GLOBAL WEEKLY ECONOMIC NEWS IN THE ADVANCED ECONOMIES

(14 August 2020 – 18 September 2020)

Countries	Highlights
US **Fed vows to keep interest rates near zero until inflation rises**	The Federal Reserve kept interest rates pinned near zero on Wednesday and made a bold, new promise to keep them there until inflation is on track to "moderately exceed" the US central bank's 2% inflation target for some time. The new guidance marks a monetary policy shift, first announced by the Fed last month, that is aimed to offset years of weak inflation and allow the economy to keep adding jobs for as long as possible. New economic projections released with the policy statement showed most policymakers see interest rates on hold through at least 2023, with inflation never breaching 2% over that period. *(Source: Reuters, 16 September 2020)*
UK **UK retail rebounds in bright spot for COVID-hit economy**	British shoppers spent more last month, taking sales further above pre-COVID levels, as strong online demand helped much of the sector rebound faster than the rest of the economy. Retail sales volumes rose by 0.8% in August, slightly above the average 0.7% forecast in a Reuters poll. Spending may yet stutter as the furlough scheme is wound down and unemployment rises, weighing on household incomes and job security. While, investments are taking much longer to recover. Retailers have benefited from fewer British people holidaying abroad this summer, pent-up demand from the lockdown, and a shift to spending on household goods rather than activities outside the home. However, the rebound masks a sharp split between online and high-street retailers. Online and catalogue sales were up 34.4% in August, while primarily in-store clothing sales were 15.5% lower. *(Source: Reuters, 18 September 2020)*
JAPAN **Japan's worst post-war economic downturn could force new leader to boost stimulus**	Japan's economy sank deeper into its worst post-war contraction in the second quarter as the coronavirus jolted businesses more than initially thought, underscoring the daunting task the new prime minister faces in averting a steeper recession. The world's third-largest economy shrank an annualised 28.1% in April-June, more than a preliminary reading of a 27.8% contraction, revised GDP data showed, suffering its worst post-war contraction. The main culprit behind the downward GDP revision was a 4.7% drop in capital expenditure, much bigger than a preliminary 1.5% fall, suggesting the pandemic was hitting broader sectors of the economy. Companies won't boost spending when the outlook is so uncertain. *(Source: Reuters, 16 September 2020)*
CHINA **China issues new rules to tighten control over financial holding firms**	China has issued new rules to regulate financial holding companies, effective 1 November 2020. The new rules were rolled out as a small number of companies expanded blindly into the financial sector without isolation mechanisms and while accumulating risks. PBOC named the state-owned CITIC Group, China Everbright Group and China Merchants Group as eligible financial holding entities, as well as local government backed Shanghai International Group, Beijing Financial Holdings Group, and the fintech giant Ant Financial. The new regulation will put up a firewall between the industrial sector and the financial sector to prevent cross-institution, cross-market, and cross-sector contagion risks. Companies must have at least 5 bill yuan (USD731 mil) in capital to be licensed as financial holding firms. Companies that hold banking units will need to have at least 500 bil yuan in total assets, and those that do not hold banking units should have at least 100 bil yuan. *(Source: Reuters, 13 September 2020)*

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