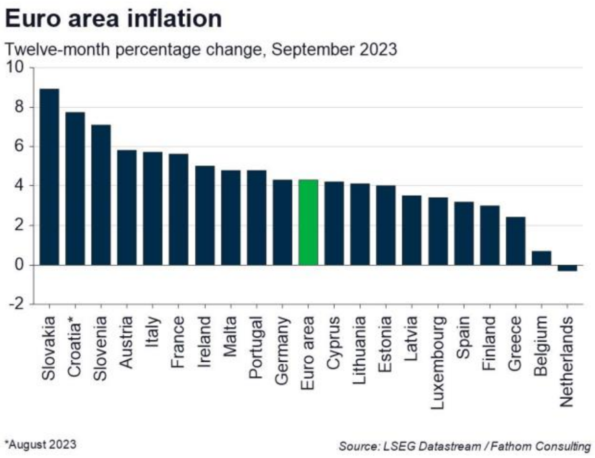
Fathom's Top 10 reads for 2023 Q4

24 January 2024

Zach Burdon

In the last three months, Fathom has supplied in-depth research and analysis on a wide range of pressing topics, including the US economy's remarkable recovery, the truth behind China's slowing growth and the global impact of its weakening economy. Here we've put together a recap of ten of Fathom's top research pieces from 2023 Q4, based on the level of engagement from our clients.

Most read:



In brief: inflation disparities across the euro area

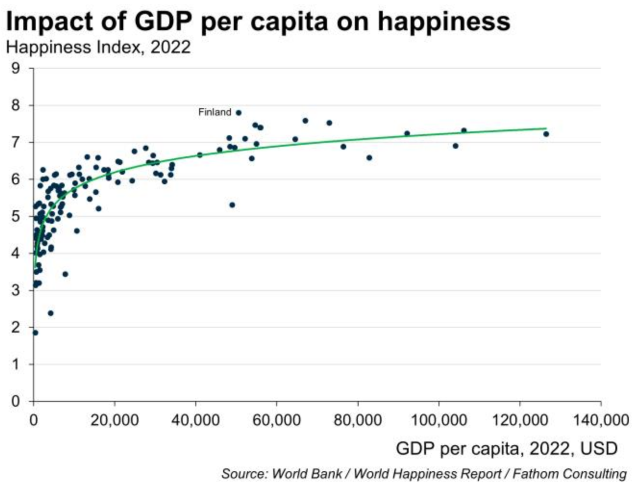
"Currently, the twenty euro area member states are displaying varying degrees of inflation normalisation following an extended period of high inflation, with Slovakia reporting 8.9% in September, the highest level of inflation in the EA, while consumer prices in the Netherlands are currently lower than they were a year ago... The case for tightening monetary policy when inflation was high across the bloc was straightforward; however the balance of risks is now more varied. Our central view is that Europe's common currency area will enter recession in the coming year — if we are indeed correct, ECB policymakers may find themselves held increasingly accountable for deteriorating economic conditions."

Zach Burdon, 11 October 2023

In brief: money buys happiness, up to a point

"Higher GDP per capita is generally associated with a greater Happiness Index score, but up to what point? As Fathom's chart highlights, the relationship is far from linear as there are diminishing returns to happiness as income grows. The higher the average income in a country, the less any further increases appear to contribute to a nation's happiness. The concept of diminishing returns to income for countries appears to be true at an individual level too, as research suggests that above a certain point a person will not become significantly happier the more they earn."

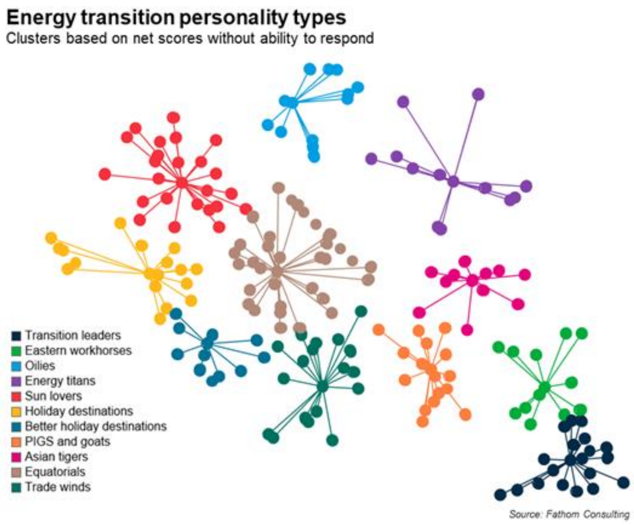
Libby Shepherd, 25 October 2023

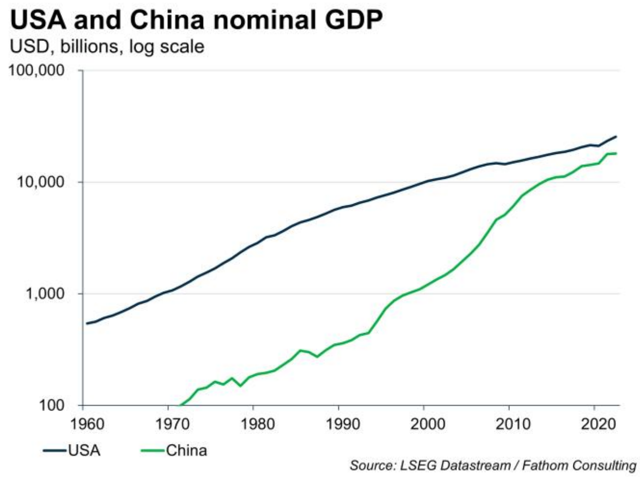


In Brief: COP28: economics first, climate second

“The deal reached at the COP28 summit has called for the first time for a global “transitioning away from fossil fuels” – but in the hard bargaining that underpinned it, it appears to have been economics that carried the most influence, rather than climate considerations. Analysis by Fathom Consulting’s climate team shows that countries which stand to benefit economically from the energy transition tend to support a faster transition, while the reverse is true for those who stand to lose out. The overall message appears to be that the economic impacts of the transition trump climate concerns, at least for now.”

Brian Davidson, 14 December 2023





Viewpoint: China changes its tune to the broken-wing blues

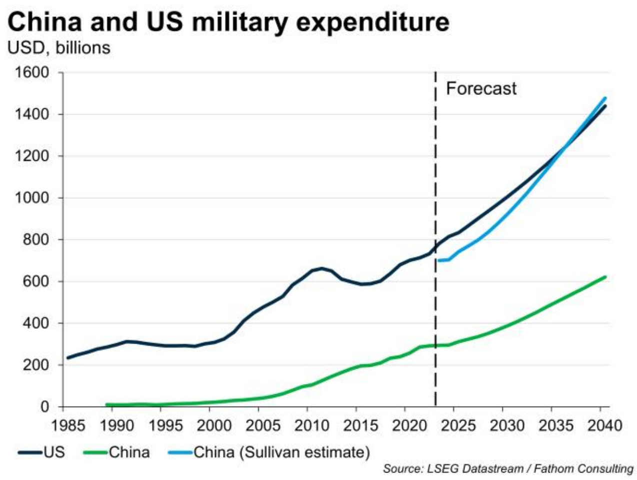
“China’s long-term ambition is for its economy to rise to what Beijing considers to be its natural position in the global economic order: at the top. This ambition has been in place since the 1990s at least and remains in place today. The tactics adapt to the geopolitical environment, but the strategy remains the same. The most recent tactic is what we call the ‘broken wing’: like a parent bird drawing predators away from the nest by a show of being injured, China is allaying the fears of its trading partners abroad by drawing attention to the many structural weaknesses that beset the Chinese economy.”

Erik Britton, 9 October 2023

In brief: China’s hidden military spending

“As we laid out in a recent Viewpoint, even while the size of China’s economy may be overstated, its progress in certain areas might be understated. Military spending may be one example of this — US senator Dan Sullivan recently claimed that China’s military spending is nearly $700 billion, more than double the $290 billion quoted by other sources. If correct, then the gap to US military spending may be narrower than previously thought (and China might even overtake US spending in the mid-2030s.**”**

Andrew Harris, 9 November 2023



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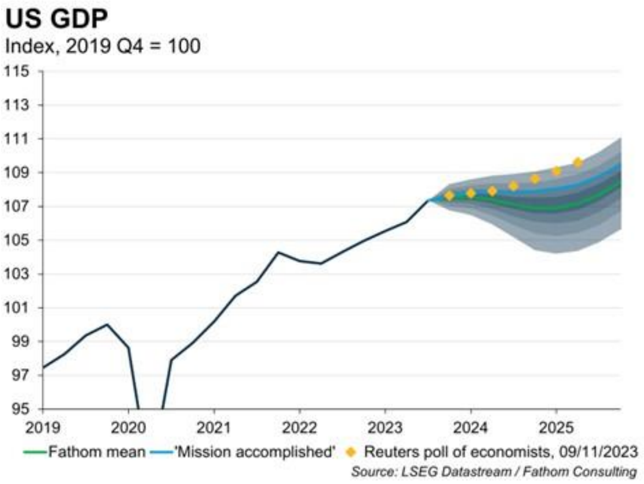


Global Outlook, Winter 2023: US pulling away

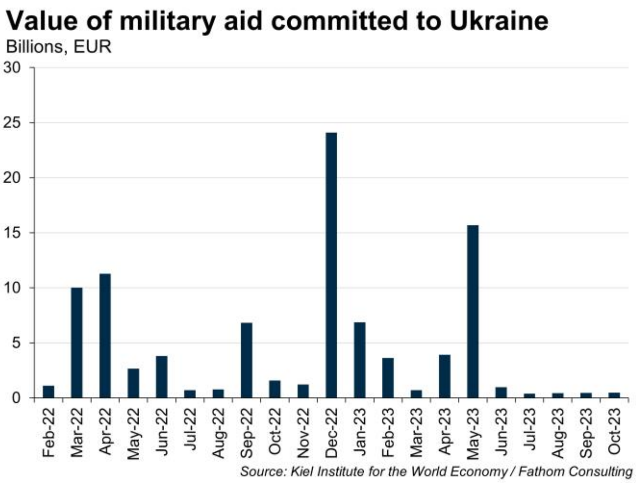
"The outperformance of the US that we have highlighted over the last year has strengthened since the previous Outlook; the Fed seems likely to achieve an 'immaculate disinflation', while in the EA and the UK it looks like a recession will be the cost of getting inflation under control. But the US is not home and dry: its recovery is now threatened by an increasingly fragile corporate sector – the recession may have been postponed but not avoided. And there is still a risk that inflation will pick up again if growth does continue, as the labour market remains extremely tight."

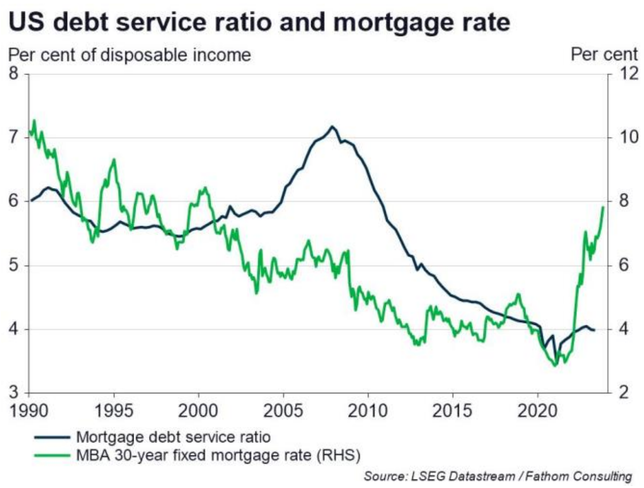
Erik Britton, 27 November 2023

In brief: military aid for Ukraine starts to flag

"New commitments to providing aid to Ukraine are at their lowest level since January 2022, according to the Ukraine Support Tracker from the Kiel Institute, as backing from Washington - Kiev's greatest donor of materiel - increasingly becomes subject to partisan differences… Military assistance peaked in the seven months between September 2022 and March 2023 as Kyiv prepared for a widely signalled counter-offensive, but commitments to arms transfers then declined by half in the seven months to October 2023, as Russia dug in and the long-delayed counter-offensive failed to make the hoped-for territorial gains."

Edward West, 13 December 2023





In brief: resilient US housing market's soft underbelly

"US housing market resilience, in the face of higher interest rates, has been surprising — prices have risen to an all-time high, mortgage delinquencies are close to an all-time low and construction activity has held up well. The debt service ratio is also low by historical standards, even though the 30-year mortgage rate is at a 20-year high; this apparent contradiction can be attributed to a mix of higher salaries, lower mortgage debt (as a share of GDP) and the high share of fixed-rate mortgages. However, this positive housing market story has a soft underbelly — because interest rates are so high, people are not moving, and this is reflected in sales of existing homes and the Mortgage Bankers' Association's Purchase Index."

Brian Davidson, 15 November 2023

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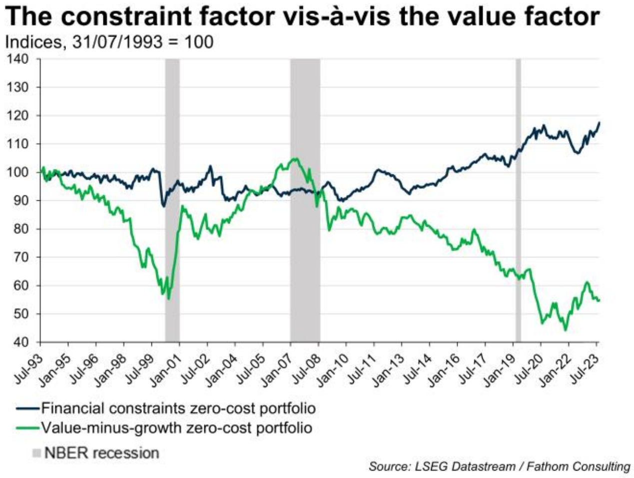
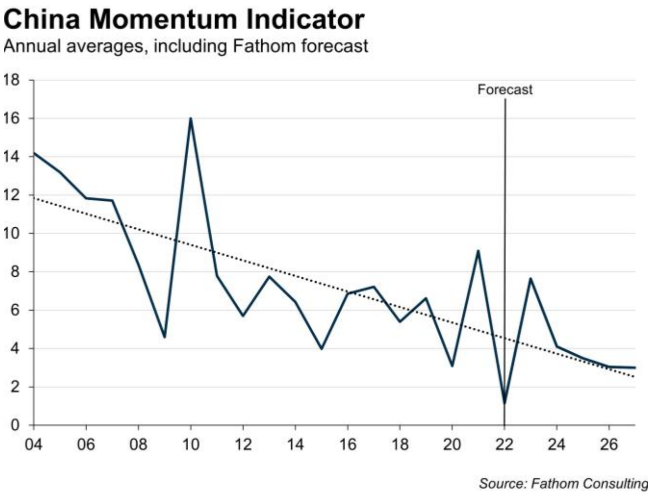
[In depth: tight credit brings constraints to the fore](#)

“Tighter credit has taken hold to help mitigate high inflation, with the number of financially constrained firms, following the pandemic, now at an all-time high. Insolvency threatens approximately 9% of those constrained companies that are also unable to meet interest expenses. The main risks originate from the corporate choices made when constraints are high: scaling back of more ‘promising’ projects, deferring taxes and opportunistic use of accruals to keep investors happy, which may come back to bite hard…”

Dimos Andronoudis, 24 October 2023





[FVI update: global impact of a slowing China](#)

“As the rebound from the end of Xi’s zero-COVID policy works its way out of the system, the Chinese economy is set to slow, since its traditional export- and investment-led growth has run its course. Exports are no longer the boon they once were, and we expect a slowdown in overseas demand as a result of a slowing global economy and ongoing de-risking efforts by the US. Investment will continue to play a key role, but its capacity to stimulate the economy has diminished sharply. Private consumption will not pick up the slack — for this to happen, China would have to rebalance its economy and improve the redistribution of wealth, Xi has shown little appetite for this.”

Juan Orts, 13 November 2023

Further reading

Fathom’s Top 10 reads for 2023 Q3

Fathom’s Top 10 reads for 2023 Q2

Fathom’s Top 10 reads for 2022 Q4

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