

Going as fast as we can

The key charts on inflation, activity and the pandemic

Free to View
Economics - Global

- ◆ Global consumers are buying as much as they are able to...
- ◆ ...with end demand held back by supply bottlenecks...
- ◆ ...which are leading to higher prices and central bank unease

James Pomeroy
Economist
HSBC Bank plc

Despite an ongoing battle against COVID-19 in many parts of the world, global demand for goods, services and property remains high. Too high, in fact, given that we are unable to supply enough to satisfy demand as a result of shipping disruptions, shortages of key components or workers.

Most of the economic data in Q3 and into Q4 appears to have been held back by these bottlenecks that, at least for now, show little sign of alleviating. Labour shortages may prove to be more persistent if people opt to stay out of the labour force for caring, educational and medical reasons as well as because of other income gains, including the rising price of equities and other assets: a recent survey suggests that 4% of US workers have left their jobs due to cryptocurrency profits. Amid such labour shortages, firms may be incentivised to automate processes more quickly.

On the supply chain front, there are some tentative green shoots in the levelling out of freight costs and encouraging anecdotes from some car companies such as Toyota saying that “*October was the bottom of our semiconductor supply crunch*” (CNBC, 2 November 2021). But survey data, such as October’s PMIs suggest that supply chains remain stretched and the US ISM manufacturing survey was littered with comments about shortages.

With demand outstripping supply, inflationary pressures show no sign of abating for now. Coupled with higher energy prices, markets are now pricing a greater chance of these pressures persisting for longer. Coupled with surprisingly aggressive moves – both in terms of the timing and magnitude - from central banks across CEE and Latin America, rising inflation has contributed to a re-think of G10 central bank pricing too.

This was clearly seen around the Fed, Bank of England and Reserve Bank of Australia meetings in early November, with a lot of volatility in the shorter end of the rates market, while despite lower US 10 year yields, rates have risen across much of the world in recent weeks as result of these shifts in market expectations.

How these bottlenecks evolve in the coming months will therefore be key for the growth and inflation outlook into 2022. It seems likely that these pressures will persist until at least the middle of next year, even if they may not get much worse. But after that, how quickly shipping prices fall and backlogs alleviate and people return to the labour force will have a huge impact on growth speeds and inflation rates in the second half of 2022 and how central banks respond to that growth and inflation mix.

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1. Europe is becoming the pandemic hotspot again

<i>Ranked by average ranking across case and vaccine data</i>	New daily COVID-19 Cases/mn (7dma)		New daily COVID-19 deaths/mn (7dma)		Estimated R value		Total vaccine doses administered per 100 people	Fully vaccinated people per 100	Latest vaccinations per 100 people per day (7dma)	Oxford University Stringency Index
UAE	7.4	↓	0.1	↓	0.9	↑	214.0	87.7	0.3	47.7
Japan	1.5	↓	0.1	↓	0.7	↑	153.2	74.7	0.3	47.2
Mainland China	0.1	↑	0.0	↓	1.3	↑	162.5	74.3	0.6	76.4
Korea	39.2	↓	0.5	↑	1.1	↑	156.8	77.2	0.4	39.4
Taiwan	0.2	↓	0.0	↓	0.9	↓	112.2	38.3	0.8	49.1
Chile	88.3	↑	1.1	↑	1.1	↓	198.8	80.6	0.9	35.7
Australia	50.1	↓	0.7	↑	0.9	↓	143.7	67.8	0.6	60.7
Hong Kong	0.3	↓	0.0	↓	-	↓	120.7	59.0	0.1	52.8
Singapore	493.4	↓	3.4	↑	0.9	↓	185.1	86.3	0.4	44.4
Indonesia	1.8	↓	0.1	↓	0.8	↑	74.7	29.0	0.6	57.9
Spain	62.1	↑	0.6	↓	1.2	↑	155.8	80.0	0.2	41.2
Saudi Arabia	1.2	↓	0.1	↓	1.0	↑	131.5	61.9	0.2	57.4
New Zealand	26.8	↑	0.2	↑	1.3	↓	138.6	65.1	0.5	81.0
Argentina	27.0	↑	0.7	↓	1.0	↑	135.9	58.7	0.5	42.6
UK	518.2	↓	3.6	↑	0.9	↓	156.5	67.3	0.6	41.2
Malaysia	147.2	↓	2.4	↓	0.9	↑	154.0	75.2	0.2	59.3
Canada	67.7	↓	0.9	↓	0.9	↓	155.7	75.0	0.2	67.1
Philippines	17.0	↓	2.3	↑	0.6	↓	59.2	32.1	0.7	74.5
Sweden	60.5	↓	0.2	↓	1.2	↑	145.3	68.4	0.2	19.4
Thailand	109.7	↓	1.4	↓	0.9	↓	115.1	48.5	1.0	55.1
India	8.0	↓	0.4	↑	0.9	↑	78.4	25.0	0.2	44.9
Italy	82.1	↑	1.1	↑	1.3	↑	151.2	72.2	0.3	71.3
France	101.7	↑	0.8	↓	1.2	↑	148.4	68.4	0.2	66.7
South Africa	3.6	↓	0.5	↓	0.8	↑	38.8	21.5	0.2	45.4
Colombia	33.8	↑	1.0	↑	1.1	↑	96.3	43.2	0.5	29.6
Brazil	44.6	↓	1.5	↓	0.9	↑	130.4	57.6	0.2	40.3
Mexico	20.3	↓	2.3	↓	0.9	↑	98.5	47.8	0.2	35.2
Norway	349.6	↑	0.5	↑	1.4	↑	145.9	68.8	0.1	20.4
Germany	279.2	↑	2.0	↑	1.4	↑	135.1	66.6	0.2	44.0
US	279.0	↓	5.0	↓	1.0	↑	128.8	57.3	0.2	56.0
Turkey	323.1	↓	3.7	↑	1.1	↓	138.4	58.0	0.2	54.6
Russia	275.1	↑	12.8	↑	1.1	↓	75.4	34.2	0.4	56.0
Poland	274.7	↑	4.2	↑	1.6	↑	104.6	53.1	0.2	38.9

Better

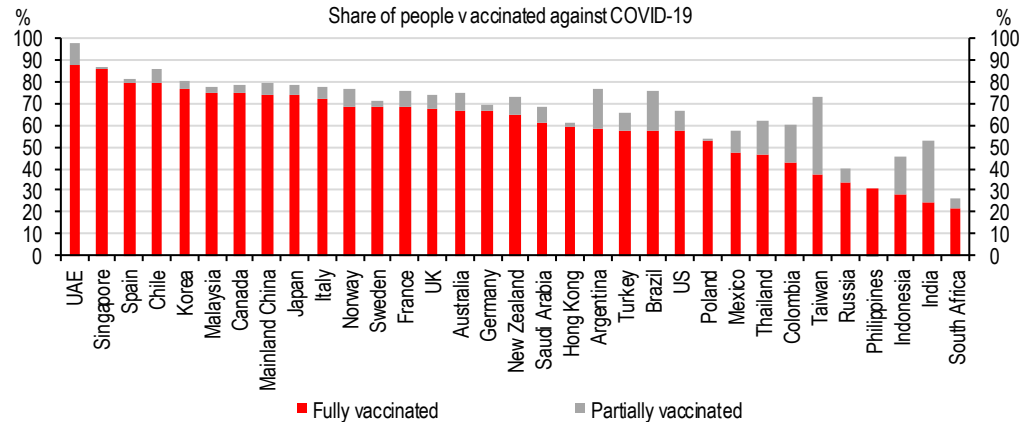
Worse

Source: Refinitiv Datastream, Our World in Data, Reuters, WHO. Note: Dark red = worse in terms of pandemic. Ranked by aggregate score across cases, deaths and vaccine rollout. Note: Arrows denote 1m change in given virus number variables. '-' denotes no available data.

The pandemic impact is still clear

Vaccination speeds are picking up in Asia, but some of the early leaders such as the UK and US are falling behind

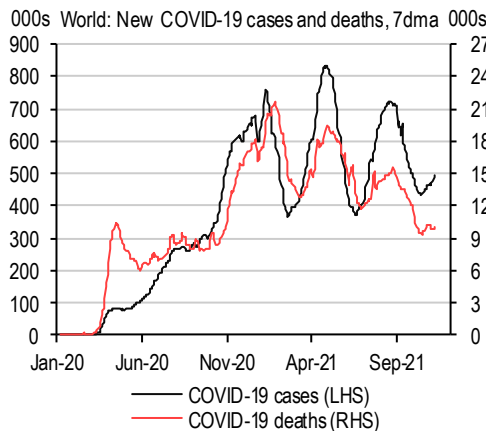
2. Vaccine rollouts continue, and at a faster pace in Asia



Source: Our World in Data

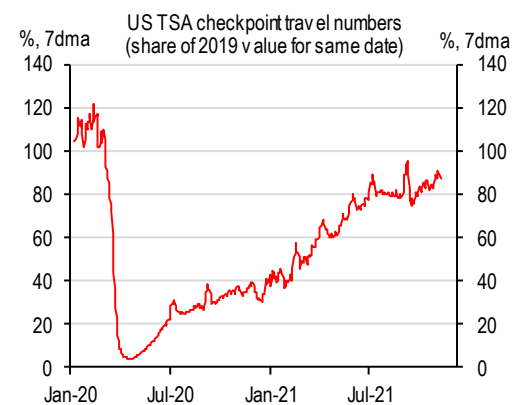
Whilst case numbers are up in Europe, lower numbers in Asia are pulling down global aggregates

3. In aggregate, cases and deaths are down, but it's a bumpy path



Source: Our World in Data

4. The slow recovery in US air travel has resumed in recent weeks

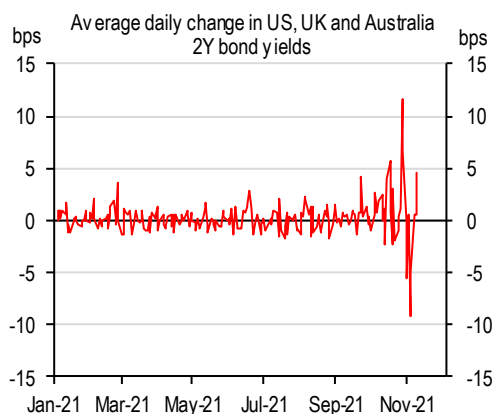


Source: TSA

A hawkish turn by central banks?

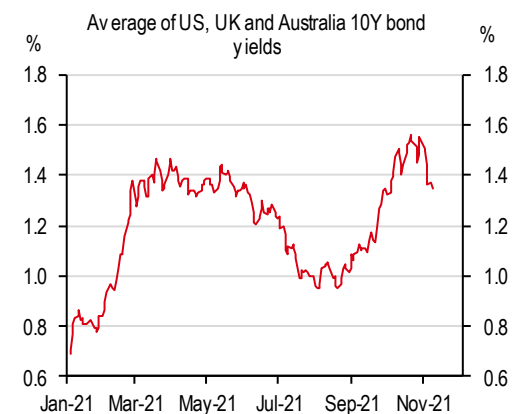
Ahead of key meetings, short rates for DM central banks spiked, only to come back

5. Changes in central bank rhetoric saw some sharp moves in short rates...



Source: Refinitiv Datastream, HSBC

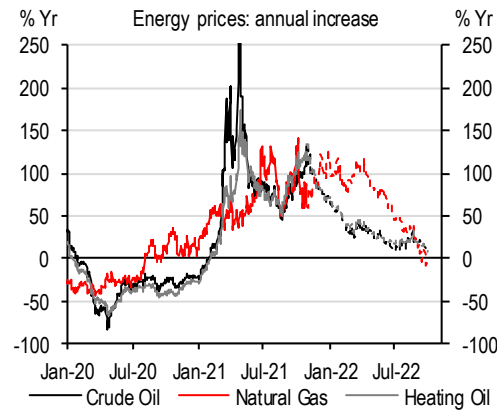
6. ...but long rates have fallen as short rates have risen



Source: Refinitiv Datastream, HSBC. Note: Simple average, not weighted

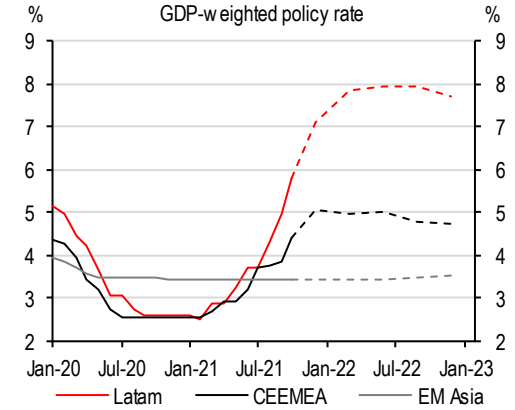
Higher energy prices and inflation are a key part of this move, evident in EM

7. Higher prices have pushed up energy inflation, although that may fade



Source: Refinitiv Datastream. Note: Dotted lines show evolution of y-o-y rate if price is fixed at current levels

8. EM central banks have acted more aggressively than we had been expecting

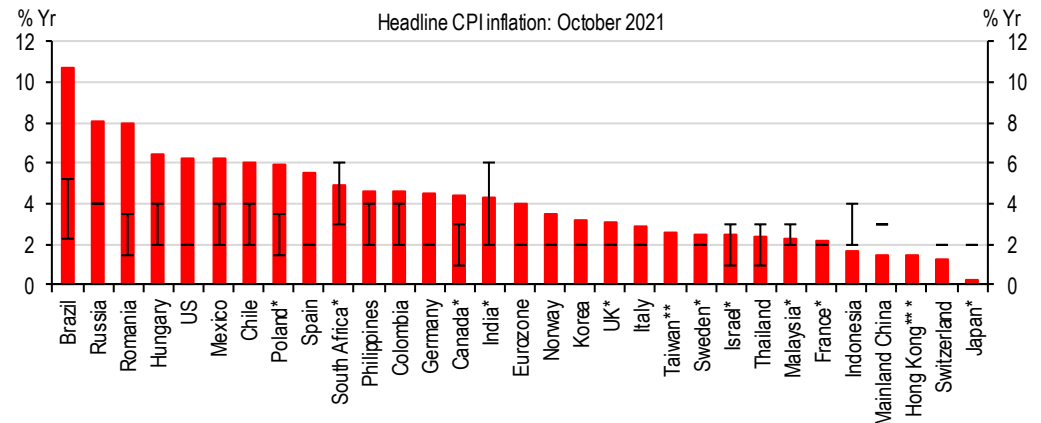


Source: HSBC estimates, Refinitiv Datastream. Note: Dotted lines are HSBC forecasts. Excludes Turkey and Argentina.

Inflation rates still heading higher

Inflation rates keep moving higher across the world

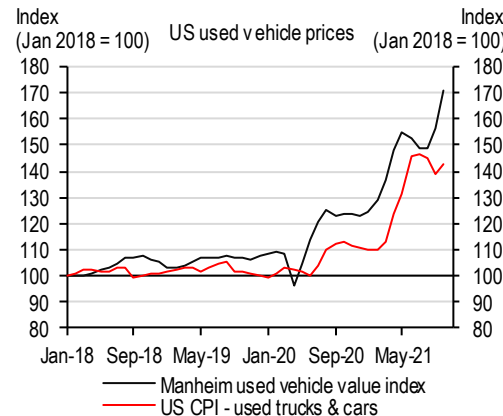
9. Headline inflation rates are likely to stay high or move higher in coming months



Source: Refinitiv Datastream. Note: *September data. **No inflation target

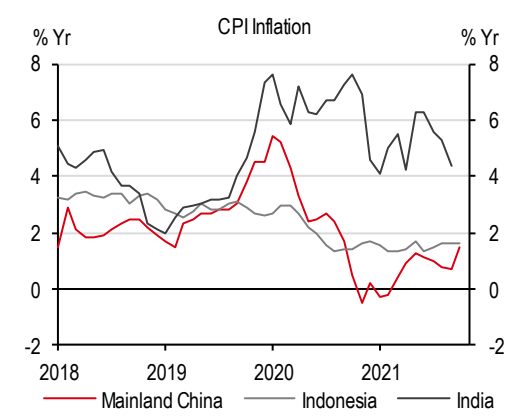
Used cars will play a big role in the coming months, while less inflationary pressure in Asia

10. Used car prices are rising in wholesale markets again



Source: Manheim Used Vehicle Index, Refinitiv Datastream

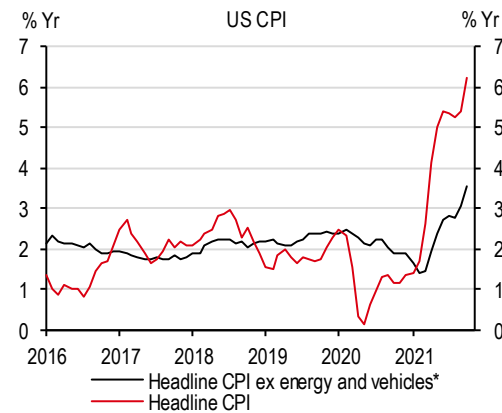
11. A lack of inflation for now in Asia, although higher energy costs may bite



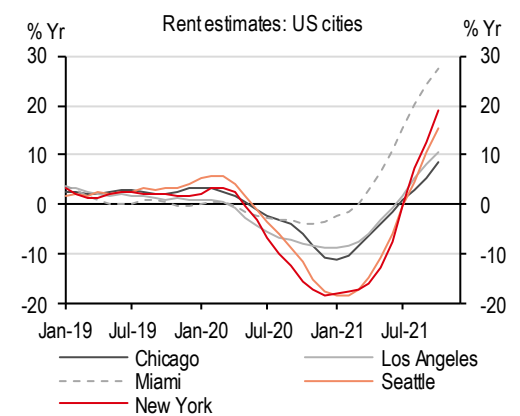
Source: Refinitiv Datastream

How much rental inflation rises by in 2022 is uncertain, but it looks set to go higher

12. US inflation keeps rising when stripping out the volatile items...



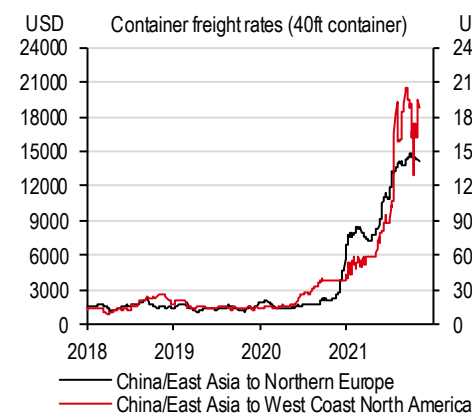
13. ...and rental inflation looks set to lift CPI inflation in 2022



Shipping and shortages challenges are still pressing

There may be some very early signs of shipping costs starting to ease

14. Shipping costs may be showing signs of slowing down...



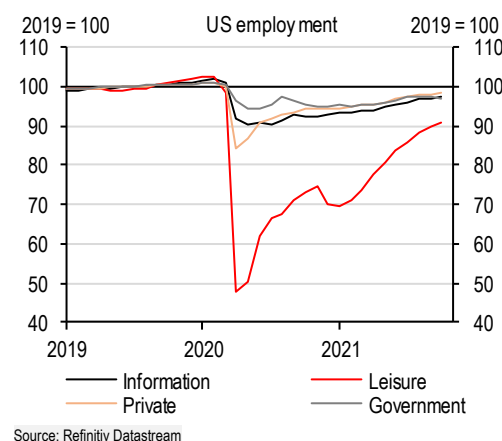
15. ...but backlogs persist across the world...



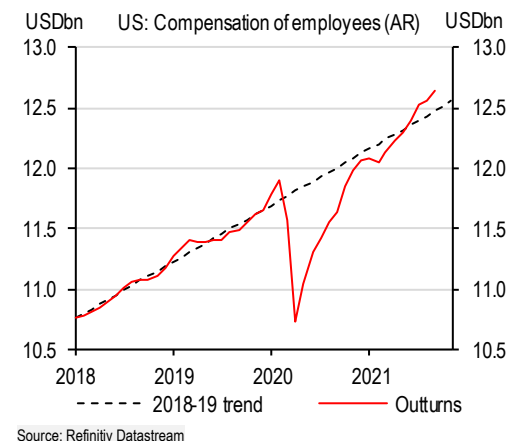
Labour markets: Strong in a different way

Labour markets still look soft on headline indicators such as employment and unemployment rates

16. Excluding leisure, US employment is nearly back at pre-pandemic levels...



17. ...and household incomes are well above pre-pandemic trend levels

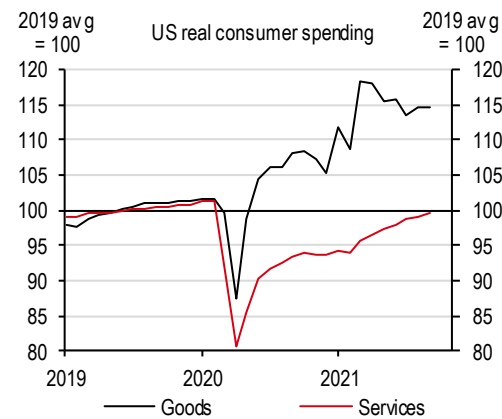


Spending's holding up

Mainland China's consumer recovery has been slower than in the US

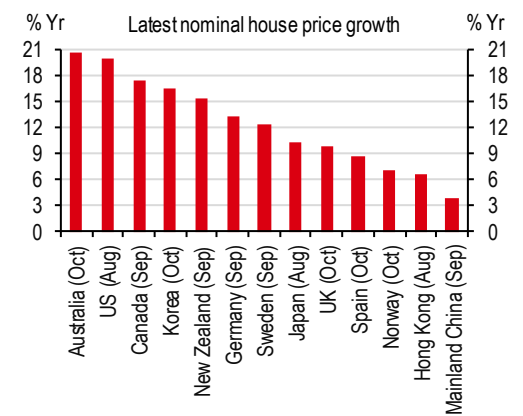
Housing markets remain robust and an inability to complete construction may be supporting prices

18. Services spending continues to recover in the US



Source: Refinitiv Datastream

19. House prices remain elevated across the world



Source: Refinitiv Datastream

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HSBC Bank plc
8 Canada Square, London
E14 5HQ, United Kingdom
Telephone: +44 20 7991 8888
Fax: +44 20 7992 4880
Website: www.research.hsbc.com

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