



The World with Higher Interest Rates

Research series showing how the most aggressive monetary tightening cycle in decades will shape global economic and market outcomes.

The most aggressive monetary tightening cycle in decades has shaken global markets this year on concerns that central bank efforts to rein in inflation will end in recession. Investors have cause to worry: historical evidence shows how tightening cycles have often ended in economic downturns when inflation needs squeezing out of the system. But could this time be different?

As global tightening got underway, Capital Economics began a special series of research exploring what higher interest rates would likely mean for macro and market outcomes, showing how economies would cope and where risks and opportunities lay in financial markets.

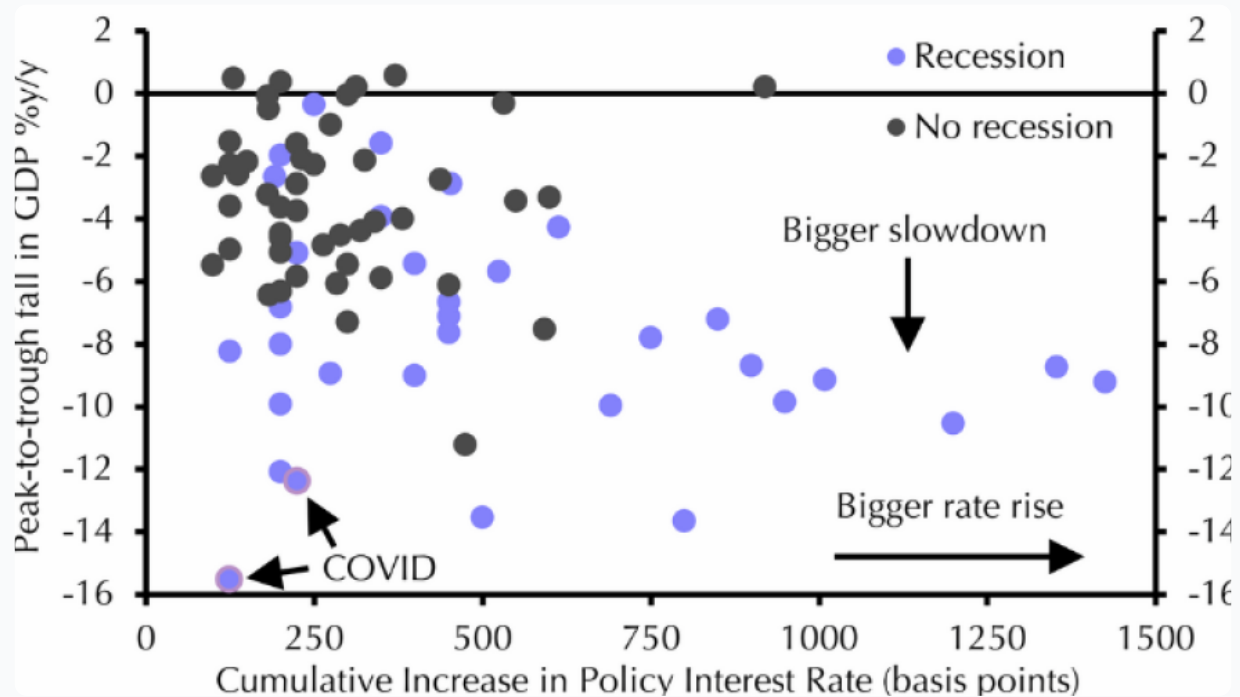


THE WORLD WITH HIGHER INTEREST RATES

How high will interest rates go?

Examining how far above equilibrium rates will need to go to get inflation under control.

21st June 2022

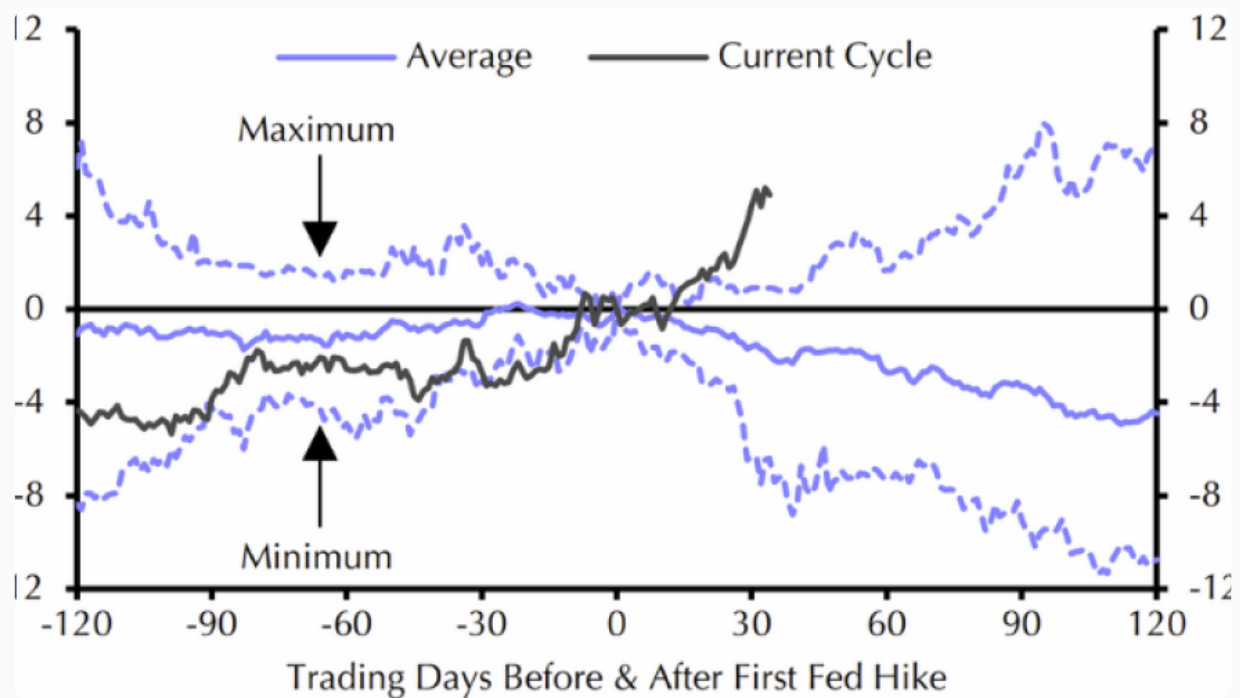


THE WORLD WITH HIGHER INTEREST RATES

Can the world cope with higher interest rates?

How far would rates have to rise before our forecast for an economic slowdown rather than recession comes under threat.

1st June 2022



THE WORLD WITH HIGHER INTEREST RATES

We expect the dollar to stay strong as the Fed tightens

Analysis of the greenback's performance during previous Fed tightening cycles suggests there's scope for further gains.

12th May 2022



THE WORLD WITH HIGHER INTEREST RATES

Can EMs weather Fed tightening?

Although Fed tightening has been associated with EM debt crises in the past, much has changed. However, there are still pockets of vulnerability.

22nd March 2022

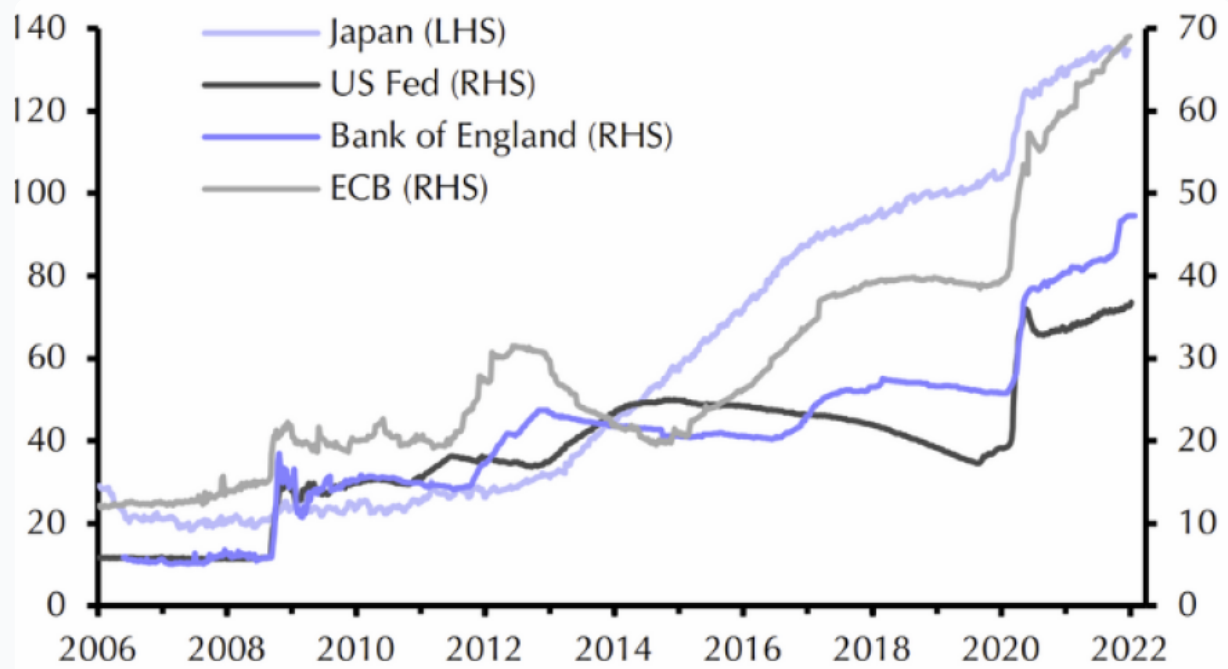


THE WORLD WITH HIGHER INTEREST RATES

Property the weak link as interest rates rise

A modest rise in rates might only cause price falls in a few obvious candidates. But rates might have to rise only a bit further than we expect to cause more widespread falls.

25th February 2022



THE WORLD WITH HIGHER INTEREST RATES

What to expect from QT

Discussion around the role that shrinking central bank balance sheets will play in meeting policy objectives.

15th February 2022

Our latest interest rate coverage

Read our latest research on the impact of higher rates from across our macro and market services.

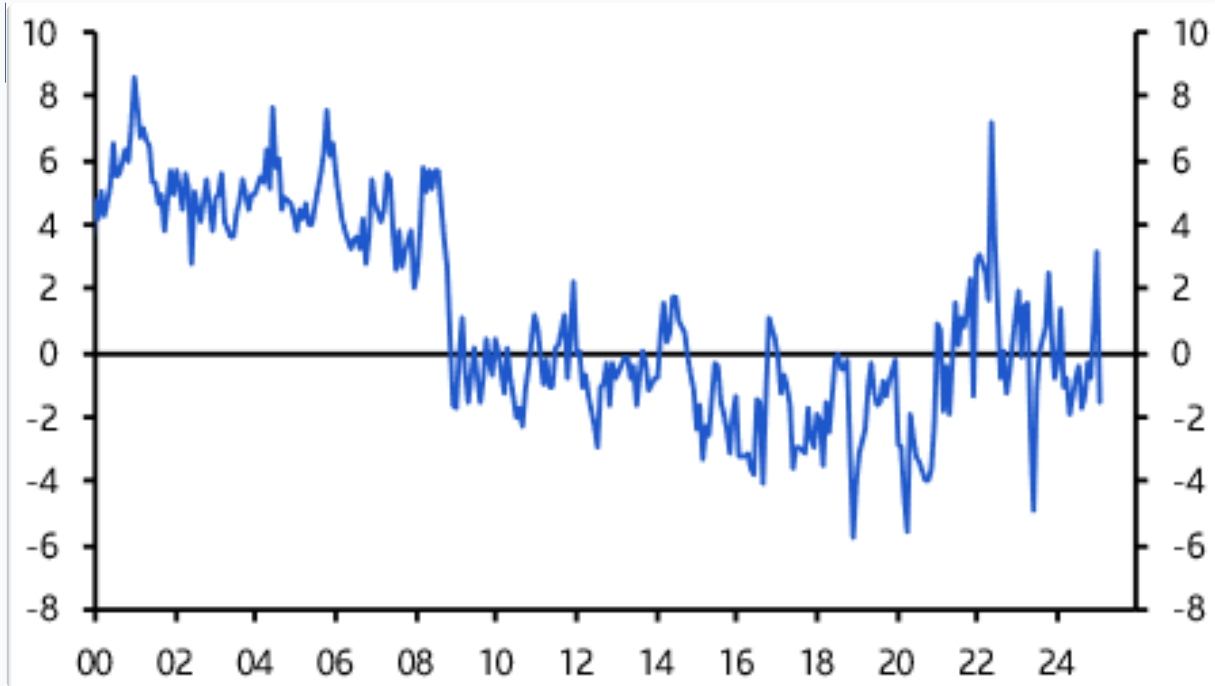


LATIN AMERICA ECONOMICS WEEKLY

Latin America Weekly: BanRep's dovish shift, Copom nearing an end

The unanimous decision by Colombia's central bank to lower its policy rate by 25bp, to 9.25%, earlier this week suggests that the Board is more dovish than we'd thought. That will raise fears, similar...

2nd May 2025 · 6 mins read

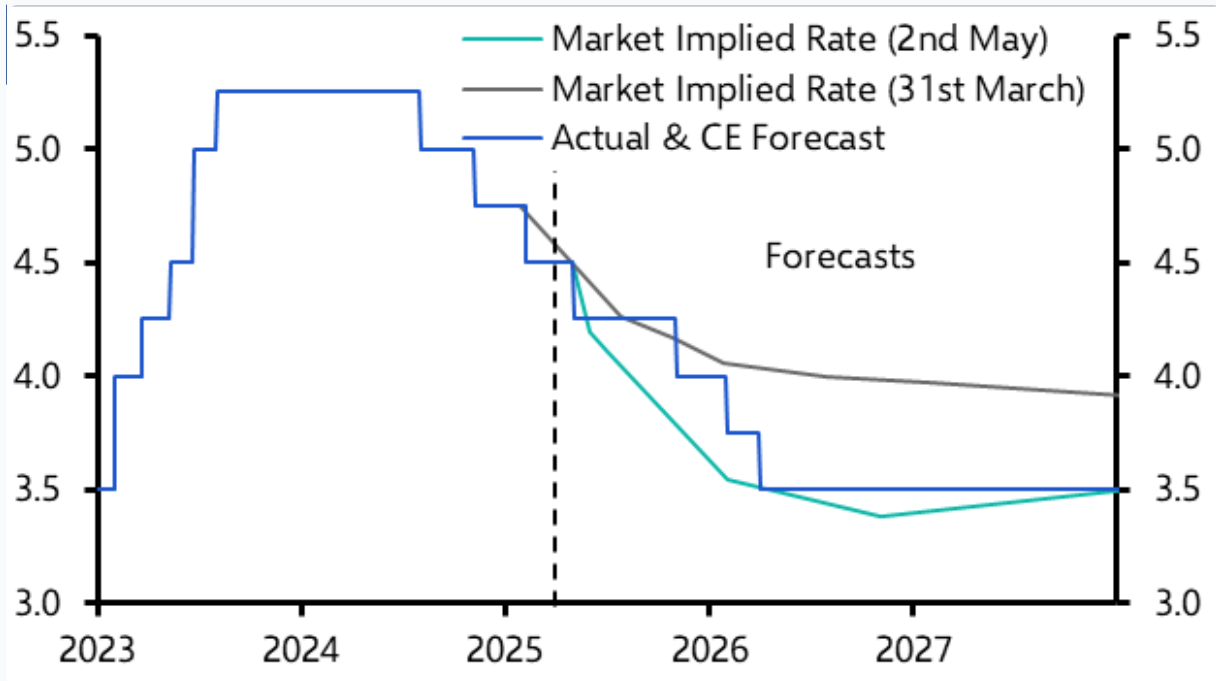


CANADA ECONOMICS WEEKLY

Carney should find support for stimulus despite minority

Although Mark Carney's Liberal Party just missed out on a majority in the election this week, the conciliatory tones from the Bloc Québécois suggest that the government should find the support needed...

2nd May 2025 · 6 mins read

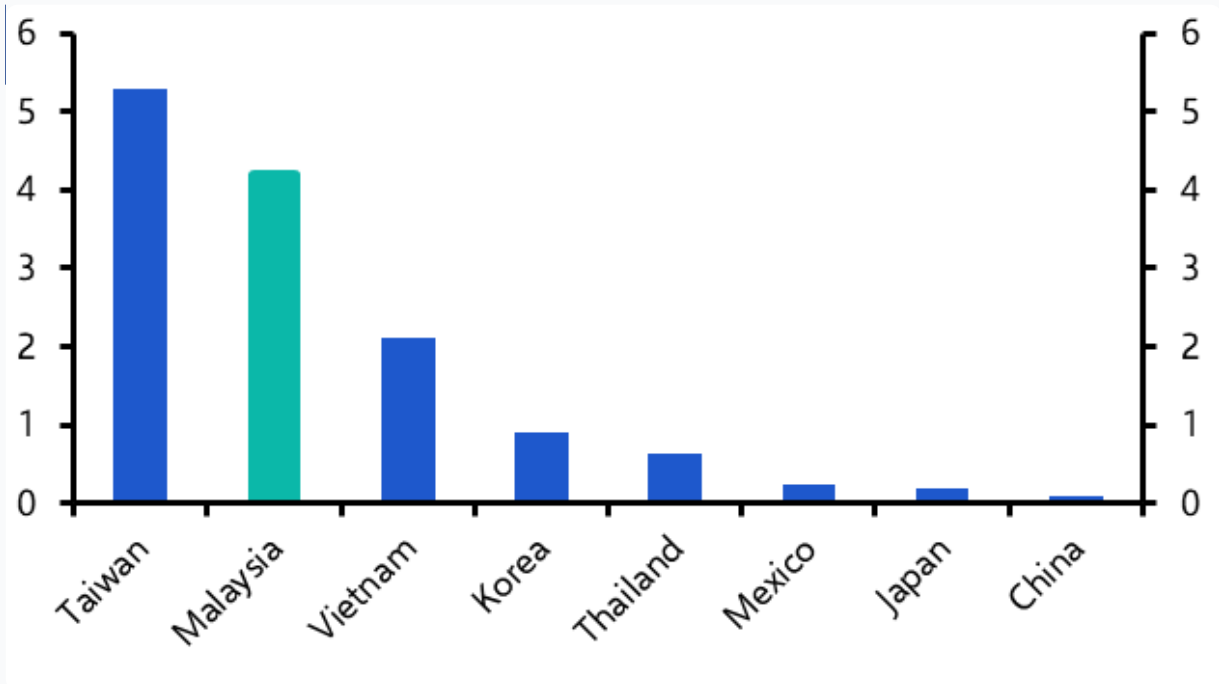


BOE WATCH

BoE Watch: UK rates to be cut slower but perhaps further than investors expect

The Bank of England will almost certainly cut interest rates from 4.50% to 4.25% on Thursday 8th May. But we think the markets have got ahead of themselves in expecting interest rates to be cut by...

2nd May 2025 · 6 mins read

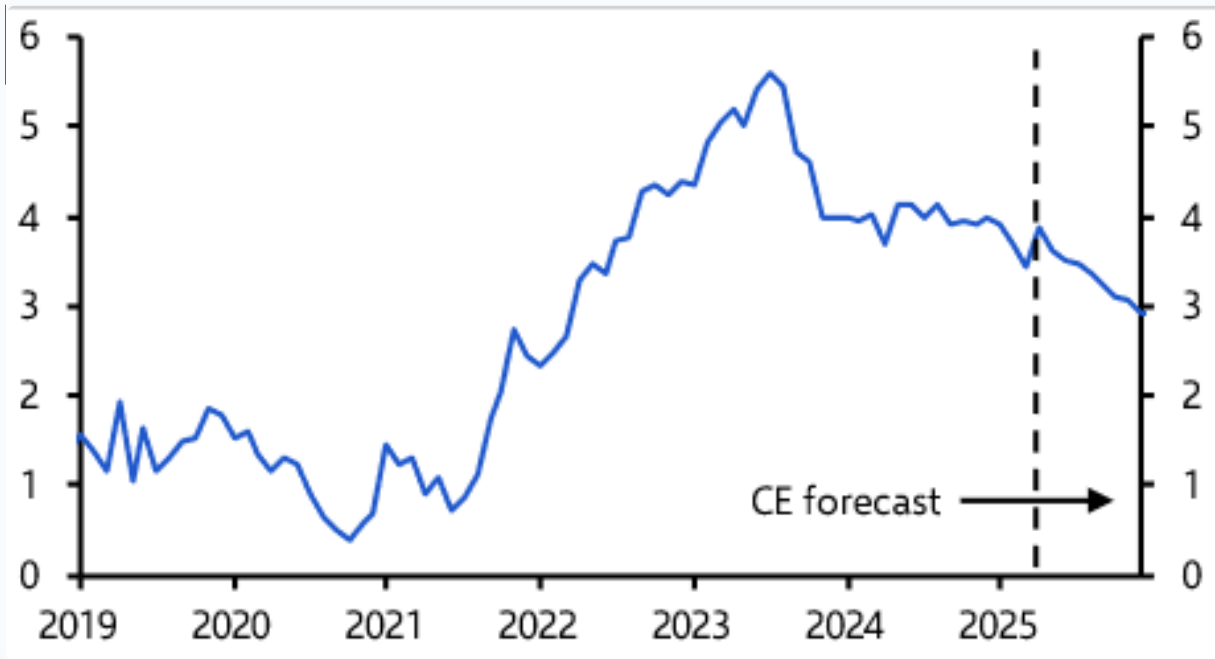


ASIA ECONOMICS WEEKLY

Asia Weekly: A close call in Malaysia

Bank Negara Malaysia has so far held off on rate cuts, but with first quarter growth slowing sharply, inflation at a four-year low, and external risks mounting, we expect the central bank to begin its...

2nd May 2025 · 7 mins read

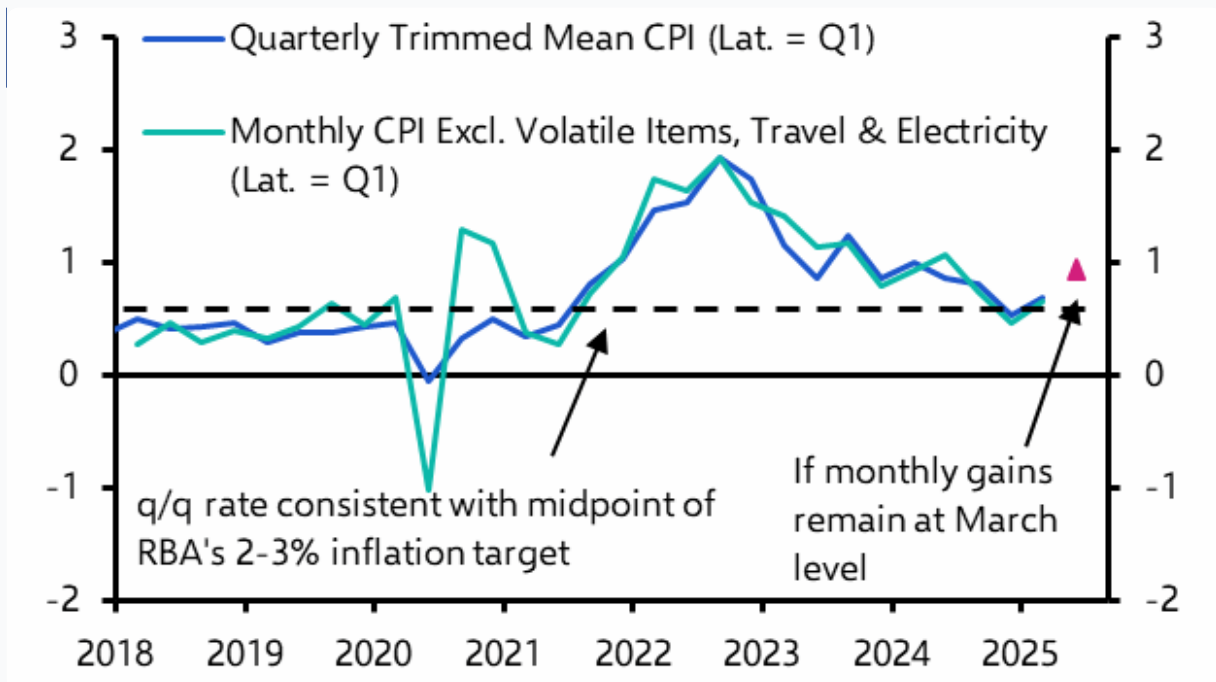


EUROPE RAPID RESPONSE

Euro-zone HICP (April 2025)

April's rise in services inflation is unlikely to worry the ECB too much as it was probably driven mainly by Easter timing effects. We think services inflation will start falling again in the coming...

2nd May 2025 · 2 mins read

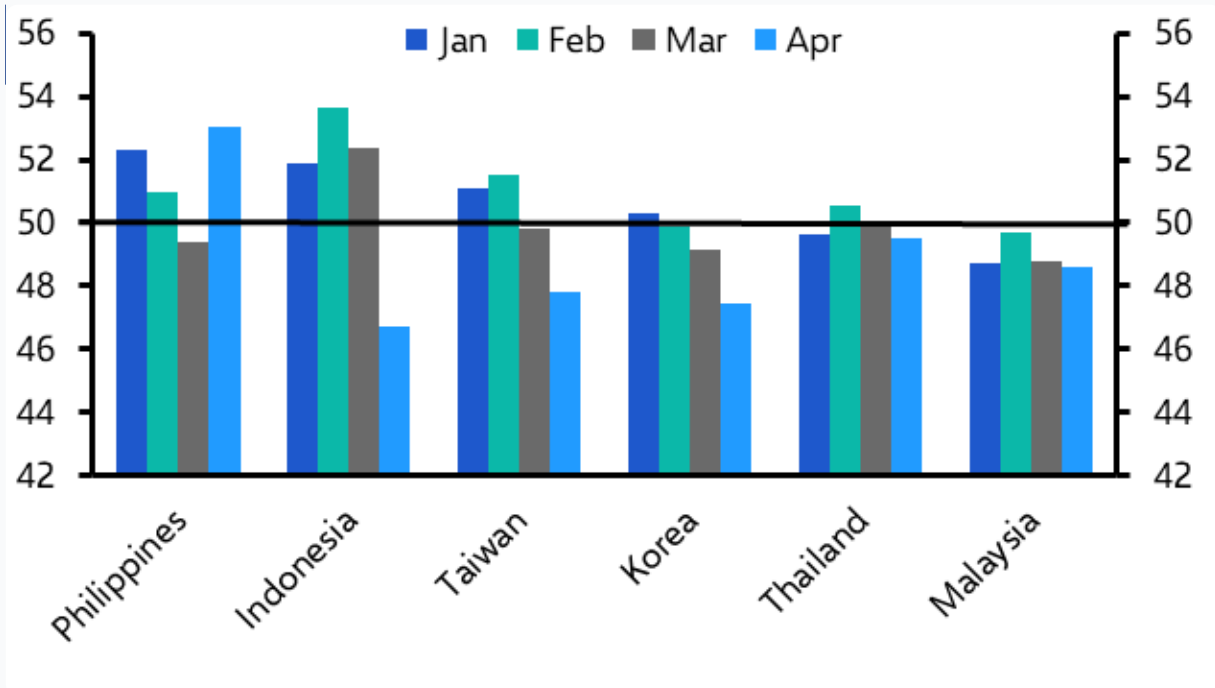


AUSTRALIA & NEW ZEALAND ECONOMICS WEEKLY

ANZ Weekly: Inflation risks remain two-sided, Labor leads in polls

With underlying inflation having returned to its 2-3% target range in Q1, the RBA is all but certain to cut rates by 25bp at its meeting later this month. However, given that timely data point to...

2nd May 2025 · 5 mins read

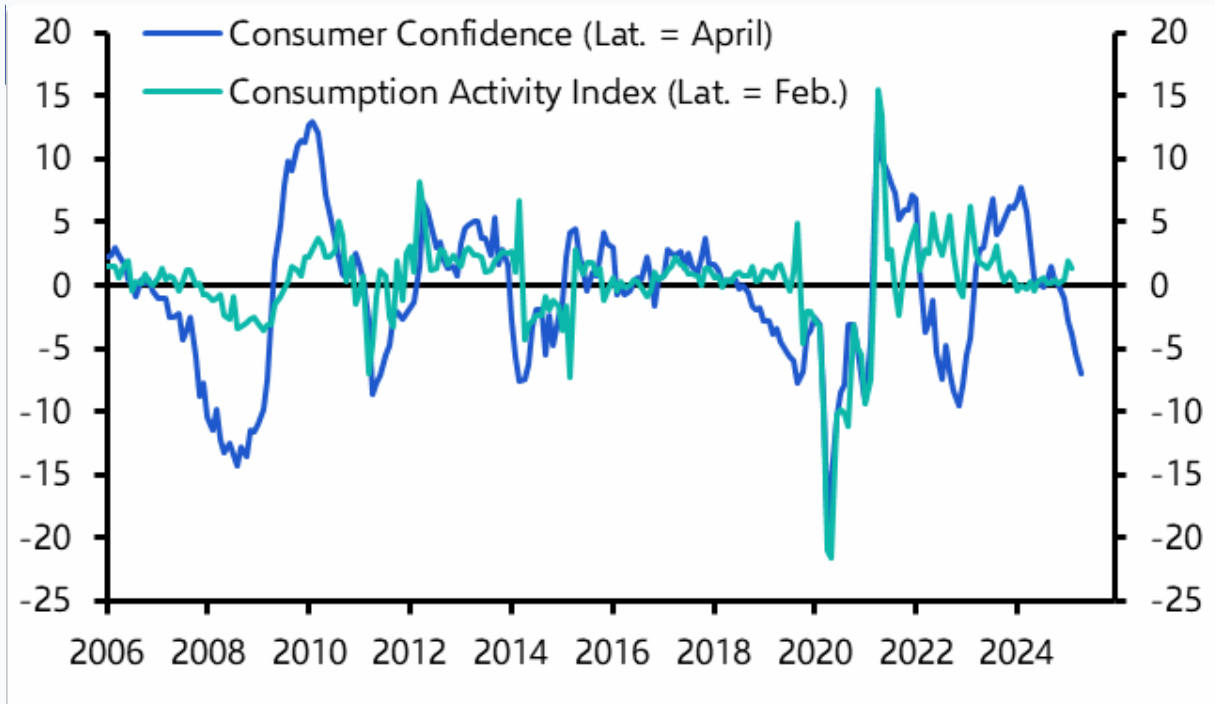


ASIA ECONOMICS UPDATE

Asia April Manufacturing PMIs

The April PMIs for Asia fell sharply, providing the first sign that Trump tariffs are weighing on sentiment in the region. With concerns about growth mounting and inflation worries continuing to ease...

2nd May 2025 · 2 mins read

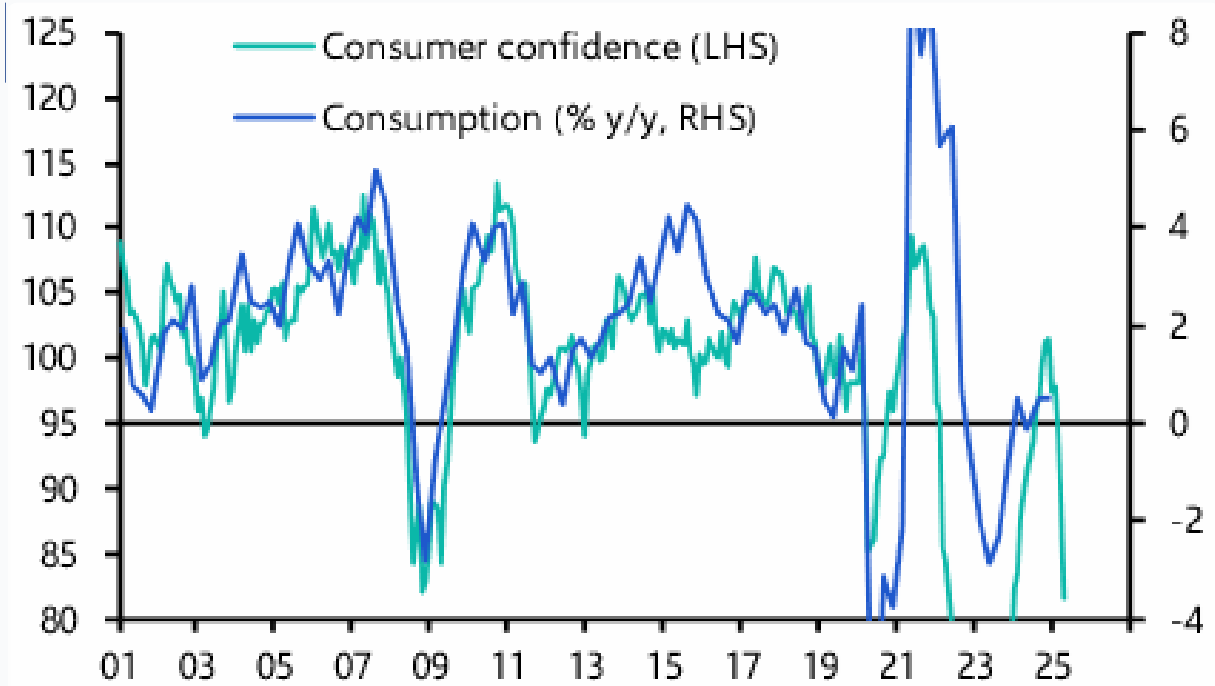


JAPAN ECONOMICS WEEKLY

Japan Weekly: Bank of Japan too downbeat about inflation outlook

The Bank of Japan slashed its GDP growth forecasts this week, arguing that global trade tensions are weighing on sentiment of households and firms. While consumer confidence has indeed plunged...

2nd May 2025 · 5 mins read

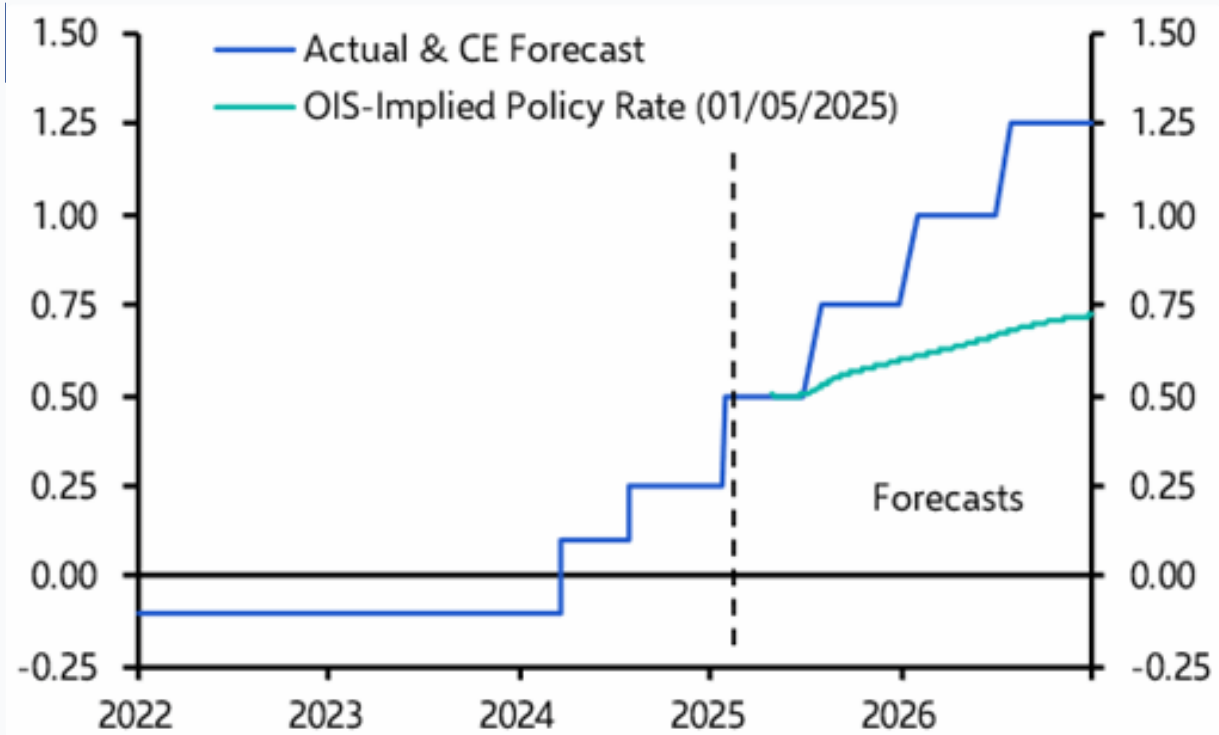


EUROPE ECONOMICS UPDATE

Riksbank & Norges Bank to hold, downside risks rising

Headwinds are gathering for the Swedish economy, and we expect the Riksbank to strike a dovish tone in its statement next week. But it will probably stop short of cutting the policy rate as it waits...

1st May 2025 · 5 mins read



CAPITAL DAILY

The BoJ, JGB yields and the risk of capital repatriation

Despite the Bank of Japan's dovish tone today we think it won't be long before JGB yields start to rise again. And even though concerns about Japanese capital repatriation have seemingly been back on...

1st May 2025 · 4 mins read



JAPAN ECONOMICS UPDATE

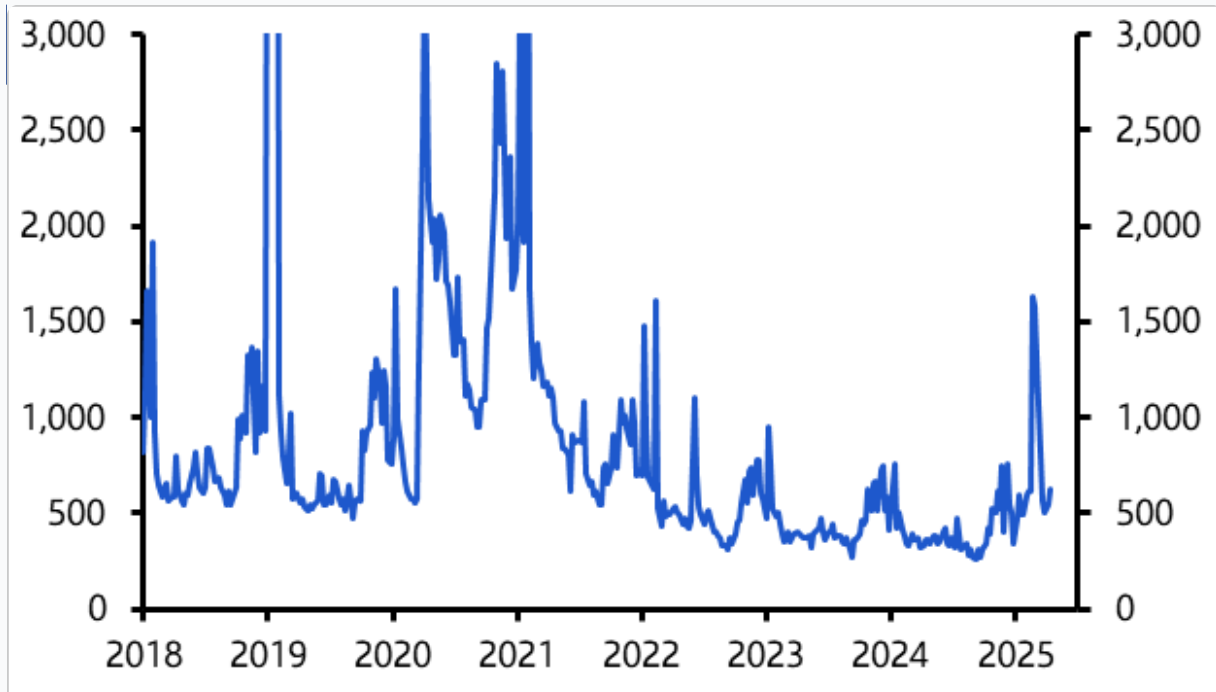
Bank of Japan will hike rates again before long

The Bank of Japan revised down its growth forecasts and sounded more dovish when it left policy settings unchanged today. However, we believe that the Bank has become far too downbeat about the...

1st May 2025 · 3 mins read

Bank of Japan Meeting (May 25)

1st May 2025 · 2 mins read

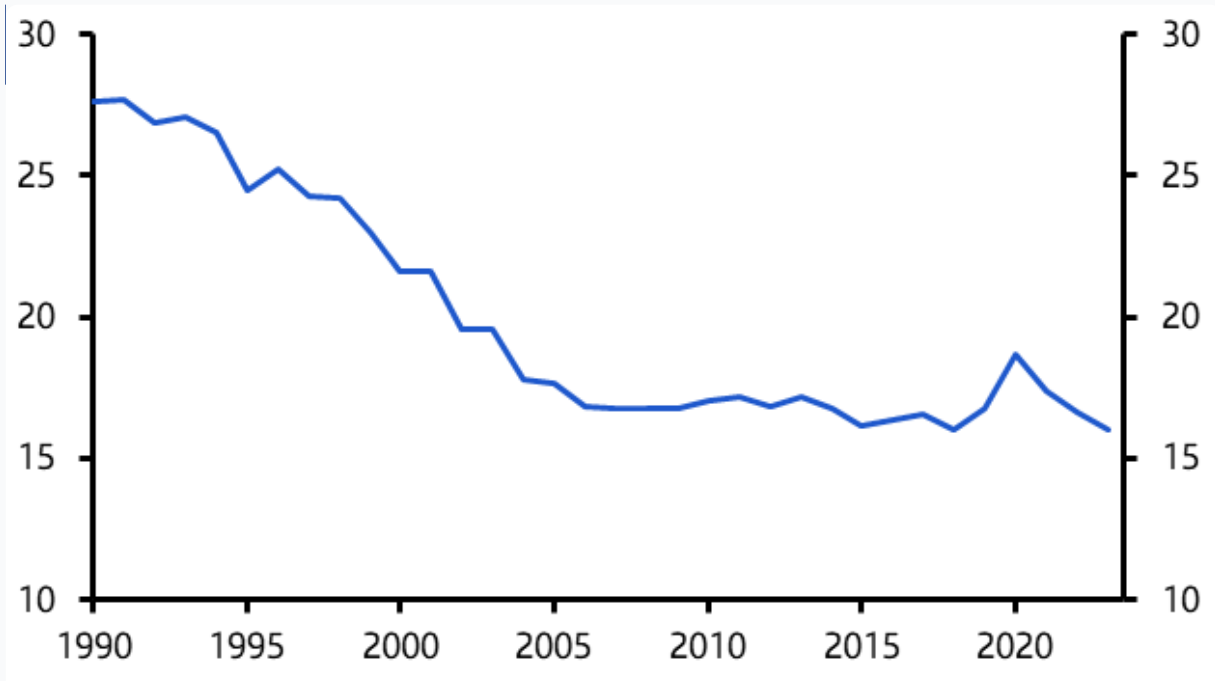


US FED WATCH

US Fed Watch: Fed won't cave to Trump pressure

A contraction in GDP and near-flatlining in core PCE prices would usually be more than enough to persuade policymakers at the Fed to cut interest rates. Since those data precede the implementation of...

30th April 2025 · 7 mins read



INDIA ECONOMICS UPDATE

Healthy monsoon would boost India's economy

A robust monsoon this year – as predicted by experts – wouldn't have as big an impact on India's economy as it would have had a couple of decades ago. But it could boost employment and energy...

30th April 2025 · 3 mins read

Poland Flash CPI (Apr.)

The larger-than-expected fall in Polish inflation, to 4.2% y/y, in April, is probably enough to tip the balance at the central bank towards restarting the monetary easing cycle next week. We are now...

30th April 2025 · 2 mins read

Thailand Monetary Policy Announcement (April)

30th April 2025 · 2 mins read



JAPAN ECONOMICS FOCUS

Japanese bank outperformance has a bit further to go

Japanese banks are the one sector benefitting from the BoJ's tightening cycle as higher interest rates lift their income by more than their expenses. And although they've struggled more recently amid...

30th April 2025 · 19 mins read



CHINA CHART PACK

China Chart Pack (Apr. 25)

US tariffs will start to weigh on China's export growth soon. Domestic headwinds are also set to persist. A significant loosening of fiscal policy will help support the economy, but it won't be enough...

29th April 2025 · 0 mins read

Hungary Interest Rate Announcement (Apr.)

29th April 2025 · 1 min read

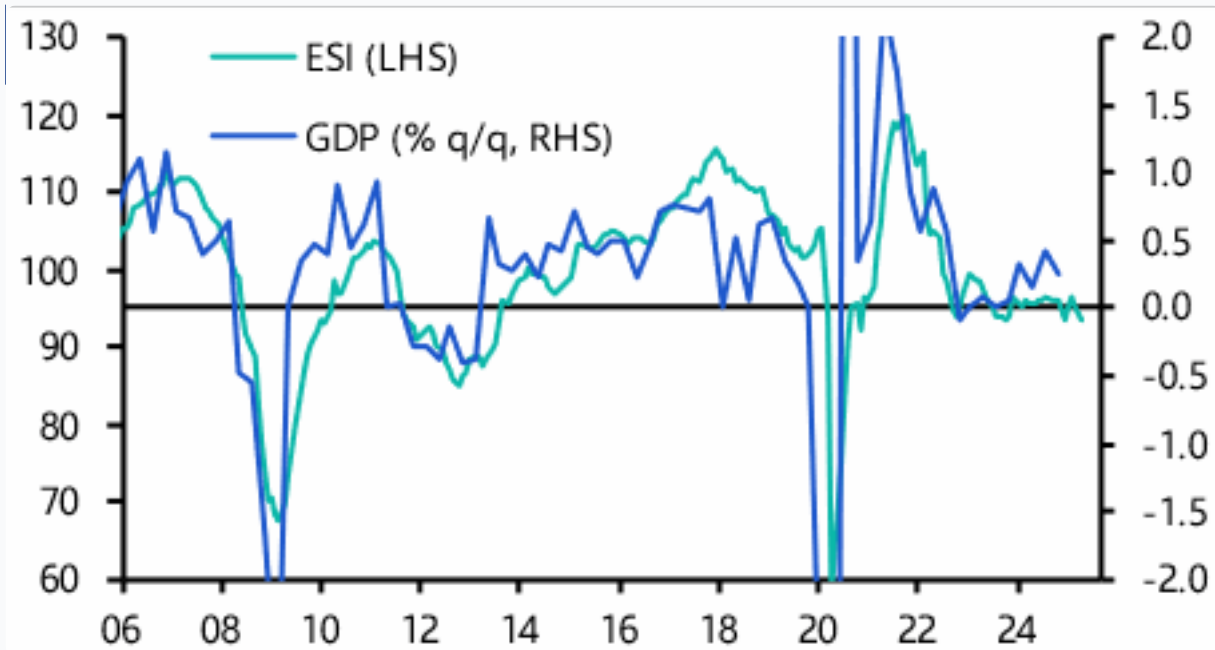


INDIA CHART PACK

India Chart Pack (April 2025)

India's economy is emerging from its recent soft patch. Headline CPI inflation should remain close to the RBI's 4% target over the coming months, enabling the central bank to continue easing monetary...

29th April 2025 · 1 min read



EUROPE RAPID RESPONSE

EC Survey (April 2025)

The ESI for April point to a small hit to the euro-zone from US tariffs in April and suggest that growth remained quite weak. With the drag from tariffs set to intensify, we expect euro-zone GDP to...

29th April 2025 · 2 mins read

CEE Economic Sentiment Indicators (Apr.)

The European Commission's Economic Sentiment Indicators for Central and Eastern Europe (CEE) provide a tentative sign that the impact of US tariffs on the region has been fairly contained so far. The...

29th April 2025 · 1 min read

Australia Consumer Prices (Q1 2025)

30th April 2025 · 2 mins read



EMERGING MARKETS ECONOMICS CHART PACK

Emerging Markets Chart Pack (Apr. 2025)

US import tariffs have largely focused on China. For some EMs (such as India and South East Asia), this creates near-term opportunities to take US market share from China. But there will be offsetting...

28th April 2025 · 1 min read

