

# Latest macroeconomic projections and implications for energy and climate security

**ICC Global Environment and Energy  
Commission Meeting**

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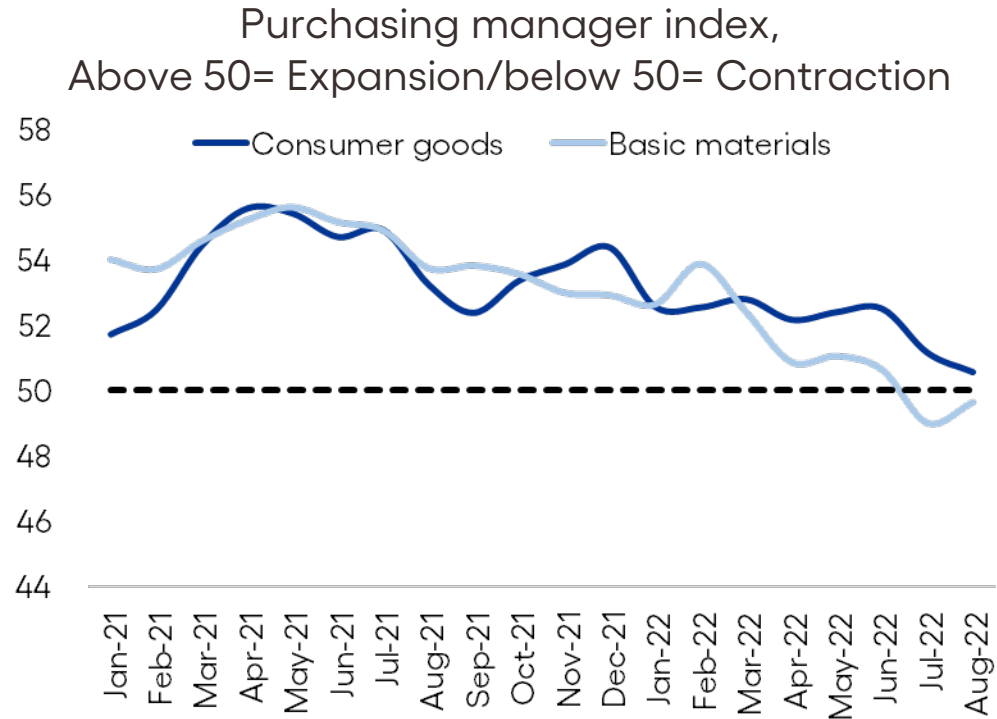


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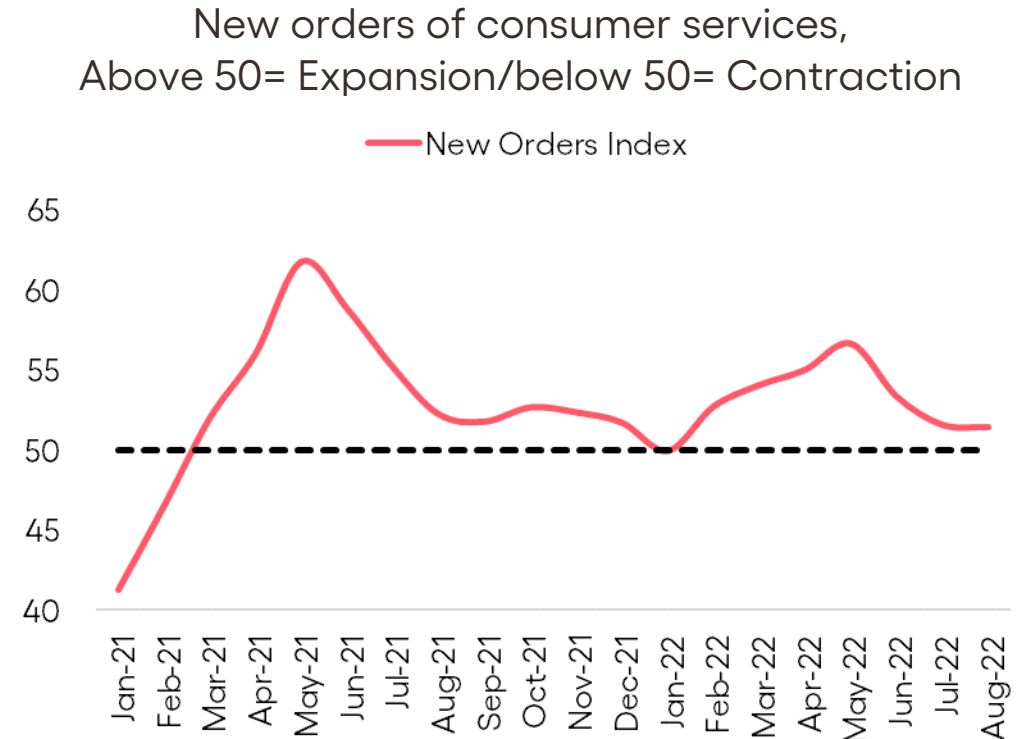
1. Latest economic developments in 2022 and outlook for 2022/2023
2. Risks to the outlook
3. Implications for energy and climate security

# The war in Ukraine is hampering the economy recovery and...

## Industrial sector suffers high energy costs and remaining supply bottlenecks



## At the same time, demand for services (especially tourism) is losing steam

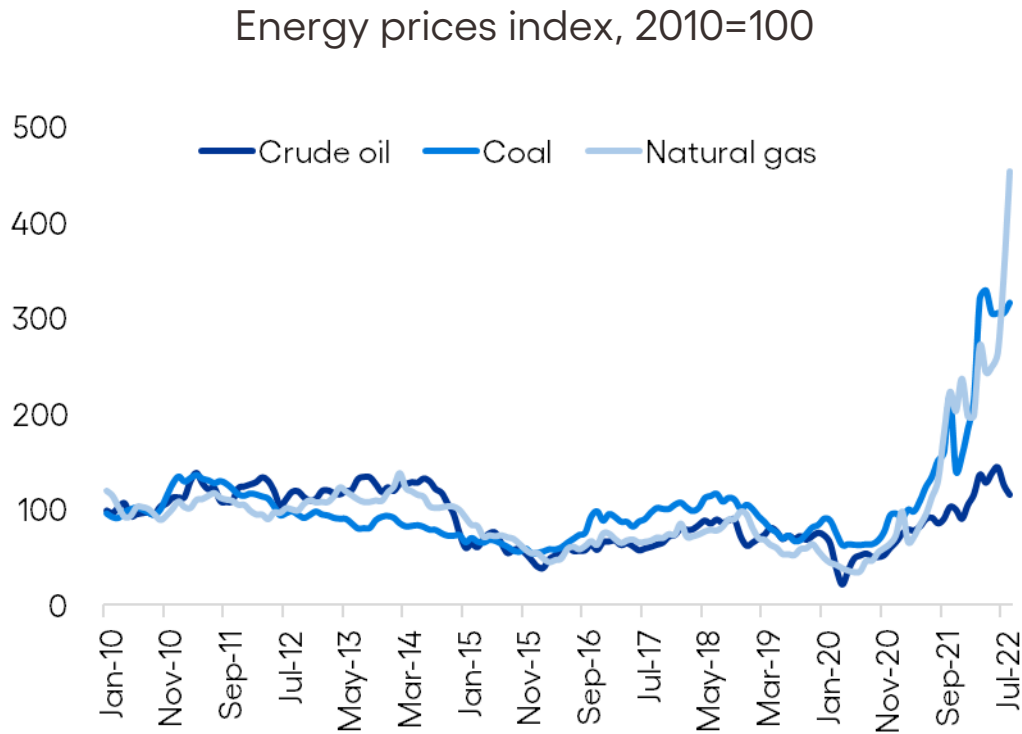


Source: S&P Global.

A PMI index over 50 represents growth or expansion within the manufacturing sector of the economy compared with the prior month. A reading under 50 represents contraction

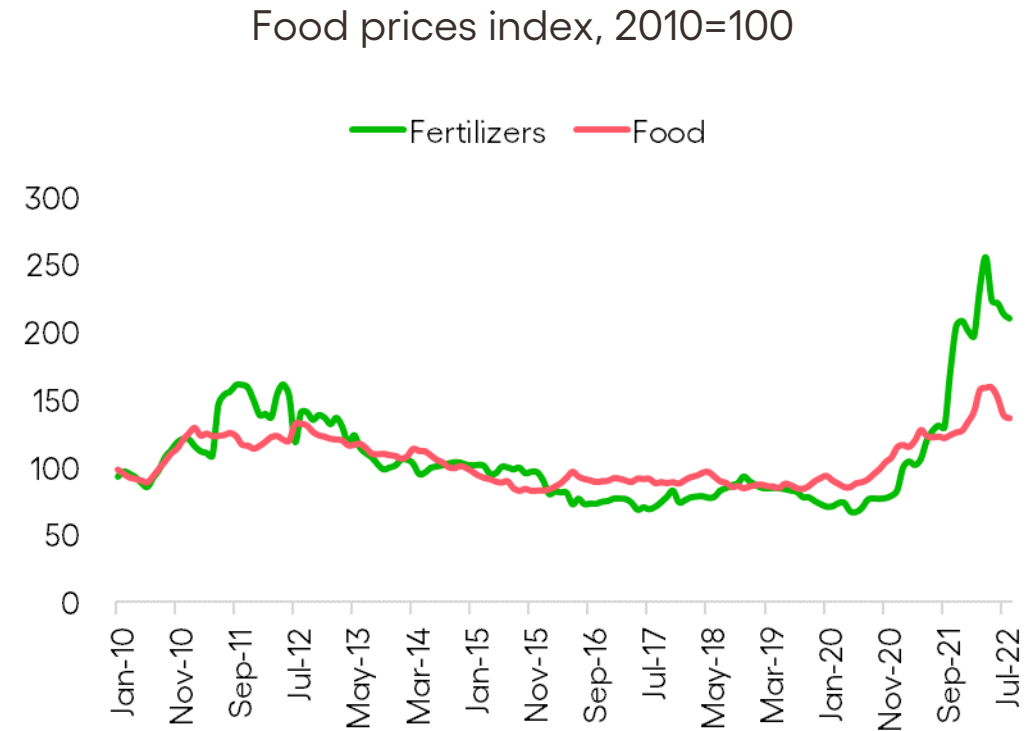
# Pushing energy and food prices to record levels

## Energy prices have skyrocket in a context of supply crunch



Source: World Bank

## Fertilizers and food prices have soared amid sanctions and transport disruptions

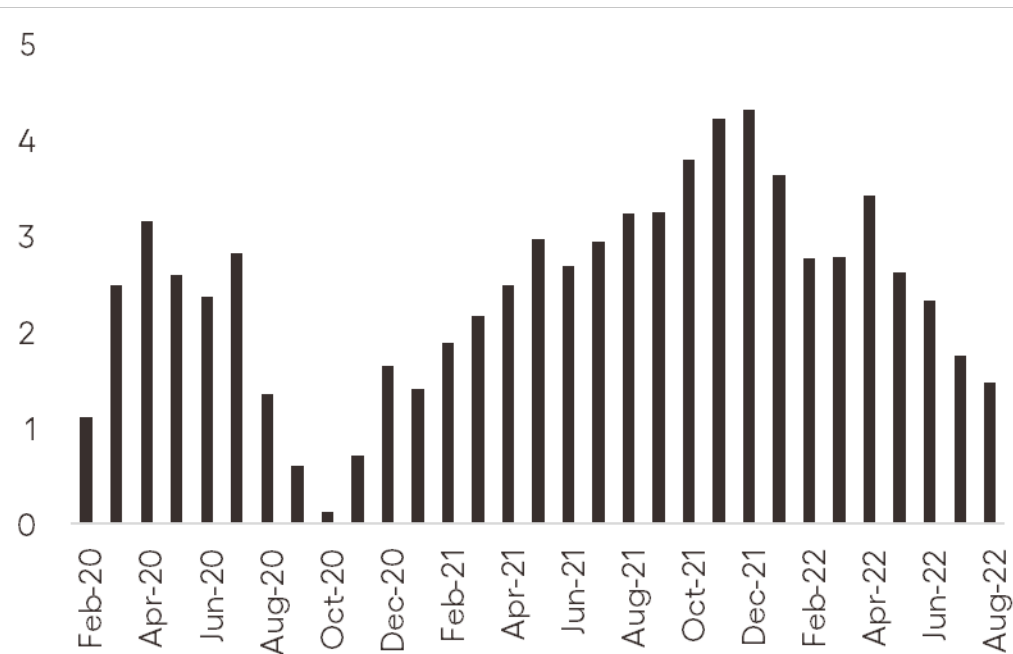


Source: World Bank

# The war in Ukraine is also putting further strain on supply chains

**Pressures on supply chains have eased but remain significant**

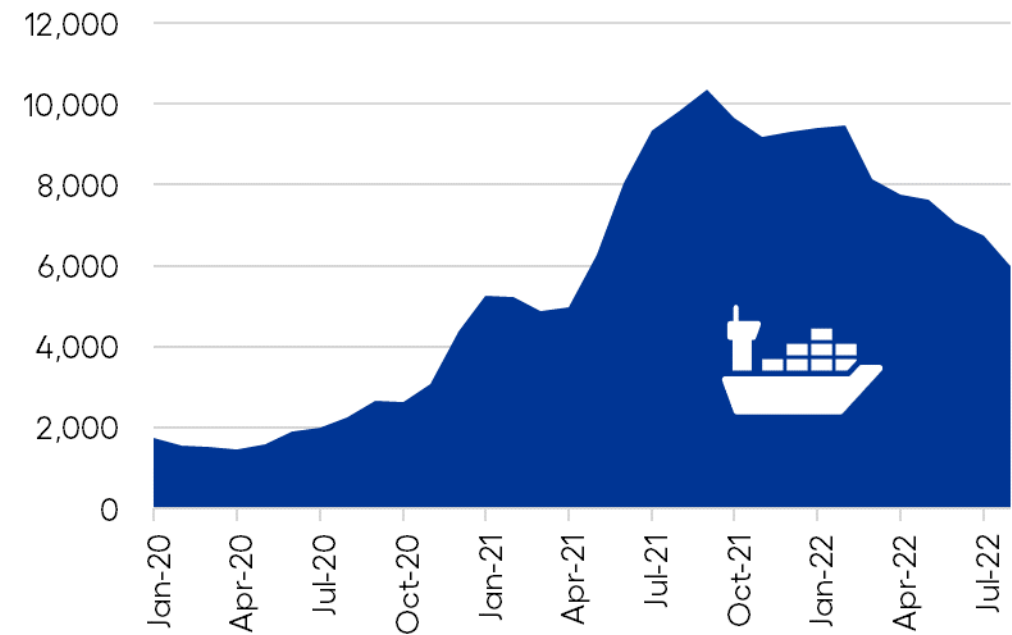
Global Supply Chain Pressure Index



Source: NY Fed

**Freight prices have decreased but remain three times higher than pre-pandemic levels**

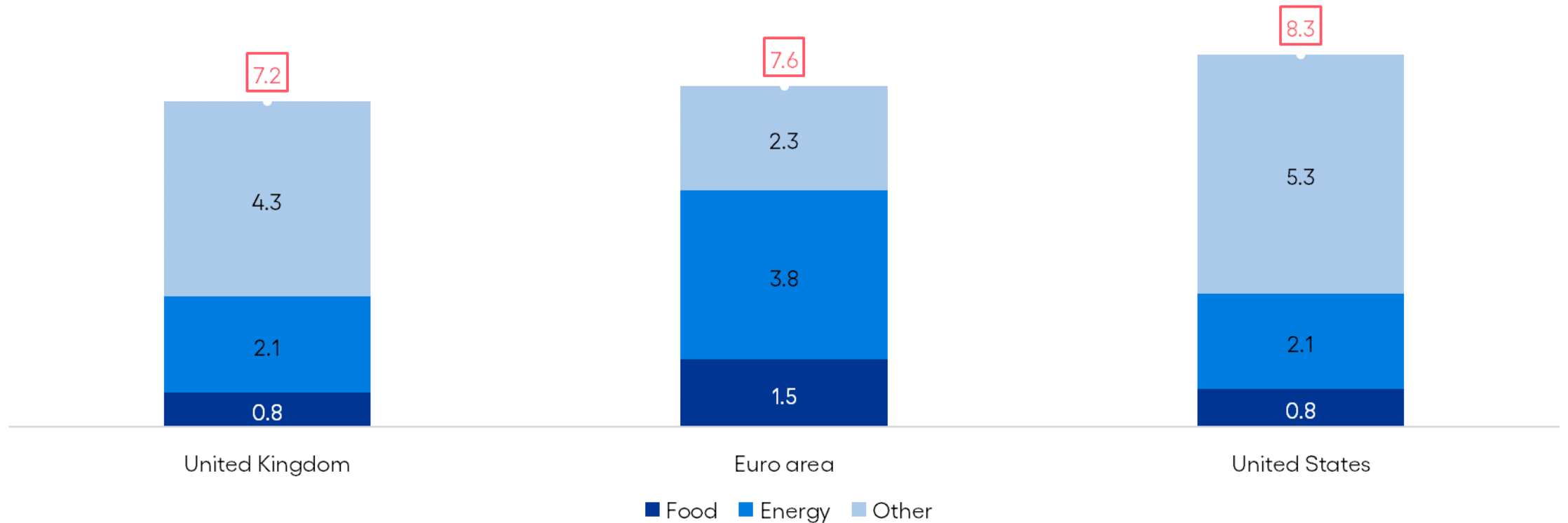
Global container freight rate index, in U.S. dollars



Source: Statista

# Central Banks had to intervene to control high inflation

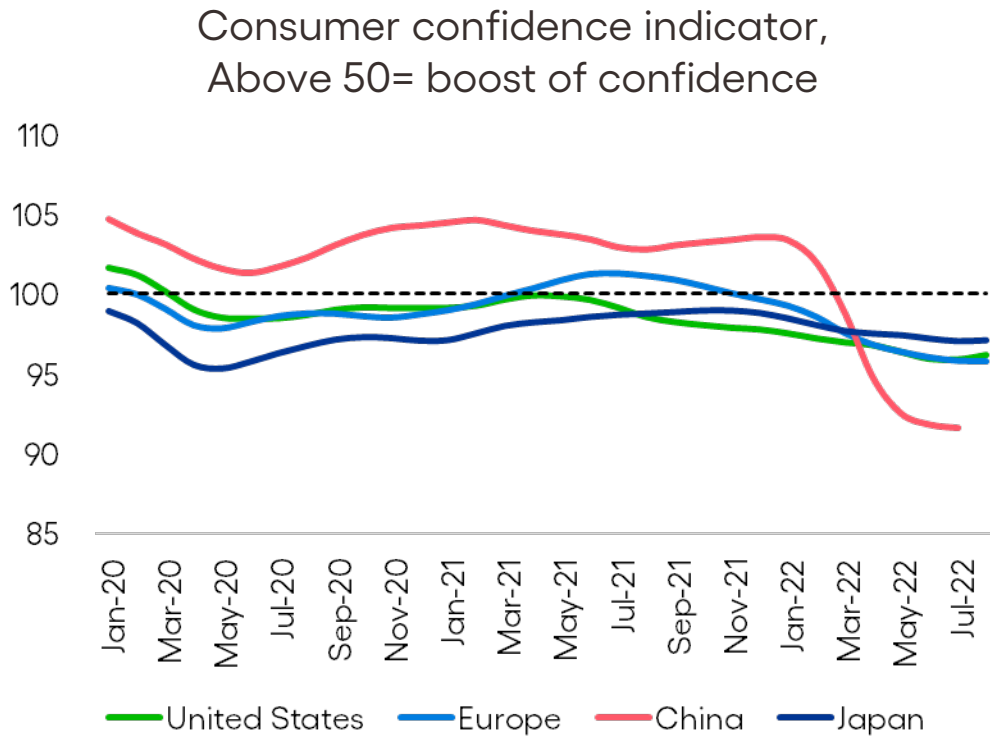
Average contribution to headline inflation from January and August 2022, in percentage points



Source: OECD

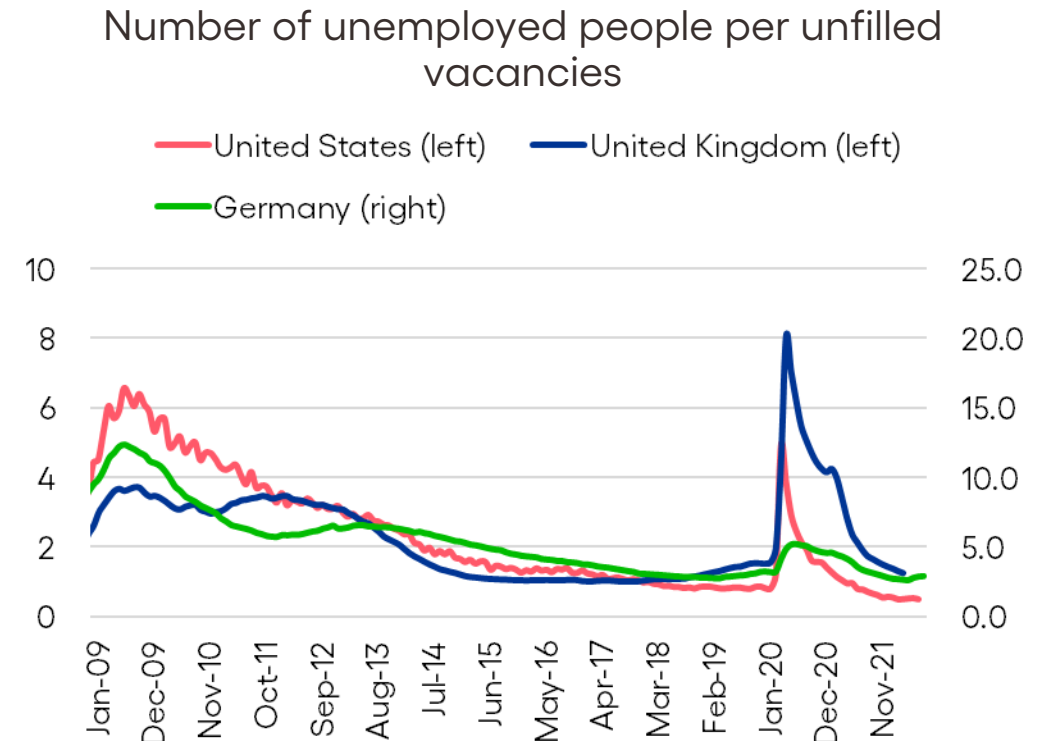
# Under high uncertainty, inflation is dampening private consumption

## Consumer confidence at its lowest levels



Source: OECD

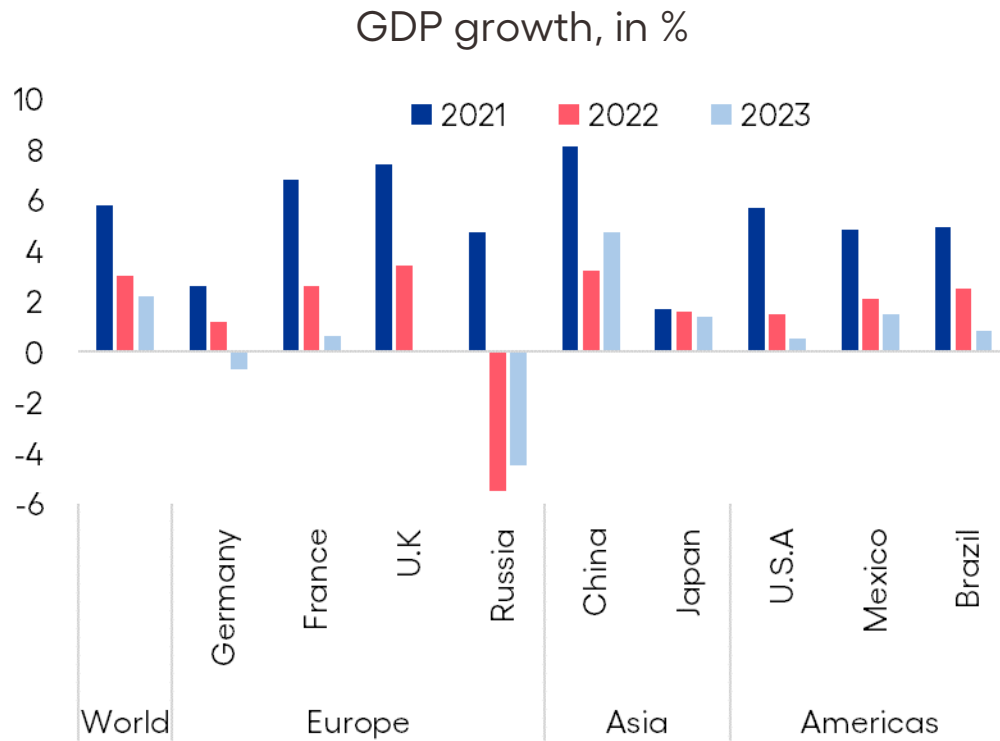
## Labour markets are tightening



Source: OECD, Fed

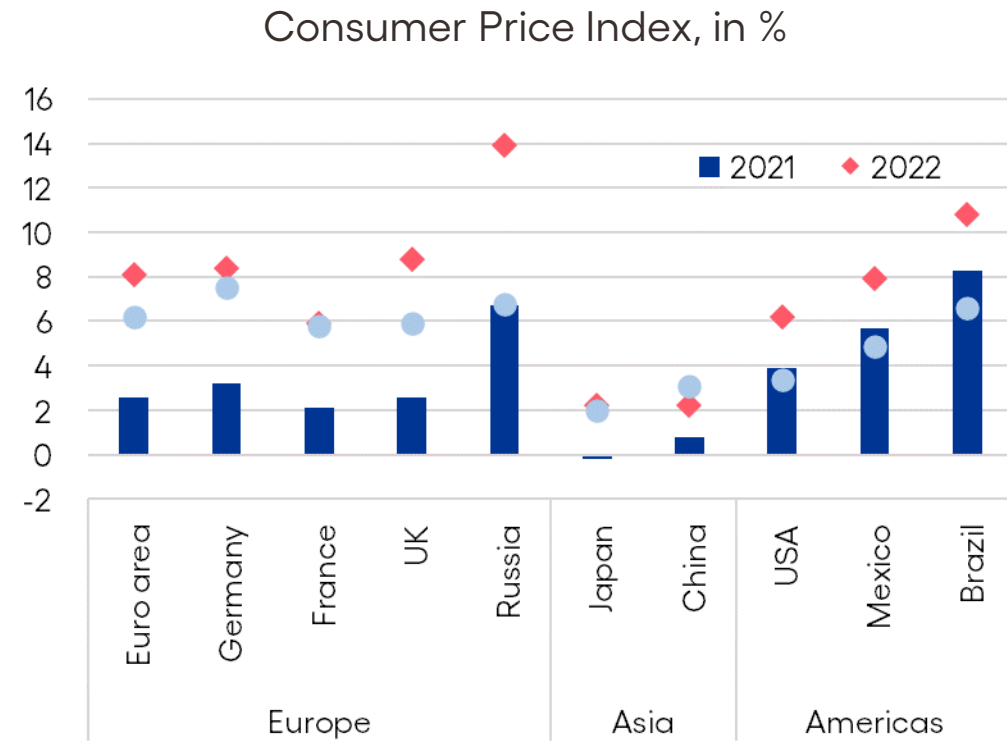
# The economic outlook is darkening

## The world economy is edging into recession, especially Europe



Source: OECD economic outlook, September 2022

## Inflation will remain elevated



Source: OECD economic outlook, September 2022

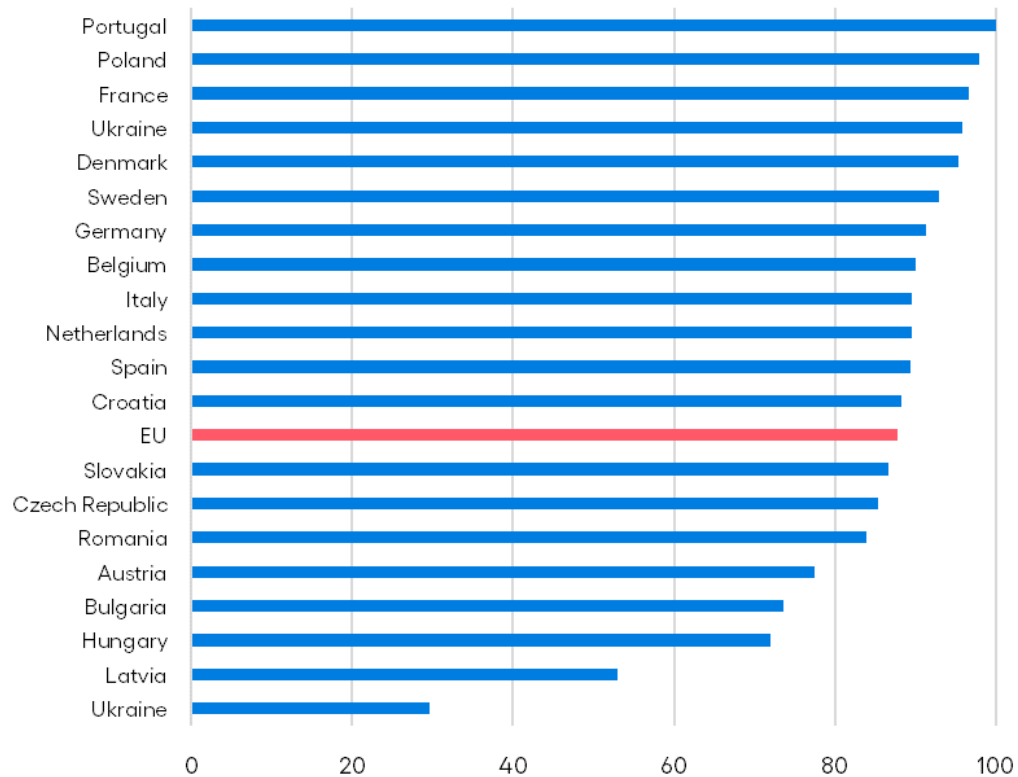


# Risks to the outlook

- ❖ A colder winter
- ❖ China economic slowdown
- ❖ Debt in emerging countries and food insecurity

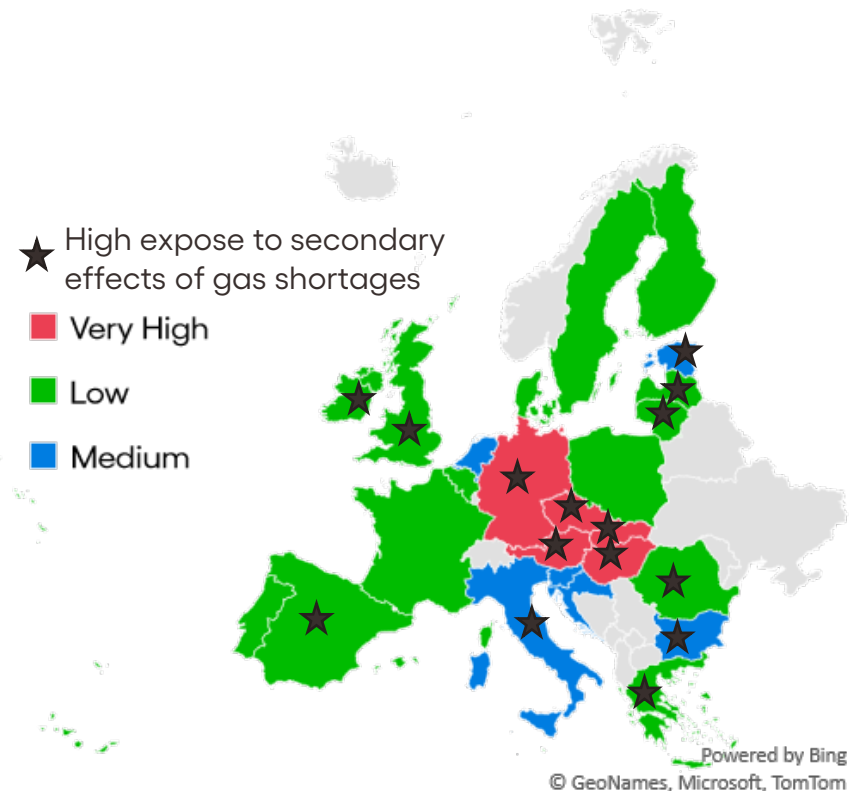
# A cold winter would bring even more pain by increasing Europe's vulnerabilities

**Gas storage will be sufficient for 2022 but not 2023, unless demand is reduced**



Source: Aggregated Gas Storage Inventory

**Several countries are vulnerable to gas shortages and high energy prices**

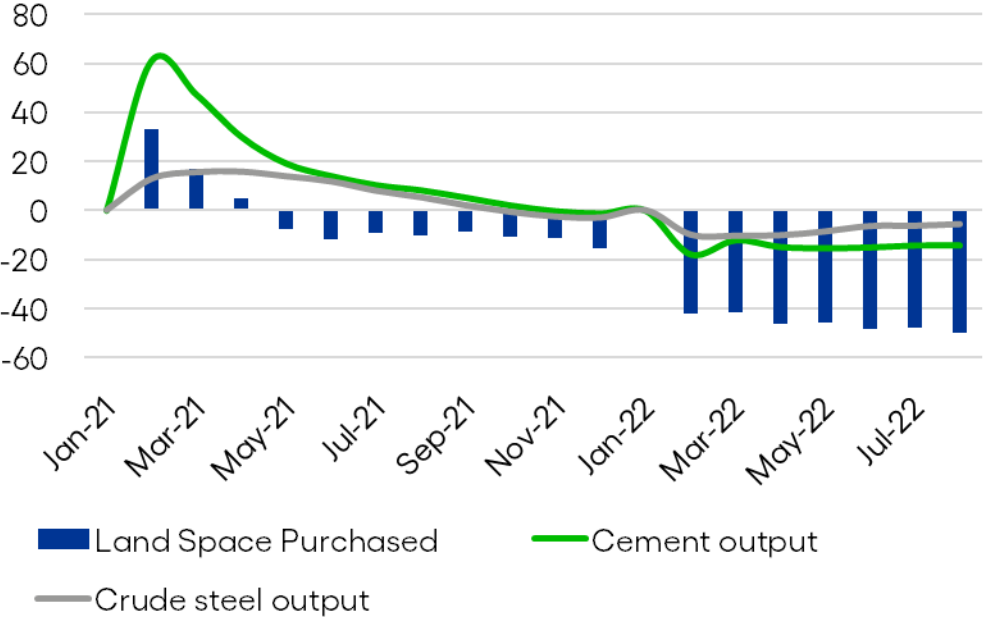


Source: The Economist Intelligence Unit

# China is facing several headwinds

## Housing market activity has slowed sharply, rippling across the manufacturing sector

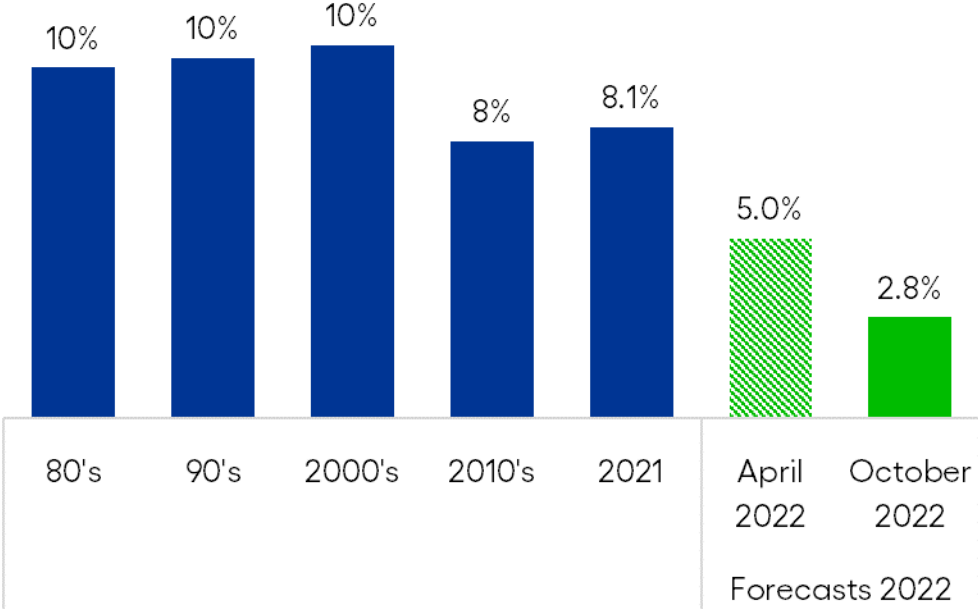
Land space purchased, cement and steel output, accumulated growth in %



Source: National Bureau of Statistics of China

## China is projected to expand at its weakest rate in more than four decades (except Covid)

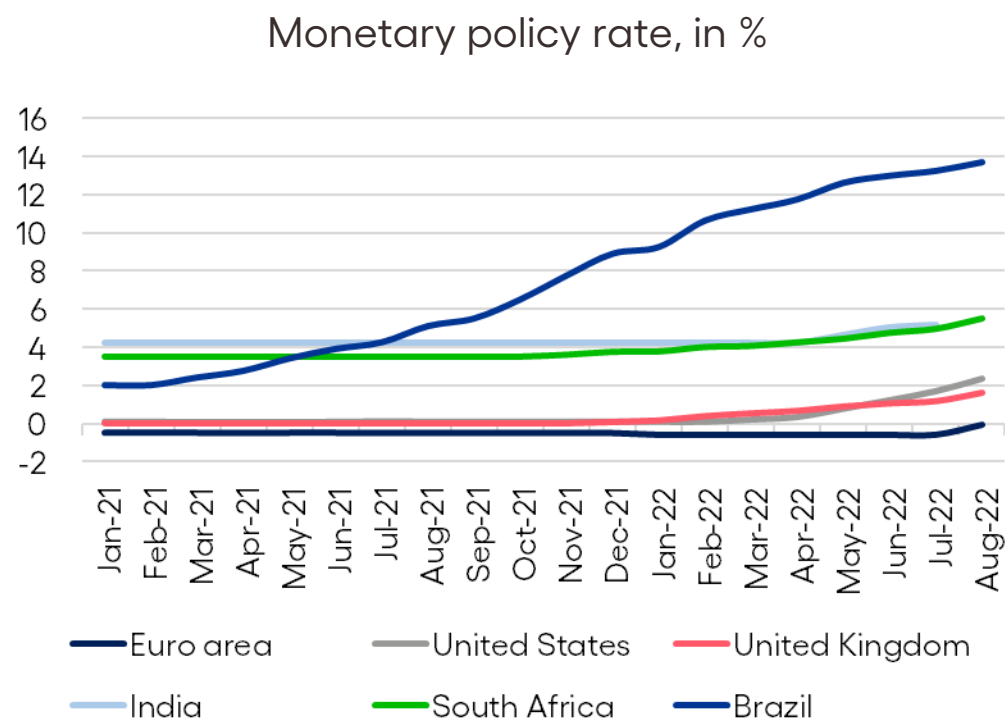
GDP Growth, average, in %



Source: World Bank

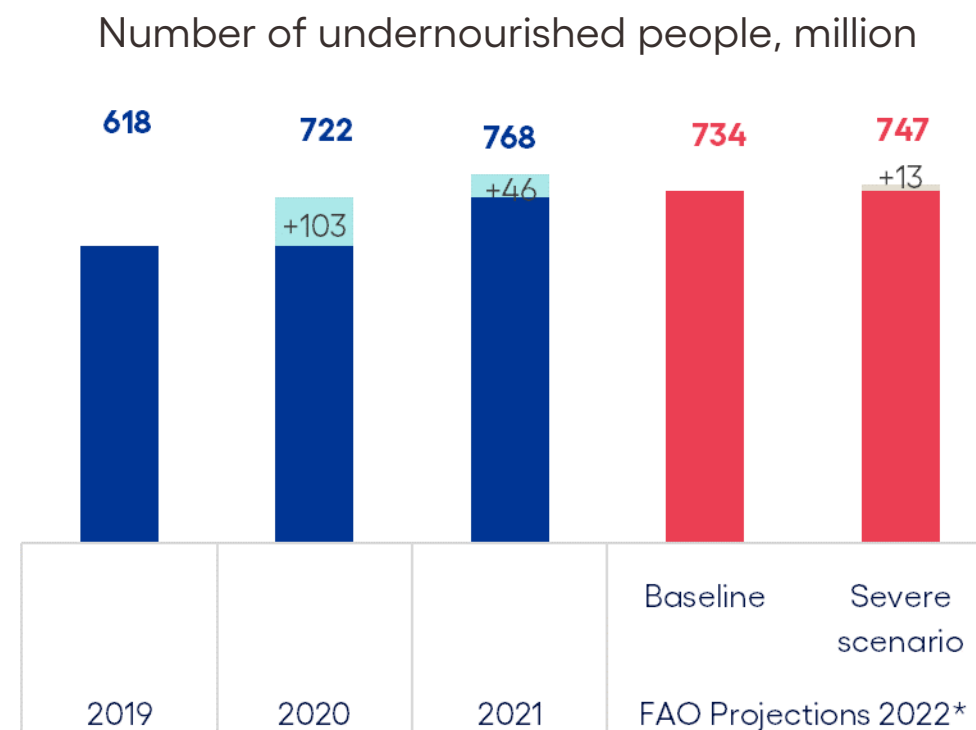
# From debt to hunger, developing economies could face an unprecedented wave of crisis

**Faster US monetary tightening could trigger currency depreciations, exacerbating inflation and debt burden**



Source: OECD

**LIcs in debt distress could be grappling with the threat of the food crisis**



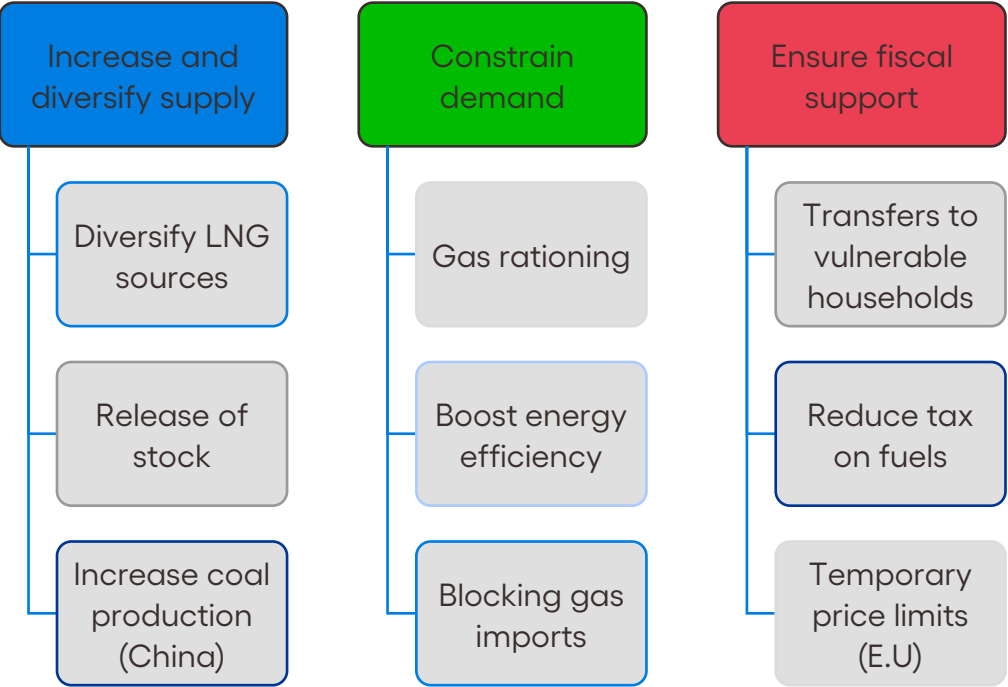
Source: FAO

# Implications for the energy transition

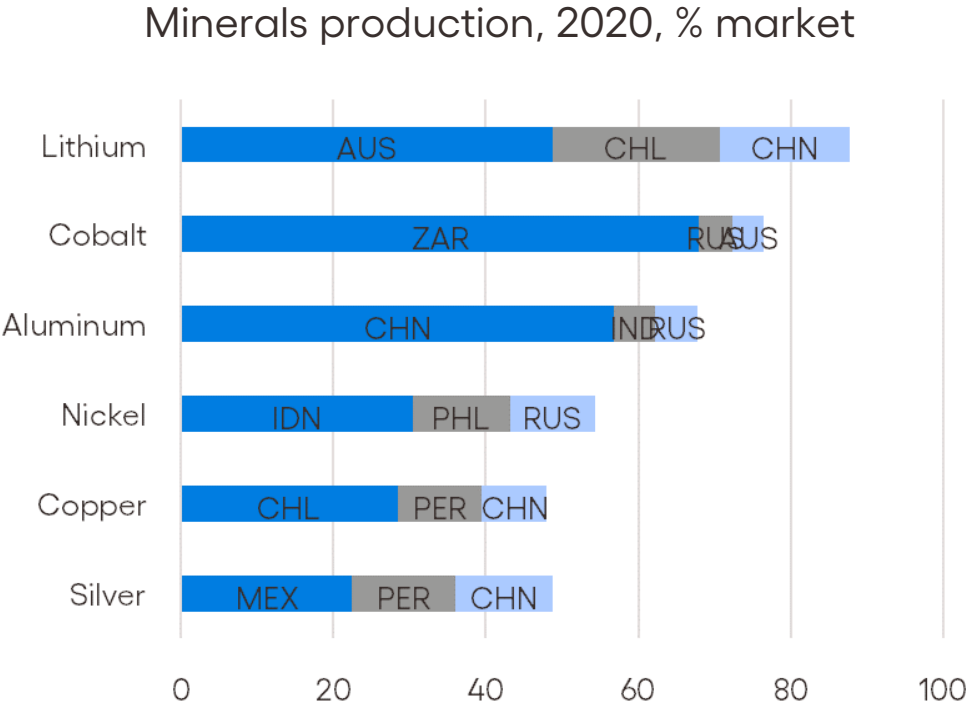
- ❖ Short-term trade-off between energy and climate goals
- ❖ Increasing Europe's resilience will take time
- ❖ Limited fiscal space will push government to find new alternatives to finance the energy transition

# The short-term trade-off between energy and climate security

**Fossil-fuel importers are scrambling to find alternative energy resources in the short-term**



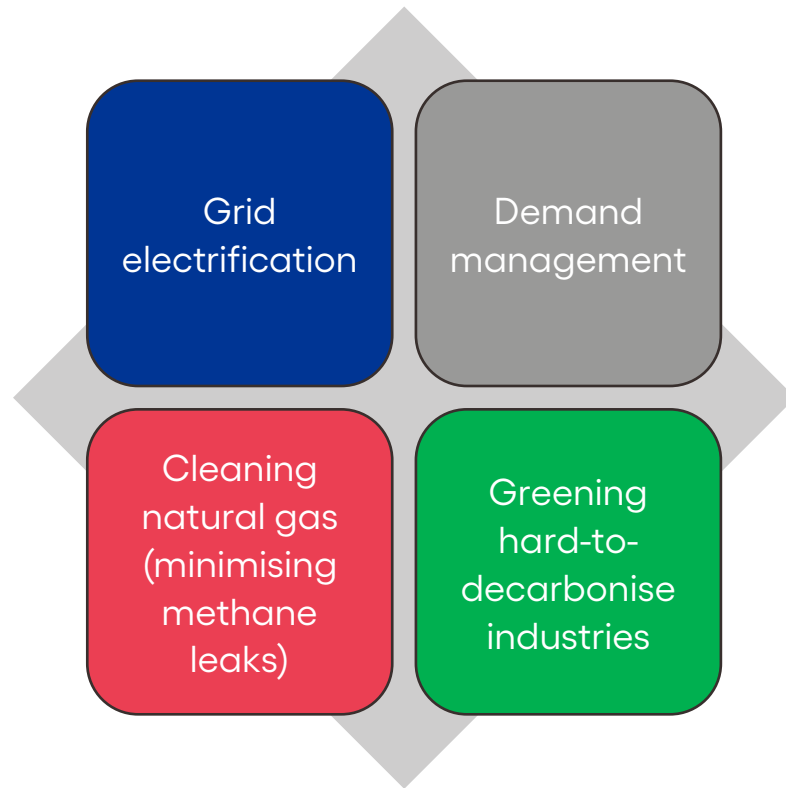
**Decarbonisation will also push up metal prices, which are concentrated in few suppliers**



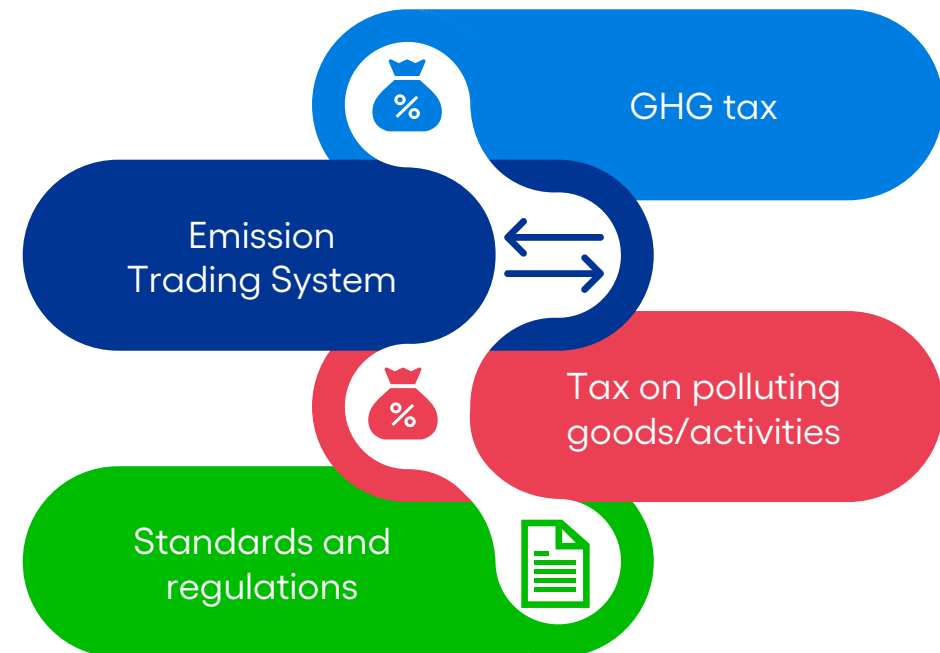
Source: ICC calculations based on US Geological Survey - Mineral Commodities Summaries 2021

# Increasing resilience of energy supply will take time

**Investing in the green transition is key for energy security**

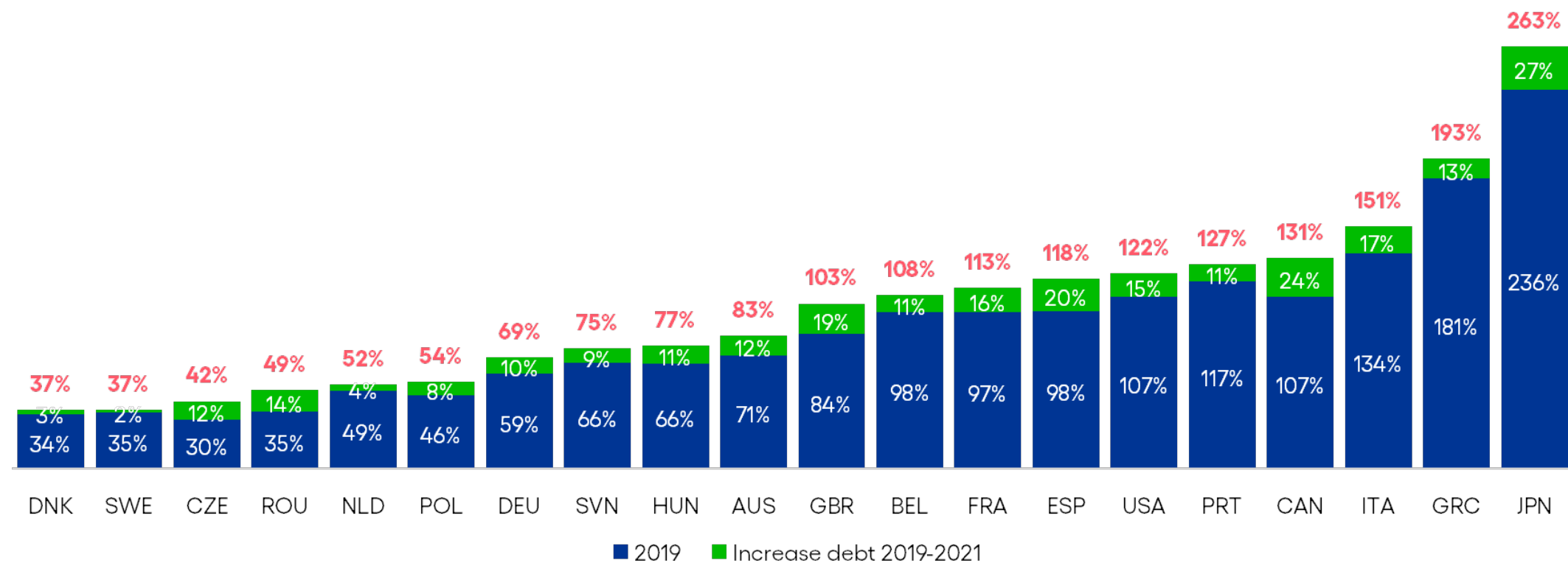


**Tools at disposition for policy makers**



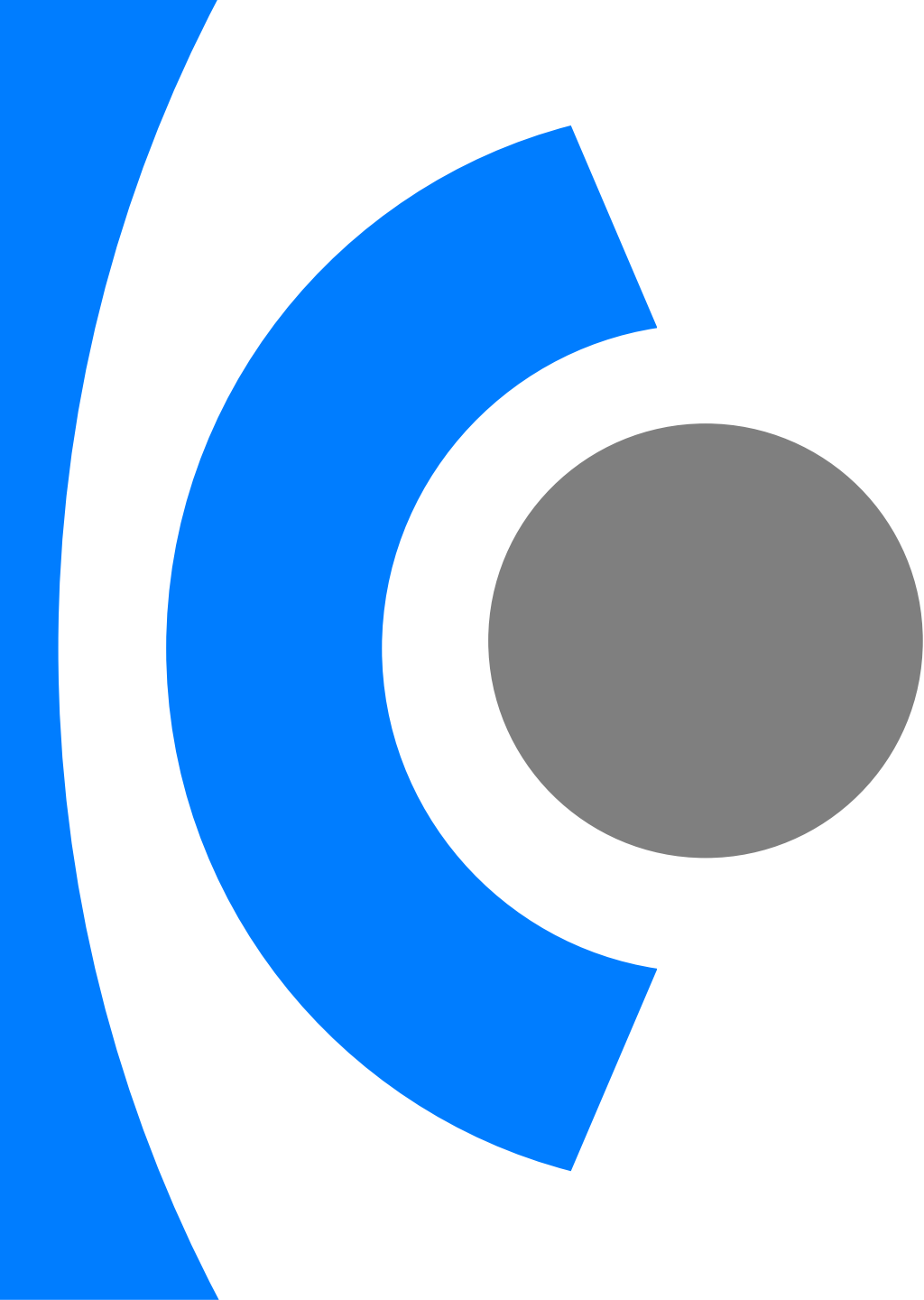
# Financing the energy transition will be challenging due to limited fiscal space for governments

General Government debt, Percent of GDP



Source: Eurostat, NY Fed, UK Office for National Statistics, OECD stats





**Thank you**