



# THE WORLD ECONOMY THIS WEEK

30<sup>TH</sup> MAY 2022

**SAUL ESLAKE**

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CORINNA ECONOMIC ADVISORY  
INDEPENDENT ECONOMICS

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# What's new?

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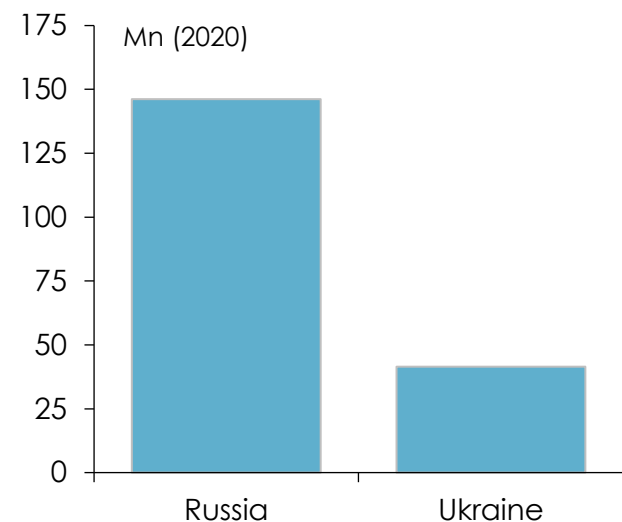
- ❑ Russia has made incremental territorial gains (at considerable cost) in Eastern Ukraine, and has started blocking exports of agricultural produce from Ukraine, exacerbating upward pressure on food commodity prices, as a 'bargaining tool' to procure a lifting of Western sanctions ([slides 6 and 8](#))
- ❑ The world-wide count of new Covid-19 infections fell last week, to its lowest level since the first week of November last year – although there are some indications that reporting of new cases is becoming more haphazard in some countries, meaning that these data may be becoming less reliable ([slide 14](#))
- ❑ 'Flash' PMIs for May point to a sharp slowing (though as yet not a contraction) in economic activity in the UK, and a more moderate slowing in the US and the euro area ([slide 27](#))
- ❑ The volume of world trade fell 0.2% in March, reflecting large falls in imports into China (because of Covid-lockdowns) and Russia (because of sanctions), partly offset by a large rise in US imports ([slides 28-29](#))
- ❑ The implicit price deflator of US personal consumption expenditures, excluding food and energy – the inflation measure which the Fed targets – rose 0.3% in April, as it also did in February and March, compared with increases averaging 0.5% per month over the preceding four months, which brought the annual 'core' inflation rate (by this measure) down to 4.9% from 5.2% in March and the peak of 5.3% in February: though it remains well above the Fed's target of 2%, and it is probably premature to conclude that inflation has peaked ([slide 60](#))
- ❑ The US goods trade deficit narrowed by US\$20bn to \$106bn in April, thanks to a 5% fall in imports after an 11% increase in March, and a 3% rise in exports – but April's was still the third-highest on record ([slide 65](#))
- ❑ US new home sales fell 16.6% in April, to their lowest level since April 2020, the first indication that the rise in mortgage rates (from a low of just under 3% in December 2020 to 5.34% in April, the highest since August 2009) may be starting to weigh on housing demand ([slide 55](#))
- ❑ Minutes of this month's FOMC meeting revealed that the Fed wants to "expeditiously move the stance of monetary policy towards a neutral posture" and that "a restrictive stance may of policy may well become appropriate" ([slide 68](#))
- ❑ The Chinese leadership appears to be becoming increasingly concerned at the impact of China's continued adherence to Xi Jinping's 'zero Covid' policy on its economy – although there still doesn't seem to be much by way of concrete responses to it ([slide 86](#))
- ❑ The Bank of Korea raised its policy rate by 25bp, to 1.75%, the fifth such increase since last August; while Bank Indonesia left its policy rates unchanged, but raised banks' reserve requirements in what it called an "accelerat[ion] of the normalization of liquidity policy" ([slides 109-110](#))
- ❑ The Reserve Bank of New Zealand raised its official cash rate by 50bp, for the second time in a row, to 2% ([slides 121 and 124](#)), while Turkey's central bank again left its policy rates unchanged despite inflation having surged to 70% as of April ([slides 126 and 131](#))
- ❑ Friday's May US labour market data is the highlight of this week's calendar, but there's also May PMIs; Q1 GDP data from Canada, Australia, Turkey & Brazil, April unemployment for Japan & the euro area; and central bank meetings in Canada & Hungary ([slide 133](#))

# Russia's invasion of Ukraine

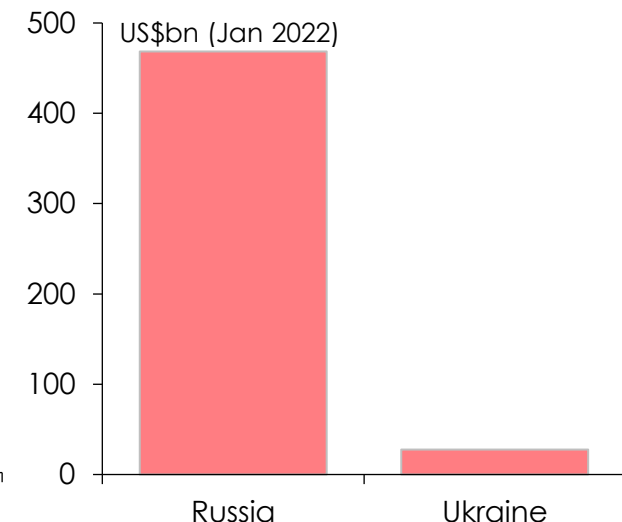
# Russia outnumbered Ukraine in just about everything – except courage and ‘moral capital’ – but that hasn’t given it the ‘easy victory’ it expected

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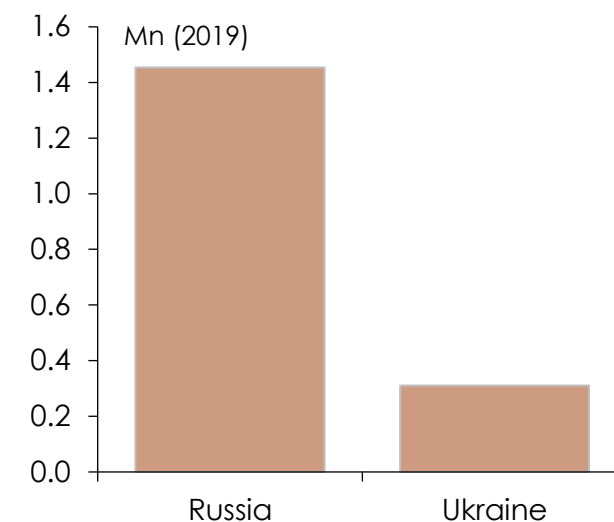
## Population



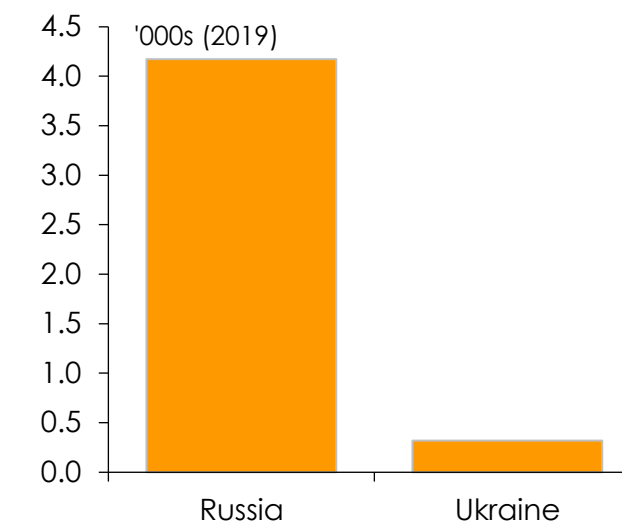
## FX reserves



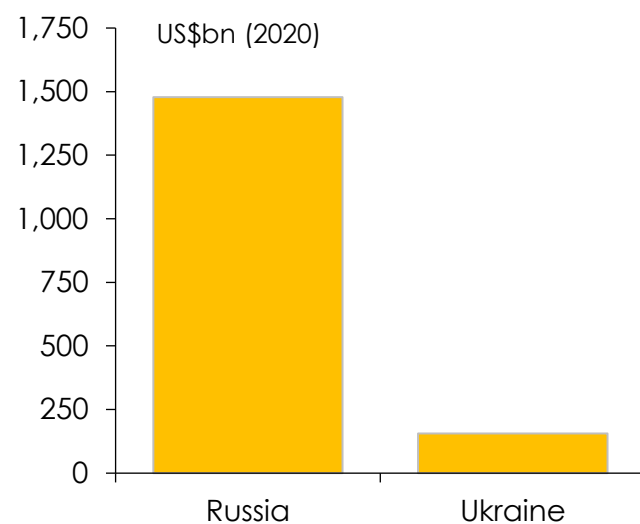
## Armed forces



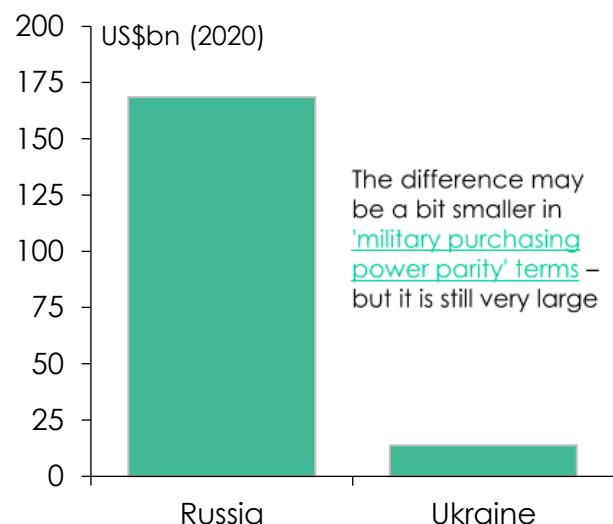
## Military aircraft



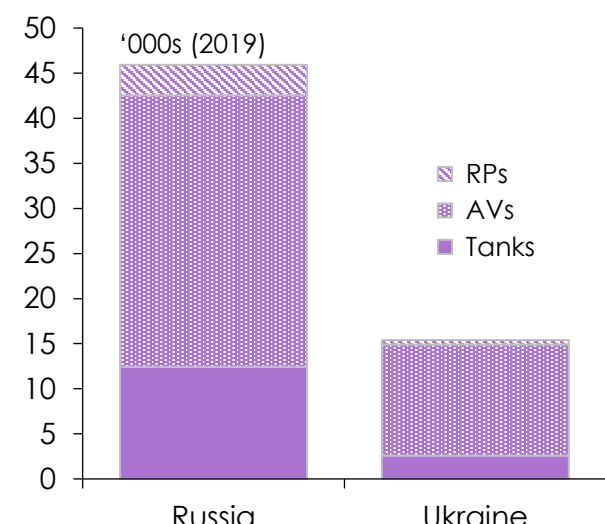
## GDP



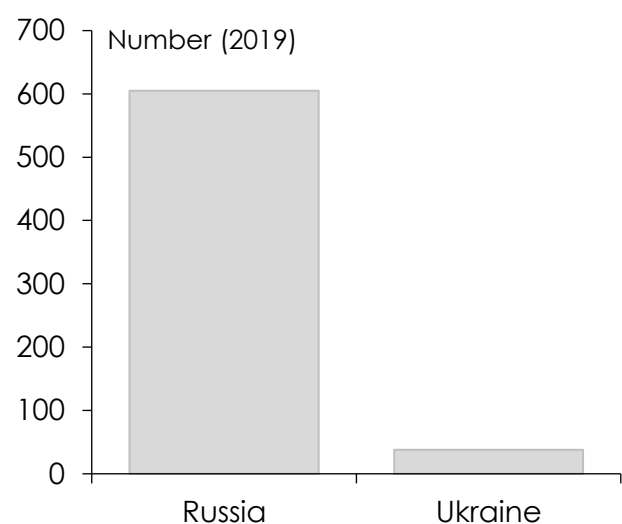
## Military spending



## Military hardware



## Naval assets

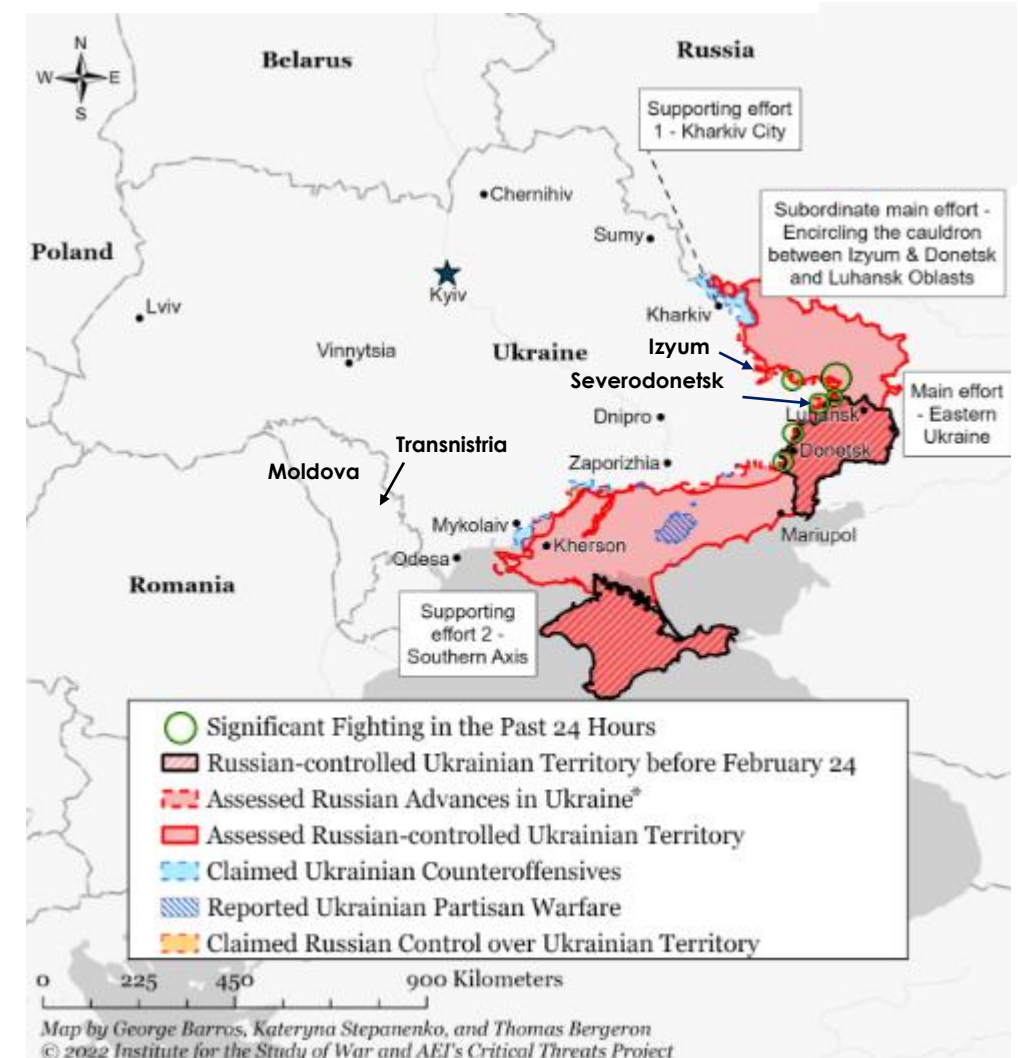


Note: GDP is in US\$ at market exchange rates; 'AVs' are armoured vehicles; 'RPs' are rocket projectors; 'military aircraft' include airplanes, helicopters, transports and tankers; 'naval assets' include aircraft & helicopter carriers, destroyers, frigates, corvettes, submarines and other vessels. Sources: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

# Having finally established their 'land bridge' to Crimea earlier this month, Russian forces have made incremental (but costly) advances in Donbas

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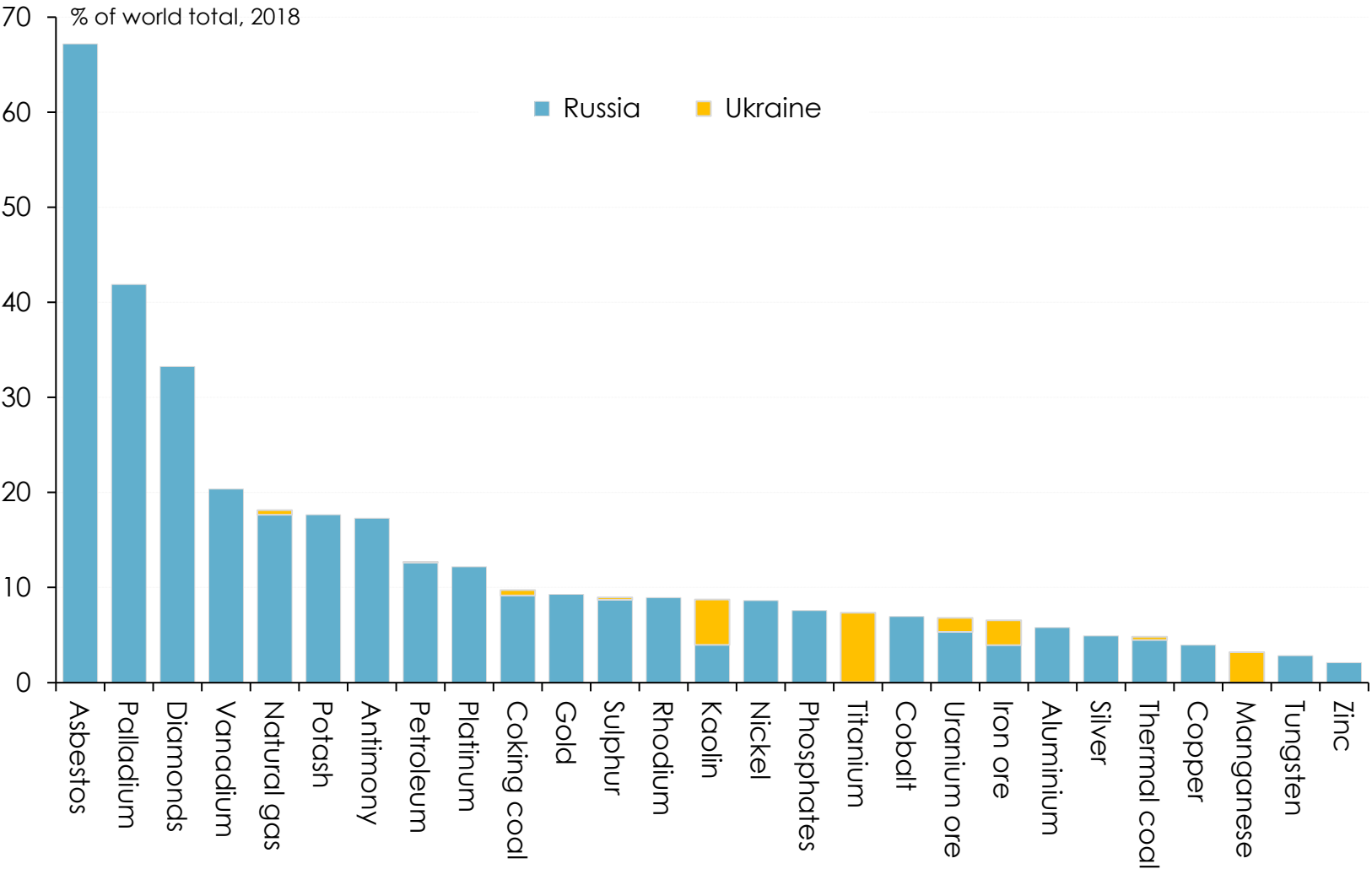
- ❑ Having failed to achieve its initial objective of capturing Ukraine's capital Kyiv, and installing a 'puppet' regime there, Russia last month launched an intense assault on those parts of Donbas (Eastern Ukraine) which it didn't occupy in 2014
- ❑ The Russian military seem clearly now to be pursuing 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
- ❑ These tactics have produced incremental territorial gains for Russian forces in Donbas, where they are now seeking to encircle and capture the town of Severodonetsk, though their advance on Izyum appears to have stalled for now
- ❑ Russia has been [blocking shipments](#) of grains and sunflower oil from Ukraine, adding to pressure on food supplies (especially to countries in the Middle East for which Ukraine has been a major supplier) as a 'bargaining tool' to get Western sanctions lifted
- ❑ 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
- ❑ [Differences of opinion](#) appear to be emerging among Western nations as to whether some kind of negotiated settlement (which could include territorial concession by Ukraine) is the best way of ending the conflict
- ❑ 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 economy appears to have contracted by 0.5% in Q1, based on preliminary estimates of the annual growth rate released earlier this month; however the Russian ruble has more than fully reversed its plunge immediately after the imposition of Western sanctions, because of on-going revenues from oil and gas exports, and the imposition of strict capital controls, prompting Russia's central bank to cut its policy interest rate another 300bp last week ([slide 11](#))



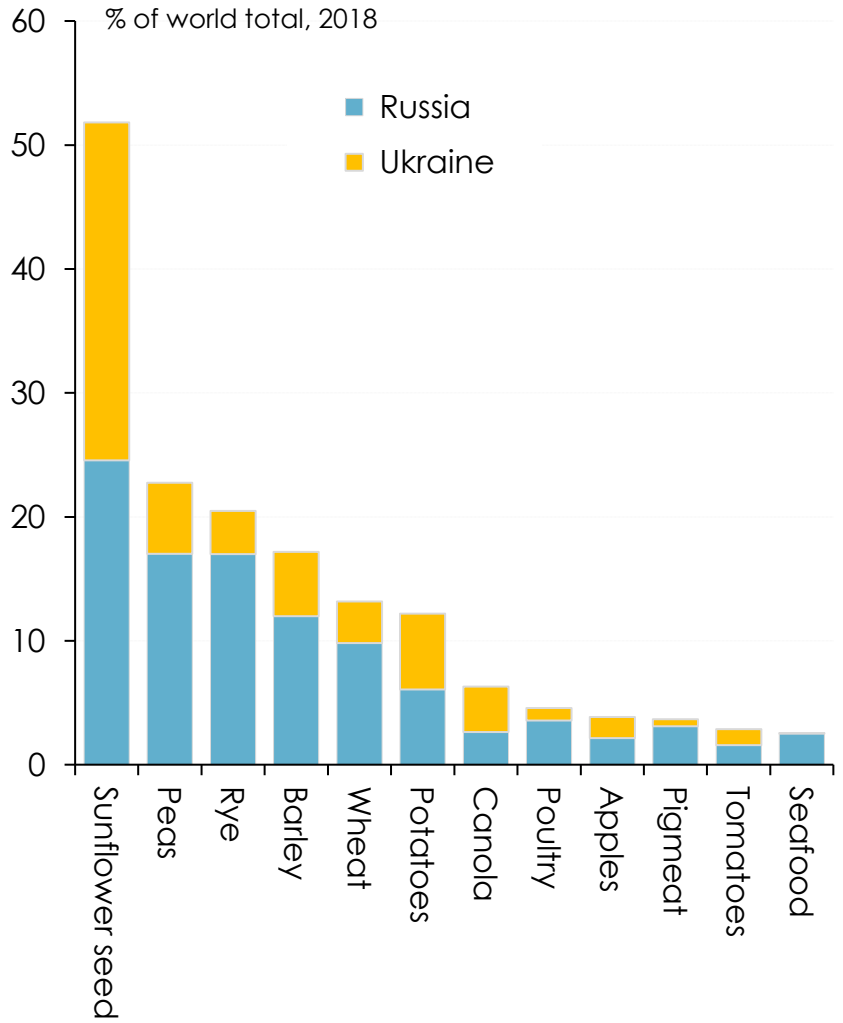
# Russia and Ukraine are major producers of a range of mineral, energy and food commodities whose prices have gone up because of the conflict

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## Russian and Ukrainian shares of global commodity production Minerals and energy, 2019



## Food, 2018

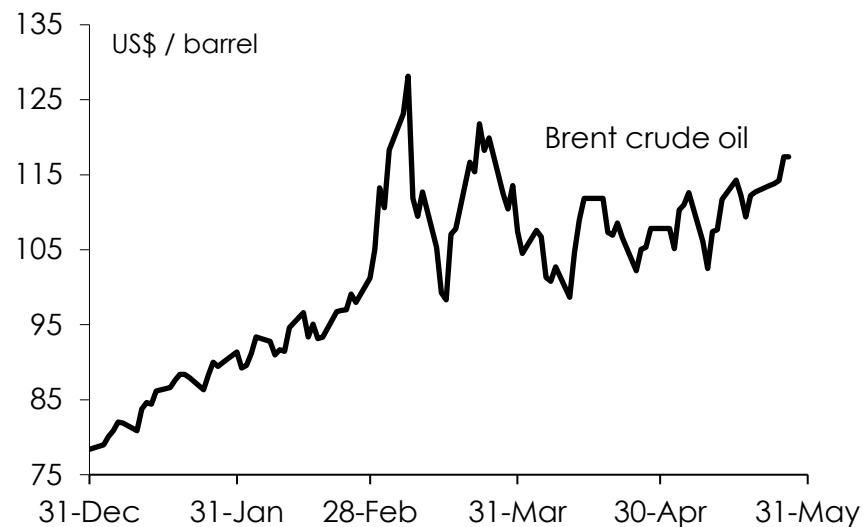


Note: Data for shares of seafood production is 2017. Sources: Austrian Federal Ministry of Agriculture, Regions and Tourism (BMLRT), [World Mining Data](#); Hannah Ritchie and Max Roser, Our World in Data, [Agricultural Production](#). [Return to "What's New"](#).

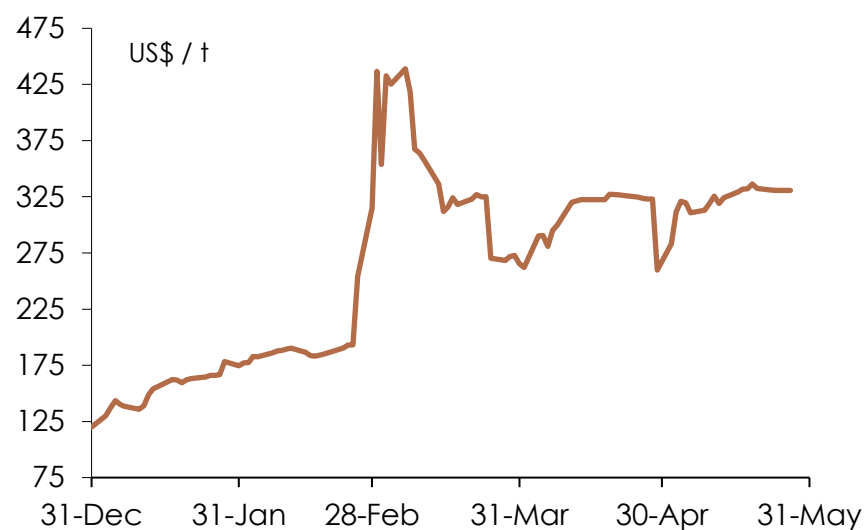
# Energy, some metal, and some food prices have risen sharply in the wake of Russia's invasion of Ukraine, adding to inflationary pressure

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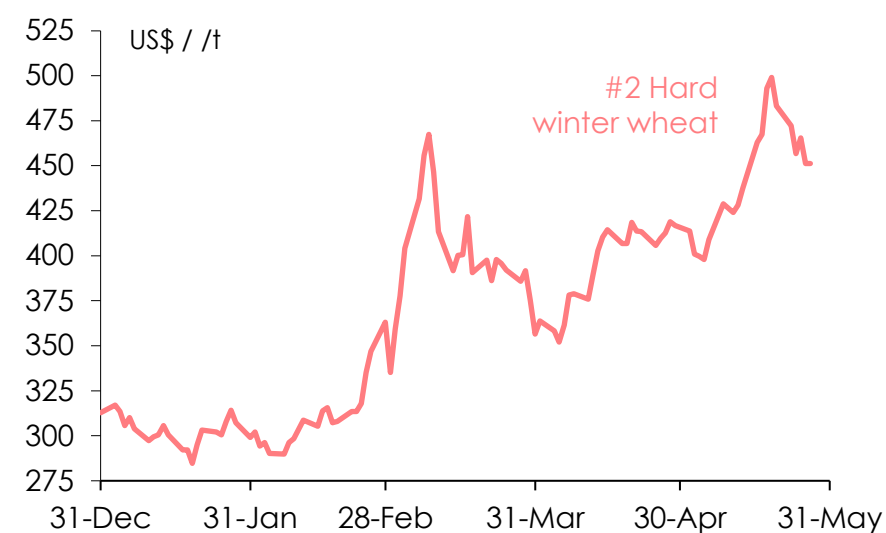
## Oil



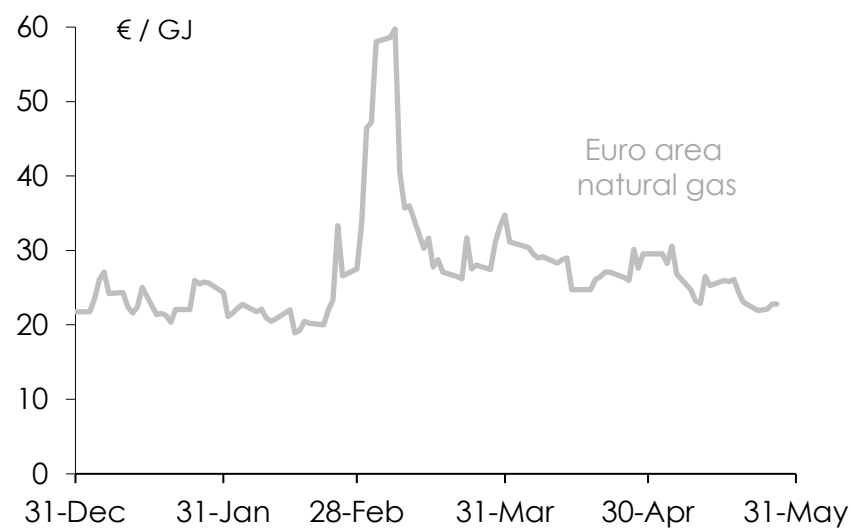
## Thermal coal



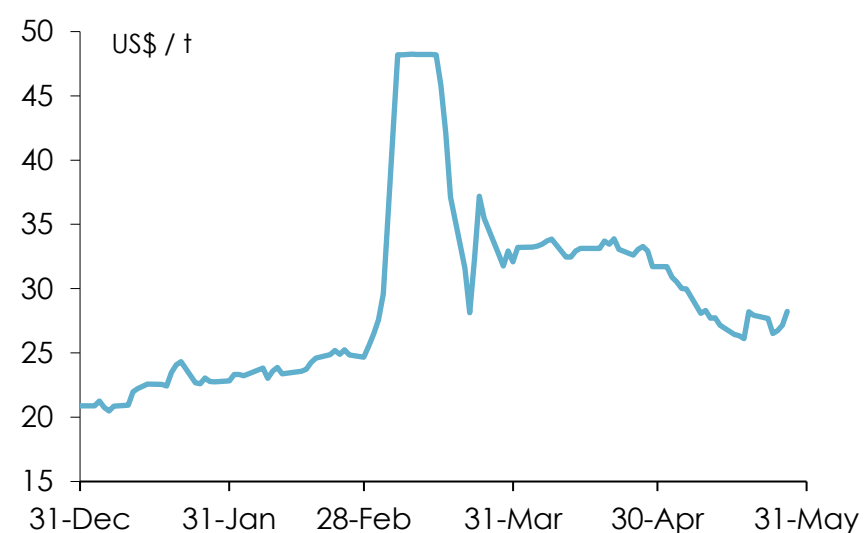
## Wheat



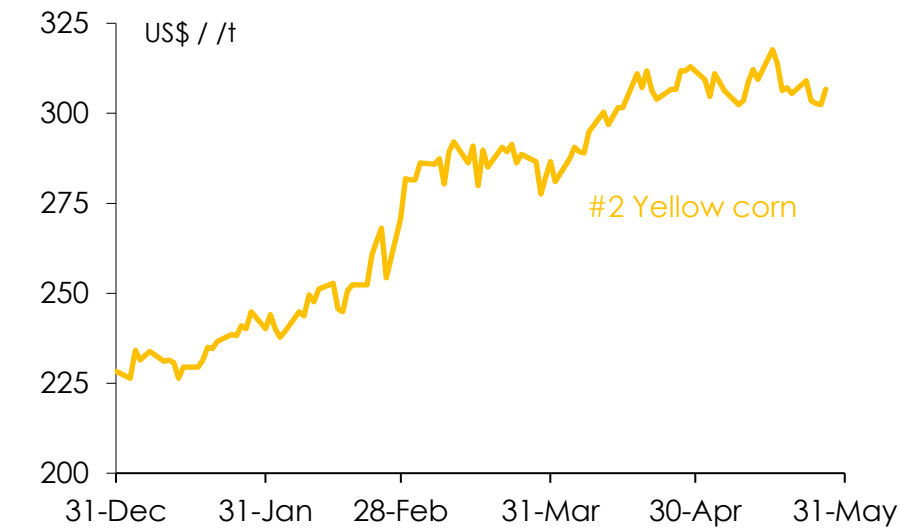
## Natural gas



## Nickel



## Corn



Note: Data up to 27<sup>th</sup> May. Source: Refinitiv Datastream. [Return to "What's New"](#).

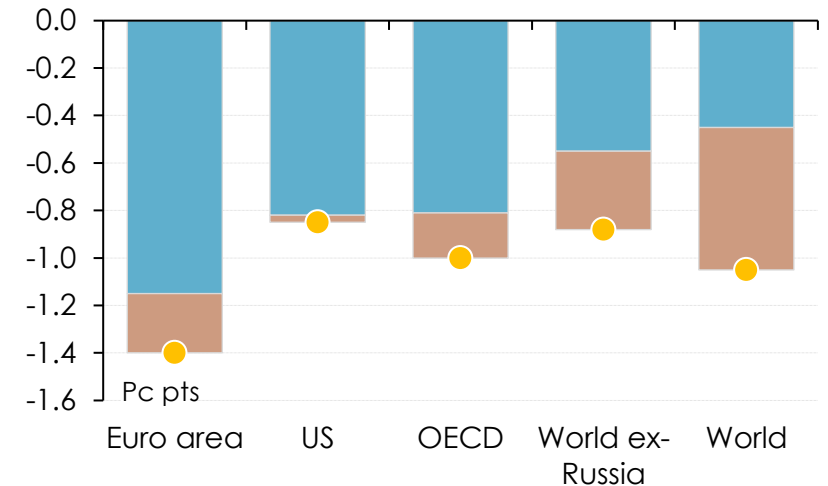


# The conflict in Ukraine (and its broader ramifications) will detract from global economic growth and add to global inflationary pressure

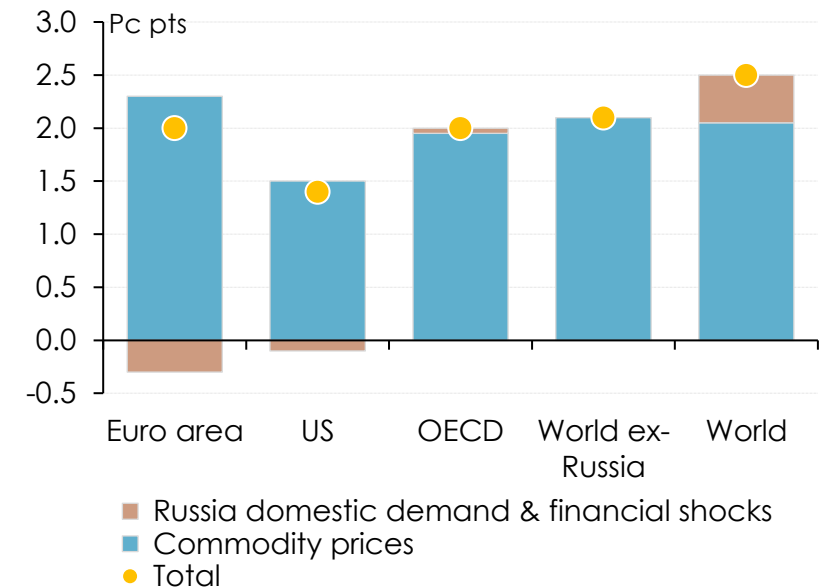
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- ❑ The **OECD** characterizes the war in Ukraine as “a new negative supply shock for the world economy”
  - although Russia & Ukraine together account for 2% of global GDP, they account for 30% of global wheat exports, 20% of global exports of corn, mineral fertilizers and natural gas, and 11% of world oil exports – and “supply chains around the world are dependent” on exports of metals (such as nickel, palladium and titanium) and inert gases (argon and neon) from Russia and Ukraine
  - in addition to the consequences of shortages of, and higher prices for, these commodities, the OECD also identifies “some possible longer-term consequences” including pressures for higher defence spending, changes to the structure of energy markets, potential fragmentation of international payments systems, and changes in the currency composition of FX reserves
- ❑ The OECD estimates that if the commodity and financial market shocks seen in the first two weeks of the conflict persist for at least one year, global growth would be reduced by over 1 pc pt from what it would have been otherwise, and global inflation raised by closed to 2½ pc pts
- ❑ The **IMF** also characterizes the war as a yet another “supply shock” which will “severely set back the global recovery [from Covid-19], slowing growth and increasing inflation even further”
  - last month the IMF cut its forecasts for global economic growth in 2022 and 2023 by ¾ and ¼ pc pt respectively, and raised its forecasts for global inflation by 2¼ and 1 pc pt respectively ([slides 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



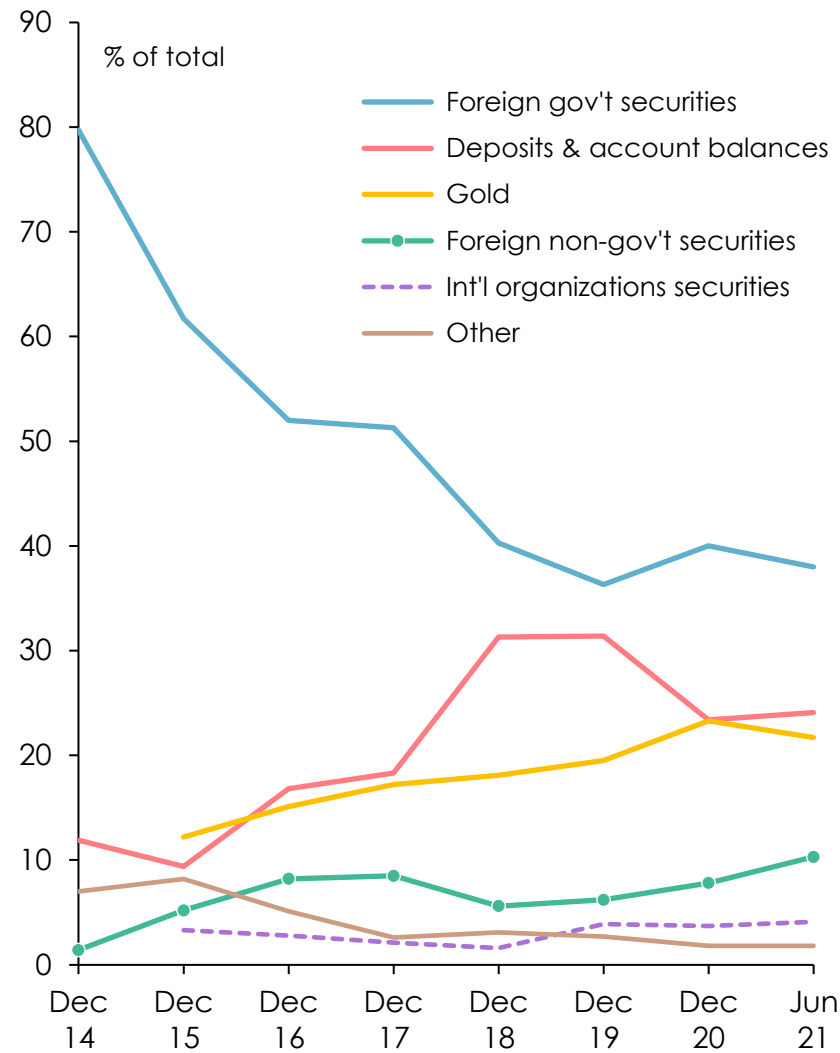
## Impact on inflation



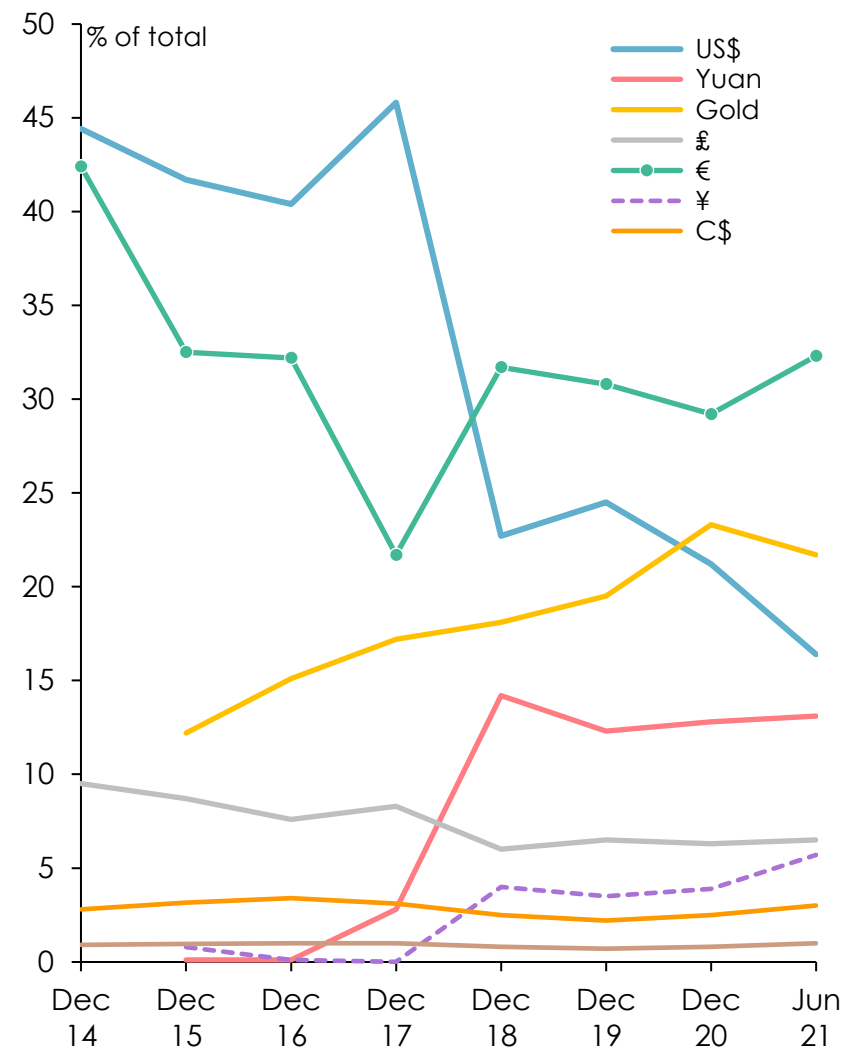
# Russia's central bank had been re-arranging its portfolio over the past seven years to reduce its exposure to sanctions, but they will still 'bite'

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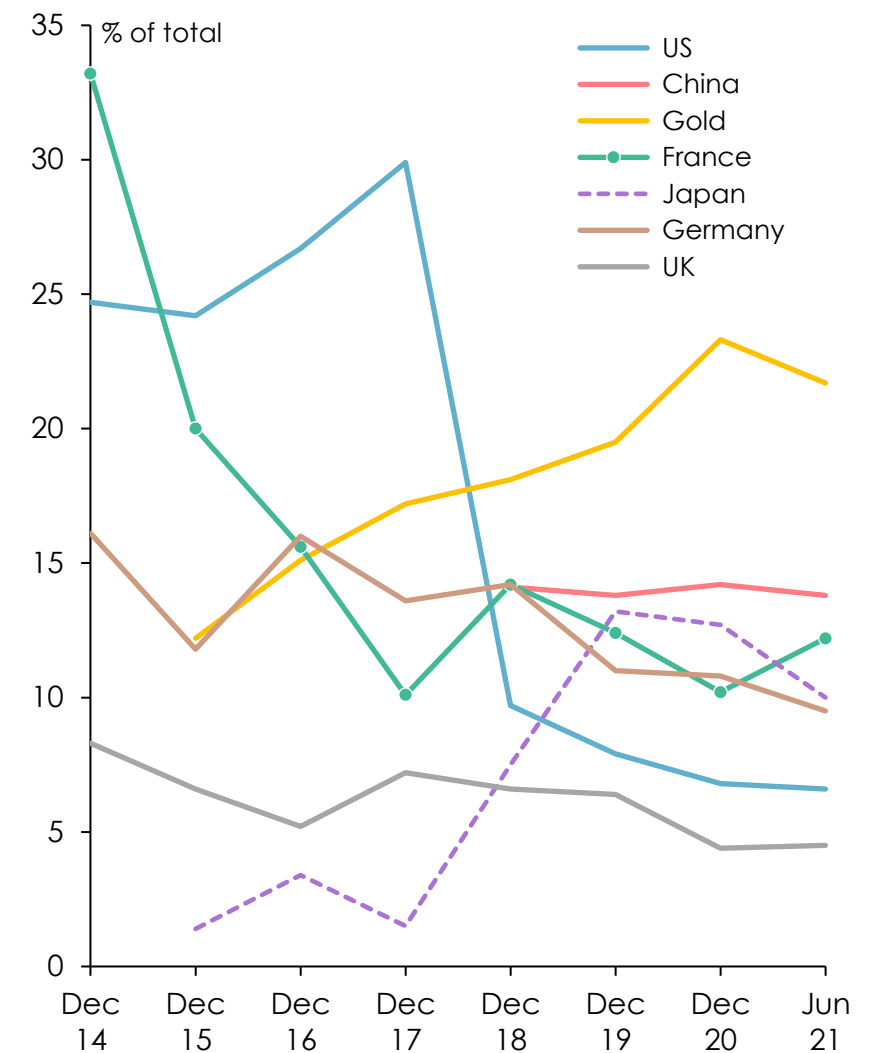
## Russian FX reserves by instrument



## Russian FX reserves by currency



## Russian FX reserves by location

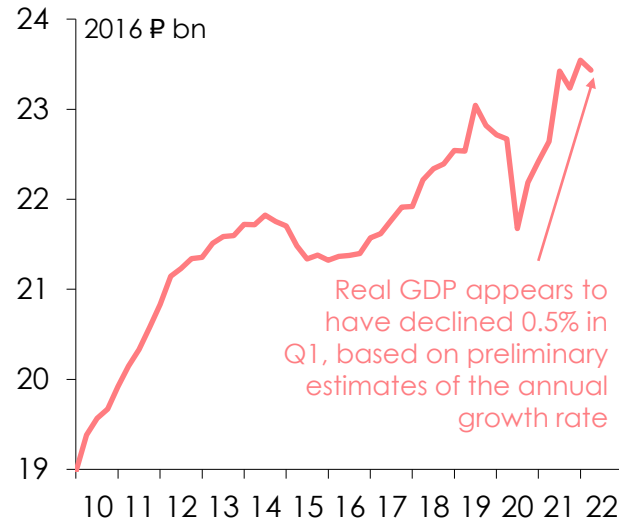


Source: Central Bank of Russia, [Foreign Exchange and Gold Asset Management Report](#), No. 1, 2022 and previous issues. [Return to "What's New"](#).

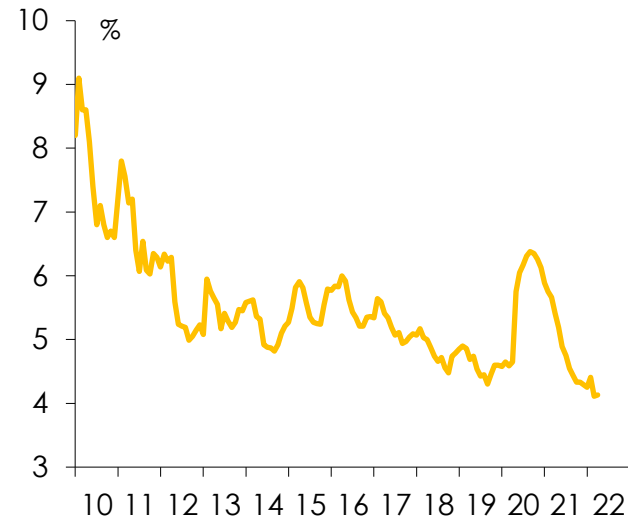
# Russia's central bank cut its key rate another 300 bp, to 11%, last week, in response to a "significant slowdown" in inflation (and the ruble's strength)

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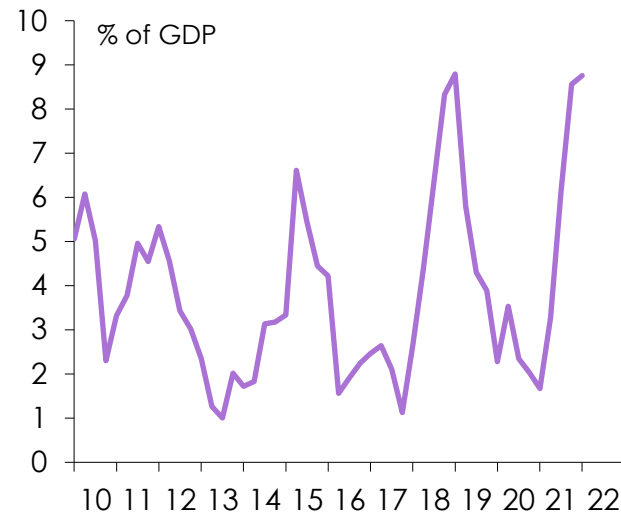
## Real GDP



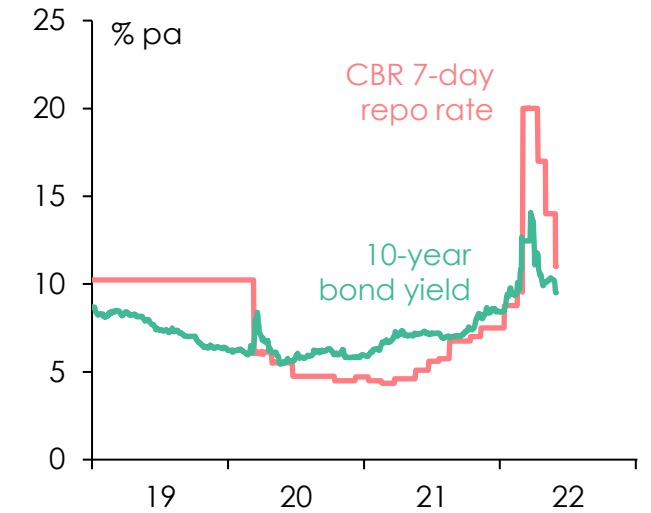
## Unemployment



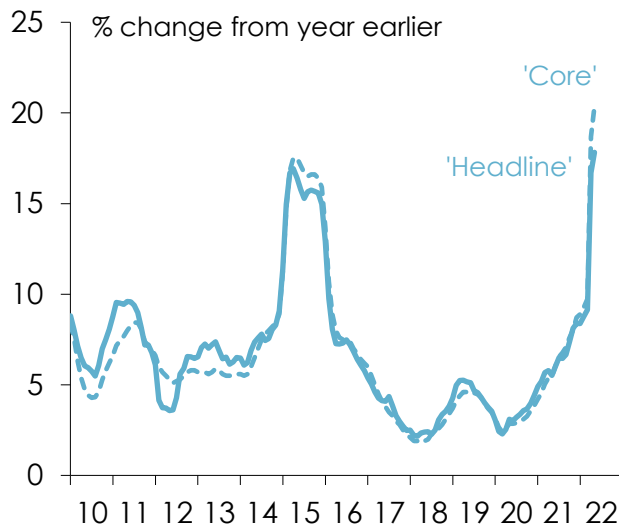
## Current account balance



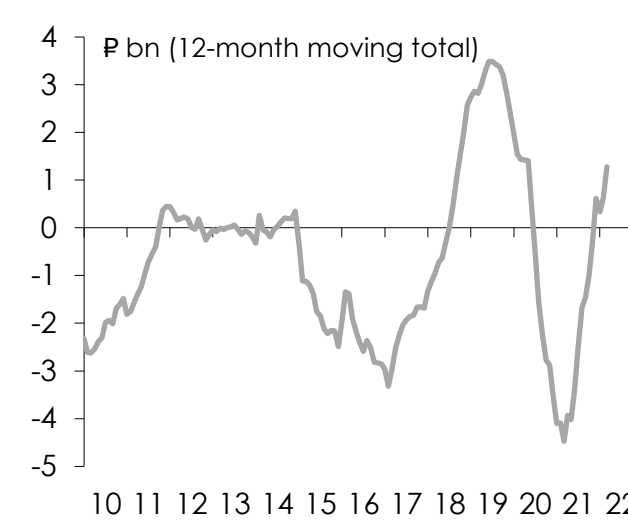
## Interest rates



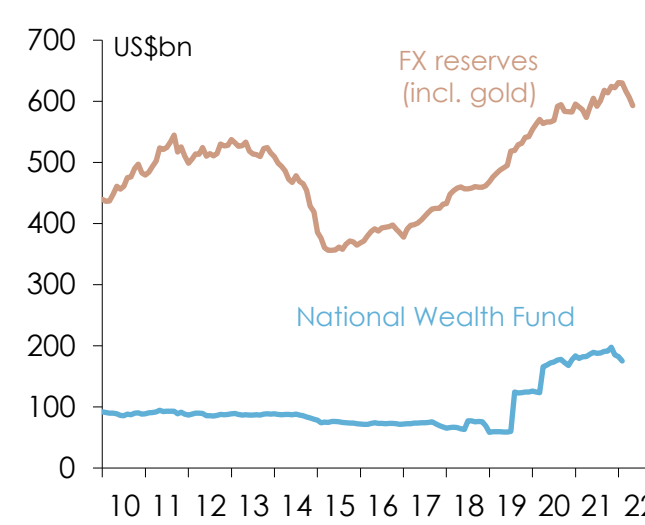
## Inflation



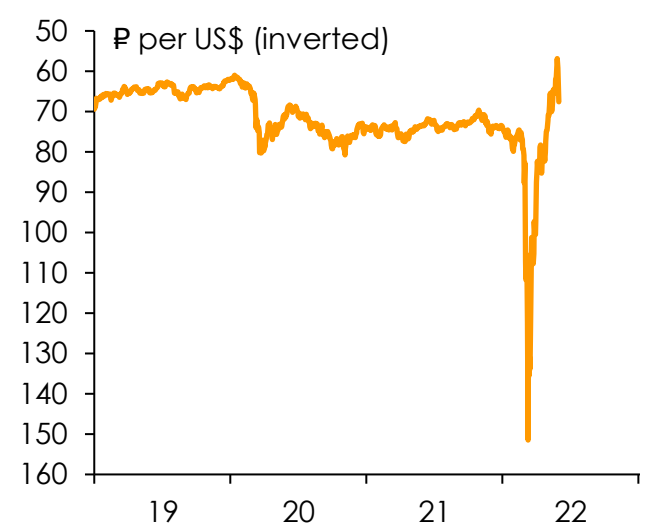
## Federal budget balance



## State financial assets



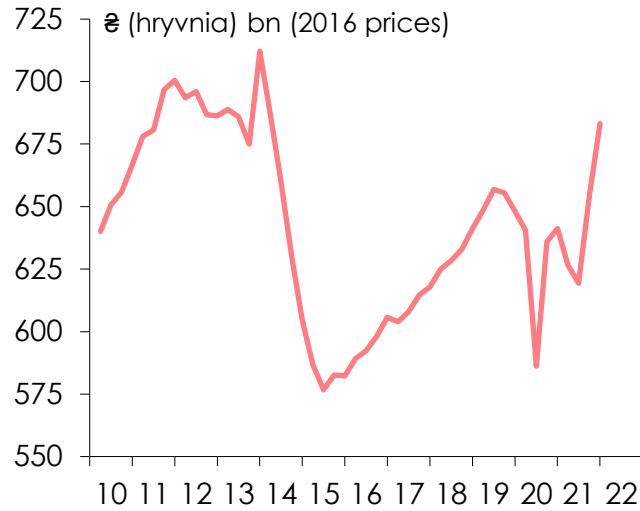
## Russian ruble vs US\$



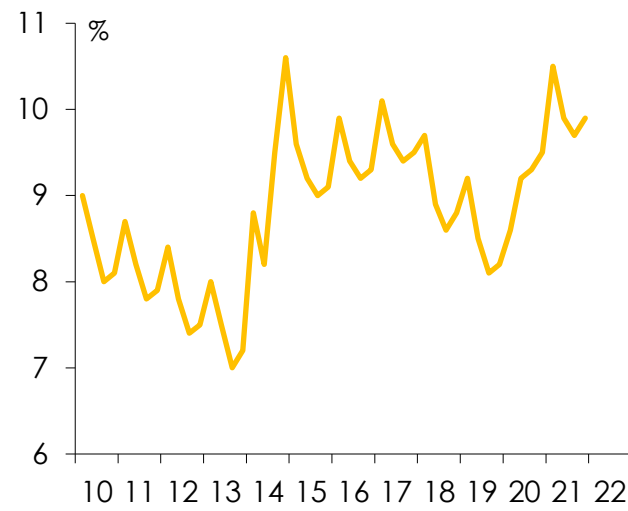
# Ukraine's economy will likely be more damaged by the war than Russia's will be by sanctions

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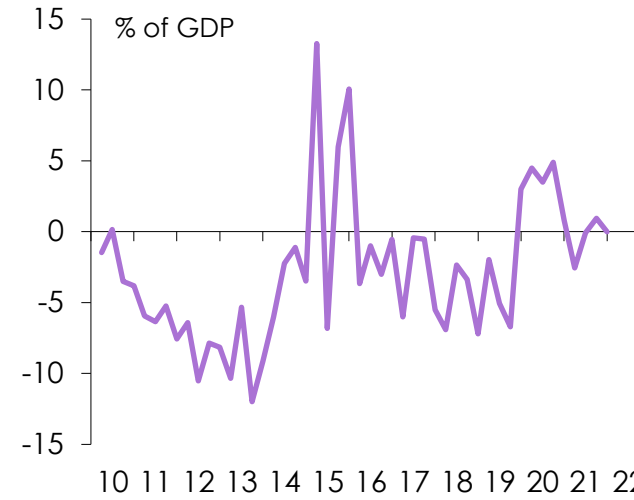
## Real GDP



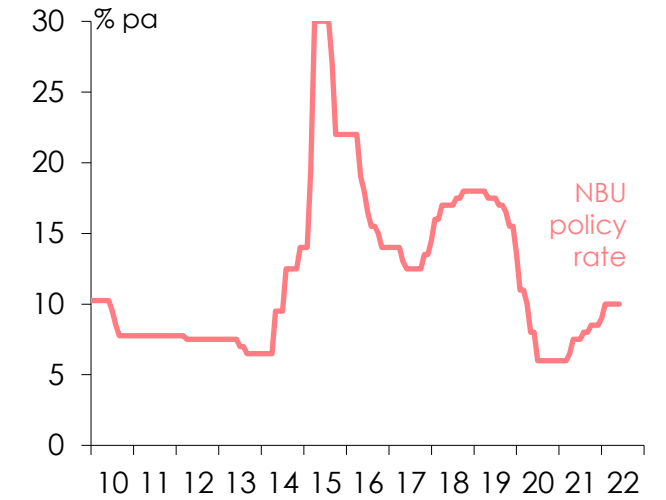
## Unemployment



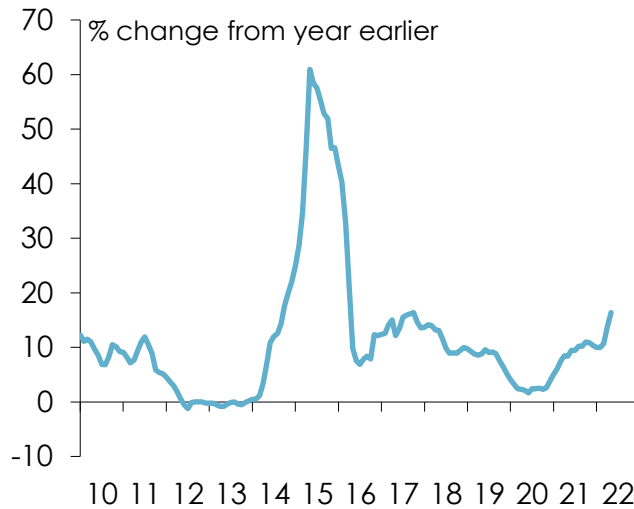
## Current account balance



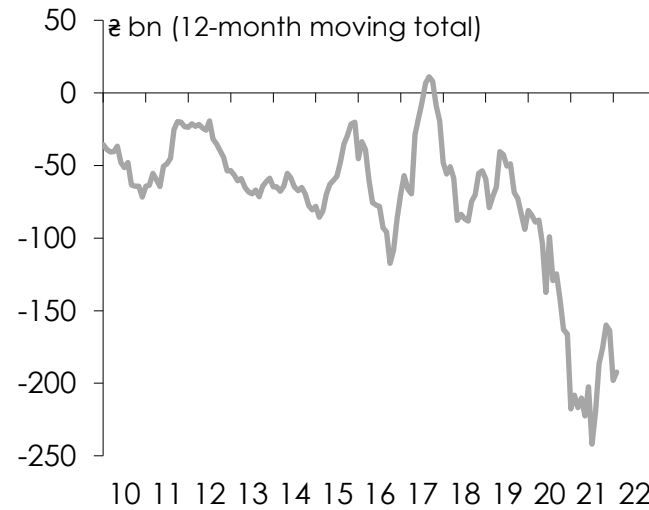
## Interest rates



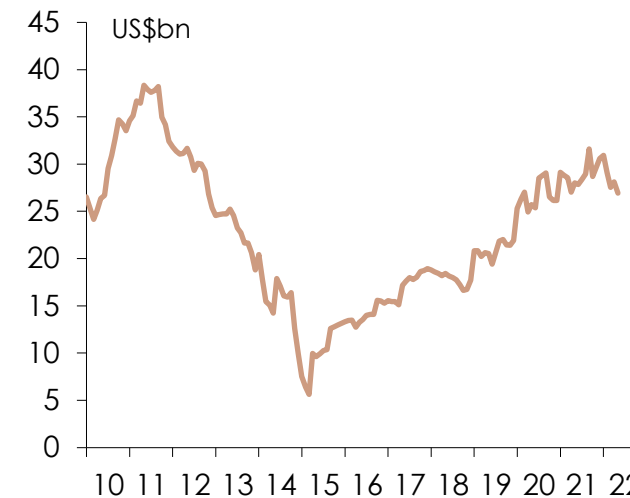
## Inflation



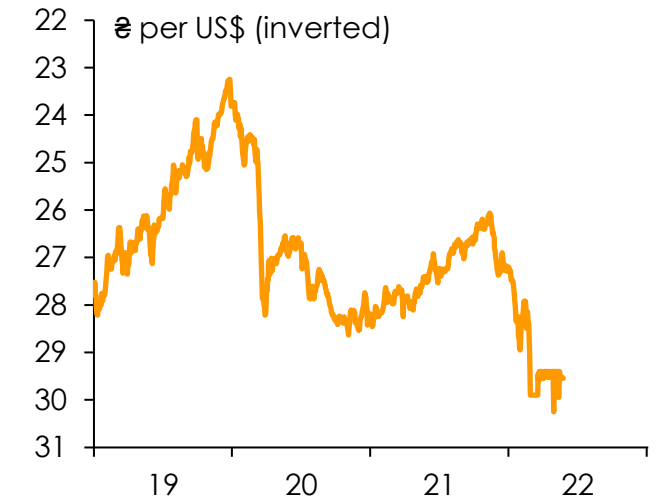
## Budget deficit



## FX reserves



## Ukrainian hryvnia vs US\$



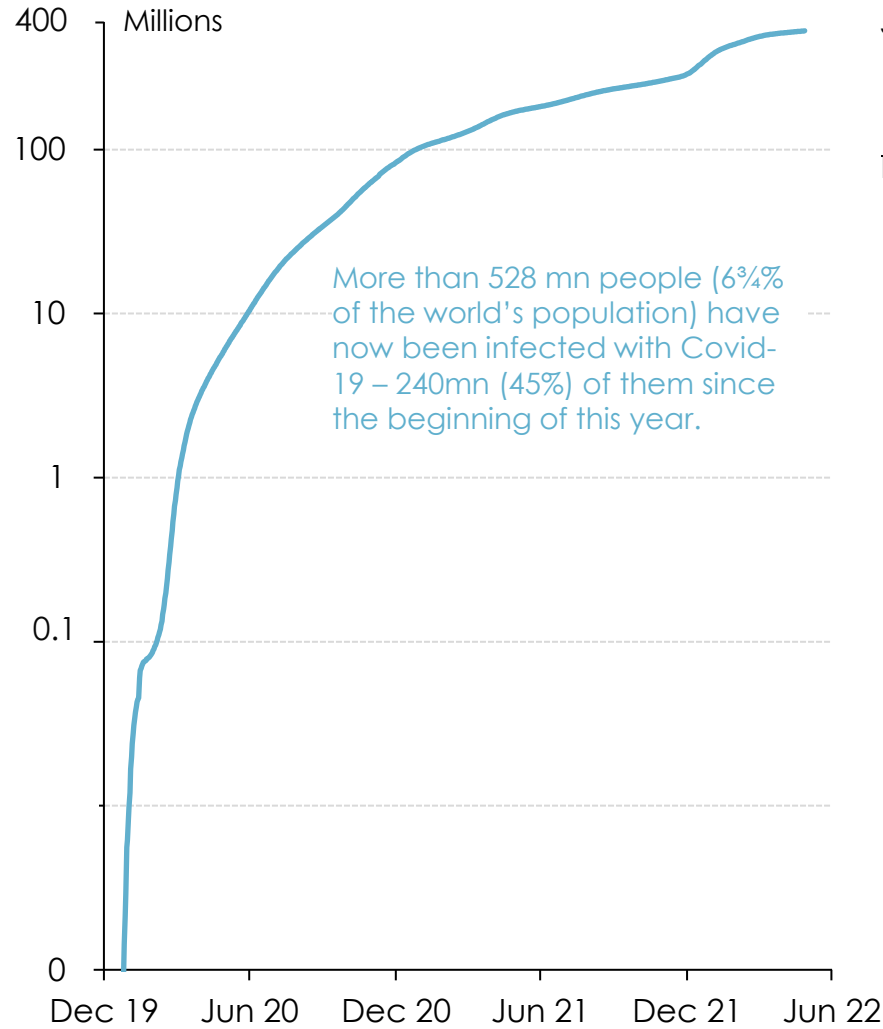
Sources: [State Statistics Service of Ukraine](#); [National Bank of Ukraine](#); Refinitiv Datastream. [Return to "What's New"](#).

**The virus**

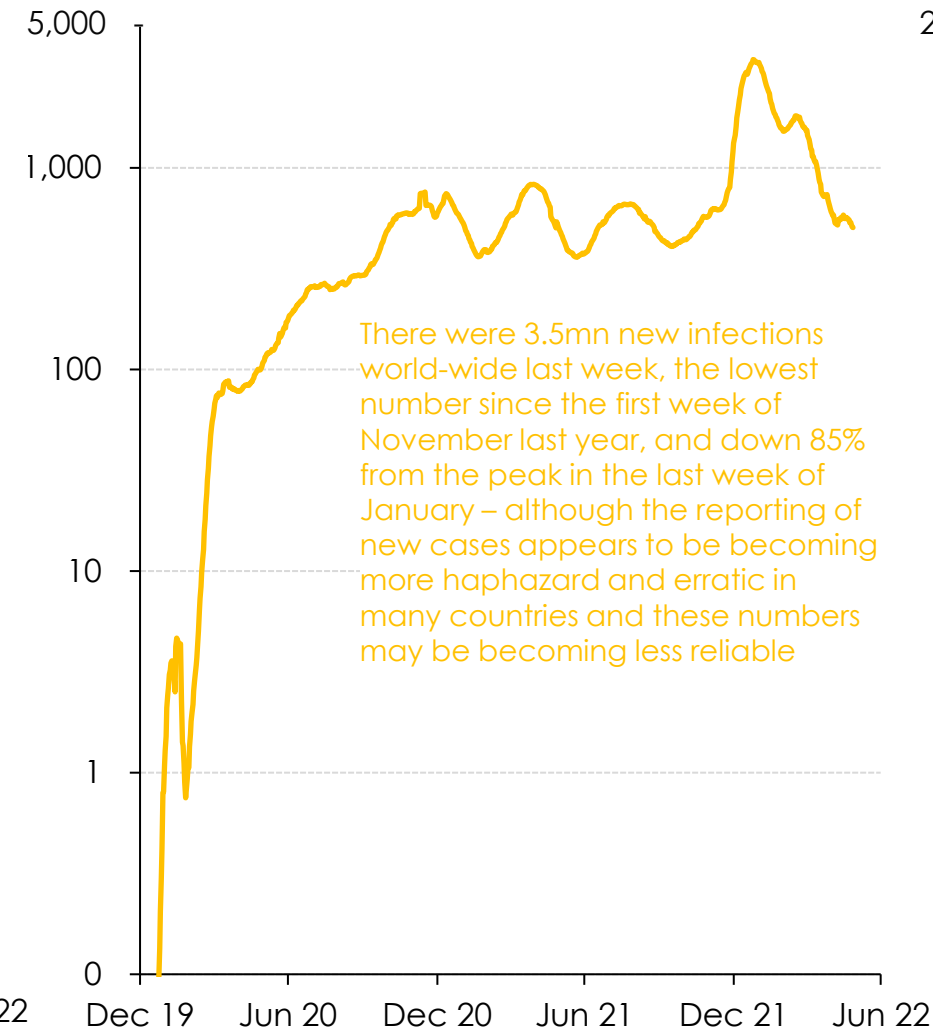
# There were fewer new Covid-19 infections last week than in any week since early November – although reporting seems to have become more erratic

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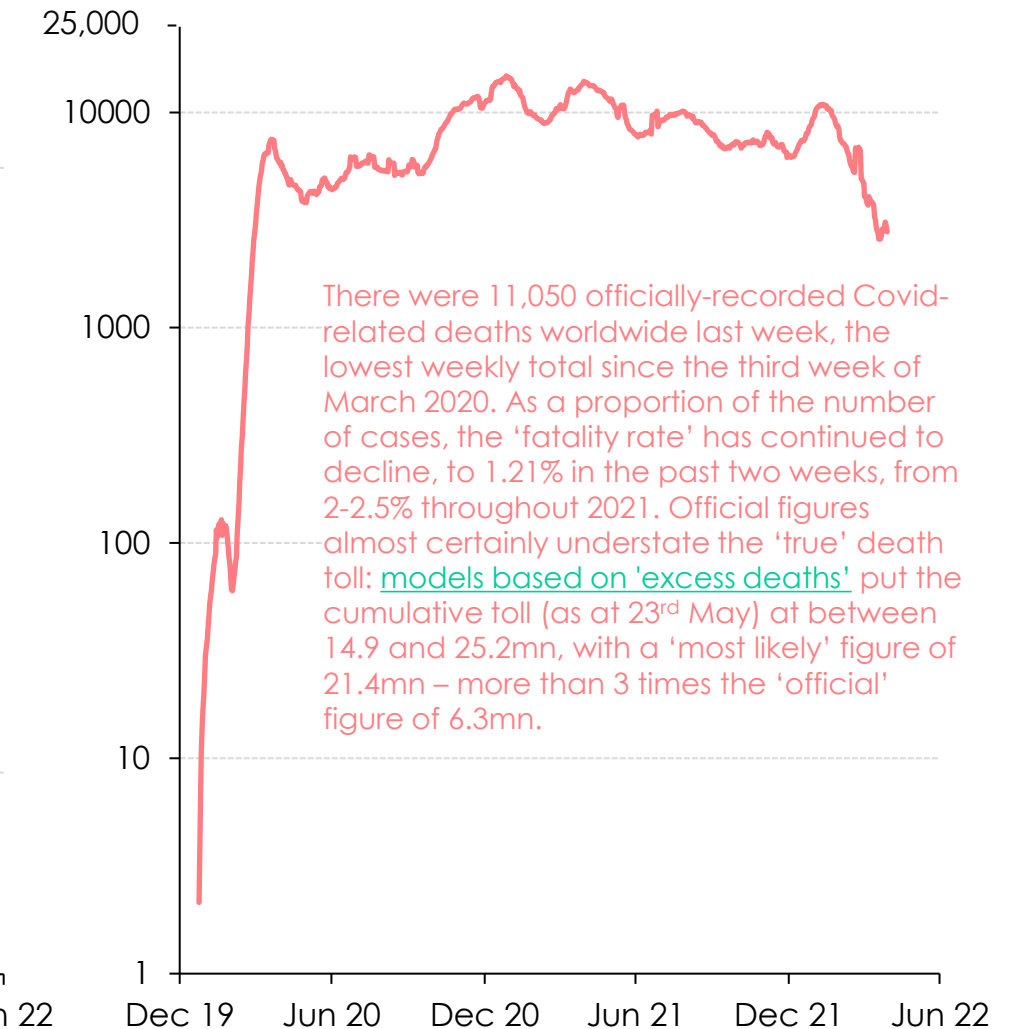
## Cumulative confirmed cases – global total



## New confirmed cases – global total



## New deaths – global total

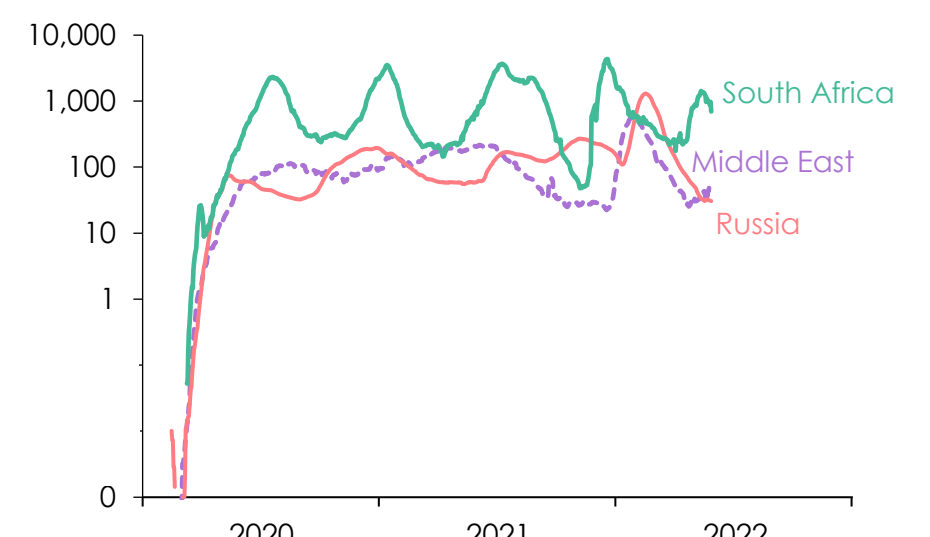
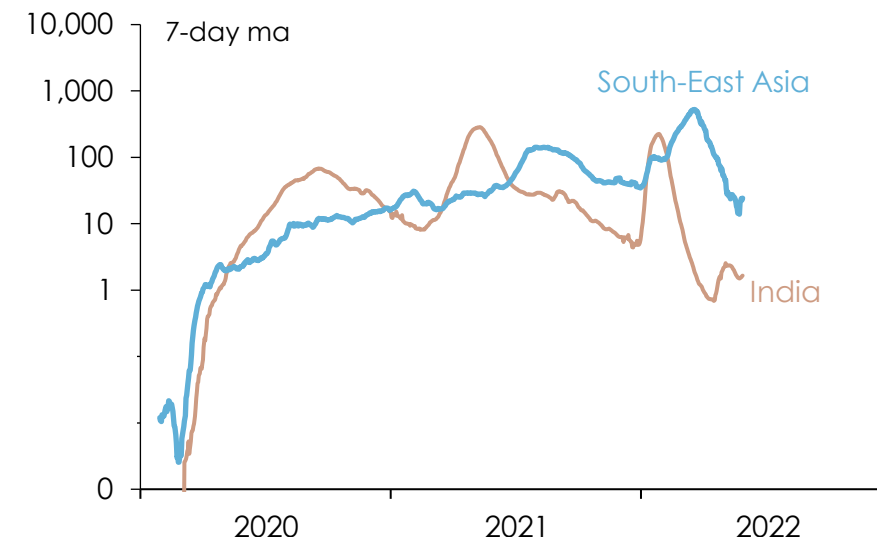
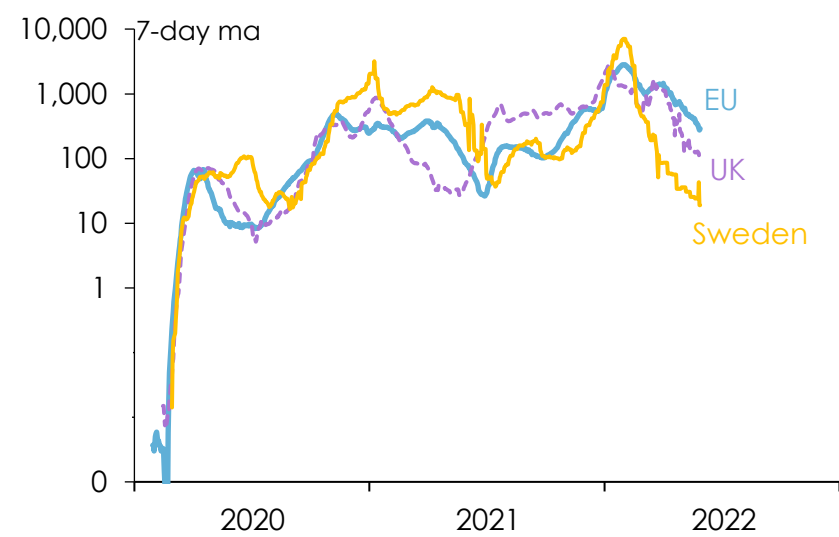
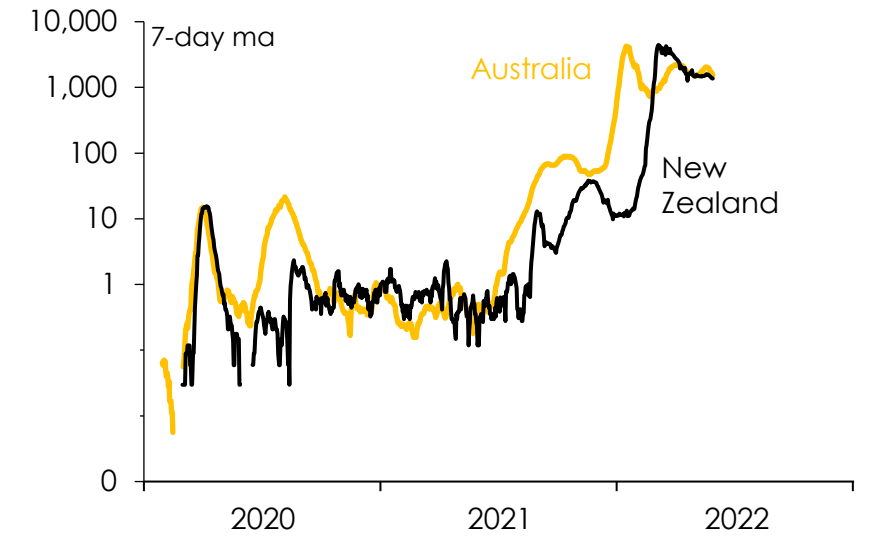
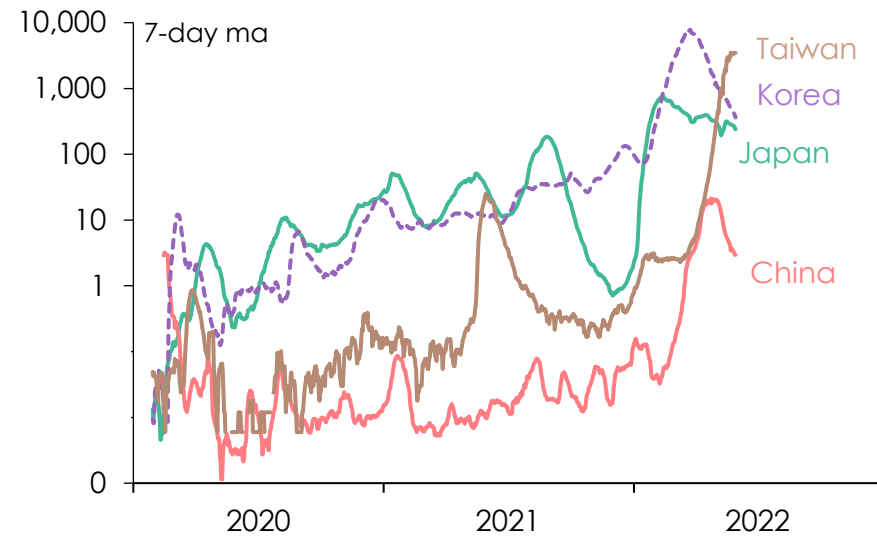
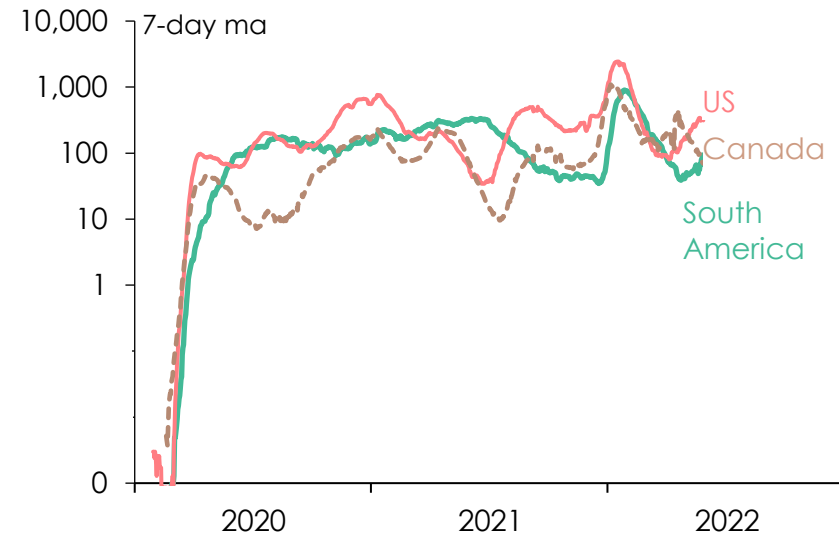


Note: All charts are on logarithmic scales. Data up to 27<sup>th</sup> May. Source: University of Oxford, [Our World in Data](#). [Return to "What's New"](#).

# New case numbers appear to have peaked in China, Korea, Japan and Europe: it's not clear whether they yet have in the US or Taiwan

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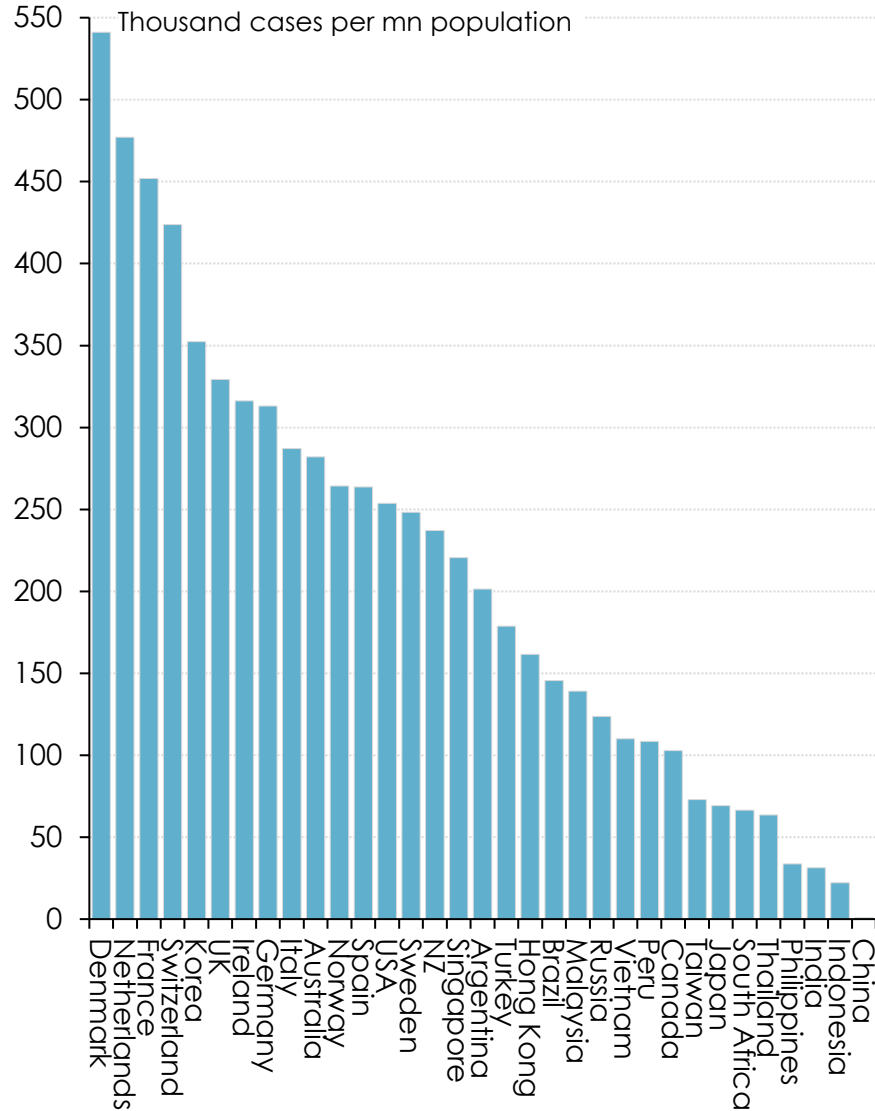
## Daily new cases per million population – major countries and regions



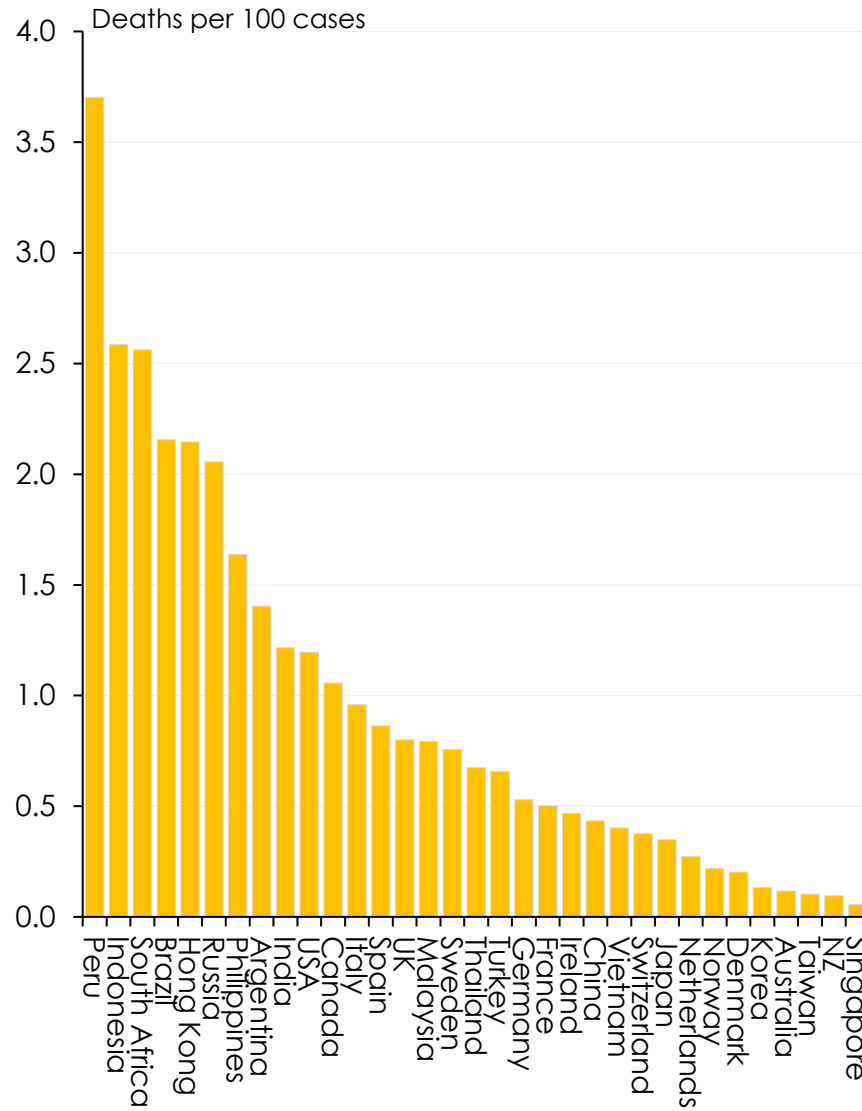
# The highest cumulative infection and death rates (since the onset of the pandemic) have been in Europe, South and North America

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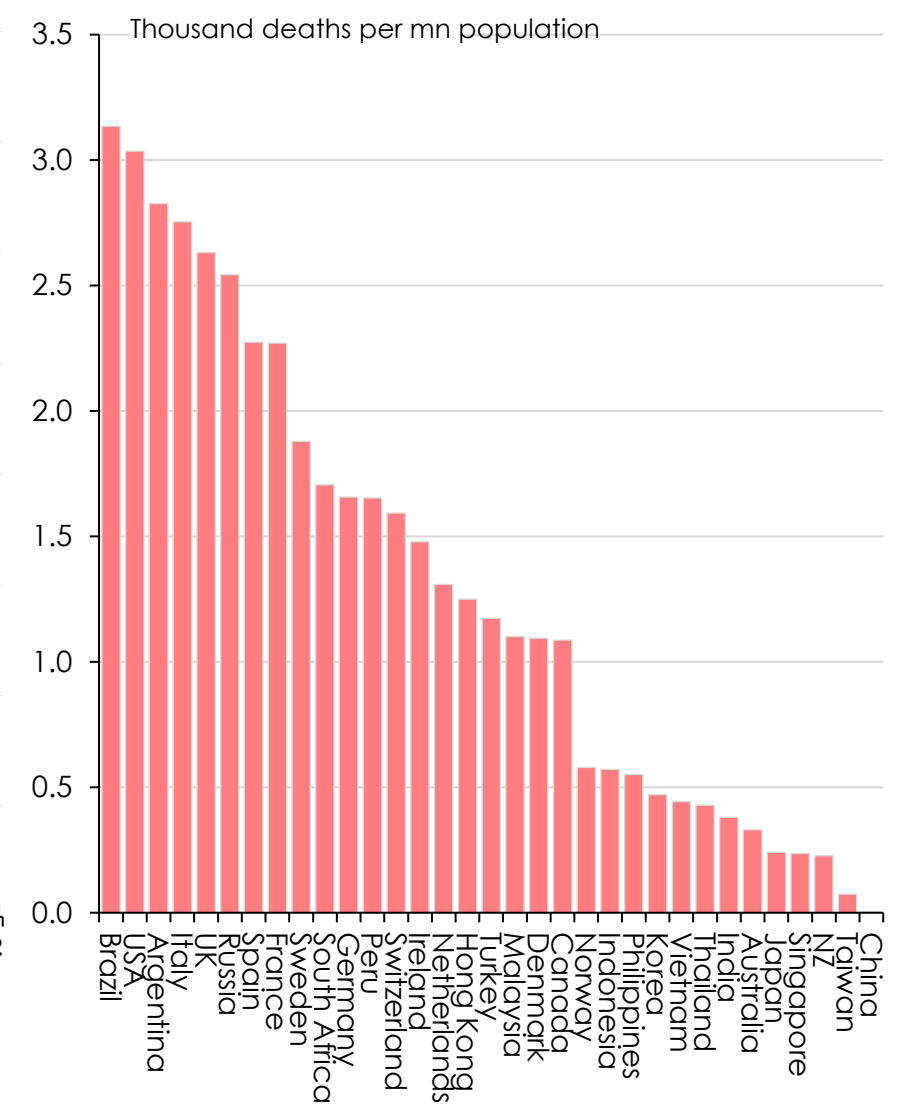
## Apparent infection rate



## Apparent fatality rate



## Apparent death rate



Note: Data shown in these charts are cumulative since the beginning of the pandemic, up to 27<sup>th</sup> May 2022. Sources: University of Oxford, [Our World in Data](#); Corinna.

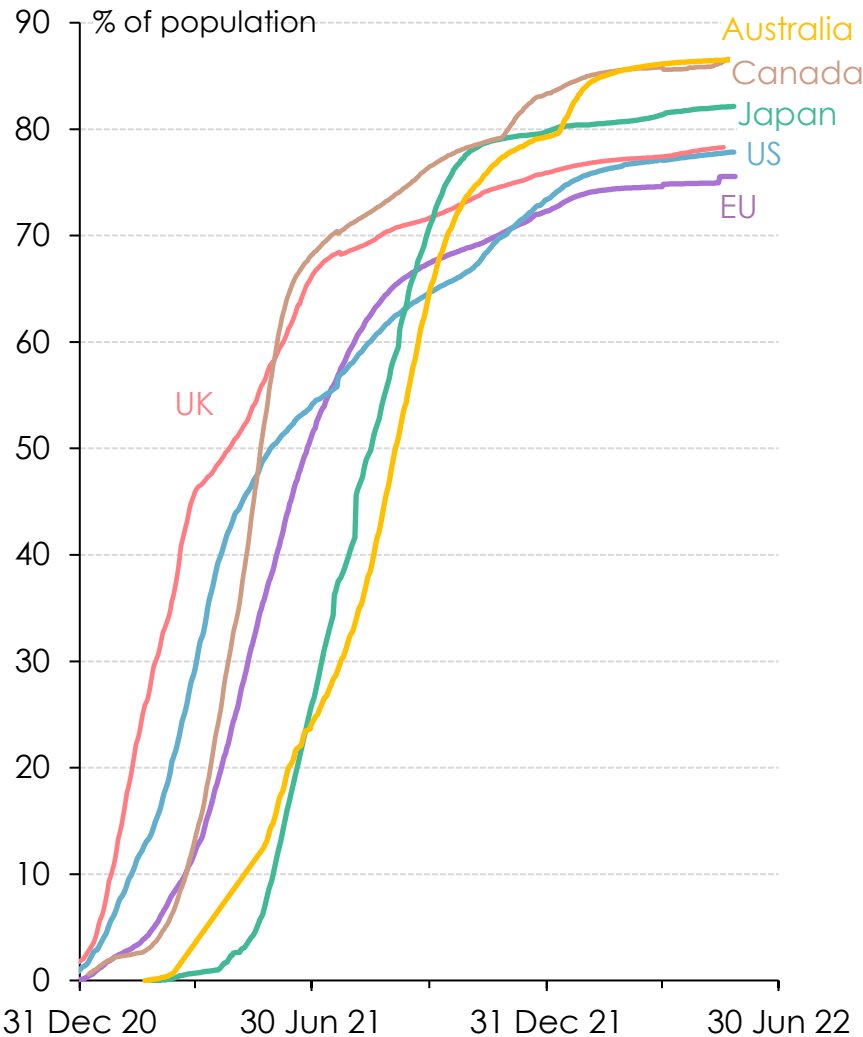
[Return to "What's New"](#).



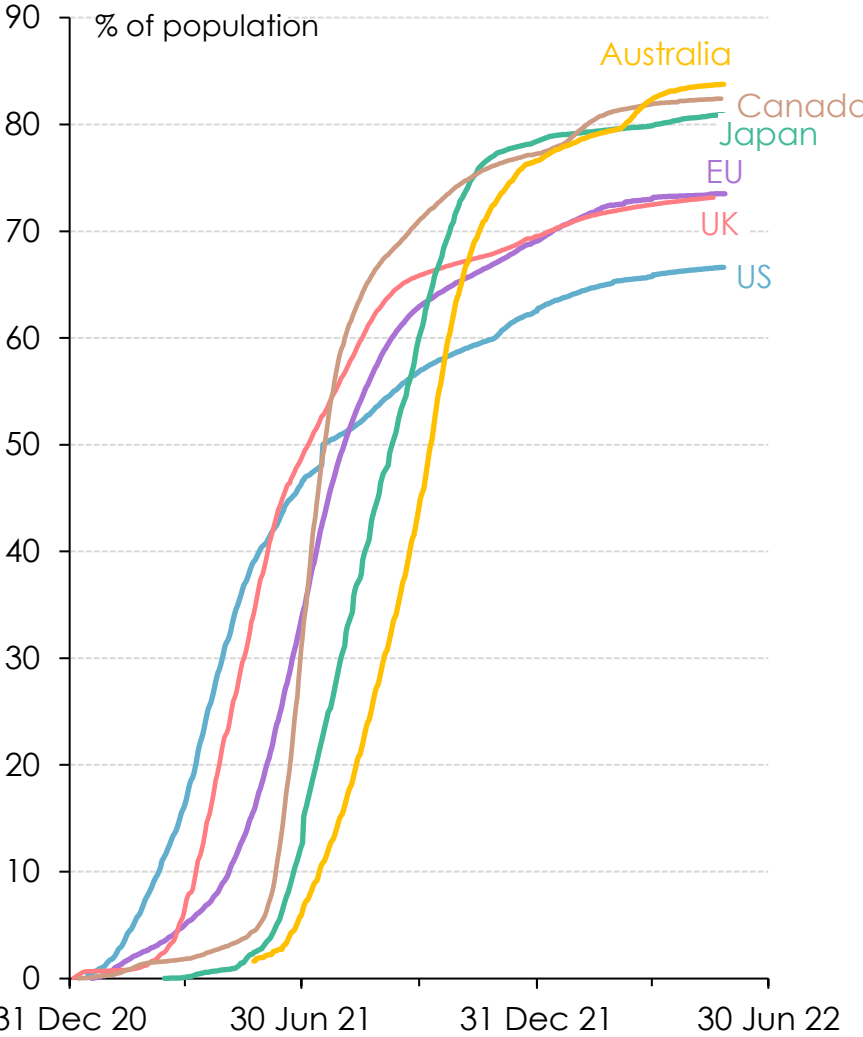
# The US lags behind most other 'advanced' economies in fully vaccinating its population and also now with regard to 'boosters'

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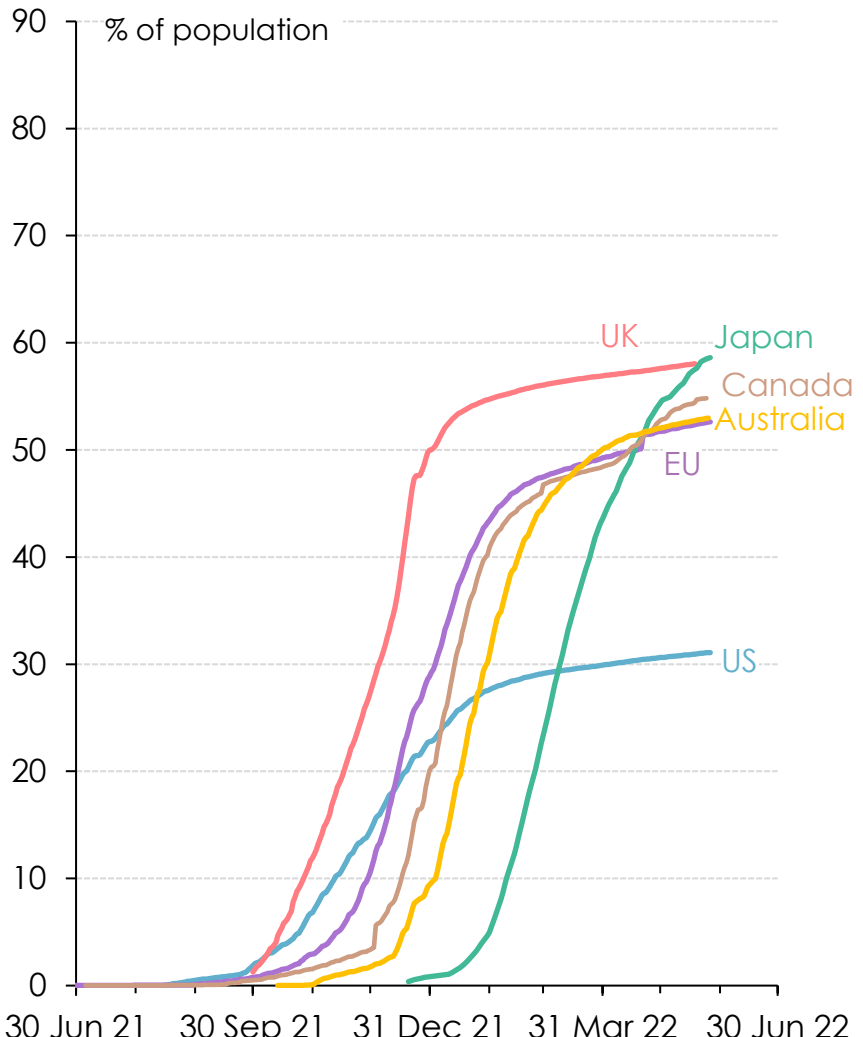
Percentage of populations who have had at least one shot



Percentage of populations who have had two shots



Percentage of populations who have had a 'booster' shot

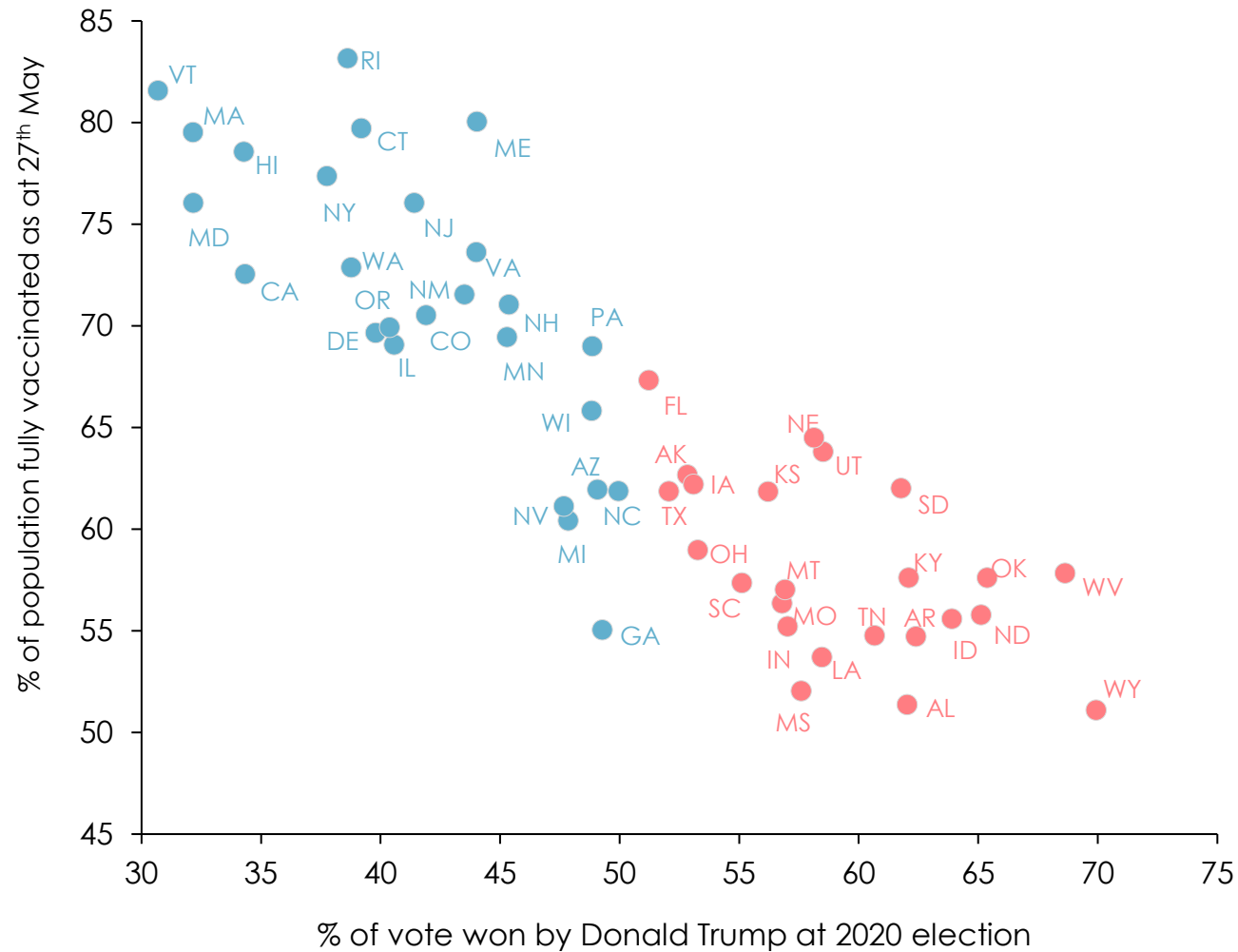


Note: Data up to 26<sup>th</sup> May, except for the UK, 18<sup>th</sup> May. Source: [Our World in Data](#); [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

# 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 – 30<sup>TH</sup> MAY 2022

## Vaccination rates vs Trump vote at 2020 elections, by state



## Vaccination rates vs infection rates since 30<sup>th</sup> June 2021, by state

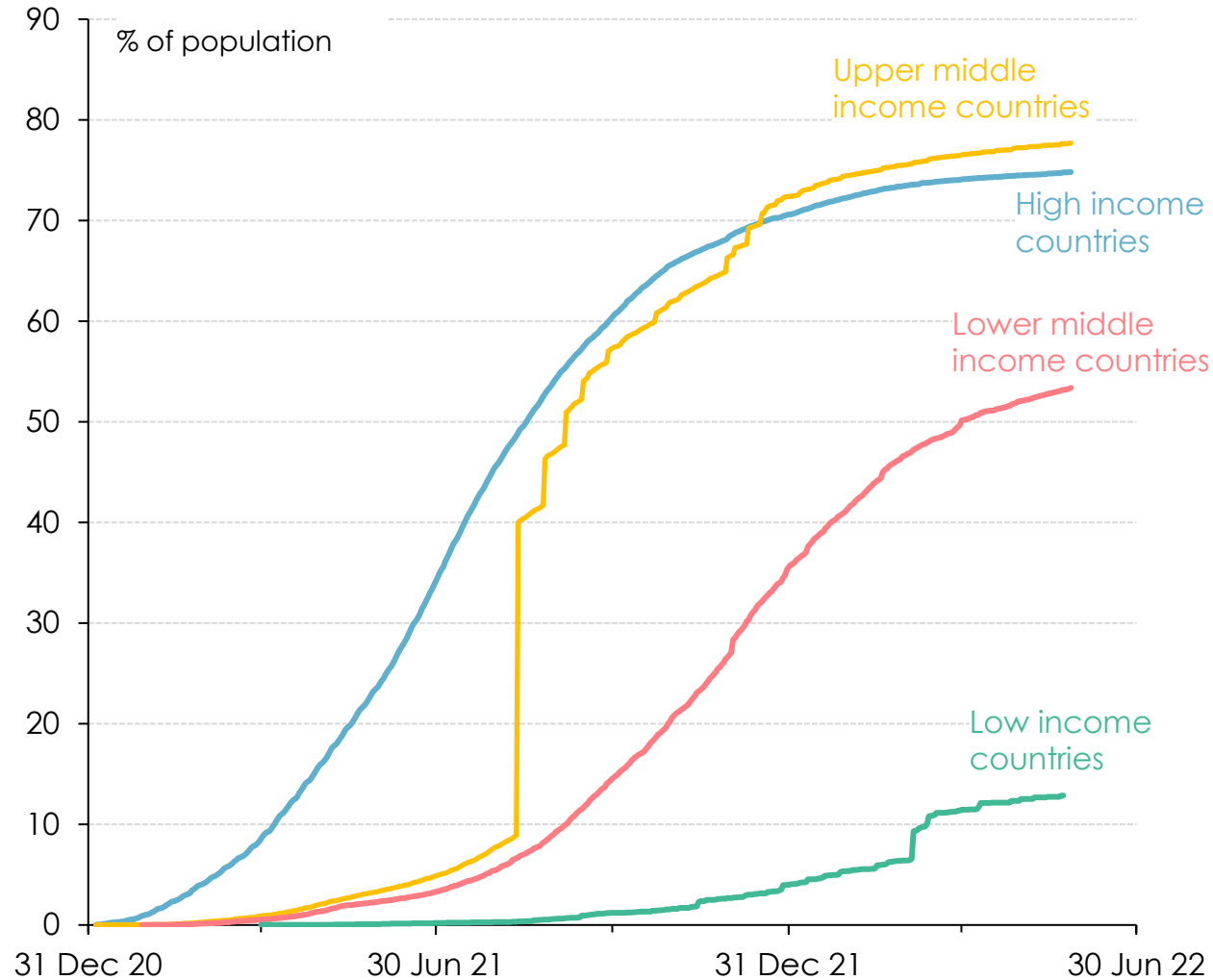


Note: Case data as at 25<sup>th</sup> May. Sources: [The Cook Political Report](#); [Our World in Data](#); [USA Facts](#); Corinna. [Return to "What's New"](#).

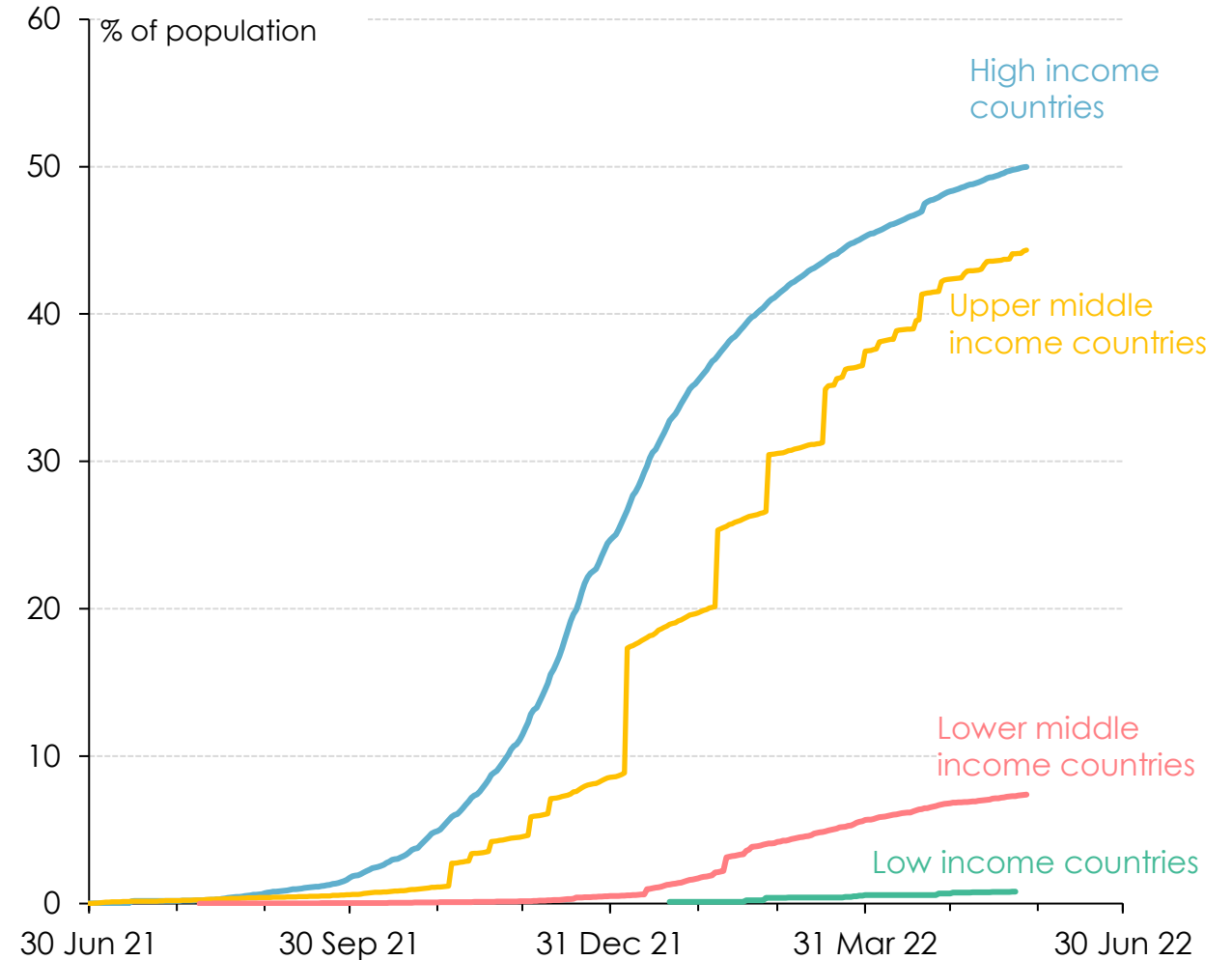
# The vaccine roll-out has proceeded much more slowly among low- and lower-middle income countries

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> 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



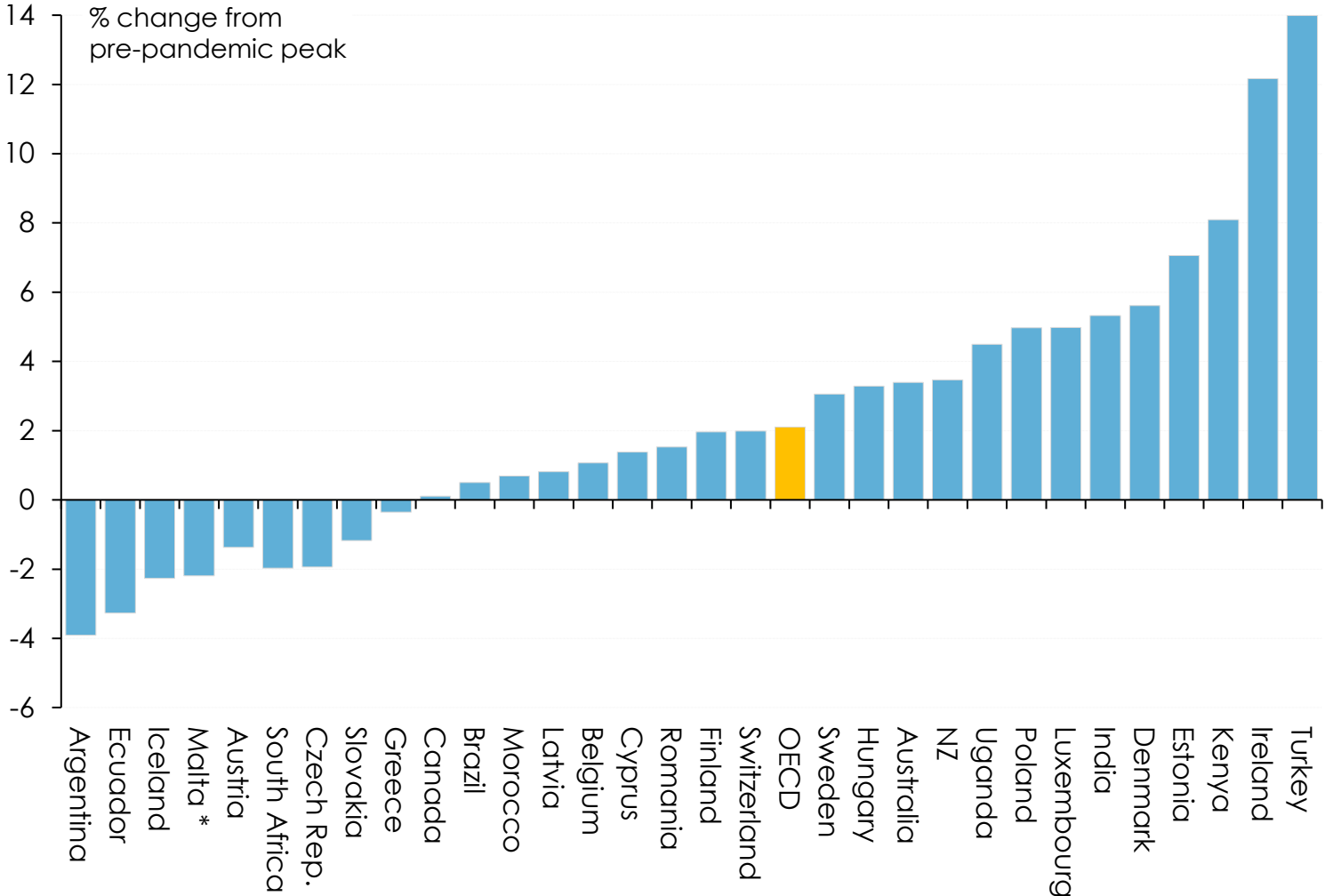
Note: Income categories are as defined by the [World Bank](#): high-income countries are (in 2021) those with a per capita gross national income (GNI) of over US\$12,535; upper-middle income countries are those with per capita GNI between US\$4046 and \$12,535; lower middle-income countries are those 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 12<sup>th</sup> August 2021 and 6<sup>th</sup> January 2022. Source: Our World in Data, [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

**The world**

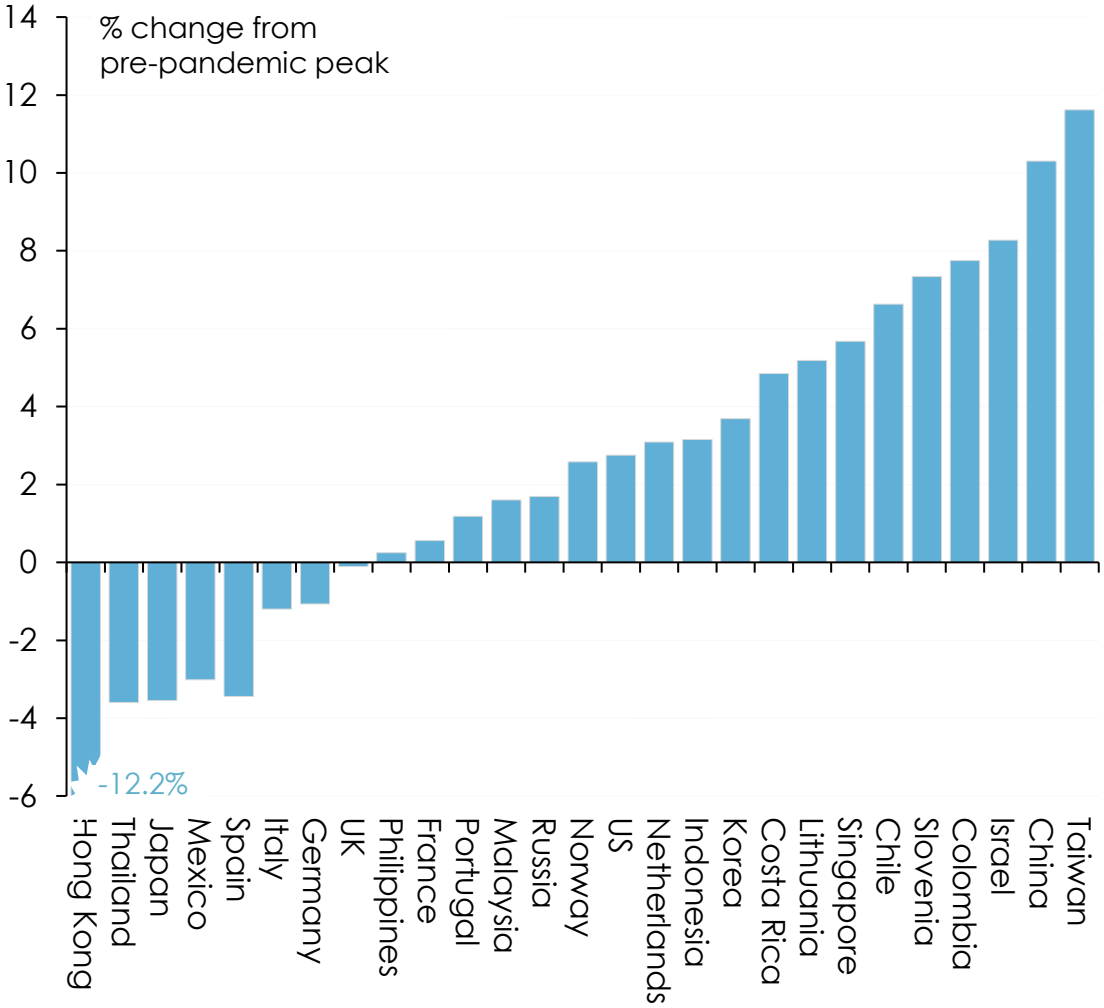
# 39 countries (of 56 for which seasonally-adjusted 2021 Q4 or 2022 Q1 GDP estimates are available) have now surpassed their pre-pandemic peaks

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

### Q4 2021 real GDP compared with pre-recession peak



### Q1 2022 real GDP compared with pre-recession peak

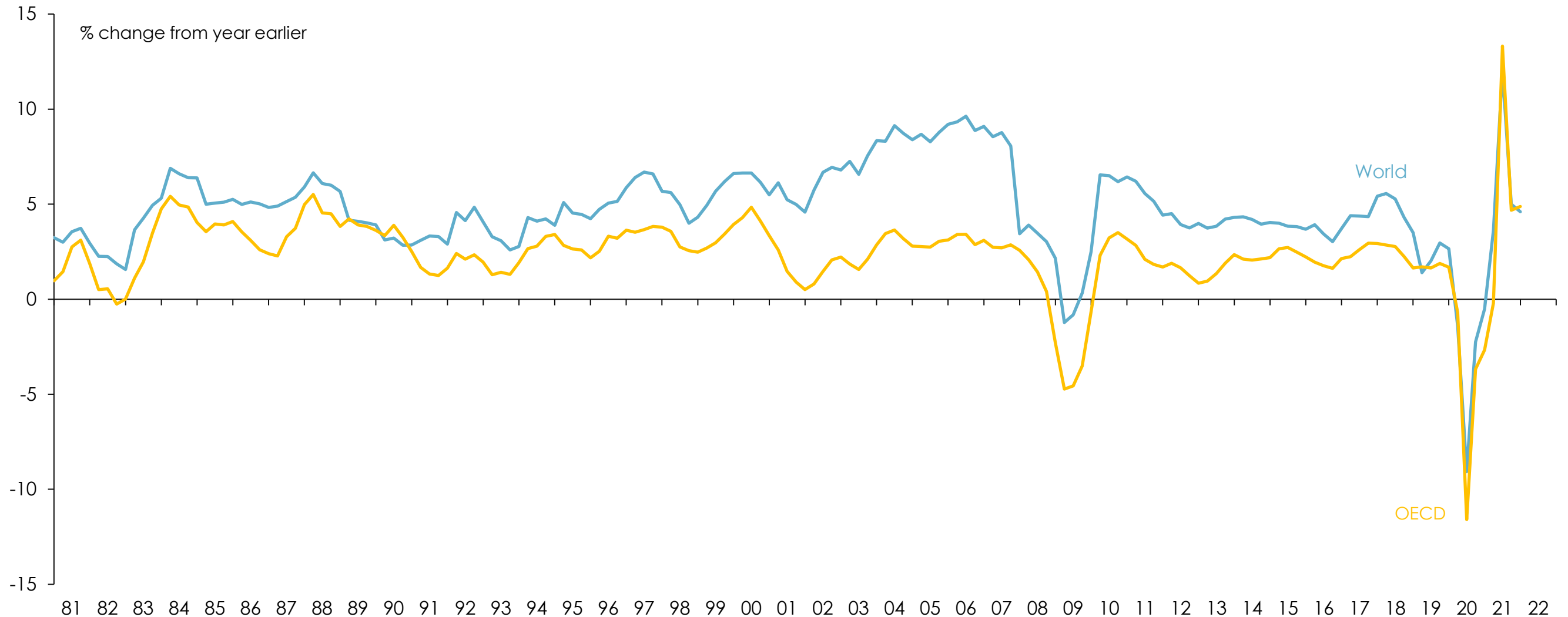


Note: estimate for China is derived from quarterly growth rates published by China NBS; estimates for India, Indonesia and Russia are seasonally adjusted by the OECD.  
 \* Estimate for Malta is for Q3 2021. Sources: National statistical agencies and central banks, and OECD. [Return to "What's New"](#).

# 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 – 30<sup>TH</sup> MAY 2022

## World and OECD area real GDP growth

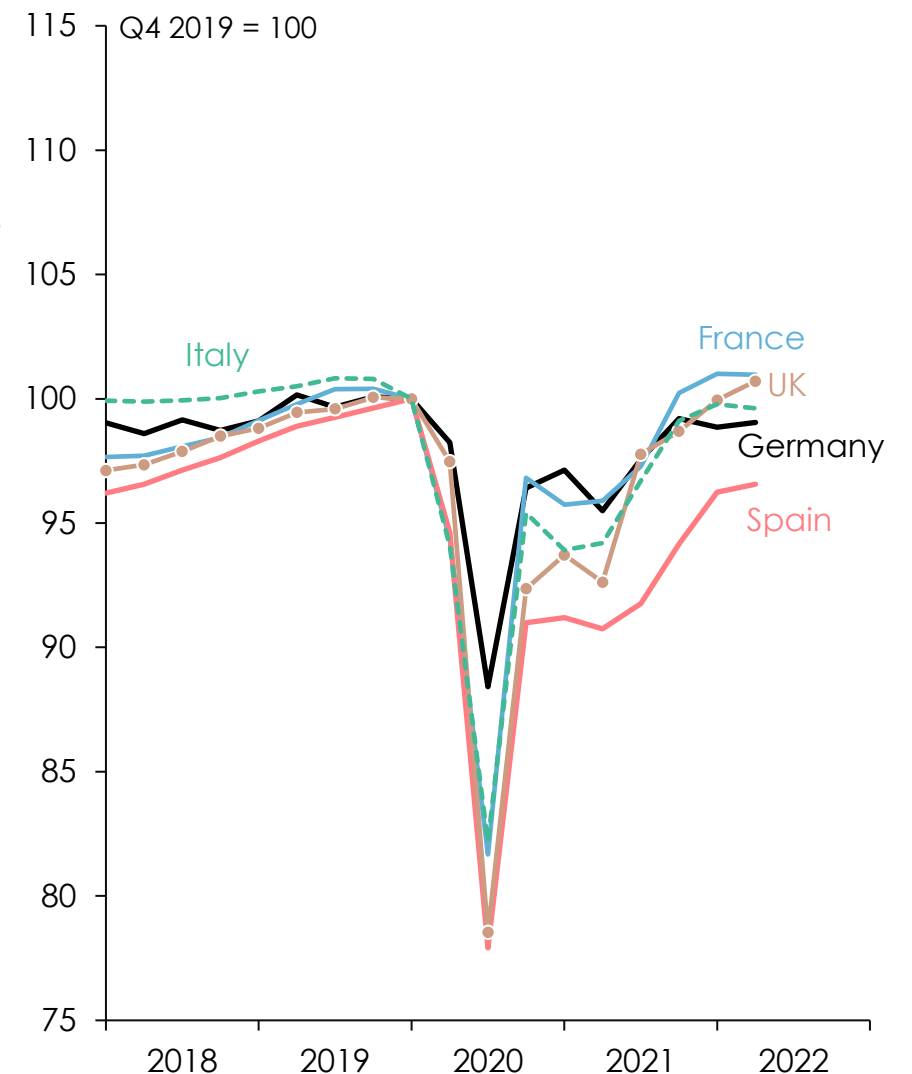
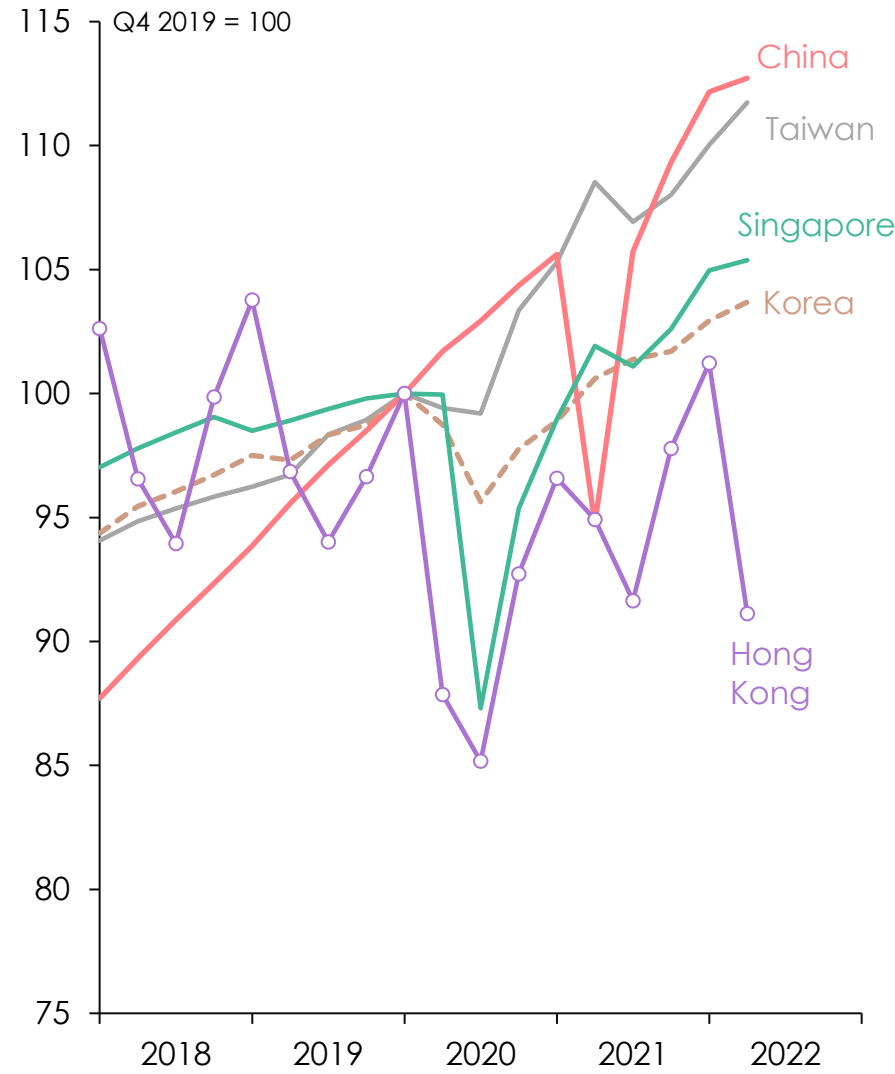
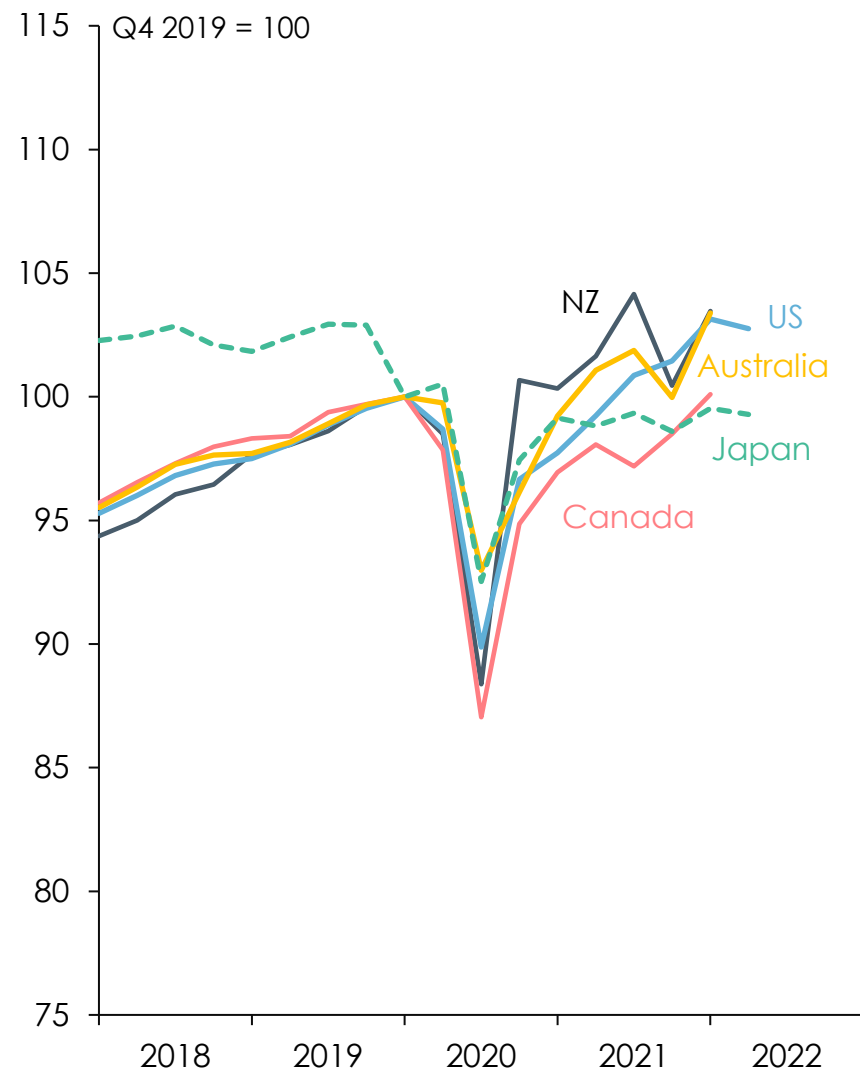


Note: Estimates of global GDP growth compiled by Corinna using data for 100 countries accounting for 94% of 2019 world GDP as measured by the IMF, weighted in accordance with each country's share of global GDP at purchasing power parities in 2019; excludes constituents of the former USSR before 1993, 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 – 30<sup>TH</sup> 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 – 30<sup>TH</sup> MAY 2022

## Major global institutions' growth forecasts for 2021- 2023 compared

	Actual		IMF			OECD			World Bank			Australian/NZ Treasury		
	2010-19 <sup>^</sup>	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 <sup>†</sup>	4.9 <sup>†</sup>	2.2 <sup>†</sup>
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. <sup>^</sup> Annual average. \* Forecasts for fiscal years beginning 1<sup>st</sup> July (and finishing 30<sup>th</sup> June following year) <sup>†</sup> Forecasts by New Zealand Treasury for fiscal years beginning 1<sup>st</sup> July. Sources: International Monetary Fund (IMF), [World Economic Outlook](#), 19<sup>th</sup> April 2022; The World Bank, [Global Economic Prospects](#), 11<sup>th</sup> January 2022; Organization for Economic Co-operation & Development (OECD), [Economic Outlook](#), 1<sup>st</sup> December 2021; Australian Treasury, 2022-23 [Budget Paper No. 1](#), 29<sup>th</sup> March 2022; New Zealand Treasury, [Half Year Economic and Fiscal Update 2021](#), 15<sup>th</sup> 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 – 30<sup>TH</sup> MAY 2022

## IMF real GDP growth forecasts

	April forecast (%)		Revision from January (pc pts)	
	2022	2023	2022	2023
<b>Advanced economies</b>				
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
<b>Emerging economies</b>				
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
<b>World</b>	<b>3.6</b>	<b>3.6</b>	<b>-0.8</b>	<b>-0.2</b>

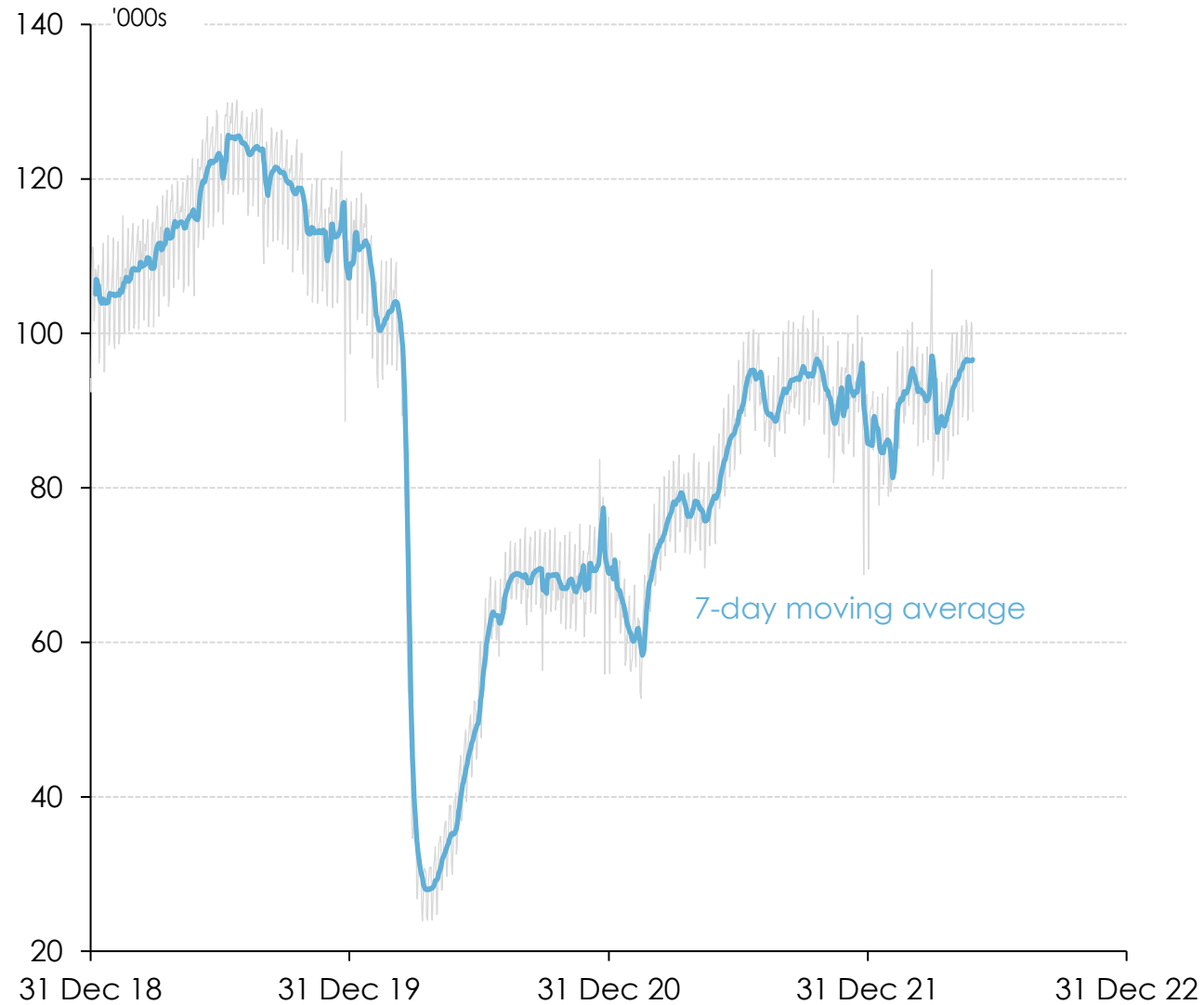
- ❑ The IMF's latest [World Economic Outlook](#), published in mid-April, lowered its forecast for global GDP growth in 2022 by 0.8 pc pt to 3.6%, and for 2023 by 0.6 pc pt, also to 3.6%
  - the deterioration in the outlook is “largely because of Russia’s invasion of Ukraine ... and the sanctions aimed 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](#), 19<sup>th</sup> April 2022. [Return to "What's New"](#).

# Global aviation traffic has picked up again over the past three weeks, after a setback in the first half of April

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

## Daily commercial flights worldwide



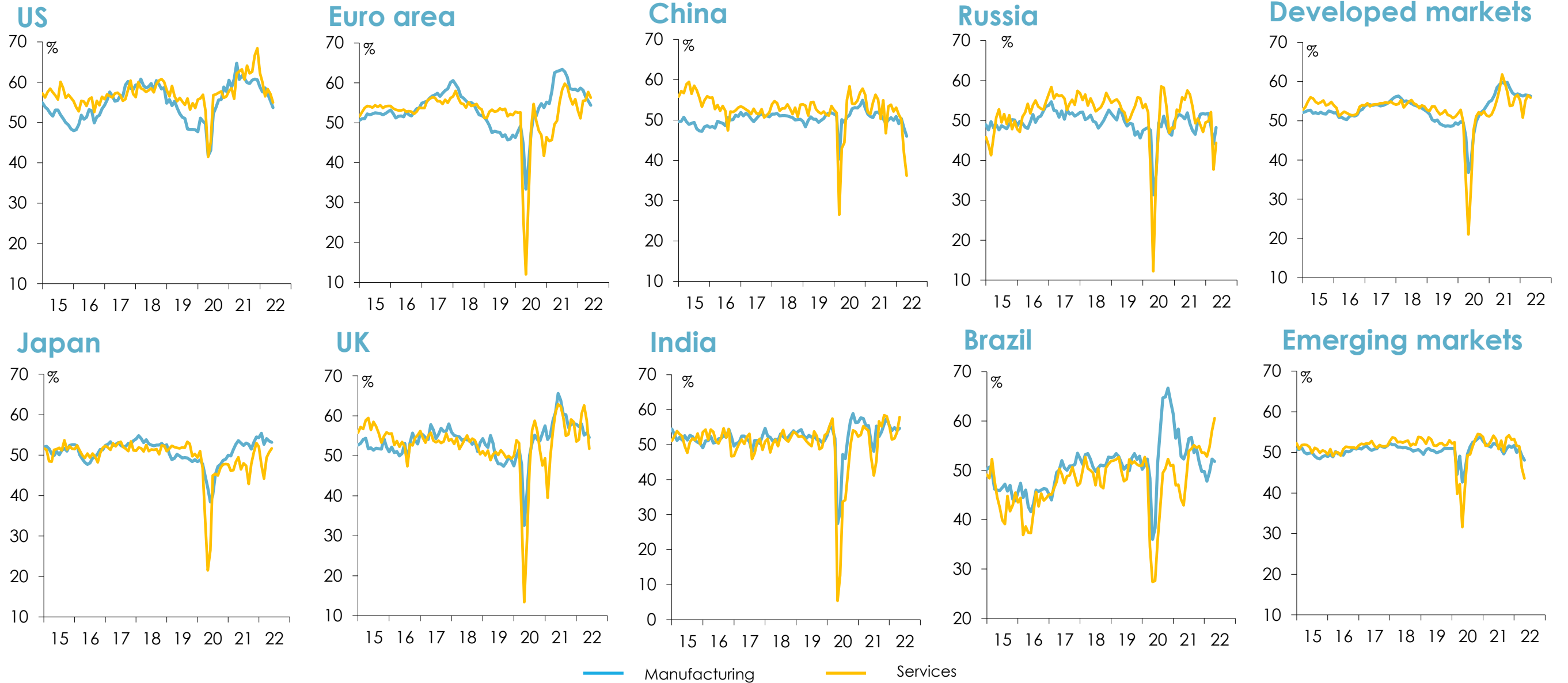
## Daily US TSA 'security' checks



Note: Commercial flights include commercial passenger flights, cargo flights, charter flights, and some business jet flights. Data are up to 28<sup>th</sup> May for commercial flights and 27<sup>th</sup> 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"](#).

# 'Flash' PMIs for May suggest a sharp slowing (though not a contraction) in the UK, and a more moderate slowing in the US and euro area

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

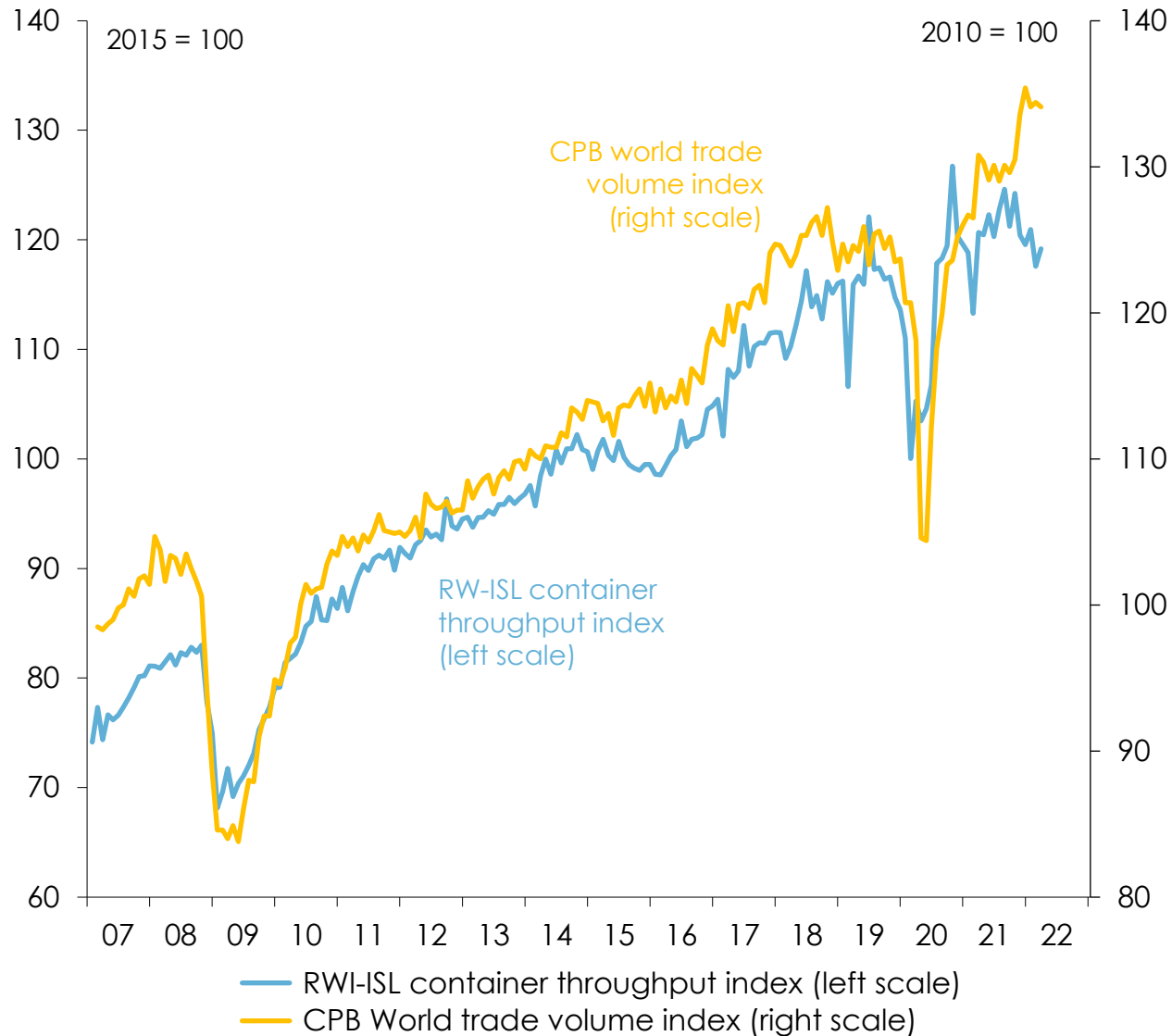


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous month, and a reading of less than 50 indicates a decrease. Latest data for the US, Japan, euro area and UK are 'flash' May readings, all others are for April. 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"](#).

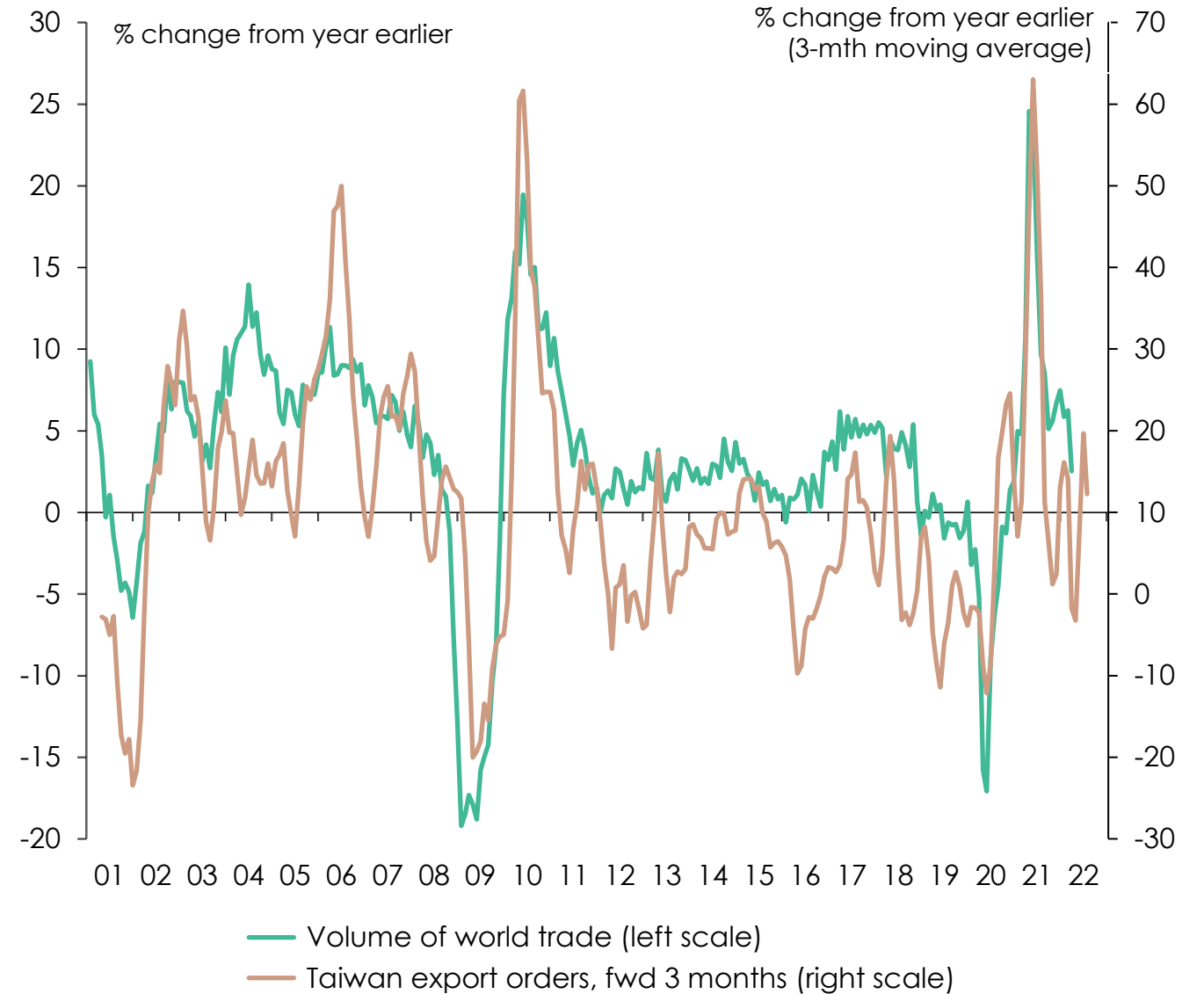
# The volume of world trade fell 0.2% in March, reflecting large falls in imports into China and Russia, partly offset by a large increase in US imports

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

## World trade volumes and container throughput



## Taiwan export orders and world trade volumes

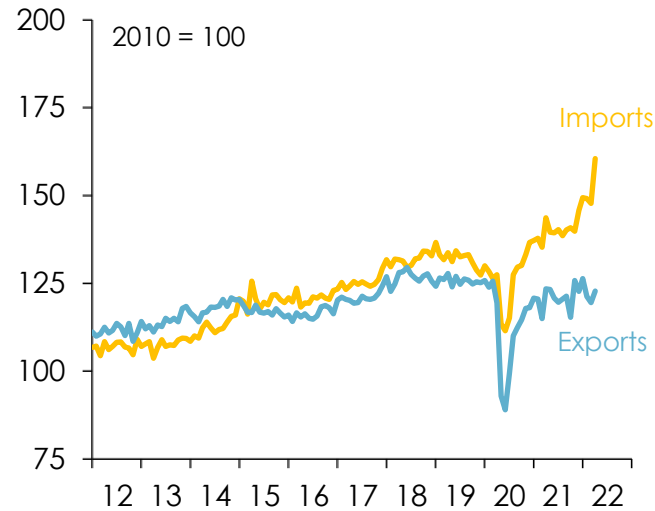


Note: The shipping container throughput index is based on reports from 91 ports around the world handling over 60% of global container shipping.  
Sources: CPB Netherlands Economic Planning Bureau, [World Trade Monitor](#), March 2022 (April data to be released on 24<sup>th</sup> June; Institute of Shipping Economics & Logistics (ISL) and RWI Leibniz-Institut für Wirtschaftsforschung (RWI) [Container Throughput Index](#); Taiwan [Ministry of Economic Affairs](#). [Return to "What's New"](#).

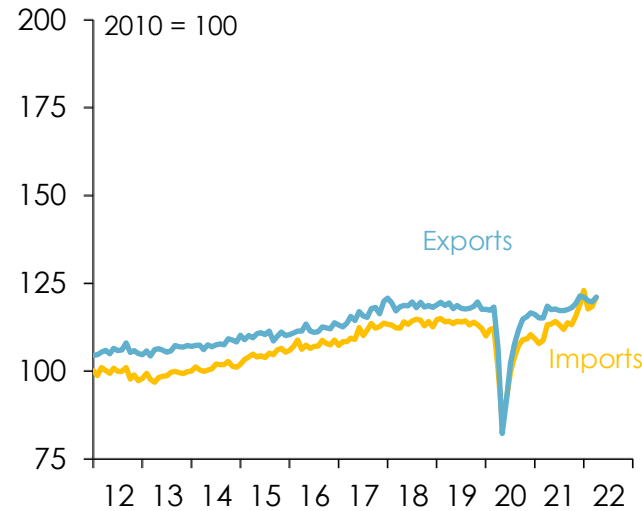
# Imbalances in trade between the US and 'emerging' Asia (including China) are the major factor in the mal-distribution of containers around the world

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

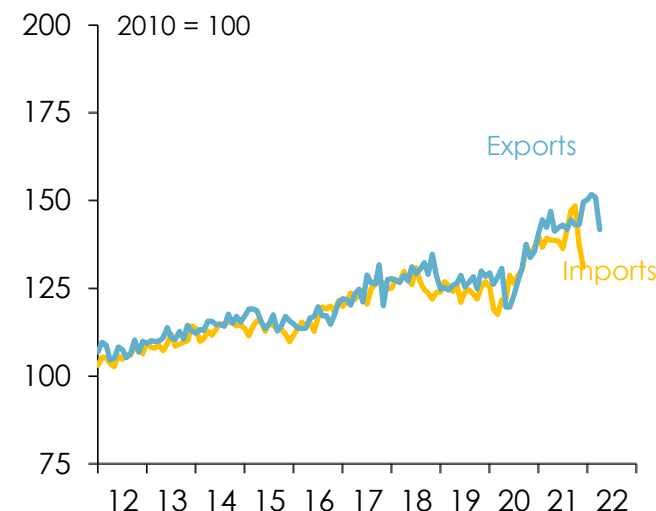
## United States



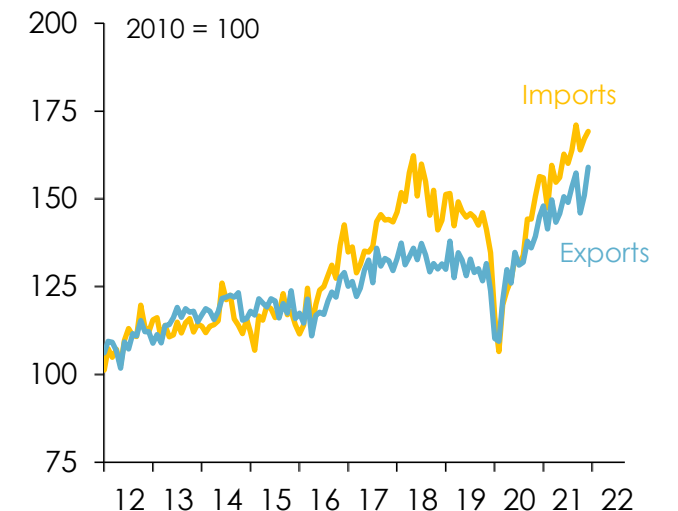
## Euro area



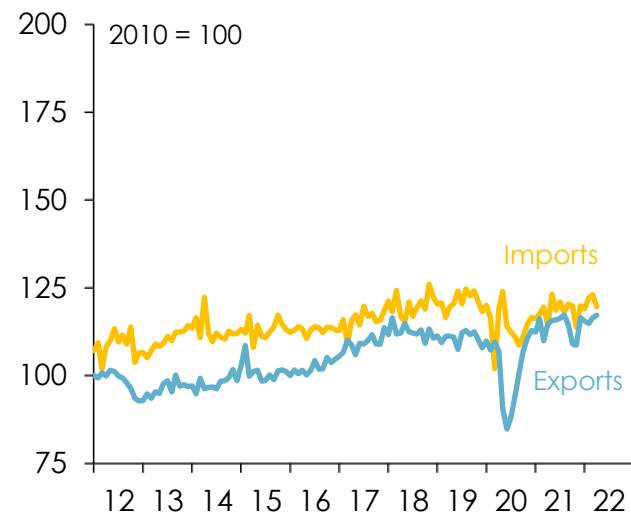
## Other 'advanced' Asia



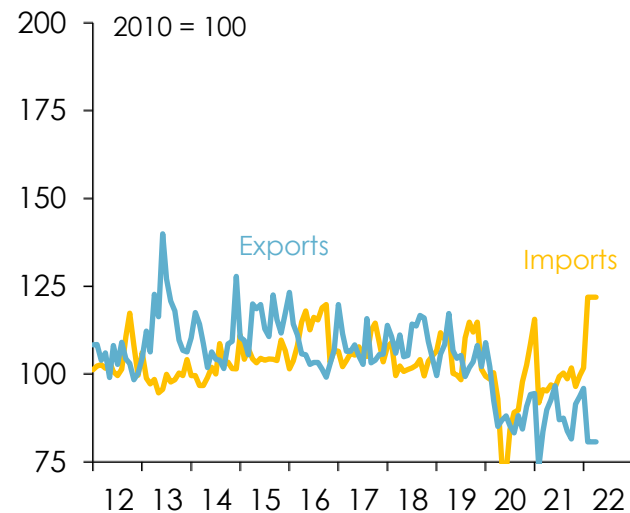
## Other 'emerging' Asia



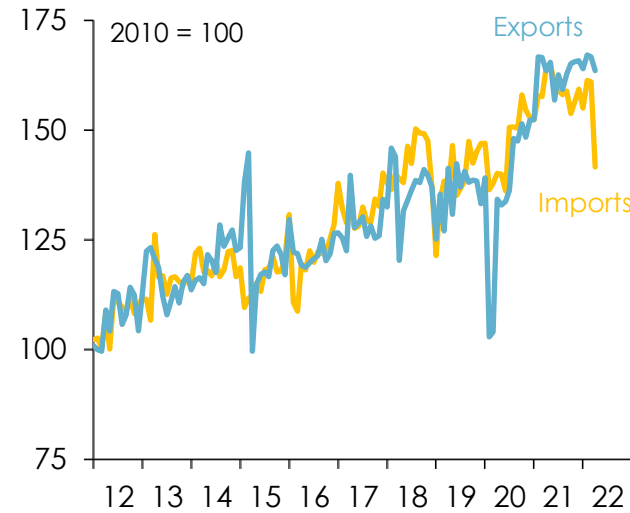
## Japan



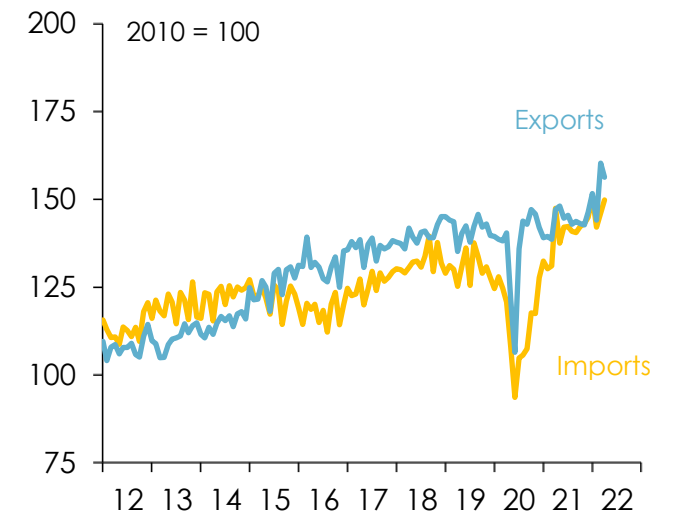
## United Kingdom



## China



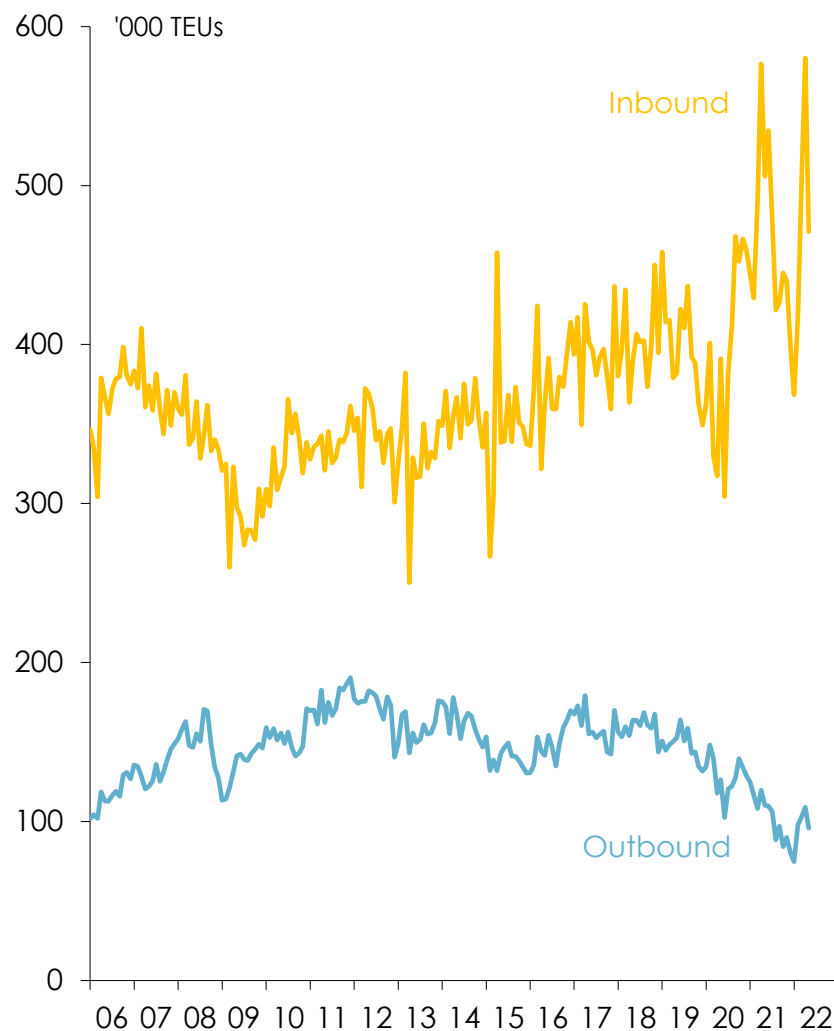
## Latin America



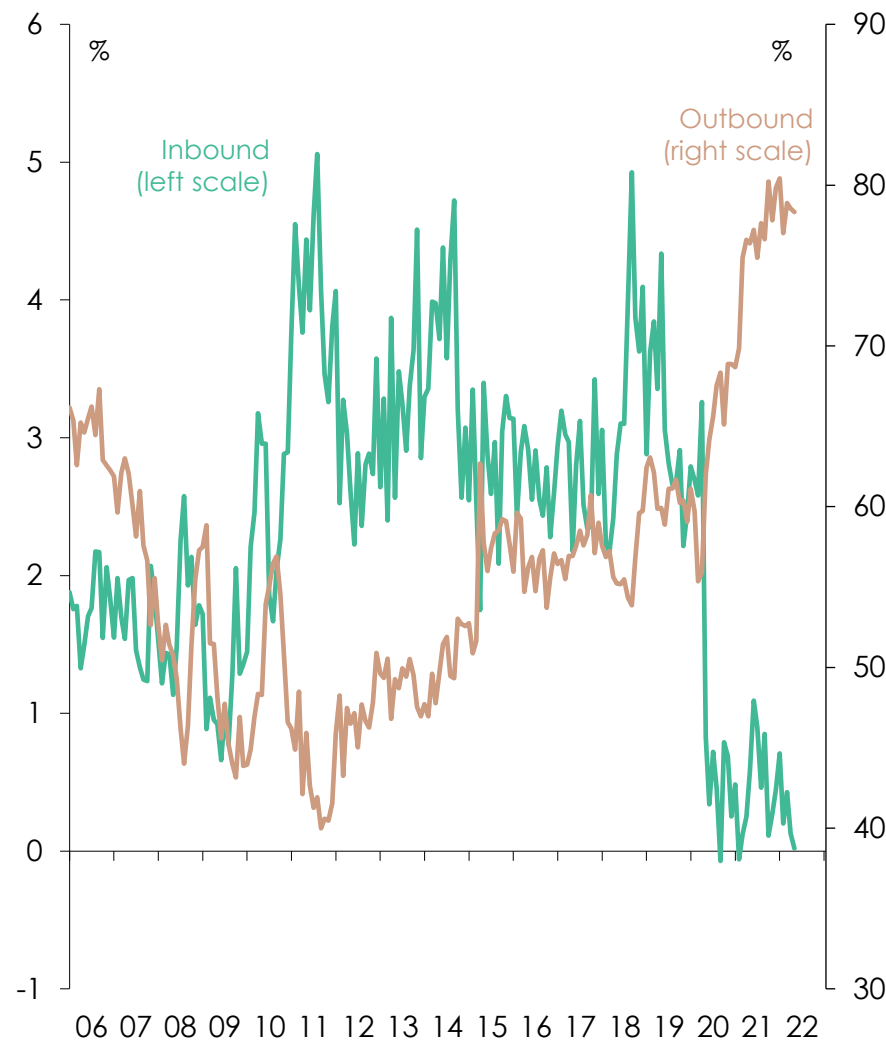
# Congestion at the Port of Los Angeles (the US' largest container port) has eased significantly but trade flows remain unusually unbalanced

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

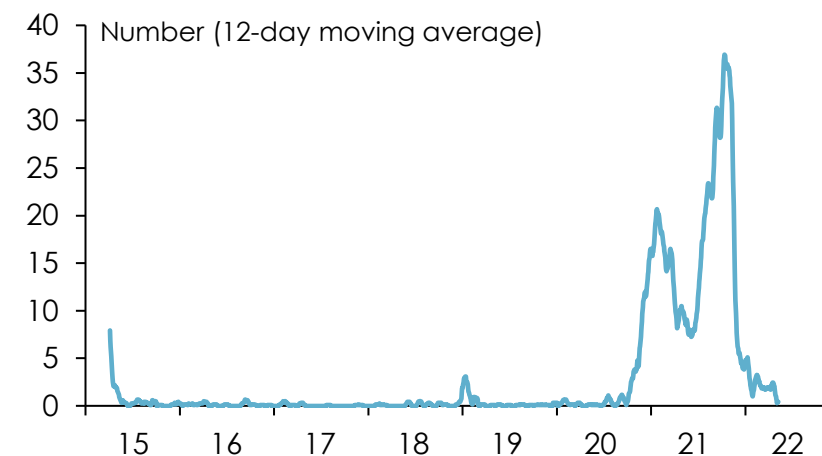
## Container traffic through the Port of Los Angeles



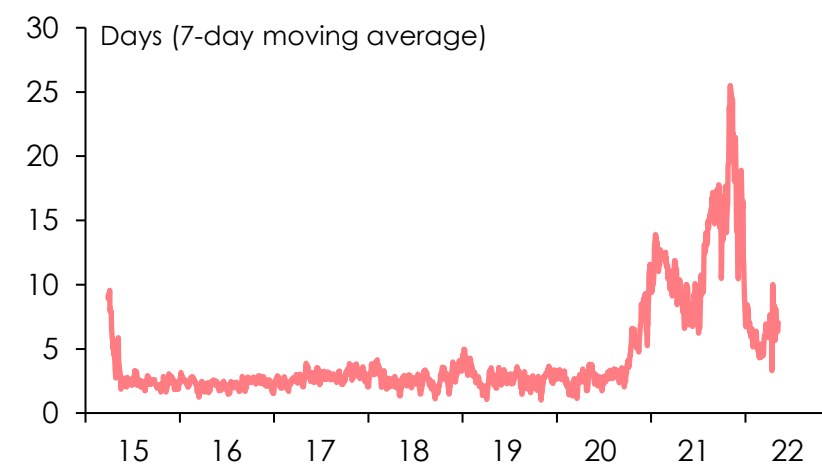
## Empty containers as a pc of total passing through PoLA



## Number of vessels at anchor outside PoLA



## Average time at anchor and berth for ships at PoLA

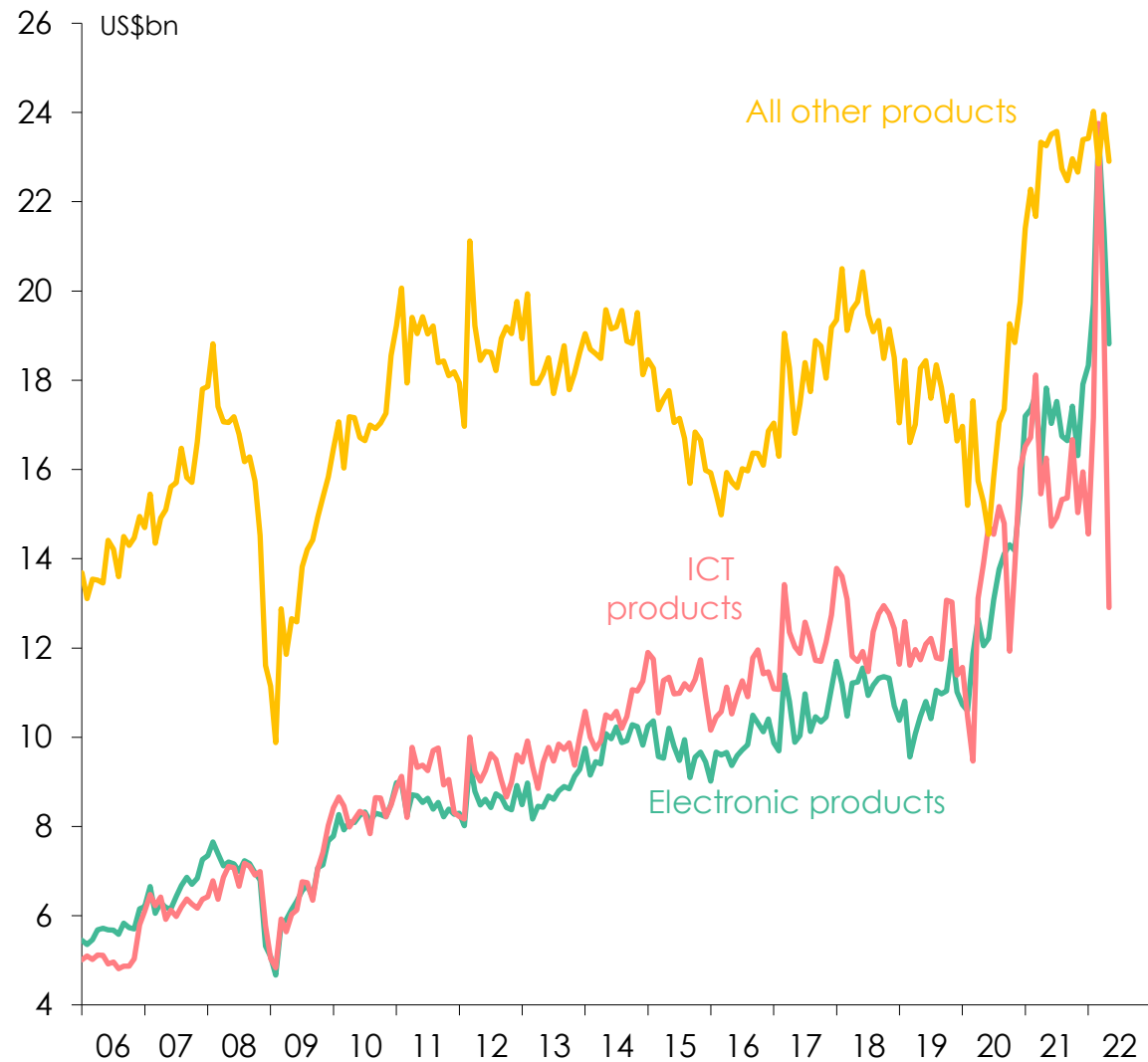


Note: TEU = 20-foot equivalent unit. Data on inbound and outbound container traffic in the first two charts have been seasonally adjusted by Corinna using Refinitiv Datastream. Data up to 27<sup>th</sup> May. Source: The Port of Los Angeles, [Container Statistics](#) and [Container vessels in port](#). [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 – 30<sup>TH</sup> MAY 2022

## Taiwan export orders, by product



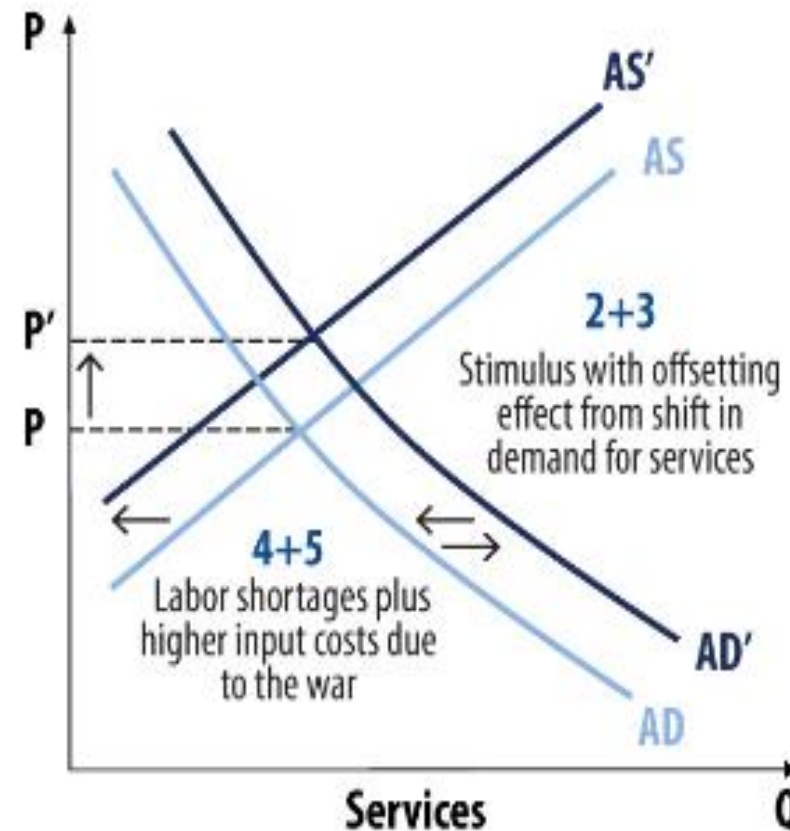
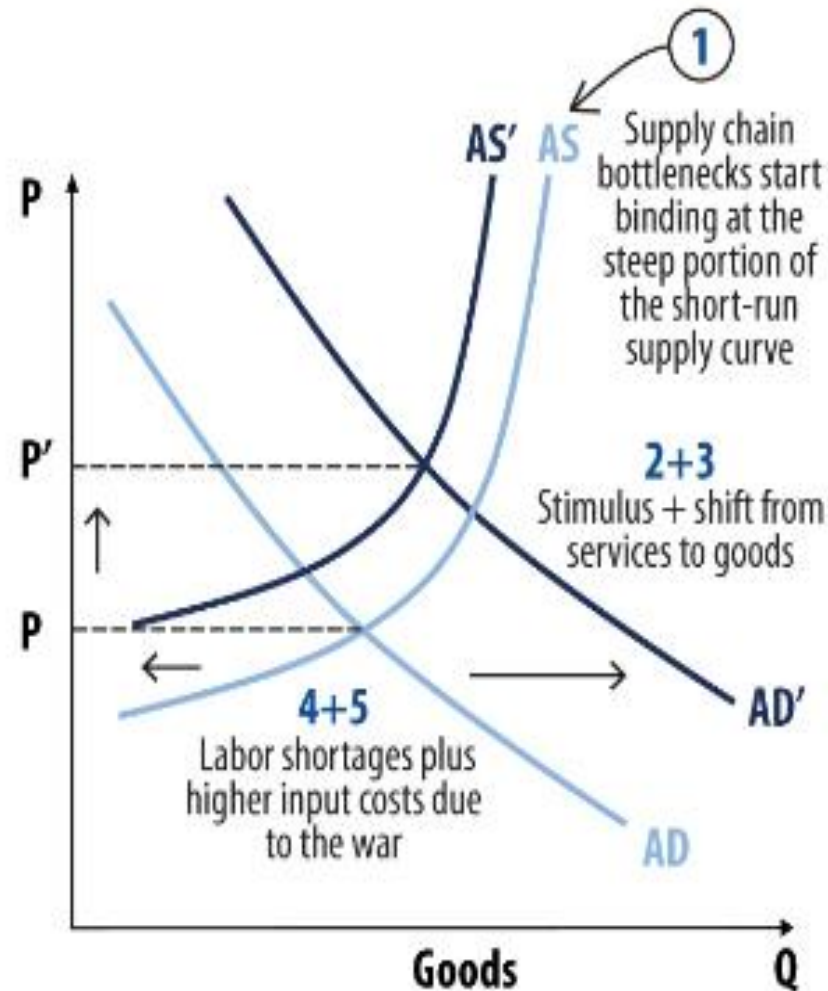
Note: Data have been seasonally adjusted by Corinna using Refinitiv Datastream. Latest data are for April. Source: Taiwan [Ministry of Economic Affairs](#). [Return to "What's New"](#).

- ❑ 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 – 30<sup>TH</sup> 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')

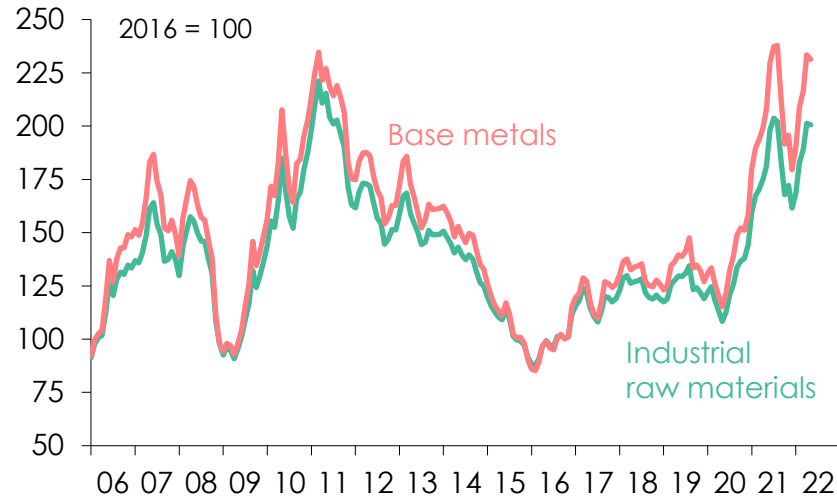
Source: Ruchir Agawal and Miles Kimball, [Will inflation remain high?](#), International Monetary Fund, 7<sup>th</sup> April 2022. [Return to "What's New"](#).



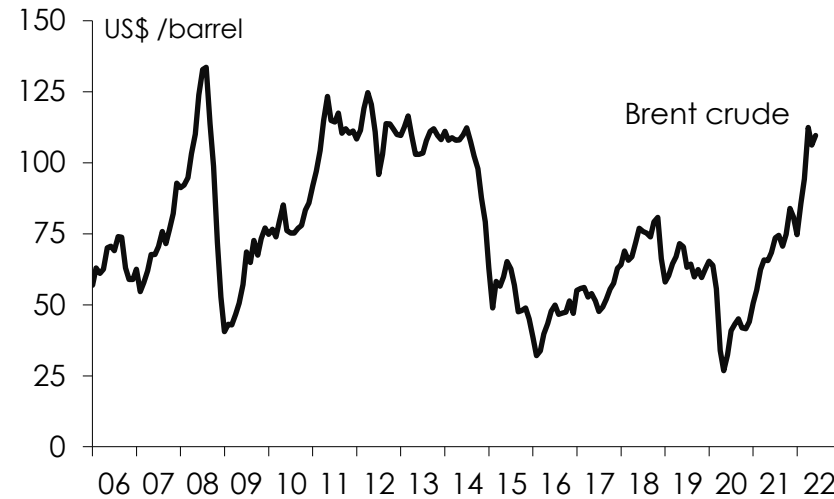
# After seeming to have peaked in October, commodity prices have started rising again, especially for oil, gas and food as a result of the Ukraine war

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

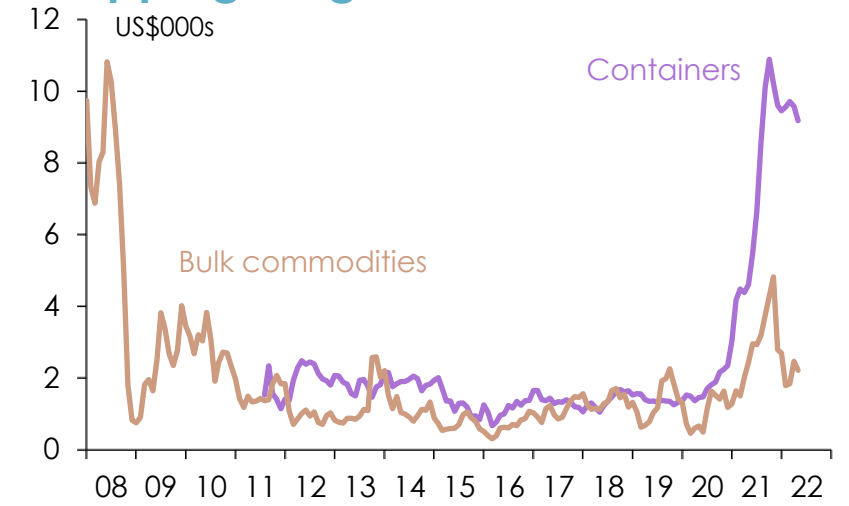
## 'Hard' commodity prices



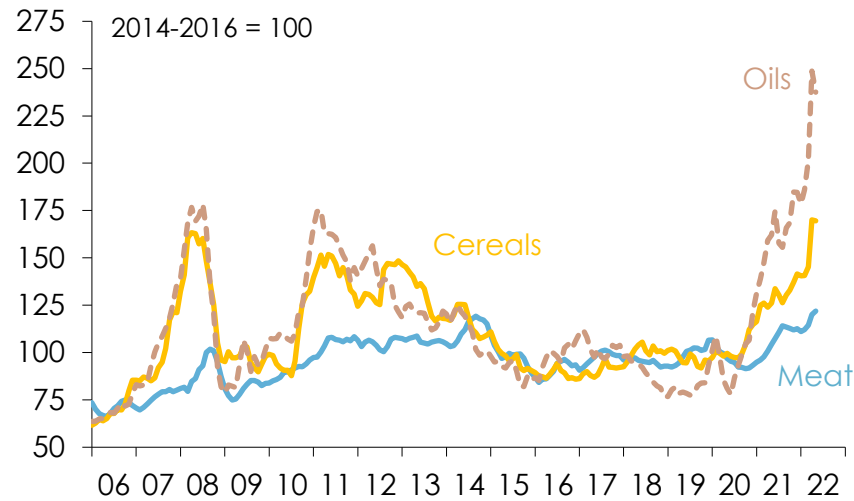
## Crude oil price



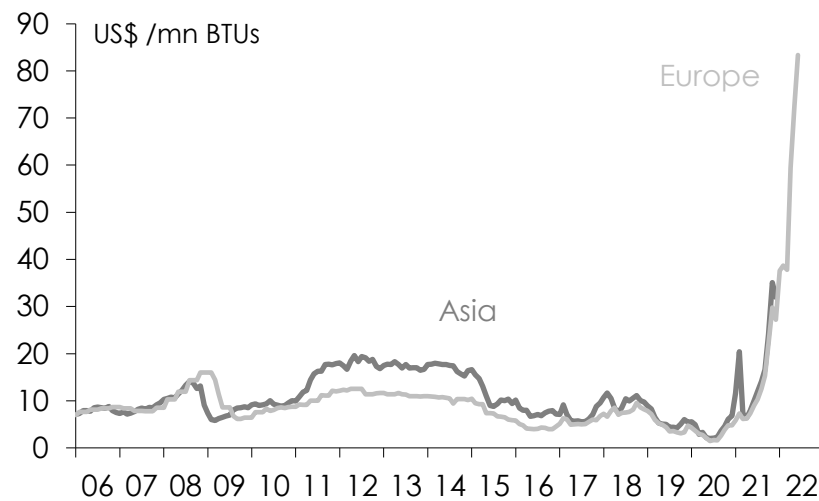
## Shipping freight costs



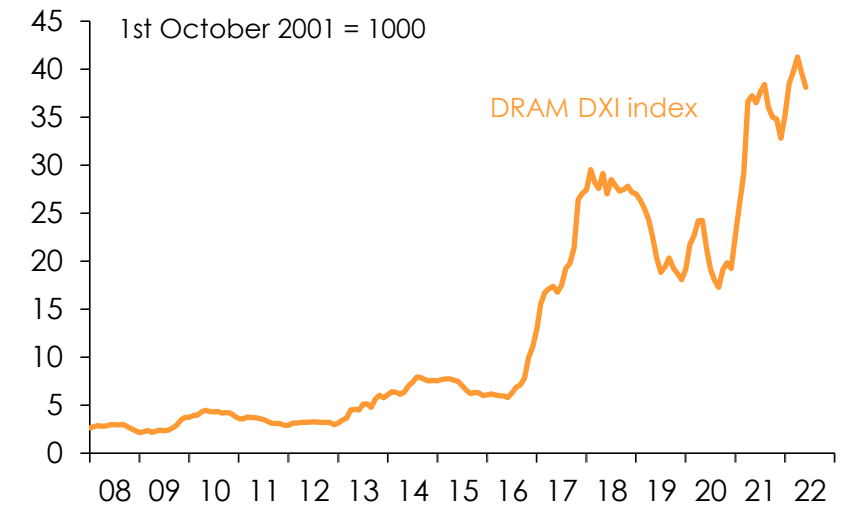
## Food commodity prices



## Natural gas prices



## Semiconductor chip prices

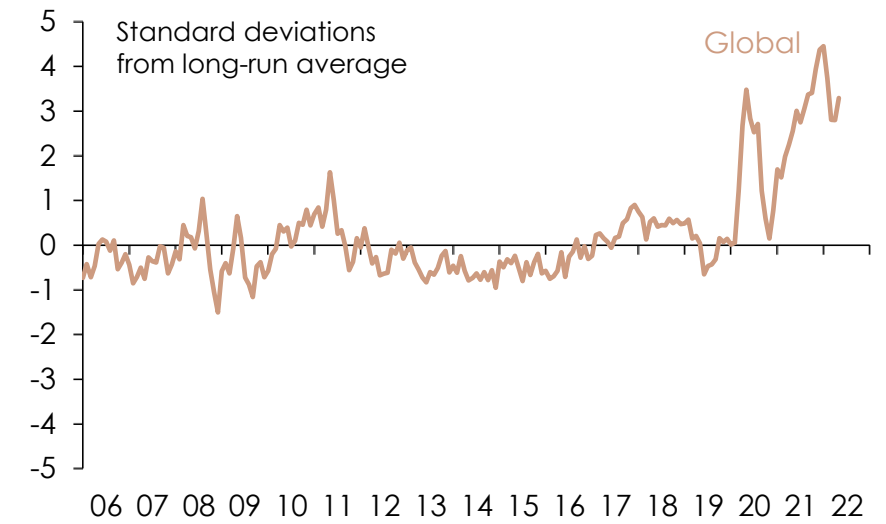
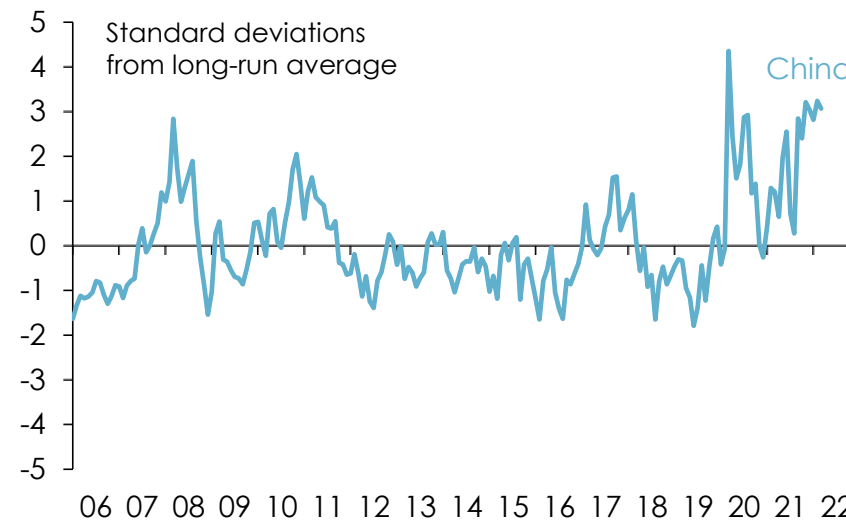
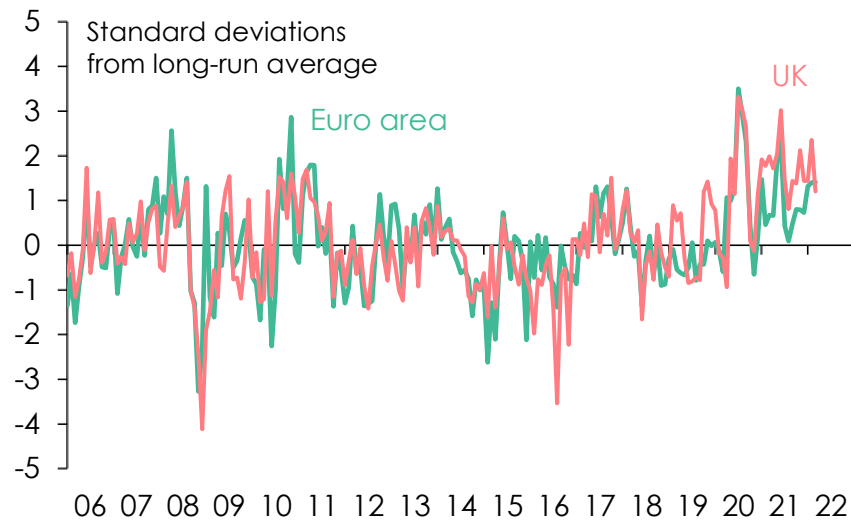
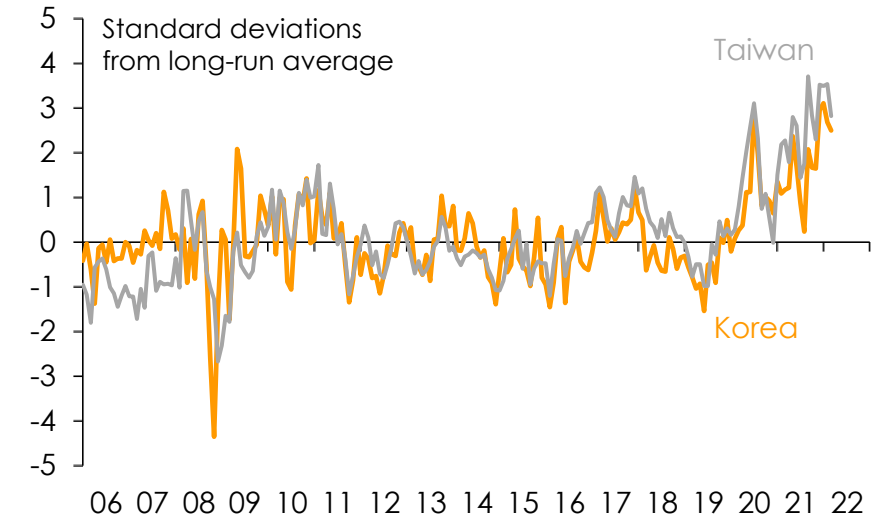
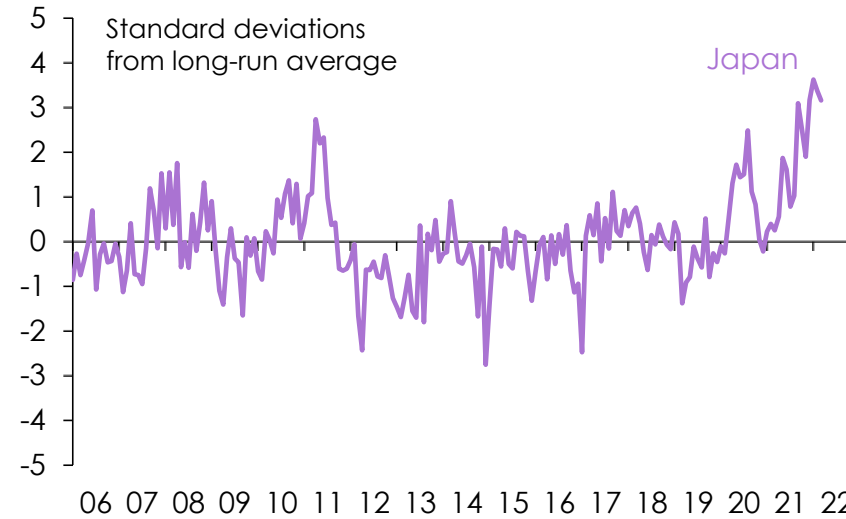
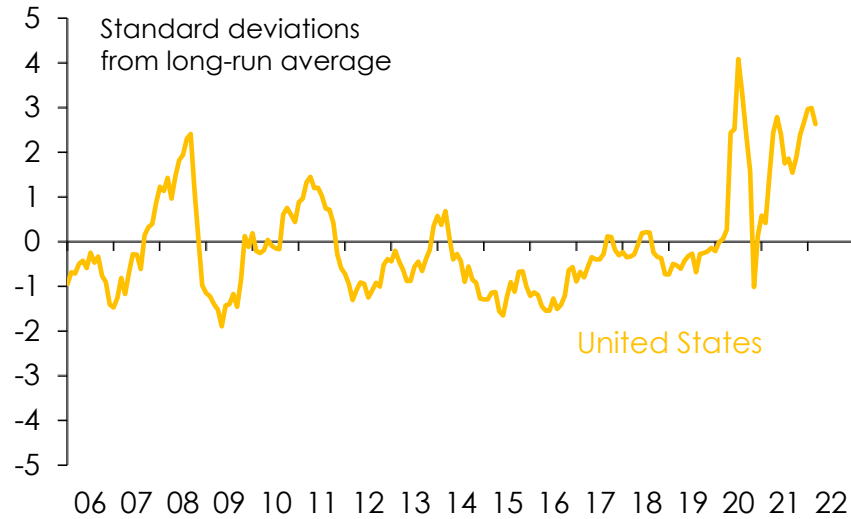


Note: The IMF commodity price indices were re-based to 2016 = 100 (previously 2005) in October 2021; but the IMF appears to have indefinitely suspended its series of commodity prices (other than indexes). Sources: [International Monetary Fund](#); [UN Food and Agriculture Organization](#); [Freightos](#); [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 – 30<sup>TH</sup> MAY 2022

## NY Fed global supply chain pressure index



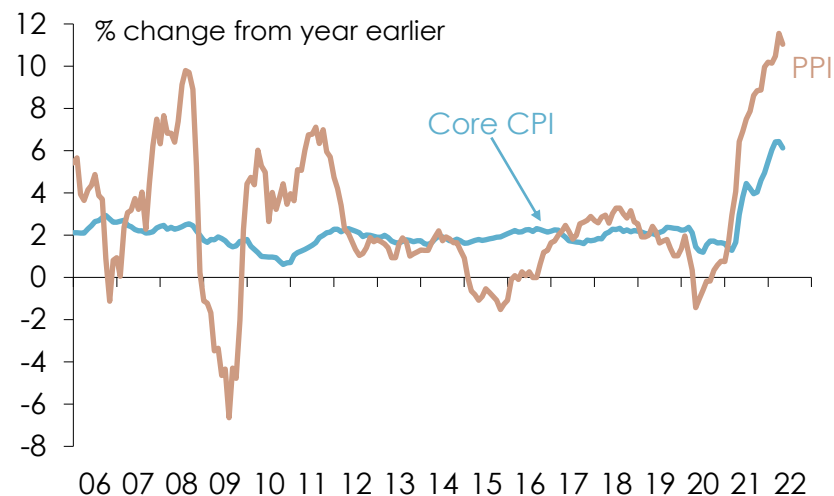
Sources: Gianluca Benigno, Julian Di Giovanni, Jan Groen & Adam Noble, [A New Barometer of Global Supply Chain Pressures](#), Federal Reserve Bank of New York, 4<sup>th</sup> January 2022 (which contains a detailed explanation of the construction of this index); and [Global Supply Chain Pressure Index: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

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

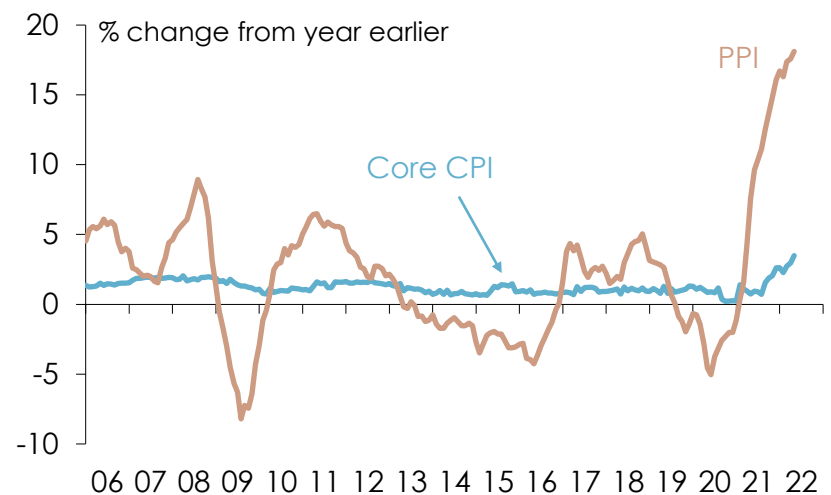
# Producer prices are surging in all major economies: but only in the US and the UK is this feeding into markedly higher core CPI inflation

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

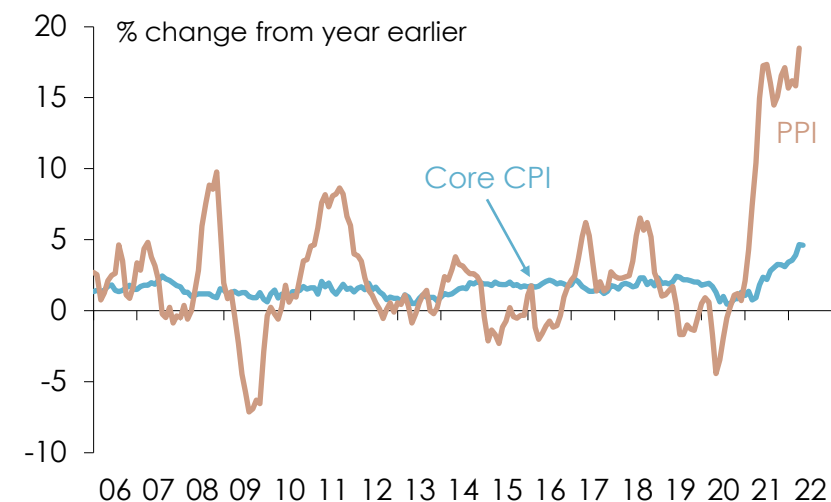
## United States



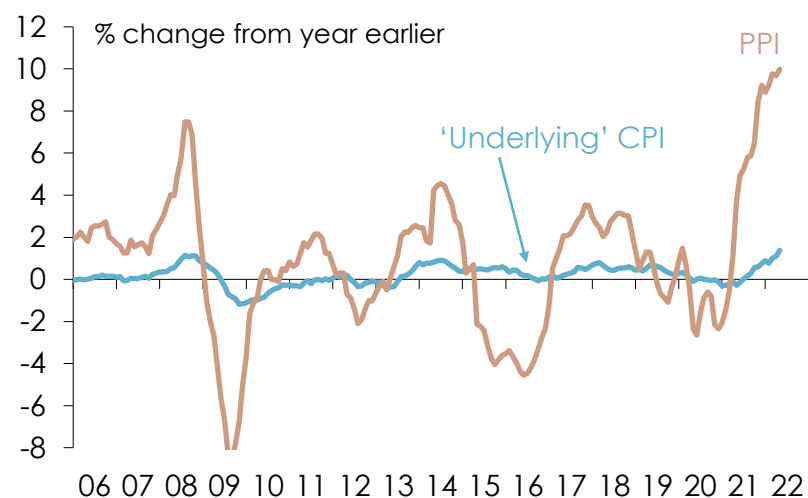
## Euro area



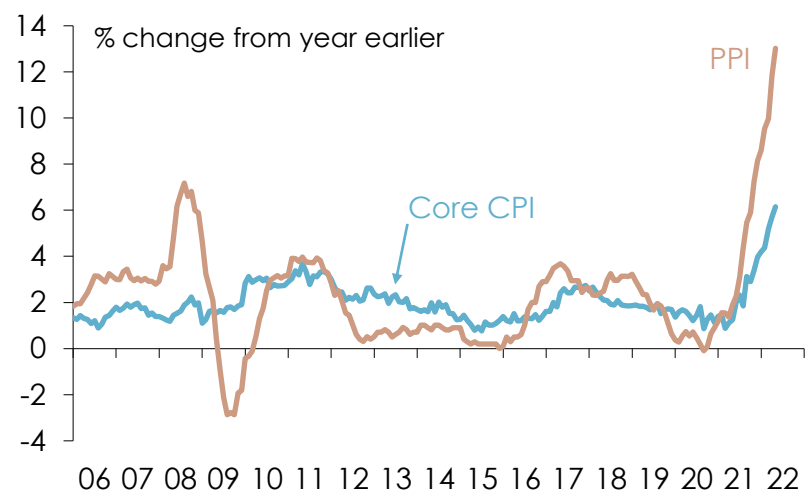
## Canada



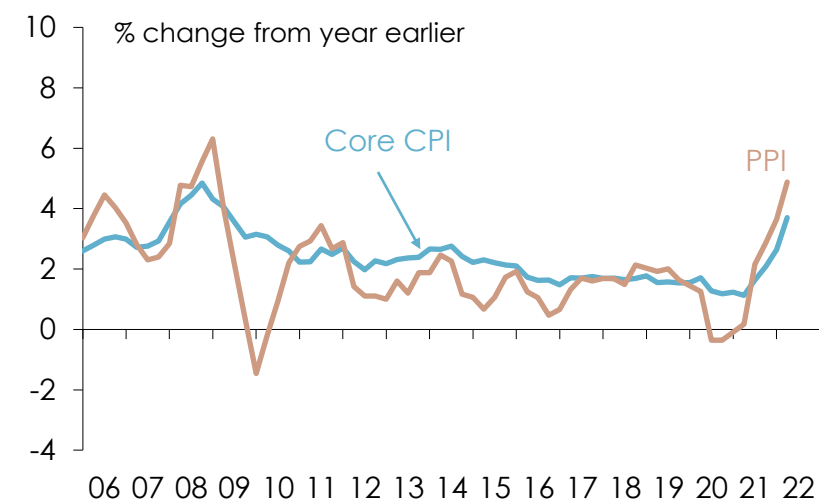
## Japan



## United Kingdom



## Australia

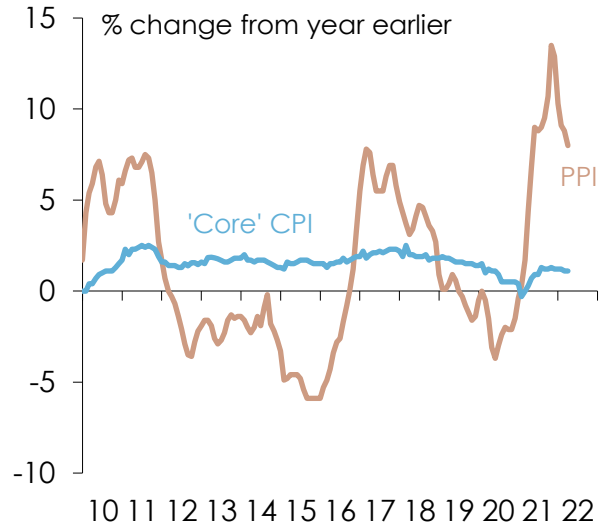


For a more detailed analysis of recent US inflation data see [slides 60-64](#). Sources: [US Bureau of Labor Statistics](#); [Statistics Bureau of Japan](#) and [Bank of Japan](#); [Eurostat](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Australian Bureau of Statistics](#). [Return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

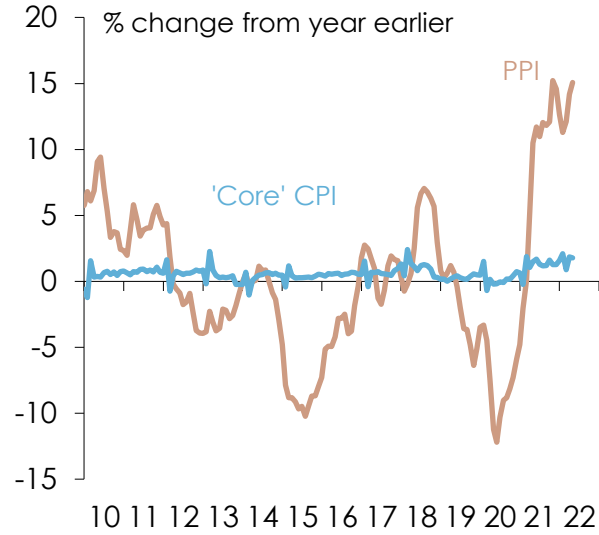
# Most Asian economies have been experiencing rapid 'upstream' inflation for some time, and 'core' consumer price inflation is now starting to pick up

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

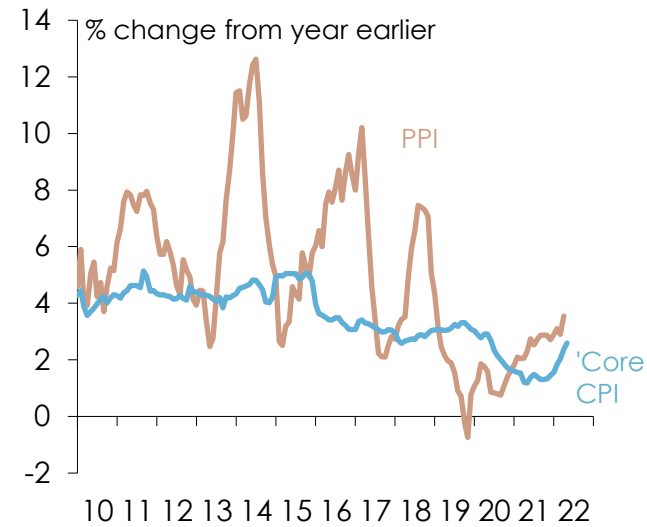
## China



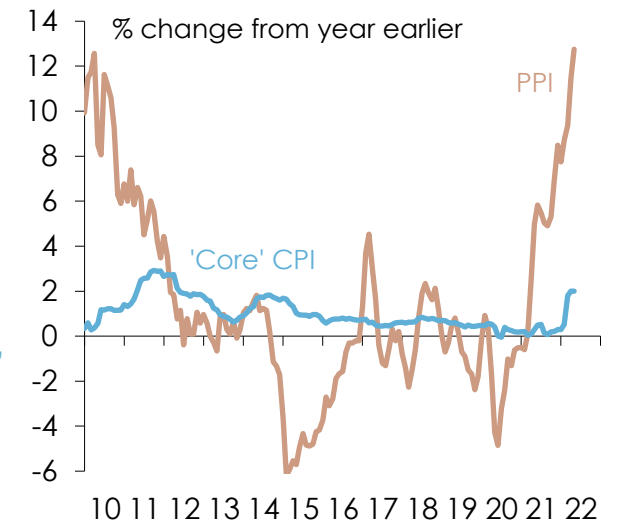
## Taiwan



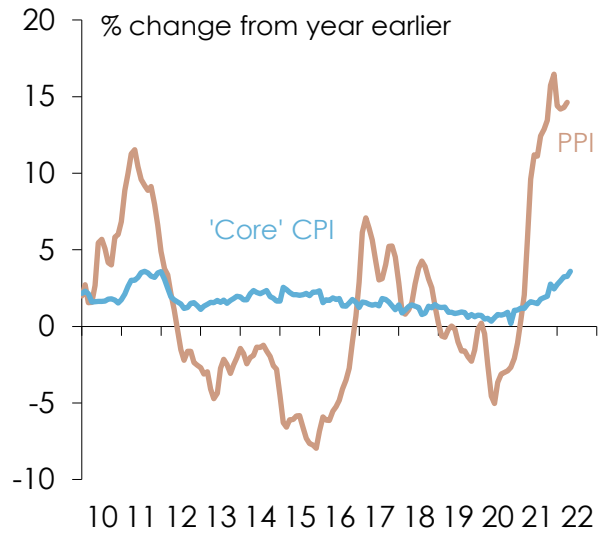
## Indonesia



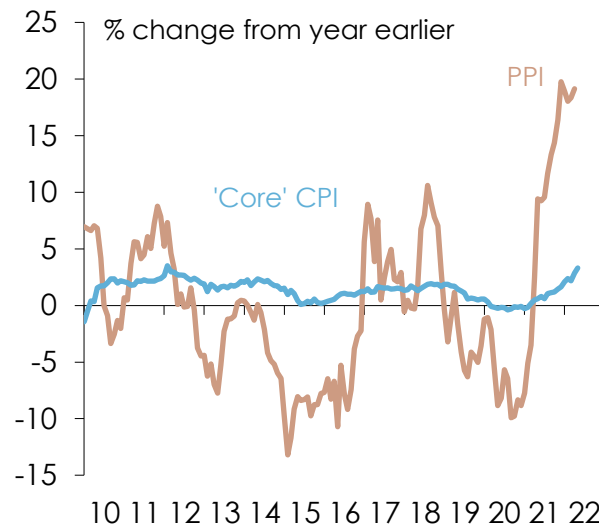
## Thailand



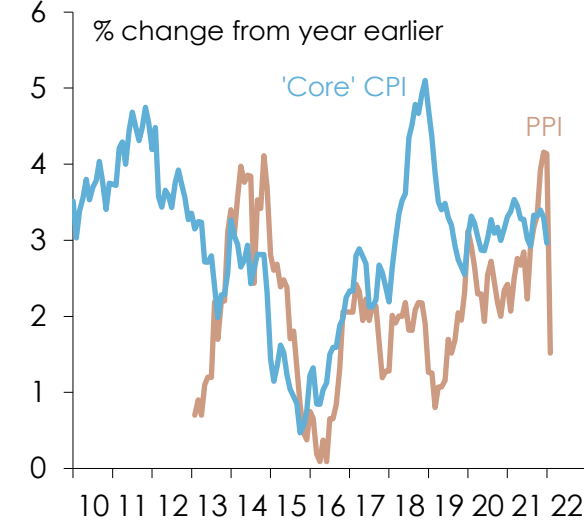
## Korea



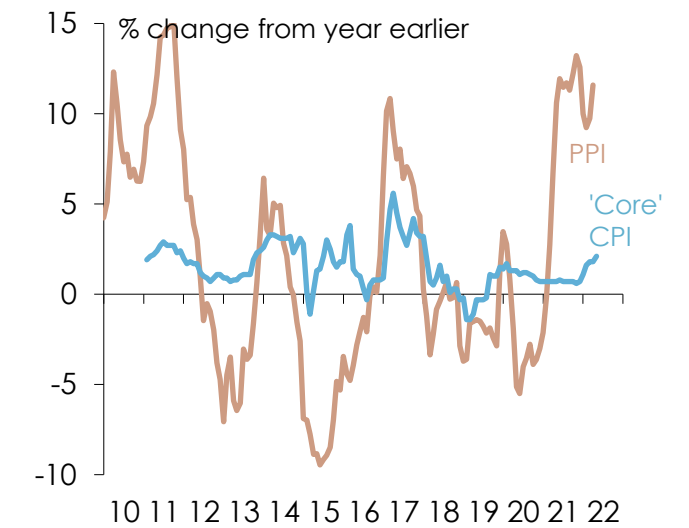
## Singapore



## Philippines



## Malaysia

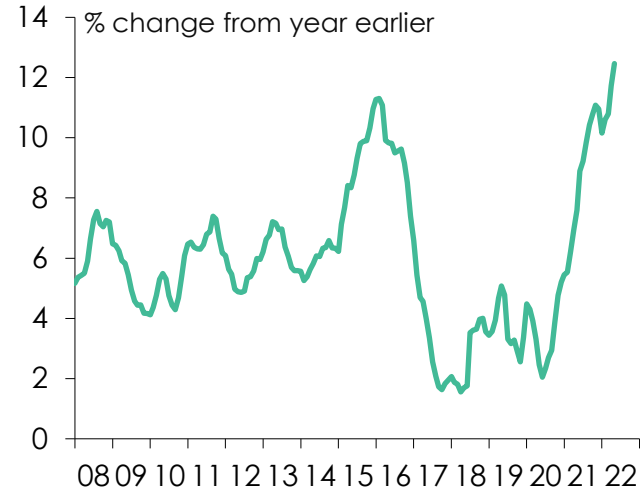


Note: 'Core' CPIs measure different things in different Asian economies – see footnotes to [slide 102](#). Sources: [China National Bureau of Statistics](#); [Statistics Korea](#); [Bank of Korea](#); [Taiwan Statistical Bureau](#); [Singstat](#); [Monetary Authority of Singapore](#); [Statistics Indonesia](#);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

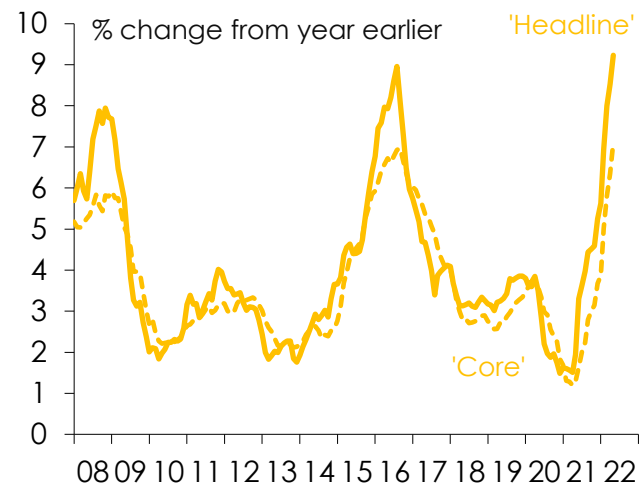
# Consumer price inflation is rising sharply across Latin America (except for Venezuela, where it's now down to just 207%!)

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

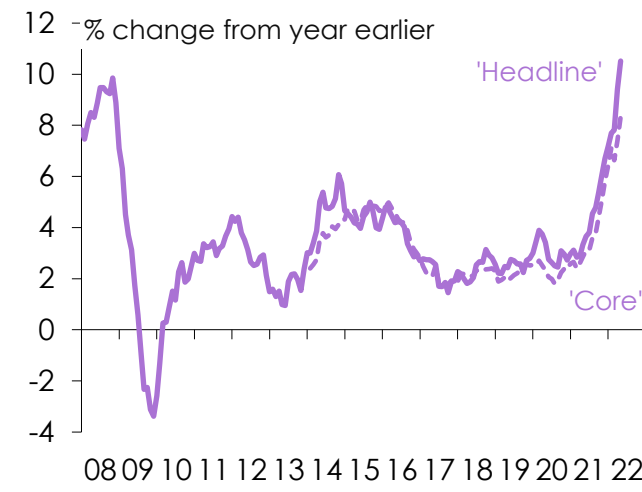
## Brazil



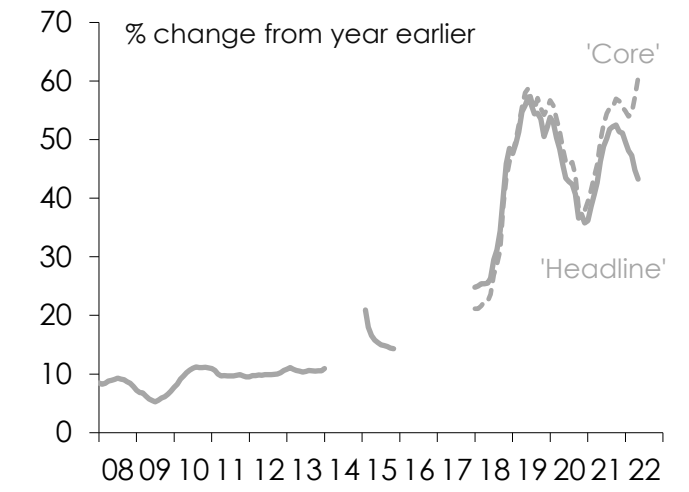
## Colombia



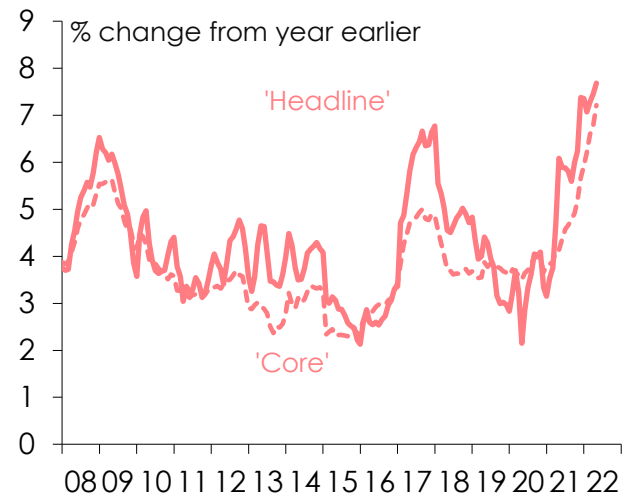
## Chile



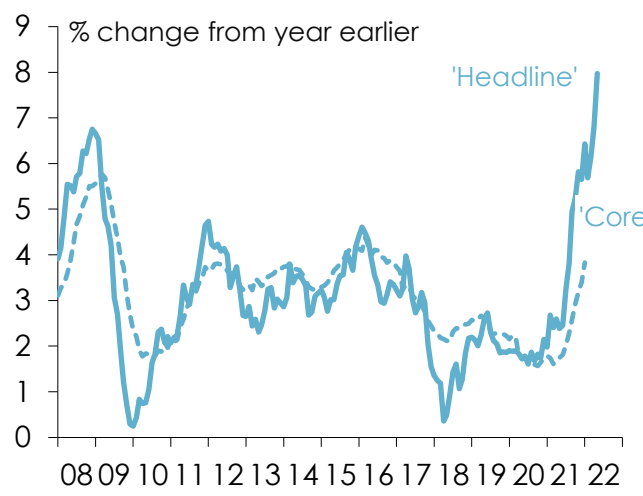
## Argentina



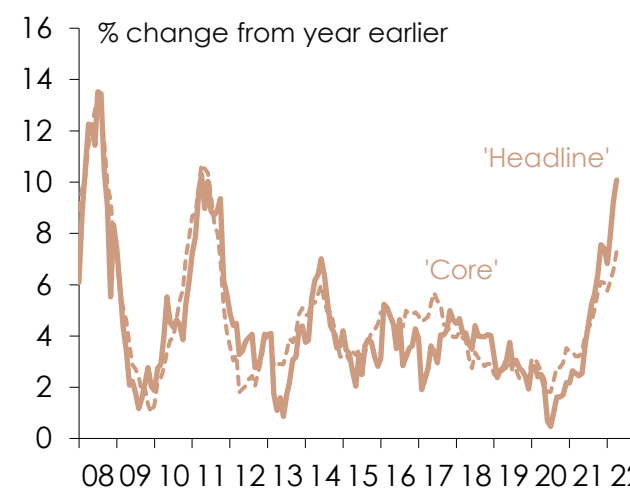
## Mexico



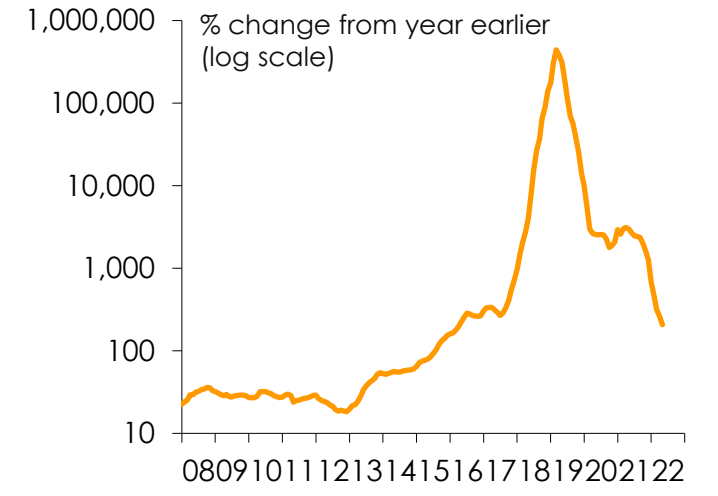
## Peru



## Paraguay



## Venezuela

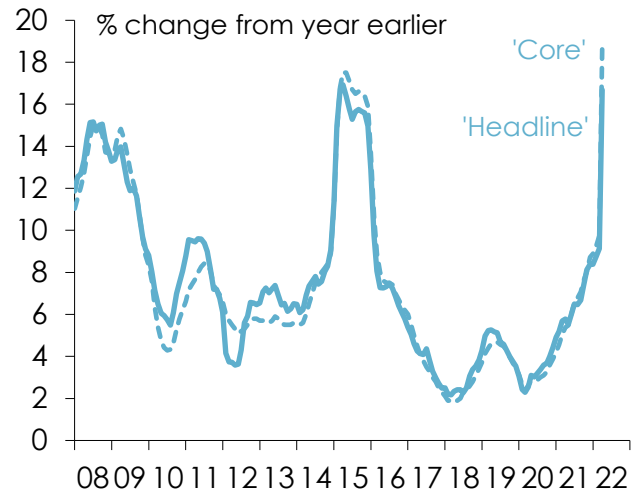


Sources: [Instituto Brasileiro de Geografia e Estatística](#); [Instituto Nacional de Estadística y Geografía](#) (Mexico); [Departamento Administrativo Nacional de Estadística](#) (Colombia); [Instituto Nacional de Estadística e Informática](#) (Peru); [Instituto Nacional de Estadísticas](#) (Chile);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

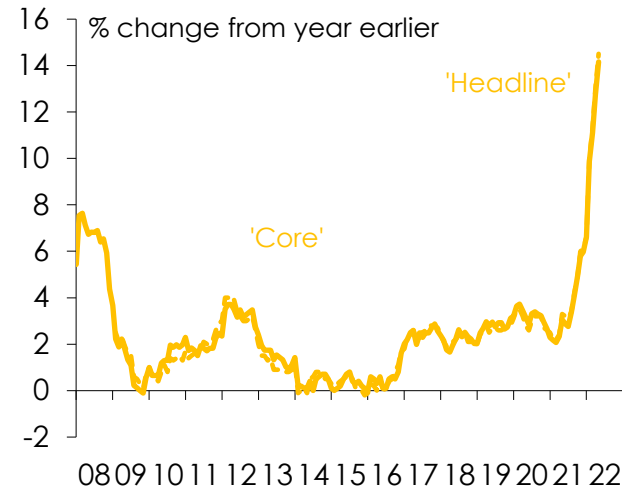
# Consumer price inflation is also rising across Central and Eastern Europe, and in South Africa

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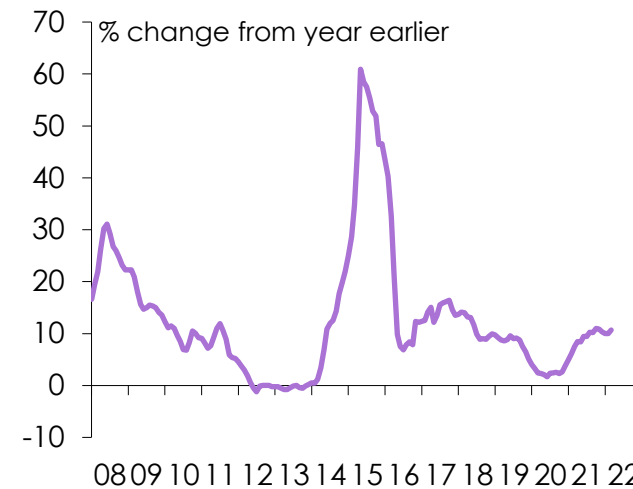
## Russia



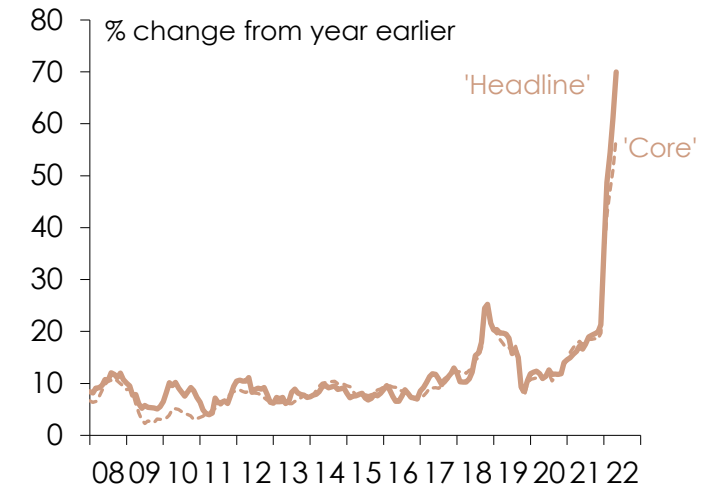
## Czech Republic



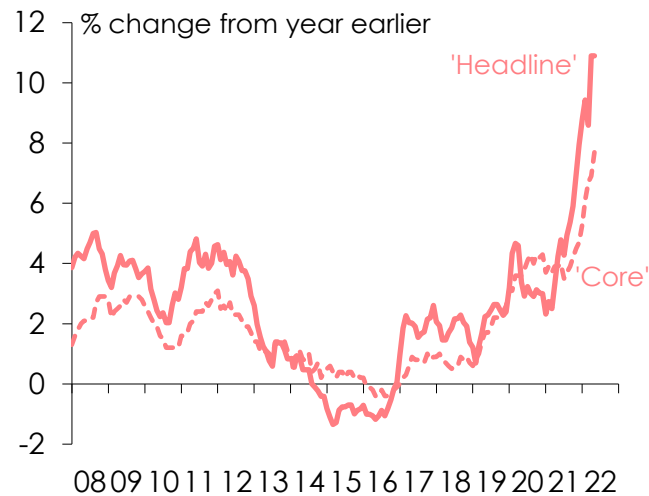
## Ukraine



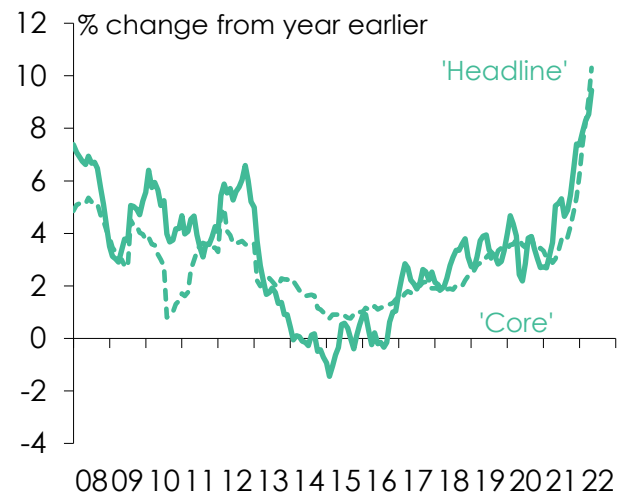
## Turkey



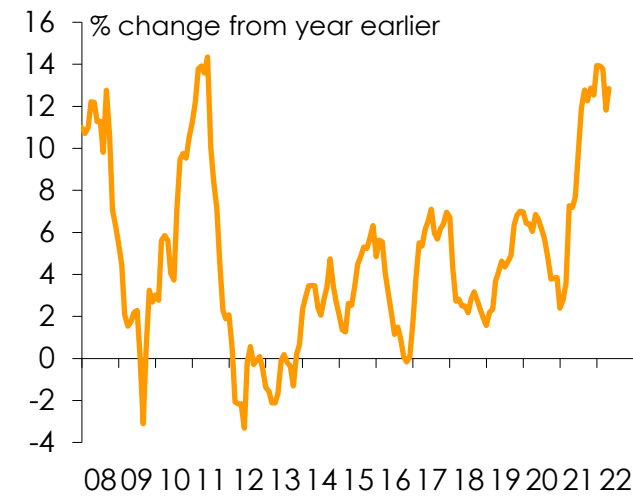
## Poland



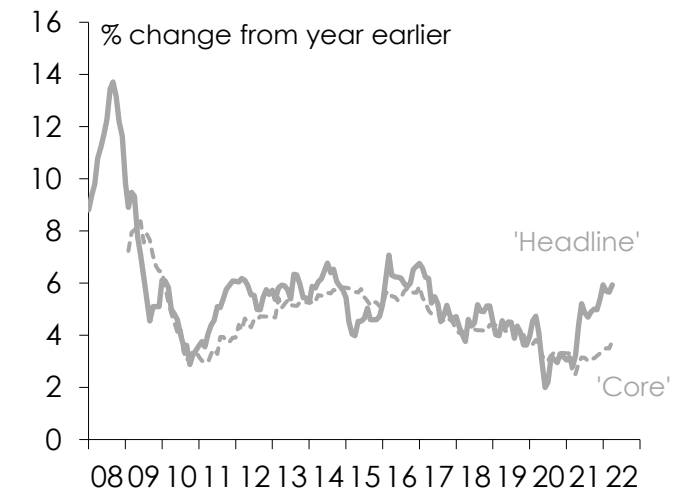
## Hungary



## Georgia



## South Africa

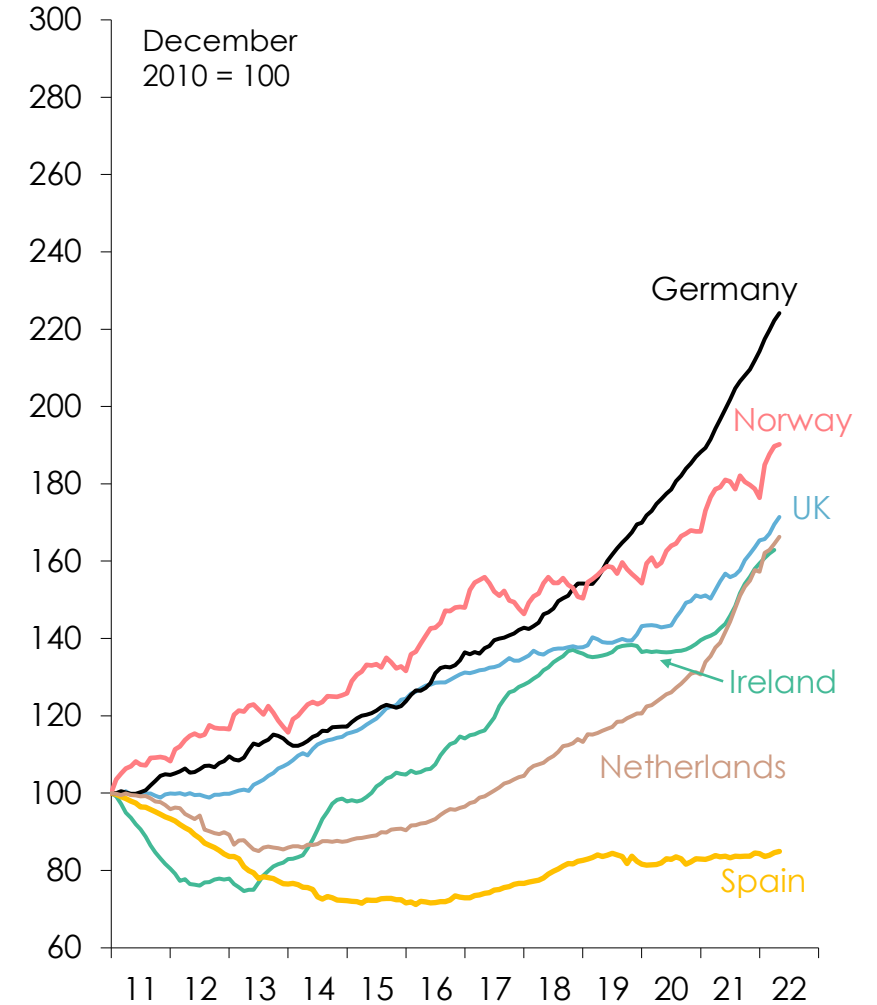
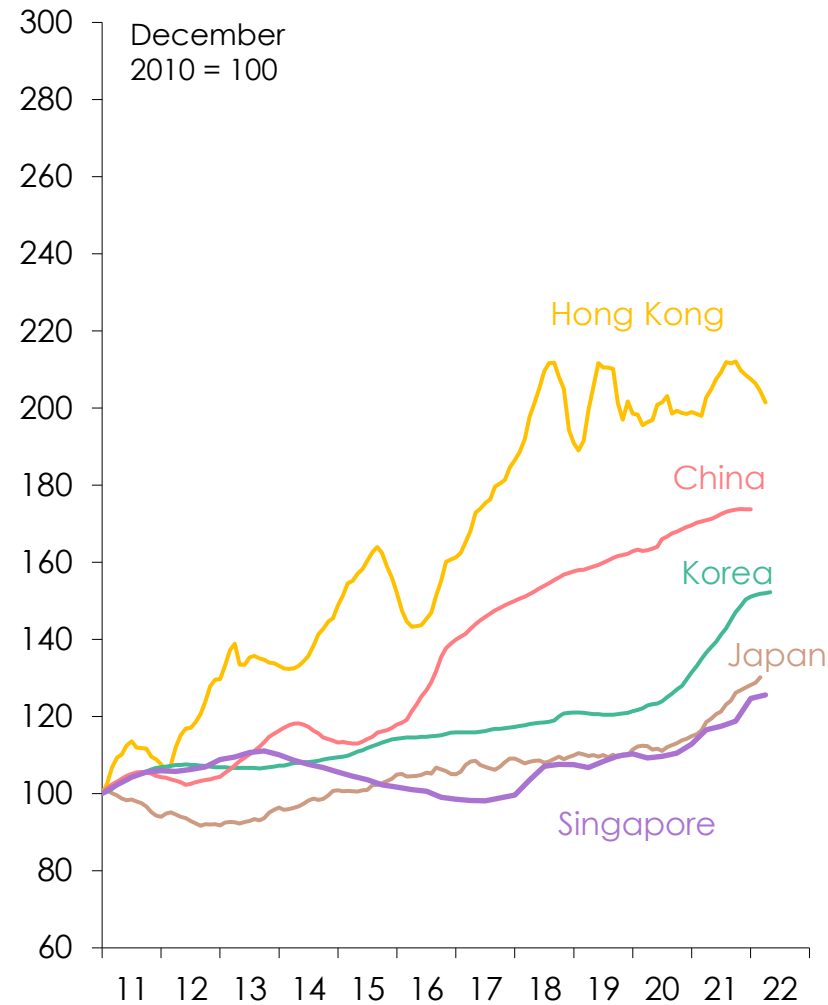
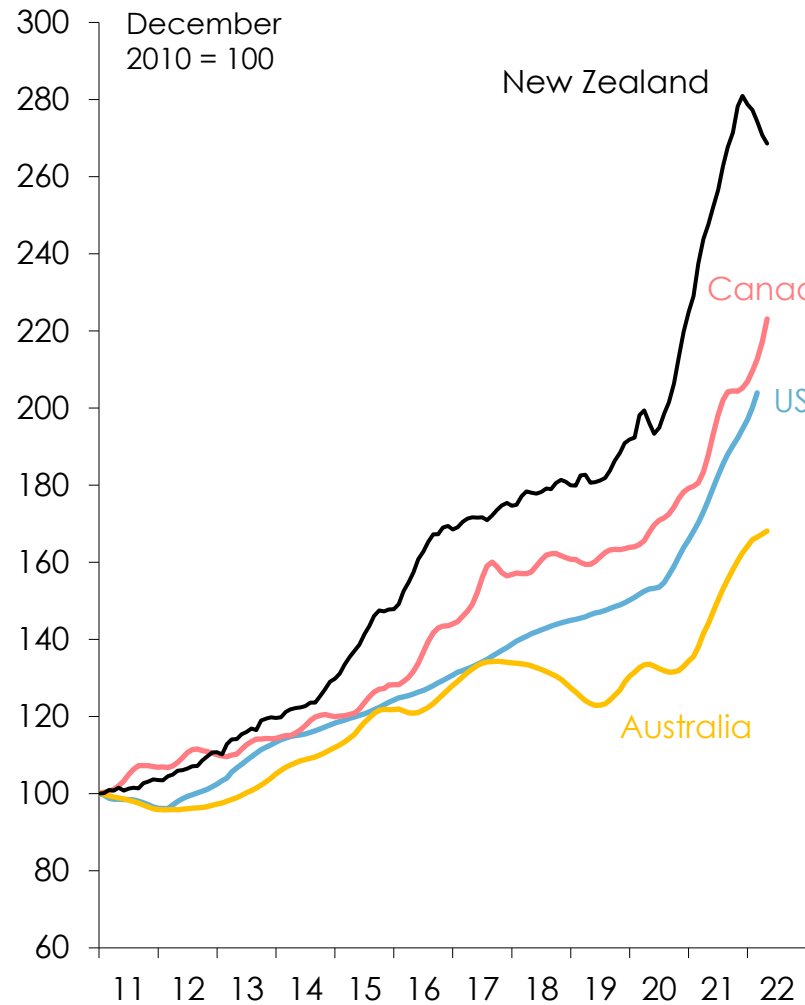


Sources: [Rosstat](#); [Główny Urząd Statystyczny](#) (Poland); [Český statistický úřad](#) (Czech Republic); [Központi Statisztikai Hivatal](#) (Hungary); [Ukrstat](#); [Sak'art'velos statistikis erovnuli samsakhuri](#) (Georgia); [Turkstat](#); [Statistics South Africa](#). Return to "What's New".

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

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## House price indices

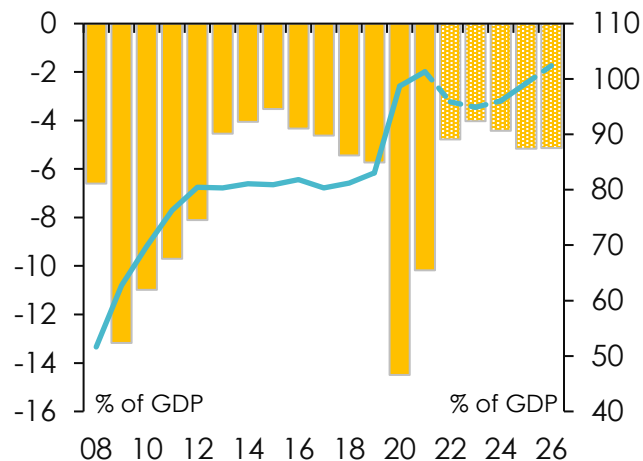


Note: House price indices shown in these charts are those published by [S&P-CoreLogic Case Shiller national](#) (United States); [Teranet-National Bank](#) (Canada); [CoreLogic](#) (Australia); [Real Estate Institute of New Zealand](#); [China Index Academy](#); [Japan Real Estate Institute](#) (Tokyo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

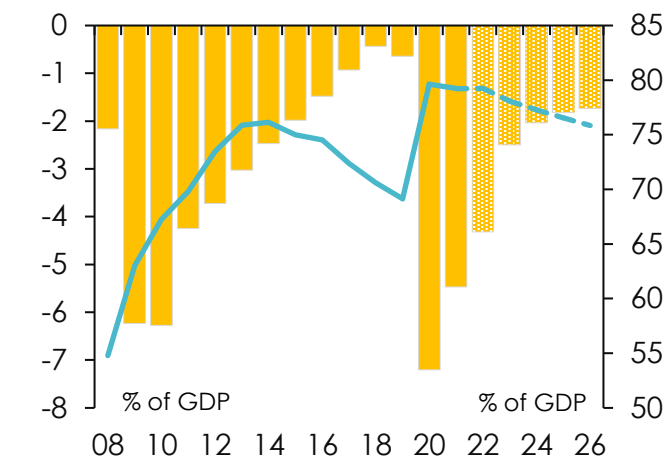
# Fiscal policy is set to be tightened significantly in 2022 in most major economies except Japan, China and India

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

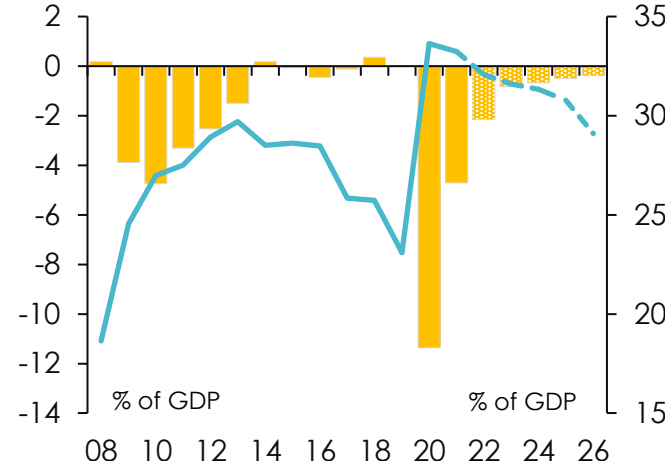
## United States



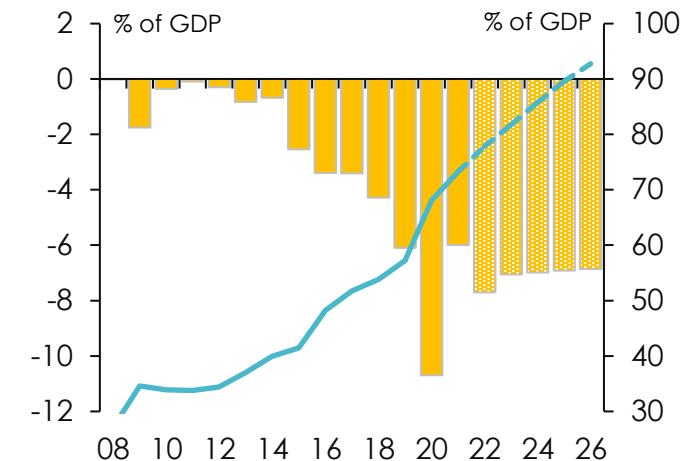
## Euro area



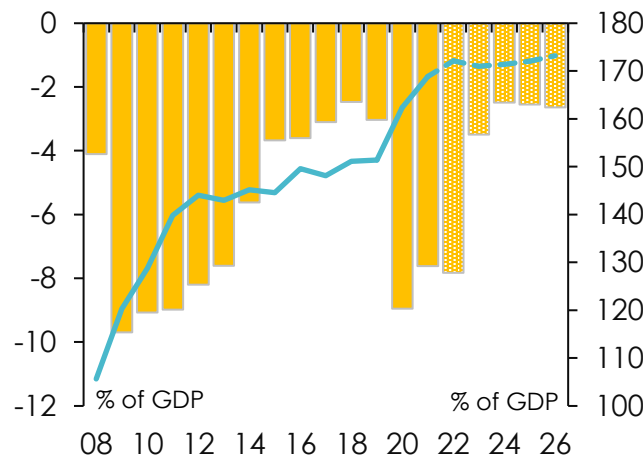
## Canada



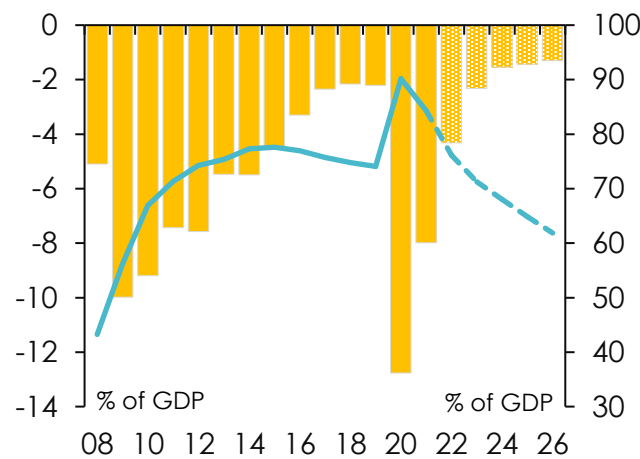
## China



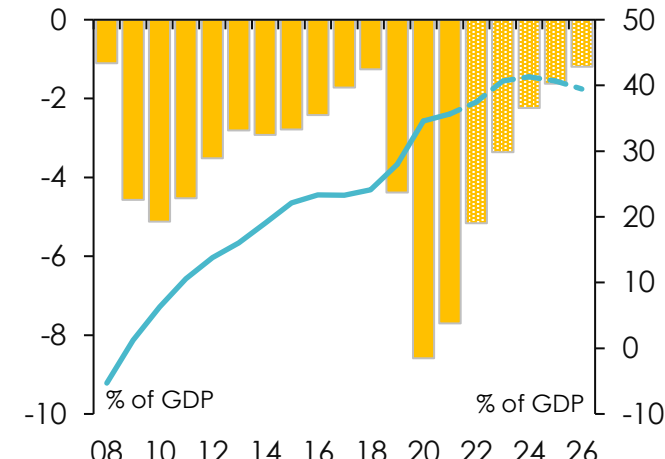
## Japan



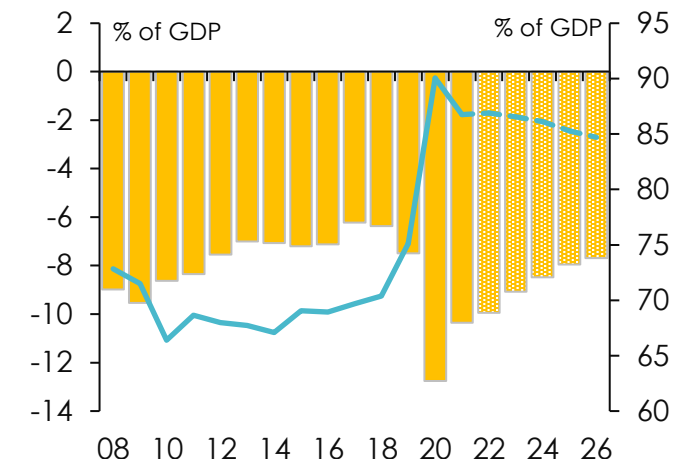
## United Kingdom



## Australia



## India



General government overall fiscal balance (left scale)



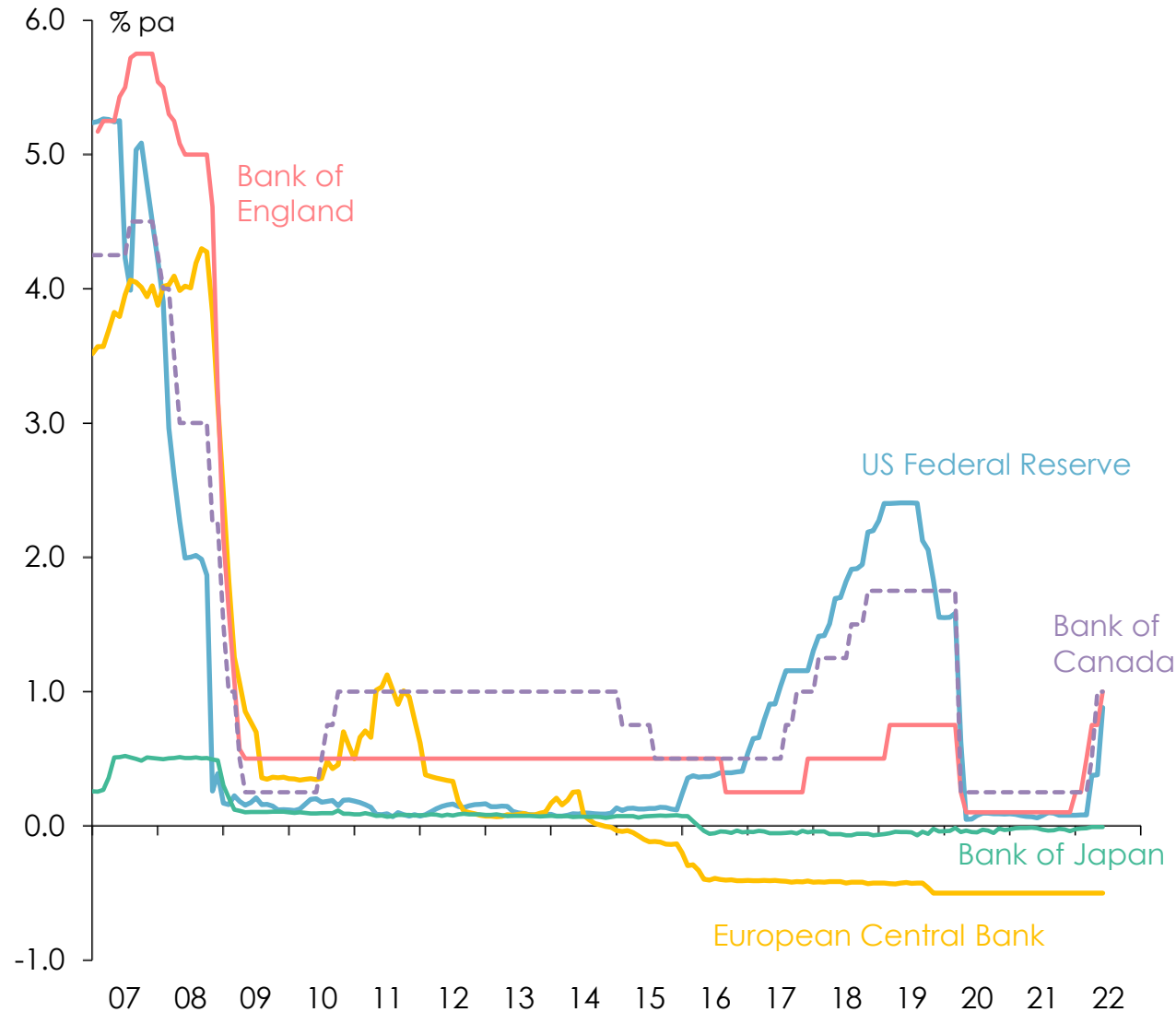
General government net debt (right scale)



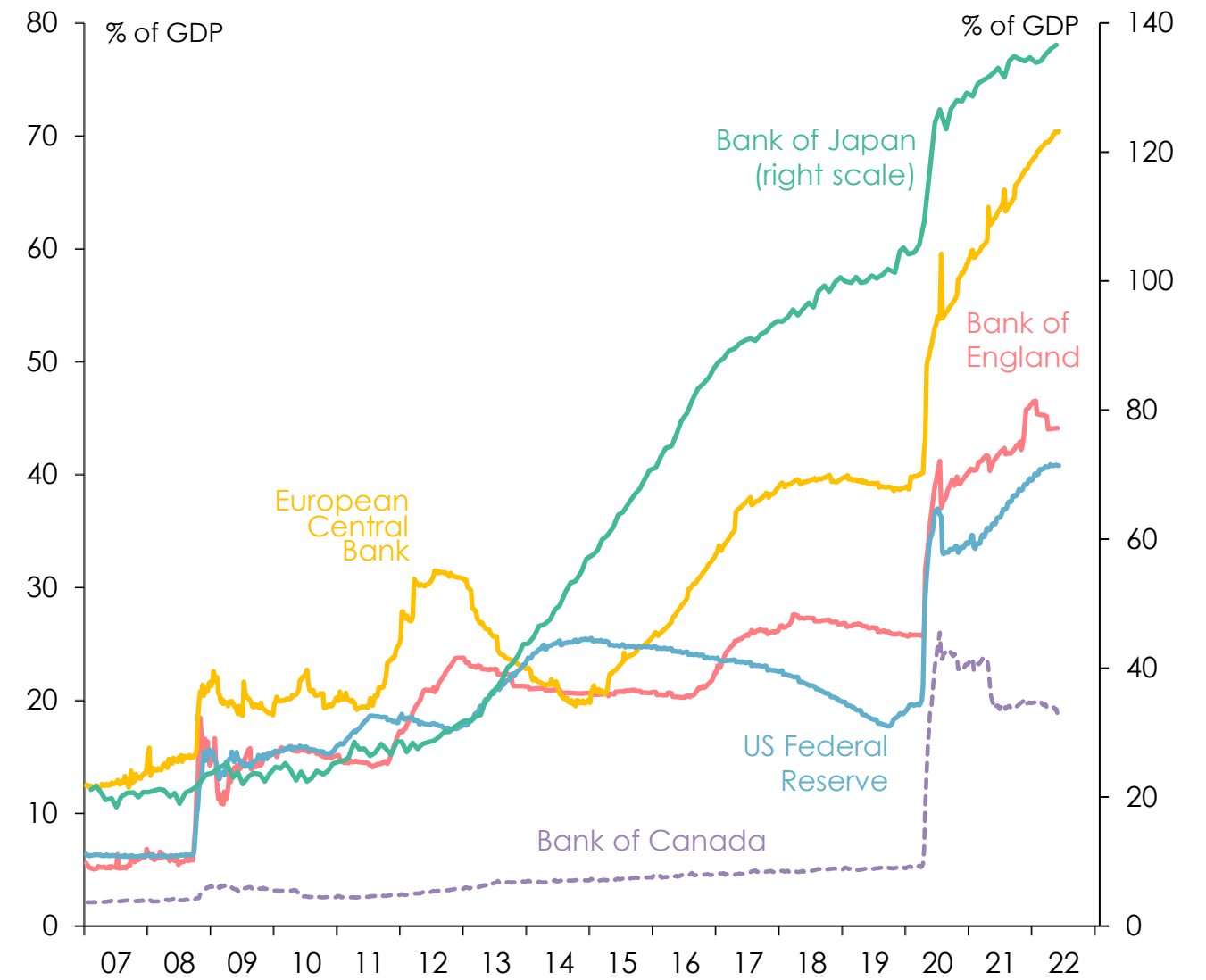
# The Federal Reserve this month raised its funds rate target another 50 bp, to 0.75-1.0%, and the Bank of England raised its bank rate 25 bp, to 1.0%

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> 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?

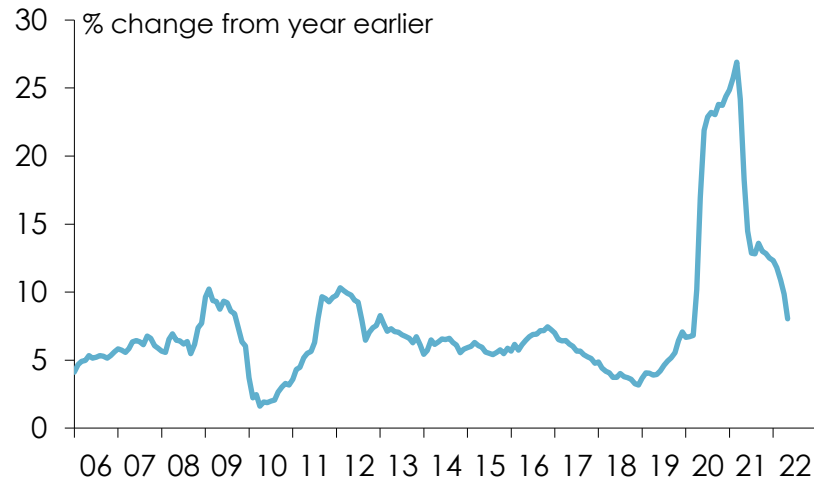
THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

- ❑ 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

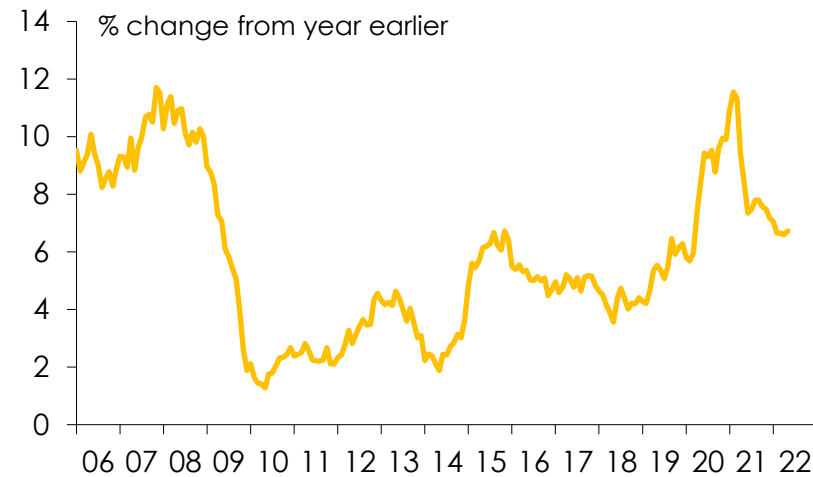
# Money supply growth has slowed sharply from the peaks recorded in the first half of 2021 as large monthly increases in 2020 'wash out'

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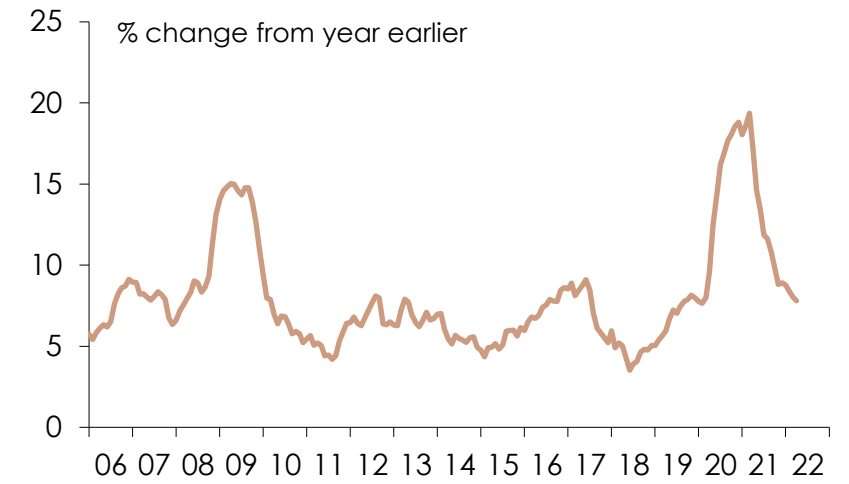
## US M2



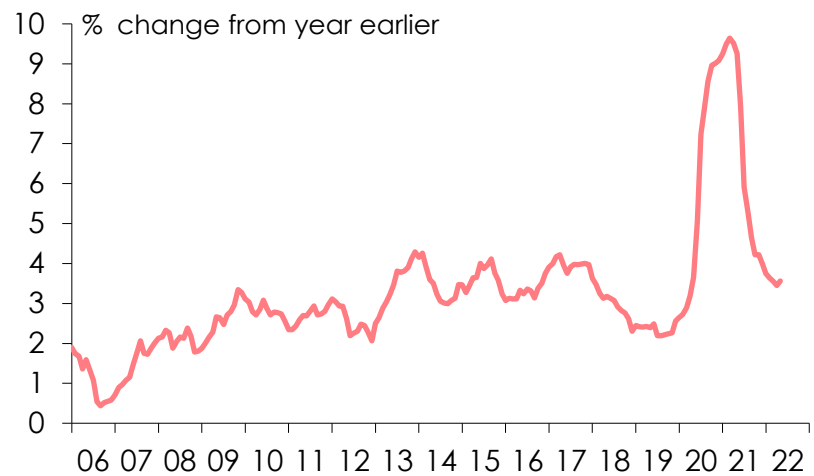
## Euro area M2



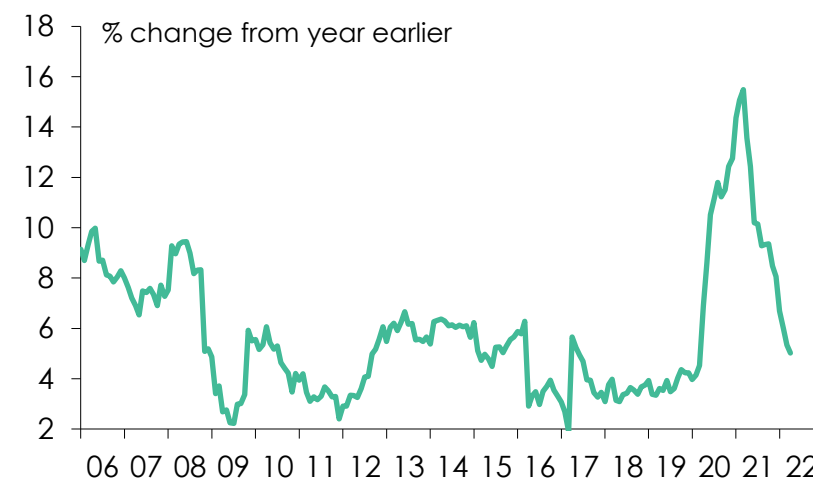
## Canada M2



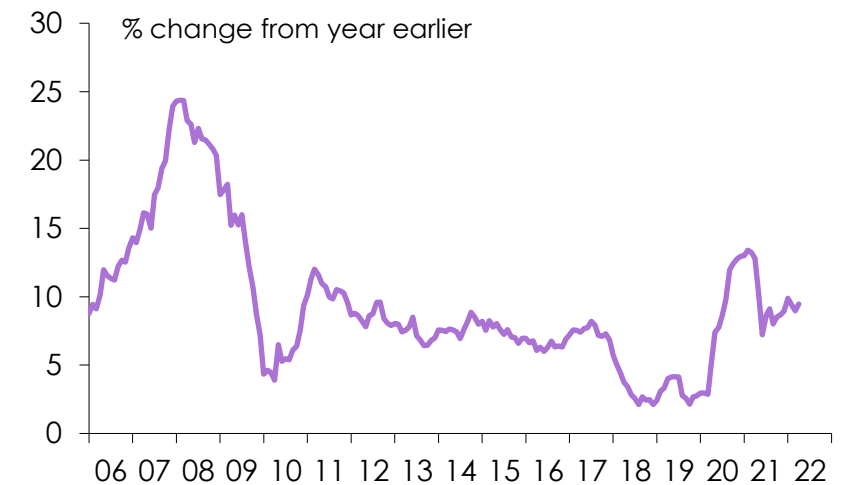
## Japan M2 + CDs



## UK M2



## Australia M3

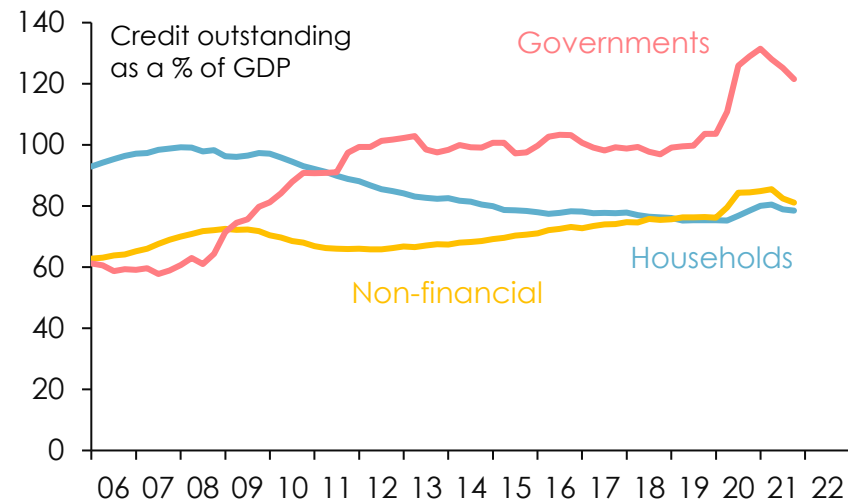


Sources: US Federal Reserve; European Central Bank; Bank of Japan; Bank of England; Bank of Canada; RBA. [Return to "What's New"](#).

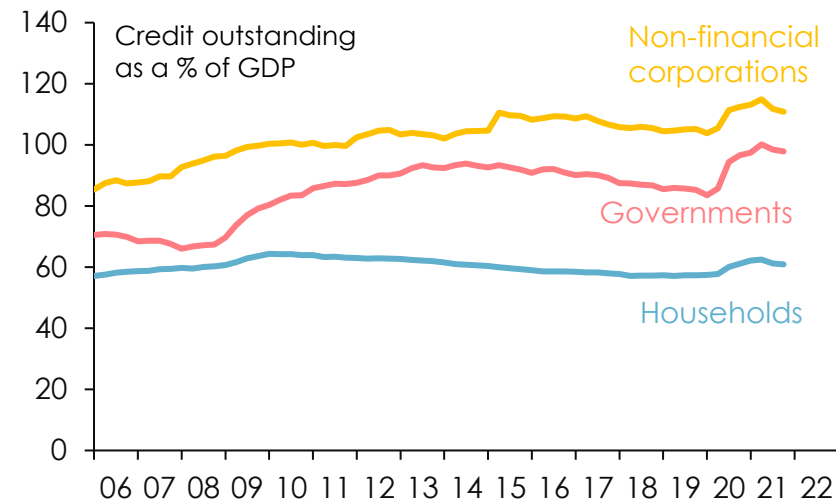
# Japanese, US and UK governments, Canadian corporations and Australian households appear most exposed to increases in interest rates

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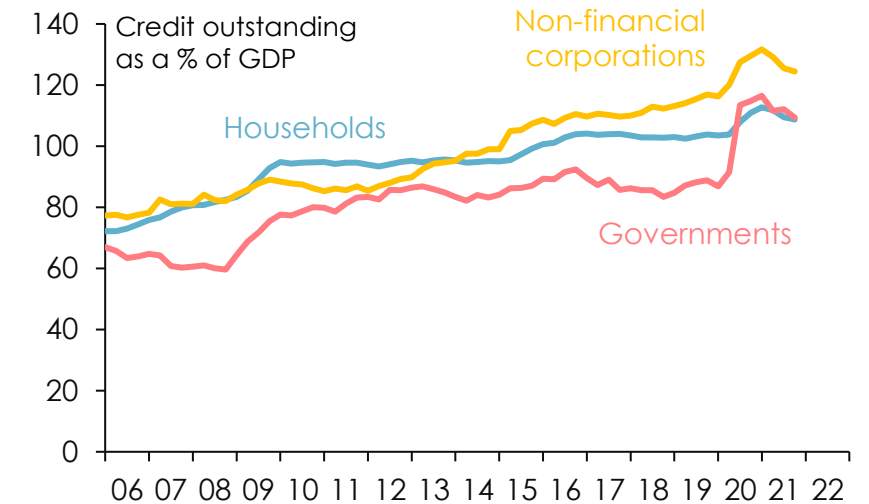
## US



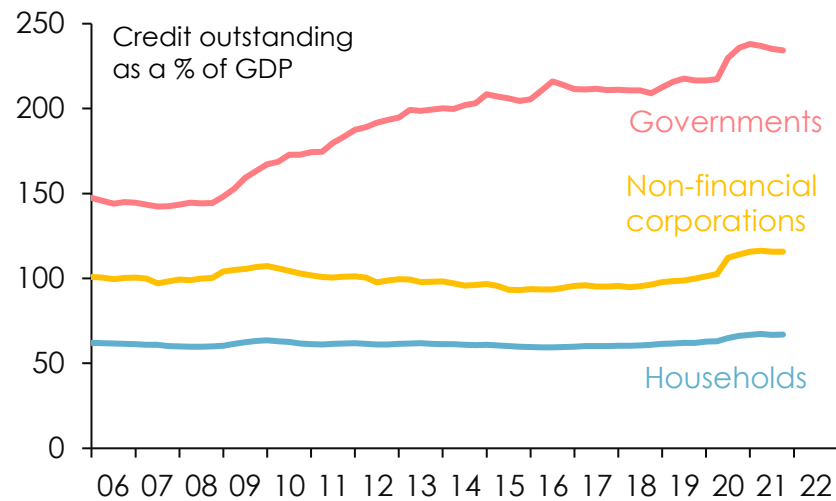
## Euro area



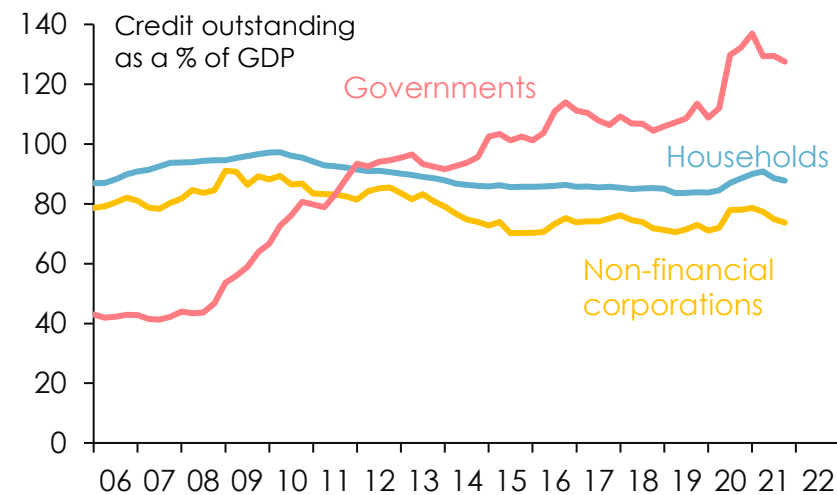
## Canada



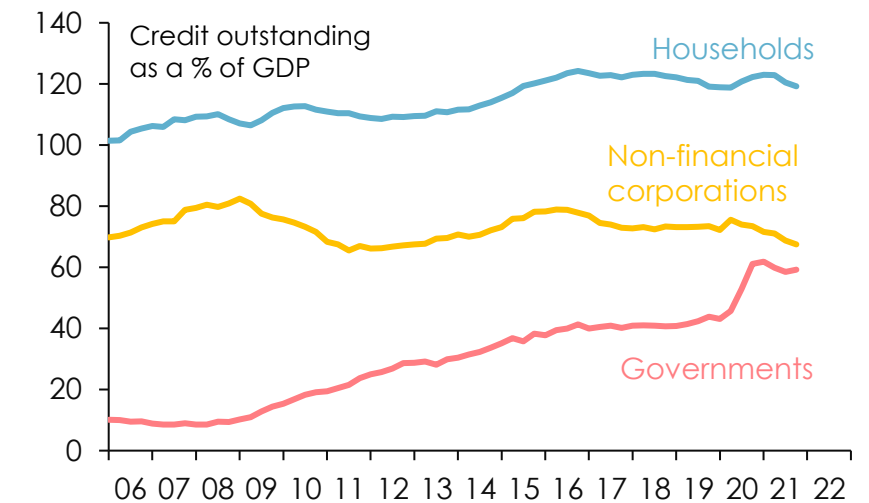
## Japan



## UK



## Australia

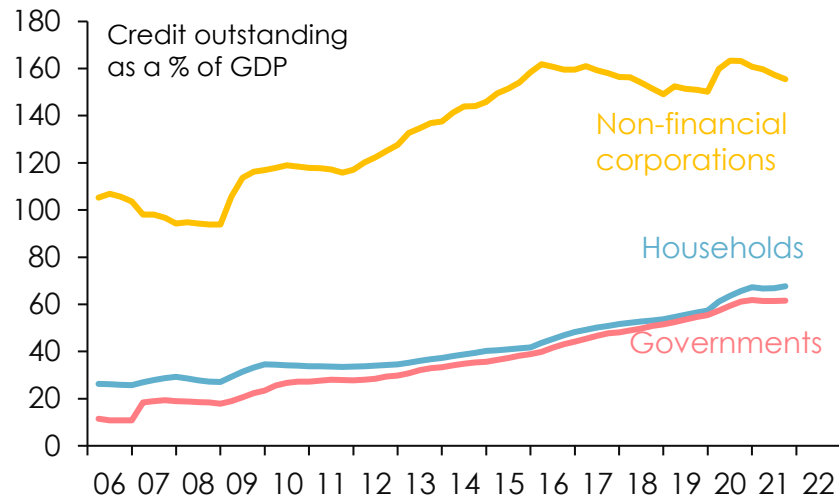


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13<sup>th</sup> June. [Return to "What's New"](#).

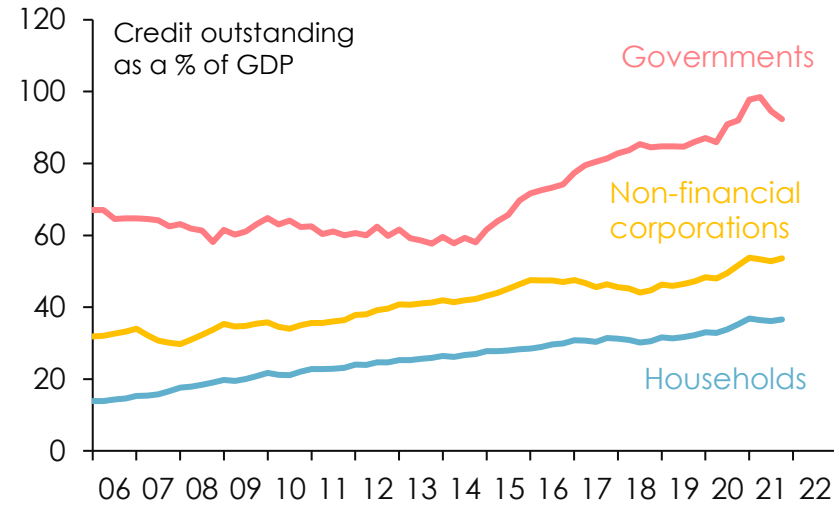
# In major 'developing' economies it's usually governments that are most exposed to rising interest rates – except for China, Russia and Turkey

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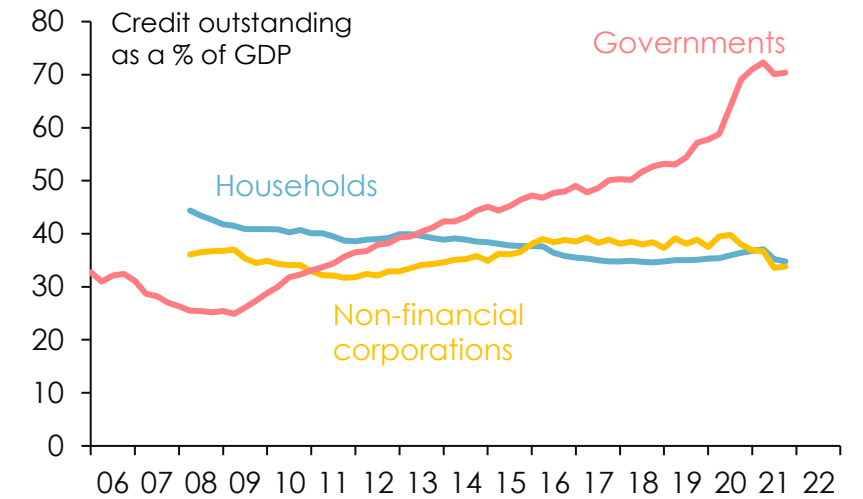
## China



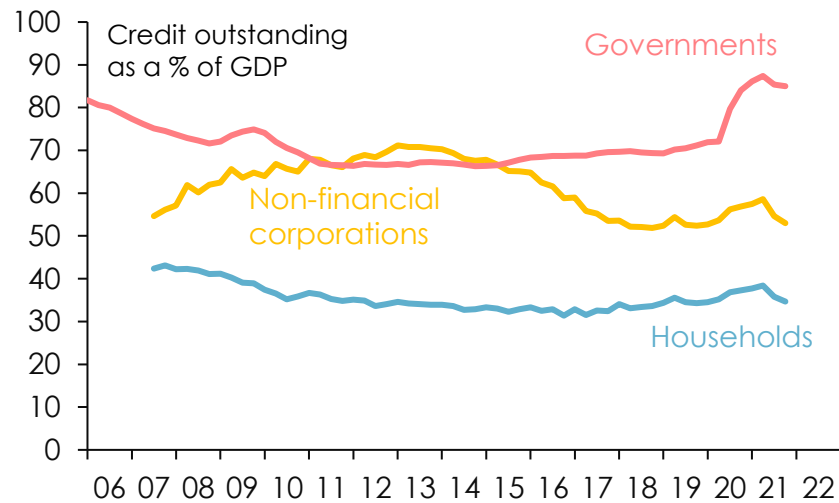
## Brazil



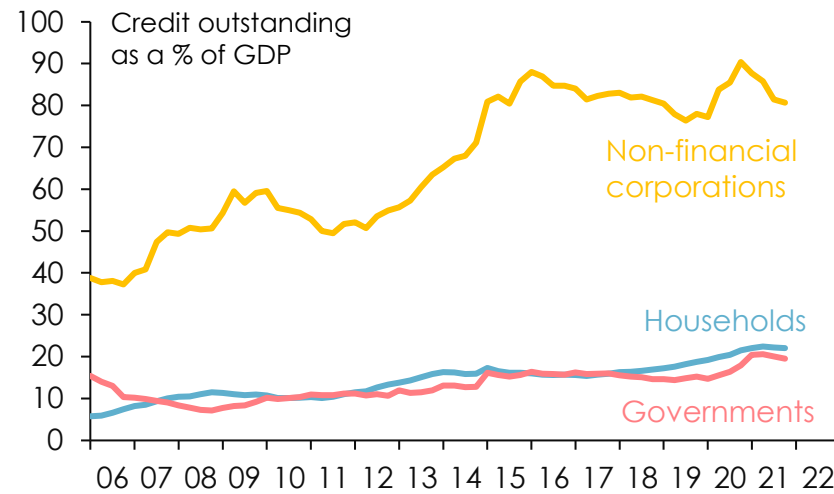
## South Africa



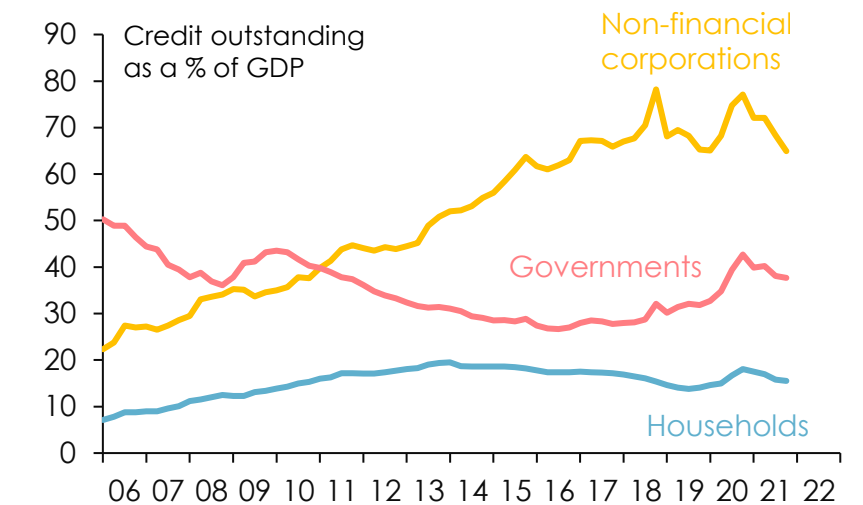
## India



## Russia



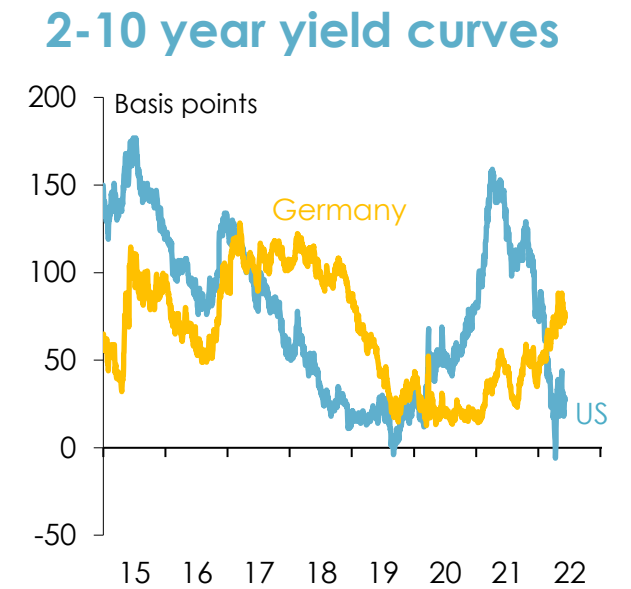
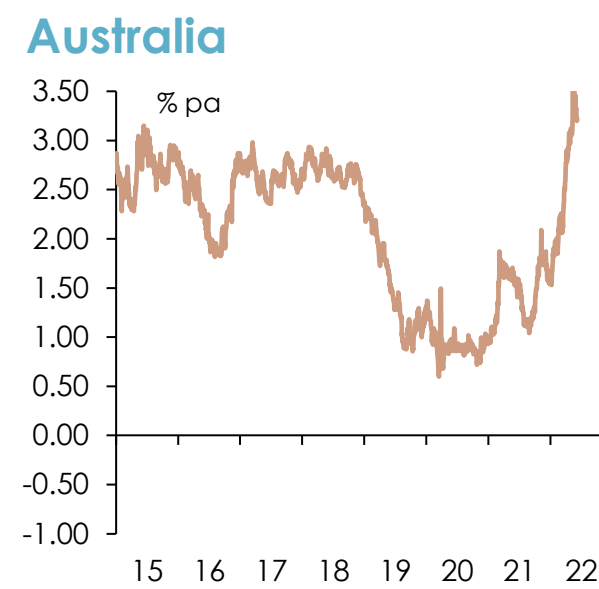
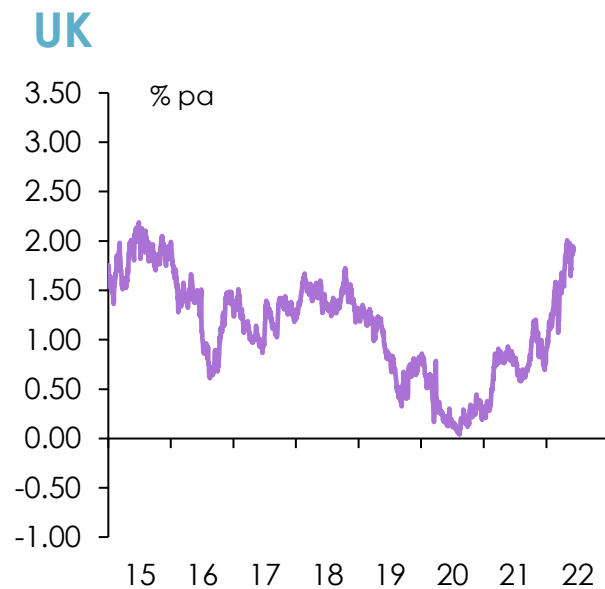
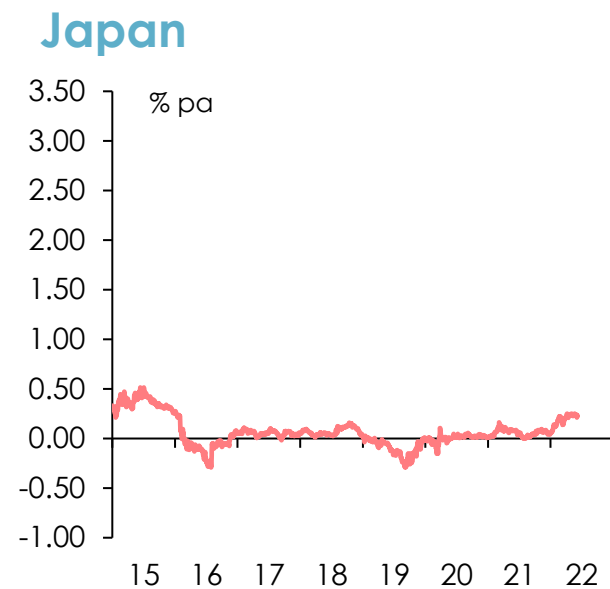
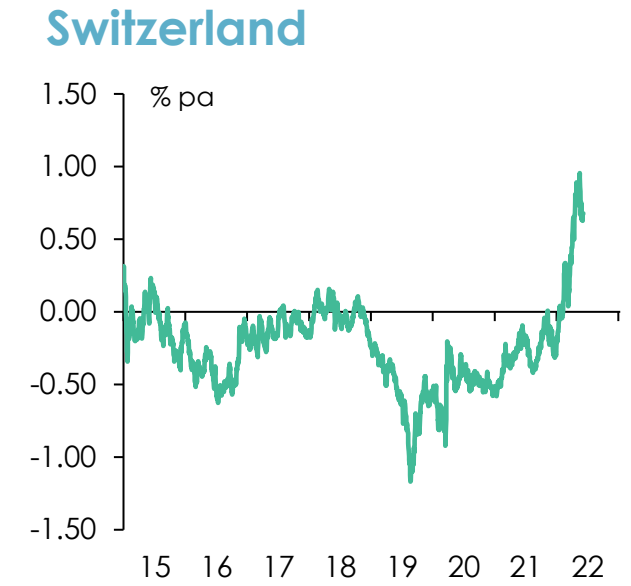
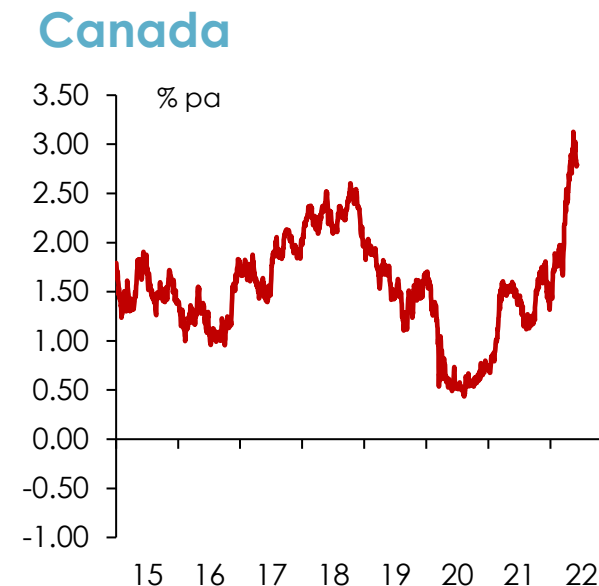
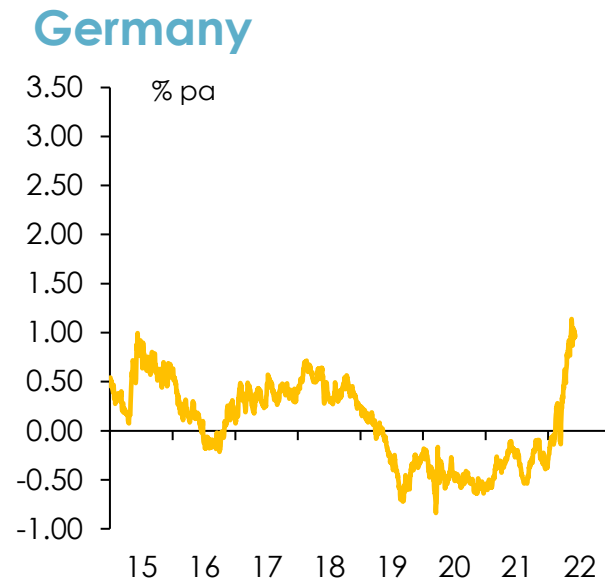
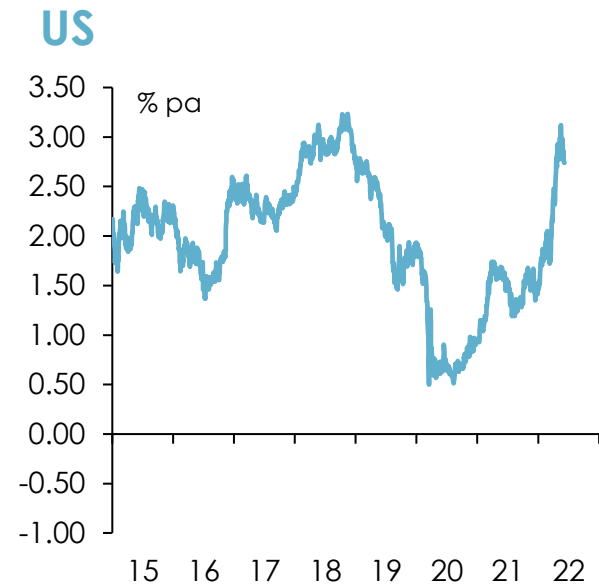
## Turkey



Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13<sup>th</sup> 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, even though stock markets rebounded from the previous week's falls

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022



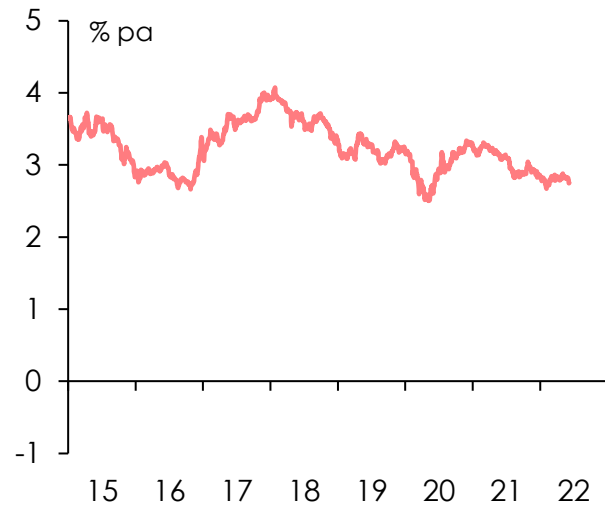
Note: Data up to 27<sup>th</sup> May. For bond yields in other large euro area member states see [slide 75](#), and for bond yields in Asian economies see [slide 110](#).

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

# 10-year bond yields declined in most major 'emerging' markets, apart from Brazil, with Turkish yields falling 100bp

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

## China



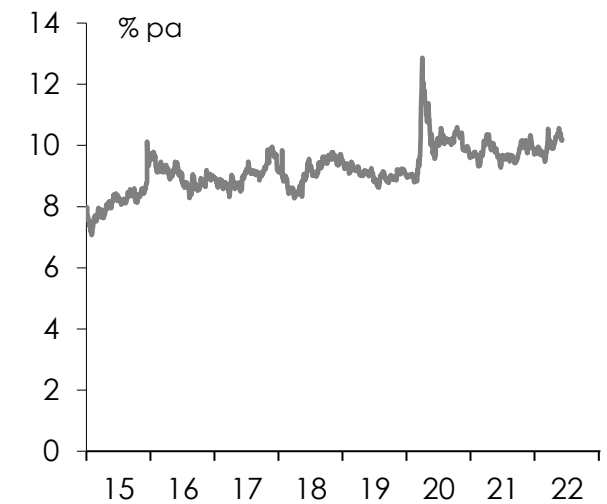
## Brazil



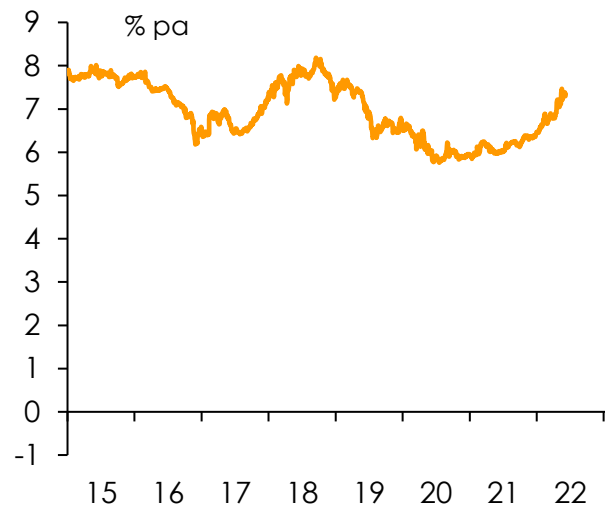
## Russia



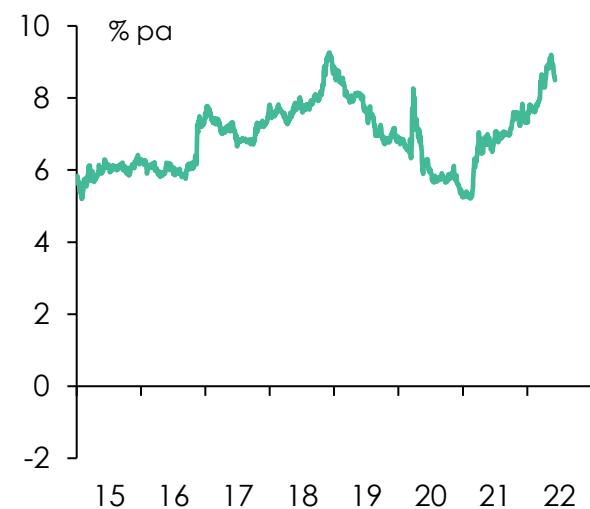
## South Africa



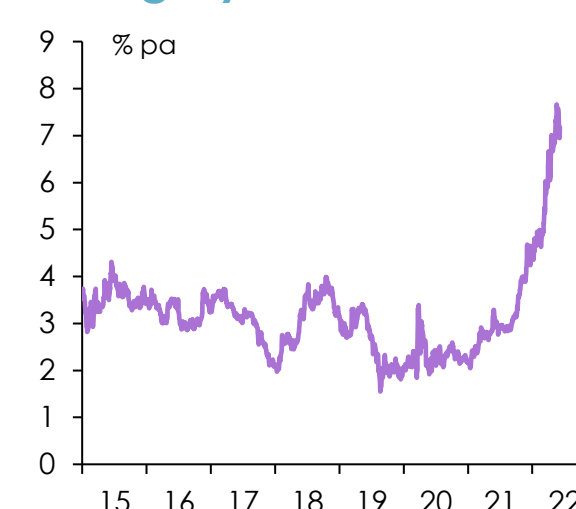
## India



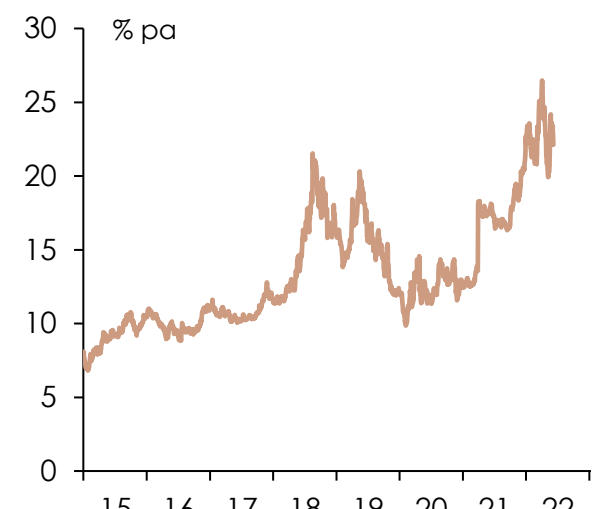
## Mexico



## Hungary



## Turkey



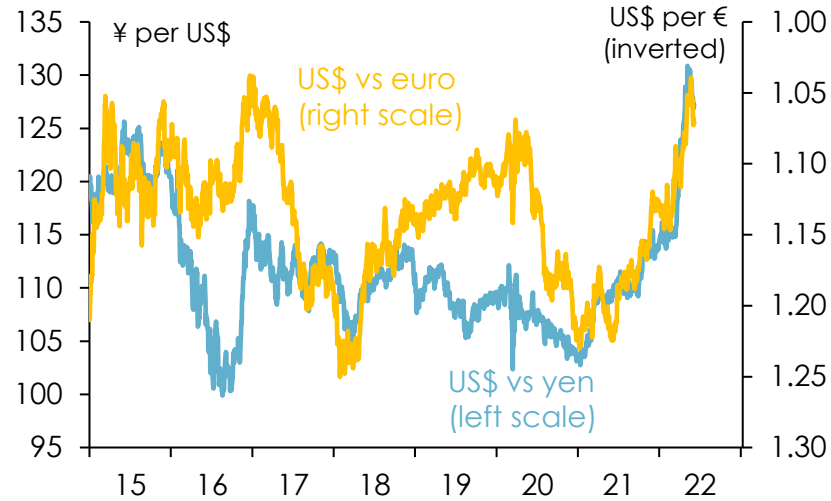
Note: Data up to 27<sup>th</sup> May. For bond yields in other Asian economies see [slide 110](#); and for policy interest rates in other emerging markets see [slide 130](#).

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

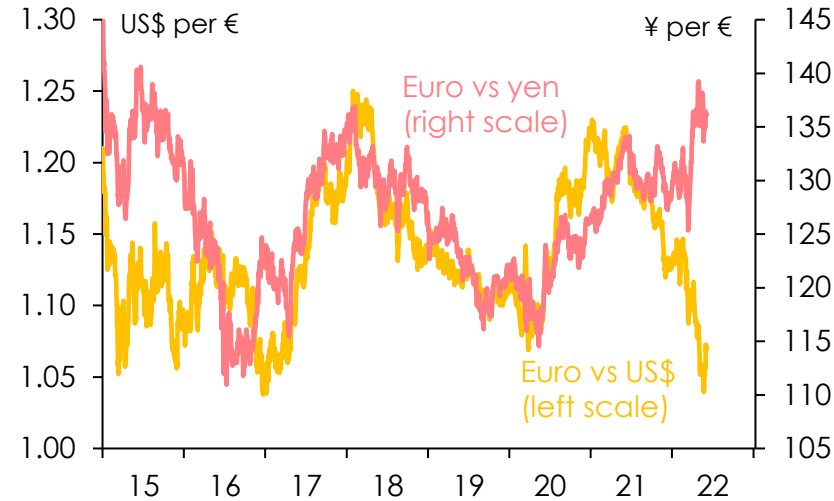
# The US dollar fell another 1½% last week, with the Swiss franc, A\$, euro and sterling registering the strongest gains, and the yen lagging

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

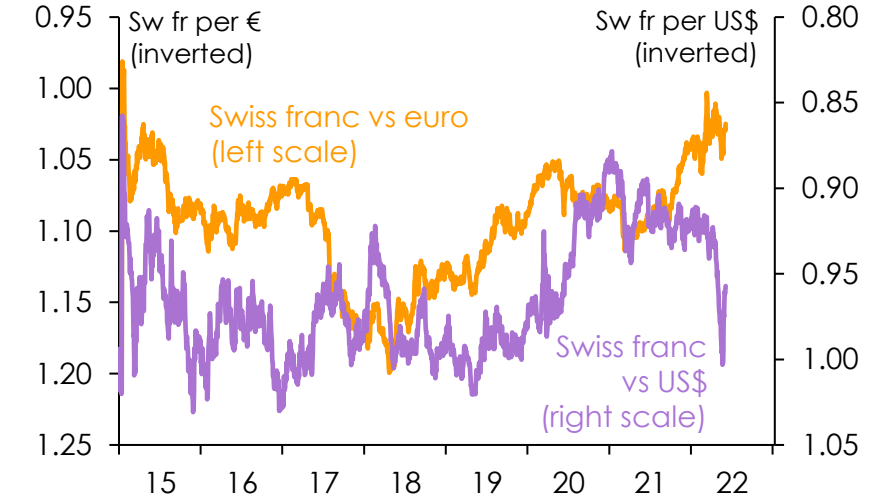
## US dollar



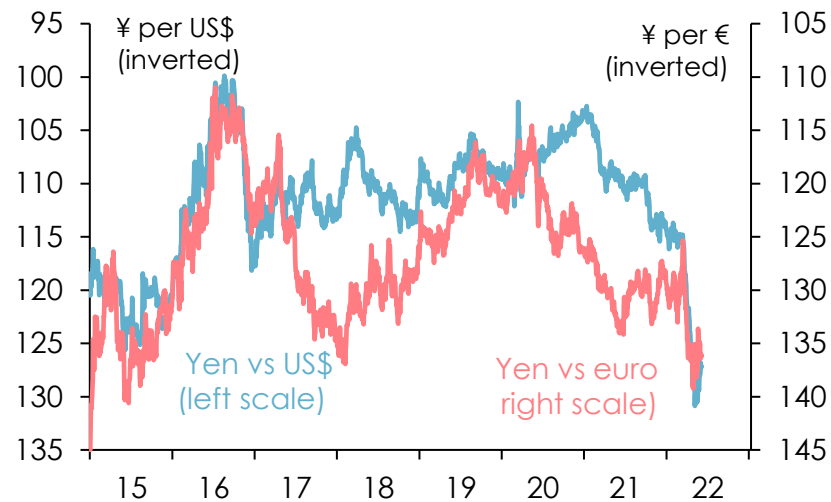
## Euro



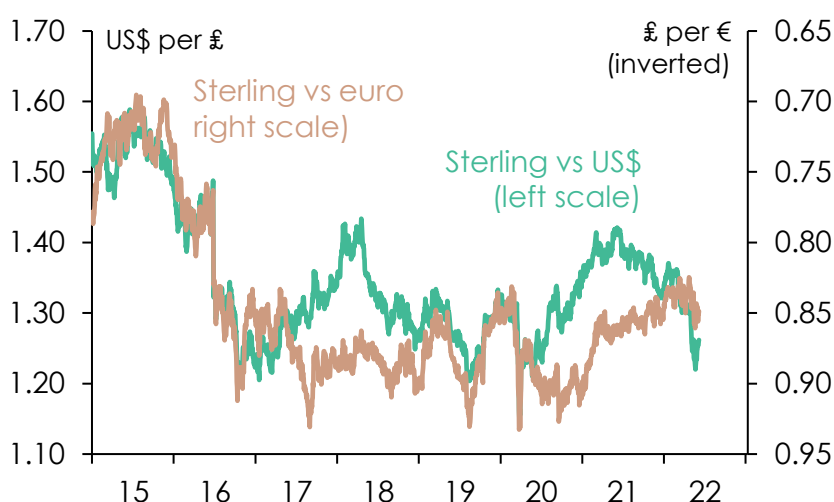
## Swiss franc



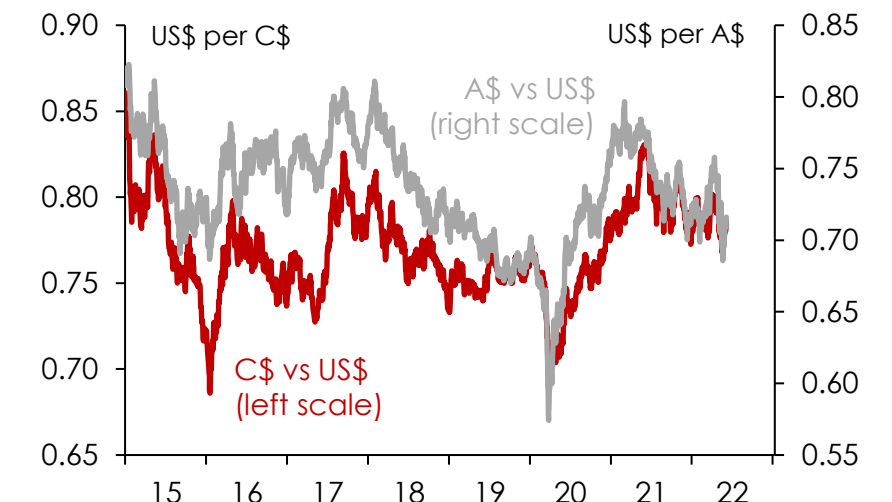
## Japanese yen



## Sterling



## Canadian & Australian dollars



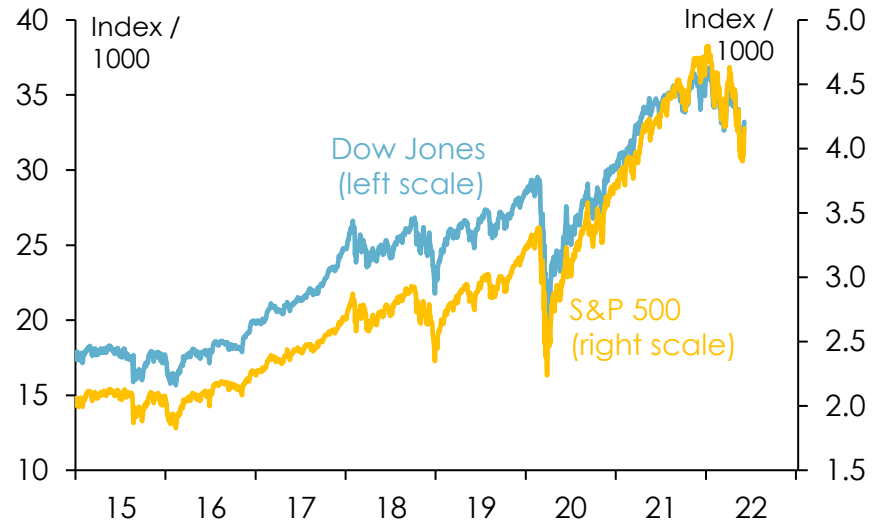
Note: Data up to 27<sup>th</sup> May. For Asian exchange rates see [slide 112](#). Source: Refintiv Datastream. [Return to "What's New"](#).



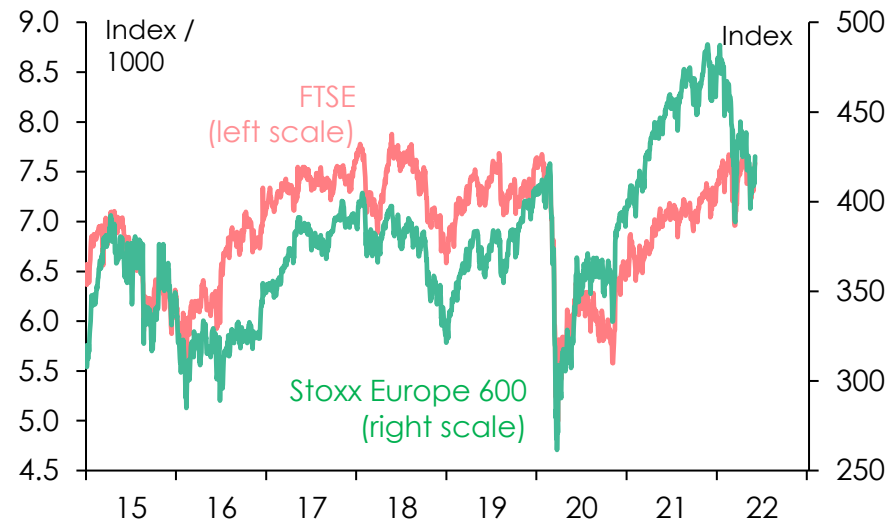
# Stock markets rebounded in the second half of last week, with the US markets gaining more than 6%, and European markets 2½-4%

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

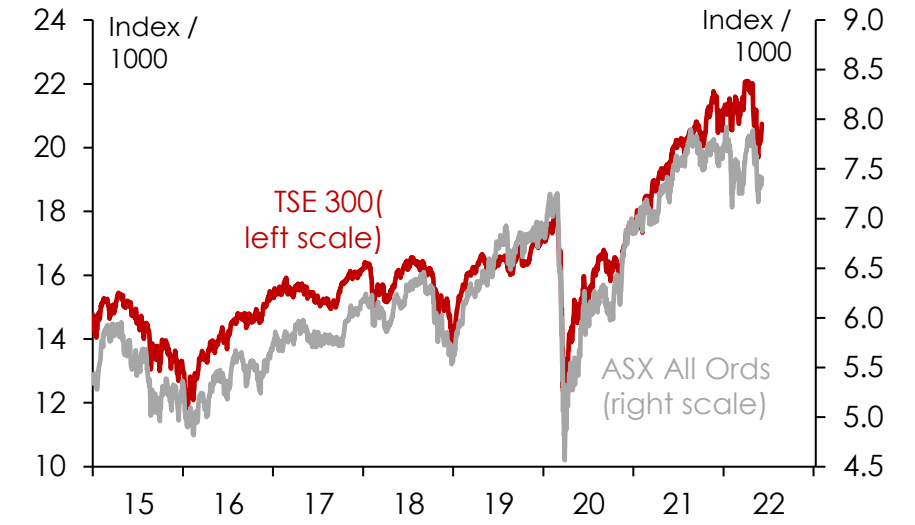
## US stock market



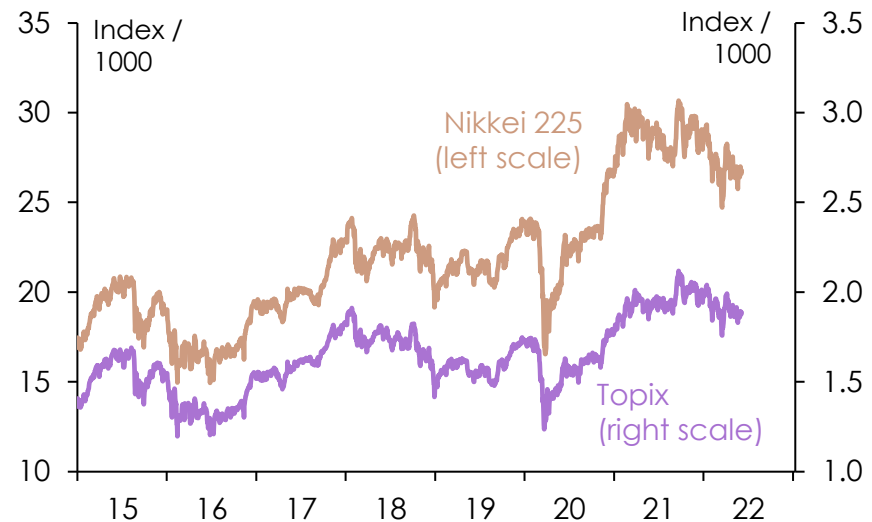
## European stock markets



## Canadian & Australian stock markets



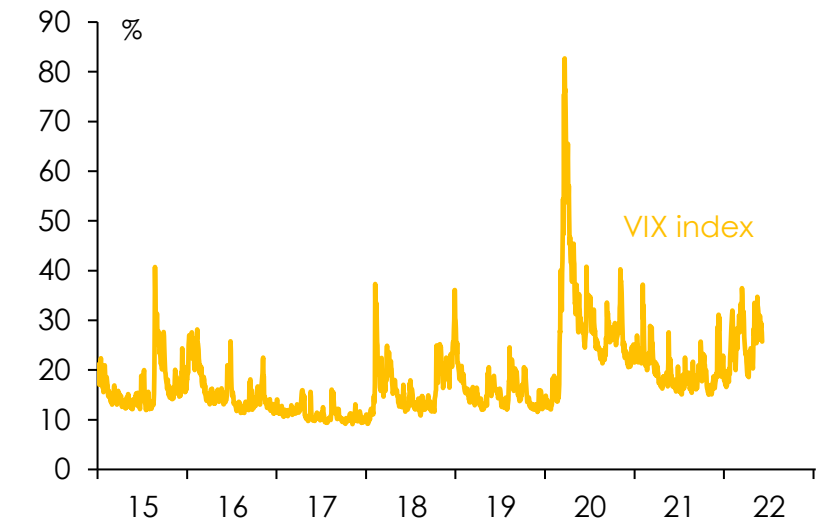
## Japanese stock market



## Chinese & HK stock markets



## Equity market volatility



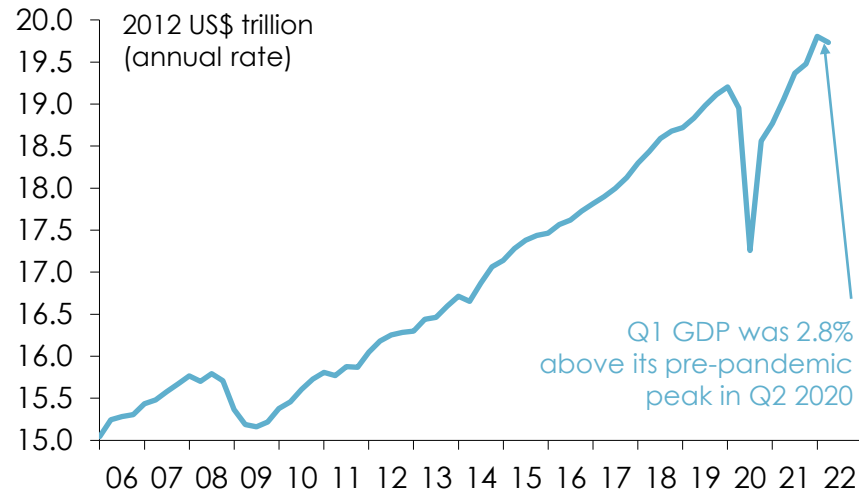
Note: Data up 27<sup>th</sup> May. Source: Refinitiv Datastream. For East Asian stock markets see [slide 113](#). [Return to "What's New"](#).

**The United States**

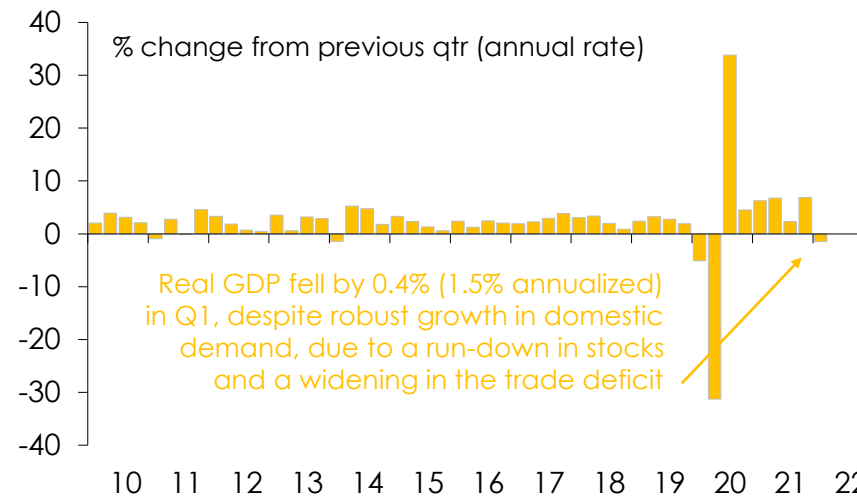
# US real GDP shrank 0.4% (1.5% annualized) in Q1, entirely due to a run-down in inventories and a large fall in net exports

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

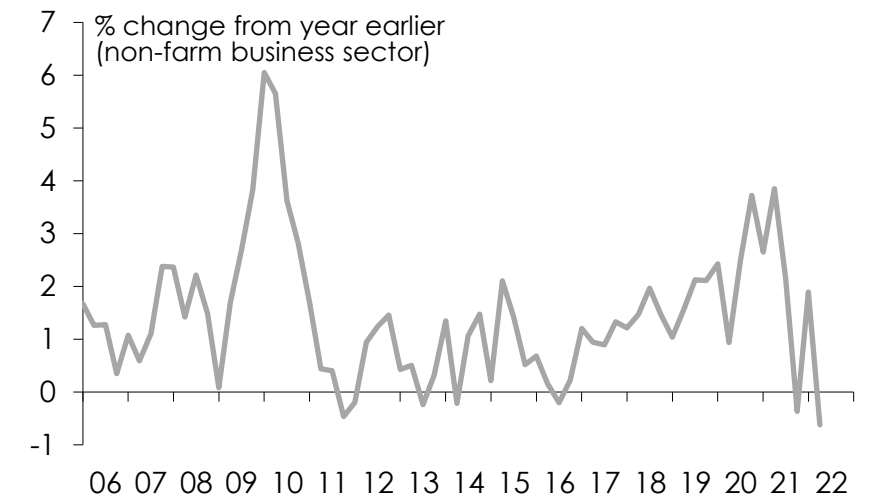
## Level of real GDP



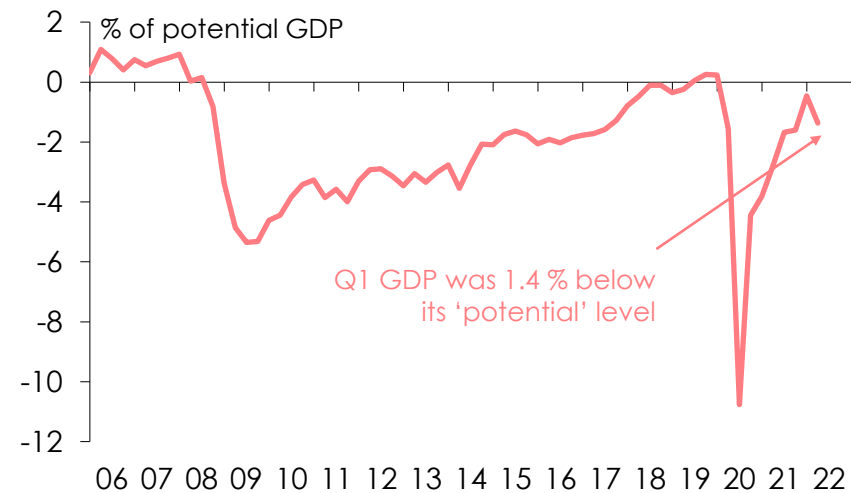
## Quarterly change in real GDP



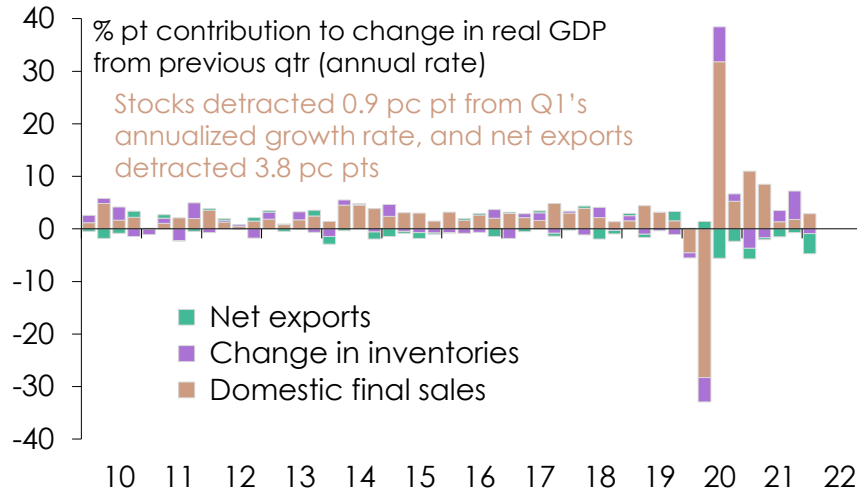
## Labour productivity growth



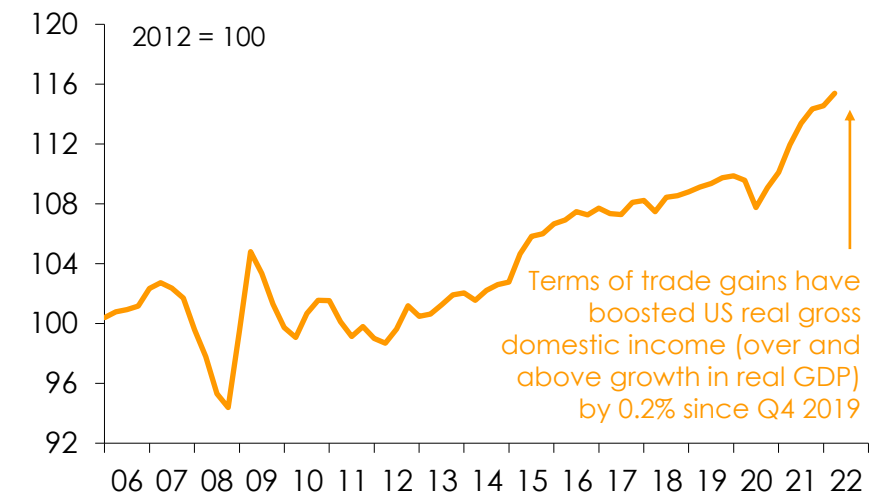
## The 'output gap'



## Contributions to change in real GDP



## Terms of trade

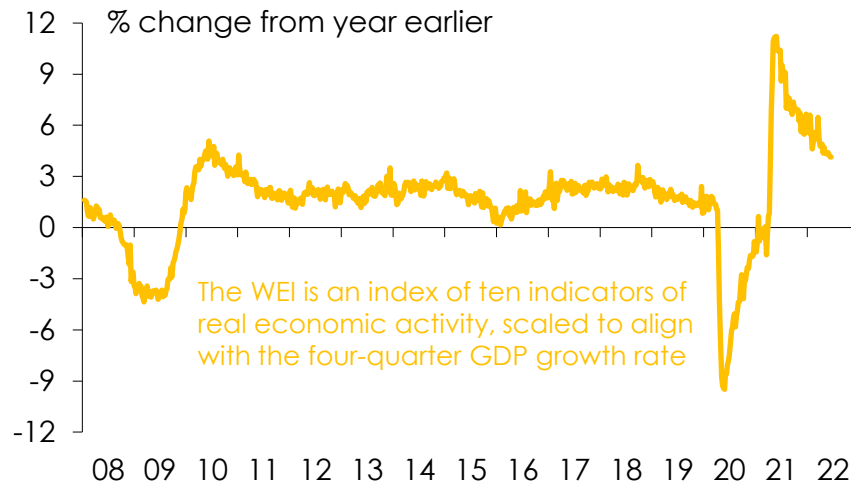


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

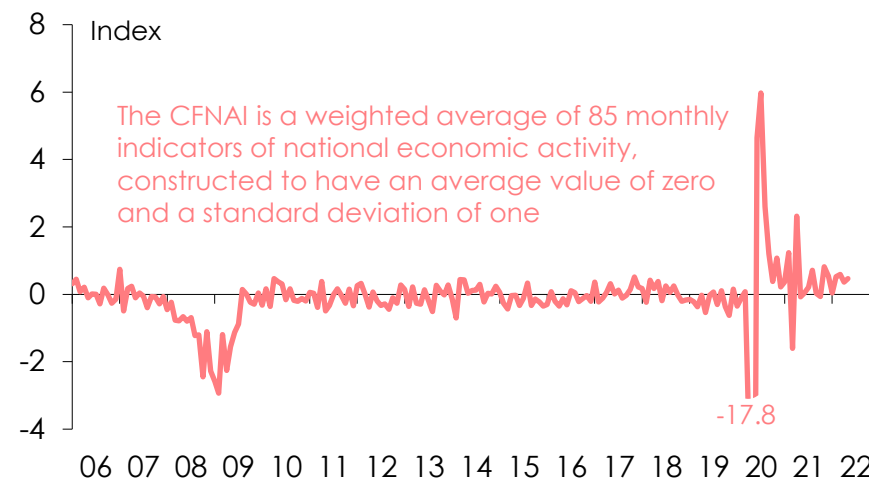
# Survey-based and 'leading' indicators are signalling a slowing in US economic activity in the first half of this year

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

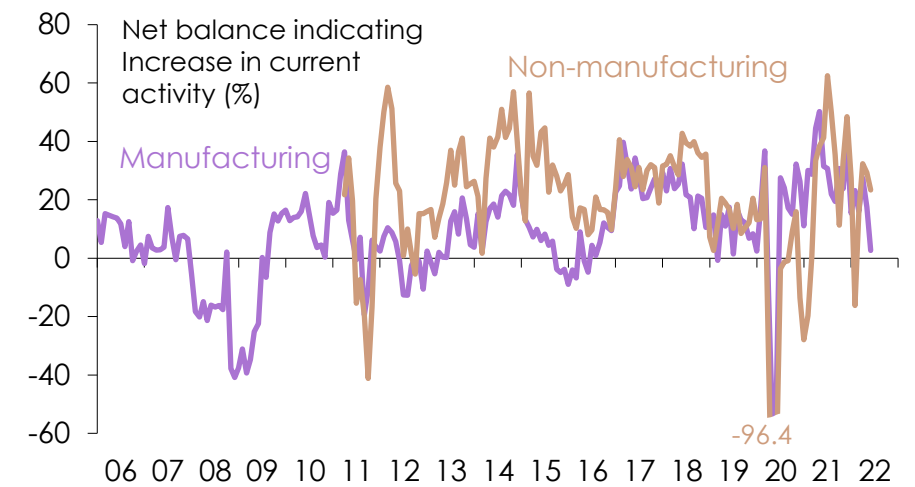
## NY Fed weekly economic index



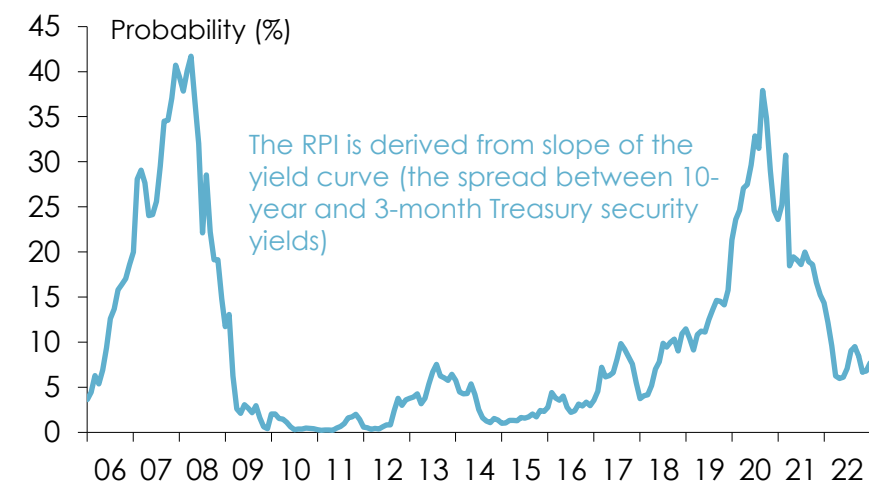
## Chicago Fed national activity index



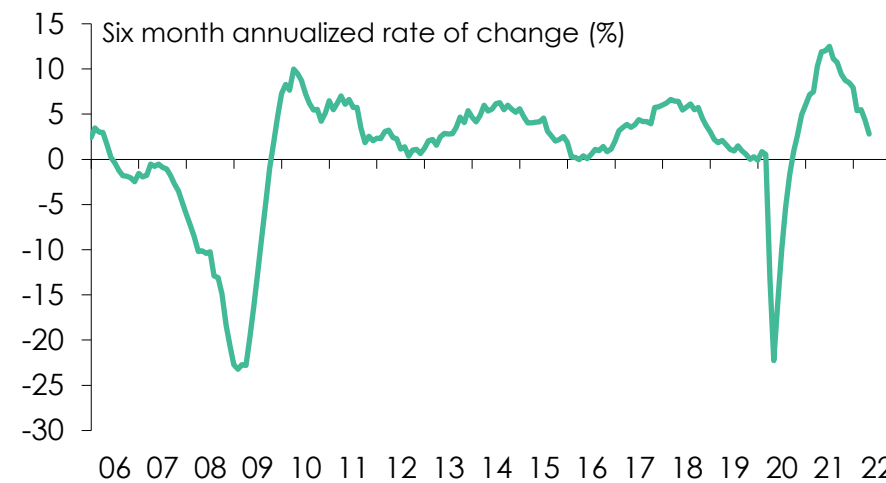
## 'Philly Fed' business outlook survey



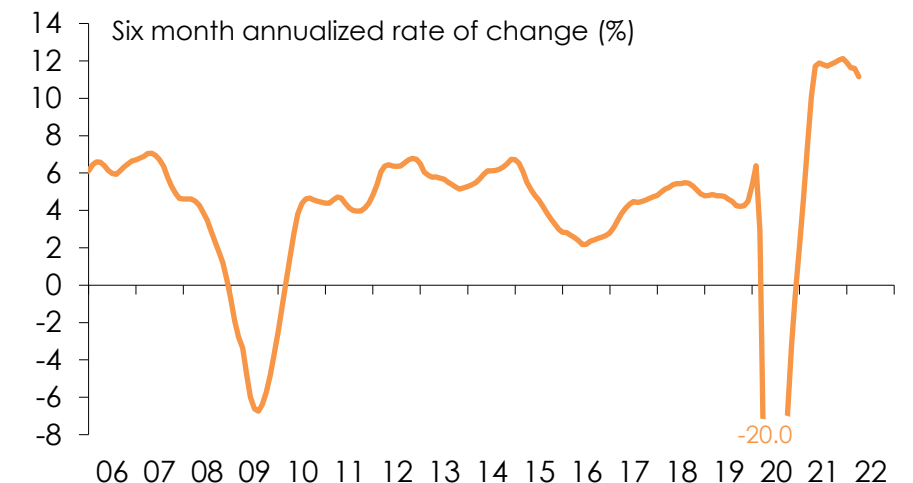
## NY Fed recession probability index



## Conference Board leading indicators



## Dallas Fed Texas business index

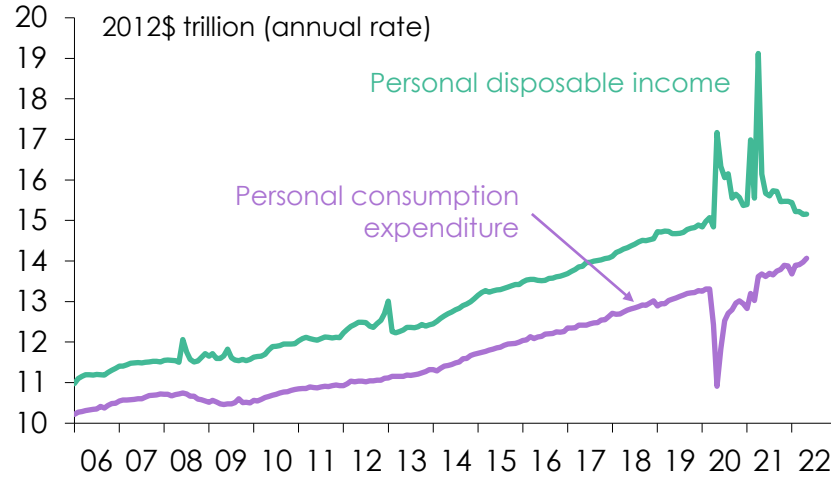


Sources: Federal Reserve Bank of New York, [Weekly Economic Index](#) and [The Yield Curve as a Leading Indicator](#); Federal Reserve Bank of Chicago, [Chicago Fed National Activity Index \(CFNAI\)](#); The Conference Board, [Global Business Cycle Indicators](#); Federal Reserve Bank of Philadelphia,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

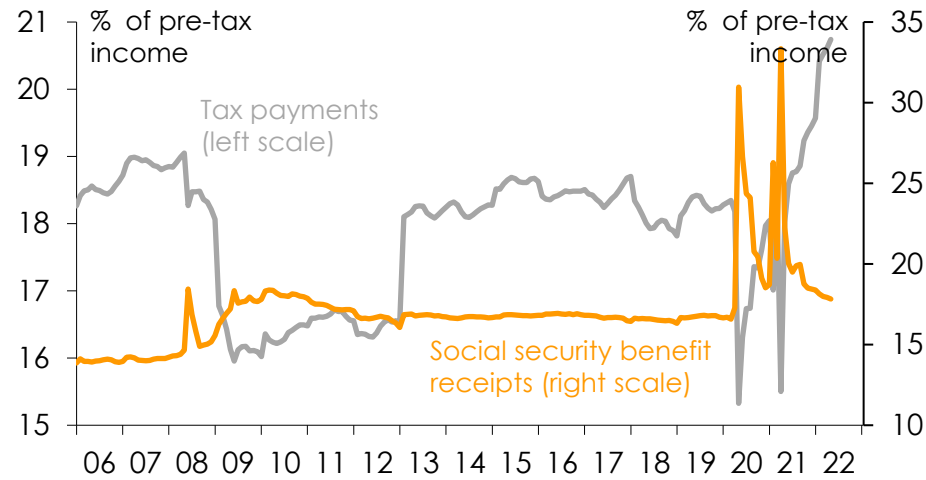
# US personal disposable income has been squeezed by rising inflation & tax payments, forcing households to cut saving in order to maintain spending

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

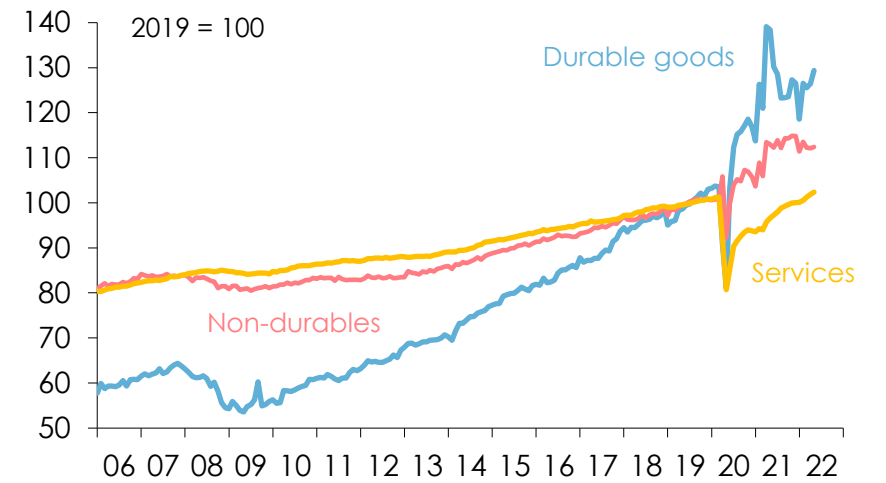
## Personal income and expenditure



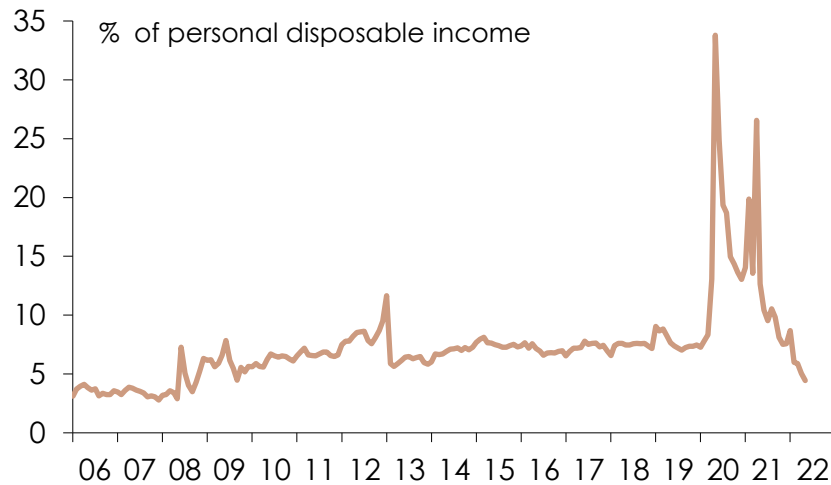
## Tax and social security



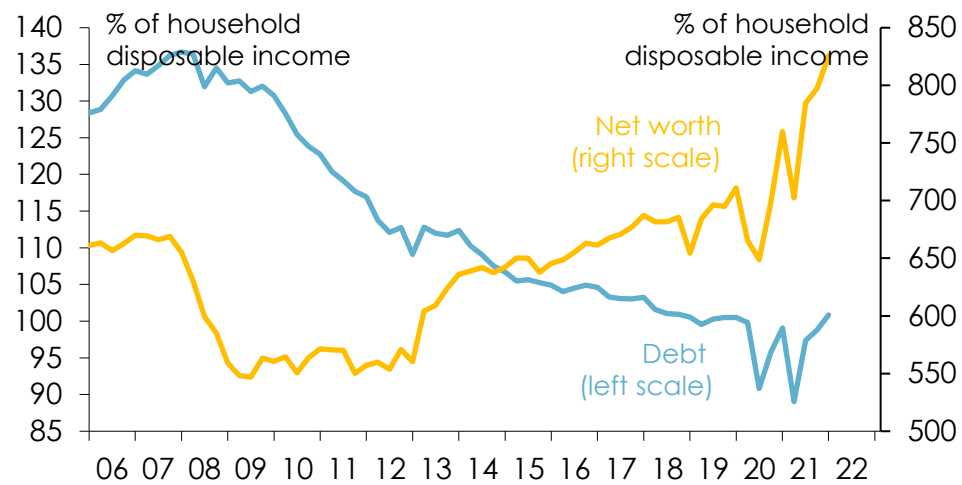
## Personal consumption expenditure



## Personal saving rate



## Household debt and net worth



## Spending on energy

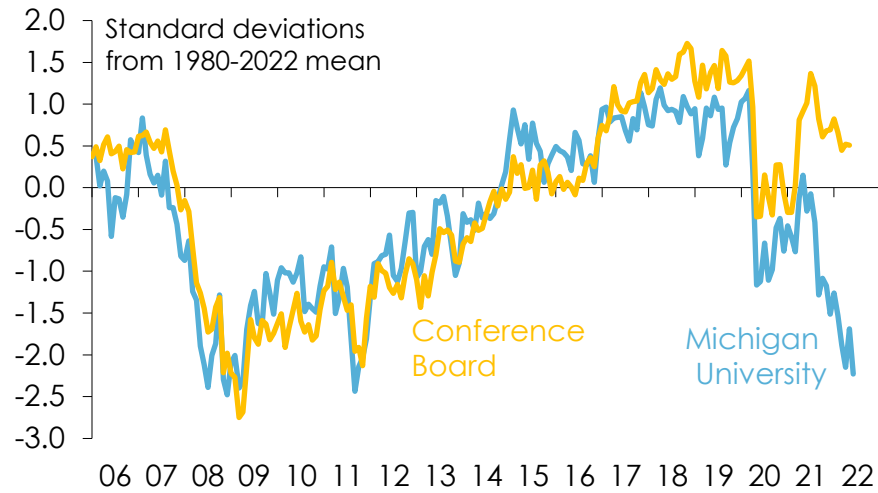


Note: data on personal income, spending and saving are monthly; data on debt and net worth are quarterly. Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#), [Consumer Spending](#) and [Income and Saving](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#). [Return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

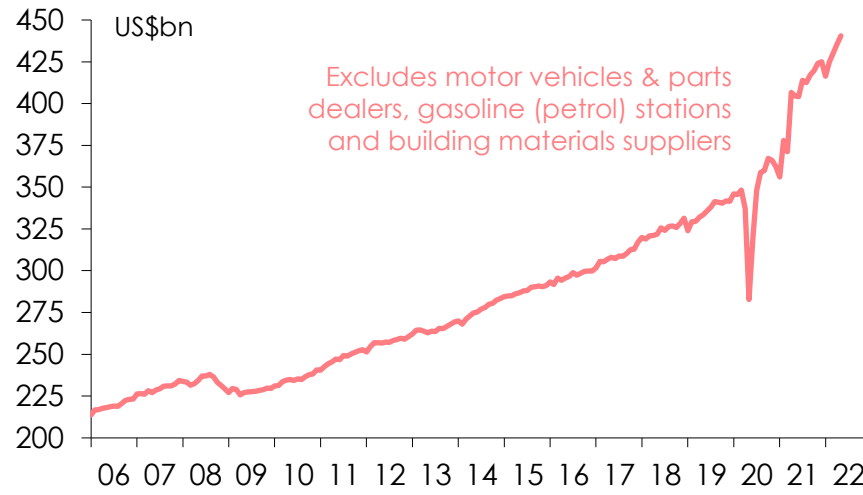
# Retail sales recorded another surprisingly strong gain in April, following better-than-previously reported increases in February and March

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

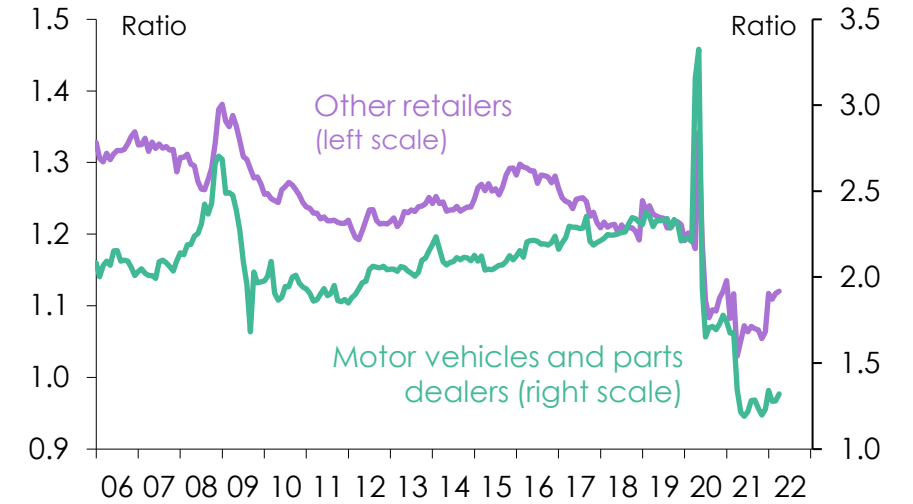
## Consumer sentiment



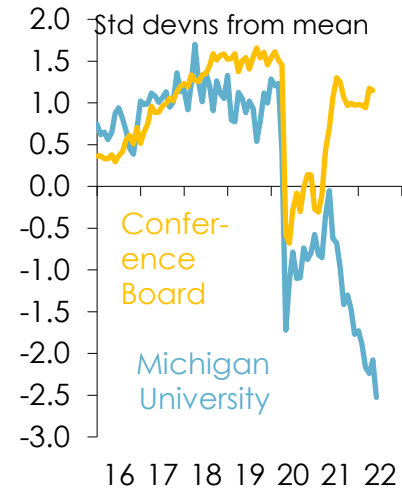
## Level of 'core' retail sales



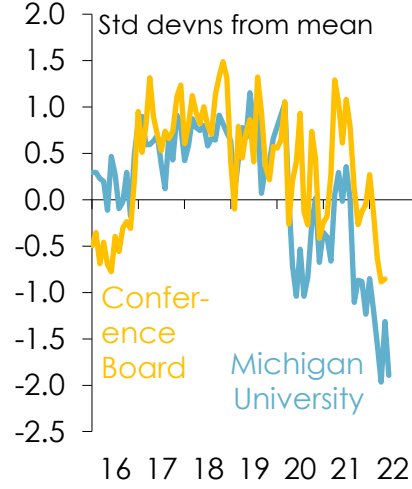
## Retail inventories-sales ratios



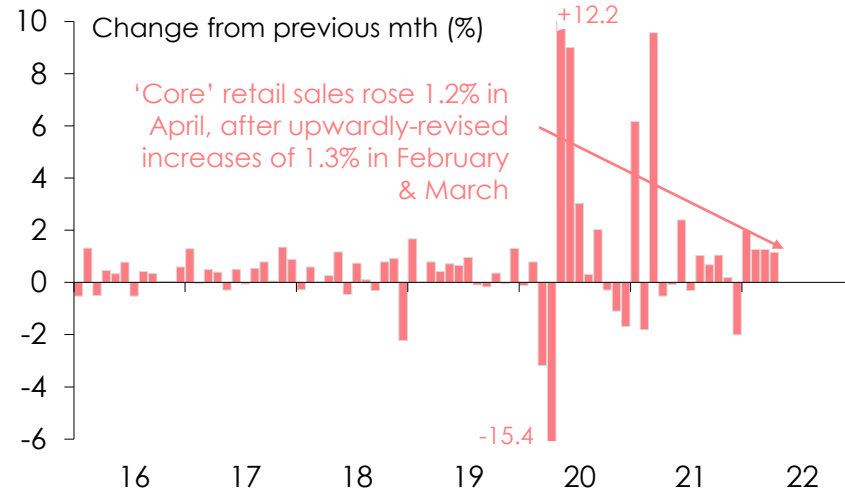
## Present situation



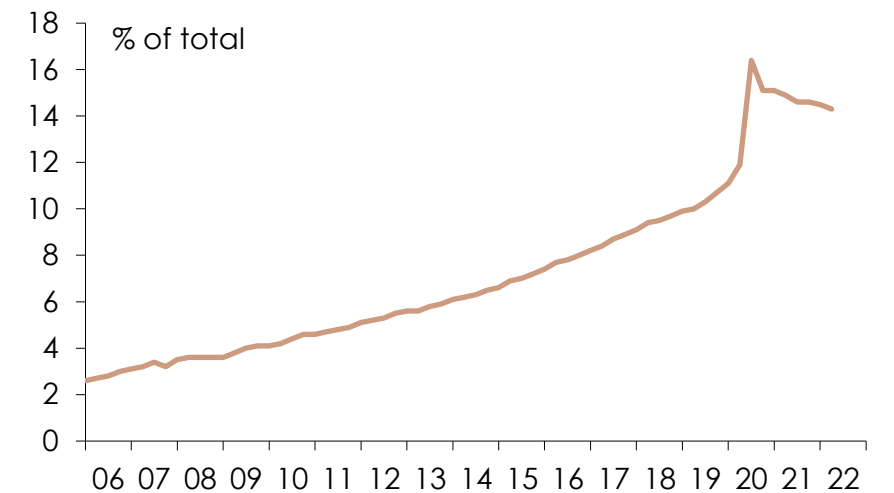
## Expectations



## Monthly changes in 'core' retail sales



## On-line retail sales

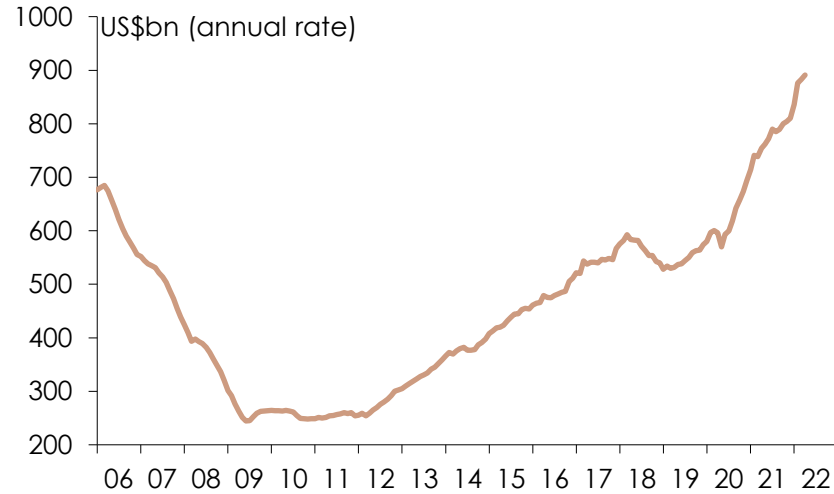


Note: 'Core' retail sales excludes motor vehicles, petrol stations and building materials stores. Sources: Michigan University Survey Research Center, [Survey of Consumers](#); The Conference Board, [US Consumer confidence](#); US Census Bureau, [Monthly Retail Trade](#) and [Advance Economic Indicators](#).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

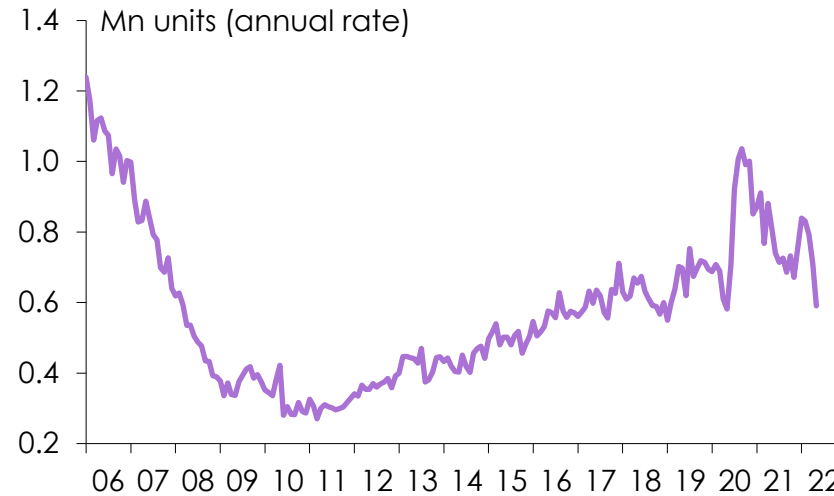
# New home sales fell sharply in April, to their lowest level since April 2020, suggesting that rising mortgage rates are starting to 'bite'

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

## Housing construction spending



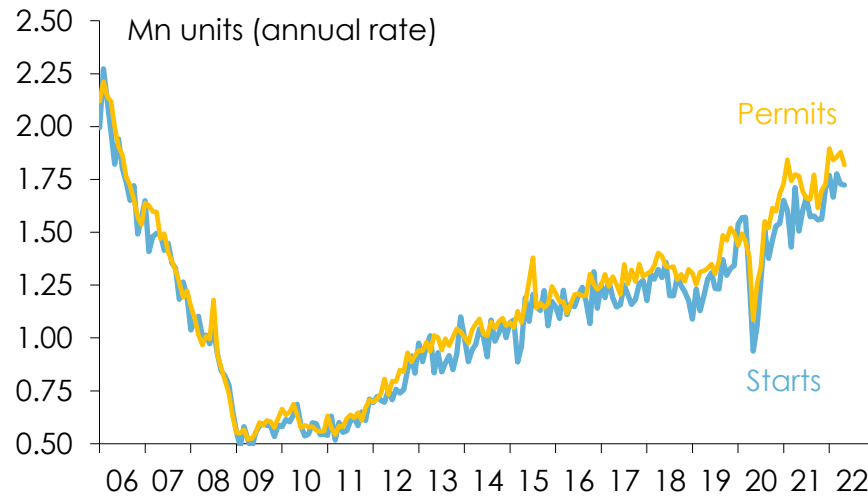
## New single-family home sales



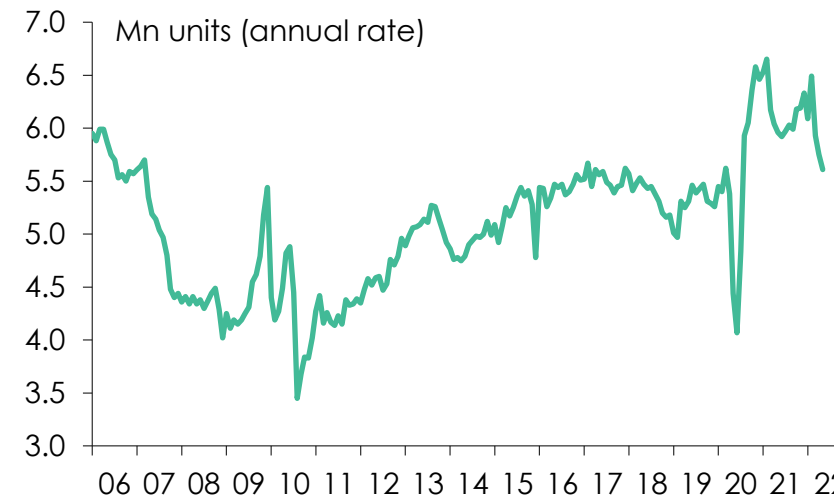
## 30-year fixed mortgage rates



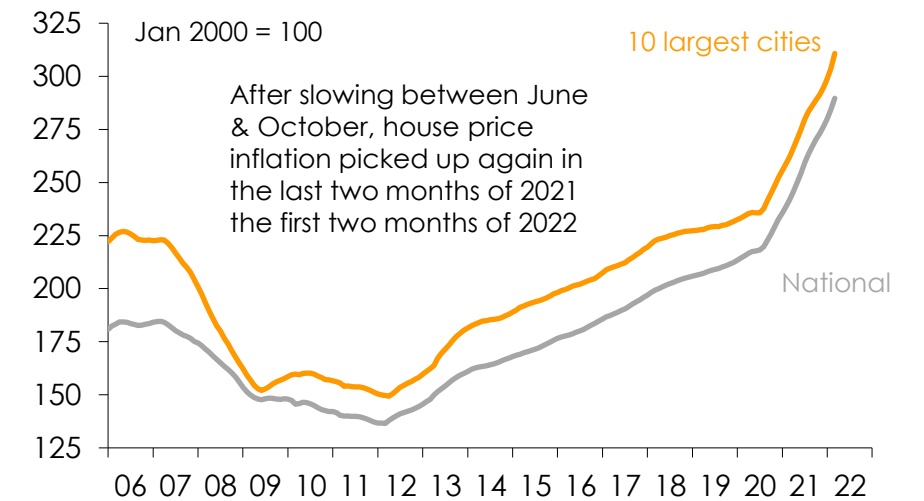
## Housing starts and permits



## Existing home sales



## House prices

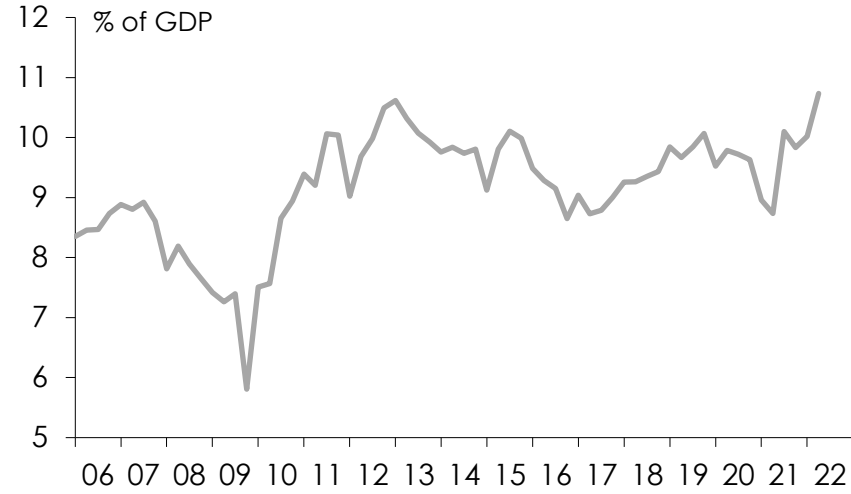


Sources: US Census Bureau, [Construction Spending](#), [New residential construction](#) and [New Residential Sales](#); US National Association of Realtors, [Existing-Home Sales](#); Mortgage Bankers' Association, [National Delinquency Survey](#); S&P Global, [S&P CoreLogic Case-Shiller Home Price Indices](#).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

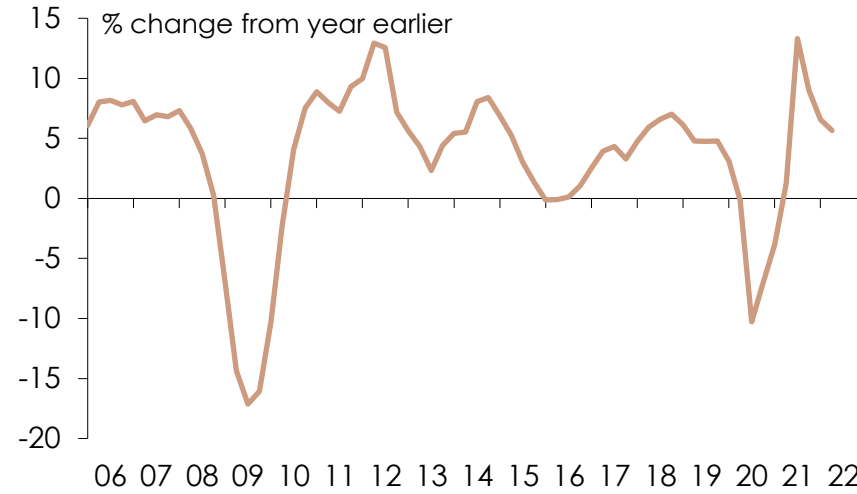
# US corporate profits and balance sheets are strong, and investment is increasing – except in non-residential construction

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

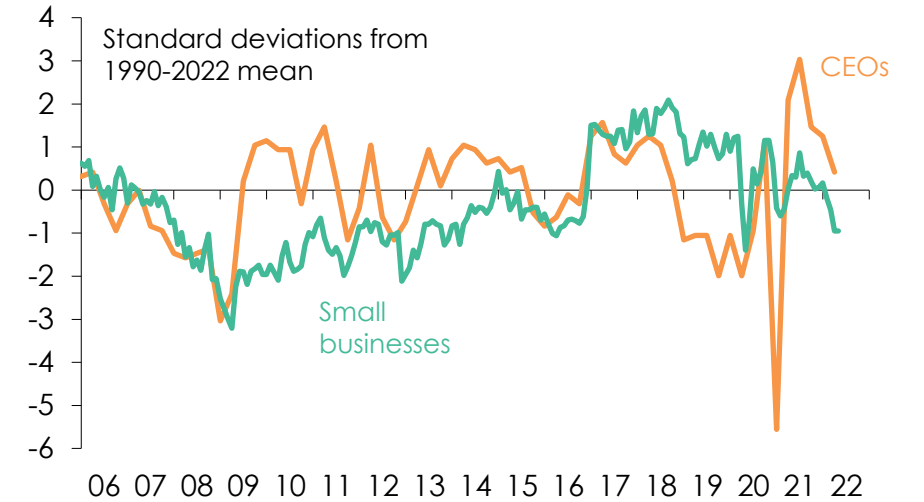
## After-tax corporate profits



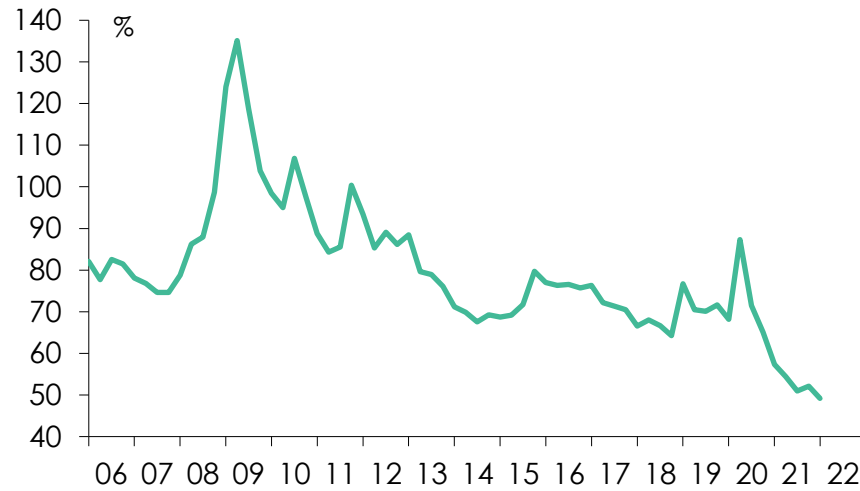
## Business investment



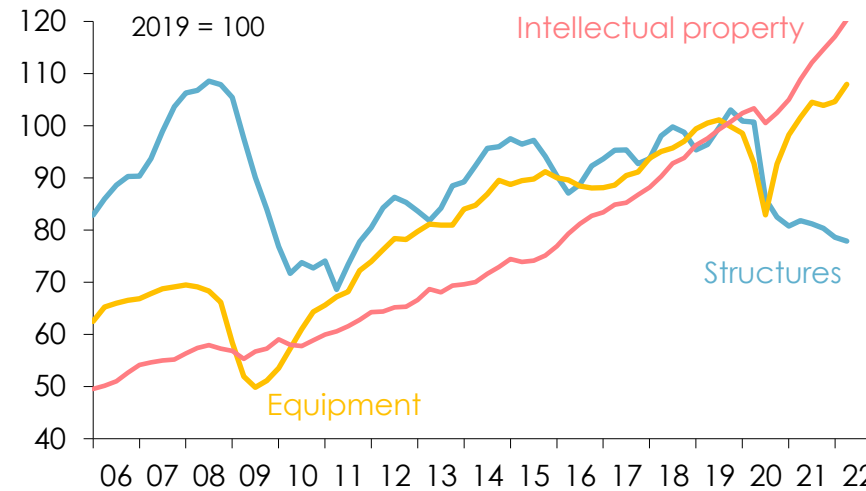
## Business confidence



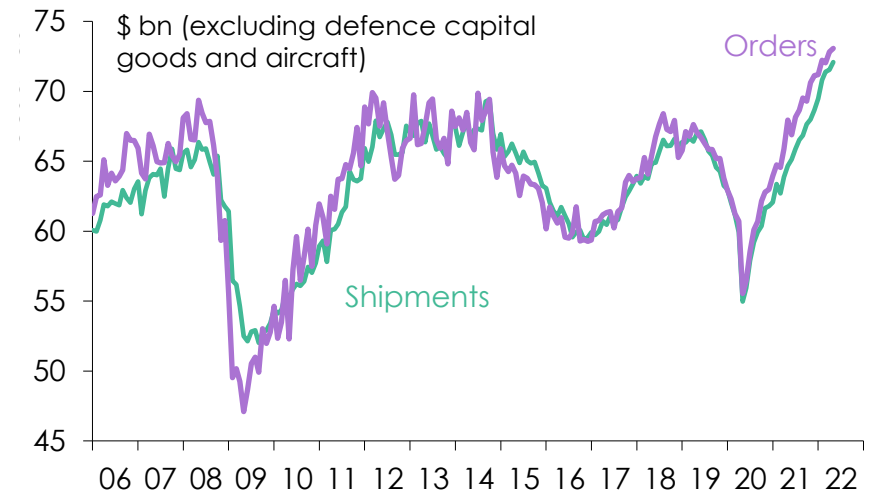
## Corporate debt-equity ratio



## Business investment by type



## Capital goods orders & shipments



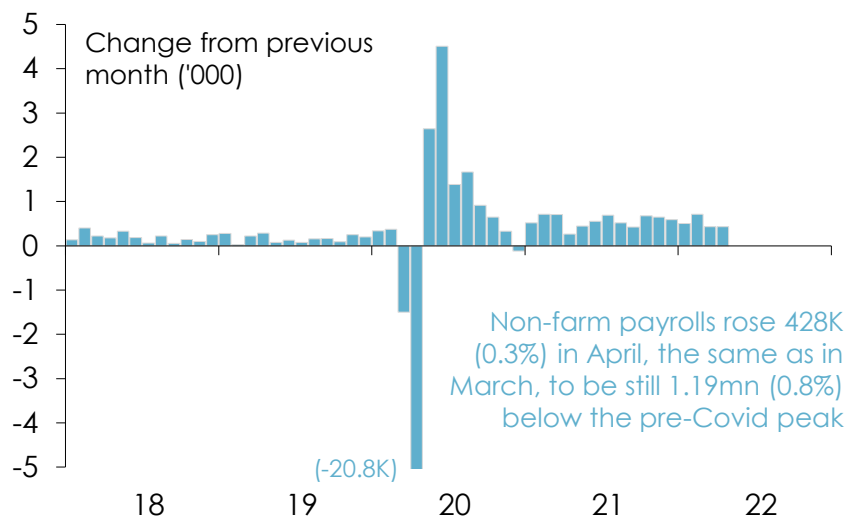
Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#); The Conference Board, [US CEO Confidence](#); National Federation of Independent Business, [Small Business Economic Trends](#); US Commerce Department, [Manufacturers'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



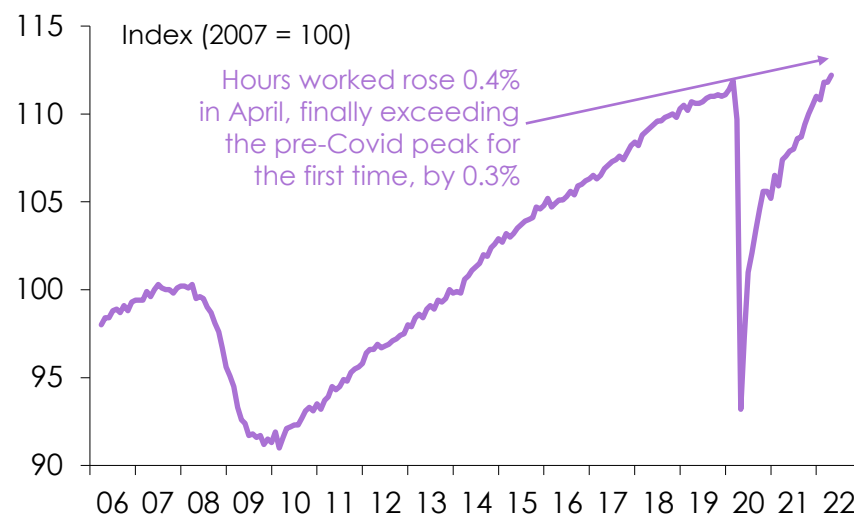
# Payroll employment rose another 0.3% in April, but the unemployment rate remained unchanged at 3.6%

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

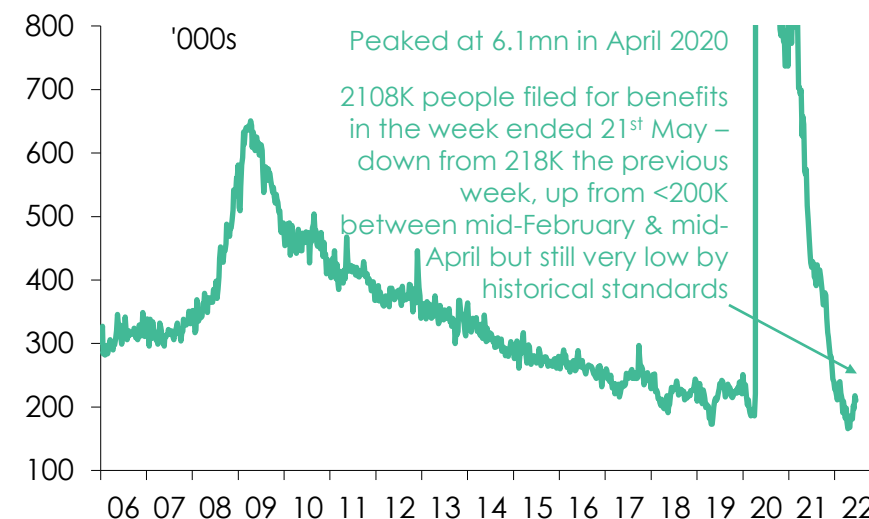
## Non-farm payroll employment



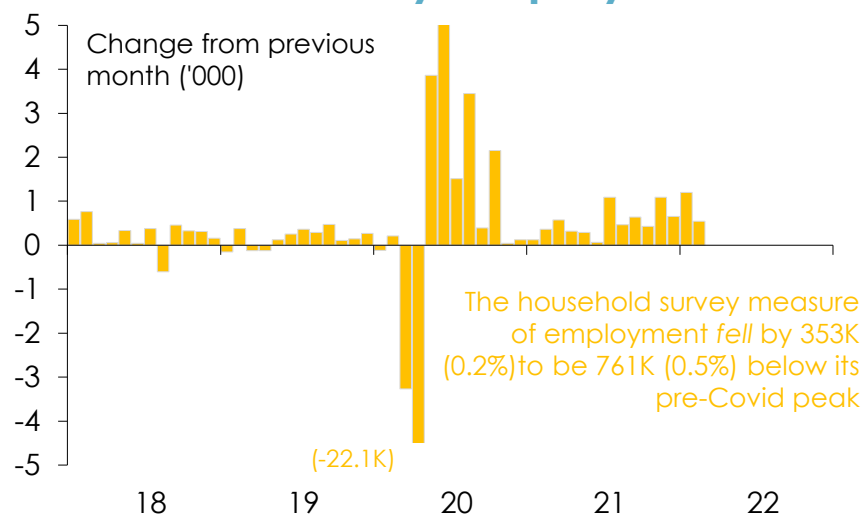
## Hours worked (private sector)



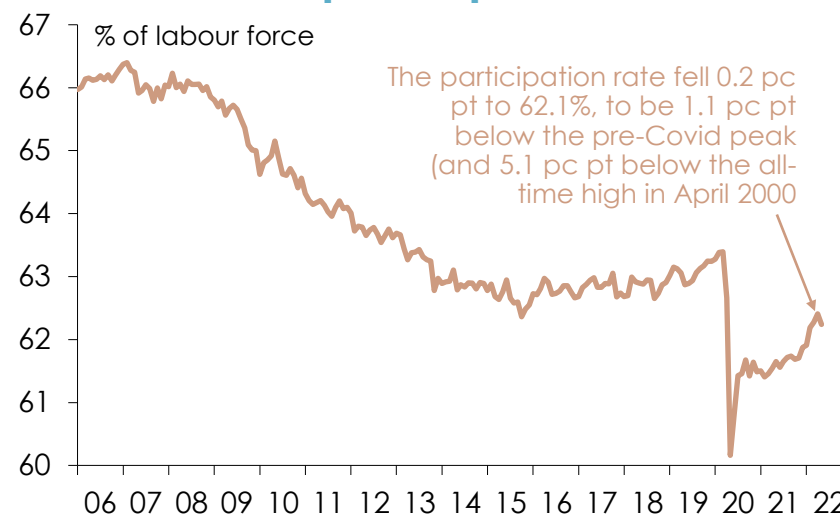
## Unemployment benefit initial claims



## Household survey employment



## Labour force participation rate



## Unemployment rate

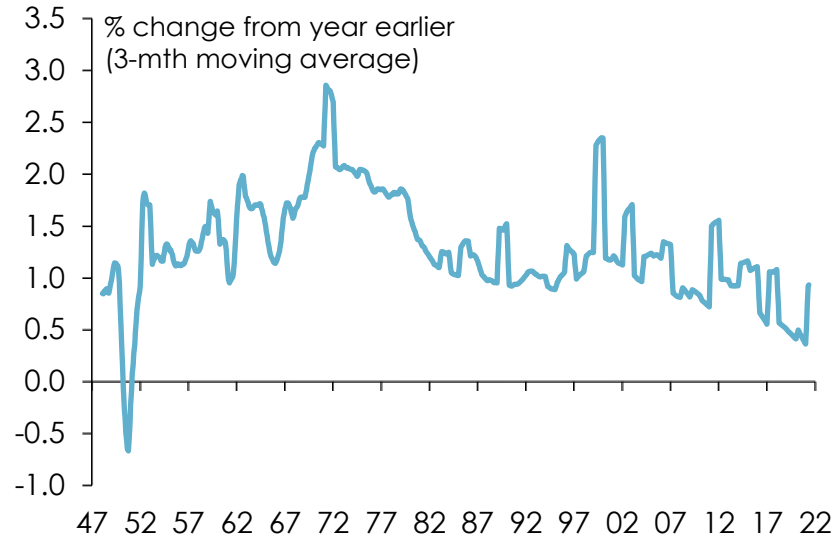


Sources: US Bureau of Labor Statistics, [Employment Situation](#); US Department of Labor, [Unemployment Insurance Weekly Claims](#). [Return to "What's New"](#).

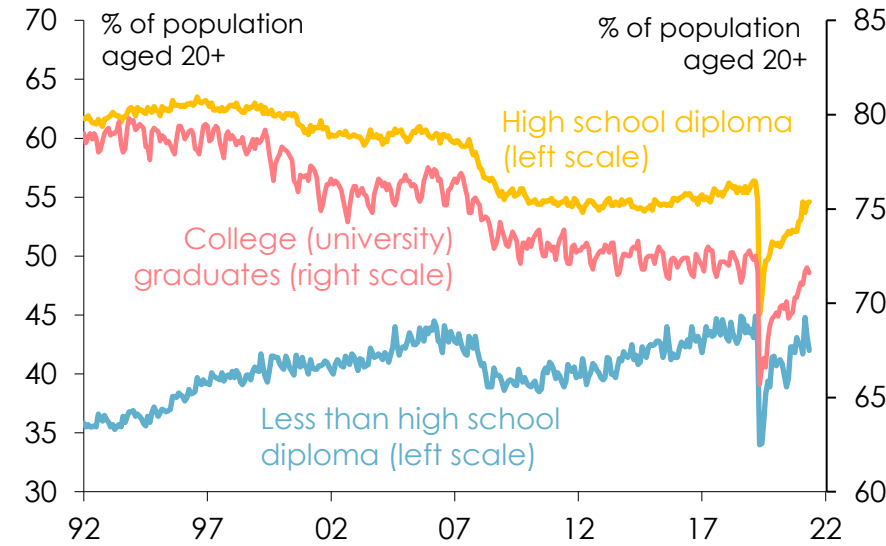
# US labour market tightness owes much to a persistent shortfall in labour force participation, especially among people aged 55 and over

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

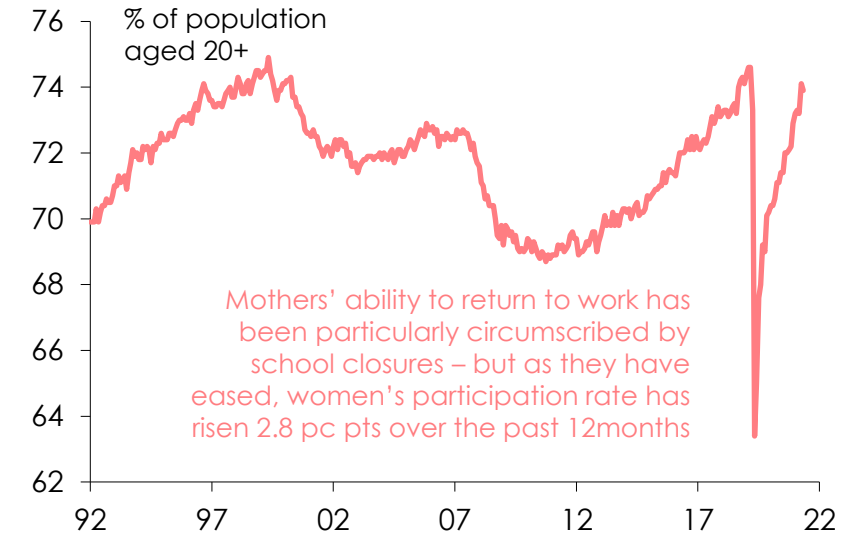
## Civilian working age population



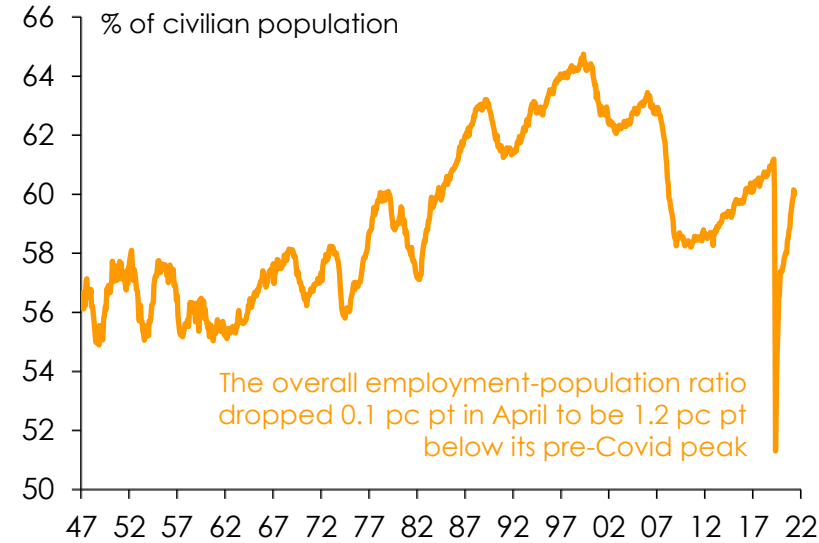
## 'E-pop' ratio – by education



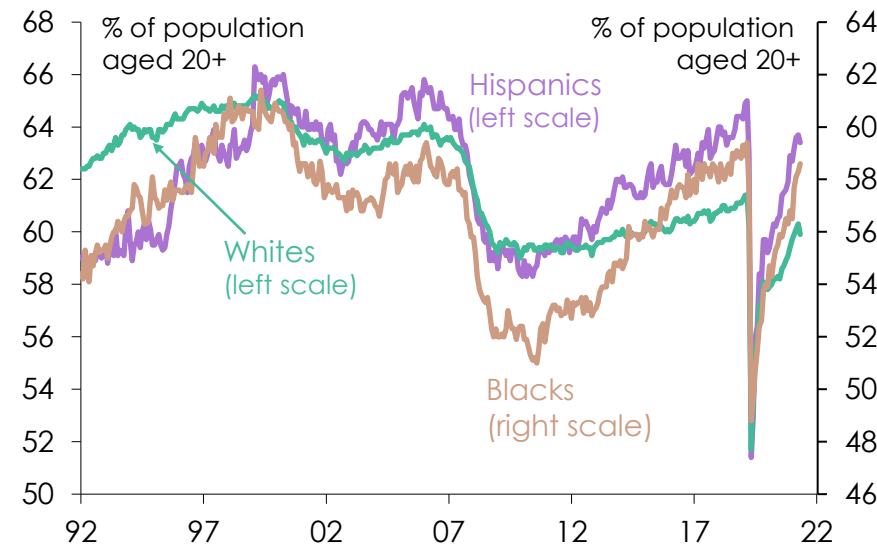
## 'E-pop' ratio – women 25-54



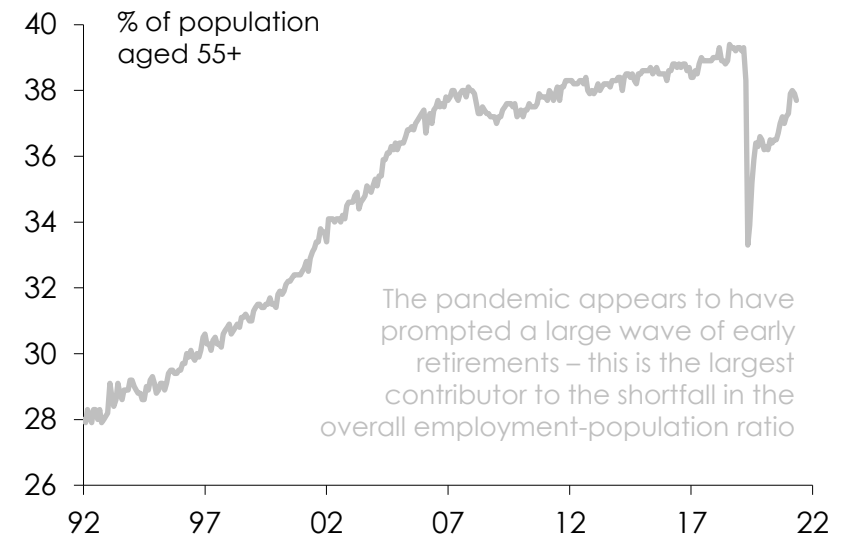
## Employment-to-population ratio



## 'E-Pop' ratio – Blacks & Hispanics



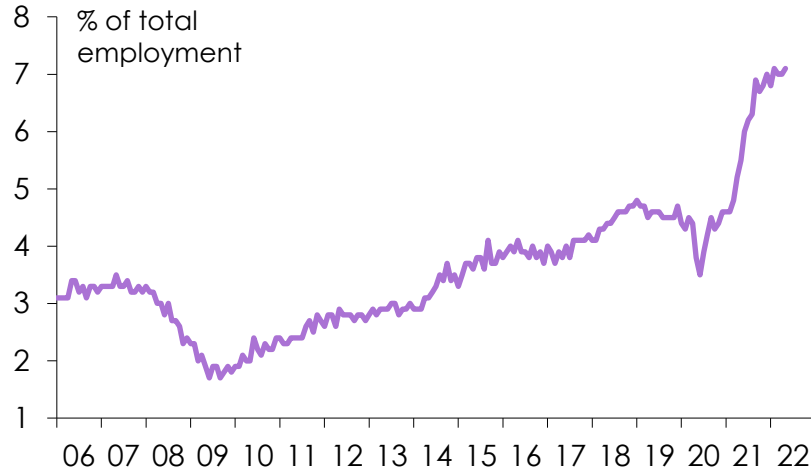
## 'E-pop' ratio – people 55 & over



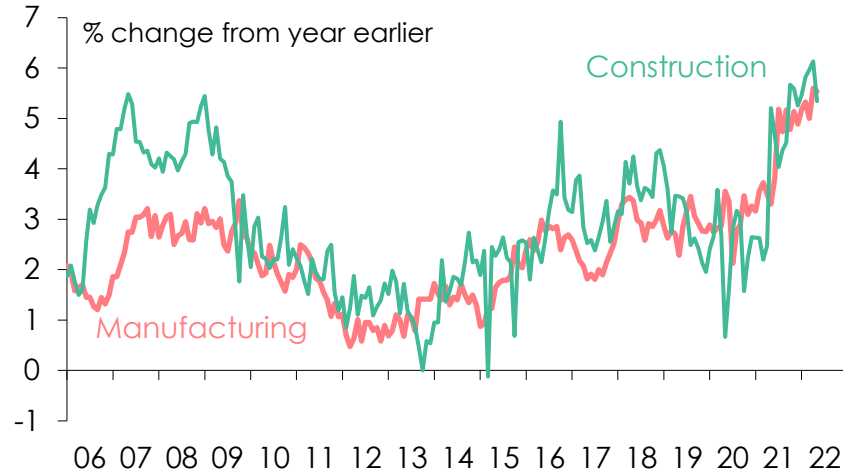
# The wages component of the employment cost index (the best measure of US wages growth) rose by 5.0% over the year to Q1

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

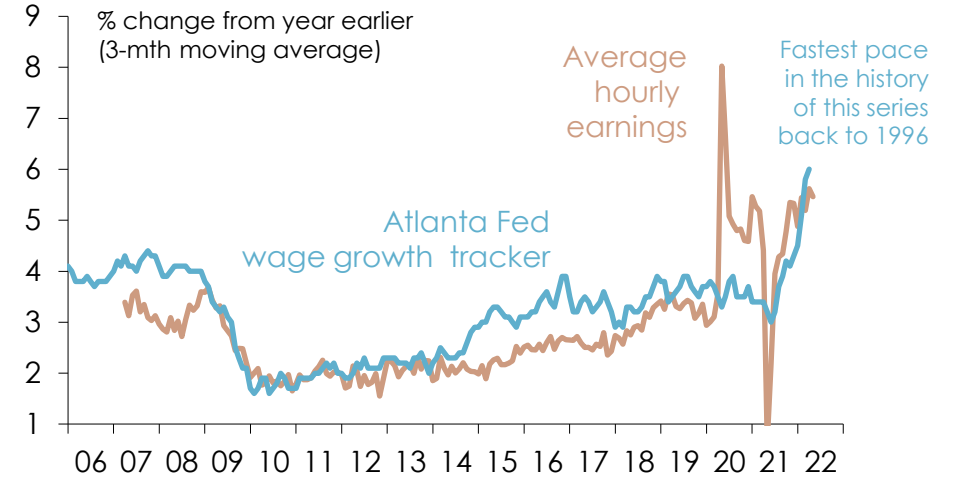
## Job openings



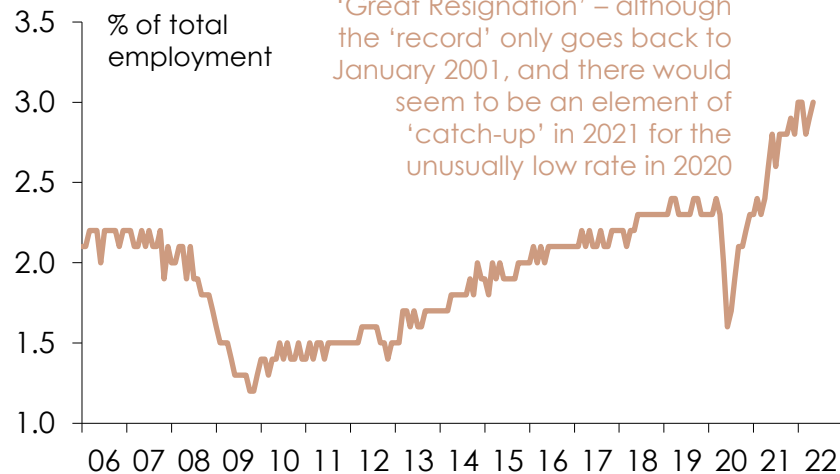
## Average hourly earnings



## Overall wages growth - monthly

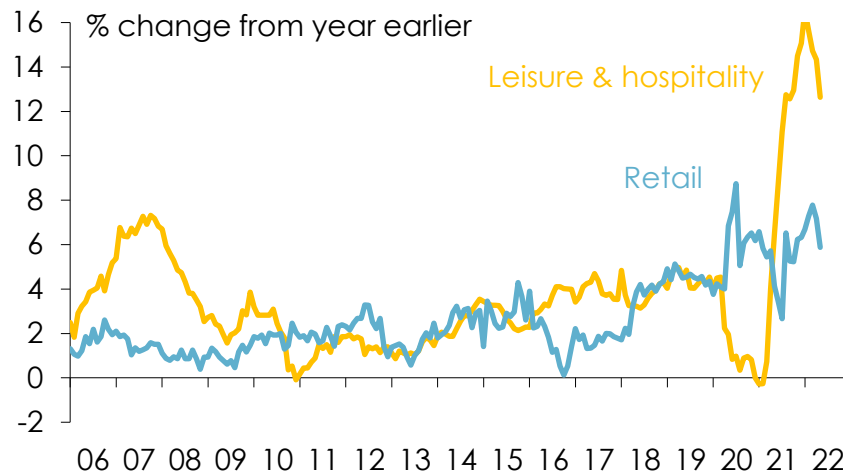


## Quit rate

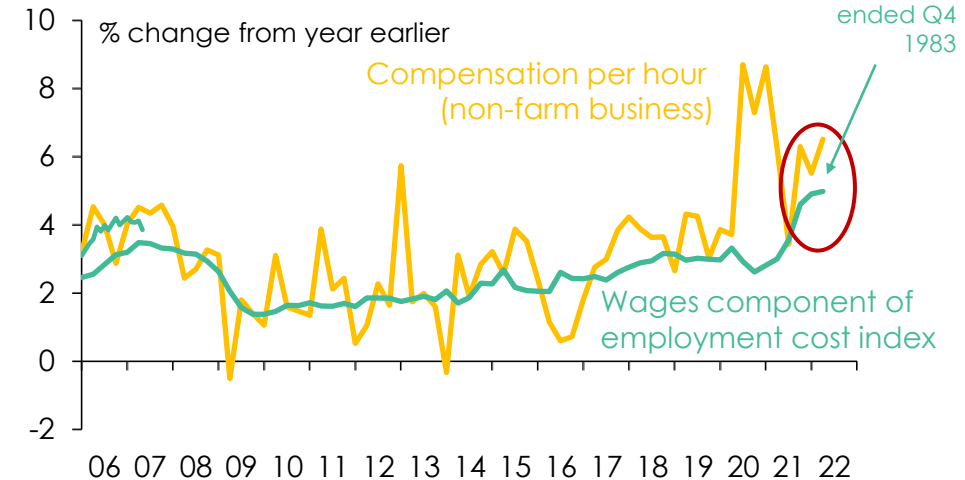


The record high 'quit rate' is the main evidence for the so-called 'Great Resignation' – although the 'record' only goes back to January 2001, and there would seem to be an element of 'catch-up' in 2021 for the unusually low rate in 2020

## Average hourly earnings



## Wages growth - quarterly

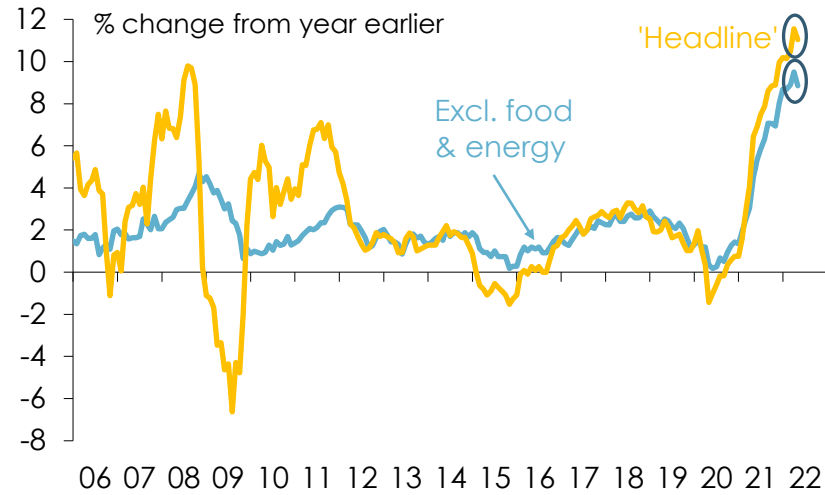


Note: Measures of average hourly earnings (especially the all-industries measures) and of average compensation per hour are affected by changes in the composition of employment (so for example they rose sharply in Q2 2020 when large numbers of low-paid workers were laid off and fell markedly when they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

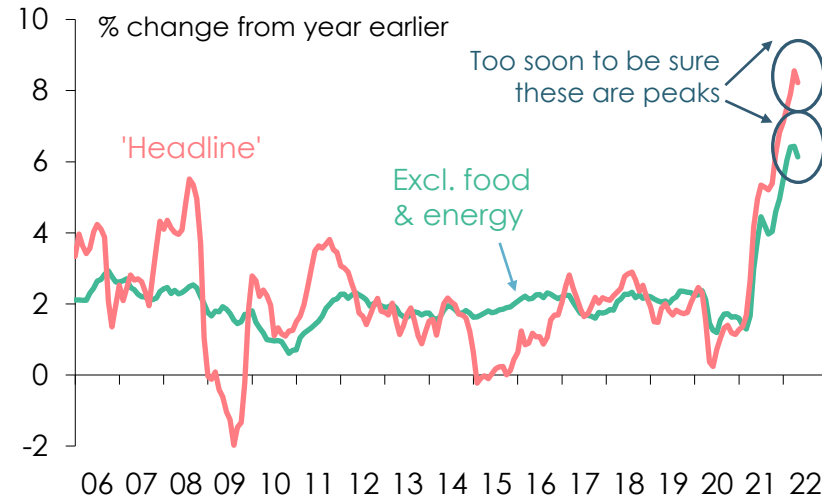
# The Fed's targeted inflation measure (the 'core' PCE deflator) may have peaked in April, but it's too soon to be sure, and still way above target

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

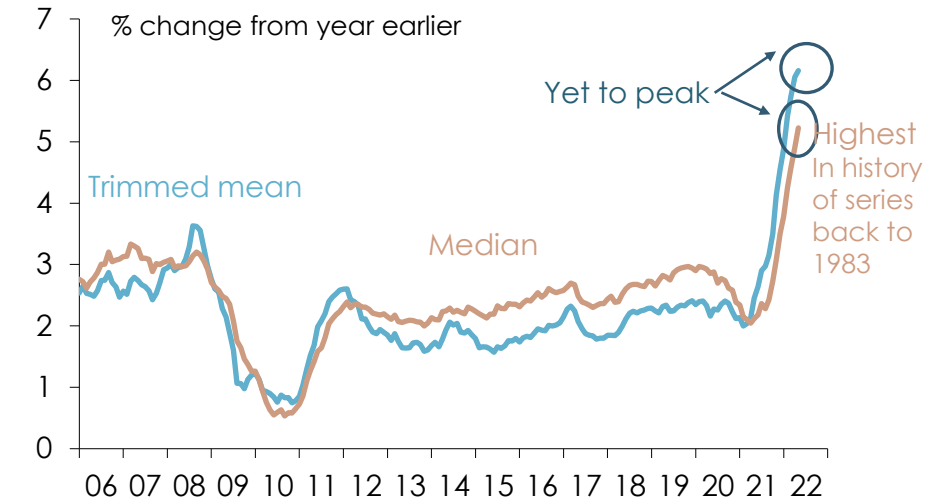
## Producer price index



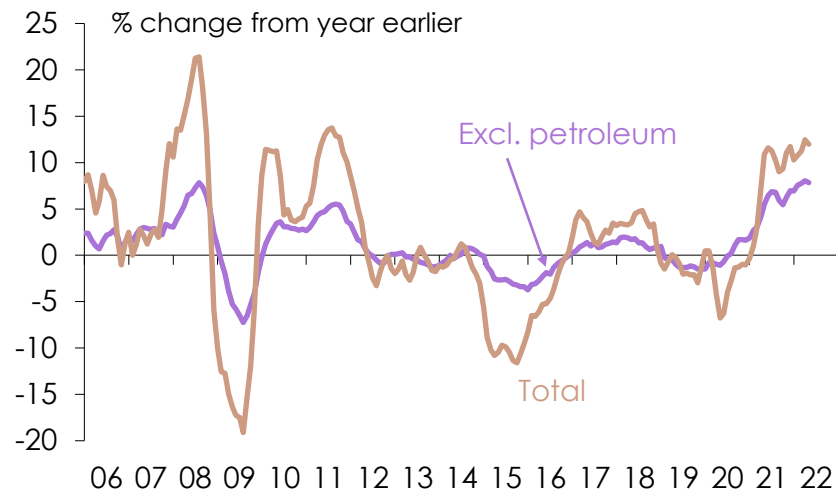
## Consumer price index



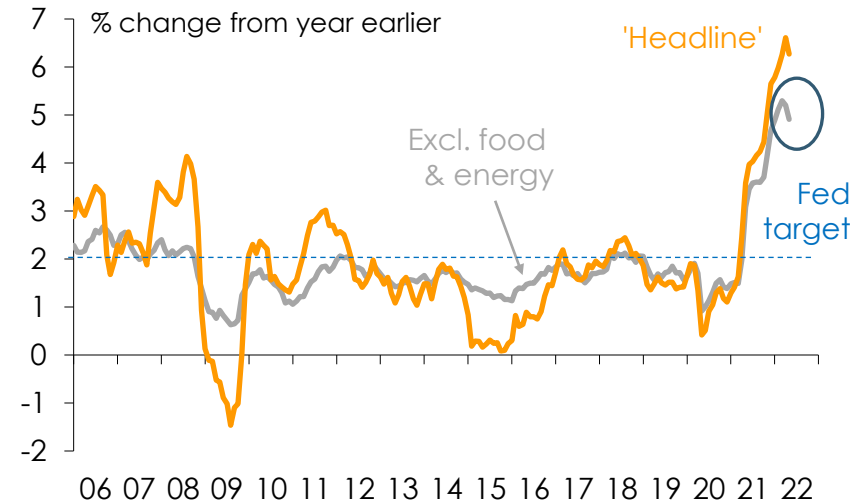
## 'Underlying' CPI inflation



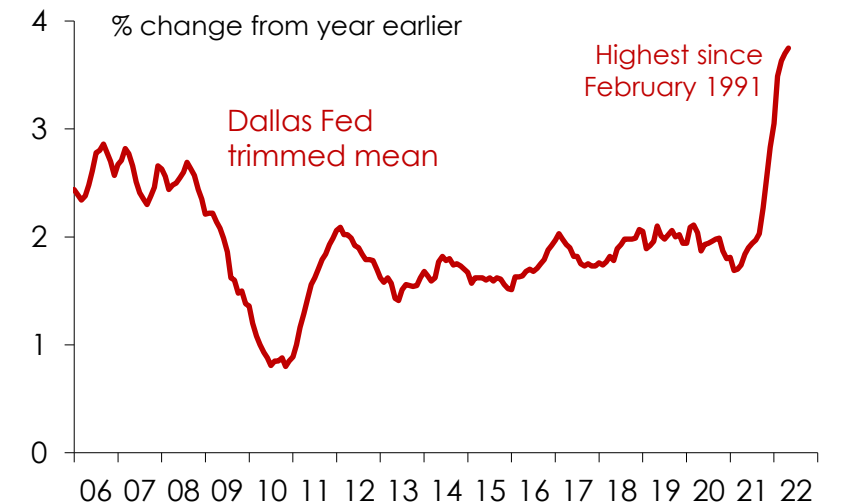
## Import price index



## Personal consumption deflator



## 'Underlying' PCE deflator inflation

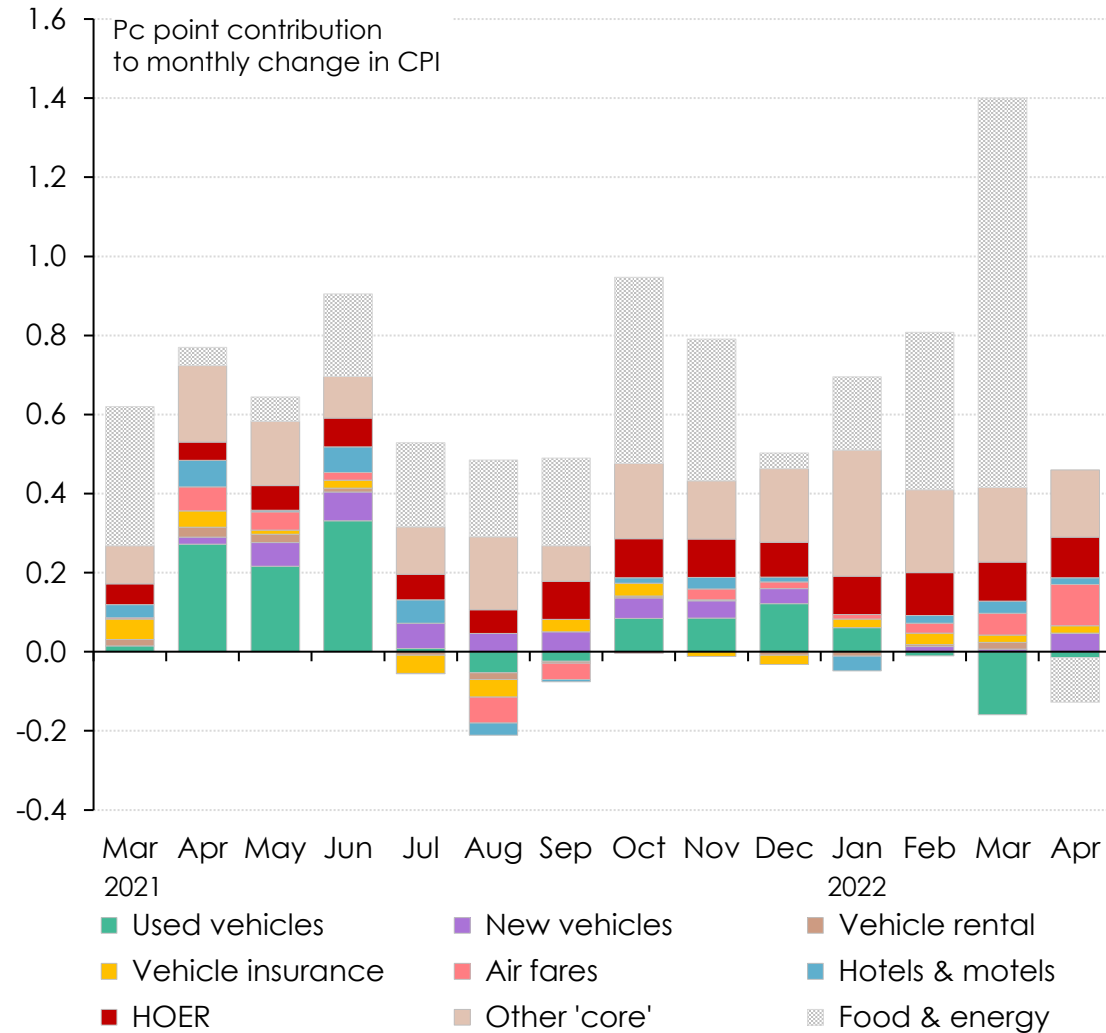


Sources: US Bureau of Labor Statistics, [Producer Price Index](#), [Import and Export Price Indexes](#) and [Consumer Price Index](#); US Bureau of Economic Analysis, [Personal Consumption Expenditures Price Index](#); Federal Reserve Bank of Cleveland, [Median CPI](#); Federal Reserve Bank of Dallas,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

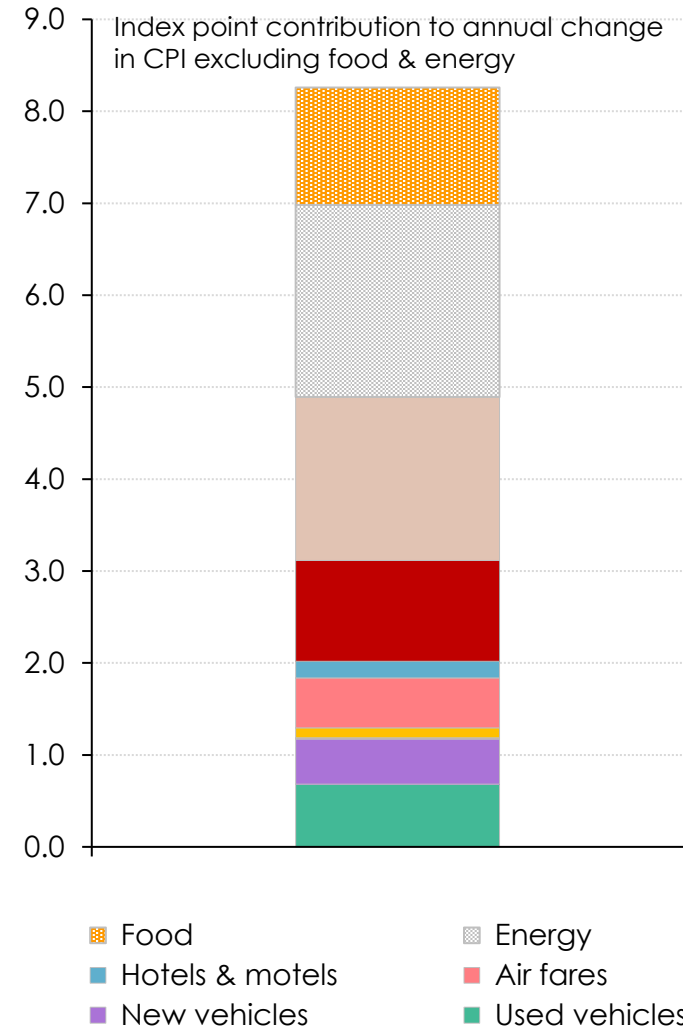
# Energy prices fell 2.7% in April, but the CPI ex food & energy rose 0.6%, the fastest in three months, so it's too soon to conclude inflation has peaked

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

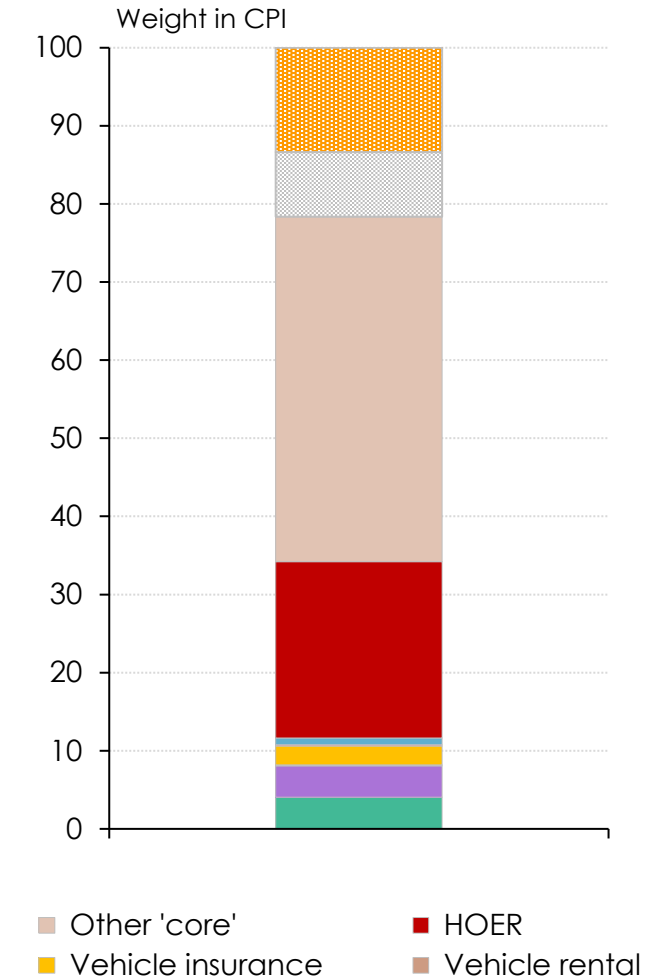
## Contributions to monthly changes in the US CPI



## Contributions to change in CPI over the year to March



## Weights in CPI

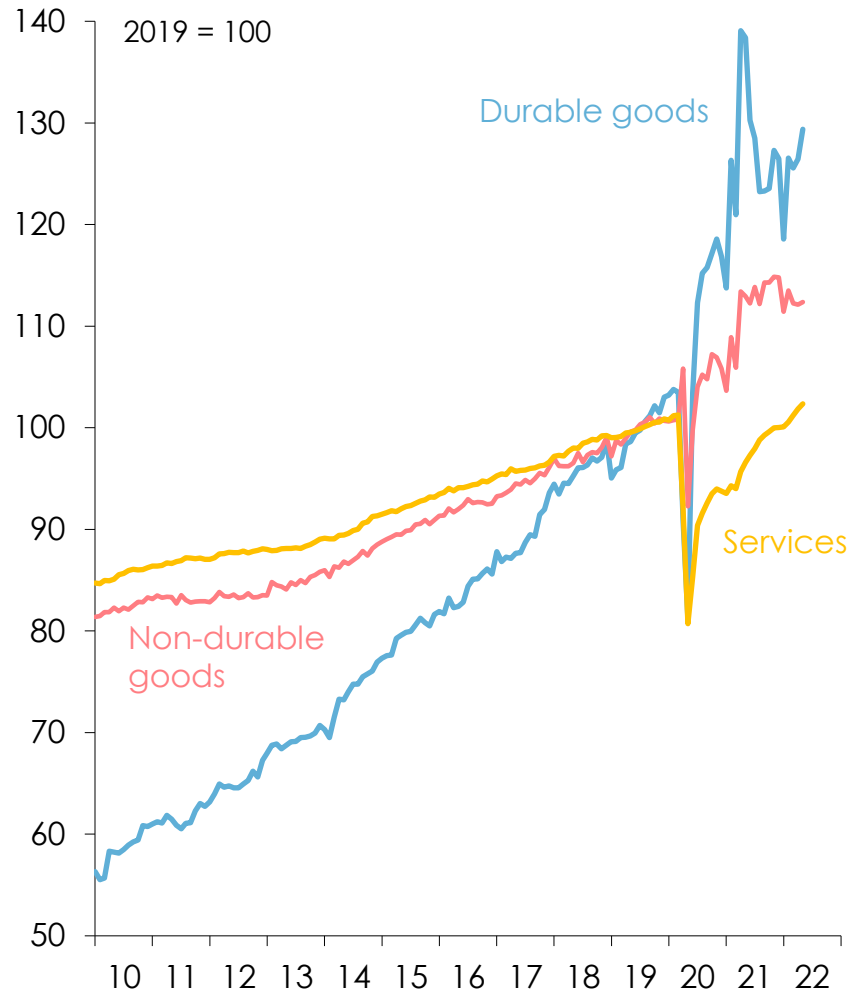


Note: 'HOER' = home-owners' equivalent rent (a measure of the 'imputed rent' notionally paid by owner-occupiers to themselves), and which accounts for (an uncommonly large, by international standards) 28½% of the CPI excluding food and energy. Source: US Bureau of Labor Statistics, CPI Table 6; Corinna.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

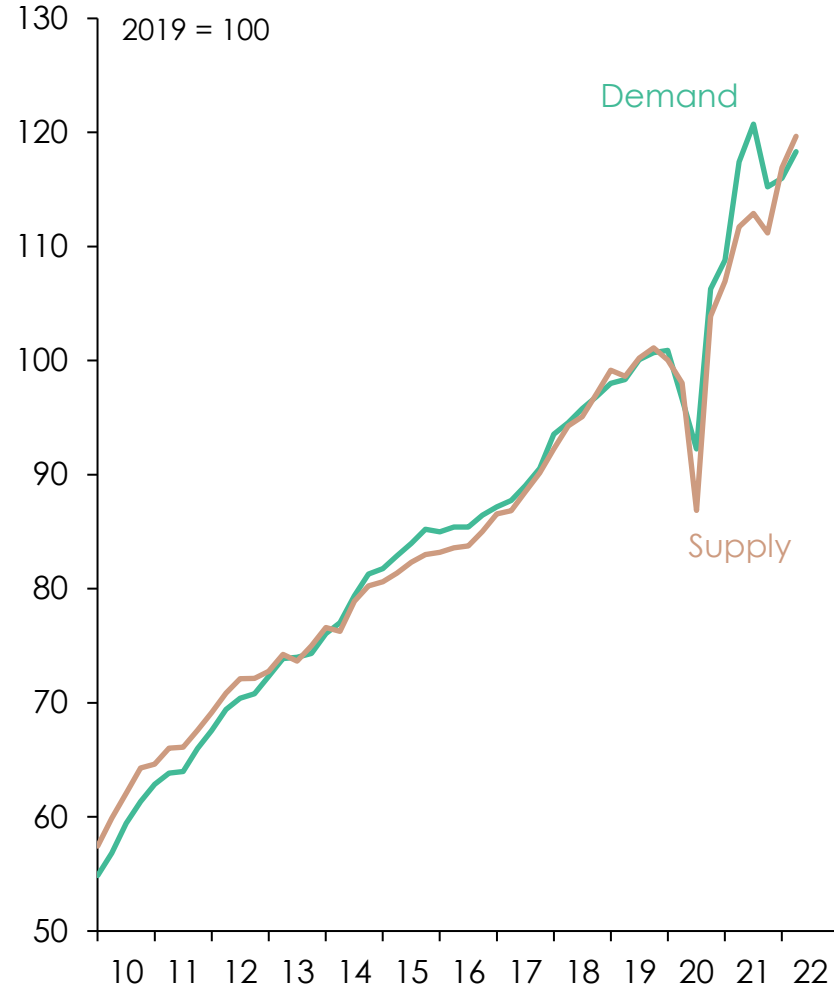
# The rise in inflation has until recently been largely attributable to the imbalance between supply and demand for durable goods

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

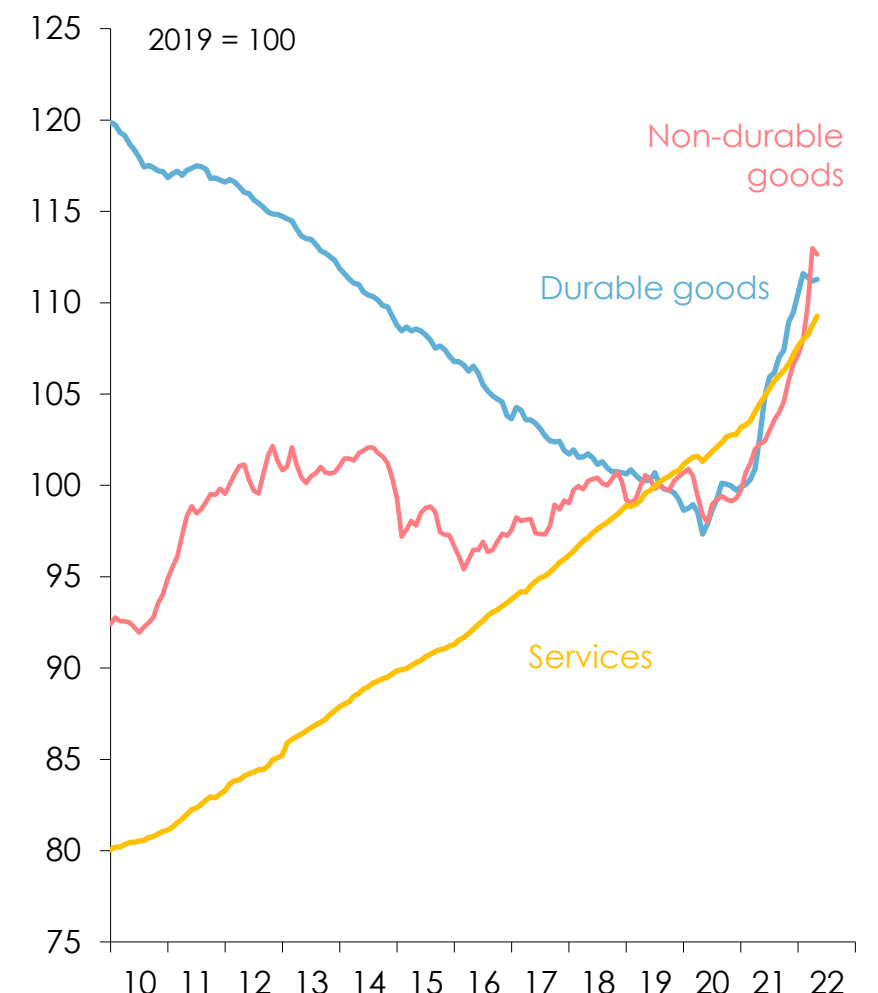
## Composition of personal consumption expenditures



## Aggregate demand for and supply of durable goods



## Implicit price deflators of personal consumption

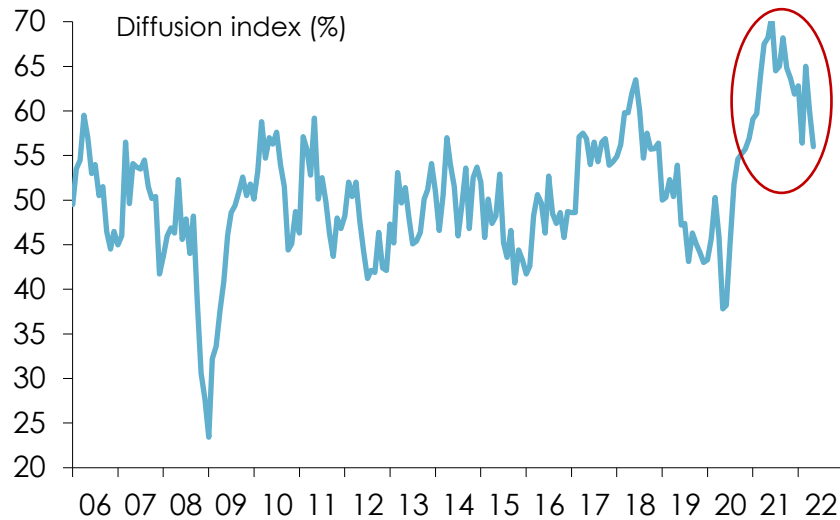


Note: 'Aggregate demand' for durable goods comprises personal consumption of durable goods plus business investment in equipment. 'Aggregate supply' of durable goods comprises gross domestic product (final sales plus change in inventories) plus net imports of durable goods. Sources: US Bureau of Economic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

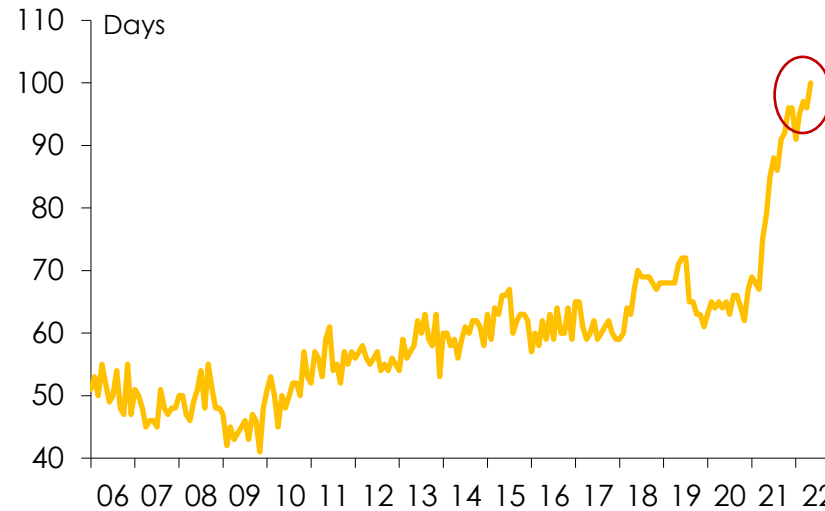
# Supply-chain difficulties have intensified again this year, after seeming to have peaked during the second half of last year

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

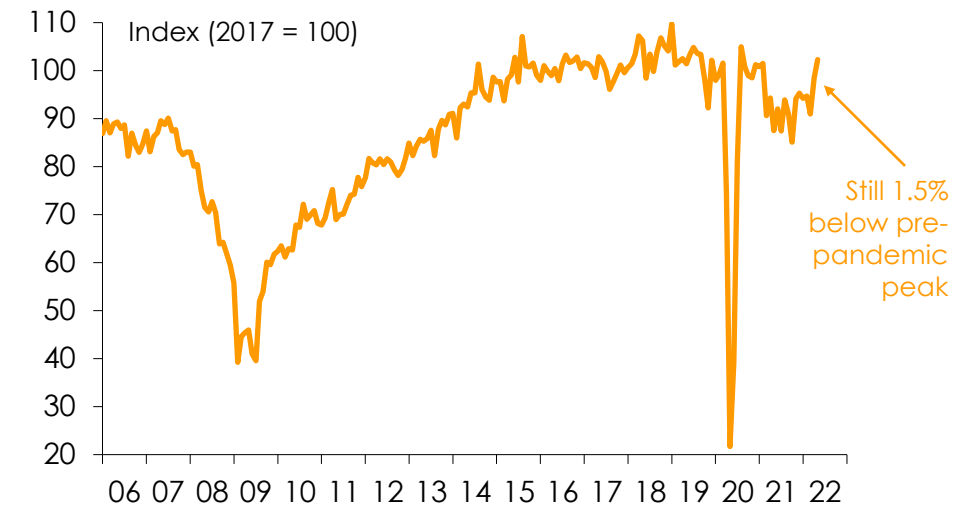
## Manufacturers' order backlogs



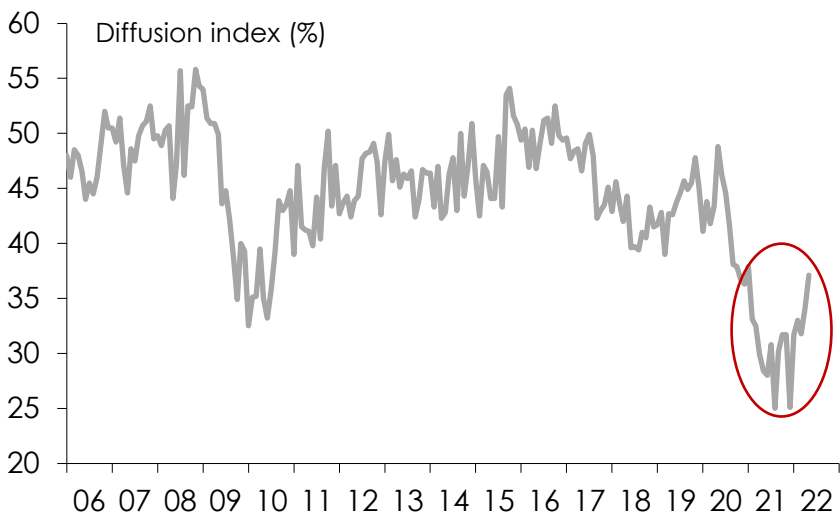
## Lead-time for production materials



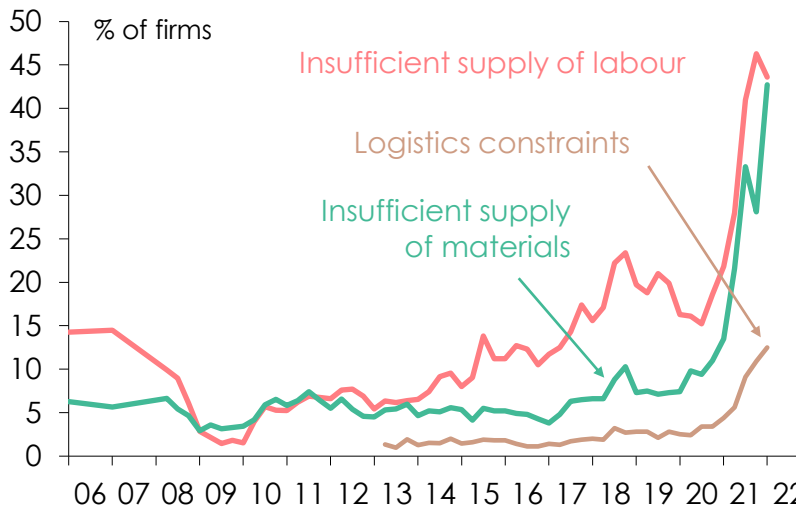
## Motor vehicles & parts production



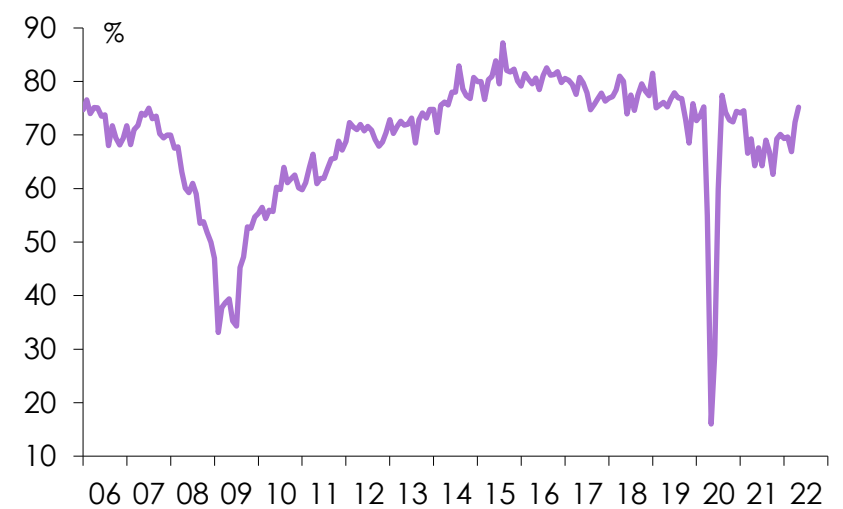
## Manufacturers' customer inventories



## Reasons for < full capacity



## Auto industry capacity utilization

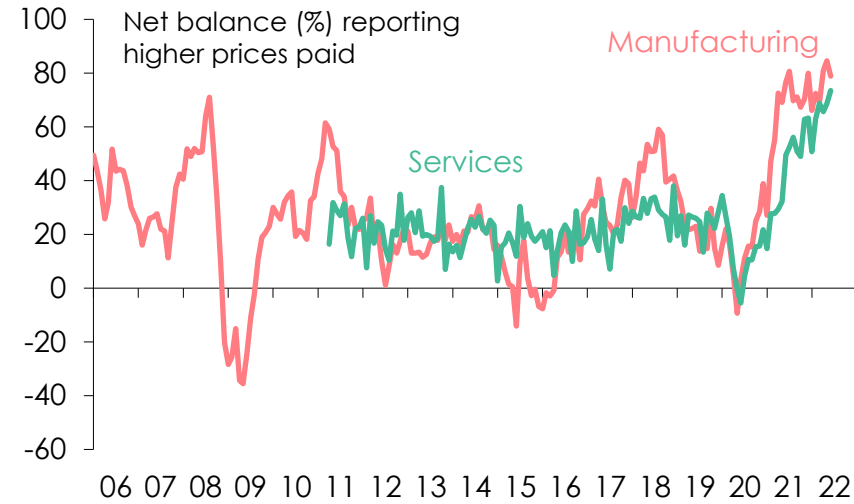


Note: The diffusion index of order backlogs is 50 plus the percentage of respondents reporting longer backlogs minus the percentage reporting shorter backlogs (and similarly for customer inventories). 'Reasons for < full capacity' means reasons for operating at less than full capacity. Sources: Institute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

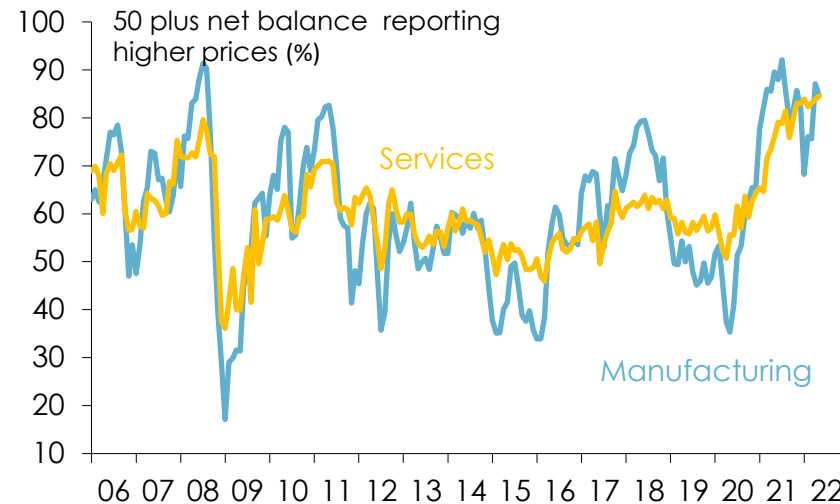
# Longer-term household inflation expectations have remained remarkably stable over the past few months despite the sharp rise in actual inflation

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

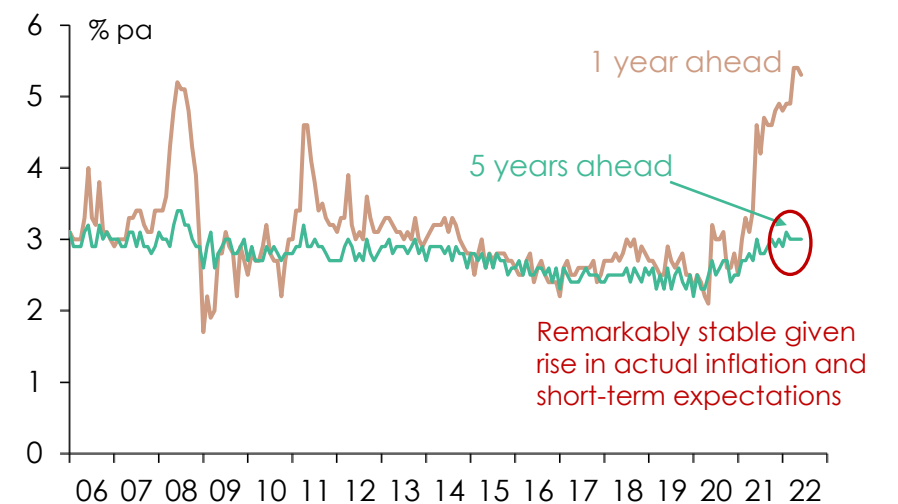
## 'Philly Fed' survey – prices paid



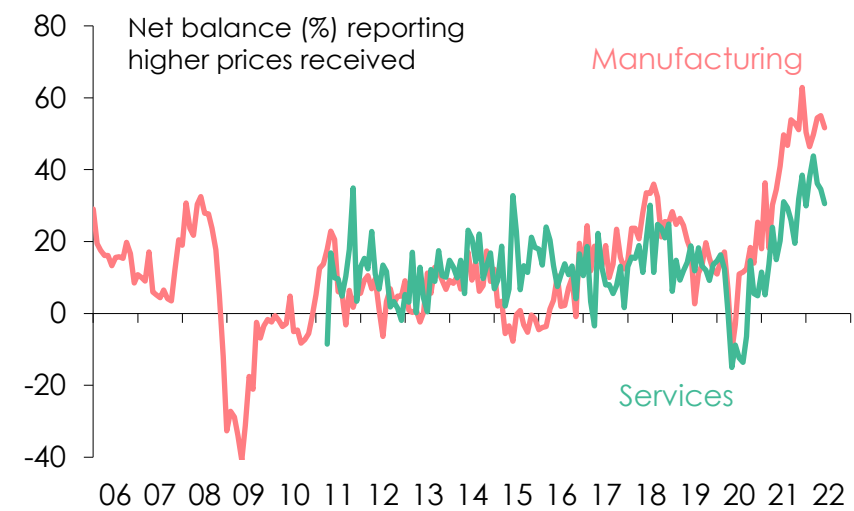
## ISM survey – prices paid



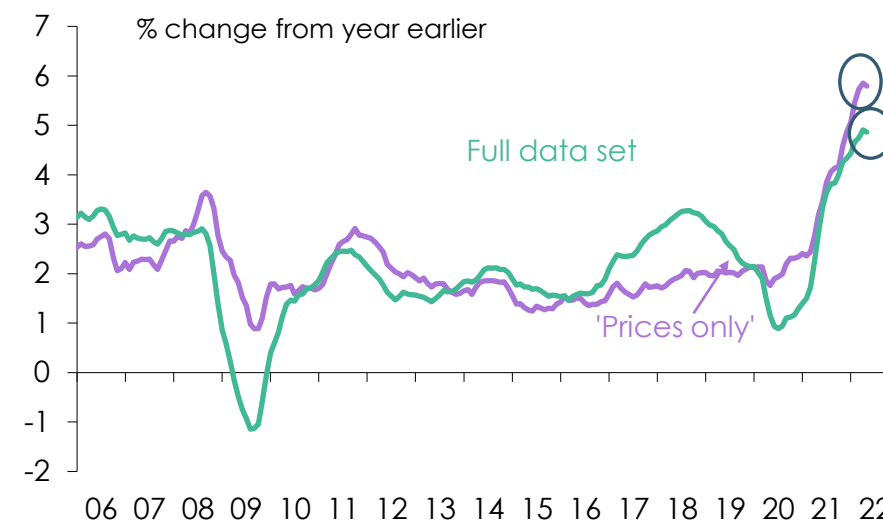
## Household inflation expectations



## '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"'](#).

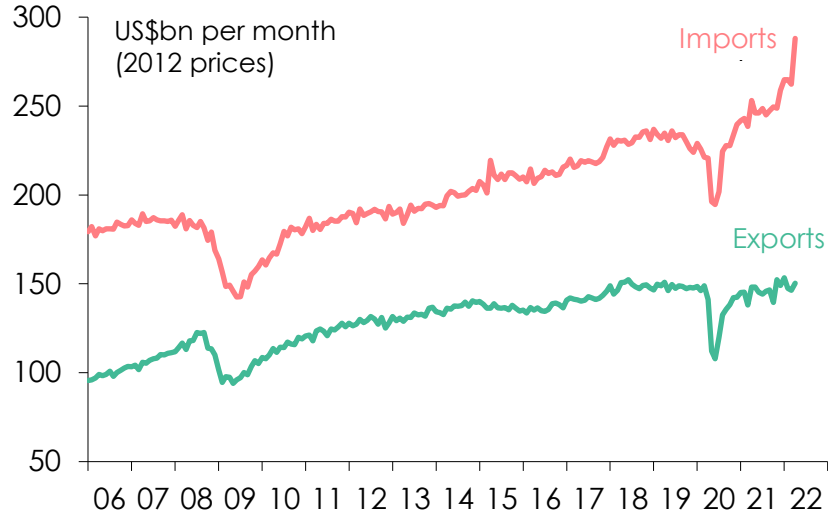
**SAUL ESLAKE**  
 CORINNA ECONOMIC ADVISORY  
 INDEPENDENT ECONOMICS



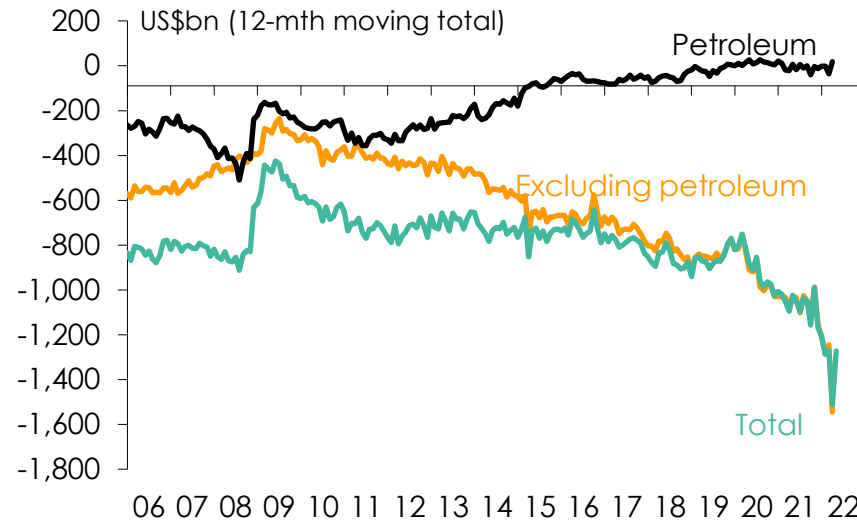
# The US goods trade deficit narrowed by \$20bn to \$106bn in April (the third highest on record) with imports falling 5% after surging 11% in March

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

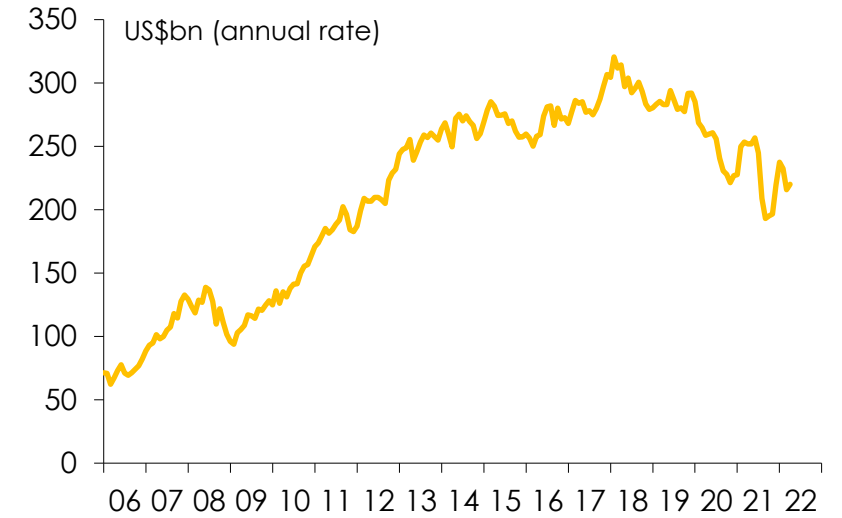
## US merchandise trade volumes



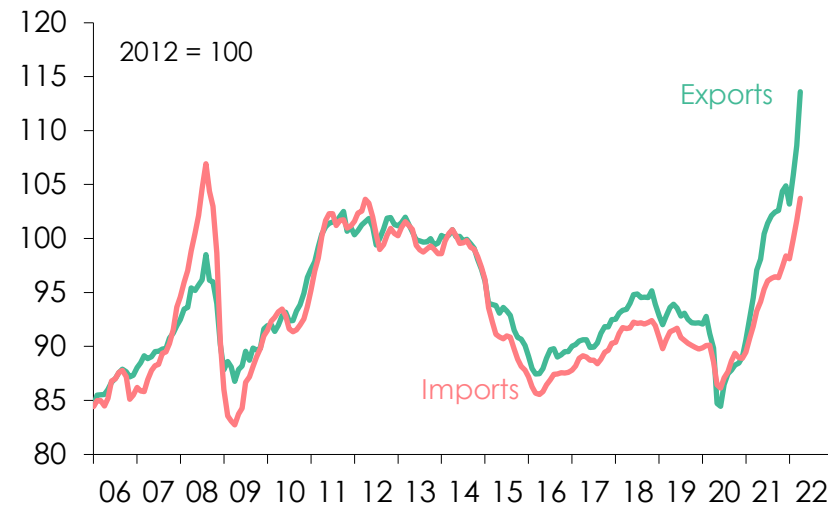
## US goods trade balance



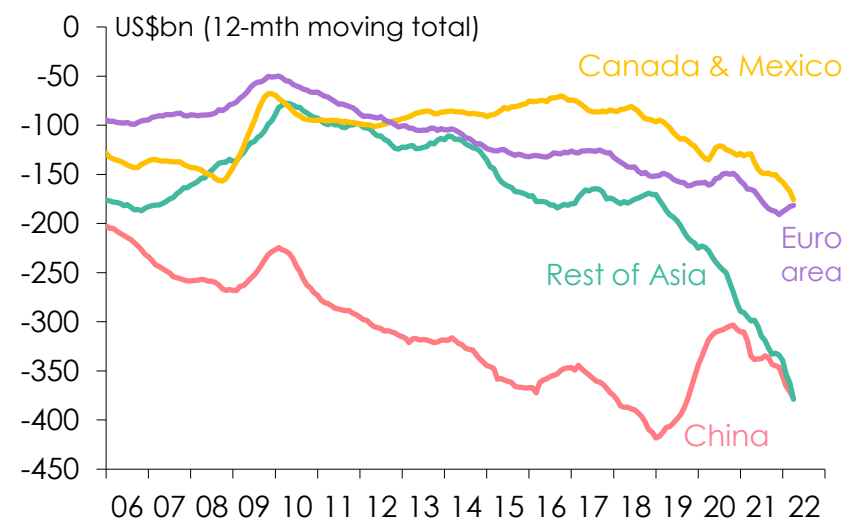
## US services trade balance



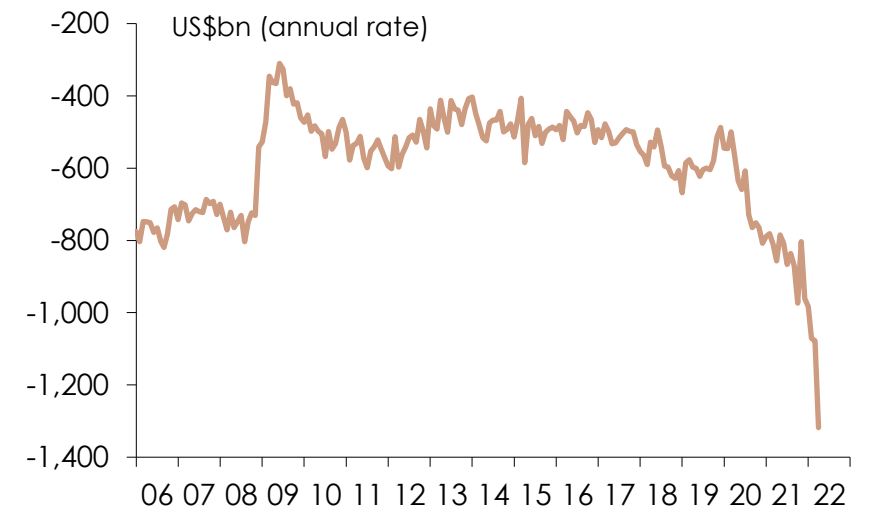
## US merchandise trade prices



## US bilateral goods trade balances



## US goods & services trade balance

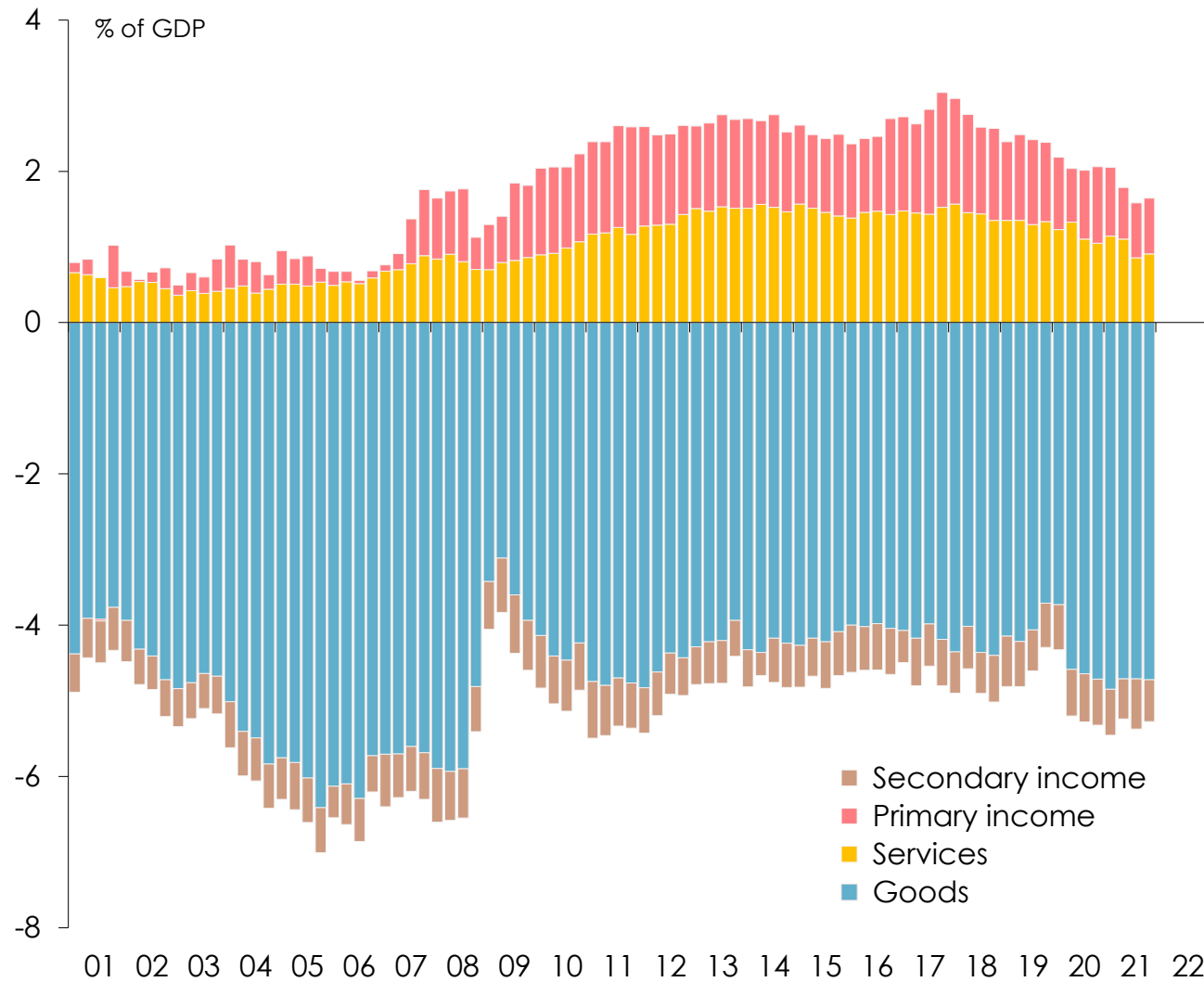


Source: US Census Bureau, [Foreign Trade](#); and US Bureau of Economic Analysis, [Advance Economic Indicators](#), and [U.S. International Trade in Goods and Services](#).  
[Return to "What's New"](#).

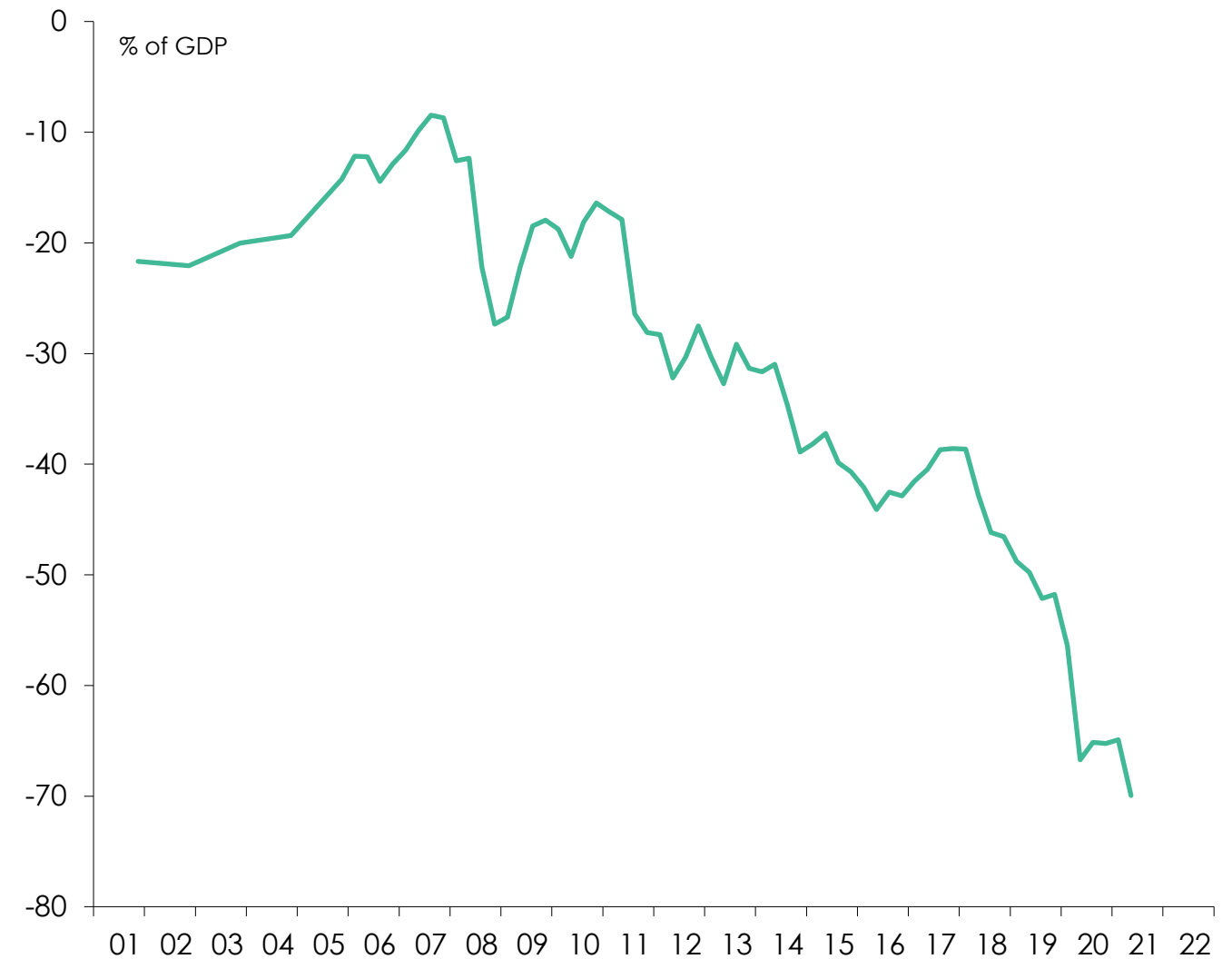
# The US current account deficit narrowed slightly in Q4 2021, thanks to larger surpluses on trade in services and on investment income

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

## US current account balance



## US net international investment position

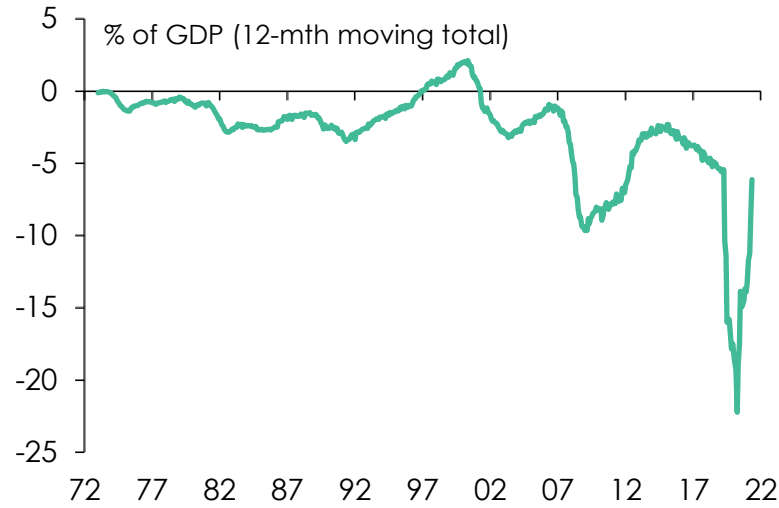


Note: 'Primary income' transactions are those involving investment income or compensation of employees. The US typically runs a surplus on investment income despite having a negative net international investment position since 1989, because US investors are able to derive much higher returns from their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

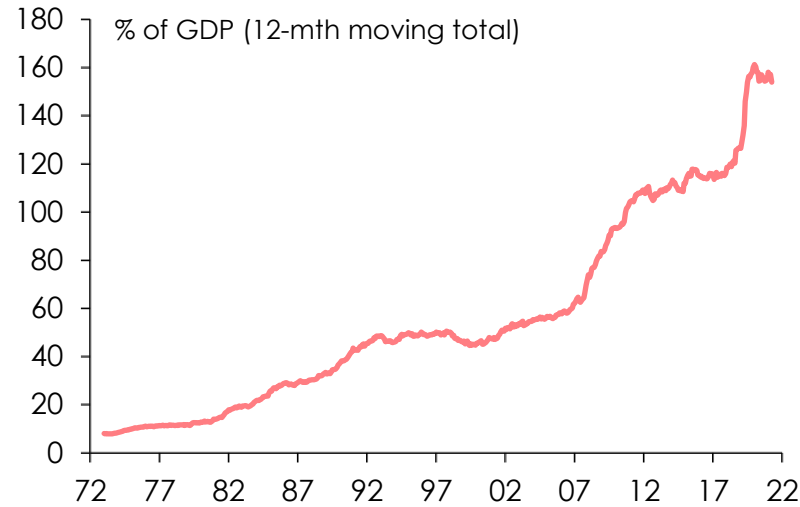
# The US Government posted a record budget surplus in April, cutting the total deficit over the past 12 months to 'only' 6% of GDP (from a peak of 22%)

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

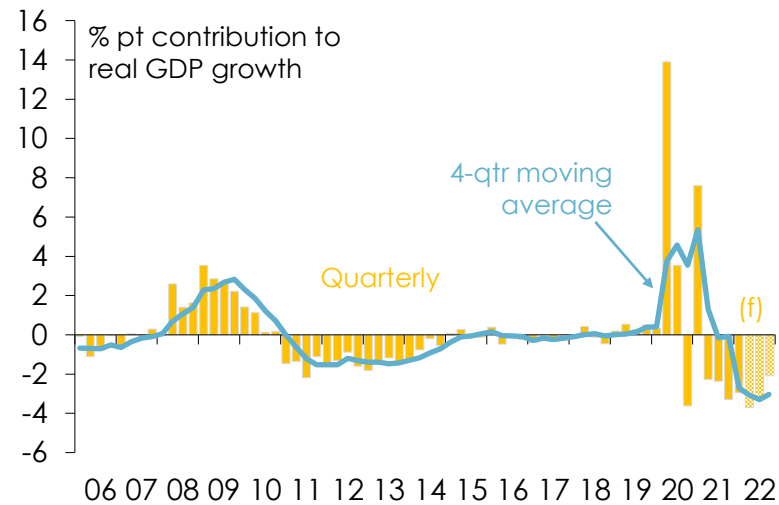
## US Federal budget deficit



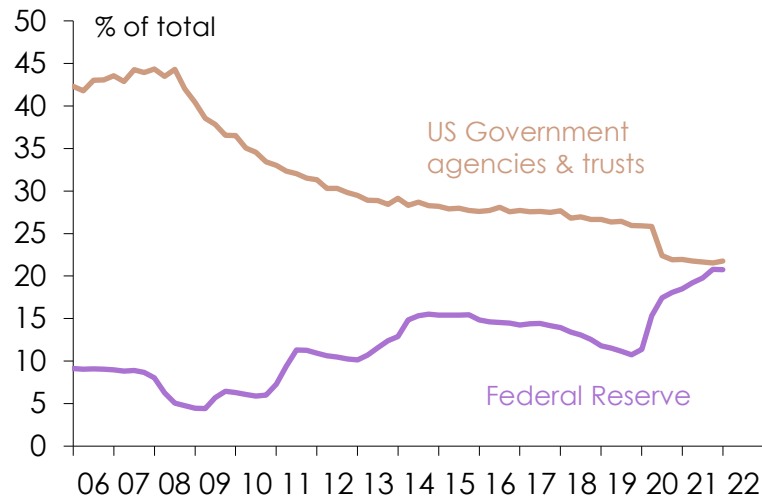
## US gross Federal debt



## 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 1<sup>st</sup> 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 minutes of the FOMC meeting held earlier this month confirm the Fed's desire to move monetary policy settings to 'neutral' 'expeditiously'

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

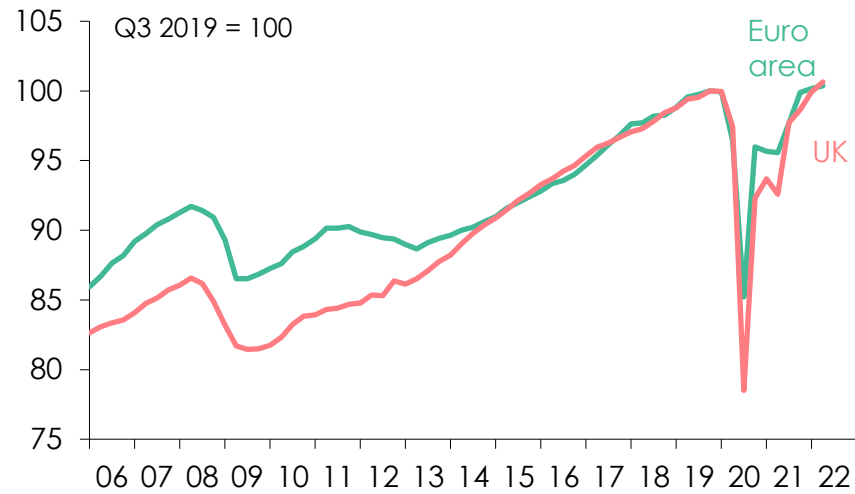
- ❑ The Federal Reserve **raised its target for the Fed funds rate** by 50 basis points, to 0.75-1.00%, at its Federal Open Market Committee meeting on 4<sup>th</sup> May
- ❑ It also **detailed** its plans for 'quantitative tightening, foreshadowing that it would, beginning on 1st June, allow its holdings 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
- ❑ The **minutes** of this meeting, released last Wednesday, record the FOMC's agreement that it should "expeditiously move the stance of monetary policy towards a neutral posture" (without specifying what level of interest rates a 'neutral posture' might entail), and that "a restrictive stance may of policy may well become appropriate"
  - they confirm, as Chair Powell divulged at his post-meeting press conference, that "most participants judged that 50 basis point increases in the target range [for the funds rate] would be appropriate at the next couple of meetings"
  - "many participants" (which means not all of them) judged that "expediting the removal of policy accommodation would leave the [FOMC] well positioned later this year to assess the effects of policy firming and the extent to which economic developments warranted policy adjustments"
- ❑ At his **post-meeting press conference** on 4<sup>th</sup> May 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**

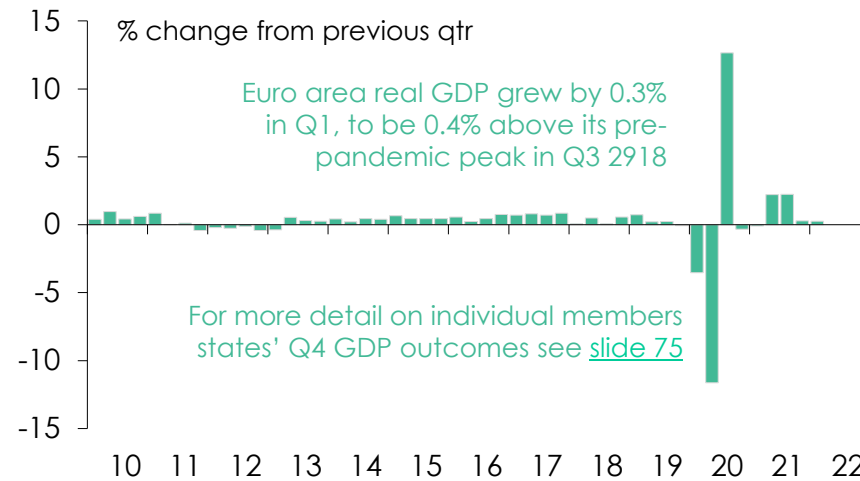
# The UK's real GDP grew by 0.8% in Q1 – despite a very large contraction in net exports – to be 0.7% above its pre-Covid peak

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

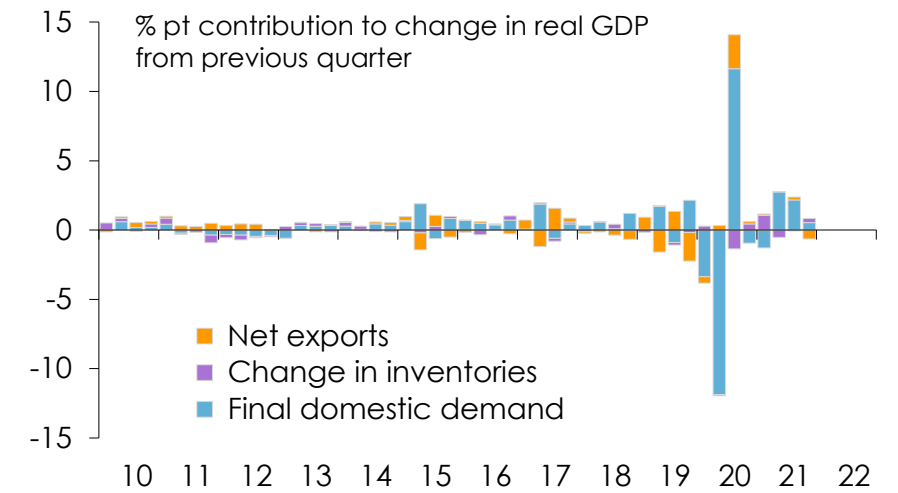
## Euro area and UK real GDP



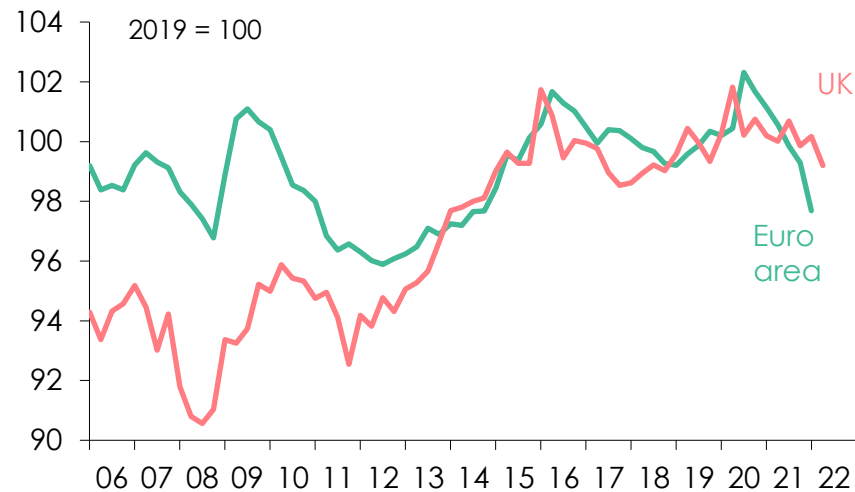
## Euro area quarterly GDP growth



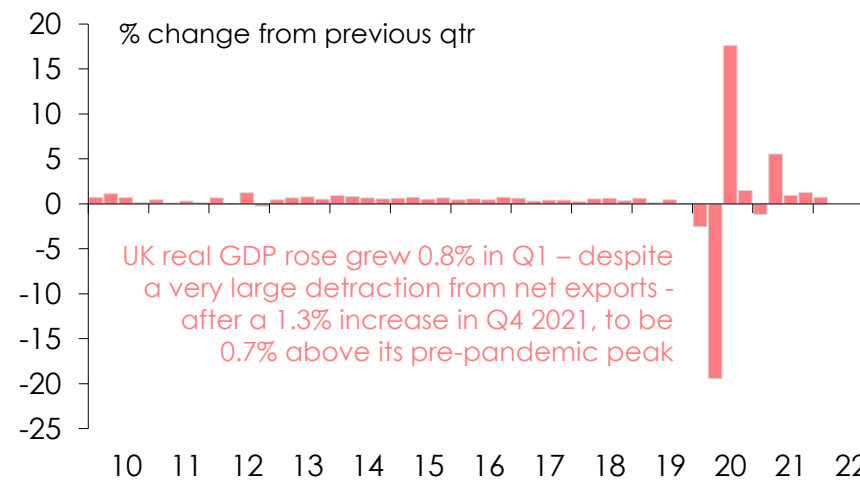
## Contributions to quarterly EA GDP



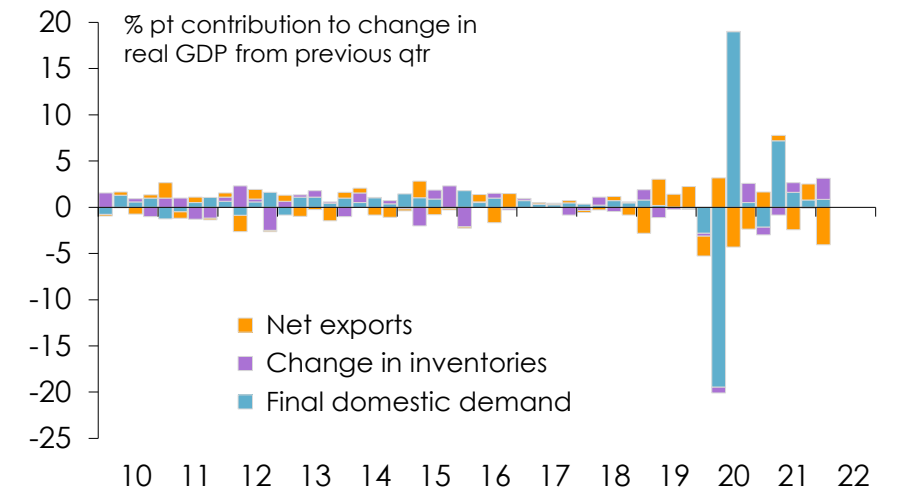
## Euro area and UK terms of trade



## UK quarterly GDP growth



## Contributions to quarterly UK GDP

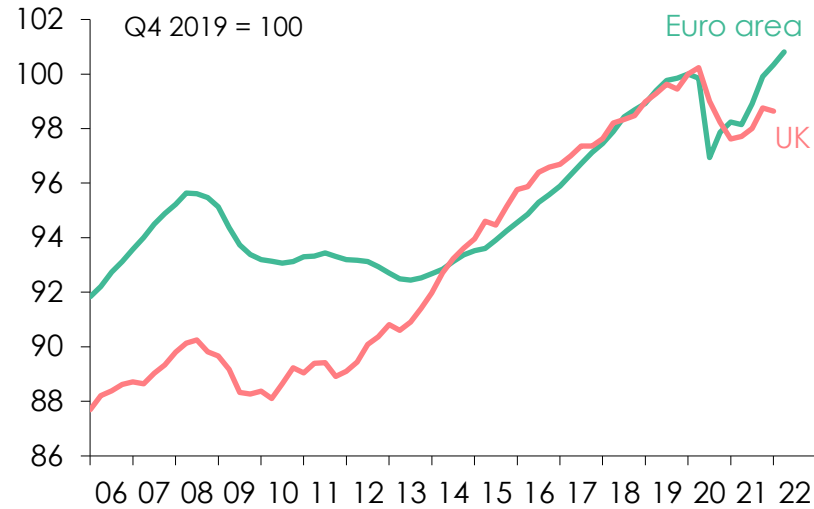


Note: the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded with the rest of the world. Sources: Eurostat,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

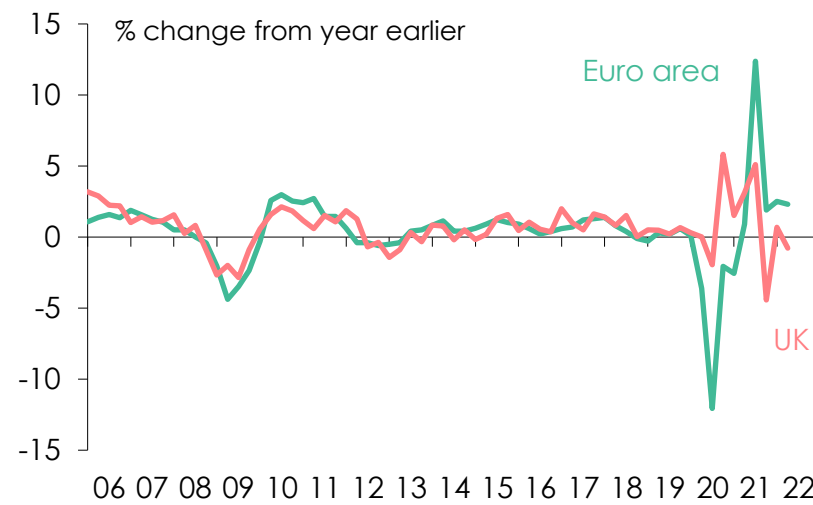
# Euro area unemployment fell to 6.8% in March, the lowest since its inception, but remains well above the UK's 3.7%

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

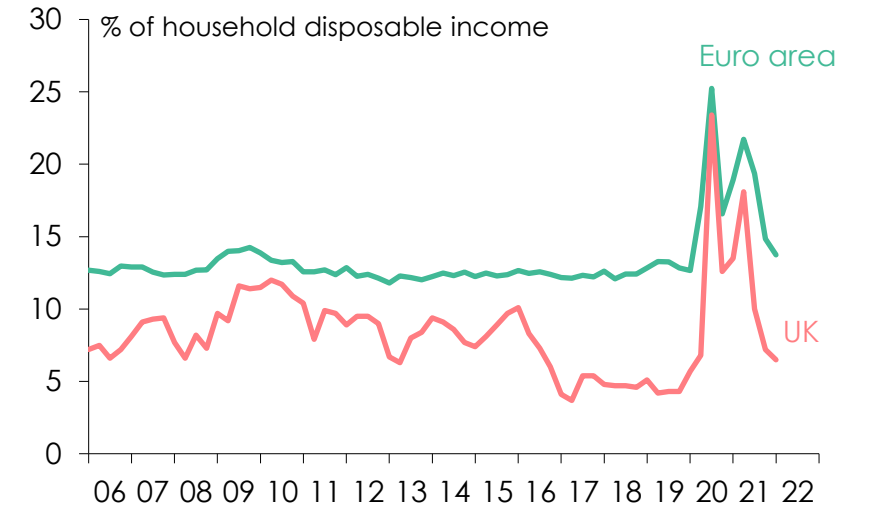
## Employment



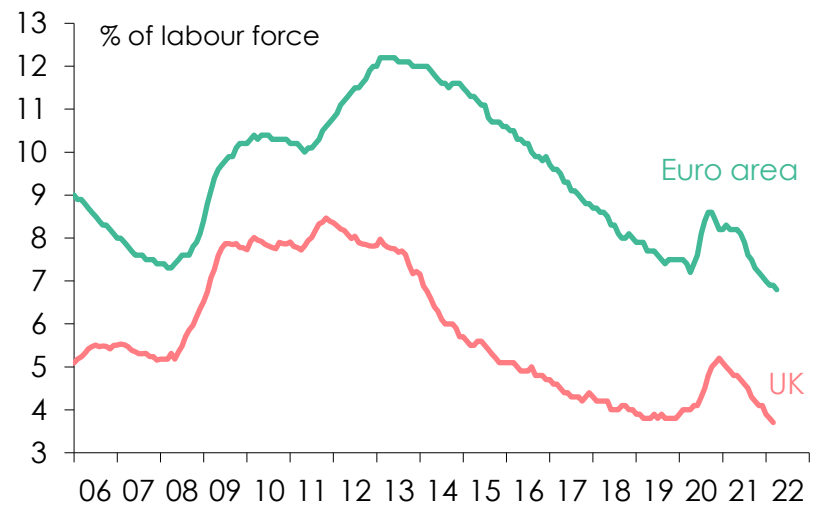
## Labour productivity



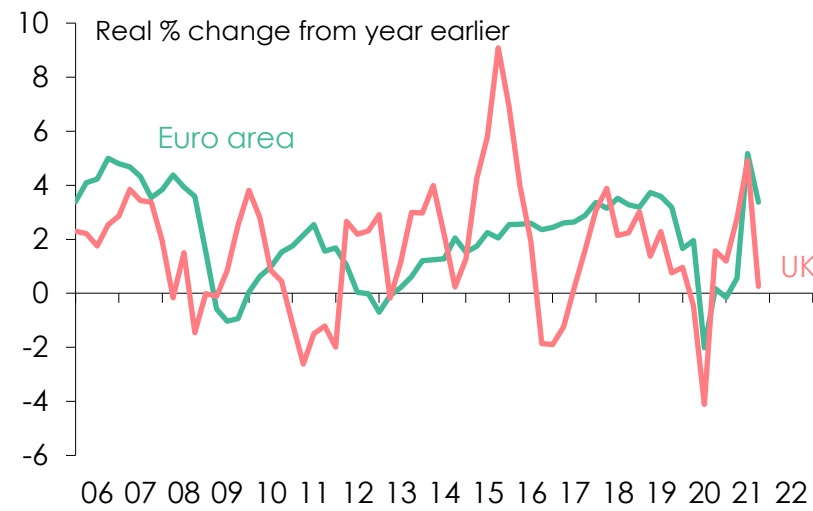
## Household saving rates



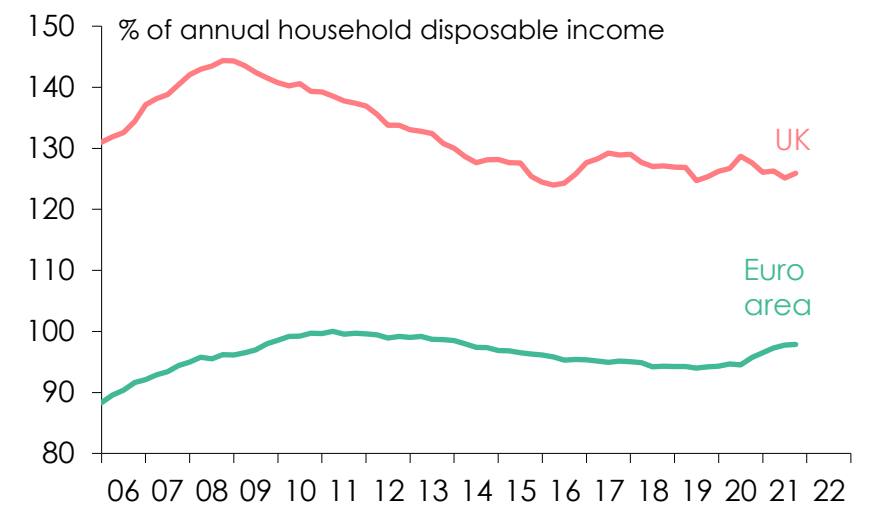
## Unemployment rates



## Household disposable income



## Household debt

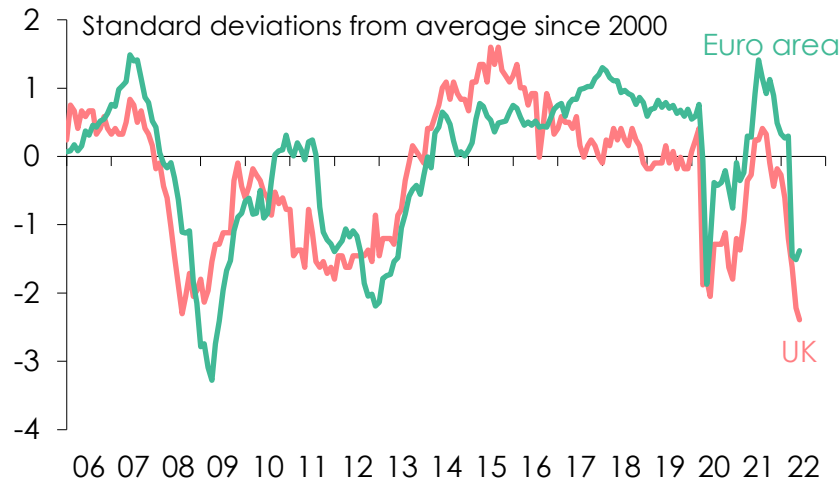


Sources: Eurostat, [Employment and unemployment \(Labour force survey\)](#), [Household saving rate](#) and [Labour productivity and unit labour costs](#); UK Office for National Statistics, [Employment in the UK](#), [Unemployment rate](#) (note, UK unemployment data are shown as a three-month moving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

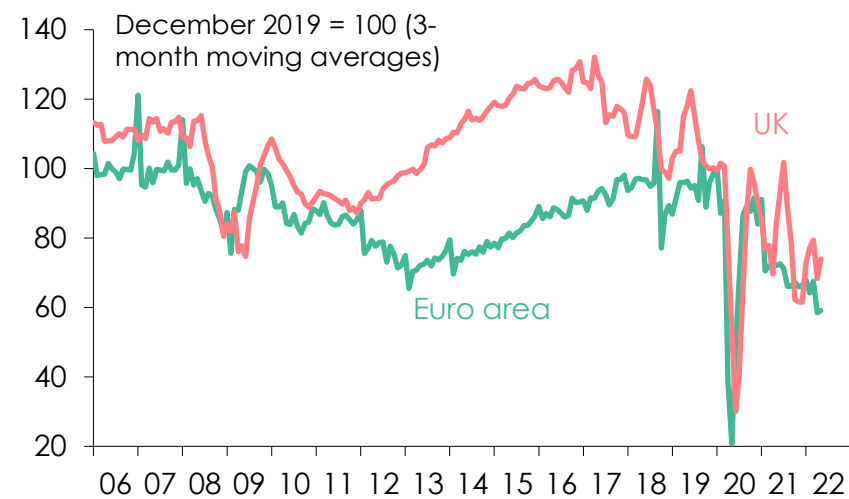
# Consumer confidence in the euro area stabilized (at a low level) in May, but in the UK fell to its lowest in at least 49 years

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

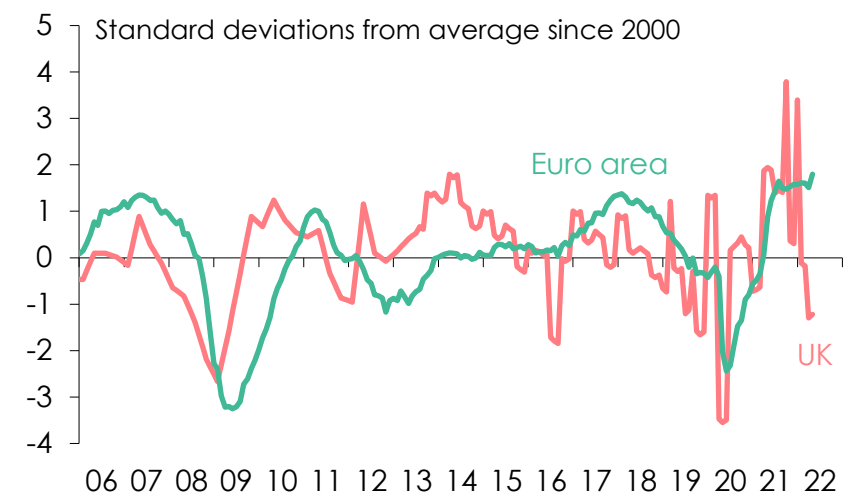
## Consumer confidence



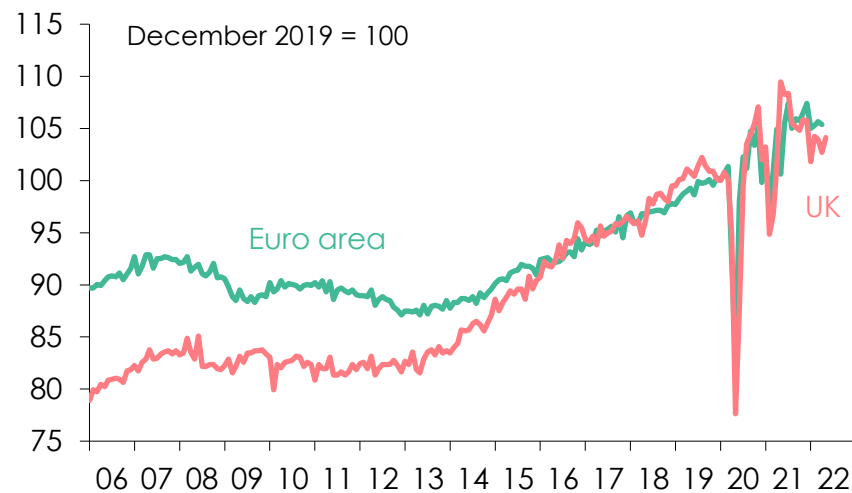
## New car registrations



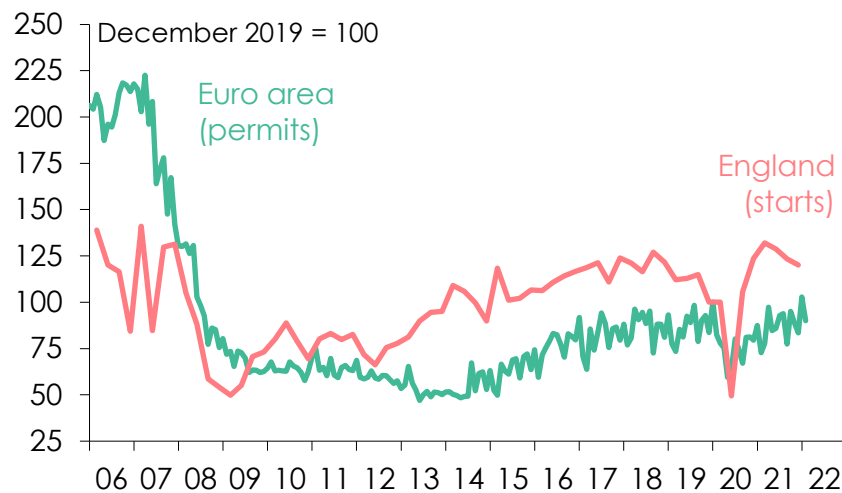
## Business confidence



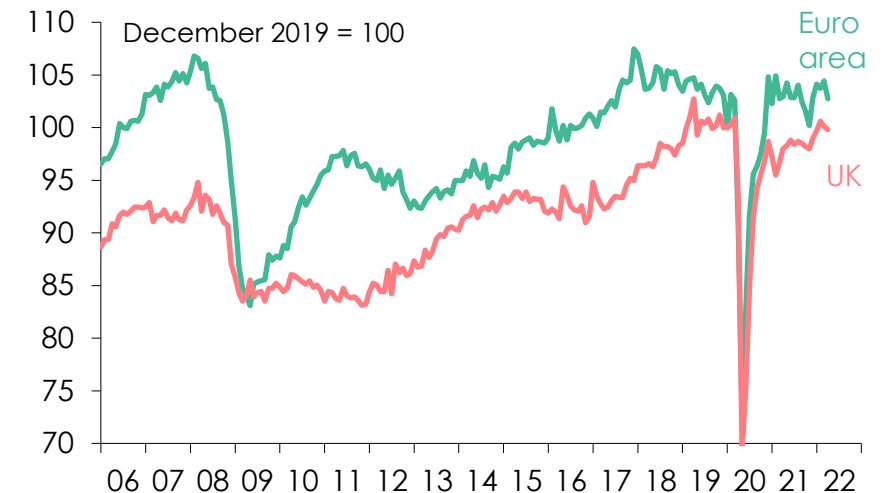
## Retail sales volume



## Housing activity



## Manufacturing production



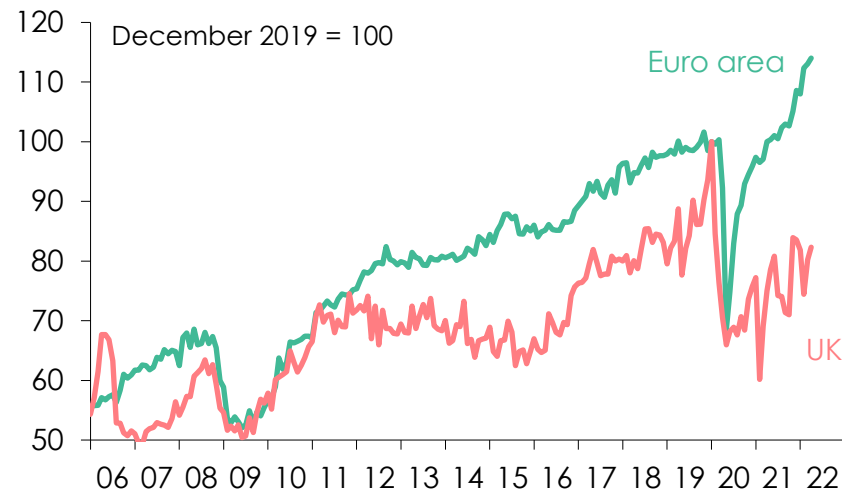
Sources: European Commission, [Business and consumer surveys](#); GfK, [Consumer confidence barometer](#); Confederation of British Industry, [Industrial Trends Survey](#); Eurostat, [Turnover and volume of sales in wholesale and retail trade](#), [New registrations of passenger cars](#), [Building permits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



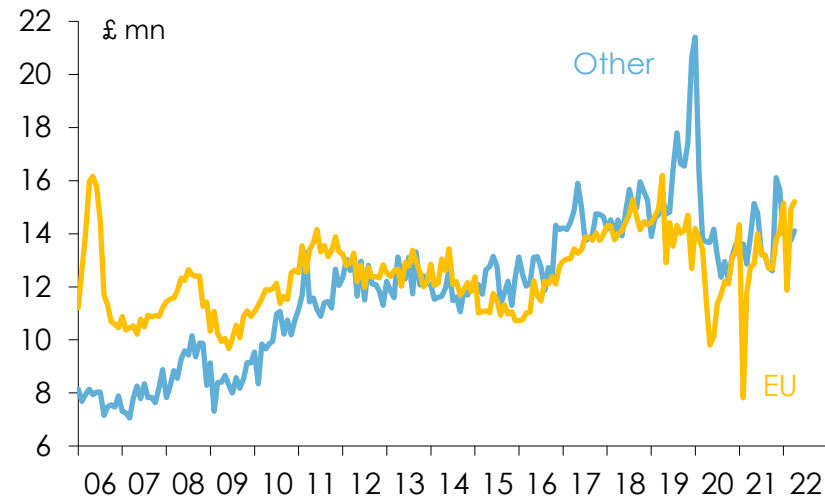
# 'Brexit' has not been a boon for the UK's trade performance, with the UK recording a record trade deficit of £68bn in the first quarter of 2022

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

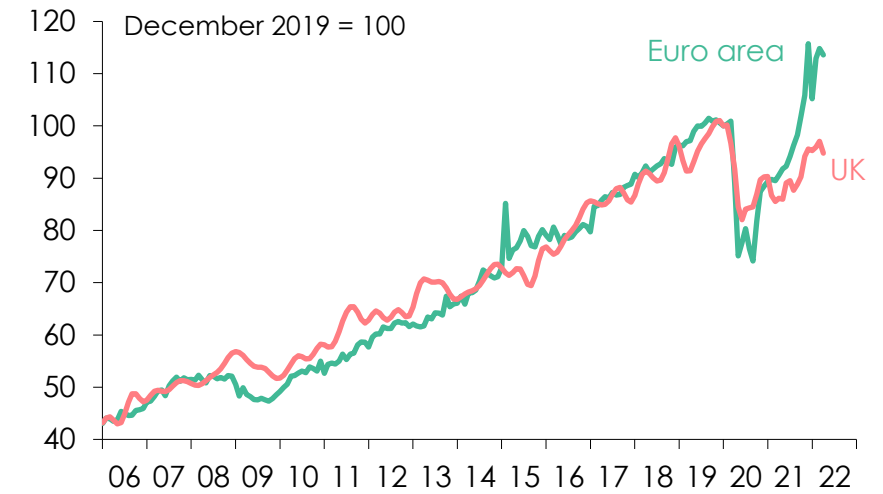
## Merchandise exports



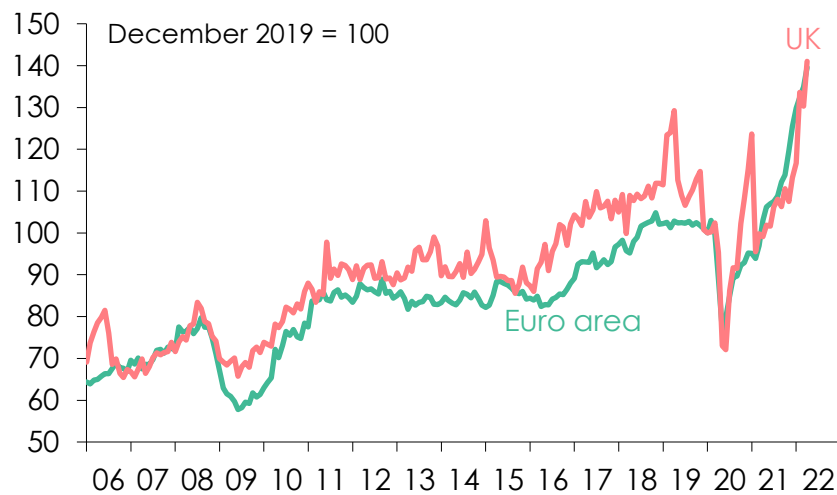
## UK exports by destination



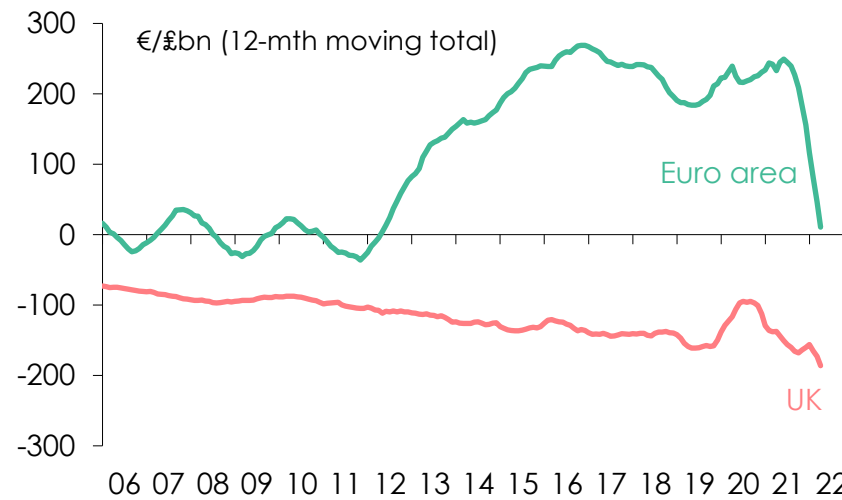
## Services exports



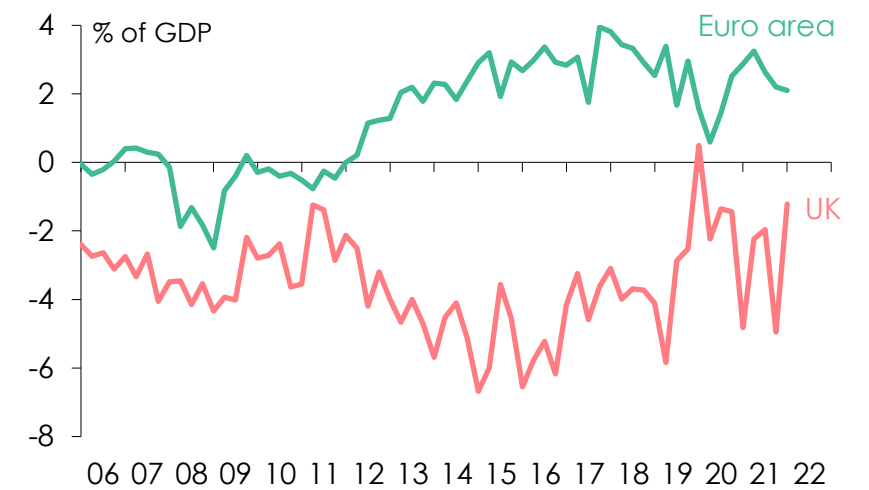
## Merchandise imports



## Merchandise trade balances



## Current account balance

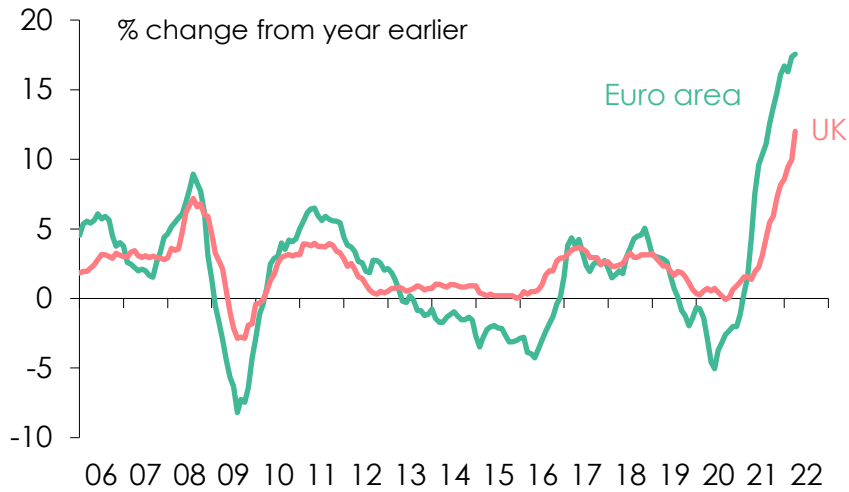


Sources: European Central Bank, Statistical Data Warehouse, [External Trade](#), [Balance of Payments and International Investment Position - Services](#), and [Balance of Payments and International Investment Position - Current Account](#); UK Office for National Statistics, [UK Trade](#) and [BoP Current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

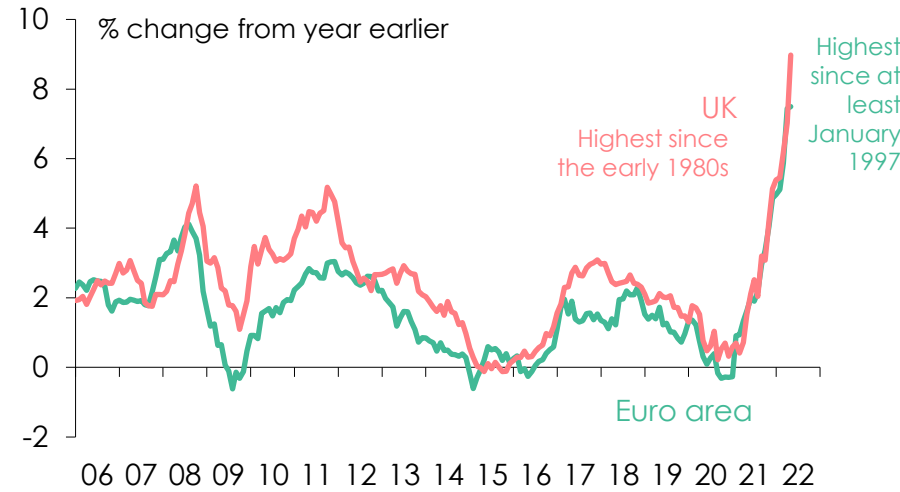
# The UK's annual 'headline' inflation rate jumped 2 pc pts to 9.0% in April, the highest in 40 years, while 'core' inflation rose to 6.2%

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

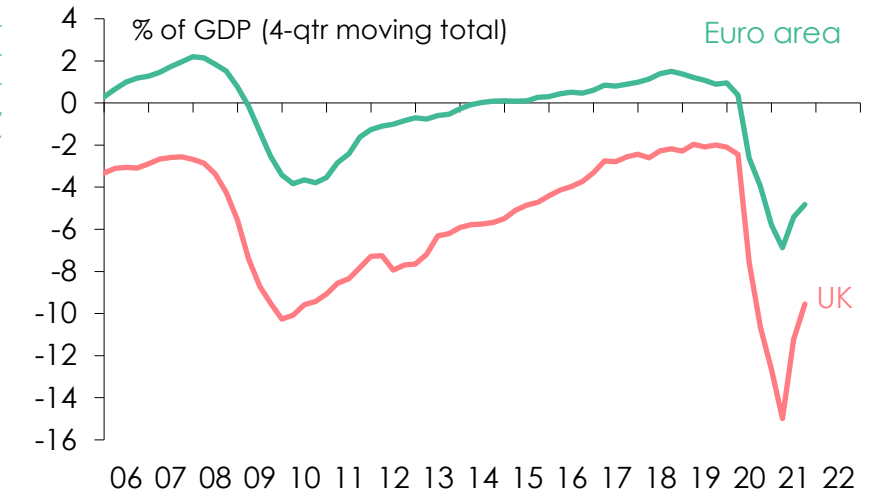
## Producer prices



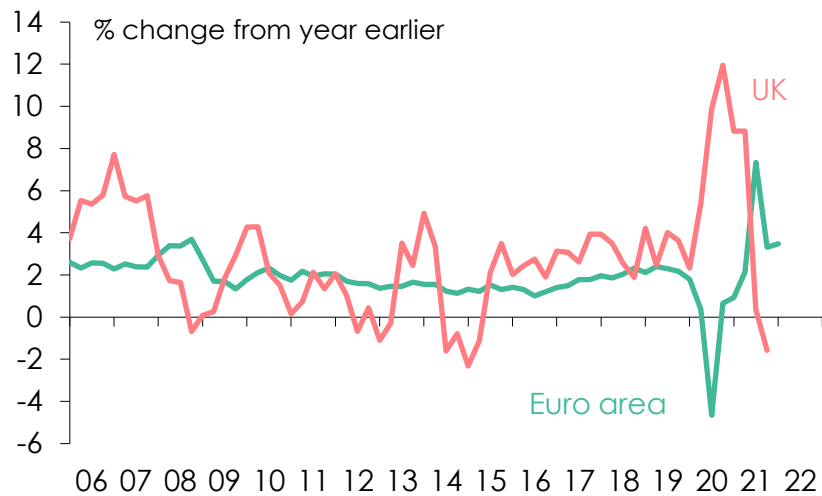
## 'Headline' consumer prices



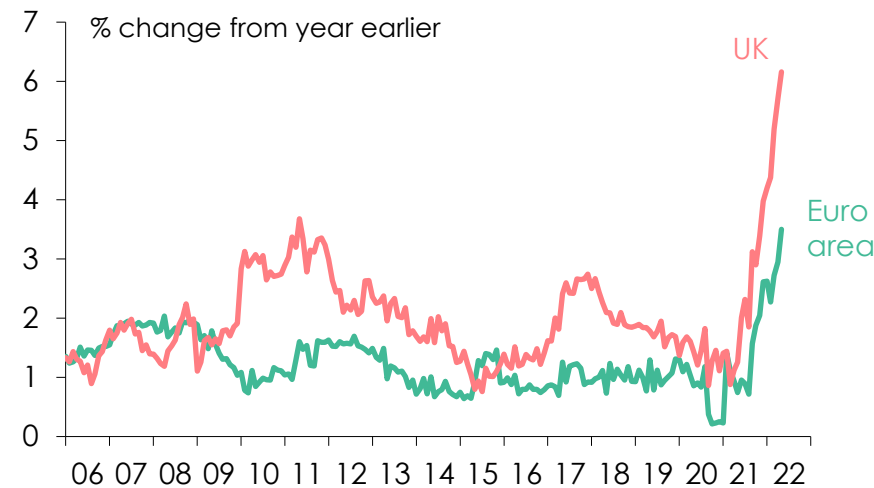
## Government fiscal balance



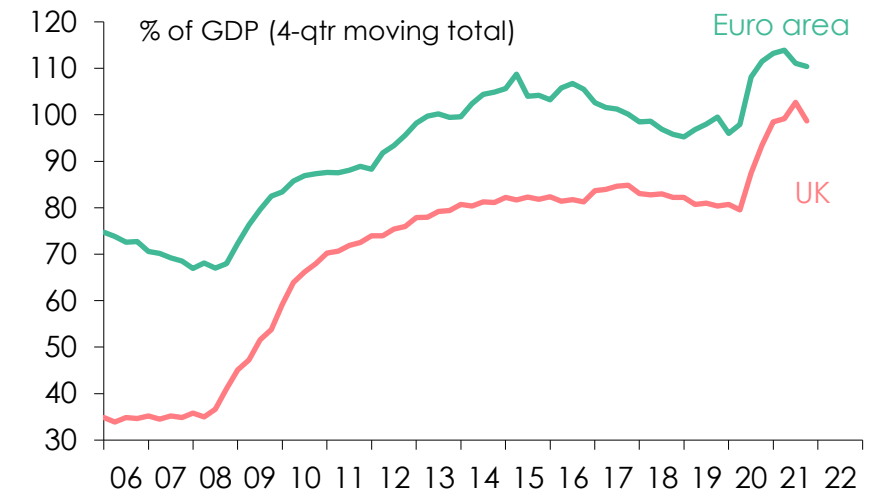
## Labour costs



## 'Core' consumer prices



## Government net debt

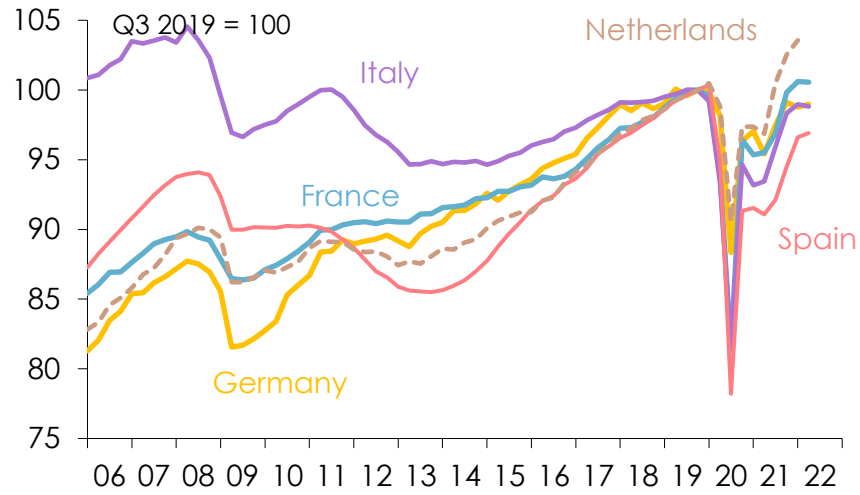


Note: Consumer price indices for the euro area and UK are 'harmonized' indices which exclude owner-occupied housing costs. Sources: Eurostat, [Producer prices in industry](#), [Compensation per employee and hours worked per employed person](#), [Consumer price index](#), and [Government finance statistics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

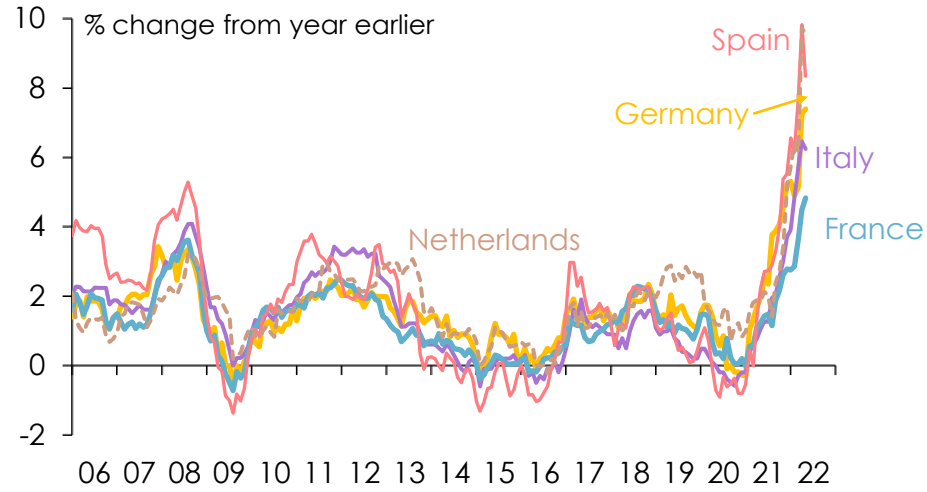
# Germany's real GDP grew by 0.2% in Q1, and Spain's by 0.3%, but France's was unchanged and Italy's contracted by 0.2%

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

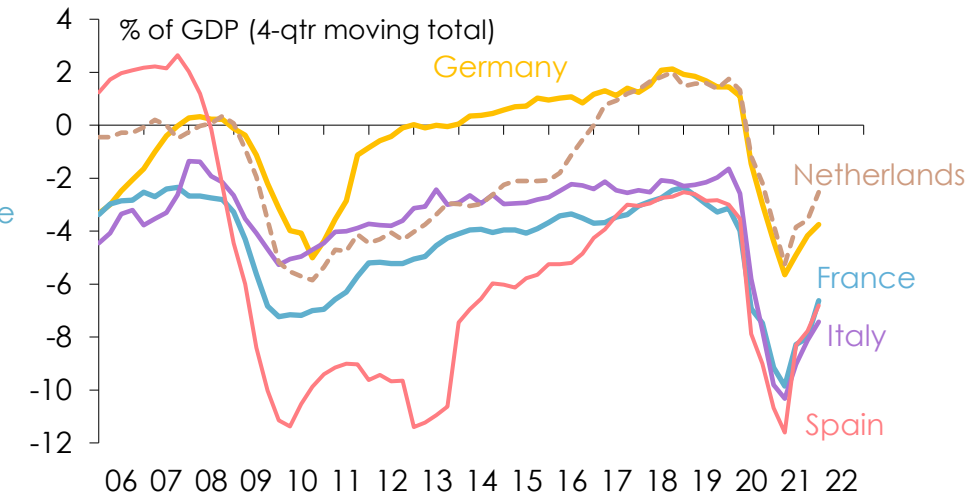
## Real GDP



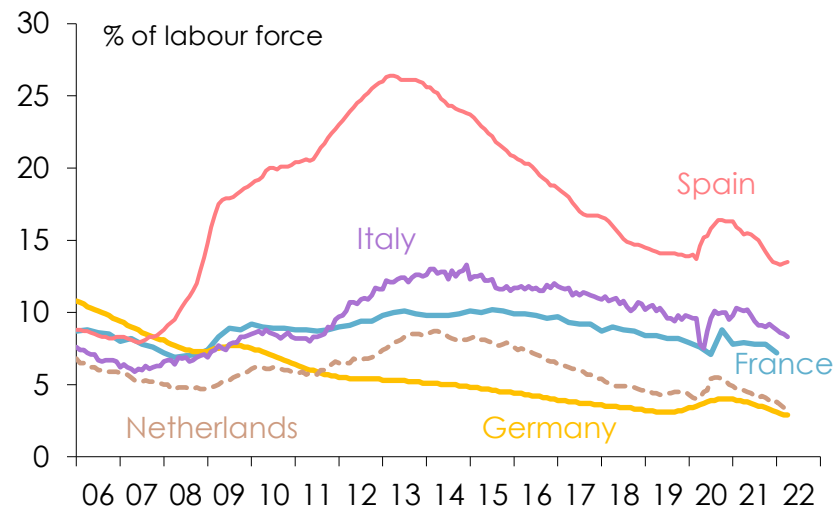
## Inflation



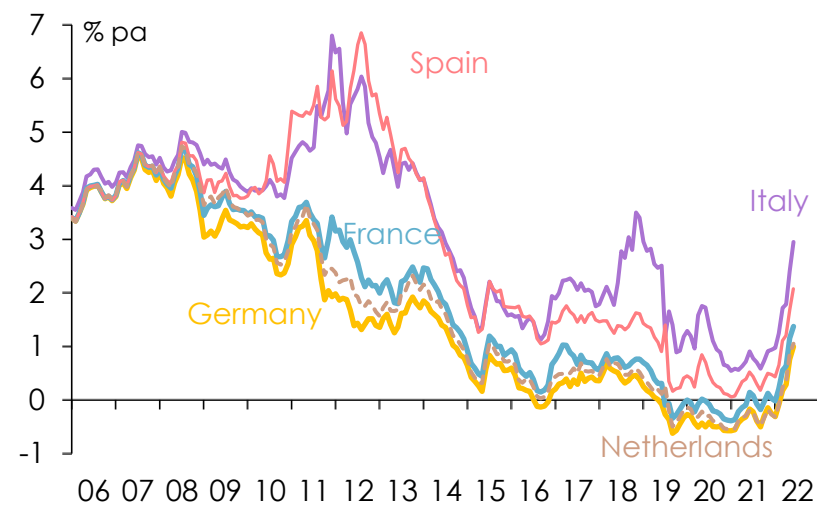
## Government net lending



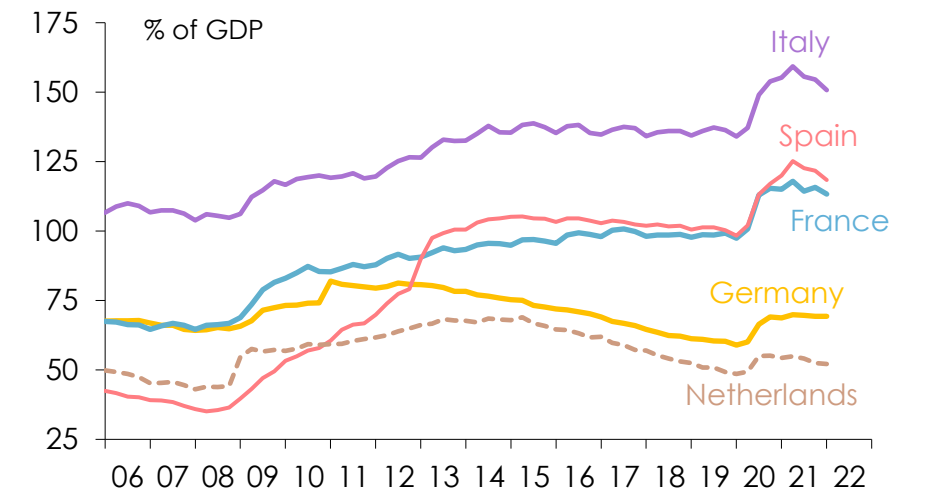
## Unemployment



## 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 – 30<sup>TH</sup> MAY 2022

- ❑ The [European Central Bank](#) left its policy interest rates unchanged at its Governing Council meeting on 14<sup>th</sup> 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 11<sup>th</sup> 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

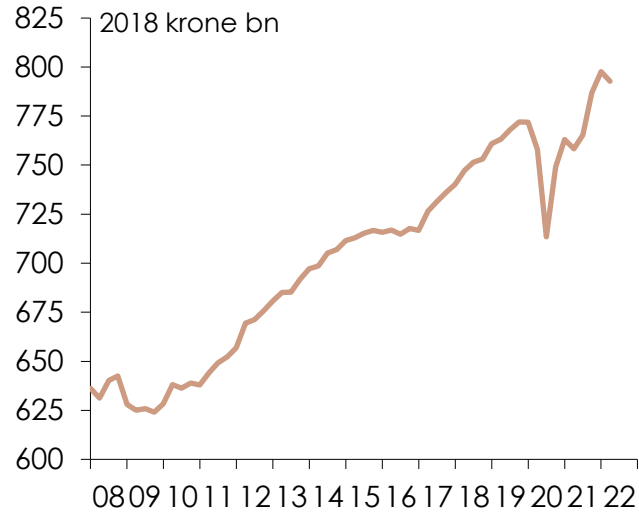
THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

- ❑ The Bank of England raised its Bank Rate by another 25 bp, to 1.00%, at its Monetary Policy Committee meeting on 4<sup>th</sup> 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](#))

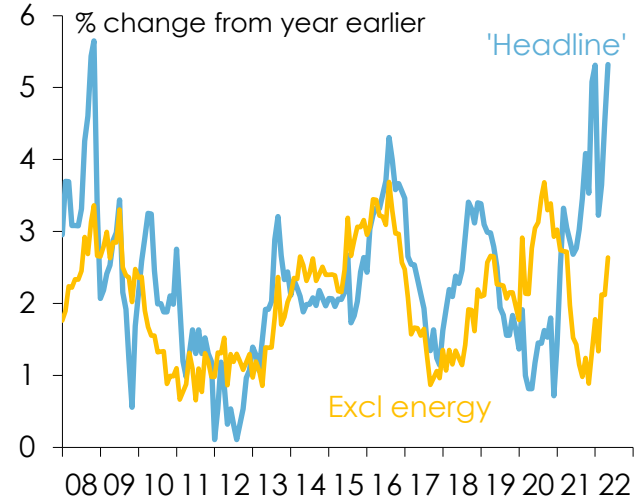
# Norway's 'mainland' GDP contracted by 0.6% in Q1, reflecting falls in both domestic demand (after two very strong quarters) and net exports

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

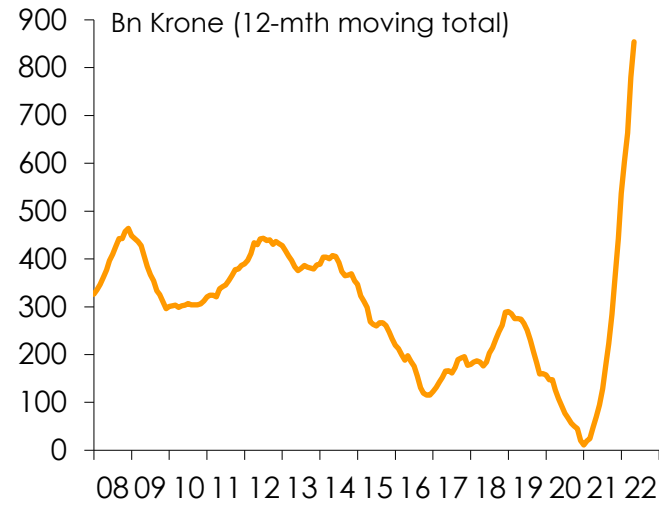
## 'Mainland' real GDP



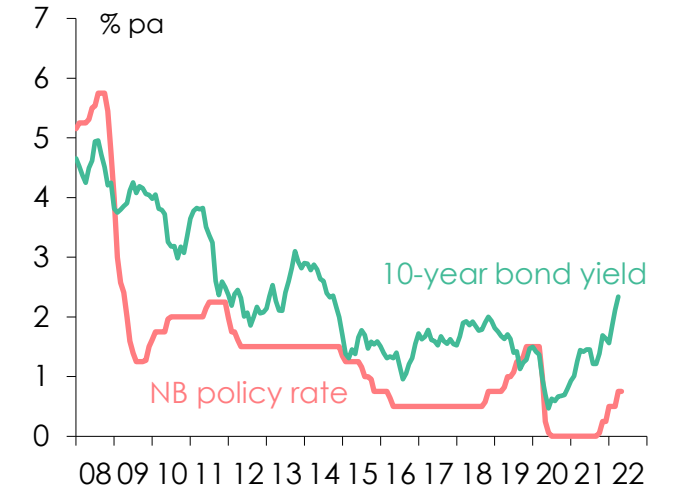
## Inflation



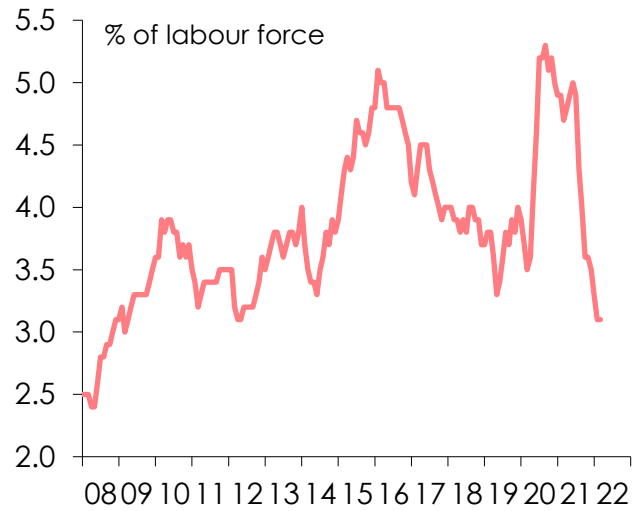
## Trade balance



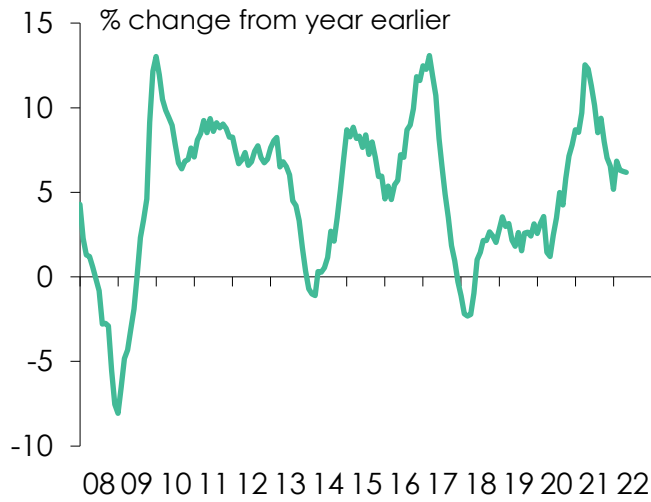
## Interest rates



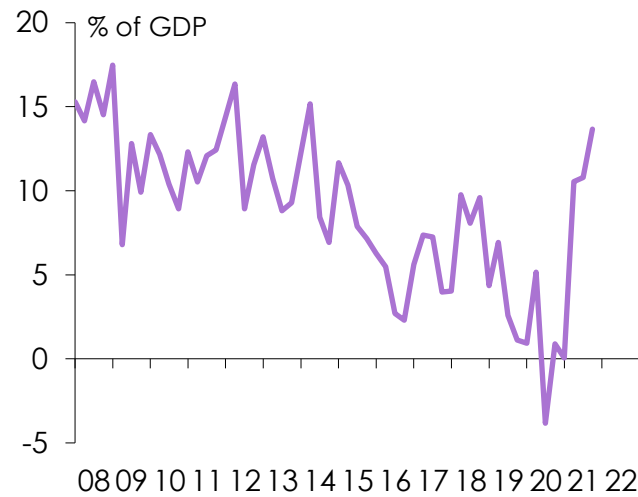
## Unemployment



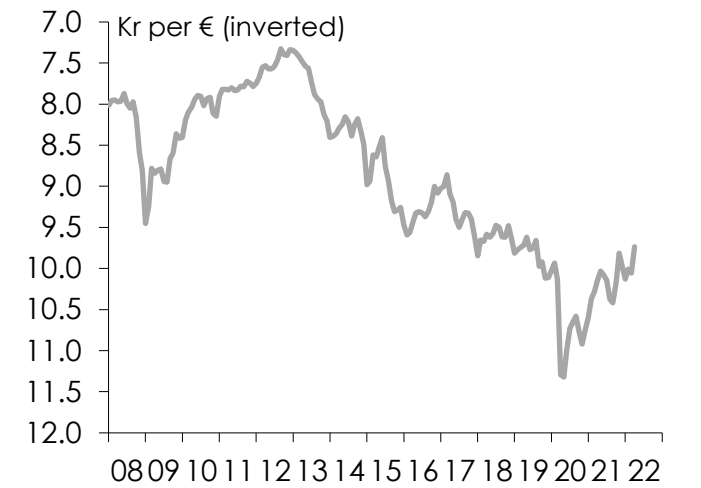
## House prices



## Current account balance



## Krone vs euro

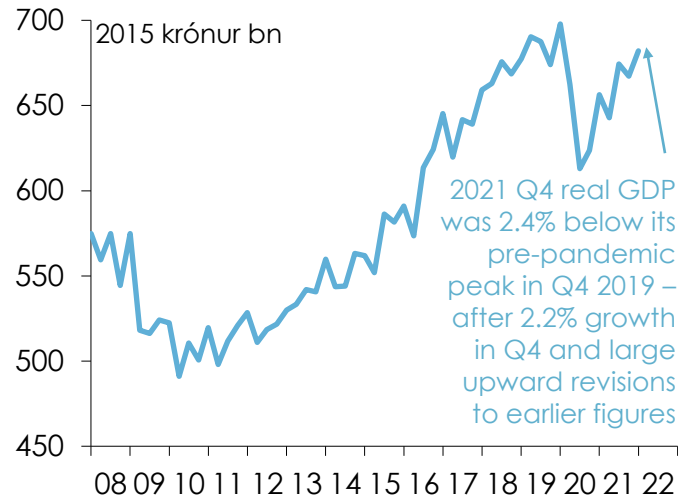


Note: 'mainland' GDP means excluding Norway's oil and gas industry which is entirely located offshore. Sources: [Statistisk sentralbyrå](#); [Norges Bank](#); Refinitiv Datastream.  
[Return to "What's New"](#).

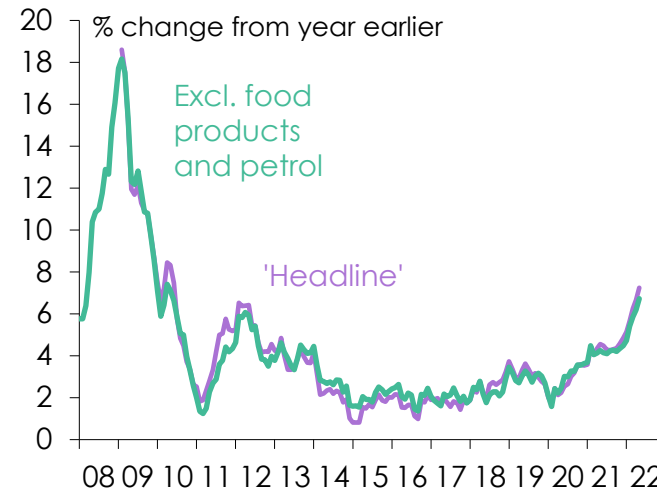
# Iceland's central bank raised its policy rate by 100bp, to 3.75%, this month, the sixth (and largest) increase since May last year, with more to come

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

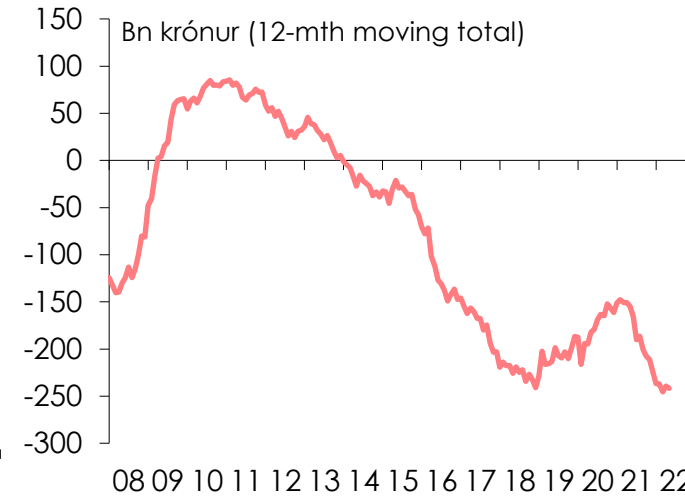
## Real GDP



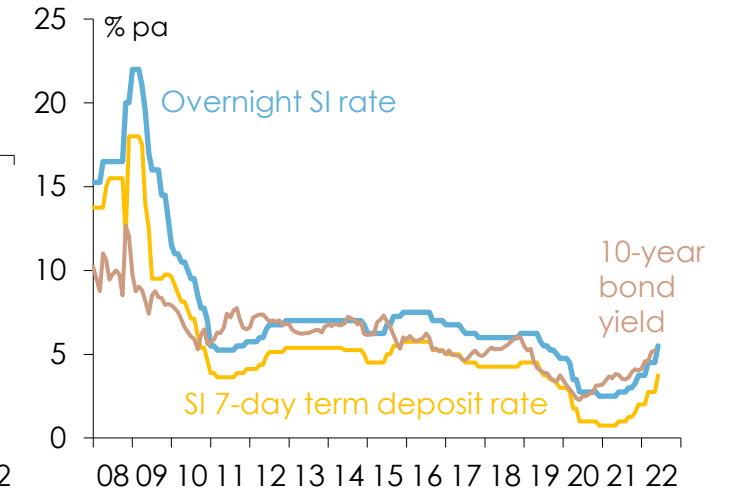
## Inflation



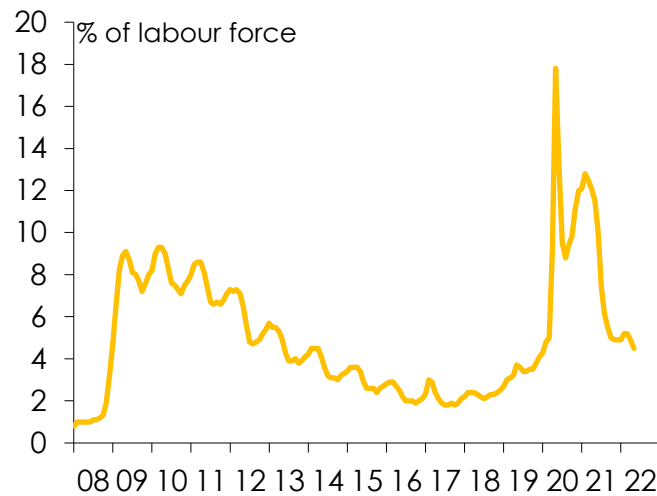
## Trade balance



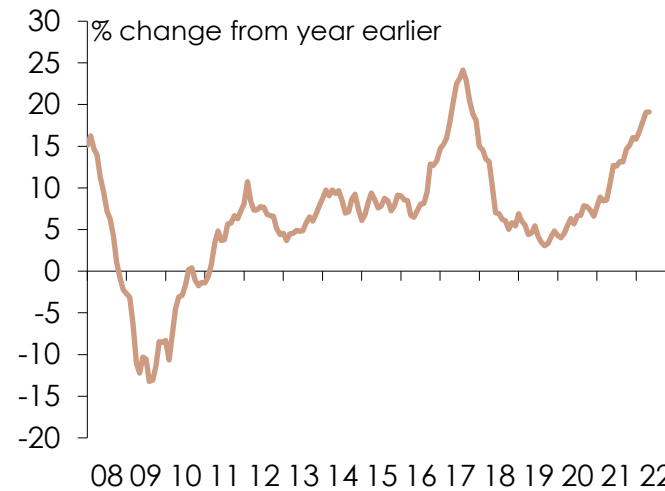
## Interest rates



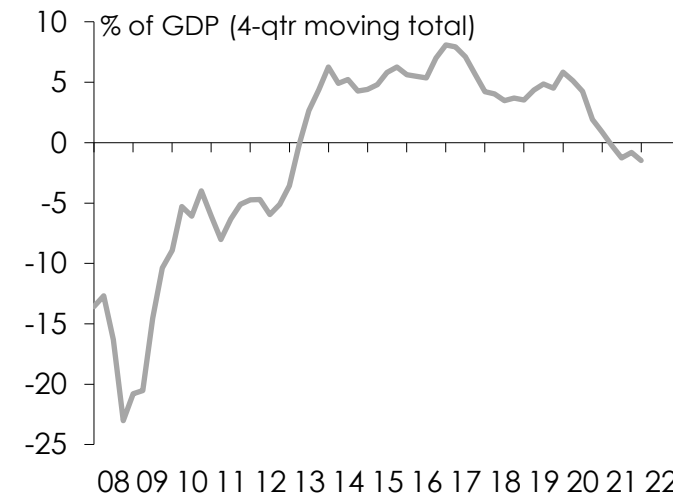
## Unemployment



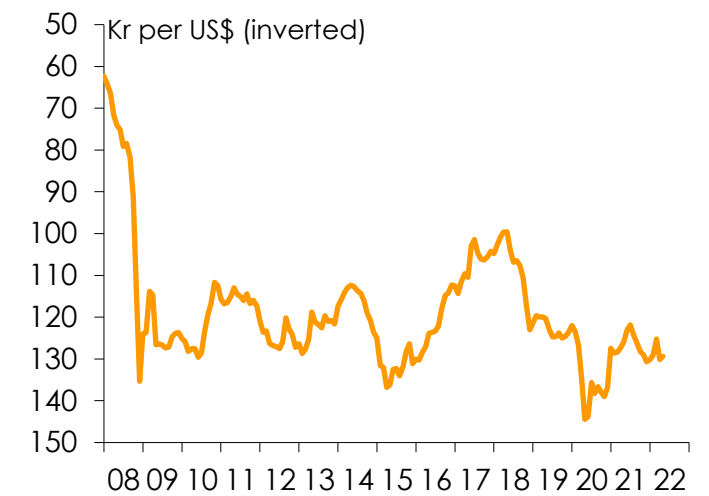
## House prices



## Current account balance



## Króna vs US dollar



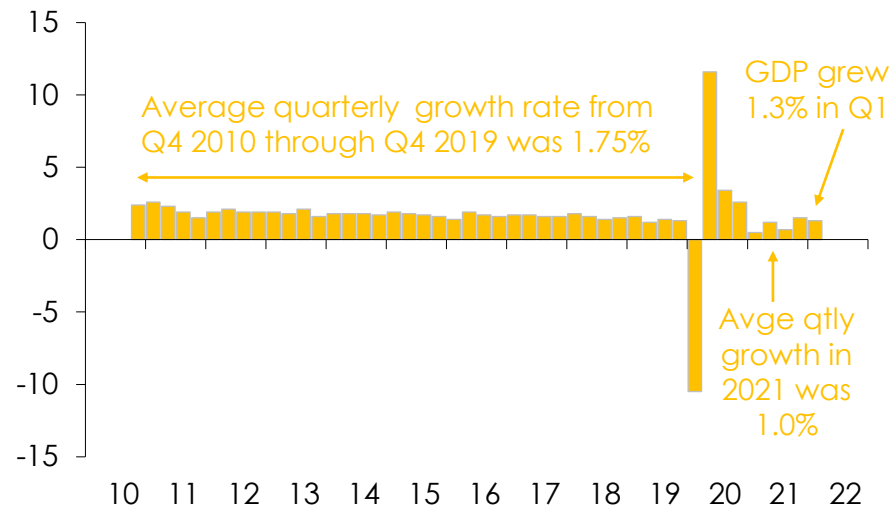
**China**



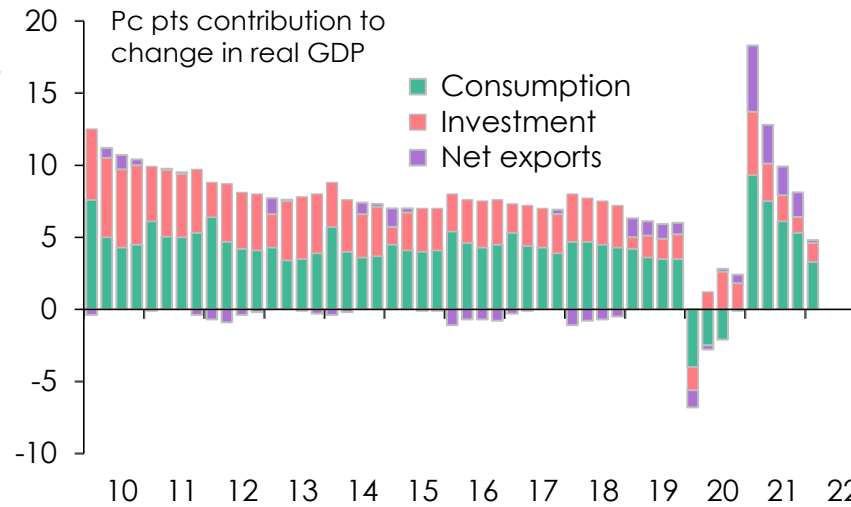
# China's urban unemployment rate rose 0.3 pc pt in April to 6.1%, the highest since February 2020

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

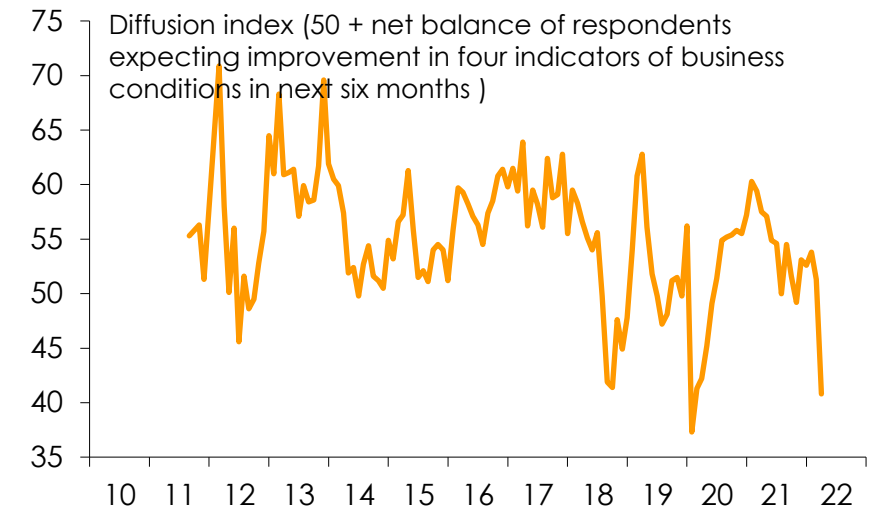
## Quarterly real GDP growth



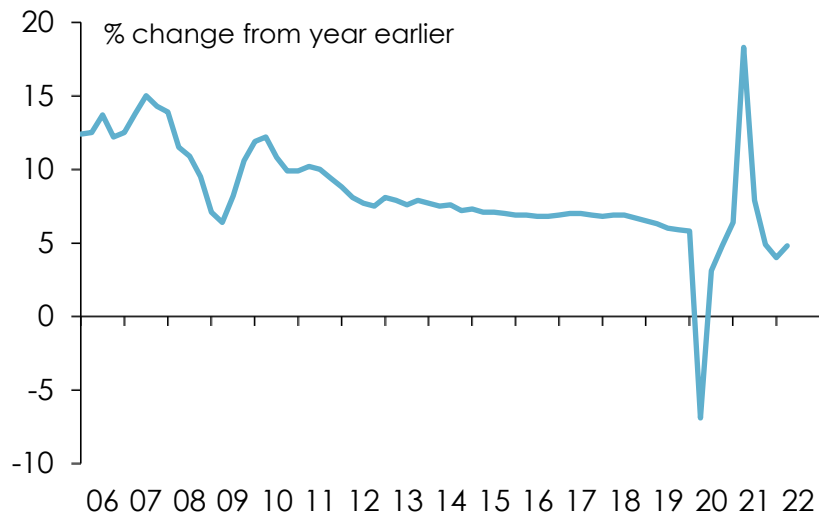
## Contributions to real GDP growth



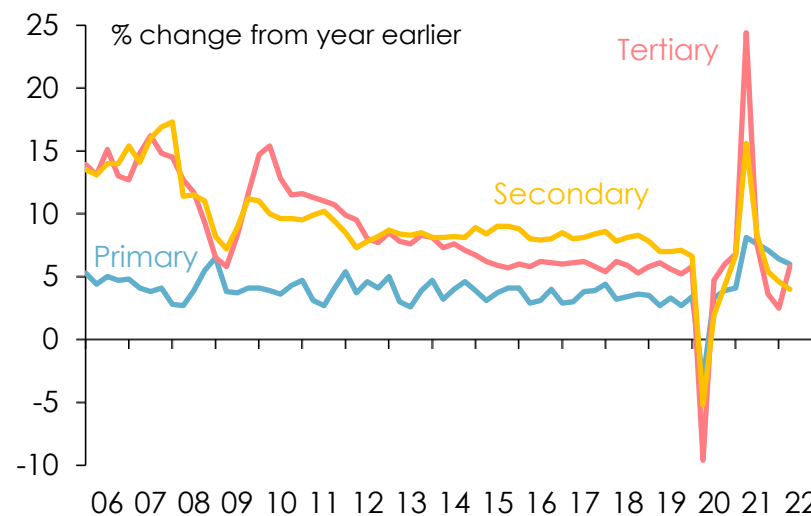
## CKGSB business conditions index



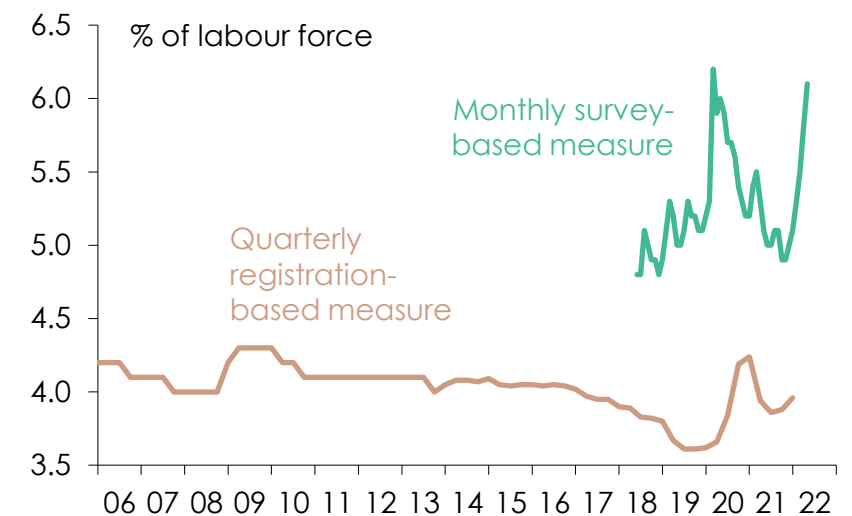
## Annual real GDP growth



## Annual GDP growth by industry



## Urban unemployment rate

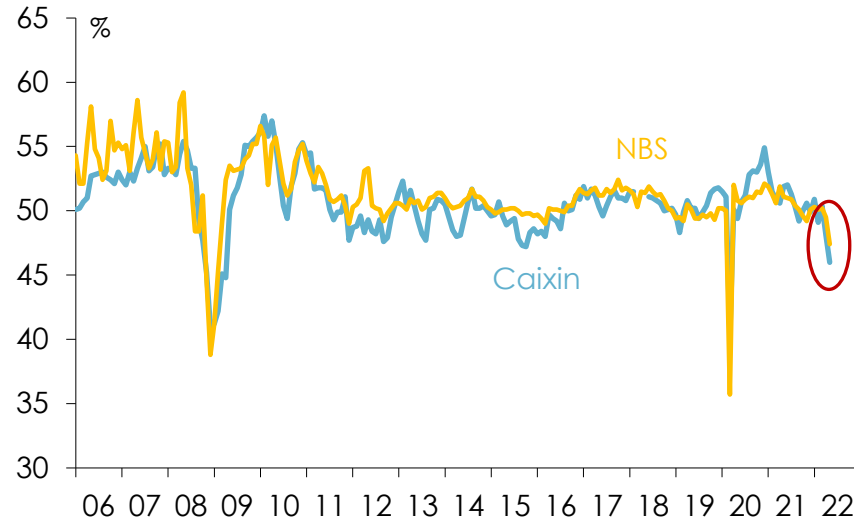


Sources: China National Bureau of Statistics, [National Data - National Accounts](#) and [The Urban Surveyed Unemployment Rate](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#). Before the monthly unemployment survey was introduced in 2018, the quarterly measure was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

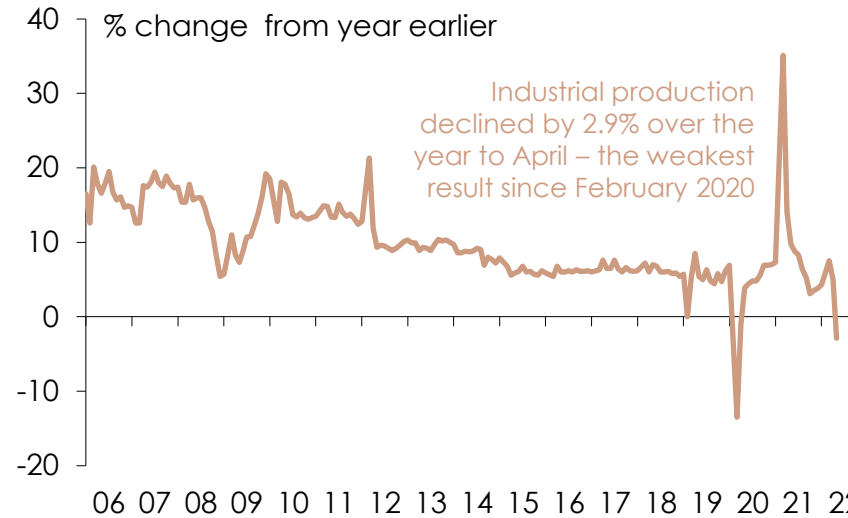
# Industrial production in April was 2.9% lower than a year earlier, the worst result since February 2020, due to Covid lockdowns

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

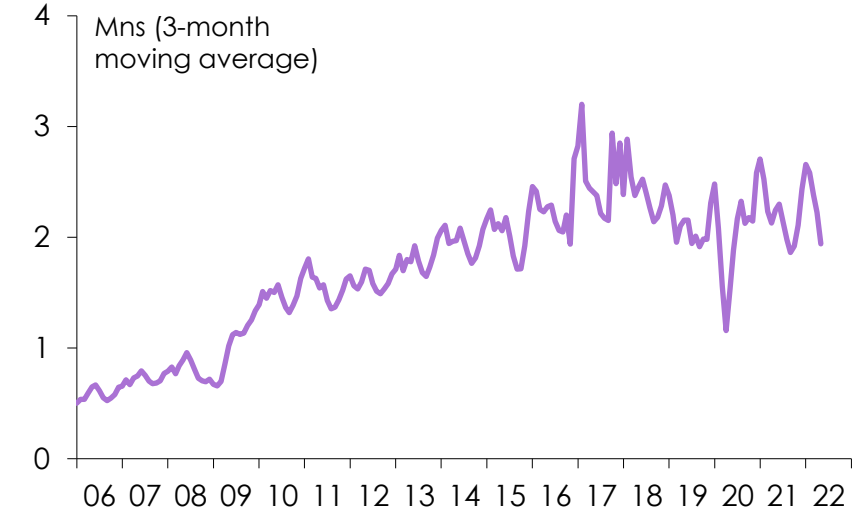
## Manufacturing PMIs



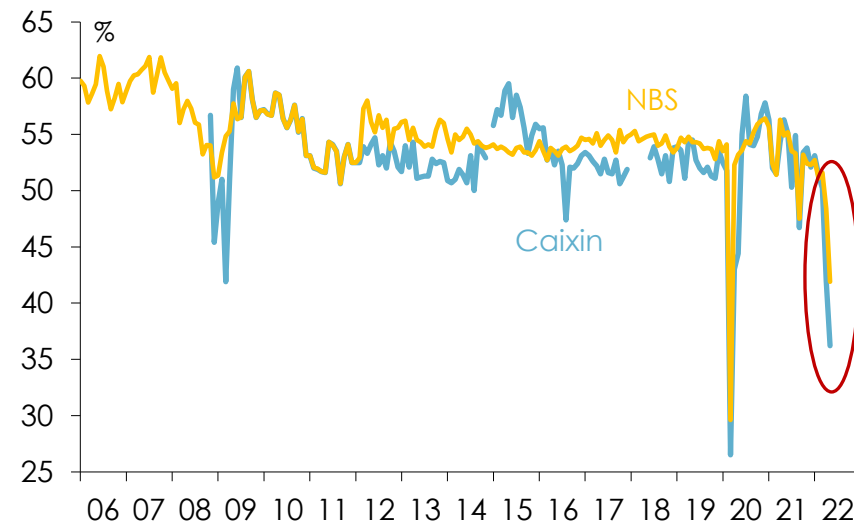
## Industrial production



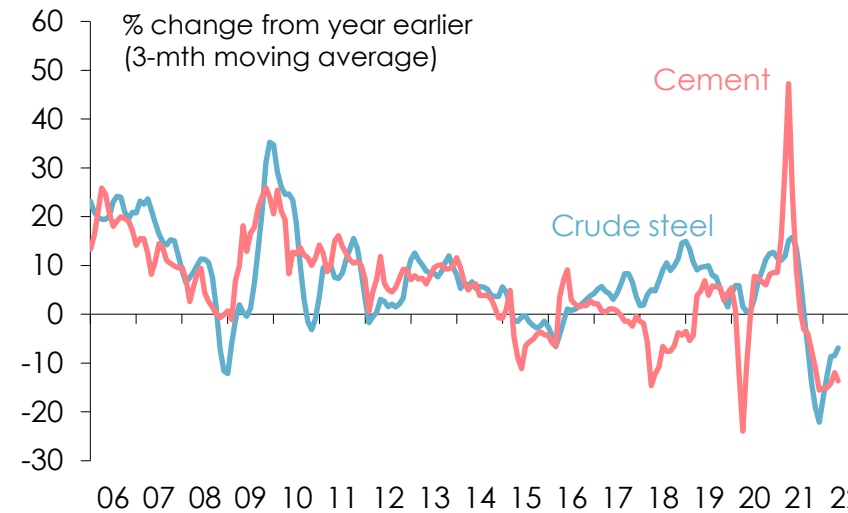
## Motor vehicle production



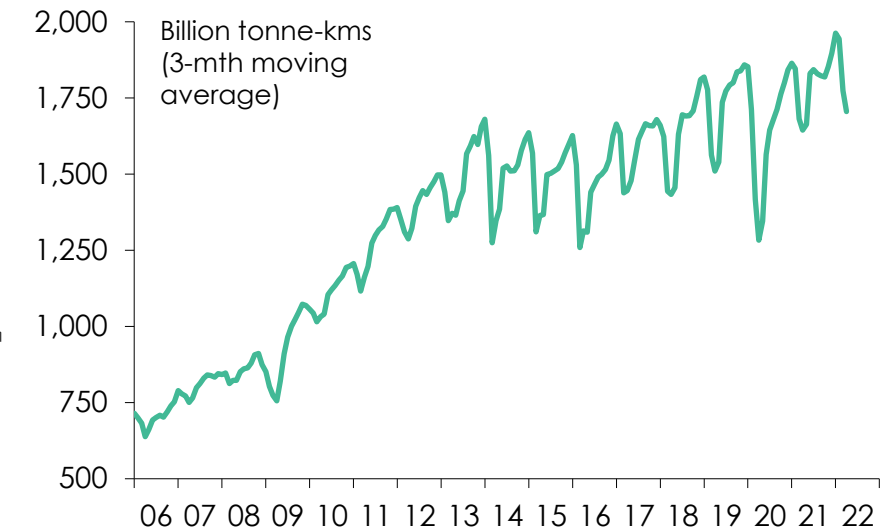
## Non-manufacturing PMIs



## Steel and cement production



## Freight traffic volumes

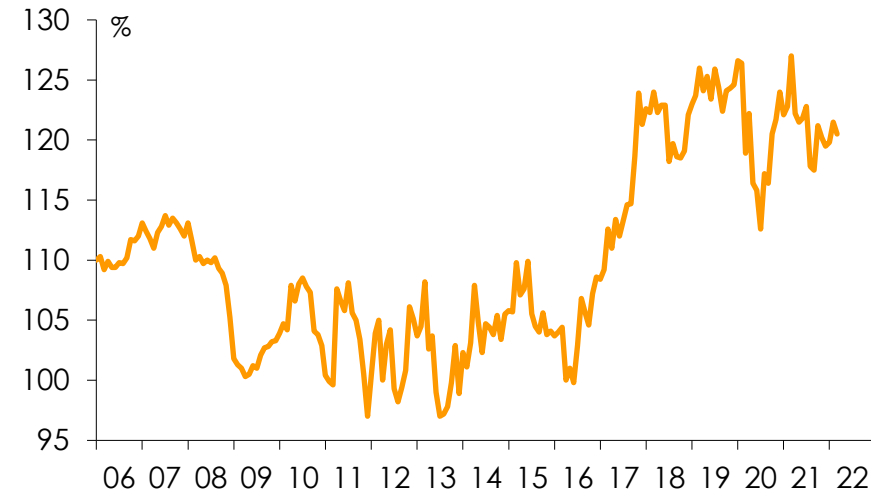


Note: The Caixin PMIs are derived from a survey of around 500, mostly small private, enterprises, while the 'official' NBS PMIs are derived from a survey of about 3,000, mostly state-owned, enterprises: for more detail see [here](#). Sources: China National Bureau of Statistics, [National Data](#); Caixin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

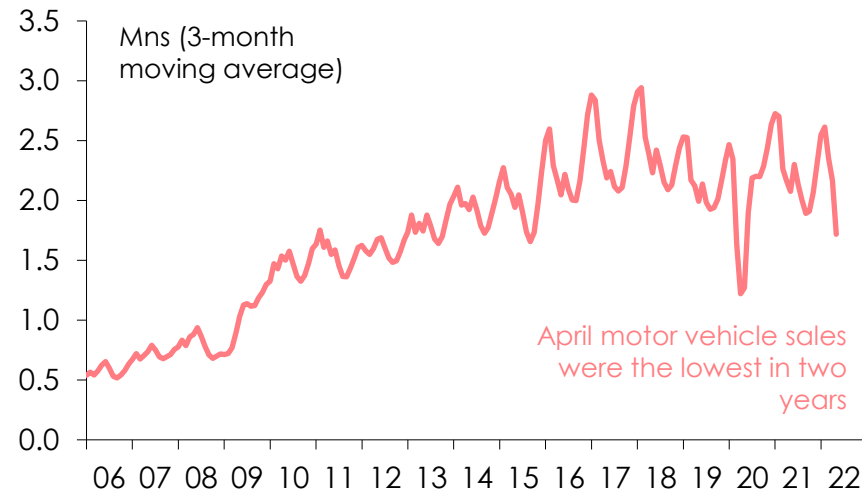
# Retail sales were much weaker in March, due to lockdowns, and property investment continued to slow

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

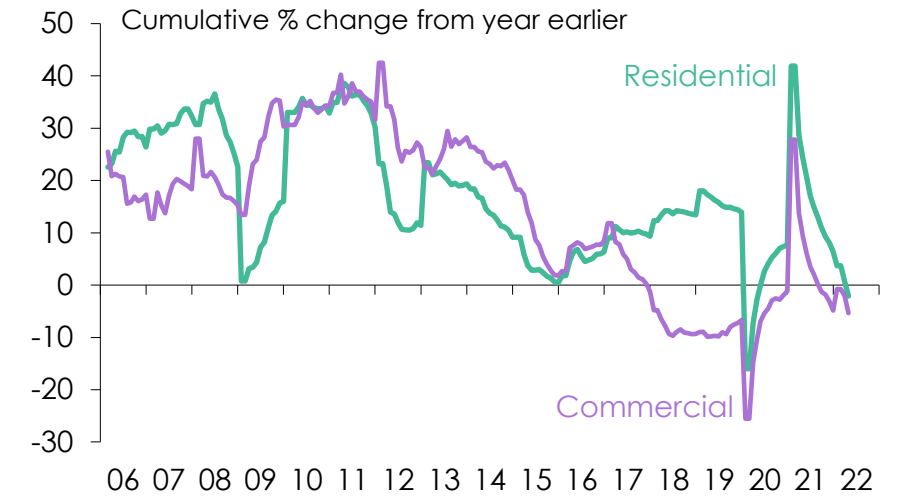
## Consumer sentiment



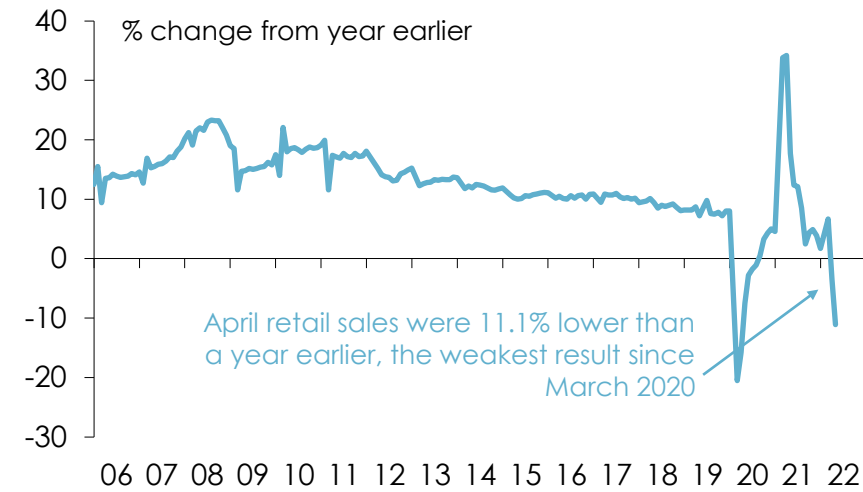
## Motor vehicle sales



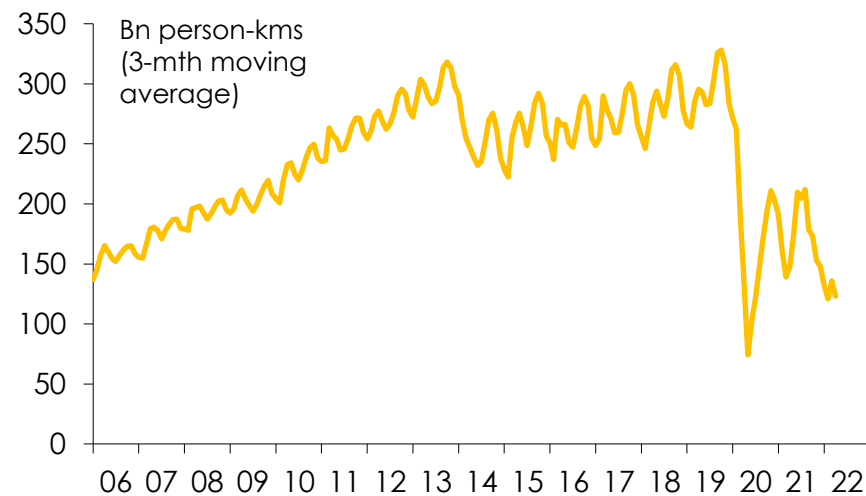
## Real estate investment



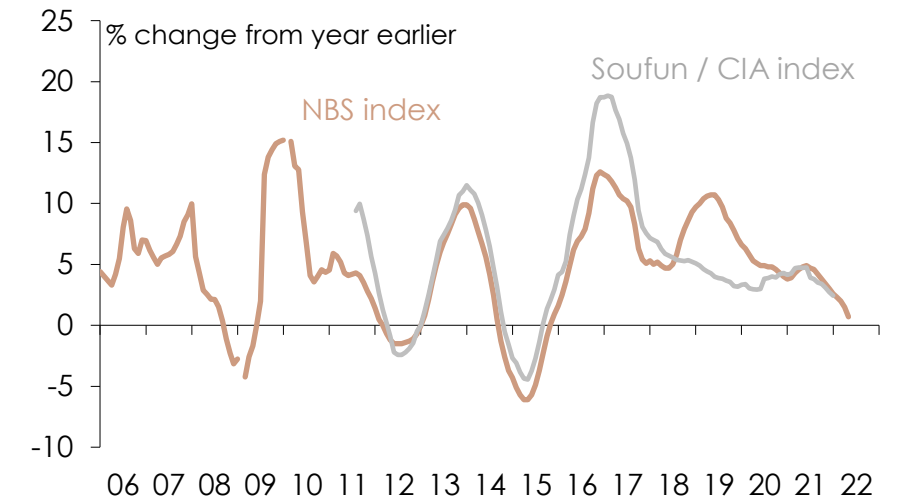
## Retail sales



## Passenger traffic volumes



## Residential real estate prices

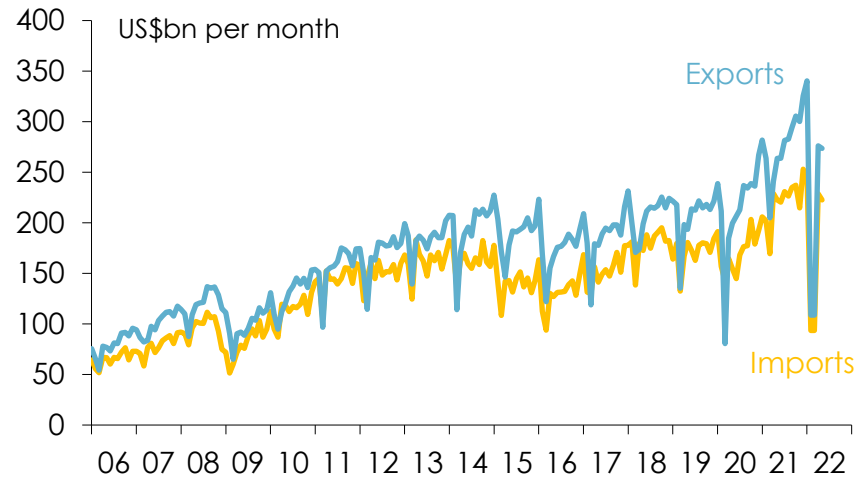


Sources: China National Bureau of Statistics, [National Data](#); China Association of Automobile Manufacturers, [Sales of Automobiles](#); China Index Academy, [CREIS China Residential](#)

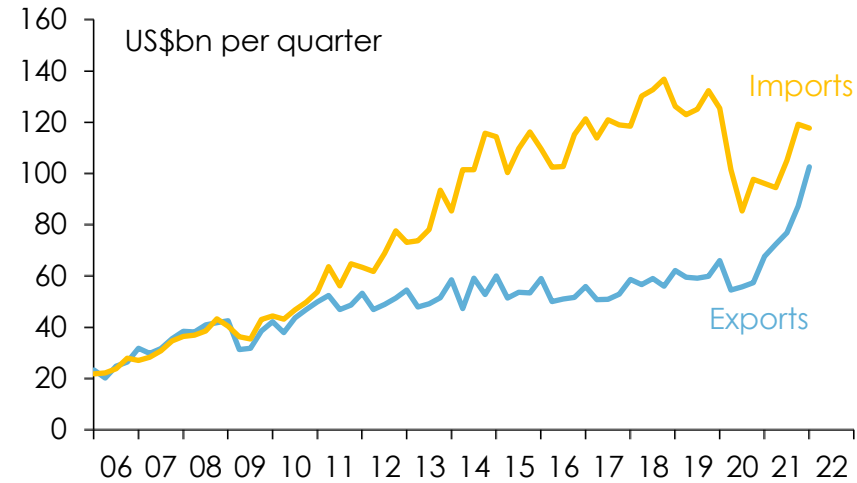
# China recorded a merchandise trade surplus of US\$51.1bn in April, with imports falling by a larger margin than exports

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

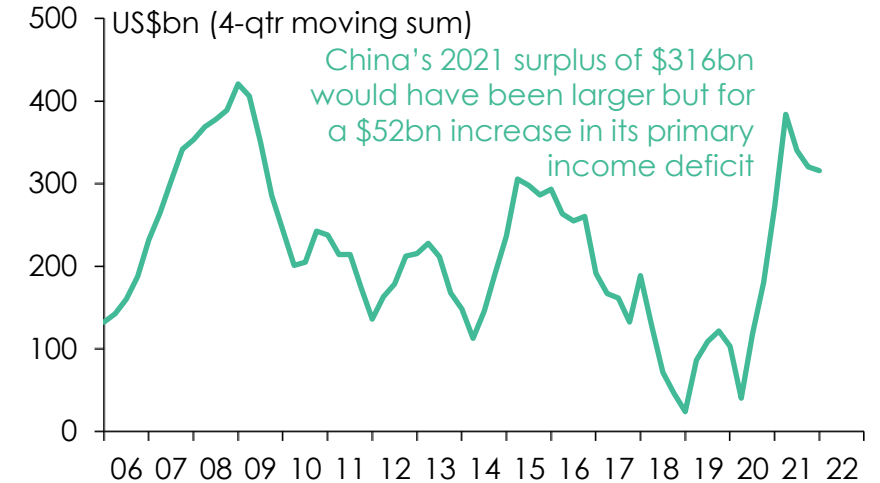
## Merchandise exports and imports



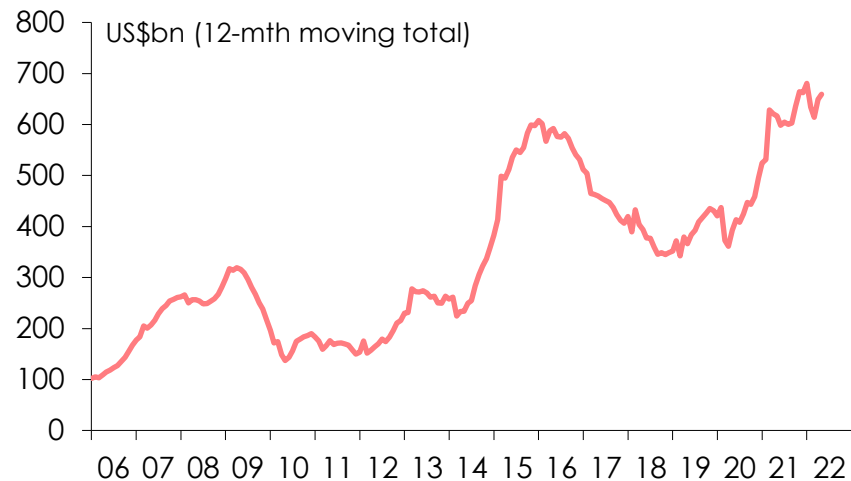
## Services exports and imports



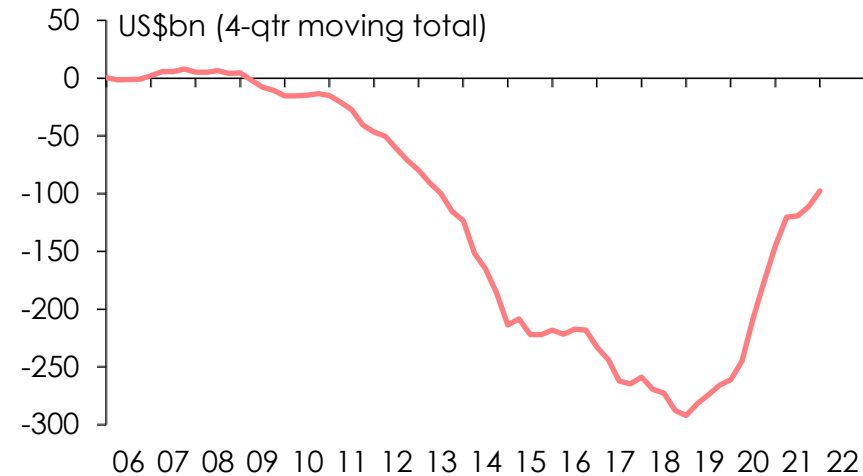
## Current account balance



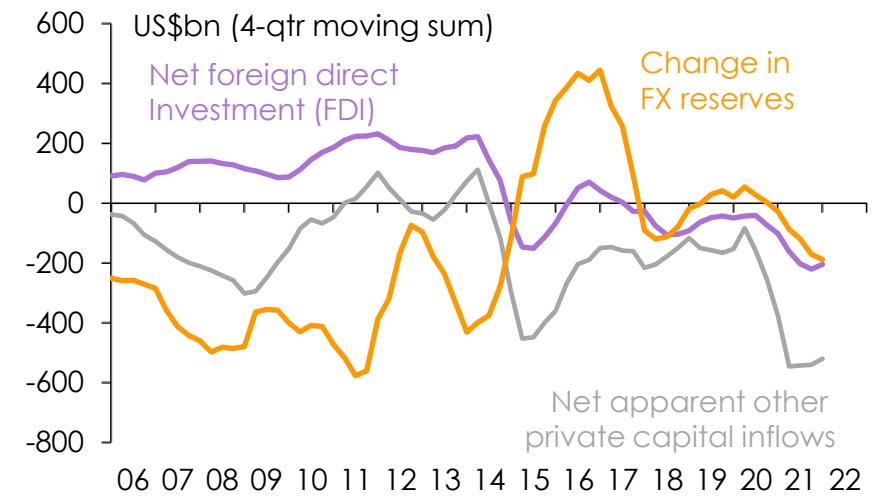
## Merchandise trade balance



## Services trade balance



## Capital flows

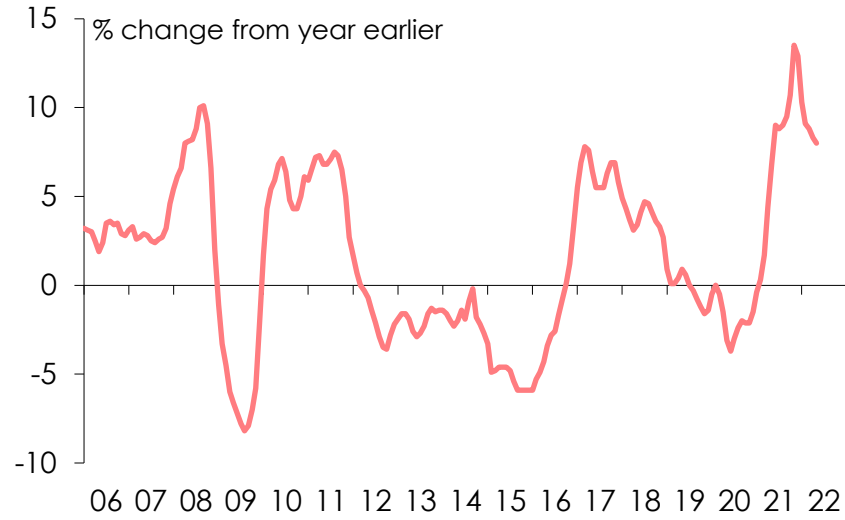


Sources: China General Administration of Customs, [Preliminary Release](#) and [Monthly Bulletin](#); State Administration of Foreign Exchange, [The time-series data of Balance of Payments of China](#). [Return to "What's New"](#).

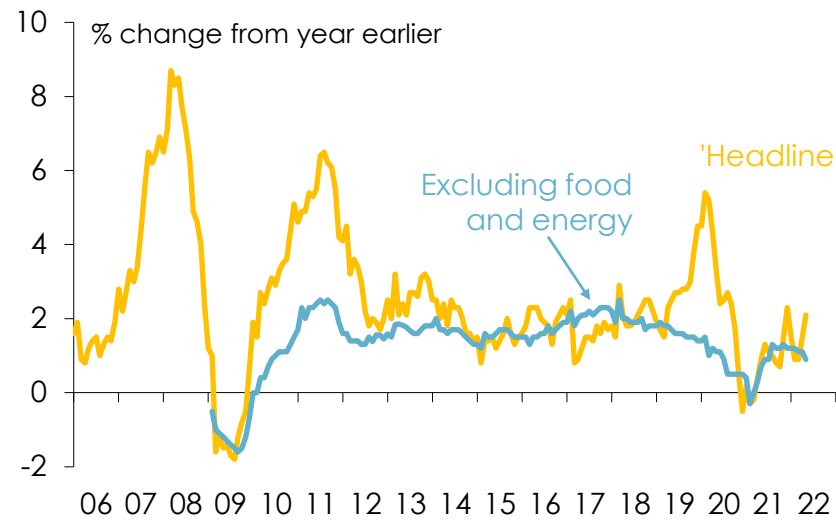
# 'Headline' CPI inflation ticked up above 2% in April as food prices stopped falling, but 'core' inflation fell below 1% for the first time since last June

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

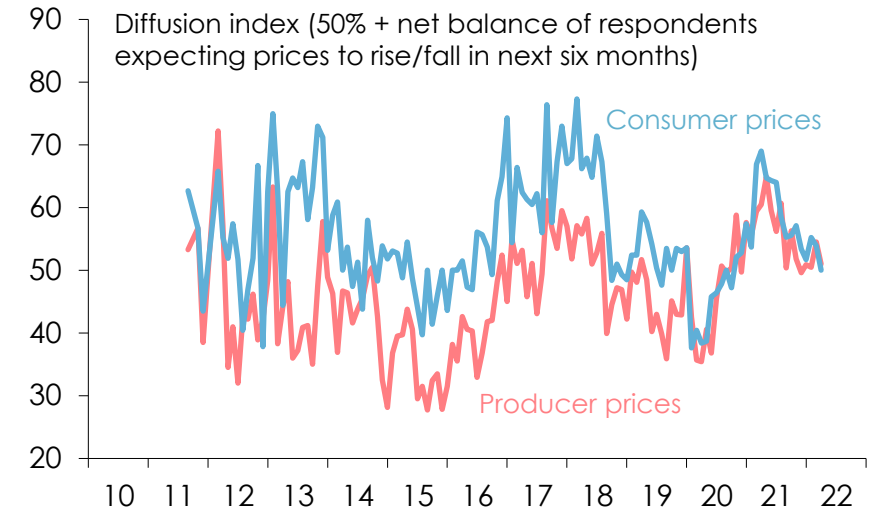
## Producer prices



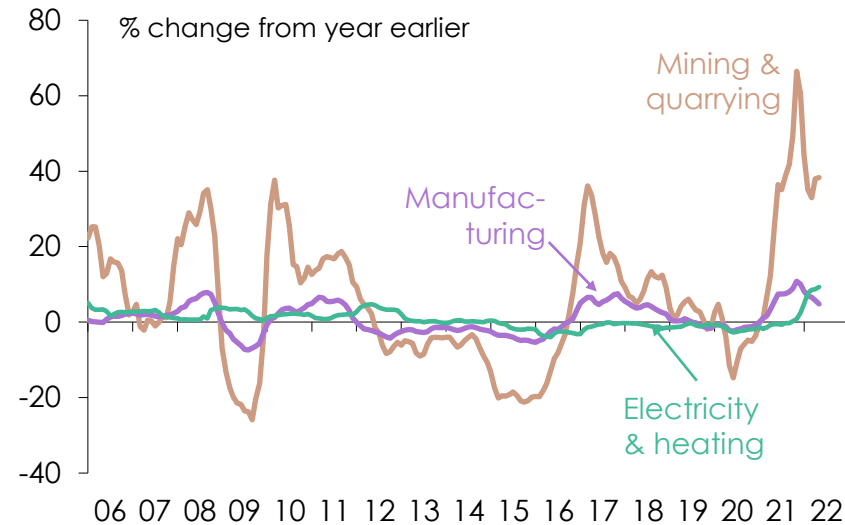
## Consumer prices



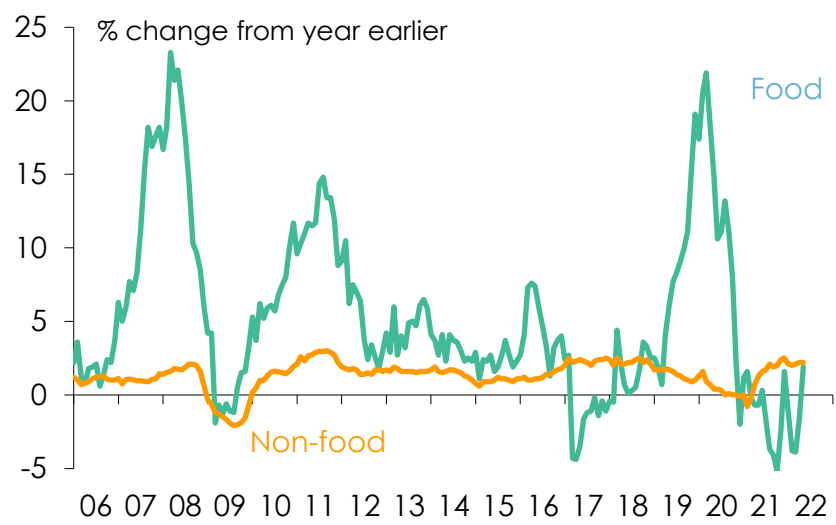
## CKGSB price diffusion indexes



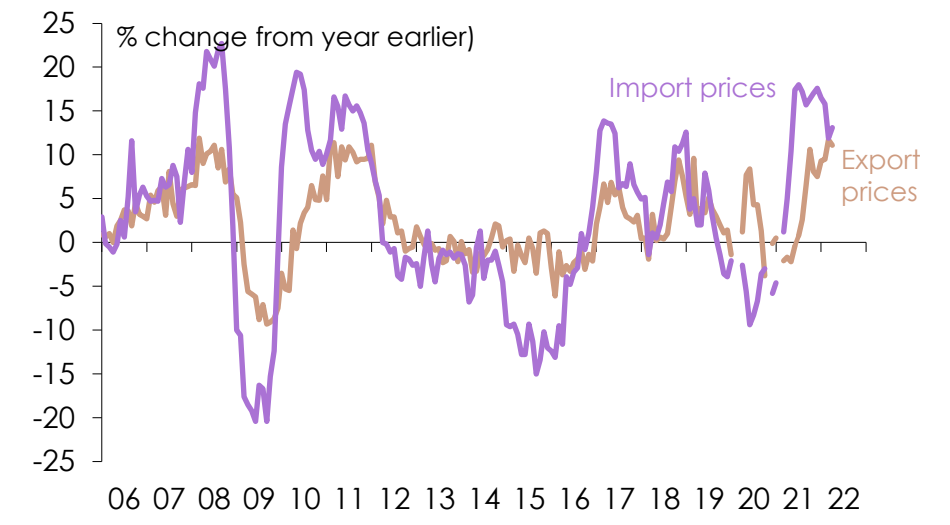
## Producer prices – major categories



## 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".

# Senior Chinese officials are becoming increasingly alarmed at the downturn in economic activity, although they still don't seem to be doing much

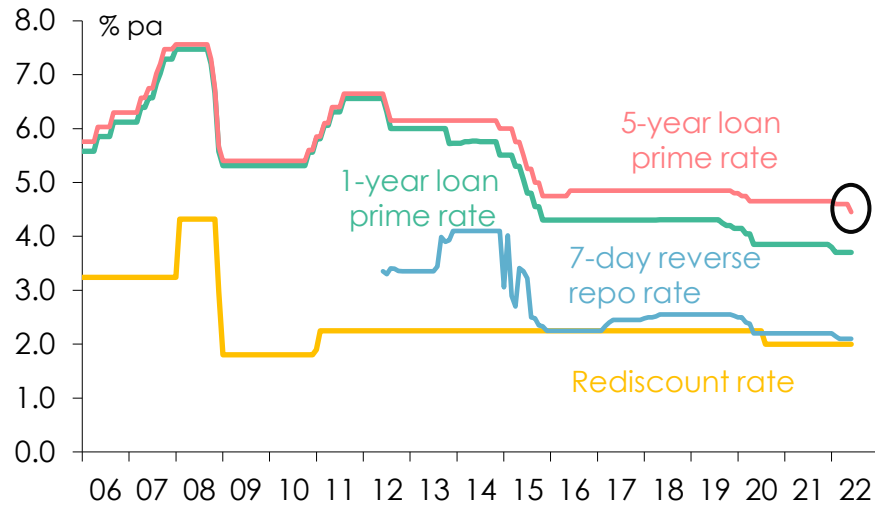
THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

- ❑ Premier Li Keqiang, addressing a [nationwide virtual conference of State Council members](#) last Wednesday, described China's present economic situation as being "in some areas and to a certain degree, even greater than the severe shock of the pandemic in 2020"
  - Li said that China was "at a critical juncture in determining the economic trend of the whole year", and that officials "must seize the time window and strive to push the economy back to the normal track"
  - he stressed that "all departments have the responsibility to stabilize the overall situation of the economic market" and called for "a stronger sense of urgency to ensure that the policy measures determined by the central economic work conference and the "government work report" are basically implemented in the first half of the year"
  - and foreshadowed that 'inspection teams' will be sent to 12 provinces "to carry out special inspections on the implementation of policies and supporting facilities"
- ❑ Li's heightened sense of urgency follows the previous week's releases indicating that China was experiencing its sharpest economic slowdown (and its highest levels of urban unemployment) since the initial wave of the pandemic in the first quarter of 2022 ([slides 81-83](#))
- ❑ The latest downturn is the direct result of President Xi Jinping's continued insistence on a 'zero tolerance' approach to Covid-19, which he re-iterated at a Politburo Standing Committee meeting on 5<sup>th</sup> May, [declaring](#) "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"
- ❑ On 20<sup>th</sup> May, 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"

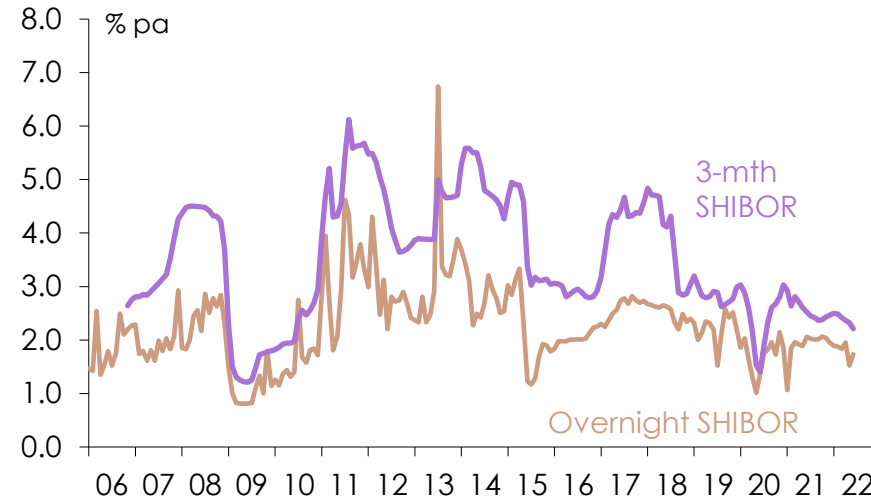
# The PBoC lowered the 5-year prime loan rate by 15bp to 4.45% on Friday but left the 1-year rate unchanged

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

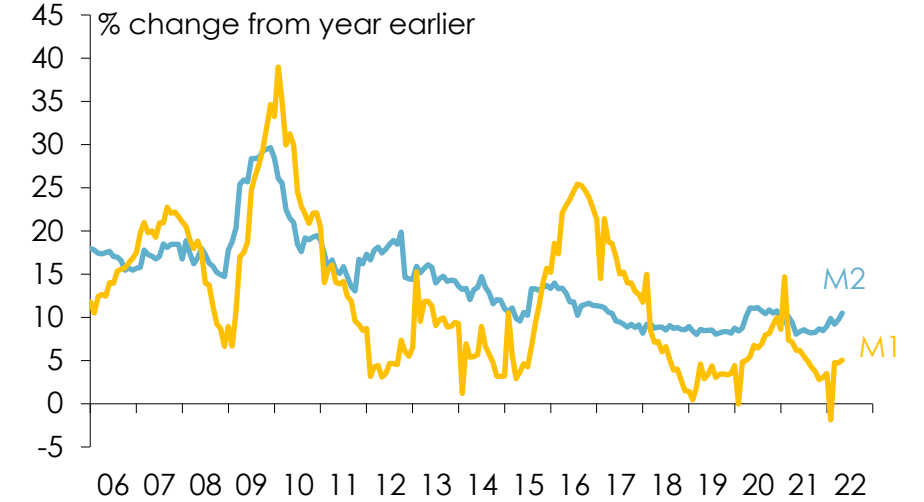
## PBoC policy interest rates



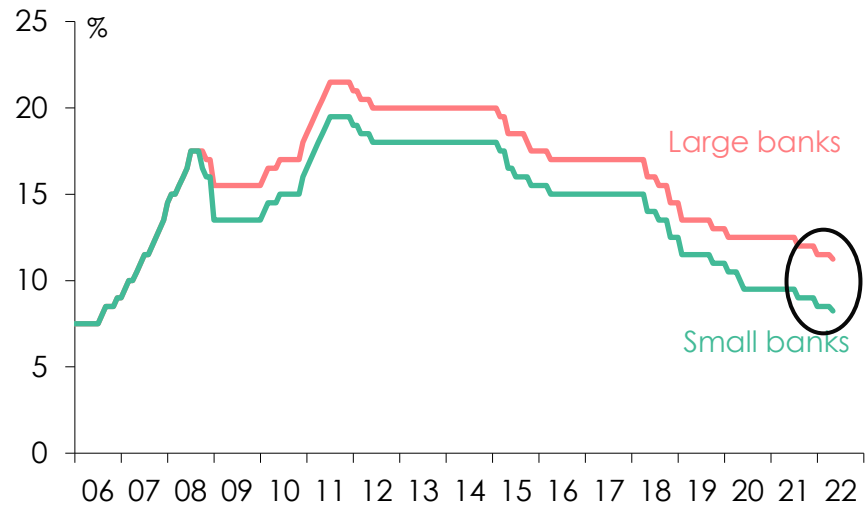
## Short-term market interest rates



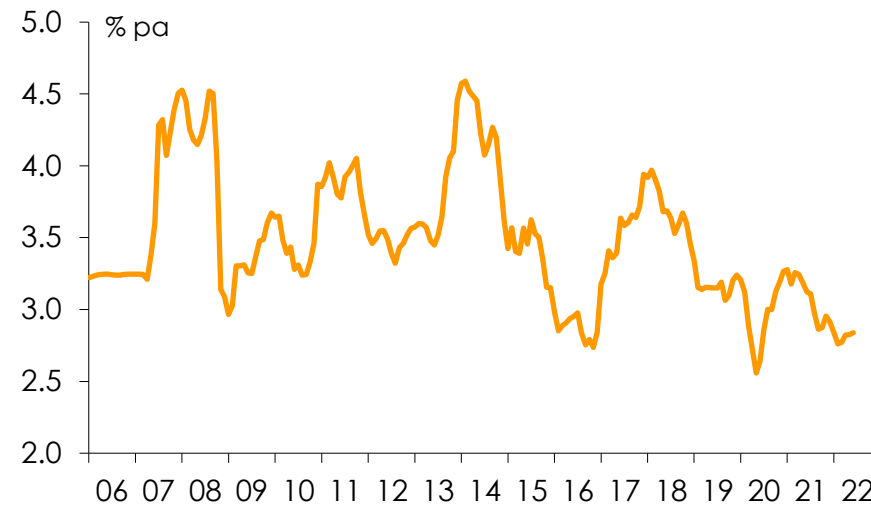
## Monetary aggregates



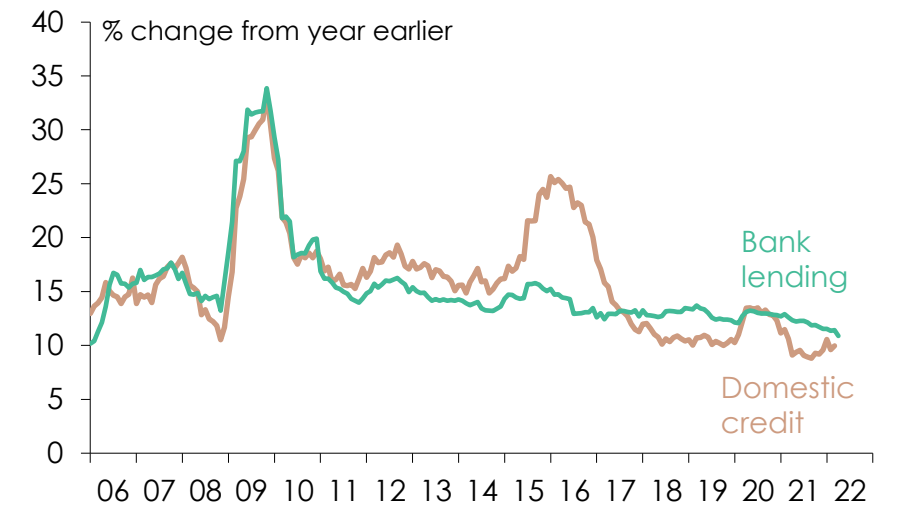
## Bank reserve requirement ratios



## 10-year government bond yield



## Credit growth

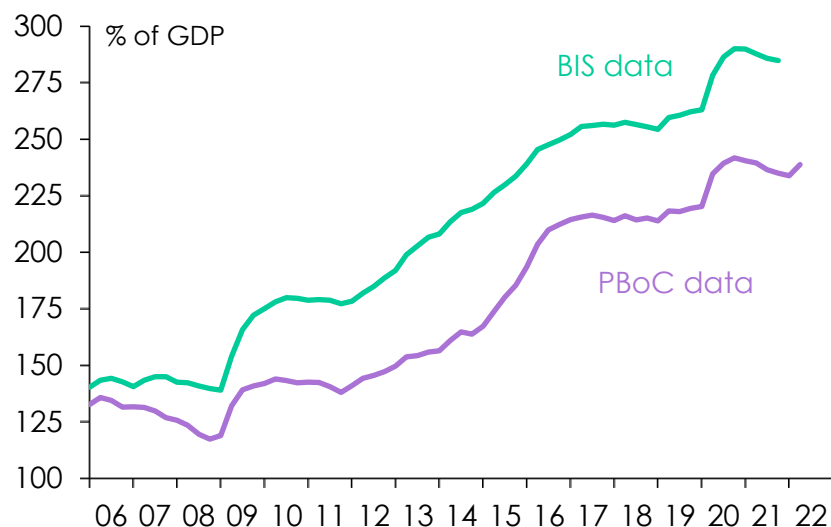


Note: 'SHIBOR' is the Shanghai Inter-Bank Offered Rate. Sources: Refintiv Datastream; People's Bank of China, [Financial Statistics Reports](#) and [Aggregate Financing Reports](#). [Return to "What's New"](#).

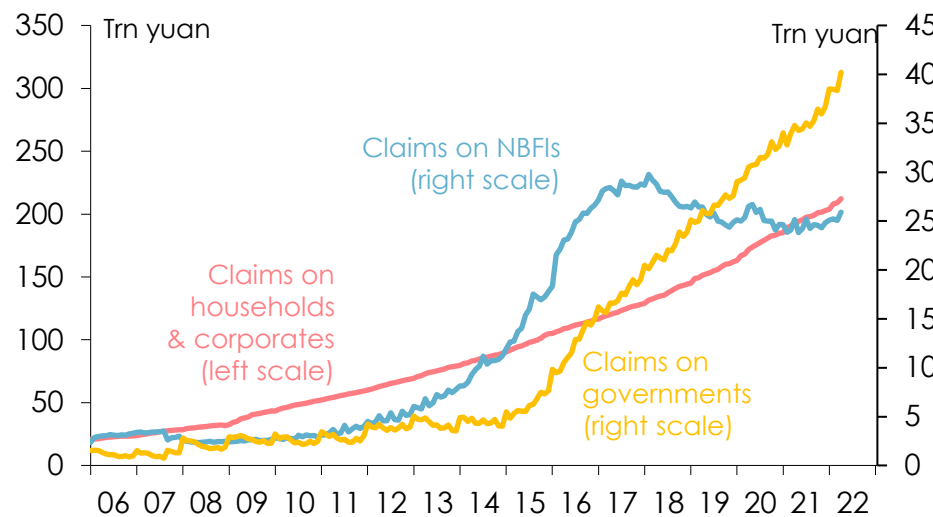
# The Chinese banking system's risk profile has increased significantly over the past decade – particularly on the liabilities side of its balance sheet

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

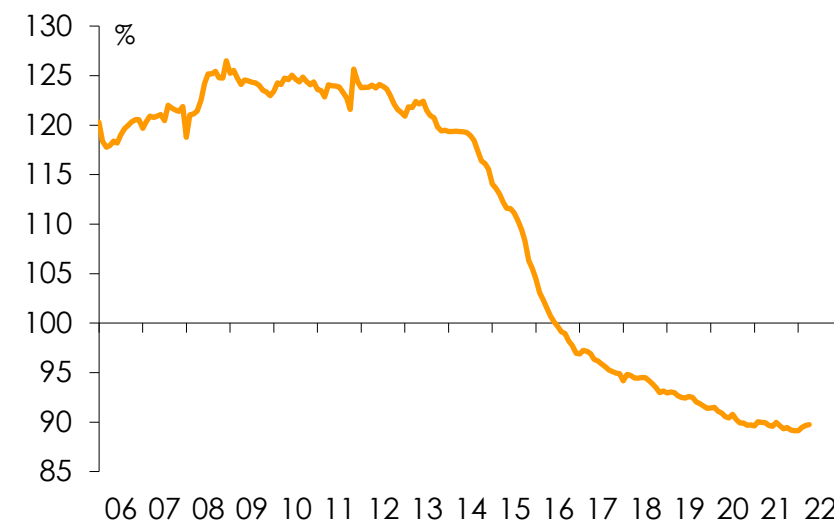
## Credit outstanding as a pc of GDP



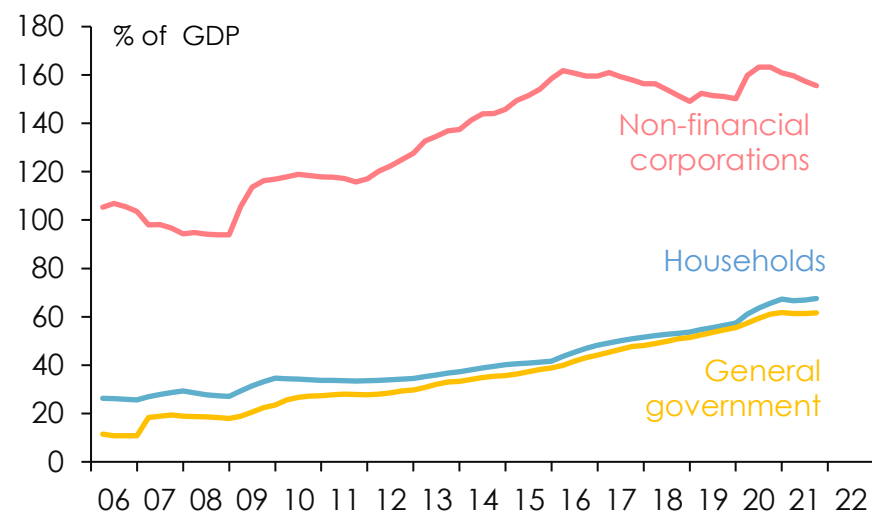
## Banks' assets



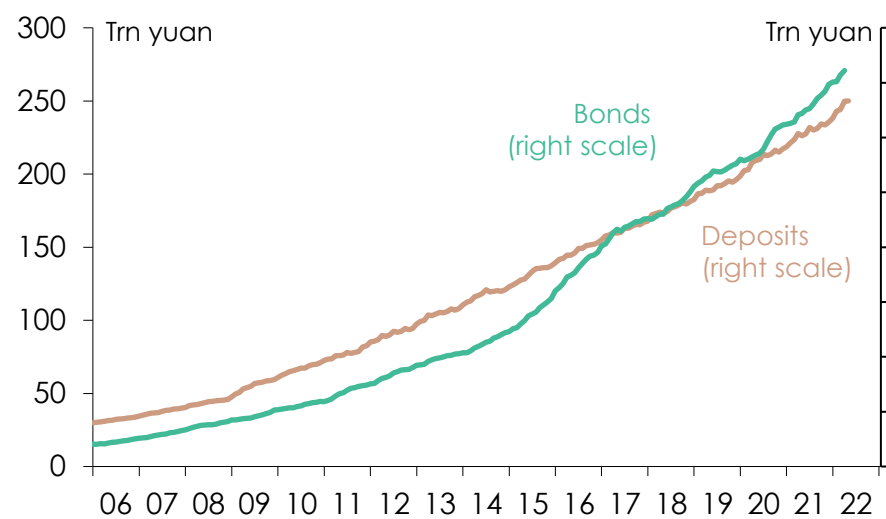
## Banks' deposits-to-loans ratio



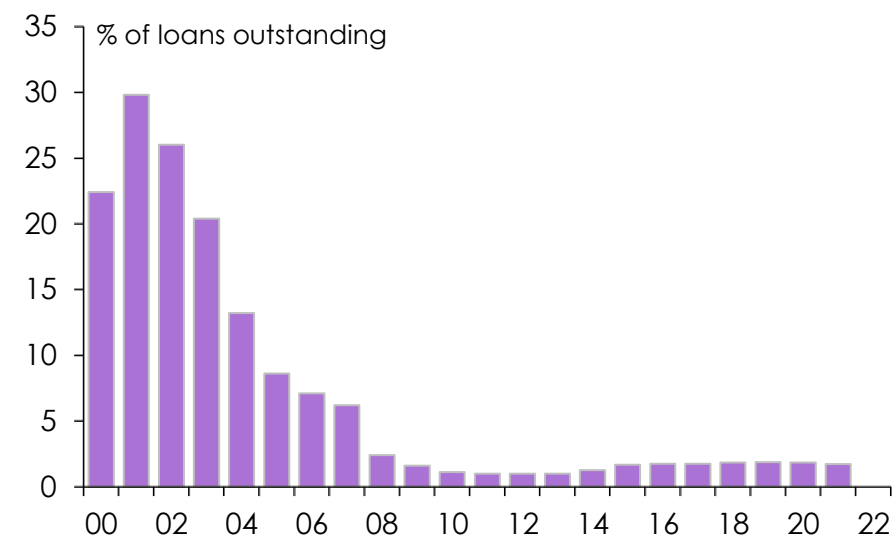
## Credit outstanding by sector



## Banks' liabilities



## Banks NPLs – official estimates



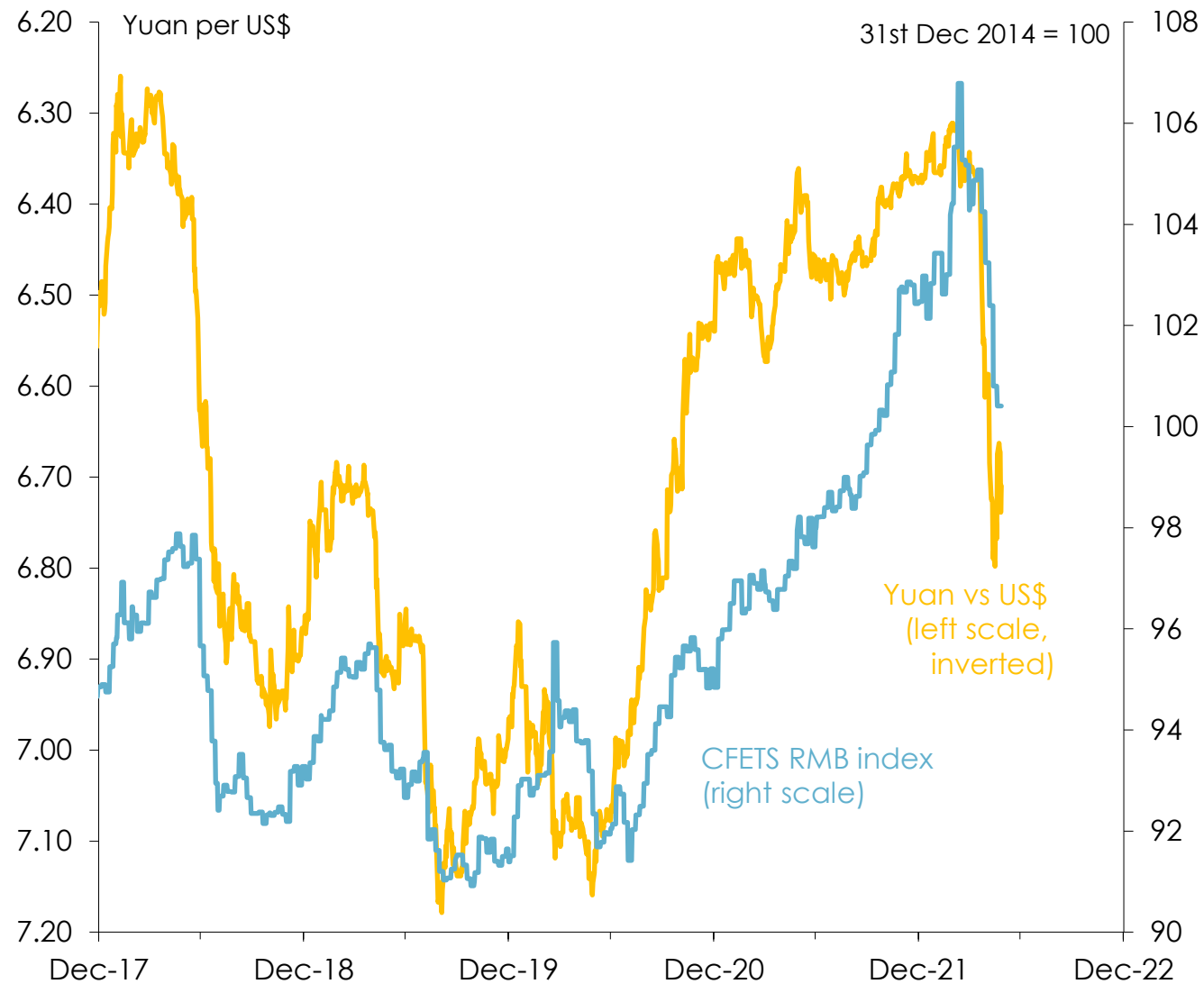
Sources: People's Bank of China, [Financial Statistics Reports](#); Bank for International Settlements, [Credit to the non-financial sector](#); China Banking and Insurance Regulatory Commission, [Supervisory Statistics of the Banking and Insurance Sectors](#). [Return to "What's New"](#).



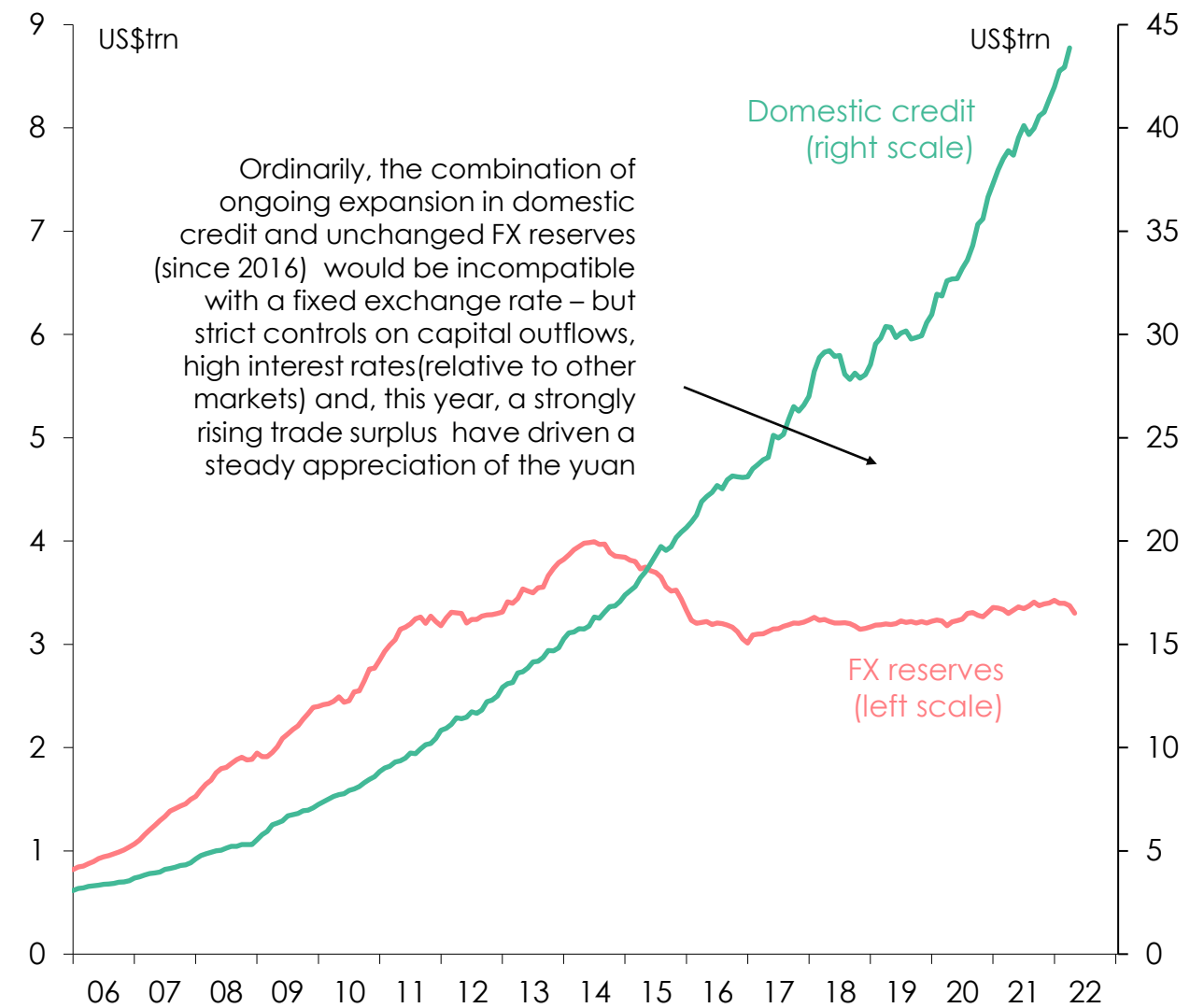
# The yuan fell ½% against the US\$ last week – despite the dollar’s softness against other currencies – and a similar amount vs the PBoC’s TWI

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> 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 27<sup>th</sup> May; FX reserves and credit data up to April.

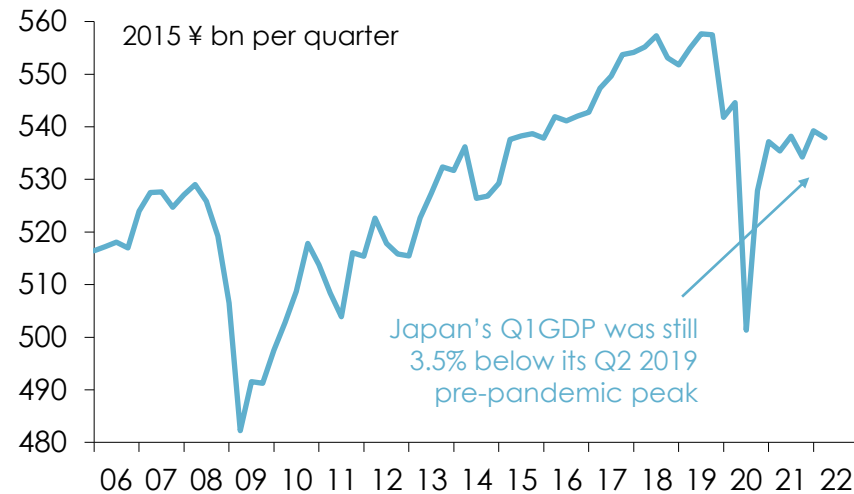
[Return to "What's New".](#)

**Japan**

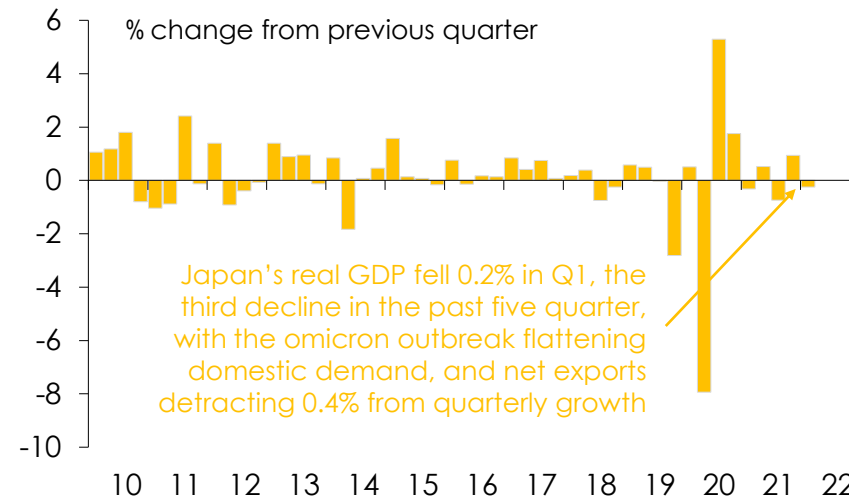
# Japan's real GDP fell 0.2% in Q1, the third decline in the past five quarters, to be still 3½% below its pre-pandemic peak

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

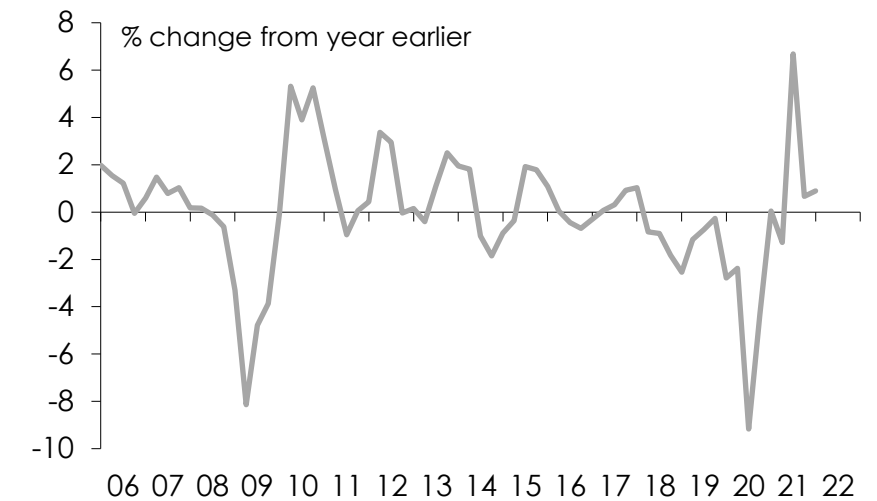
## Level of real GDP



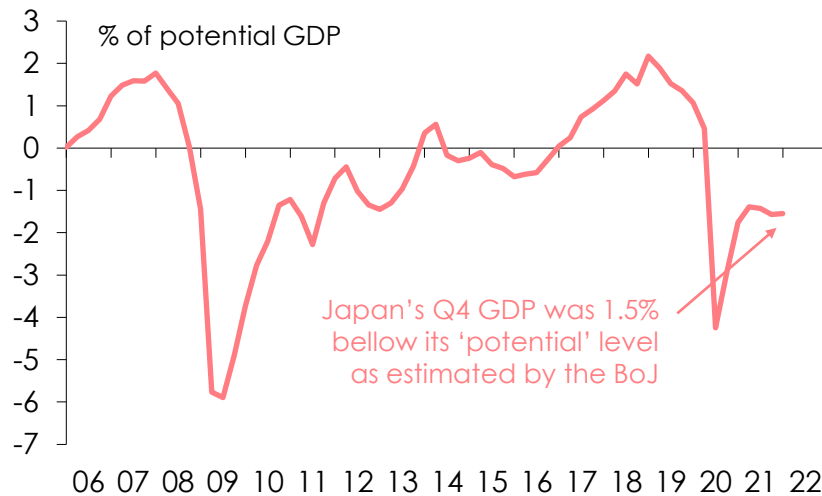
## Quarterly change in real GDP



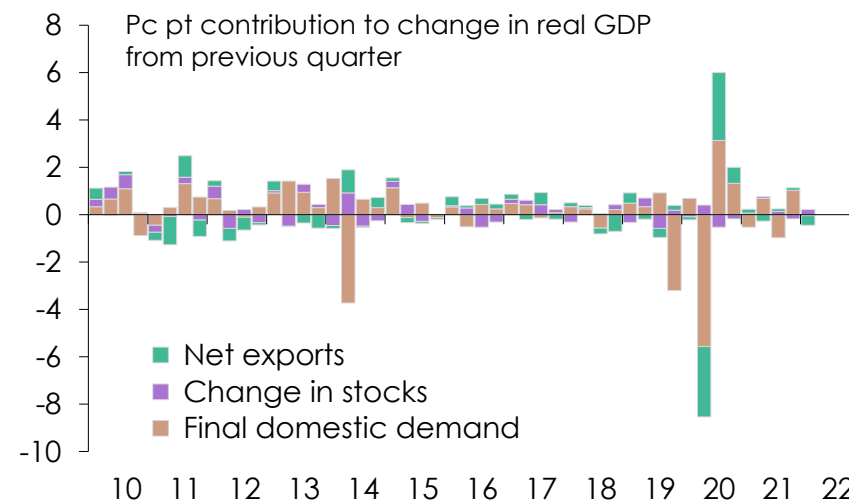
## Labour productivity growth



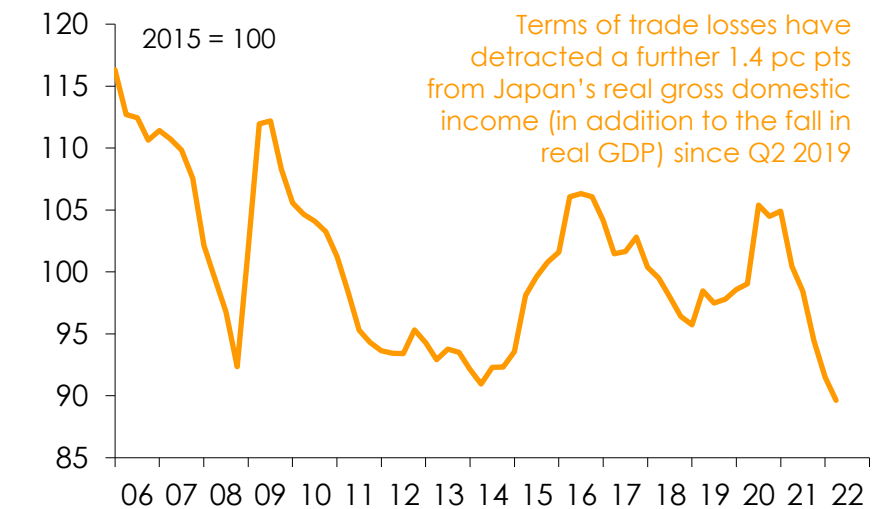
## The 'output gap'



## Contributions to change in real GDP



## Terms of trade

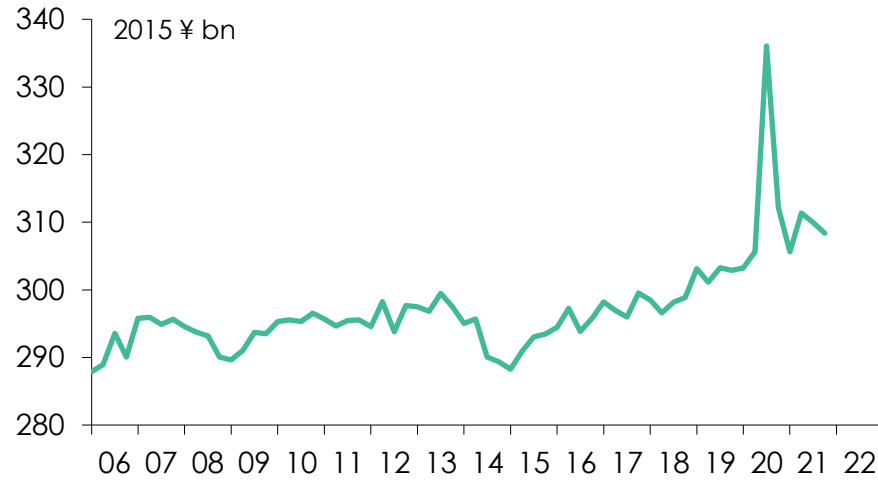


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

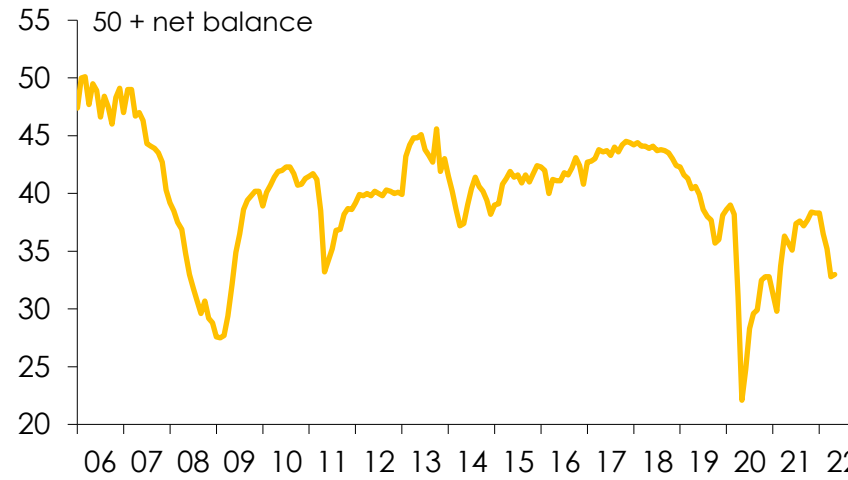
# Household incomes have been supported by fiscal transfers, but much of them have been saved so household spending has remained weak

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

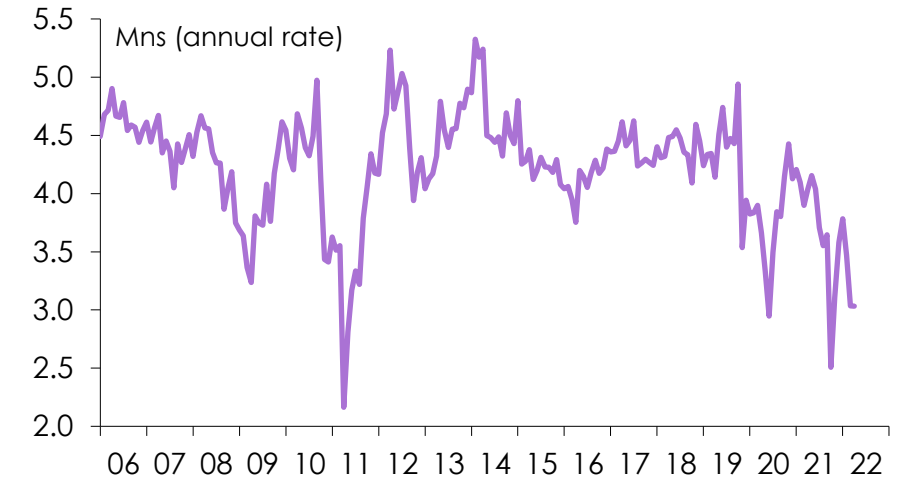
## Real household disposable income



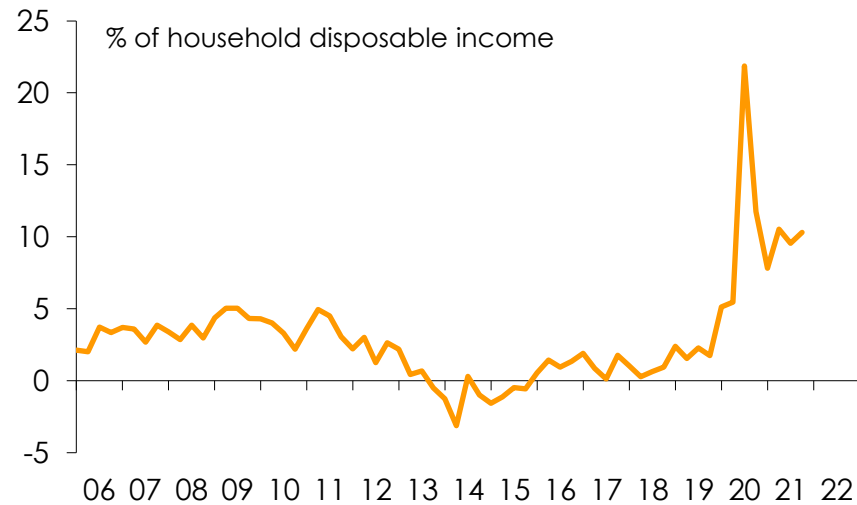
## Consumer confidence



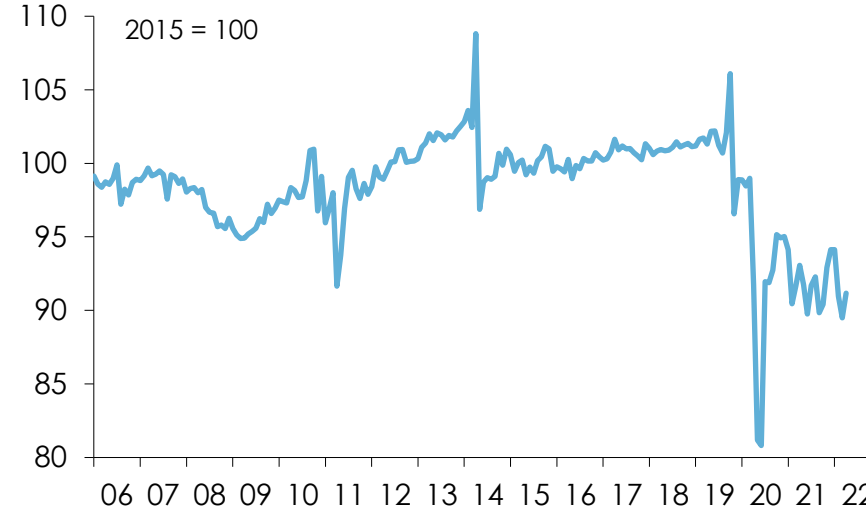
## Motor vehicle sales



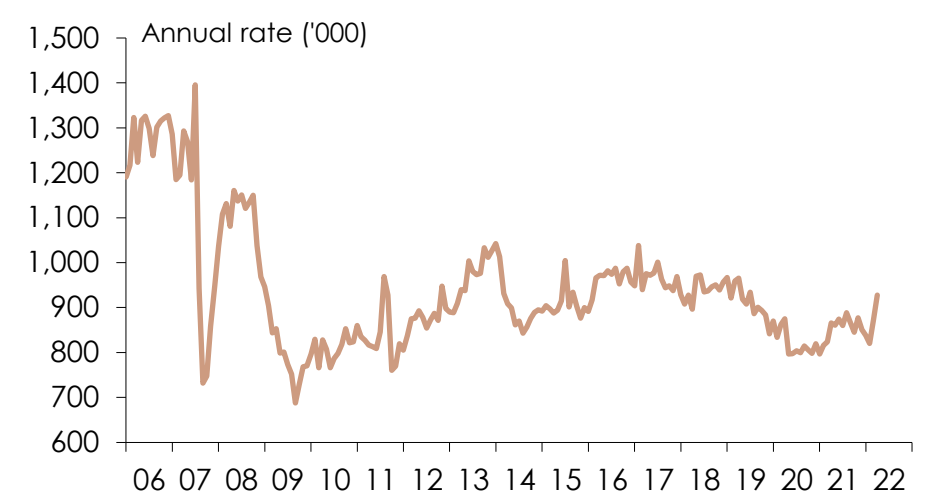
## Household saving



## Consumption activity index



## Housing starts

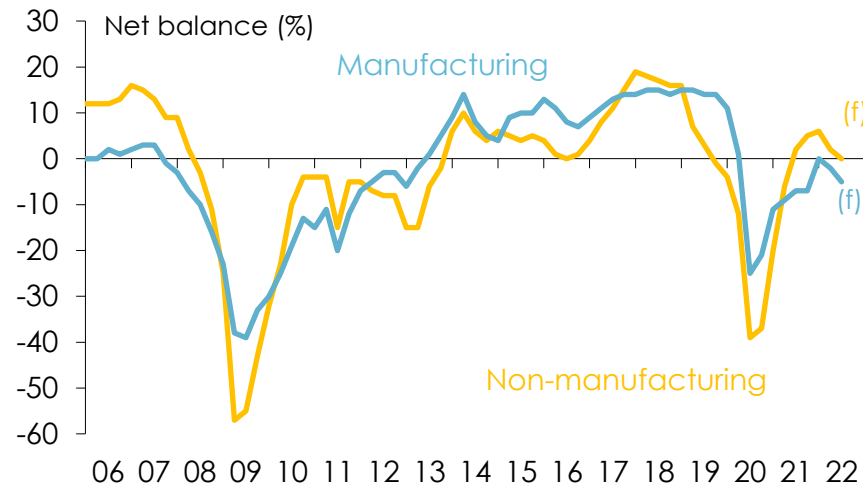


Sources: Japan Cabinet Office, [Quarterly Estimates of Household Disposable Income and Household Saving Ratio](#) and [Consumer Confidence Survey](#); Bank of Japan, [Consumption Activity Index](#); Japan Automobile Dealers Association, [Statistical Data](#); Japan e-Stat, [Building Starts](#). [Return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

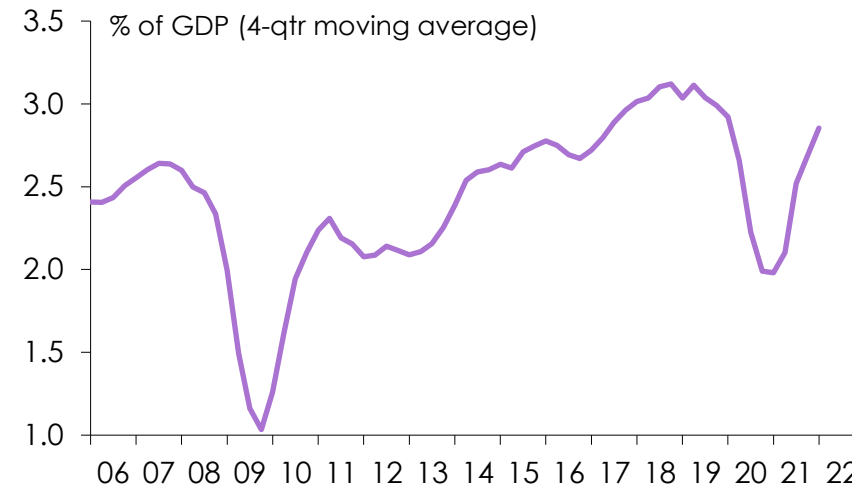
# Japanese business confidence deteriorated in the first quarter of this year according to the BoJ's *tankan* survey, largely reflecting rising input costs

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

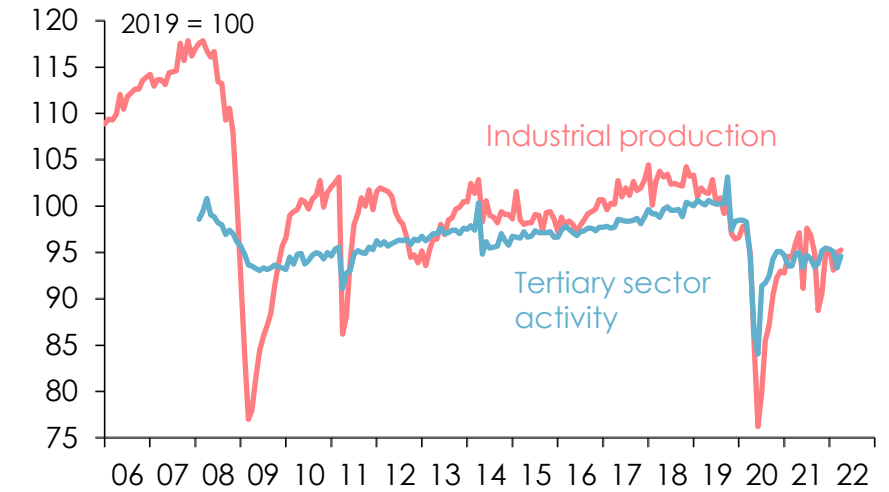
## Business conditions by industry



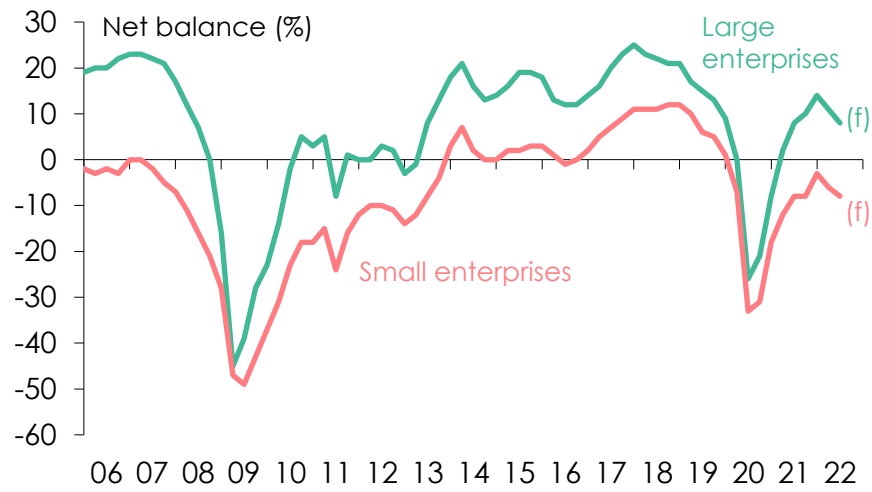
## Corporate operating profits



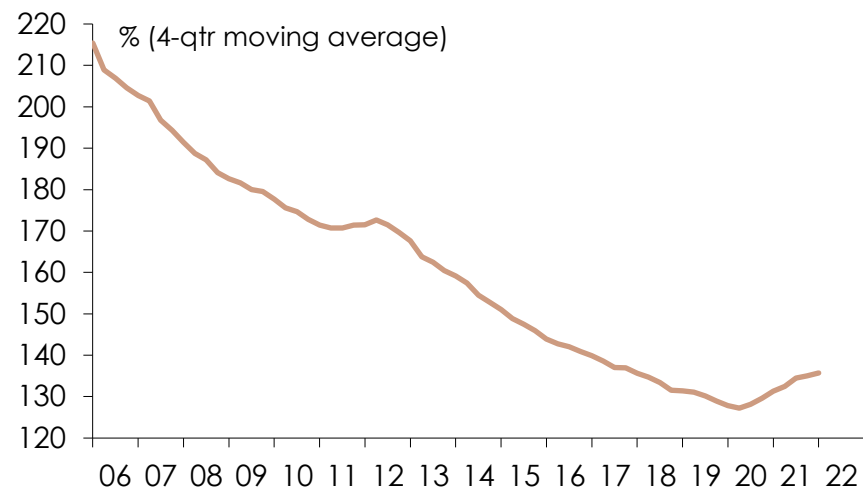
## Indexes of economic activity



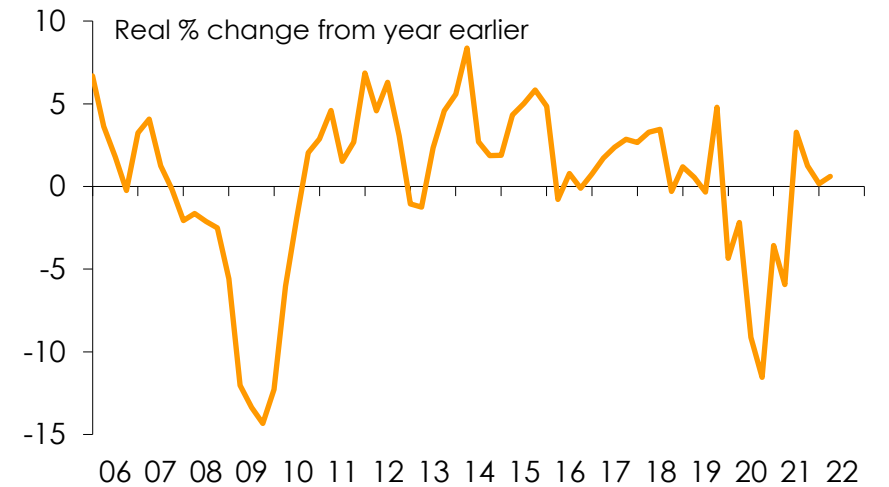
## Business conditions by firm size



## Corporate debt-equity ratio



## Business investment

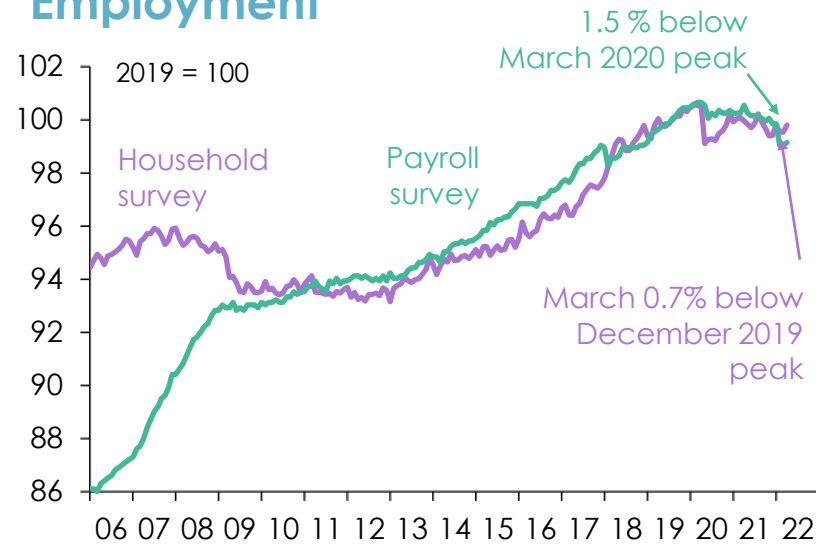


Sources: Bank of Japan, [Short-Term Economic Survey of Enterprises in Japan \('Tankan'\)](#); Policy Research Institute, Ministry of Finance, [Financial Statements Statistics of Corporations by Industry, Quarterly](#); Ministry of Economy, Trade & Industry, [Indices of Industrial Production](#) and [Indices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

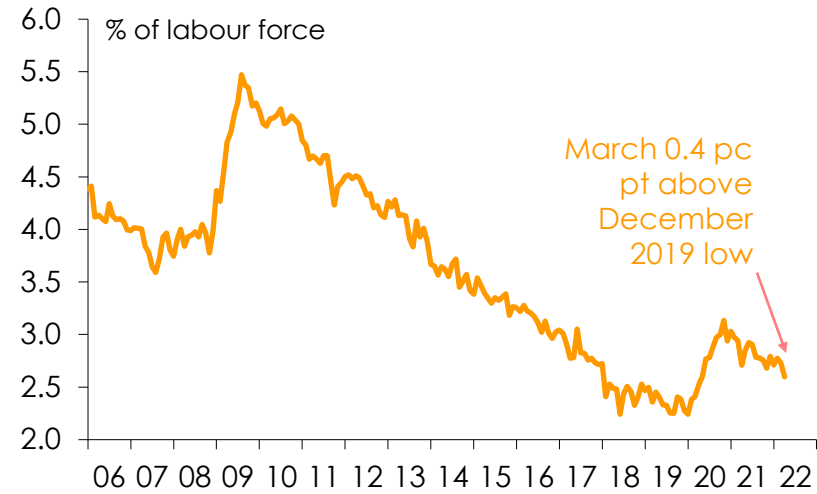
# Japan's CPI rose 2.5% over the year to April, the fastest since September 2014, and the 1.4% increase in the BoJ's 'core' measure was a 22-year high

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

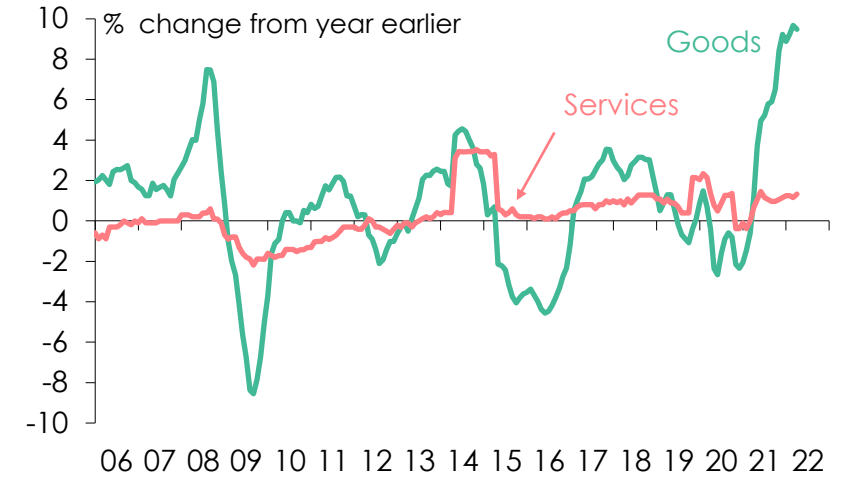
## Employment



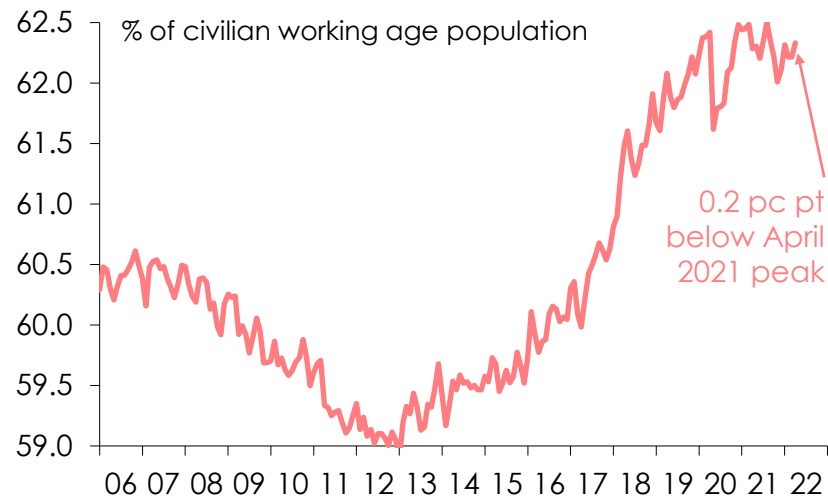
## Unemployment rate



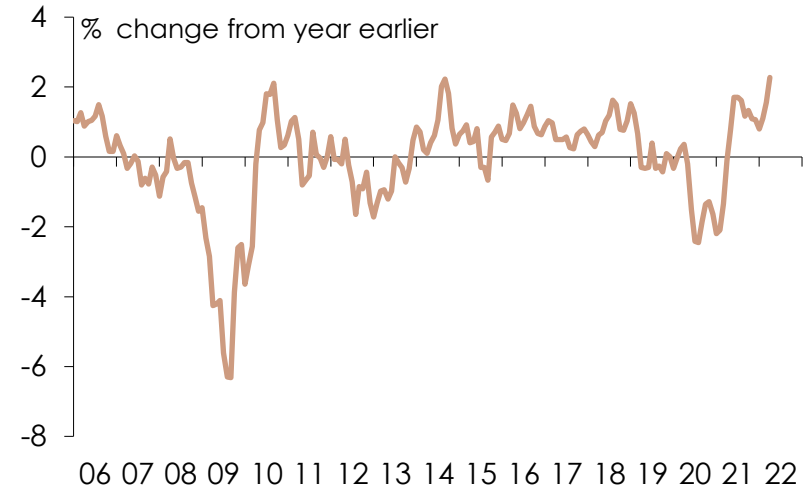
## 'Corporate' (producer) prices



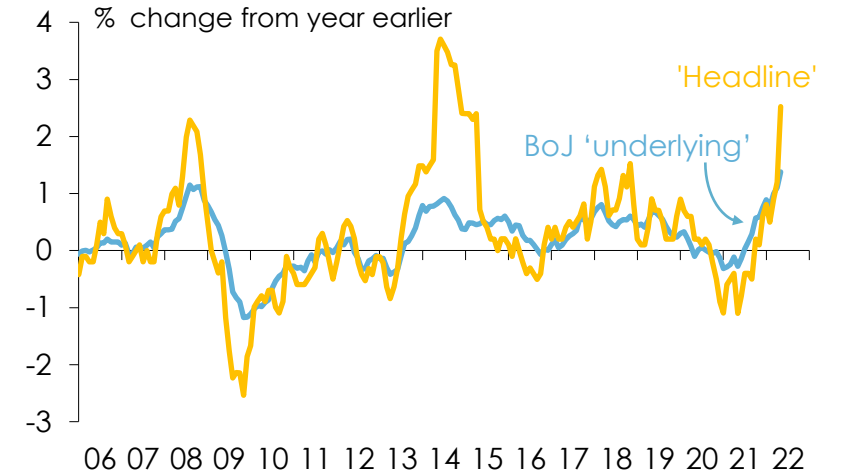
## Labour force participation rate



## Wages growth



## Consumer prices

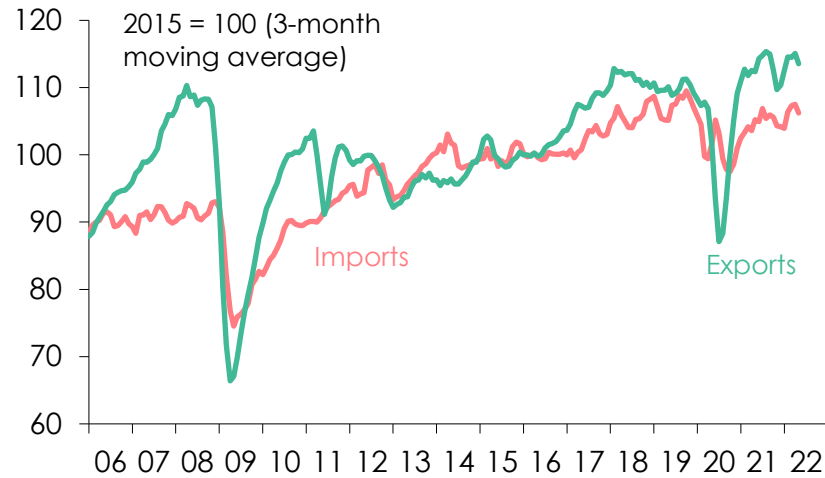


Sources: Statistics Bureau of Japan, [Labour Force Survey](#) and [Consumer Price Index](#); Ministry of Health, Labour and Welfare, [Monthly Labour Survey](#); Bank of Japan, [Prices and Measures of Underlying Inflation](#). [Return to "What's New"](#).

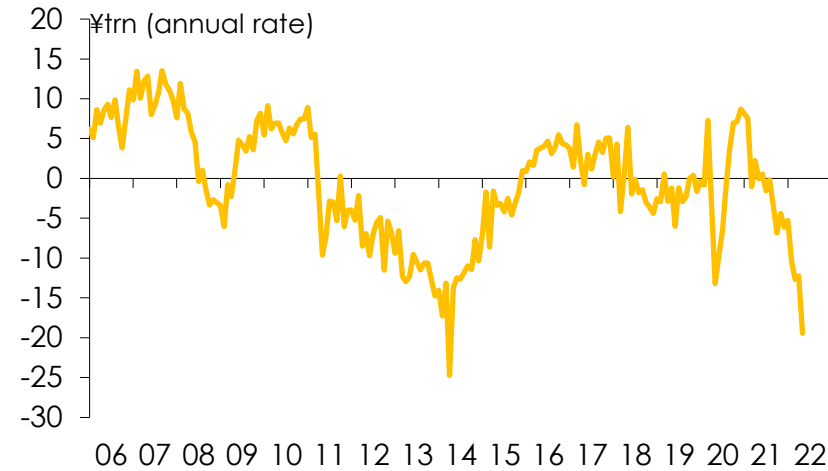
# Japan is now incurring large (by its standards) external deficits as a result largely of higher prices commodity imports and loss of tourism exports

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

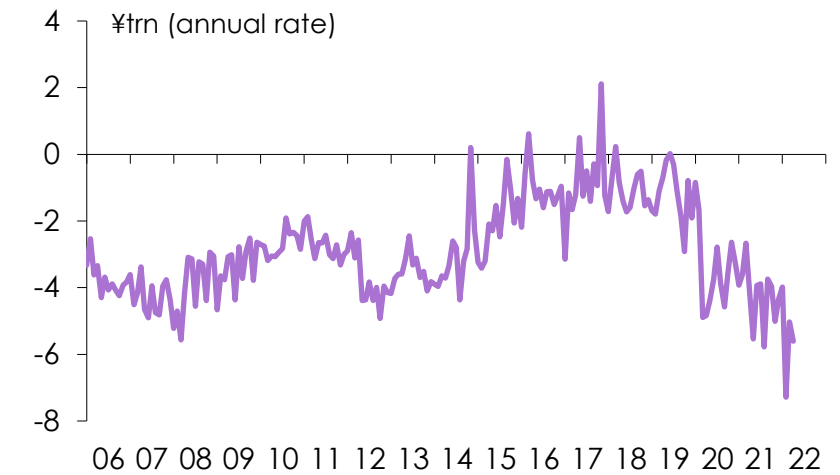
## Merchandise trade volumes



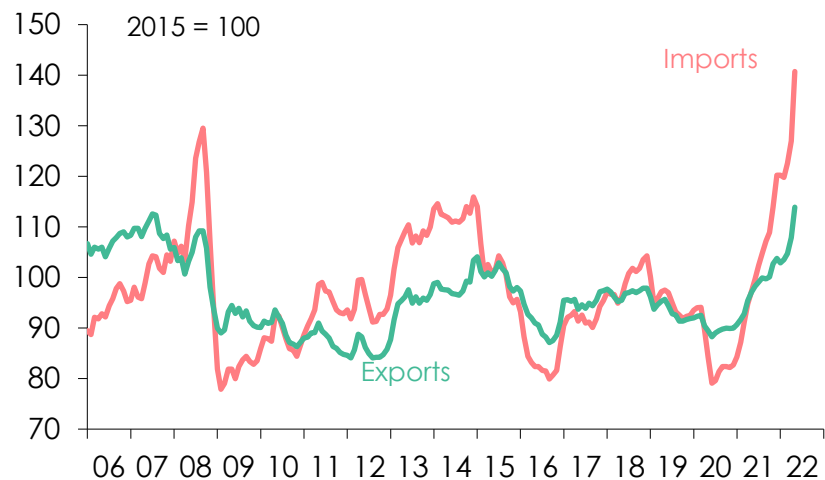
## Merchandise trade balance



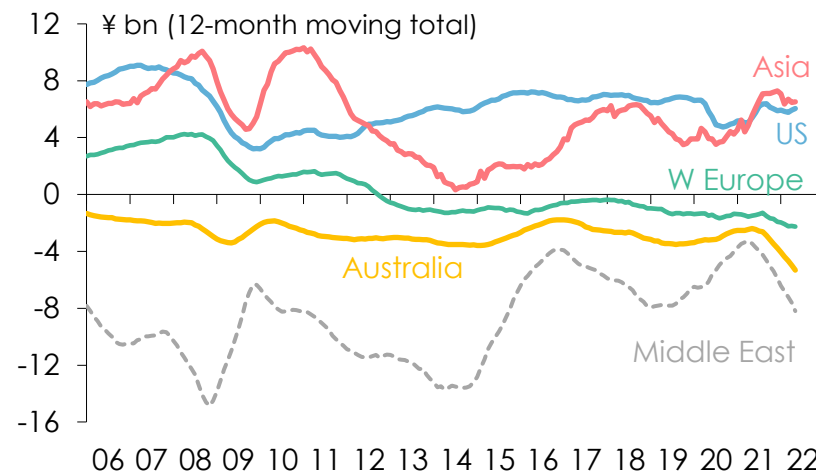
## Services trade balance



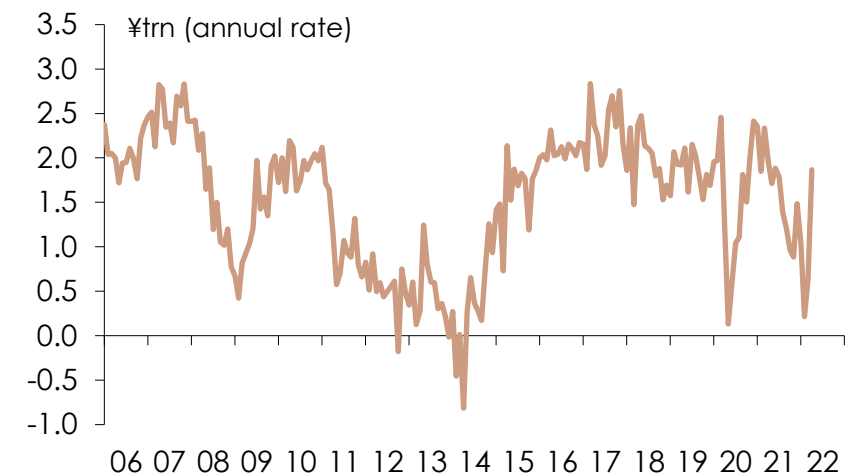
## Merchandise trade prices



## 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 – 30<sup>TH</sup> MAY 2022

- ❑ **The BoJ left its monetary policy settings unchanged at its Policy Board meeting on 28<sup>th</sup> 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 1<sup>st</sup> 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 – 30<sup>TH</sup> MAY 2022

## IMF and Asian Development Bank forecasts for East Asian economies

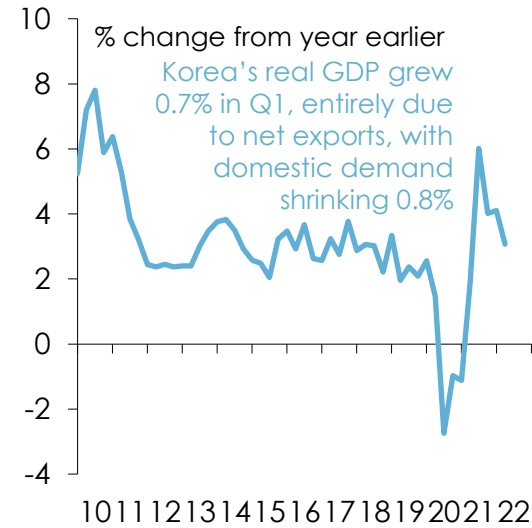
	Real GDP growth							Inflation						
	Actual		IMF			ADB		Actual		IMF			ADB	
	2010-19*	2020	2021	2022	2023	2022	2023	2010-19*	2020	2021	2022	2023	2022	2023
Korea	3.3	-0.9	4.0	2.5	2.9	3.0	2.6	1.7	0.5	2.5	4.0	2.4	3.2	2.0
Taiwan	3.6	3.1	5.9	3.2	2.9	3.8	3.0	1.0	-0.2	1.8	2.3	2.2	1.9	1.6
Hong Kong	2.8	-6.1	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](#), 19<sup>th</sup> April 2022; Asian Development Bank, [Asian Development Outlook](#), 6<sup>th</sup> April 2022. [Return to "What's New"](#).

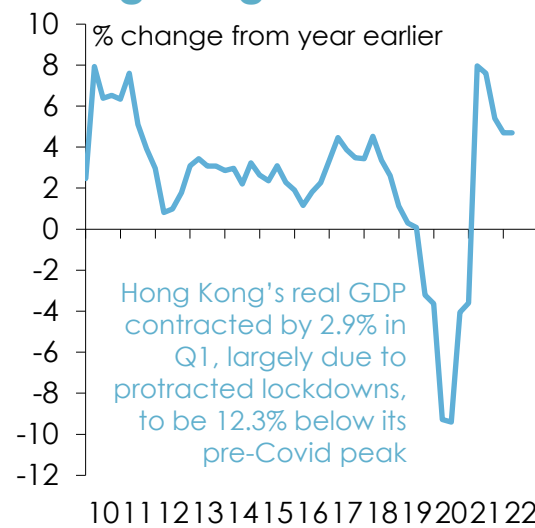
# Thailand's real GDP increased 1.1% in Q1, but remained 3.6% shy of its pre-pandemic peak in Q3 2019

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

## Korea



## Hong Kong



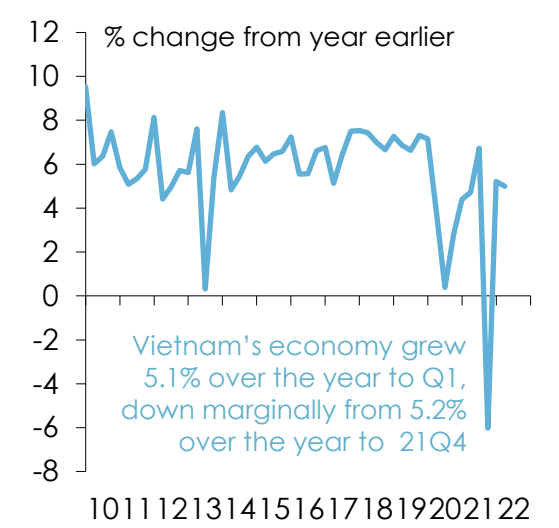
## Indonesia



## Thailand



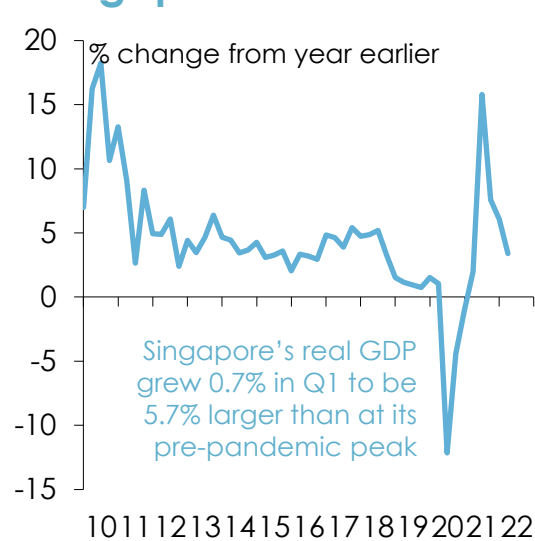
## Vietnam



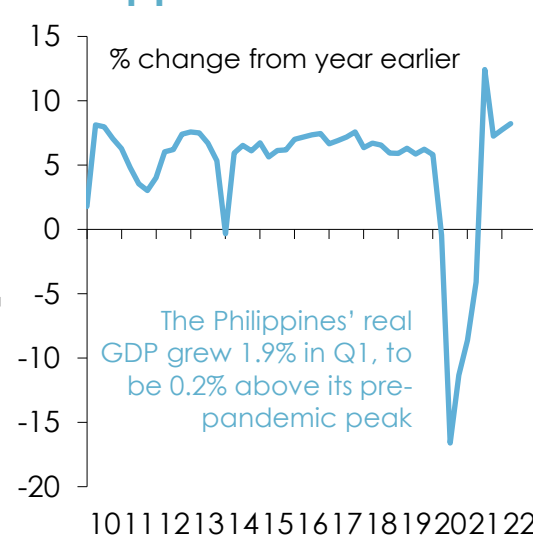
## Taiwan



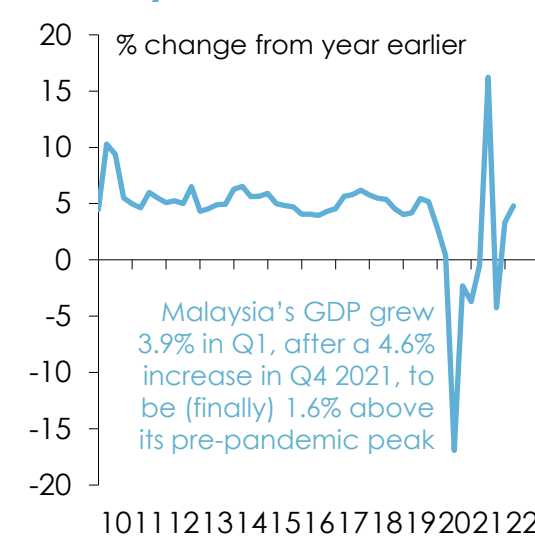
## Singapore



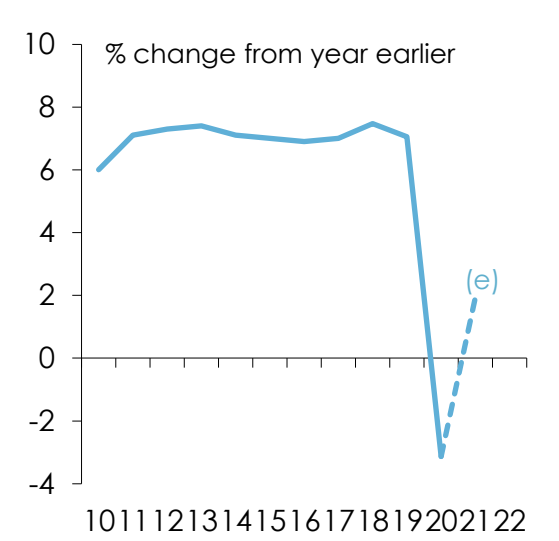
## Philippines



## Malaysia



## Cambodia

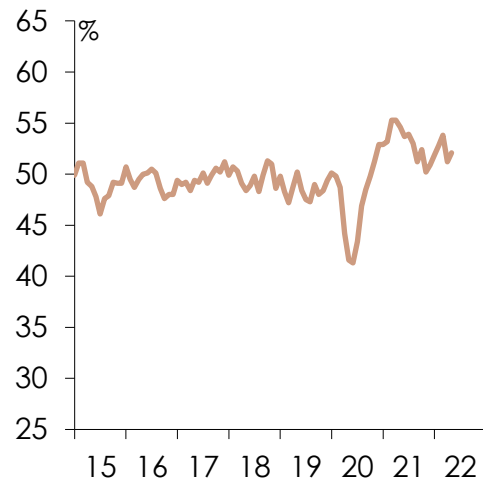


Sources: Bank of Korea; Taiwan Directorate-General of Budget, Accounting & Statistics; Hong Kong Census & Statistics Department; Singapore Ministry of Trade and Industry; Department of Statistics Malaysia; Office of the National Economic & Social Development Council of Thailand; Statistics Indonesia;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

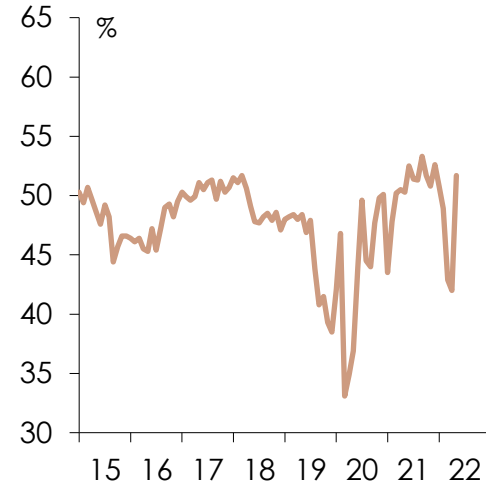
# April PMIs show a strong rebound in HK after the easing of restrictions, more modest pick-ups in the Philippines & Malaysia, and an easing in Taiwan

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

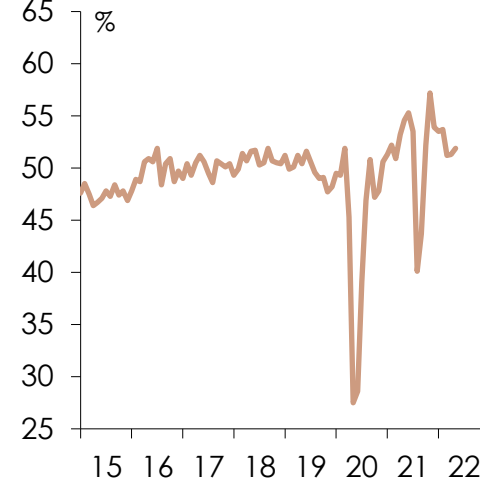
## Korea



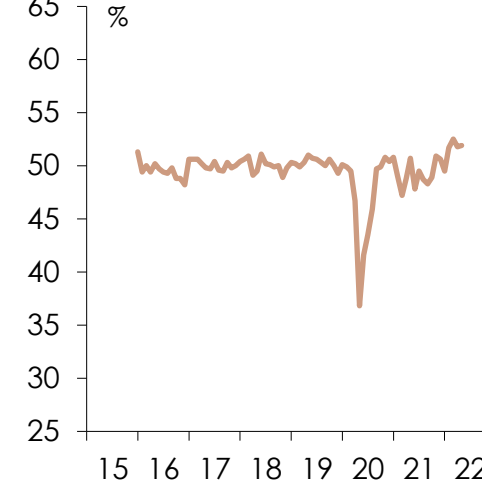
## Hong Kong



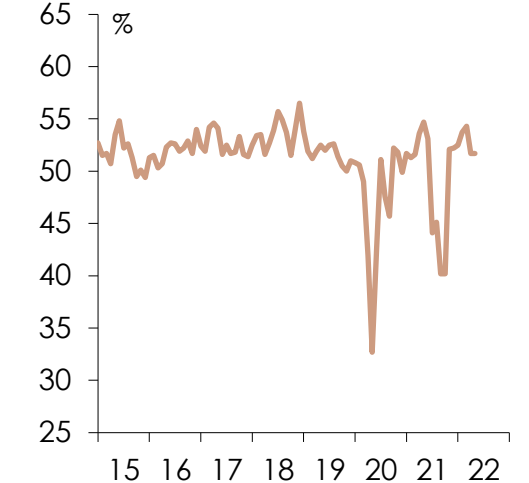
## Indonesia



## Thailand



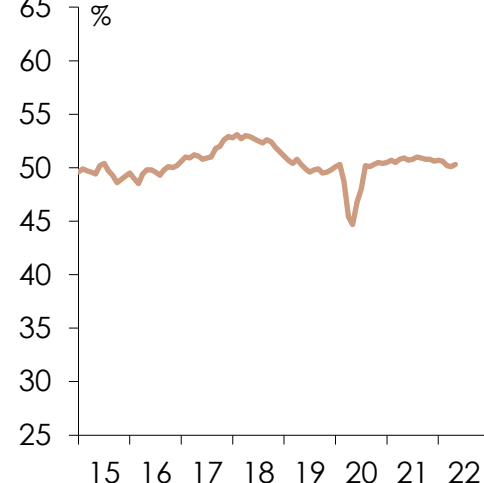
## Vietnam



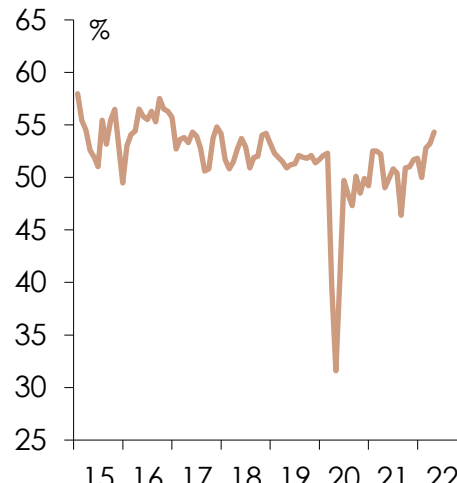
## Taiwan



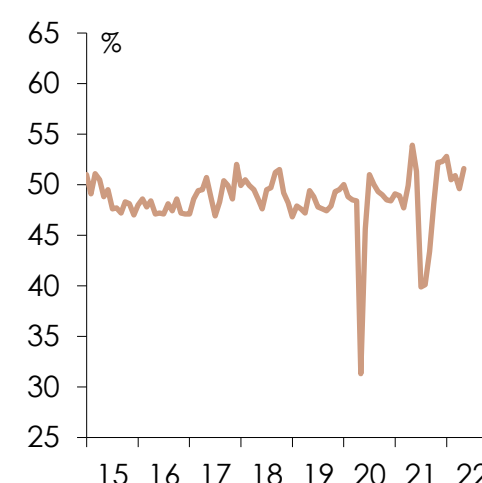
## Singapore



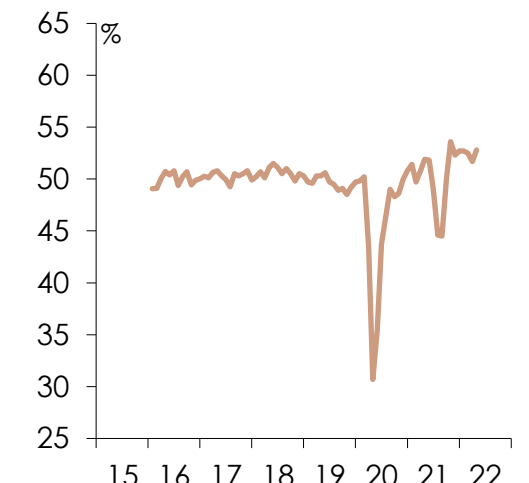
## Philippines



## Malaysia



## ASEAN

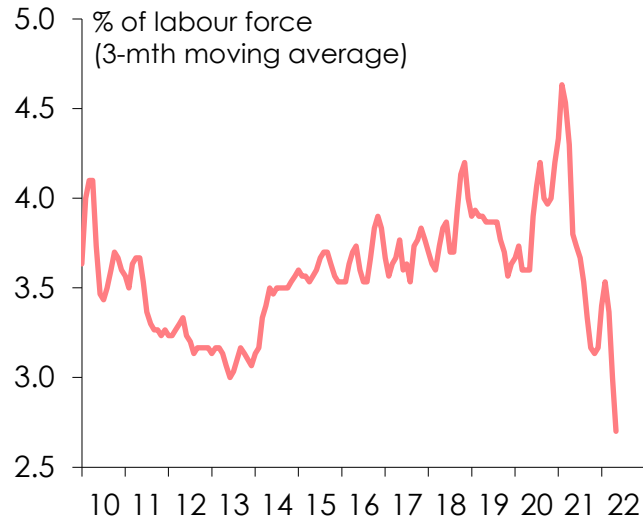


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous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

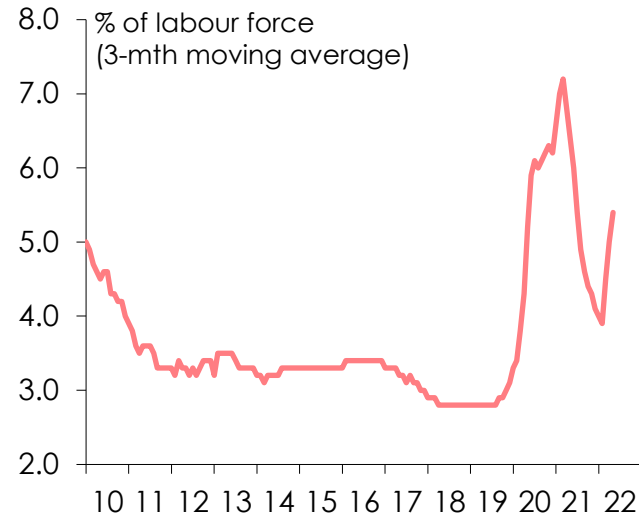
# Unemployment rose sharply in most Asian economies last year but is now falling in most of them (except for Hong Kong)

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

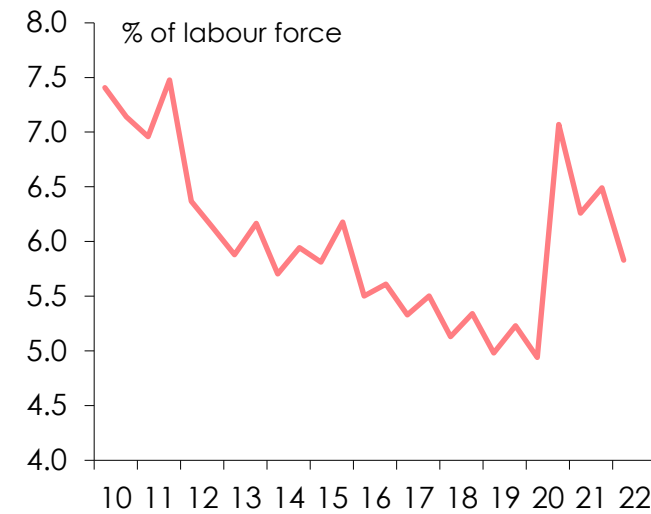
## Korea



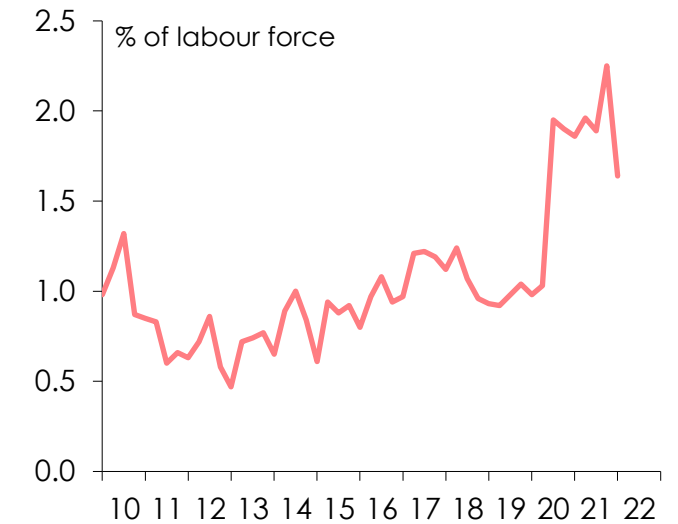
## Hong Kong



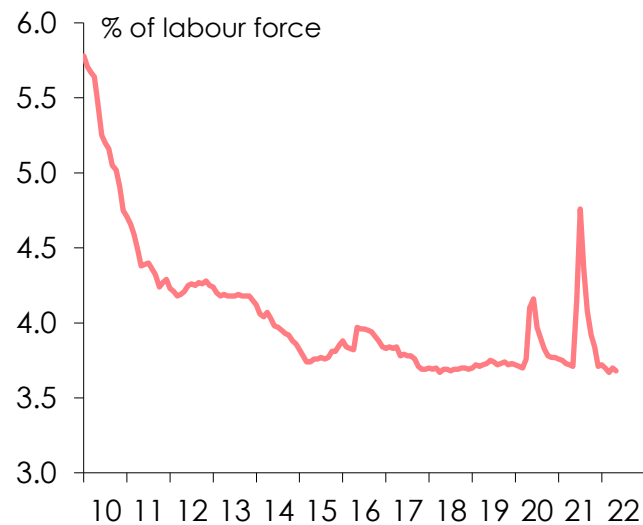
## Indonesia



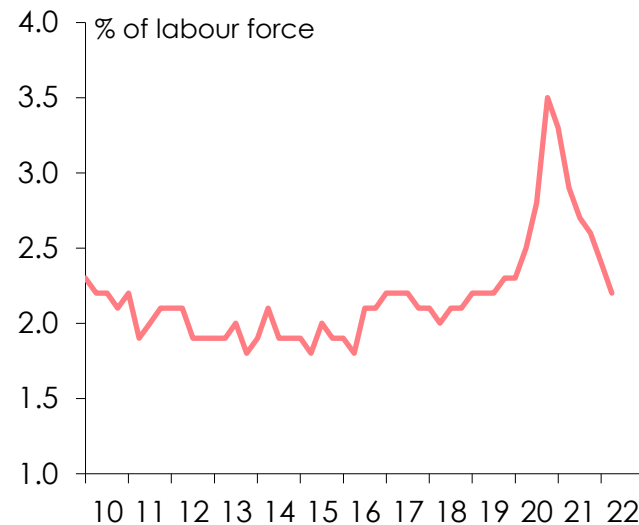
## Thailand



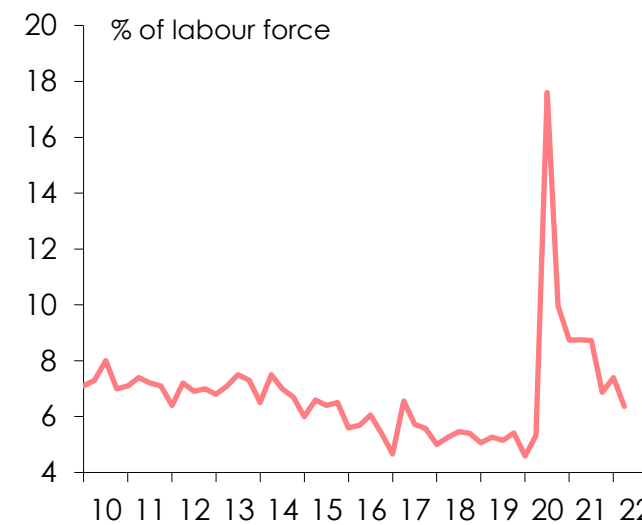
## Taiwan



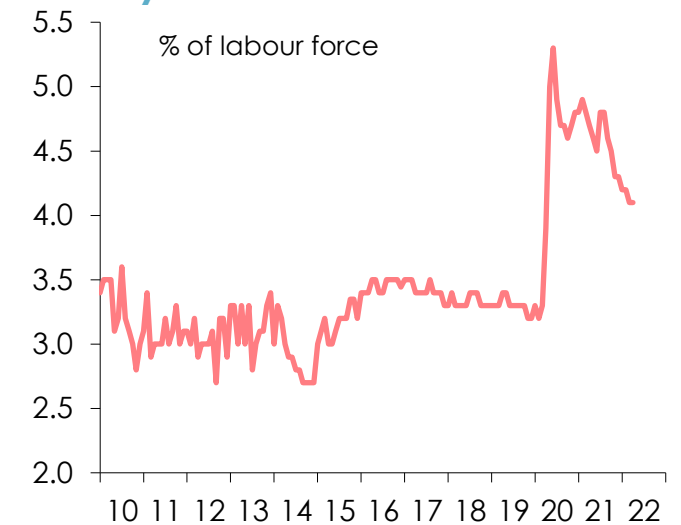
## Singapore



## Philippines



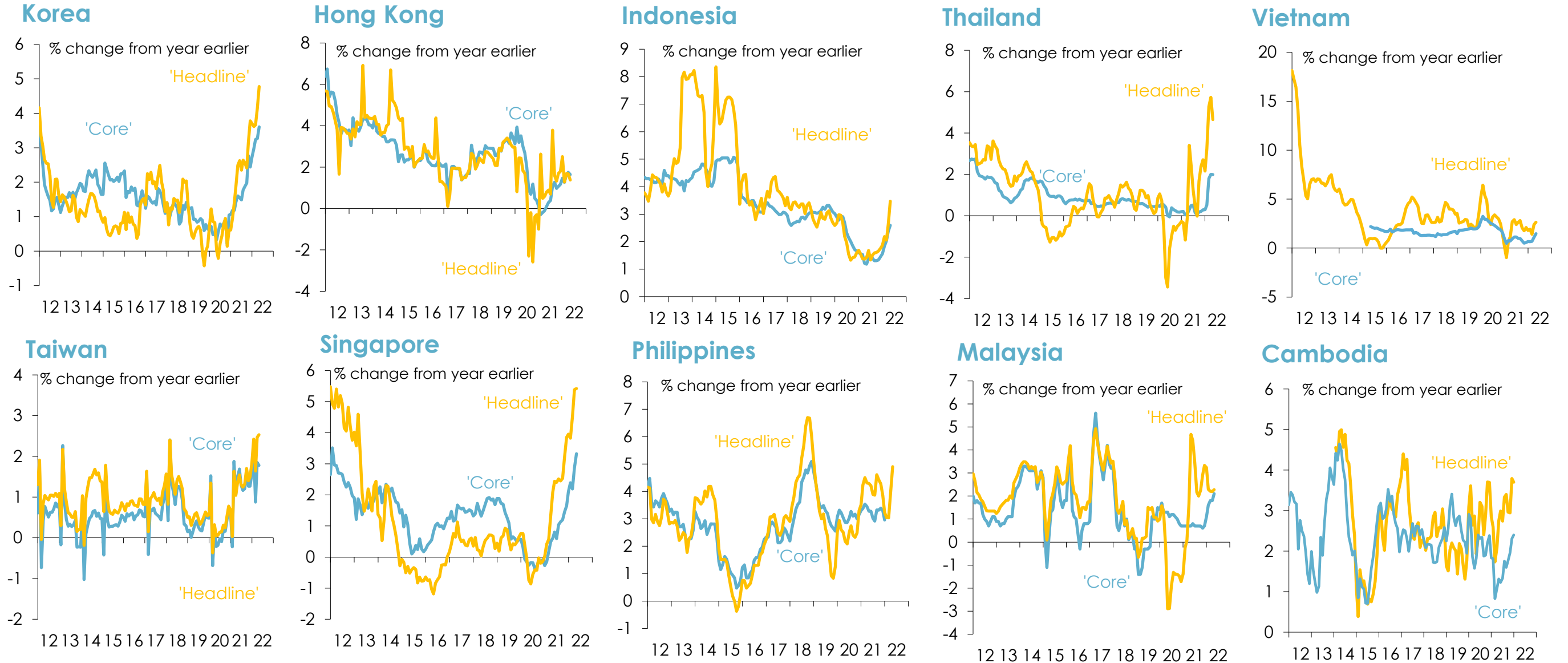
## Malaysia



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 – 30<sup>TH</sup> MAY 2022

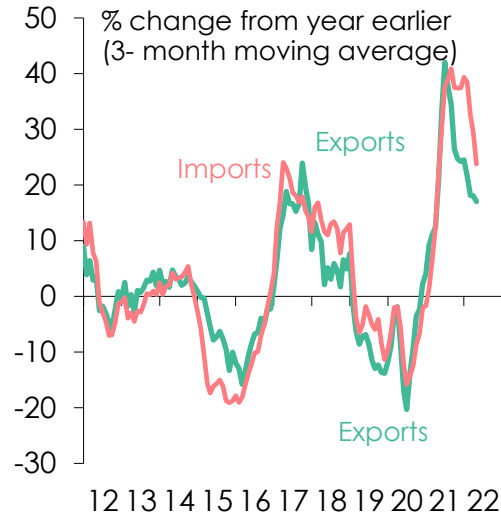


Note: 'Core' inflation in Korea excludes agricultural products and oil; in Taiwan it excludes fresh fruit, vegetables and energy; in Singapore it excludes accommodation and private transport; and in Hong Kong it excludes the effect of 'one-off government relief measures'. 'Core' inflation in Indonesia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

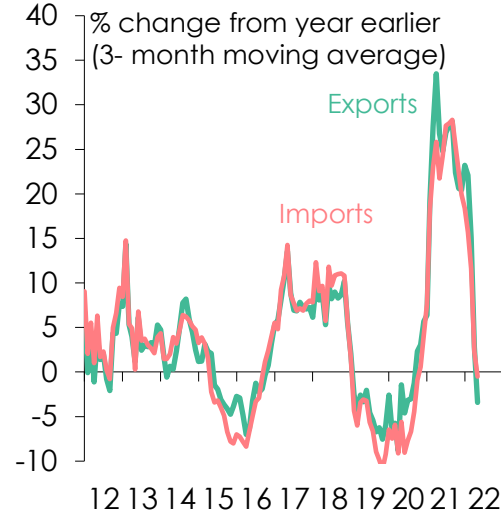
# Asian exports are returning to more 'normal' growth rates following the 'bump' in 2021 inflated by comparison with 2020

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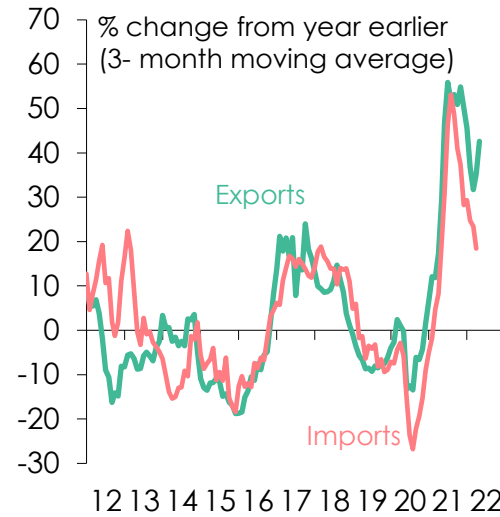
## Korea



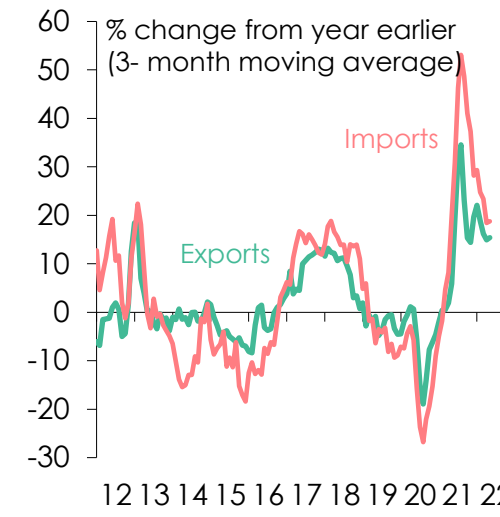
## Hong Kong



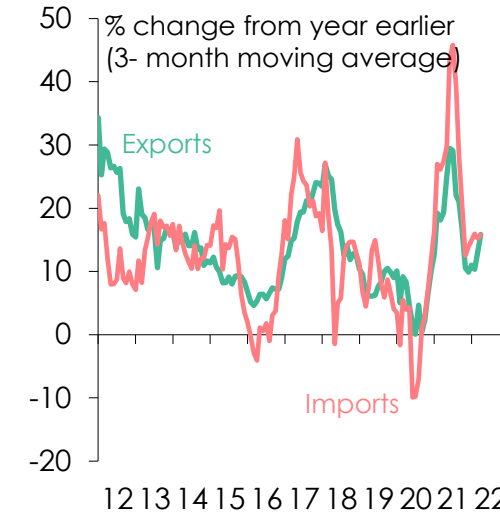
## Indonesia



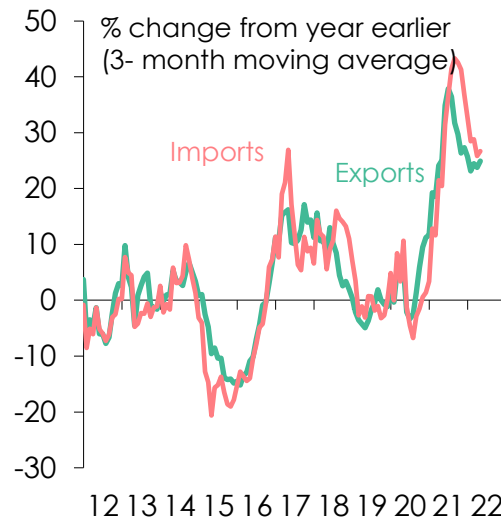
## Thailand



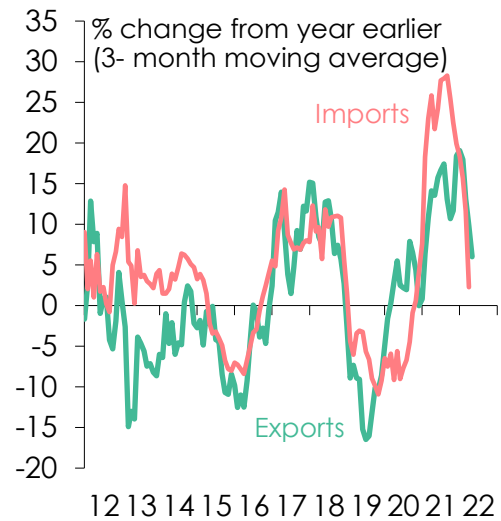
## Vietnam



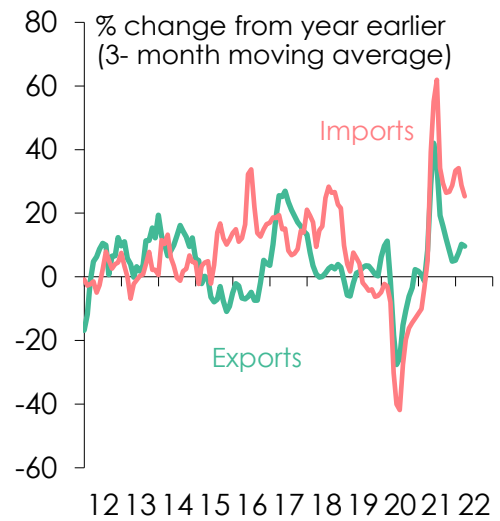
## Taiwan



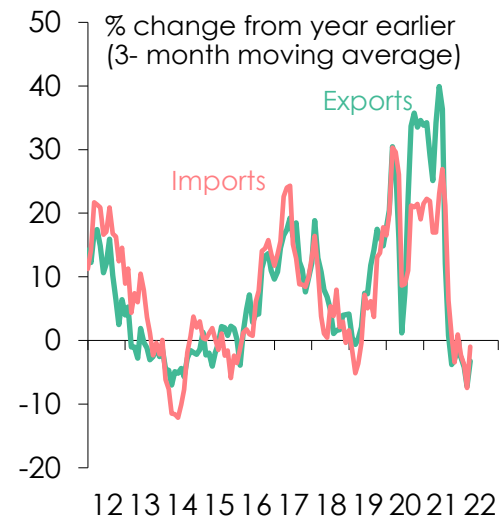
## Singapore



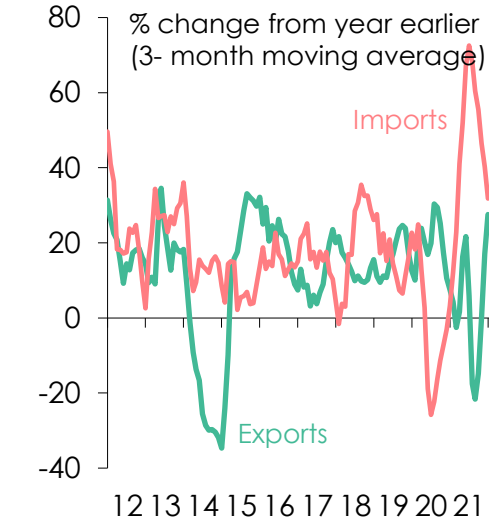
## Philippines



## Malaysia



## Cambodia

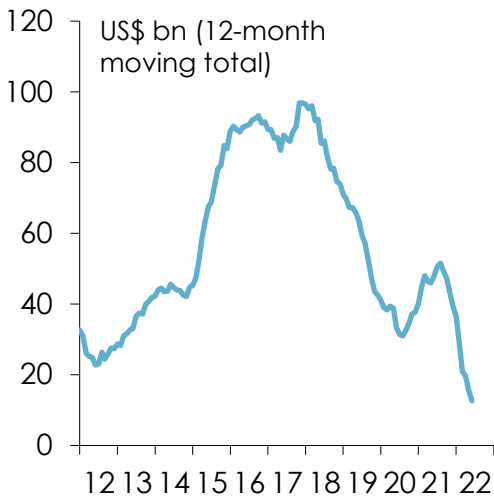


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

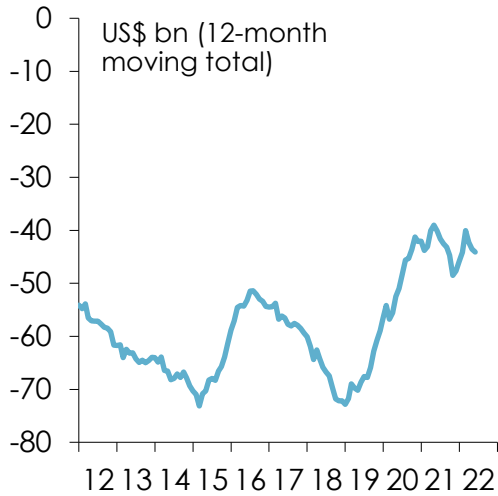
# Most Asian economies – except for Indonesia, Malaysia and Singapore – are experiencing some deterioration in their trade balances

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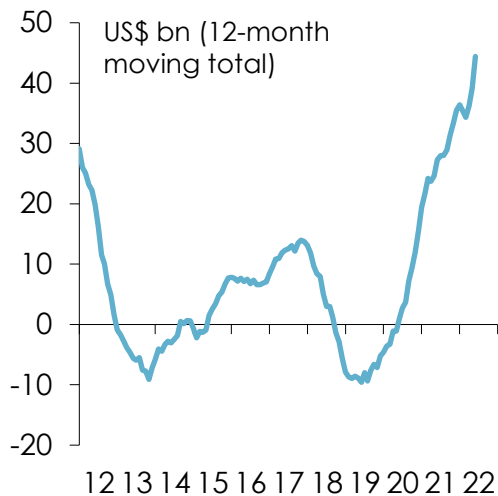
## Korea



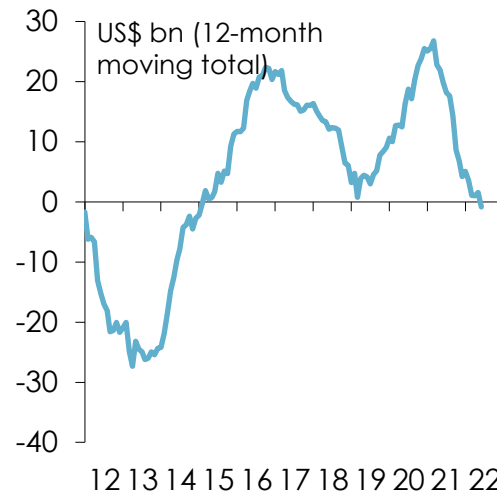
## Hong Kong



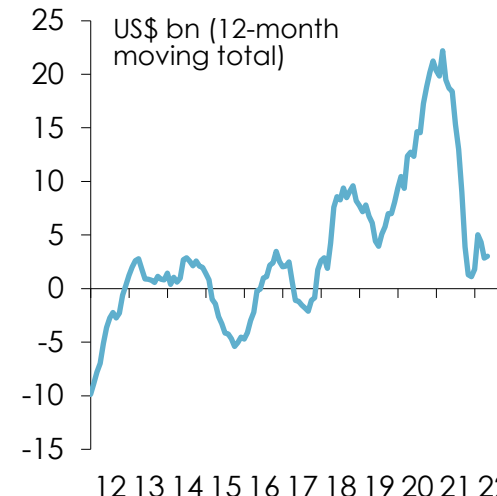
## Indonesia



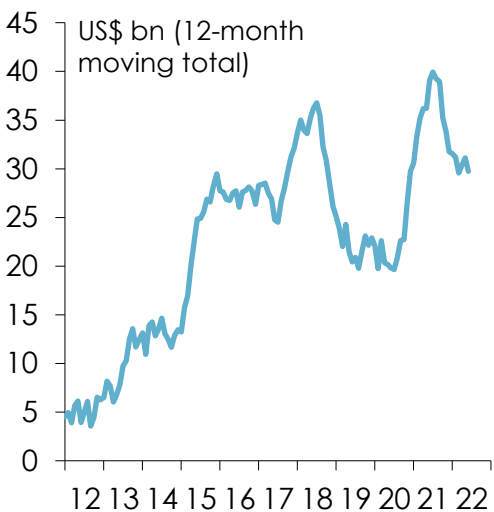
## Thailand



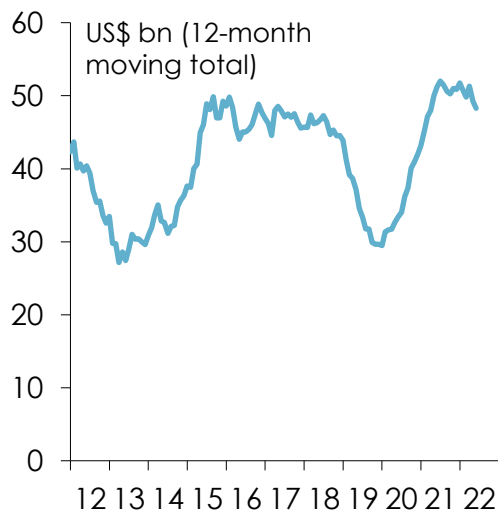
## Vietnam



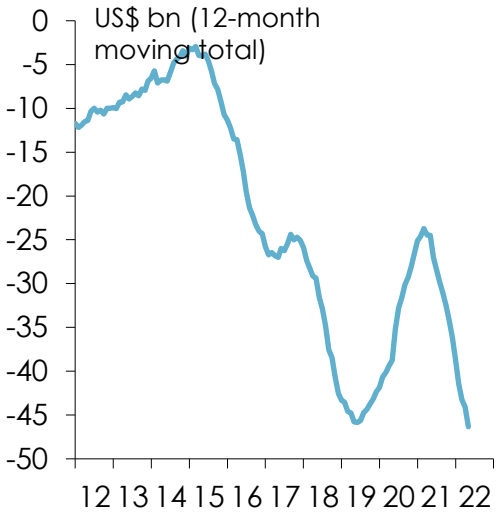
## Taiwan



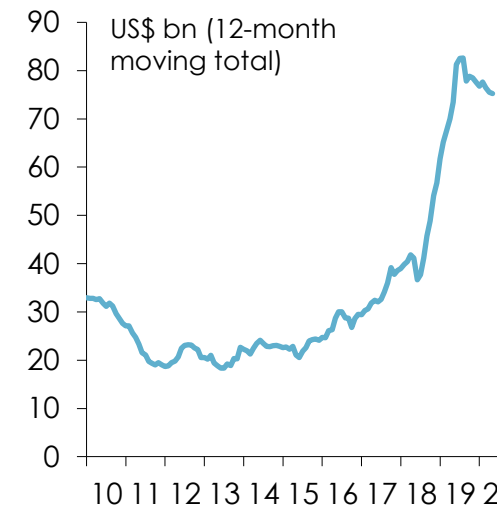
## Singapore



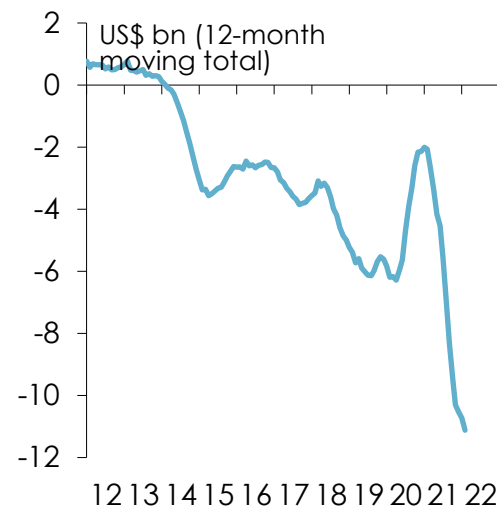
## Philippines



## Malaysia



## Cambodia



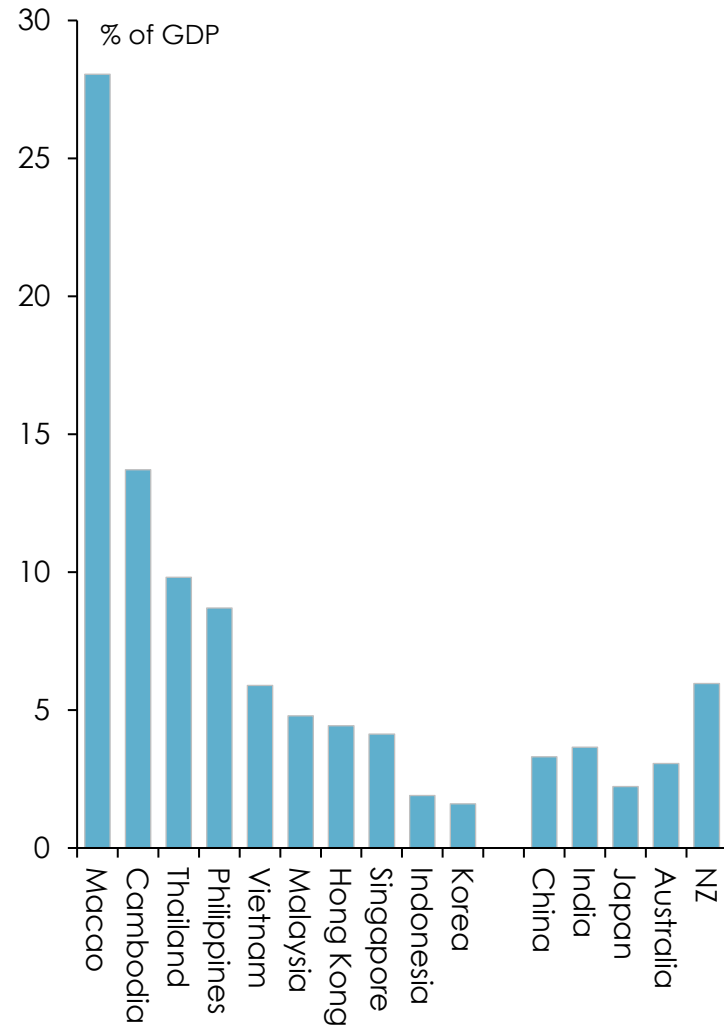
Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates. Sources: national statistical agencies and central banks. [Return to "What's New"](#).



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

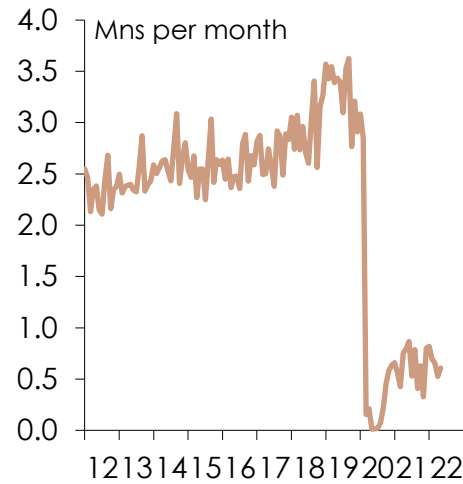
THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

## International tourism direct contribution to GDP, 2018

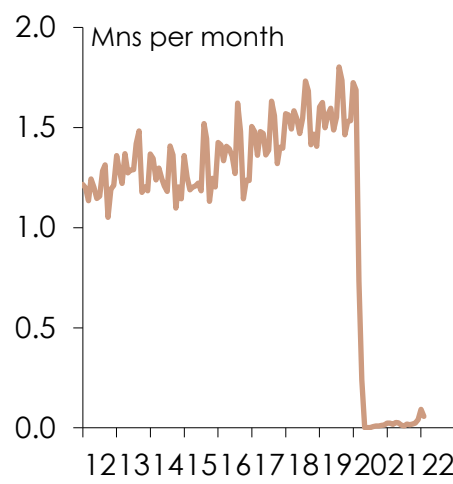


## International visitor arrivals

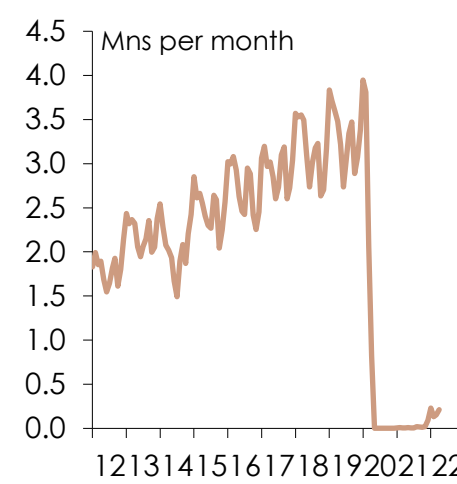
### Macao



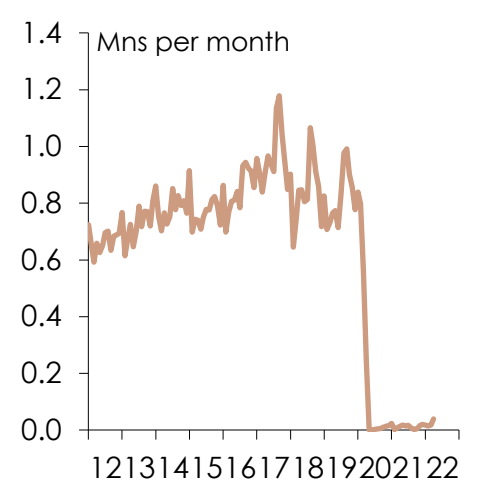
### Singapore



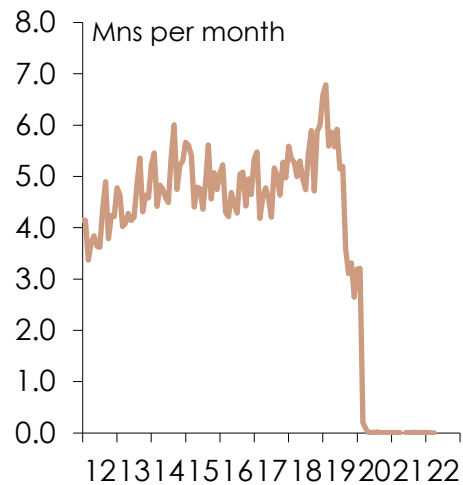
### Thailand



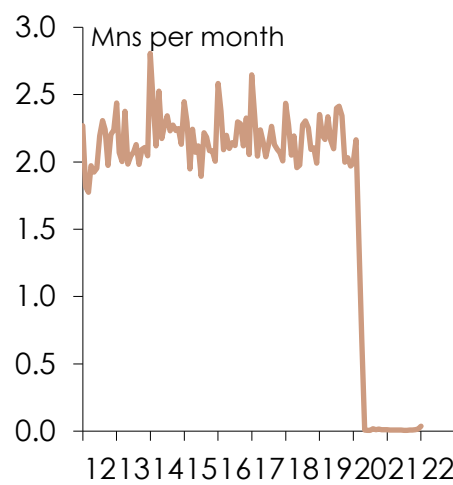
### Indonesia



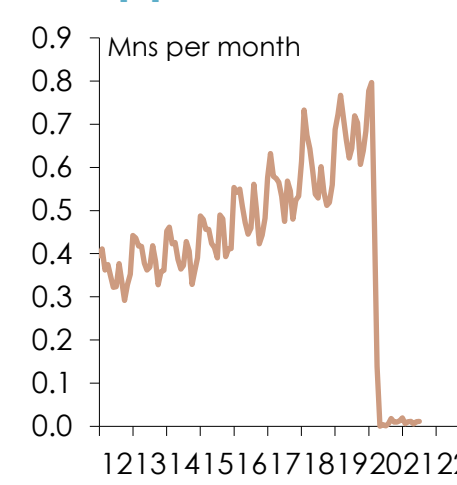
### Hong Kong



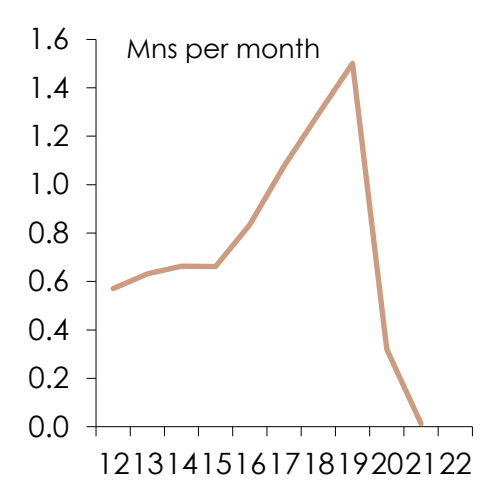
### Malaysia



### Philippines



### Vietnam

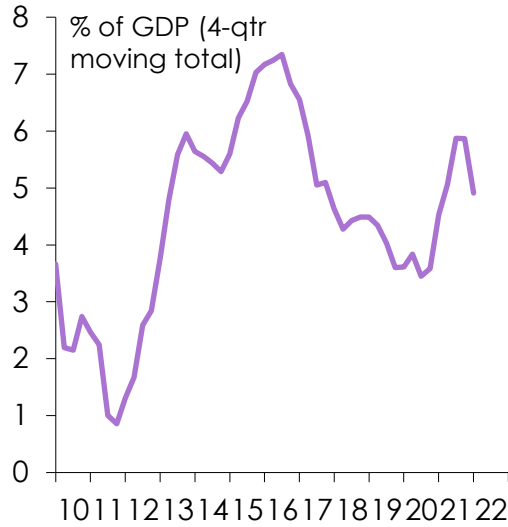


Note: Visitor arrivals data for Vietnam is only published annually. The Philippines stopped publishing data on visitor arrivals in December 2020.  
Sources: The World Bank, [ICdata360](#); national statistical agencies. [Return to "What's New"](#).

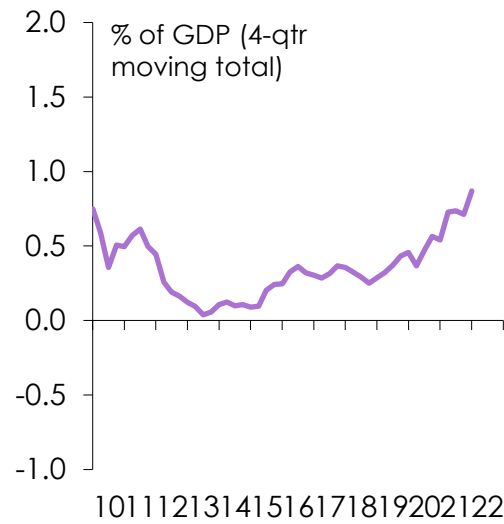
# The more 'advanced' Asian economies have strong current account positions, Indonesia's is much improved but others have deteriorated

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

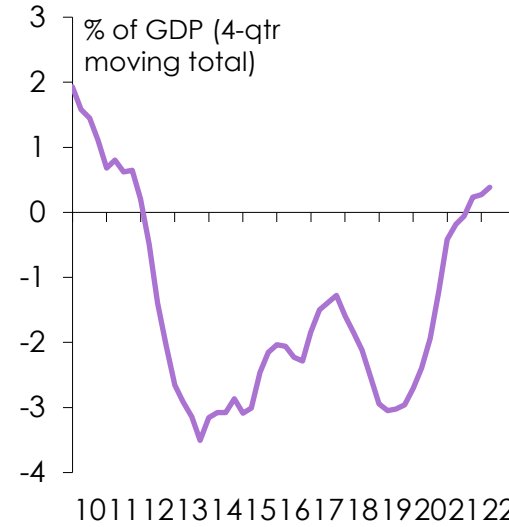
## Korea



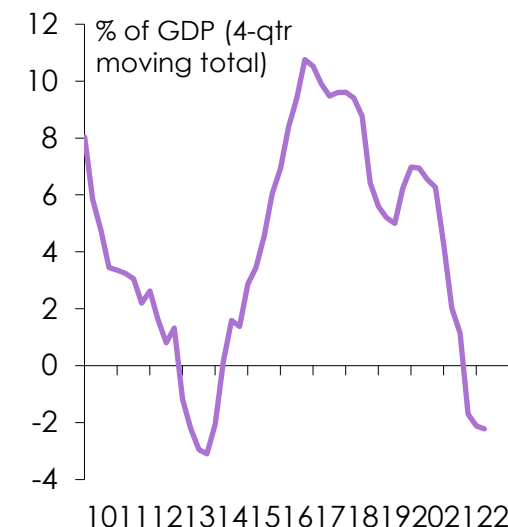
## Hong Kong



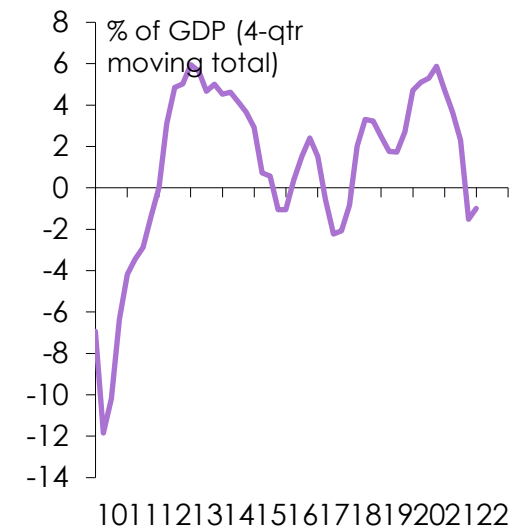
## Indonesia



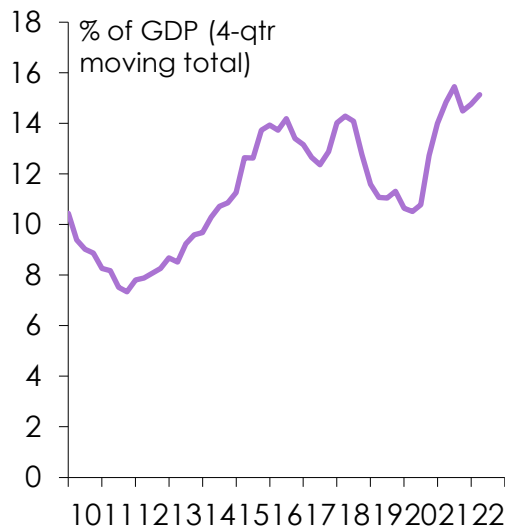
## Thailand



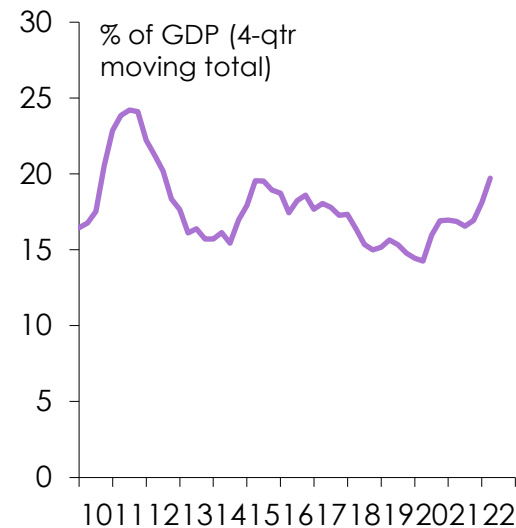
## Vietnam



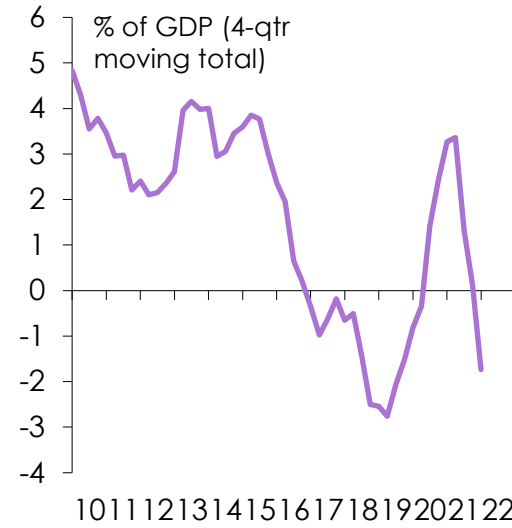
## Taiwan



## Singapore



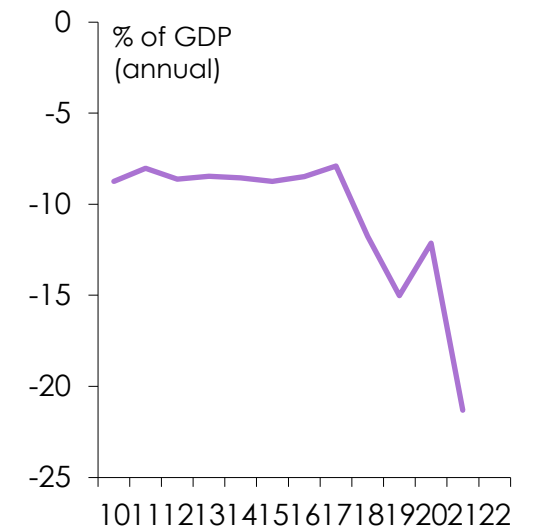
## Philippines



## Malaysia



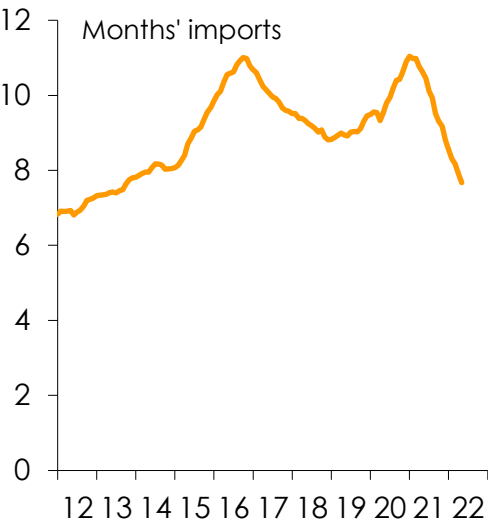
## Cambodia



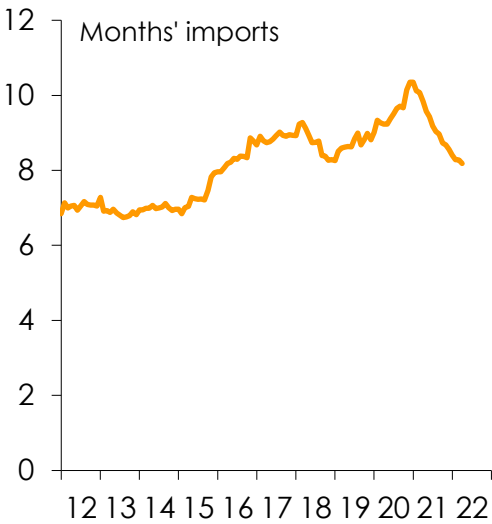
# Most Asian economies have sought to maintain high levels of FX reserves since the 1997-98 crisis – although Malaysia's have deteriorated recently

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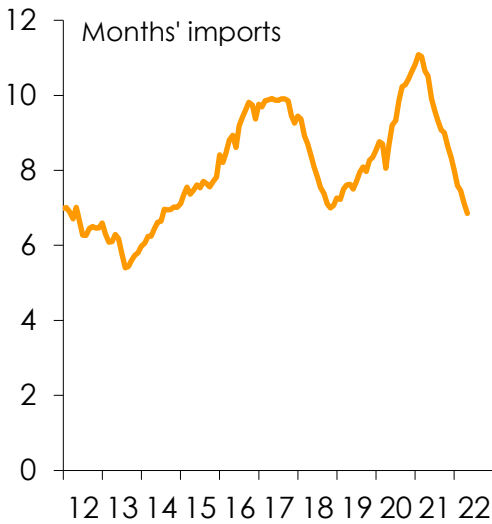
## Korea



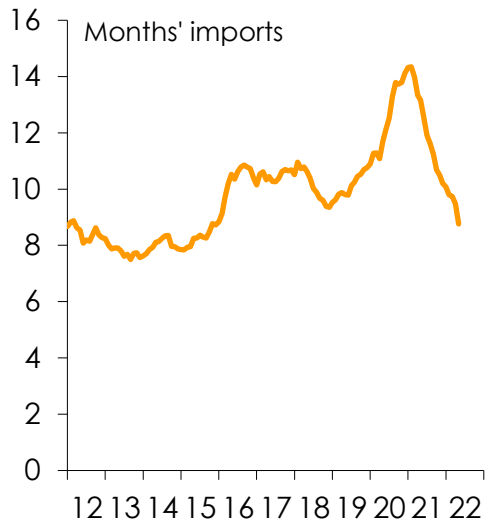
## Hong Kong



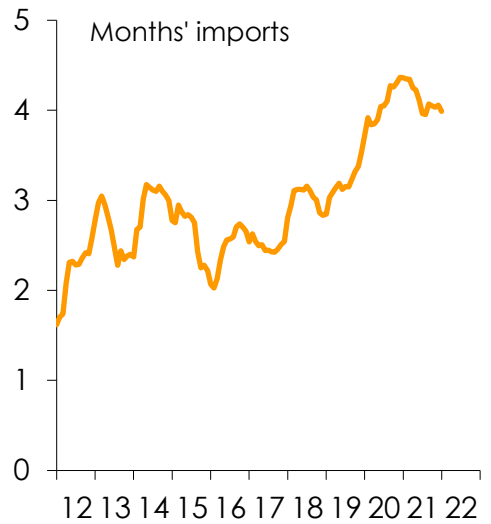
## Indonesia



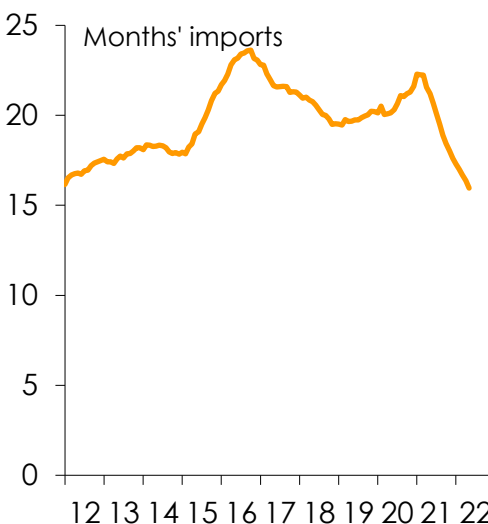
## Thailand



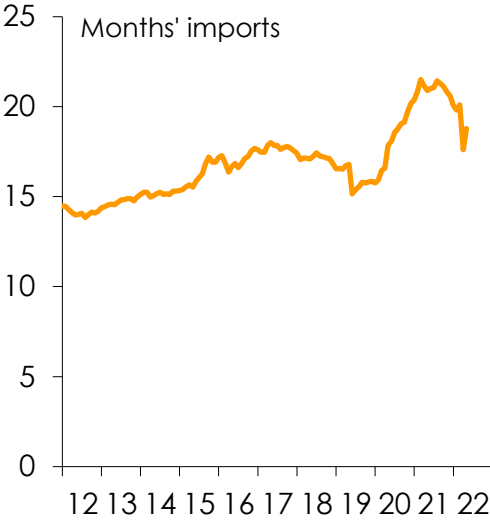
## Vietnam



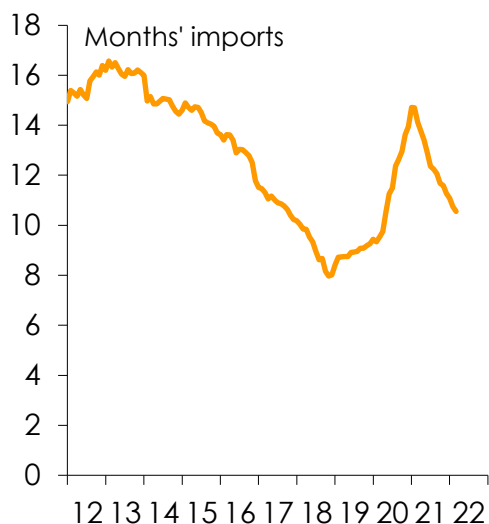
## Taiwan



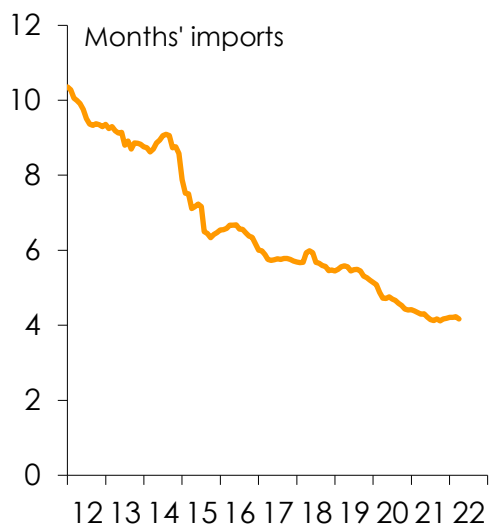
## Singapore



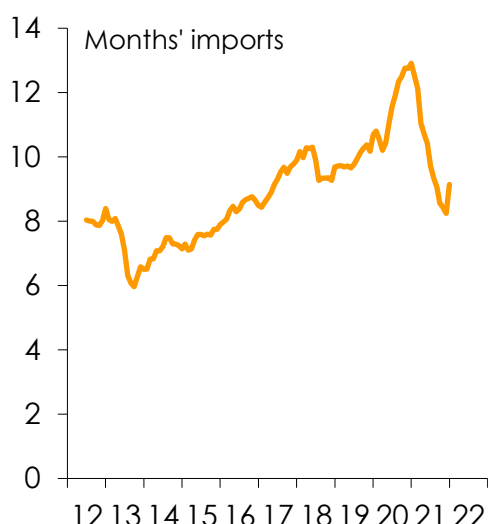
## Philippines



## Malaysia



## Cambodia

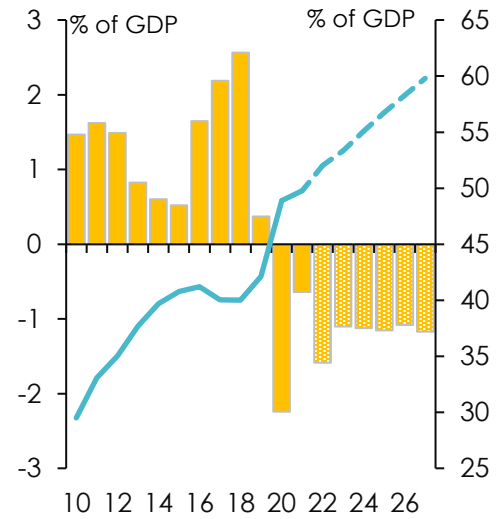


Note: Foreign exchange reserves in the above charts are shown as a multiple of average monthly imports (measured in US\$) over the preceding 12 months.  
Sources: national statistical agencies and central banks; IMF; Refinitiv Datastream. [Return to "What's New"](#).

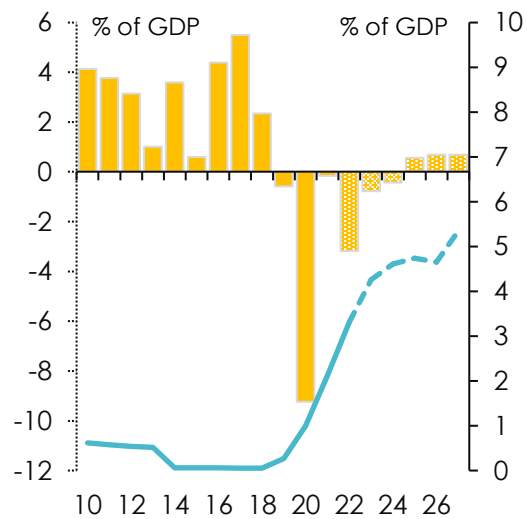
# Most Asian governments, apart from Korea, Taiwan, Malaysia and Vietnam, will be tightening fiscal policy over the next few years

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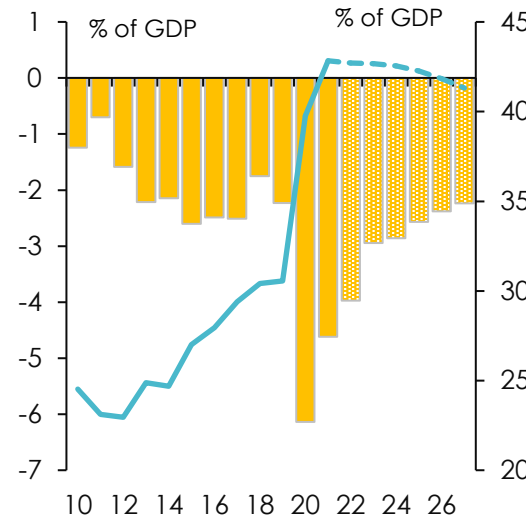
## Korea



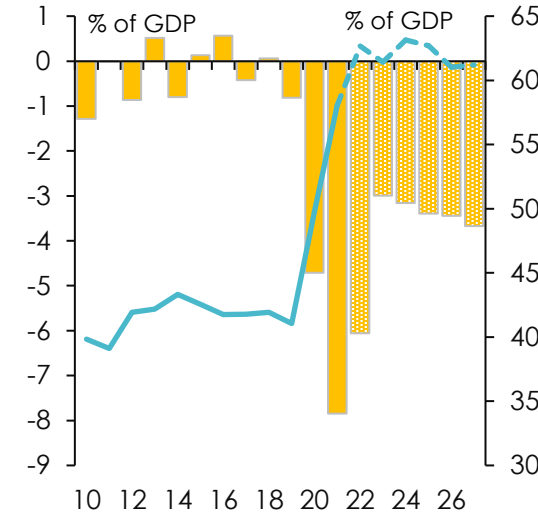
## Hong Kong



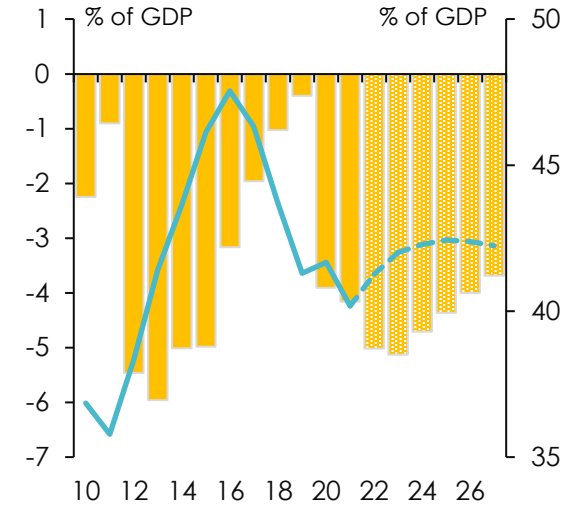
## Indonesia



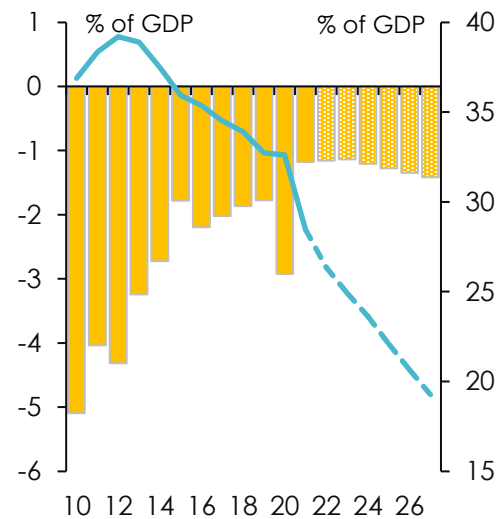
## Thailand



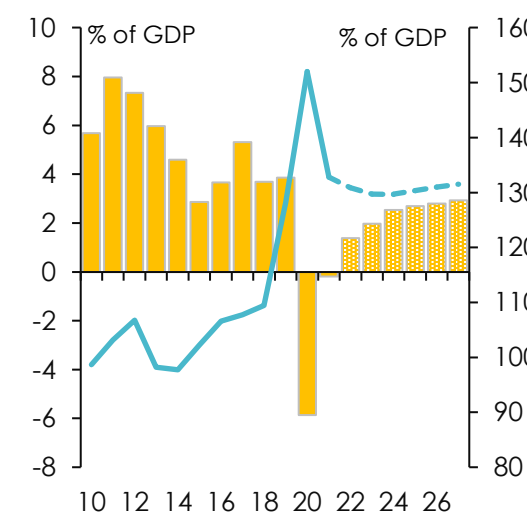
## Vietnam



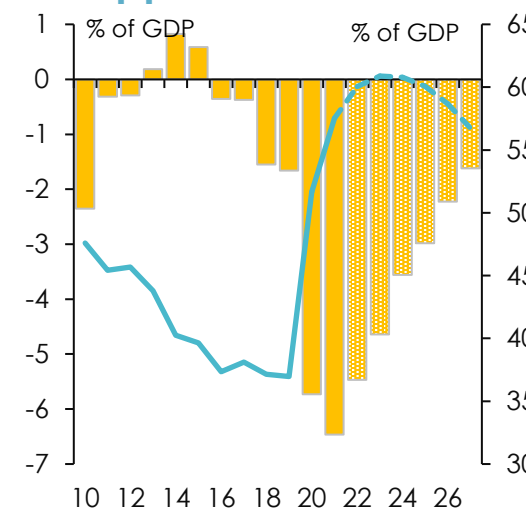
## Taiwan



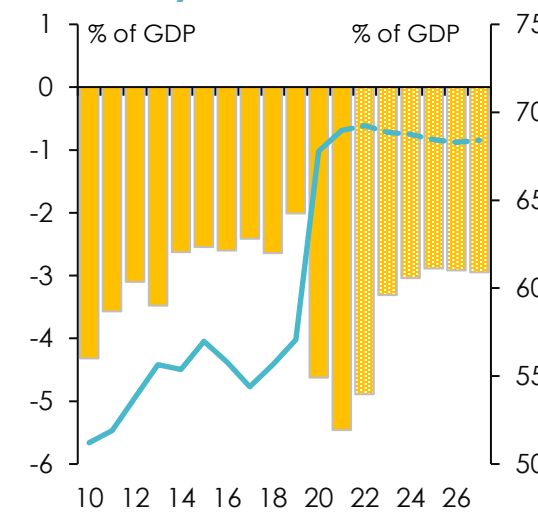
## Singapore



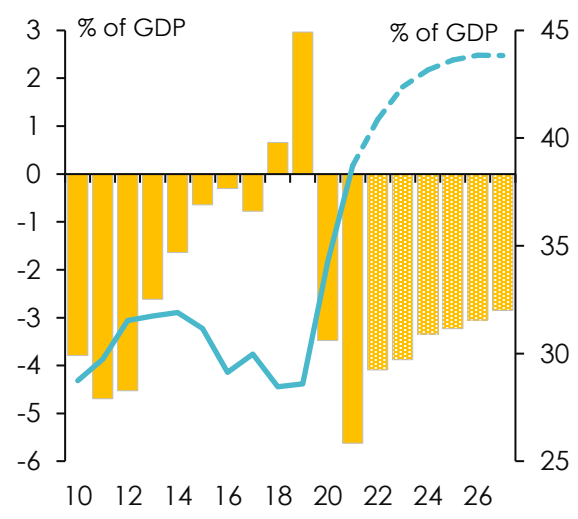
## Philippines



## Malaysia



## Cambodia



General government overall fiscal balance (left scale)



General government gross debt (right scale)

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

# The Bank of Korea lifted its base rate by another 25bp – while Bank Indonesia left rates unchanged, but raised banks' reserve requirements

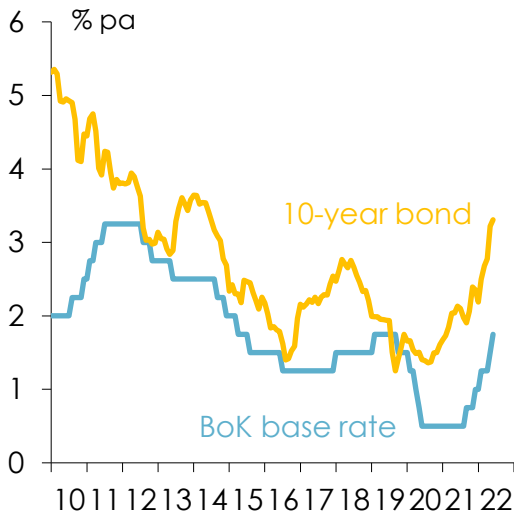
THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

- ❑ The [Bank of Korea](#) raised its base rate by another 25 basis points, to 1.75%, at its Monetary Board meeting last Thursday
  - this was the fifth increase since August last year, for a total of 125 basis points, the most of any Asian central bank
  - [explaining](#) its decision, the BoK noted that “consumer price inflation will remain high in the 5% range for some time, and run at the mid-4% level for the year overall, substantially above the February forecast of 3.1%”, while core inflation was forecast to rise to the “lower-3% level” for 2022 as a whole, and that “the inflation expectations of the general public have increased to the lower-3% level”
- ❑ The BoK saw it as “warranted to conduct monetary policy with more emphasis on inflation for some time, as the Korean economy is expected to continue its recovery and inflation to run above the target level for a considerable time”
- ❑ [Bank Indonesia](#) again left its 7-day reverse repo rate unchanged at 3.50% (where it has been since February 2021) at last Tuesday's Board of Governors meeting
  - in its [post-meeting statement](#) BI said the decision was “in line with the need to control inflation and maintain exchange rate stability, while still encouraging economic growth”
- ❑ However BI took a step to “accelerate the normalization of liquidity policy” by increasing the ‘minimum mandatory Giro’ (the proportion of deposits banks are required to maintain at the central bank) for conventional commercial banks from 5% to 6% from 1<sup>st</sup> June, then to 7½% from 1<sup>st</sup> July and 9% from 1<sup>st</sup> September, with corresponding increases (from lower levels) for sharia (Islamic) banks
- ❑ Whilst committing to “tak[ing] the necessary steps to ensure inflation control in accordance with the target set at 3.0 ± 1%”, and was “aware of the impact [of rising global commodity prices] on rising inflation expectations and is taking the necessary steps to ensure the control of inflation stability going forward”, for now it regards inflation as “under control”, with “core inflation remain[ing] subdued”

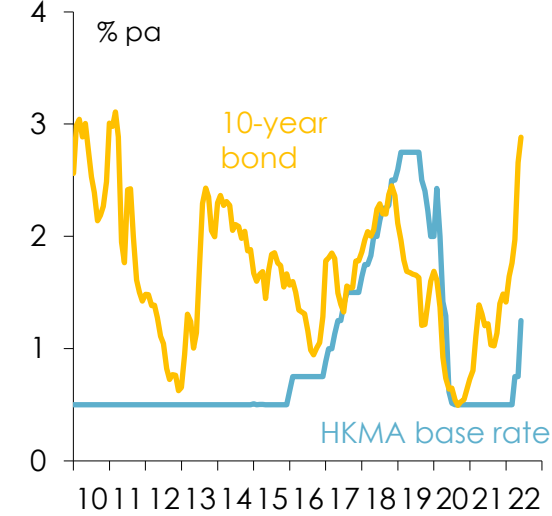
# The Bank of Korea lifted its base rate another 25 bp last week – the only Asian central banks yet to start tightening are BI, the BoT and SBV

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

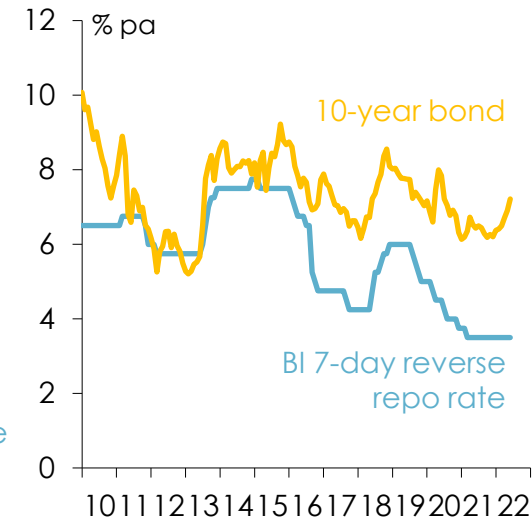
## Korea



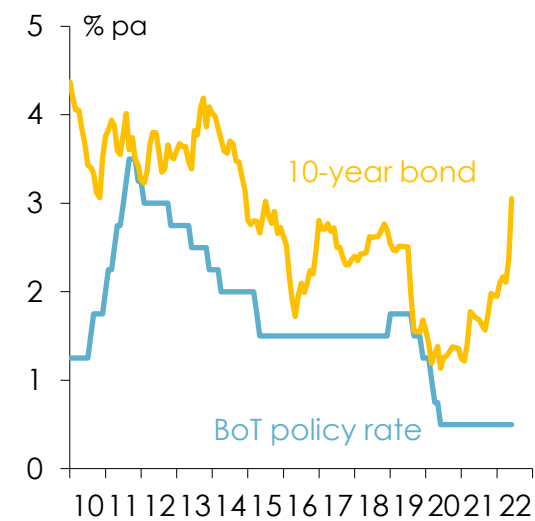
## Hong Kong



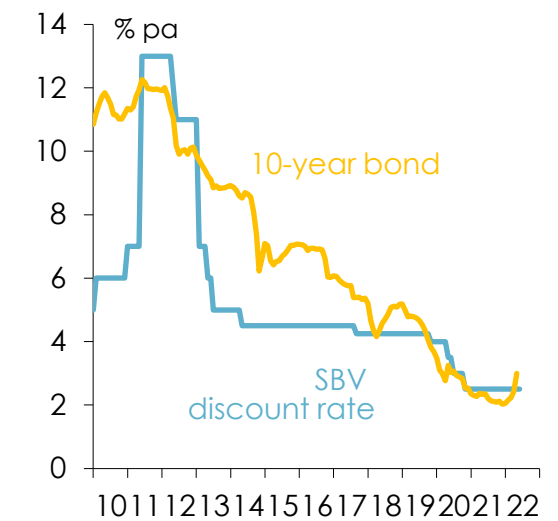
## Indonesia



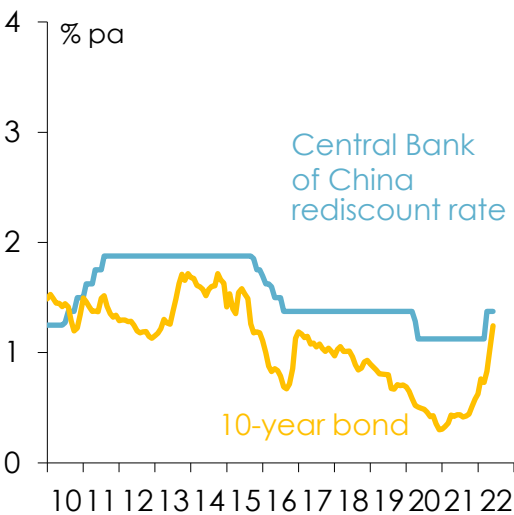
## Thailand



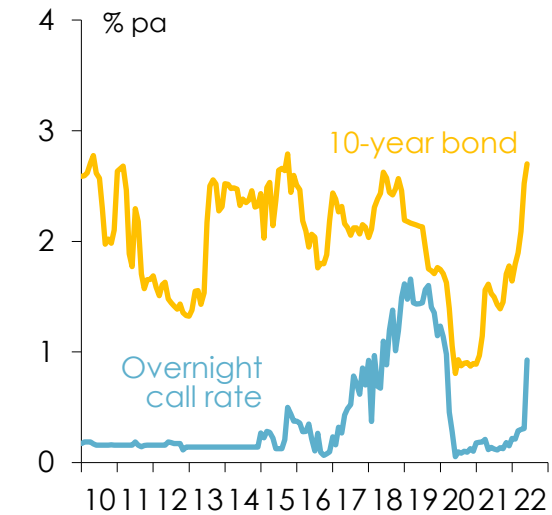
## Vietnam



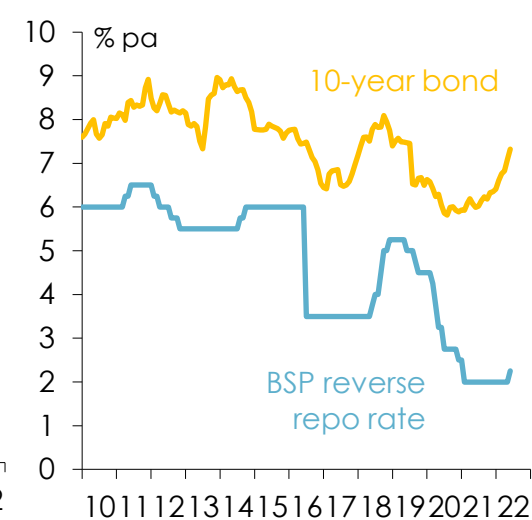
## Taiwan



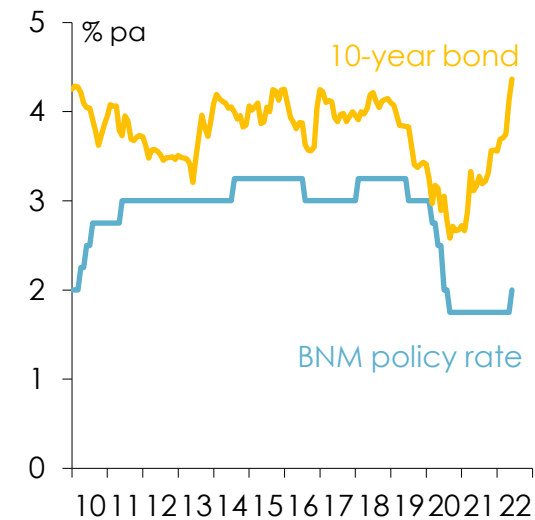
## Singapore



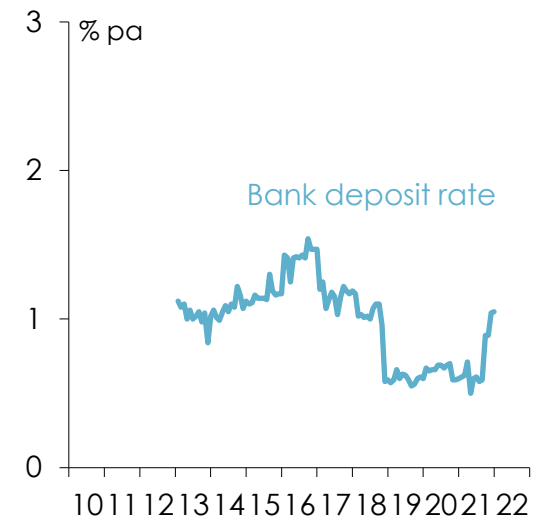
## Philippines



## Malaysia



## Cambodia

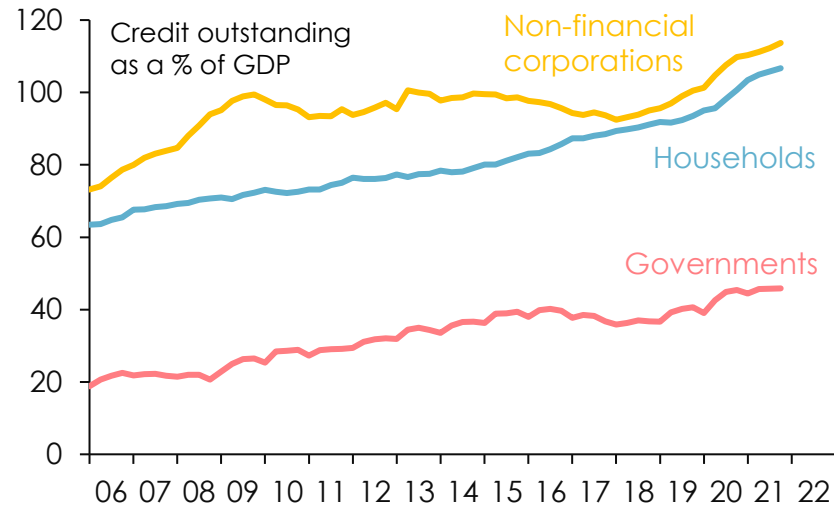


Note: Neither Hong Kong nor Singapore use a monetary policy indicator interest rate. Hong Kong has a currency board system, under which the HKMA base rate moves in line with a pre-set formula based on the US fed funds rate; the Monetary Authority of Singapore uses the (effective) exchange rate as its 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 20<sup>th</sup> May 2022. Sources: national central banks; Refinitiv Datastream. [Return to "What's New"](#).

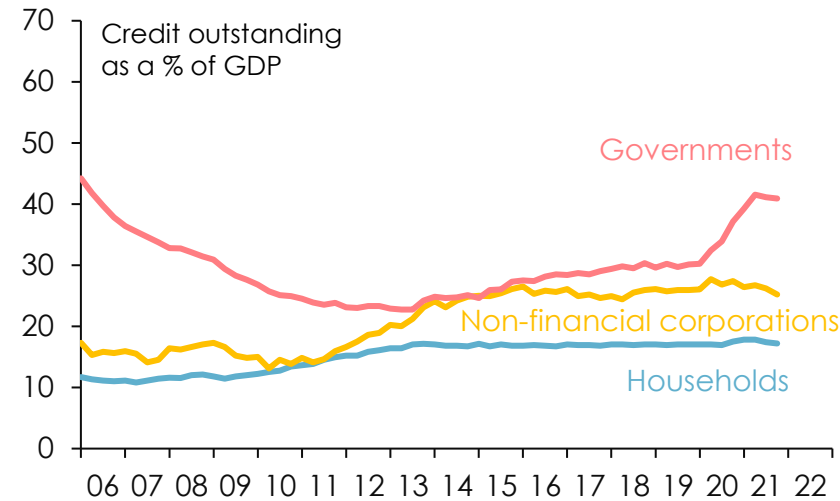
# In Asia, Hong Kong, Singaporean and Korean corporates, and Korean households, have the greatest exposure to any increases in interest rates

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

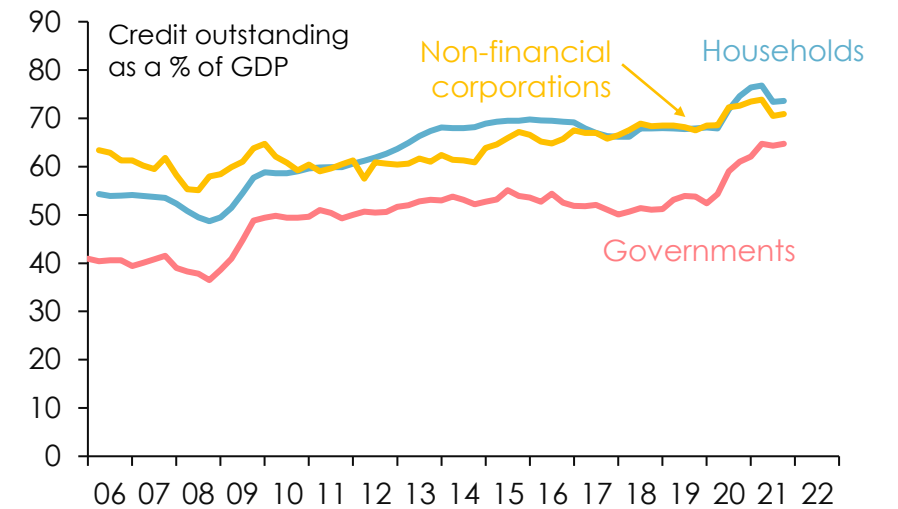
## Korea



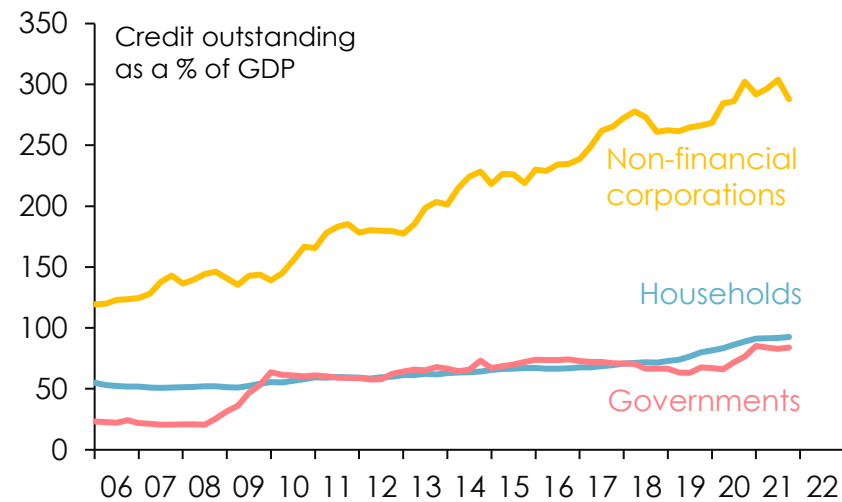
## Indonesia



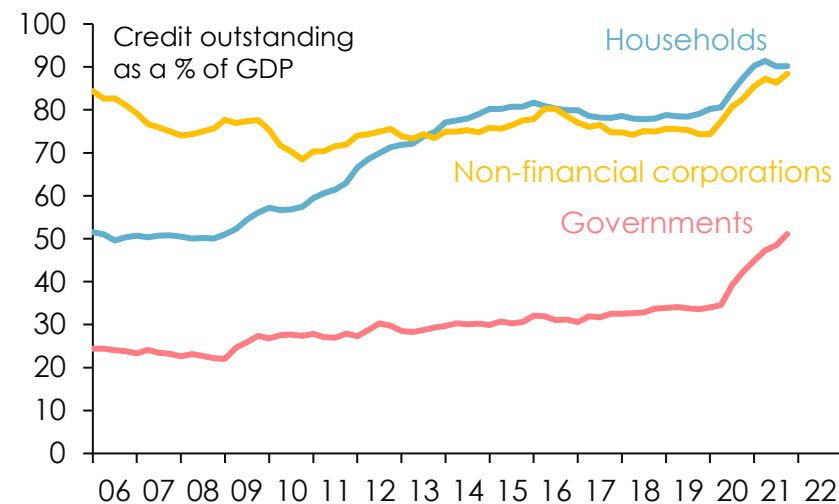
## Malaysia



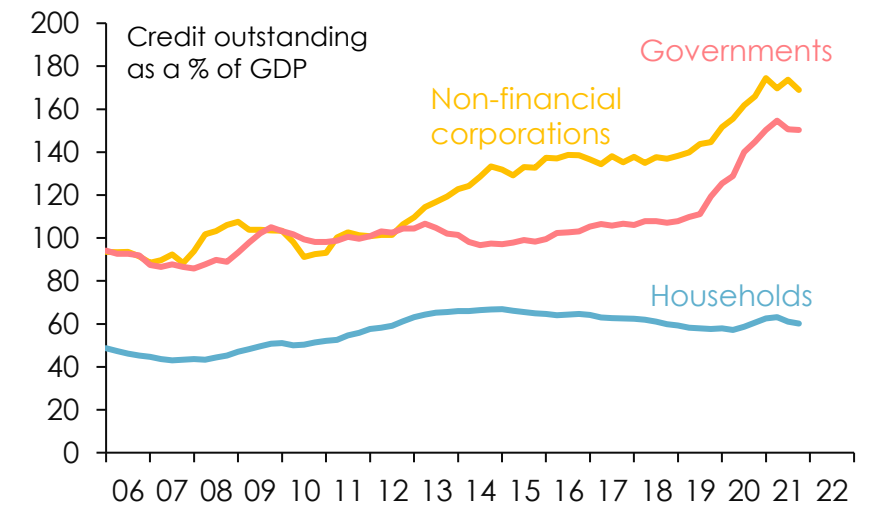
## Hong Kong



## Thailand



## Singapore

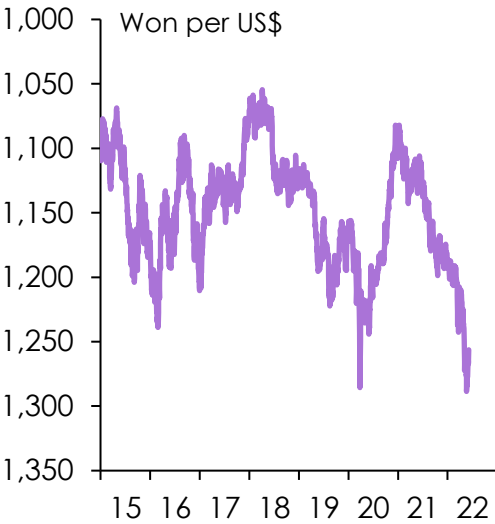


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q3 2021, Q4 data will be released on 13<sup>th</sup> June. [Return to "What's New"](#).

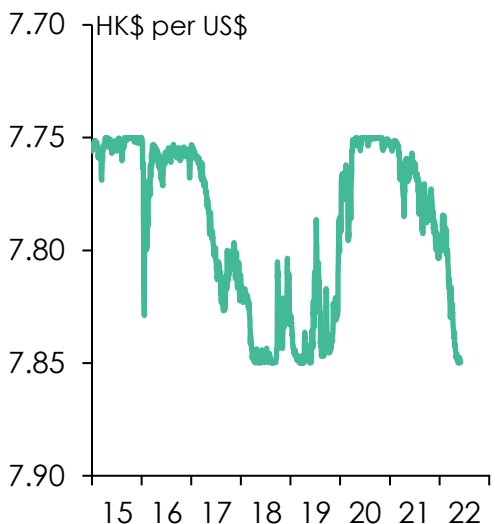
# Asian currencies rose further against a softer US\$ last week, with the won & NT\$ up 1%, and the S\$ up 3/4%, with only the peso down 1/4%

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

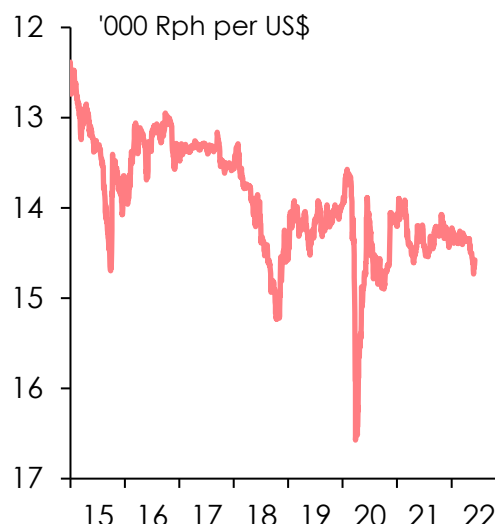
**Korean won**



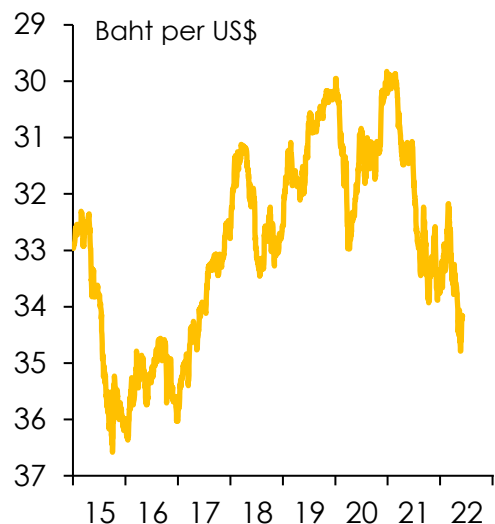
**Hong Kong dollar**



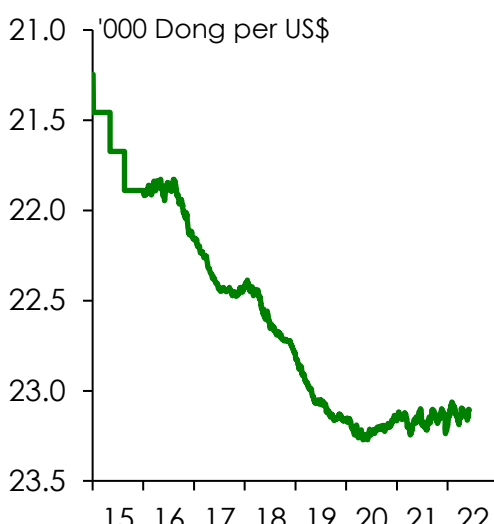
**Indonesian rupiah**



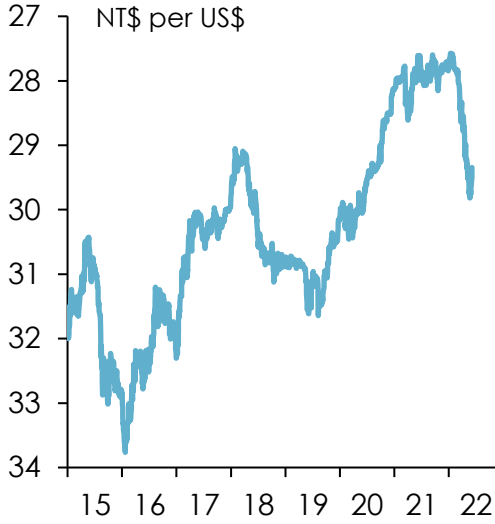
**Thai baht**



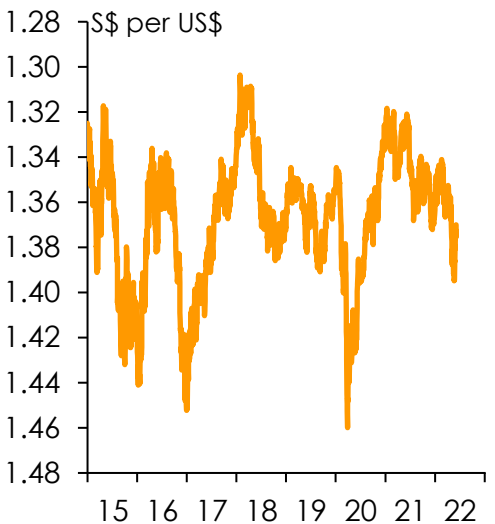
**Vietnamese dong**



**New Taiwan dollar**



**Singapore dollar**



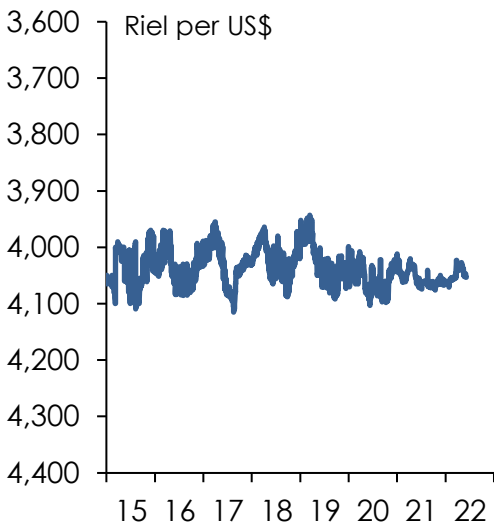
**Philippine peso**



**Malaysian ringgit**



**Cambodian riel**

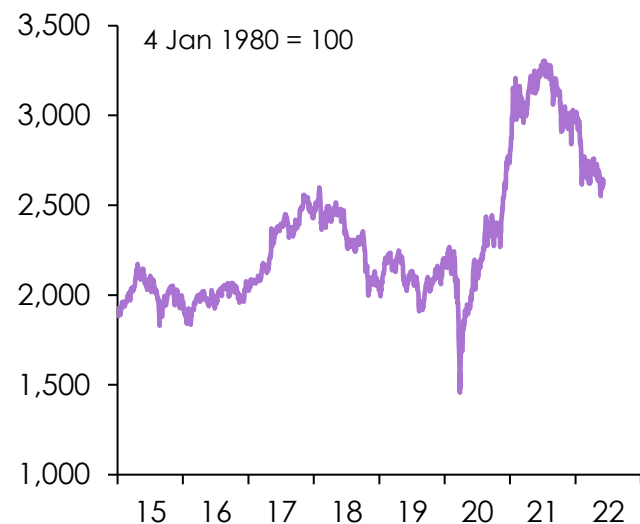




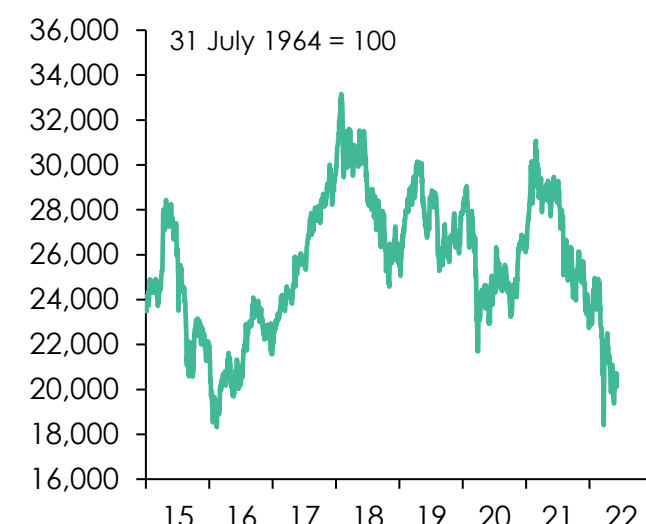
# Asian stockmarkets largely ignored the Wall Street rebound, with only Jakarta (up 1½%), Bangkok (up 1%) and Taipei (¾%) registering gains

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

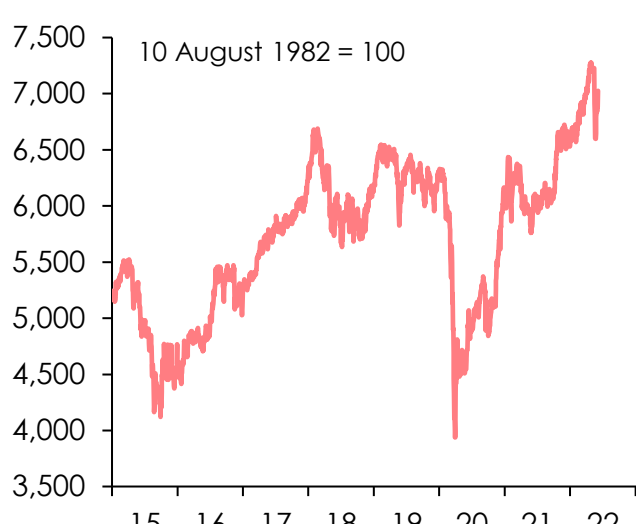
## KOSPI



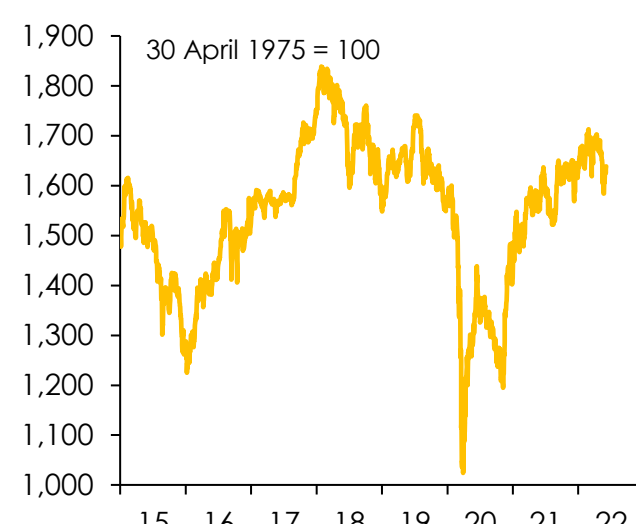
## Hang Seng Index



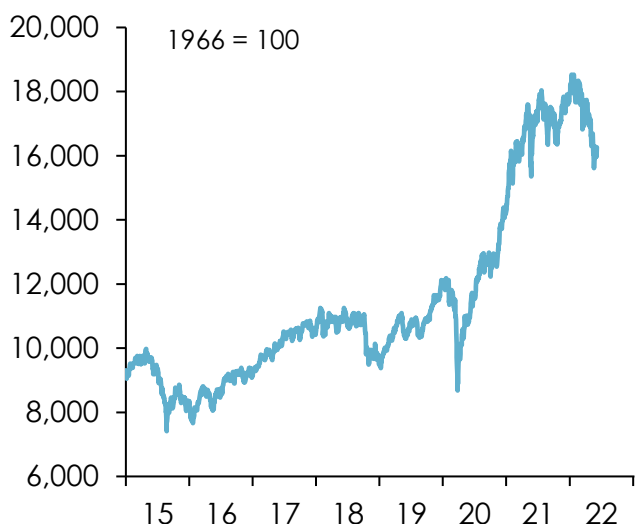
## JCI



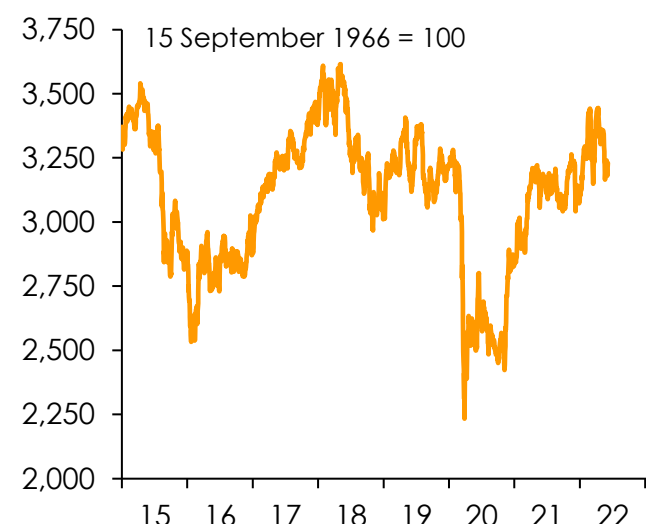
## SETI



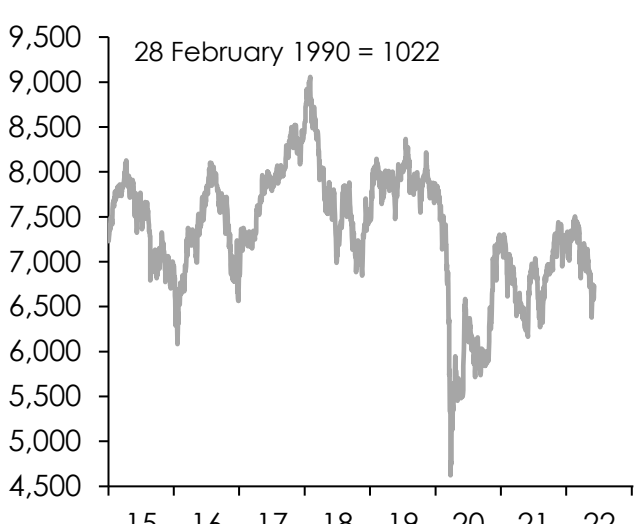
## TAIEX



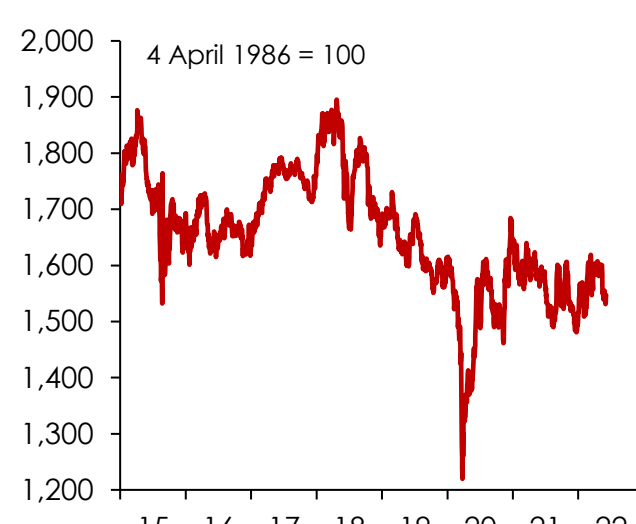
## Straits Times Index



## PSE i



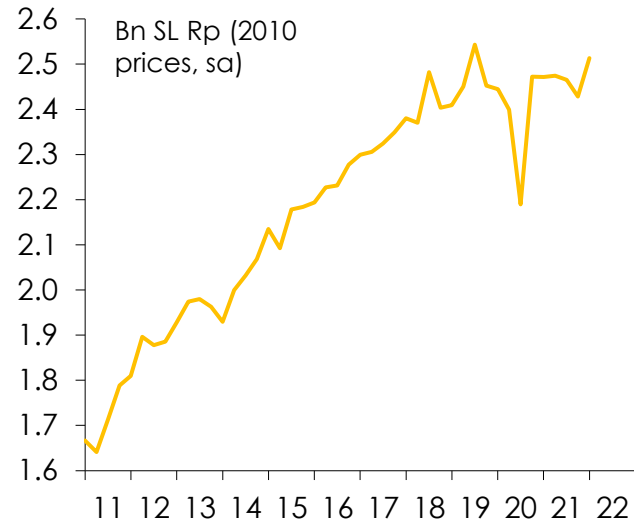
## KLCI



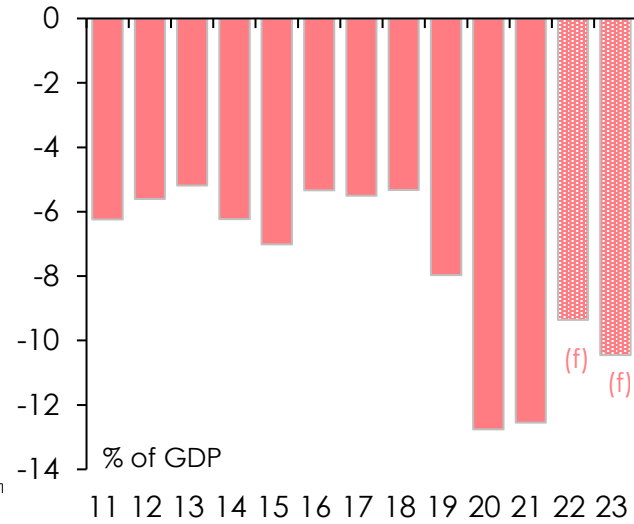
# Sri Lanka's financial crisis continues, with the country this month formally defaulting on overdue interest payments on US\$7bn of foreign debt

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

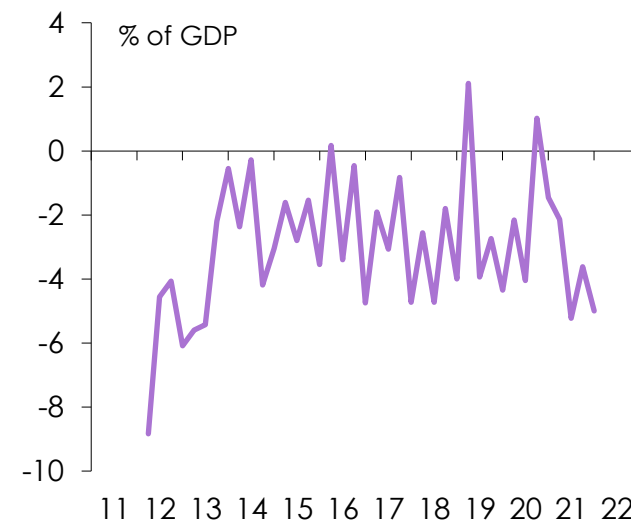
## Real GDP



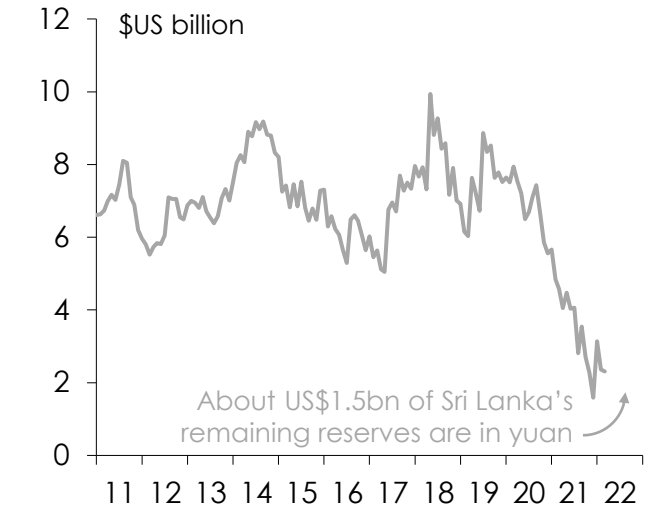
## Fiscal balance



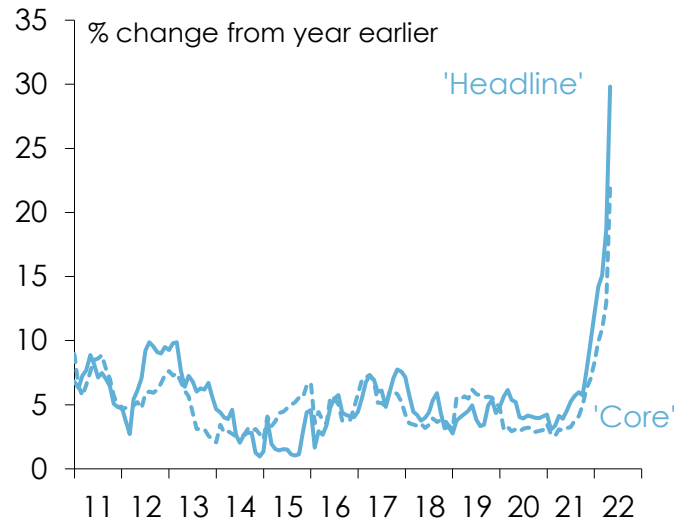
## Current account balance



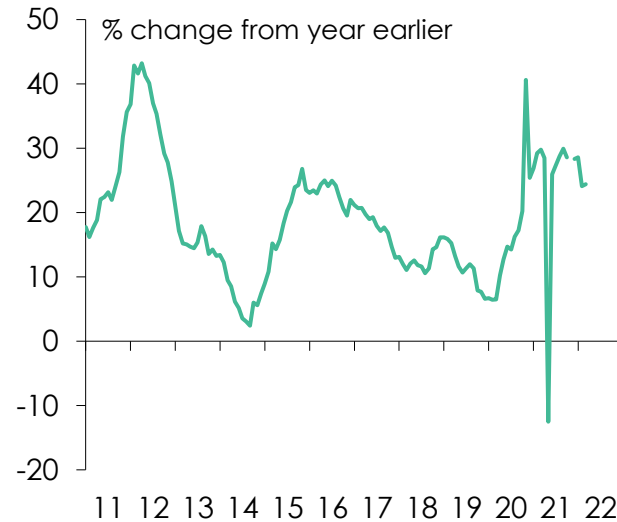
## FX reserves



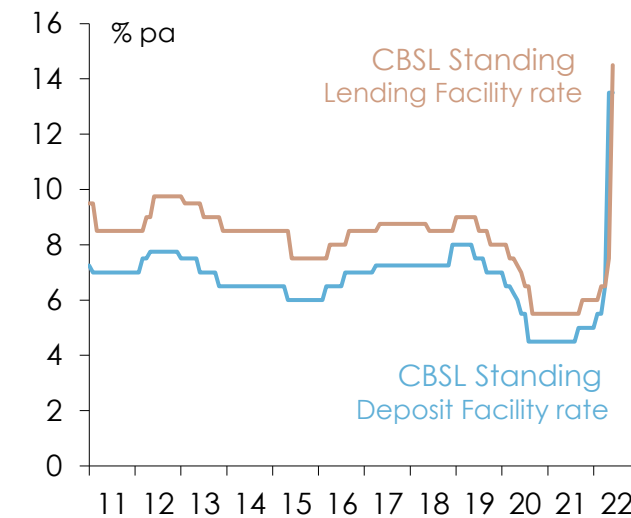
## Consumer prices



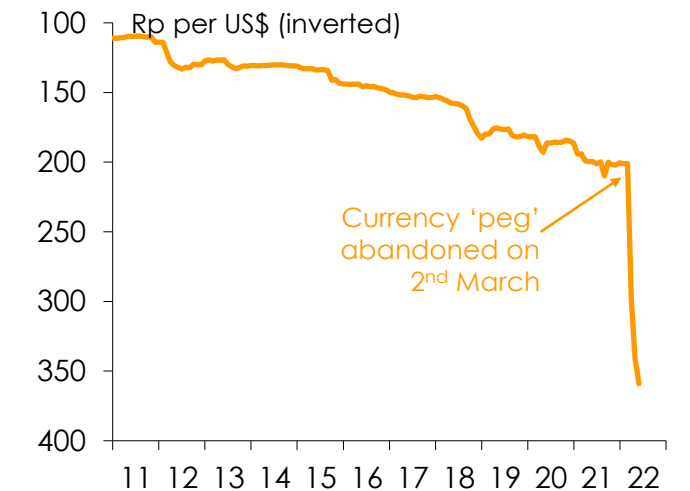
## Credit growth



## 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"](#).

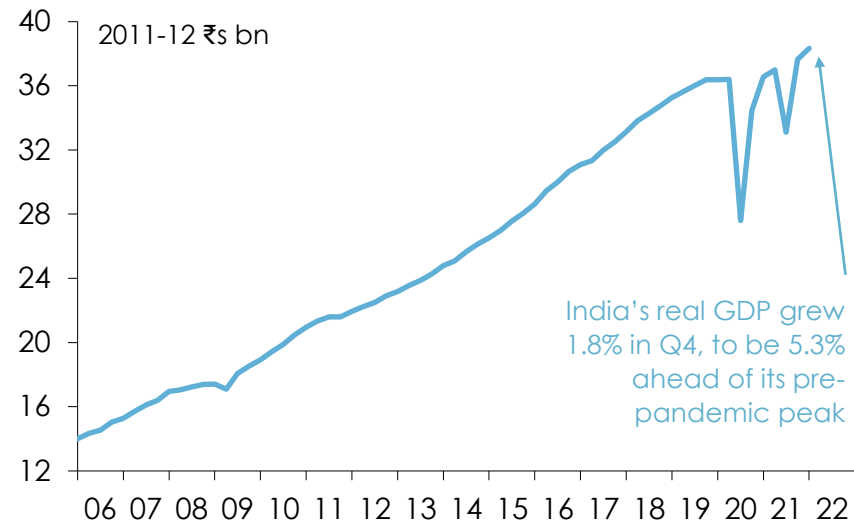
**SAUL ESLAKE**  
CORINNA ECONOMIC ADVISORY  
INDEPENDENT ECONOMICS

**India**

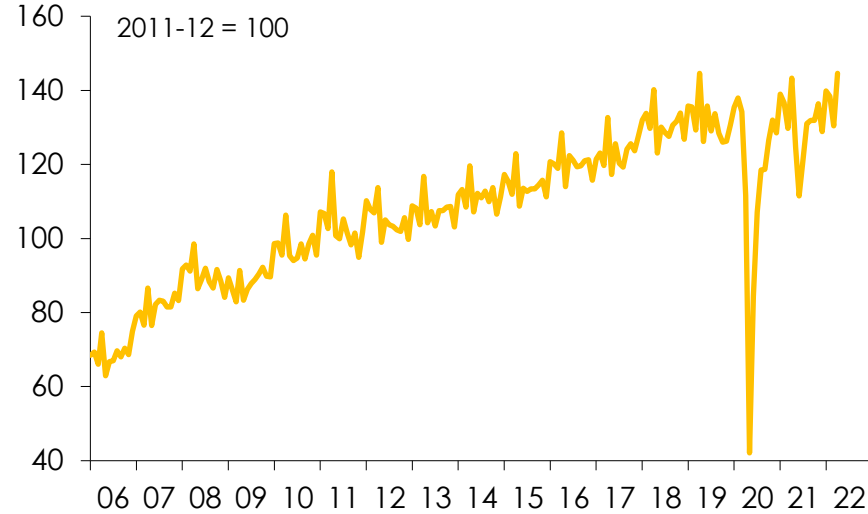
# India's economy is recovering from two waves of virus-induced contractions in Q2 2020 and Q2 2021

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

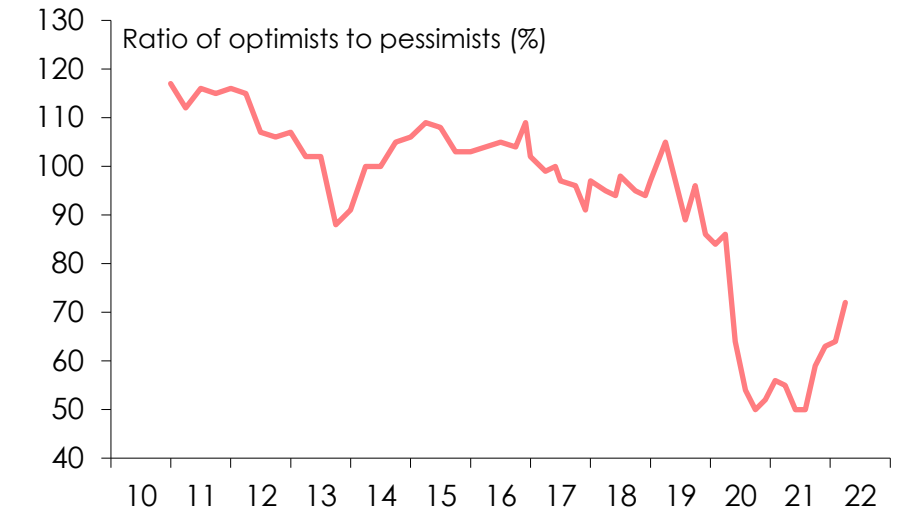
## Quarterly real GDP



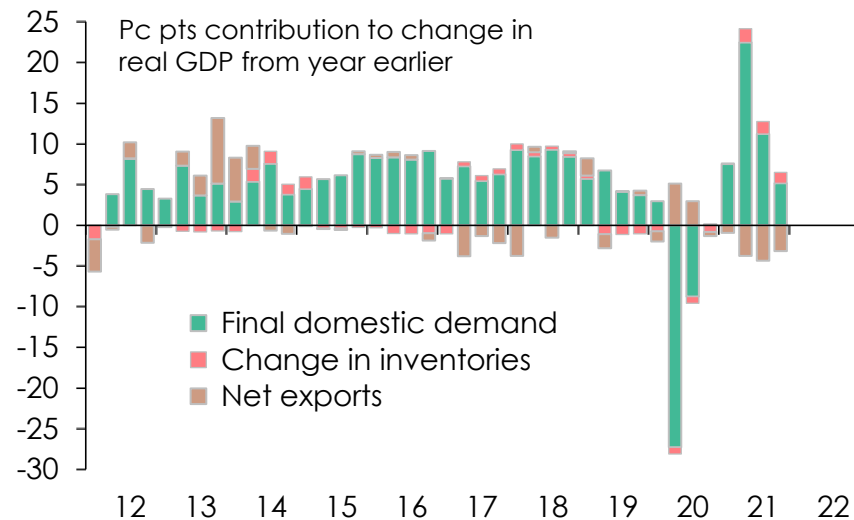
## Manufacturing production



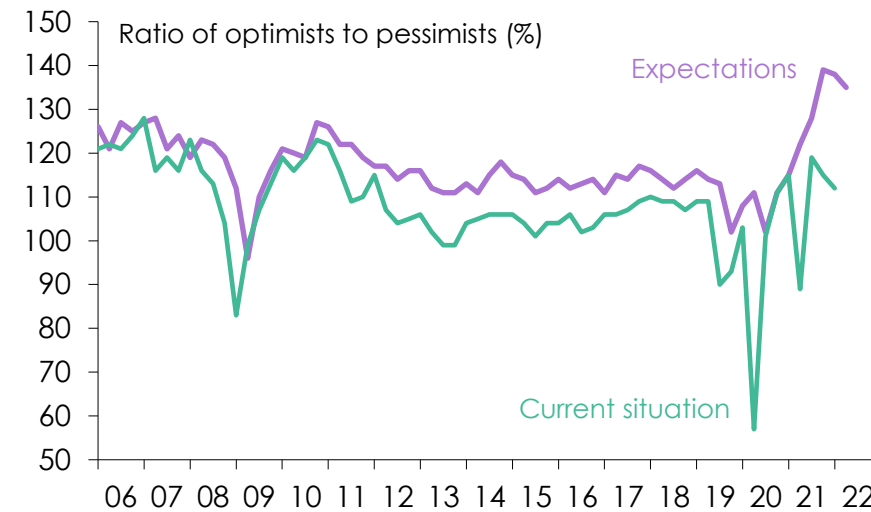
## Consumer confidence



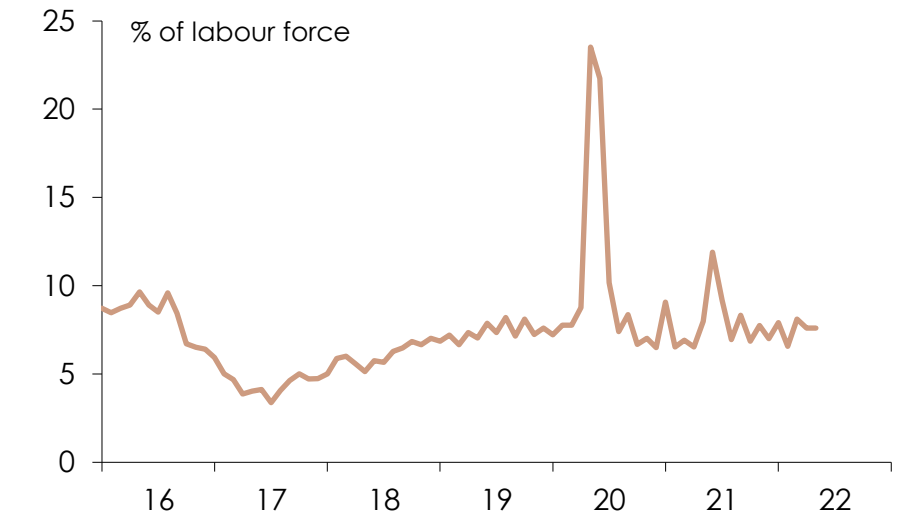
## Contributions to real GDP growth



## Industrial sector sentiment



## Unemployment rate

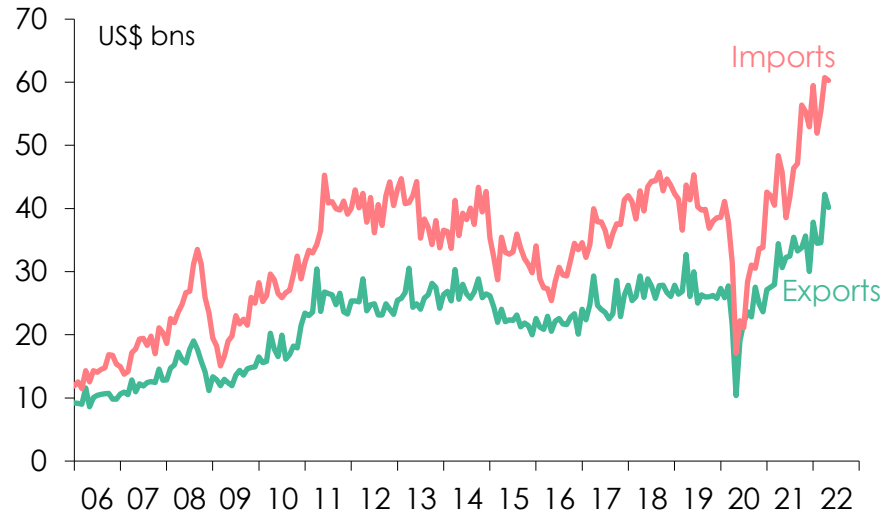


Sources: OECD, [Quarterly National Accounts dataset](#); Government of India, Ministry of Statistics and Programme Implementation, [National Accounts Data](#), and [IIP Data](#); Reserve Bank of India, [Quarterly Industrial Outlook Survey](#) and [Consumer Confidence Survey Bi-Monthly](#); Centre for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

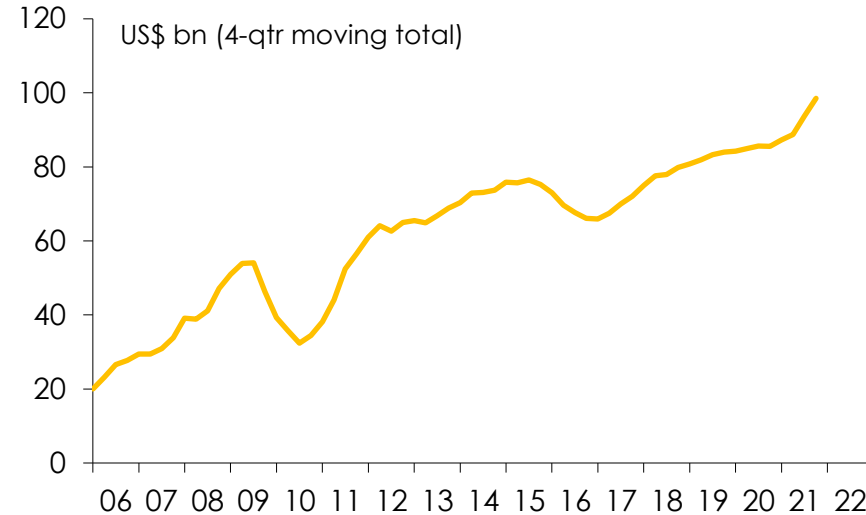
# India's merchandise trade deficit has deteriorated sharply due to higher oil prices but its overall external position remains relatively stable

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

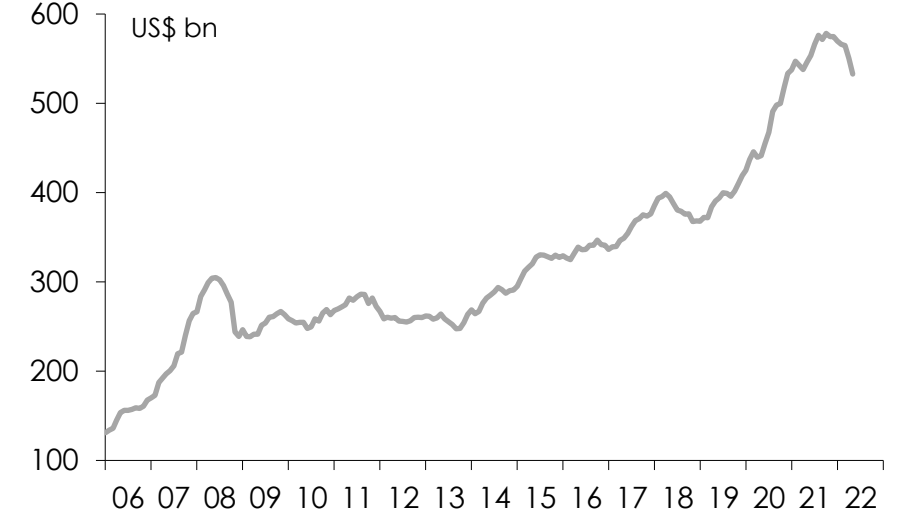
## Merchandise exports and imports



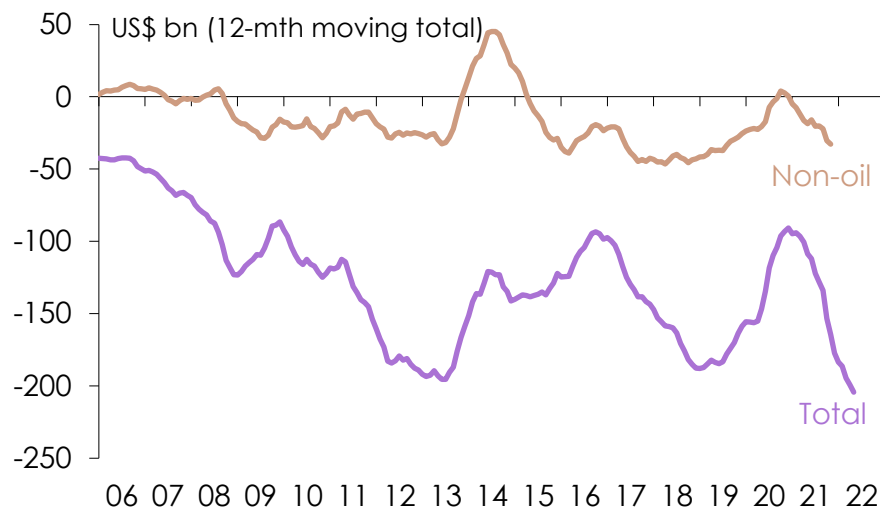
## Services trade balance



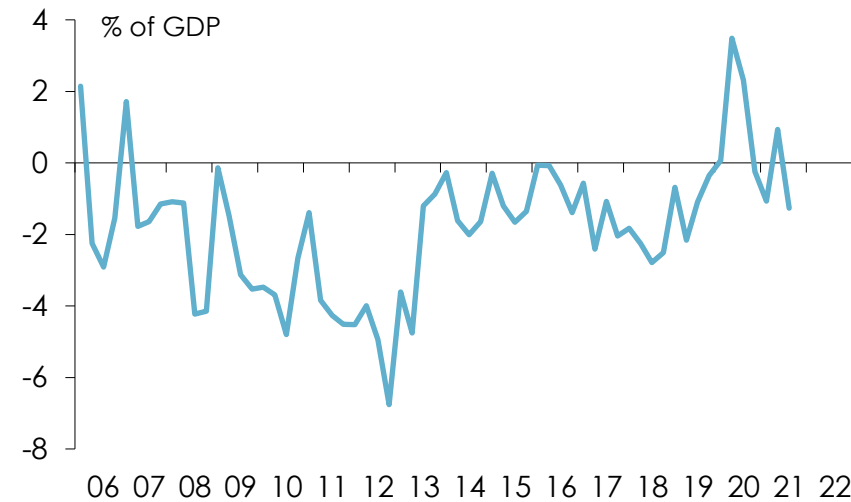
## Foreign exchange reserves



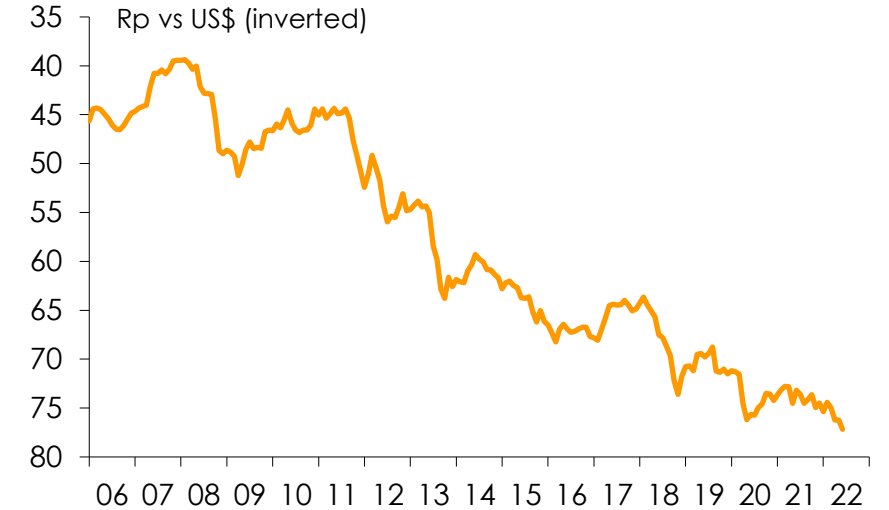
## Merchandise trade balance



## Current account balance



## Rupee vs US dollar

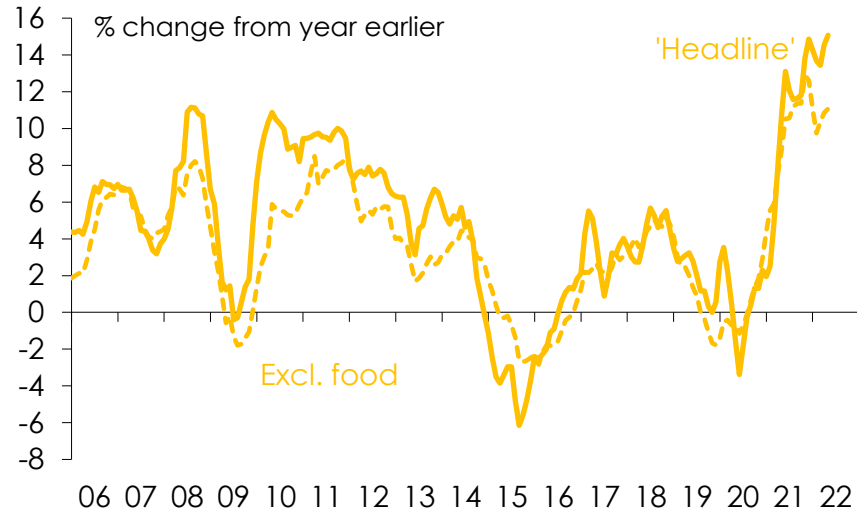


Sources: Government of India, Ministry of Commerce and Industry, [Trade Statistics](#); Reserve Bank of India, [Special Data Dissemination Standards - Balance of Payments](#) and [Weekly Statistical Supplement - Extract](#); Refinitiv Datastream. [Return to "What's New"](#).

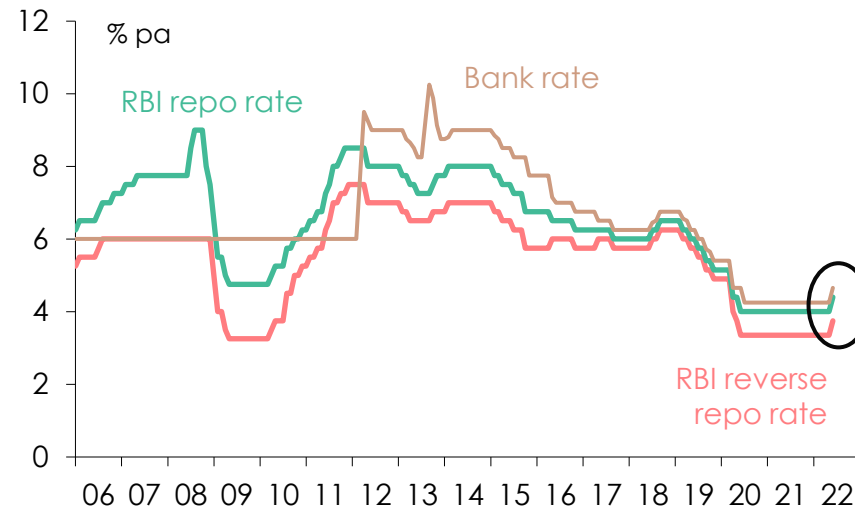
# India's annual inflation rate rose further to 7.8% in April, the highest since May 2014

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

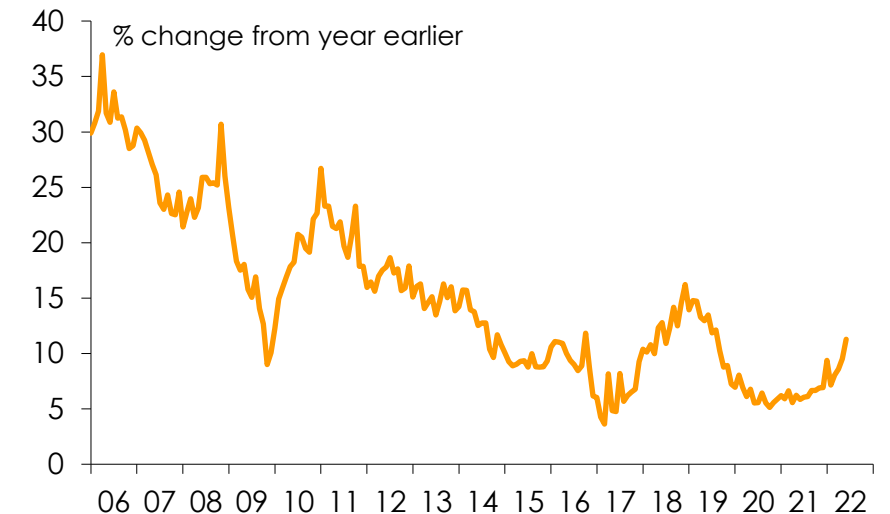
## Wholesale prices



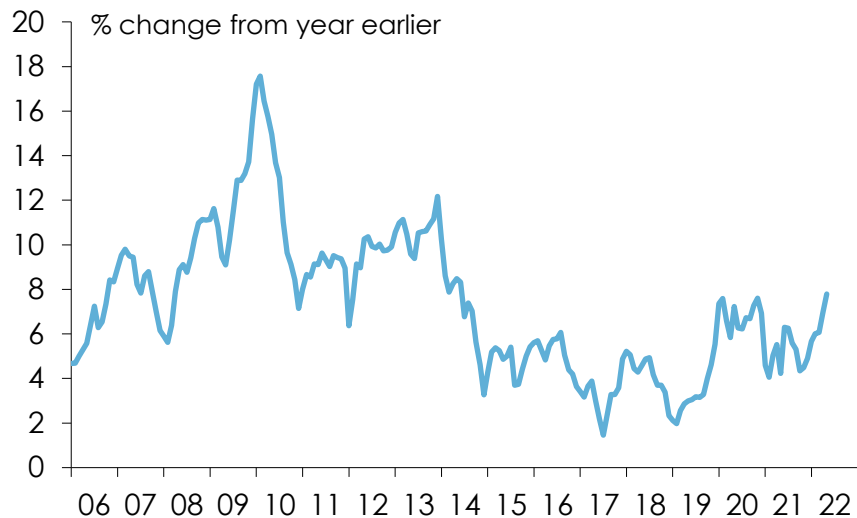
## RBI policy interest rates



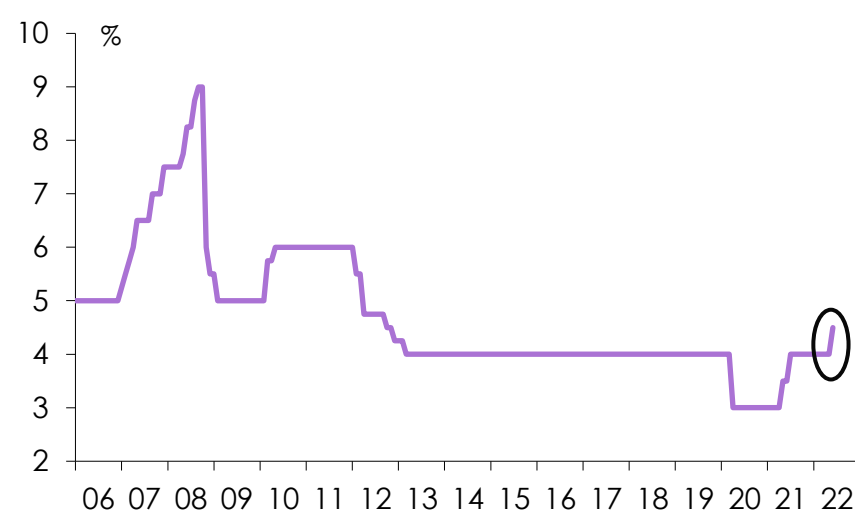
## Bank lending



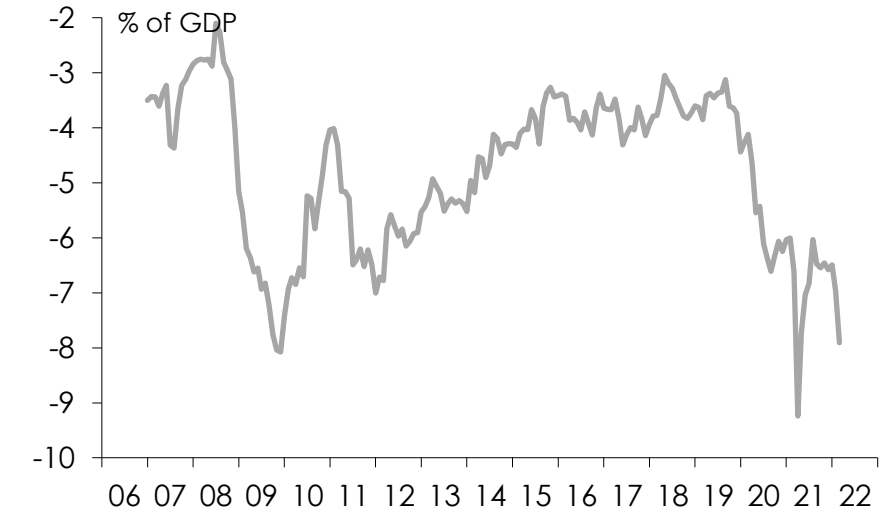
## Consumer prices



## RBI cash reserve ratio



## Central government fiscal balance

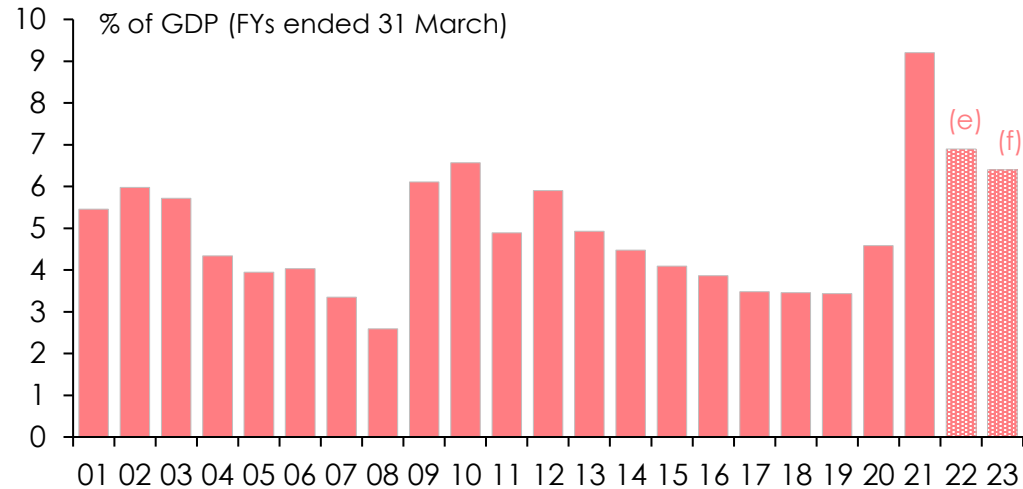


Note: The RBI's inflation target is 4% ± 2 pc points. Sources: Government of India, Office of the Economic Adviser, Ministry of Commerce and Industry, [WPI Press Release](#); Ministry of Statistics and Programme Implementation, [CPI](#); Reserve Bank of India, [Monetary Policy](#) and [RBI Bulletin](#);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

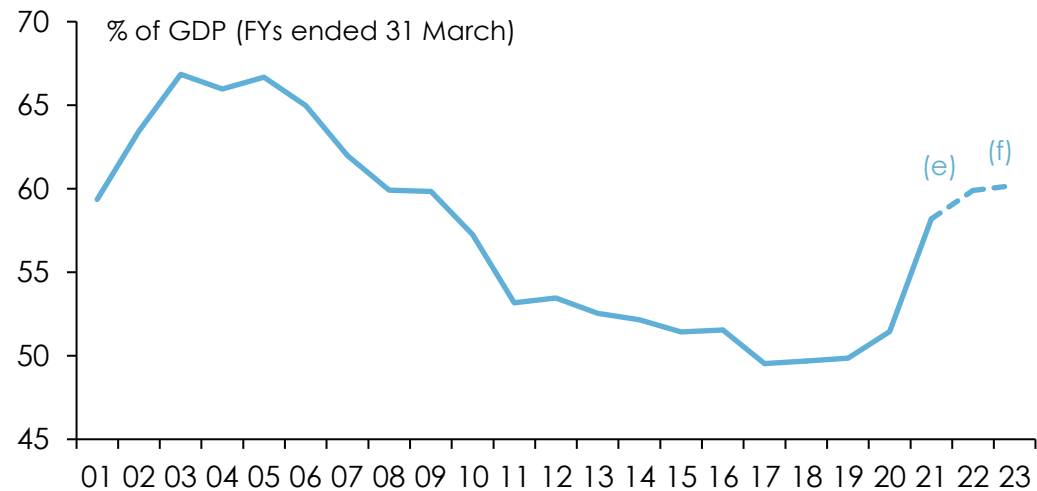
# India's 2022-23 Budget maintains a deficit of over 6% of GDP in order to fund another large increase in capital spending

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

## Central government fiscal deficit



## Central government gross debt



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

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

**Canada, Australia and New Zealand**



# The RBNZ raised its official cash rate another 50bp last week, and the Bank of Canada will likely do the same this week

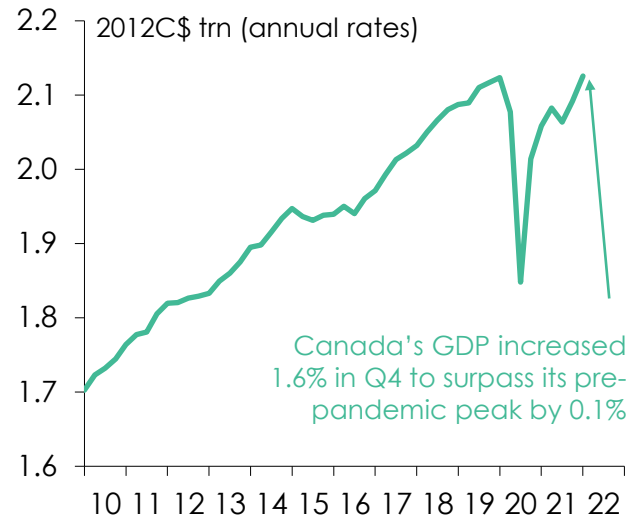
THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

- ❑ The [Bank of Canada](#) will likely lift its overnight rate by another 50 basis points when its Governing Council meets again this coming Wednesday
- ❑ Australian voters elected a Labor Government (which now appears like to have a small majority in its own right) at the [federal elections](#) held on 21<sup>st</sup> April, in which the incumbent (centre-right) Liberal-National Party Coalition (in office since 2013) suffered a 3.6% 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 (35.9% for the Coalition, down 5.5 pc pts, and 32.8% for Labor, down 0.6 pc pt), and a corresponding increase for the Greens (11.8%, up 1.4 pc pt) and other minor parties & independents (19.5%, up 4.7 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
- ❑ The [Reserve Bank of New Zealand](#) raised its official cash rate by 50bp, to 2.0%, at last week’s Monetary Policy Committee meeting – the sixth increase, for a total of 175bp, since October last year ([slide 124](#))
  - in its [Monetary Policy Statement](#) the MPC indicated that “monetary conditions need to act as a constraint on demand until there is a better match with New Zealand’s productivity capacity”, and that “raising the OCR by more and sooner was consistent with avoiding higher future costs to employment and the economy in general as a result of high inflation”
  - its latest projections imply a peak in the OCR at close to 4% in the second half of 2023, more than 50 bp higher than projected in its last MPS in February
- ❑ 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

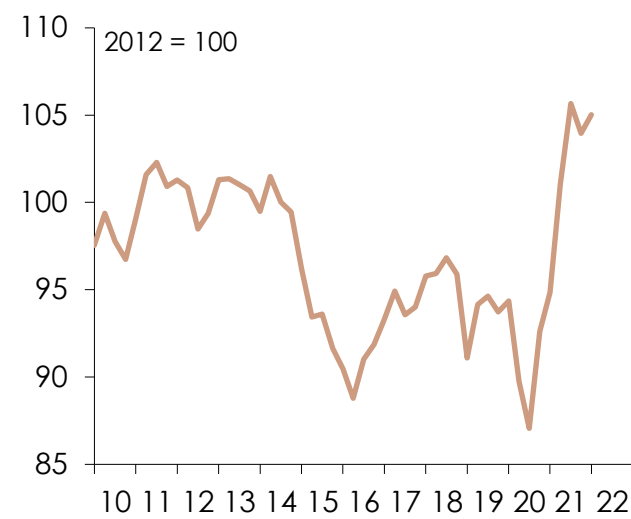
# Canada's annual 'headline' and 'core' inflation rates stabilized at 6.6% and 4.6%, respectively, in April

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

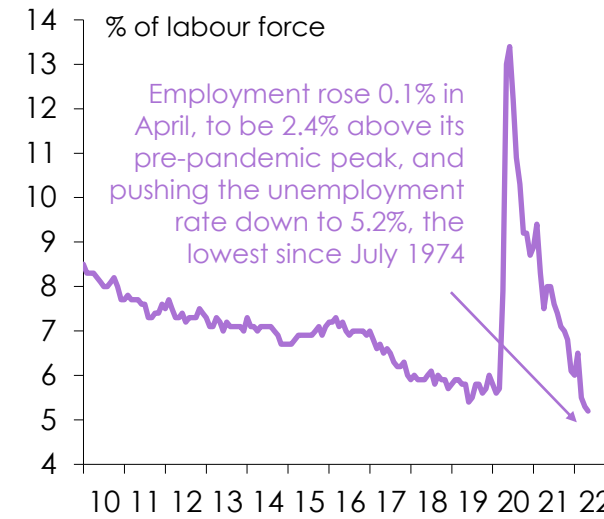
## Real GDP



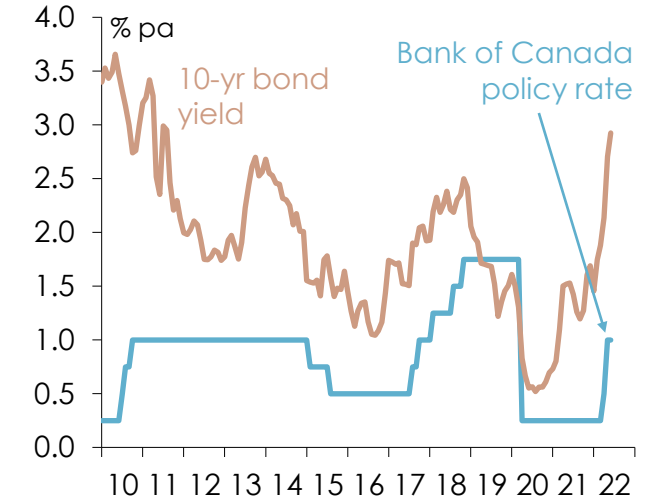
## Terms of trade



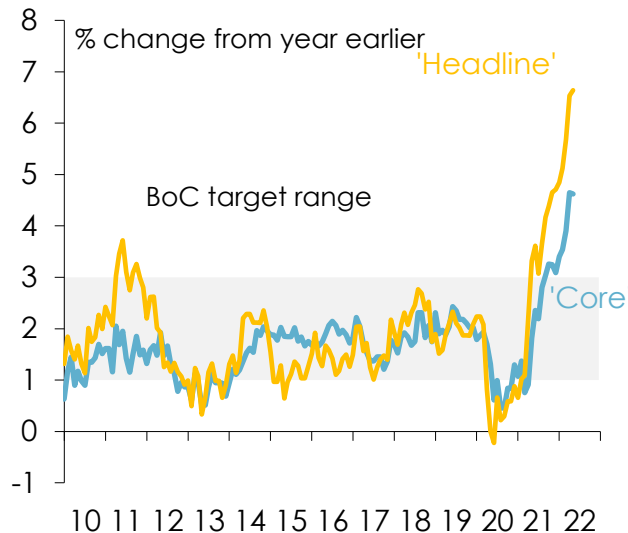
## Unemployment



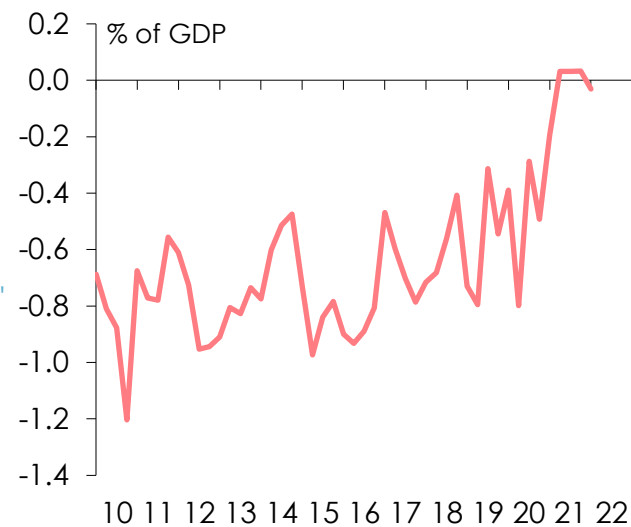
## Interest rates



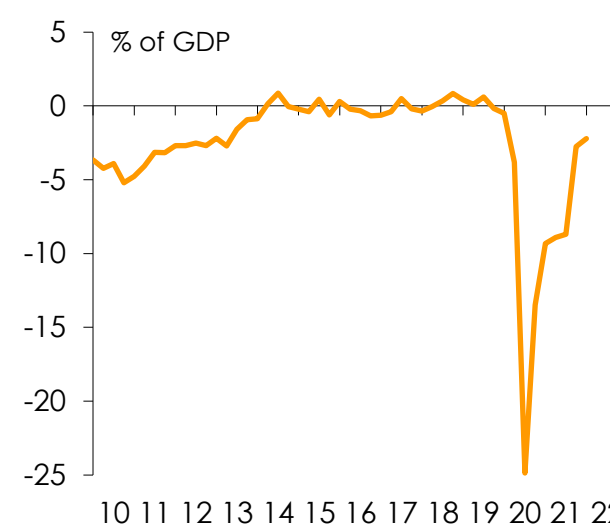
## Consumer prices



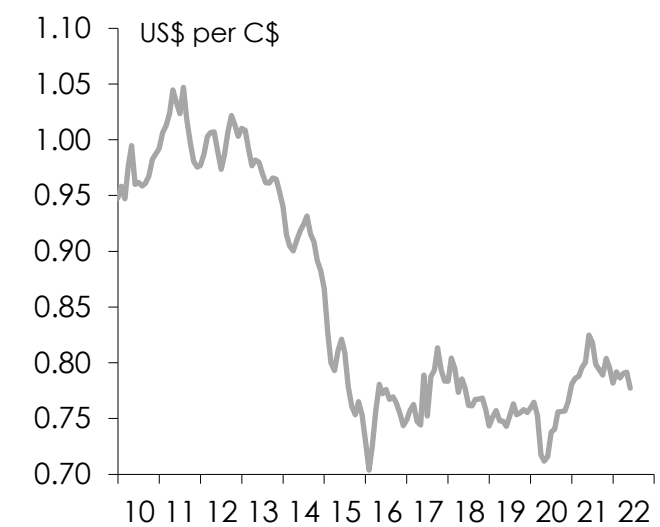
## Current account balance



## Government net lending



## C\$ vs US\$

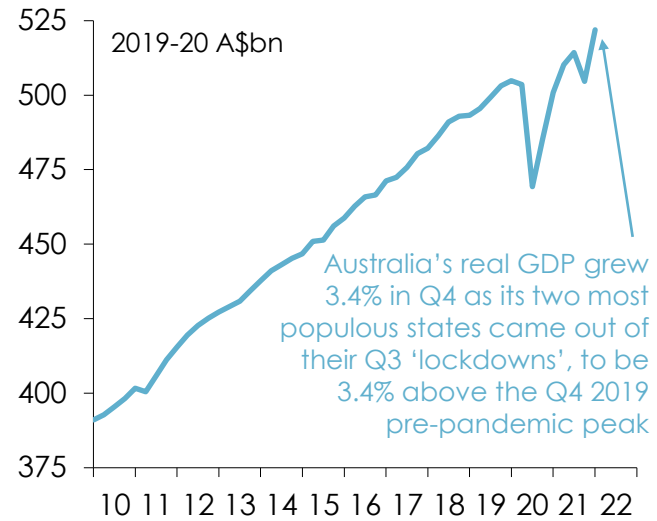


Sources: Statistics Canada, [National Gross Domestic Product \(GDP\) by Income and by Expenditure Accounts](#); [Consumer price index portal](#); [Canada's Balance of International Payments](#); [Labour Statistics](#); Bank of Canada, [Policy Interest Rate](#); Refinitiv Datastream. [Return to "What's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

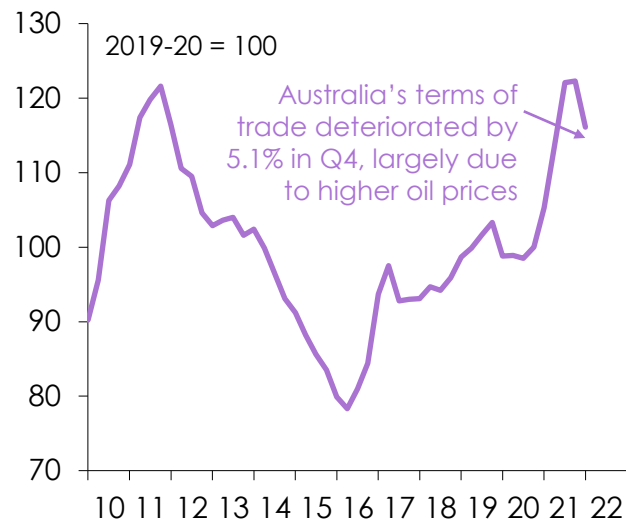
# Australia's unemployment fell to 3.9% in April, the lowest since August 1974

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

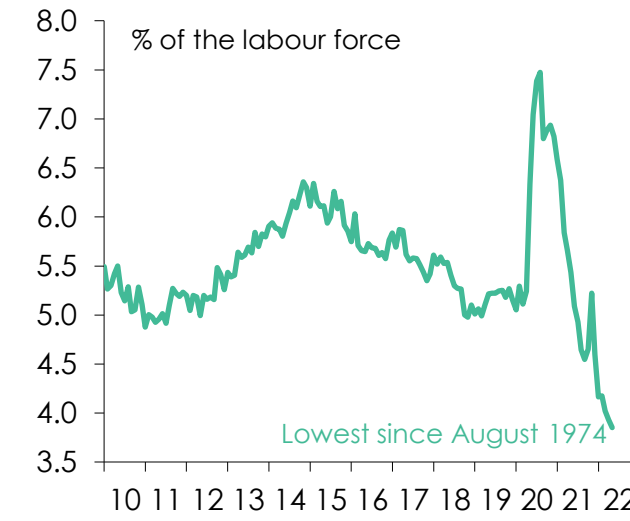
## Real GDP



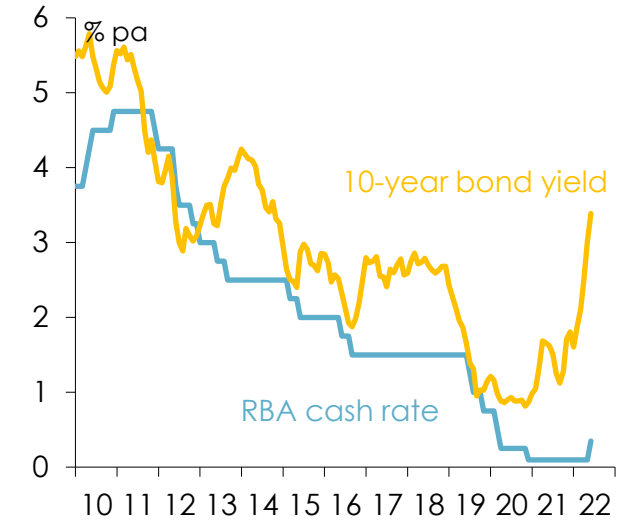
## Terms of trade



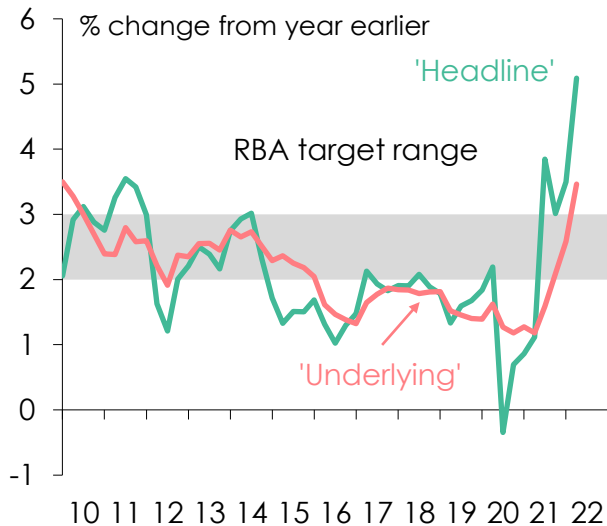
## Unemployment



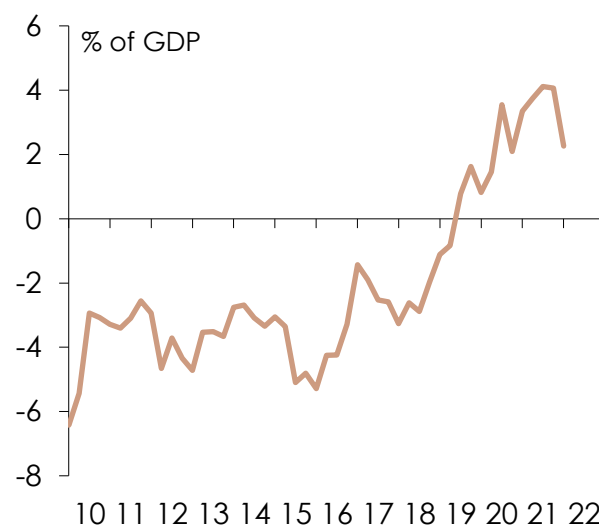
## Interest rates



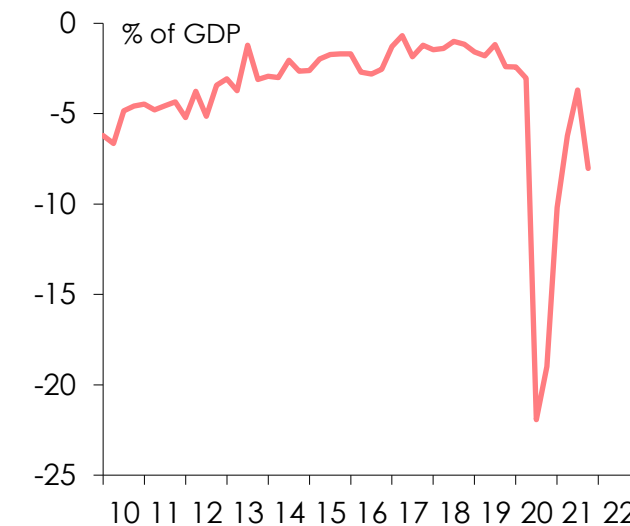
## Consumer prices



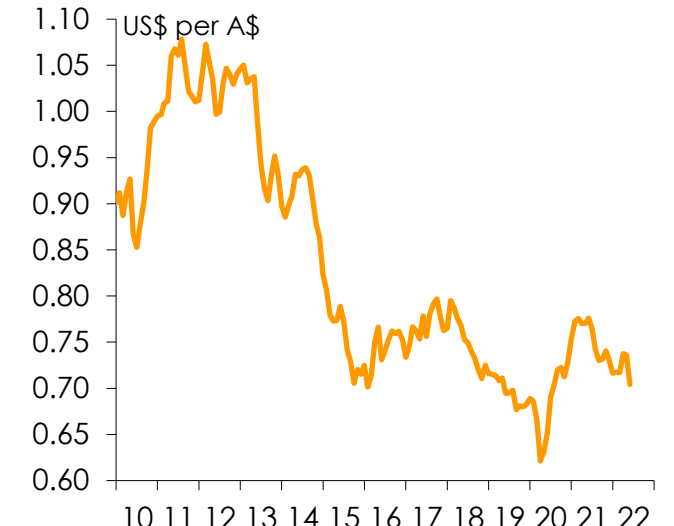
## Current account balance



## Government net lending



## A\$ vs US\$

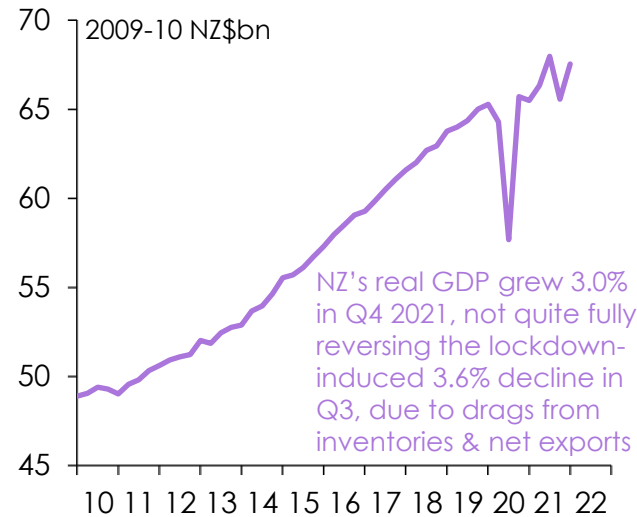


Note: The measure of 'underlying' inflation shown here is the trimmed mean. Sources: Australian Bureau of Statistics, [Australian National Accounts: National Income, Expenditure and Product](#); [Consumer Price Index](#); [Balance of Payments and International Investment Position](#); [Labour Force](#);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

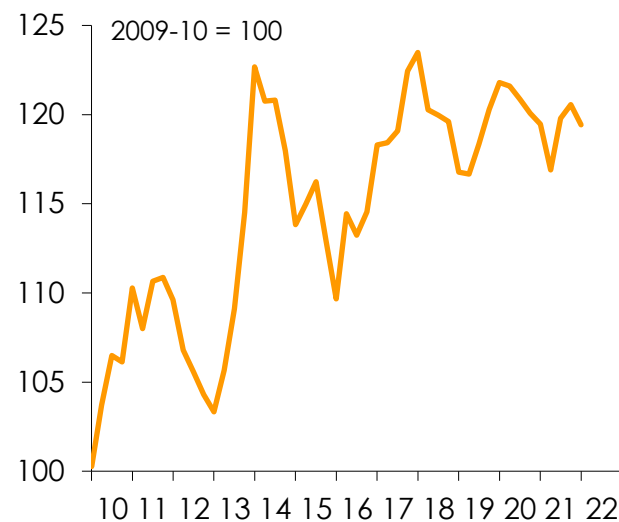
# The RBNZ raised its official cash rate another 50 bp, to 2%, last week, and foreshadowed that the OCR could get to 4% by the second half of 2023

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

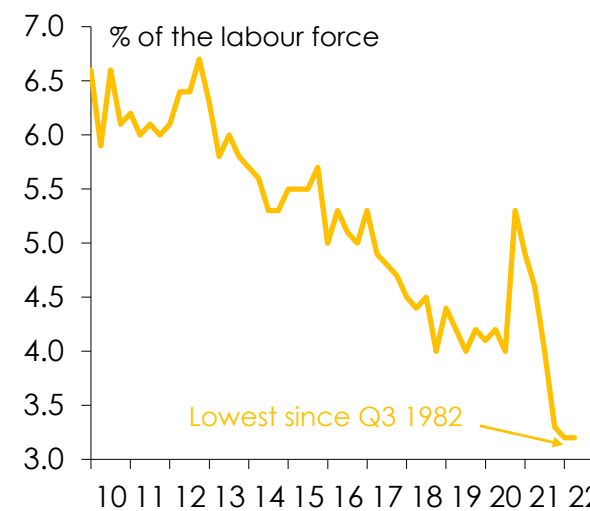
## Real GDP



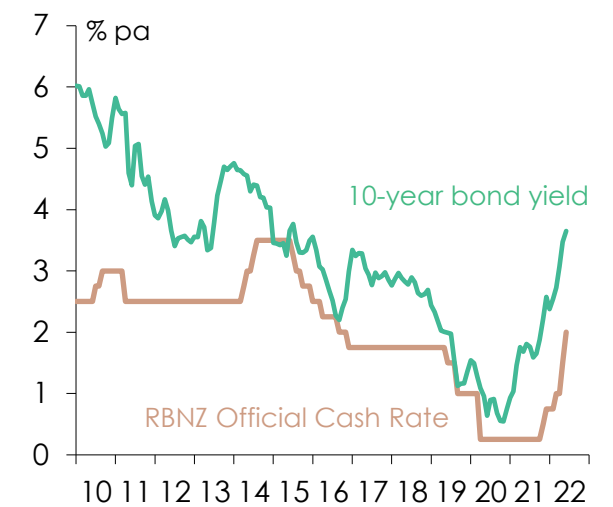
## Terms of trade



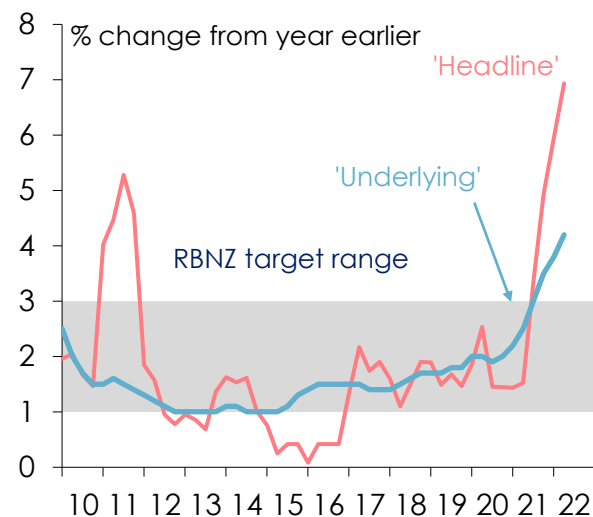
## Unemployment



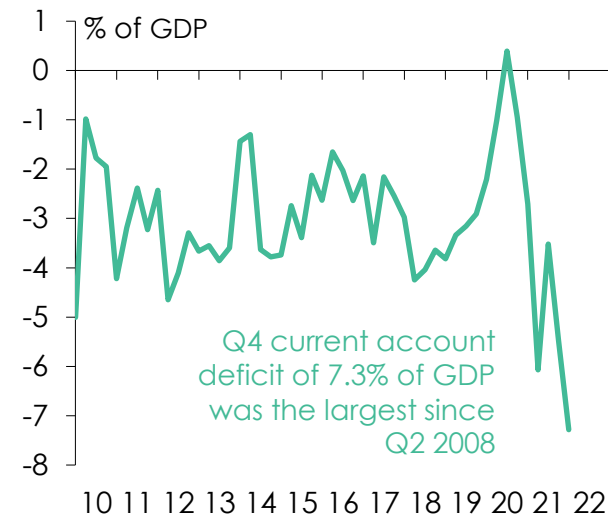
## Interest rates



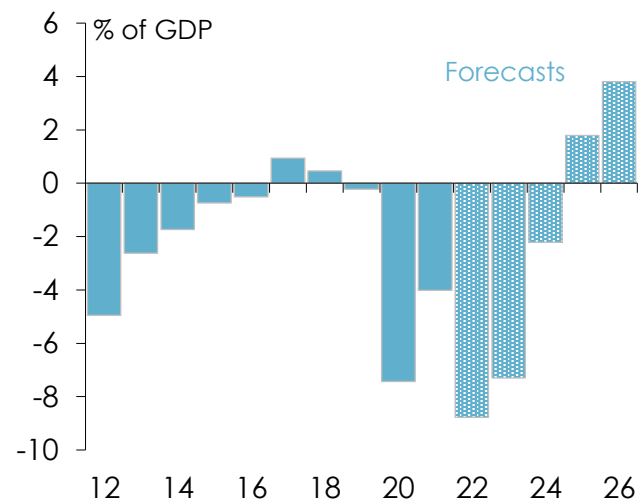
## Consumer prices



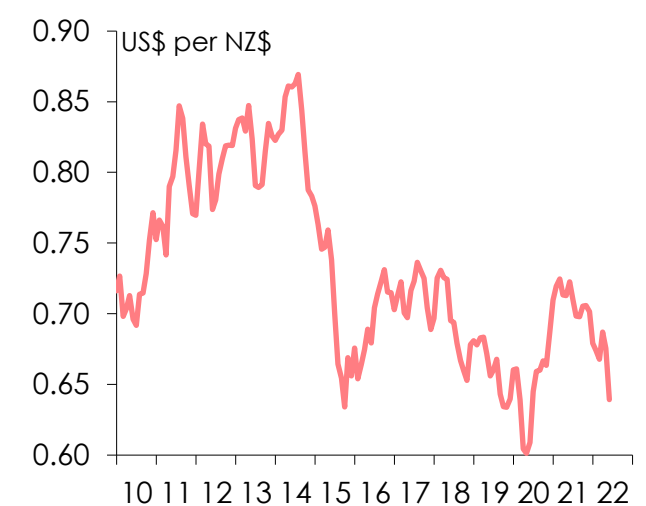
## Current account balance



## 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**

# Turkey's central bank left its policy rates unchanged despite inflation reaching 70%, while Russia's central bank cut rates another 300bp

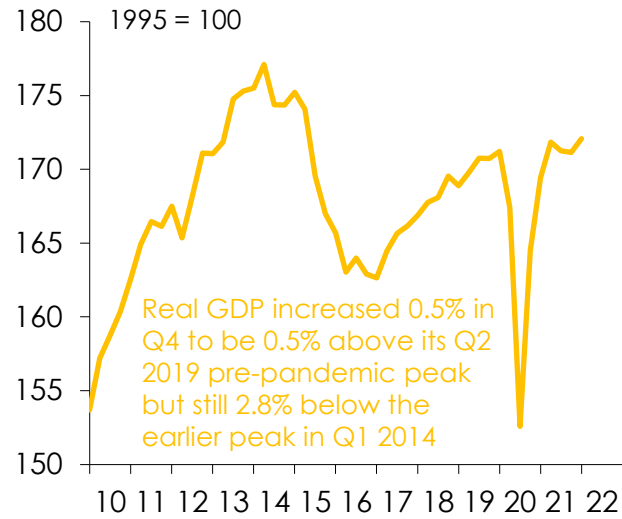
THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

- ❑ **Turkey's central bank** left its 7-day repo rate unchanged at 14%, as it has been since December last year ([slide 131](#)), at last Thursday's Monetary Policy Committee meeting
  - CBRT's Monetary Policy Committee **expects** “disinflation process to start on the back of strengthened measures for sustainable price and financial stability along with the decline in inflation owing to the base effect and the resolution of the ongoing regional conflict”
- ❑ **The Bank of Russia** cut its key rate by 300 basis points, to 11%, at an unscheduled meeting on Thursday ([slide 11](#))
  - this is the third rate cut since it initially raised the key rate from 9.5% to 21% immediately after the imposition of Western sanctions in response to Russia's invasion of Ukraine
  - **explaining** its decision, the Bank referred to “weekly data point[ing] to a significant slowdown in the current price growth rates” and a “noticeable decline in inflation expectations of households and businesses”
- ❑ **The South African Reserve Bank** increased its repo rate by 50 basis points, to 4.75%, at its Monetary Policy Committee meeting on 19<sup>th</sup> May, 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

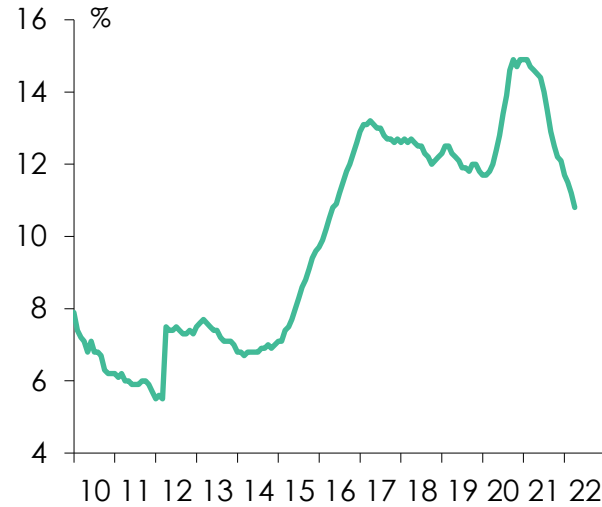
# Brazil's CPI rose 1.0% in April, down from 1.7% in March, but nonetheless pushing the annual inflation rate up further to 12.5%

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

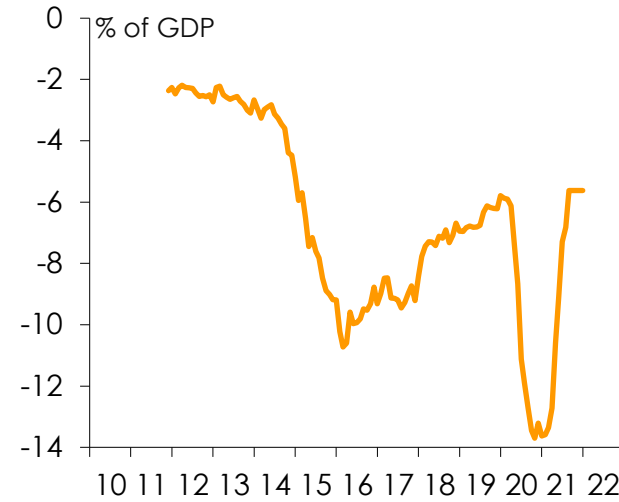
## Real GDP



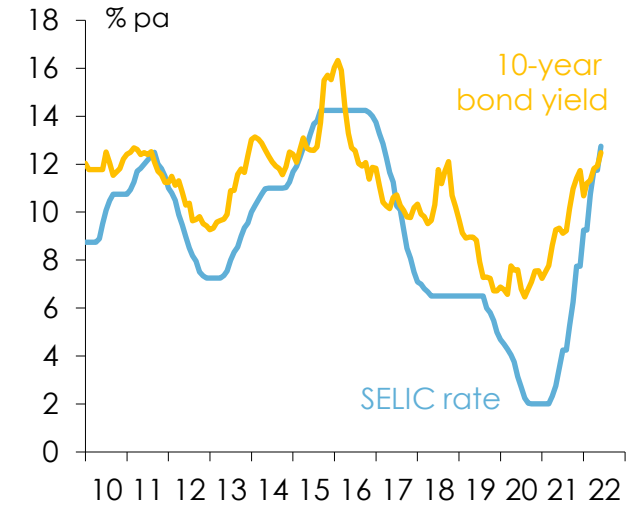
## Unemployment



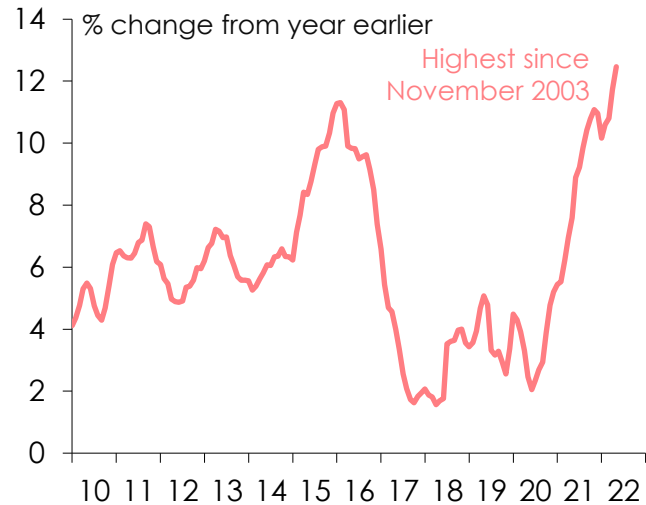
## Public sector borrowing



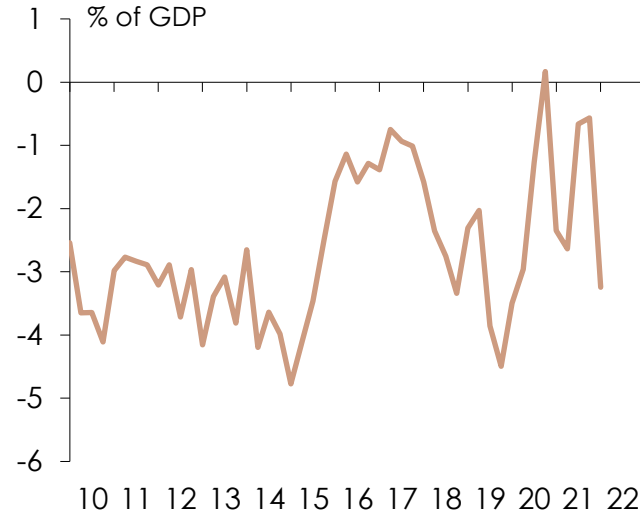
## Interest rates



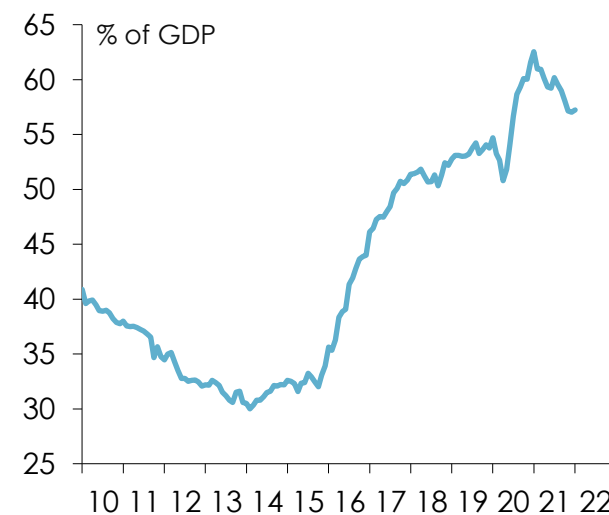
## Inflation



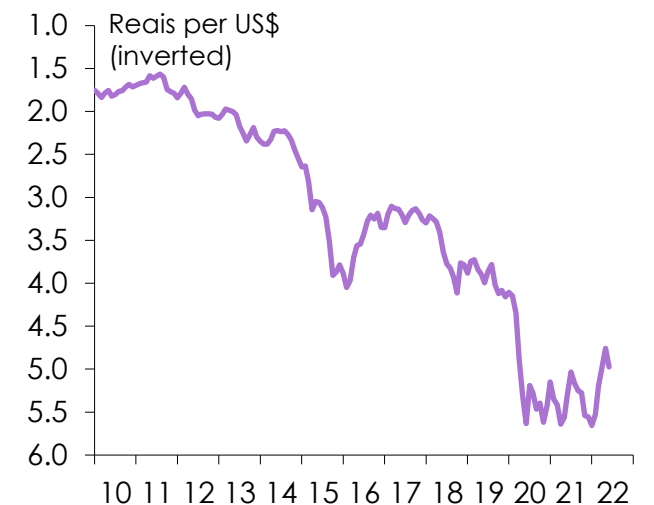
## Current account balance



## Public sector net debt



## Brazilian real vs US\$

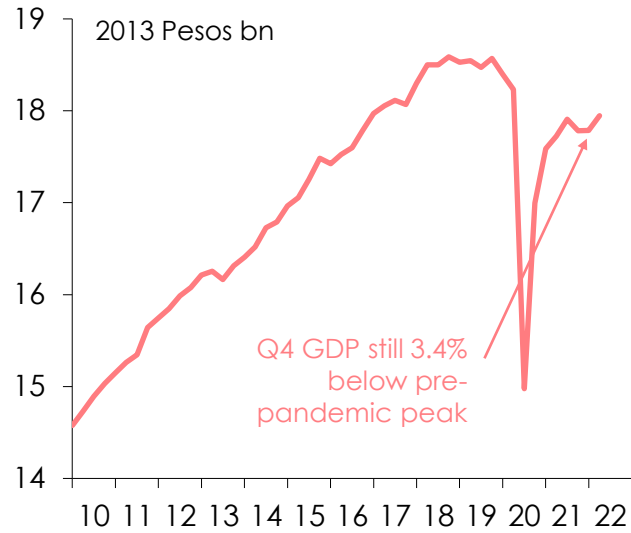


Sources: [Instituto Brasileiro de Geografia e Estatística](#) (IBGE); [Banco Central do Brasil](#); Refinitiv Datastream. [Return to "What's New"](#).

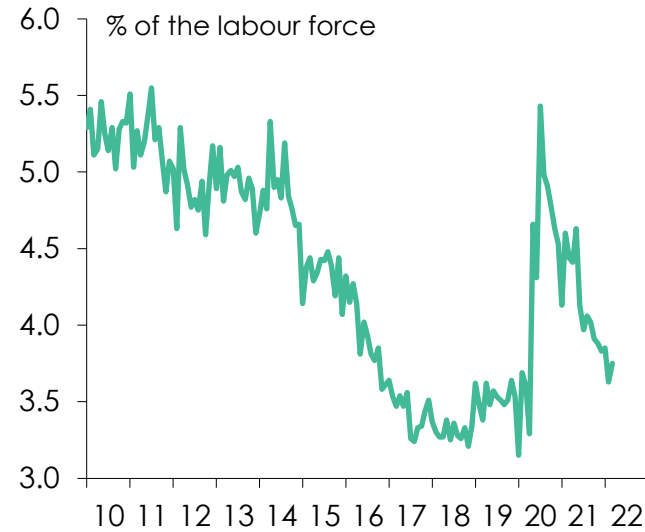
# Banco de México raised its policy rate another 50bp, to 7%, at last Thursday's Governing Board meeting

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

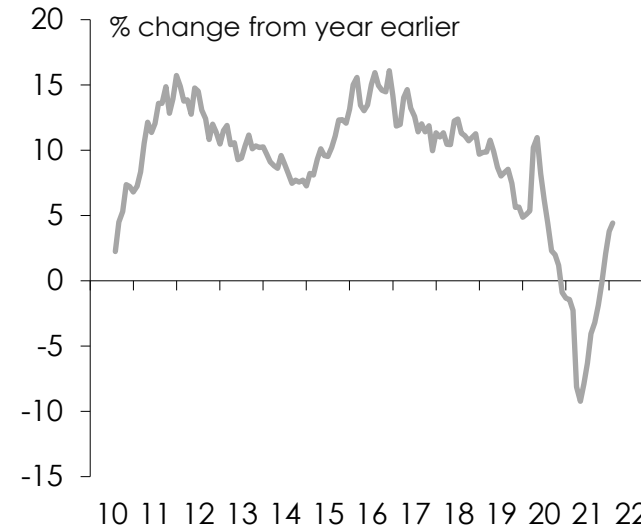
## Real GDP



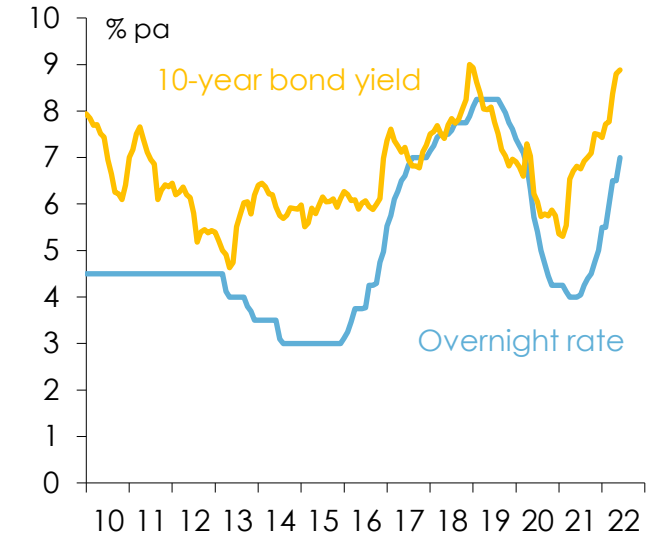
## Unemployment



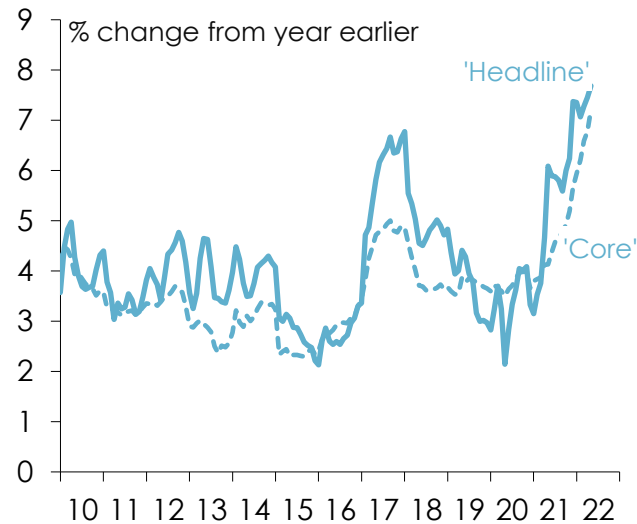
## Bank lending



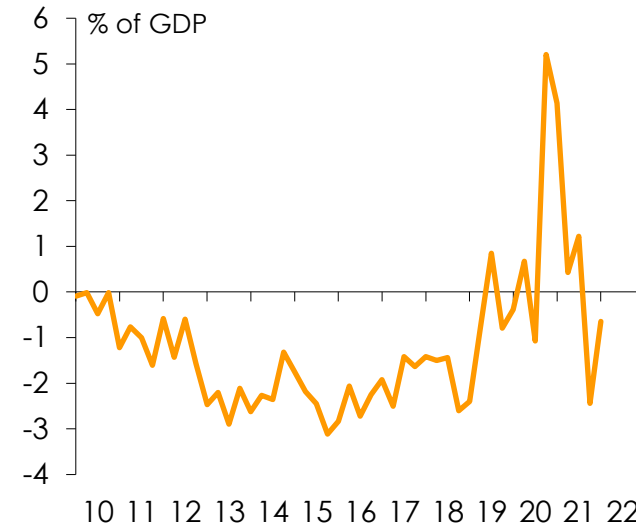
## Interest rates



## Inflation



## Current account balance



## Federal budget deficit



## Mexican peso vs US\$



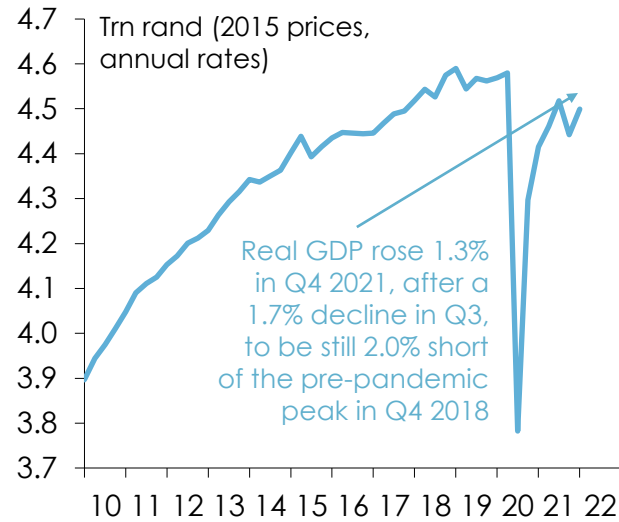
Sources [Banco de México](#); [Instituto Nacional de Estadística y Geografía \(INEGI\)](#); Refinitiv Datastream.. [Return to "What's New"](#).



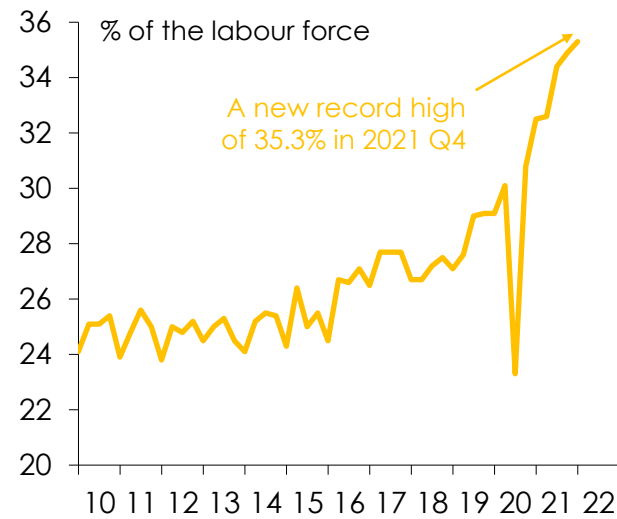
# South Africa's Reserve Bank raised its policy rate by 50bp, to 4.75%, this month, foreshadowing 200bp more over the next 2½ years

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

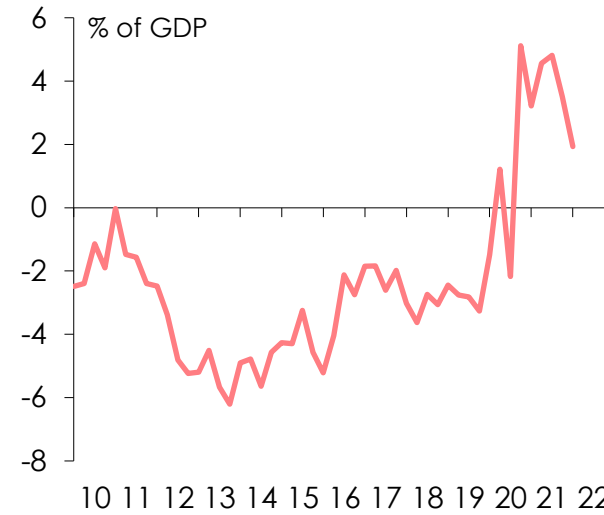
## Real GDP



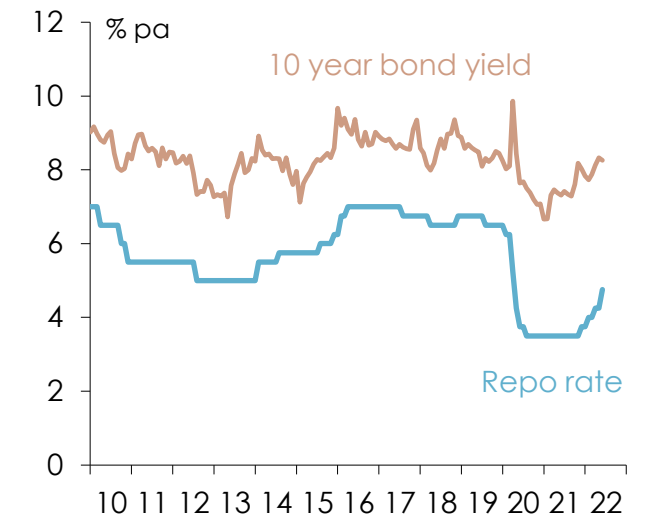
## Unemployment



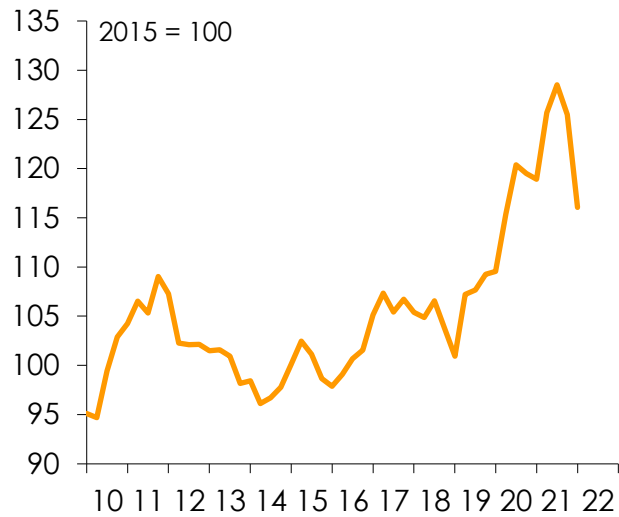
## Current account balance



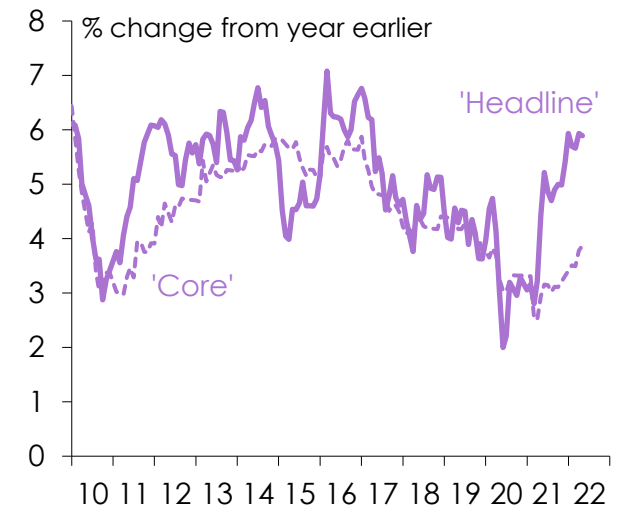
## Interest rates



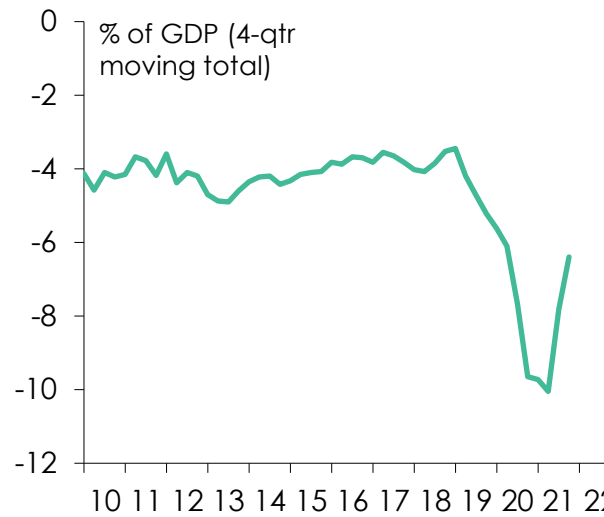
## Terms of trade



## Inflation



## Budget deficit



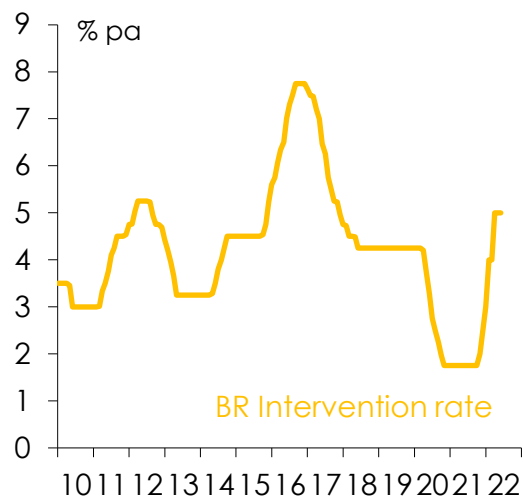
## Rand vs US\$



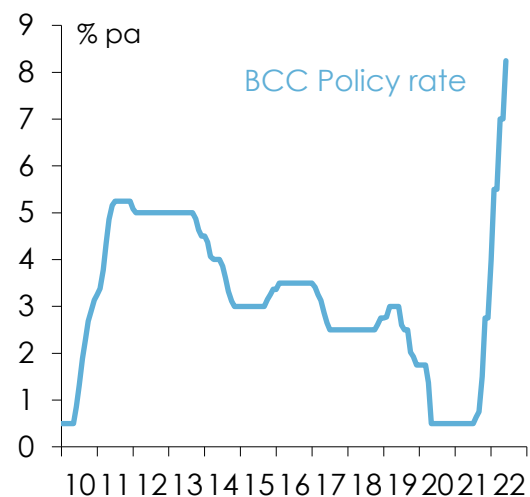
# A growing number of other 'emerging' market central banks have begun tightening monetary policy

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

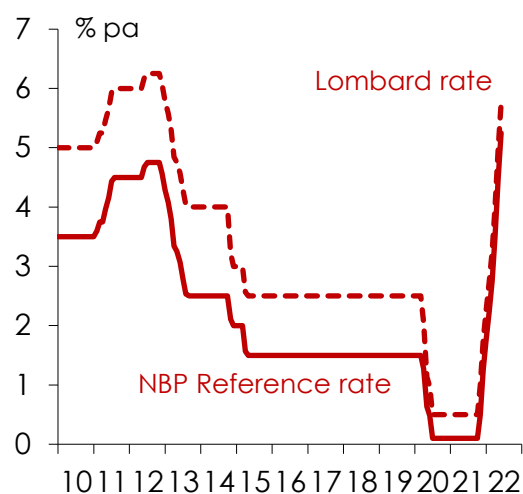
## Colombia



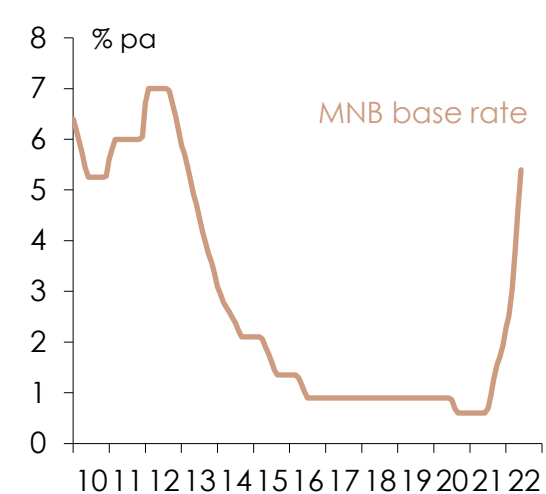
## Chile



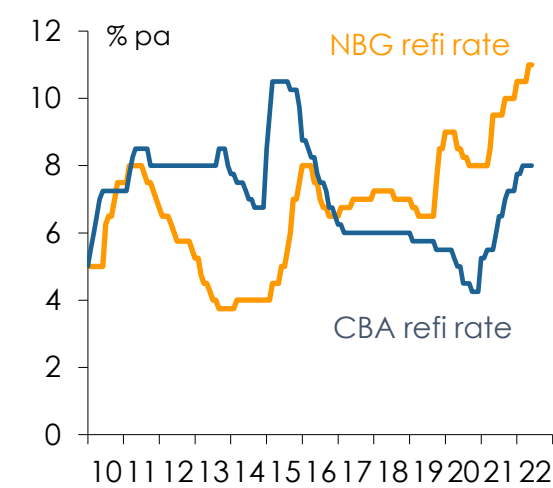
## Poland



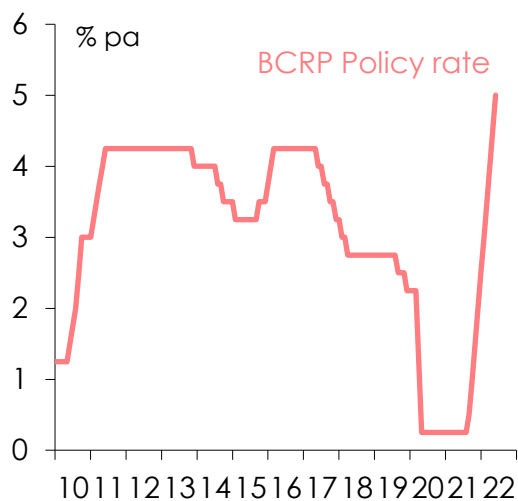
## Hungary



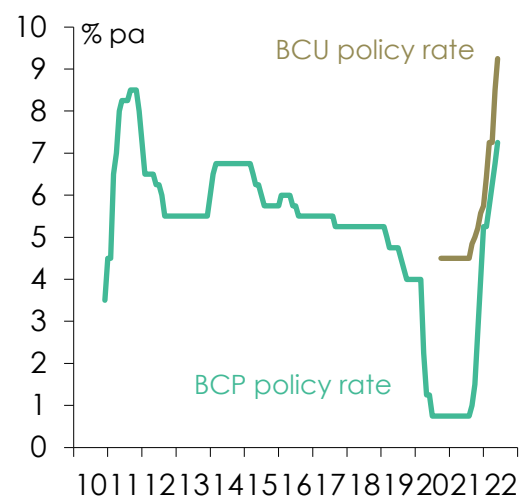
## Georgia & Armenia



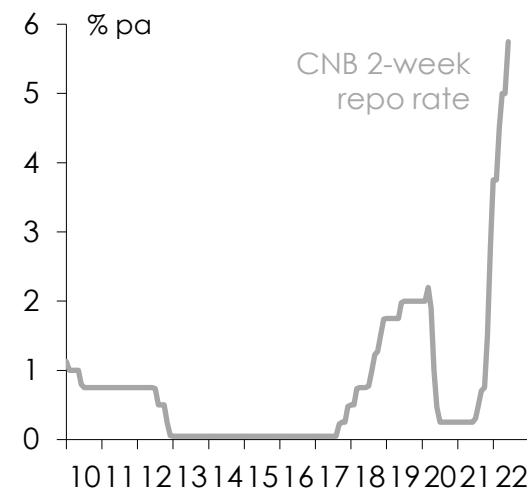
## Peru



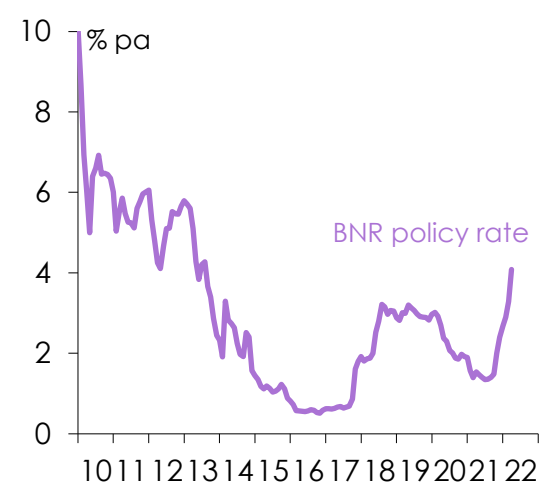
## Paraguay & Uruguay



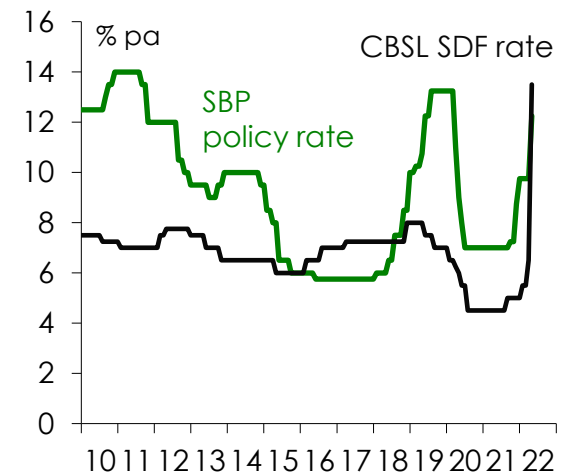
## Czech Republic



## Romania



## Pakistan & Sri Lanka

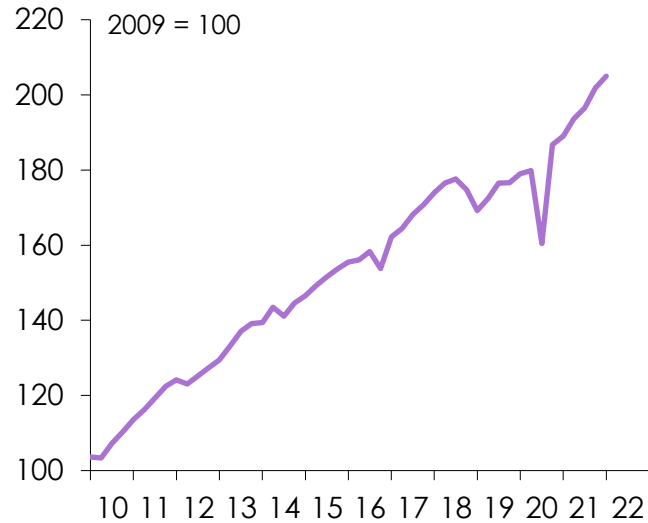


Sources: [Banco de la República Colombia](#); [Banco Central de Reserva del Perú](#); [Banco Central de Chile](#); [Banco Central del Uruguay](#); [Banco Central del Paraguay](#); [Narodowy Bank Polski](#); [Česká Národní Banka](#); [Magyar Nemzeti Bank](#); [Banca Națională a României](#); [Sakartvelos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

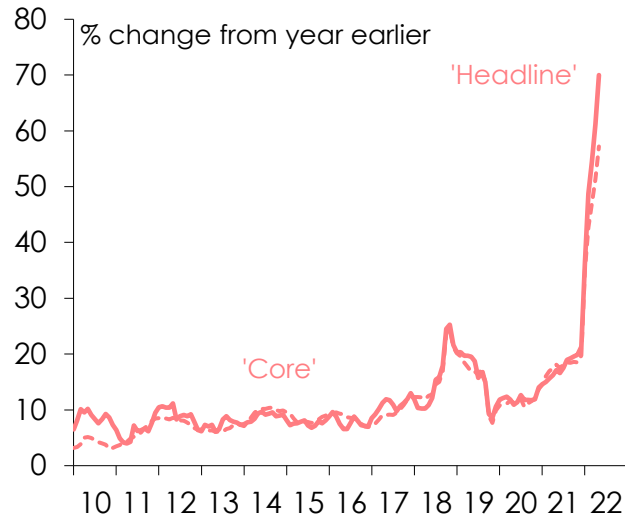
# Turkey's central bank again left rates on hold last week, as it has since December, despite inflation accelerating to 70%

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

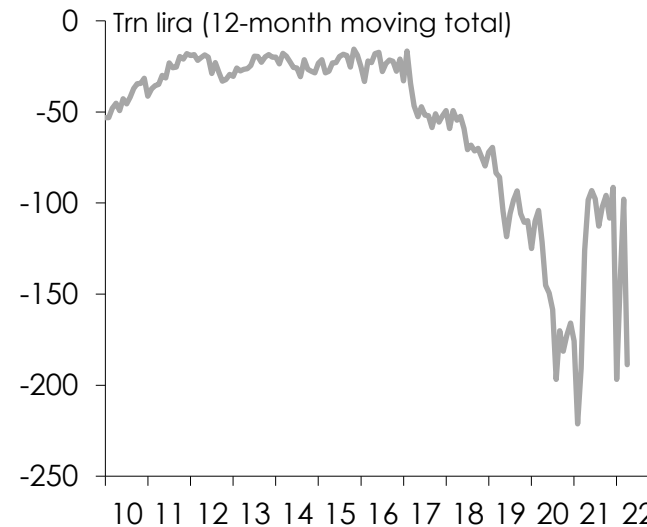
## Real GDP



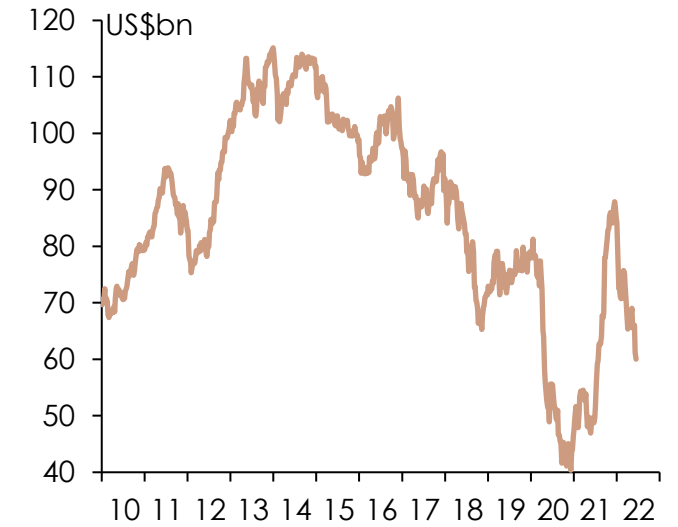
## Inflation



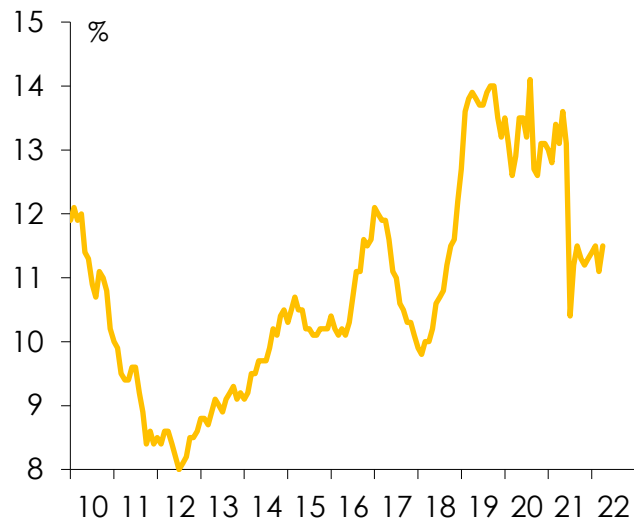
## Budget balance



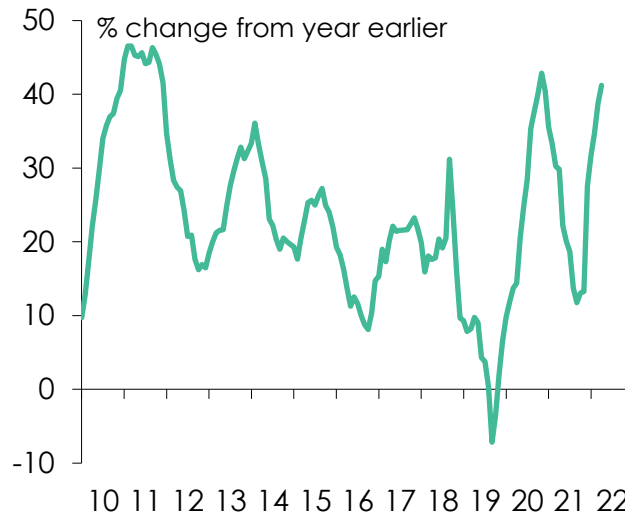
## FX reserves



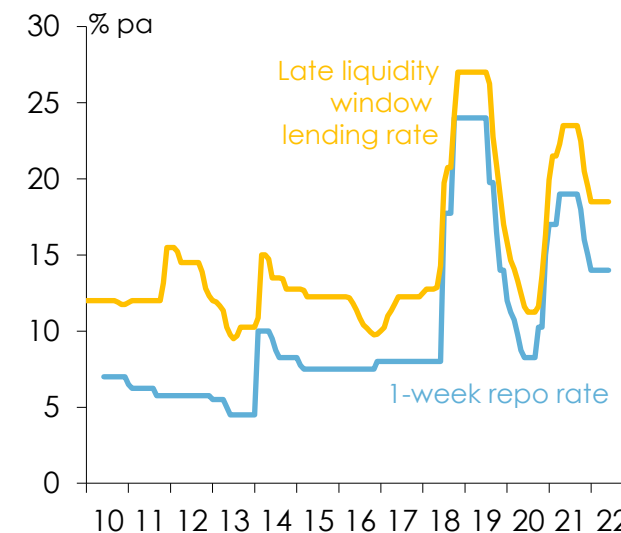
## Unemployment rate



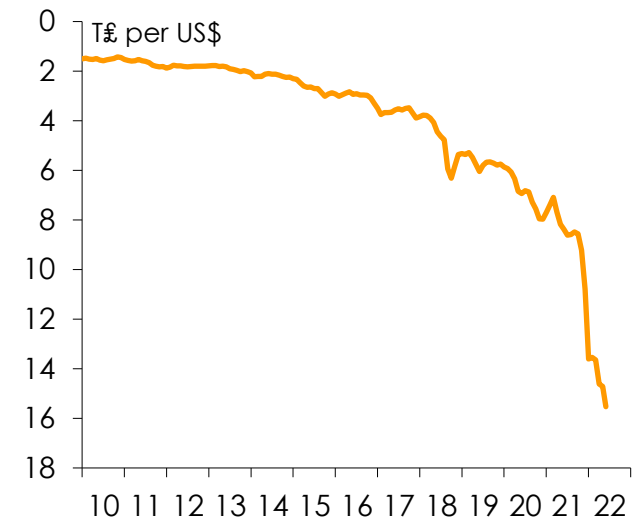
## Bank lending



## Interest rates



## Turkish lira vs US\$



# Key data and events this week

# Key data and events for week ended 3<sup>rd</sup> June

THE WORLD ECONOMY THIS WEEK – 30<sup>TH</sup> MAY 2022

Monday 30<sup>th</sup> May

**Vietnam** May CPI, retail sales & industrial production; **Thailand** April industrial production; **euro area** May consumer confidence (final) & business sentiment; **Iceland** May CPI; **Canada** Q1 current account balance; **Chile** April unemployment

Tuesday 31<sup>st</sup> May

**New Zealand** May consumer confidence & April building permits; **Australia** April building approvals, money & credit aggregates, Q1 company profits and balance of payments; **Japan** May consumer confidence, April unemployment, retail sales, housing starts & industrial production; **Korea** May retail sales & industrial production; **Thailand** April retail sales; **China** 'official' May PMIs; **Turkey** April trade balance & Q1 GDP; **South Africa** Q1 unemployment & April merchandise trade; **Hungary** MNB meeting; **euro area** May 'flash' CPI; **Iceland** Q1 GDP; **US** April Case-Shiller house price indexes & May Conference Board consumer confidence; **Canada** Q1 GDP; **Chile** April retail sales & industrial production

Wednesday 1<sup>st</sup> June

**Australia** Q1 GDP & May housing prices; **Japan** May manufacturing PMI; **Korea** May merchandise trade; **Taiwan, Malaysia, Thailand & Philippines** May manufacturing PMIs; **euro area** May manufacturing PMI; **Russia** April unemployment, retail sales & industrial production; **euro area** April unemployment; **Iceland** Q1 current account balance; **US** May manufacturing ISM, April factory orders, JOLTS survey & construction spending, Fed 'beige book'; **Canada** BoC meeting; **Peru** May CPI

Thursday 2<sup>nd</sup> June

**Australia** April merchandise trade & retail sales (final); **Korea, Singapore & Indonesia** May manufacturing PMIs; **Indonesia** May CPI; **India** May merchandise trade (p); **euro area** April PPI; **Canada** April building permits; **Brazil** Q1 GDP; **Mexico** May consumer confidence

Friday 3<sup>rd</sup> June

**Australia** April housing finance; **Korea** May CPI; **Singapore** April retail sales; **India** May manufacturing PMI; **Russia** May manufacturing PMI; **Turkey** May CPI & PPI; **euro area** May services PMI & April retail sales; **Norway** May unemployment & house prices; **US** May employment, unemployment & average earnings, May services ISM; **Brazil** April industrial production; **Colombia** May CPI; **Paraguay** May CPI

## Important information

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