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Our Economy and the World

Issue: 308

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

- **Key Global and Regional Developments over the Past Week**
 - o CNBC: World Bank makes big cut to its 2023 growth outlook, says globe is 'perilously close' to recession
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 - o Bloomberg: Swiss government approves starting trade deal talks with UK
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 - o Reuters: Gold drops to over 1-month low as rate-hike bets fuel dollar

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Key Global and Regional Developments over the Past Week

[CNBC: World Bank makes big cut to its 2023 growth outlook, says globe is 'perilously close' to recession](#)

The World Bank slashed its global growth forecasts from projections it made in mid-2022 on the back of what it sees as broadly worsening economic conditions. The international development institution downgraded almost all of its forecasts for advanced economies in the world, cutting its growth outlook for the global economy to 1.7% for 2023, it said in its latest report, Global Economic Prospects. The organization earlier projected the world economy to expand by 3% in 2023.

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[Bloomberg: ECB's Lagarde reaffirms intention for half-point March hike](#)

President Christine Lagarde reiterated that the European Central Bank intends to raise borrowing costs by another half-point next month. "In view of the underlying inflation pressures we intend to raise interest rates by another 50 basis points at our next meeting in March," Lagarde told European Union lawmakers in Strasbourg.

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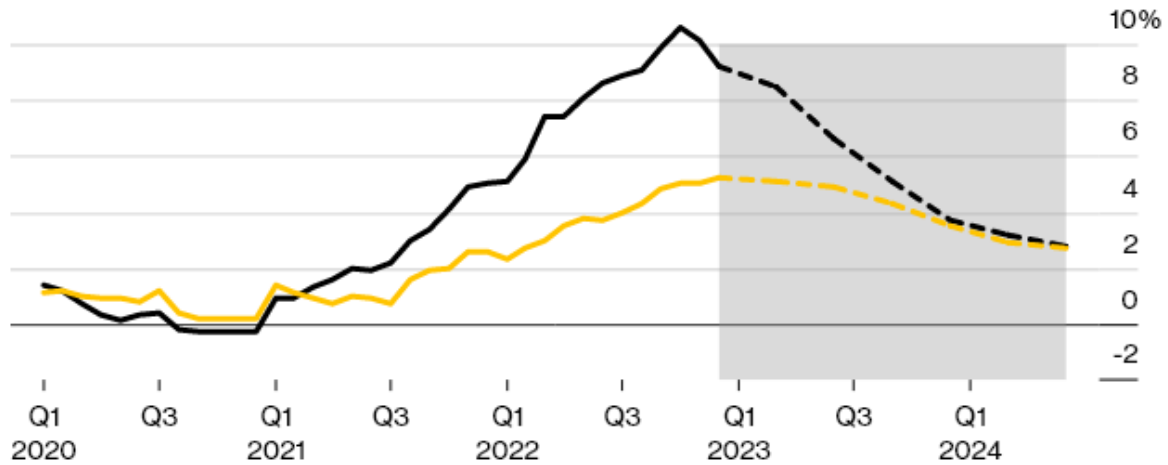
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Core Inflation Is Set to Peak This Quarter

Headline inflation Core inflation Forecast



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[Bloomberg: Swiss government approves starting trade deal talks with UK](#)

The Swiss government approved the start of negotiations on enhancing its bilateral trade agreement with the UK. Switzerland wants negotiations “for an agreement that is as extensive as possible” to begin by summer, the Bern-based body said Wednesday in a statement.

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[Reuters: U.S. manufacturing output surges in January](#)

Production at U.S. factories rebounded in January, but output in the prior month was much weaker than initially thought amid higher borrowing costs that are hurting the manufacturing sector. Manufacturing output increased 1.0% last month, the Federal Reserve said on Wednesday. Data for December was revised down to show production at factories declining 1.8% instead of the previously reported 1.3%. Economists polled by Reuters had forecast factory production would increase 0.8%.

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Special Analysis

[UNCTAD: Trade and Development Report 2022](#)

The Trade and Development Report 2022 warns that monetary and fiscal policy moves in advanced economies risk pushing the world towards global recession and prolonged stagnation, inflicting worse damage than the financial crisis in 2008 and the COVID-19 shock in 2020. According to the report, rapid interest rate increases and fiscal tightening in advanced economies combined with the cascading crises resulting from the COVID pandemic and the war in Ukraine have already turned a global slowdown into a downturn with the desired soft landing looking unlikely.

In a decade of ultra-low interest rates, central banks consistently fell short of inflation targets and failed to generate healthier economic growth. Any belief that they will be able to bring down prices by relying on higher interest rates without generating a recession is, the report suggests, an imprudent gamble.

At a time of falling real wages, fiscal tightening, financial turbulence and insufficient multilateral support and coordination, excessive monetary tightening could usher in a period of stagnation and economic instability for many developing countries and some developed ones.

This year's interest rate hikes in the United States are set to cut an estimated \$360 billion of future income for developing countries (excluding China) and signal even more trouble ahead, the report warns.

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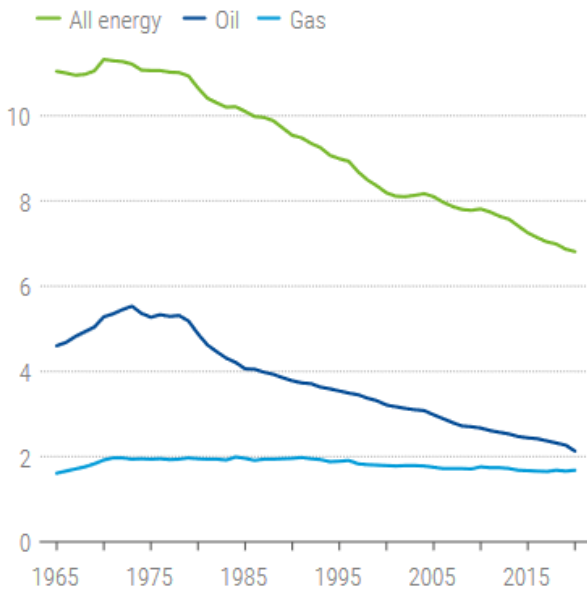
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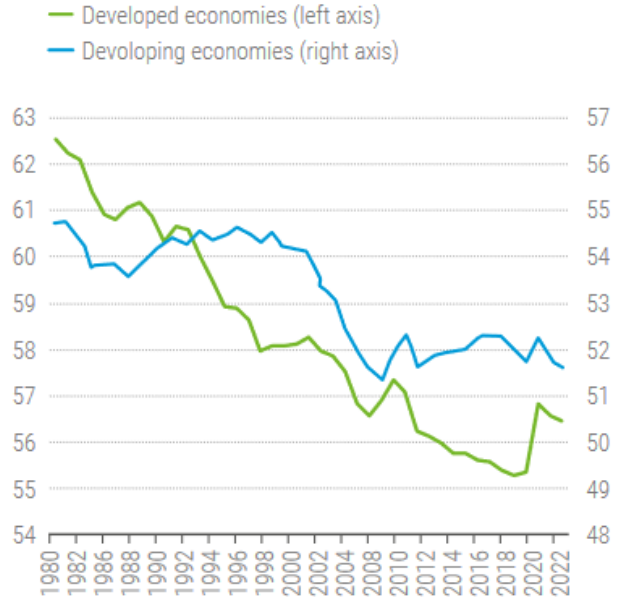
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Figure 1.3 Energy intensity, 1965–2020
 (percentage, megajoule to GDP)



Source: Bank for International Settlements (2022).

Figure 1.4 Labour share, 1980–2022
 (percentage of GDP)



Source: United Nations Global Policy Model database.

Note: Labour share is calculated as the ratio of the sum of compensation of employees and mixed income to GDP.

³ According to BIS (2022), inflation in the emerging economies is rapidly becoming more broad-based.

⁴ The global inflation rates are averaged for 66 countries, using CPI data for January to April 2022.

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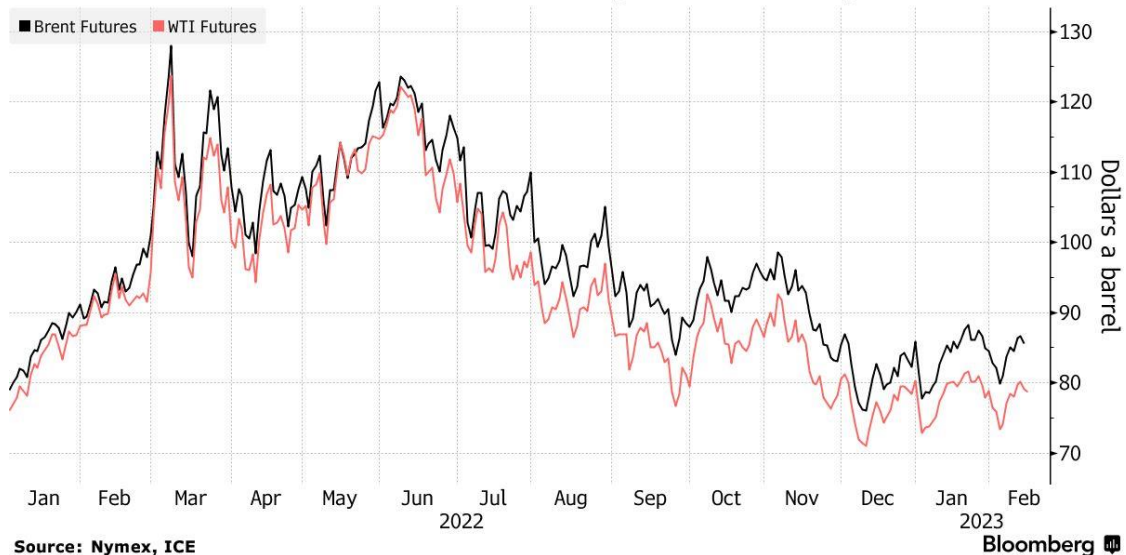
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Developments in Financial and Commodity Markets in the Past Week

[Bloomberg: Oil slumps as US stockpiles seen swelling and dollar advances](#)

Oil fell as an industry estimate pointed to another major build in American inventories and the dollar gained, with investors assessing the outlook for even tighter US monetary policy to combat sticky inflation. West Texas Intermediate fell below \$78 a barrel after ending 1.4% lower on Tuesday. The industry-funded American Petroleum Institute reported that US commercial crude inventories rose by 10.5 million barrels last week, according to people familiar with the figures. Official data come later Wednesday.

Oil Edges Lower After API Report Shows Higher Inventories **US benchmark WTI extends decline after losing 1.4% on Tuesday**



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[Reuters: Gold drops to over 1-month low as rate-hike bets fuel dollar](#)

Gold prices dropped to their lowest in over a month on Wednesday, weighed down by a stronger dollar as better-than-expected U.S. economic data raised worries the Federal Reserve could hike interest rates further. Spot gold fell 1% to \$1,835.39 per ounce by 2:53 p.m. ET (1953 GMT). U.S. gold futures settled 1.1% lower at \$1,845.30.

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