



# Our Economy and The World

The Weekly Report

Issue: 285 Date: 4<sup>th</sup> September 2022

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

- **Key Global and Regional Developments over the Past Week**
  - CNBC: Euro zone inflation hits another record of 9.1% as food and energy prices soar
  - Reuters: Fed's Mester: interest rates need to rise 'somewhat above' 4%
  - Bloomberg: French Inflation Slows More Than Expected From Record High
  - Reuters: China's factory activity extends declines as heat, COVID hit output
  - Bloomberg: Europe Braces for Rationing Risks in Russian Gas Showdown
- **Special Analysis**
  - UNDP: Issue Brief - Just Transition
- **Developments in Financial and Commodity Markets in the past week**
  - CNBC: Dow, S&P 500 fall for a fourth day, major averages end August with losses
  - CNBC: China markets drop as factory activity shrinks; Asia stocks mixed



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## Key Global and Regional Developments over the Past Week

### [CNBC: Euro zone inflation hits another record of 9.1% as food and energy prices soar](#)

Euro zone inflation hit a new record high in August of 9.1%, according to flash figures from Europe's statistics office Eurostat, with high energy prices the main driving force. The rate was above expectations, with a Reuters poll of economists anticipating a rate of 9%. It is the ninth consecutive record for consumer price rises in the region, with the climb starting back in November 2021. Headline inflation in the euro zone hit 8.9% (year-on-year) in July. Energy had the highest annual inflation rate at 38.3%, Eurostat said Wednesday, down slightly from 39.6% in July. Food, alcohol and tobacco were up 10.6% compared to 9.8% in July, with the knock-on effects of recent heatwaves across the continent contributing to increases.

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### [Reuters: Fed's Mester: interest rates need to rise 'somewhat above' 4%](#)

The U.S. Federal Reserve will need to raise interest rates somewhat above 4% by early next year and then hold them there in order to bring too high inflation back down to the central bank's goal, Cleveland Federal Reserve Bank President Loretta Mester said on Wednesday.

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### [Bloomberg: French Inflation Slows More Than Expected From Record High](#)

French inflation eased more than expected from an all-time high, relieving a little pressure on the European Central Bank as calls for more aggressive action grow. Consumer prices in the euro area's second-largest economy advanced 6.5% from a year ago in August, compared with 6.8% in July. That marks a bigger slowdown than the 6.7% median estimate in a Bloomberg survey of economists.



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### French Inflation Slowed to 6.5% in August



Source: Insee

Bloomberg

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### [Reuters: China's factory activity extends declines as heat, COVID hit output](#)

China's factory activity extended declines in August as new COVID infections, the worst heatwaves in decades and an embattled property sector weighed on production, suggesting the economy will struggle to sustain momentum. The official manufacturing purchasing managers' index (PMI) rose to 49.4 in August from 49.0 in July, the National Bureau of Statistics (NBS) said on Wednesday.

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### [Bloomberg: Europe Braces for Rationing Risks in Russian Gas Showdown](#)

Europe faces the risk of blackouts, rationing and a severe recession if Russia further slashes gas deliveries, and the next reality check is at hand. A three-day halt of the Nord Stream pipeline -- a key source of natural gas for the European Union -- started on Wednesday, and concerns are widespread that Moscow will find another excuse to clamp down on supplies, putting the region at the mercy of the weather. Hours ahead of the planned outage, Gazprom PJSC set an unsettling tone by notifying French utility Engie SA that it would halt deliveries from Thursday because of a disagreement over payments. The move widens cutbacks to the continent as Moscow retaliates for sanctions related to its invasion of Ukraine.

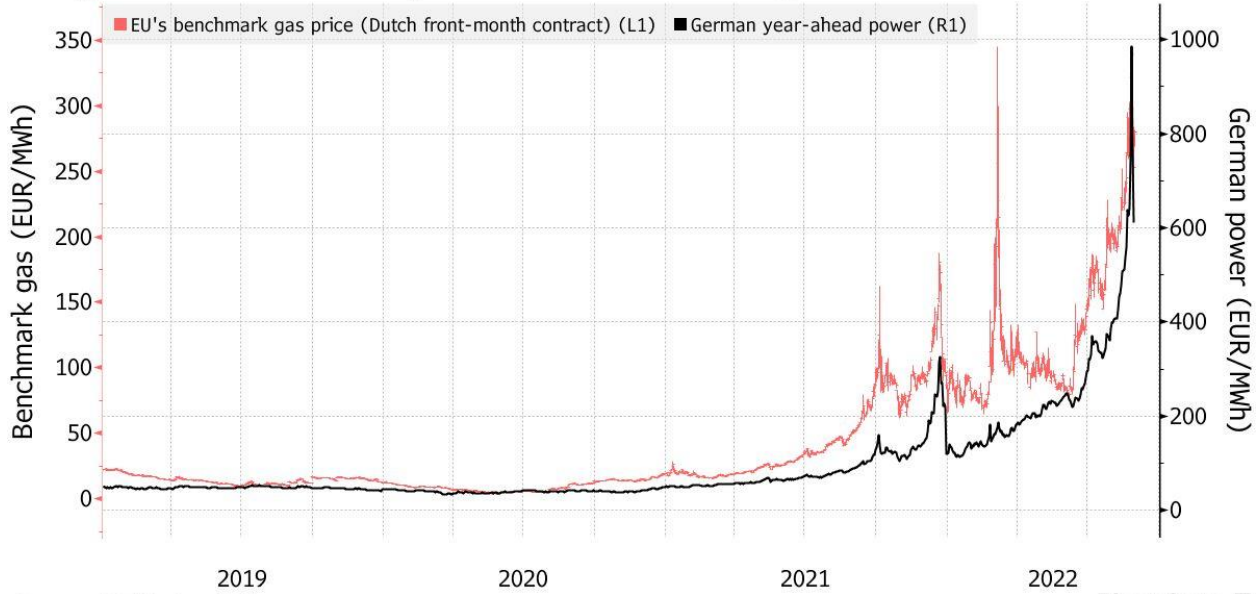


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## Spiraling Out of Control

Energy contracts are trading at elevated levels throughout the continent



Source: ICE Endex, EEX

Bloomberg 

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### Special Analysis

#### UNDP: Issue Brief - Just Transition

A green transition is at the heart of meeting the Paris Agreement goals. Nonetheless, if not managed well, it also runs the risk of increasing social inequality, civil unrest, and less competitive businesses, sectors and markets. Transition pathways have distributional consequences – job losses are likely to occur in certain sectors, regions, and/or communities, particularly where dependence on fossil fuels or carbon-intensive practices are high and where opportunities for economic diversification are limited. As countries are continuing to update and implement their shorter- and longer-term national climate pledges, there is a unique opportunity to embed the principles, processes, and practices of just transition within them. The experience of Climate Promise has demonstrated that Nationally Determined Contributions (NDCs) can be a powerful tool to define climate action through inclusive and whole-of-society owned processes. This report sums up the five key areas in which scaled up support will be provided to promote a just transition towards a climate-resilient and low carbon economy, building on the support under the Climate Promise.

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## Recent Developments in Financial and Commodity Markets

### [CNBC: Dow, S&P 500 fall for a fourth day, major averages end August with losses](#)

Stocks fell for a fourth straight day on Wednesday, the last day of August, putting the summer market comeback in doubt as investors weighed the Federal Reserve's inflation-fighting efforts. The Dow Jones Industrial Average slid 280.44 points, or nearly 0.9%, to 31,510.43. The S&P 500 lost roughly 0.8% to end the day at 3,955.00, and the Nasdaq Composite fell about 0.6% to 11,816.20. The major averages were higher earlier in the day.



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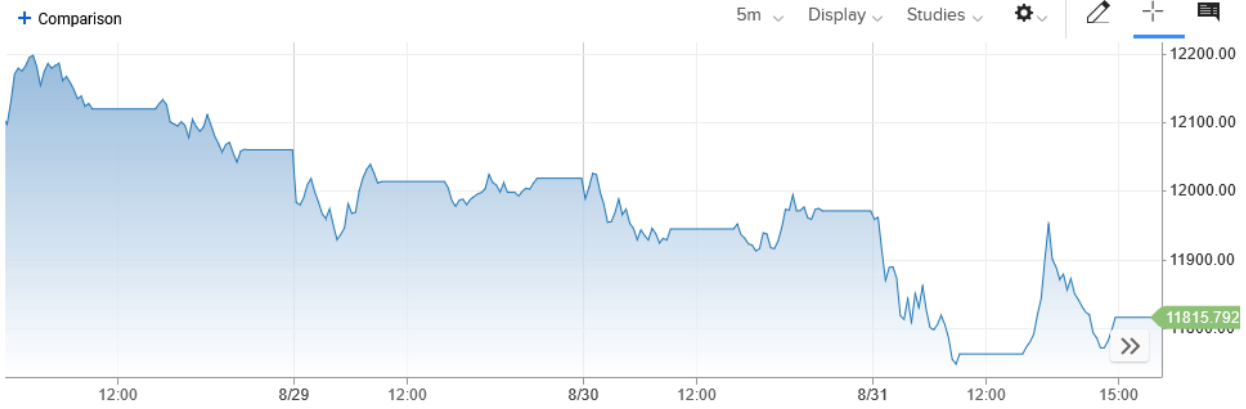
### [CNBC: China markets drop as factory activity shrinks; Asia stocks mixed](#)

China's Shenzhen Component index led losses in mixed Asia-Pacific trade on Wednesday following a negative lead from Wall Street, and as investors digest China's factory activity data. The Shenzhen Component in mainland China shed 1.295% to 11,815.79, and the Shanghai Composite in mainland China dipped 0.78% to 3,202.14.



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