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Our Economy and the World

Issue: 344

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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: UK economy growth forecasts slashed for next two years
- CNBC: 10-year Treasury yield recovers after hitting 2-month low
- AP: Japan's economy sinks into contraction as spending, investment decline
- Reuters: Oil climbs over 2% as OPEC seen deepening cuts

Special Analysis

- IMF: Global Financial Stability Report - Financial and Climate Policies for a High-Interest-Rate Era

Developments in Financial and Commodity Markets in the Past Week

- Reuters: Asia stocks hold recent gains as confidence grows on rate outlook
- Reuters: Wall St climbs before holiday; investors optimistic Fed done hiking rates

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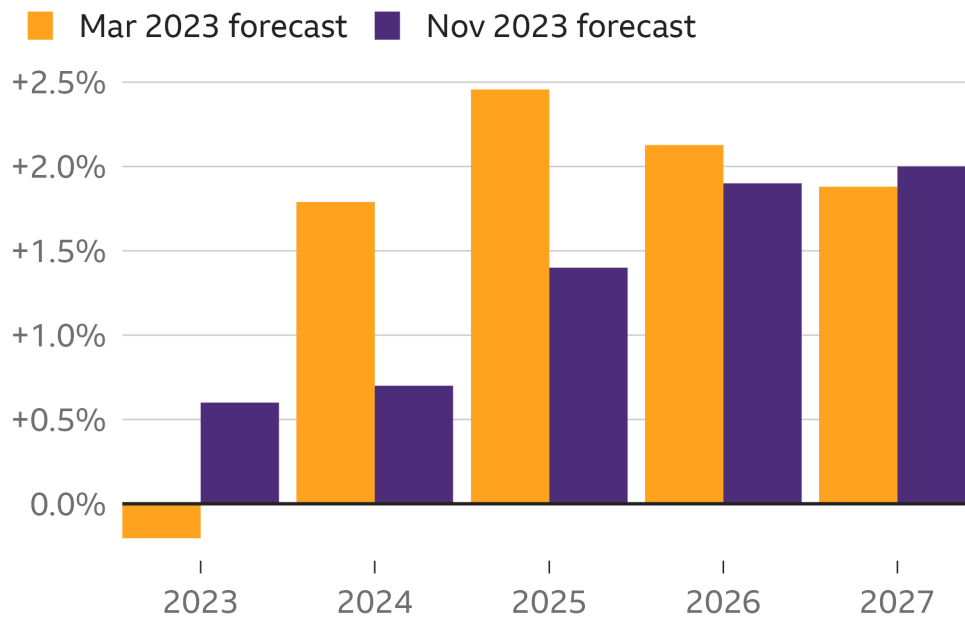
Key Global and Regional Developments over the Past Week

[BBC: UK economy growth forecasts slashed for next two years](#)

The UK economy will grow much more slowly than expected in the next two years as inflation takes longer to fall, the government's forecaster says. Living standards are also not expected to return to pre-pandemic levels until 2027-28, the Office for Budget Responsibility (OBR) said. It comes as the chancellor announced tax cuts and a rise in benefits in his Autumn Statement.

UK economic growth revised down

Annual real GDP growth, OBR forecasts



Source: Office for Budget Responsibility, Office for National Statistics



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[CNBC: 10-year Treasury yield recovers after hitting 2-month low](#)

The U.S. 10-year Treasury yield was little changed after briefly falling to its lowest level in two months Wednesday, as investors considered what could be on the horizon for interest rates and the economy ahead of the Thanksgiving holiday.



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[AP: Japan's economy sinks into contraction as spending, investment decline](#)

Japan's economy contracted at a 2.1% annual pace in July-September as consumption and investment weakened, the government said Wednesday. Weak wage growth in the world's third-largest economy also sapped its vitality, the Cabinet Office said. In quarterly terms, the economy contracted by 0.5%.

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[Reuters: Oil climbs over 2% as OPEC seen deepening cuts](#)

Oil prices climbed more than 2% on Monday as further supply cuts in OPEC+ production are expected to be announced following a meeting of member countries early next week. Brent crude futures settled up \$1.71, or 2.1%, at \$82.32 a barrel.

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Special Analysis

[IMF: Global Financial Stability Report - Financial and Climate Policies for a High-Interest-Rate Era](#)

Risks to global growth remain skewed to the downside as inflation remains elevated and interest rates are set to stay higher for longer.

Chapter 1 assesses that risks to global growth are skewed to the downside, similar to the assessment in the April 2023 Global Financial Stability Report. Cracks in the financial system may turn into worrisome fault lines should a soft landing of the global economy hoped for by market participants does not materialize.

Chapter 2 homes in on the global banking system, providing a fresh assessment of vulnerabilities in a higher-for-longer environment, using an enhanced global stress test and a set of newly developed market-based indicators. In response to the vulnerabilities that are uncovered, enhancements to supervisory practices and tightening of regulatory standards are proposed.

Chapter 3 notes that a broad mix of policies is required to unlock the private capital necessary to cover climate mitigation investment needs in emerging market and developing economies.

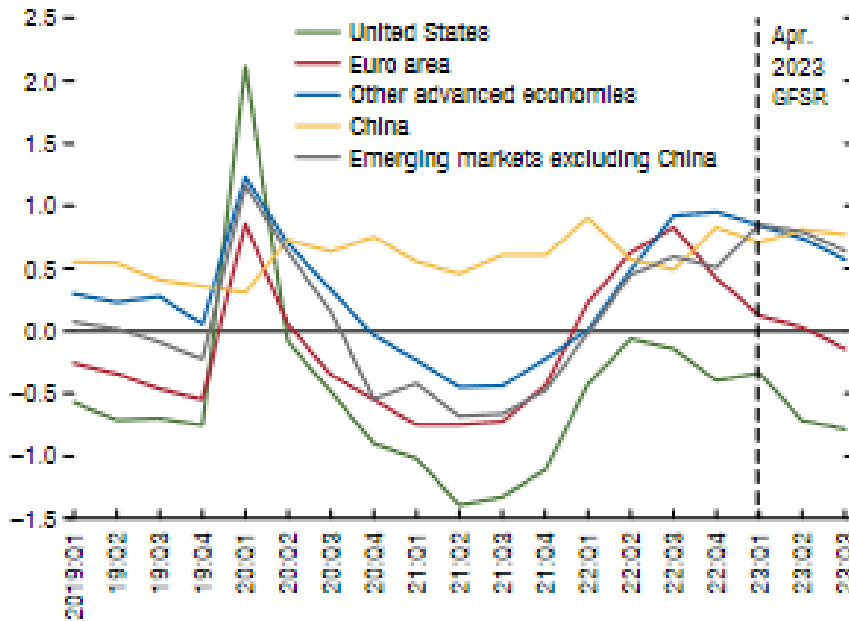
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Figure ES.1. Financial Conditions Indices
 (Number of standard deviations over a long-term average)



Source: Bloomberg Finance L.P.

Note: GFSR = Global Financial Stability Report; Q = quarter.

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Developments in Financial and Commodity Markets in the Past Week

[Reuters: Asia stocks hold recent gains as confidence grows on rate outlook](#)

Asian shares were flat on Thursday with markets holding onto their gains for the week as confidence grows that interest rates globally will head lower next year, while oil prices fell on the prospects for smaller-than-expected output cuts by OPEC+. Investors are also looking to Chinese policymakers for clues on possible support for the long-suffering property market, in line with broader growth targets they are hammering out.

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

[Reuters: Wall St climbs before holiday; investors optimistic Fed done hiking rates](#)

U.S. stocks ended higher on Wednesday on optimism that the Federal Reserve may be done raising interest rates and that the economy is still resilient. Economic reports on jobless claims, durable goods, and consumer sentiment seemed to suggest the economy is easing but may stay strong enough to avoid recession.

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