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Our Economy and the World

Issue: 365 Date: 19th May 2024

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

Key Global and Regional Developments over the Past Week

- AP: US plans to impose major new tariffs on EVs, other Chinese green energy imports, AP sources say
- Bloomberg: US Inflation Ebbs for First Time in Six Months in Relief for Fed
- Bloomberg: ECB Is Very Likely to Start Rate Cuts in June, Villeroy says
- CNBC: Traders reassess Bank of England rate cuts as UK grows at fastest rate in nearly 3 years

Special Analysis

- European Union: European Economic Forecast - Spring 2024

Developments in Financial and Commodity Markets in the Past Week

- Reuters: Oil rebounds, gains 1% after US crude draw, lukewarm inflation data
- Reuters: Wall Street boasts record closes as inflation data fuels rate-cut bets

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Key Global and Regional Developments over the Past Week

[AP: US plans to impose major new tariffs on EVs, other Chinese green energy imports, AP sources say](#)

The Biden administration plans to impose major new tariffs on electric vehicles, semiconductors, solar equipment and medical supplies imported from China, according to a U.S. official and another person familiar with the plan. Tariffs on electric vehicles, in particular, could quadruple – from the existing 25% to 100%. The plan was described by the people on condition of anonymity because they were not authorized to provide details ahead of a formal announcement.

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[Bloomberg: US Inflation Ebbs for First Time in Six Months in Relief for Fed](#)

A measure of underlying US inflation cooled in April for the first time in six months, a small step in the right direction for Federal Reserve officials looking to start cutting interest rates this year. The so-called core consumer price index – which excludes food and energy costs – climbed 0.3% from March, snapping a streak of three above-forecast readings which spurred concern that inflation was becoming entrenched. The year-over-year measure cooled to the slowest pace in three years, Bureau of Labor Statistics figures showed.

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Bloomberg: ECB Is Very Likely to Start Rate Cuts in June, Villeroy Says

The European Central Bank is very likely to start cutting interest rates at its next policy meeting in June, Bank of France Governor Francois Villeroy de Galhau said. Barring surprise shocks, the ECB remains committed to bringing inflation to its 2% goal by next year from 2.4% currently, he said in an interview on RTL radio on Wednesday.

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CNBC: Traders reassess Bank of England rate cuts as UK grows at fastest rate in nearly 3 years

A slew of commentary from the Bank of England and a better-than-expected economic growth number have left traders and investors scrambling to refine their bets on when the U.K. central bank will start to cut its benchmark rate. Investors had been eagerly awaiting any indicators in the hope that they would provide hints about when cuts may begin. The BOE's benchmark rate helps price all sorts of loans and mortgages in the country and has risen rapidly over recent years to help tame high inflation.

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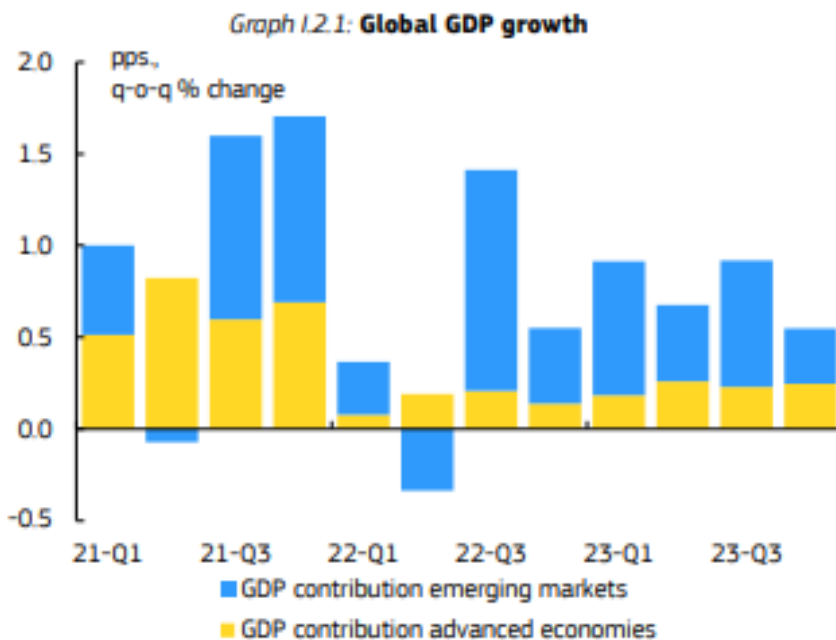
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Special Analysis

European Union: European Economic Forecast - Spring 2024

The EU economy staged a comeback at the start of the year, following a prolonged period of stagnation. Though the growth rate of 0.3% estimated for the first quarter of 2024 is still below estimated potential, it exceeded expectations. Activity in the euro area expanded at the same pace, marking the end of the mild recession experienced in the second half of last year. Meanwhile, inflation across the EU cooled further in the first quarter. This Spring Forecast projects GDP growth in 2024 at 1.0% in the EU and 0.8% in the euro area. This is a slight uptick from the Winter 2024 interim Forecast for the EU, but unchanged for the euro area.



Sources: OECD, IMF and national sources.

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Developments in Financial and Commodity Markets in the Past Week

[Reuters: Oil rebounds, gains 1% after US crude draw, lukewarm inflation data](#)

Oil prices rose nearly 1% on Wednesday from a two-month low in the prior session as the market balanced bullish U.S. economic and crude storage data against the International Energy Agency's (IEA) forecast for weaker global oil demand growth. Brent futures rose 37 cents, or 0.5%, to settle at \$82.75 a barrel, while U.S. West Texas Intermediate crude (WTI) gained 61 cents, or 0.8%, to end at \$78.63.

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[Reuters: Wall Street boasts record closes as inflation data fuels rate-cut bets](#)

Wall Street's three major indexes notched record closes on Wednesday with the benchmark S&P 500 (.SPX), opens new tab and the Nasdaq (.IXIC), opens new tab both advancing more than 1%, after a smaller-than-expected rise in consumer inflation bolstered investors' hopes for interest rate cuts by the Federal Reserve. All three indexes hit intraday record highs with technology stocks leading the charge. The blue-chip Dow (.DJI) drew closer to the 40,000 milestone.

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