



GLOBAL ECONOMIC FORECASTS: Q1 2023

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The data behind this report

Every business should rely on data to drive investments. That's why we used insights from our Economy, Finance and Trade system in Passport to develop this report. You'll get access to data and tools to prepare for economic shifts.

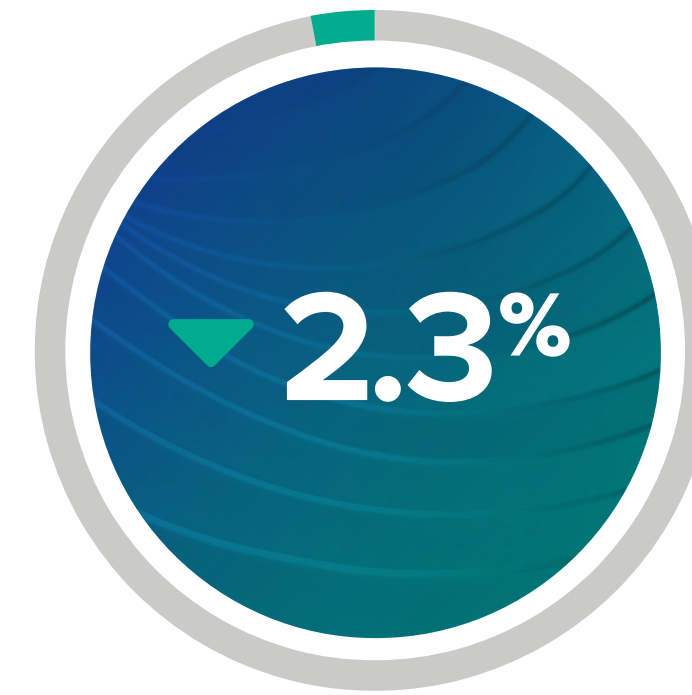
Passport is your go-to resource for tracking market trends, risks and opportunities.

The screenshot displays the Passport dashboard interface. At the top, there is a navigation bar with the Passport logo and a search bar. Below this, a horizontal menu contains tabs for INDUSTRIES, ECONOMIES (which is selected), CONSUMERS, CHANNELS, and SUSTAINABILITY. Under the ECONOMIES tab, there are sub-tabs for BUSINESS DYNAMICS, CITIES, COMMODITIES, and ECONOMY, FINANCE AND TRADE (which is selected). The main content area is divided into several sections: 1. EXPLORE ANALYSIS: A section with a title and a brief description, followed by three dropdown menus for CHOOSING ANALYSIS, CATEGORY, and GEOGRAPHY, and a GO button. 2. MACRO MODEL: A section with a title and a brief description, followed by four line charts showing Real GDP Growth, Unemployment Rate, Inflation, and Interest Rate from 2011 to 2024, and a GO button. 3. SEARCH ALL CATEGORIES: A section with a title, a dropdown menu for CATEGORIES, and a GO button. 4. DASHBOARDS: A section with a title and a brief description, and a GO button. 5. EXPLORE STATISTICS: A section with a title and a brief description, followed by three dropdown menus for CHOOSING CATEGORY, GEOGRAPHY, and another category, and a GO button. 6. LATEST REPORTS: A section with a title and three report cards. The first card is titled 'US Dollar Exchange Rate Shifts: Drivers, Impacts and...' with a date of 22/02/2023 and a 'Briefing' tag. The second card is titled 'Global Inflation Tracker: Q1 2023' with a date of 13/02/2023 and a 'Briefing' tag. The third card is titled 'PEST Analysis: Myanmar' with a date of 07/02/2023 and a 'Country Report' tag.

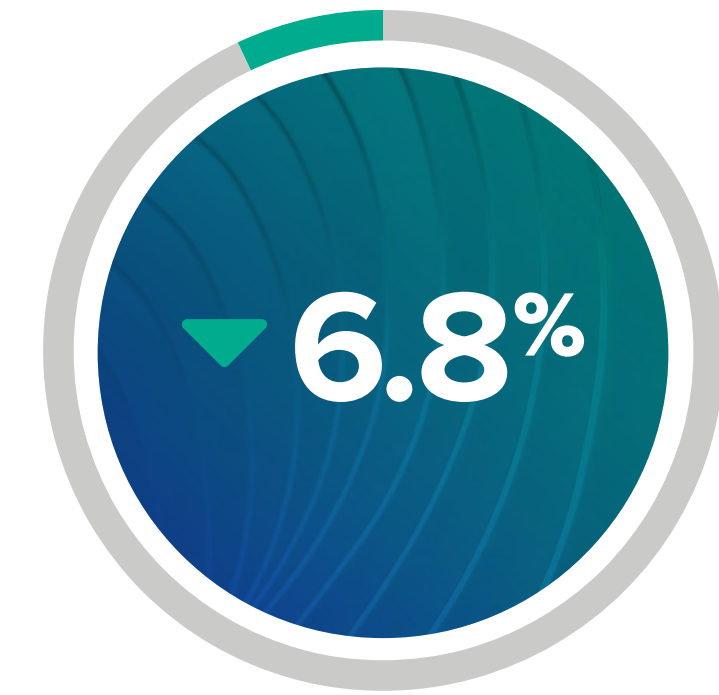
The State of the Global Economy in Q1 2023

The global economy is forecast to slow considerably in 2023, edging close to recession as it continues to face ripple effects and lingering risks resulting from the war in Ukraine.

2023 GLOBAL REAL GDP GROWTH



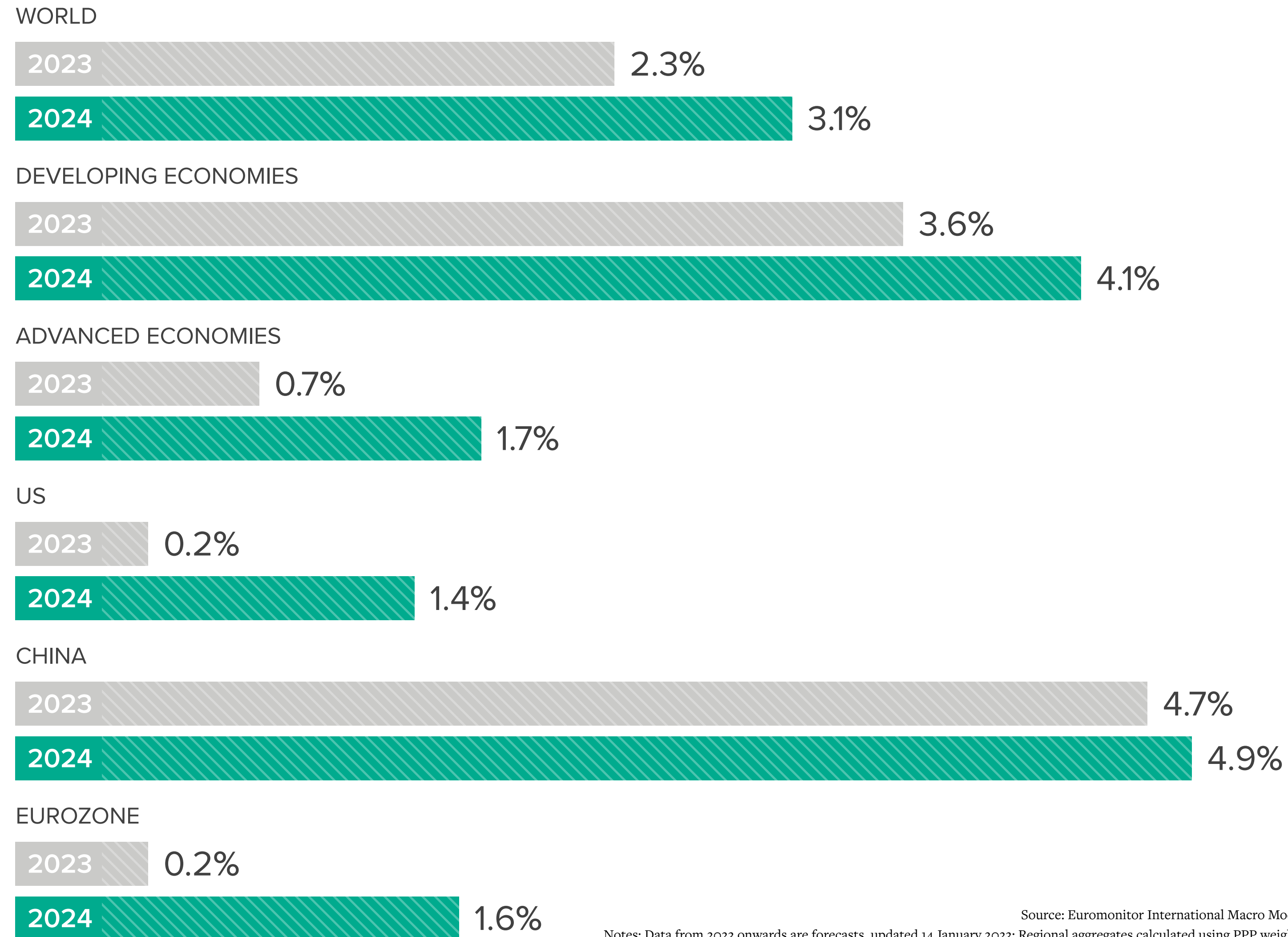
2023 INFLATION FORECAST



Global real GDP growth is expected to drop from 3.3% in 2022 to 2.3% in 2023. Although inflation is expected to decline at 6.8%, it will remain significantly above the long-term trend.

Businesses and consumers will see persistent price pressures combined with an increasingly restrictive impact of rising interest rates on economic activity.

GLOBAL REAL GDP GROWTH BASELINE FORECAST 2023–2024



Source: Euromonitor International Macro Model
Notes: Data from 2023 onwards are forecasts, updated 14 January 2023; Regional aggregates calculated using PPP weights

Despite the weak outlook going into 2023, there are some sources of optimism. The US economy has been more resilient than expected behind a strong labour market. The Eurozone avoided an acute energy crisis as mild temperatures lowered demand. And China's reopening following the end of its zero-COVID policy could support global growth later in 2023 following a likely period of COVID-19-related disruptions.

Your business needs to mitigate risk and improve resiliency. Our quarterly economic analysis and forecasts help you anticipate change and prepare for how it's going to affect your industry and market. Use these insights to guide your investment, decisions and growth plans in 2023.

Key findings

The global economy slows sharply

The global economic outlook for 2023 is among the weakest in decades. The economic fallout from Russia's invasion of Ukraine will weigh heavily on growth as demand is dampened by persistent inflation and the increasing impact of rising borrowing costs for businesses and consumers. Plus, the sharply reduced growth projection for 2023 remains fragile, as the global economy faces multiple headwinds, including immediate risks emanating from the ongoing war in Ukraine, elevated geopolitical volatility and rising economic fragmentation.



The global economic outlook for 2023 is among the weakest in decades...





The US and Eurozone edge closer to a recession

The US and the Eurozone still face the risk of recession with growth stalling in 2023. Both economies unexpectedly avoided recession in late 2022 behind resilient consumer spending and falling energy prices. However, elevated inflation excluding energy and food prices, paired with rising interest rates, will noticeably reduce private sector confidence and slow economic activity. In addition, the Eurozone will continue to face high energy uncertainty, particularly with regard to natural gas imports and electricity generation.

China's reopening provides optimism

Despite a bleak outlook and lingering risks, the global economy will see several growth impulses. China's reopening following the unexpected end to its zero-COVID policy bears the potential of significantly mitigating the global downturn. Moreover, numerous emerging markets have proved resilient amid surging inflation, increasing interest rates and exchange rate volatility. This relative strength of economies, particularly in Asia Pacific, is expected to support growth in 2023.

Global inflation begins gradual downward trend, but remains significantly elevated

6.8%

Global inflation peaked prior to the turn of the year, starting a downward trend which will see inflation gradually decline from 9.1% in 2022 to 6.8% in 2023.

The war in Ukraine had the most profound impact on global inflation, leading to substantial increases in food and energy prices. At the same time, on-going pandemic-related supply chain constraints, diverging monetary policies and tight labour markets are adding pressure.

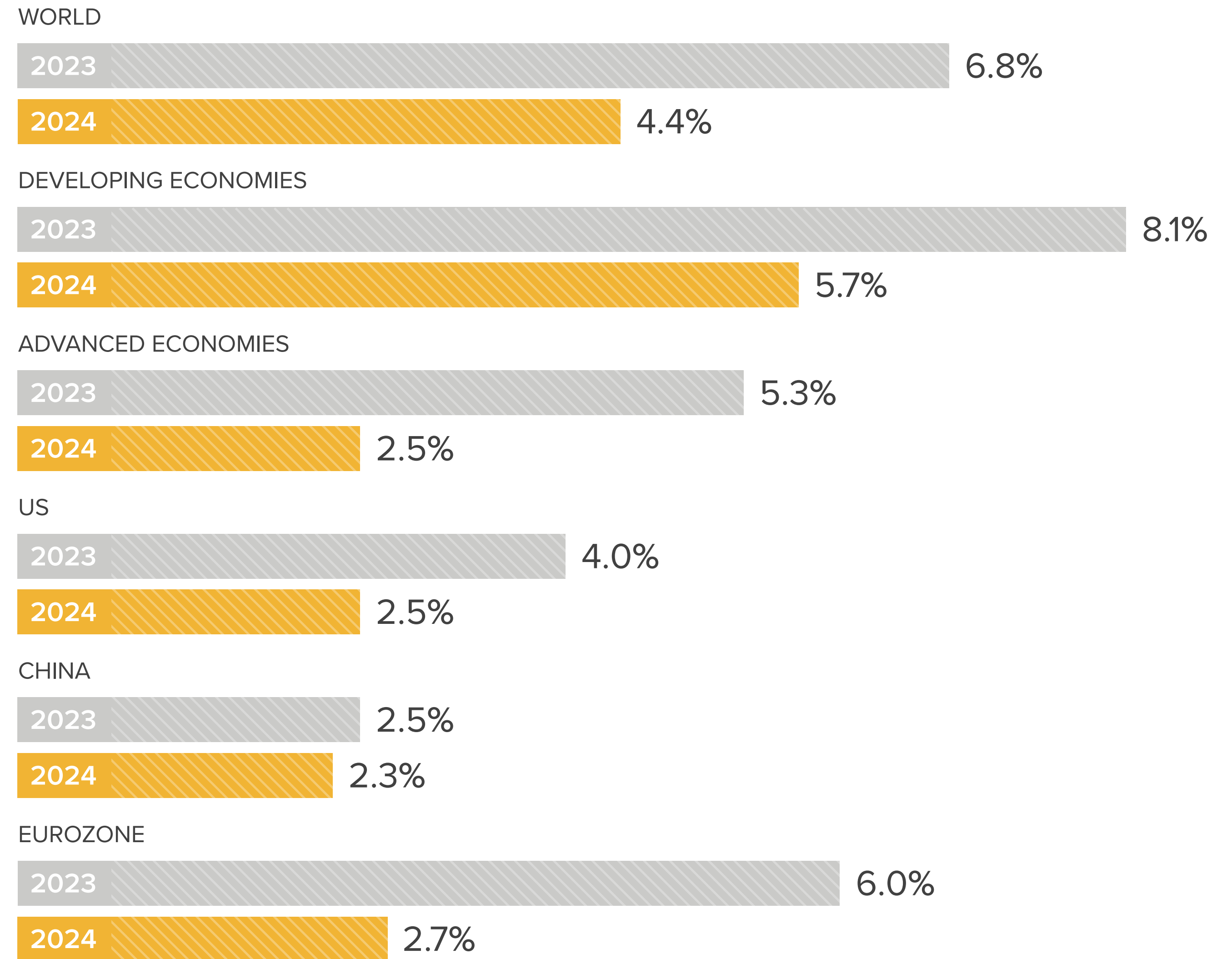
2022-2023

9.1%

In 2023, most of the key drivers of inflation will continue to abate. Rapidly rising interest rates will weigh on demand, leading to further easing of commodity prices and supply chain pressures. Plus, improving growth prospects in China and the Eurozone have contributed to a weaker US dollar, thereby reducing price pressures outside of the US.

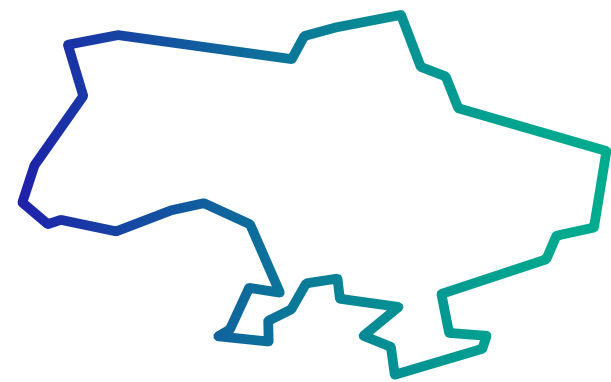
Global inflation is expected to remain higher for longer, driven especially by labour shortages in advanced economies and persistent commodity price pressures in developing markets. Before inflation slows to 4.4% in 2024, most countries are likely to see price increases spread more broadly throughout their economies.

GLOBAL CONSUMER PRICE INFLATION BASELINE FORECAST 2023–2024



Source: Euromonitor International Macro Model. Notes: Data from 2023 onwards are forecasts, updated 14 January 2023; Regional aggregates calculated using PPP weights

Top Risks to the Global Economy



Disruptions from the war in Ukraine

The war in Ukraine remains the key downside risk to the global economy in 2023. Since its outbreak, economic projections have deteriorated substantially. Further escalation would likely be equally disruptive, adversely affecting businesses and consumers.

1

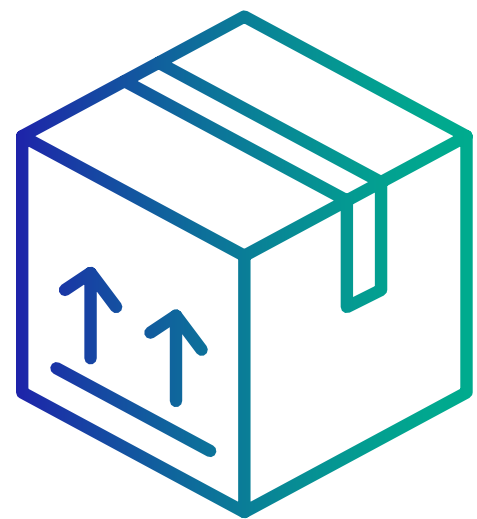


Overly restrictive monetary policies by central banks

Central banks have rapidly increased interest rates with the aim to slow economic activity and lower inflation. Yet, with high uncertainty regarding the impact of fast-rising rates in terms of timing and magnitude, potential over-tightening of monetary conditions could result in a global recession including severe debt distress globally.

2

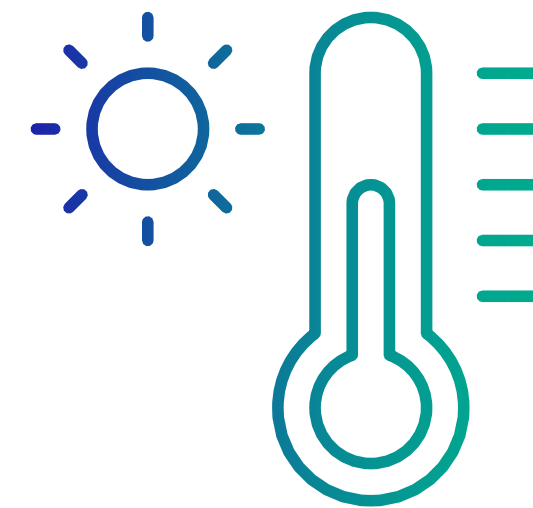
Top Risks to the Global Economy



Supply chain constraints

[China's reopening raises global growth potential](#) in 2023. However, the country's rapid policy reversal also raises the risk of significant COVID-19-related disruptions domestically as well as globally through new variants, thereby fuelling a COVID-19 pessimistic scenario.

3



Extreme weather events

Climate change presents an immediate and growing risk to the global economy. The increasing frequency of extreme weather events is expected to result in rising economic damage, lost output and inflationary pressures, at least regionally, due to supply shocks.

4

REAL GDP ANNUAL GROWTH FORECASTS AND REVISIONS FROM LAST QUARTER—ADVANCED ECONOMIES

COUNTRY/REGION	2022	2023	2024	2025	2026–2030	2023 REVISION	2024 REVISION
Advanced Economies (AE)	2.6%	0.5%	1.6%	1.5%	1.4%	-0.2%	-0.1%
US	1.8%	0.2%	1.4%	1.8%	1.7%	-0.3%	-0.1%
Canada	3.4%	0.7%	1.7%	2.1%	1.7%	-0.4%	0.0%
Eurozone	3.2%	0.2%	1.6%	1.3%	1.2%	-0.2%	-0.3%
Germany	1.9%	-0.5%	1.5%	1.7%	1.1%	0.0%	0.0%
France	2.5%	0.3%	1.5%	1.4%	1.3%	-0.1%	0.0%
Italy	3.8%	0.2%	1.3%	1.1%	0.6%	+0.3%	0.0%
Spain	4.6%	1.1%	2.1%	1.8%	1.3%	0.0%	-0.4%
UK	4.2%	-0.8%	1.0%	1.8%	1.6%	-0.3%	+0.1%
Japan	1.4%	1.3%	1.1%	0.8%	0.6%	-0.1%	-0.1%
South Korea	2.6%	1.6%	2.3%	2.2%	2.0%	-0.3%	0.0%

Source: Euromonitor International Macro Model

Note: Annual growth rates in %, revisions in percentage points.

Global Stagflation Scenario: Vulnerabilities Remain High for Major Economies

6.1%

In the global stagflation scenario, the economy comes under significant pressure as key growth risks materialise. Consequently, global real GDP declines by 0.8% in 2023, followed by a subpar recovery of 1.2% in 2024. In addition to weaker growth, global inflation rises to 8.0% in 2023 and 6.1% in 2024.

The primary risk driving the global stagflation scenario in 2023 is further disruption to global energy and food supply in the context of the war in Ukraine. This would ignite a resurgence of global inflation, increasing the likelihood of more persistent price pressures in the global economy.

8.0%

2023-2024

GLOBAL RISK INDEX AND RANKINGS

SCENARIO	GLOBAL RISK INDEX	GLOBAL REAL GDP IMPACT	PROBABILITY
Global Stagflation	5.6%	-5.6%	30%
COVID-19 Pessimistic	1.4%	-3.5%	15%
China Hard Landing	0.7%	-2.2%	10%
US-China All-Out Trade War	0.2%	-0.6%	10%

Source: Euromonitor International Macro Model. Note: Global Risk Index ranks scenarios by the expected global GDP impact, calculated as the 3-year cumulative global real GDP impact relative to baseline scenario multiplied by its 1-year probability, relative to the average global downside risks probability. The Index is based on 62 of the world's major economies (representing more than 90% of global GDP at PPP).



30%

probability of
global stagflation

15%

probability of
COVID-19 pessimistic

10%

probability of
china hard landing

10%

probability of
US-China all-out trade war

Japan

Weaker exports and faltering pent-up spending to subdue future growth

Following weaker growth in 2022, Japan's economic performance is set to moderate further in 2023. While the new economic package and the anticipated pay rises are set to support private consumption, surging inflation will continue to dent household purchasing power.

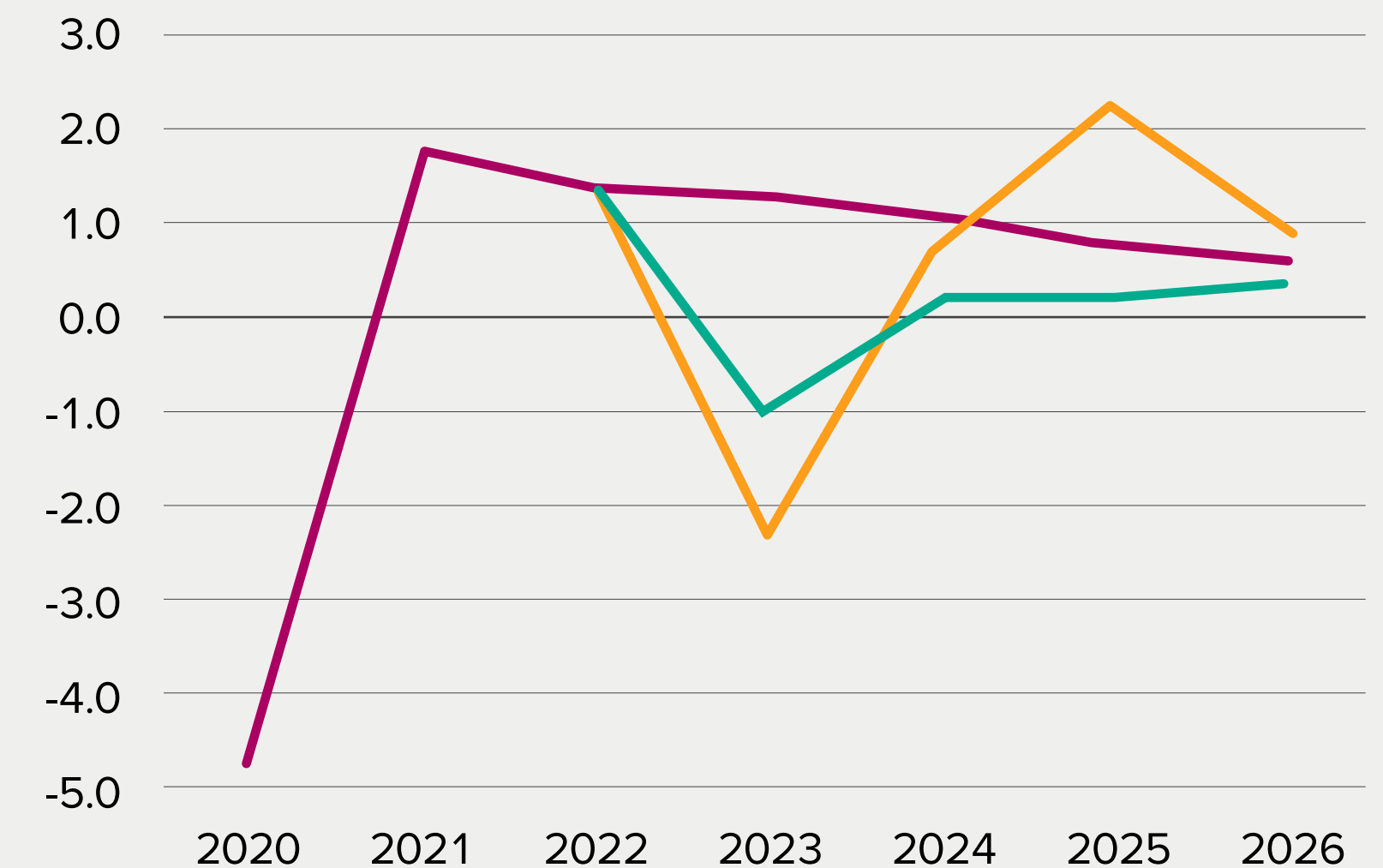
Inflation is expected to decelerate over the course of 2023. However, the expected acceleration in wage hikes will likely put upward pressure on prices over the medium term.

Japan's strained finances are a major downside risk. To offset the negative impact of the pandemic and rising inflation, the Japanese government continues to provide support for households and businesses. Although fiscal stimulus is set to promote economic recovery, it raises concerns over the country's fiscal health.



Japan Real GDP Growth Baseline and Scenario Forecasts 2020–2026

Real GDP Growth, %



— Euromonitor Baseline — Global Stagflation — C19 Pessimistic

Source: Euromonitor International Macro Model.

Notes: Data from 2023 onwards are forecasts, updated 14 January 2023

Global Stagflation scenario: a combination of stagnation in global economic activity combined with high inflation C19 Pessimistic scenario: a resurgence of COVID-19 pandemic.

Mexico

Downturn in the US is expected to slow growth momentum

Mexico's real GDP growth projection for 2023 was again revised downwards in Euromonitor's Q1 2023 baseline forecast as the country's economy faces significant headwinds due to growing recession concerns in the US.

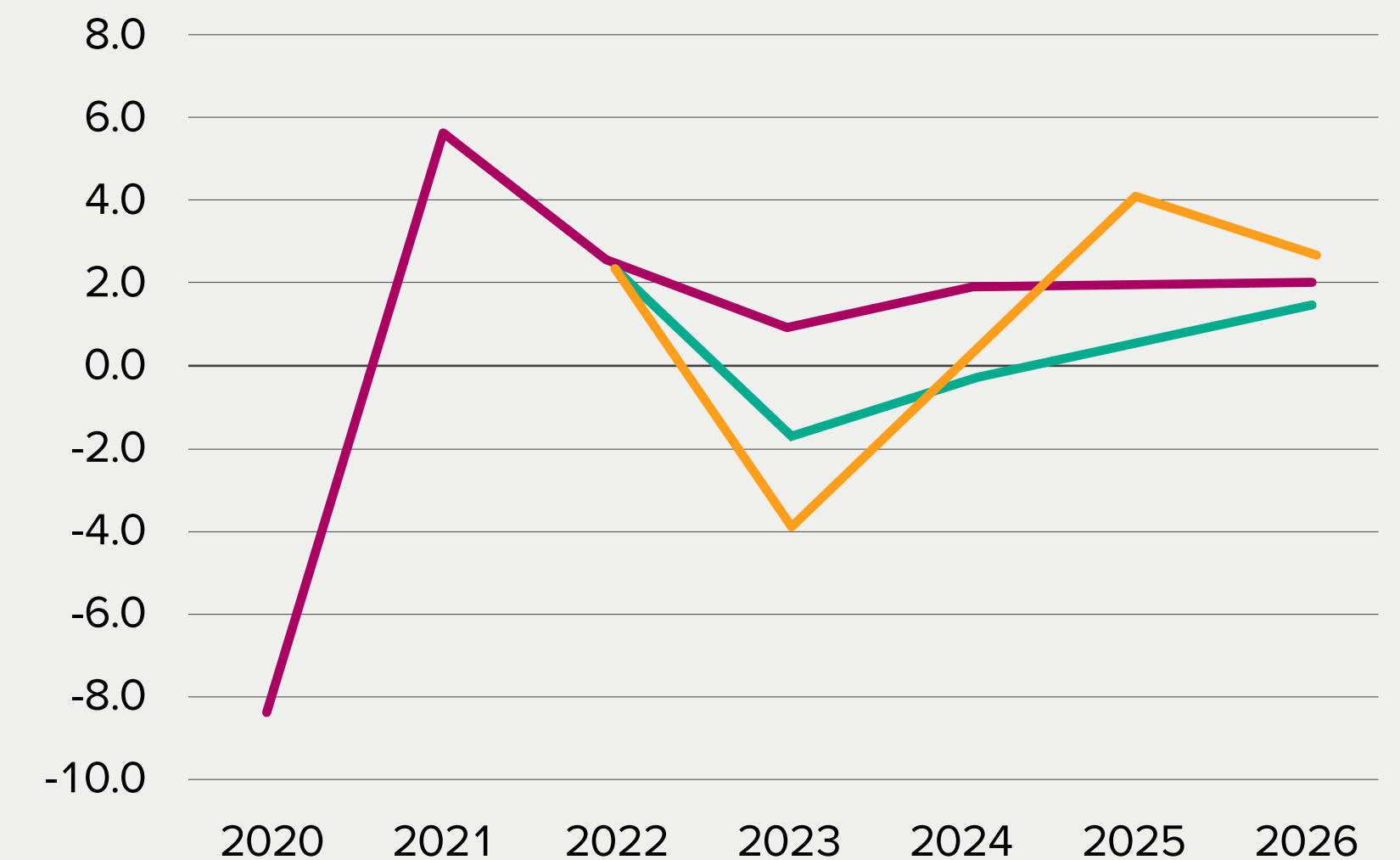
The Bank of Mexico slowed the pace of interest rate increases in late 2022 as inflation eased following a peak in Q3 2022.

Further rising interest rates and a potentially deeper-than-expected recession in the US, Mexico's most important trading partner, cloud the economic forecast, given the risk to exports and remittances.



Mexico Real GDP Growth Forecasts, 2020–2026

Real GDP Growth, %



— Euromonitor Baseline — Global Stagflation — C19 Pessimistic

Source: Euromonitor International Macro Model.

Notes: Data from 2023 onwards are forecasts, updated 14 January 2023

Global Stagflation scenario: a combination of stagnation in global economic activity combined with high inflation C19 Pessimistic scenario: a resurgence of COVID-19 pandemic.

Eurozone

Milder-than-expected temperatures likely prevent a severe energy crisis

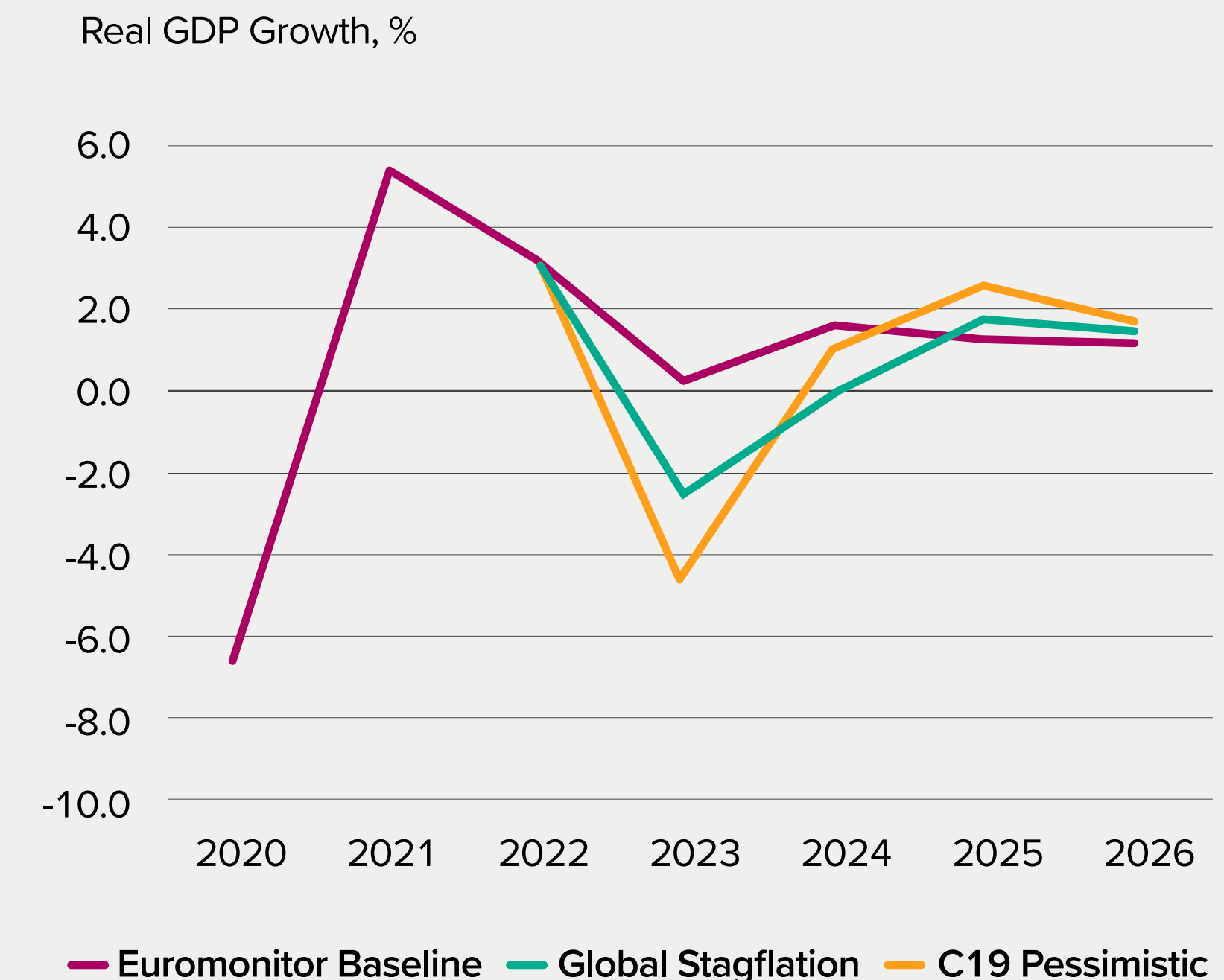
The labour market, private consumption and manufacturing have largely remained resilient going into 2023. The immediate risks of energy shortages and a deep recession have been significantly reduced. However, persistent energy uncertainty, ongoing inflationary pressures and further increasing interest rates dampen the outlook and increase the likelihood of recession in 2023.

Inflation in the Eurozone has slowed from its peak in early Q4 2022. The downward trend of overall inflation is expected to continue in 2023 as energy inflation will slow significantly, thereby adding to the improving economic outlook.

The European Central Bank (ECB) signalled that it will continue to raise interest rates significantly in Q1 2023 to reach a refinancing rate of 2.5%. The Eurozone's slightly improved growth prospects, labour market tightness and resulting persistence of core inflation have added to the ECB's determination to sufficiently restrict monetary policy to reduce inflation to the bank's target of 2%. Yet, this also presents a key recession risk to the Eurozone economy in 2023.



Eurozone Real GDP Growth Baseline and Scenario Forecasts 2020–2026



Source: Euromonitor International Macro Model.

Notes: Data from 2023 onwards are forecasts, updated 14 January 2023

Global Stagflation scenario: a combination of stagnation in global economic activity combined with high inflation C19 Pessimistic scenario: a resurgence of COVID-19 pandemic.

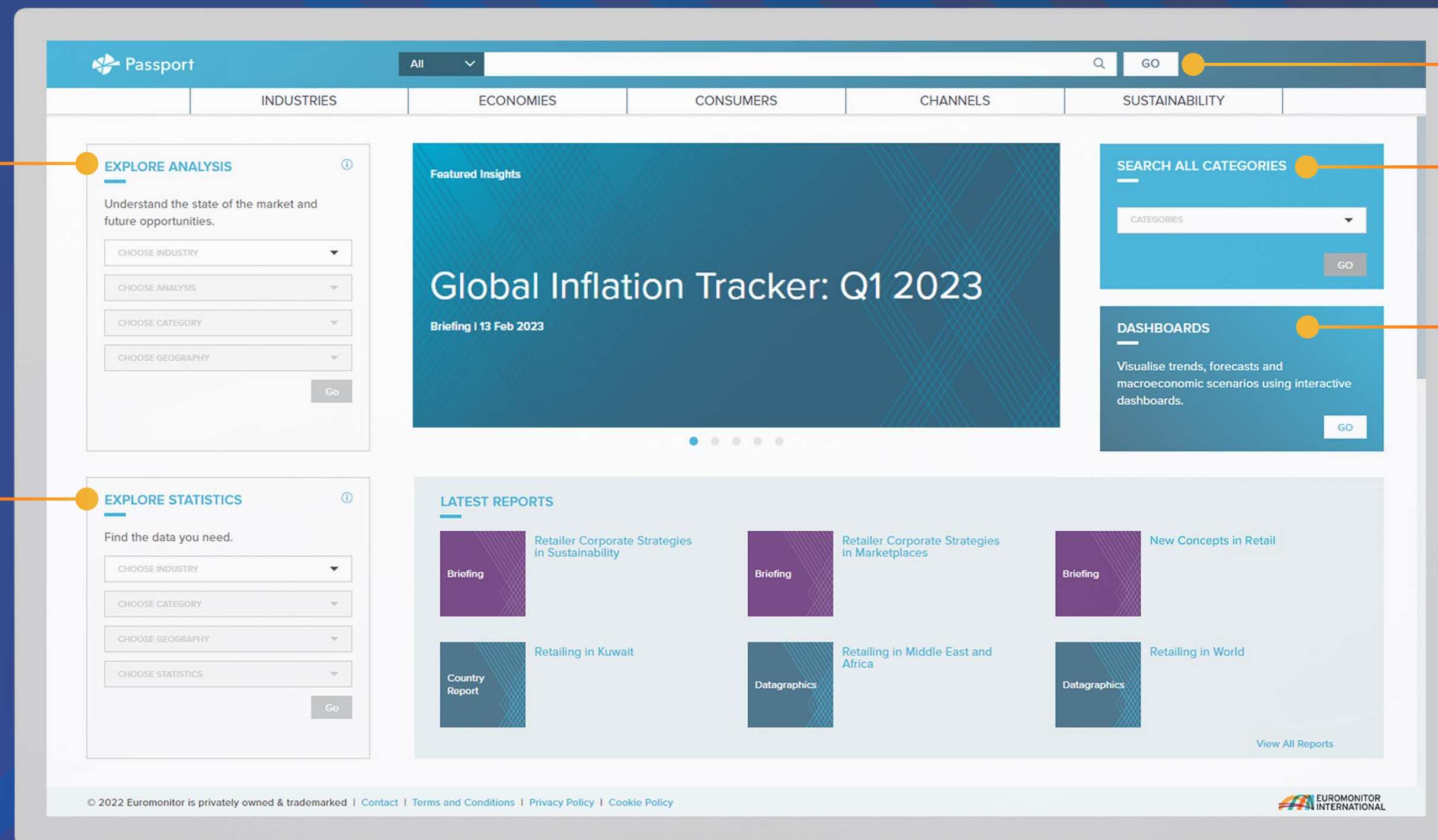
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APPENDIX

Global Economic Forecasts use the Euromonitor Macro Model, expert judgement and a synthesis of the views of other top policy institutions and private sector forecasters. Euromonitor Macro Model is a global model, with countries simultaneously interacting through trade and aggregate demand spillovers. Forecasts are revised quarterly, with some inter-quarter revisions for key economies.

- All GDP and GDP component growth rates are in real (inflation-adjusted) terms, unless stated otherwise.
- All annual GDP and GDP component growth rates are for the January-December calendar year, unless stated otherwise.
- All quarterly GDP and GDP component growth rates are year-on-year, unless stated otherwise.
- Detailed baseline and scenario assumptions can be found in the full report.

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Lan leads Euromonitor International's economic research, providing global insights and thought leadership on how economic trends are impacting businesses and consumers.

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