

# WEEKLY ANALYSIS

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## DOWNWARD REVISIONS TO THE GROWTH OUTLOOK

Peak inflation is certainly close but signs are slow to appear. The loss of household purchasing power is affecting confidence and GDP growth. Recession risks are no longer to be ignored. Downward revisions of the outlook.

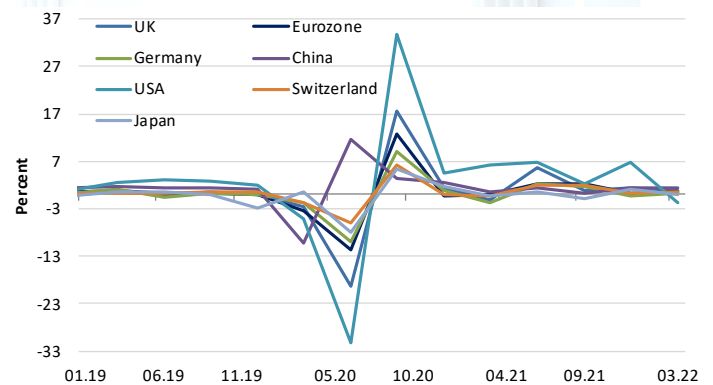
### Key points



- Sharp downward revision of global growth
- Recession risks are increasing in the US
- Europe is experiencing severe turbulence
- Switzerland seems to be weathering the headwinds better
- Negative growth in the UK
- Asian activity picks up after China's confinements
- Growing risks of Japanese GDP contraction
- Inflation affects household purchasing power and threatens consumption

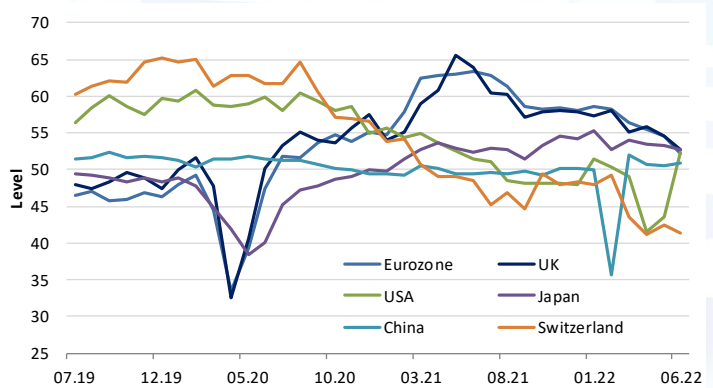
In Asia, the slowdown in growth has a very different basis. China is facing a new wave of Covid and its economy is currently suffering more from containment measures than from the inflationary effects of the geopolitical crisis in Ukraine, as Chinese inflation is low by international standards. The second half of the year could be particularly difficult if inflation does not fall significantly and if central banks adopt overly restrictive postures. The economic slowdown is likely to be more significant than forecasters expect in the coming months.

GDP Quarterly growth



Sources: Bloomberg, BBGI Group SA

Manufacturing PMI



Sources: Bloomberg, BBGI Group SA

### Sharp downward revision of global growth

The IMF has revised for the third time this year its growth forecast for the world economy in 2022 down to only +3.6%. The institution now expects US GDP growth to fall to +2.9% from a previous estimate of +3.7% due to the Federal Reserve's decidedly tougher monetary policy. The IMF points to the growing risks of recession for 2023 and admits that its forecasts contain a high degree of uncertainty. This is due to the global surge in inflation as a result of the post-Covid recovery and, above all, the rise in commodity prices as an immediate consequence of the war in Ukraine. The expected tightening of monetary policies around the world in response to the slippage in inflation could have a greater impact on the global economy than expected. The recent rise in US policy rates in the US, the highest in 27 years, is already threatening growth in the world's largest economy. The release of the Atlanta Fed's GDPNow even suggests that the US economy is already in recession with a -2% decline in GDP. These fears are not currently shared by the Federal Reserve, but in Europe the ECB is concerned about the situation while maintaining a relatively optimistic forecast for GDP growth of +2.8% in 2022.