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GLOBAL ECONOMIC OUTLOOK

Highlights:

Oil prices continued to surge when OPEC + extended their decision of cutting production. The total current crude oil outputs in the US, Russia and the OPEC group has decreased by more than 7 million barrels/day compared to last year.

Job recovery momentum in the US is still quite slow when the unemployment rate only decreased from 6.3% to 6.2% in February. The number of new jobs this month had the highest increase since October 2020.

Manufacturing is on a speedy recovery with some major economies recording their highest PMI score since 2018.

According to Fed, the inflation and employment target has not been reached, therefore the monetary loosening policy will not be changed. Meanwhile, the ECB will continue to increase the government bond purchase package to reduce the interest expense pressure in the EU member countries.

Joe Biden's USD 1.9tn fiscal support package was approved by the US Congress on March 10. However, there are some terms that have been omitted and reduced such as the roadmap to increase the minimum wage to USD 15/hour or keeping the unemployment allowance at USD 300/week instead of USD 400/week.

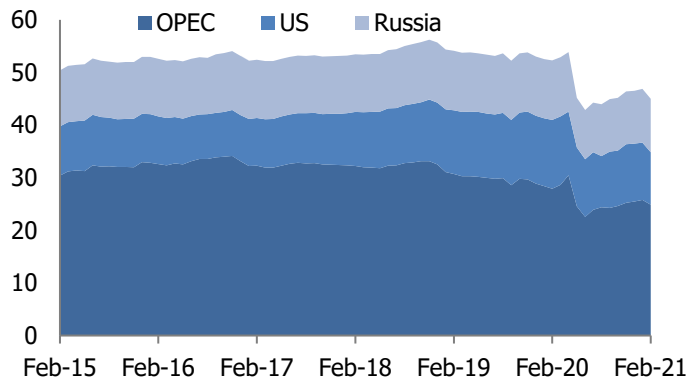
World Economic Outlook

Oil Market

Oil prices continued to witness a massive uptrend last month. Brent oil prices reached USD 70/barrel after the news about limited oil supply, such as OPEC+'s decision to extend oil production cut, which was going to expire in April. Saudi Arabia suddenly cut its oil production by 1 million barrels/day since February, causing the production output of OPEC+ countries decrease by 8 million barrels/day. In addition, a Saudi oil depot has been attacked recently, causing the oil prices continue to be pushed. The total crude oil output of OPEC, the US and Russia has decreased by more than 7 million barrels/day compared to last year.

High oil prices are a great opportunity for business activities of oil companies and the budgets of oil exporting countries; however, for major oil importers like China or India, this is a hindrance to the economic recovery momentum. In addition, high oil prices also increase inflationary pressure on all nations, since this factor affecting all aspects of the economy such as logistics, energy, and transportation.

Crude oil production (mbpd)



Source: Bloomberg

Brent crude oil price movement



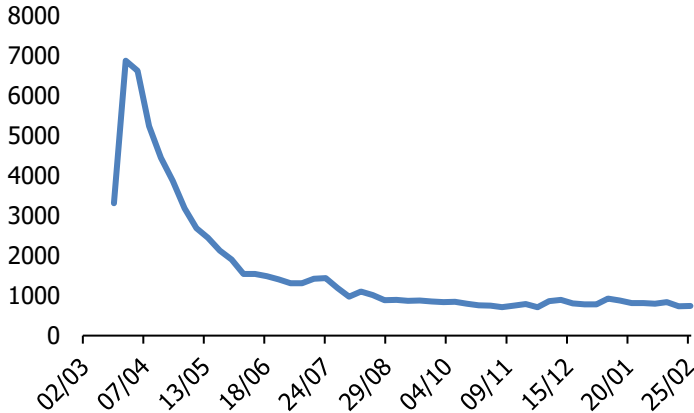
Source: Bloomberg

Labor Market

The US labor market continues to make certain progress, though it is still relatively slow compare to the smooth progress of the Covid-19 vaccination program. The unemployment rate in February decreased from 6.3% to 6.2%. The number of new jobs this month reached 372,000 as the highest increase since October 2020. The number of applications for unemployment support is also decreasing, for the first time, to about 700,000 applications/week.

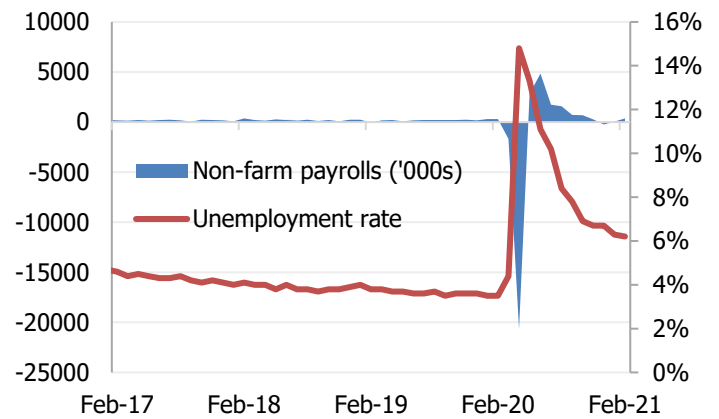
As the current employment situation is far from full employment, an objective of the Fed, we believe the Fed will not change its opinion on monetary easing policy anytime soon.

Initial weekly jobless claims in the U.S. ('000)



Source: Bloomberg.

US unemployment rate and non farm payrolls



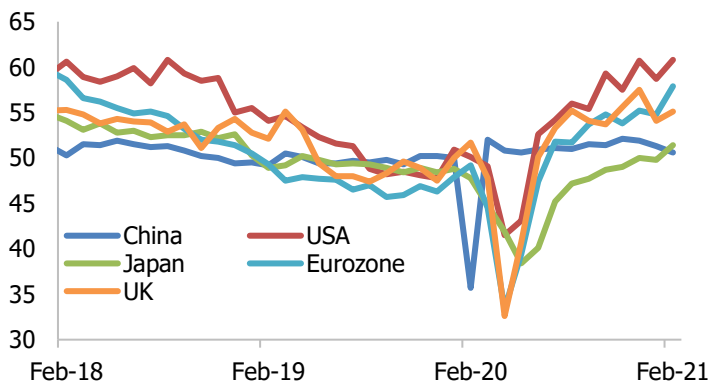
Source: Bloomberg.

Manufacturing and consumption

Manufacturing in major economies is recovering rapidly on the basis of efficient vaccine rollout. The PMI production index in these economies are all above 50 points, with the US above 60 and Eurozone above 57, the highest since 2018.

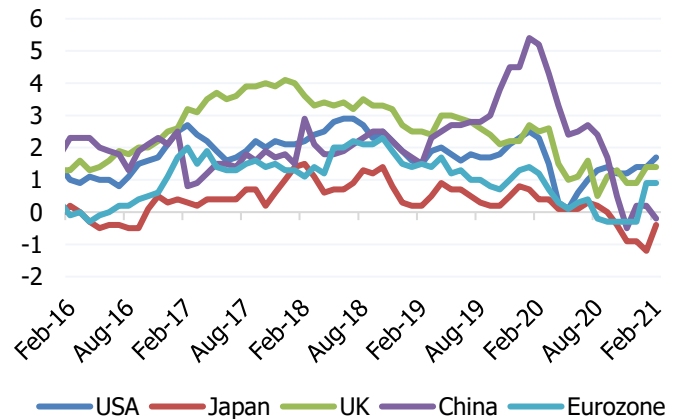
The fear of an early-come-back inflation was the top concern for investors during this period. The US consumer price index (CPI) in February increased by 0.4% compared to January and increased by 1,7% compared to the same period last year. This inflation rate is gradually approaching the Fed's 2% target mark. However, by switching the 2% fixed target to the average approach, inflation has stayed above 2% for a few months without affecting the Fed's general policy.

Manufacturing PMI of major countries



Source: Bloomberg.

Inflation rate (% yoy) in major economies



Source: Bloomberg.

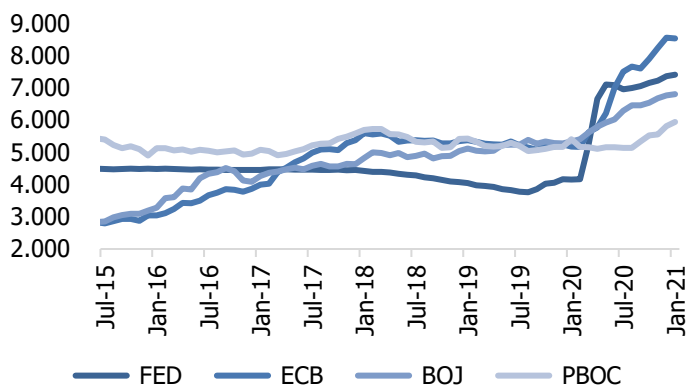
Policies

Monetary policy

The continuous increase in US government bond yields recently, reflecting investors' expectation of an economy will recover sooner than expected, along with a rapidly rebound inflation. However, Fed Chairman Jerome Powell showed that the Fed is still steadfast on the monetary easing roadmap by not changing the program of buying government bonds worth USD 80bn/month and will not act to reduce bond yields.

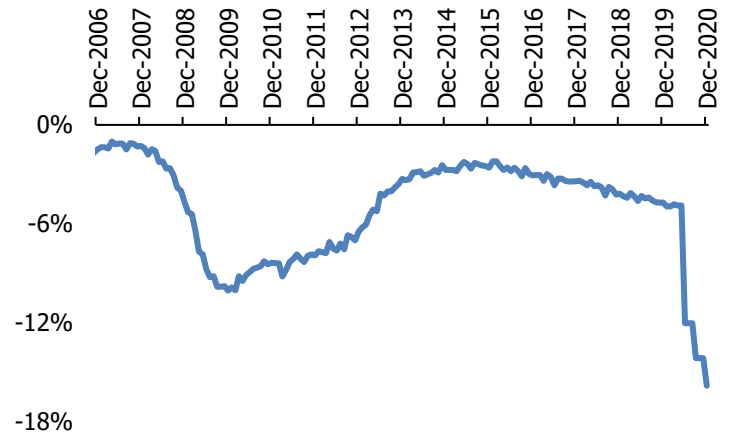
Other central banks have a similar idea as the total assets of the four major banks continue to increase and surpassed USD 29tn by the end of February. Even the European central bank (ECB) increased its bond purchasing to reduce borrowing costs, in the context of a bright prospect for the US economy and bleak in Europe. Slow immunization programs in several countries on the continent have resulted in a re-blockade. ECB Chairman Christine Lagarde announced that the ECB will act to curb the rise in bond yields, partly affected by the rate hike in US yields. With many EU countries having huge public debt, some with over 150% of GDP, the increase in interest expenses will put great pressure on the post-pandemic economic recovery process.

Total assets on major CB's balance sheets (USD bn)



Source: Bloomberg.

US budget deficit (%GDP)



Source: Bloomberg.

Fiscal Policy

After numerous discussions and controversies, President Joe Biden's USD 1.9tn Covid-19 bailout package was finally approved by the US Congress. This is the first major legislative victory of President Biden. To get this through, President Biden had to compromise due to the mixed opinions of several Democratic Senators. Compared with the original proposal, the roadmap to increase the minimum wage to USD 15/hour has been removed and the weekly unemployment allowance has been reduced from USD 400 to USD 300. This bailout reflects the belief of Biden and colleagues that they can speed up the economic recovery without causing inflation to spike.

Although the bill is met with many criticisms from the Republican Party that it will increase pressure on the US budget for many years to come, Finance Minister Janet Yellen is confident that this bailout package will help many Americans get through the pandemic safely.

Economic indicators of selected countries

Countries	GDP (% yoy)		CPI (% yoy)		Unemployment rate (%)	
	Latest		Latest		Latest	
US	-3.5	Q4	1.7	Feb	6.2	Feb
EU	-7.2	Q4	0.9	Feb	8.1	Jan
Germany	-4.9	Q4	1.3	Feb	4.6	Jan
France	-8.3	Q4	0.6	Feb	8	Dec
Italy	-8.8	Q4	0.6	Feb	9.0	Dec
Spain	-11.1	Q4	0	Feb	16.3	Dec
UK	-10	Q4	0.7	Jan	5.1	Dec
Japans	-5.1	Q4	-0.4	Feb	2.9	Jan
China	2.5	Q4	-0.2	Feb	5.5	Feb
Russia	-3.6	Q4	5.7	Feb	5.8	Jan

Source: OECD, MBS summarized.

Economic indicators forecast of selected countries

Countries	GDP (% yoy)		CPI (% yoy)		Unemployment rate (%)	
	2020	2021F	2020	2021F	2020	2021F
US	-3.5	5.1	2.1	1.4	6.7	6.2
EU	-7.2	4.2	0.1	1.0	8.3	8.5
Germany	-5.3	3.5	0.3	1.8	4.6	4.8
France	-8.3	5.5	-0.5	0.5	8	9.7
Italy	-8.8	3.0	0.1	0.7	9.0	11.1
Spain	-11.1	5.9	-0.3	0.6	16.3	17.4
UK	-10	4.5	0.4	1.1	5.1	7
Japan	-5.1	3.1	-0.6	0.3	2.9	2.8
China	2.5	8.1	1.4	2.5	5.2	4.5
World	-3.5	5.5	2.1	2.5		

Source: OECD, IMF, MBS summarized.

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