



ECONOMIC SITUATION AND RISKS IN 2022

March 3rd, 2022



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 - Navy Officer, Security and Defence financial analyst, researching in Geoeconomics and Economic Intelligence
 - Now in Brussels, appointed as national expert, working in the Council of the EU
 - Worked in the ES MoD, Washington DC and Brussels
 - Awarded as one of the most influential economists in social networks by Credito y Caucion ([Twecos 2022](#))
- **Rafa Galán “Perpe”** @_perpe_
 - Economist, expert in China and Emerging Markets
 - Lived in China for a decade and previously several years in Brazil and Portugal
 - Developed projects in Japan, Korea and Philippines, among other countries
 - Awarded as one of the most influential economists in social networks by Credito y Caucion ([Twecos 2022](#))

“POST-PANDEMIC ADAPTATION”

A DISORDERLY RECOVERY

- ASYNCHRONY AND MISALIGNMENTS
- OVERHEATING

AN UNEVEN TAKEOFF

A WORLD AT DIFFERENT SPEEDS

COVID-DERIVED PHENOMENA

- ACCELERATING PRE-PANDEMIC GLOBAL TRENDS
- PUBLIC SPENDING AND DEBT

Growth estimates have been reduced

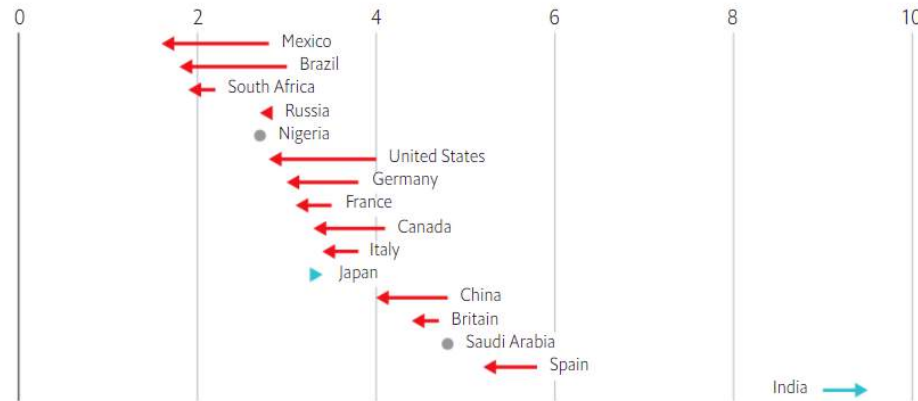


- Economic growth in United States and China has been substantially cut
- In Asia, increase from India might slightly compensate
- Latin America dramatically reduced, specially in Brazil
- Spain outperforming in Europe, but still behind of full recovery from 2019 levels

Check more countries and updates at <https://www.perpe.es/gdp-forecast/>

A turn for the worse

GDP forecasts, 2022, selected economies % increase on a year earlier
Forecast made in: Oct 2021 → Jan 2022
Decrease ← Increase →



Source: IMF

GDP Growth - IMF Forecast

	2022				
	January 2022	October 2021	April 2021	Difference Jan22-Oct21	Difference Jan22-Apr21
Global	4.4	4.9	4.4	-0.5	0.0
Developed	3.9	4.5	3.6	-0.6	0.3
United States	4.0	5.2	3.5	-1.2	0.5
Eurozone	3.9	4.3	3.8	-0.4	0.1
Germany	3.8	4.6	3.4	-0.8	0.4
France	3.5	3.9	4.2	-0.4	-0.7
Italy	3.8	4.2	3.6	-0.4	0.2
Spain	5.8	6.4	4.7	-0.6	1.1
United Kingdom	4.7	5.0	5.1	-0.3	-0.4
Japan	3.3	3.2	2.5	0.1	0.8
Emerging	4.8	5.1	5.0	-0.3	-0.2
China	4.8	5.6	5.6	-0.8	-0.8
India	9.0	8.5	6.9	0.5	2.1
Korea	3.0	3.3	2.8	-0.3	0.2
Philippines	6.3	6.3	6.5	0.0	-0.2
Vietnam	6.6	6.6	7.2	0.0	-0.6
Brazil	0.3	1.5	2.6	-1.2	-2.3
Mexico	2.8	4.0	3.0	-1.2	-0.2
Russia	2.8	2.9	3.8	-0.1	-1.0
Turkey	3.3	3.3	3.5	0.0	-0.2
South Africa	1.9	2.2	2.0	-0.3	-0.1
Nigeria	2.7	2.7	2.3	0.0	0.4

Relatively weak start of the year



- Manufacturing sector in Europe quite stable or slightly decreasing in some countries
- But more worrisome are United States and China, at lowest levels in around 2 years

Check more countries and monthly updates at <https://www.perpe.es/pmi-manufacturing/>

PMI Manufacturing - January 2022

	2021												
	January	February	March	April	May	June	July	August	September	October	November	December	
Global	53.2	53.9	55.0	55.9	56.0	55.5	55.4	54.1	54.1	54.3	54.2	54.3	
Developed													
United States	55.5	58.6	59.1	60.5	62.1	62.1	63.4	61.1	60.7	58.4	58.3	57.7	
United States - ISM	57.6	60.8	64.7	60.7	61.2	60.6	59.5	59.9	61.1	60.8	61.1	58.8	
Eurozone	58.7	57.9	62.5	62.9	63.1	62.8	61.4	58.6	58.3	58.4	58.4	58.0	
Germany	59.8	60.7	66.6	66.2	64.4	65.1	62.6	58.4	58.4	57.8	57.4	57.4	
France	55.5	56.1	59.3	58.9	59.4	59.0	57.5	55.0	55.0	53.6	55.9	55.6	
Italy	58.3	56.9	59.8	60.7	62.3	62.2	60.3	59.7	59.7	61.1	62.8	62.0	
Spain	56.2	49.3	57.9	57.7	59.4	60.4	59.5	58.1	57.4	57.4	57.1	56.2	
United Kingdom	57.3	54.1	58.9	60.9	65.6	63.9	60.4	60.3	57.1	57.8	58.1	57.9	
Japan	55.4	49.8	51.4	53.6	53.0	52.4	53.0	52.7	51.5	53.2	54.5	54.3	
Emerging	50.0	51.5	51.3	52.2	52.0	51.3	50.7	49.6	50.8	51.6	51.2	51.7	
China - Caixin	49.1	50.9	50.6	51.9	52.0	51.3	50.3	49.2	50.0	50.6	49.9	50.9	
China - NBS	50.1	50.6	51.3	51.1	51.0	50.9	50.4	50.1	49.6	49.2	50.1	50.3	
China - LPI		54.4	54.8	49.8	54.4	55.8	50.3	49.5	54.0	53.5	53.6	52.6	
India	54.0	57.7	55.5	55.5	50.8	48.1	55.3	52.3	53.7	55.9	57.6	55.5	
Korea	52.8	55.3	55.3	54.6	53.7	53.9	53.0	51.2	52.4	50.2	50.9	51.9	
Philippines	50.0	52.5	52.2	52.2	49.0	49.9	50.4	46.4	50.9	51.0	51.7	51.8	
Vietnam	53.7	51.6	53.6	54.7	53.1	53.1	45.1	40.2	40.2	52.1	52.2	52.5	
Brazil	47.8	58.4	52.8	52.3	53.7	56.4	56.7	53.6	54.4	51.7	49.8	49.8	
Mexico	46.1	44.2	45.6	48.4	47.6	48.8	49.6	47.1	48.6	49.3	49.4	49.4	
Russia	51.8	50.9	51.9	50.4	51.9	47.5	46.5	49.8	49.8	51.6	51.7	51.6	
Turkey	50.5	54.4	52.6	50.4	49.3	51.3	54.0	54.1	52.5	51.2	52.0	52.1	
South Africa	50.9	50.2	50.3	53.7	53.2	51.0	46.1	49.9	50.7	48.6	51.7	48.4	
Nigeria	53.7	52.0	52.9	52.9	54.4	53.6	55.4	52.2	52.3	54.1	55.0	56.4	

Services sector also has deteriorated further



- Same as in manufacturing, slowing down in two largest economies
- In Europe better start of the year compared to 2021

Check more countries and monthly updates at <https://www.perpe.es/pmi-services/>

PMI Services - January 2022

	2022	2021											
	January	December	November	October	September	August	July	June	May	April	March	February	January
Developed													
United States	51.2	57.6	58.0	58.7	54.9	55.1	59.9	64.6	70.4	64.7	60.4	59.8	58.3
United States - ISM	59.9	62.3	69.1	66.7	61.9	61.7	64.1	60.1	64.0	62.7	63.7	55.3	58.7
Eurozone	51.1	53.1	55.9	54.6	56.4	59.0	59.8	58.3	55.2	50.5	49.6	45.7	45.4
Germany	52.2	48.7	52.7	52.4	56.2	60.8	61.8	57.5	52.8	49.9	51.5	45.7	46.7
France	53.1	57.0	57.4	56.6	56.2	56.3	56.8	57.8	56.6	50.3	48.2	45.6	47.3
Italy	48.5	53.0	55.9	52.4	55.5	58.0	58.0	56.7	53.1	47.3	48.6	48.8	44.7
Spain	46.6	55.8	59.8	56.6	56.9	60.1	61.9	62.5	59.4	54.6	48.1	43.1	41.7
United Kingdom	54.1	53.6	58.5	59.1	55.4	55.0	59.6	62.4	62.9	61.0	56.3	49.5	39.5
Japan	47.6	52.1	53.0	50.7	47.8	42.9	47.4	48.0	46.5	49.5	48.3	46.3	46.1
Emerging													
China - Caixin	51.4	53.1	52.1	53.8	53.4	46.7	54.9	50.3	55.1	56.3	54.3	51.5	52.0
China - NBS	51.1	52.7	52.3	52.4	53.2	47.5	53.3	53.5	55.2	54.9	56.3	51.4	52.4
India	51.5	55.5	58.1	58.4	55.2	56.7	45.4	41.2	46.4	54.0	54.6	55.3	52.8
Brazil	52.8	53.6	53.6	54.9	54.6	55.1	54.4	53.9	48.3	42.9	44.1	47.1	47.0
Russia	49.8	49.5	47.1	48.8	50.5	49.3	53.5	56.5	57.5	55.2	55.8	52.2	52.7

Huge recent increase of commodity prices

- Since relative minimum in April 2020, benchmarks such as Bloomberg Commodity jumped 88%
- Similar rise in Bloomberg Agriculture reaching 95%

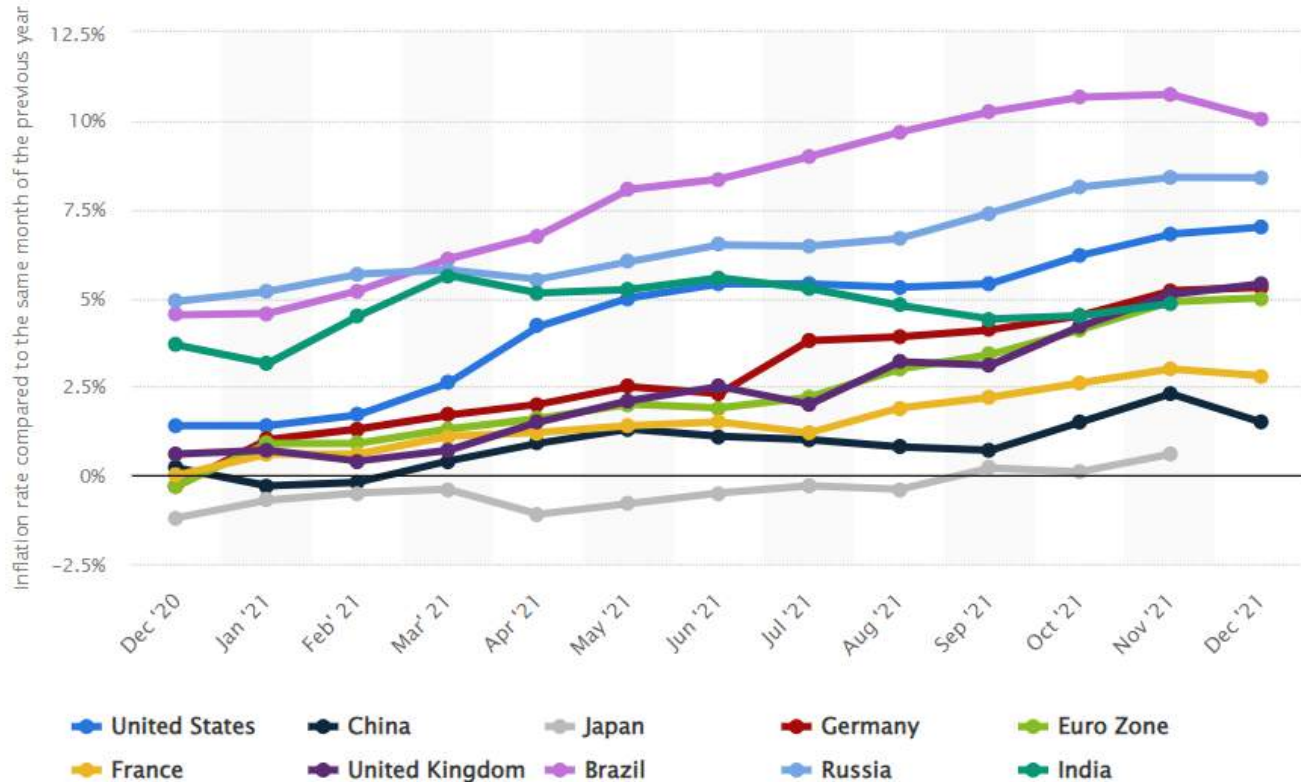
Check weekly updates at

<https://www.perpe.es/category/weekly-summary/>

Commodities

Index	Current Price	Min Price 2020	Return Min to Current	Average Price 2019	Return Avg to Current
Energy					
West Texas Crude Oil	91.59	16.94	441%	57.04	61%
Brent Crude Oil	97.93	24.81	295%	64.09	53%
Natural Gas	4.47	1.54	190%	2.53	76%
Metals					
Copper	4.49	2.17	107%	2.73	65%
Iron Ore	141.76	81.35	74%	92.78	53%
Steel Rebar	4,603.00	3,297.00	40%	3,823.75	20%
Aluminum	3,380.00	1,428.50	137%	1,792.26	89%
Nickel	24,215.00	11,192.00	116%	13,962.40	73%
Zinc	3,625.00	1,848.50	96%	2,548.89	42%
Lead	2,375.50	1,578.50	50%	2,000.38	19%
Tin	44,469.00	14,355.00	210%	18,650.29	138%
Platinum	1,050.10	622.50	69%	868.03	21%
Palladium	2,365.70	1,509.10	57%	1,518.33	56%
Agriculture					
Corn	655.75	318.00	106%	388.04	69%
Wheat	859.75	475.75	81%	496.07	73%
Soybean	1,584.50	833.25	90%	896.62	77%
Coffee	239.75	94.10	155%	101.42	136%
Sugar	18.01	9.68	86%	12.35	46%
Cocoa	2,571.00	2,167.00	19%	2,387.65	8%
Rice	15.12	11.52	31%	11.35	33%
Orange Juice	135.70	94.85	43%	105.50	29%
Cotton	122.21	51.02	140%	67.29	82%
Maritime Fleets					
Baltic Dry	2,076.00	407.00	410%	1,343.85	54%
CCFI	3,425.58	834.24	311%	824.55	315%
Harpex	4,407.00	412.00	970%	627.31	603%
VHSS	3,408.00	308.00	1006%	413.46	724%

Inflation: the big risk and the big unknown



Persistence of inflation?

Pandemic

Stimulous

China

Energy
Transition

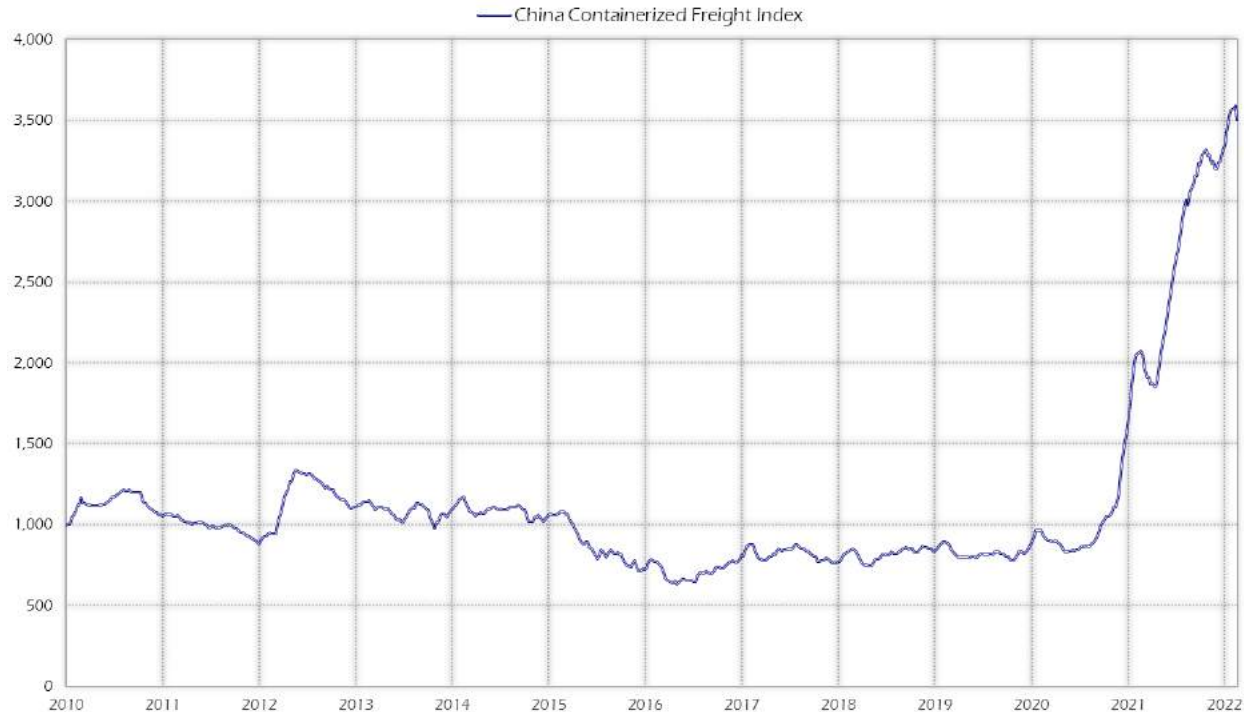
Geopolitics



Pressure on transport bottlenecks will continue



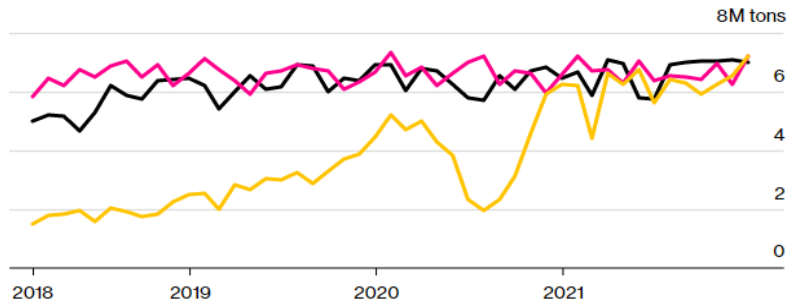
- China represents 40% of the global ports throughput, with 7 out of the top 10 ranking
- Asia ex-China an additional 30% of the total
- China Containerized Freight Index reaching new highs every week



Number One

The U.S. was the world's top LNG exporter for the first time last month

▲ Australia ▲ Qatar ▲ U.S.

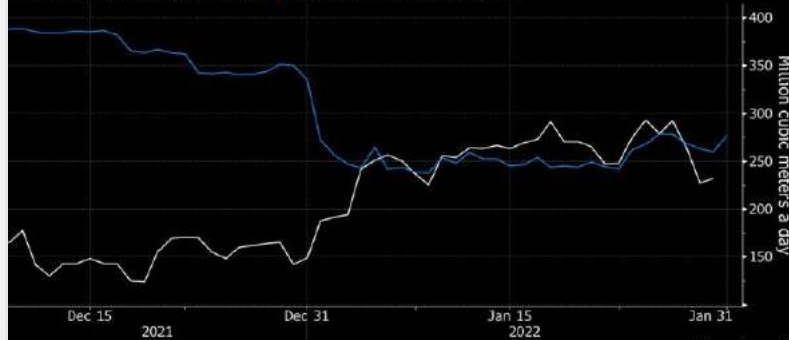


Source: Ship-tracking data compiled by Bloomberg

Europe's Gas Supply

Higher LNG imports helped offset curbed Russian exports last month

■ LNG flows to Northwest Europe on 1/30/22 ■ Russia's pipeline gas supply toward Europe

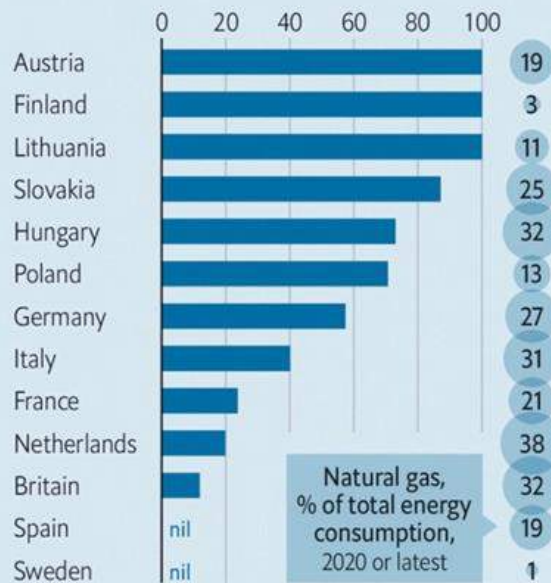


Source: Gazprom, Bloomberg

Bloomberg

Spot the problem

Gas imports from Russia, % of total
2021, selected European countries



Sources: Eurostat; Rystad

Ukraine crisis: food



jsbiokland published on TradingView.com · Mar 02, 2022 07:37 UTC+1

Wheat Futures, 2h, BLACKBULL

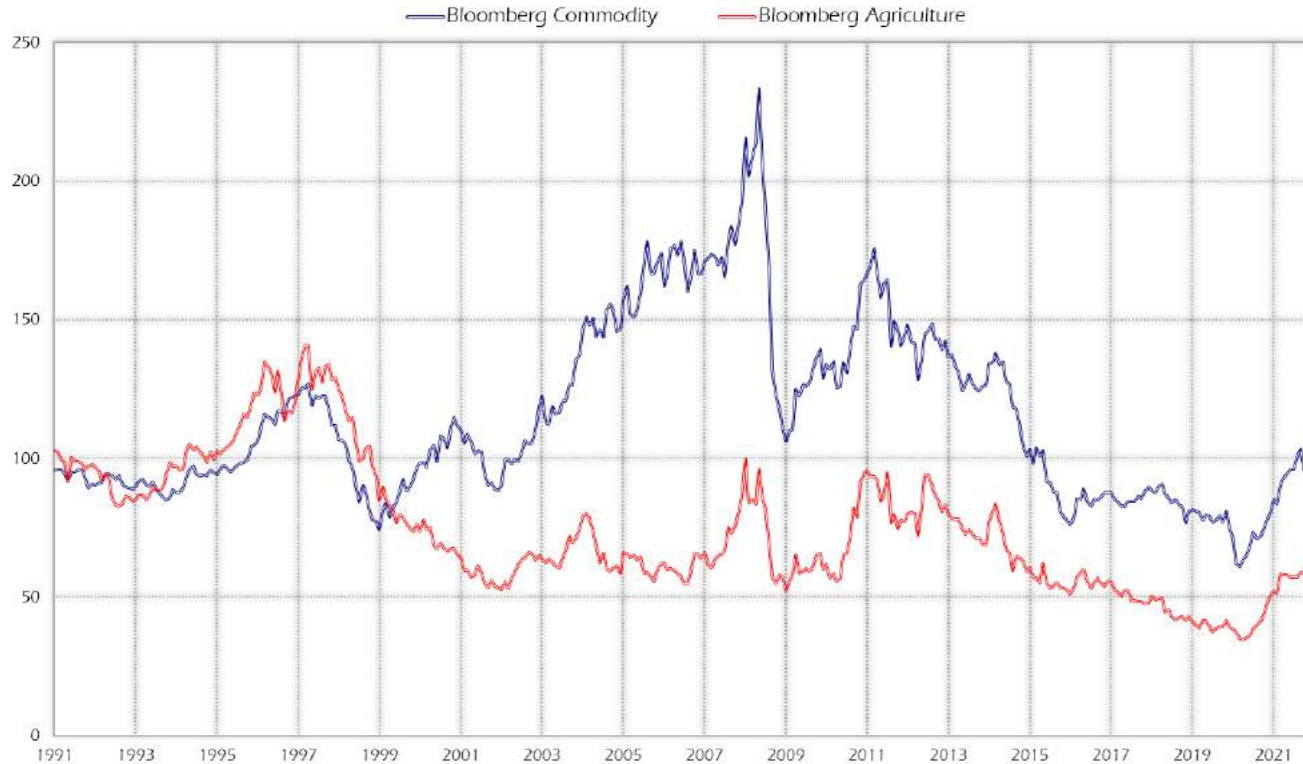


TradingView

But check it out for perspective in the long term



- Commodity benchmark at levels of mid 90's
- Agriculture still 33% below level in 1991



Focus on interest rates



- Emerging Markets already tightening, but not in China, decreasing for third month in a row
- Not actions so far in developed countries, but expecting to hike interest rates 7 times in United States this year

Interest Rates - January 2022

	2022	2021											
	January	December	December	November	October	September	August	July	June	May	April	March	February
Global	3.37	3.35	3.23	3.24	3.22	3.20	3.12	3.07	3.00	2.96	2.94	2.78	2.79
Developed	-0.04	-0.04	-0.08	-0.08	-0.07	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.11	-0.11
United States	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Canada	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Eurozone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.25	0.25	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Switzerland	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
Norway	0.50	0.50	0.25	0.25	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sweden	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	-0.60	-0.60	-0.60	-0.60	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.60	-0.60
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Emerging	6.15	6.12	5.94	5.96	5.92	5.90	5.76	5.67	5.53	5.46	5.42	5.15	5.17
China	3.70	3.80	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
India	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Korea	1.25	1.00	1.00	0.75	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Philippines	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Vietnam	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Brazil	9.25	9.25	7.75	7.75	6.25	5.25	4.25	4.25	3.50	2.75	2.75	2.00	2.00
Mexico	5.50	5.50	5.00	4.75	4.50	4.50	4.25	4.25	4.00	4.00	4.00	4.00	4.25
Russia	8.50	8.50	7.50	7.50	6.75	6.50	6.50	5.50	5.00	5.00	4.50	4.25	4.25
Turkey	14.00	14.00	15.00	16.00	18.00	19.00	19.00	19.00	19.00	19.00	19.00	17.00	17.00
South Africa	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Nigeria	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50



Adjustment / post-pandemic normalization

Significant risks: INFLATION / GEOPOLITICS

Uncertainty and volatility will persist short/mid-term

Global imbalanced growth with structural weaknesses



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