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**GLOBAL ECONOMIC OUTLOOK**

**Highlights:**

*Oil price experienced a huge surge in recent weeks thanks to limited supply in the US. WTI oil prices surpassed USD 60/barrel for the first time since pre-pandemic. Some experts believe oil is entering a supercycle.*

*The vaccine rollout helped American January unemployment rate reduce slightly from 6.7% to 6.3%. The new fiscal stimulus is likely to improve the labor market in the coming months.*

*Price indices in several developed markets are recovering. Even though there are some concerns regarding inflationary pressure, central banks still commit to monetary loosening policy.*

*The US Congress is about to pass a Covid-19 relief package worth USD 1.9tn as proposed by President Joe Biden.*

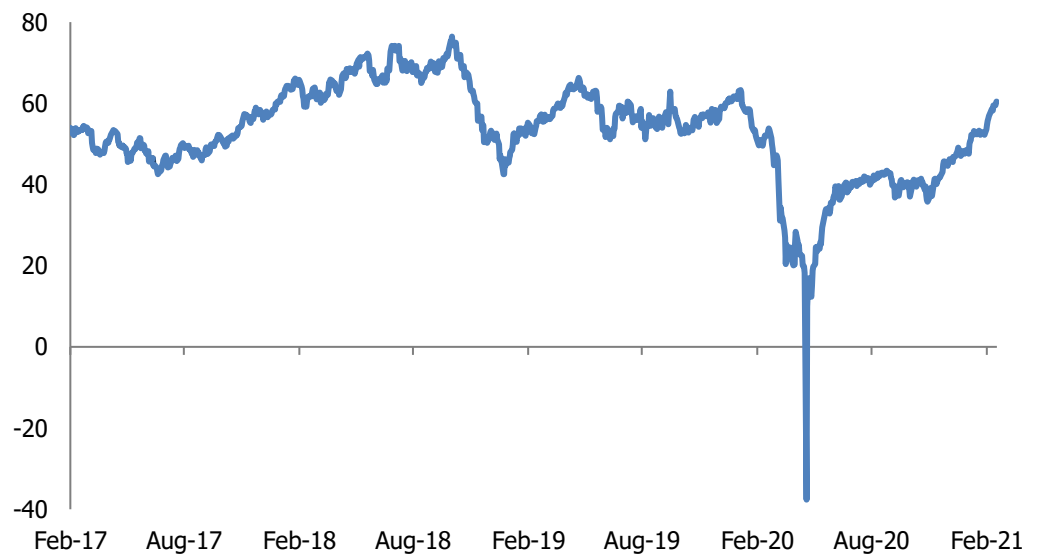
## World Economic Outlook

### Oil Market

Crude oil prices have increased continuously in recent times due to limited supplies. The state of Texas and some neighboring states of the US are experiencing an unusually cold spell, disrupting production chains and increasing fuel demand. WTI oil price is currently trading above 60 USD/barrel. In 6 months, WTI oil price has increased by nearly 50%.

Many experts predict that oil prices are entering a "supercycle" of increasing prices and they can continue to move to higher levels such as USD 75-100/barrel in the near future when the global economy recovers. However, we also note that when oil prices increase, more producers will return to the market. Normally, the breakeven price for oil operators in the world is about USD 38-45/barrel. When oil prices fell to USD 25-30/barrel last year, many parties had to cut production to avoid losses. In addition, Saudi Arabia earlier this year also voluntarily cut output by 1 million barrels/day to maintain oil prices level. When oil prices come back, output will rise and hold back the price momentum in the short term.

### WTI oil price (USD/barrel)



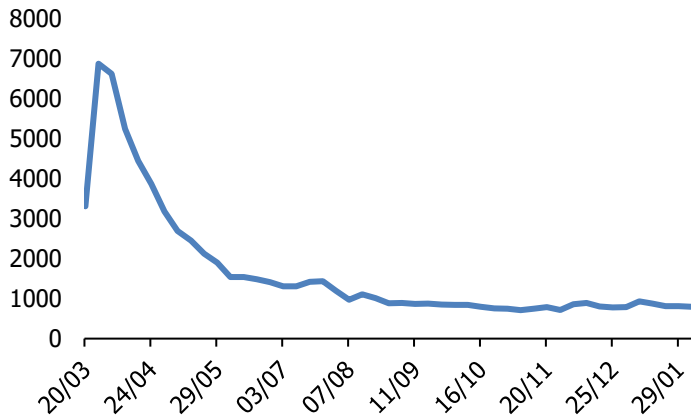
Source: Bloomberg.

### Labor Market

The efficient rollout of vaccine under President Joe Biden's administration helped the labor market recover better than forecast. The unemployment rate in January dropped from 6.7% to 6.3%, equivalent of 10.1 million unemployed people, beating the previous forecast of 6.7%.

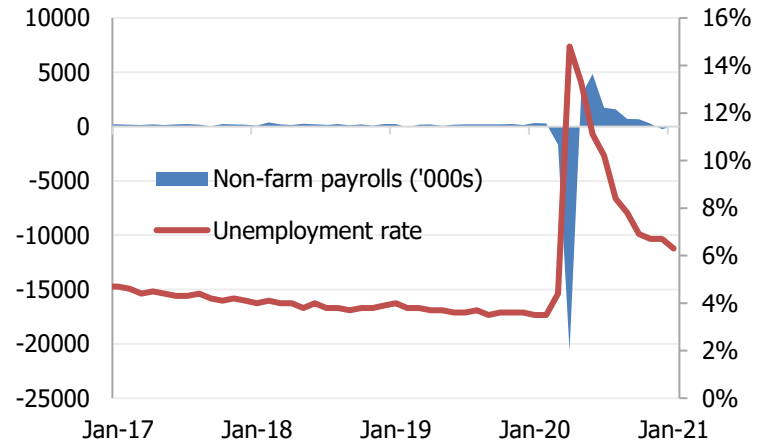
Meanwhile, European job market has been stable ever since the beginning of the pandemic thanks to fiscal policies focusing on keeping jobs. When the economy opens back up, the unemployment rate would not improve as much.

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



Source: Bloomberg.

## US unemployment rate and non farm payrolls



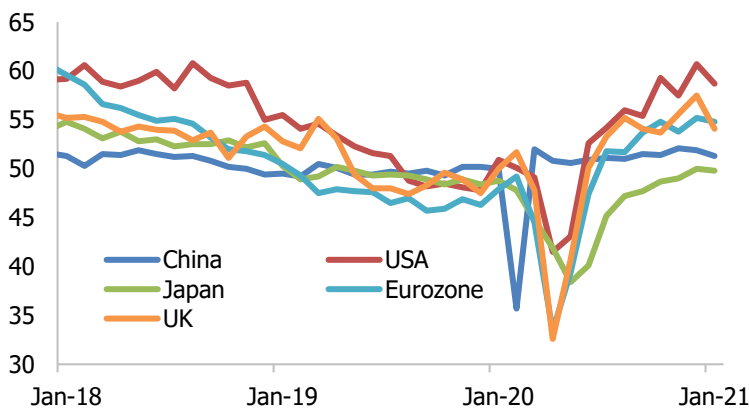
Source: Bloomberg.

## Manufacturing and consumption

Manufacturing in major economies is still on track to recover, though growth in January has slowed somewhat. PMI index produced in China, the US and Europe are all above 50, in the range of 51-58 points, down slightly from December.

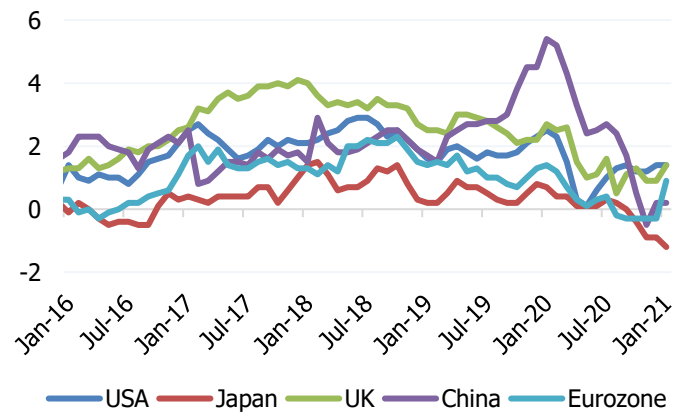
The consumer price index in Europe in January increased the most in many years, when it rose 0.9% while the previous month was still negative 0.1%. However, this does not mean that inflation has returned due to some seasonal factors such as the rebound of VAT in Germany, or the promotional season in Italy and France.

## Manufacturing PMI of major countries



Source: Bloomberg.

## Inflation rate (% yoy) in major economies



Source: Bloomberg.

## Policies

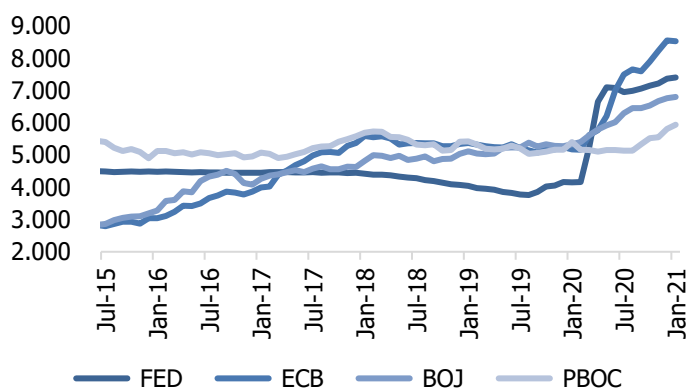
### Monetary policy

Inflation in many developed markets has experienced a fairly good increase in January. This is also reflected in the strong increase in US government bond yields recently. Currently, US government bond yields for 10-year term have increased from 0.9%/year at the beginning of the year to 1.3%/year. Many experts assess that if yields are steadily increasing, investors will

happily digest, but the current growth rate is somewhat worrying. The loosening monetary policy in the past year has pushed up inflation expectations quite high.

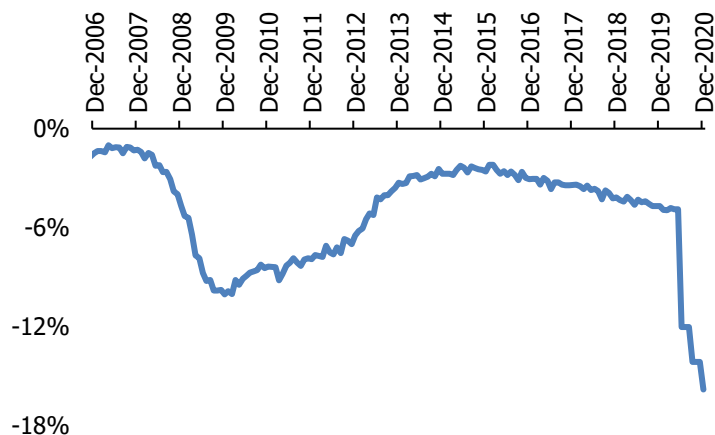
However, the core personal consumption expenditures price index, the Fed's favorite inflation measure, is just 1.5%, not yet reaching its 2% target. Therefore, the central banks remain loyal to the monetary loosening policy. In January, the balance sheet sizes of the four largest central banks in the world increased by another USD 200bn.

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



Source: Bloomberg.

**US budget deficit (%GDP)**



Source: Bloomberg.

### Fiscal Policy

The US House of Representatives has moved forward with the USD 1.9tn Covid-19 relief package by President Joe Biden and is expected to be approved by the Senate in early March. The main ones include: USD 400/week of unemployment benefit till the end of August, 1,400 USD in cash for each individual earning less than USD 75,000/year, maximum support of USD 3,600/child, the roadmap for increasing the minimum wage up to USD 15/hour by 2025, supporting the vaccination program worth USD 20bn, supporting the school reopening program worth USD 170bn, supporting the local government worth USD 350bn.

This draft still faces a lot of controversy between the two parties because the Republican Party thinks this support package size is too big. Therefore, it is possible that the entire contents of this proposal will not be put into effect, but at least the new large-scale support package will provide huge boost to economic growth this year.

### Economic indicators of selected countries

Countries	GDP (% yoy)		CPI (% yoy)		Unemployment rate (%)	
	Latest		Latest		Latest	
US	-3.5	Q4	1.4	Jan	6.3	Jan
EU	-7.2	Q4	0.9	Jan	8.3	Dec
Germany	-4.9	Q4	1	Jan	4.6	Dec
France	-8.3	Q4	0.6	Jan	8	Dec
Italy	-8.8	Q4	0.4	Jan	9.0	Dec
Spain	-11.1	Q4	0.5	Jan	16.3	Dec
UK	-10	Q4	0.7	Jan	5.1	Dec
Japans	-5.1	Q4	-0.6	Jan	2.9	Dec
China	2.5	Q4	-0.3	Jan	5.2	Dec

Russia -3.6 Q4 5.2 Jan 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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