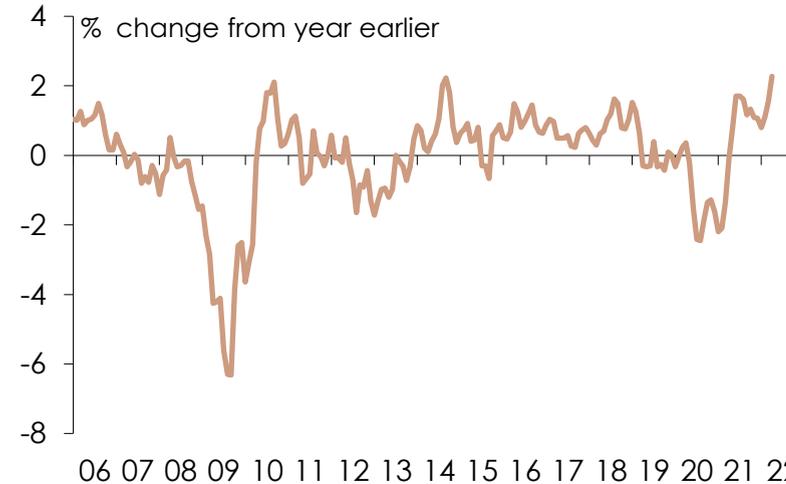
'Corporate' (producer) prices



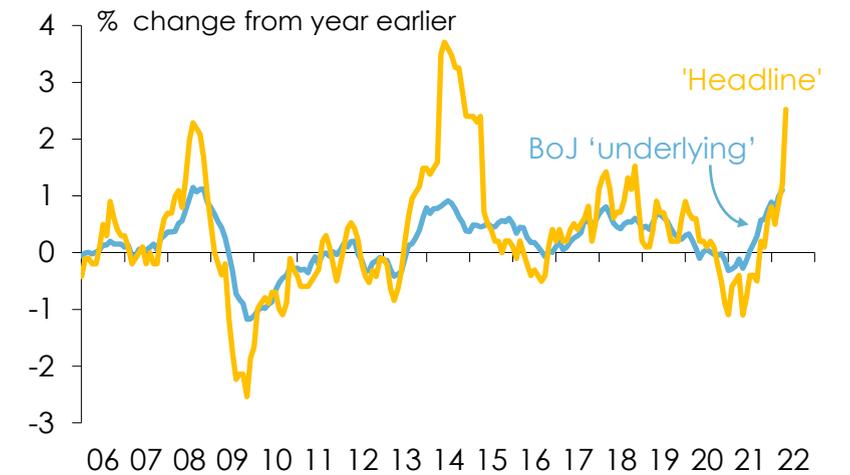
Labour force participation rate



Wages growth



Consumer prices

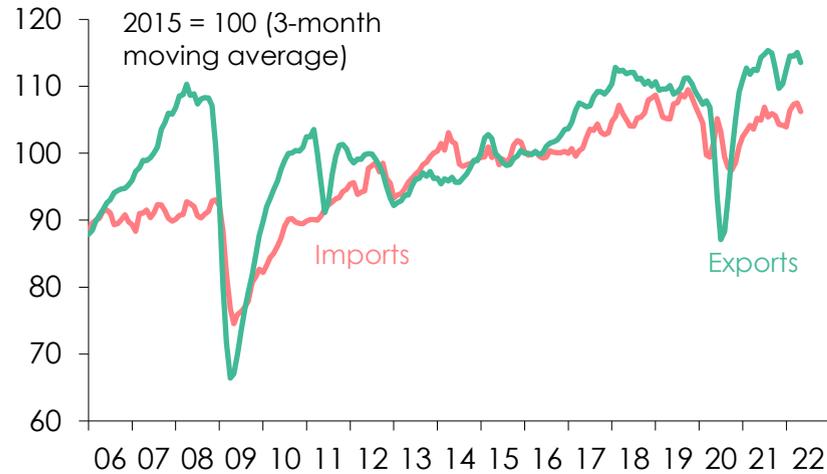


Sources: Statistics Bureau of Japan, [Labour Force Survey](#) and [Consumer Price Index](#); Ministry of Health, Labour and Welfare, [Monthly Labour Survey](#); Bank of Japan, [Prices and Measures of Underlying Inflation](#). [Return to "What's New"](#).

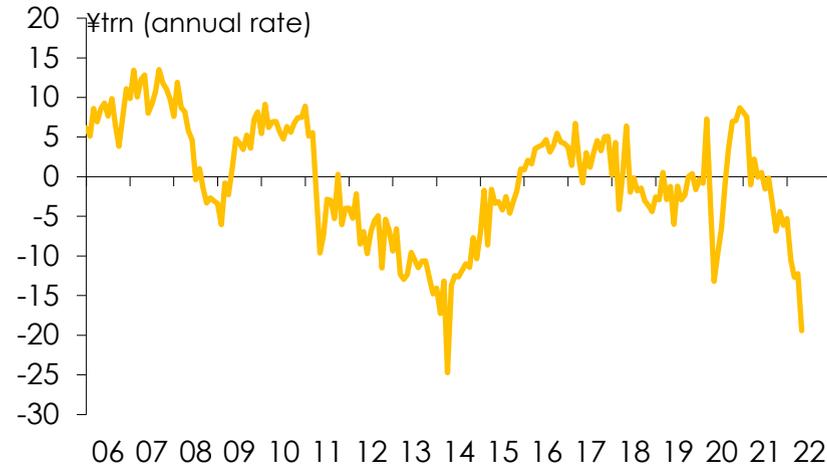
Japan is now incurring large (by its standards) external deficits as a result largely of higher prices commodity imports and loss of tourism exports

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

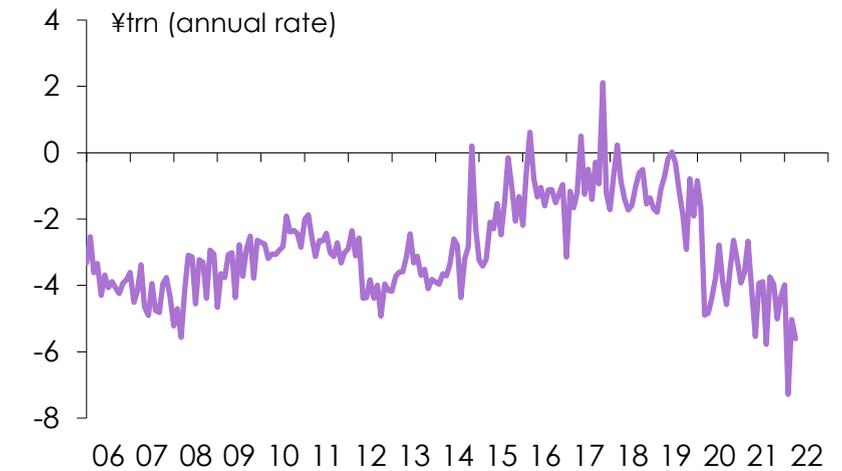
Merchandise trade volumes



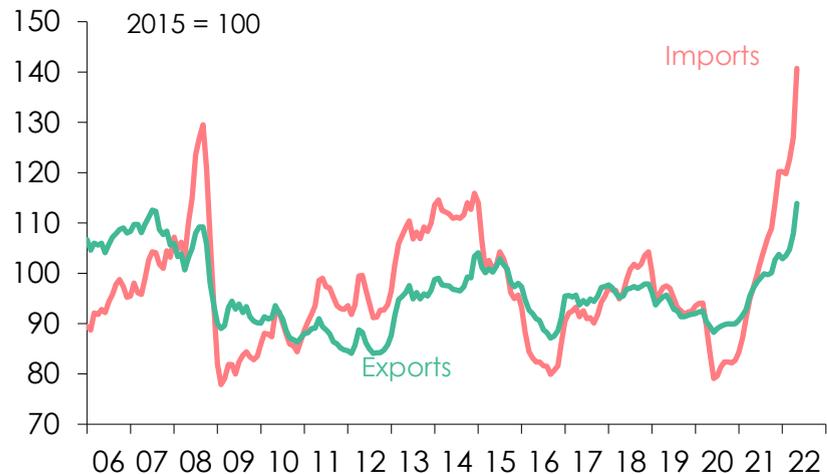
Merchandise trade balance



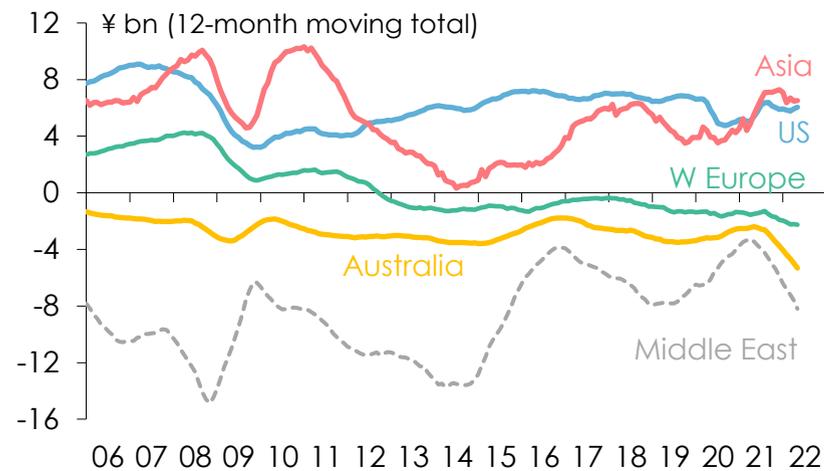
Services trade balance



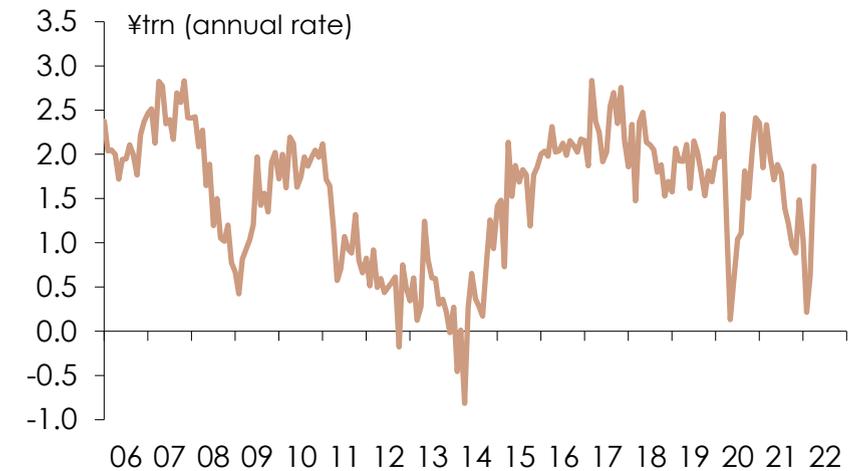
Merchandise trade prices



Bilateral goods trade balances



Current account balance



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

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

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

- ❑ **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

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

IMF and Asian Development Bank forecasts for East Asian economies

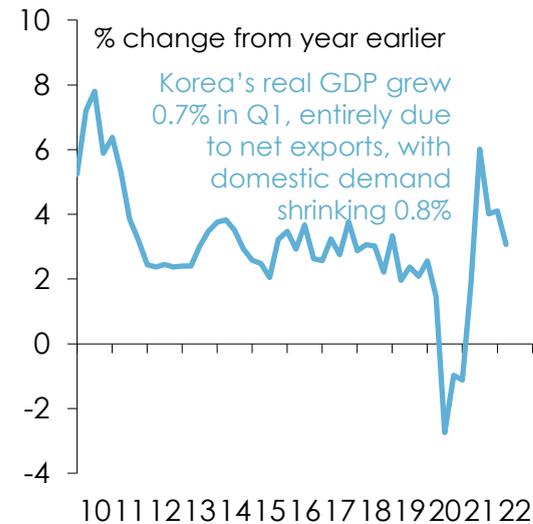
	Real GDP growth							Inflation						
	Actual		IMF			ADB		Actual		IMF			ADB	
	2010-19*	2020	2021	2022	2023	2022	2023	2010-19*	2020	2021	2022	2023	2022	2023
Korea	3.3	-0.9	4.0	2.5	2.9	3.0	2.6	1.7	0.5	2.5	4.0	2.4	3.2	2.0
Taiwan	3.6	3.1	5.9	3.2	2.9	3.8	3.0	1.0	-0.2	1.8	2.3	2.2	1.9	1.6
Hong Kong	2.8	-6.1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

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

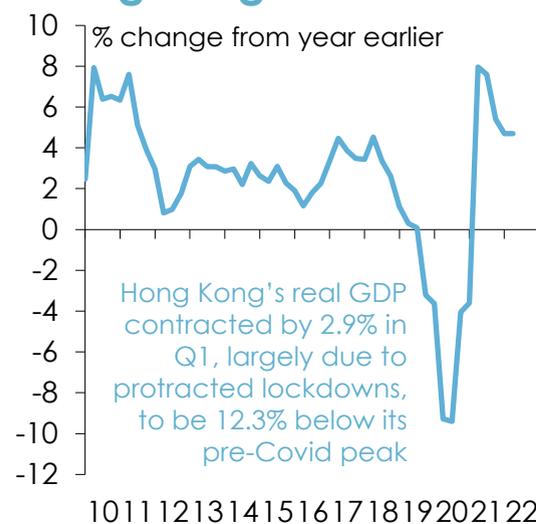
Thailand's real GDP increased 1.1% in Q1, but remained 3.6% shy of its pre-pandemic peak in Q3 2019

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

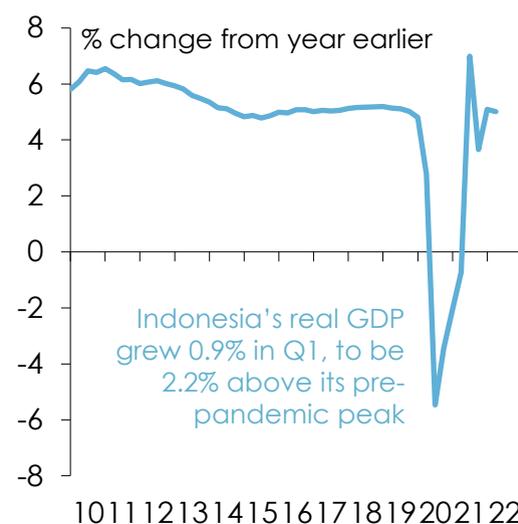
Korea



Hong Kong



Indonesia



Thailand



Vietnam



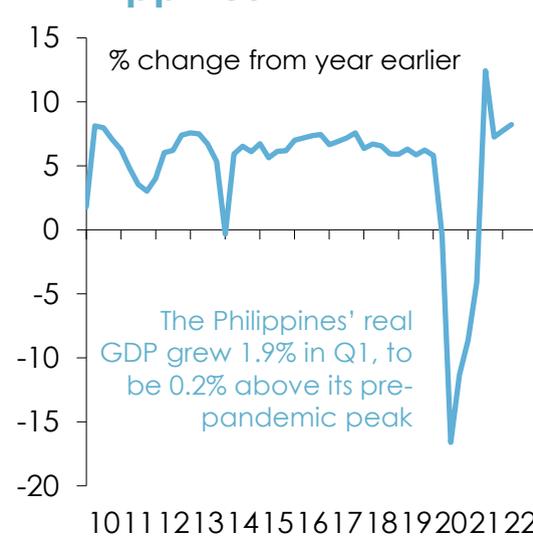
Taiwan



Singapore



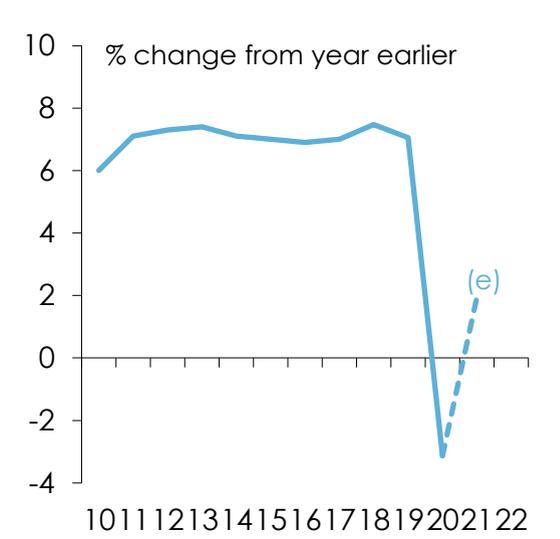
Philippines



Malaysia



Cambodia



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

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

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Korea



Hong Kong



Indonesia



Thailand



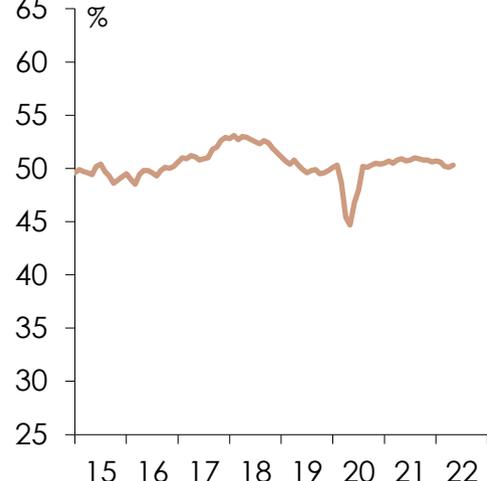
Vietnam



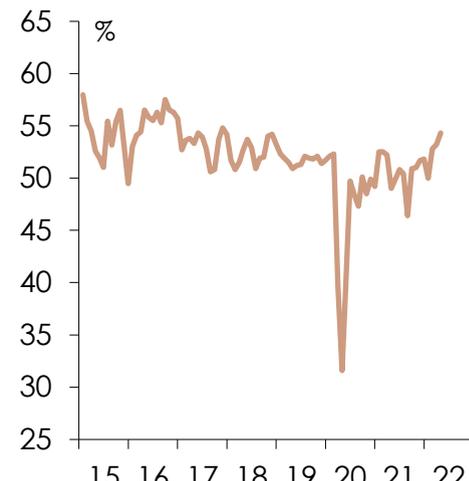
Taiwan



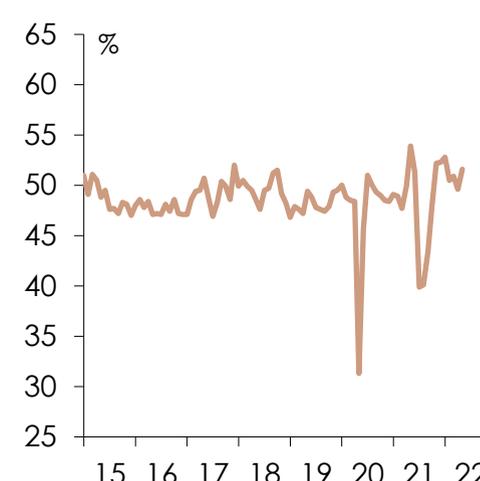
Singapore



Philippines



Malaysia



ASEAN

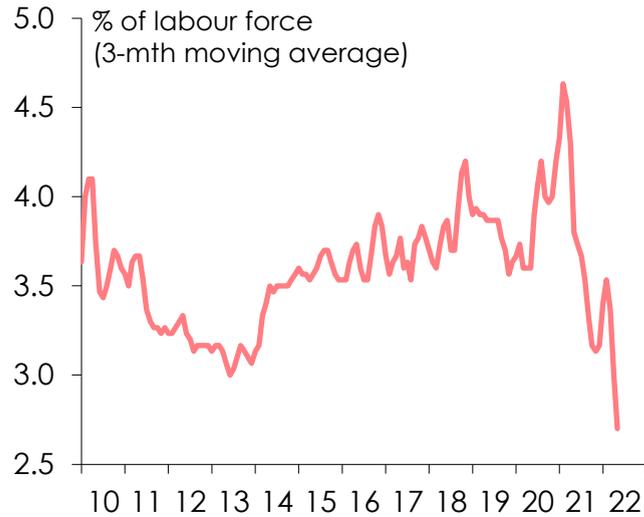


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous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

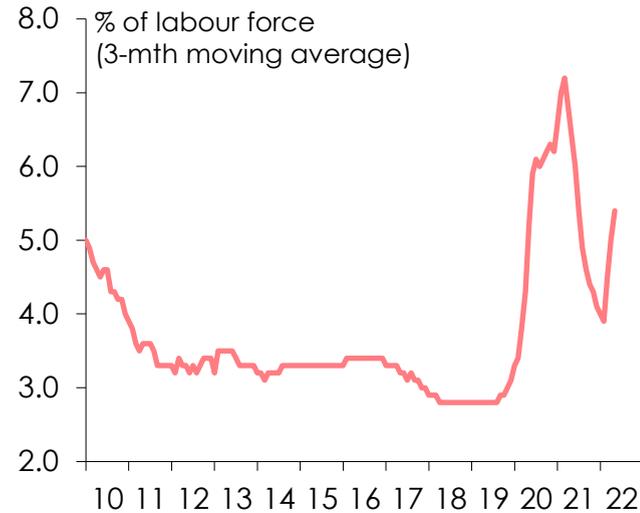
Unemployment rose sharply in most Asian economies last year but is now falling in most of them (except for Hong Kong)

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

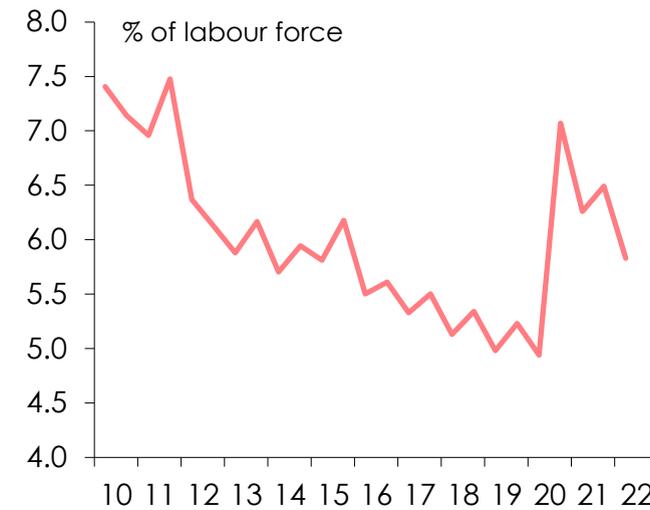
Korea



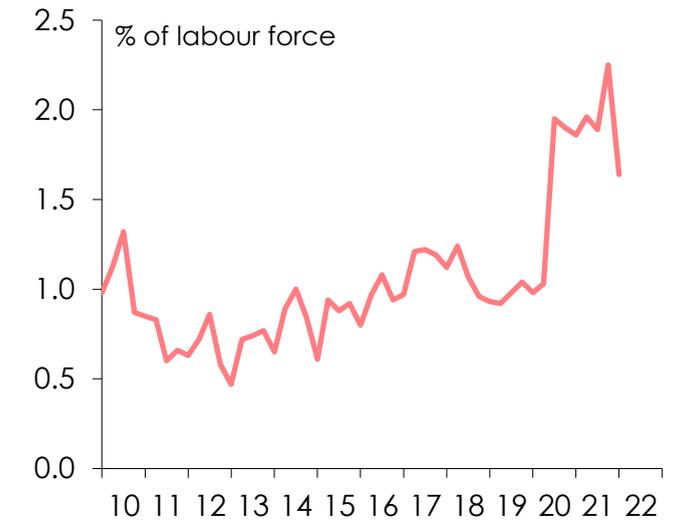
Hong Kong



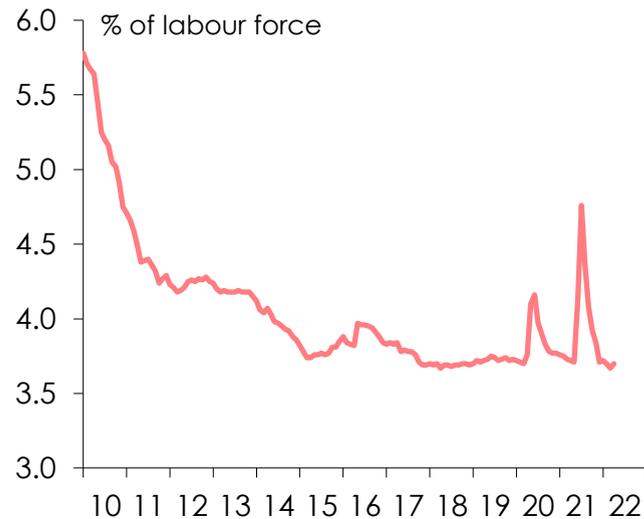
Indonesia



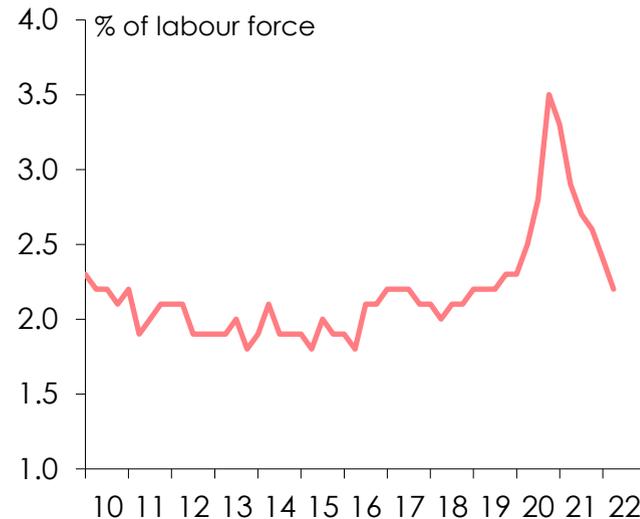
Thailand



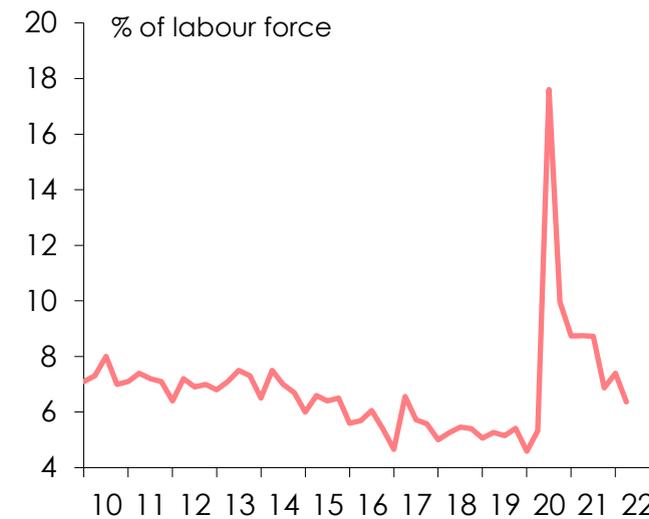
Taiwan



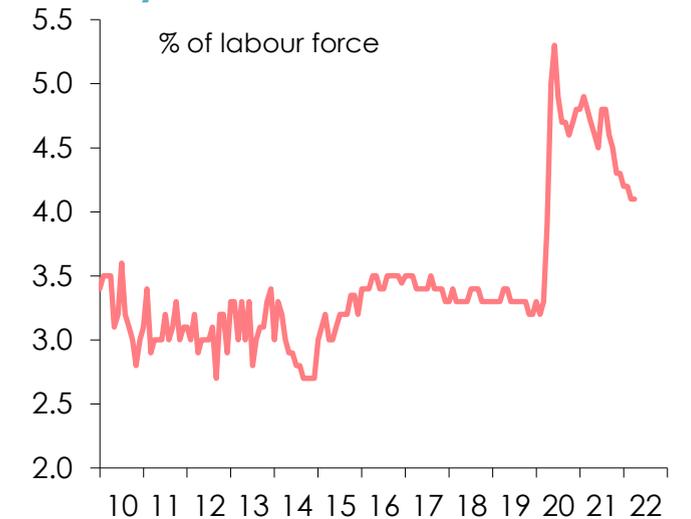
Singapore



Philippines



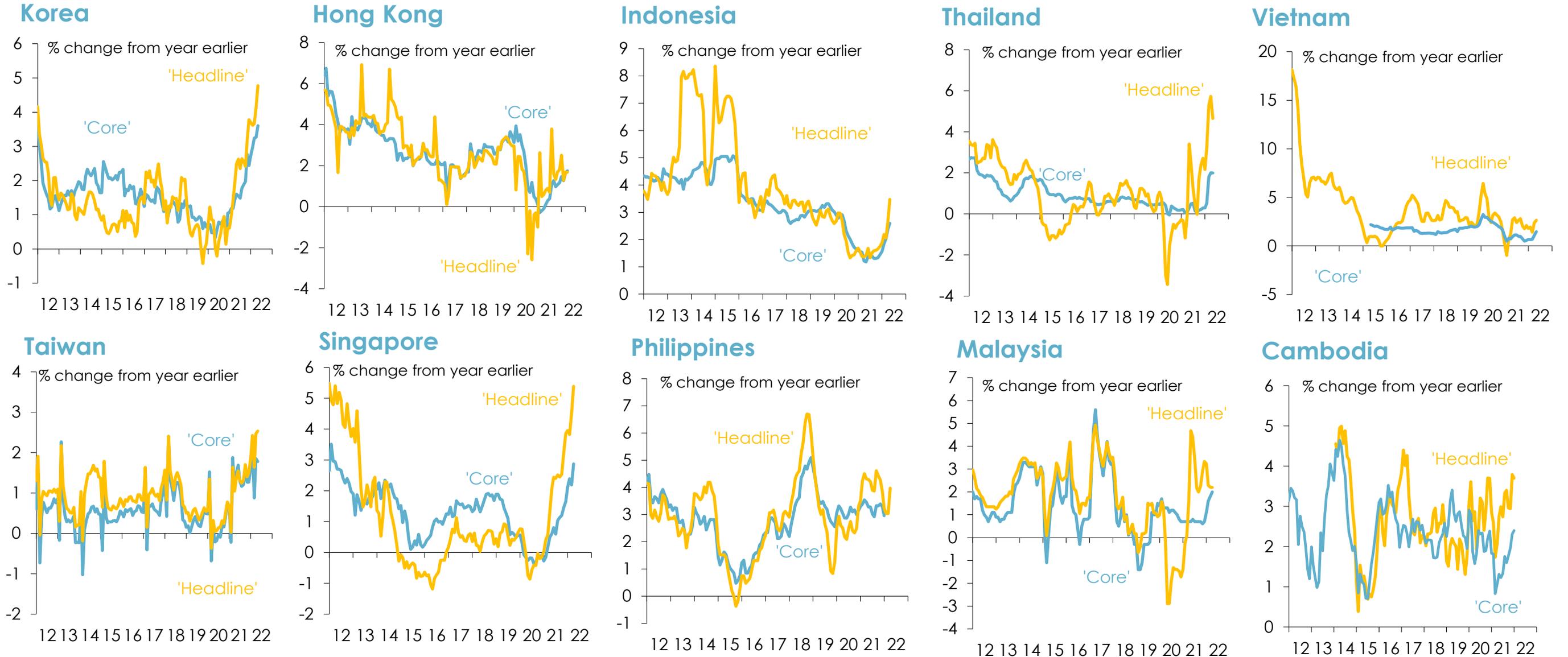
Malaysia



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

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

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

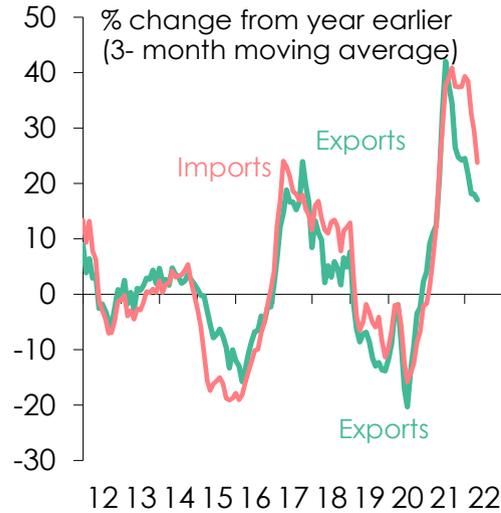


Note: 'Core' inflation in Korea excludes agricultural products and oil; in Taiwan it excludes fresh fruit, vegetables and energy; in Singapore it excludes accommodation and private transport; and in Hong Kong it excludes the effect of 'one-off government relief measures'. 'Core' inflation in Indonesia 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 – 23RD MAY 2022

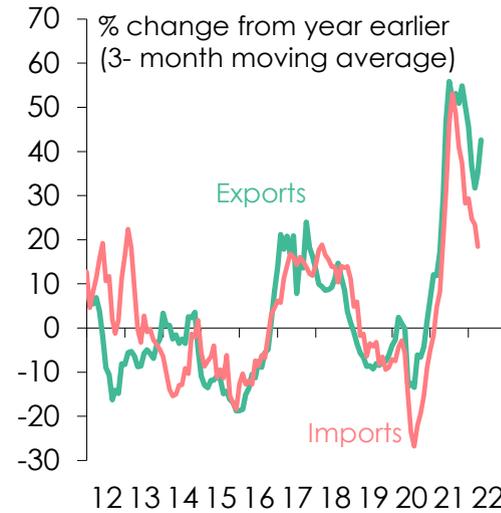
Korea



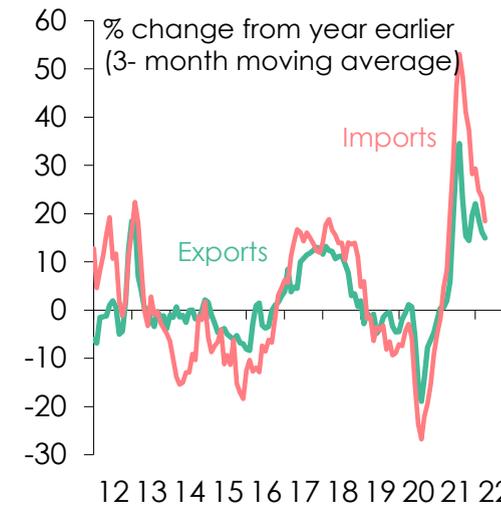
Hong Kong



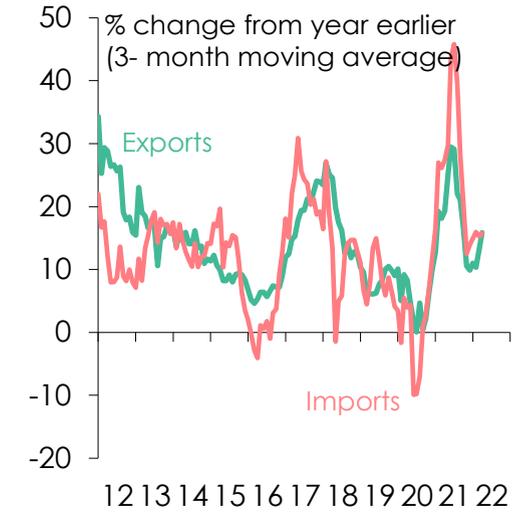
Indonesia



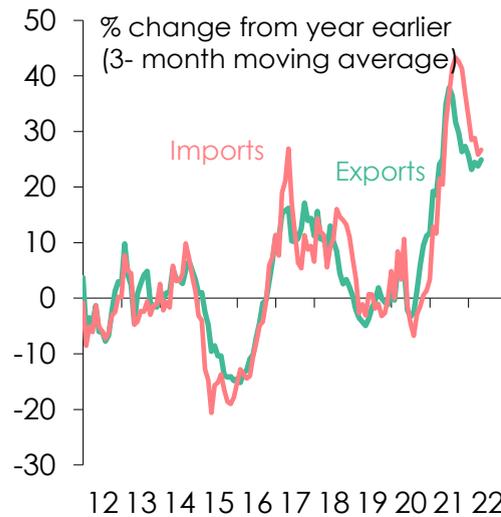
Thailand



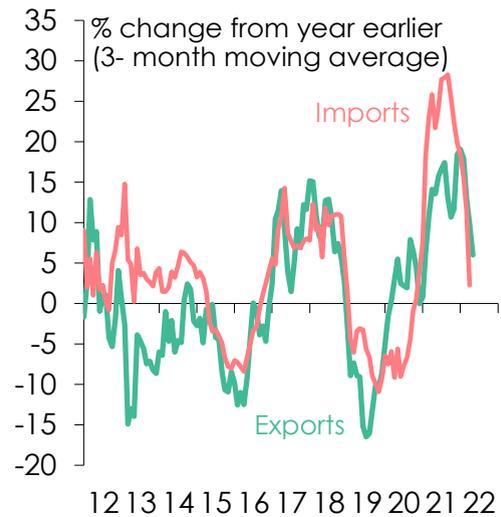
Vietnam



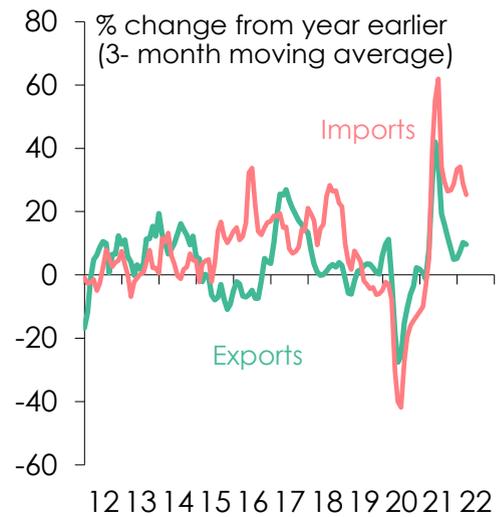
Taiwan



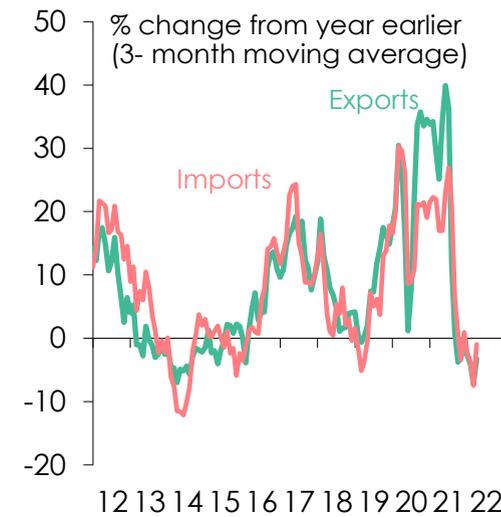
Singapore



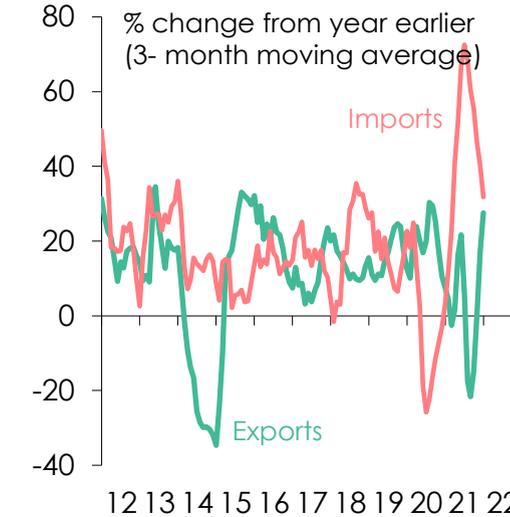
Philippines



Malaysia



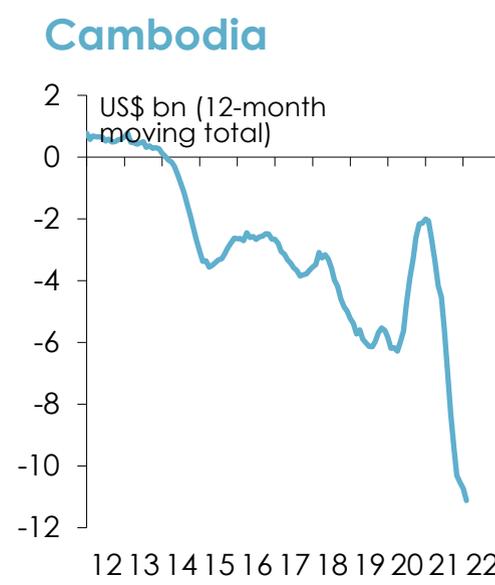
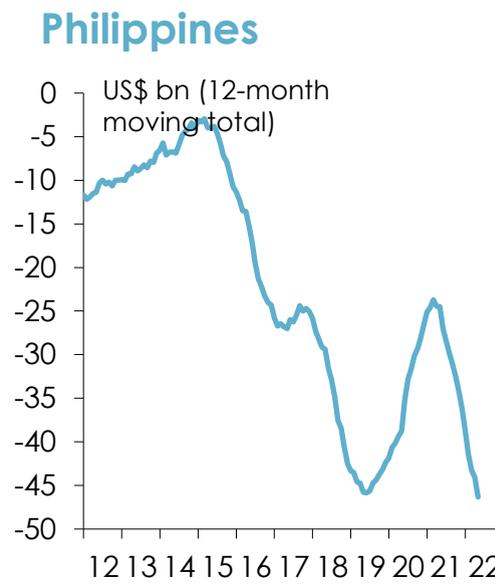
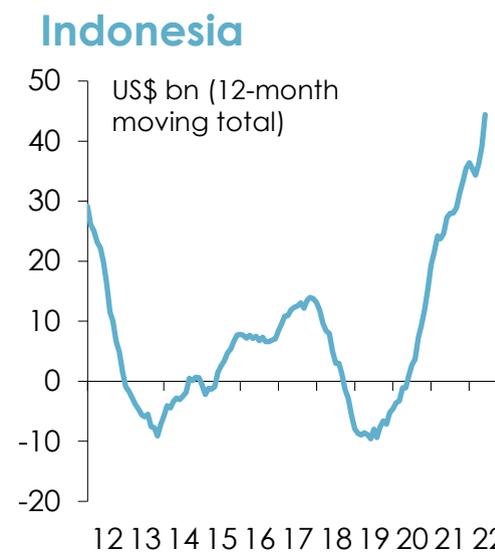
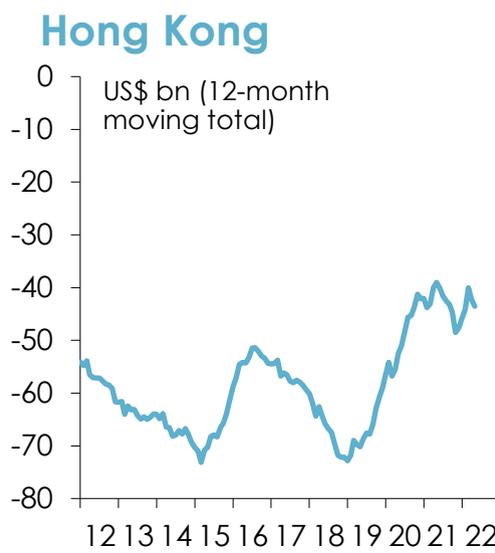
Cambodia



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

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

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

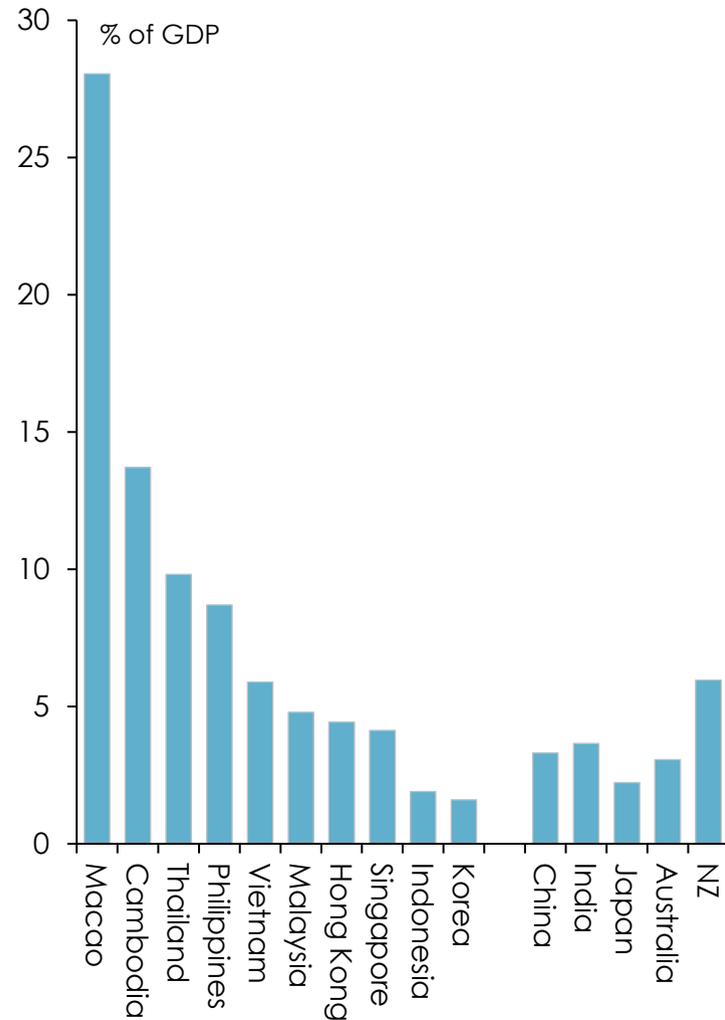


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

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

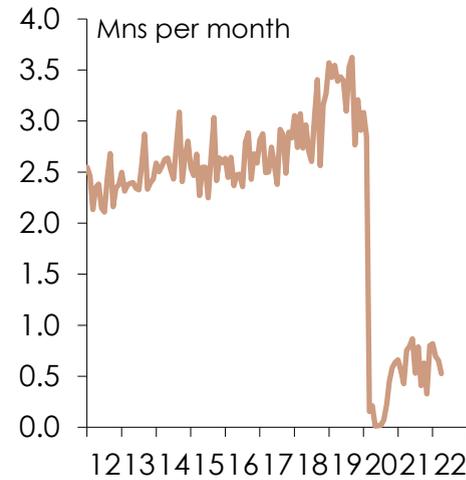
THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

International tourism direct contribution to GDP, 2018

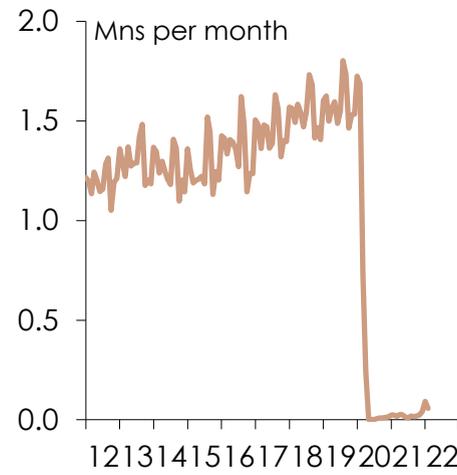


International visitor arrivals

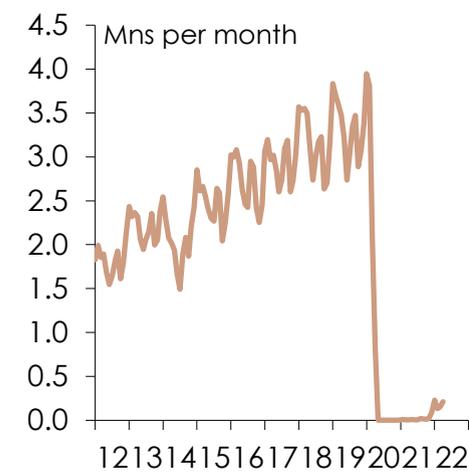
Macao



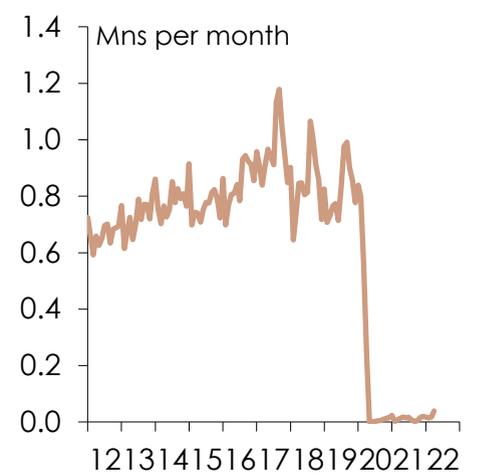
Singapore



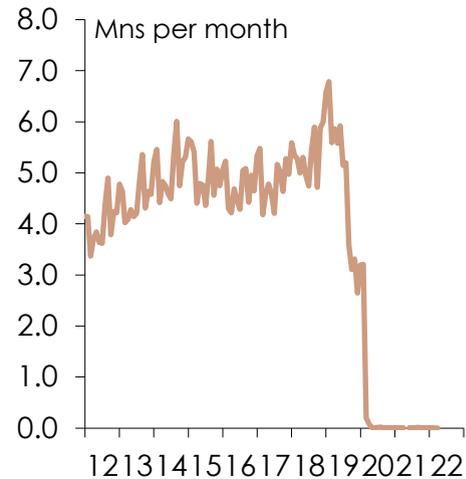
Thailand



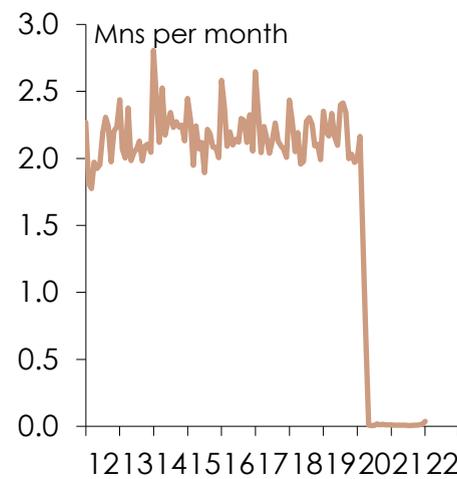
Indonesia



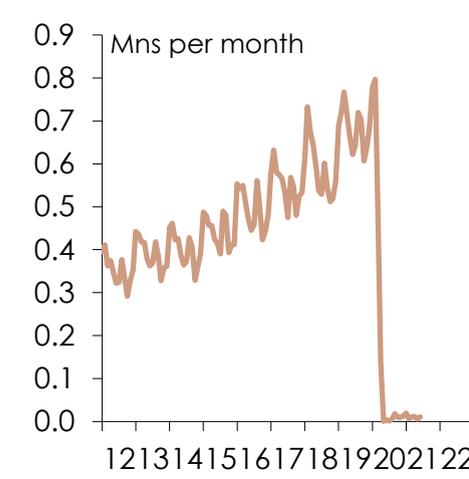
Hong Kong



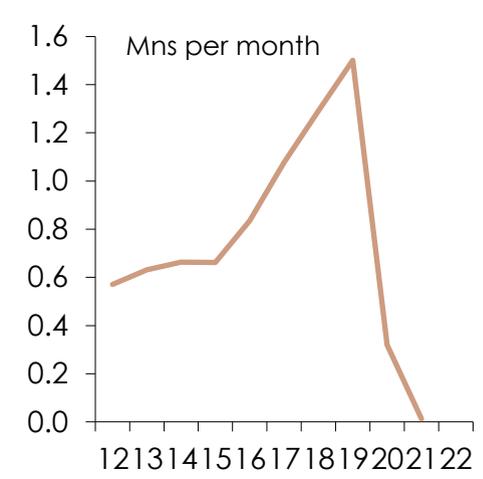
Malaysia



Philippines



Vietnam

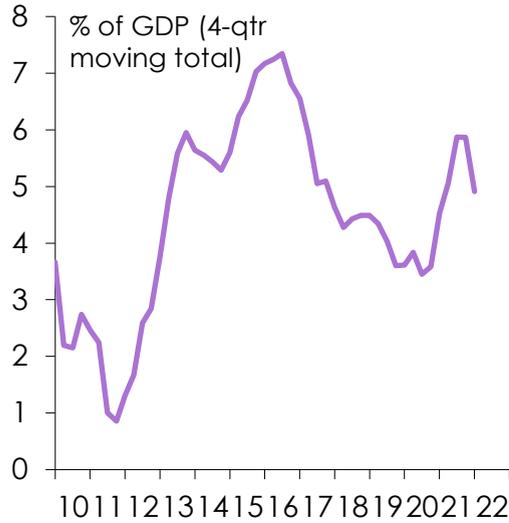


Note: Visitor arrivals data for Vietnam is only published annually. The Philippines stopped publishing data on visitor arrivals in December 2020.
Sources: The World Bank, [ICdata360](#); national statistical agencies. [Return to "What's New"](#).

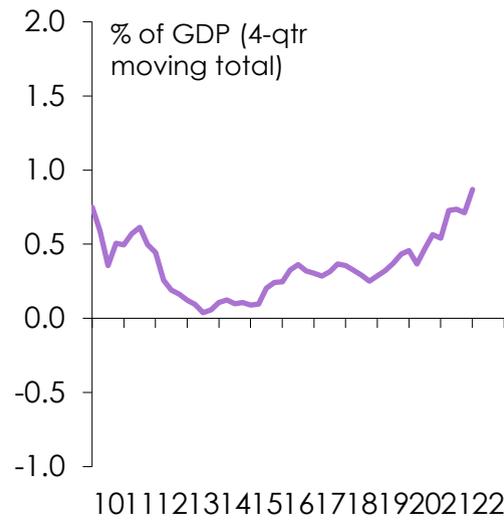
The more 'advanced' Asian economies have strong current account positions, Indonesia's is much improved but others have deteriorated

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

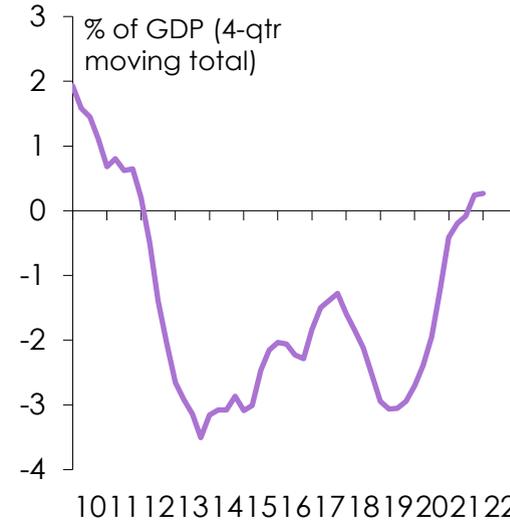
Korea



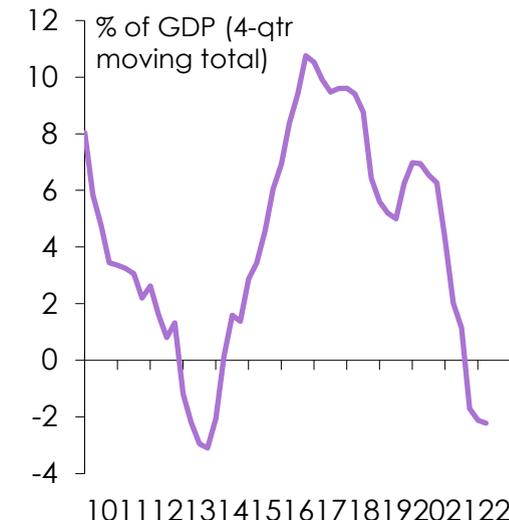
Hong Kong



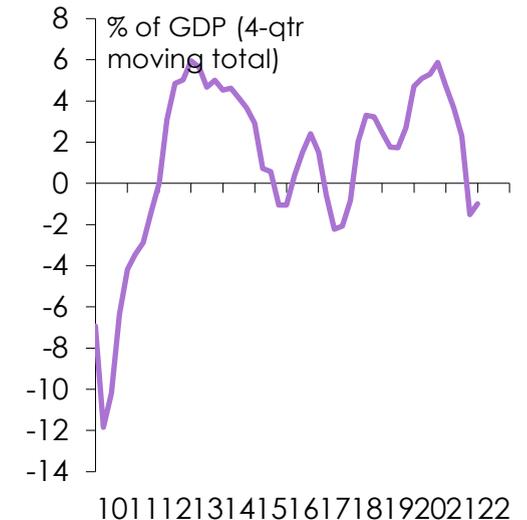
Indonesia



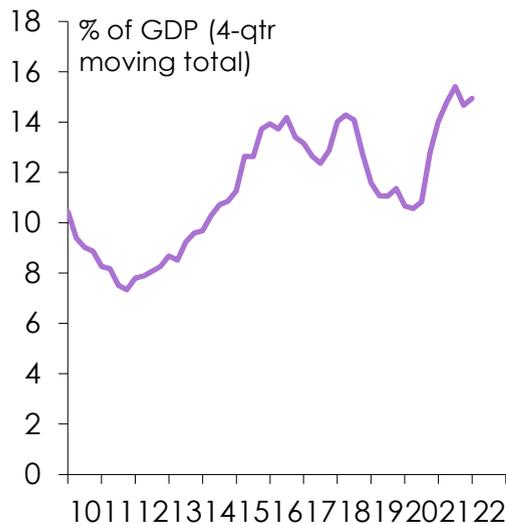
Thailand



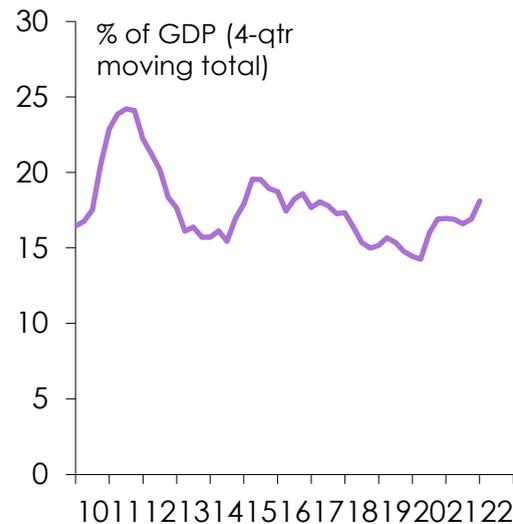
Vietnam



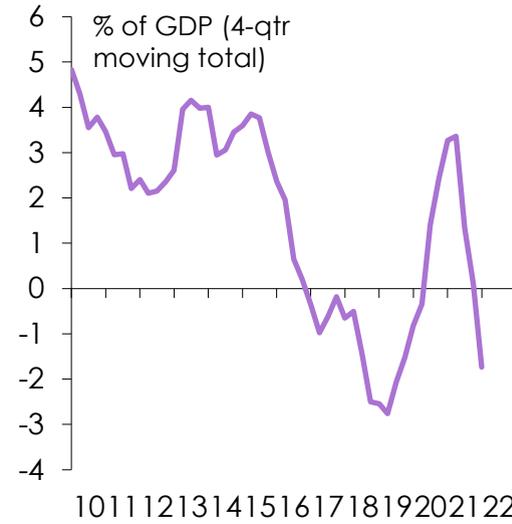
Taiwan



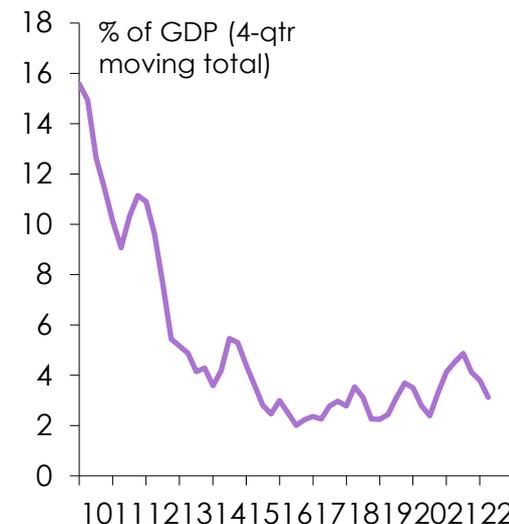
Singapore



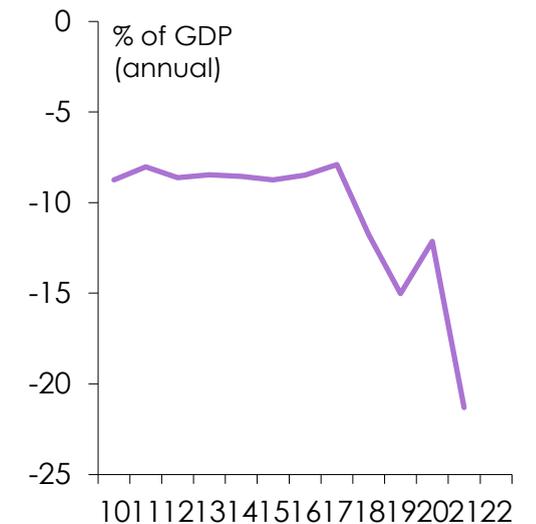
Philippines



Malaysia



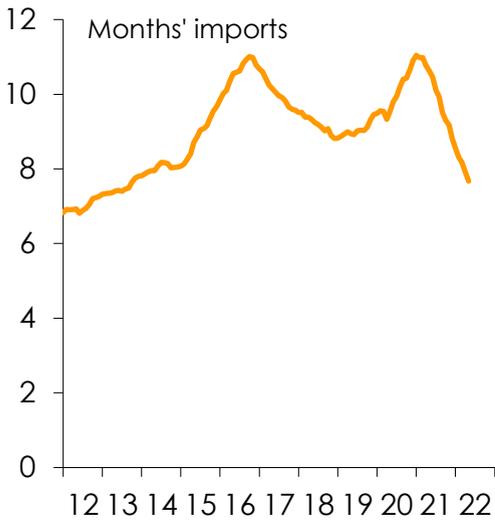
Cambodia



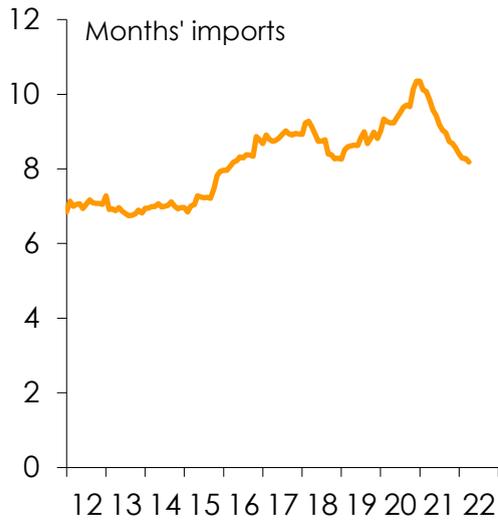
Most Asian economies have sought to maintain high levels of FX reserves since the 1997-98 crisis – although Malaysia's have deteriorated recently

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

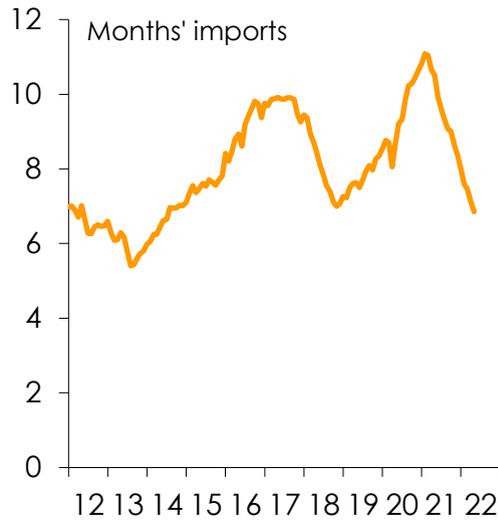
Korea



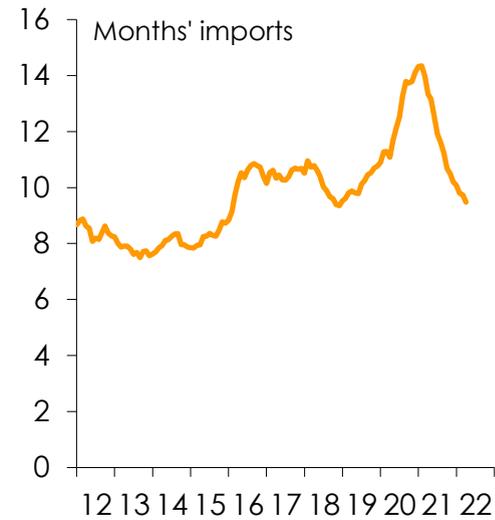
Hong Kong



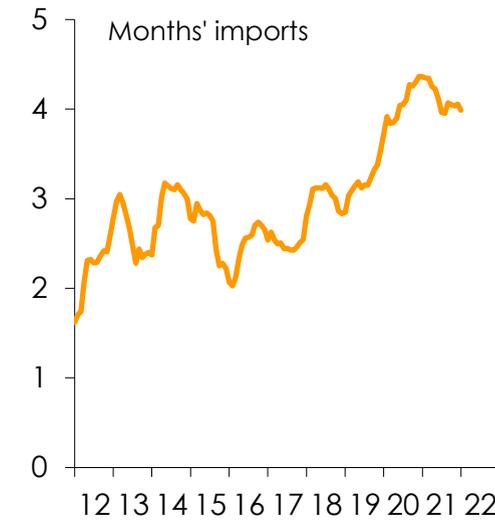
Indonesia



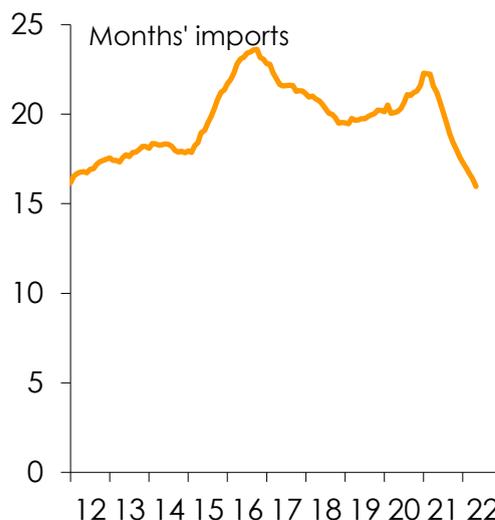
Thailand



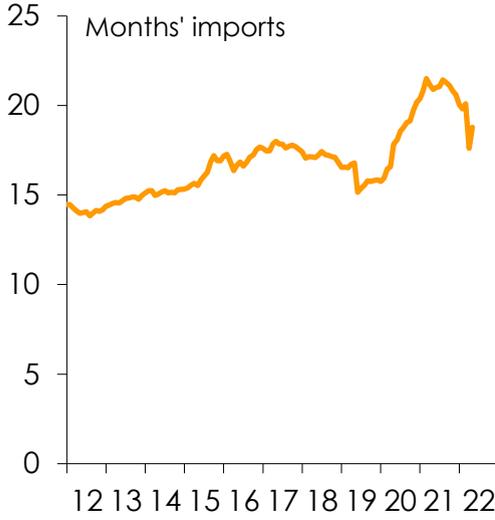
Vietnam



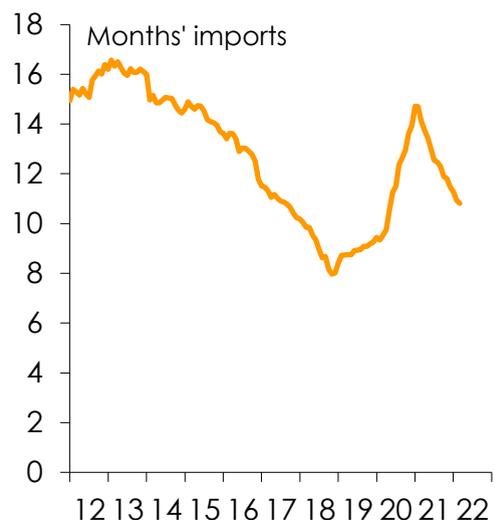
Taiwan



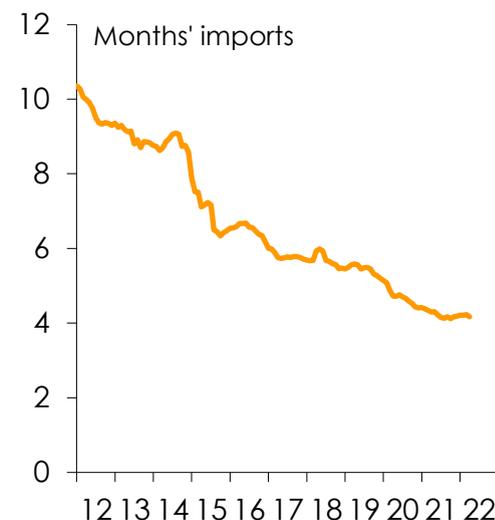
Singapore



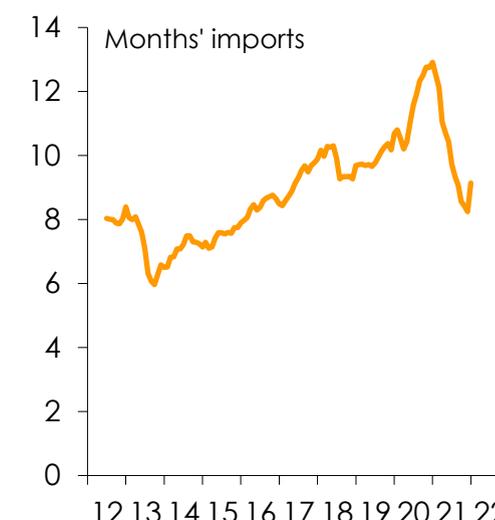
Philippines



Malaysia



Cambodia



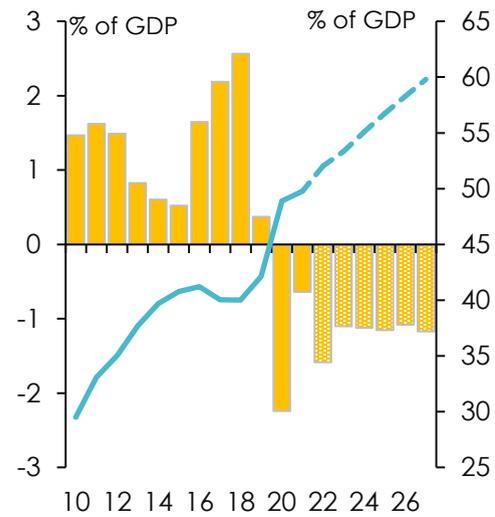
Note: Foreign exchange reserves in the above charts are shown as a multiple of average monthly imports (measured in US\$) over the preceding 12 months.

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

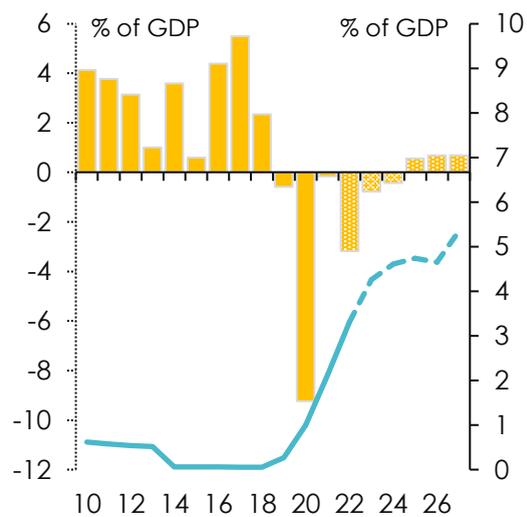
Most Asian governments, apart from Korea, Taiwan, Malaysia and Vietnam, will be tightening fiscal policy over the next few years

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

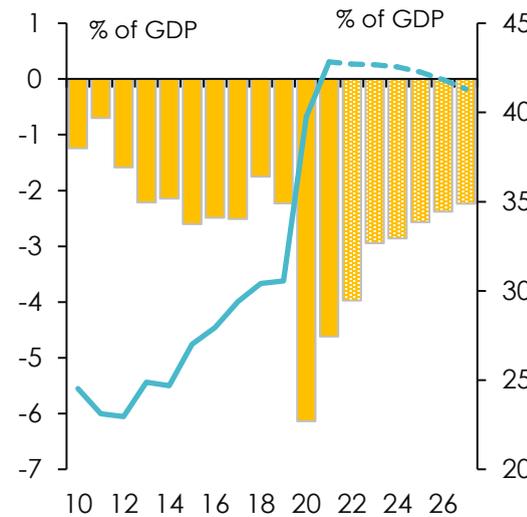
Korea



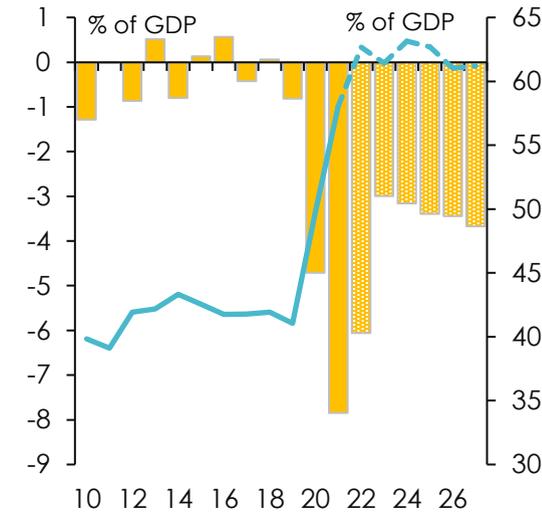
Hong Kong



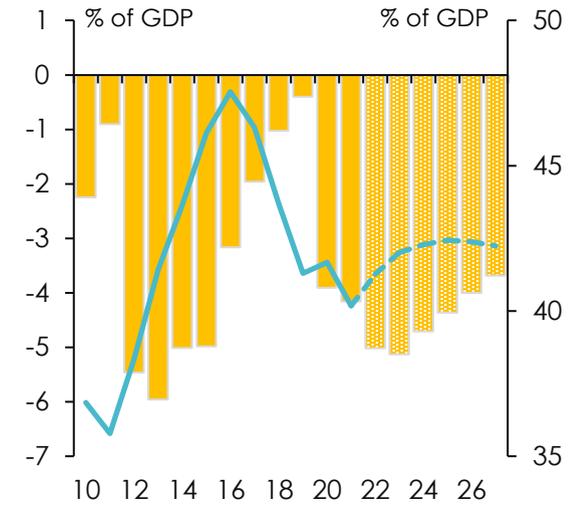
Indonesia



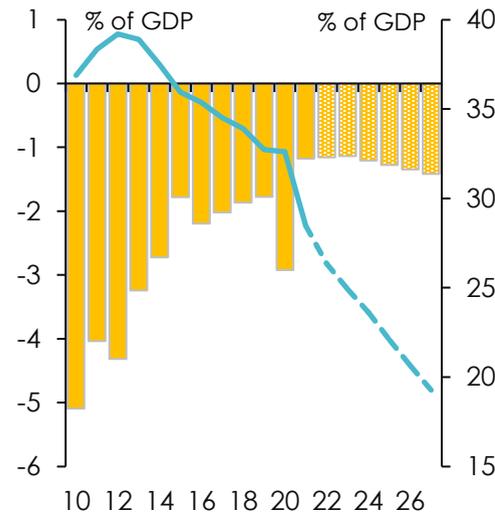
Thailand



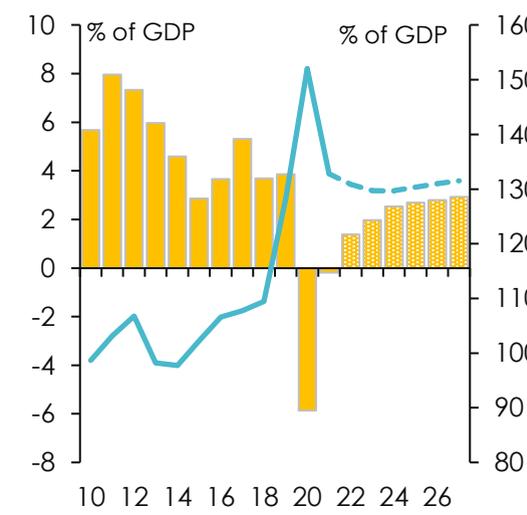
Vietnam



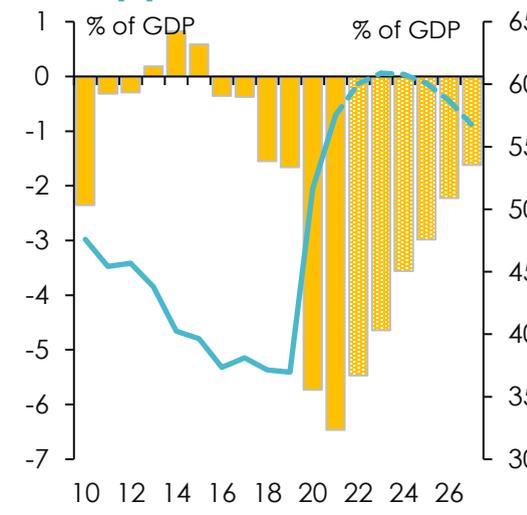
Taiwan



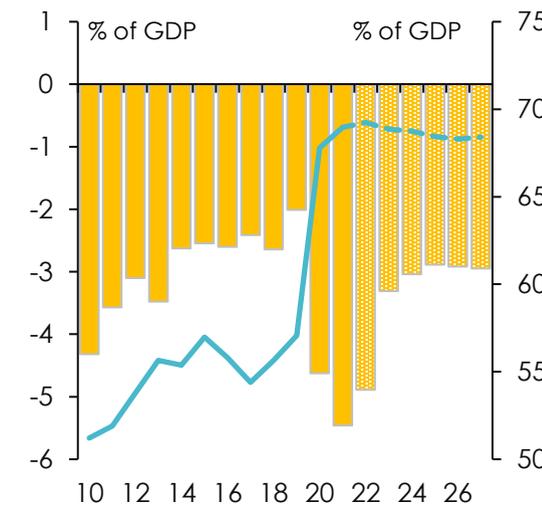
Singapore



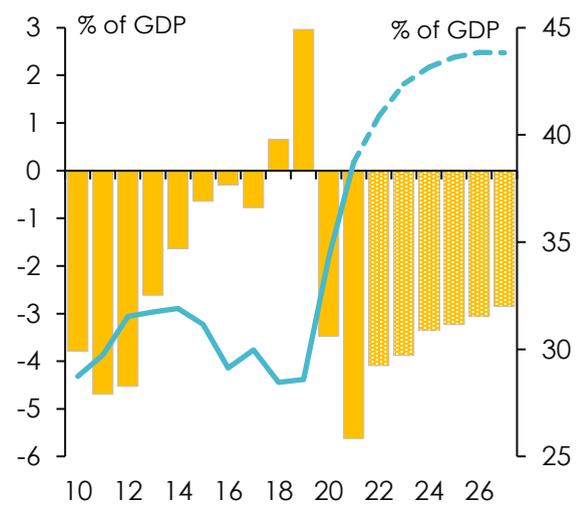
Philippines



Malaysia



Cambodia



General government overall fiscal balance (left scale)



General government gross debt (right scale)

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

The Philippines' central bank lifted its policy interest rate last week, a week after Malaysia's

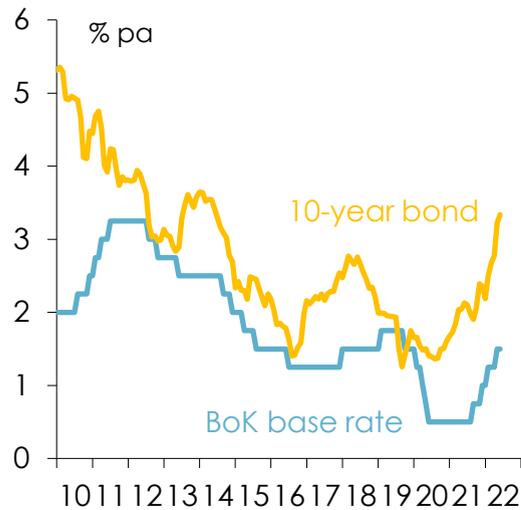
THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

- **Bangko Sentral ng Pilipinas** raised its overnight repo facility rate by 25 basis points, to 2.25%, at its Monetary Board meeting last Thursday, thus becoming the sixth Asian central bank to initiate a monetary policy tightening cycle since August last year
 - outlining the reasons for its decision, BSP noted the “strong rebound in domestic economic activity and labor market conditions during the first quarter of 2022” as providing scope for it to “continue rolling back its pandemic-induced interventions”
 - it also pointed to its latest baseline inflation forecasts which suggest that “average inflation is likely to breach the upper end of the 2-4 percent target range in 2022 at 4.6 percent, while the forecast for 2023 has edged closer to the upper end of the target band at 3.9 percent”, and to “the emergence of second-round effects, including the higher-than-expected adjustment in minimum wages in some regions”
 - it concluded that “persistent inflationary pressures point to the need for prompt monetary action to anchor inflation expectations”, and foreshadowed that it would “proceed with its plans for the continued gradual withdrawal of its extraordinary liquidity interventions and the start of the normalization of its monetary policy settings”
- **Bank Negara Malaysia** raised its overnight policy rate (OPR) by 25 basis points, to 2.0%, at its Monetary Policy Committee meeting last Wednesday – the first change in monetary policy settings since August 2020, and the first increase in interest rates since January 2018
 - in its post-meeting statement BNM said that “the unprecedented conditions” resulting from Covid-19 “have since abated”, and with “domestic growth on a firmer footing”, driven by “strengthening domestic demand and sustained export growth”, and “underlying inflation ... expected to trend higher to average between 2.5 and 3.0% in 2022”, it had “decided to begin reducing the degree of monetary accommodation”
 - BNM implicitly foreshadowed further increases in interest rates “in a measured and gradual manner” so as to ensure that “monetary policy remains accommodative to support a sustainable economic growth in an environment of price stability”
- **Bank Indonesia** meets on Tuesday this week and the **Bank of Korea** on Thursday

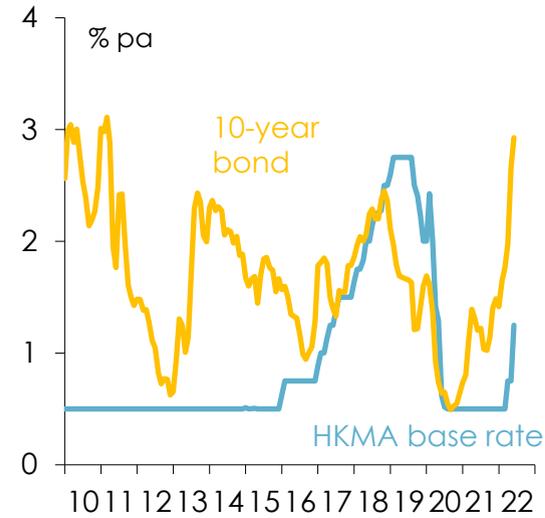
Bangko Sentral ng Pilipinas raised its policy interest rate last week, leaving Indonesia, Thailand and Vietnam as the only ones yet to start tightening

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

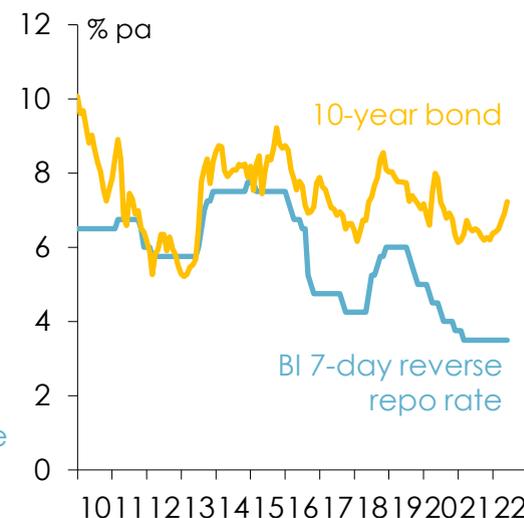
Korea



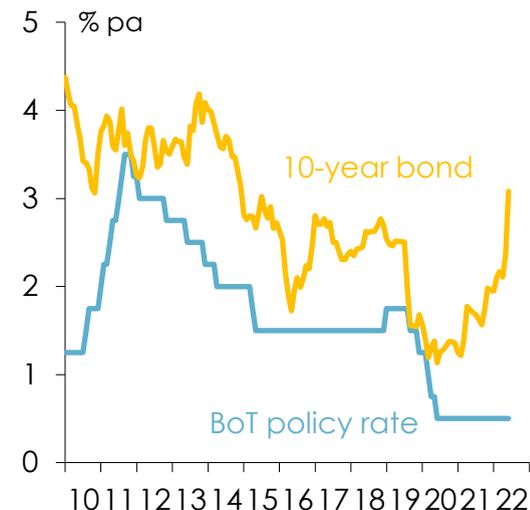
Hong Kong



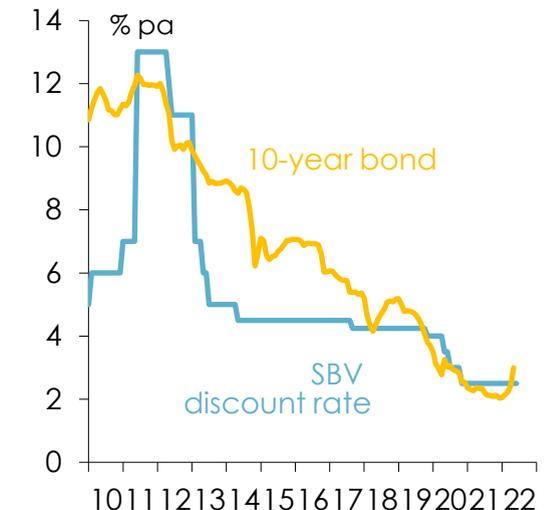
Indonesia



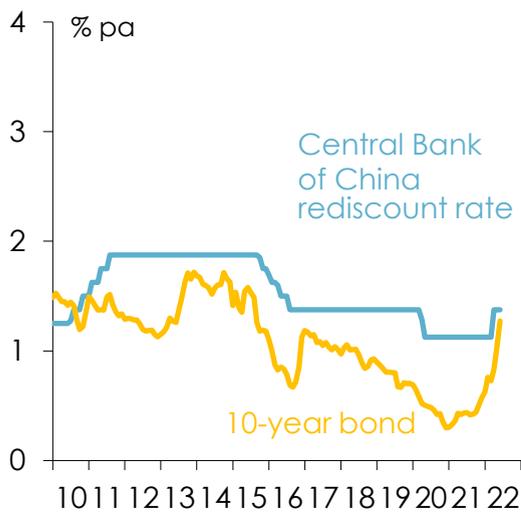
Thailand



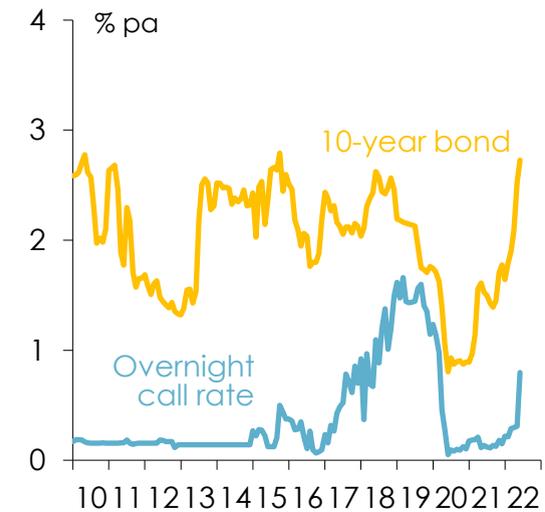
Vietnam



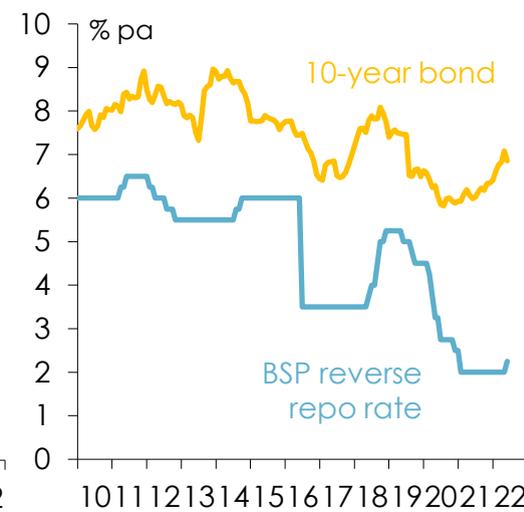
Taiwan



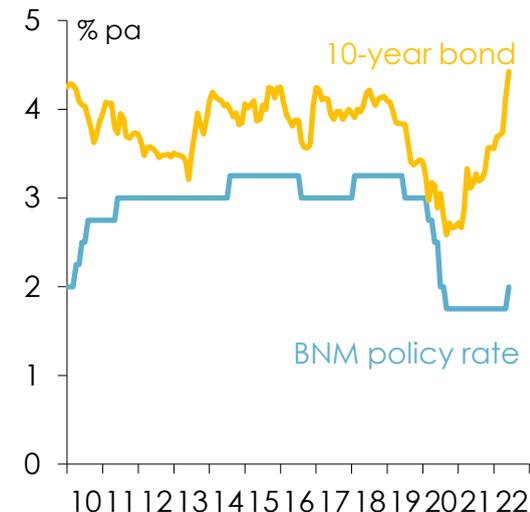
Singapore



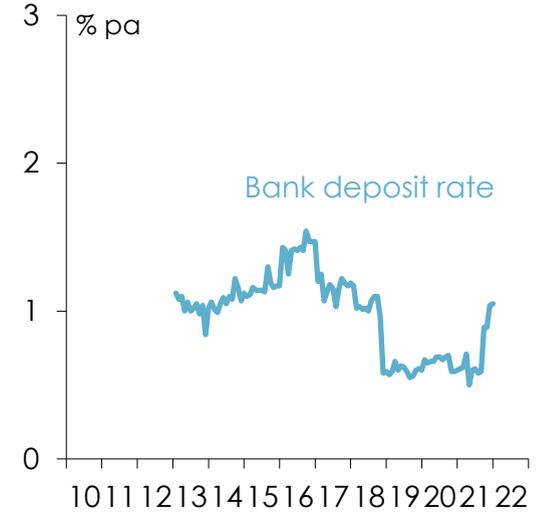
Philippines



Malaysia



Cambodia

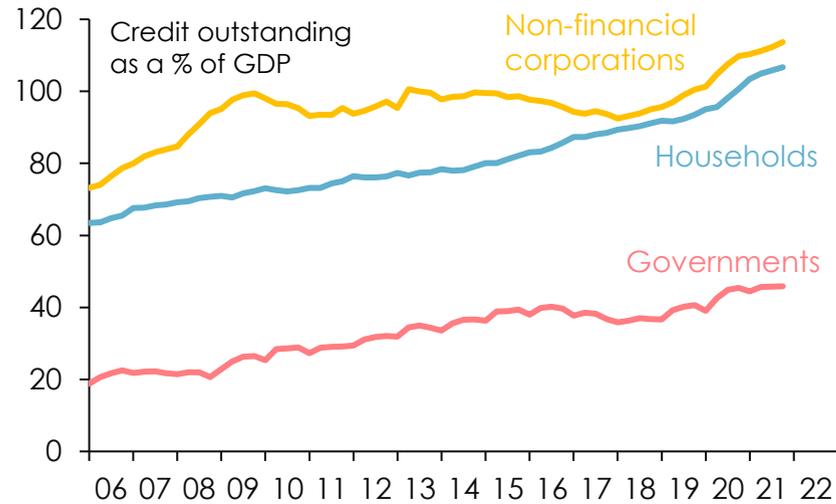


Note: Neither Hong Kong nor Singapore use a monetary policy indicator interest rate. Hong Kong has a currency board system, under which the HKMA base rate moves in line with a pre-set formula based on the US fed funds rate; the Monetary Authority of Singapore uses the (effective) exchange rate as its principal monetary policy instrument. The National Bank of Cambodia administers monetary policy primarily through changes in bank reserve requirement ratios. Data are monthly averages up to 20th May 2022. Sources: national central banks; Refinitiv Datastream. [Return to "What's New"](#).

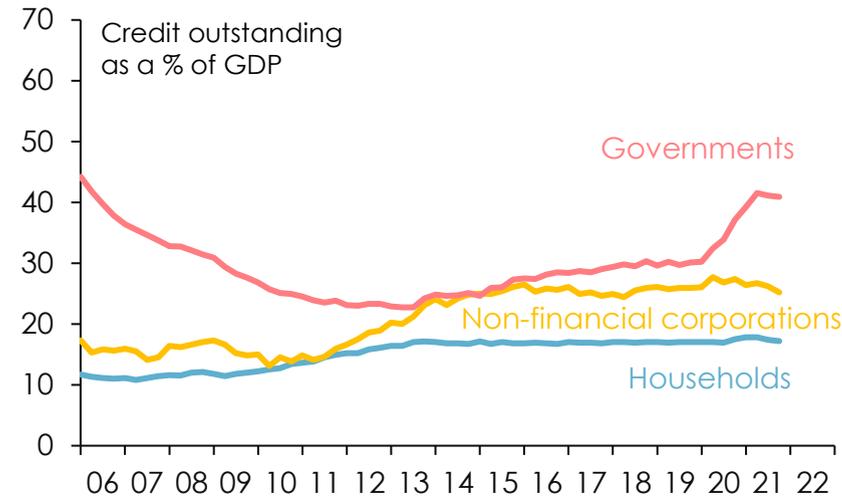
In Asia, Hong Kong, Singaporean and Korean corporates, and Korean households, have the greatest exposure to any increases in interest rates

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

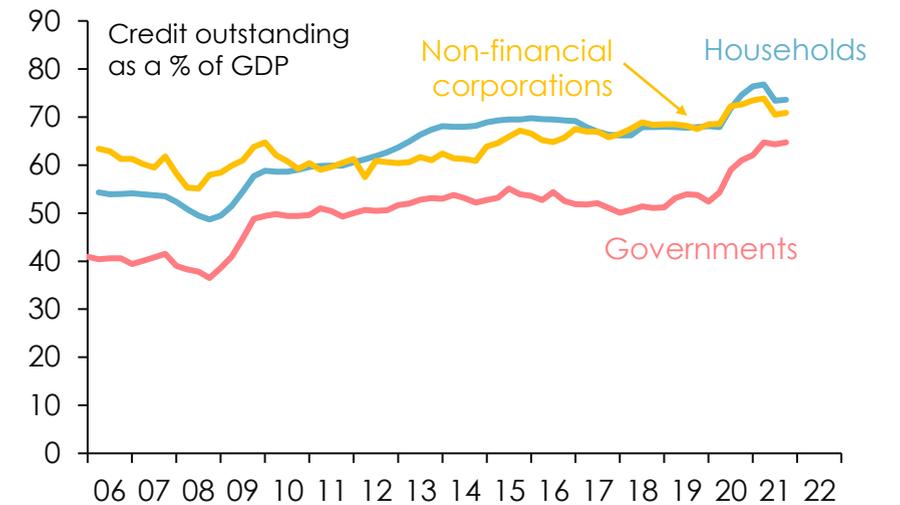
Korea



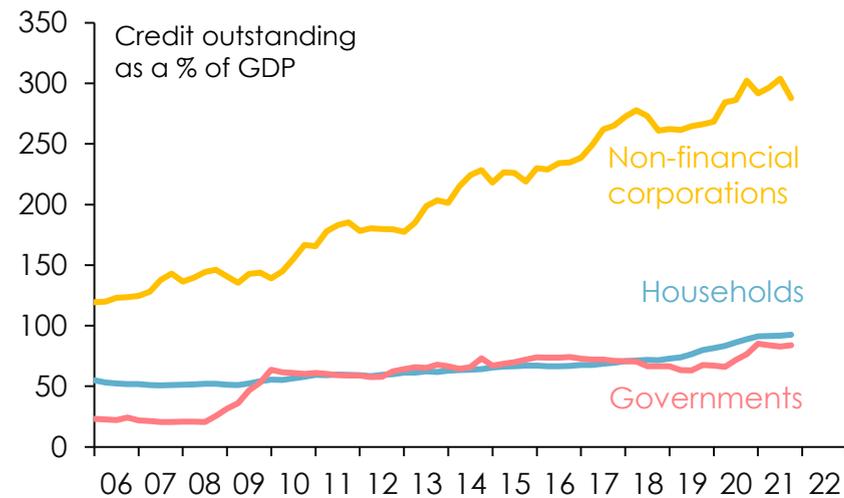
Indonesia



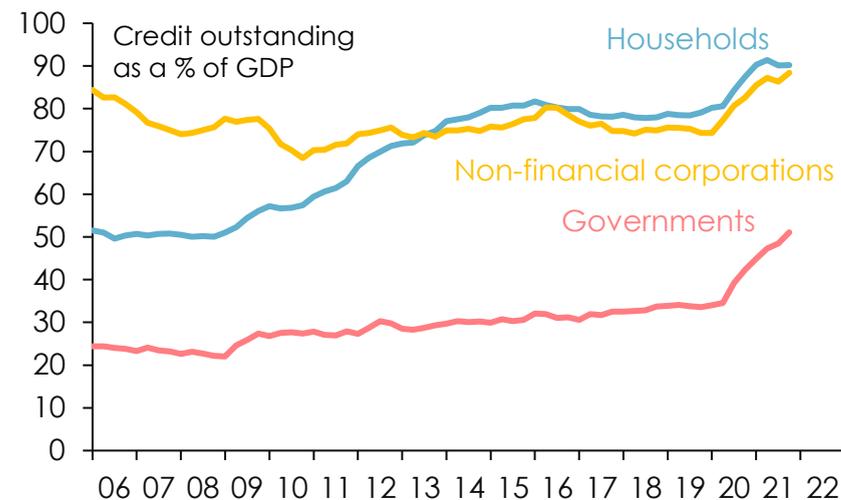
Malaysia



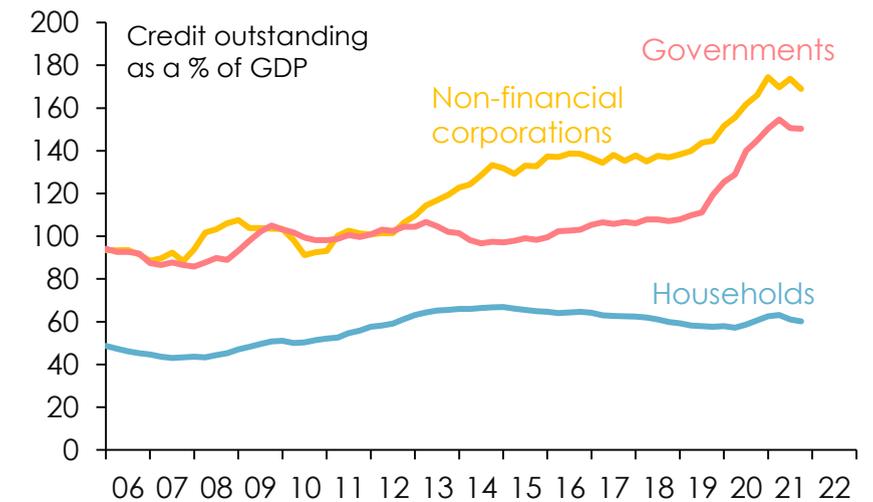
Hong Kong



Thailand



Singapore

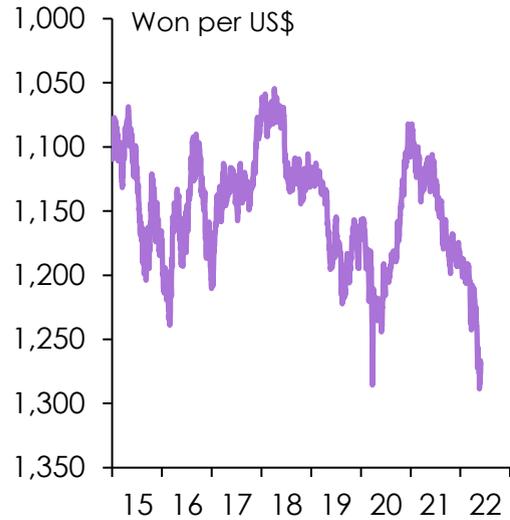


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13th June. [Return to "What's New"](#).

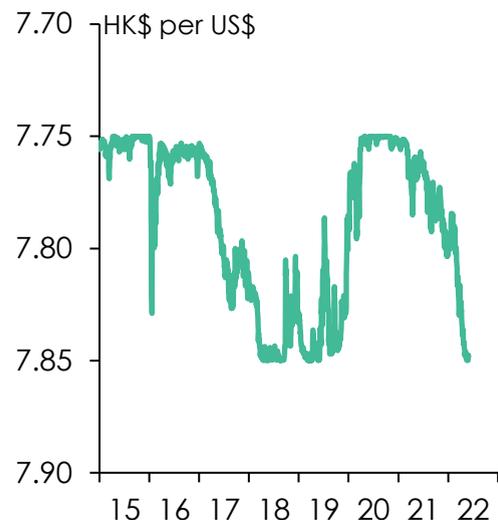
Asian currencies rose against a softer US dollar last week, with the baht (up 1½%) and the won (up 1¼%) the firmest, though the rupiah was down ¼%

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Korean won



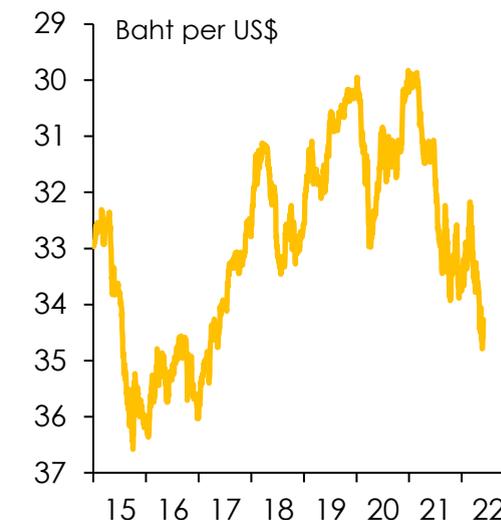
Hong Kong dollar



Indonesian rupiah



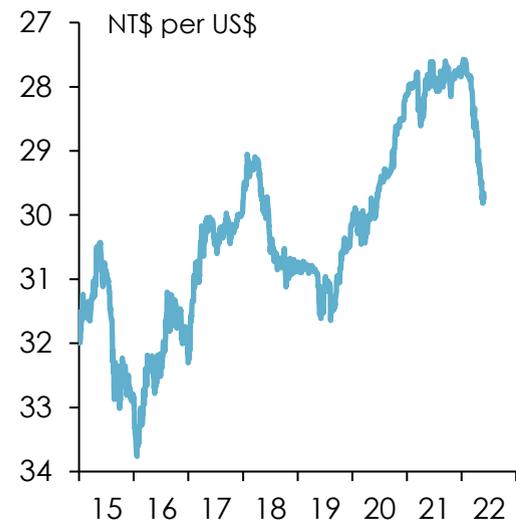
Thai baht



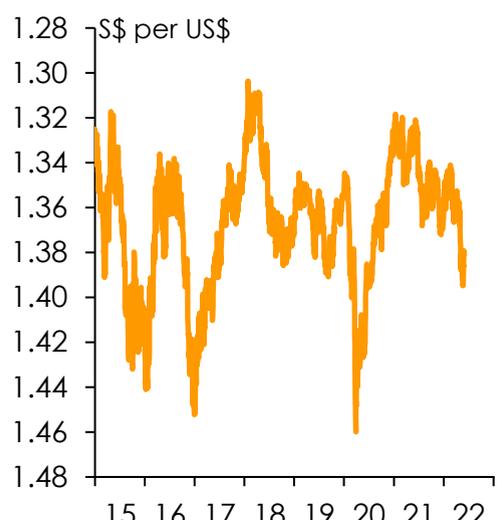
Vietnamese dong



New Taiwan dollar



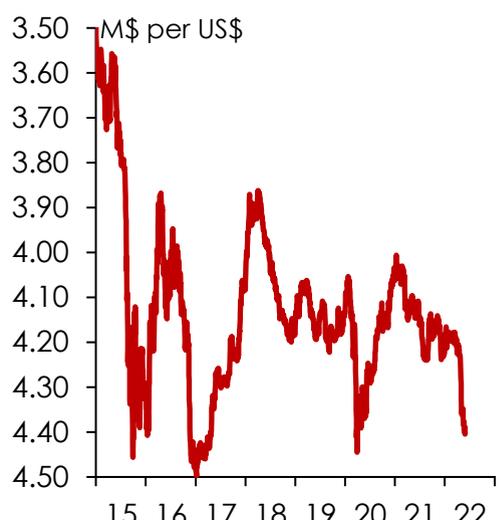
Singapore dollar



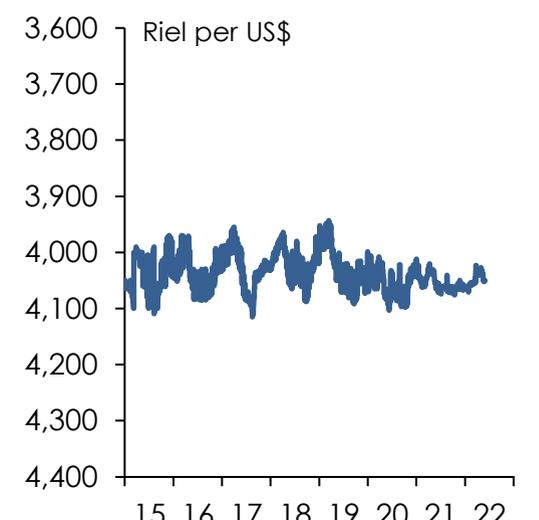
Philippine peso



Malaysian ringgit



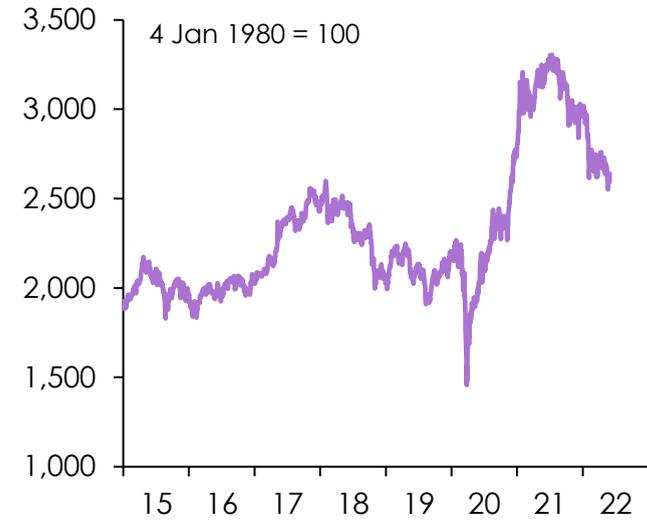
Cambodian riel



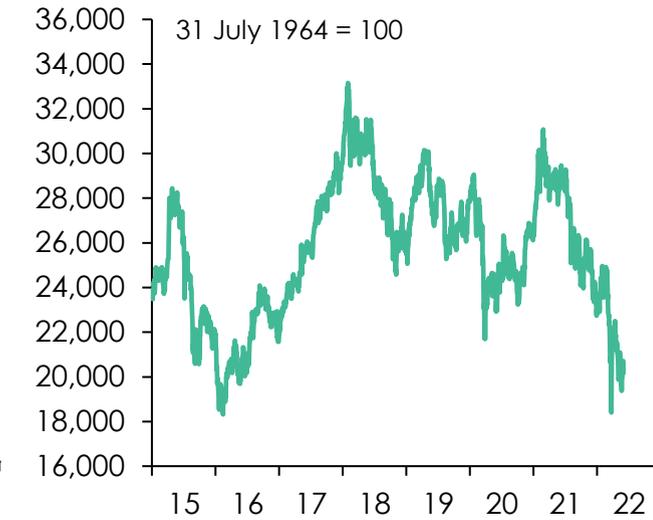
Asian stockmarkets ignored the falls on Wall Street last week with Manila up 5³/₄%, Jakarta 5%, HK 4%, and Bangkok 2¹/₂%

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

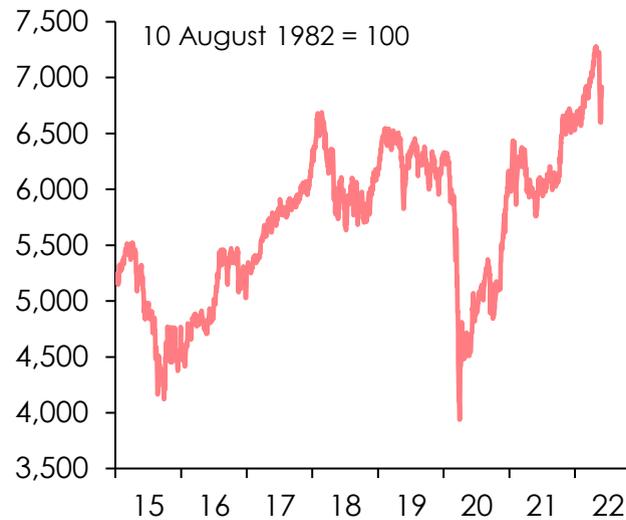
KOSPI



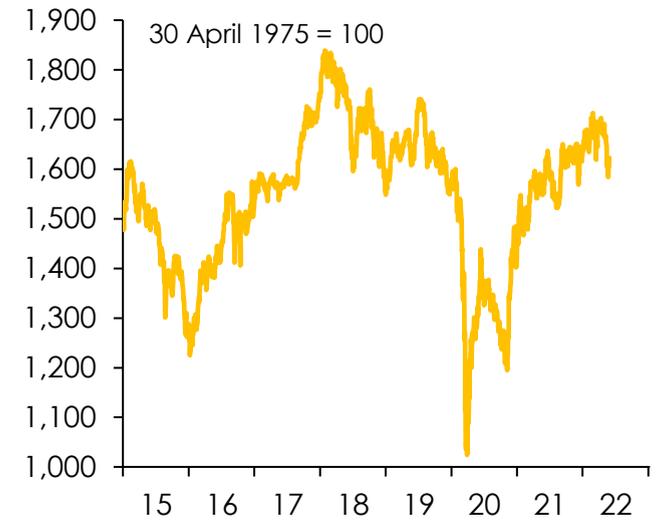
Hang Seng Index



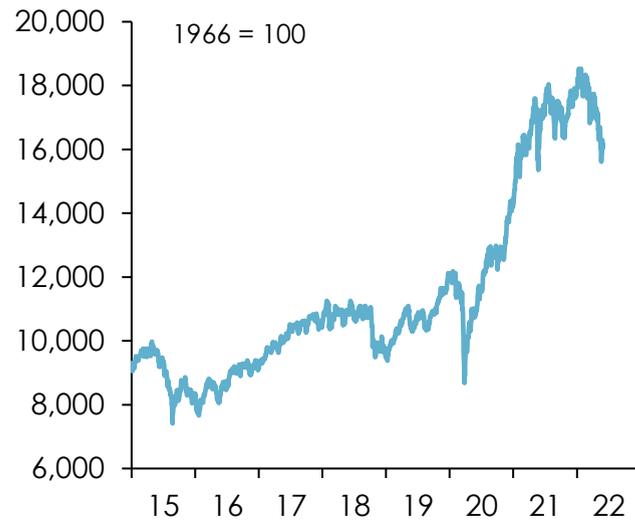
JCI



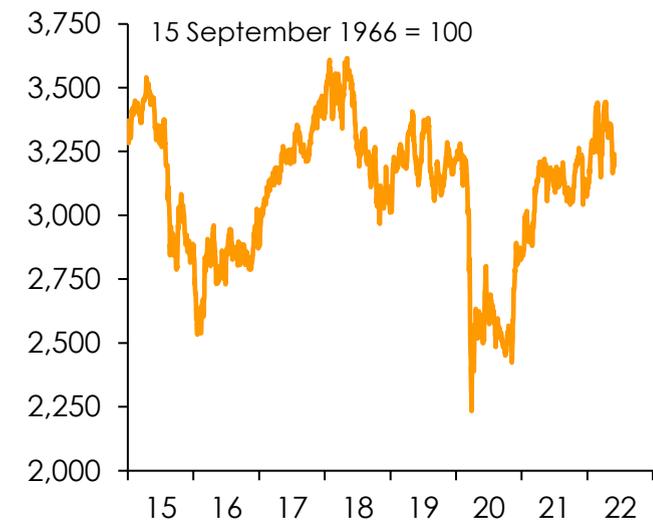
SETI



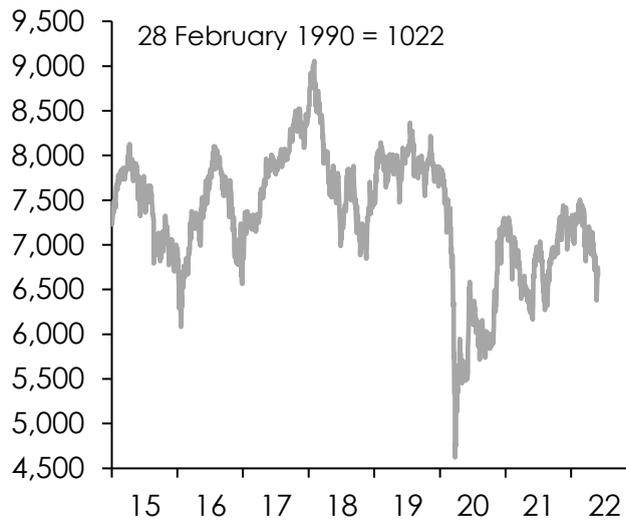
TAIEX



Straits Times Index



PSE i



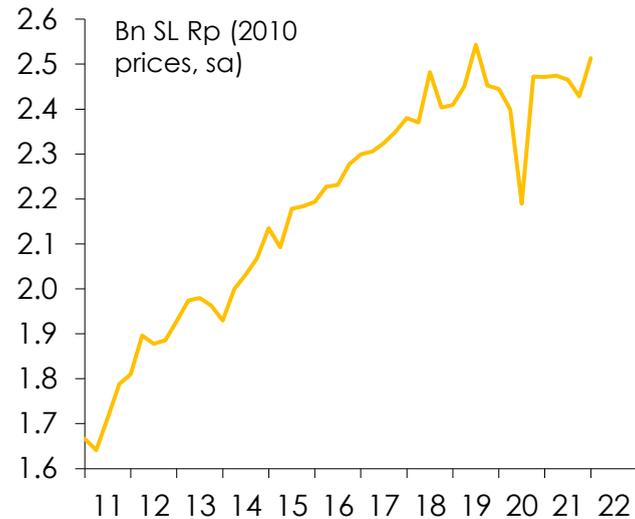
KLCI



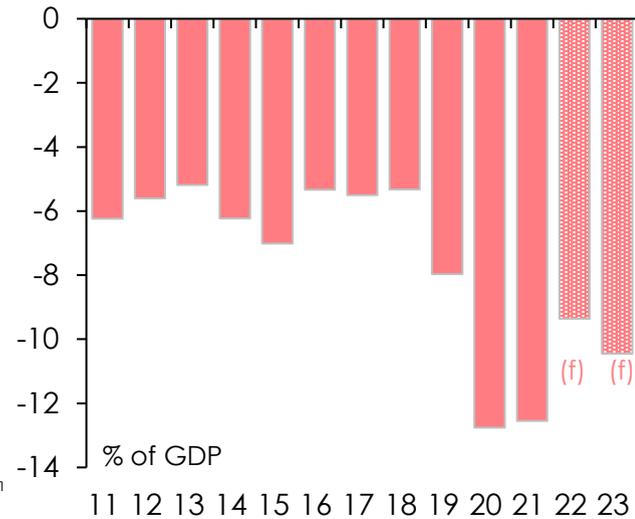
Sri Lanka's financial crisis continues, with the country last week formally defaulting on overdue interest payments on US\$7bn of foreign debt

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

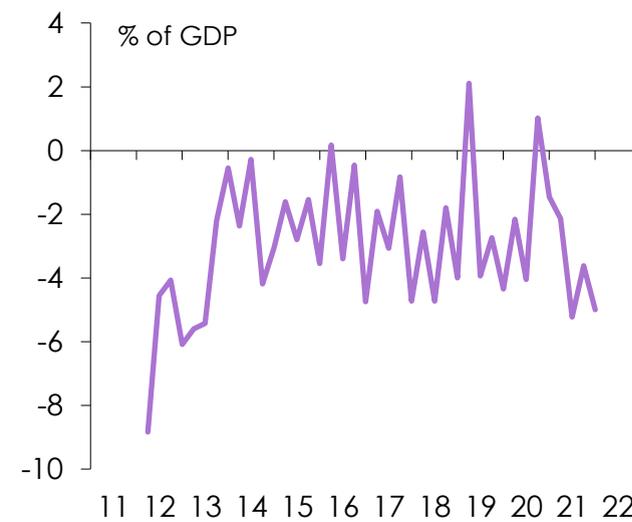
Real GDP



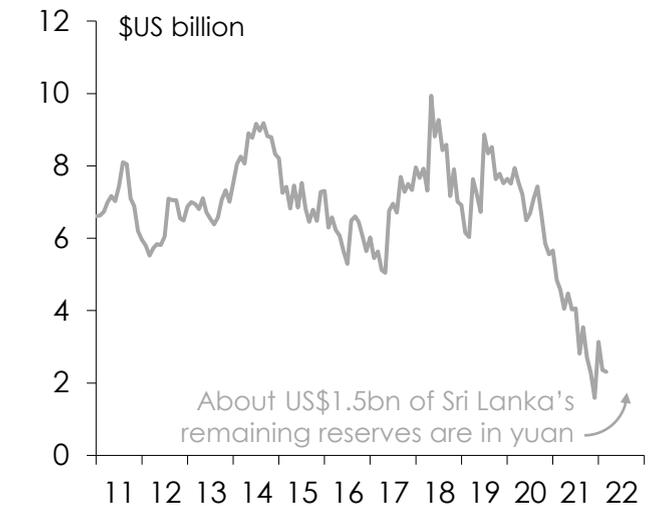
Fiscal balance



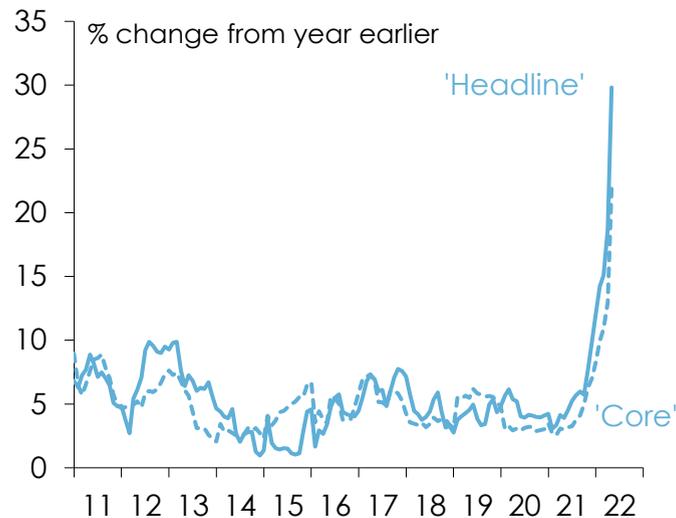
Current account balance



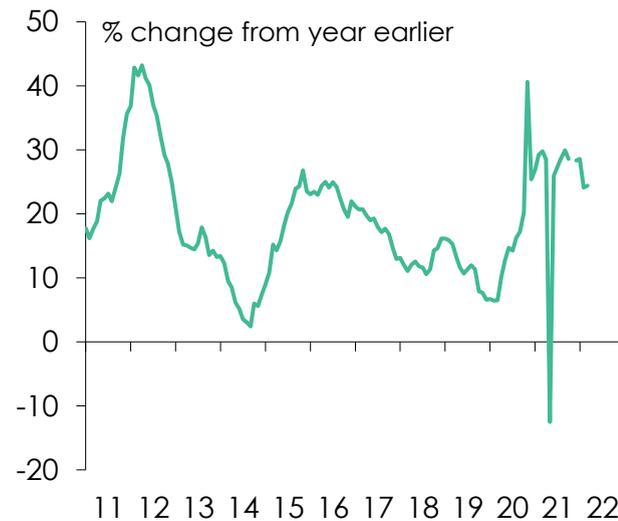
FX reserves



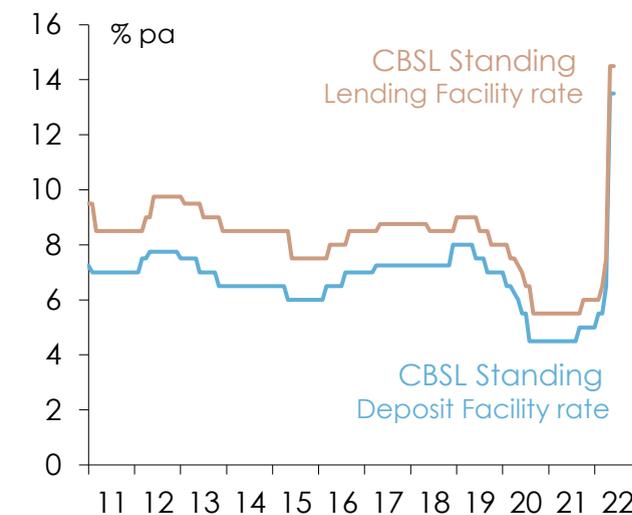
Consumer prices



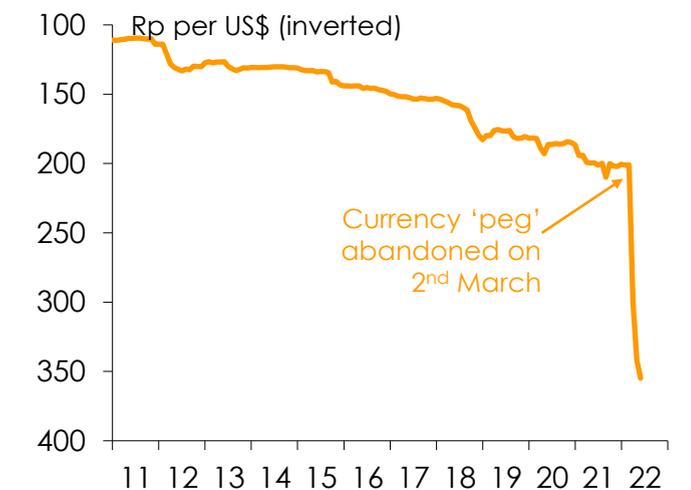
Credit growth



Interest rates



SL rupee vs US\$



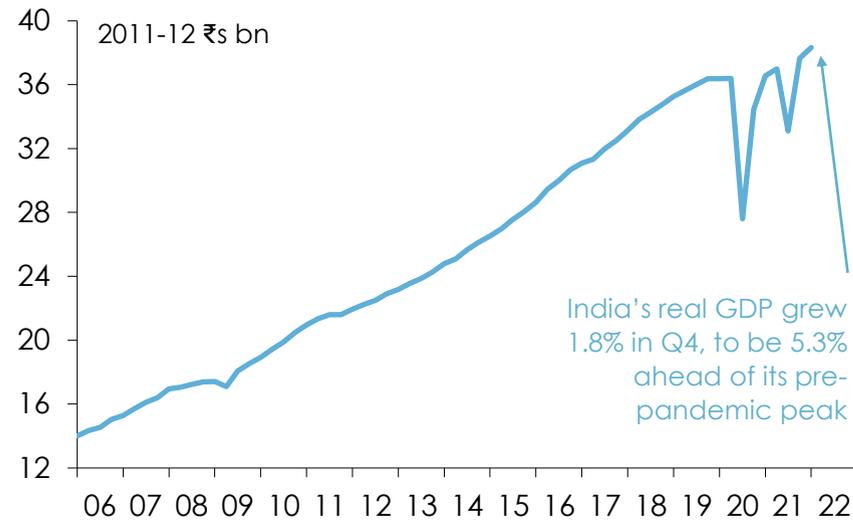
Note: GDP data seasonally adjusted using Refinitiv Datastream; CPI data are for Colombo. Sources: [Sri Lanka Department of Census and Statistics](#); [Central Bank of Sri Lanka](#); IMF, [Fiscal Monitor](#), April 2022; Refinitiv Datastream. [Return to "What's New"](#).

India

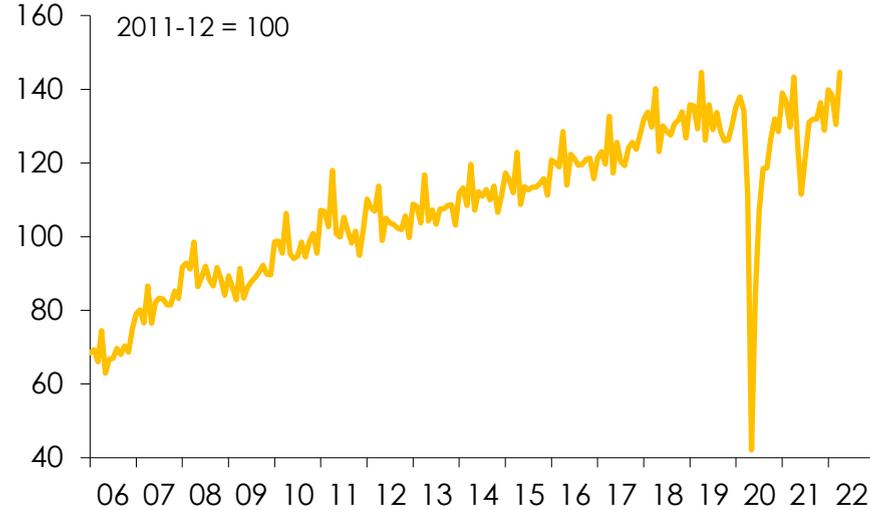
India's economy is recovering from two waves of virus-induced contractions in Q2 2020 and Q2 2021

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

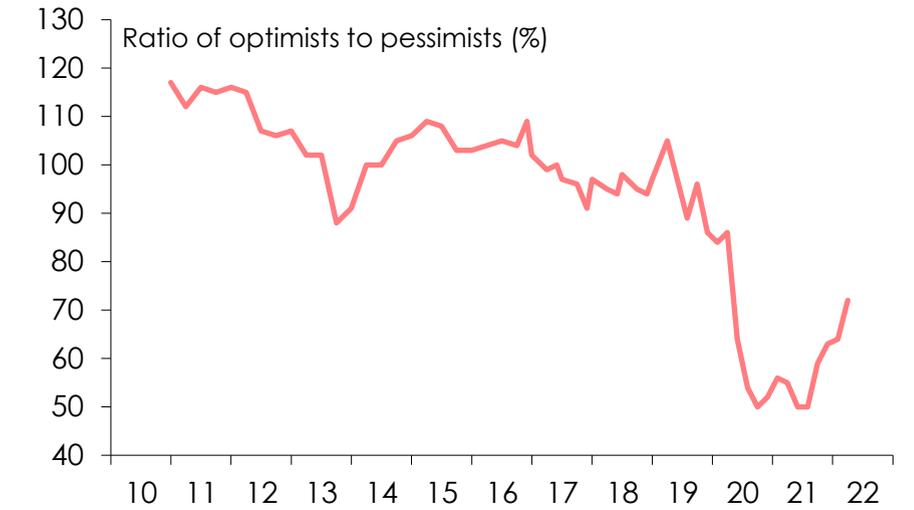
Quarterly real GDP



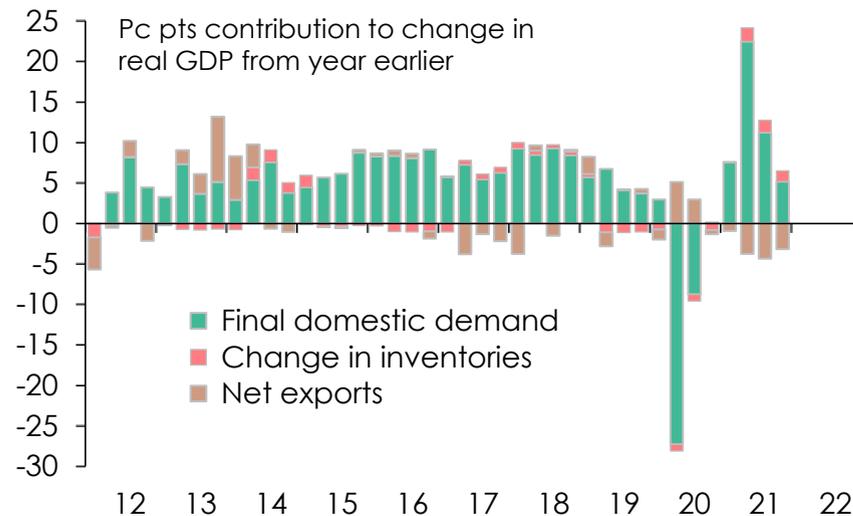
Manufacturing production



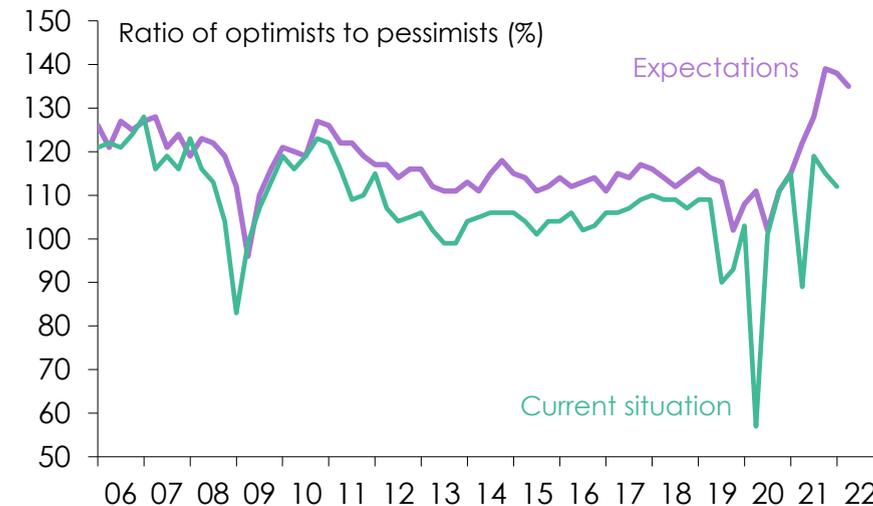
Consumer confidence



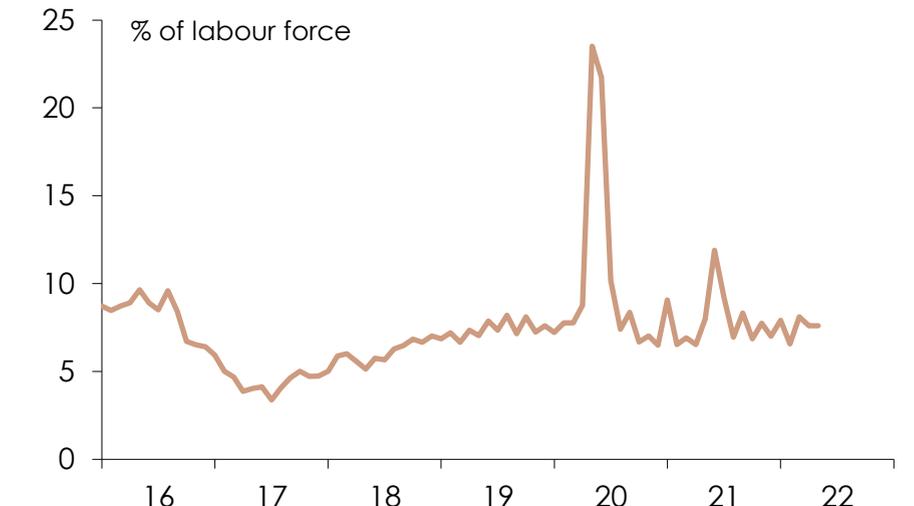
Contributions to real GDP growth



Industrial sector sentiment



Unemployment rate

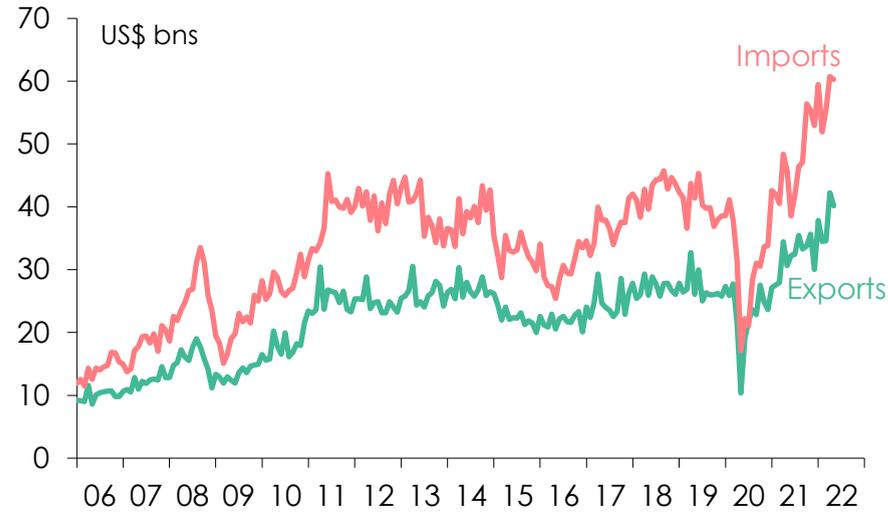


Sources: OECD, [Quarterly National Accounts dataset](#); Government of India, Ministry of Statistics and Programme Implementation, [National Accounts Data](#), and [IIP Data](#); Reserve Bank of India, [Quarterly Industrial Outlook Survey](#) and [Consumer Confidence Survey Bi-Monthly](#); Centre for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

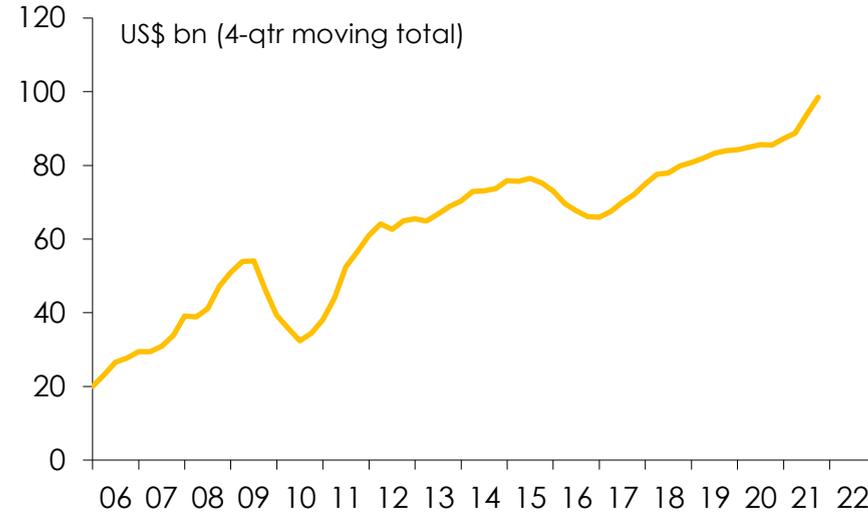
India's merchandise trade deficit has deteriorated sharply due to higher oil prices but its overall external position remains relatively stable

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

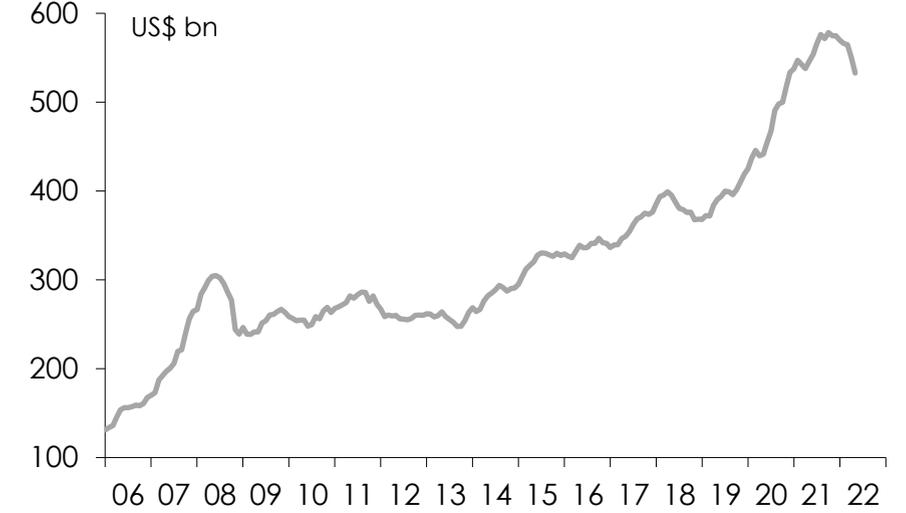
Merchandise exports and imports



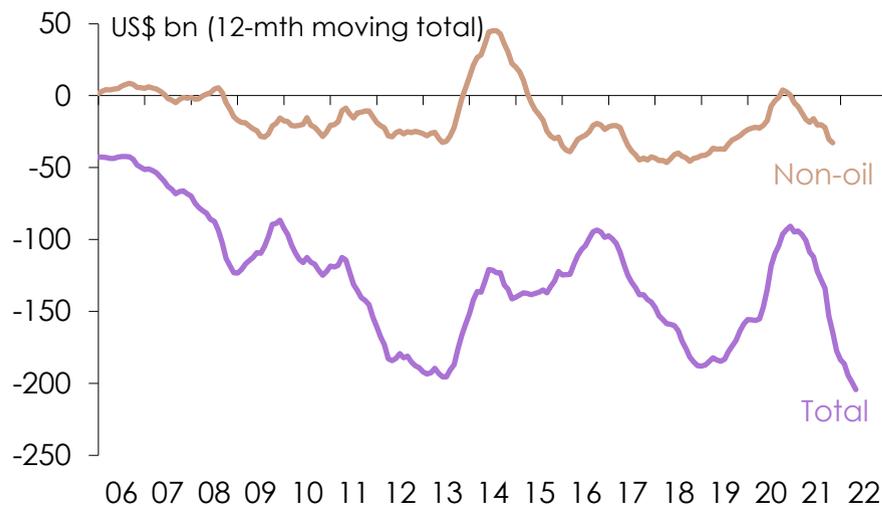
Services trade balance



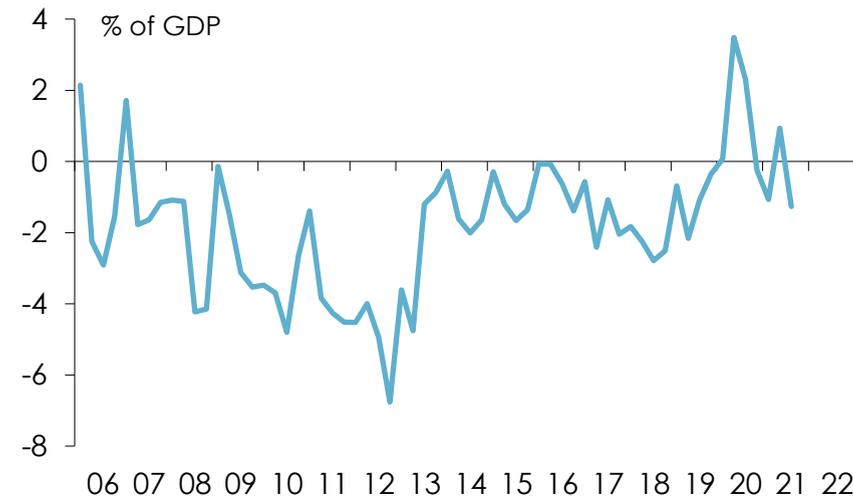
Foreign exchange reserves



Merchandise trade balance



Current account balance



Rupee vs US dollar

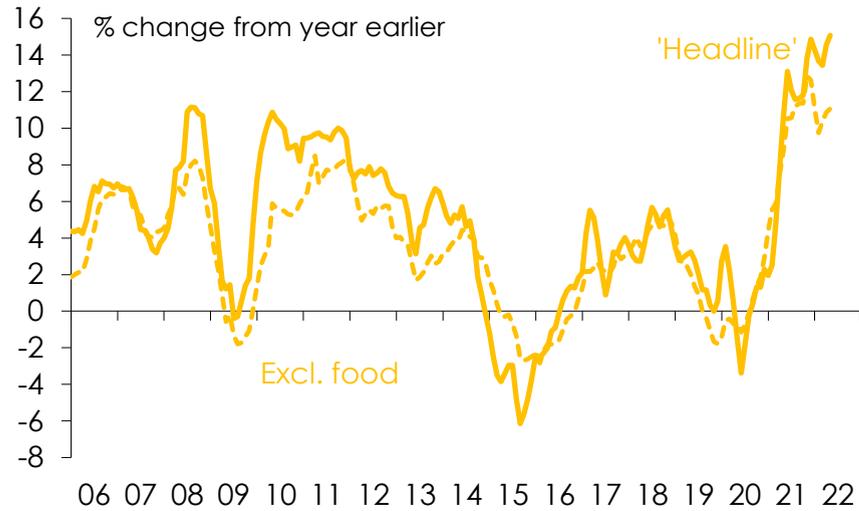


Sources: Government of India, Ministry of Commerce and Industry, [Trade Statistics](#); Reserve Bank of India, [Special Data Dissemination Standards - Balance of Payments](#) and [Weekly Statistical Supplement - Extract](#); Refinitiv Datastream. [Return to "What's New"](#).

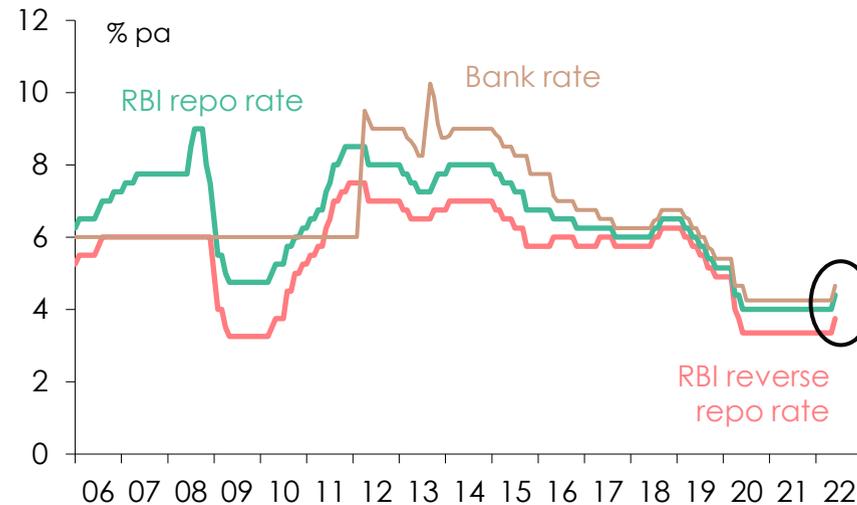
India's annual inflation rate rose further to 7.8% in April, the highest since May 2014

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Wholesale prices



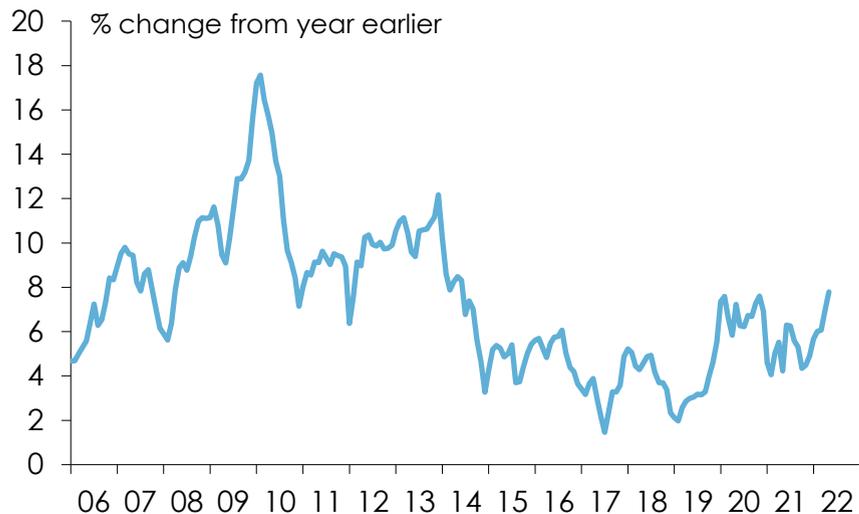
RBI policy interest rates



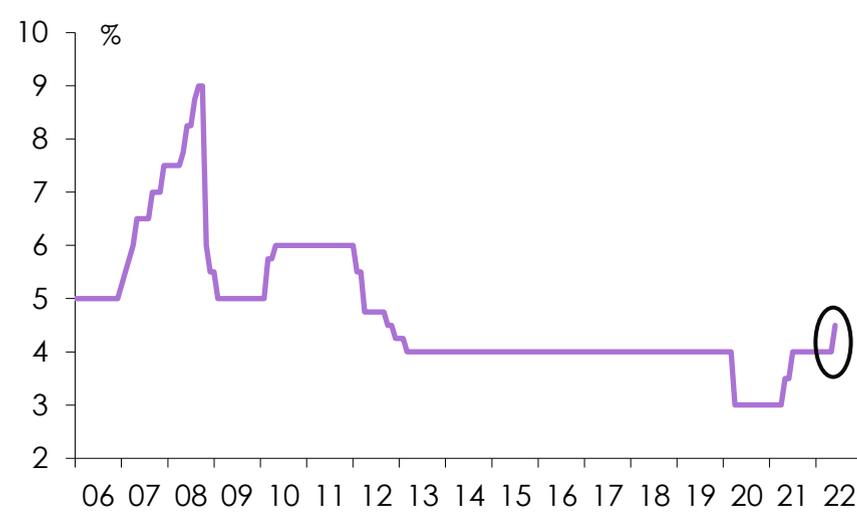
Bank lending



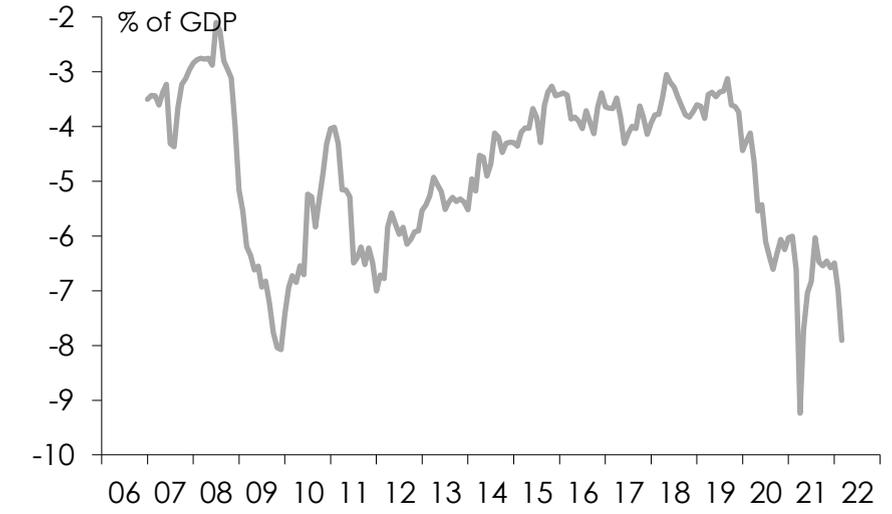
Consumer prices



RBI cash reserve ratio



Central government fiscal balance

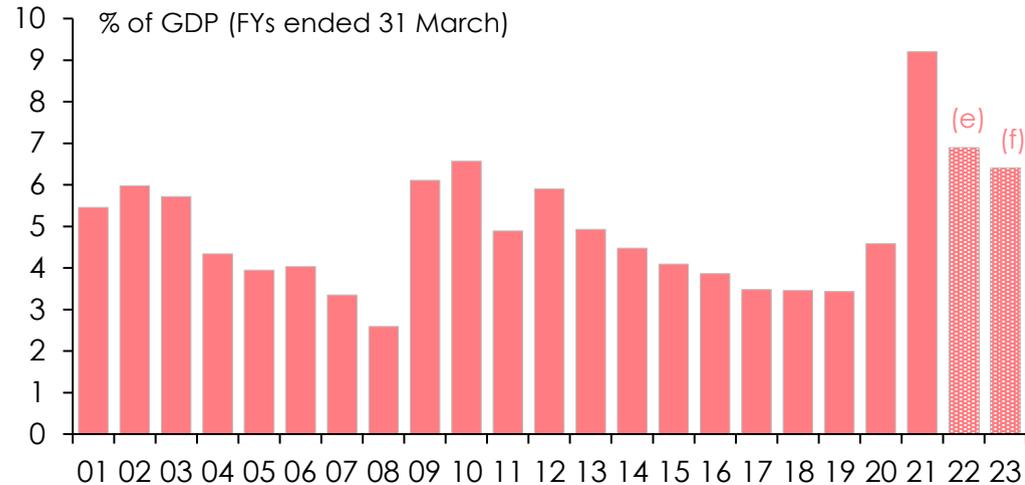


Note: The RBI's inflation target is 4% ± 2 pc points. Sources: Government of India, Office of the Economic Adviser, Ministry of Commerce and Industry, [WPI Press Release](#); Ministry of Statistics and Programme Implementation, [CPI](#); Reserve Bank of India, [Monetary Policy](#) and [RBI Bulletin](#);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

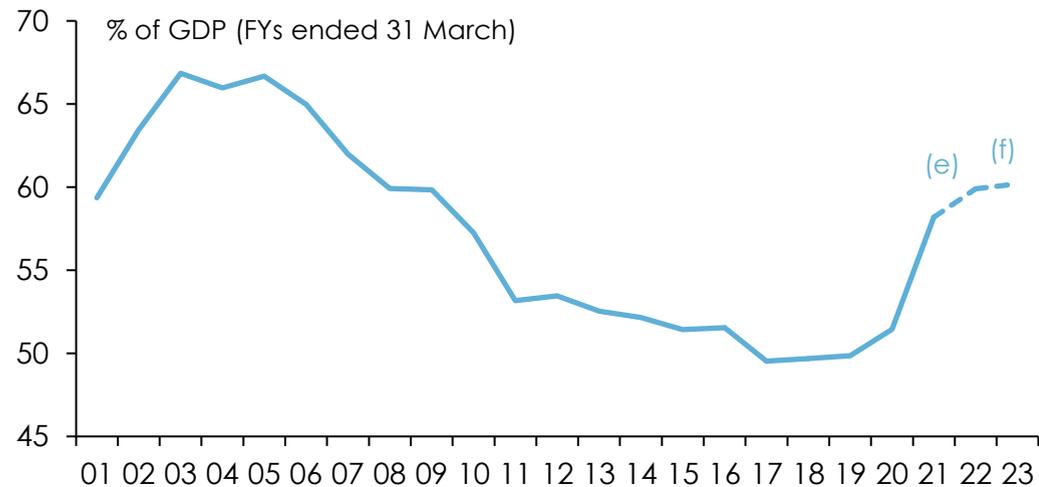
India's 2022-23 Budget maintains a deficit of over 6% of GDP in order to fund another large increase in capital spending

THE WORLD ECONOMY THIS WEEK – 23RD 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

Australian voters installed what will likely be a minority Labor Government on Saturday, while New Zealand presented a big-spending Budget

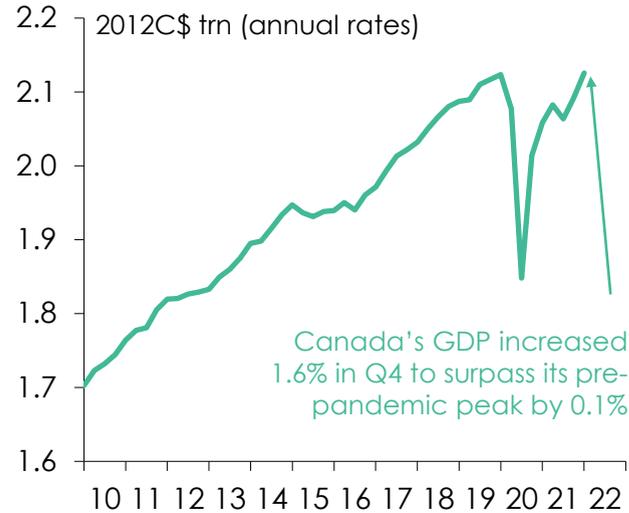
THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

- ❑ Australian voters have elected what appears likely to be a minority Labor Government (relying on support from a record number of minor party and independent representatives) at last Saturday's [federal elections](#), in which the governing (centre-right) Liberal-National Party Coalition (in office since 2013) suffered a 4% swing against it in 'two-party-preferred' terms
 - a particularly notable feature of the result was the very low 'primary' vote for both major parties (35.5% for the Coalition, down 5.9 pc pts, and 32.9% for Labor, down 0.5 pc pt), and a corresponding increase for the Greens (12.0%, up 1.6 pc pt) and other minor parties & independents (19.6%, up 6.5 pc pts)
 - the new Labor Government has, based on its campaign commitments, a fairly limited 'mandate' and seems unlikely to initiate any major changes in fiscal policy or wide-ranging economic reforms
- ❑ New Zealand's [2022-23 Budget](#) provides for NZ\$39bn of new 'operating' spending (equivalent to 1.9% of forecast GDP) over the five years to 2025-26, mainly on health, housing, climate change initiatives and measures to assist households with 'cost of living pressures'
 - despite which, aided by buoyant growth in revenues, the Budget predicts a return to 'operating' surplus in 2024-25 ([slide 124](#)) with net debt peaking at 19.9% of GDP in 2023-24 and falling to 15.0% of GDP by 2025-26
- ❑ The [Reserve Bank of New Zealand](#)'s Monetary Policy Committee is expected to raise the official cash rate by another 50 basis points, to 2.0%, when it meets this coming Wednesday
- ❑ The [Bank of Canada](#) will likely lift its overnight rate by another 50 basis points when its Governing Council meets again on 1st June
 - at its last meeting on 13th April, at which it raised the overnight rate by 50bp and announced that it would embark upon 'quantitative tightening' by no longer re-investing maturing bonds in its portfolio, the Governing Council [warned](#) that "interest rates will need to rise further"

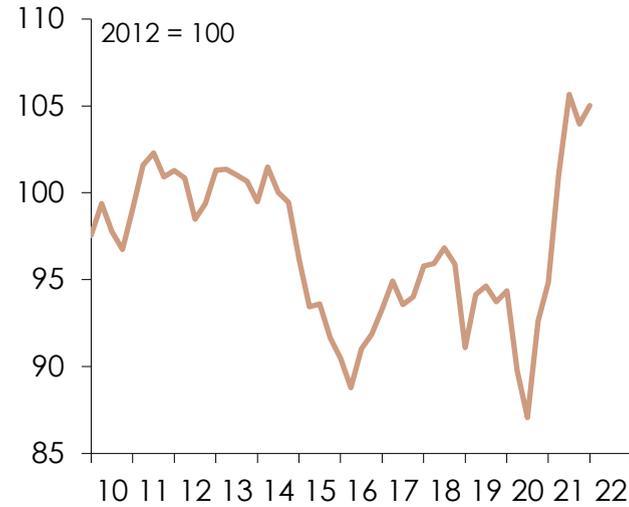
Canada's annual 'headline' and 'core' inflation rates stabilized at 6.6% and 4.6%, respectively, in April

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

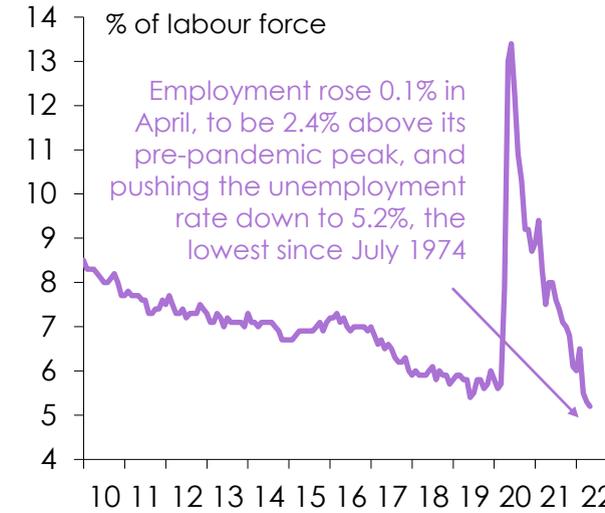
Real GDP



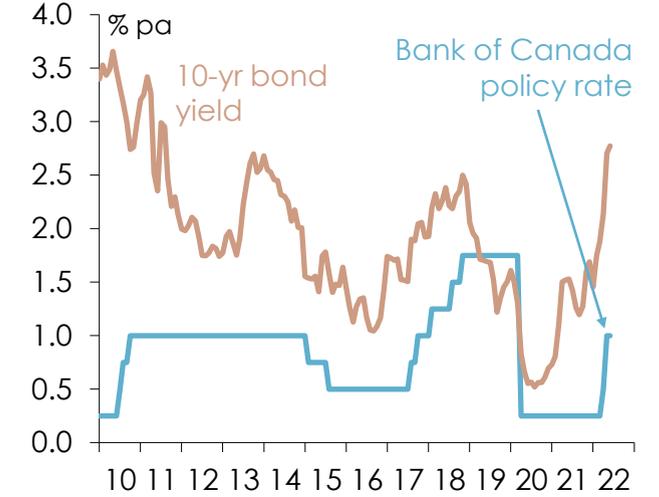
Terms of trade



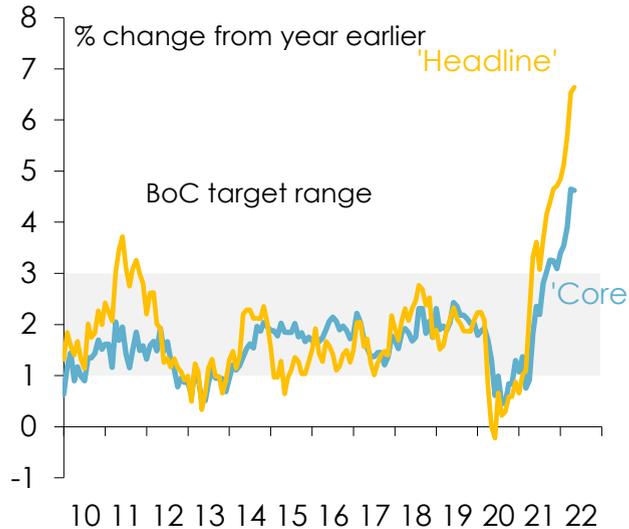
Unemployment



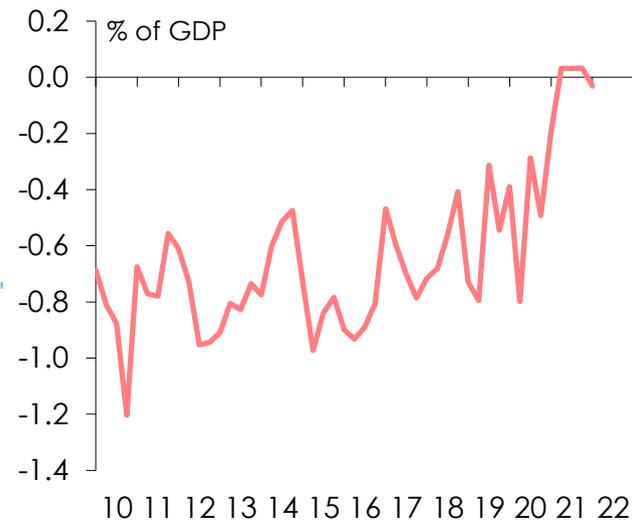
Interest rates



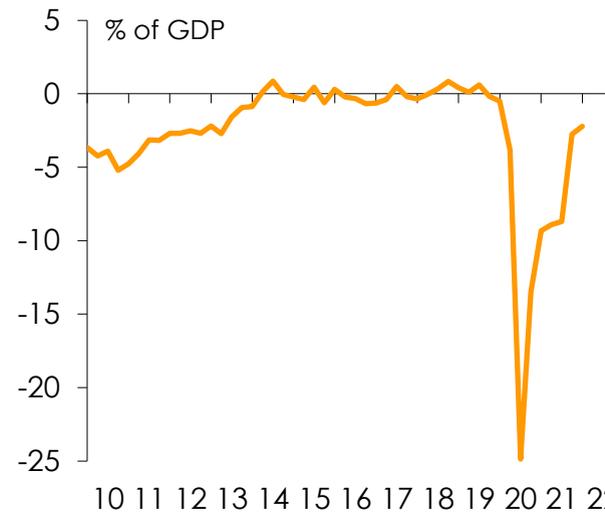
Consumer prices



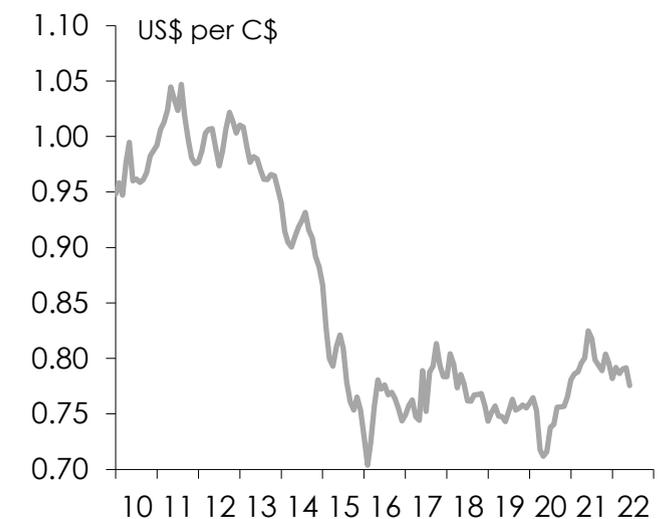
Current account balance



Government net lending



C\$ vs US\$

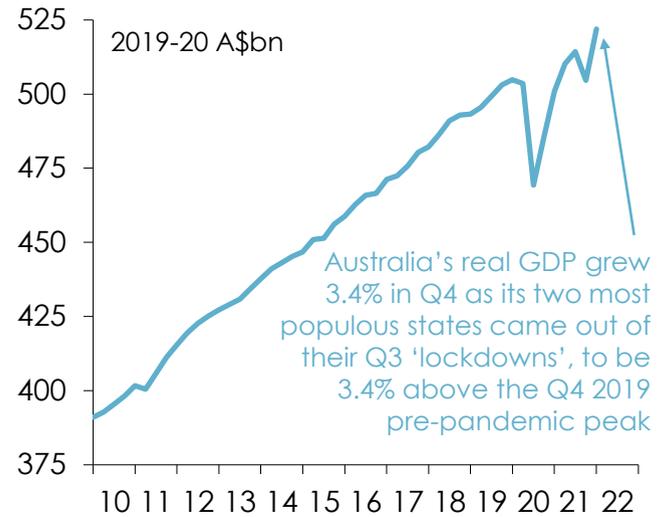


Sources: Statistics Canada, [National Gross Domestic Product \(GDP\) by Income and by Expenditure Accounts](#); [Consumer price index portal](#); [Canada's Balance of International Payments](#); [Labour Statistics](#); Bank of Canada, [Policy Interest Rate](#); Refinitiv Datastream. [Return to "What's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

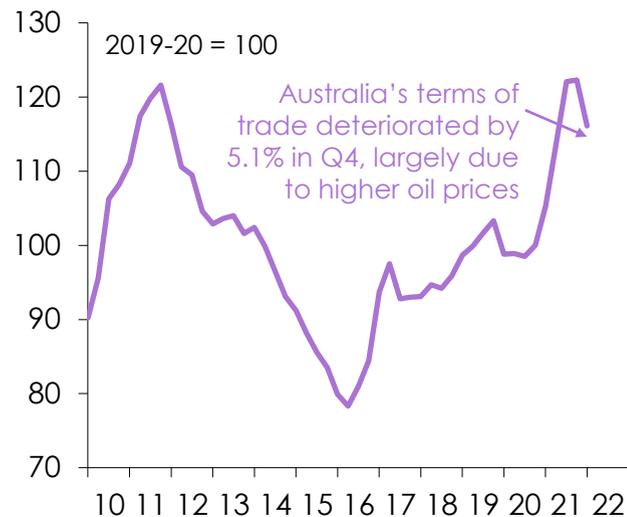
Australia's unemployment fell to 3.9% in April, the lowest since August 1974

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

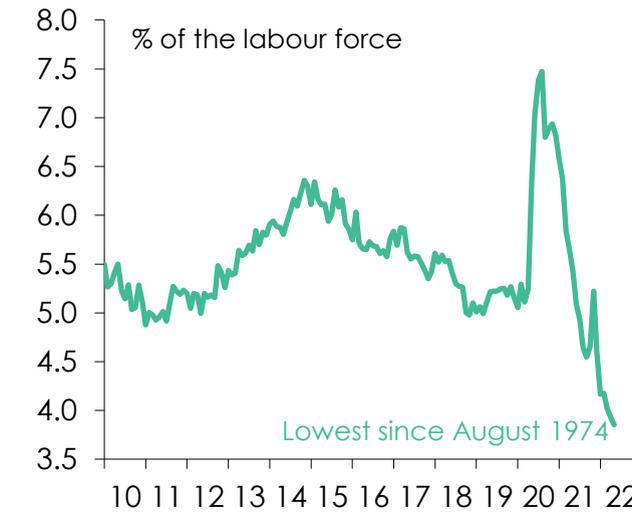
Real GDP



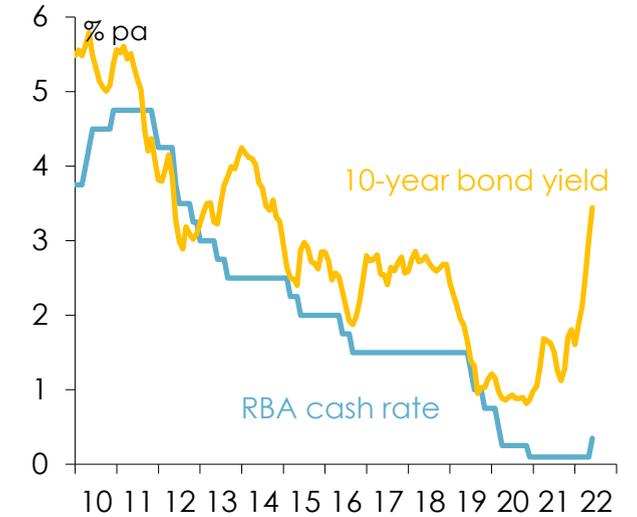
Terms of trade



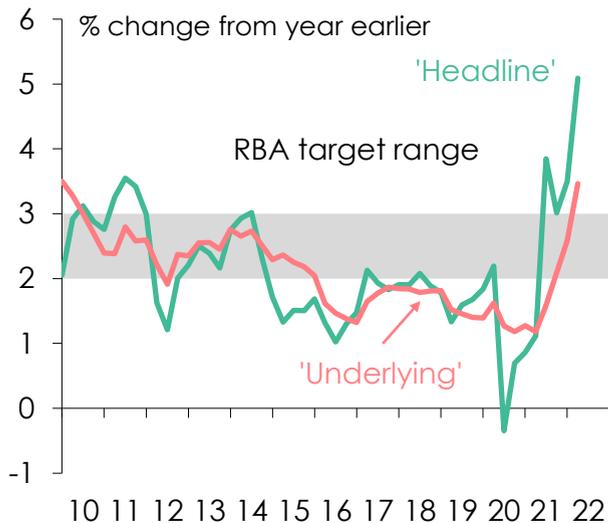
Unemployment



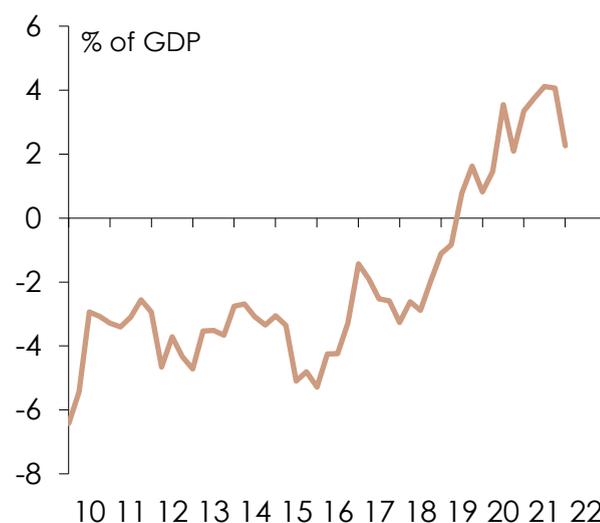
Interest rates



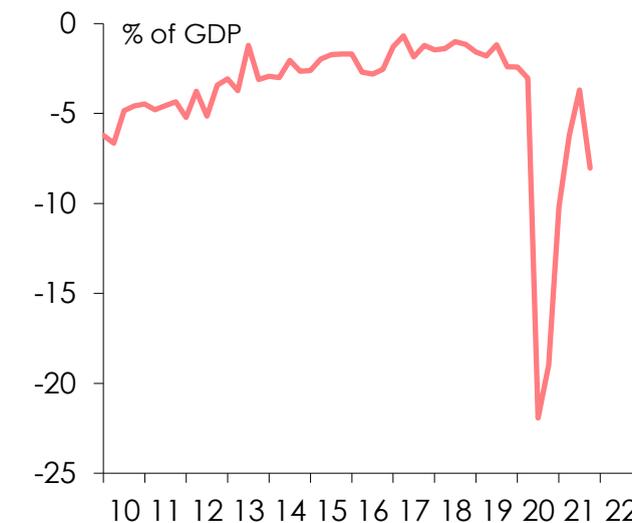
Consumer prices



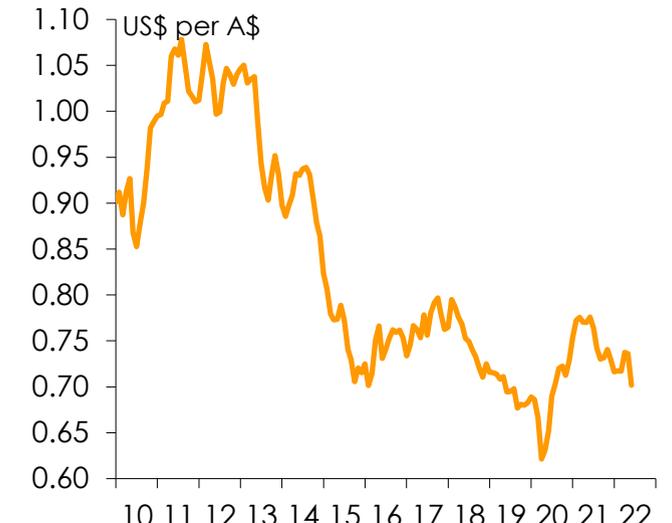
Current account balance



Government net lending



A\$ vs US\$

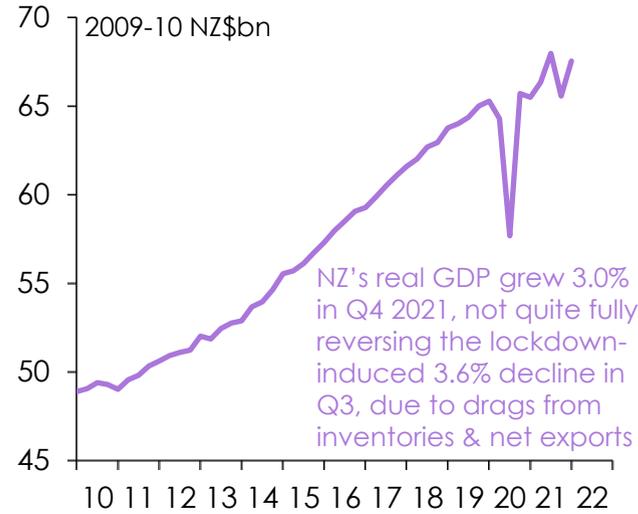


Note: The measure of 'underlying' inflation shown here is the trimmed mean. Sources: Australian Bureau of Statistics, [Australian National Accounts: National Income, Expenditure and Product](#); [Consumer Price Index](#); [Balance of Payments and International Investment Position](#); [Labour Force](#);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

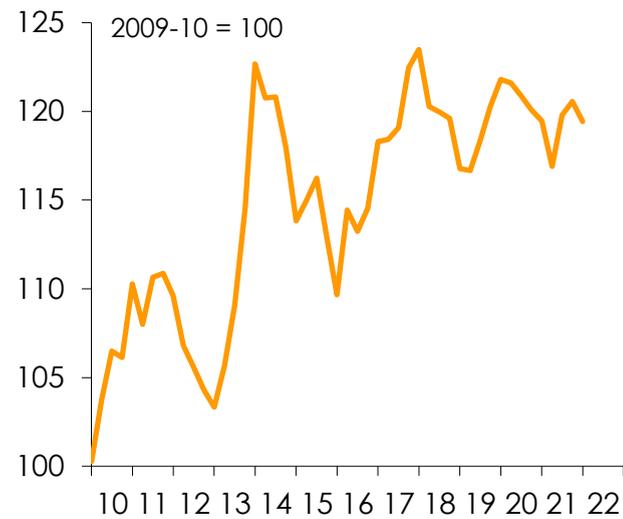
New Zealand's FY 2022-23 Budget includes \$NZ40bn of new spending over 5 years but also projects a return to surplus by FY 2024-25

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

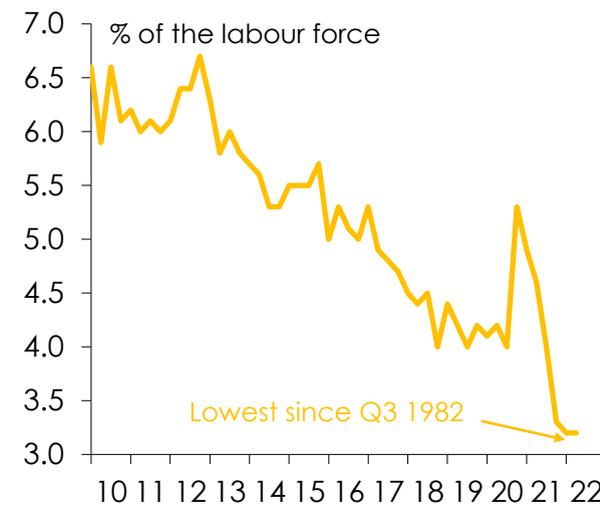
Real GDP



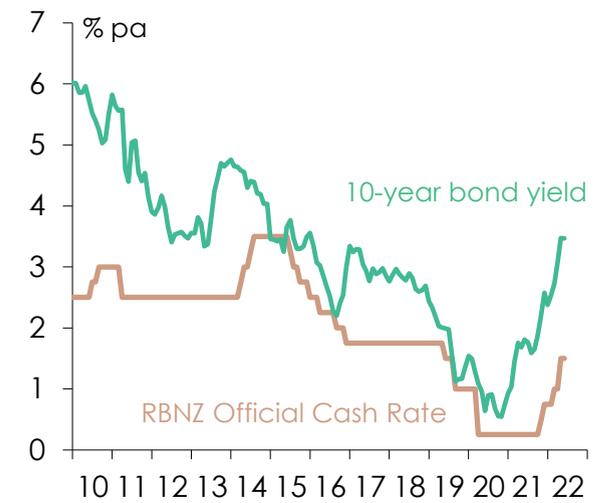
Terms of trade



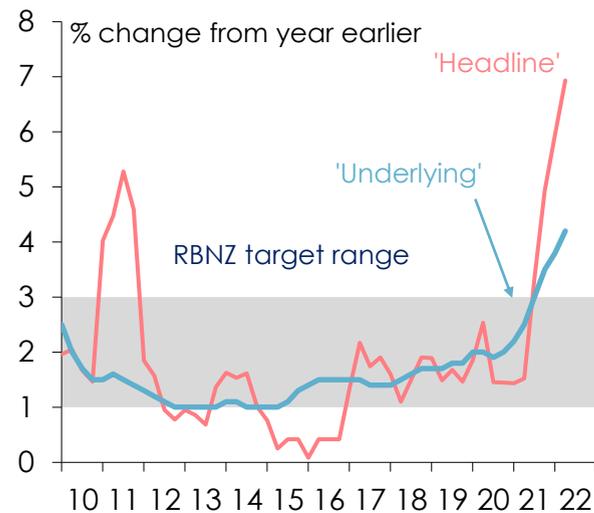
Unemployment



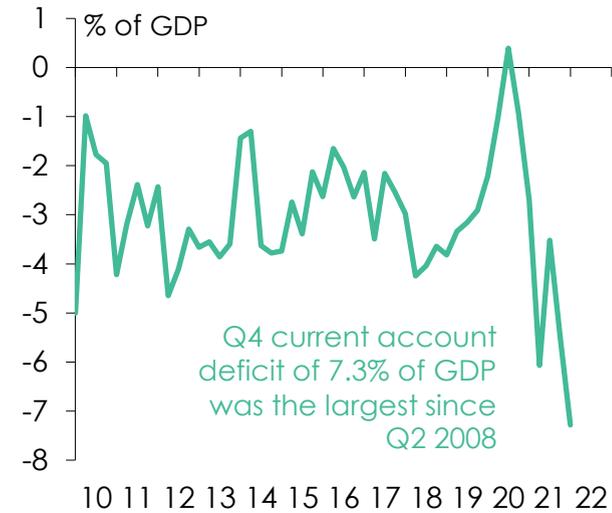
Interest rates



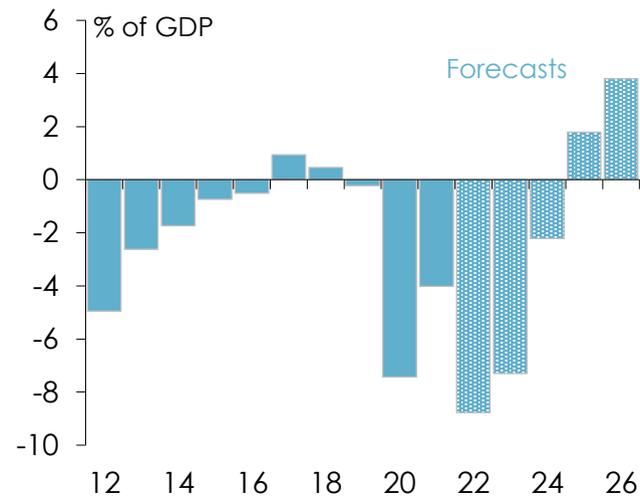
Consumer prices



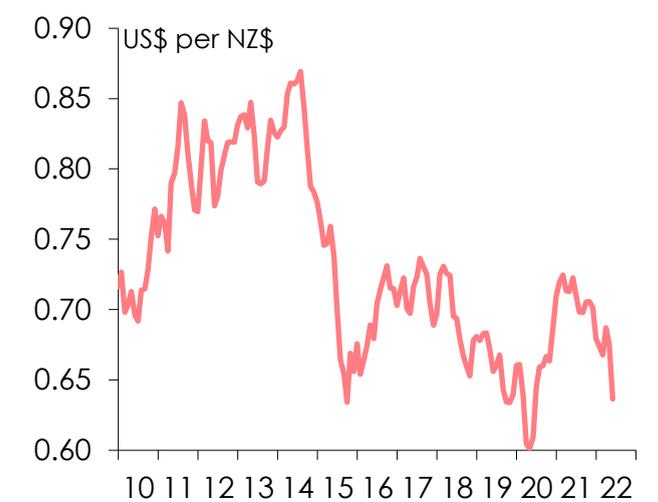
Current account balance



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, [Budget Economic and Fiscal Update 2022](#); 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

South Africa's Reserve Bank raised its repo rate by 50bp to 4.75% last week, while two more Latin American central banks raised their policy rates again

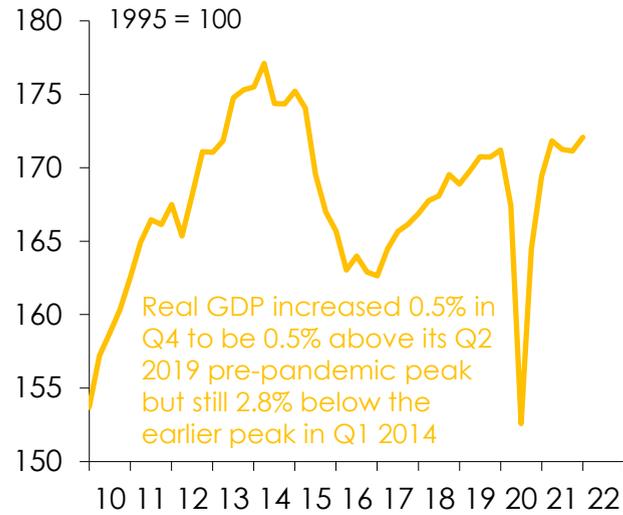
THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

- ❑ The [South African Reserve Bank](#) increased its repo rate by 50 basis points, to 4.75%, at its Monetary Policy Committee meeting on Thursday, the fourth (and largest) increase since November last year ([slide 129](#))
 - in his [post-meeting statement](#), SARB Governor Lesetja Kganyago noted that ‘headline’ inflation had increased “well above the mid-point of the inflation target band [of 3-6%] and is forecast to breach the target range in the second quarter”, peaking at 6.3% in the current quarter before falling to 5.8% by Q4 and then to 4.9% by Q4 2023 and 4.5% by Q4 2024, with ‘core’ inflation forecast to increase from 3.8% in the current quarter to a peak of 5.2% in Q4 2023 and then declining to 4.6% by Q4 2024
 - SARB expects economic growth of 1.7% in 2022 (a downward revision from its previous forecast of 2%), slowing to 1.9% in 2023 and 2024 which it says is “well above a low rate of potential [growth]” such that “the output gap is expected to turn positive after Q3 2023”
 - and it projects the repo rate to reach 5.3% by the end of this year, 6.21% by end-2023 and 6.74% by end-2024
- ❑ [Banco Central del Uruguay](#) raised its monetary policy interest rate by 75 basis points, to 9.25%, at its Copom meeting on Tuesday, the seventh increase (for a total of 475 basis points) since last July ([slide 130](#))
 - Copom [depicted](#) the move as entering “the contractionary phase of monetary policy” and foreshadowed “at least two additional increases of 50 basis points” at the next two meetings” in order to bring the policy rate to “levels consistent with the convergence of the BCU's projections to its inflation target” [of 3-7%, from 9.4% in April]
- ❑ [Banco Central del Paraguay](#) also raised its policy interest rate by 50 basis points, to 7.25%, on Friday, the ninth increase since last August, for a total of 650 basis points ([slide 130](#))
 - although BCP [sees](#) Paraguay’s current inflation (11.8% in April) as being “largely explained by external factors”, it was concerned that “inflation expectations of economic agents for the medium term have increased again at the margin”, and doesn’t expect inflation to converge to its target (of $4 \pm 2\%$) until 2024

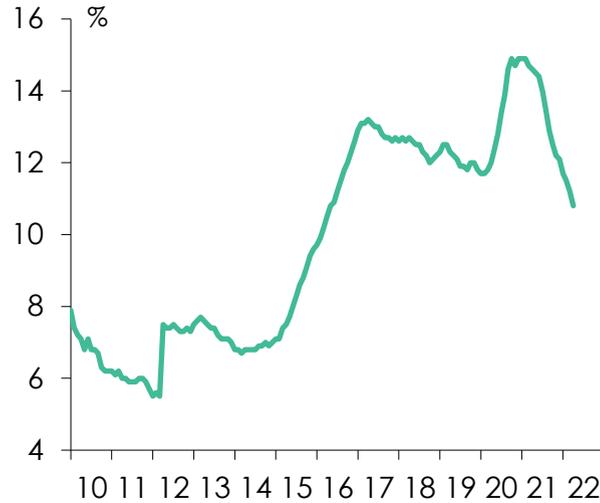
Brazil's CPI rose 1.0% in April, down from 1.7% in March, but nonetheless pushing the annual inflation rate up further to 12.5%

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

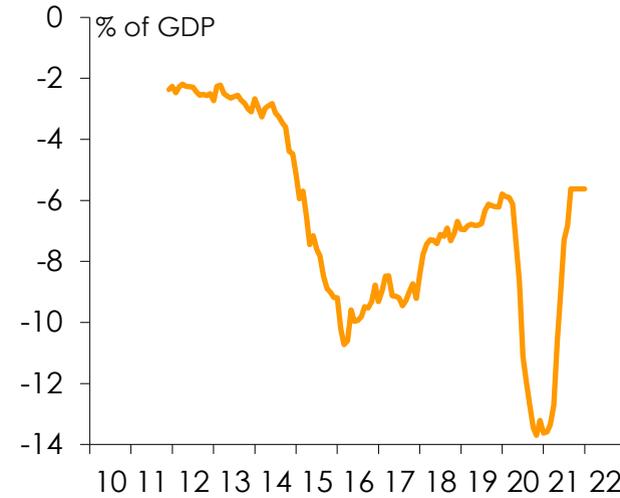
Real GDP



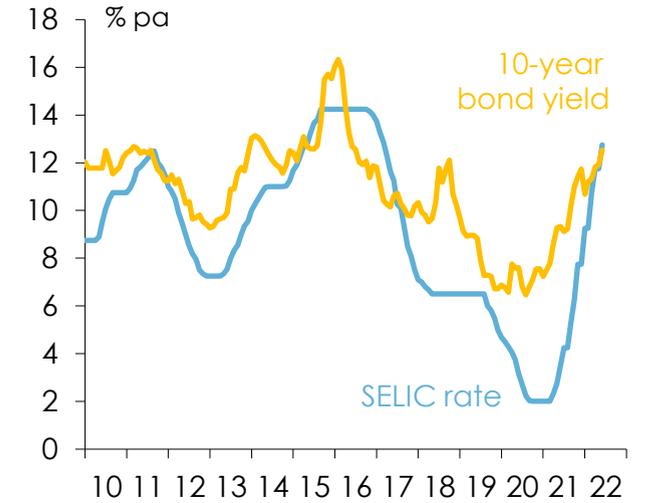
Unemployment



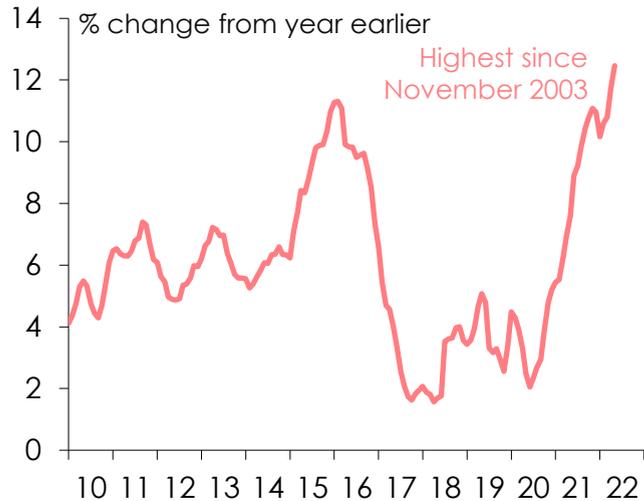
Public sector borrowing



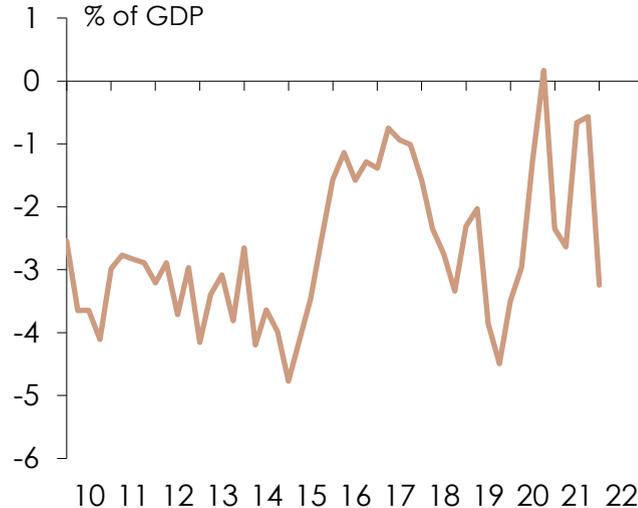
Interest rates



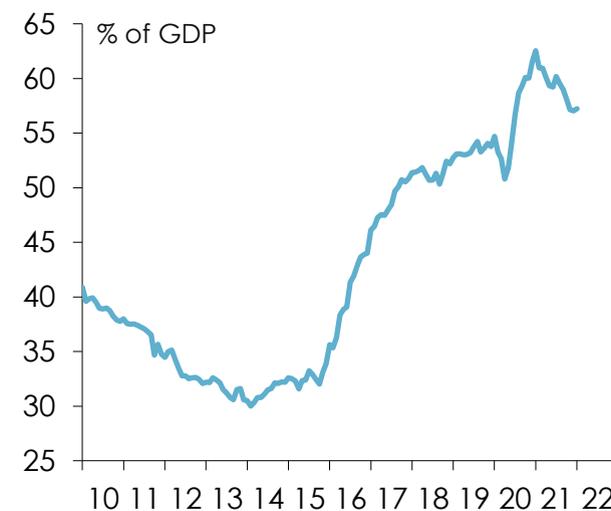
Inflation



Current account balance



Public sector net debt



Brazilian real vs US\$

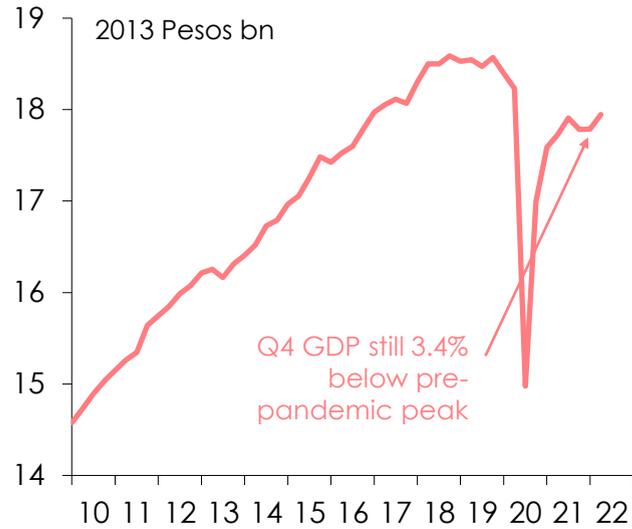


Sources: [Instituto Brasileiro de Geografia e Estatística](#) (IBGE); [Banco Central do Brasil](#); Refinitiv Datastream. [Return to "What's New"](#).

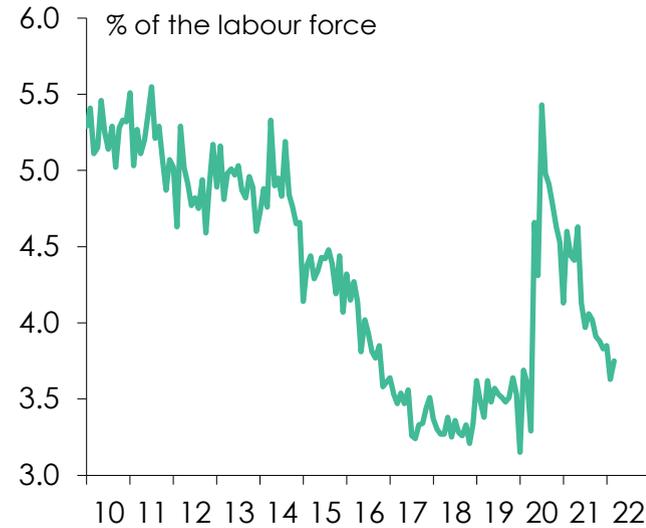
Banco de México raised its policy rate another 50bp, to 7%, at last Thursday's Governing Board meeting

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Real GDP



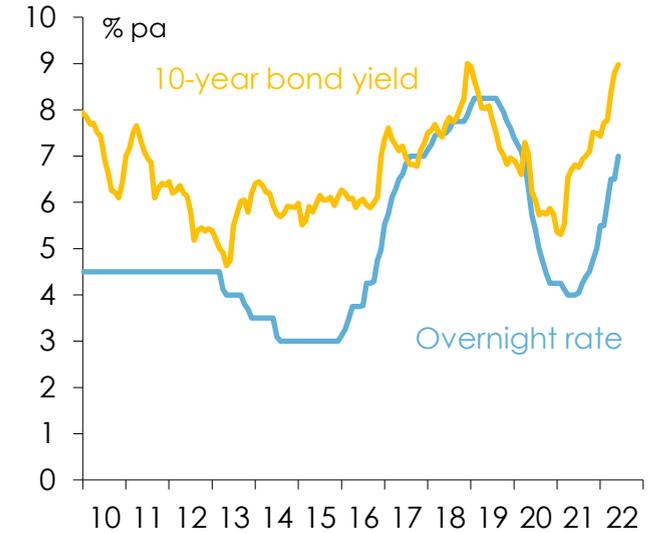
Unemployment



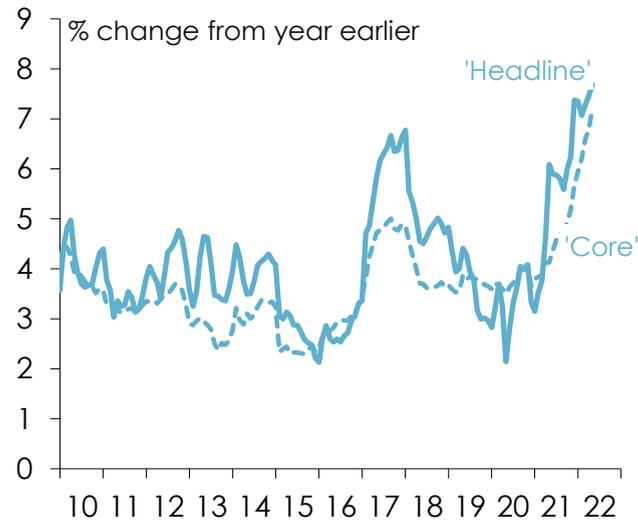
Bank lending



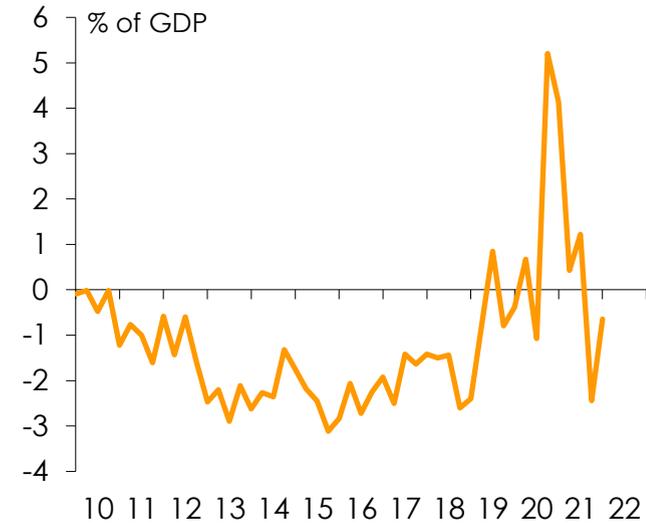
Interest rates



Inflation



Current account balance



Federal budget deficit



Mexican peso vs US\$

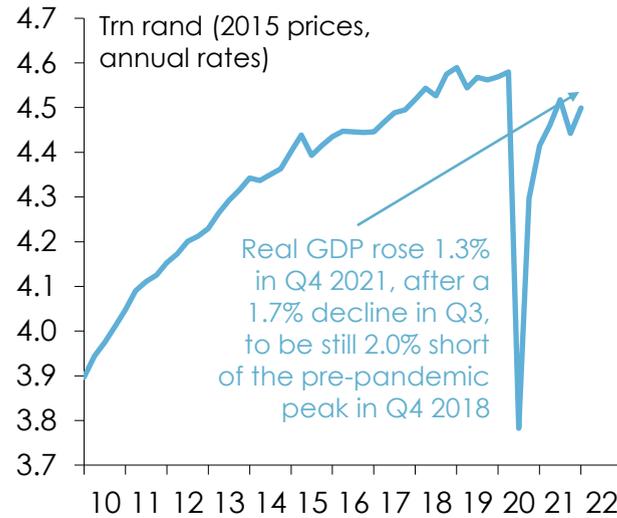


Sources [Banco de México](#); [Instituto Nacional de Estadística y Geografía \(INEGI\)](#); Refinitiv Datastream.. [Return to "What's New"](#).

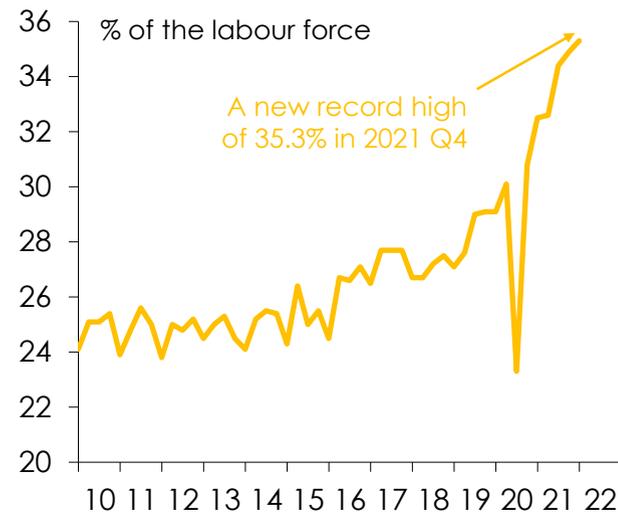
South Africa's Reserve Bank raised its policy rate by 50bp, to 4.75%, last week, foreshadowing 200bp more over the next 2½ years

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

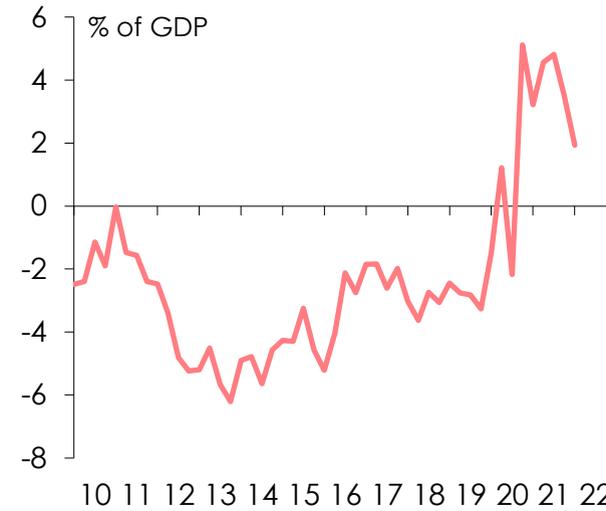
Real GDP



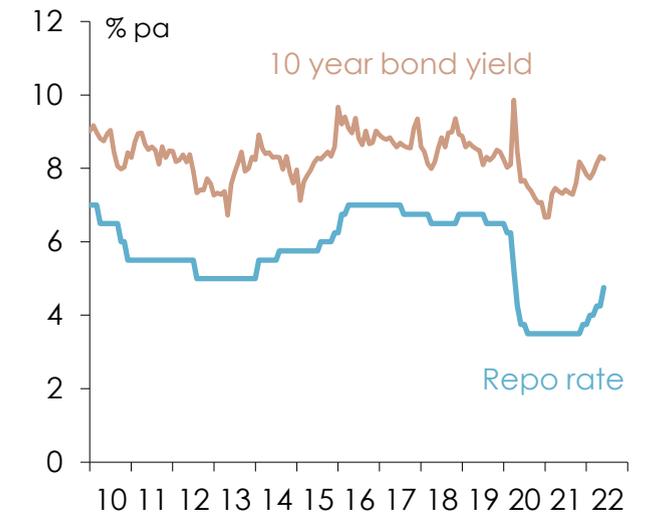
Unemployment



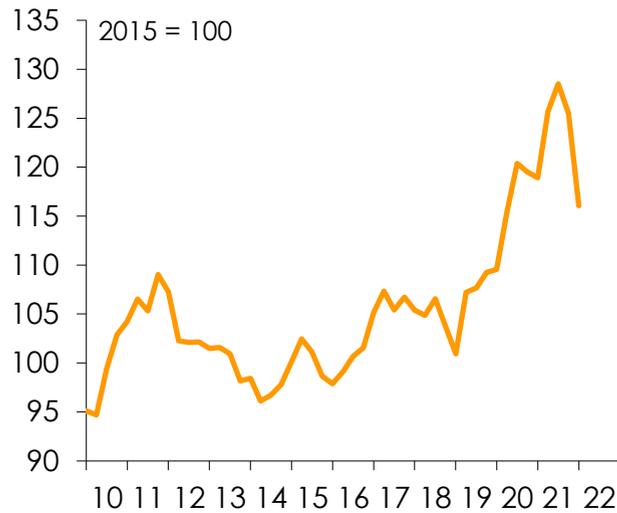
Current account balance



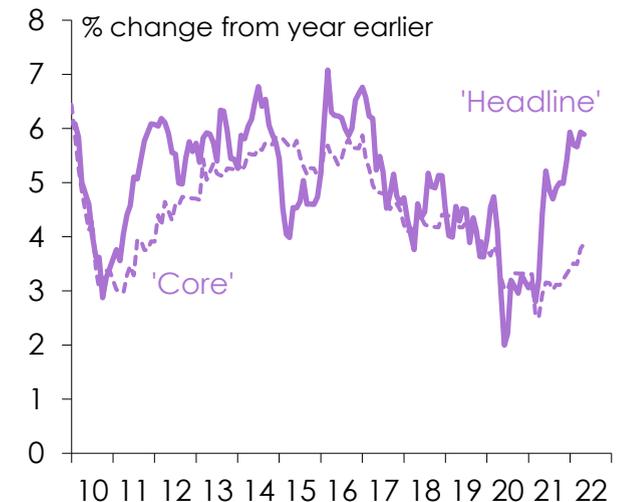
Interest rates



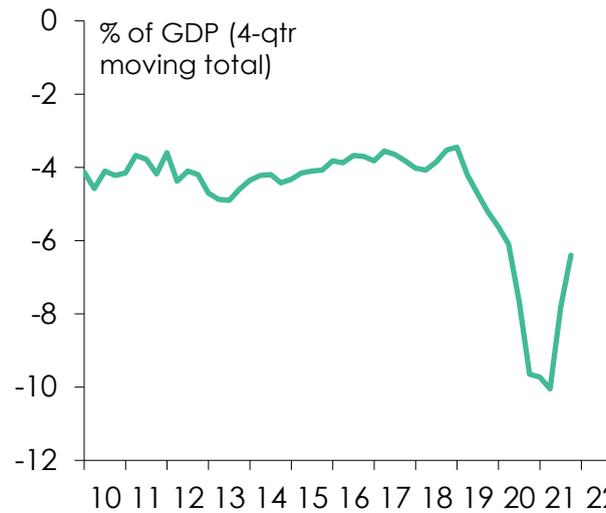
Terms of trade



Inflation



Budget deficit



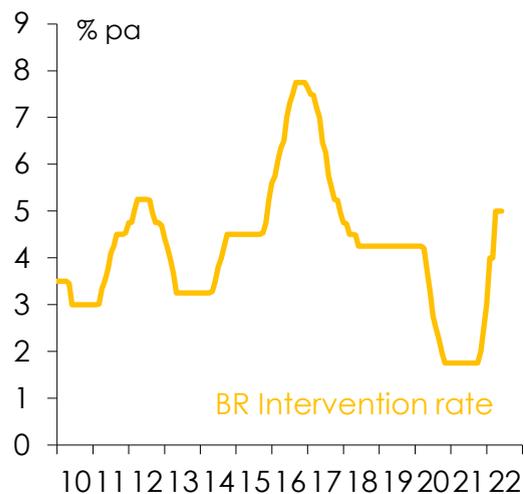
Rand vs US\$



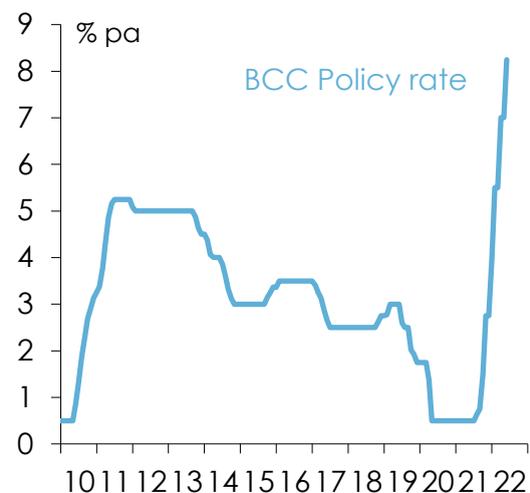
A growing number of other 'emerging' market central banks have begun tightening monetary policy

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

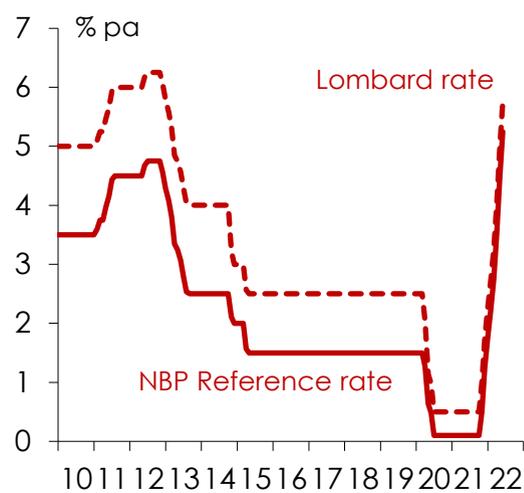
Colombia



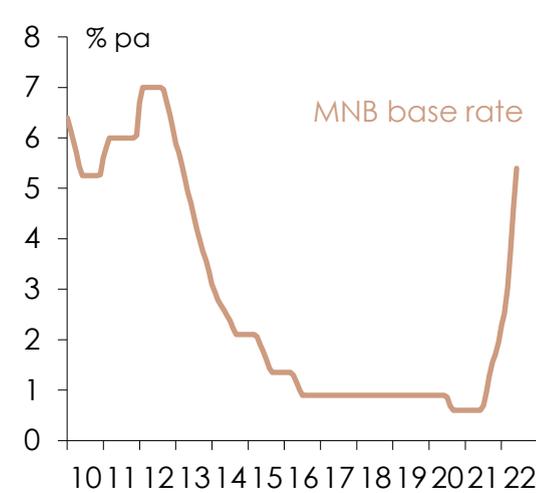
Chile



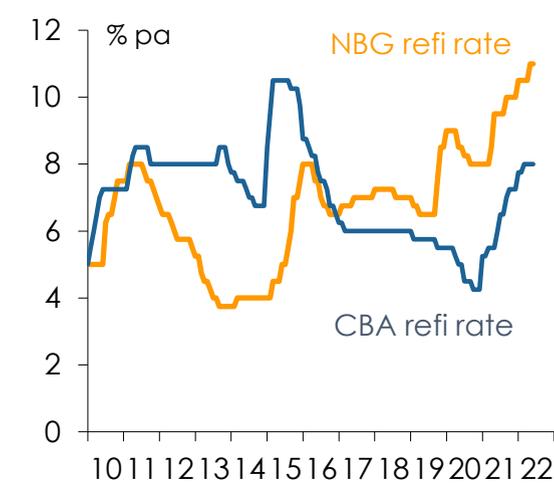
Poland



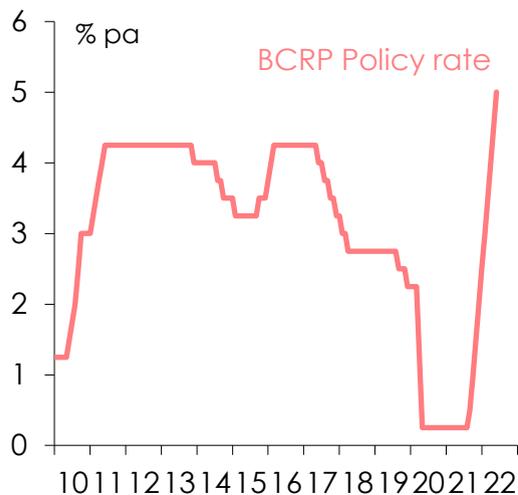
Hungary



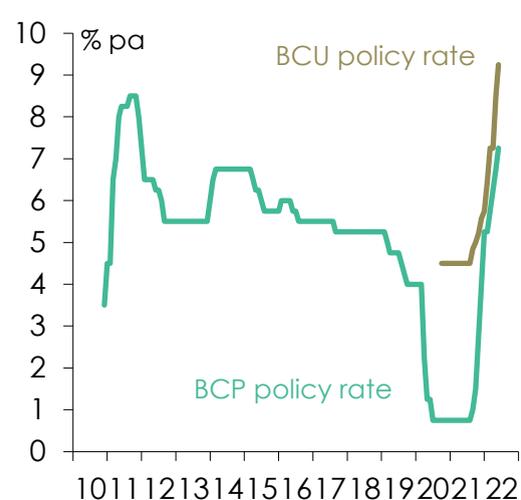
Georgia & Armenia



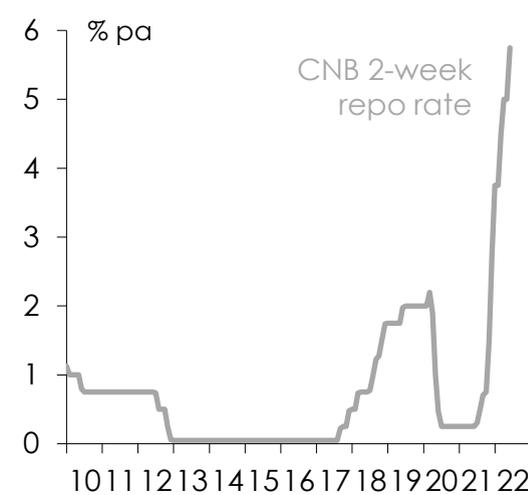
Peru



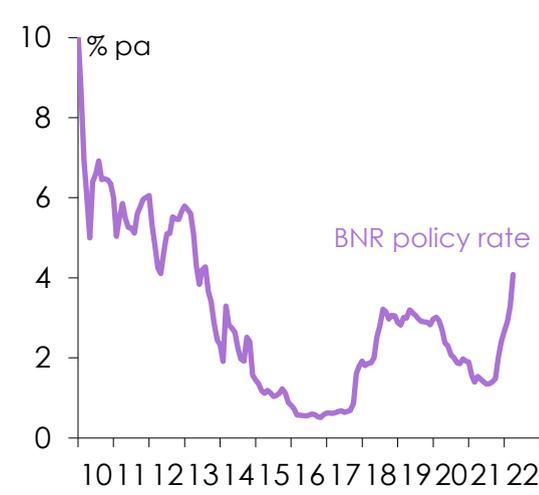
Paraguay & Uruguay



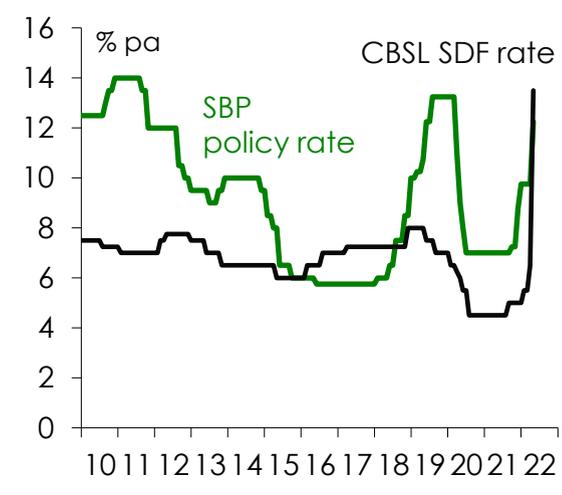
Czech Republic



Romania



Pakistan & Sri Lanka

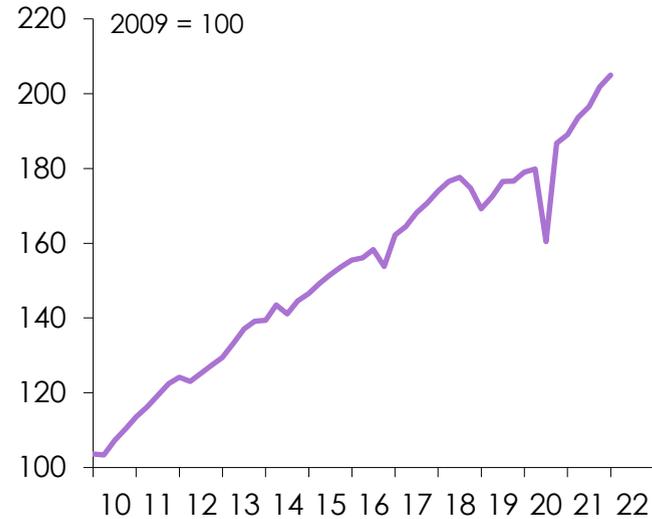


Sources: [Banco de la República Colombia](#); [Banco Central de Reserva del Perú](#); [Banco Central de Chile](#); [Banco Central del Uruguay](#); [Banco Central del Paraguay](#); [Narodowy Bank Polski](#); [Česká Národní Banka](#); [Magyar Nemzeti Bank](#); [Banca Națională a României](#); [Sakartvelos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

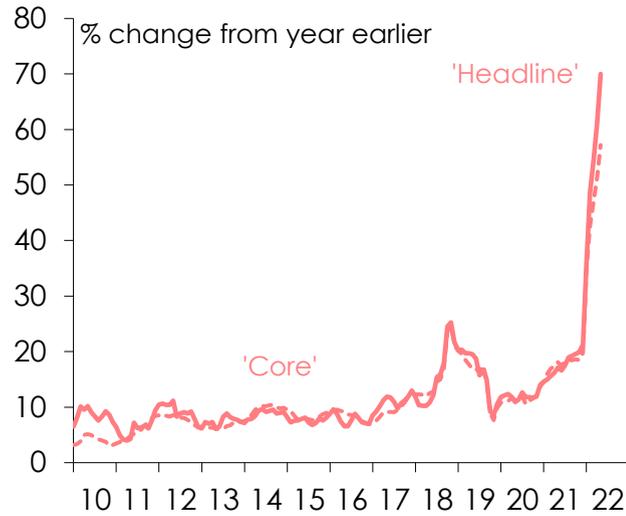
Turkey's annual 'headline' inflation rate rose another 9 pc pts in April to 70%, with 'core' inflation at 57.2%

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

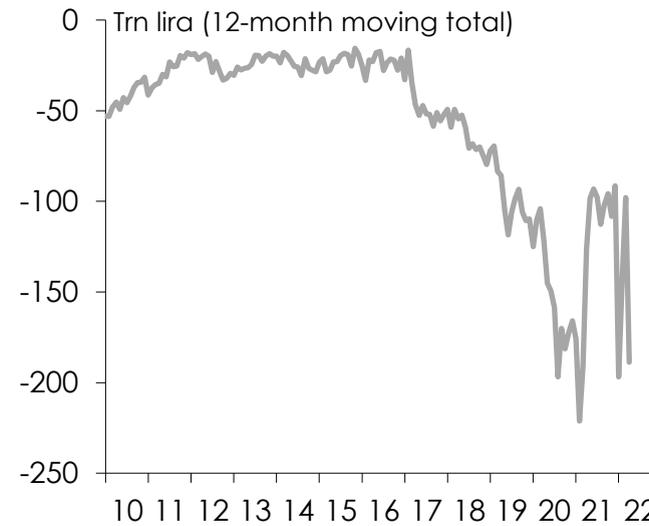
Real GDP



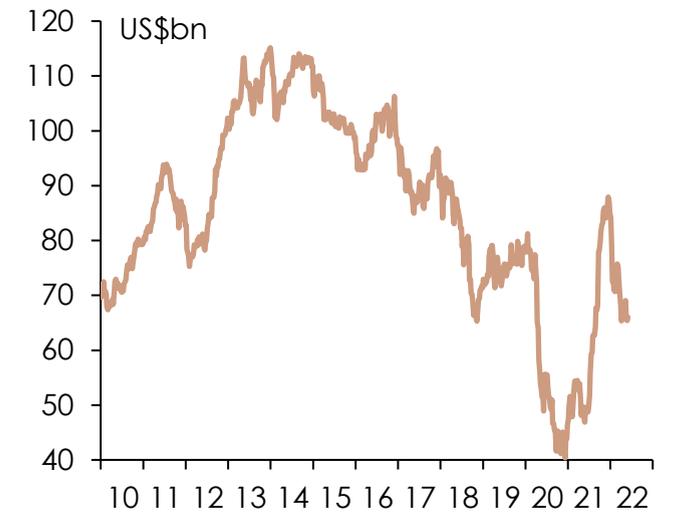
Inflation



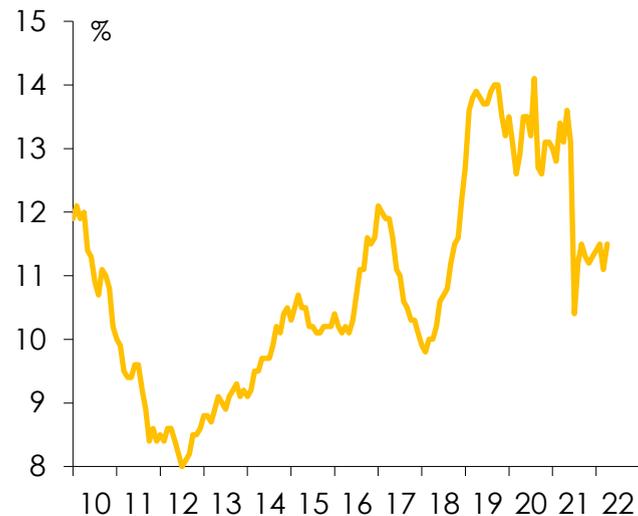
Budget balance



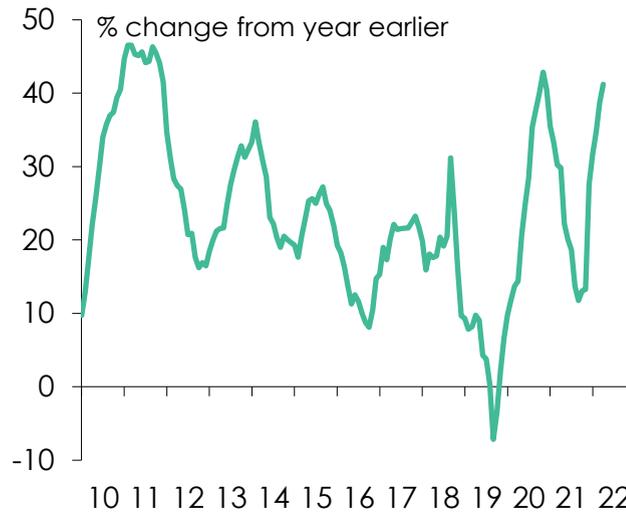
FX reserves



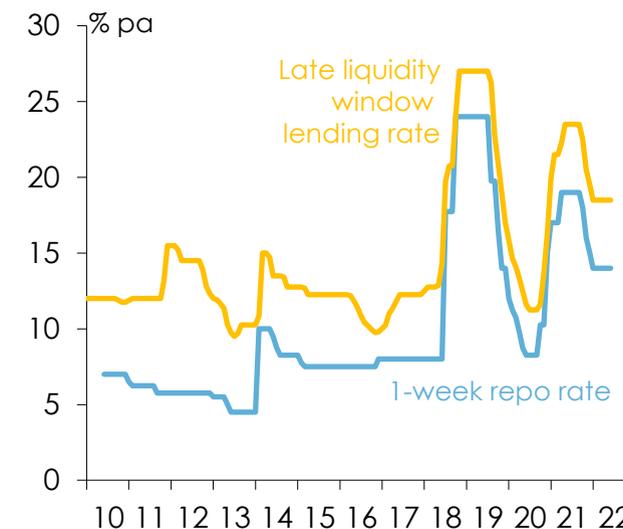
Unemployment rate



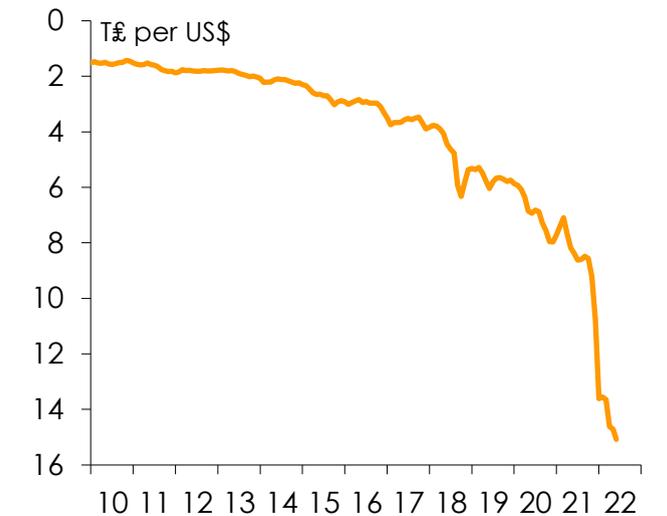
Bank lending



Interest rates



Turkish lira vs US\$



Key data and events this week

Key data and events for week ended 27th May

THE WORLD ECONOMY THIS WEEK – 23RD MAY 2022

Monday 23rd May

Thailand April merchandise trade; **Singapore** April CPI; **Taiwan** April unemployment, industrial production & retail sales; **Hong Kong** April CPI; **Turkey** May business confidence; **Germany** May Ifo business survey; **US April** Chicago Fed national economic activity indicator; **Peru** Q1 current account

Tuesday 24th May

New Zealand Q1 retail sales; **Australia** May 'flash' PMIs; **Korea** May consumer confidence; **Japan** May 'flash' PMIs; **Indonesia** BI meeting; **euro area** May 'flash' PMIs; **UK** May 'flash' PMIs and April public sector borrowing & net debt; **US** May 'flash' PMIs, April new home sales and May Richmond Fed manufacturing survey; **Brazil** mid-May CPI; **Mexico** mid-May CPI; **Peru** Q1 GDP; **Argentina** March retail sales

Wednesday 25th May

New Zealand RBNZ meeting; **Australia** Q1 construction work done; **Korea** May business confidence; **Singapore** Q1 GDP (final) & Q1 current account; **Malaysia** April CPI; **Germany** Q1 GDP (final); **Iceland** April unemployment; **US** April durable goods orders and minutes of May FOMC meeting; **Mexico** Q1 GDP (final) & Q1 current account; **Brazil** May consumer confidence & April current account

Thursday 26th May

Australia Q1 business capital expenditure and 2022-23 capex intentions survey; **Korea** BoK meeting; **Singapore** April industrial production; **Thailand** April industrial production; **Hong Kong** April merchandise trade; **Turkey** TCMB meeting; **US** Q1 GDP (2nd estimate incl. corporate profits) & Kansas City Fed May manufacturing survey; **Canada** March retail sales & average earnings; **Mexico** March retail sales

Friday 27th May

New Zealand May consumer confidence; **Australia** April retail sales (p); **Japan** May Tokyo area CPI; **Taiwan** May consumer confidence & Q1 GDP (final); **Singapore** April PPI; **euro area** April money & credit growth; **US** April personal income, consumer spending & PCE deflator, April goods trade (p) and May consumer confidence & inflation expectations (final); **Canada** March budget balance; **Argentina** May consumer confidence

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.

This document has been prepared for the use of the party or parties named on the first page hereof, and is not to be further circulated or distributed without permission.

This document does not purport to constitute investment advice. It should not be used or interpreted as an invitation or offer to engage in any kind of financial or other transaction, nor relied upon in order to undertake, or in the course of undertaking, any such transaction.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all financial instruments referred to herein. None of Saul Eslake, Corinna Economic Advisory Pty Ltd nor Independent Economics however makes any representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. Saul Eslake, Corinna Economic Advisory Pty Ltd and Independent Economics expressly disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Any opinions expressed herein should not be attributed to any other organization with which Saul Eslake is affiliated.

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS