



Our Economy and The World

The Weekly Report

Issue: 306 Date: 5th February 2023

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

- **Key Global and Regional Developments over the Past Week**
 - CNBC: Euro zone economy posts surprise expansion in the fourth quarter, curbing recession fears
 - Bloomberg: EU is poised to miss March goal to agree on reform of debt rules
 - Reuters: China's manufacturing activity rises as COVID wave ebbs
 - BBC: UK expected to be only major economy to shrink in 2023
- **Special Analysis**
 - UN: World Economic Situation and Prospects 2023
- **Developments in Financial and Commodity Markets in the Past Week**
 - Reuters: China stocks rise on upbeat data, rate hopes
 - Reuters: Asia thermal coal prices slip as China, India buy less

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Key Global and Regional Developments over the Past Week

CNBC: Euro zone economy posts surprise expansion in the fourth quarter, curbing recession fears

The euro zone beat expectations on Tuesday by posting positive growth in the final quarter of 2022 and reducing fears of a potential regional recession. Preliminary Eurostat data released Tuesday showed that the euro zone grew 0.1% in the fourth quarter. Economists had pointed to a 0.1% contraction over the same period, according to Reuters.

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Bloomberg: EU is poised to miss March goal to agree on reform of debt rules

The European Union risks missing a March target to agree on a reform of its debt-limit rules in the face of resistance from countries including Germany, a prospect that may force member states into abrupt and potentially painful budgetary adjustments. Berlin is especially doubtful about the idea of highly indebted governments negotiating tailored plans with the European Commission to bring their spending under control and wants to see reliable enforcement tools in place.

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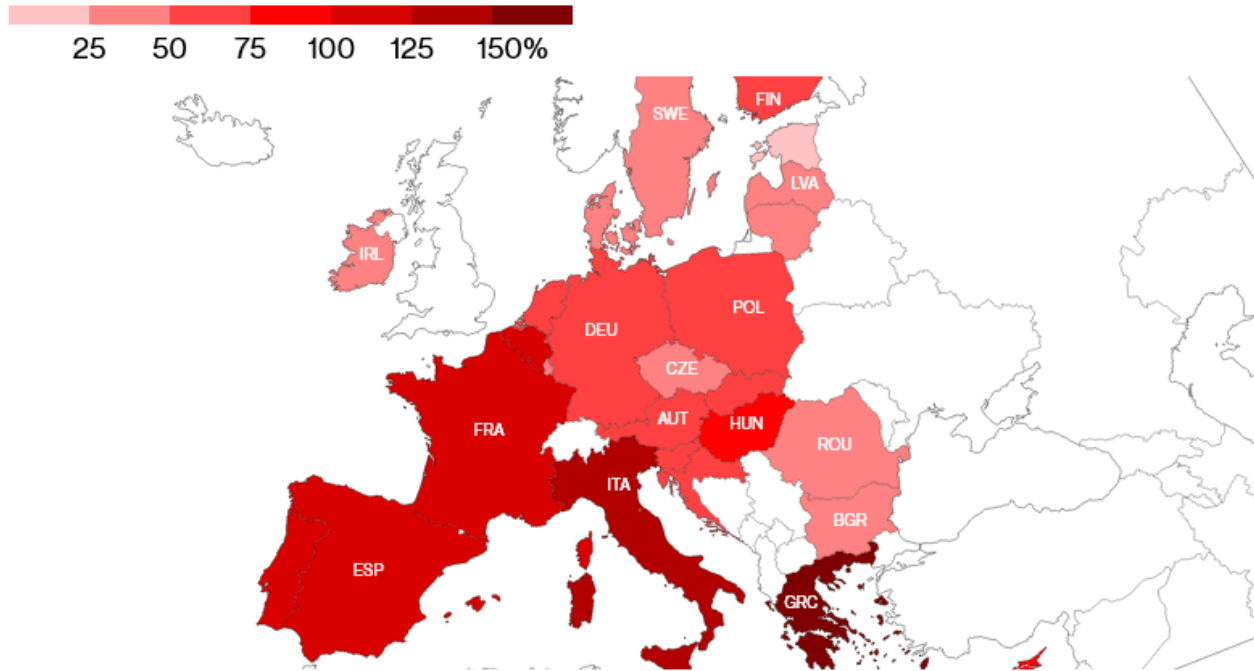


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Old Fiscal Rules Would Bring Severe Cuts

National debt levels projected in 2024 in relation to GDP



Source: European Commission

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[Reuters: China's manufacturing activity rises as COVID wave ebbs](#)

China's manufacturing activity has started to increase as the coronavirus epidemic wanes, after the country abandoned its suppression strategy that severely disrupted the economy with a series of city lockdowns. The manufacturing purchasing managers' index rose to 50.1 (between the 26th and 34th percentiles for all months since 2011) in January from 47.0 (1st percentile) in December.

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[BBC: UK expected to be only major economy to shrink in 2023](#)

The UK economy will shrink and perform worse than other advanced economies, including Russia, as the cost of living continues to hit households, the International Monetary Fund has said. The IMF said the economy will contract by 0.6% in 2023, rather than grow slightly as previously predicted.

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Special Analysis

UN: World Economic Situation and Prospects 2023

A series of severe and mutually reinforcing shocks struck the world economy in 2022 as it approached the midpoint for achieving the 2030 Sustainable Development Goals (SDGs). With the impacts of the COVID 19 pandemic still reverberating worldwide, the war in Ukraine ignited a new crisis, disrupting food and energy markets, and worsening food insecurity and malnutrition in many developing countries. High inflation unleashed an erosion of real incomes and a global cost of living crisis that has pushed millions into poverty and economic hardship. At the same time, the climate crisis continued to impose a heavy toll, with heat waves, wildfires, floods and hurricanes inflicting massive economic damages and generating humanitarian crises in many countries.

All these shocks will weigh heavily on the world economy in 2023. Persistently high inflation, which averaged about 9 percent in 2022, has prompted aggressive monetary tightening in many developed and developing countries.

Rapid interest rate hikes, particularly by the Federal Reserve in the United States of America, have had global spillover effects, triggering capital outflows and currency depreciations in developing countries, increasing balance of payment pressures and exacerbating debt sustainability risks. Financing conditions have tightened sharply amid high levels of private and public debt, pushing up debt servicing costs, constraining fiscal space and increasing sovereign credit risks. Rising interest rates and diminishing purchasing power have weakened consumer confidence and investor sentiment, further clouding near term growth prospects for the world economy. Global trade has softened due to tapering demand for consumer goods, the protracted war in Ukraine and continued supply chain challenges.

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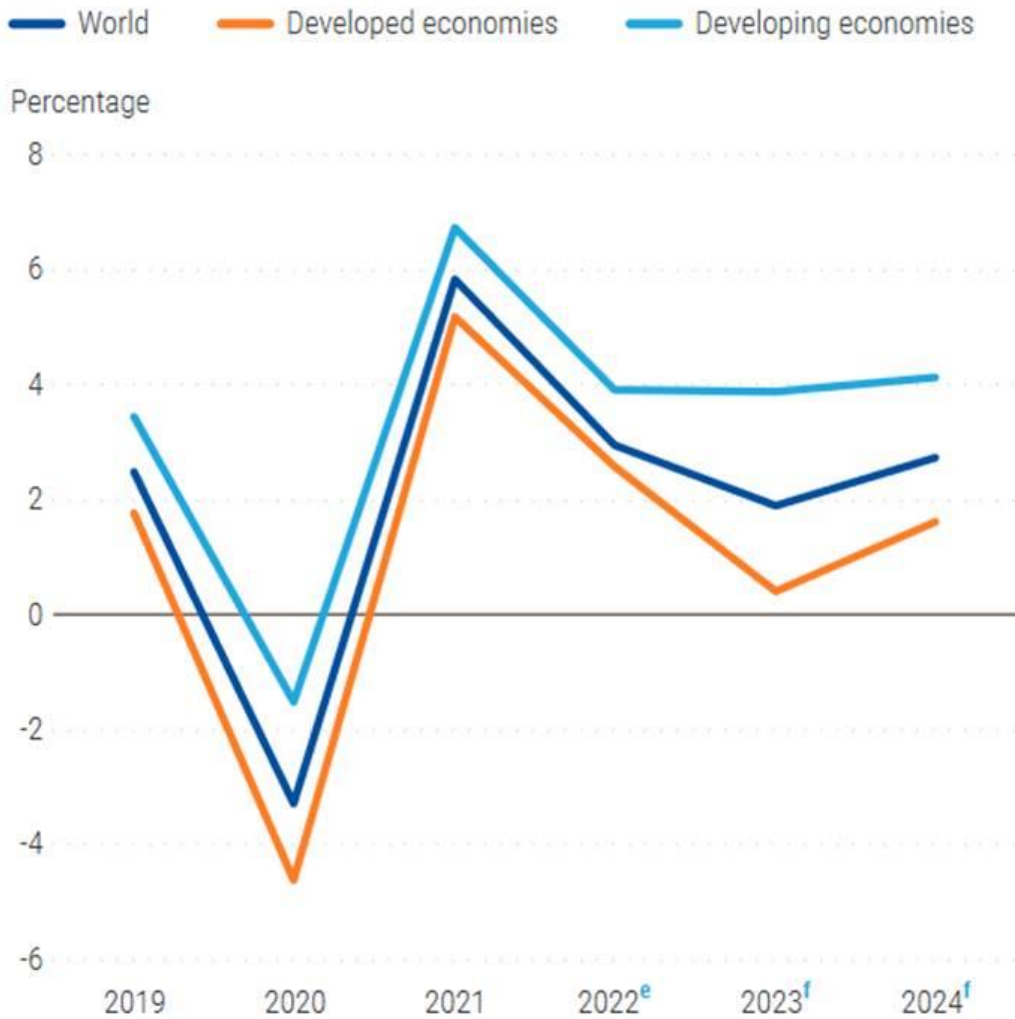
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Figure I.1
Growth of economic output in the world, developed and developing countries



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

Note: e = estimates, f = forecasts.

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Recent Developments in Financial and Commodity Markets

Reuters: China stocks rise on upbeat data, rate hopes

China and Hong Kong stocks edged higher on Wednesday after manufacturing activity data showed an improvement, with investors remaining hopeful around the U.S. Federal Reserve's interest-rate decision.



Open	4,170.13	Low	4,137.77	52-wk high	4,672.65
High	4,195.93	Prev close	4,156.86	52-wk low	3,495.95

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Reuters: Asia thermal coal prices slip as China, India buy less

Asia's seaborne thermal coal markets are losing heat, with both prices and volumes declining as winter demand passes and Europe's energy crisis eases. Prices of the main traded grades for coal used in power plants dropped to their lowest in months last week, and to the weakest in a year in the case of one of the major Australian varieties. This grade of coal is most commonly bought by Indian utilities, and was the preferred Australian thermal grade among Chinese buyers prior to Beijing's unofficial ban on Australian cargoes, imposed amid a diplomatic dispute in mid-2020. While the Chinese ban has been lifted, it's unlikely that buyers will flock back to Australian thermal coal, given the availability of cheaper, and similar quality, coal from Russia.

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