



# Global Outlook

Moving from 2022 to 2023



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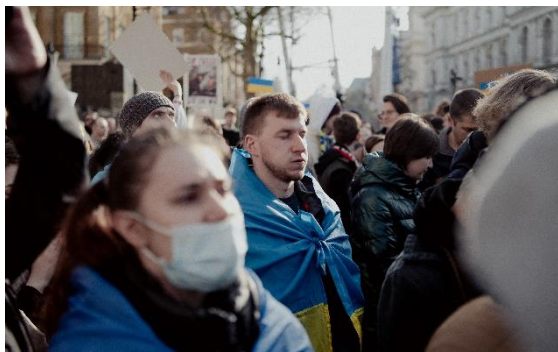


## The 2022 Year Review

The year 2022 began with hopes of recovery after the global economy weakened following the surge of the pandemic. Now, with the closing of books for 2022, we look at how the world experienced the year and present a macro-outlook for 2023.

The year 2022 started strong, with the world economy witnessing a promising recovery parallel to the world recuperating from the Covid-19 pandemic. The initial month carried forward an increase in the growth rate of 6.1 percent from the former year in industrial production, along with the infrastructural sectors also seeing considerable growth. Recovery was also made in terms of global trade, with trade volumes achieving new highs at the beginning of the year.

However, this strong recovery-rebound was soon hit by the Russia-Ukraine war, commencing on February 24, 2022. With hundreds of civilian deaths and injuries, the world economies, and the North Atlantic Treaty Organization (NATO) were forced to take a political stand. This led to some leading economies like the US, UK and European Union imposing sanctions on Russia to stop the war.



The commencement of the war immediately led to soaring oil and gas prices across the globe, reaching as high as \$100 a barrel.<sup>1</sup> With Russia being the largest exporter of energy and oil, countries needed help finding alternative avenues for their oil imports. Governments across the globe were faced with the need to extend subsidies to the sector to prevent the surge of 'cost-push' Inflation. **With the rise in prices for oil and gas, the air, sea, and land freight costs also surged- increasing import costs everywhere.** Consequently, posing hurdles in international trade after the brief relief in

<sup>1</sup> World Economic Forum  
[How does the war in Ukraine affect oil prices? | World Economic Forum \(weforum.org\)](https://www.weforum.org/articles/how-does-the-war-in-ukraine-affect-oil-prices/)

the beginning of the year. This situation emphasized the importance and opportunity of clean energy in the Energy sector. The world learned its lesson to diversify its energy supplies to ensure energy security. The energy crisis was further augmented in many nations due to the shortage of coal. Not only oil and gas but with the trickle-down effect, the prices of 'consumption' goods and 'necessary' goods also saw a price rise.



By the first quarter of the year, the recovery rate promised at the beginning of the year became seemingly dubious. The Ongoing Russia-Ukraine war, the soaring Inflation, and the resurging of Covid-19 through the Omicron variant constrained the growth rate of the global economy again. The global supply chain was further disrupted, with record high cases being reported in China, leading to the shutdown of Shanghai. The surge of Omicron led global economics and experts to revise their growth forecasts downwards. The tourism sector was further hit hard with travel bans imposed. Along with the developed countries, even emerging economies were hit hard due to unequal vaccine coverages, lacunae of policy support, and China's slowdown.

**The effects of the Russia-Ukraine war were also felt on the food prices as the exports of wheat, and fertilizers were slashed from the countries in the wake of droughts, floods, and climate changes effects on harvests.** As Russia-Ukraine control 30 percent of the global wheat exports, the demand-supply gap in the importer countries widened.<sup>2</sup> A drop in the export of wheat from these two countries led to increased competition for the remaining wheat in the world market, fueling up the costs, the brunt of which is severely being borne by the less developed countries. For example, 40

<sup>2</sup> CNN



percent of Africa's wheat imports come from Russia and Ukraine.<sup>3</sup> Similarly, the demand and price of other substitutes have risen as well. For example, Lebanon is facing about 70 percent inflation in its bread prices.<sup>4</sup>

Food prices have been on a consistent rise since April 2022. **According to the Food and Agricultural Organization, the food price index saw a year-on-year increase, with prices of cereals increasing by 34.3 percent, vegetable oils by 46.5 percent, dairy products by 23.5 percent, sugar by 21.8 percent and meat by 16.8 percent.**<sup>5</sup> According to the WEF Global Risks Report 2023, there further exists a looming threat of Russia deciding to withdraw from the Black Sea Grain Export Deal also added volatility to the market of essential commodities.

The UN Food and Agriculture Organization (FAO) report identified ten countries at high risk regarding food security.<sup>6</sup> A high-risk country is one where a new emergency or significant deterioration of the current situation is likely with potentially severe effects on agriculture and food security. The table below lists these top 10 countries on the UN's list.

Many breakthrough actions were also welcomed in 2022.

**In November, the world leaders agreed to establish and operationalize a 'loss and damage fund' under the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27),** which took place in the Egyptian coastal city of Sharm el-Sheikh. COP (Conference of the Parties) is a UN Climate Change Conference that is aimed at monitoring the progress of climate change control by the UN member countries.



ASEAN (Association of Southeast Asian Nations) also initiated an attempt to bring more inclusivity in

<sup>3</sup> [www.bbc.co.uk/news/world-africa-61685383](http://www.bbc.co.uk/news/world-africa-61685383)

<sup>4</sup> [Russia-Ukraine war threatens the Middle East's food security \(cnn.com\)](https://www.cnn.com/2022/04/22/middle-east-food-security/index.html)

<sup>5</sup> [FAO Food Price Index | World Food Situation | Food and Agriculture Organization of the United Nations](https://www.fao.org/news/story/en/detail/c12345678)

its trade policies through the inclusion of unconventional issues like the environment, climate, gender, MSMEs, technology, government procurement Etc., into the same. ASEAN is making incessant steps towards bringing closer integration of its member countries, incorporating the economic impact of these unconventional issues on its trade between the member countries and in its FTAs with other economies, including ASEAN plus one FTAs.

The last quarter of the year also saw the 17th G20 summit, held at Bali, where the leaders of the world's top economies discussed priority issues. At the summit, the leaders deplored Russia's aggression in Ukraine. **They condemned the immense human sufferings and exacerbation of global fragilities like constraining growth, increasing inflation, disrupting supply chains, heightening energy and food insecurity, and elevating financial stability risks.** Actions toward improved food security and climate change were also discussed.

For India, 2022 was a particularly crucial year in terms of its existing and new trade partnerships. India planned to focus its Foreign Trade Policy 2021-26 on boosting the MSME and developing a new screening policy to protect its domestic manufacturers. April was particularly crucial as India signed 13 Free Trade Agreements with its trading partners, like the India-UAE Comprehensive Partnership Agreement (CEPA) and India-Australia Economic Cooperation and Trade Agreement (IndAus ECTA). In August 2022, India and UK concluded the fifth round of talks for the India-UK Free Trade Agreement. India's initiative to establish relations with these developed countries will significantly benefit its economy, creating new jobs, improving standards of living and provide wider social and economic opportunities for both nations. The Free Trade Agreements will facilitate the flow of raw materials, finished goods and services among the nations and attract greater investment into the country.



PC: Hindustan Times

<sup>6</sup> [The State of Food Security and Nutrition in the World 2021 | FAO | Food and Agriculture Organization of the United Nations](https://www.fao.org/state-of-food-security-nutrition-2021/)



## Macro Outlook 2023

Renowned economists, finance experts, and investors have predicted a slow global growth at 1.8 percent in 2023, topping a maximum of 2.7 percent<sup>7</sup>, thus leading to a mild recession. However, the slowing down of demand, stocked inventories, and lower housing prices are expected to temper inflation rates. While companies worldwide have slowed down their hiring rates, they might also face difficulty filling vacancies in skilled jobs. **Hence, a relatively higher but unalarming unemployment rate of 4.3 percent is expected in 2023.**

Europe is predicted to go into a slow recession, particularly because of its energy crisis, while the US is expected to dodge it by a small margin. A bumpy reopening in China after the Covid surge is expected to put constraints on its growth aspirations. However, the opening will again lead to balancing the world supply chains.

According to Morgan Stanley, India's GDP is expected to expand at 6.2 percent in 2023.<sup>8</sup> India is set to become the third-largest economy by 2027, surpassing even Japan and Germany, credited to the investments it has made in digital infrastructure, technology, and energy. So far, India has also been managing its food inflation stably relative to most economies, however, the global backdrop might be a challenge affecting the country's exports, FIs, exchange rates, interest levels, and commodity prices. A sharp hike in rates by Fed will also have a consecutive rate hike in the domestic economy even in 2023. The extent of a slowdown in the US economy will lead to uncertainties and volatility for the entire world economy.

**On the technology front, innovations have been taking over and spreading swiftly with Artificial Intelligence (AI) and Machine Learning (ML), Robotics, development in Web3 and blockchain technologies, 3D printing and Quantum Computing and Green Technology emerging as the hottest trends in 2023.** AI and Robotics is already being used widely and developed in the retail, e-commerce and packaging industries in technologies like:

- Automation Based Technology (ABT) (Used widely also in logistics: Warehousing, collecting orders, etc.)
- Robotics Based Technologies (RBT) (Manufacturing and Packaging companies: IKEA, ICA)
- RBT is also used for meat packing companies, restaurants and other catering companies

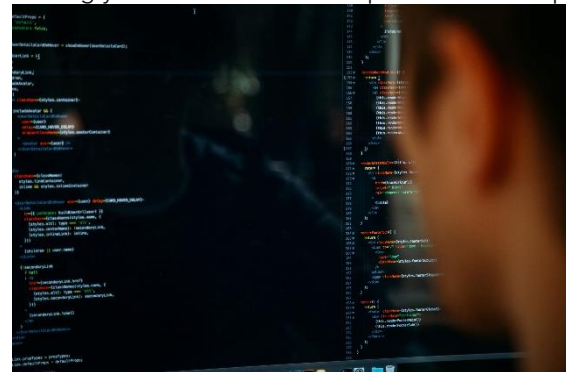
<sup>7</sup> [IMF cuts global growth forecast for 2023, warns 'worst is yet to come'](https://www.cnbc.com) (cnbc.com)

<sup>8</sup> E Trade by Morgan Stanley

- OCR Technology (Optical Character Recognition helps structure data into electronic format) in Trade, Finance and banking

Technological innovations are also rapidly transforming the landscape and Health and Wellness globally with Aseptic Packaging Systems (e.g.: Isolators, Barrier Systems, Automation and Robotics), Real-time microbiological treatments, Advanced Sterilization methods, use of AI in development of affordable drugs, track effects, Digital Pills (with Ingestible sensors) and development of techniques using virtual reality as painkillers.

The year 2022 also witnessed the launch of 5G technology which is expected to be the driver of tech in the year 2023. Since no company yet has been able to come up with an innovation that can monetize 5G from retail consumers, **Intuери's experts believe that this will be the driving force for leading companies in retail sectors of manufacturing, healthcare, automobiles etc.** In the healthcare sector, companies like Apollo and Airtel have already started trials with the 5G technology to detect colon cancer.<sup>9</sup> Similarly, this will present the innovation opportunity in the coming year to automobile companies to develop



technologies like Automated Vehicle-to-Vehicle communication and detection of vehicle health through the use of AI and 5G's low-latency technology. According to Centre for Development of Telematics (Ministry of Communication and IT), India will also now be focusing on the use of 5G to build the national firewalls and strengthen cybersecurity solutions.

The year 2022 brought challenges for web3 and all the sectors under it including the significant downturn of the crypto markets. The crypto market cap experienced a sharp fall from 2.8 trillion USD to just over 800 billion USD by the end of the year. However, the industry also faced advancements in terms of social impact. One of 2022's biggest

<sup>9</sup> [5G, AI adoption to drive tech innovations in 2023 | The Financial Express](https://www.forbes.com/.../2022/10/18/the-top-five-web3-trends-in-2023)  
<https://www.forbes.com/.../2022/10/18/the-top-five-web3-trends-in-2023>





achievements made in web3 was Ethereum's switch from proof-of-work to proof-of-stake in September. This switch is significant because it reduces the energy consumption of the blockchain by a whopping 99.9%. This development is a big step towards creation of a more sustainable financial system. Web3 is now also taking bigger steps to bring about more inclusivity with the launch of NFT projects including Metaprize Land Charity Collection and World for Women Collection. 2022 saw the increasing acceptance of web3 by the UN agencies, especially UNICEF. The cryptofund launched by UNICEF in 2019 saw a growth in size throughout 2022. UNICEF also launched their first NFT drop for Giga initiative which raised about 240 ETH on public sale. This initiative is aimed at bringing more internet connectivity to schools in developing countries. Other UN agencies like the UNDP are also now looking positively to the potential of web3 in achieving SDGs.

2023 holds a number of developments to forward to for the web3 internet. According to World Economic Forum, many more countries in the future will take example from Japan in opening a dedicated policy office pertaining to web3 and develop more defined policy approaches and regulations. Web3 being a concept of decentralized internet would also attract more decentralization of social media in 2023. The coming year will also see an increased use of tokenization, which will allow any real-world asset to have a digital representation on blockchain. This is expected revolutionize financial markets and industries completely.



Businesses are expected to continue facing some challenges in continuation with the ones from 2022.

**Forbes listed the three crucial business trends for 2023 as the accelerated Digital Transformation, Inflation and Supply Chain Security and Sustainability.**

With the vast developments happening on the technology front like blockchain, augmented and virtual reality, 5G, Quantum computing, the lines

between each of them is going to get blurred. Businesses will see an increasing need to develop new solutions for augmented, hybrid and remote working, business decision-making and automation of workloads combining with all these technologies. **2023 will require businesses to create 'Intelligent Enterprises' where systems and processes continually support each other for optimization of tasks.** This will require a better understanding of AI with the use of new interfaces and apps.

As the economic outlook is not expected to be favorable, at least for the initial period of the year, companies will need to focus more on being more resilient to situations of geo-political shocks and shutdowns. This will require protective measures to build supply chains that can better manage shortages and rise in logistical costs.

In 2023, businesses should also heed towards the increasing 'Consumer Conscious' incorporating ecological impact and sustainability into these operations and practices. Climate change is a looming threat that has the potential of bringing in a much greater disaster than Covid. However, the business landscape globally is seeing a gradual wakening and big corporate around the globe and now focusing more on their ESG practices, taking more accountability of the social and environmental impact they create in the world. In the coming year, every business now needs to create solid action plans and timeframe to reduce the negative impact and now move beyond the entity and interlink the actions to the entire supply chain.

**As we enter into 2023, upbeat forecasts are far from reality for investors who can expect bigger blows. The Federal Reserve has ramped up its tightening campaign with the expectation of a recession.**

The S&P 500 Index is expected to rise to 4,500 in the first half only to fall by 25%, being severely weighed down by tech stocks in the third quarter but will soon bounce back to 4,500 by end of 2023 as investors expect a recovery. After the bonds delivered highest ever losses in the previous year, it is expected that the US 10-year yields will drop to as low as 2.65%. However, 2022's excessive rate hikes are expected to take effect in the next year as the global forecast growth rate predicted by Barclays is just 1.7%. As a result, bonds still remain a much better investment class compared to stocks.

The pandemic created a peculiar economy where the big tech companies saw bizarre growth. With the escalation of revenues and apparent rise in demand, the companies geared up their hiring



rates. Being little aware of the pace with which the slow-down will catch up with the global economy, these tech giants are now faced with the need to preserve cash and cut costs. Recruitment, operational cost as well as customer services provide windows to these firms on that front. The slow economic growth has forced companies to lay off the excess resources which were hired during Covid to meet out the steep rise in demand. The tech industry is expected to see layoffs which will exceed the 2008-09 recession. As of 2022, 965 tech companies laid off more than 150,000 workers globally. Disruption of supply chain, hike in interest rates and fuel costs and headwinds of inflation acted as catalysts for these layoffs. For the coming year as the clouds of recession is looming, Amazon is planning to retrench 18,000 workers, Salesforce 8000 workers, HP 6,000 workers and the numbers just get worrying as the companies will try everything to remain profitable and adapt to the uncertain market conditions expected for the greater part of 2023.

**Meanwhile, the crypto bubble has burst. Investment houses are done with hyping up the speculative mania as some sort of digital gold for tomorrow. Crypto's relevance in the coming year will certainly become less interesting.**

The predictions for 2023 are not all gloomy. With China ending its zero-covid policy, the bounce back is expected to be stronger as ending of compulsory lockdown will ease the supply chain pressures and the trading bottlenecks will improve. This will also act as a much-needed boost to the tourism industry which has faced severe hardships during the covid era. The fuel costs are expected to decline from the high levels influenced by the war which help the world to counter the cost-of-living crisis.

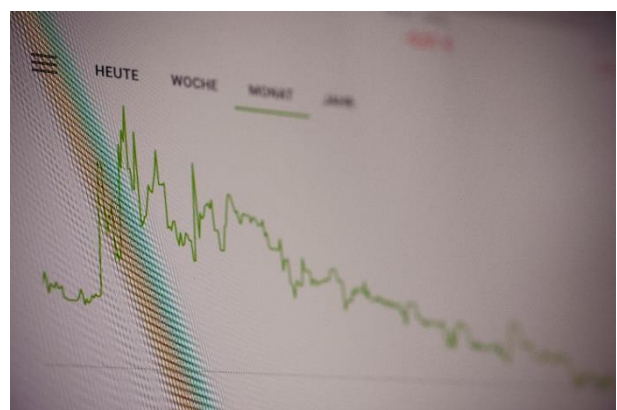
As the world is taking guarded approach with the inception of the year, it is still very much looking forward for it to be quite eventful, especially in terms of political activity. While Russia has received major backlash for the military strike, there seems no incentive for any of the two countries to try diplomacy. While Ukraine is adamant on its demand for the two occupied regions, Russia might also decide to go harder. While US still very much holds its stand in the Russia-Ukraine situation, its focal point of concern remains China as building of tensions between China and Taiwan might create bigger problems for the world relative to Russia-Ukraine roping in all the big economies of the world.

**Countries are also now resorting to deployment of trade and regulatory tools to materialise their geo-political goals.** According to Bloomberg, "It

*can impact everything from the supply of high-tech chips to global efforts to address climate change".*

2023 is going to be the year of political jostling, speculations, cautious business activity but vast opportunities cutting across sectors and technology. Presently, the hovering risk to the global economy is a recession due to lingering Inflation. The global economies will have to find measures to bring Inflation to more acceptable levels without falling into a deep cycle of recessionary pressure. With the Inflation lingering for longer periods, the Central Banks will continue with their monetary tightening making the recession ever more unavoidable. Additionally, the growing political and geopolitical shocks from around the globe continually make markets even more volatile.

However, not all is bad news. According to the National Bureau of Economic Research (NBER), we're still not quite in the recession territory yet. A number of analysts have predicted that there exists the possibility that we avoid the recession altogether. The resilient consumer confidence in the market as well as a strong labour market still sustains hopes of a turn of events. Along with that, if inflation is said to have peaked, the positive gap between expected rise in liquidity and inflation rates will also benefit the investors if assets are chosen wisely.



2023 is a year with diverse expectations. With so many contingencies of how the global economy will respond, the world needs to take cautious steps towards its trajectory to recovery and growth.

