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Our Economy and the World

Issue: 326

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

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

- [BBC News: US inflation rises at slowest pace in two years](#)
- [CNBC: China cuts a key policy rate for first time in 10 months as economic rebound cools](#)
- [Reuters: US economic activity rose slightly in recent weeks, Fed survey shows](#)
- [Bloomberg: Russia's flagship crude oil surpasses G-7 price cap for first time](#)

- **Special Analysis**

- [McKinsey: Economic conditions outlook during turbulent times, June 2023](#)

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

- [Oil Price: Brent oil price rises above \\$80 per barrel as supply tightens](#)
- [CNBC: European markets close higher as U.S. inflation cools by more than expected](#)

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Our Economy and the World

Key Global and Regional Developments over the Past Week

BBC News: US inflation rises at slowest pace in two years

The rate of price growth in the US dropped to its slowest pace in more than two years last month, helped by cheaper used cars. Inflation rose 3% in the year to June, according to data, from 4% in May. Inflation has fallen sharply from a peak of more than 9% in June 2022 and the latest reading marks the slowest pace since March 2021. The figures suggest a succession of interest rate rises have punctured soaring prices.

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CNBC: China cuts a key policy rate for first time in 10 months as economic rebound cools

China's central bank lowered its key medium-term lending rates on Thursday, in a much-anticipated move as the economy's post-Covid recovery continues to lose momentum. The People's Bank of China lowered the rate on 237 billion Chinese yuan (\$33 billion) of one-year medium-term lending facility (MLF) loans to some financial institutions by 10 basis points – from 2.75% to 2.65%. The central bank last lowered the rate on 400 billion yuan of one-year MLF loans in August, making Thursday's move the first such cut in 10 months.

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[Reuters: US economic activity rose slightly in recent weeks, Fed survey shows](#)

U.S. economic activity increased slightly in recent weeks, with slow growth seen continuing in coming months, according to a Federal Reserve report published on Wednesday that also offered further indications of abating inflation pressures. "Overall economic activity increased slightly since late May," the U.S. central bank said in its latest "Beige Book" compendium of surveys and interviews conducted across its 12 districts through June 30.

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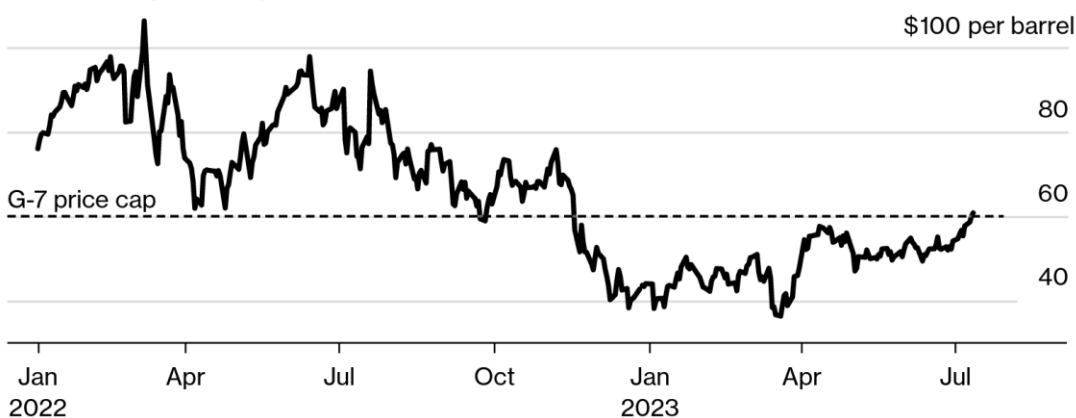
[Bloomberg: Russia's flagship crude oil surpasses G-7 price cap for first time](#)

Russia's flagship Urals crude oil breached a price cap set by the Group of Seven, a blow to western sanctions and potentially an economic win for Moscow. According to price reporting agency Argus Media, Urals crude topped \$60 a barrel on Wednesday, climbing above the cap that the Group of Seven set last year.

Price Cap Exceeded

Urals oil from Black Sea tops \$60 a barrel for first time since enforcement

Novorossiysk Urals price



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Special Analysis

McKinsey: Economic conditions outlook during turbulent times, June 2023

Economic optimism continues to grow in much of the world, while views on interest rates and potential risks to global growth have shifted since last quarter. For the first time in more than a year, global executives are more positive than negative about conditions in the economy. In our latest McKinsey Global Survey on economic conditions, respondents share brighter views about the current state of their own countries' economies and the world economy, as well as an increasingly optimistic global outlook. While geopolitical instability and inflation still predominate as risks to both domestic and global growth, respondents note some emergent risks to growth in the world economy. Their responses also suggest an evolving perspective on the interest rate environment, with the smallest share of executives since June 2021 expecting their countries' interest rates to increase.

Overall, respondents report more positive views on their home economies than they have in the past year. Forty-eight percent say economic conditions at home have improved in the past six months, up from 40 percent last quarter.

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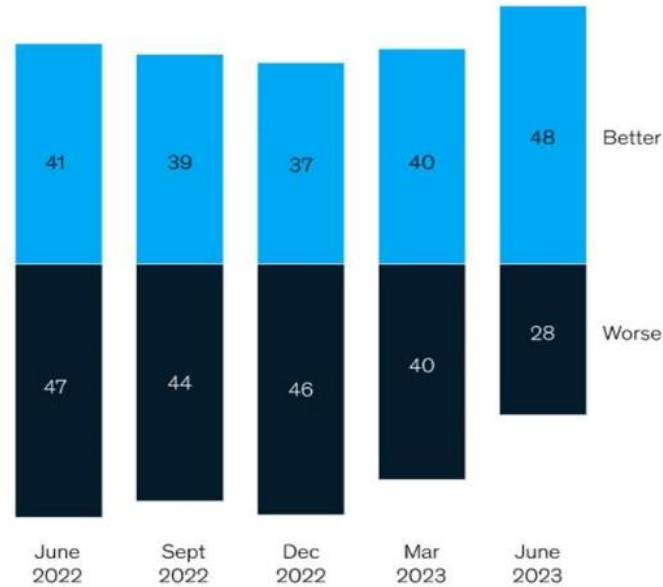


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Respondents report more positive views on their home economies than they have in the past year.

Current economic conditions in respondents' countries, compared with 6 months ago,¹
 % of respondents



¹ Respondents who answered "the same" are not shown. June 6–10, 2022, n = 899; Aug 29–Sept 2, 2022, n = 1,247; Nov 28–Dec 2, 2022, n = 1,120; Jan 12–16, 2023, n = 871; June 5–9, 2023, n = 1,044.
 Source: McKinsey Global Surveys on economic conditions, 2022–23

McKinsey & Company

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Developments in Financial and Commodity Markets in the

Oil Price: Brent oil price rises above \$80 per barrel as Supply tightens

Brent crude has climbed above \$80 a barrel for the first time since early May, a sign that supply is gradually tightening and demand growing. The oil price gains came despite data showing U.S. crude inventories jumped by nearly 6 million barrels last week with traders focusing on surging domestic demand during the summer driving season. The latest oil price rally comes after Saudi Arabia, for the second month running, extended its voluntary 1M bbl/day oil production cut for another month, this time till August.

Brent Crude (September Contract)

80.11 +0.89%



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[CNBC: European markets close higher as U.S. inflation cools by more than expected](#)

European markets closed higher on Wednesday as investors reacted to a cooler-than-expected U.S. inflation reading, which could have significant bearing on the Federal Reserve's interest rate path. The pan-European Stoxx 600 closed up 1.5%, with mining stocks adding 3.7% to lead gains as all sectors and major bourses ended the session in the green.



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