

# اقتصادنا والعالم

## Our Economy and the World

Issue: 371

Date: 14<sup>th</sup> July 2024

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

### Key Global and Regional Developments over the Past Week

- Bloomberg: ECB's Panetta plays down high services inflation concerns
- Bloomberg: Labour's minimum wage plan becomes concern for BOE and business
- Reuters: China June consumer inflation misses forecasts amid anaemic demand
- Reuters: BOJ to trim growth forecast, project inflation staying around target, sources say

### Special Analysis

- World Bank: The Great Reversal: Prospects, Risks, and Policies in International Development Association Countries

### Developments in Financial and Commodity Markets in the Past Week

- Bloomberg: China stocks eye gains; S&P 500 steady On Powell
- CNBC: Europe stocks close 1% lower as French outlook weighs

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## Our Economy and the World

### Key Global and Regional Developments over the Past Week

#### [Bloomberg: ECB's Panetta plays down high services inflation concerns](#)

The European Central Bank shouldn't be overly worried about stubborn services inflation and still-robust wage growth, Governing Council member Fabio Panetta said. "Concerns are not unwarranted, but they need to be put into perspective, as services prices tend to move differently from those of goods," the Bank of Italy governor said Tuesday.

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#### [Bloomberg: Labour's minimum wage plan becomes concern for BOE and business](#)

Britain's minimum wage increases are threatening to feed through to inflation and unintended consequences for employee benefits, putting Keir Starmer's ambition to boost wages on a collision course with business groups and the Bank of England. Business groups are already complaining that the 10% increase in the minimum wage – also known as the national living wage – that came into force in April is putting a strain on corporate budgets and limiting their ability to hire. Starmer's Labour government, which took power after a landslide election victory last week, pledged to revamp the lower threshold for pay to reflect a "genuine living wage."

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## Our Economy and the World

### [Reuters: China June consumer inflation misses forecasts amid anaemic demand](#)

China's consumer prices grew for a fifth month in June but missed expectations, while producer price deflation persisted, with domestic demand mired on a slow recovery track despite support measures for the world's second-largest economy. Beijing has sought to revive consumption after a stuttering post-COVID recovery, but concerns are lingering over more fundamental issues including a protracted housing downturn and job insecurity.

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### [Reuters: BOJ to trim growth forecast, project inflation staying around target, sources say](#)

The Bank of Japan will likely trim this year's economic growth forecast in July but project inflation will stay around its 2% target in coming years, sources said, keeping alive the chance of an interest rate hike this month. The central bank will release fresh quarterly growth and price forecasts at its next policy meeting on July 30-31, and debate whether to raise rates from current near-zero levels.

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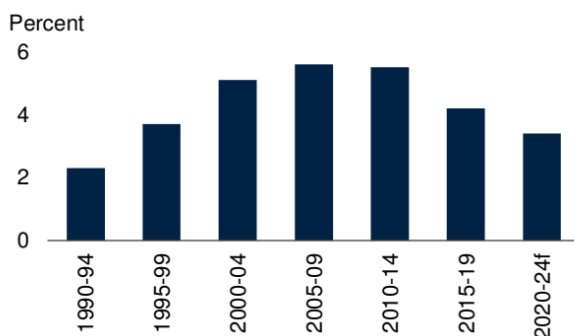
### Special Analysis

#### World Bank: The Great Reversal: Prospects, Risks, and Policies in International Development Association Countries

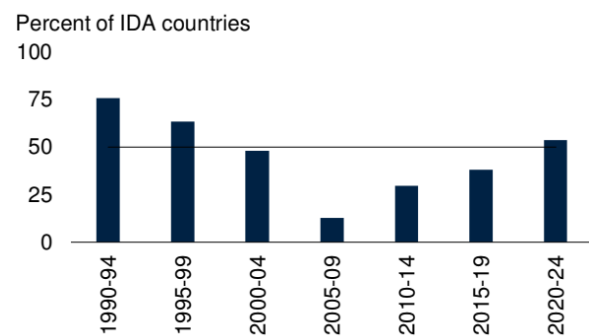
The 75 economies eligible for low-interest loans and grants from the World Bank's International Development Association (IDA) had made notable progress against some important development objectives over the first two decades of this century. Despite this, on the eve of the COVID-19 pandemic, significant development gaps persisted, income convergence with advanced economies was slowing, and some vulnerabilities were rising.

The shock of the pandemic and subsequent overlapping crises has exacerbated the challenges facing these economies and led to a reversal in development: over 2020-24, per capita incomes in half of IDA countries—the largest share since the start of this century—have been growing more slowly than those of wealthy economies. One out of three IDA countries is poorer than it was on the eve of the pandemic. Poverty remains stubbornly high, hunger has surged, and, amid fiscal constraints and rising investment needs, the development outlook could take an even bleaker turn—especially if weak growth prospects persist.

**A. GDP growth in IDA countries, annual average**



**B. Share of IDA countries with GDP per capita growth lower than in advanced economies**



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### Developments in Financial and Commodity Markets in the Past Week

#### [Bloomberg: China stocks eye gains; S&P 500 steady on Powell](#)

China-related shares were primed for gains Wednesday ahead of key economic data, while US equities touched a fresh peak as traders held to bets the Federal Reserve will cut rates this year. Futures contracts for China and Hong Kong benchmarks climbed after mainland stocks and a gauge of US-listed Chinese shares rose on Tuesday. The S&P 500 gained for a sixth consecutive session, its longest winning streak since January, while the Nasdaq 100 also set a fresh record. Japanese and Australian equity contracts point to declines early Wednesday.

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#### [CNBC: Europe stocks close 1% lower as French outlook weighs](#)

European stocks closed lower on Tuesday as investors in the region weighed up political uncertainty in France after Sunday's election result. The pan-European Stoxx 600 index provisionally ended the day down 0.99%. Retail stocks led losses, down 1.65%.



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