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By Ignacio J. Domingo
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Global economy seeks resilience to avoid recession in 2024

Sources: [Image: European Central Bank (ECB) President Christine Lagarde and U.S. Federal Reserve Chair Jerome Powell chat during an institutional event. Europa Press]

The international situation has endured a convulsive 2023, with a banking crisis, high geopolitical voltage, historic escalations in debt rates, trade battles and intense volatility in the markets. It has also shown fierce resistance to spiralling prices or disruption in logistics chains that it will have to prolong to control a soft landing in 2024 that avoids the 'red numbers'

The Year We Live Dangerously, the title of the award-winning Australian film inspired by the 1965 revolts against the Sukarno regime in Indonesia, could define the state of permanent tension that the world economy has registered in 2023. In the last four years, against the backdrop of the Great Pandemic and the irreverent post-Covid business cycle, trade and logistics disruptions, wars in Europe such as the one in Ukraine, or the conflict in Palestine, or price escalations in energy, mineral and food raw materials have emerged.

But 2023 has been the year that has generated the most signs of active resistance in these four years. Even with phenomena that escaped the predictive capacity of the markets, such as the collapse of several medium-sized American banks in the spring, whose contagion also swept away the emblem of Swiss finance – Credit Suisse – or complex management such as inflationary spirals. The former were brought down in just a few months and the latter with more effort and pain, throughout the year, although the prices of the industrialized orbit are not as much at bay as the *hawks* of their central banks demand.

The IMF in its double diagnosis in spring and autumn - has reviewed this exercise of resilience with a double degree of surprise and optimism. In essence, because the labor markets, especially in the U.S. but also in Europe, have endured with flexibility and dynamism, the adjustments and reanimations of the work. With more nuances, the real estate sector has adapted to the credit constraints caused by the highest interest rates since the turn of the millennium and, barring the deep corrections in the markets, Scandinavian Scandinavian has breathed a sigh of relief through twelve months of turmoil and uncertainty of 2023.

However, the vitality No significant wage increases in income economies and real estate - without major drops in sales and prices on the upside – they should not make the economic authorities complacent. This is the opinion of the Fund's leaders, who detect problems in both areas. Among others, the changes that are coming in teleworking or in the sales in working weeks, the likely rise in the price of raw materials in constant oscillation, the disappearance of the savings accumulated by the families that will end up affecting consumption or the side effects of inflation even more so. no control.

"Short-term risks don't they are going to disappear at the turn of the year," warns Martin Wolf in his column in *Financial Times*. Quite the opposite. New manifestations of this resilience to protect the situation from shocks unresolved geopolitical, economic, monetary, and financial issues. You have to generate short-term budgetary stability to "pay the bills" of the "indiscriminate fiscal expenditures" that, according to the IMF, should have been deployed to respond to Covid-19. But also with long-term measures that correct the widening inequality gap that still separates rich from poor.

This resilient power must appear in an economy like China, with tensions in its housing sector which has had an impact on local and state accounts and has deteriorated the the soundness of its credit market. Also in the U.S., where the accumulation of savings has dissipated without the *red light* on the inflation despite the sharpest and fastest rate hikes in recent years. eighty, which makes a scenario of control of prices without recession.

With a report from the Federal Reserve recording a 2% inflation between July and December and the divided market consensus between visionaries of the soft landing proclaimed by the Treasury and those who They consider a recession inevitable at the end of the current American business cycle.

The return to a certain Fiscal discipline should help alleviate deficits and debt and reduce the cost of the immediate maturities of emerging countries, which have been most affected by the the rise in the cost of money and the appreciation of the dollar in 2023. And, in in a way, to stop the occasional stock market shock or in the stock markets. bonuses, Wolfe warns.

A traffic inhabited by barriers in the turn of the year (...)

Activity in exercise which is coming to an end, remains 3% below its pre-pandemic level. This lag is more adverse in emerging markets than in emerging markets. high incomes. But the most affected are the developing countries, which accumulate increases in extreme poverty, warns the World Bank, of 95 million people between 2019 and 2022. On a planet with record-breaking heat and without major alliances against climate change to retract the growing Huge amounts of damage and compensation for meteorological disasters.

As if that weren't enough, the phase with abnormally high interest rates will continue, despite declines expected by investors in 2024 in scenarios of relative calm geopolitics, and without new vestiges of industrial and technological protectionism on the global stage. The revised dynamism data of US GDP in the third quarter – from 4.9% to 5.2% – is nothing more than the Proof that "recessions start after a last growth buoyant," predicts Rob Arnott, founder of Research Affiliates. In line with the Macquarie strategists, who leave another threatening signal on the majority of the economy of the planet: the distortion between GDP, which measures productive value, and the Gross Domestic Income (GDI) which calculates the income generated by the economy and is more sensitive to perceiving contractionary phases. This indicator has not detected a gap of this magnitude since 2007, the year in which the It preceded the credit collapse caused by the banks.

The weakness of the U.S. and China and Europe's weakness leads Citi's experts to assert that "the resilience of the global economy faces growing concerns in 2024". Nathan Sheets, its chief economist, stresses that monetary policy is at a point that incites a halt to activity even when the Inflation is approaching its control levels, as has already happened in the area of the euro, although the two superpowers still maintain their rates "at vigorous positions." To the point that they will boost global GDP to 2.5% in 2023, half a point above the initial estimate for the year. Even though They reduce their prediction to 2% in 2024.

"Most of the space industrialized sector will slow down" with contractionary periods between the partners of the euro – from autumn to spring – in the United Kingdom, where it will expand the first three quarters of 2024, and in the US, which will start its *numbers between* April and June. In his view, the severity of the debacle is notes that, if the contribution of China's GDP is excluded, over the course of the In the first three quarters of 2024, growth will be just half a point per cent. the "reasonably positive" performance of emerging markets.

(...) with signs of new tensions Geopolitical

This panorama of sum Sheets, Sheets clarifies, would only occur if the monetary authorities "break with their spectacular inertia of rate hikes and no new geopolitical tensions." If not, volatility will be at a premium of investor risk would appear in the capital markets and could be unleashed escalations in energy prices that would result in another adverse *shock* supply and would trigger inflation.

In 2024, the US GDP it will grow by nine-tenths; 4.6%, below the official target of the 5%; the euro area losing one tenth of a percentage point in the final stretch of 2023 and taking off in summer to reach a growth "a little above 1%, according to Paschal Donohoe, President of the Eurogroup; and the British without a pulse – "close to zero" as the Bank of England ventures.

"The abundance of risks geopolitical conflicts, with the armed conflicts in Ukraine and Gaza at the forefront, but also the wave of elections in 2024, which could dramatically alter the economic and investment horizon, cannot be excluded from any analysis predictive," warns the firm's head of Research and Investments ICG, Nicholas Brooks. The analyst opts for a palpable loss of resilience shown by the global economy in 2023.

Next year there will be elections in countries as relevant as Taiwan, Indonesia, India, the United States, the United States, the United Europe and, most presumably, in the United Kingdom.

Next to this cocktail geostrategic strategy of the first order, in ICG they also have an impact on the restrictive credit conditions, the obstruction to liberalizing sectors and economies, the excess deficits and debt incurred in the post-Covid cycle and in a series of unresolved structural problems. Brooks cites the weight of mortgages in the balance of household income and the decline in household income and benefits. certain segments of activity.

In your positive readings Of particular note is the robustness of the banking sector, the resumption of the pace of manufacturing after inventories and the possibility of China setting up a more proactive monetary and fiscal policies to spur their activity.

Fitch also announces that the Global growth to fall sharply in 2024, although it rejects two quarters in the U.S. Essentially, because it remains to be seen the widespread effect of the Fed's higher cost of money, the damage to the economics of China's real estate collapse and the severity of the paralysis European and British.

Meanwhile, Morgan Stanley Advises investors to "Exercise Extreme Caution" When Choosing Market Stocks emerging and commodity assets and "express attention" to conflicts geopolitical and central bank policies, because "we are in a imperfect world" of stagflation and high stock market risks.

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