

# Global Economic Outlook

Q4 2022



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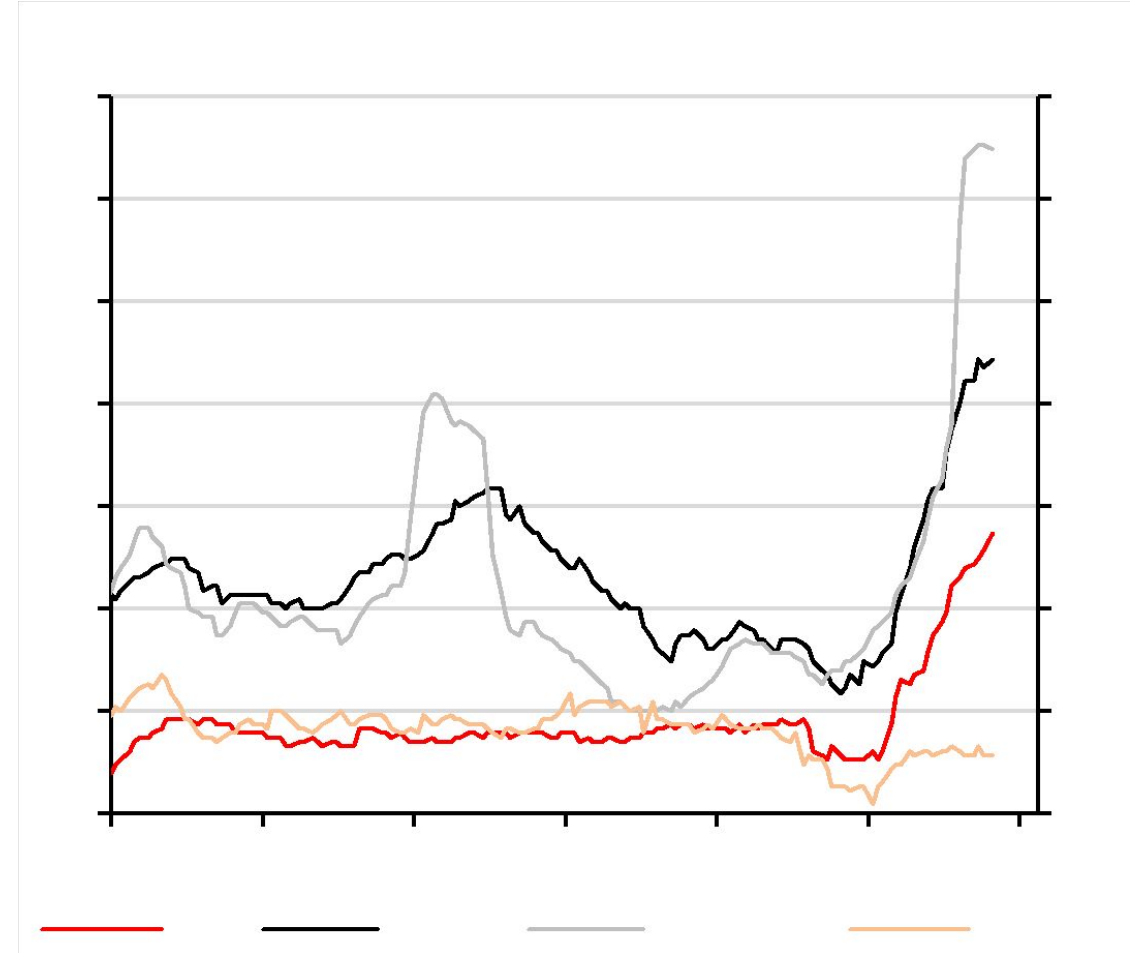
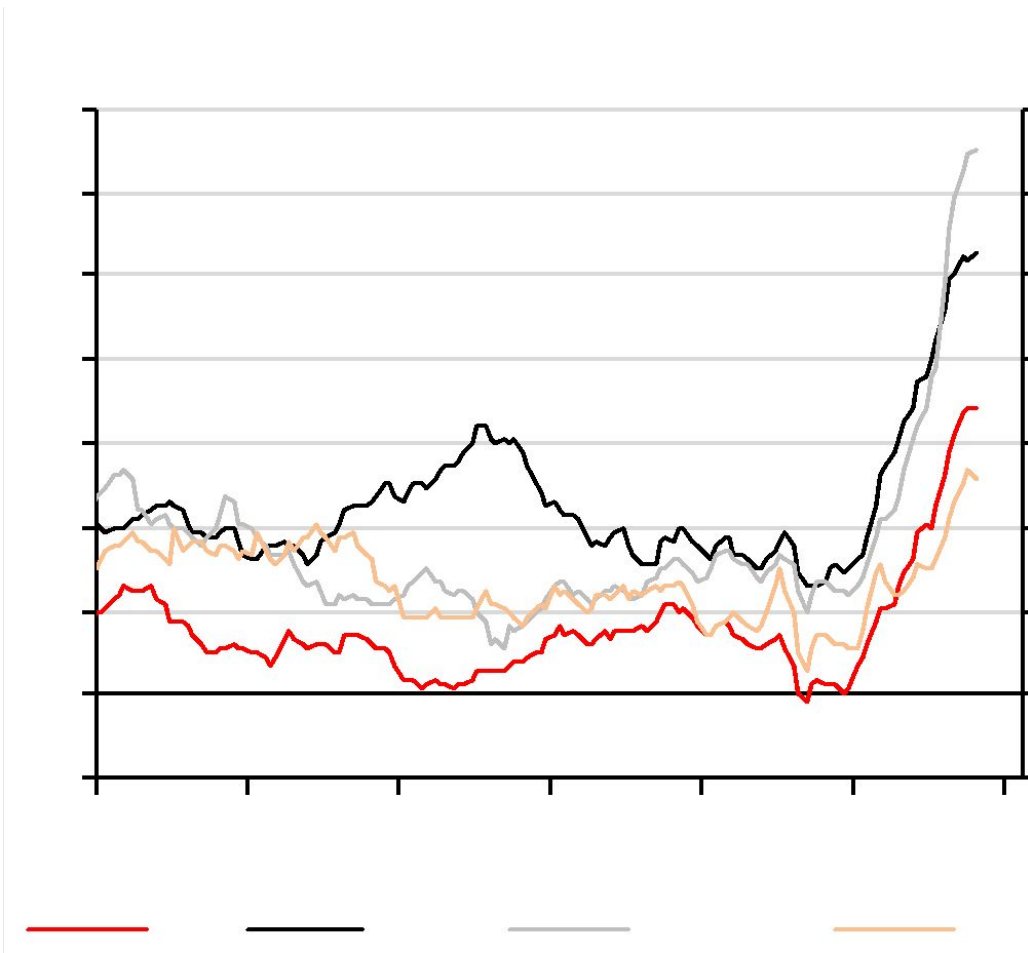
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**Economics**  
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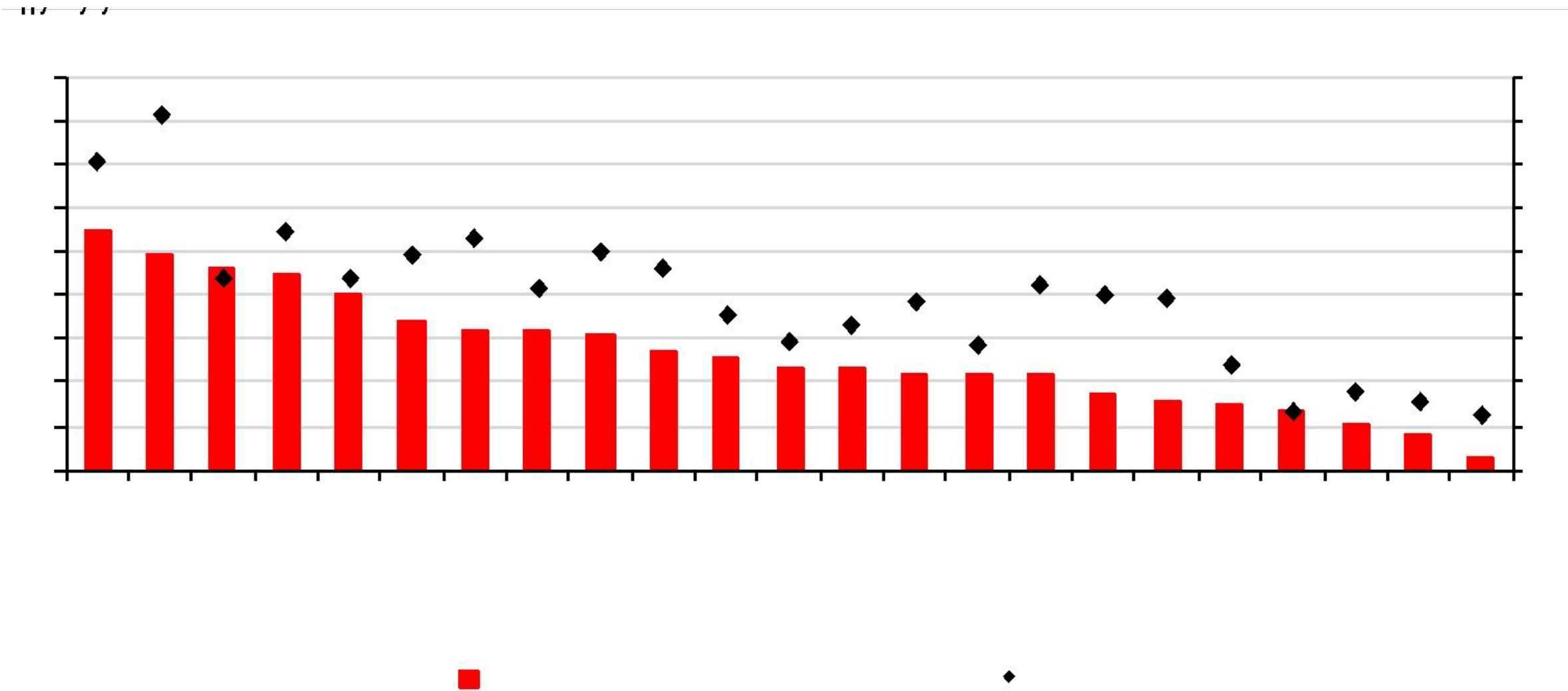


It's all about inflation right now...



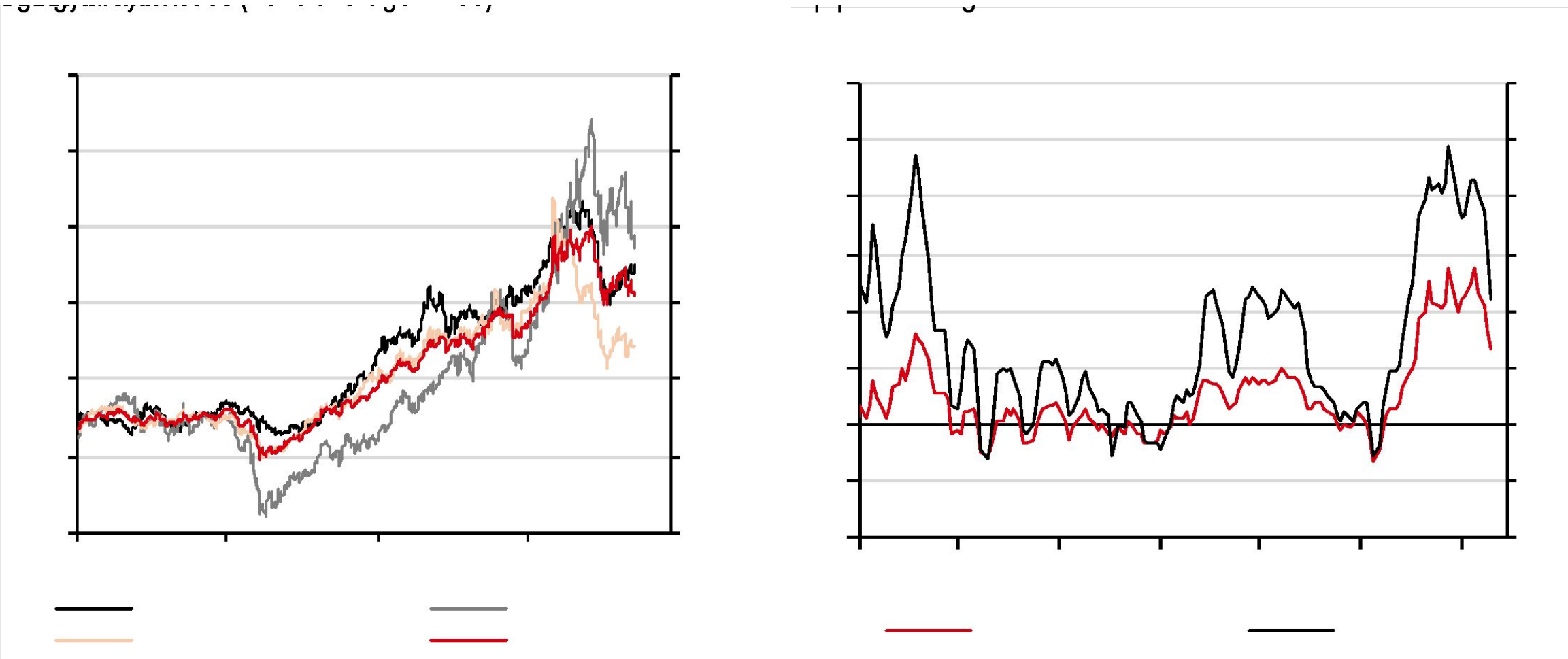


...with a divergence still clear across the world



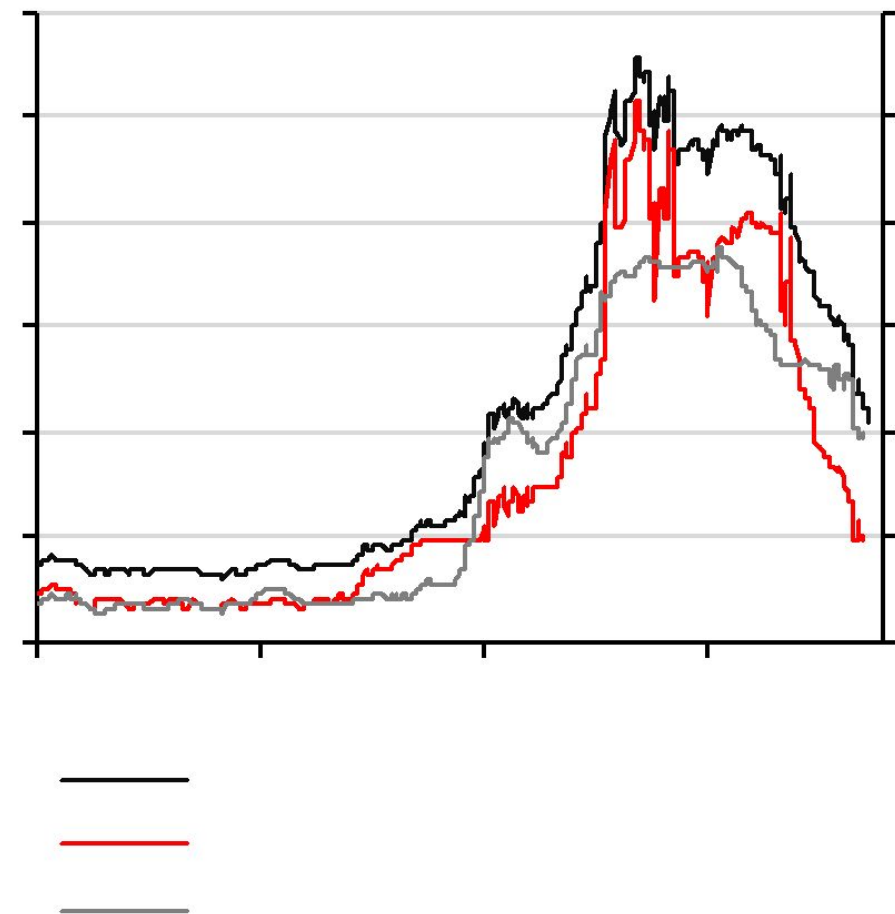
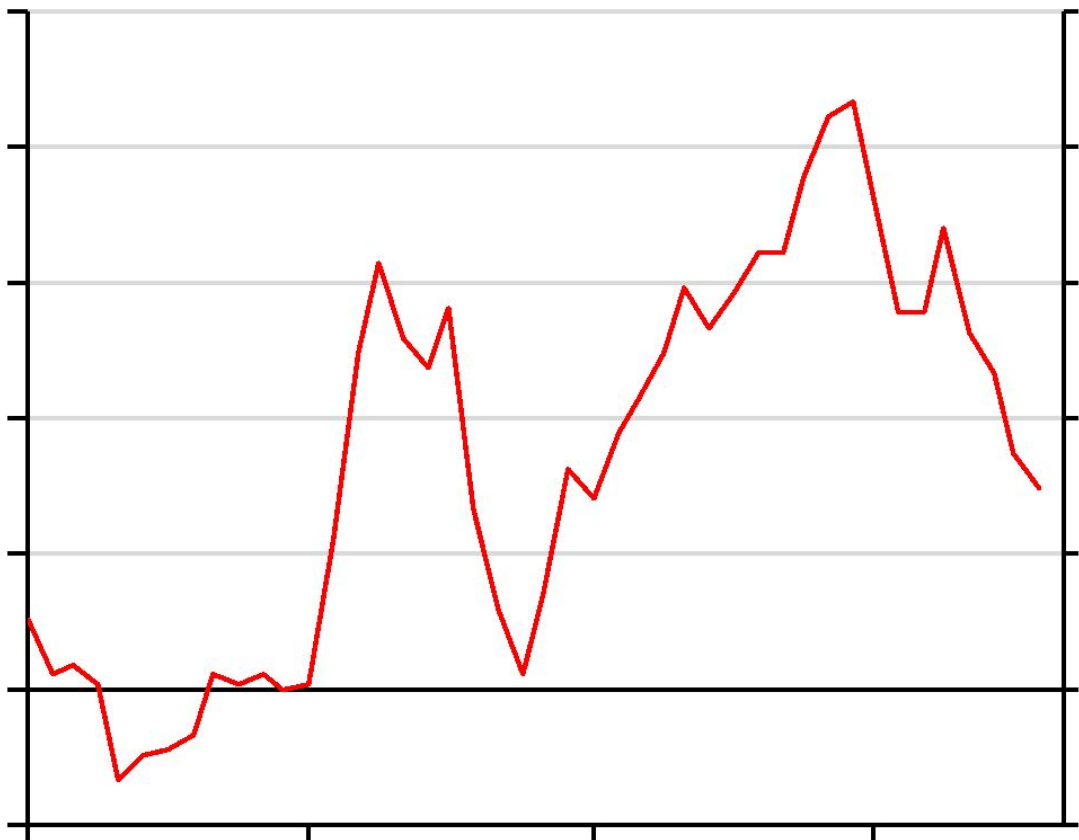


Commodity prices are moving lower and firms' say input cost pressures may have peaked



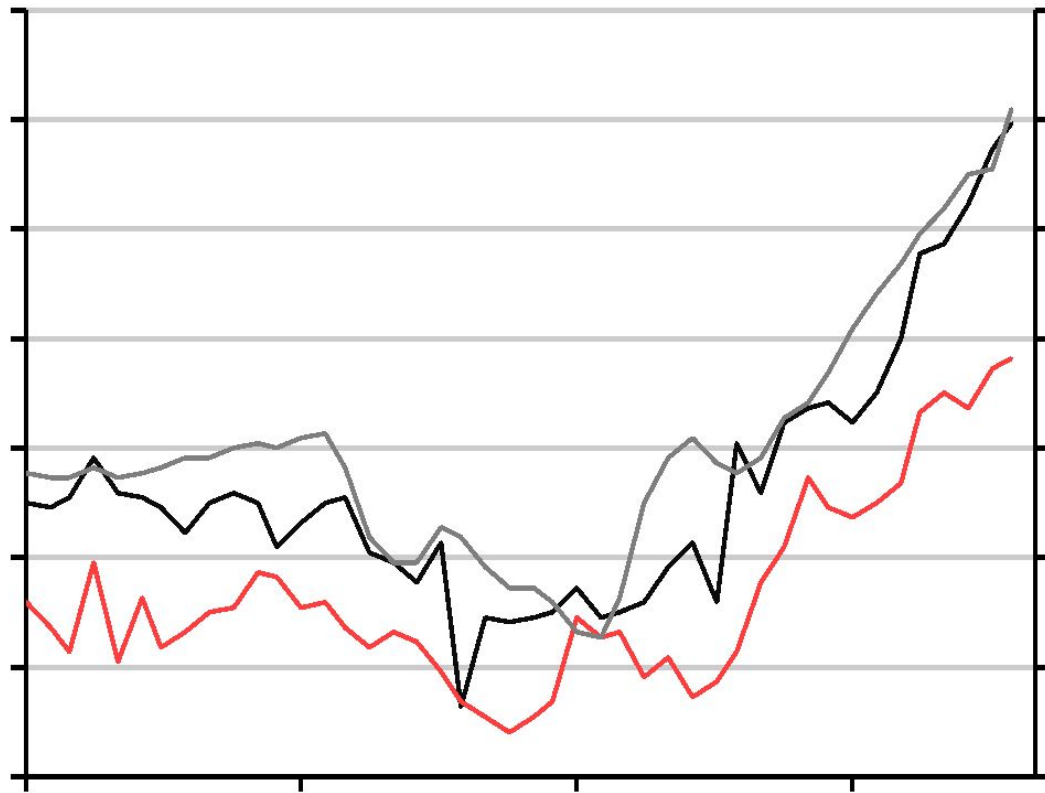
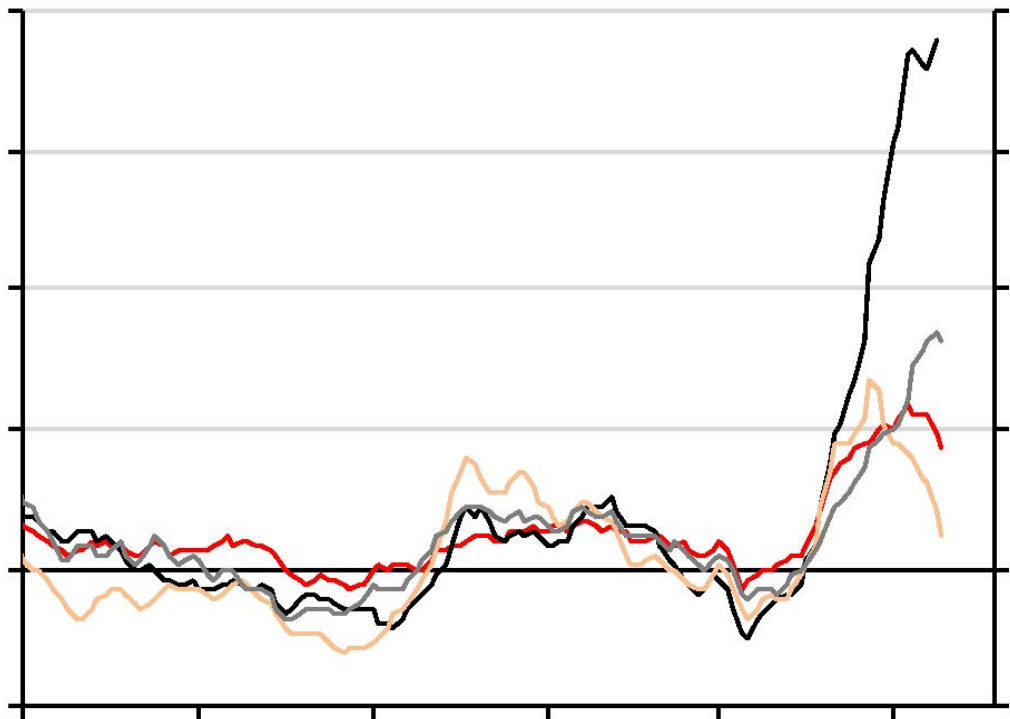


Supply chains are easing, much more quickly than many would have expected...



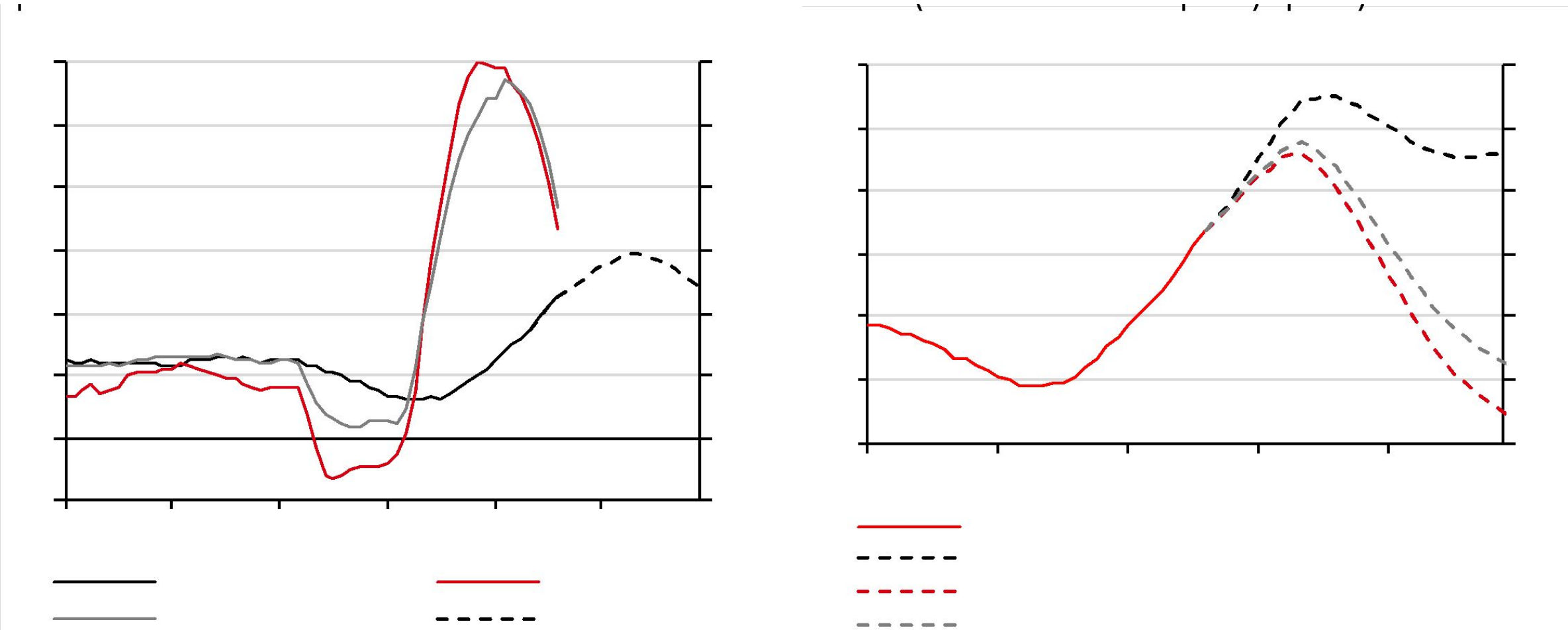


...but firms may keep raising prices to sure up margins, and services inflation remains robust





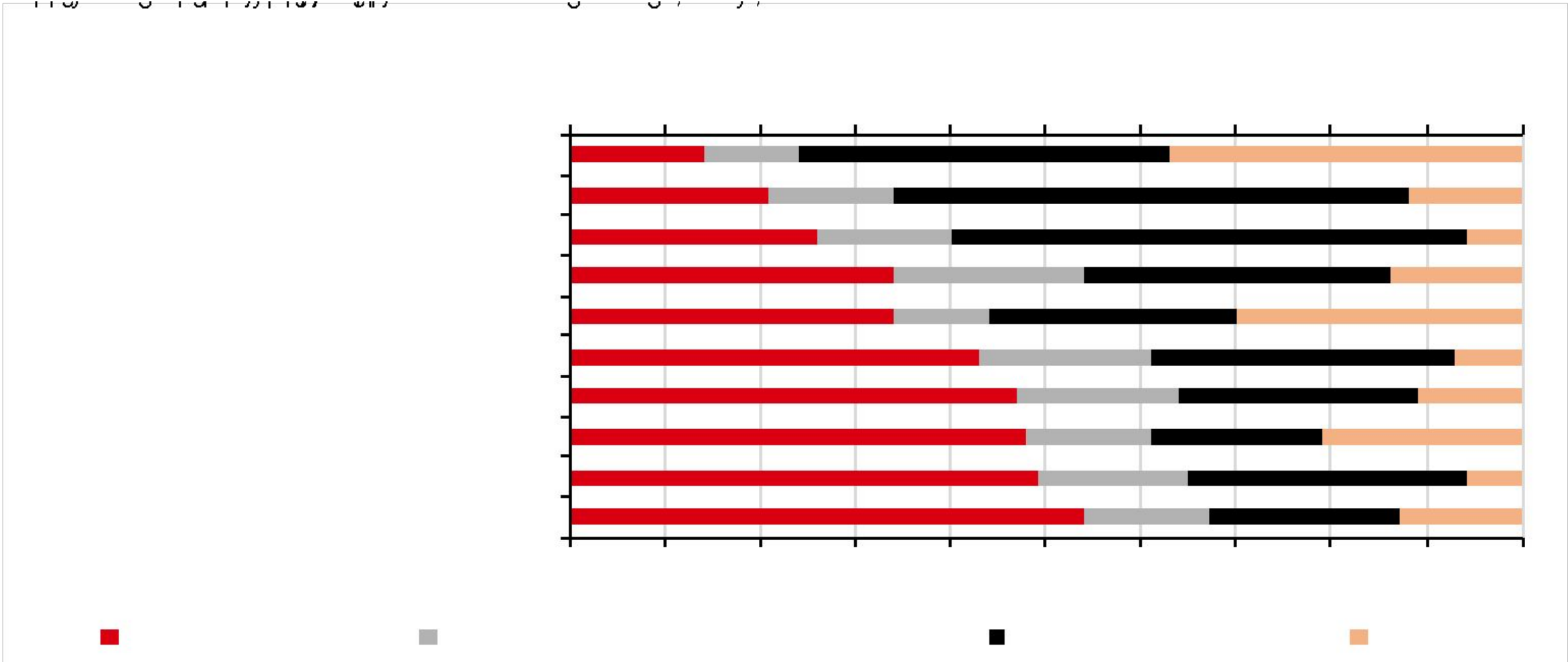
In the US, rental inflation is a key part of the story and may keep overall inflation sticky



Source: Refinitiv Datastream, Zillow, Apartment List. HSBC estimates, based on Zillow data and possible new rental price moves in 2023 and 2024. 2022 moves assume roughly 0.9% m-o-m rental inflation whereas 2019 pace was roughly 0.2% m-o-m. This is a very simple model to illustrate the impact of new rentals on CPI and more factors will influence the feed through.

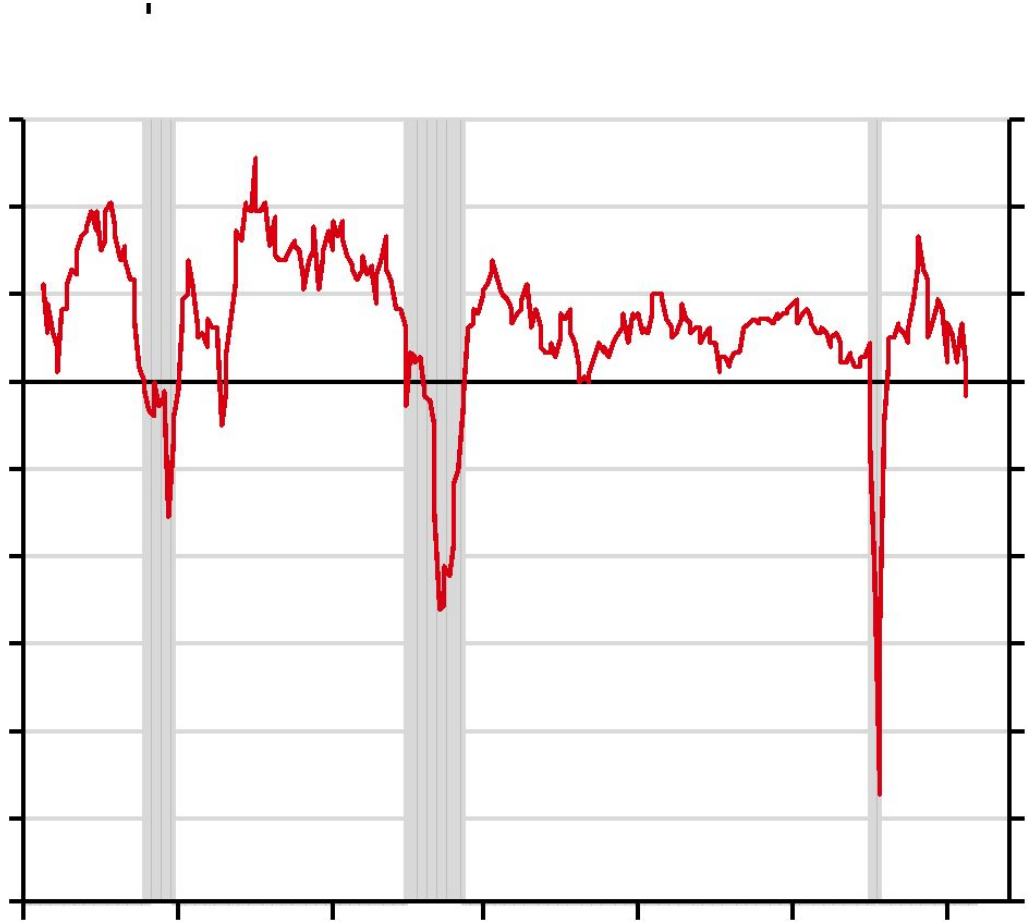
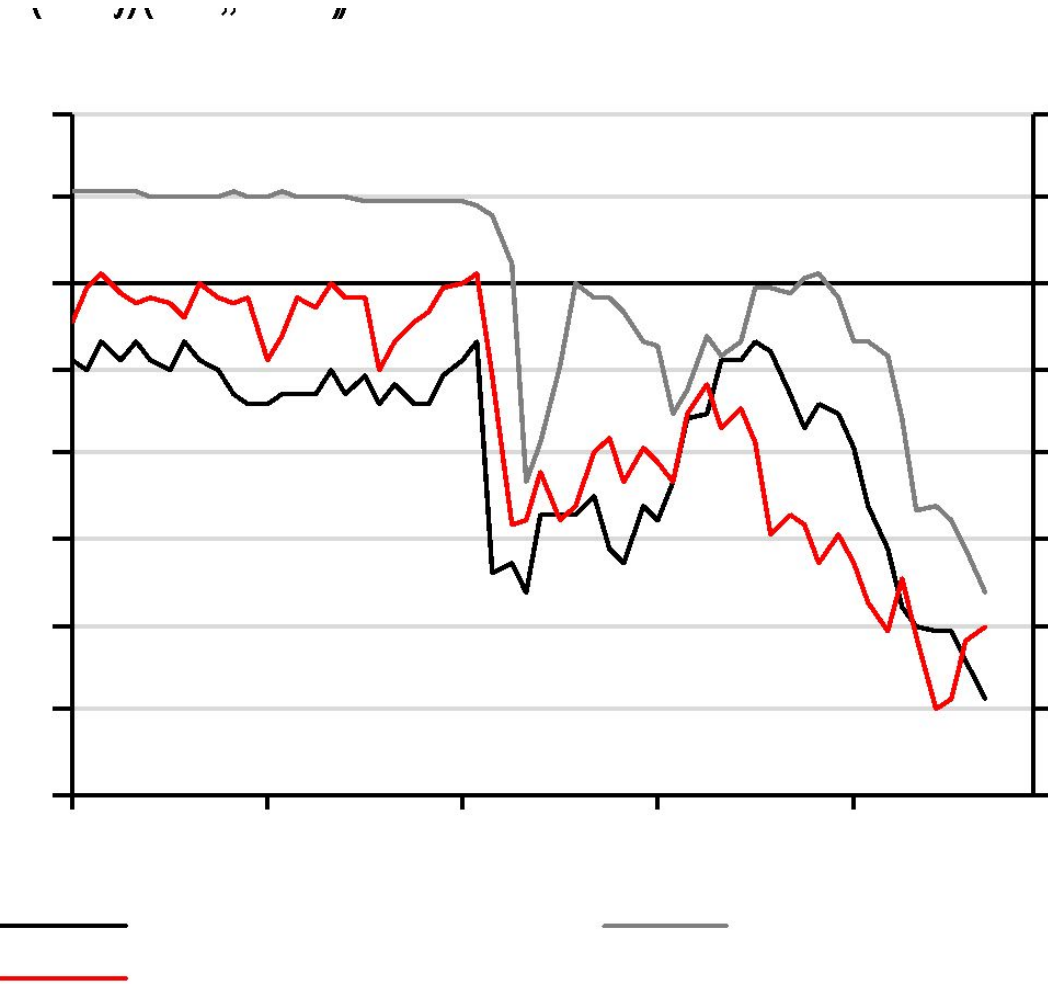


The inflation squeeze is already biting...



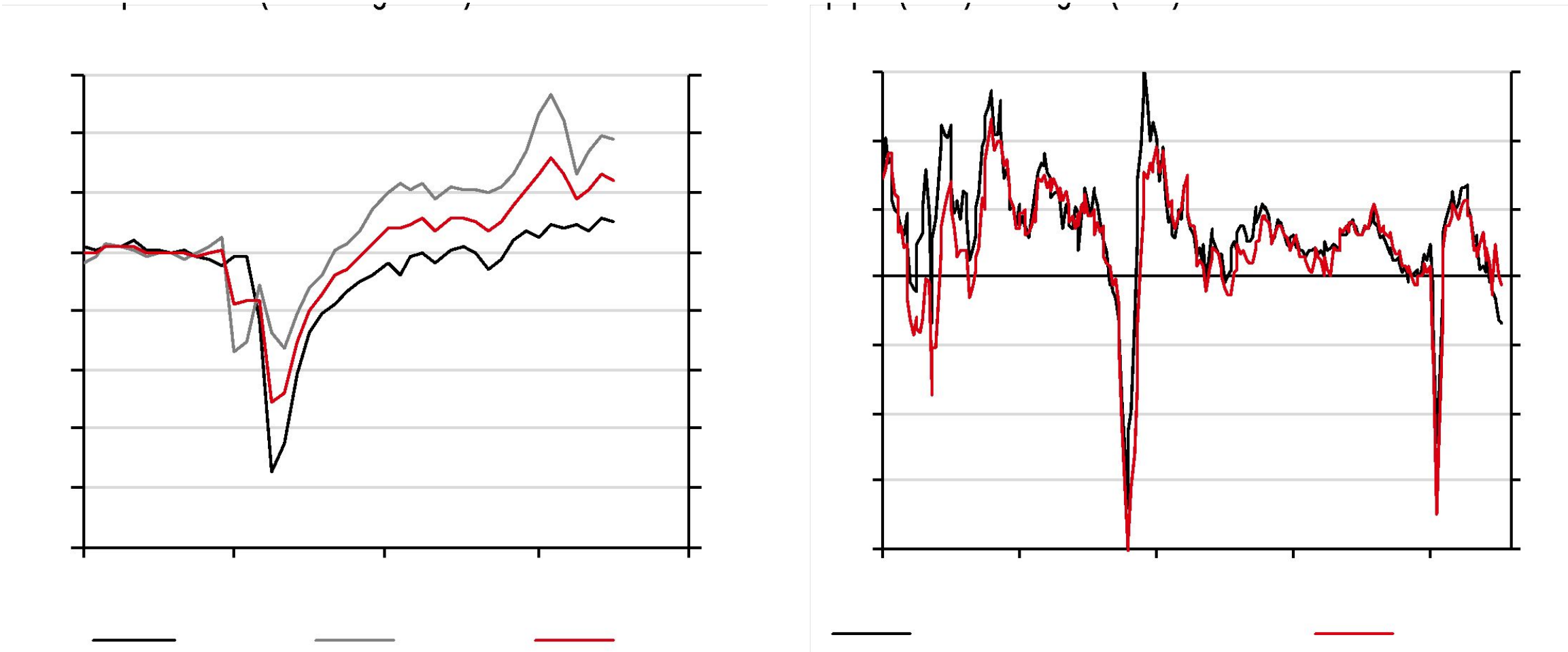


...and it's showing up in survey data...



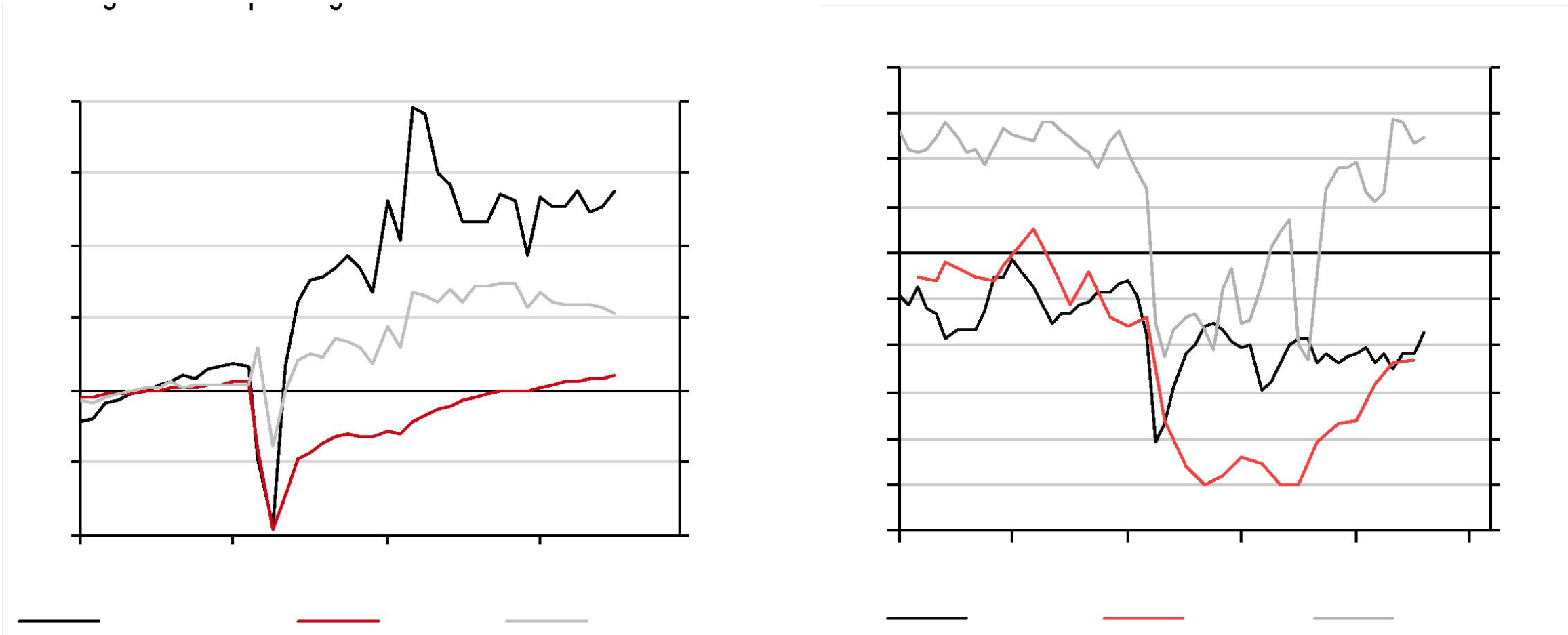


...and industrial data should weaken further from here



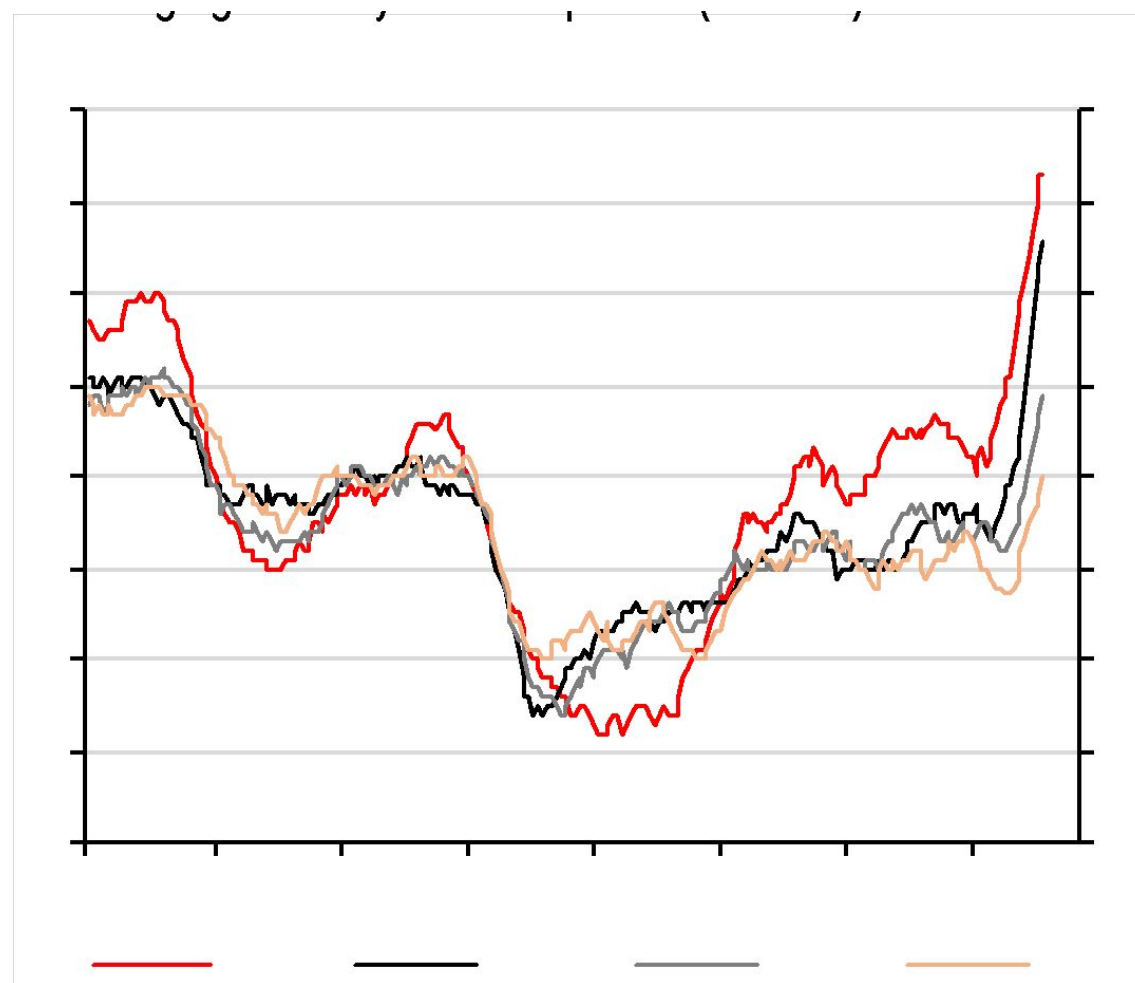
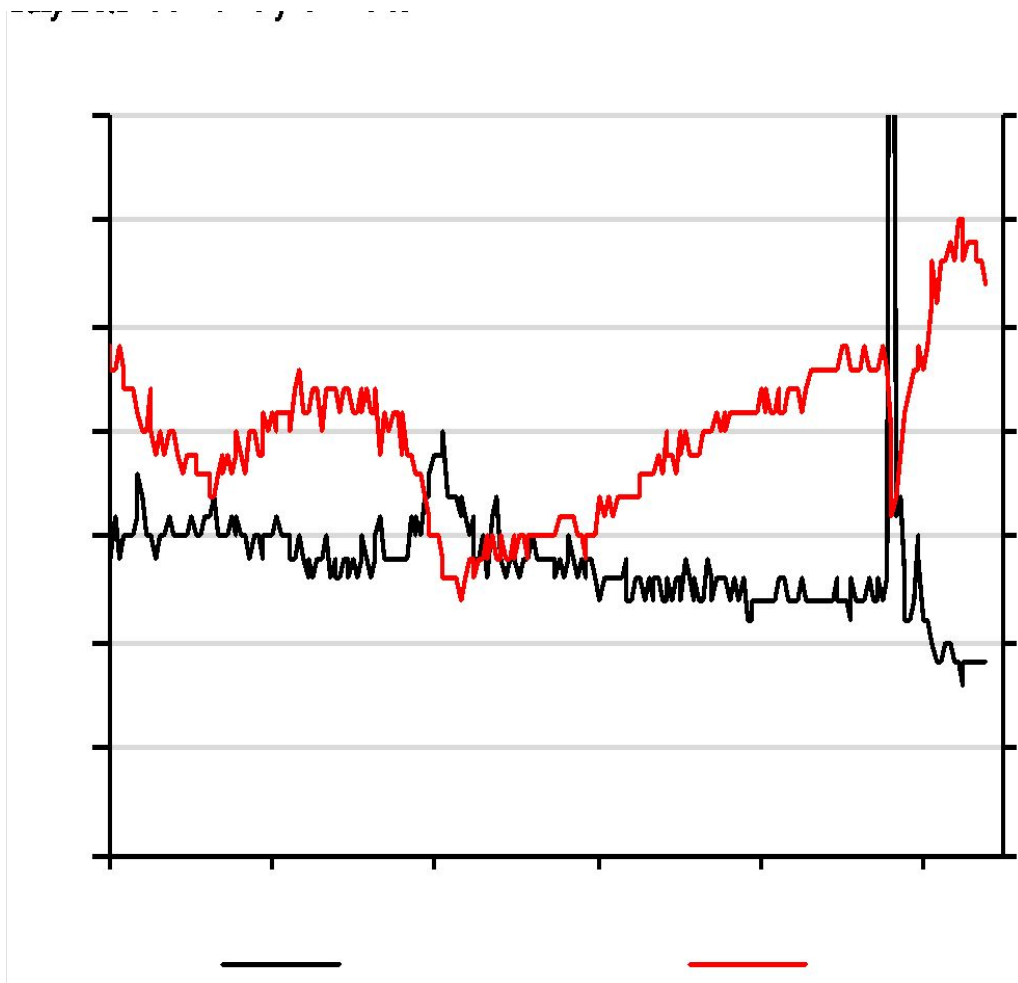


Consumer spending is proving robust for now, and some parts of the world are faring better





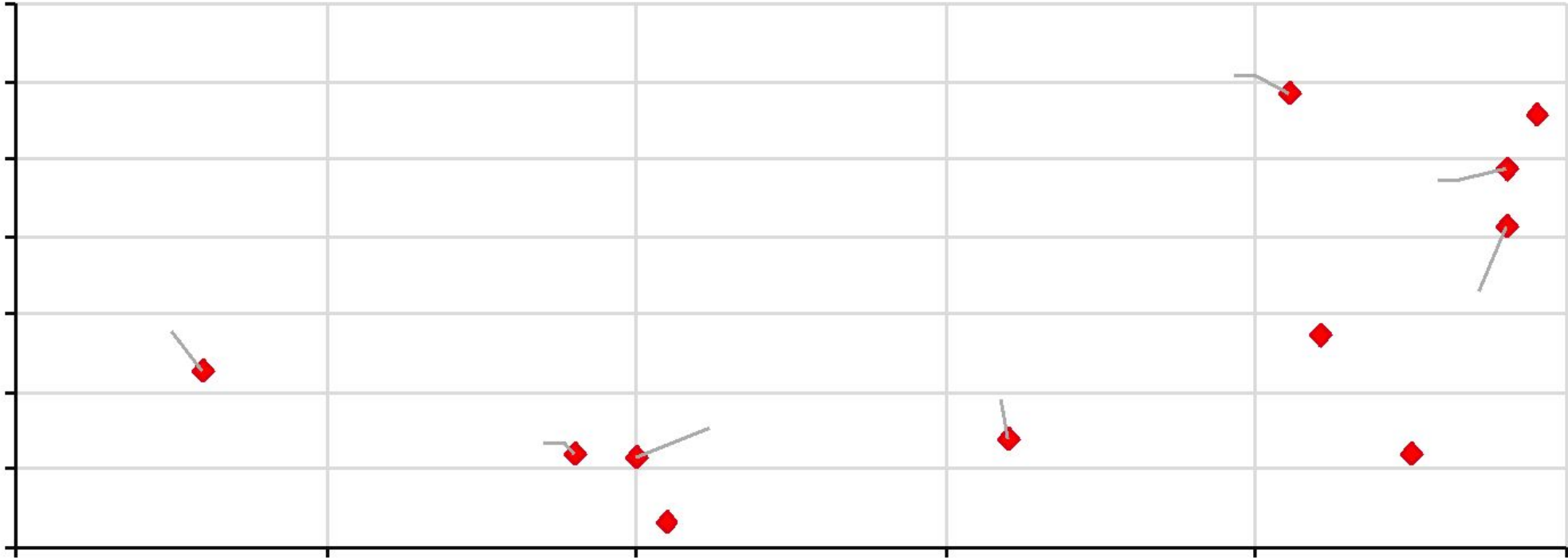
## Healthy labour markets and consumer balance sheets give some reason for cautious optimism...





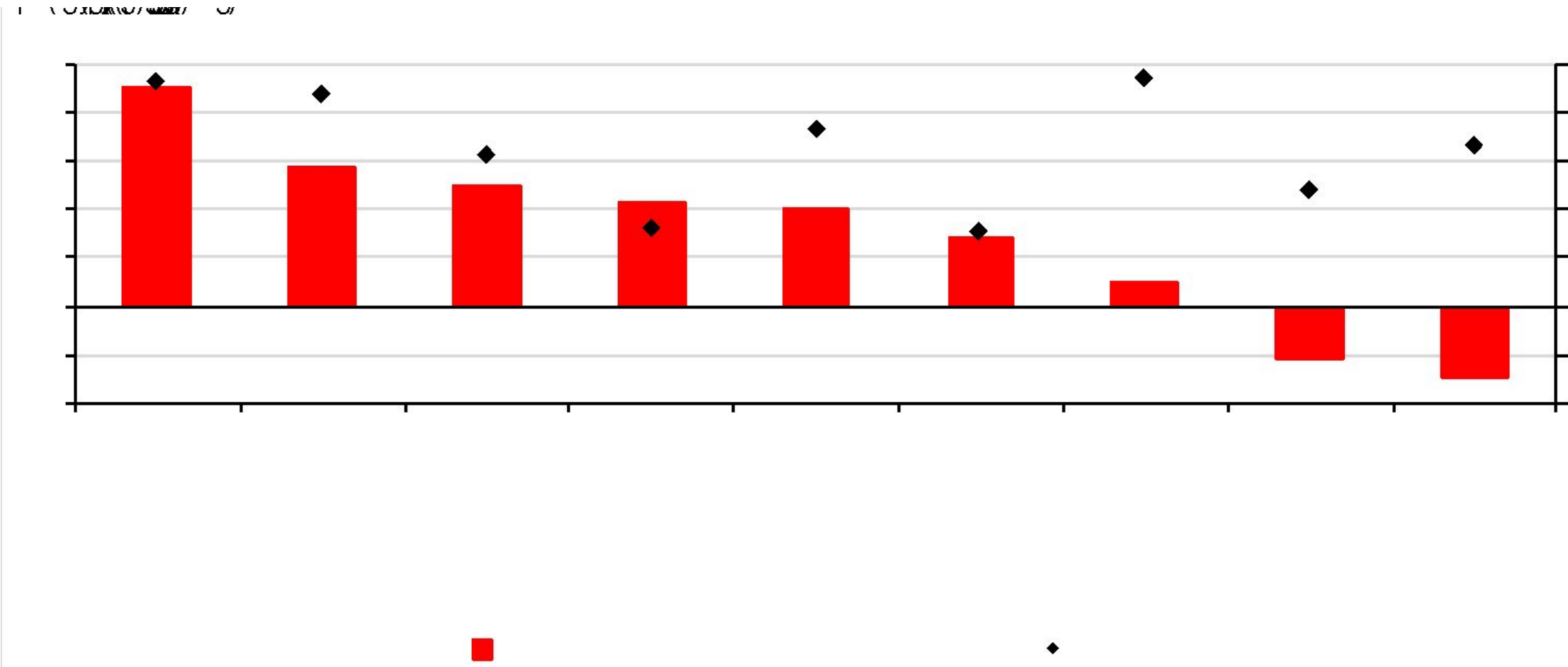
...with some sectors proving to be even more resilient...

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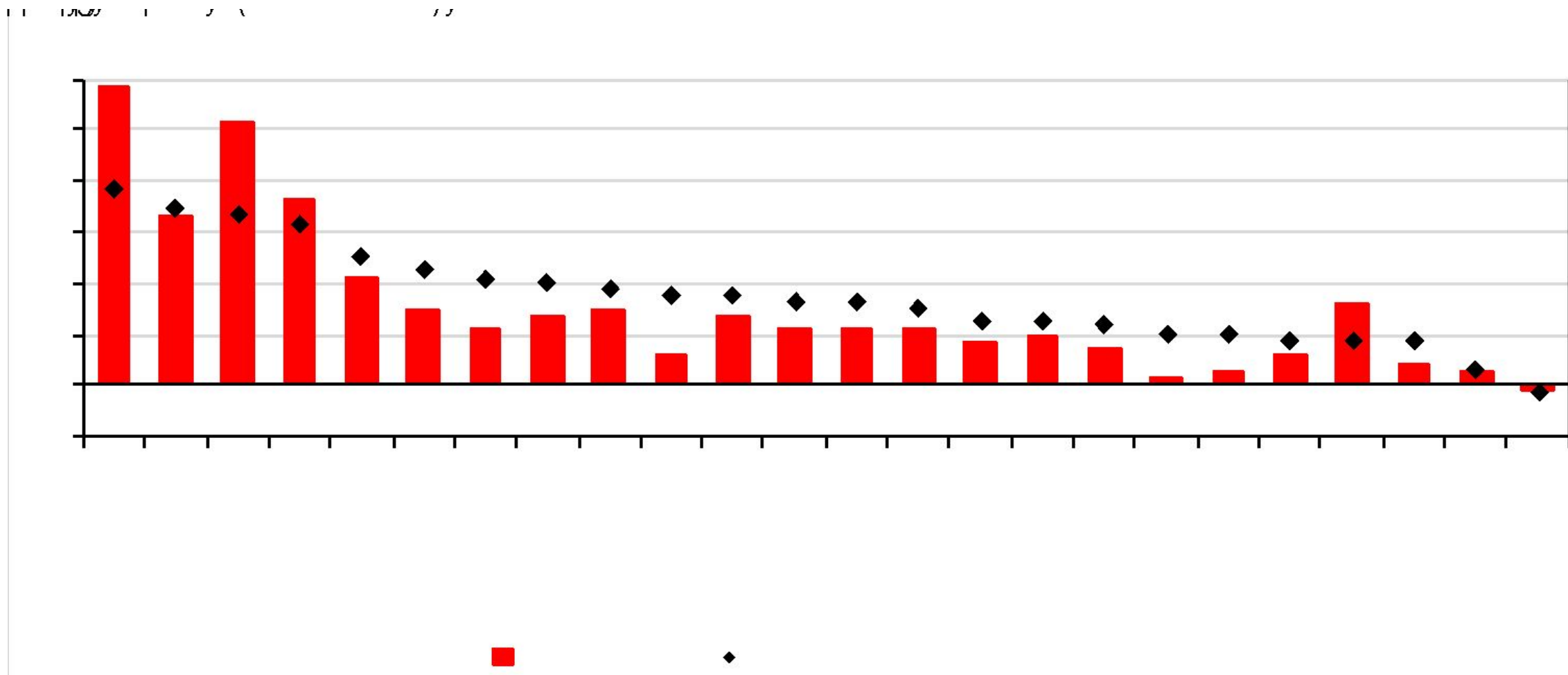


...but housing markets give reason for worry as prices drop due to weaker affordability





## What can central banks do about this mix?



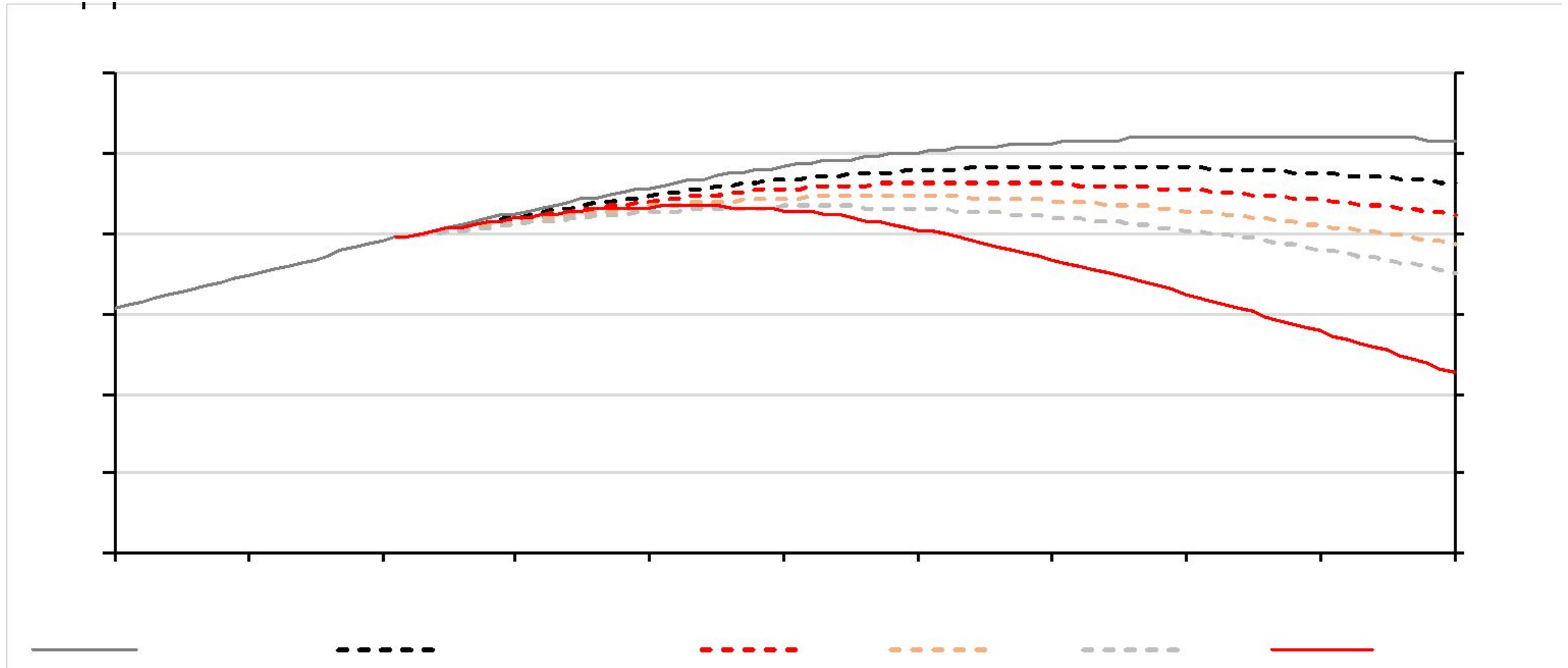


# Don't forget the bigger picture

Technology, cities and babies

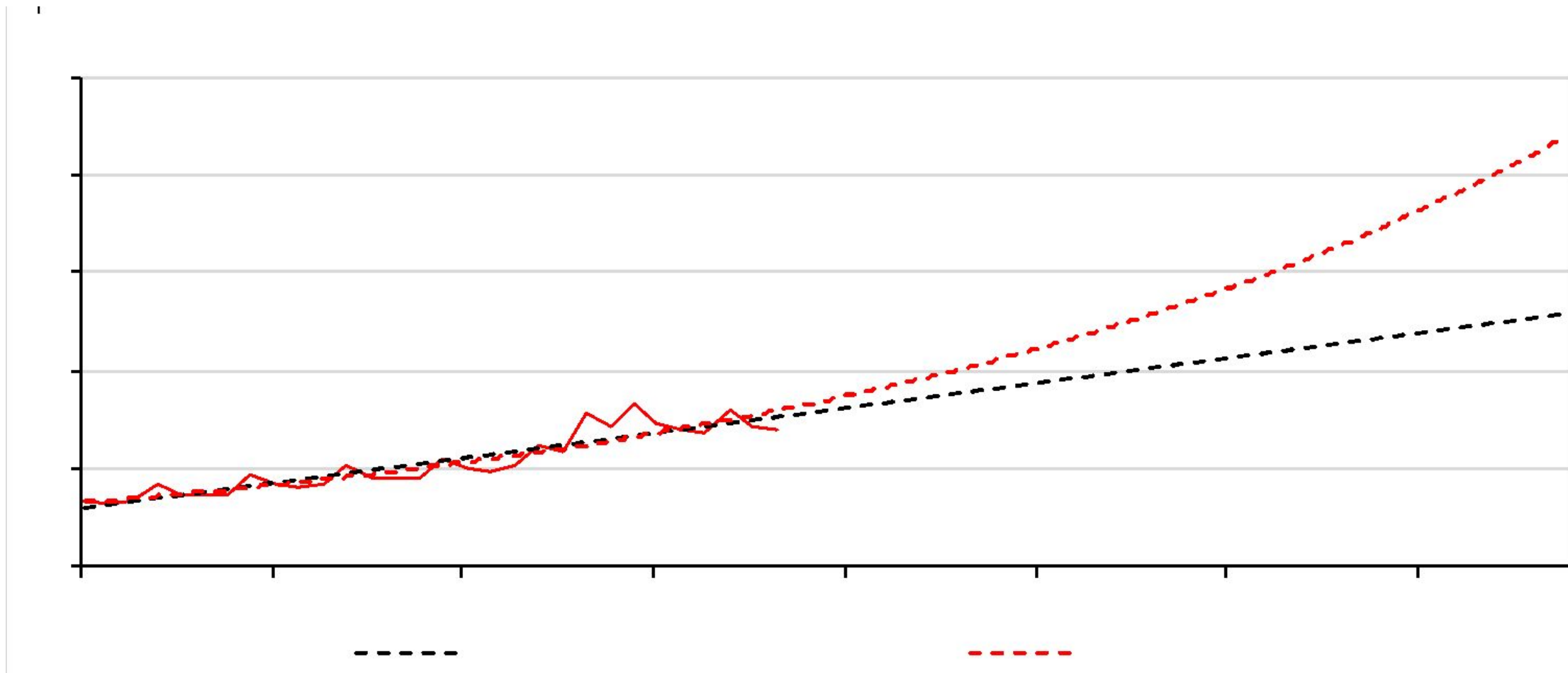


## Demographics really matter – and we underestimate how dramatic the change could be





## Online shopping is set to get even more important over the coming decade – the question is to what degree?





# A more digital economy means many things

## Key components of the digital economy

A new economy: a bigger digital economy will drive substantial macro changes from new jobs, new consumption patterns and policy changes

Policy challenges: greater government investment needed not only to improve access to digital technologies, but also to tackle rising inequality

Measurement challenges: capturing the true level of economic activity will become more difficult as we move away from physical to digital transactions

Spending patterns: spending on leisure will strengthen as time is saved on daily tasks thanks to technological innovation

Investment in tech: capital investment in the coming years will focus on improving connectivity, automation and similar areas

Jobs: with more businesses investing in automation as a result of COVID-19, pressures on jobs will no doubt intensify

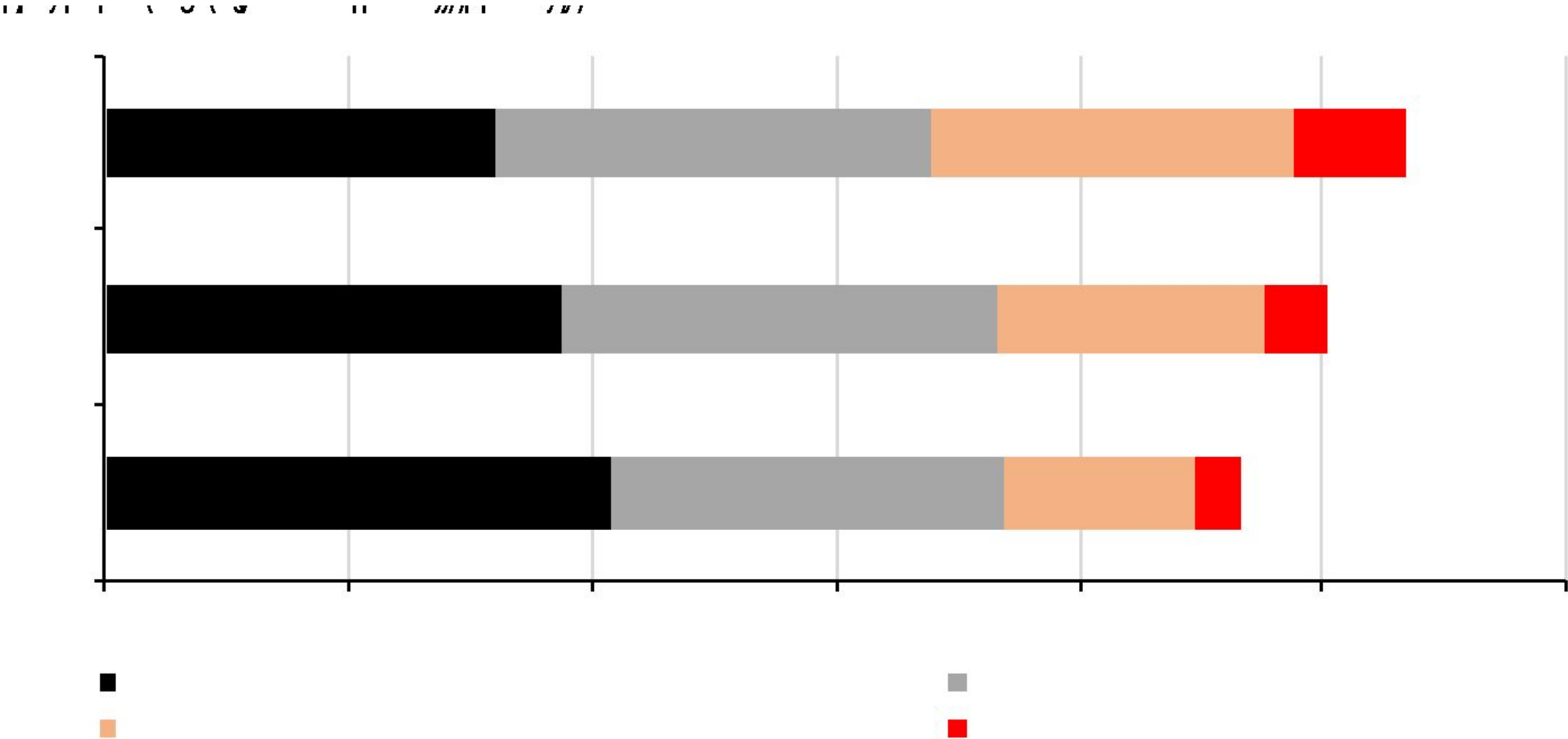
Remote working: will have a substantial impact on cities if people end up working from home 2-3 days a week

Cashless payments: cash usage has dropped in many countries with businesses investing in contactless payment technology

Disinflation: businesses face increasing pressures from competition, productivity and lower prices for the consumer

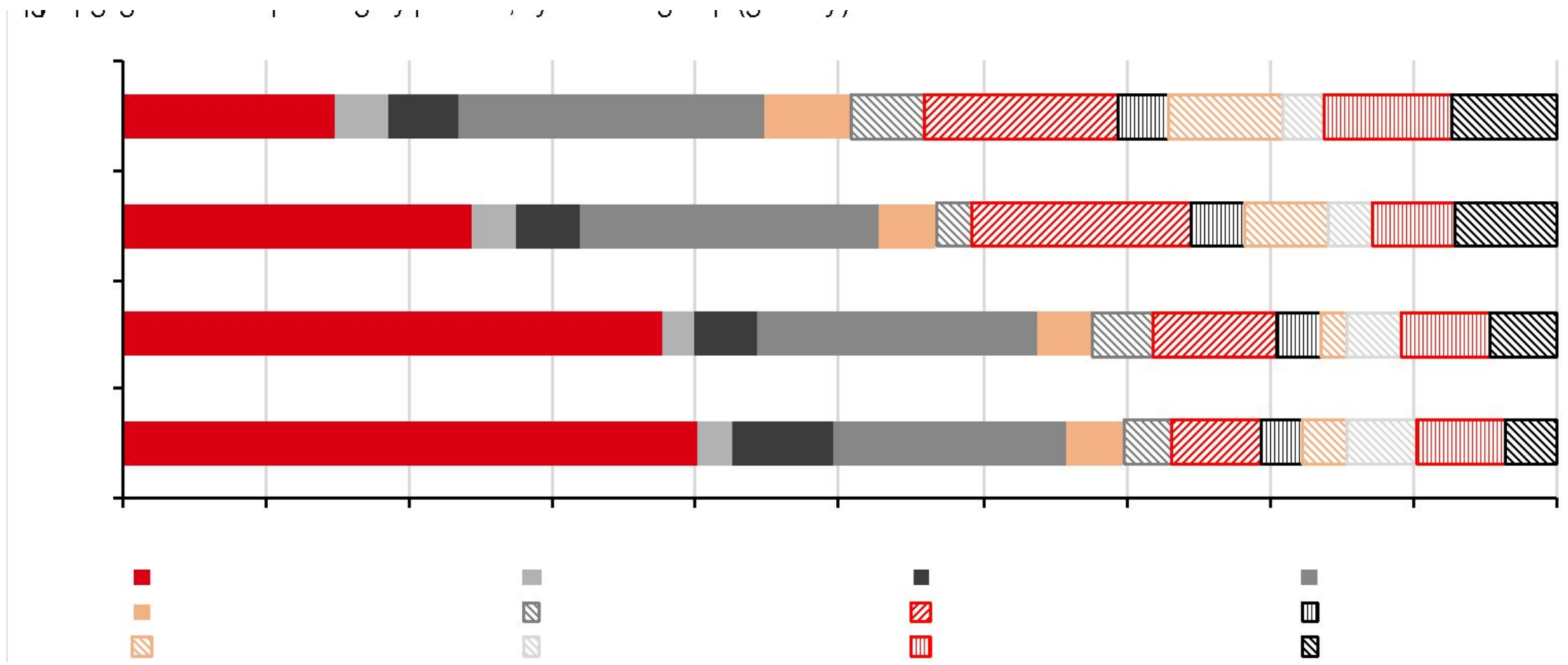


Some good news – a billion new consumers...





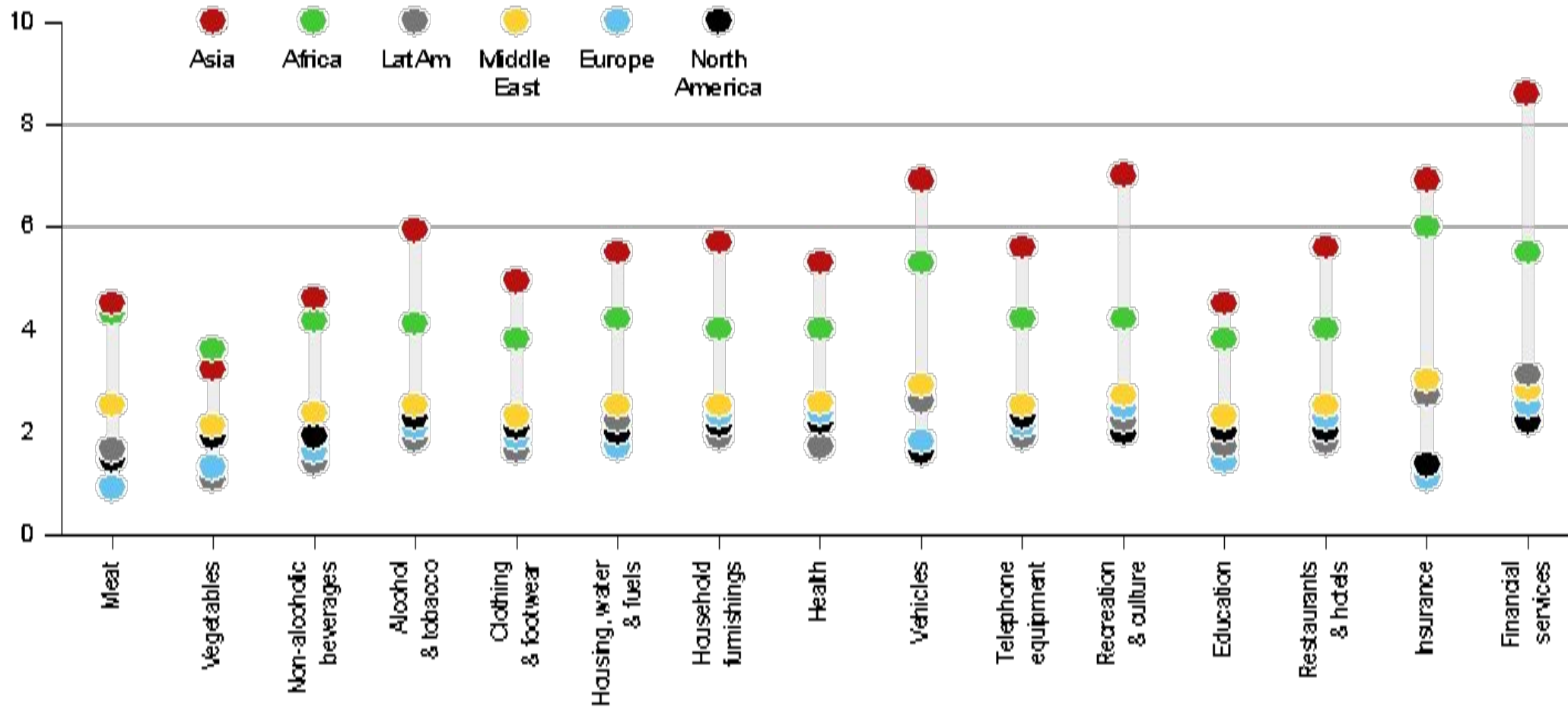
...who spend differently...





## ...lifting global demand for everything – particularly leisure in Asia

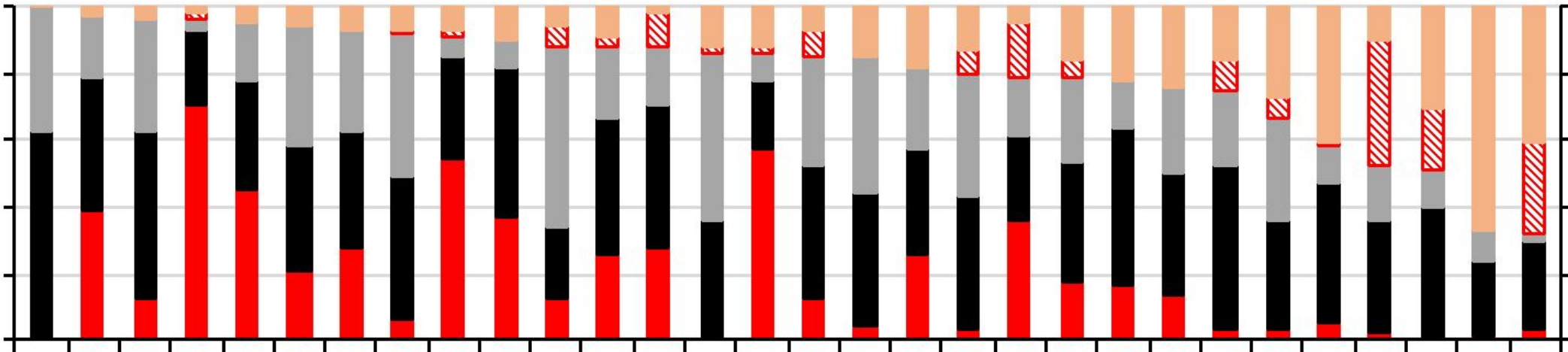
Estimated growth in real spending by category and region (% , 2030-40e)





The energy mix will have to change...

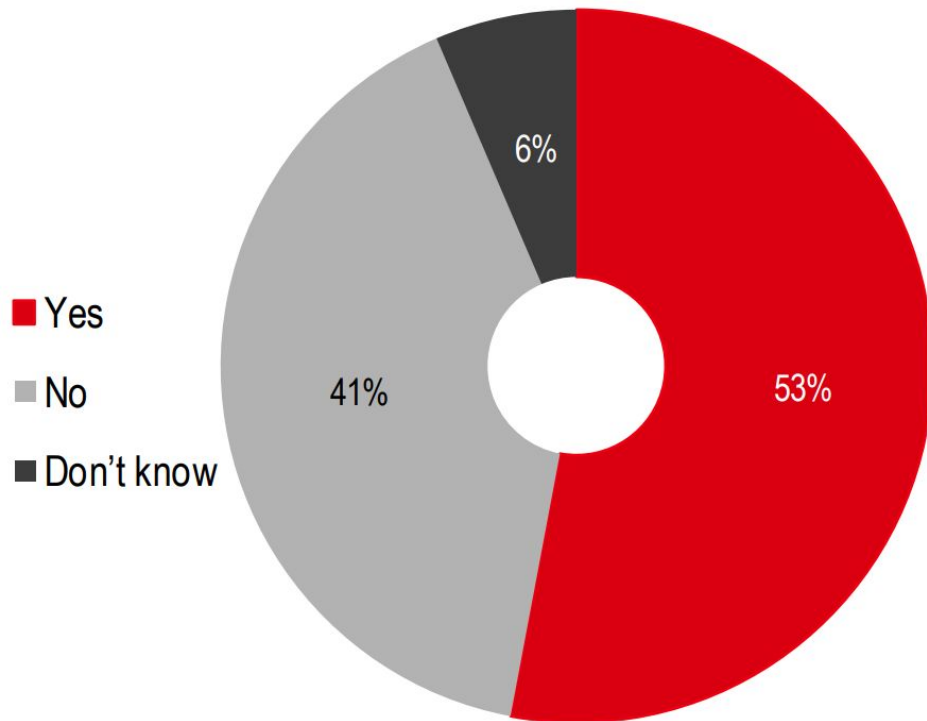
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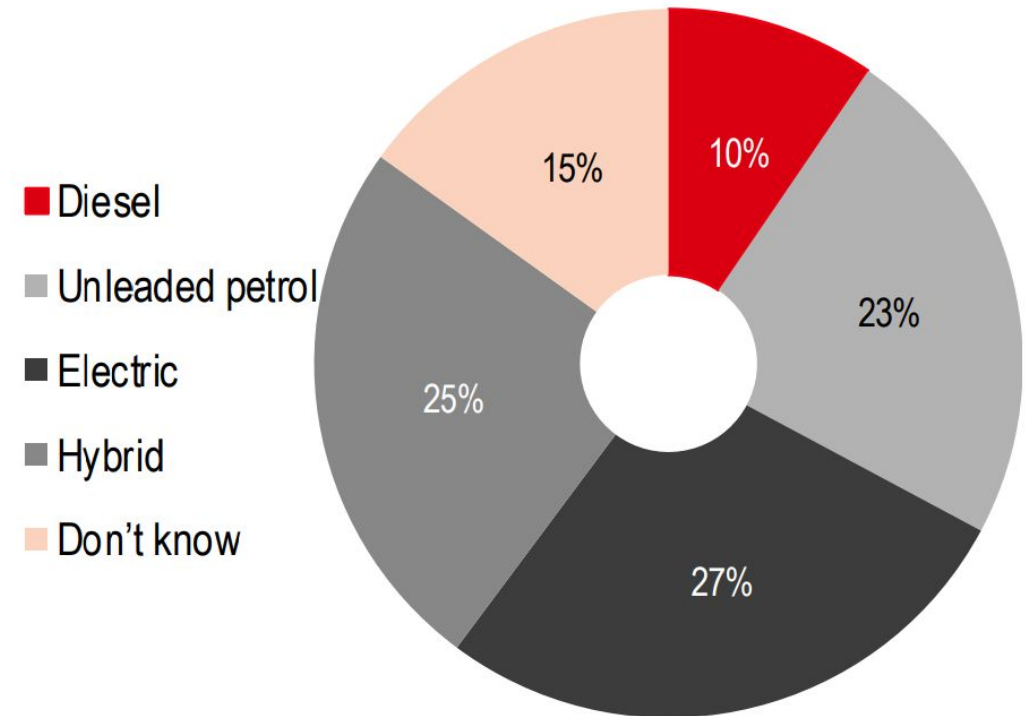


...and don't underestimate the power of consumer tastes

**Does the amount of plastic/other packaging affect your product choice? (2022)**



**If you were to buy a new car, what would you prefer it to be powered by?**





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