



Global Economic Forecasts: Q3 2023

July 2023

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Scope

Key findings

GLOBAL OUTLOOK: Q3 2023

Global baseline outlook: Optimism increases amidst weak and fragile growth environment

Global inflation slowdown comes with increasingly diverging trends between key economies

Geopolitical instability remains key risk of global inflation resurgence in the short term

Multifaceted high-impact risks continue to cloud the recovery of the global economy in 2023

Real GDP annual growth forecasts and revisions from last quarter: AE

Real GDP annual growth forecasts and revisions from last quarter: EMDE

Inflation forecasts

Central bank interest rates quarterly forecasts

Global scenario map: Stagflation remains key global downside risk

Global Risk Index scores and rankings

Global Stagflation scenario: Vulnerabilities remain high for major economies

Global Bounce Back scenario: Faster-than-expected recovery possible with risks abating

Global Fragmentation scenario: A long-term drag on the global economy

KEY ECONOMIES OUTLOOK: Q3 2023

US: Resilience in consumer spending raises cautious optimism that recession can be avoided

US: Wage growth will continue to be major inflation driver until labour market cools

U S: Consumer and business confidence levels to improve from recessionary levels

US: Hard landing scenario remains realistic as financial conditions tighten further

China: Economic recovery slows as consumer spending and foreign demand falter

China: Consumer and business sentiment subdued amid fragile post-pandemic recovery

China: Low confidence, looming deflation and property downturn are major risks

India: A strong push in public spending to support short- and medium-term growth

India: More weather disruptions could slash agricultural output and reignite inflation

Japan: Services sector's recovery facilitates growth, but weak foreign demand is a risk

Japan: Volatile commodity prices and weak yen raise risks for Japanese firms and consumers

Indonesia: Domestic demand supports outlook, but falling exports a key growth constraint

Eurozone: Growth remains stagnant, though slowing inflation points to gradual improvement

Eurozone: Labour costs will become dominant source of persistent inflation going forward

Eurozone: Uncertainty remains unusually high in volatile economic and geopolitical phase

UK: Outlook improves as economy shows resilience, but multiple headwinds persist

UK: Sharper global slowdown, stubborn inflation and longer strikes among biggest risks

Russia: Outlook improves on resilient domestic demand, but external risks remain

Russia: Harder ramifications of the war in Ukraine are a major risk

Brazil: Agricultural sector boosts economy, but drag from restrictive monetary policy grows

Brazil: Extended period of peak interest rates presents key short-term growth risk

Mexico: Fastest growth expected in Latin America in 2023 due to re-accelerating economy

APPENDIX

Baseline and key alternative scenarios: Q3 2023

Other alternative scenarios: Q3 2023

Definitions

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