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2024 GLOBAL ECONOMIC OUTLOOK

GLOBAL ECONOMIC PROSPECTS -

Against the backdrop of outperformance for the global economy in 2023, the economic outlook for 2024 is pretty difficult to predict. There are several factors that will impact the overall global economy in 2024. Some of the major factors are: the reduction in Inflation in most developed economies, the expectation of Easing Monetary policy in the United States which both bode well for positive outlook. However, this must be balanced with other factors such as the impact of the lingering war in Ukraine, the escalation of Mid-East Tensions the floundering Chinese Economy, trade fragmentation and impacts of climate change.

Let's get to the Numbers, which are literally fresh of the press. The World Bank estimates a global GDP growth of 2.4%, the third year of deceleration. It is expected to tick up to 2.7% in 2025. This is significantly lower than the 3.1% average of the 2010's. Next, we will dissect this forecast for each of the major economies. The US is expected to have a Real GDP growth rate of 1.6%, EU as a whole is expected to have a Real GDP growth rate of 0.7% while Japan is anticipated to record a Real GDP growth rate of 0.9%. Looking at Emerging Economies and focusing on Brazil, Russia, India and China the World Bank predicts a Real GDP growth, higher than those of the Advanced Economies listed above. Brazil is estimated to have a Real GDP growth rate of 1.5%, Russia which is in the midst of a protracted war in Ukraine, is expected to have a Real GDP growth rate of 1.3%, India which recorded a GDP growth rate of 7% in 2023 is expected to record a Real GDP growth rate of 6.4%, while China a nation in the midst of a debt and property crisis is expected to have a GDP growth rate of 4.5%, lower than the 5.3% recorded in 2023.

Yields and its Impact on Inflation:

Supply chain disruptions and Quantitative Easing during the COVID pandemic created some of the largest increases inflation in recent times. Inflation in advanced economies rose to over 8% in some cases. This lead Central Banks around the world to begin a cycle of monetary tightening. This cycle, coming after almost 3 decades of easing financial conditions, resulted in a gradual reduction in inflation. The Fed in the US is expected to cut rates 5 times in 2024 and to cut rates by 150 basis points.

Global Trade In 2024:

Economic data reveals that global growth in 2023 was the slowest outside of recessions its been over the last 50 years. Goods trade contracted from pre-pandemic levels due to anemic industrial production. Services trade increased but at a slower pace than anticipated. Global trade is expected to pick up to 2.4% in 2024 with goods trade in expansive territory. Geopolitical tensions such as the wars in Ukraine and the Gaza as well as protracted slowdown in China are significant risks to the current prediction.

Commodities Trade In 2024:

Agricultural Commodities:

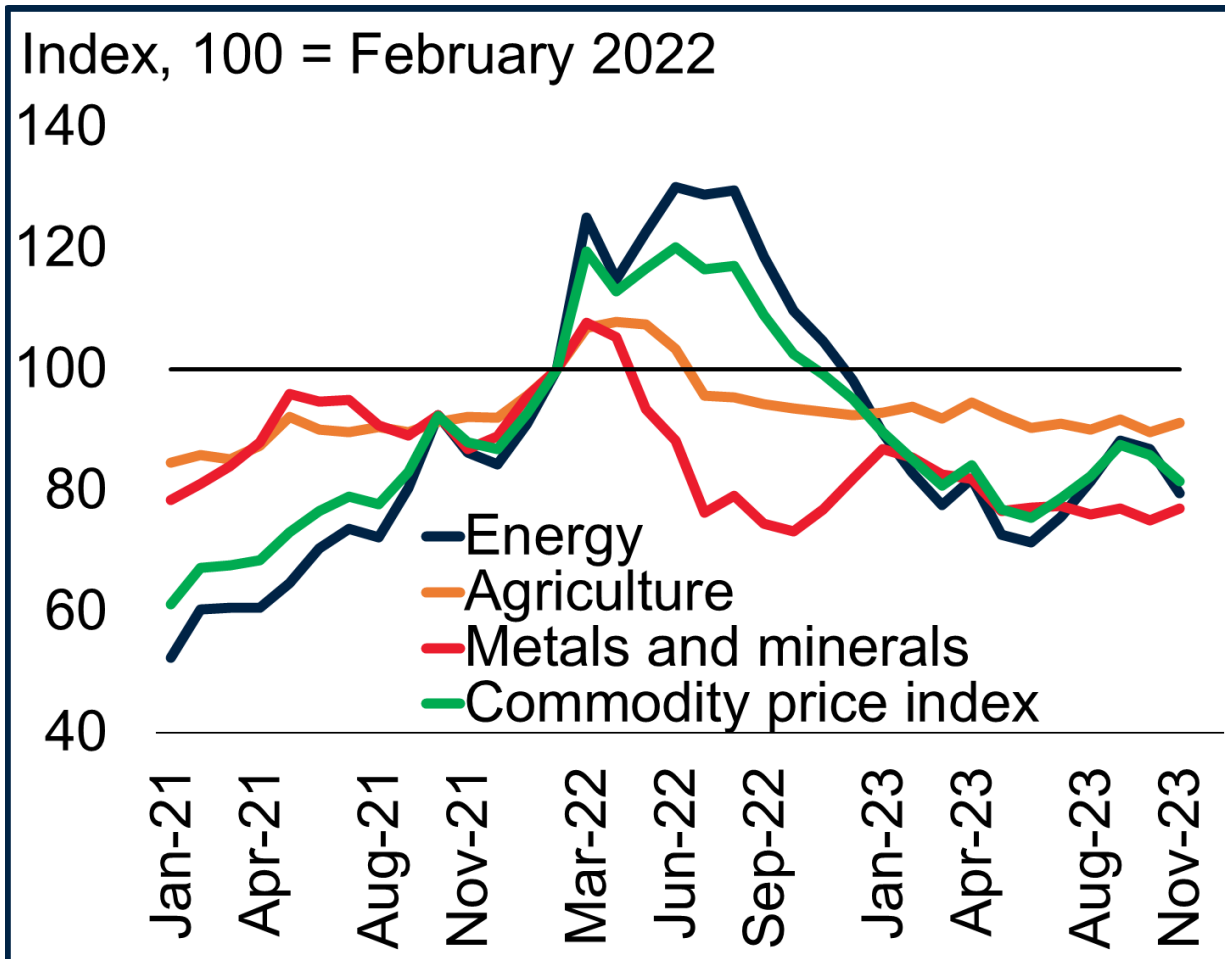
Prices of major agricultural commodities such as Wheat, Corn, Rice, have declined from the highs recorded in the aftermath of the Russia-Ukraine war. This is a welcome development especially because of the amplified impact on low income countries dependent on imports. The data from the World Bank shows that food inflation has fallen by 50% from January 2023 (14%) to November 2023 (6.5%) in both Advanced and Emerging economies.

Metals:

Metals prices have decline significantly from pre-pandemic levels. This is primarily due to decline in industrial output from China reflecting both the impacts of the Geo-Political tensions and contraction in goods trade globally.

Oil and Gas:

Despite the recent conflicts in the Middle East, Crude Oil and Gas prices declined from their November highs due to increased supply from non-OPEC nations and dampening of demand. WTI Crude Oil prices are currently range bound between \$70-\$75 a barrel. Natural gas prices, one anticipated to spike due to the Russia-Ukraine crisis have crashed to less than \$2.50 / MMBTU @ Henry Hub in the middle of the winter. This significant drop in Natural Gas prices has been due to reduced demand in Europe and increased supply of LNG from the United States.



Conclusions:

Governments/Policy-Makers: The magnitude of Expected Rate cuts should be based on relevant data so as to prevent a re-inflation scenario especially considering current supply chain bottle necks in the Red Sea and the Panama Canal which may lead to increase in cost of goods although currently its too early to tell the impact.

Enterprises/Investors:

The adjustment of global supply chains away from China will continue in 2024 with countries like Japan, India, Mexico standing to gain from this. I hope that China can engineer a beautiful debt restructuring that will lead to a new economic growth cycle. Advances in technologies such as Artificial Intelligence will lead to productivity gains that will add significant value to the global economy in the coming years. Here's to a prosperous 2024.

PHX ENERGY LLC is an American professional services company focused on supporting the development of Affordable, Reliable and Sustainable energy resources.