Allianz

Economic Outlook 23-24: Keep Calm and Carry On

Allianz Research

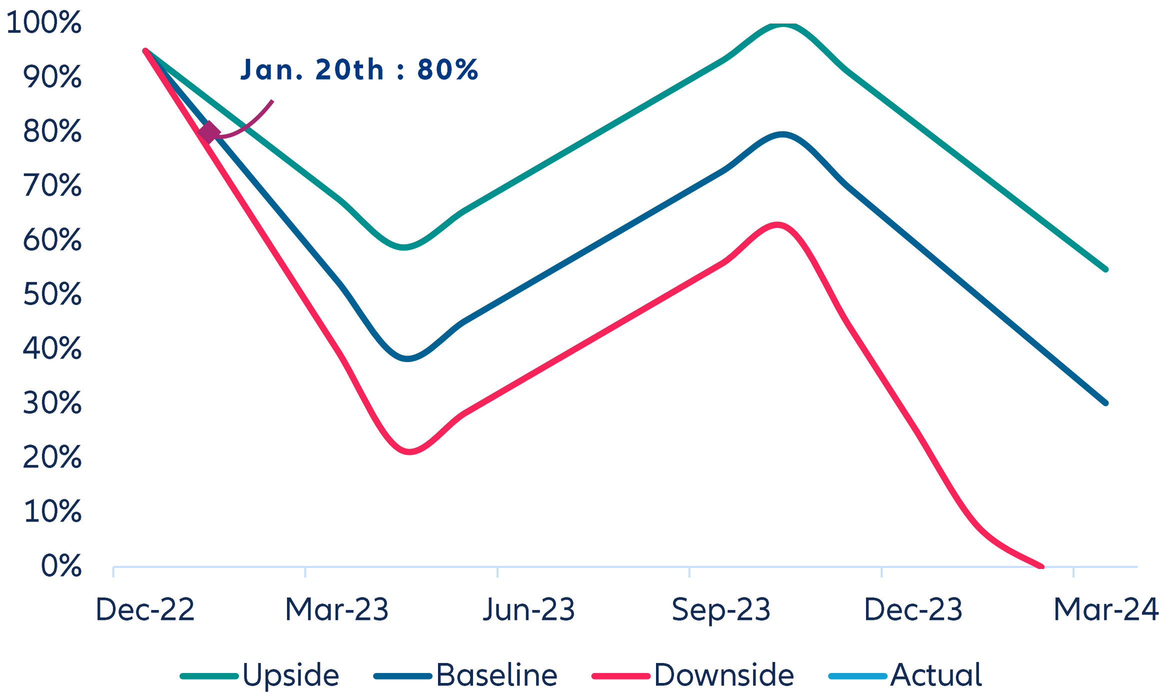
7 February 2023

Global growth is losing steam

Global GDP Growth (%)

Growth (yearly %)	2020	2021	2022f	2023f	2024f
Global (PPP exchange rates)	-3.0	6.1	3.1	1.9	3.1
Global (market exchange rates)	-3.3	6.0	2.9	1.4	2.8
USA	-2.8	6.0	1.9	-0.3	1.6
Latin America	-7.1	6.7	3.3	1.2	2.2
Brazil	-4.2	5.0	2.8	1.1	2.1
UK	-11.0	7.5	4.4	-0.9	0.7
Eurozone	-6.3	5.3	3.3	-0.4	1.0
Germany	-4.1	2.6	1.8	-0.7	0.6
France	-7.9	6.8	2.5	-0.4	0.9
Italy	-9.1	6.7	3.8	-0.3	0.8
Spain	-11.3	5.5	4.6	0.2	1.2
Russia	-2.7	4.7	-2.8	-2.9	1.6
Turkey	1.9	11.4	5.1	1.9	3.8
Central and Eastern Europe	-3.3	5.3	0.3	0.2	2.5
Poland	-2.0	6.8	5.5	0.7	2.3
Asia-Pacific	-1.0	6.1	3.2	3.6	4.5
China	2.2	8.1	2.8	4.0	5.2
Japan	-4.7	1.7	1.4	0.8	1.1
Middle East	-4.2	3.9	5.6	3.4	2.6
Saudi Arabia	-4.1	3.2	10.2	4.9	3.1
Africa	-1.7	5.8	3.2	3.1	3.5
South Africa	-6.3	4.9	1.8	1.5	1.4

Europe Gas Storage Scenarios



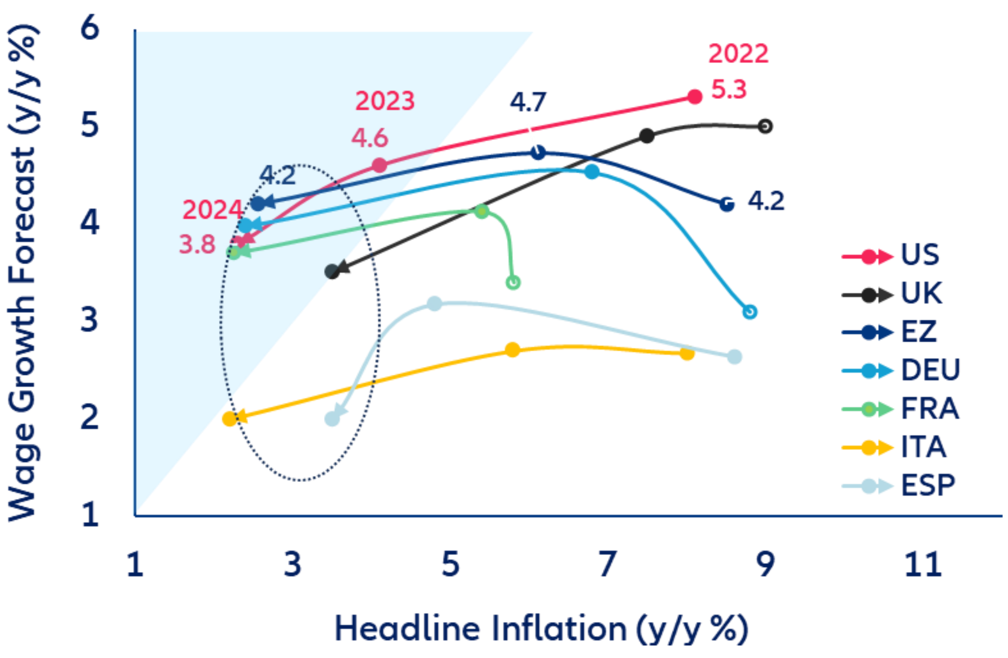
Sources: ENTSO-G, Allianz Research

Global inflation to remain >6% in 2023 amid slowly declining wage pressures

Global Inflation (%)

Inflation (yearly %)	2020	2021	2022f	2023f	2024f
Global	2.6	4.3	8.6	6.4	3.9
USA	1.3	4.7	8.1	4.1	2.3
Latin America	11.8	13.9	16.2	14.2	10.3
Brazil	3.2	8.3	9.6	4.8	3.6
UK	0.9	2.6	9.0	7.5	3.5
Eurozone	0.3	2.6	8.5	6.1	2.6
Germany	0.5	3.1	8.8	6.8	2.4
France	0.5	1.6	5.8	5.4	2.3
Italy	-0.1	1.9	8.0	5.8	2.2
Spain	-0.3	3.1	8.6	4.8	3.5
Russia	3.4	6.7	14.0	12.0	7.9
Turkey	12.3	19.6	72.6	36.1	20.6
Central and Eastern Europe	4.5	8.1	14.8	11.8	5.6
Poland	3.4	5.1	14.5	11.8	5.5
Asia-Pacific	2.2	1.7	3.7	3.2	2.7
China	2.5	0.9	2.0	2.2	2.4
Japan	-0.0	-0.2	2.3	1.9	1.5
India	6.6	5.1	7.0	5.8	4.7
Middle East	9.9	15.8	25.0	21.6	12.9
Saudi Arabia	3.5	3.1	2.5	2.6	2.1
Africa	10.0	12.4	17.5	14.1	8.8
South Africa	3.3	4.6	7.0	5.1	4.7

Wage Growth and Inflation

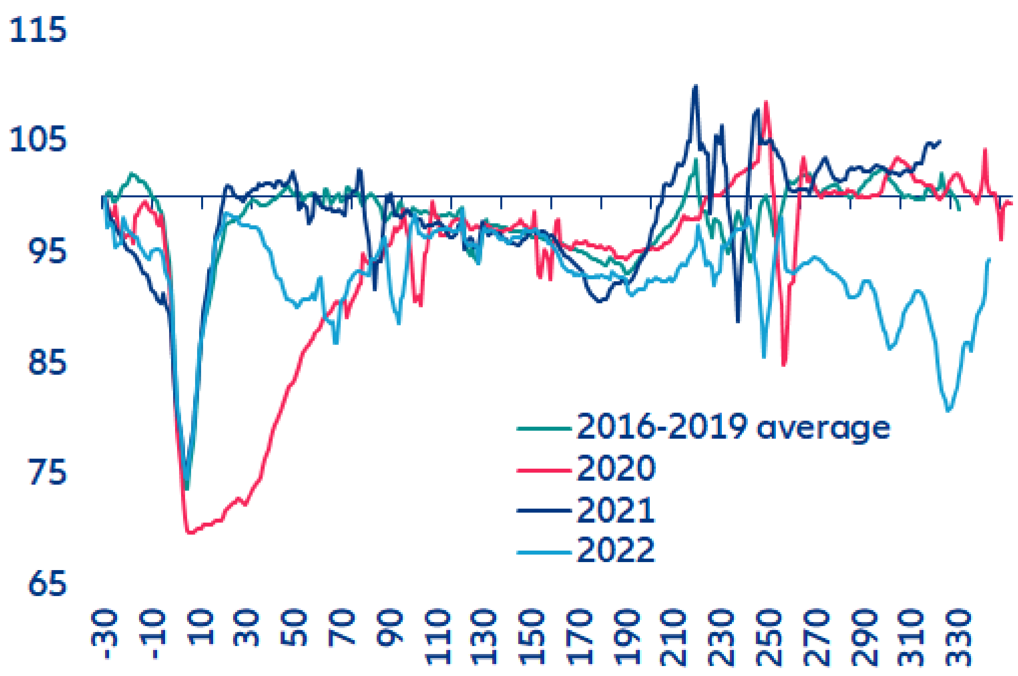


Sources: Refinitiv Datastream, Allianz Research

Recent easing of Covid-19 restrictions won’t prevent difficult winter months

Mobility remains significantly below normal

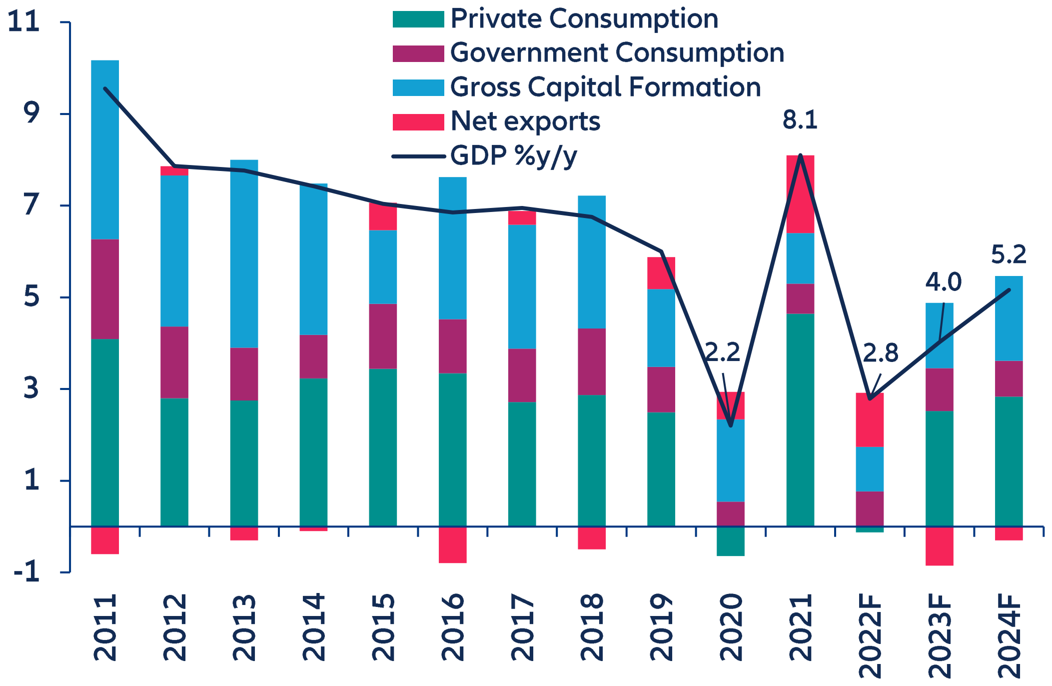
Traffic congestion index* (100 = 30 days before Chinese New Year)



Sources: Macrobond, Allianz Research
* population-weighted average of 100 cities

Recovery in 2023-2024

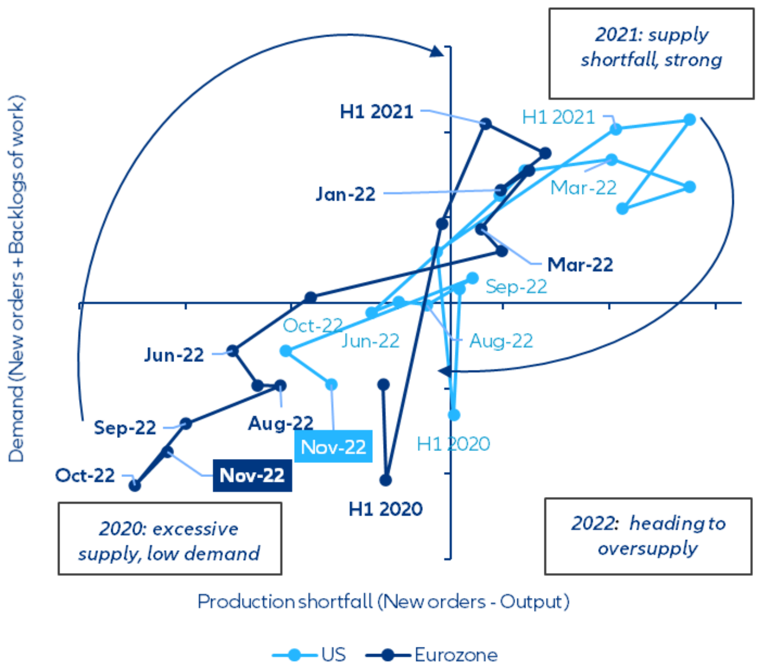
GDP growth (%) and contributions (pp)



Sources: official sources, Allianz Research

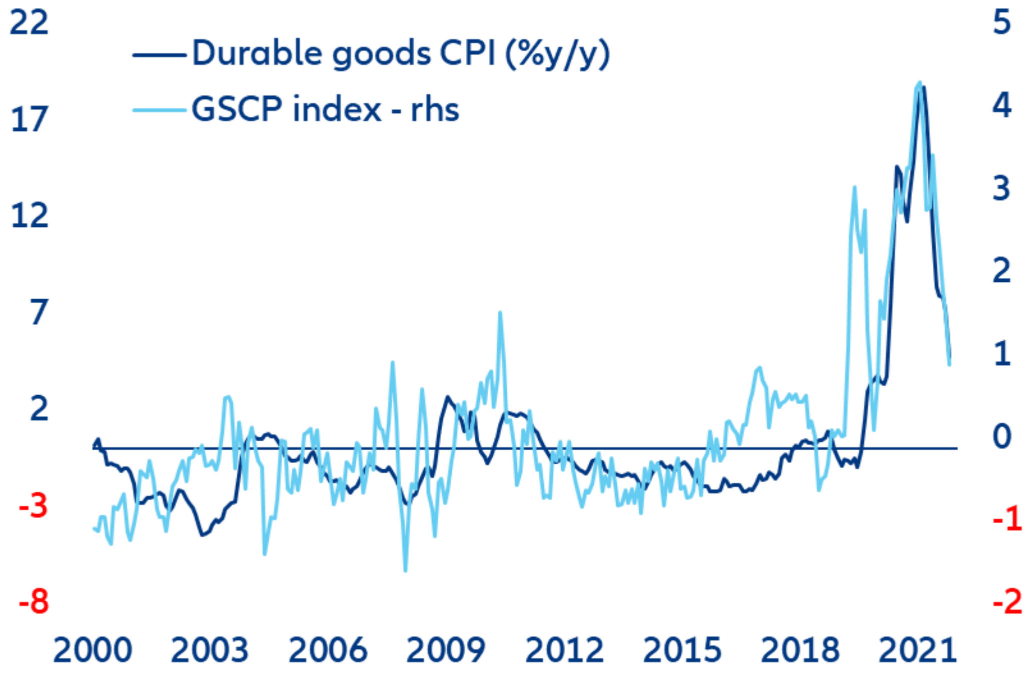
Declining supply chain pressures given slowing demand and oversupply

Increased production capacity and quickly slowing demand…



Sources: S&P Global, Allianz Research

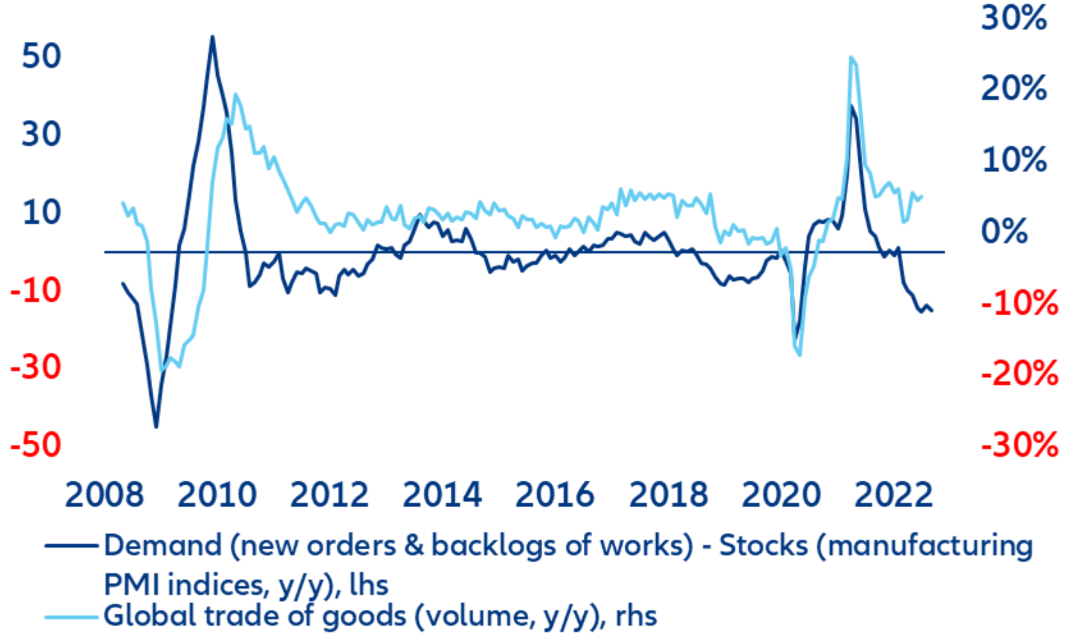
…are easing supply-chain pressures



Sources: Refinitiv Datastream, Allianz Research

Sharp slowdown in global trade in 2023, before a mild recovery in 2024

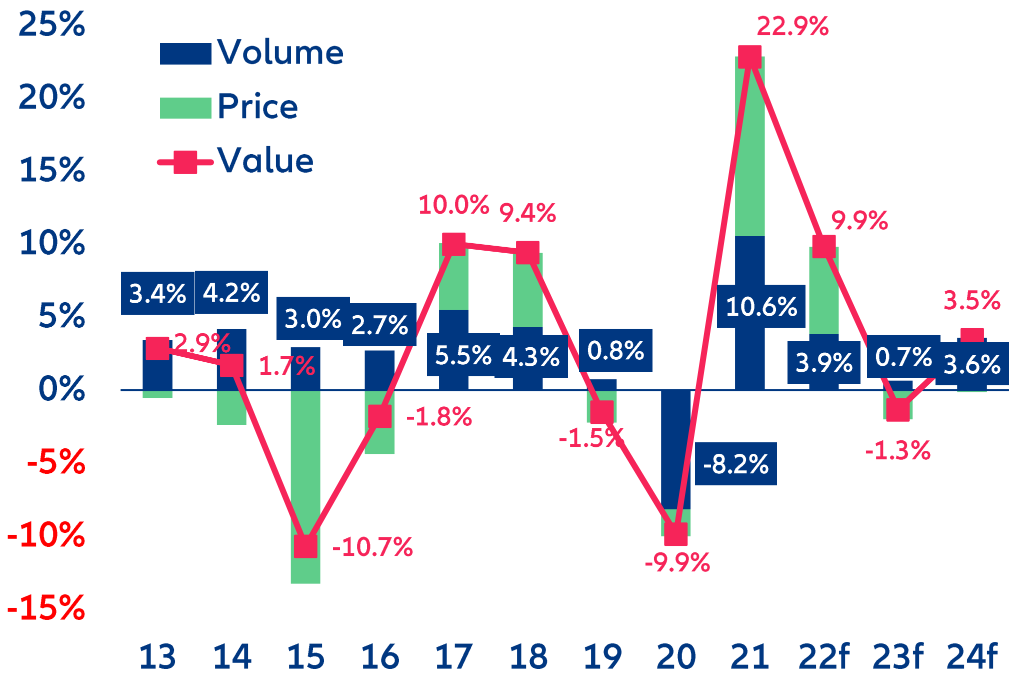
Global trade of goods roughly holding up until Q3 last year



Sources: Markit, Allianz Research

But both volume and price corrections are coming

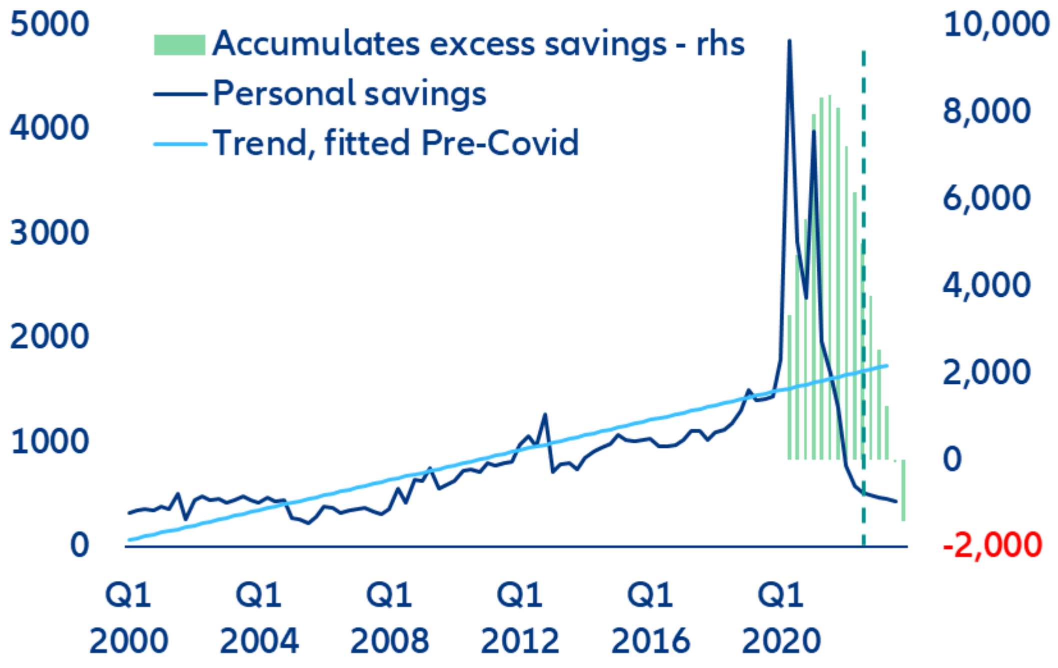
Global trade in goods and services, growth (%)



Sources: National authorities, Refinitiv Datastream, Allianz Research

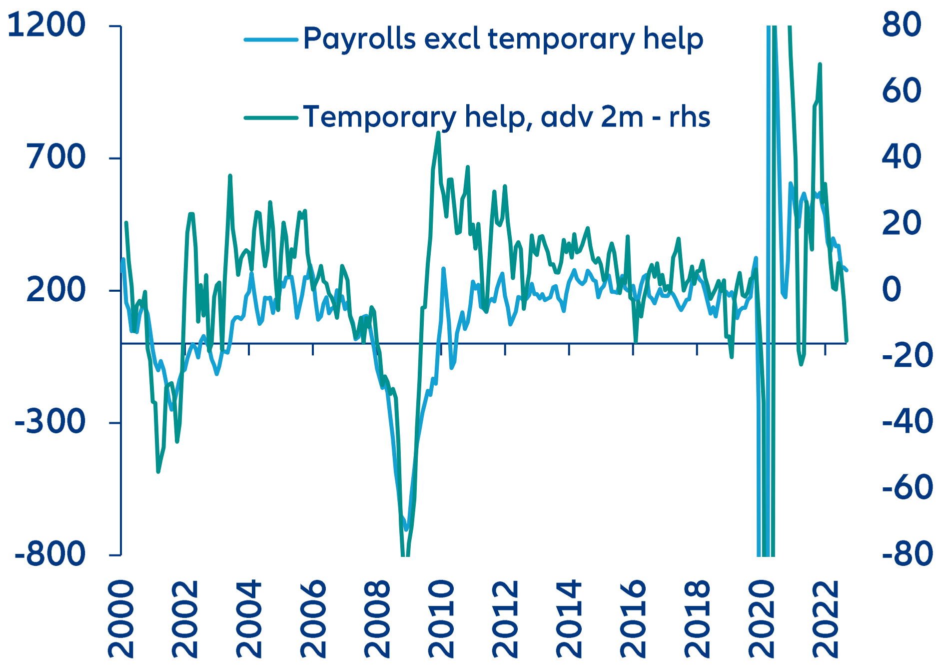
Consumer and labor market resilience will not last

Households are digging into their savings in order to keep spending



Sources: Refinitiv Datastream, Allianz Research

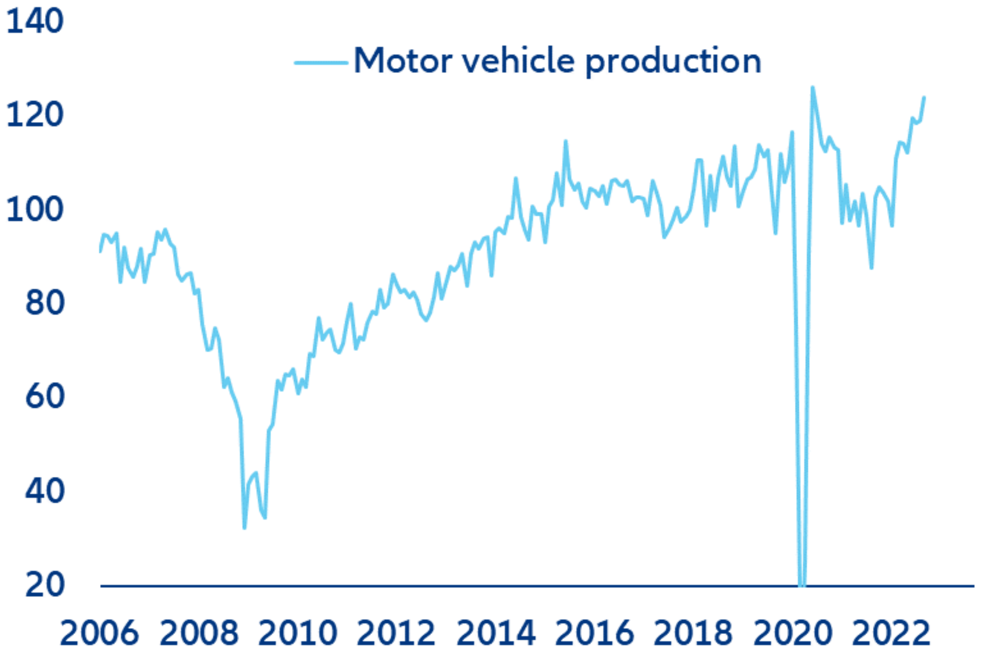
The forward-looking indicators point to a rapid slowdown in employment (000s 3m average)



Sources: Refinitiv Datastream, Allianz Research

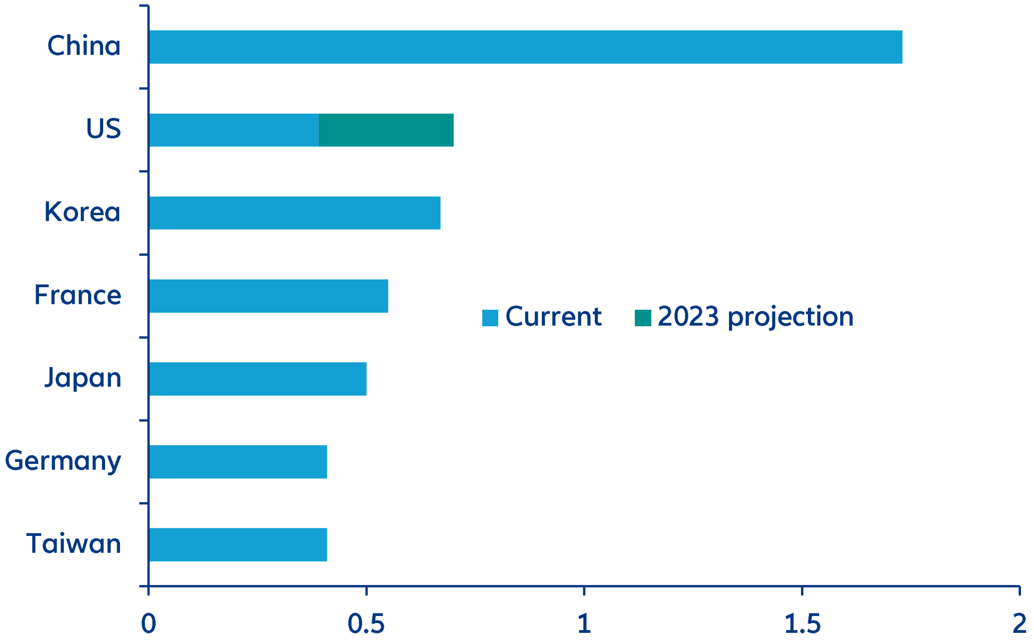
Supply-side repair & IRA boost to cushion the downturn

Motor vehicle production is powering ahead thanks to an easing of supply shortages



Sources: Refinitiv Datastream, Allianz Research

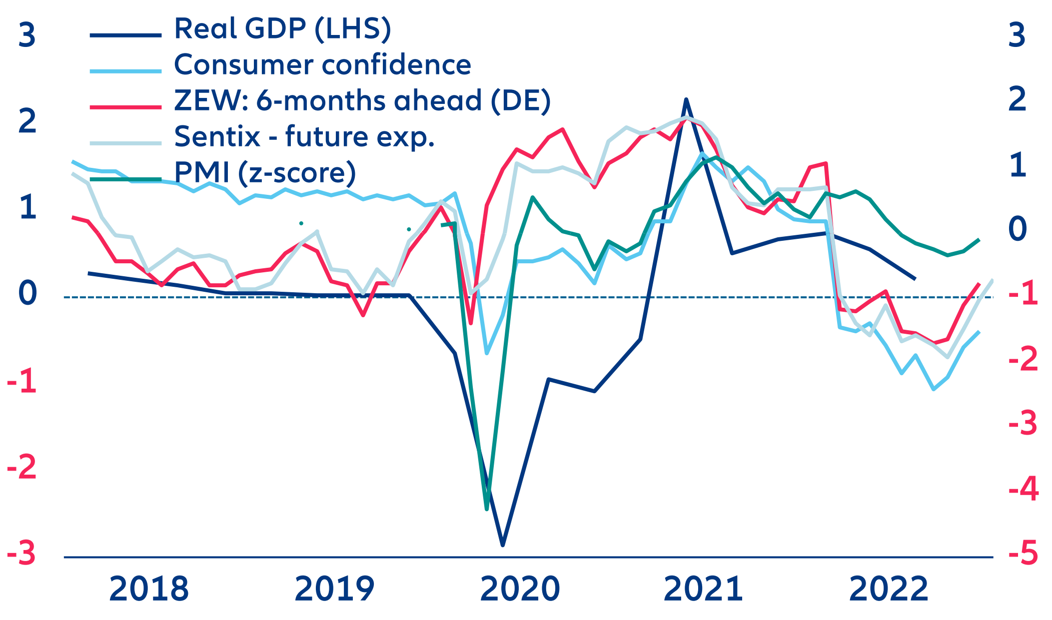
Spending on industrial policy, % GDP



Sources: CSIS, Allianz Research

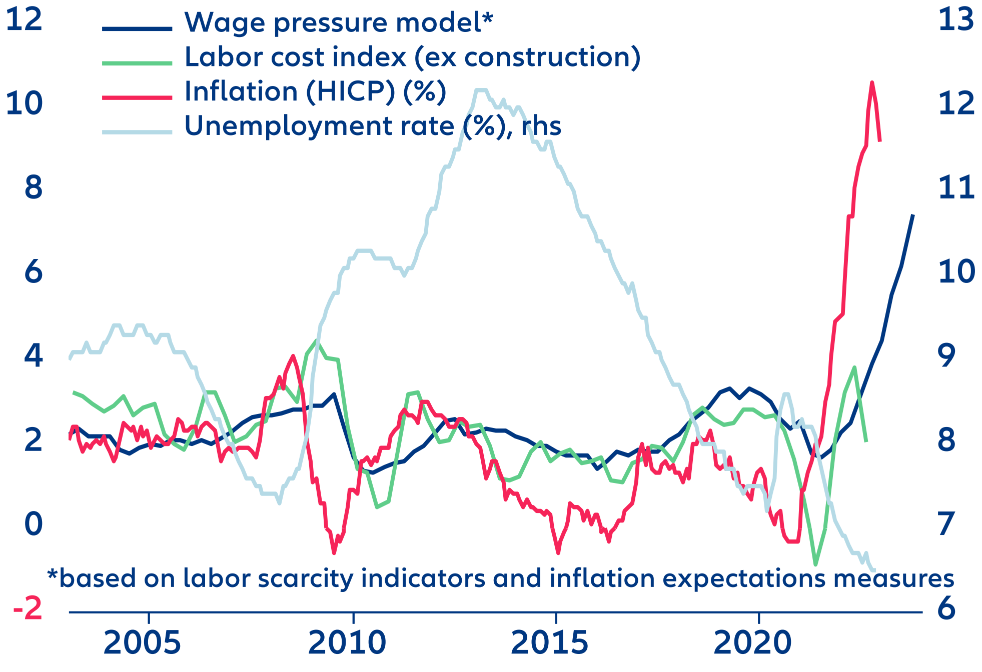
Slowing activity but rising confidence amid resilient labor market

Eurozone: Real GDP Growth and Confidence



Sources: Refinitiv Datastream, Allianz Research

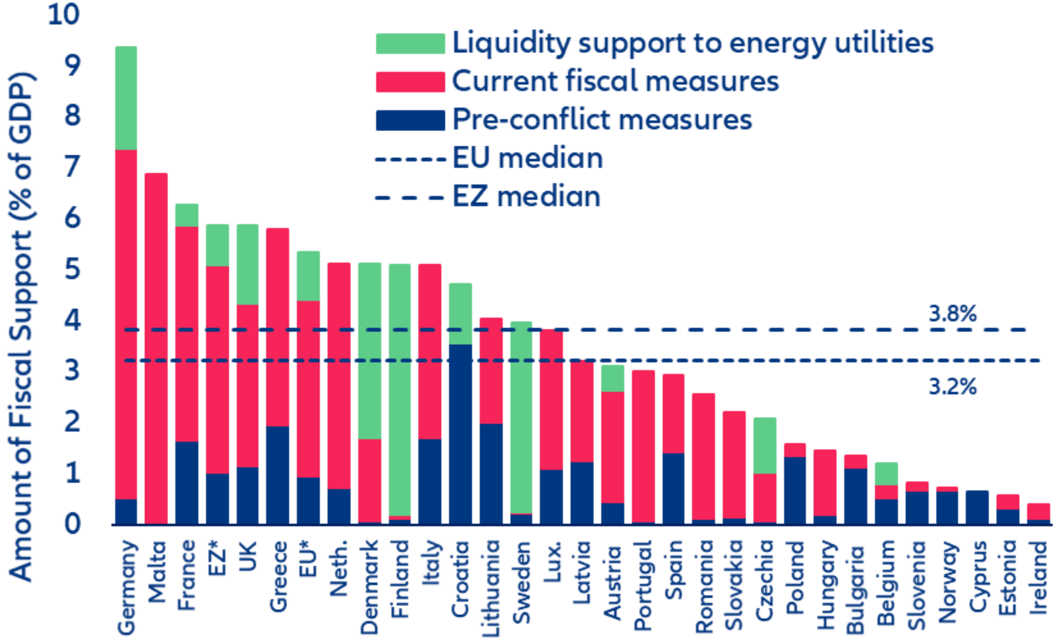
Eurozone: Labor Market Conditions



Sources: Refinitiv Datastream, Allianz Research

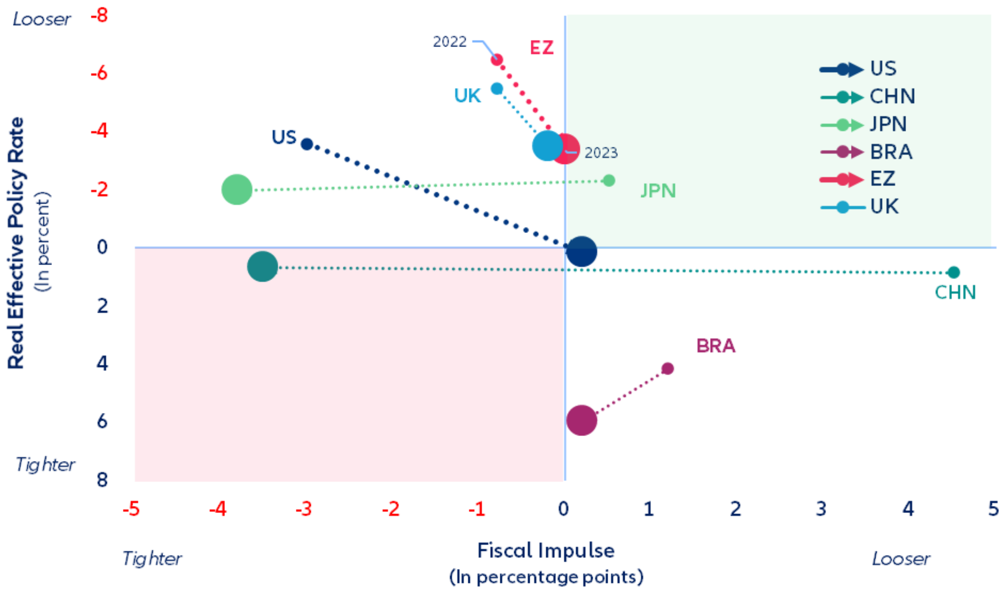
Fiscal support >3% of GDP as financing conditions keep tightening

Europe: Fiscal Support Measures to Fight the Energy Crisis (% GDP)



Sources: Bruegel, national authorities, Refinitiv Datastream, Allianz Research

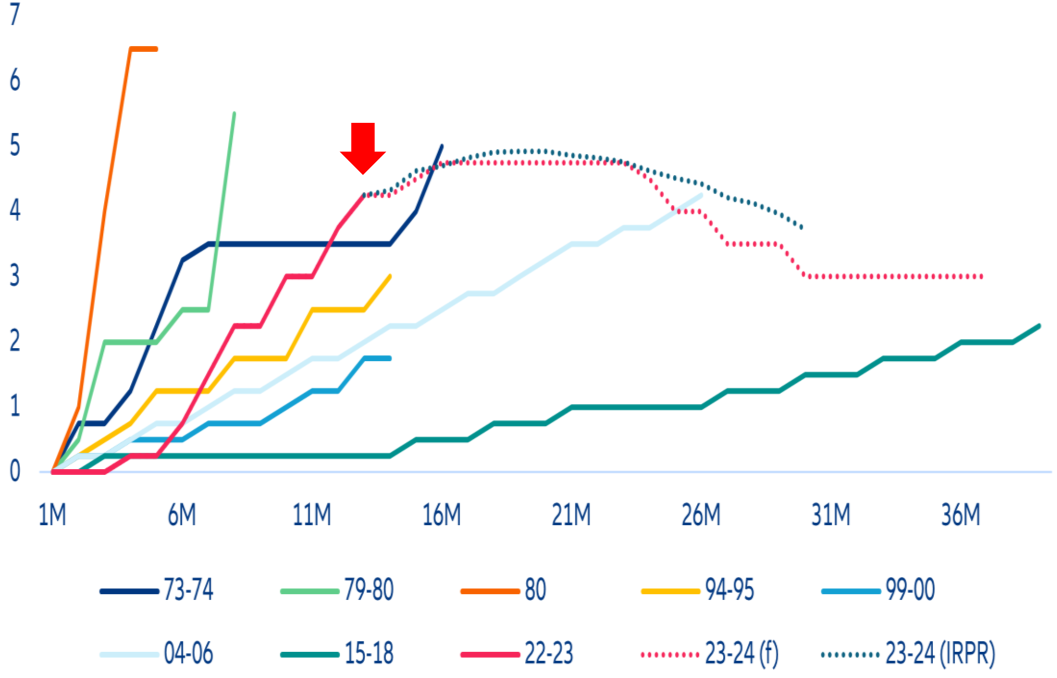
Advanced and Emerging Economies: Fiscal Impulse and Monetary Stance (pp)



Sources: Refinitiv Datastream, Allianz Research

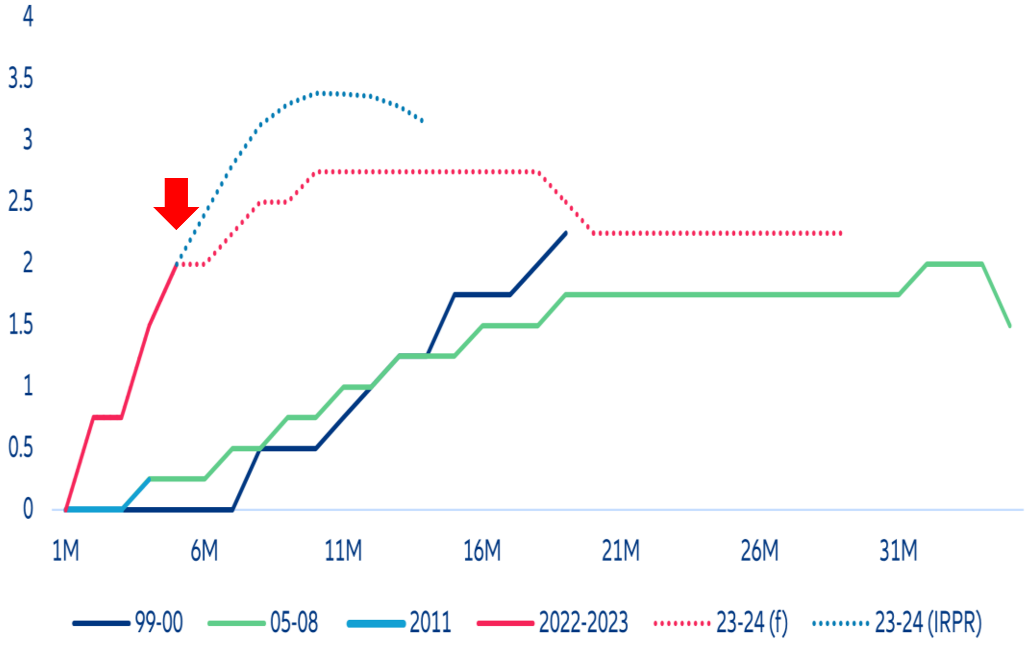
Still some room for policy rates to rise

United States: Policy Rate Hiking Cycles (%)



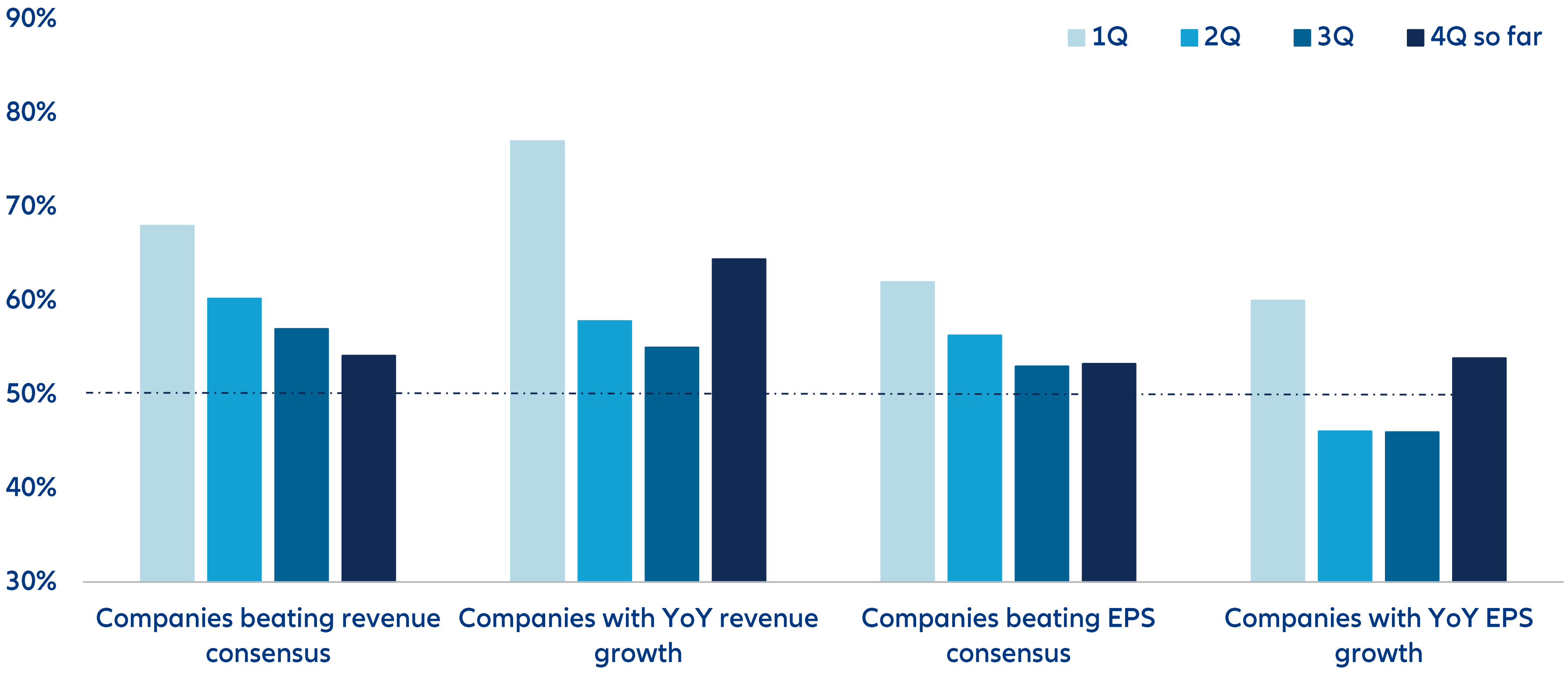
Sources: Refinitiv Datastream, Allianz Research

Eurozone: Policy Rate Hiking Cycles (%)



Sources: Refinitiv Datastream, Allianz Research

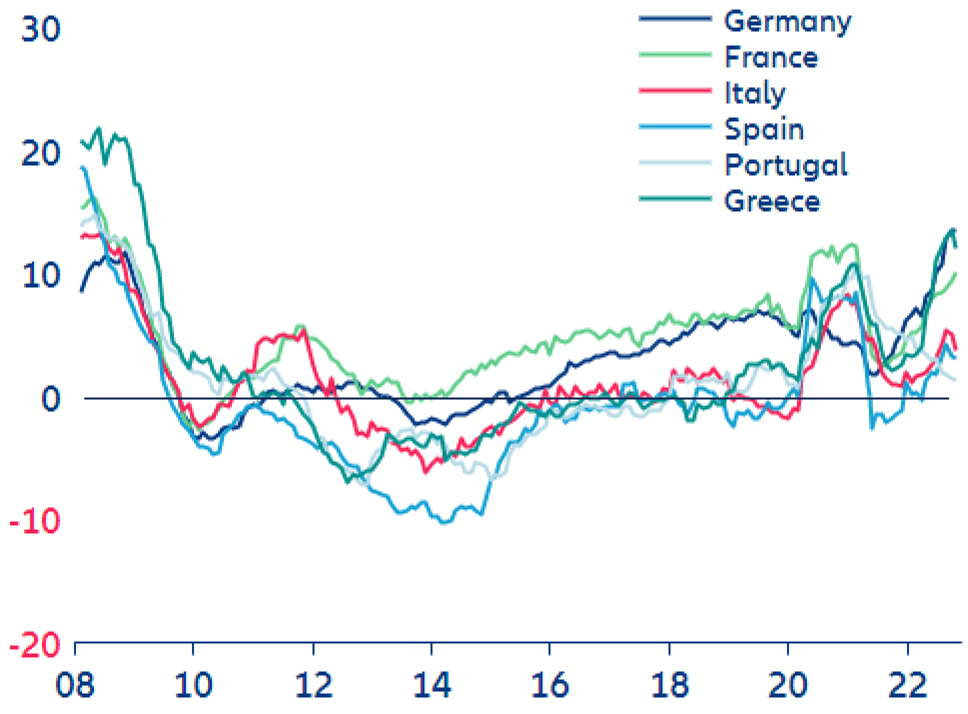
In terms of volume, results were more encouraging in the 1H of 2022



Source: Refinitiv Eikon (as of 02/Feb/2023), Allianz Research

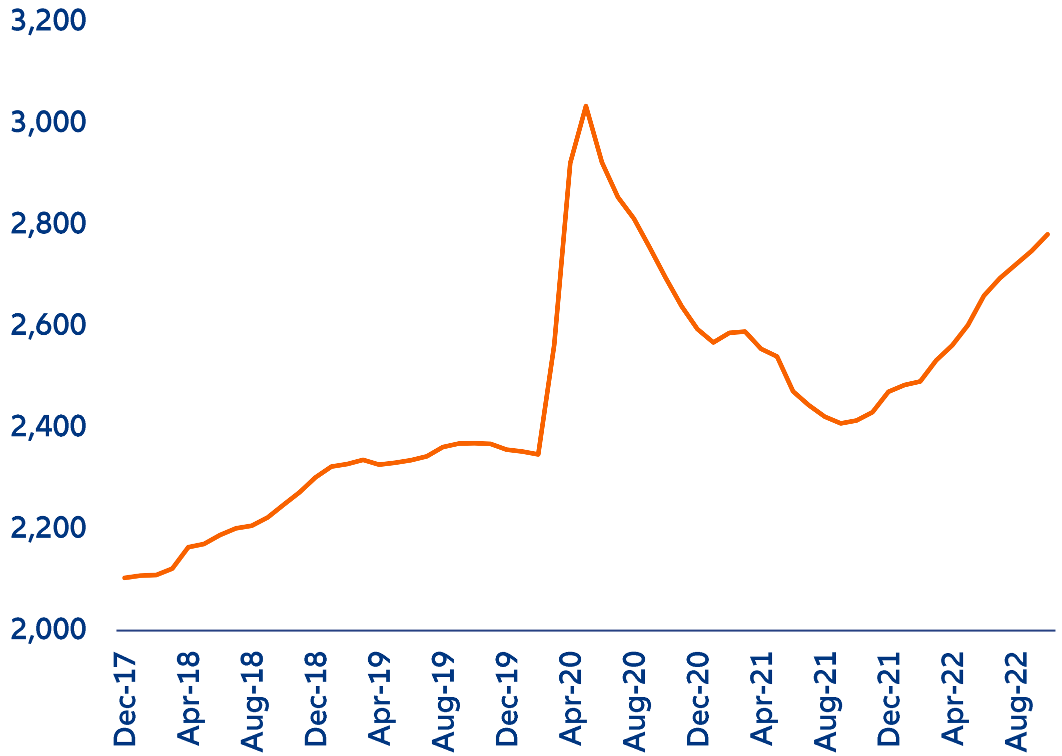
Tightening financial conditions are not biting yet

Loans to NFC in the Euro area (annual growth %)



Sources: Refinitiv Datastream, ECB, Allianz Research

Business loans in the United States (US$ billion)



Sources: Refinitiv Datastream, Federal Reserve, Allianz Research

Thank you!