



Key Developments¹ & Chart of the week

Inflation accelerates in the US, Canada, and Japan; PMIs indicate widespread mild output optimism

	Outcome	Previous	Comment
US Core PCE deflator (Jan, m-o-m)	0.6%	0.4%	Up 0.1 ppt to 4.7% y-o-y
Canada CPI (Jan, m-o-m)	0.5%	-0.6%	But eased to 5.9% on the year
Japan CPI (Jan, m-o-m)	0.4%	0.3%	Biggest y-o-y rise in 41 years
Taiwan export orders (\$, Jan, y-o-y)	-19.3%	-23.2%	Still declining, albeit less rapidly
Composite PMIs	Rises in the US, Europe, UK: all now above 50		
Central banks	Not all are hiking: Turkey cuts!		

US Core PCE deflator. Accelerating over the past three months

- The January increases of 0.6% in both the core and headline US PCE deflator, together with those of Canada below, show that inflation in North America is by no means quiescent yet.

Canada CPI. Headline and core inflation pick up on the month

- Headline CPI picked up to 0.5% m-o-m in January,² and the core to 0.3%.

Japan CPI. Both headline and core continue to rise

- Headline inflation rose to 4.3% on the year to January, from 4% in December. Meanwhile inflation excluding food and energy rose 3.2% in January from 3.0% the month before.³
- Japan’s incoming BoJ Governor Ueda called for a “creative” approach to monetary policy.⁴

Taiwan export orders. A fall in this leading indicator of world trade

- The fall in Taiwan’s export orders by 8.9% m-o-m in January, together with the 19.3% fall on the year, do not augur well for world trade.⁵

PMIs. All in G7 economies above 50, and most rising

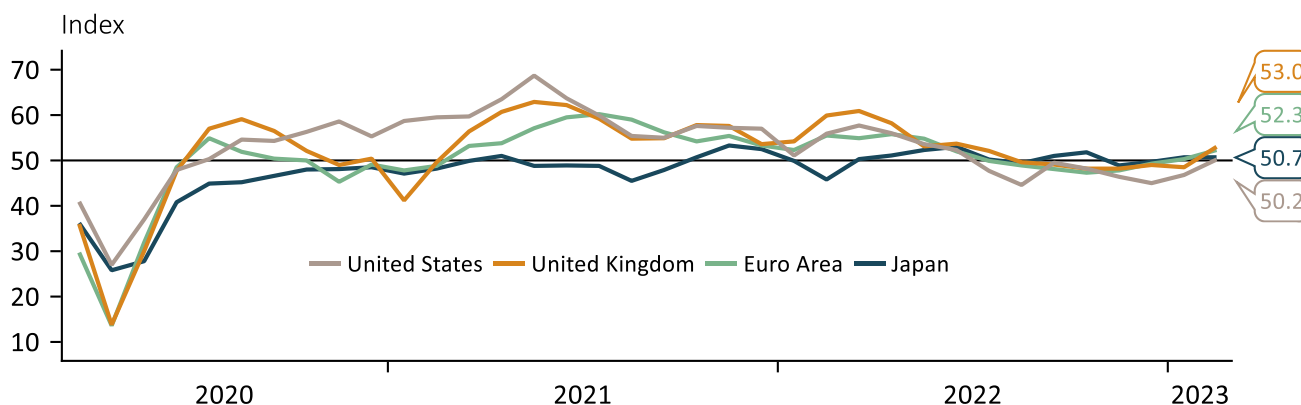
- **US** composite PMI rose 3.4 pts in February to 50.2 – its highest reading for 8 months.⁶
- **Euro area** February composite PMI rose 2 pts to 52.3. Consumers are also a bit less pessimistic: the flash February reading rose slightly to -19, from -20.7 the month before.⁷
- **UK** February composite PMI rose 4.5 pts to 53.0 – following 6 months of falls.⁸
- **Japan’s** February composite PMI remained unchanged at 50.7.⁹

Central banks. Mixed decisions

- New Zealand and Israel hike by 50 bps to 4.75% and 4.25% respectively; China and South Korea stay pat at 3.65% and 3.5% respectively; Turkey *cuts* by 50 bps to 8.5%.

Chart of the week. Purchasing Manager sentiment is now above 50 across all the major regions

- Sentiment has held up – even strengthened slightly – notwithstanding interest rates increases all around the world



Source: Macrobond and Independent Economics Note: Last data point Feb 2022

¹ **Key Developments** presents what, in our judgement represents the past week’s most important individual data, policy announcements, and any other developments that may support, or challenge, our understanding of the way in which key economies and financial markets are evolving.

These weekly judgements are cumulated and assessed in our quarterly **World View & Risks**. When an issue warrants particular consideration, we examine it in detail in our **Analysis** pieces. And when in our judgement the accumulated evidence warrants it, we modify our quarterly **World View & Risks**.

² **Canada’s trimmed-mean and median CPIs** (which the central bank follows closely) also fell, to 5% and 5.1% respectively. See: [The Daily — Consumer Price Index, January 2023 \(statcan.gc.ca\)](https://www150.statcan.gc.ca/n1/pub/62-001-x/20230101/article/00001-eng.htm)

³ [Bureau of Statistics Homepage / Consumer Price Index \(CPI\) Nationwide \(Summary of Latest Monthly Results\)](https://www150.statcan.gc.ca/n1/pub/62-001-x/20230101/article/00001-eng.htm)

⁴ “The **Bank of Japan** should be “creative” with its monetary policy and pursue interest rate normalisation if it appears able to sustain its 2 per cent inflation target, the central bank’s expected next governor Kazuo Ueda has said.” See [Next Bank of Japan head Kazuo Ueda calls for ‘creative’ monetary policy | Financial Times \(ft.com\)](https://www.ft.com/content/2023-01-05/next-bank-of-japan-head-kazuo-ueda-calls-for-creative-monetary-policy)

⁵ The biggest **export orders** came from Europe, 23% m-o-m increase in January. See: [Export Orders - Statistical Release - Department of Statistics \(moea.gov.tw\)](https://www.moea.gov.tw/en/Newsroom/NewsDetail.aspx?ContentID=152&NewsID=152)

⁶ See [♣ \(spglobal.com\)](https://www.spglobal.com)

⁷ See [♣ \(spglobal.com\)](https://www.spglobal.com)

⁸ See [♣ \(spglobal.com\)](https://www.spglobal.com)

⁸ See [♣ \(spglobal.com\)](https://www.spglobal.com)

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