

GLOBAL WEEKLY ECONOMIC NEWS IN THE ADVANCED ECONOMIES

(12 July 2021 – 16 July 2021)

Countries	Highlights
<p>US</p> <p>U.S. retail sales unexpectedly rise 0.6% in June</p>	<p>US retail sales unexpectedly increased in June as demand for goods remained strong even as spending is shifting back to services, bolstering expectations that economic growth accelerated in the second quarter. The rebound in sales reported by the Commerce Department was despite purchases of motor vehicles declining again because of a lack of supply caused by a global semiconductor shortage. The scarcity of new motor vehicles is boosting demand for used cars and trucks, helping to fuel inflation. Vaccinations against COVID-19, low interest rates and massive fiscal stimulus are underpinning retail sales. Spending is now rotating back to services like travel and entertainment, with at least 160 million Americans fully immunised against COVID-19. Retail sales are mostly goods, with services such as healthcare, education, travel and hotel accommodation making up the remaining portion of consumer spending.</p> <p><i>(Source: CNBC, 16 July 2021)</i></p>
<p>UK</p> <p>UK inflation tests Bank of England as it jumps to highest since 2018</p>	<p>British inflation surged further above the Bank of England's target in June to strike by 2.5%, its highest since August 2018, placing a new focus on the BOE's plan to keep its huge stimulus programme in place. The sterling strengthened against the dollar and euro. Two-year British government bond yields, which are sensitive to short-term inflation and interest rates, touched a three-week high. Most central bankers think the global surge in inflation will be temporary and reflects supply-chain bottlenecks as Western economies emerge from the coronavirus pandemic. The B)E expects inflation to fall back toward its 2% target over the next couple of years, as subdued pre-pandemic price trends and weak pay growth resume.</p> <p><i>(Source: Reuters, 14 July 2021)</i></p>
<p>JAPAN</p> <p>BOJ cuts growth forecast, unveils outline of climate scheme</p>	<p>The Bank of Japan (BOJ) cut this fiscal year's growth forecast but maintained its view that the economy was headed for a moderate recovery. The BOJ also released an outline of its new scheme aimed at boosting funding for activities combating climate change, which will offer banks long-term loans at zero interest. The climate scheme will be launched this year and last until fiscal 2030. The BOJ will offer funds to banks that extend green and sustainability-linked loans, as well as invest in green bonds and sustainability-linked bonds. The BOJ said it expects the economy to expand 3.8% in the current fiscal year ending in March 2022, down from 4.0% projected in April. But it revised up its growth forecast for next fiscal year to 2.7% from 2.4% on expectations that consumption will pick up as vaccinations accelerate.</p> <p><i>(Source: Business Times, 16 July 2021)</i></p>
<p>CHINA</p> <p>China's economic recovery loses some steam</p>	<p>China's economy grew slightly more slowly than expected in the second quarter, weighed down by higher raw material costs and new COVID-19 outbreaks, as expectations build that policymaker may have to do more to support the recovery. GDP expanded 7.9% in the April-June quarter from a year earlier, missing expectations for a rise of 8.1% in a Reuters poll of economists. Growth slowed significantly from a record 18.3% expansion in the January-March period, when the year-on-year growth rate was heavily skewed by the COVID-induced slump in the first quarter of 2020. Retail sales and industrial output grew more slowly in June, the latter dragged by a sharp fall in motor vehicle production.</p> <p><i>(Source: The Daily Star, 16 July 2021)</i></p>