

Charting the Global Economy: US Employment Surges to Begin Year

By Vince Golle and Molly Smith

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US payrolls surged at the start of the year, exceeding the most-optimistic estimate and reducing odds that Federal Reserve policymakers will lower interest rates soon.

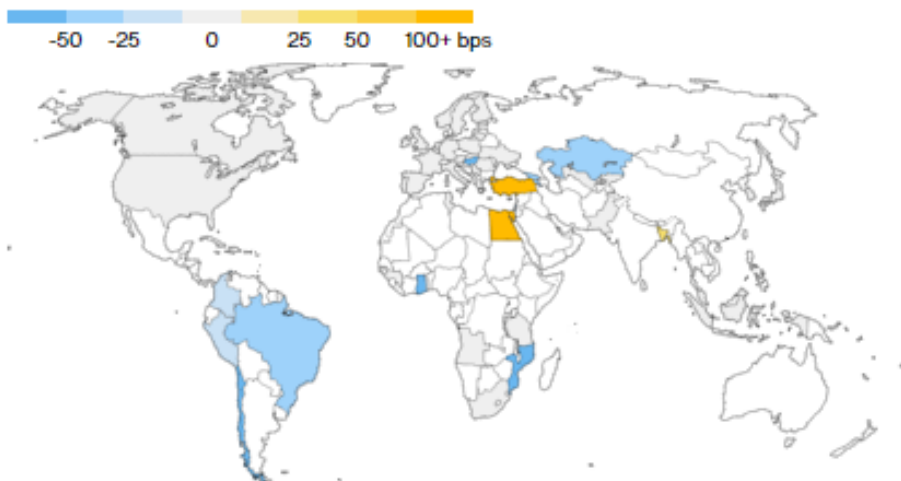
The report followed a decision by Fed officials days earlier to hold interest rates at a 22-year high while Chair Jerome Powell dashed investors' hopes of a March cut. Meanwhile, the Bank of England opened the door to lower rates.

Here are some of the charts that appeared on Bloomberg this week on the latest developments in the global economy:

World

Central Bank Watch

Decisions so far this year have mainly left borrowing costs unchanged



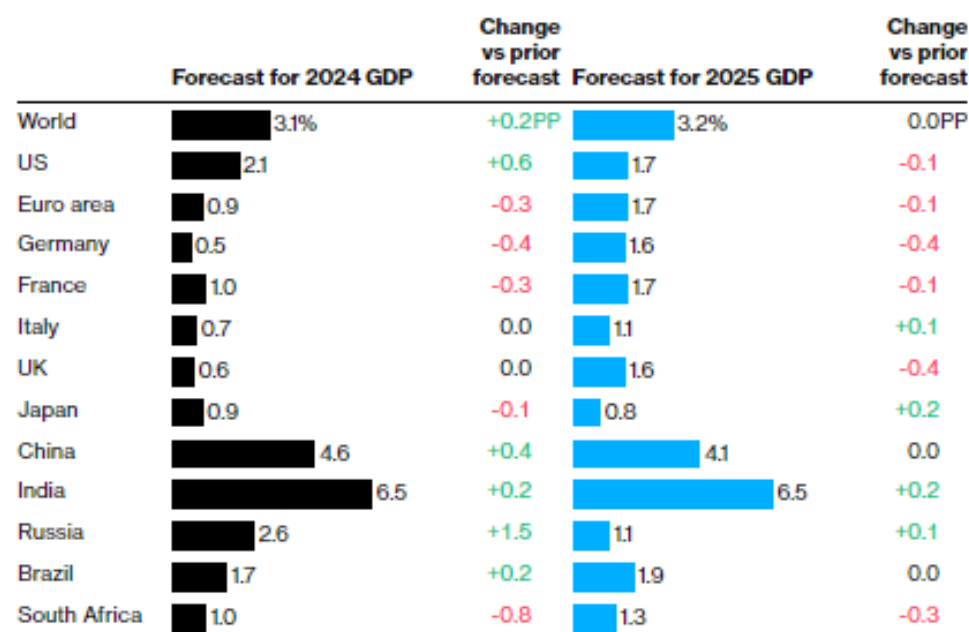
Source: Bloomberg

Note: Mapped data show change in interest rates for distinct central banks since the start of 2024. Tanzania set its inaugural rate in January, transitioning from monetary targeting.

Outside of the Fed and BOE, Sweden kept interest rates unchanged and said cuts could come in the first half of the year. A trio of Latin American central banks including Brazil delivering another round of hikes, and Ghana lower

borrowing costs for the first time since 2021. Pakistan and Singapore stayed on hold, while Egypt unexpectedly raised rates.

IMF Growth Projections



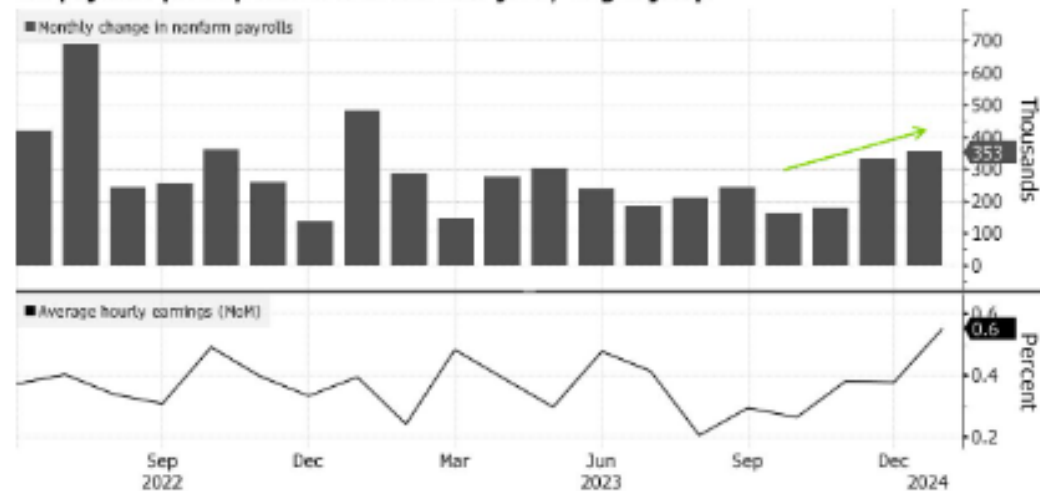
Source: International Monetary Fund

The International Monetary Fund raised its forecast for global growth this year on better-than-expected expansion in the US and fiscal stimulus in China, while warning of risks from wars and inflation. The world economy will grow 3.1% this year, up from 2.9% seen in October, according to the institution’s quarterly World Economic Outlook.

US

Blockbuster Report

US payrolls pick up steam into the new year, wages jump



Source: Bureau of Labor Statistics

Bloomberg

US employers boosted payrolls in January by 353,000, the most in a year, following a hefty upward revision to the prior month, suggesting a reacceleration that is likely to delay any Fed rate cuts for the time being.

US Wage Growth, Hiring Figures Decelerate Employment cost index rises at the slowest pace since 2021



A broad gauge of labor costs cooled by more than forecast in a fresh sign of easing inflation pressures that give Fed officials room to cut interest rates this year. The employment cost index, which measures wages and benefits, increased 0.9% in the fourth quarter, the smallest advance since 2021.

Europe

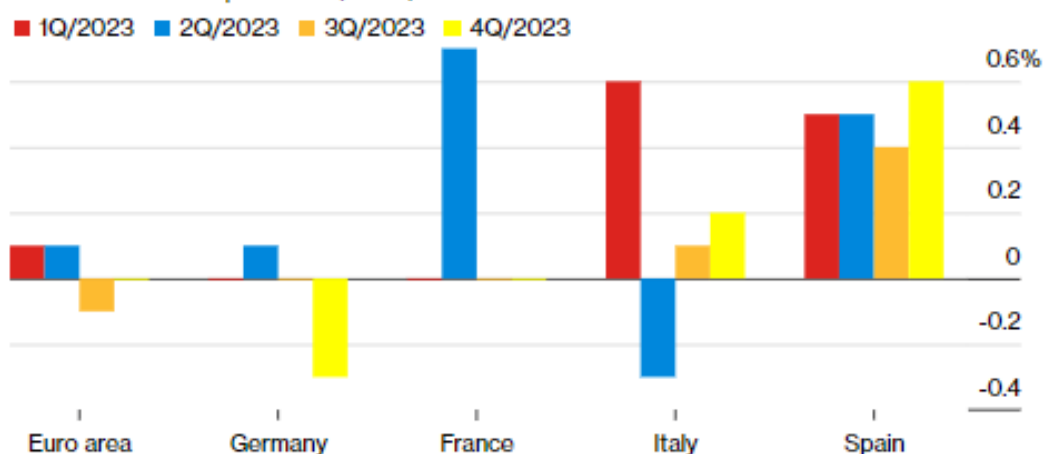
The BOE Will Miss Its Inflation Target Unless Rates Are Cut



The BOE kept its key borrowing rate at 5.25% and dropped key guidance that it may have to hike again. The nine-member policy committee split three ways on what action to take, with a majority of six opting to hold the line. The decision marked the widest division on the direction of policy since 2008.

Euro-Area Output Watch

Gross domestic product (QoQ)



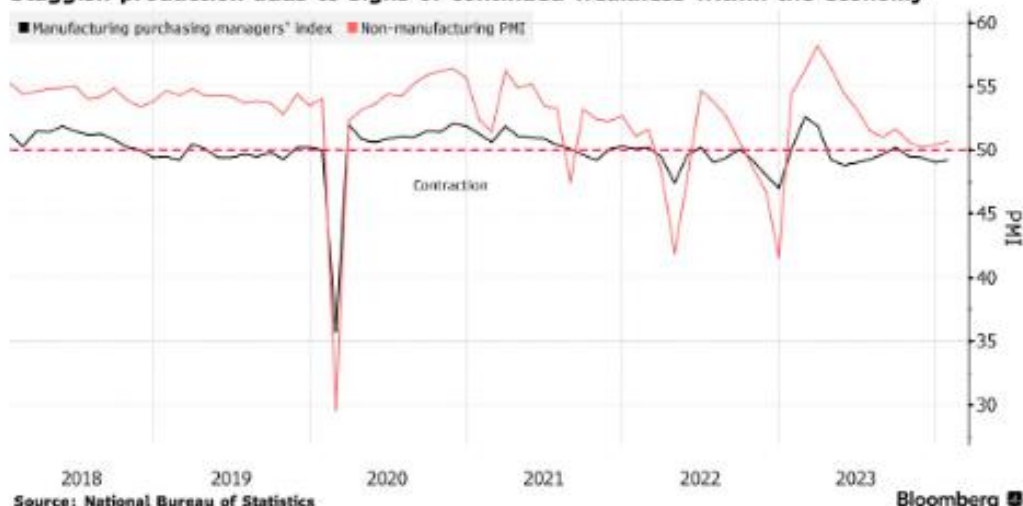
Source: Eurostat, Destatis, Insee, Istat, INE

The euro zone unexpectedly avoided a first recession since the pandemic in the latter half of 2023 as firmer growth in Italy and Spain offset the malaise in Germany. Gross domestic product stagnated in the last three months of the year — dodging a two-quarter downturn once again by the slimmest of margins. However, headwinds for the 20-nation bloc continue to linger, including elevated interest rates, flimsy foreign demand and heightened geopolitical tensions.

Asia

China's Factory Activity Contracts for a Fourth Month

Sluggish production adds to signs of continued weakness within the economy



Source: National Bureau of Statistics

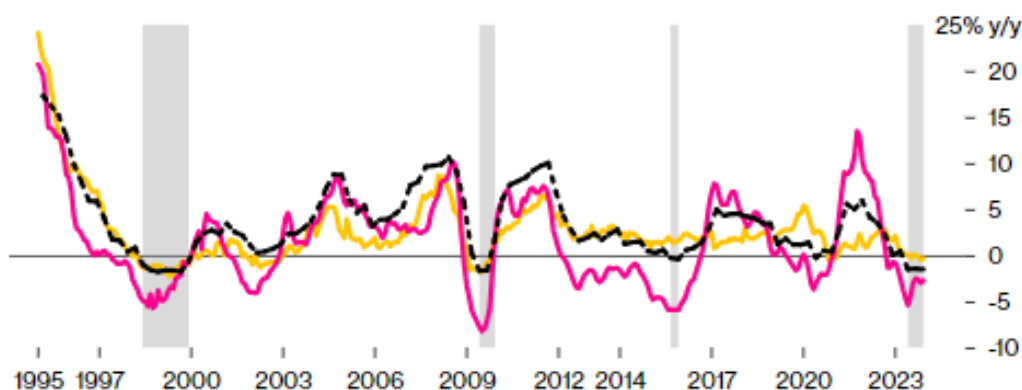
Bloomberg

China's factory activity contracted again in January as a tepid improvement in foreign demand failed to outweigh the drag from poor domestic sentiment, dealing another blow to investors awaiting more signals on how the government will support the economy.

China in Deflation

GDP deflator was negative for last three quarters of 2023

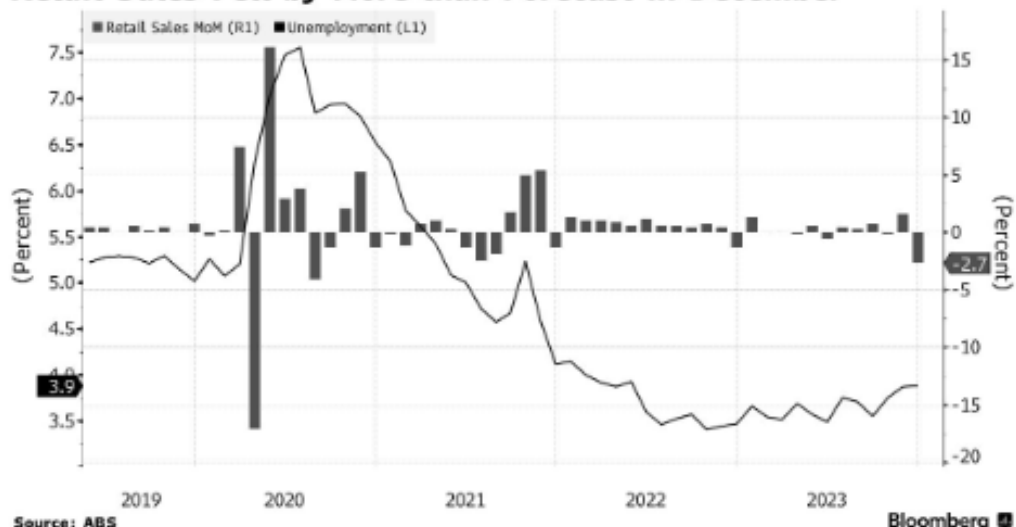
— GDP deflator — Producer prices — Consumer prices ■ Deflation



Source: National Bureau of Statistics, Bloomberg calculations

China's deflation pressures are likely to continue for at least another six months on weak demand and as the property crisis continues to sap confidence within the economy.

Retail Sales Fell by More than Forecast in December



Source: ABS

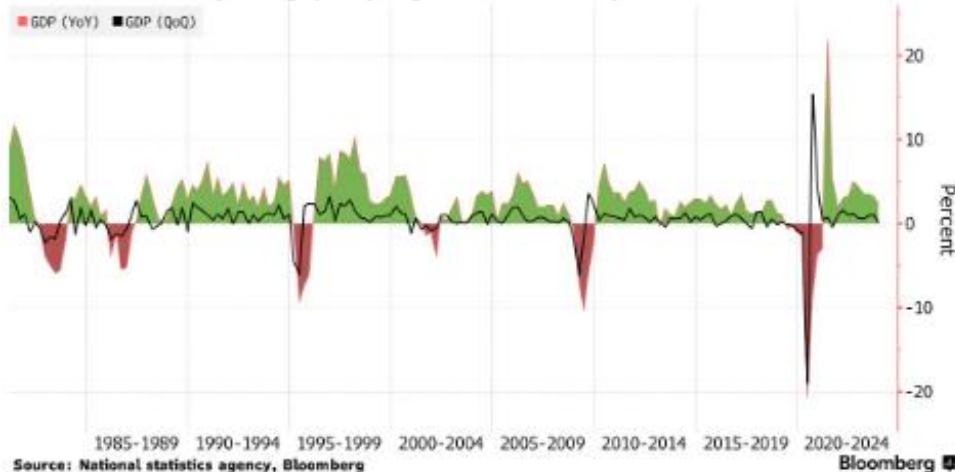
Bloomberg

Australian retail sales tumbled in December, erasing the bumper gain of the previous month when consumers brought forward spending to take advantage of discounts like Black Friday.

Emerging Markets

Mexico Economic Growth Slowed in the Fourth Quarter

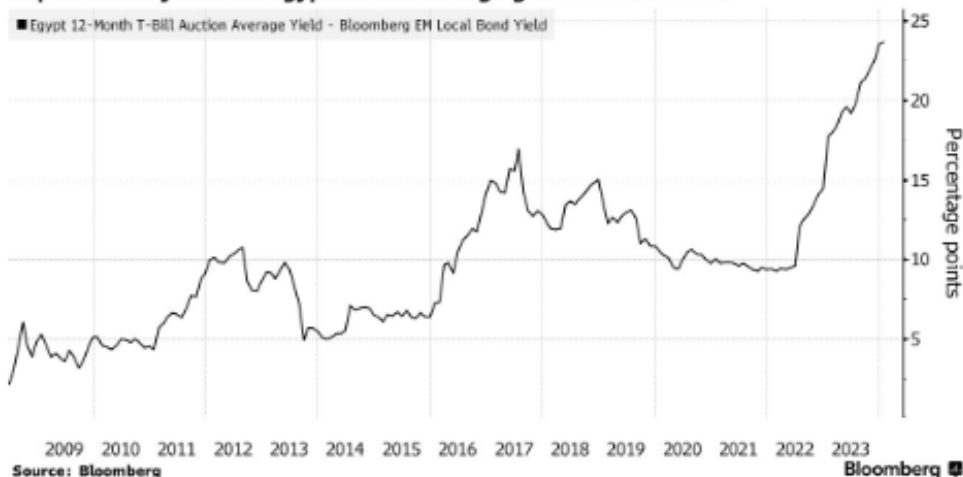
GDP rose 2.4% vs year ago; output gained 0.1% vs 3Q



Mexico's economy downshifted more than forecast in the fourth quarter, as demand from the US, the country's biggest trading partner, slowed along with household consumption.

Egypt's Risk Premium Over Developing Peers at a Record High

Gap between yields on Egyptian and emerging-market local debt



Egypt raised interest rates for the first time since August, breaking expectations with a move that might speed up progress on a bigger rescue package with the International Monetary Fund and set the stage for another devaluation. The move is a surprise given a three-month slowdown in inflation and the strain that higher borrowing costs will place on public finances.

— With assistance from Philip Aldrick, Irina Anghel, Maya Averbuch, Tarek El-Tablawy, William Horobin, Cynthia Li, John Liu, Mirette Magdy, Eric Martin, Swati Pandey, Reade Pickert, Augusta Saraiva, Zoe Schneeweiss, Fran Wang, Alexander Weber, and Sonja Wind