



Our Economy and The World

The Weekly Report

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Key Global and Regional Developments over the Past Week

Bloomberg: The global economy is vulnerable and central banks aren't ready

The global economy is looking shaky and the economics chief at the Bank for International Settlements says central banks may be powerless if it all goes awry. Claudio Borio, a long-time critic of loose monetary policy, used the BIS's latest Quarterly Review to highlight again that central bankers were overburdened after the global financial crisis. He said side effects are inevitable, including market turmoil such as that seen in emerging markets in response to Federal Reserve tightening and dollar appreciation.

[Read the full article](#)

Bloomberg: Trade war reality sets in as U.S. and China stick to their guns

The world's two biggest economies are digging in for what could be a long and bruising trade war, testing the resilience of the strongest global upswing in years. The Trump administration just after midnight on Monday slapped tariffs on \$200 billion in Chinese goods. China responded with duties of its own on \$60 billion in U.S. products. The Chinese government also called off planned talks with U.S. officials as the consensus grows in Beijing that substantive discussions will only be possible after U.S. midterm elections in November, according to people familiar with the matter.

[Read the full article](#)

Bloomberg: Fed dots to harden views for December move: decision-day guide

The Federal Reserve is poised to increase interest rates for a third time this year as it publishes forecasts that are expected to bolster expectations for another move in December and a continued pace of gradual tightening in 2019. The Federal Open Market Committee is almost certain to raise rates a quarter point at the end of its two-day meeting Wednesday to a target range of 2 percent to 2.25 percent -- the highest level in more than a decade.

[Read the full article](#)

Reuters: China to further boost \$3.8 trillion digital economy, create more jobs

China's state planner on Wednesday called for further advancement in the country's \$3.8 trillion digital economy, saying sectors such as big data and artificial intelligence (AI) will become drivers of job creation. The Chinese economy is in the midst of a long-term restructuring that has seen the decline of low-end industries and the emergence of higher-value factories that make robotics and drones.

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Special Analysis: OECD Economic Policy Reforms 2018

At nearly 4 per cent projected for 2018, the annual GDP growth rate of the global economy is close to the pace of growth preceding the great recession. This period of strong and broadly-based global growth creates favorable conditions for the successful implementation of structural reforms – necessary to turn the upswing into stronger and sustainable long-term growth for all.

Amid these positive short-term developments, still underpinned by supportive fiscal and monetary policy, medium and longer-term challenges remain for policy makers. Productivity growth is still disappointing. Despite the long-awaited employment recovery, wages have so far failed to follow, and many vulnerable groups are still confronted with weak prospects in the labour market. Inequality is persistent and on a longer-term trend rise within many countries – indicating that parts of society have not benefited much from growth. On top of this, megatrends such as digitalization, environmental pressures and demographics, may carry risks for the sustainability of long-term growth unless the policy challenges they raise are properly addressed.

Going for Growth provides policy makers with concrete reform recommendations in areas which are defined as the top five country-specific priorities in order to tackle medium-term challenges, revive productivity and employment growth, while ensuring a broad sharing of the benefits. The priorities are identified building on OECD expertise on structural policy reforms and inclusive growth. The areas covered are diverse, including product and labour market regulation, education and training, tax and transfer systems, as well as trade and investment rules, physical and legal infrastructure and innovation policies. Policy recommendations across these areas are articulated so as to form a coherent reform strategy, which is crucial to reap synergies, manage trade-offs and ensure that the benefits are broadly shared over time. As such, the going for growth framework has been instrumental in helping G20 countries make progress on their structural reform agenda, including through monitoring their growth strategies to achieve sustained and balanced growth.

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Recent Developments in Financial and Commodity Markets

Reuters: Global stock markets fall on trade war pessimism; oil rallies

Stock markets around the world retreated on Monday amid concerns over the potential wider impact of a trade spat between China and the United States, while oil prices rallied to a four-year high after OPEC ignored U.S. calls to raise supply. Wall Street equities also stumbled on a wave of uncertainty over the future of U.S. Deputy Attorney General Rod Rosenstein, who oversees the special counsel investigation into Russia's role in the 2016 presidential election.

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Bloomberg: OPEC gives tepid response to Trump's demand for lower oil prices

U.S. President Donald Trump's demand that OPEC take rapid action to reduce oil prices got a tepid response, with the group saying it would boost output only if customers requested it. In contrast to the dramatic policy U-turn that Trump's tweets provoked earlier this year, Saudi Arabia, Russia and their allies signaled less urgency and stopped short of promising specific extra volumes of crude.

[Read the full article](#)

Reuters: Iran says oil to rise as Saudi, Russia do 'little and late'

Saudi Arabia and Russia won't add significantly more oil to the market because of a lack of capacity, a top Iranian official said on Monday, predicting prices will probably rise further. On Sunday, ministers and officials from the Organization of the Petroleum Exporting Countries plus Russia and other allies ruled out an immediate oil-output boost, in effect rebuffing U.S. President Donald Trump's calls for action.

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