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Our Economy and the World

Issue: 322

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 - o Bloomberg: Australia's economy cools as aggressive rate hikes take toll
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Key Global and Regional Developments over the Past Week

[BBC: Rishi Sunak to raise trade issues in US talks with Joe Biden](#)

Prime Minister Rishi Sunak has said he expects to discuss Joe Biden's flagship package of investment in green industries when he meets the president during his trip to the United States. Travelling to Washington DC, Mr. Sunak said "subsidy races" were not a solution to hitting climate goals. Some British ministers have criticised Mr. Biden's Inflation Reduction Act (IRA) as harmful to world trade. The law includes \$370bn (£297bn) to boost green technology in the US. In a drive to cut carbon emissions, billions in tax credits and subsidies have been allocated to speed up the production of solar panels and wind turbines, and encourage the up-take of electric cars.

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

[Bloomberg: Australia's economy cools as aggressive rate hikes take toll](#)

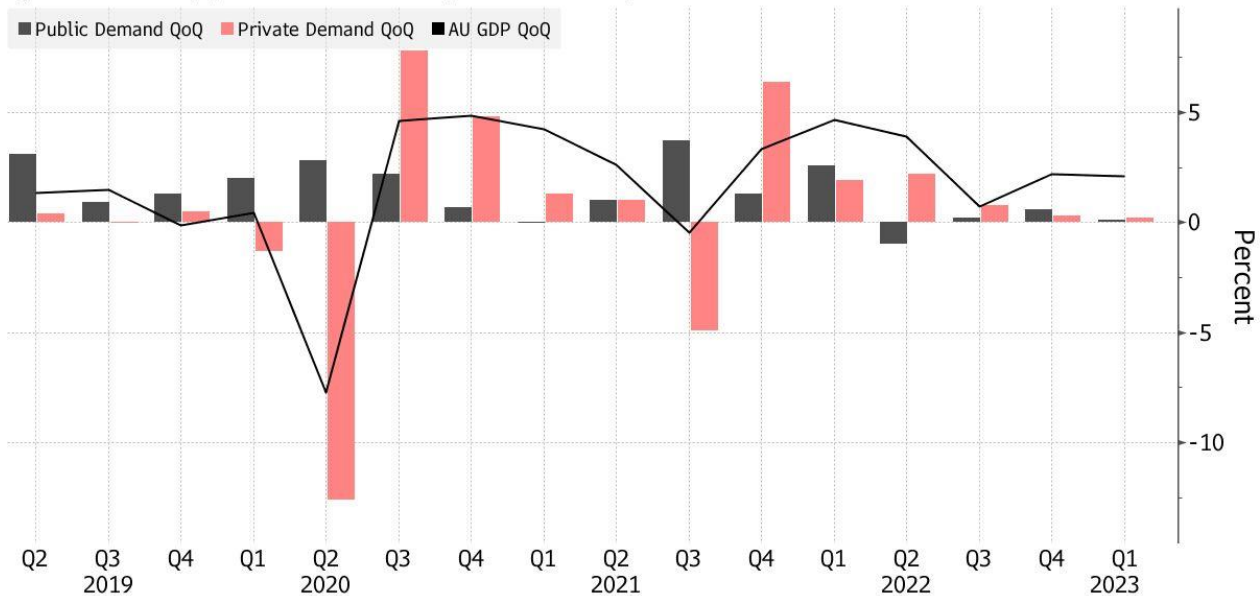
Australia's economy slowed more than expected last quarter as aggressive policy tightening weighed on household spending and construction, while accelerating labor costs underlined the nation's inflation challenge. The currency edged lower after gross domestic product advanced 0.2% from the prior quarter, the weakest three-month expansion since September 2021 and below a forecast 0.3% gain, data showed Wednesday. From a year earlier, the economy grew 2.3%, slowing from a downwardly revised 2.6%.

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Growth Slowdown

Q1 GDP disappointed as both private and public demand weakened



Source: Australian Bureau of Statistics

Bloomberg

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

[Reuters: Bank of Canada hikes rates to 22-year high, more increases expected](#)

The Bank of Canada on Wednesday hiked its overnight rate to a 22-year high of 4.75%, and markets and analysts immediately forecast yet another increase next month to ratchet down an overheating economy and stubbornly high inflation. The central bank had been on hold since January to assess the impact of previous hikes after raising borrowing costs eight times since March 2022 to a 15-year high of 4.50% - the fastest tightening cycle in the bank's history.

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[Reuters: China's exports plunge by 7.5% in May, far more than expected](#)

China's exports fell in May for the first time since February, adding to concerns that growth in the world's second-largest economy could be faltering. Exports fell 7.5% year-on-year to \$283.5 billion, customs data showed Wednesday, far worse than the 0.4% decline predicted by a Reuters poll. The decline was so sharp that export volumes came in below their levels at the start of the year, after accounting for seasonality and changes in export prices, Julian Evans-Pritchard, head of China Economics at Capital Economics, said in a note.

China's total exports change, year-on-year



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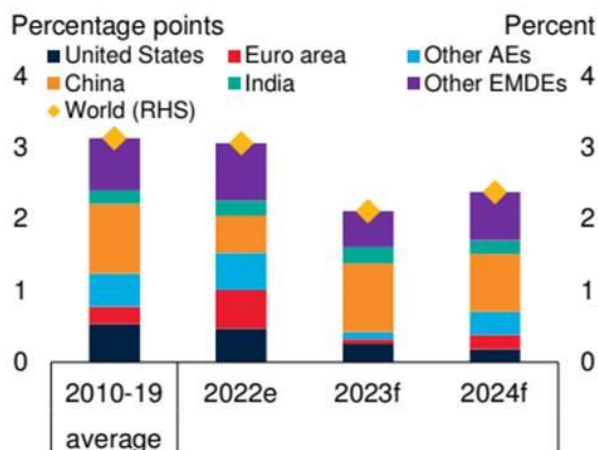
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Special Analysis

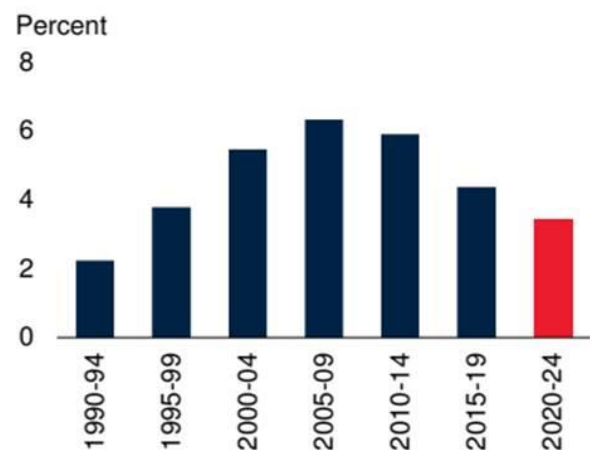
World Bank: Weakening Growth, Financial Risks

Global growth is projected to slow significantly amid high inflation, tight monetary policy, and more restrictive credit conditions. The possibility of more widespread bank turmoil and tighter monetary policy could result in even weaker global growth and lead to financial dislocations in the most vulnerable emerging market and developing economies (EMDEs). Comprehensive policy action is needed to foster macroeconomic and financial stability. Among many EMDEs, and especially in low-income countries, bolstering fiscal sustainability will require generating higher revenues, making spending more efficient, and improving debt management practices. Continued international cooperation is also necessary to tackle climate change, support populations affected by crises and hunger, and provide debt relief where needed.

A. Contributions to global growth



B. Growth in EMDEs



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Developments in Financial and Commodity Markets in the Past Week

[AP: Wheat prices jump following collapse of major dam in southern Ukraine](#)

Global prices for wheat and corn soared Tuesday after a major dam in Ukraine collapsed, renewing market fears about the fragility of the country's ability to ship food to Africa, the Middle East and parts of Asia as it fights a war with Russia. Wheat prices gained 2.4% in early trading Tuesday on the Chicago Mercantile Exchange, to \$6.39 a bushel. The cost of corn rose more than 1%, to \$6.04 a bushel, and oats gained 0.73%, to \$3.46 per unit. Prices were higher earlier in the day but faded. The destruction of the Kakhovka dam and hydroelectric power station, which sits in a Russian-controlled area on the Dnieper River, raised concerns about disruption to Ukraine's affordable supplies of wheat, barley, corn and sunflower oil getting to developing nations where people are struggling with hunger and high food prices.

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

[CNBC: Dollar edges up against yen as investors wait on inflation data, Fed](#)

The dollar edged higher against the yen on Wednesday as investors awaited U.S. inflation data for May and the Fed's interest rate decision next week, while the Canadian dollar jumped after the Bank of Canada hiked rates. The U.S. central bank is expected to hold rates steady next Wednesday as it evaluates the impact of recent rate increases, though Fed fund futures traders are pricing for an additional rate hike in July.

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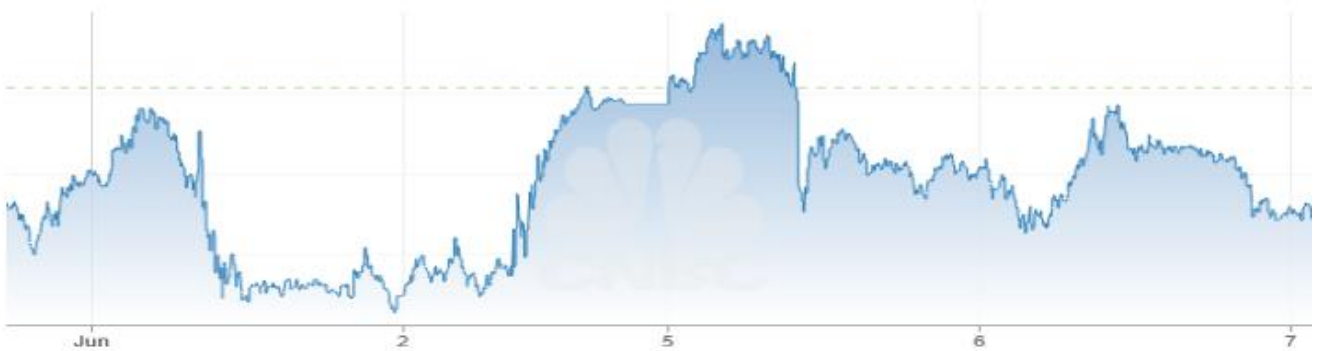
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USD/JPY (JPY=:Exchange)

undefined
Last | 7:25 PM EDT
140.04 -0.07 (0.05%%)
5 Day



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