



Overview

- Global activity appears to have stabilized alongside falling new COVID-19 cases, while global trade has continued to moderate due in part to persistent supply bottlenecks.
- Activity has been resilient in advanced economies and has picked up in many large emerging market and developing economies (EMDEs).
- Global financial conditions are tightening amid rising policy uncertainty and surging energy prices.

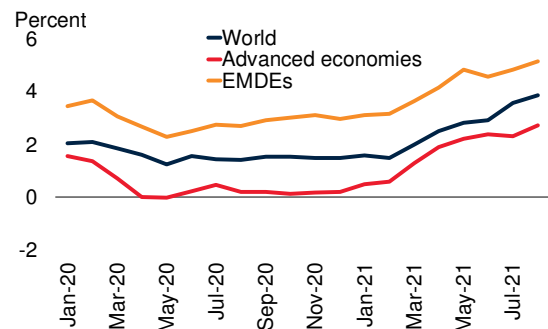
Chart of the Month

- Global inflation rose to 3.9 percent (y/y) in August, 1.8 percentage points above its level in January 2020.
- Mounting inflation pressures reflect robust global demand coupled with rising energy prices, semiconductor shortages, and bottlenecks in global shipping.
- In August, median inflation in advanced economies jumped to 2.7 percent (y/y) and surpassed 5 percent (y/y) in EMDEs.

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Consumer price inflation



Sources: Haver Analytics; World Bank.

Note: Year-on-year median inflation for 81 countries, of which 31 are advanced economies and 50 are emerging market and developing economies (EMDEs). Last observation is August 2021.

Special Focus: Urbanization and Commodity Demand

- Over the past 50 years, the share of the world's population living in urban areas has increased from 37 to 56 percent, an increase of three billion people.
- A larger share of the population living in cities is associated with higher commodity demand; however, greater population density is associated with lower per capita commodity consumption.
- Strategic urban development can improve resource efficiency and reduce commodity consumption associated with urbanization.

The *Global Monthly* is a publication of the Prospects Group. This edition was prepared by Justin Damien Guenette and Collette Wheeler under the supervision of Carlos Arteta, based on contributions from Osamu Inami, Juan Felipe Serrano, Hrisyana Doytchinova, Dhruv Gandhi, Sergiy Kasyanenko, Peter Nagle, Lucia Quaglietti, Franz Ruch, Shijie Shi, Ekaterine Vashakmadze, and Dana Vorisek. This *Global Monthly* reflects data available up to October 18. For more information, visit: www.worldbank.org/prospects. Back issues of this report are [available since 2008](#).



Monthly Highlights

Global activity: a tentative stabilization. After moderating since the second quarter, incoming data suggest that global activity has stabilized. The level of global industrial production remained unchanged in July amid headwinds from supply bottlenecks and a slowdown in China. After peaking in the first half of August, global COVID-19 case counts have declined, led by falling cases in the United States and a broad-based decline across East Asia and the Pacific (EAP). The global composite PMI recorded its first increase in four months in September, rising from 52.5 to 53 (figure 1.A). Global consumer price inflation likely increased through September on the back of surging energy prices.

Global trade: signs of easing bottlenecks. Global trade growth continued to decelerate in 2021 Q3. Following a 0.8 percent (m/m) increase in June, global goods trade growth fell 0.9 percent in July, reflecting a modest pick-up in advanced economies and a steep fall in EMDEs, particularly in EAP. Although the global PMI manufacturing new export orders remained at 51.0 in September, the index continued to contract in EMDEs. Services trade and travel remain subdued and have yet to regain their pre-pandemic levels. Staggered shutdowns and reopening across regions, coupled with congestion at ports and a shortage of trucking, have led to severe bottlenecks in the global supply chain. Strains might have started to ease, as suggested by slowing growth of container traffic at ports around the globe in September (figure 1.B). Still, backlogs reached record highs at U.S. ports: more than 100 anchored container ships were waiting to offload at Los Angeles and Long Beach in mid-October, compared to only two ships around the same time last year.

Global financing conditions: increased market volatility. In October, equity valuations gyrated as policy uncertainty in the United States, surging global energy prices, and growth and financial stability concerns in China rattled investors. Global financing conditions continued to tighten somewhat owing to rising long-term interest rates in advanced economies and further removal of monetary policy support in EMDEs (figure 1.C). Ten-year government bond yields are up by about 30 basis points since the beginning of August in both the euro area and the United States, while 12 EMDE central banks hiked interest rates between September and mid-October as inflation pressures remained elevated. EMDE sovereign credit spreads continued to drift slightly upward in October, increasing by over 20 basis points from end-August. In September, EMDEs international bond issuance firmed across all regions, particularly in ECA, MNA, and SSA, following a summer slowdown. Portfolio flows to EMDEs remained volatile and weakened in late-September

FIGURE 1.A Composite PMI

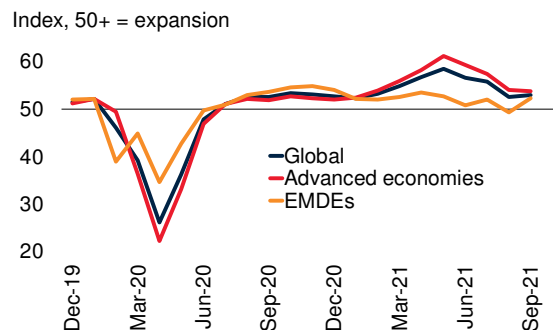


FIGURE 1.B PMI new export orders and container shipping prices

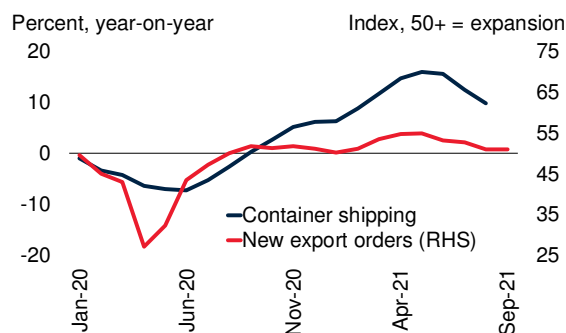
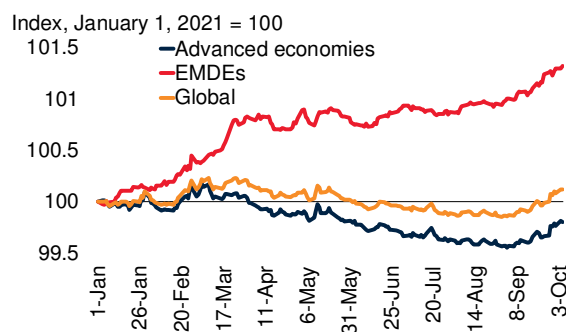


FIGURE 1.C Global financial conditions



Sources: Bloomberg; Haver Analytics; World Bank.
Note: EMDEs = emerging market and developing economies.
A.B. Purchasing Managers' Index (PMI) readings above 50 indicate expansion in economic activity; readings below 50 indicate contraction.
A. Last observation is September 2021.
B. Figure shows 3-month moving averages of year-on-year growth in container shipping prices. Last observation is August 2021. New export orders sub-component from manufacturing PMI. Last observation is September 2021.
C. Based on Goldman Sachs country-specific financial conditions indices, which track borrowing costs, exchange rates, and equity valuations. GDP-weighted aggregates are calculated using 2021 GDP measured at average 2010-19 prices and market exchange rates. Sample includes 10 advanced economies, the euro area, and 14 EMDEs (excluding China). A reading above 100 indicates tighter than average financial conditions. Last observation is October 5, 2021.



and October amid portfolio debt outflows reflecting investors' risk-off sentiment and concerns over rising inflation.

Commodity markets: surging energy prices. As documented in the latest issue of the [Commodity Markets Outlook](#), energy prices increased sharply in September and continued rising in October, while agricultural prices and some metal prices declined slightly. Brent crude oil prices reached a seven-year high of \$85/bbl in mid-October, driven in part by the decision by OPEC+ to maintain rather than accelerate planned production increases. Surging natural gas and coal prices have also supported oil prices by increasing demand for oil as an alternative energy source (figure 2.A). Demand for both commodities has recovered strongly, while production has been disrupted, including massive floods in China's central coal-producing province in October. Metal prices continued to decline in September by almost 2 percent (m/m), mainly led by a decrease in iron ore (23 percent) as China continued to cut back its steel production to reduce carbon emissions. Meanwhile, the price of aluminum increased 9 percent (m/m) in September, driven by China's reduction in production in response to higher electricity prices. Agriculture prices slightly decreased in September by 1 percent (m/m) after having picked up in August, led by a 10-percent decline in the price of maize.

United States: resilient activity. Incoming data point to resilient activity despite still elevated COVID-19 caseloads and the expiry of some pandemic relief programs. In August, durable goods orders strengthened 1.8 percent (m/m) and nondefense capital goods shipments continued to surge (figure 2.B). Despite small declines in the services and manufacturing PMIs in September, both indicators remained well above 50, signaling robust expansion. Moreover, retail sales surged 0.7 percent (m/m) in September against expectations for a 0.2 percent contraction. Still, the pace of recovery in the labor market slowed markedly last month, with non-farm payrolls increasing by a disappointing 194,000 new jobs. CPI inflation reached a 13-year high of 5.4 percent (y/y) in September, and private forecasters expect inflation pressures to persist into 2022 (figure 2.C). Congress enacted a stop-gap measure to raise the debt ceiling, postponing the risk of sovereign default to December.

Other advanced economies: mixed developments. Activity in the **euro area** appears to have remained broadly resilient in September, despite persistent supply chain disruptions and a steep rise in energy prices. Although manufacturing and services PMI indices fell more than expected in September, declining 2.7 points to 58.7 and 2.6 points to 56.4, respectively, the euro area Economic Sentiment Index edged up 0.2 points to 117.8, hovering near historical highs. Headline inflation accelerated

FIGURE 2.A Oil, coal, and natural gas prices

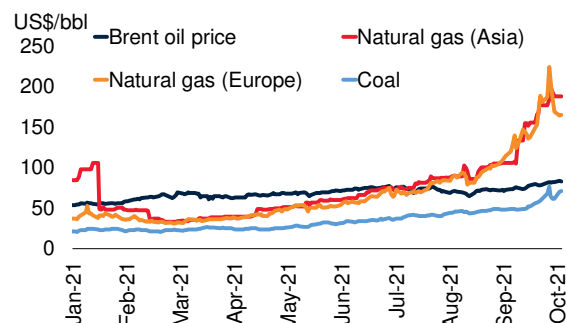


FIGURE 2.B Shipments of capital goods in the United States

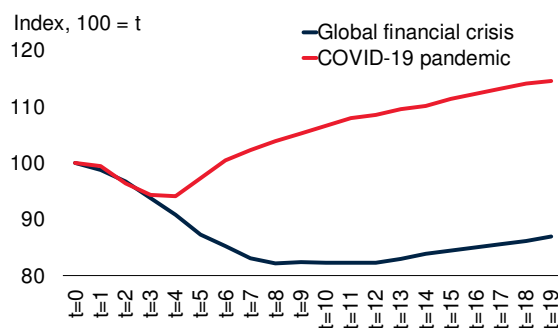
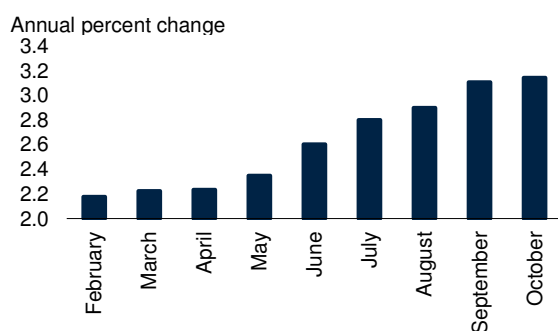


FIGURE 2.C Consensus forecasts for 2022 core CPI inflation in the United States



Sources: Bloomberg; Consensus Economics; Federal Reserve Bank of St. Louis; U.S. Census Bureau; World Bank.

Note:

A. Last observation is October 12, 2021.

B. The chart shows 3-month average of shipments of nondefense capital goods excluding aircraft in the United States. t = 100 for the global financial crisis in September 2008; t = 100 for the COVID-19 pandemic in January 2020. Last observation is August 2021.

C. Bars show continuous monthly 2022 Consensus Economics Forecasts of Consumer Price Inflation for the US. Last observation is October 2021.



further from 3.0 percent (y/y) to 3.4 percent in September, with energy price inflation surging to 17.4 percent (figure 3.A). In **Japan**, high-frequency indicators have shown early signs of recovery underpinned by declining COVID-19 cases and easing business restrictions in light of accelerating vaccinations. In September, the composite PMI increased 2.4 points to 47.9, with its services index rebounding sharply from 42.9 to 47.8.

China: GDP slowdown amid mixed sectoral performance. GDP growth slowed to 4.9 percent (y/y) in 2021Q3, but activity indicators in September showed resilience. Growth in retail sales rebounded to 4.4 percent (y/y) from 2.5 percent in August as localized COVID-19 outbreaks eased. Export growth accelerated in September to 28.1 percent (y/y) in value terms despite supply bottlenecks. Import growth moderated to 17.6 percent (y/y) but remained robust. In contrast, growth in industrial production slipped from 5.3 percent (y/y) to 3.1 percent in September, partly reflecting a downturn in the property sector, production cuts in energy-intensive sectors, and widespread power shortages, with about 20 out of 23 provinces restricting power use. The National Development and Reform Commission is expected to allow electricity prices to rise in order to spur an increase in the supply of electricity. The People's Bank of China's injected \$68 billion into the banking system in September to help contain spillovers from the liquidity crisis at Evergrande (figure 3.B).

Other EMDEs: firming activity but with wide variation. Aggregate EMDE activity indicators point to modest improvement in September, with the composite and manufacturing PMIs returning to expansion (figure 3.C). The improvement partly reflected easing COVID-19 cases and mobility restrictions across many EMDEs (**India, Indonesia, Nigeria, the Philippines, Saudi Arabia, South Africa**). The rebound in **India** was particularly robust in 2021Q3, with mobility and industrial production rising above pre-pandemic levels and the services PMI continuing to rapidly expand. Elsewhere, activity remained more subdued in 2021Q3. The manufacturing PMI remained in contractionary territory in September in **Malaysia** and **Thailand**, albeit at a softer pace, while manufacturing activity in **Vietnam** continued to collapse as a result of ongoing pandemic disruptions. Supply disruptions and high prices constrained manufacturing production in 2021Q3 for some EMDEs with tight global value chain linkages (**Hungary, Mexico, Poland, Turkey**). In Brazil, retail sales contracted 3.1 percent (m/m) and industrial production declined for a third consecutive month in August. **Vietnam's** GDP contracted by 6.2 percent (y/y) in 2021Q3, reflecting strict mobility restrictions amid a severe COVID-19 outbreak and low vaccination rates.

FIGURE 3.A Inflation in the euro area

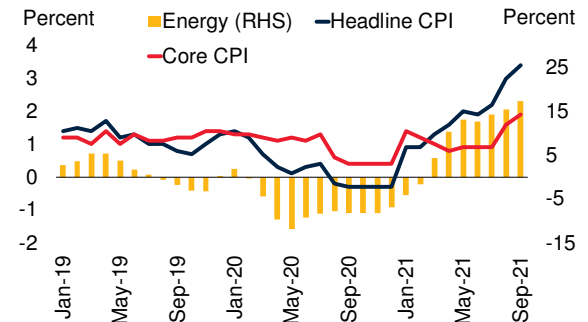


FIGURE 3.B Monetary policy in China

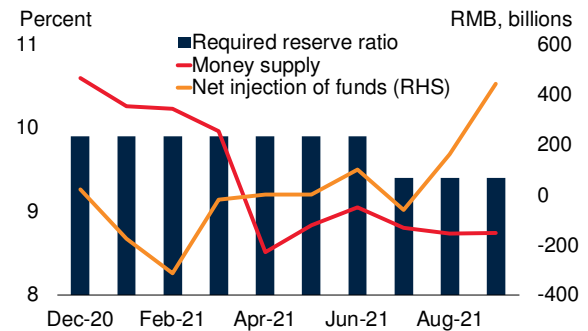
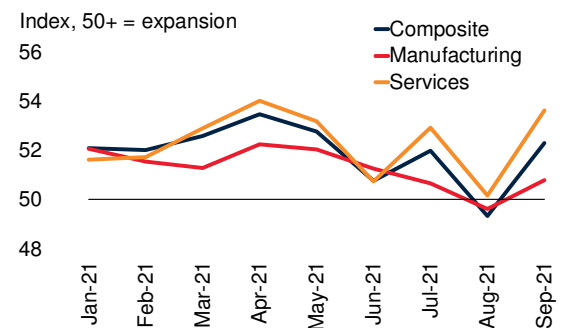


FIGURE 3.C PMI in EMDEs



Sources: Eurostat; Haver Analytics; People's Bank of China; World Bank.
A. The chart shows annual rate of change in consumer price index (CPI) in euro area. Last observation is September 2021.
B. Money supply is reported as end of period, seasonally and Chinese New Year adjusted billions of Yuan. The deposit reserve requirement ratio is the percentage of deposits of financial institutions that must be held in cash or on deposit with the People's Bank of China. Last observation is September 2021.
C. EMDEs = emerging market and developing economies. Purchasing Managers' Index (PMI) readings above 50 indicate expansion in economic activity; readings below 50 indicate contraction. Last observation is September 2021.



Special Focus: Urbanization and Commodity Demand

Urban populations have risen rapidly in the past half-century, especially in emerging market and developing economies (EMDEs). Over the past 50 years, the share of the world’s population living in urban areas has increased from 37 to 56 percent, an increase of three billion people. Among EMDEs, the share almost doubled, from 28 to 54 percent, due to rural-urban migration and rapid population growth in urban areas. Urban population growth is expected to increase further, to 68 percent by 2050, with most of this expansion occurring in EMDEs—particularly in South Asia and Sub-Saharan Africa—and with a notable rise in low-income countries (LICs; Figure 4.A).

An increasing share of the urban population can affect commodity demand. Urbanization, alongside population and income growth, has the potential to increase commodity demand, since urban areas can be large and result in a notable concentration of people, economic activity, and resources. Rising urbanization has occurred alongside a sharp increase in demand for commodities, including energy (Figure 4.B). Indeed, although urban areas cover less than three percent of the world’s land area, they account for around two-thirds of global energy consumption and a similar share of CO2 emissions.

The nature of urbanization varies widely. Empirically assessing the link between urbanization and commodity demand is complicated by differences in the minimum definition of an urban area among countries. These can range from as few as 200 people to as many as 50,000 people. Furthermore, the density of urban areas varies significantly both across and within countries—among the 100 largest cities in the world, 9 of the bottom 10 (in terms of population density) are in the United States, and these have population densities that are orders of magnitude lower than the 10 densest cities (Figure 4.C). As such, the channels by which urbanization affects commodity demand may not apply equally to all urban areas.

Urbanization can affect commodity demand through several channels. These channels include differences in transport, infrastructure, household characteristics, and consumer choice, and most can either increase or decrease commodity consumption. Urbanization has the potential to reduce commodity consumption through economies of scale and efficiency effects. However, it can also lead to diseconomies of scale, such as congestion.

For example, a shift from rural to urban areas can result in shorter journey times and lower energy use in the transport

FIGURE 4.A Urban population share

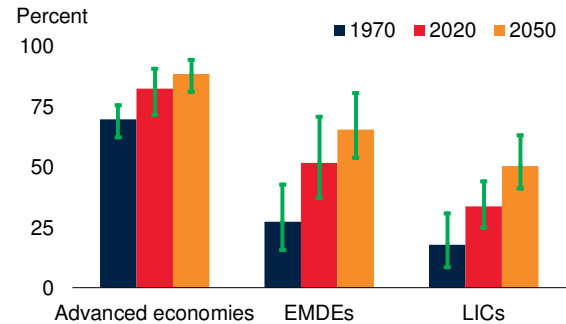


FIGURE 4.B Urban population share and per capita energy demand

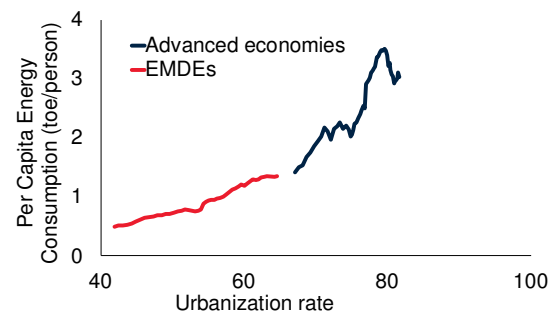
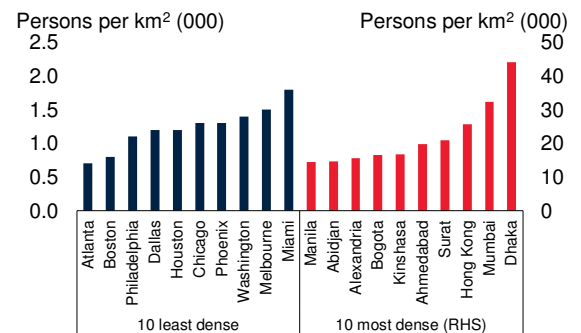


FIGURE 4.C Population density of cities



Sources: United Nations Population Division; BP Statistical Review; World Bank.
 A. Urbanization rates in 2050 show forecasts from the UN Population Division’s World Urbanization Prospects 2018 report.
 B. Median of per capita commodity demand and urbanization rates for advanced economies and EMDEs. “toe/person” refers to tonnes of oil equivalent per person. Includes 31 advanced economies and 42 EMDEs.
 C. Population density of world’s 100 largest cities. Figures shows the 10 least dense and most dense cities. Data from 2014.



sector (Figure 5.A). However, these effects can be offset by increased congestion, which can lead to increased energy use and pollution. Although very resource-intensive in terms of commodity consumption, large-scale infrastructure projects in high-density urban areas have lower per capita infrastructure usage than their rural counterparts due to economies of scale.

The household characteristics of urban populations also tend to differ from rural populations, with a greater propensity to live in apartment buildings, which tend to have lower per-capita energy consumption than detached houses (Figure 5.B). Moreover, consumers living in cities benefit from a more extensive range of goods and services. For example, urban diets are typically more varied and include a greater share of meat and processed food which require more energy and other commodities both in their production and transport. All else equal, a rise in consumption due to increased choice would result in a net positive increase in commodity demand.

Urban areas also give rise to the “heat island” effect, whereby roads and buildings absorb and re-emit heat from the sun to a greater degree than natural landscapes. As such, urban areas tend to be hotter than rural or natural areas. Estimates for the United States suggest the annual average temperature of a city can be 1.8 to 5.4°F hotter than its surroundings. These variations can increase energy demand for cooling in hotter countries and during summer; however, it can reduce energy demand for heating in cooler countries and in winter.

Empirical results depend on nature of urbanization. Empirical studies show that, controlling for income and population, an increase in the share of the urban population is associated with increased commodity demand. However, high-density cities, particularly in advanced economies, have lower per capita commodity consumption, particularly in the case of energy, than low-density cities due to greater resource efficiency and economies of scale. High-density cities are also associated with lower CO₂ emissions than their low-density counterparts (Figure 5.C).

Conclusions and policy implications. While urbanization in general may increase energy consumption, compact, high-density cities have the potential to minimize this increase. As such, investing in strategic urban development can improve resource efficiency and reduce commodity consumption, especially energy, thereby reducing CO₂ emissions. Effective policies include measures to limit urban sprawl, such as investing in public mass transit systems, zoning laws that promote building up instead of out, and fuel taxes which discourage the use of cars. Early planning and installation of transportation infrastructure are particularly crucial in rapidly growing cities.

FIGURE 5.A Miles driven per year

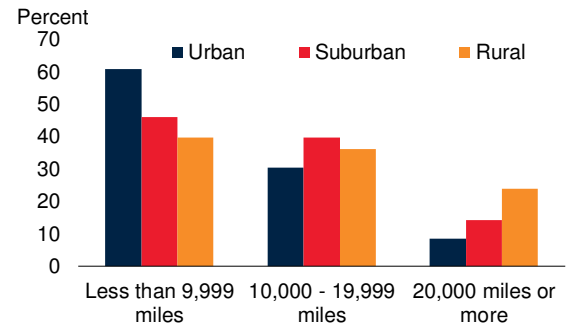


FIGURE 5.B Household energy use by dwelling type

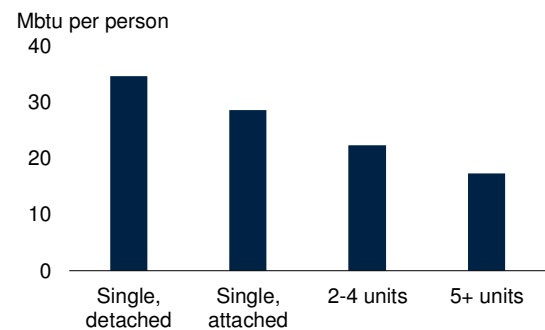
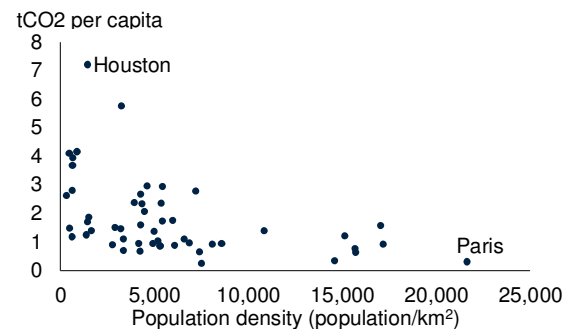


FIGURE 5.C Population density and carbon emissions



Sources: Federal Highway Administration; U.S. Energy Information Administration; OurWorldInData; World Bank
B. Mbtu stands for million British thermal units.
C. tCO₂ per capita refers to tonnes of CO₂ emitted per person. Population density, measured in population per square kilometer (km²). Data as of 2016.



Recent Prospects Group Publications

[Global Economic Prospects - Forthcoming, January 2022](#)

[Commodity Markets Outlook - October 2021](#)

[The Aftermath of Debt Surges](#)

[One-Stop Source: A Global Database of Inflation](#)

[Neutral Real Interest Rates in Inflation Targeting Emerging and Developing Economies](#)

[Global Economic Prospects - June 2021](#)

[The Long Shadow of Informality: Challenges and Policies](#)

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[Recovering Growth : Rebuilding Dynamic Post-COVID-19 Economies amid Fiscal Constraints](#)

[Shifting Gears: Digitization and Services-Led Development](#)

TABLE: Major Data Releases

(Percent change, y/y)

Recent releases: September 26, 2021 - October 25, 2021					
Country	Date	Indicator	Period	Actual	Previous
New Zealand	9/26/21	GDP	Q2	17.0%	3.8%
South Korea	9/29/21	IP	AUG	9.6%	7.7%
Germany	9/30/21	CPI	SEP	4.2%	3.9%
United Kingdom	9/30/21	GDP	Q2	23.6%	-5.8%
United States	9/30/21	GDP	Q2	12.2%	0.5%
Russian Federation	10/1/21	GDP	Q2	10.5%	-0.7%
Italy	10/5/21	GDP	Q2	17.2%	-0.8%
Mexico	10/7/21	CPI	SEP	6.0%	5.6%
Brazil	10/8/21	CPI	SEP	10.2%	9.7%
Saudi Arabia	10/10/21	IP	AUG	5.7%	5.9%
India	10/12/21	CPI	SEP	4.3%	5.3%
Turkey	10/12/21	IP	AUG	19.9%	-1.4%
Japan	10/14/21	IP	AUG	6.0%	13.0%
France	10/15/21	CPI	SEP	2.1%	2.1%
Euro area	10/18/21	GDP	Q2	14.2%	-1.2%
Indonesia	10/18/21	IP	MAR	0.4%	-7.2%
Canada	10/20/21	CPI	SEP	4.2%	3.9%
China	10/20/21	GDP	Q3	4.9%	7.9%
Japan	10/21/21	CPI	SEP	0.2%	-0.4%
Poland	10/21/21	GDP	Q2	10.8%	-1.2%
South Africa	10/21/21	GDP	Q2	19.3%	-2.6%

(Percent change y/y)

Upcoming releases: October 26, 2021 - November 25, 2021				
Country	Date	Indicator	Period	Previous
Australia	10/26/21	CPI	Q3	3.7%
South Korea	10/28/21	IP	SEP	9.6%
United States	10/28/21	GDP	Q3	12.2%
Euro area	10/29/21	GDP	Q3	14.2%
Germany	10/29/21	GDP	Q3	9.4%
Italy	10/29/21	GDP	Q3	17.2%
Mexico	10/29/21	GDP	Q3	19.6%
Portugal	10/29/21	GDP	Q3	16.2%
Spain	10/29/21	GDP	Q3	17.5%
South Korea	11/1/21	CPI	OCT	2.5%
Turkey	11/3/21	CPI	OCT	19.6%
Indonesia	11/5/21	GDP	Q3	7.1%
Luxembourg	11/8/21	CPI	OCT	2.7%
Romania	11/10/21	CPI	OCT	6.3%
Malaysia	11/12/21	GDP	Q3	16.1%
Poland	11/12/21	GDP	Q3	10.8%
Japan	11/14/21	GDP	Q3	7.7%
Netherlands	11/16/21	GDP	Q3	10.7%
Thailand	11/16/21	GDP	Q3	7.5%
United States	11/16/21	IP	OCT	4.6%
Canada	11/17/21	CPI	OCT	4.2%