

Inflating issues

The key charts on prices, activity and rates

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Economics - Global

- ◆ As inflation pressures keep building across the world...
- ◆ ...it's time to take stock of the drivers and the likely path...
- ◆ ...and what all of this means for policymakers

James Pomeroy
Economist
HSBC Bank plc

Globally, inflation continues to push higher. In April, headline rates of inflation rose across most of the world with the notable exception of the US, where the headline rate dipped from 8.6% to 8.2% y-o-y, still a very elevated rate.

A combination of factors continues to push up global prices. Pump prices are up again in the US, household energy bills are soaring in Europe, food prices are driving inflation higher in many emerging markets, and increasing input costs mean firms are passing more of this onto consumers. A relatively resilient demand backdrop (at least for now) means that firms are finding it easier to do this.

The outlook for inflation is highly uncertain – it will depend on a combination of the path for commodity prices (mostly food and energy) and how much of the surge in input costs for firms gets passed on to customers – which itself will depend both on the supply and demand outlook. Tight labour markets, global supply chain risks (see: [Disruption vs demand: Trade data and policy tracker](#), 25 May 2022) and resilient demand pose clear near-term upside risks, while future softening of demand and easing shipping costs may pose some downside risks to inflationary pressures in the coming months.

The growth outlook remains highly uncertain. Labour markets are proving resilient and consumers, at least for now, appear to be willing to spend – US consumers in April kept buying durable goods and services – but dipped into savings to do so. At the same time, we've seen better retail sales figures in the UK for April despite the cost of living squeeze and a collapse in consumer confidence.

For central banks this is a problem – not only is inflation above target almost everywhere, but the uncertain path for inflation makes policy setting even more difficult. Interest rates continue to rise, but some central banks (such as in Latin America and, more recently, CEE) have been willing to tighten more quickly than others, where the risks of weaker growth are being considered more closely, such as in the UK. As a result, the extent to which weaker growth weighs on inflation in the coming months could have a huge bearing on the cumulative tightening delivered in this cycle.

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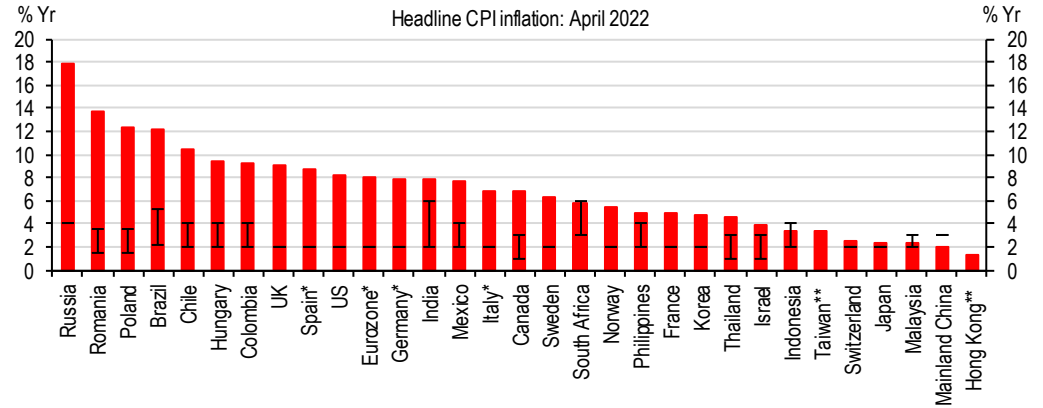
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Inflation rates remain high across the world

Only economies with weak consumer demand have below-target inflation

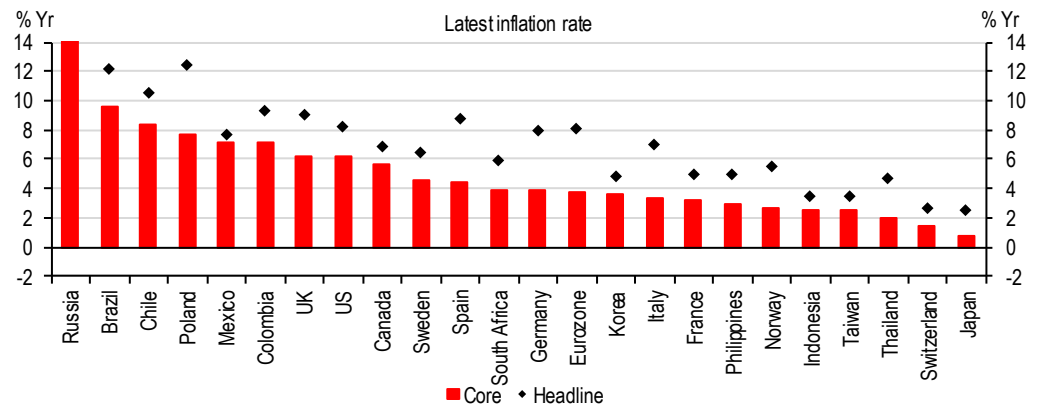
1. Headline inflation is well above central bank targets in most of the world



Source: HSBC, Refinitiv Datastream. Note: Black bars show central bank targets. * May 2022 data (flash). **No inflation target. Turkey and Argentina excluded for scaling purposes

In most cases, it's not just energy and food: price pressures have broadened out

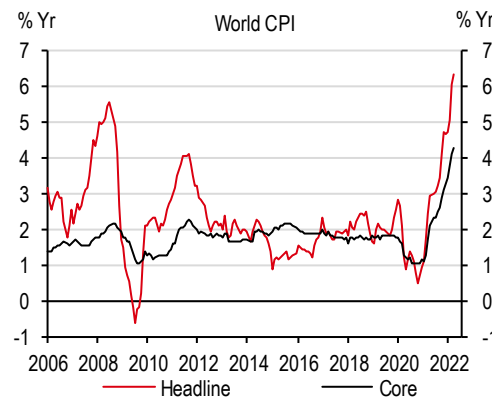
2. Energy and food inflation have had a big impact but core rates have also picked up strongly...



Source: HSBC, Refinitiv Datastream

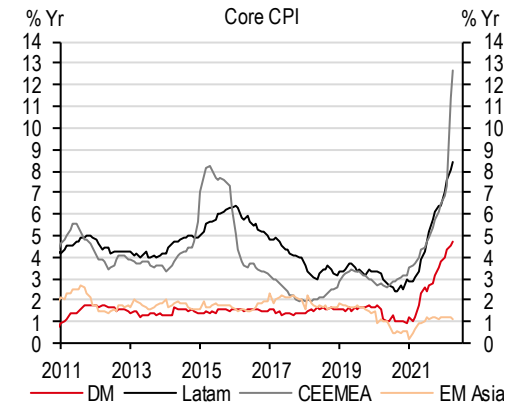
There are big variations across the world but prices are picking up in more places

3. Global inflation keeps rising...



Source: HSBC estimates, Refinitiv Datastream. Note: GDP weighted based on economies with sufficient history and excludes Turkey and Argentina.

4. ...although there are regional differences

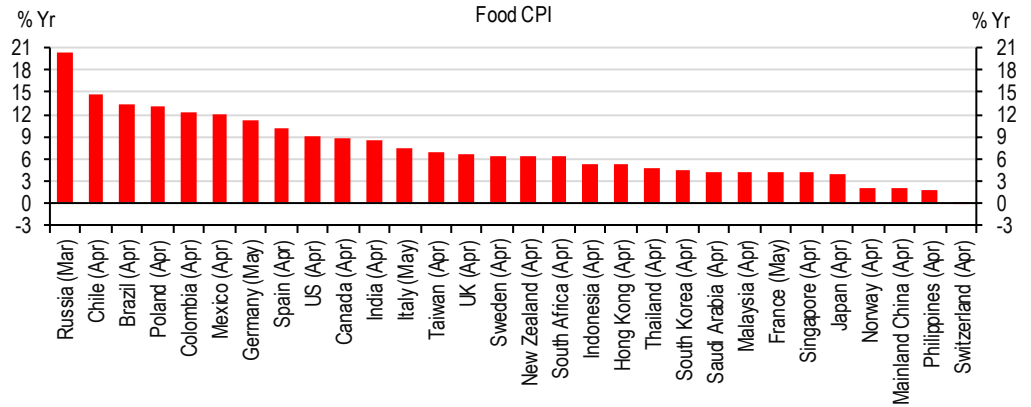


Source: HSBC estimates, Refinitiv Datastream. Note: GDP weighted based on economies with sufficient history and excludes Turkey as well as Argentina.

Commodity prices keep putting upward pressure on broader inflation

Food inflation is a worry for many economies and shows no sign of abating

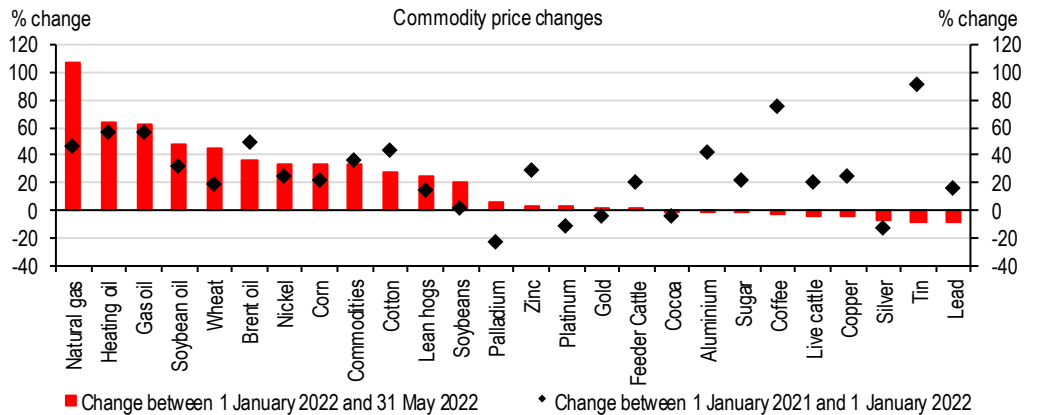
5. Food inflation is very high in many emerging economies



Source: Refinitiv Datastream. Note: Some economies don't have inflation detail for latest month

Broadly, commodity prices are staying high

6. Many commodities have had huge run-ups, but annual increases look to be cooling

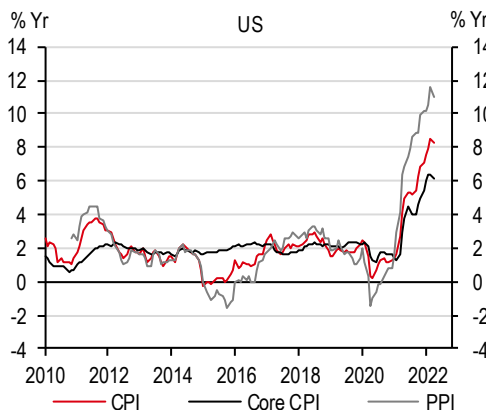


Source: Refinitiv Datastream, GSCI

Inflation in key economies

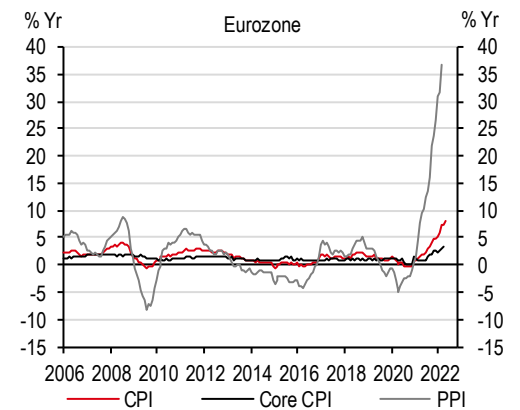
US inflation may have peaked but it's likely to remain high through 2022

7. US inflation may have peaked...



Source: Refinitiv Datastream

8. ...but not yet clear it has in the eurozone



Source: Refinitiv Datastream

9. The detail of inflation shows the broad-based surge in price pressures across the world (%)

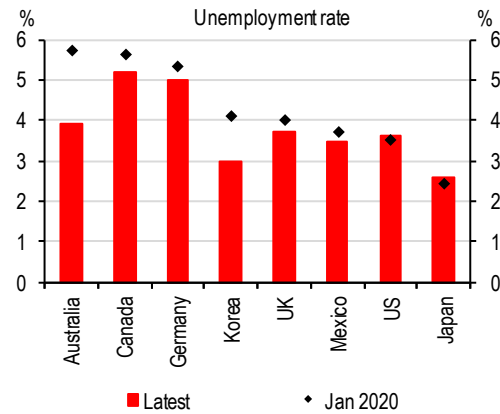
	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22
Argentina	37.2	35.8	36.1	38.5	40.7	42.6	46.3	48.8	50.2	51.8	51.4	52.5	52.1	51.2	50.9	50.7	52.3	55.1	58.0	-
Brazil	3.9	4.3	4.5	4.6	5.2	6.1	6.8	8.1	8.3	9.0	9.7	10.2	10.7	10.7	10.1	10.4	10.5	11.3	12.1	-
Canada	0.7	1.0	0.7	1.0	1.1	2.2	3.4	3.6	3.1	3.7	4.1	4.4	4.7	4.7	4.8	5.1	5.7	6.7	6.8	-
Chile	2.9	2.7	3.0	3.1	2.8	2.9	3.3	3.6	3.8	4.5	4.8	5.3	6.0	6.7	7.2	7.7	7.8	9.4	10.5	-
Mainland China	0.5	-0.5	0.2	-0.3	-0.2	0.4	0.9	1.3	1.1	1.0	0.8	0.7	1.5	2.3	1.5	0.9	0.9	1.5	2.1	-
Colombia	1.7	1.5	1.6	1.6	1.6	1.5	1.9	3.3	3.6	4.0	4.4	4.5	4.6	5.3	5.6	6.9	8.0	8.5	9.2	-
Czech Republic	2.9	2.7	2.3	2.2	2.1	2.3	3.1	2.9	2.8	3.4	4.1	4.9	5.8	6.0	6.6	9.9	11.1	12.7	14.2	-
Eurozone	-0.3	-0.3	-0.3	0.9	0.9	1.3	1.6	2.0	1.9	2.2	3.0	3.4	4.1	4.9	5.0	5.1	5.9	7.4	7.4	8.1
France	0.0	0.1	-0.1	0.5	0.6	1.1	1.3	1.4	1.5	1.3	2.0	2.1	2.6	2.7	2.8	2.9	3.7	4.5	4.9	-
Germany	-0.2	-0.3	-0.3	1.0	1.3	1.7	2.0	2.5	2.3	3.8	3.9	4.1	4.5	5.2	5.3	4.9	5.1	7.3	7.4	7.9
Hong Kong	-0.4	-0.4	-0.9	2.6	0.4	0.6	0.8	0.9	0.7	3.8	1.6	1.4	1.8	1.9	2.4	1.2	1.7	1.8	1.3	-
Hungary	3.0	2.7	2.7	2.7	3.1	3.6	5.1	5.1	5.3	4.6	4.9	5.5	6.4	7.4	7.4	7.9	8.3	8.5	9.5	-
India	7.6	6.9	4.6	4.1	5.0	5.5	4.2	6.3	6.3	5.6	5.3	4.3	4.5	4.9	5.7	6.0	6.1	7.0	7.8	-
Indonesia	1.4	1.6	1.7	1.6	1.4	1.4	1.4	1.7	1.3	1.5	1.6	1.6	1.7	1.7	1.9	2.2	2.1	2.6	3.5	-
Israel	-0.8	-0.6	-0.7	-0.4	0.0	0.2	0.8	1.5	1.7	1.9	2.2	2.5	2.3	2.4	2.8	3.1	3.5	3.5	4.0	-
Ireland	-1.5	-1.1	-1.0	-0.2	-0.4	0.0	1.1	1.7	1.6	2.2	2.8	3.7	5.1	5.3	5.5	5.0	5.6	6.7	7.0	-
Italy	-0.3	-0.2	-0.2	0.4	0.6	0.8	1.1	1.3	1.3	1.9	2.0	2.5	3.0	3.7	3.9	4.8	5.7	6.5	6.0	6.9
Japan	-0.6	-1.0	-1.2	-0.7	-0.5	-0.4	-1.1	-0.7	-0.4	-0.3	-0.4	0.2	0.1	0.6	0.8	0.5	0.9	1.2	2.4	-
Kenya	6.2	6.9	7.0	7.3	5.8	5.9	5.8	5.9	6.3	6.6	6.6	6.9	6.5	5.8	5.7	5.4	5.1	5.6	6.5	-
Korea	0.1	0.6	0.6	0.9	1.4	1.9	2.5	2.6	2.3	2.6	2.6	2.4	3.2	3.8	3.7	3.6	3.7	4.1	4.8	-
Malaysia	-1.5	-1.7	-1.4	-0.2	0.1	1.7	4.7	4.4	3.4	2.2	2.0	2.2	2.9	3.3	3.2	2.3	2.2	2.2	2.3	-
Mexico	4.1	3.3	3.2	3.5	3.8	4.7	6.1	5.9	5.9	5.8	5.6	6.0	6.2	7.4	7.4	7.1	7.3	7.5	7.7	-
Norway	1.7	0.7	1.4	2.5	3.3	3.1	3.0	2.7	2.9	3.0	3.4	4.1	3.5	5.1	5.3	3.2	3.7	4.5	5.4	-
Philippines	2.5	3.3	3.5	4.2	4.5	4.3	4.3	4.2	3.9	3.9	4.6	4.4	4.3	3.9	3.2	3.0	3.0	4.0	4.9	-
Poland	3.0	3.0	2.3	2.7	2.5	3.3	4.2	4.8	4.3	4.9	5.4	5.9	7.0	7.9	8.8	9.4	8.6	11.1	12.4	-
Romania	2.3	2.1	2.1	3.0	3.2	3.0	3.2	3.7	3.9	4.9	5.2	6.3	7.9	7.8	8.2	8.3	8.5	10.2	13.8	-
Russia	4.0	4.4	4.9	5.2	5.7	5.8	5.5	6.0	6.5	6.5	6.7	7.4	8.1	8.4	8.4	8.7	9.1	16.7	17.8	-
South Africa	3.3	3.2	3.1	3.2	2.8	3.2	4.4	5.2	4.9	4.7	4.9	5.0	5.0	5.4	5.9	5.7	5.7	5.9	5.9	-
Spain	-0.8	-0.8	-0.5	0.5	0.0	1.3	2.2	2.7	2.7	2.9	3.3	4.0	5.4	5.5	6.6	6.1	7.6	9.8	8.3	8.7
Sweden	0.3	0.2	0.5	1.6	1.4	1.7	2.2	1.8	1.3	1.4	2.1	2.5	2.8	3.3	3.9	3.7	4.3	6.0	6.4	-
Switzerland	-0.6	-0.7	-0.8	-0.5	-0.5	-0.2	0.3	0.5	0.6	0.7	0.9	0.9	1.2	1.5	1.5	1.6	2.2	2.4	2.6	-
Taiwan	-0.3	0.1	0.0	-0.2	1.4	1.2	2.1	2.4	1.8	1.9	2.3	2.6	2.5	2.9	2.6	2.8	2.3	3.3	3.4	-
Thailand	-0.5	-0.4	-0.3	-0.3	-1.2	-0.1	3.4	2.4	1.2	0.5	0.0	1.7	2.4	2.7	2.2	3.2	5.3	5.7	4.6	-
Turkey	11.9	14.0	14.6	15.0	15.6	16.2	17.1	16.6	17.5	19.0	19.3	19.6	19.9	21.3	36.1	48.7	54.4	61.1	70.0	-
UK	0.7	0.3	0.6	0.7	0.4	0.7	1.5	2.1	2.5	2.0	3.2	3.1	4.2	5.1	5.4	5.5	6.2	7.0	9.0	-
US	1.2	1.1	1.3	1.4	1.7	2.7	4.2	4.9	5.3	5.3	5.2	5.4	6.2	6.8	7.1	7.5	7.9	8.6	8.2	-

Source: Refinitiv Datastream. Note: Coloured shading is that the darker red is higher inflation, each row is highlighted within its own time series to show momentum in local inflation rates

Some key items will continue to drive the inflation outlook

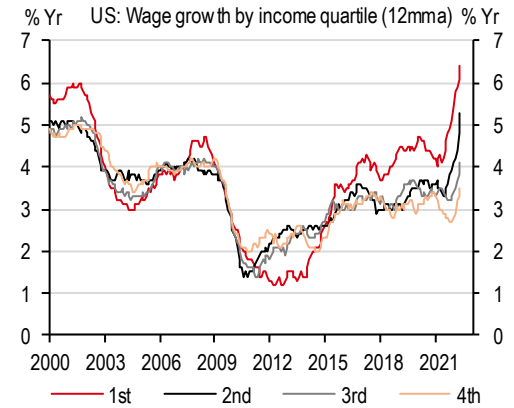
Tight labour markets are keeping wage pressures high

10. Labour markets remain tight



Source: Refinitiv Datastream

11. Wage growth remains very high amongst low-income groups



Source: Refinitiv Datastream, Atlanta Fed

The growth drivers may matter to the inflation and policy outlook

Despite supply chain risks, shipping costs continue to fall

12. Shipping costs continue to show some improvements...



Source: Refinitiv Datastream

13. ...but with some differences between routes

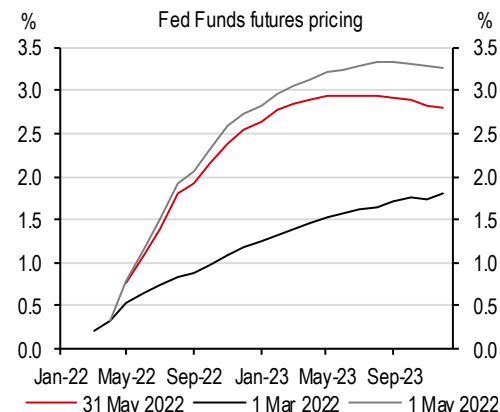


Source: Refinitiv Datastream

Policy action is moving towards more tightening

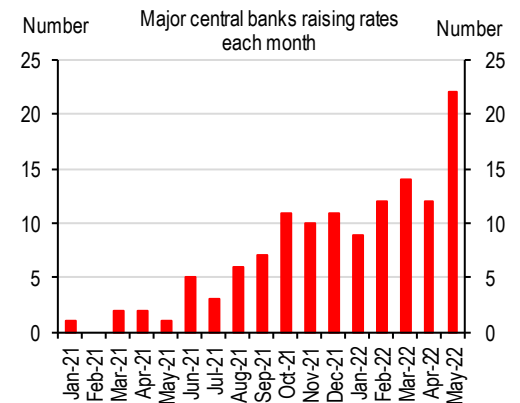
Worries about the growth outlook have weighed on rate rise expectations and more central banks are raising rates...

14. Market expectations from the Fed may have peaked...



Source: Refinitiv Datastream

15. Central banks are racing to tighten...



Source: Refinitiv Datastream, HSBC. Note: N=35.

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