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Our Economy and the World

Issue: 366

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

Key Global and Regional Developments over the Past Week

- CNBC: UK inflation comes in hotter than expected, slashing June rate cut bets
- BBC: Rates should be cut to 3.5% by end of 2025, IMF says
- Financial Times: Surging German wage growth casts doubt on timing of ECB rate cuts
- Bloomberg: White House touts support for Fed independence as Trump advisers eye changes

Special Analysis

- UN: World Economic Situation and Prospects 2024

Developments in Financial and Commodity Markets in the Past Week

- CNBC: Oil prices extend losing streak, books third consecutive daily decline
CNBC: Dow closes 200 points lower for worst day in May as Fed reignites inflation worries

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Our Economy and the World

Key Global and Regional Developments over the Past Week

[CNBC: UK inflation comes in hotter than expected, slashing June rate cut bets](#)

U.K. inflation came in hotter than expected with a drop to 2.3% in April, the Office for National Statistics said Wednesday, prompting traders to pull back from bets on a June interest rate cut from the British central bank. The headline reading declined from 3.2% in March. The April print marked the first time inflation has been below 3% since July 2021 and brings it within touching distance of the Bank of England's 2% target.

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[BBC: Rates should be cut to 3.5% by end of 2025, IMF says](#)

UK interest rates should be cut to 3.5% by the end of next year, the International Monetary Fund (IMF) has recommended. Such a move could see the Bank of England cut its key rate by up to seven times from its current level of 5.25%. The IMF's comments came as it upgraded its UK's growth forecast for 2024, but it advised against any further tax cuts.

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[Financial Times: Surging German wage growth casts doubt on timing of ECB rate cuts](#)

German wages rose at the fastest pace for almost a decade, pointing to a pick-up in the wider Eurozone and casting doubt over how aggressively the European Central Bank will cut interest rates this year. Collectively agreed wages in

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Germany rose 6.2 percent in the first three months of the year, accelerating from 3.6 percent in the previous quarter, according to Bundesbank figures that include one-off bonuses published on Wednesday.

German workers enjoy their biggest pay rises for almost a decade

German collective wage growth (annual % change)



Includes one-off bonuses
Source: Bundesbank
© FT

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[Bloomberg: White House touts support for Fed independence as Trump advisers eye changes](#)

President Joe Biden's administration emphasized its "unwavering support" for the independence of central banks, following heightened speculation over how Donald Trump could ramp up pressure on the Federal Reserve if he wins another term in the White House. In a blog post published Wednesday, White House economists cited research and historical data to make the case that central banks' independence bolsters their credibility with the public, and in turn their ability to anchor inflation expectations and keep prices stable.

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Special Analysis

UN: World Economic Situation and Prospects 2024

Global economic prospects have improved since January, with major economies avoiding a severe downturn, bringing down inflation without increasing unemployment. However, the outlook is only cautiously optimistic. Higher-for-longer interest rates, debt sustainability challenges, continuing geopolitical tensions and ever-worsening climate risks continue to pose challenges to growth, threatening decades of development gains, especially for least developed countries and small island developing States.

According to the World Economic Situation and Prospects as of mid-2024, the world economy is now projected to grow by 2.7 percent in 2024 (+0.3 percentage points from the January forecast) and 2.8 percent in 2025 (+0.1 percentage points from the January forecast). The upward revisions mainly reflect a better outlook in the United States, where the latest forecast points to 2.3 percent growth in 2024, and several large emerging economies, notably Brazil, India and the Russian Federation. The outlook for China registers a small uptick with growth now expected to be 4.8 percent in 2024. On the other hand, the economic outlook for Africa has deteriorated since the last release, with expected growth lowered by 0.2 percentage points for 2024, threatening adverse impacts for many of the world's poor. On average, global growth in the coming years is expected to remain below the average of 3.2 percent during 2010–2019.

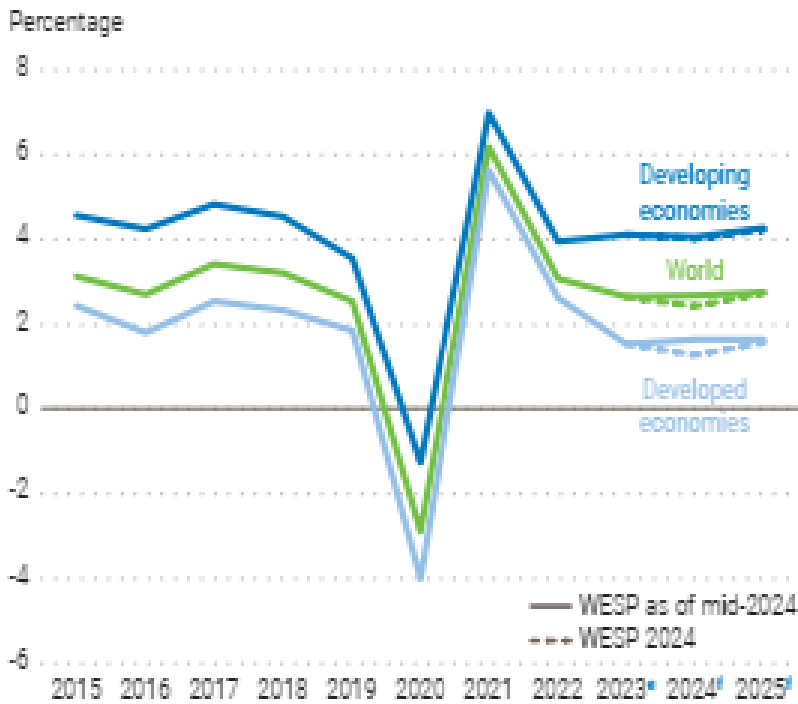
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Figure 1
Growth of economic output



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
 Note: e = estimates; f = forecasts.

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Developments in Financial and Commodity Markets in the Past Week

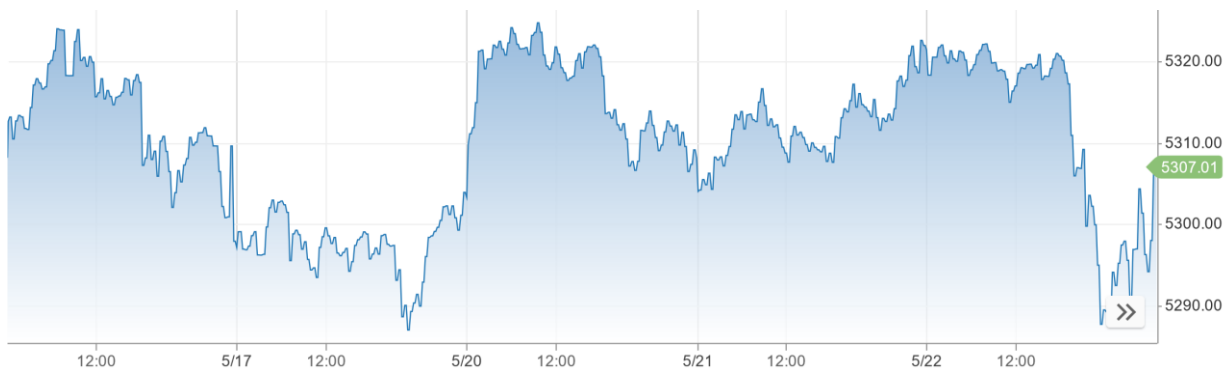
[CNBC: Oil prices extend losing streak, books third consecutive daily decline](#)

Crude oil futures fell for a third session Wednesday, extending this week's losing streak as prices soften ahead of a crucial OPEC meeting in June. U.S. crude oil and global benchmark Brent are down more than 2% for the week.

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[CNBC: Dow closes 200 points lower for worst day in May as Fed reignites inflation worries](#)

U.S. stocks traded lower Wednesday as the minutes from the Federal Reserve's May meeting raised concerns of persistent inflation, indicating the central bank may not cut interest rates soon. The Dow Jones Industrial Average declined 201.95 points, or 0.51%, closing at 39,671.04. It was the 30-stock index's worst session in May. The S&P 500 lost 0.27% to end at 5,307.01, and the Nasdaq Composite dropped 0.18% to close at 16,801.54.



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