



Global inflation prospects in the rest of 2021 and 2022

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Main countries in the world economy in 2019

	Billions of \$s, current prices & exchange rates	% share of world output, on same basis
United States	21,433	24.5
China	14,341	16.4
Eurozone	13,366	15.3
Japan	5,149	5.9
India	2,871	3.3
United Kingdom	2,833	3.2
Canada	1,742	2.0
Australia	1,392	1.6

Recent trends in US money growth

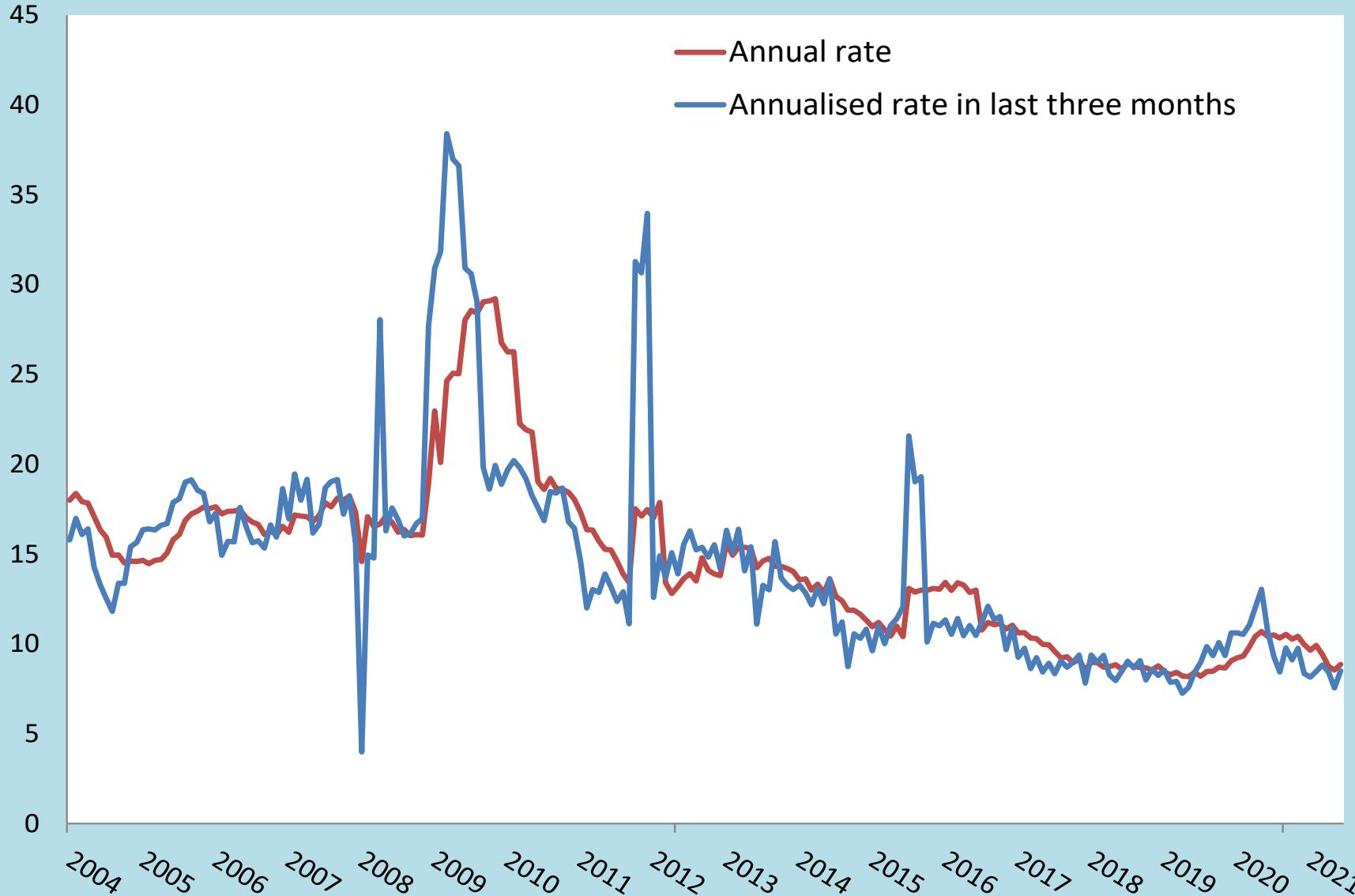
% M3 growth rates, with M3 estimated by Shadow Government Statistics



**Money growth
explosion in spring
2020, then a sharp
deceleration in 2nd
half of 2020 and re-
newed acceleration
to 10% annualised
growth rate in 1st
half of 2021.**

Recent trends in China's money growth

% growth rates in M2, data from the People's Bank of China

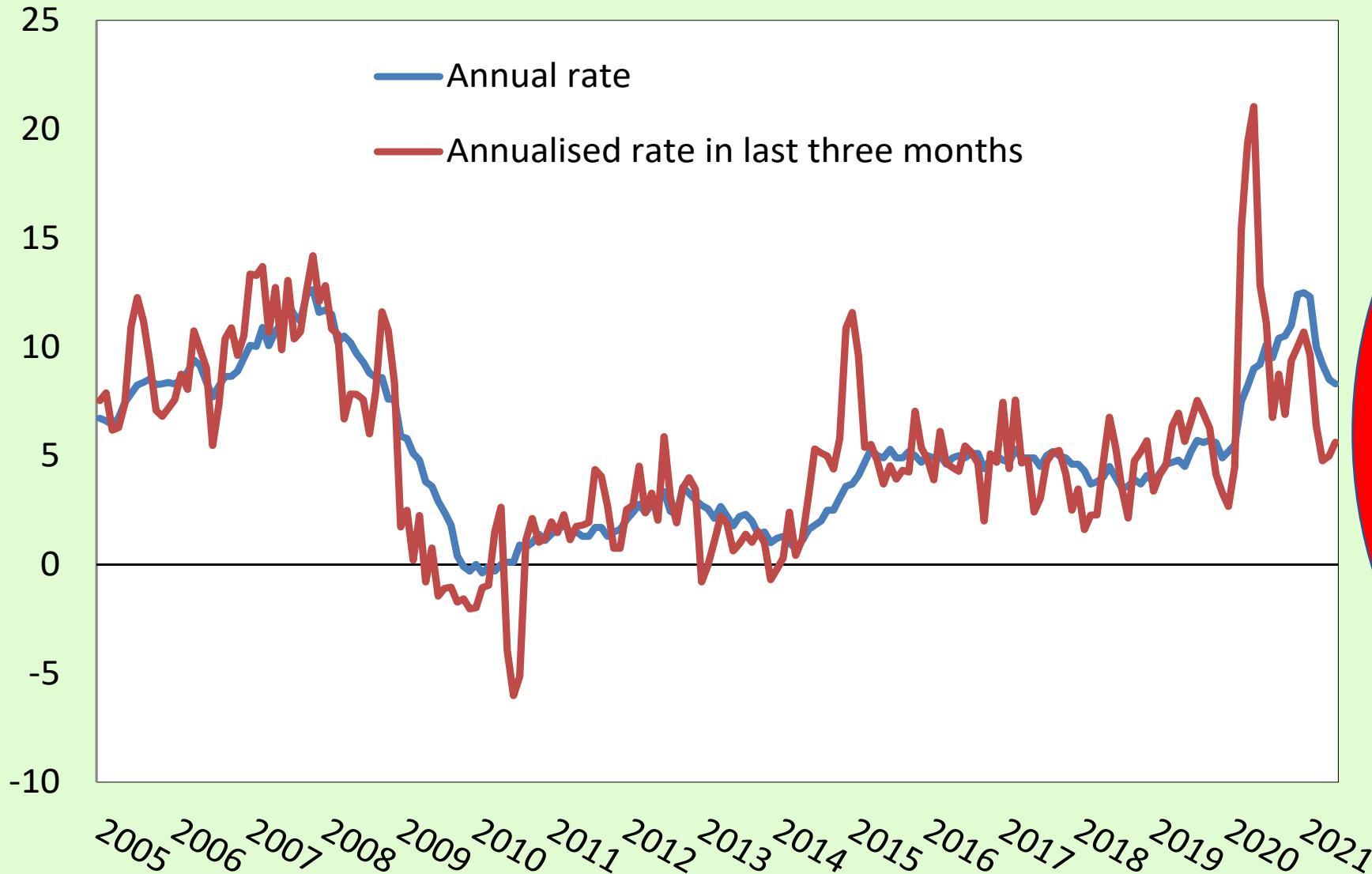


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**Small money
growth upturn in
spring 2020, then
a slowdown to
lowest growth
rates in recent
decades.**

Recent trends in Eurozone money growth

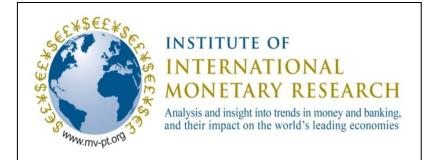
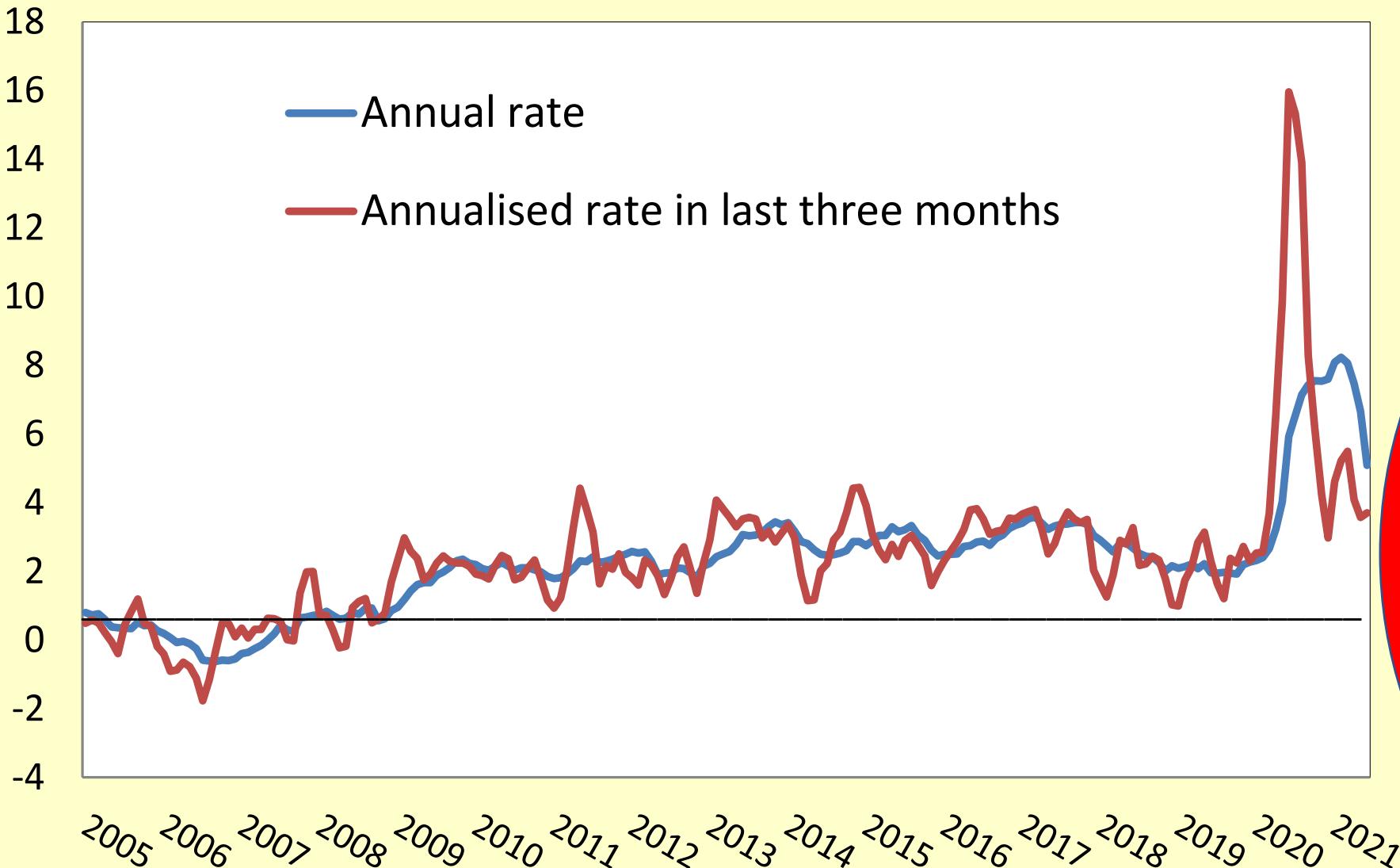
% M3 growth rates, data from the European Central Bank



Marked money growth upturn in spring 2020, with 3-month annualised rate peaking at 20%, then deceleration - & recent month growth on same basis only 5%.

Recent trends in Japanese money growth

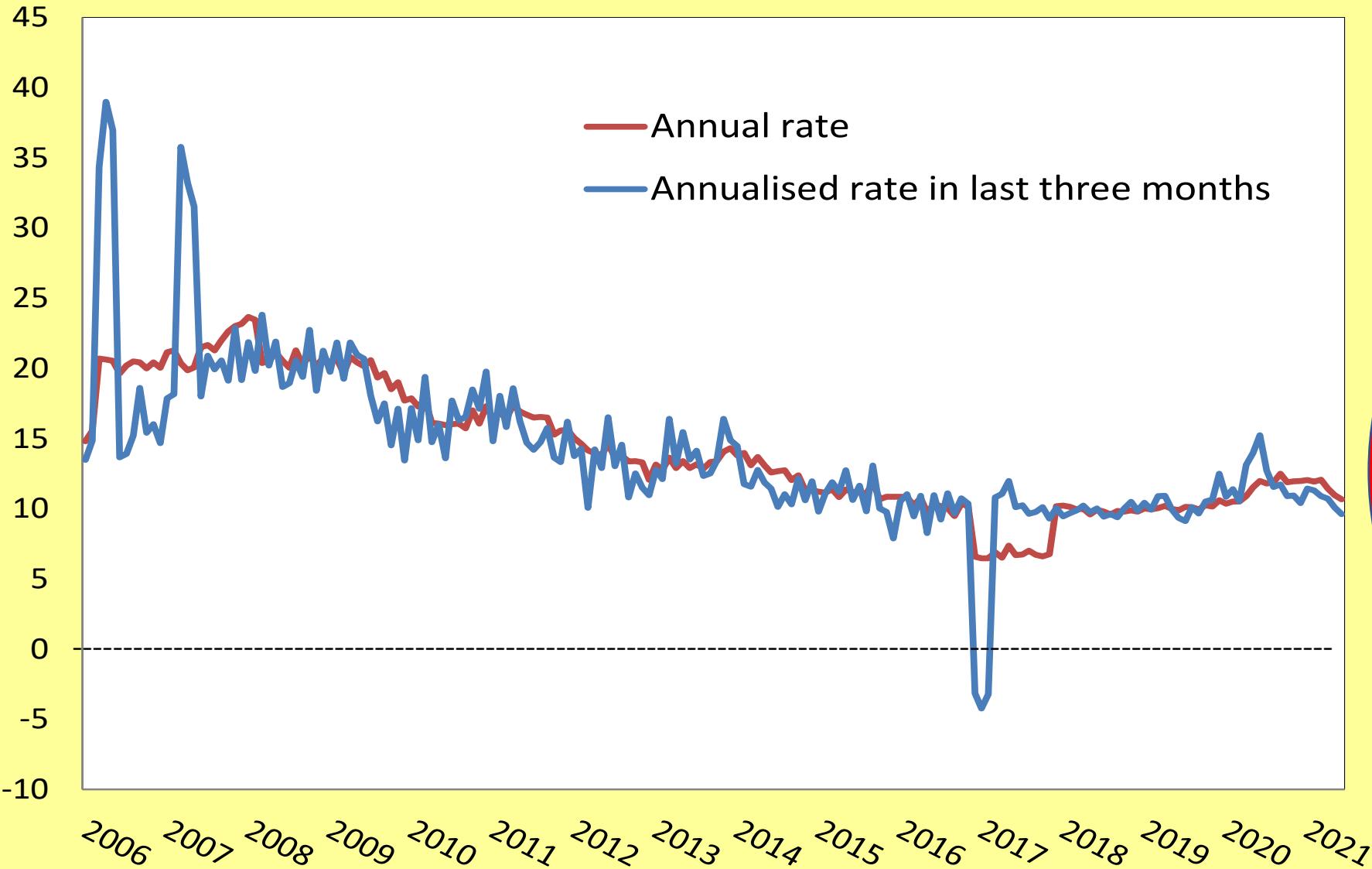
% M3 growth rates, data from Bank of Japan



**Brief, if marked,
money growth
upturn in spring
2020, but annual
growth rate never
reaching 10% and
3-month
annualised rate
now back to 3%.**

Recent trends in Indian money growth

% M3 growth rates, data from the Reserve Bank of India

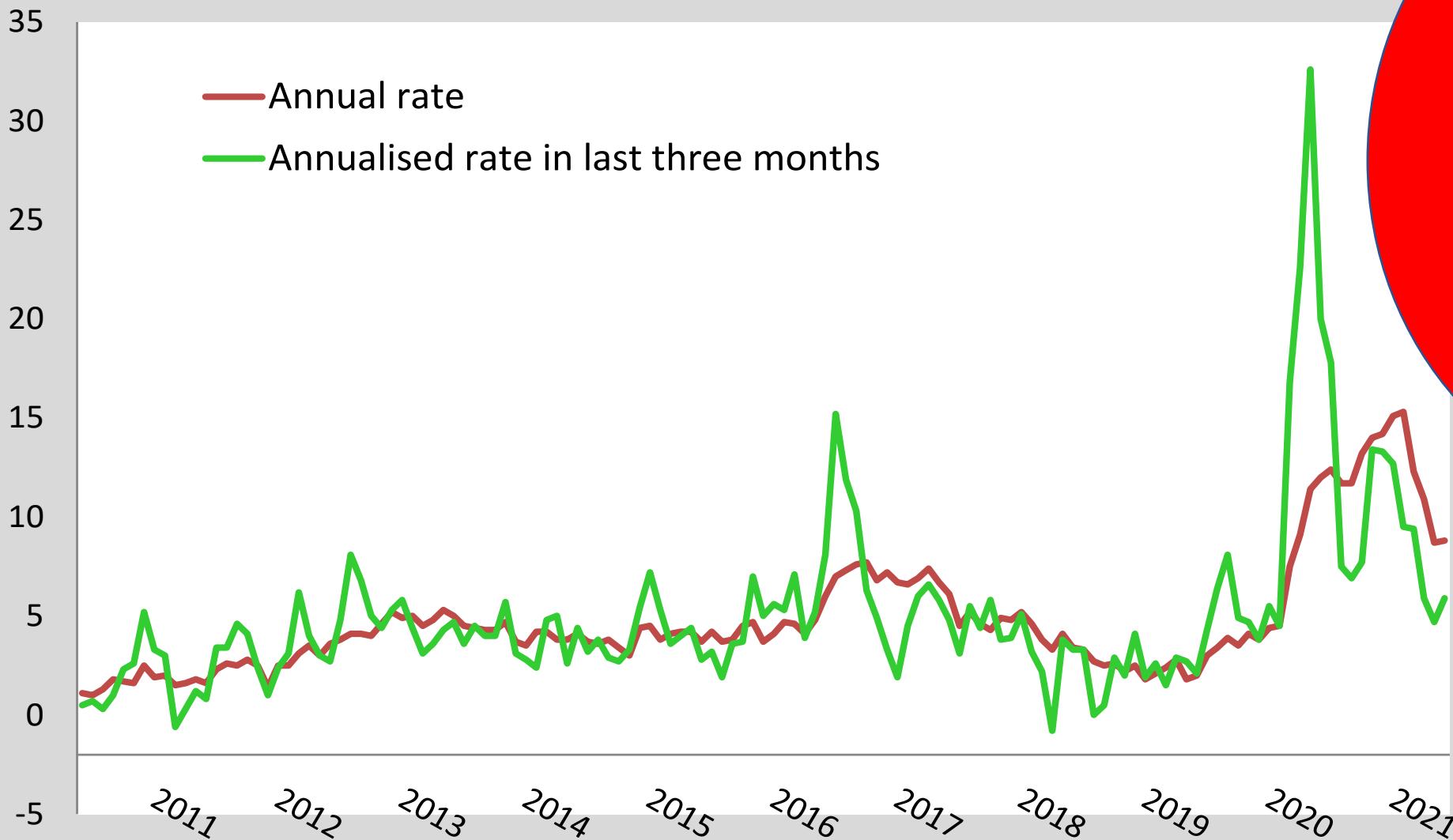


Small money
growth upturn in
spring 2020, then
a slowdown to
growth rates, just
into double digits
%, similar to
2010s.

Recent trends in UK money growth

% M4x growth rates, data from the Bank of England

— Annual rate
— Annualised rate in last three months



Money growth upturn in spring 2020 clearer than in Eurozone. A small 2nd hump of growth now followed by deceleration to 3-month annualised rate of 5%.



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Pandemic-related upturns in money growth in leading economies

Broad money growth,
%, in **two** years to

	Jun-19	Jun-21	<i>Difference</i>
USA	9.4	34.1	24.7
UK	5.8	21.6	15.8
Eurozone	8.8	17.9	9.1
Japan	4.7	11.3	6.6
China	17.8	20.6	2.8
India	21.1	23.4	2.3

Summary of the analysis

- The Covid-19-related departure from previous money growth trends has been much larger and more clearly defined in the USA than elsewhere.
- The UK is some distance behind, but comes next. In the last *four* years increases in the quantity of money in the Eurozone and the UK have been similar.
- Japan has seen a perceptible money growth acceleration, but its money growth rate has remained by far the lowest in the world.
- The money growth upturns in China and India have been small. Indeed, recent money growth in China has been the lowest since the post-Mao opening of Chinese society began in the late 1970s.

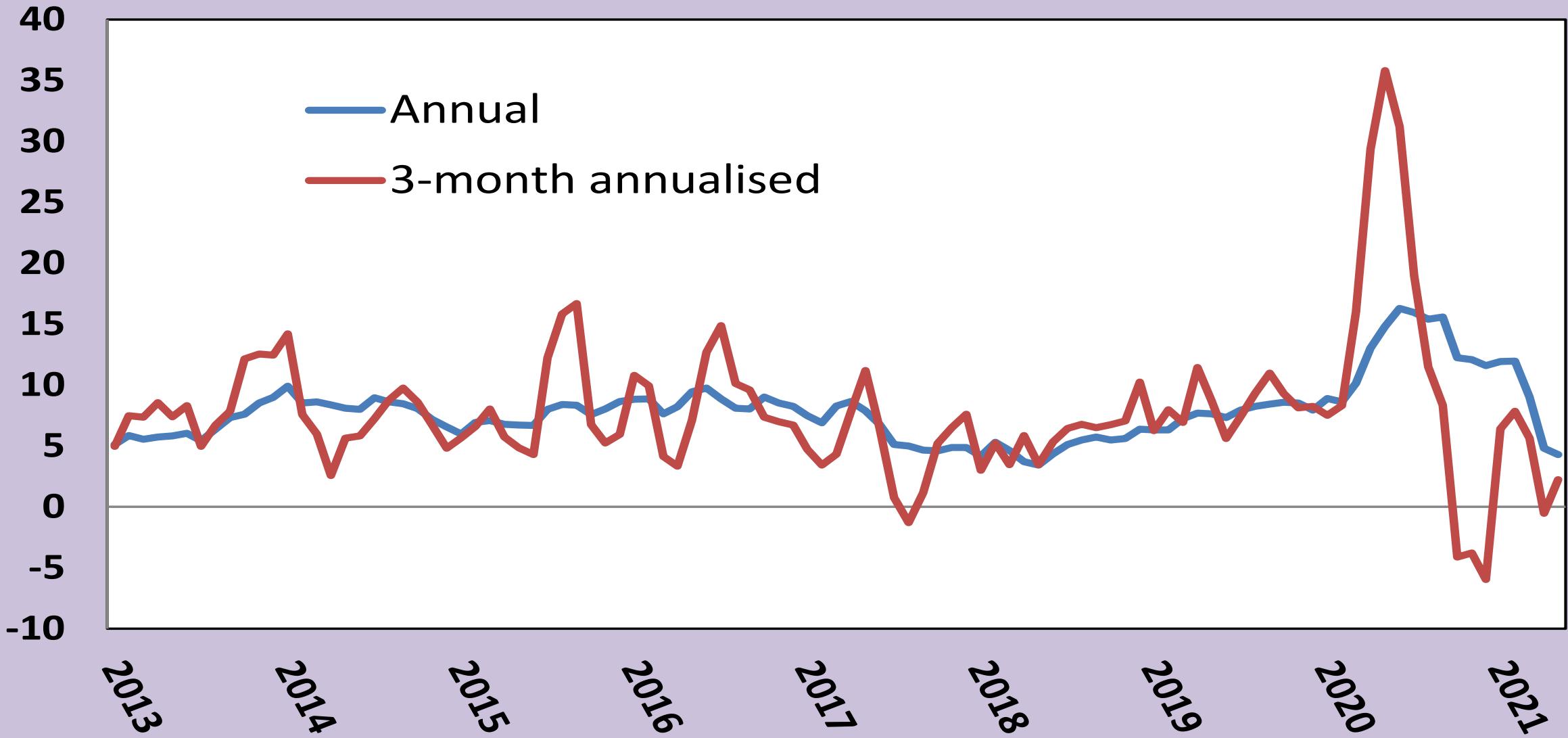
Implications of the analysis 1.

- Money growth upturns due to policy responses to Covid-19 have been widespread, but more pronounced in the developed countries than in the developing. These patterns will support above-trend growth in demand and output for some quarters yet, while – in any case – business activity will be returning to normal because of the spread of vaccines.
- The money growth acceleration in the USA has been by far the sharpest in the world – and will lead to the highest inflation in 2021 and 2022, and it is not yet clear that 2023 will see much improvement relative to other countries. In the USA the annual rate of consumer inflation will be in the 5% - 10% band for several quarters.

Implications of the analysis 2.

- Upward pressure on inflation will be widespread, but in Japan it will be easily managed. In the Eurozone and the UK annual inflation may go above 5%, but it should not reach American levels.
- Inflation in China and India will be affected by global movements in commodity prices, of course. But the control of inflation has *not* been made significantly more difficult by Covid-19.

Broad money (M3) growth in Canada



Broad money growth in Australia

- *% rates of change, monthly data*

