

Dear All,

The R word is on everyone's mind. I did some background work to get some learnings on the topic. Here is my set of learnings:

1. If you type 'Recession 2022' into the search site, you get 295 billion results!!
2. The world is discussing recession for the following reasons- a. High fiscal stimulus in the pandemic, b. supply chain disruptions and chips shortage. China and its continuing tightening of covid areas, d. Russia Ukraine war.
3. Inflation is at an all- time high in most countries. Eurozone inflation is close to 10 %, Russia is 18 %, China is 2.3 %, USA is close to 10 % and India is 7 %. The highest inflation is in Venezuela at 1198% and the No 10 country on the inflation leaderboard is Ethiopia at 33%.
4. With inflation being high, 80 % of central banks across the world have taken at least a 150- bps increase.
5. This season confounds economists. USA is a good case study; it's had 4 recessions since 1980. If you look at the data of the biggest economy – USA at \$25.4 trillion, the country is in technical recession right now after two quarters of negative GDP growth. However, unemployment is at 3.5 %, the lowest since 1969, last month the country created 5,28,000 jobs. A country in recession doesn't create so many jobs. US has seen a 5.2 % hourly. wage increase in the last 12 months. However, the inverted yield curve of the 2-year treasury note is there and that's a sure sign of past recessions.
6. In the last recession in the US , subprime crisis, drop in private consumption and increase in unemployment were visible. This economy is very different. Services is a big element of the current global economy and all the top 10 GDP economies.
7. If I look at VIX or what's referred to as the fear index, VIX is at 21.4 which is in line with long term volatility, high volatility is beyond 30.
8. People are more confident about their own incomes. Consumer spending data still looks strong. US companies have reported good results overall.
9. Governments across the world are putting in something like 1 % of GDP to help the poor manage the current situation.
10. The number of working age people in jobs is at an all- time high globally. Salaries are going up because of the great resignation.
11. Capital spending drops dramatically in a recession, capital spending is marginally lower right now. Companies have spent on remote working, automation, and alternate supply chain answers.
12. Recessions are hard to spot daily, last time in 2008, US economists thought that America will pull through a few days before recession hit them.

The world is more resilient and broader based than ever before. Services is very different today vs manufacturing in the past.

Enjoy

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