

Global Economic Outlook:

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<https://aede.osu.edu/research/andersons-program>

Outlook and Policy Meeting

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THE OHIO STATE UNIVERSITY
COLLEGE OF FOOD, AGRICULTURAL,
AND ENVIRONMENTAL SCIENCES

Some Optimism.....



“IMF chief says global economic outlook ‘less bad’ than feared”

“Kristalina Georgieva hints growth forecast could be upgraded thanks to retreating inflation, but warns against overoptimism”



Global Economic Outlook

◆ Key features:

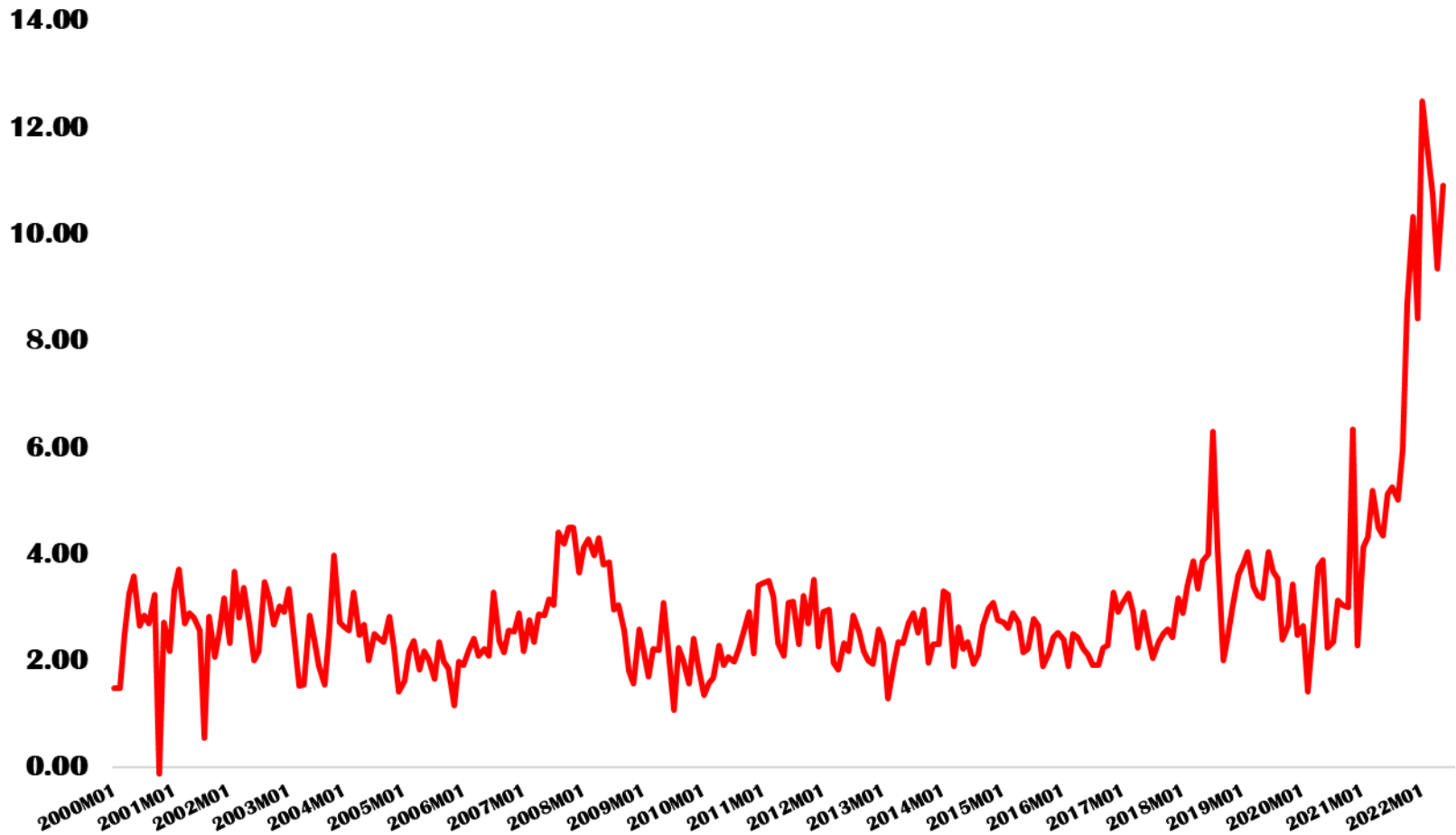
- **Inflation at multidecade high – tight monetary policy and declining fiscal support**
- **Russia's ongoing war in Ukraine – disruptive politically and economically**
- **Faster than expected recovery in China following relaxation of COVID-19 shutdown**
- **Heatwaves and droughts still have potential to disrupt commodity production and prices**

Growth, Inflation and Trade: 2023

- ◆ **Global growth: 2.9% (6.2% in 2021)**
- ◆ **Advanced economy growth: 1.2% (5.4% in 2021)**
- ◆ **Emerging economy growth: 4.0% (6.7% in 2021)**
- ◆ **Global inflation peaked at 8.8% in 2022, falling to 4.3% in 2024**
- ◆ **Advanced economy inflation: peaked at 7.3% in 2022, falling to 2.6% in 2024**
- ◆ **Emerging economy inflation: peaked at 9.9% in 2022, falling to 5.5% in 2024**
- ◆ **Global trade growth: 2.4% (10.4% in 2021)**

Core Inflation

Mean Core Inflation (Annualized %)



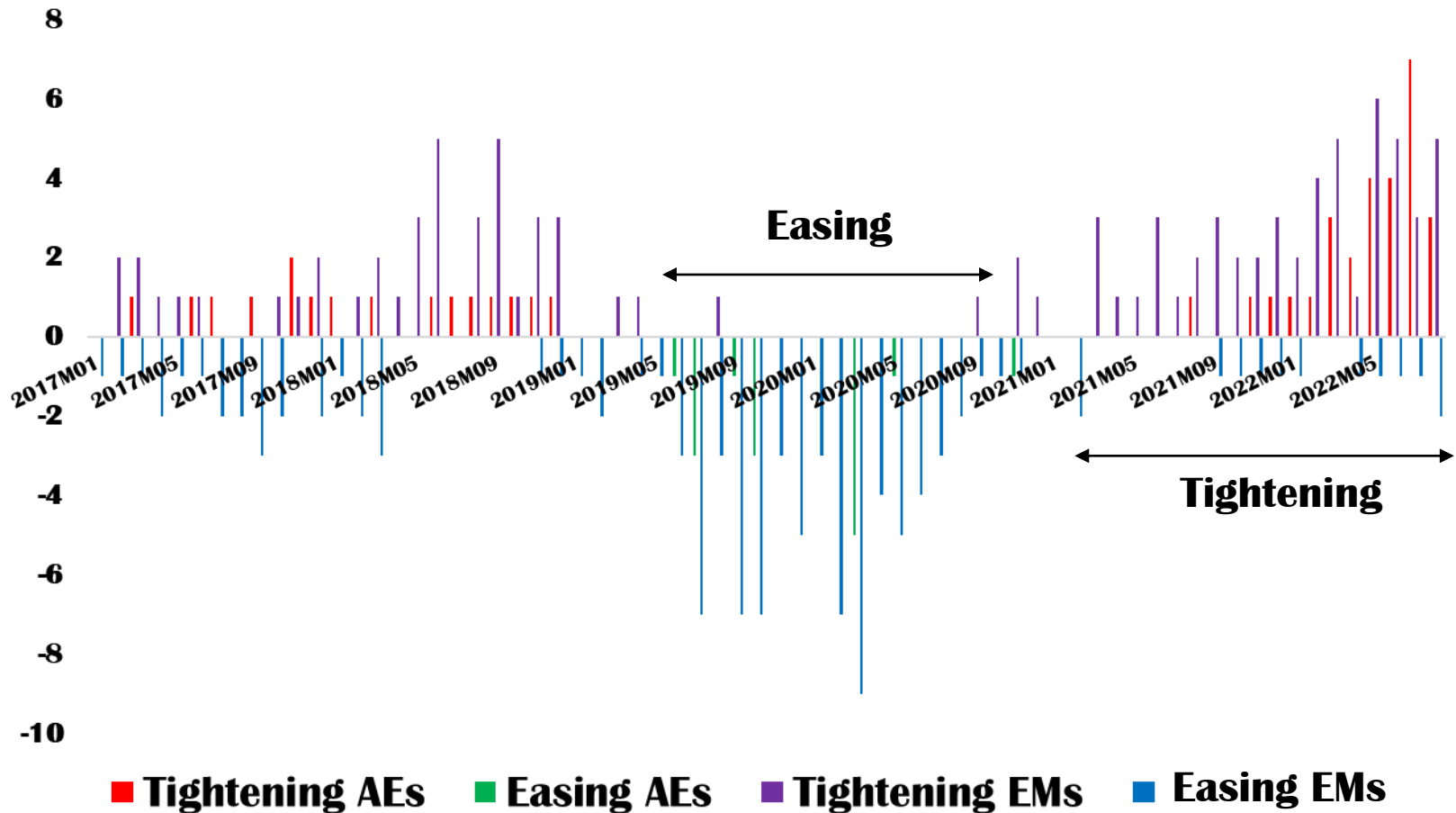
Sample of 35 countries – 81% of global GDP

Source: IMF, October 2022

Factors Affecting Outlook

- ◆ **Inflation risen faster and more persistently than expected – central banks have rapidly lifted rates**
- ◆ **European gas prices have fallen by 85% - EU expected to suffer only mild recession**
- ◆ **Despite agreement on Black Sea grain exports, global food prices have fallen but remain high**
- ◆ **Investor views on inflation do not necessarily match up to those of central banks**

Change in Monetary Policy - G20



European Natural Gas Prices

European gas prices have fallen 85% from their August peak

Benchmark TTF contract



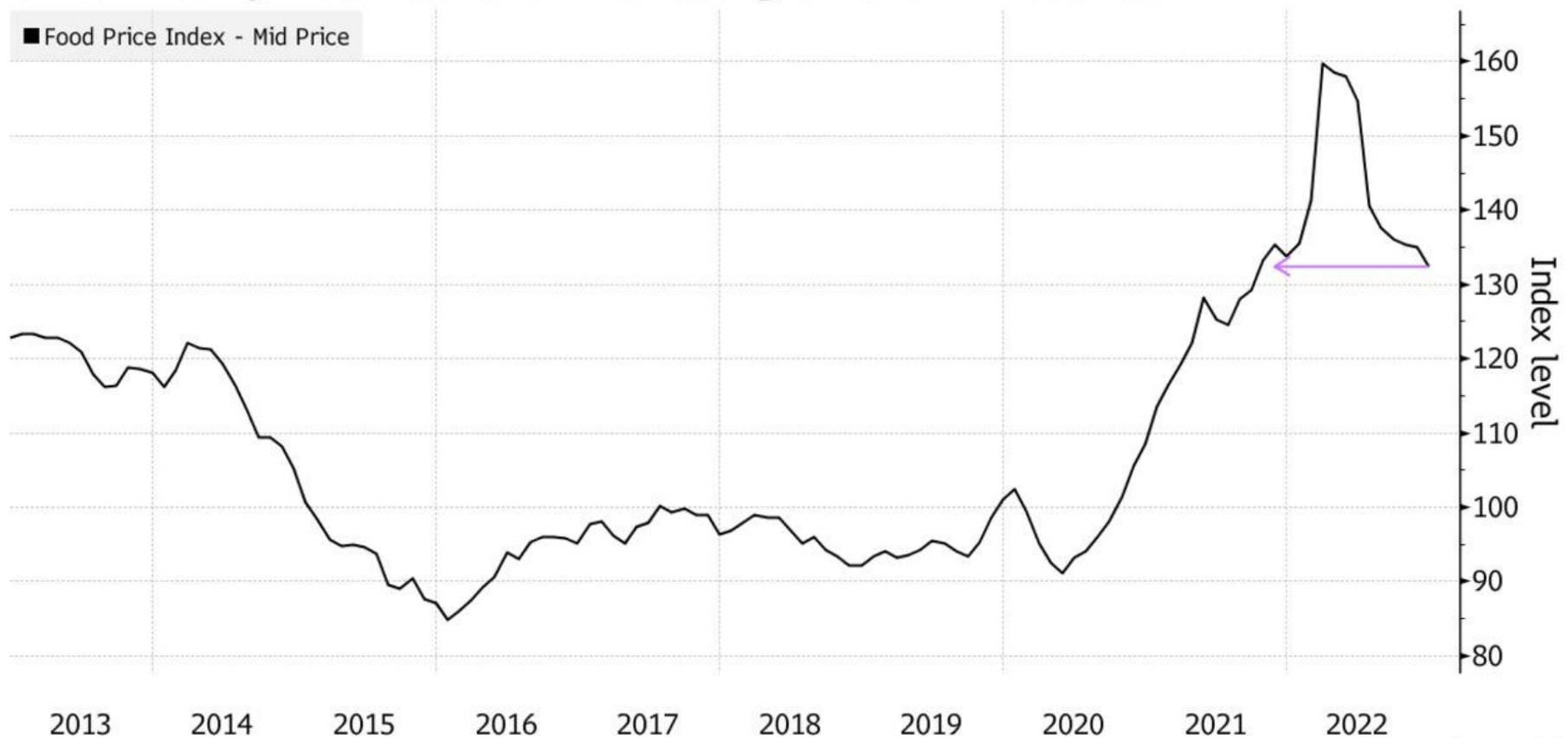
Source: Refinitiv
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Global Food Prices

- ◆ **Commodity prices corrected to pre-invasion levels due to: (i) improved supply conditions, (ii) Ukrainian grain export deal, and (iii) macroeconomic factors**
- ◆ **Outlook uncertain – price risk still on upside:**
 - **Stability of Ukrainian grain export deal**
 - **Potential for and impact of export restrictions**
 - **Continued drought/weather conditions**
 - **Tight stocks**

Global Food Price Correction

World Food Prices End 2022 Just Below Where They Started
UN commodity index fell for a ninth straight month in December



Source: UN's FAO

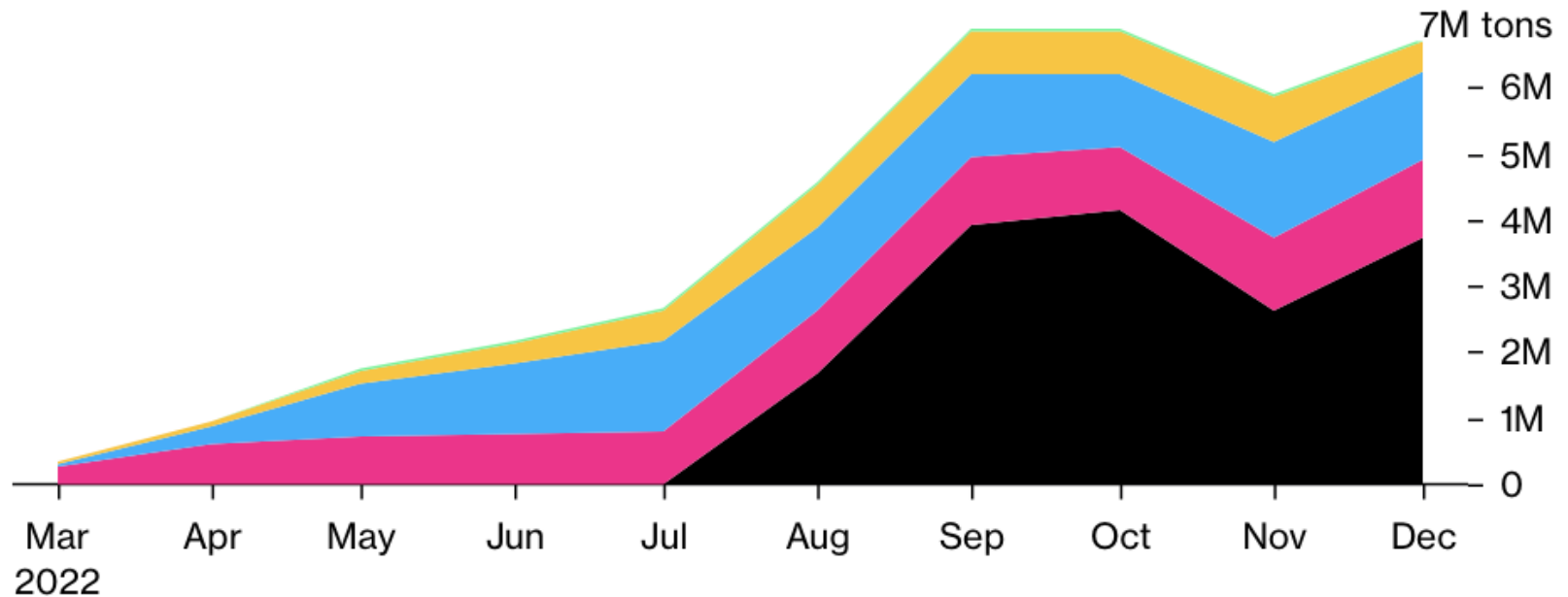
Bloomberg

Grain Export Deal

Ukraine Crop Exports Have Plateaued

Volumes have held about steady since September

■ Grain corridor ■ Rail ■ Danube ports ■ Trucks ■ Ferry

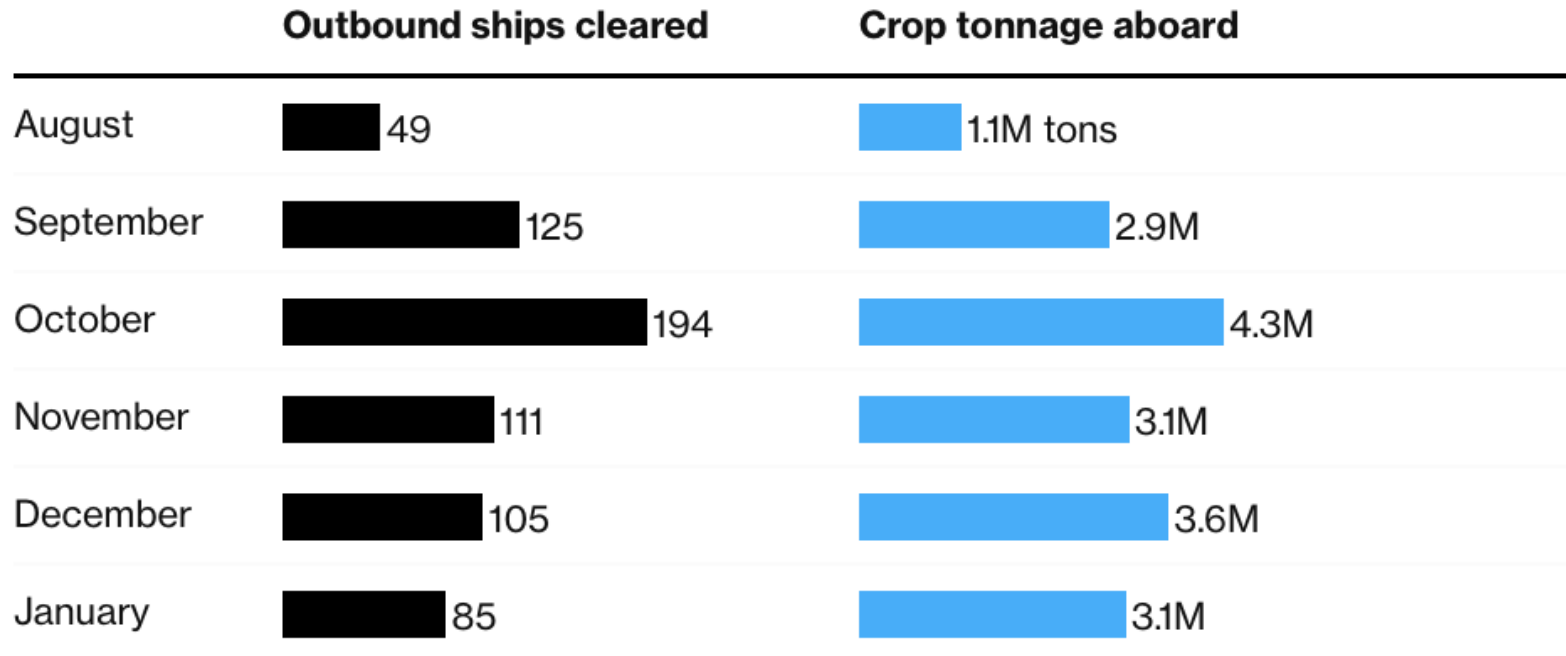


Source: UkrAgroConsult

Grain Export Deal

Inspections of Ukraine Crop Ships Hold Below Earlier Peak

Number cleared in January fell for third straight month



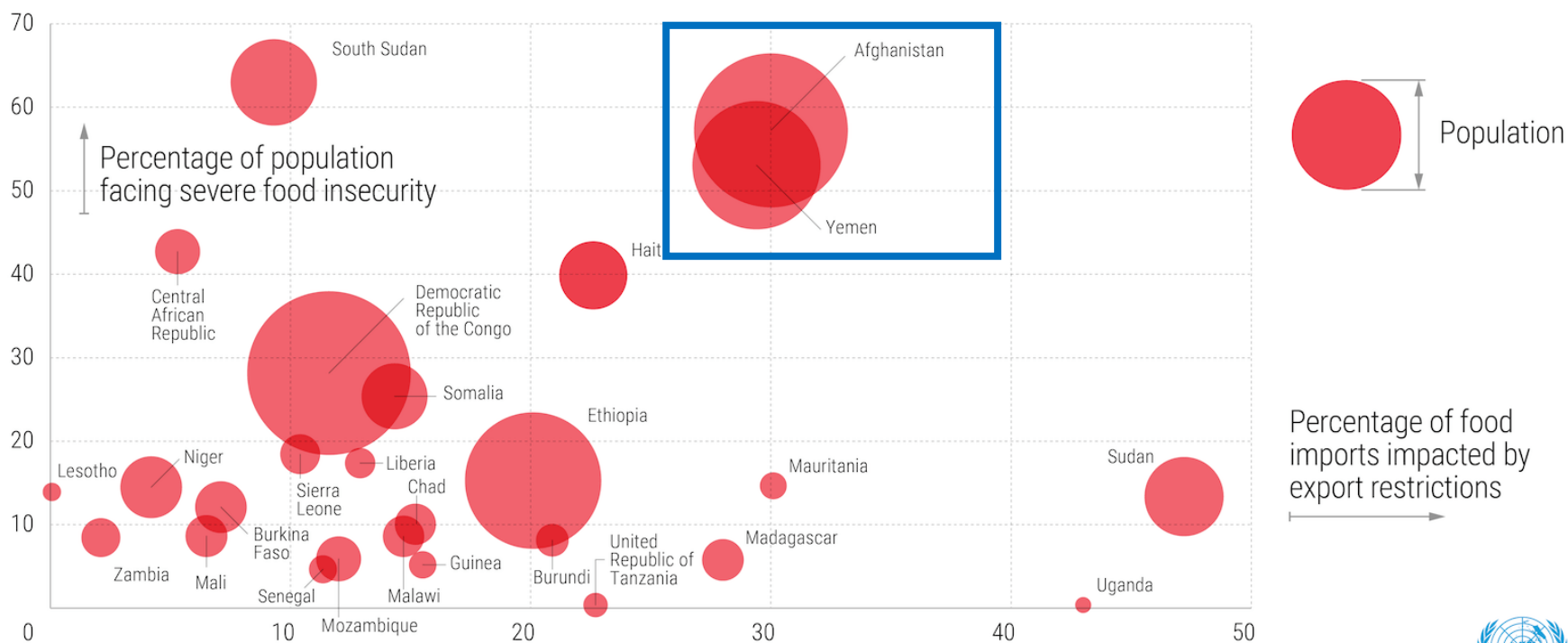
Source: Black Sea Grain Initiative

Note: Inspections were temporarily conducted without Russian involvement when it stepped back from the deal in late October; it resumed in early November

Beggar-Thy-Neighbor Policies



Trade restrictions affect food-insecure countries

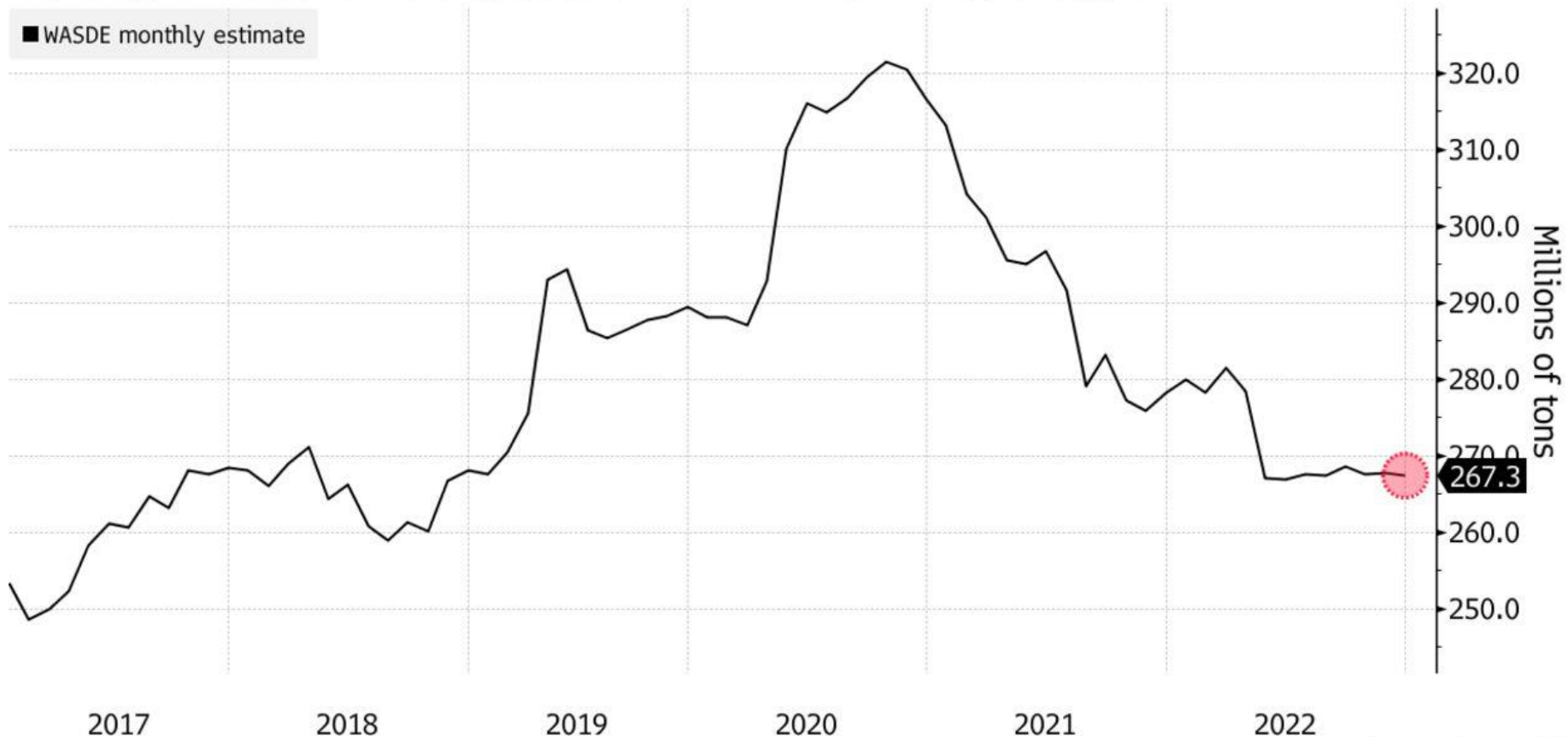


Source: UNCTAD calculations based on (1) David Laborde and Abdullah Mamun (2022). Food Export and Fertilizer Restrictions Tracker. (2) FAO (2022). Global Information and Early Warning System on Food and Agriculture (GIEWS). (3) United Nations (2019). World Population Prospects 2019. [Accessed May 2022]

Tight Stocks

Less Wheat

Global grain stocks are depleted amid war in Ukraine, drought



Source: US Department of Agriculture

Bloomberg

Who to Believe on Inflation?

- ❖ **Financial markets “celebrating” evidence core inflation is falling – bond prices imply central banks will start loosening monetary policy**
- ❖ **S&P Index up 8% this year – markets expect lower cost of capital and earnings growth, and dollar is down suggesting greater appetite for risk**
- ❖ **However, policymakers do not to agree – still a “long way to go” (Jerome Powell, 2/7/23)**
- ❖ **Rate increase(s) slowing, but central banks wary of repeating mistakes of 1970s**
- ❖ **Have investors got carried away?**

Downside Risks Dominate

- ◆ **China's recovery might stall due to COVID-19 health consequences, and worsening real estate sector**
- ◆ **War in Ukraine escalates, pushing up energy and food prices in EU and developing countries**
- ◆ **Debt distress in developing countries – despite recent dollar depreciation**
- ◆ **Persistence of inflation due to wage growth**
- ◆ **Financial market repricing if inflation rates increase**
- ◆ **Increased geopolitical fragmentation due to war in Ukraine – barriers to trade and capital movement**

Dollar Softening?



Global Policy Priorities

- ◆ **Control inflation/inflation expectations**
- ◆ **Contain re-emergence of COVID-19, i.e., boost vaccination efforts in China and elsewhere**
- ◆ **Ensure financial stability by avoiding mistakes such as “Trussonomics”, and introduce common standards and oversight of crypto assets**
- ◆ **Restore debt sustainability given lower growth and higher borrowing costs**
- ◆ **Target income support at most vulnerable**
- ◆ **Increase resilience of value chains**