Global Economics Analyst

Top 10 Charts of 2022 (Global Economics Team)

- We wish all of our readers a healthy, happy, and prosperous 2023. In our last *Global Economics Analyst* of 2022, we use 10 of our favorite charts to illustrate the key global themes that stood out this year and are likely to shape the year ahead.
- Inflation surprised sharply to the upside in 2022 as labor markets tightened, commodity prices surged, and the supply chain recovery was delayed, following Russia's invasion of Ukraine. Central banks hiked rates aggressively in response, leading to a rapid tightening in financial conditions and a broad-based and synchronized slowdown in global growth.
- The impacts of the slowdown were uneven across sectors and regions. Housing activity and prices suffered the most obvious blow from higher mortgage rates, while the global service sector reopening continued as demand rebalanced away from goods.
- In the US, growth slowed to a below-potential pace but remained positive (as the labor market held up while job openings declined), keeping the economy on track for a soft landing in 2023, while higher gas prices likely pushed Europe into a technical energy-driven recession. China's tame growth seems set to accelerate in 2023 as the country undertakes a bumpy reopening, and EM early hikers largely avoided sharp contractions despite their aggressive hiking campaigns.

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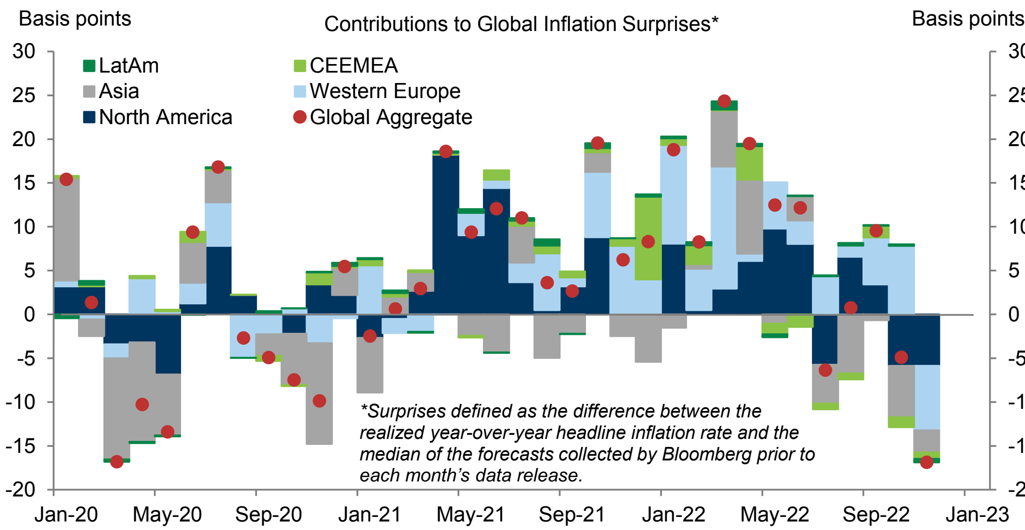
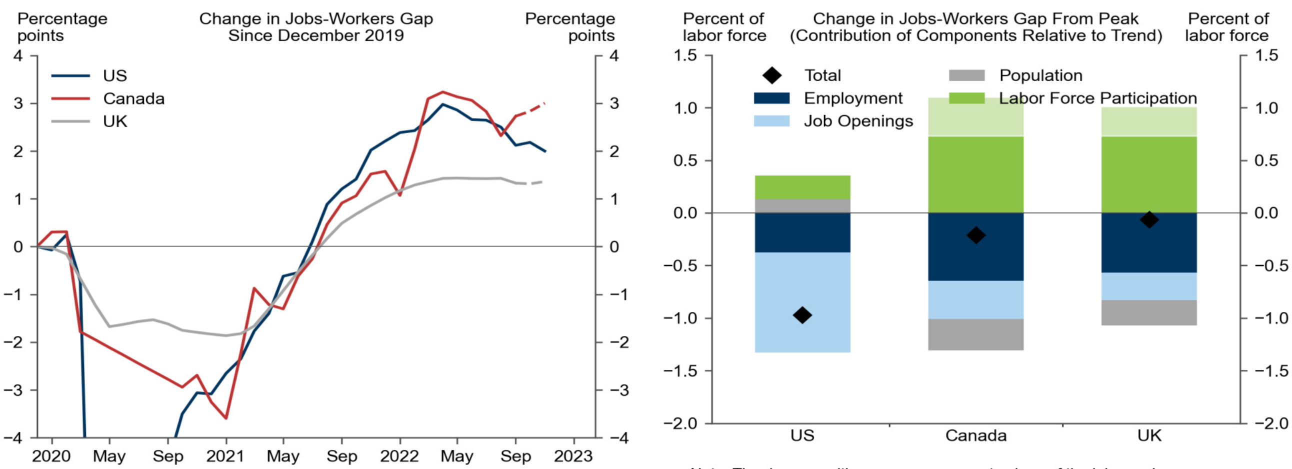
Top 10 Charts of 2022

Exhibit 1: Inflation Surprised Sharply to the Upside in 2022...



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 2: ...Due to a Very Tight Labor Market (Which Is Now Partially Easing in the US)...

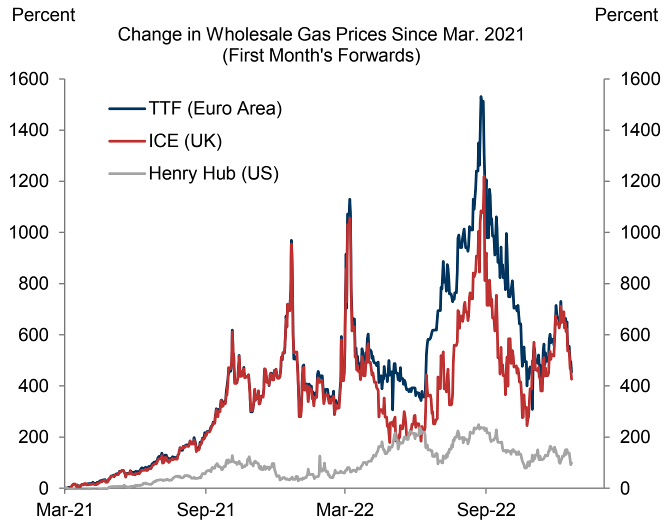


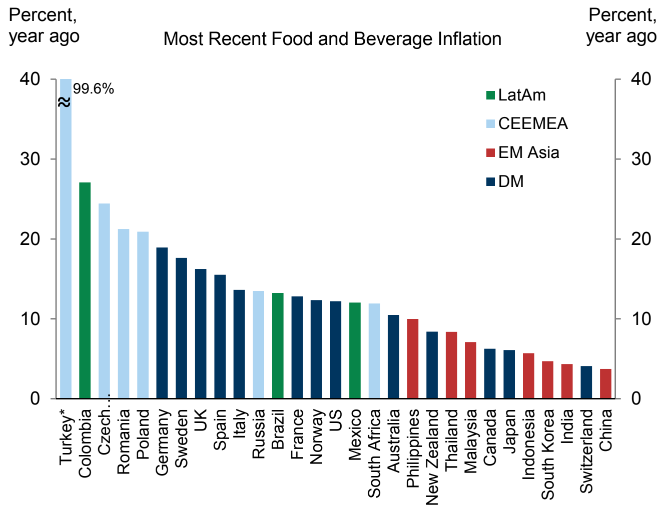
Note: Data from Canada from April to September 2020 is interpolated. Dashed lines indicate GS nowcast.

Note: The decomposition compares current values of the jobs-workers gap components to the counterfactual implied by the pre-covid trend. Current values are GS nowcast using Indeed job openings data when official data is unavailable.

Source: Haver Analytics, Linkup, Indeed, Goldman Sachs Global Investment Research

Exhibit 3: ...And Surging Commodity Prices Partly Driven by Russia's Invasion of Ukraine...

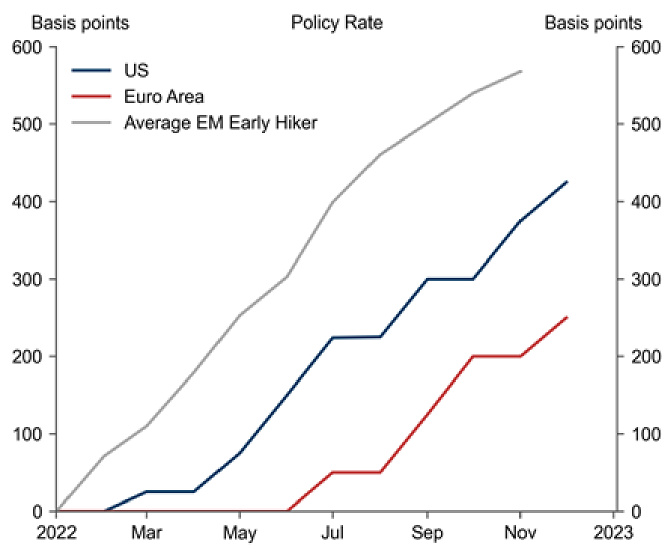




Source: Bloomberg, Haver Analytics, Goldman Sachs Global Investment Research

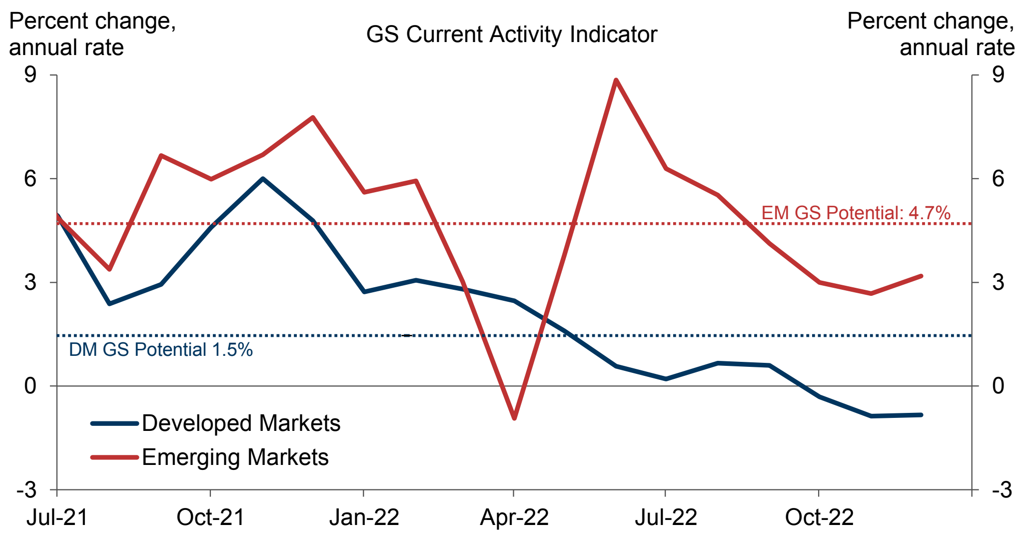
Exhibit 4: ...Which Led Central Banks to Hike Aggressively and Rapidly Tighten Financial Conditions...

Change Since January 2022



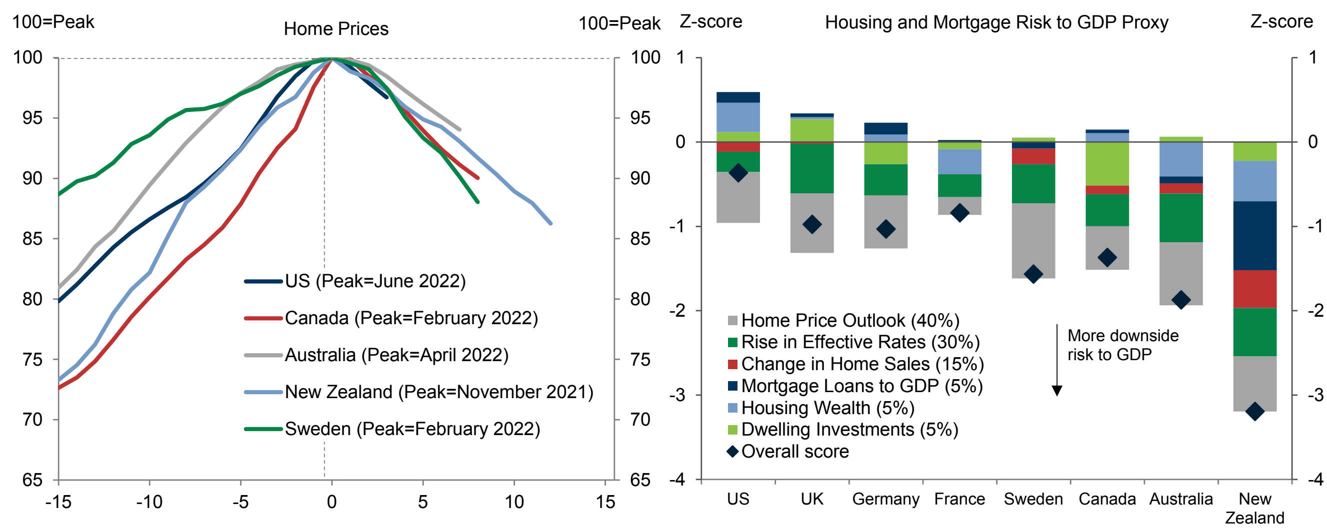
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 5: ...In Order to Generate a Broad-Based but Necessary Slowdown in Global Growth.



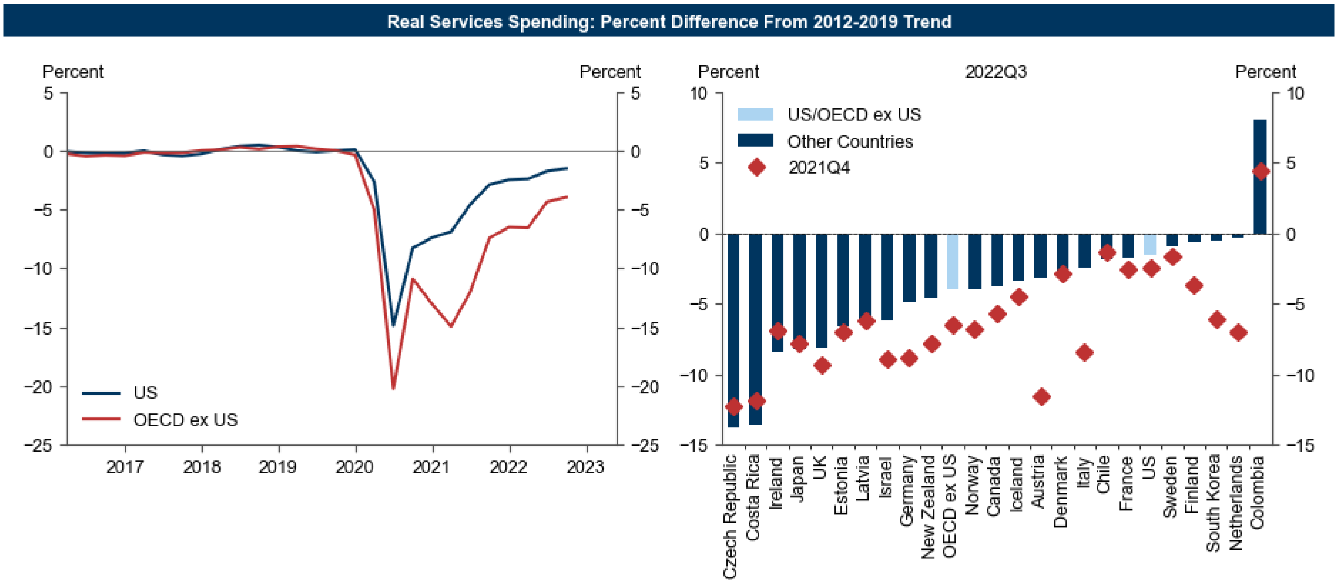
Source: Goldman Sachs Global Investment Research

Exhibit 6: The Effects of the Synchronized Tightening Cycle Have Been Asymmetric Across Sectors and Countries. For Example, the Housing Market Was Hit Especially Hard by Higher Mortgage Rates...



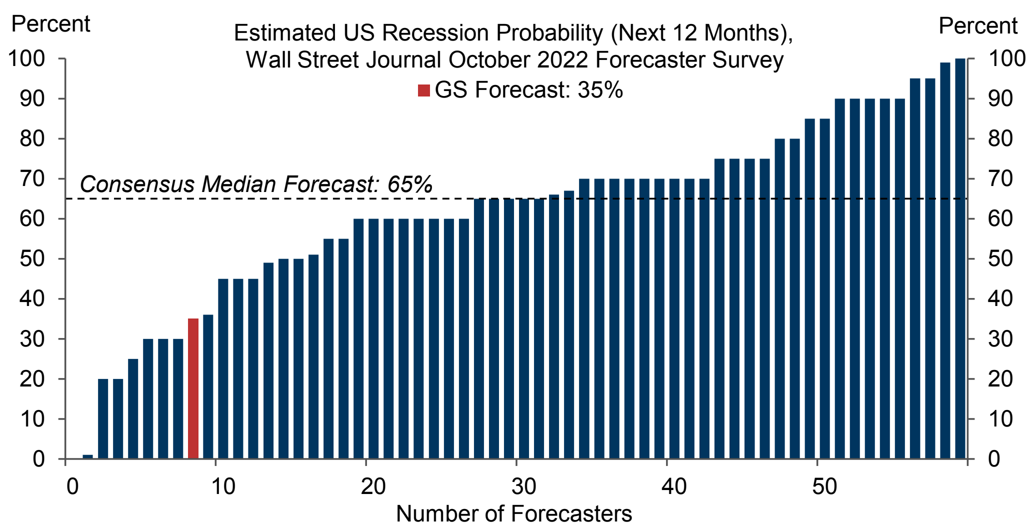
Source: Goldman Sachs Global Investment Research

Exhibit 7: ...But the Continued Reopening of the Global Service Sector Supported Consumer Spending.



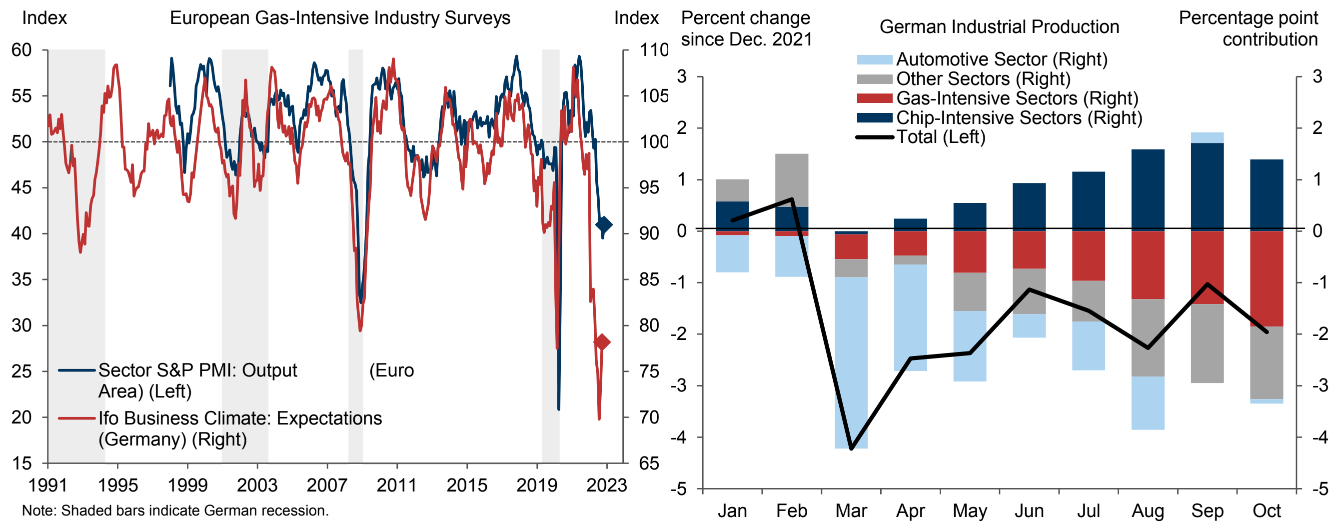
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 8: Across Countries, Growth Slowed in the US but We Still Think the US Narrowly Escapes a Recession...



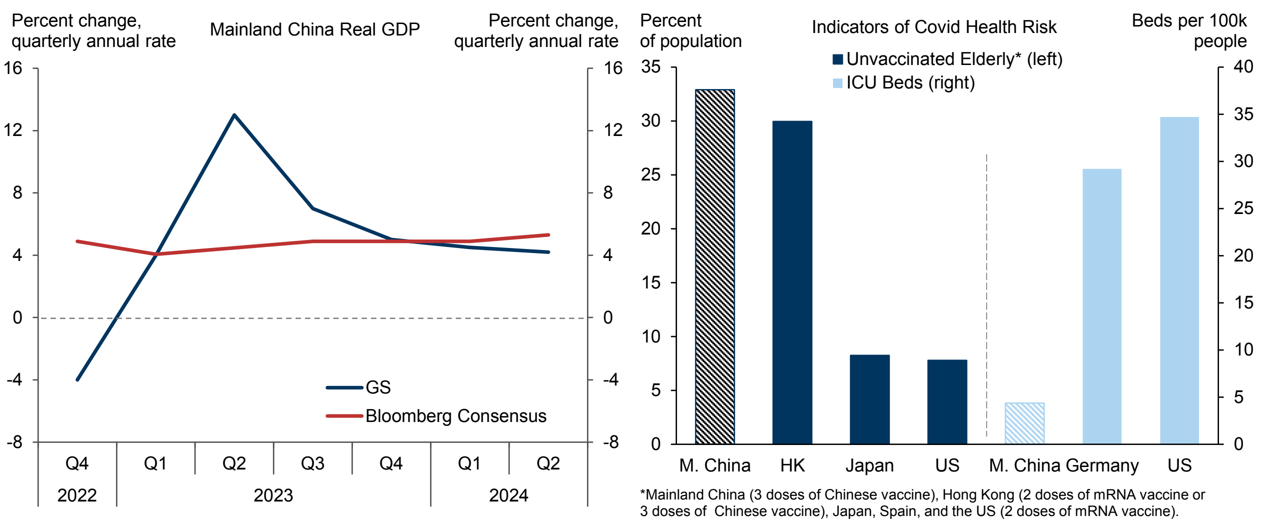
Source: Wall Street Journal, Goldman Sachs Global Investment Research

Exhibit 9: ...While Rising Energy Costs Likely Pushed Europe Into a Milder Than Anticipated Industrial Recession this Winter...



Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 10: ...And Growth in Mainland China Remained Tame But Seems Set to Accelerate as Reopening Begins (Though Substantial Public Health Risks Remain).



Source: NHC, Government of Hong Kong, Goldman Sachs Global Investment Research

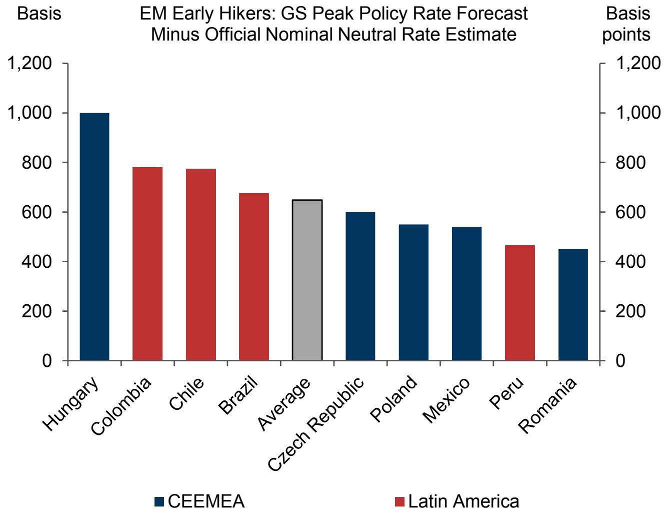
All of this is a good reminder that this cycle is likely to be different.

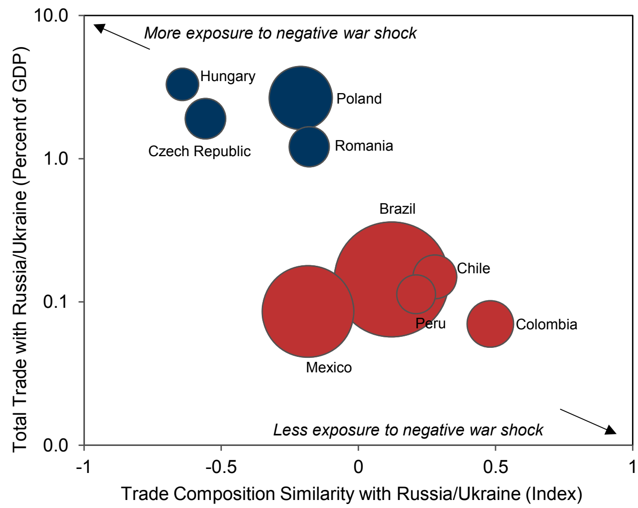
Global Economics Team

Thank you to Giovanni Pierdomenico, analyst on the Global Economics team, for his contributions to this report.

Bonus Charts

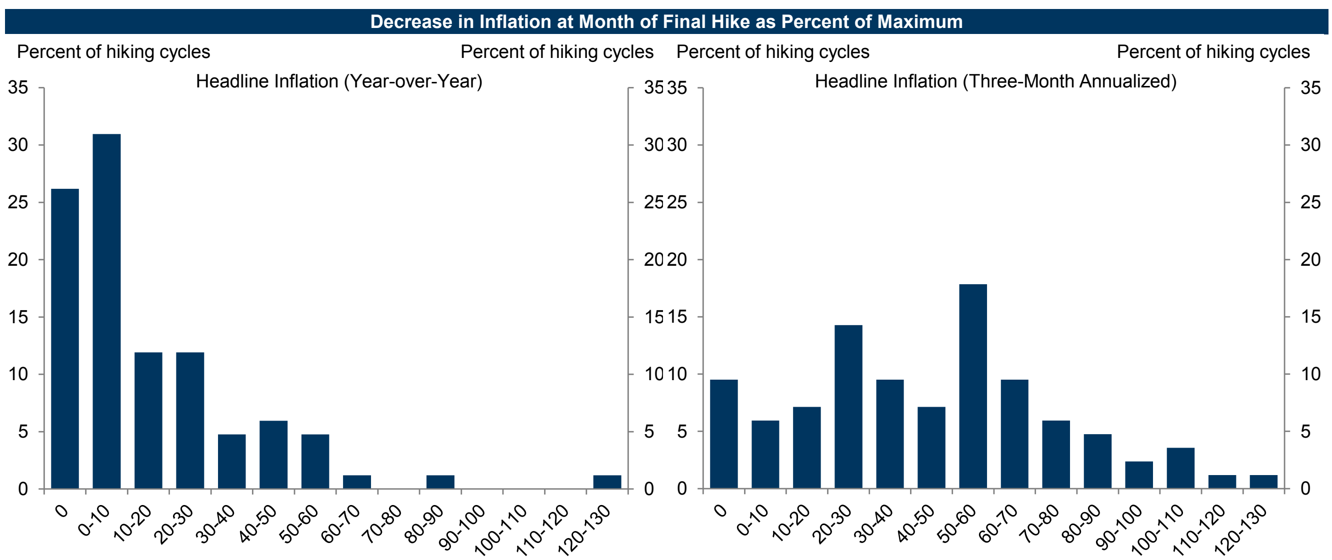
Exhibit 11: Activity Held Up in EM Early Hikers Despite Highly Restrictive Rates (Especially in Latin American Countries Less Exposed to the War).





Source: IMF, Haver Analytics, Goldman Sachs Global Investment Research

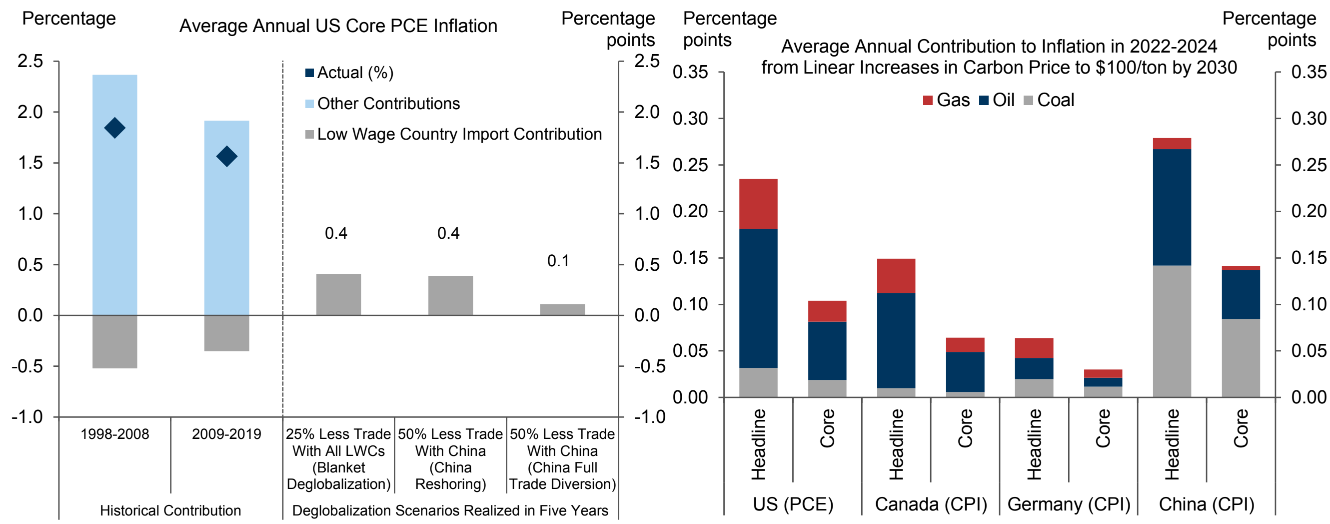
Exhibit 12: An End to the Global Hiking Cycle Is Likely Months Off, but Is Likely Once Inflation Falls Further, Since G10 Central Banks Historically Pause Hiking When Year-Over-Year Inflation Has Fallen 10% From Its Peak.



Note: the maximum is calculated over the preceding 18 months. If the month of the final hike is the peak (ie inflation is still rising) then this shows up in the 0 entry.

Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 13: It May Take a While for Inflation to Return to Target, Partially Because Slowing Globalization and the Green Transition Are Likely To Leave Inflation Somewhat Higher This Cycle.



Source: Haver Analytics, Goldman Sachs Global Investment Research

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