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Our Economy and the World

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Key Global and Regional Developments over the Past Week

[**Bloomberg: ECB Is Near the End of its Interest-Rate Hiking, Stournaras Says**](#)

The European Central Bank is near the conclusion of its cycle of interest-rate increases and will almost certainly cease this year, Governing Council member Yannis Stournaras said. “We’re close to the end,” the Bank of Greece governor said in an interview with Greece’s Imerisia posted on its website on Wednesday.

[\(Read Full Article\)](#)

[**Bloomberg: Biden, McCarthy Vow More Debt-Limit Talks as US Default Looms**](#)

President Joe Biden and congressional Republicans made little tangible progress Tuesday toward averting a first-ever US default, but pledged negotiations on spending that would open the door to a possible agreement. Congressional aides and presidential staff will begin budget discussions in the coming hours, ahead of another meeting on Friday with Biden and congressional leaders, including House Speaker Kevin McCarthy.

[\(Read Full Article\)](#)

[**BBC: Janet Yellen warns of debt ceiling 'catastrophe'**](#)

US Treasury Secretary Janet Yellen has warned a failure to raise the US's debt ceiling could have dire consequences. Without an agreement to increase what the federal government can borrow, it could run out of money by early June. At

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that point the federal government might not be able to make wage, welfare and other payments.

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CNBC: Fed's John Williams says rates could be increased if inflation doesn't come down

New York Federal Reserve President John Williams on Tuesday cautioned that interest rate increases will take a while to work their way through the economy before inflation returns to an acceptable level. The central bank official gave no forecast for where he sees policy headed but said he doesn't expect inflation to return to the Fed's 2% goal until the next two years. Should inflation not come down, he said the Fed always has the option to raise rates.

[\(Read Full Article\)](#)

Bloomberg: US Trade Chief to Meet China Minister in Sign of Warmer Ties

US Trade Representative Katherine Tai plans to meet China's commerce minister in Detroit later this month, people familiar with the matter said, in what would be the most senior in-person encounter between the nations since the US shot down an alleged Chinese spy balloon. The meeting between Tai and Wang Wentao would likely occur on the sidelines of a gathering of Asia-Pacific Economic Cooperation trade ministers on May 25-26, according to the people, who asked not to be identified citing information that isn't yet public.

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Special Analysis

World Bank: World Bank Response to Rising Food Insecurity

Domestic food price inflation remains high around the world. Information from the latest month between January 2023 and April 2023 for which food price inflation data are available shows high inflation in almost all low- and middle-income countries, with inflation levels greater than 5% in 64.7% of low-income countries, 83.7% of lower-middle-income countries, and 89% of upper-middle-income countries and many experiencing double-digit inflation. In addition, 81.8% of high-income countries are experiencing high food price inflation. The most-affected countries are in Africa, North America, Latin America, South Asia, Europe, and Central Asia. The agricultural, cereal, and export price indices closed 8%, 9% and 11% lower, respectively, than two weeks ago. The decrease in maize and wheat prices (14% and 11% lower, respectively, than two weeks ago) drove the decrease in the cereal price index. Rice prices remained relatively unchanged. The decrease in coffee prices, which were 12% lower than two weeks ago, was the primary driver of the decrease in the export price index. On a year-on-year basis, maize and wheat prices are 17% and 38% lower, respectively, while rice prices are 15% higher. Maize prices are 13% higher than in January 2021, while wheat and rice prices are 6% and 4% lower, respectively (See “pink sheet” data for agricultural commodity and food commodity prices indices, updated monthly.)

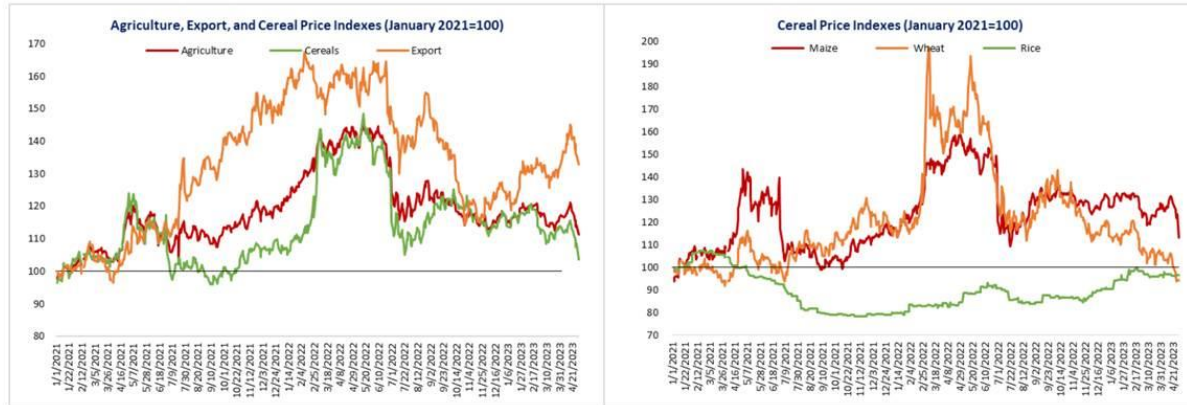
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Figure 1: Agricultural and Cereal Price Trends (Nominal Indexes)



Source: World Bank commodity price data.

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Developments in Financial and Commodity Markets in the Past Week

[CNBC: Dow jumps more than 100 points as traders cheer better-than-expected inflation data: Live updates](#)

Stocks rose Wednesday as investors grew optimistic after a tamer-than-expected inflation report. The Dow Jones Industrial Average traded 184 points higher, or 0.6%. The S&P 500 climbed 0.8%, and the Nasdaq Composite popped 1%. April consumer prices increased 4.9% from a year ago, which was less than the 5% annual increase expected by economists polled by Dow Jones. Month-over-month inflation matched expectations with a 0.4% increase in April.

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[Reuters: Oil drops 1% after US data points to further rate hikes](#)

Oil prices fell by more than a dollar a barrel on Wednesday, ending a three-day rally, as economic data suggested that the U.S. Federal Reserve might hike interest rates further. Brent crude dropped \$1.03, or 1.3%, to settle at \$76.41 a barrel while U.S. West Texas Intermediate crude (WTI) fell \$1.15, or 1.6%, to \$72.56 a barrel.

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