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Our Economy and The World

The Weekly Report

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This week's issue of "Our Economy and the World" includes:

Key Global and Regional Developments over the Past Week

Bloomberg: OPEC+ Answers Biden's Diplomacy With 'Minuscule' Output Hike

OPEC+ responded to months of diplomatic efforts from US President Joe Biden with one of the smallest oil production increases in its history. The cartel will add only 100,000 barrels a day of oil in September, giving a tight market extra supplies at a much slower pace than in recent months despite pressure from the White House to help cool prices. The 23-nation alliance will divide that amount proportionally between members, and with only the Saudis and the United Arab Emirates able to bolster production, just a fraction of it is likely to be delivered. For July and August, the group had pledged to add more than 600,000 barrels a day to the market.

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BBC: China Signals it Could Miss Economic Growth Target

China has signalled that it may miss its annual economic growth target, as Covid restrictions weigh on the world's second largest economy. On Thursday, the Politburo - the ruling Communist Party's top policy-making body - said it aims to keep growth within "a reasonable range". It did not mention the official growth target of 5.5% it had earlier set. China is continuing to pursue a zero-Covid policy that has put major cities into full or partial lockdowns.

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Bloomberg: Libor Jumps to Highest Since 2008 on Fed Hike Expectations

The three-month London interbank offered rate for dollars climbed to a nearly 14-year high as traders brace for steady interest-rate hikes from the Federal Reserve, backing away from speculation the central bank will ease up as the economy shows signs of cooling. The Libor rate rose for the fourth straight session, climbing roughly 2.5 basis points to 2.83%, the highest since November 2008. The spread of Libor over overnight index swaps was slightly narrower at around 17.3 basis points. The move in Libor follows Tuesday's surge in Treasury yields after several Fed policy makers indicated that they're not close to done fighting inflation, prompting traders to reduce bets on rate cuts next year. Fed swaps are pricing about 61 basis points of additional hikes for the September meeting, indicating some expectations the central bank will enact another three-quarter-point move at its next gathering.

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FT: Ukraine's First Grain Ship Cleared to Leave Black Sea

The first grain ship to set sail from Ukraine in months was cleared to embark on the final leg of its journey after passing an inspection by a team of international monitors in Turkish waters. The Sierra Leone-flagged Razoni, carrying 26,000 tonnes of Ukrainian corn, set sail from the northern entrance of Turkey's Bosphorus strait on Wednesday and headed for the Lebanese port of Tripoli. Prior to its departure, the bulk carrier underwent an inspection by representatives from Russia, Ukraine, Turkey and the UN under the terms of a deal struck by Moscow and Kyiv aimed at easing a global food crisis. Russia had pushed for the inspection of ships going to and from Ukraine as part of the agreement to assuage concerns that they could be used to ferry weapons to the Ukrainian armed forces.

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Special Analysis

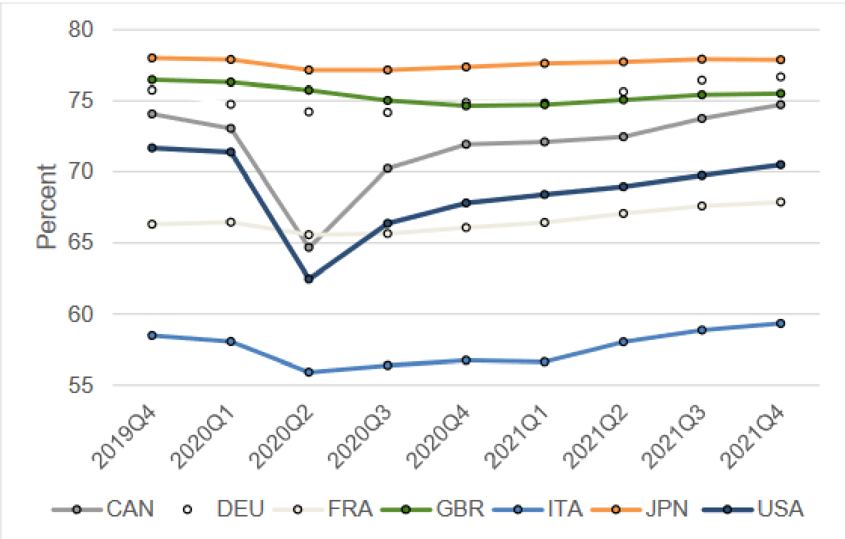
OECD: The post-COVID-19 Rise in Labour Shortages

The labour market recovery from the COVID-19 pandemic has been strong among advanced countries, partly reflecting massive and unprecedented policy support to workers and firms. This paper provides evidence and stylised facts about labour market tightening and labour shortages since the onset of the pandemic. Labour shortages have been widespread across countries, yet particularly in Australia, Canada and the United States; and across industries, yet particularly in contact-intensive ones like accommodation and food, but also manufacturing. This picture is to a good extent driven by cyclical factors: in tight labour markets, workers are more likely to switch for better job opportunities. But this paper argues, based on illustrative evidence, that other factors beyond the economic cycle may also play a role: the post-COVID-19 increase in labour shortages may partly reflect structural changes, in particular changes in preferences, as some workers may no longer accept low-pay and poor or strenuous working conditions.

Figure 1 Labour markets in advanced economies have rebounded strongly from the pandemic

Employment and unemployment rates, 2019Q4-2021Q4, OECD Total and G7 countries

Panel A: Employment rate



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Developments in Financial and Commodity Markets in the Past Week

CNBC: Stocks rally to reverse two-day slide, surging on rosy earnings results and economic data

U.S. stocks rallied Wednesday, clawing back losses from earlier in the week, as traders cheered better-than-expected economic data that helped allay recession fears. The Dow Jones Industrial Average rose 416.33 points, or 1.29%, to 32,812.50. The S&P 500 gained 1.56% to 4,155.17, hitting its highest level since June and wiping out losses from earlier in the week. The Nasdaq Composite increased 2.59% to 12,668.16, boosted by rising tech stocks. A surprise rebound in July services PMI helped investors shake off worries that the U.S. has already fallen into a recession, sending traders back to beaten-down tech stocks. The index released Wednesday ended three months of declines. Data on durable goods orders and manufacturing in June were also better than expected.

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CNBC: European markets close higher after strong U.S. data

The pan-European Stoxx 600 closed 0.5% higher, paring earlier losses. Tech stocks added 3.2% to lead the gains as most sectors and major bourses entered positive territory. It comes after markets in Europe pulled back slightly on Tuesday, tracking risk-off sentiment globally as investors assess whether last month's rally has further to run.

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