

Global Economics

Deflationary risks still abound

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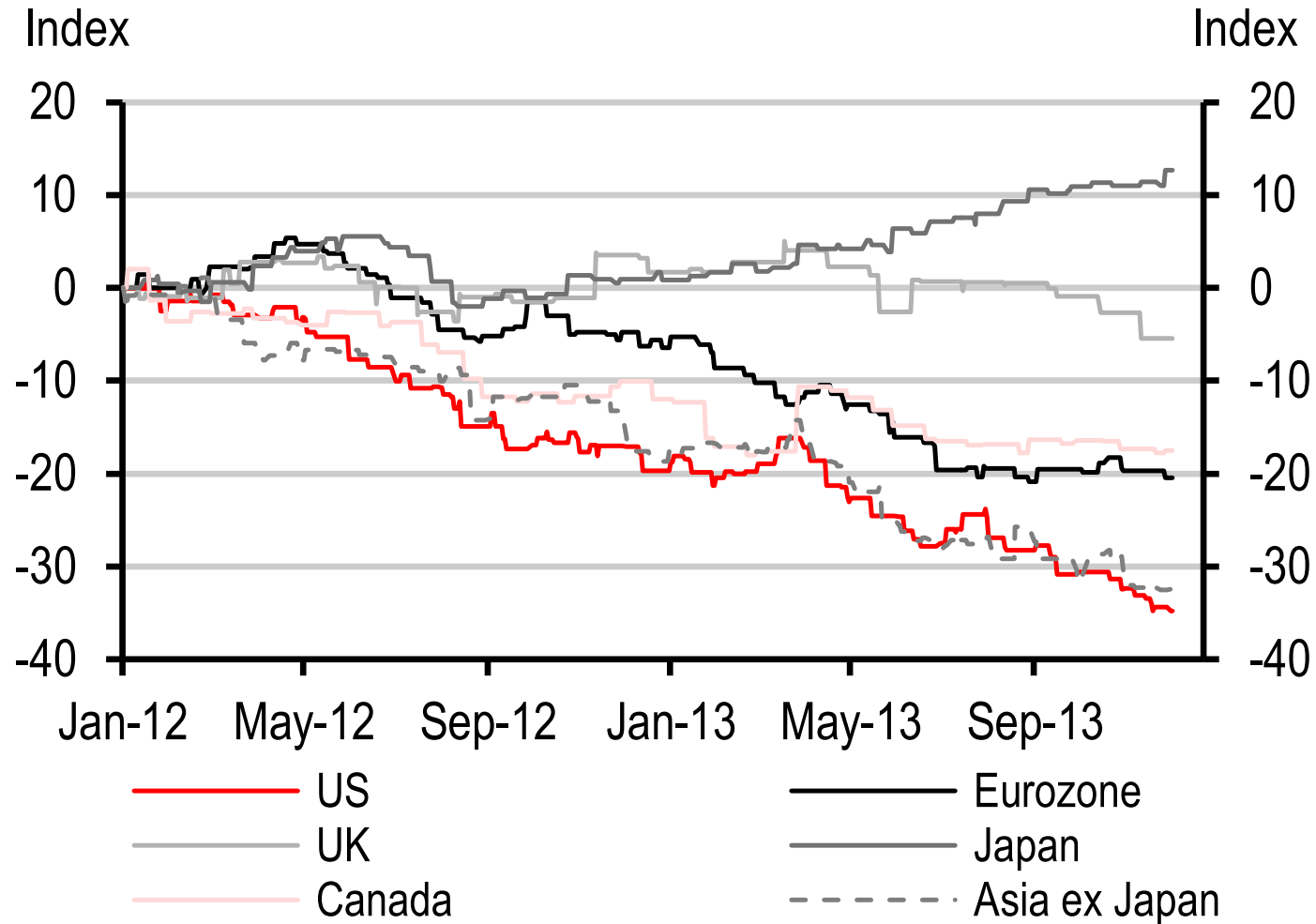
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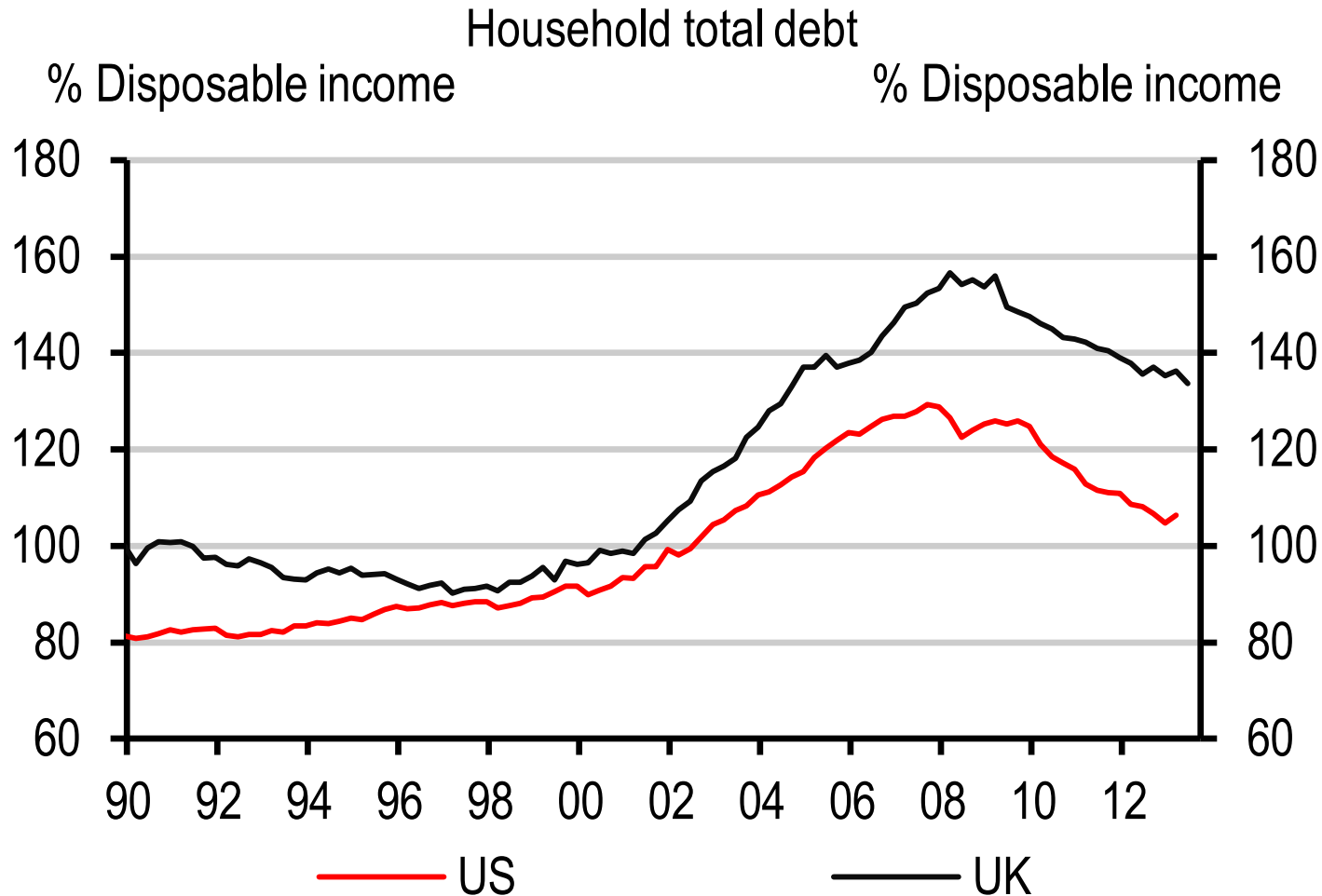
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With the exception of Japan, inflation has consistently surprised on the downside



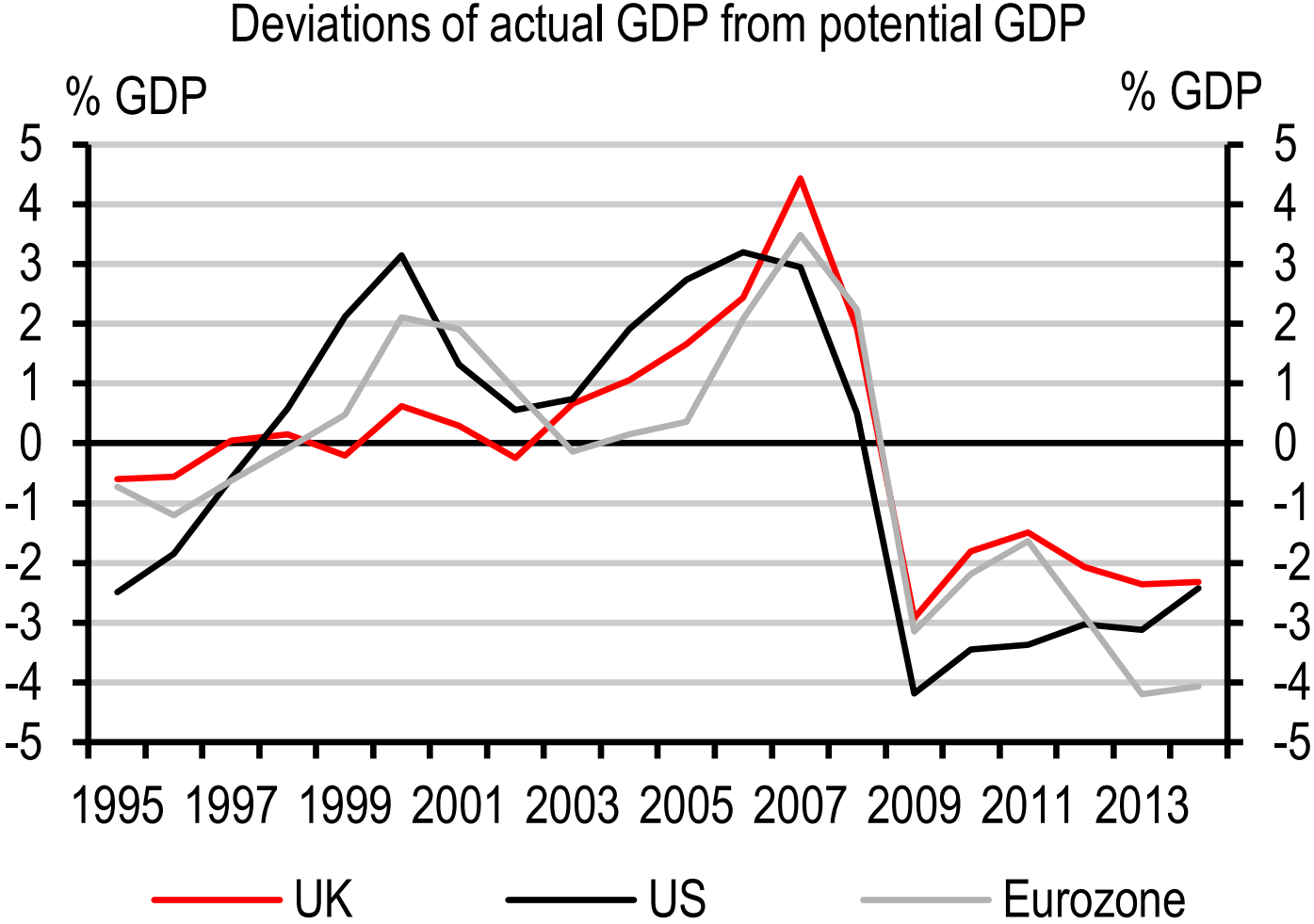
Source: HSBC FX quantitative research

Still winding down the mountain of debt



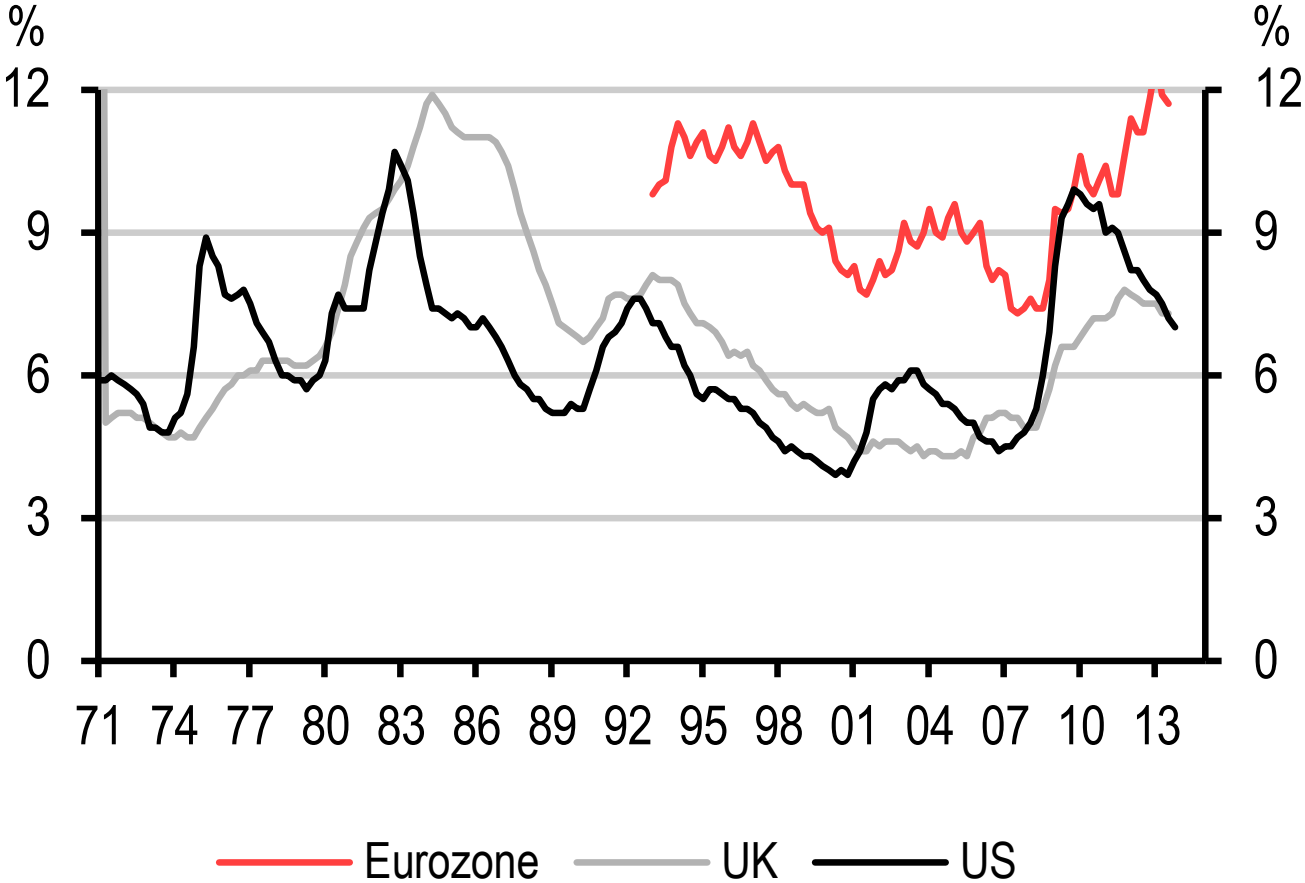
Source: Thomson Reuters Datastream, ONS, Haver

Activity is well below potential



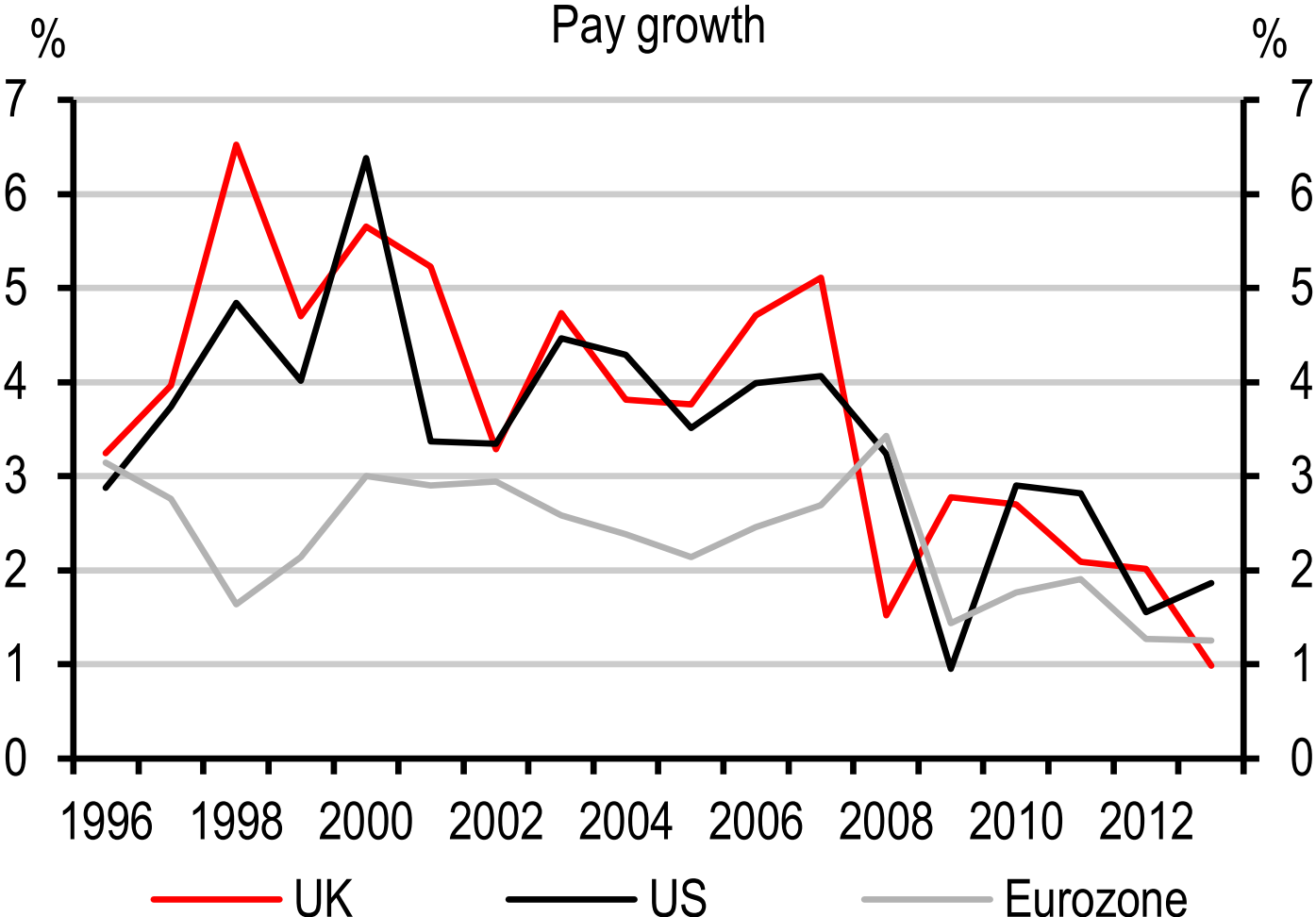
Source: OECD Economic Outlook

Unemployment is elevated



Source: ILO, Eurostat

Pay growth is weak which makes deleveraging all the more difficult



Source: OECD Economic Outlook

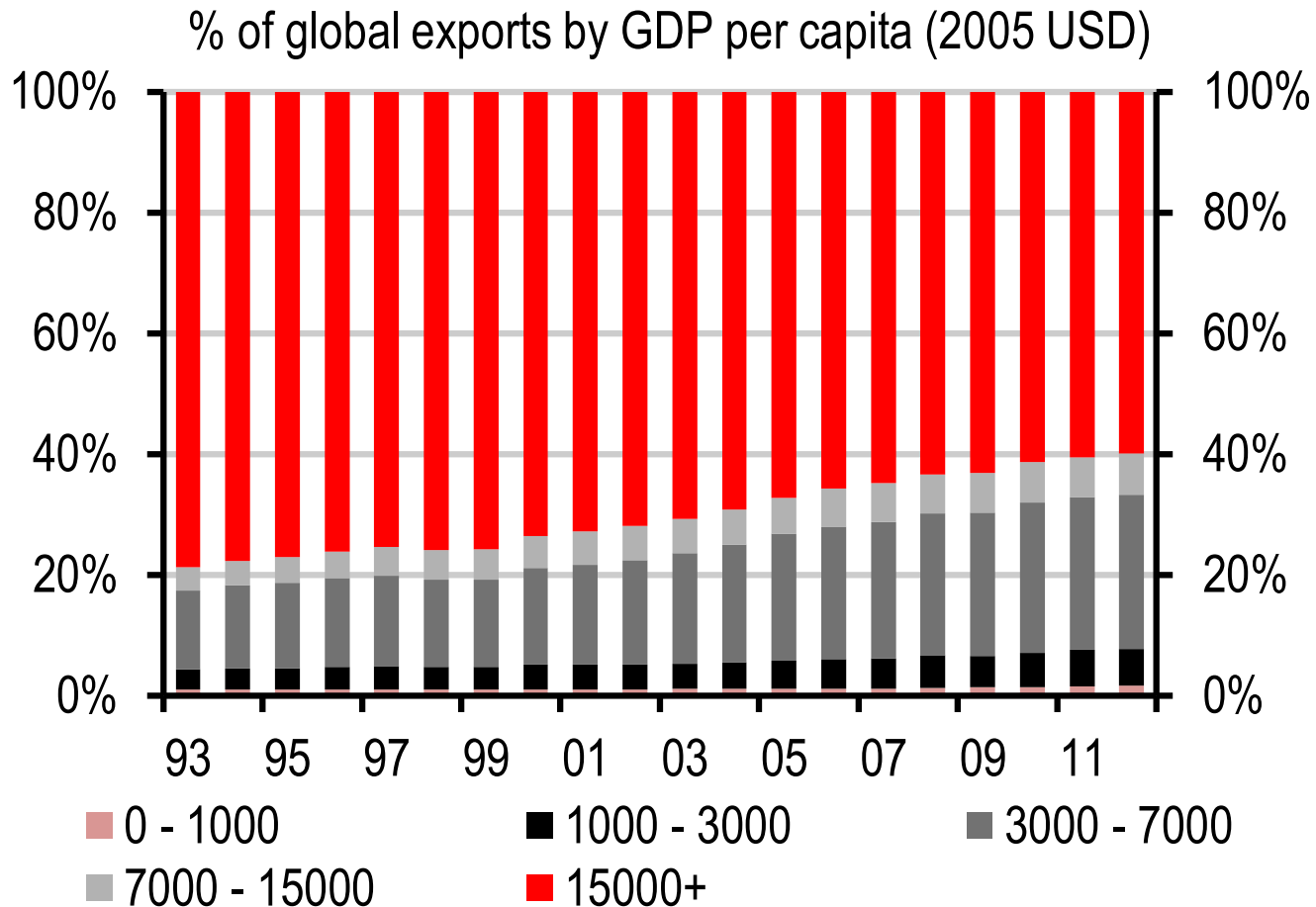
Globalisation still exerting deflationary forces

Ranked by 2010 income per capita

	Income per capita 2010 Constant 2000, USD	Population 2010 Mln
1.Japan	39,435	127
2.US	36,354	318
3.Mexico	6,217	111
4.Brazil	4,711	195
5.Russia	2,934	140
6.China	2,579	1,362
7.Indonesia	1,178	233
8.India	790	1,214
9.Pakistan	657	174
10.Nigeria	506	158
11.Bangladesh	482	149

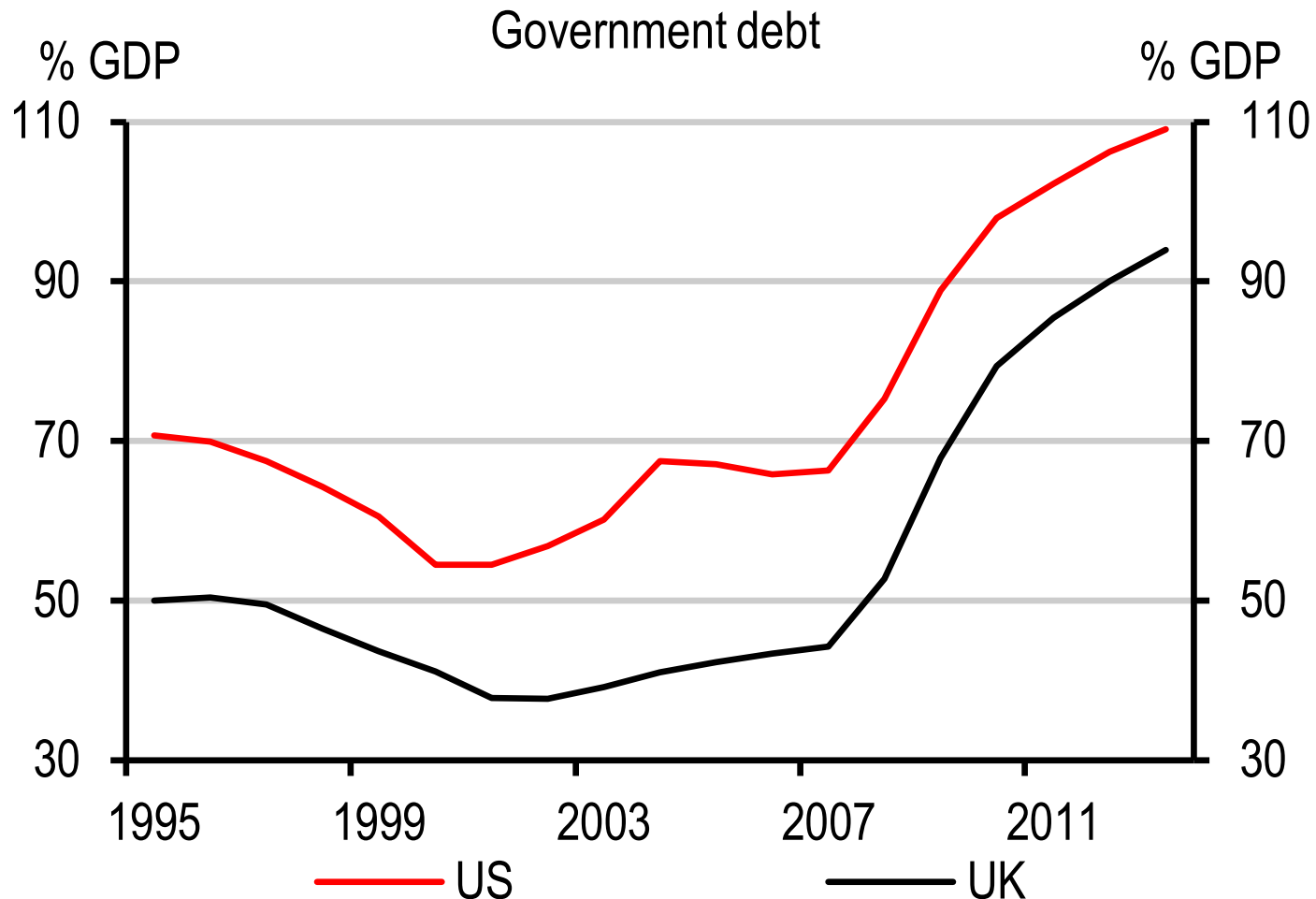
Source: UN, World Bank

As production moves to lower cost parts of the world



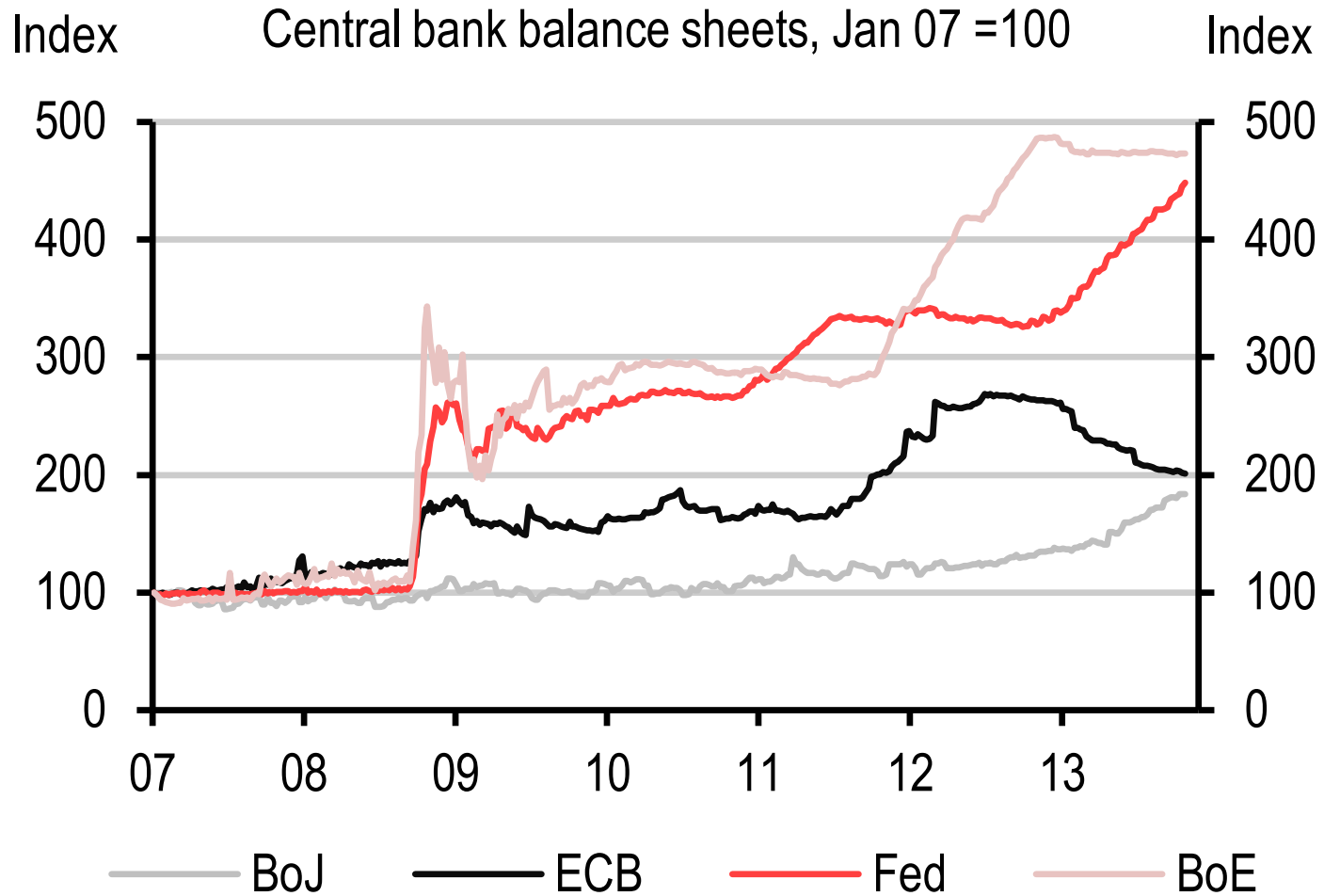
Source: HSBC, IMF DOTS

Repairing government balance sheets still a major challenge



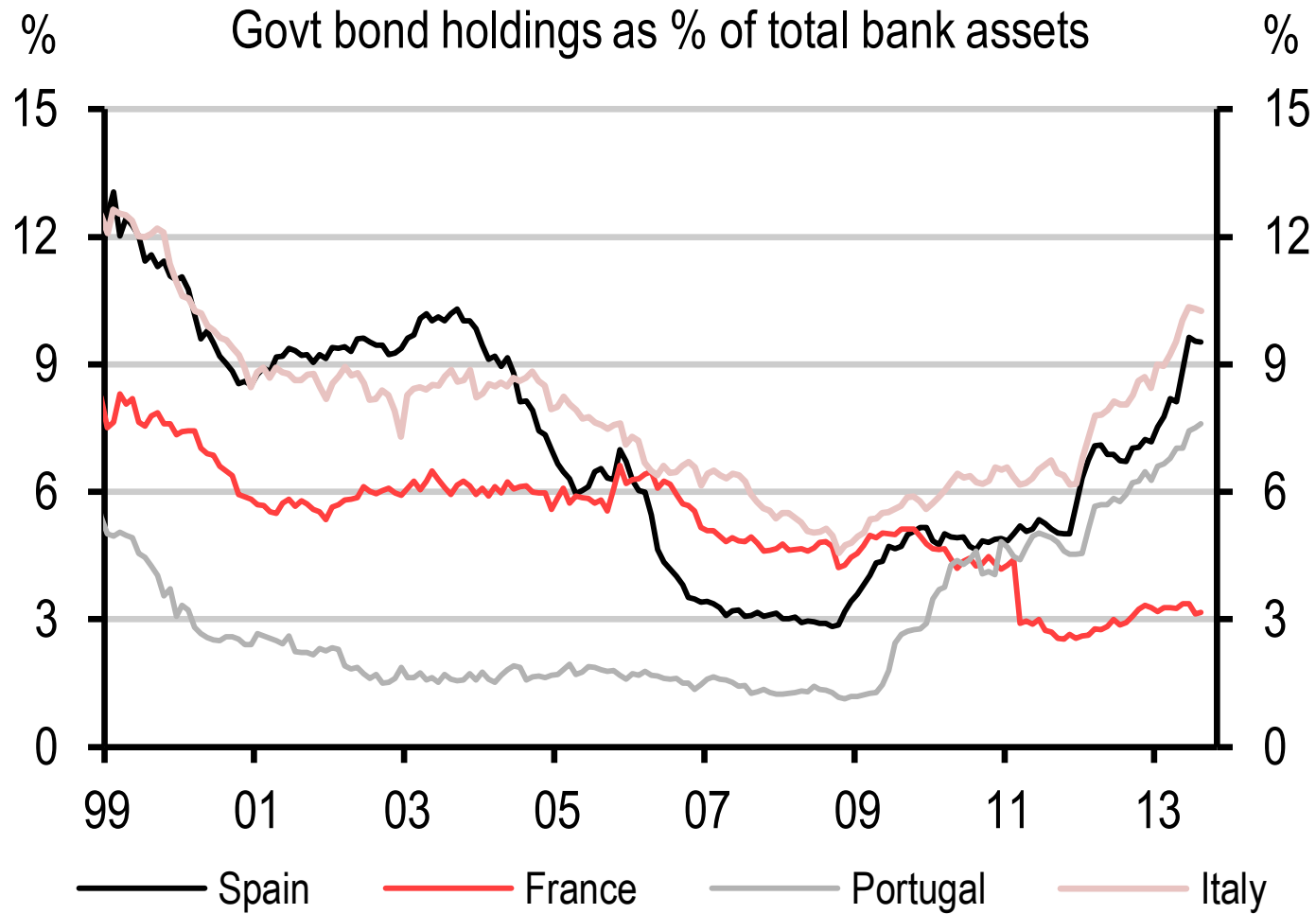
Source: Thomson Reuters Datastream

But a combination of QE...



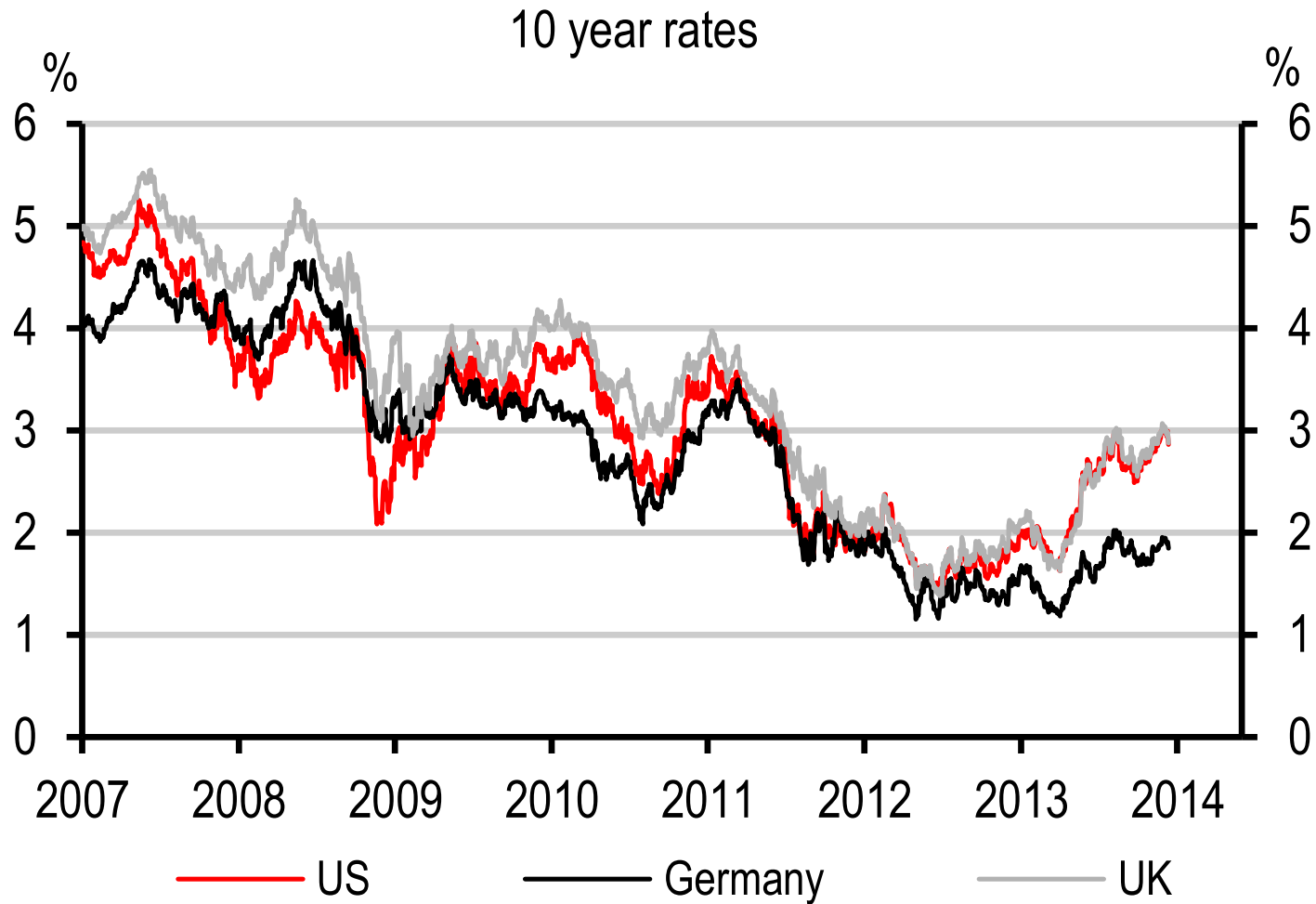
Source: Thomson Reuters Datastream

...and financial repression should ensure governments can finance themselves...



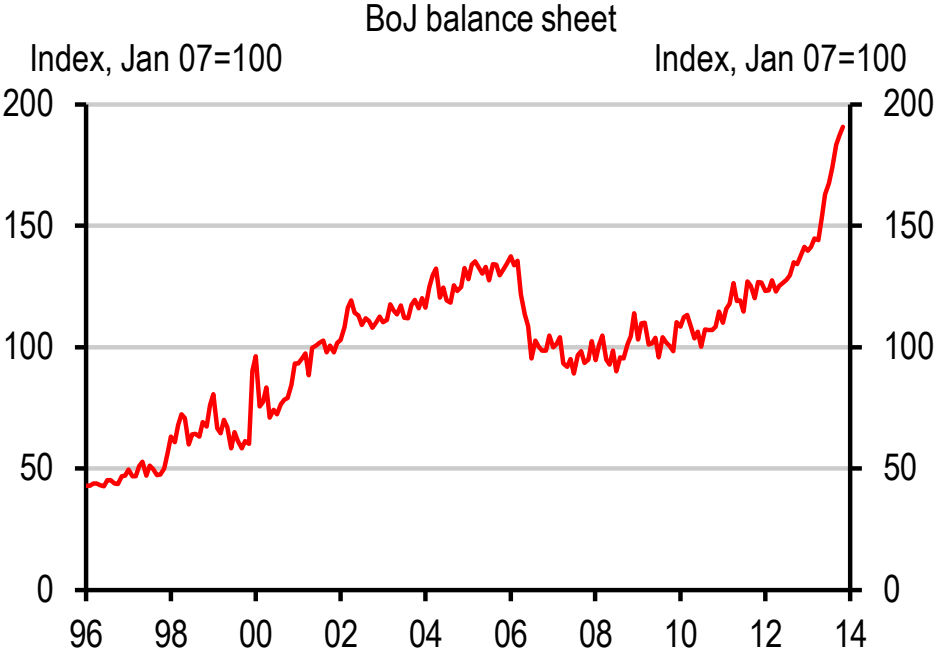
Source: ECB

...at low rates



Source: Bloomberg

Just as we saw in Japan



Source: Thomson Reuters, Datastream, Bloomberg

Disclosure appendix

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