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Charts of the Week

A HAVER ANALYTICS® commentary and podcast

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Oil in the Price

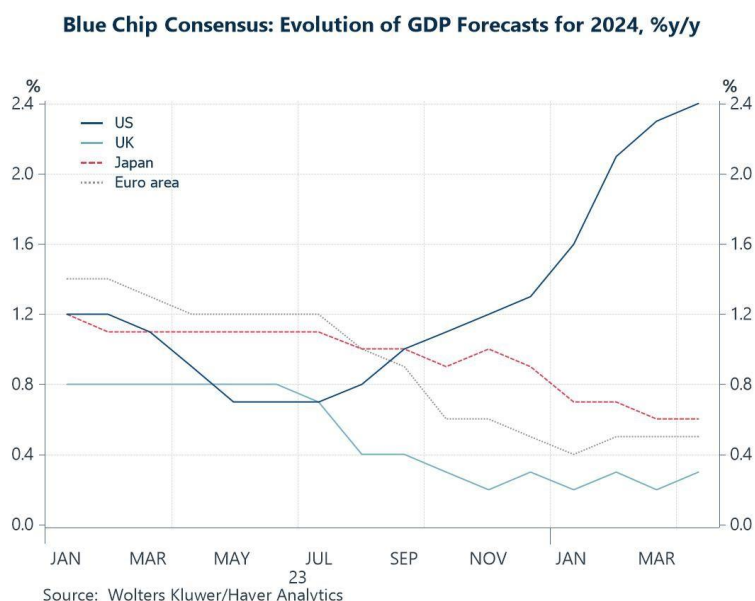
This week's stronger-than-expected US inflation data have further dampened hopes that the Fed would swiftly lower interest rates in coming months. And this has led to increased anxiety in financial markets about the outlook for the US and broader world economy. In our charts this week we explore recent shifts in the consensus view toward global growth and inflation as revealed by the latest Blue Chip survey of Economic Forecasters (charts 1 and 2). Then, staying with inflation, we assess the big role that higher oil prices may have played in igniting interest rate concerns over the past few weeks (charts 3 and 4). One of the possible reasons for the recent run-up in oil prices is an improving global economy, some survey evidence for which we examine next (chart 5). Finally, and ahead of this week's ECB meeting, we delve into some of the key messages from the latest bank lending survey from the euro area (chart 6).

The Blue Chip Growth Consensus

The latest Blue Chip survey of economic forecasters revealed heightened optimism about the US economy in the year ahead but lingering pessimism about the outlook for several other major economies. The consensus forecast for US GDP growth in 2024 now stands at 2.4%, up from 2.3% in the March survey, and up more sharply from a low of 0.7% in the July survey from last year. GDP growth forecasts for Japan,

the euro area and the UK, however, now respectively stand at 0.6%, 0.5% and 0.3%, little-changed from March, and much lower than where they stood last July (see chart 1).

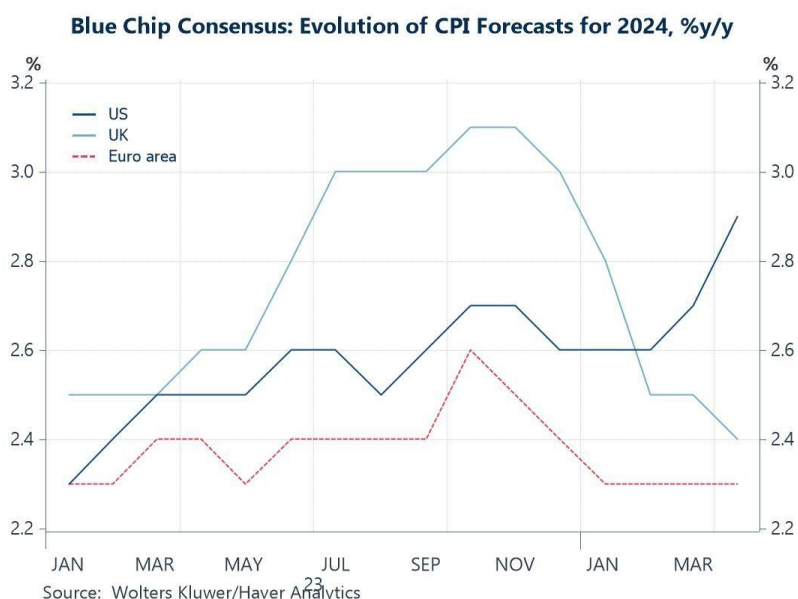
Chart 1: The evolution of consensus forecasts for GDP growth for several major economies in 2024



The Blue Chip Inflation Consensus

The evolution of US and European inflation forecasts for 2024 have equally now started to decouple from one another (chart 2). The consensus forecast for CPI inflation in the US, for example, now stands at 2.9%, up from 2.8% in March and compares with a low point of 2.3% in January 2023. Inflation forecasts for 2024 for the euro area and the UK, in contrast, now stand at respectively 2.3% and 2.4% and have, on the whole, drifted down from their highs reached in October last year.

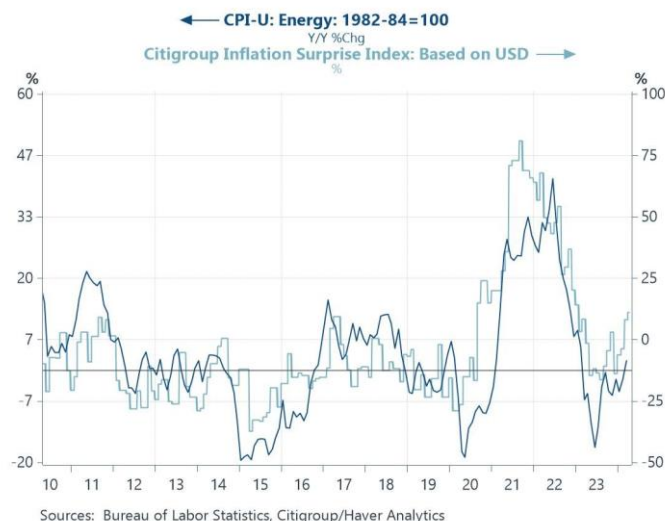
Chart 2: The evolution of consensus forecasts for CPI inflation for the US, UK and euro area in 2024



Oil prices and inflation surprises

With oil prices climbing in recent weeks there are arguably some upside risks to the global inflation outlook in the period ahead. The positive surprises in this week's US CPI data for March, for example, can partly be traced to a bigger contribution from energy prices. But, as chart 3 below equally suggests, inflation surprises more generally are typically accompanied by large energy price swings. That's partly because energy prices are a critical element of most companies' costs.

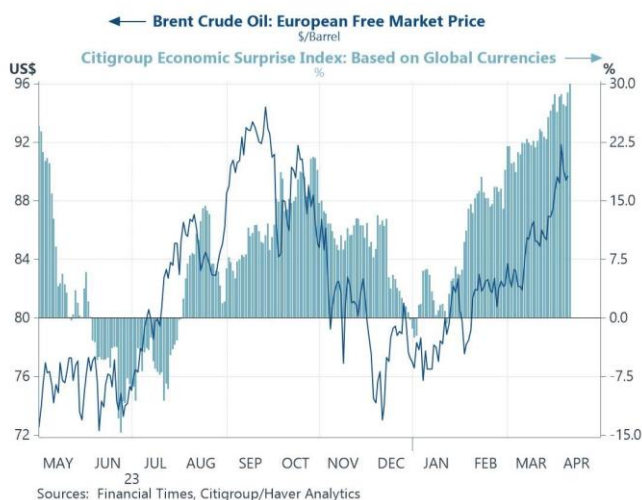
Chart 3: US energy prices and inflation surprises



Oil prices and global growth

Another reason, however, why energy price swings often generate inflation surprises is because they can be symptomatic of broader demand shifts in the world economy. To be sure, oil prices have been climbing in recent week for a number of reasons, including escalating tensions in the Middle East, and particularly due to the Israel-Hamas war. But it is arguably no surprise either that prices have been rising at the same time as incoming global growth data have surprised on the upside (chart 4). A positive demand shock, in other words, is another reason why oil prices have spiked higher.

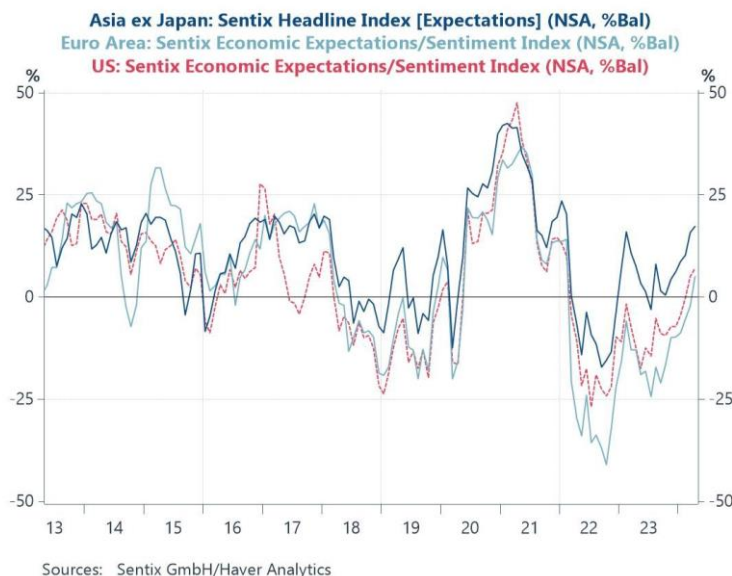
Chart 4: Oil prices versus global growth surprises



The global business cycle

This week's sentix surveys of investor sentiment certainly chime with the idea that global growth is perking up. All of the forward-looking expectations components in the April surveys for Asia, the euro area and the US were in positive territory, and for the first time since February 2022 (chart 5). Synchronized shifts of this nature would ordinarily coincide with an upswing in the global business cycle.

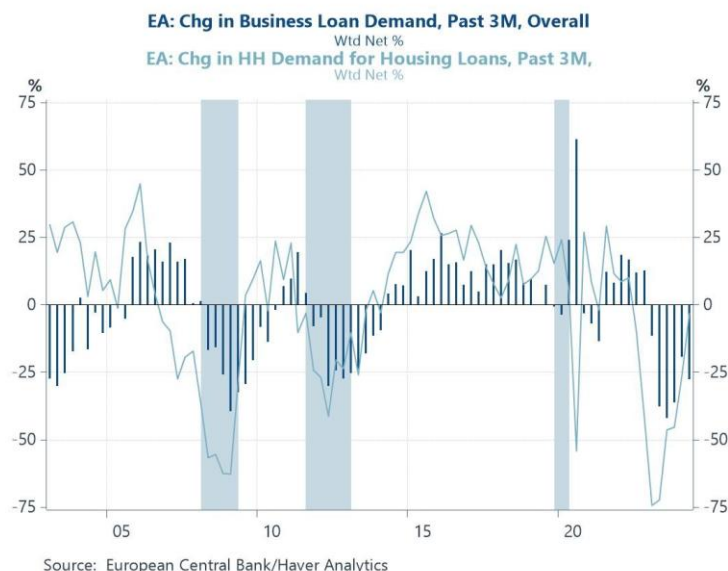
Chart 5: Expectations components from sentix surveys for the US, Euro area and Asia



Euro area bank lending conditions

Finally, this week's latest ECB bank lending survey arguably suggests that monetary policy in the euro area remains quite restrictive. Banks reported a further substantial decrease in demand for corporate lending and a small decline in demand for housing loans (chart 6). As has been the case in recent quarters, higher interest rates coupled with lower fixed investment plans and weak consumer confidence are exerting downward pressure on the demand for lending.

Chart 6: ECB Bank Lending Survey: Buiness and consumers' housing loan demand



About the author



Haver Analytics is pleased to bring [Andrew Cates's](#) commentaries on the state of the global economy to its clients.

Andy Cates has more than 25 years of experience forecasting the global economic outlook and in assessing the implications for policy settings and financial markets. He has held various senior positions in London in a number of Investment Banks including as

Head of Developed Markets Economics at Nomura and as Chief Eurozone Economist at RBS. These followed a spell of 21 years as Senior International Economist at UBS, 5 of which were spent in Singapore. Prior to his time in financial services Andy was a UK economist at HM Treasury in London holding positions in the domestic forecasting and macroeconomic modelling units.

He has a BA in Economics from the University of York and an MSc in Economics and Econometrics from the University of Southampton.

Data featured in this commentary:

Chart 1: The evolution of consensus forecasts for GDP growth for several major economies in 2024

Series 1: AAAD24@BLUECHIP [Blue Chip: Real GDP: 2024 Forecasts: Consensus (Yr/Yr %Chg)]

Series 2: AGBD24@BLUECHIP [BCEI: Change in Real GDP: United Kingdom: Consensus: 2024 Forecast (%)]

Series 3: AJPD24@BLUECHIP [BCEI: Change in Real GDP: Japan: Consensus: 2024 Forecast (%)]

Series 4: AEZD24@BLUECHIP [BCEI: Change in Real GDP: Euro area: Consensus: 2024 Forecast (%)]

Chart 2: The evolution of consensus forecasts for CPI inflation for the US, UK and euro area in 2024

Series 1: DAAD24@BLUECHIP [Blue Chip: Consumer Price Index: 2024 Forecasts: Consensus (Yr/Yr %Chg)]

Series 2: DGBD24@BLUECHIP [BCEI: Change in Consumer Price Index: UK: Consensus: 2024 Forecast (%)]

Series 3: DEZD24@BLUECHIP [BCEI: Change in Consumer Price Index: Euro area: Consensus: 2024 Forecast (%)]

Chart 3: US energy prices and inflation surprises

Series 1: YPCUSE@USECON [CPI-U: Energy: 1982-84=100 (Y/Y %Chg)]

Series 2: V111CIS@INTDAILY [Citigroup Inflation Surprise Index: Based on USD (%)]

Chart 4: Oil prices versus global growth surprises

Series 1: P112BRT@INTDAILY [Brent Crude Oil: European Free Market Price(\$/Barrel)]

Series 2: V001CSI@INTDAILY [Citigroup Economic Surprise Index: Based on Global Currencies (%)]

Chart 5: Expectations components from sentix surveys for the US, Euro area and Asia

Series 1: N505VSH6@EMERGE [Asia ex Japan: sentix Headline Index [Expectations] (NSA, %Bal)]

Series 2: N023VSH6@EUDATA [Euro Area: Sentix Economic Expectations/Sentiment Index (NSA, %Bal)]

Series 3: N111VSH6@USECON [US: sentix Economic Expectations/Sentiment Index (NSA, %Bal)]

Chart 6: ECB Bank Lending Survey: Buiness and consumers' housing loan demand

Series 1: E025DB@EUDATA [EA: Chg in Bus Loan Demand, Past 3M, Overall (Wtd Net %)]

Series 2: E025DCH@EUDATA [EA: Chg in HH Demand for Housing Loans, Past 3M, (Wtd Net %)]