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Our Economy and the World

Issue: 405

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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: Tariffs restrain US business activity, boost asking prices for products

BBC: Trump hints at softening China tariffs and says no plan to sack Fed boss

Reuters: US new home sales jump in March; supply still rising

Reuters: Bessent says China tariffs are not sustainable as US signals willingness to de-escalate

Special Analysis

World Trade Organization: Temporary tariff pause mitigates trade contraction, but strong downside risks persist

Developments in Financial and Commodity Markets in the Past Week

Bloomberg: Oil falls as OPEC fears outweigh possible easing of China levies

Reuters: Wall Street ends higher on hopes of trade war de-escalation

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Our Economy and the World

Key Global and Regional Developments over the Past Week

Reuters: Tariffs restrain US business activity, boost asking prices for products

U.S. business activity slowed to a 16-month low in April while prices charged for goods and services soared amid uncertainty caused by tariffs, reinforcing financial market fears of stagflation that could put the Federal Reserve in a tough spot.

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BBC: Trump hints at softening China tariffs and says no plan to sack Fed boss

US President Donald Trump has appeared to soften his recent comments on China and the head of the US Federal Reserve after recent clashes as he pursues his economic agenda. Trump said he has "no intention of firing" Jerome Powell after repeatedly criticizing the head of the central bank, but added that he would like Powell to be "a little more active" on cutting interest rates.

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Reuters: US new home sales jump in March; supply still rising

Sales of new U.S. single-family homes increased more than expected in March as buyers rushed to take advantage of a decline in mortgage rates, but a gloomy economic outlook poses a challenge to the housing market recovery. New home sales jumped 7.4% to a seasonally adjusted annual rate of 724,000 units last month, the highest level since September 2024, the Commerce Department's Census Bureau said on Wednesday. The sales pace for February was revised down to a rate of 674,000 units from the previously reported 676,000 units.

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Reuters: Bessent says China tariffs are not sustainable as US signals willingness to de-escalate

U.S. Treasury Secretary Scott Bessent said on Wednesday that high tariffs between the United States and China are not sustainable, as President Donald Trump's administration signaled openness to de-escalating a trade war between the world's two largest economies that has raised fears of recession.

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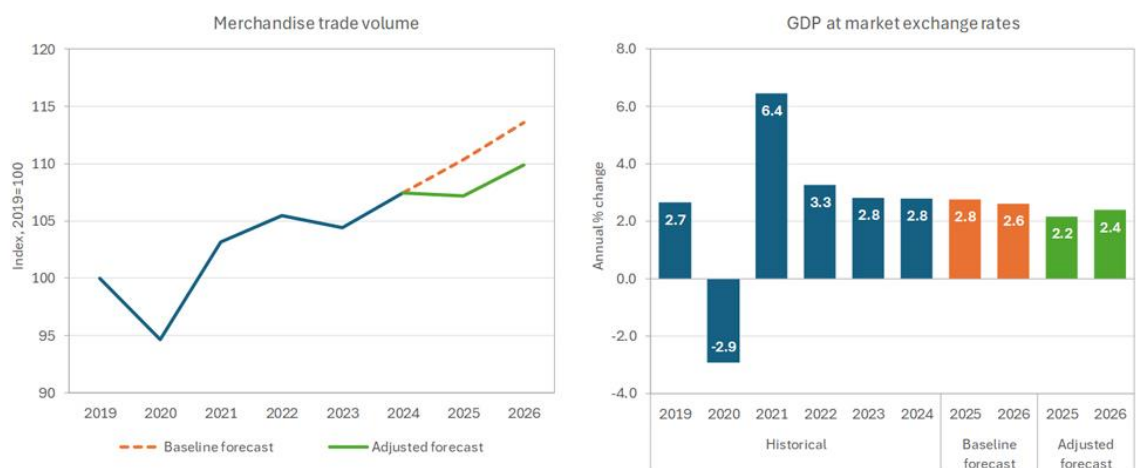
Special Analysis

World Trade Organization: Temporary tariff pause mitigates trade contraction, but strong downside risks persist

- Under current conditions, the volume of world merchandise trade is likely to fall by 0.2% in 2025. The decline is expected to be particularly steep in North America, where exports are forecasted to drop by 12.6%.
- However, severe downside risks exist, including the application of “reciprocal” tariffs and broader spillover of policy uncertainty, which could lead to an even sharper decline of 1.5% in global goods trade and hurt export-oriented least-developed countries.
- The report contains for the first time a forecast for services trade to complement its projections for merchandise trade. The volume of services trade is forecasted to grow by 4.0% in 2025, around 1 percentage point less than expected.

Chart 1: World merchandise trade volume and GDP growth, 2019-2026

Index, 2019=100 and annual % change



Note: Trade refers to average of exports and imports. Figures for 2025 and 2026 are projections.

Sources: WTO for historical trade statistics. WTO secretariat estimates for trade forecasts. Consensus estimates based on data from OECD, World Bank, IMF, UN, national statistics and WTO calculations for GDP.

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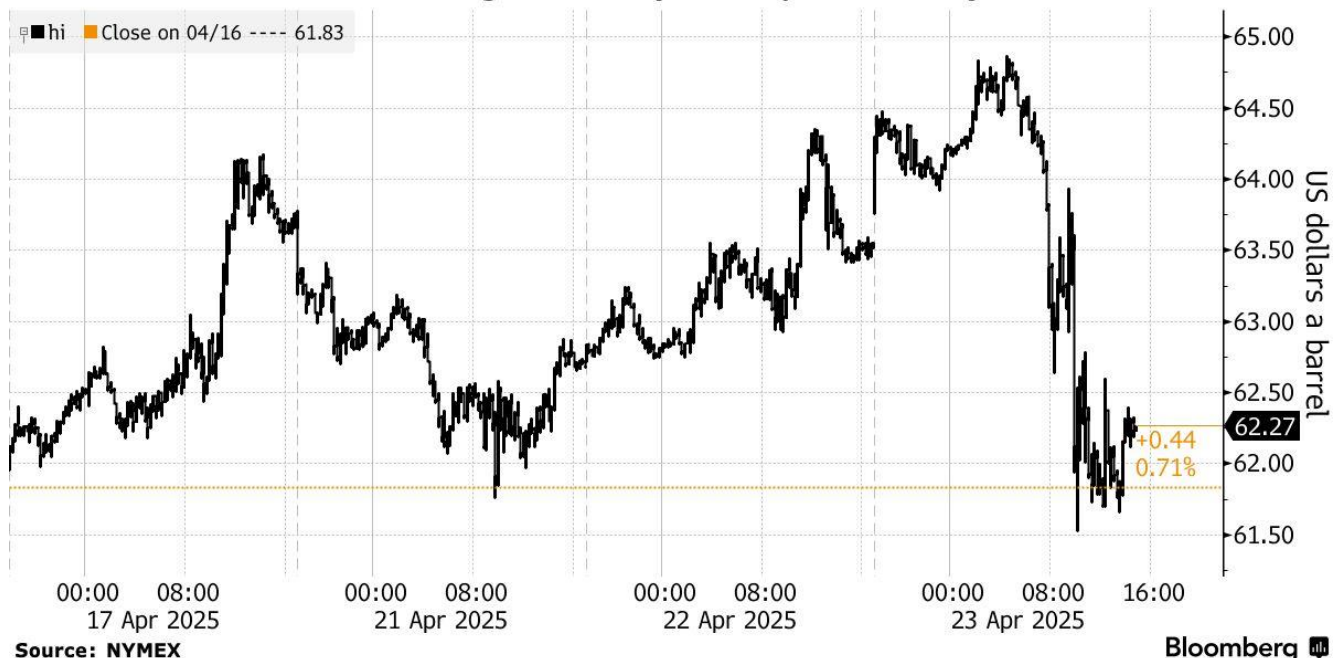
Our Economy and the World

Developments in Financial and Commodity Markets in the Past Week

Bloomberg: Oil Falls as OPEC Fears Outweigh Possible Easing of China Levies

Trump's earlier comments that he doesn't plan to fire Federal Reserve Chair Jerome Powell spurred a relief rally in stocks and provided a floor to crude prices. Oil has declined sharply this month, touching a four-year low at one point, driven by investors' fears that the onslaught of tariffs and counter-levies between the US and its biggest trading partners will sap crude demand. The drop has been compounded by the OPEC+ alliance's decision to bring back production at a faster-than-expected pace, reviving concerns about a supply glut.

Oil Falls on Prospect of Bigger OPEC Output Hike **Some OPEC states will seek a greater output hike, Reuters says**



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Our Economy and the World

Reuters: Wall Street ends higher on hopes of trade war de-escalation

Wall Street stocks advanced on Wednesday on revived hopes for progress in the U.S.-China trade dispute and as President Donald Trump soothed fears the Federal Reserve could lose its autonomy with reassurances that he has "no intention of firing" Fed Chair Jerome Powell. All three major U.S. stock indexes pared gains by the closing bell. They gathered momentum during the session after Treasury Secretary Scott Bessent said high tariffs between the U.S. and China were unsustainable and Trump signaled he was open to easing trade tensions between the world's two largest economies.

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