The End of "Soft Landing"

PREPARING FOR 2023

Throughout 2022, financial analysts, the United States Federal Reserve, Stock traders, and almost anyone with an interest in the global financial markets has been hoping that the volatility of the world economy and the rise of inflation would come to an end in the foreseeable future with the Federal Reserve's plan for a "soft landing." However, last week's rise in interest rates and the diminishing confidence from the Chairman of the Federal Reserve Jerome Powell over the likelihood of the US economy performing the hoped-for soft landing is now **driving consumers and businesses to prepare for the next phase ahead.** The Economist reported

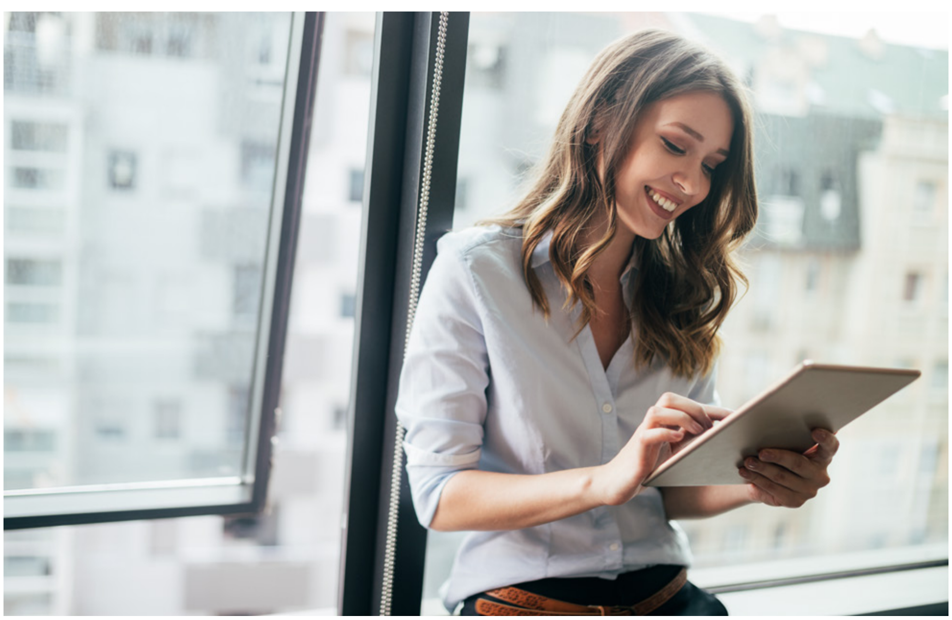
"Global growth expectations are receding quickly. New forecasts published on September 26th, the OECD club of mostly rich countries expects global GDP to rise by just 3% this year, down from the 4.5% it projected in December. In 2023 it expects growth of just 2.2%."

A partial recession is currently underway as we develop our businesses and markets for the coming years ahead and the burden of inflation and the high price of the dollar will only continue to widen as the world's reserve currency tends to increase during periods of a global downturn. This affects not just European markets and Asian

markets, but Latin American markets which have already been in a dire situation following the Covid-19 pandemic and consequential economic changes. This mounts pressure on businesses everywhere to prepare for the worst in the coming years and expect markets and industries to be as efficient and expedient to thrive in moments of recession. Executives now need to focus on three key factors in their business and strategy: **resource allocation, budget plan, and creating resilience.**

The first and often the most difficult to manage before a recession **creating a business model that can reallocate resources in times of crisis.** The worst position a company can be in during a crisis or recession is in both offense and defense, a clear and direct approach to opportunity with quick execution and optimization of your competitive advantage is necessary to be agile in rough markets. However, to create such a model a business must be able to deallocate resources and repurpose personnel and materiel into other more lucrative ventures.

To begin this process Harvard Business Review editors Ranjay Gulati and Mark Wiedman suggest setting a Strategic Frame for resource allocation in your business decisions

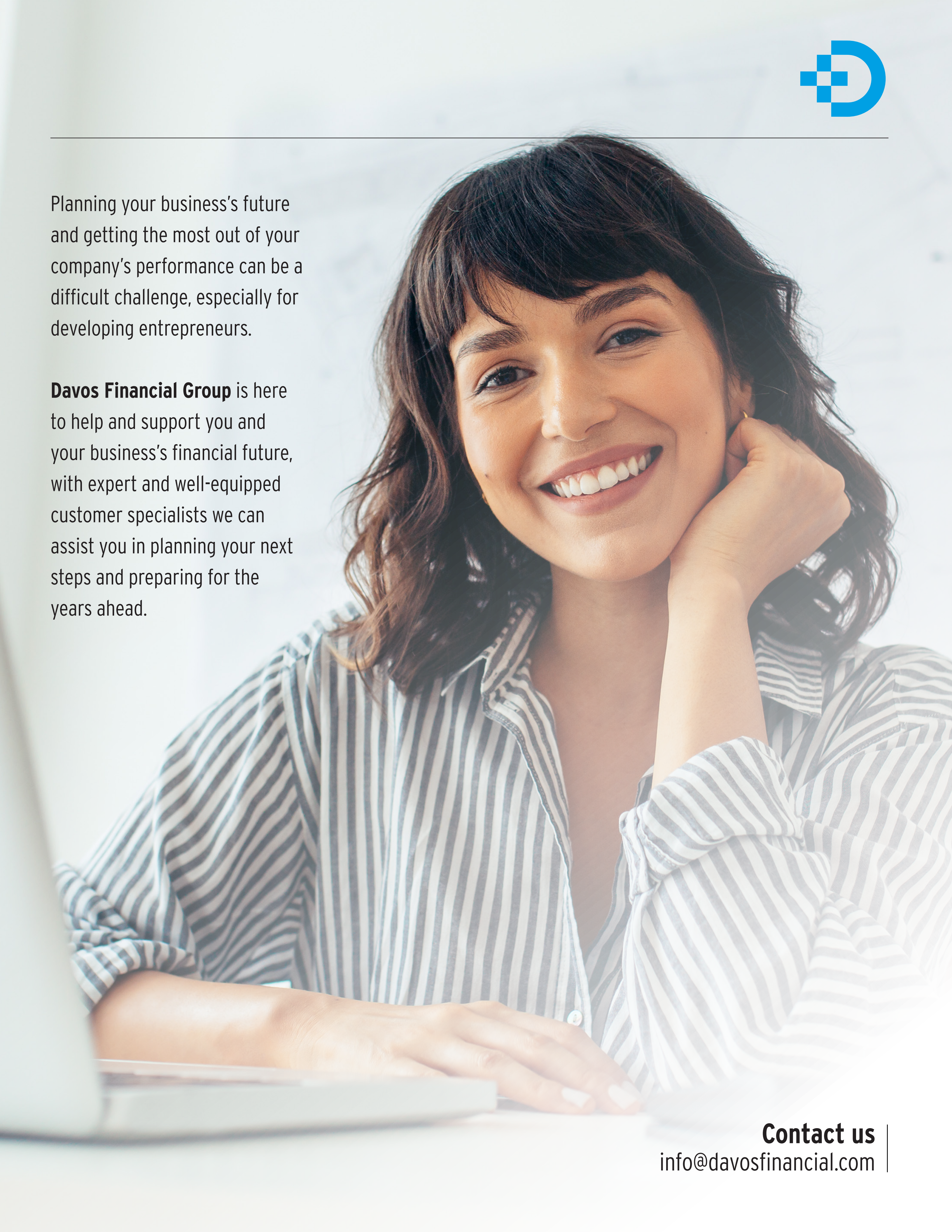


"focusing people on a positive vision of the future, rather than holding onto what they have done in the past, they can foster more alignment for future reallocation of resources. Entrenched turf battles deescalate, moderating the fears deallocation can trigger. Assurances of safety and security can further tamp down fears."

The second and highly immediate in the current reality of the economic markets is **thinking**

about pricing strategically to balance and work with inflation, instead of depending upon its movements. While inflation is set to moderate and financial analysts predict that inflation, at least in North America has already peaked, it will be a reality for the foreseeable future. Risk remains to the upside, even while in recession and while the power to pass price increases will be moderated, lingering price dispersion and volatility ensure opportunities in some markets. By adhering to the first principle of resource allocation, the price strategy of your company can be highly competitive and may even make use of the crisis to expand new, untapped ventures.

While price planning and strategizing during a crisis is a great skill to possess in moments of constant volatility, there are many other actions and processes that we can take to be better prepared for when those moments of enterprising arrive. One key ability that executives must develop and harness for the incoming recession is **creating resilience plans and reinforcing your company's vitality.** A company's vitality is measured by its strategy, technology and investment, people, and structure. While forming a strategic frame for your business is crucial in securing people and structure while reallocating, you will also need to look beyond the current horizon of the market and take a well-informed guess on how the field may play out. Companies that don't make a claim or take advantage of their competitive strength during a moment of financial chaos face an uphill battle in the following years from a recession as they compete against those who were agile and vital during a crisis. For that reason, resilient and daring business plans that imbue employees, customers, the brand, and the top leadership to act on opportunities can develop a deeper relationship through the crisis and into the future.



Planning your business's future and getting the most out of your company's performance can be a difficult challenge, especially for developing entrepreneurs.

Davos Financial Group is here to help and support you and your business's financial future, with expert and well-equipped customer specialists we can assist you in planning your next steps and preparing for the years ahead.

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