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Our Economy and the World

Issue: 312 Date: 19th March 2023

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

- **Key Global and Regional Developments over the Past Week**

- o Reuters: China, Air Travel Rebound Set to Supercharge Oil Demand
- o Bloomberg: US Producer Prices Unexpectedly Fall, Signaling Easing Pressures
- o Bloomberg: Hunt Pledges to Unblock Investment In UK Budget
- o Bloomberg: China's Central Bank Takes Up Xi Call to Fight US 'Containment'

- **Special Analysis**

- o IMF: Rethinking Monetary Policy in a Changing World

- **Developments in Financial and Commodity Markets in the Past Week**

- o CNBC: Dow futures fall nearly 600 points as Credit Suisse slide adds to financial sector woes
- o Reuters: Oil falls to three-month low on inflation worries, U.S. bank shutdowns

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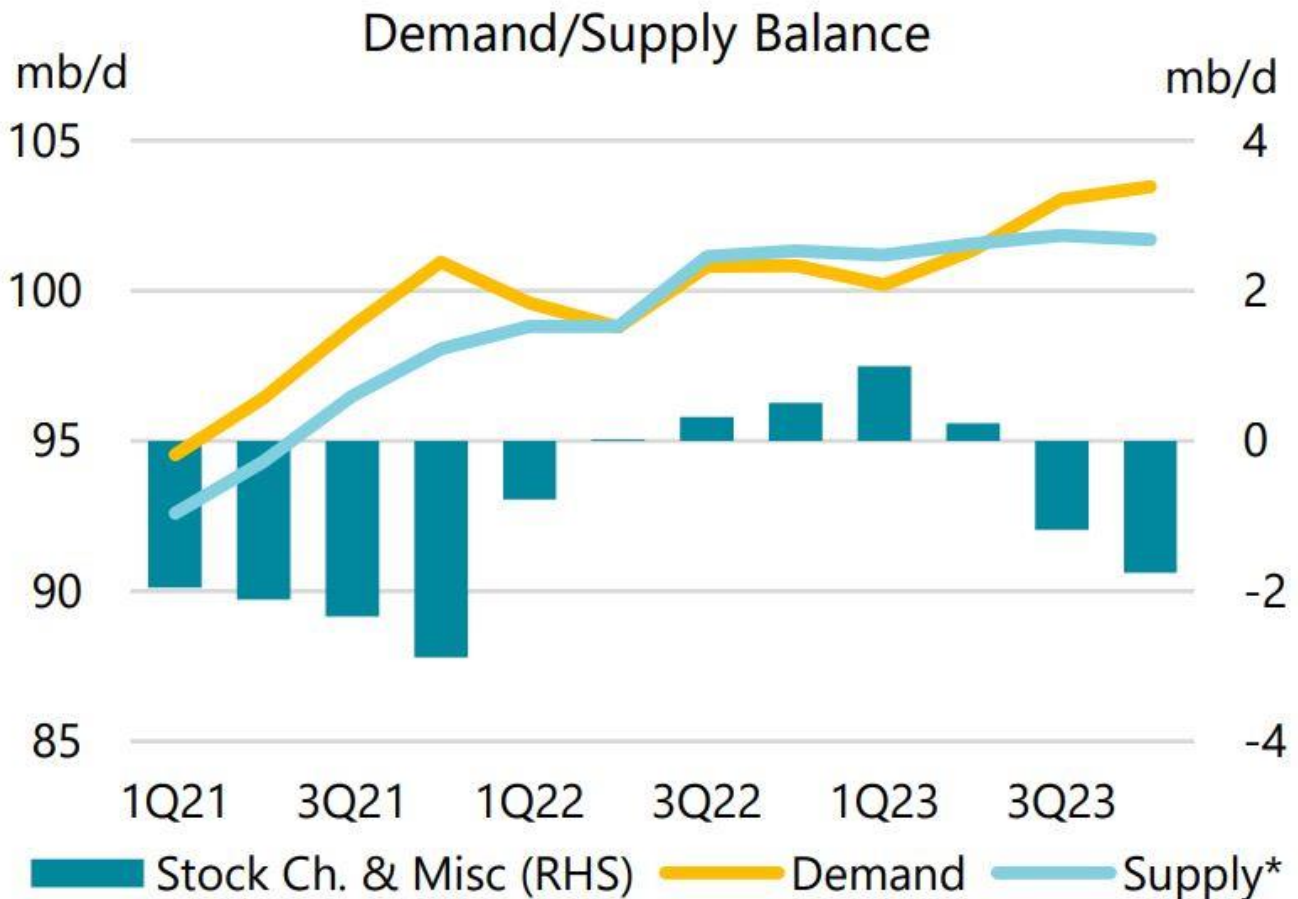
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Our Economy and the World

Key Global and Regional Developments over the Past Week

Reuters: China, Air Travel Rebound Set to Supercharge Oil Demand

Global oil demand is edging up slowly but is set for a huge boost from resumed air travel and China's economic reopening after COVID-19 curbs, the International Energy Agency said on Wednesday.



* Assumes OPEC+ unwinds cuts. Iran remains under sanctions.

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Bloomberg: US Producer Prices Unexpectedly Fall, Signaling Easing Pressures

US producer prices unexpectedly declined in February, pointing to an easing of cost pressures in corners of an economy still battling the highest inflation in a generation. The producer price index for final demand fell 0.1% from the prior month and increased 4.6% from a year earlier, according to data out Wednesday from the Bureau of Labor Statistics. Excluding the volatile food and energy components, the so-called core PPI was unchanged from a month earlier.

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Bloomberg: Hunt Pledges to Unblock Investment In UK Budget

UK Chancellor of the Exchequer Jeremy Hunt will pledge to drive economic growth by unblocking business investment in his first budget on Wednesday, in which he will set out tax-and-spend policies for the last full year before the next election. Having stabilized the economy in November's autumn statement after the turbulence of Liz Truss's short-lived government, Hunt will pledge to "deliver the next part of our plan: a budget for growth," according to prepared remarks released by the Treasury.

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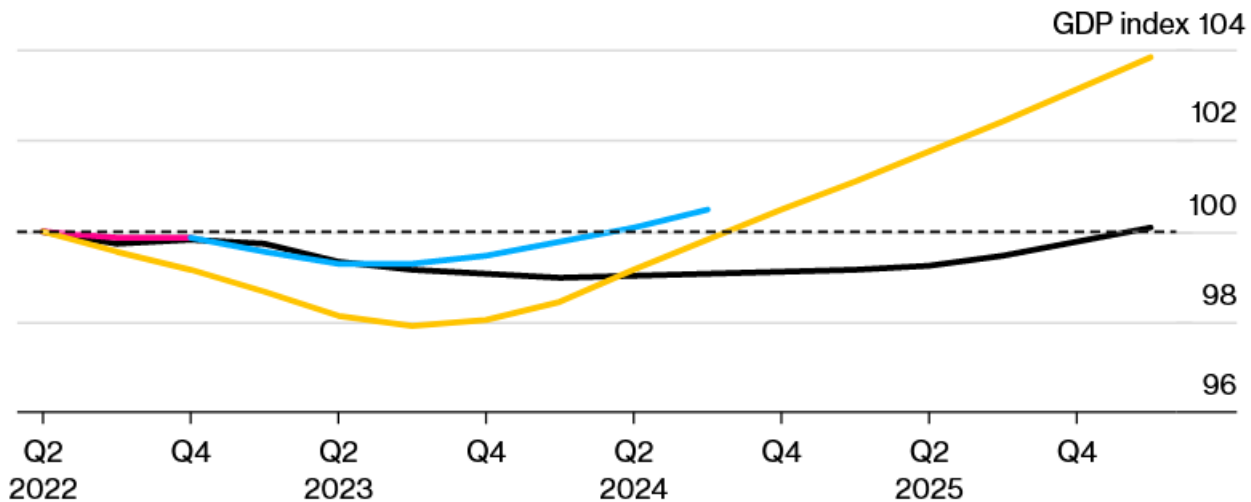
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The Near-Term Outlook is Better Than Forecast in November

/ BOE forecast February 2023 / Actual GDP / Private-sector median February 2023
 / OBR November 2022



Source: BOE, OBR, Bloomberg survey of economists
 Note: 2Q 2022 = 100

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[Bloomberg: China's Central Bank Takes Up Xi Call to Fight US 'Containment'](#)

China's central bank echoed President Xi Jinping's warning that the US is seeking to suppress the world's second-largest economy, an unusual move that suggests the central bank could be looking for ways to safeguard against possible further sanctions. The People's Bank of China will "appropriately respond to the containment and suppression of the US and other Western countries," it said in a statement Wednesday following a meeting to study Xi's speeches during the National People's Congress session, which concluded Monday.

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Special Analysis

[IMF: Rethinking Monetary Policy in a Changing World](#)

Monetary theory in economics has consisted of various schools of thought rather than a single unified model. Each of these schools emphasizes different forces that drive inflation and recommends a distinct policy response. Different times have raised different challenges—and each required its own policy approach.

Now, a resurgence of inflation requires yet another shift in emphasis in monetary policy. The predominant intellectual framework central banks have followed since the global financial crisis that began in 2008 neither stresses the most pressing looming issues nor mitigates their potential dire consequences in this new climate.

Following a lengthy period of low interest rates and low inflation, the global economy is entering a phase characterized by high inflation and high levels of both public and private debt. Fifteen years ago, central banks saw an urgent need to incorporate financial stability and deflation concerns into their traditional modeling of the economy and developed unconventional tools to deal with both.

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Developments in Financial and Commodity Markets in the Past Week

[CNBC: Dow futures fall nearly 600 points as Credit Suisse slide adds to financial sector woes](#)

Stock futures fell on Wednesday as pressure on the financial sector increased with shares of Credit Suisse, a Swiss Bank that has large U.S. and global operations, tumbling more than 25%. Futures tied to the Dow Jones Industrial Average fell 590 points, or 1.8%, while Nasdaq-100 futures lost 1.5%. The 1.9% slide in S&P 500 futures put the broad index's 2.1% year-to-date gain at risk.



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[Reuters: Oil falls to three-month low on inflation worries, U.S. bank shutdowns](#)

Oil prices dropped over 4% to a three-month low on Tuesday after a U.S. inflation report and the recent U.S. bank failures sparked fears of a fresh financial crisis that could reduce future oil demand. Brent futures fell \$3.32, or 4.1%, to settle at \$77.45 a barrel, while U.S. West Texas Intermediate (WTI) crude fell \$3.47, or 4.6%, to settle at \$71.33.

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