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Our Economy and the World

Issue: 421

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

Key Global and Regional Developments over the Past Week

- Bloomberg: Trump escalates pressure campaign on Fed, calls for Cook to quit
- BBC: Air fares and food prices push up inflation to 3.8% in July
- Reuters: German tax revenues grow at slower pace in July
- Reuters: Japan's exports log biggest drop in 4 years as US tariff impacts intensify

Special Analysis

- IFC: Which Firms Create More Jobs?

Developments in Financial and Commodity Markets in the Past Week

- Reuters: India stocks set for modest gains as US tariffs, foreign outflows cloud outlook
- Reuters: European share gains to be kept in check by Trump tariffs

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Key Global and Regional Developments over the Past Week

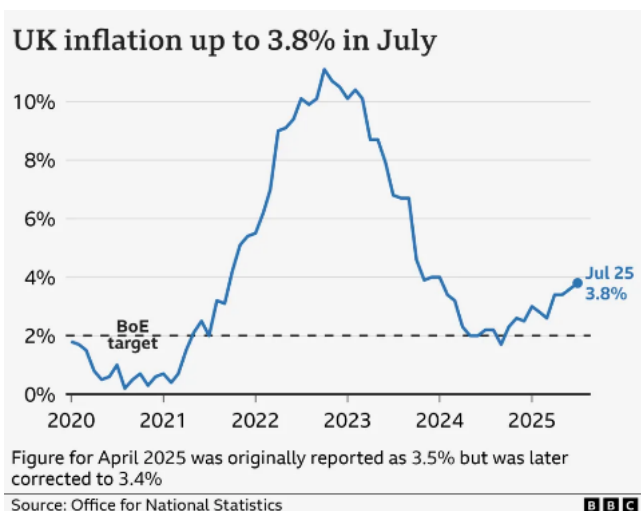
[Bloomberg: Trump escalates pressure campaign on Fed, calls for Cook to quit](#)

President Donald Trump has opened another front in his campaign to bend the Federal Reserve to his will. Trump today called on Fed Governor Lisa Cook to resign over allegations, surfaced by a staunch Trump ally at the Federal Housing Finance Agency, that she may have given false information in applying for two mortgages.

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

[BBC: Air fares and food prices push up inflation to 3.8% in July](#)

Prices in the UK rose by 3.8% in the year to July, driven mainly by a jump in the price of air fares and food. That means inflation is at its highest level since January 2024 and still far above the Bank of England's target of 2%, according to the Office for National Statistics (ONS) data.



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[Reuters: German tax revenues grow at slower pace in July](#)

German federal and state tax revenues rose 3% year-on-year in July, a slower rate of increase than the previous month, due in part to a decline in earnings from sales tax, the finance ministry said on Thursday. The total tax take in Europe's biggest economy came to 65.74 billion euros (\$76.60 billion) in July, with increases in taxes on income, wages and inheritance, said the ministry in its monthly report. In June, tax revenues had risen more than 7%.

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[Reuters: Japan's exports log biggest drop in 4 years as US tariff impacts intensify](#)

Japan's exports posted the biggest monthly drop in about four years in July, government data showed on Wednesday, as the impact of U.S. tariffs intensified, raising concerns about the outlook for the export-reliant economy. Total exports from the world's fourth-largest economy dropped 2.6% year-on-year in July in value terms, the biggest monthly drop since February 2021, when exports fell 4.5%.

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Special Analysis

IFC: Which Firms Create More Jobs?

Identifying which firms hire, where, and why is essential for delivering opportunity to tomorrow's workforce in developing economies. While predicting which firms will create the most jobs and better jobs is challenging, research provides valuable insights on the attributes of firms with the greatest employment potential.

Five themes consistently surface from the evidence:

- A small number of firms accounts for a disproportionate share of new jobs.
- The most dynamic employers tend to be relatively young, and their chances of success are generally unrelated to initial size.
- Businesses tend to flourish in well-connected locations.
- They accelerate when plugged into value chains, multinationals, or sophisticated suppliers.
- Stronger management skills and technology adoption underpin their success.

These facts together point to practical, actionable ways of channeling private capital into large-scale employment, underscoring a potentially strategic role for policies to support firms.

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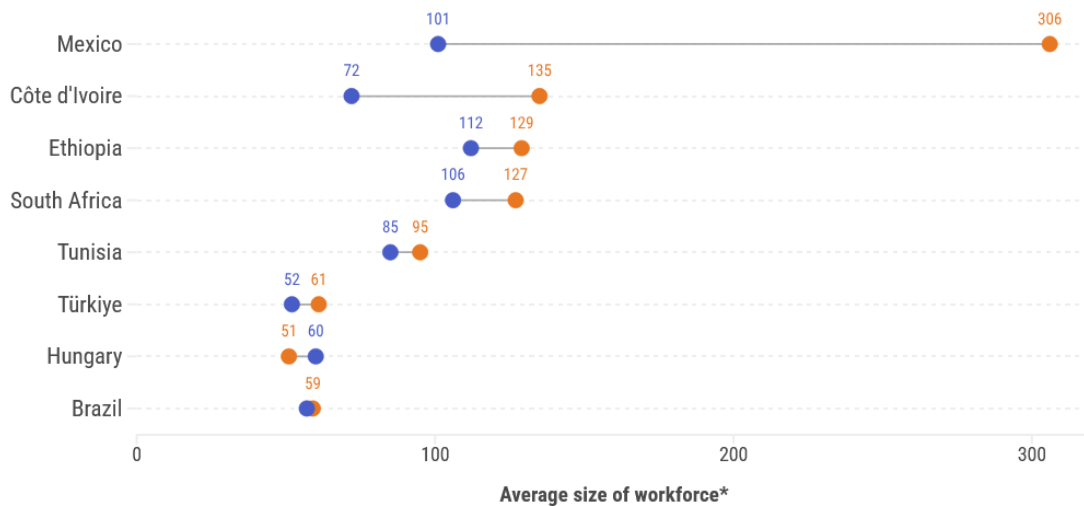
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The average starting size of firms that create jobs is, if anything, larger

High-growth firms versus all firms



* Average firm size is calculated using national surveys or census data for each country. High-growth firms are defined as those employing more than 10 workers and achieving an average annual employment growth rate of 20% or more over three consecutive years.

Source: Grover et al., (2019)

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Developments in Financial and Commodity Markets in the Past Week

[Reuters: India stocks set for modest gains as US tariffs, foreign outflows cloud outlook](#)

Pressured by U.S. tariffs and foreign investor outflows, India's stock markets will manage to eke out only modest gains by year-end, according to a Reuters poll of equity analysts who have pushed back their forecast for a new record high to 2026. Foreign investors have sold more than a net \$13 billion of Indian stocks this year, including around \$2.4 billion in the first half of August after U.S. President Donald Trump raised tariffs on Indian exports to 50% - among the steepest imposed on any U.S. trading partner.

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[Reuters: European share gains to be kept in check by Trump tariffs](#)

European shares are expected to close the year a touch higher than where they are currently trading, a Reuters poll found, as support from looser fiscal and monetary policy will be kept in check by uncertainties over Washington's import tariffs.

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