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Our Economy and the World

Issue: 403 Date: 23rd March 2025

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

Key Global and Regional Developments over the Past Week

- Reuters: Japan says economy recovering, but flags risks from Trump trade policies
- CNBC: Fed holds interest rates steady, still sees two cuts coming this year
- Bloomberg: Germany's landmark spending spree wins parliamentary backing
- CNBC: China announces plan to 'vigorously boost consumption' in bid to shore up economy

Special Analysis

- UN: Challenges to Global Trade Growth 2025

Developments in Financial and Commodity Markets in the Past Week

- Reuters: Oil rises on US fuel demand, Fed rate decision caps gains
- Reuters: US natural gas prices up on record flows to LNG export plants, cooler weather forecasts

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Our Economy and the World

Key Global and Regional Developments over the Past

[Reuters: Japan says economy recovering, but flags risks from Trump trade policies](#)

Japan's government stuck with its cautiously optimistic outlook for the economy U.S. President Donald Trump's trade policies could dampen global growth and higher inflation could hurt consumer spending. The government maintained its view on the world's fourth-largest economy, saying it is "recovering moderately" in its monthly report for March, citing strong corporate earnings and wage increases which policymakers hope will boost consumption.

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[CNBC: Fed holds interest rates steady, still sees two cuts coming this year](#)

The Federal Reserve in a closely watched decision Wednesday held the line on benchmark interest rates though still indicated that reductions are likely later in the year. Faced with pressing concerns over the impact tariffs will have on a slowing economy, the rate-setting Federal Open Market Committee kept its key borrowing rate targeted in a range between 4.25%-4.5%, where it has been since December. Markets had been pricing in virtually zero chance of a move at this week's two-day policy meeting.

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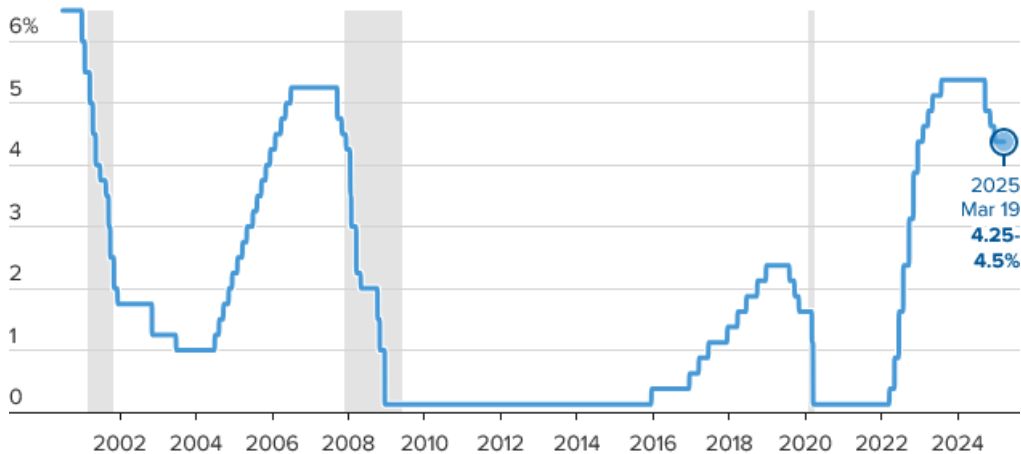
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U.S. federal funds target rate

July 2000–March 2025

The Federal Open Market Committee chose to hold rates steady at its March meeting.



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[Bloomberg: Germany's landmark spending spree wins parliamentary backing](#)

German lawmakers passed a landmark spending package, taking a major step toward unlocking hundreds of billions of euros in debt financing for defense and infrastructure and heralding the end of decades of budget austerity. The controversial legislation — pushed by conservative Chancellor-in-waiting Friedrich Merz — was approved Tuesday in the lower house of parliament with 512 votes out of a total of 733, comfortably clearing the two-thirds threshold required for changes to the country's constitutional borrowing rules.

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[CNBC: China announces plan to 'vigorously boost consumption' in bid to shore up economy](#)

China announced a “Special Action Plan to Boost Consumption” on Sunday in a bid to prop up domestic consumption in the world’s second largest economy. The General Office of the Central Committee, an office directly under China’s ruling party, said the plan was to vigorously boost consumption, expand domestic demand, and “enhance consumption capacity by increasing income and reducing burdens,” according to a Google translation of the report. The wide-ranging release also outlined other steps, such as taking “multiple measures” to stabilize the stock market and developing more bond products suitable for individual investors.

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Special Analysis

UN: Challenges to Global Trade Growth 2025

- Global trade has undergone an extraordinary transformation over the past five decades. However, a succession of shocks has profoundly altered global trade dynamics, exposed vulnerabilities in supply chains, shifted policy priorities, and fuelled geopolitical frictions that now threaten the foundation of the rules-based trading system. Recent protectionist measures are leading to further tension and fragmentation of global markets and may lead to long-term structural shifts.
- Sub-Saharan Africa and parts of South-East Asia face the highest exposure to trade disruptions. The current trade landscape is especially challenging for least developed countries.
- The exploration of alternatives to the reliance on the US dollar for trade responds to concerns of many developing countries but also introduces new risks and uncertainties.
- The absence of a unified tax framework exacerbates challenges in mobilizing domestic revenue. Unilateral carbon taxation measures are shifting the burden of climate change mitigation to producers in developing countries, particularly Africa, without offering meaningful support for low-carbon industrial transitions.

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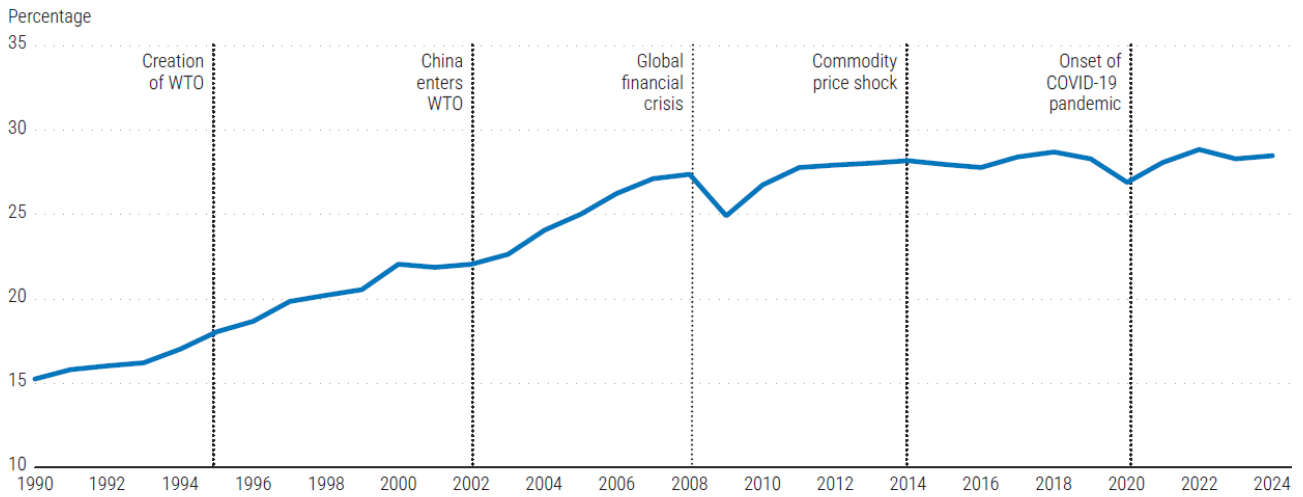
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Figure 1

Global trade of goods and services as share of GDP



Source: UN DESA, based on data produced with the World Economic Forecasting Model.

Notes: World trade is measured as the average of world imports and exports. WTO denotes the World Trade Organization.

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Developments in Financial and Commodity Markets in the Past Week

Reuters: Oil rises on US fuel demand, Fed rate decision caps gains

Oil prices edged up on Wednesday after U.S. government data showed a draw in fuel inventories, but the Federal Reserve's decision to hold interest rates steady capped gains. Brent crude futures settled up 22 cents, or 0.31%, to \$70.78 a barrel. U.S. West Texas Intermediate crude (WTI) closed 26 cents, or 0.39%, higher at \$67.16.

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Reuters: US natural gas prices up on record flows to LNG export plants, cooler weather forecasts

U.S. natural gas futures edged up about 1% on Tuesday on record gas flows to liquefied natural gas (LNG) export plants, a drop in daily output and forecasts for cooler weather and higher demand than previously expected next week. That rise in demand should increase the amount of gas utilities pull from storage next week. Gas stockpiles were currently around 12% below normal levels for this time of year after extreme cold weather in January and February forced energy firms to pull large amounts of gas out of storage, including record amounts in January.

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