

Global Economic Outlook



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Signs of a slowdown.....



“The global economy continues to recover from the pandemic and Russia's invasion of Ukraine, showing remarkable resilience; yet growth remains slow and uneven. The global economy is limping along, not sprinting.” Pierre-Olivier Gourinchas (Chief Economist, IMF)



Source: IMF, October 10, 2023

Growth, Inflation, and Trade: 2024

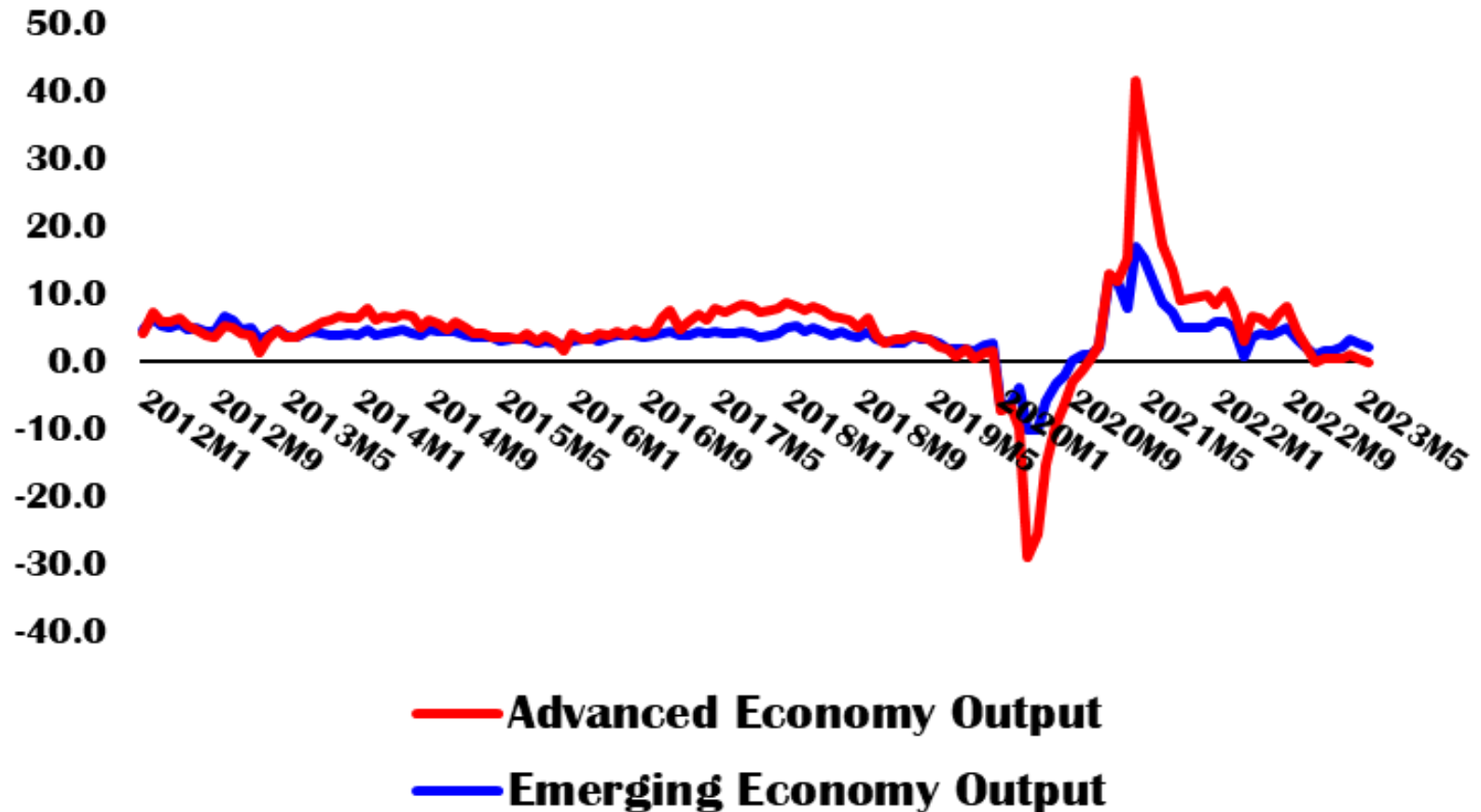
- ◆ **Global growth: 2.9% (3.5% in 2022)**
- ◆ **Advanced economy growth: 1.4% (2.6% in 2022)**
- ◆ **Emerging economy growth: 4% (4.1% in 2022)**
- ◆ **Global *headline* inflation peaked at 8.7% in 2022, and expected to fall to 5.8% in 2024**
- ◆ **Global *core* inflation at 6.4% in 2022, and expected to fall gradually to 5.3% in 2024**
- ◆ **Global trade growth: 3.5% (5.1% in 2022) – historically low**

Global Economic Outlook

- ◆ **Pace of global recovery has moderated:**
 - **war in Ukraine**
 - **geoeconomic fragmentation, and increased trade barriers**
 - **tight monetary policy**
 - **diminishing savings stock**
 - **persistent manufacturing slowdown**
- ◆ **Idiosyncratic shocks to world economy, i.e., property sector crisis in China**

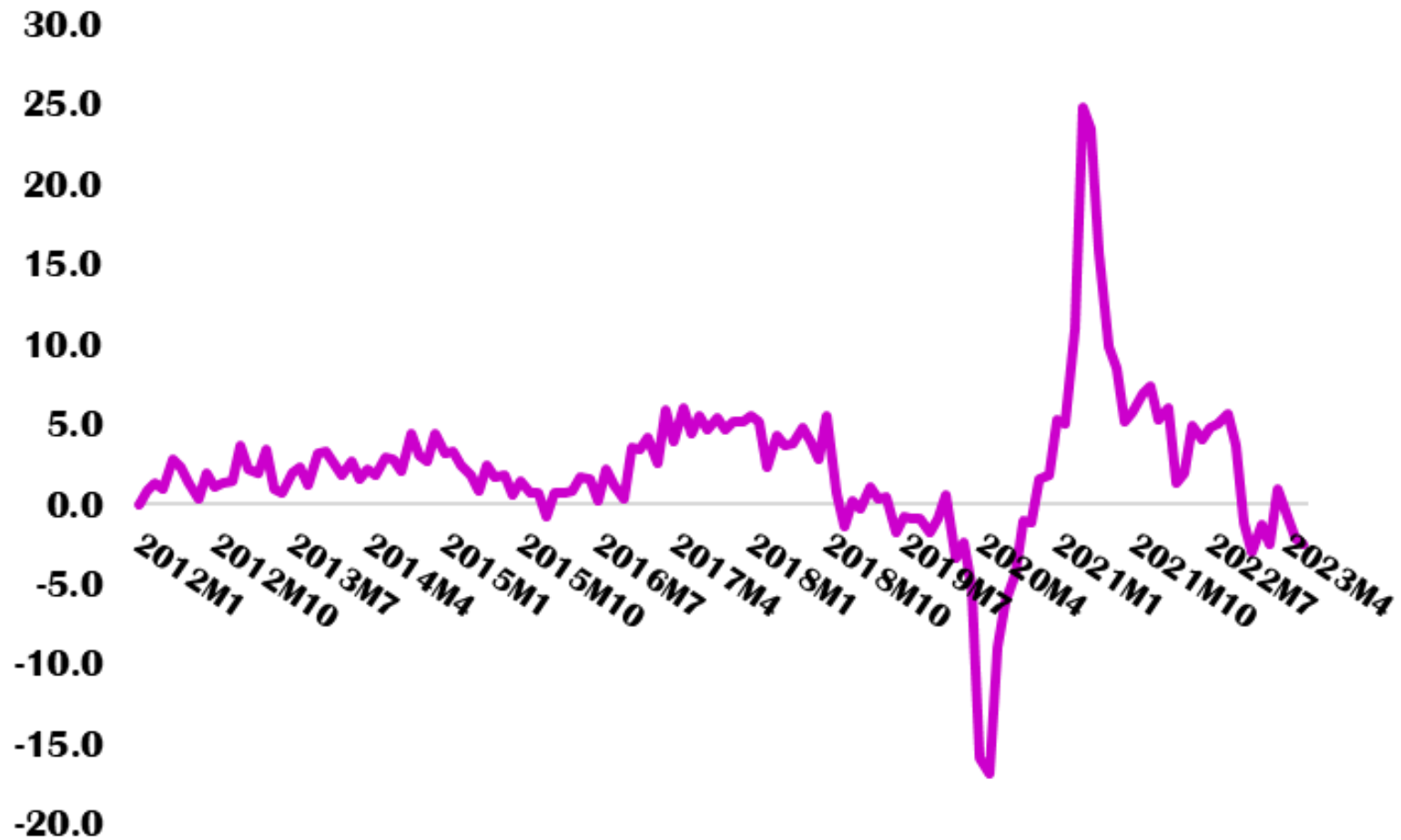
Industrial Output

Year-over-year %



World Trade

Year-over-year %



Source: IMF, October 2023

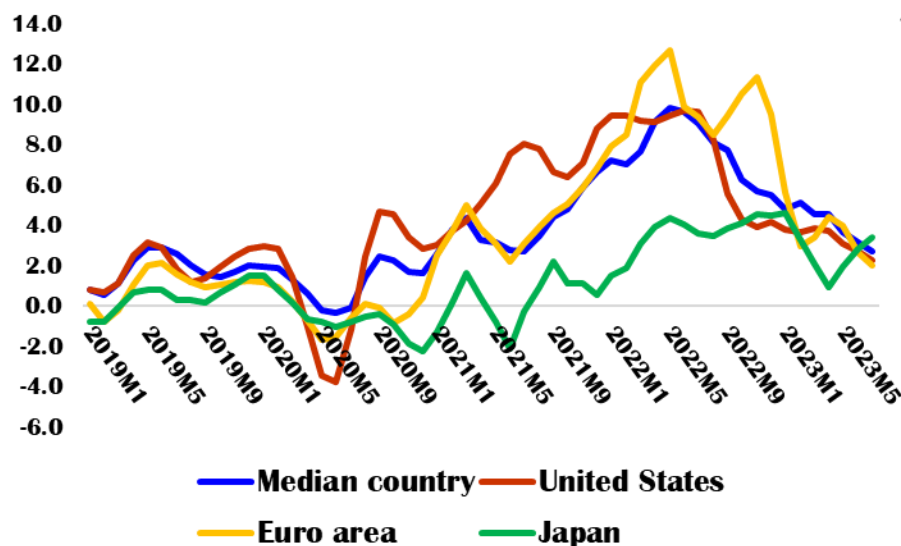
Global Economic Outlook

- ◆ **Headline inflation moderated:**
 - **decline in energy and food prices**
- ◆ **Core inflation has declined more moderately:**
 - **passthrough of past energy shocks**
 - **tight labor markets**
 - **inflation targets only met by 2026**
- ◆ **Long-run inflation expectations remain anchored**
- ◆ **Monetary policy to remain tight**

Inflation: Headline vs. Core

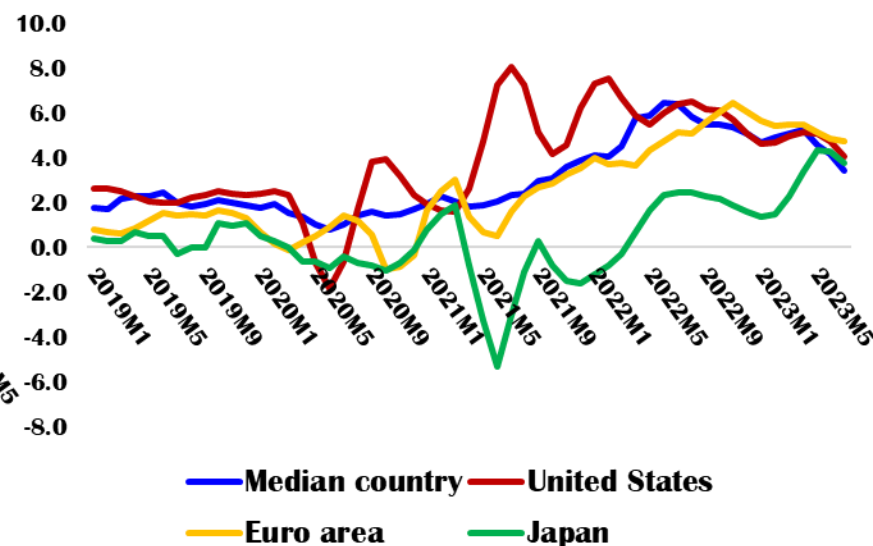
Headline Inflation

3-month annualized %



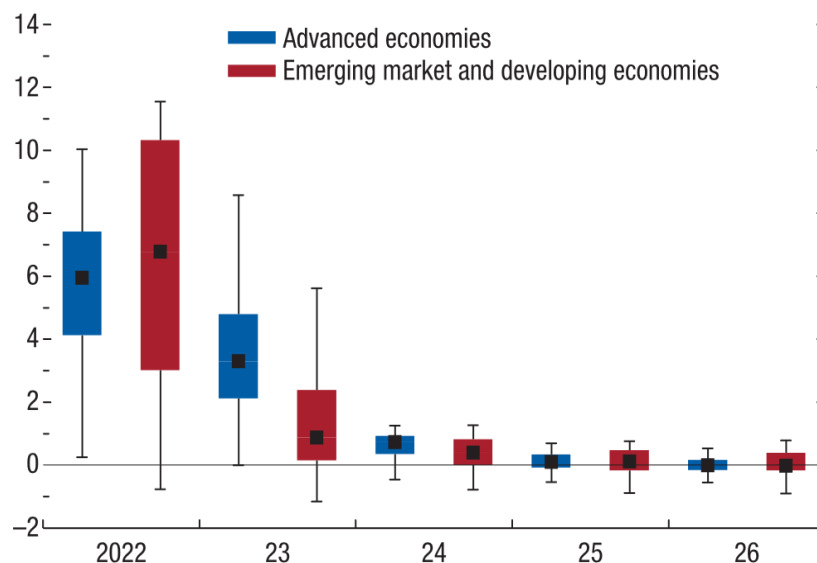
Core Inflation

3-month annualized %



Inflation Target Expectations

% points

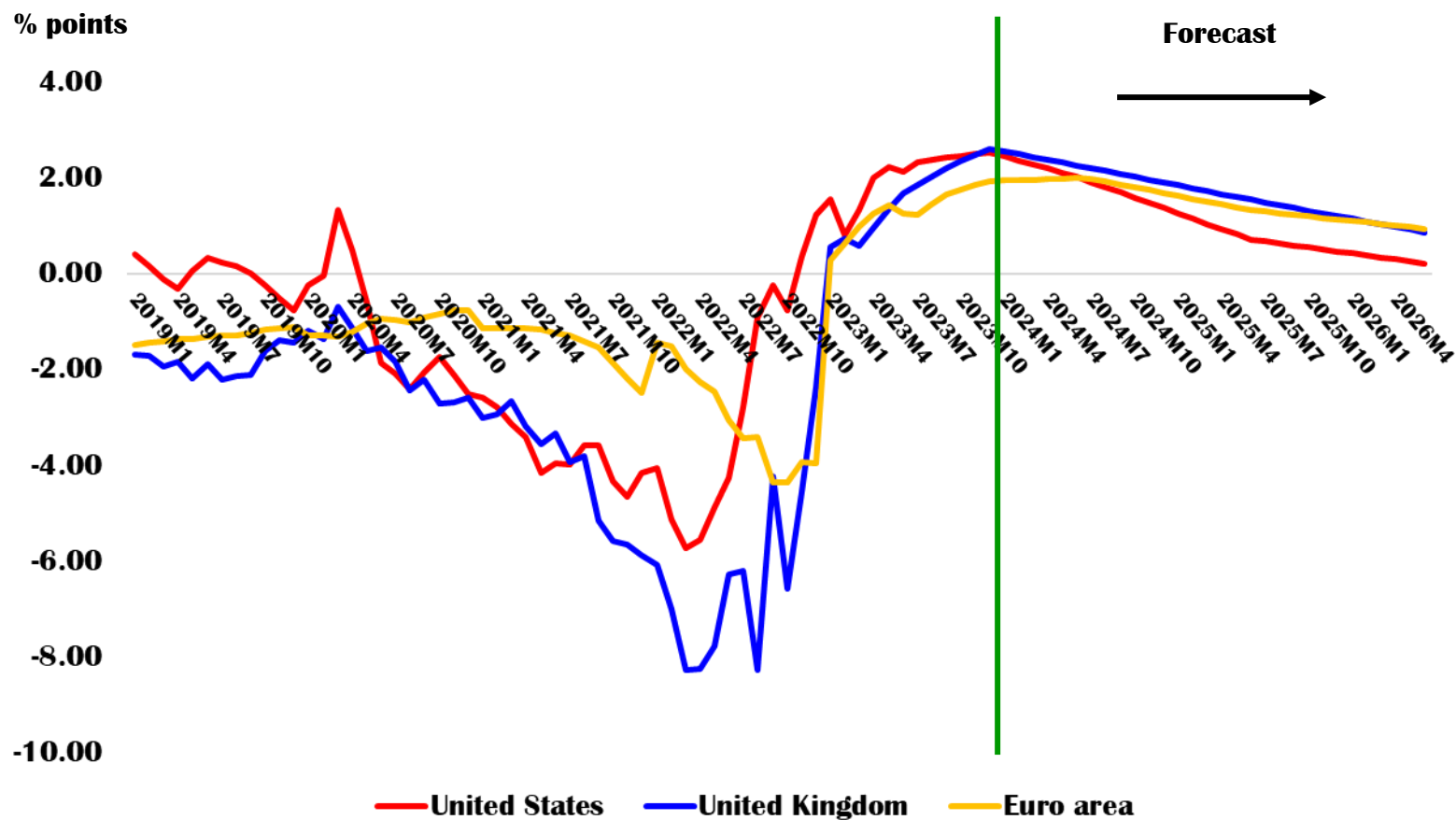


Sources: Consensus Economics; and IMF staff calculations.

Note: Inflation expectations in the figure are from professional forecasters, in order to maximize economy coverage. For each economy group, the boxes denote the upper quartile, median, and lower quartile of the distribution; the whiskers show the maximum and minimum within the boundary of 1.5 times the interquartile range.

Source: IMF, October 2023

Monetary Policy



Source: IMF, October 2023

Outlook Tilted to Downside Risks

- ◆ **China's growth slows further**
- ◆ **Underlying inflation persists**
- ◆ **Financial market repricing**
- ◆ **Debt distress increases**
- ◆ **More volatile commodity prices due to climate and geopolitical risk (wider Middle East conflict)**
- ◆ **Geoeconomic fragmentation intensifies affecting trade, capital and technology movements, and international payments**



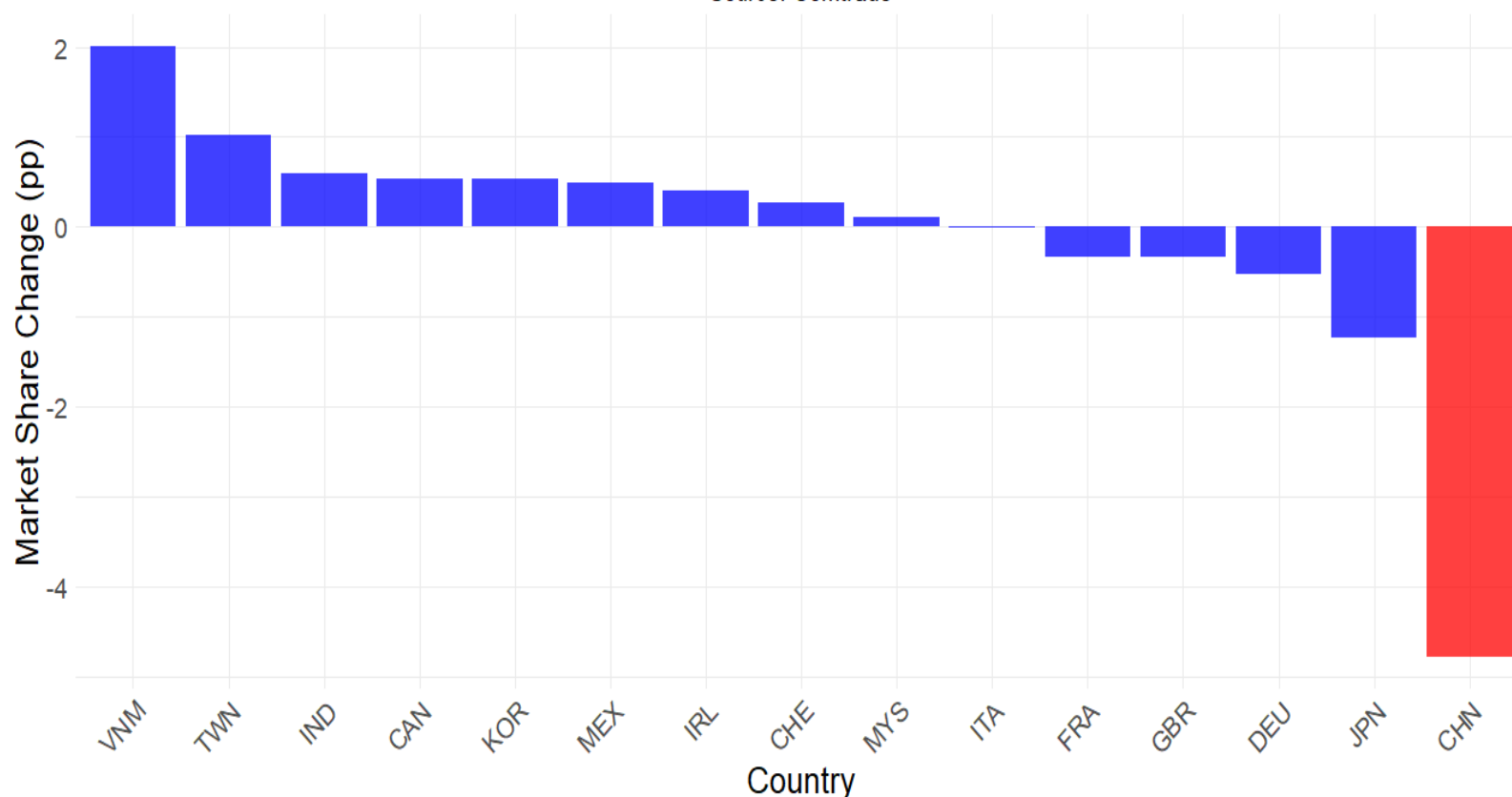
Reallocation of Value Chains (?)

- ◆ **Value chains (GVCs) under stress due to US-China trade war, pandemic, and geopolitical shocks**
- ◆ **Available data point to “great reallocation” in supply chain activity (Alfaro and Chor, 2023)**
- ◆ **US *direct* sourcing from China has decreased – with Vietnam and Mexico gaining import share**
- ◆ **Switch to *indirect* sourcing as China steps up investment in both Vietnam and Mexico**
- ◆ **However, US import prices higher**

Indirect Imports from China

US Import Market Share Change for Top 15 Importing Countries (2017-2022)

Source: Comtrade



Source: Alfaro and Chor (August 2023)

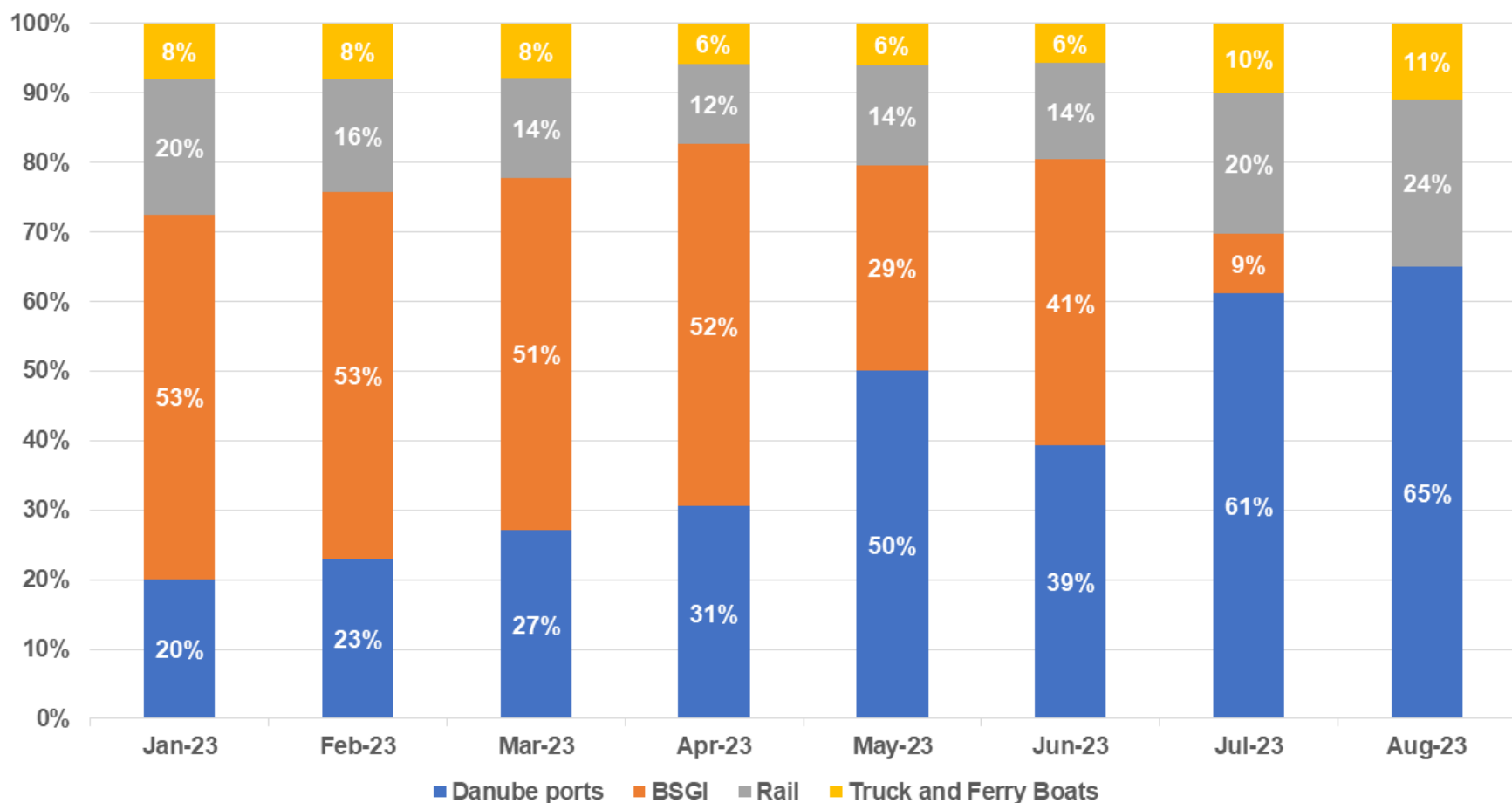
Black Sea Grain Exports



- ❖ **33 million metric tons of grain exported under Black Sea Grain Deal**
- ❖ **End of deal led to 33% reduction in Ukrainian exports by late-August 2023 (*Bloomberg News*) – and significant increase in shipping costs**
- ❖ **Russian attacks on Ukrainian port facilities**
- ❖ **Ukraine has developed humanitarian corridor for merchant shipping**
- ❖ **However, risk of war spreading in Black Sea – adding to grain market volatility**

Ukrainian Grain Export Routes

Figure 1. Danube Ports Have Become Key to Ukrainian Exports



Black Sea Grain Export Routes

Share of grain exports, July 2022-July 2023



Source: Ukrainian Grain Association (grain exports); Institute for the Study of War and AEI's Critical Threats Project (Russian-controlled areas)
Jake Steinberg/THE WALL STREET JOURNAL

Humanitarian Grain Corridor



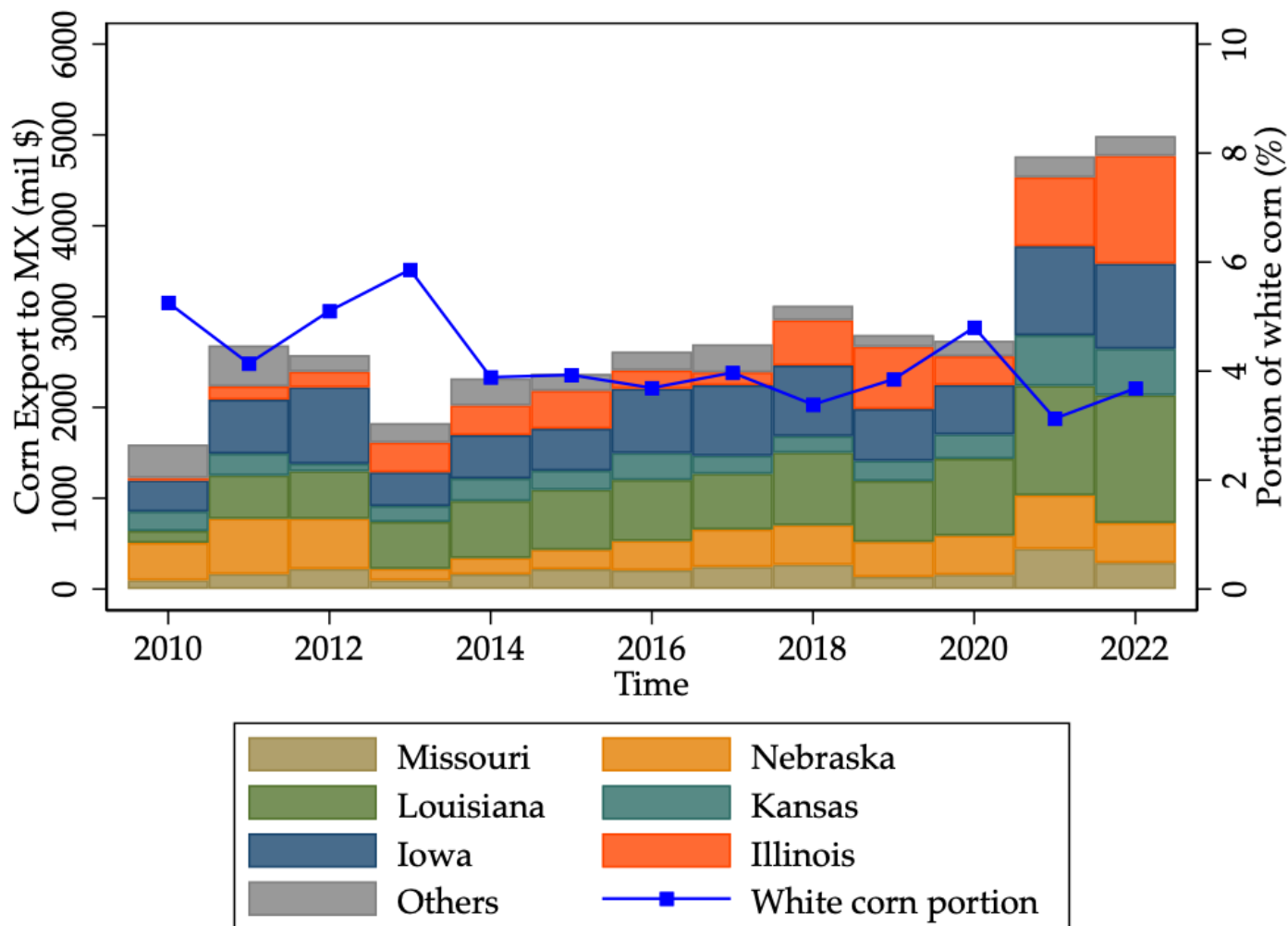
US - Mexico GM Corn Dispute

- ❖ **Mexican Presidential Decree, February 13, 2023, banning use of GM corn in tortillas, and gradual ban of GM corn in all products for human consumption and animal feed**
- ❖ **US sought technical consultations March 6, 2023, under SPS Chapter of USMCA**
- ❖ **Grounds for dispute: measure is disguised trade restriction**
- ❖ **Panel established August 17, 2023, under USMCA dispute settlement mechanism - final report due March 2024**

US - Mexico GM Corn Dispute

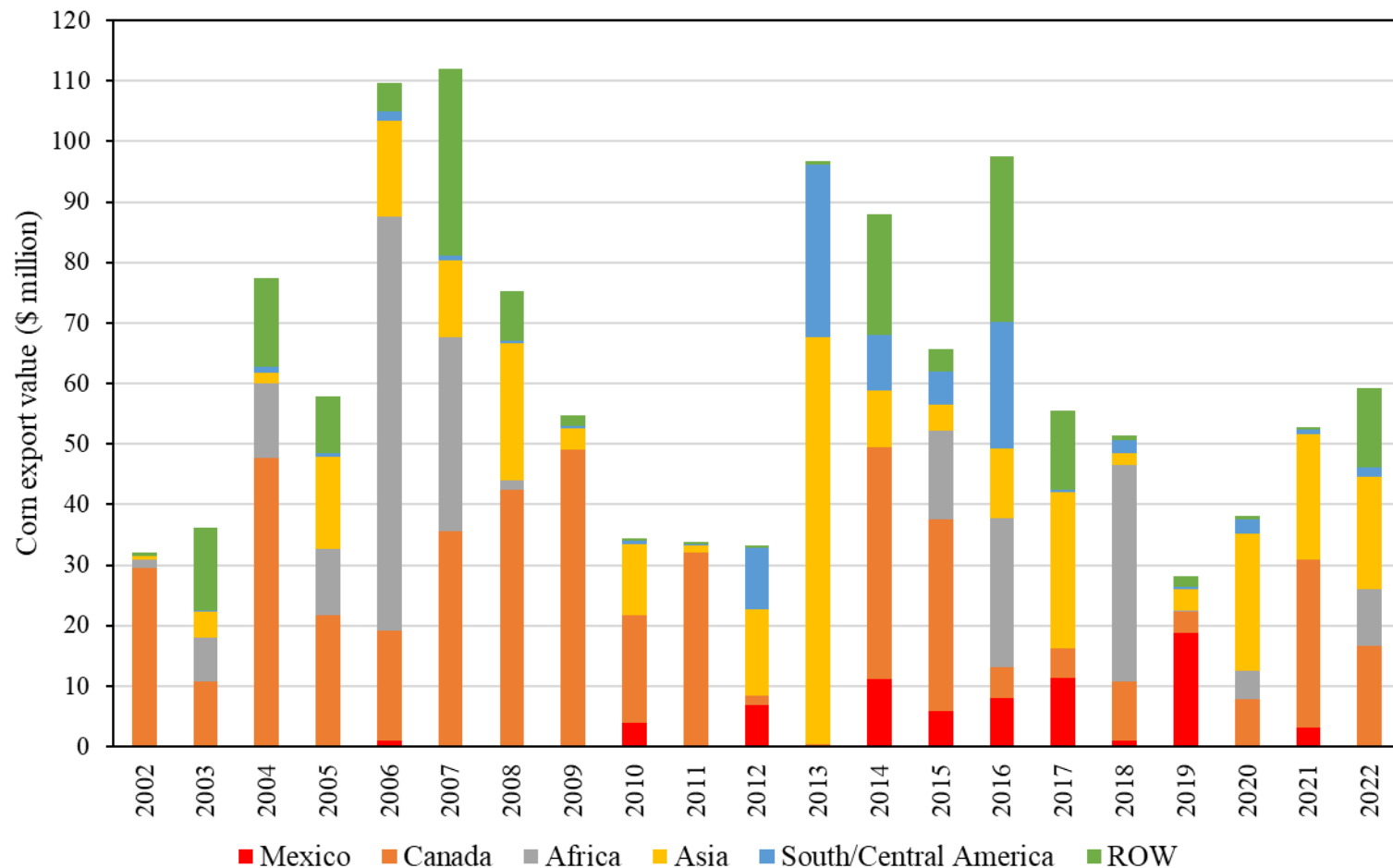
- ❖ **Critical policy concern is Mexico's questioning of GM crop safety – potential to undermine SPS Chapter of USMCA**
- ❖ **Currently, imports of GM (yellow) corn for animal feed allowed, with GM (white) corn being a relatively small portion of US exports**
- ❖ **If Mexico were to win case, substitution away from GM corn would have significant price effects on US and global market**
- ❖ **Expected: panel likely to find against Mexico – precedent of 2006 WTO GM ruling against EU**

US Corn Exports to Mexico



Source: US Census Bureau

Value of Ohio Corn Exports



Source: US Census Bureau