

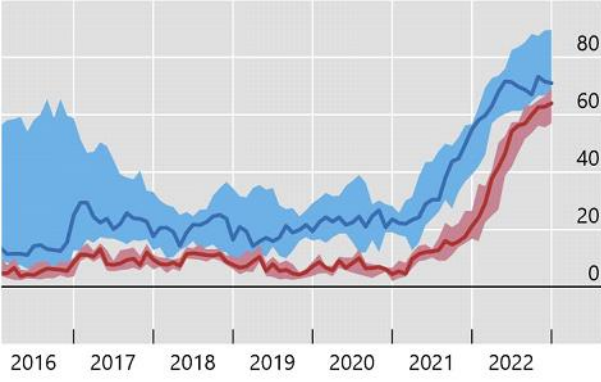


From bottlenecks to supply-side headwinds

Deniz Igan, Head of Macroeconomic Analysis

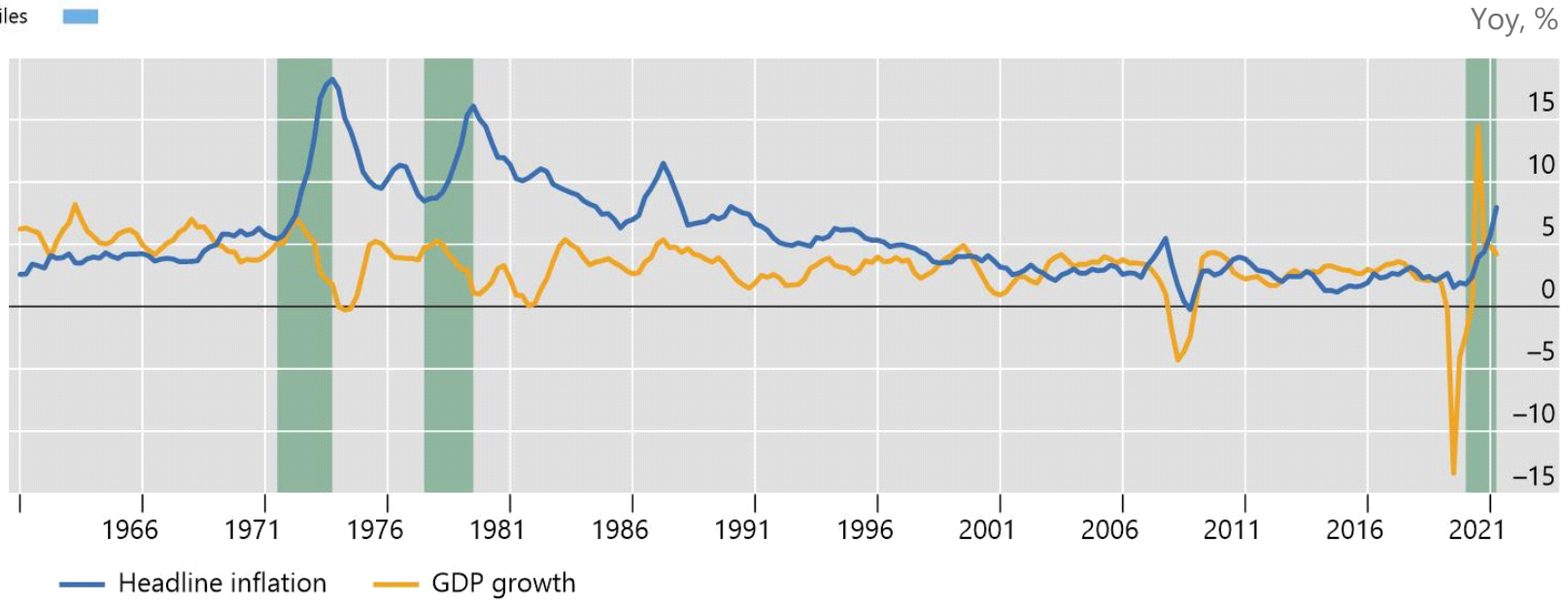
27 March 2023, SUERF-Banco de España-Bank of Finland-Bank of Italy-ECB workshop

Low inflation characterised much of the pre-Covid decades



inflation and inflation

AEs: Median 25th-75th percentiles
EMEs: [Blue line]



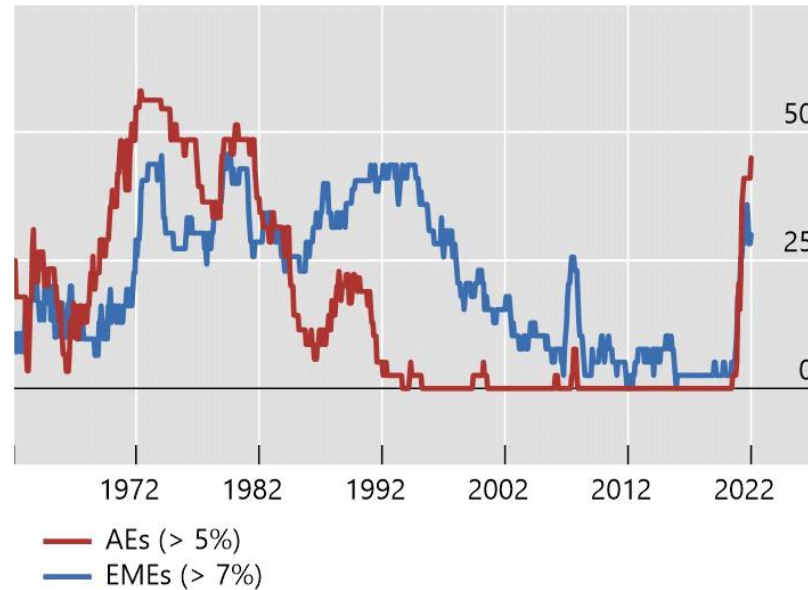
Weighted averages based on GDP and PPP exchange rates across 10 AEs (AU, CA, DK, EA, GB, JP, NO, NZ, SE and US) and 11 EMEs (CL, CO, IN, KR, PH, MY, MX, SG, TR, TH and ZA). Green shaded areas represent persistent inflation periods, where cumulative rise in inflation was above 5 percentage points.

Sources: OECD; World Bank; Global Financial Data; national data; BIS calculations.

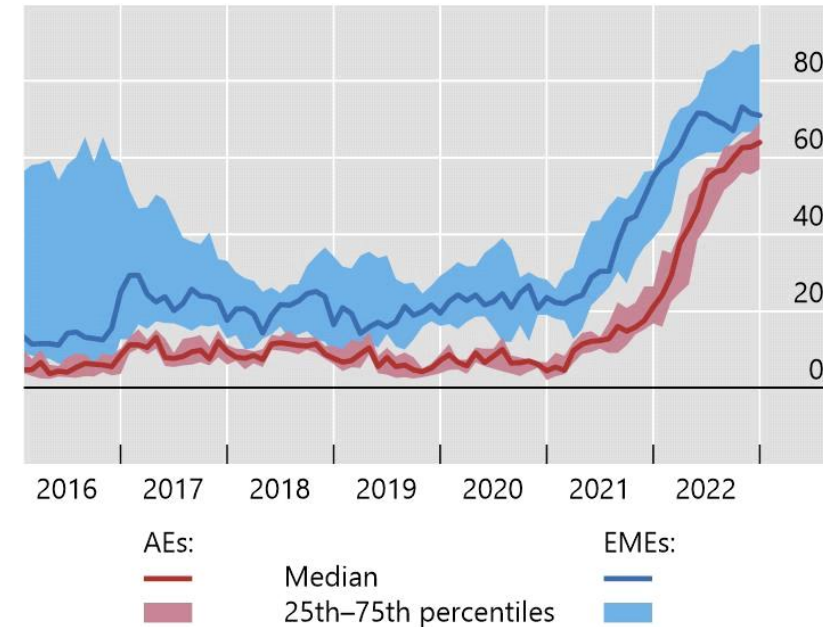
Inflation came back with a vengeance

Prevalence of inflation

A. Proportion of countries with high inflation



B. Share of consumer baskets with high inflation²



¹ AEs: AU, CA, CH, GB and SE. EMEs: AR, BR, CL, CO, HU, ID, IL, IN, KR, MX, MY, PE, PH, RU, SA, SG, TH, TR and ZA. ² High inflation corresponds to a 12-month percent change in an item's price above 5%.

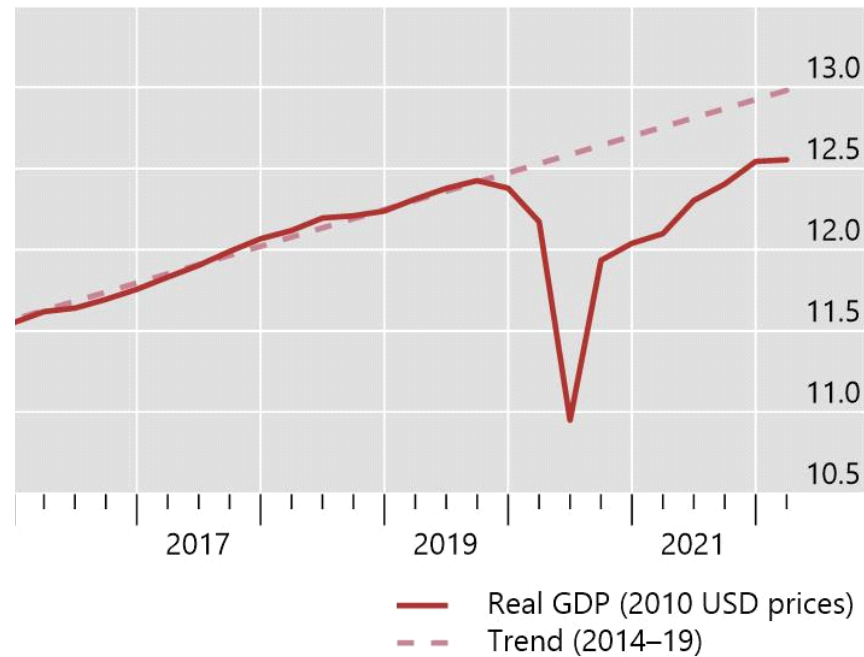
Sources: OECD, national data, BIS calculations.

Despite a strong recovery, real GDP has not caught up with pre-pandemic trend

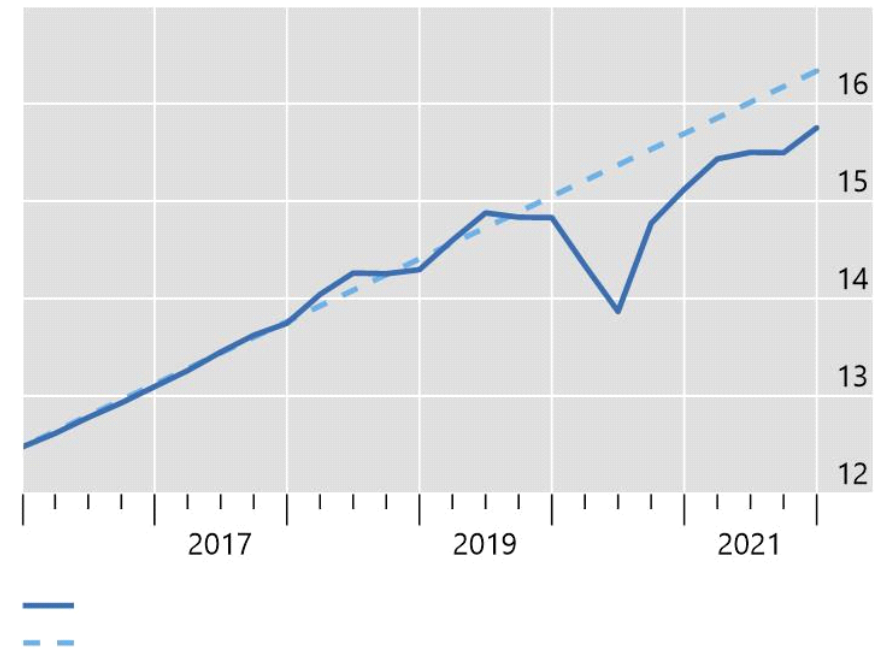
Real GDP

USD trillions (2010 prices)

Advanced economies



Emerging market economies



Sources: Refinitiv Datastream; BIS calculations.

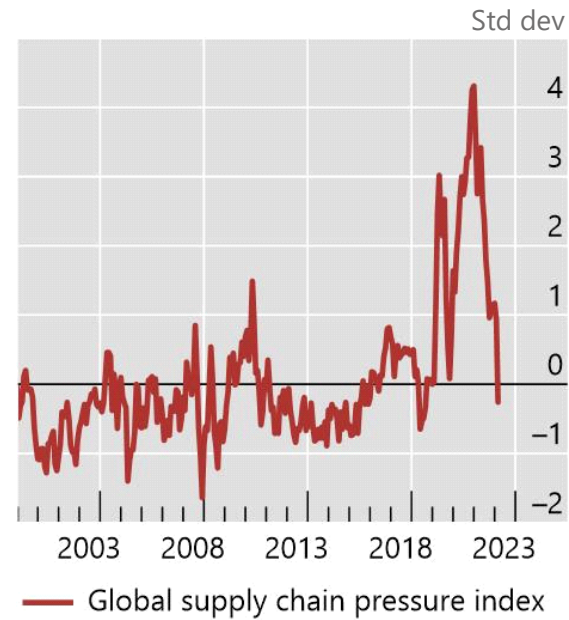
Factors that triggered the initial inflation surge have weakened

Drivers of post-Covid inflation surge

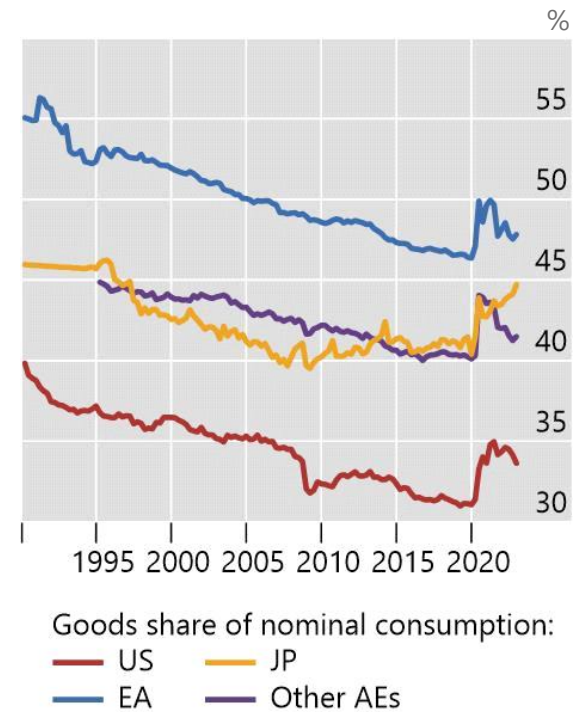
A. Commodity prices



B. NY Fed GSCPI



C. Spending rotation

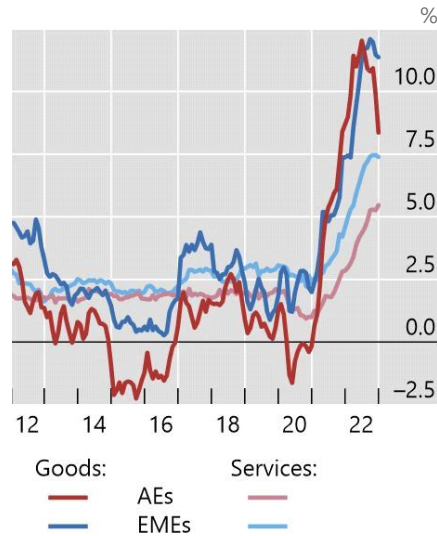


Sources: Federal Reserve Bank of New York; OECD; national data ; BIS

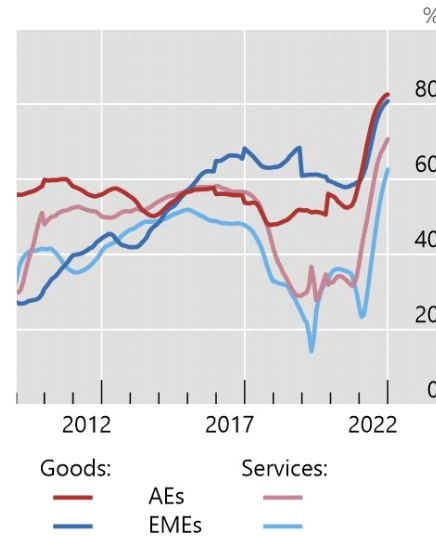
The next phase of disinflation may prove to be tougher

Characteristics of inflation

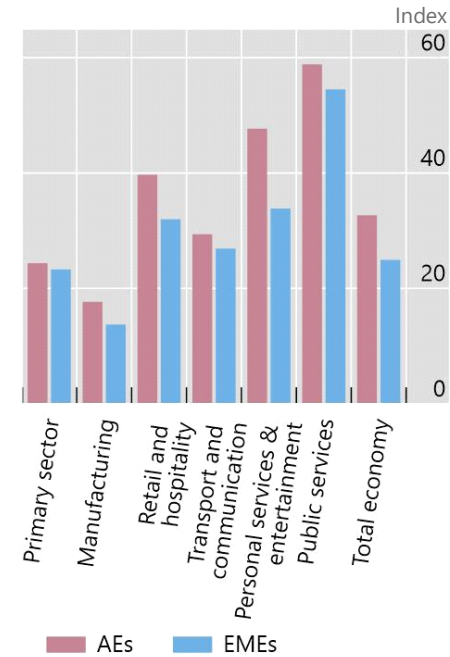
A. Evolution of goods and services inflation (yoy)



B. Fraction of total inflation variance explained by the global factor¹



C. Share of labour costs (2010-17)



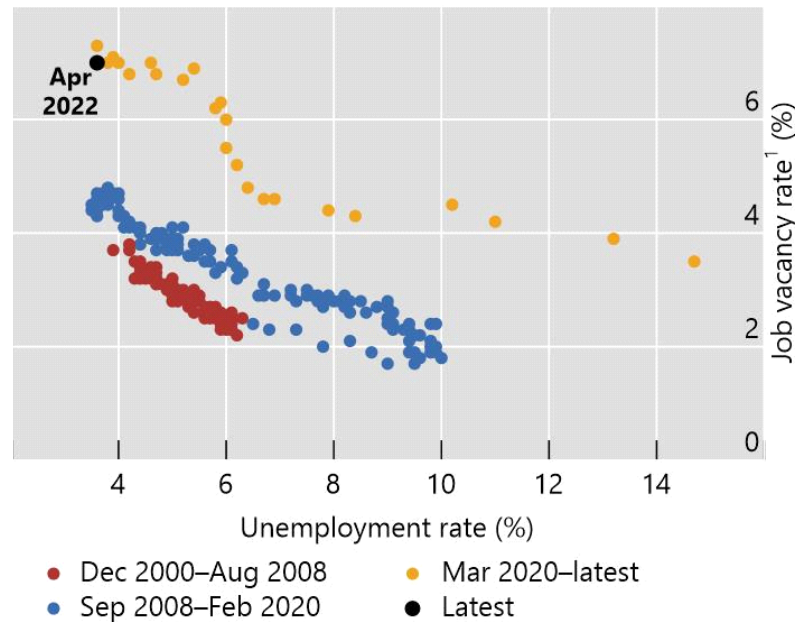
¹ Share of variance explained by first principal component in each country group based on standardised yoy inflation rates (mean of zero and standard deviation of one) and a 10-year rolling window. Calculation based on the PC decomposition of the full sample. Nine AEs and eight EMEs.

Sources: OECD; national data; BIS.

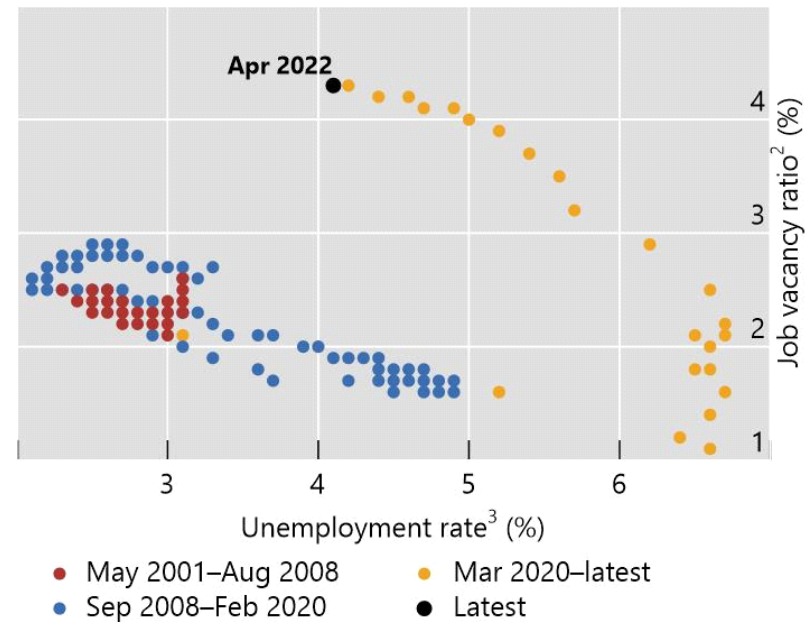
Labour market tightness seems consistent with an adverse supply shock

The Beveridge curve

United States



United Kingdom



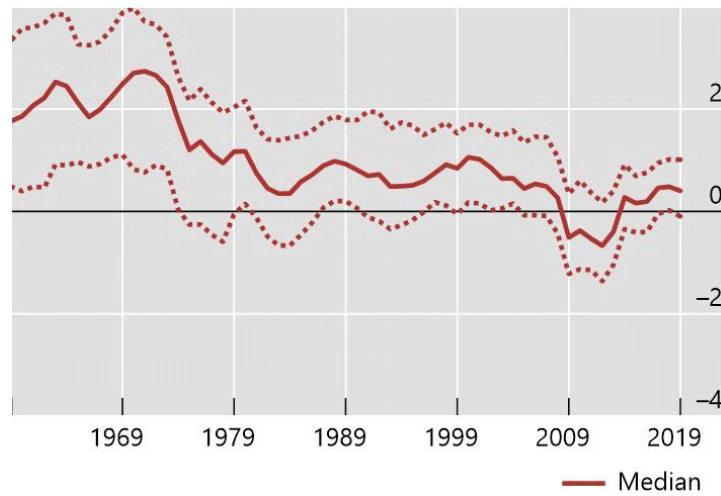
¹ Job vacancy rate computed as ((number of job vacancies) / (number of occupied posts + number of job vacancies))*100. Total non-farm. ² Job vacancy ratio computed as three-month rolling average ratio of vacancies per 100 employee jobs. Industry, construction and services (except activities of households as employers and extraterritorial organisations and bodies). ³ Claimant count.

Sources: Refinitiv Datastream; BIS calculations.

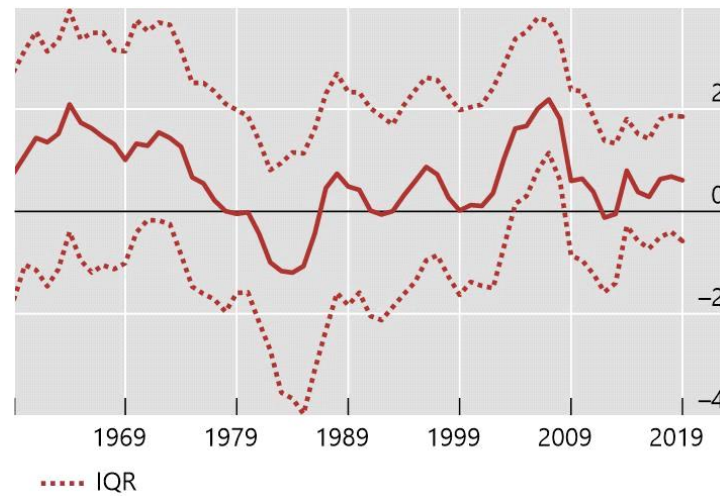
Productivity growth has been difficult to keep up

Productivity growth, in per cent

Advanced economies



Emerging market economies



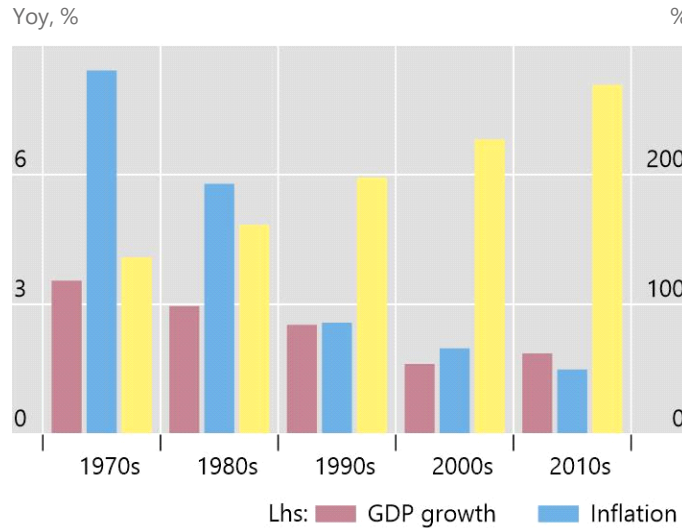
Five-year moving averages of median and interquartile ranges of year-on-year changes in total factor productivity at constant national prices. Advanced economies: Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Malta, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States; emerging market economies: Argentina, Brazil, Chile, China, Colombia, Croatia, the Czech Republic, Estonia, Egypt, Hong Kong SAR, Hungary, India, Indonesia, Israel, Korea, Latvia, Lithuania, Malaysia, Mexico, Morocco, Paraguay, Peru, the Philippines, Poland, Romania, Russia, Saudi Arabia, Singapore, Slovakia, Slovenia, South Africa, Thailand, Tunisia, Turkey, Ukraine and Uruguay; where data is available.

Sources: Penn World Table, version 10.0; BIS calculations.

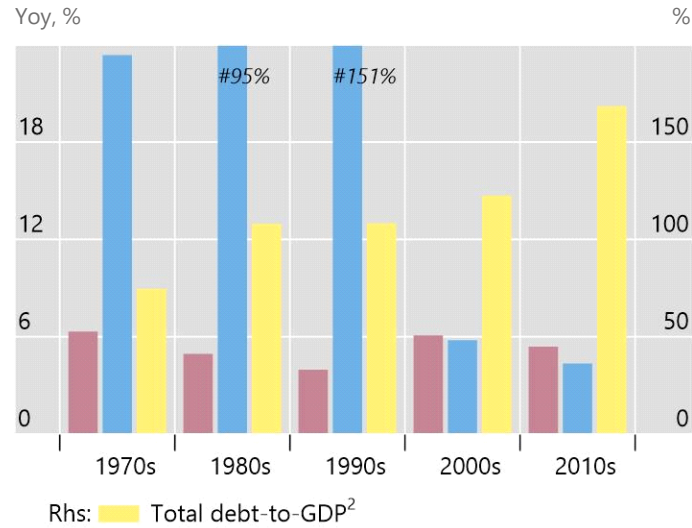
Debt levels climbed as growth and inflation came down

GDP growth, inflation, debt¹

Advanced economies



Emerging market economies



¹ Decade average of respective variables where regional aggregates are computed as weighted averages based on GDP and PPP exchange rates. AEs: Australia, Canada, Denmark, euro area, Japan, New Zealand, Norway, Sweden, Switzerland, United Kingdom and United States; EMEs: Argentina, Brazil, Chile, China, Chinese Taipei, Colombia, Czech Republic, Hong Kong SAR, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Russia, Singapore, South Africa, Thailand and Turkey; where data is available. ² Sum of public and non-financial private sector debt.

Sources: IMF; World Bank; Global Financial Data; national data; BIS.