

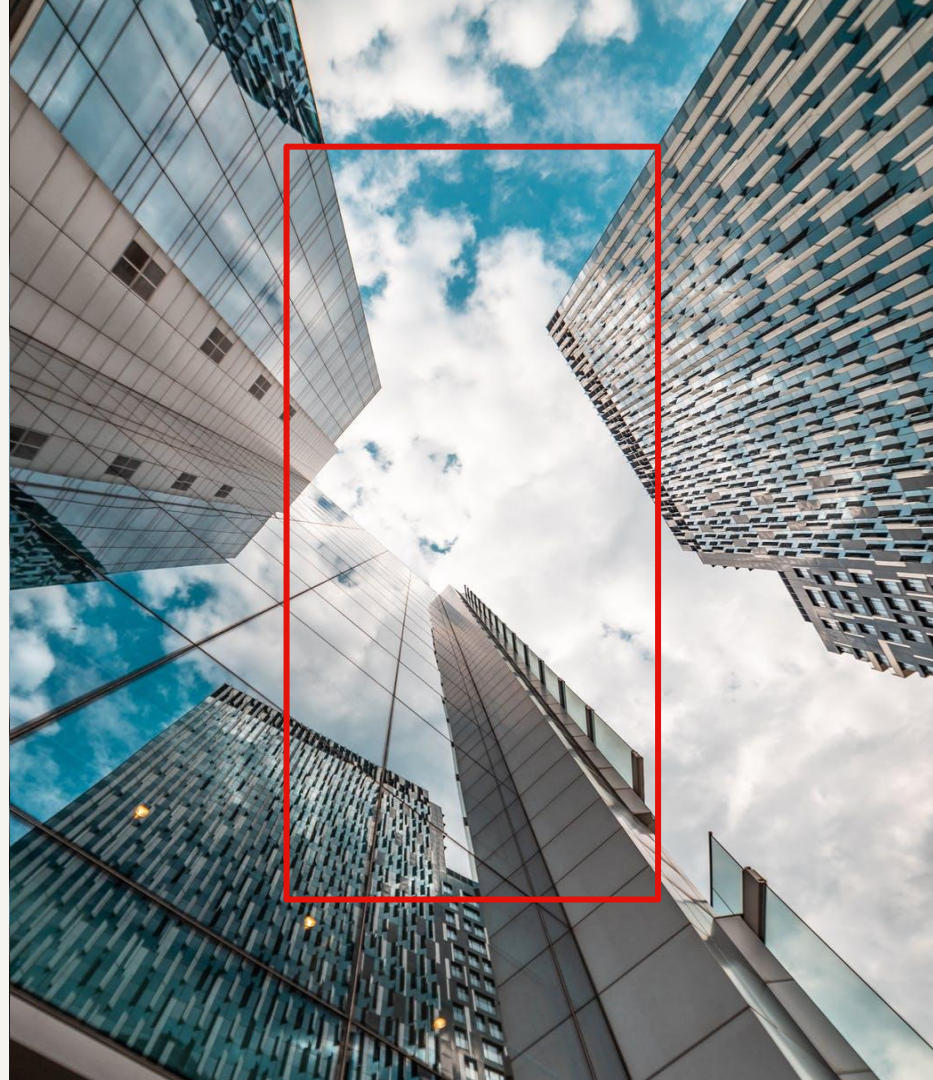
**ECONOMIST
INTELLIGENCE**

Recession averted? Economic and business outlook for 2024 and beyond

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What we will go through today:

- Key global themes and growth outlook
- Recession, inflation and interest rates
- Regional themes
- Finish with a long-term view

In the near-term, the global economy seems to be in better shape

But important longer-term challenges remain

01 Resilient global economy - so far!

- EU; US avoids recession in '23
- China's consumer rebound
- Improvements across developed and developing economies

02 Inflation is falling, but slowly

- Prices of hards > softs
- Renewed demand from China
- Interest rates still high, central banks grapple with debt

03 People are still spending!

- Tourism and services rebound
- Tight labour market gives consumers some staying power

Opportunity: Revenge spending

04 Geopolitics x protectionism

- New era for defense and energy
- Export bans on strategic resources
- Weaponisation of finance, tech

Opportunity: New supply chains

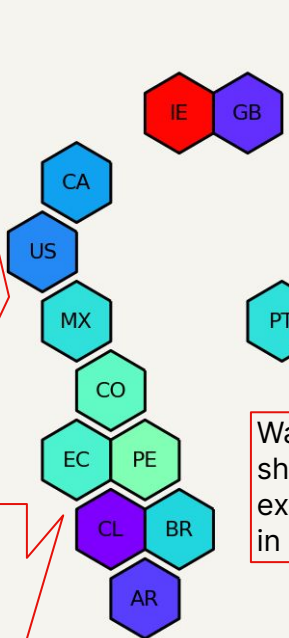
05 The return of China

- Mixed signals for business
- Pent up demand will power 2023 but fragilities remain

Opportunity: Short and long-term trends

Global forecast raised to **2.1**, reflecting modest improvements in US

Consumers in **US** spent big in Q1, mild recession still possible but we expect a soft-ish landing



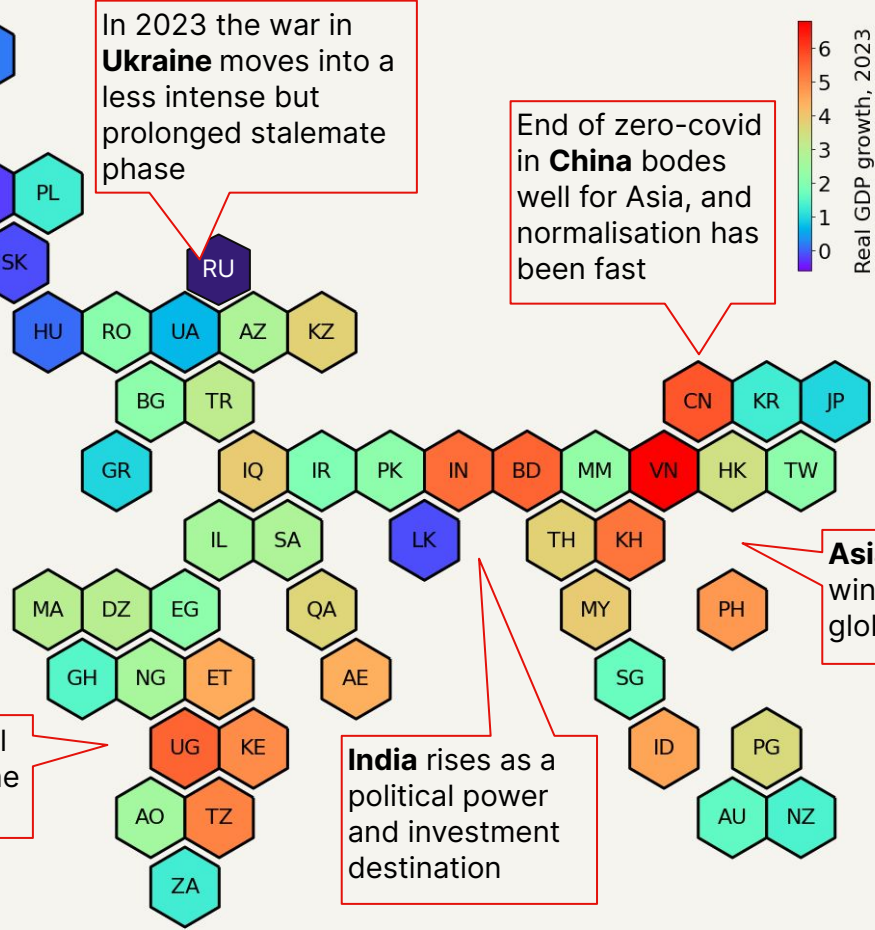
LatAm: New leftist govts facing serious macro dilemmas and scarce \$; ag and mining opportunity

Warmer winter and shallower than expected recessions in **Europe**

Food security, climate change will exacerbate economic issues in the developing world

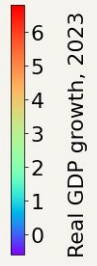
In 2023 the war in **Ukraine** moves into a less intense but prolonged stalemate phase

End of zero-covid in **China** bodes well for Asia, and normalisation has been fast



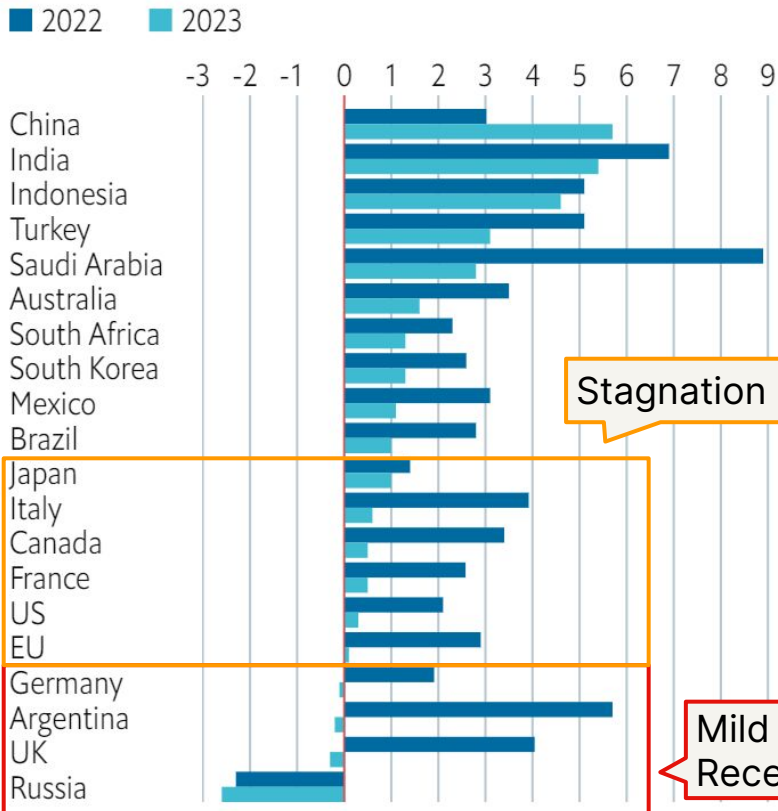
Asia ASEAN a winner from global trends

India rises as a political power and investment destination



Global GDP growth is still expected to slow

Real GDP %; ranked by 2023 growth



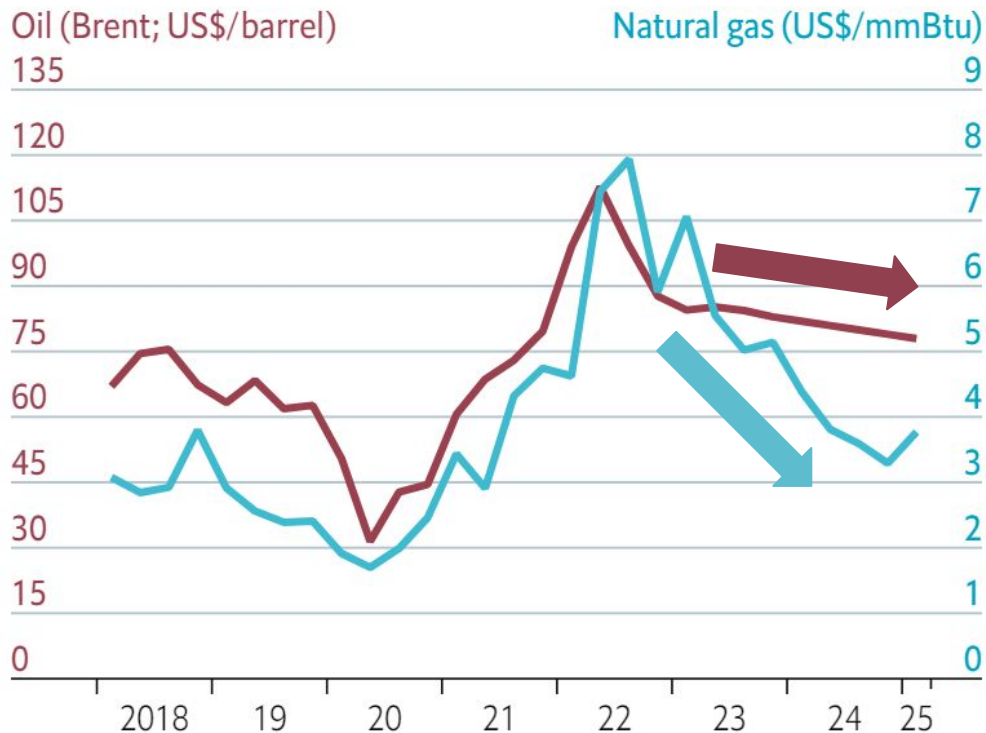
Source: The Economist Intelligence Unit.

China's pivot is good news for most economies

Thanks to a warm winter in Europe and China's zero covid ending suddenly!

- Firmer growth in Asia and a more modest recession in Europe brings world GDP growth from the 1.5% we expected in December to **1.9%**
 - China's covid wave has peaked and life is getting back to normal very fast
 - The war in Ukraine will keep a floor under global energy prices
 - Supply chain strains easing, despite the war
 - Monetary tightening will continue into mid 2023
- US, EU faces stagnation rather than recession, brightening the outlook

Energy prices remain subject to diverging forces



Source: The Economist Intelligence Unit.

Oil prices will stay high

Recession risks amid monetary tightening by OECD central banks

~V.S.~

China's re-opening now a major upside risk

Oil → Average US\$86 a barrel in '23

Permanent demand destruction in the West, combined with the green transition pushes prices downwards in the long term

Gas → Natural gas prices to ease in '23, from historical highs

Demand drop in Asia will reverse with China's re-opening, and EU will begin restocking later this year

Overall long-term trend is downwards

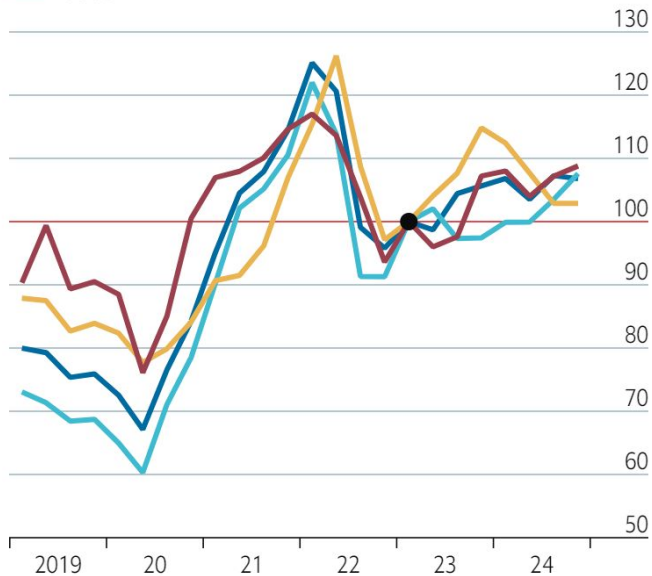
Commodities: Prices to recede in '23-'24 on slowing global demand

Commodity prices may have come down, but remain elevated

Weighted price index (Q1 '23=100)

Industrial raw materials

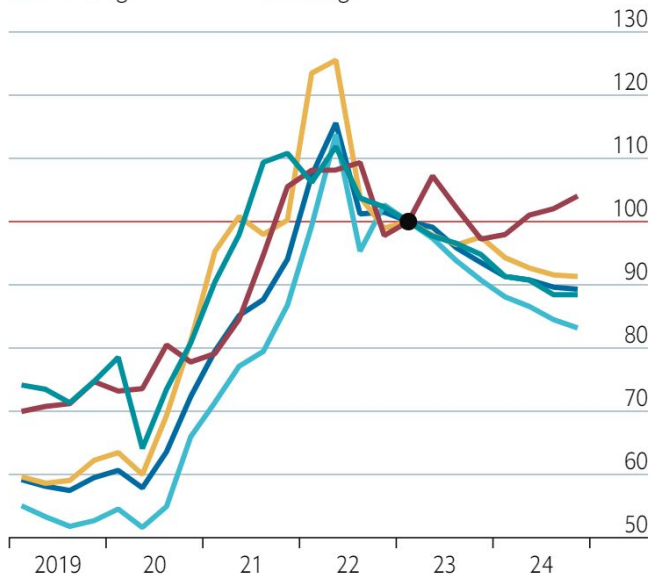
IRM weighted index Metals Fibres
Rubber



Source: The Economist Intelligence Unit.

Food, feedstuff and beverages

FFB weighted index Grains Oilspeeds
Beverage Sugar



Industrials:

Uptick in construction, and green transition from China

Export bans for hard commodities becoming common

Foodstuffs:

Soft commodity prices fall by 8.6%

Risks of fertiliser shortage, extreme weather events lowering production

Inflation has peaked but we are not out of the woods yet

Global inflation was at record-high (9.4%) in 2022, the highest since 1996

Will recede to 6.3% in 2023 and 3.9% in 2024.

But prices still high; food prices still ~60% above 2019 levels.

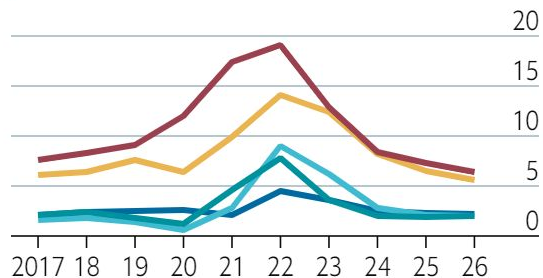
Monetary tightening continues, making credit expensive for businesses and households.

Credit servicing is expensive

No more easy money

Consumer price inflation (% change year on year)

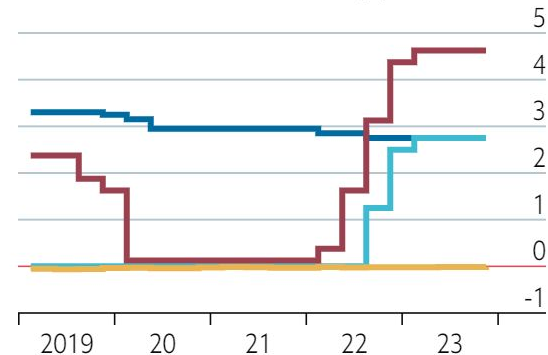
— Asia and Australasia — EU27
— Latin America — Middle East & Africa
— North America



Source: EIU.

Policy interest rate (%)

— China — ECB* — Japan — US†



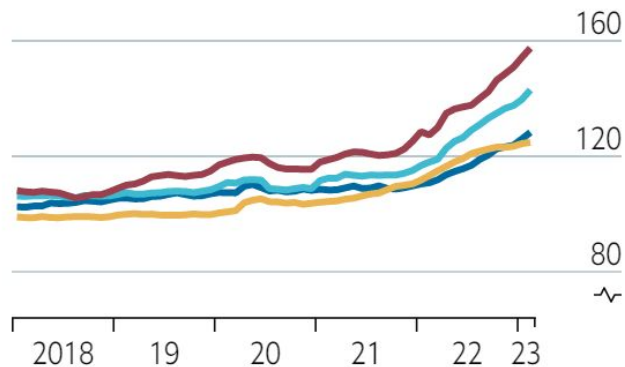
*European Central Bank †Fed funds target

Food price inflation is proving persistent

Retail food prices are still rising as commodity prices ease

(harmonised consumer price index for food, beverages and tobacco; 2015=100)

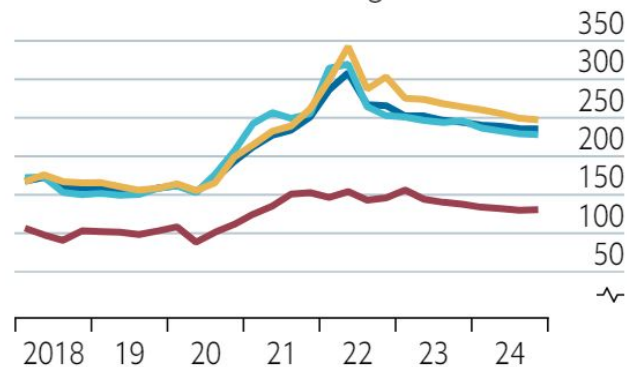
France Germany
US Poland



Sources: Eurostat; EIU.

(EIU food, feedstuff and beverages index; 1990=100*)

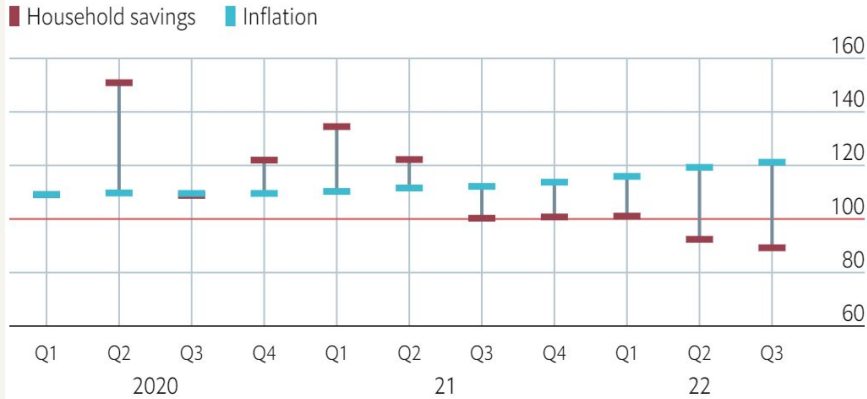
Overall index Oilseeds
Grains Sugar



*Q2-2023 to Q4-24 are EIU forecasts

EU consumers draw down savings to keep pace with price hikes

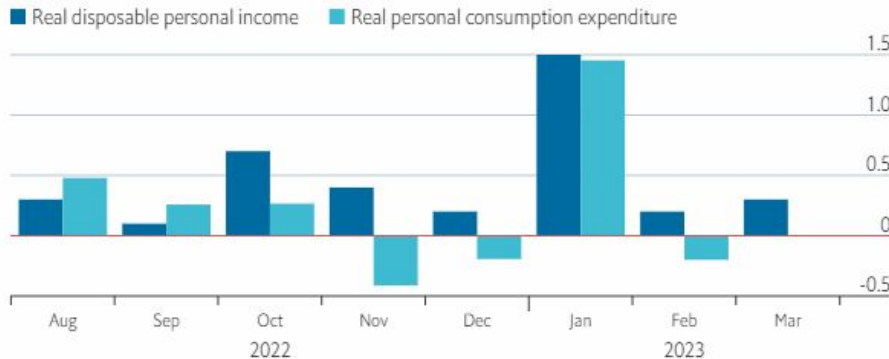
(in %)



Source: Eurostat.

Surge in real incomes and spending in January 2023 was a one-off

(% change month on month; chained 2012 US dollars)

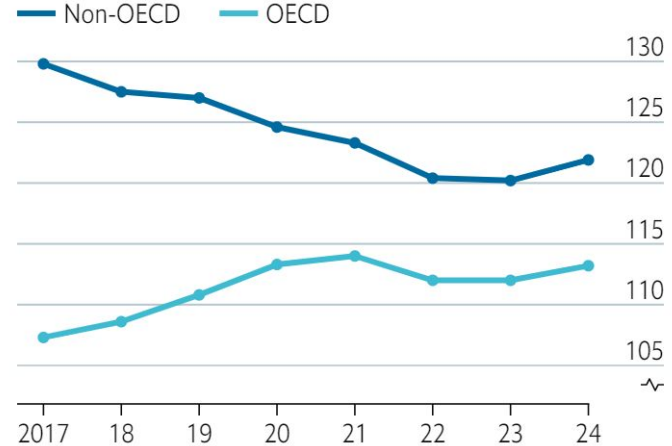


Sources: US Bureau of Economic Analysis; EIU.

Consumers deplete their savings as real wages fall

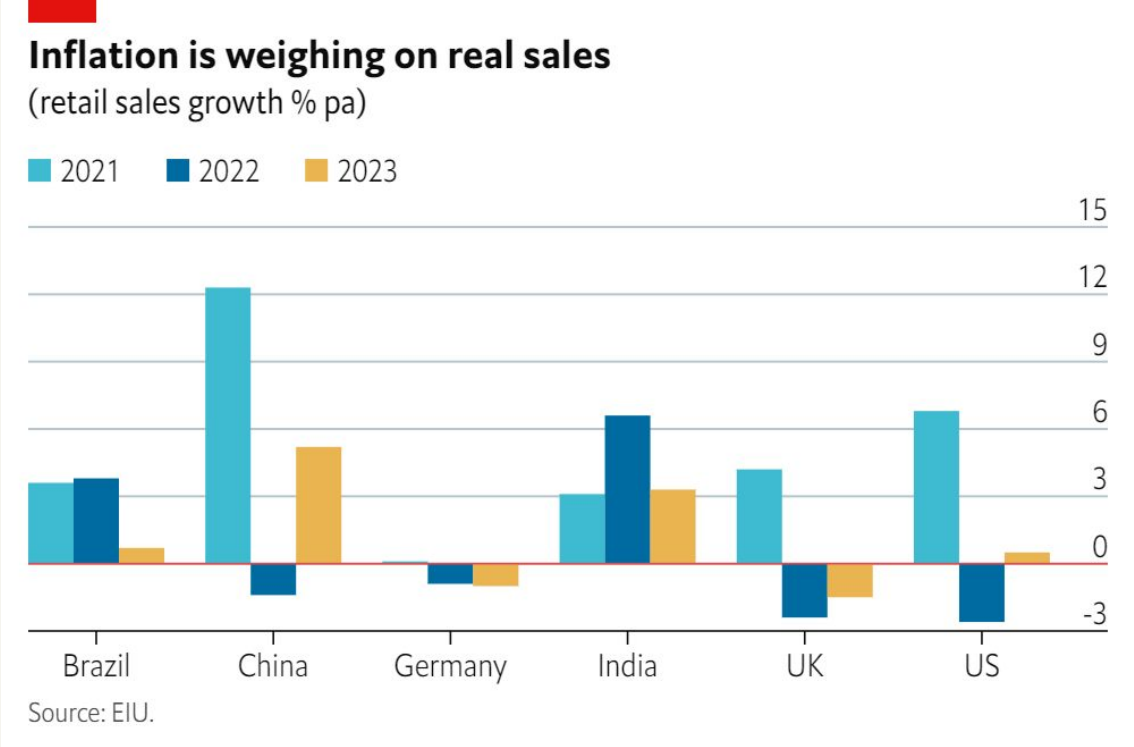
Consumers have lost purchasing power

(average real wage index in local currencies, 2010=100)



Source: EIU.

Cost-of-living crisis largely affecting Western consumers



We expect 1.4% real growth in retail sales in 2023 (following 1.8% in 2022)

In nominal US\$ terms, we forecast >5% growth, driven by still-high prices

The global growth rate masks significant regional differences

Spending patterns diverge from pandemic trends



The pandemic continues to have an impact on consumer spending patterns amid cost-of-living pressures.

Services such as travel and dining out - that were unavailable during the pandemic - have picked up.

This is happening at the expense of household goods (furniture, appliances) as well as apparel - items that consumers splurged on during the lockdowns of 2020-21.

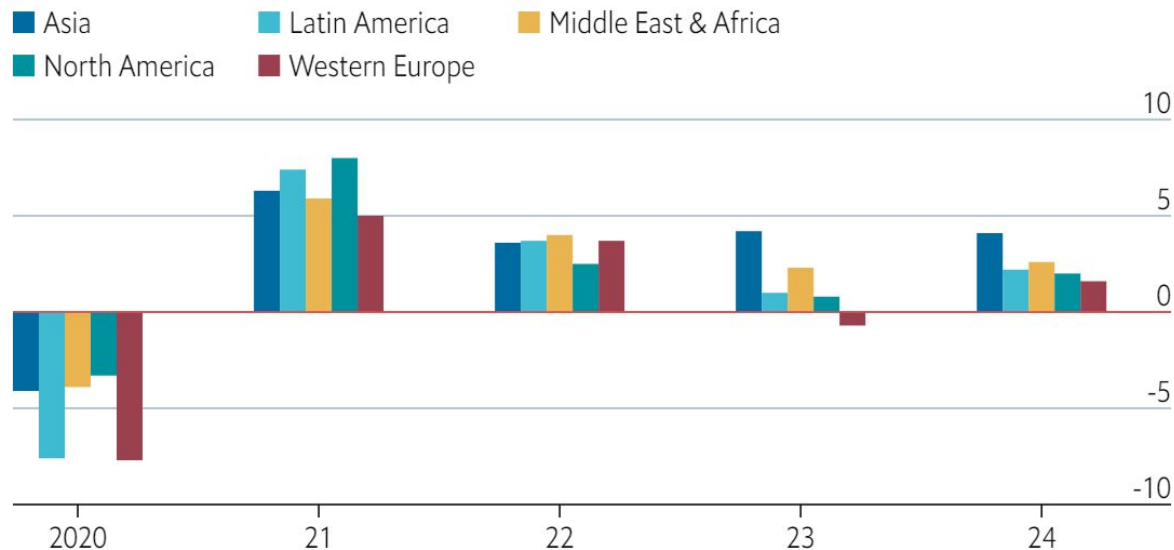
Consumer spending on food and utilities remains high, in line with sticky inflation.

New consumption hotspots will offer opportunities

India, Vietnam, Philippines, Indonesia all to see faster consumption growth than China

Asia and MEA poised for fastest consumption growth

(real % change in private consumption, pa)



Source: EIU.

China deep dive

Consumers spending on domestic travel first: summer flight plan is 150% of 2019

Pressure on middle-class as growth slows and wages stagnate

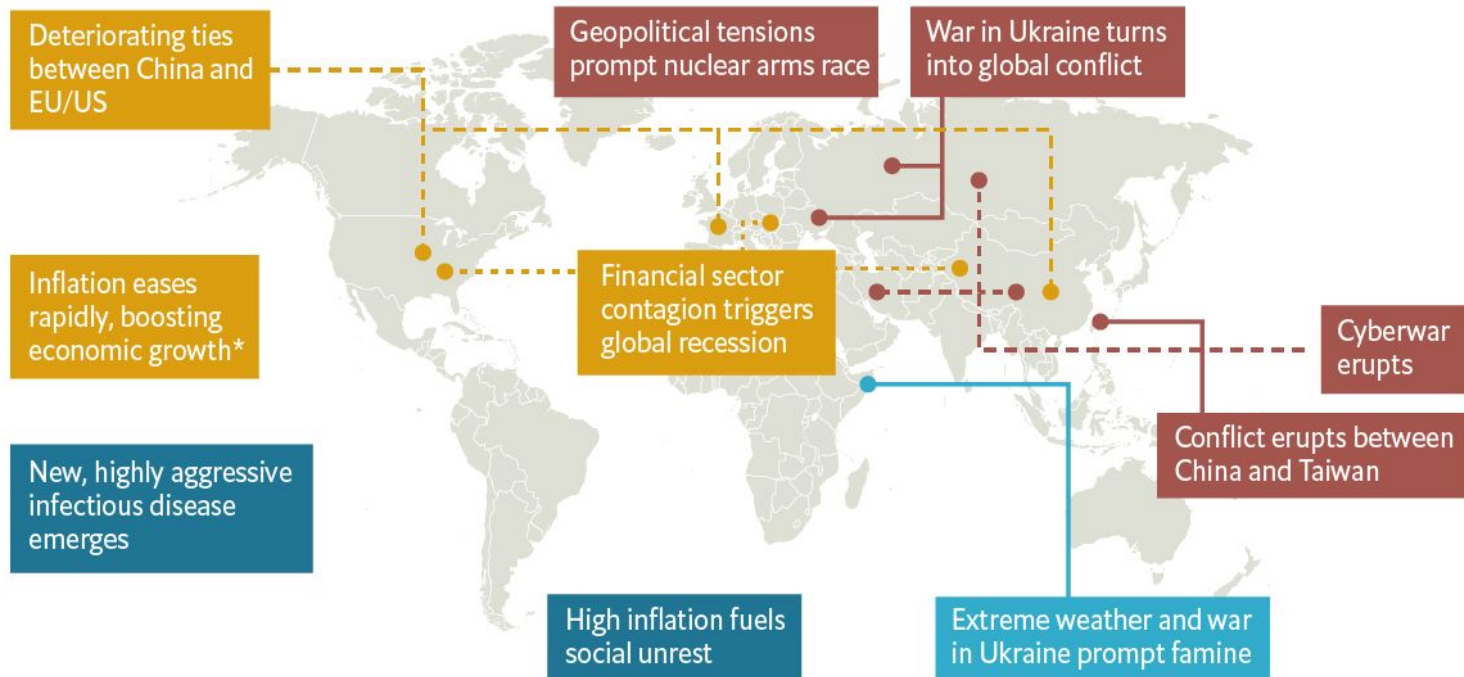
Watch property: higher wealth → confidence to spend

Hobbies and wellbeing driving new patterns, incl in travel

What are the top ten risks for the global economy?

Global risk scenarios

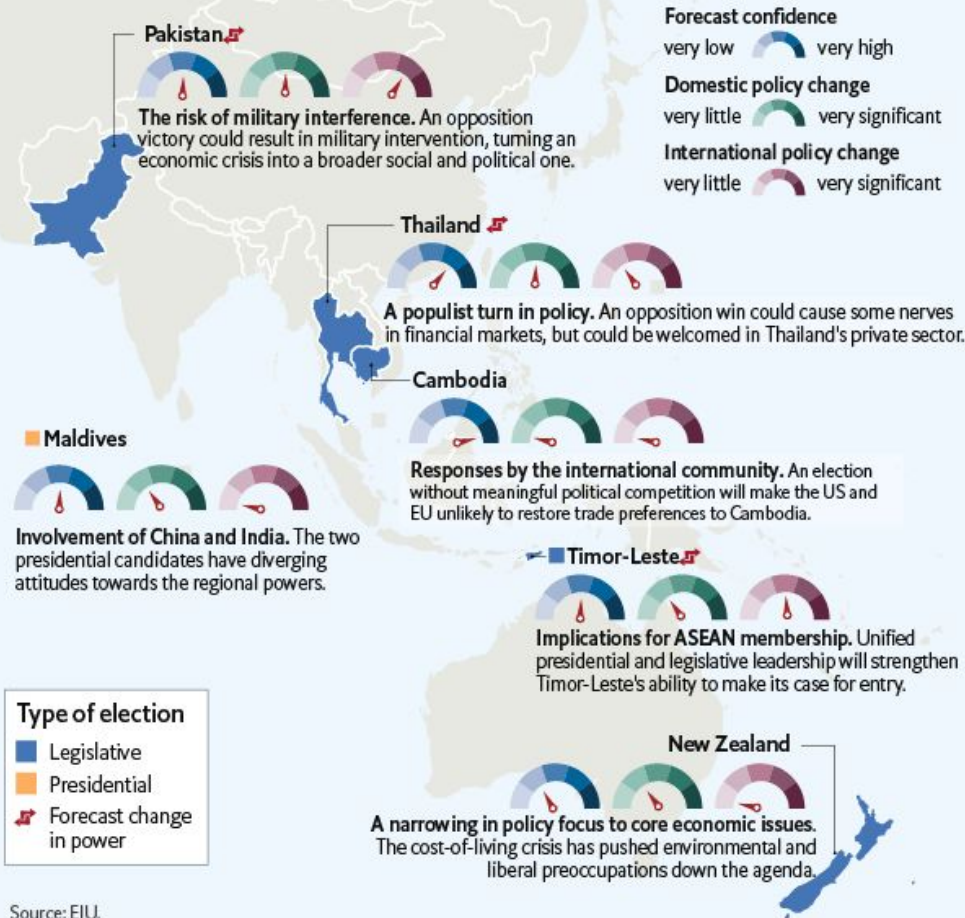
■ Political ■ Military ■ Economic ■ Environmental



Source: EIU.

*Positive scenario.

Asia's elections in 2023: fewer polls, plenty of contention



Political 'risk-off' year: Not that many big elections

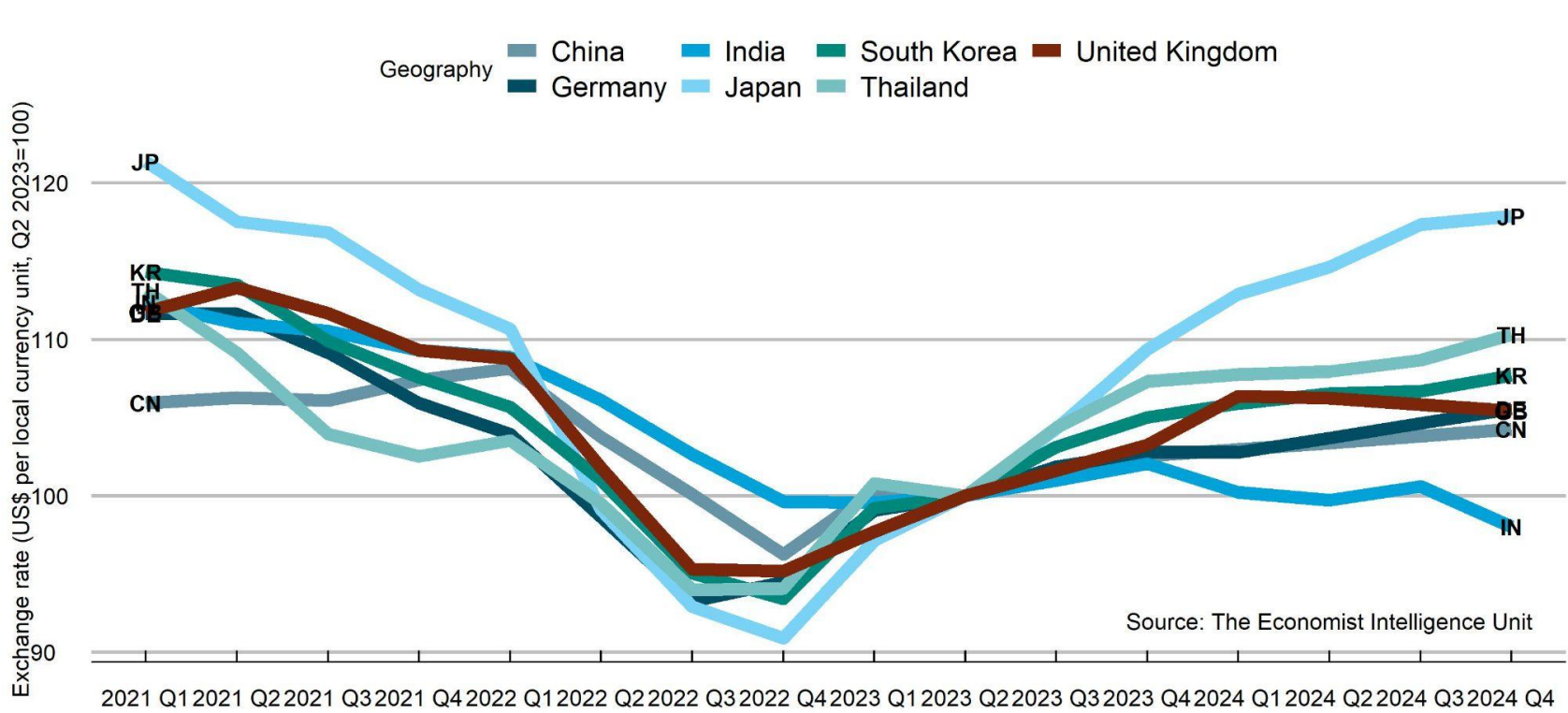
Slowing growth and rising cost of living will make this a bad year to be an incumbent

Opposition victories in the legislative polls scheduled to be held in Pakistan and Thailand

Risk of military interference in Pakistan and Thailand—countries with a history of disruptive army-led coups

Expect political continuity for the most part, as governments grapple with bringing growth on track

Most currencies will keep strengthening against the USD

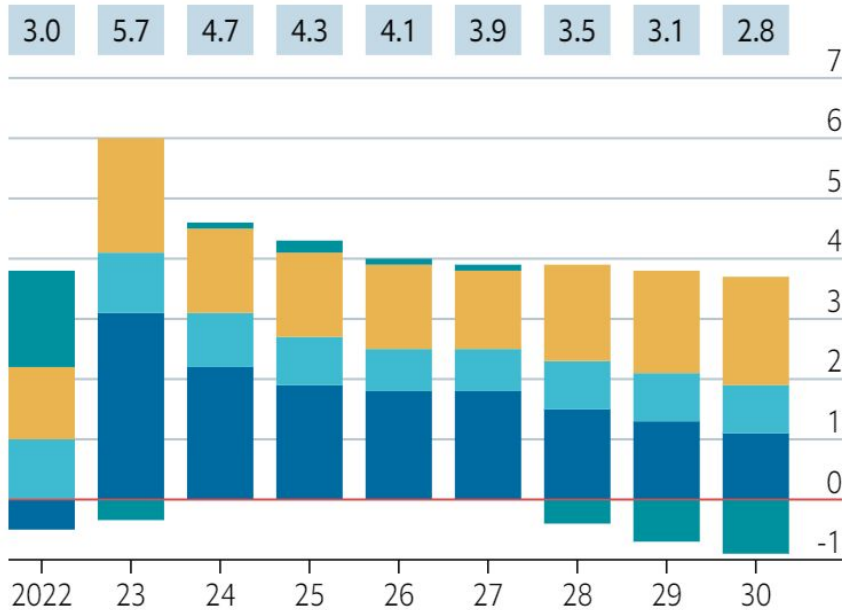


Source: The Economist Intelligence Unit

China: Real GDP will grow 5.7% in 2023, driven by a rebound in private consumption

(real GDP by components; % point contribution)

■ Private consumption ■ Government consumption
■ Investment (incl. stockbuilding) ■ External balance



Source: The Economist Intelligence Unit.

The return of Chinese consumers

- Real GDP growth to accelerate to 5.7% in '23
- Absence of large-scale fiscal stimulus and weak household financial position
- Chinese consumers are more eager for investment than spending options

Institutional overhaul

Key policy areas include:

- Financial service
- Technology
- “Common prosperity”
- Population affairs

Much needed fiscal reform and population policy focusing on long term growth

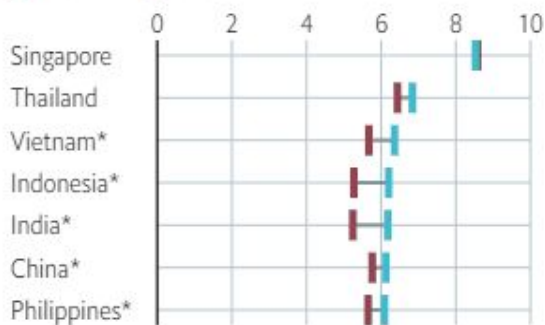
Is this India's time to shine?

India's business environment now competitive with China and South-east Asia

(EIU business environment rating, historic and forecast period; 10=highest score)

Changes in overall rating by market

■ 2018-22 ■ 2023-27



Source: EIU.

Improvements in India's rating versus China

■ 2018-22 ■ 2023-27 ■ China 2023-27



*Indicates rating is below the global average.

India has its moment, as political risk resurfaces in South-east Asia

Improvements to business environment and progress in bilateral trade deals

Large and youthful labour market, progress in transport infrastructure, taxes and trade regulation

Investment has accelerated in the electronics sector, from companies diversifying from China

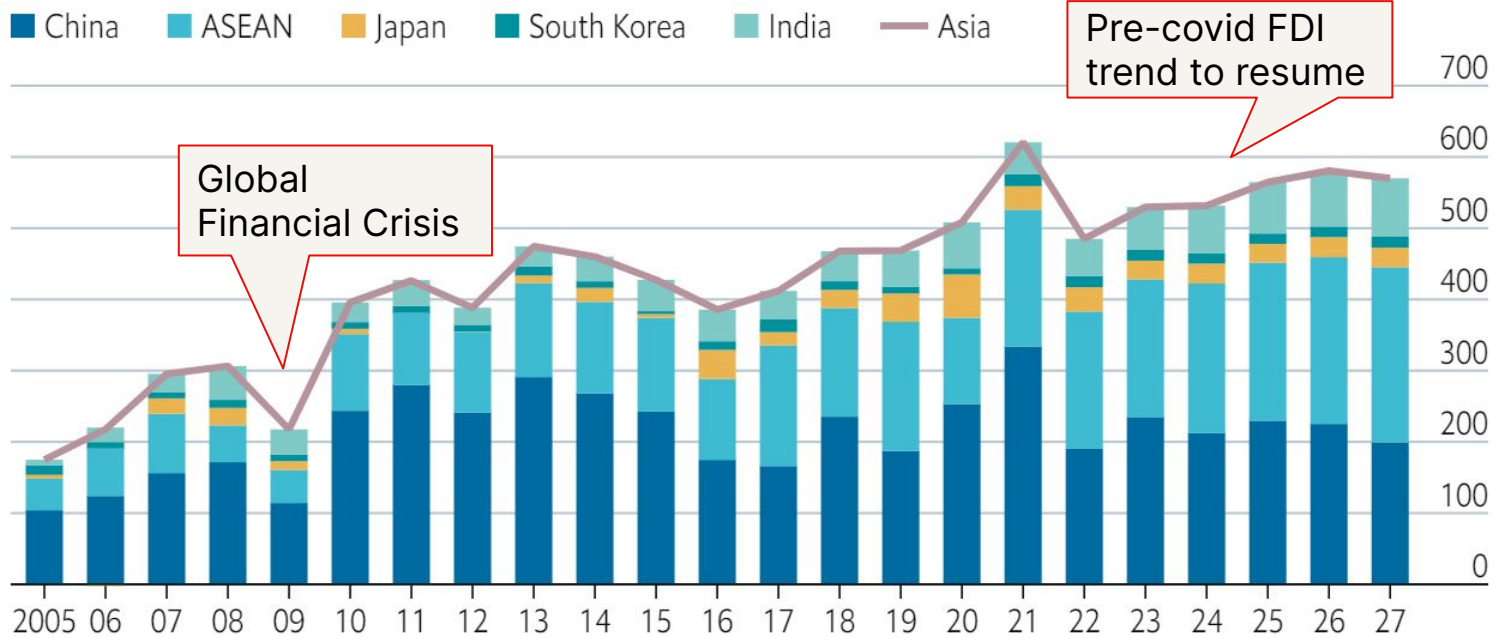
Watch out for:

Still a way to go for regulation, quality control

Geopolitics lead to a change of investment destinations

As FDI growth slows, ASEAN captures a larger share from China

Inward direct investment (US\$bn)



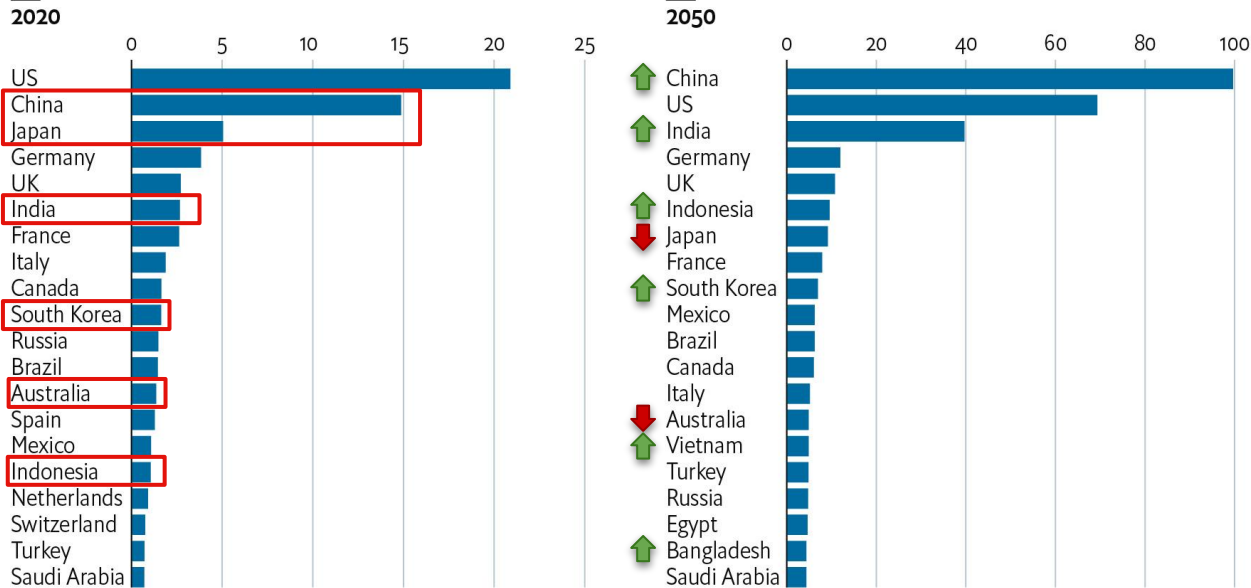
Source: The Economist Intelligence Unit.

Underlying currents

- Stronger preference for reshoring
- Focus on resilience rather than efficiency
- Incentives for domestic production (CHIPS act)
- Localisation remains a challenge

Key takeaways

New as well as some familiar faces in the "G20" of the future (GDP, US\$ trn)



Source: EIU.

- Asia's growth of **3.9%** this year is still ahead of global growth of **1.9%**
- **High interest rates, high inflation** will persist this year, stumping import reliant economies
- Commodity prices are **well off their highs** this year, but will gain some ground
- **Green and digital transitions** will continue to see investments
- **Geopolitics** will remain a major source of business risk

Any questions?



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