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Our Economy and the World

Issue: 402

Date: 16th March 2025

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

Key Global and Regional Developments over the Past Week

- Reuters: US budget deficit for Trump's first full month in office reaches \$307 billion
- Reuters: Bank of Canada cuts rates by 25 bps, warns of tariff crisis
- Bloomberg: EU targets €26 billion of US products in tariff retaliation
- Reuters: India's retail inflation slips below 4% for first time in six months, boosts rate cut hopes

Special Analysis

- World Bank: Greater Heights: Growing to High Income in Europe and Central Asia

Developments in Financial and Commodity Markets in the Past Week

- Euronews: European stocks rise as Ukraine ceasefire talks boost market sentiment
- Reuters: Oil up 2% on tighter US supplies but tariff concerns loom

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Key Global and Regional Developments over the Past Week

[Reuters: US budget deficit for Trump's first full month in office reaches \\$307 billion](#)

The U.S. budget deficit totaled \$307 billion for President Donald Trump's first full month in office, up 4%, or \$11 billion, from a year ago, the Treasury Department said on Wednesday, even as growth in receipts outpaced that of spending. The results showed little impact from Trump's initial import tariffs on major trading partners and his administration's efforts to slash government spending so far.

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[Reuters: Bank of Canada cuts rates by 25 bps, warns of tariff crisis](#)

The Bank of Canada trimmed its key policy rate by 25 basis points on Wednesday to 2.75% and raised concerns about inflationary pressures and weaker growth stemming from trade uncertainty and President Donald Trump's tariffs. The Bank also said it would "proceed carefully with any further changes" to rates given the need to assess both the upward pressures on inflation from higher costs and the downward pressures from weaker demand.

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Bloomberg: EU Targets €26 Billion of US Products in Tariff Retaliation

The European Union launched countermeasures on Wednesday against new US metals tariffs, with plans to impose its own duties on up to €26 billion (\$28.3 billion) worth of American goods. The announcement came hours after the US administration imposed 25% tariffs on steel and aluminum imports in a massive escalation of the trade war between the longstanding allies.

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Reuters: India's retail inflation slips below 4% for first time in six months, boosts rate cut hopes

India's retail inflation fell below 4% in February for the first time in six months mainly due to a decline in vegetable prices, giving the central bank room to cut rates further in coming meetings. Annual retail inflation in February eased to 3.61%, below economists' estimate of 3.98% and the lowest since July. Inflation for January was revised to 4.26% from 4.31%.

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Special Analysis

World Bank: Greater Heights: Growing to High Income in Europe and Central Asia

Twenty-seven countries have reached high-income status since 1990. Ten of these are in the Europe and Central Asia region and have joined the European Union. Another 20 in the region have become more prosperous since the 1990s. However, their transition to high-income status has been delayed. These middle-income countries have found that the prospects for growth to high-income status have become even more difficult since the 2007–09 global financial crisis. This reflects partly a slowdown in structural reforms at home and partly the challenges associated with a deterioration in the global environment.

The concern has emerged that many countries in the region may be caught in the middle-income trap, a phase in development characterized by a recurring deceleration in growth and by per capita incomes that are systematically below the high-income threshold.

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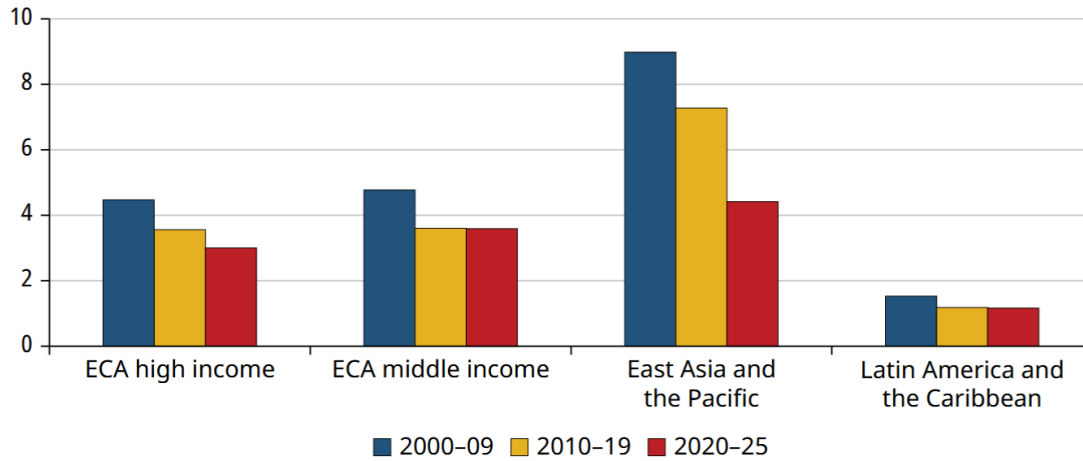
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FIGURE O.2 Economic growth in the middle-income countries of ECA has stagnated, 2000–25

Percent, period average



Source: WDI (World Development Indicators) (dashboard), World Bank, Washington, DC, <https://datatopics.worldbank.org/world-development-indicators/>.

Note: ECA high-income countries include Croatia, Poland, and Romania.

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Developments in Financial and Commodity Markets in the Past Week

[Euronews: European stocks rise as Ukraine ceasefire talks boost market sentiment](#)

European markets inched higher on Wednesday morning as increased optimism over a possible ceasefire in Russia's war in Ukraine boosted investor sentiment. Britain's FTSE 100 rose by around 0.4% on Wednesday afternoon, while Germany's DAX index edged up 1.7%. France's CAC 40 index also increased 1.2% on Wednesday morning, whereas the STOXX 600 advanced 1.1%. The moves followed talks between Ukraine and the US in Saudi Arabia on Tuesday, which led to Ukraine agreeing to implement a 30-day ceasefire.

[\(Read Full Article\)](#)

[Reuters: Oil up 2% on tighter US supplies but tariff concerns loom](#)

Oil prices rose 2% on Wednesday, as U.S. government data showed tighter-than-expected oil and fuel inventories, though investors kept an eye on mounting fears of a U.S. economic slowdown and the impact of tariffs on global economic growth. Brent futures settled \$1.39, or 2%, higher at \$70.95 a barrel. U.S. West Texas Intermediate crude futures gained \$1.43, or 2.2%, to \$67.68 a barrel.

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