



Our Economy and The World

The Weekly Report

Issue: 284 Date: 21 August 2022

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

- **Key Global and Regional Developments over the Past Week**
 - Bloomberg: UK Inflation Hits Double Digits for the First Time in 40 Years
 - Reuters: Japan Posts Longest Run of Trade Gaps in 7 Years as Import Costs Soar
 - Bloomberg: Euro-Zone Economy Grew Less Than Estimated in Second Quarter
 - Bloomberg: Chipmakers Are Flashing More Warnings on the Global Economy
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 - Bloomberg: Oil Rallies as US Demand Revives, Easing Concerns About Slowdown
 - Bloomberg: Natural Gas Shortage Fears Buoy US Market as Winter Reserves Lag

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Key Global and Regional Developments over the Past Week

Bloomberg: UK Inflation Hits Double Digits for the First Time in 40 Years

UK inflation accelerated more than expected last month to the highest in 40 years, intensifying a squeeze on consumers and adding to pressure for action from the government and Bank of England. The Consumer Prices Index rose 10.1% in July from a year earlier after a 9.4% gain the month before, the Office for National Statistics said Wednesday. The reading was higher than expected by both the BOE and private-sector economists.

Surging Prices

The BOE is battling criticism that it has lost control over inflation

/ CPI inflation rate
 / Inflation target
 / BOE forecast



Source: Office for National Statistics
Note: Remodelled series from 1950 through 1988

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Reuters: Japan Posts Longest Run of Trade Gaps in 7 Years as Import Costs Soar

Japan's imports jumped to a record amount in July, boosted by global fuel inflation and a weak yen, outweighing exports and deepening the trade deficit, in a sign of a further worsening in the terms of trade for the export-oriented economy. The trade data came on the heels of Reuters

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Tankan, which showed improvement in Japan's business sentiment in August, while a key gauge of corporate capital spending rebounded in June from the previous month's decline.

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Bloomberg: Euro-Zone Economy Grew Less Than Estimated in Second Quarter

The euro-area economy grew slightly less than initially estimated in the second quarter as signs continue to emerge that momentum is unraveling. Output rose 0.6% from the previous three months between April and June, compared with a preliminary reading of 0.7%, Eurostat said Wednesday. Employment, meanwhile, climbed 0.3% during that period. While the data still suggest Europe's economy was on a relatively firm footing coming into the summer, analysts worry that energy shortages will drive record inflation higher still, tipping the continent into a recession. A downturn lasting two quarters is now more likely than not, according to a Bloomberg survey, which puts the probability at 60%.

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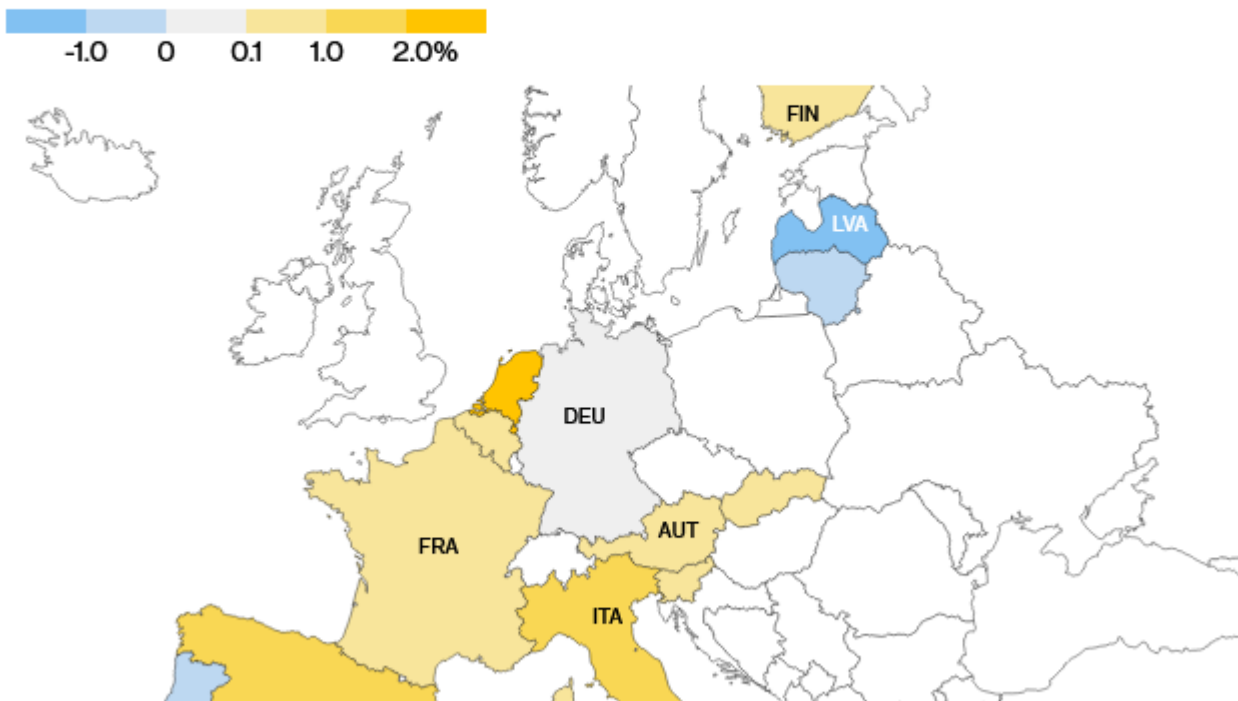


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Growth Divide

Euro-area economies contracted as much as 1.4% and grew up to 2.6% in the second quarter



Source: Eurostat, QoQ data

Note: No data available for euro-area members Estonia, Greece, Ireland, Luxembourg and Malta

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[Bloomberg: Chipmakers Are Flashing More Warnings on the Global Economy](#)

Mounting concern over semiconductor demand is sending shudders through North Asia's high-tech exporters, which historically serve as a bellwether for the international economy. South Korean behemoths Samsung Electronics Co. and SK Hynix Inc. have signaled plans to dial back investment outlays, while across the East China Sea, the world's biggest contract chipmaker Taiwan Semiconductor Manufacturing Co. indicated a similar expectation. Fading tech demand highlights a darkening picture as Russia's war on Ukraine and rising interest rates damp activity. The following charts look at the chip industry and its implications for the world economy.

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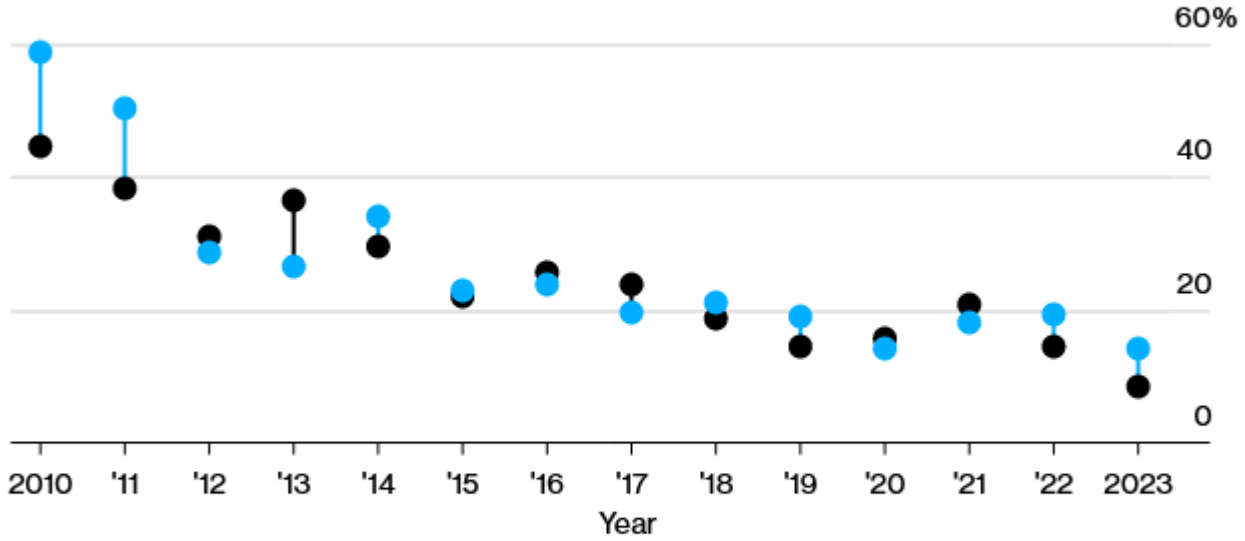
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Global Bit Growth

Weaker demand than supply undermines outlook for chipmakers

● Demand ● Supply



Source: TrendForce

* DRAM bit growth YOY. 2022 is an estimate; 2023 is a forecast.

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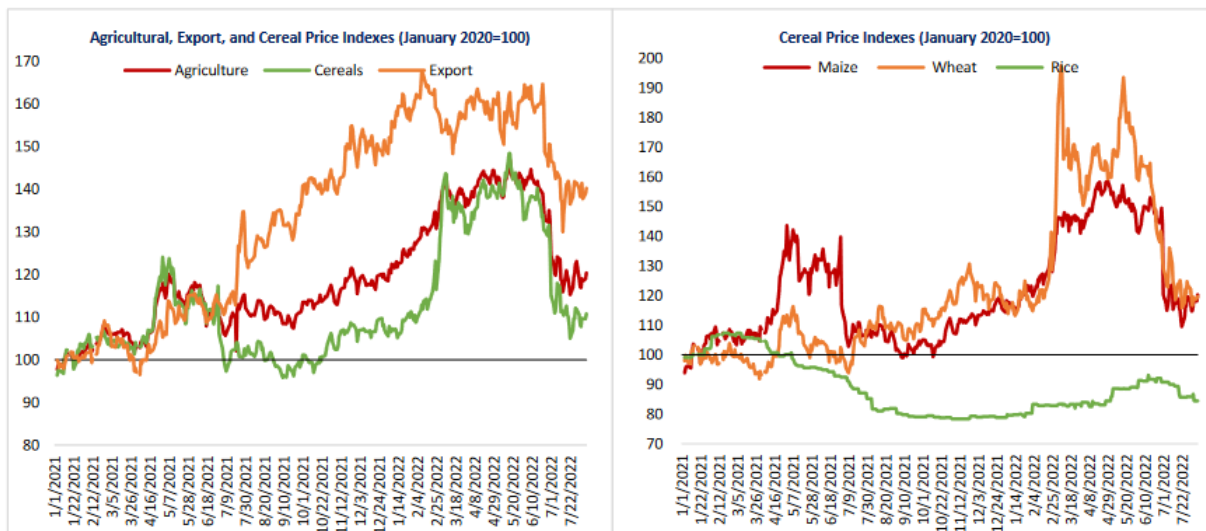
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Special Analysis

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.

Figure 1: Trends in Agricultural and Cereal Prices (Nominal Indices)



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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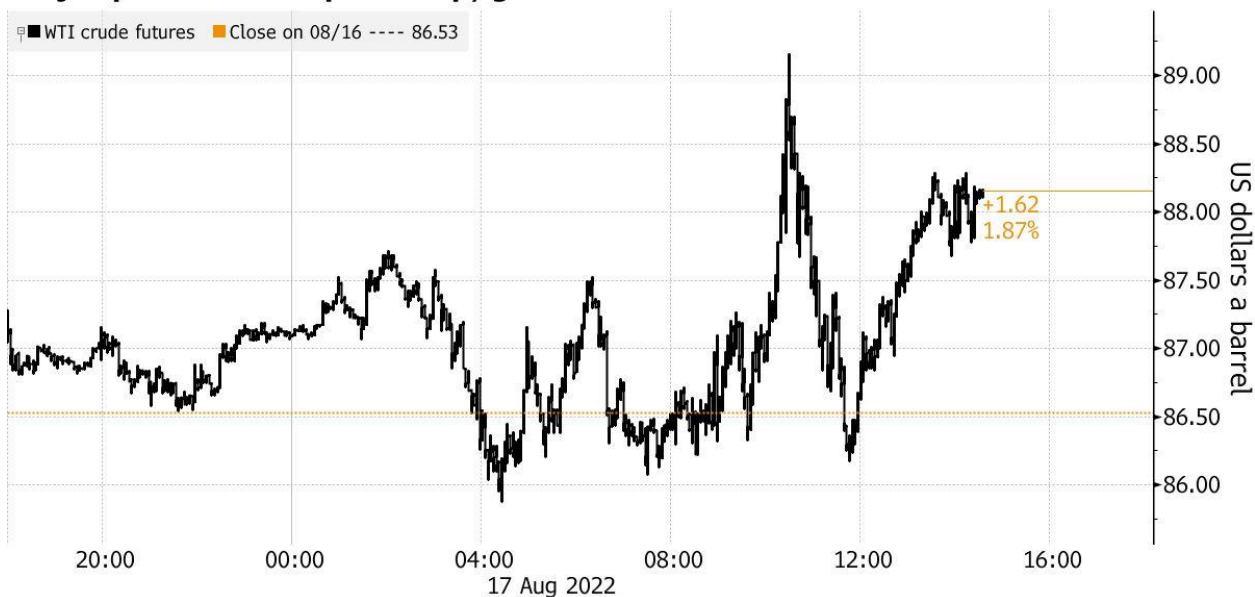
Developments in Financial and Commodity Markets in the Past week

Bloomberg: Oil Rallies as US Demand Revives, Easing Concerns About Slowdown

Oil rebounded from several days of declines after a bullish US stockpile report eased concerns that an economic slowdown is blunting demand. West Texas Intermediate futures rose 1.8% to settle above \$88 a barrel after earlier falling to a seven-month low. Crude rallied after a US government tally Wednesday showed inventories dropped by 7.06 million last week while exports rose to a record. The bullish report halted a three-day slide magnified by negotiations to revive a nuclear deal with Iran showed progress and China's worsening economic outlook.

Oil Rallies After Bullish EIA report

Oil jumps as US stockpiles drop, gasoline demand roars



Source: Nymex

Bloomberg 

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Bloomberg: Natural Gas Shortage Fears Buoy US Market as Winter Reserves Lag

Natural gas prices are flirting with levels not seen in the US in almost 15 years amid mounting concerns that robust domestic and overseas demand for the fuel will siphon off supplies that otherwise would be stowed for winter. So much North American gas is feeding power plants to run air conditioners that stockpiles relied upon during the coldest months to augment pipelined supplies are still more than 10% below normal levels. Add to that expectations that amassing reserves will get even more challenging when a key gas-export complex on the Texas coast

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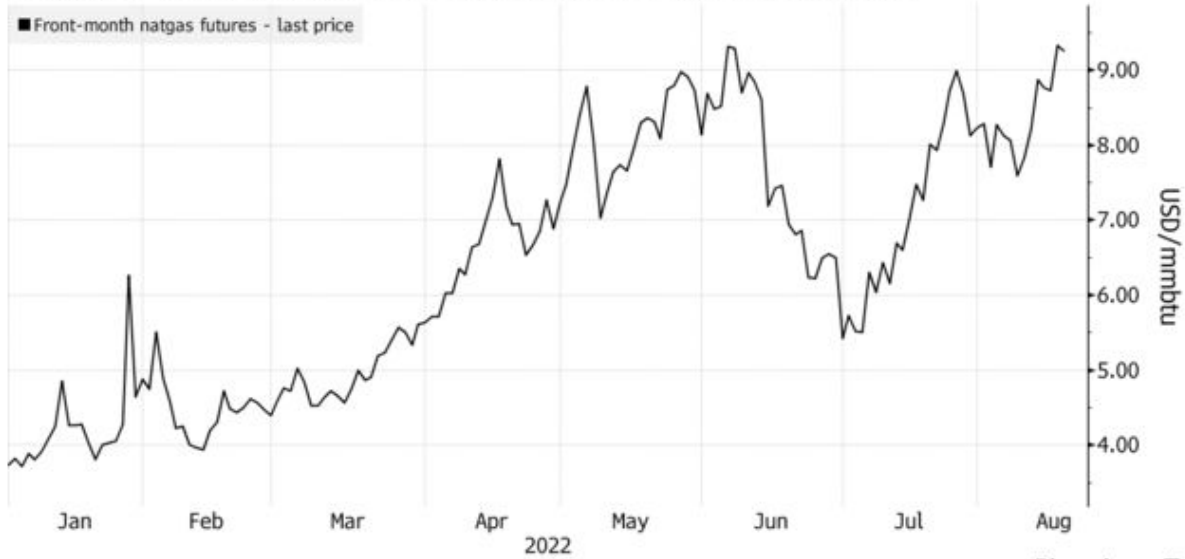
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resumes operations in October. With European buyers willing to pay almost seven times the US price, competition for spare supplies will be fierce.

US Natural Gas Prices Surge

Futures of the power-generation fuel have gained 150% this year



Source: CME

Bloomberg

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