



## Our Economy and The World

The Weekly Report

Issue: 288 Date: 18 September 2022

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

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  - Bloomberg: Inflation Surprise Puts Onus on Fed to Hit Brakes Even Harder
  - Bloomberg: Chinese Rush to Repay Mortgages Gains Momentum in Abrupt U-Turn
  - BBC: Eurozone interest rates in record rise to fight inflation
  - BBC: EU moves to cut peak electricity use by 5%
- **Eye on Egypt**
  - Council on Foreign Relations: Egypt Is Hosting COP27. Can It Become Africa's Climate Champion?
- **Special Analysis**
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  - Financial Times: Japanese yen hits 24-year low against dollar
  - Bloomberg: Oil Climbs as Easing Lockdown in Chinese City Sparks Demand Hope

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## The Weekly Report

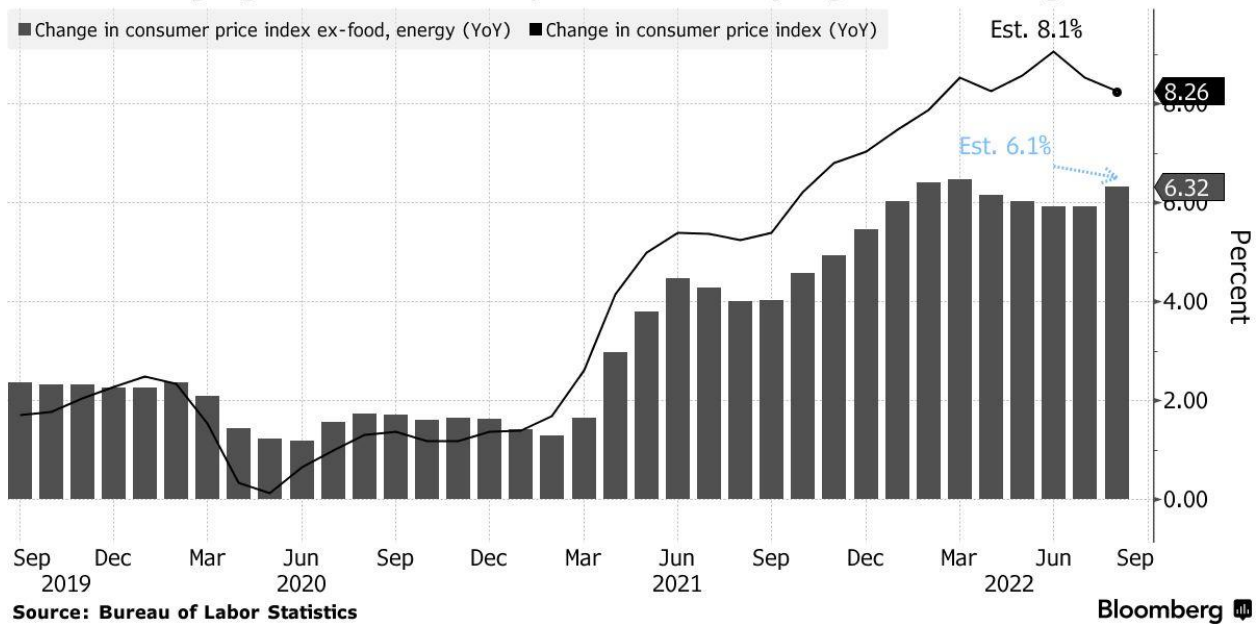
### Key Global and Regional Developments over the Past Week

#### Bloomberg: Inflation Surprise Puts Onus on Fed to Hit Brakes Even Harder

The US economy has shown surprising resilience in the face of the fastest inflation and interest-rate hikes in a generation. That means the Federal Reserve will have to stomp even harder on demand. What started as a pandemic-driven supply shock has morphed into widespread inflation rooted just as much in resilient demand, underscored by unexpectedly high numbers that dashed hopes price gains were ebbing. While consumers are showing some signs of slowing, they're still largely keeping up with persistent price pressures, powered by historic wage gains.

#### Persistent Price Pressures

##### US inflation gauges exceed forecast, show stubbornly high cost of living



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#### Bloomberg: Chinese Rush to Repay Mortgages Gains Momentum in Abrupt U-Turn

China's real estate crisis prompted home buyers across the nation to stop paying mortgages on thousands of stalled developments. Now, a separate group of Chinese property owners are rushing to prepay their home loans. The movement to quickly pay off mortgages is an abrupt U-turn for many Chinese people, who used to go all out to borrow funds to buy houses during the real estate boom years. But as the property market slumps, the once sought-after leverage has turned into a burden that some people say they must trim — or even get rid of.

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#### [BBC: Eurozone interest rates in record rise to fight inflation](#)

The European Central Bank has announced a record rise in eurozone interest rates as it seeks to fight inflation. Prices in the bloc are rising at the highest pace for half a century as energy costs soar. The ECB lifted all its key rates by three-quarters of a percentage point and warned that it was likely to raise rates again later this year. The bank had raised interest rates in July, its first increase in more than 11 years. "Price pressures have continued to strengthen and broaden across the economy," the ECB said after its latest decision.

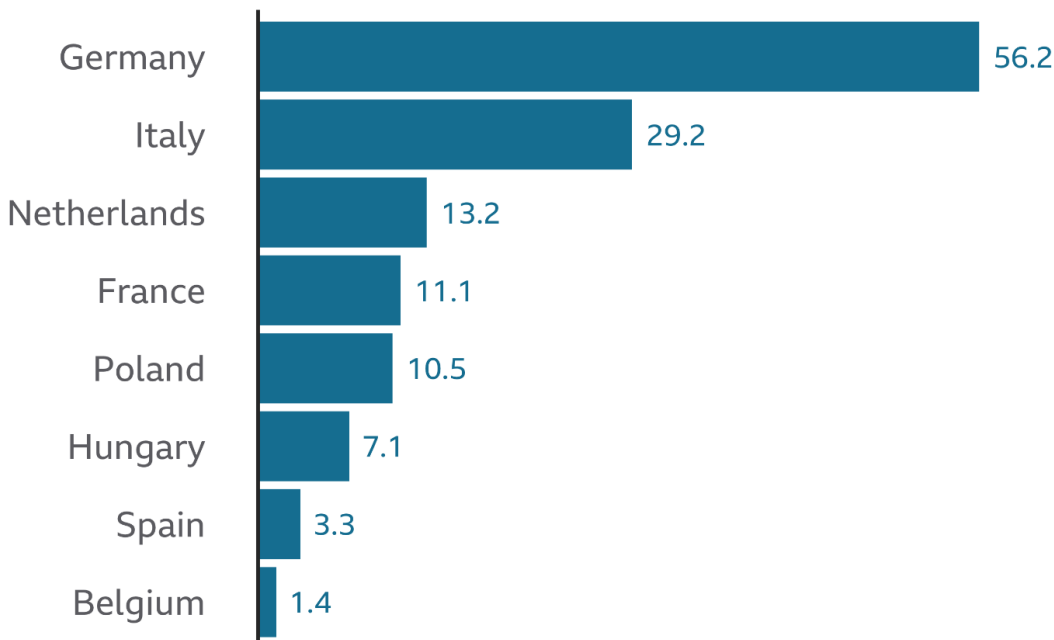
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#### [BBC: EU moves to cut peak electricity use by 5%](#)

EU chief Ursula von der Leyen has called for cuts to electricity use across the bloc and windfall taxes on energy firms to tackle high prices. She told the European Parliament that gas and electricity prices had hit all-time highs after Russia's invasion of Ukraine. She called for electricity consumption to be cut at peak hours by at least 5%. But plans for a cap on the price of natural gas, a key Russian export to the EU, were put on hold.

## Russia's gas exports

Countries by billion of cubic metres imported from Russia



Source: IEA. Estimates for 2021



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### Eye on Egypt

#### Council on Foreign Relations: Egypt Is Hosting COP27. Can It Become Africa's Climate Champion?

With Egypt hosting this year's UN climate summit, the twenty-seventh Conference of the Parties (COP27), Cairo has positioned itself as Africa's climate leader and aims to secure funds to help developing countries' adaptation efforts. But as the country prepares the resort city of Sharm el-Sheikh for the November summit, some critics question whether Egypt can be a leader on climate action while it continues to stifle civil society and rely on fossil fuels.

COP summits have been the premier global forum for climate negotiations since 1995 and produced the 2015 Paris Agreement, which aims to prevent the global average temperature from rising 1.5°C (2.7°F) above preindustrial levels. Egyptian President Abdel Fatah al-Sisi says Egypt will use its role as host to advocate for the interests of African and other developing nations. Despite contributing relatively little to global greenhouse gas emissions, developing countries are among the hardest hit as climate change exacerbates food insecurity, water scarcity, and extreme heat, among other problems, and experts warn that they lack the resources to adapt on their own.

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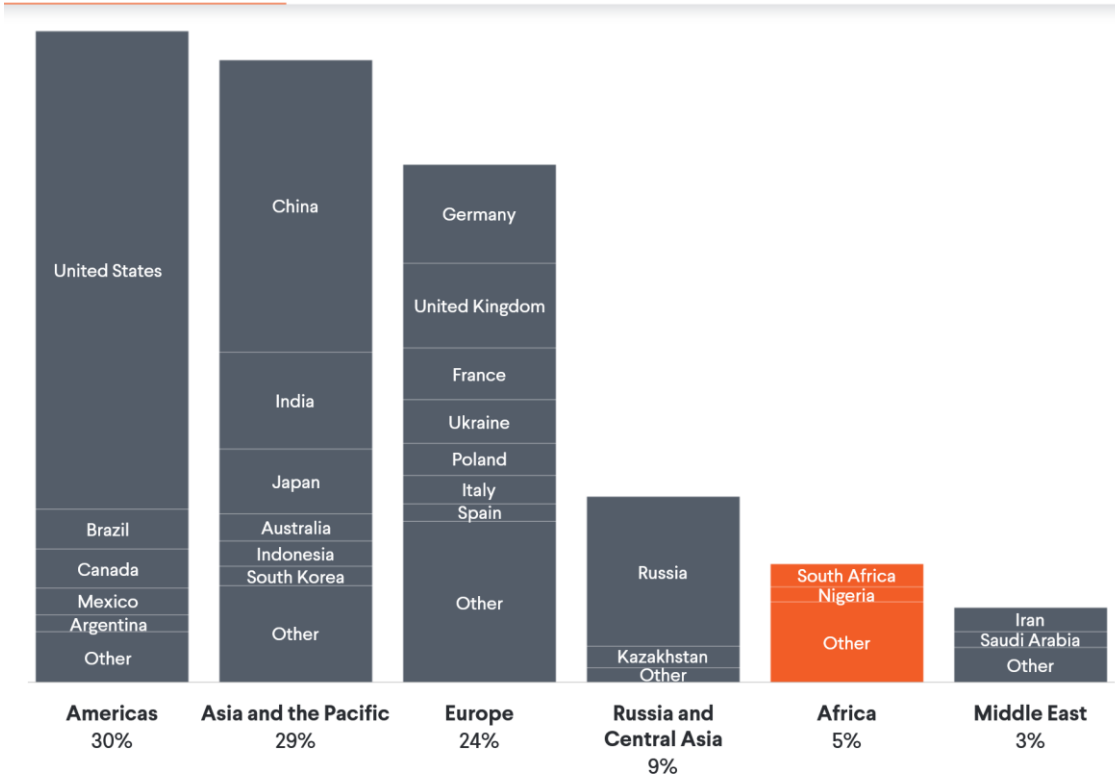
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Egypt Is Hosting COP27. Can It Become Africa's Climate Champion?



Source: Climate Watch.

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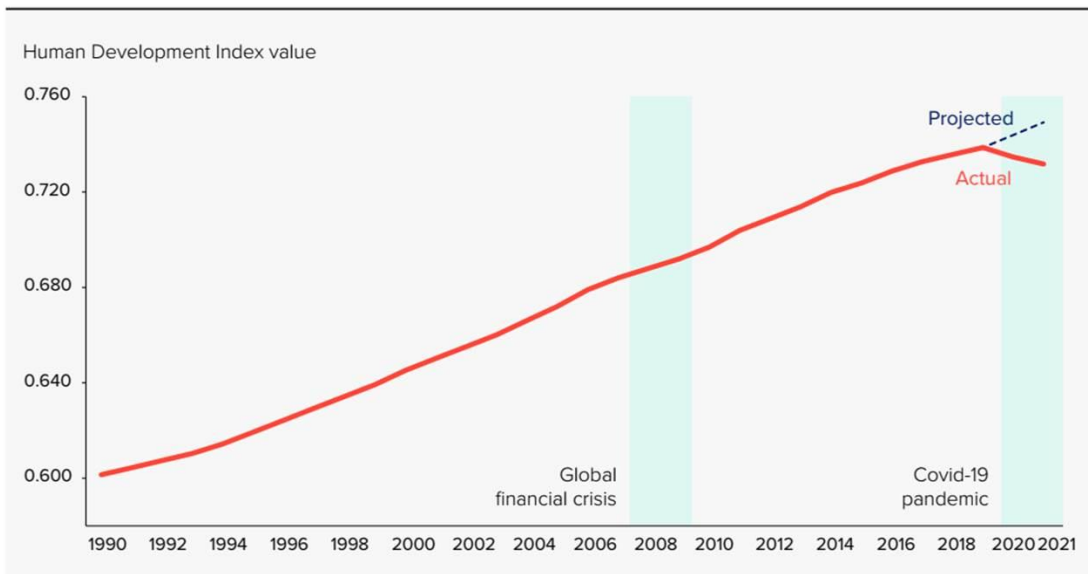
## The Weekly Report

### Special Analysis

#### UNDP: Human Development Report 2021-22

The ongoing Covid-19 pandemic, having driven reversals in human development in almost every country, continues to spin off variants unpredictably. War in Ukraine and elsewhere has created more human suffering. Record-breaking temperatures, fires, storms and floods sound the alarm of planetary systems increasingly out of whack. Together, they are fueling a cost-of-living crisis felt around the world, painting a picture of uncertain times and unsettled lives. Uncertainty is not new, but its dimensions are taking ominous new forms today. A new “uncertainty complex” is emerging, never before seen in human history. Constituting it are three volatile and interacting strands: the destabilizing planetary pressures and inequalities of the Anthropocene, the pursuit of sweeping societal transformations to ease those pressures and the widespread and intensifying polarization. This new uncertainty complex and each new crisis it spawns are impeding human development and unsettling lives the world over. In the wake of the pandemic, and for the first time ever, the global Human Development Index (HDI) value declined—for two years straight. Many countries experienced ongoing declines on the HDI in 2021. Even before the pandemic, feelings of insecurity were on the rise nearly everywhere. Many people feel alienated from their political systems, and in another reversal, democratic backsliding has worsened.

**Figure 2** The global Human Development Index value has declined two years in a row, erasing the gains of the preceding five years



**Source:** Human Development Report Office calculations based on data from Barro and Lee (2018), IMF (2021b, 2022), UNDESA (2022a, 2022b), UNESCO Institute for Statistics (2022), UNSD (2022) and World Bank (2022).

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## Recent Developments in Financial and Commodity Markets

### [CNBC: Nasdaq closes higher on Wednesday as stocks stabilize following massive sell-off](#)

The Nasdaq Composite grinded higher in choppy trading on Wednesday as investors tried to find their footing after the biggest one-day drop in more than two years. The Nasdaq rose 0.7%, while the S&P 500 added 0.3%. The Dow finished little changed after being down more than 200 points at session lows.



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### [Financial Times: Japanese yen hits 24-year low against dollar](#)

The yen on Tuesday plunged to its lowest level against the US dollar since August 1998 as hedge funds in Europe and the US resumed bets that the Bank of Japan's ultra loose monetary policy would continue. The BoJ has defied the tightening trend among global central banks, maintaining a programme that keeps long-term borrowing costs pinned at ultra low levels even as yields surge in other markets. The widening gulf has severely dented the allure of holding the yen relative to other currencies. Japan's currency dropped as much as 1.7 per cent to a low of ¥142.97 against the dollar in a ferocious sell-off that began late in the Tokyo day and accelerated in the New York trading session.

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### Yen tumbles to 24-year low

¥ per \$



Scale inverted  
Source: Refinitiv  
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### **Bloomberg: Oil Climbs as Easing Lockdown in Chinese City Sparks Demand Hope**

Oil climbed on optimism that demand prospects in China may brighten as one of its megacities loosens lockdown restrictions. West Texas Intermediate futures settled at \$88.48 a barrel. Brent rose 1% to settle at just over \$94. Chengdu is easing Covid restrictions gradually, lifting the demand outlook in one of the world's largest crude consumers. The understanding that the Biden administration would consider refilling the Strategic Petroleum Reserve if prices fall below \$80 a barrel further supported the rally.

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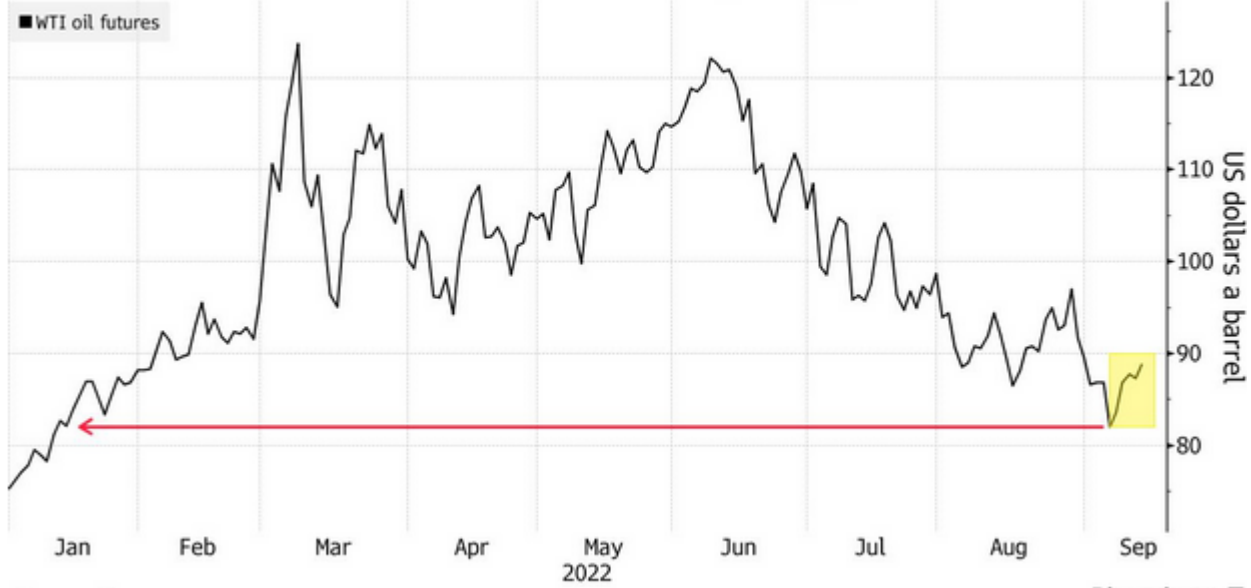


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### Oil Rallies from January Lows

Crude rebounds as White House considers refilling strategic reserves



Source: Nymex

Bloomberg

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