KIEL INSTITUTE ECONOMIC OUTLOOK

World Economy
Summer 2022

Finalized June, 15 2022

No. 91 (2022|Q2)

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INFLATION IS CURBING GLOBAL GROWTH

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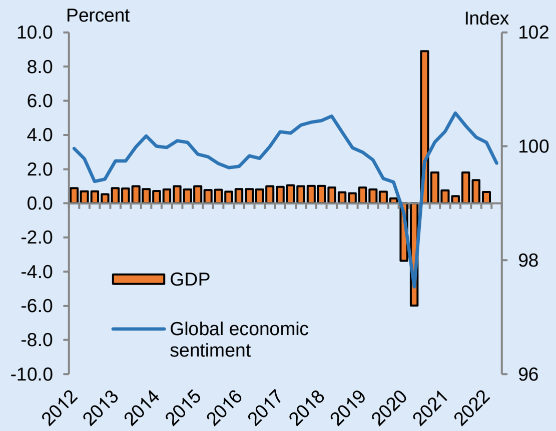
In a situation with already elevated inflation, the war in Ukraine and the zero-covid policy in China have led to additional upward pressures on prices and reinforced the global supply chain problems. Real wages are declining in many countries, dampening personal consumption expenditures even though households are often able to draw from a substantial amount of extra savings accumulated during the pandemic. Given the widespread inflationary pressures, central banks have shifted towards a more restrictive monetary policy stance. Against this backdrop, the outlook for global growth has weakened. We forecast global growth of 3.0 percent in 2022 and 3.2 percent in 2023 (measured in terms of purchasing-power parities), representing a reduction by 0.5 and 0.4 percentage points for 2022 and 2023, respectively. The forecast is based on the assumption that commodity prices have peaked, which would reduce inflationary pressures considerably going forward. However, there is the risk that inflation proves to be more persistent than central banks expect. In such a case, central banks would need to step on the brakes more than assumed, with the risk of a recession in advanced economies and a pronounced deterioration in financial conditions in emerging markets.

The recovery of the global economy has stalled in the face of renewed adverse shocks. After global output rose strongly in the second half of 2021, the post-Covid recovery has lost much of its momentum. Key factors here were new disruptions from the pandemic and Russia's attack on Ukraine. As a result, inflation increased further from already elevated levels, and supply bottlenecks intensified again. In the first quarter of 2022, global output increased at a rate of only 0.6 percent, slower than the average prior to the Covid shock (Figure. 1). Although global industrial activity increased in the first quarter, it decelerated in recent months. The IfW indicator for global economic activity, which is calculated on the basis of sentiment indicators from 42 countries and is based primarily on surveys for the manufacturing sector, fell significantly in recent months suggesting only a modest increase in global economic activity for the second quarter.

Figure 1:
World economic activity



Quarterly data, seasonally adjusted. Indicator is based on business expectations in 42 economies. GDP: price adjusted, change over previous quarter, 46 countries, weighted by purchasing power parities.

Source: OECD, Main Economic Indicators; national sources; Kiel Institute calculations.

Supply bottlenecks and logistical problems have intensified again recently. China imposed increasingly restrictive regional lockdowns due to the government's strict zero-Covid policy. Starting in March, Shenzen and Shanghai, two major economic centers, were affected. As a result, tensions in the global production networks increased again after a gradual easing in the fall and winter. As a result, congestion at major seaports picked up again, initially predominantly in China but more recently also in Europe (Kiel Trade Indicator 05/2022). In Europe, there were also disruptions in production chains as a result of the war in Ukraine and the sanctions imposed on Russia, which particularly affected the automotive industry. Accordingly, industrial production declined significantly in March, particularly in China and Europe, while elsewhere, for example in the United States, it remained on an upward trend. According to CPB figures, world trade was robust up to March but is likely to have declined markedly in the spring.

The upturn of industrial production and world trade has started to falter amid supply-side bottlenecks and logistical problems. By March 2021, global industrial production had surpassed its precrisis level by more than 2 percent according to figures of the CPB. Since then, however, growth has slowed amid supply-side bottlenecks (semiconductors) and logistical problems particularly in maritime transport. Against this backdrop, the increase in world trade is likely to have paused in the second quarter after strong growth in the first three months of the current year.

The general economic momentum in advanced economies weakened. Output in the major advanced economies declined slightly in the first quarter, which was probably the result of temporary factors. For example, GDP in the United States decreased by 0.4 percent, not least because strong domestic demand was increasingly met from inventories and imports, while exports declined. In the euro area and Japan in particular, economic activity was temporarily significantly affected by renewed waves of covid infections. Google mobility data suggest that economic activity recovered in spring. At the same time, however, consumer confidence has deteriorated massively. Monthly activity indicators such as retail sales and industrial production also declined recently, albeit to a moderate extent so far.

Emerging economies have recently shown a mixed picture. In many emerging countries, both in Asia and Latin America, output grew rather strongly in the first quarter. By contrast, GDP growth was weak in India, where domestic demand was dampened by a new Covid wave and high inflation, while exports lost momentum. An unusual heat wave is likely to have further weighed on activity in spring. In China, production increased at a strong rate of 1.4 percent in the first quarter. More recently, however, the rigid measures taken to contain the pandemic became more severe, so that GDP is likely to have declined in Q2. In Russia, production appears to have dropped sharply under the impact of the massive economic sanctions. This is indicated by a collapse in imports in spring. The slowdown of year-on-year GDP growth from 5 to 3.5 percent reported by the statistical office suggests that the economy already contracted slightly in the first quarter.

Commodity prices rose significantly under the impact of the Ukraine war. Commodity prices had already risen sharply across the board in the course of last year. In addition, the sharp rise in demand for oil - and in Europe also for natural gas - due to the cyclical rise in demand was accompanied by reduced supply. Longer-term programs to expand infrastructure, transform energy systems and switch to electric mobility in the many advanced economies also fed expectations of persistently high demand for many industrial raw materials. For wheat in particular, weather-related crop losses in key exporting countries caused world market prices to rise sharply. In this situation, Russia's invasion of Ukraine led to an additional surge of raw material prices, primarily because uncertainty arose over future supplies from these two important commodity exporting countries. Although prices for many commodities have somewhat retreated from their highs in spring, they are expected to remain elevated over the forecast period.

The situation on the world markets for grains is particularly critical. Here, supply has been significantly reduced due to the invasion of Ukraine, which before the war provided almost 10 percent of global wheat exports and 15 percent of corn exports. There is currently no sign of a restart of exports by Ukraine on a significant scale. The situation is exacerbated by bans of grain exports in a number of exporting countries, some of them major exporters (Russia and India in particular), which are seeking to prevent domestic grain prices from being dragged up by rising world market prices. As a result, grain prices remained at or near historic highs until recently. A noticeable decline is not expected for the time being, which means that the supply of basic foodstuffs to the population is at risk, particularly in developing countries, but the social situation also threatens to become difficult in many emerging countries.

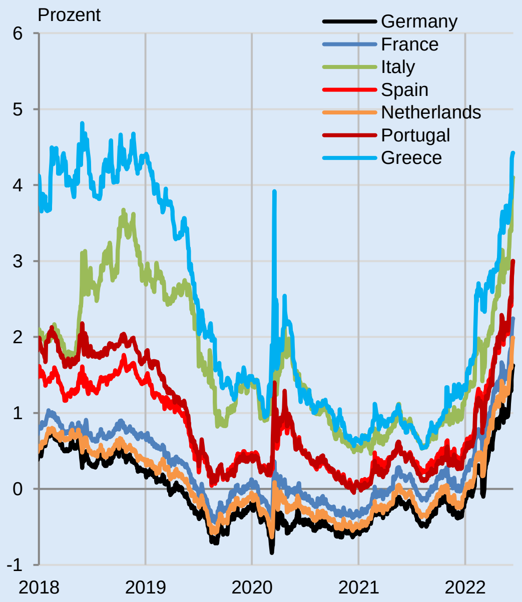
The surge in consumer price inflation is not only driven by energy prices. Consumer price inflation has picked up sharply and worldwide in recent months. Long-term highs have been reached in many advanced economies. In May 2022, inflation was 8.6% in the United States, 8.1% in the euro area, and 9.0% in the United Kingdom (April). In many cases, the surge in inflation is associated with the war in Ukraine. In fact, the contribution from prices for energy and agricultural products increased significantly after the Russian invasion. In addition, war-related shortfalls in Ukrainian industrial production and declines in trade with Russia exacerbated the problem of supply shortages once again. However, the greater part of the inflation acceleration occurred before the war in Ukraine. Producer prices in February 2022 - i.e., before the start of the war - were already more than 10.0% higher in the U.S. than a year earlier, and by as much as 30% in the euro area. There is much to suggest that the extensive fiscal support programs during the Corona crisis stimulated demand to an extent that it outstripped supply opportunities. Particularly in the United States, but to a lesser extent also in the United Kingdom and the euro area, this contributed to a sharp rise in core inflation, which strips out changes in the particularly volatile energy and food prices.

The outlook for inflation has deteriorated significantly. Inflation forecasts have increased not only because of currently stronger-than-expected consumer price inflation, but also because of the high momentum in producer prices, which is feeding through to consumer prices with a lag (Boysen-Hogrefe, 2022). A rapid return to inflation targets is not to be expected even under favorable assumptions for producer price developments (OECD, 2022 Box 1.5).

Monetary policy is tightened almost everywhere, but expected interest rate hikes are moderate compared with the level of inflation. After a number of countries in Eastern Europe (Hungary, Poland, the Czech Republic), South Korea and New Zealand began to hike interest rates in previous summer, the Bank of England followed suit at the end of 2021 and the U.S. Federal Reserve in March 2022. The Fed raised the upper limit for the federal funds rate again in May - this time by 0.5 percentage points - to 1 percent. Further rate hikes are in the cards; we expect a rise to 3 percent at the end of 2022. In addition, the Fed has decided to withdraw liquidity from the financial sector by significantly reducing its balance sheet. The ECB, on the other hand, is merely refraining from acquiring additional assets and continues reinvesting funds from maturing bonds. However, a first rate hike - of 25 basis points - has now been envisaged for July, and we expect the main refinancing rate to be raised further to 1.25 percent at the end of 2022 and 2.5 percent at the end of next year. In Japan, where inflation remains significantly lower than in most other advanced economies, there is still no sign of an end to the extremely loose monetary policy. In the emerging economies, on the other hand, the cycle of interest rate hikes, which has been underway for more than a year, continued with the aim of countering downward pressure on exchange rates and curbing inflationary momentum (figure Monetary Policy EM Diffusion Index).

The ECB is concerned about fragmentation risk. The cautious and comparatively late tightening of monetary policy in the euro area is probably not least related to the ECB's desire to avoid turbulence on bond markets. Yields on government bonds issued by euro area countries have risen significantly in recent months (Figure 2). Risk premiums relative to German government bonds have also widened noticeably in recent months. Should concerns about the longer-term sustainability of the financial obligations of highly indebted member states spread again with the rise of interest rates on financial markets, this could cause risk premiums to widen to such an extent that there is a threat of a negative spiral of the kind observed in the 2011/12 sovereign debt crisis. In the absence of politically enforceable alternatives, the ECB would probably again be forced to engage in crisis management with flexible asset-purchasing programs to contain spreads, but this time in an environment of high inflation (Gern et al., 2022).

Figure 2:
Long-term government bond yields



Daily data, yields for government bond yields with remaining duration of 10 years .

Quelle: Refinitiv.

Fiscal policy is consolidating only moderately.
The high level of spending over the past two years in advanced economies - and to a lesser extent in many emerging economies - to mitigate the economic and social damages of the pandemic has declined significantly as economic activity normalized. Fiscal support will continue to decline over the forecasting horizon. At the same time, many countries are implementing new programs aimed at improving public infrastructure and addressing challenges such as climate change. In the United States, however, such a package of measures failed to win a majority in Congress, so the restrictive effects of expiring Covid

programs are likely to predominate, even if a smaller program was approved. Armaments spending as a result of the war in Ukraine will be increased, especially in Europe, and considerable funds will need to be spent on converting energy supplies. In addition, many countries take measures to relieve private households and companies of the increased energy prices, in some cases at considerable fiscal cost. In the European Union, the general escape clause that deactivates fiscal rules is poised to remain in force in 2023, allowing consolidation measures to be postponed or stretched out over time.

OUTLOOK: GLOBAL ECONOMY SLOWS DOWN SIGNIFICANTLY

After strong growth in the previous year, the global economy is expanding only modestly in 2022 and 2023. High inflation is causing real wages to fall in advanced economies and in many emerging countries. The dwindling purchasing power of labor income is holding back private consumption, even though profit incomes are rising and some of the extra savings accumulated in pandemic periods will probably be used to finance consumer spending. The tightening of monetary policy also has a dampening effect, resulting not only in higher interest rates but also in a decline in asset valuations. In the United States, for example, significant effects are already visible in interest-rate-sensitive sectors such as housing, even though fixed interest rates predominate for real estate loans in most countries so that the debt service for existing borrowers will not increase significantly for the time being. Although the Ukraine war has highlighted enormous investment needs, for example in the area of energy supply and defence, it has also created economic uncertainty, which is weighing on investment. Finally, fiscal policy in the United States is clearly restrictive, and in China the economy appears to be in a consolidation phase that does not suggest strong growth even when the economic repercussions of the zero-Covid policy will eventually be overcome. On the other hand, there are still tailwinds from the post-Covid normalization of activity in some services sectors where the recovery is still incomplete. Overall, the strong upturn in global economic activity of 2021 will likely not continue this year. We expect world output (on a purchasing power parity basis) to grow by 3.0 percent and 3.2 percent in 2023 (Table 1). World trade growth is forecast to slow from10.2 percent last year to a mere 2.8 percent in 2022 and 1.6 percent in 2023.

Table 1:
Real GDP and consumer prices in selected countries and regions

	Gross domestic product			Consumer prices		
	2021	2022	2023	2021	2022	2023
United States	5.7	2.1	1.4	4.7	8.2	4.0
Japan	1.6	1.0	1.7	-0.2	2.2	1.5
Euro Area	5.3	3.1	2.7	2.6	6.8	3.6
United Kingdom	7.4	2.9	0.4	2.6	8.5	6.8
Advanced economies total	5.3	2.7	2.1	3.3	7.1	3.9
China	8.1	4.2	5.8	1.1	1.9	2.5
Latin America	6.5	1.7	1.8	11.3	15.1	11.5
India	8.3	6.9	6.4	5.1	7.1	6.2
East Asia	3.5	5.2	5.4	2.0	3.3	2.8
Russia	4.7	-8.0	-5.5	5.9	17.5	12.0
Africa	3.6	3.5	3.4	10.0	13.4	10.0
World economy total	5.9	3.0	3.2	6.8	9.5	6.7
Addendum: World trade volume	10.2	2.8	1.6	.	.	.
Oil price (Brent in US$)	70.8	108.9	102.8	.	.	.
World economy total (weighted according to GDP at market exchange rates)	5.8	2.9	2.9	5.1	7.8	5.2

Weighted according to GDP at PPP rates. — East Asia: Emerging Asia excluding China and India. — Shaded: IfW forecast.

Source: Forecast of the Kiel Institute for the World Economy.

The outlook in the advanced economies has improved since spring, while we have lowered our Compared with the spring forecast, the outlook has deteriorated significantly, particularly for emerging economies. Overall, we have significantly reduced the growth rates for world output compared to our March forecast for both 2022 and 2023 - by 0.5 and 0.4 percentage points, respectively. For 2022, the bulk of revision stems from a reduction of the forecast for the emerging economies to 3.4 percent, not least due to a weaker performance in China. Expected growth in the advanced economies has been reduced only slightly to 2.7 percent as a significant downward revision for the United States is almost balanced out by somewhat higher forecasts for the European Union and the United Kingdom. For 2023, we have lowered our expectations by 0.5 percentage points for advanced economies and by 0.2 percentage points for emerging economies.

- The **U.S. economy** is slowing down strongly, while inflation remains high. GDP is likely to increase by 2.1 percent and 1.4 percent this year and next, respectively. Inflation will rise to 8.2 percent this year and remain well above target at 4.0 percent in 2023.
- The zero-Covid policy is clearly slowing down the **Chinese economy**. GDP growth will be only 4.2 percent this year, following the rebound by 8.1 percent last year. For 2023, we expect output to increase by 5.8 percent.
- The recovery in the **euro area** is being held back by high inflation and the consequences of the war. Economic output is likely to grow by 3.1 percent in 2022 and by 2.7 percent next year. Consumer prices are expected to rise by 6.8 percent in 2022and 3.5 percent in 2023 with the core rate continuing to exceed the ECB's inflation target by a substantial margin.
- Economic growth in the **United Kingdom** is expected to stall in spring this year as a consequence of the squeeze on real incomes and growth is forecast to decline to 0.4 percent next year, with a significant risk that the economy slips into recession
- The economic outlook for **Latin America** has also deteriorated as a result of high inflation and increased political uncertainties.
- The **Russian** economy is expected to experience a strong contraction of economic activity due to the sanctions and the exodus of foreign firms.

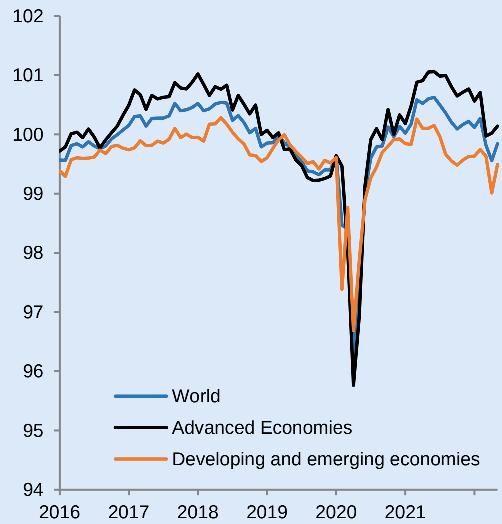
In addition to geopolitical and pandemic risks, there is the risk that inflation will become entrenched. The ongoing war in Ukraine could depress growth in the global economy stronger, particularly if commodity prices were to escalate further. For example, oil prices would probably spike if the oil embargo imposed by Western countries was designed in a way that would make it more difficult to divert Russian production to other countries. Pandemic risks also remain. The forecast assumes that the economic impact of Covid-19 will continue to decline over the forecast horizon and that will not affect activity substantially in the coming year, even in China. This could turn out be too optimistic, especially if new variants should emerge that would reduce the high level of vaccination protection achieved in many countries. At the current juncture it is a major risk that inflation proves more persistent than currently expected by central banks and medium-term inflation expectations would be revised up significantly. In such a case, central banks would need to step on the brakes more than assumed, with the risk of a recession in advanced economies and a pronounced deterioration in financial conditions in emerging markets. Central banks could find themselves in a difficult position as governments need low real interest rates in order to keep the public debt burden bearable, and they could be inclined to design their policies according to fiscal necessities rather than price stability considerations (Fiedler et al. 2021).

Data annex

CONTENTS

1. World Economy

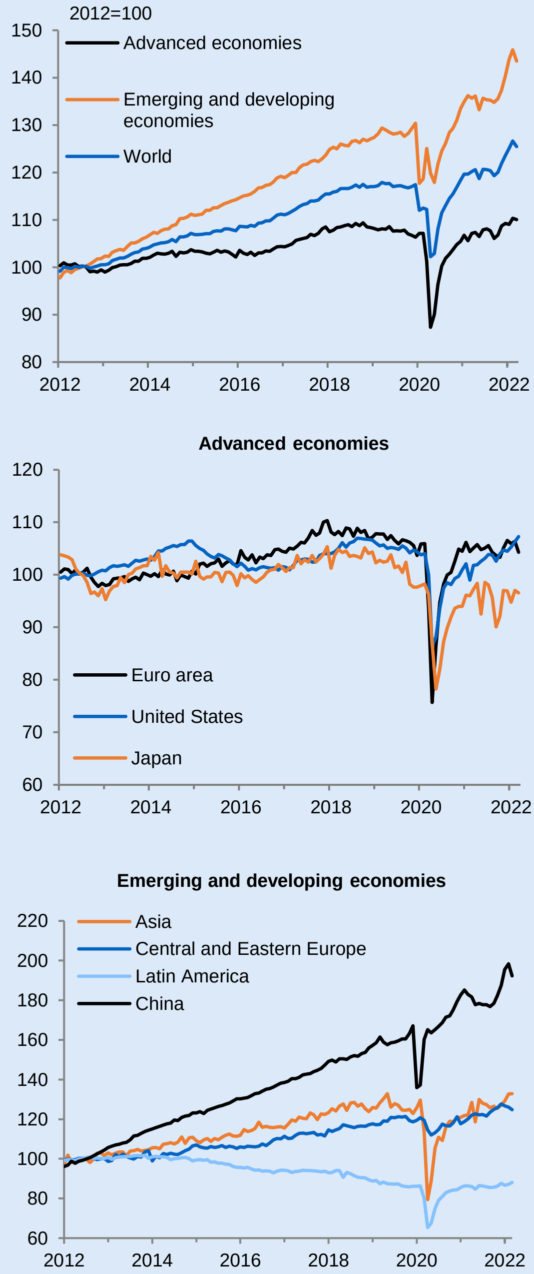
Figure 1.1:
Business expectations by groups of countries



Monthly data, seasonally adjusted. Indicators are based on buisness expectations in 42 countries (34 advanced economies and 8 emerging economies).

Source: OECD, *Main Economic Indicators*; national sources; Kiel Institute calculations.

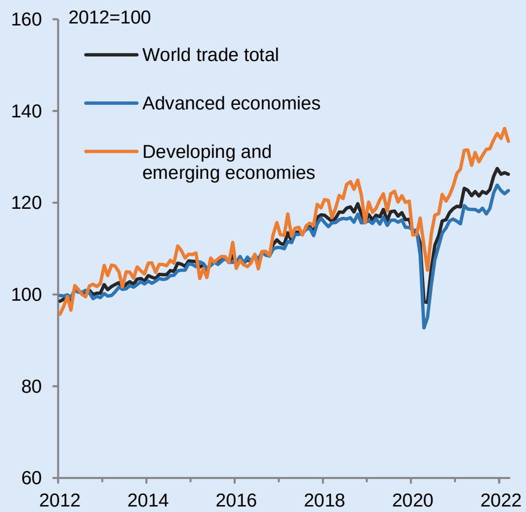
Figure 1.2:
Industrial production by groups of countries and regions



Monthly data. Last value: June 2021.

Source: CPB, *World Trade Monitor;* Kiel Institute calculations.

Figure 1.3:
World Trade

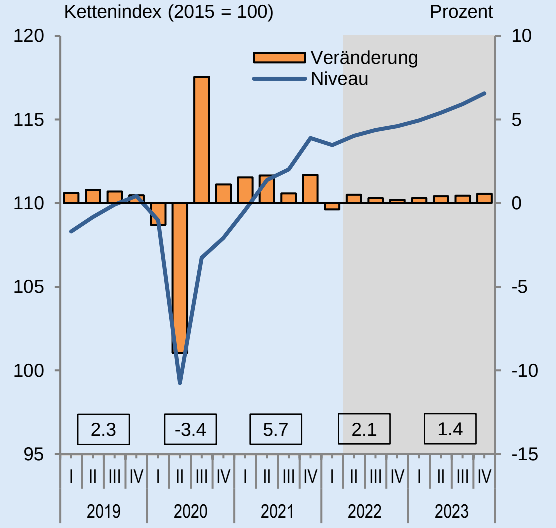


Monthly Data.

Source: CPB, *World Trade Monitor*; Kiel Institute calculations.

2. United States

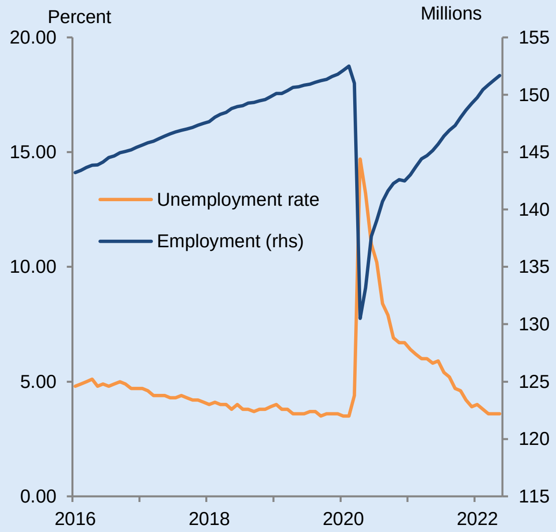
Figure 2.1:
GDP



Quartalsdaten, preis-, kalender- und saisonbereinigt, Veränderung gegenüber dem Vorquartal (rechte Skala). Gerahmt: Jahresdaten, Veränderung gegenüber dem Vorjahr in Prozent.

Quelle: Bureau of Economic Analysis*;* grau hinterlegt: Prognose des IfW Kiel.

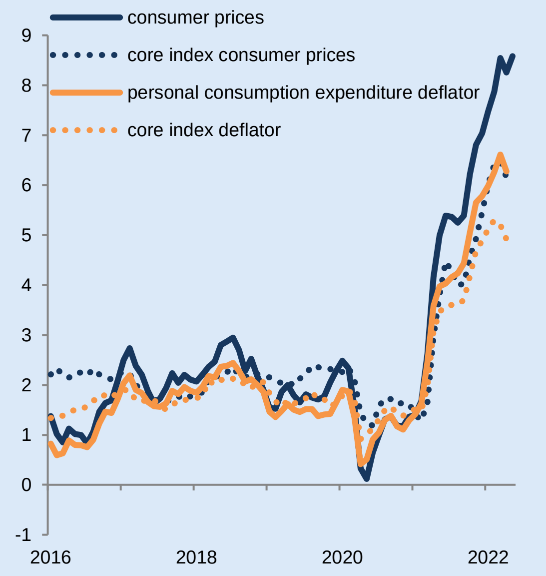
Figure 2.2:
Labor market



Monthly data; seasonally adjusted. .

Source: US Department of Labor, *Employment Situation.*

Figure 2.3:
Consumer prices



Monthly data; change over previous year. Core index: consumer prices excluding energy and food.

Source: US Department of Labor, *Consumer Price Index*.

Table 2.1:
Key indicators United States

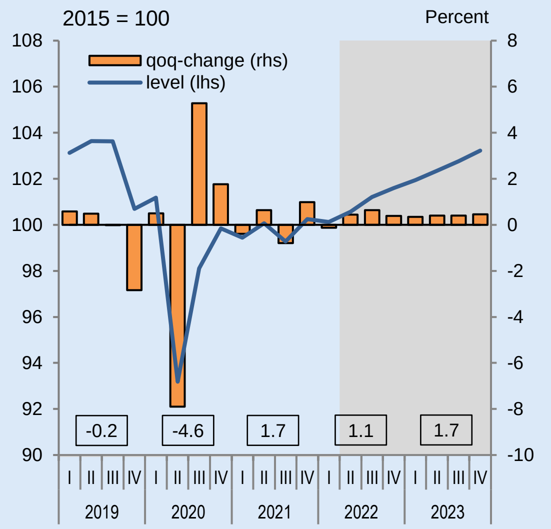
	2021	2022	2023
Gross Domestic Product	5.7	2.1	1.4
Domestic expenditure	6.9	3.2	1.3
Private consumption	7.9	2.8	1.7
Government consumption	0.5	-0.5	1.5
Gross fixed capital formation	7.8	3.9	2.6
Machinery and equipment	13.1	6.4	3.4
Intellectual property rights	10.0	9.2	3.7
Structures	-8.0	-2.1	2.8
Residential investment	9.2	-1.4	0.5
Inventories	0.3	0.8	-0.5
Net exports	-1.2	-1.0	0.1
Exports	4.5	2.7	2.4
Imports	14.0	9.8	1.8
Consumer prices	4.7	8.2	4.0
Unemployment rate	5.4	3.6	3.5
Current account balance	-3.8	-4.6	-4.5
Government budget balance	-12.1	-4.1	-4.7

GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force, percent. Current account balance, government budget balance: percent of nominal GDP. Budget balance: fiscal year.

Source: US Department of Commerce, *National Economic Accounts;* US Department of Labor, *Employment Situation and Consumer Price Index;* US Department of the Treasury, *Monthly Treasury Statement;* Kiel Institute calculations; shaded: Kiel Institute forecast.

3. Japan

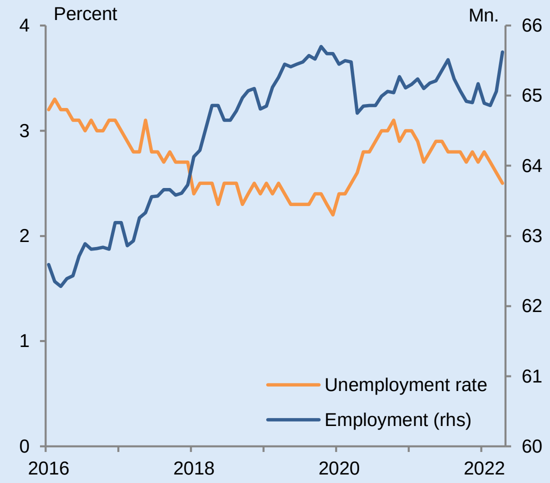
Figure 3.1:
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: Kiel Institute forecast.

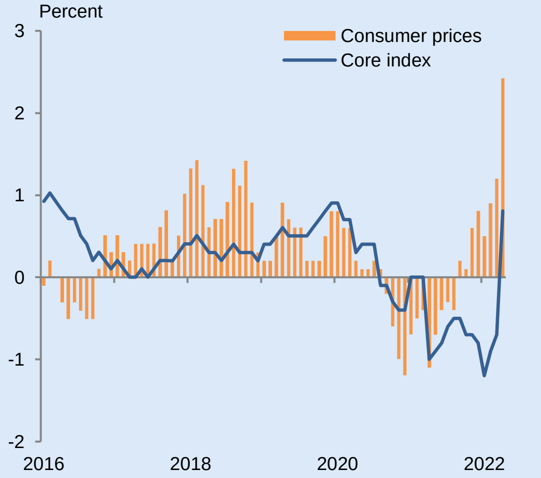
Figure 3.2:
Labor market



Monthly data; seasonally adjusted.

Source: Department of Labor.

Figure 3.3:
Consumer prices



Monthly data; change over previous year. Core index: consumer prices excluding enery and fresh food.

Source: Statistics Bureau of Japan.

Table 3.1:
Key indicators Japan, 2018–2021

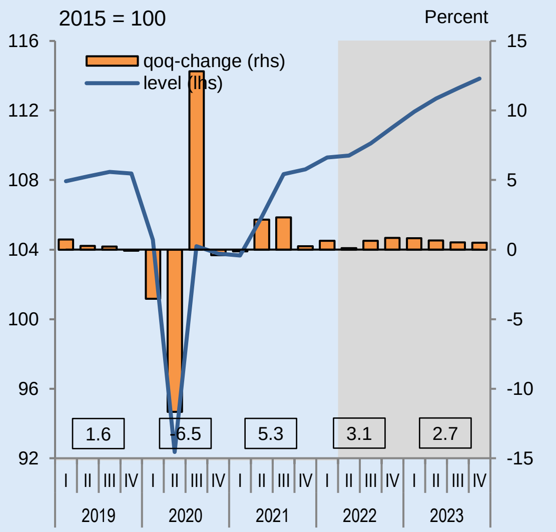
	2020	2021	2022	2023
Gross Domestic Product	-4.7	1.6	1.0	1.7
Domestic expenditure	-3.7	0.6	1.3	1.5
Private consumption	-6.0	1.8	2.4	1.3
Government consumption	2.7	1.7	1.6	0.9
Gross fixed capital formation	-0.5	-5.5	-1.8	2.6
Enterprises	-6.7	-0.4	0.8	3.0
Residential Investment	-7.8	-7.8	-7.8	-7.8
Public investment	3.7	-3.0	-8.5	2.4
Change in inventories	-0.1	-0.1	0.2	0.0
Net exports	-0.6	0.8	-0.2	0.1
Exports	-11.8	12.0	2.9	2.7
Imports	-7.3	5.6	4.8	1.7
Consumer prices	0.0	-0.2	2.2	1.5
Unemployment rate	2.8	2.8	2.7	2.6
Current account balance	2.9	2.8	1.5	1.6
Government budget balance	-9.5	-5.7	-6.5	-5.0

Percent. GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force. Current account balance, government budget balance: percent of nominal GDP.

Source: Cabinet Office, *National Accounts*; OECD, *Main Economic Indicators*; Kiel Institute calculations; shaded: Kiel Institute forecast.

4. Euro Area

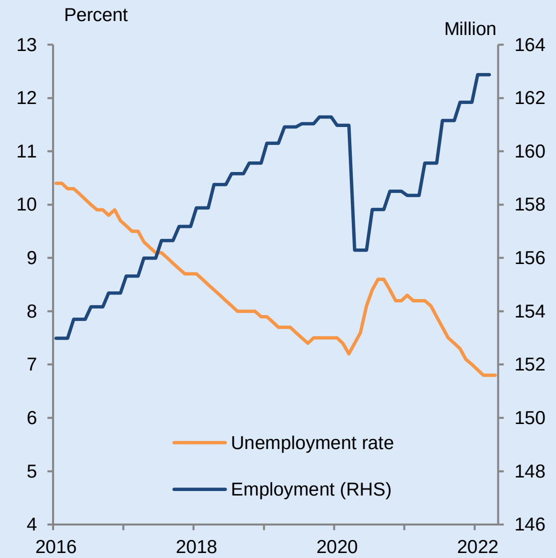
Figure 4.1:
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change. Annual data: price adjusted, annual rate of change (boxes).

Source: Federal Statistical Office, Fachserie 18, Series 1.3; shaded: IfW forecast.

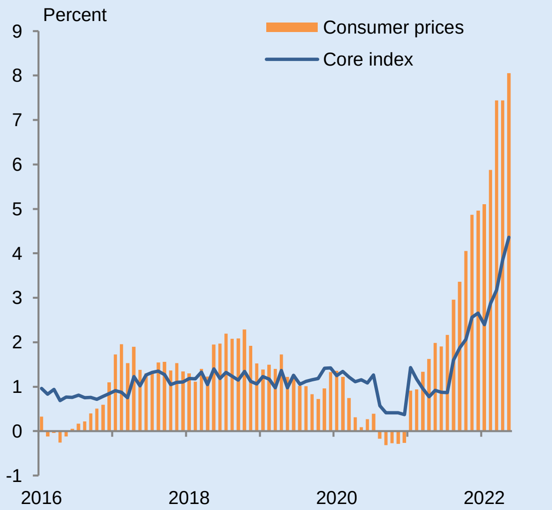
Figure 4.2:
Labor market, 2012–2020



Monthly data; seasonally adjusted.

Source: Eurostat, *Labor Statistics*; ECB, *Monthly Bulletin*.

Figure 4.3:
Consumer prices



Monthly data; y-o-y change. Core index: HICP without energy and unprocessed food.

Source: Eurostat, *Price Statistics*.

Table 4.1:
Key indicators Euro Area

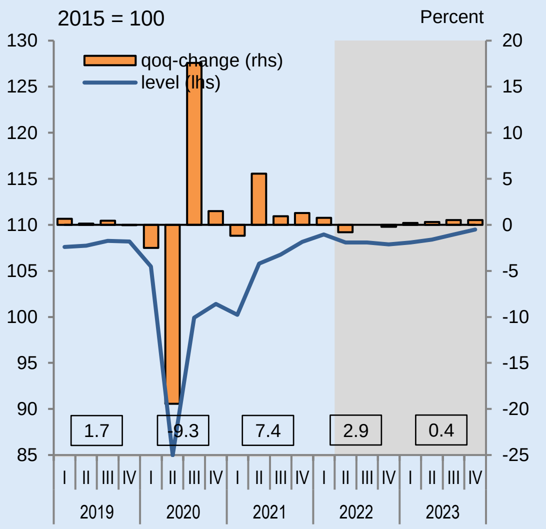
	2020	2021	2022	2023
Gross Domestic Product	-6.5	5.3	3.1	2.7
Domestic expenditure	-6.3	4.2	3.1	2.6
Private consumption	-7.9	3.6	2.8	2.7
Government consumption	0.9	3.9	1.1	0.6
Gross fixed capital formation	-7.2	4.1	3.1	4.4
Inventories	-0.5	0.4	0.6	0.0
Net exports	-0.4	1.2	0.1	0.2
Exports	-9.5	10.8	6.1	5.1
Imports	-9.4	8.7	6.3	5.1
Consumer prices	0.3	2.6	6.8	3.5
Unemployment rate	7.9	7.7	6.8	6.3
Current account balance	1.8	2.5	1.1	1.7
Government budget balance	-7.2	-5.1	-3.2	-2.1

GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force, percent. Current account balance, government budget balance: percent of nominal GDP.

Source: Eurostat, *National Accounts*; Kiel Institute calculations; shaded: Kiel Institute forecast.

5. United Kingdom

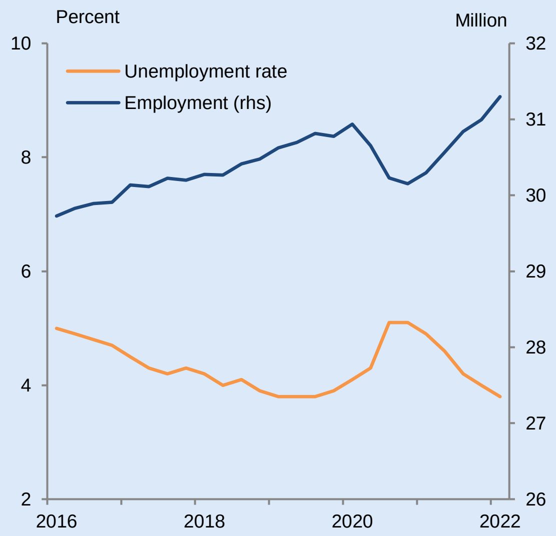
Figure 5.1:
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: IfW forecast.

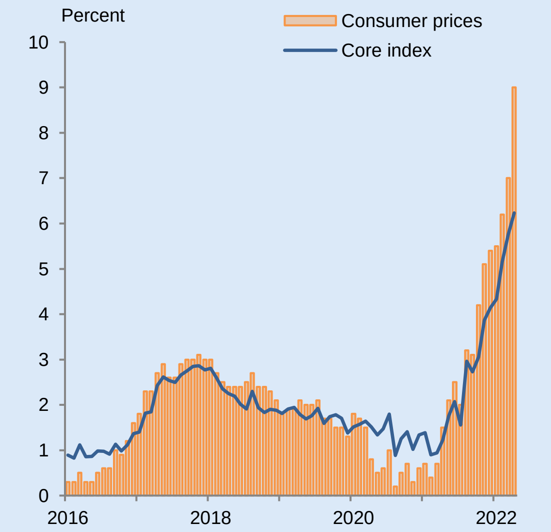
Figure 5.2:
Labor market



Quarterly data, seasonally adjusted.

Source: Office for National Statistics, *Economy*.

Figure 5.3:
Consumer prices



Monthly data, change over previous year. Core rate: consumer prices excluding energy and fresh food.

Source: Office for National Statistics, *Economy.*

Table
Key Indicators United Kingdom

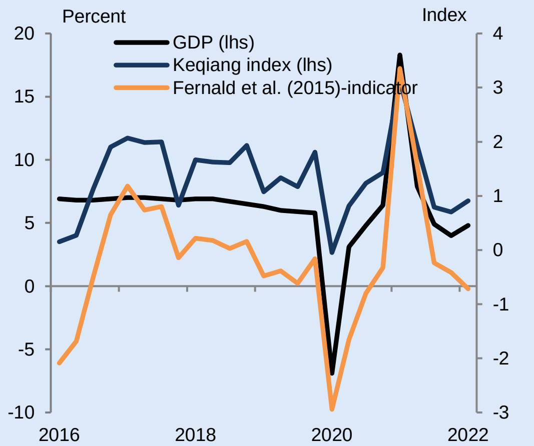
	2019	2020	2021	2022
Gross Domestic Product	-9.3	7.4	2.9	0.4
Domestic demand	-10.4	8.4	3.7	0.6
Private consumption	-10.9	6.2	4.5	0.8
Government consumption	-6.3	14.3	0.6	0.1
Gross fixed investment	-9.2	5.9	3.5	2.0
Inventories	-0.5	0.8	0.8	0.0
Net exports	0.8	-1.4	-0.7	-0.2
Exports	-14.7	-1.3	2.0	1.6
Imports	-16.8	3.8	4.2	2.2
Consumer prices	0.9	2.6	8.5	6.8
Unemployment rate	4.6	4.5	4.0	3.9
Current account balance	-2.5	-2.6	-7.0	-7.2
Fiscal balance	-12.8	-8.3	-5.5	-4.5

Percent. GDP: volumes, change over previous year. per-cent. — net exports, inventories: contribution to growth, percentage points. — Unemployment rate: Unemployed in relation to labor force. — Current account balance, fiscal balance: percent of nominal GDP.

Source: Office for National Statistics, *Economy.* Shaded area: IfW forecast.

6. China

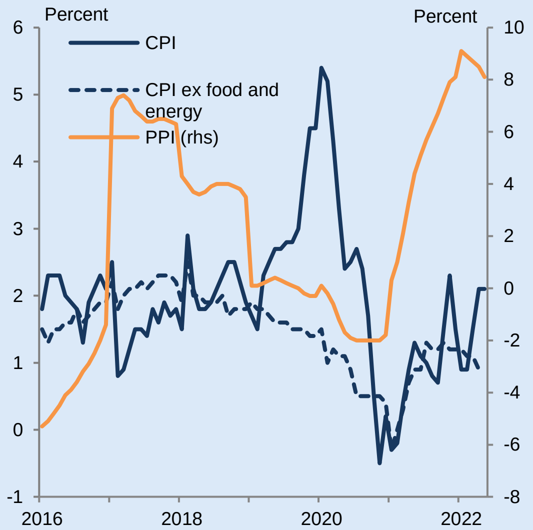
Figure 6.1:
GDP



Quarterly data. GDP: year-on-year percentage change; Keqiang-index: arithmetic mean of the year-on-year growth rates of bank lending, electricity consumption and freight cargo; Fernald et al. (2015)-indicator: first principal component of the year-on-year growth rates of electricity production, railway cargo, retail sales and raw material prices (see Fernald et al. (2015). *Is China Fud-ging its Figures? Evidence from Trading Partner Data.* Federal Reserve Bank of San Francisco, Working Paper 2015-12).

Source: National Bureau of Statistics; People's Bank of China; Kiel Institute calculations.

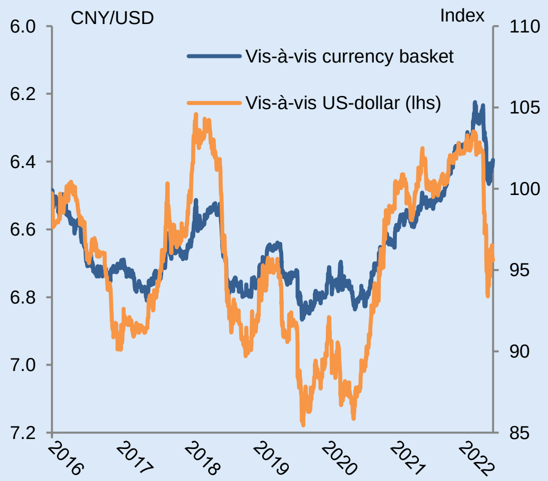
Figure 6.2:
Inflation



Monthly data; y-o-y growth rate. Core index: CPI excluding food and energy.

Source: National Bureau of Statistics.

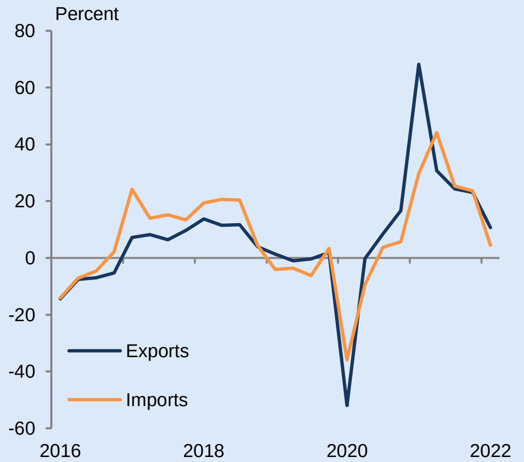
Figure 6.3:
Exchange rates



Daily data.

Source: Thomson Reuters; China Foreign Exchange Trade System; Kiel Institute calculations.

Figure 6.4:
Exports and imports

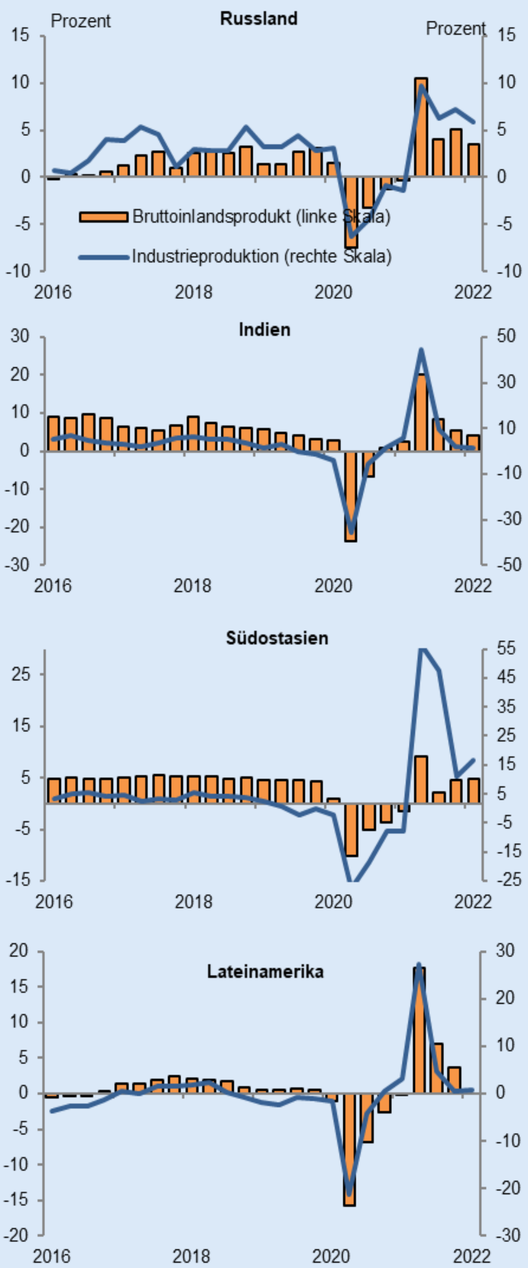


Change on a year ealier based on quarterly averages. Last value: 2022Q1

Source: General Administration of Customs China

7. Emerging Economies

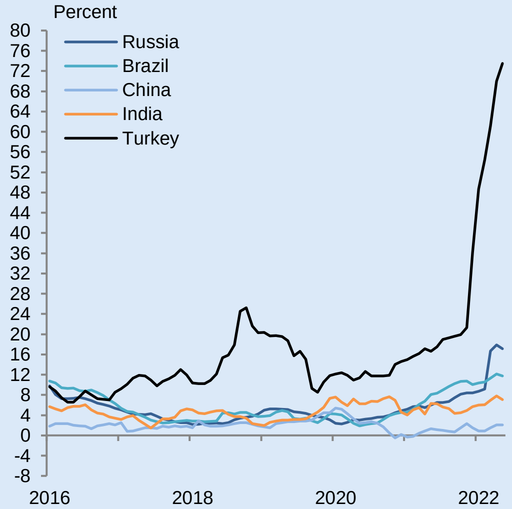
Figure 7.1:
GDP and industrial production in emerging economies



Quartalsdaten: preisbereinigt: Veränderung gegenüber dem Vorjahr; Südostasien: gewichteter Durchschnitt für Indonesien, Thailand, Malaysia und Philippinen; Lateinamerika: gewichterer Durchschnitt für Argentinien, Brasilien, Chile, Kolumbien, Mexiko und Peru.

Quelle: IMF, *International Financial Statistics*; nationale statistische Ämter; Berechnungen des IfW Kiel.

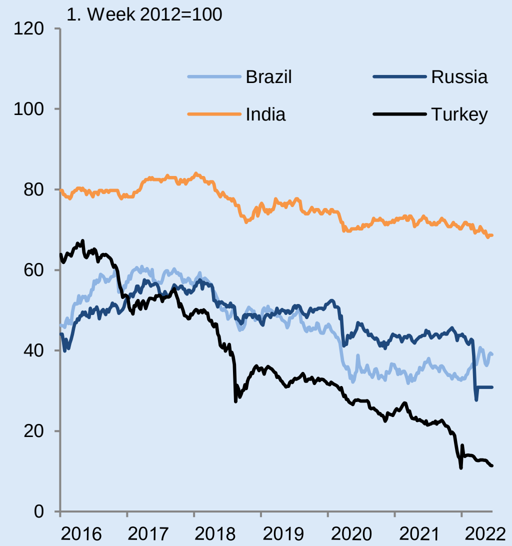
Figure 7.2:
Consumer prices



Monthly data; change over previous year.

Source: Federal State Statistics Service, *Russia*; IBGE, *Brazil*; National Bureau of Statistics, *China*; Labour Bureau, *India*.

Figure 7.3:
US-dollar exchange rates



Weekly data.
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Source: Thomson Reuters Datastream

8. Forecast summary

Table 8.1:
Real gross domestic product, consumer prices and unemployment rate in advanced economies

	Weights	Real GDP			Consumer prices			Unemployment rate		
		2021	2022	2023	2021	2022	2023	2021	2022	2023
European Union	39.9	5.3	3.3	2.8	2.8	7.1	3.7	0.0	0.0	0.0
Euro area	34.0	5.3	3.1	2.7	2.6	6.8	3.6	0.0	0.0	0.0
Sweden	0.9	4.9	2.1	2.5	2.7	5.9	3.2	8.8	7.6	6.8
Poland	2.2	5.8	6.0	3.3	5.2	9.8	5.7	3.4	3.0	2.8
United Kingdom	5.1	7.4	2.9	0.4	2.6	8.5	6.8	4.5	4.0	3.9
Switzerland	1.1	3.7	2.3	1.2	0.6	2.6	1.6	5.1	4.8	4.6
Norway	0.6	4.0	2.9	1.6	3.5	4.8	3.5	4.8	4.2	4.0
United States	35.1	5.7	2.4	1.9	4.7	8.2	4.0	5.4	3.6	3.5
Canada	3.1	4.6	3.0	2.3	3.4	6.6	3.5	7.4	5.5	5.4
Japan	8.9	1.6	1.0	1.7	-0.2	2.2	1.5	2.8	2.7	2.6
South Korea	3.9	4.1	2.6	2.3	2.5	4.6	3.4	3.6	3.3	3.2
Australia	2.2	4.8	3.8	3.1	2.9	4.9	4.0	5.1	4.7	4.3
Total	100.0	5.3	2.8	2.3	3.3	7.1	3.9	3.0	2.3	2.2

Based on GDP at prices and exchange rates of 2019 in percent. Change over previous year in percent. European Union and Norway: Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2020.

Source: Eurostat, *VGR;* OECD, *Main Economic Indicators*; IMF *World Economic Outlook Database*; Statistics Canada, *Canadian Economic Account*; shaded: Kiel Institute forecast.

Table 8.2:
Real gross domestic product and consumer prices in selected emerging market economies

	Weights	Real GDP				Consumer prices			
		2020	2021	2022	2023	2020	2021	2022	2023
Indonesia	5.7	-2.1	3.7	5.5	5.7	2.0	1.6	3.2	2.8
Thailand	2.2	-6.2	1.6	3.4	4.1	-0.8	1.2	3.2	2.5
Malaysia	1.6	-5.6	3.1	5.5	5.4	-1.1	2.5	2.8	2.4
Philippines	1.6	-9.6	5.6	6.1	6.0	2.4	3.9	4.2	3.5
Total	11.0	-4.5	3.5	5.2	5.4	1.1	2.0	3.3	2.8
China	41.5	2.3	8.1	4.2	5.8	2.5	1.1	1.9	2.5
India	15.5	-6.6	8.3	6.9	6.4	6.6	5.1	7.1	6.2
Asia total	67.9	-0.8	7.4	4.9	5.8	3.2	2.2	3.3	3.4
Brazil	5.4	-3.9	4.7	0.7	1.5	3.2	8.3	11.4	6.8
Mexico	4.2	-8.2	4.8	1.8	1.9	3.4	5.7	7.2	4.7
Argentina	1.6	-9.9	9.4	2.4	1.9	42.0	48.4	59.0	55.0
Colombia	1.2	-6.8	9.8	4.1	2.8	2.5	3.5	8.7	6.4
Chile	0.8	-5.8	11.7	2.0	1.1	3.0	4.5	9.5	4.7
Peru	0.7	-11.0	12.6	2.5	2.7	1.8	4.0	6.8	4.5
Latin America total	13.9	-6.6	6.5	1.7	1.8	7.6	11.3	15.1	11.5
Egypt	2.2	3.6	3.3	5.0	4.6	5.7	5.2	11.5	7.8
Nigeria	1.8	-1.8	3.0	3.3	2.8	13.2	17.0	17.5	15.0
South Africa	1.4	-6.4	5.0	1.6	2.0	3.3	4.6	5.8	5.2
Algeria	0.9	-4.9	3.8	3.1	2.9	2.4	6.7	9.0	7.2
Ethiopia	0.5	6.1	2.4	3.0	5.0	20.4	26.7	35.0	20.0
Africa total	6.7	-0.8	3.6	3.5	3.4	7.9	10.0	13.4	10.0
Russia	7.1	-3.0	4.7	-8.0	-5.5	2.6	5.9	17.5	12.0
Turkey	4.4	1.8	11.0	3.3	2.9	12.3	17.0	75.0	50.0
Total	100.0	-1.7	7.0	3.4	4.2	4.5	4.9	9.8	7.6

In percent. Weights: According to 2020 GDP at purchasing power parities. — GDP: price adjusted; changes compared to the previous year. — Consumer prices: changes compared to the previous year. — Asia total, Latin America total: based on listed countries.

Source: IMF, *International Financial Statistics;* OECD, *Main Economic Indicators; national statistics; Kiel Institute* calculations; shaded: Kiel Institute forecast.

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