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# Charts of the Week: Back to Inflation

A HAVER ANALYTICS® podcast and publication

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## Back to inflation

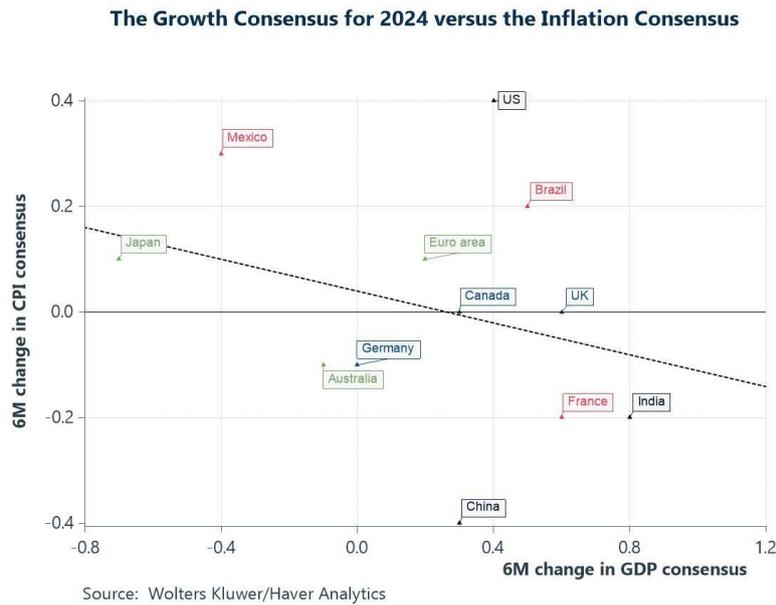
Some stability has returned to financial markets over the past few days thanks to some inflation-friendly economic data, some dovish signals from several central banks, and most notably the Bank of Japan, together with some upbeat corporate earnings news. That said, heightened geopolitical tensions have kept investors anxious about the potential for a broader conflict in the Middle East. The recent narrowing of interest differentials between the US and Japan is additionally amplifying uncertainty about how a further unwinding of Japan's carry trade might destabilise markets in the period ahead. In our charts this week, we examine some of the key messages from the latest Blue Chip survey of Economic Indicators (charts 1 and 2). We also highlight some of the key economic reports that have been published in the past few days, including Japan's Q2 GDP figures (chart 3), and the latest inflation reports from the US and UK (charts 4 and 5). Lastly, we examine airport traffic statistics for the UK, Spain, and Germany (chart 6).

### The growth consensus versus the inflation consensus

The August Blue Chip survey of Economic Indicators suggested that forecasters' growth expectations have been shaped by their inflation expectations over the past 6 months. Upward revisions to their outlook for GDP growth in 2024 have typically coincided with downward revisions to their outlook for inflation, for example, and vice versa. That said, the forecasts revisions that have been made to the outlook for several

economies deviate from these norms. Big positive growth revisions have accompanied positive inflation revisions in the US, for example. A large upward revision to the growth outlook for India is additionally of note relative to the much smaller downward revision to the outlook for inflation (chart 1).

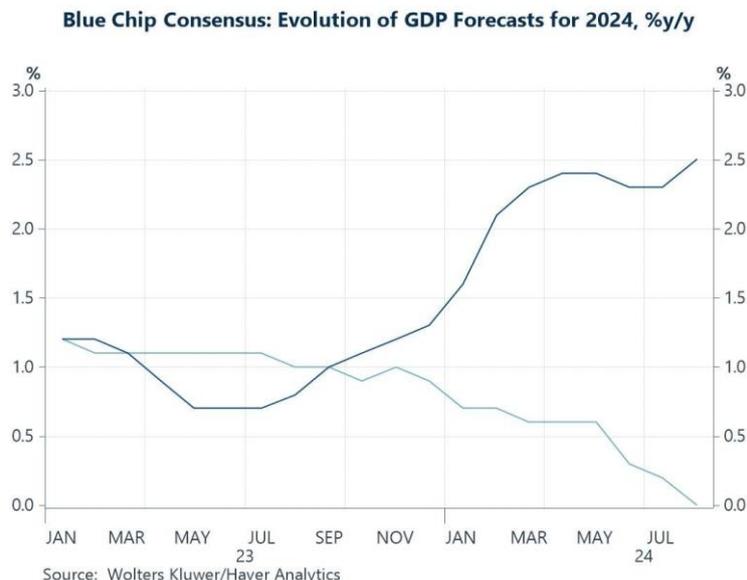
Chart 1: The Blue Chip Consensus: GDP forecasts for 2024 versus inflation forecasts, 6 mth changes



## The GDP consensus for the US versus Japan

That aforementioned improvement in forecasters' growth expectations for the US also stands in vivid contrast to the deterioration in their expectations for Japan. As chart 2 below suggests, US growth expectations for 2024 have, on the whole, been rising since the turn of this year, while growth forecasts for Japan have been falling. That widening differential in growth expectations, however, now stands in contrast to the recent narrowing of short-term interest differentials between the US and Japan. Other factors, such as the current calibration of monetary policy (i.e. tight in the US and loose in Japan) coupled with the inflation outlook are at the root of this anomaly. Even so, this could be magnifying investors' uncertainty about how the economic outlook and, more specifically, about how some further unwinding of Japan's carry trade might invoke financial instability in the coming weeks.

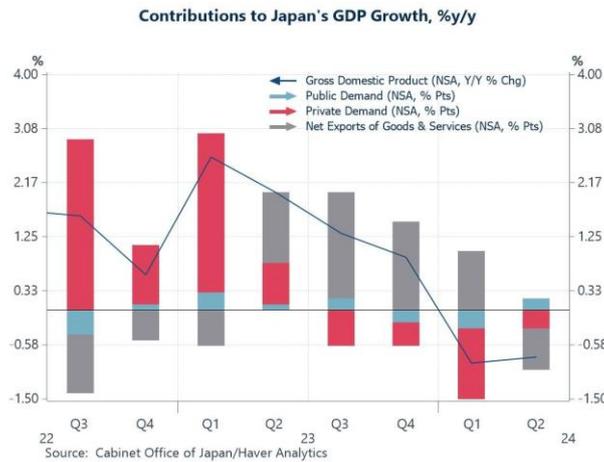
Chart 2: The evolution of consensus GDP forecasts for 2024 for the US versus Japan



# Japan's economy

All that aside the latest Q2 GDP data for Japan were stronger than expected and now suggest some upside risks to the overall outlook for 2024. However, the Japanese economy still contracted on a y/y basis, specifically by 0.8%. Unlike previous quarters, Q2's y/y growth was not fuelled by net exports, which instead became a drag on growth. On the other hand, private consumption, which had been weighing on activity, elicited some signs of improvement. This positive shift in consumption will be noted by the Bank of Japan given its focus on generating a virtuous cycle from real wage growth to spending.

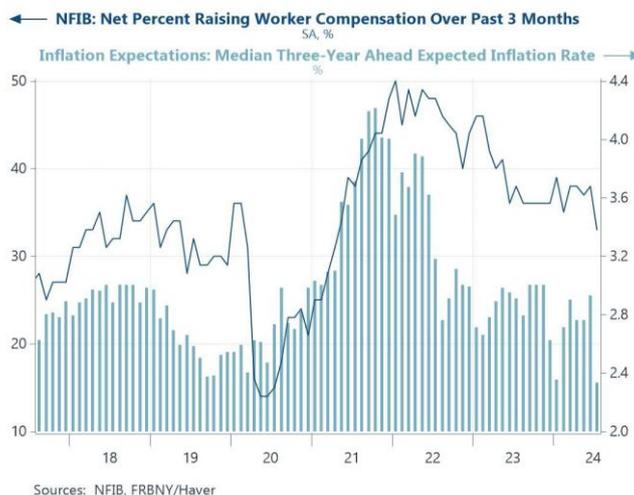
Chart 3: Contributions to Japan's GDP growth



# US inflation

As for the US, this week's inflation data will have reinforced the idea that the Fed will kick start an easing campaign in September. July's CPI data, for example, revealed a further moderation in headline and core CPI inflation and – even more notably – a further slowdown in service sector inflation. The latter was arguably foreshadowed by some of the underlying details from July's NFIB survey, and, for instance, a lower inclination from the small company sector to lift wages. Fed policymakers will have been comforted too by the latest survey from its New York branch indicating a big drop in 3-year ahead inflation expectations (chart 3).

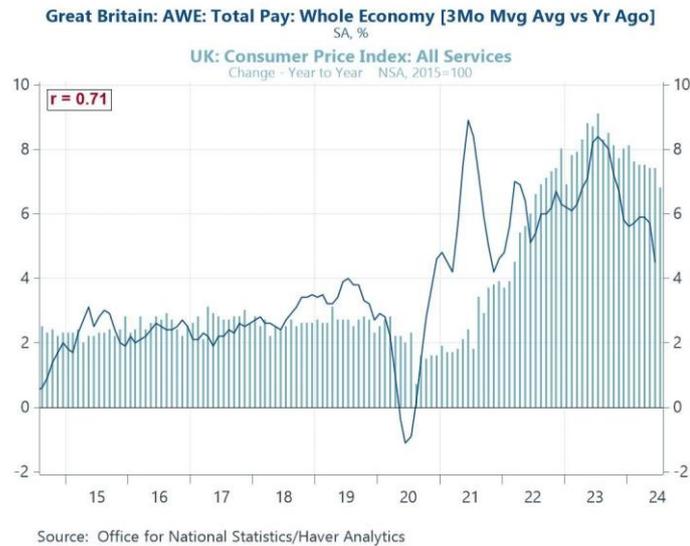
Chart 4: US small companies' wage expectations versus consumers' inflation expectations



# UK inflation

This week’s raft of UK economic data additionally contained some inflation-friendly messages. UK services CPI inflation, for instance, fell sharply in July, to 5.2% y/y from 5.7% in June. That chimed too with latest labour market data revealing that wage pressures have been ebbing. Average earnings growth specifically slowed to 4.5% in the 3 months to June compared with a year ago.

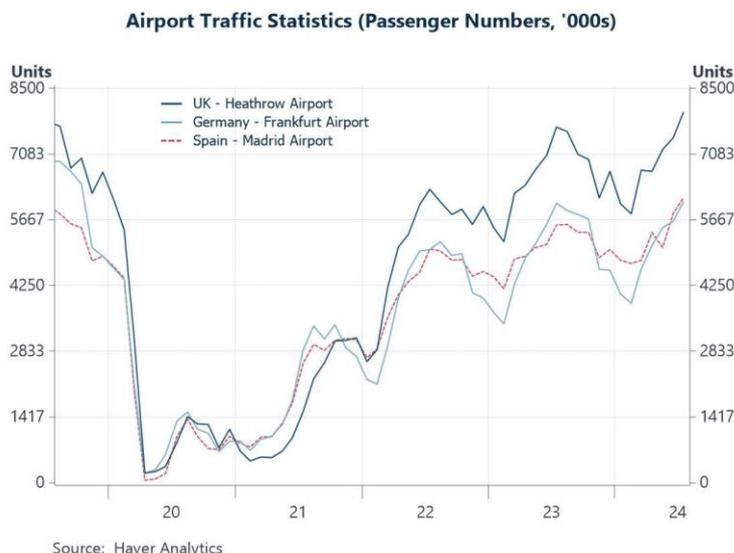
Chart 5: UK service sector CPI inflation versus average earning growth in the labour market



# Airport Traffic

Finally, and with a broader European focus, chart 6 below illustrates some positive data concerning airport passenger numbers at some selected airports. Specifically, the major airports in London, Madrid and Frankfurt have seen passenger numbers in July climb to their highest levels since immediately prior to the pandemic in Q4 2019. This chimes with a number of other data points – including the path for inflation – that indicate that a post-COVID normalisation phase in the world economy could now be finally over.

Chart 6: Airport passenger numbers in the UK, Spain and Germany



# 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 Blue Chip Consensus: GDP forecasts for 2024 versus inflation forecasts, 6 mth changes

Series 1: [diff\(AGBD24@BLUECHIP,6\)](#)

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

Series 2: [diff\(DGBD24@BLUECHIP,6\)](#)

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

Series 3: [diff\(AMXD24@BLUECHIP,6\)](#)

AMXD24@BLUECHIP [BCEI: Change in Real GDP: Mexico: Consensus: 2024 Forecast (%)]

Series 4: [diff\(DMXD24@BLUECHIP,6\)](#)

DMXD24@BLUECHIP [BCEI: Change in Consumer Price Index: Mexico: Consensus: 2024 Forecast (%)]

Series 5: [diff\(AJPD24@BLUECHIP,6\)](#)

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

Series 6: [diff\(DJPD24@BLUECHIP,6\)](#)

DJPD24@BLUECHIP [BCEI: Change in Consumer Price Index: Japan: Consensus: 2024 Forecast (%)]

Series 7: [diff\(AIND24@BLUECHIP,6\)](#)

AIND24@BLUECHIP [BCEI: Change in Real GDP: India: Consensus: 2024 Forecast (%)]

Series 8: [diff\(DIND24@BLUECHIP,6\)](#)

DIND24@BLUECHIP [BCEI: Change in Consumer Price Index: India: Consensus: 2024 Forecast (%)]

Series 9: [diff\(ADED24@BLUECHIP,6\)](#)

ADED24@BLUECHIP [BCEI: Change in Real GDP: Germany: Consensus: 2024 Forecast (%)]

Series 10: [diff\(DDED24@BLUECHIP,6\)](#)

DDED24@BLUECHIP [BCEI: Change in Consumer Price Index: Germany: Consensus: 2024 Forecast (%)]

Series 11: [diff\(AFRD24@BLUECHIP,6\)](#)

AFRD24@BLUECHIP [BCEI: Change in Real GDP: France: Consensus: 2024 Forecast (%)]

Series 12: [diff\(DFRD24@BLUECHIP,6\)](#)

DFRD24@BLUECHIP [BCEI: Change in Consumer Price Index: France: Consensus: 2024 Forecast (%)]

Series 13: [diff\(AEZD24@BLUECHIP,6\)](#)

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

Series 14: [diff\(DEZD24@BLUECHIP,6\)](#)

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

Series 15: [diff\(ACND24@BLUECHIP,6\)](#)

ACND24@BLUECHIP [BCEI: Change in Real GDP: China: Consensus: 2024 Forecast (%)]

Series 16: [diff\(DCND24@BLUECHIP,6\)](#)

DCND24@BLUECHIP [BCEI: Change in Consumer Price Index: China: Consensus: 2024 Forecast (%)]

Series 17: [diff\(ACAD24@BLUECHIP,6\)](#)

ACAD24@BLUECHIP [BCEI: Change in Real GDP: Canada: Consensus: 2024 Forecast (%)]

Series 18: [diff\(DCAD24@BLUECHIP,6\)](#)

DCAD24@BLUECHIP [BCEI: Change in Consumer Price Index: Canada: Consensus: 2024 Forecast (%)]

Series 19: [diff\(ABRD24@BLUECHIP,6\)](#)

ABRD24@BLUECHIP [BCEI: Change in Real GDP: Brazil: Consensus: 2024 Forecast (%)]

Series 20: [diff\(DBRD24@BLUECHIP,6\)](#)

DBRD24@BLUECHIP [BCEI: Change in Consumer Price Index: Brazil: Consensus: 2024 Forecast (%)]

Series 21: diff(AAUD24@BLUECHIP,6)

AAUD24@BLUECHIP [BCEI: Change in Real GDP: Australia: Consensus: 2024 Forecast (%)]

Series 22: diff(DAUD24@BLUECHIP,6)

DAUD24@BLUECHIP [BCEI: Change in Consumer Price Index: Australia: Consensus: 2024 Forecast (%)]

Series 23: diff(AAAD24@BLUECHIP,6)

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

Series 24: diff(DAAD24@BLUECHIP,6)

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

Chart 2: The evolution of consensus GDP forecasts for 2024 for the US versus Japan

Series 1: AAAD24@BLUECHIP

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

Series 2: AJPD24@BLUECHIP

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

Chart 3: Contributions to Japan's GDP growth

Series 1: JNNGPC@JAPAN

JNNGPC@JAPAN [Japan: Real Gross Domestic Product (NSA, Y/Y % Chg)]

Series 2: JNNDGCT@JAPAN

JNNDGCT@JAPAN [Japan: Contributions to Chgs in Real GDP: Public Demand (NSA, % Pts)]

Series 3: JNNDPCT@JAPAN

JNNDPCT@JAPAN [Japan: Contributions to Chgs in Real GDP: Private Demand (NSA, % Pts)]

Series 4: JNNXNCT@JAPAN

JNNXNCT@JAPAN [Japan: Contrib to Chgs in Real GDP: Net Exports of Goods & Services (NSA, % Pts)]

Chart 4: US small companies' wage expectations versus consumers' inflation expectations

Series 1: NFIB19@SURVEYS

NFIB19@SURVEYS [NFIB: Net Percent Raising Worker Compensation Over Past 3 Months (SA, %)]

Series 2: SCEABAA@SURVEYS

SCEABAA@SURVEYS [Inflation Expectations: Median Three-Year Ahead Expected Inflation Rate (%)]

Chart 5: UK service sector CPI inflation versus average earning growth in the labour market

Series 1: KAC3@UK

KAC3@UK [Great Britain: AWE: Total Pay: Whole Economy [3Mo Mvg Avg vs Yr Ago] (SA, %)]

Series 2: yyr(D7F5@UK)

D7F5@UK [UK: Consumer Price Index: All Services (NSA, 2015=100)]

Chart 6: Airport passenger numbers in the UK, Spain and Germany

Series 1: (GBNTAHPW@TRANSPRT / 1000)

GBNTAHPW@TRANSPRT [UK: Heathrow Airport [London]: Passengers from All Airports (NSA, Number)]  
1000

Series 2: (DENTAFPT@TRANSPRT / 1000)

DENTAFPT@TRANSPRT [Germany: Frankfurt Airport: Passengers (Number)]  
1000

Series 3: (ESNTADPT@TRANSPRT / 1000)

ESNTADPT@TRANSPRT [Spain: Adolfo Suarez Madrid-Barajas Airport: Passengers (NSA, Number)]  
1000

For more info on our data offerings please email [sales@haver.com](mailto:sales@haver.com)

