



Overview

- Amid spillovers from the war in Ukraine, global inflation has risen and global financial conditions have tightened.
- For many economies, incoming data show only a moderate slowdown in activity in March, but a precipitous drop in sentiment and expectations.
- After several months of elevated volatility, financial conditions in emerging market and developing economies (EMDEs) are at their tightest levels since 2020.

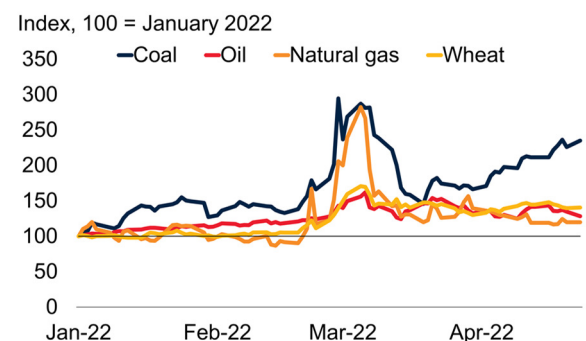
Chart of the Month

- Commodity prices soared in March as a result of the war, especially for commodities where Russia and Ukraine are major exporters.
- Energy prices increased more than 20 percent (m/m) in March amid worries about disruption to Russia's energy exports, particularly to Europe, and remained high in April.
- Agricultural commodity prices rose 7 percent in March (m/m)—led by wheat—and remained high in April as a result of disruptions to Russian and Ukrainian production.

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Energy and wheat prices since January 2022



Sources: Bloomberg; Comtrade (database); World Bank.
Note: Last observation is April 25, 2022

Special Focus: Recent Developments in Commodity Markets

- Prices for commodities for which Russia and Ukraine are key exporters, including oil, wheat and nickel, have risen sharply and experienced substantial volatility since the start of the war in Ukraine.
- The EU imports a substantial share of its energy from Russia, while many EMDEs depend heavily on food imports from Russia and Ukraine.
- The war has disrupted commodity production as well as trade.

The *Global Monthly* is a publication of the Prospects Group. This edition was prepared by Patrick Kirby and Philip Kenworthy under the supervision of Carlos Arteta, based on contributions from Justin-Damien Guénette, Osamu Inami, Sergiy Kasyanenko, Philip Kenworthy, Peter Nagle, Vasiliki Papagianni, Lucia Quaglietti, Lorez Qehaja, Franz Ulrich Ruch, Kaltrina Temaj, Ekaterine Vashakmadze, and Collette Wheeler. The special focus was prepared by Peter Nagle. This *Global Monthly* reflects data available up to April 18th, 2022. For more information, visit: www.worldbank.org/prospects. Back issues of this report [are available since 2008](#).



Monthly Highlights

Global activity: Rising global inflation weighing on sentiment. Amid soaring energy and food prices as a result of the war in Ukraine, global inflation has risen and global financial conditions have tightened. In March, the global services output price PMI index increased to its highest level on record, while the manufacturing output price PMI index remained at an elevated level. These point to further upward pressure on median global CPI inflation, which already stood at 4.6 percent in February, its highest level since 2008 (figure 1.A). This has contributed to the continuing slowdown in activity and a sharp deterioration in economic sentiment. The global composite PMI fell from 53.5 to 52.7 in March, while the Sentix Economic Index fell from 17 in February to -5 in April, a 2-month pace of decline exceeded only by the onset of the global pandemic in the survey's 19-year history (figure 1.B). Much of the fall in sentiment was driven by the expectations sub-index, with the current situation sub-index falling by considerably less.

Global trade: Severe supply chain disruptions. Global goods trade contracted in March amid continued disruptions to global value chains and slowing activity. The global PMI manufacturing new export orders index fell to 48.2 in March, its lowest level in 18 months. According to initial estimates from the Kiel Institute for the World Economy, global trade declined 2.8 per cent in March (m/m). Global supply chains continue to suffer from logistical challenges, including those resulting from COVID-19 lockdowns in large Chinese cities. More than 85 percent of manufacturers in China reported disruptions to trucking and shipping in March. Trade flows across the Black Sea have been disrupted by the war in Ukraine. Vessels calling at Ukrainian and Russian ports in mid-April were down more than 48 percent and 28 percent, respectively, from two months earlier (figure 1.C).

Global financing conditions: Tightening. Global financial conditions deteriorated in April to around their tightest levels since the start of the war in Ukraine, following a brief improvement in late March. Global equities are well below pre-war highs, while expectations for advanced-economy policy interest rates have increased, with the market pricing in an additional hike in 2022 in both the United States and the euro area since late March. Advanced-economy government bond yields have continued to rise rapidly—the U.S. 10-year yield surpassed 2.8 percent in mid-April, a level last seen in 2018. Aggregate EMDE financial conditions are at their tightest since 2020—debt and equity outflows paused in early April but

FIGURE 1.A Global median inflation and output price PMIs for manufacturing and services

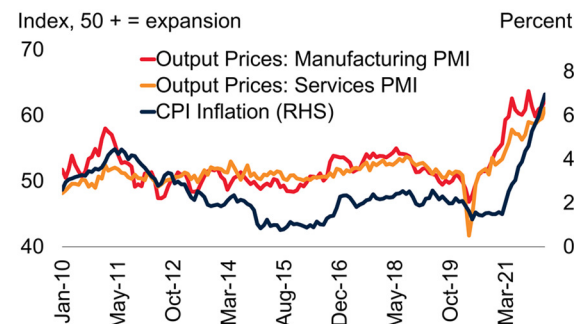


FIGURE 1.B Two-month falls in Sentix Global Economic Sentiment index

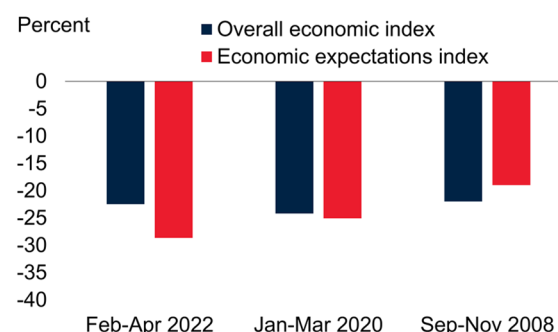
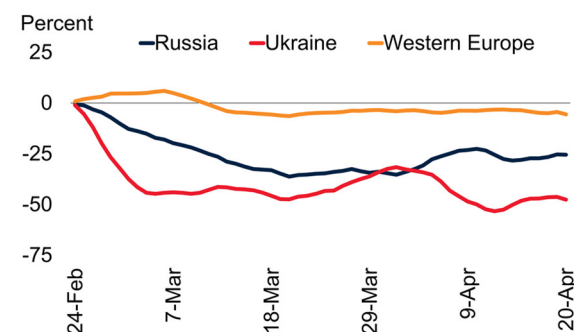


FIGURE 1.C Vessels calls



Sources: Consensus Economics; Bloomberg; Haver Analytics; World Bank.

A. CPI refers to consumer price index. Lines show group median inflation for 81 countries, of which 31 are advanced economies and 50 are EMDEs. PMI readings above 50 indicate expansion in economic activity; readings below 50 indicate contraction.

B. Figure shows Sentix overall economic index and expectations index.

C. Figure shows total vessels calls at Russian, Ukrainian and at major Western Europe ports in the period 22 February to 20 April.



resumed later in the month, while spreads over U.S. yields remain above pre-war levels in the average EMDE. Bond markets signal diverging prospects between EMDEs, however, with bond spreads among sub-investment grade commodity importers up sharply since the war compared to other EMDE groupings (figure 2.A).

Commodity markets: High and volatile prices. Commodity prices soared in March as a result of the war in Ukraine. Most prices have since fallen but remain above pre-war levels. Brent crude oil prices reached a 10-year high of \$130/bbl in early March, but fell closer to \$105/bbl by mid-April, helped by significant oil inventory releases by member countries of the International Energy Agency. The United States is planning to release 180 million barrels of oil from its Strategic Petroleum Reserve over the next six months. Agricultural commodity prices remain high after rising sharply in March. Prices of fertilizers, where Russia accounts for 14 percent of global exports, increased by 20 percent in March (m/m) and continued to rise in April, with most prices having doubled since a year ago. Metal prices increased by 7 percent (m/m) in March, with nickel prices (up 41 percent) briefly quadrupling due to a short squeeze before declining slightly in April, albeit to levels not seen since 2007.

United States: High inflation amid improving activity and sentiment. CPI inflation rose to a 40-year high of 8.5 percent in March (figure 2.B). Even when rapidly rising energy and food prices are excluded, inflation rose by 6.5 percent, well above the Federal Reserve's 2 percent average target. The manufacturing PMI index edged up from 57.3 to 58.8 in March, while the services PMI rose from 56.5 to 58.0. At the same time, the unemployment rate fell to 3.6 percent—just above the pre-pandemic rate of 3.5 percent set in February 2020—and average hourly earnings rose 5.6 percent (y/y). Consumer sentiment has been volatile—the University of Michigan consumer sentiment index fell from 62.8 to 59.4 in March, its lowest level since August 2011, before rebounding to 65.7 in April.

Other advanced economies: Weakening sentiment. In the *euro area*, soaring energy prices and heightened uncertainty associated with the war have contributed to a rapid deterioration in sentiment. Consumer confidence plunged to a 17-month low in March, while consumers' inflation expectations surged to a record high (figure 2.C). Inflation continued to surprise on the upside, surging 7.4 percent (y/y) in March. As in the United States, incoming PMI data suggest that coincident activity in the euro area remained resilient in March, with the composite PMI rising from 54.7 to 56. In *Japan*, the composite PMI returned

FIGURE 2.A EMDE bond spreads by credit rating and commodity exporter status

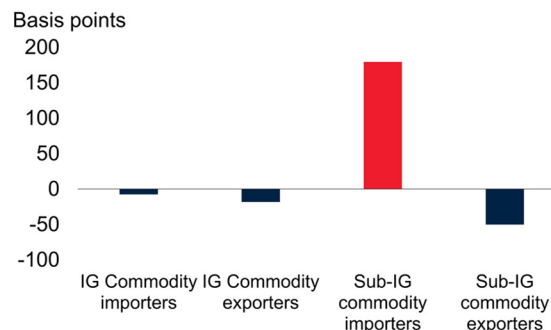


FIGURE 2.B U.S. inflation

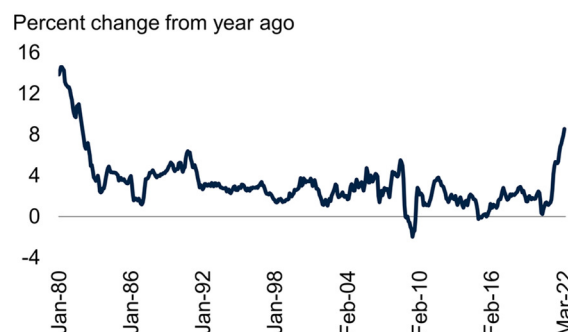
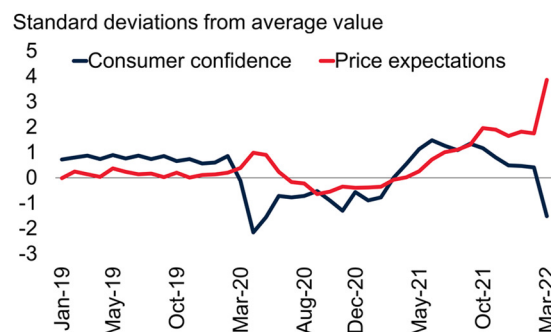


FIGURE 2.C Consumer sentiment in the euro area



Sources: Eurostat; Federal Reserve Economic Data; Fitch Ratings; World Bank.

A. Figure shows the difference in bond spreads between the latest available data and February 23, 2022 (day prior to outbreak of Russia-Ukraine war) for different Fitch rating categories. IG includes EMDEs with ratings above BBB. Sub-IG includes countries with all other ratings. Sub-IG excludes Ukraine, Russia and Belarus. Last observation is April 19, 2022.

B. Chart shows Consumer Price Index for All Urban Consumers, all Items in U.S. City Average, Percent Change from Year Ago, Monthly, Seasonally Adjusted.

C. Chart shows the consumer confidence indicator (red line), consumers expectations about price trends over next 12 months (red line), and consumers expectation about unemployment over next 12 months (orange line). The index is normalized such that a zero indicates that the index is at its 2000-2022 average value with positive/negative values representing how many standard deviations the index is above/below this average value. Last observations are March 2022.



into expansionary territory for the first time in three months in March, reaching 50.3 as COVID-19 restrictions were lifted. However, as in other advanced economies, sentiment declined amid concerns related to negative spillovers from the war and renewed restrictions across China, as measured by the PMI's forward-looking subindexes.

China: Lockdowns and slowdown. Activity in China rose 4.8 percent (y/y) in 2022Q1, but incoming indicators suggest that resurgences of COVID-19 and lockdowns in multiple Chinese cities—including Shanghai, with a population of 25 million—have weakened momentum going into 2022Q2 (figure 3.A). Real industrial production softened to 5.0 percent (y/y) and real retail sales contracted by 6.2 percent in March. Fixed asset investment growth slowed to 7.1 percent y/y, as weakness in the real estate and manufacturing sectors outweighed an acceleration in infrastructure investment prompted by additional government spending and bond issuance. COVID-related restrictions have also resulted in delays in trucking services and shipments. Imports stalled in March, while export growth remained resilient. In early April, the People's Bank of China lowered the required reserve ratio by 25 bps and published a draft financial stability law which establishes a fund and centralizes the rules for handling systemic financial risks.

Other EMDEs: Spillovers from war and commodity shocks. The effects of the war are becoming apparent across EMDEs, with persistently higher-than-expected EMDE inflation and PMIs signaling slowing growth in commodity importers (figures 3.B and 3.C). In *the Russian Federation*, economic indicators point to a deep recession following the start of war and the imposition of sweeping sanctions. Manufacturing PMIs fell into contraction in March in *Turkey* and *Malaysia*, while in *Egypt* the total economy PMI fell to its lowest reading since the initial wave of the pandemic and expectations for future output reached a record low. Rising food and fuel costs contributed to annual inflation hitting 11.3 percent and 7.5 percent in *Brazil* and *Mexico*, respectively, and more than 60 percent in *Turkey*. Rising food and fuel costs have also played a part in recent protests and strikes in *Peru*, *Pakistan*, *Sri Lanka*, and *Sudan*. The composite PMI hit a six-month low in *Nigeria*, reflecting fuel and foreign exchange shortages weighing on activity outside the oil sector. In contrast, economic indicators continue to signal robust growth in *Saudi Arabia* amid falling COVID-19 cases and high oil prices. After losing momentum due to the Omicron wave in early 2022, services activity picked up in *India* with the services PMI reaching 53.6 in March 2022 while manufacturing activity remained solid.

FIGURE 3.A China GDP components

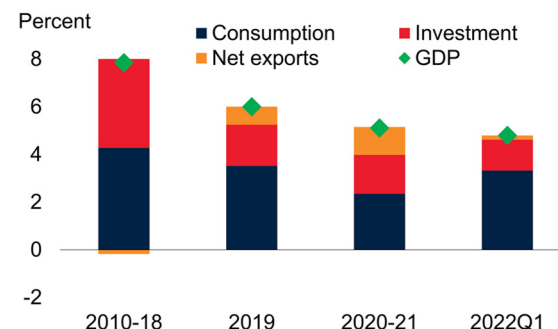


FIGURE 3.B EMDE inflation

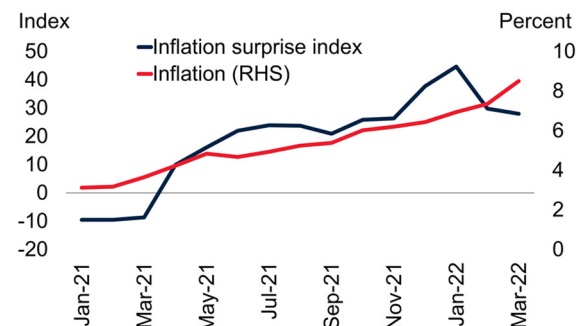
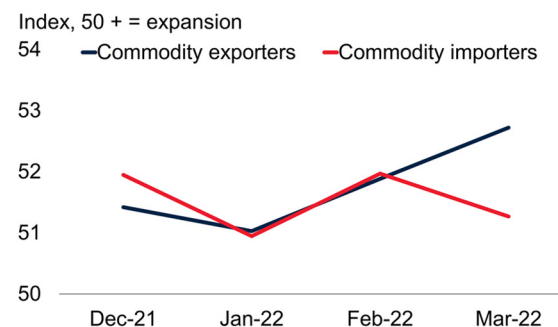


FIGURE 3.C EMDE PMIs by commodity exporter status



Sources: Citigroup; Consensus Economics; Haver Analytics; World Bank.
Note: EMDEs = emerging market and developing economies.

A. Figure shows the contribution of government and private consumption, net exports, and investments to China's growth using official data.

B. Last observation is March 2022. Inflation surprise index is the Citigroup Inflation Surprise Index for emerging markets. Values above zero indicate that inflation data are exceeding expectations, EMDE inflation is median annual inflation for a sample of 50 EMDEs. March value is estimated as a small number of monthly inflation readings had not been released at the time of production.

C. PMI readings above 50 indicate expansion in economic activity; readings below 50 indicate contraction. Figure shows the average PMI. Commodity importers are India, Malaysia, Mexico, Philippines, Thailand, Turkey and Vietnam. Commodity exporters are Brazil, Colombia, Indonesia, Saudi Arabia and Zambia.



Special Focus: Recent Developments in Commodity Markets

Commodity prices surged following the start of the war in Ukraine. Price rises were particularly pronounced for commodities for which Russia and Ukraine are key exporters (figure 4.A). Commodity prices have been extremely volatile, with volatility for some commodities (e.g., coal, nickel, and wheat) reaching record highs in February and March 2022. As discussed in the latest [Commodity Markets Outlook](#), rising prices reflect supply disruptions, higher input costs, and geopolitical risk premia. They come on top of already tight commodity markets due to a solid demand recovery from the pandemic, as well as numerous pandemic-related supply bottlenecks. Reflecting these developments, between April 2020 (the COVID-19 low in prices) and March 2022, nominal energy prices saw their largest increase since the 1973 oil price spike (figure 4.B). European natural gas prices reached an all-time high in real terms.

Recent commodity price developments reflect concerns about the impact of the war on the production and trade of commodities, especially those for which Russia and Ukraine play a key role. Russia is the world's largest exporter of wheat, pig iron, natural gas, and nickel, and it accounts for a significant share of coal, crude oil, and refined aluminum exports. Russia and Belarus are important suppliers of fertilizers. Ukraine is a key exporter of food commodities such as wheat and sunflower seed oil. It is also the largest exporter of neon gas, which is a critical input used to manufacture electronic chips (figure 4.C).

Many countries rely on commodities from Russia and Ukraine. The EU imports a substantial share of its energy from Russia, including natural gas (35 percent), crude oil (20 percent), and coal (40 percent; figure 5.A). In turn, Russia is similarly dependent on the European Union (EU) for its exports, with around 40 percent of its crude oil and natural gas being exported to the EU. With respect to food, many emerging market and developing economies (EMDEs) depend heavily on supplies from Russia and Ukraine (figure 5.B).

The war has significantly disrupted the transportation and production of commodities. Almost all of Ukraine's grain exports usually flow through Black Sea ports that are no longer operational (as of April 2022). Ukraine was expected to export as much as 20 million tons of wheat during the current season (ending in July 2022), corresponding to about 10 percent of global wheat exports. While some wheat may be transported

FIGURE 4.A Commodity price changes in 2022

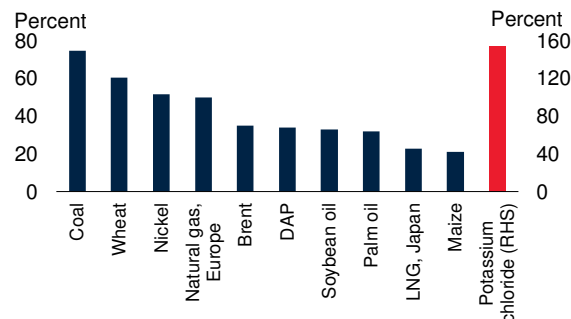


FIGURE 4.B Energy price growth

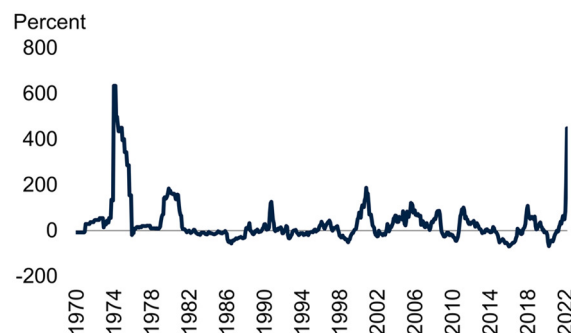
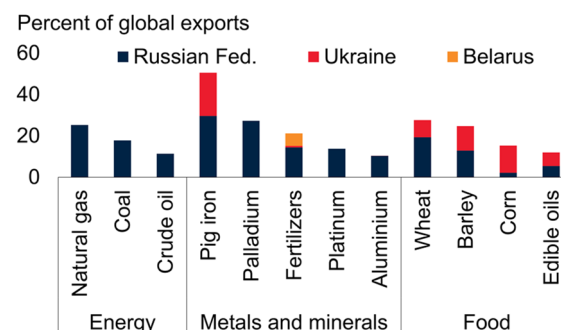


FIGURE 4.C Russia and Ukraine's share of commodity exports



Sources: BP Statistical Review; Comtrade (database); U.S. Department of Agriculture; World Bank.

A. Three-month change in commodity prices through end March 2022. LNG stands for liquefied natural gas. Wheat price corresponds to soft red winter wheat.

B. All prices in nominal U.S. dollar terms. Charts show the percent change in monthly price indices over a 23-month period. This facilitates comparison of the April 2020 trough with the most recent data (March 2022). Due to data limitations, prior to 1979 the energy price change is proxied using the oil price change.

C. Data for energy and food are trade volumes while metals and minerals are trade values. Fertilizers are phosphate rock and potash minerals, and ammonia-based non-minerals. Data are for 2020.



through road and railway corridors to Hungary, Poland, Romania, and Slovakia, the capacity of these facilities is limited, especially in view of the damage to infrastructure, and safety concerns. Elevated insurance rates reflecting the risks posed by the war have also increased the cost of shipping outside of blockades. The war is disrupting agricultural production in Ukraine in the upcoming season due to shortages of labor and inputs (such as fuel and fertilizers) and destruction of farming equipment, and safety concerns of growers will have a severe impact on Ukraine's 2022-23 agricultural production.

A wide range of sanctions have been imposed on Russia. While initial rounds of sanctions did not include energy, some countries subsequently banned or announced a phasing out of imports of Russian energy products, including the United Kingdom and the United States. The EU has announced a ban on imports of coal from Russia (starting in August 2022) and a two-thirds reduction of Russian gas imports by the end of 2022 and is considering extending these to oil. Several large oil companies announced they would cease operations in Russia, while many traders boycotted Russian oil, in part reflecting difficulties and risks in making transactions or obtaining insurance. The inability to import parts for wells, pipelines, or farm machinery, chemicals, and seeds may reduce supplies in the short term, while tighter financial conditions, reduced investment, and restricted access to technology are likely to have a longer-term impact. As a result, the price of Urals (the Russian oil price benchmark) fell more than \$30/bbl below Brent oil prices following the start of the invasion. Russia accounts for about 10 percent of global crude oil production (figure 5.C).

The war-driven disruptions in food trade, higher food price inflation, and higher cost of assistance are likely to make more people food insecure. Over the next year, many low-income countries in Northern Africa, Asia, and the Near East face a risk of widespread hunger and malnutrition as a result of reduced supply from Ukraine and Russia. Ukraine itself will have localized problems of food adequacy because of destruction of farming assets, losses of labor to refugee displacement and defense, and deprivation of employment income. The U.S. Agency for International Development estimated that between 2.5 and 5 million people in Ukraine (around 5 to 10 percent of its population) will likely need humanitarian assistance to prevent food consumption gaps and protect livelihoods in the near term.

FIGURE 5.A Share of the EU's energy imports from Russia

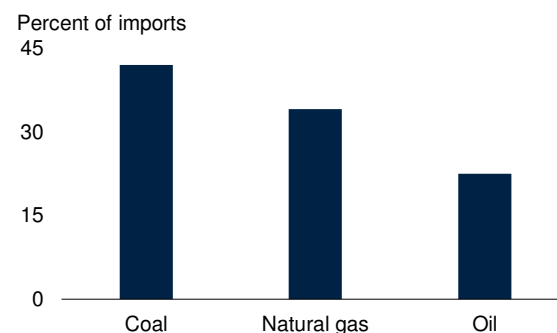


FIGURE 5.B Dependence on food imports from Russia and Ukraine

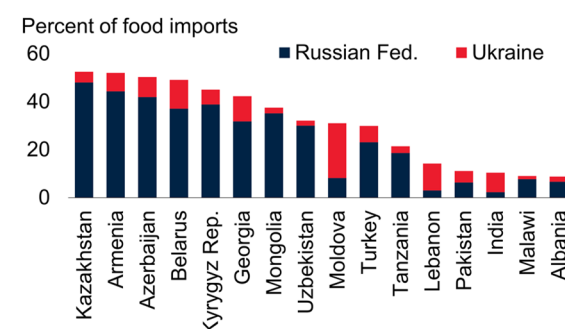
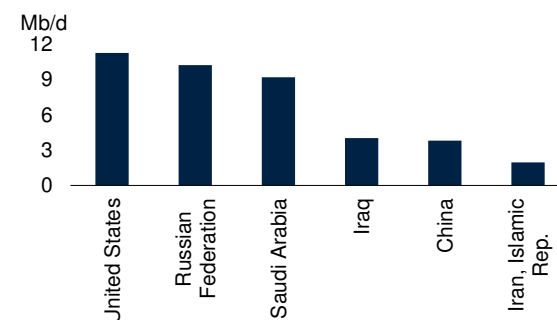


FIGURE 5.C Production by major crude oil producers



Sources: Comtrade (database); Eurostat; IEA; World Bank.

A. Figure shows the share of EU energy imports from Russia in trade volumes as a share of total imports.

B. Figure shows the share of each country's total food imports from Russia and Ukraine. Data are for 2020.

C. Figure shows crude oil production for 2020, annual data.



Recent Prospects Group Publications

[Commodity Markets Outlook – April 2022](#)

[Implications of the War in Ukraine for the Global Economy](#)

[Global Economic Prospects - January 2022](#)

[Commodity Markets Outlook - October 2021](#)

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TABLE: Major Data Releases

(Percent change, y/y)

Recent releases: March 28, 2021 - April 27, 2022					
Country	Date	Indicator	Period	Actual	Previous
South Africa	3/29/22	GDP	Q4	1.7%	2.9%
Germany	3/30/22	CPI	MAR	7.2%	5.1%
United States	3/30/22	GDP	Q4	5.5%	4.9%
Indonesia	3/31/22	CPI	MAR	2.6%	2.1%
United Kingdom	3/31/22	GDP	Q4	6.6%	6.9%
Turkey	4/4/22	CPI	MAR	61.1%	54.4%
Italy	4/5/22	GDP	Q4	6.2%	3.9%
Mexico	4/7/22	CPI	MAR	7.5%	7.3%
Brazil	4/8/22	CPI	MAR	11.3%	10.5%
Russian Federation	4/8/22	GDP	Q4	5.0%	4.0%
India	4/12/22	CPI	MAR	7.0%	6.1%
Saudi Arabia	4/14/22	CPI	MAR	2.0%	1.6%
France	4/15/22	CPI	MAR	4.5%	3.7%
China	4/17/22	IP	MAR	5.0%	7.5%
Canada	4/20/22	CPI	MAR	6.4%	5.7%
China	4/20/22	GDP	Q1	4.8%	4.0%
Euro area	4/20/22	GDP	Q4	4.7%	4.1%
Euro area	4/21/22	CPI	MAR	7.5%	5.8%
Japan	4/21/22	CPI	MAR	1.2%	0.9%
Poland	4/22/22	GDP	Q4	8.0%	6.2%
South Korea	4/25/22	GDP	Q1	3.1%	4.2%

(Percent change y/y)

Upcoming releases: April 28, 2022- May 27, 2022				
Country	Date	Indicator	Period	Previous
Euro area	4/29/22	GDP	Q1	4.7%
France	4/29/22	CPI	APR	4.5%
Germany	4/29/22	GDP	Q1	1.8%
Italy	4/29/22	GDP	Q1	6.2%
Mexico	4/29/22	GDP	Q1	1.1%
Spain	4/29/22	GDP	Q1	5.5%
South Korea	5/2/22	CPI	APR	4.1%
Indonesia	5/4/22	GDP	Q1	5.0%
Italy	5/10/22	IP	MAR	3.2%
China	5/11/22	IP	MAR	5.0%
United States	5/11/22	CPI	APR	8.6%
India	5/12/22	IP	MAR	1.7%
United Kingdom	5/12/22	IP	MAR	1.6%
Japan	5/17/22	GDP	Q1	0.4%
Netherlands	5/17/22	GDP	Q1	6.4%
Poland	5/17/22	GDP	Q1	8.0%
Thailand	5/17/22	GDP	Q1	1.9%
Euro area	5/18/22	CPI	APR	7.5%
South Africa	5/18/22	CPI	APR	6.1%
Japan	5/19/22	CPI	APR	1.2%
United States	5/26/22	GDP	Q1	5.5%