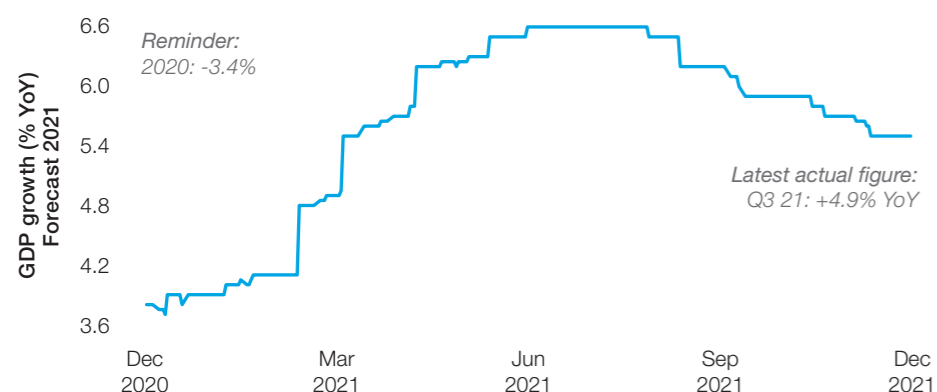


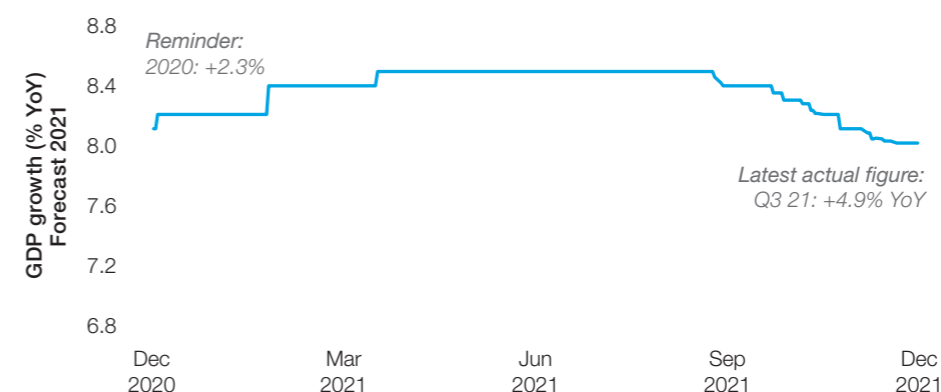
For this last edition of the Economic Brief in 2021, we will take a look back at the year and see how it developed across three different zones that drive the global economy: the United States, China and the eurozone. For each of these zones, we will observe the forecast development, as predicted by the Bloomberg Consensus, of three key elements of their economies: GDP growth, inflation and budget deficit.

## United States: strong 2021 GDP growth, but ultimately weaker than expected mid-year



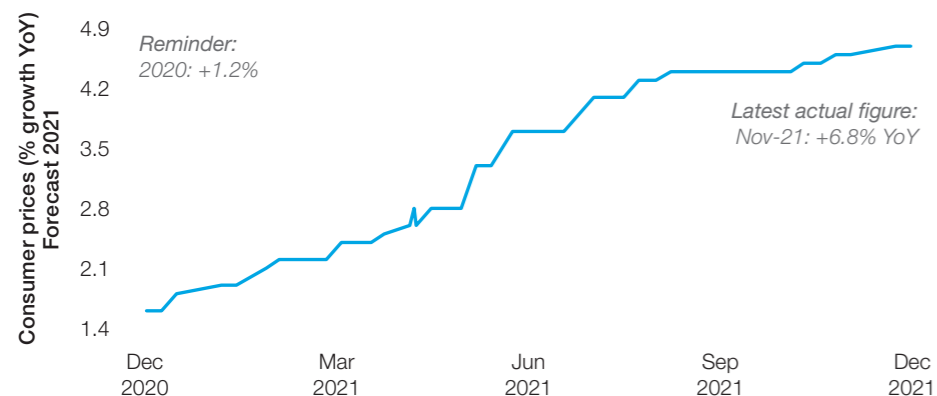
In terms of economic growth, the US had a good year. After the difficulties faced in 2020 with the outbreak of the COVID-19 pandemic (as a reminder, GDP contracted by -3.4% in 2020), US GDP recovered well with forecasts reaching a high of 6.6% mid-year and being expected to settle at around 5.5% at the end of the year. The latest actual figure (Q3 21) shows 4.9% growth YoY meaning that a slowdown process is under way.

## China: Revision downwards of 2021 GDP growth



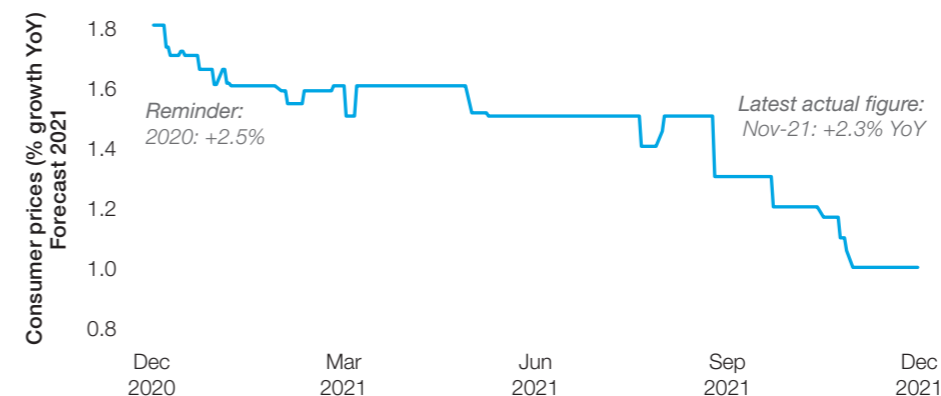
Across the Pacific in China, we see a different story in terms of economic growth. China was one of the few countries globally to maintain positive GDP growth in 2020 (2.3%), and whilst its forecast figures were strong for most of the year, growth for the country appears set to slow down, with the latest actual figure (from Q3 21) showing only 4.9% YoY.

## United States: a 2021 price drift consistently revised upwards



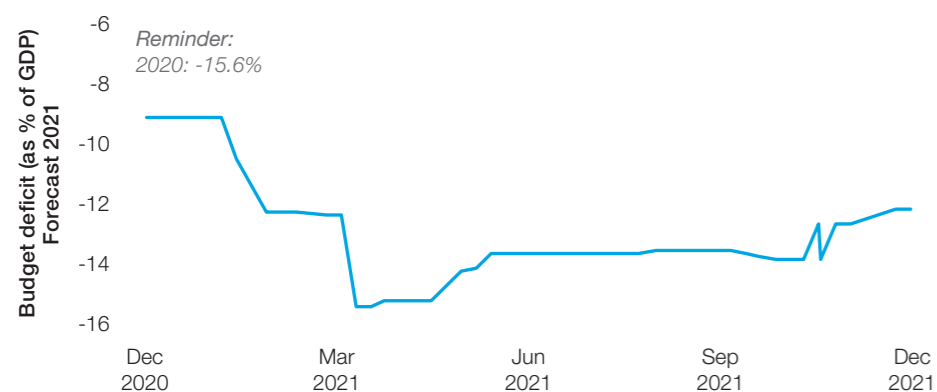
A surprise came in the form of inflation, however, which rose from 1.2% p.a. in 2020 to a high of 6.8% p.a. in November 2021 (latest figure). This surge in prices is understandable, given the switch in consumption patterns more towards manufactured goods rather than services during periods of lockdown, and with the bottlenecks arising in a number of industries after economies reopened. The issue remains relevant with current risks from accelerating prices and increasing labour costs.

## China: pressure fully contained on consumer prices



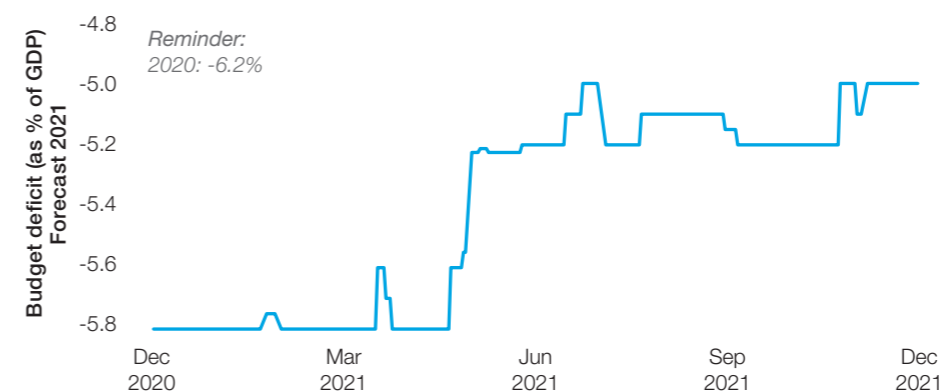
With regard to inflation, China has managed to maintain control: the forecast figure virtually halves to 1% per annum at the end of the year. The absence of general lockdown measures and a more cautious economic policy than in Western countries explain at least in part these rather quiet developments. It should be noted that an uptick in actual inflation in November to 2.3% is mostly driven by energy and food costs.

## United States: no political will in 2021 to put the public accounts in order



Finally, we see that over the year, the forecast budget deficit decreased from a peak of -15.3% to -12.2% of GDP towards the end of the year. However, given the economic growth over the period, this does not necessarily mean that the US government has been tightening its belt. Indeed, the Biden administration introduced a large stimulus package earlier in 2021 and new significant spending plans for 2022 are either under discussion in Congress or already approved.

## China: "cautious" management of economic policy in 2021

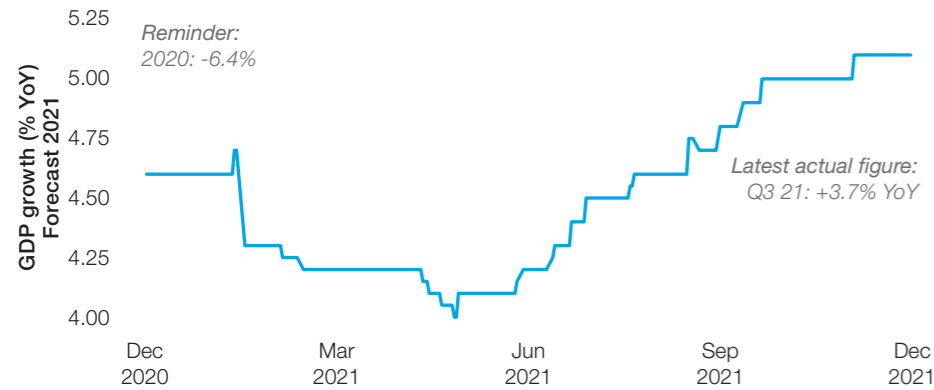


When looking at China's public deficit, we can see that President Xi has been tightening the reins in 2021. Indeed, the forecast deficit falls from -5.8% at the beginning of the year to -5% at year-end, a result of the government's cautious economic policy in 2021. There is a clear will today in China to prevent unbalanced developments, especially in industries such as real estate.

Sources: Accuracy & Bloomberg

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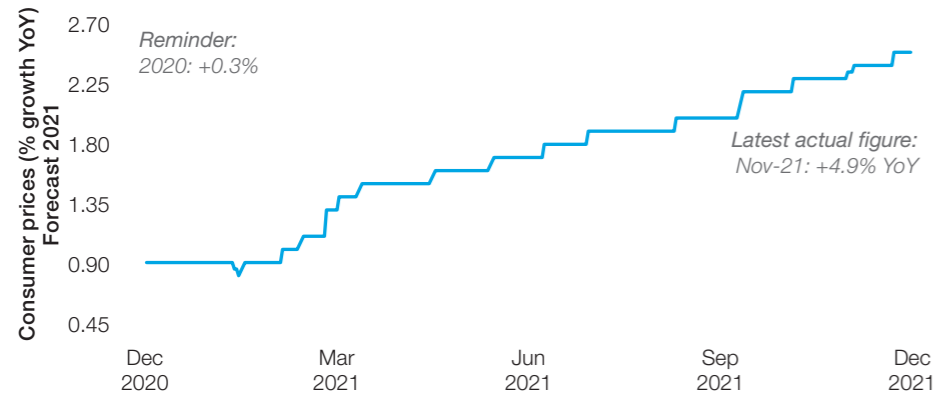
## Eurozone: positive surprise in terms of 2021 GDP growth



Finally, we come to the eurozone and see trends that seem to replicate those seen in the US, if slightly delayed. We see forecast GDP growth rise from the middle of the year to reach a high of 5.1% at year-end. However, it is worth noting that the latest actual figure available (3.7% YoY in Q3 21) shows growth starting to slow down, even if from a high level.

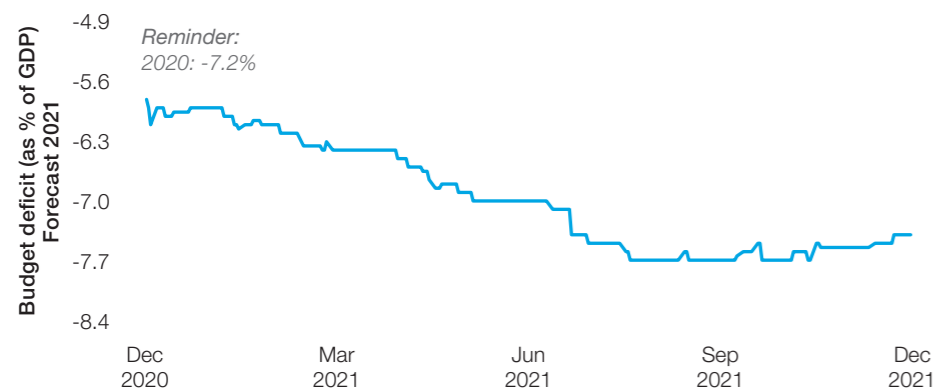
In conclusion, we can see that this has been a good year of recovery for these three main zones, despite some surprises in the form of inflation. Looking ahead to 2022, many questions remain to be answered: what will be the impact of the Omicron COVID-19 variant? Will there be more variants? How will inflation progress? How will energy prices develop? What will be the impact of elections in France, Italy, Brazil and the US? The list is too long to include here in full, but these are just a few of the questions to bear in mind when considering the economic landscape to come in the New Year.

## Eurozone: a more significant rise in 2021 consumer prices than expected



Similarly to the US, the increase in consumer prices was largely unexpected in the eurozone. We can see the forecast rising from 0.9% at the beginning of 2021 to 2.5% at the end of the year, but even this is far below the latest actual figure from November 2021 of 4.9% YoY.

## Eurozone: difficult to take away the public budget crutch in 2021



Last, we see the public deficit in the eurozone and can see the forecasts continue to rise over the year to -7.4% at year-end. This is relatively in line with the figure for 2020 (-7.2%). Such a profile shows the clear political will in the zone to support the economic recovery. Fiscal rebalancing will come later on!