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Our Economy and the World

Issue: 347

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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: COP28 nations reach first-ever deal to move away from fossil fuels
- Bloomberg: Fed pivots to rate cuts as inflation heads toward 2% goal
- CNBC: Bank of England set to hold interest rates as economists debate 2024 cuts
- Reuters: US producer prices muted as energy costs drop
- CNBC: European Central Bank to focus on shrinking balance sheet as markets bet on rate cuts

Special Analysis

- Council on Energy, Environment and Water: The Emissions Divide: Inequity Across Countries and Income Classes

Developments in Financial and Commodity Markets in the Past Week

- Reuters: Oil prices up 1% on big U.S. storage withdrawal, tanker attack in Red Sea
- CNBC: Dow rallies more than 500 points to record, closes above 37,000 for the first time

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Key Global and Regional Developments over the Past Week

[Bloomberg: COP28 nations reach first-ever deal to move away from fossil fuels](#)

The COP28 climate talks in Dubai ended in a historic deal that committed the world to a transition away from all fossil fuels for the first time. The president of this year's UN-sponsored summit, the UAE's Sultan Al Jaber, brokered an agreement that was strong enough for the US and European Union on the need to dramatically curb fossil fuel use while keeping Saudi Arabia and other oil producers on board. The final agreement calls for countries to quickly shift energy systems away from fossil fuels in a just and orderly fashion, qualifications that helped convince the skeptics. Under the deal, countries also are called to contribute to a global transition effort – rather than being outright compelled to make that shift on their own.

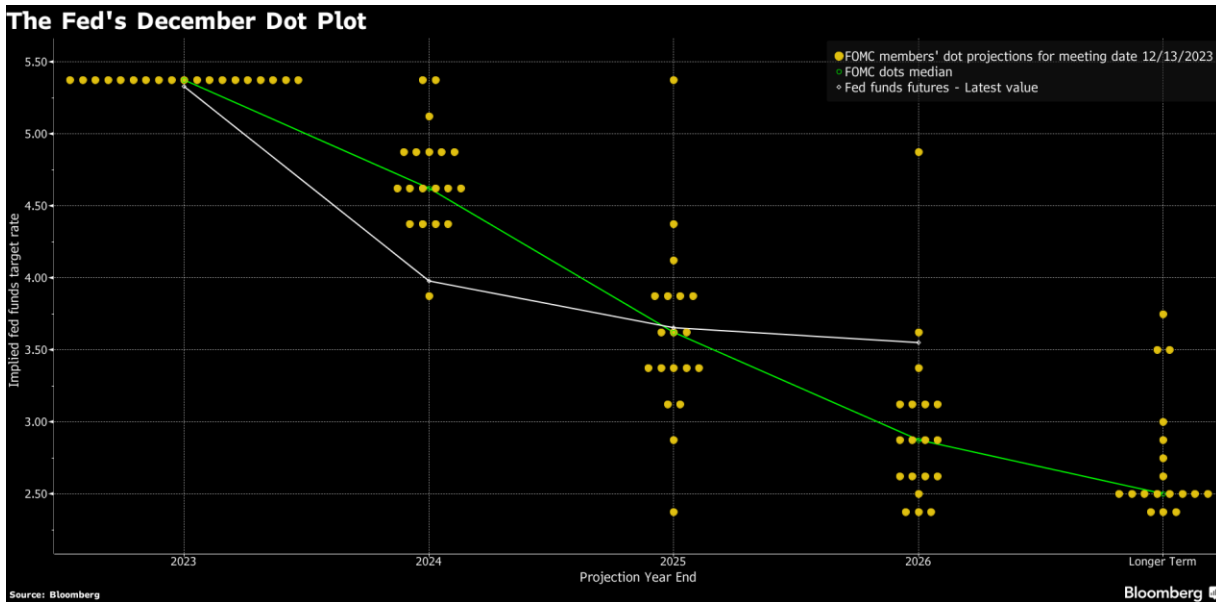
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[Bloomberg: Fed pivots to rate cuts as inflation heads toward 2% goal](#)

The Federal Reserve held interest rates steady for a third meeting and gave its clearest signal yet that its aggressive hiking campaign is finished by forecasting a series of cuts next year. Officials decided unanimously to leave the target range for the benchmark federal funds rate at 5.25% to 5.5%, the highest since 2001. Policymakers penciled in no further interest-rate hikes in their projections for the first time since March 2021, based on the median estimate.

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[CNBC: Bank of England set to hold interest rates as economists debate 2024 cuts](#)

The Bank of England is all but certain to keep its main interest rate unchanged at 5.25% for a third consecutive meeting on Thursday, but economists are split over when to expect the first cut next year. The market is pricing an almost 100% chance of a hold on Thursday, according to LSEG, with economic data since the Bank's last meeting proving largely inconclusive.

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[Reuters: US producer prices muted as energy costs drop](#)

U.S. producer prices were unexpectedly unchanged in November amid cheaper energy goods, and underlying inflation pressures at the factory gate were muted. The report from the Labor Department on Wednesday, which also showed

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services prices flat for a second straight month, strengthened optimism that overall inflation would continue to subside and allow the Federal Reserve to start cutting interest rates next year.

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CNBC: European Central Bank to focus on shrinking balance sheet as markets bet on rate cuts

The European Central Bank meets this week with investors closely monitoring to see when the Frankfurt institution might start to cut interest rates. It will be too early to declare victory in the battle against inflation, but with inflation at a two-year low, it certainly gives the ECB's Governing Council breathing space to focus on another important issue: its gigantic balance sheet.

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Special Analysis

Council on Energy, Environment and Water: The Emissions Divide: Inequity Across Countries and Income Classes

This issue brief aims to highlight consumption-driven emissions inequities among income classes, both within and across nations. It examines a diverse range of developed and developing economies, accounting for approximately 81 percent of global emissions, 86 percent of the world's GDP, and 66 percent of the global population.

The analysis relies on per capita CO₂ emissions data for various income groups from the World Inequality Database (WID), and income deciles from the Poverty and Inequality Platform, World Bank. Using these indicators, the study focuses on the stark inequities in consumption-driven emissions, especially among the affluent in developed countries, and estimates the potential carbon budget savings achievable through the adoption of low-carbon lifestyles by top emitters.

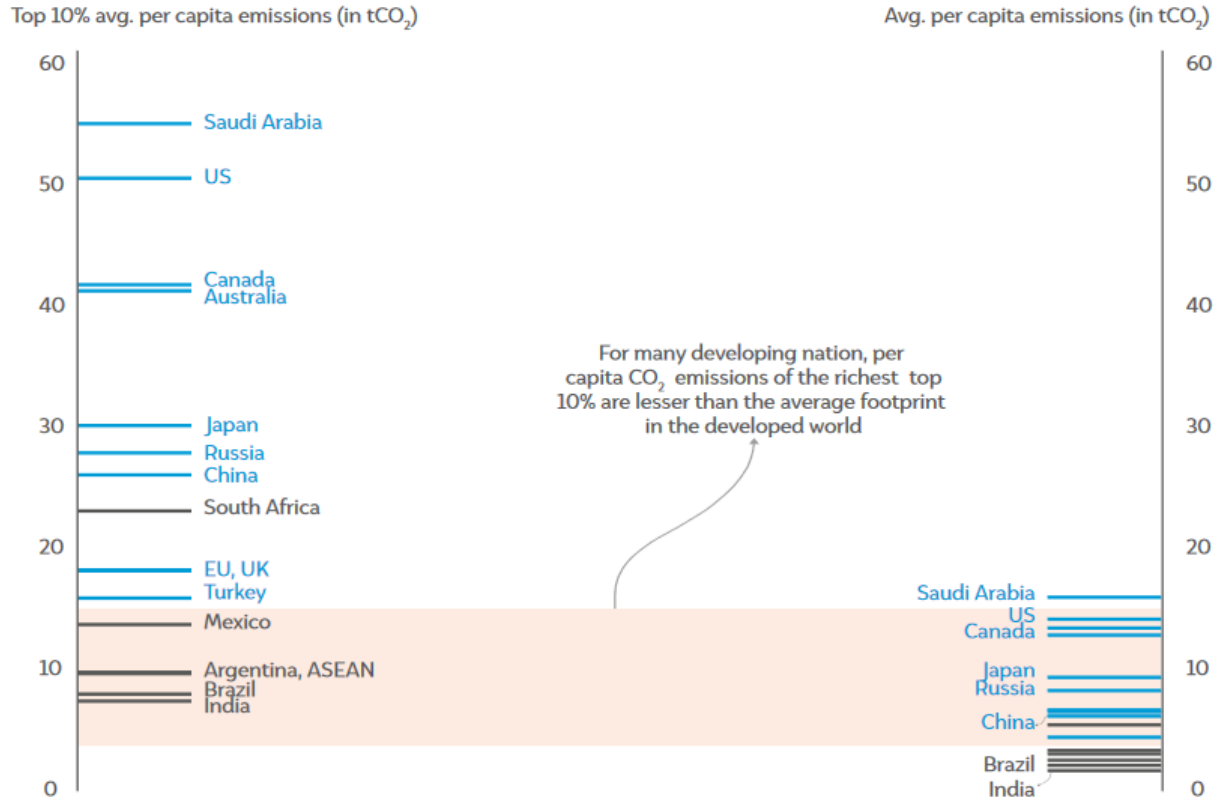
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Figure ES1 Average per capita emissions in developed countries are comparable with the richest 10% in developing countries



Source: Authors' compilation from World Inequality Database (WID 2023)

Note: For detailed data, refer to Annexure Table 2.

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Developments in Financial and Commodity Markets in the Past Week

[Reuters: Oil prices up 1% on big U.S. storage withdrawal, tanker attack in Red Sea](#)

Oil prices edged up about 1% on Wednesday from a five-month low in the prior session on a bigger-than-expected weekly withdrawal from U.S. crude storage and on worries about the security of Middle East oil supplies after a tanker attack in the Red Sea. Traders also noted crude prices held gains after the U.S. Federal Reserve released a statement that it would hold interest rates steady as expected and signaled it would start lowering borrowing costs in 2024.

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[CNBC: Dow rallies more than 500 points to record, closes above 37,000 for the first time](#)

The Dow Jones Industrial Average jumped to a record Wednesday as the Federal Reserve signaled it would cut rates several times next year, satisfying investors who hoped the central bank would finally start to acknowledge the slowing trend of inflation with a less-aggressive monetary stance. The 30-stock Dow added 512.30 points, or 1.40%, to close at 37,090.24. This marks the first time the benchmark closed above the 37,000 mark – exceeding a previous record set in January 2022.

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Dow Jones Industrial Average (.DJI:Dow Jones Global Index)

USD
Last | 5:11 PM EST
37,090.24 +512.30 (1.40%
5 Day



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