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CPB Netherlands | Bureau for Economic Policy Analysis

AIECE Global environment

Gerdien Meijerink

November 2022

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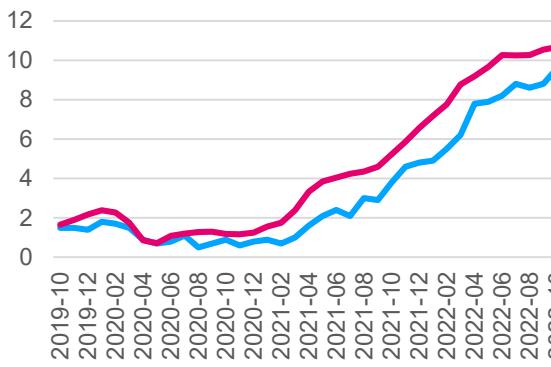
Key issues

- Inflation (energy)
- Rising policy rates
- Russia
- China
- UK (Brexit)

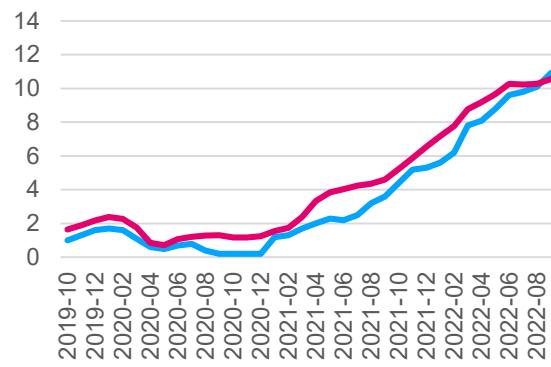
Consumer prices (CPI)

CPI
OECD average

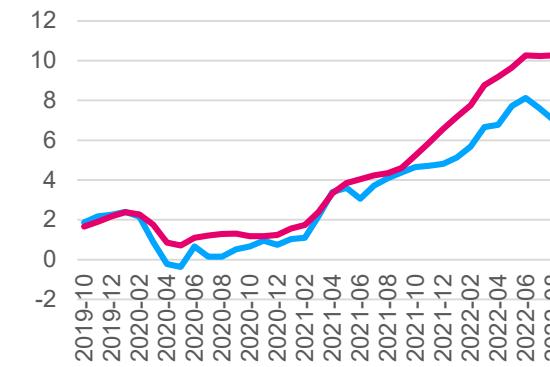
UK



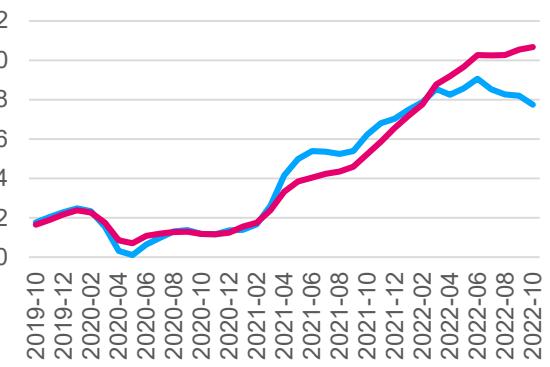
EU-27



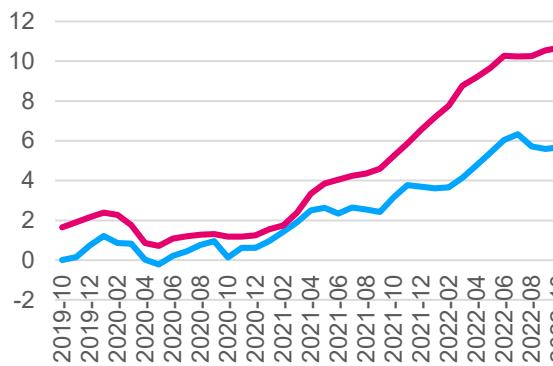
Canada



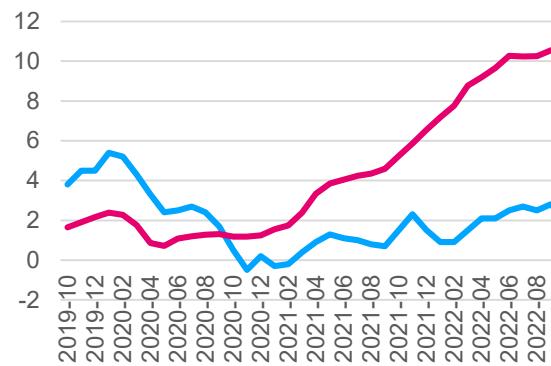
USA



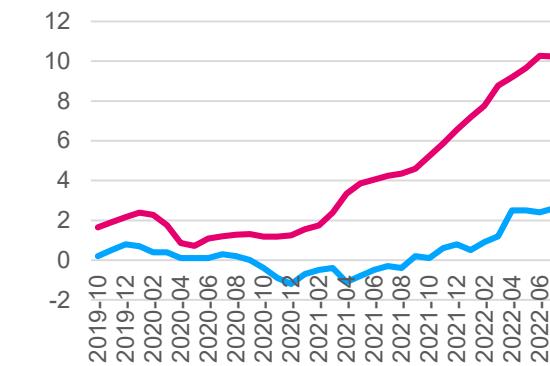
South Korea



China

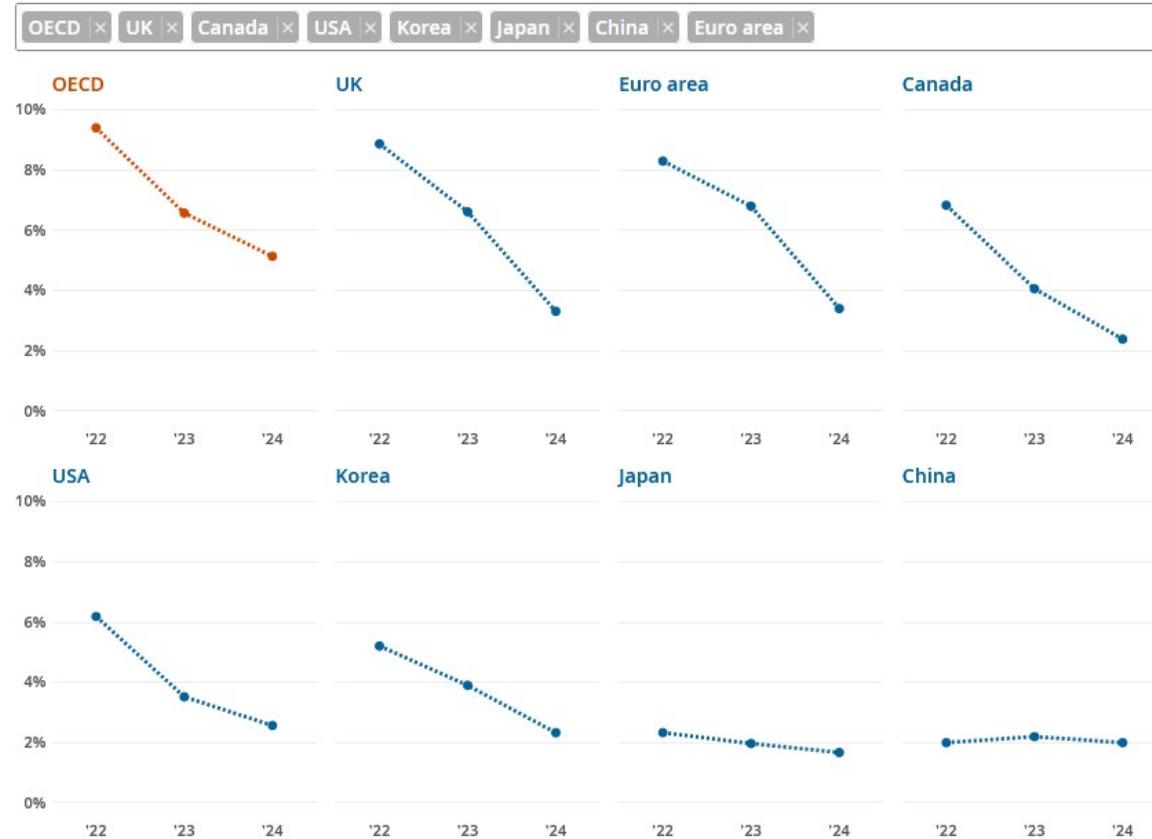


Japan



Forecast (OECD)

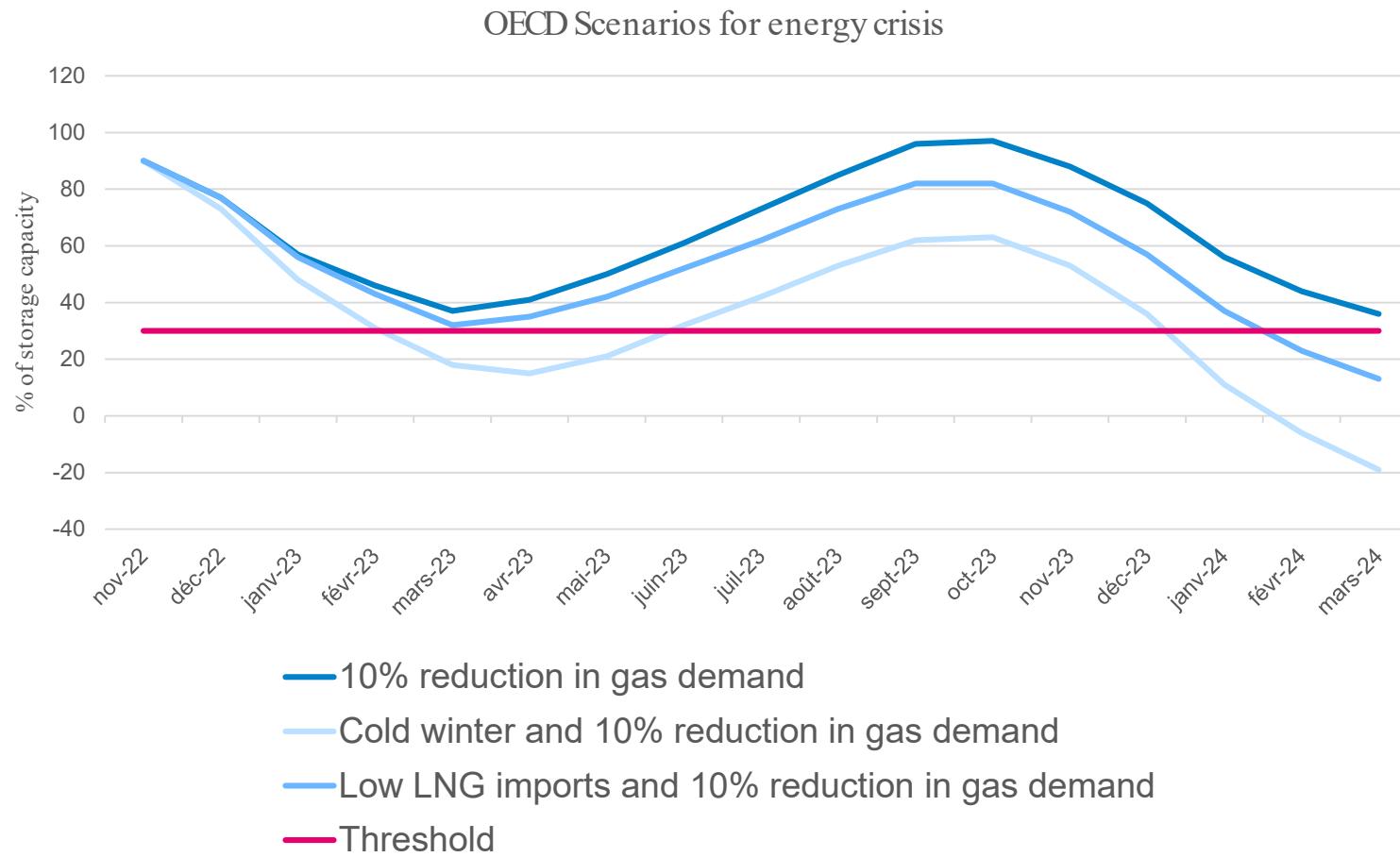
Projected inflation in %



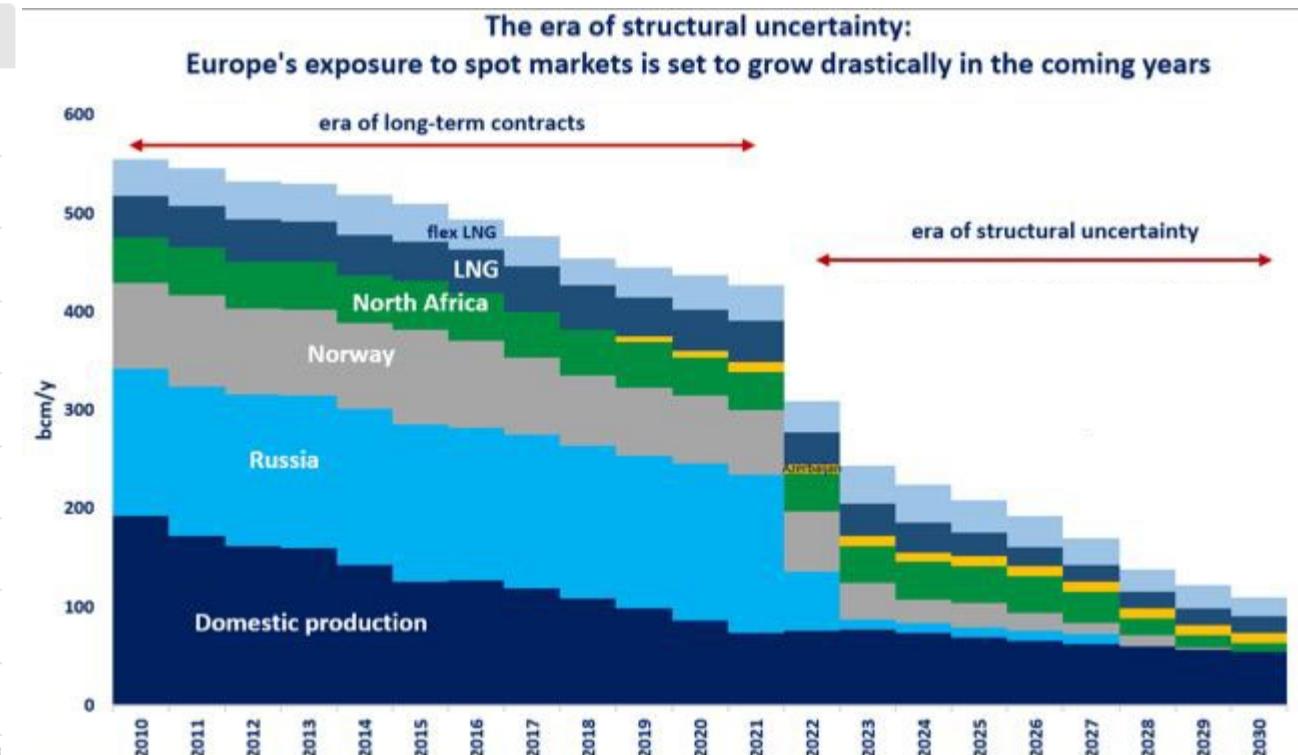
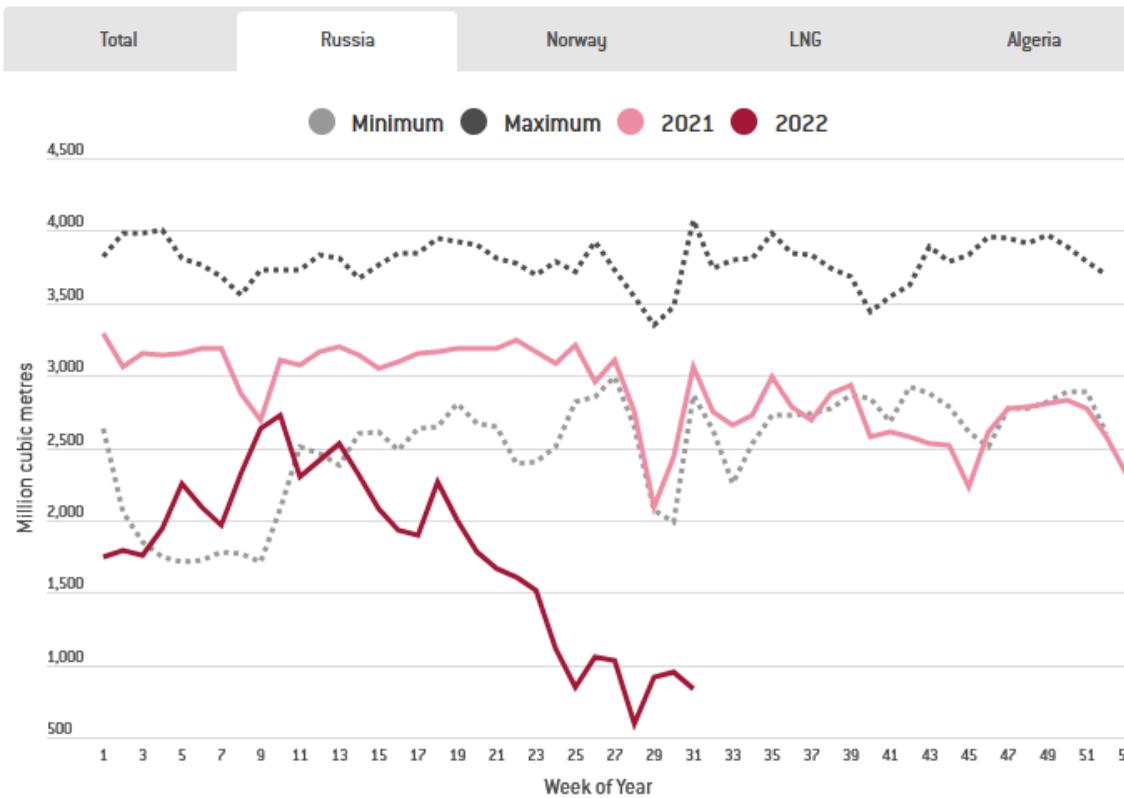
In all regions, inflation
is projected to decrease
(except in China)

Source: [OECD Economic Outlook \(Edition 2022/2\)](#)

But, energy prices may increase again



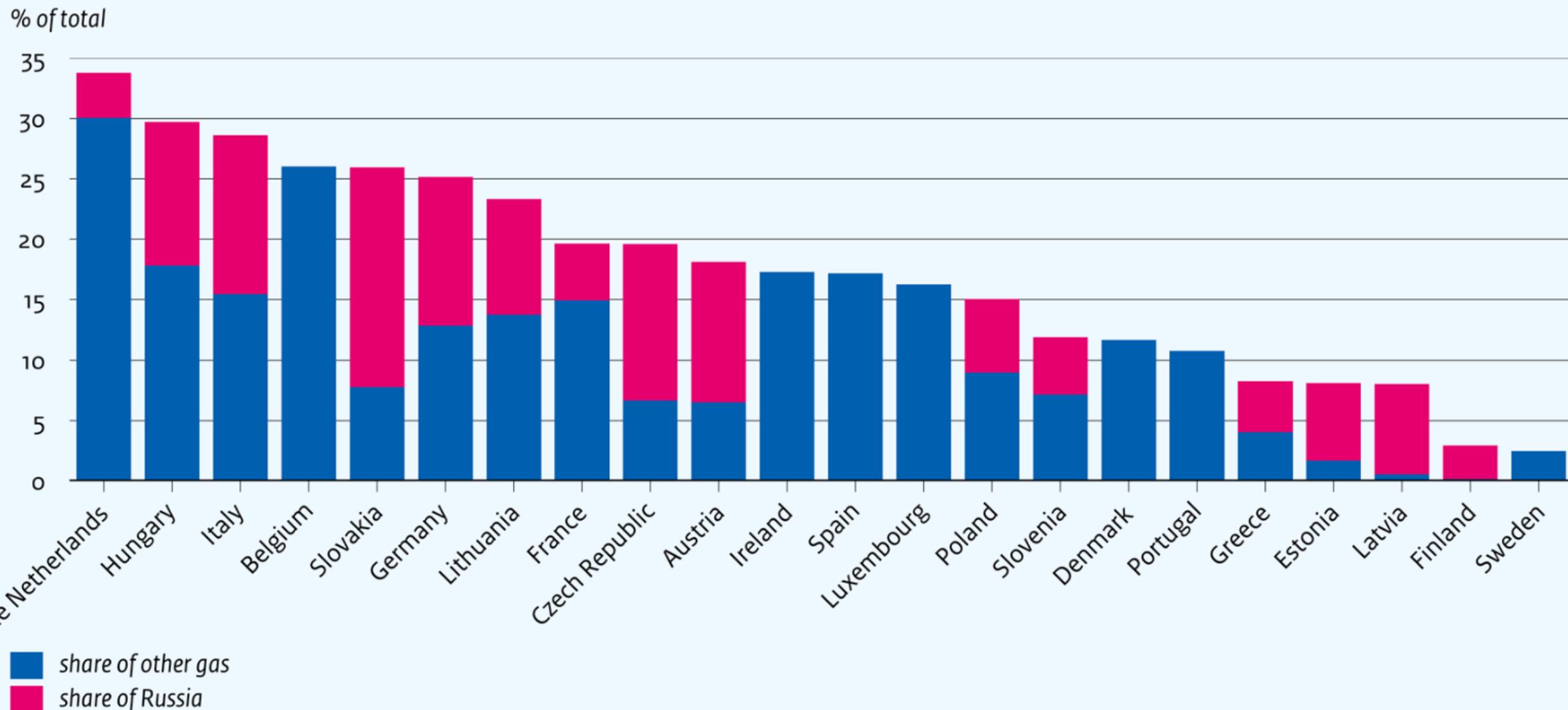
Gas supplies are down, and will stay low



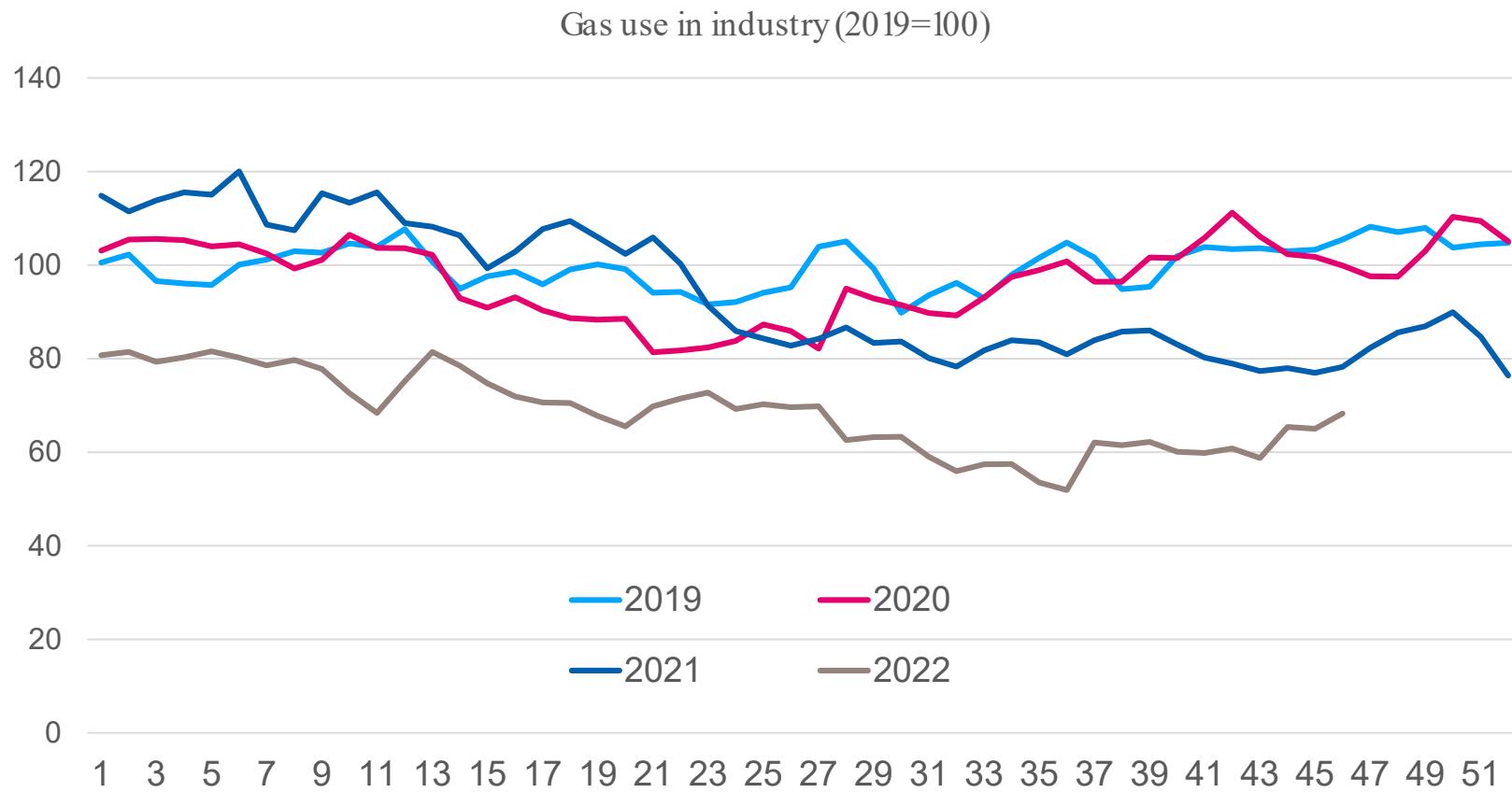
European gashub.com (Nov 2022)



Share of gas in total energy consumption



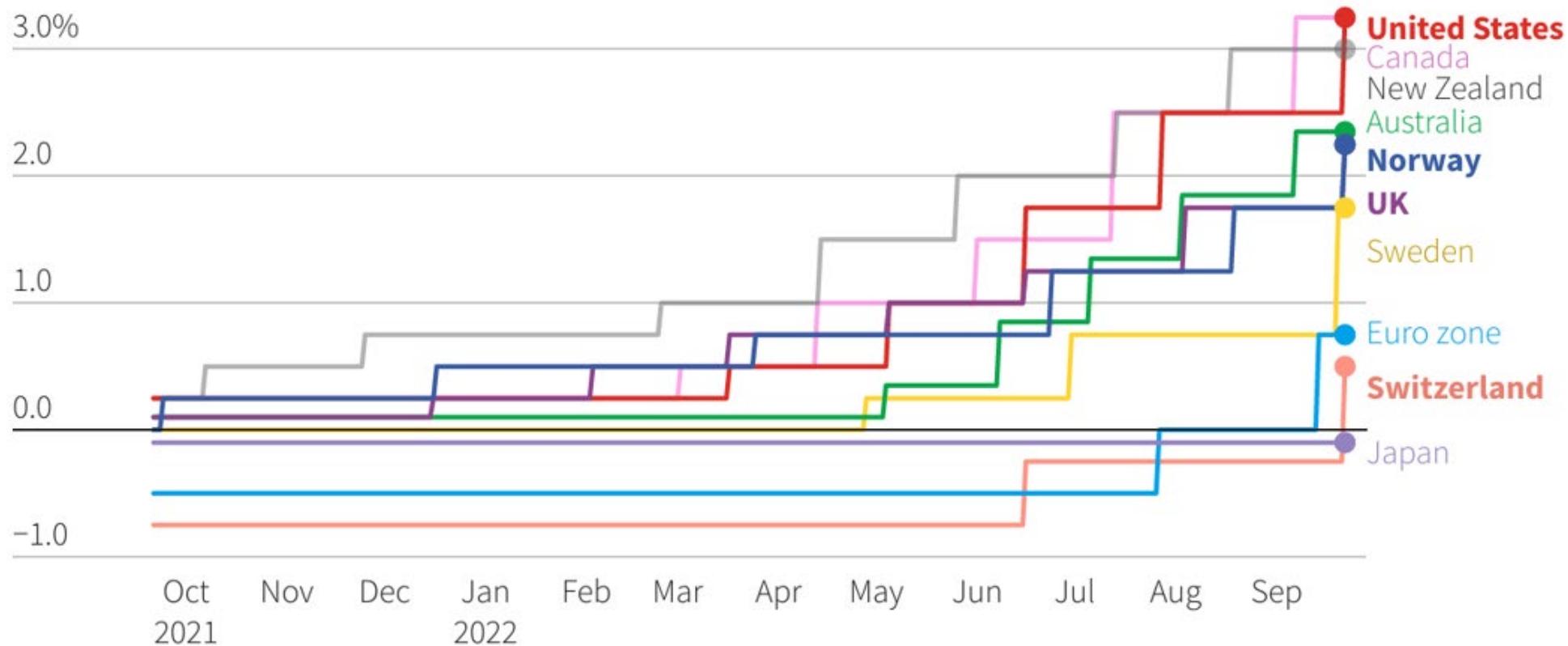
High prices have rationing effect: Netherlands



Natural gas
consumption 25%
lower in first half of
2022
(households: 16%)

Statistics Netherlands

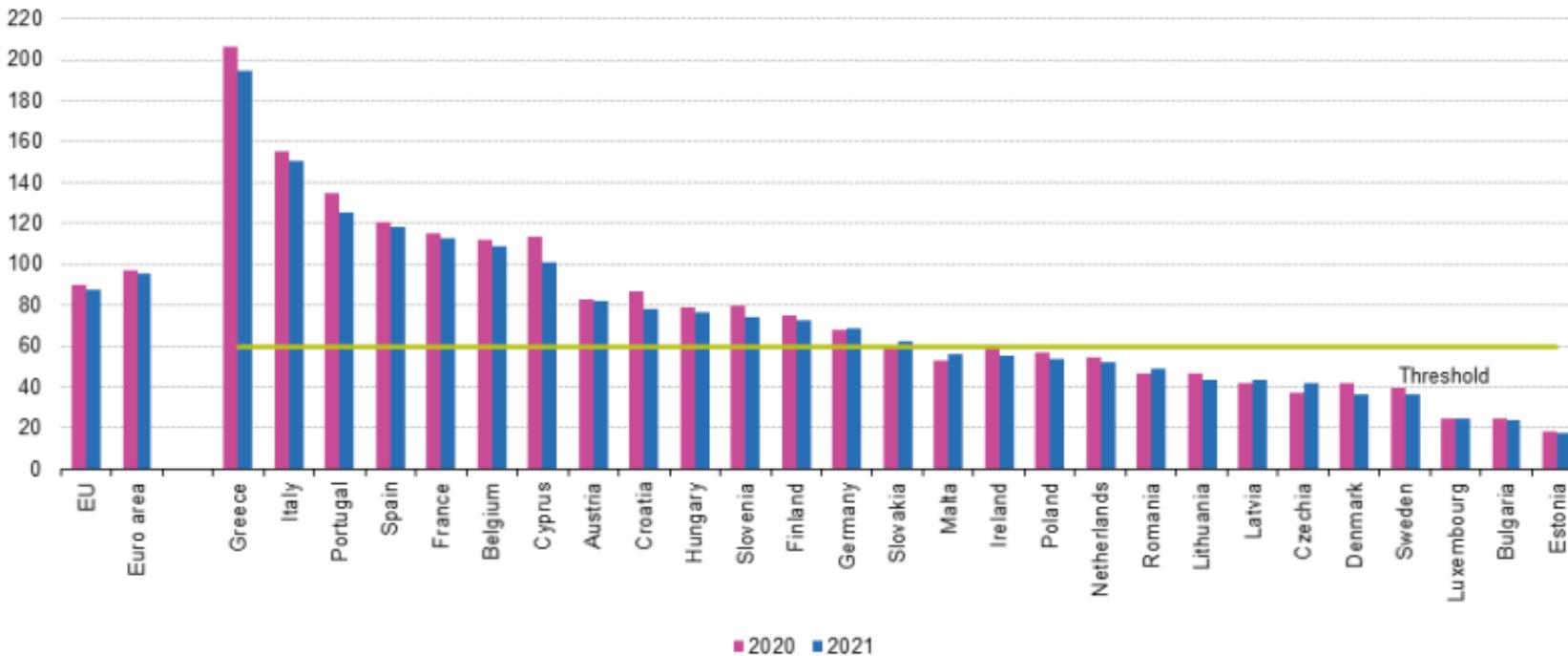
Central banks are raising rates to combat inflation



Refinitiv, VincenFlasseur(Sept 2022)

Government debts

General government debt, 2020 and 2021 (')
 (General government consolidated gross debt, % of GDP)



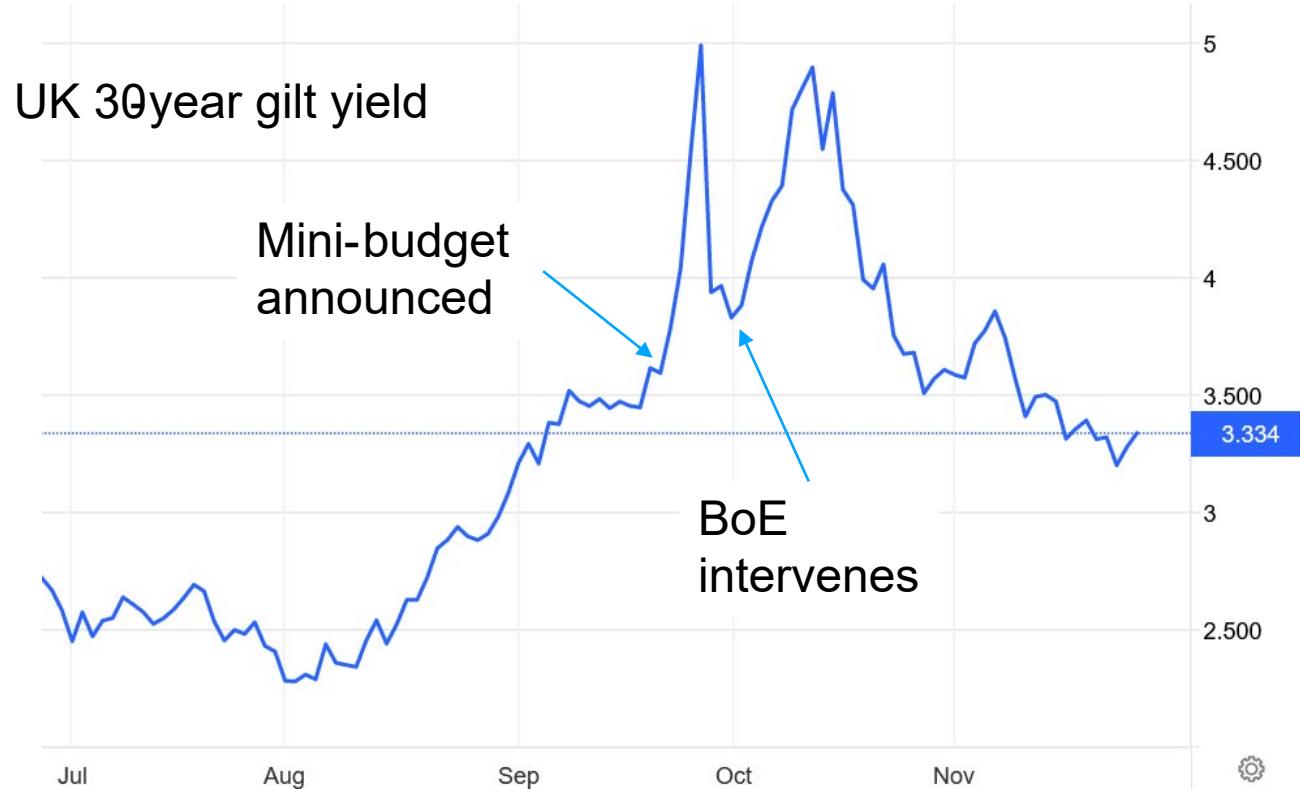
(1) Data extracted on 20.10.2022
 Source: Eurostat(gov_10dd_edpt1)

eurostat

Risks of rate hikes:

- Recession
- Government debts
- Margin calls (UK)

UK minibudget

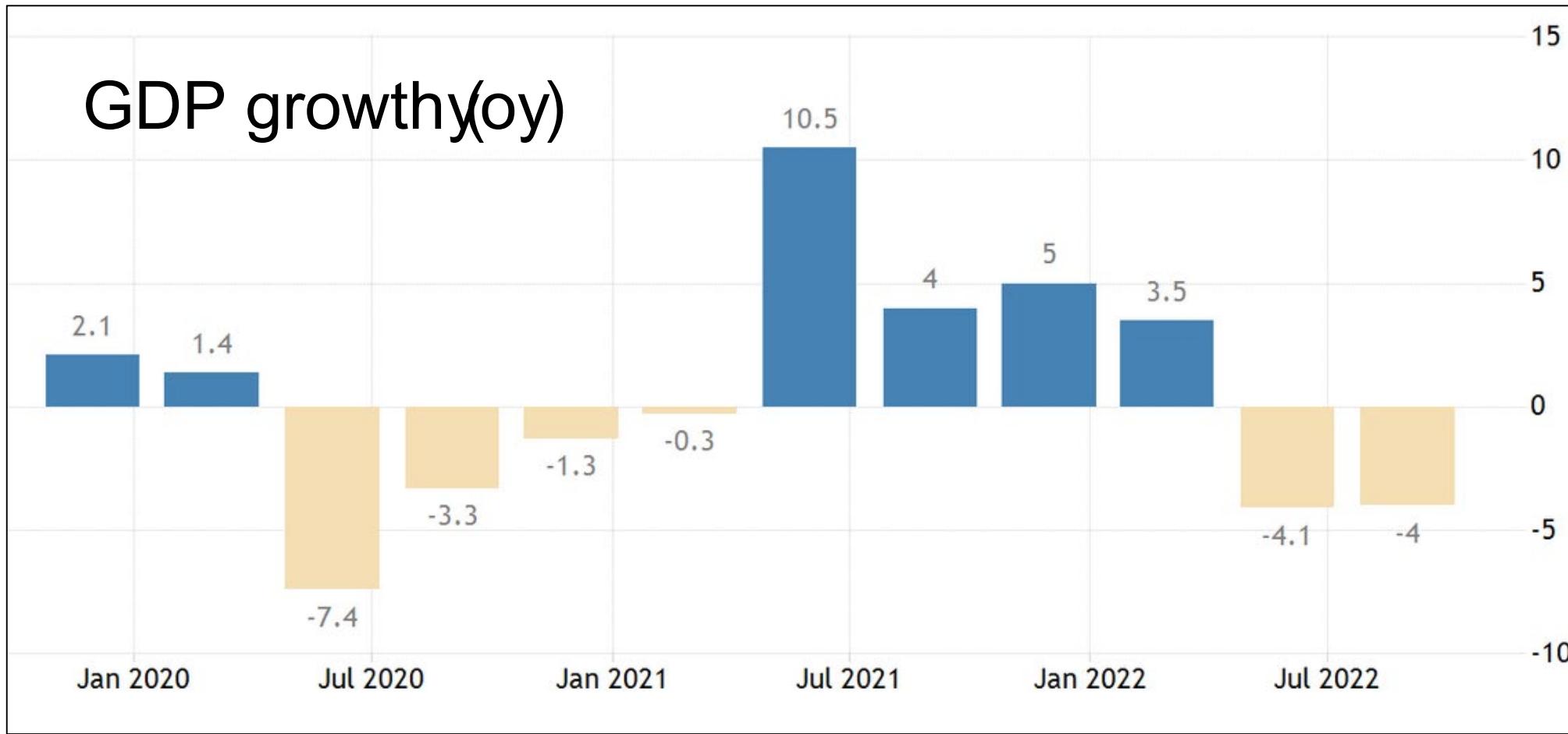


- “doom loop”: pensions funds using bonds as collateral faced margin calls. Selling of bonds put even more pressure
- Bank of England Bank promised to buy up to £65bn of government debt

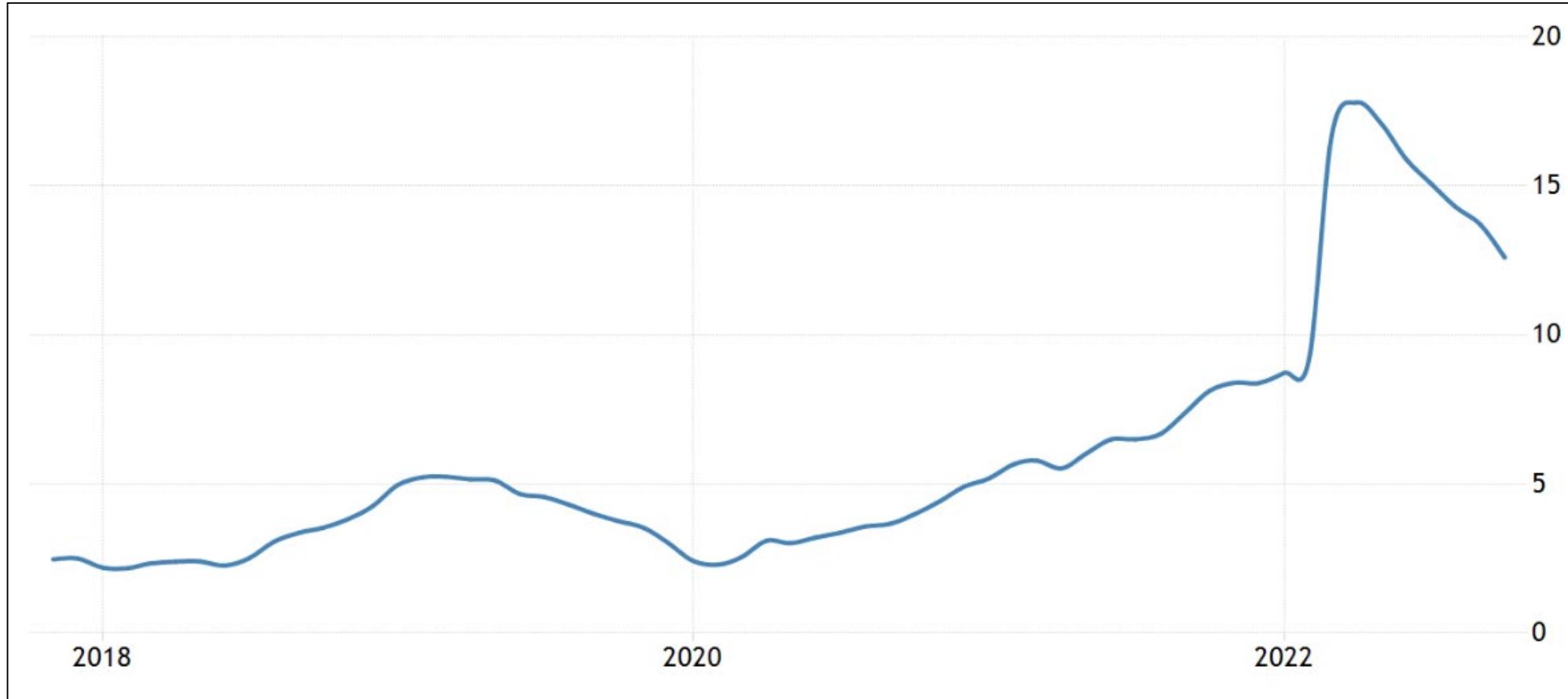
Trading Economics November 2022



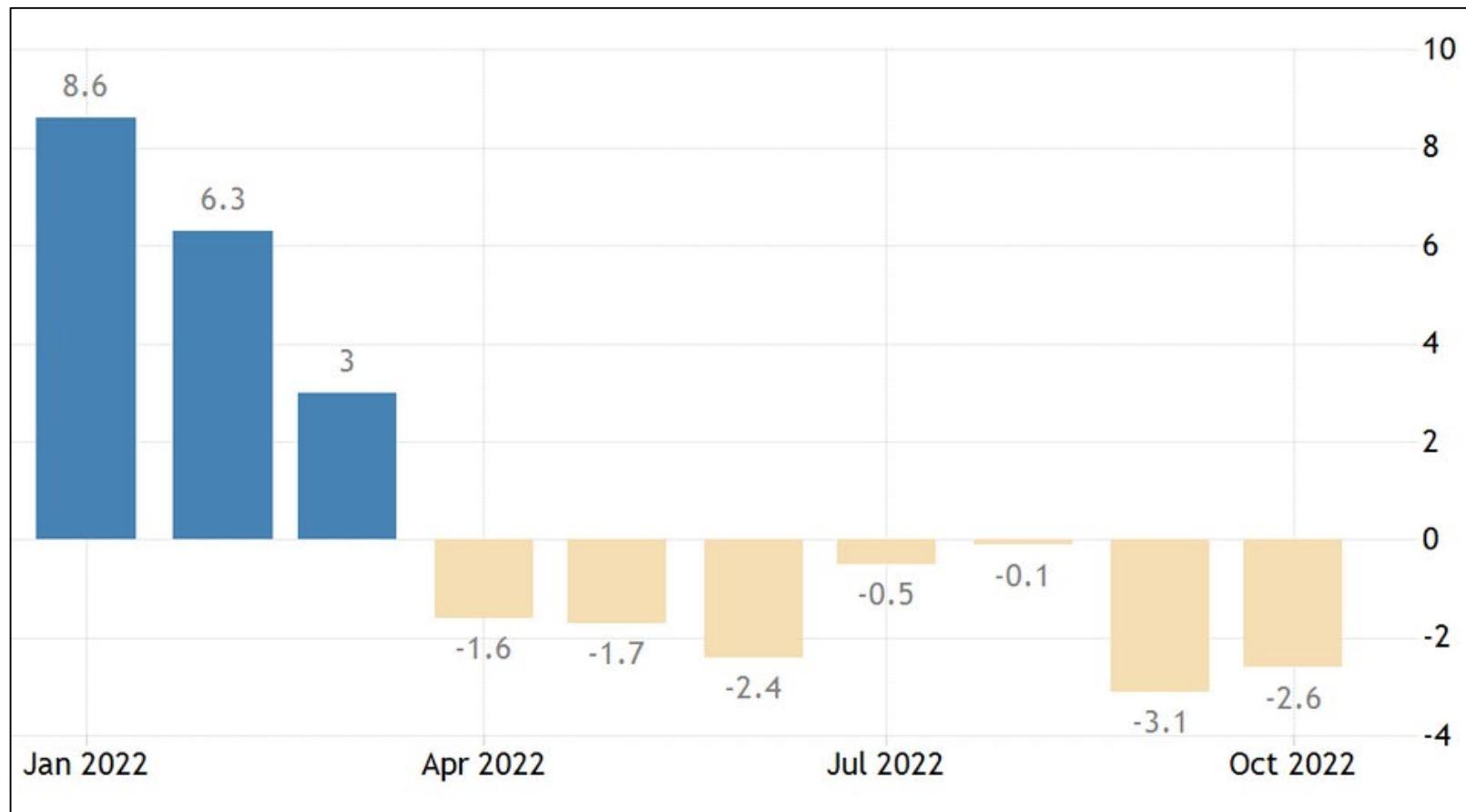
Russian economy: are sanctions working?



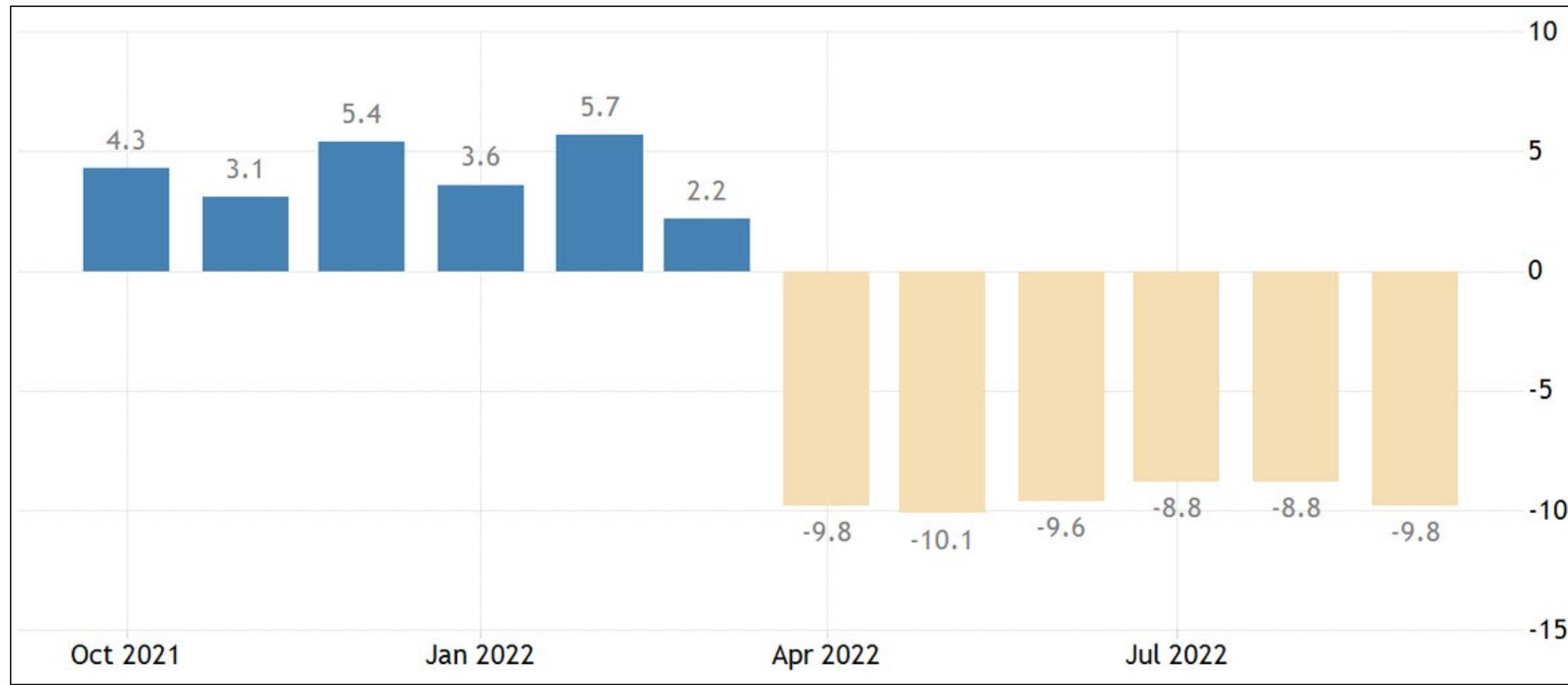
Inflation (CPI)



Industrial production(y)

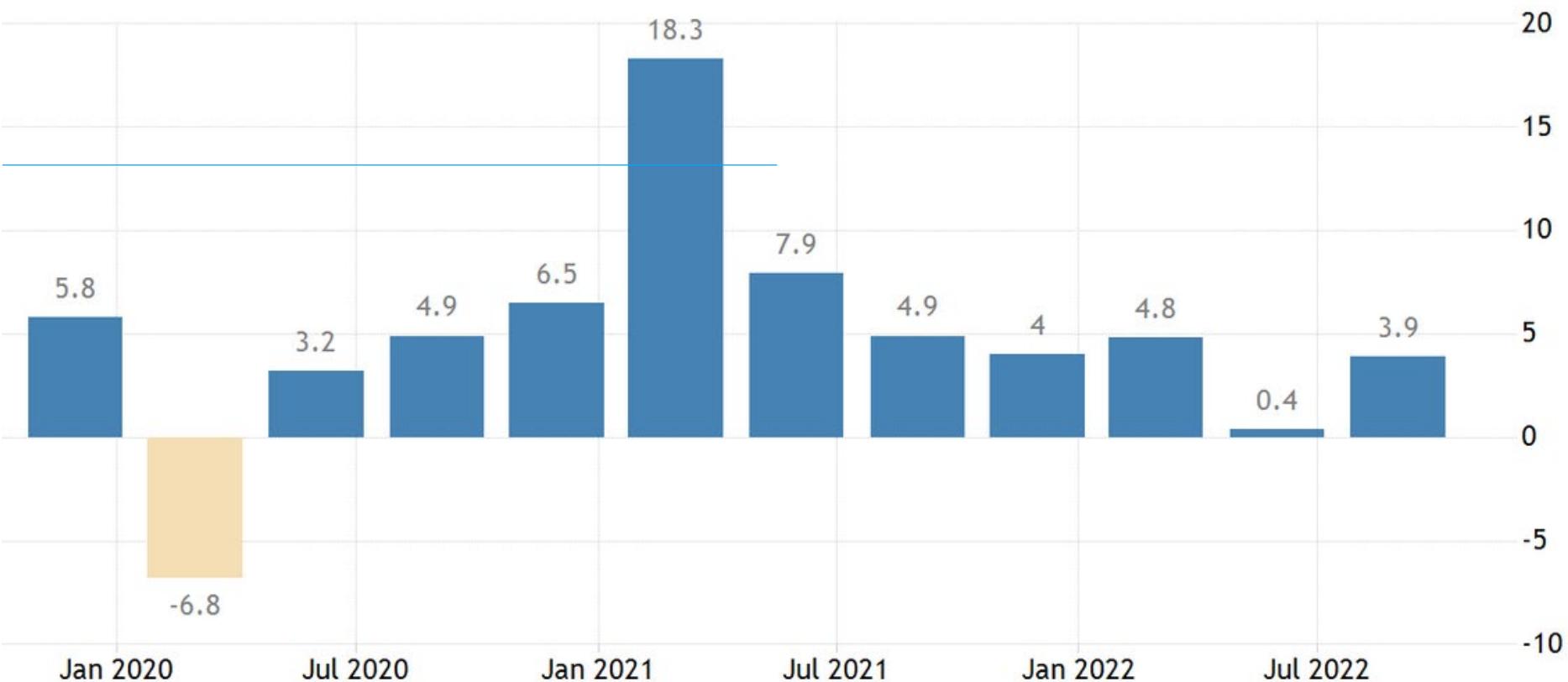


Retail sales

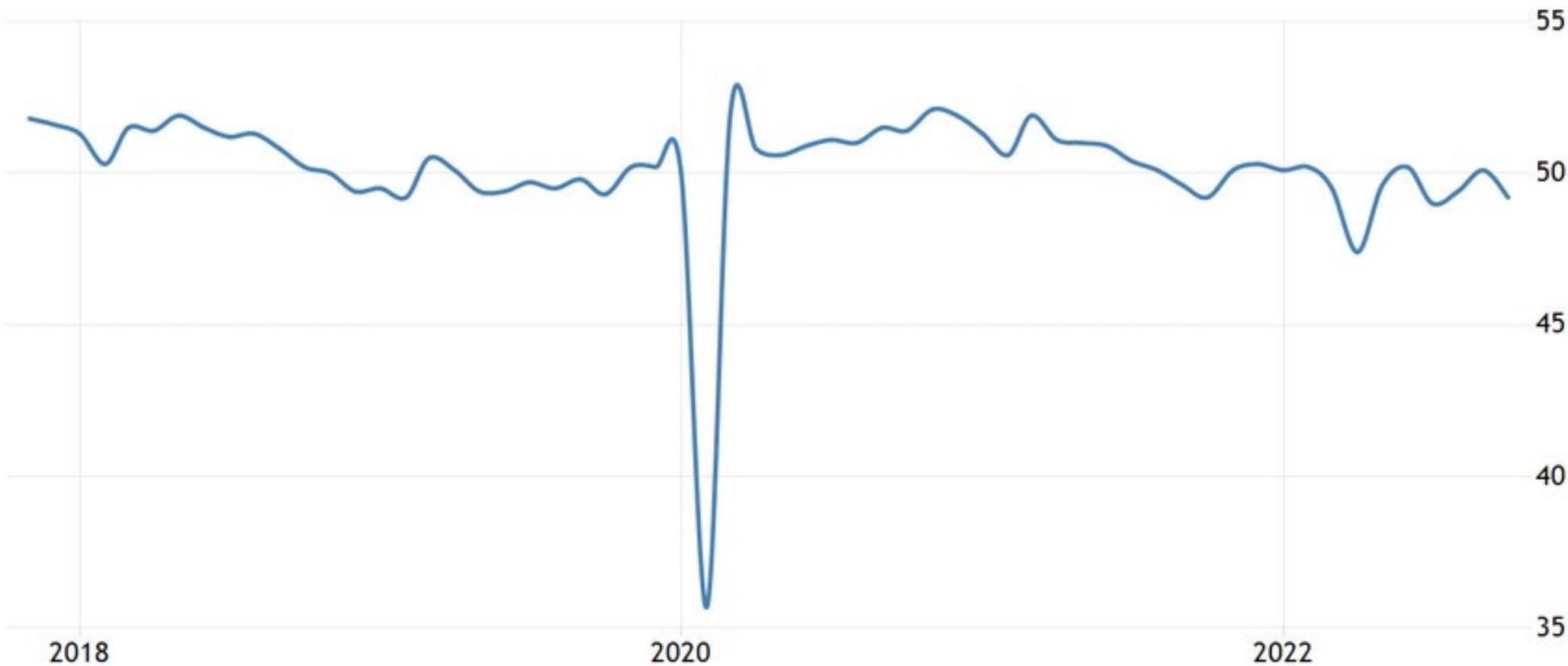


China: slowdown?

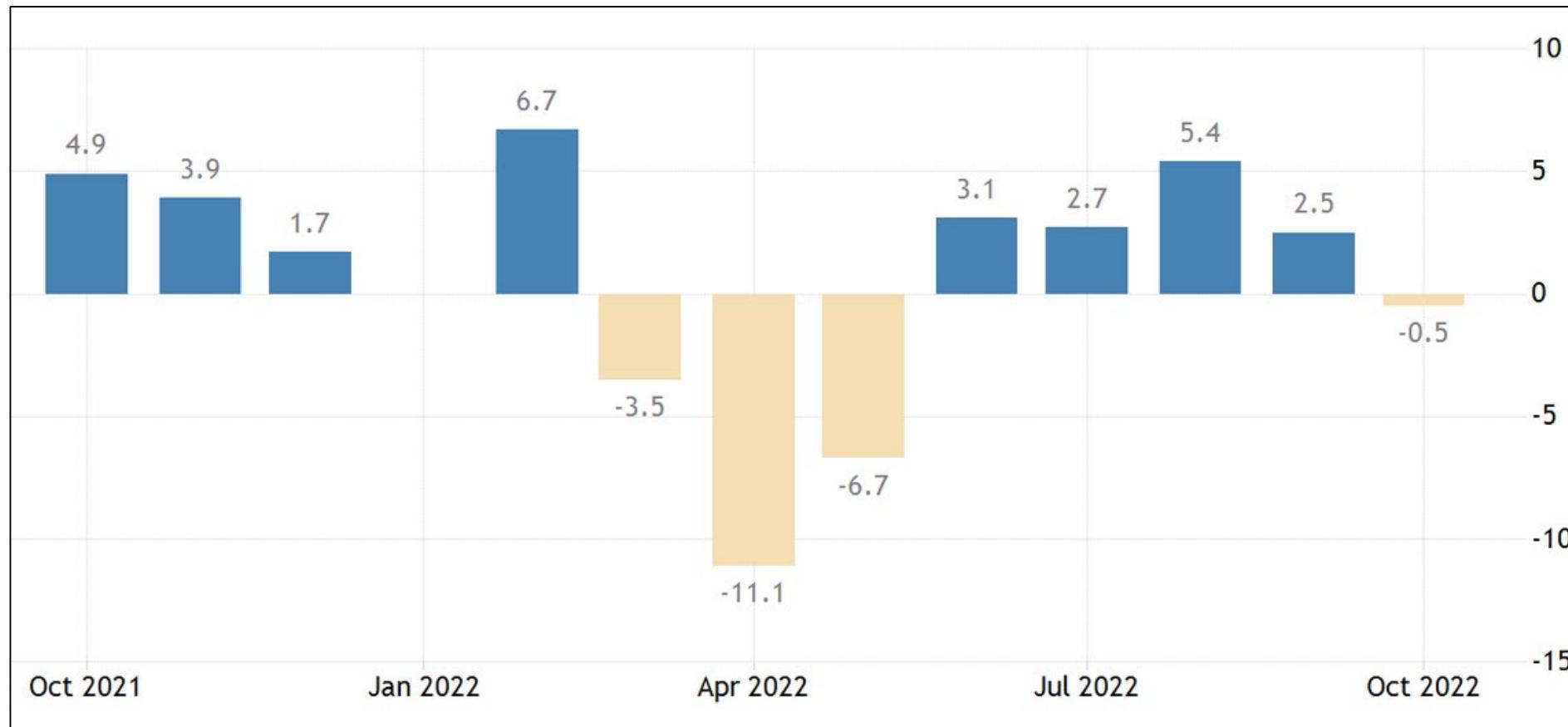
GDP %oy growth)



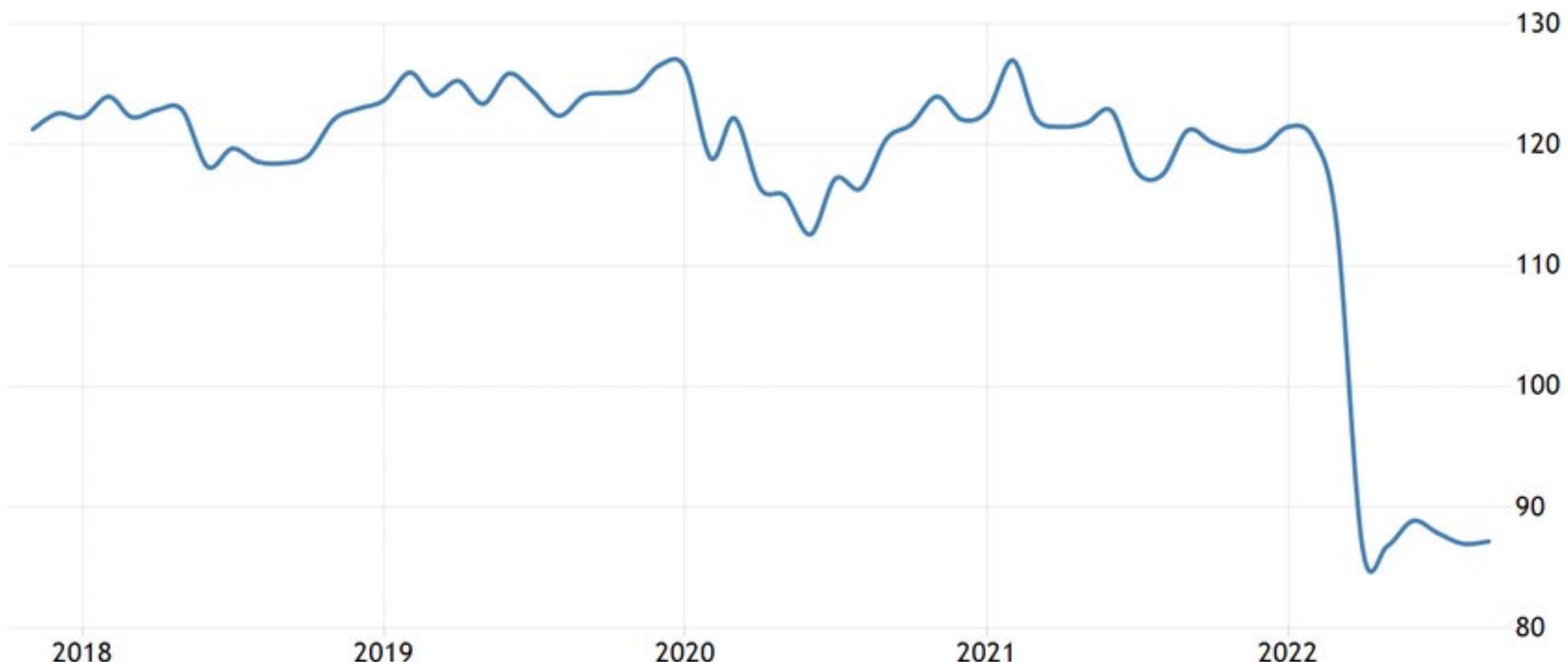
Business confidence



Retail sales growth



Consumer confidence





Chinese banks pledge billions in credit support to help struggling developers after Beijing confirms rescue plan

- The PBOC and the CBIRC officially confirmed a 16-point rescue plan for China's real estate sector on Wednesday

Bloomberg

‘Value Annihilation’ Haunts Investors in China Property Bonds

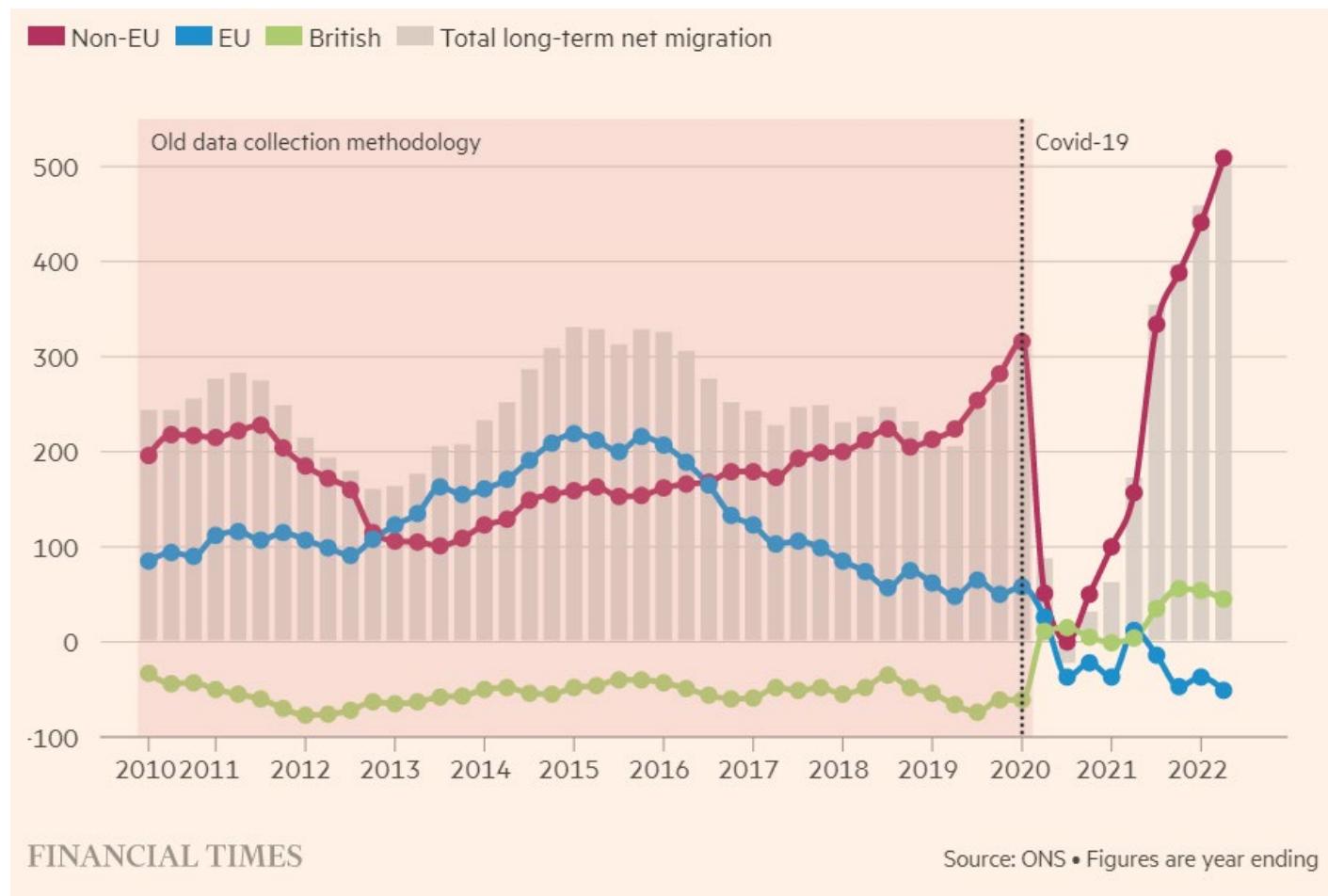
China Credit Tracker

China / Clashes in Shanghai as protests over zero-Covid policy grip China

Beijing, Chengdu and Wuhan see demonstrations as anger over Xi Jinping's strict Covid policies builds, in a test for the Communist party



UK Brexit: 2 years ahead



- “surprising effects”
(Martin Wolf in FT)
- Net migration has increased
- Mostly from non-EU countries

UK Trade has decreased

- “Brexit has had a significant adverse impact on UK trade, via reducing both overall trade volumes and the number of trading relationships between UK and EU firms.” (Office for Budget Responsibility (Nov 2022))
- Brexit decreased trade from the UK to the EU by 16% and trade from the EU to the UK by 20% (Kren & Lawless (2022))

Kren&Lawless (2022)

- EU also affected, but much less. (UK share: 3.5%)
- Ireland largest loser: share of total trade to UK highest (UK share: imports 30%, exports 10%)

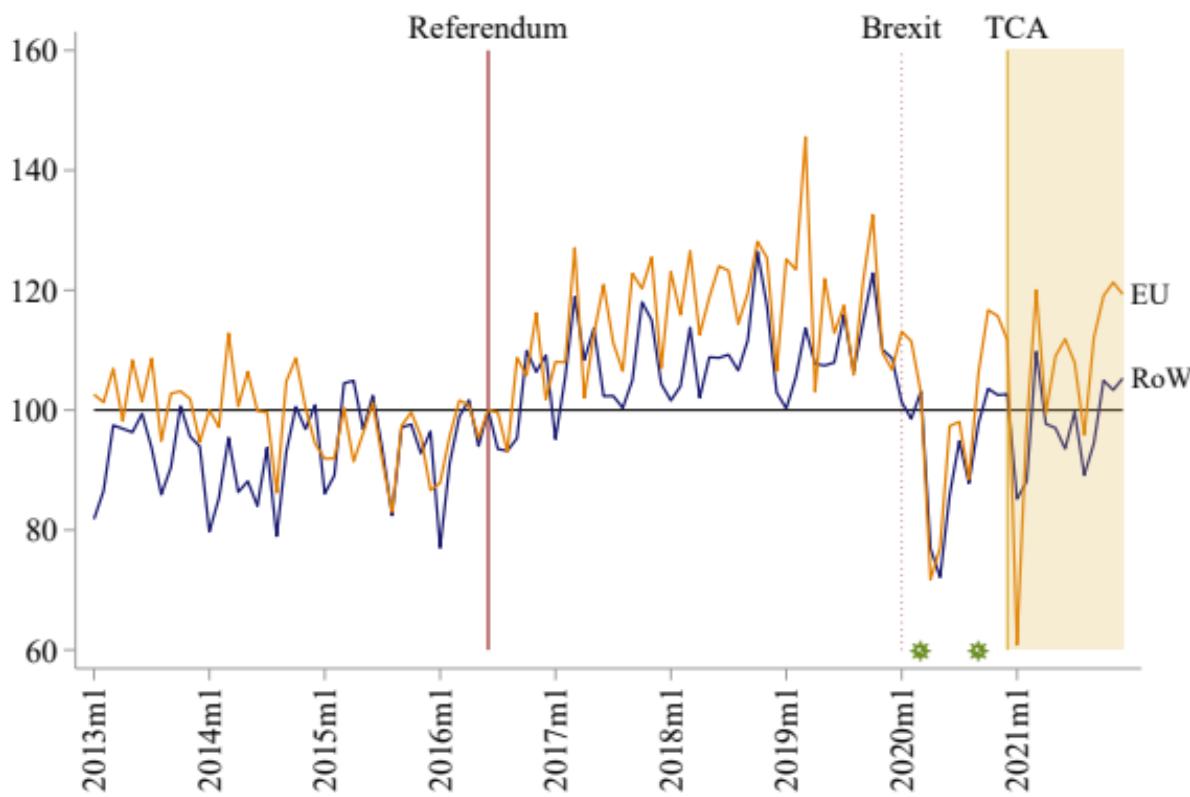
Table 4: Estimated direct impact of Brexit on EU-UK trade (% change)

	Imports from UK	Exports to UK		Imports from UK	Exports to UK
EU27	-16%	-20%	Ireland	-40%	n.s.
Austria	-25%	n.s.	Italy	-18%	-12%
Belgium	n.s.	-26%	Latvia	n.s.	38%
Bulgaria	-45%	-23%	Lithuania	n.s.	n.s.
Croatia	-49%	-28%	Luxembourg	76%	-28%
Cyprus	-47%	34%	Malta	-59%	-46%
Czechia	-32%	-23%	Netherlands	n.s.	-29%
Denmark	-19%	n.s.	Poland	-34%	-21%
Estonia	-18%	n.s.	Portugal	-39%	-20%
Finland	-31%	-33%	Romania	-35%	n.s.
France	-13%	-27%	Slovakia	n.s.	n.s.
Germany	-24%	-14%	Slovenia	-37%	n.s.
Greece	-45%	-29%	Spain	-32%	-19%
Hungary	-21%	-24%	Sweden	-25%	-19%

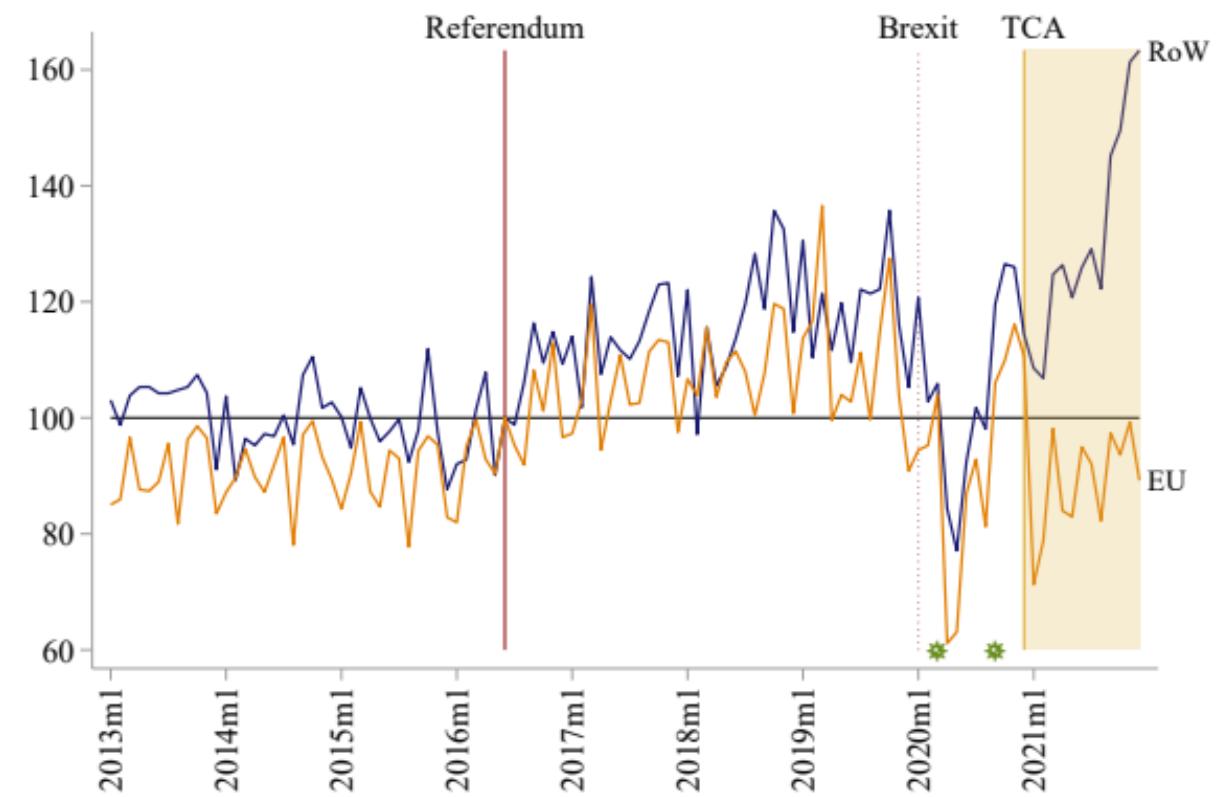
Elasticities converted from PPML estimates of Brexit effect on trade flows by country controlling for product-month and partner fixed effects. Full results are in Appendix tables A.2 and A.3. Statistically insignificant ($p>0.01$) estimates are denoted by n.s.

Brexit effect (Freeman et al., 2022)

(a) Export Values



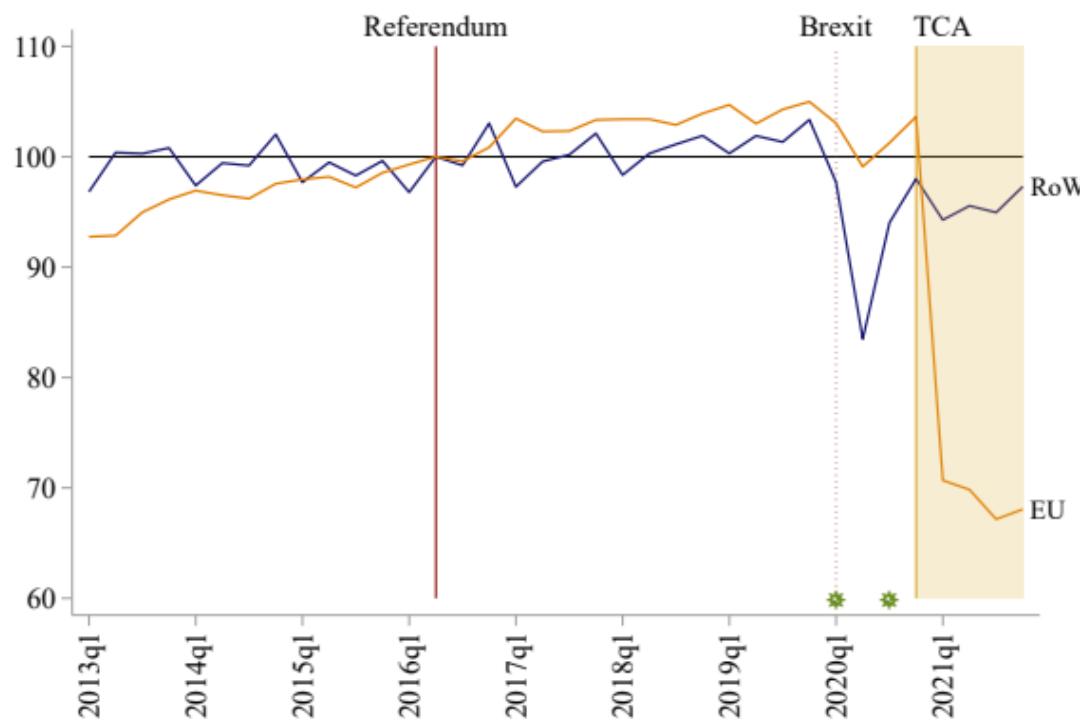
(b) Import Values



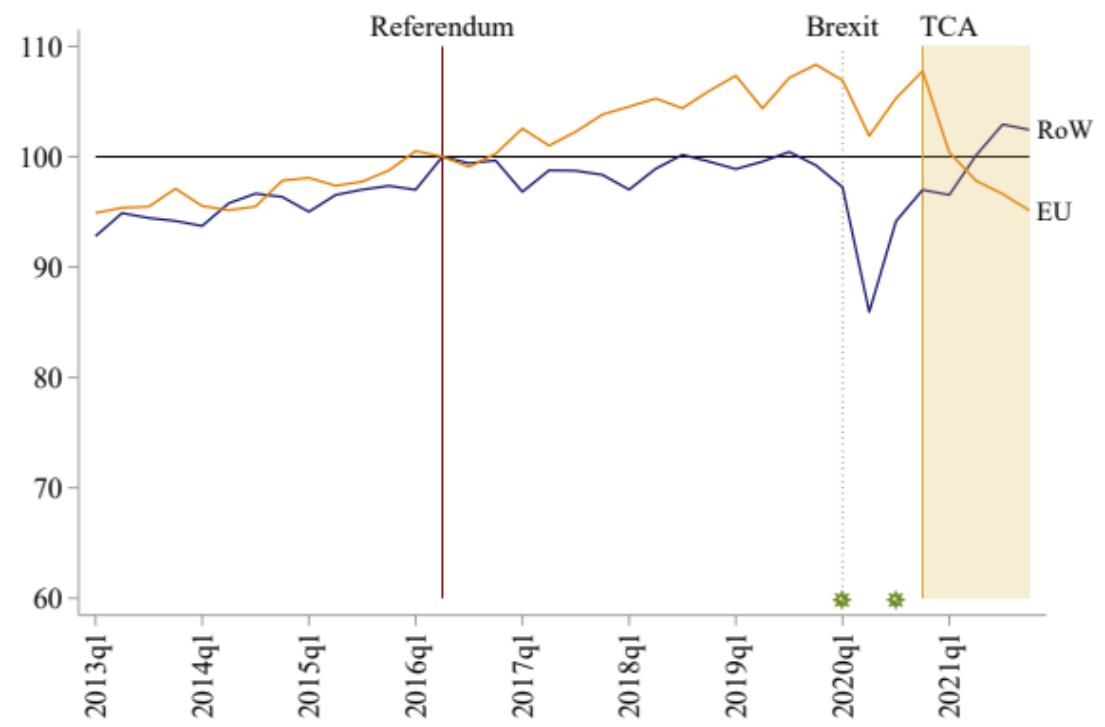


Not only trade, but trade variety has decreased

(c) Export Varieties



(d) Import Varieties



Intensive margin

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