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Our Economy and the World

Issue: 345

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

Key Global and Regional Developments over the Past Week

- Bloomberg: OECD warns global economy risks losing momentum
- Reuters: US consumer confidence rebounds, house prices maintain upward trend
- Reuters: US economy grows 5.2% in third quarter; higher interest rates eroding momentum
- CNBC: China factory activity unexpectedly weakens for a second straight month

Special Analysis

- World Bank: Within Reach - Navigating the Political Economy of Decarbonization

Developments in Financial and Commodity Markets in the Past Week

- Reuters: Oil prices gain near 2% on expectations of deeper OPEC+ cuts
- CNBC: European stocks close higher; DAX up 1% as German inflation eases

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Key Global and Regional Developments over the Past Week

Bloomberg: OECD warns global economy risks losing momentum

The world's advanced economies are heading into a deepening slowdown as markedly higher interest rates take a hefty toll on activity that could still become more acute, the OECD warned. Growth is losing momentum in many countries and won't edge up until 2025, when real incomes recover from the inflation shock and central banks will have begun cutting borrowing costs, the Paris-based organization said. It forecasts global gross domestic product to expand only 2.7% next year after an already weak 2.9% in 2023. The pace will only pick up to 3% in 2025, according to the assessment.

Pre-Covid Growth Is Out of Reach in 2024 and 2025

✓ GDP (YoY) / Average 2013-2019



Source: Organization for Economic Cooperation and Development

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[Reuters: US consumer confidence rebounds, house prices maintain upward trend](#)

U.S. consumer confidence rose in November after three straight monthly declines, with Americans planning big-ticket purchases like motor vehicles and houses over the next six months even as they continued to fret over higher prices and interest rates. Despite the rebound in morale, which was driven by an improvement in expectations, about two-thirds of consumers surveyed this month still perceived a recession to be "somewhat" or "very likely" to happen over the next year, the survey from the Conference Board showed on Tuesday.

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[Reuters: US economy grows 5.2% in third quarter; higher interest rates eroding momentum](#)

The U.S. economy grew faster than initially thought in the third quarter as businesses built more warehouses and accumulated machinery equipment, but momentum appears to have since waned as higher borrowing costs curb hiring and spending. The growth pace, which was the quickest in nearly two years, however, likely exaggerated the health of the economy last quarter. When measured from the income side, economic activity increased at a moderate pace.

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[CNBC: China factory activity unexpectedly weakens for a second straight month](#)

China's factory activity shrank for a second straight month in November, while non-manufacturing activity hit yet another new low for the year, signalling that the world's second-largest economy is not yet out of the woods and may require more muscular policy support. The official manufacturing purchasing managers' index unexpectedly fell slightly to 49.4 in November from 49.5 in October, according to data from the National Bureau of Statistics released Thursday.

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Special Analysis

World Bank: Within Reach - Navigating the Political Economy of Decarbonization

- Despite multiple pledges and commitments, rapid progress in key technologies, and a total of over 4,500 climate policies introduced to date, the world is not on track to meet the objectives of the Paris Agreement—and political economy is a key barrier for translating ambition into action.
- But this is not an impassable obstacle: there are many examples of successfully implemented climate policies. In 2014, defying political and economic challenges, Egypt’s Energy Subsidy Reform eased fiscal pressures and encouraged greater private investment in clean energy. In Canada, the province of British Columbia’s carbon tax has reduced emissions and inequality, raised growth and employment, and is now supported by a majority of citizens. And Kenya managed to reform its power sector, a sensitive and important source of revenues and influence, thus improving efficiency, increasing cost recovery, and mobilizing private sector investments. The lesson from these case studies is clear: impactful climate action is possible in the real world.

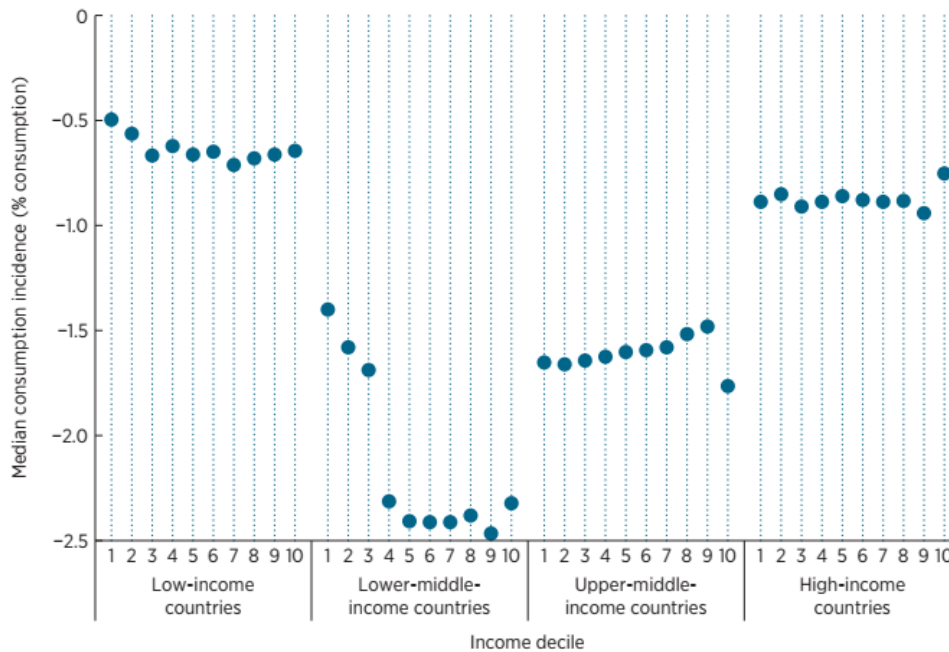
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FIGURE O.4. Illustration of the consumption impacts of a (noncompensated) increase in fuel prices, in a subset of countries, by income level



Source: Dorband, forthcoming, using the Climate Policy Assessment Tool developed by the International Monetary Fund and the World Bank to estimate the impact of carbon pricing (<https://www.worldbank.org/en/topic/climatechange/brief/climate-policy-assessment-tool>).

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Developments in Financial and Commodity Markets in the Past Week

[Reuters: Oil prices gain near 2% on expectations of deeper OPEC+ cuts](#)

Oil prices rose more than \$1 a barrel on Wednesday as investors focused their attention on expectations of fresh supply cuts from OPEC+ and looked past a jump in U.S. crude, gasoline and distillate stockpiles. Brent crude futures advanced by \$1.42, or 1.7%, to settle at \$83.10 a barrel, while U.S. West Texas Intermediate (WTI) crude futures gained \$1.45, or 1.9%, to settle at \$77.86 a barrel.

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[CNBC: European stocks close higher; DAX up 1% as German inflation eases](#)

European stocks closed higher on Wednesday, as regional markets regained positive momentum and investors assessed comments from U.S. Federal Reserve board members. The regional Stoxx 600 index was up 0.43% at the close as autos stocks climbed 2.3%.

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Europe Stoxx 600 (.STOXX:STOXX)

EUR
Last | 4:50 PM GMT
459.10 +2.06 (0.45%)
5 Day



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