



R&R Weekly Column
By Brunello Rosa



Despite its Disappointing Final Statement, the G20 in India Delivers Important Results

Last week, [a G20 meeting was hosted by India in New Delhi](#). The heads of state and government of the countries representing 80% of the world's GDP gathered to discuss the most relevant issues affecting the global economy – [with the notable exception of China's Xi Jinping](#), who did not attend the meeting.

We have discussed [in previous articles](#) how the multilateral institutions in charge of what can be called “global governance”, in particular the G20 and the UN Security Council (UNSC), have been affected by the ongoing Cold War 2 between the US and China. [These fora have become polarised](#), in some cases balkanised, and, therefore, ineffective. The polarisation of positions within the G20 was such that severe doubts emerged ahead of the meeting as to whether [a joint statement could be released at the end of the meeting](#).

In reality, the leaders did [manage to issue a joint statement](#), summarizing the conclusions of the work undertaken by the various sectoral components of the G20 on issues of global growth, health, the green transition, debt financing, technological transformation, international taxation, gender equality, etc. But, as one can imagine, a compromise solution implied a watered-down version of the communique. In particular, it is extremely disappointing to note that the final texts make no explicit mention of “Russia’s unjustified invasion of Ukraine” (the wording that even the [European Central Bank uses to describe it](#)). It only says that “*all states must refrain from the threat or use of force to seek territorial acquisition against the territorial integrity and sovereignty or political independence of any state. The use or threat of use of nuclear weapons is inadmissible.*”

In spite of all this, some important results were delivered by the meeting. In our opinion the most relevant are the following. *First*, the leaders of countries including India, the United States, Saudi Arabia, the United Arab Emirates, France, Germany, and Italy, as well the European Union, have signed a Memorandum of Understanding (MoU) that establishes the “[India-Middle East-Europe Economic Corridor](#),” a “railway network designed to provide reliable and cost-effective cross-border ship-to-rail transit, complementing existing maritime and road transport routes.” This network, passing through India, the UAE, Saudi Arabia, Jordan, Israel, Italy, France and Germany, will provide the logistical support to the Partnership for Global Infrastructure and Investment (PGII), and will represent the “Western” alternative to China’s Belt and Road Initiative (BRI), on its tenth anniversary. Needless to say, US President Biden pushed hard for the creation of this corridor.

Second, [India and the US cemented their “close and enduring partnership”](#) and reinforced the conclusions of the [meeting held in Washington in June](#), wherein the US will support India’s bid for a permanent seat in the UNSC and will invest in semiconductors facilities in India, while providing US-made armed drones to the country. Biden also agreed to return to New Delhi in 2024 for a leadership meeting of the Quad, the Quadrilateral strategic pact with Japan and Australia (the democracies of the Indo-Pacific, aimed at “containing” China). This seems to reinforce the impression that India, in this Cold War 2, may decide to eventually side with the US rather than with China and Russia.

Finally, it has emerged that Italy, [in a meeting between Italian PM Meloni and Chinese PM Li Qiang](#), has decided not to renew the memorandum of understanding regarding Italy’s participation to the BRI, which had caused severe concerns in Washington and Brussels in 2019. [Italy instead will revive the “Global Strategic Partnership” it signed with China in 2004](#), which will be “the beacon for the advancement of friendship and cooperation ... in every area of common interest”, according to the statement released after the meeting.

All in all, it seems that this meeting that Xi Jinping deserted (after his diplomatic [success of the BRICS enlargement](#)) in order to weaken Modi’s leadership, marked a series of successes for the US-led front, alongside China’s victory of not explicitly mentioning Russia’s invasion of Ukraine.

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- ✿ [The Russia-Belarus Union State and the Relevance of the Suwalki Gap](#), by London Politica, 5 September 2023
- ✿ [The Russian Power Structure’s “Clean-Up” Operation](#), by Marco Lucchin, 30 August 2023

Looking Ahead

The Week Ahead: US Headline Inflation To Rise, While Core Falls; UK Unemployment To Increase; CBs to Take A Pause

In the US, in August, headline inflation is expected to increase to 3.6% y-o-y (*p*: 3.2%), whereas core is seen easing off to 4.3% y-o-y (*p*: 4.7%). In August, retail sales are likely to advance by 0.2% m-o-m (*p*: 0.7%).

In the EZ, in July, IP is likely to increase to -0.4% y-o-y (*p*: -1.2%).

In the UK, in July, unemployment rate is expected to edge up to 4.3% (*p*: 4.2%). In July, IP is likely to increase by 0.5% y-o-y (*p*: 0.7%).

In the US and the EZ, central banks are seeing pausing their tightening cycles.

The Quarter Ahead: Ukraine War Tops G20 Summit; War In Ukraine: Small Gains In South And Grain Deal; Apple Shares Slip

G20 Summit was held 9-10 September. Ukraine war tops G20 summit. The summit is marked by the absence of Russia's Vladimir Putin and China's Xi Jinping. G20's Indian President announced a consensus on a summit declaration. Ukraine is disappointed as it does not name or criticize Russia for the war.

Ukraine-Russia War. Ukraine claims small gains in South. A drone attack resulted in an explosion near Russia's military headquarters in the city of Rostov-on-Don, while Kyiv persists in conducting strategic aerial strikes inside Russian territory. Ukraine's Ambassador to Turkey announced that Ukraine has officially proposed to Turkey the operation of a 'grain corridor' in the Black Sea without involving Russia. Meanwhile, president Zelensky has removed all officials responsible for regional military recruitment centers due to a significant corruption scandal.

Apple shares fall after China bans iPhone for government officials. Apple's stock declined following reports of a ban on Chinese government employees from using iPhone. This year, Washington, together with its allies Japan and the Netherlands, limited China's access to certain chip technology. In response, China restricted exports of two crucial materials for the semiconductor industry. Additionally, Beijing is said to be preparing a new \$40 billion investment fund to support its chip manufacturing sector. Last week, during a visit to Beijing by US Commerce Secretary Gina Raimondo, Chinese tech giant Huawei unexpectedly launched its Mate 60 Pro smartphone, which seems able to compete with the iPhone.

Last Week's Review

Real Economy: EZ QoQ GDP Rose Marginally, While Decelerated YoY; PMIs Decreased In DMs

In the US, in August, S&P Global Services and Composite PMIs fell to 50.5 (*c*: 51; *p*: 52.3) and 50.2 (*c*: 50.4; *p*: 52).

In the EZ, in Q2, according to third estimate, GDP growth rate rose marginally by 0.1% q-o-q (*c*: 0.3%; *p*: 0.1%) and decelerated to 0.5% y-o-y (*c*: 0.6%; *p*: 1.1%). In August, HCOB Services and Composite PMIs fell to 47.9 (*c*: 48.3; *p*: 50.9) and 46.7 (*c*: 47; *p*: 48.6). In July, retail sales contracted by -1.0% y-o-y (*c*: -1.2%; *p*: -1.0%) and -0.2% m-o-m (*c*: -0.1%; *p*: 0.2%).

In the UK, in August, S&P Global/CIPS Services and Composite PMIs edged down to 49.5 (*c*: 48.7; *p*: 51.5) and 48.6 (*c*: 47.9; *p*: 50.8).

Financial Markets: Stock Prices Decreased; Sovereign Yields, Dollar Index And Oil Prices Increased, While Gold Prices Fell

Market Drivers: The stock market experienced widespread declines, because of the movement of Apple (AAPL) stock, market interest rates, and oil prices. Apple's decline, a key S&P 500 stock, was due to the Chinese government banning iPhone use by its employees. In Europe, shares moved down due to concerns that high interest rates might lead to an economic contraction.

Global Equities: decreased w-o-w (MSCI ACWI, -1.3%, to 678.02). The US S&P 500 index edged down (-1.3% w-o-w, to 4,457.49). In the EZ, share prices were down (Eurostoxx 50, -1.0% w-o-w, to 4,238.15). In EMs, equity prices moved down (MSCI EMs, -1.2%, to 973.86). Volatility rose to 14.89 (VIX S&P 500, 52w avg.: 21.5; 10y avg.: 18.5).

Fixed Income: w-o-w, the 10-year US Treasury yields edged up (+8 bps to 4.26%). The 2-year US Treasury yields increased (+11 bps to 4.99%). The German 10-year bund yield rose (+6 bps to 2.61%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.8%, to 105.06 EUR/USD -0.7%, to 1.07). In EMs, currencies decreased (MSCI EM Currency Index, -0.8% w-o-w, to 1,666.43).

Commodities: w-o-w, oil prices increased (Brent, +2.1% to 90.44 USD/b). Gold prices fell w-o-w (-1.2% to 1,942.60 USD/Oz).



@RosaRoubini



Rosa & Roubini



Rosa&Roubini Associates

For more information, please call us on +44 (0)207 1010 718 or send us an email to info@rosa-roubini-associates.com

www.rosa-roubini-associates.com

118 Pall Mall, London SW1Y 5ED

Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	MSS	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DJEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year