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Macro Roundup Artcile

Headline: Why Geopolitical Tensions Don’t Threaten a Fresh Surge in Inflation

Article Link: https://www.ft.com/content/a0f5a61d-a5ac-4cac-abab-33f650ce6818

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Publication	Financial Times
Publication Date	June 16, 2023

Tweet: .@alanbeattie argues geopolitical fracturing won't be inflationary as the deflationary pressure associated with "hyperglobalisation" was overstated.

Summary: The “hyperglobalisation” period when world trade and global value networks grew most rapidly ran from the late 1990s until shortly before the global financial crisis began in 2008. By that point the fall in inflation in the rich world had largely already happened. Given that goods are much more highly traded than services, you’d have expected rising inflation differentials between the two. In fact, the gap remained constant until after the financial crisis, when services inflation actually fell while goods inflation rose. As a rough sense check of the impact of cheaper imports, those goods subject to low-cost Chinese competition like clothing, shoes and electronics make up quite small parts of the consumer price basket. In the eurozone, apparel and footwear are about 5% of the total, compared with 15% for housing and utilities and 10% for restaurants and hotels.

Primary Topic: Inflation

Topics: GDP, Inflation, Op-Ed/Blog Post, Trade (not deficits)

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