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Our Economy and the World

Issue: 430

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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: Japan's new PM is preparing large economic stimulus to tackle inflation, sources say
- Bloomberg: Trump says he'll raise China's Russian oil purchases with Xi
- Reuters: US Fed to trim rates twice more this year; 2026 rate path very unclear
- CNBC: India to cut Russian oil purchases, U.S. to slash tariffs as they near trade deal

Special Analysis

- IMF: Resilience amid Uncertainty: Will It Last?

Developments in Financial and Commodity Markets in the Past Week

- CNBC: Rare earths make gains amid battle to beat China's dominance
- CNBC: Brent crude jumps about 5% after Trump administration sanctions big Russian oil companies

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Key Global and Regional Developments over the Past Week

Reuters: Japan's new PM is preparing large economic stimulus to tackle inflation, sources say

Japan's new Prime Minister Sanae Takaichi is preparing an economic stimulus package that is likely to exceed last year's \$92 billion to help households tackle inflation, government sources familiar with the plan said on Wednesday. The package of more than 13.9 trillion yen (\$92.19 billion) is Takaichi's first major economic initiative since the advocate of big fiscal spending took office on Tuesday, reflecting a commitment to what she calls "responsible proactive fiscal policy".

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Bloomberg: Trump Says He'll Raise China's Russian Oil Purchases with Xi

Donald Trump said he planned to speak to Xi Jinping about China's purchases of Russian oil when the two leaders meet next week in South Korea, after the US president on Wednesday announced fresh sanctions on top energy companies with ties to the Kremlin.

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[Reuters: US Fed to trim rates twice more this year; 2026 rate path very unclear](#)

The Federal Reserve will lower its key interest rate by 25 basis points next week and again in December, according to a Reuters poll of economists who remain deeply divided on where rates will be by the end of next year. A month ago, economists had expected just one more cut this year. But the new forecast follows a recent shift in expectations by Fed policymakers toward additional reductions.

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[CNBC: India to cut Russian oil purchases, U.S. to slash tariffs as they near trade deal](#)

The U.S. could substantially slash tariffs on Indian exports as the two countries near a trade deal that could see New Delhi cutting oil purchases from Russia, Indian media outlet Mint reported Wednesday. As part of the trade deal, Washington could slash tariffs on Indian exports to 15%-16% from the current 50%, Mint reported citing three unnamed sources aware of the matter.

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Special Analysis

IMF: Resilience amid Uncertainty: Will It Last?

Economic performance in the Middle East and Central Asia has shown resilience so far in 2025, despite still-elevated global uncertainty and continued regional geopolitical tensions. Growth in Middle East and North Africa is projected to strengthen gradually, supported by oil output, strong demand, and reforms, while growth in the Caucasus and Central Asia is expected to slow to a more sustainable pace.

But risks loom: weaker global demand, tighter financial conditions, renewed geopolitical instability, and climate shocks could all weigh on the outlook. This makes fiscal prudence, structural reforms, and stronger policy frameworks essential to sustaining durable growth.

This report also explores post-conflict economic recovery, showing that lasting peace requires swift macroeconomic stability, adequate financing, and stronger institutions to rebuild state capacity.

Figure 1.1. World Uncertainty Indices
(Index, GDP-weighted 71 countries)



Sources: Ahir, Bloom, and Furceri (2022); World Uncertainty Index (WUI); and IMF staff calculations.

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Developments in Financial and Commodity Markets in the Past Week

CNBC: Rare earths make gains amid battle to beat China's dominance

Shares of U.S.-listed companies related to the rare earth supply chain climbed on Monday as investors continued to weigh the impact of Chinese export restrictions on domestic producers. Rare earths are minerals that are essential to many aspects of modern life, particularly for the technology sector and the energy transition, as they are used in everything from semiconductors, fighter jets to the motors of electric vehicles. Prime Minister Donald Trump and Australian Prime Minister Anthony Albanese signed an agreement on Monday to invest in joint ventures to stand up a critical mineral and rare earth supply chain that is not dependent on China.

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CNBC: Brent crude jumps about 5% after Trump administration sanctions big Russian oil companies

Oil prices jumped about 5% on Wednesday evening after the Trump administration imposed further sanctions on Russia's two largest crude companies, citing Moscow's "lack of serious commitment to a peace process to end the war in Ukraine."

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