KIEL INSTITUTE FOR THE WORLD ECONOMY

KIEL INSTITUTE ECONOMIC OUTLOOK

World Economy
Winter 2022

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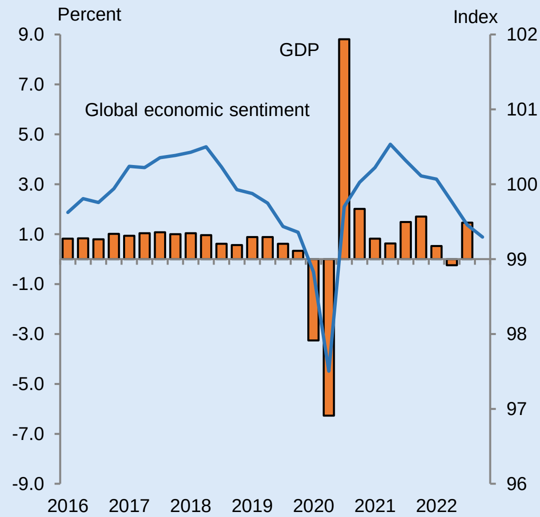
STRONG HEADWINDS FOR GLOBAL ECONOMIC ACTIVITY

Klaus-Jürgen Gern, Stefan Kooths, Nils Sonnenberg, Jan Reents, und Ulrich Stolzenburg

Global growth has decelerated over the course of the year under the impact of high energy prices and great uncertainty. Monetary policy, which is being tightened very quickly in view of high inflationary pressure across the board, is now also putting a drag on economic activity. Overall, production remained on an upward trend into the fall, with impetus coming from easing supply bottlenecks and the continuing normalization of activity in those sectors of the economy particularly affected by the Covid-19 pandemic. Towards the end of the year, however, economic momentum weakened noticeably further. The major advanced economies in particular are currently facing a period of weak economic activity despite considerable fiscal support measures. At the same time, the problems for the Chinese economy remain significant. While global output (measured on a purchasing power parity basis) at 3.2 percent is expected to grow by 0.3 percentage points more this year than expected in September, we continue to forecast an increase of only 2.2 percent next year. For 2024, our expectation has even been reduced slightly to 3.2 percent, mainly because we do expect the US economy to recover slowly. Inflation is likely to have peaked and is expected to slow significantly over the forecast horizon thanks to lower commodity prices and easing economic tensions. However, underlying inflation is not likely to return to target levels until the end of the forecast period.

After a weak first half of the year, the increase in world output temporarily strengthened in the third quarter. Global economic activity increased at a moderate pace during 2022, with the growth profile shaped by special factors. In the third quarter, output picked up noticeably to a quarterly rate of 1.2 percent as temporary negatives such as a strong destocking in the United States and extensive pandemic-related lockdowns in China which depressed growth in the second quarter disappeared (Figure 1). Meanwhile, the indicator for global economic sentiment calculated by IfW Kiel on the basis of sentiment indicators from 42 countries continued to weaken, pointing to a renewed slowdown toward the end of the year.

Figure 1:
World Economic Activity



Quarterly data, seasonally adjusted. Global economic sentiment 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.

Industrial production picked up in the summer as supply bottlenecks eased. Global industrial production increased by a robust 1.3 percent in the third quarter, buoyed by recovering production in China and a progressive easing of tensions in the logistics networks worldwide that allowed to process orders that had accumulated in the preceding months. Container freight rates in maritime transport decreased substantially to levels that are only moderately elevated even on the routes from Asia to Europe and North America. At the same time, the number of ships in waiting positions outside ports also fell sharply and has recently almost returned to normal levels (Figure 2).

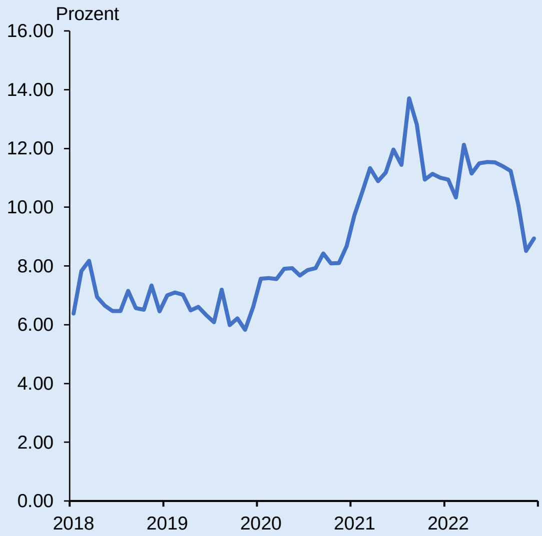
Global trade continued to grow noticeably until the fall, but appears to have lost considerable momentum recently. In line with industrial production, global merchandise trade continued to increase in the third quarter, exceeding the level a year ago by 5.3 percent in September, the latest month for which CPB figures are available. In the fall, however, world trade seems to have slowed considerably and may even have declined substantially, according to the results of the Kiel Trade Indicator.

In the advanced economies, underlying growth has continued to weaken. In the third quarter, output in the group of advanced economies increased by just under 0.5 percent. While this is somewhat stronger than in the two previous quarters, the expansion of domestic expenditure has weakened further (Figure 3). On the one hand, the private consumption lost further momentum. In the United States, moreover, construction spending is declining sharply. Against this backdrop, the recorded increase of US GDP by 0.7 percent is likely to significantly overstate the underlying economic trend. In the euro area, growth slowed to 0.3 percent, and in both the United Kingdom and Japan output even declined by 0.2 percent.

Growth in emerging economies show resilience. In China, Covid-19 and problems in the real estate sector continue to weigh on economic activity. In the third quarter, however, the economy recovered from the production slump recorded in the spring, which was caused by massive lockdowns. In India, too, where output had suffered from a historic heat wave, GDP grew strongly during summer. In the other Asian emerging countries, output also generally also rose swiftly. Also in Latin America, growth remained on track almost everywhere. So far there have been no clear signs of a significant adverse impact of the global tightening of monetary policy, which had been feared in view of episodes of strong capital outflows. Pronounced financing problems have so far been limited to a number of developing countries and a few particularly exposed emerging economies, including Pakistan, Ecuador and Ghana.

Inflation in the advanced economies has probably peaked. Inflation reached historic highs in the course of 2022 setting almost 50-year records in many countries. In the G7 countries as a whole, it climbed to 8.4 percent in October (Figure 4). In November, year-on-year consumer price inflation is likely to have fallen back noticeably for the first time since the inflation surge began in early 2021. Both in the United States, where the inflation rate has already been trending downward for several months, and in Europe, the figures for

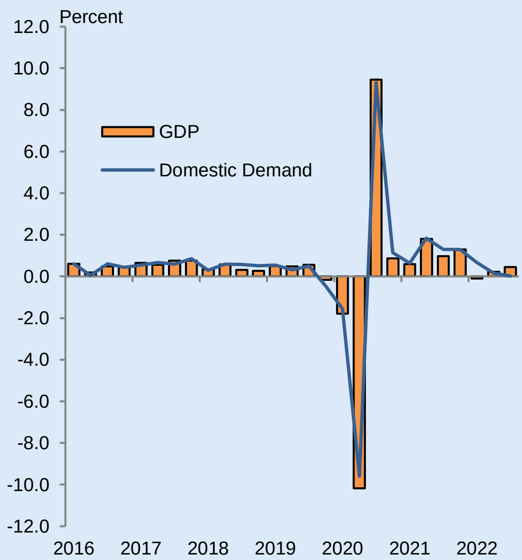
Figure 2:
Freight on stationary ships



Monthly data. As a share of goods shipped on sea.

Source: Kiel Institute calculations with data provided by Fleetmon.com. Kiel Trade Indicator 11/21.

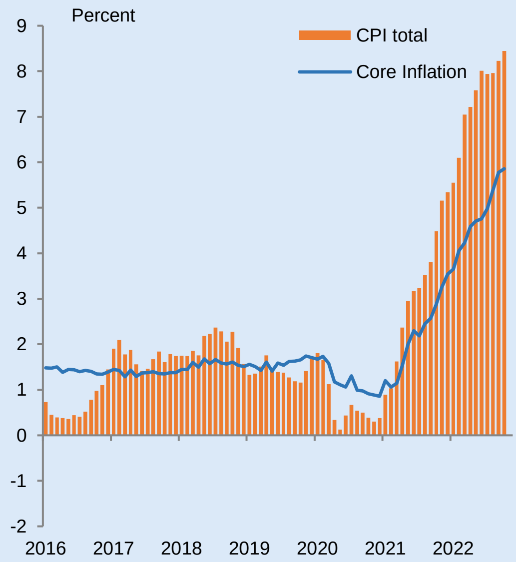
Figure 3:
GDP and Domestic Demand in the G-7, 2007–2022



Price adjusted; seasonally adjusted; yoy change. G7 consists of USA, Japan, Canada, Germany, France, Italy and UK.

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

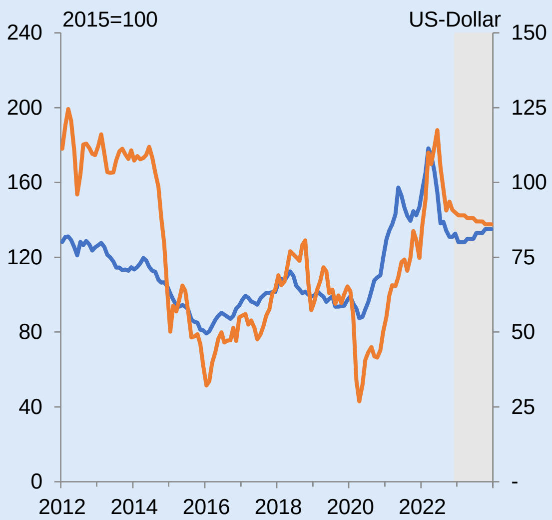
Figure 4:
CPI Inflation in Industrial Countries



Monthly Data; yoy change.

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

Figure 5:
Raw material prices



Monathly data, data edge: February 2022, shaded: forecast. Raw meterials ex energy: HWWI-Index, USD-based; Crude Oil: Spot market, Brent.

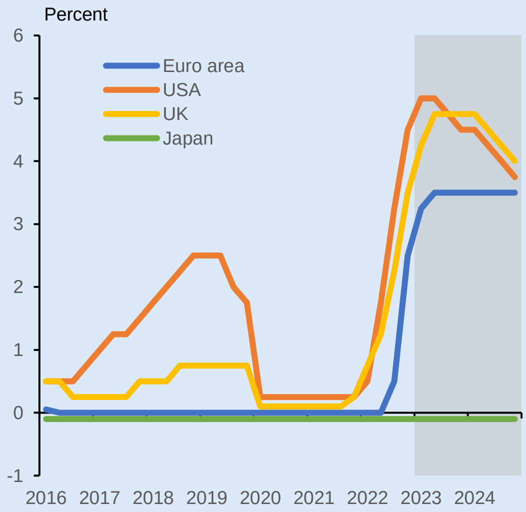
Source: International Petroleum Exchange; HWWI, Kiel Institute forecast.

November indicate reduced upward pressure on prices. Most importantly, energy prices have recently receded from their high levels seen in the summer. This has a strong impact on producer prices increases which have recently moderated substantially. By contrast, the core rate of inflation, which excludes energy and food prices, is relatively stable remaining far above central banks targets.

Commodity prices have softened recently and are expected to continue to gradually decline over the forecast horizon. The situation in the commodity markets has gradually eased since spring 2022. Prices for industrial raw materials were the first to start falling under the impact of subdued demand from China and a generally gloomier economic outlook. The price of copper, for example, returned to levels that prevailed in the years before the surge of prices following the Covid crisis. However, the prices of food commodities are still extremely high, even though the price peaks recorded in the spring have also not been sustained. Oil prices are trending downward since June. Even a cut in production quotas by OPEC in October did not break this trend. Most recently, the price of Brent crude, at around $80, was barely higher than the 2021 average. The market currently appears well supplied, so that even the start of the EU embargo on Russian crude oil and the introduction of an oil price cap for internationally traded Russian oil have not led to any significant price movements. In line with the financial markets, we expect crude oil to continue to become gradually cheaper over the next two years (Figure 5). Finally, in the fall the price level on the European gas market also dropped significantly, although it still is much higher than the level prevailing until the beginning of 2021. In view of the continued tight availability of liquefied gas, only moderate further declines are currently expected for this year and next, but the situation could ease significantly thereafter.

Monetary policy is being tightened further. The major central banks in the advanced economies have responded to the sharp rise in inflation rather late, but then with a historically very fast increase in key interest rates. In the United States, the target range for the Federal Funds Rate is now at 4.25 to 4.5 percent, almost as high as at the end of the last pronounced phase of monetary tightening in 2007. The ECB, which only began raising interest rates in the summer, has in the meantime raised its key rate to 2.5 percent. In December, it also announced that it would no longer fully reinvest the return flows from maturing bonds from spring 2023 onwards, thus gradually reducing the large stock acquired in recent years. We expect the interest rate peak to be reached next year in view of initial signs of easing inflationary pressure and a likely weak economy (Figure 6). Interest rates were also raised further elsewhere in the fall in an environment of high inflation and further rising interest rates in the major advanced economies, for example in Canada, Australia and South Korea and in many European countries as well as in a number of emerging economies in both Asia and Latin America.

Figure 6:
Policy rates in major advanced economies



Quarterly data, end-of-period. Euro area: Main refinancing operations rate, USA: Federal Funds Rate, UK: BoE base rate, Japan: BoJ overnight rate.

Source: Refinitiv. shaded area: forecast of IfW Kiel.

Fiscal policy is currently supportive. Although the high level of spending to mitigate the economic consequences of the pandemic has raised government debt massively in the advanced economies as well as in many emerging economies, pronounced consolidation efforts are currently absent. In Europe in particular, economic policy seeks to limit the impact of the energy crisis on households and companies, in some cases involving considerable fiscal effort. In the United States, a package of measures has been enacted that provides for additional spending over the next ten years, primarily to promote the expansion of renewable energies, which is, however, small in relation to GDP. Globally, the fiscal stimulus will diminish in the course of the coming year. For 2024 we expect fiscal policy to become restrictive overall.

Outlook: Global economy slows further for the time being

Dampening factors in the global economy are increasingly dominating. So far global economic activity has been supported by a number of factors which are now becoming less and less important. For example, the potential for a normalization of production from Covid-related losses in contact-intensive sectors of the economy is now to the most part exhausted. The extra savings accumulated during the pandemic, which helped maintain consumption levels in the face of shrinking real incomes, are increasingly melting away. High order backlogs in industry are increasingly being worked off, so that declining orders will have a greater impact on production in the future. The labor markets which have so far remained very robust are a lagging indicator for the economy, and their supporting influence on consumer behavior and incomes is likely to become less important in the coming months. At the same time, the negative influences on the economy emanating from the financial environment are intensifying. Higher financing costs are putting the brakes on investment and consumption. In many countries, the financial cycle also appears to be turning. Real estate prices are now softening after a long period of strong increases. When the financial cycle turns, financial imbalances tend to surface, slowing economic activity further.

The global economic expansion will slow significantly in the coming year. After still growing by 3.2 percent in 2022, which is roughly in line with the medium-term trend rate, global output is likely to increase by only 2.2 percent in 2023 (Table 1). In 2024, we expect growth to increase to 3.2 percent. Based on market exchange rates, the change in global output will be 2.9 percent in 2022, 1.6 percent in 2023, and 2.4 percent in 2024. Global trade in goods is expected to increase by only 1.7 percent in 2023 and 2.5 percent in 2024, following growth of 4.2 percent this year.

Tabelle 1:
Real GDP and consumer prices in the global economy

	Weight	Gross domestic product				Consumer prices			
		2021	2022	2023	2024	2021	2022	2023	2024
World economy total	100	6.1	3.2	2.2	3.2	7.1	9.4	8.1	6.0
including									
Advanced economies	58.8	5.3	2.6	0.3	1.3	3.3	7.4	4.6	2.8
China	18.2	8.6	2.9	4.6	5.2	0.9	2.0	2.8	2.7
Latin America	4.7	7.0	3.6	1.2	1.8	28.1	17.3	17.0	16.5
India	6.8	8.3	6.5	7.4	7.3	5.5	6.7	5.3	5.5
East Asian emerging economies	5.0	3.6	4.3	3.6	4.4	2.2	5.0	3.8	2.9
Russia	3.1	4.6	-2.3	-2.8	1.5	5.9	14.2	11.0	10.0
Africa	2.4	4.9	3.2	3.7	3.8	15.1	14.7	12.3	9.4
Memorandum item:									
World trade volume (goods)		10.2	4.2	1.7	2.7				
World economy (GDP weights using current US-dollar exchange rates)		6.0	2.9	1.6	2.5	5.0	8.0	6.4	4.6

Percent. Weights according to GDP in 2020 based on purchasing power parities. GDP, consumer prices: change over previous year. East Asian emergin economies: Thailand, Malysia Indonesia and Philippines. Africa: Egypt, Nigeria, South Africa, Algeria, Ethiopia.

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

Economic output in the US will contract in the coming year. Monetary tightening in the US has already led to a slump in construction investment. In the coming months, private consumption, which has so far been the strongest pillar of the economy, is also likely to come under increasing pressure. The reduction in extra savings – the savings ratio is close to historic lows – and further increases in consumer credit have led to an unusually large divergence between the development of private consumption and real incomes in the past year, which is unlikely to persist. We expect US GDP to contract by 0.4 percent in the coming year, and the recovery expected in 2024 is also likely to be weak (Table 2). Unemployment is expected to rise from the current low level of 3.7 percent to around 5 percent in the course of 2023. At the same time, wage growth, which has been quite strong to date, is also likely to weaken noticeably. Overall, this would lay the foundation for inflation to move back toward its target of 2 percent.

The euro zone is also flirting with recession. Although the economy of the monetary union expanded noticeably into the third quarter, despite the distortions of the Ukraine war, it has recently lost momentum. Leading indicators of business and consumer confidence are still at very low levels after falling sharply since the beginning of the year. High inflation, rising interest rates and headwinds from the global economic environment point to a period of economic weakness in the coming quarters. As a result, GDP in the euro area is likely to stagnate or even decline slightly over the winter semester. We then expect a gradual recovery in the remainder of 2023 and in 2024. Compared with our September forecast (Gern et al, 2022), the economic outlook has brightened somewhat, as the economy has proved more robust into the third quarter and energy prices are now forecast to be lower than previously expected. Overall, GDP is expected to rise by 0.6 percent in 2023 and by 1.5 percent in 2024, following 3.4 percent in 2022. Against this backdrop, the situation on the labor market is likely to deteriorate somewhat, with the unemployment rate rising from its current record low of 6.5 percent to 7.4 percent on average in 2024. Consumer prices are expected to increase by an average of 8.3 percent in 2022. Next year, the inflation rate will remain historically high, at 5.7 percent, although this means a noticeable downward revision from our previous forecast. In 2024, inflation is likely to fall further as energy prices continue to decline and core inflation gradually falls, but at 2.6 percent it will still be above the ECB's medium-term inflation target.

The departure from the zero-covid policy is both an opportunity and a risk for the Chinese economy. After the Chinese economy had recovered in the third quarter from the impact of extensive lockdowns in spring, the economy threatened to be dragged down again towards the end of the year as the number of Covid infections rose again. In December, however, the government decided to largely dispense with large-scale mobility restrictions and quarantine measures. On the one hand, this raises the prospect of an end to the stop-and-go economy caused by the zero-covid policy. On the other hand, however, high infection rates may dampen economic activity even without government orders. Private consumption in particular is likely to be affected by consumers' efforts to avoid infections. A massive wave of infections could also hamper production and overburden the healthcare system, where shortages in the supply of medicines already seem to have occurred. On balance we expect GDP growth to increase in the next two years to 4.6 percent and 5.2 percent, respectively from 2.9 percent in 2022. The crisis in the real estate sector remains a restraining factor. The number of housing starts is currently around 50 percent lower than a year ago, and housing prices continued to decline to date.

The risks to the forecast are increasingly related to the financial environment. Energy supply and energy prices continue to pose a risk to the forecast. However, developments in recent months have shown that the markets are able to cope with even major changes in the underlying conditions. At the current juncture, upside and downside risks to our assumptions for raw material prices appear to be balanced. A notable upside risk to the economy results from our comparatively pessimistic scenario for the economy in the United States. Should the financial reserves of US consumers prove more productive and US output withstand monetary tightening noticeably better than we assume, this would also spill over to the rest of the world. However, there is then a risk that inflation will prove more stubborn. US interest rates would likely be raised further and remain high for longer than assumed herein that case, the downward dynamics of the financial cycle could also intensify going forward, and risks to financial stability would become more prominent.

Tale 2:
Real gross domestic product, consumer prices and unemployment rate in advanced economies

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
European Union	40.1	5.3	3.5	0.7	1.7	2.9	8.9	6.2	2.9	7.1	6.1	6.5	6.9
Euro area	34.1	5.3	3.4	0.6	1.5	2.6	8.3	5.6	2.6	7.8	6.7	7.1	7.4
Sweden	1.0	4.8	2.9	0.4	1.5	2.7	7.8	5.8	3.6	8.8	7.5	8.0	8.3
Poland	2.2	6.7	5.8	1.0	3.6	5.3	12.7	9.4	4.4	3.4	2.9	3.3	3.6
United Kingdom	5.1	7.5	4.3	-0.6	1.5	2.6	9.1	7.6	2.8	4.5	3.7	4.4	4.5
Switzerland	1.0	4.2	2.0	0.5	1.3	0.6	3.0	2.5	1.2	5.1	4.4	4.6	4.6
Norway	0.6	4.0	3.5	3.2	2.4	3.5	5.6	4.0	3.0	4.4	3.3	3.4	3.5
United States	35.1	5.9	1.9	-0.4	0.5	4.7	8.0	4.1	3.3	5.4	3.7	4.9	5.3
Canada	3.1	5.0	3.6	1.8	1.4	3.4	5.8	4.4	2.5	7.4	5.4	5.7	5.9
Japan	8.9	1.5	1.4	0.7	1.6	-0.2	2.3	2.1	1.0	2.8	2.7	2.8	2.7
South Korea	3.9	4.1	2.8	1.5	2.7	2.5	5.3	3.8	3.0	3.6	2.8	3.2	3.0
Australia	2.2	5.2	3.6	2.3	2.7	2.8	6.5	4.5	3.0	5.1	3.8	4.1	4.3
Total	100.0	5.4	2.9	0.3	1.4	3.3	7.9	5.1	2.9	6.0	4.8	5.4	5.8

Based on GDP at prices and exchange rates of 2020 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.

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).

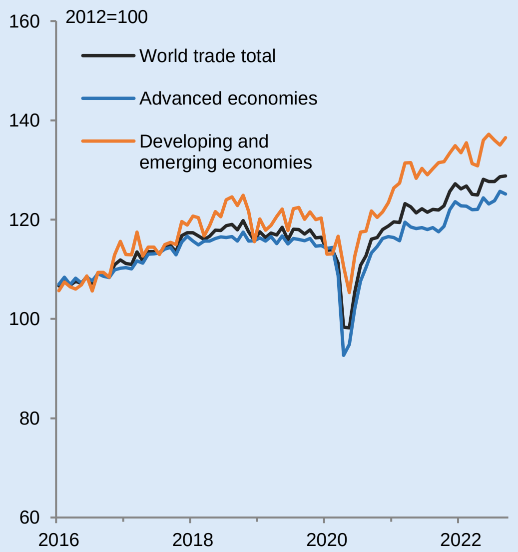
Source: OECD, *Main Economic Indicators*; national sources; Kiel Institute calculations.

Figure 1.2:
Industrial production by groups of countries and regions

Monthly data. Last value: June 2022.

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

Figure 1.3:
World trade

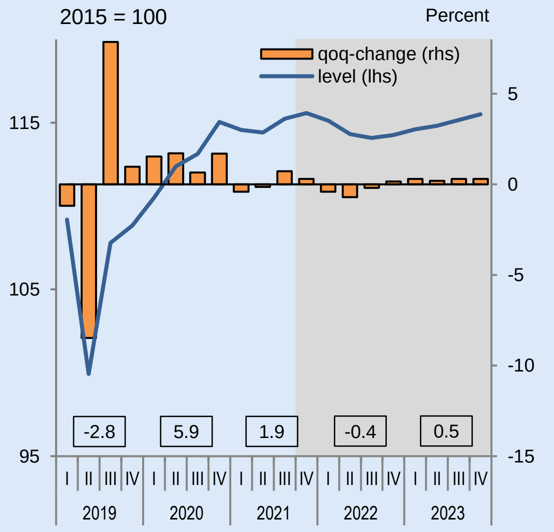


Monthly Data.

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

2. United States

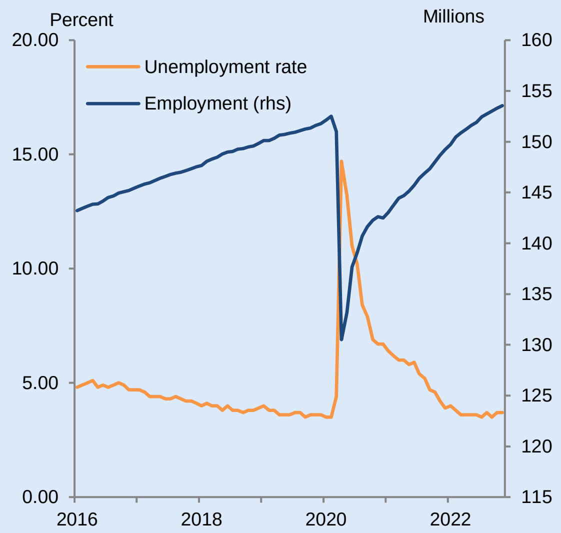
Figure 2.1:
GDP



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

Source: Bureau of Economic Analysis; shaded: Kiel Institute forecast.

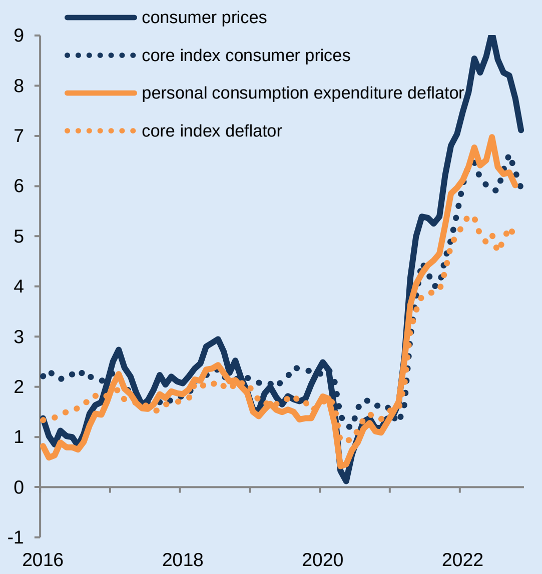
Figure 2.2:
Labor market



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

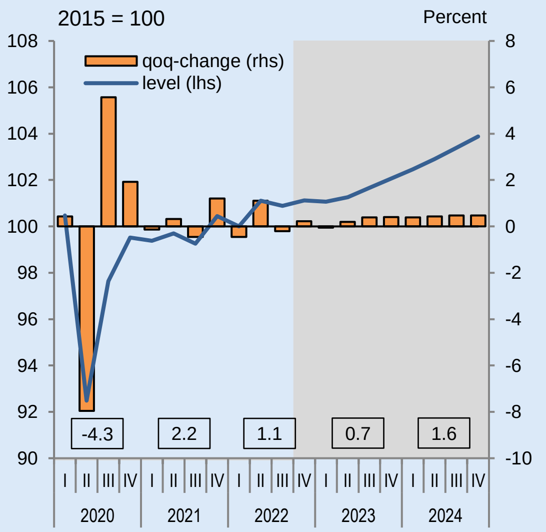
	2021	2022	2023	2024
Gross Domestic Product	5.9	1.9	-0.4	0.5
Domestic expenditure	7.0	2.3	-0.7	0.4
Private consumption	8.3	2.8	-0.5	-0.3
Government expenditure	0.6	-0.9	1.0	1.0
Gross fixed capital formation	7.4	-0.1	-2.8	1.1
Machinery and equipment	10.3	4.6	-0.1	1.8
Intellectual property rights	9.7	8.7	3.3	2.4
Structures	-6.4	-8.1	-4.9	-0.6
Residential investment	10.7	-9.9	-11.8	-0.3
Inventories	0.3	0.7	-0.1	0.2
Net exports	-1.1	-0.4	0.3	0.1
Exports	6.1	7.2	1.5	1.6
Imports	14.1	8.8	-1.0	0.4
Consumer prices	4.7	8.0	4.6	3.3
Unemployment rate	5.4	3.7	4.9	5.3
Current account balance	-3.7	-3.8	-3.6	-3.3
Government budget balance	-11.9	-3.5	-4.7	-4.6

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;* own calculations; shaded: IfW forecast.

3. Japan

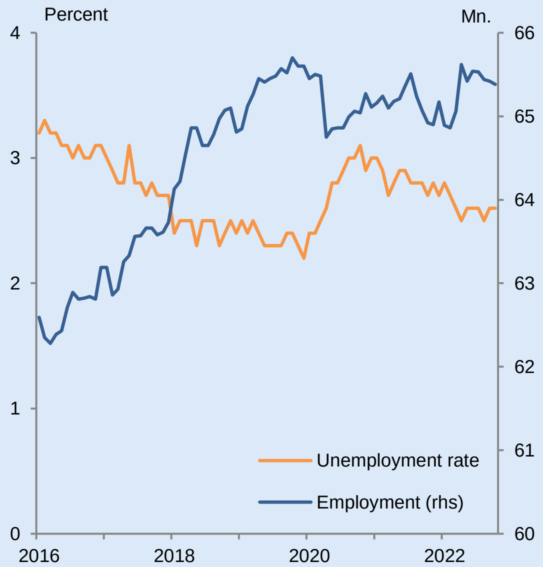
Figure 3.1:
GDP



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

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

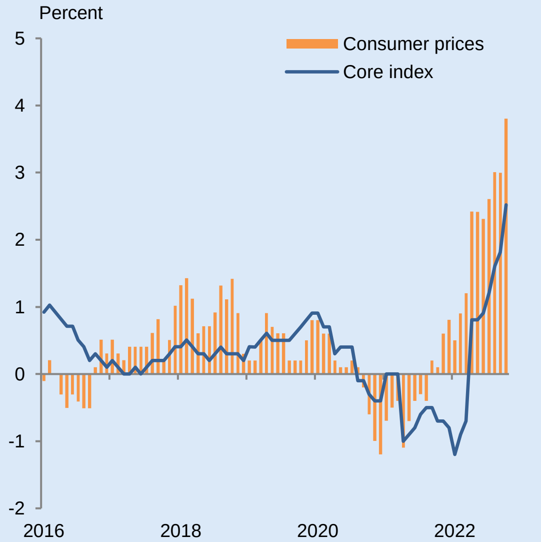
Figure 3.2:
Labor market



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

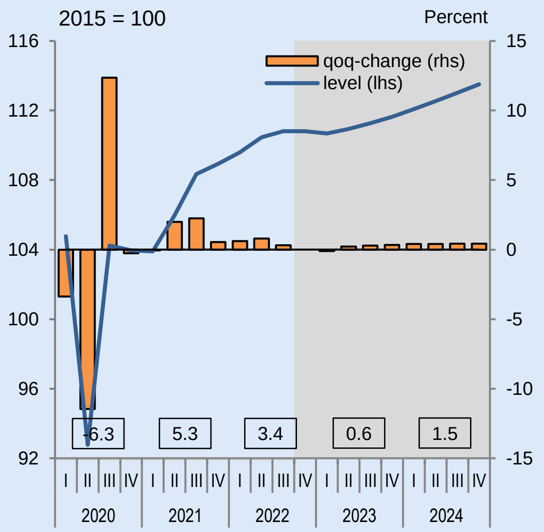
	2021	2022	2023	2024
Gross Domestic Product	1.5	1.4	0.7	1.6
Domestic expenditure	0.6	1.9	0.9	1.5
Private consumption	1.8	2.8	0.7	1.2
Government consumption	1.7	1.7	1.3	1.2
Gross fixed capital formation	-5.7	-1.0	1.5	2.7
Enterprises	-0.7	1.6	1.7	3.1
Residential Investment	-7.9	-7.9	-7.9	-7.9
Public investment	-2.1	-6.6	3.6	2.1
Change in inventories	-0.2	0.4	-0.1	0.0
Net exports	0.8	-0.3	-0.1	0.0
Exports	12.1	4.6	1.7	2.2
Imports	5.7	7.6	2.6	1.8
Consumer prices	-0.2	2.3	2.1	1.0
Unemployment rate	2.8	2.7	2.8	2.7
Current account balance	2.9	2.9	2.9	2.9
Government budget balance	-5.7	-6.5	-5.5	-4.0

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*; own calculations; shaded: IfW forecast.

4. Euro Area

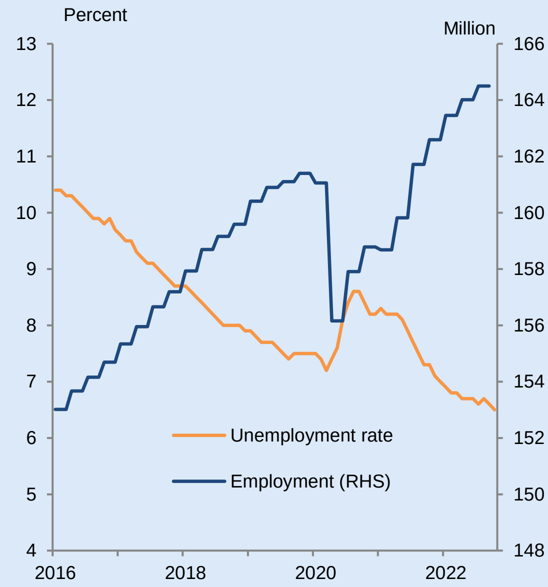
Figure 4.1:
GDP



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.

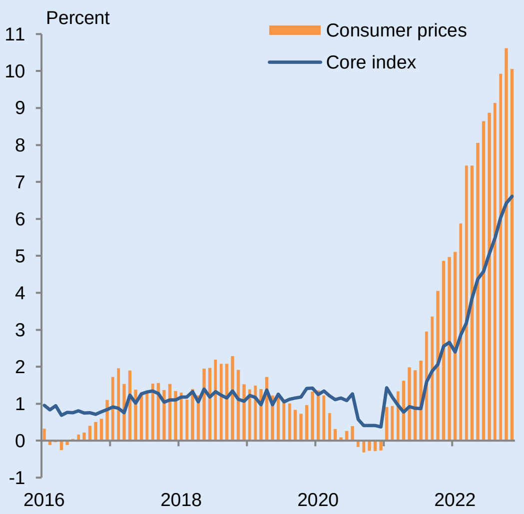
Figure 4.2:
Labor market



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

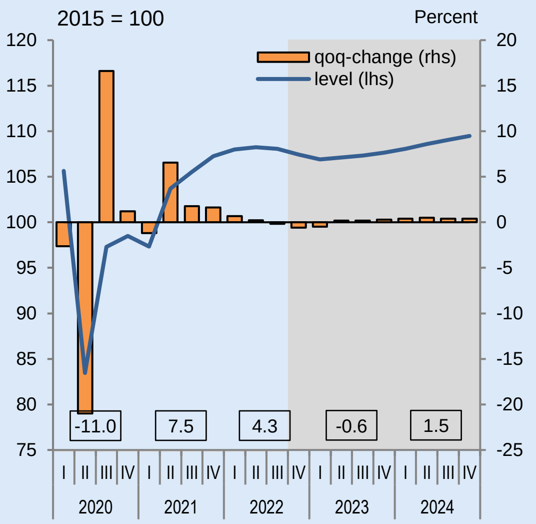
	2021	2022	2023	2024
Gross Domestic Product	5.3	3.4	0.6	1.5
Domestic expenditure	4.1	3.6	0.6	1.7
Private consumption	3.7	3.9	0.3	1.7
Government consumption	4.3	1.1	0.5	1.1
Gross fixed capital formation	3.7	3.8	0.9	2.5
Inventories	0.2	0.4	0.2	0.0
Net exports	1.2	-0.1	0.0	-0.2
Exports	10.4	7.3	3.2	3.7
Imports	8.2	8.1	3.4	4.3
Consumer prices	2.6	8.3	5.7	2.6
Unemployment rate	7.8	6.7	7.1	7.4
Current account balance	2.6	-0.7	-0.2	0.7
Government budget balance	-5.1	-3.7	-4.2	-3.6

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*; own calculations; shaded: IfW forecast.

5. United Kingdom

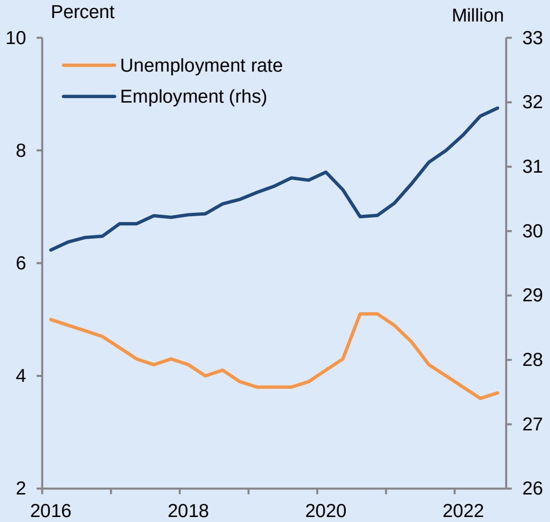
Figure 5.1:
GDP



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

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

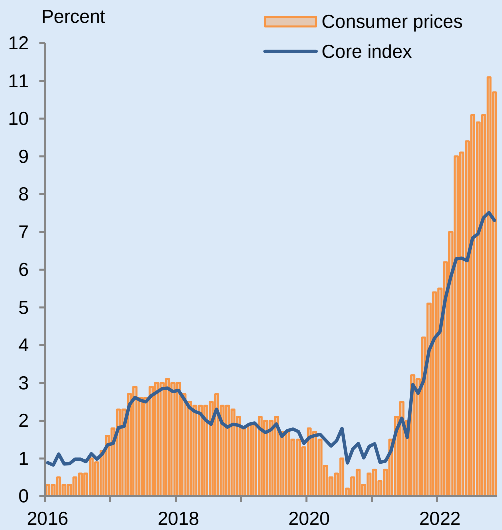
Figure 5.2:
Labor market



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 5.1:
Key indicators United Kingdom

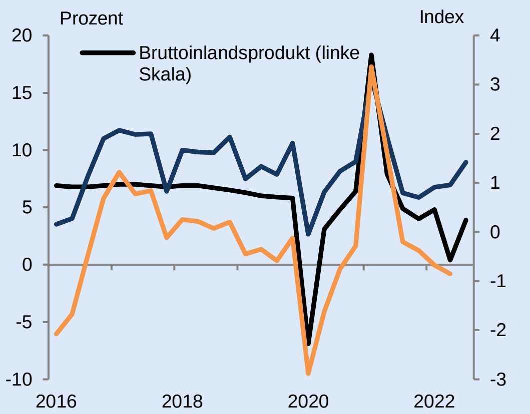
	2021	2022	2023	2024
Gross Domestic Product	7.5	4.3	-0.6	1.5
Domestic expenditure	8.3	9.0	-1.0	1.5
Private consumption	6.2	4.5	-1.2	1.0
Government consumption	14.3	2.0	0.9	1.4
Gross fixed investment	5.9	5.4	-1.0	1.5
Inventories	0.6	1.1	-0.7	0.3
Net exports	-1.4	-1.4	0.4	0.0
Exports	-1.3	9.6	2.0	3.0
Imports	3.8	12.0	0.5	2.7
Consumer prices	2.3	9.1	7.6	2.8
Unemployment rate	4.5	3.7	4.4	4.5
Current account balance	-2.6	-5.0	-4.5	-4.5
Government budget balance	-8.2	-5.8	-7.0	-5.8

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: Office for National Statistics, *Economy;* shaded: IfW forecast.

6. China

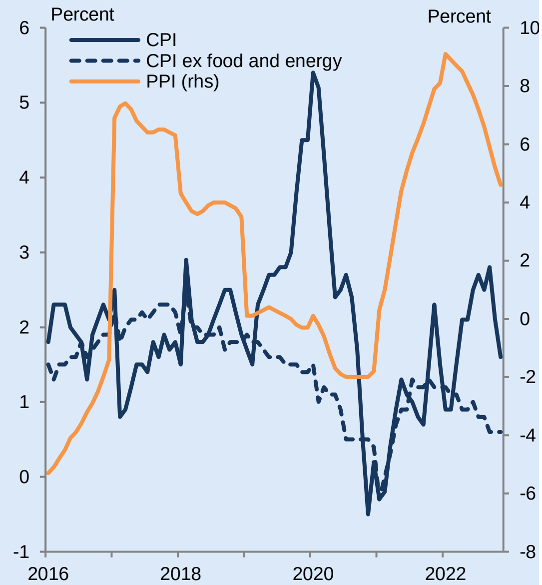
Figure 6.1:
GDP and alternative activity measures



Quartalsdaten. Bruttoinlandsprodukt: Veränderung gegenüber dem Vorjahr. Keqiang-Index: arithmetisches Mittel des Kredit-wachstums, der Frachtkargoraten sowie des Stromverbrauchs. Fernald et al. (2015)-Indikator: erste Hauptkomponente der Vor-jahresraten der Stromerzeugung, Einzelhandelsumsätze, Schie-nenfrachtverkehrs und Rohmateralpreise (zur Auswahl der Variablen, vergleiche Fernald et al. (2015). *Is China Fudging its Figures? Evidence from Trading Partner Data.* Federal Reserve Bank of San Francisco, Working Paper 2015-12).

Quelle: National Bureau of Statistics, People's Bank of China; Berechnungen des IfW Kiel

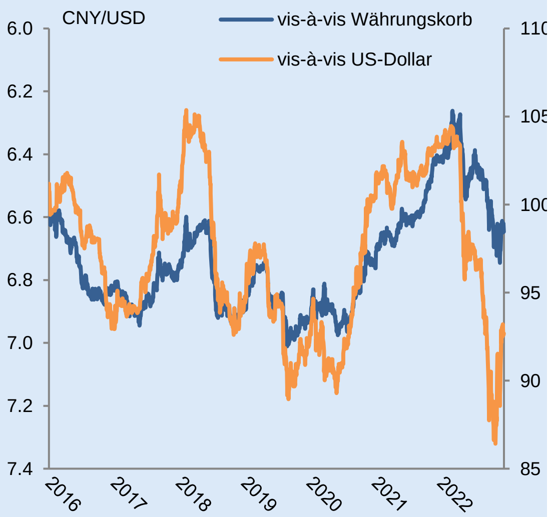
Figure 6.2:
Inflation



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

Source: National Bureau of Statistics.

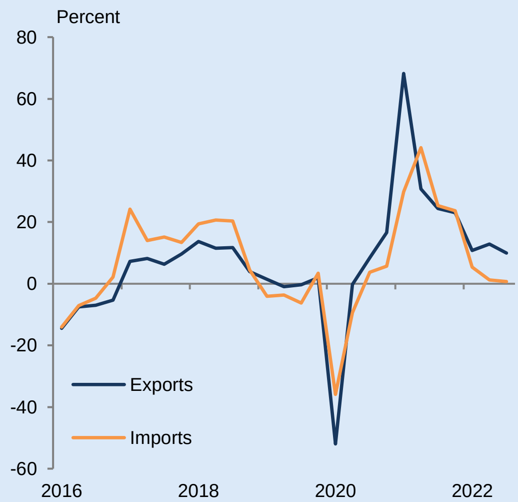
Figure 6.3:
Exchange rate



Tagesdaten.

Quelle: Thomson Reuters; China Foreign Exchange Trade System; Berechnungen des IfW Kiel.

Figure 6.4:
Exports and Imports

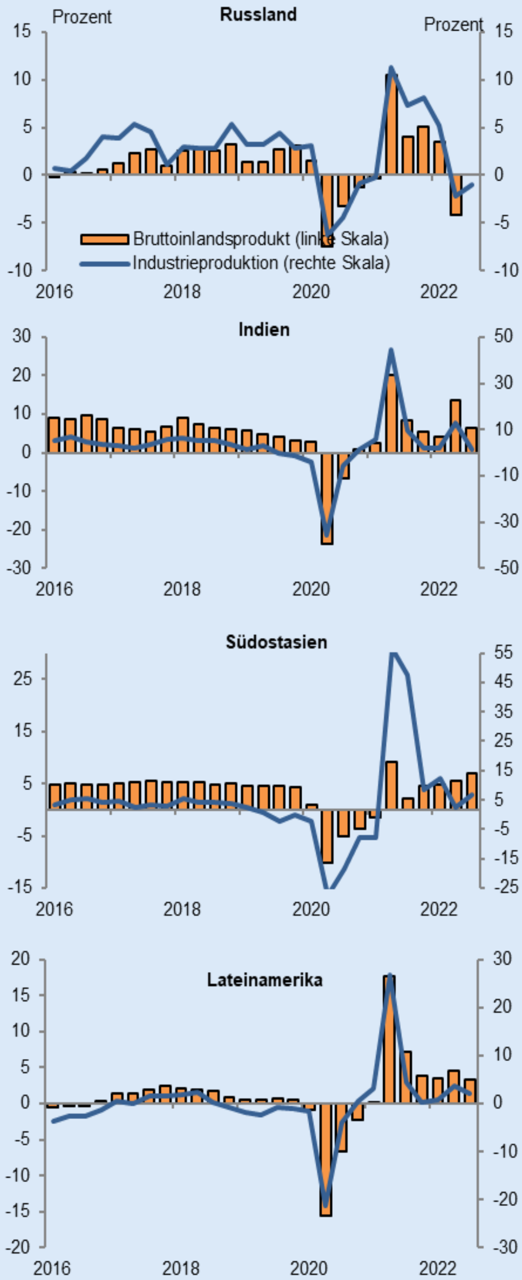


Change on a year ealier based on quarterly averages.

Source: General Administration of Customs China

7. Other emerging Economies

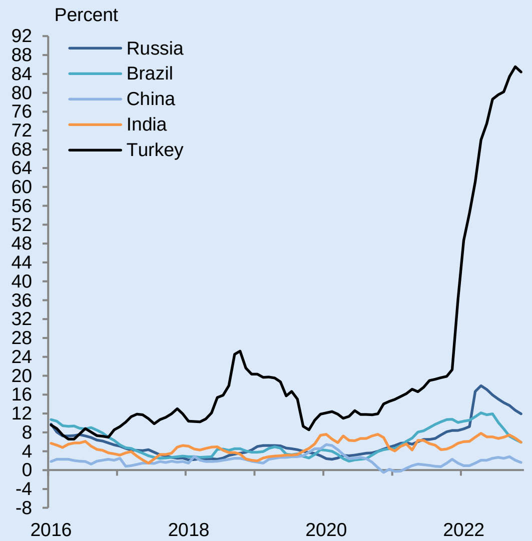
Figure 7.1:
GDP and industrial production in emerging economies



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.

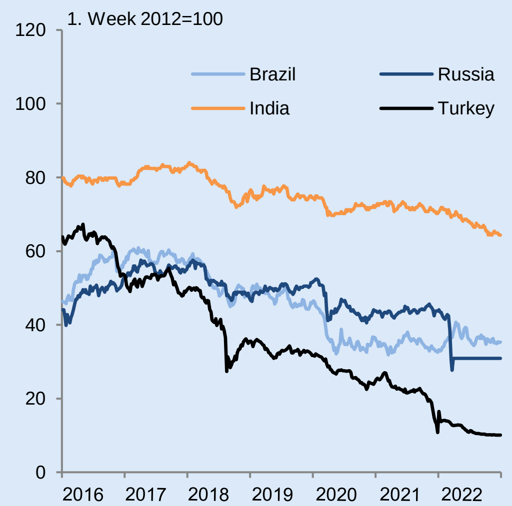
Figure 7.2:
Consumer prices



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

Tabelle 8.1:
Real gross domestic product, consumer prices and unemployment rates in the European Union

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Germany	25.3	2.6	1.9	0.5	1.3	3.2	8.2	5.4	2.2	3.6	3.0	3.2	3.3
France	17.2	6.8	2.6	0.3	1.3	2.1	5.9	5.3	2.9	7.9	7.3	7.6	7.7
Italy	12.3	6.7	3.9	0.5	0.9	2.0	8.6	5.8	2.3	9.6	8.1	8.4	9.0
Spain	8.3	5.5	4.6	0.9	2.0	3.0	8.5	5.3	2.5	14.8	12.8	13.5	14.5
Netherlands	5.9	4.9	4.3	0.6	1.4	2.8	11.6	6.4	3.2	4.2	3.5	4.0	4.3
Belgium	3.4	6.1	3.1	0.4	1.5	3.2	10.8	5.6	2.6	6.3	5.5	5.7	6.0
Austria	2.8	4.7	4.9	0.7	1.4	2.8	8.6	6.4	3.3	6.2	4.7	4.8	5.0
Ireland	2.8	13.4	11.7	4.0	4.1	2.4	8.1	4.6	2.1	6.3	4.5	4.7	5.0
Finland	1.8	3.0	2.0	0.1	1.4	2.1	7.1	4.9	2.3	7.7	6.8	7.4	7.7
Portugal	1.5	5.5	6.7	0.5	1.6	0.9	8.1	6.8	3.0	6.6	6.0	6.6	7.1
Greece	1.2	8.1	4.9	0.5	1.9	0.6	9.5	6.0	3.1	14.8	12.4	12.3	13.0
Slovak Republic	0.7	3.0	1.7	1.0	3.3	2.8	11.9	9.5	3.9	6.8	6.1	6.5	7.1
Luxembourg	0.5	5.1	2.2	0.8	1.8	3.5	8.3	5.6	3.0	5.4	4.4	4.9	5.2
Slovenia	0.3	8.3	4.9	0.2	2.7	2.1	9.3	6.1	3.4	4.8	4.2	4.7	5.0
Lithuania	0.4	6.0	2.7	0.8	2.2	4.6	19.1	12.4	4.6	7.1	5.9	6.7	7.3
Latvia	0.2	3.8	1.9	0.3	2.9	3.2	17.3	9.6	4.0	7.6	6.9	7.7	8.0
Estonia	0.2	8.1	-0.2	-0.2	3.0	4.5	19.9	10.1	3.4	6.2	5.5	6.0	7.0
Cyprus	0.2	6.6	5.4	1.6	2.5	2.3	8.3	6.2	3.2	7.5	7.4	8.0	8.0
Malta	0.1	11.6	6.5	2.1	3.0	0.7	6.2	6.8	3.8	3.4	3.0	3.2	3.6
Sweden	3.6	4.8	2.9	0.4	1.5	2.7	7.8	5.8	3.6	8.8	7.5	8.0	8.3
Poland	3.9	6.7	5.8	1.0	3.6	5.3	12.7	9.4	4.4	3.4	2.9	3.3	3.6
Denmark	2.3	4.9	3.2	1.2	1.9	1.9	8.3	4.9	3.0	5.1	4.5	5.2	5.7
Czech Republic	1.6	3.5	2.6	0.4	2.6	3.3	14.3	11.1	5.0	2.8	2.4	2.9	3.2
Romania	1.6	5.3	4.4	2.5	4.2	4.1	11.2	7.3	3.8	5.6	5.5	5.8	6.1
Hungary	1.0	7.1	5.0	0.5	3.3	5.2	14.1	11.8	4.3	4.1	3.5	3.9	4.2
Bulgaria	0.5	7.1	3.5	1.6	3.8	2.8	12.6	9.0	4.2	5.3	4.3	4.7	5.2
Croatia	0.4	12.7	6.3	1.4	3.4	2.7	10.2	7.6	4.3	7.6	6.5	7.2	7.7
European Union	100.0	5.3	3.5	0.7	1.7	2.9	8.9	6.2	2.9	7.1	6.1	6.5	6.9
Addendum:													
European Union 11	88.9	5.2	3.4	0.6	1.5	2.5	8.1	5.6	2.6	7.8	6.7	7.1	7.5
Accession countries	11.1	6.1	4.4	1.1	3.4	4.3	12.7	9.2	4.3	4.6	4.1	4.5	4.8
Euro Area	85.1	5.3	3.4	0.6	1.5	2.6	8.3	5.6	2.6	7.8	6.7	7.1	7.4
Euro Area without Germany	59.8	6.4	4.0	0.7	1.6	2.3	8.3	5.7	2.7	9.2	8.0	8.4	8.9

Based on GDP at prices and exchange rates of 2020 in percent. Change over previous year in percent. Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2019. Accession countries since 2004.

Source: Eurostat, National Accounts; shaded: IfW forecast.

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

	Weights	Real GDP				Consumer prices			
		2021	2022	2023	2024	2021	2022	2023	2024
Indonesia	5.7	3.7	5.3	5.2	5.8	1.6	5.3	4.5	3.2
Thailand	2.2	1.5	2.8	3.7	3.5	1.2	6.3	2.8	2.0
Malaysia	1.5	3.1	5.5	4.7	4.9	2.5	3.2	2.7	2.4
Philippines	1.6	5.7	6.4	5.0	6.0	3.9	4.3	3.5	3.0
Total	11.0	3.5	5.0	4.8	5.2	2.0	5.1	3.8	2.8
China	41.4	8.6	2.9	4.6	5.2	0.9	2.0	2.8	2.7
India	15.4	8.3	6.5	7.4	7.3	5.5	6.7	5.3	5.5
Asia total	67.8	7.7	4.1	5.3	5.7	2.1	3.6	3.6	3.4
Brazil	5.4	5.3	3.1	0.9	1.6	8.3	9.3	4.7	4.1
Mexico	4.2	4.9	2.9	1.3	1.5	5.7	7.9	6.3	3.8
Argentina	1.6	10.4	5.0	0.2	1.2	48.4	73.2	100.0	120.0
Colombia	1.2	10.7	8.0	1.7	2.4	3.5	10.1	7.6	4.0
Chile	0.8	11.9	2.6	-0.6	1.6	4.5	11.7	7.6	3.8
Peru	0.7	13.6	2.7	1.8	2.2	4.0	7.8	5.7	3.7
Latin America total	13.9	7.0	3.7	1.0	1.6	11.3	16.4	16.7	17.4
Egypt	2.3	3.2	6.5	4.8	5.0	4.5	8.5	12.0	10.0
Nigeria	1.8	3.6	3.3	3.0	3.2	17.0	18.5	16.0	12.5
South Africa	1.4	4.9	2.0	1.2	1.6	4.6	6.8	5.4	4.7
Algeria	0.9	3.5	4.5	3.0	2.2	7.2	9.8	9.2	9.0
Ethiopia	0.5	6.3	3.8	5.0	6.0	26.8	34.0	30.0	22.0
Africa total	6.9	3.9	4.3	3.4	3.6	9.8	12.8	12.7	10.3
Russia	7.1	4.6	-2.3	-2.8	1.5	5.9	14.2	11.0	10.0
Türkiye	4.4	11.4	5.7	3.2	3.0	19.6	72.0	75.0	50.0
Total	100.0	7.3	3.6	3.9	4.6	5.0	9.7	9.7	8.3

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.