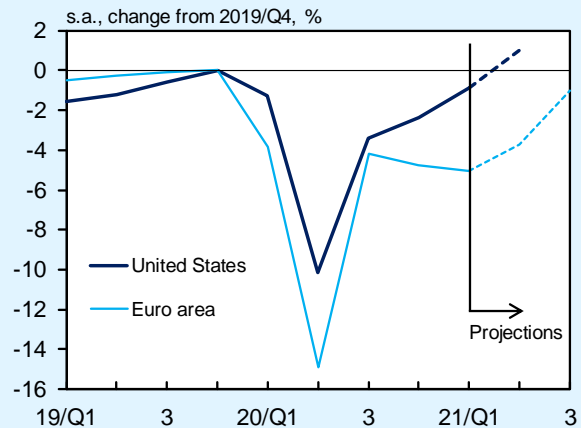


## (Box 1) Impact of the Resumption of Economic Activity in the United States and Europe on Global Economic Activity and Prices

Overseas economies have recovered on the whole, albeit with variation across countries and regions. In the United States and Europe in particular, with vaccinations making progress, economic activity has been resuming and economic growth has been accelerating. This box provides an overview of these developments in the resumption of economic activity in the United States and Europe and their impact on global economic activity and prices.

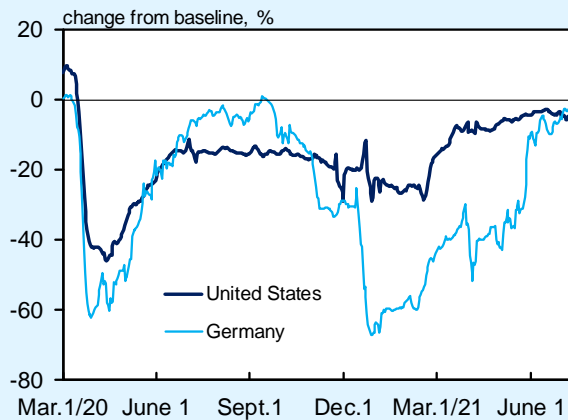
Starting with developments in real GDP, relatively high growth is expected to have been seen in the United States for the April-June quarter of 2021 following the January-March quarter and thus real GDP is likely to have exceeded the pre-pandemic level. It is widely expected that growth in Europe will also accelerate through this summer, with some time lag following that in the United States (Chart B1-1). The projection of GDP growth in these economies reflects the fact that public health measures have been lifted in stages as vaccinations have progressed. Against this backdrop, economic activity has been resuming, and the face-to-face services industry, which had been constrained thus far, has picked up clearly (Chart B1-2). In the United States, large-scale economic measures that have already been implemented also seem to have provided support, leading to an increase in private consumption, for example.

**Chart B1-1: Real GDP for the United States and the Euro Area**



Sources: Atlanta Fed; ECB; Haver.  
 Notes: 1. The figure for the United States for 2021/Q2 is the GDPNow model estimate released by the Atlanta Fed (as of July 9).  
 2. The figures for the euro area for 2021/Q2 and Q3 are ECB staff projections (as of June 10).

**Chart B1-2: Mobility Trends in the United States and Europe**



Source: Google LLC. "Google COVID-19 Community Mobility Reports." <https://www.google.com/covid19/mobility/>. Accessed: July 16, 2021.  
 Notes: 1. Figures show 7-day backward moving averages of the percentage change in visits to places categorized as "retail and recreation" in the report released by Google.  
 2. The baseline is the median on the corresponding day of the week during the 5-week period from January 3 to February 6, 2020. The latest figures are for July 12.

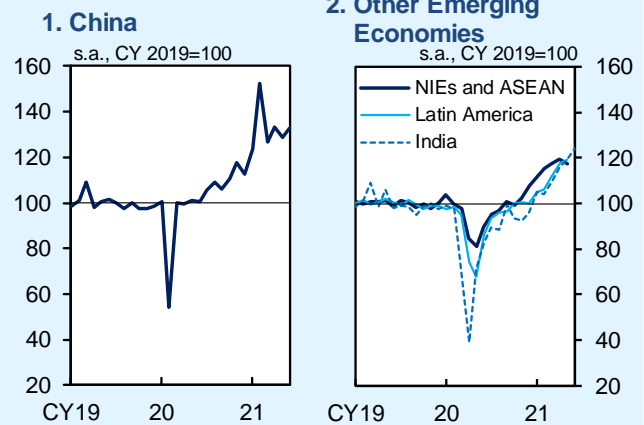
This improvement in the U.S. and European economies in turn has pushed up the global economy through the trade channel. Looking at developments by region, China's exports and production have continued to increase steadily, and exports of many other emerging economies have clearly exceeded the pre-pandemic levels (Chart B1-3). For example, exports of IT-related goods in the NIEs and the ASEAN countries have continued to increase, while minerals and food have been driving exports, mainly in Latin America.

With regard to the outlook, the U.S. and European economies are expected to continue showing relatively high growth for the time being as the resumption of economic activity progresses further. The Chinese economy is also projected to return to a steady growth path that is led by the private sector. Therefore, the global economy is likely to continue to recover, led by advanced economies and China.

However, this baseline scenario for the global economy continues to be subject to uncertainties.

First, there remain uncertainties regarding the pace of vaccinations and the consequences of COVID-19 from a global perspective. Some emerging economies have seen delays in vaccinations, and these economies in particular face the risk of a resurgence of COVID-19 (Chart B1-4). Even in advanced economies where vaccinations are making good progress, factors such as the spread of variants may delay the resumption of economic activity.

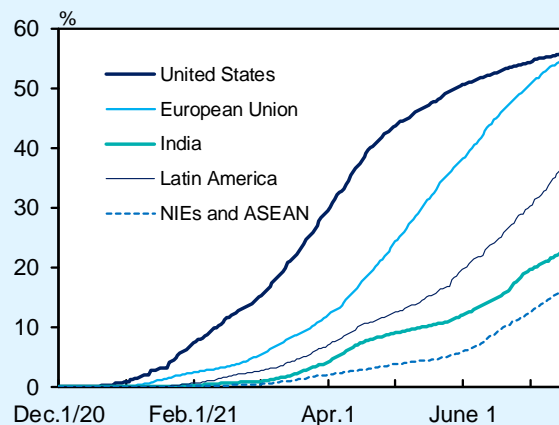
**Chart B1-3: Nominal Exports of Major Emerging Economies**



Source: CEIC.

Note: Based on staff calculations. U.S. dollar basis. Figures for the NIEs and ASEAN and Latin America are the sum of figures for the major economies in the respective regions.

**Chart B1-4: Share of People in Major Economies Who Received a Vaccine**

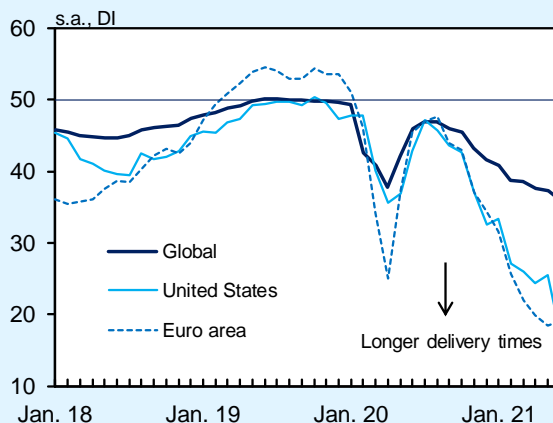


Sources: CEIC; United Nations.

Note: The chart shows the share of the total population who received at least one dose of the COVID-19 vaccine. Figures for Latin America and the NIEs and ASEAN are for the major economies in the respective regions. In the case of missing figures, the latest figure available prior to the relevant date is used. The latest figures are for July 14.

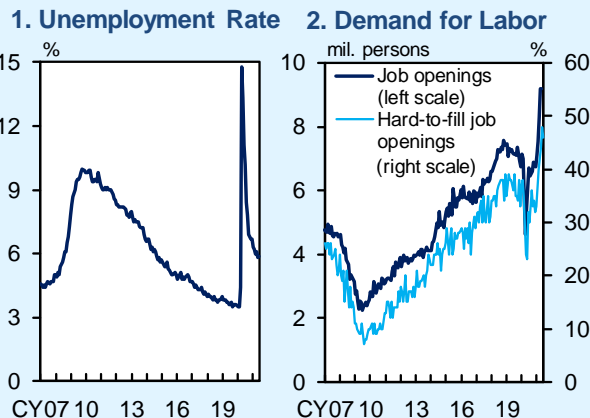
Second, with the rapid resumption of economic activity in the United States and Europe, supply-side constraints have been seen in some parts of the goods and labor markets, and delays in resolving such constraints could restrain global economic growth or put upward pressure on prices. Surveys suggest that the number of firms citing delivery delays has increased significantly, particularly in the United States and Europe, due to production shortages of raw materials and logistical constraints (Chart B1-5). In the United States, where the number of job openings has surged, mainly because face-to-face services have resumed operations, an increasing number of firms have pointed to the struggle to hire personnel even with the unemployment rate still at a high level (Chart B1-6). These constraints can be regarded as frictions associated with the rapid resumption of economic activity, and they are highly likely to gradually dissipate as production systems are reorganized and workers rejoin the labor market, partly on the back of diminishing vigilance against COVID-19. However, the resumption of economic activity after a pandemic has not been experienced in recent years, and thus it is necessary to closely monitor whether supply-side constraints become prolonged or their impact on prices intensifies. Attention also needs to be paid to how changes in the outlook for these supply-side constraints and for their impact on economic activity and prices will affect global financial markets and international commodity prices.

**Chart B1-5: Suppliers' Delivery Times PMI**



Source: IHS Markit© and database right IHS Markit Ltd 2021. All rights reserved.  
 Note: The suppliers' delivery times PMI is the suppliers' delivery times index in the Manufacturing PMI. Global figures are the "J.P.Morgan Global Manufacturing PMI."

**Chart B1-6: Labor Market Conditions in the United States**



Source: Haver.  
 Note: Figures for hard-to-fill job openings are the percentage of small firms with a position they are currently not able to fill.