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Our Economy and the World

Issue: 334

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

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

- Reuters: Treasury yields edge lower as market sees Fed rate hike on hold
- CNBC: To counter China, Biden is backing the World Bank for a bigger role on the global stage
- Bloomberg: Sharp decline in UK economy in July revives recession risk
- BBC: US inflation pressures stubborn as fuel prices rise

- **Special Analysis**

- World Bank: Assessment and Options Analysis of Climate and Nature Financing Instruments and Opportunities: Summary Note on Financing for Climate and Nature

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

- Reuters: Wall Street gains as CPI data cements bets for rate-hike pause
- Reuters: Oil dips as surprise US crude stockbuild faces supply cuts

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Our Economy and the World

Key Global and Regional Developments over the Past Week

[Reuters: Treasury yields edge lower as market sees Fed rate hike on hold](#)

Treasury yields edged lower on Wednesday after the underlying pace of inflation eased in August, suggesting the Federal Reserve can keep interest rate hikes on hold next week despite the biggest increase in U.S. consumer prices in a year. The consumer price index (CPI) increased by 0.6% last month, the largest gain since June 2022, the Labor Department said, after rising just 0.2% on a monthly basis the prior two months.

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[CNBC: To counter China, Biden is backing the World Bank for a bigger role on the global stage](#)

World leaders have called for the World Bank's expansion to boost its lending capacity – but that can't happen without funding from the private sector, the bank said. The World Bank is no longer just focused on eradicating poverty, but also on other impending global challenges – like pandemics, climate change and food insecurity, its president Ajay Banga told CNBC's Tanvir Gill on Saturday.

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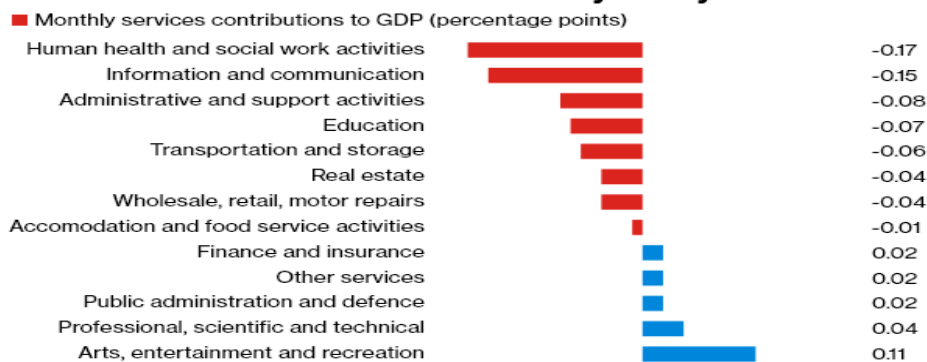
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[Bloomberg: Sharp decline in UK economy in July revives recession risk](#)

The UK economy shrank at the fastest pace in seven months in July as strikes and wet weather hit activity harder than expected, reviving fears that a recession may be under way. Gross domestic product slipped by 0.5% following a 0.5% gain in June, the Office for National Statistics said Wednesday. Economists had expected a contraction of 0.2%. Services, construction and manufacturing all shrank.

Strikes and Rainfall Hit the UK Economy in July



Source: Office for National Statistics

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[BBC: US inflation pressures stubborn as fuel prices rise](#)

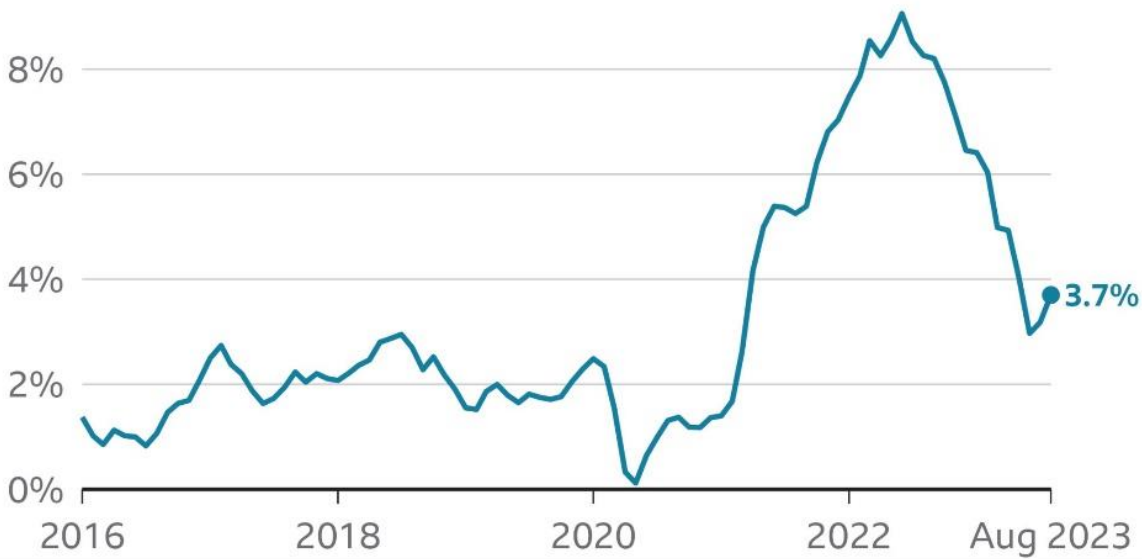
Consumer prices in the US rose by more than expected last month, driven by higher costs for rent and fuel. The inflation rate, which measures the pace of price rises, was 3.7% over the 12 months to August, the Labor Department said, up from 3.2% in July. The figures underscore the challenges facing officials trying to stabilise prices, which soared last year at the fastest pace in decades.

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US inflation at 3.7%

Consumer Price Index for all urban consumers,
% change from a year ago



Source: US Bureau of Labor Statistics

BBC

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Special Analysis

[World Bank: Assessment and Options Analysis of Climate and Nature Financing Instruments and Opportunities: Summary Note on Financing for Climate and Nature](#)

Despite increasing recognition of the material impact of nature degradation, the global financing gap for climate and nature investments is significant and growing. The Paulson Institute estimated in 2020 that the biodiversity financing gap at an average of US\$711 billion per year. Government leaders and private enterprises must accelerate and scale financial resource mobilization strategies to close this gap. However, at a national level, many developing countries have limited market access and lack the fiscal space to mobilize financing at the scale required to avoid the severe negative impacts of biodiversity loss, nature degradation, and reduced ecosystem services. This can precipitate countries into a vicious circle, whereby delayed investment at scale exposes them to the risk of ecosystems collapse. These systems also provide essential climate benefits in terms of carbon sinks and adaptation buffers against severe climate impacts (e.g., floods, droughts, storms). These natural assets underpin economic growth of developing countries but are currently undervalued and underinvested. Given the difficulty of estimating the timing, progression, and extent of these impacts and their global public good (GPG) nature, other more immediate or visible needs tend to be prioritized. However, when nature-related risks materialize, economic activity is likely to contract, further reducing fiscal space, increasing a country's borrowing costs, and delaying investments.

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Developments in Financial and Commodity Markets in the Past Week

[Reuters: Wall Street gains as CPI data cements bets for rate-hike pause](#)

Stocks on Wall Street climbed on Wednesday as data showing a moderate increase in consumer prices in August cemented expectations that the Federal Reserve will leave interest rates unchanged in September. Megacap growth stocks Tesla (TSLA.O), Meta Platforms (META.O), Microsoft (MSFT.O) and Amazon.com (AMZN.O) gained between 1% and 2%.

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[Reuters: Oil dips as surprise US crude stockbuild faces supply cuts](#)

Oil prices edged lower on Wednesday, after earlier hitting a 10-month high, as a surprise build in U.S. crude inventories offset expectations of tight crude supply for the rest of the year. International benchmark Brent futures dipped 18 cents to settle at \$91.88 a barrel. Its session high of \$92.84 a barrel was the highest since November.

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