Economic perspectives

Asia edition

April 2022

Highlights

- China's strict zero-covid policy has collided with the highly transmissible Omicron variant, leading to a deterioration in the outlook for Chinese GDP growth in recent weeks. Lockdowns have disrupted economic activity on both the production and consumption side as factories and businesses have been shut or subject to severe restrictions. Despite various measures to offset the domestic impact of the lockdowns, it will be challenging to orchestrate a swift economic rebound given problems still weighing on the real estate sector. It therefore becomes even more difficult for the authorities to reach the 5.5% GDP growth target this year, and we have downgraded our growth outlook to 4.8% for 2022 from 5.0% previously, with an elevated risk of further downgrades.

- Weaker demand from China, supply disruptions stemming from the lockdowns, and generally less favourable global conditions (due to the war in Ukraine, the subsequent energy price shock, and rising interest rates) present headwinds for other Asian economies. Aside from pandemic-related developments in China and Hong Kong, activity data for the region at the start of the year has been mostly solid. Export growth is slowing, however, while confidence has deteriorated slightly amid rising inflation and more aggressive central bank tightening.

- The Russia-Ukraine war imposes a large negative supply shock on the global economy. A surge in commodity prices will, on balance, lead to higher inflation and lower economic growth. However, the magnitude of these effects remains highly uncertain and contingent, above all, on the duration of the war and policy responses. In addition, the effects of the shock are distributed unevenly across regions. Europe is set to be the hardest-hit region, largely reflecting its high reliance on Russian energy imports.

- Inflationary pressures continue to build up across advanced and emerging economies. We are doubtful that the inflation spike has already fully run its course with the near-term risks still being tilted to the upside in the face of the war in Ukraine. Our inflation outlook for 2022 and 2023 has thus been markedly upgraded.

- First-quarter data suggest continued solid economic activity in the US, supported by robust consumer spending. A rapid tightening of the labour market also points to resilience in domestic activity, with the unemployment rates now effectively at the pre-pandemic levels. Looking ahead, we nonetheless see room for some moderation in underlying growth dynamics, especially amid more restrictive Fed monetary policy. As a result, we have maintained our forecast for 2022 real GDP growth at 3.1% but marked down our 2023 GDP growth forecast from 2.3% to 1.9%.

- Europe is set to bear the brunt of the economic shock caused by the war in Ukraine. The first batch of March soft indicators in the euro area shows a large hit to consumer sentiment from the war, clouding the outlook for household consumption. Although business sentiment has so far proved more resilient, the war led to a notable deterioration in firms' expectations. We now expect the recovery in the euro area to come to a standstill in Q2 and Q3, with a downside risk of a technical recession. We have therefore lowered our real GDP forecast to 2.3% for 2022, while also downgrading our 2023 forecast to 1.4%.

- The path of policy normalisation has become more complicated due to negative spillovers from the war in Ukraine. We nonetheless believe that the ECB's step-by-step monetary policy normalisation remains on track, with a first 25 bps rate hike expected in September and the hiking cycle extending into 2023. Meanwhile, the Fed already commenced its tightening cycle with a 25-bps rate hike in March. In line with the hawkish guidance, we have revised our Fed call towards a more front-loaded hiking cycle in 2022, supported by the balance sheet runoff expected from May onwards. Meanwhile, the PBoC will likely need to ease policy further given the expected slowdown.

Global economy

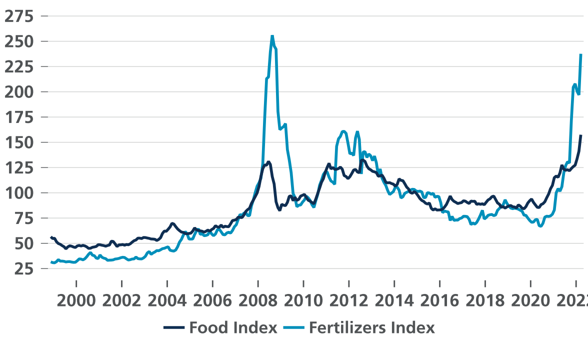
A negative supply shock from higher commodity prices

The economic implications of Russia's invasion of Ukraine and related (self-)sanctions have already started to unfold and will continue to affect the global economy in the coming months. The Russia-Ukraine war imposes a large negative supply shock given Russia's (and to some extent also Ukraine's) outsized role in global commodity markets, stretching from energy and metals to agriculture. Indeed, so far, the most direct effect of the war on the global economy is felt from higher commodity – especially energy – prices.

The oil market has remained particularly volatile since Russia's invasion of Ukraine, with Brent crude hovering around USD 105 a barrel through much of April. The largest US-led Strategic Petroleum Reserve release in history, amounting to 240 million barrels over the next 6 months, will provide some near-term relief to the market. However, these additional supplies still fall short of the self-sanctioning-induced loss of Russian oil exports, implying very tight market conditions going forward. Hence, our outlook assumes oil prices staying above USD 100 a barrel throughout 2022, with the risks tilted to the upside.

At the same time, the impact of the Russia-Ukraine war on agriculture commodities and by extension on food prices should not be underestimated. In March 2022, global food prices went up 36% year-over-year and surged further to all-time highs (figure 1). Russia and Ukraine together account for a quarter of the world's wheat exports, as well as a large share of global production of other grains. A food price shock will be felt across the global economy, however, emerging markets and

Figure 1 - Global food & fertilizers prices
index, 2010=100



Source: KBC Economics based on World Bank developing countries appear particularly vulnerable (due to the higher share of food in the household spending basket), bringing back memories of the early 2010s episode when elevated food prices sparked social unrest in many less-developed economies (see box in latest Emerging Market Quarterly Digest for details).

Higher inflation, lower growth (albeit unevenly distributed)

A surge in commodity prices due to the Russia-Ukraine war, together with expected further supply chain disruptions stemming from China's lockdowns, will lead, on balance, to higher inflation and lower economic growth. However, the magnitude of these effects remains highly uncertain, unevenly distributed across regions, and contingent on various factors – such as the duration of the war, related policy responses, and China's approach to covid outbreaks going forward. In addition, the effects of these shocks are distributed unevenly across regions, with Europe set to be the hardest-hit from the war, and major trade partners of China likely to see more substantial supply-chain disruptions.

We have markedly upgraded our inflation outlook for 2022 and 2023 in the US and euro area to take into account the war-induced surge in energy and other commodity prices, particularly in the euro area. Higher commodity, and particularly food, prices will also have an impact on already high inflation in emerging markets as well. Chinese inflation remains more subdued compared to elsewhere in the world, especially core inflation, but higher commodity prices are likely to have an impact on producer prices which have trended down in recent months after peaking in October at 13.5% year-over-year. However, pass-through from producer prices into consumer prices tends to be generally weaker in China.

On the growth front, the US economy is less likely to be materially affected by the Russia-Ukraine war than Europe. Thanks to its large home-grown shale oil and gas sectors, the US is no longer a significant net importer of energy, meaning it is less exposed to sharp spikes in energy prices. On the aggregate level, the negative effect on household consumption from higher energy prices is largely offset by the positive effect of increased activity in its domestic energy sector. The rise in energy costs is thus acting primarily as a wealth transfer from the domestic consumers to the domestic energy sector.

First-quarter incoming data point to continued solid economic activity in the US, supported by robust consumer spending. In March, US consumer confidence surprisingly edged up, and business sentiment readings also provided an encouraging picture about underlying growth dynamics, as the ISM services index strengthened to 58.3, likely reflecting lower infection risks from Omicron that weighed on services sentiment at the turn of the year.

Looking ahead, we nonetheless see room for some moderation in growth dynamics, given real income losses for households from elevated inflation and our updated outlook for a more restrictive Fed monetary policy (and tighter financing conditions). The latter will cool the US economy with some lag though, implying that a slowdown in domestic demand will push the overall growth below its long-term trend next year. As a result, we have maintained our forecast for 2022 real GDP growth at 3.1% but marked down our 2023 GDP growth forecast from 2.3% to 1.9%.

For the euro area, though February hard data suggest the economy was growing at a decent pace in the first quarter of this year, this now feels like a blast from the distant past given the Russia-Ukraine war. The euro area economy is heavily exposed to a stronger and longer-lasting energy shock, reflecting its large dependence on Russian energy imports. As a result, the euro area is set to bear the brunt of the economic shock caused by the Russian aggression of Ukraine.

The first batch of March soft indicators shows a large hit to consumer sentiment, broadly matching the decline recorded during the pandemic-related shock in early 2020. In addition to concerns about the future economic situation following the start of Russian aggression, soaring inflation and the related squeeze on purchasing power likely weighed on consumer confidence, clouding the outlook for household consumption. Meanwhile, business sentiment has so far proved more resilient to the outbreak of the war in Ukraine. However, we have downgraded our outlook for euro area real GDP growth in the second and third quarter, and while not our baseline, we cannot rule out a technical recession. We have lowered our real GDP forecast to 2.3% (from 2.7% previously) for 2022, while also downgrading our 2023 forecast from 2.1% to 1.4%.

Monetary policy: more complicated

Against accelerating inflation pressures, major central banks such as the Fed and ECB have generally adopted more hawkish stances in recent months. The central banks are nonetheless facing an increasingly difficult and uncertain economic backdrop amid Russian aggression in Ukraine, as the war and the resulting energy shock are set to strengthen inflationary pressures and lower economic growth.

We nonetheless believe that the ECB's step-by-step monetary policy normalisation remains on track and may be even accelerated. In line with current official ECB guidance, we believe that the end of the net purchases in the second quarter will pave the way for a first 25 bps rate hike in September. This will be followed up by two more 25 bps hikes in the remainder of 2022 and a further tightening in the course of 2023. We forecast the ECB deposit rate to peak at 1.00% in 2023. However, the risks are heavily tilted towards both a faster and sharper policy tightening, as the ECB March meeting minutes suggested hawks are ever more vocal and becoming highly influential.

Meanwhile, the Fed has already started its policy normalisation which is expected to be delivered at a significantly faster pace than the ECB. As widely expected, the Fed increased its key rate by 25 bps to a range between 0.25-0.50%, commencing its tightening cycle and signalling a more hawkish reaction function. In line with the Fed's hawkish guidance, and in the view of sticky inflation and a rapidly tightening labour market, we have revised our Fed call towards a more front-loaded hiking cycle. The March FOMC minutes have reinforced our expectations that conditions are in place for 50 bps hikes at the upcoming May, June and July policy meetings, followed by additional 25 bps hikes thereafter. This places the peak range for the current tightening cycle at 3.00-3.25% early next year. In addition, the March FOMC meeting minutes offered a sneak peek at the balance sheet runoff which is expected to begin as early as May. The Fed intends to pare down its bond holdings at a pace of USD 95 billion per month (USD 60 billion in governments bonds and USD 35 billion in mortgage-backed securities) with a three-month break-in period.

Policy dynamics have also become more complicated for the PBoC of late, though the Chinese central bank is moving in the opposite direction from the Fed and ECB as it steps up efforts to support the covid-hit economy. Most notably, the PBoC lowered the reserve ratio requirement by 25 basis points in April (to 9.75% for large banks). However, the PBoC's hesitancy to embrace more substantial easing measures (such as additional cuts to the Medium-term Lending Facility rate or Prime Loan rate, which were widely expected), likely reflects conflicting policy objectives of the Chinese government, such as supporting growth while addressing problems in the overleveraged real estate sector. It may also reflect concerns regarding inflation; the global commodity price shock will likely feed through into higher Chinese producer prices, and headline consumer inflation did tick up in March (to 1.5% year-over-year), though core inflation remains subdued (at 1.1% year-over-year). Still, given the government's official growth target of 5.5% this year, more policy easing is likely to be needed (see further for details).

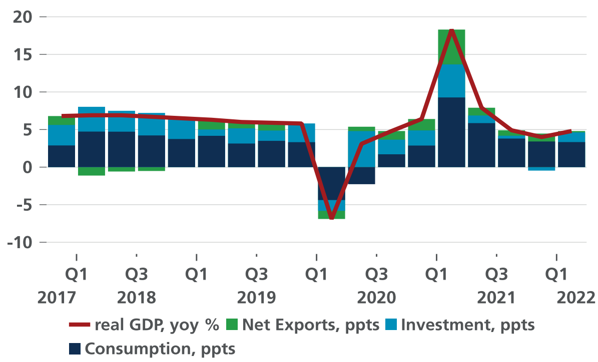
Asia Focus

Covid catches up with China

China's strict zero-covid policy has collided with the highly transmissible Omicron variant, leading to a deterioration in the outlook for Chinese GDP growth since early March. The government responded to a surge in cases by implementing strict lockdowns in a number of cities, most notably in Shanghai. These lockdowns have disrupted economic activity on both the production and consumption side as factories and businesses have been shut or subject to severe restrictions (e.g., the "closed-loop" system for workers) and residents have been confined to their homes. The lockdowns are also putting further pressure on global supply chains via delays at the port of Shanghai and other disruptions to shipping logistics within China (due to the closure of factories and warehouses, limited trucking availability, and the closure of exit/entry points for certain cities) (for further details, see **Box: What China's lockdowns mean for supply chains**).

The impact of the lockdowns is evident in some of the more recent economic data, though GDP for Q1 held up well overall at 4.8% year-over-year (1.3% quarter-over-quarter) (figure 2). This in part reflected especially strong industrial output in February (7.5% year-over-year) before the impact of the lockdowns began. This helped offset a sharp drop in consumption and particularly the services sector in March; retail trade contracted 1.9% month-over-month, and the services business sentiment survey (Markit PMI) fell from 50.1 to 42.0, indicating a strong contraction. The decline in consumption could also be seen in import data for March, which contracted 0.1% year-over-year, down from a 15.5% year-over-year increase the month

Figure 2 - China, ppt contribution to GDP growth



Source: KBC Economics based on NBS

Box: What China's lockdowns mean for supply chains

The supply chain troubles that have plagued the global economy since the onset of the pandemic are yet to unwind. There are many factors that have contributed to the recent period of disrupted production (and distribution) networks, including the initial logistic challenges posed by the lockdowns and reopening of economies in early 2020, intermittent and more local covid restrictions that have added to congestion at major ports over the past two years, a sustained demand shift from services to durable goods buoyed by a swift economic recovery in many parts of the world, and shortages of both intermediate inputs (such as semiconductors) and labour. Russia's invasion of Ukraine and the severe lockdowns imposed in many parts of China, and particularly Shanghai, in recent weeks are likely to disrupt supply chains further.

Signs of pressure

Global trade indicators have been carefully tracked in recent months in search of signs that the above-mentioned supply and demand imbalances, which have led to delayed delivery times, sky-high shipping costs and broader inflationary pressure, might be starting to ease. Indeed, very early signs of such easing could be seen in early 2022, with traffic in California ports returning to levels not seen since November 2020, traffic in the Shanghai and Zhejiang ports also declining steadily through mid-March, and some shipping price indices (such as Chinese container freight rates) starting to moderate from still very elevated levels. All this led to a decline in the New York Fed's global supply chain pressure index in January and February of this year (figure B1).

The situation has changed significantly since February, however. Not only has the war in Ukraine disrupted trade activity in the region and led to soaring energy (and therefore higher transport) prices, but severe lockdowns in several Chinese cities since mid-March are also likely to lead to further bottlenecks that will take more time to unwind. Indeed, the impact of these lockdowns, which began in Shenzen in mid-March and in Shanghai in late-March, are not yet included in the Fed's supply chain index, which only runs through February. Higher-frequency data, like traffic in the ports of Shanghai and Zhejiang, point to growing problems (figure B2). The weekly data suggests that while bottlenecks likely started to build in late-March, the situation has only deteriorated further in April as Shanghai continues to face strict anti-covid measures. The implications of temporary factory closures and congestion in Chinese ports for the global economy is difficult to quantify at this stage given several unknowns, including how long the restrictions will remain in place and how policymakers will deal with covid outbreaks going forward. However, some insights can be pulled from earlier supply-chain disruptions in 2020 and 2021.

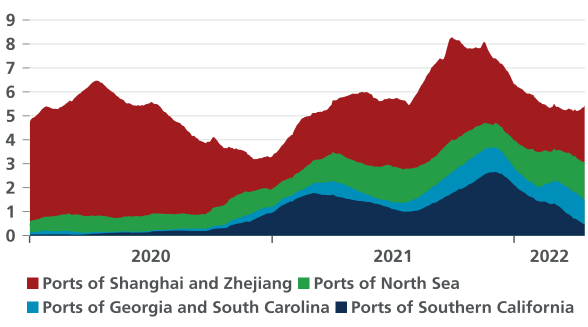
Global Implications

First, the sharp rise in container shipping costs at the end of 2020 coincided with rising port congestion elsewhere in the world. To some degree this was the result of higher trade volumes as the recovery progressed at a rapid pace (leading to strong surges

Figure B1 - Global Supply Chain Pressure Index
Index

Source: KBC Economics based on Federal Reserve Bank of New York

Figure B2 - Traffic in Port, SA
Percentage of global container ship cargo capacity tied up and unable to be loaded or unloaded due to congestion

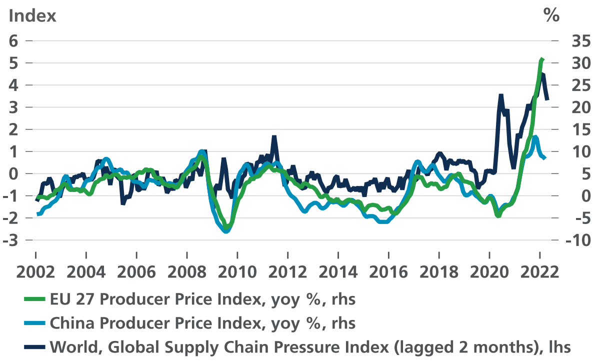


Source: KBC Economics based on Kiel Institute in demand for goods), but it also reflected knock on effects from disruptions during the earlier stages of the pandemic; high demand for container ships couldn't be met because the containers simply weren't in the right place. What this suggests is that the rising port congestion in China could lead to port congestion elsewhere in the coming months. Second, more supply disruptions mean more inflationary pressures, particularly for producer prices (figure B3). A study by the ECB released in August 2021 found that supply chain shocks on inflation persist for six to nine months. Third, supply disruptions for particular parts can weigh on activity further downstream (as was the case with the global chip shortage and its impact on European automotive industries, for example). The European economies that are most exposed to such disruptions from China (i.e., the economies with companies downstream from Chinese producers) are generally those in Central and Eastern Europe (Figure 4). This makes the lockdown situation in China an additional headwind for some of the European economies that are already most vulnerable to developments related to the war in Ukraine.

Demand side considerations

The same ECB study mentioned above, however, also highlights the demand-side factors playing a role in supply chain disruptions. It found that two-thirds of the increase in supplier delivery times (measured by PMIs) over the 6-months prior could be attributed to the economic recovery and consequent higher demand, versus one-third attributed to supply chain issues. This is important in the context of the current situation; growth in global trade remains elevated but has come down substantially from the highs reached in 2021 (figure B5). Meanwhile, soaring inflation, the war in Ukraine, and monetary policy tightening is expected to put a damper on activity in major economies (such as the euro area and US). On top of this, the lockdowns in China present a major headwind to economic activity, and given problems present in the real estate sector, an extremely swift rebound out of the current situation – as was the case after China's first period of significant lockdowns back in 2020 – is less likely. All this suggests that a normalising demand situation needs to be considered together with the new supply side disruptions.

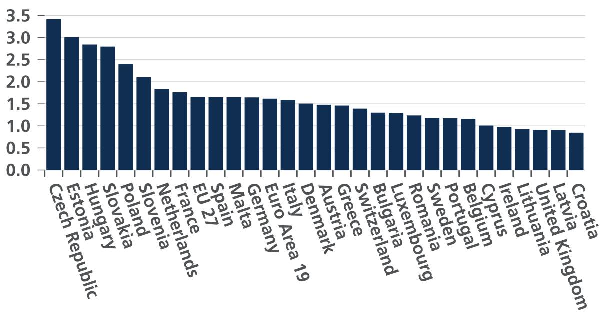
Figure B3 - Supply chain pressures and producer prices



Source: KBC Economics based on Federal Reserve Bank of New York, NBS, Eurostat

Figure B4 - Backward GVC participation with China

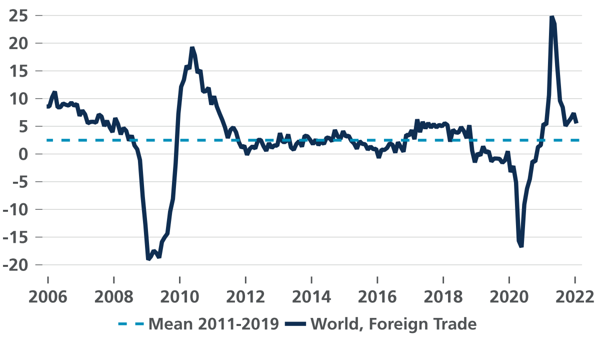
Chinese value added embodied in exports as a % of exporting country's exports, 2018



Source: KBC Economics based on OECD

Figure B5 - Global trade growth

volumes, yoy %



Source: KBC Economics based on CPB

prior. Given the extension of lockdowns into April, and reports that the lockdowns are leading to production and shipping disruptions, GDP in the second quarter will likely show the effects, with weaker growth than in the first quarter.

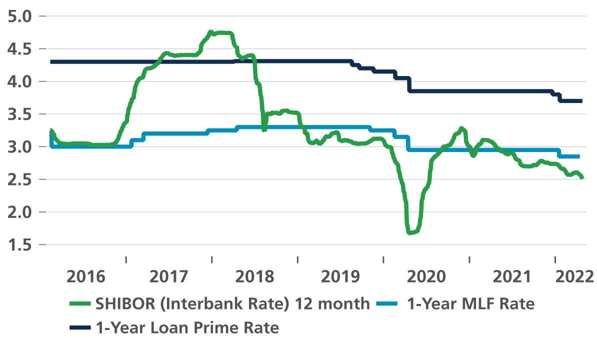
Of course, the extent of the second quarter weakness also depends on China's covid policy going forward. Uncertainty lingers as to how long current measures will remain in place in Shanghai and how the authorities will deal with future outbreaks. Rising case rates and mass testing in Beijing, for example, have sparked fears of a lockdown there as well. Mobility indicators, such as subway traffic per city and road congestion, suggests that while mobility in Shanghai remains extremely limited, for much of the rest of the country, including Beijing, mobility is holding up or even increasing (figure 3). An improvement in mobility can also be seen in Shenzhen, which preceded Shanghai in terms of going into a strict lockdown. Of course, with a strict, zero-covid approach to controlling outbreaks, such indicators can easily swing in the other direction if new lockdowns are imposed. Hence, there is still significant uncertainty as to how severely economic activity in the second quarter will suffer as a result of covid-related measures.

Economic policy will also play an important role in determining how China's economy emerges from the current lockdown period. Policymakers have announced various measures to offset the domestic impact of the lockdowns, such as tax relief for small businesses, local government bond issuance to support infrastructure, and further (yet still limited) monetary policy support. As mentioned above, the PBoC cut the Reserve Requirement Ratio for large banks from 10% to 9.75% but kept the prime loan rate (which is linked to the medium-term lending facility rate) steady in April (figure 4). However, further interest rate cuts could be on the table if activity data after April remains especially weak. With a relatively limited policy response so far, and problems in the real estate sector still presenting a headwind to growth (prices declined again in March by 0.1% month-over-month in the primary market and 0.2% month-over-month in the secondary market), it will be difficult to orchestrate a swift rebound in activity similar to the post-lockdown rebound in early 2020. That recovery was driven by state-led investment, particularly in the construction sector. It therefore becomes even more difficult for the authorities to reach the 5.5% GDP growth target this year, and we have downgraded our growth outlook to 4.8% for 2022 from 5.0% previously. Given the above-mentioned uncertainties, however, additional downgrades may be necessary if, e.g., new major lockdowns are imposed, or if the current lockdowns are extended much further into the second quarter.

Headwinds for the region

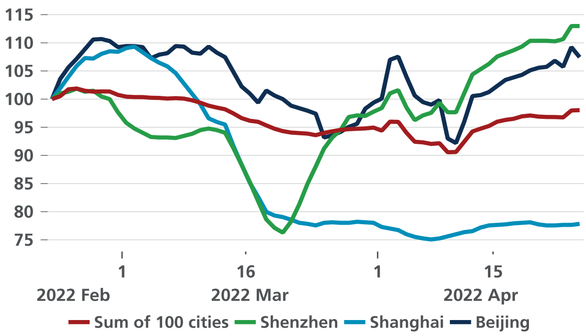
The headwinds to Chinese growth this year will put pressure on the region as a whole. High frequency data held up well through most of Q1 2022, but there are tentative signs of somewhat slower growth already, particularly in sentiment indicators. Manufacturing business surveys for many Asian economies, including Thailand, South Korea, Vietnam, and Malaysia, edged down in March, with the latter's PMI dipping below 50 (signalling contraction) (figure 5). Consumer confidence

Figure 4 - China, interest rates



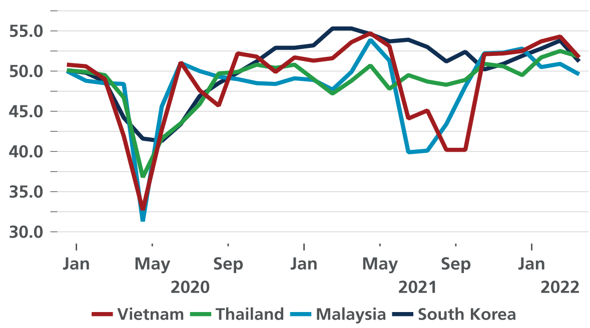
Source: KBC Economics based on PBoC, CFETS, Wenzhou Financial Office, CCDC

Figure 3 - China road traffic congestion indices
rebased to 100 at 2/20/2022



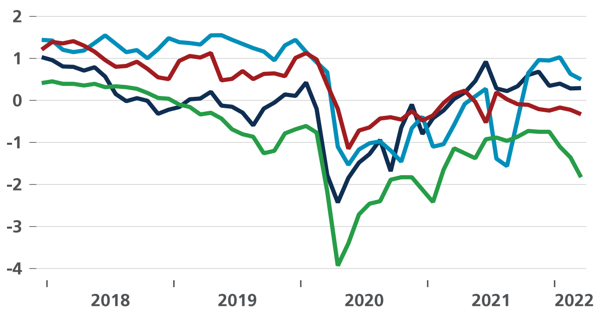
Source: KBC Economics based on MOT

Figure 5 - Business Sentiment Surveys (IHS Markit, Manufacturing PMI)



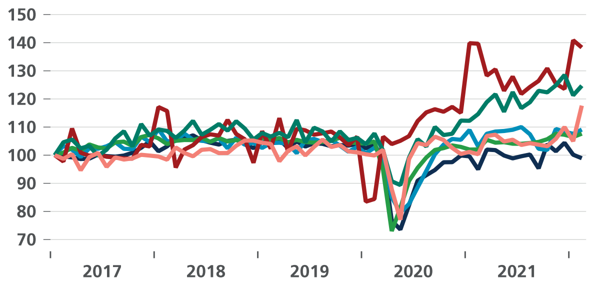
Source: KBC Economics based on IHS Markit

Figure 6 - Consumer Confidence Indicators
SA, Standardized



Source: KBC Economics based on BI, CaO, BOK, National Central University of Taiwan

Figure 7 - Export Volumes
1/1/2017 = 100

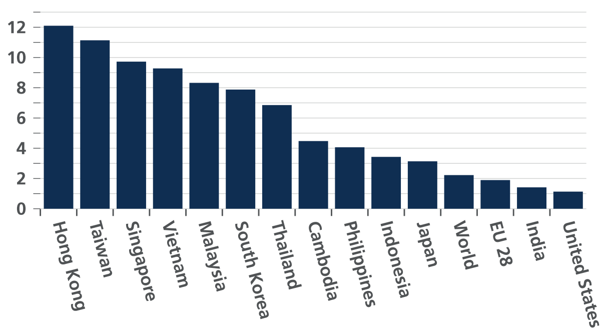


Source: KBC Economics based on CPB

indicators have also deteriorated since the start of the year in Taiwan , South Korea, Japan, and Indonesia (figure 6).

Regarding hard data, export volumes in emerging Asia – which significantly outpaced those of other regions throughout 2021 – are still at elevated levels, but growth in exports is decelerating modestly (figure 7). In part this deceleration reflects normalisation from the outsized demand for goods (rather than services) as the global economy recovered from the pandemic crisis. In line with this normalisation, some rebalancing of consumption back to services is to be expected. New factors, however, suggest the global trade outlook going forward will be weaker than previously expected. First, higher inflation and more aggressive monetary policy in the US and euro area is expected to weigh on consumer spending in both regions, which will likely translate into weaker global trade dynamics. Second the lockdowns in China have already translated into weaker Chinese imports in March, and weak consumer spending in in the face of ongoing covid outbreaks will weigh on economies that derive a higher share of value added from Chinese final demand, such as Hong Kong, Taiwan, Singapore and Vietnam (figure 8).

Figure 8 - Value added attributable to Chinese final demand
%



Source: KBC Economics based on OECD

Hong Kong

The Omicron variant caught up with Hong Kong as well, setting off a covid wave that had already started in late-December but picked up rapid speed in February before peaking in early March, and which substantially surpassed any covid wave Hong Kong had seen previously. This latest wave led to a strict lockdown and a sharp deterioration in economic activity. Retail sales contracted 17.6% in February compared to a year earlier, while the Markit Composite PMI (a measure of business sentiment), dropped from an already weak 48.9 in January to only 42 in March, the weakest level seen since April 2020. Weaker economic activity had already been recorded in the fourth quarter of 2021 (0.8% SA quarter-over-quarter), but a contraction in GDP is expected to have been recorded in Q1 2022, with the data to be released next week. In the IMF's latest update of its world economic outlook, it revised down expected GDP growth for 2022 to only 0.46%. As Hong Kong emerges from strict covid-related measures, the economy will face additional headwinds from a less favourable global environment and the expected slowdown in China.

Singapore

Growth in the first quarter of 2022 slowed substantially in Singapore, from 2.3% quarter-over-quarter to 0.35% quarter-over-quarter. While the slowdown coincided with a sharp rise in cases, mobility indicators were not substantially affected. Rather, the slowdown was mainly driven by weaker manufacturing activity compared to previous quarters. However, retail trade was particularly weak in January, contracting -4.1% month-over-month before recovering in February. Retail trade and service sector activity should continue to improve as pandemic restrictions (such as limits on gathering sizes) are lifted. The IMF estimates annual GDP growth of 3.95% in 2022, which is on the high side of the Monetary Authority of Singapore's latest estimate.

India

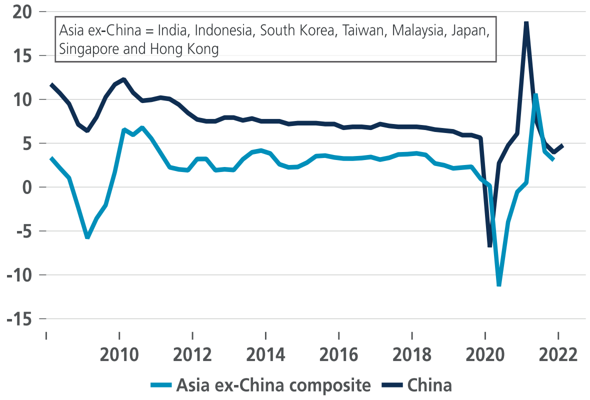
The Indian economy finds itself in an interesting middle ground at the current juncture. High frequency data suggest activity held up well at the start of the year, with industrial production growing 1.7% year-over-year in February, supported by mining activity, and consumer confidence jumping from 64.4 in February to 71.7 in March.

As an important commodity producer (including of petroleum products but also wheat), India is somewhat shielded from developments in Ukraine. At the same time, however, inflation in India, like elsewhere, has been surprising to the upside in recent months, driven by higher food prices. The Reserve Bank of India, which has not yet started its hiking cycle but is expected to do so this quarter, may find itself leaning toward more front-loaded policy tightening, which would weigh on the recovery. We forecast FY 2022 growth at 7.3% – down from an estimated 8.9% in FY 2021 – with risks tilted to the downside.

Figures

Real GDP growth composite indicators

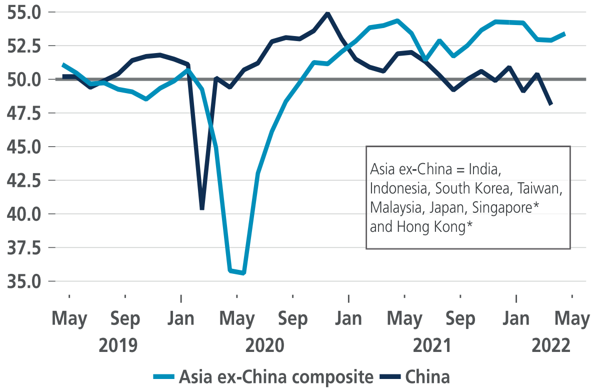
yoy %, GDP-weighted



Source: KBC Economics based on national authorities

Manufacturing* PMIs, composite indicators

GDP-weighted



Source: KBC Economics based on IHS Markit
Singapore and Hong Kong = Markit composite indices

Retail trade composite indicators

yoy %, GDP-weighted

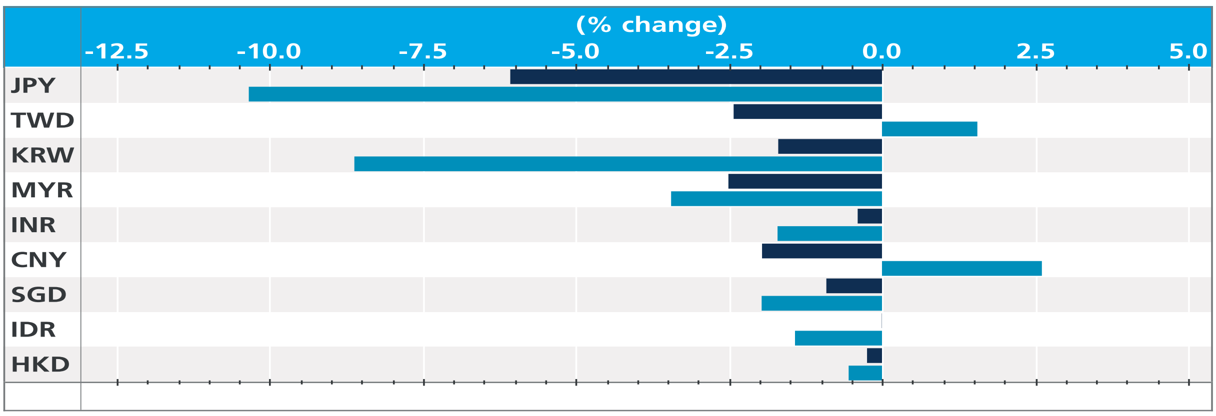
Source: KBC Economics based on national authorities
*latest figure for Asia ex-China only reflects partial results

Industrial production composite indicators

yoy %, GDP-weighted

Source: KBC Economics based on national authorities
*latest figure for Asia ex-China only reflects partial results

Exchange rates vs USD



as of 4/22/2022

■ 1 month back ■ 2021

Source: KBC Economics based on MSCI

Outlook main economies in the world

	Real GDP growth (period average, in %)			Inflation (period average, in %)		
	2021	2022	2023	2021	2022	2023
US	5.7	3.1	1.9	4.7	6.5	2.0
Euro area	5.3	2.3	1.4	2.6	7.3	4.0
UK	7.2	4.0	1.8	2.6	7.5	4.5
China	8.1	4.8	5.0	0.9	1.7	2.5
Hong Kong	6.4	0.5	4.9	1.6	1.9	2.1
India*	8.9	7.3	5.6	5.4	5.6	4.3
Indonesia	3.7	5.4	6.0	1.6	3.3	3.3
Japan	1.7	2.3	1.8	0.1	1.4	0.9
Malaysia	3.1	5.6	5.5	2.5	3.0	2.4
Taiwan	6.3	3.2	2.9	1.8	2.3	2.2
Singapore	7.6	4.0	2.9	2.3	3.5	2.0
South Korea	4.0	2.5	2.9	2.5	4.0	2.4

*Real GDP growth measured over fiscal year from April-March

Source: Forecasts for euro area, US, China, India and Japan are KBC Economic's own forecasts, prevailing 11 April 2022. All others are latest IMF WEO figures.

11 April 2022

Policy rates (end of period, in %)	8-Apr-22	Q2 2022	Q3 2022	Q4 2022	Q1 2023
United States	0.375	1.375	2.375	2.875	3.125
Euro area (refi rate)	0.00	0.00	0.00	0.50	1.00
Euro area (depo rate)	-0.50	-0.50	-0.25	0.25	0.75
United Kingdom	0.75	1.00	1.25	1.50	1.75
China (MLF)	2.85	2.75	2.75	2.75	2.75
Japan	-0.10	-0.10	-0.10	-0.10	-0.10
India	4.00	4.25	4.50	4.75	5.00

10 year government bond yields (end of period, in %)	8-Apr-22	Q2 2022	Q3 2022	Q4 2022	Q1 2023
United States	2.72	2.90	3.00	3.15	3.25
Germany	0.72	0.90	1.20	1.50	1.65
United Kingdom	1.90	1.95	2.00	2.25	2.50
China	2.82	3.00	3.08	3.25	3.35
Japan	0.25	0.25	0.25	0.25	0.25
India	7.04	7.50	7.60	7.75	7.85

Exchange rates (end of period)	8-Apr-22	Q2 2022	Q3 2022	Q4 2022	Q1 2023
USD per EUR	1.08	1.12	1.15	1.18	1.20
USD per GBP	1.30	1.35	1.37	1.36	1.36
JPY per USD	124.57	1.25	1.25	1.26	1.26
RMB per USD	6.36	6.35	6.37	6.40	6.40
INR per USD	76.01	75.50	75.00	74.75	74.50

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