



Our Economy and The World

The Weekly Report

Issue: 287 Date: 11th September 2022

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 - Bloomberg: Oil Slumps Below \$85 for First Time Since January on Demand Fear

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Key Global and Regional Developments over the Past Week

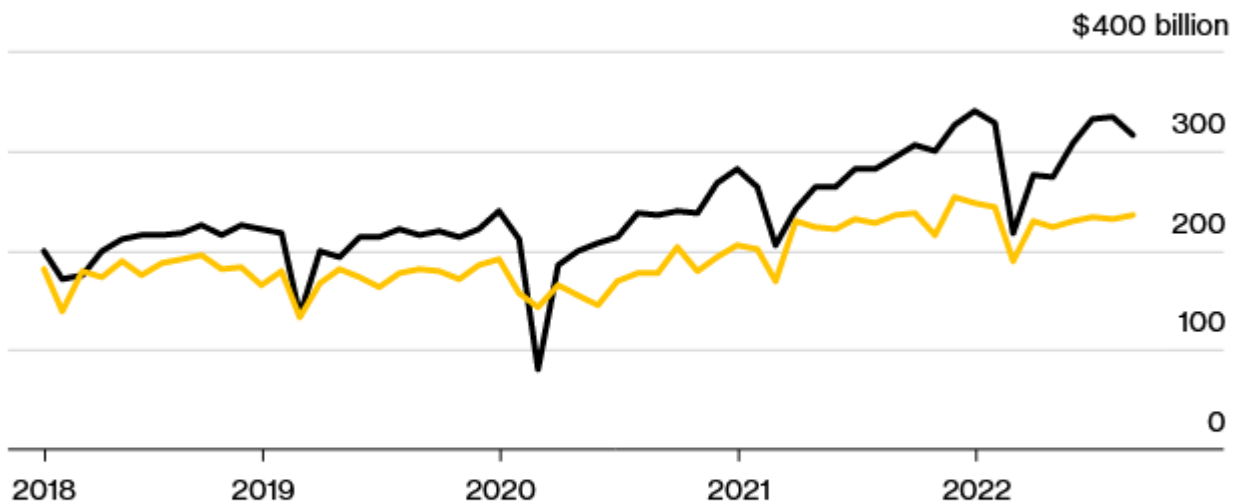
Bloomberg: China's Exports to the US Decline While Shipments to Russia Surge

China's exports to the US shrank for the first time in more than two years while shipments to Russia surged, adding to evidence that slowing economies and the war in Ukraine are shifting global trade flows along geopolitical fault lines. Exports in US dollar terms expanded 7.1% last month from a year earlier, the slowest pace since April when a lockdown in Shanghai disrupted shipping, and far weaker than economists had predicted. Imports grew just 0.3%, leaving a trade surplus of \$79.4 billion last month.

Exports Slow

China's export growth slows, but still well above pre-pandemic level

▬ China's exports ▬ China's imports



Source: General Administration of Customs

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Bloomberg: EU to Consider Emergency Power-Use Cuts, Price Caps, Profit Grab

The European Union will pursue radical measures to reduce electricity consumption and cap power prices in an emergency intervention to curb soaring energy costs that are sending shockwaves through the region's economy. The EU's executive arm plans to propose that the

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bloc's 27 member states limit excessive revenues of companies producing power from sources other than gas and use the profits to support consumers, Commission President Ursula von der Leyen said. That would be done through imposing a price cap on electricity generated from technologies such as renewables, lignite or nuclear energy.

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BBC: Germany Announces €65bn Package to Curb Soaring Energy Costs

Germany has announced a €65bn (£56.2bn) package of measures to ease the threat of rising energy costs, as Europe struggles with scarce supplies after Russia's invasion of Ukraine. The package, much bigger than two previous ones, will include one-off payments to the most vulnerable and tax breaks to energy-intensive businesses. Energy prices have soared since the February invasion, and Europe is trying to wean itself off Russian energy.

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Reuters: U.S. Service Sector Keeps Momentum in August; Price Pressures Ease

The U.S. services industry picked up again in August for the second straight month amid stronger order growth and employment, while supply bottlenecks and price pressures eased, reinforcing the view that the economy was not in recession despite output sinking in the first half of the year. The Institute for Supply Management said its non-manufacturing PMI edged up to a reading of 56.9 last month from 56.7 in July, the second consecutive monthly increase after three months of declines.

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Bloomberg: Yen Plunge Fails to Shift US Treasury Stance on FX Intervention

The US Treasury Department on Wednesday stuck by its reluctance to support any potential intervention into currency markets to halt the yen's depreciation, after the Japanese currency slumped to its weakest against the dollar since 1998. Treasury spokesman Michael Gwin, asked Wednesday if the department's stance had changed in any way since Secretary Janet Yellen discussed the issue of the yen and intervention in Tokyo in July, said in an emailed response to a question that he didn't "have anything more to add at this time," declining to elaborate further. The yen is heading for its biggest annual drop on record, in a slump that's prompted an escalating series of warnings from Japanese government officials. The currency was down about 1% as of 10:35 a.m. in New York, at 144.34 per dollar, bringing its 2022 decline to more than 20%.

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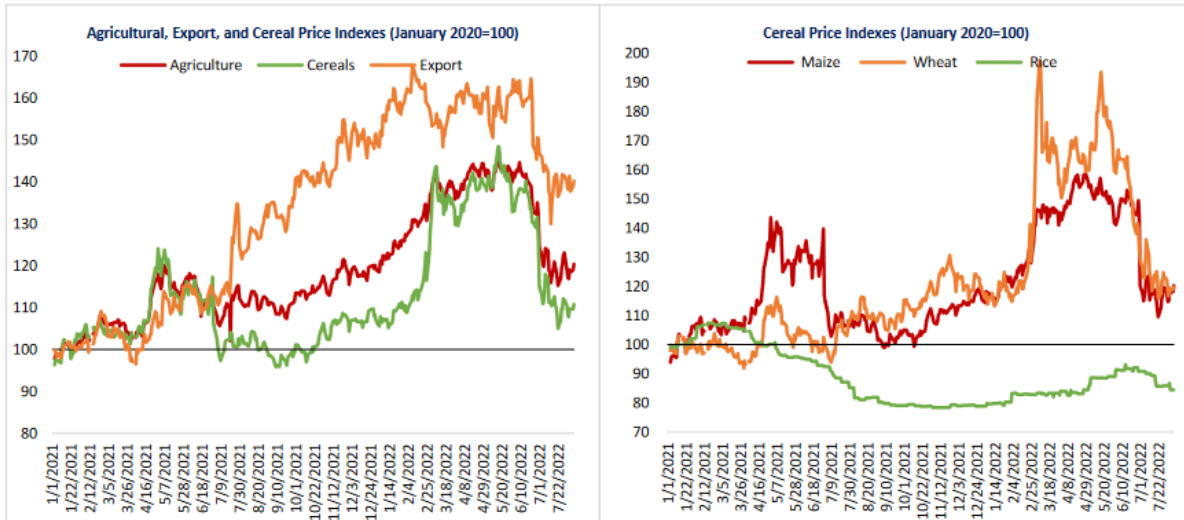
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Special Analysis

World Bank: Food Security Update

Record high food prices have triggered a global crisis that will drive millions more into extreme poverty, magnifying hunger and malnutrition, while threatening to erase hard-won gains in development. The war in Ukraine, supply chain disruptions, and the continued economic fallout of the COVID-19 pandemic are reversing years of development gains and pushing food prices to all-time highs. Rising food prices have a greater impact on people in low- and middle-income countries, since they spend a larger share of their income on food than people in high-income countries. This brief looks at rising food insecurity and World Bank responses to date.



Source: World Bank commodity price data.

Note: Daily prices from January 1, 2021, to August 9, 2022. The export index includes cocoa, coffee, and cotton; the cereal index includes rice, wheat, and maize.

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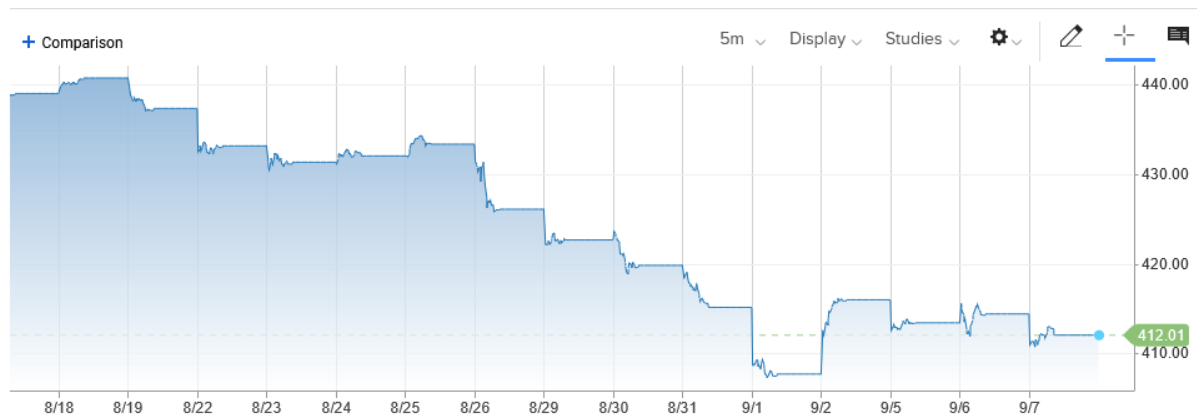
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Developments in Financial and Commodity Markets in the Past Week

CNBC: European Markets Close Lower as Russia Halts Gas Flows; Auto Stocks Fall Nearly 5%

The pan-European Stoxx 600 provisionally ended down 0.6%, having recouped some of its earlier losses. Autos plunged 4.8% to lead losses as most sectors and major bourses slid deep into negative territory. Oil and gas stocks bucked the downward trend to add 2% as prices spiked once more. The sharp downward moves for risk assets came after Russia's state-owned energy giant Gazprom announced that gas flows to Europe via the Nord Stream 1 pipeline would be halted indefinitely, citing additional repair requirements. The euro fell sharply while European gas prices soared.



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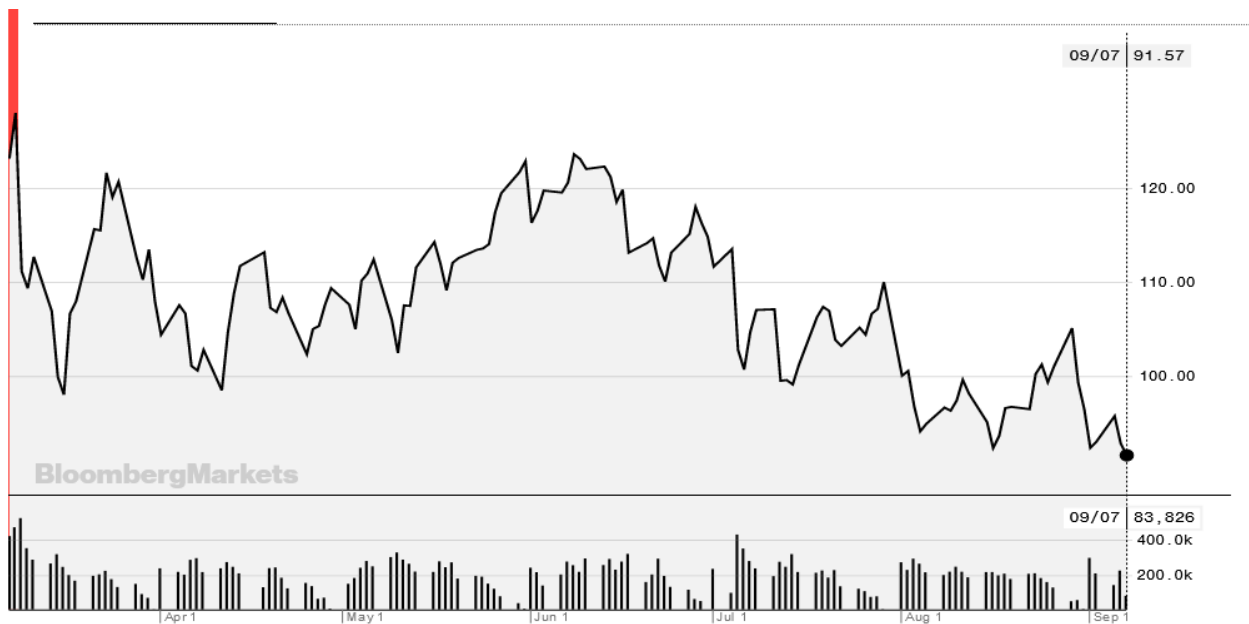


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Bloomberg: Oil Slumps Below \$85 for First Time Since January on Demand Fear

Oil tumbled to the lowest since January as a dollar surge and global demand concerns weigh on prices despite the threat of disruption to Russian supplies. US benchmark West Texas Intermediate sank below \$85 while the global Brent benchmark fell below \$90. A dollar gauge reached an all-time high on Wednesday, offering a macro headwind at a time when the oil market is grappling with potential slowing demand in China.



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