

WE NEED TO TALK ABOUT INFLATION

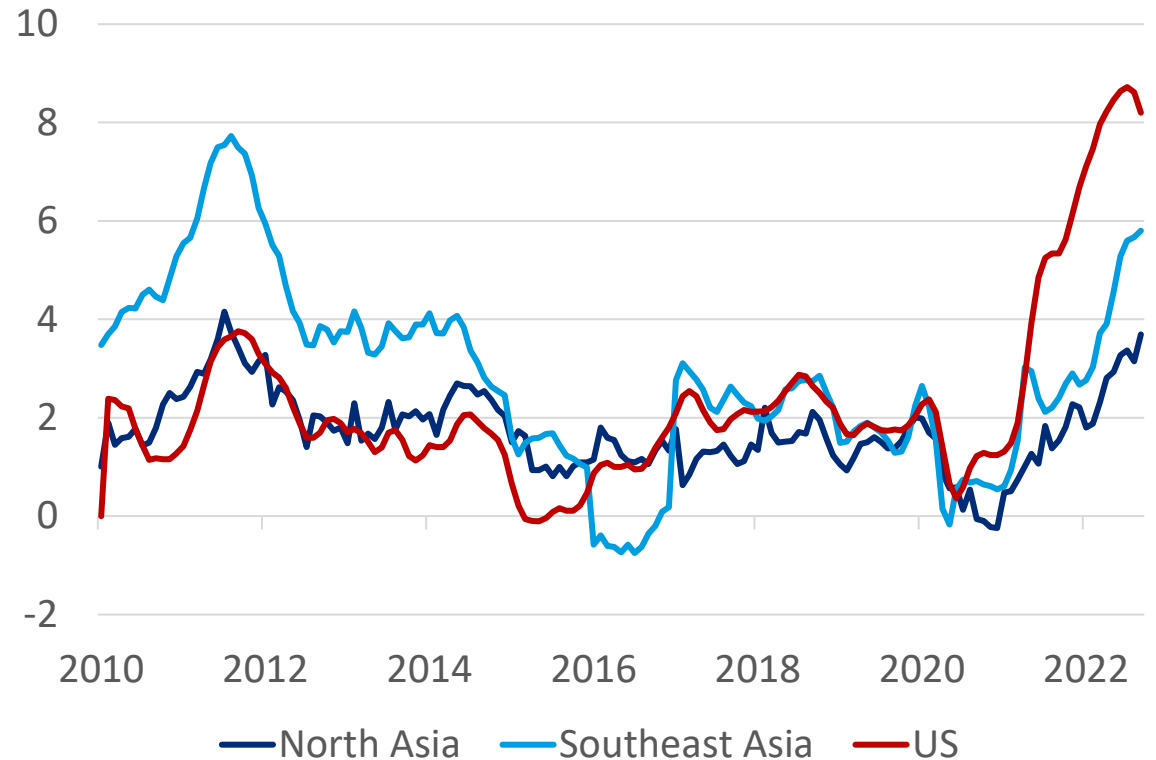
Allwyn Barreto - November 2022

INFLATION IS RISING, BUT NOT EQUALLY

- Asia's inflation rates are rising, but the region's average rate is still **4 percentage points below the US on average**.
- Southeast Asia inflation has reached 5.8%, but this is not a historical high.
- North Asia inflation is far lower.

Inflation Rates

Year-ago change, average



THREE POSSIBLE SCENARIOS



SOFT LANDING

What we want

Inflation eases as growth slows gently

Slower growth and **lower rates in 2023**



HARD LANDING

What we may get

Inflation eases as growth slows abruptly

Global recession and **lower rates in 2023**



STAGFLATION

What we fear

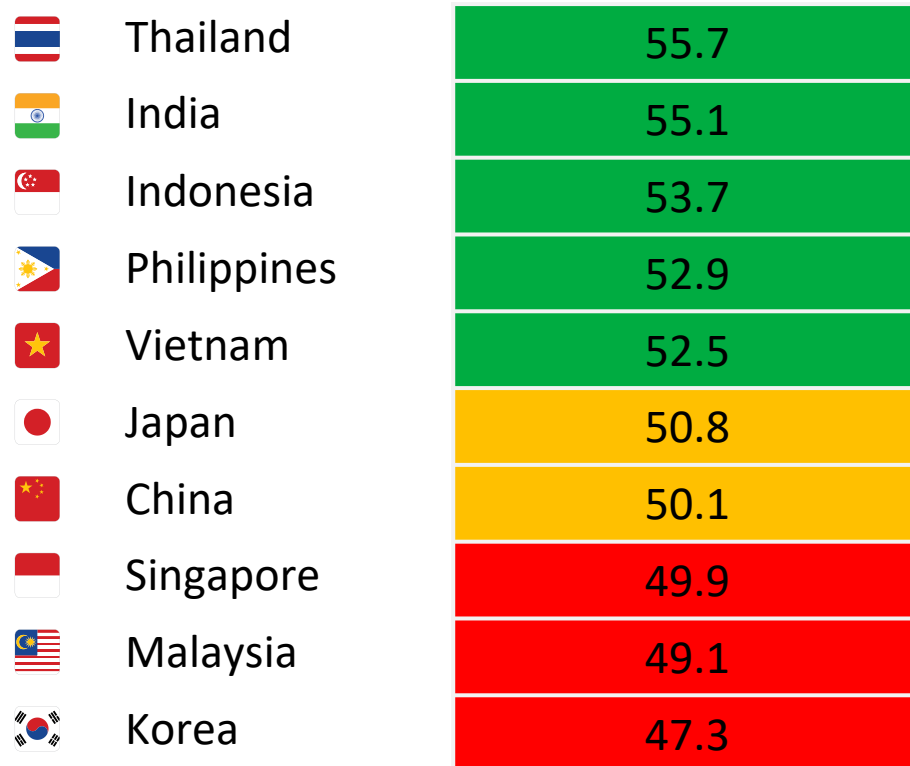
Inflation remains high as growth slows steeply

Global recession and **higher rates in 2023**

ASIA SHOWS SIGNS OF SOFT LANDING

Latest Manufacturing PMI

September



1

Large domestic economies are better insulated from global recession

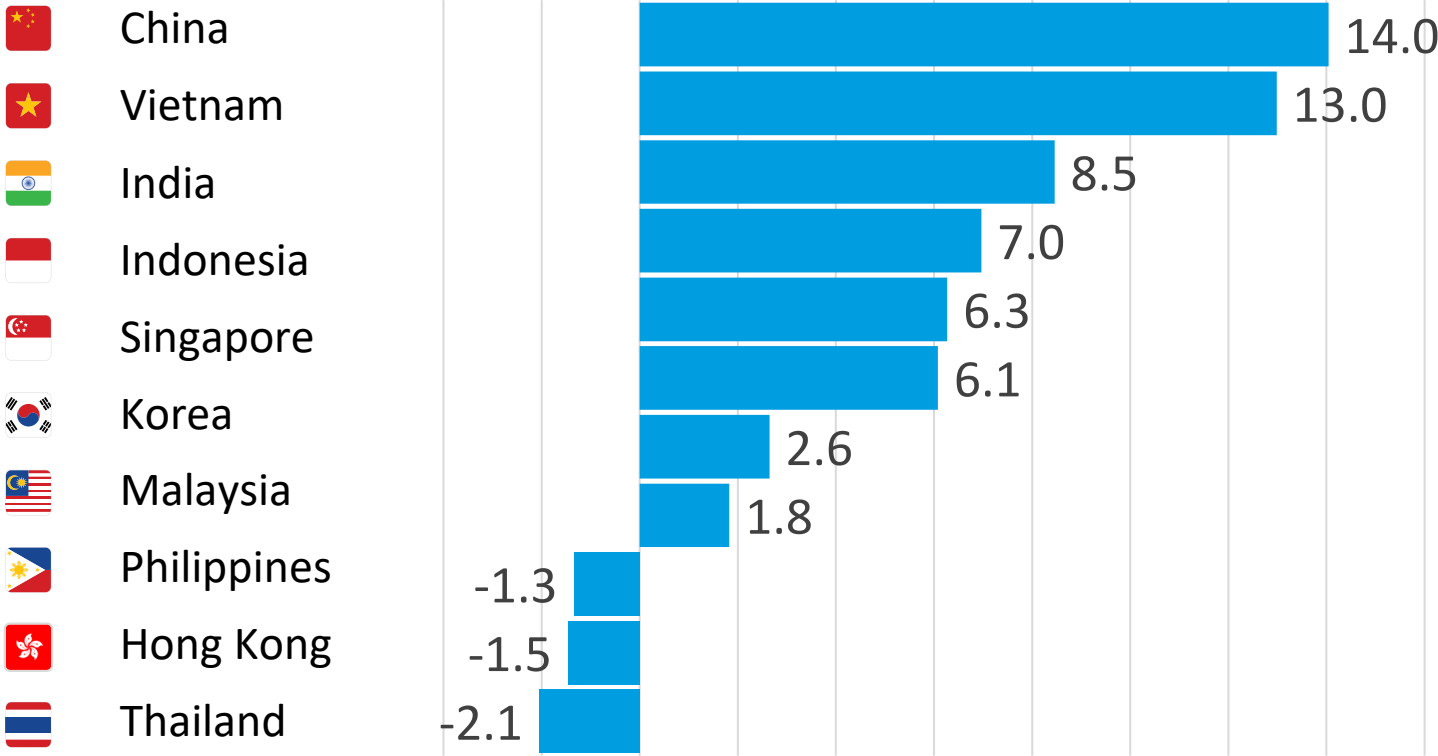
2

Exporters will experience classic economic cycle and are already slowing

BUT THIS IS NOT YOUR USUAL ECONOMIC CYCLE

Post-pandemic recovery in GDP, 2022 versus 2019

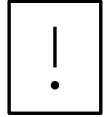
% change in forecast 2022 GDP against 2019 GDP



Only parts of Asia have fully recovered from the pandemic

Source: IMF

RISK MGR'S - NAVIGATING UNCERTAINTY



Many impediments to growth, many propellants of inflation

- A strong USD
- China zero COVID policy
- Geopolitics & sanctions
- Friend-shoring & supply chain
- Debt crisis
- Climate Risk



Businesses are pivoting away from GDP forecasts to **scenario analysis**.



A business of Marsh McLennan