

Chief Economist's Note

Five key reads from 2022



19th December 2022

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It's that time of year when economists set out their views of what to expect over the next twelve months. You can find our contribution on a dedicated "[World in 2023](#)" page, and listen to our latest [podcast](#), in which I

discuss the macro and market outlook for next year with our Chief Markets Economist, John Higgins.

It comes as no surprise that we've spent most of this year digesting the consequences of the global surge in inflation and the response by policymakers. But we haven't been focused exclusively on these issues and, with holidays around the corner, I'd like to take this opportunity to highlight five pieces that you may have missed:

The return of geopolitics

The war in Ukraine is perhaps the most graphic example yet of how geopolitics has returned as a driver of policy decisions and economic outcomes. We explored this in depth in our annual [Spotlight](#) series. One of the most common questions asked at subsequent client events was how a conflict between [China and Taiwan](#) could unfold and what economic consequences could entail. Our China leads, Mark Williams and Julian Evans-Pritchard, answered it in this piece.

Cyber risks

The Ukraine also sent the risk of Russian cyberattacks on the West soaring up the agenda. Our Senior Economic Adviser, Vicky Redwood, explored the economic consequences of a [cyberattack](#) on critical infrastructure earlier this year. In most cases, a few days of disruption from a cyberattack would not actually put much of a dent in GDP. But, as Vicky argues, an attack on the financial system could have graver consequences.

The end of an era for US equities

US equities have generally outperformed the rest of the world since the Global Financial Crisis but, as Chief Markets Economist John Higgins explains in [this deep-dive analysis](#), past performance is no guarantee of future (relative) returns. He hones in on earnings expectations and the dollar outlook to make the case for an end to outperformance over the long run by mid- to large-cap stocks.

Brazil's growing pains

The year's big story from Latin America was the astonishing victory of Lula in Brazil's presidential election. As 2022 draws to a close, market concerns are centred on his spending plans and fiscal risks. While these are real, there's a more fundamental issue that Brazil's economy has hardly grown in the past decade. Our Chief EM Economist William Jackson explained what underpins [Brazil's growth problem](#) and why Lula's programme for government is unlikely to tackle the problem.

Climate optimism

If all of that sounds gloomy, some positive words to end on from our new Head of Climate Economics, David Oxley. In [this piece](#) he focuses on the proven ways to cut methane emissions in the energy and agricultural sectors and, crucially, how many of these would not only be affordable, but potentially profitable.

If you do manage to get any downtime between now and 2023, I hope these pieces give some food for thought. Wishing you a restful break and a prosperous new year.

Details

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