Economics

What Happened This Week in the World Economy and What It Means

By Simon Kennedy
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- ▶ Peace between the U.S. and Europe over trade as China simmers
- ▶ China seeks to support economy as ECB eyes stimulus exit

The risk of a global trade war may have receded this week as the U.S. and European Union stepped back from a brink.

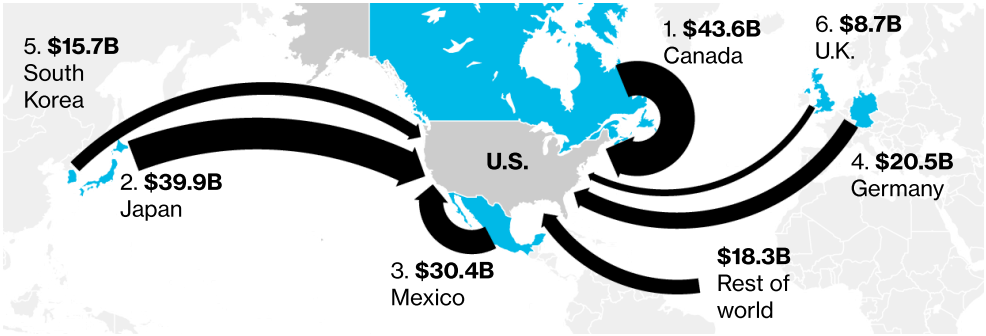
Tensions between the U.S. and China are nevertheless simmering away, forcing policy makers in Beijing to introduce new ways to support domestic demand.

Here's our weekly wrap of what happened in the world economy:

Trump Loves EU

Talk of a ceasefire abounded after Trump and European Commission President Jean-Claude Juncker agreed to negotiate lower barriers to transatlantic commerce and put auto tariffs on hold. That was a relief for investors who had worried about how a fight over cars would send shockwaves through the global economy. Meantime, Nafta talks are picked up again with Mexican and Canadian officials sounding optimistic in another sign of a deescalation.

U.S. Passenger Car Imports
2017 trade value: $177.2 Billion



Source: U.S. Census Bureau, includes passenger cars, SUVs and minivans

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The Great Depression Didn't Kill This Firm. Trump Tariffs Might

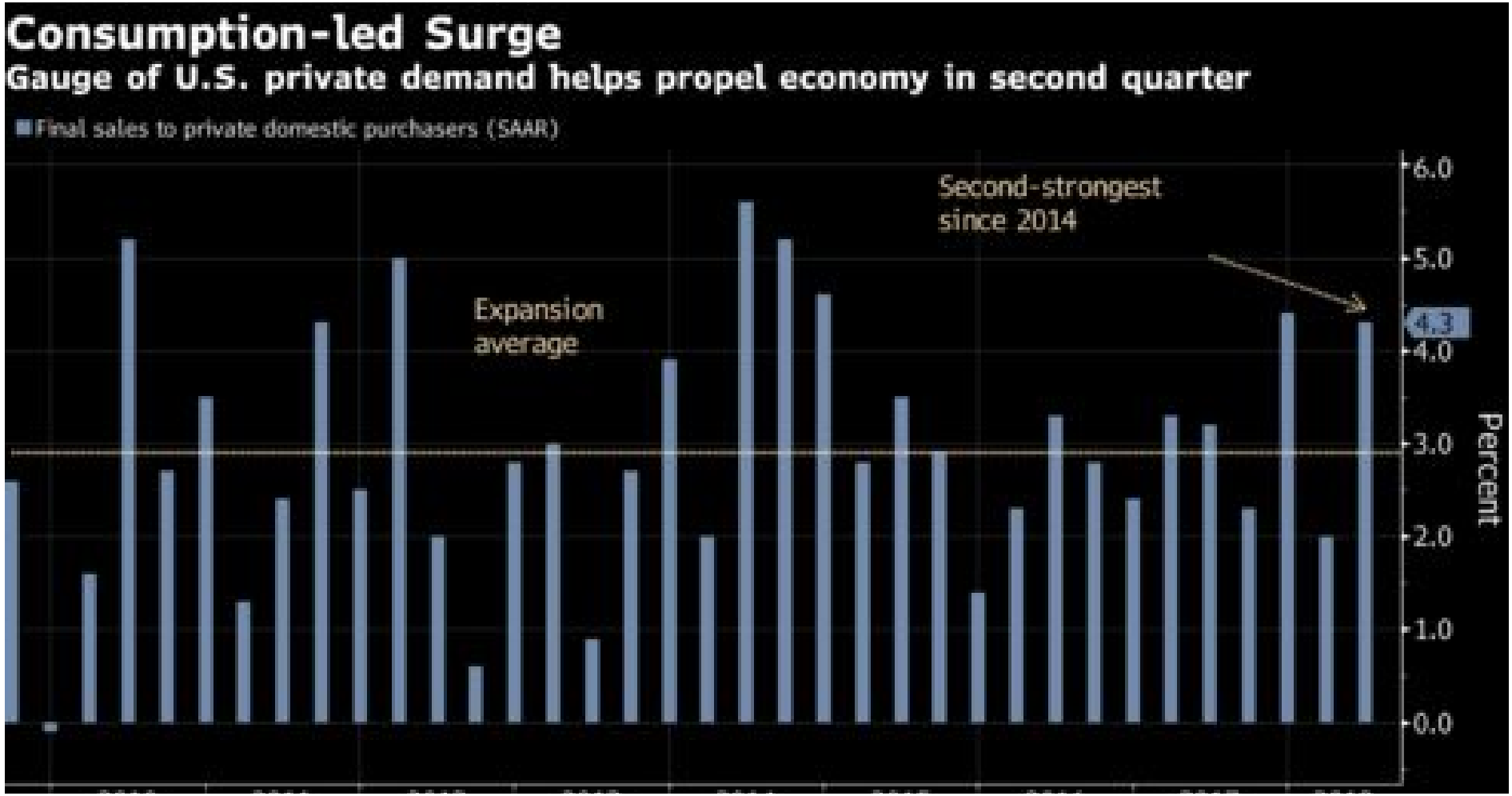
Deadlock with EU Frees Mercosur to Pursue Other Trade Deals

It's Getting Real: World Economy Feels the Bite From Trade War

'Trade Not Aid': U.S. Farmers Give Trump Plan a Cool Reception

U.S. Momentum

The U.S. economy accelerated to a 4.1 percent pace of growth in the second quarter, the fastest since 2014. The uptick was propelled by consumer spending, but economists warned the rate will likely fade. The expansion is a boon for Trump, who called it "amazing" and unlike most economists suggested it was sustainable.





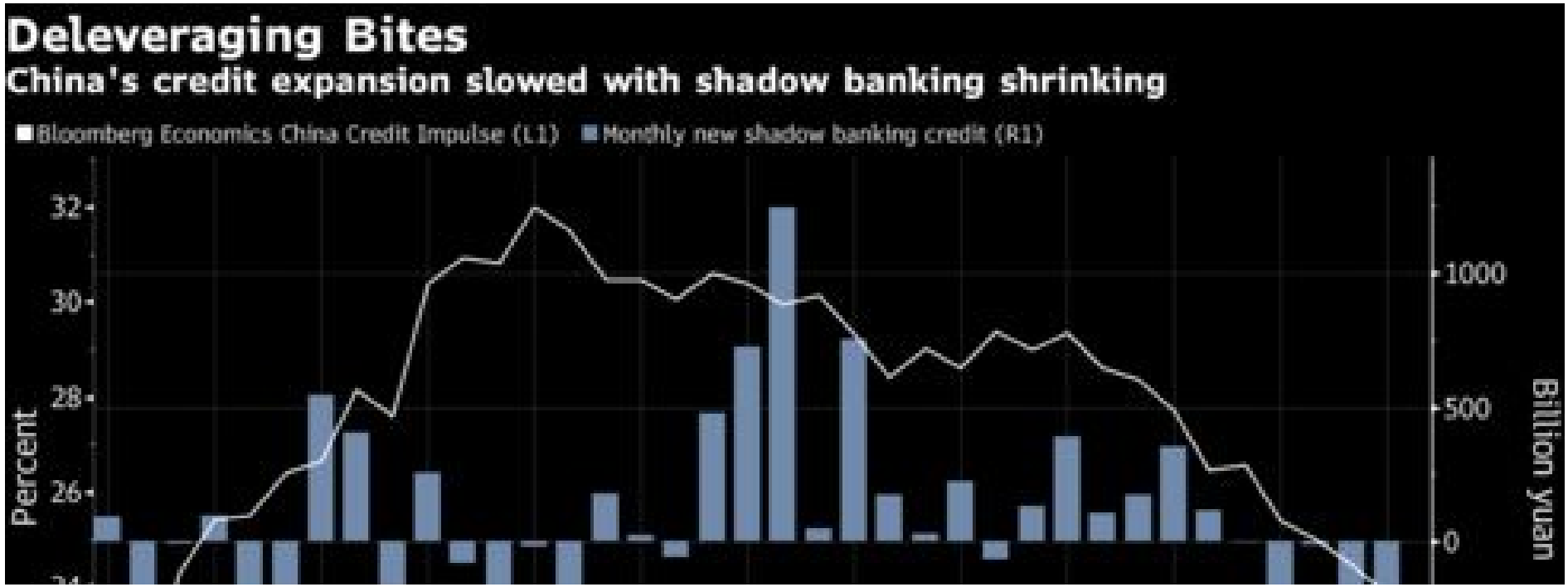
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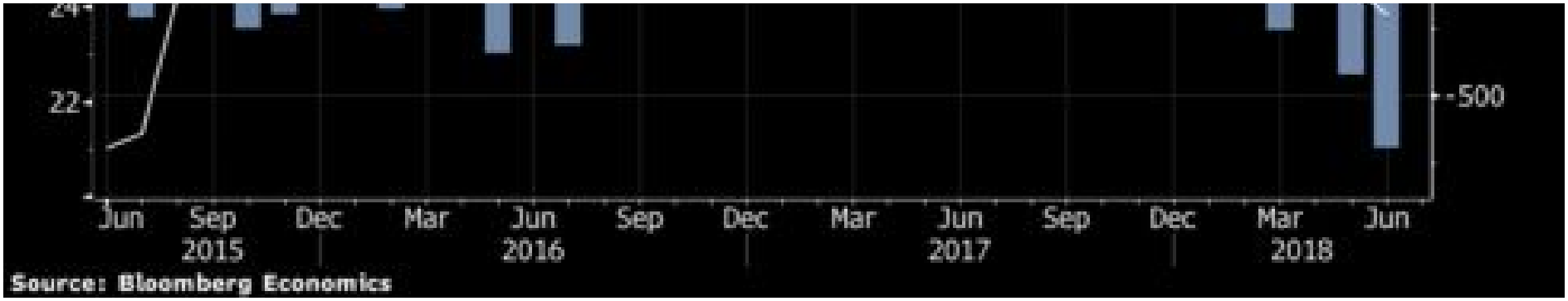
U.S. Housing Market Is Showing Signs of Running Out of Steam

Americans Have Been Saving Much More Than Thought, New Data Show

China Stimulus

Still in Trump's crosshairs is China and that battle is showing no signs of letting up. The world's second-biggest economy may be digging in for a protracted dispute by taking fresh steps to boost local growth. Measures included a tax cut aimed at fostering research spending and special bonds for infrastructure investment. It also increased lending to banks. The actions will though test it drive to contain its debt although Beijing said it had "no desire" to devalue the yuan.





Read More:

- What Does the Trump-EU Truce Mean for China?
- Economists See China Growth Holding Up in Face of Trump Standoff
- China Said to Ease Bank Capital Rule to Free Up More Lending
- CHINA INSIGHT: Where's the Bottom for Yuan? Four Thresholds

Central Banks

Perhaps the week's biggest news in central banking was Turkey's decision not to raise interest rate, a heeding of President Recap Tayyip Erdogan's demands. The European Central Bank, by contrast, provided little in the way of new information although President Mario Draghi will head on vacation welcoming the positive vibe on trade and solid growth. Russia, Hungary , Nigeria , Ghana left interest rates unchanged, while Georgia cut its benchmark. More central banks meet in the next days. The Bank of Japan -- which offered to buy an unlimited amount of bonds twice this week -- is debating how to keep stimulating, yet without generating side effects. The Bank of England is set to raise rates, while the Federal Reserve isn't expected to shift.

Read More:

- What's Fueling Speculation the BOJ Will Change Policy: QuickTake

It's Best to Know English When Interpreting ECB Policy Statement

Fed Presidents Seek Powell Put to Prevent Inverted Yield Curve

Bank of England to Estimate Interest Rate That's Just Right

No More Philippine Reserve Ratio Cuts This Year, Governor Says

Weekend Reading

American Housing Market Is Showing Signs of Running Out of Steam

Spend-as-You-Earn Apps Highlight Soft Spots in U.S. Labor Market

U.S. 4% GDP Growth Seen More 'Luck of the Draw' Than New Reality

Swelling Deficits Are Southeast Asia's Next Stability Test

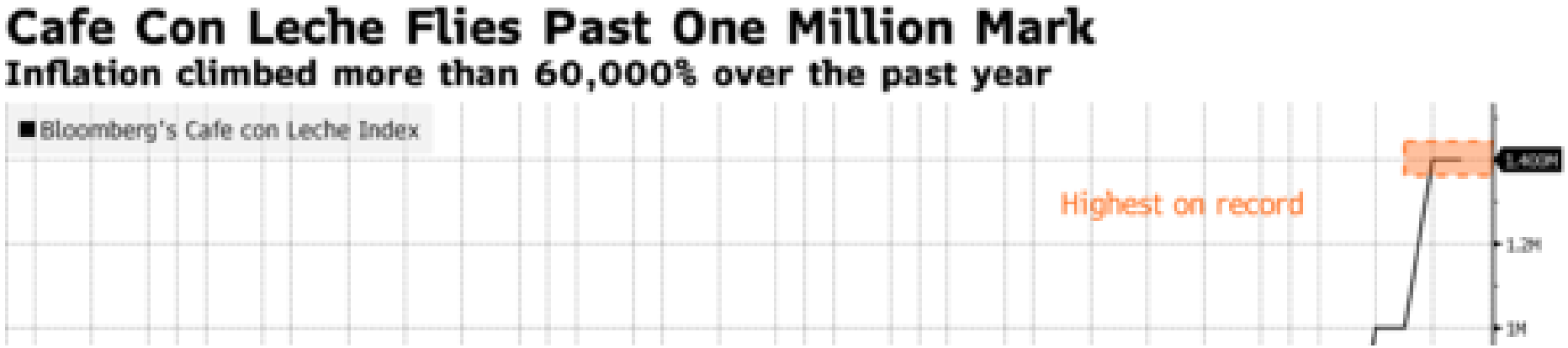
Nobody Understands What Economics Graduates Are Trying to Say

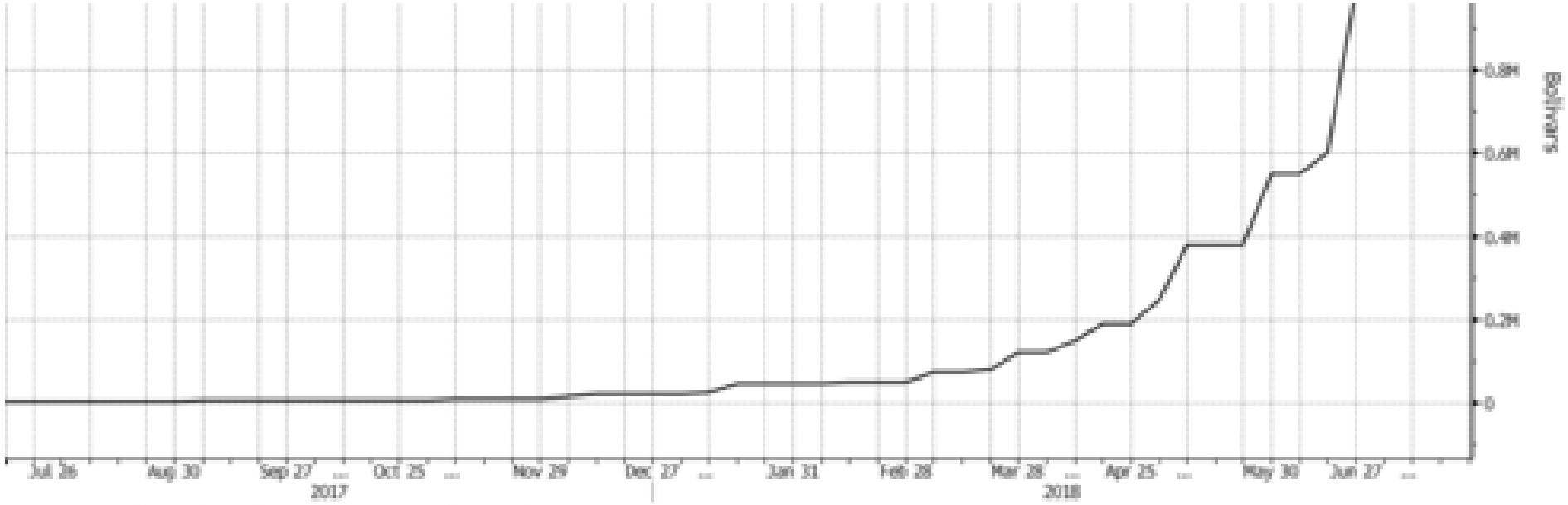
The Woman Who Picks BOE Policy Makers Says It's Not About Gender

Chart of the Week

Venezuela's Inflation to Reach 1 Million Percent, IMF Forecasts

IMF's 1,000,000% Inflation Forecast Is Looking Low for Venezuela





Source: Bloomberg's Cafe Con Leche Index

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