



THE WORLD ECONOMY THIS WEEK

22ND AUGUST 2022

SAUL ESLAKE

CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

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What's new?

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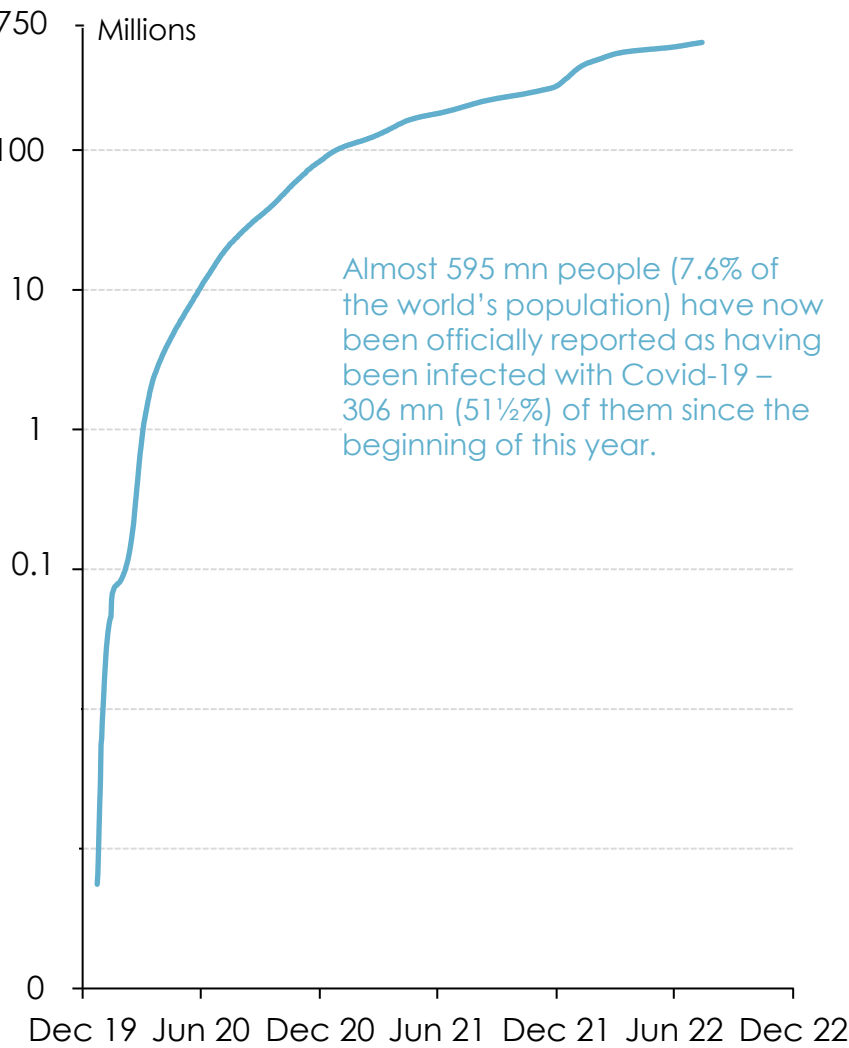
- ❑ China's July industrial production and retail sales were, respectively, 3.8% and 2.7% higher than a year earlier, representing slower growth than over the twelve months to June; the urban unemployment rate fell 0.1 pc pt to a (still high, by Chinese standards) 5.4%; construction activity continued to decline; and both freight and (especially) passenger traffic volumes were lower than a year earlier – all of which suggests that China's economy remains sluggish ([slides 71-72](#)); the PBoC responded to the data with a 10bp reduction in the interest rate on its medium-term lending facility ([slides 75-76](#))
- ❑ US economic data presented a mixed picture, with retail sales flat in July, due to falls in sales at motor vehicle dealers and petrol stations, offsetting a 0.7% increase in 'core' retail sales ([slide 43](#)), but housing starts fell 9.6% in July (to their lowest level since February last year) and existing home sales fell 5.9% to their lowest since May 2020 ([slide 44](#)); meanwhile a range of survey-based measures continue to point to a marked slowing in overall US economic activity ([slide 41](#))
- ❑ One of those surveys, conducted by the Philadelphia Fed, also pointed to a significant easing in 'upstream' price pressures, with the index of prices paid and received by manufacturing businesses falling in August to their lowest levels since December 2020 and February 2021 ([slide 52](#))
- ❑ However the minutes of last month's FOMC meeting, released last Wednesday, recorded a consensus that "moving to a restrictive stance" of monetary policy was required in order to bring inflation down to the Fed's target, and that "ongoing increases" in the federal funds rate target would be appropriate – although FOMC members also recognized that it "would become appropriate at some point to slow the pace of policy rate increases while assessing the impact of cumulative policy adjustments on economic activity and inflation" ([slide 57](#))
- ❑ Financial markets interpreted all this as increasing the likelihood of another 75bp increase in the funds rate at the next FOMC meeting on 20th-21st September, pushing both bond yields and the US dollar up ([slides 34 and 36](#))
- ❑ Japan's real GDP grew by 0.5% in Q2, driven by a 1.1% increase in consumer spending as the number of Covid cases eased, but was still 2.7% below its pre-pandemic peak ([slide 80](#)); meanwhile, Japan's 'headline' inflation rate rose to a near eight-year high of 2.6% in July, mostly as a result of higher food and energy prices, excluding which the 'core' inflation rate of 1.2% was the highest since September 2015 ([slide 83](#)) – not enough to prompt any change in BoJ policy
- ❑ Canada's 'headline' inflation rate fell to 7.6% in July from 8.1% in June, but the 'core' rate rose to a new three-decade high of 5.5% ([slide 110](#))
- ❑ Norway's central bank raised its policy rate by 50 bp, to 1.75%, and foreshadowed another increase next month ([slide 67](#)), while the Reserve Bank of New Zealand lifted its official cash rate by a similar amount, to 3.0%, foreshadowing an eventual peak of 4% next year ([slides 109 and 112](#))
- ❑ In emerging markets, the Philippines' central bank raised its policy interest rate 50bp, to 3.75% ([slides 98-99](#)), while Turkey's unexpectedly cut its policy rate by 100bp to 13%, despite inflation of almost 80% ([slides 114 and 121](#))
- ❑ Highlights of this week's calendar include July 'flash' PMIs for the US, Europe & Japan; US July personal income & spending and the PCE deflator; central bank meetings in Indonesia and Korea; and Fed Chair Powell's speech to the Kansas City Fed's Jackson Hole symposium ([slide 123](#))

Covid-19

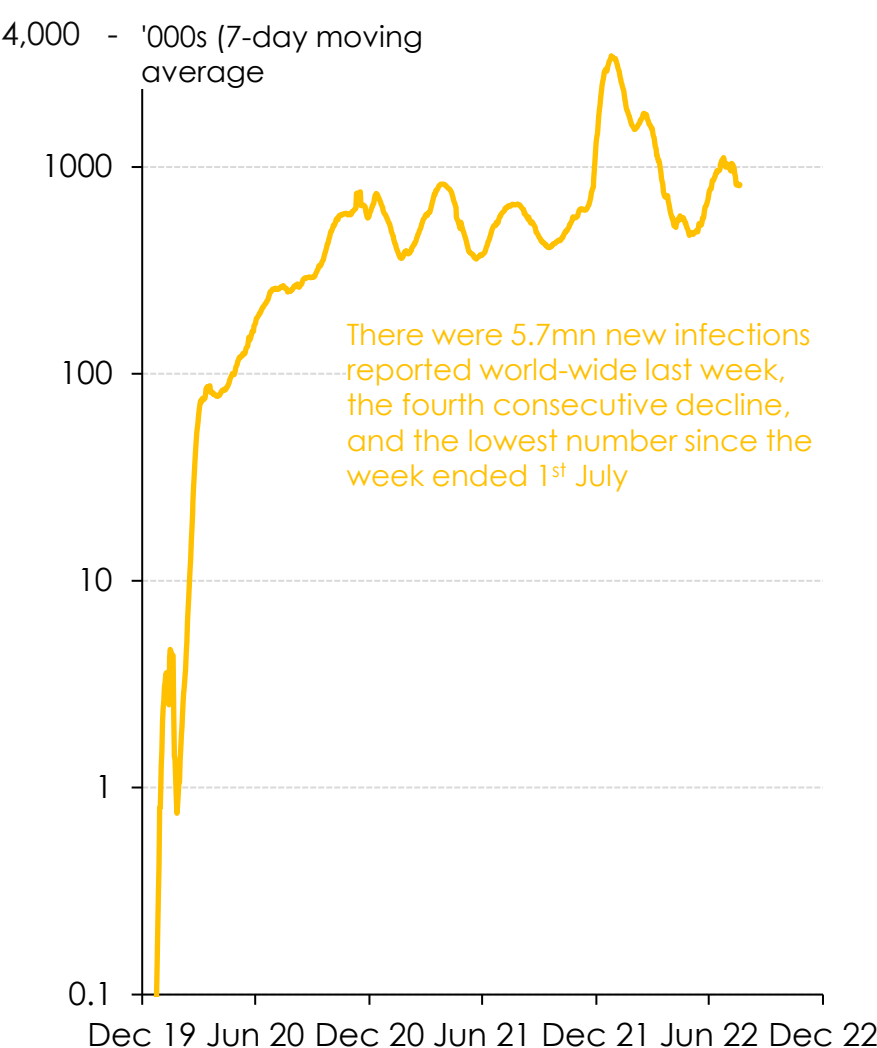
The global total of new Covid-19 cases has now fallen for four weeks in a row, though it is still almost 50% above the average for 2021

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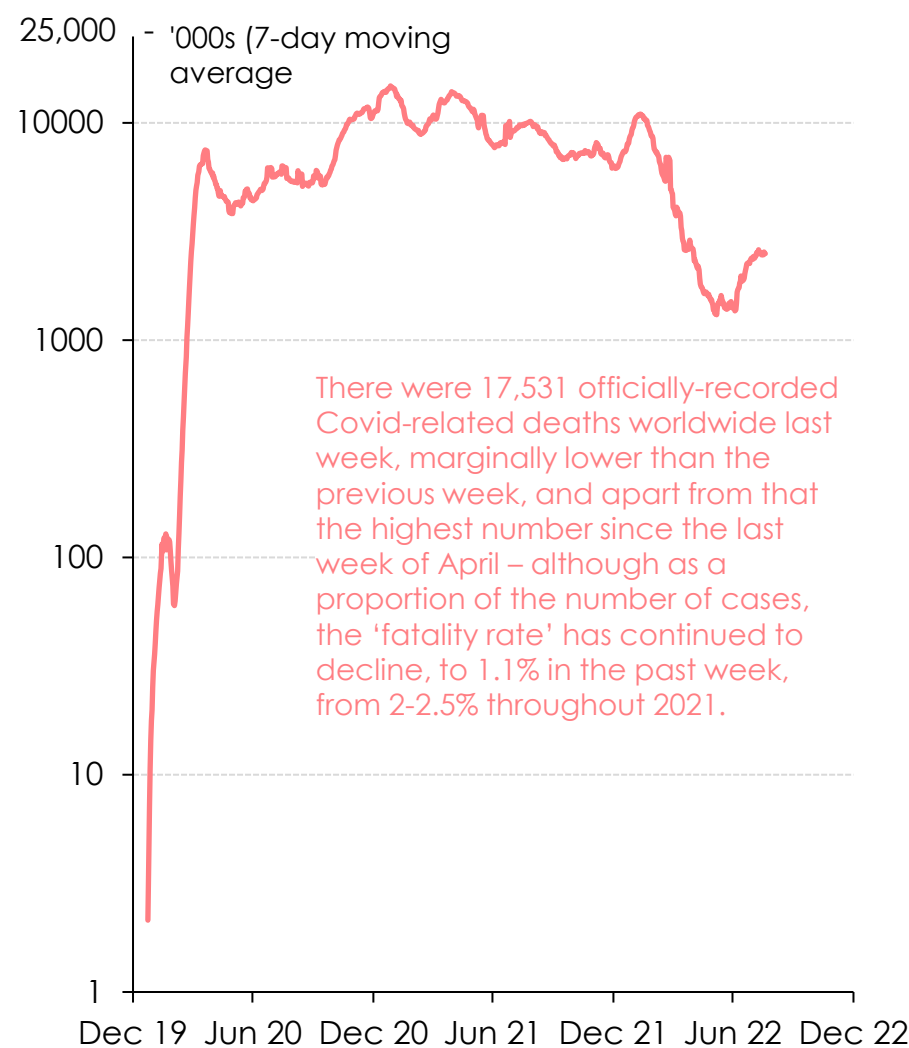
Cumulative confirmed cases – global total



New confirmed cases – global total



New deaths – global total

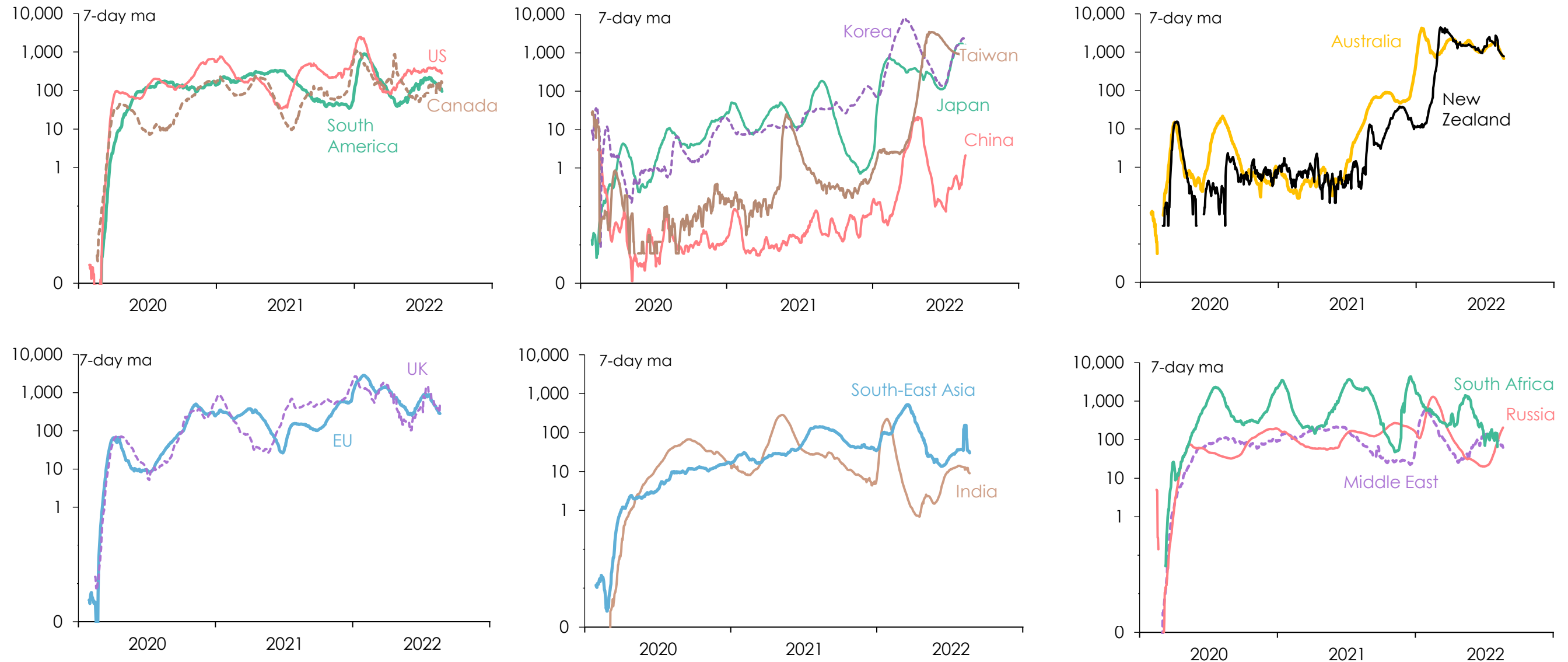


Note: All charts are on logarithmic scales. Data up to 19th August. Source: University of Oxford, [Our World in Data](#). [Return to "What's New"](#).

Case numbers are now declining in most parts of the world, except for Russia and (from a low base) China (which could re-impose lockdowns)

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Daily new cases per million population – major countries and regions

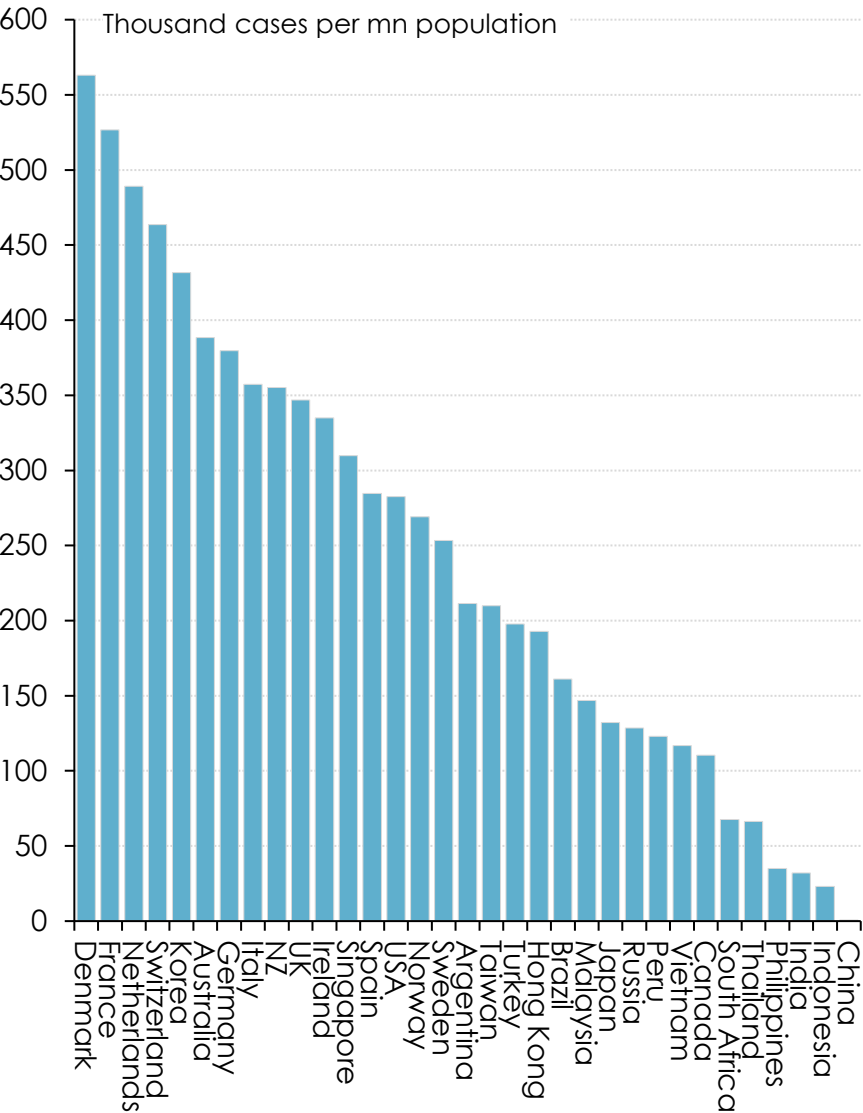


Note: All charts are on logarithmic scales. Data up to 19th August. Source: University of Oxford, [Our World in Data](#); Corinna. [Return to "What's New"](#).

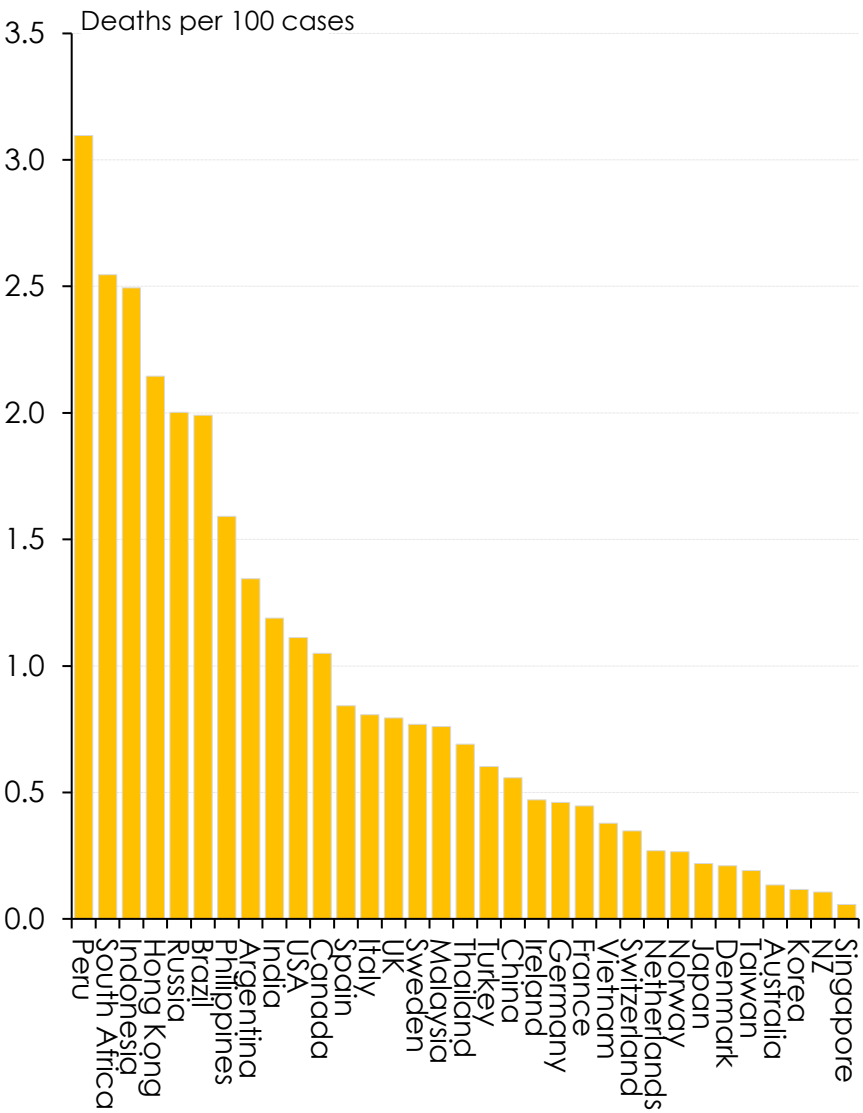
The highest cumulative infection and death rates (since the onset of the pandemic) have been in Europe, South and North America

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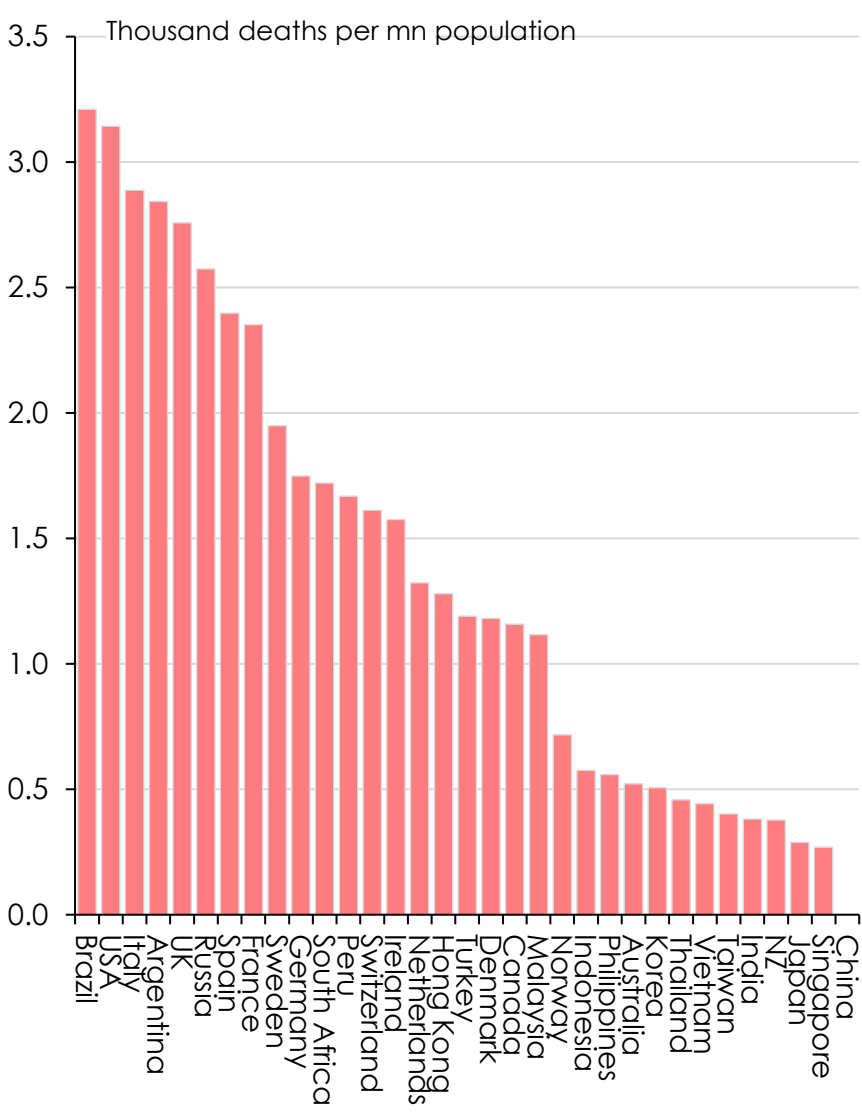
Apparent infection rate



Apparent fatality rate



Apparent death rate

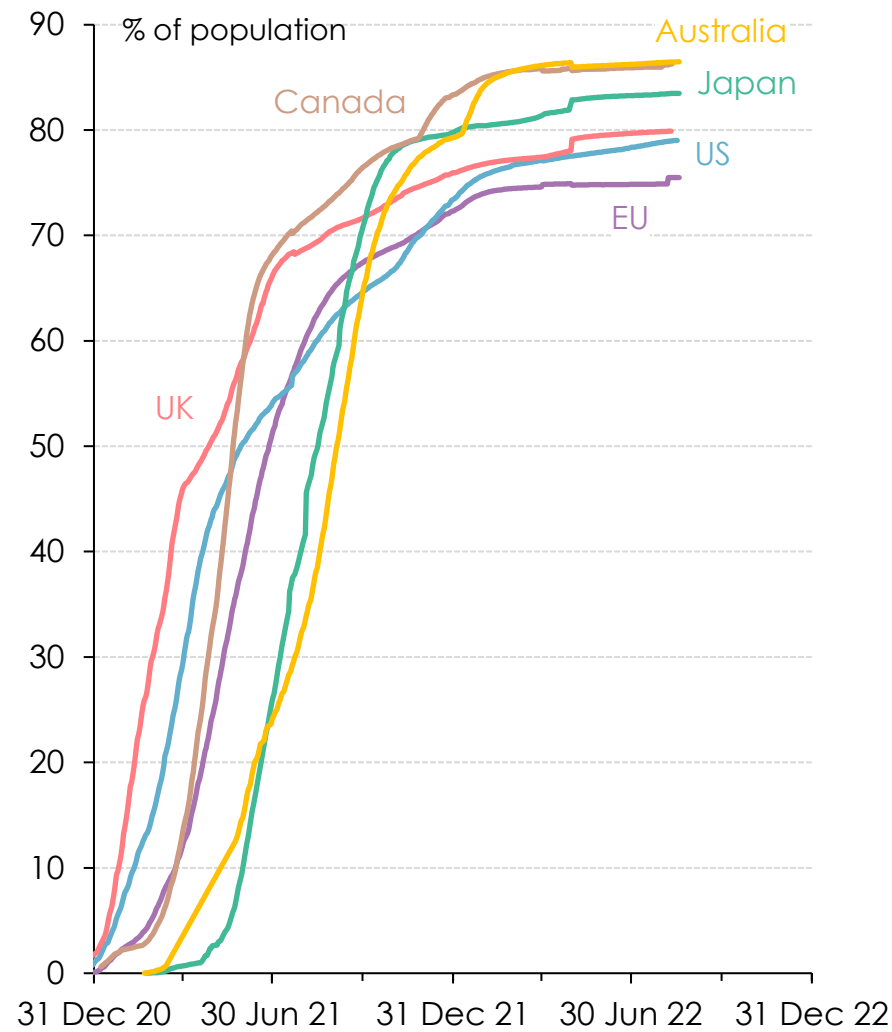


Note: Data shown in these charts are cumulative since the beginning of the pandemic, up to 19th August. Sources: University of Oxford, [Our World in Data](#); Corinna.
[Return to "What's New"](#).

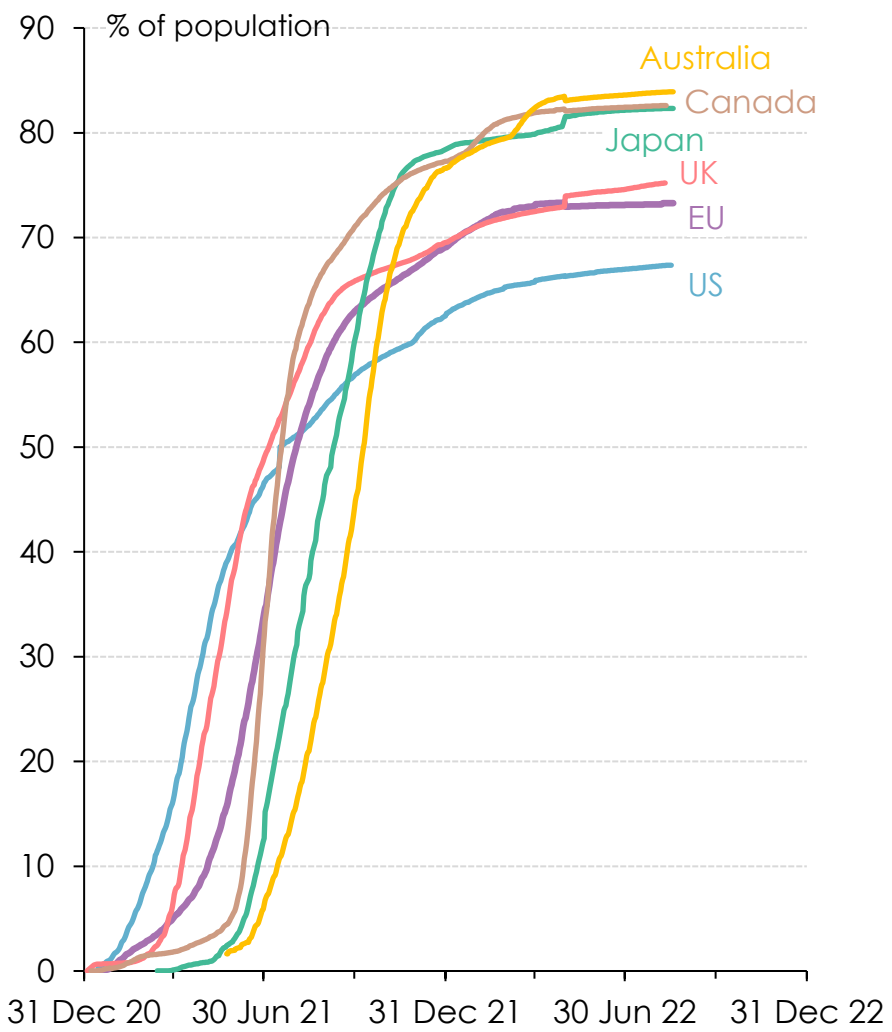
The US lags behind most other ‘advanced’ economies in fully vaccinating its population and especially with regard to ‘boosters’

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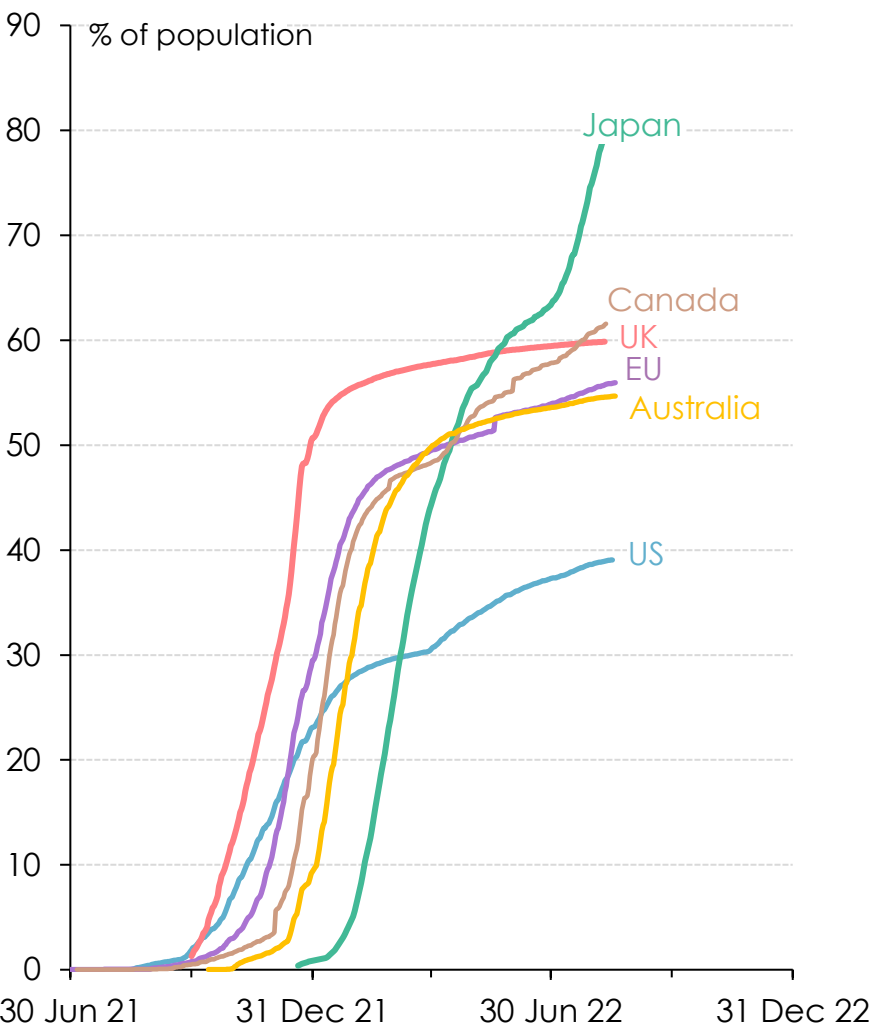
Percentage of populations who have had at least one shot



Percentage of populations who have had two shots



Percentage of populations who have had a ‘booster’ shot

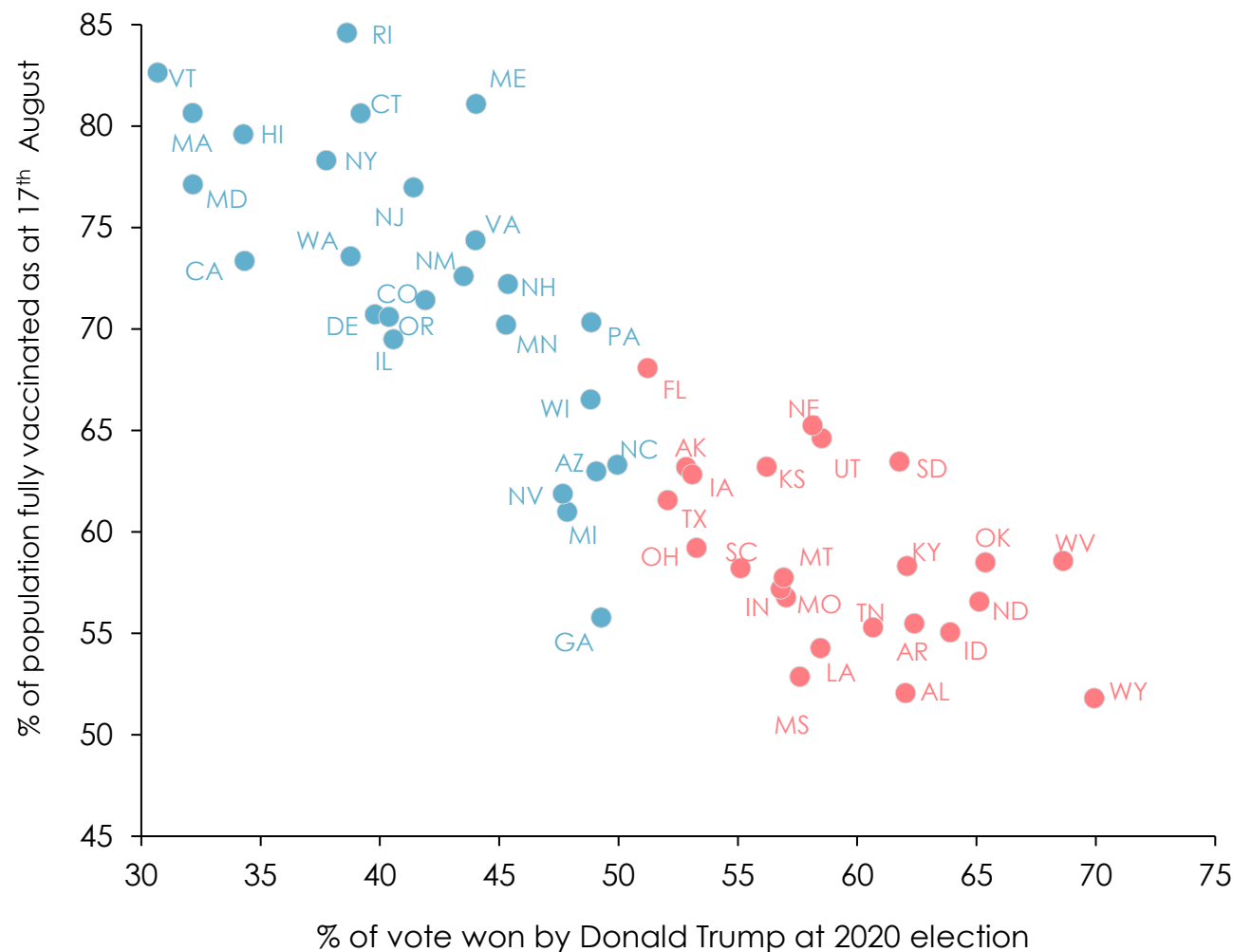


Note: Data up to 18th August, except for the UK, 10th August, and Canada, 11th August.
Source: [Our World in Data](#); [Coronavirus \(COVID-19\) Vaccinations](#). [Return to "What's New"](#).

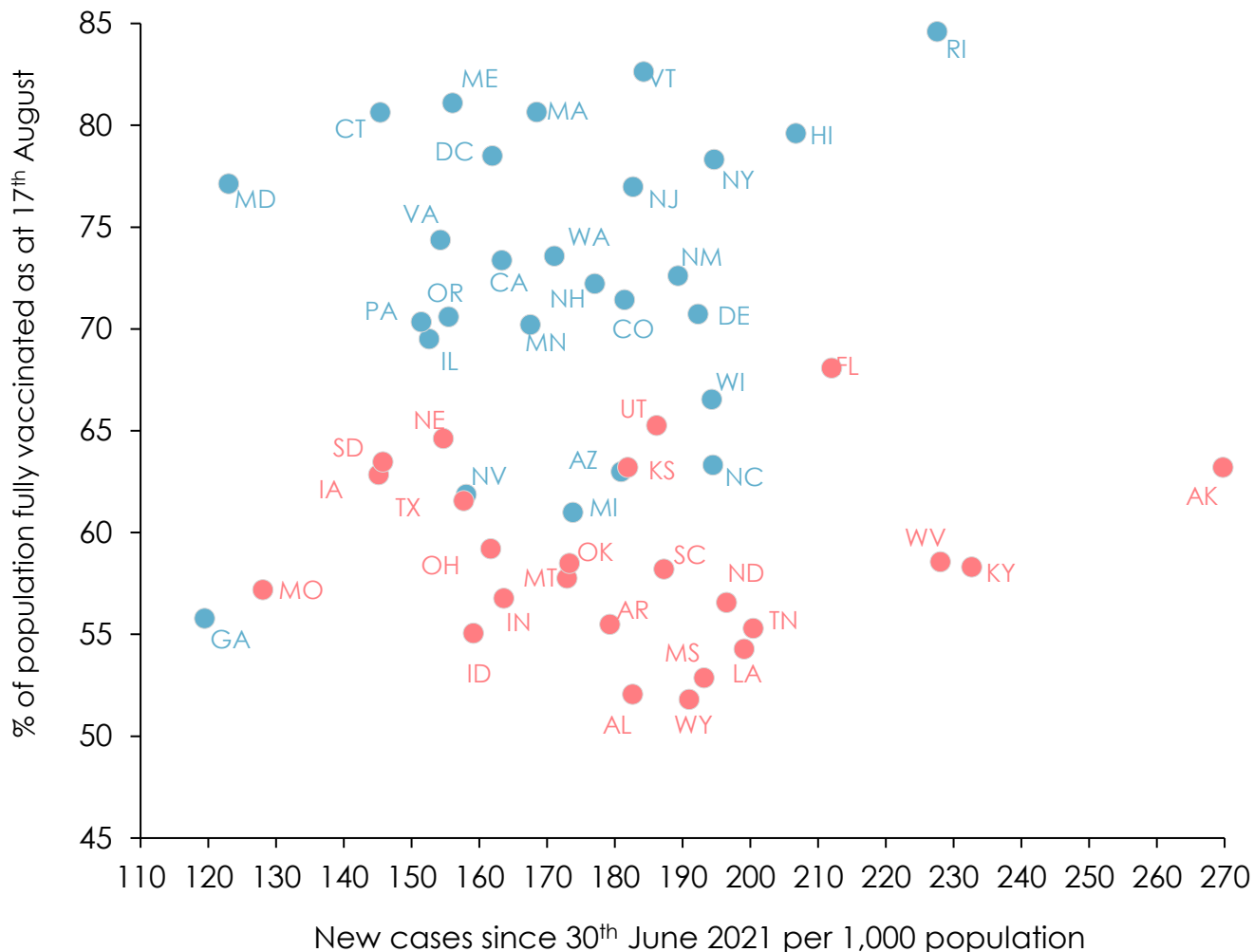
In the US there's a strong correlation between voting patterns and vaccine hesitancy, and (inversely) between vaccination rates and infection rates

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Vaccination rates vs Trump vote at 2020 elections, by state



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

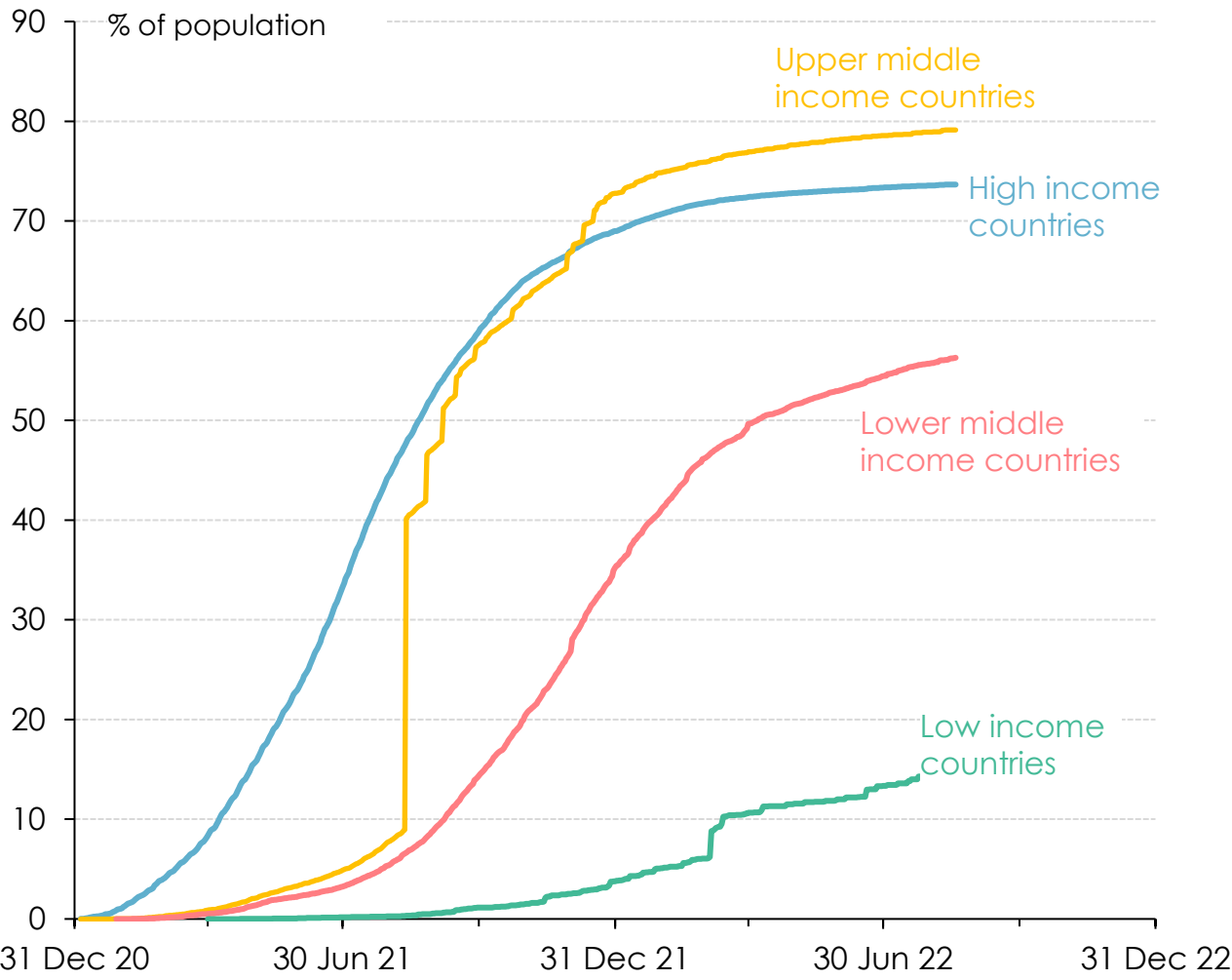


Note: Case data as at 17th August. Missouri and Nebraska have stopped reporting case numbers. Sources: [The Cook Political Report](#); [Our World in Data](#); [USA Facts](#); Corinna. [Return to "What's New"](#).

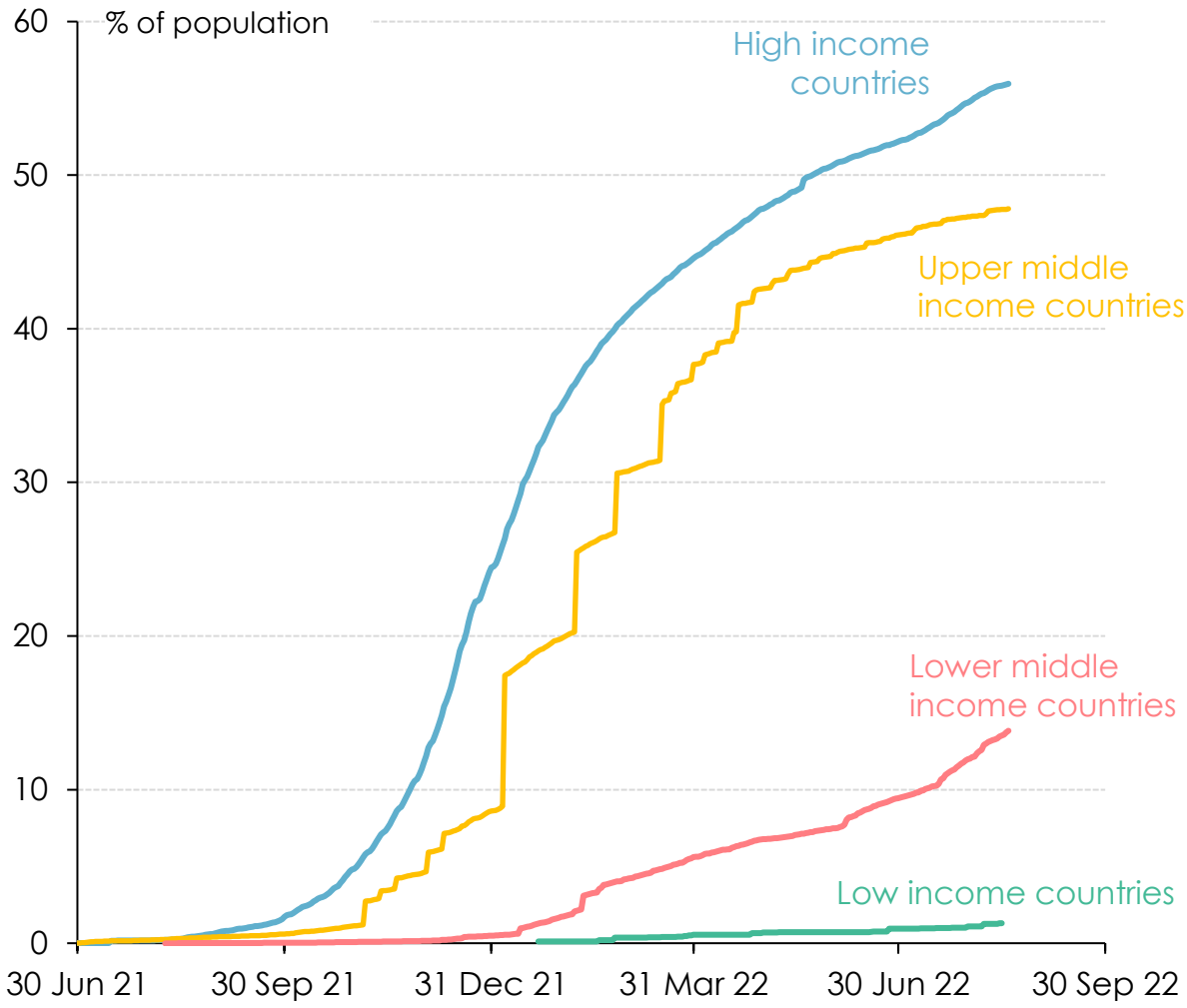
The vaccine roll-out has proceeded much more slowly among low- and lower-middle income countries

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



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



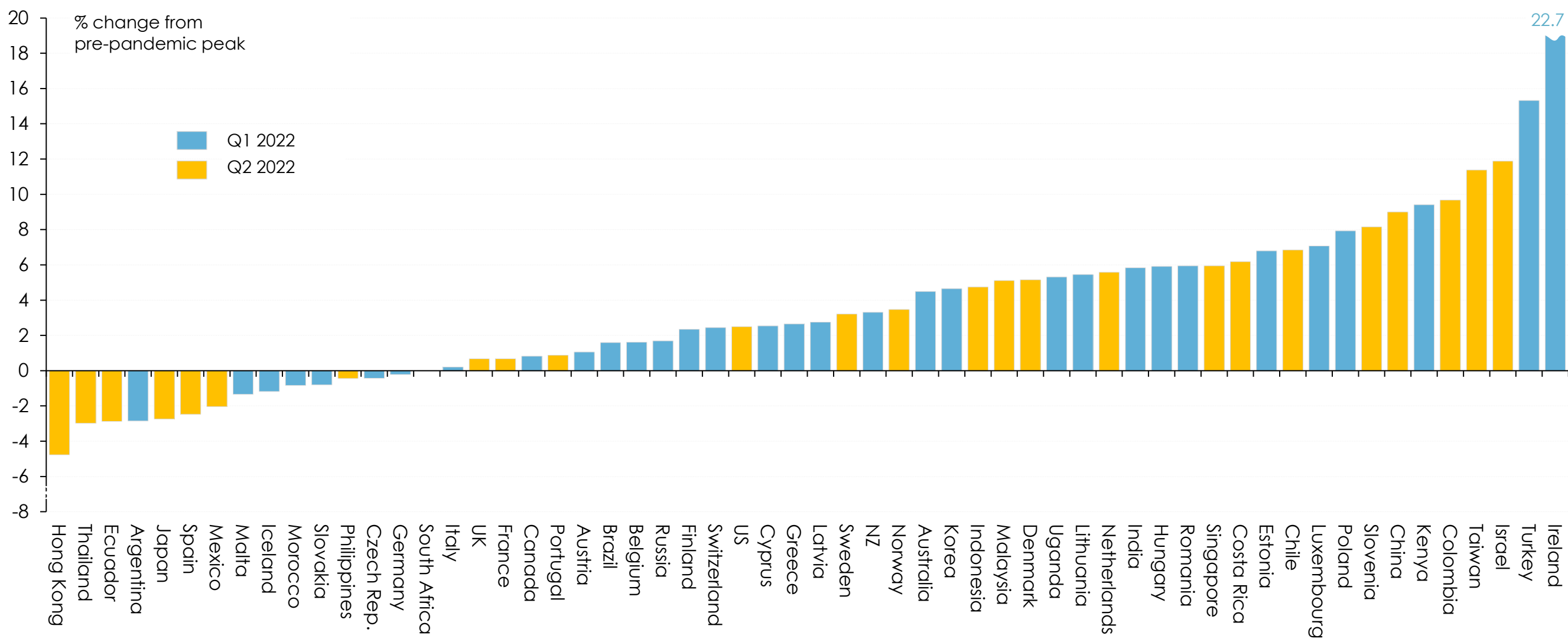
Note: Income categories are as defined by the [World Bank](#): high-income countries are (in 2021) those with a per capita gross national income (GNI) of over US\$12,535; upper-middle income countries are those with per capita GNI between US\$4,046 and \$12,535; lower middle-income countries are those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

The world economy

40 countries (of 54 for which seasonally-adjusted GDP estimates are available) have now surpassed their pre-pandemic peaks

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Q1 or Q2 2022 real GDP compared with pre-recession peak

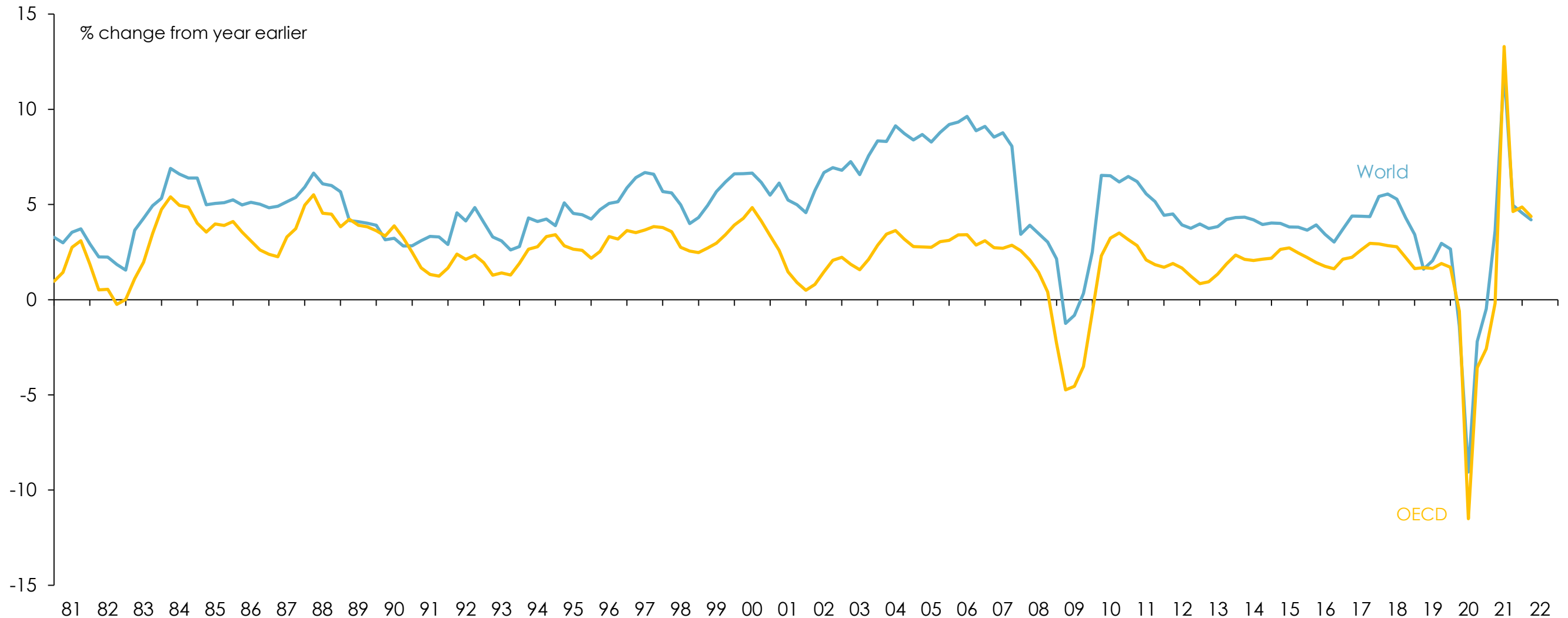


Note: Estimate for China is derived from quarterly growth rates published by China NBS; estimates for India, Indonesia and Russia are seasonally adjusted by the OECD.
Sources: National statistical agencies and central banks, and OECD. [Return to "What's New"](#).

The world economy grew by about 4¼% over the year to Q1 – down from a peak of 12% in Q2 2021 which was flattered by comparison with Q2 2020

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World and OECD area real GDP growth



Note: Estimates of global GDP growth compiled by Corinna using data for 100 countries accounting for 94% of 2019 world GDP as measured by the IMF, weighted in accordance with each country's share of global GDP at purchasing power parities in 2019; excludes constituents of the former USSR before 1993, the former Czechoslovakia before 1995, and the former Yugoslavia before 1998. Sources: national statistical agencies and central banks; Eurostat; [OECD](#); IMF; Corinna. [Return to "What's New"](#).

The more 'advanced' Asian economies, Australia's & NZ's and the US's, have recovered more rapidly from 2020-21 recessions than Europe's

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Levels of real GDP indexed to Q4 2019 = 100



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

The IMF cut its forecasts for global growth in 2022 and 2023 by 0.4 and 0.7 pc pt, respectively, and raised its inflation forecasts by 0.8 pc pt pa

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Major global institutions' growth forecasts for 2022 and 2023 compared

	Actual			IMF		OECD		World Bank			Australia/NZ Treasuries		
	2010-19 [^]	2020	2021	2022	2023	2022	2023	2022	2023	2024	2022	2023	2024
US	2.2	-3.4	5.7	2.3	1.0	2.5	1.2	2.5	2.4	2.0			
China	7.7	2.2	8.1	3.3	4.6	4.4	4.9	4.3	5.2	5.1			
Euro area	1.3	-6.3	5.4	2.6	1.2	2.6	1.6	2.5	1.9	1.9			
India	7.0	-6.6	8.7	7.4	6.1	6.9	6.2	7.5	7.1	6.5			
Japan	1.2	-4.5	1.7	1.7	1.7	1.7	1.8	1.7	1.3	0.6			
UK	1.8	-9.3	7.4	3.2	0.5	4.7	2.1	na	na	na			
Australia	2.6	-2.1	4.8	3.8	2.2	4.2	2.5	na	na	na	3.0*	2.0*	2.3*
New Zealand	2.9	-3.0	5.6	2.7	2.6	3.0	2.0	na	na	na	1.7 [†]	4.2 [†]	0.7 [†]
World	3.7	-3.1	6.1	3.2	2.9	3.0	2.8	2.9	3.0	3.0	3.3	3.3	3.3
World trade	3.7	-7.9	10.1	4.1	3.2	4.9	3.9	4.0	4.3	3.8	na	na	na
World inflation	3.5	3.2	4.7	8.3	5.7	7.6	6.3	na	na	na	na	na	na

Note: All actuals and forecasts are % per annum. [^] Annual average. * Forecasts for fiscal years beginning 1st July (and finishing 30th June following year) [†] Forecasts by New Zealand Treasury for fiscal years beginning 1st July. Sources: International Monetary Fund (IMF), [World Economic Outlook Update](#), 26th July 2022; The World Bank, [Global Economic Prospects](#), 7th June 2022; Organization for Economic Co-operation & Development (OECD), [Economic Outlook 2022 \(preliminary version\)](#), 8th June 2022; Australian Treasury, [Ministerial Statement on the Economy](#), 28th July 2022; New Zealand Treasury, [Budget Economic and Fiscal Update 2022](#), 19th May 2022. [Return to "What's New"](#).

The IMF's downward revisions to its global growth forecasts have been prompted by higher interest rates, China's lockdowns and Ukraine effects

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IMF real GDP growth forecasts

	July forecast (%)		Revision from April (pc pts)	
	2022	2023	2022	2023
Advanced economies				
US	2.3	1.0	-1.4	-1.3
Euro area	2.6	1.2	-0.2	-1.1
Japan	1.7	1.7	-0.7	-0.6
UK	3.2	0.5	-1.4	-1.3
Canada	3.4	1.8	-0.5	-1.0
Australia	3.8	2.2	-0.4	-0.3
Emerging economies				
China	3.3	4.6	-1.1	-0.5
India	7.4	6.1	-0.8	-0.8
Brazil	1.7	1.1	0.9	-0.3
Russia	-6.0	-3.5	2.5	-1.2
South Africa	2.3	1.4	0.4	0.0
World	3.2	2.9	-0.4	-0.7

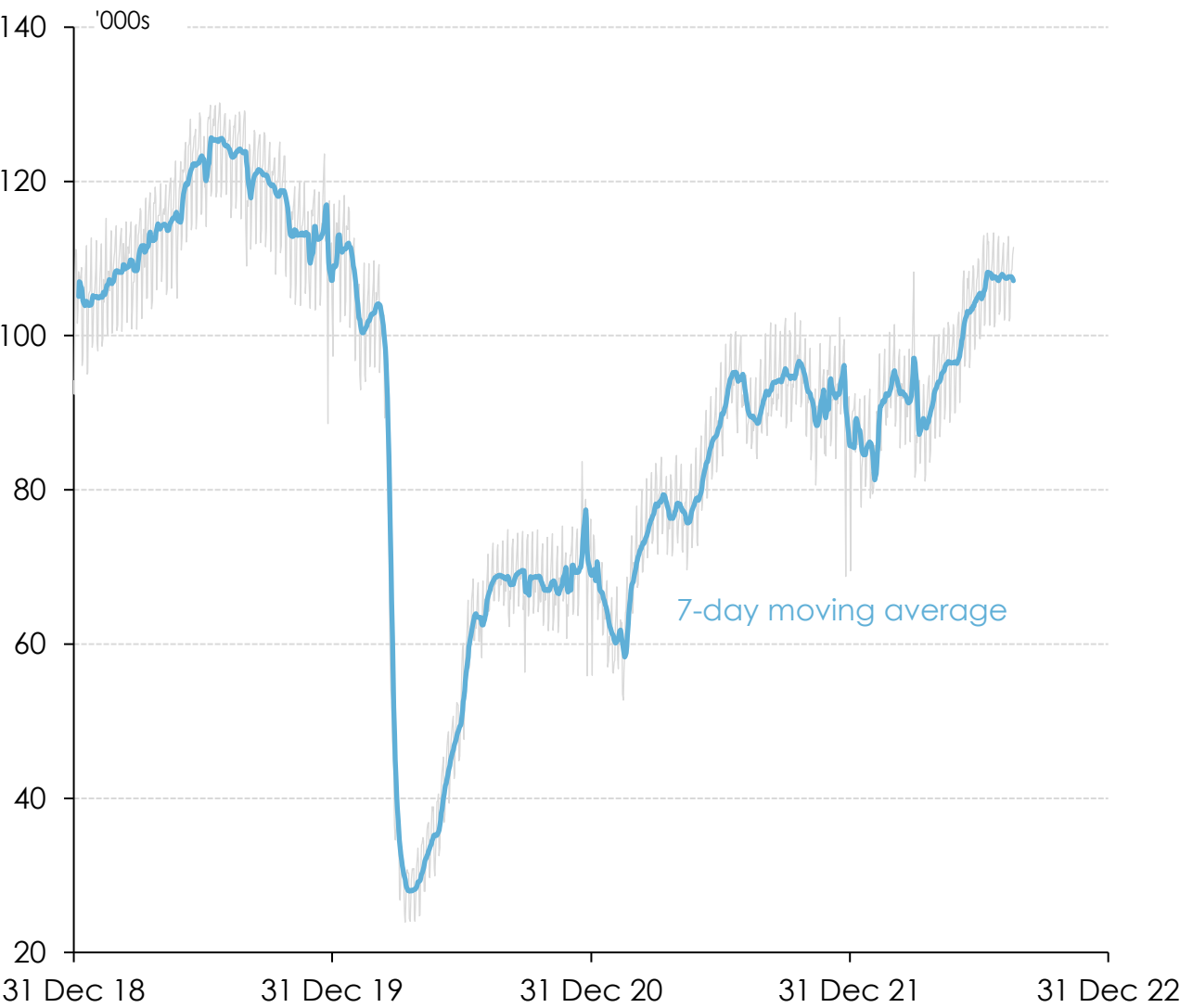
- ❑ The IMF now expects global economic growth to slow from 6.% in 2021 to 3.2% this year (a downward revision of 0.4 pc pt from its previous forecast in April) and to 2.9% in 2023 (a downward revision of 0.7 pc pt)
 - the downward revisions are particularly large (by IMF standards) for the US, the UK, China, India and (in 2023) the euro area
- ❑ It also raised its forecasts for global inflation by 0.9 pc pts in both 2022 and 2023, to 8.3% and 5.7% respectively
- ❑ The IMF attributes the downward revisions to its economic growth forecasts to a combination of
 - tighter financial conditions, in response to higher inflation
 - further lockdowns, in response to Covid-19, and “the deepening real estate crisis” in China, and
 - further “negative spillovers” from the war in Ukraine
- ❑ The IMF says the risks to the outlook are “overwhelmingly tilted to the downside”
 - its latest Update outlines an “alternative scenario” in which inflation expectations remain “persistently more elevated”, leading to a greater tightening of financial conditions, combined with tighter sanctions on Russia and/or Russia curtailing gas supplies to Europe
 - in this scenario global growth could fall to 2.6% in 2022 and 2.0% in 2023, growth rates which have “only occurred rarely in the past” (on only five occasions since 1970)

Source: International Monetary Fund (IMF), [World Economic Outlook Update](#), 26th July 2022. [Return to "What's New"](#).

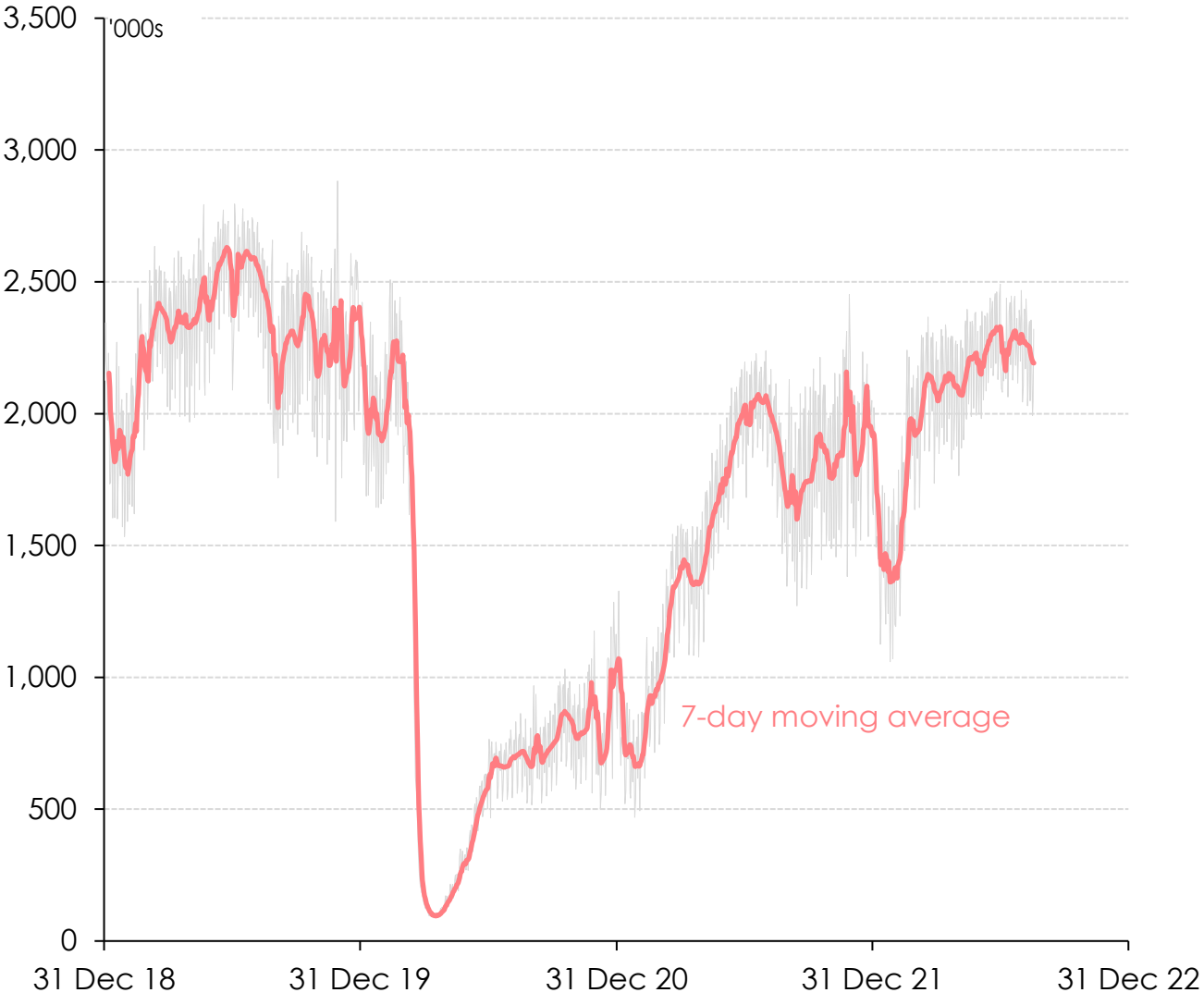
Global aviation traffic picked up significantly between March and July, but has levelled out again over the past few weeks

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Daily commercial flights worldwide



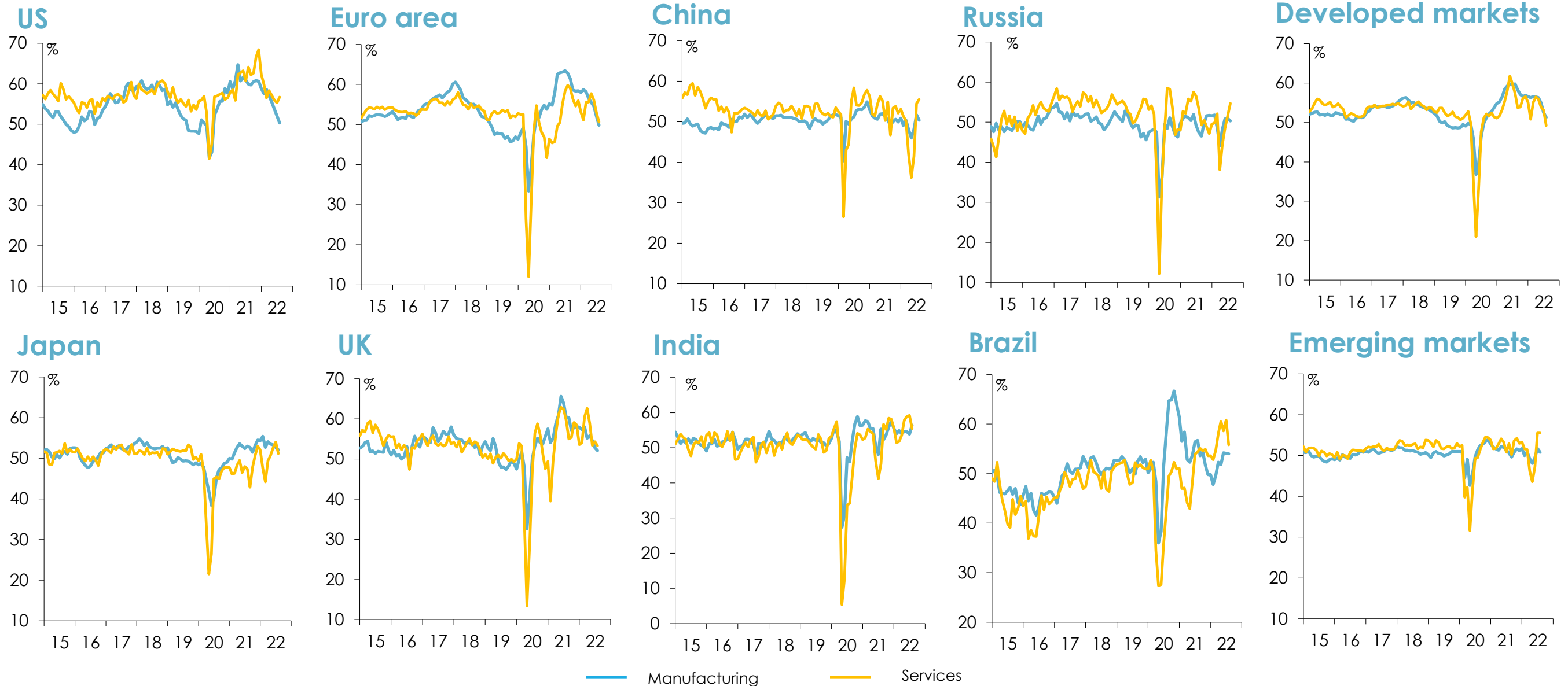
Daily US TSA 'security' checks



Note: Commercial flights include commercial passenger flights, cargo flights, charter flights, and some business jet flights. Data are up to 19th August for commercial flights and 18th August 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"](#).

July PMIs point to a slowdown in activity in 'advanced' economies (though with US services resilient) but continued growth in 'emerging' markets

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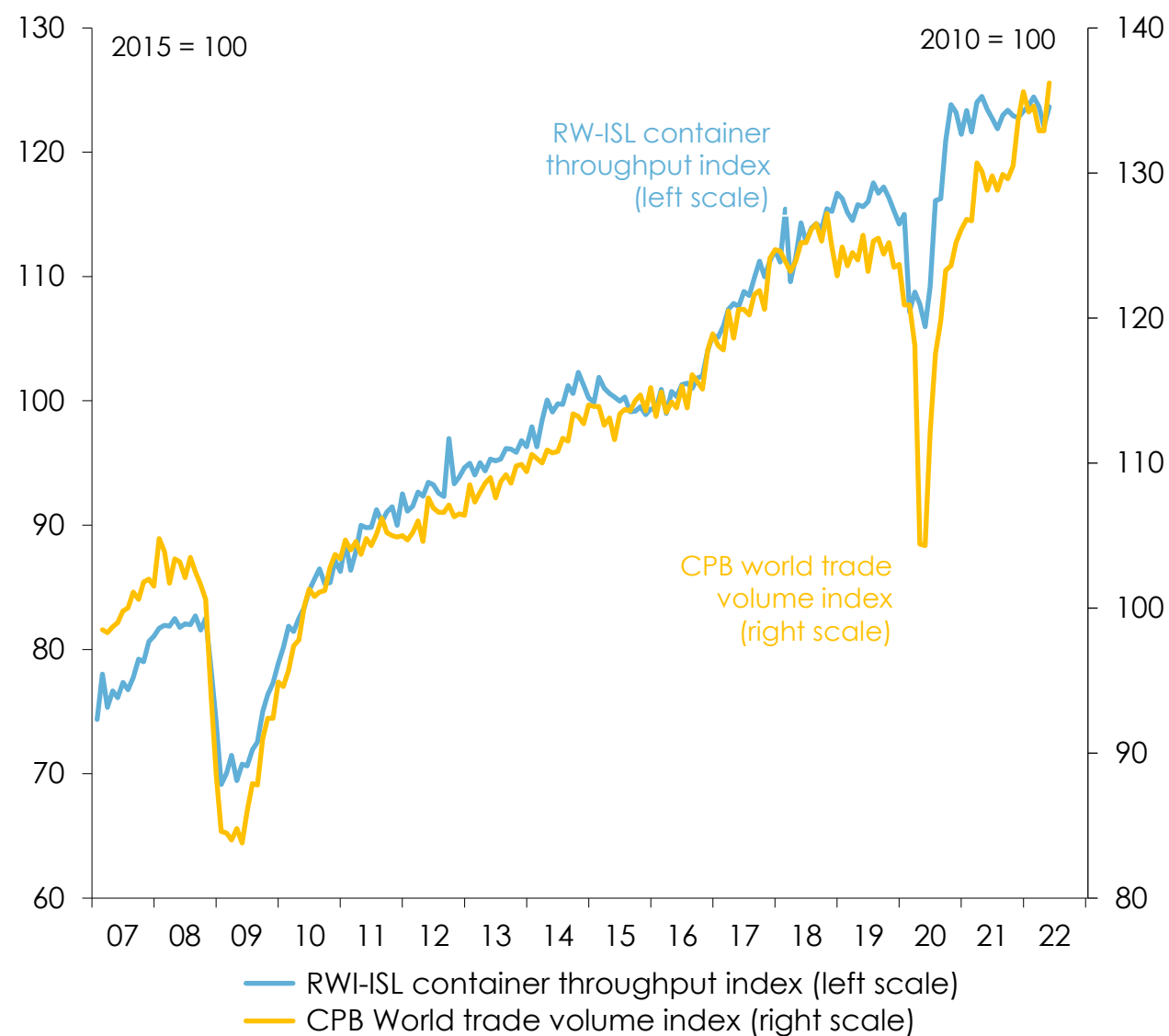


Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading of 50 indicates an overall increase cf. the previous month, and a reading of less than 50 indicates a decrease. Latest readings re for July. See also PMIs for other Asia-Pacific economies on [slide 89](#). Sources: [US Institute for Supply Management](#); [IHS Markit](#); JP Morgan; [Caixin](#); Refinitiv Datastream. [Return to "What's New"](#).

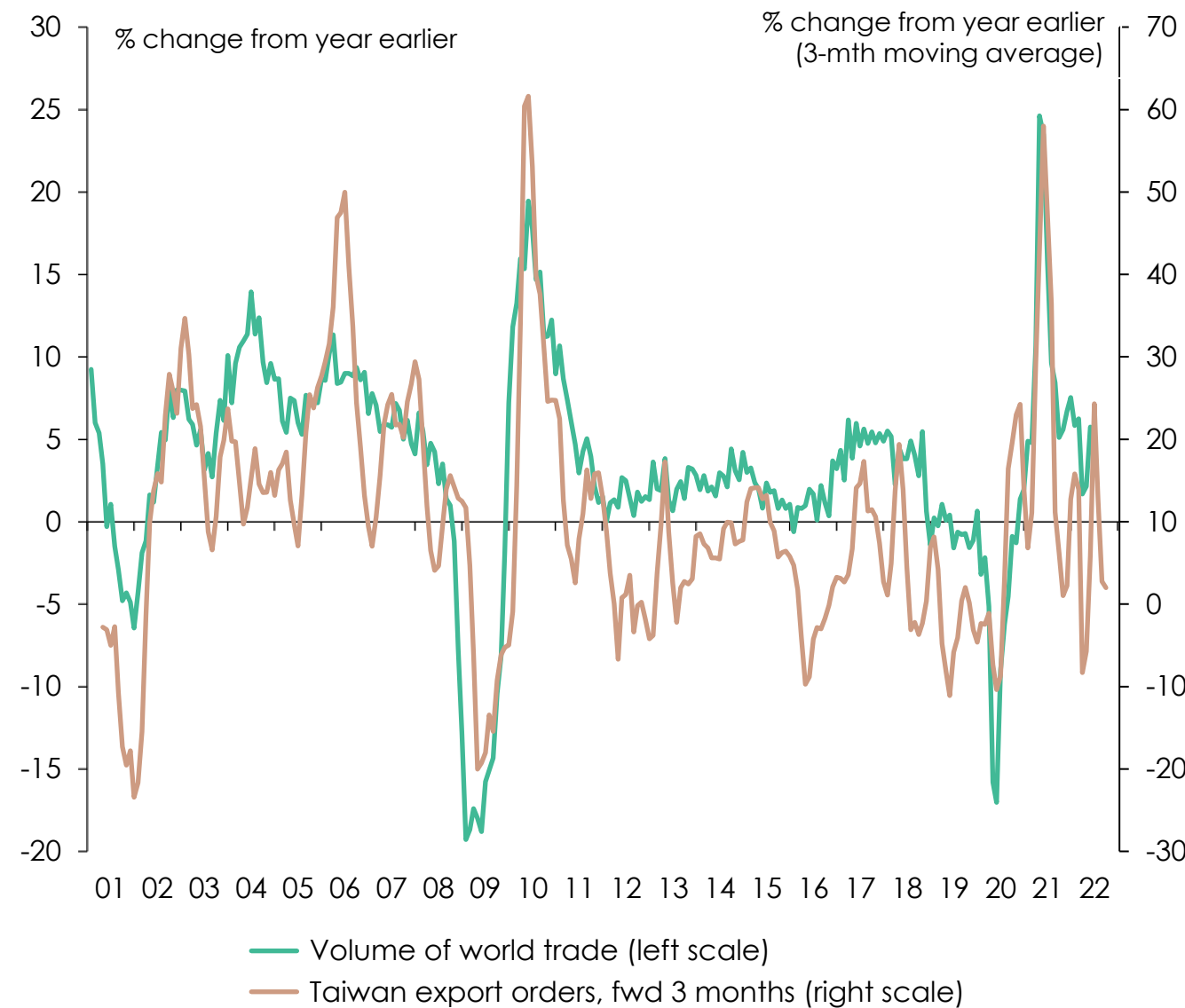
The volume of world trade rose 2.5% in May, as China's ports re-opened, but leading indicators point to slower growth ahead

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World trade volumes and container throughput



Taiwan export orders and world trade volumes

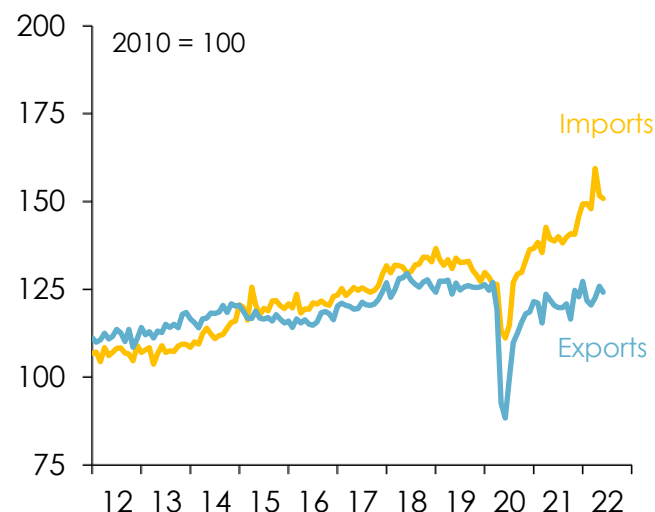


Note: The shipping container throughput index is based on reports from 91 ports around the world handling over 60% of global container shipping.
Sources: CPB Netherlands Economic Planning Bureau, [World Trade Monitor](#), May 2022 (June data to be released on 25th August); Institute of Shipping Economics & Logistics (ISL) and RWI Leibniz-Institut für Wirtschaftsforschung (RWI) [Container Throughput Index](#), April 2022; Taiwan [Ministry of Economic Affairs](#). [Return to "What's New"](#).

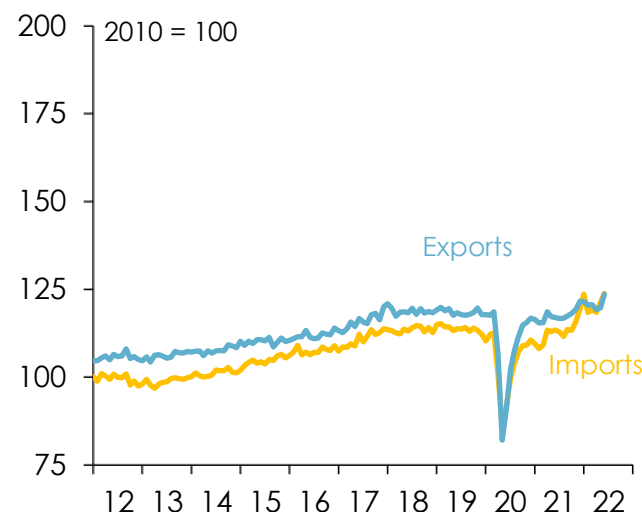
Supply-chain disruptions in China have been a major factor in the slowing in world trade this year: the UK's poor trade performance is also notable

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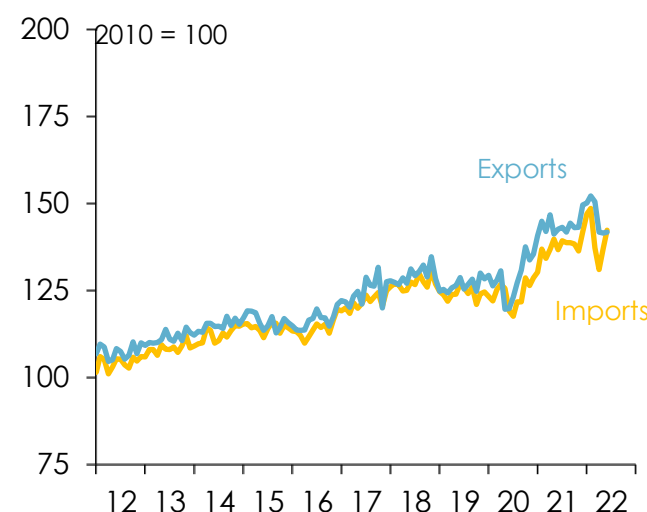
United States



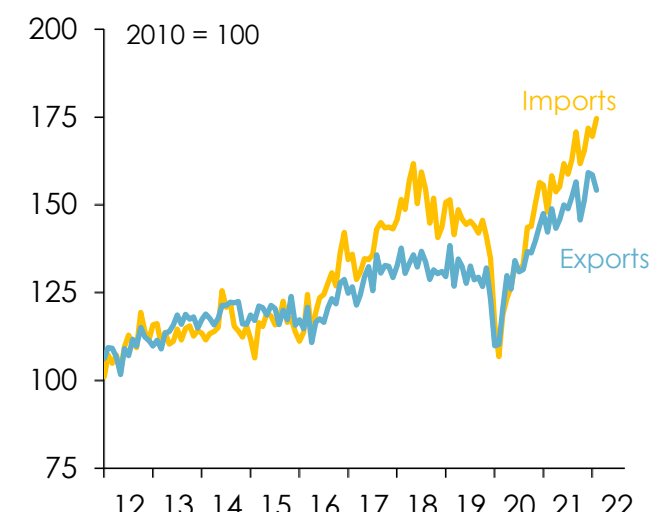
Euro area



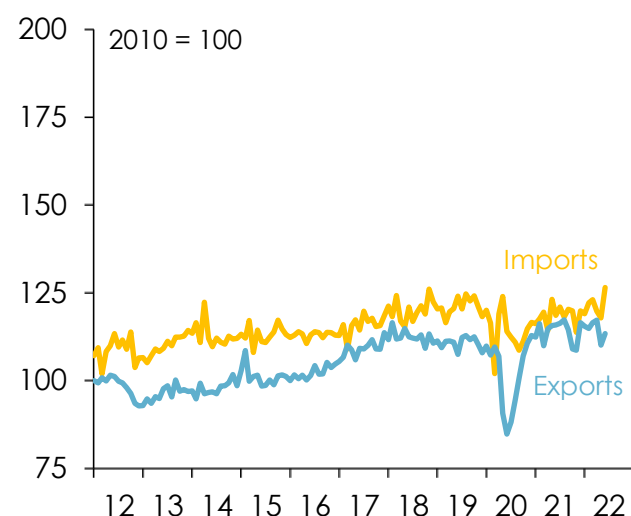
Other 'advanced' Asia



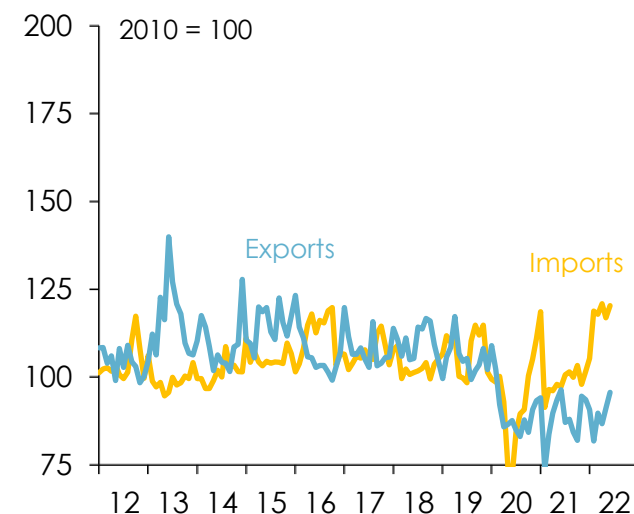
Other 'emerging' Asia



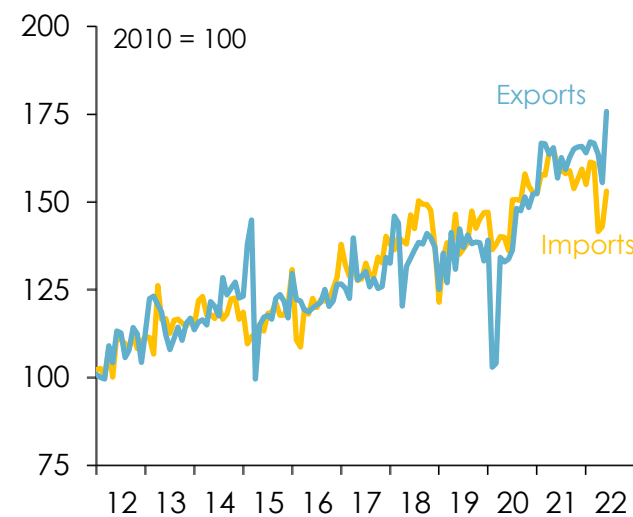
Japan



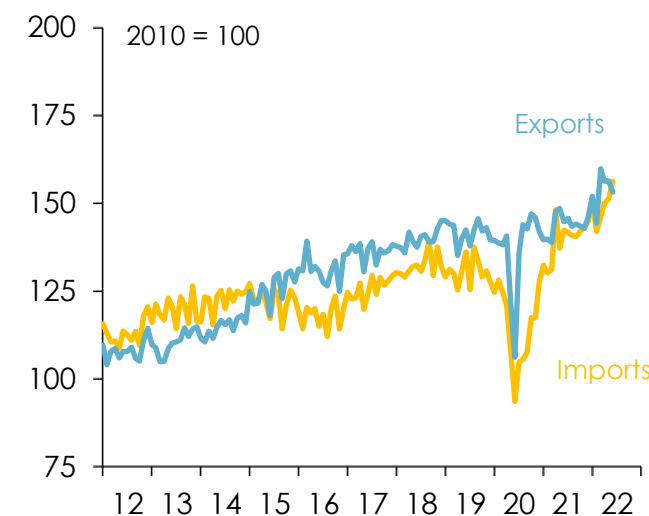
United Kingdom



China



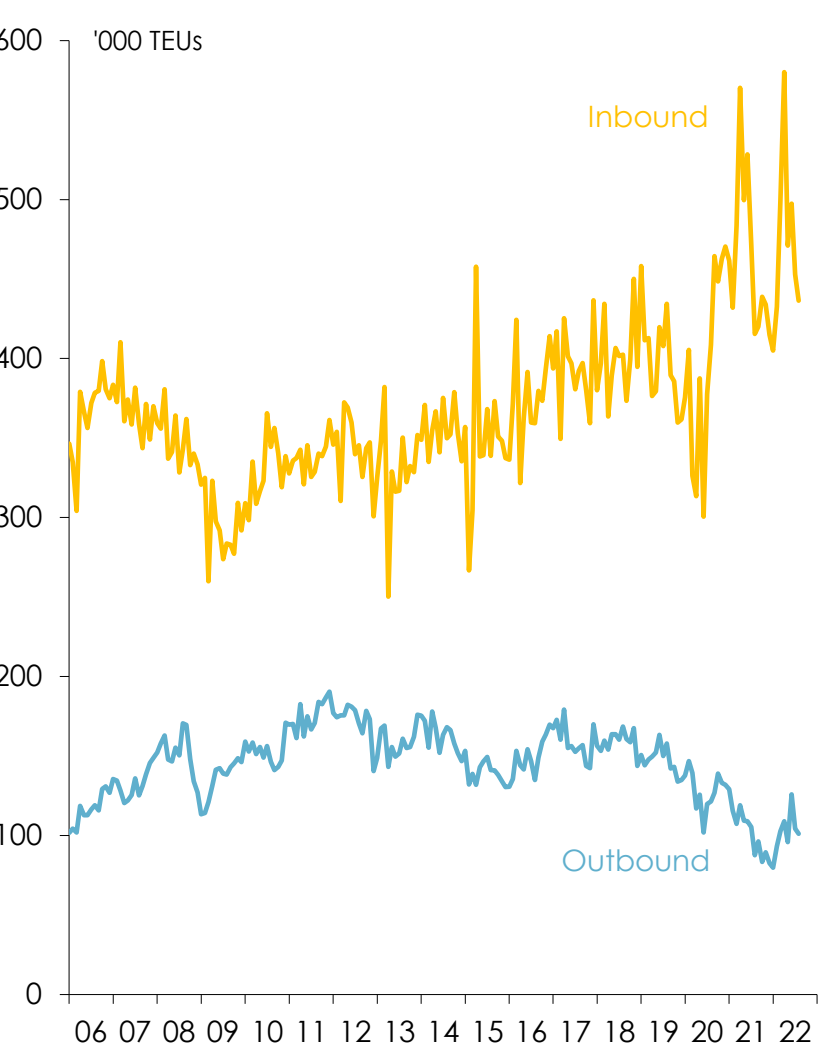
Latin America



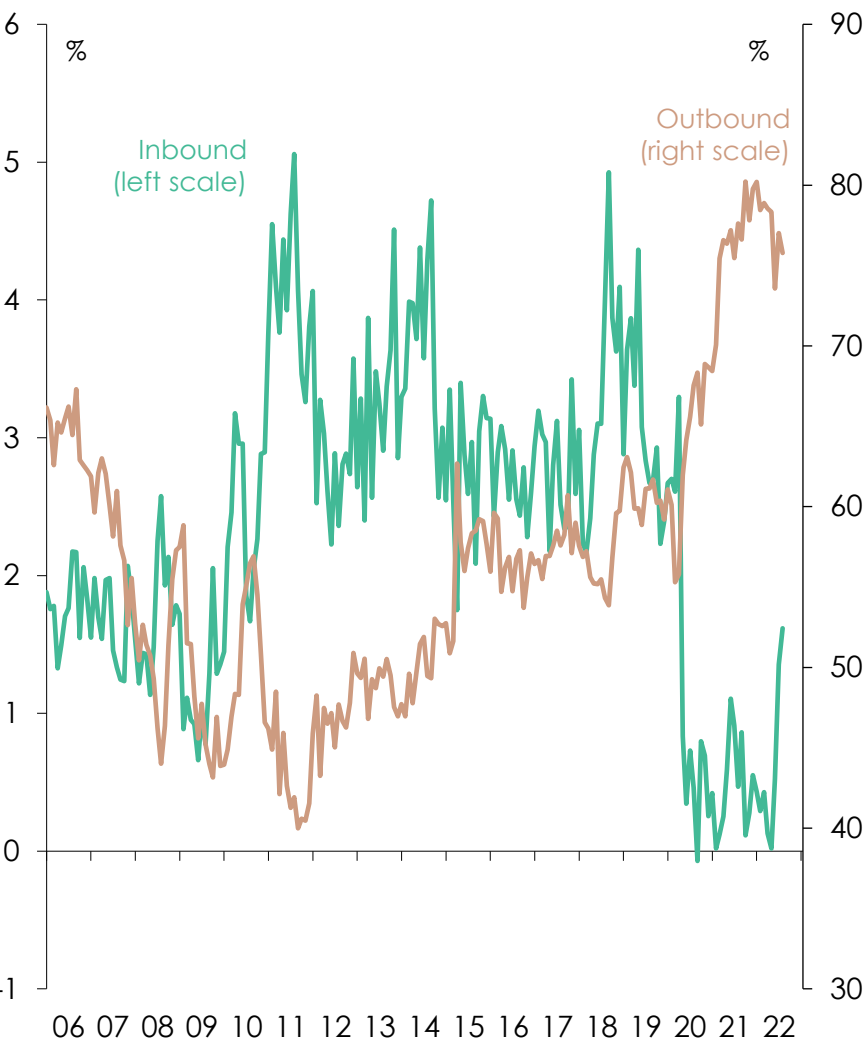
Congestion at the Port of Los Angeles (the US' largest container port) has eased significantly but trade flows remain unusually unbalanced

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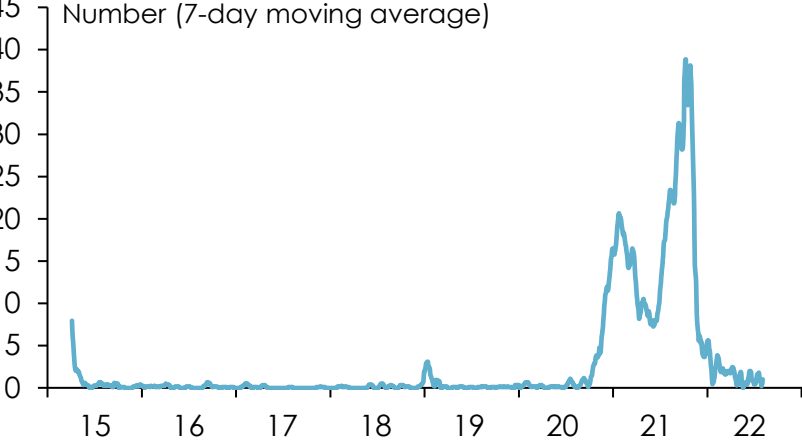
Container traffic through the Port of Los Angeles



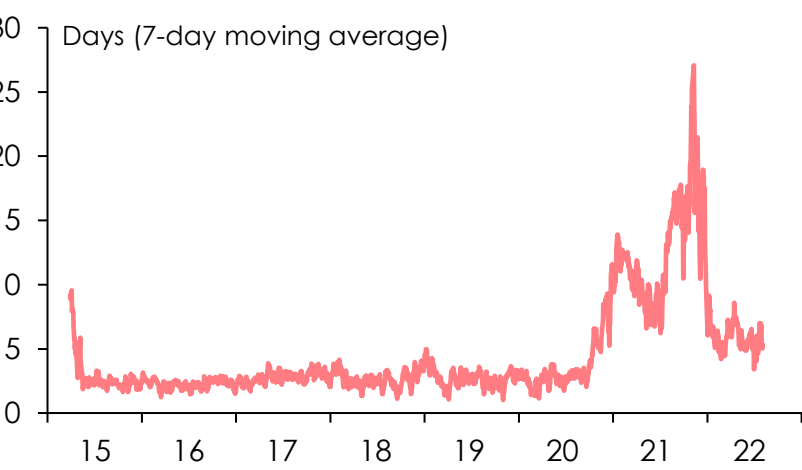
Empty containers as a pc of total passing through PoLA



Number of vessels at anchor outside PoLA



Average time at anchor and berth for ships at PoLA

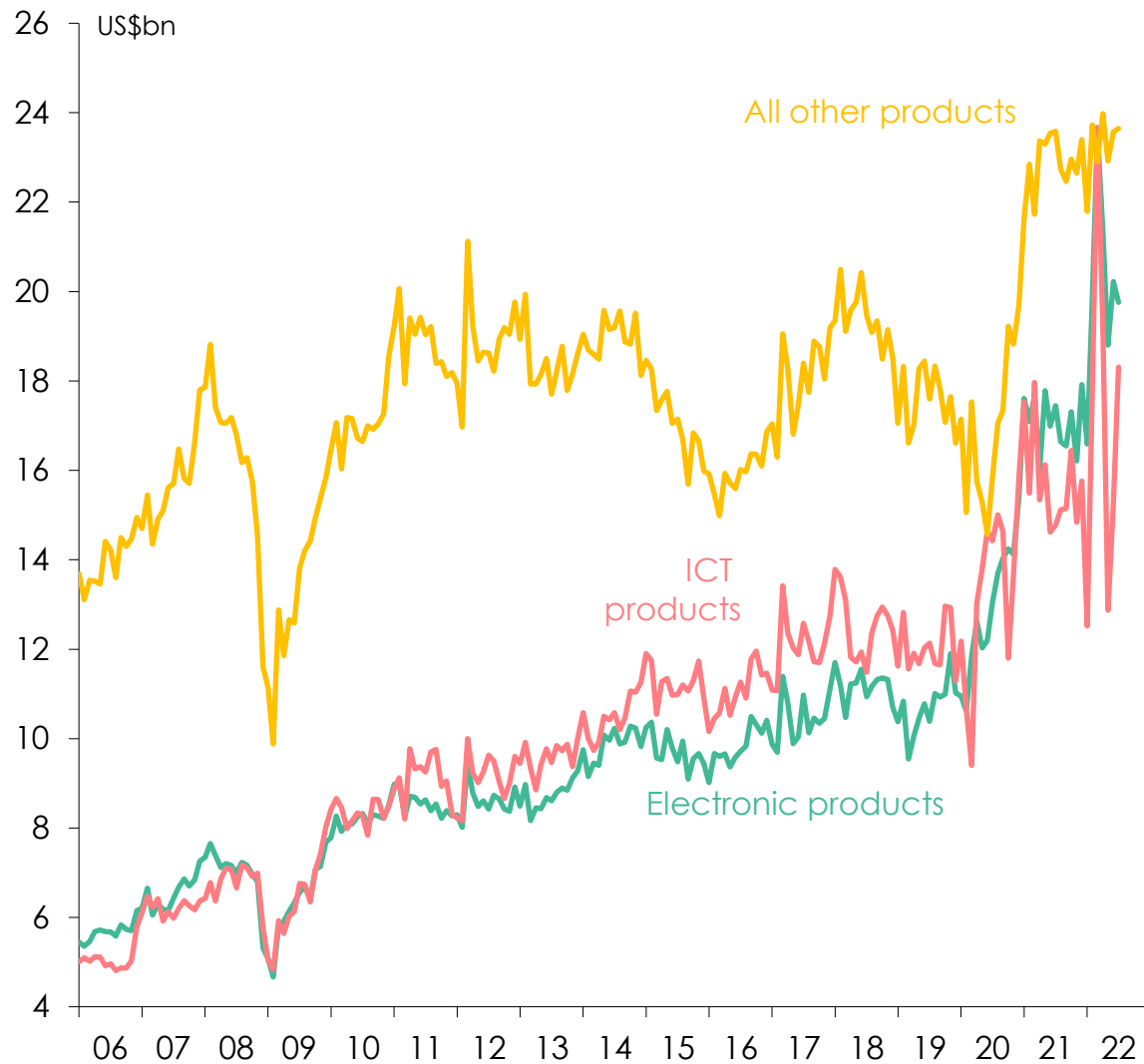


Note: TEU = 20-foot equivalent unit. Data on inbound and outbound container traffic in the first two charts (up to July) have been seasonally adjusted by Corinna using Refinitiv Datastream. Data up to 19th August. Source: The Port of Los Angeles, [Container Statistics](#) and [Container vessels in port](#). [Return to "What's New"](#).

Export orders for Taiwanese ICT products rose 20% in June, after an 18.6% rise in May, to be back to 'normal' levels

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Taiwan export orders, by product



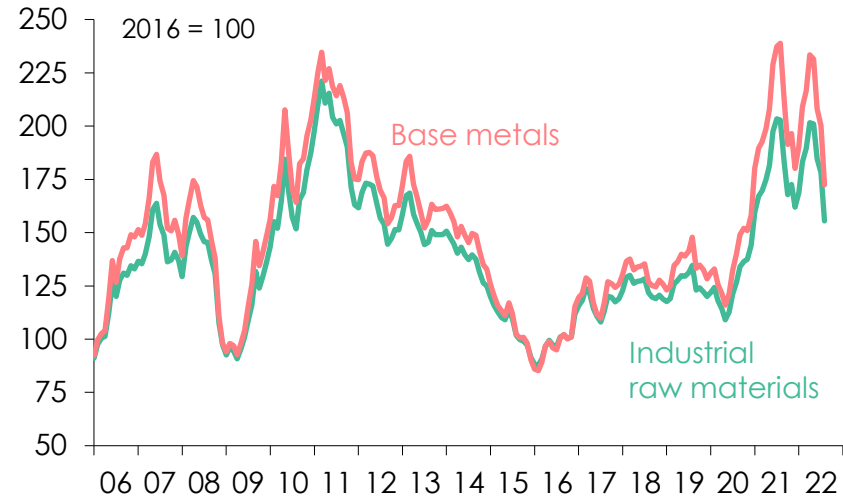
Note: Data have been seasonally adjusted by Corinna using Refinitiv Datastream. Latest data are for May. Source: Taiwan [Ministry of Economic Affairs](#). [Return to "What's New"](#).

- ❑ 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 have been especially volatile over the first five months of this year, in part because of recurring supply-chain disruptions in China
- ❑ Semi-conductor production has also affected by the war in Ukraine, because Ukraine is a major producer of neon gas which is used in semi-conductor production

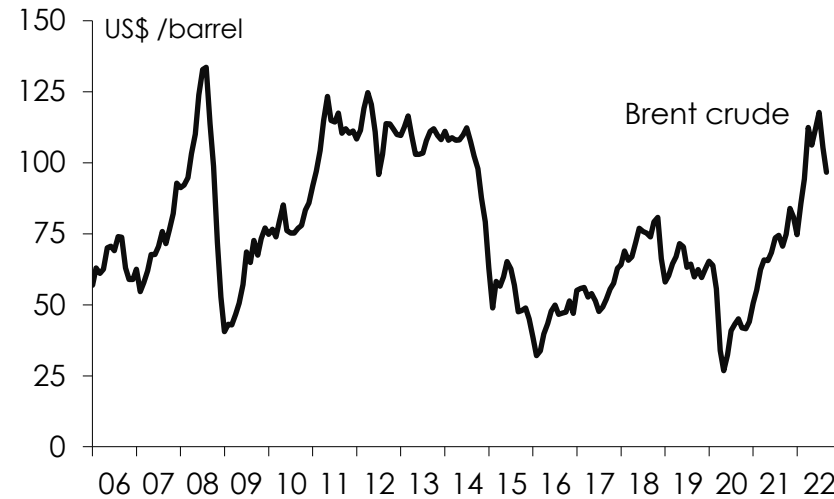
Commodity prices, apart from gas, are now falling – and supply chain pressures are easing too

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

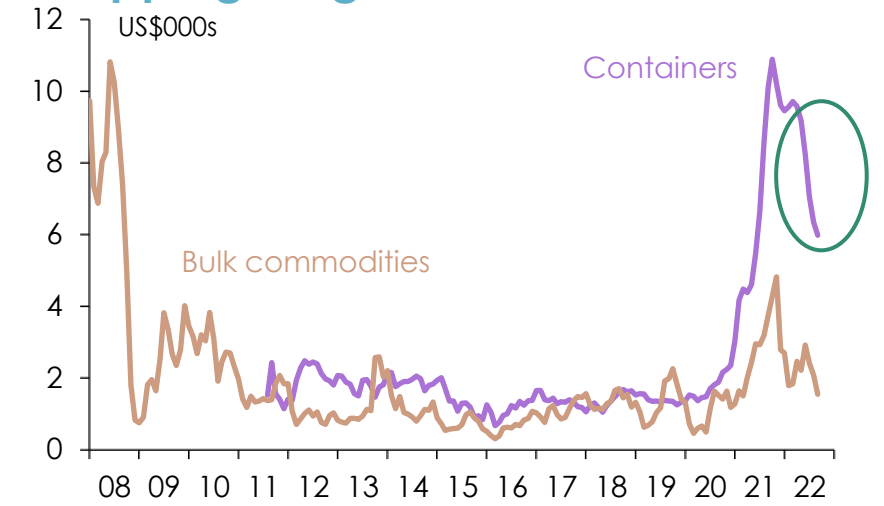
'Hard' commodity prices



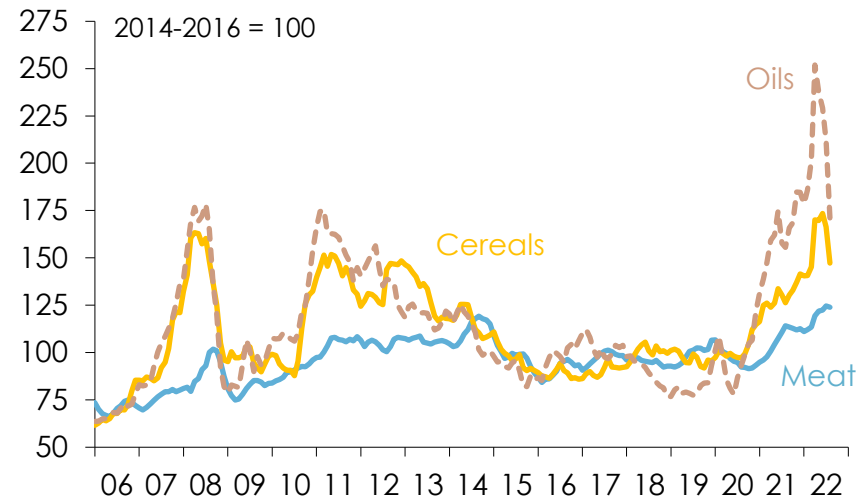
Crude oil price



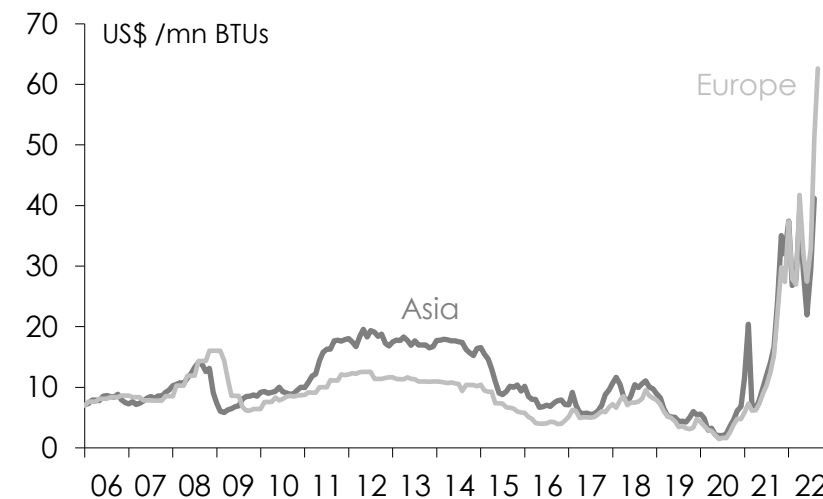
Shipping freight costs



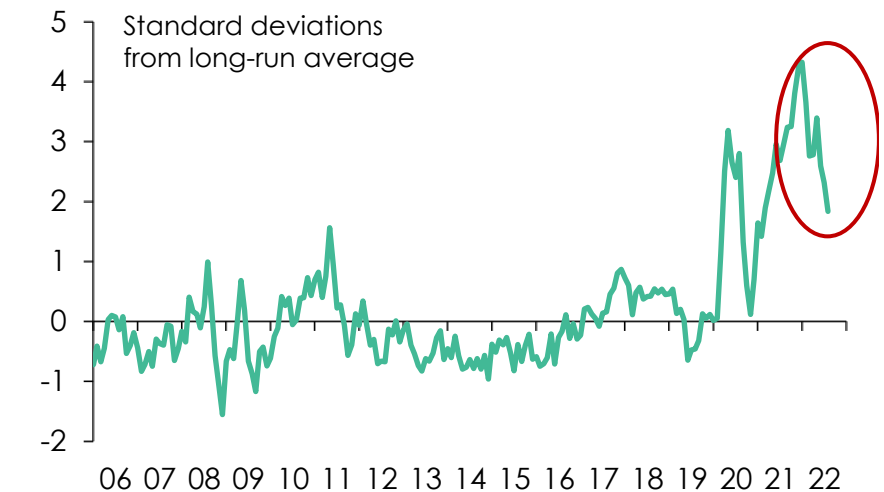
Food commodity prices



Natural gas prices



Global supply chain pressure index

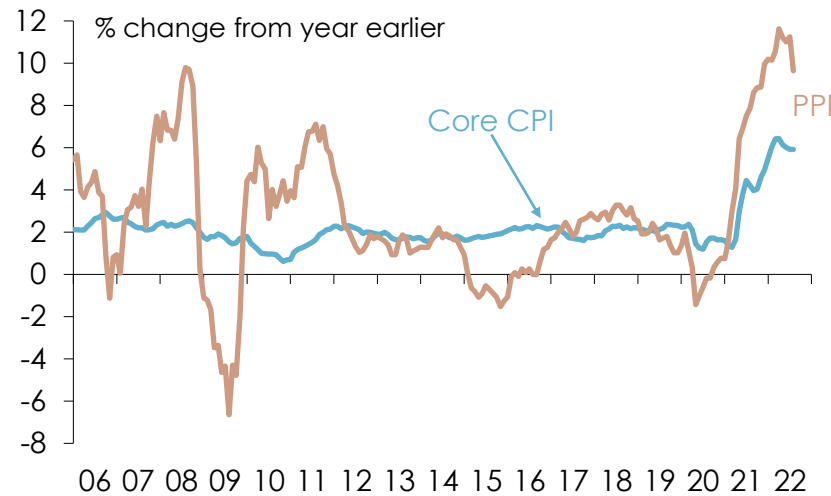


Sources: [International Monetary Fund](#); [UN Food and Agriculture Organization](#); [Freightos](#); [Drewry](#); [The Baltic Exchange](#); [Federal Reserve Bank of New York](#); Refinitiv Datastream.

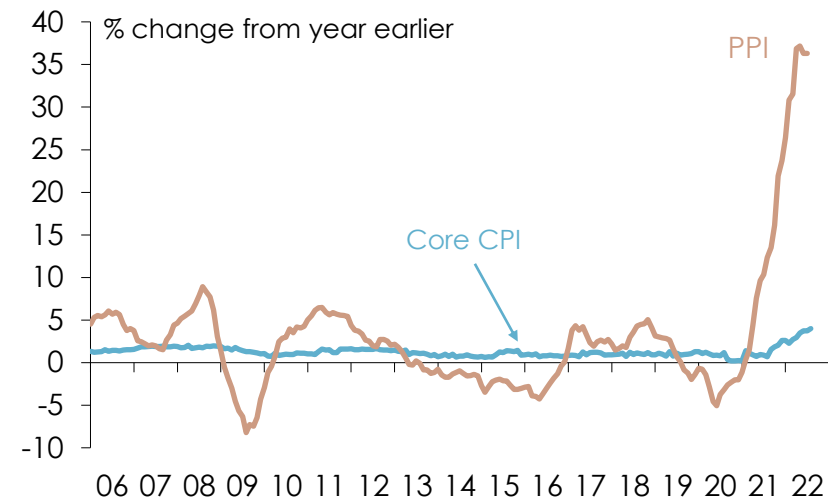
Inflation at the 'producer' level seems to have peaked in most 'advanced' economies, but not at the 'core' consumer level, except perhaps in the US

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

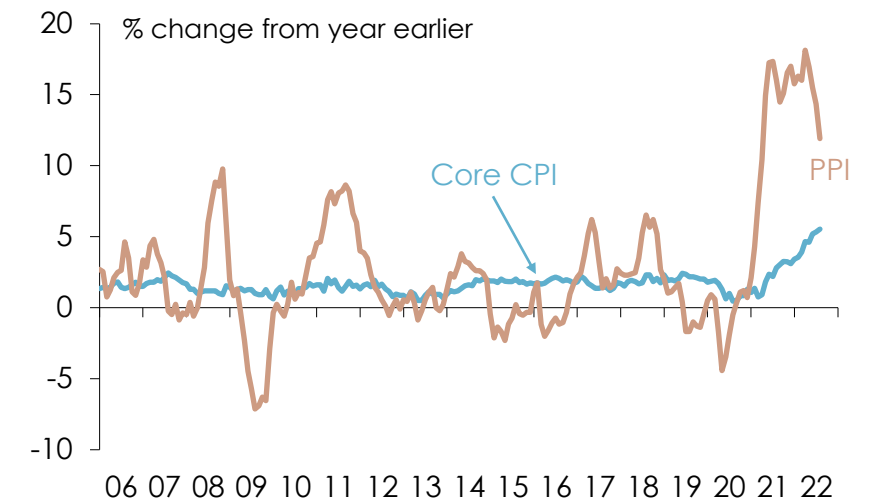
United States



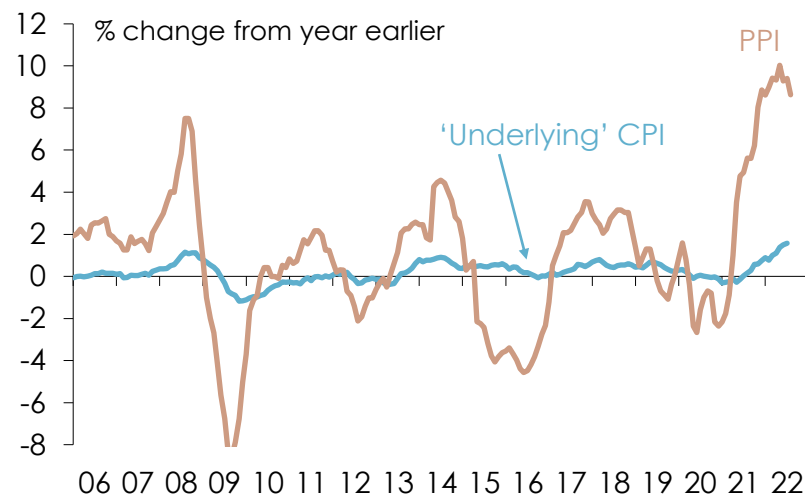
Euro area



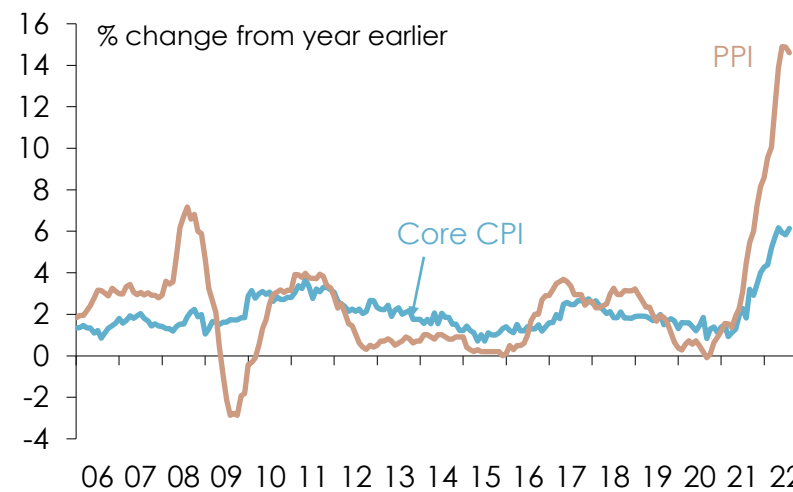
Canada



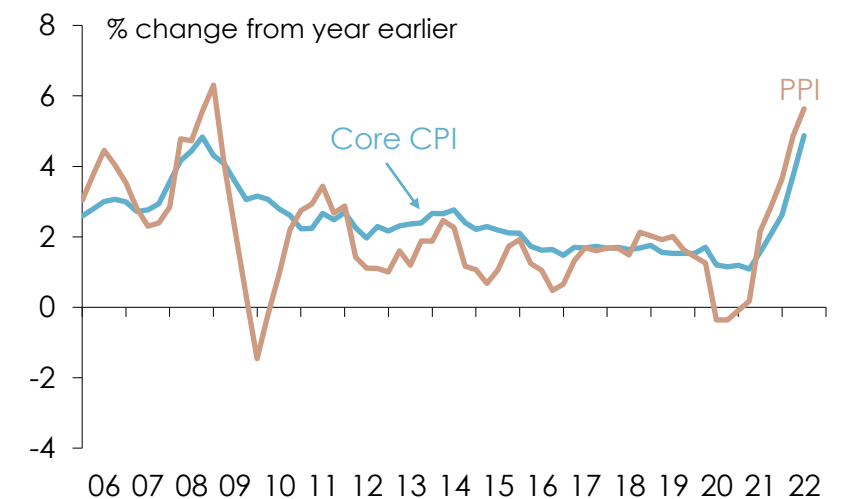
Japan



United Kingdom



Australia

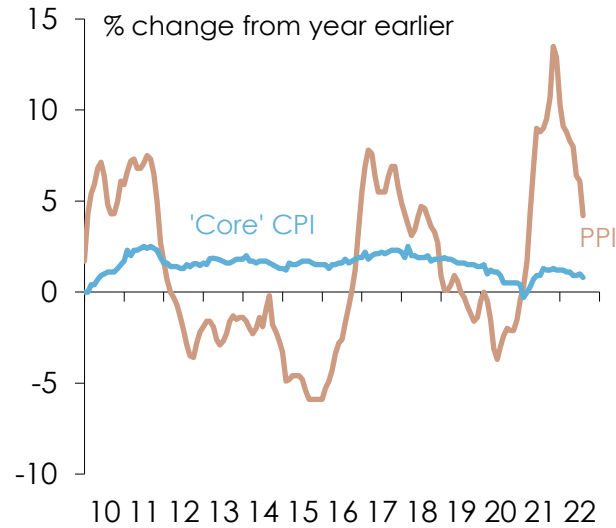


For a more detailed analysis of recent US inflation data see [slides 49-52](#). Sources: [US Bureau of Labor Statistics](#); [Statistics Bureau of Japan](#) and [Bank of Japan](#); [Eurostat](#); [UK Office for National Statistics](#); [Statistics Canada](#); [Australian Bureau of Statistics](#). [Return to "What's New"](#).

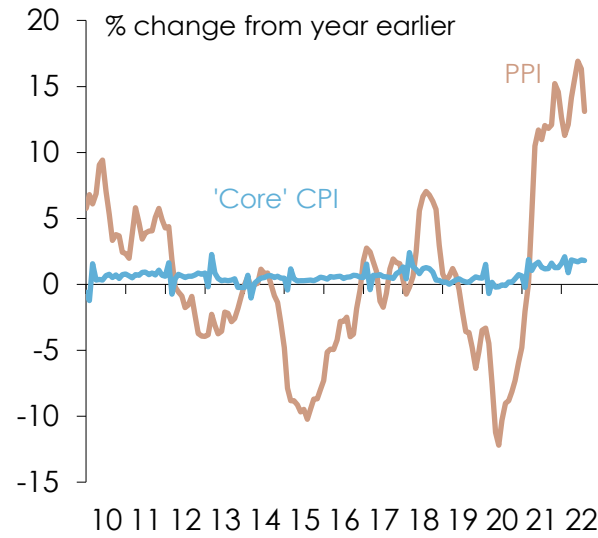
Inflation at the producer level also appears to have peaked in most Asian economies – but consumer price inflation is still rising (except in China)

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

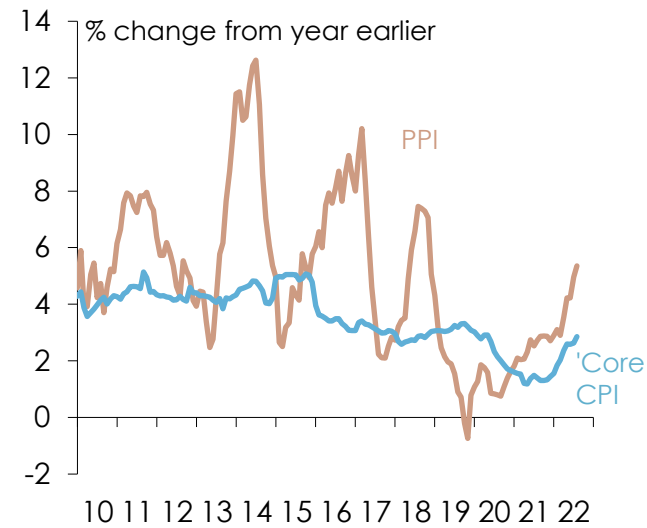
China



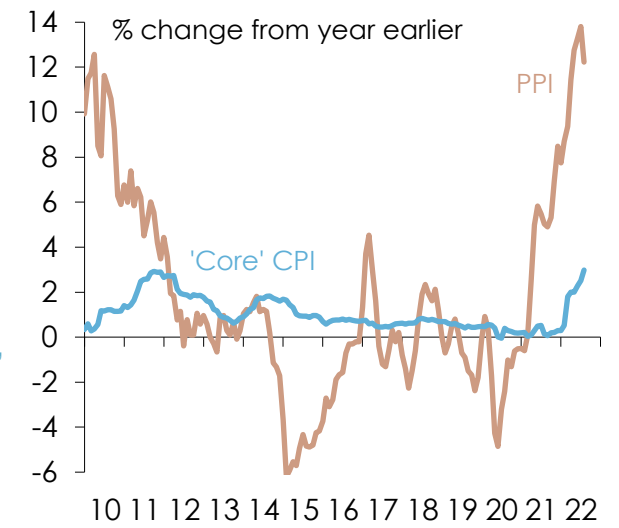
Taiwan



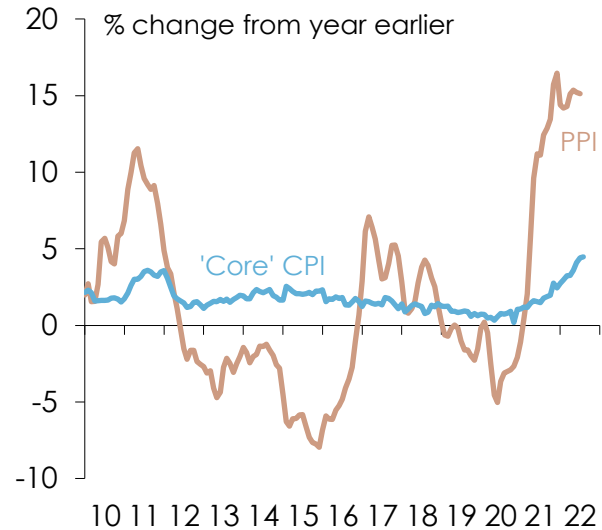
Indonesia



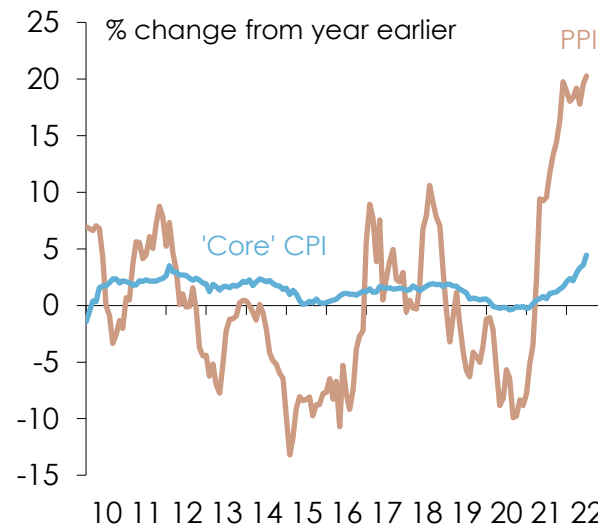
Thailand



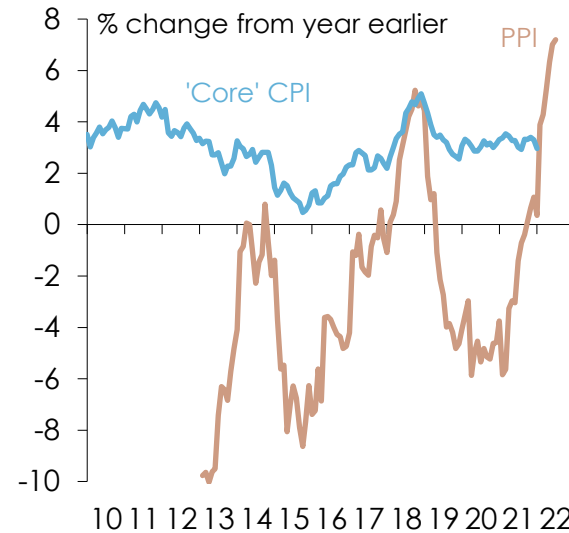
Korea



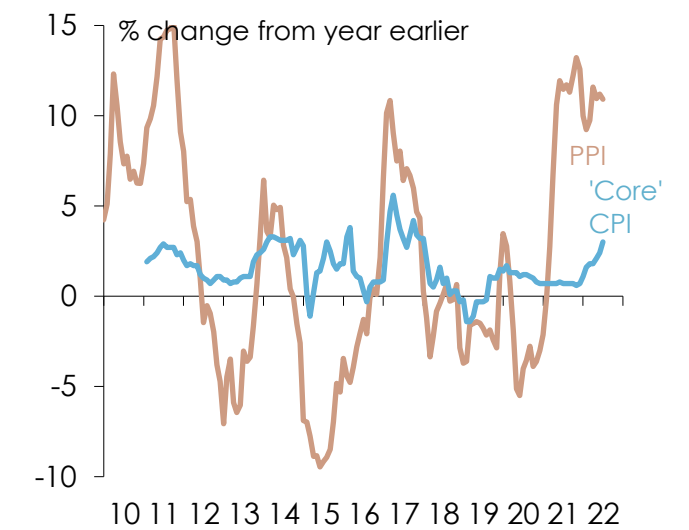
Singapore



Philippines



Malaysia

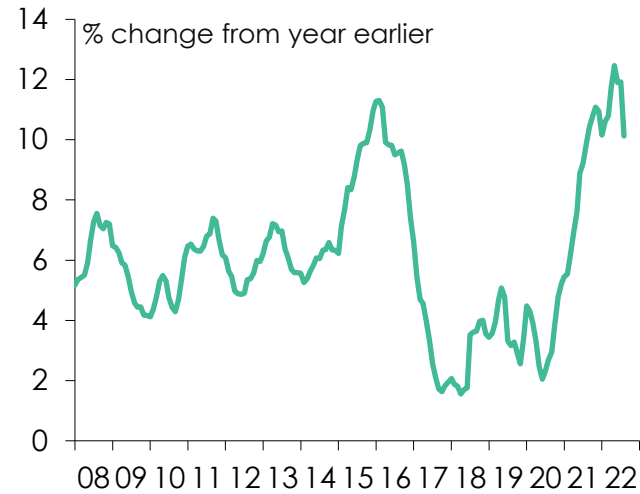


Note: 'Core' CPIs measure different things in different Asian economies – see footnotes to [slide 91](#). The Philippines hasn't published data on 'core' CPI inflation since December 2021. Sources: [China National Bureau of Statistics](#); [Statistics Korea](#); [Bank of Korea](#); [Taiwan Statistical 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"](#).

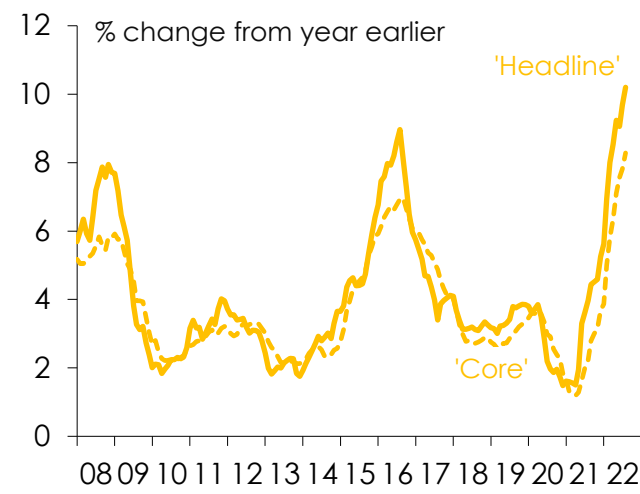
Consumer price inflation has risen sharply across Latin America – although it may perhaps have peaked in Brazil, Peru and Paraguay

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

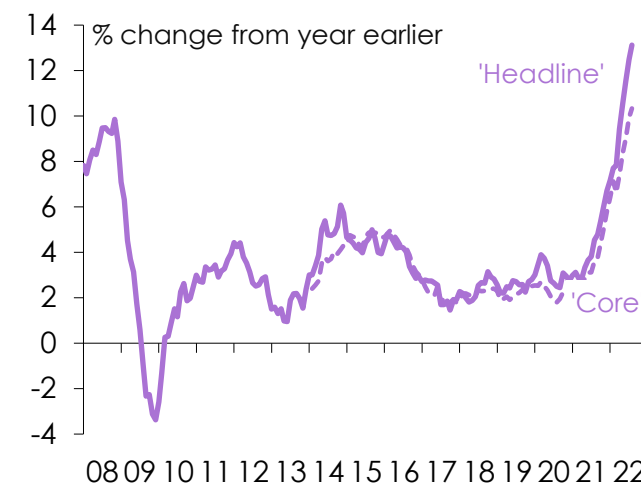
Brazil



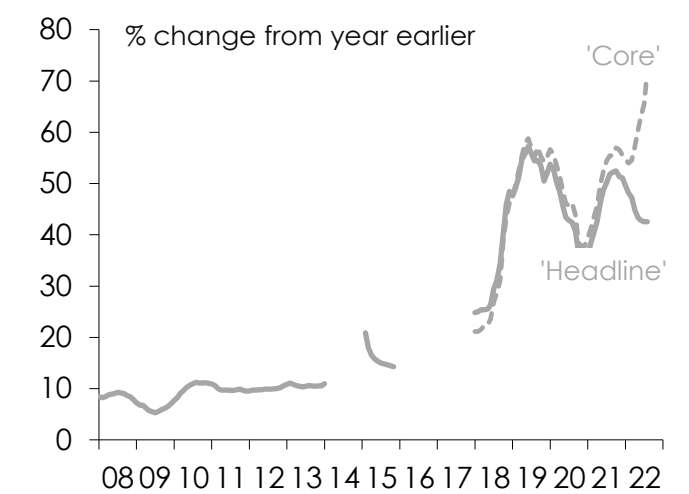
Colombia



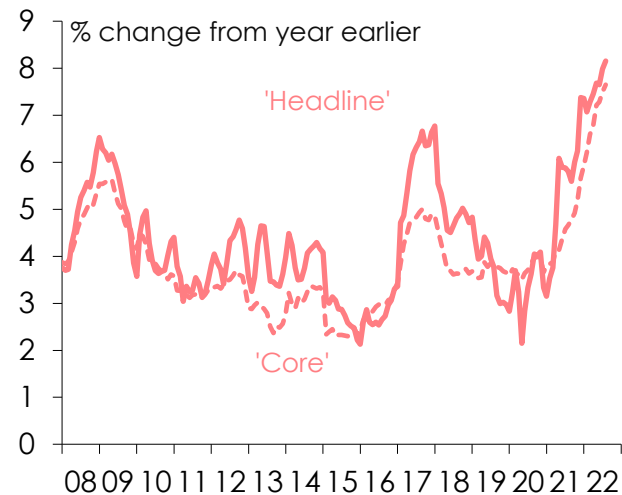
Chile



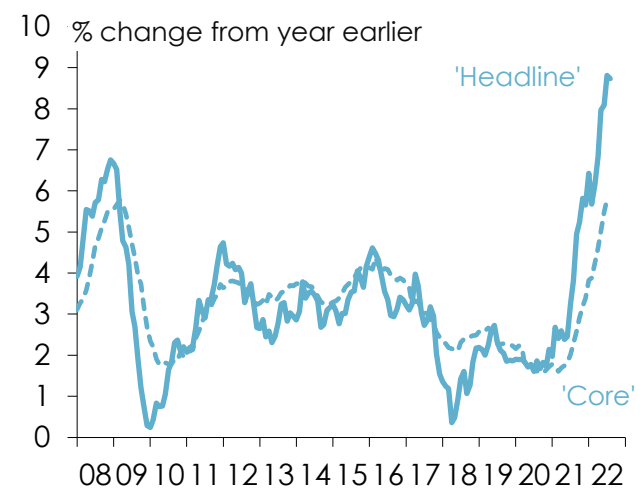
Argentina



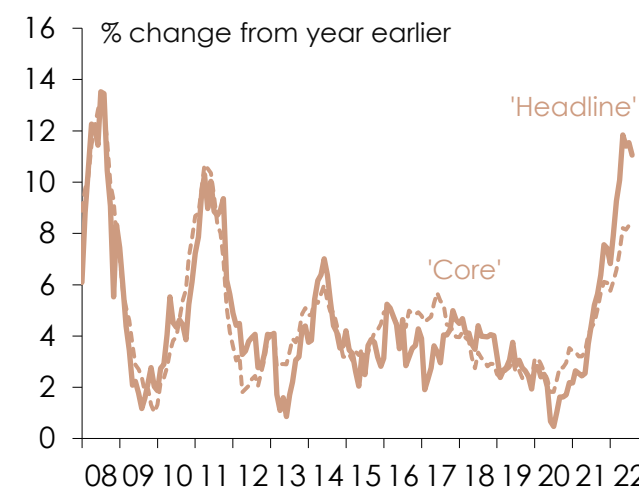
Mexico



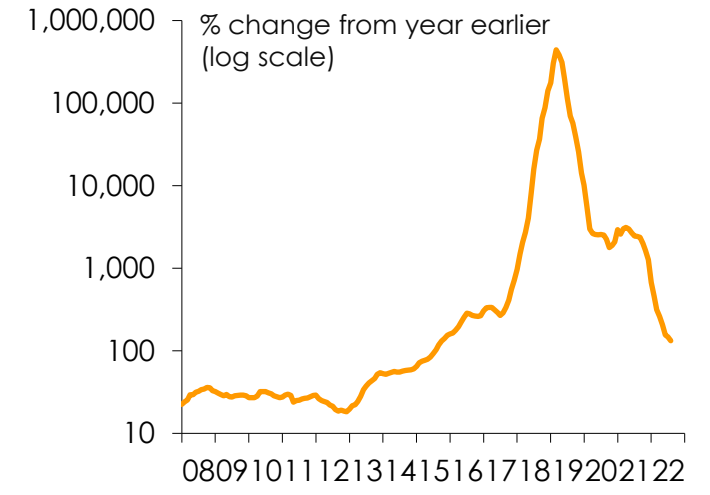
Peru



Paraguay



Venezuela

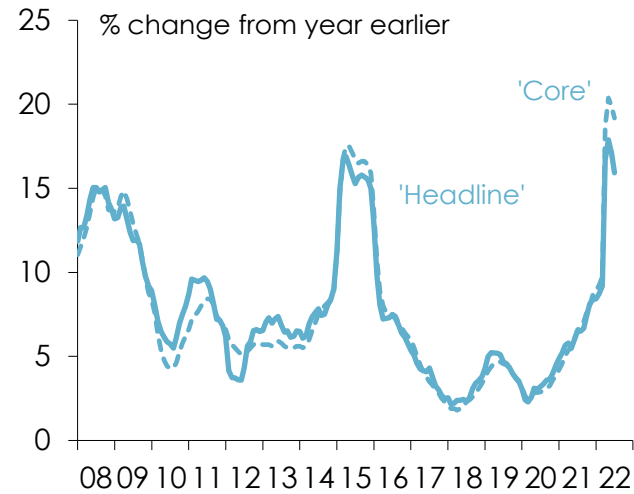


Sources: [Instituto Brasileiro de Geografia e Estatística](#); [Instituto Nacional de Estadística y Geografía](#) (Mexico); [Departamento Administrativo Nacional de Estadística](#) (Colombia); [Instituto Nacional de Estadística e Informática](#) (Peru); [Instituto Nacional de Estadísticas](#) (Chile);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

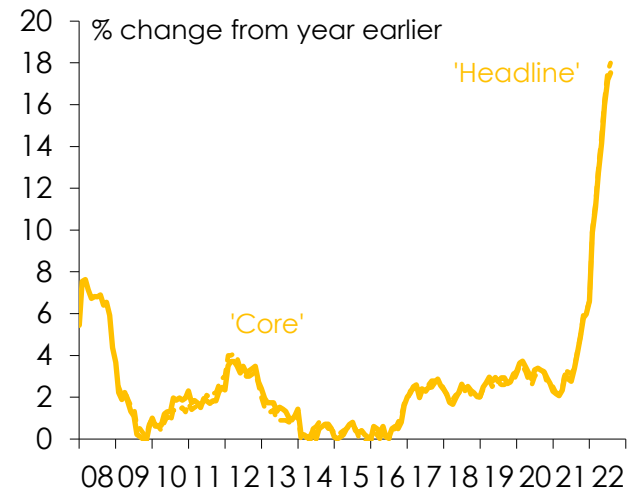
Consumer price inflation is also rising across Central and Eastern Europe, and in South Africa

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

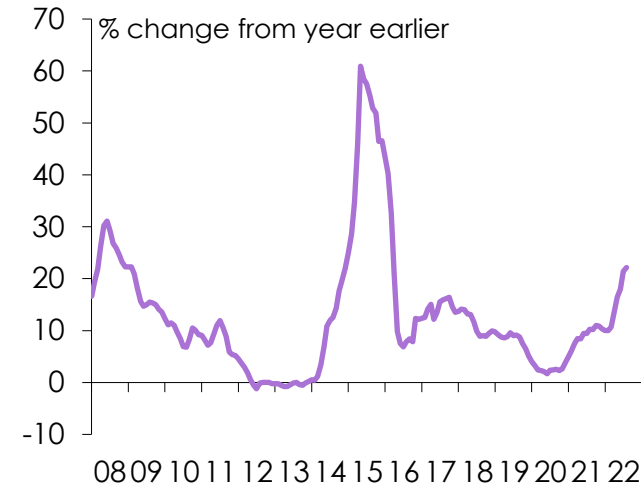
Russia



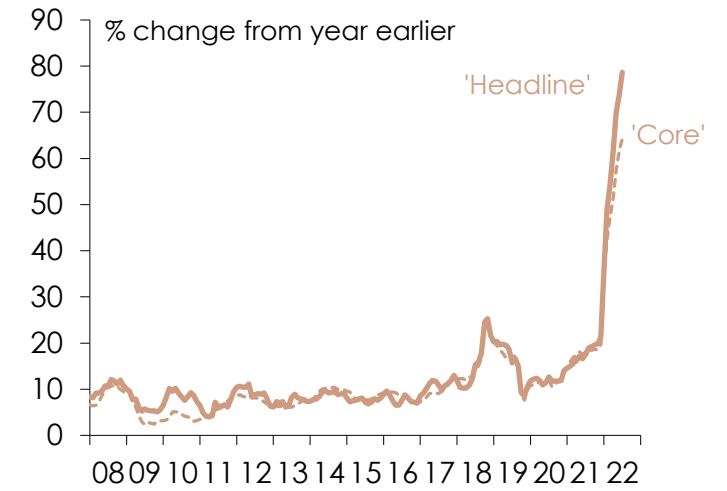
Czech Republic



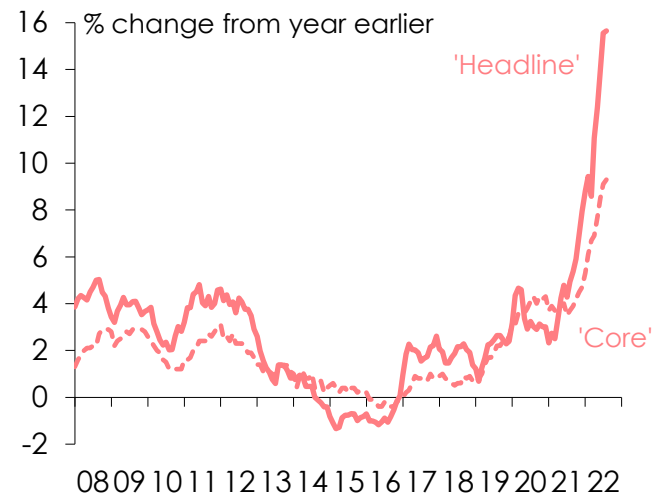
Ukraine



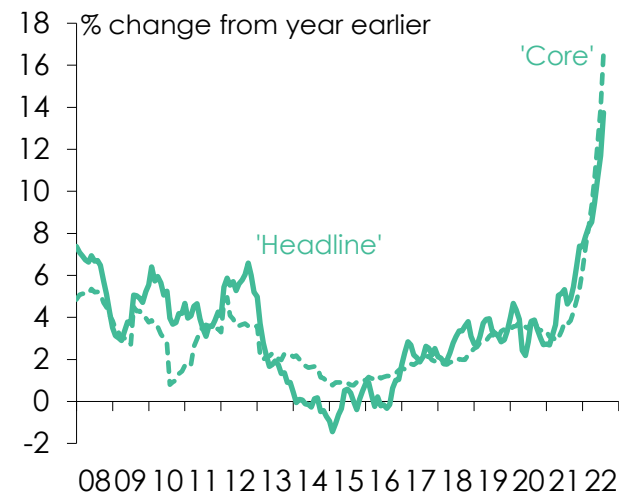
Turkey



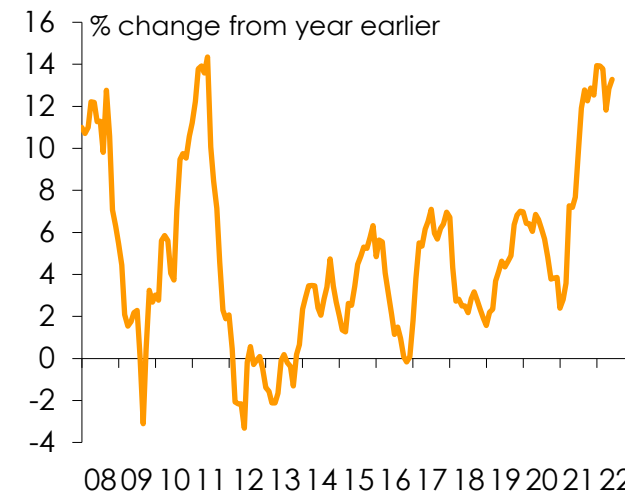
Poland



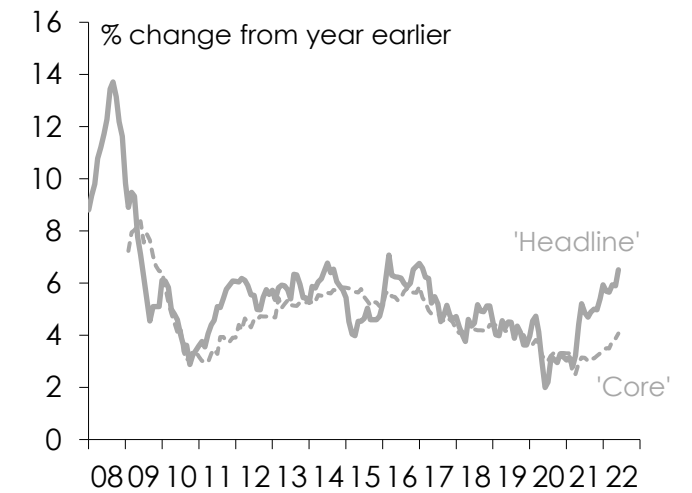
Hungary



Georgia



South Africa

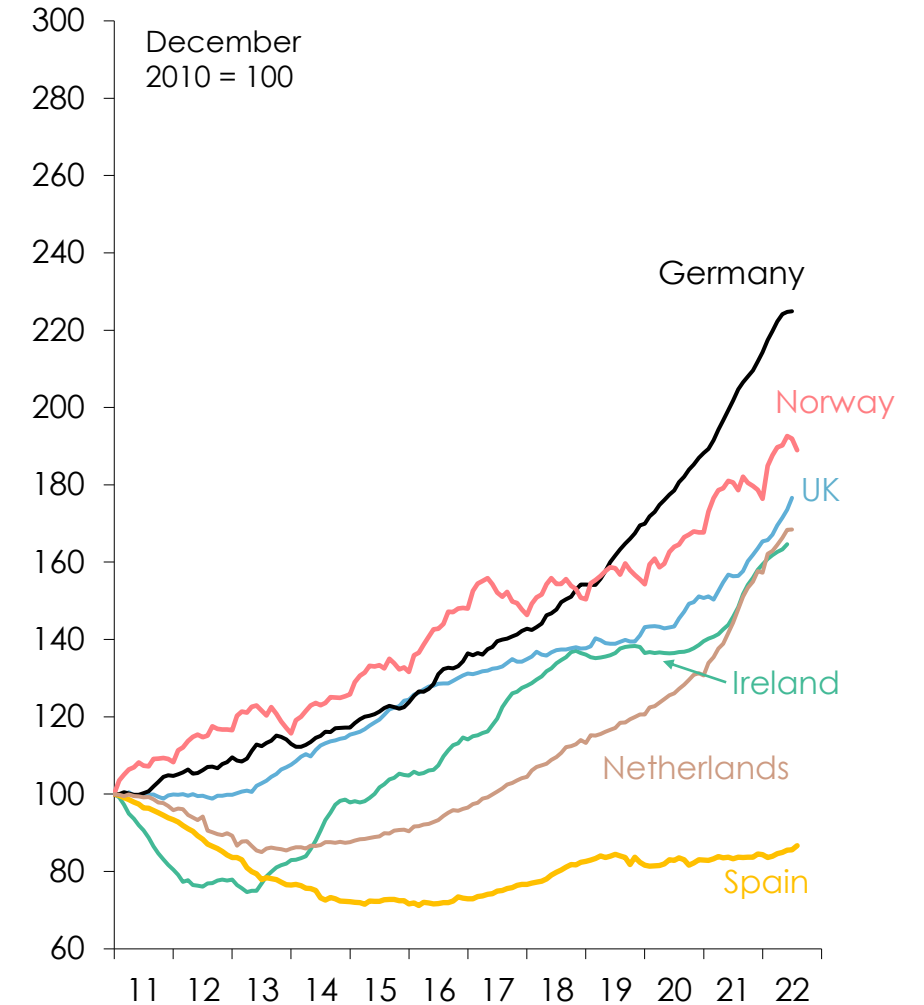
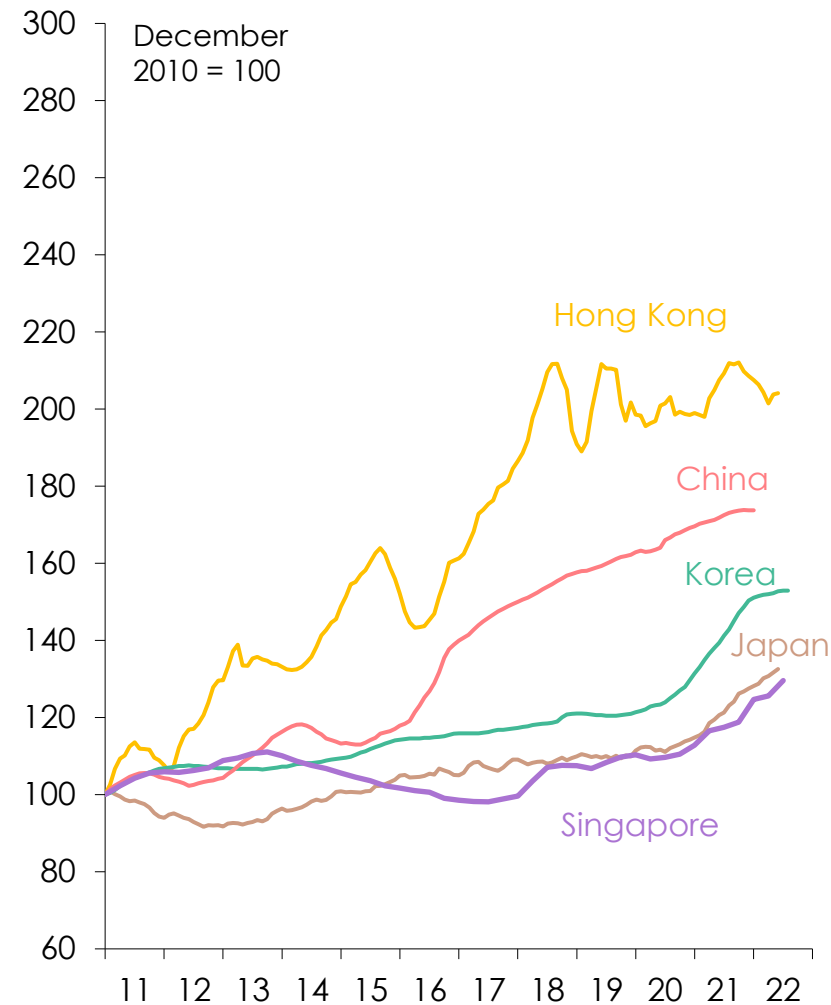
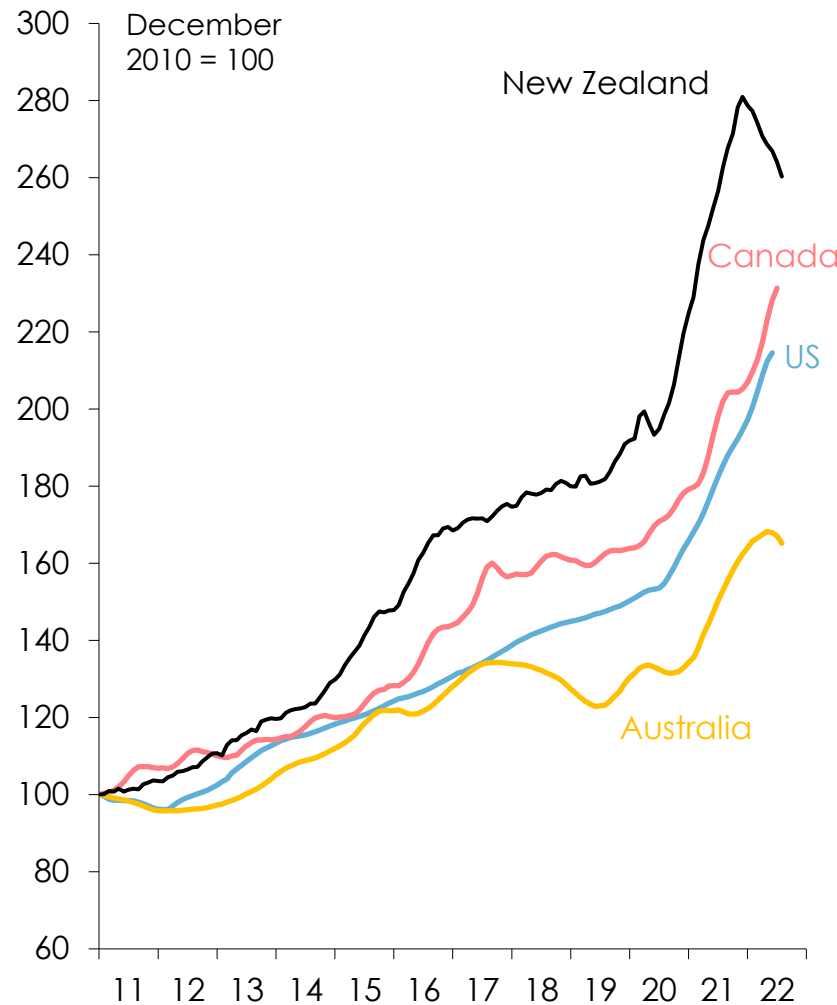


Sources: [Rosstat](#); [Główny Urząd Statystyczny](#) (Poland); [Český statistický úřad](#) (Czech Republic); [Központi Statisztikai Hivatal](#) (Hungary); [Ukrstat](#); [Sak'art'velos statistikis erovnuli samsakhuri](#) (Georgia); [Turkstat](#); [Statistics South Africa](#). [Return to "What's New"](#).

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

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

House price indices

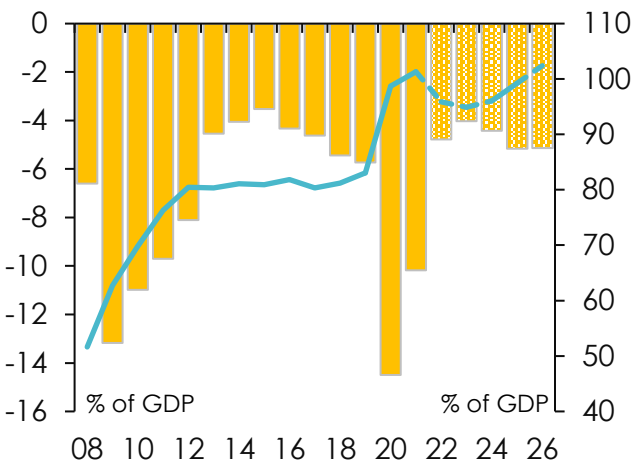


Note: House price indices shown in these charts are those published by [S&P-CoreLogic Case Shiller national](#) (United States); [Teranet-National Bank](#) (Canada); [CoreLogic](#) (Australia); [Real Estate Institute of New Zealand](#); [China Index Academy](#); [Japan Real Estate Institute](#) (Tokyo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

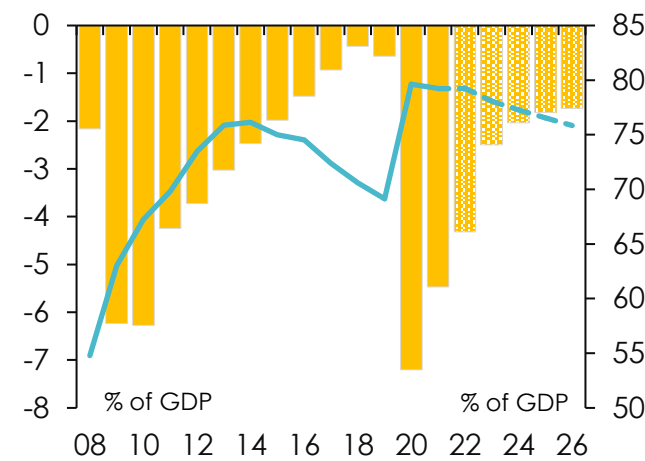
Fiscal policy is set to be tightened significantly in 2022 in most major economies except Japan, China and India

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

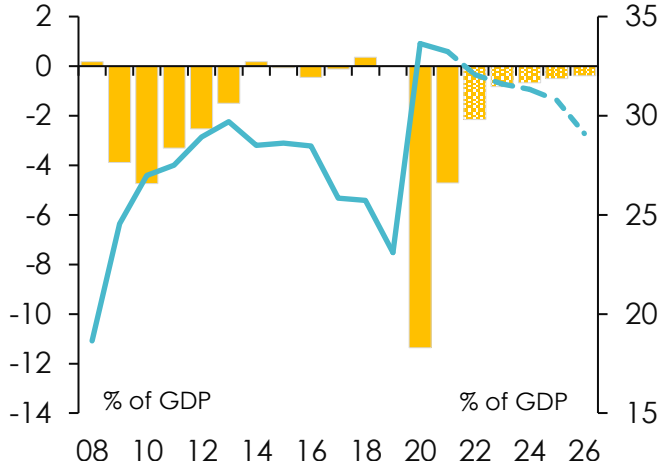
United States



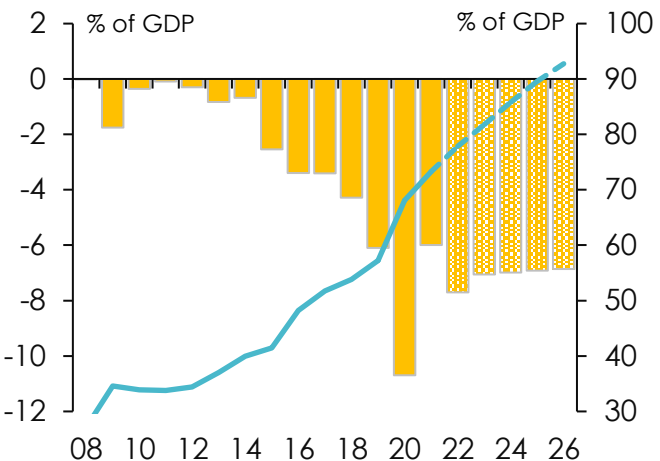
Euro area



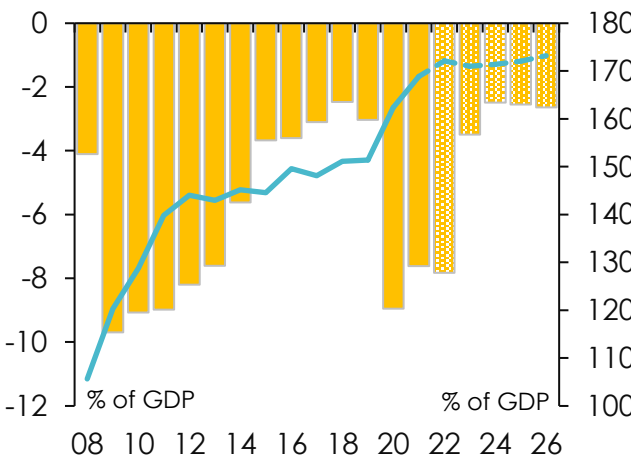
Canada



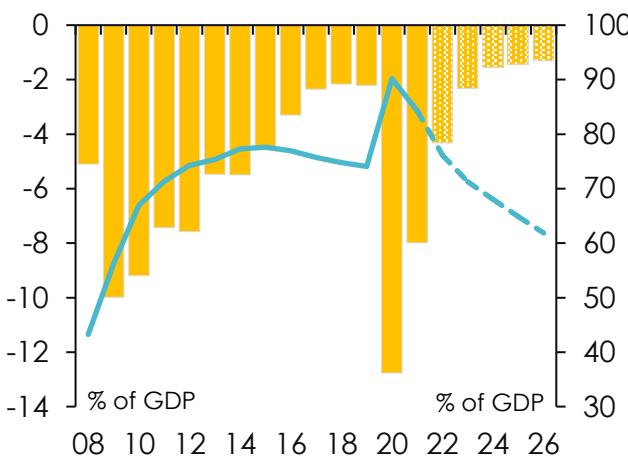
China



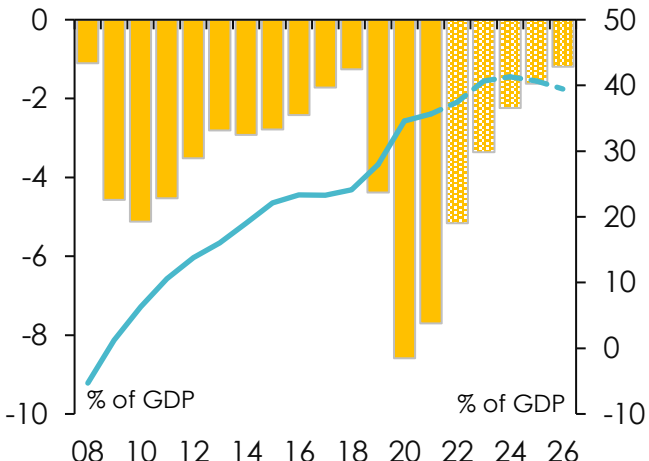
Japan



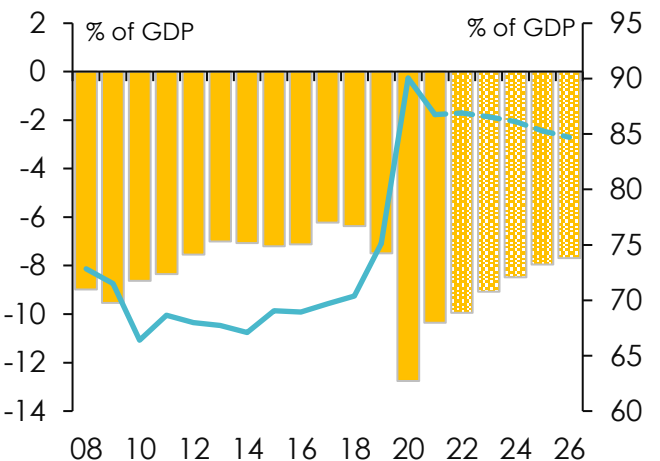
United Kingdom



Australia



India



General government overall fiscal balance (left scale)

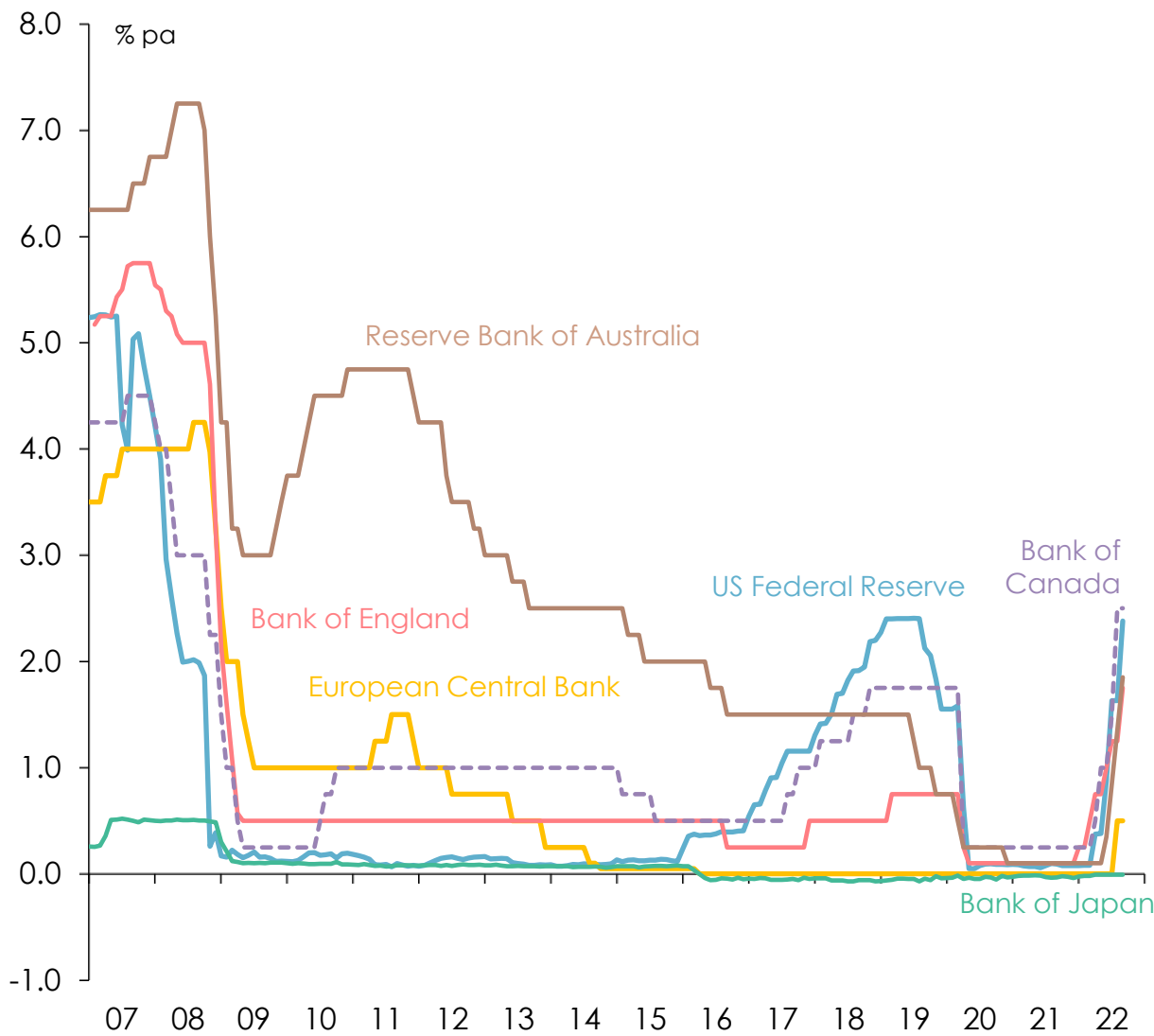


General government net debt (right scale)

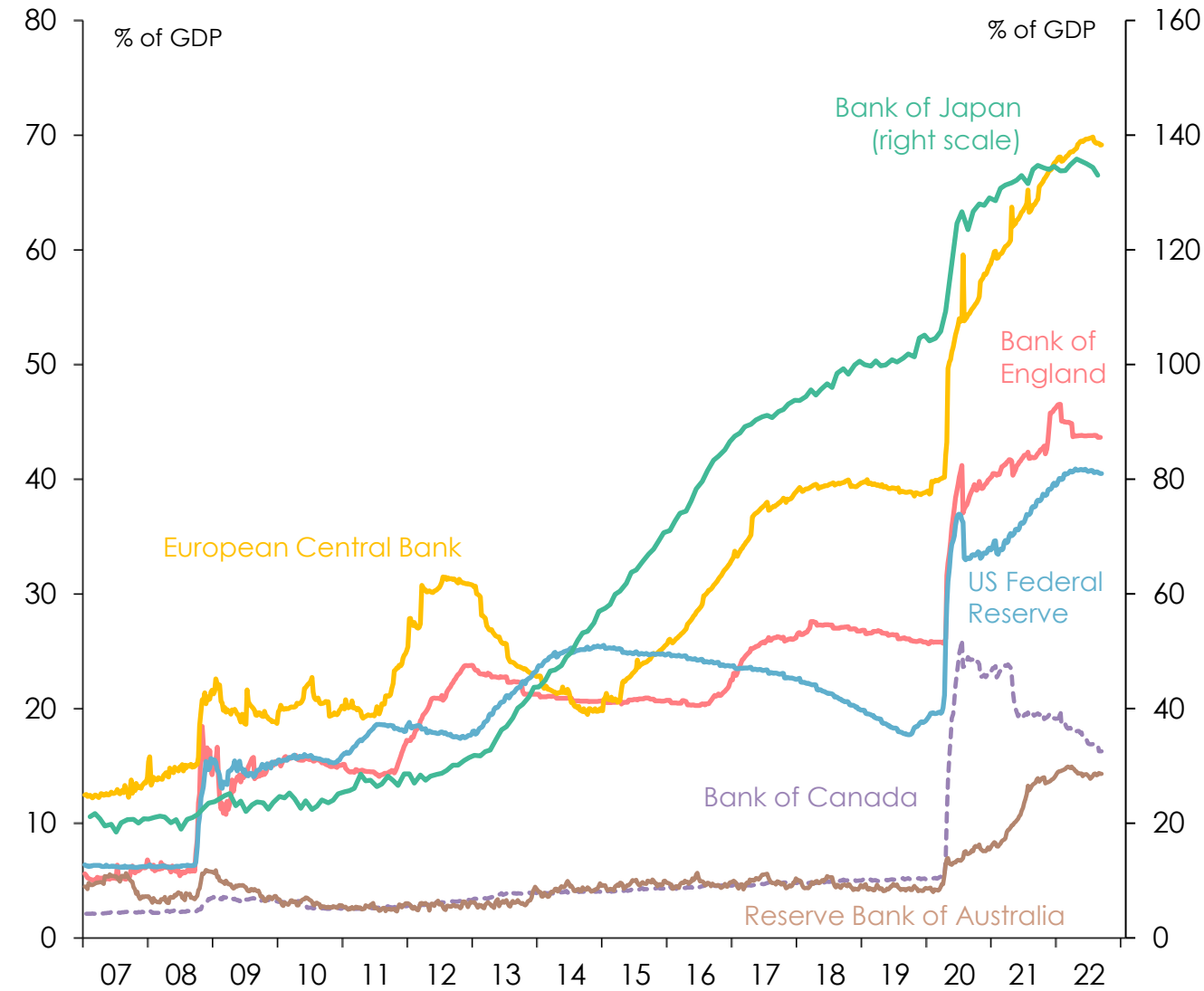
Every major 'advanced' economy central bank, apart from Japan's, is now tightening monetary policy

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

Major central bank policy interest rates



Major central bank balance sheets

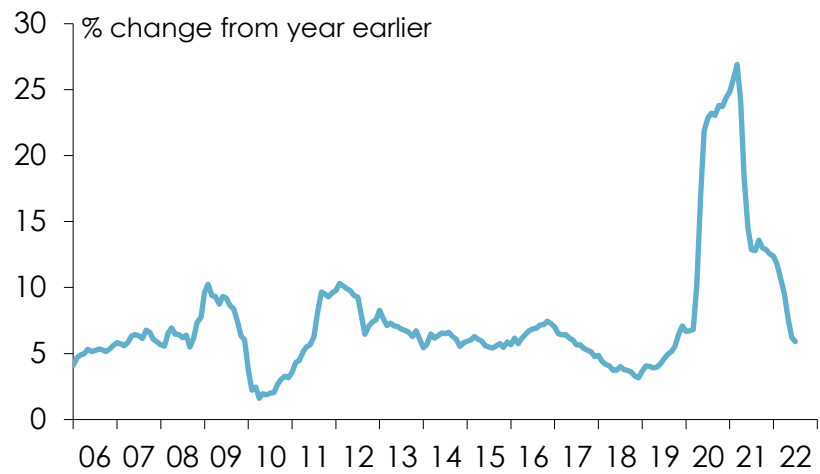


Sources: [US Federal Reserve](#); [European Central Bank](#); [Bank of Japan](#); [Bank of England](#); [Bank of Canada](#); [Reserve Bank of Australia](#); national statistical agencies; Corinna.
[Return to "What's New"](#).

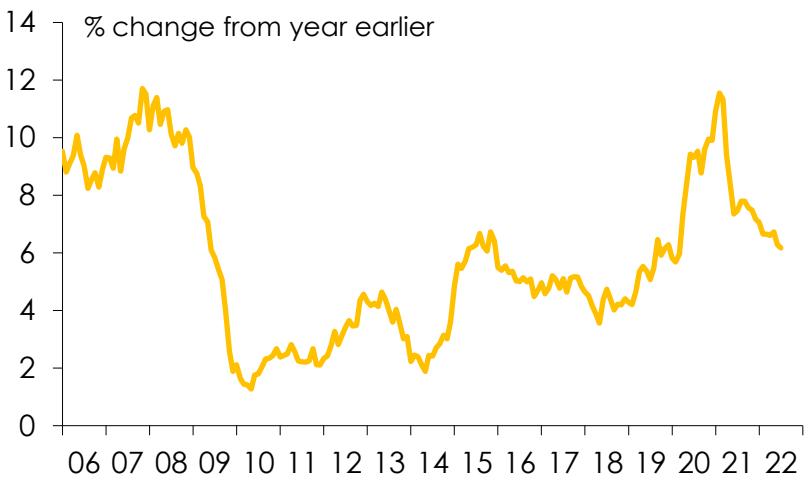
Money supply growth has slowed sharply from the peaks recorded in the first half of 2021 as large monthly increases in 2020 ‘wash out’

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

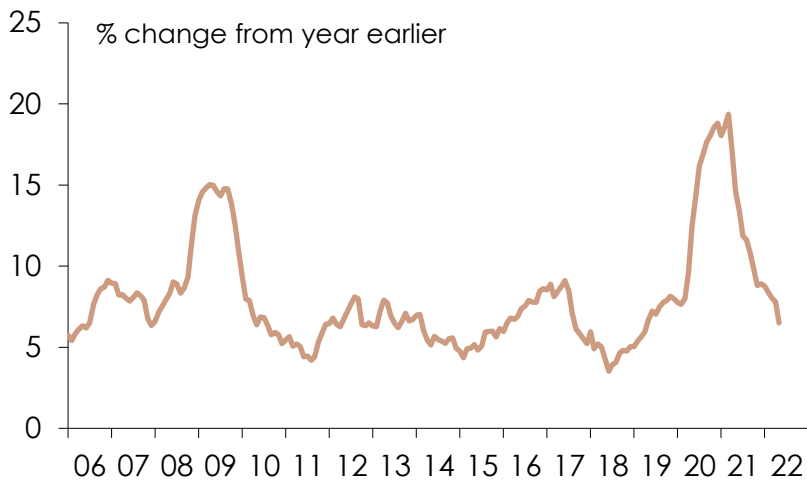
US M2



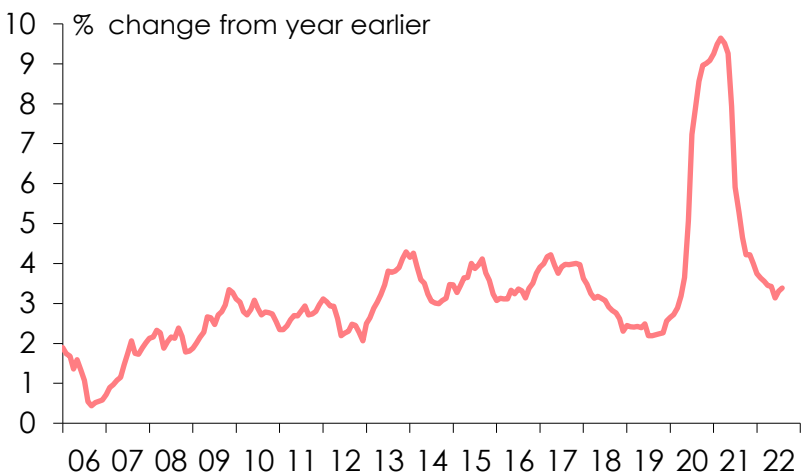
Euro area M2



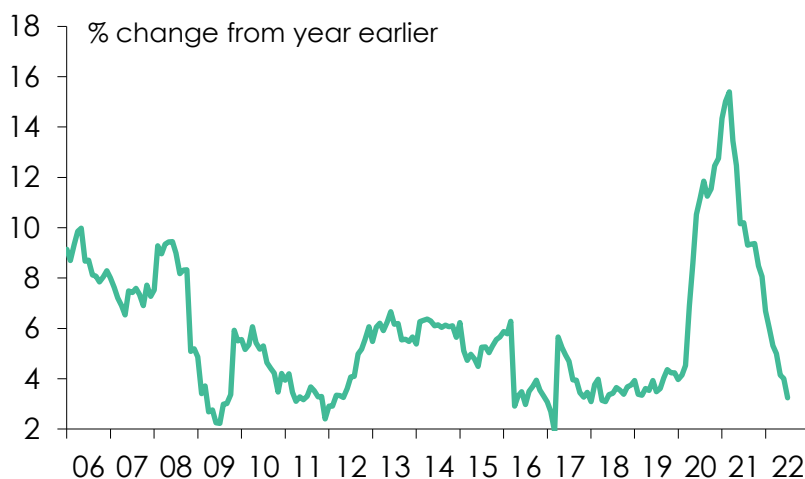
Canada M2



Japan M2 + CDs



UK M2



Australia M3

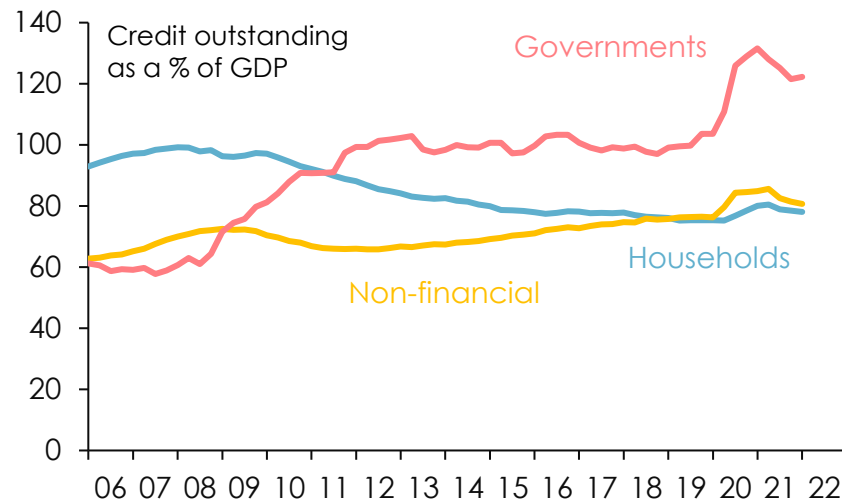


Sources: [US Federal Reserve](#); [Bank of Japan](#); [European Central Bank](#); [Bank of England](#); [Bank of Canada](#); [Reserve Bank of Australia](#).

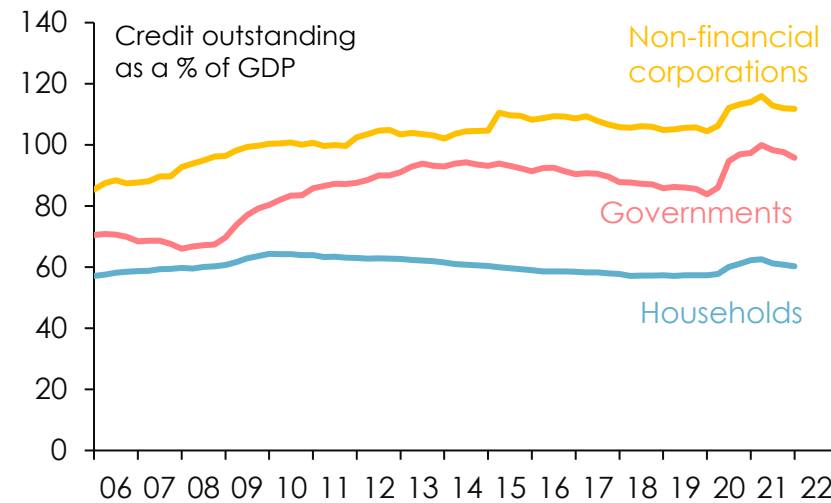
Japanese, US and UK governments, Canadian corporations and Australian households appear most exposed to increases in interest rates

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

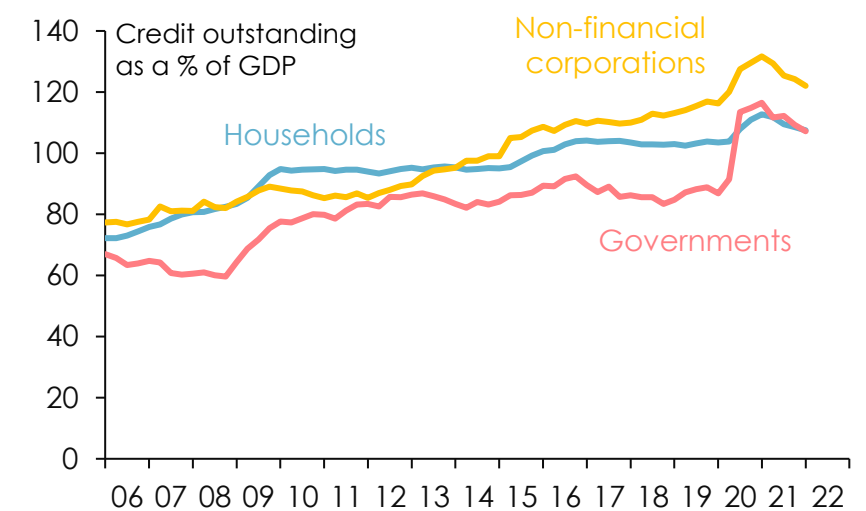
US



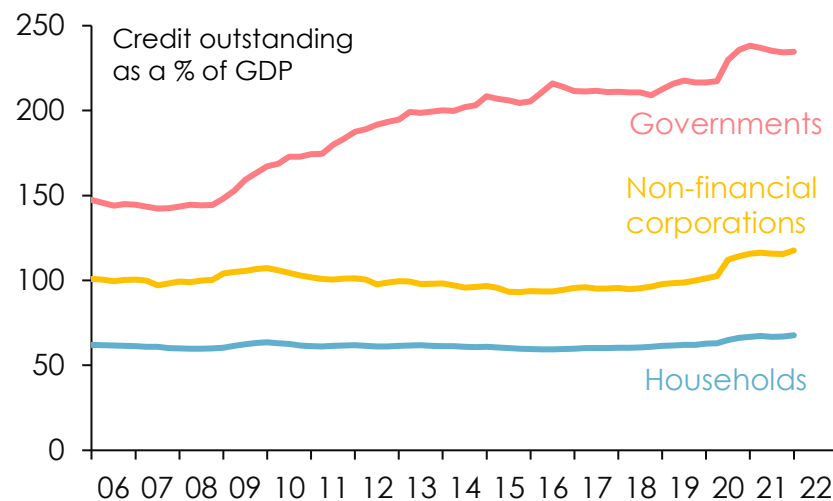
Euro area



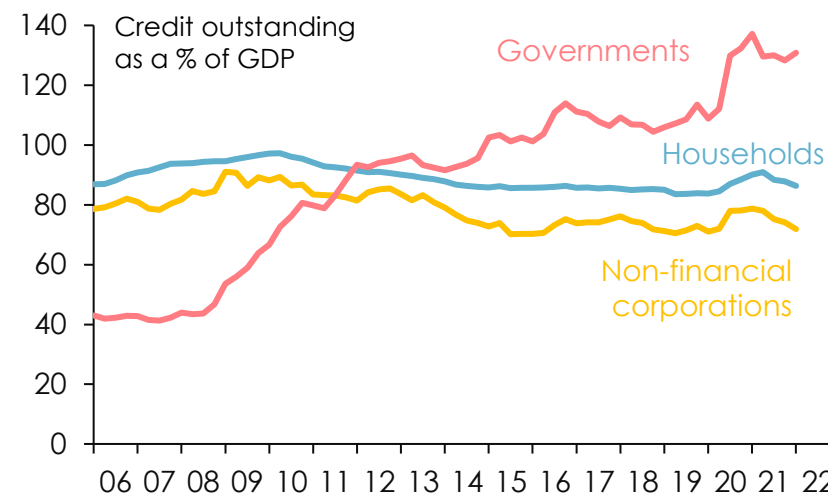
Canada



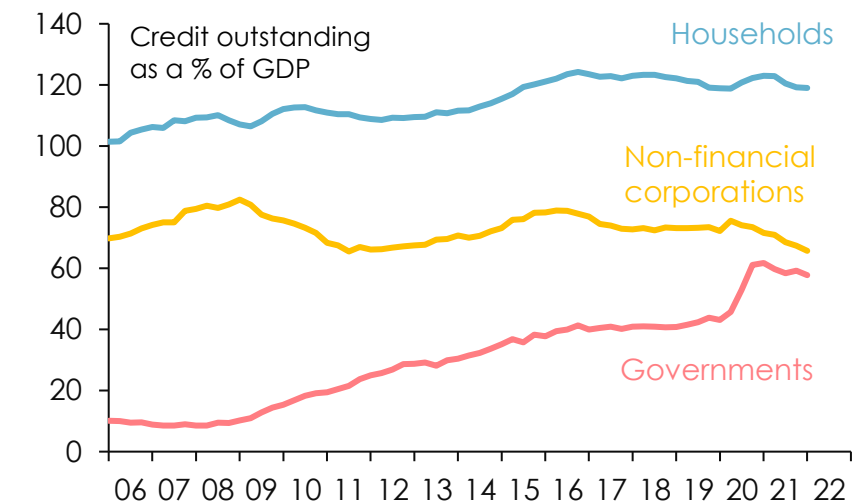
Japan



UK



Australia

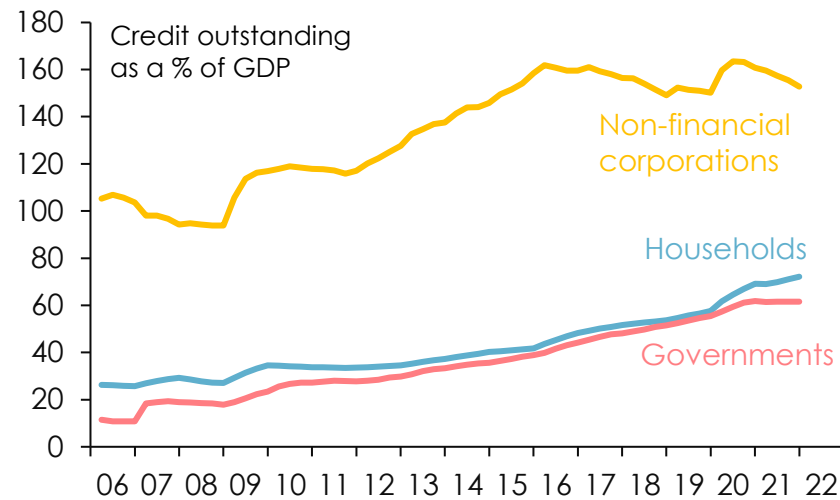


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q4 2021, Q1 2022 data will be released on 19th September. [Return to "What's New"](#).

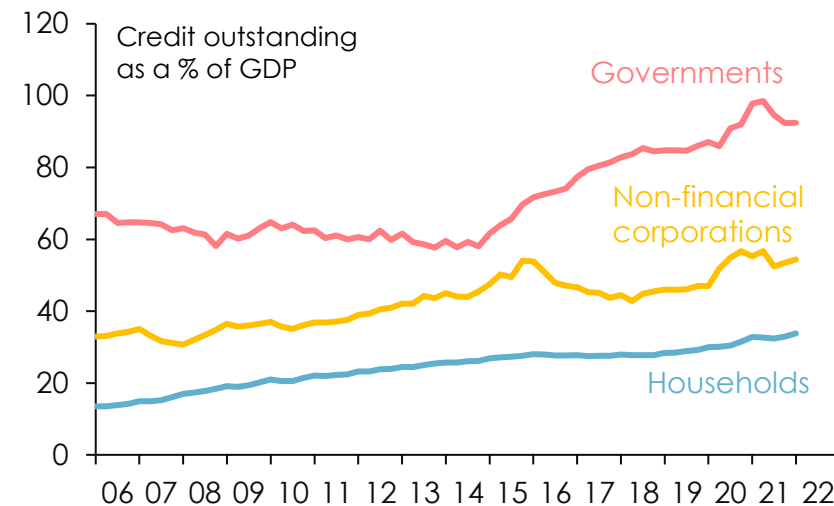
In major 'developing' economies it's usually governments that are most exposed to rising interest rates – except for China, Russia and Turkey

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

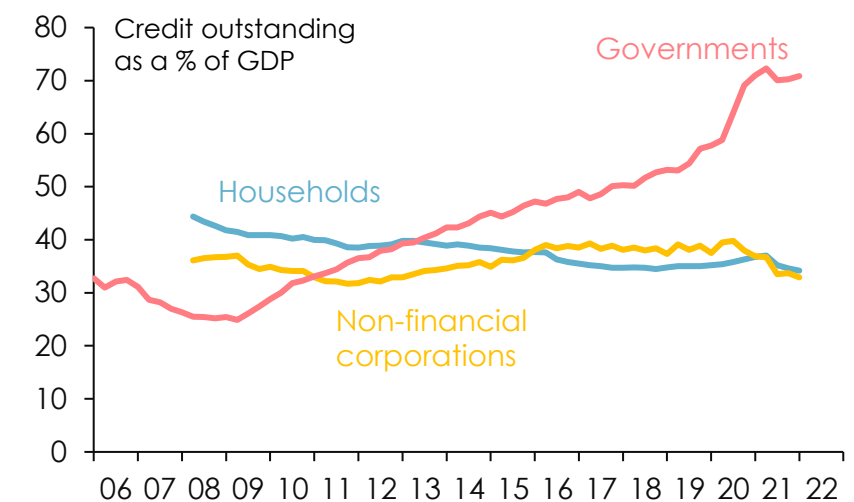
China



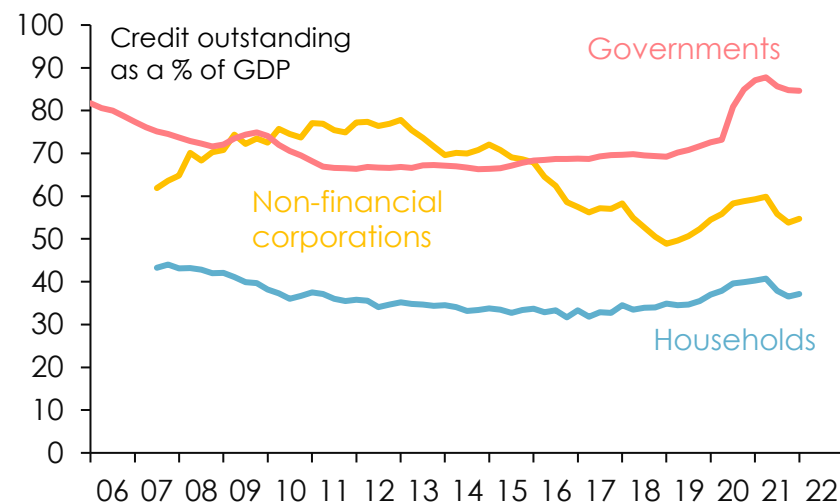
Brazil



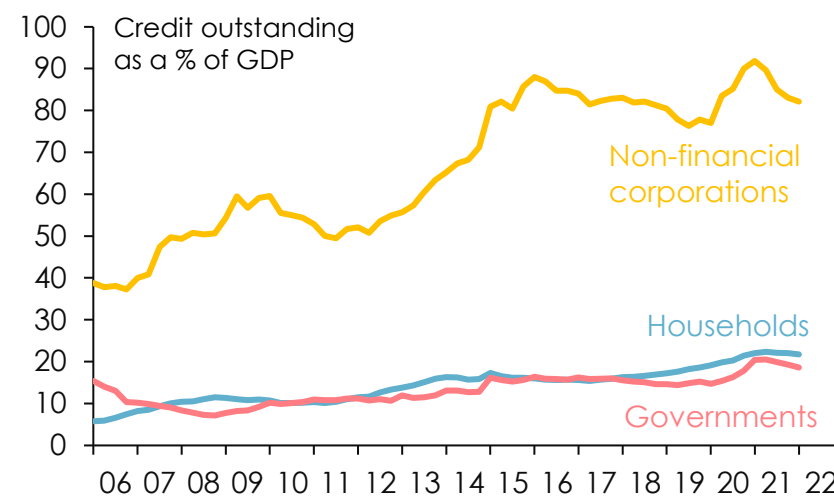
South Africa



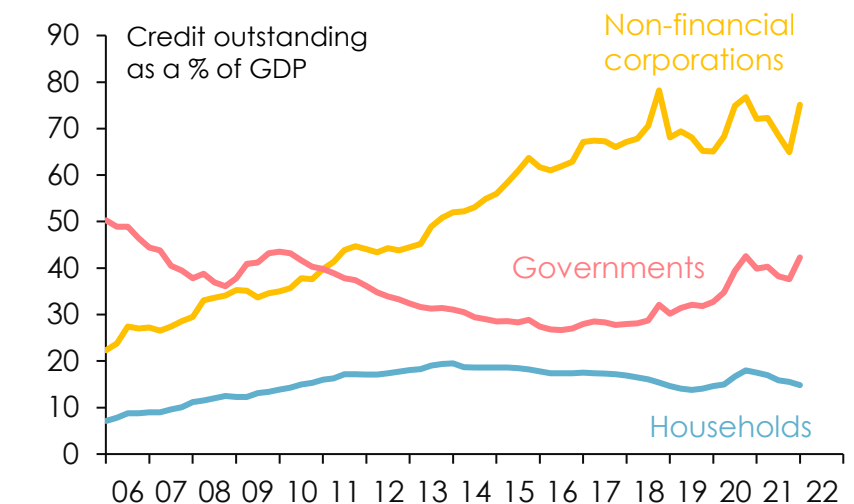
India



Russia



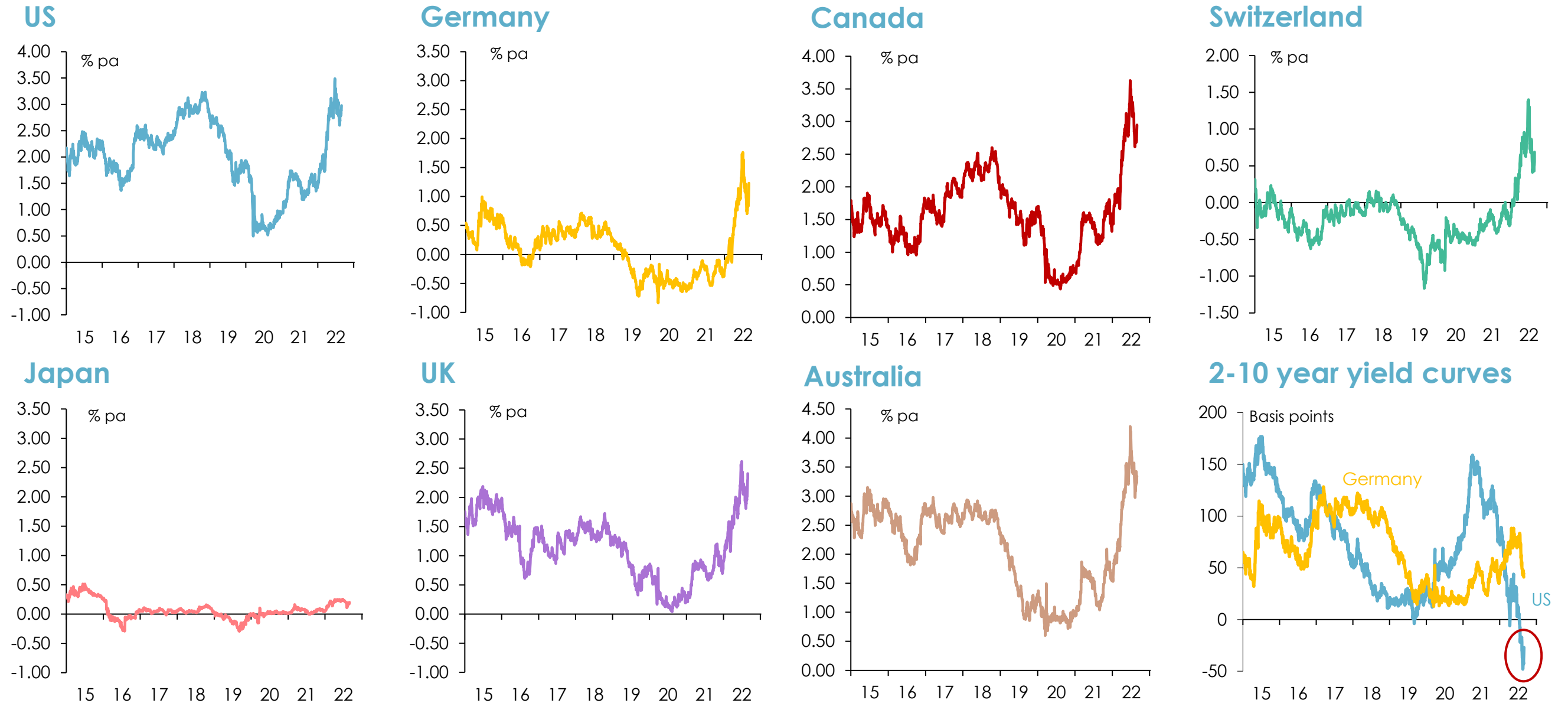
Turkey



Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q4 2021, Q1 2022 data will be released on 19th September. For data for other Asian economies see [slide 100](#). [Return to "What's New"](#).

10-year bond yields rose further this week after the minutes of last month's FOMC meeting appeared to suggest more large rate hikes were possible

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022



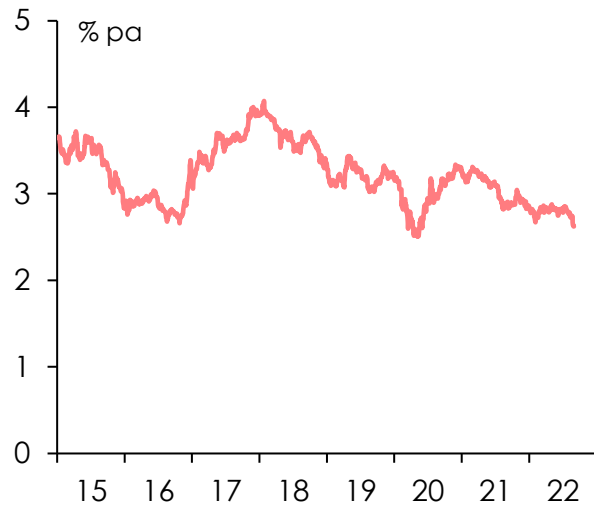
Note: Data up to 19th August. For bond yields in other large euro area member states see [slide 64](#), and for bond yields in Asian economies see [slide 99](#).

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

10-year bond yields also rose in most 'emerging' markets, except for India where they were flat and China where they fell 10bp on weak July data

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

China



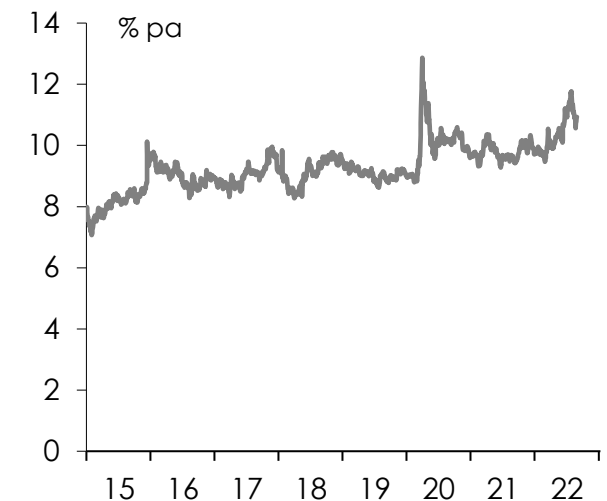
Brazil



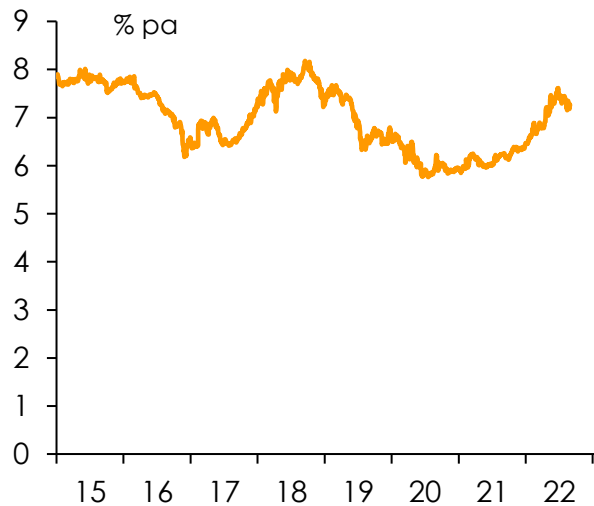
Russia



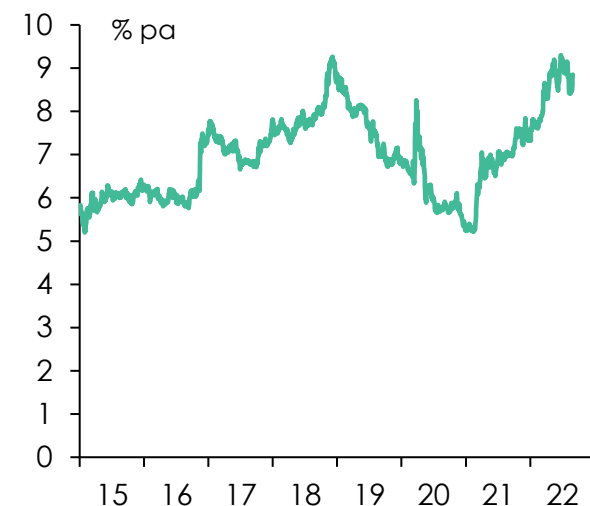
South Africa



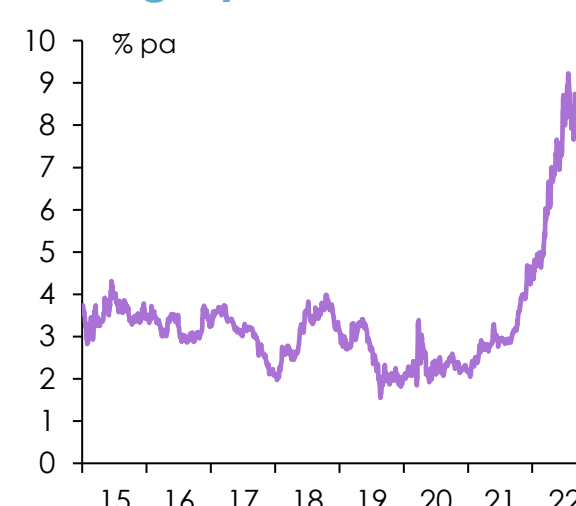
India



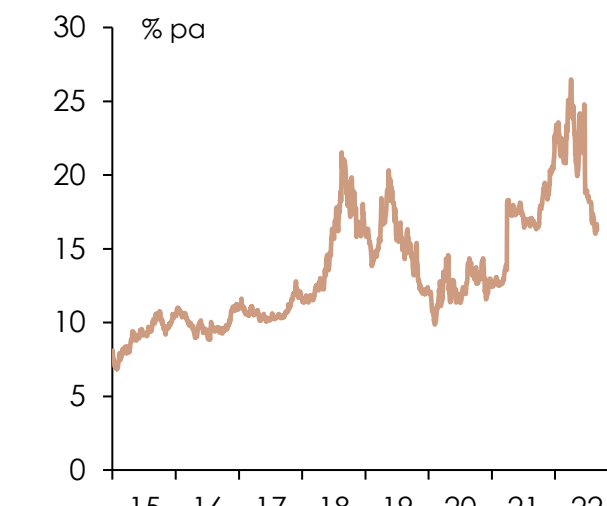
Mexico



Hungary



Turkey



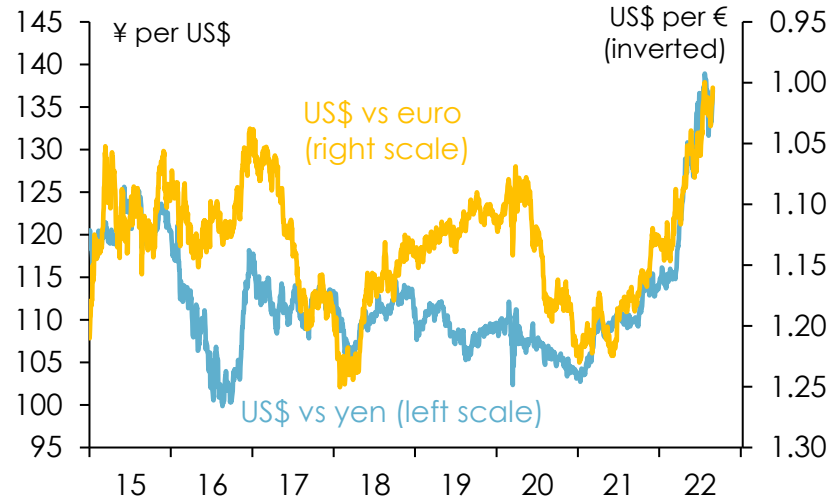
Note: Data up to 19th August. For bond yields in other Asian economies see [slide 99](#); and for policy interest rates in other emerging markets see [slide 120](#).

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

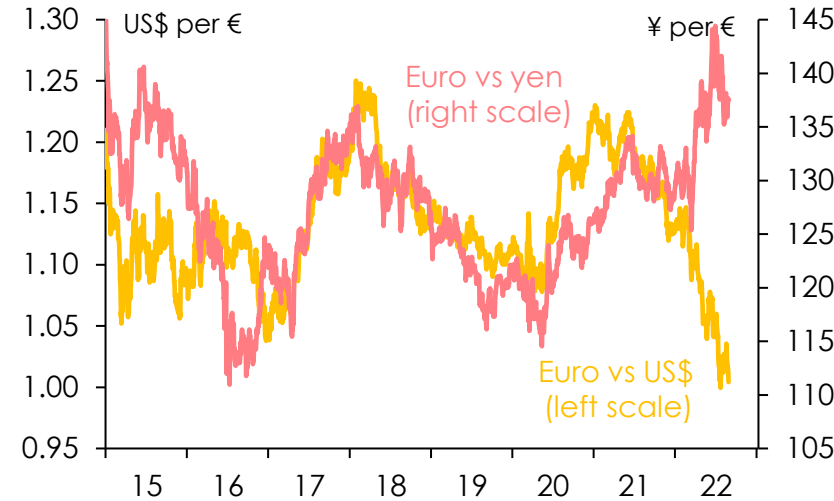
The US\$ returned to an upward trend last week, after three weeks of gradual easing, on renewed expectations of further large Fed rate hikes

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

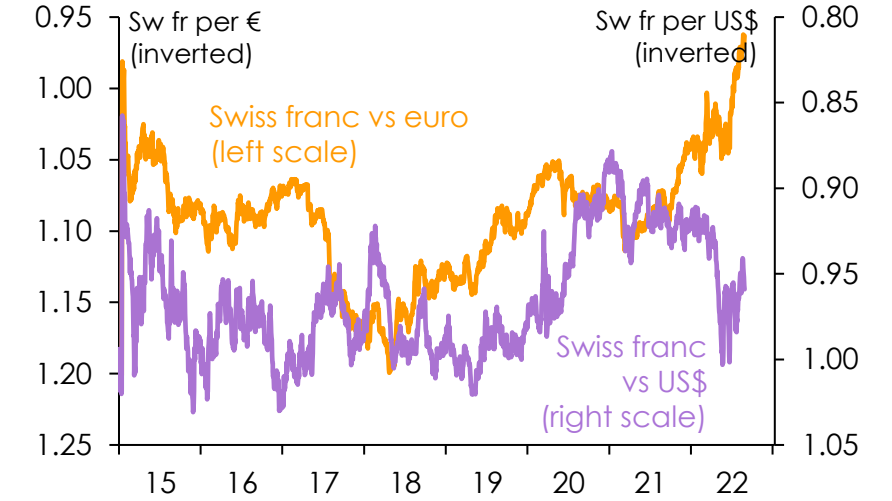
US dollar



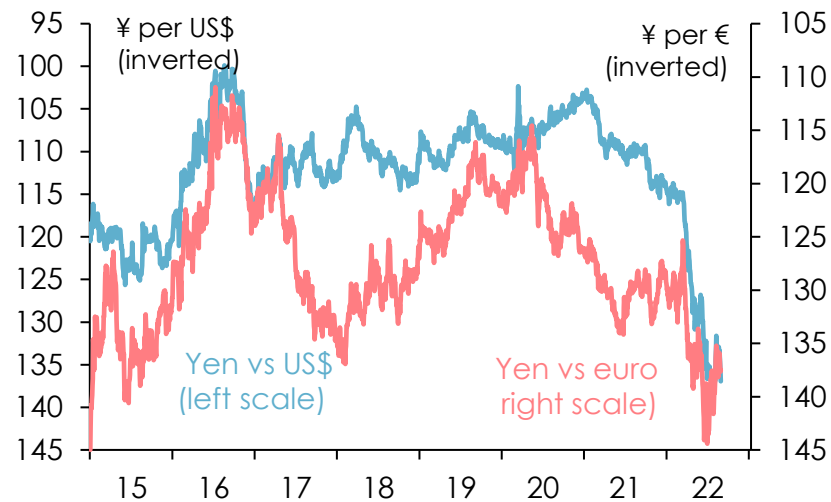
Euro



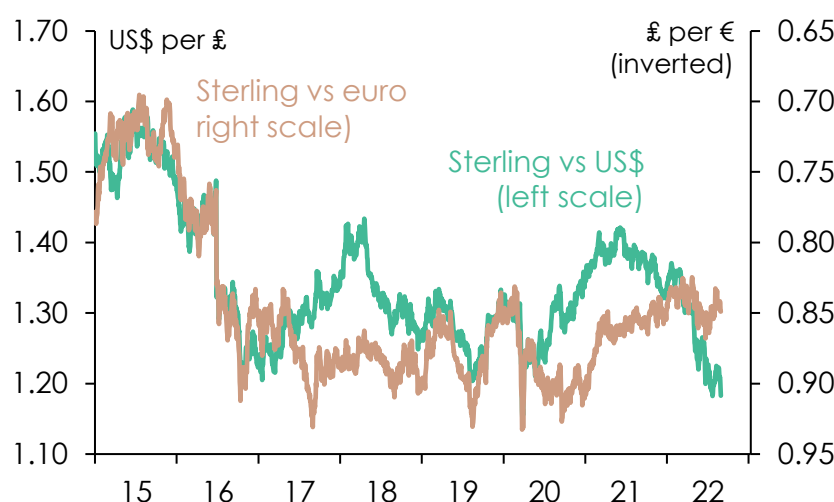
Swiss franc



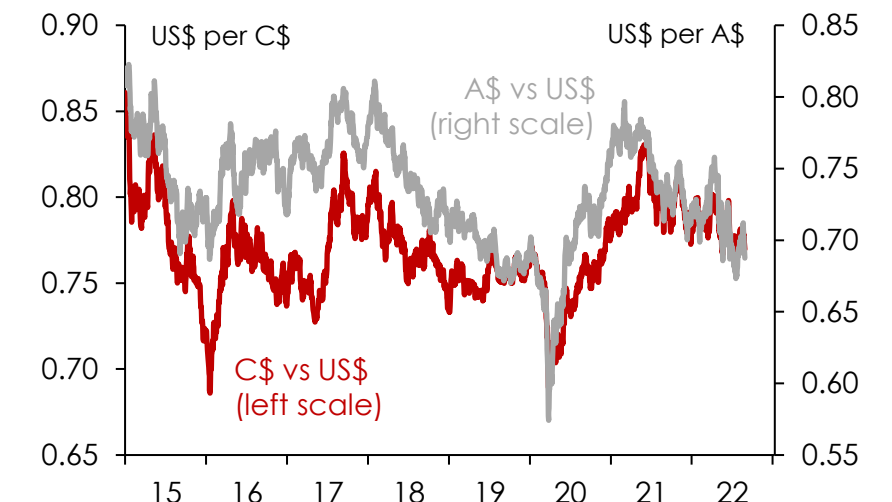
Japanese yen



Sterling



Canadian & Australian dollars

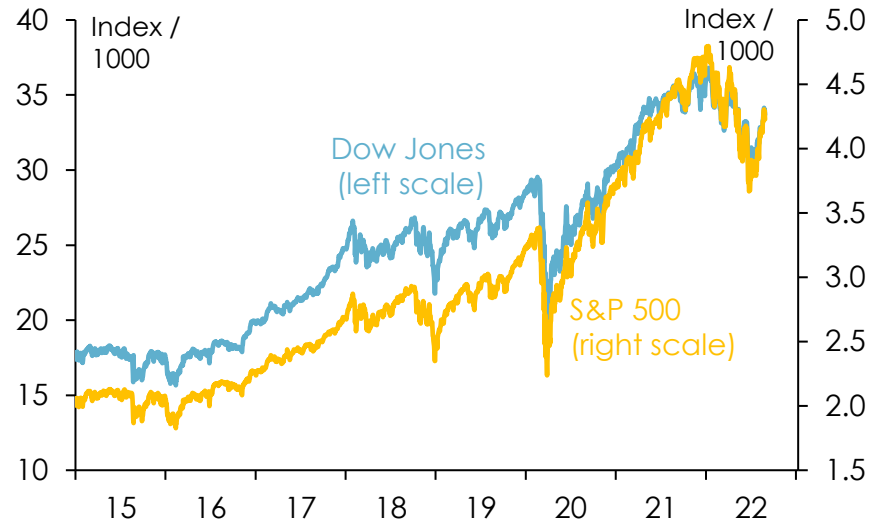


Note: Data up to 19th August. For Asian exchange rates see [slide 101](#). Source: Refinitiv Datastream. [Return to "What's New"](#).

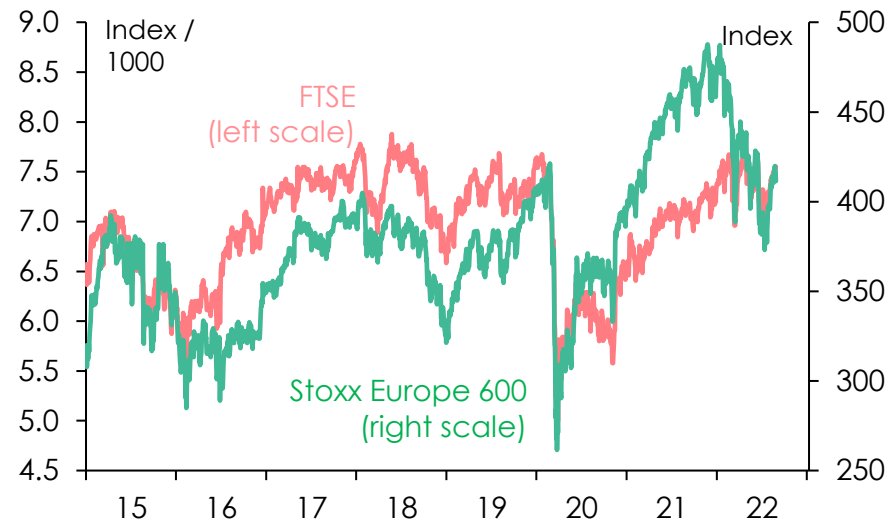
Major stock markets were higher in the first half of last week but most ended up slightly lower after the release of the US FOMC minutes

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

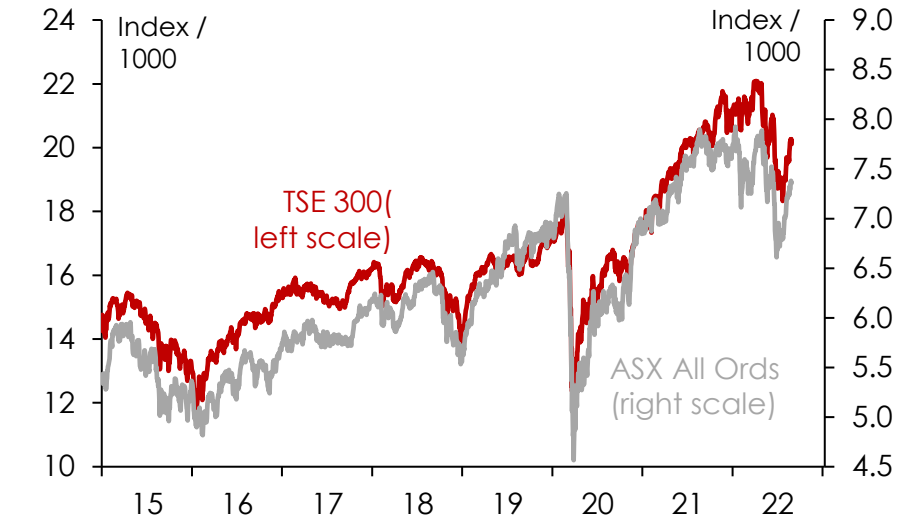
US stock market



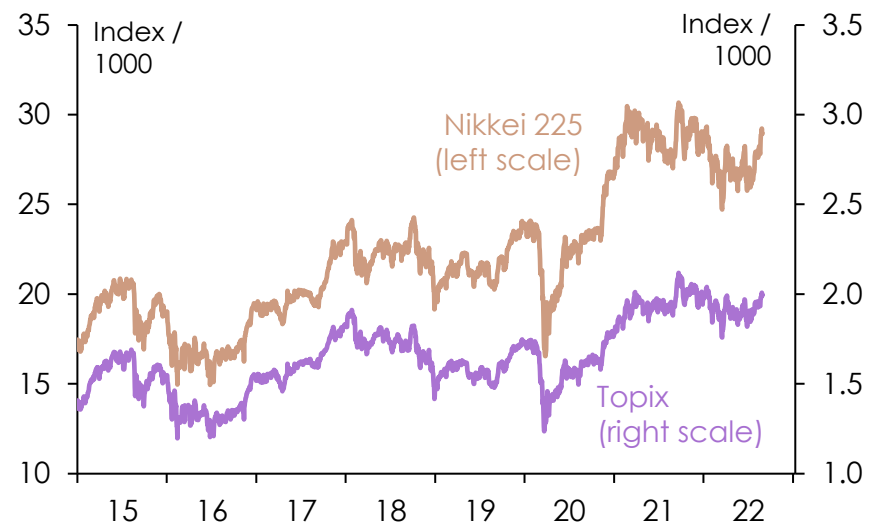
European stock markets



Canadian & Australian stock markets



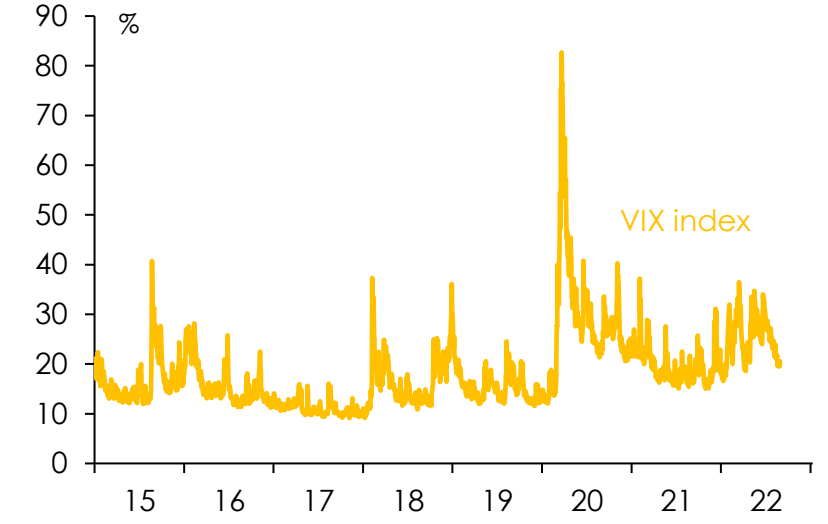
Japanese stock market



Chinese & HK stock markets



Equity market volatility



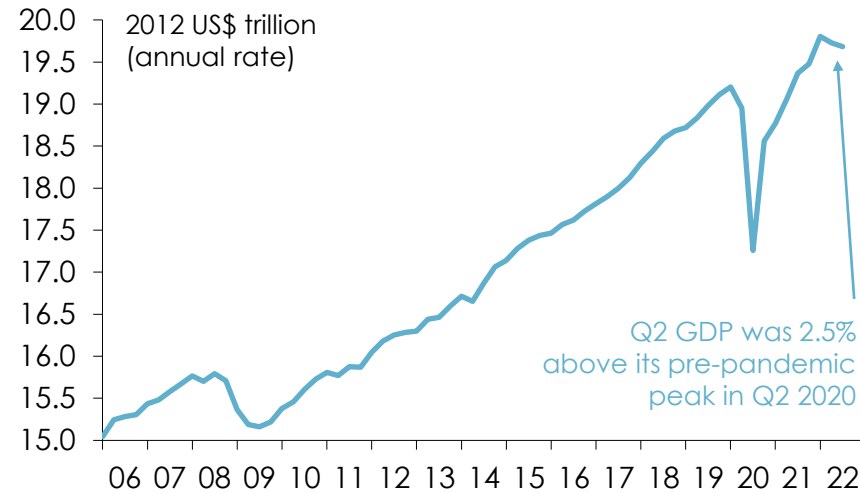
Note: Data up 19th August. Source: Refinitiv Datastream. For East Asian stock markets see [slide 102](#). [Return to "What's New"](#).

The United States

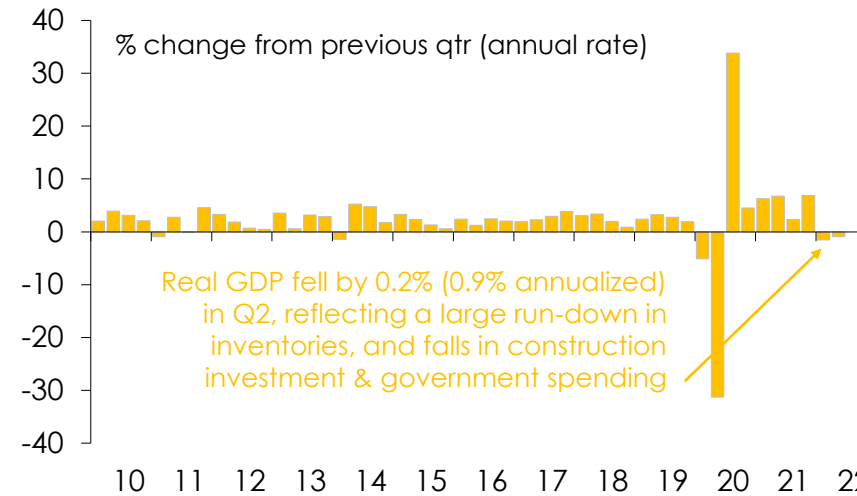
US real GDP contracted by 0.2% in Q2, the second consecutive decline – driven by a run-down in inventories and sharp falls in construction

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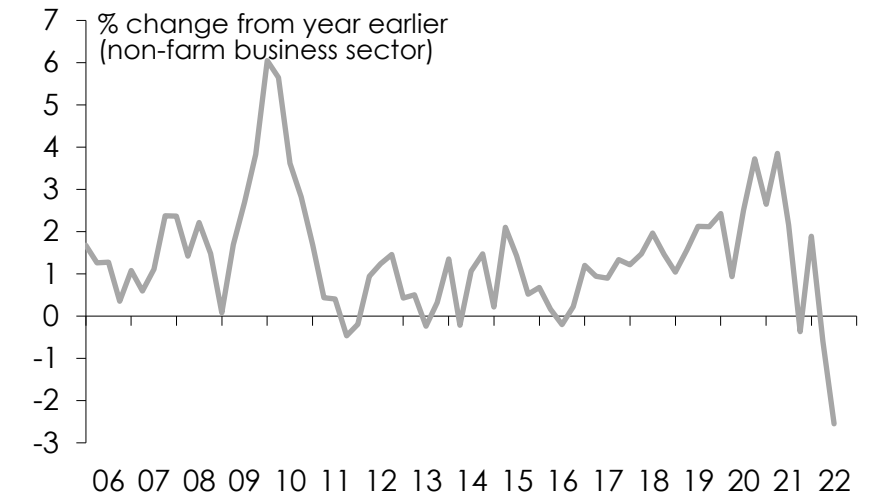
Level of real GDP



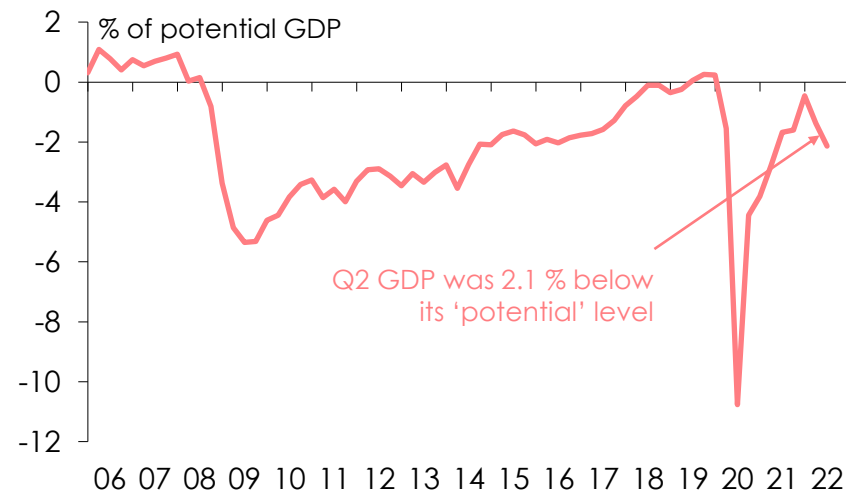
Quarterly change in real GDP



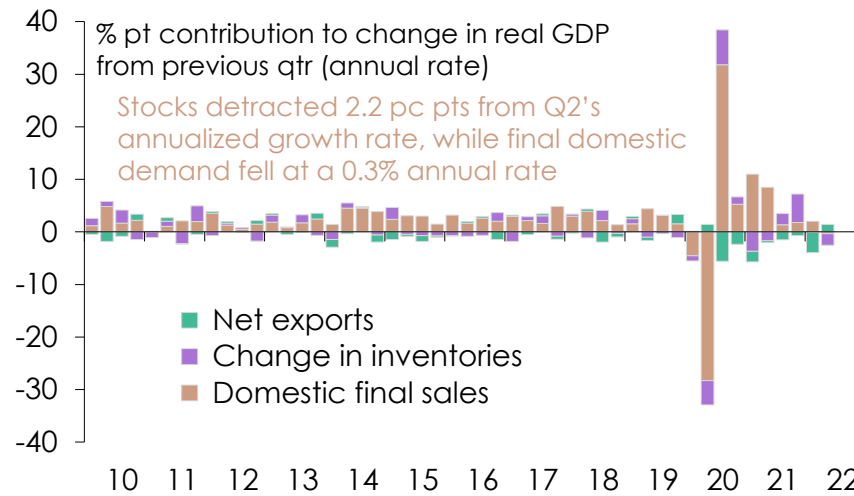
Labour productivity growth



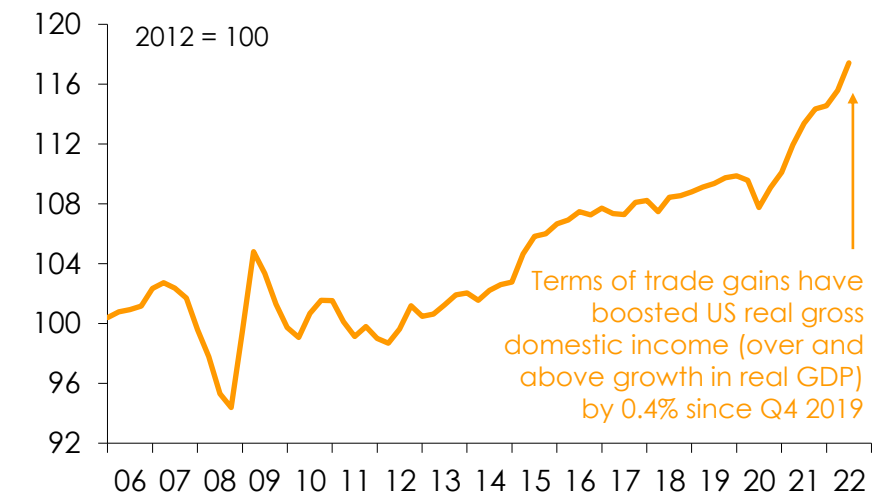
The 'output gap'



Contributions to change in real GDP



Terms of trade



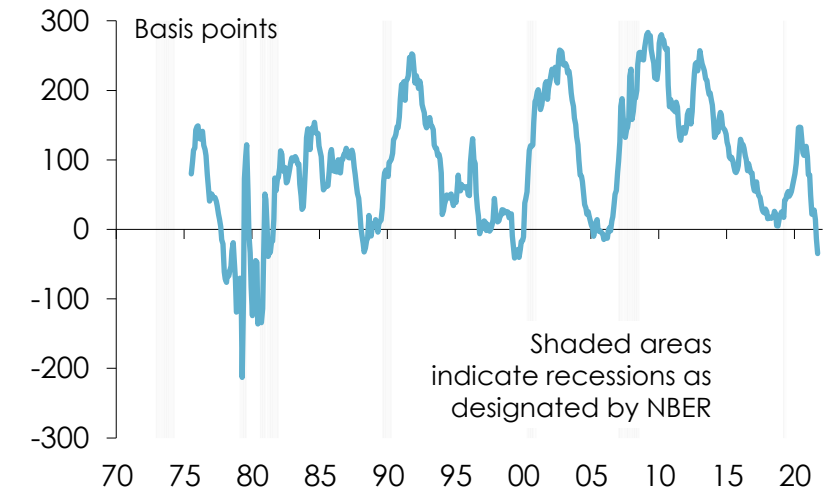
Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

The US economy was *not* in recession ('technical' or otherwise) in the first half of 2022 – but it could be in the second half, or in 2023

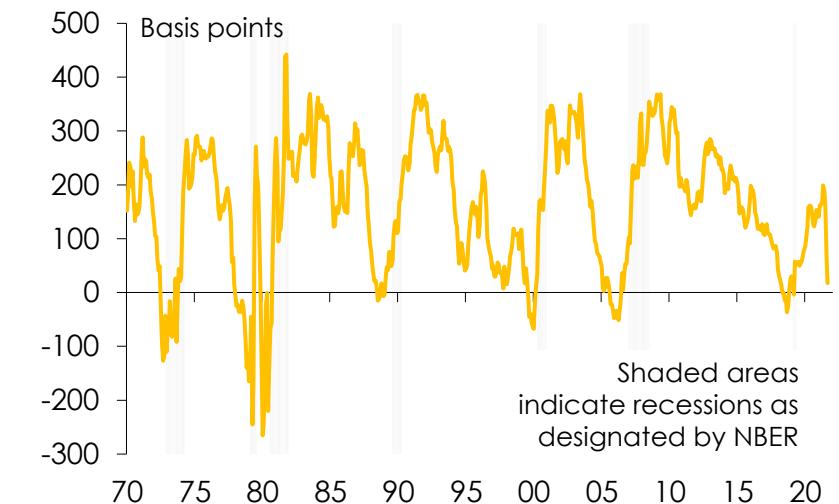
THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

- ❑ US real GDP contracted at annual rates of 1.6% in Q1 and 0.9% in Q2 which many people interpret as meaning that the US economy was in recession in the first half of this year
- ❑ While this 'rule of thumb' is widely used to identify recessions in many economies, in the US recessions are 'officially' designated by the [Business Cycle Dating Committee](#) of the [National Bureau of Economic Research](#) (an academic body).
- ❑ This Committee defines a recession as "the period between a peak of economic activity and its subsequent trough, or lowest point" which "involves a significant decline in economic activity that is spread across the economy and lasts more than a few months"
- ❑ The Committee [explicitly rejects](#) the two-or-more-quarters-of consecutive-contractions-in-real-GDP 'rule of thumb' as a 'definition' of recession
 - noting that "real GDP could decline by relatively small amounts in two consecutive quarters without warranting the determination that a peak had occurred" (which would appear to apply in this instance"
 - more broadly, it notes that "we do not identify economic activity solely with real GDP, but consider a range of indicators" (including real personal income and expenditure, employment, real wholesale & retail sales, and industrial production, as well as the income side of the national accounts)
- ❑ A [much more sensible definition](#) of a recession is when the unemployment rate rises by 1½ pc pts or more in 12 months or less – which clearly hasn't happened
 - employment *increased* by an average of 471K (0.3%) per month between January and July, and the unemployment rate *fell* from 4.0% in January to 3.5% in July ([slide 46](#))
- ❑ However, there is clearly a growing risk that the US economy could fall into a recession by this definition (or according to the NBER-BCD criteria) over the next 6-18 months
 - the 10yr / 2yr yield curve has inverted (although the 10yr / 3mth curve hasn't – yet)
 - a growing number of survey-based and 'leading' indicators of US economic activity are presaging a significant slowdown or outright contraction ([slide 41](#))

10-year / 2-year yield spread



10-year / 3-month yield spread

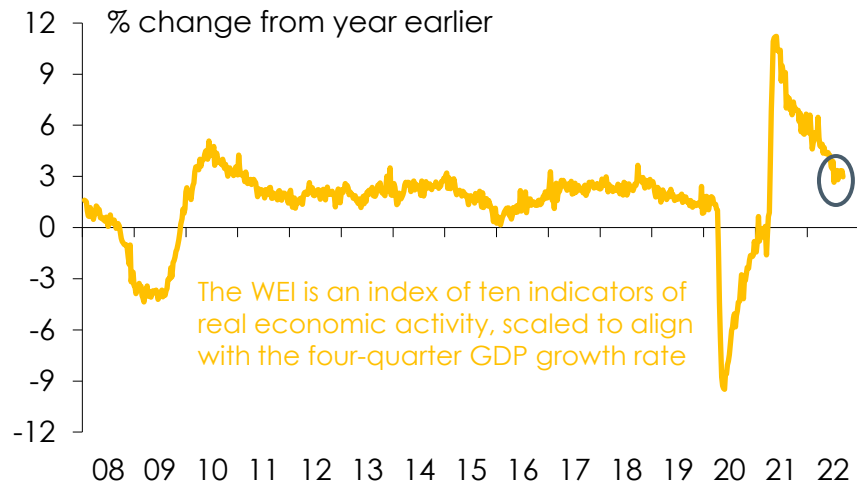


[Return to "What's New".](#)

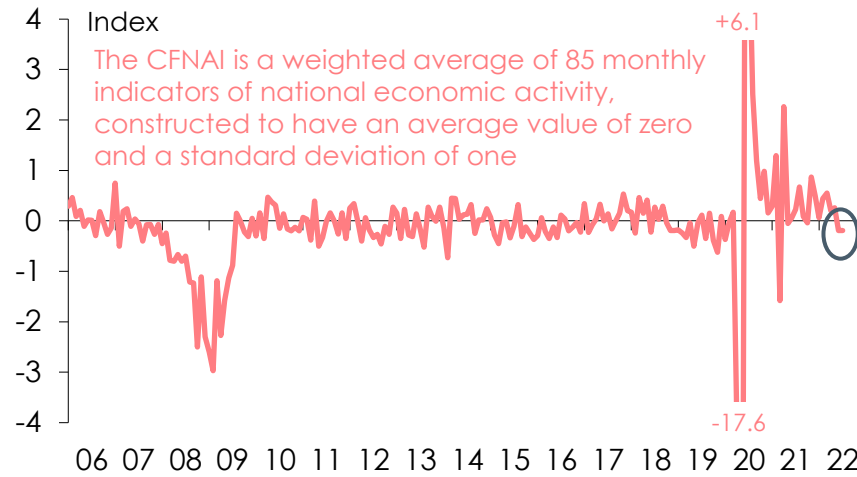
A growing number of activity surveys and leading indicators are starting to warn of a sharp slowdown or outright contraction in US economic activity

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

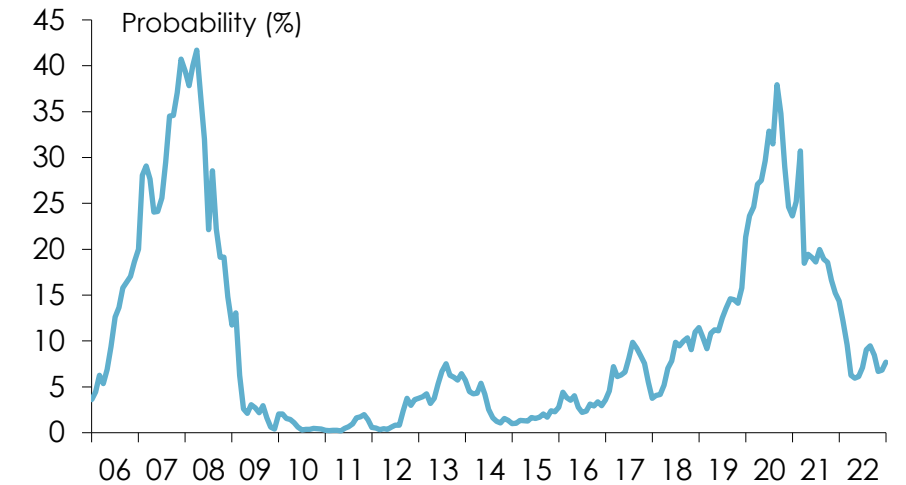
NY Fed weekly economic index



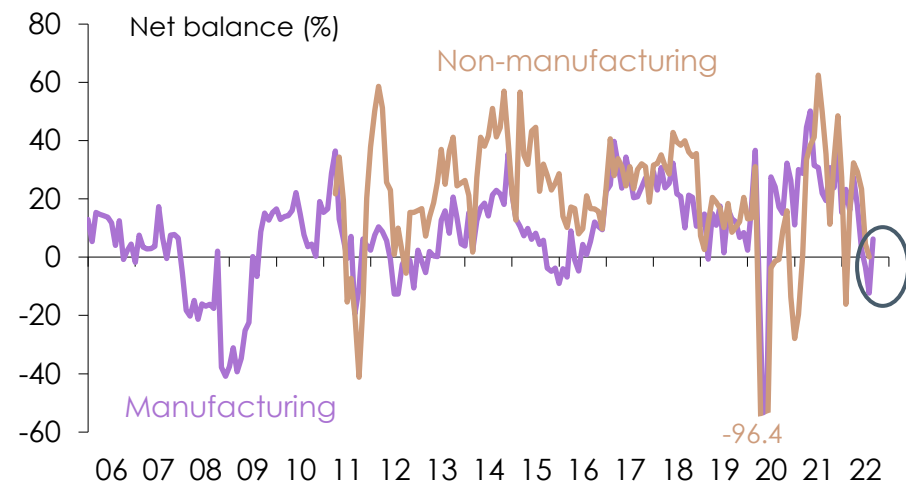
Chicago Fed national activity index



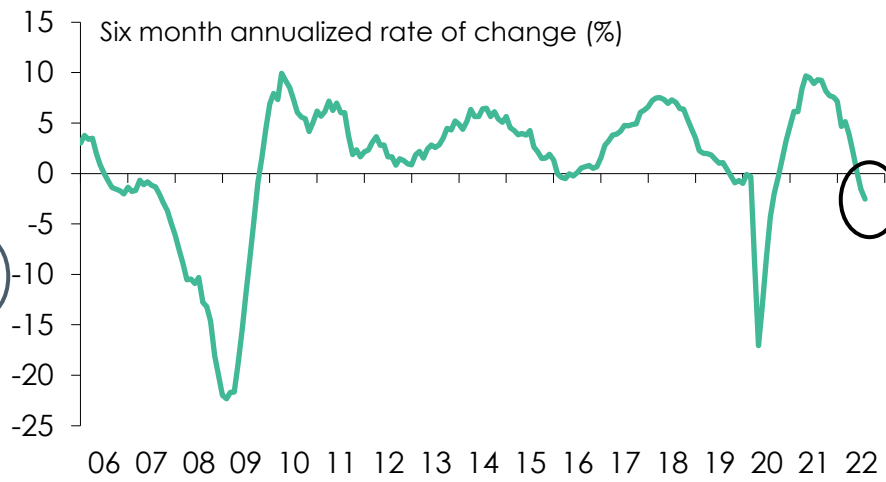
NY Fed recession probability index



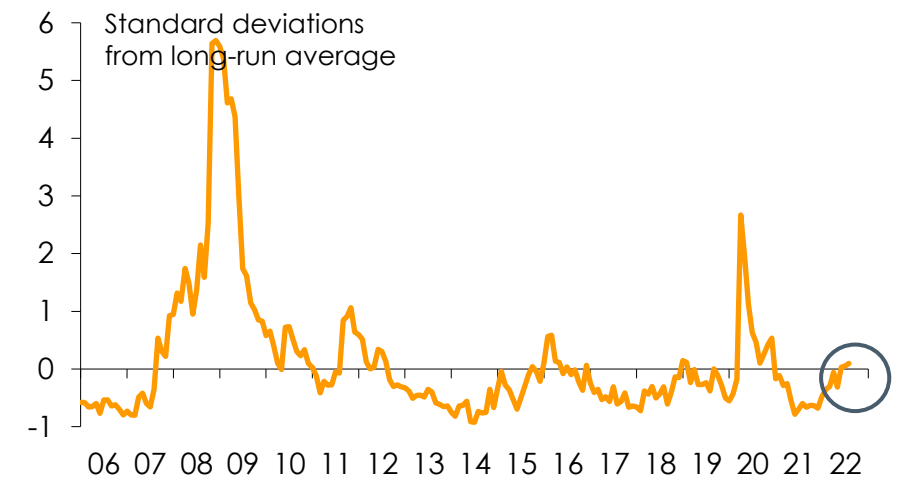
'Philly Fed' business outlook survey



Conference Board leading indicators



Kansas City Fed financial stress index

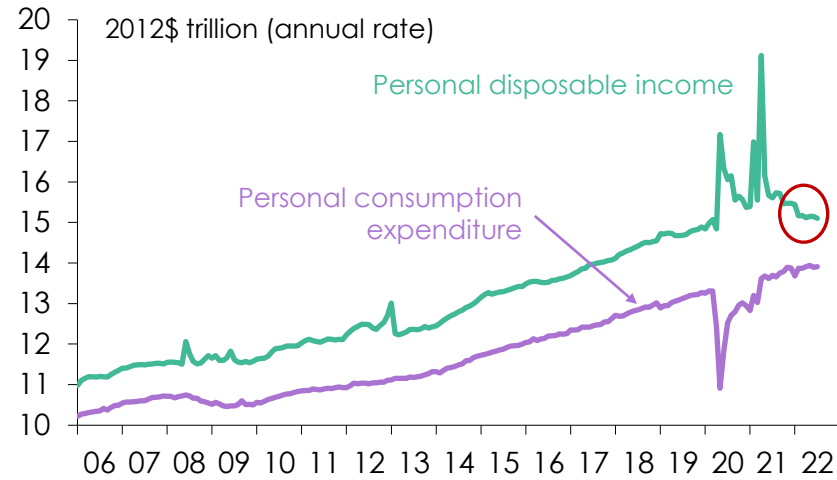


Sources: Federal Reserve Bank of New York, [Weekly Economic Index](#) and [The Yield Curve as a Leading Indicator](#); Federal Reserve Bank of Philadelphia, [Regional Economic Analysis](#), Manufacturing and Non-Manufacturing Business Outlook Surveys; Federal Reserve Bank of Chicago, [Chicago Fed National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

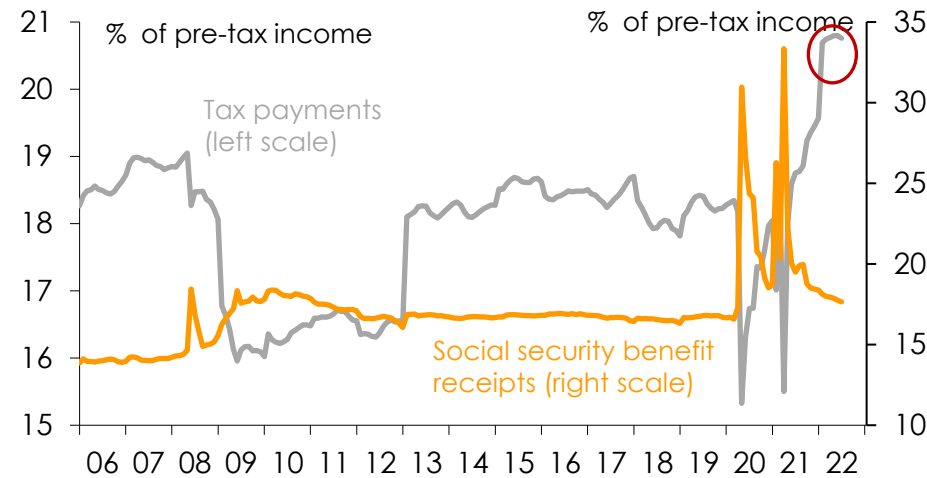
US personal disposable income has been squeezed by rising inflation & tax payments, forcing households to cut saving in order to maintain spending

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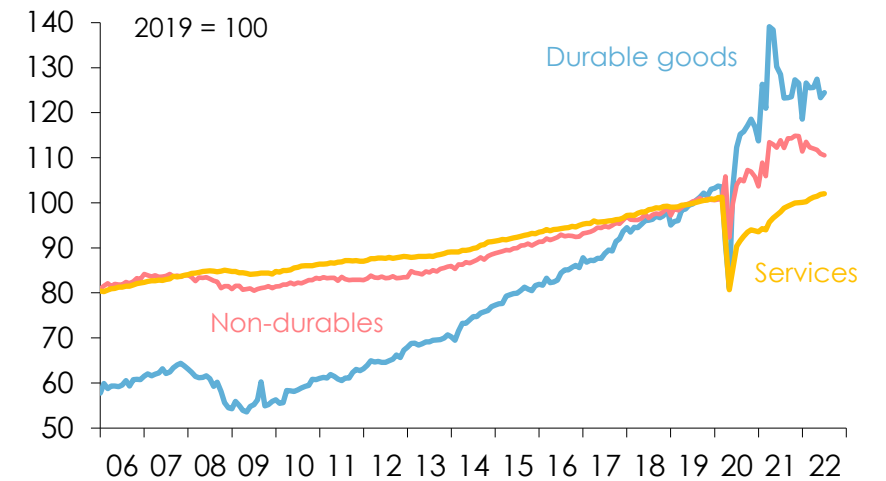
Personal income and expenditure



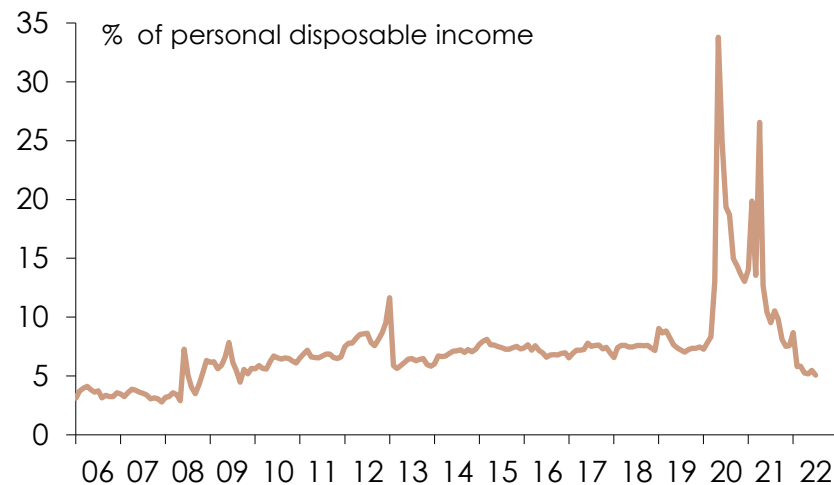
Tax and social security



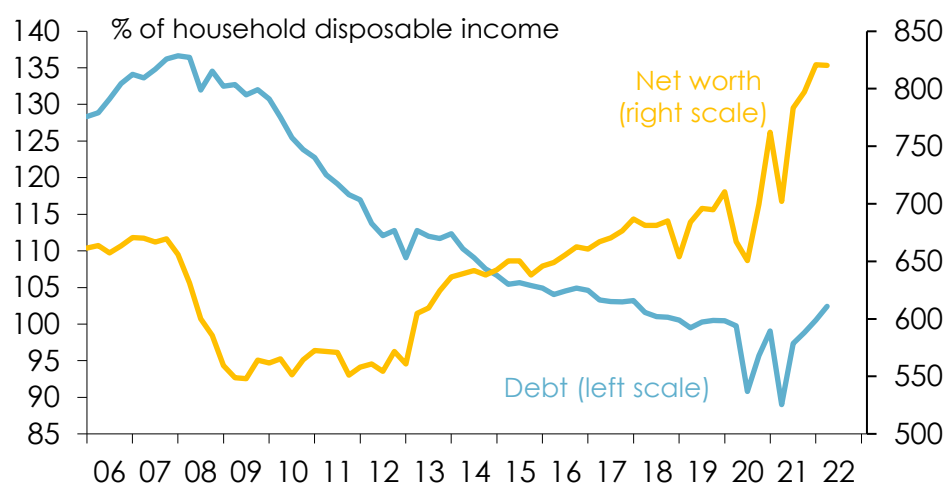
Personal consumption expenditure



Personal saving rate



Household debt and net worth



Spending on energy

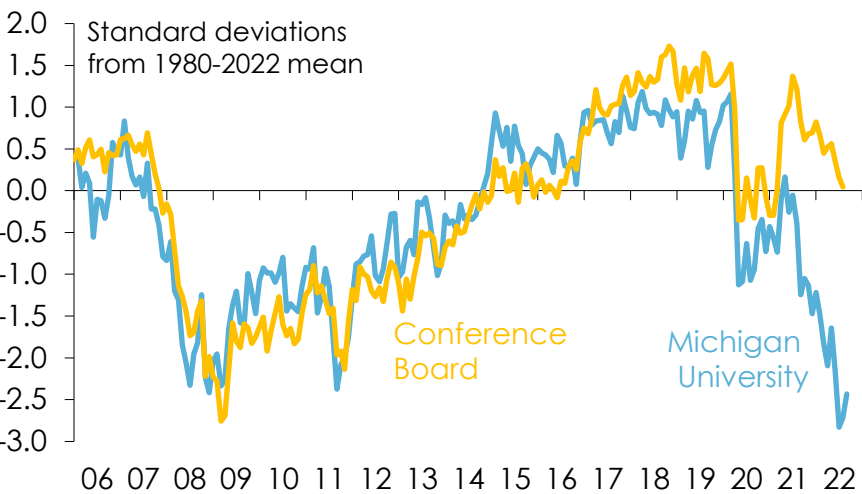


Note: data on personal income, spending and saving are monthly; data on debt and net worth are quarterly. Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#), [Consumer Spending](#) and [Income and Saving](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#). [Return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

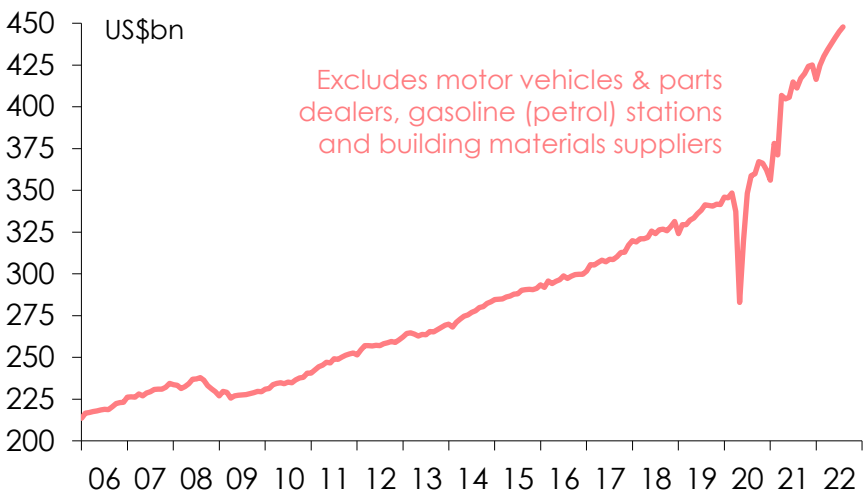
US retail sales were flat in July, due to falls in sales at vehicle dealers and gas stations – ‘core’ retail sales rose 0.7%

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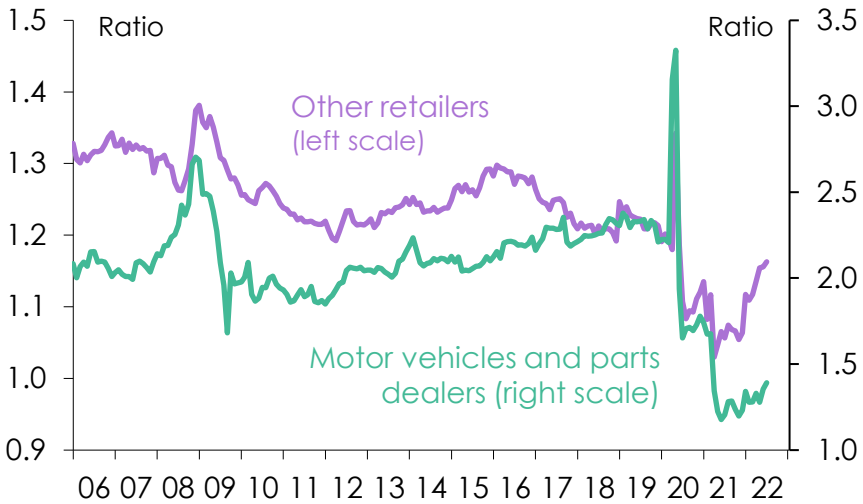
Consumer sentiment



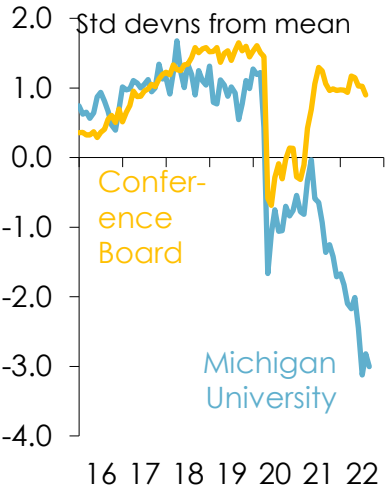
Level of ‘core’ retail sales



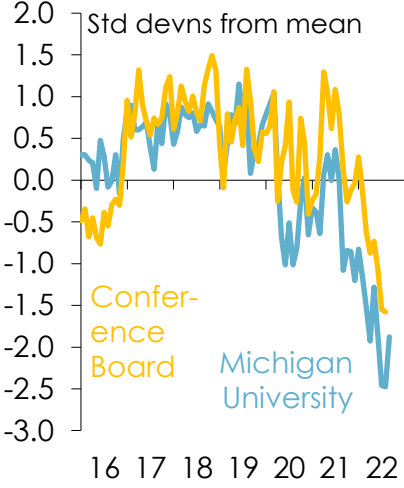
Retail inventories-sales ratios



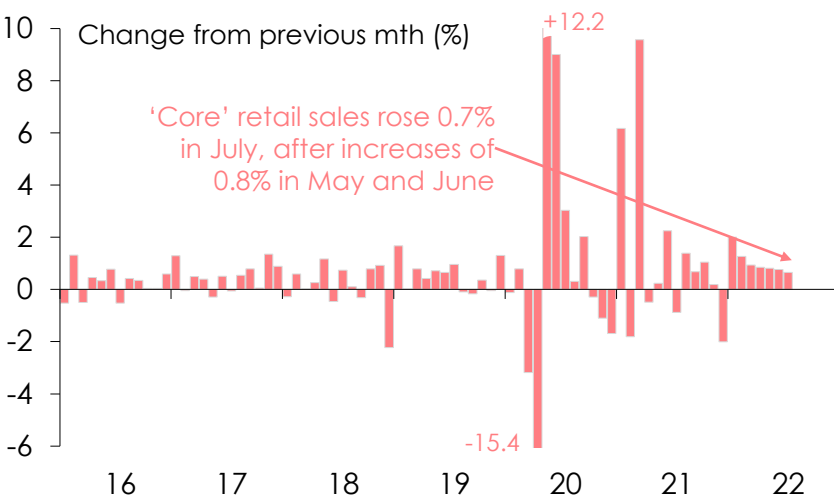
Present situation



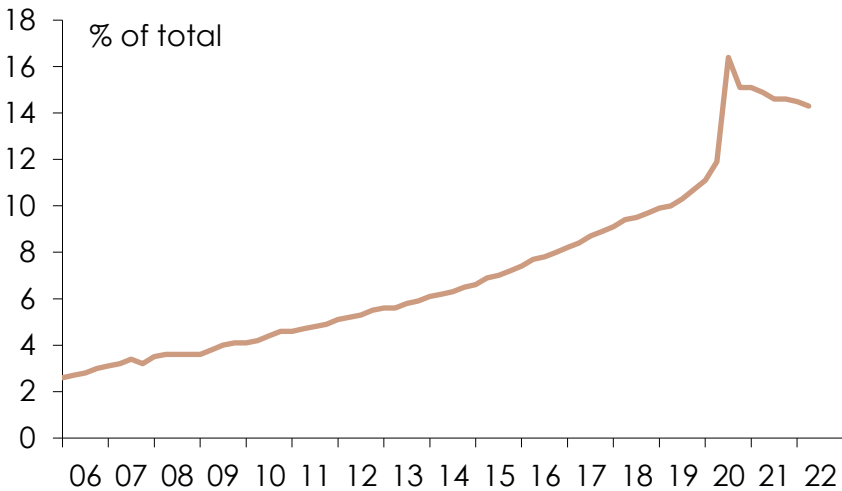
Expectations



Monthly changes in ‘core’ retail sales



On-line retail sales

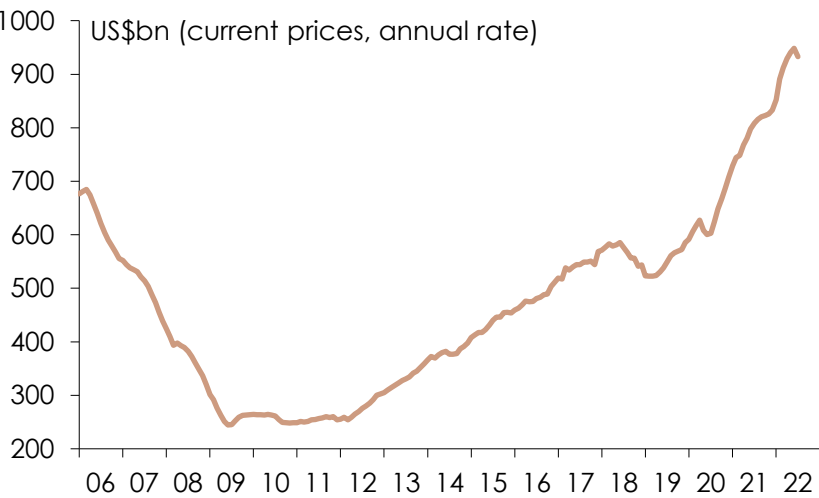


Note: The Michigan University measure of consumer sentiment gives greater weight to inflation, while the Conference Board measure gives greater weight to employment and unemployment. ‘Core’ retail sales excludes motor vehicles, petrol stations and building materials stores. Sources: Michigan University 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"](#).

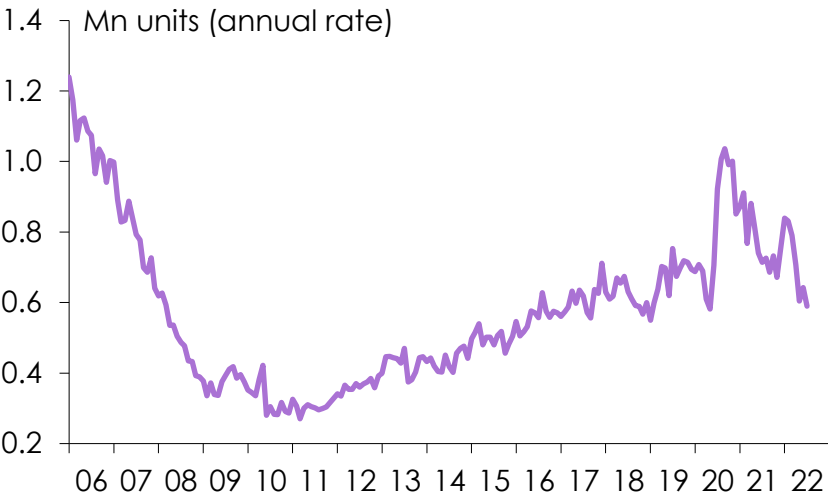
July housing starts were the lowest since February 2021, and 20% below the most recent peak in April this year

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Housing construction spending



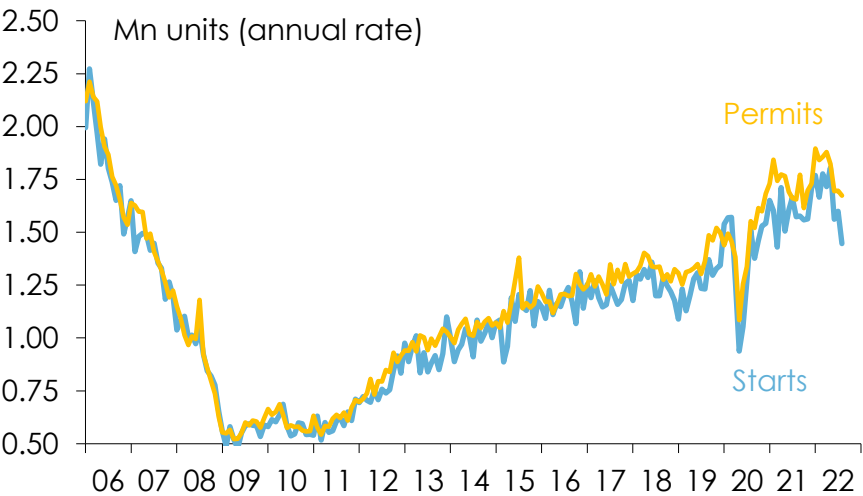
New single-family home sales



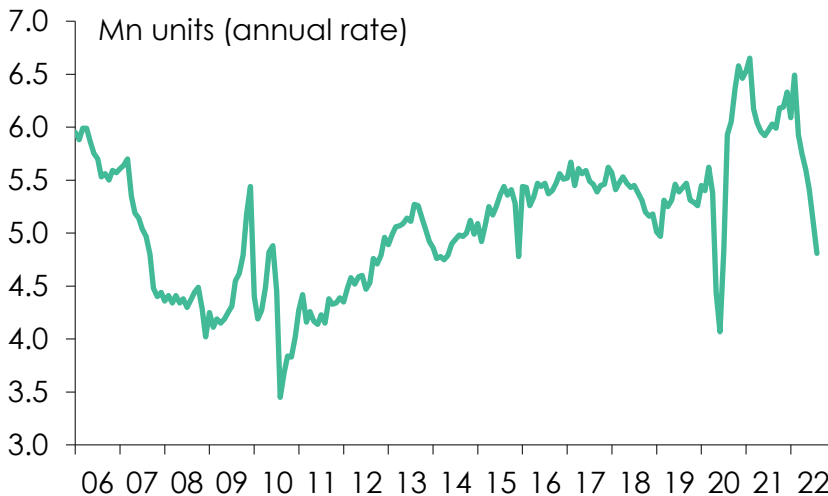
30-year fixed mortgage rates



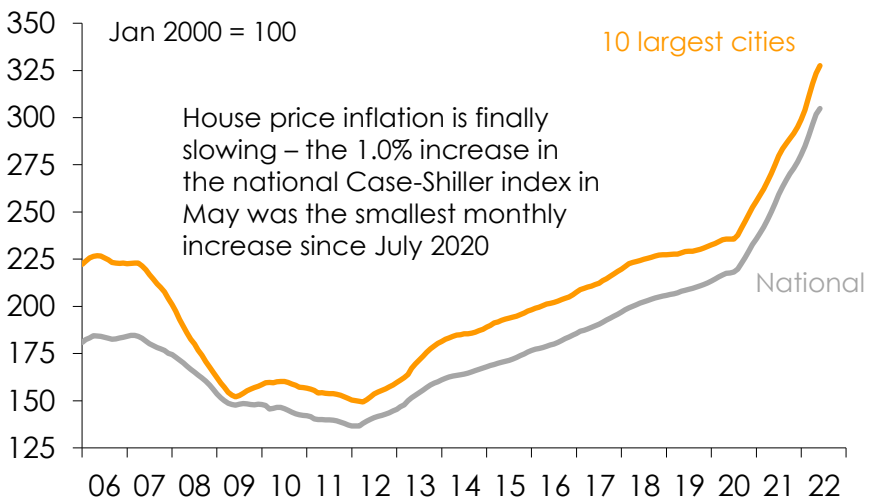
Housing starts and permits



Existing home sales



House prices

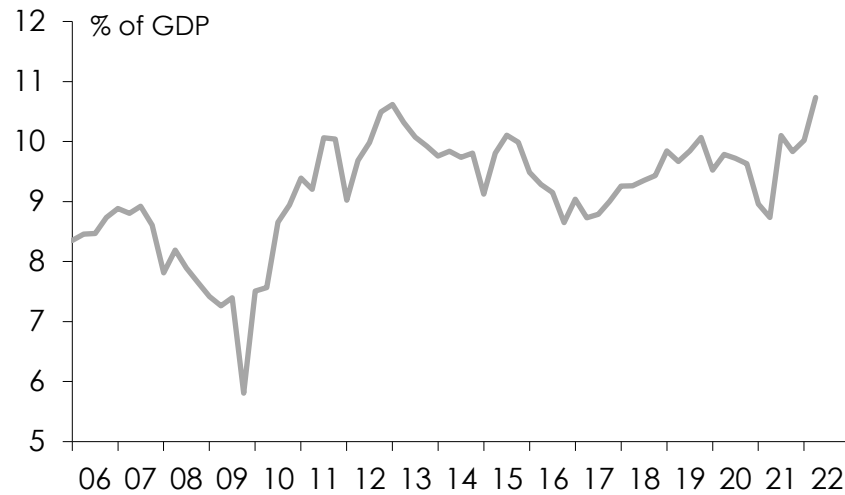


Sources: US Census Bureau, [Construction Spending](#), [New residential construction](#) and [New Residential Sales](#); US National Association of Realtors, [Existing-Home Sales](#); Mortgage Bankers' Association, [National Delinquency Survey](#); S&P Global, [S&P CoreLogic Case-Shiller Home Price Indices](#).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

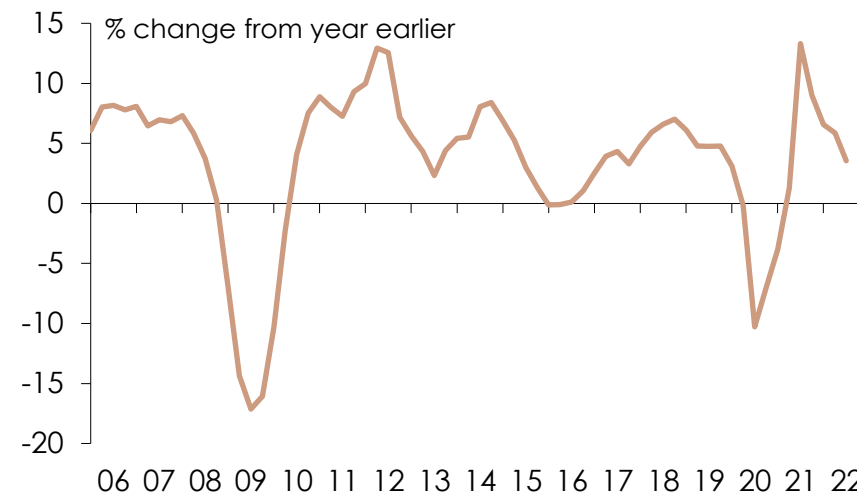
US corporate profits and balance sheets are strong, and investment is increasing – except in non-residential construction

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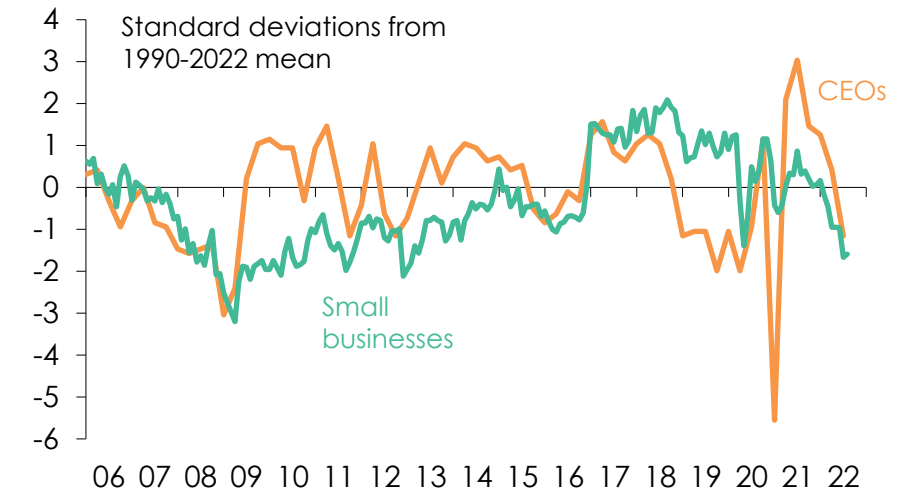
After-tax corporate profits



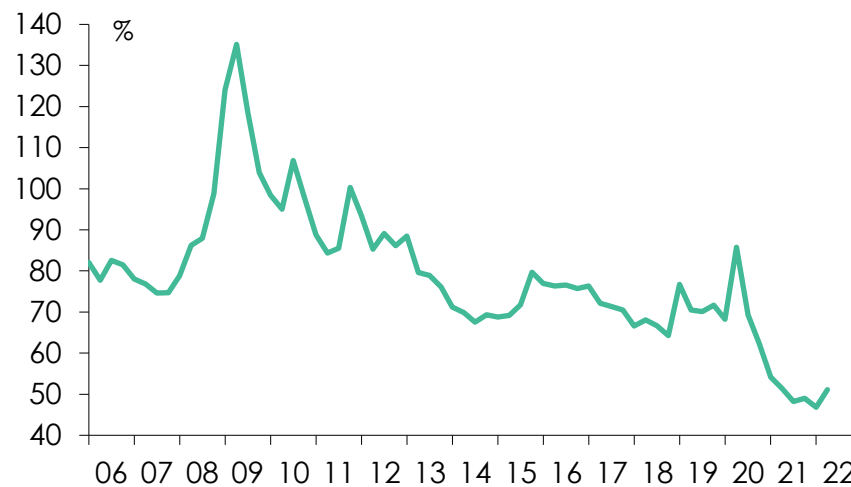
Business investment



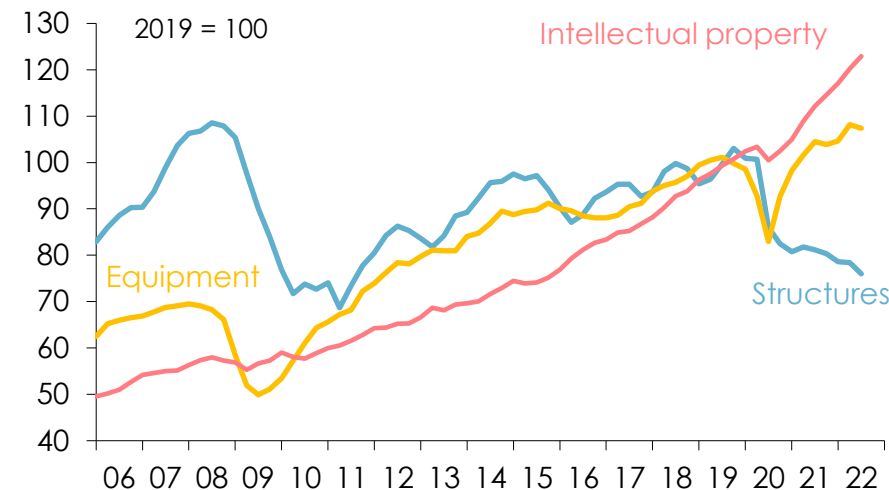
Business confidence



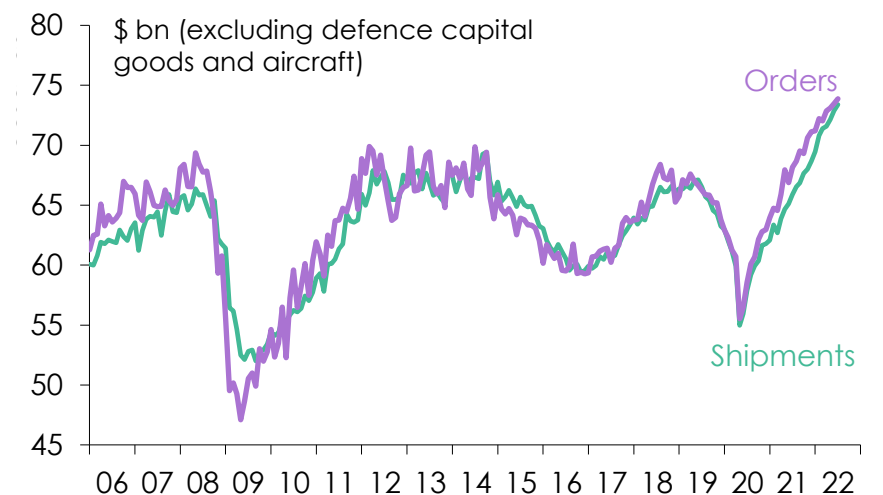
Corporate debt-equity ratio



Business investment by type



Capital goods orders & shipments

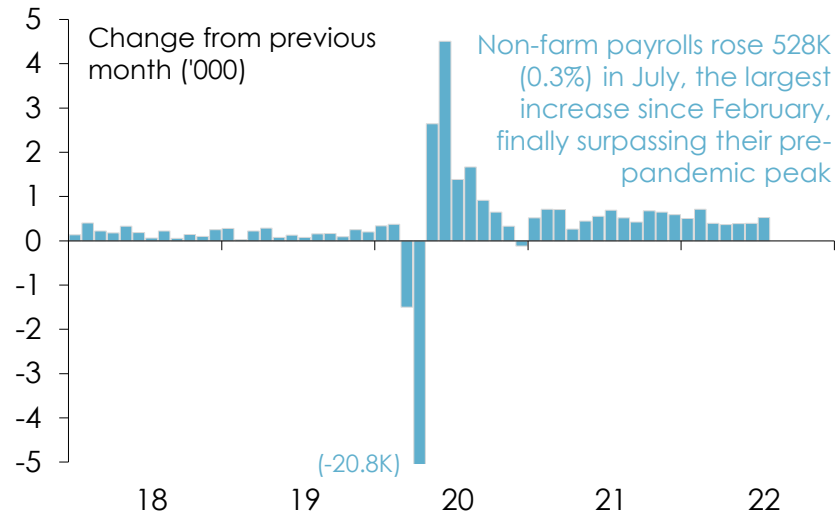


Sources: US Bureau of Economic Analysis, [Gross Domestic Product](#); US Federal Reserve, [Financial Accounts of the United States - Z1](#); The Conference Board, [US CEO Confidence](#); National Federation of Independent Business, [Small Business Economic Trends](#); US Commerce Department, [Manufacturers'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

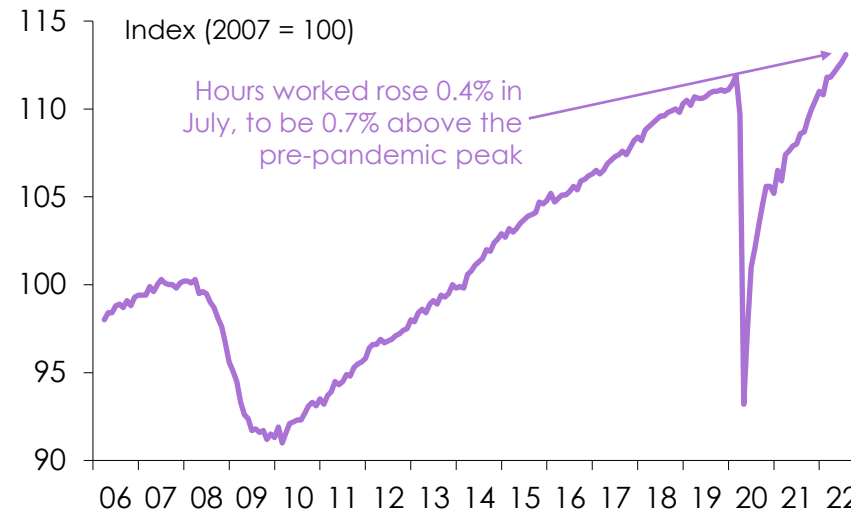
US non-farm payroll employment rose a stronger-than-expected 528K (0.3%) in July, although the household survey presents a weaker picture

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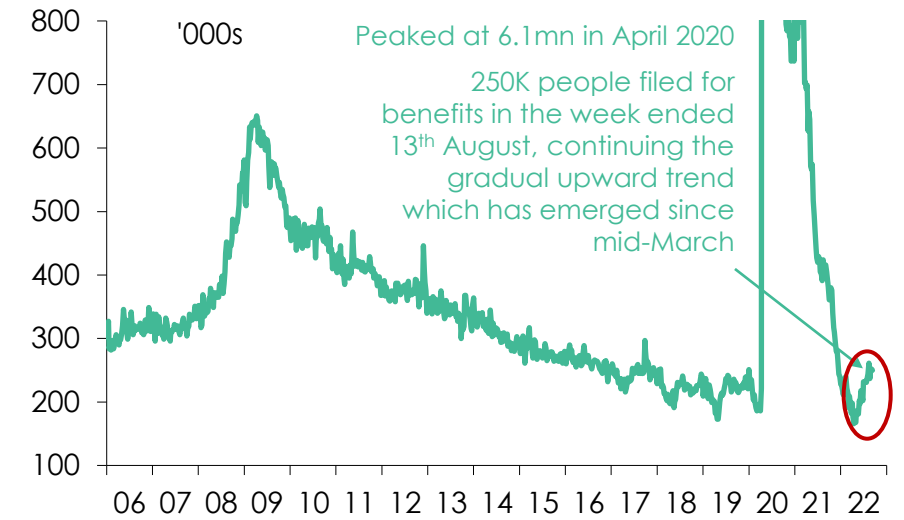
Non-farm payroll employment



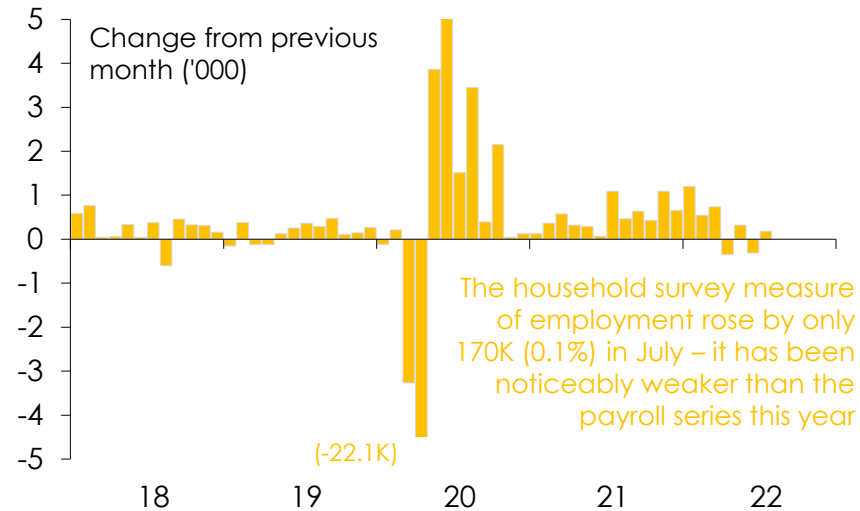
Hours worked (private sector)



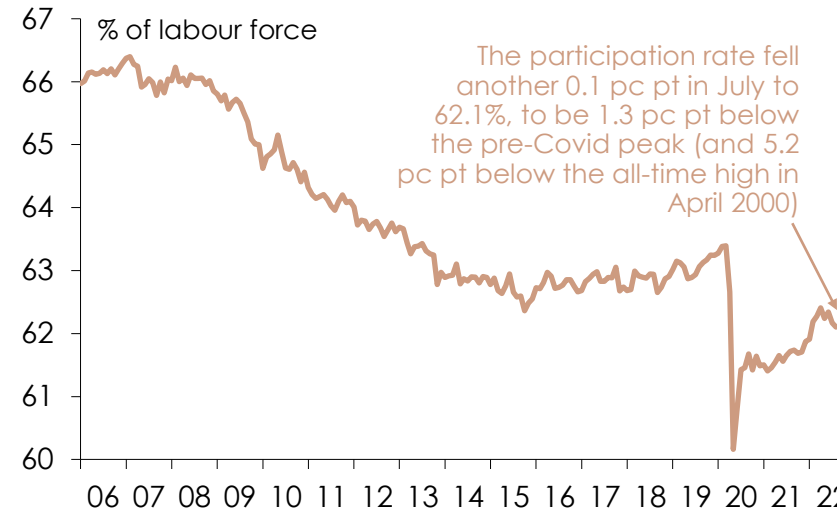
Unemployment benefit initial claims



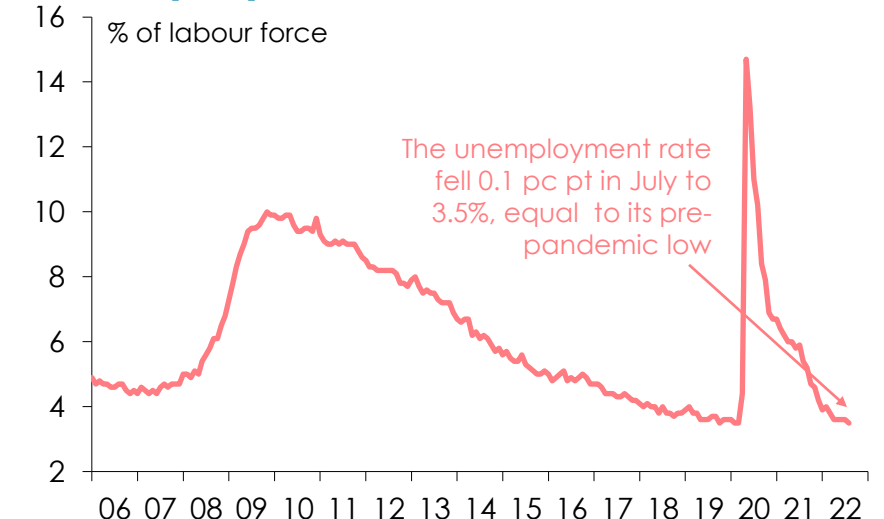
Household survey employment



Labour force participation rate



Unemployment rate

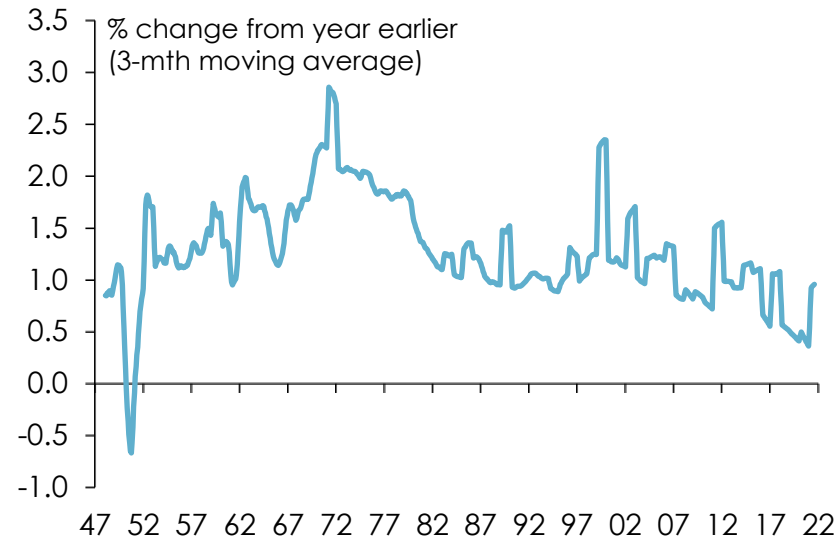


Sources: US Bureau of Labor Statistics, [Employment Situation](#); US Department of Labor, [Unemployment Insurance Weekly Claims](#). [Return to "What's New"](#).

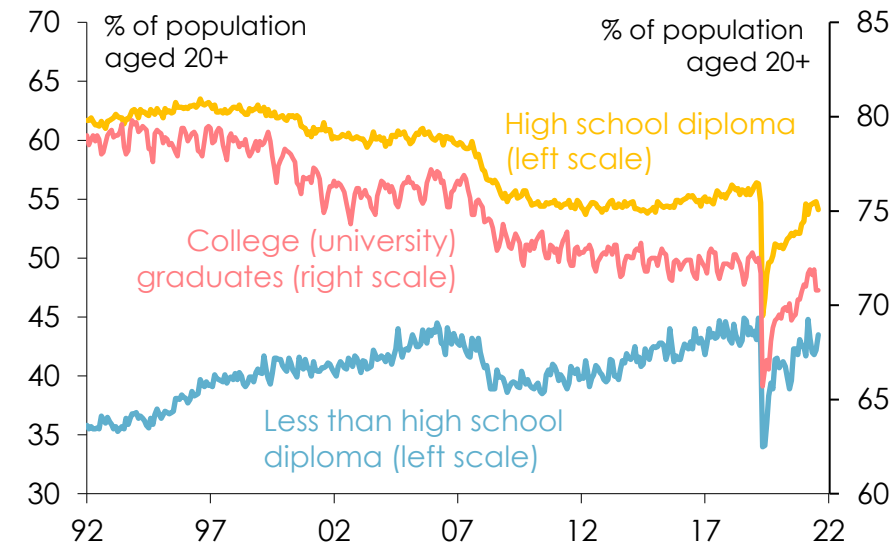
US labour market tightness is partly due to a persistent shortfall in labour force participation, especially among people aged 55 and over

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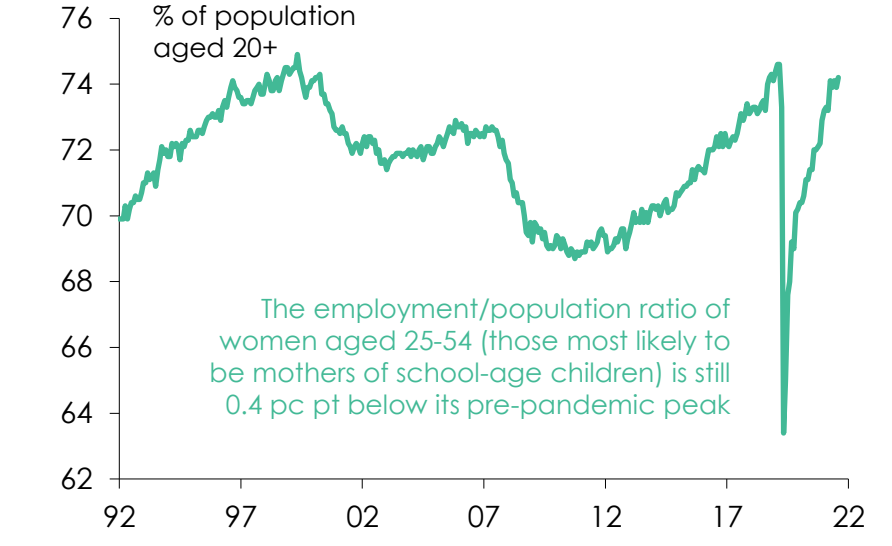
Civilian working age population



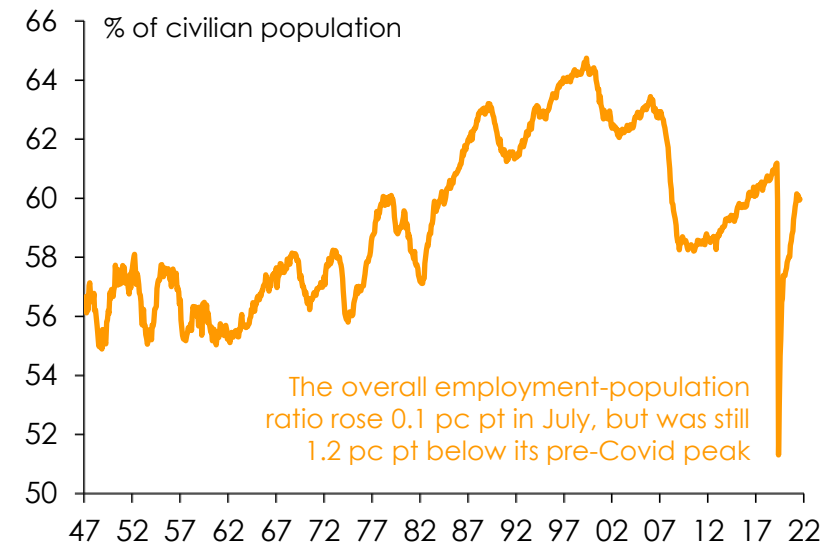
'E-pop' ratio – by education



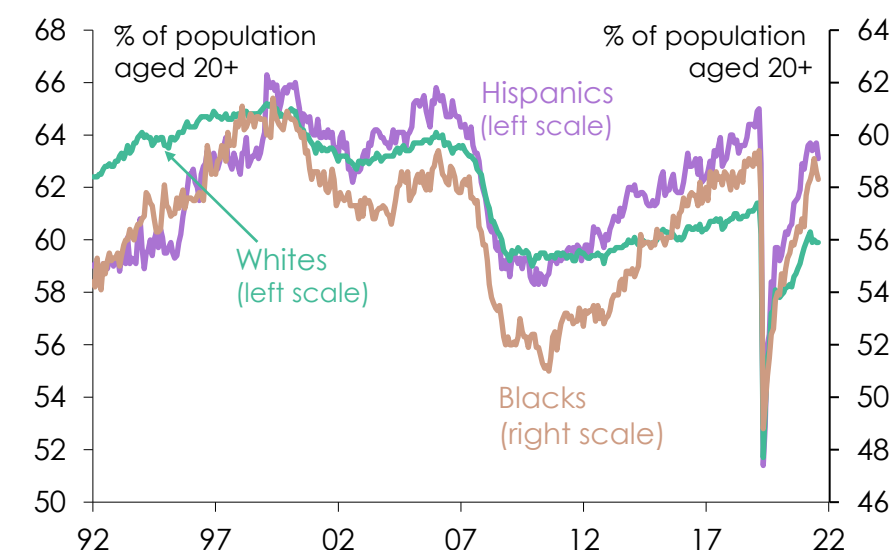
'E-pop' ratio – women 25-54



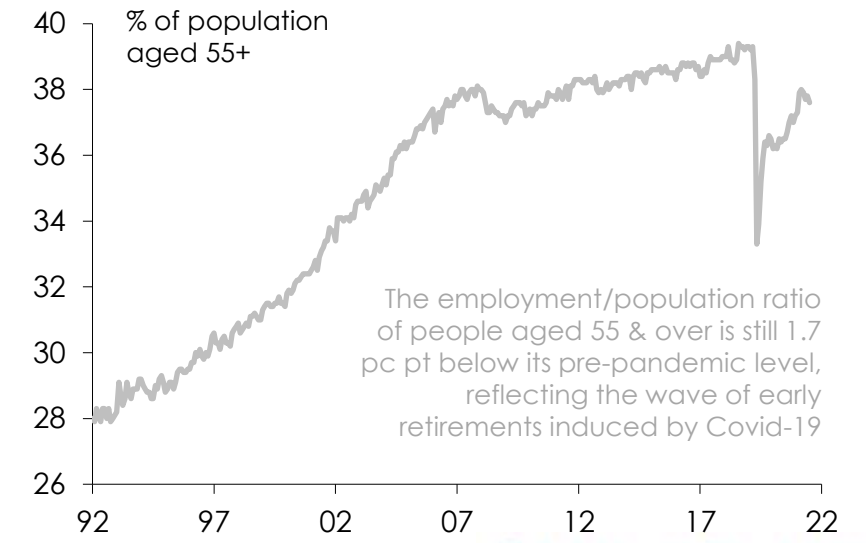
Employment-to-population ratio



'E-Pop' ratio – Blacks & Hispanics



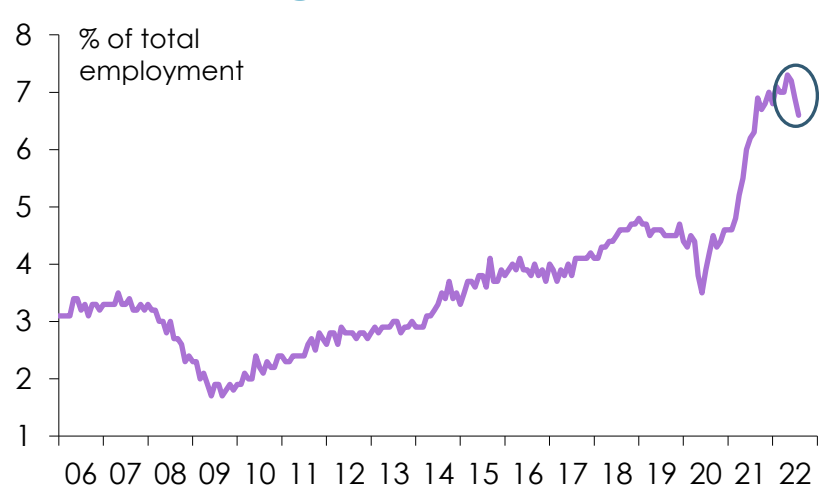
'E-pop' ratio – people 55 & over



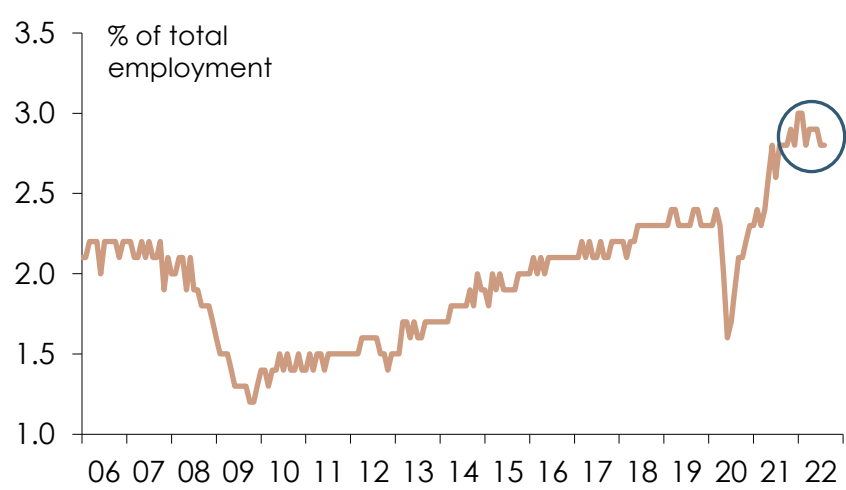
The 'best' measure of wages growth (from the employment cost index) rose 5.7% over the year to Q2, the fastest since Q4 1982

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Job openings

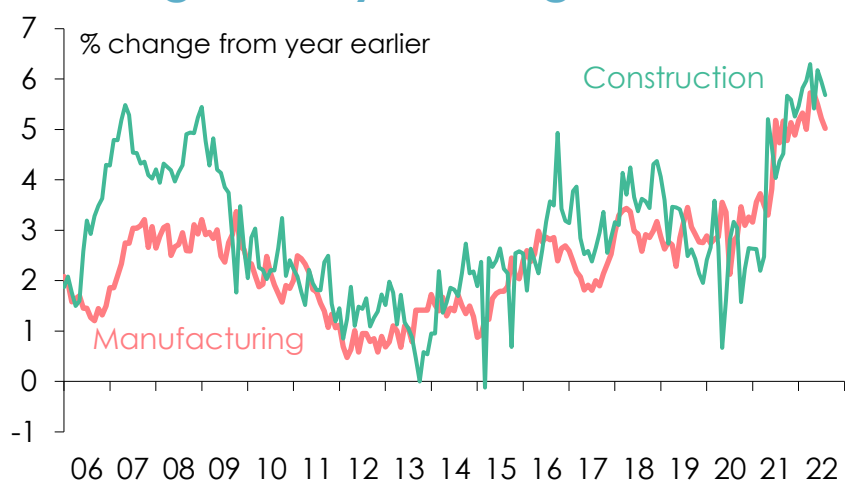


Quit rate

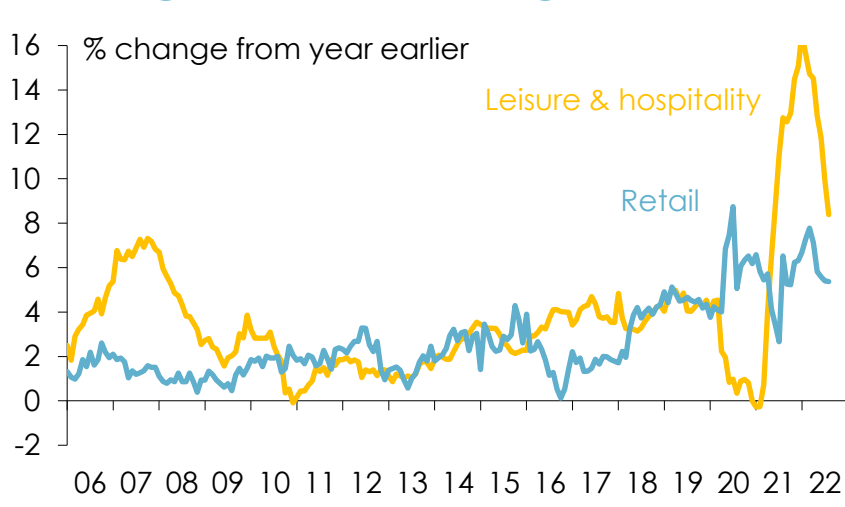


Note: Measures of average hourly earnings (especially the all-industries measures) and of average compensation per hour are affected by changes in the composition of employment (so for example they rose sharply in Q2 2020 when large numbers of low-paid workers were laid off and fell markedly when they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

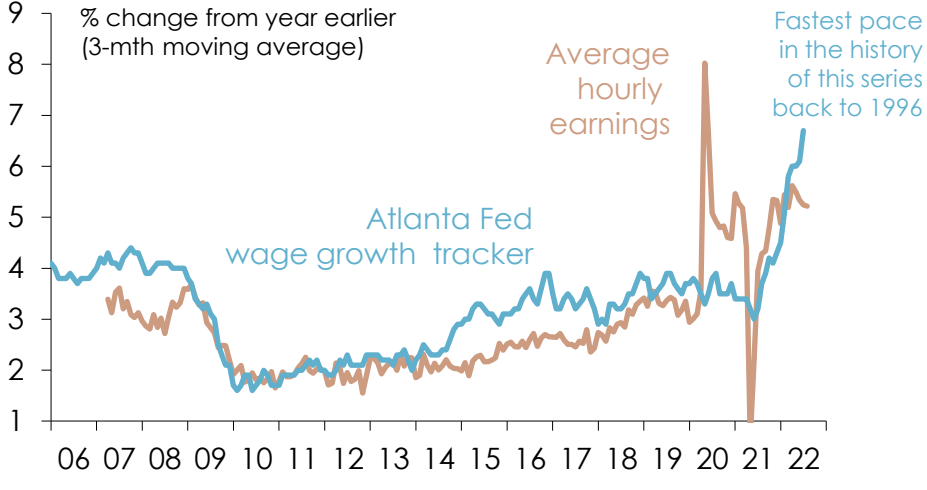
Average hourly earnings



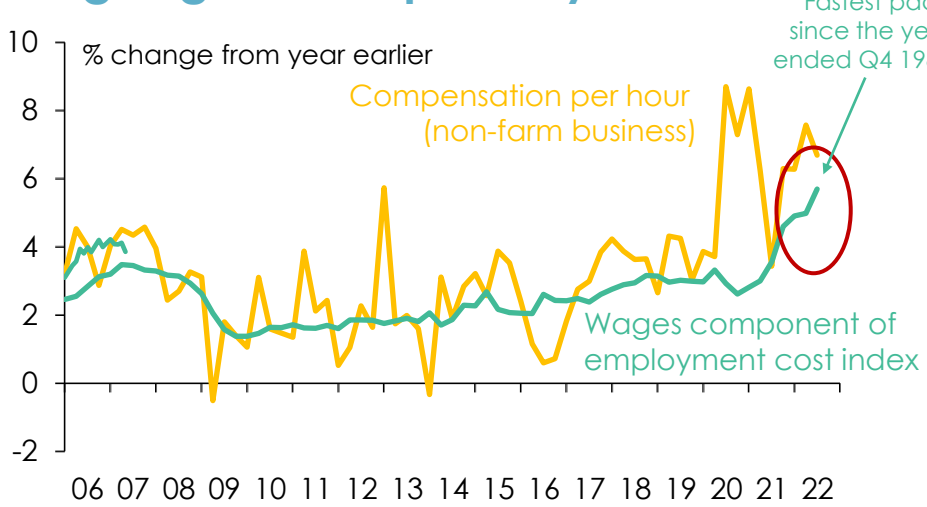
Average hourly earnings



Overall wages growth - monthly



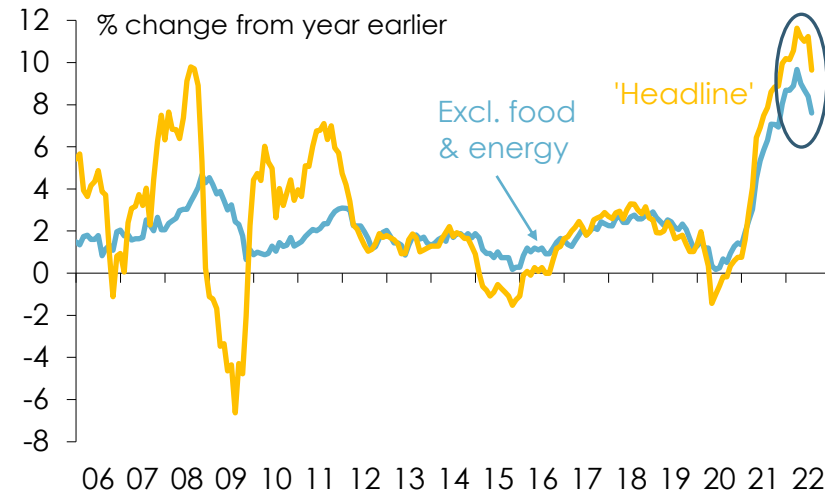
Wages growth - quarterly



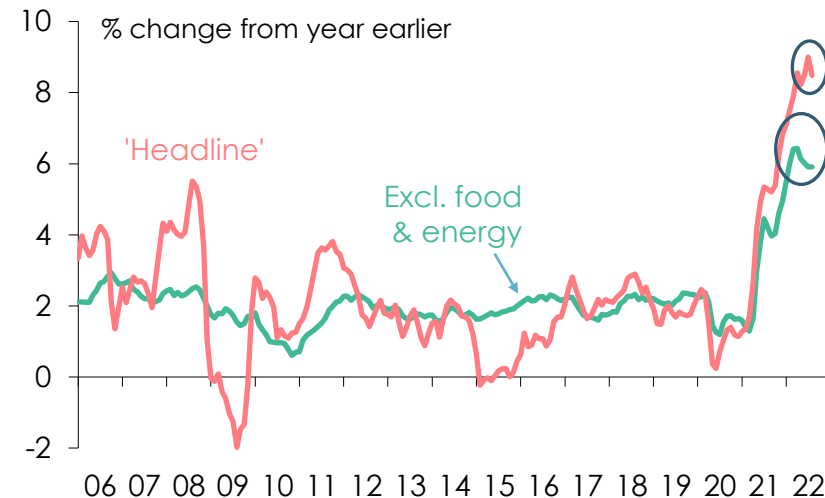
US consumer prices were flat in July, thanks to a 7.7% fall in petrol prices, but the 0.3% increase in the 'core' CPI was also less than expected

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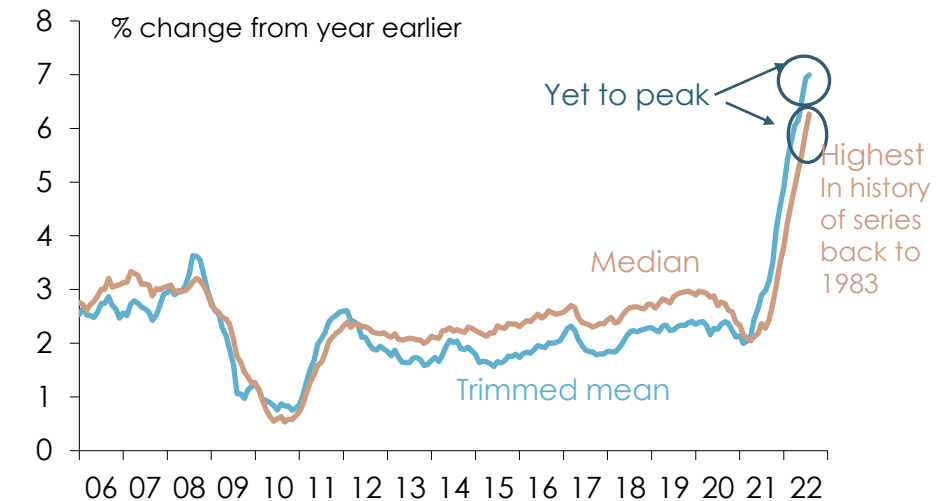
Producer price index



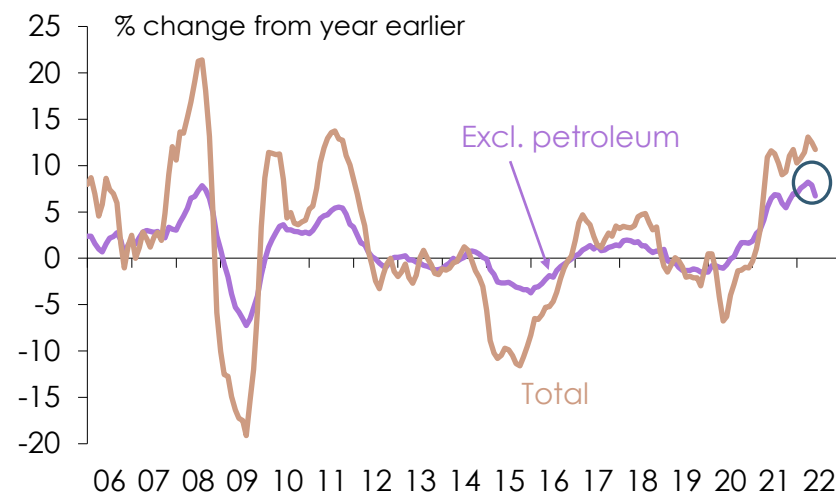
Consumer price index



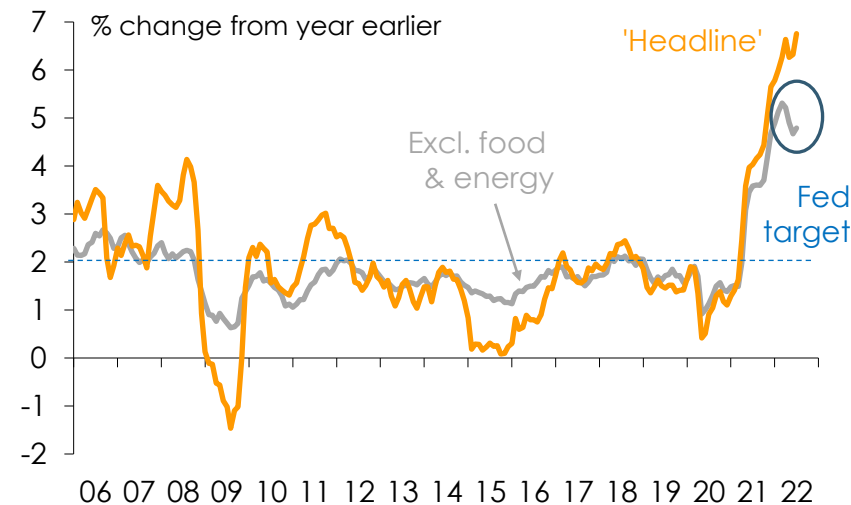
'Underlying' CPI inflation



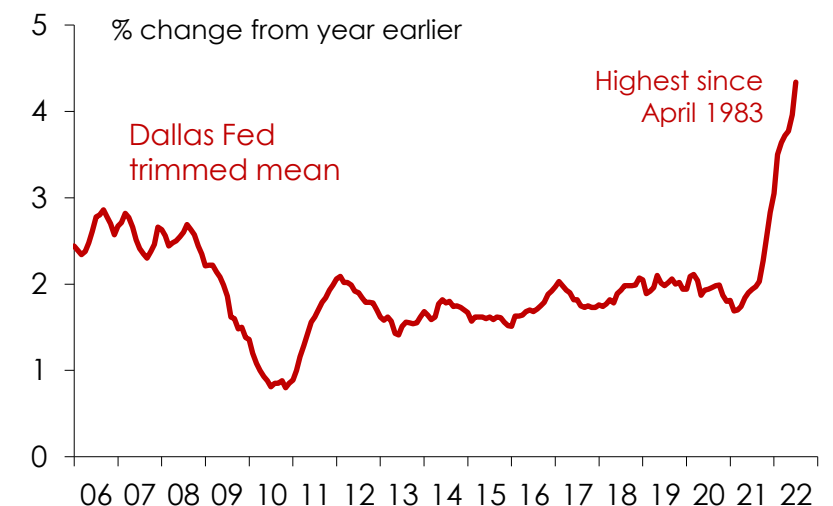
Import price index



Personal consumption deflator



'Underlying' PCE deflator inflation

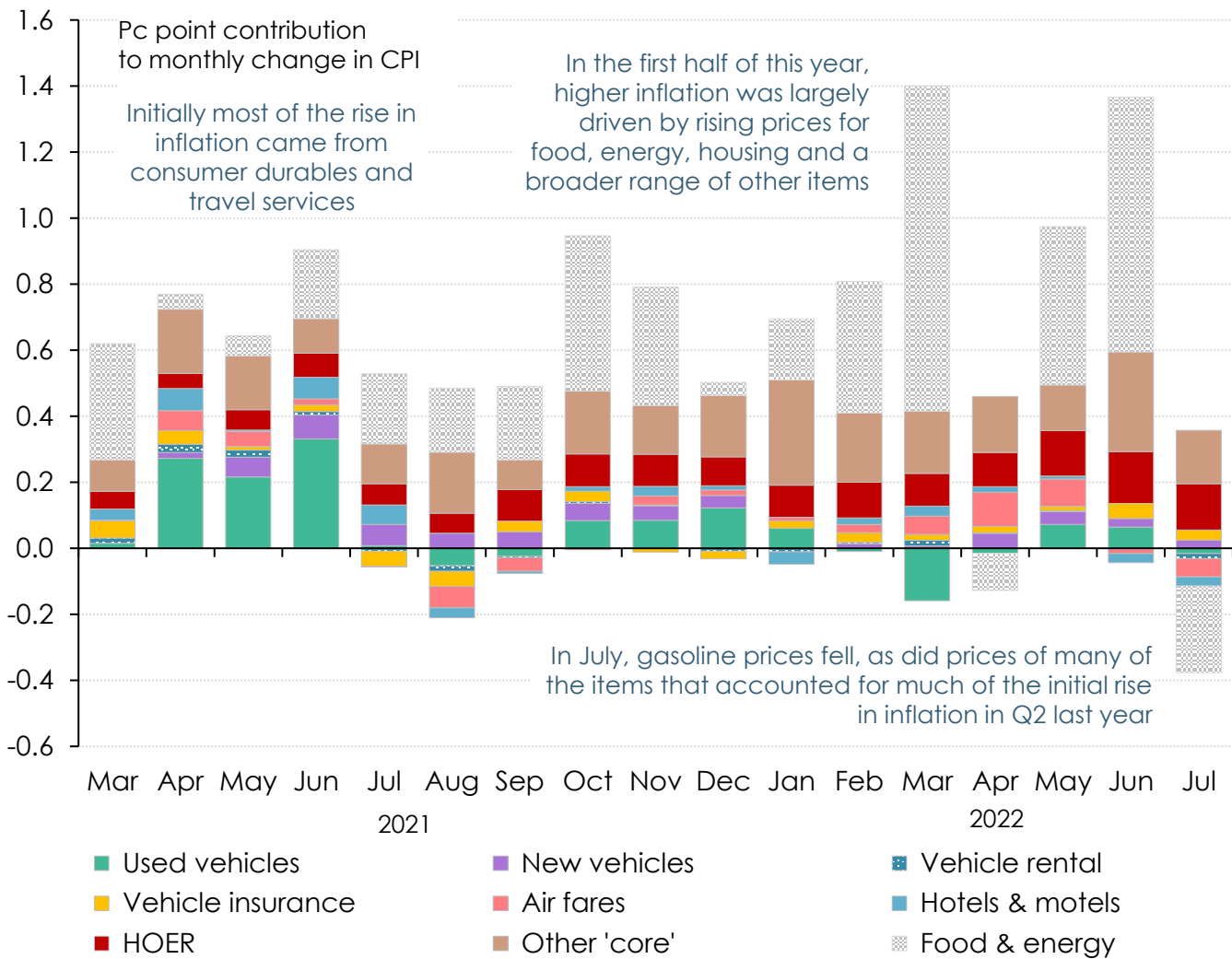


Sources: US Bureau of Labor Statistics, [Producer Price Index](#), [Import and Export Price Indexes](#) and [Consumer Price Index](#); US Bureau of Economic Analysis, [Personal Consumption Expenditures Price Index](#); Federal Reserve Bank of Cleveland, [Median CPI](#); Federal Reserve Bank of Dallas,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

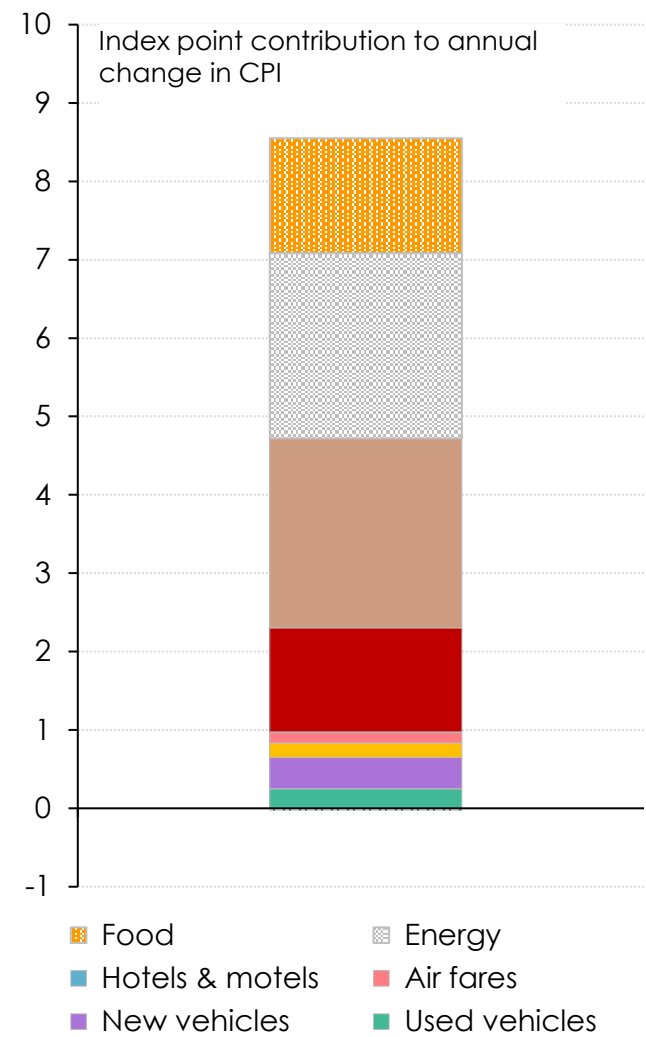
Energy prices fell in July, as did prices of many of the items that drove the original spike in inflation last year, but other prices are continuing to rise

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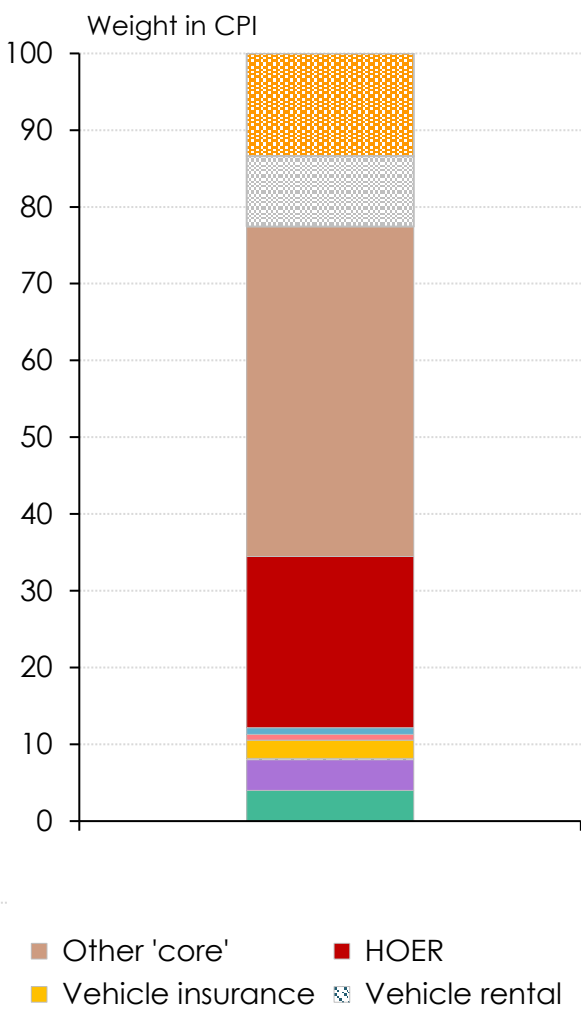
Contributions to monthly changes in the US CPI since March last year



Contributions to change in CPI over the year to July



Weights in CPI

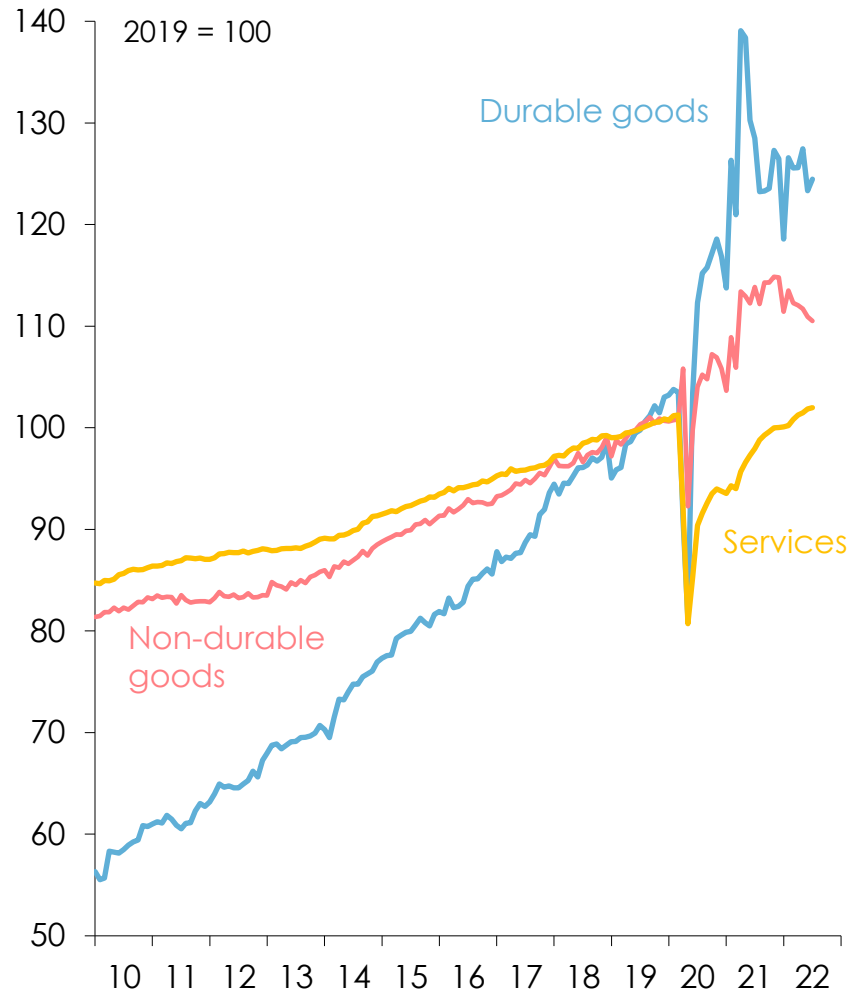


Note: 'HOER' = home-owners' equivalent rent (a measure of the 'imputed rent' notionally paid by owner-occupiers to themselves), and which accounts for (an uncommonly large, by international standards) 28½% of the CPI excluding food and energy. Source: US [Bureau of Labor Statistics](#), CPI Table 6;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

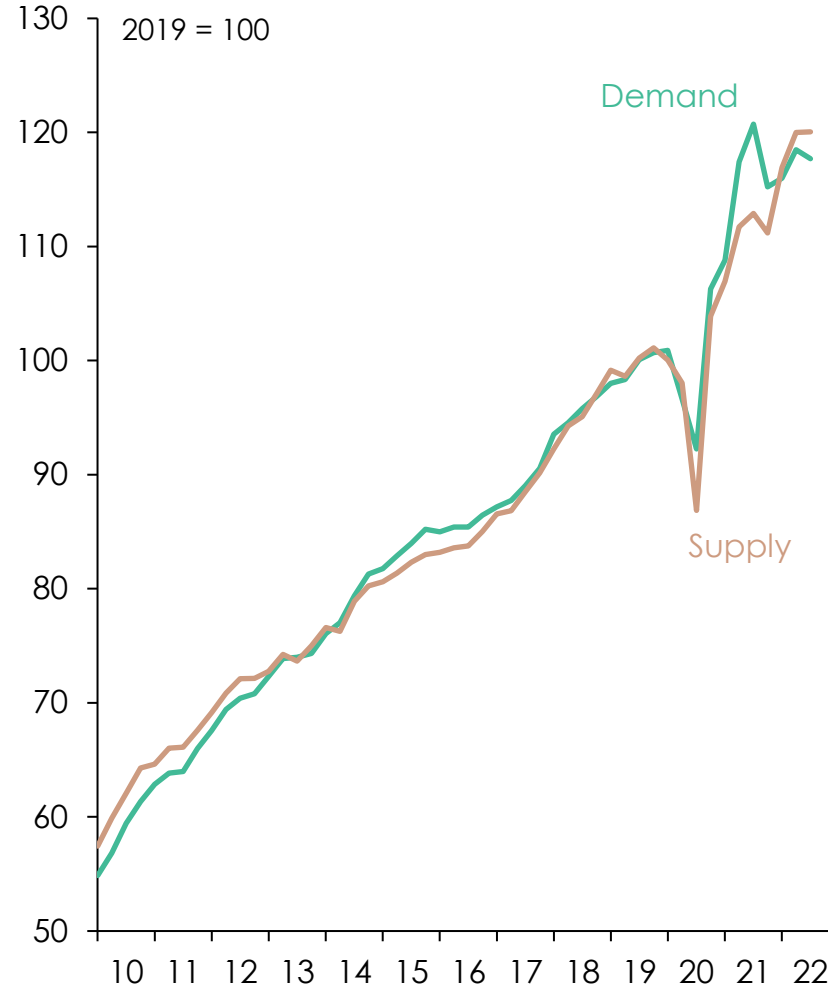
The rise in inflation has until recently been largely attributable to large imbalances between supply of and demand for durable goods

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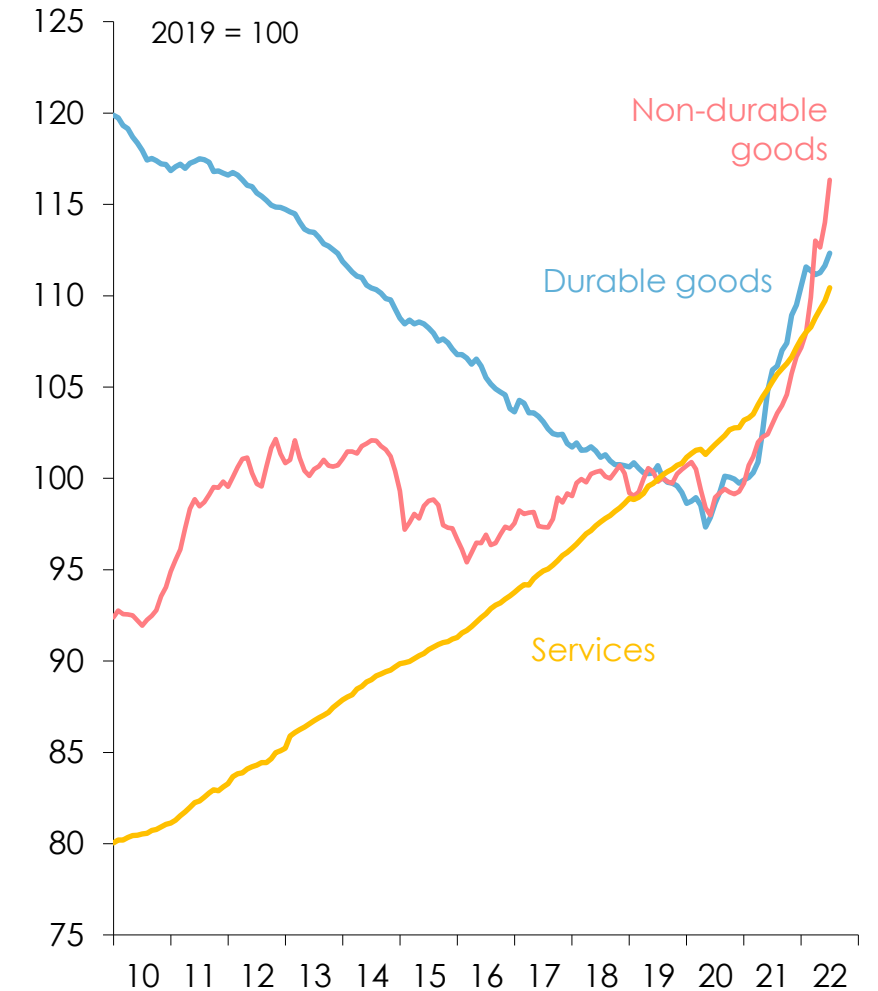
Composition of personal consumption expenditures



Aggregate demand for and supply of durable goods



Implicit price deflators of personal consumption

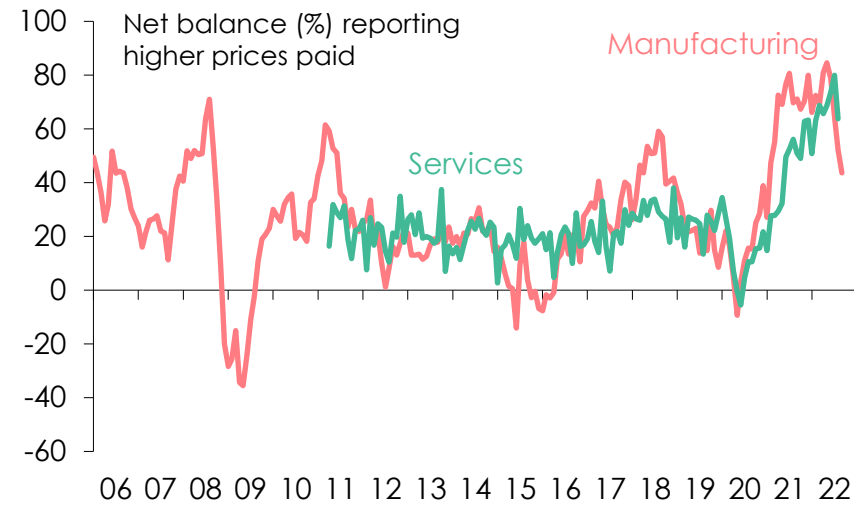


Note: 'Aggregate demand' for durable goods comprises personal consumption of durable goods plus business investment in equipment. 'Aggregate supply' of durable goods comprises gross domestic product (final sales plus change in inventories) plus net imports of durable goods. Sources: US Bureau of Economic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

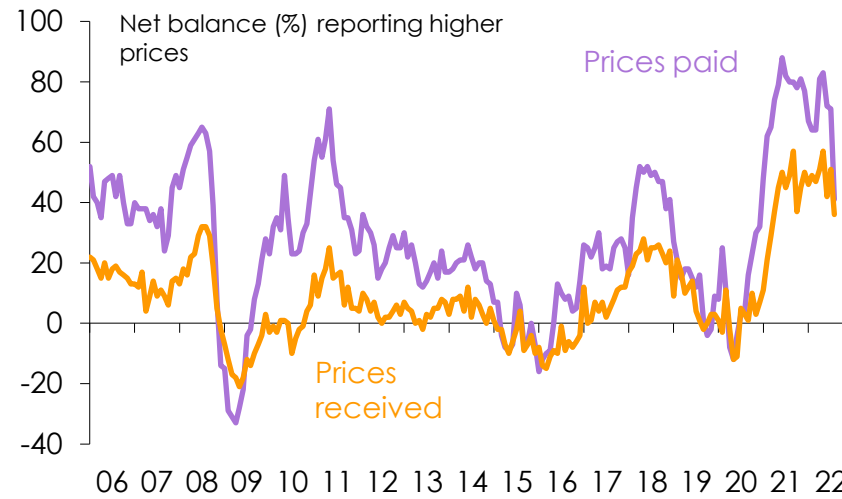
A range of US surveys are now hinting that 'upstream' inflation may have peaked – while longer-run household inflation expectations have fallen

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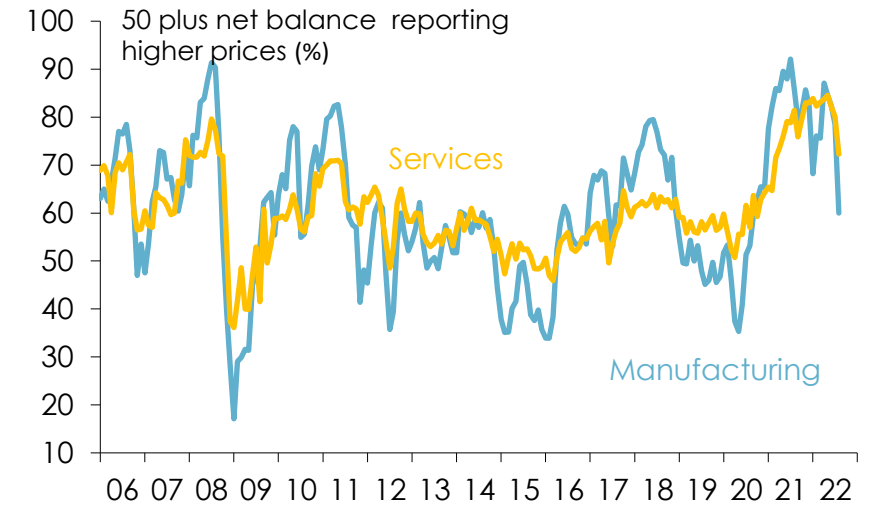
'Philly' Fed survey – prices paid



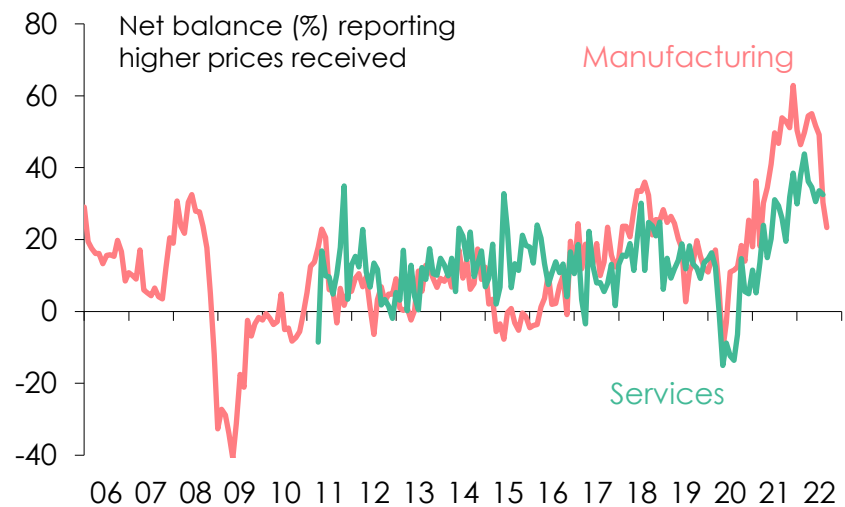
Kansas City Fed manufacturers survey



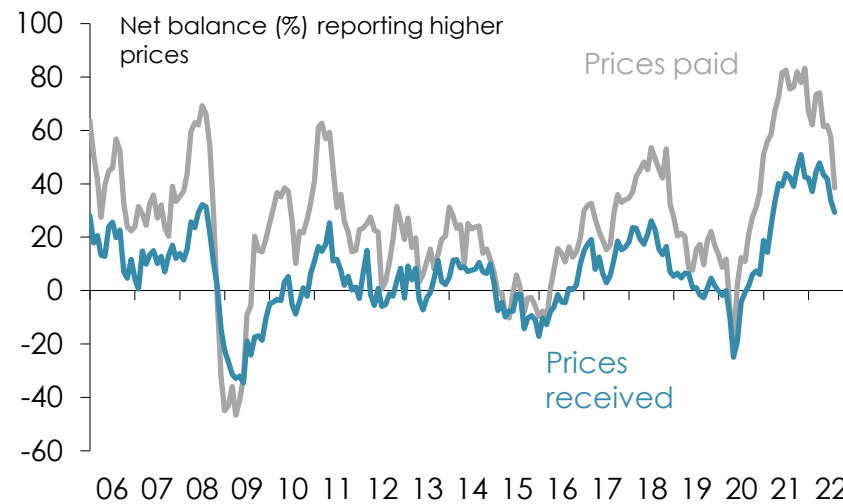
ISM survey – prices paid



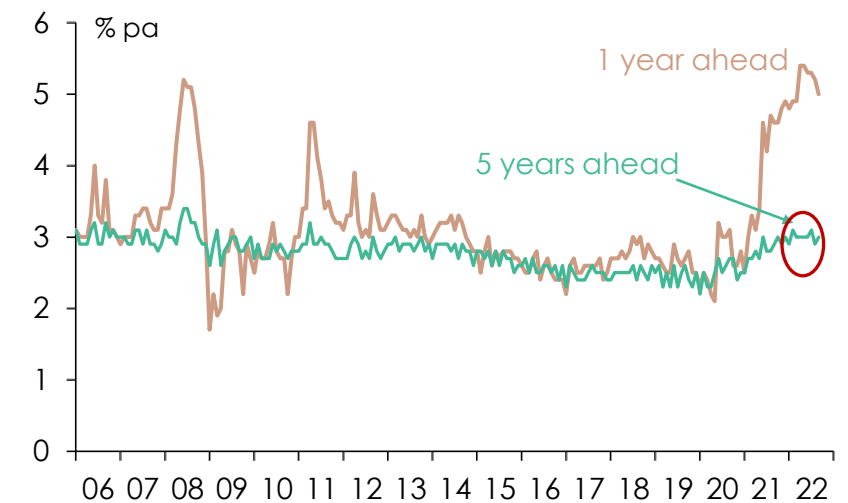
'Philly' Fed survey – prices received



Dallas Fed manufacturers survey



Household inflation expectations

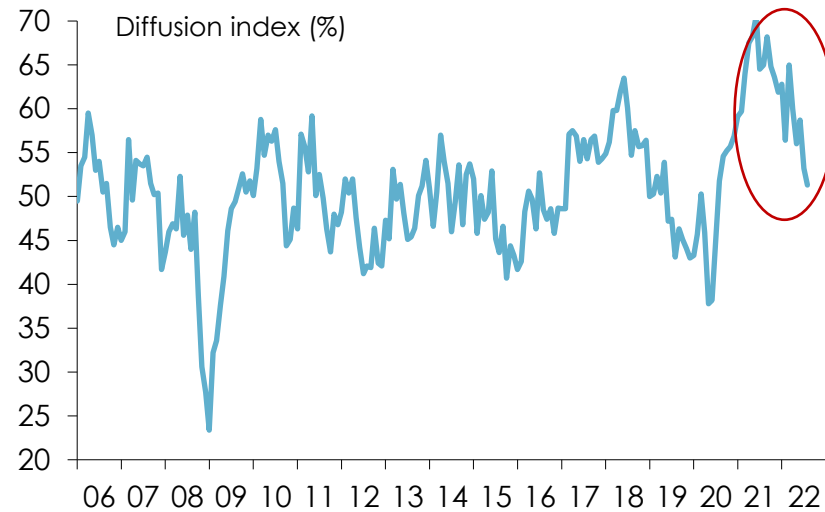


Sources: [Federal Reserve Bank of Philadelphia](#); [Federal Reserve Bank of Kansas City](#); [Federal Reserve Bank of Dallas](#); [Institute of Supply Management](#); [Michigan University Survey Research Center](#). [Return to "What's New"](#).

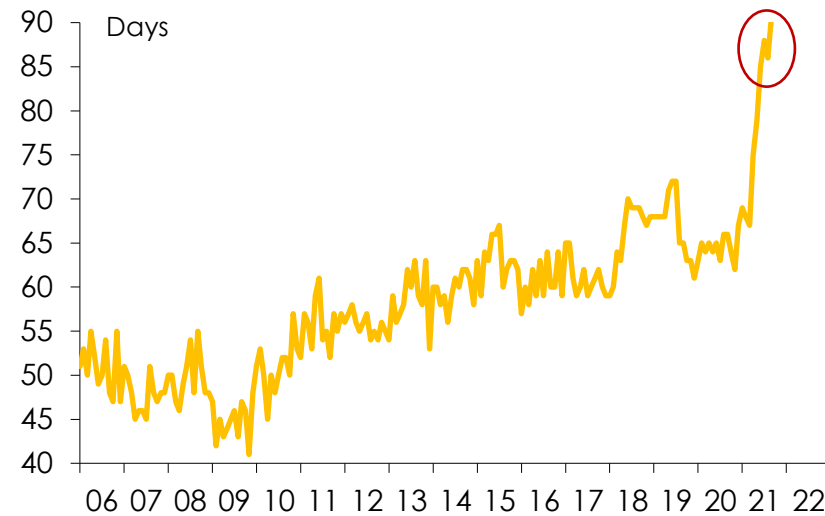
Supply-chain disruptions appear to be easing gradually, but there's still a long way to go

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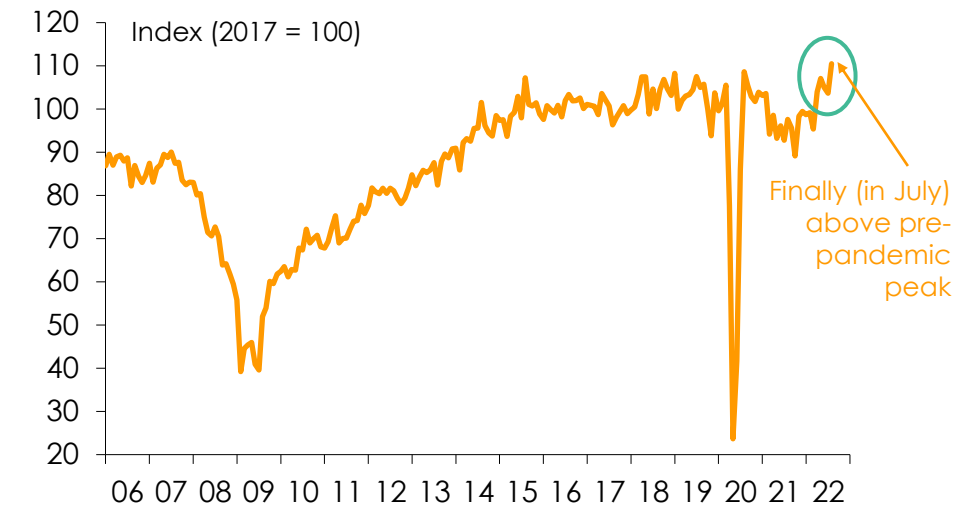
Manufacturers' order backlogs



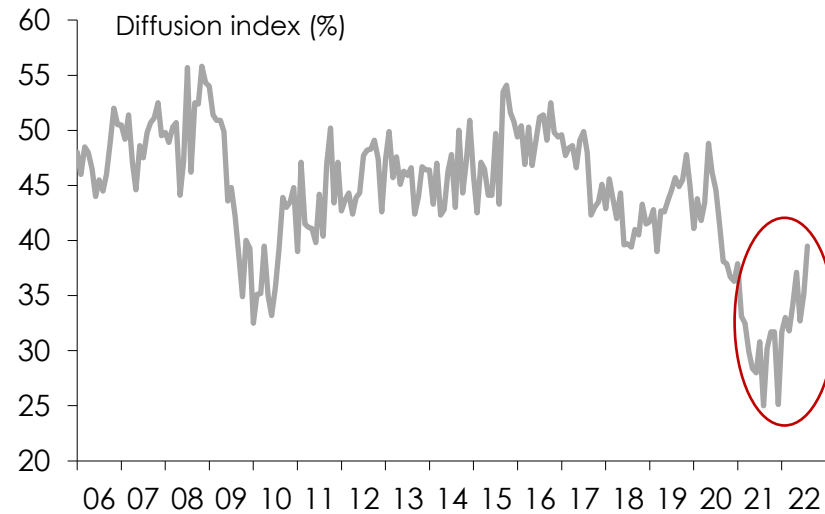
Lead-time for production materials



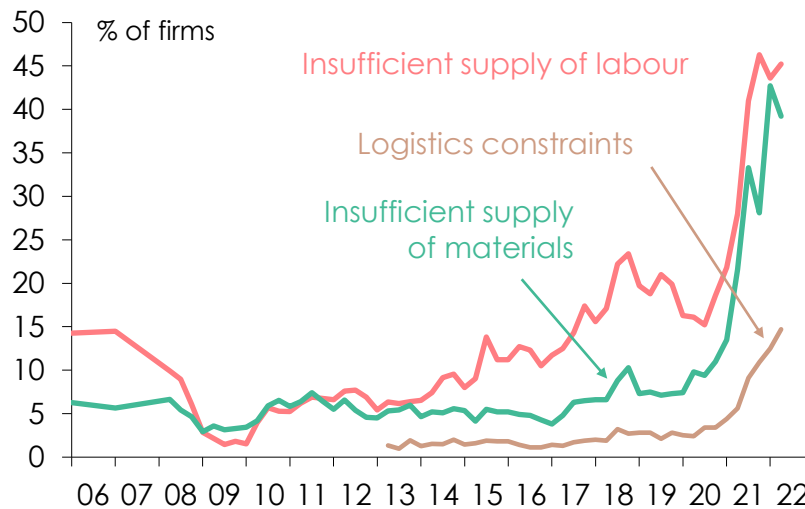
Motor vehicles & parts production



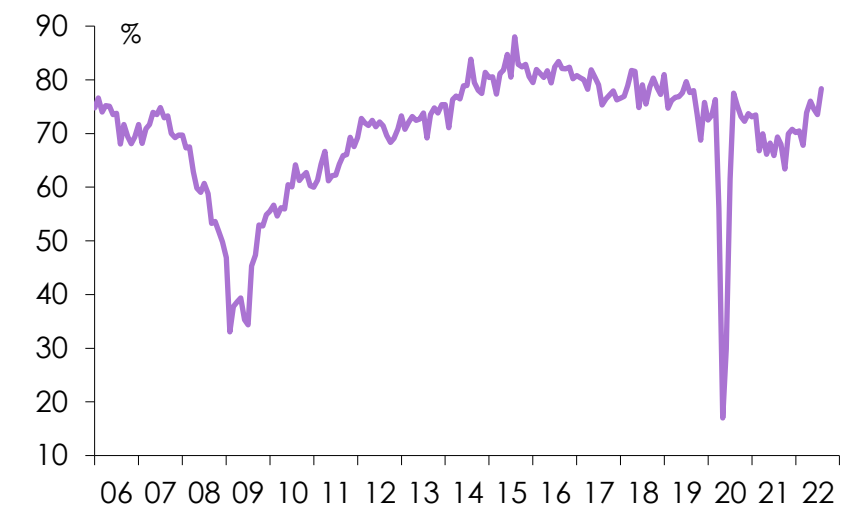
Manufacturers' customer inventories



Reasons for < full capacity



Auto industry capacity utilization

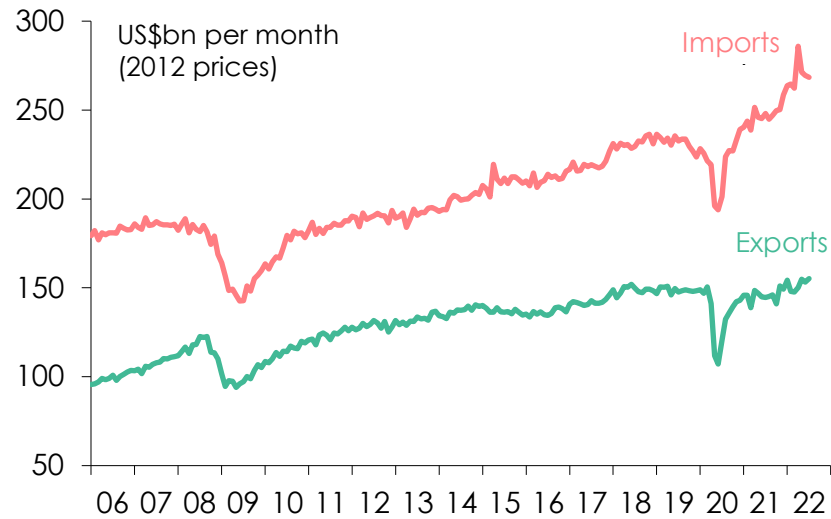


Note: The diffusion index of order backlogs is 50 plus the percentage of respondents reporting longer backlogs minus the percentage reporting shorter backlogs (and similarly for customer inventories). 'Reasons for < full capacity' means reasons for operating at less than full capacity. Sources: Institute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

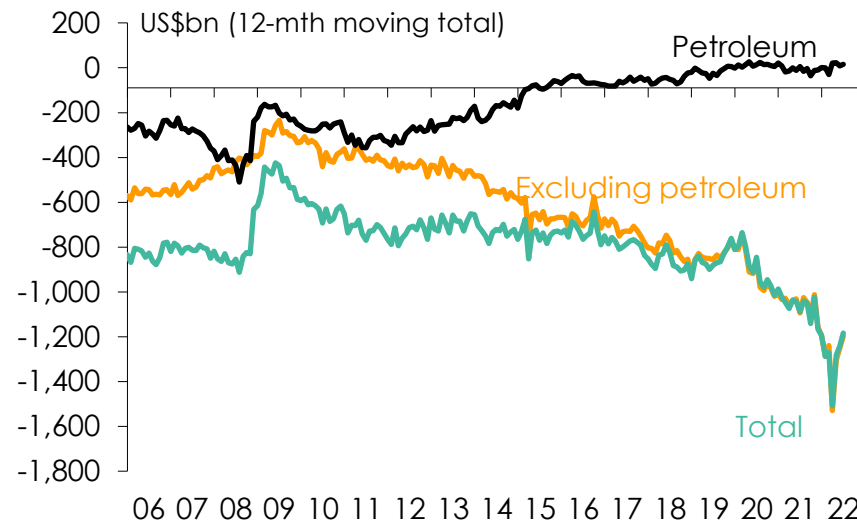
The US goods & services trade deficit narrowed by \$5.3bn to \$79.6bn in June, the smallest this year, with exports up 1.7% and imports down 0.3%

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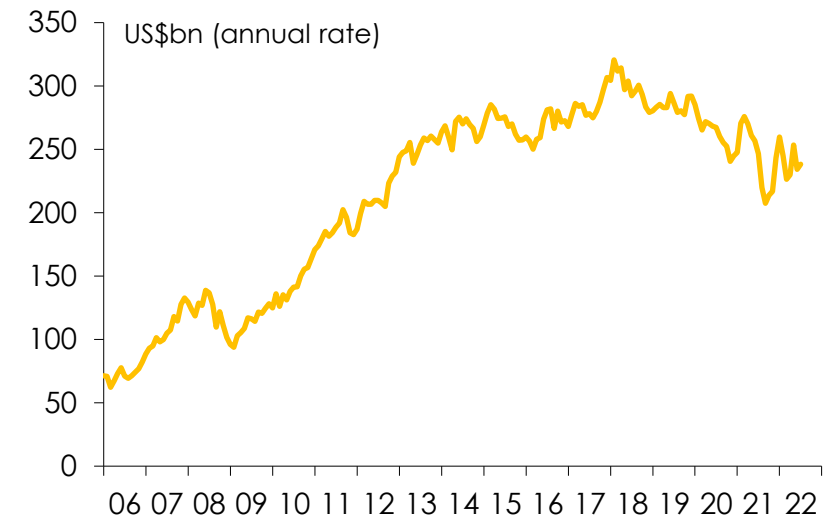
US merchandise trade volumes



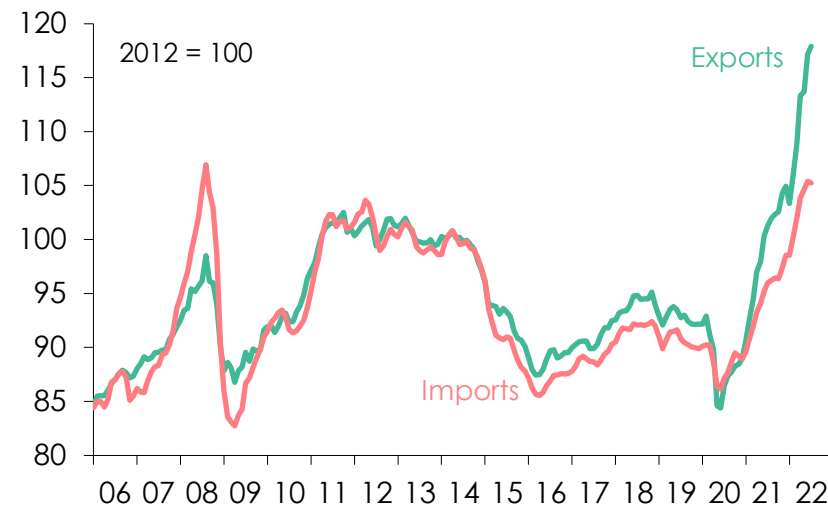
US goods trade balance



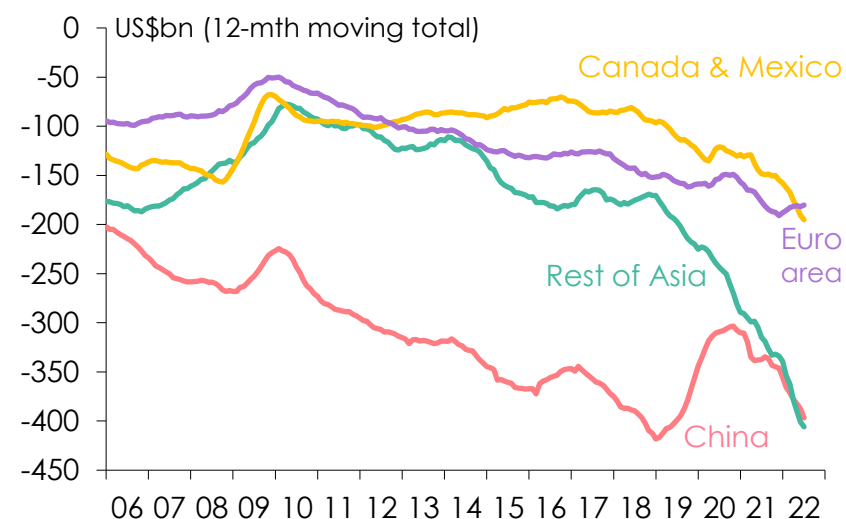
US services trade balance



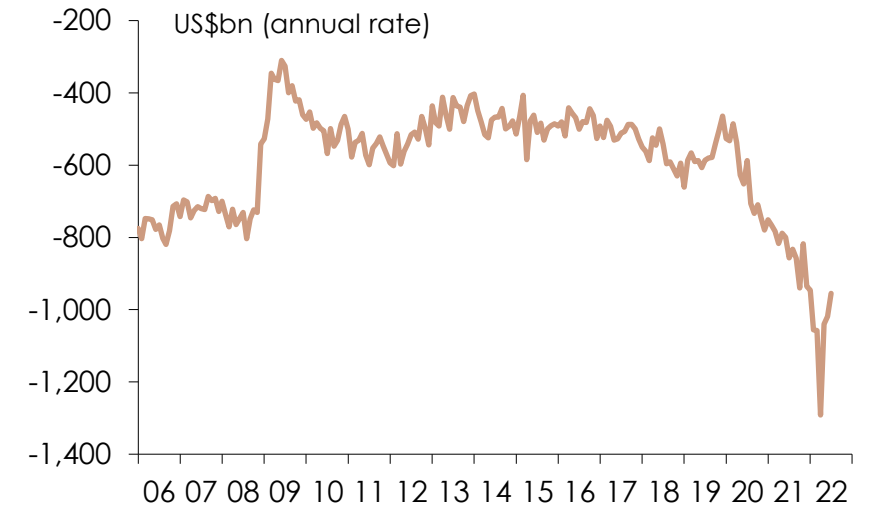
US merchandise trade prices



US bilateral goods trade balances



US goods & services trade balance

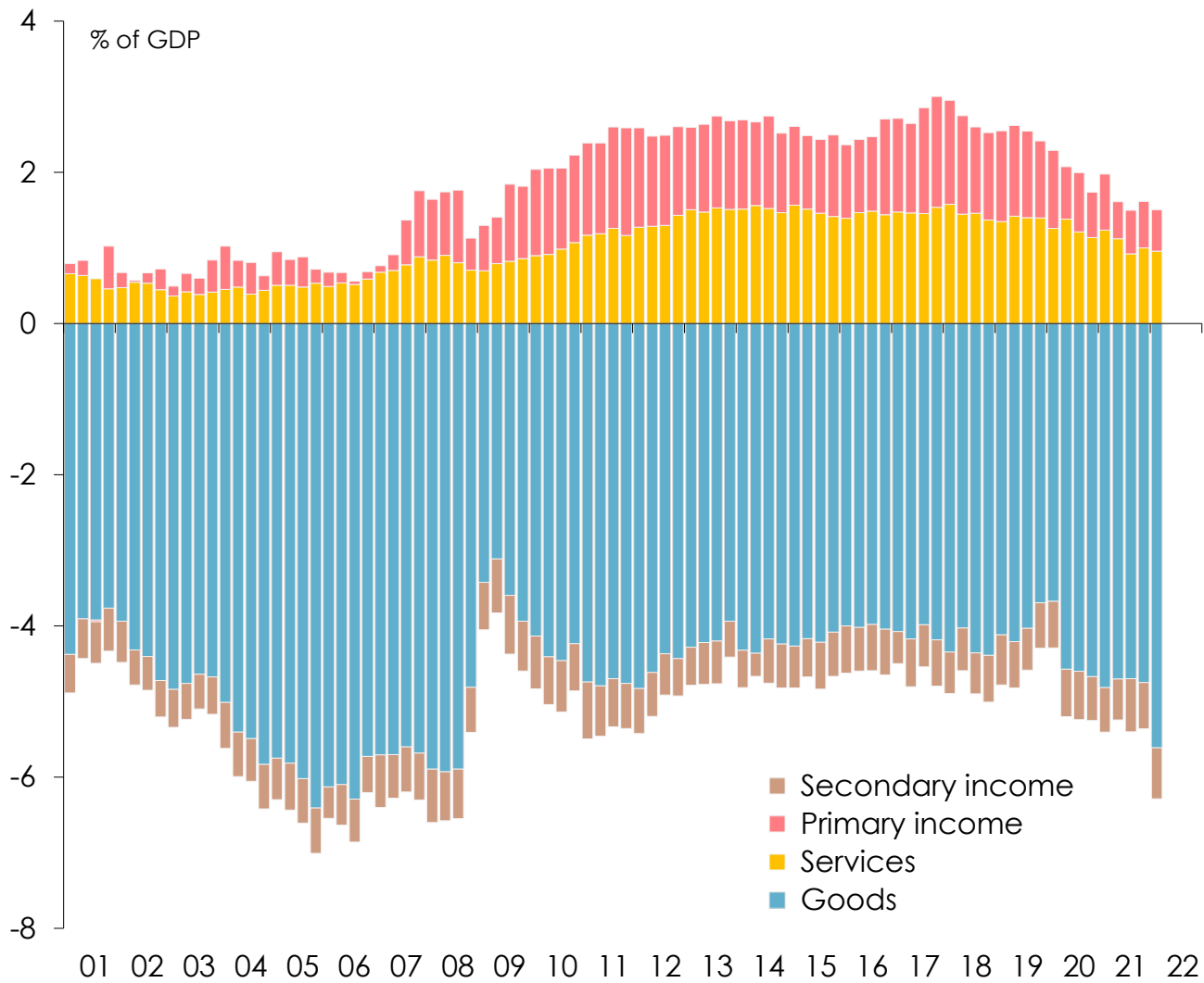


Source: US Census Bureau, [Foreign Trade](#); and US Bureau of Economic Analysis, [Advance Economic Indicators](#), and [U.S. International Trade in Goods and Services](#).
[Return to "What's New"](#).

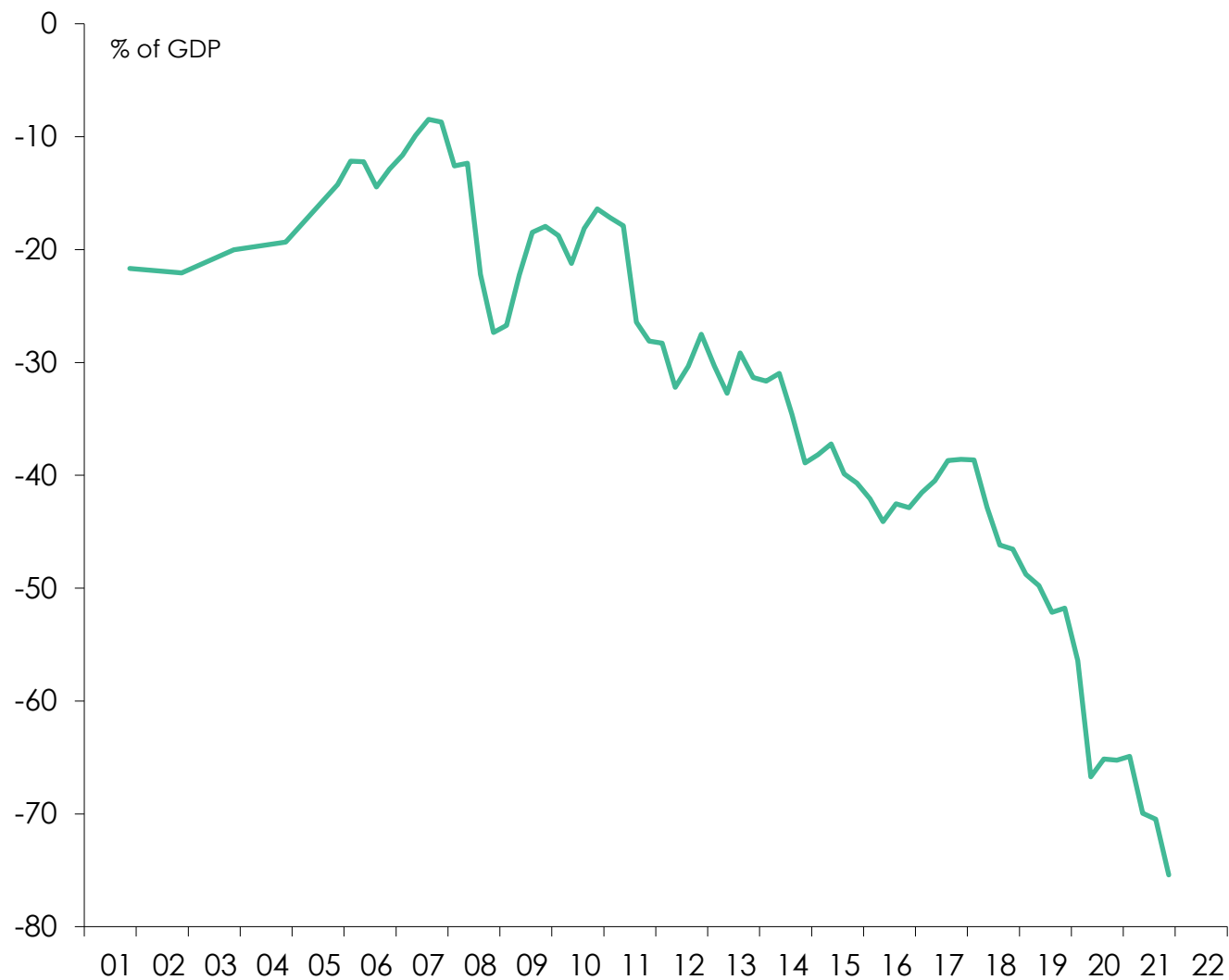
The US current account deficit widened to US\$291bn in Q1, the largest on record in dollar terms and the highest as a pc of GDP since Q3 2008

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US current account balance



US net international investment position

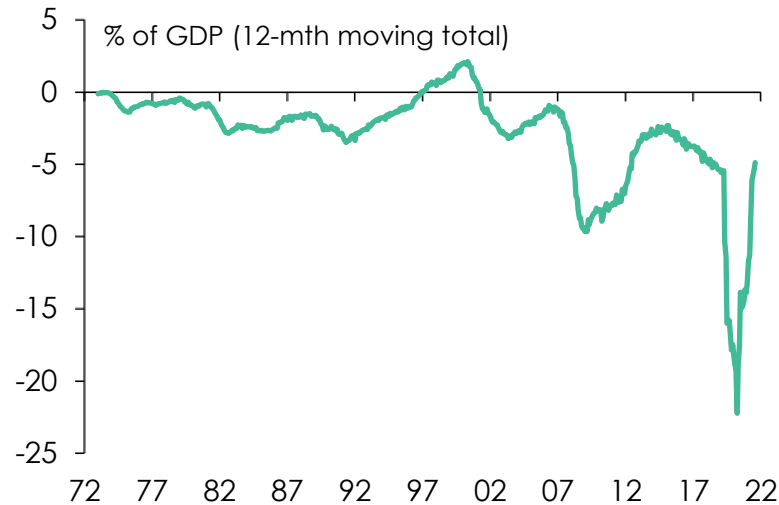


Note: 'Primary income' transactions are those involving investment income or compensation of employees. The US typically runs a surplus on investment income despite having a negative net international investment position since 1989, because US investors are able to derive much higher returns from their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

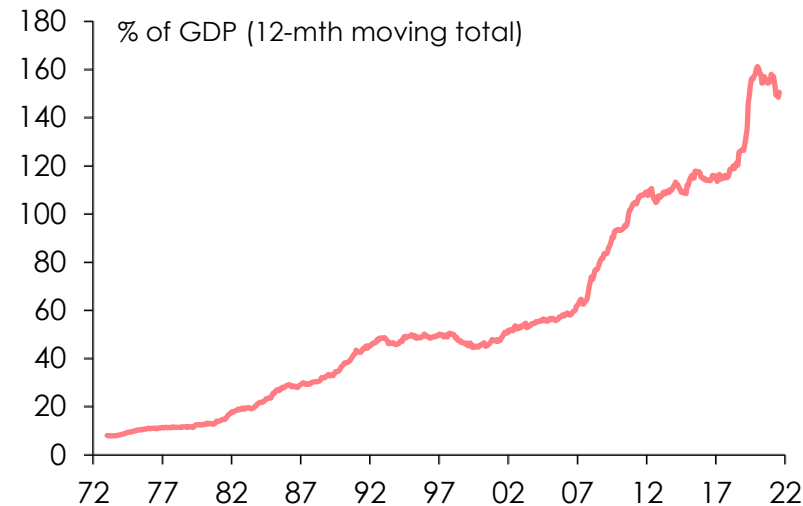
The US Federal budget deficit is continuing to decline sharply, as a result of surging tax revenues and, to a lesser extent, falling spending

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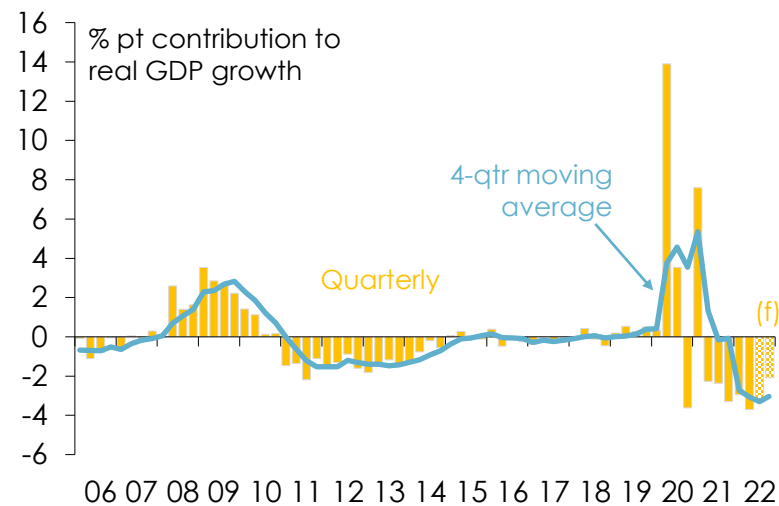
US Federal budget deficit



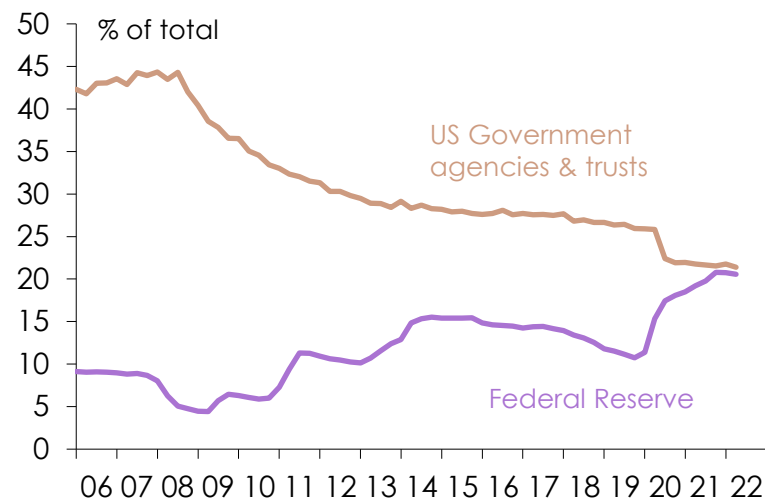
US gross Federal debt



Fiscal policy impact on GDP



Holdings of US Federal debt



- ❑ The US Federal Government recorded a budget deficit of US\$211bn in July, down from \$302bn in July last year
- ❑ For the 12 months ended July the budget deficit totalled \$962bn (4.9% of GDP), the smallest 12-month total since September 2019, and down from a peak of \$4.1 trn (22.2% of GDP) in the 12 months ended March 2021 – and federal debt appears to have peaked as a pc of GDP
- ❑ 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 21.4% (from 26%) and the share held by foreign investors has fallen to 25% from a peak of 34% in 2014 and 2015
- ❑ Congress passed, and President Biden signed, the “Inflation Reduction Act” (a scaled-down version of the Administration’s “Build Back Better” proposals) focussed on controlling drug prices, clean energy measures, tax law enforcement, and extension of affordable care subsidies, together with a minimum 15% tax on large corporations and a 1% tax on stock buybacks

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"](#).

Minutes of last month's FOMC meeting indicate that the Fed is on course to move interest rates into 'restrictive' territory

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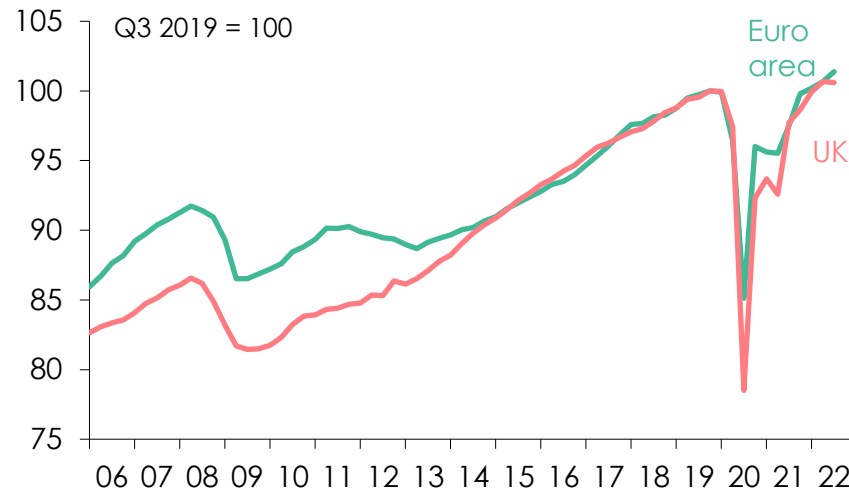
- ❑ As expected, the Federal Reserve raised its target range for the federal funds rate by another 75 basis points, to 2.25-2.50%, at its FOMC meeting on 27th July – the second consecutive such increase
 - this brings the cumulative tightening since March to 225 basis points, the fastest since 1981 (although that episode and others since then have ultimately entailed larger increases in interest rates, in total, than the Fed is currently foreshadowing)
- ❑ The minutes of that meeting, released last Wednesday, record that “participants judged that moving to a restrictive stance of policy was required” to meet the Fed’s objectives
 - they noted that, after the 75 bp increase agreed to at this meeting, the nominal fed funds rate would be “within the range of their estimates of its longer-run neutral level”, but with “some participants emphasizing that the real funds rate would likely still be below shorter-run neutral levels”
 - accordingly, participants “continued to anticipate that ongoing increases” in the fed funds rate “would be appropriate”, but also judged that “it likely would become appropriate at some point to slow the pace of policy rate increases while assessing the impact of cumulative policy adjustments on economic activity and inflation”
 - although they also considered that “the bulk of the effects on real activity had yet to be felt because of lags associated with the transmission of monetary policy”
 - the minutes also show FOMC members noting that “declines in the prices of oil and some other commodities could not be relied upon as providing a basis for sustained lower inflation, as these prices could quickly rebound”, and that “there was little evidence to date that inflation pressures were subsiding”
- ❑ While financial markets took some heart from the lower-than-expected increases in the ‘headline’ and ‘core’ CPI, and the fall in the PPI, in July (slides 49-51), senior Fed officials re-iterated (consistent with the views recorded in the FOMC meeting minutes) that inflation was still “unacceptably high”, that it was “far too early” to “declare victory”, and that the funds rate would need to rise further (to between 3½% and 4%) by the end of this year

Europe

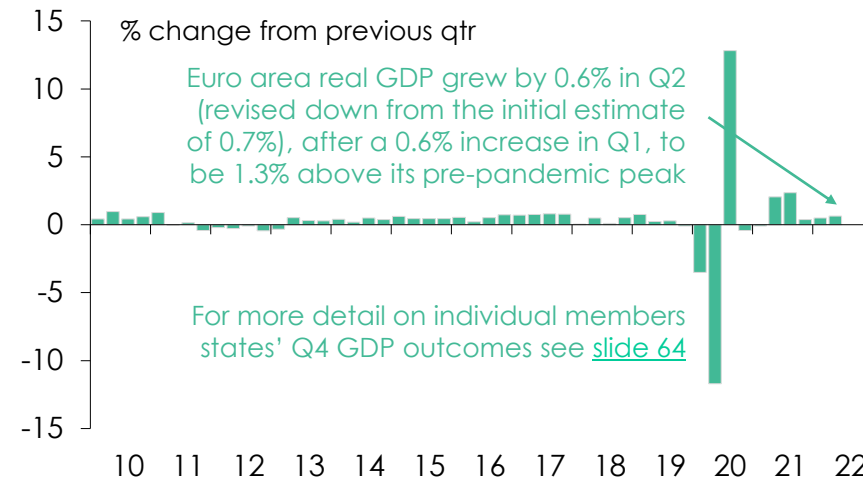
The UK's real GDP shrank 0.1% in Q2, due to falls in private and government consumption, and in public investment

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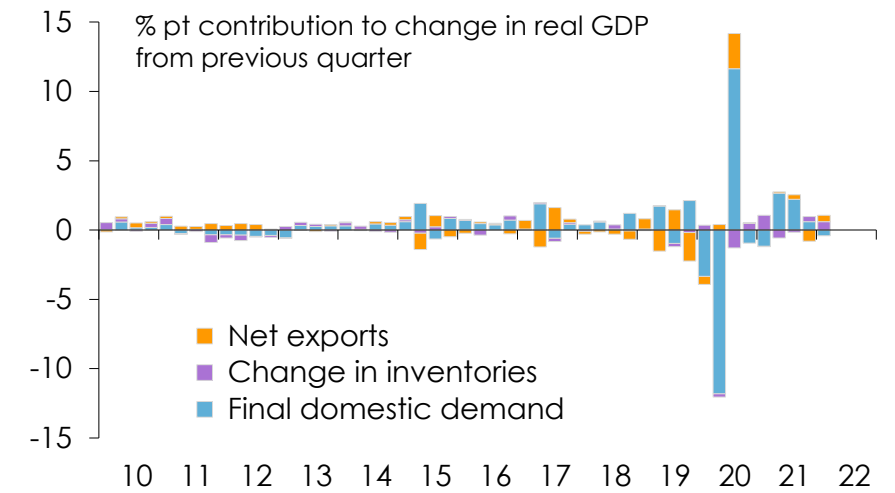
Euro area and UK real GDP



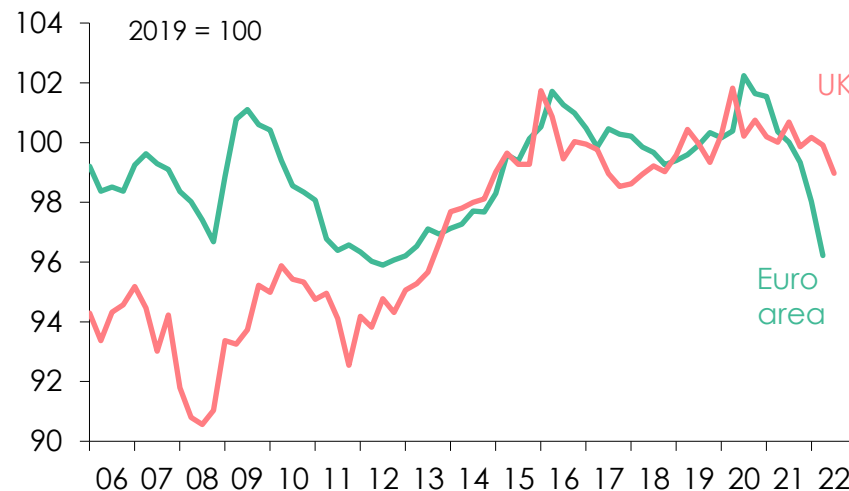
Euro area quarterly GDP growth



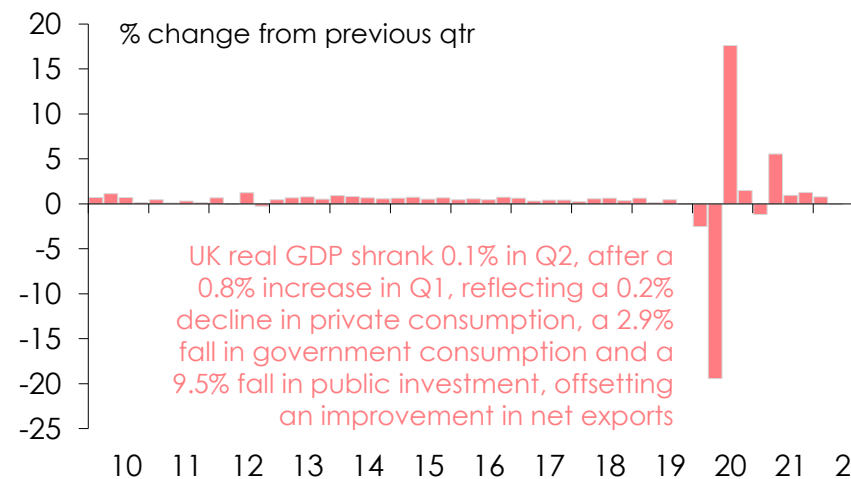
Contributions to quarterly EA GDP



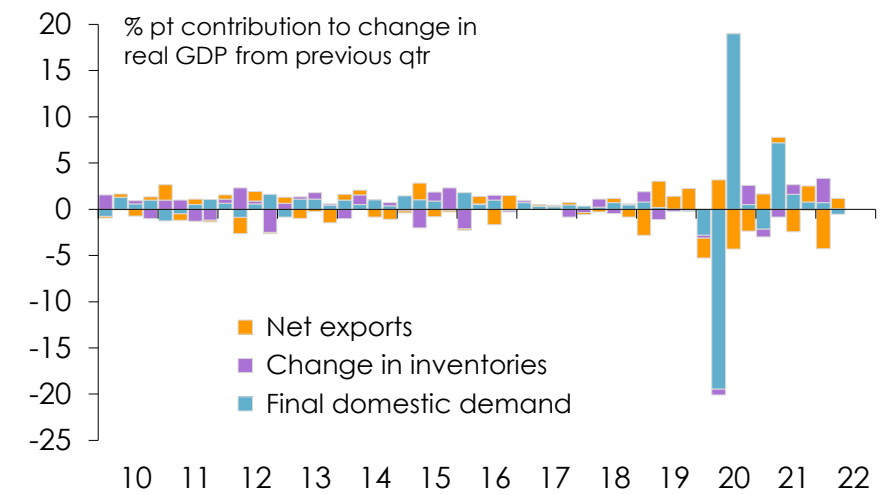
Euro area and UK terms of trade



UK quarterly GDP growth



Contributions to quarterly UK GDP

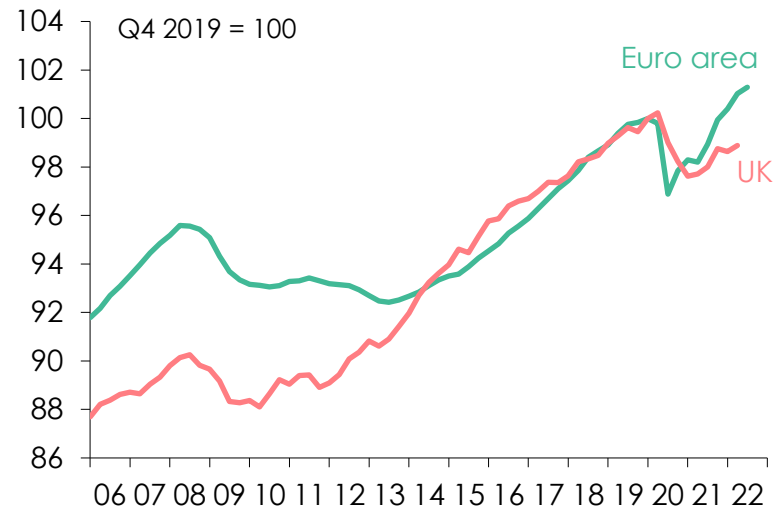


Note: the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods & services – it gives an indication of the income gains or losses arising from changes in the prices of goods and services traded with the rest of the world. Sources: Eurostat,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

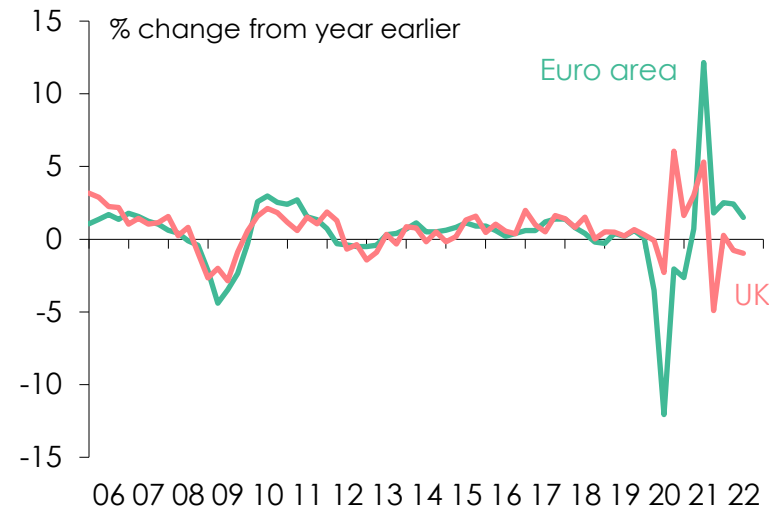
Euro area unemployment fell to a new record (since 1998) low of 6.6% in April, May & June, while the UK's unemployment rate remained at 3.8%

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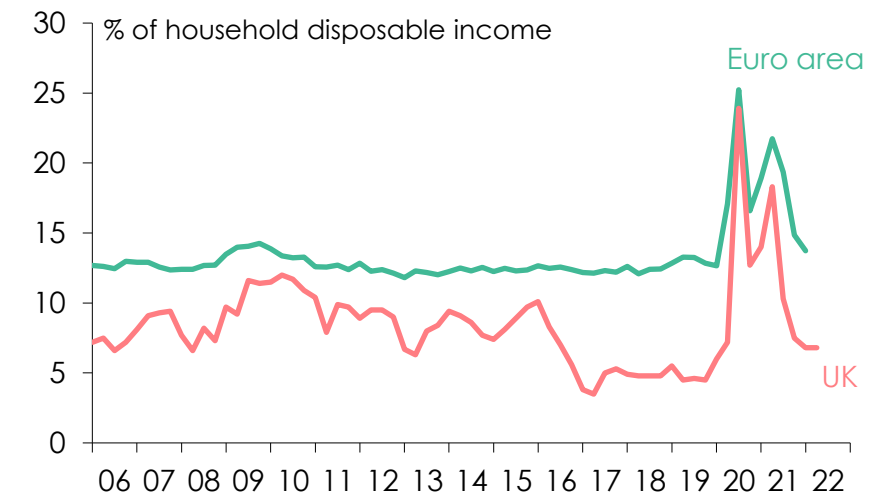
Employment



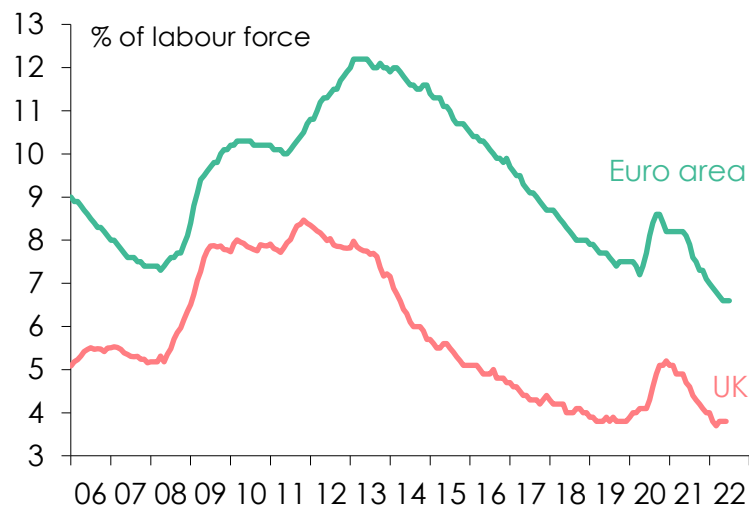
Labour productivity



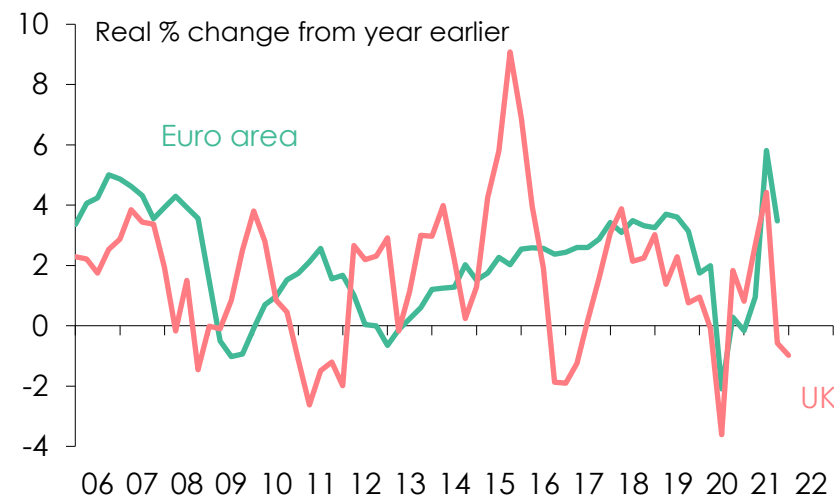
Household saving rates



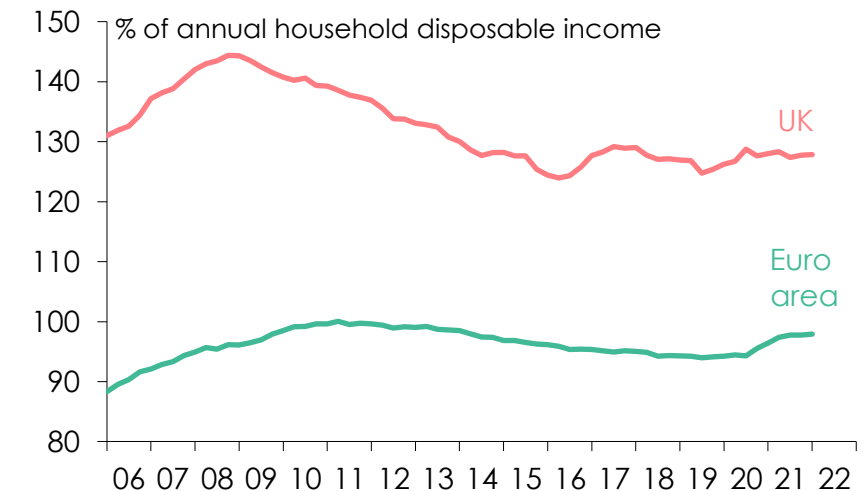
Unemployment rates



Household disposable income



Household debt

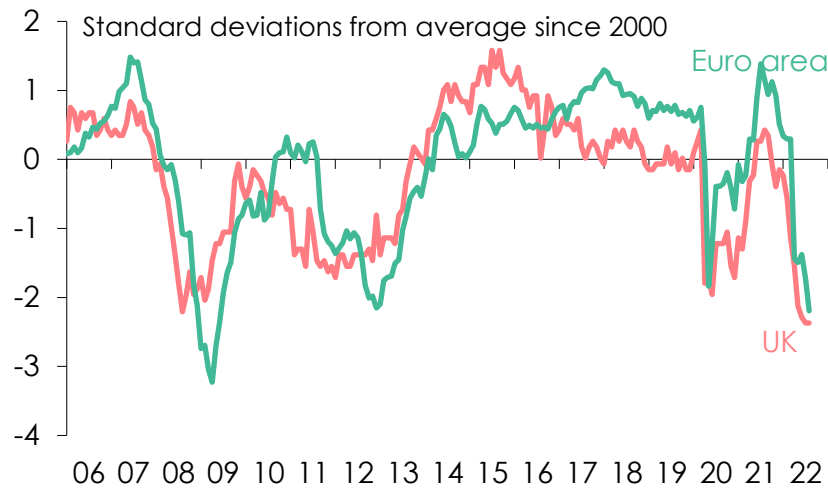


Sources: Eurostat, [Employment and unemployment \(Labour force survey\)](#), [Household saving rate](#) and [Labour productivity and unit labour costs](#); UK Office for National Statistics, [Employment in the UK](#), [Unemployment rate](#) (note, UK unemployment data are shown as a three-month moving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

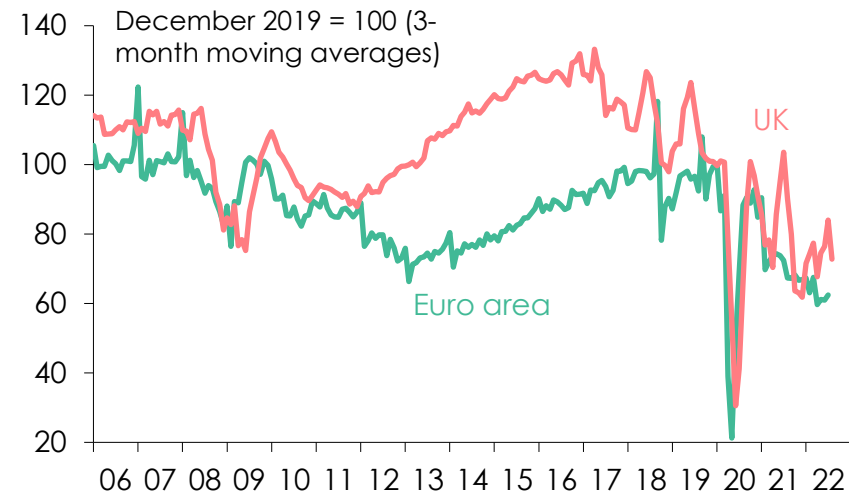
Consumers in the euro area are now almost as pessimistic as those in the UK, although business confidence has held up better in the euro area

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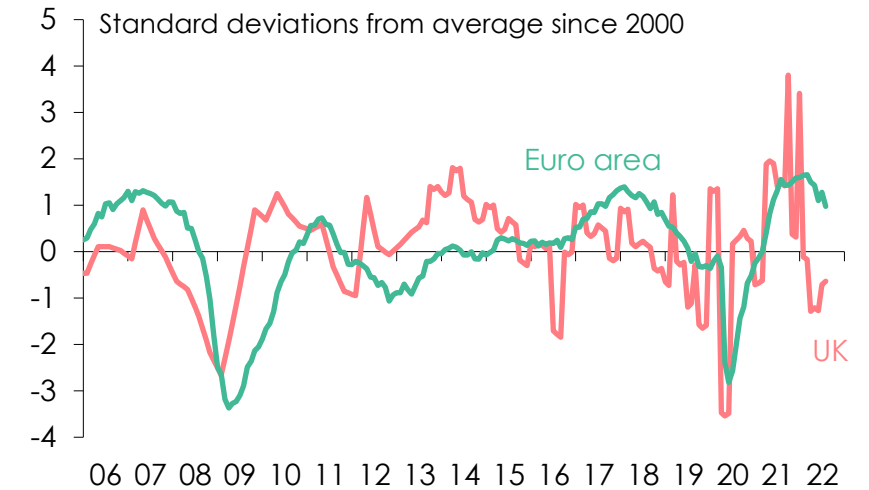
Consumer confidence



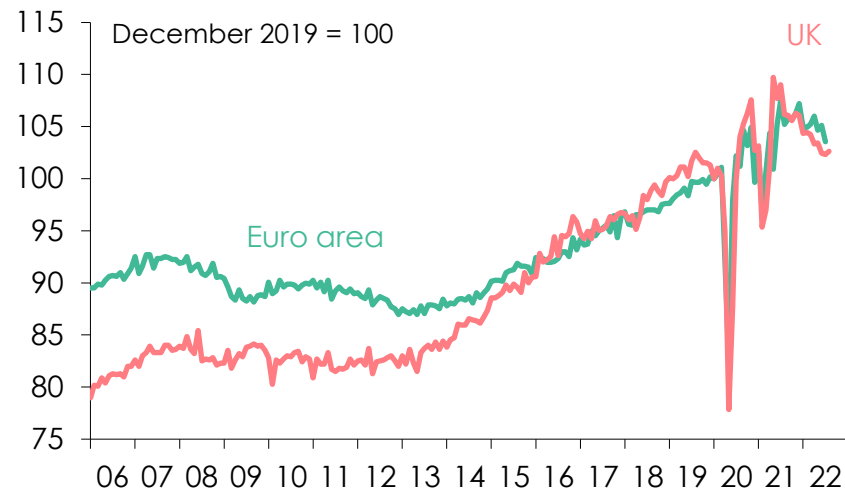
New car registrations



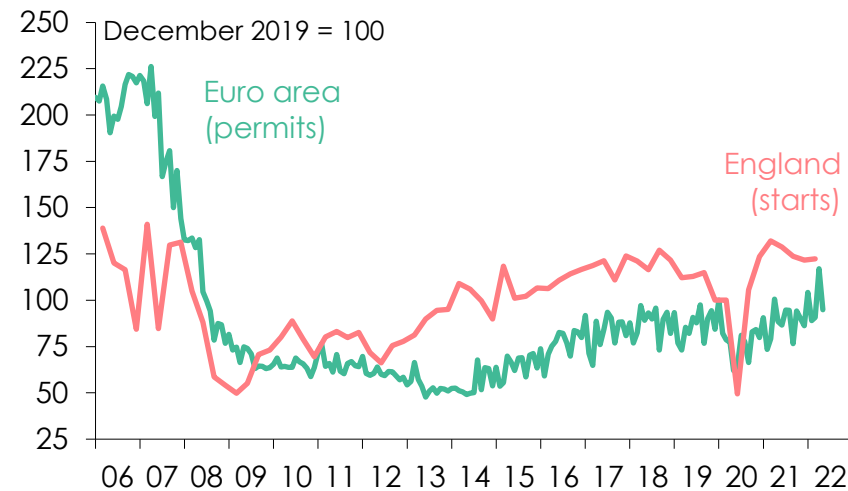
Business confidence



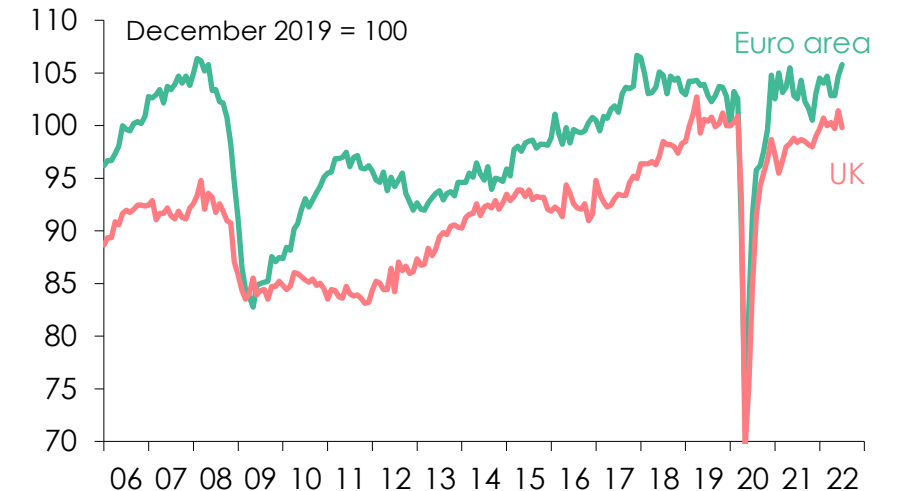
Retail sales volume



Housing activity



Manufacturing production

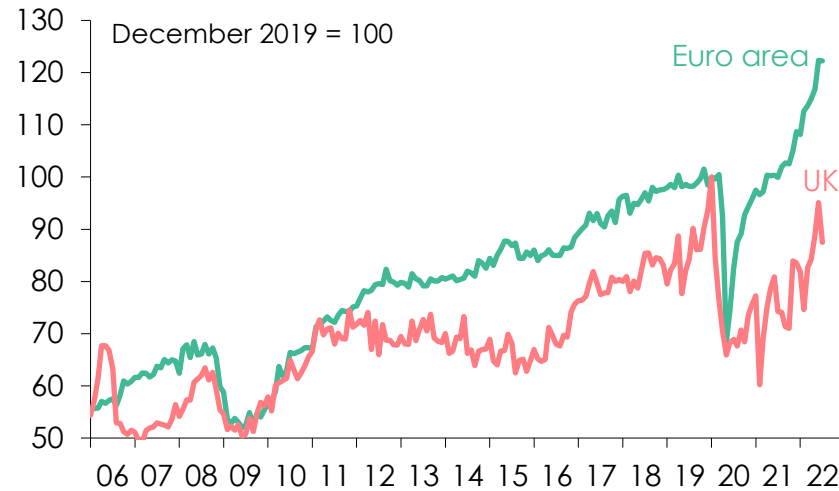


Sources: European Commission, [Business and consumer surveys](#); GfK, [Consumer confidence barometer](#); Confederation of British Industry, [Industrial Trends Survey](#); Eurostat, [Turnover and volume of sales in wholesale and retail trade](#), [New registrations of passenger cars](#), [Building permits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

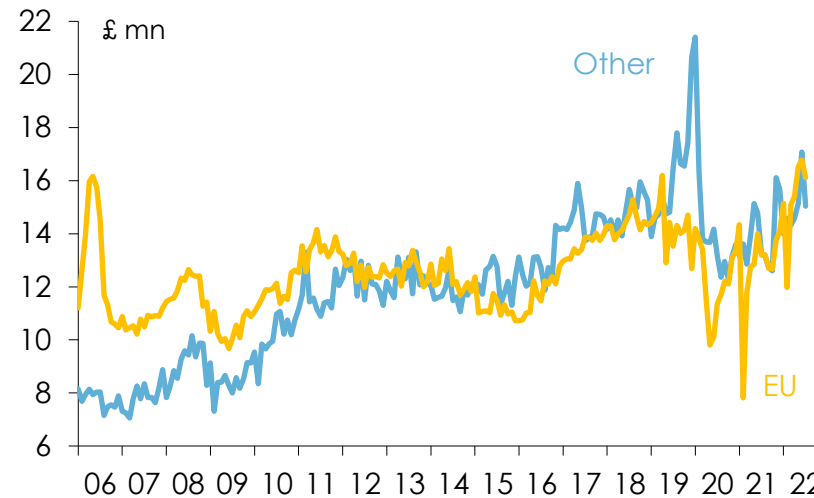
Higher prices for energy imports have caused the euro area's external balances to slip into deficit, and also widened the UK's external deficits

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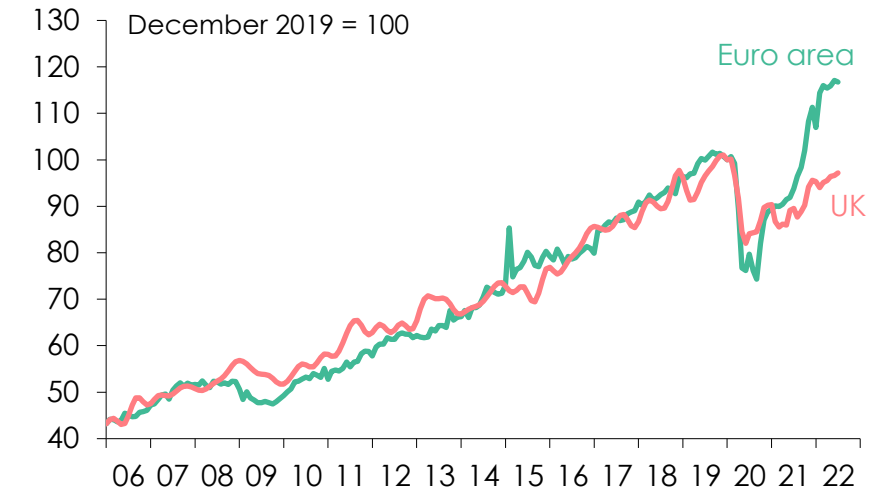
Merchandise exports



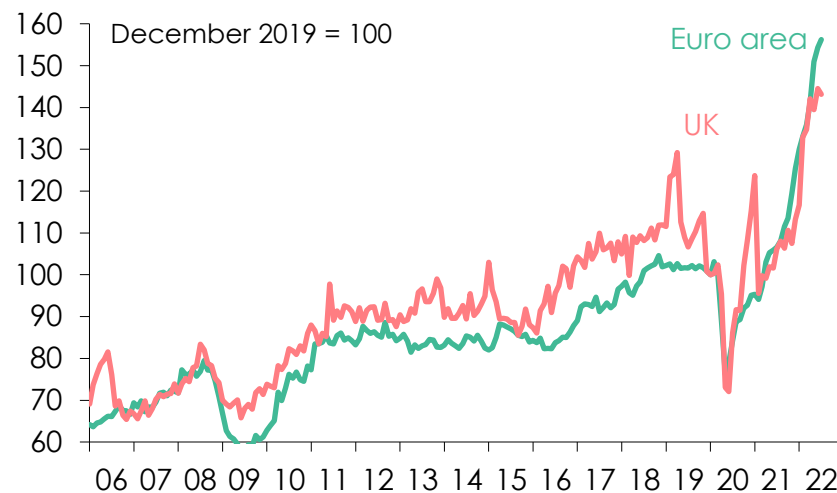
UK exports by destination



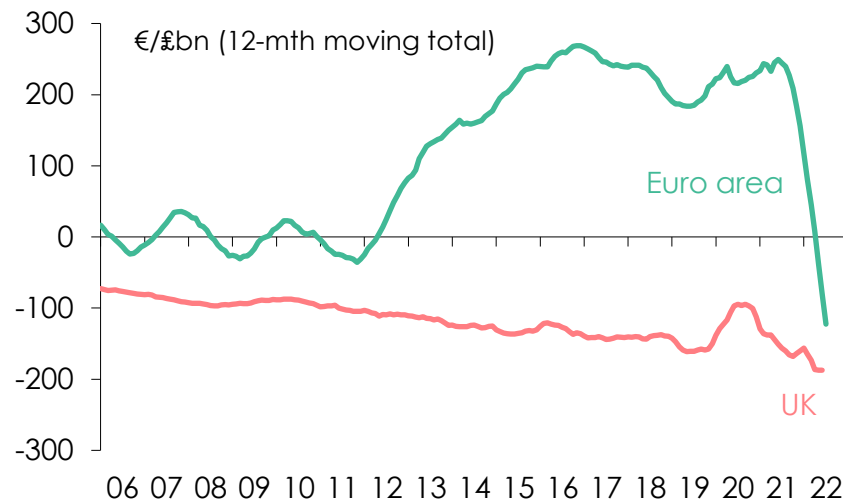
Services exports



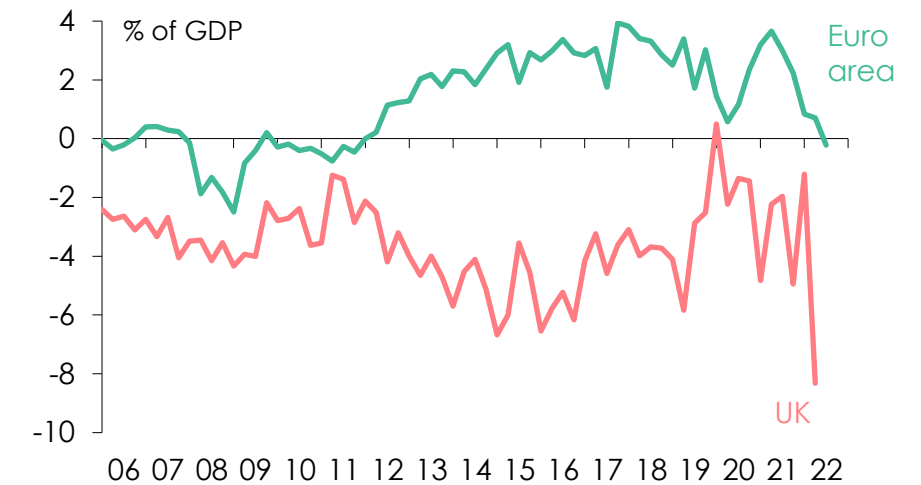
Merchandise imports



Merchandise trade balances



Current account balance

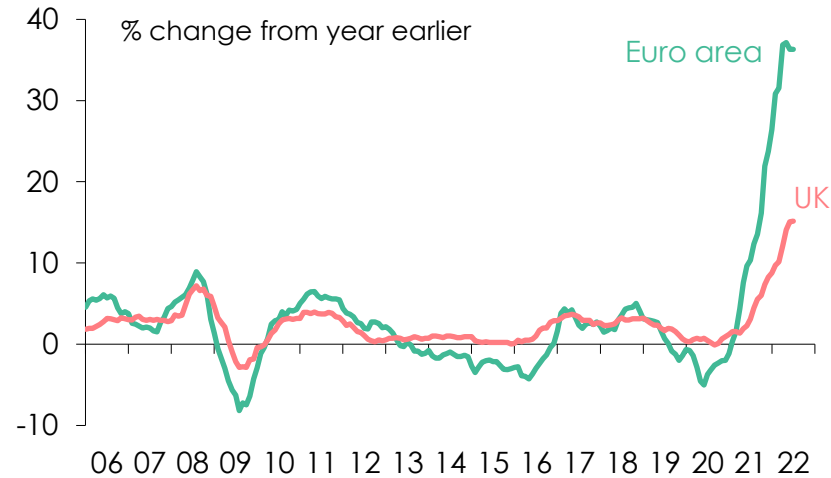


Sources: European Central Bank, Statistical Data Warehouse, [External Trade](#), [Balance of Payments and International Investment Position - Services](#), and [Balance of Payments and International Investment Position - Current Account](#); UK Office for National Statistics, [UK Trade](#) and [BoP Current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

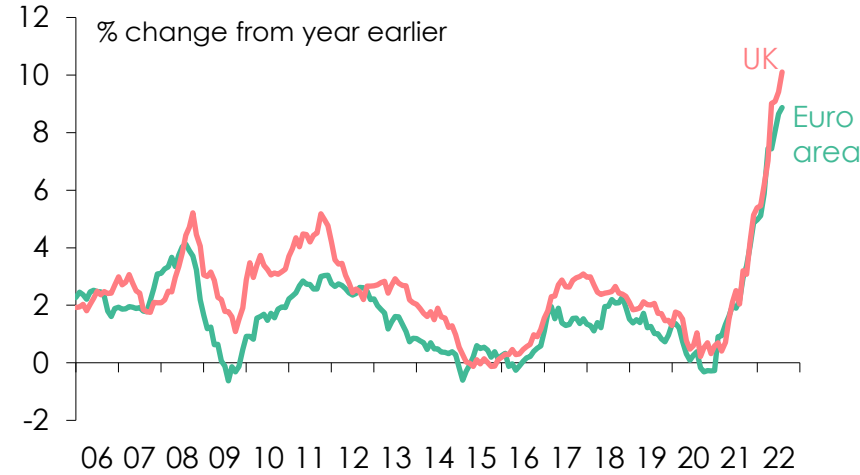
The UK's annual 'headline' inflation rate rose to 10.1% in July while the 'core' rate which had slowed since April re-accelerated to 6.1%

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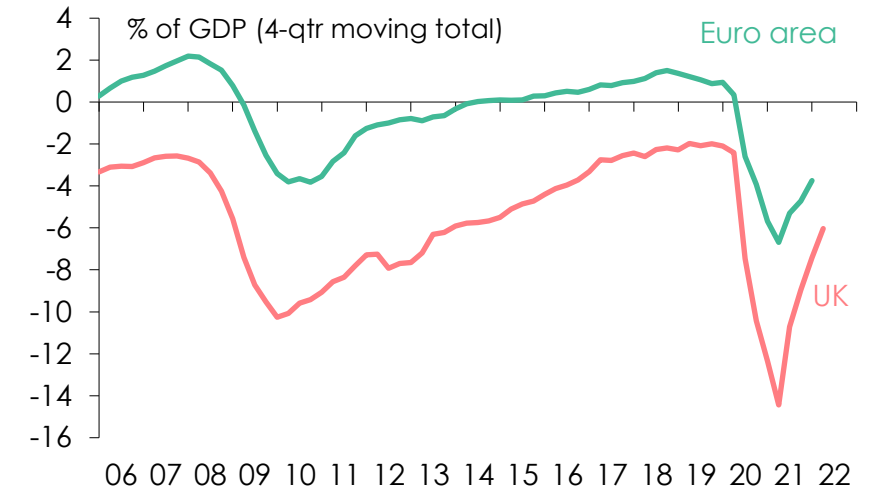
Producer prices



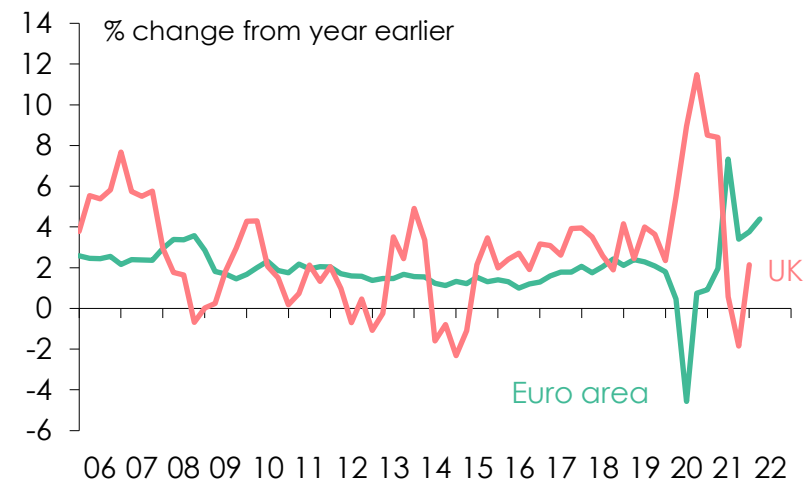
'Headline' consumer prices



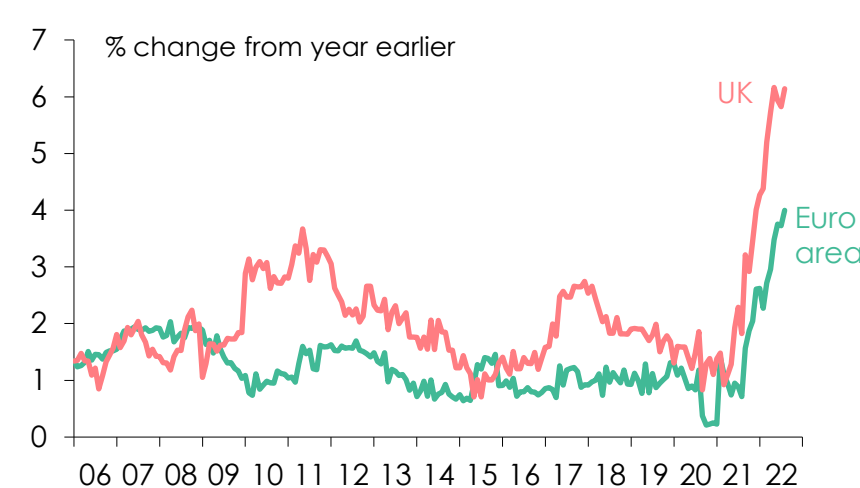
Government fiscal balance



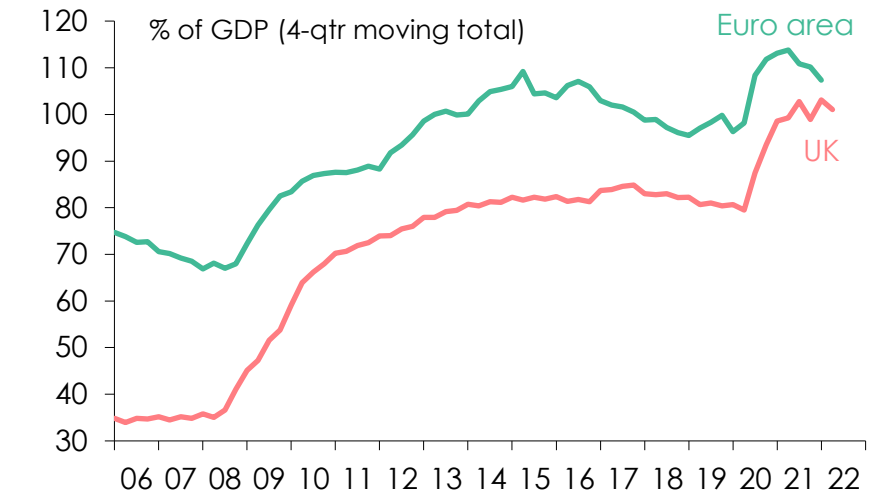
Labour costs



'Core' consumer prices



Government net debt

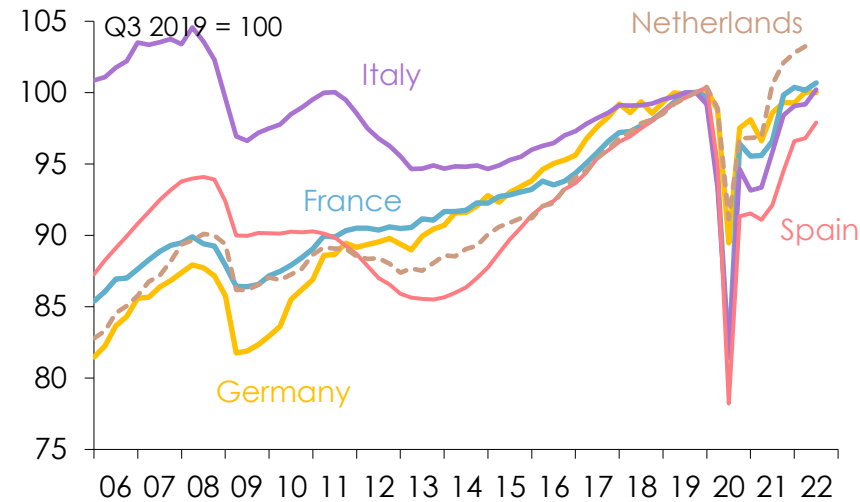


Note: Consumer price indices for the euro area and UK are 'harmonized' indices which exclude owner-occupied housing costs. Sources: Eurostat, [Producer prices in industry](#), [Compensation per employee and hours worked per employed person](#), [Consumer price index](#), and [Government finance statistics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

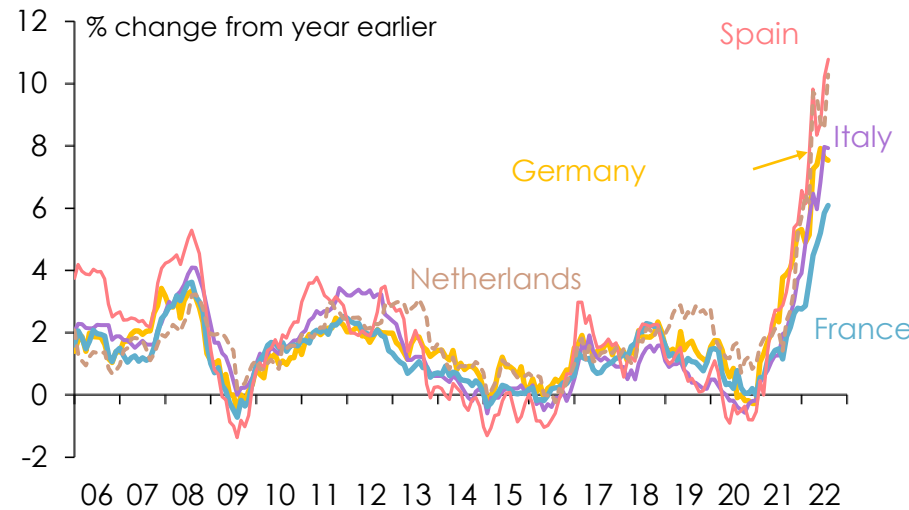
The end of ECB asset purchases has led to a significant widening in yield spreads between Spanish & especially Italian, and German bonds

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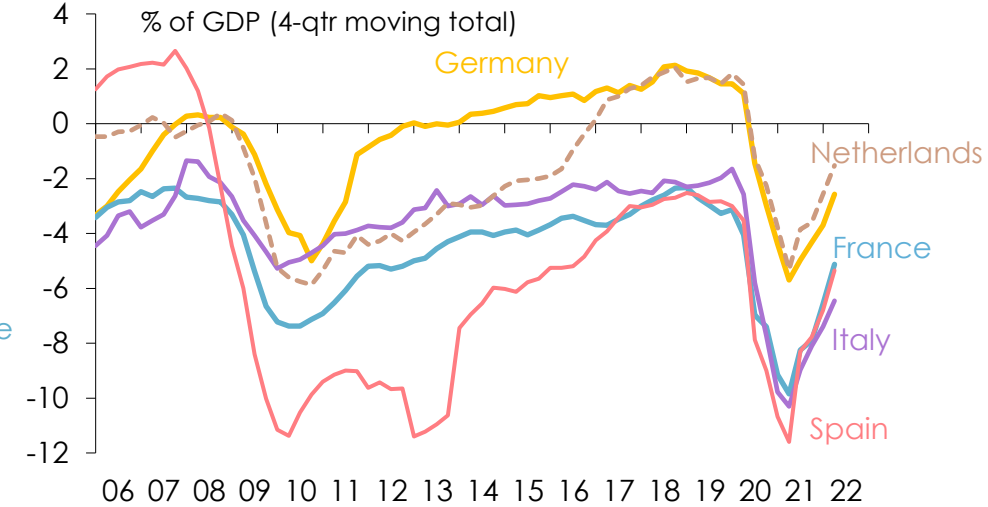
Real GDP



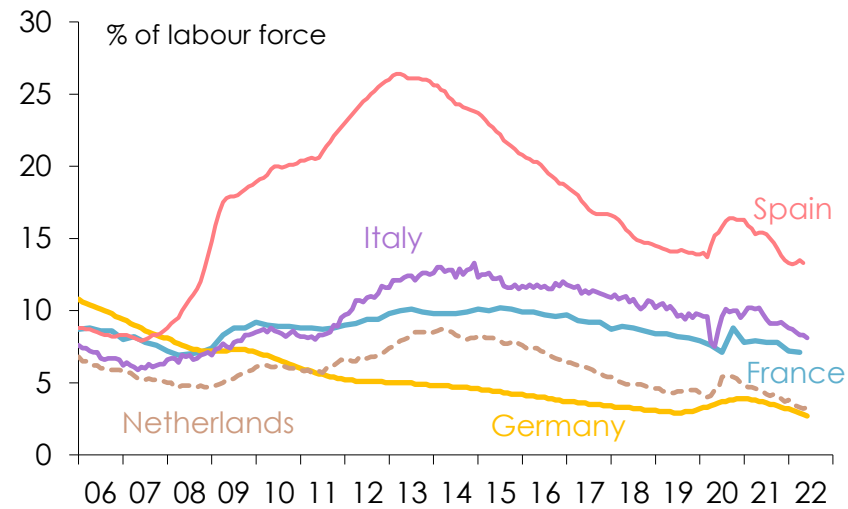
Inflation



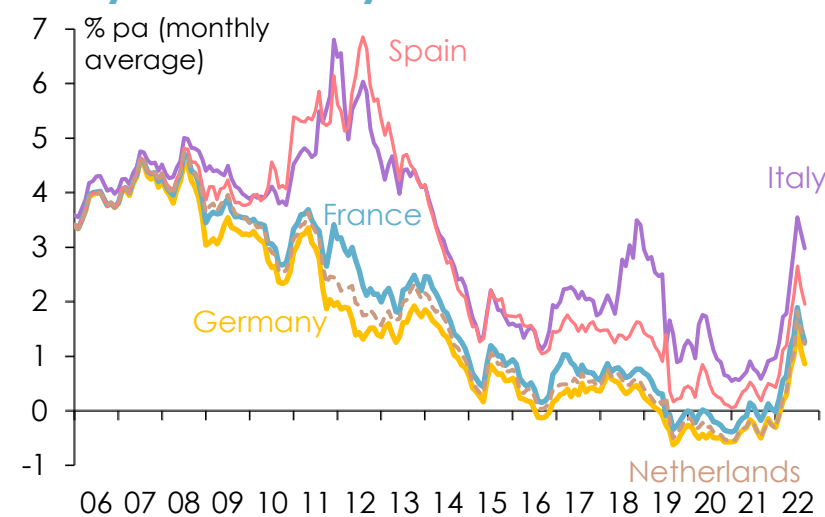
Government net lending



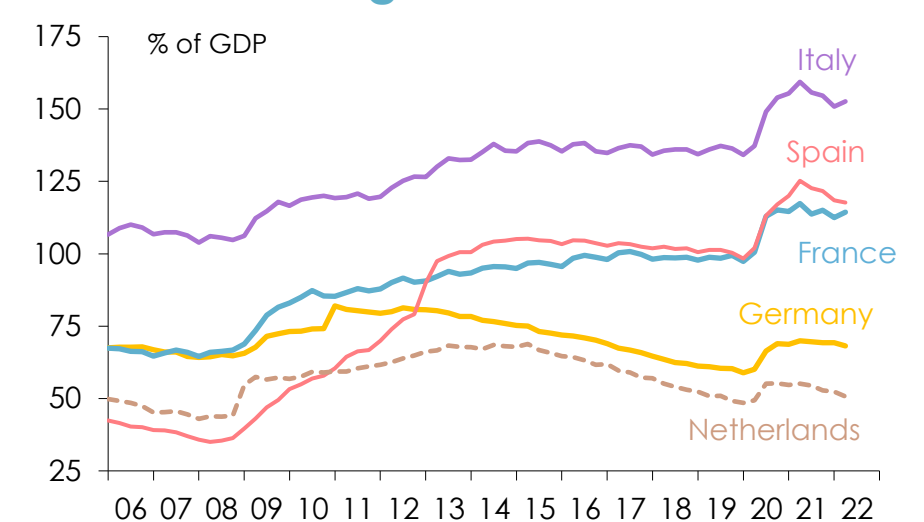
Unemployment



10-year bond yields



Government gross debt



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

A prominent ECB Executive Board member last week sounded hawkish on the near-term inflation outlook, and the need for further rate increases

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- ❑ The [European Central Bank](#) raised refi rate by 50 basis points, from zero to 0.50%, and its margin lending and deposit facility rates by a similar margin to 0.75% and zero, at its Governing Council meeting on 22nd July
 - this was twice as much as had been foreshadowed at the previous GC meeting on 16th June, which the GC [said](#) was prompted by its “updated assessment of the inflation outlook” and, by exiting from negative rates, allowed the GC to “make a transition to a meeting-by-meeting approach to interest rate decisions”, foreshadowing that “further normalization of interest rates will be appropriate” at upcoming meetings
- ❑ The ECB also approved the establishment of a [Transmission Protection Instrument](#) (TPI) to “ensure that the monetary policy stance is transmitted smoothly across all euro area countries”
 - this instrument will allow the ECB to “make secondary market purchases of securities issued in jurisdictions experiencing a deterioration in financing conditions not warranted by country-specific fundamentals” in order to “counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across the euro area”
 - in other words, to prevent destabilizing ‘blow-outs’ in the spreads between euro area member states bond yields
- ❑ At her [post-meeting press conference](#), ECB President Christine Lagarde explained that the decision to raise rates by 50 bp (rather than the 25bp that had been foreshadowed) was prompted by a “clear realization of upside risk to inflation” (as evidenced by higher-than-forecast inflation outcomes since the previous GC meeting), and by the “substantial” fall in the euro in recent weeks “which obviously has a bearing on inflation going forward”
- ❑ Mme Lagarde also indicated that the ‘guidance’ provided after the GC’s June meeting that the initial rate increase in July could be followed by a larger increase at the next meeting on 8th September was “no longer applicable”
- ❑ ECB Executive Board Member Isabel Schnabel last week [said](#) that the inflation concerns the ECB had in July “have not been alleviated”, that she “would not exclude that, in the short term, inflation is going to increase further”, and that there was “an elevated risk of de-anchoring” household inflation expectations

The Bank of England raised its bank rate by 50bp this month, and forecast that inflation would peak at 13% in Q4, and that real GDP would shrink 2¼%

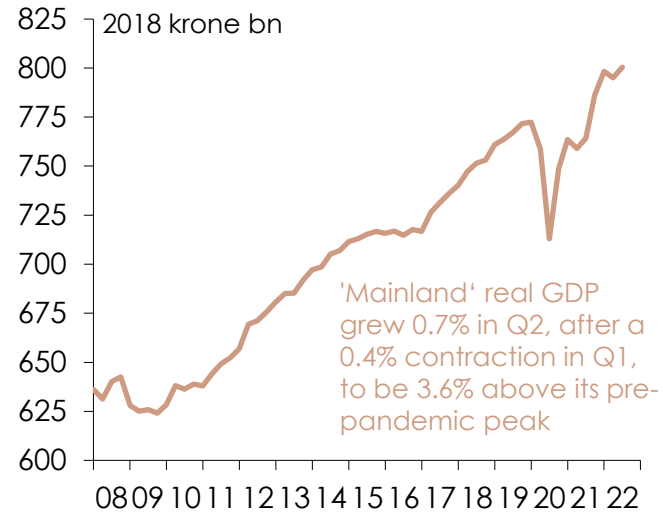
THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

- ❑ The [Bank of England](#) raised its Bank Rate by 50bp to 1.75% at its Monetary Policy Committee meeting on 4th August
 - this was the sixth successive increase, and the largest since February 1995, bringing the cumulative increase since the first move in December last year to 165 bp
- ❑ In the [Monetary Policy Summary](#) published after the meeting, the MPC said that the latest increase was warranted by “elevated” domestic cost and price pressures, and the “tight” labour market, which created “risk that a longer period of externally generated price inflation will lead to more enduring domestic price and wage pressures”
 - the seven (out of eight) MPC members voting for a 50bp increase judged that “a faster pace of policy tightening at this meeting would help to bring inflation back to the 2% target sustainably in the medium term, and to reduce the risks of a more extended and costly tightening cycle later”
- ❑ The MPC also indicated that it was “provisionally minded” to commence selling gilts out of its Asset Purchase Facility in September, with sales likely to be of the order of £10bn per quarter (over and above redemptions)
- ❑ In the [Monetary Policy Report](#) released after the MPC meeting, Bank of England staff expect the annual CPI inflation rate to peak at 13.1% in Q4 this year (3 pc points higher than the previous forecast in May) before falling to 5.5% in Q4 next year and then to 1.4% by Q4 2024
 - the upward revisions are largely attributable to energy prices (which are expected to account for 6½ pc pts of the peak inflation rate in Q4), but also reflect faster than previously forecast growth in labour costs
- ❑ The Bank explicitly predicts that the UK economy will enter recession in Q4 this year, with real GDP contracting by 2¼% over five quarters to Q4 2023, with growth thereafter being “very weak by historical standards” -
 - the recession is largely the result of the “adverse impact of the very sharp increases in energy, non-energy commodities and tradable goods prices on UK household real incomes and spending”
 - the Bank expects the unemployment rate to remain at around its present level of 3¾% through Q1 next year, but then rise to 4¾% by Q4 next year, and to reach 6¼% by the second half of 2025

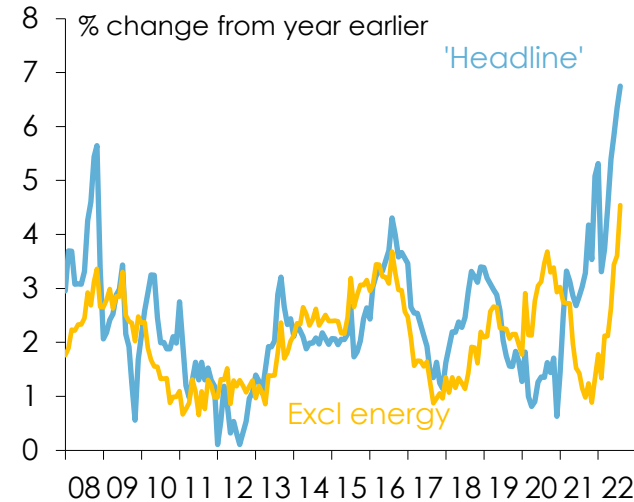
Norges Bank raised its policy rate by 50bp (the second such increase) to 1.75% last week, and foreshadowed a further increase next month

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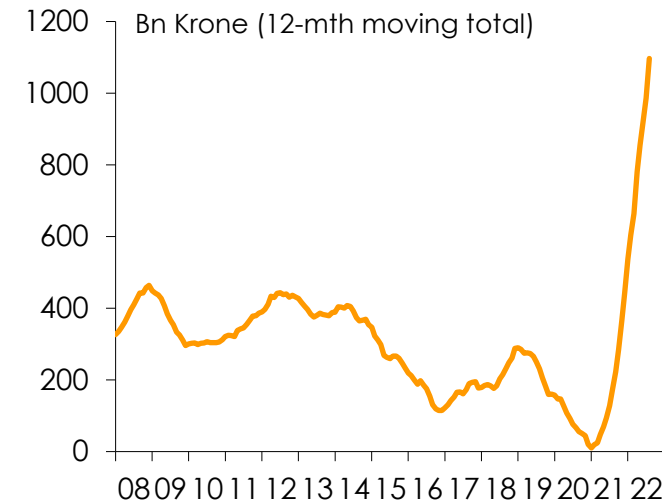
'Mainland' real GDP



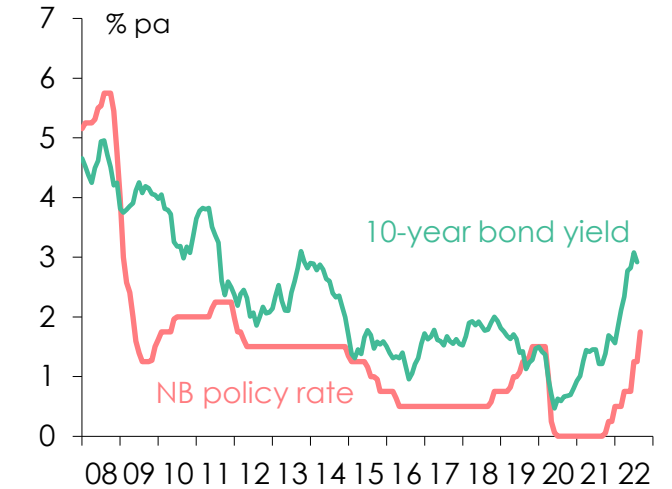
Inflation



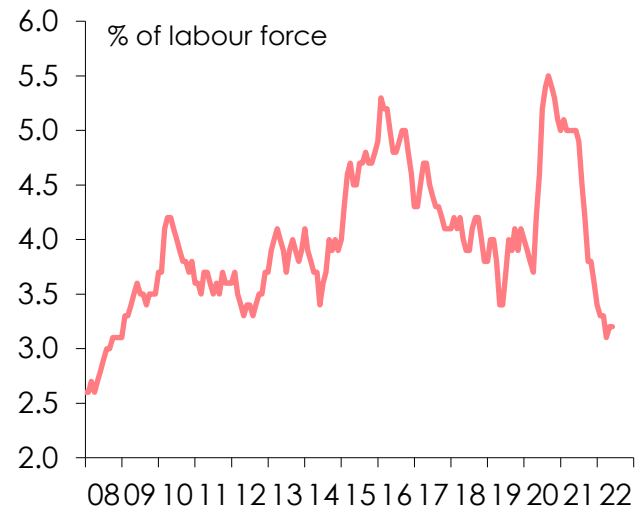
Trade balance



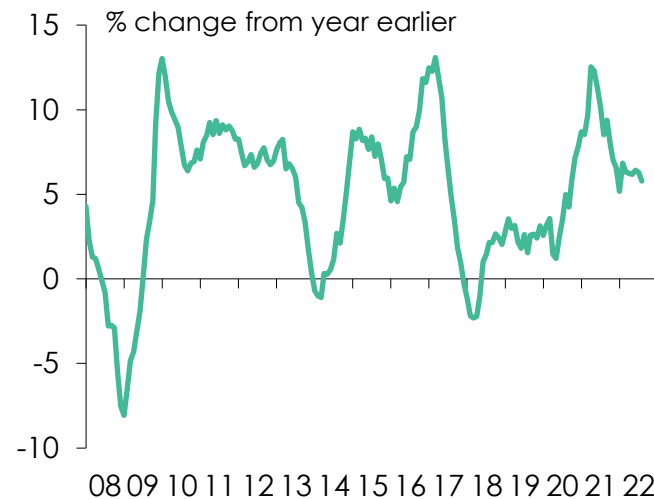
Interest rates



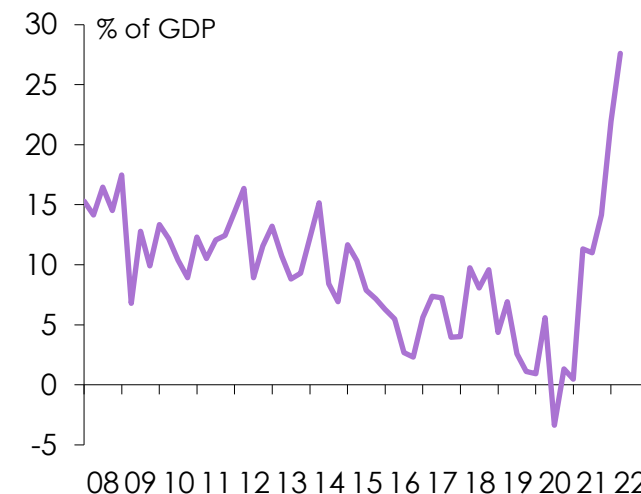
Unemployment



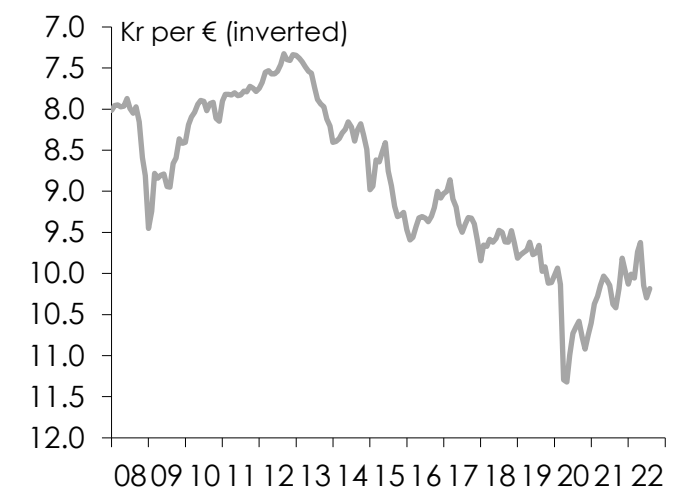
House prices



Current account balance



Krone vs euro

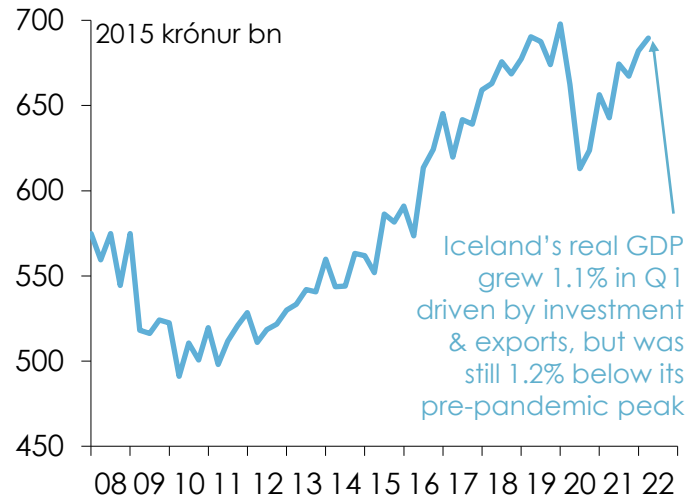


Note: 'mainland' GDP means excluding Norway's oil and gas industry which is entirely located offshore. Sources: [Statistisk sentralbyrå](#); [Norges Bank](#); Refinitiv Datastream.
[Return to "What's New"](#).

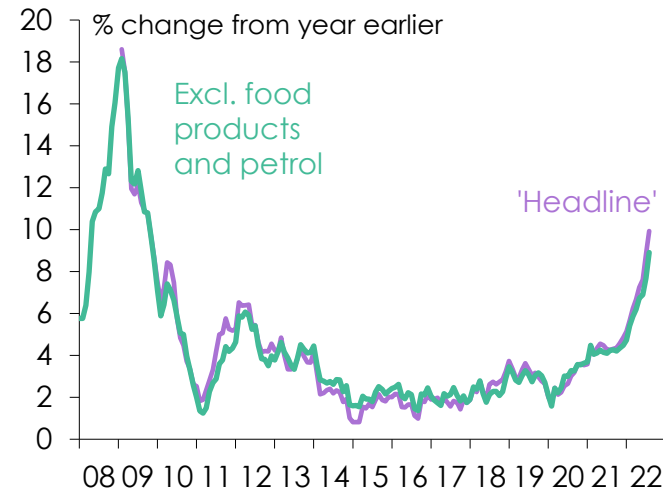
Iceland's 'headline' inflation rate rose to 9.9% in July, the highest since September 2009, while 'core' inflation rose 1.2 pc pt to 8.9%

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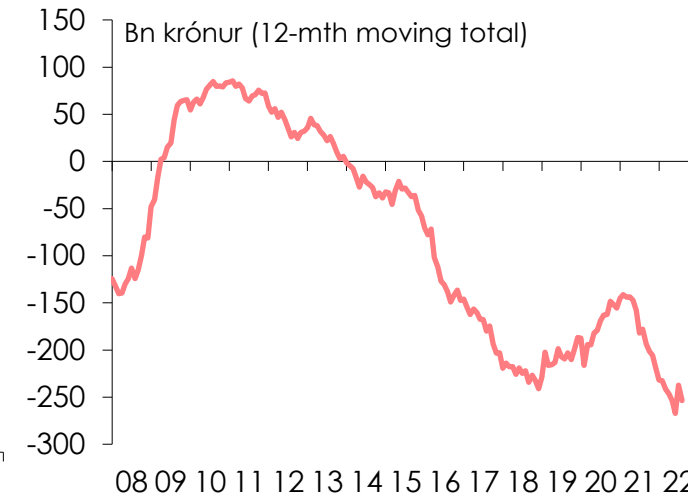
Real GDP



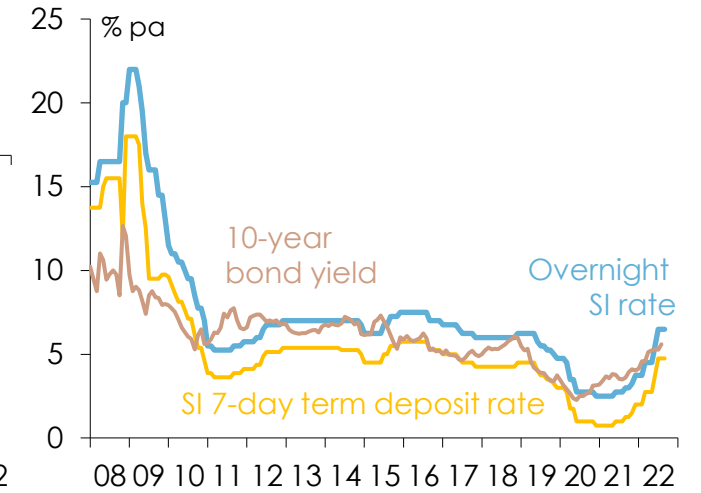
Inflation



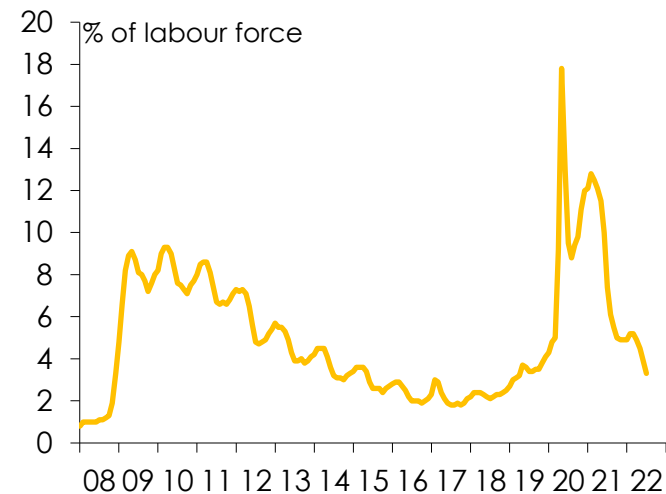
Trade balance



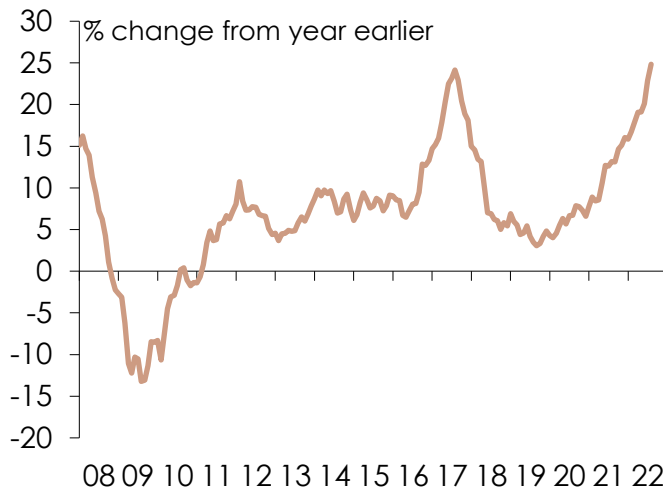
Interest rates



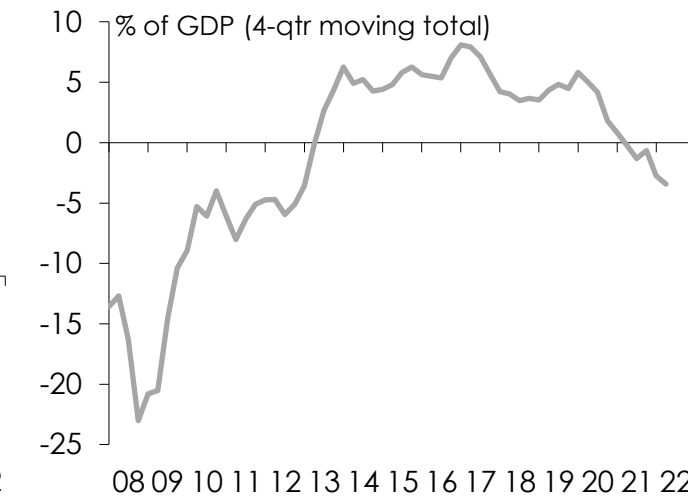
Unemployment



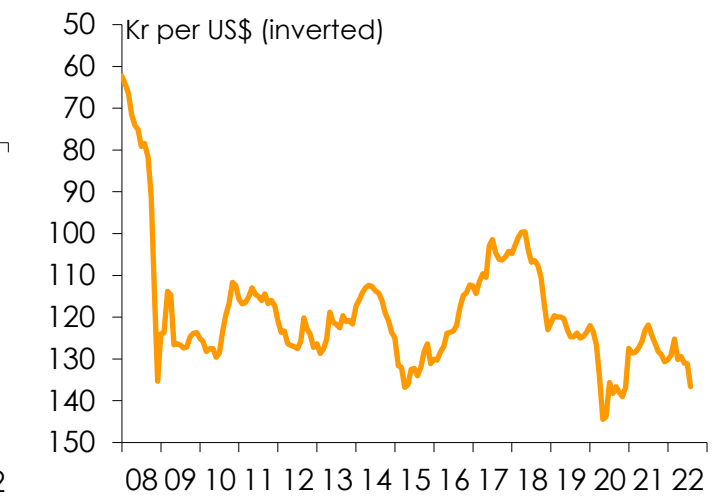
House prices



Current account balance



Króna vs US dollar

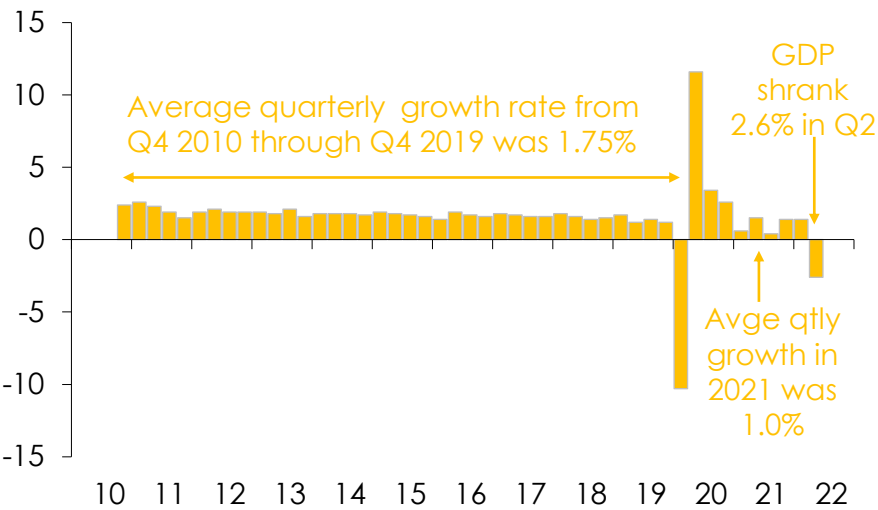


China

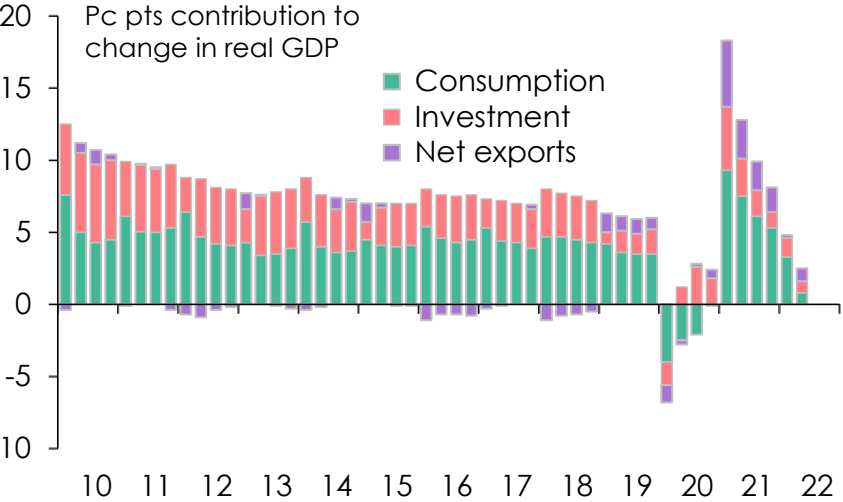
China's real GDP shrank by 2.6% in Q2, to be only 0.4% higher than a year earlier – but the unemployment rate fell 0.4 pc pt to 5.5% in June

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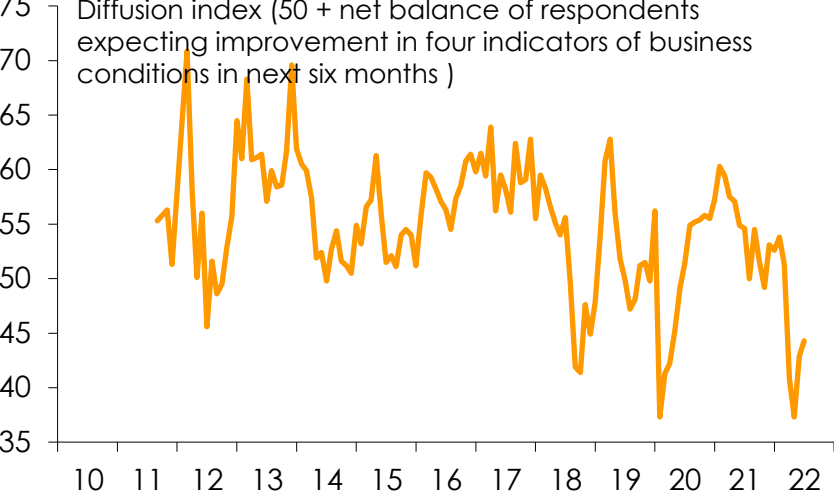
Quarterly real GDP growth



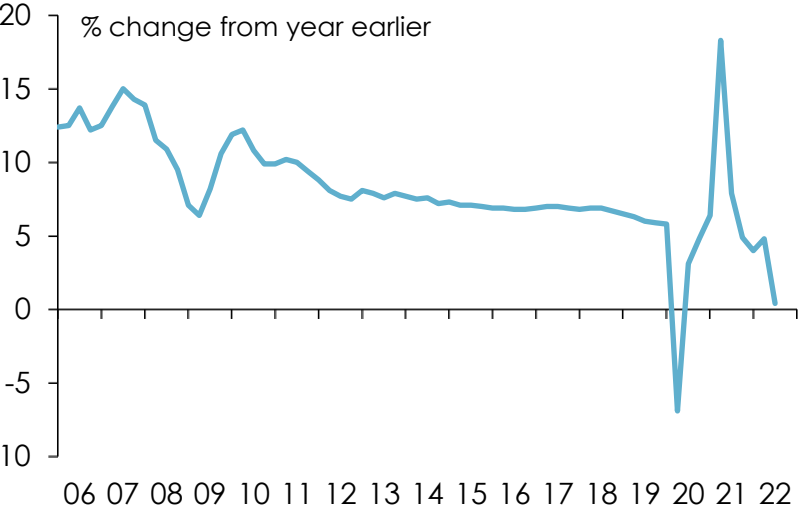
Contributions to real GDP growth



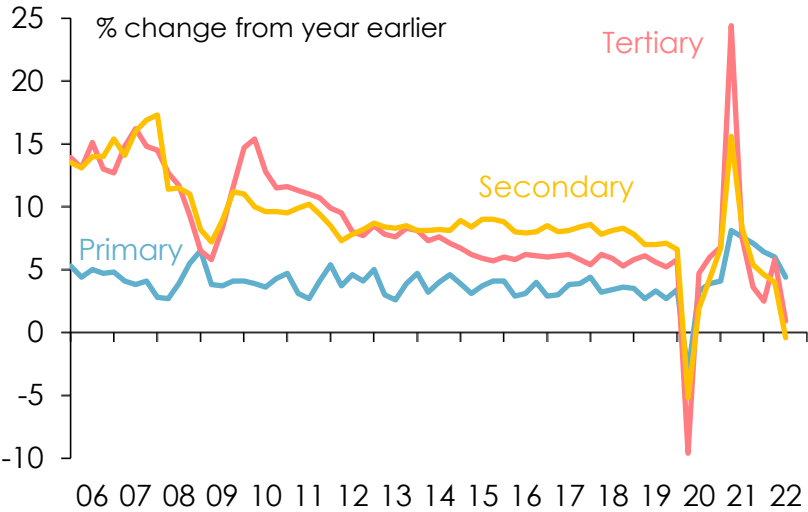
CKGSB business conditions index



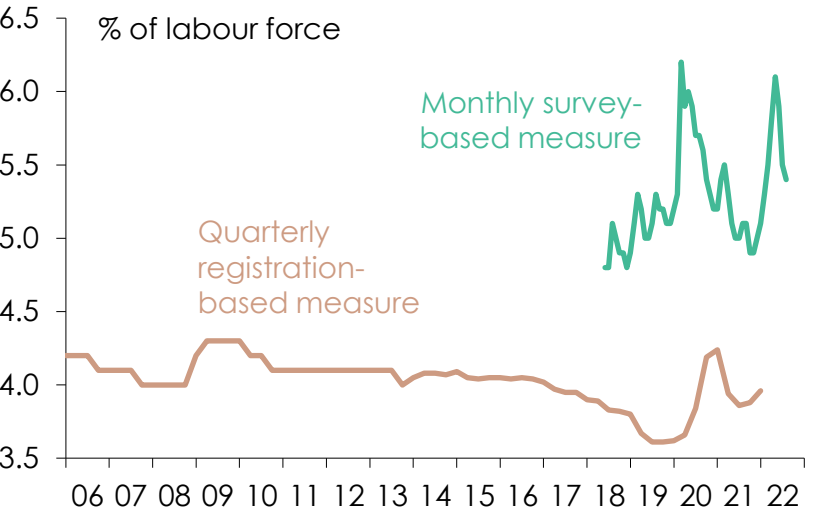
Annual real GDP growth



Annual GDP growth by industry



Urban unemployment rate

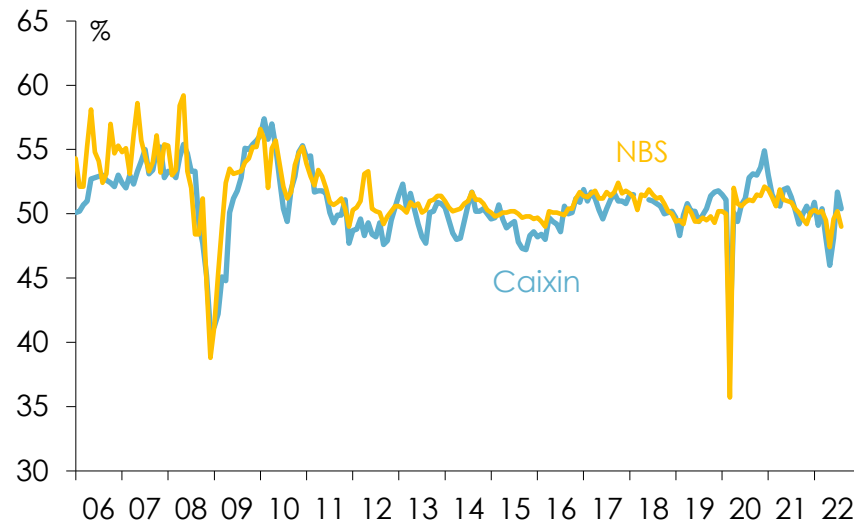


Sources: China National Bureau of Statistics, [National Data - National Accounts](#) and [The Urban Surveyed Unemployment Rate](#); Cheung Kong Graduate School of Business, [Business Conditions Index \(BCI\)](#). Before the monthly unemployment survey was introduced in 2018, the quarterly measure was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

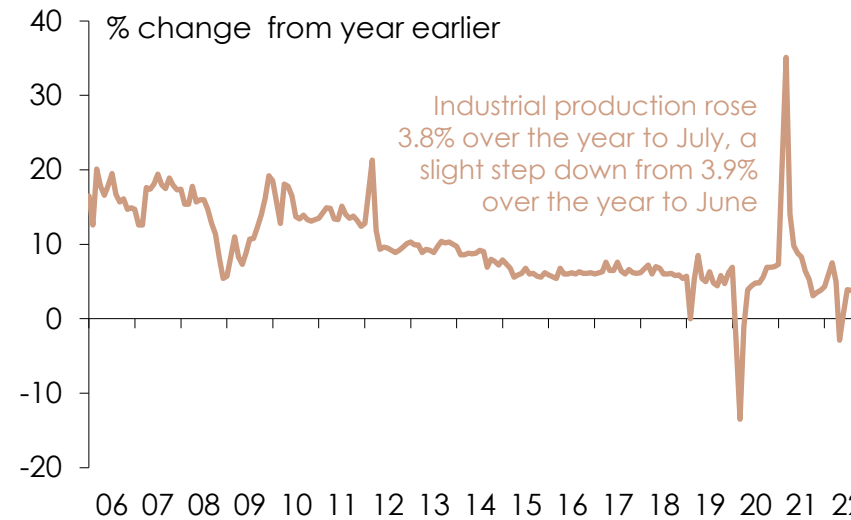
China's industrial production grew 3.8% over the year to July, marking a continued slow recovery from the shutdowns in the first half of this year

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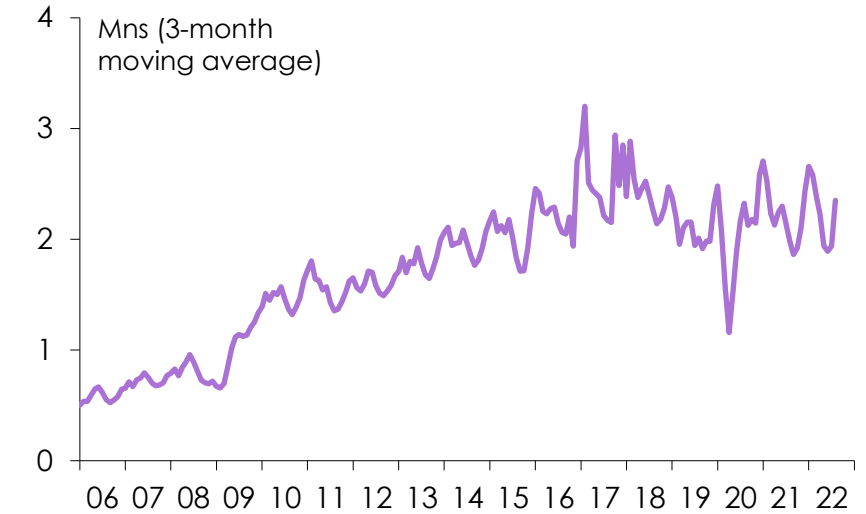
Manufacturing PMIs



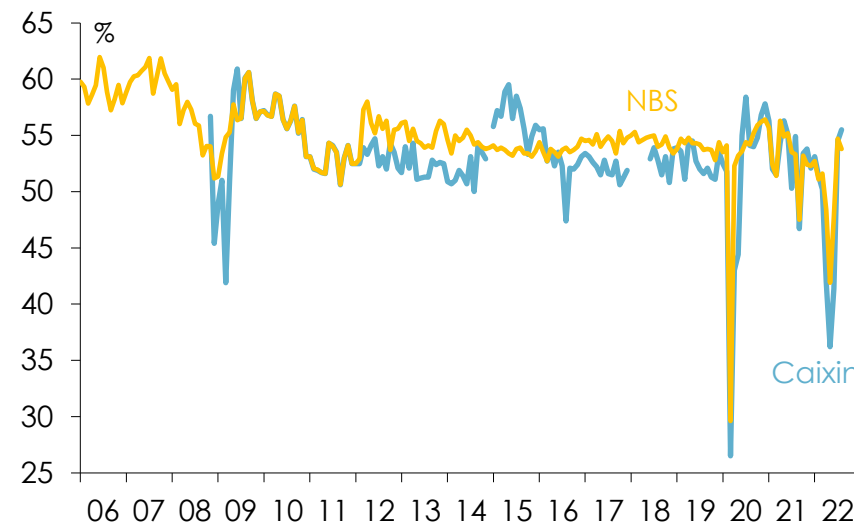
Industrial production



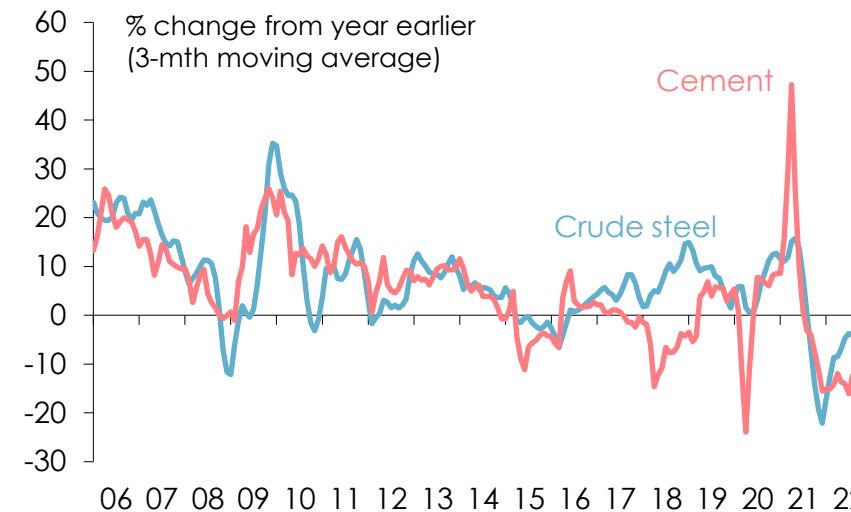
Motor vehicle production



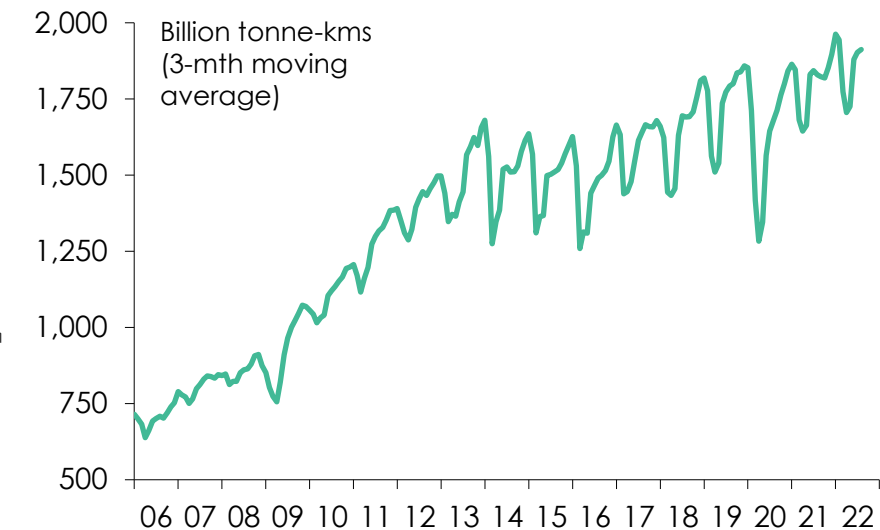
Non-manufacturing PMIs



Steel and cement production



Freight traffic volumes



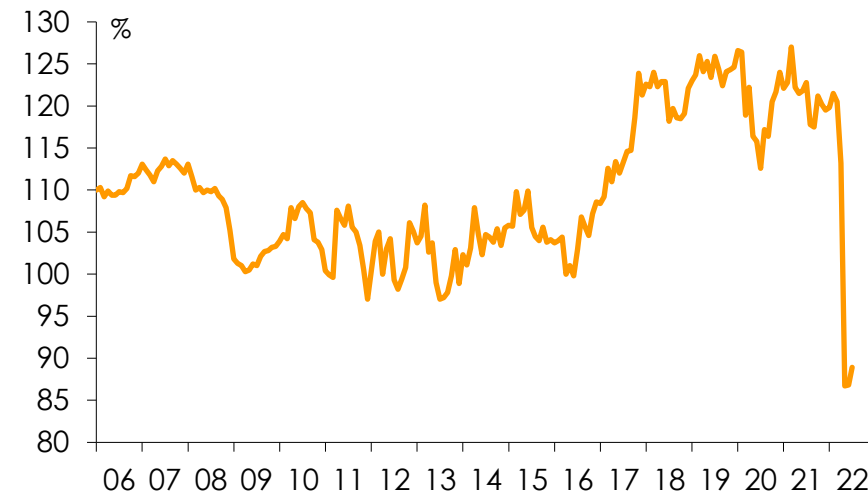
Note: The Caixin ('unofficial') PMIs are derived from a survey of around 500, mostly small private, enterprises, while the 'official' NBS PMIs are derived from a survey of about 3,000, mostly state-owned, enterprises: for more detail see [here](#). Sources: China National Bureau of Statistics, [National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

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

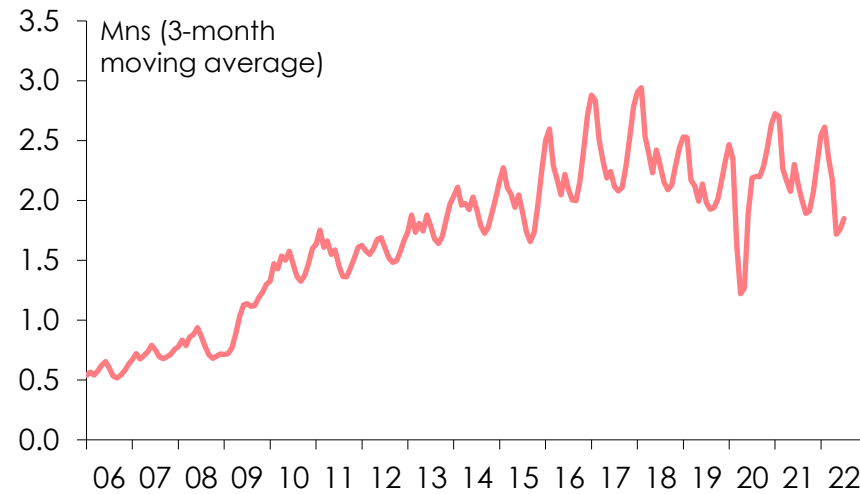
July retail sales were only 2.7% higher than a year earlier (implying a decline in real terms), while real estate activity and prices continued to fall

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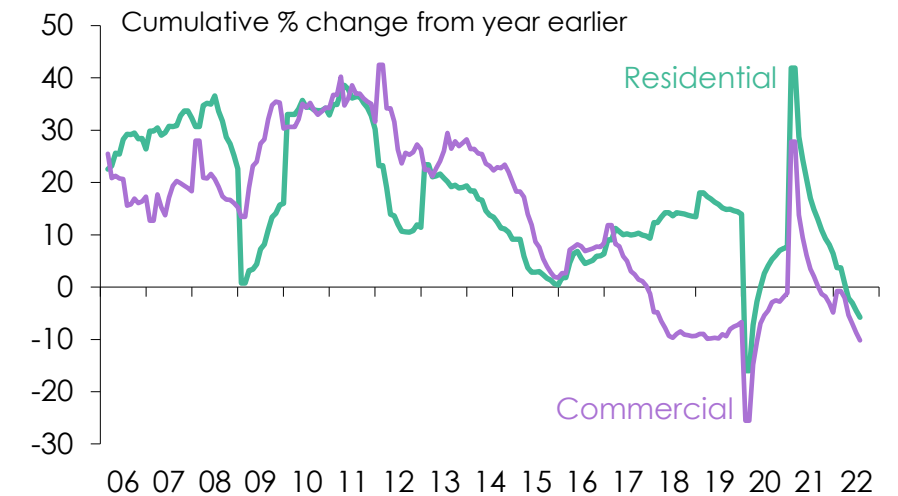
Consumer sentiment



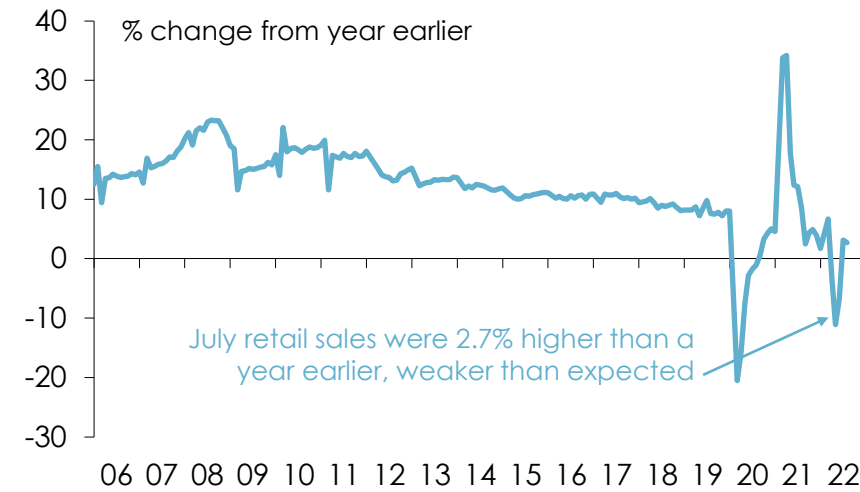
Motor vehicle sales



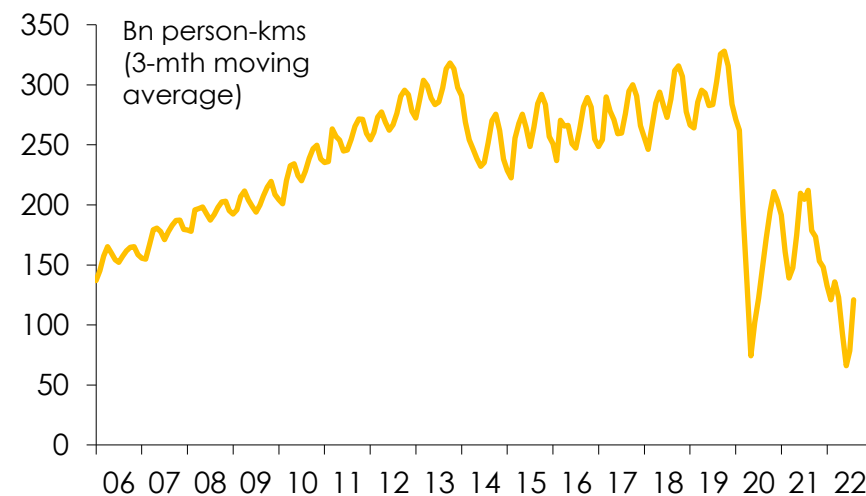
Real estate investment



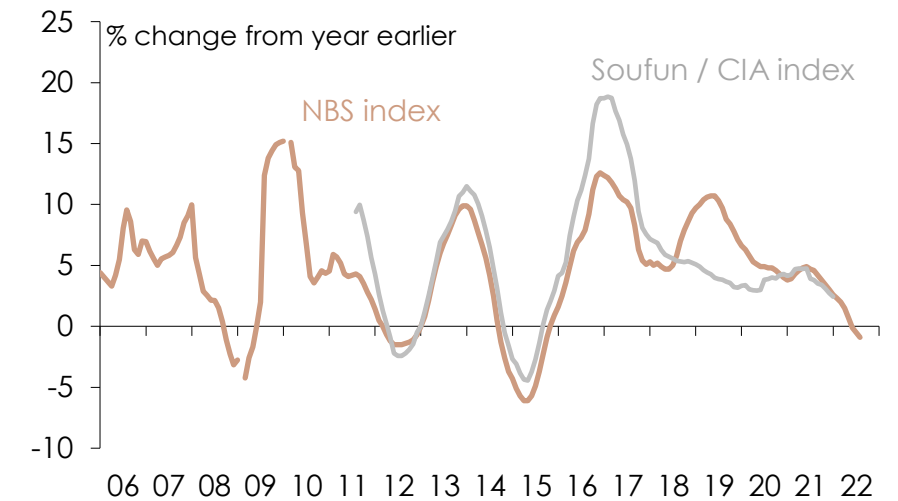
Retail sales



Passenger traffic volumes



Residential real estate prices

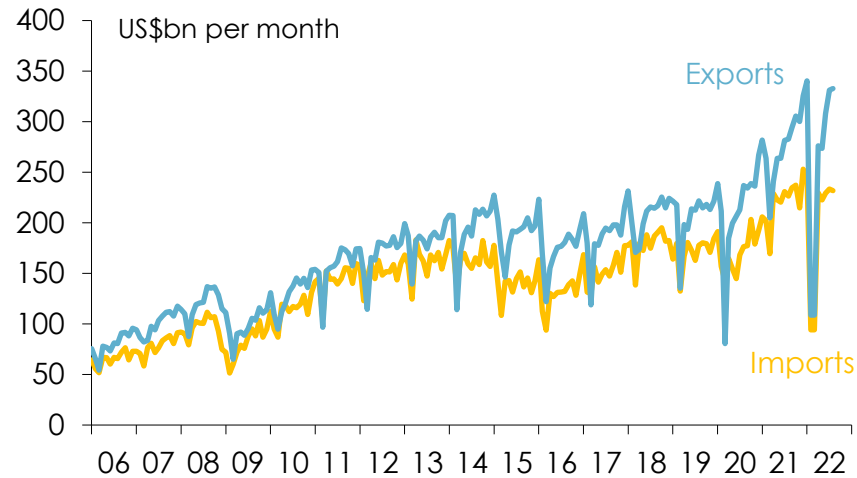


Sources: China National Bureau of Statistics, [National Data](#); China Association of Automobile Manufacturers, [Sales of Automobiles](#); China Index Academy, [CREIS China Residential HPI-100 Monthly](#) (not published since December last year). [Return to "What's New"](#).

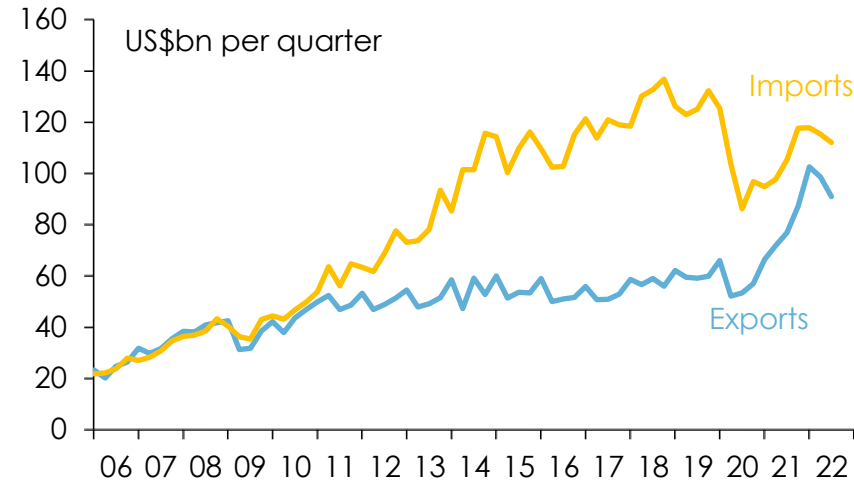
China's trade surplus widened another US\$3.3bn in July to a new record \$101.3bn, with exports up 17.8% from a year earlier but imports up only 2.3%

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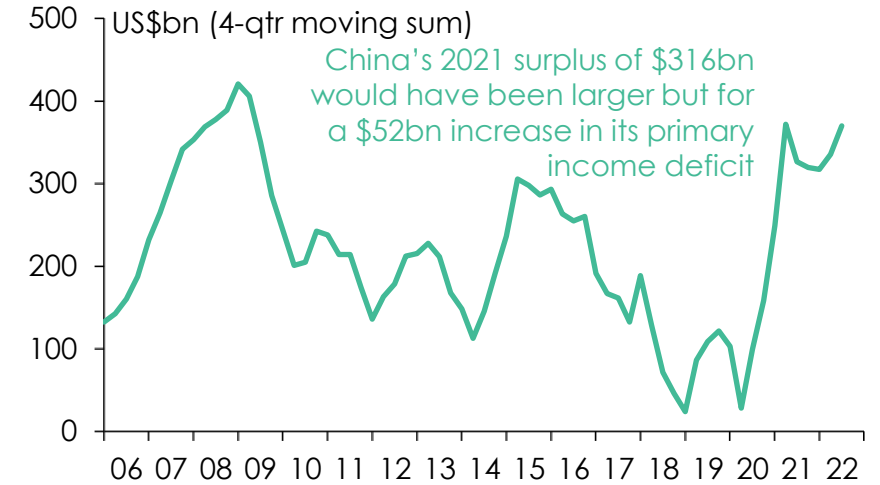
Merchandise exports and imports



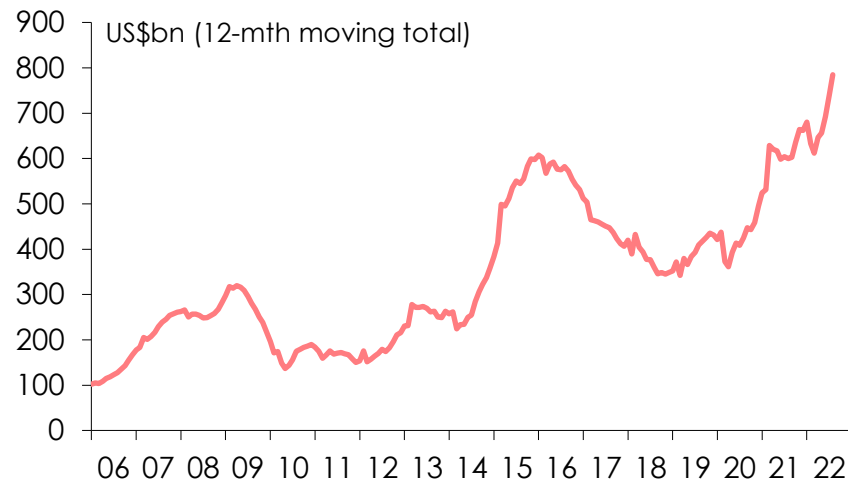
Services exports and imports



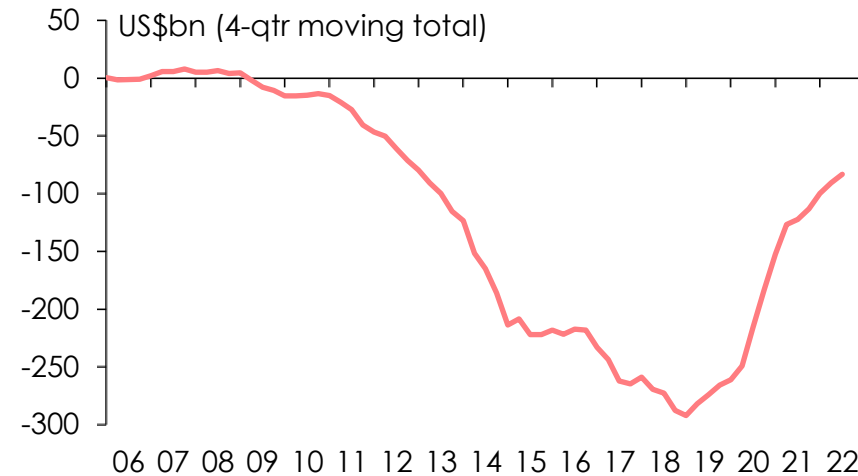
Current account balance



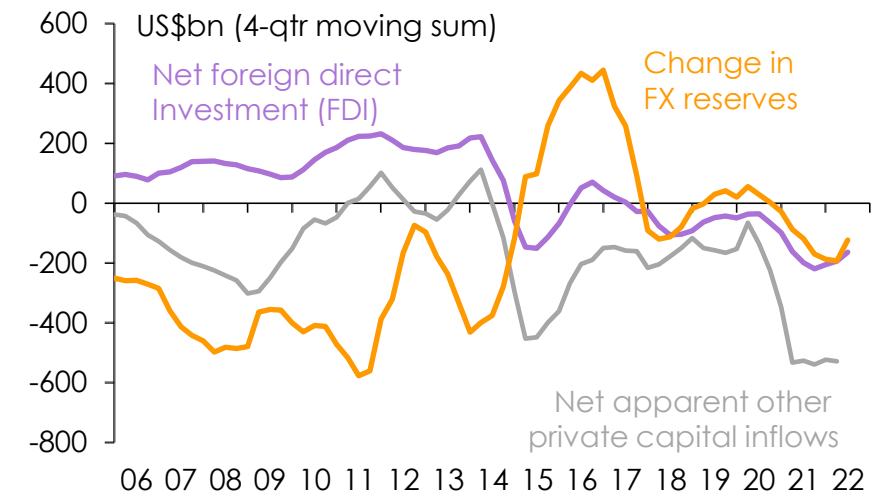
Merchandise trade balance



Services trade balance



Capital flows

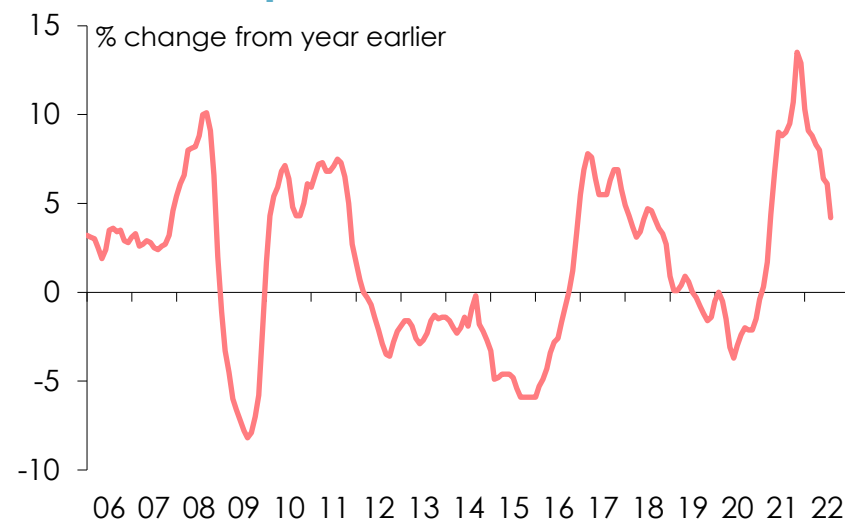


Sources: China General Administration of Customs, [Preliminary Release](#) and [Monthly Bulletin](#); State Administration of Foreign Exchange, [The time-series data of Balance of Payments of China](#). [Return to "What's New"](#).

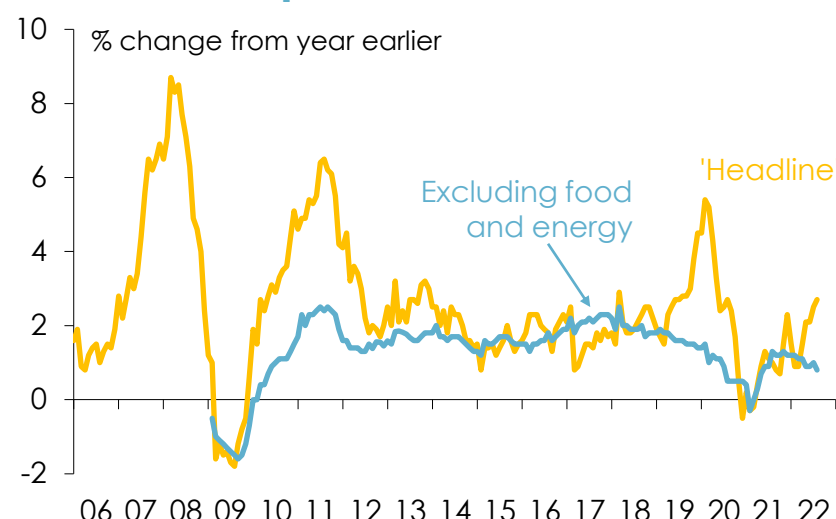
'Headline' CPI inflation rose further in July to 2.7%, the highest since July 2020, driven by food prices, though 'core' inflation was only 0.8%

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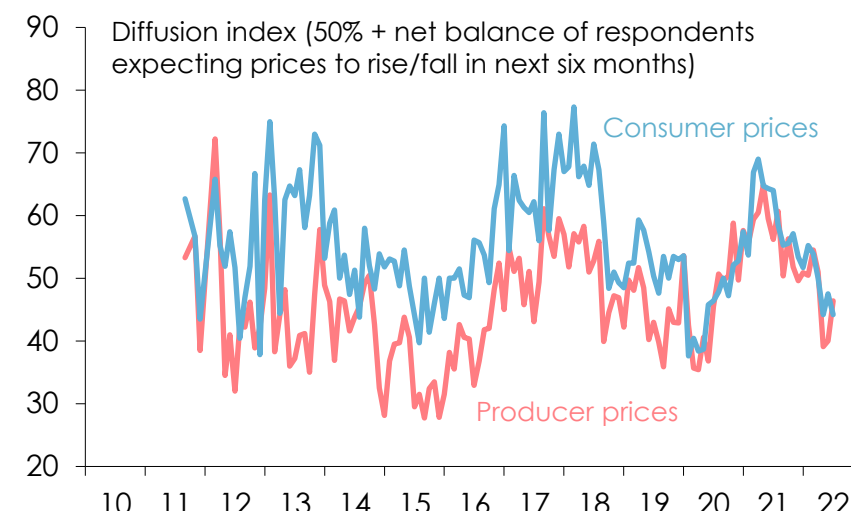
Producer prices



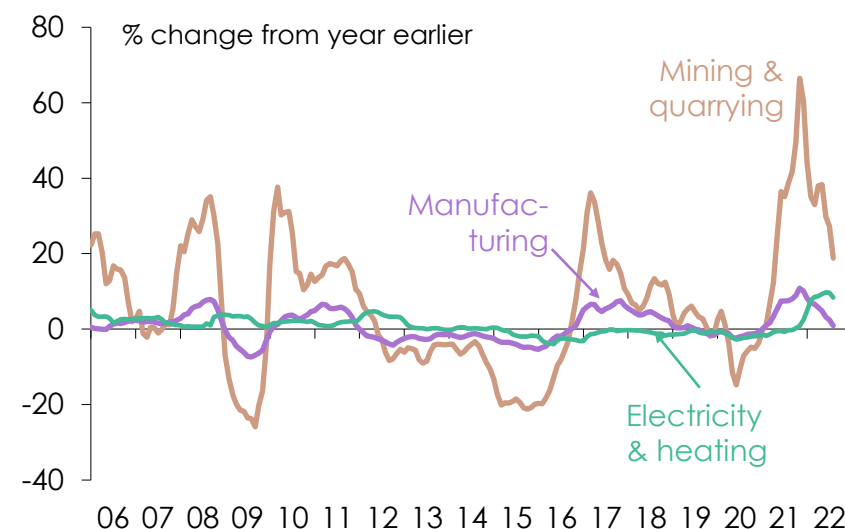
Consumer prices



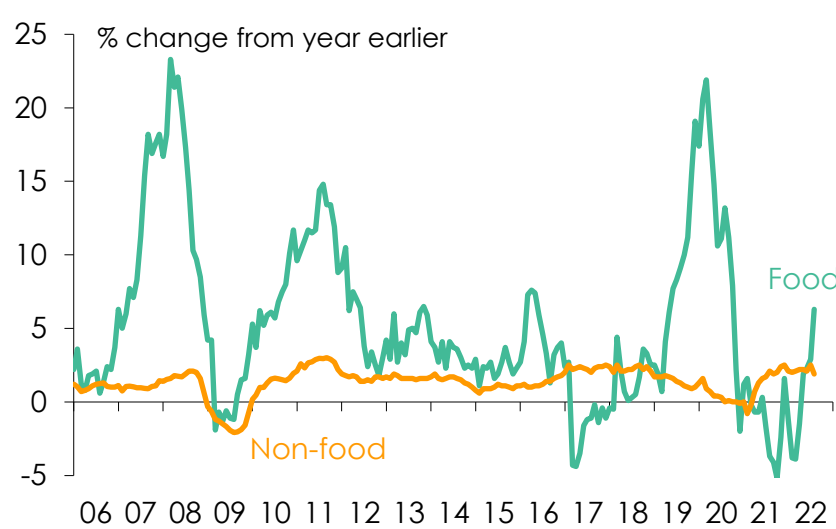
CKGSB price diffusion indexes



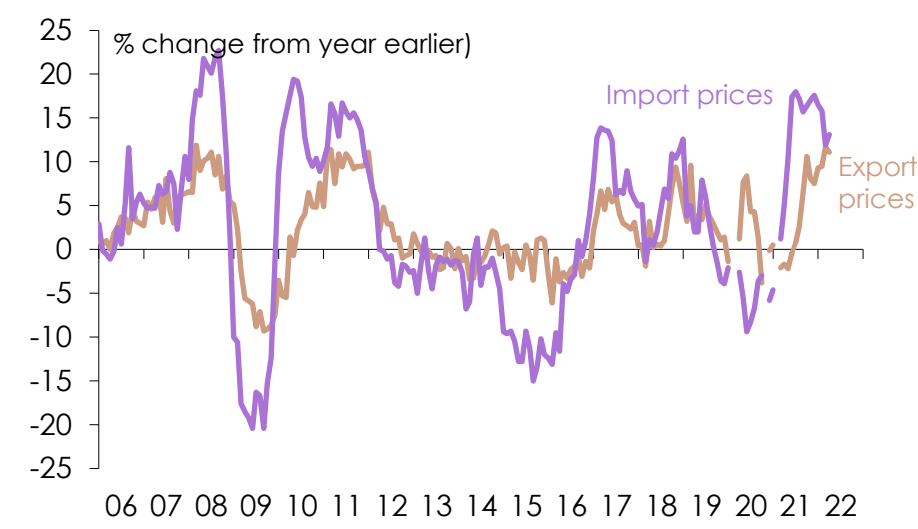
Producer prices – major categories



Consumer prices – food and other



Trade prices



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

The PBoC last week cut the interest rate on 1-year loans to financial institutions by 10bp, to 2.75%

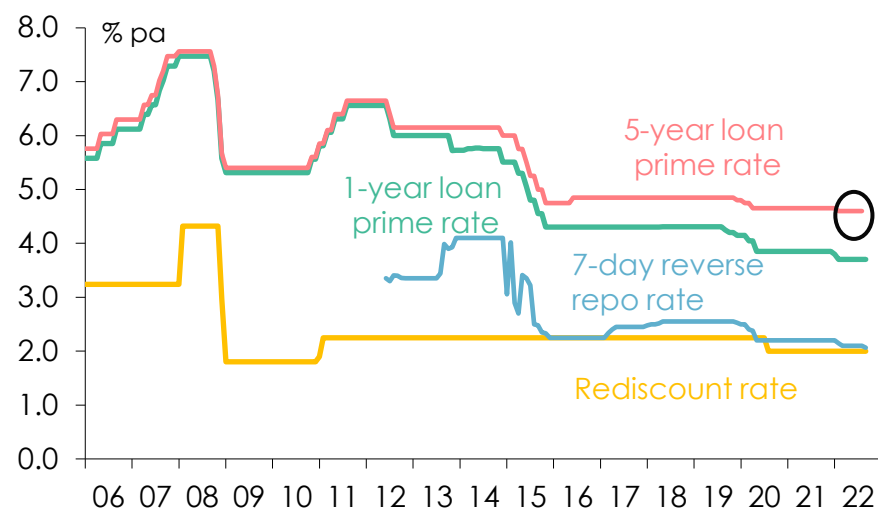
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- ❑ Following last Monday's release of weaker-than-expected data for July, the PBoC cut the interest rate on its Medium-term Lending Facility (by which it has provided Yn400bn of one-year loans to financial institutions) by 10bp, to 2.75%, in order to “keep banking system liquidity reasonably ample”
- ❑ China's Politburo (chaired by Xi Jinping) last month tacitly abandoned the 5½% GDP growth target for 2022 which it had set earlier this year
 - as [reported by Xinhua](#), the Politburo acknowledged that “the current economic operation is facing some prominent contradictions and problems”, and it was therefore “necessary to maintain strategic determination and firmly do our own thing [sic]”
 - the aim for the second half of the year was to “focus on stabilizing employment and prices, keep the economy running in a reasonable range, and strive to achieve the best results”
- ❑ The Politburo re-affirmed its commitment to Xi's ‘zero tolerance’ for Covid-outbreaks, ordering that “the emergence of the epidemic must be strictly prevented and controlled immediately”, and that officials “must not be slack and weary of war”
- ❑ Regarding economic policies, the Politburo stressed that “fiscal and monetary policy should effectively make up for the lack of social demand”
 - local governments should be supported to “make good use of special bond funds” and “make full use of special debt limits”
 - while monetary policy should “maintain reasonable and sufficient liquidity, increase credit support for enterprises, and make good use of new credit from policy banks and infrastructure construction investment funds”
 - “provinces with the necessary conditions should strive to achieve the expected goals of economic and social development” (which seems to be an acknowledgement that some provinces won't be able to achieve the ‘expected goals’)

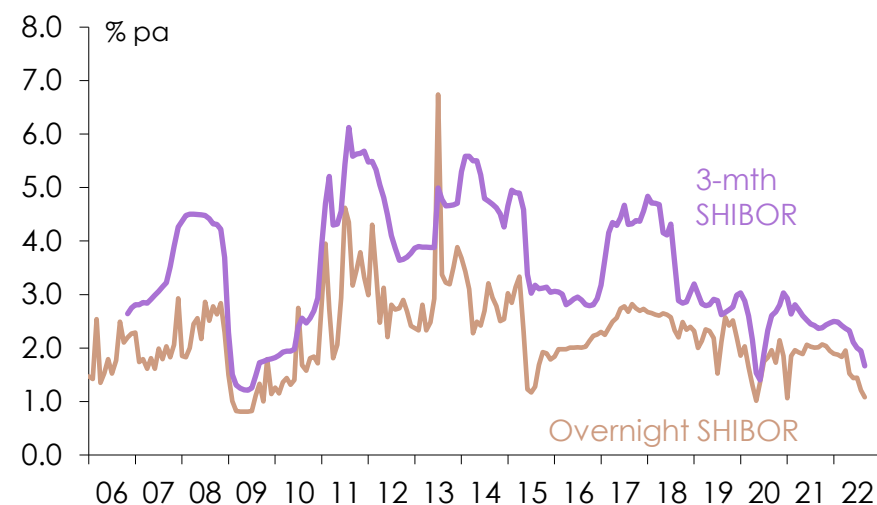
Bank lending and other forms of credit have picked up since June, but to date the PBoC hasn't done much to ease monetary conditions

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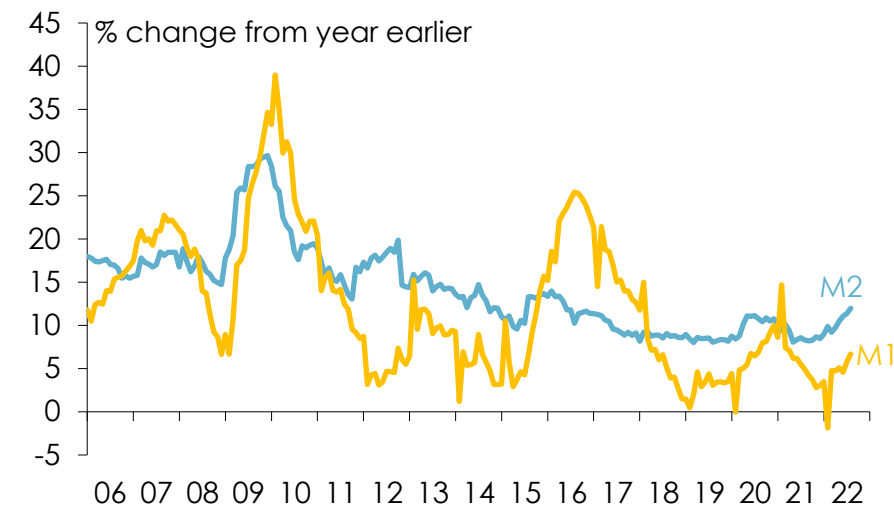
PBoC policy interest rates



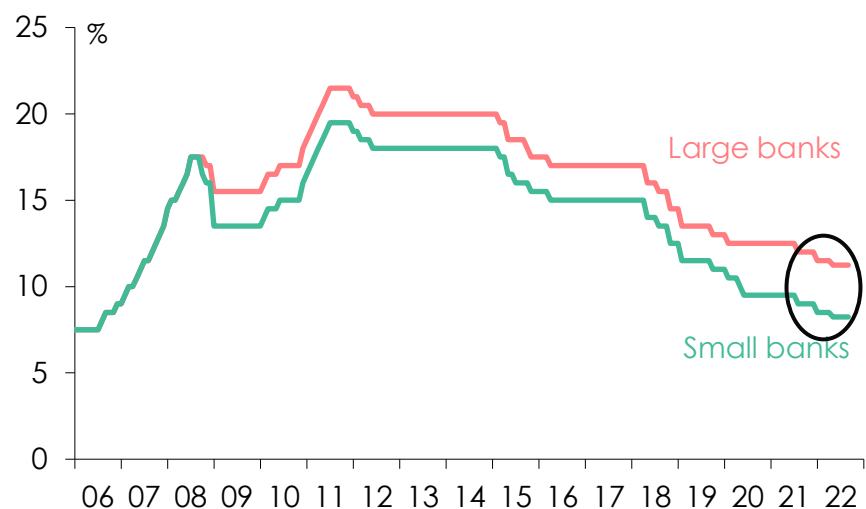
Short-term market interest rates



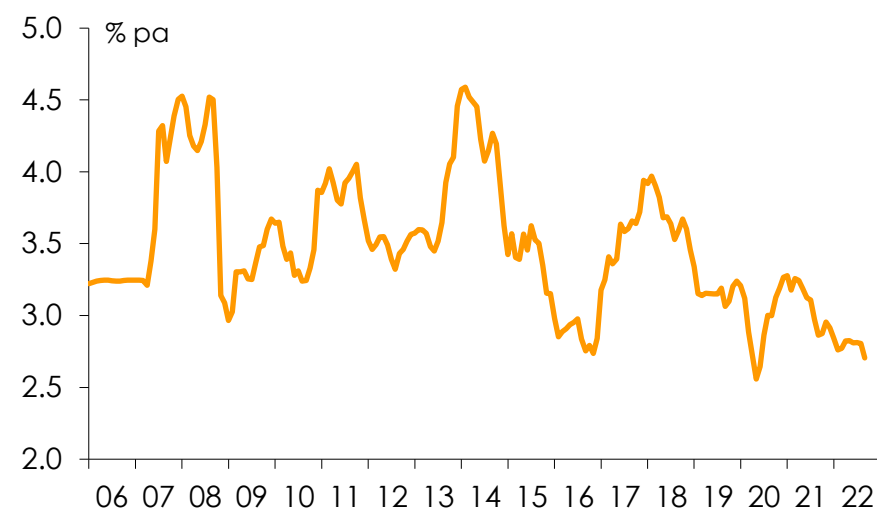
Monetary aggregates



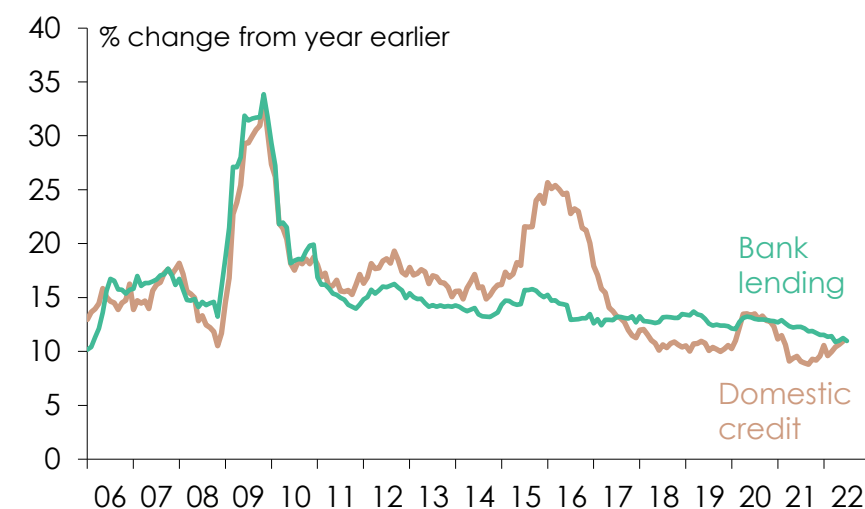
Bank reserve requirement ratios



10-year government bond yield



Credit growth

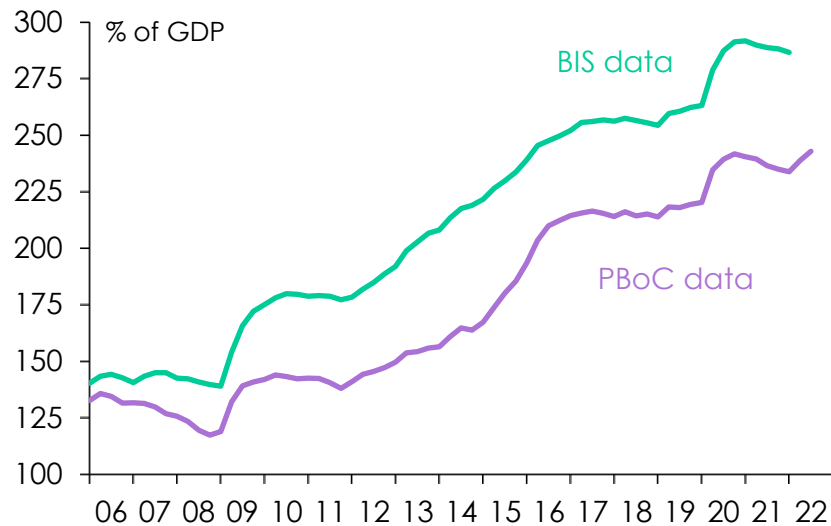


Note: 'SHIBOR' is the Shanghai Inter-Bank Offered Rate. Sources: Refintiv Datastream; People's Bank of China, [Financial Statistics Reports](#) and [Aggregate Financing Reports](#).
[Return to "What's New"](#).

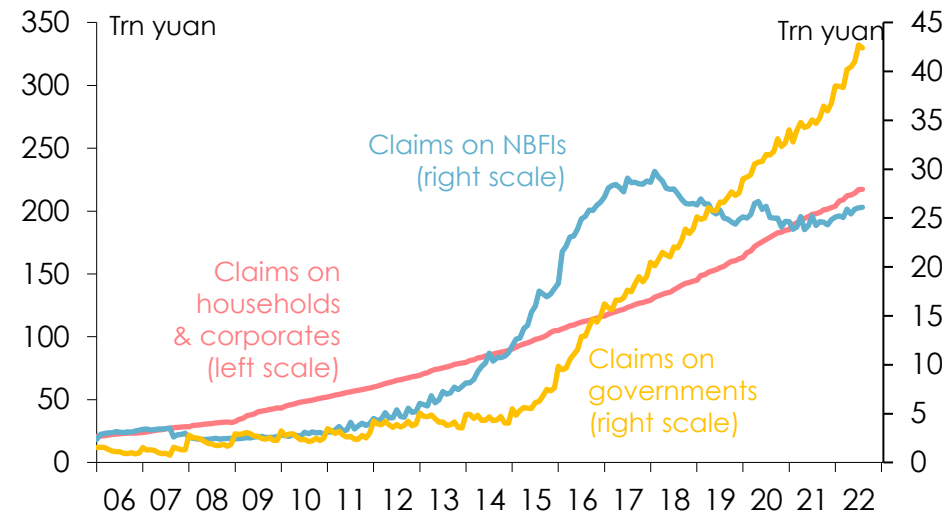
The Chinese banking system's risk profile has increased significantly over the past decade – particularly on the liabilities side of its balance sheet

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

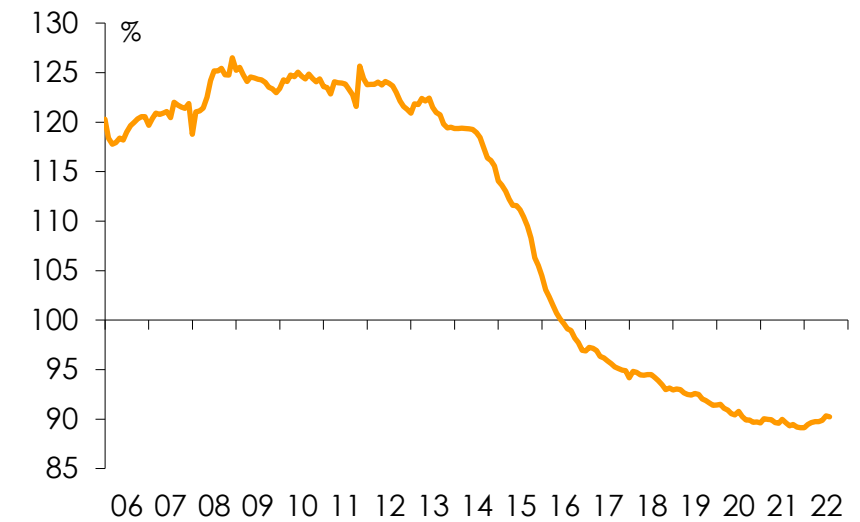
Credit outstanding as a pc of GDP



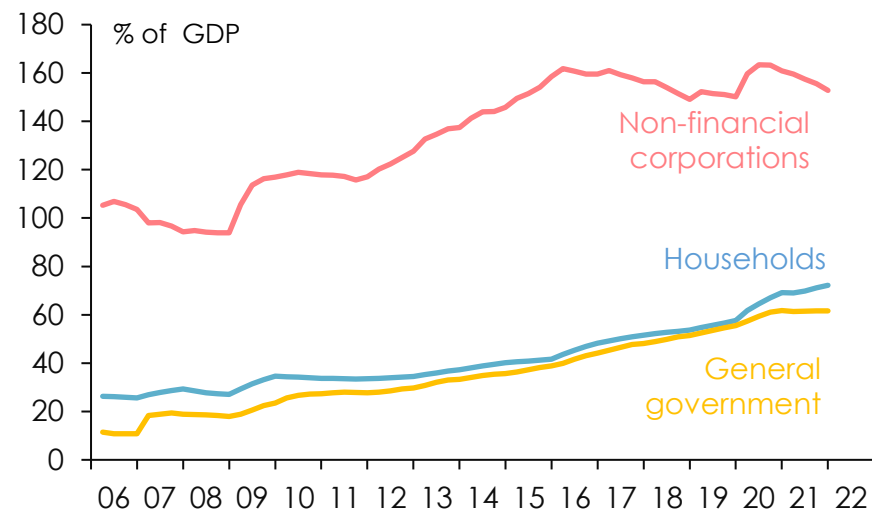
Banks' assets



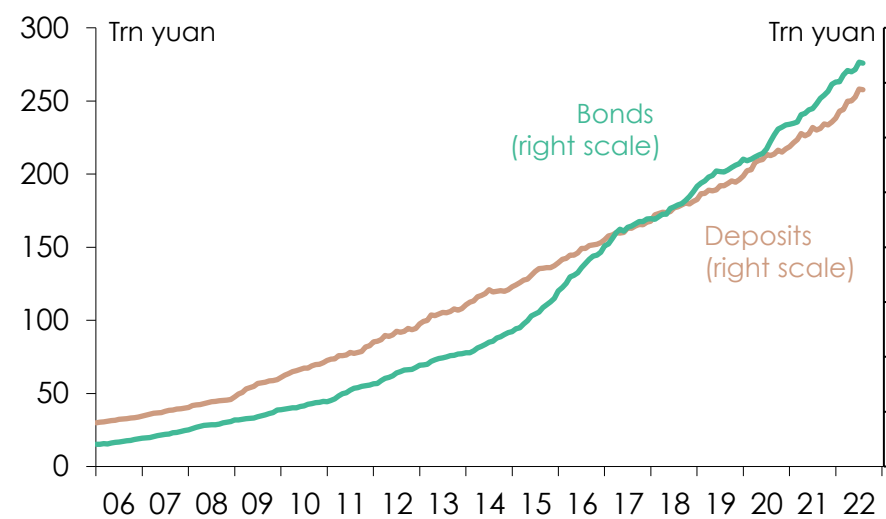
Banks' deposits-to-loans ratio



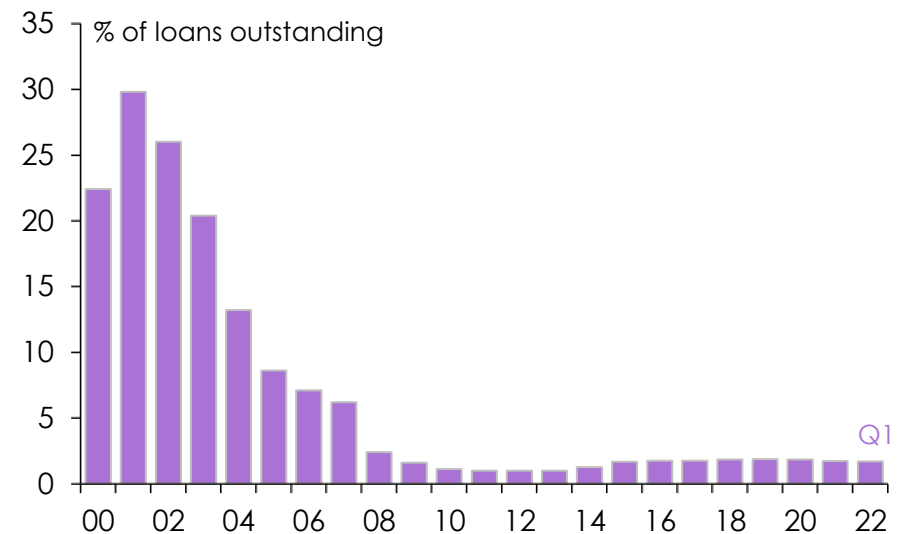
Credit outstanding by sector



Banks' liabilities



Banks NPLs – official estimates

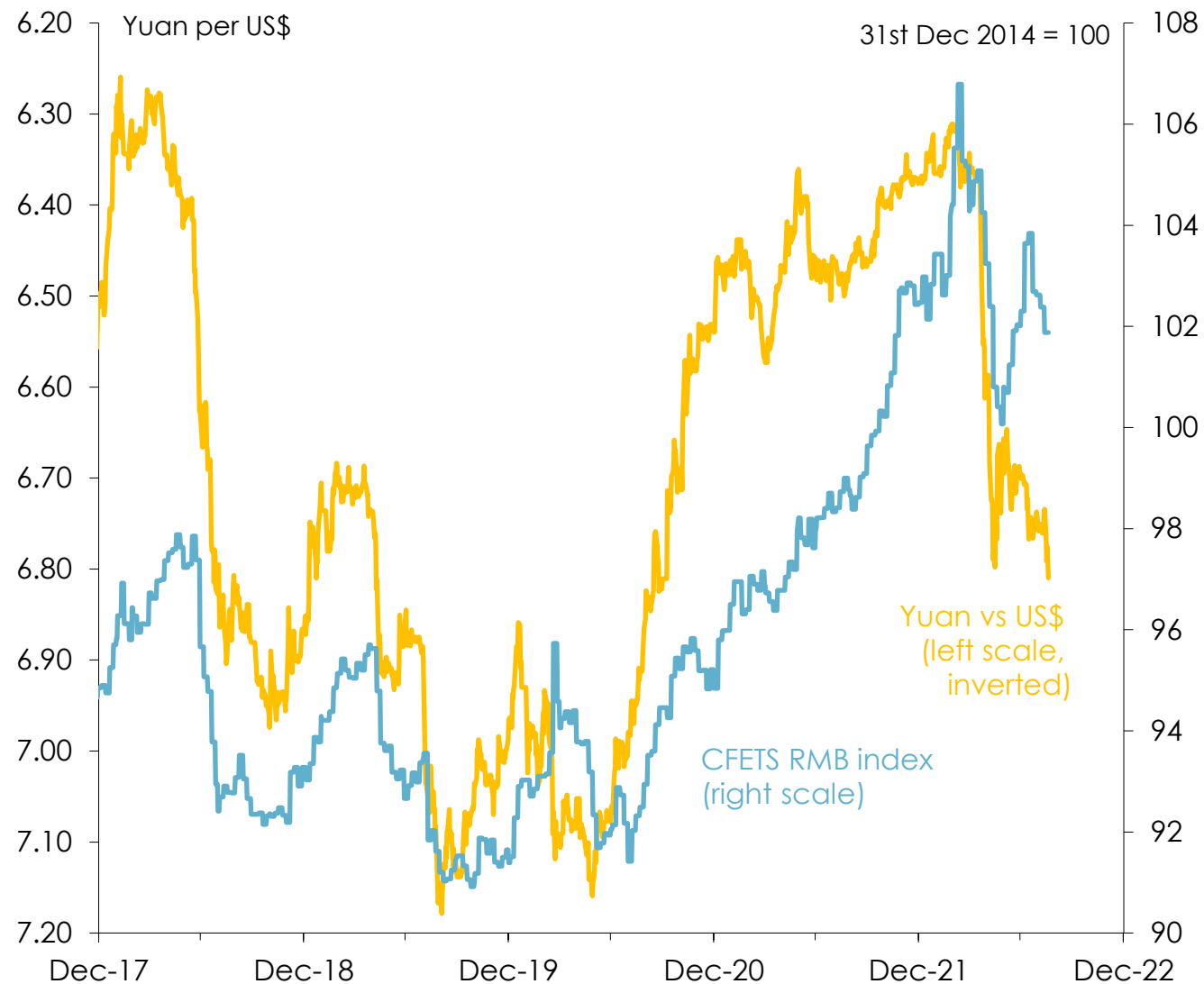


Sources: People's Bank of China, [Financial Statistics Reports](#); Bank for International Settlements, [Credit to the non-financial sector](#); China Banking and Insurance Regulatory Commission, [Supervisory Statistics of the Banking and Insurance Sectors](#). [Return to "What's New"](#).

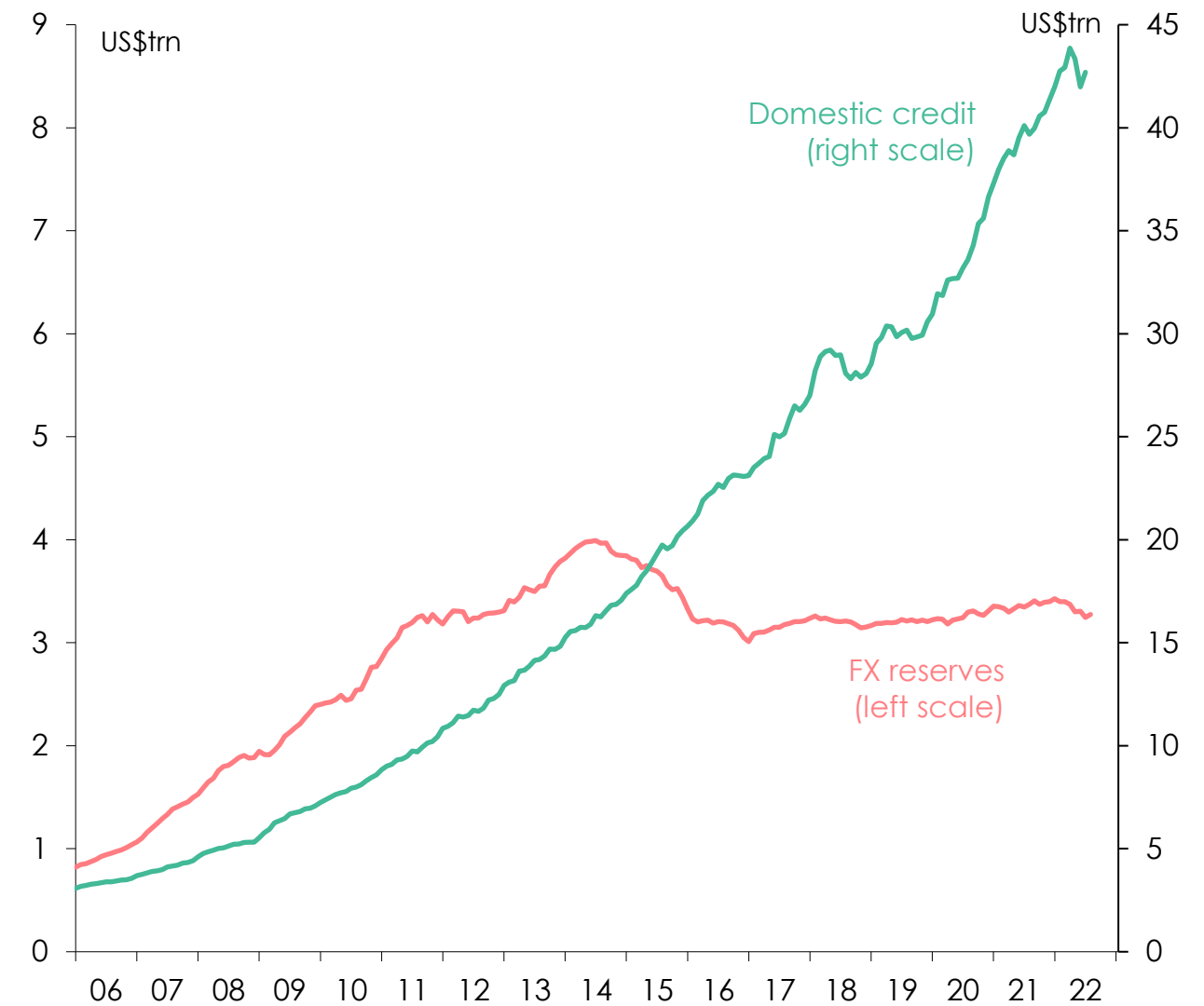
The yuan fell 1.1% against the US\$ last week, dropping below Y6.8 for the first time since October 2020, and also eased 0.5% vs the PBoC's index

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Chinese renminbi vs US\$ and trade-weighted index



FX reserves and domestic credit



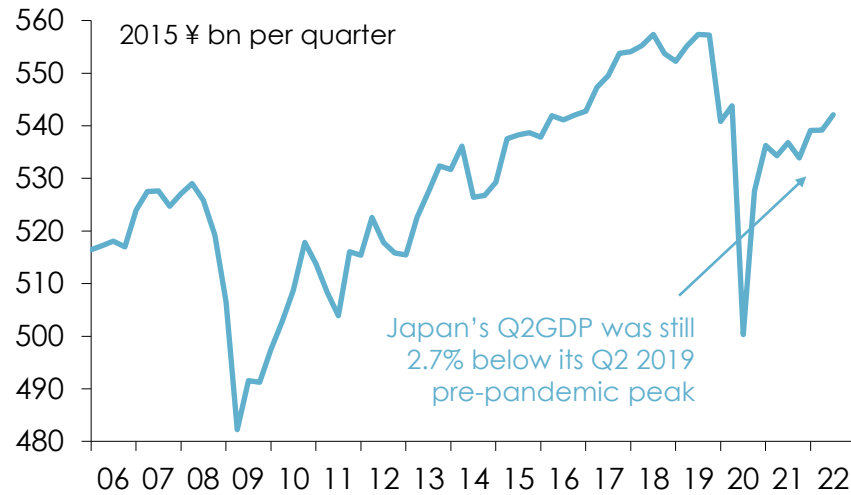
Sources: Refinitiv Datastream; [China Foreign Exchange Trading System](#); People's Bank of China. Exchange rates up to 19th August; FX reserves and credit data up to June (note fall in domestic credit expressed in US\$ in April & May largely reflects depreciation of yuan vs US\$). [Return to "What's New"](#).

Japan

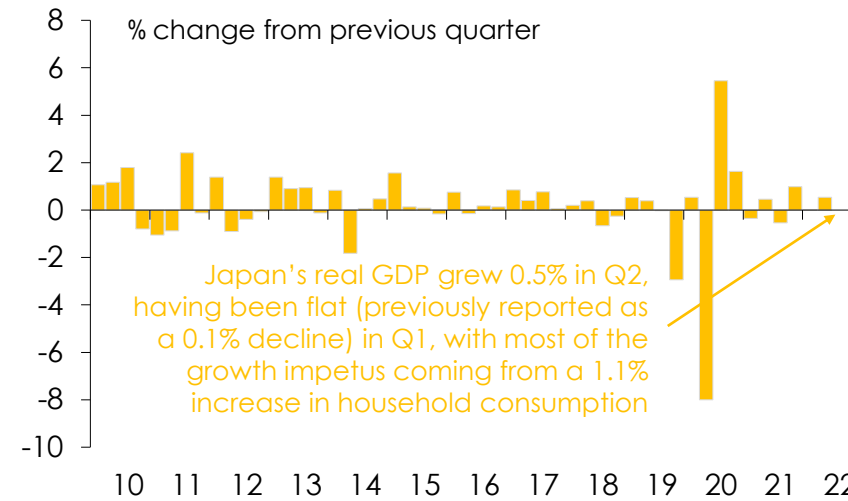
Japan's real GDP fell rose 0.5% in Q2, after a flat Q1, but was still 2.7% short of its pre-Covid peak – with further income losses from falling terms of trade

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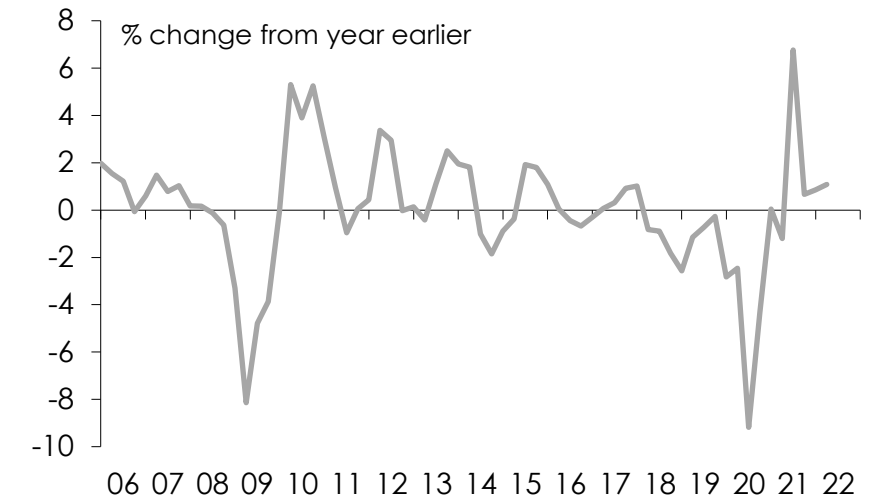
Level of real GDP



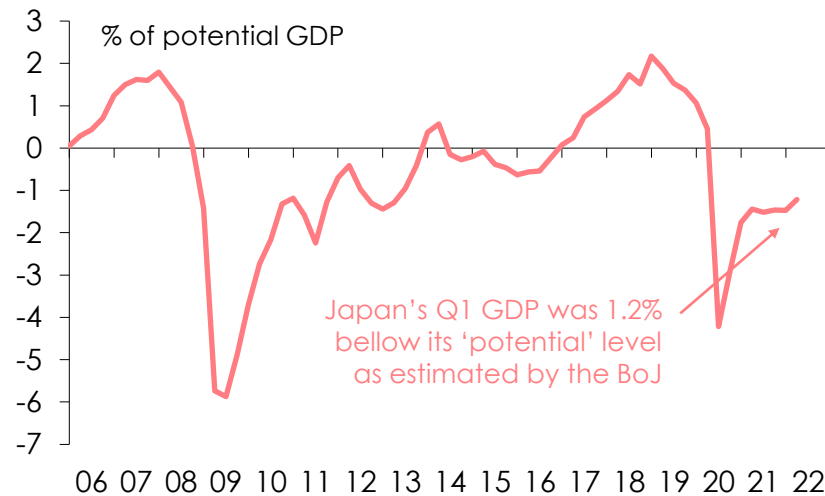
Quarterly change in real GDP



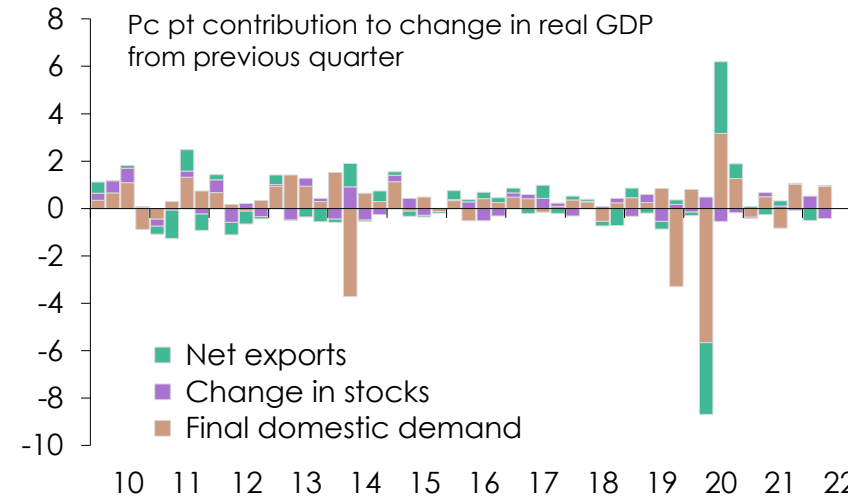
Labour productivity growth



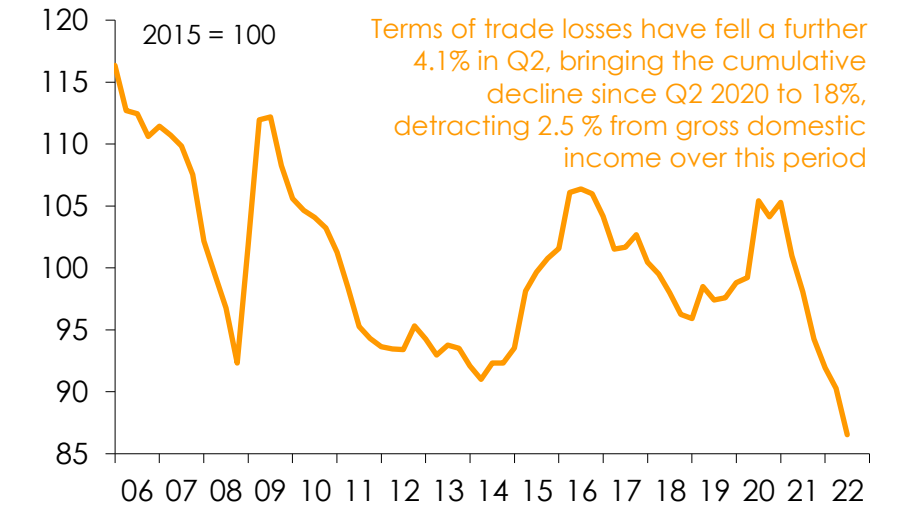
The 'output gap'



Contributions to change in real GDP



Terms of trade

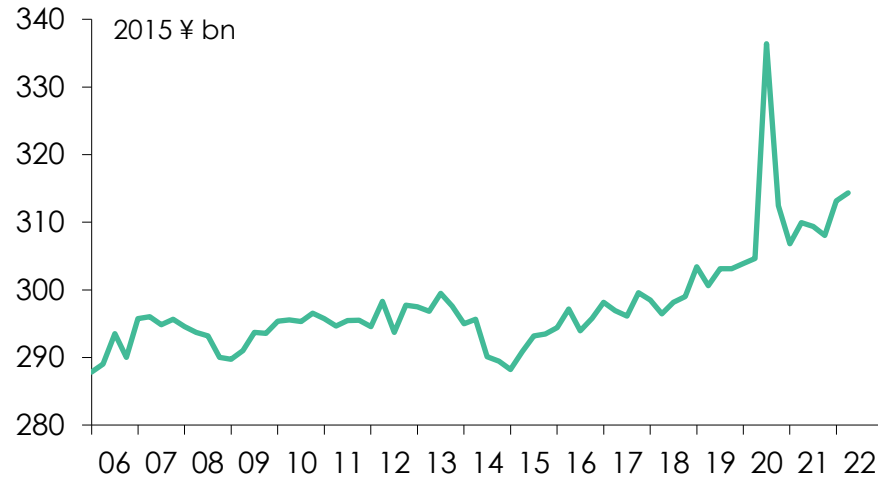


Note: the 'output gap' is the difference between actual and potential GDP (the volume of goods & services that could be produced if the economy were operating at full capacity); the 'terms of trade' is the ratio of the implicit price deflator of exports of goods & services to that of imports of goods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

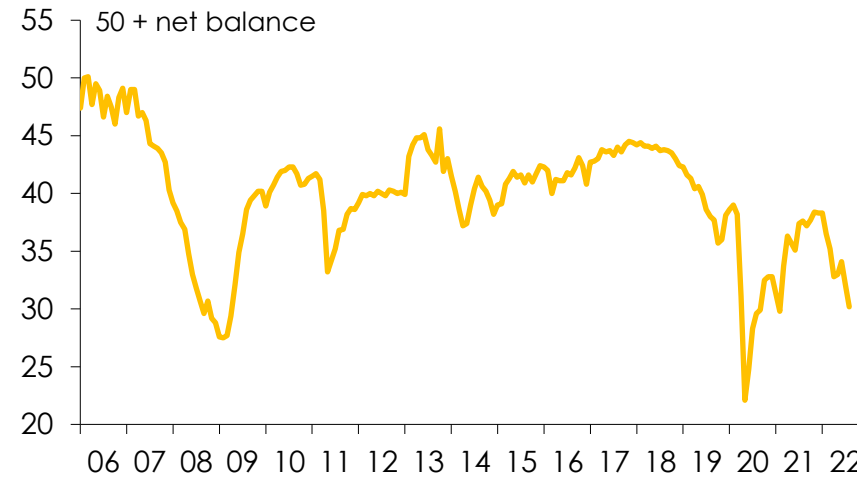
Consumer spending picked up a little during Q2, but housing activity softened, and consumer confidence fell further in July

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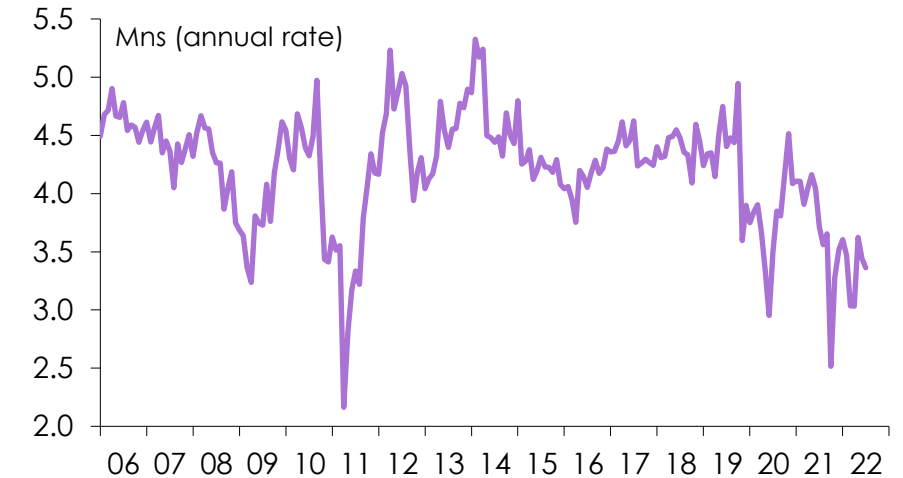
Real household disposable income



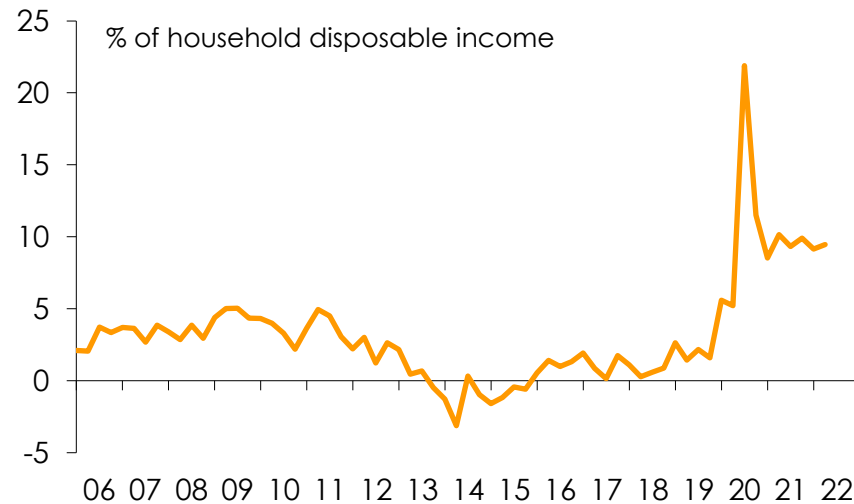
Consumer confidence



Motor vehicle sales



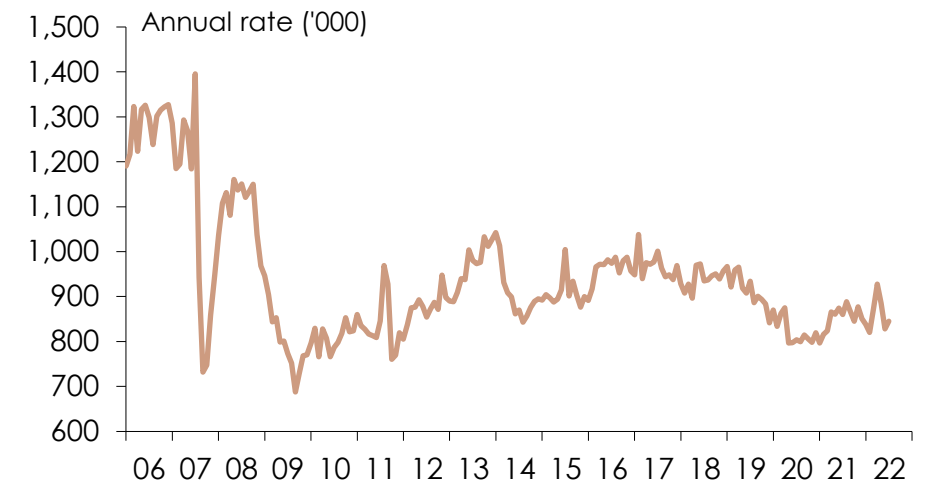
Household saving



Consumption activity index



Housing starts

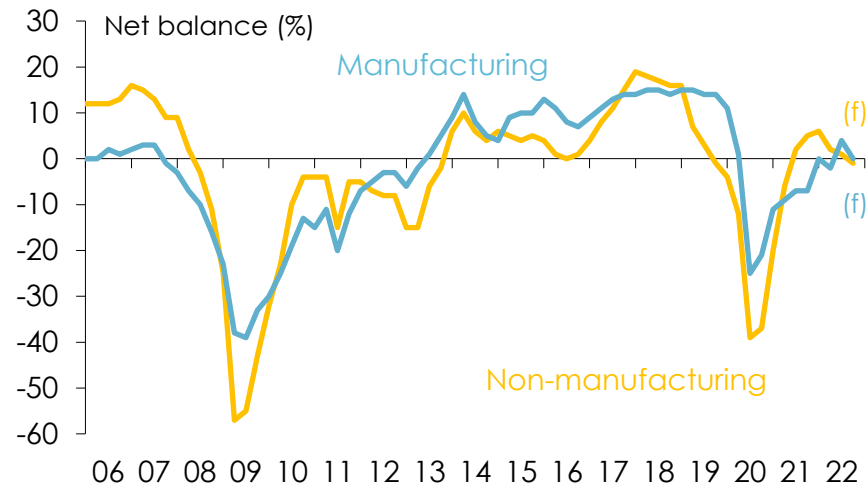


Sources: Japan Cabinet Office, [Quarterly Estimates of Household Disposable Income and Household Saving Ratio](#) and [Consumer Confidence Survey](#); Bank of Japan, [Consumption Activity Index](#); Japan Automobile Dealers Association, [Statistical Data](#); Japan e-Stat, [Building Starts](#). [Return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

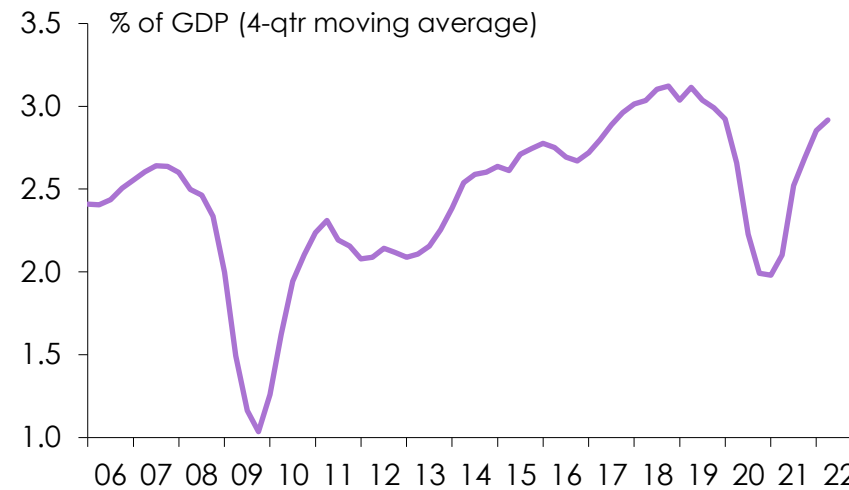
Japanese industrial production rebounded strongly in June after an unusually large fall in May (caused by supply-chain disruptions)

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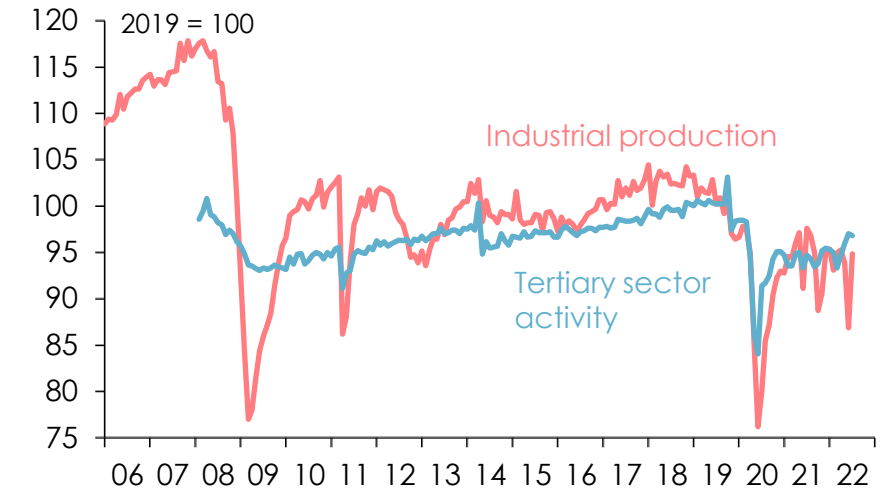
Business conditions by industry



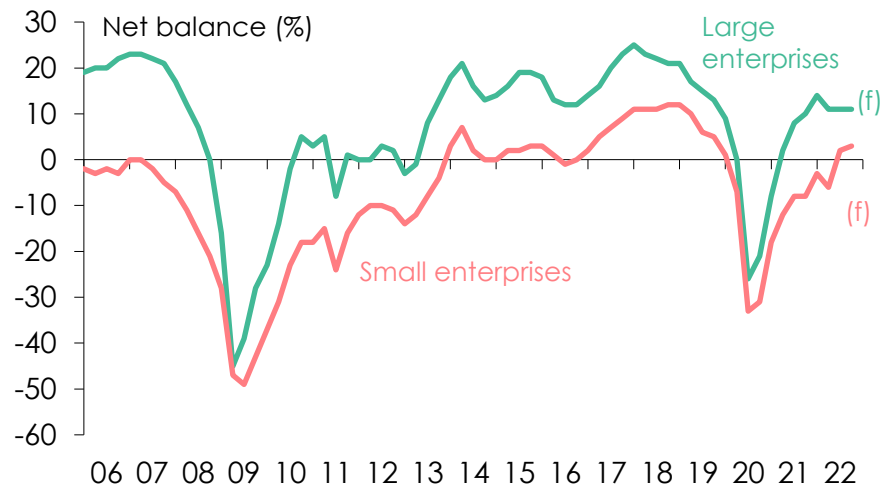
Corporate operating profits



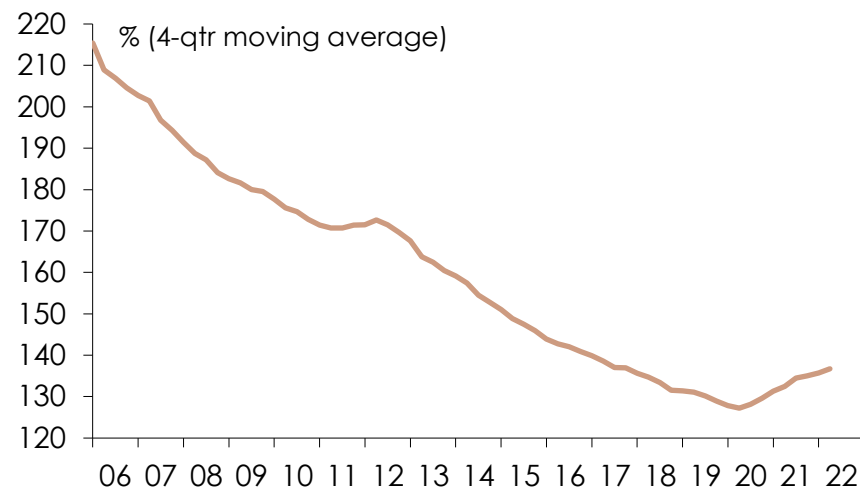
Indexes of economic activity



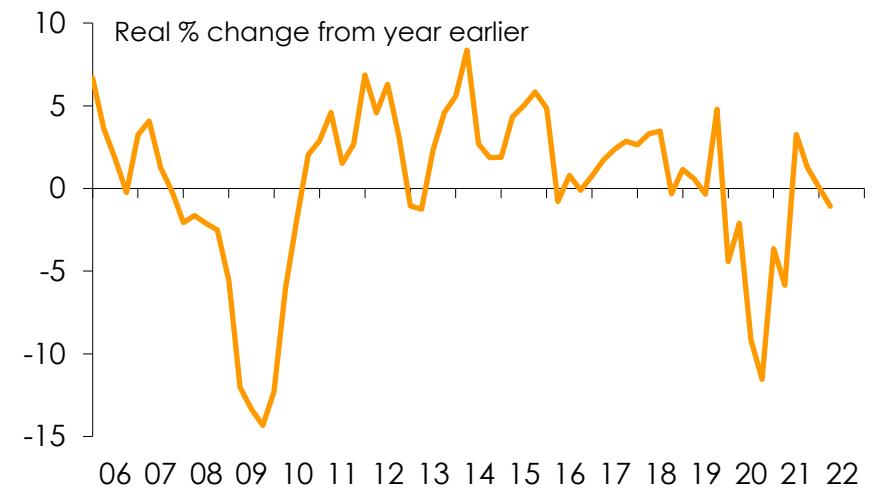
Business conditions by firm size



Corporate debt-equity ratio



Business investment

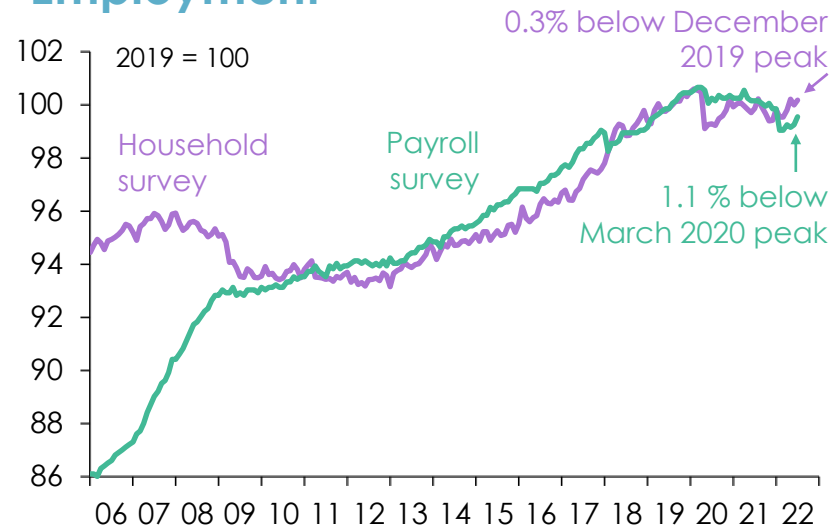


Sources: Bank of Japan, [Short-Term Economic Survey of Enterprises in Japan \('Tankan'\)](#); Policy Research Institute, Ministry of Finance, [Financial Statements Statistics of Corporations by Industry, Quarterly](#); Ministry of Economy, Trade & Industry, [Indices of Industrial Production](#) and [Indices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

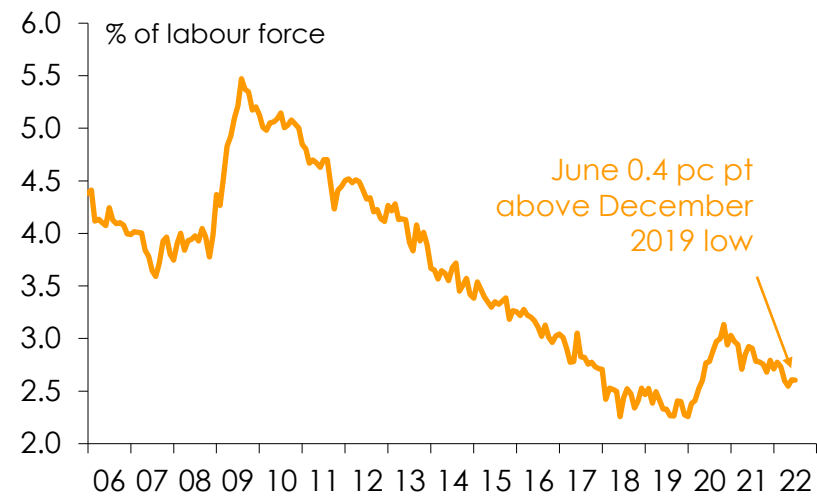
Japan's 'headline' inflation rate rose to 2.6% over the year to July, the highest since 2014, with the ex-food-&-energy rate rising to 1.2%

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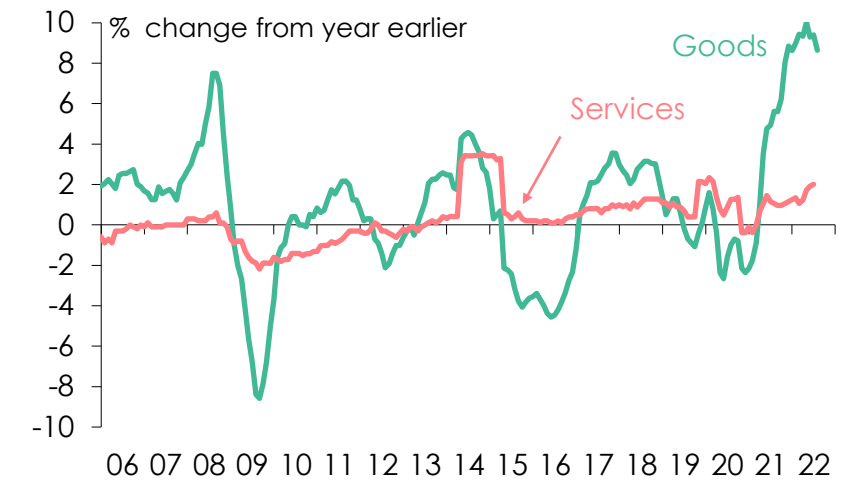
Employment



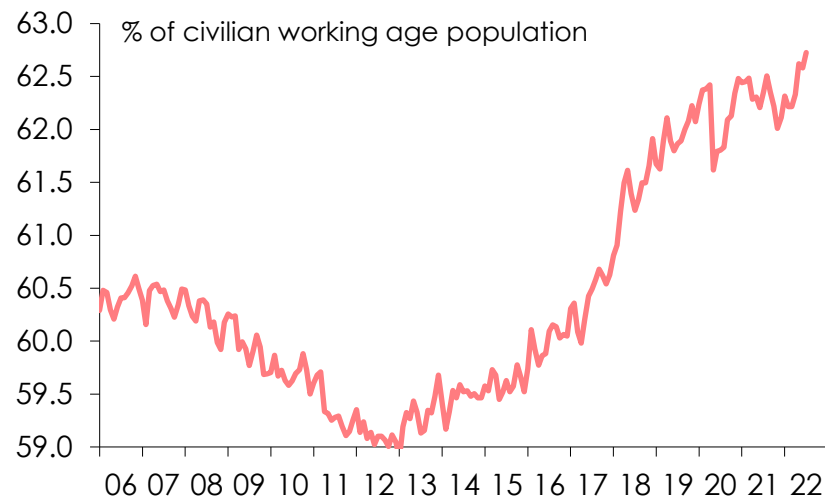
Unemployment rate



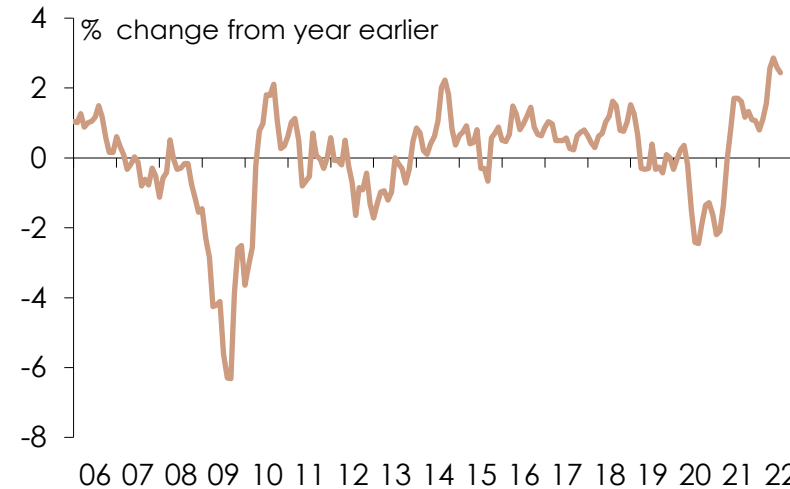
'Corporate' (producer) prices



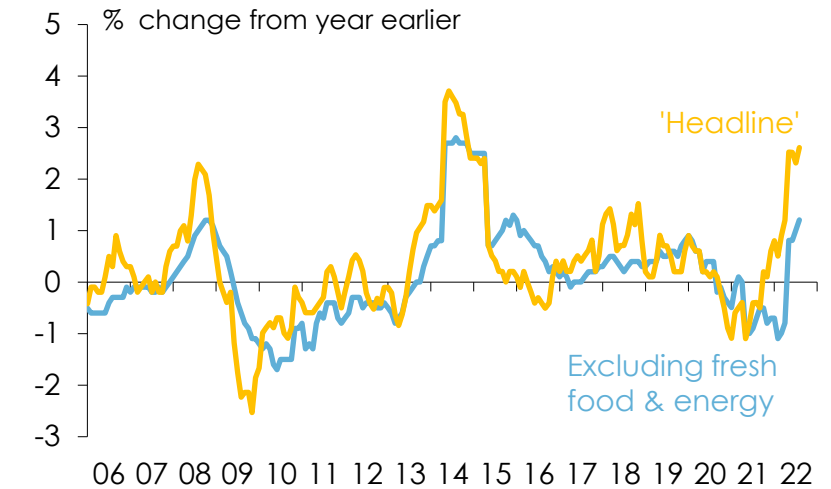
Labour force participation rate



Wages growth



Consumer prices

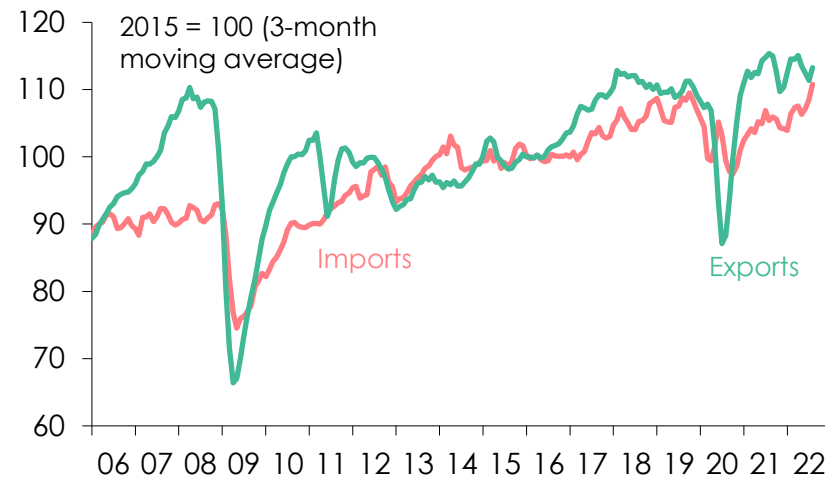


Sources: Statistics Bureau of Japan, [Labour Force Survey](#) and [Consumer Price Index](#); Ministry of Health, Labour and Welfare, [Monthly Labour Survey](#); Bank of Japan, [Prices](#) and [Measures of Underlying Inflation](#). [Return to "What's New"](#).

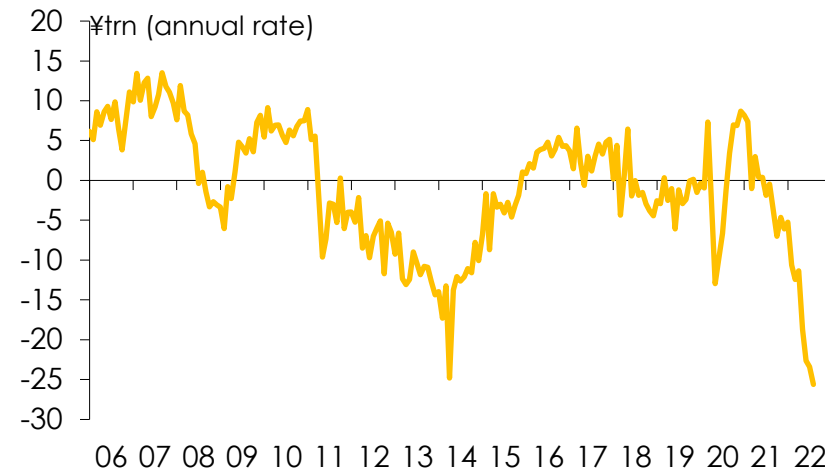
Japan is now incurring large (by its standards) external deficits as a result largely of higher prices commodity imports and loss of tourism exports

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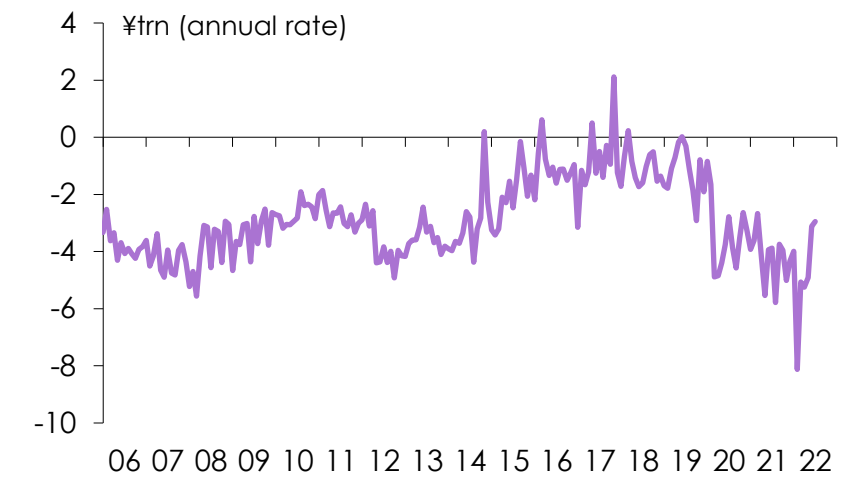
Merchandise trade volumes



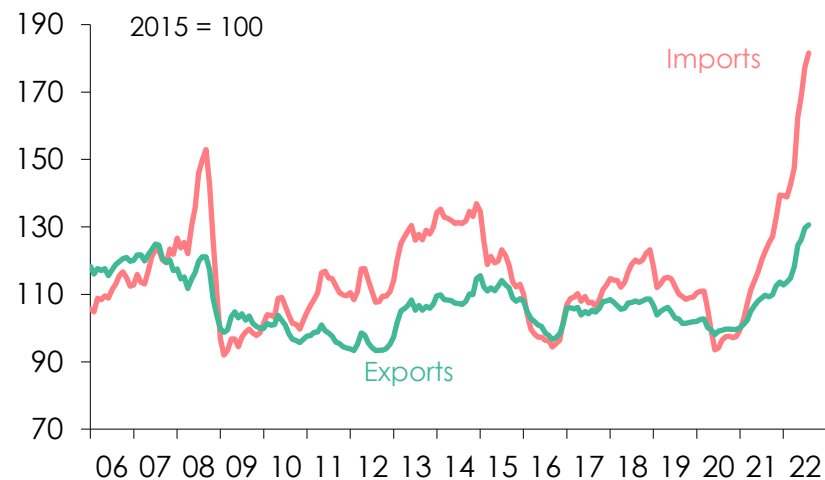
Merchandise trade balance



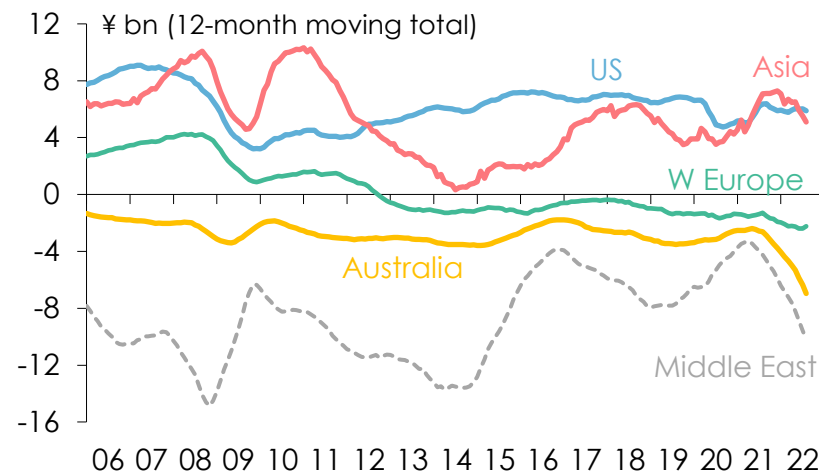
Services trade balance



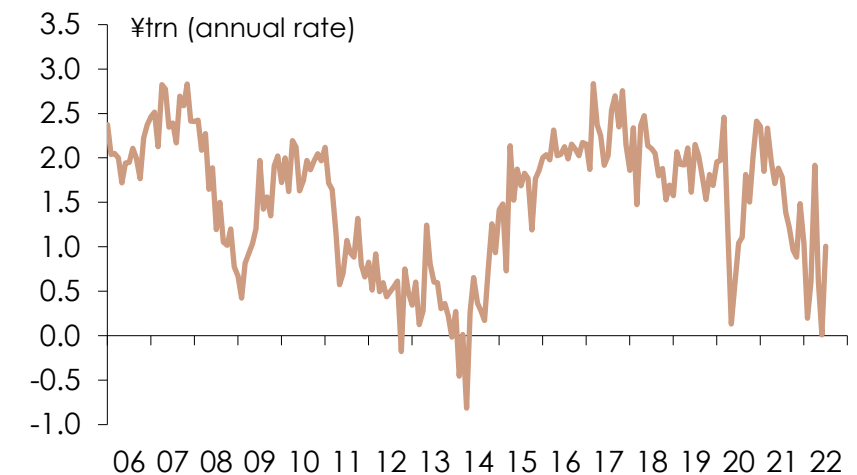
Merchandise trade prices



Bilateral goods trade balances



Current account balance



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

The Bank of Japan again left its monetary policy settings unchanged at last month's Policy Board meeting, and made almost no reference to the yen

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- ❑ As expected, the [Bank of Japan](#) left all its monetary policy settings unchanged – including the commitment to cap 10-year JGB yields at 0.25% - at last month's Monetary Policy Board meeting
- ❑ In the [Statement on Monetary Policy](#), issued after the meeting, the BoJ once again re-iterated its commitment to continue with 'Quantitative and Qualitative Easing (QQE) with Yield Curve Control' "as long as it is necessary" to "achieve the price stability target of 2% in a stable manner", and to continue expanding the monetary base "until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2% and stays above the target in a stable manner"
- ❑ In the accompanying [Outlook for Economic Activity and Prices](#), the BoJ lowered its forecast for real GDP growth in FY22 to 2.4% (from 2.9%) due to "a slowdown in overseas economies and an intensification of supply-side constraints", but revised up its forecasts for FY23 and FY24 to 2.0% and 1.3% (from 1.9% and 1.1%) respectively
- ❑ It also raised its forecasts for its targeted inflation measure (CPI excluding fresh food) in FY22 to 2.3% (from 1.9%) and in FY23 to 1.4% (from 1.1%), due to higher prices for energy, food and durable goods
 - but it continues to expect this measure of inflation to decelerate after the end of 2022 "because the positive contribution of the rise in energy prices to the CPI is likely to wane"
- ❑ The BoJ sees risks to economic activity as "skewed to the downside for the time being but generally balanced thereafter" while risks to prices are "skewed to the upside for the time being but generally balanced thereafter"
 - and that it "in this situation it was necessary to pay due attention to developments in financial and foreign exchange markets and their impact on Japan's economic activity and prices"
- ❑ The BoJ again made very little mention of the increasing weakness in the yen, beyond noting "future developments in foreign exchange rates" and "the extent to which such developments will spread to import prices or domestic prices"

Other East Asian economies

The ADB last month lowered its growth forecasts for most East Asian economies (except for Indonesia) and raised its forecasts for inflation

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IMF and Asian Development Bank forecasts for East Asian economies

	Real GDP growth							Inflation						
	Actual		IMF			ADB		Actual		IMF			ADB	
	2010-19*	2020	2021	2022	2023	2022	2023	2010-19*	2020	2021	2022	2023	2022	2023
Korea	3.3	-0.9	4.1	2.3	2.1	2.6	2.6	1.7	0.5	2.5	4.0	2.4	4.5	3.0
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	2.8	2.0
Hong Kong	2.8	-6.1	6.4	0.5	4.9	1.0	3.9	3.3	0.3	1.6	1.9	2.1	2.3	2.1
Singapore	4.9	-5.4	6.0	4.0	2.9	3.9	3.2	1.6	-0.2	2.3	3.5	2.0	4.7	2.3
Indonesia	5.4	-2.1	3.7	5.3	5.2	5.2	5.2	4.7	2.0	1.6	3.3	3.3	4.0	3.3
Philippines	6.4	-9.6	5.7	6.7	5.0	6.5	6.3	3.0	2.6	3.9	4.3	3.7	4.9	4.3
Thailand	3.6	-6.1	1.5	2.8	4.0	2.9	4.2	1.6	-0.8	1.2	3.5	2.8	6.3	2.7
Malaysia	5.4	-5.6	3.1	5.1	4.7	5.8	5.1	2.1	-1.1	2.5	3.0	2.4	2.7	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: * Pc per annum. IMF forecasts for GDP growth in Korea, Indonesia, Philippines, Thailand and Malaysia are as of July 2022; all other GDP forecasts and all IMF inflation forecasts are from April 2022. Sources : International Monetary Fund (IMF), [World Economic Outlook Update](#), 26th July 2022 and [World Economic Outlook](#), 19th April 2022; Asian Development Bank, [Asian Development Outlook Supplement](#), 21st July 2022. [Return to "What's New"](#).

Thailand's real GDP grew 0.7% in Q2, but was still 3.0% short of its pre-Covid peak in Q3 2019

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Korea



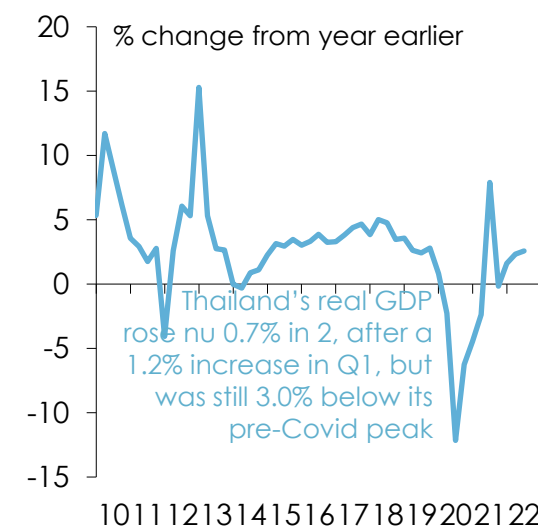
Hong Kong



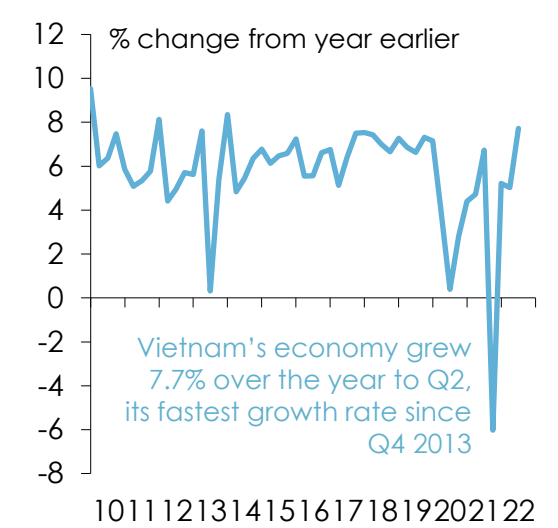
Indonesia



Thailand



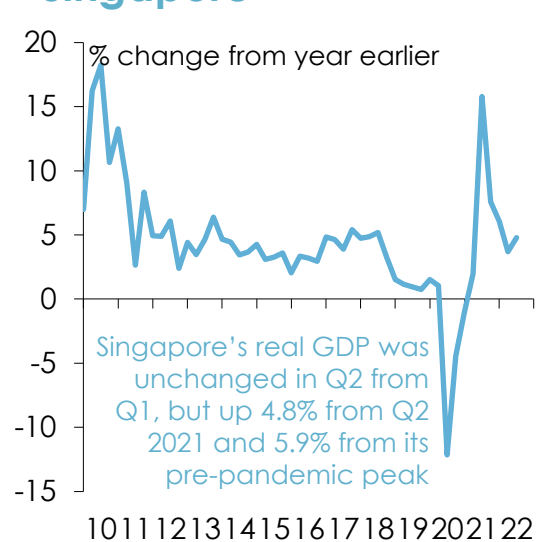
Vietnam



Taiwan



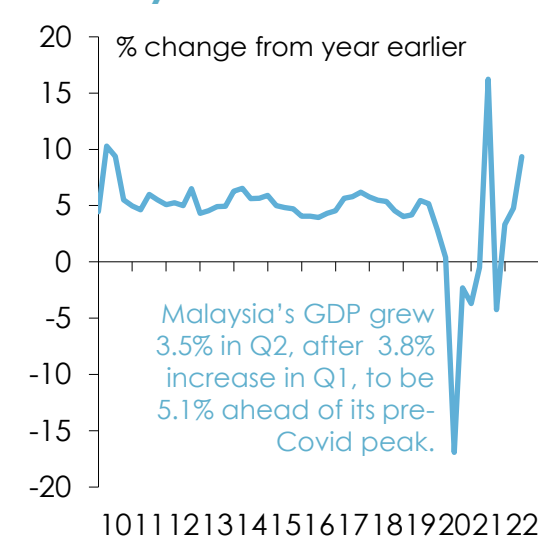
Singapore



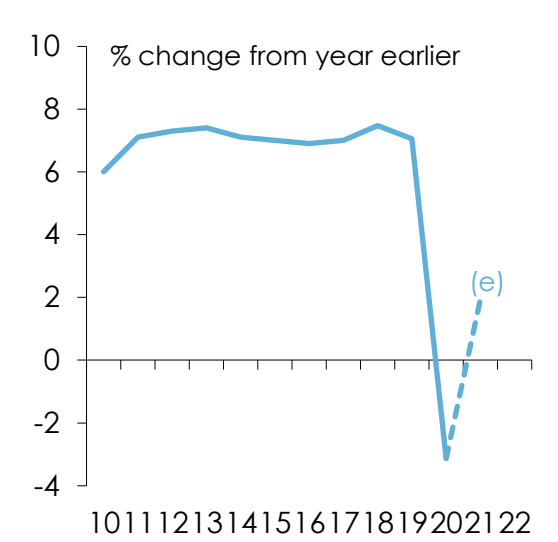
Philippines



Malaysia



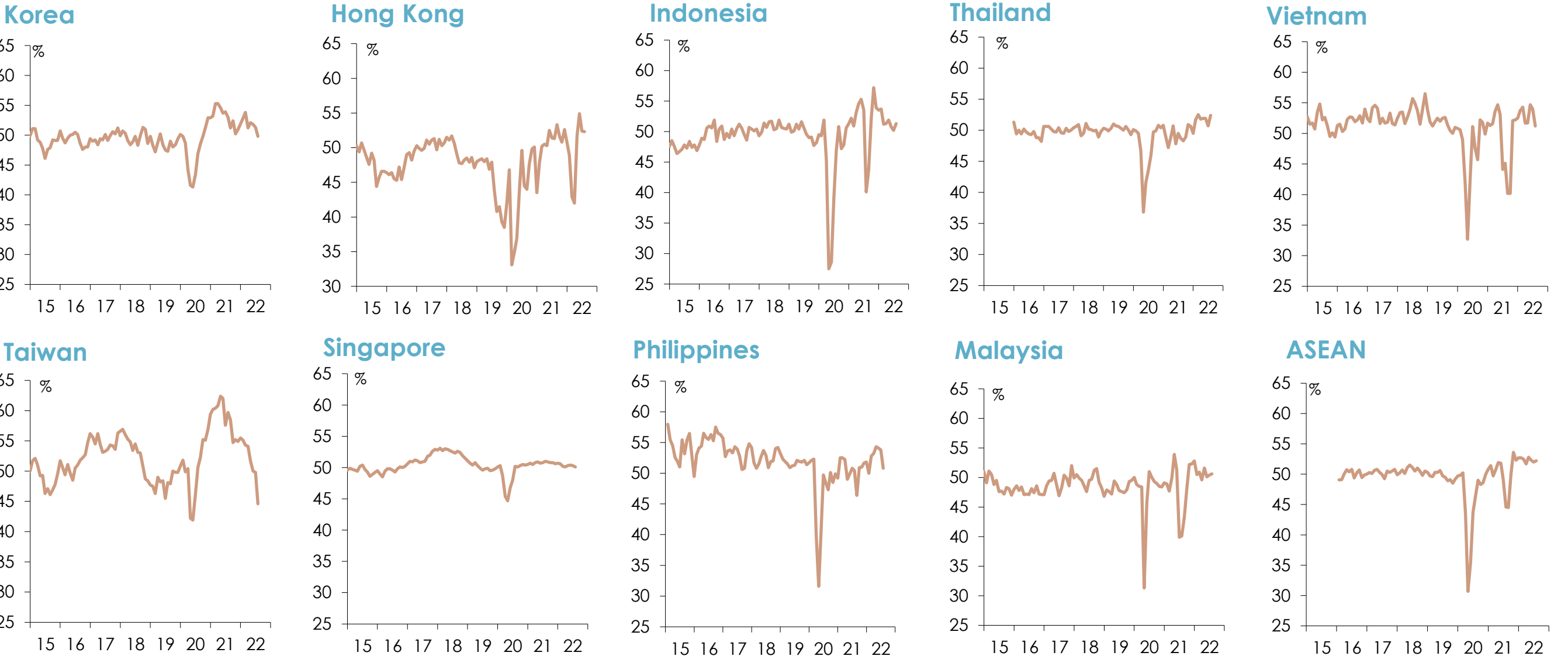
Cambodia



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

July PMIs suggest contractions in manufacturing activity in Korea and Taiwan, slower growth in the Philippines but a pick-up in Thailand

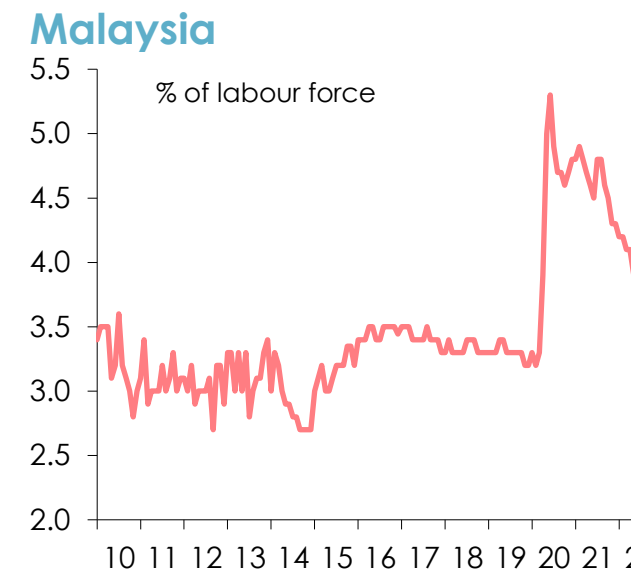
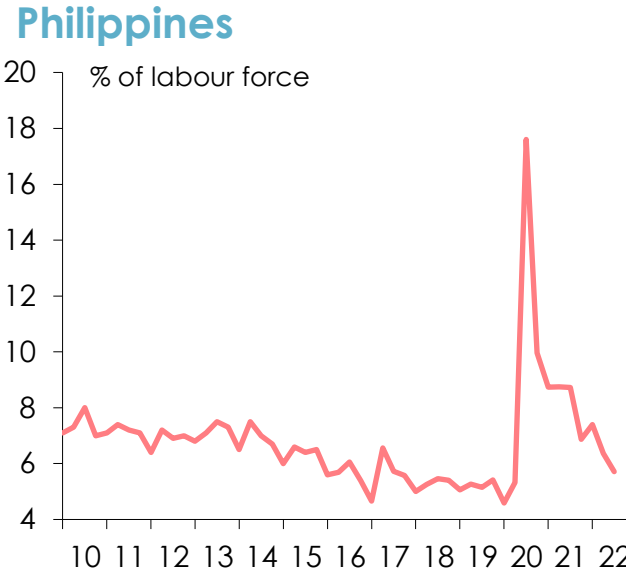
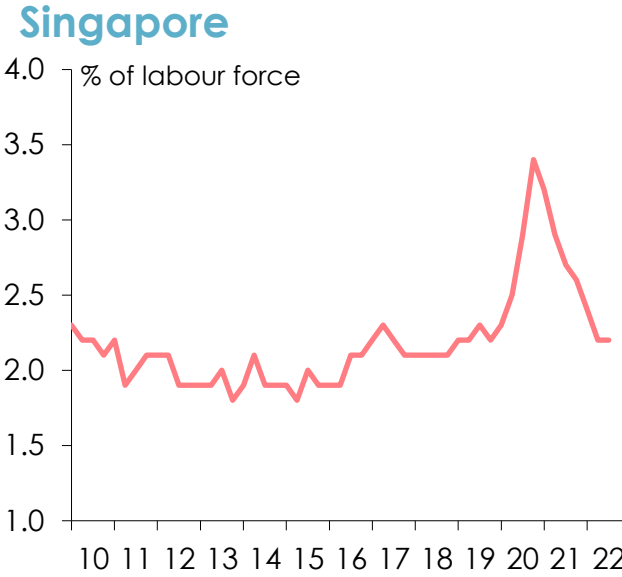
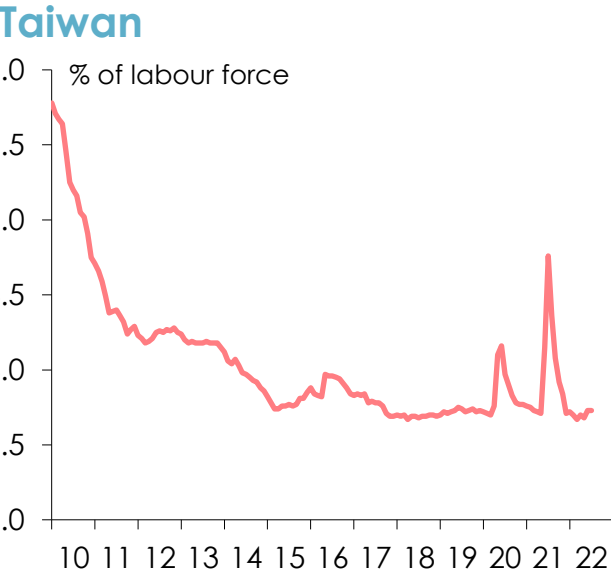
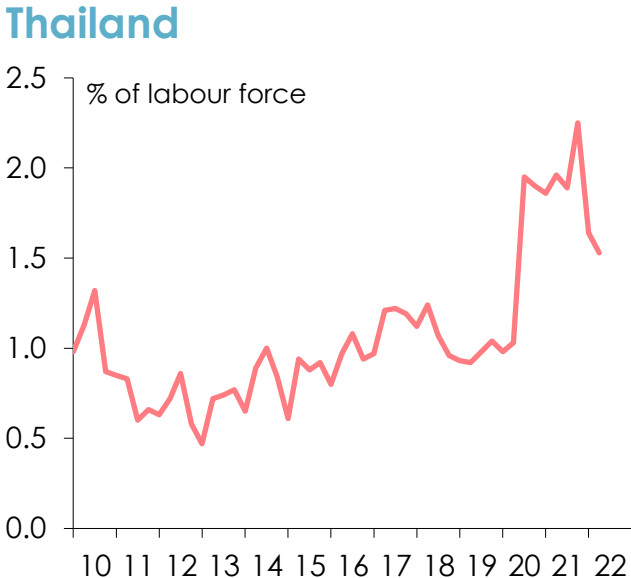
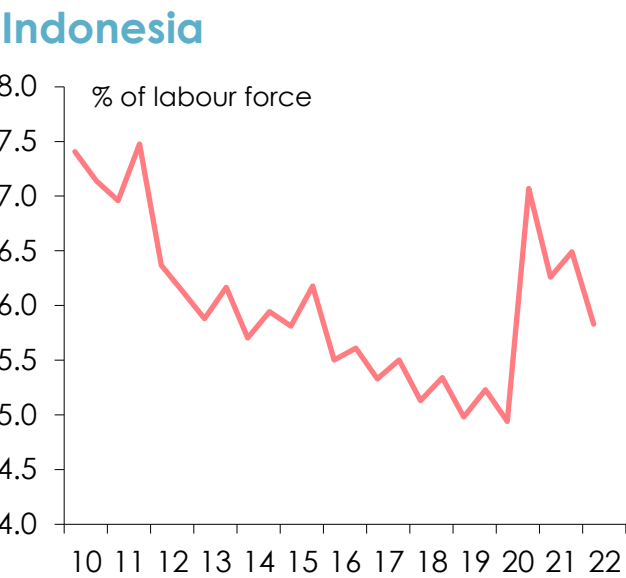
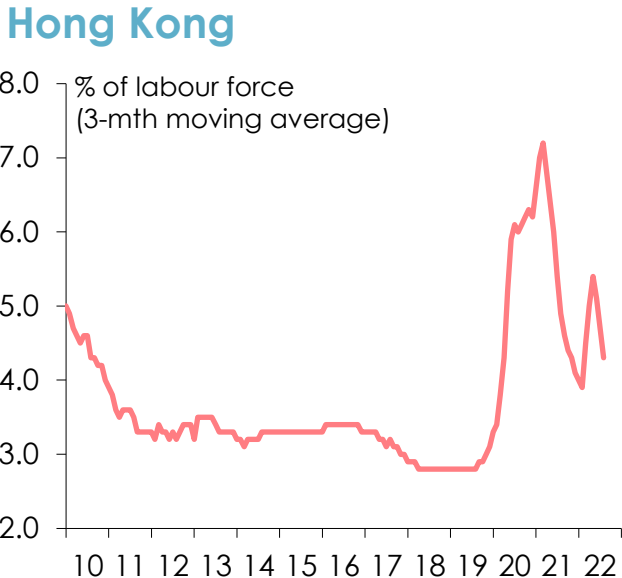
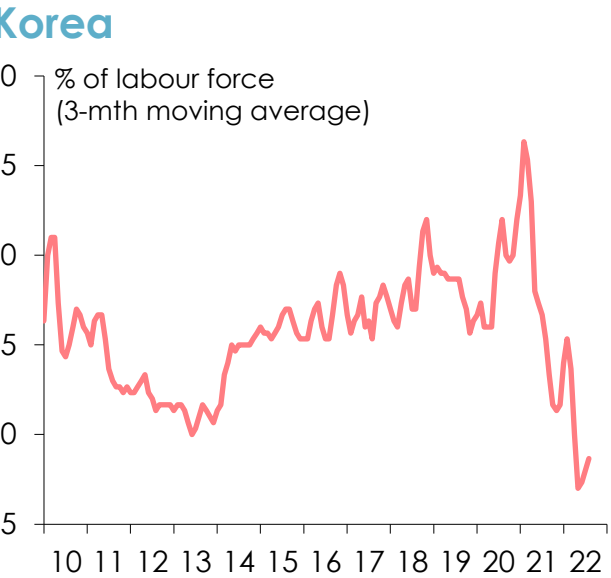
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Note: Purchasing Managers' Indexes (PMIs) are derived from surveys of senior executives, who are asked to report whether various dimensions of business activity recorded an increase, decrease or no change compared with the previous month. A reading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

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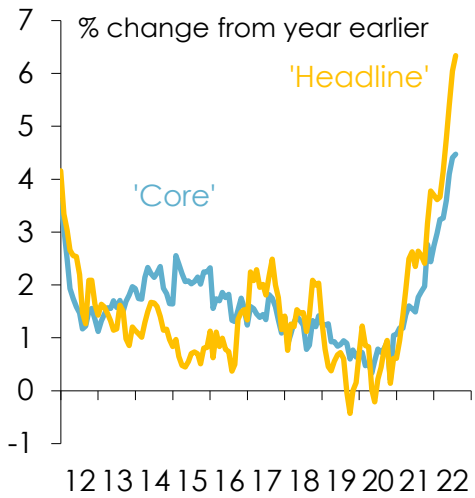


Note: Unemployment data is published monthly in Korea, Taiwan, Hong Kong, and Malaysia; quarterly in Singapore, Thailand and the Philippines; semi-annually (February and August) in Indonesia. Sources: national statistical agencies. [Return to "What's New"](#).

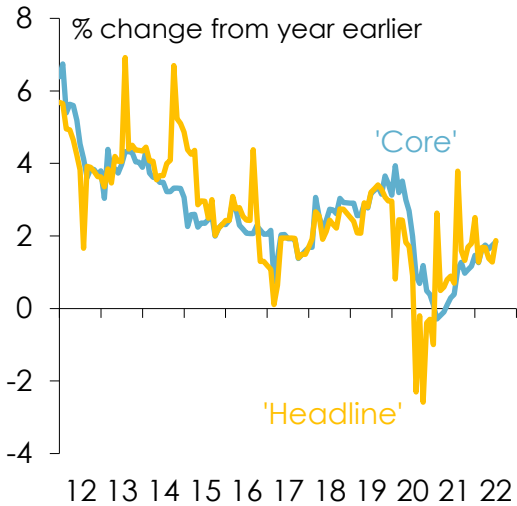
'Headline' and 'core' inflation are now rising in all East Asian economies and especially in Korea and Singapore

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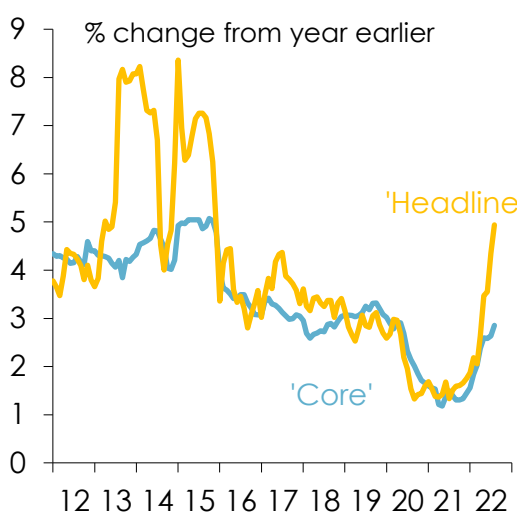
Korea



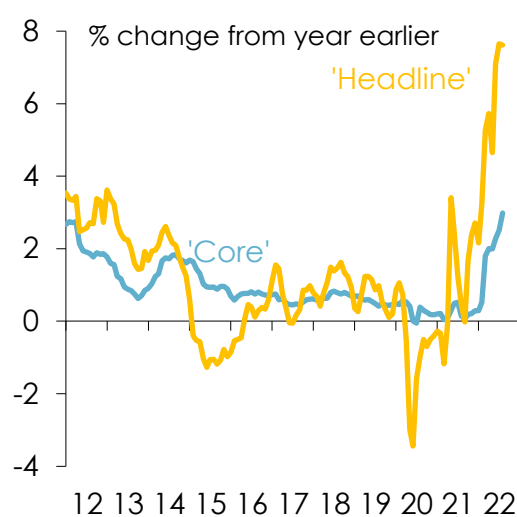
Hong Kong



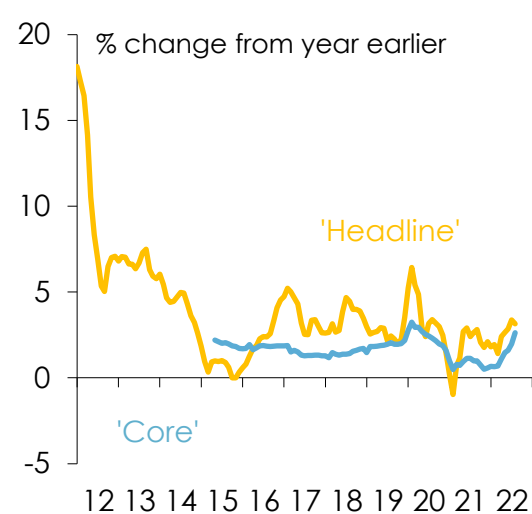
Indonesia



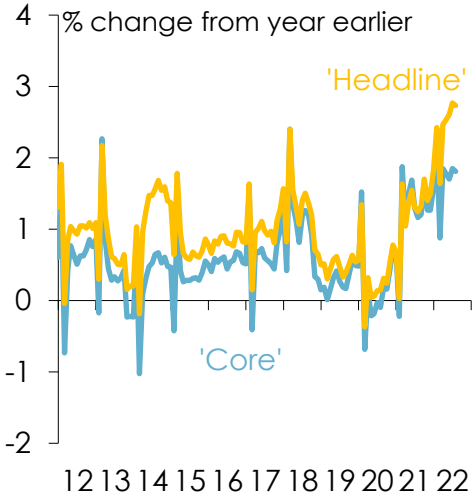
Thailand



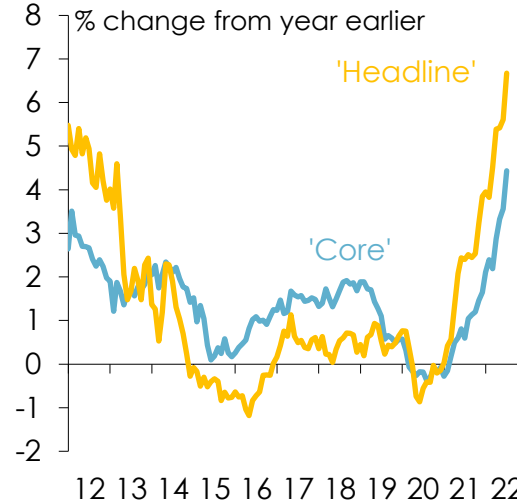
Vietnam



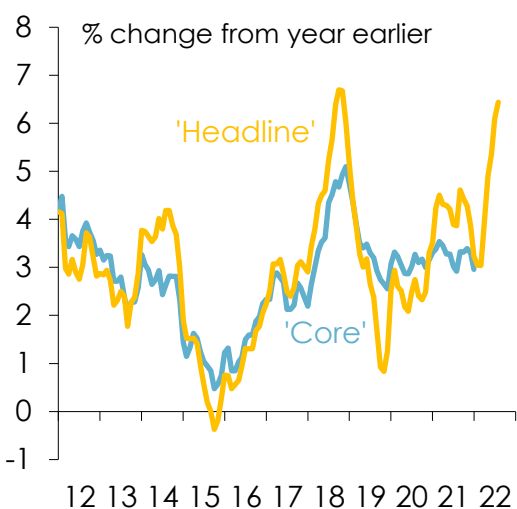
Taiwan



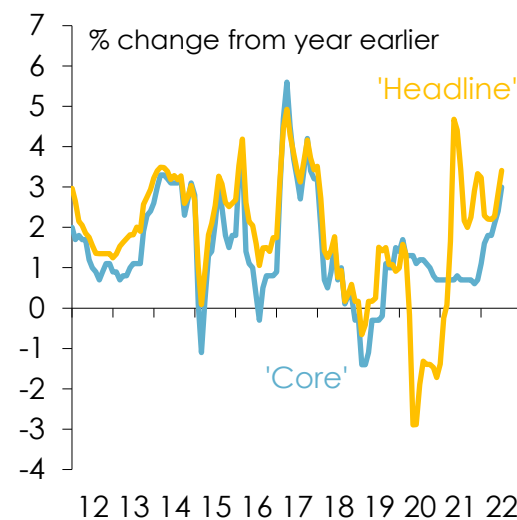
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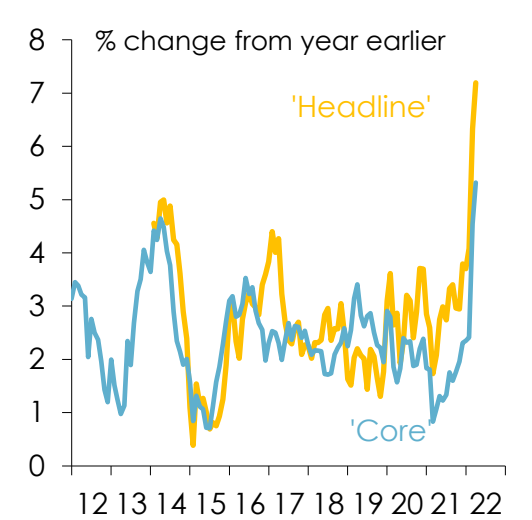
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Malaysia



Cambodia

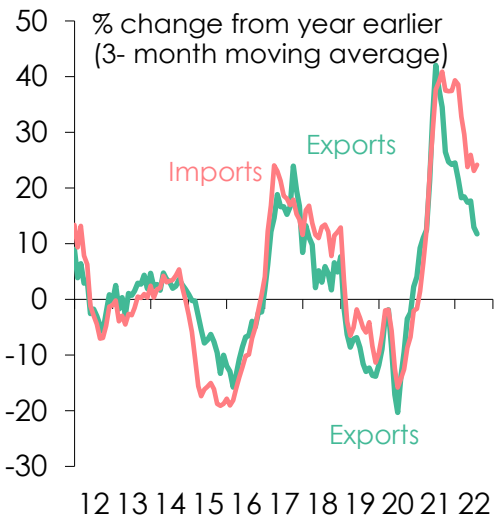


Note: 'Core' inflation in Korea excludes agricultural products & oil; in Taiwan it excludes fresh fruit, vegetables & energy; in Singapore it excludes accommodation & private transport; and in Hong Kong it excludes the effect of 'one-off government relief measures'. 'Core' inflation in Indonesia excludes 'volatile foods' & changes in 'administered prices' (such as fuel subsidies, transport fares & electricity prices); in the Philippines it excludes rice, corn, meat, fish, cultivated vegetables & fuels (and hasn't been published since December 2021); in Thailand it excludes fresh or raw food & energy; in Malaysia it excludes fresh food & 'administered' prices; in Vietnam it excludes 'volatile items'; and in Cambodia it excludes food, non-alcoholic beverages & oil products. Sources: national statistical agencies and central banks. [Return to "What's New"](#).

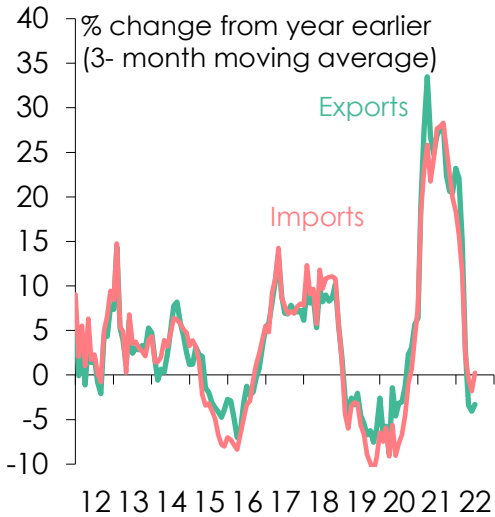
Asian exports are returning to more ‘normal’ growth rates following the ‘bump’ in 2021 inflated by comparison with 2020

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

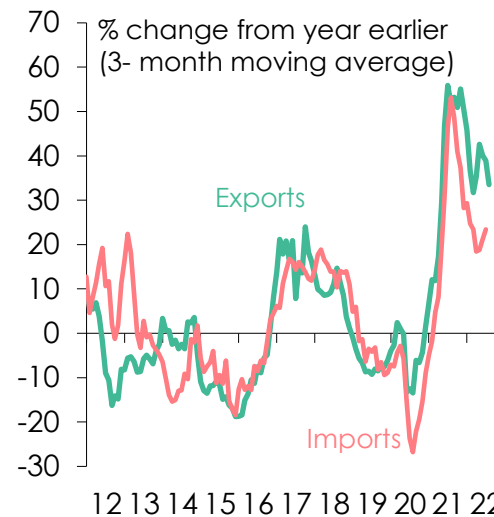
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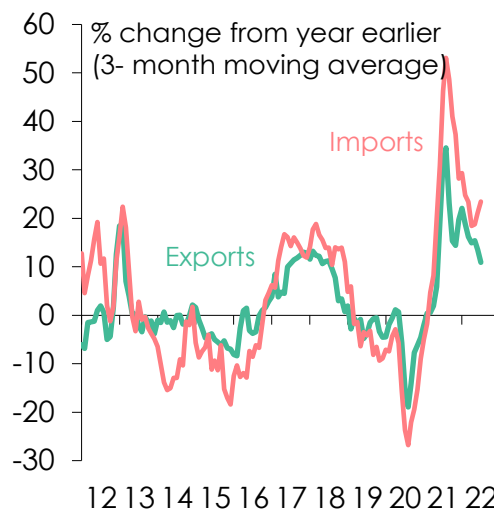
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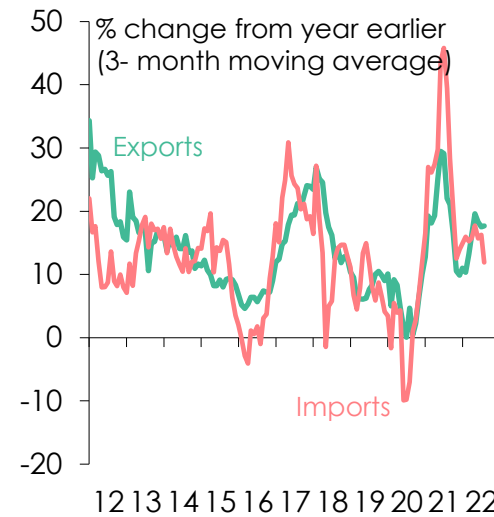
Indonesia



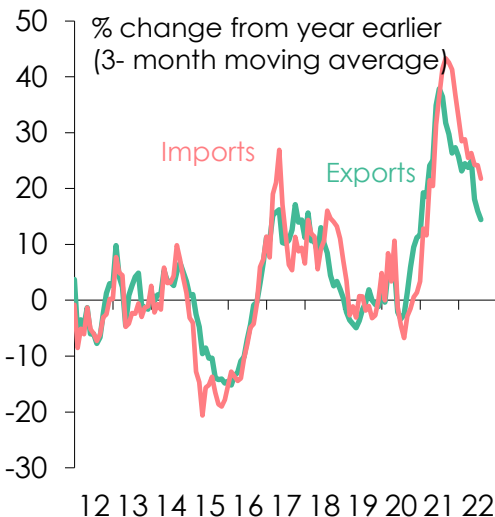
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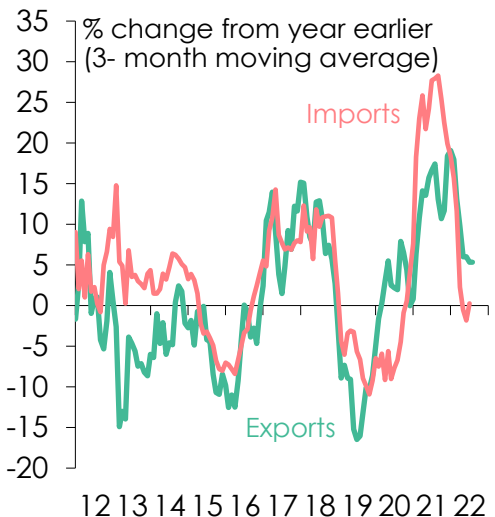
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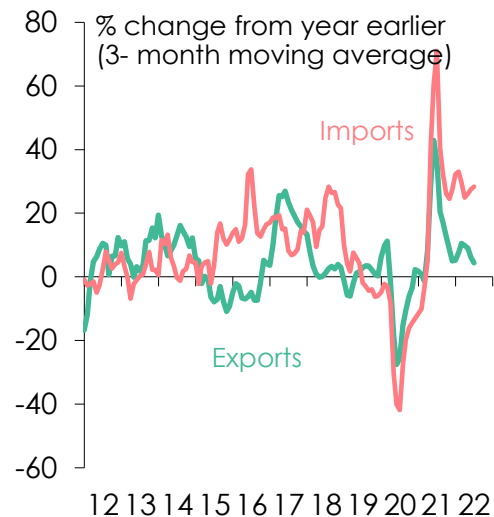
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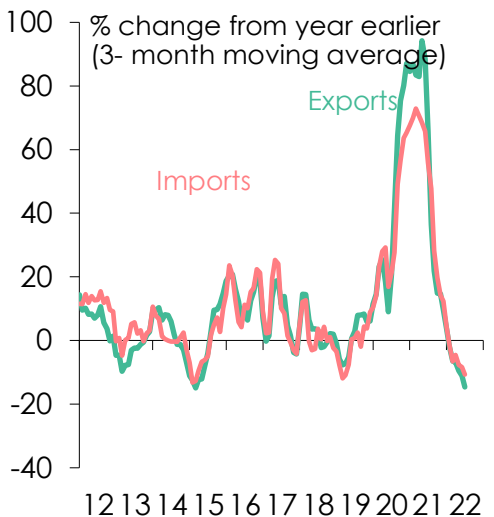
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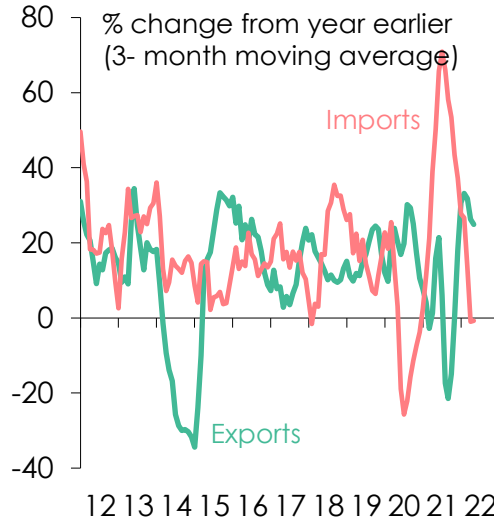
Philippines



Malaysia



Cambodia

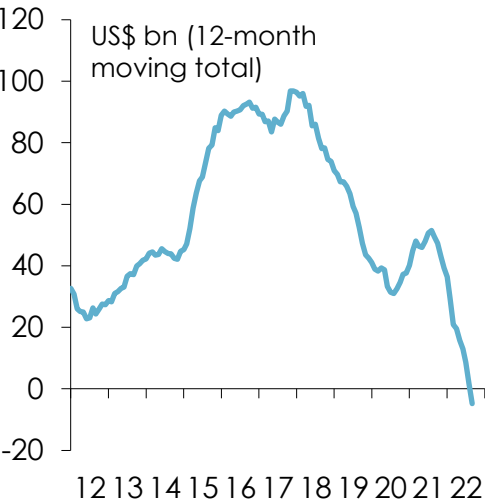


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates.
Sources: national statistical agencies and central banks. [Return to "What's New"](#).

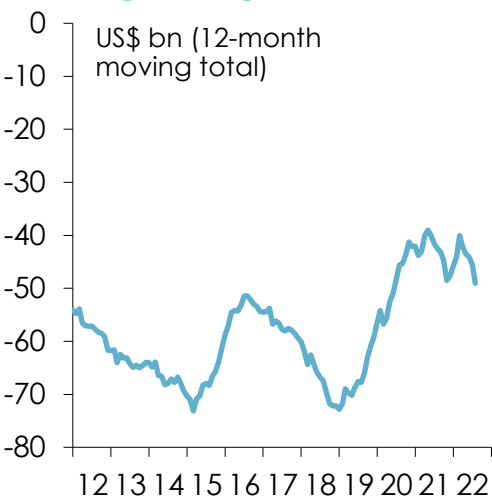
Most Asian economies – except for Indonesia, Malaysia and Singapore – are experiencing some deterioration in their trade balances

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

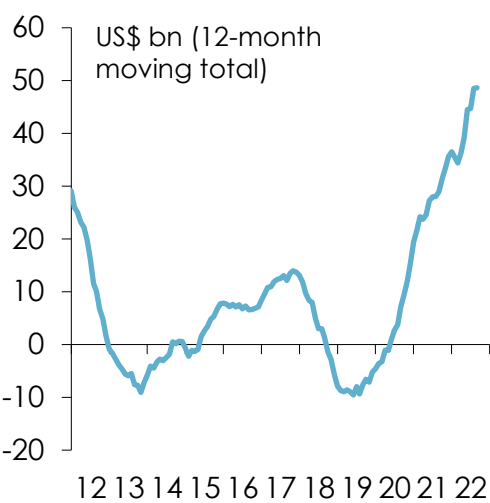
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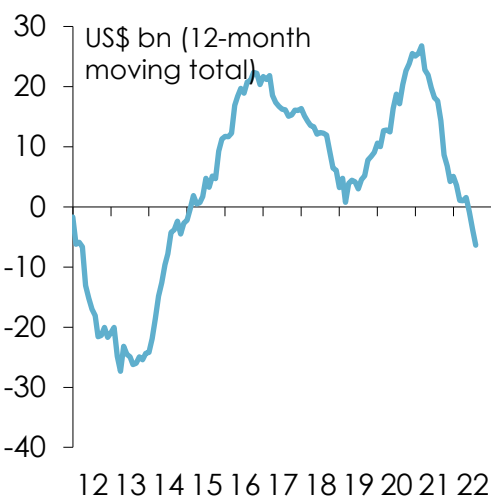
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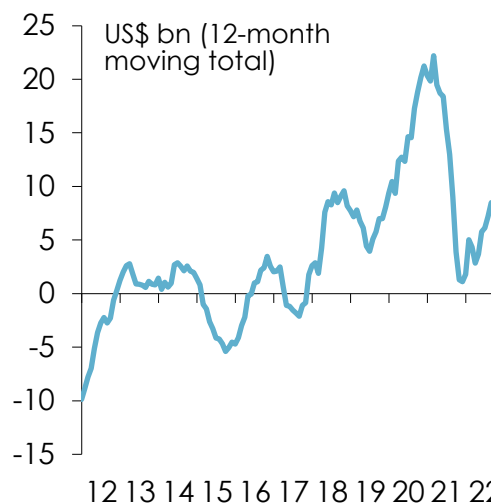
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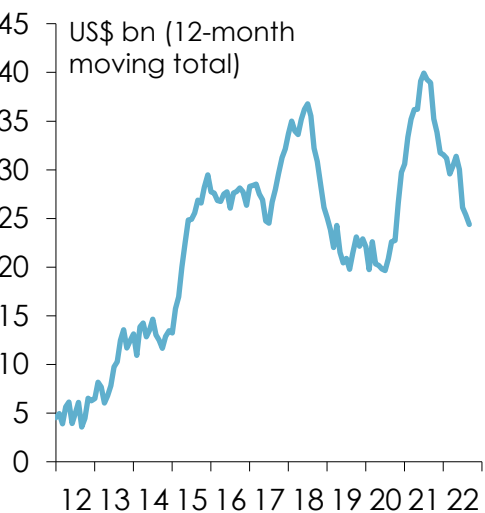
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Vietnam



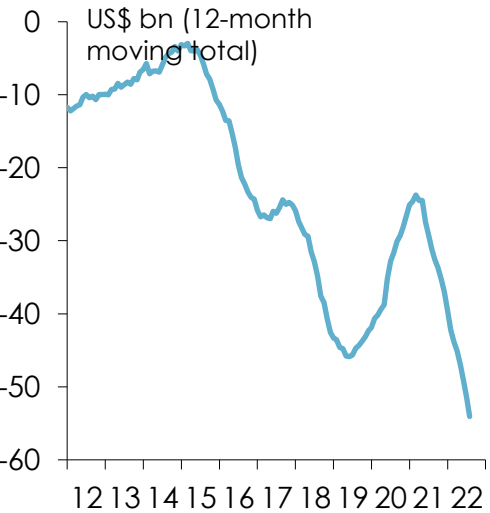
Taiwan



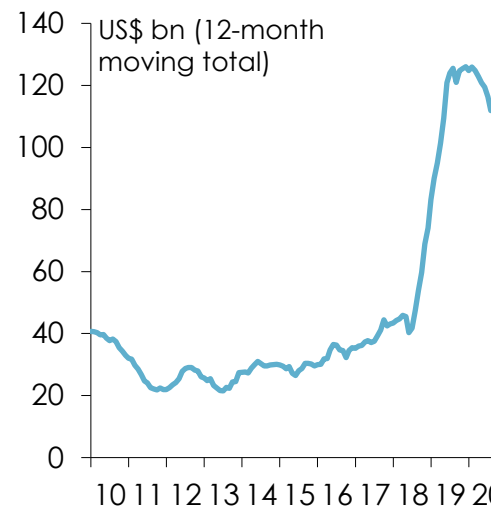
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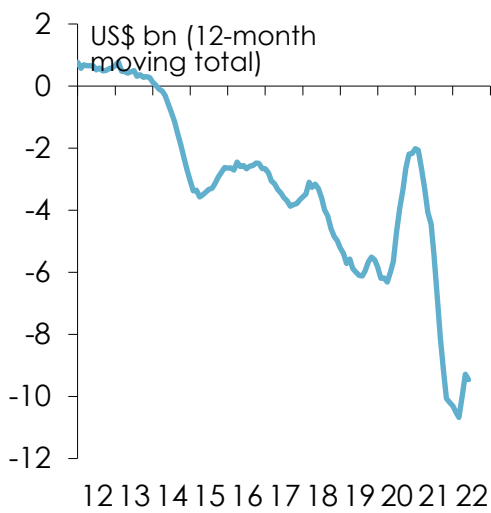
Philippines



Malaysia



Cambodia

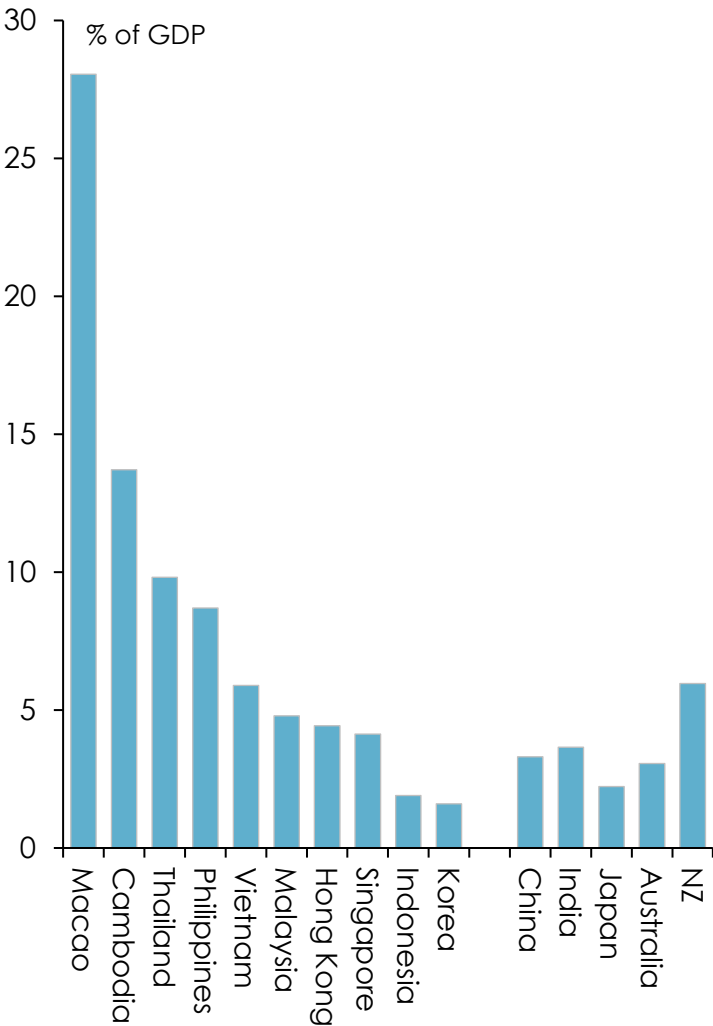


Note: Data for Hong Kong, Singapore and Malaysia are published in national currencies and converted to US dollars by Corinna using month-average exchange rates.
Sources: national statistical agencies and central banks. [Return to "What's New"](#).

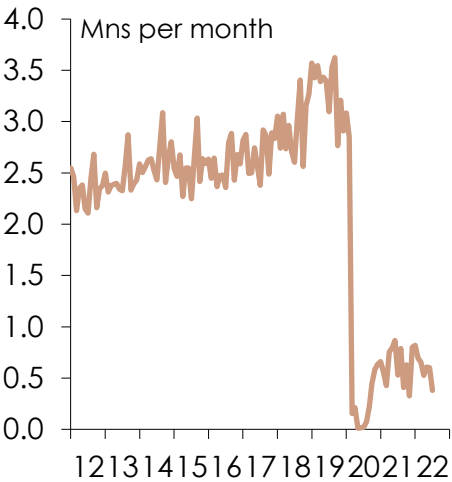
Many Asian economies, particularly Macao, Thailand, the Philippines and Hong Kong, have been hard hit by the demise of international tourism

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

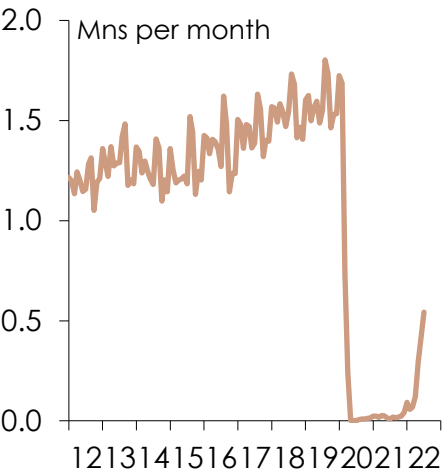
International tourism direct contribution to GDP, 2018



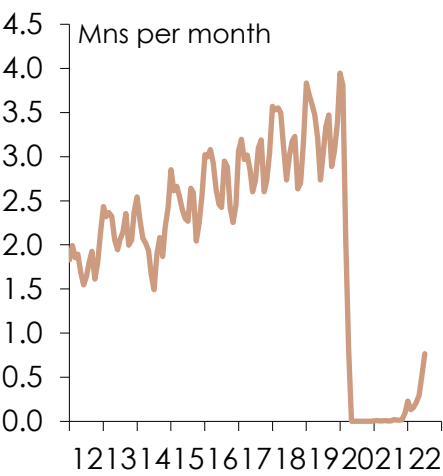
International visitor arrivals
Macao



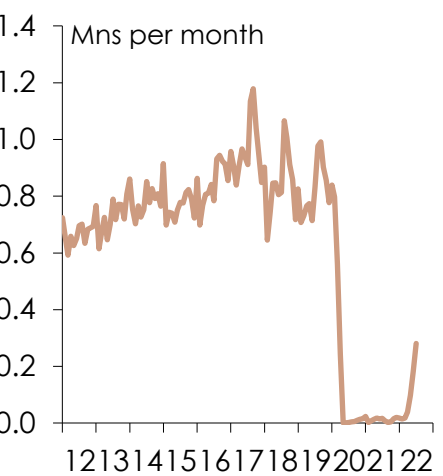
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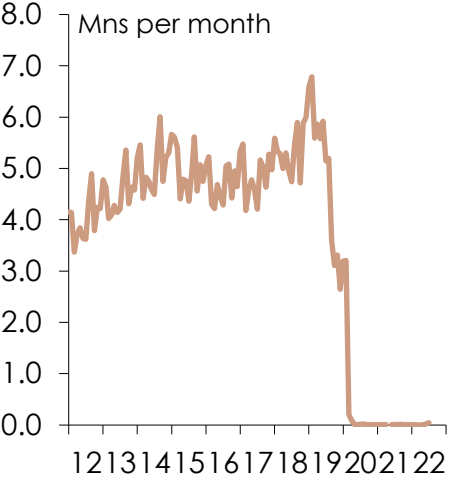
Thailand



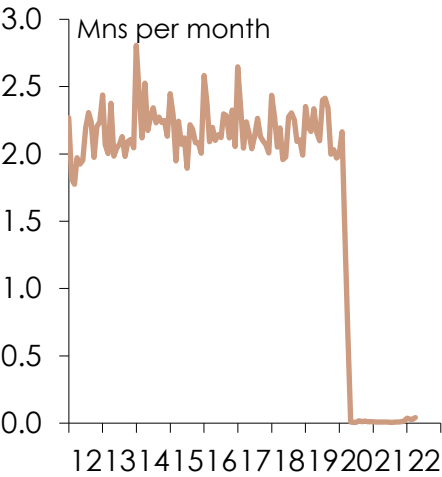
Indonesia



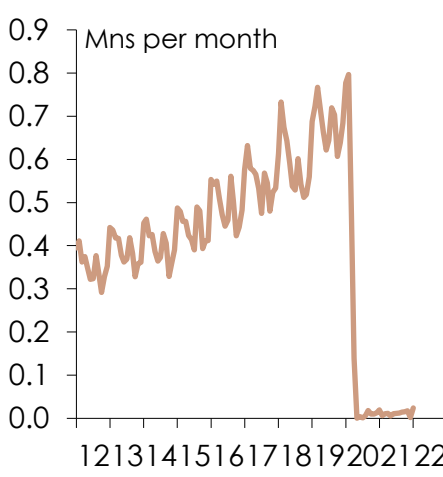
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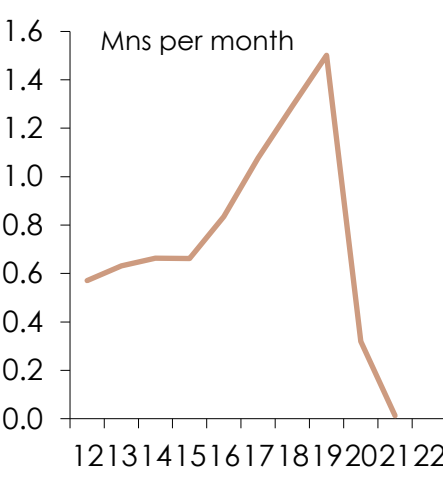
Malaysia



Philippines



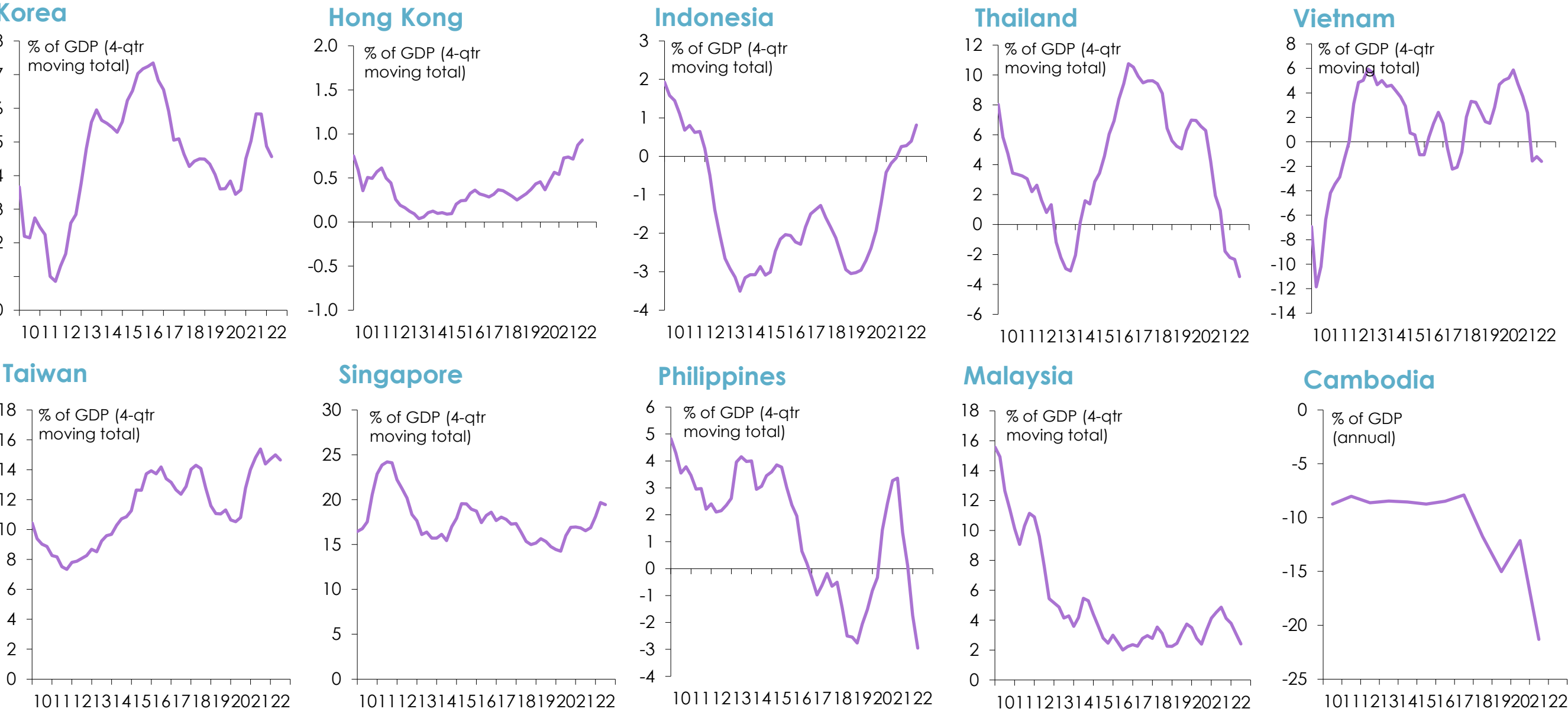
Vietnam



Note: Visitor arrivals data for Vietnam is only published annually. Malaysia and the Philippines have thus far not published data for months after December 2021.
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

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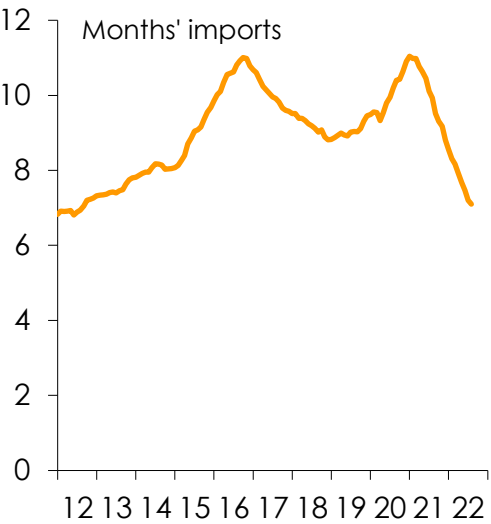


Sources: national statistical agencies and central banks; Refinitiv Datastream. [Return to "What's New"](#).

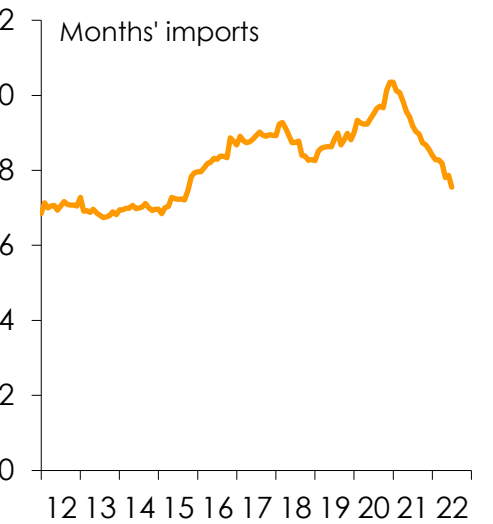
Most Asian economies have sought to maintain high levels of FX reserves since the 1997-98 crisis – although Malaysia's have deteriorated recently

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

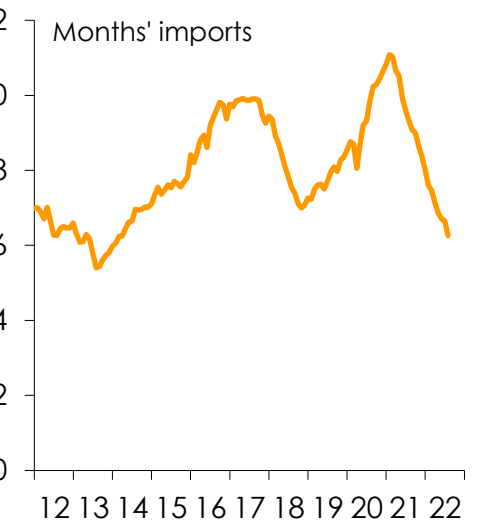
Korea



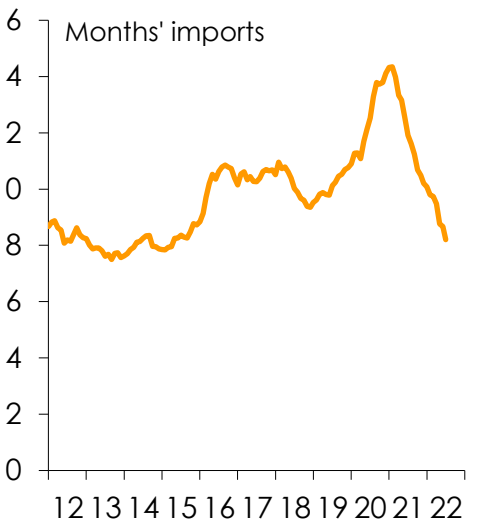
Hong Kong



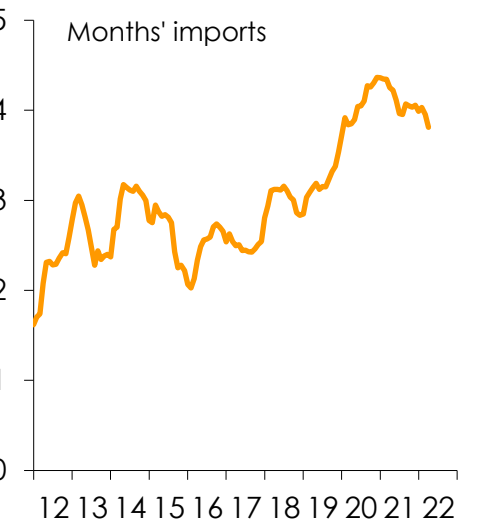
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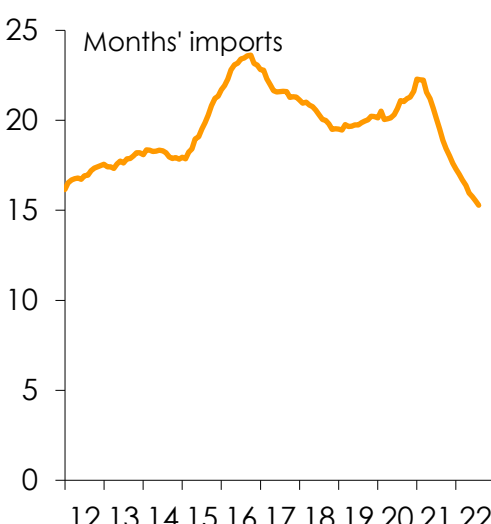
Thailand



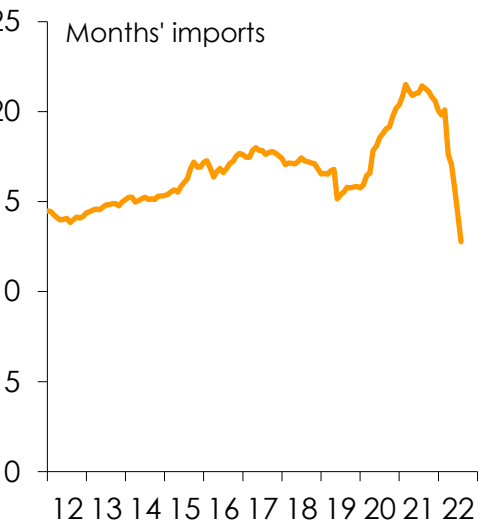
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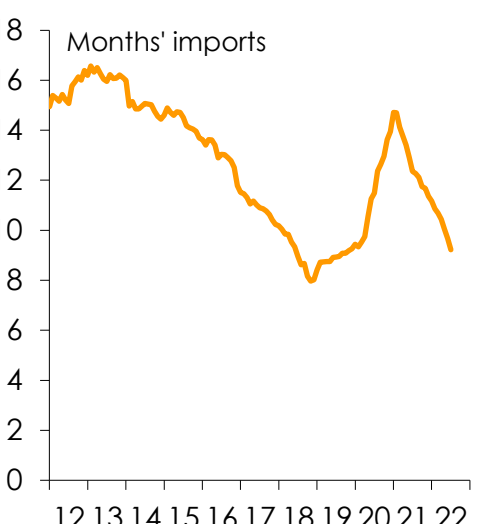
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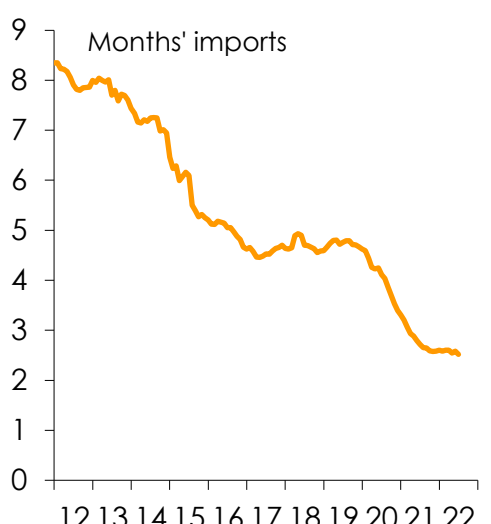
Singapore



Philippines



Malaysia



Cambodia

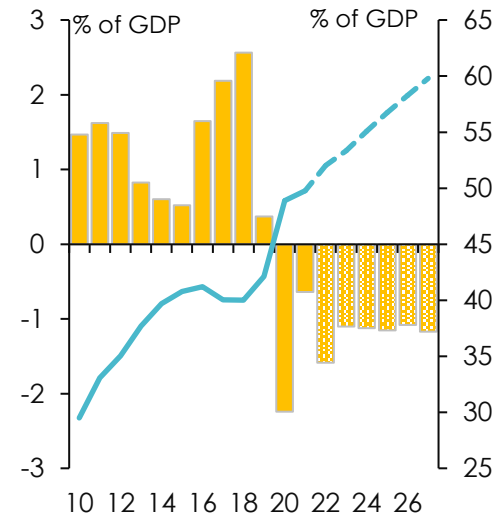


Note: Foreign exchange reserves in the above charts are shown as a multiple of average monthly imports (measured in US\$) over the preceding 12 months.
Sources: national statistical agencies and central banks; IMF; Refinitiv Datastream. [Return to "What's New"](#).

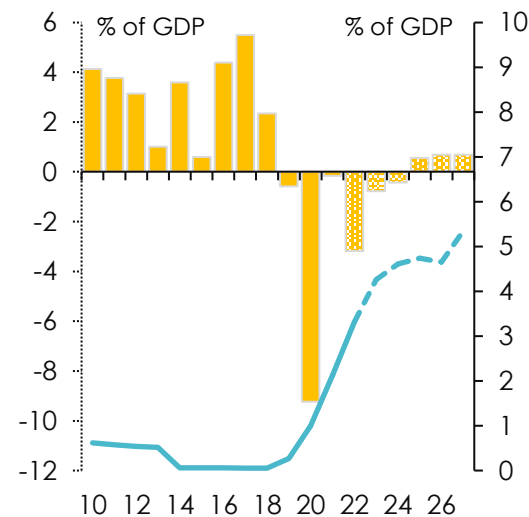
Most Asian governments, apart from Korea, Taiwan, Malaysia and Vietnam, will be tightening fiscal policy over the next few years

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

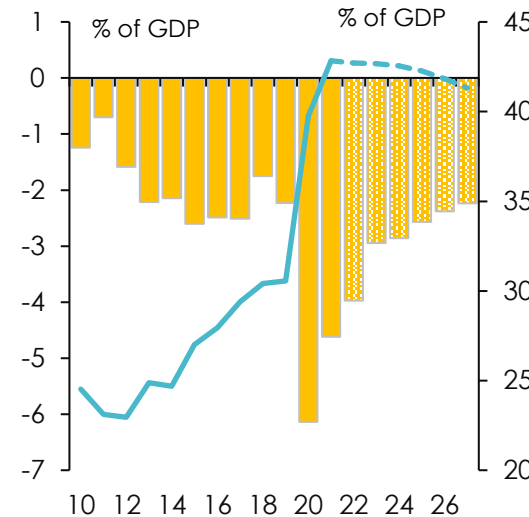
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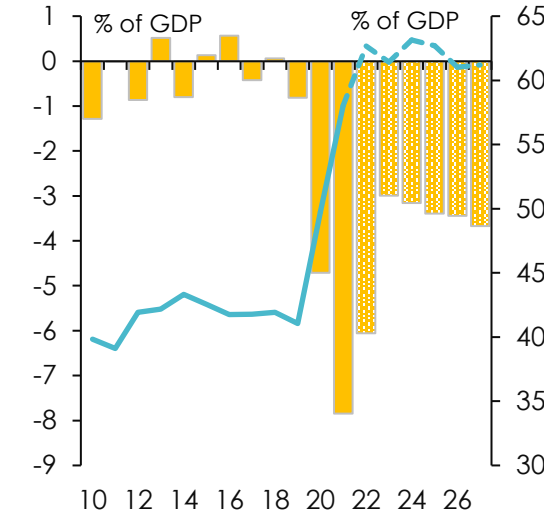
Hong Kong



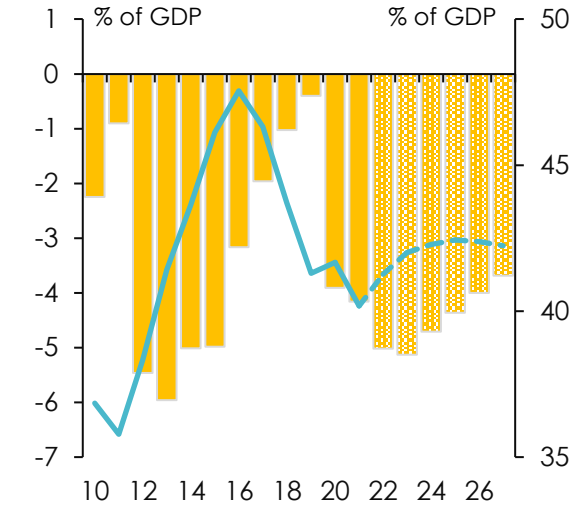
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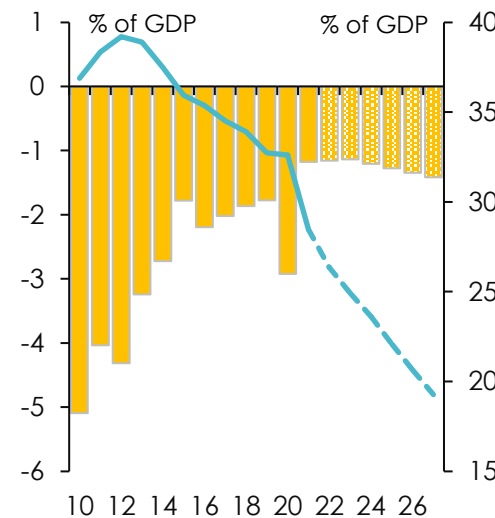
Thailand



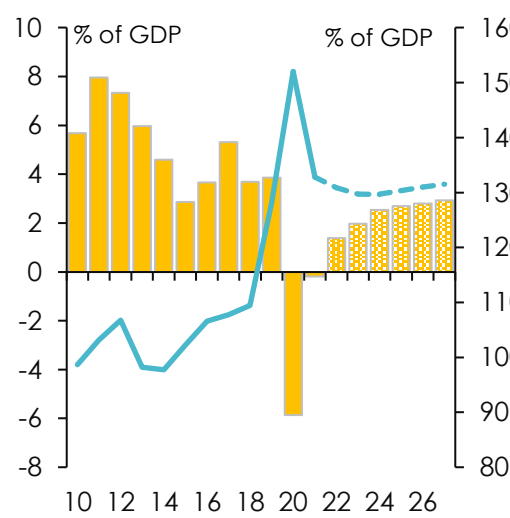
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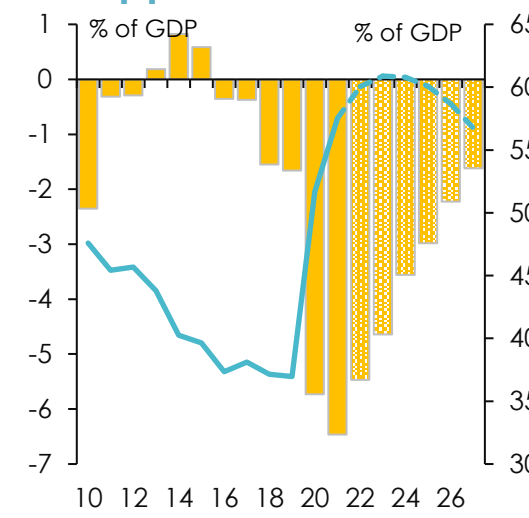
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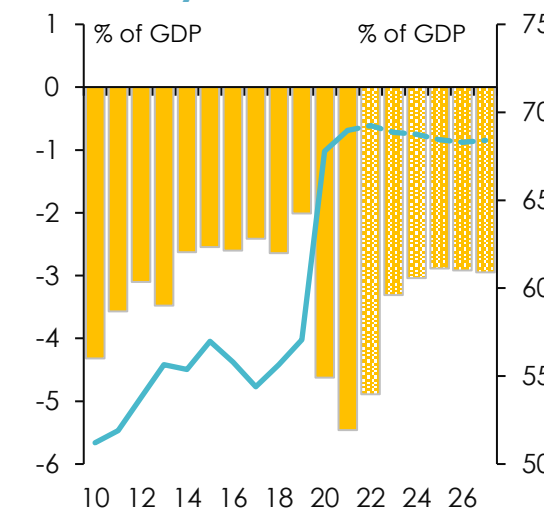
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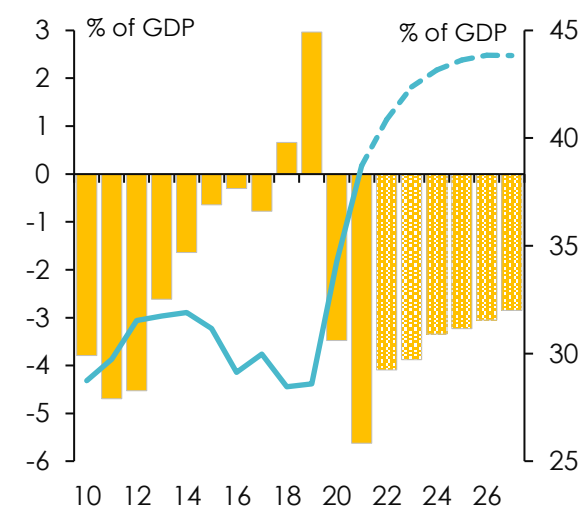
Philippines



Malaysia



Cambodia



General government overall fiscal balance (left scale)



General government gross debt (right scale)

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

The Philippines' central bank raised its policy rate another 50 basis points, to 3.75%, at last week's Monetary Board meeting

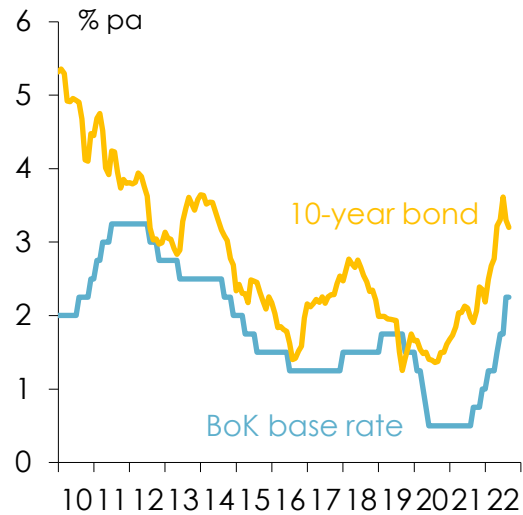
THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

- ❑ **Bangko Sentral ng Pilipinas** lifted its overnight reverse repo rate by 50 basis points, to 3.75%, at a Monetary Board meeting on Wednesday 18th August
 - this was the fourth increase since May, for a total of 175 basis points ([slide 99](#))
 - in its [post-meeting press release](#) the Monetary Board “deemed further monetary action to be necessary to anchor inflation expectations and avoid a further breach in the inflation target over the policy horizon”
 - it revised its forecast for inflation in 2022 to upwards to 5.4% (cf. BSP’s 2-4% target range), declining to 4.0% and 3.2% in 2023 and 2024 respectively, but also judged that “the inflation target remains at risk over the policy horizon owing to broadening price pressures” and noted that “elevated inflation expectations likewise highlight the risk of further second-round effects”
- ❑ The **Central Bank of Sri Lanka** left its standing deposit and lending facility rates unchanged at 14.5% and 15.5% respectively, at its Monetary Board meeting on 17th August
 - these rates were raised by 700bp in April, at the onset of Sri Lanka’s economic crisis, and by a further 100bp in July ([slide 103](#))
 - in its post-meeting [Monetary Policy Review](#), CBSL’s Economic Research department said its latest projections point to “a larger than expected contraction in economic activity and a faster than expected easing of price pressures” than at the previous review, and that measures already implemented by CBSL and the Government “would help contain any aggregate demand pressures, thereby anchoring inflation expectations”
- ❑ As widely expected, the **Bank of Thailand** raised its policy rate by 25 basis points, to 0.75%, at its Monetary Policy Committee meeting on 10th August – the first increase since August 2011
 - in its [post-meeting press release](#) the BoT concluded that “the policy rate should be normalized to the level consistent with sustainable growth in the longer term”, implying that further increases are likely in coming months
- ❑ Two East Asian central banks have policy meetings this week – Bank Indonesia on 23rd August and the Bank of Korea on 25th August

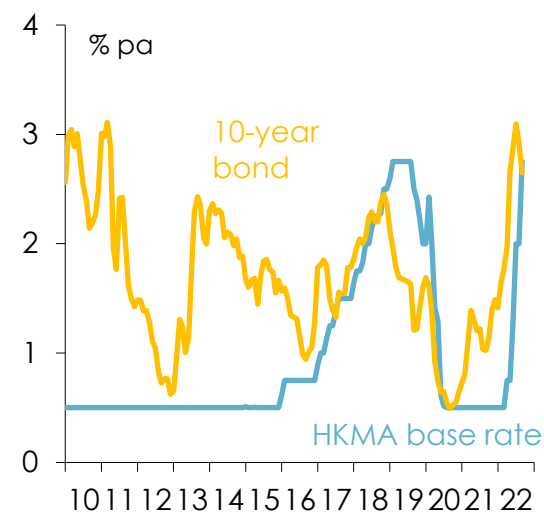
Bangko Sentral ng Pilipinas raised its reverse repo rate another 50bp last week, the fourth consecutive increase for a total of 175bp

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

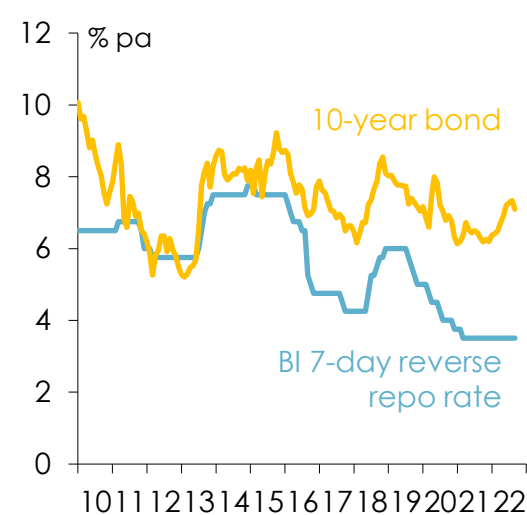
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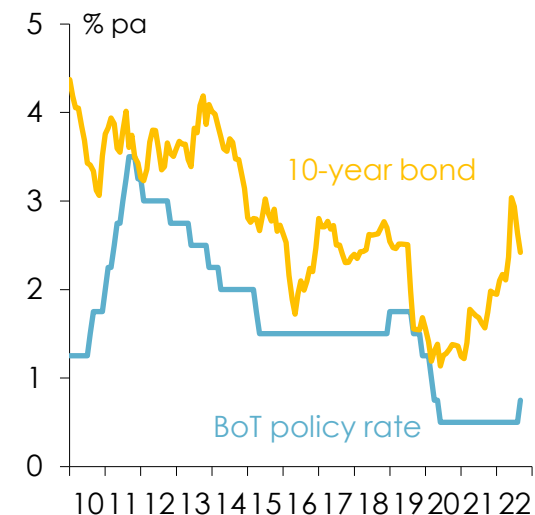
Hong Kong



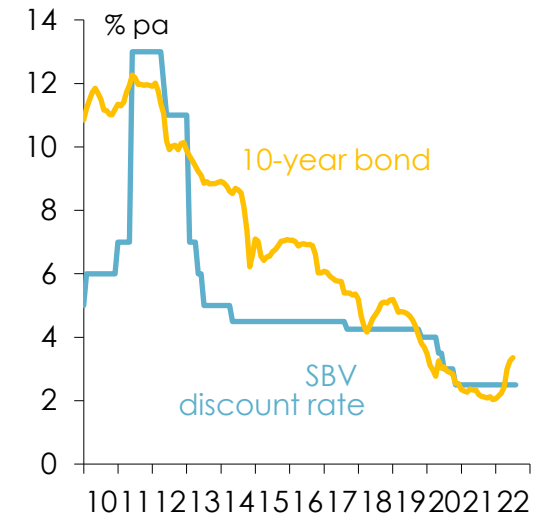
Indonesia



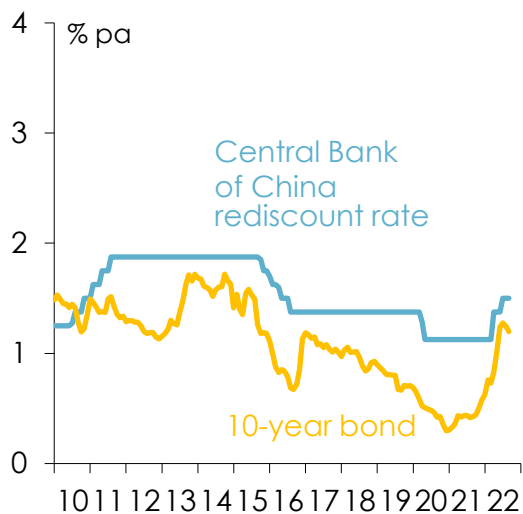
Thailand



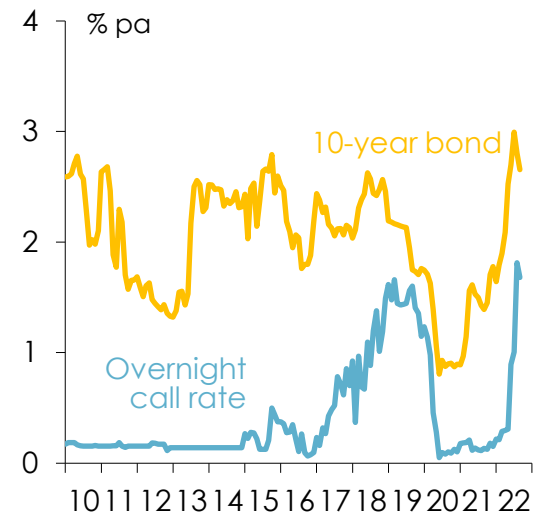
Vietnam



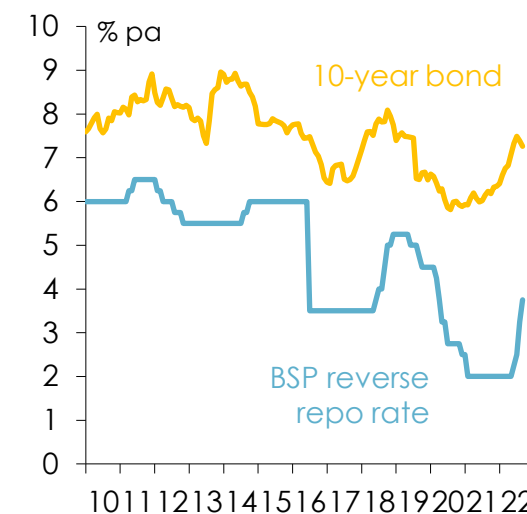
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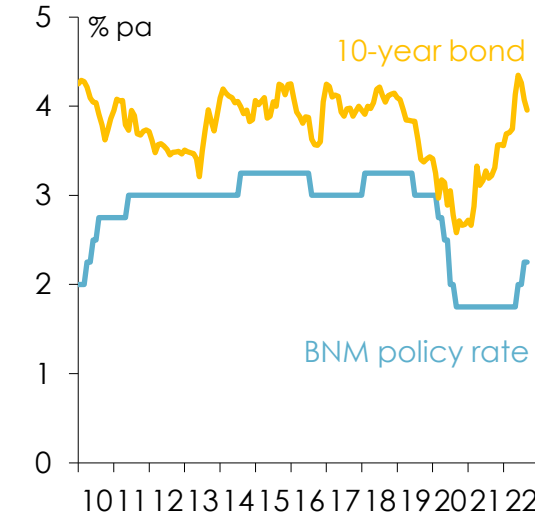
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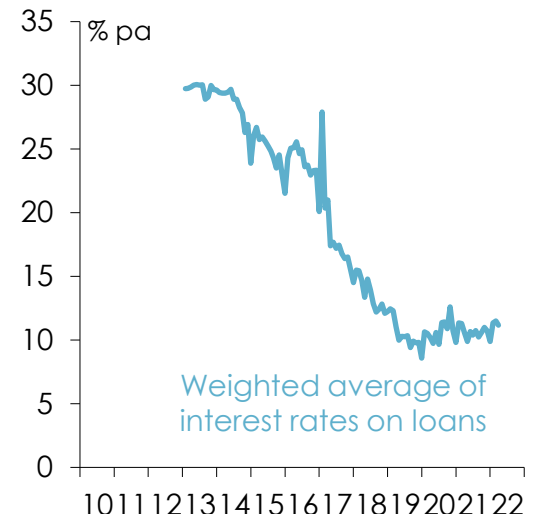
Philippines



Malaysia



Cambodia

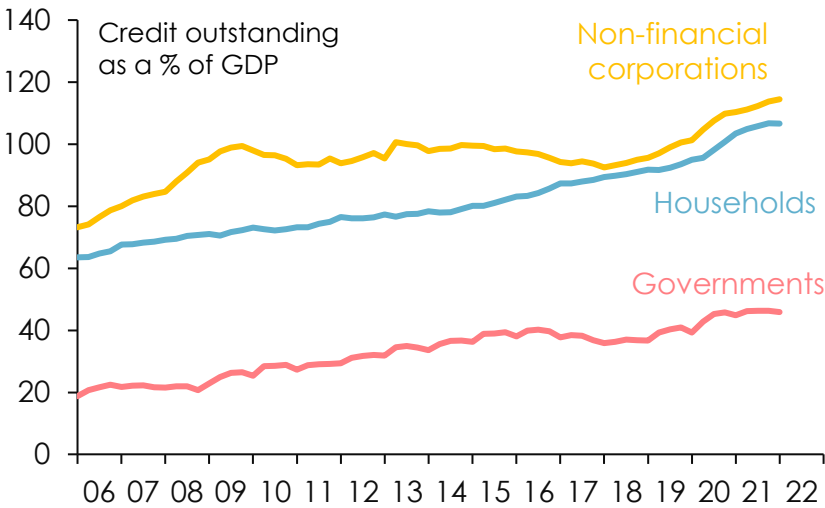


Note: Neither Hong Kong nor Singapore use a monetary policy indicator interest rate. Hong Kong has a currency board system, under which the HKMA base rate moves in line with a pre-set formula based on the US fed funds rate; the Monetary Authority of Singapore uses the (effective) exchange rate as its 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 19th August 2022. Sources: national central banks; Refinitiv Datastream. [Return to "What's New"](#).

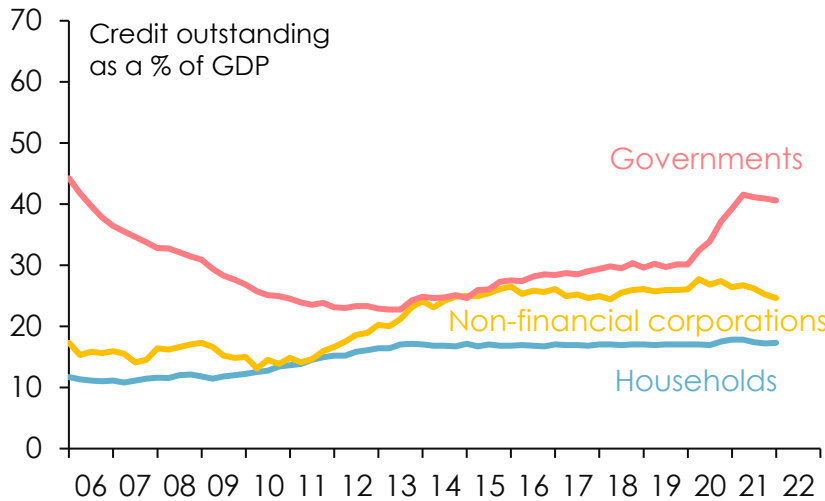
In Asia, Hong Kong, Singaporean and Korean corporates, and Korean households, have the greatest exposure to any increases in interest rates

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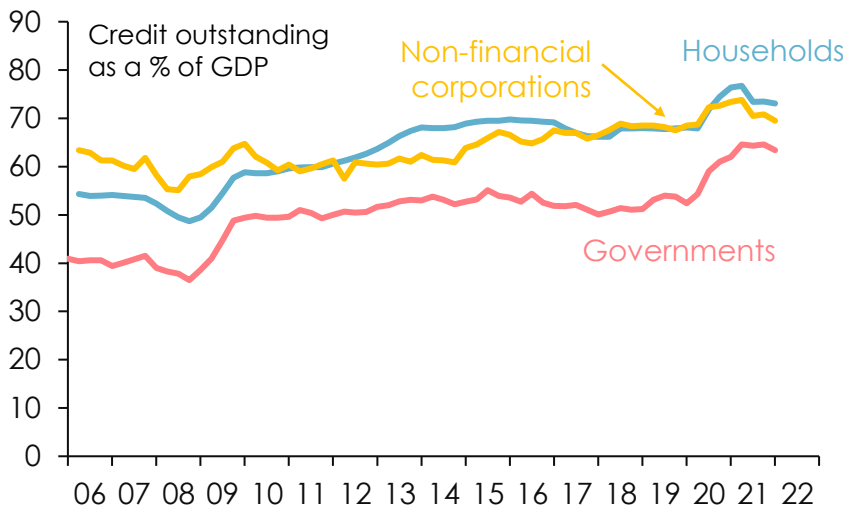
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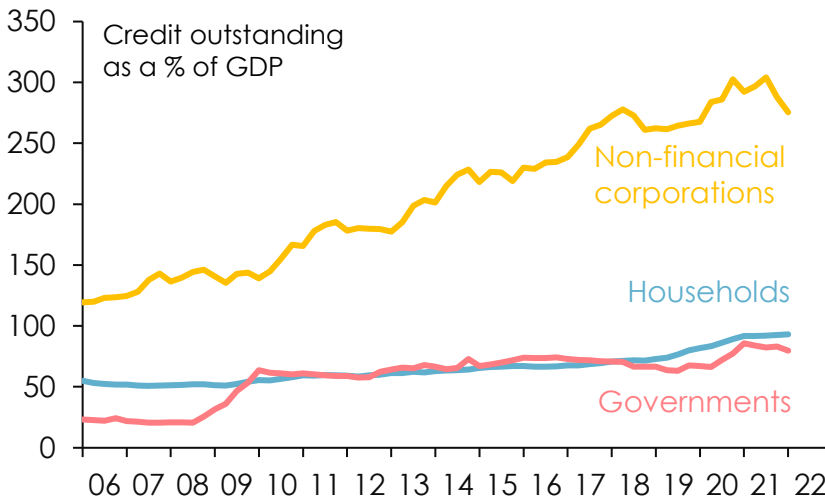
Indonesia



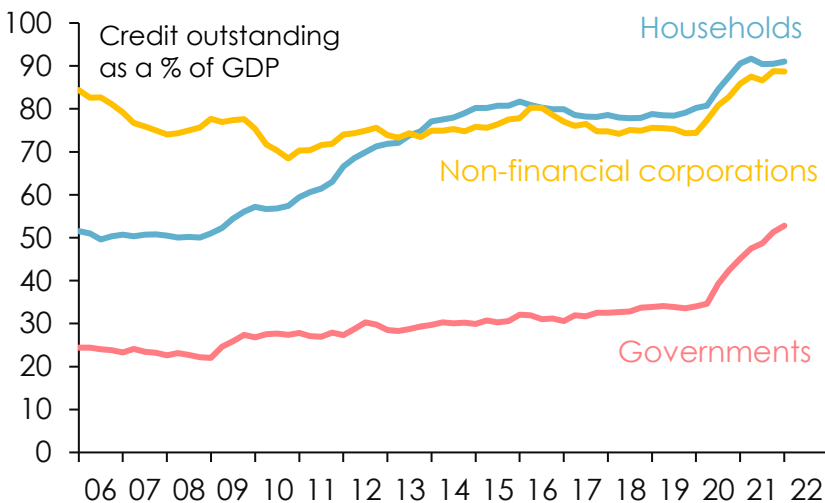
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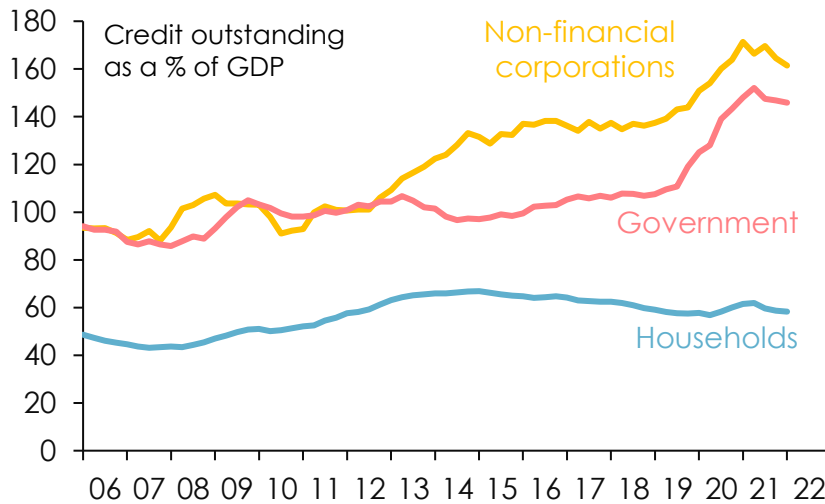
Hong Kong



Thailand



Singapore

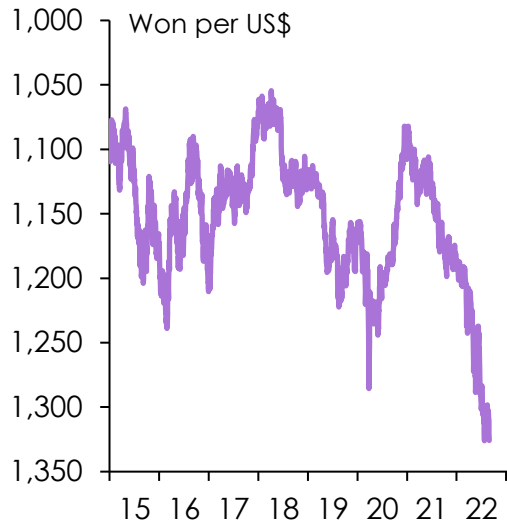


Source: Bank for International Settlements, [Credit Statistics](#); latest data are for Q4 2021, Q1 2022 data will be released on 19th September. [Return to "What's New"](#).

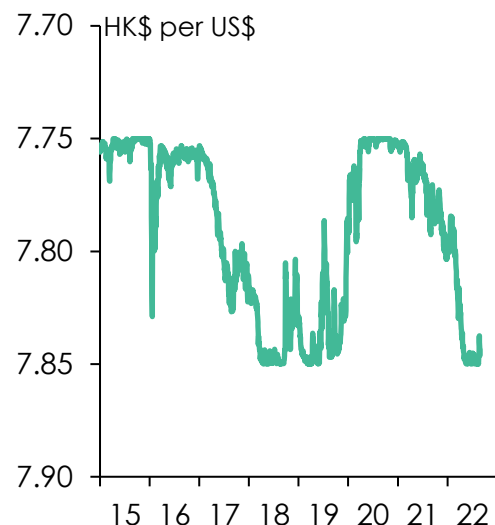
Asian currencies fell against a stronger US dollar last week, with the won (down 1¾%) and the baht & S\$ (both down 1.4%) the largest losers

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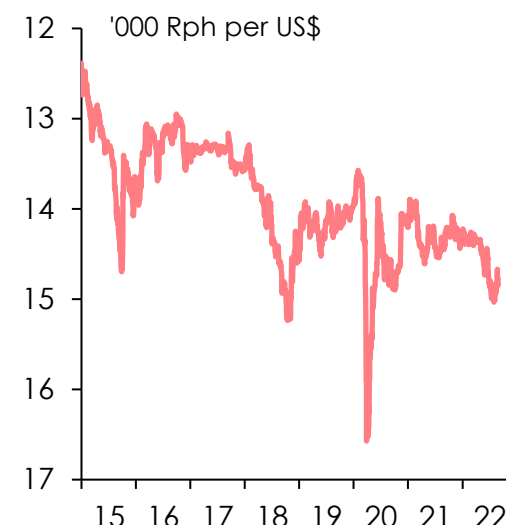
Korean won



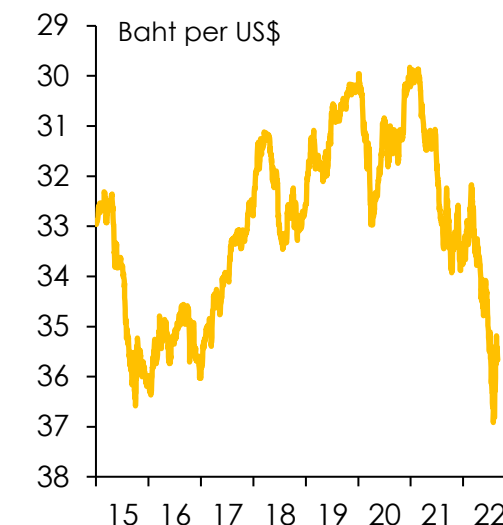
Hong Kong dollar



Indonesian rupiah



Thai baht



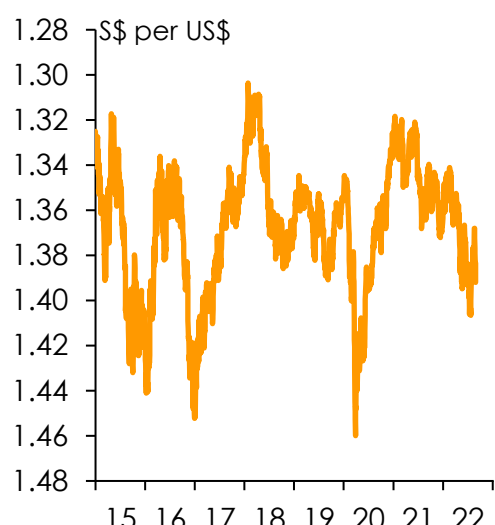
Vietnamese dong



New Taiwan dollar



Singapore dollar



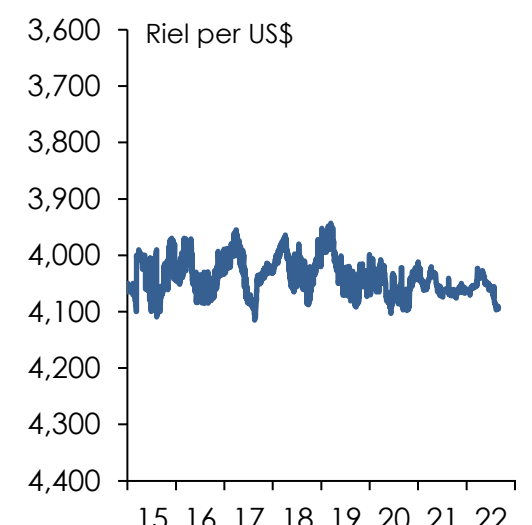
Philippine peso



Malaysian ringgit



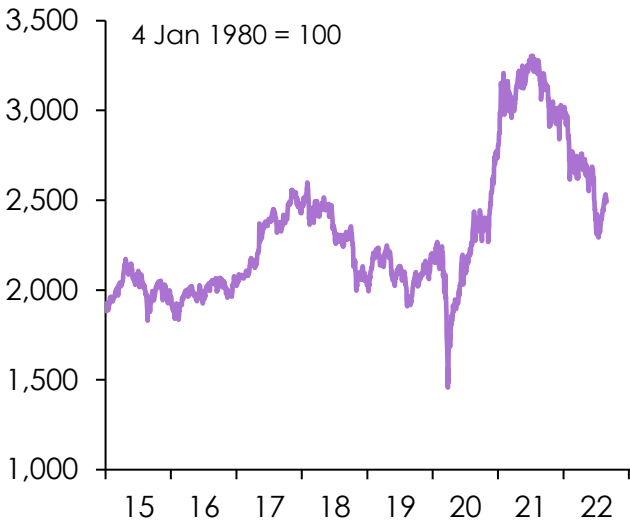
Cambodian riel



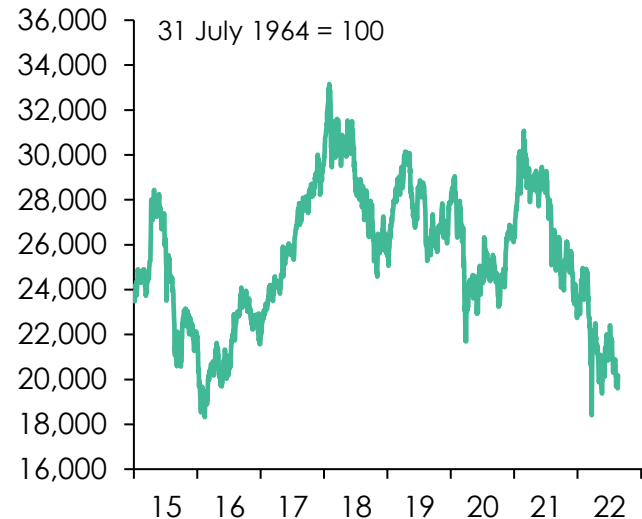
Asian stock markets were mixed last week with Manila, Taipei, & Jakarta posting gains despite the declines in major markets, but Seoul lost 1½%

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

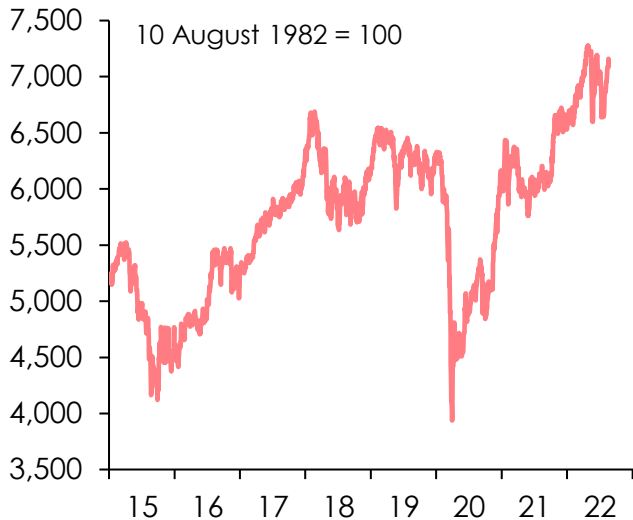
KOSPI



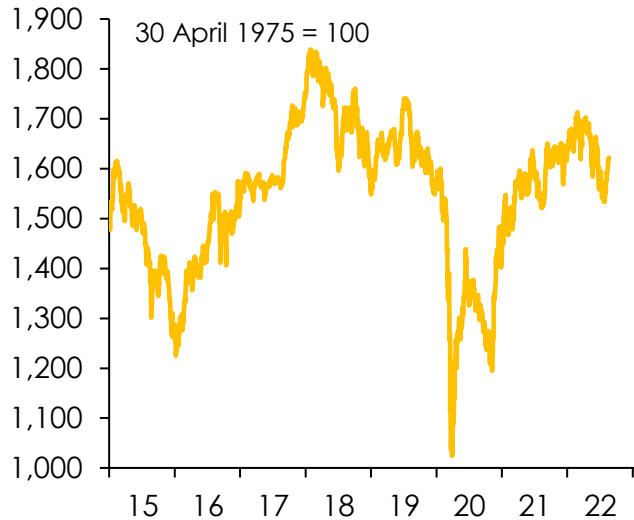
Hang Seng Index



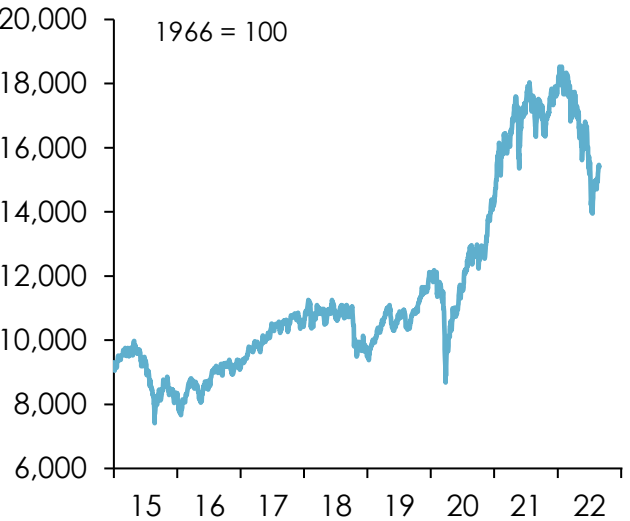
JCI



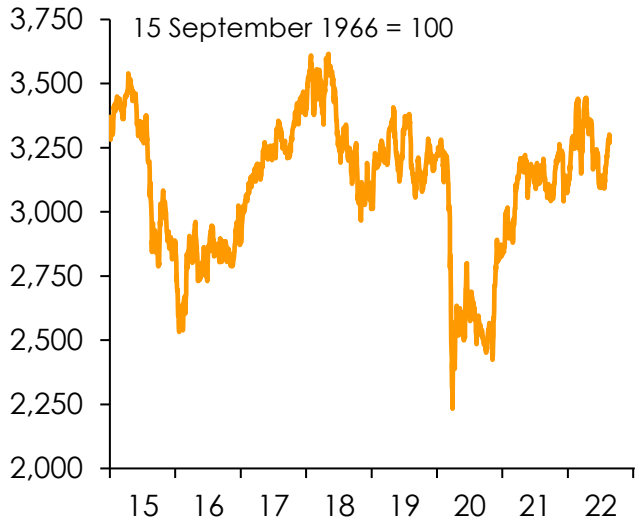
SETI



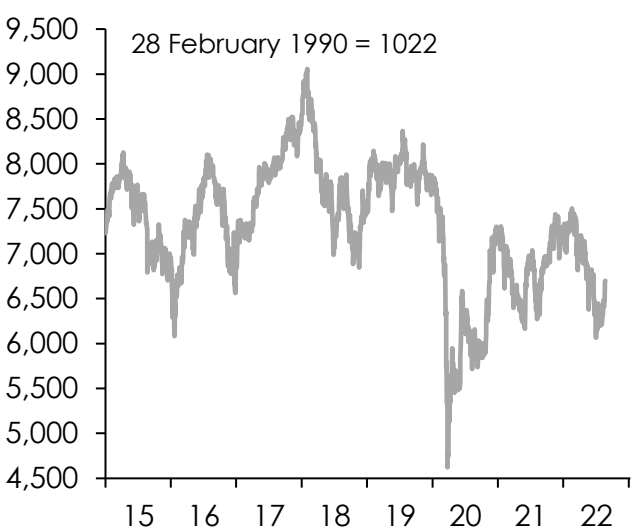
TAIEX



Straits Times Index



PSE i



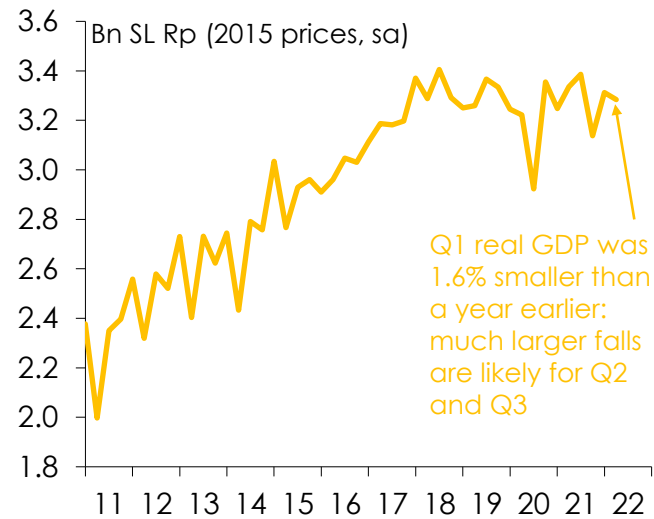
KLCI



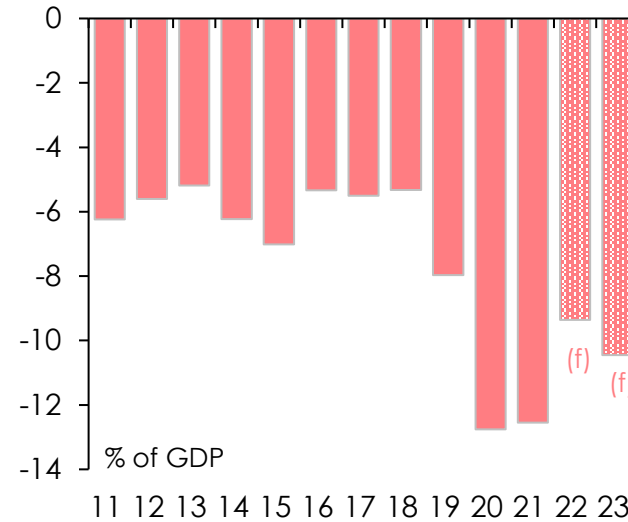
Sri Lanka's central bank left its policy settings unchanged last week, citing forecasts of a faster-than-previously-expected decline in inflation

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

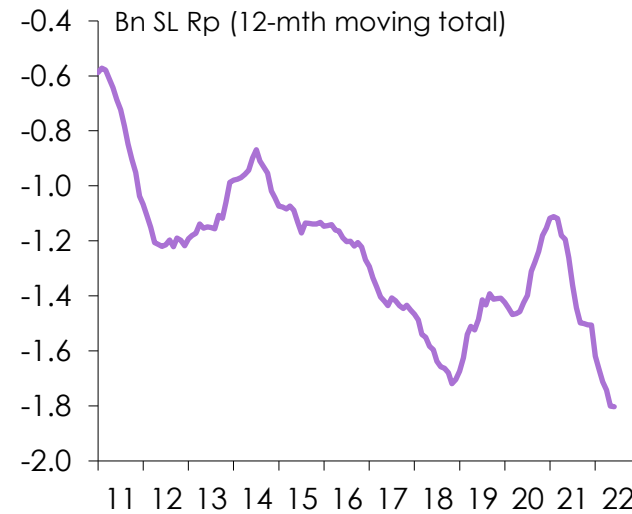
Real GDP



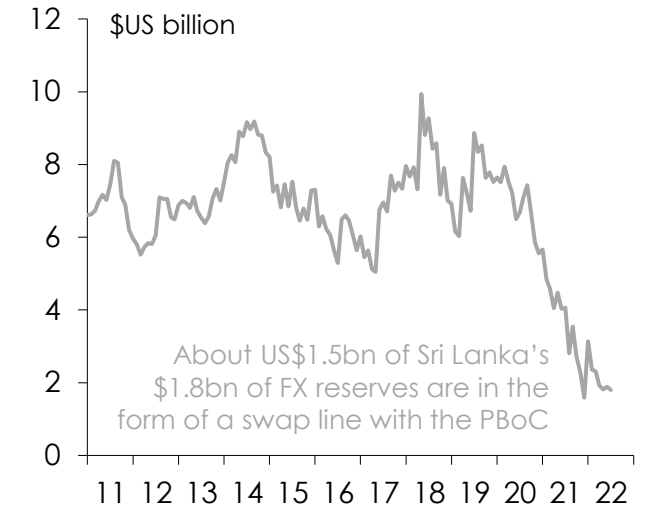
Fiscal balance



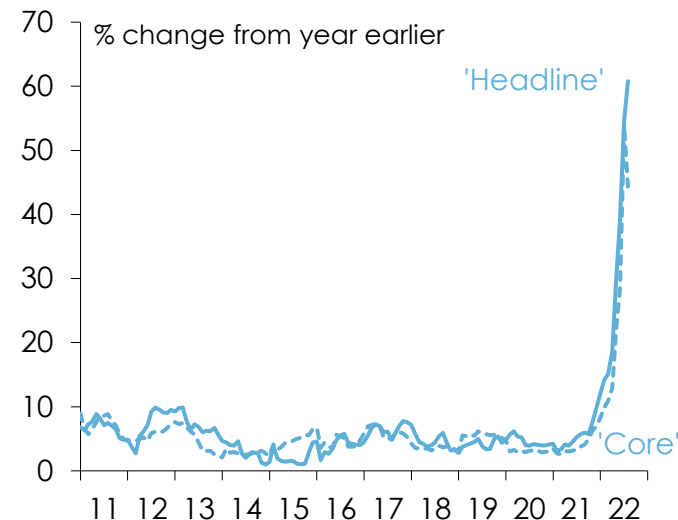
Merchandise trade balance



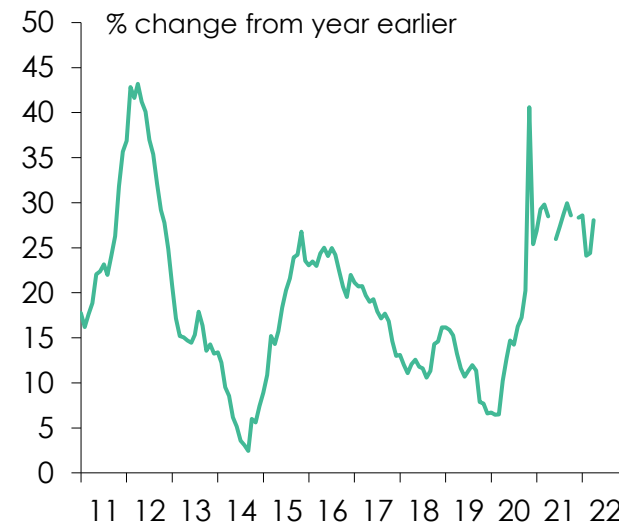
FX reserves



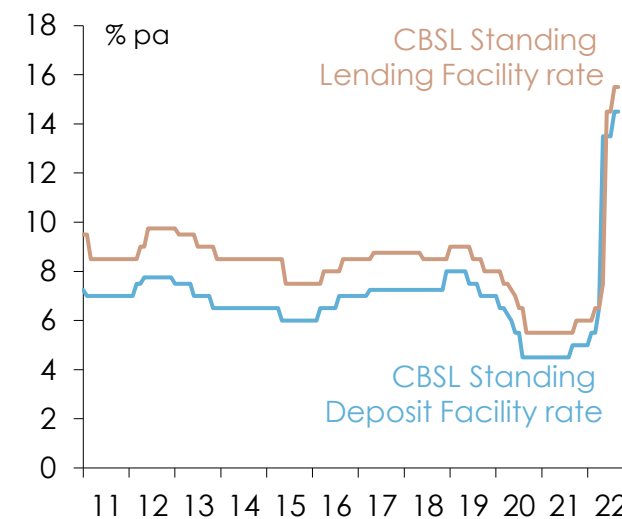
Consumer prices



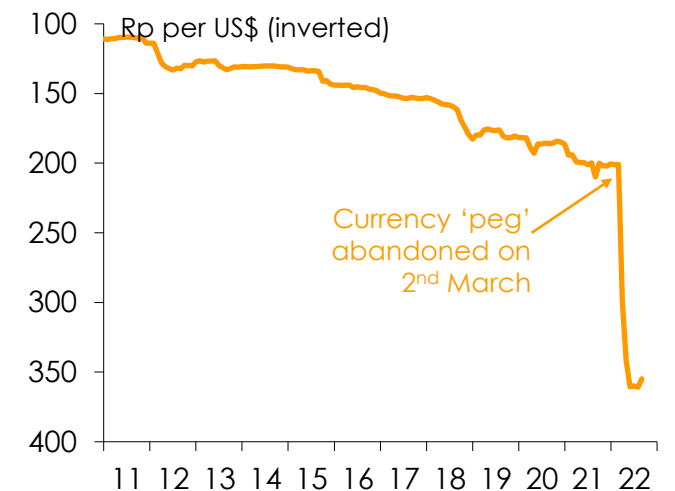
Credit growth



Interest rates



SL rupee vs US\$



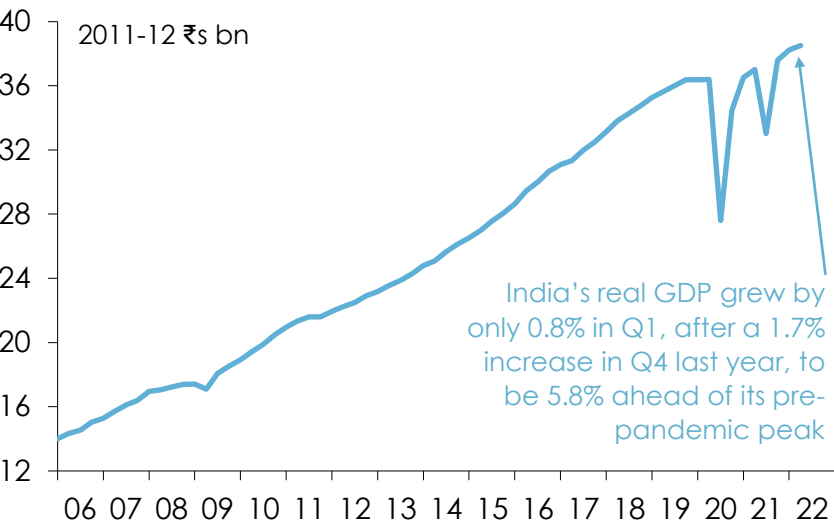
Note: GDP data seasonally adjusted using Refinitiv Datastream; CPI data are for Colombo. Sources: [Sri Lanka Department of Census and Statistics](#); [Central Bank of Sri Lanka](#); IMF, [Fiscal Monitor](#), April 2022; Refinitiv Datastream. [Return to "What's New"](#).

India

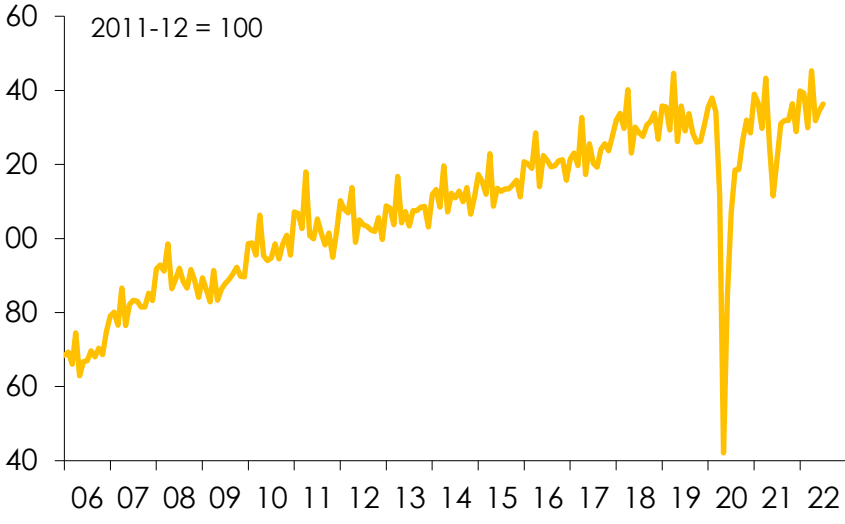
India's GDP growth rate has slowed sharply over the past two quarters, after bouncing strongly out of its second Covid recession in mid-2022

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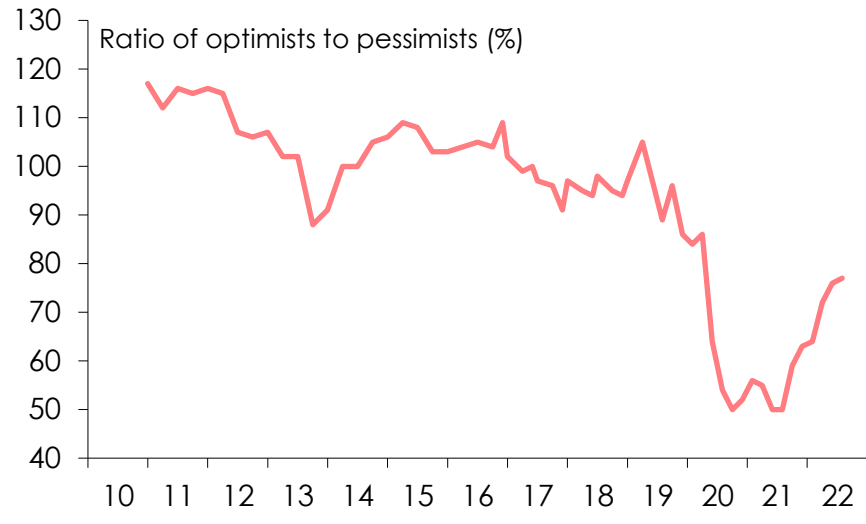
Quarterly real GDP



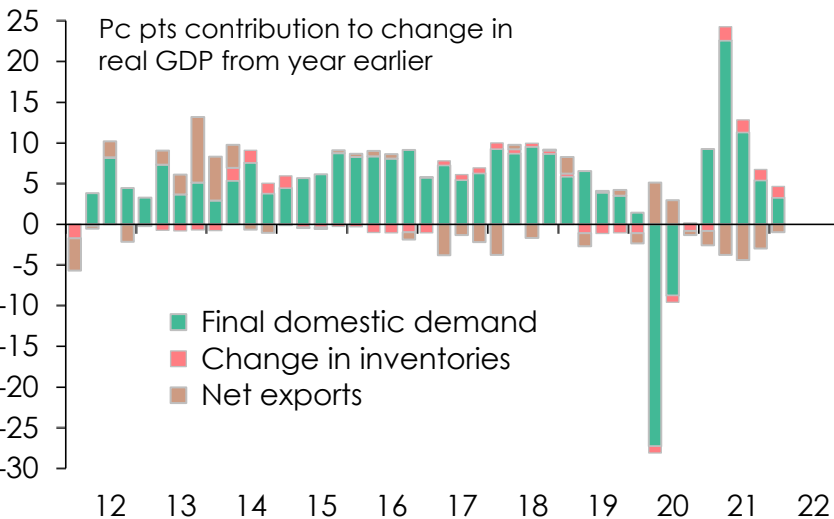
Manufacturing production



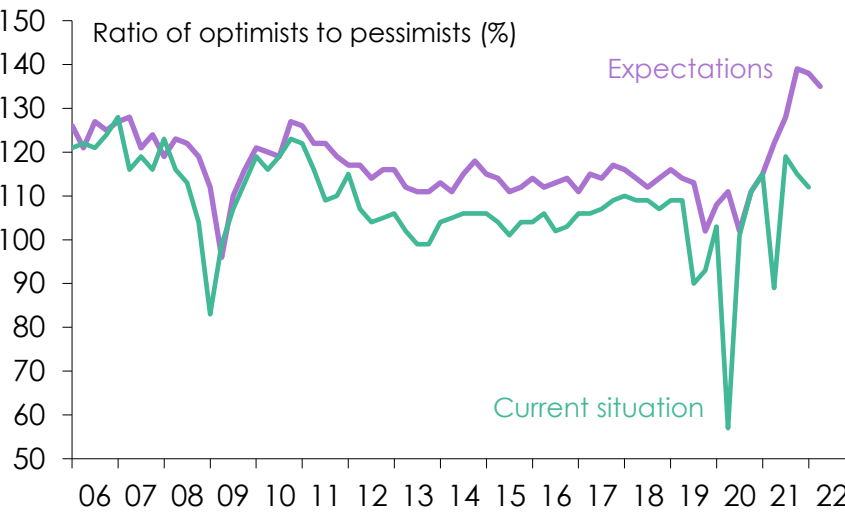
Consumer confidence



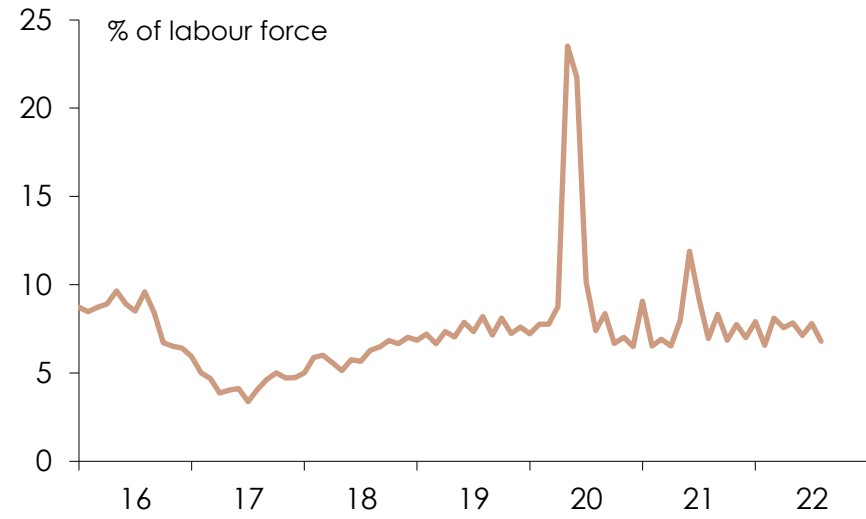
Contributions to real GDP growth



Industrial sector sentiment



Unemployment rate

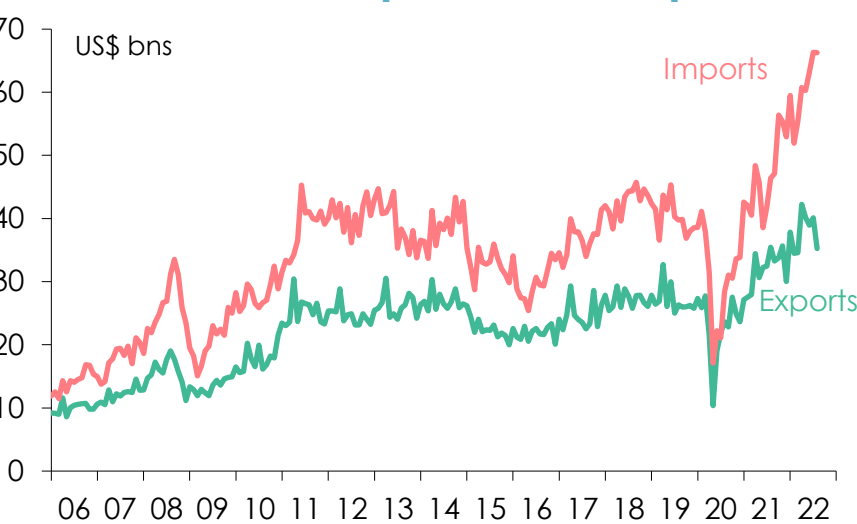


Sources: OECD, [Quarterly National Accounts dataset](#); Government of India, Ministry of Statistics and Programme Implementation, [National Accounts Data](#), and [IIP Data](#); Reserve Bank of India, [Quarterly Industrial Outlook Survey](#) and [Consumer Confidence Survey Bi-Monthly](#); Centre for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

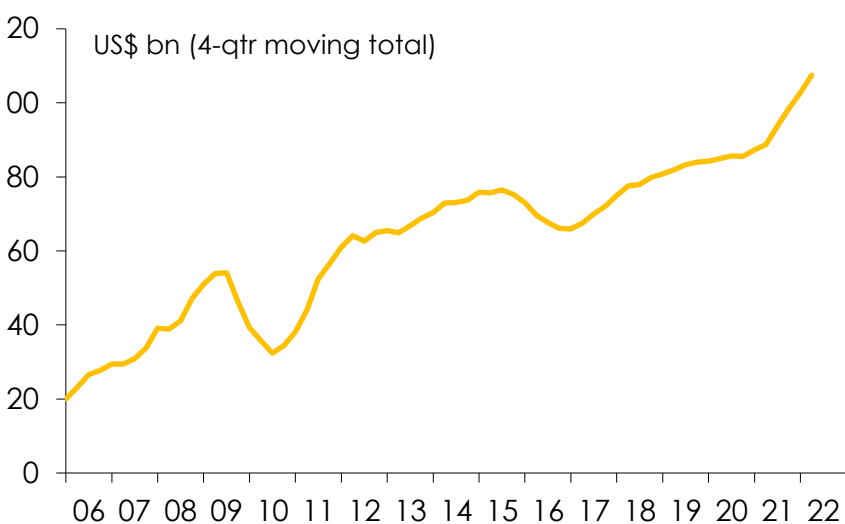
India's merchandise trade deficit has deteriorated sharply due to higher oil prices but its overall external position remains relatively stable

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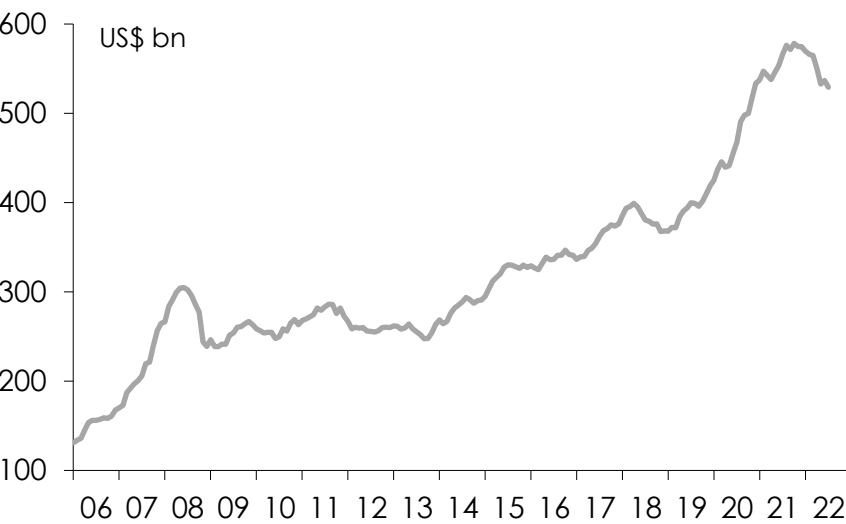
Merchandise exports and imports



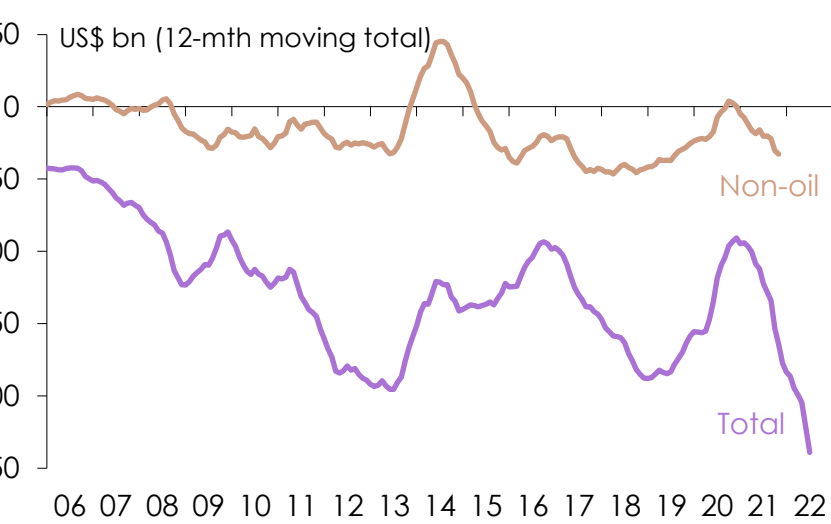
Services trade balance



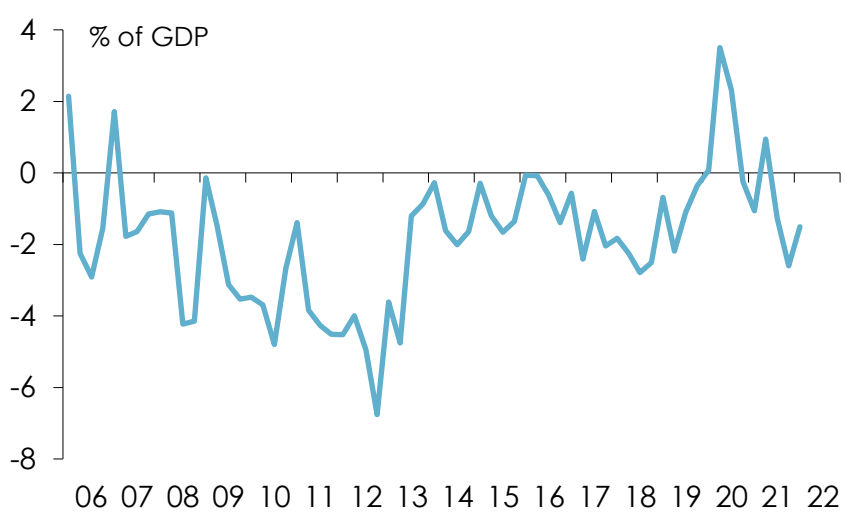
Foreign exchange reserves



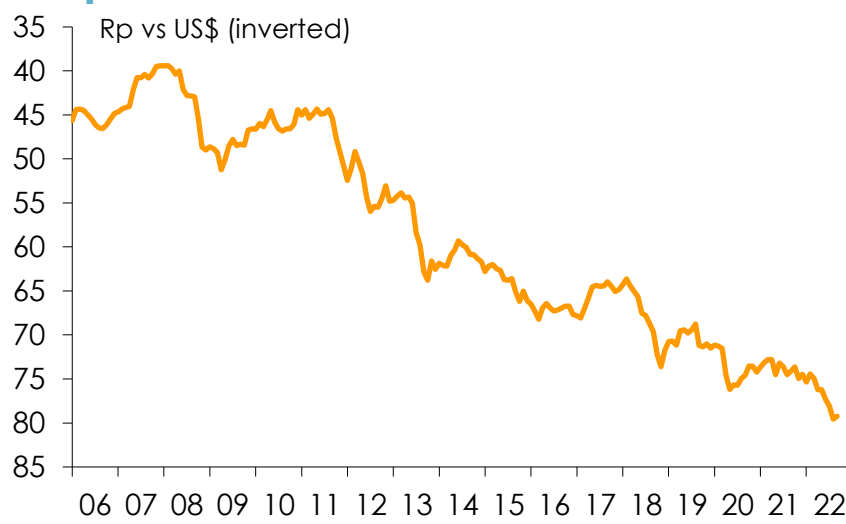
Merchandise trade balance



Current account balance



Rupee vs US dollar

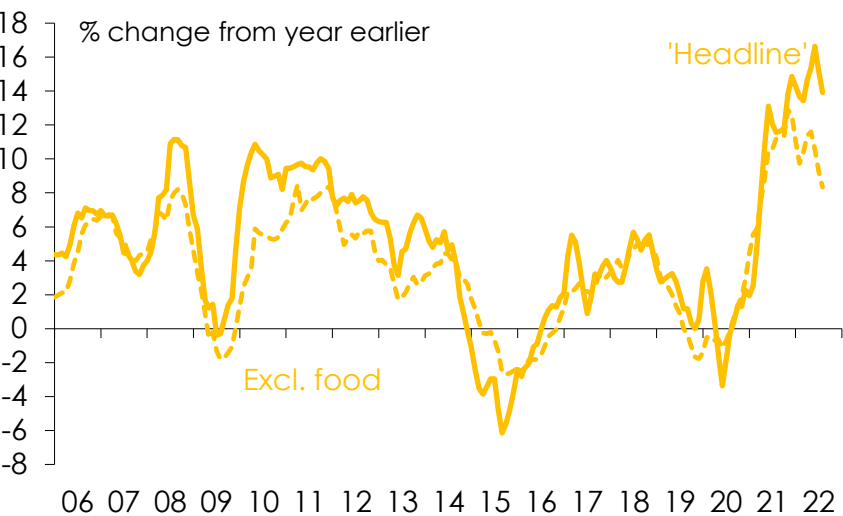


Note: data on trade in oil hasn't been published since December 2021. Sources: Government of India, Ministry of Commerce and Industry, [Trade Statistics](#); Reserve Bank of India, [Special Data Dissemination Standards - Balance of Payments](#) and [Weekly Statistical Supplement - Extract](#); Refinitiv Datastream. [Return to "What's New"](#).

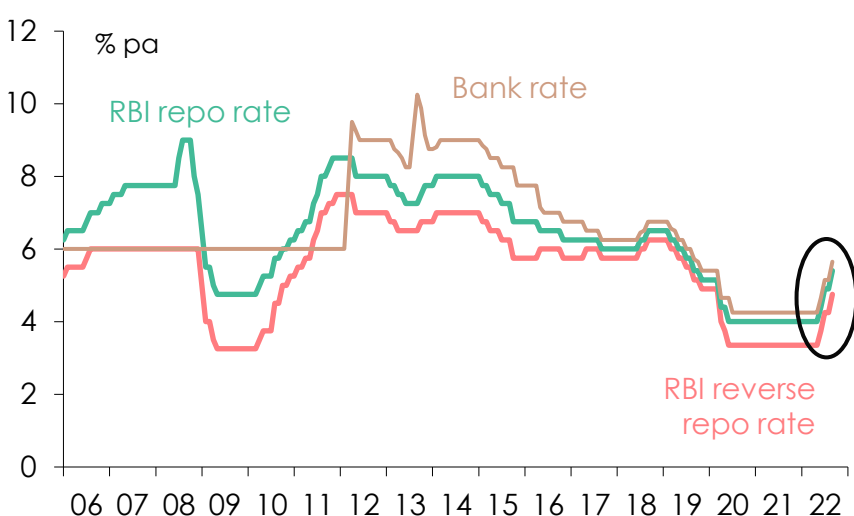
India's consumer prices rose 6.7% over the year to July, down from 7% in May & June, and the peak of 7.8% over the year to April

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

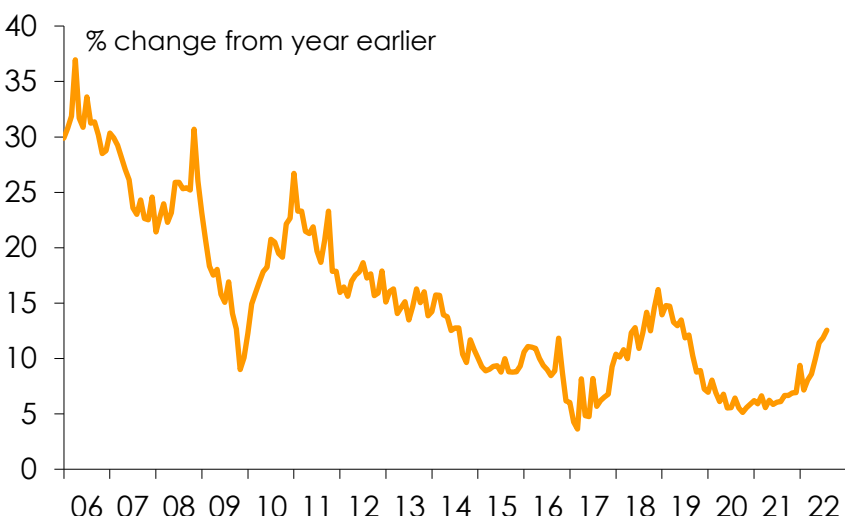
Wholesale prices



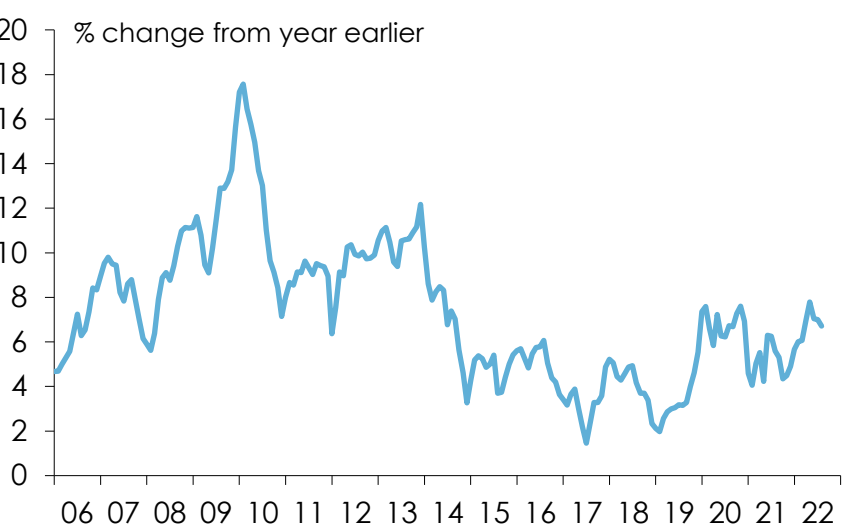
RBI policy interest rates



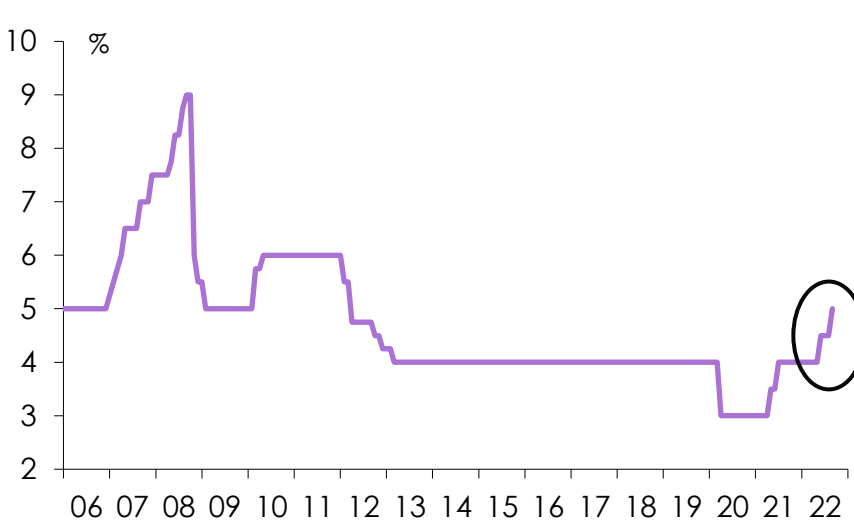
Bank lending



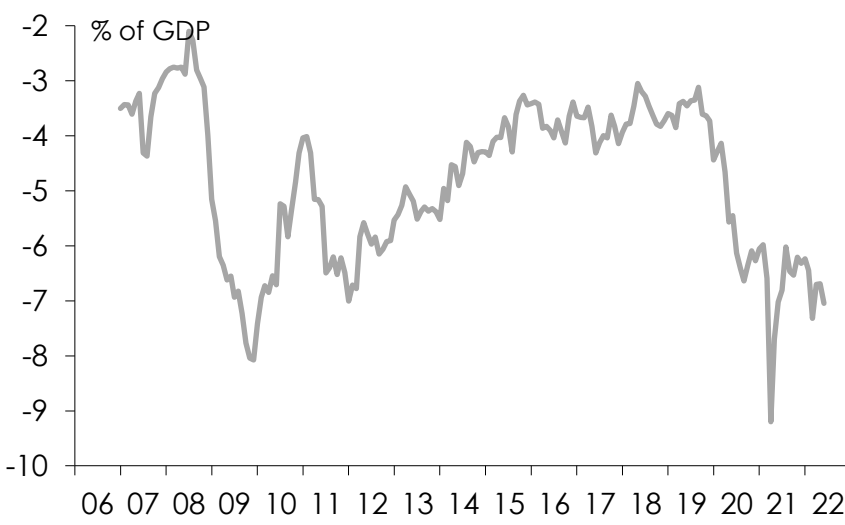
Consumer prices



RBI cash reserve ratio



Central government fiscal balance



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

Canada, Australia and New Zealand

As expected, the RBNZ lifted its cash rate another 50bp, to 3%, and foreshadowed a peak of around 4% in the second half of next year

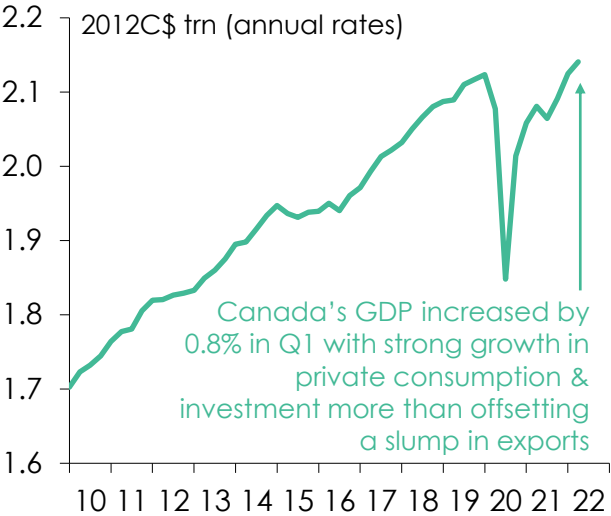
THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

- ❑ The [Reserve Bank of New Zealand](#) raised its official cash rate another 50bp, to 3.0%, at its Monetary Policy Committee meeting on 17th August – the eighth increase, for a total of 275bp, since October last year ([slide 112](#))
 - in the [Monetary Policy Statement](#) issued after the meeting, the RBNZ forecast a slower decline in ‘headline’ inflation next year (to 3.8% by Q4, up from 2.6% previously), and also lifted its projection for the peak in the OCR in the second half of next year to 4.10% (from 3.95%)
 - the Statement indicates that the MPC considered “more rapid increases” in the OCR “in order to improve the credibility of the inflation target” but concluded that “maintaining the recent pace of tightening remains the best means” of meeting the target
- ❑ The [Reserve Bank of Australia](#) raised its cash rate another 50 basis points, to 1.85%, at its Board meeting on 2nd August, and [foreshadowed](#) “further steps in ... normalizing monetary conditions over the months ahead” ([slide 111](#))
 - in its quarterly [Statement on Monetary Policy](#) released the Friday before last, the RBA raised its forecast for the peak in ‘headline’ inflation to 7¾% in Q4, followed by a gradual decline to 3% by Q4 2024, and foreshadowed a slowing in real GDP growth from 3¼% this year to 1¾% through 2023 and 2024, accompanied by a small rise in the unemployment rate from a low of 3¼% in Q4 this year to 4% by Q4 2024
- ❑ The [Bank of Canada](#) raised its policy interest rate by a larger-than-expected 100 basis points (the biggest increase since August 1998) at its 13th July Governing Council meeting, to 2.75% ([slide 110](#))
 - [explaining](#) its decision, the Governing Council said that with inflation being “higher and more persistent” than previously expected, “domestic price pressures from excess demand becoming more prominent”, and “more consumers and businesses expecting inflation to be higher for longer, raising the risk that elevated inflation becomes entrenched in price- and wage-setting”, it had decided to “front-load the path to higher interest rates”
 - BoC Governor Tiff Macklem [warned](#) that “interest rates will need to rise further to cool demand and achieve the inflation target”, but expressed confidence that “interest rate increases can cool demand and inflation without choking off growth or causing a surge in unemployment”

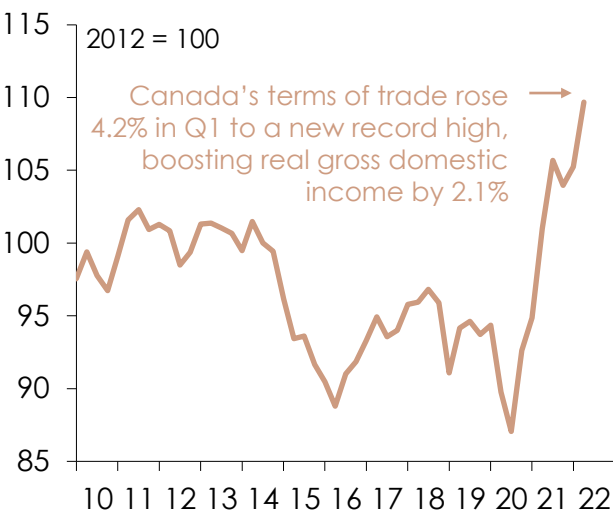
Canada's annual 'headline' inflation rate dropped to 7.6% in July, mainly due to a fall in fuel prices, but 'core' inflation rose to 5.5%

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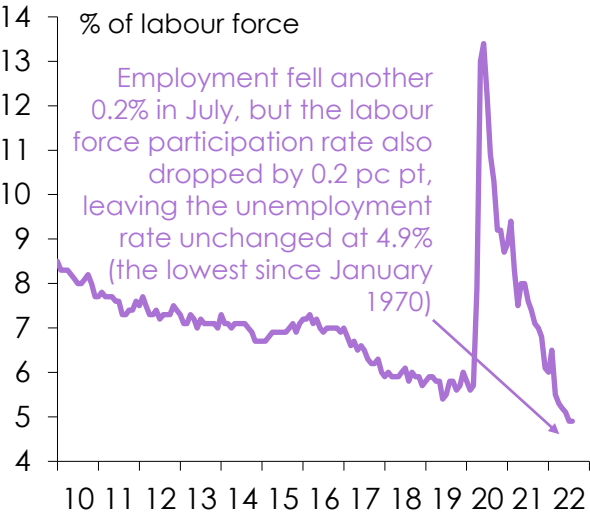
Real GDP



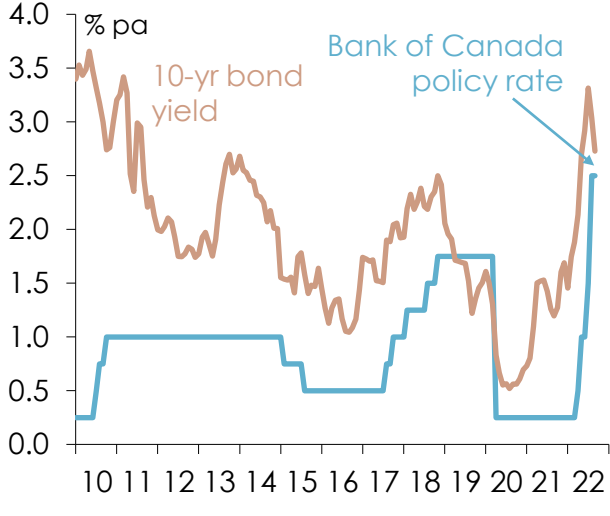
Terms of trade



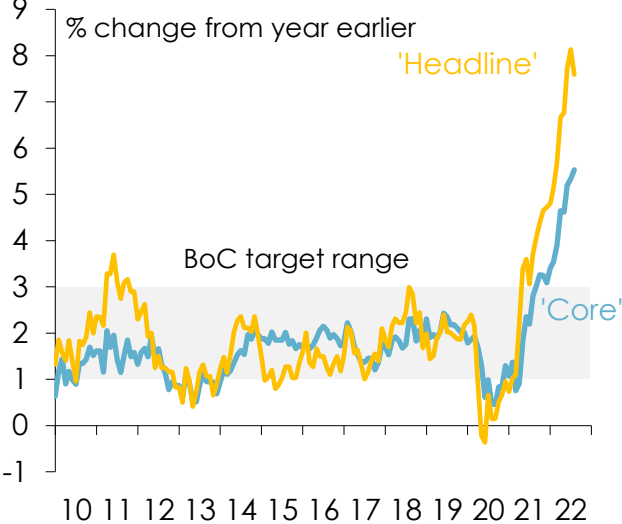
Unemployment



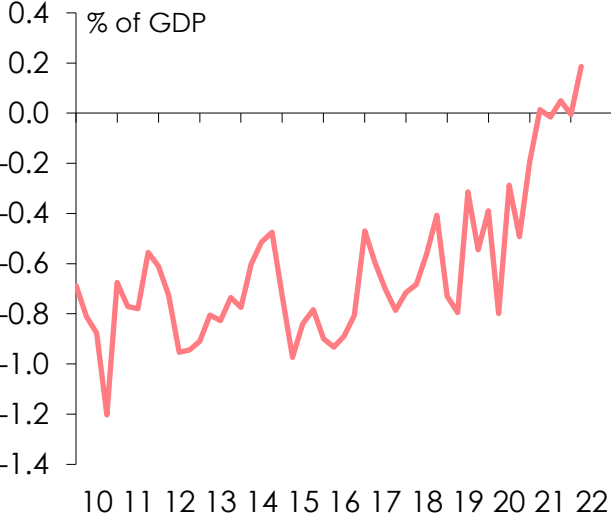
Interest rates



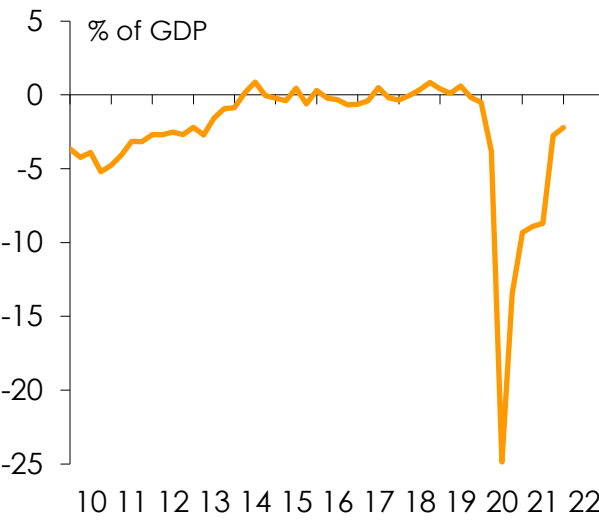
Consumer prices



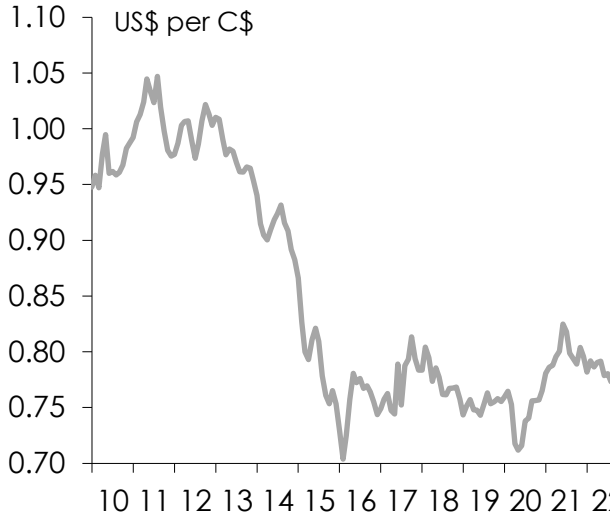
Current account balance



Government net lending



C\$ vs US\$

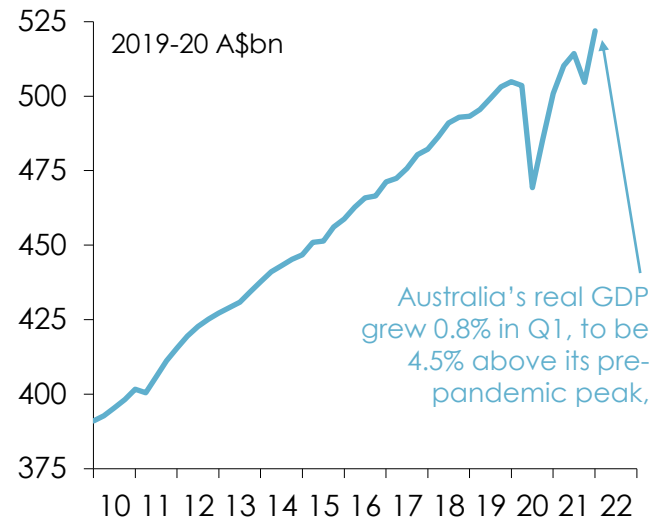


Sources: Statistics Canada, [National Gross Domestic Product \(GDP\) by Income and by Expenditure Accounts](#); [Consumer price index portal](#); [Canada's Balance of International Payments](#); [Labour Statistics](#); Bank of Canada, [Policy Interest Rate](#); Refinitiv Datastream. [Return to "What's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

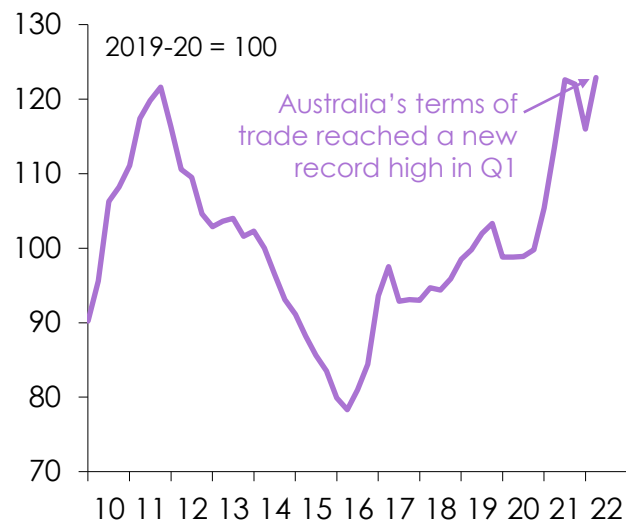
Australia's Reserve Bank raised its cash rate another 50bp at its August meeting, to 1.85%, in what is now the most rapid tightening since 1994

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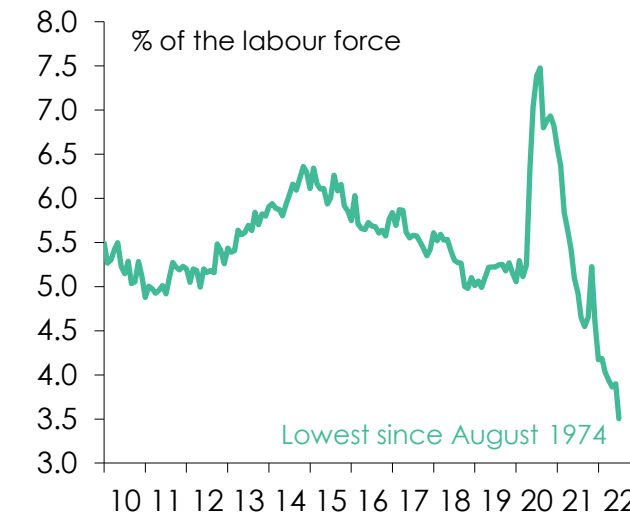
Real GDP



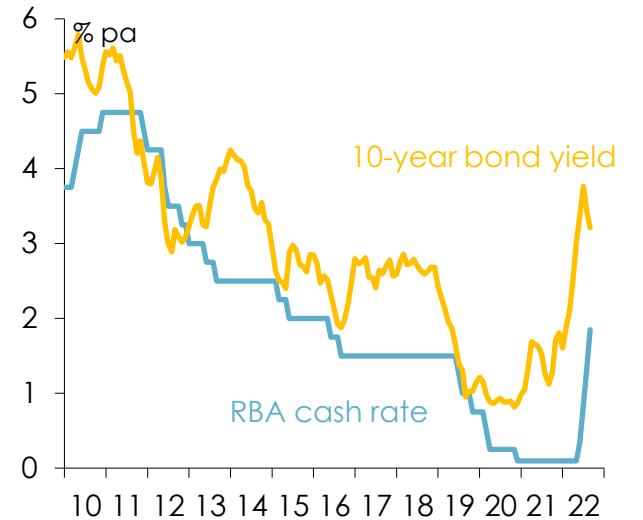
Terms of trade



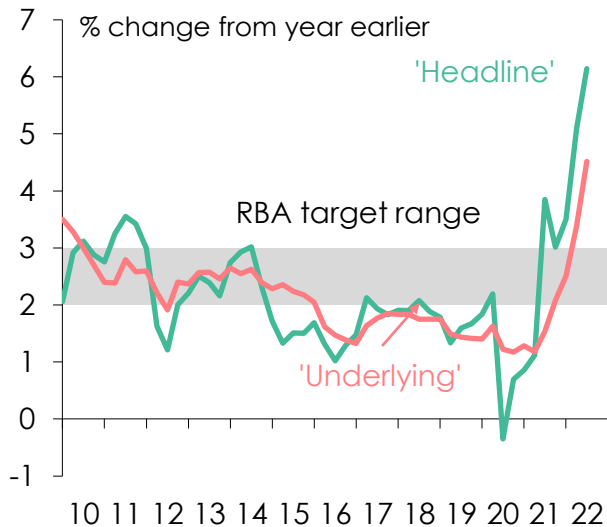
Unemployment



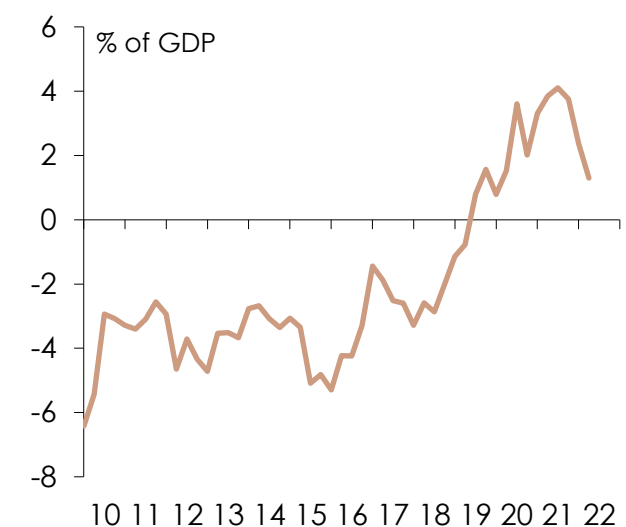
Interest rates



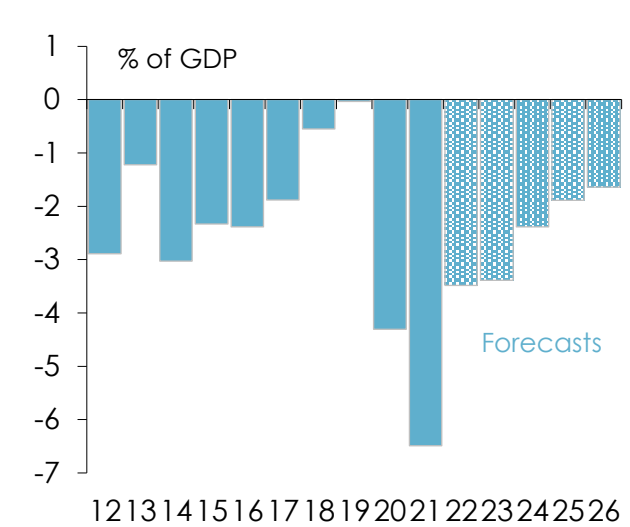
Consumer prices



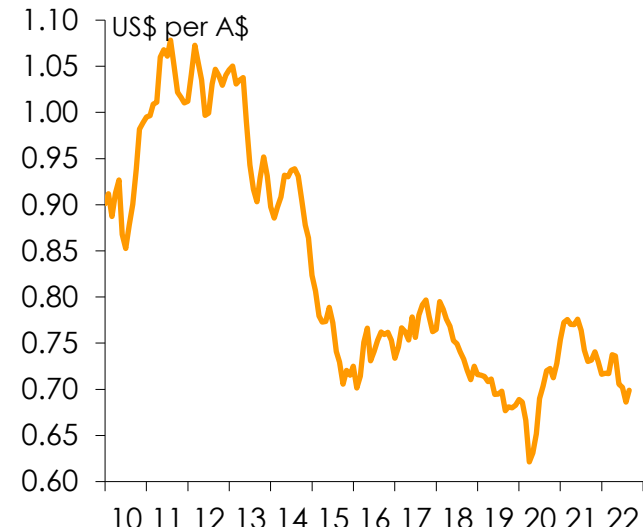
Current account balance



Government cash balance



A\$ vs US\$

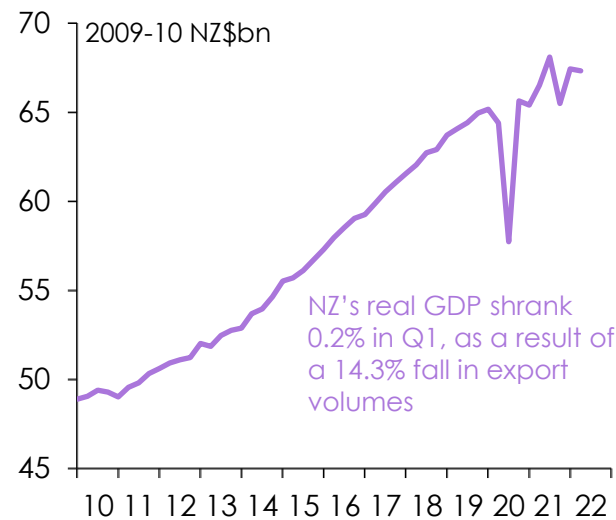


Note: The measure of 'underlying' inflation shown here is the trimmed mean. Government cash balance data are for fiscal years ended 30th June. Sources: Australian Bureau of Statistics, [Australian National Accounts: National Income, Expenditure and Product](#); [Consumer Price Index](#); [Balance of 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"](#).

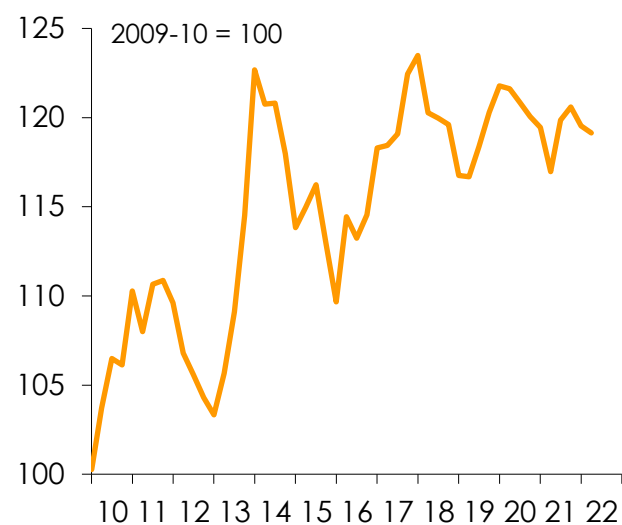
The RBNZ raised its official cash rate another 50 bp, to 3%, last week, and projected a peak of 4% in the second half of next year

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

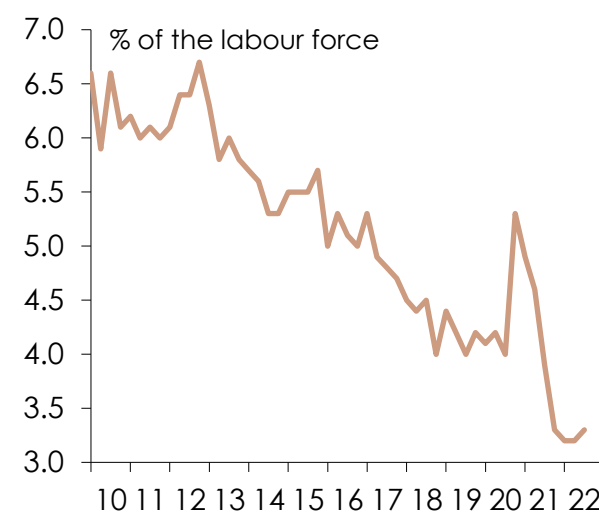
Real GDP



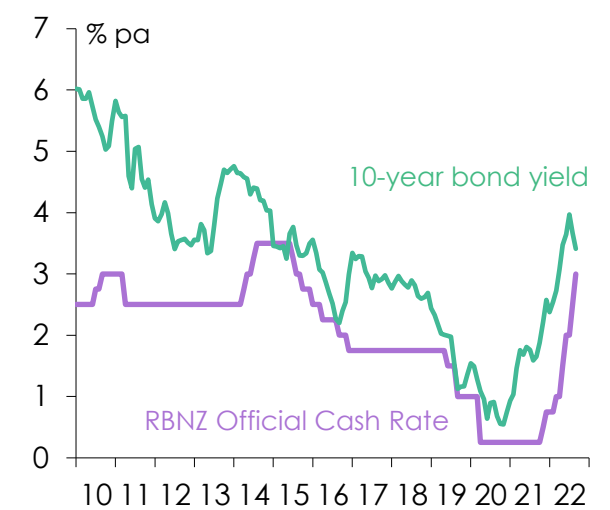
Terms of trade



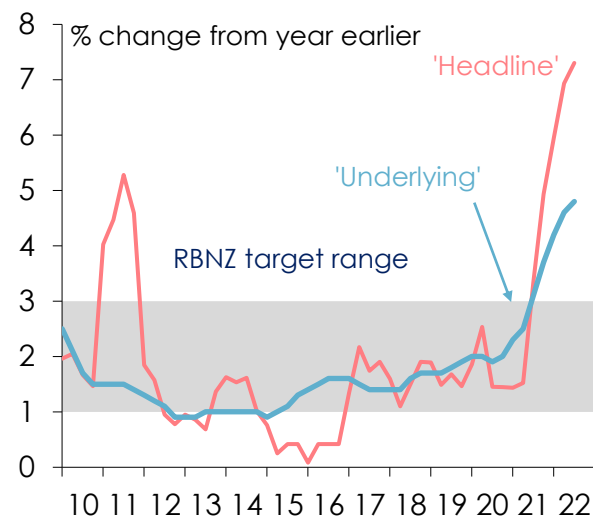
Unemployment



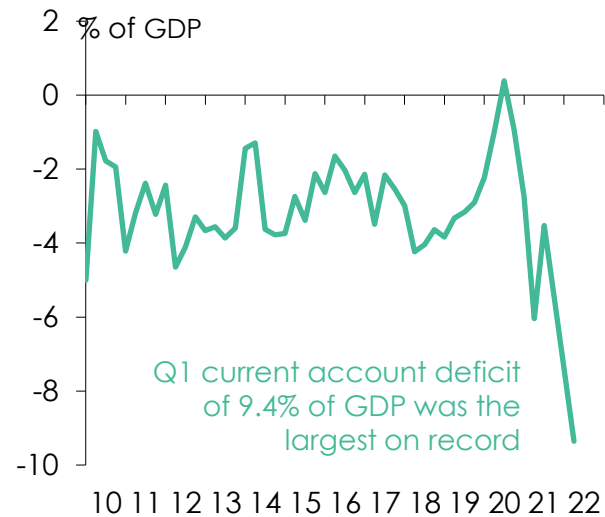
Interest rates



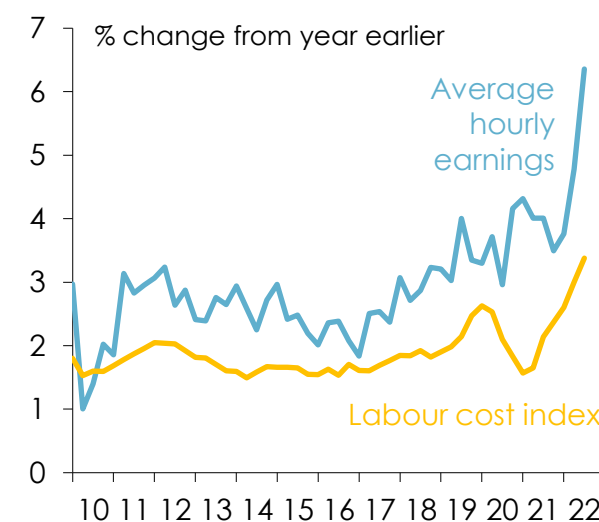
Consumer prices



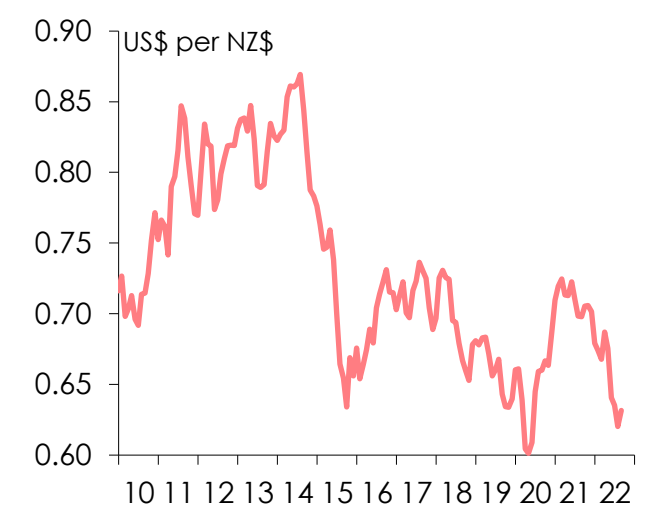
Current account balance



Wages and labour costs



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 \(M1\)](#); Refinitiv Datastream. [Return to "What's New"](#).

The rest of the world

Turkey's central bank cut its policy rate by 100 basis points to 13% last week, despite inflation of almost 80%

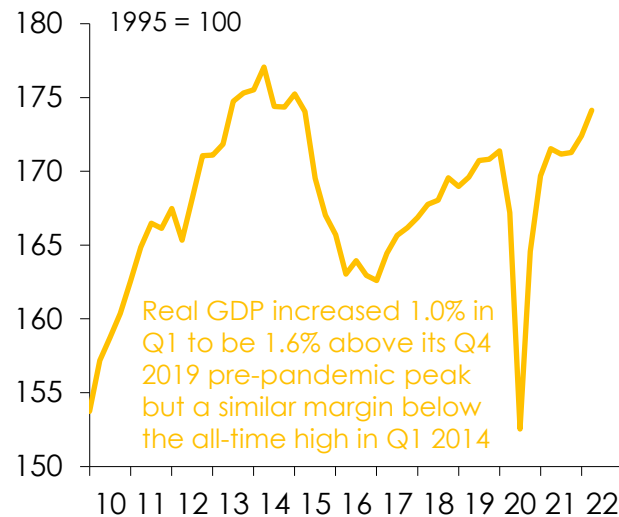
THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

- ❑ **Türkiye Cumhuriyet Merkez Bankası** (Turkey's central bank) unexpectedly cut its main policy interest rate, the one-week repo auction rate, by 100 basis points, to 13%, at its Monetary Policy Committee meeting last Wednesday
 - the rate cut came despite Turkey's annual headline and core inflation rates having increased to 79.6% and 68.5%, respectively, in July ([slide 121](#)) and echoes the 500 basis points of rate cuts implemented between September and December last year (under pressure from Turkey's President Erdoğan) while inflation was accelerating from 19% to 36%
 - in its post-meeting [press release](#) the Committee sought to justify the rate cut by asserting that it expected a “disinflation process to start on the back of measures taken and decisively implemented for strengthening sustainable price and financial stability along with the resolution of the ongoing regional conflict” ...
 - ... and also cited “leading indicators for the third quarter point[ing] to some loss of momentum in economic activity” ...
 - which, it said, meant that “it is important that financial conditions remain supportive to preserve the growth momentum in industrial production and the positive trend in employment in a period of increasing uncertainties regarding global growth as well as escalating geopolitical risk”
 - the Committee again re-committed to taking its decisions “in a transparent, predictable and data-driven framework”
- ❑ The Turkish lira has fallen by 54% against the US dollar and 46% against the euro since CMB started cutting rates last September
- ❑ **Banco Central del Uruguay** raised its monetary policy rate by 50 basis points, to 10.25%, at a Monetary Policy Committee meeting on Monday
 - this was the ninth increase, for a total of 575 basis points, since August last year ([slide 120](#)), and according to BCU's post-meeting [communique](#) “pushes deeper into the contractionary phase of monetary policy” in response to “rigidity in inflation forecasts”
 - BCU “expects to continue with similar increases in the next meetings”, anticipating that this will “lead to convergence of inflation expectations towards the target by the end of the year”, but committed to “push deeper into the contractionary phase of monetary policy” if that doesn't happen

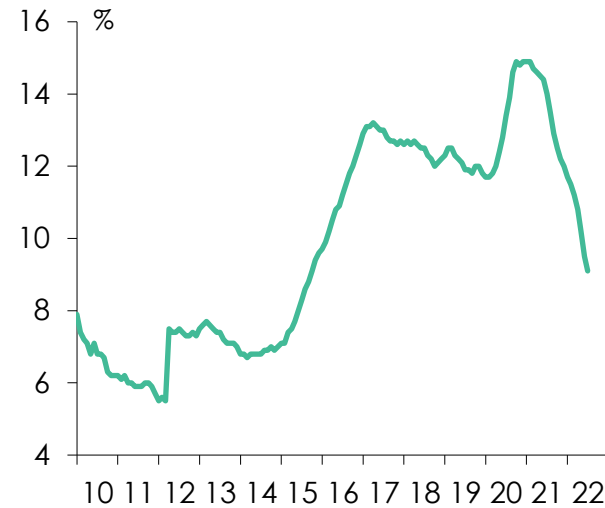
Brazil's annual inflation rate dropped again in July to 10.1%, the lowest in a year, from a peak of 12.5% in April

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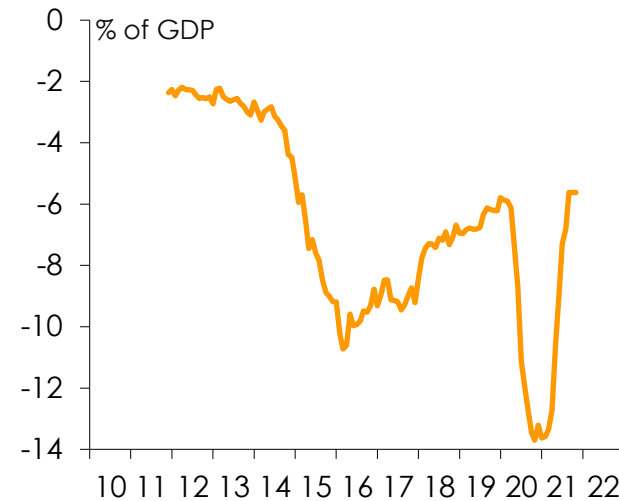
Real GDP



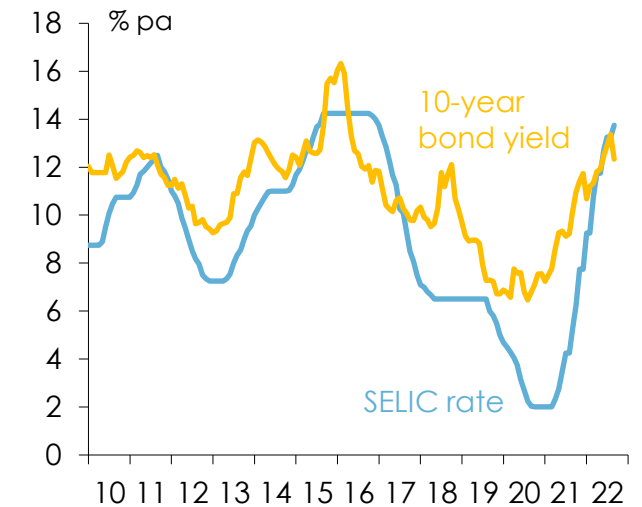
Unemployment



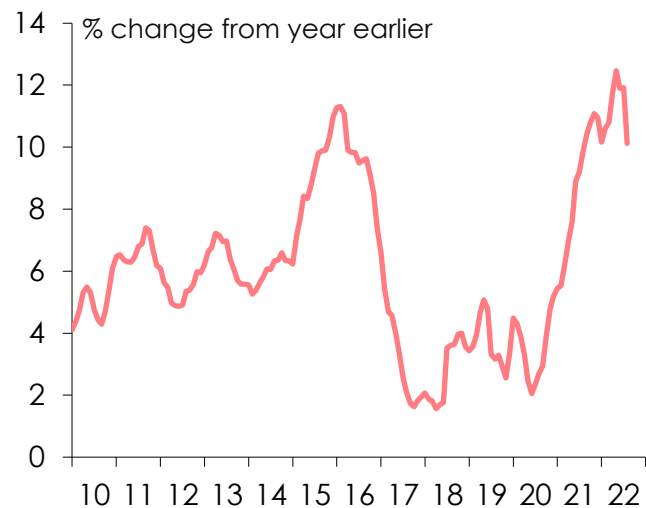
Public sector borrowing



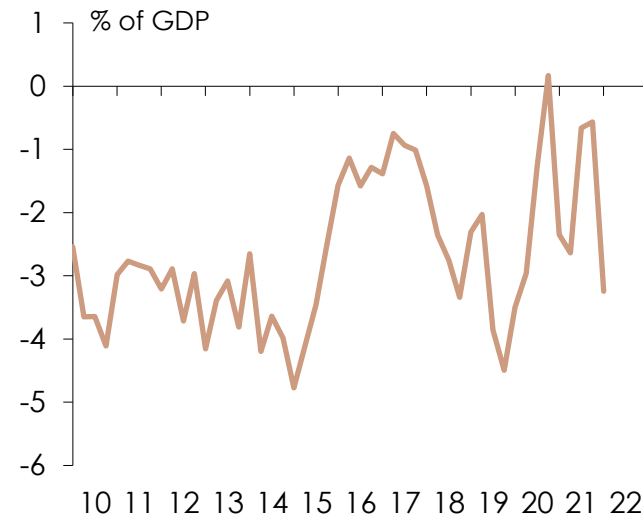
Interest rates



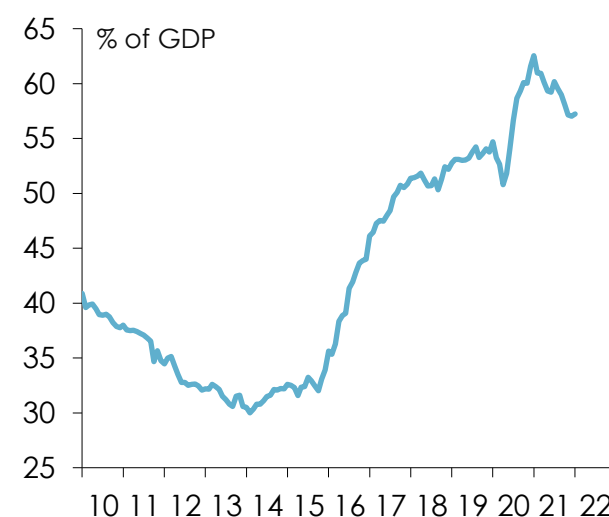
Inflation



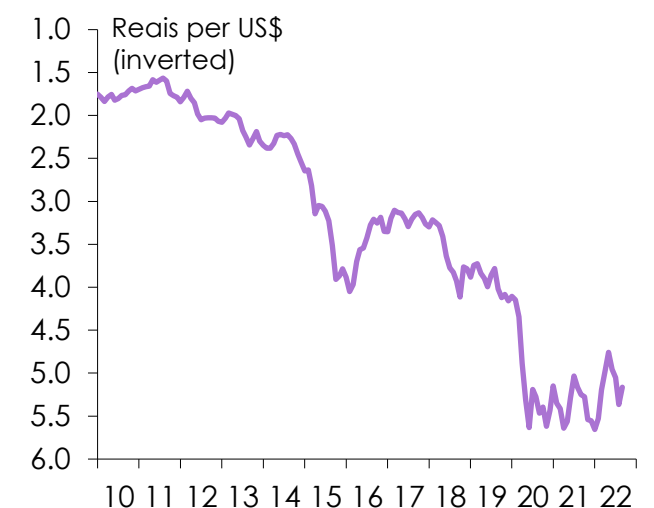
Current account balance



Public sector net debt



Brazilian real vs US\$

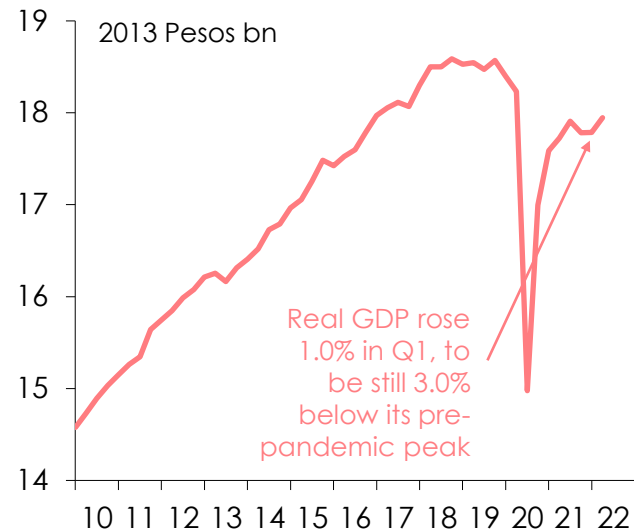


Sources: [Instituto Brasileiro de Geografia e Estatística](#) (IBGE); [Banco Central do Brasil](#); Refinitiv Datastream. [Return to "What's New"](#).

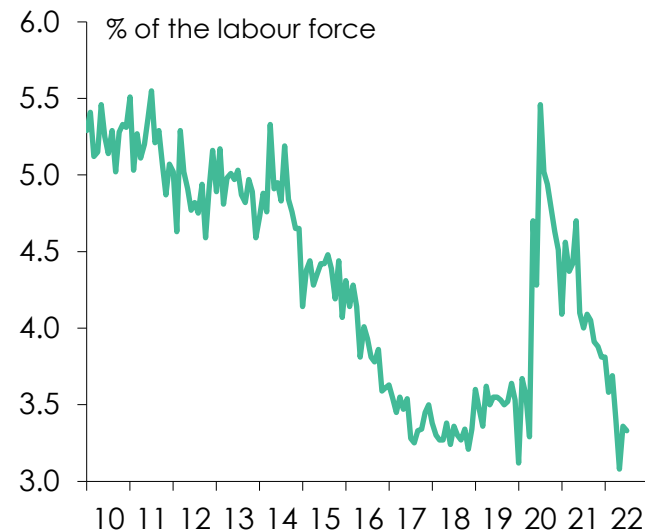
Banco de Mexico raised its overnight rate another 75bp to 8.5%, the highest since November 2005

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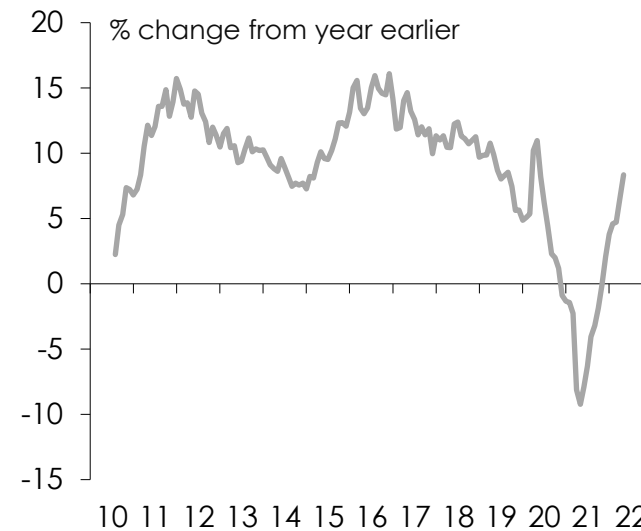
Real GDP



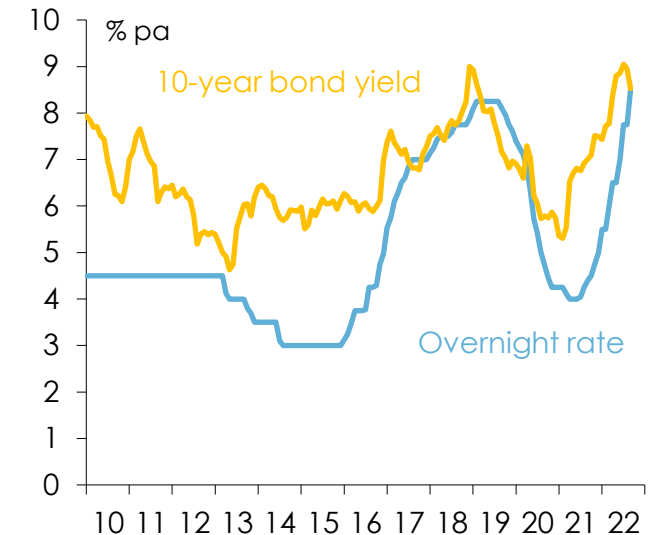
Unemployment



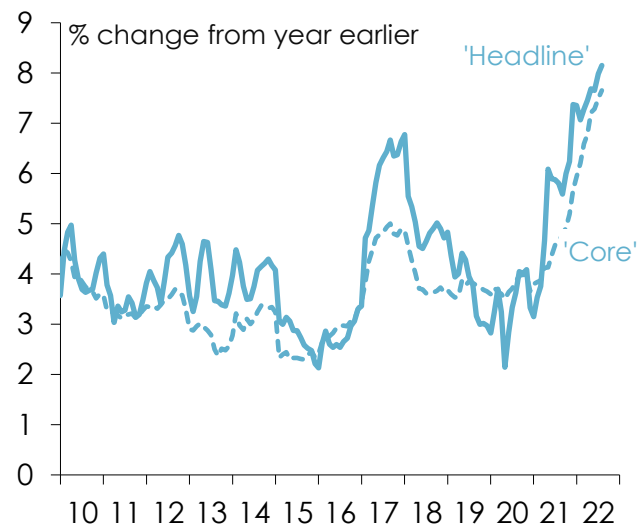
Bank lending



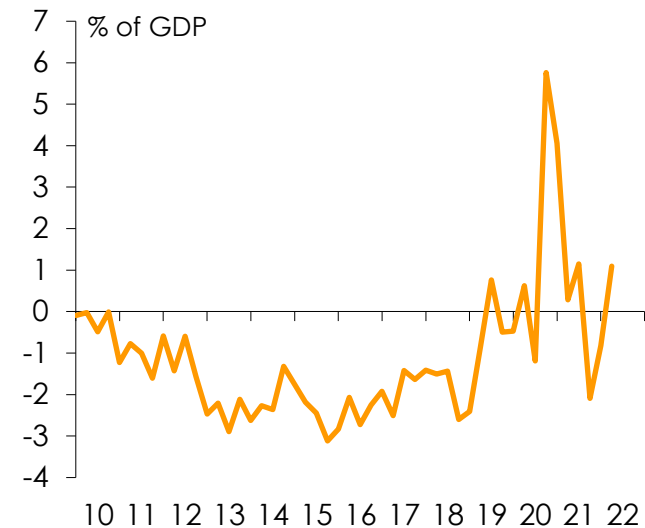
Interest rates



Inflation



Current account balance



Federal budget deficit



Mexican peso vs US\$

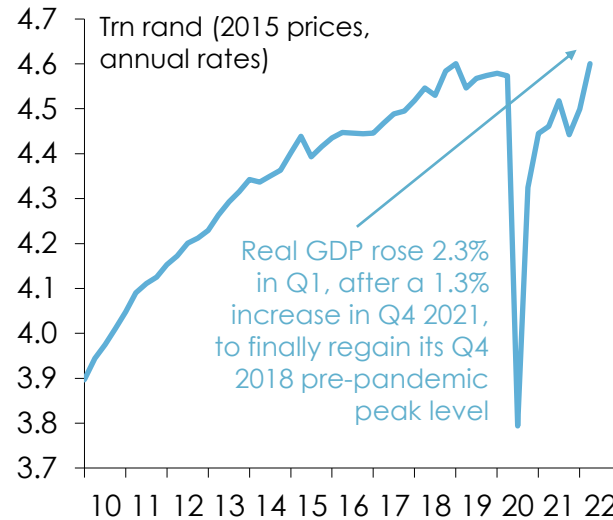


Sources [Banco de México](#); [Instituto Nacional de Estadística y Geografía \(INEGI\)](#); Refinitiv Datastream.. [Return to "What's New"](#).

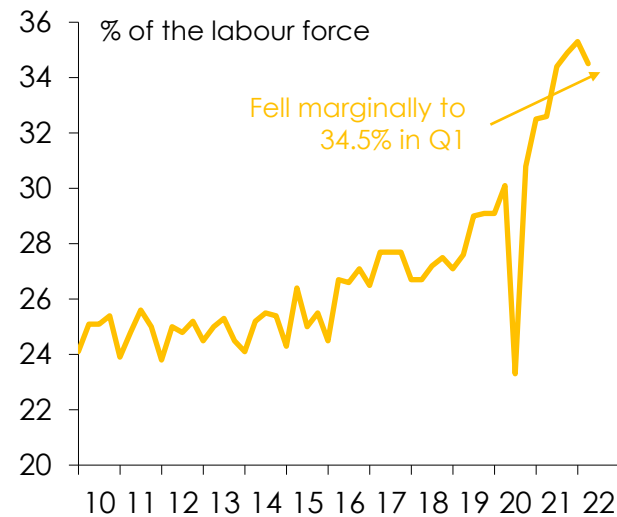
South Africa's Reserve Bank raised its repo rate by 75bp (the largest increase in 20 years), to 5.5%, last month

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

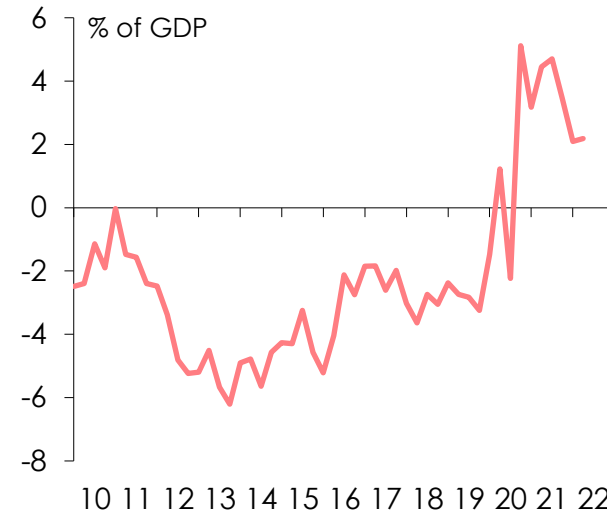
Real GDP



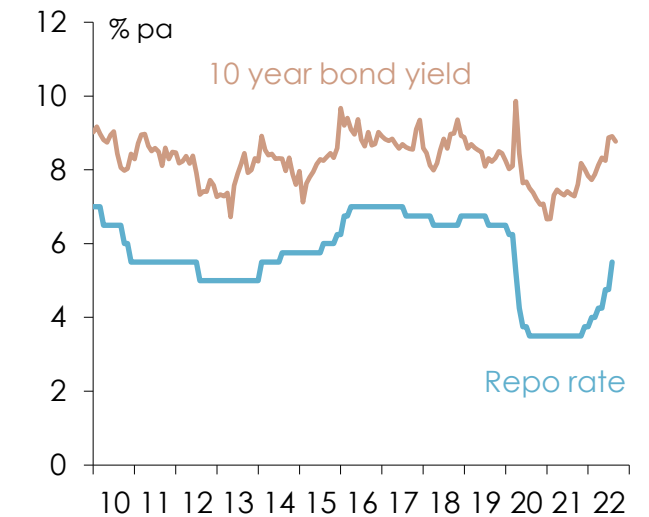
Unemployment



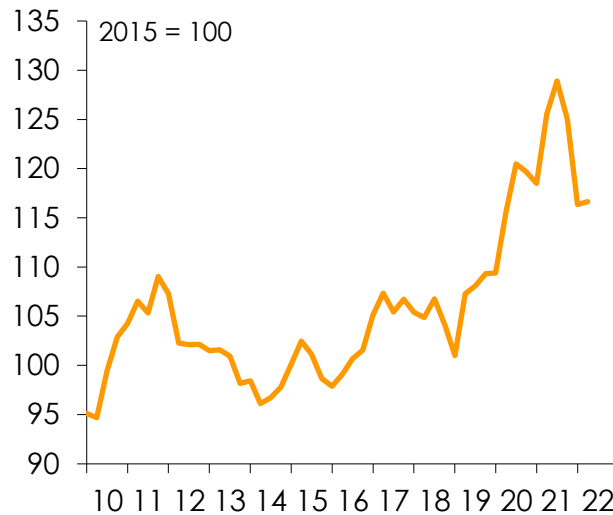
Current account balance



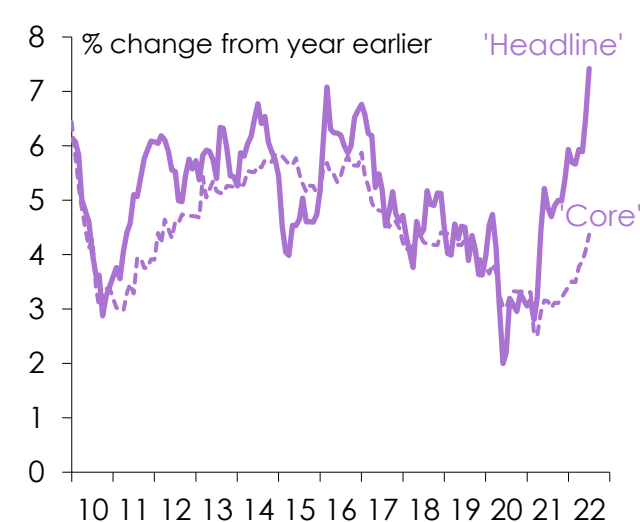
Interest rates



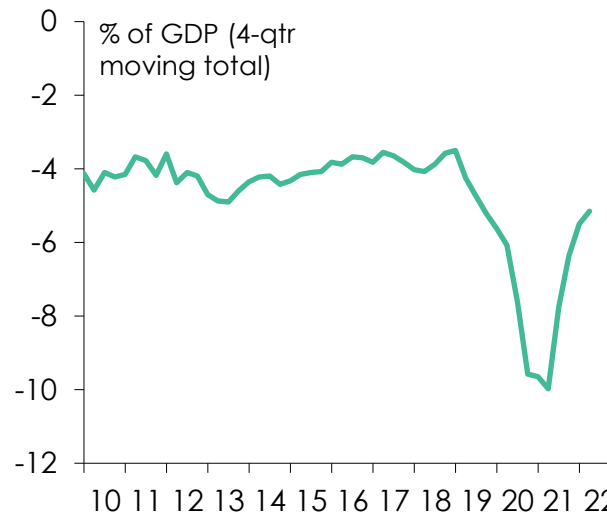
Terms of trade



Inflation



Budget deficit



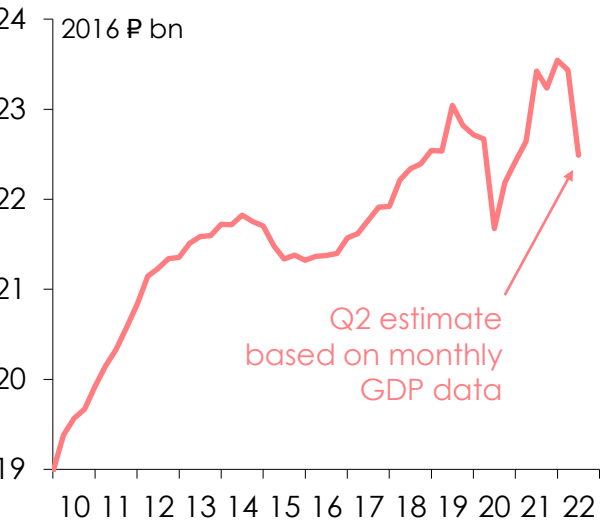
Rand vs US\$



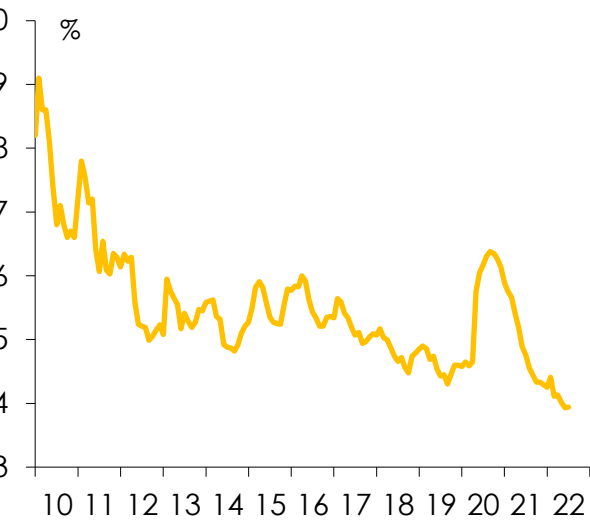
Russia's annual inflation rate fell to 15.1% in July, down from a peak of 17.9% in April

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

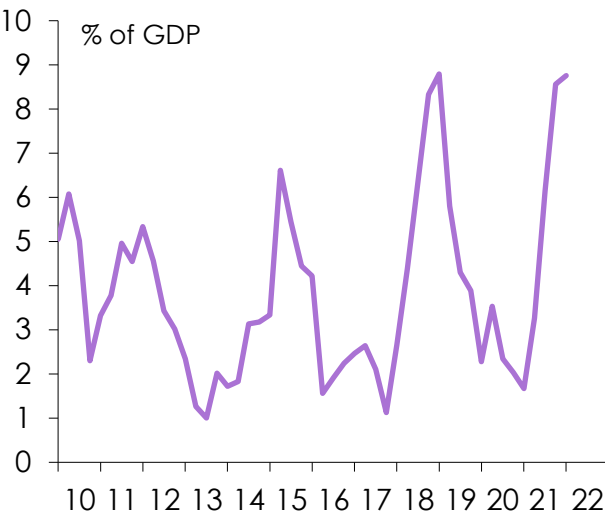
Real GDP



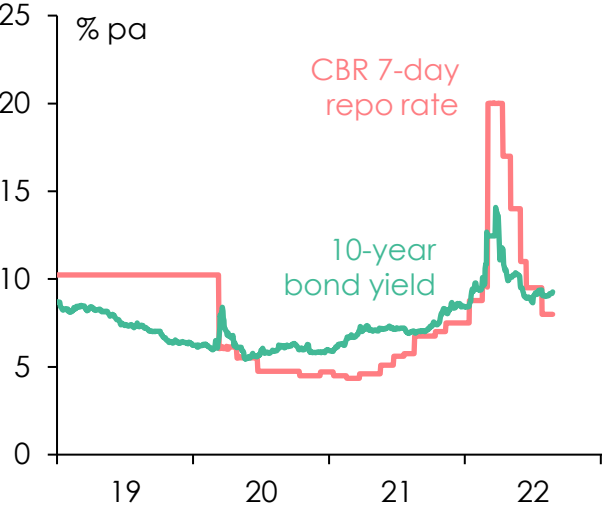
Unemployment



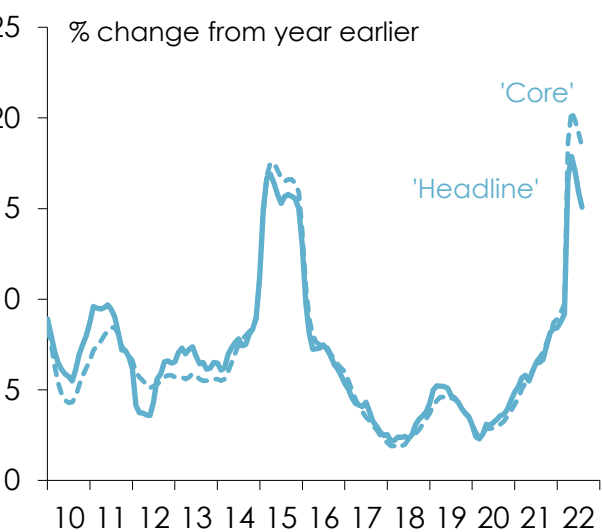
Current account balance



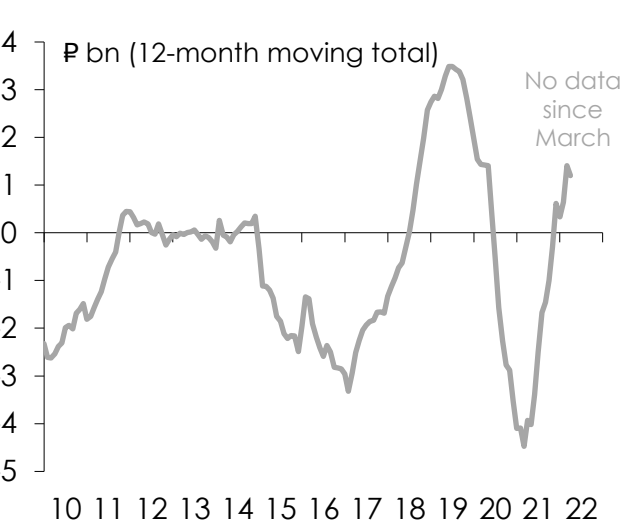
Interest rates



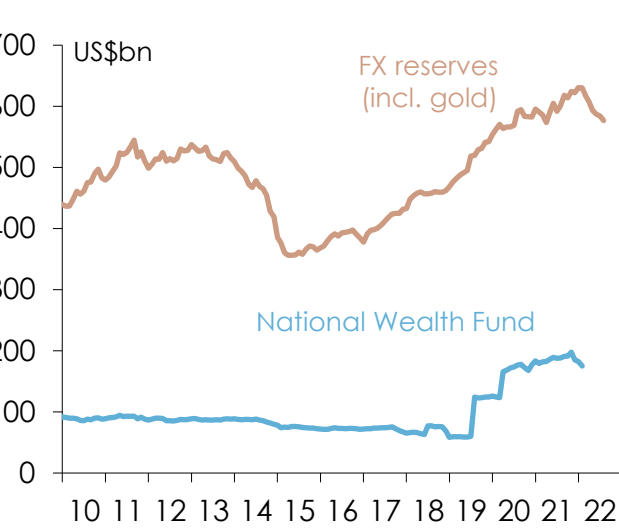
Inflation



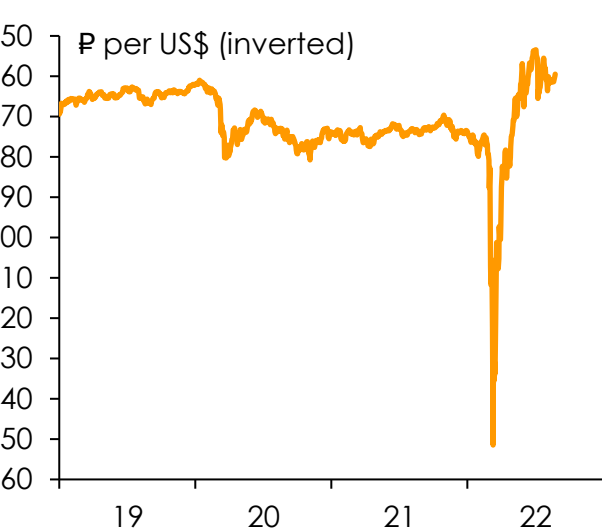
Federal budget balance



State financial assets



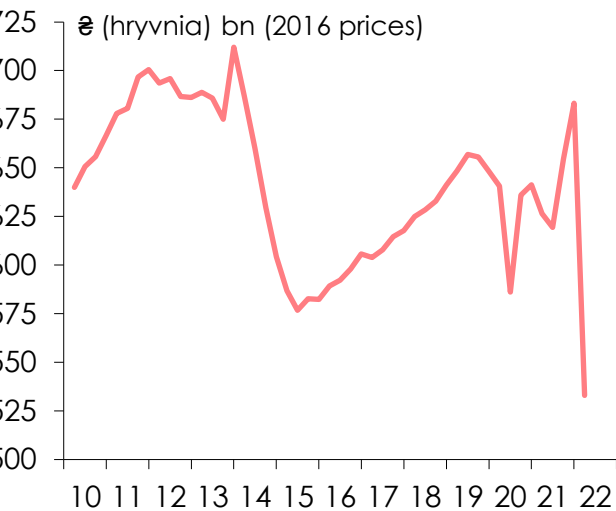
Russian ruble vs US\$



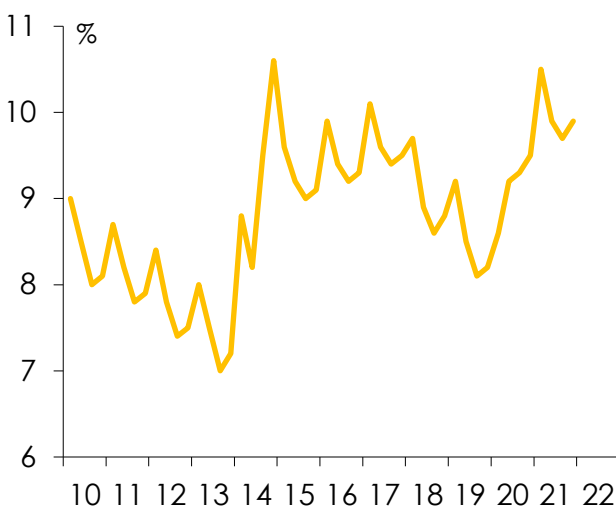
Ukraine devalued its currency by 25% against the US\$ last month in view of the “change in the fundamental characteristics of Ukraine’s economy”

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

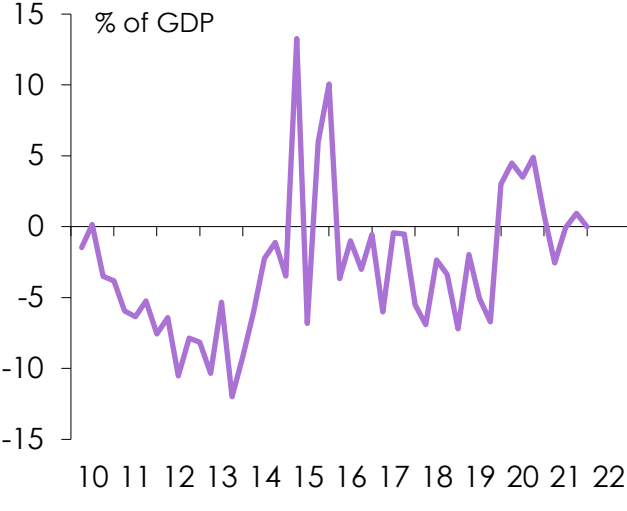
Real GDP



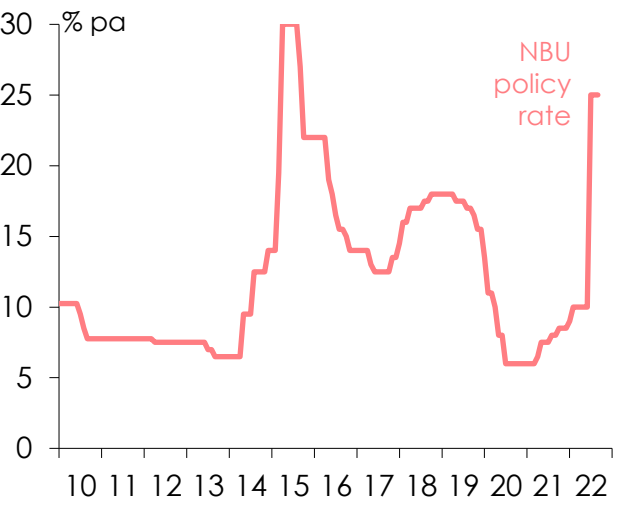
Unemployment



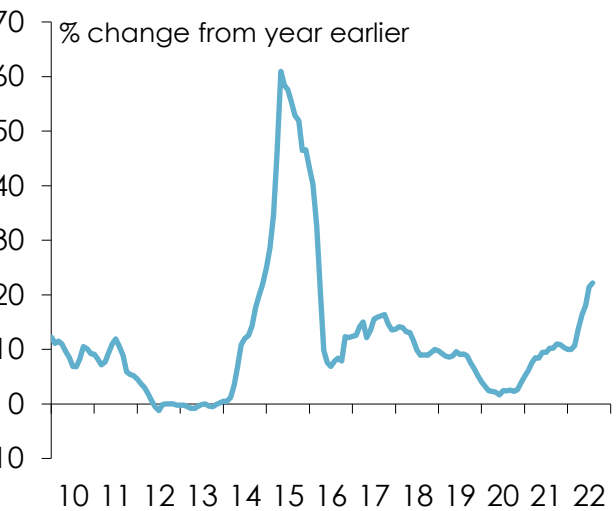
Current account balance



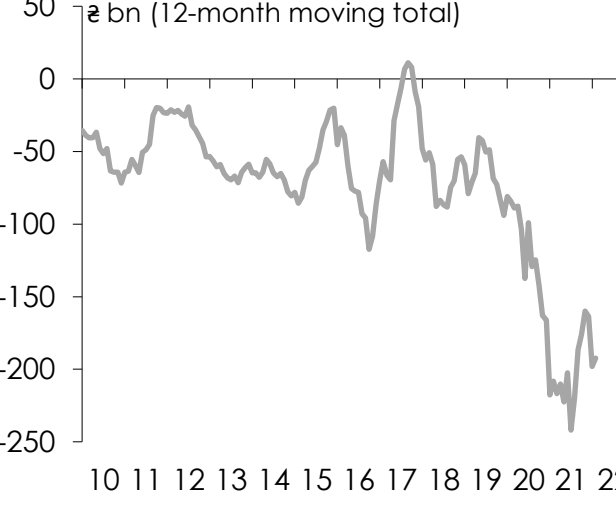
Interest rates



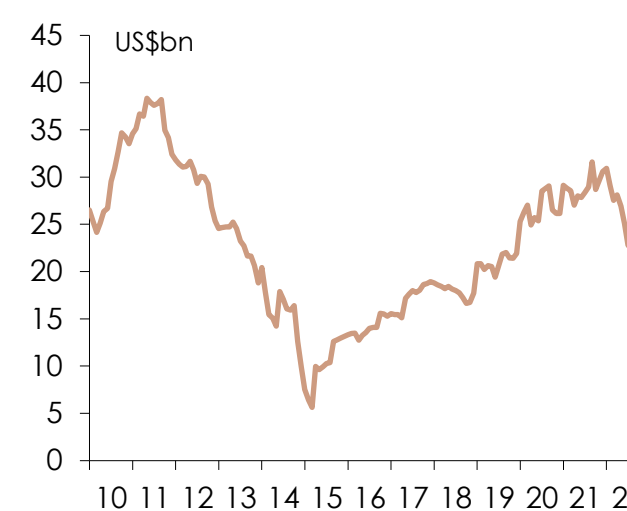
Inflation



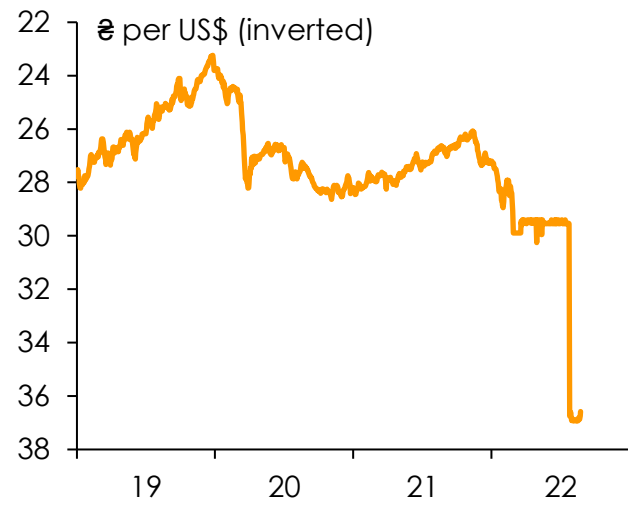
Budget deficit



FX reserves



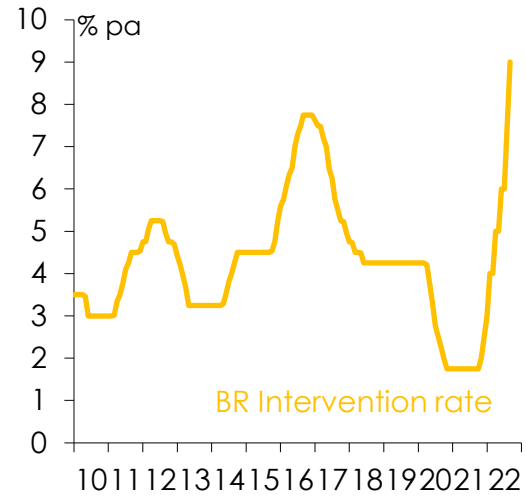
Ukrainian hryvnia vs US\$



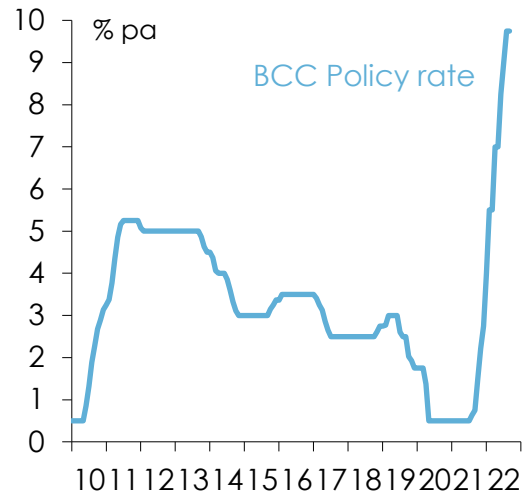
Central banks in Latin America, Central & Eastern Europe, and South Asia have been very forceful in tightening monetary policy

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

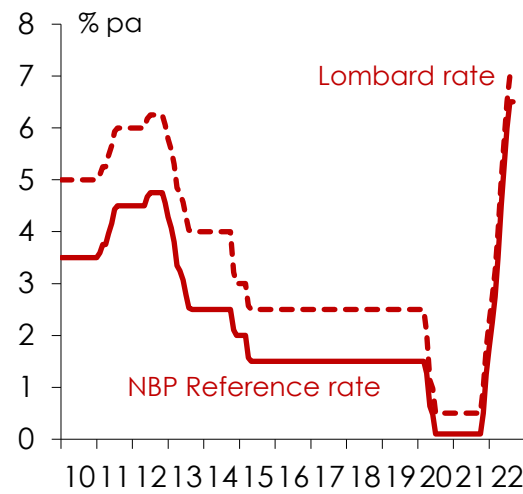
Colombia



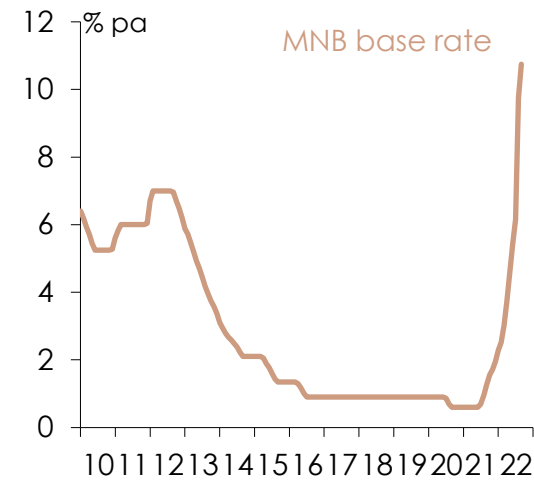
Chile



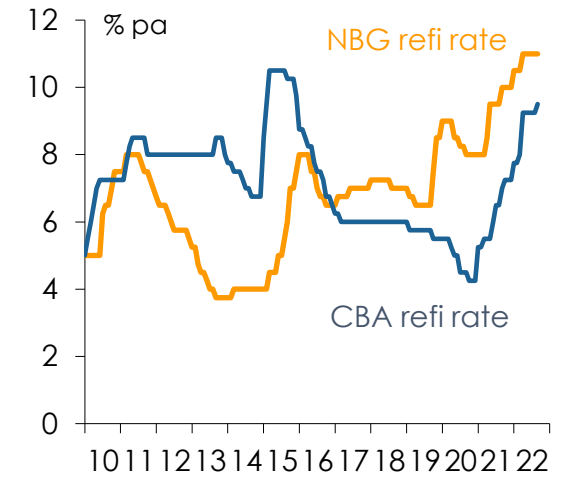
Poland



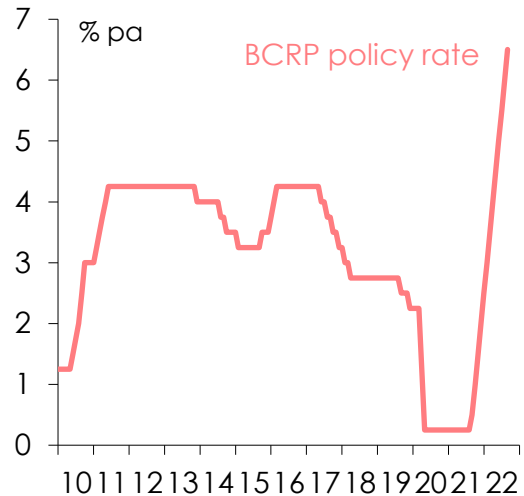
Hungary



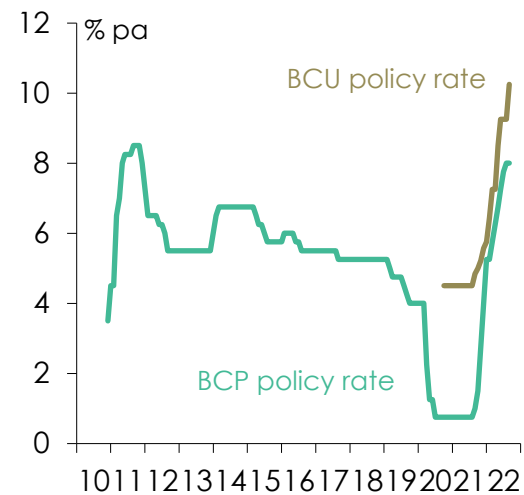
Georgia & Armenia



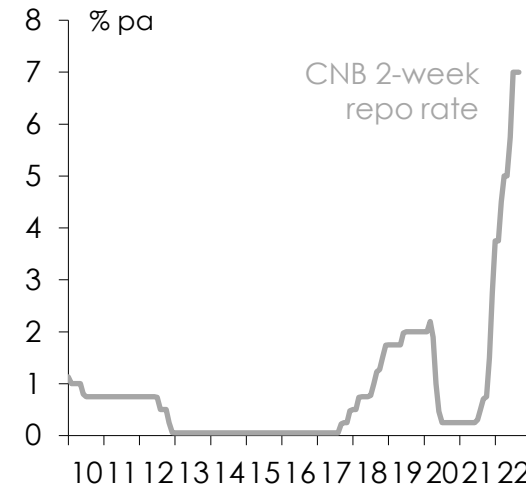
Peru



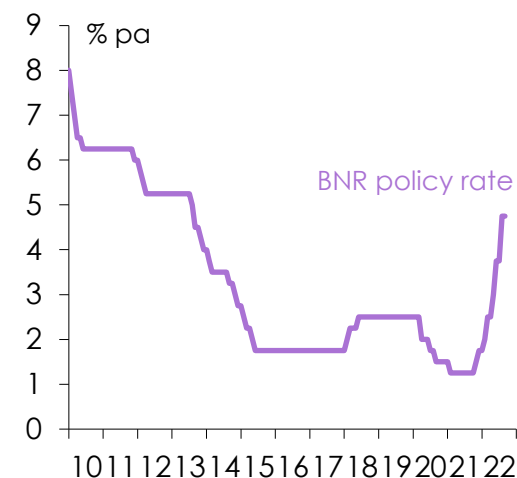
Paraguay & Uruguay



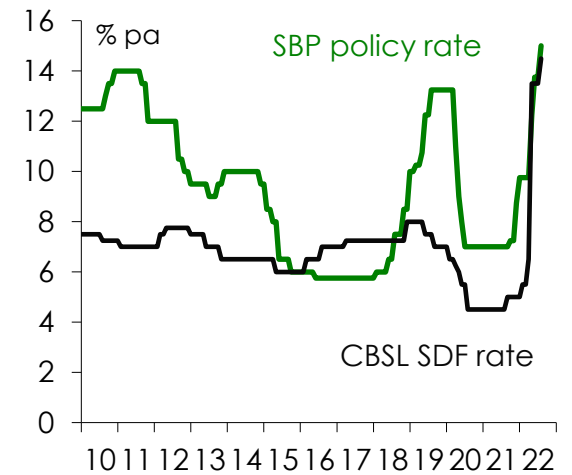
Czech Republic



Romania



Pakistan & Sri Lanka

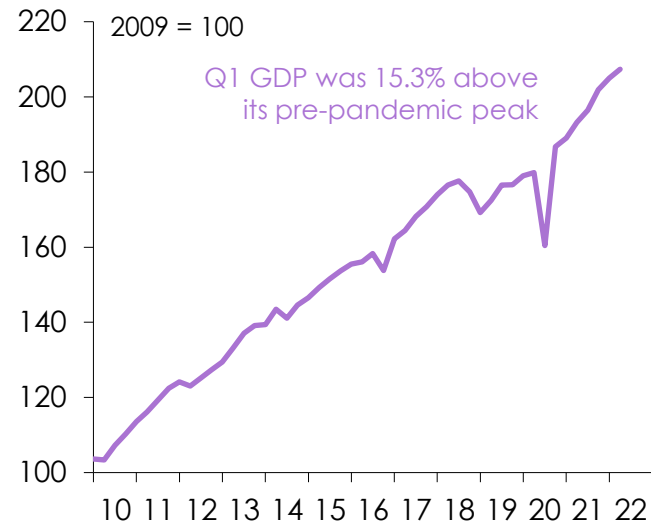


Sources: [Banco de la República Colombia](#); [Banco Central de Reserva del Perú](#); [Banco Central de Chile](#); [Banco Central del Uruguay](#); [Banco Central del Paraguay](#); [Narodowy Bank Polski](#); [Česká Národní Banka](#); [Magyar Nemzeti Bank](#); [Banca Națională a României](#); [Sakartvelos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

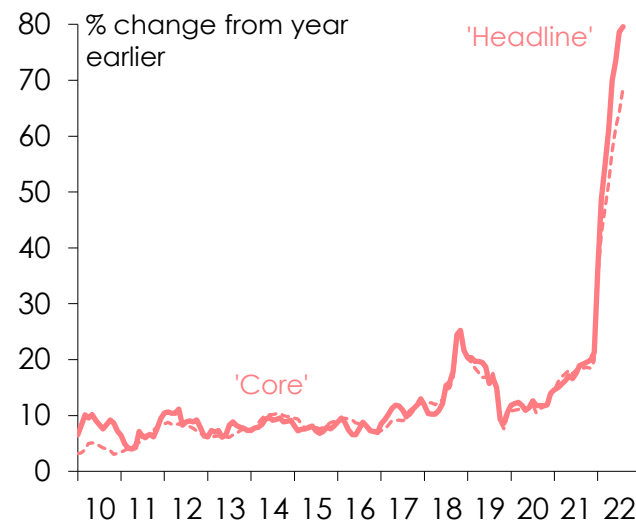
Turkey's central bank last week cut its policy interest rates by 100 bp, despite an annual inflation rate of close to 80%

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

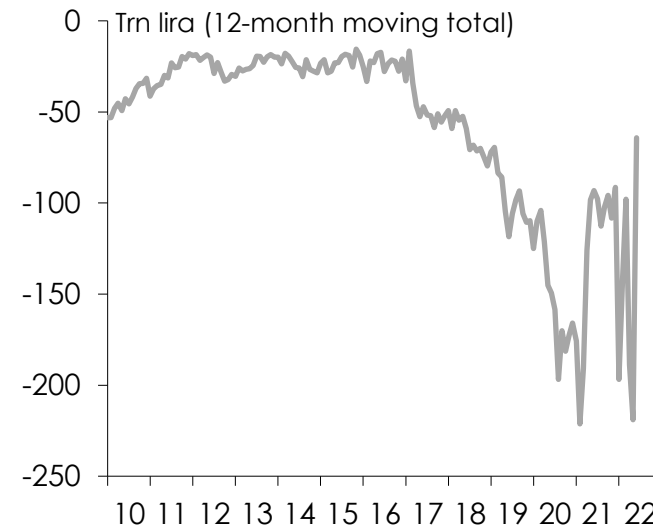
Real GDP



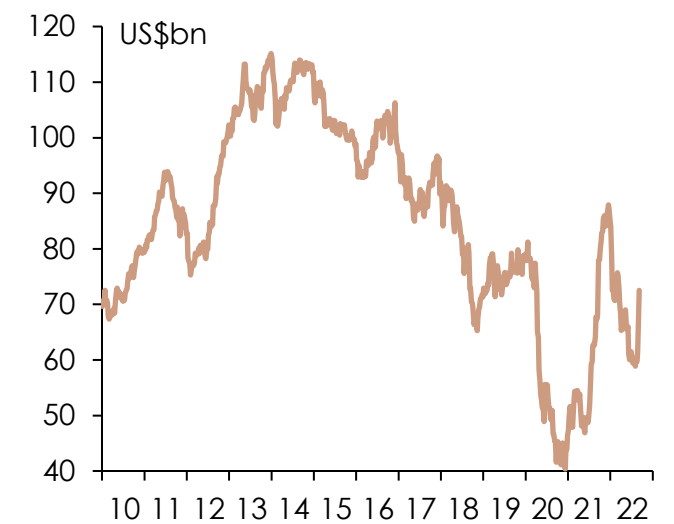
Inflation



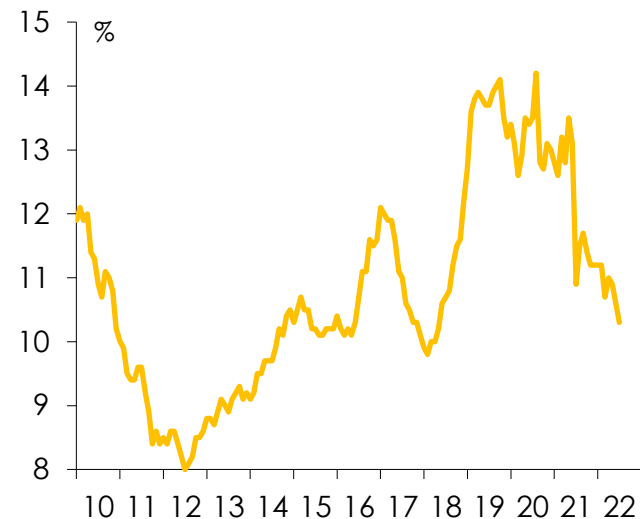
Budget balance



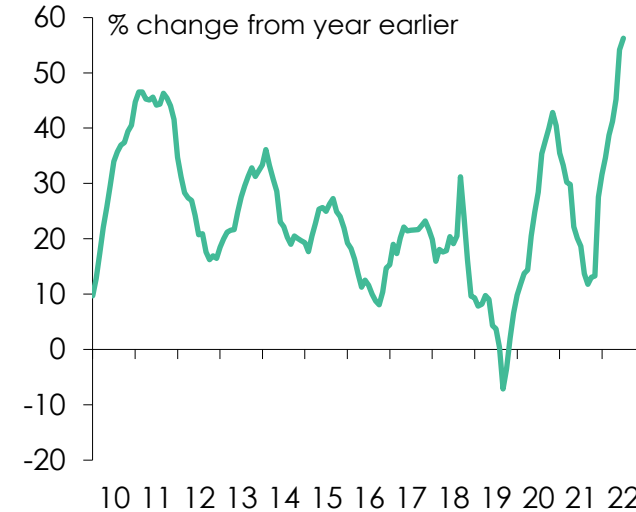
FX reserves



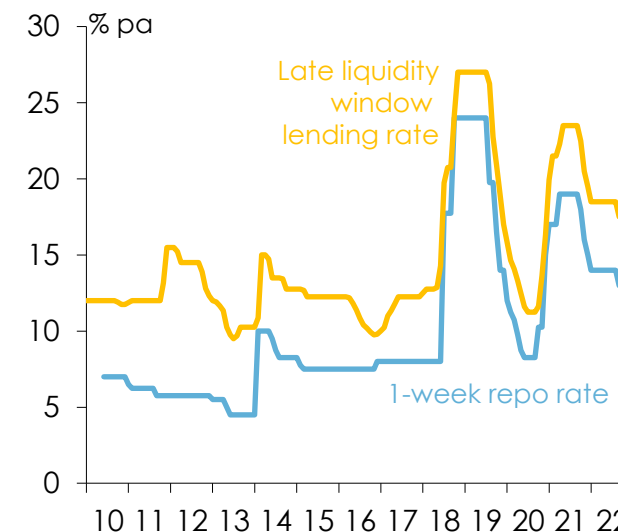
Unemployment rate



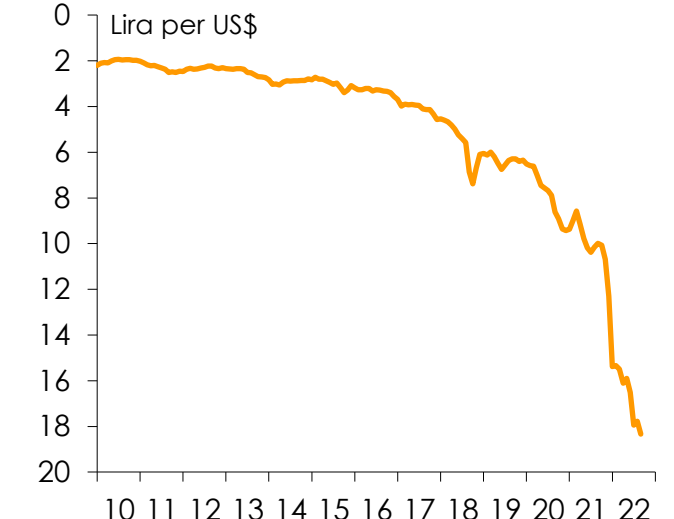
Bank lending



Interest rates



Turkish lira vs US\$



Key data and events this week

Key data and events for week ended 26th August

THE WORLD ECONOMY THIS WEEK – 22ND AUGUST 2022

Monday 22nd August

Taiwan July export orders, employment & unemployment; **Hong Kong** July CPI; **Pakistan** SBP meeting; **US** July Chicago Fed National Activity index; **Argentina** July trade balance

Tuesday 23rd August

Korea August consumer confidence; **Japan** August 'flash' PMIs; **Taiwan** July industrial production & retail sales; **Singapore** July CPI; **Indonesia** BI meeting; **South Africa** Q2 unemployment; **Turkey** August consumer confidence; **euro area** August consumer confidence and 'flash' PMIs; **UK** 'flash' PMIs; **US** July new home sales and Richmond Fed indexes; **Paraguay** BCP meeting

Wednesday 24th August

Korea August business confidence; **Thailand** July trade balance; **South Africa** July CPI; **Poland** July unemployment; **Iceland** SI meeting; **US** July durable goods orders; **Colombia** July business confidence; **Argentina** June retail sales

Thursday 25th August

New Zealand Q2 retail sales; **Korea** BoK meeting and July PPI; **Hong Kong** July trade balance; **Germany** August Ifo business climate index; **Turkey** August business confidence; **Russia** August business confidence; **Iceland** July unemployment; **US** Q2 GDP (2nd estimate), August Kansas City Fed index; **Canada** August CFIB business barometer & June average earnings; **Mexico** Q2 GDP (final) & current account balance; **world** June CPB trade volumes

Friday 26th August

New Zealand August consumer confidence; **Japan** August Tokyo CPI; **Taiwan** August consumer confidence; **Malaysia** July CPI; **Singapore** July industrial production & PPI; **euro area** July money & credit aggregates; **US** July personal income & expenditure, and PCE deflator, August consumer sentiment & inflation expectations, and Jerome Powell speech to Jackson Hole symposium; **Mexico** July trade balance; **Brazil** July PPI & current account balance

Important information

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