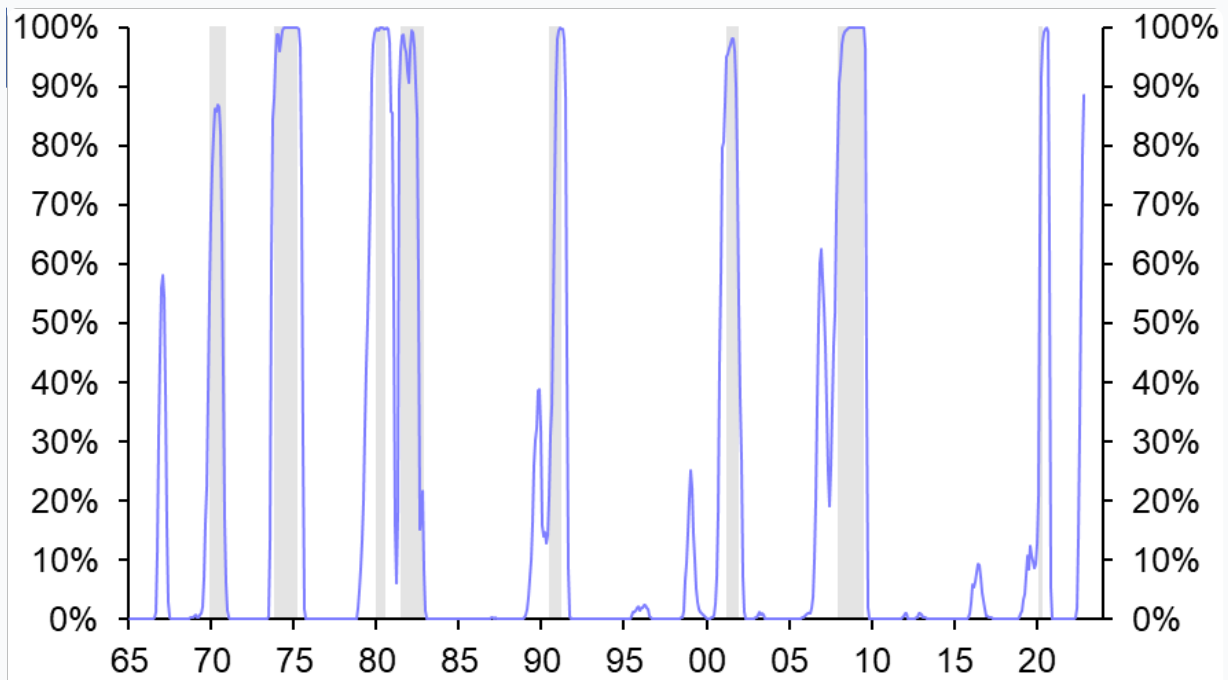




## **The World in 2023: Recession, disinflation – and eventually recovery**

After a year dominated by the war in Ukraine, a massive inflationary surge and equally aggressive central bank response and some extraordinary financial market volatility, what will 2023 bring? Here we set out our core views for the global economy and financial, commodity and property markets for the coming year. Explore the research, register for our online events in January and see our guide to the year's key upside and downside risks.

The World in 2023 reports

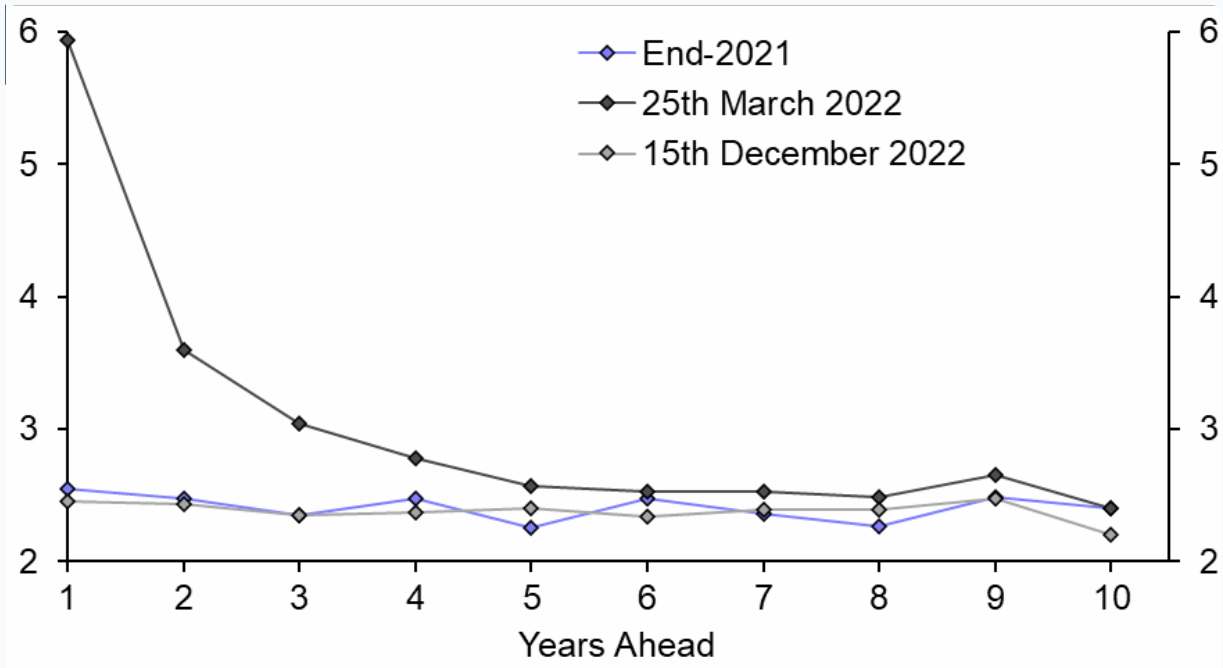


## GLOBAL ECONOMICS UPDATE

### 2023: Recession, disinflation – and eventually recovery

Our 2023 prognosis may be a gloomy one, but there are reasons to expect conditions to brighten a bit by year-end.

15th December 2022 · 6 mins read

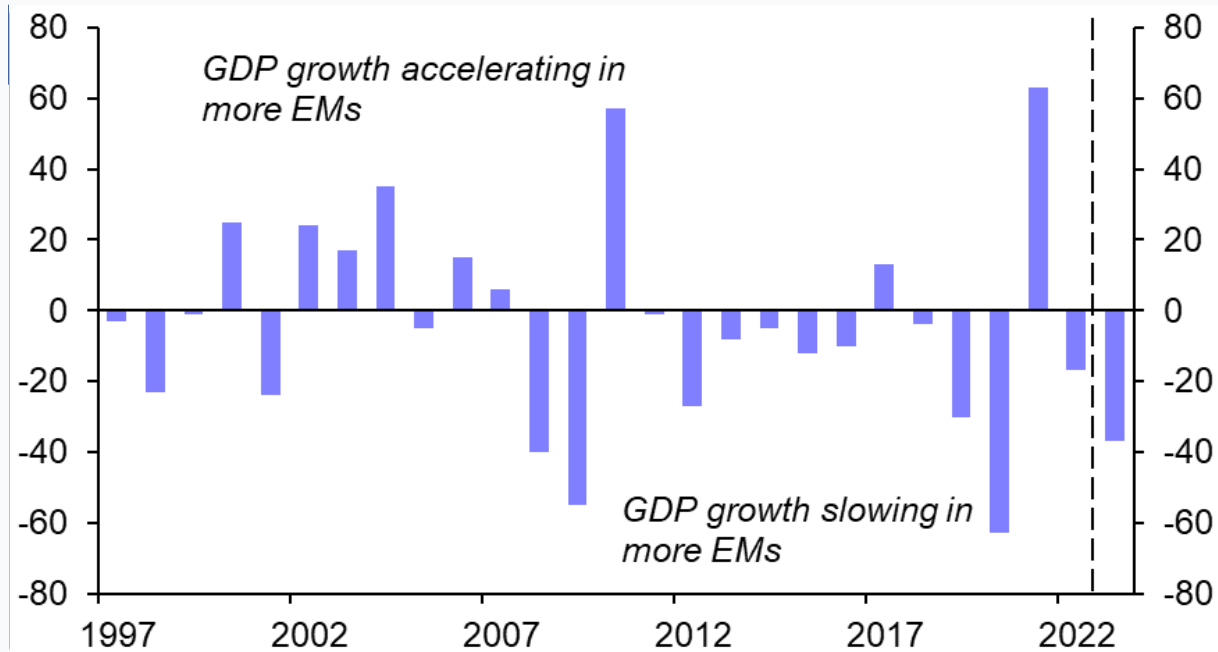


## ASSET ALLOCATION UPDATE

### The World in 2023: What to look for in financial markets

Two of the three topics we expect to dominate the global macroeconomic debate in 2023 – falling inflation and future monetary policy loosening – are now largely priced into markets in the US. The...

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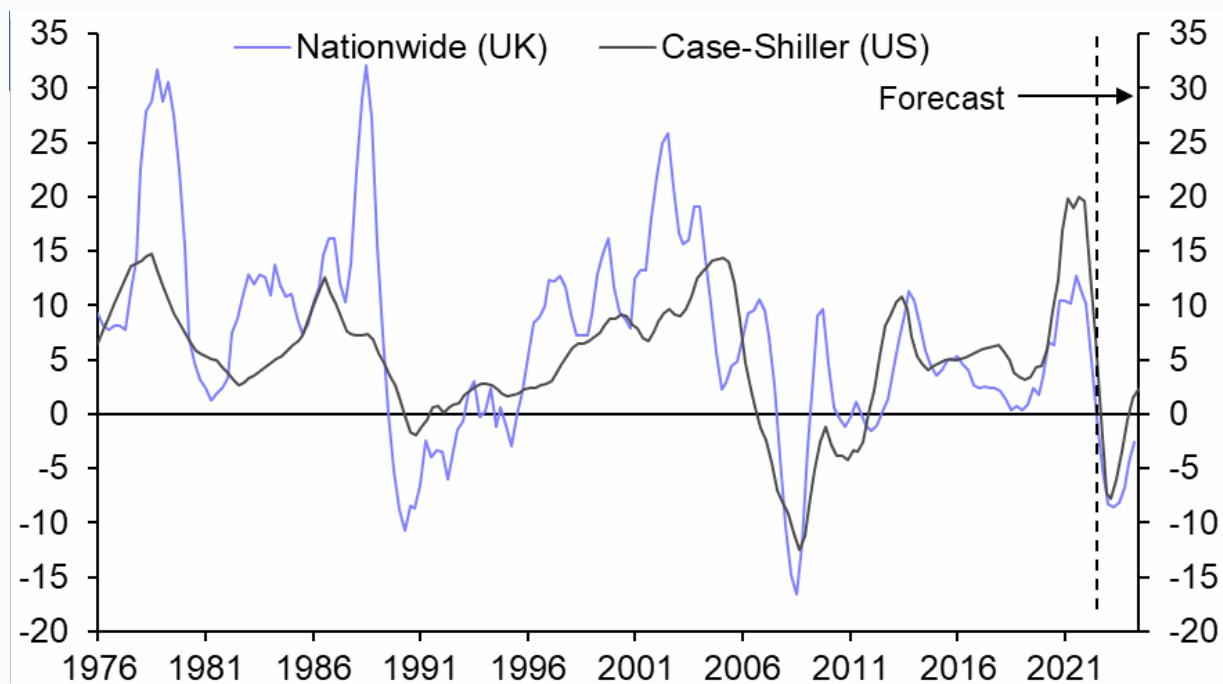


#### EMERGING MARKETS ECONOMICS UPDATE

### The World in 2023: What to watch for in EMs

EMs will experience one of the broadest slowdowns in GDP growth in 2023 since the 1990s. China is one of the few places where growth will accelerate next year, but its move away from zero-COVID will...

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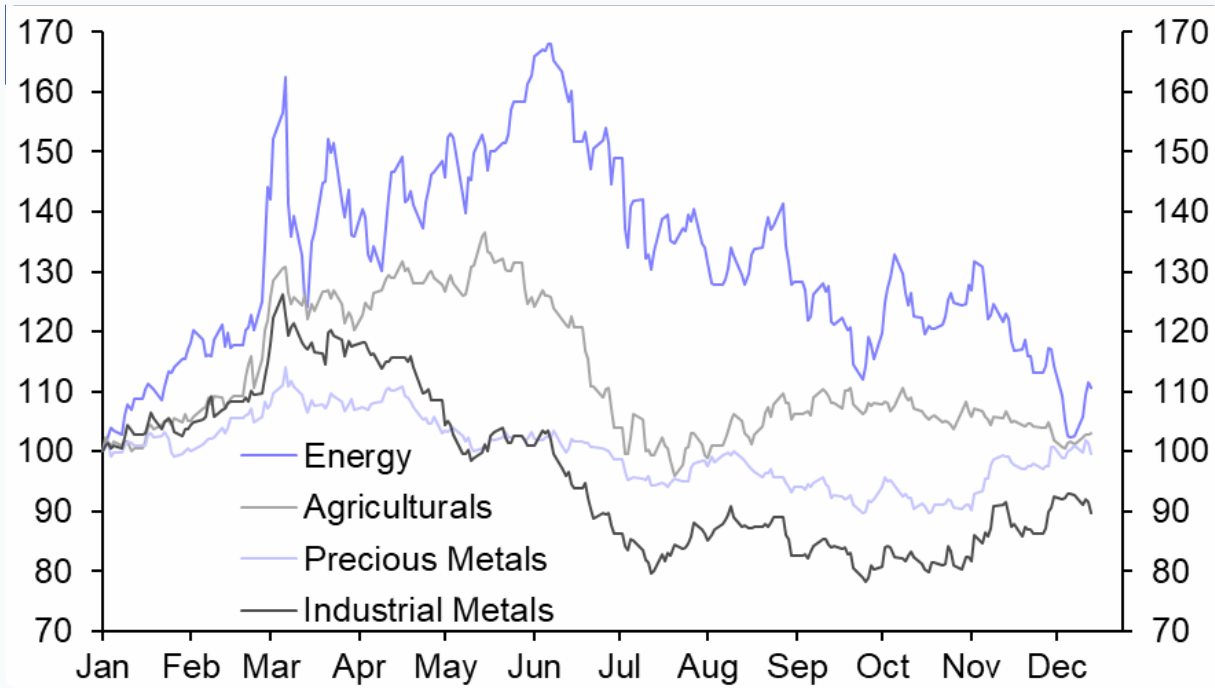


#### US COMMERCIAL PROPERTY UPDATE

### The World in 2023: Property prices to plunge

Property markets rebounded strongly after 2020, in part boosted by favourable structural shifts brought on by the pandemic. But they have hit the buffers in recent months. And fortunes are likely to...

15th December 2022 · 4 mins read



## COMMODITIES UPDATE

### The World in 2023: The outlook for commodity prices

We think most commodity prices will ease back in early 2023, at the height of the global recession and monetary tightening in many major economies. That said, we expect a relatively shallow recession...

16th December 2022 · 5 mins read

### Podcast: Neil Shearing and John Higgins talk 2023

This special episode of The Weekly Briefing includes discussion about recession risk, the China outlook and why we don't think equities have bottomed out yet.

### 2023 Upside/Downside Risks

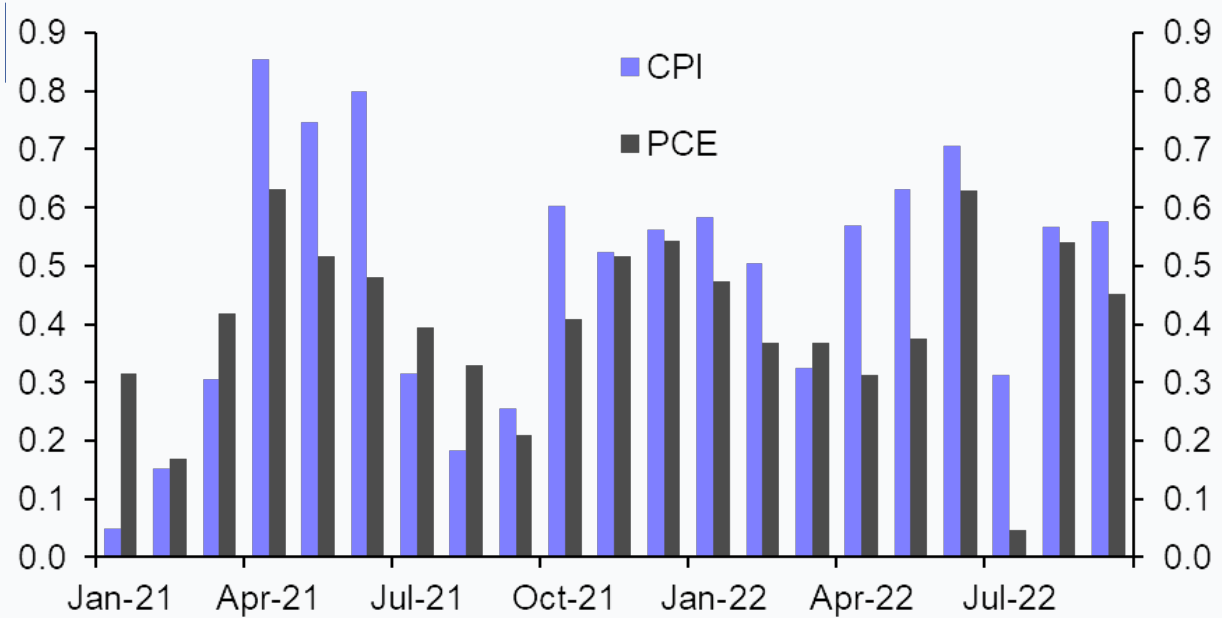
This guide to what could go right and wrong for the global macro and market outlook next year weights the impact of potential risk events against our view on how likely they are to occur.



Risk	Description	Macro/policy implications
<b>Inflation falls faster</b>	Inflation drops back even faster than we envisaged if commodity prices fall and/or core inflation responds quickly to weaker demand and easing supply shortages.	Significant boost to real incomes growth, but could mean less policy tightening or a quicker central bank pivot.
<b>Production snaps back as shortages ease</b>	Easing product shortages might lead output in key industries such as automobiles to snap back quickly, particularly if firms run up depleted inventories.	Output strengthens considerably without an associated rise in price pressures. Central banks need not respond.
<b>End of Ukraine war</b>	While it seems unlikely now, it is possible that a resolution will be found to end the war in Ukraine.	Most sanctions on Russia would stay in place and efforts to decouple would continue. But commodity prices could fall sharply, helping to reduce inflation and remove supply shortages.
<b>Extreme weather event(s)</b>	Floods, droughts and other extreme weather events are a growing risk, not just in small emerging markets but more broadly.	The immediate devastation tends to be short-lived in economic terms. But the effects on commodity supply and prices are longer-lasting and potentially harmful.
<b>An EM debt crisis</b>	Potentially bigger worry than sovereign debt risk is private sector debt in some larger EMs given credit booms and higher borrowing costs	Severe domestic weakness in the economies in question: Brazil, Chile, Korea and Colombia are all candidates. Potential rise in risk premia across EMs.
<b>Intensification of global fracturing</b>	New sanctions on tech exports to China could trigger more forceful Chinese response: diversion of resources within China to strategically-important sectors, retaliatory sanctions on exports, pressure on Western firms in China.	All these moves would harm China's growth in 2023 and beyond. The immediate macro impact on large DMs should be small, though financial markets could react badly and some Western firms may lose market share.
<b>Inflation stickier</b>	Core inflation may prove to be sticky even as headline rates fall if ongoing efforts to bid up wages are successful and serve to boost inflation expectations.	Interest rates might rise further and would almost certainly stay higher for longer than our forecasts assume, denting economic growth.
<b>House price crash</b>	House prices are already falling in many DMs and our forecasts of circa 10% peak-to-trough decline may prove too optimistic, especially if interest rates stay high.	Falls in wealth and consumer confidence would hit spending, especially in DMs. Central banks might reverse course sooner and more aggressively than we assume, but strain on commercial banks might lead to tighter financial conditions regardless

Further insight into 2023 upside/downside risks



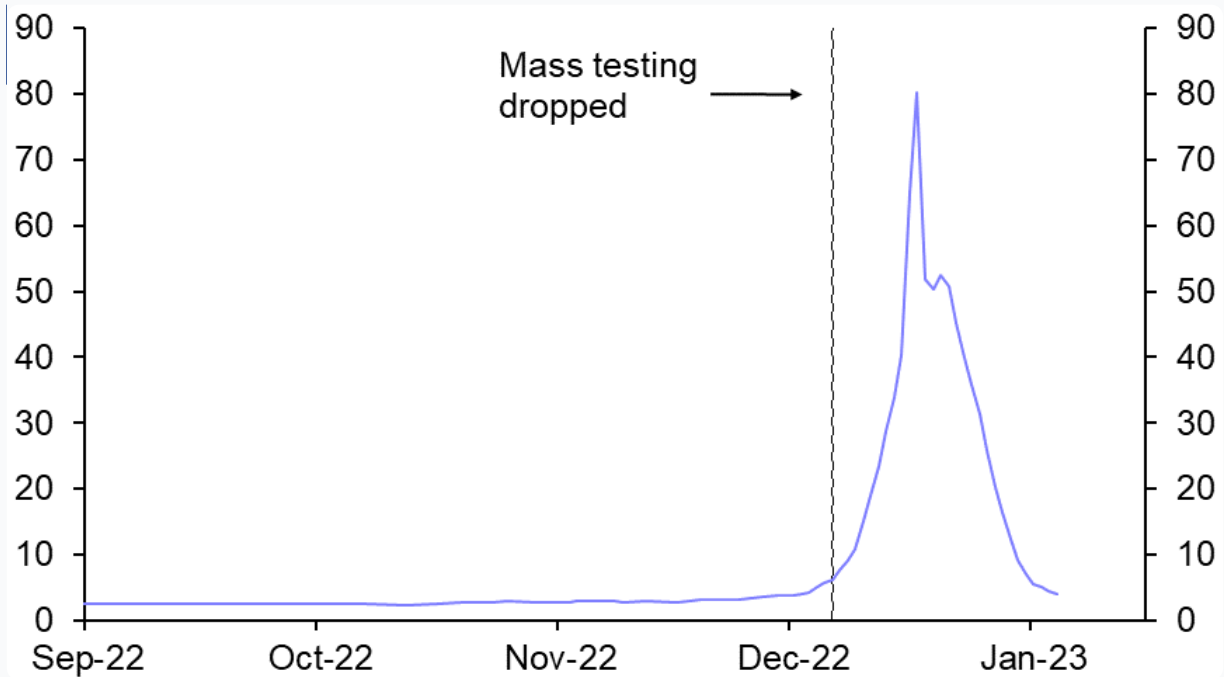


## US ECONOMICS FOCUS

### Broad-based decline in core inflation coming soon

Despite the unanticipated strength in recent months, there are still good reasons to expect core inflation to fall markedly next year. That moderation will not require a deep recession and/or...

2nd November 2022 · 18 mins read

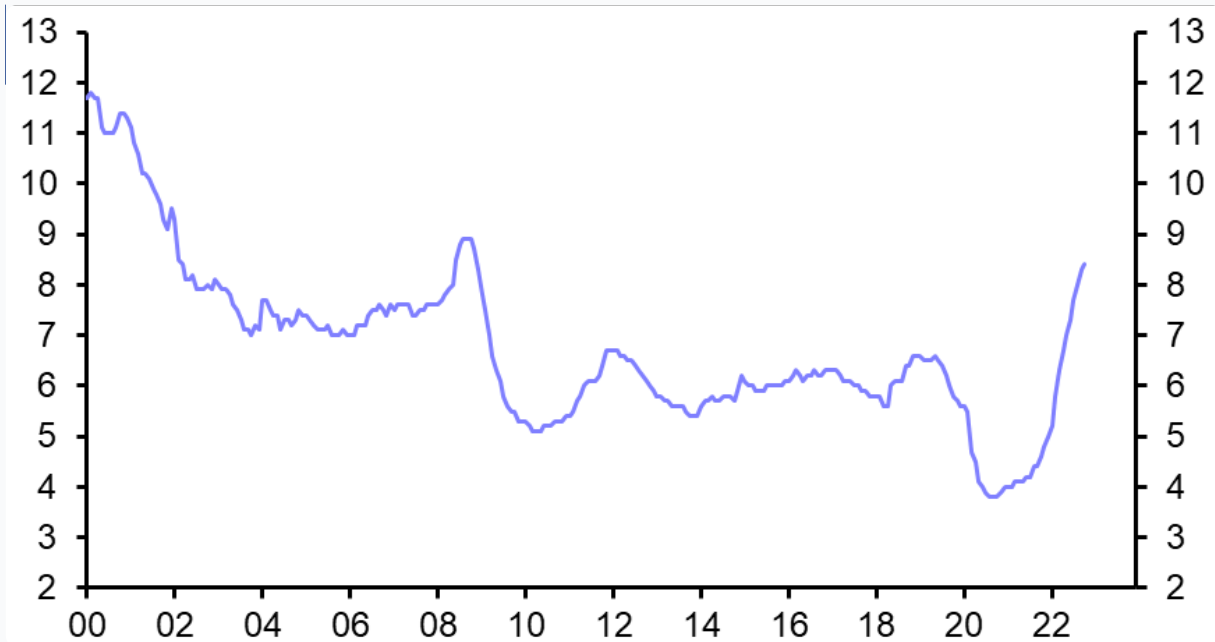


#### CHINA ECONOMICS WEEKLY

### Already past the worst?

New COVID infections across much of China may already be dropping back just as quickly as they surged only a month ago. Shops and streets are getting busier. A full return to normality is probably...

6th January 2023 · 7 mins read

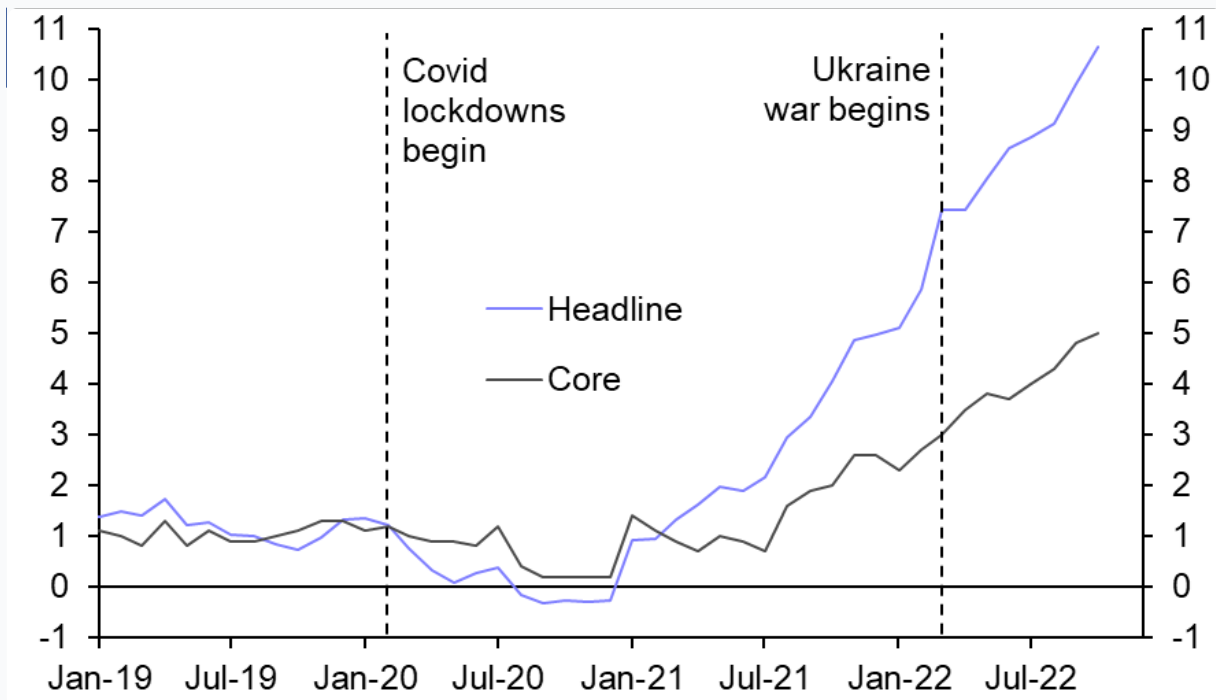


## EMERGING MARKETS ECONOMICS FOCUS

### Higher interest rates exposing private sector debt risks

Higher interest rates and larger private sector debt burdens mean that debt interest service ratios could rise to levels last seen in the 1990s in many EMs next year. This is unlikely to be a major...

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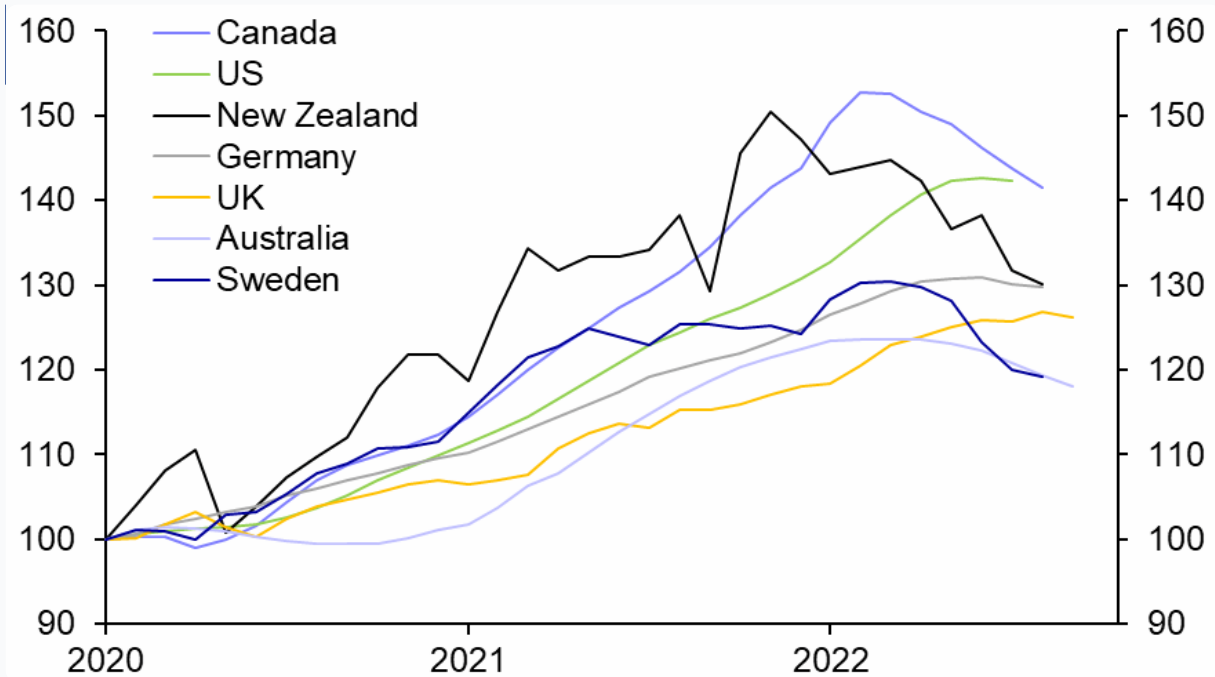


## EUROPE ECONOMICS FOCUS

### Core inflation will stay above 2% until 2025

Next year will be characterised by falling headline inflation, which should help to prevent interest rate expectations and bond yields from rising much further. But we also expect core inflation to...

17th November 2022 · 13 mins read

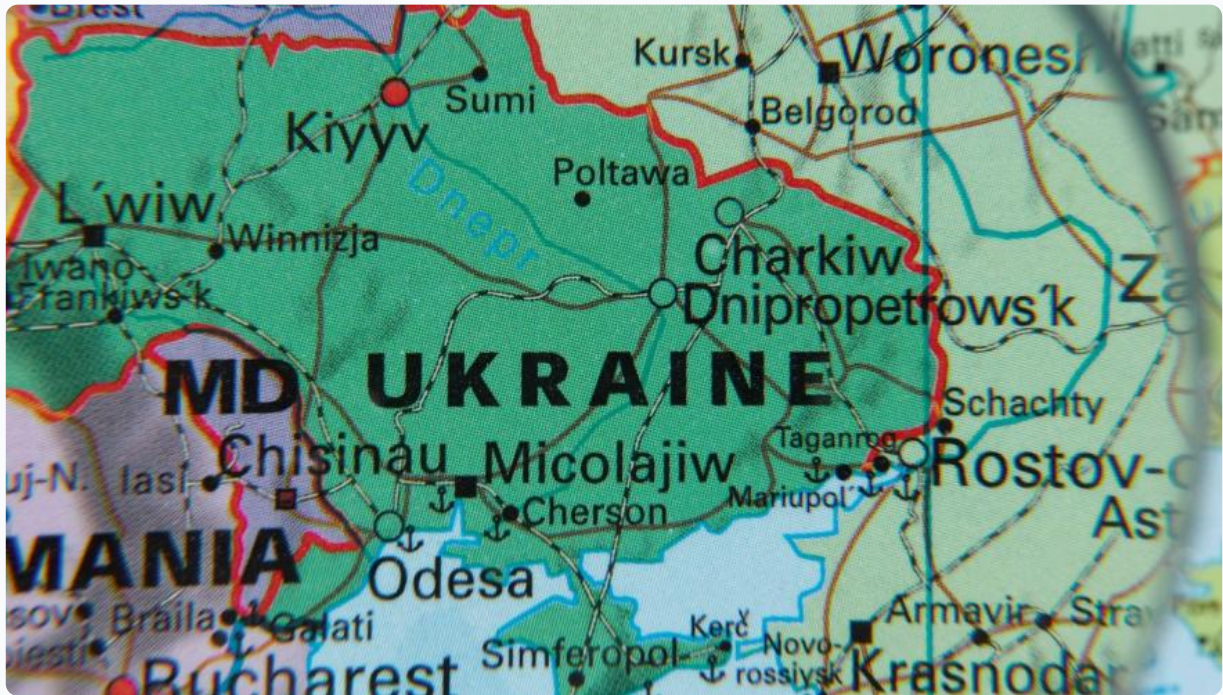


## GLOBAL ECONOMICS UPDATE

### Bigger house price falls loom

One result of the rise in near-term interest rate expectations is a deterioration in the outlook for global housing markets. We already expected house price falls in a handful of countries. Now those...

7th October 2022 · 3 mins read



#### KEY ISSUES

### Russia-Ukraine: The Economic and Market Consequences

Russia's invasion of Ukraine was the singular moment in 2022, and its macro and market effects will ripple into the coming year. This special collection of analysis highlights the key local, regional and global risks around the war and shows how it is shaping economic and market outlooks.

