



Economic Outlook: After Covid, the energy shock

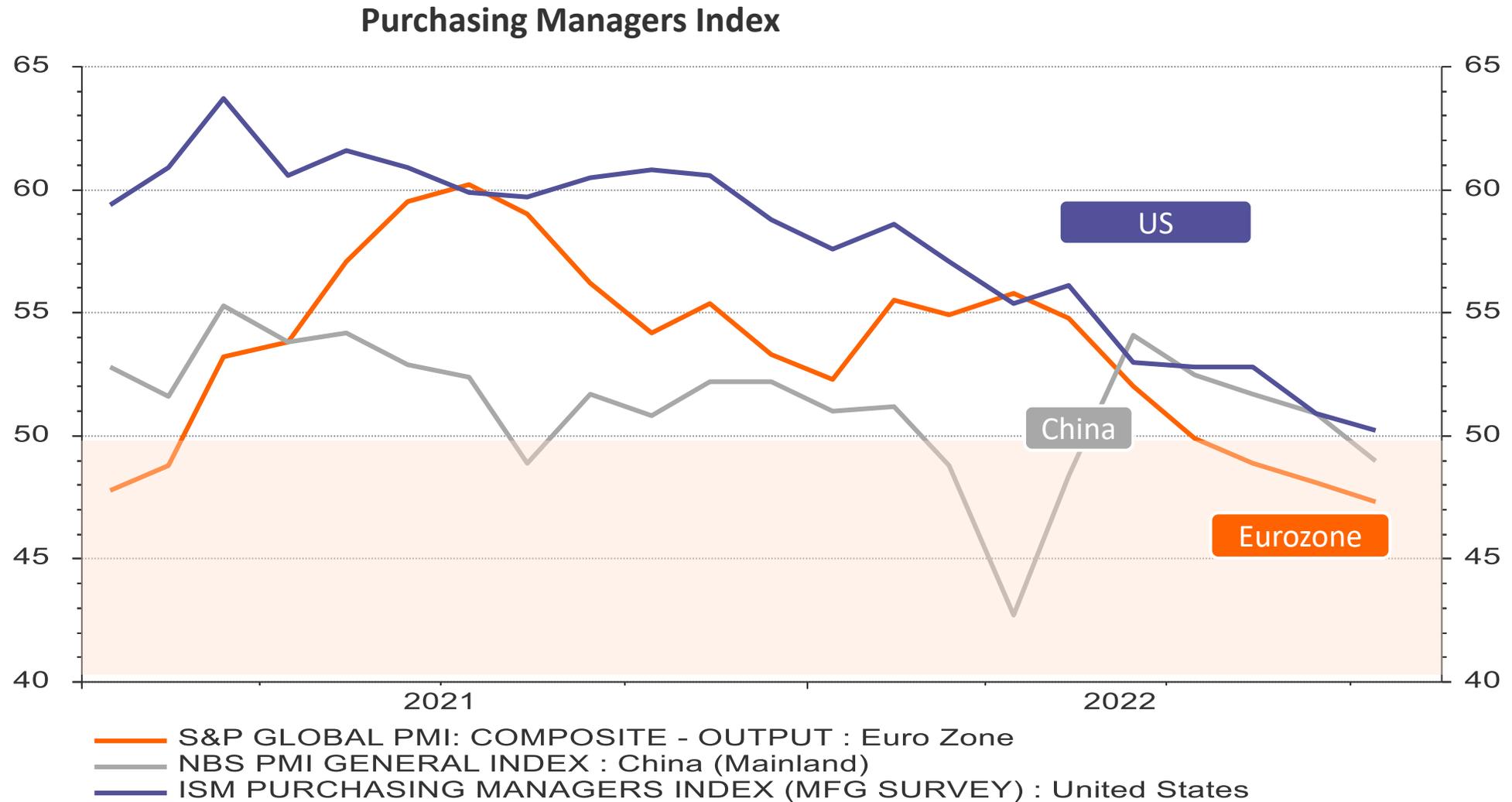
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November 2022



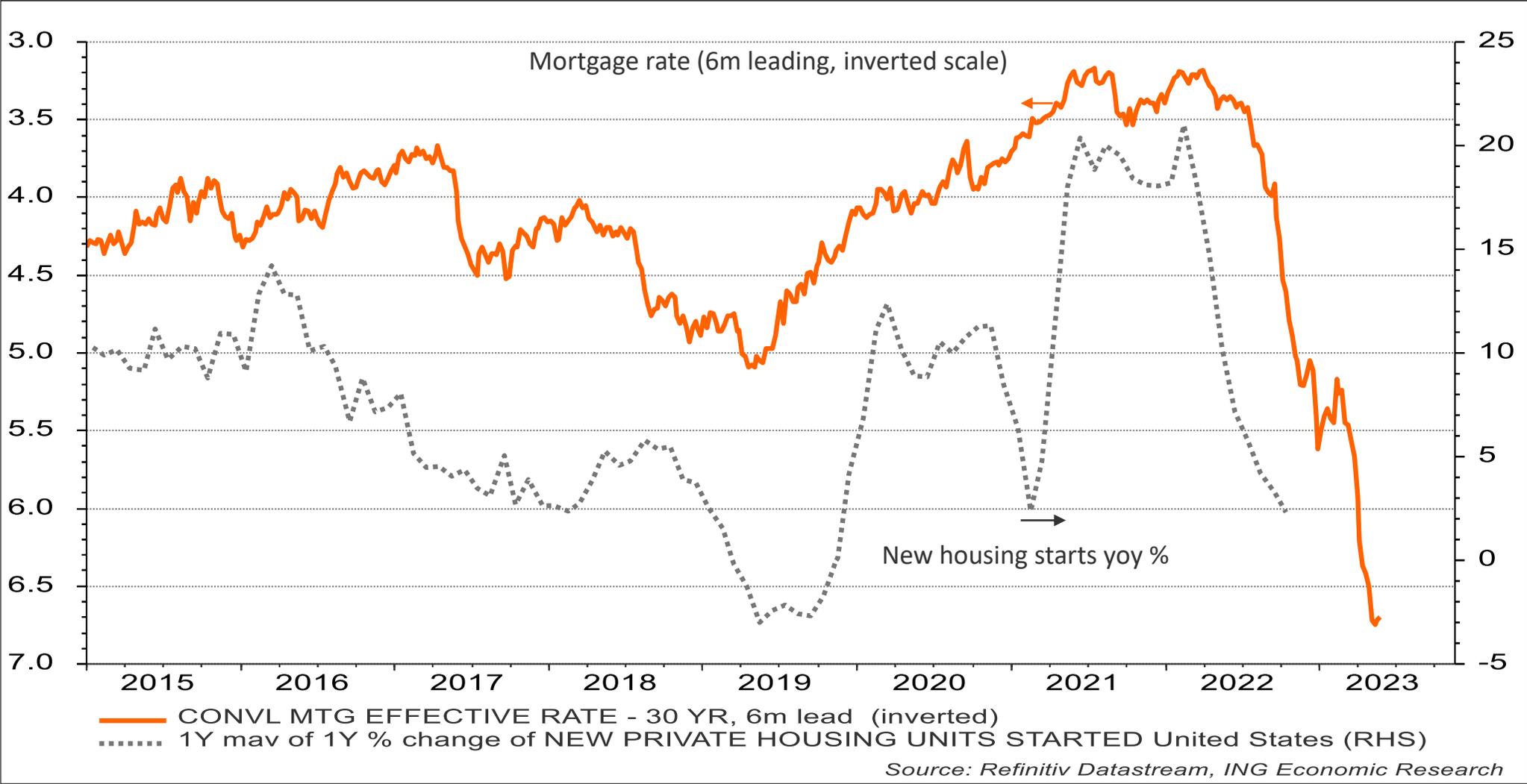
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The world economy is slowing rapidly

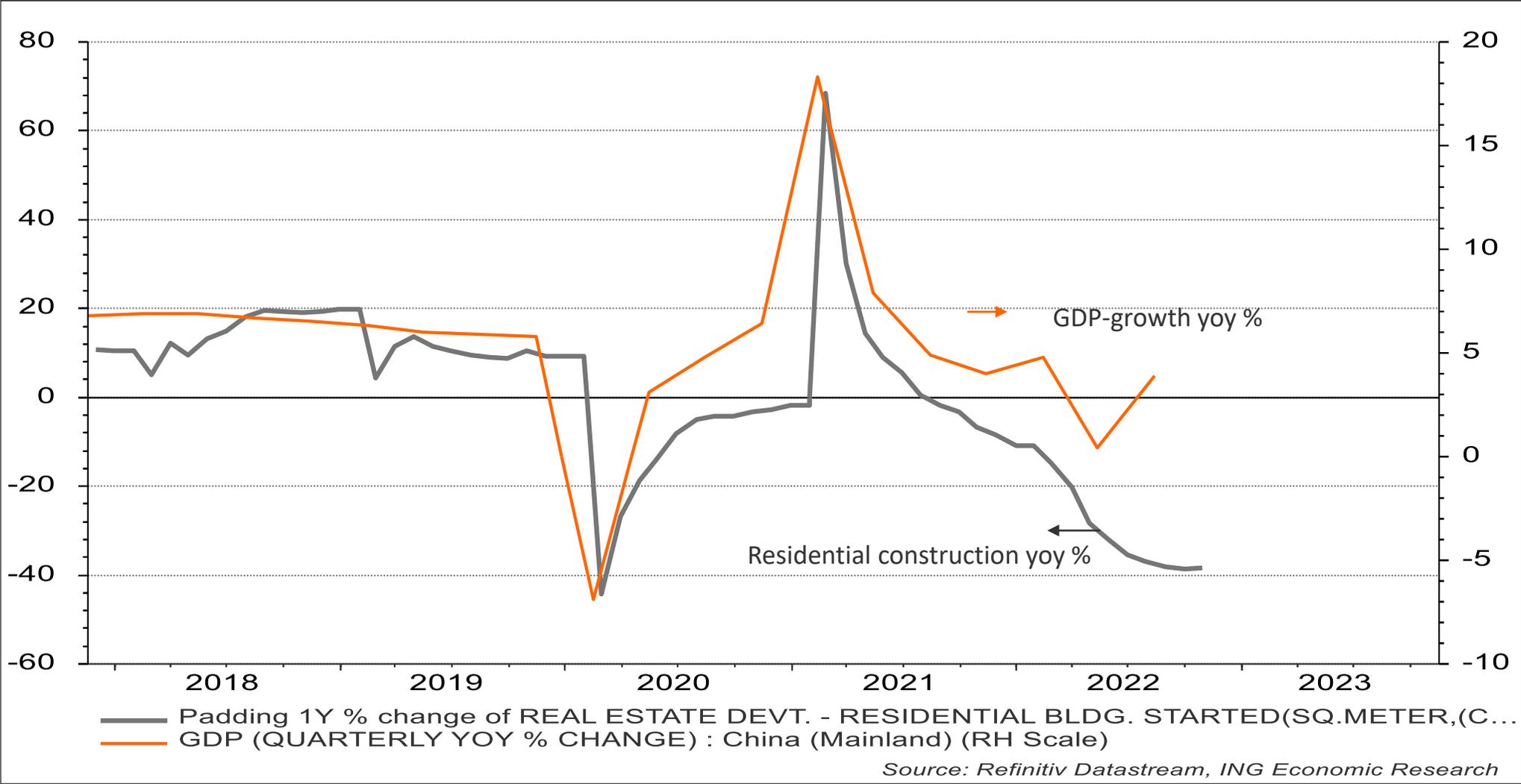


Source: Refinitiv Datastream, ING Economic Research

US monetary tightening affects rate sensitive sectors



Chinese economy still struggles with zero Covid and real estate crisis



Zero-covid policy has not yet disappeared

CHINA / SOCIETY

South China's Guangzhou enhances anti-epidemic measures to curb 'most complex and severest outbreak in three years'

By Global Times
Published: Nov 05, 2022 01:11 PM



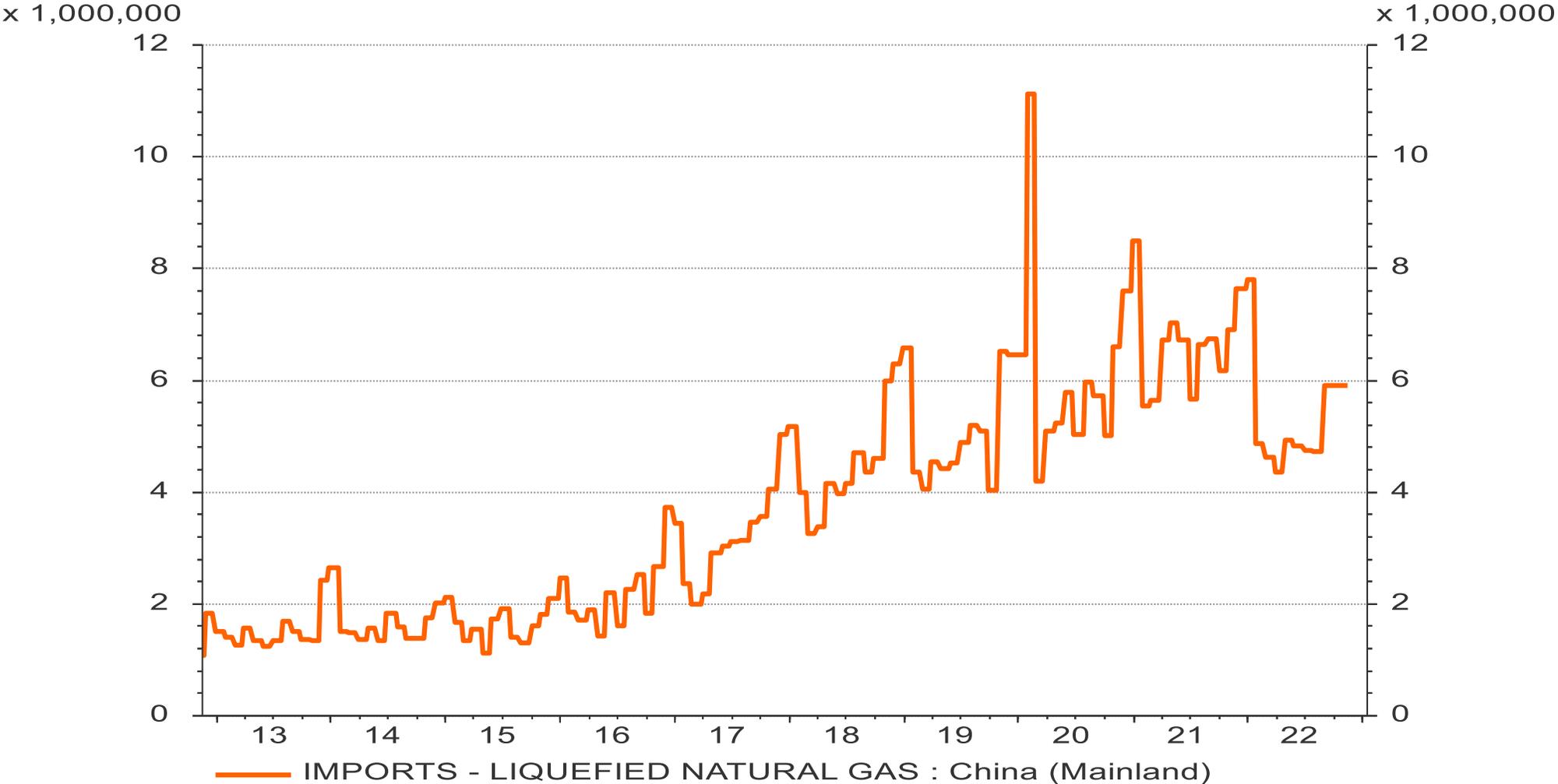
Photo: CFP

leen vervaeke @leenvervaeke · 18h (Nov 6)

Last week lots of rumors about potential (long awaited) loosening of zero-covid, but today health authorities at press conference were clear: we stick to zero-covid. This drawing is illustrative of many pple's feelings (Aug: hang in there, Sept: almost at top, Oct: hahaha, Nov:...)

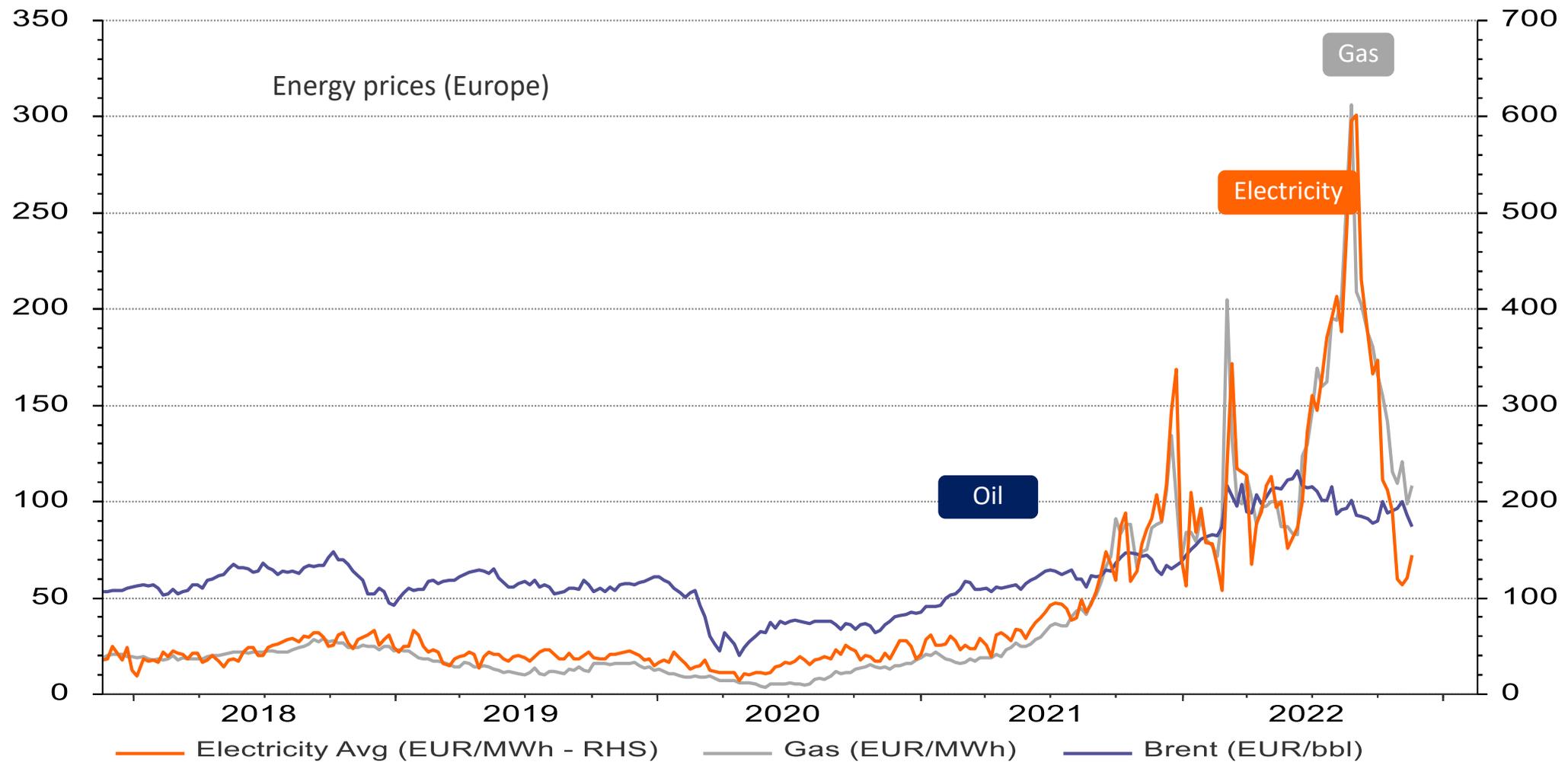


China remains a strong driver of LNG prices



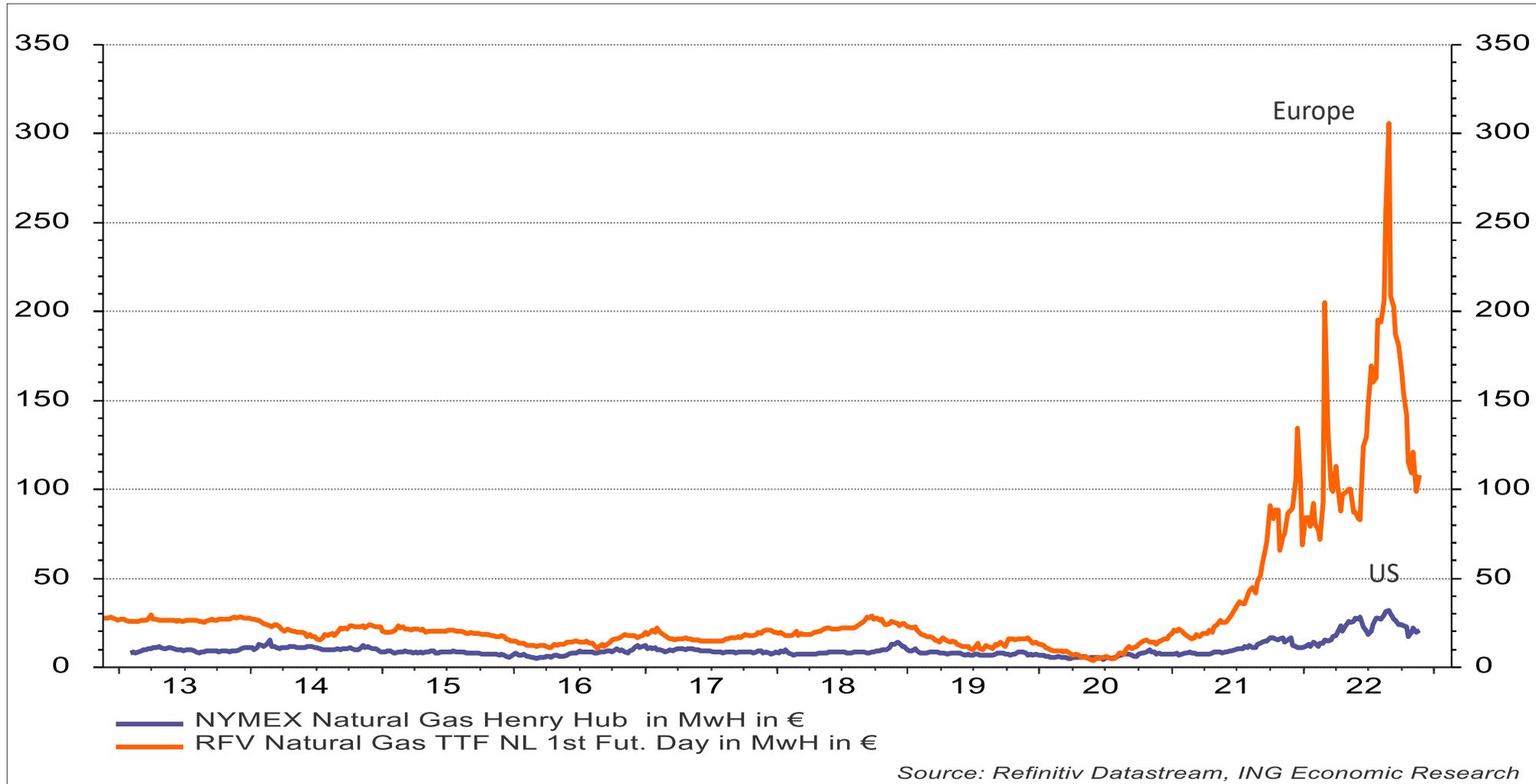
Source: Refinitiv Datastream, ING Economic Research

Unprecedented energy shock in Europe

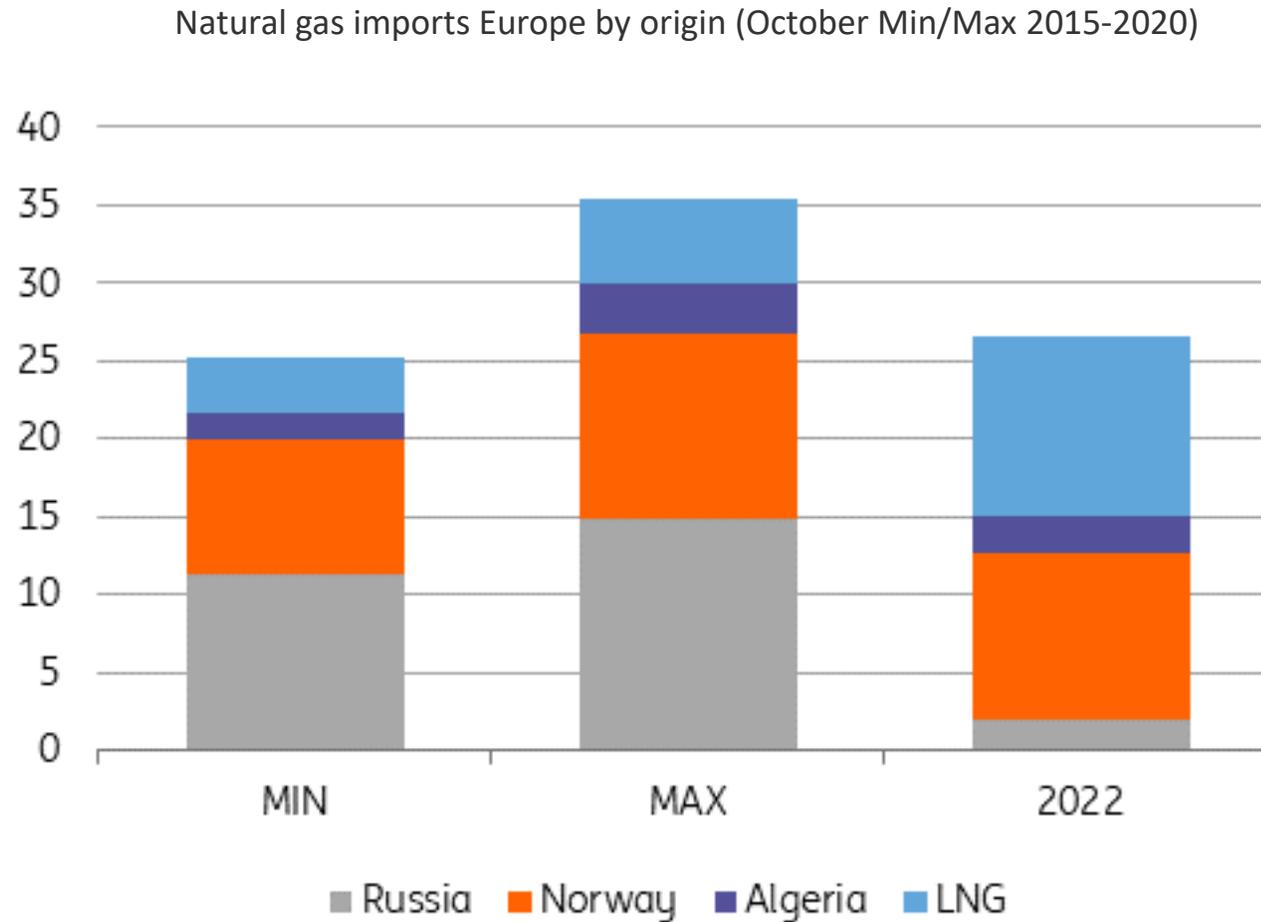


Source: Refinitiv Datastream, ING Economic Research

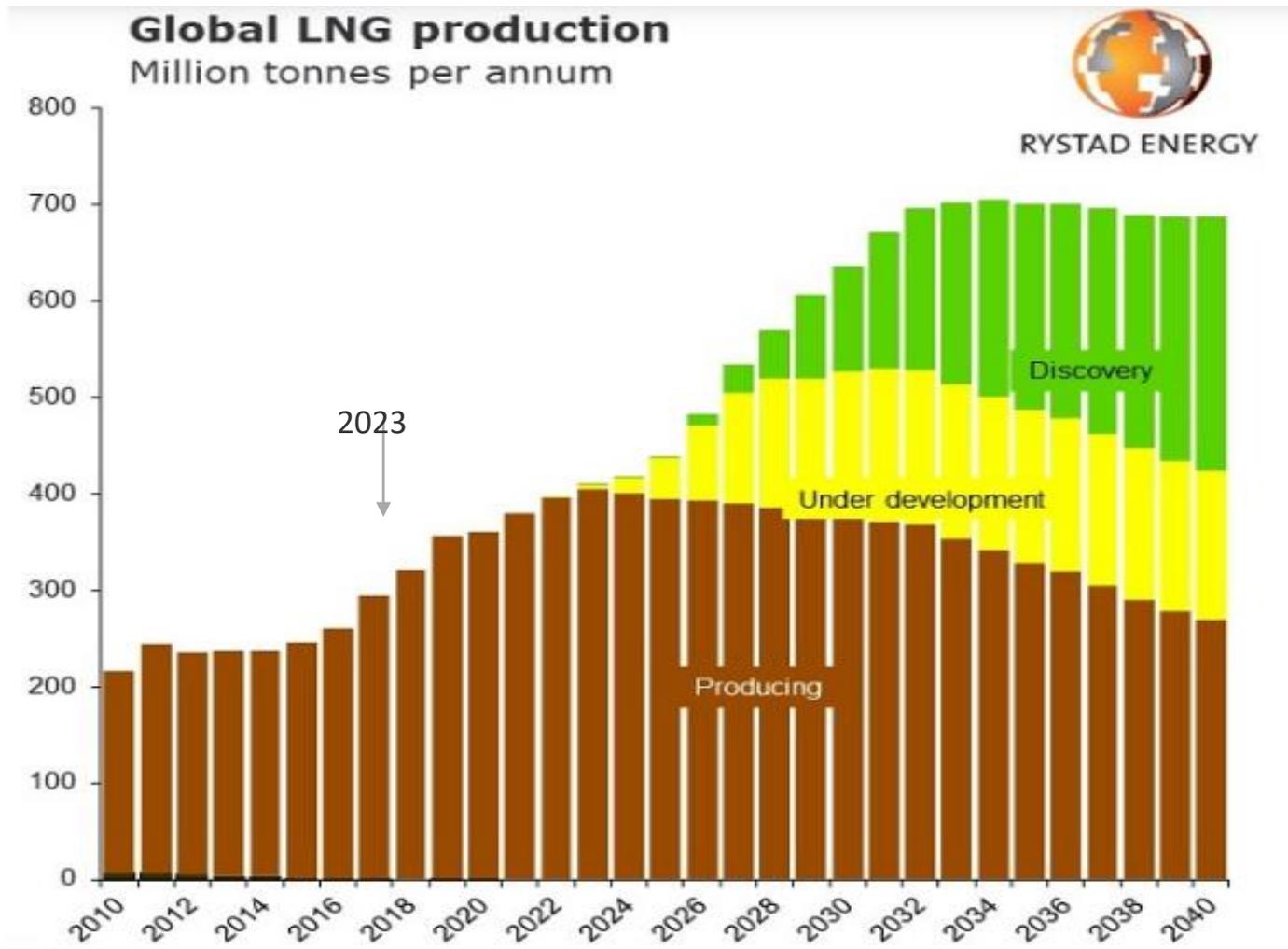
Natural gas price has come down, but difference with US remains



European natural gas imports are bound to rise again



Natural gas market remains tight in 2023



Energy intensive industry strongly affected

Spiralling energy costs force Belgian companies to shut down

Saturday, 27 August 2022



The industrial park Genk Zuid, with steel production plant Aperam and several wind turbines. PHOTO ERIC LALMAND

Several companies in Belgium have been forced to shut down their production facilities due to high energy prices, meaning thousands of employees are currently temporarily out of a job.

Stainless steel producer Aperam is shutting down its production facility in Genk due to the high energy prices, while fertiliser producer Yara and flooring group Beaulieu are also winding down operations. [De Standaard](#)

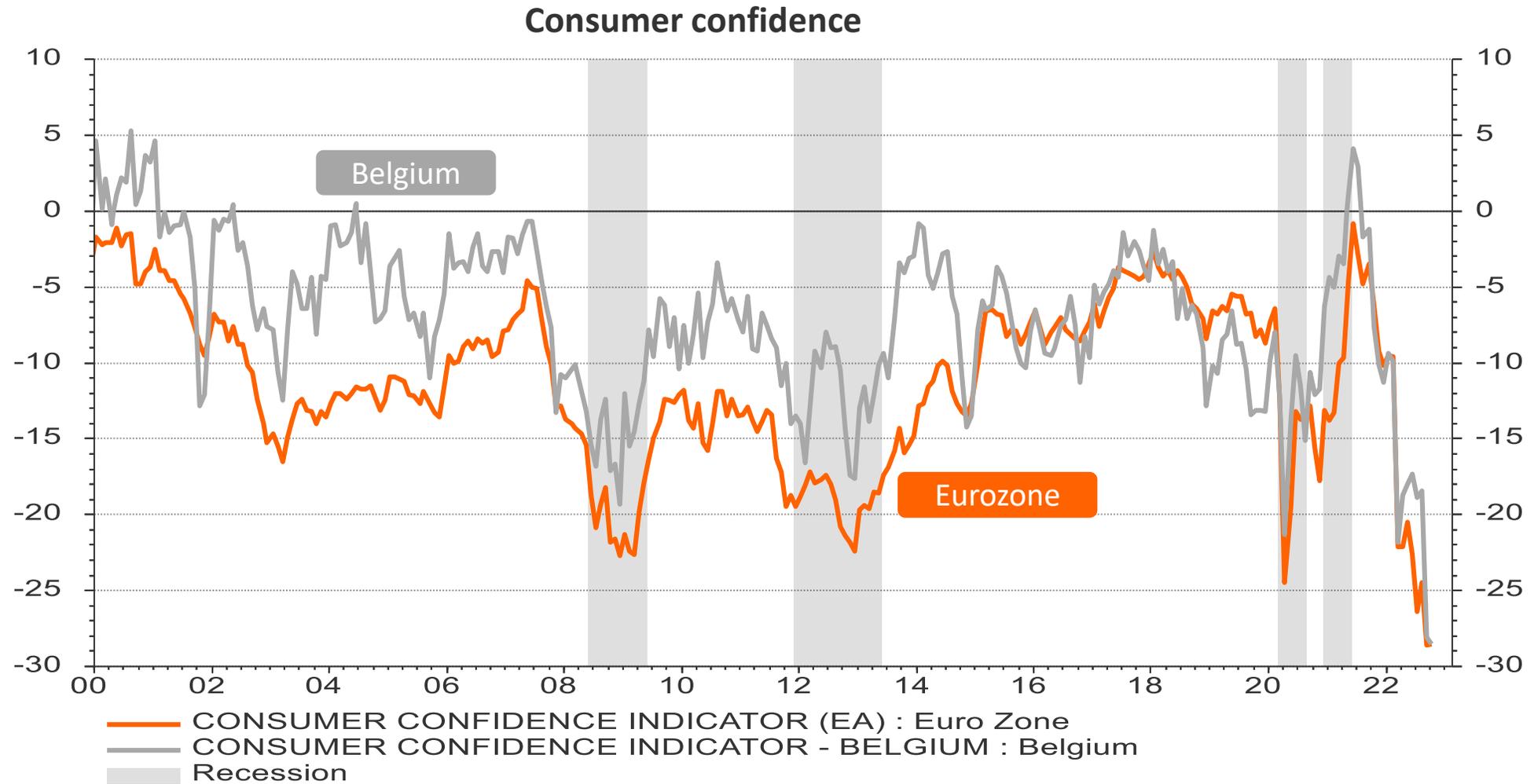
Industry 30th August 2022

Plans to shut UK ammonia plant spark new CO2 supply concerns



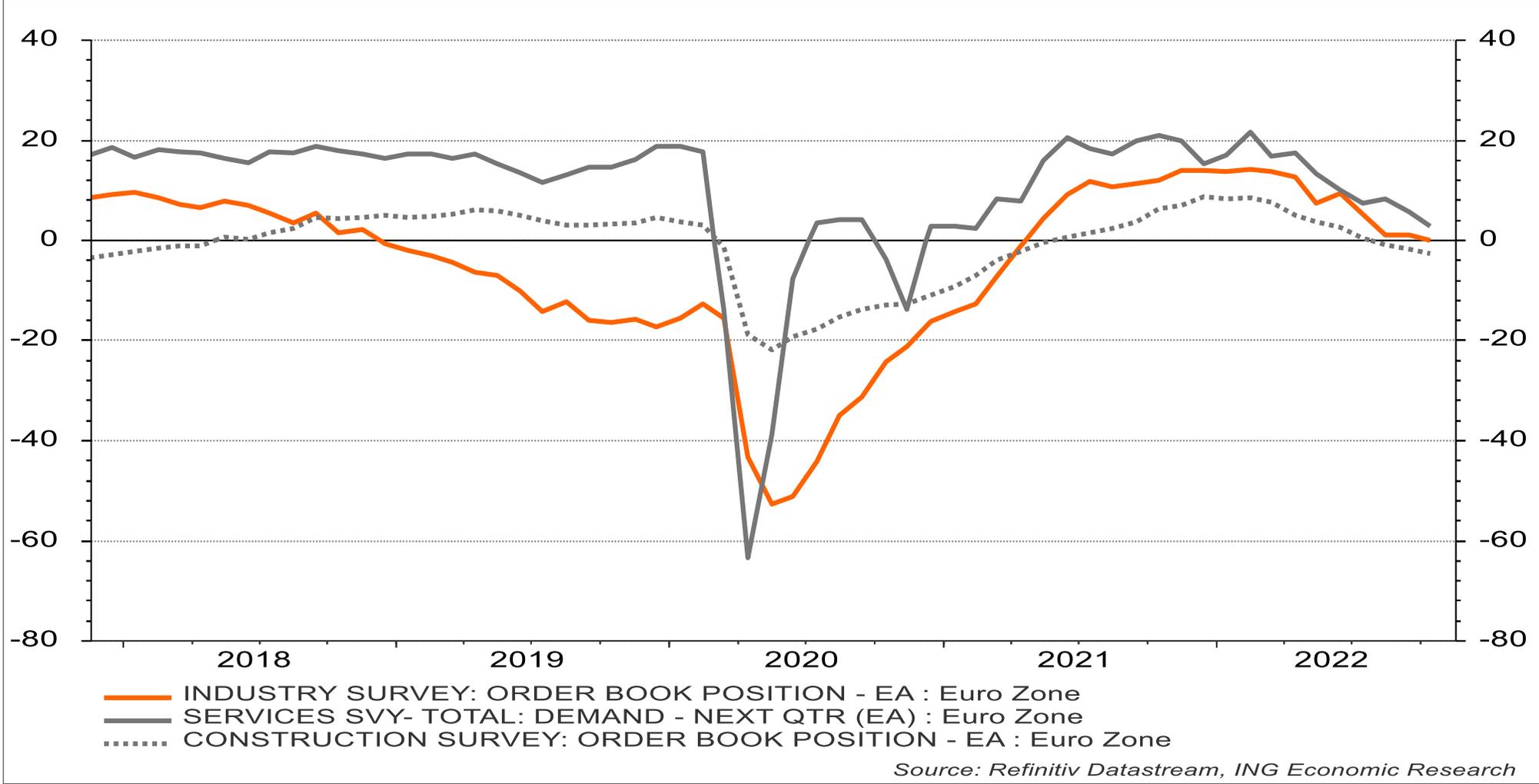
German factories halt output after Russia's 'alarming' squeeze on gas

European consumer is very pessimistic



Source: Refinitiv Datastream, ING Economic Research

Order book positions are worsening in the Eurozone

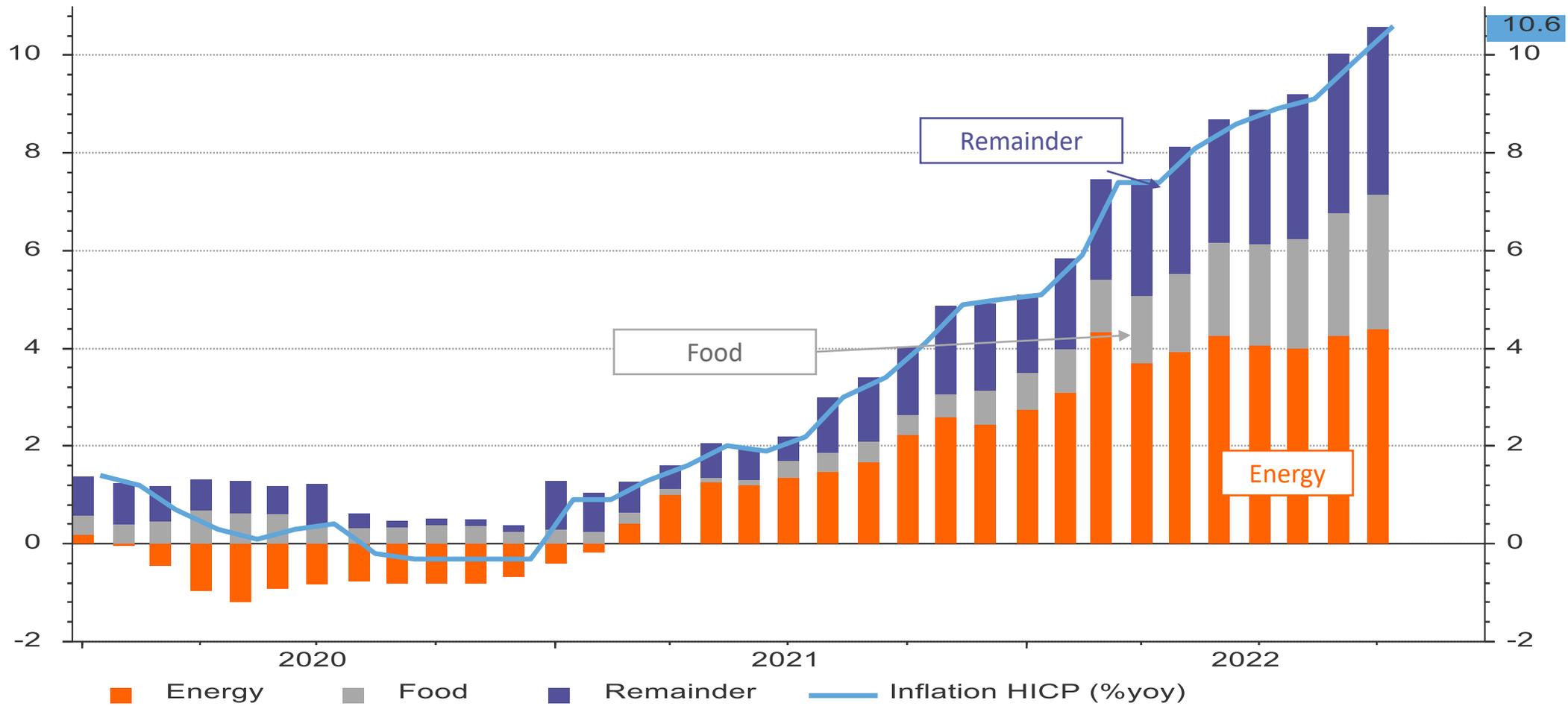


Growth expectations

	2020	2021	2022	2023
USA	-3.5	5.7	1.9	-0.4
Eurozone	-6.8	5.4	3.1	-0.7
UK	-9.9	7.5	4.4	-1.2
Belgium	-6.2	6.1	2.9	-0.4
Japan	-4.5	1.6	1.6	1.1
China	2.4	8.8	3.3(?)	5.5(?)

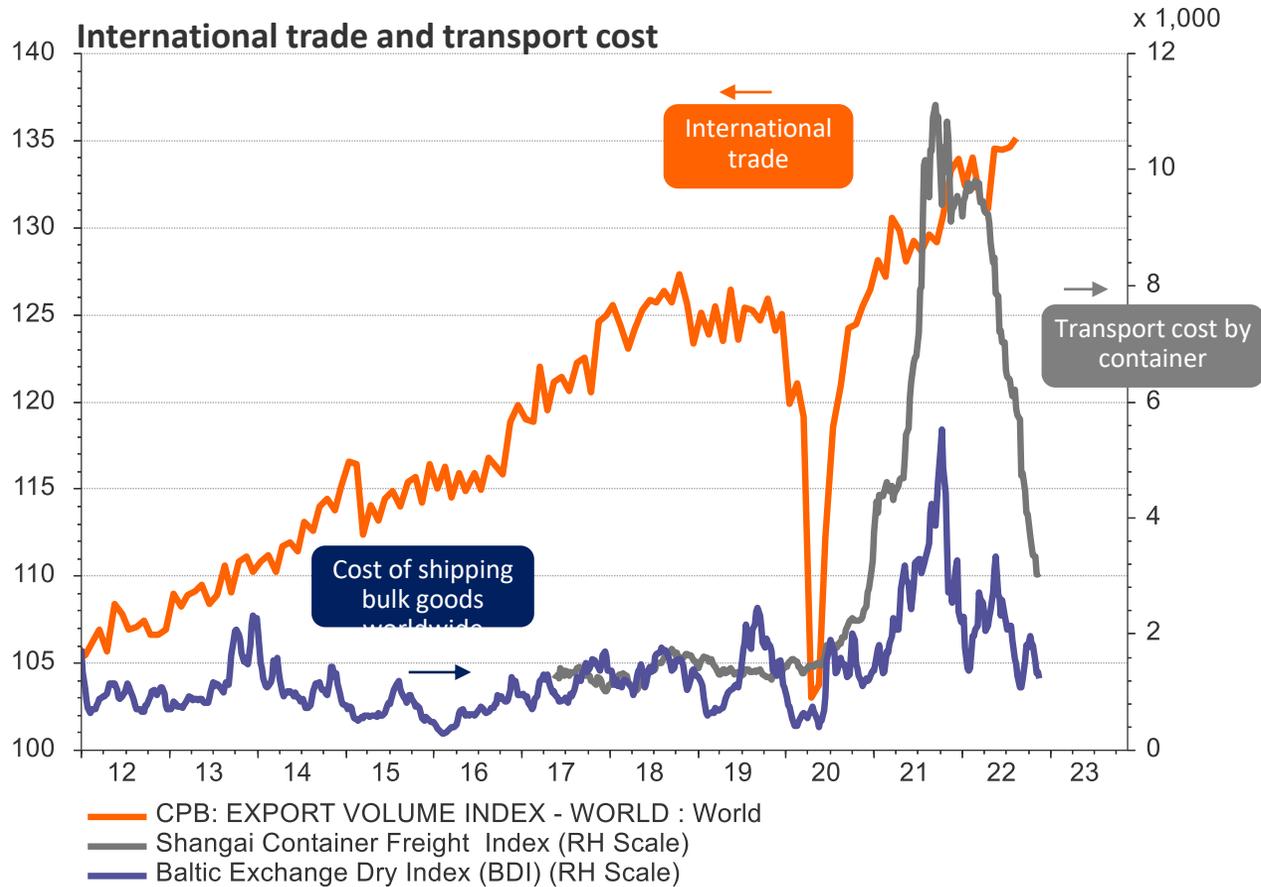
Drivers of inflation

Eurozone

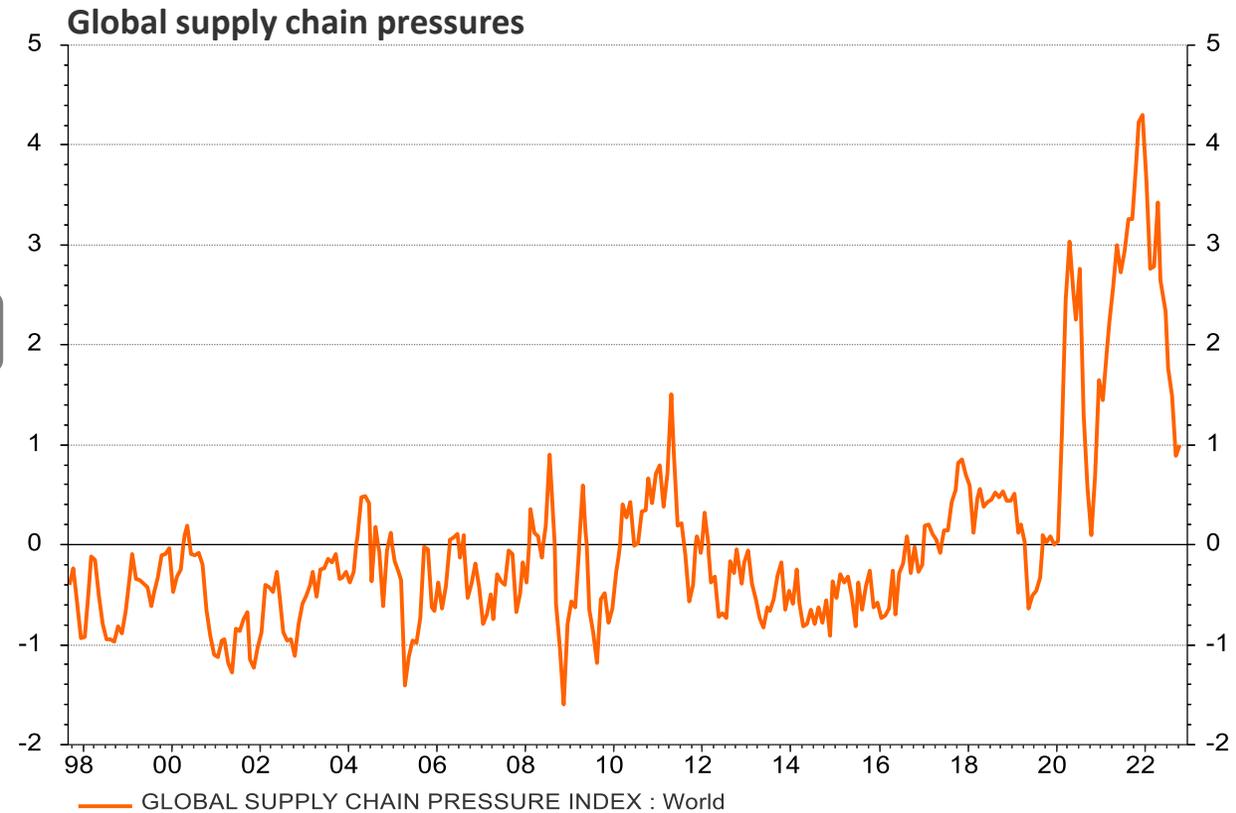


Source: Refinitiv Datastream, ING Economic Research

Global supply-side pressures are easing



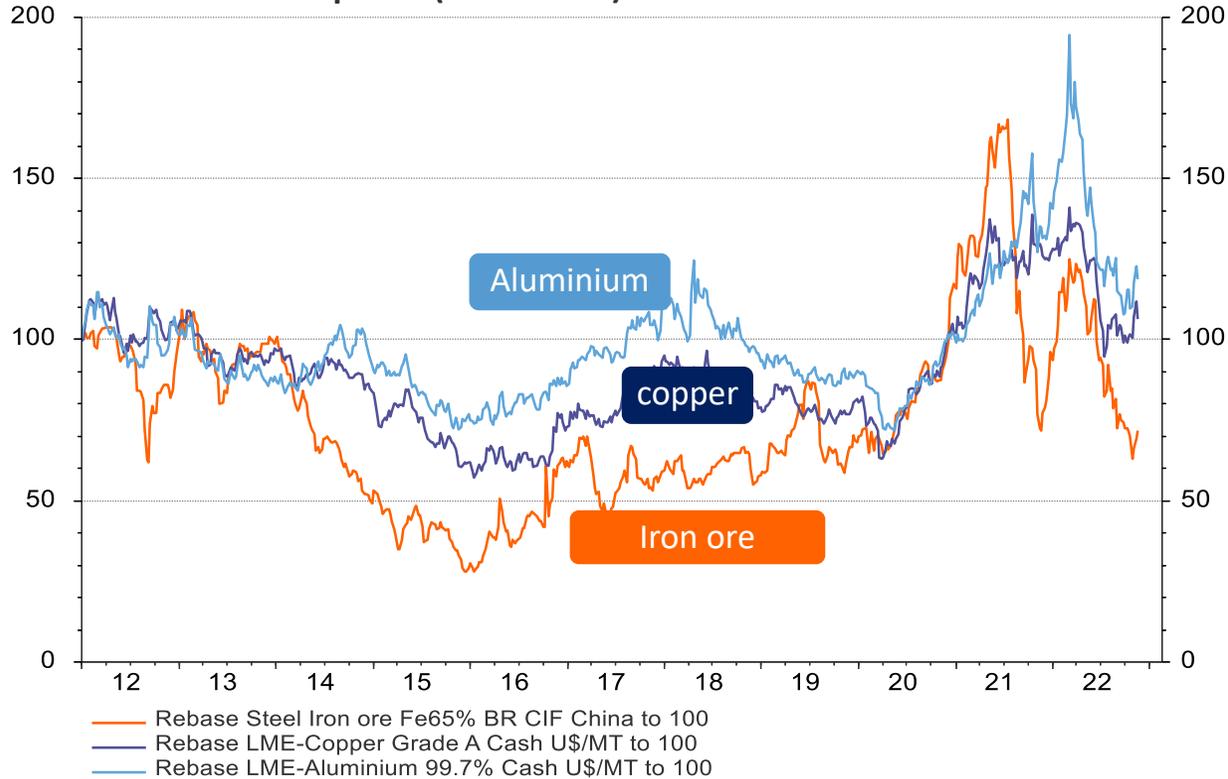
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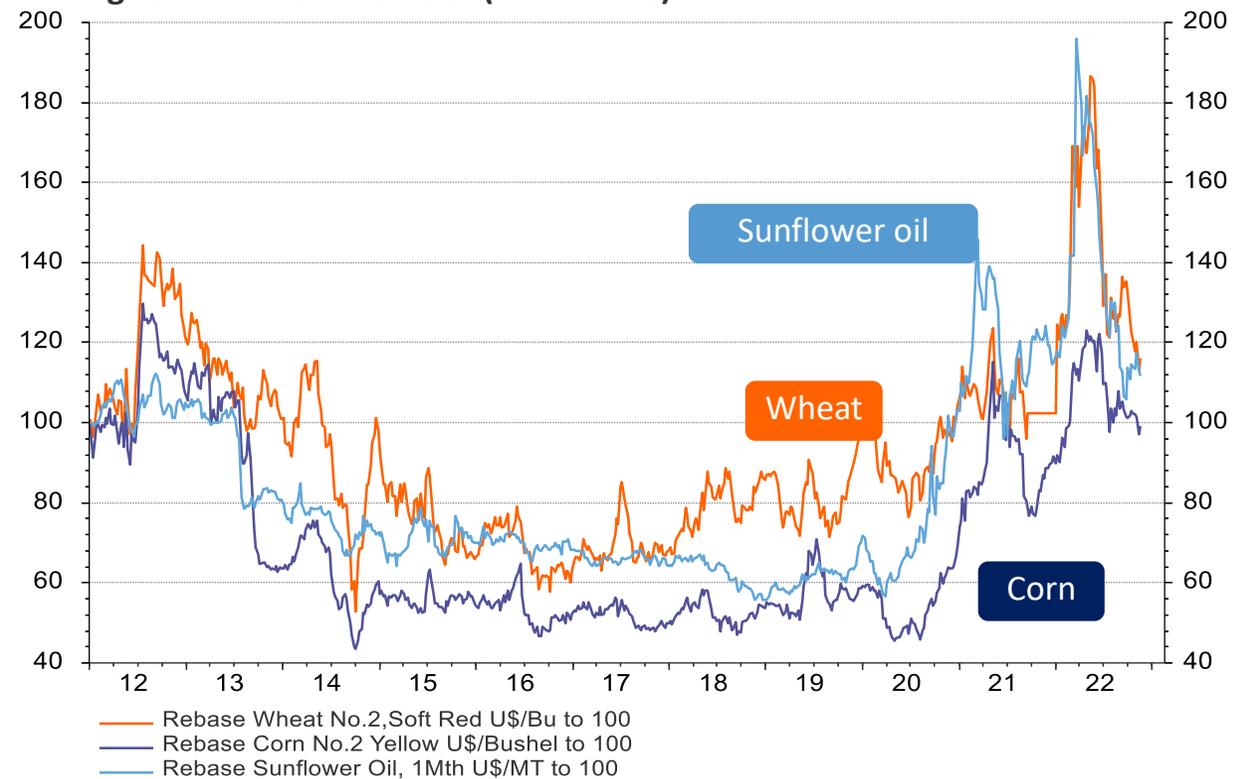
Commodity prices have also fallen somewhat

Industrial metal prices (2012 = 100)



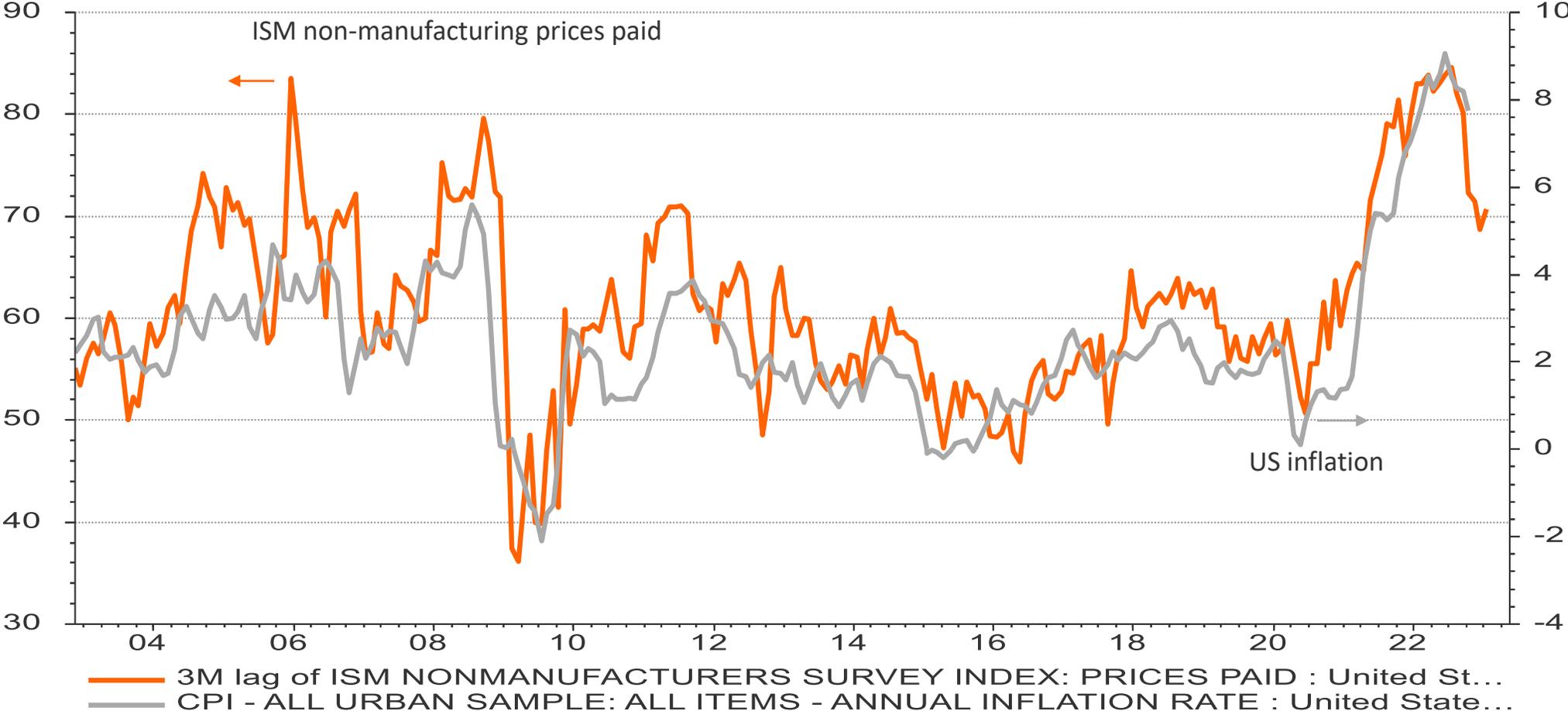
Source: Refinitiv Datastream, ING Economic Research

Agricultural commodities (2012 = 100)



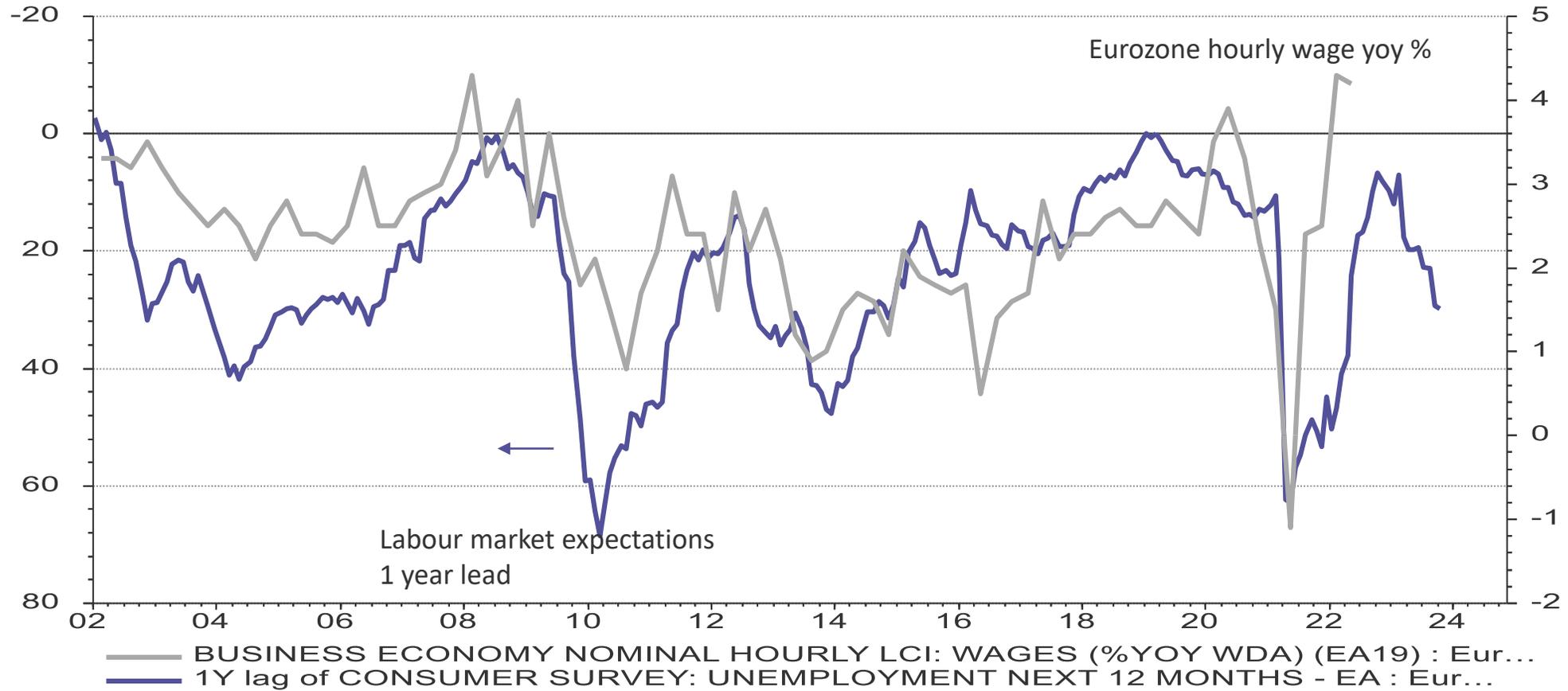
Source: Refinitiv Datastream, ING Economic Research

Some evidence of softening price pressures in the US



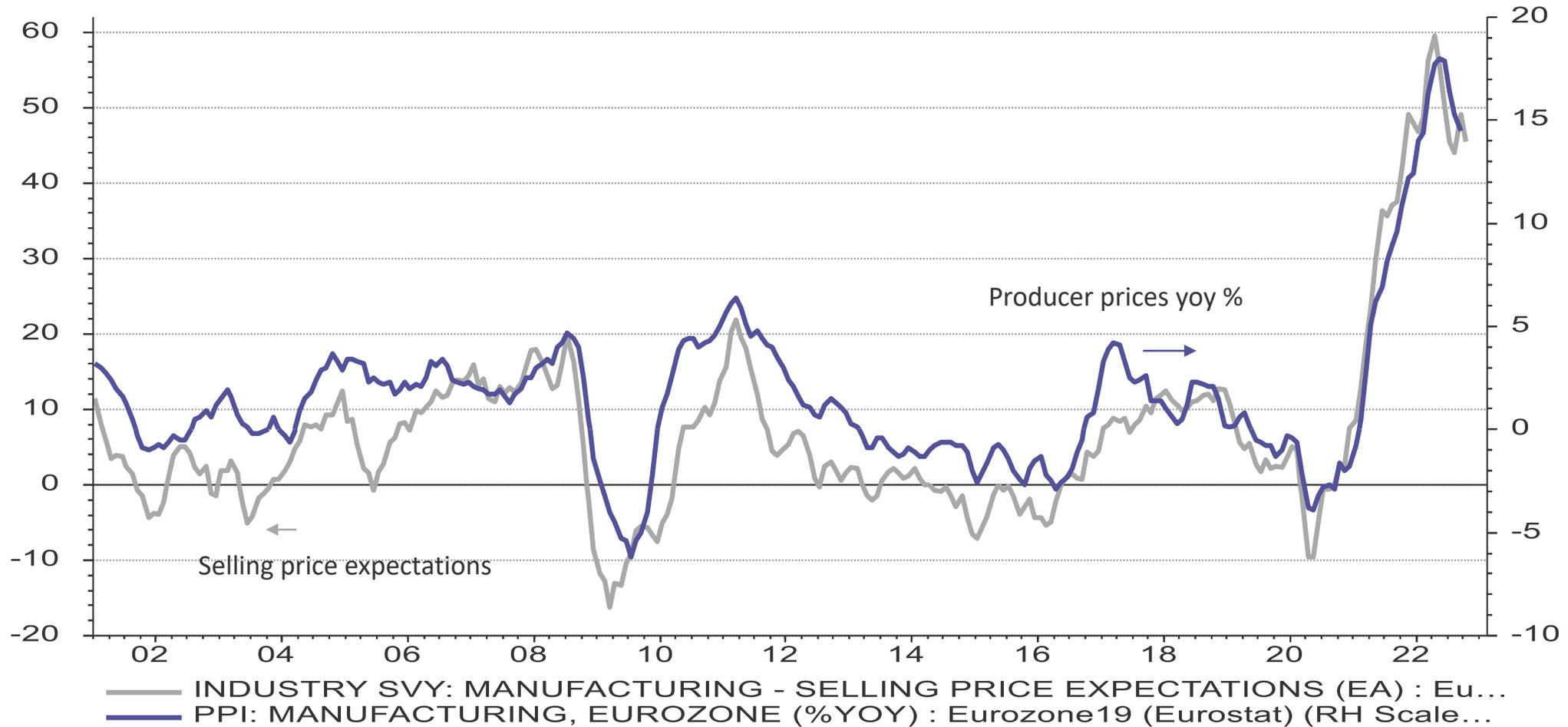
Source: Refinitiv Datastream, ING Economic Research

Eurozone wage growth likely to increase, but recession is a limiting factor



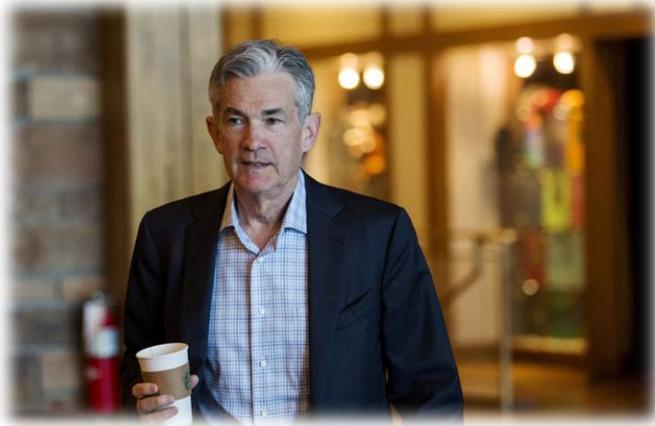
Source: Refinitiv Datastream, ING Economic Research

First signs of declining pricing power in Europa



Source: Refinitiv Datastream, ING Economic Research

Hawkish central bankers



Jay Powell (Federal Reserve):

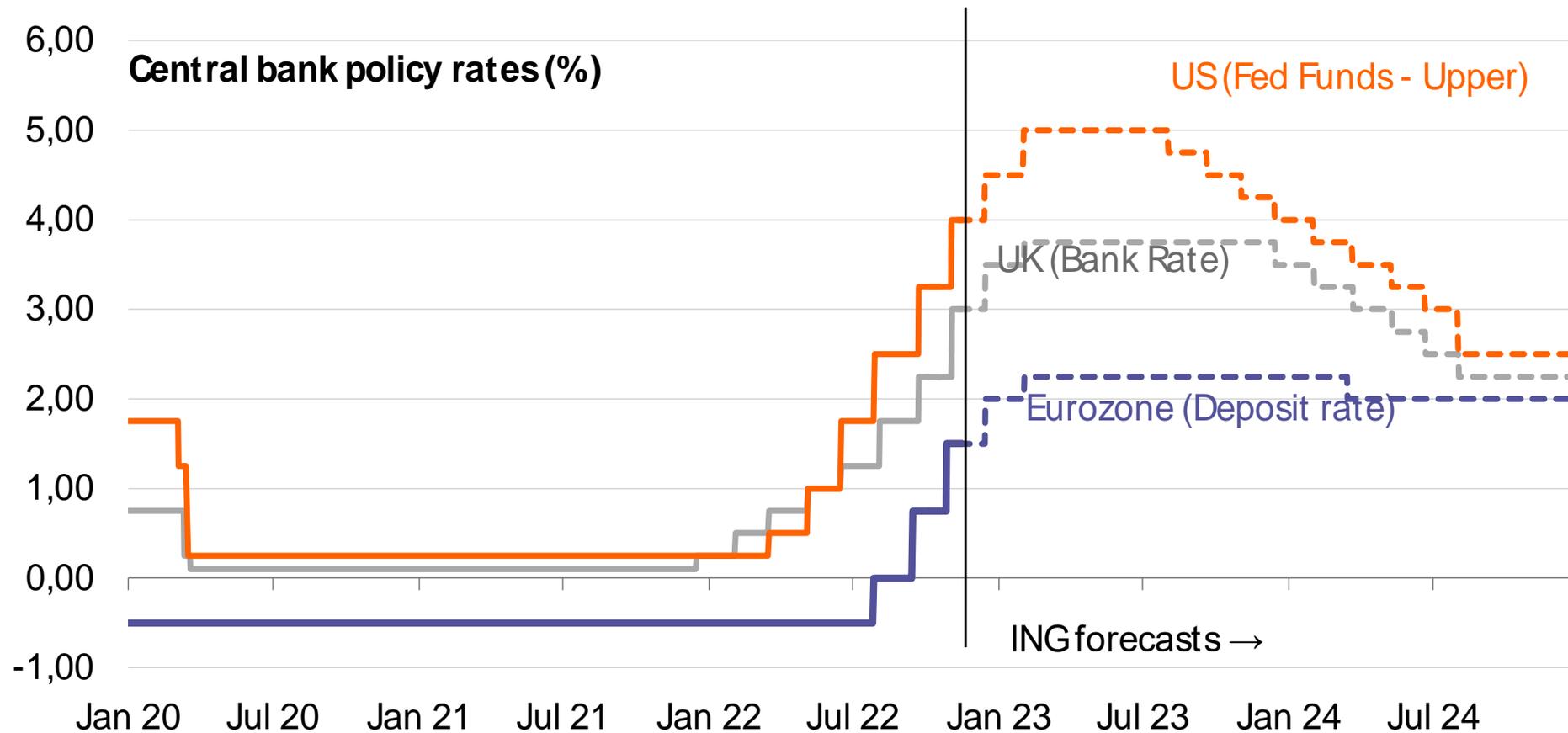
“We still have some ways to go, and incoming data since our last meeting suggest that the ultimate level of interest rates will be higher than previously expected”. (Until now Fed saw rates peaking at 4.625%)



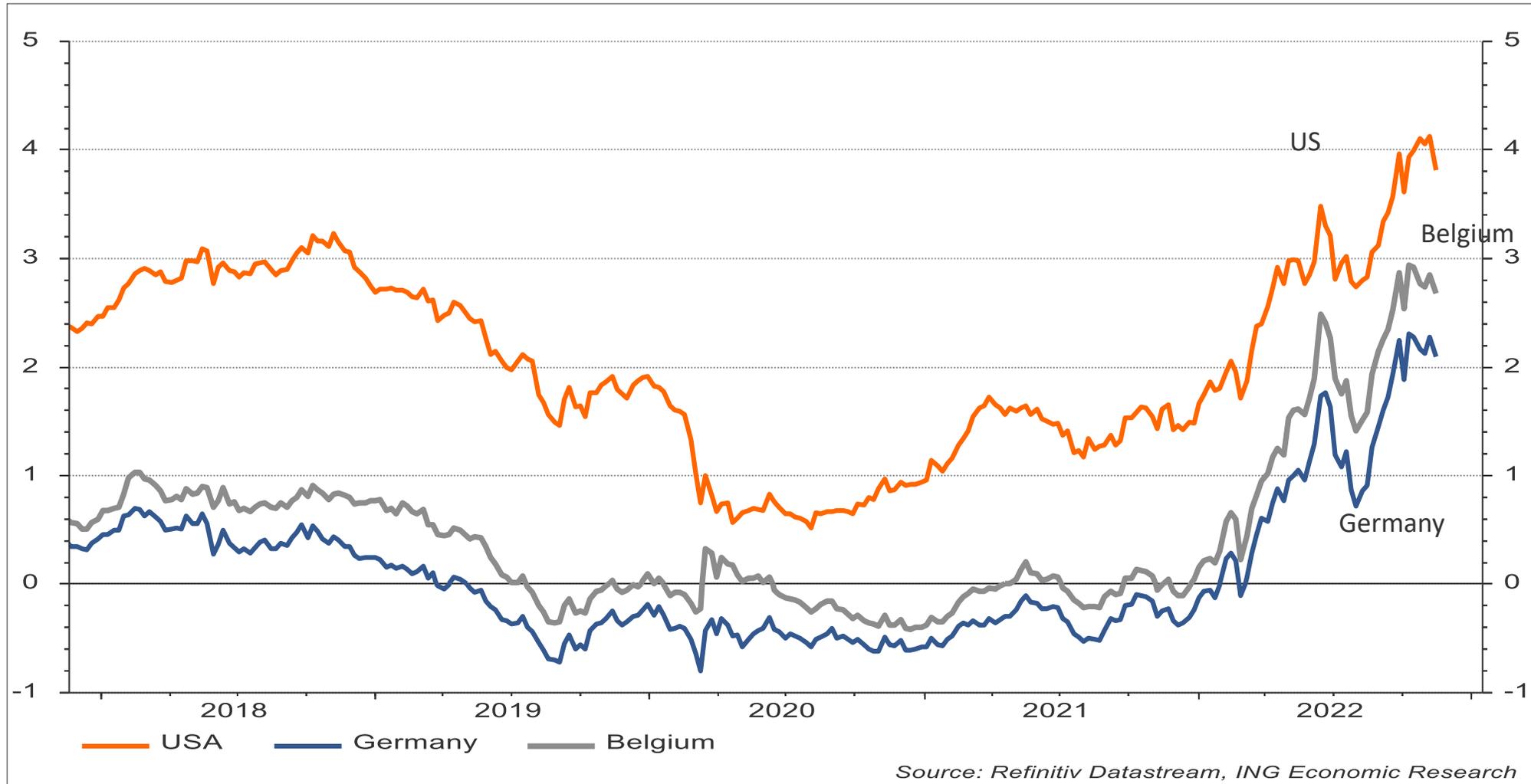
Christine Lagarde (ECB):

“We will have further rate increases in the future so the normalisation process continues. At some point in time, we will have of course to identify the rate which will deliver the 2% medium-term target that we have.”

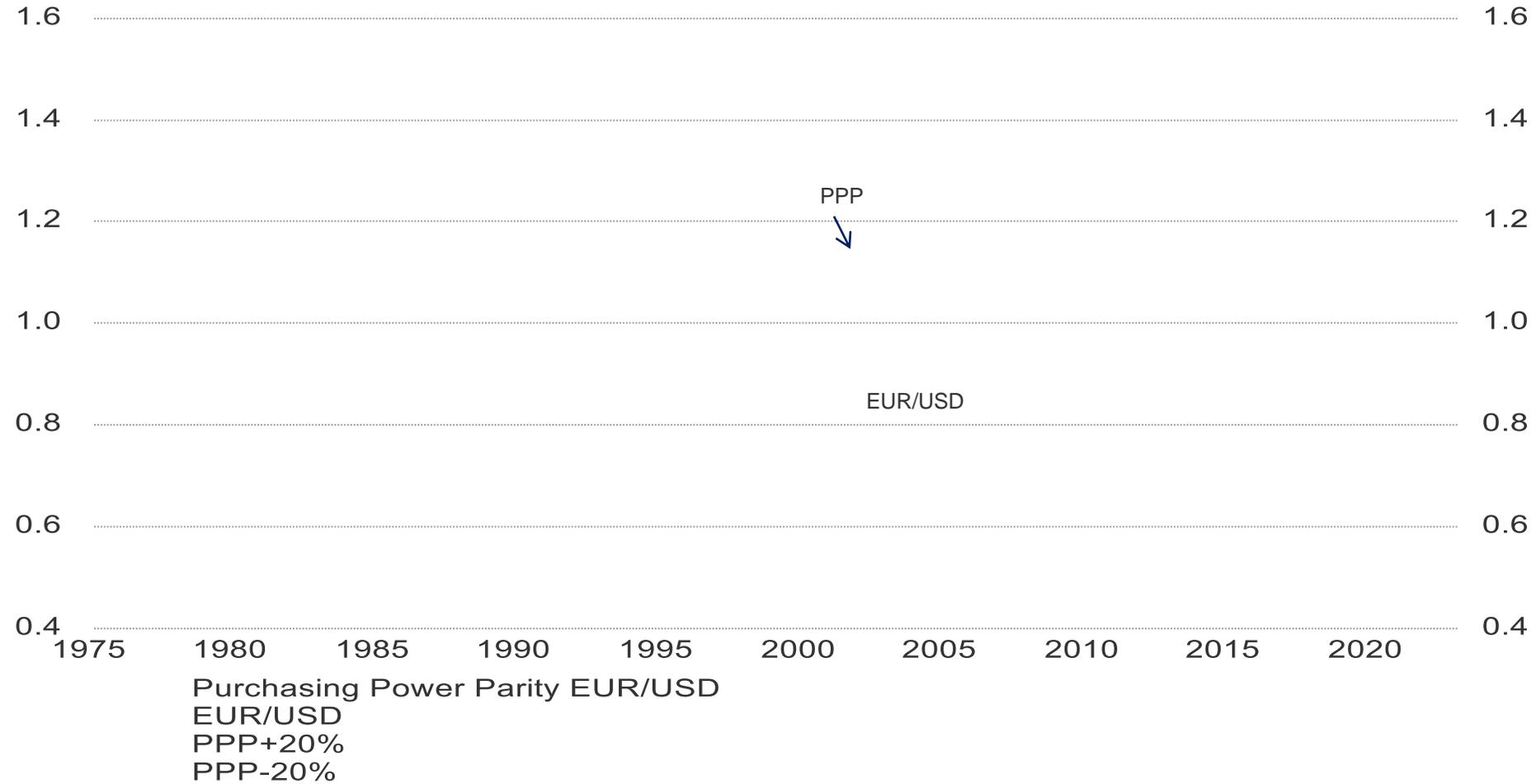
Central banks are still in tightening mode



Bond yields close to peak?



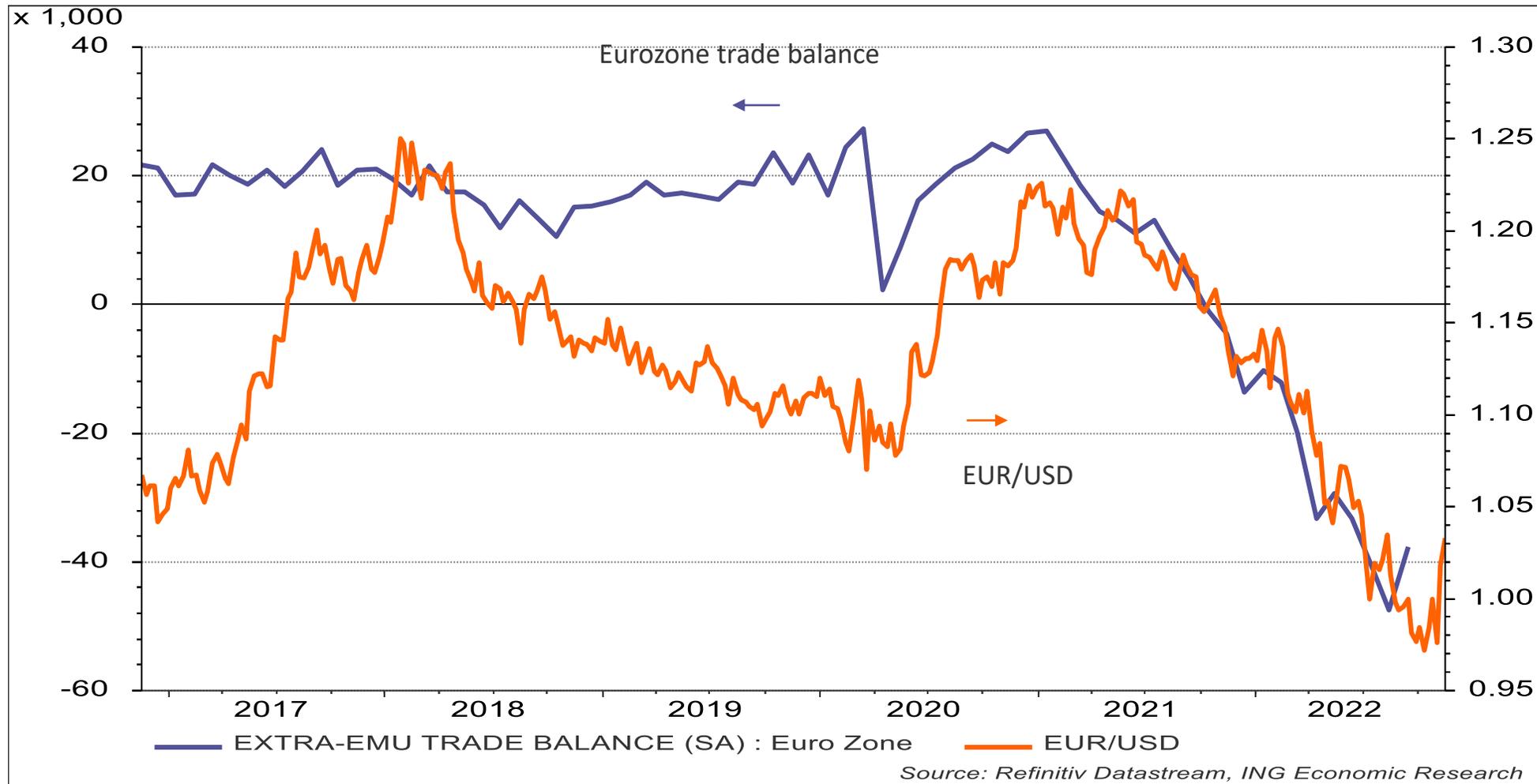
Euro has become very cheap



Source: Refinitiv Datastream, ING Economic Research

High energy prices have pushed down the euro

Eurozone trade balance and euro-dollar exchange rate





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