



Corporate FX Strategies Will Be Tested to New Levels in 2023 - Convera Report

Geopolitical Tensions & Energy Crisis to Continue to Drive Global Inflation & Interest Rates

Slow supply chains and constraints on products, skilled & low-cost labor to hit global trade

London/ Seattle, Oct 27th, 2022: Corporate foreign exchange strategies will be tested to new levels in 2023, due to continued pressure from rising interest rates, geopolitical tensions, and a worsening energy crisis, according to the new 'Are You Ready for 2023?' Report published today by Convera.

The report analyzes the 2023 market outlook and provides forecasts for the year ahead, predicting it will be a challenging year for companies as interest rates, inflation, and looming recession drive currency volatility. It also predicts that constraints on access to goods, skills and low-cost labor will have a significant effect on global trade next year. Convera, the largest non-bank in global cross-border business-to-business (B2B) payments, creates the report as a guide to aid both customers and the industry as a whole in making smarter planning decisions for the year ahead.

Ongoing geopolitical issues like the war in Ukraine and questions over China-Taiwan relations have contributed greatly to slowed supply chains, the worsening energy crisis in Europe and currency fluctuations across the euro, dollar, and sterling. With 83% of countries globally experiencing inflation above 6%, companies will need to pay special attention to their strategy for overseas payments in 2023. This is underlined by the fact that to counter inflation, 90 central banks hiked interest rates 260 times in 2022. These sudden, sharp central bank moves have generated higher-than-usual levels of volatility, especially in FX markets.

This volatility is having a profound impact on global trading, according to businesses surveyed by Convera; 82% of organizations said that the challenge of managing currency volatility is already harder than pre-pandemic, making it more difficult to conduct international business. Sentiment for the year ahead is gloomy, with 71% of organizations expecting that disruptions from high inflation and interest rates will last at least 12 months or longer.

Commenting on the findings of the report, **Patrick Gauthier, CEO of Convera, said:** *"In the coming year, companies operating internationally will need to pay special attention to their strategy for overseas payments as currency volatility is set to last, leading to complex decisions. The global economy is experiencing the long tail impacts of Covid stimulus packages, coupled with a shift from hyper globalization to a bipolar power dynamic due to increased geopolitical tensions. For corporations, this will mean slowed supply chains and decreased access to products, skilled people and low-cost labor. We can also expect to see the strong dollar having differing impacts on the economy in the US and overseas."*

Our 'Are You Ready for 2023?' Report aims to arm financial decisions makers, whether they're our customers or businesses in the wider industry, with quality insights. We want to enable businesses to make more informed international trade and payment decisions which may lead to better financial outcomes."

The report also underlines the potential impact on broader policies, predicting that green policies may take a back seat next year as countries grapple with the energy crisis, with the amount of electricity produced by coal set to reach a record in 2022 – a sharp turnaround after a decade-long decline. The question of whether green tech can meet the demands of the energy crisis will be fundamental in this decade and beyond, according to the authors of the report.

The report provides insight on how the impact of this global turbulence will be felt regionally:

- In the US, the stronger US dollar has caused domestic companies to outperform businesses with a global reach, as the euro hit a 20-year low against the dollar, and sterling fell to historic lows. While the US dollar remains high, this trend is likely to continue. The Federal Reserve's actions to combat inflation in the US is having a severe negative impact by tightening financial conditions around the rest of the world.
- In the Eurozone, a rally in the euro in 2023 is possible but will depend on the bloc's ability to weather a formidable energy crisis this winter.
- The UK, however, faces tougher challenges as it is set to be the worst performing G7 economy in 2023 and a recession that could last more than a year. Any recovery in the GBP will depend on a slowdown in inflation and the policies pursued by the new UK government. Over the longer term, the UK needs improved productivity performance and greater access to renewable energy sources. After two decades of record growth, China is expected to experience a continued growth slowdown in 2023 as it faces new challenges due to high debt, falling real estate values and the impact of prolonged "Covid zero" policies, as well as increased unease around China - Taiwan tensions and the challenges posed by an aging population.
- What could turn markets more positive? If the Fed signals an end to tightening and intention to cut rates, and geopolitical tensions dissipate, a fall in the USD would have a positive impact on global financial markets.

The full report is available to view here: <https://bit.ly/3T3Ddme>

About Convera:

From March 2022, Western Union Business Solutions (WUBS) is becoming Convera, a global leader in providing payment services and foreign exchange products.

Convera is a business-to-business payments company, enabling companies of all sizes to send and receive cross-border payments. With expertise in managing foreign exchange and moving funds around the globe, Convera provides access to over 140 currencies and a financial network spanning more than 200 countries and territories. Providing technology-led payment solutions to 30K+ customers – from small business owners to enterprise treasurers across a range of industries. Convera's purpose is to make moving money so easy, that any company in the world can grow with confidence.

Over the coming months, Convera's local affiliates will adopt the Convera name and brands.

For more information, visit: www.convera.com/en-us

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