

Will the world economy avoid an inflationary bust?

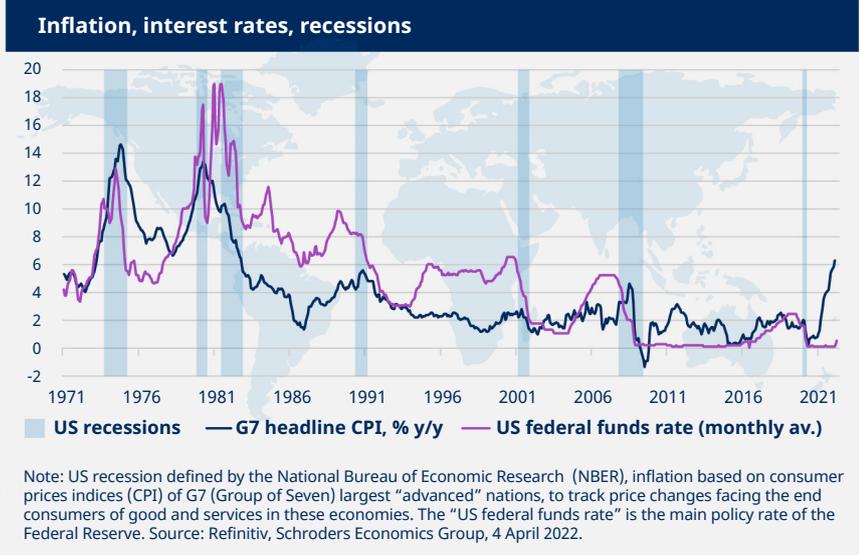


US: 7 recessions in last 50 years

- Recessions between 1970s and 90s were all preceded by a pick up in inflation and interest rates
- In March the US Federal Reserve raised interest rates amid signs of broadening inflationary pressures

What might happen this time?

Remember, the US economy is often the biggest swing factor in determining the outlook for the world economy



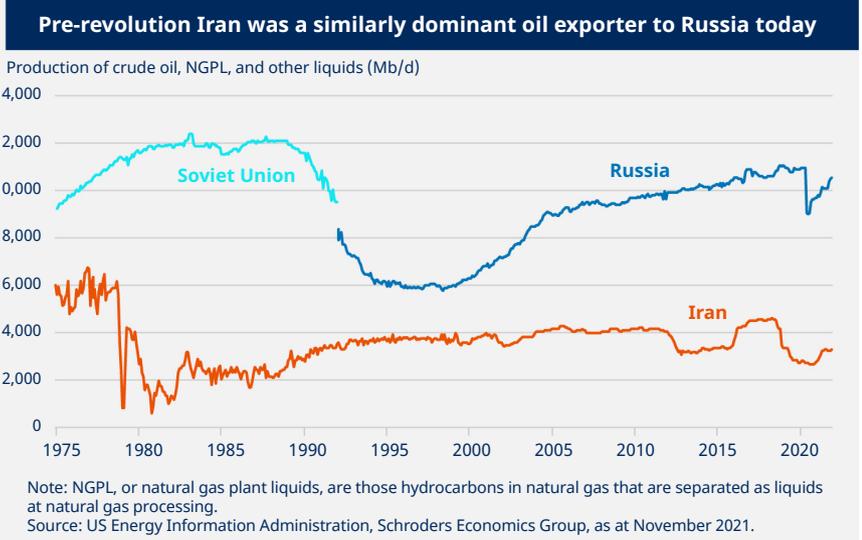
Is Russia the new Iran as a result of sanctions?

Iran was a major exporter of oil in the 1970s

Following the 1979 revolution, output declined by **4.8m barrels per day**

Precipitating a global energy crisis that tipped the world into recession

Sanctions have subsequently taken a heavy toll, with production a third lower versus pre-revolution levels



Sunak looks to ease pressure on squeezed UK consumer



Government forecasters now expect annual UK consumer price inflation to peak close to 9%

This would be the highest rate of inflation in at least four decades

While measures announced by chancellor Rishi Sunak at the Spring Statement may help to take some of the sting out of current inflationary pressures, they fall short of offsetting them completely

Previous forecast: +4.4% Q2 2022

New forecast: +8.7% Q4 2022

Note: Peak annual inflation, forecasts based on Consumer Prices Index (CPI), used to track price changes facing the end consumers of good and services. Source: Office for Budget Responsibility, Schroders Economics Group, 23 March 2022.

Source: Schroders as at April 2022.

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Schroder Investment Management (Hong Kong) Limited

Level 33, Two Pacific Place, 88 Queensway, Hong Kong

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