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Our Economy and the World

Issue: 414

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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: US manufacturing mired in weakness as tariffs bite
- Bloomberg: Starmer says Reeves will stay as UK Chancellor despite setbacks
- Reuters: Euro zone inflation picks up to ECB target
- Reuters: Trump says US could reach trade deal with India, casts doubt on deal with Japan

Special Analysis

- World Bank: Global Economic Prospects - Global Economy Faces Trade-Related Headwinds

Developments in Financial and Commodity Markets in the Past Week

- Reuters: Oil prices jump 3% as Iran suspends cooperation with UN nuclear watchdog
- Reuters: Stocks climb to record gilt yields surge on finance minister uncertainty

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Our Economy and the World

Key Global and Regional Developments over the Past Week

Reuters: US manufacturing mired in weakness as tariffs bite

U.S. manufacturing remained sluggish in June, with new orders subdued and prices paid for inputs creeping higher, suggesting that the Trump administration's tariffs on imported goods continued to hamper businesses' ability to plan ahead. The Institute for Supply Management (ISM) said on Tuesday that its manufacturing PMI nudged up to 49.0 last month from a six-month low of 48.5 in May.

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Bloomberg: Starmer Says Reeves Will Stay as UK Chancellor Despite Setbacks

UK Prime Minister Keir Starmer said Rachel Reeves will stay on as Chancellor of the Exchequer, as he sought to draw a line under speculation about her future that sparked a bond selloff. Reeves would stay as chancellor “for many years to come,” Starmer told the BBC on Wednesday evening, hours after failing to guarantee her position when asked in parliament

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Reuters: Euro zone inflation picks up to ECB target

Euro zone inflation edged up last month to the European Central Bank's 2% target, confirming that the era of runaway prices is over and shifting policymaker focus to trade war-induced economic volatility. Inflation in the 20 nations sharing the euro currency crept up to 2.0% in June from 1.9% a month earlier, in line with expectations in a Reuters poll of economists, as energy and industrial goods continued to pull down prices, offsetting quick services inflation.

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Reuters: Trump says US could reach trade deal with India, casts doubt on deal with Japan

The United States could reach a trade deal with India that would help American companies compete in the South Asian country and leave it facing far lower tariffs, President Donald Trump said on Tuesday, while casting doubt on a possible deal with Japan.

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Special Analysis

World Bank: Global Economic Prospects - Global Economy Faces Trade-Related Headwinds

Global growth is expected to weaken to 2.3 percent in 2025, marking a significant downgrade from previous forecasts, followed by a modest pickup to 2.5 percent in 2026-27.

- In the context of a more challenging external environment, growth in emerging market and developing economies (EMDEs) is forecast to be well below pre-pandemic averages and the space that is needed to make significant progress in boosting job creation and closing large per capita income gaps with advanced economies.
- Risks to the outlook are tilted to the downside. In particular, renewed increases in trade tensions and prolonged intense uncertainty could substantially reduce global growth relative to the baseline.
- Without decisive policy efforts, global growth prospects are unlikely to materially improve. The restoration of predictable, transparent, and rules-based approaches to resolving trade disputes is a top priority. At the same time, policy makers need to retain focus on addressing debt distress, supporting vulnerable EMDEs, and combating climate change.

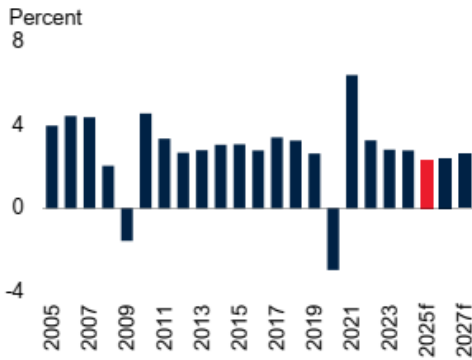
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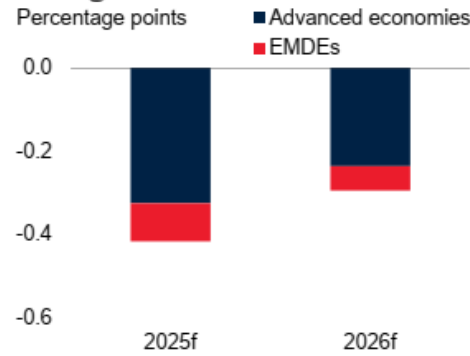
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A. Global output growth



B. Contributions to global growth downgrades in 2025 and 2026



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Developments in Financial and Commodity Markets in the Past Week

[Reuters: Oil prices jump 3% as Iran suspends cooperation with UN nuclear watchdog](#)

Oil prices rose 3% on Wednesday as Iran suspended cooperation with the U.N. nuclear watchdog and the U.S. and Vietnam reached a trade deal, but a surprise build in U.S. crude supplies limited price gains somewhat. Brent crude settled \$2.00 higher, or 3%, to \$69.11 a barrel, while U.S. West Texas Intermediate crude gained \$2.00, or 3.1%, to \$67.45 a barrel.

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[Reuters: Stocks climb to record, gilt yields surge on finance minister uncertainty](#)

Global stocks rose to a record high on Wednesday after U.S. data showed an unexpectedly weak reading on the labor market while British government bond yields surged on growing speculation about the future of the country's finance minister.

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