

UT Law CLE: 40th Annual Nonprofit Organizations Institute

We Expect Global Growth to Be Below Trend in 2022-2023

Real GDP Outlook – As of December 12, 2022

Percent Change yoy	2022 Proj.			2023 Proj.		
	ISG	GIR	Consensus	ISG	GIR	Consensus
US	1.9	2.0	1.8	0.9	1.3	0.4
Euro Area	3.3	3.3	3.2	-0.3	-0.1	-0.1
Japan	1.5	1.5	1.5	1.3	1.3	1.3
UK	4.4	4.4	4.3	-1.0	-1.2	-1.0
China	3.1	3.0	3.2	4.5	4.5	4.9
Russia	-3.2	-3.3	-3.4	-2.6	-1.3	-3.0
World	3.0	3.3	2.9	2.5	2.3	2.2

Note: All forecasts calculated on calendar year basis.

- **Global GDP growth slowing to under 3% in 2023**, as the tailwind from reopening effects, easing supply constraints, and excess savings is diminishing amid tighter monetary policy, high energy prices, and heightened geopolitical uncertainty.
- **The US economy to expand at a below-trend pace of 0.9% in 2023**. Uncertainty regarding how much the Fed needs to tighten to bring inflation under control means the **probability of a recession through 2023 remains elevated at 45-55%**.
- **The UK is already in recession, while the Eurozone is likely to enter one this winter**, owing to very high energy prices.
- The Chinese economy to stage a modest rebound after a disappointing performance in 2022. Easing of the zero-COVID policy is bringing forward the reopening of the economy, but at a greater cost to the near-term outlook. Risks remain tilted to the downside, due to a possible sharp increase in COVID infections over the winter and uncertainty around the property sector.

Probabilities of Recession

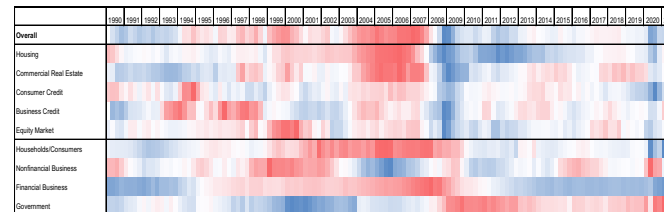


Forecast	Probability of recession within:		
	1 year	2 years	3 years
William C. Dudley ¹	70%	90%	90%
Mark Zandi ¹	50%	60%	66%
Jason Furman ¹	55%	75%	n.a.
GS Investment Research	35%	n.a.	n.a.
Investment Strategy Group	45-55%	65-75%	n.a.

- Federal Reserve Bank of St. Louis President James Bullard:
 - "I actually think we will be fine...It is a little early to have this debate about recession probabilities in the US."
 - "It would be unusual to go back into recession at this stage." -- June 24, 2022.

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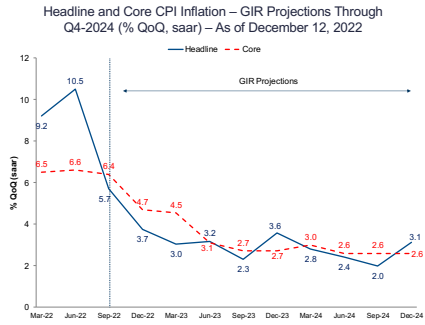
The US Economy Is Very Well Balanced



- Imbalances in the economy and financial markets create vulnerabilities that increase the likelihood of a recession.
- However, while valuations and debt levels are extended in a few sectors, the imbalances are modest compared to the dot-com bubble and Global Financial Crisis episodes.
- The overall measure shows the US economy is very well balanced.

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The US Inflation Outlook



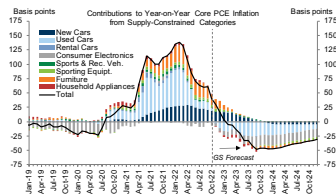
Source: Investment Strategy Group, Goldman Sachs Investment Research.
 These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change

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Inflation Will Moderate in Supply-Constrained Goods



1. Contributions to YoY Core PCE Inflation from Supply-Constrained Categories



2. GS Supply Chain Congestion Scale*



- Contribution to inflation declines from +150 basis points to about -30 basis points.
- GIR's congestion scale has declined to 3 from 10 in January.

*Scale is based solely off weekly metrics to give more granularity on high frequency data indications
 Source: Investment Strategy Group, Goldman Sachs Global Investment Research, Haver, Federal Reserve Bank of New York

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First appeared as part of the conference materials for the
40th Annual Nonprofit Organizations Institute session

"Two Sides of the Same Coin: Legal and Practical Issues in Endowment Investing and Spending"