

A snapshot of the world economy July 2022

We're officially in a bear market...
...which history tells us usually heralds a recession

30%
Occasions since 1900 that the US has avoided a recession following a bear market

RECESSION AHEAD ?

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Investors are increasingly worried about recession risks due to higher interest rates

Higher rates have triggered economic downturns in the past

Note: A bear market is a 20% or more continuous fall in the S&P 500 index from peak levels. Source: Schroders Economics Group, Refinitiv, Yahoo, Robert Shiller, 16 June 2022.

Can Bank of England head off wage-price spiral?

2.25%
Schroders expects the UK base rate to hit this level by February 2023 and then remain there through next year...

Wage-price spirals can make inflation self-fulfilling prophecy

They were a feature of the 1970s when inflation remained high and growth was sluggish, resulting in 'stagflation', a particularly challenging economic backdrop

...but rates may need to rise even higher to bring inflation back under control

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Russia's invasion of Ukraine is testing climate pledges

Emissions

Energy transition accelerated to cut dependency on Russian fossil fuels...

EU's power sector emissions have climbed sharply since the start of the invasion amid a move back to coal

EU emissions from power sector

...but in the short term EU falling back on coal-fired power stations

Source: Schroders as at July 2022.

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