

Issue: 381

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

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

- Reuters: Fed unveils oversized rate cut as it gains 'greater confidence' about inflation
- Bloomberg: Brazil is set to raise interest rates hours after Fed cuts them
- Reuters: Japan's exports slow sharply, machinery orders shrink in blow to economic recovery
- BBC: Bank of England expected to hold interest rates at 5%

### Special Analysis

- World Bank: Finance and Prosperity 2024

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

- AP: Stock market today: Most of Wall Street edges lower after Fed delivers a big cut to rates
- CNBC: European stocks close higher with central banks in focus: Commerzbank hits 12-year high

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

#### [Reuters: Fed unveils oversized rate cut as it gains 'greater confidence' about inflation](#)

The U.S. central bank on Wednesday kicked off an anticipated series of interest rate cuts with a larger-than-usual half-percentage-point reduction that Federal Reserve Chair Jerome Powell said was meant to show policymakers' commitment to sustaining a low unemployment rate now that inflation has eased.

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#### [Bloomberg: Brazil Is Set to Raise Interest Rates Hours After Fed Cuts Them](#)

Brazil's central bank will likely raise interest rates for the first time since 2022 as a heated economy and above-target inflation forecasts make it an outlier in a global easing push emboldened by the Federal Reserve.

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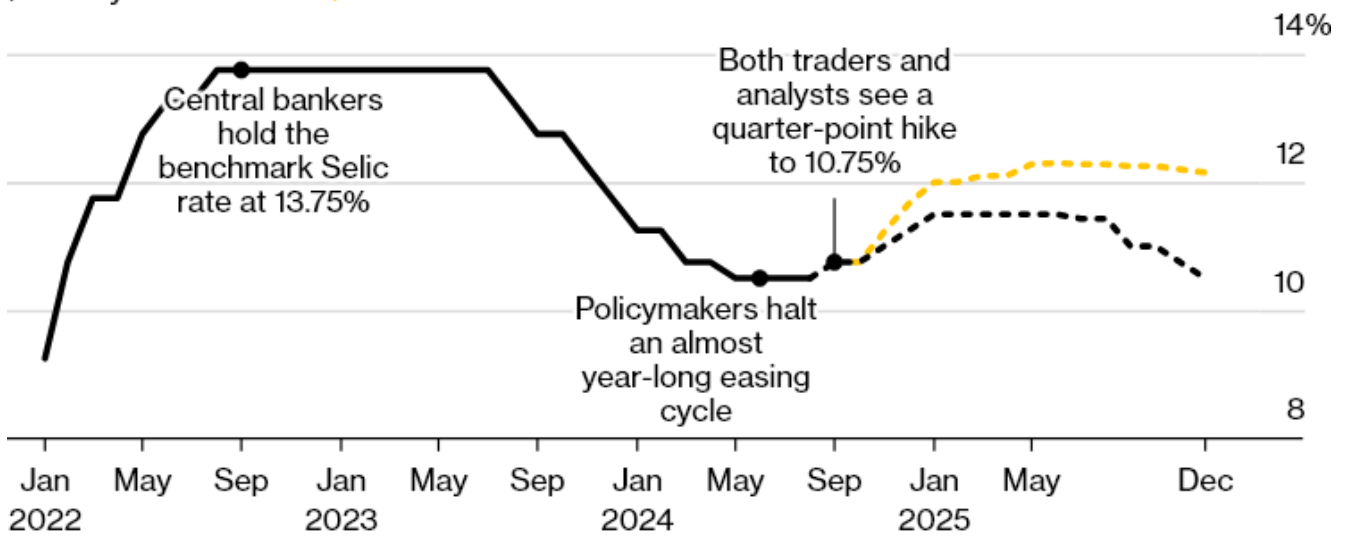
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## Brazil Seen Hiking Key Rate Despite Fed Cuts

Tightening cycle could extend through next year

↙ Analysts estimates   ↘ Traders bets



Source: Brazil central bank, Bloomberg

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## [Reuters: Japan's exports slow sharply, machinery orders shrink in blow to economic recovery](#)

Japan's export growth slowed sharply in August as shipments to the U.S. dropped for the first time in three years, while machinery orders unexpectedly shrank in July in a worrying sign for an economy struggling to mount a solid recovery. The frail external demand undermines Japan's quest to drive sustainable economic growth, analysts say, especially given a growing risk of a slowdown in the U.S. and further weakness in China's economy, two major trading partners.

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# اقتصادنا والعالم

## Our Economy and the World

### [BBC: Bank of England expected to hold interest rates at 5%](#)

Interest rates are expected to be held at 5% by the Bank of England on Thursday. The decision at midday comes after it was revealed inflation, which measures the rate UK consumer prices are rising at, remained at 2.2% last month. The figure remains just above the Bank's 2% target, but its governor Andrew Bailey has warned people not to expect a sharp fall in rates in the coming months.

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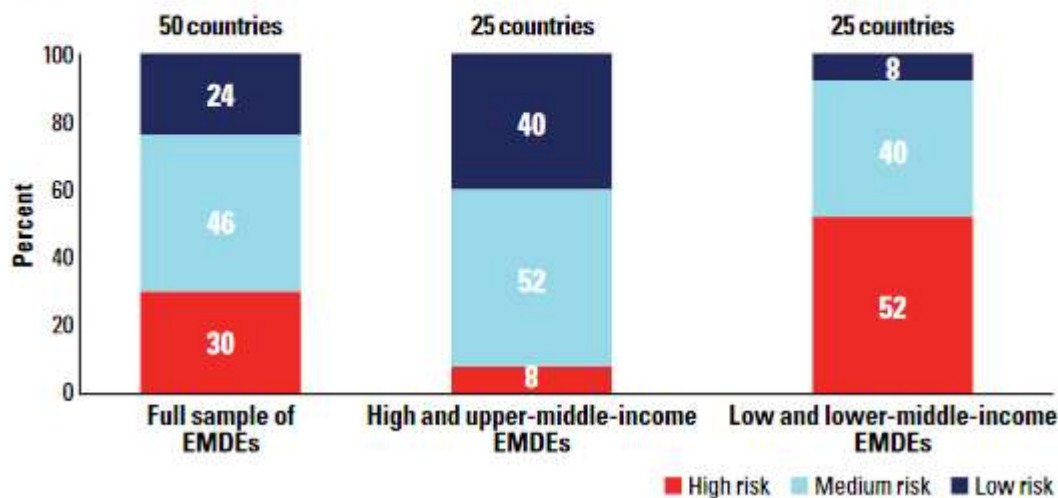
### Special Analysis

#### [World Bank: Finance and Prosperity 2024](#)

While financial sector risks in the larger and higher per capita countries are moderate, half of lower-income countries face significant risks over the next 12 months. Nearly 70 percent of countries facing high financial sector risks are currently not adequately prepared to handle financial stress. The report also identifies a particular risk facing financial sectors in several countries: a large and growing exposure to sovereign debt. This exposure surged to its highest level in the past decade. Finally, the report looks at how countries can enable more climate finance through the banking sector without compromising on the important goals of financial sector stability and inclusion for underserved people.

**FIGURE 1.1 Financial Sector Risks Are Concentrated in Lower-Income EMDEs**

a. Financial sector risk outlook in the next 12 months by income group (percent of countries in sample)



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

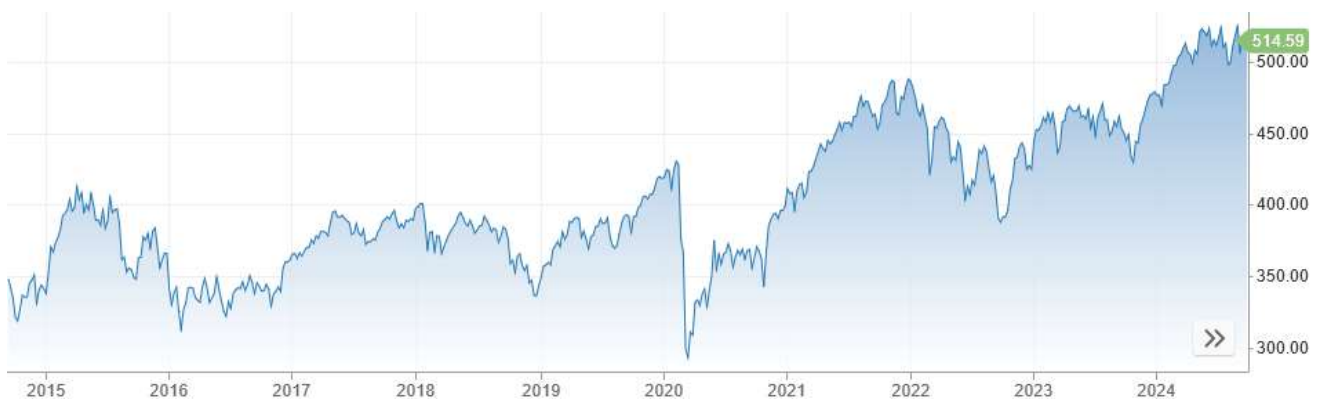
#### [AP: Stock market today: Most of Wall Street edges lower after Fed delivers a big cut to rates](#)

U.S. stock indexes edged lower Wednesday after the Federal Reserve kicked off its efforts to prevent a recession with a bigger-than-usual cut to interest rates. The S&P 500 slipped 0.3% to pull 0.9% below its all-time high set in July. The Dow Jones Industrial Average dipped 103 points, or 0.2%, though it remains close to its record set on Monday. The Nasdaq composite lost 0.3%.: Most of Wall Street edges lower after Fed delivers a big cut to rates

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#### [CNBC: European stocks close higher with central banks in focus; Commerzbank hits 12-year high](#)

European stocks closed higher Tuesday, rebounding from a negative session at the start of the week as upcoming central bank meetings remained in focus. The pan-European Stoxx 600 index provisionally closed 0.42% higher, trimming earlier gains. Banks were up 1% while autos were 0.96% higher.



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