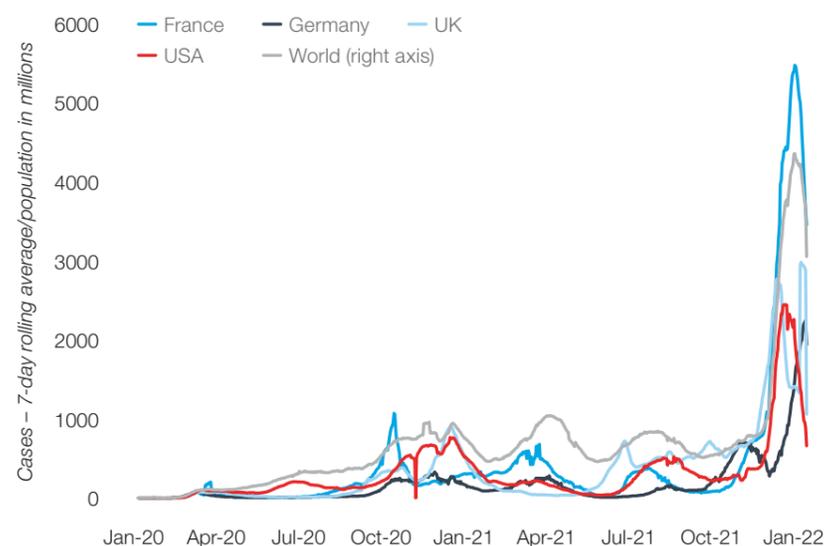


In this first edition of the Economic Brief in 2022, we look into some of the significant factors currently affecting the global economy. We start with COVID-19, its development, and a new mentality taking hold. We then move on to the Purchasing Managers Index to see what it tells us of the level of confidence in economic activity across three major zones. Finally, we take a closer look at inflation and the structural developments that are set to affect prices in the future.

COVID-19: Western trends outperforming global trends



Sources: Accuracy & Bloomberg

COVID-19 is continuing to play an important role internationally. Nevertheless, we observe a downward trend in the number of cases globally over the past few weeks. This trend appears even more pronounced in Western democracies, as demonstrated in the graph opposite, hinting at the continued divide between developed and developing nations. Now, as the mortality rate of COVID-19 decreases thanks to the less potent Omicron variant and greater levels of vaccination, a new mentality of learning to live with the virus is taking hold. Indeed, despite continuing cases, countries like Denmark and England are fully lifting restrictions, considering the COVID-19 risk more manageable.

Composite Purchasing Managers Index

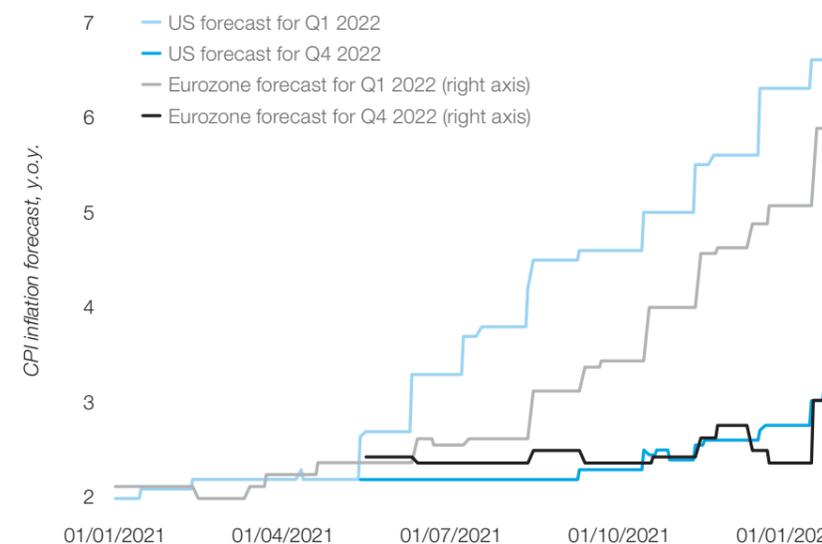


Note: The Purchasing Managers Index (PMI) is a measure of the confidence of purchasing managers across the globe. A figure above 50 suggests confidence and economic growth; a figure below 50 suggests a lack of confidence and economic contraction.

Sources: Accuracy & Bloomberg

The graph opposite depicts the development of the Purchasing Managers Index for the past three years. A decline is clearly identifiable in January 2022 across the US, the eurozone and China, although the extent of the decline varies. After a period of confidence at the end of last year, the US figure plummets in January, particularly driven by the services sector, which fell by over six points. The eurozone also saw its services sector fall, but to a lesser extent than in the US, driven perhaps by the zone's greater vaccination levels. China, suffering from its zero-COVID policy, also saw a downturn at the beginning of this year. This negative situation may not bode well for activity in Q1 2022.

Bloomberg consensus inflation forecasts still show rising prices but to a much lesser extent towards the end of the year



Sources: Accuracy & Bloomberg

Finally, we look into inflation forecasts according to the Bloomberg consensus. Inflation forecasts are high in the US and the eurozone in the short term, reaching almost 7% and 4% respectively. However, when we shift focus to the end of the year, these forecasts fall to 3% and 2% respectively, suggesting that the current precipitous rise in inflation is only transitory. It is worth noting, however, that certain upcoming structural trends will have an impact on prices in the medium term: changing demographics, globalisation, the transition to green energy, digitalisation, geopolitical tensions such as those seen in Ukraine at present... These factors will all influence prices to come in the future.

In conclusion, we can see that January has been a difficult month for the global economy. Despite improving COVID-19 case numbers, prices continue to rise relentlessly as result of global supply chain shortages, and whilst they are projected to improve as the year progresses, that does little to reassure the average consumer now.