



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.

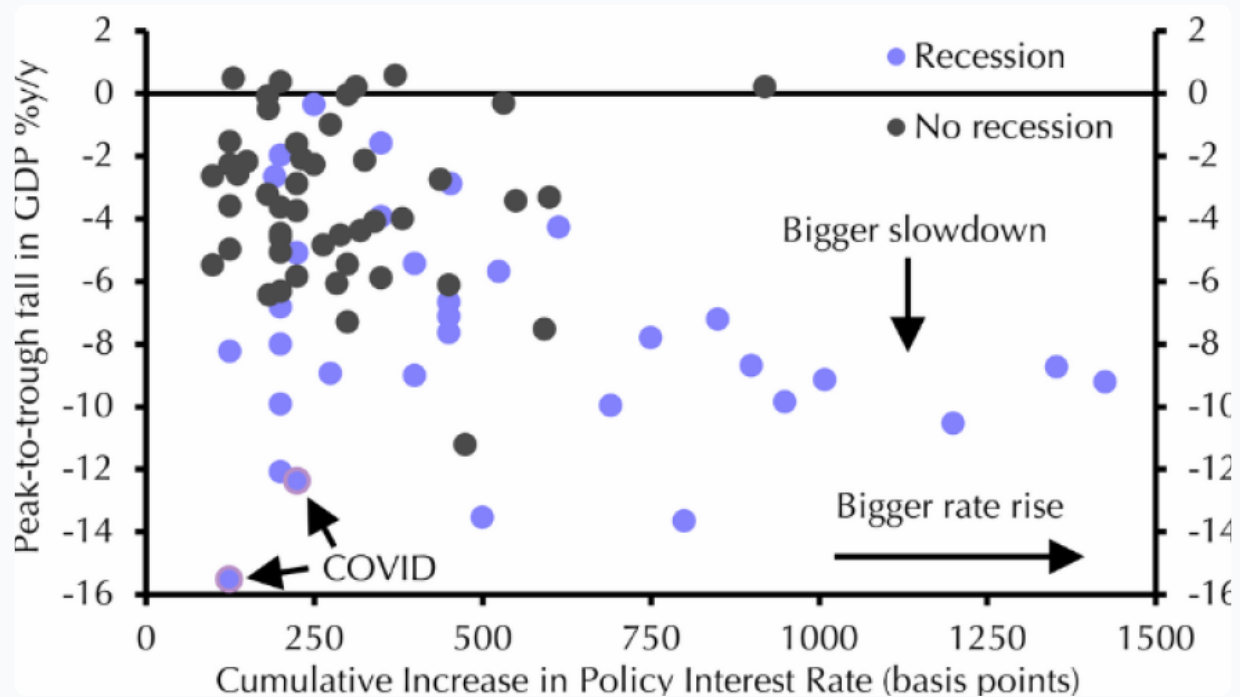


THE WORLD WITH HIGHER INTEREST RATES

How high will interest rates go?

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

21st June 2022

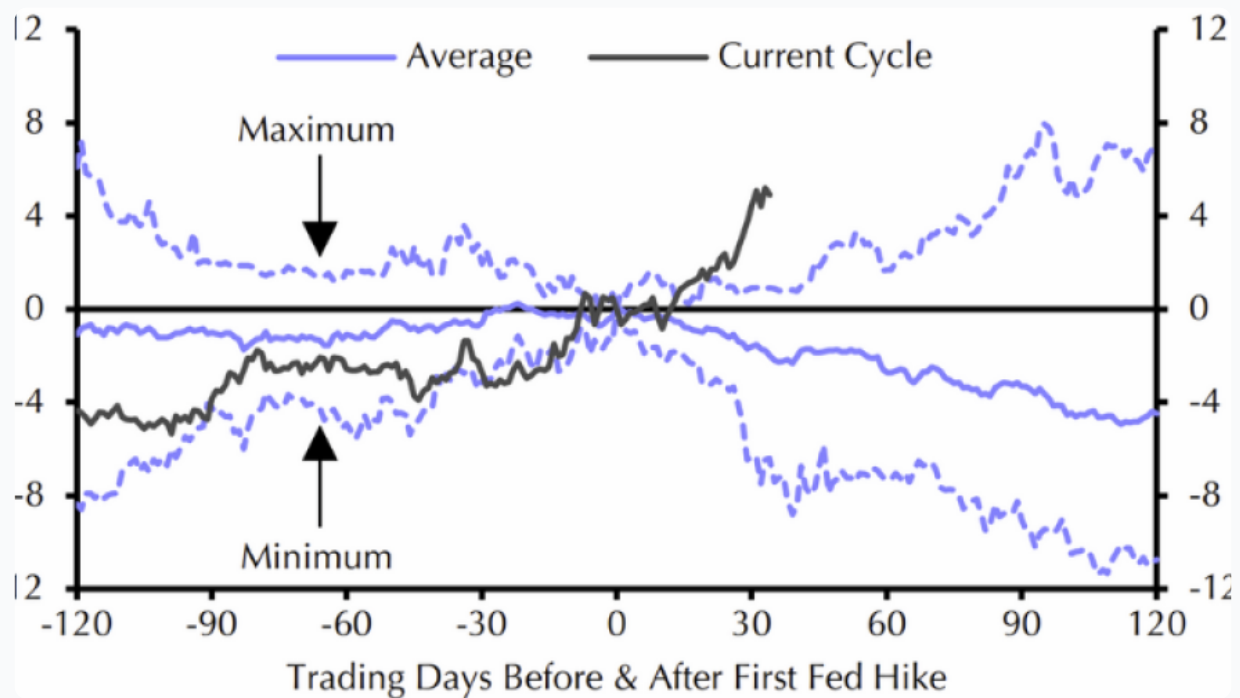


THE WORLD WITH HIGHER INTEREST RATES

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

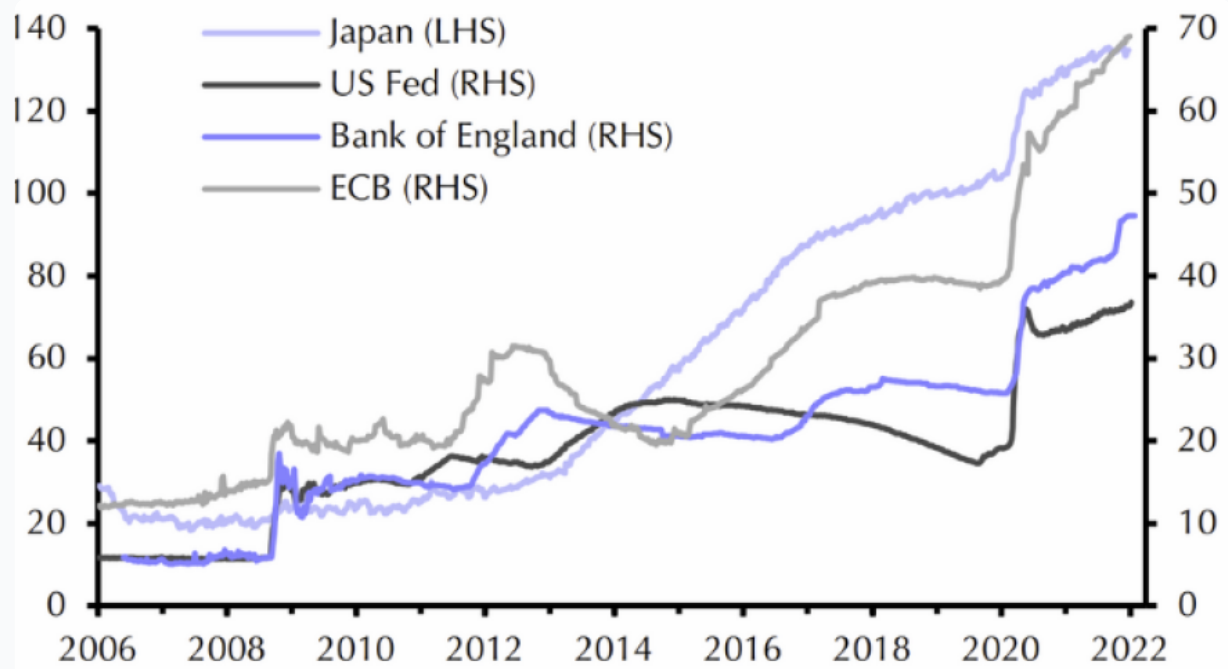


THE WORLD WITH HIGHER INTEREST RATES

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



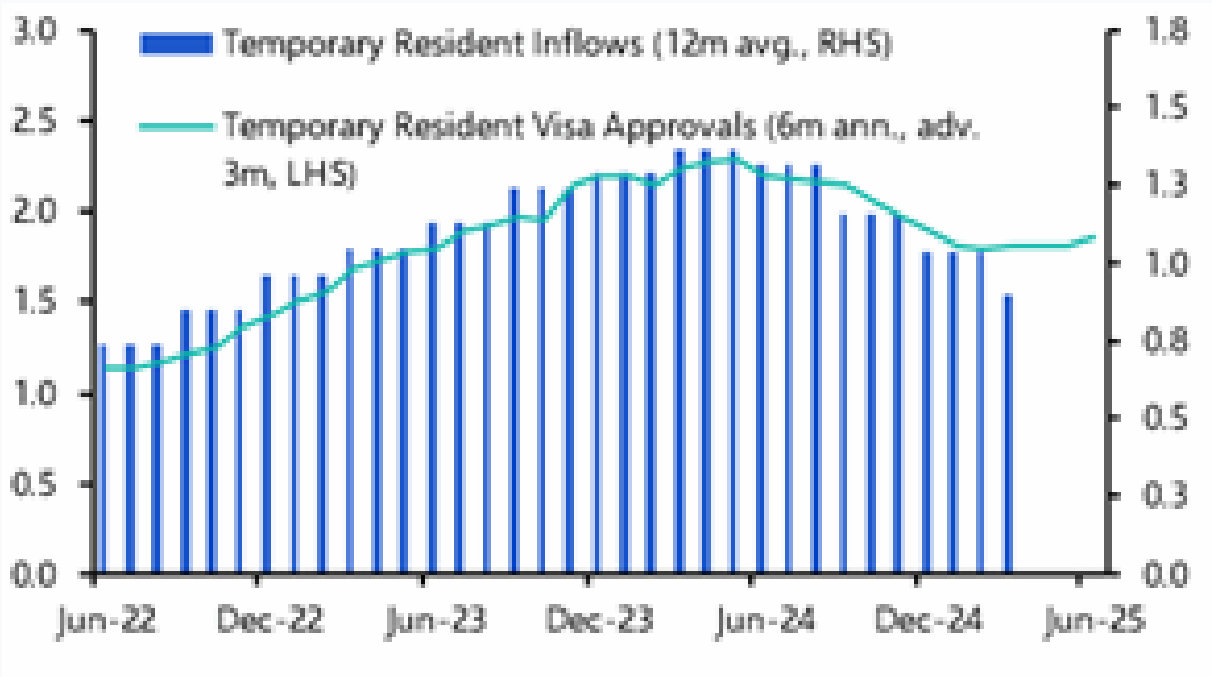
THE WORLD WITH HIGHER INTEREST RATES

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.



CANADA ECONOMICS WEEKLY

Carney plays hardball on US trade deal

A US-Canada trade deal centered on lowering the most onerous US duties, like those on steel, aluminium and motor vehicles, would not stop the economy from slowing later this year, but it would improve...

20th June 2025 · 6 mins read

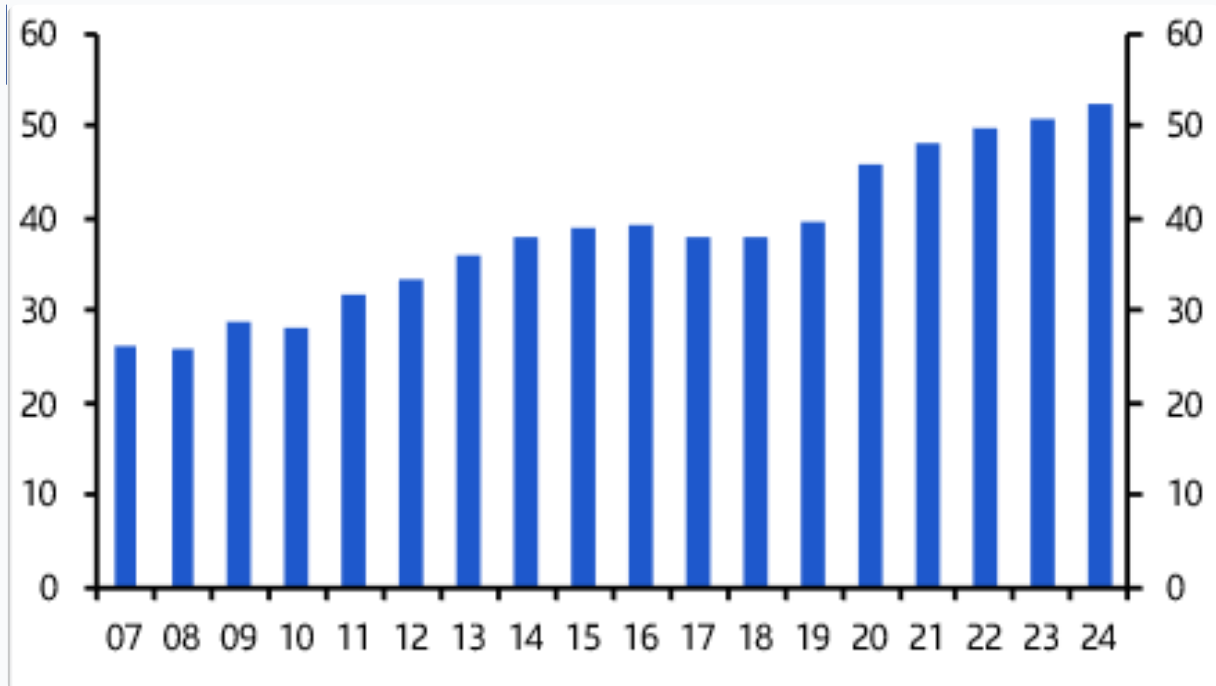


[LATIN AMERICA ECONOMICS WEEKLY](#)

Latin America Weekly: Diverging rate decisions, Middle East war & Lat Am

While Chile's central bank this week flagged that it will resume its easing cycle soon, Brazil's hiked interest rates and didn't close the door to additional tightening. But despite Brazilian...

20th June 2025 · 7 mins read



ASIA ECONOMICS WEEKLY

Asia Weekly: More policy support coming in Korea

More policy support in Korea looks to be on its way soon. The minutes from the Bank of Korea's May meeting, point to more rate cuts over the coming months. Meanwhile, the new government has announced...

20th June 2025 · 6 mins read

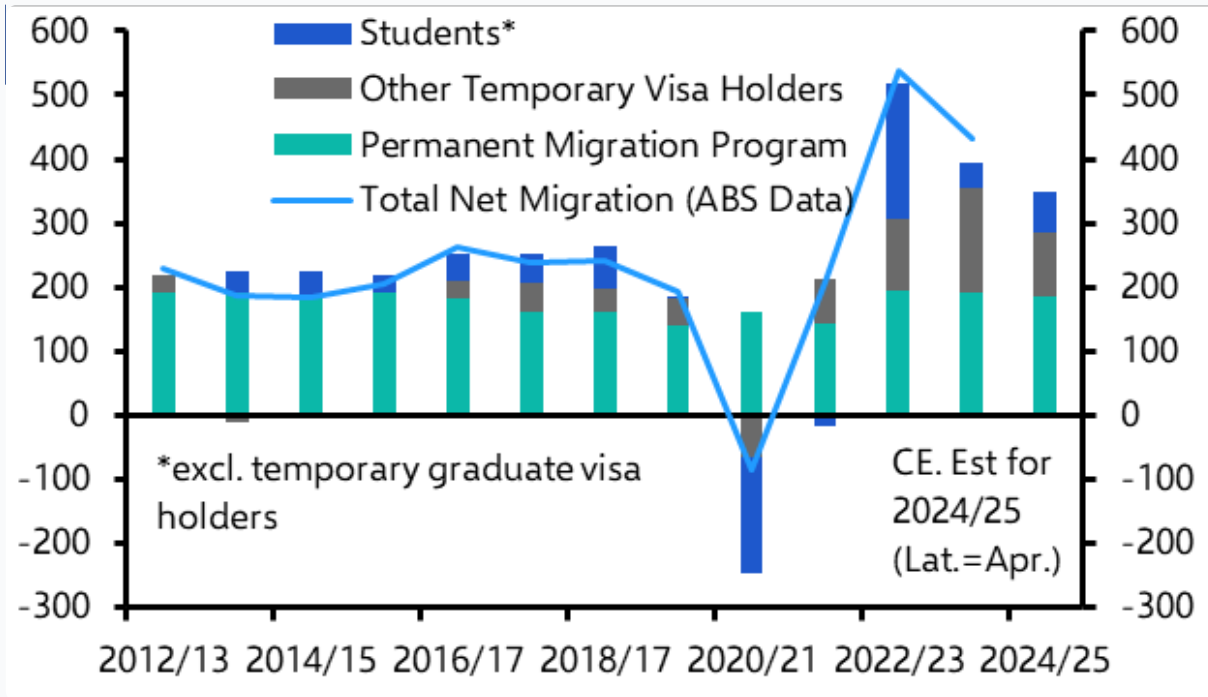


EMERGING MARKETS ECONOMICS CHART PACK

Emerging Markets Chart Pack (June 2025)

The early evidence suggests that EM exports have held up well so far, despite higher US tariffs. That's partly because exporters have front-loaded shipments to the US or (in China's case) have avoided...

20th June 2025 · 1 min read

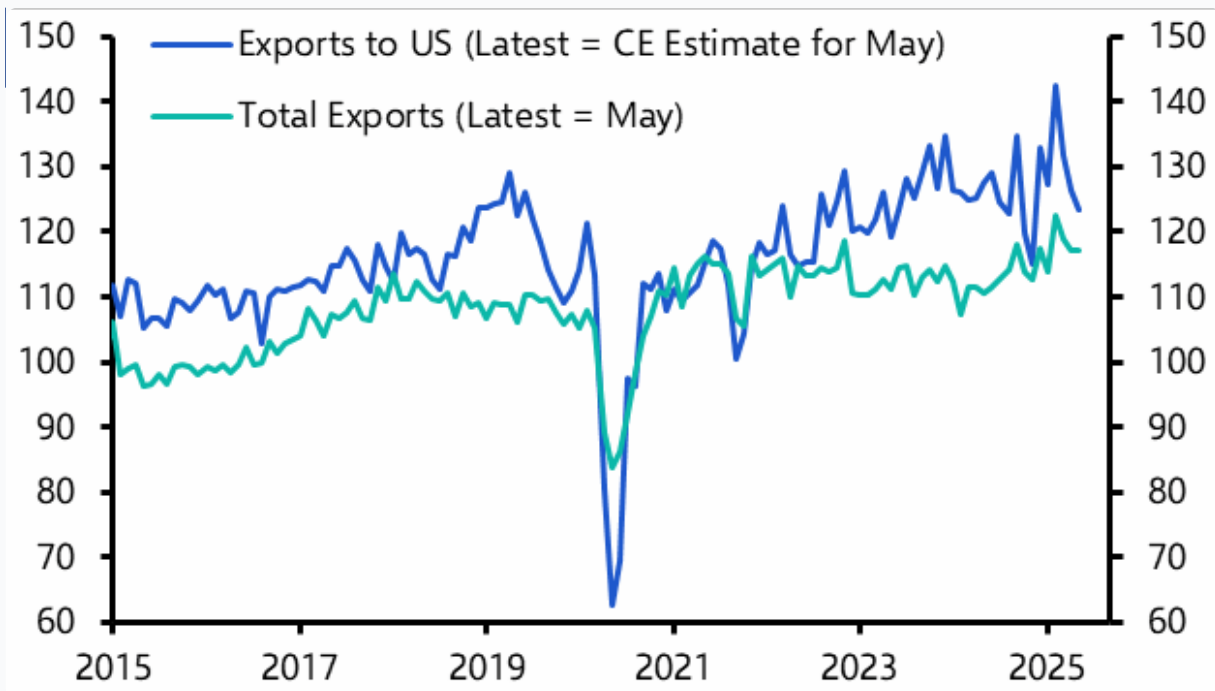


AUSTRALIA & NEW ZEALAND ECONOMICS WEEKLY

ANZ Weekly: Slowing migration may keep RBA in a dovish mood

Australia's population growth has declined by nearly 1%-pt since its post-pandemic peak, driven in large part by a normalisation in international student arrivals. The drop in foreign student numbers...

20th June 2025 · 5 mins read



JAPAN ECONOMICS WEEKLY

Japan Weekly - No signs that trade tensions are weighing on inflation

The Bank of Japan retained its downbeat outlook at this week's meeting. But with the economic data holding up despite trade tensions and inflation set to overshoot the Board's forecasts by a sizeable...

20th June 2025 · 5 mins read

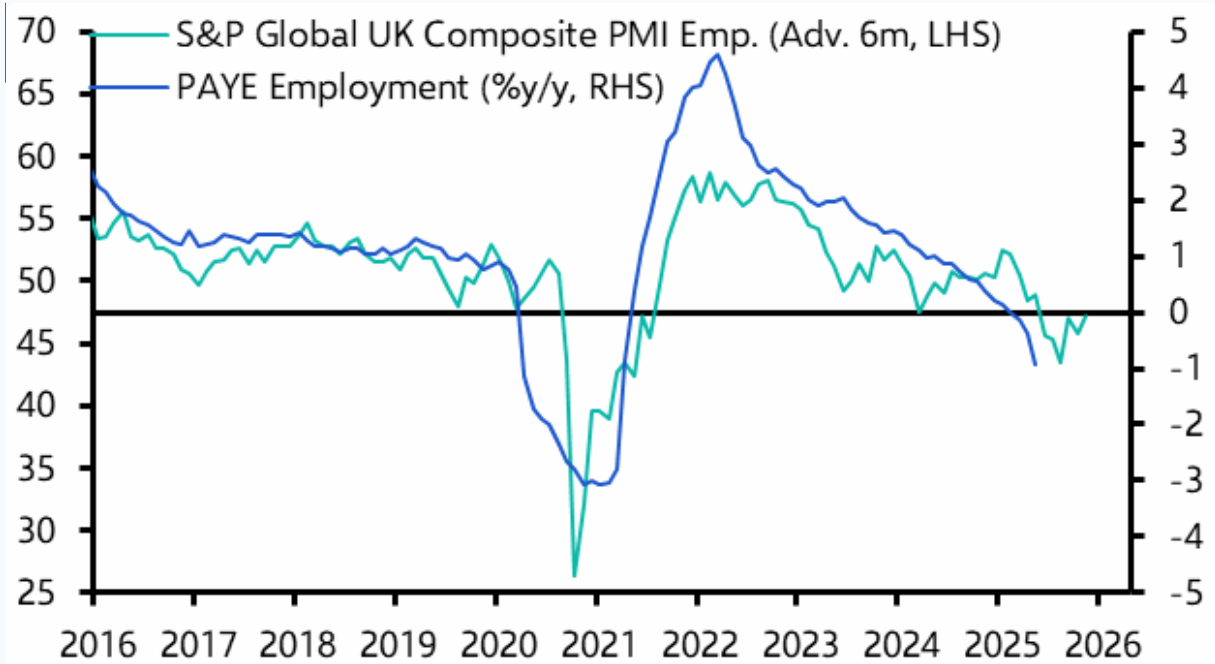


MIDDLE EAST & NORTH AFRICA ECONOMIC OUTLOOK

MENA Outlook: Conflict clouds the outlook

The Israel-Iran conflict creates significant uncertainty over the outlook. Our working assumption is that it eases relatively soon, in which case economic growth across the region should pick up. But...

19th June 2025 · 20 mins read



UK ECONOMICS UPDATE

Bank of England may eventually cut rates below 3.50%

The Bank of England sounded a bit more dovish while leaving interest rates at 4.25% today, despite the extra upside risks to inflation from events in the Middle East. This supports our view that the...

19th June 2025 · 3 mins read

Bank of England Policy Announcement (19th Jun. 2025)

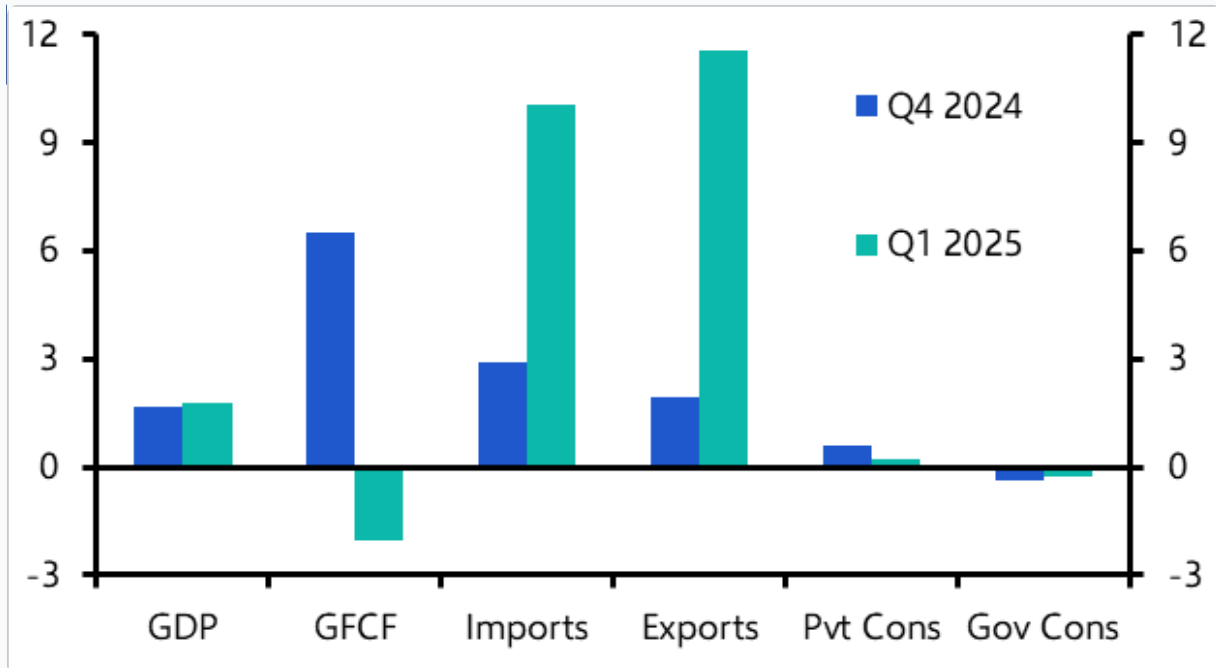
The Bank of England sounded a bit more dovish while leaving interest rates at 4.25% today, despite the extra upside risks to inflation from events in the Middle East. This supports our view that the...

19th June 2025 · 3 mins read

Turkey Interest Rate Announcement (June 2025)

The statement accompanying the Turkish central bank's decision to leave its key interest rates unchanged was hawkish, suggesting that policymakers want to push back against expectations for aggressive...

19th June 2025 · 2 mins read



ASIA RAPID RESPONSE

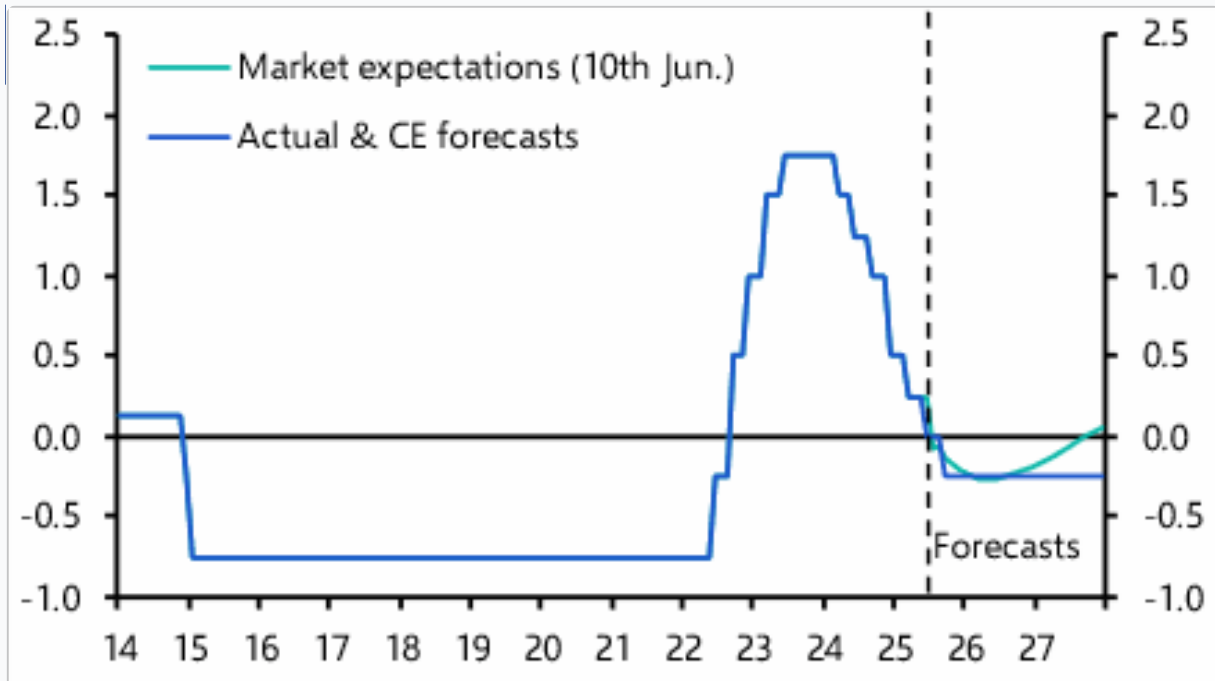
Taiwan Monetary Policy Announcement (June 2025)

Taiwan's central bank (CBC) left its main policy rate on hold today (at 2.0%) and we expect interest rates to remain unchanged for the foreseeable future. In contrast, most other analysts are...

19th June 2025 · 2 mins read

Norges Bank Policy Announcement (June 2025)

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EUROPE RAPID RESPONSE

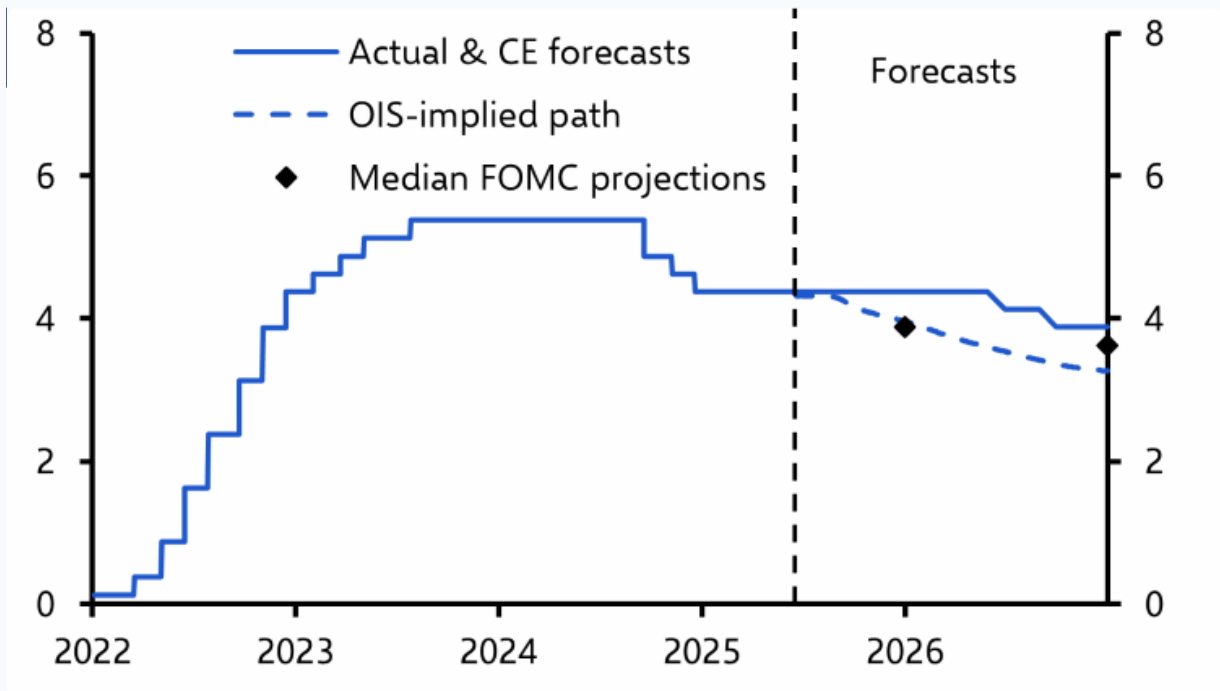
Swiss National Bank Policy Meeting (June 2025)

The SNB decision to cut by just 25bp today means that it has avoided negative rates for the time being. But we think that continued deflation over the coming months will prompt policymakers to cut...

19th June 2025 · 2 mins read

Philippines Monetary Policy Announcement (June)

19th June 2025 · 2 mins read



CAPITAL DAILY

Fed caution may threaten Treasuries yet

We continue to think Treasury yields will rise, as the Fed stays on hold longer than investors expect. We are re-sending this email notification due to earlier technical issues, and apologise to any...

19th June 2025 · 4 mins read

Australia Labour Market (May 2025)

Labour market and population data published today are sending mixed signals about capacity pressures in the economy. Either way, they probably won't prevent the RBA from cutting rates further in the...

19th June 2025 · 2 mins read

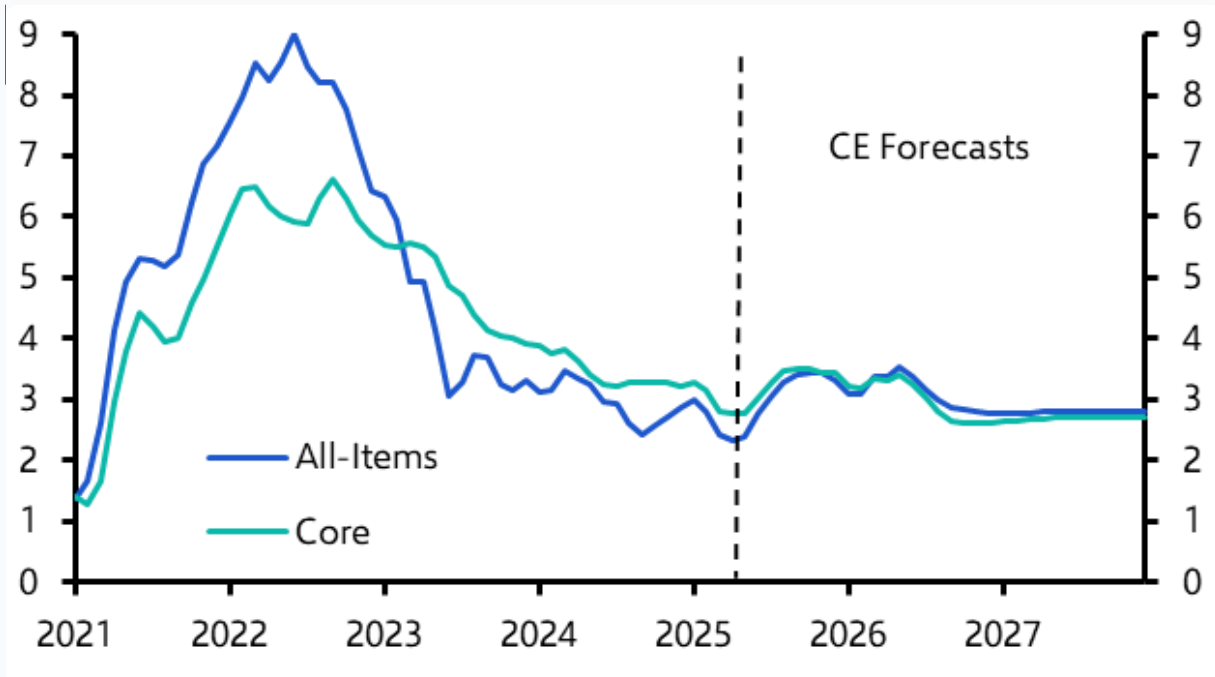
New Zealand GDP (Q1 2025)

Although New Zealand's recovery gained traction last quarter, there are signs that the upshift in momentum will prove short-lived. Accordingly, we still think there's a strong case for the RBNZ to cut...

19th June 2025 · 2 mins read

Brazil Interest Rate Announcement (Jun. 2025)

18th June 2025 · 2 mins read



US ECONOMICS UPDATE

Fed remains on sidelines amid heightened uncertainty

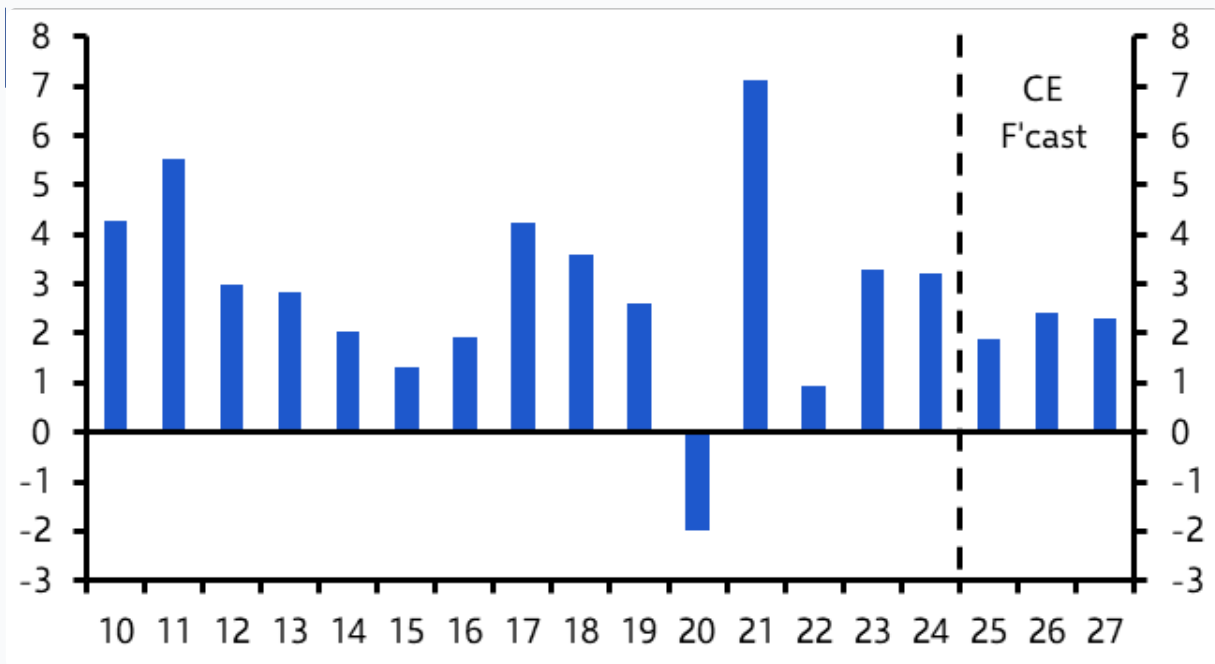
The Fed will remain on the sidelines for some time, waiting to see what impact tariffs will have on price inflation. We suspect that lingering fears of a more persistent impact will persuade the Fed...

18th June 2025 · 3 mins read

Fed Policy Announcement (Jun 2025)

The Fed's new interest rate projections still just about show a median of 50bp of cuts to its policy rate for this year, but it was very close.

18th June 2025 · 2 mins read



EMERGING EUROPE ECONOMIC OUTLOOK

Emerging Europe Outlook: Diverging paths in the face of US protectionism

Emerging Europe is generally less vulnerable than other EM regions to higher US import tariffs, but we have still nudged down some of our GDP growth forecasts for this year. We think the region will...

18th June 2025 · 22 mins read

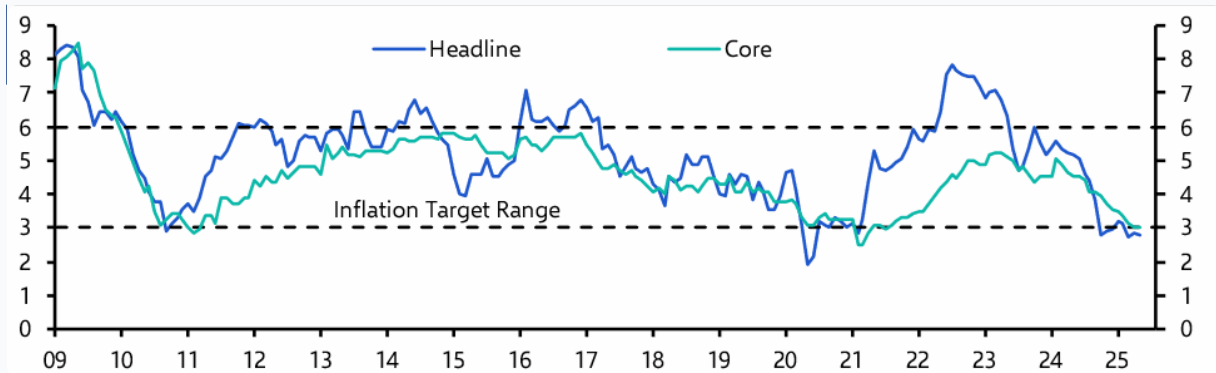


GLOBAL ECONOMICS UPDATE

Mapping out Israel-Iran conflict scenarios

This Update outlines potential outcomes of the Iran-Israel conflict and teases out the implications for the region, the global economy and commodity and financial markets. One point that emerges is...

18th June 2025 · 7 mins read

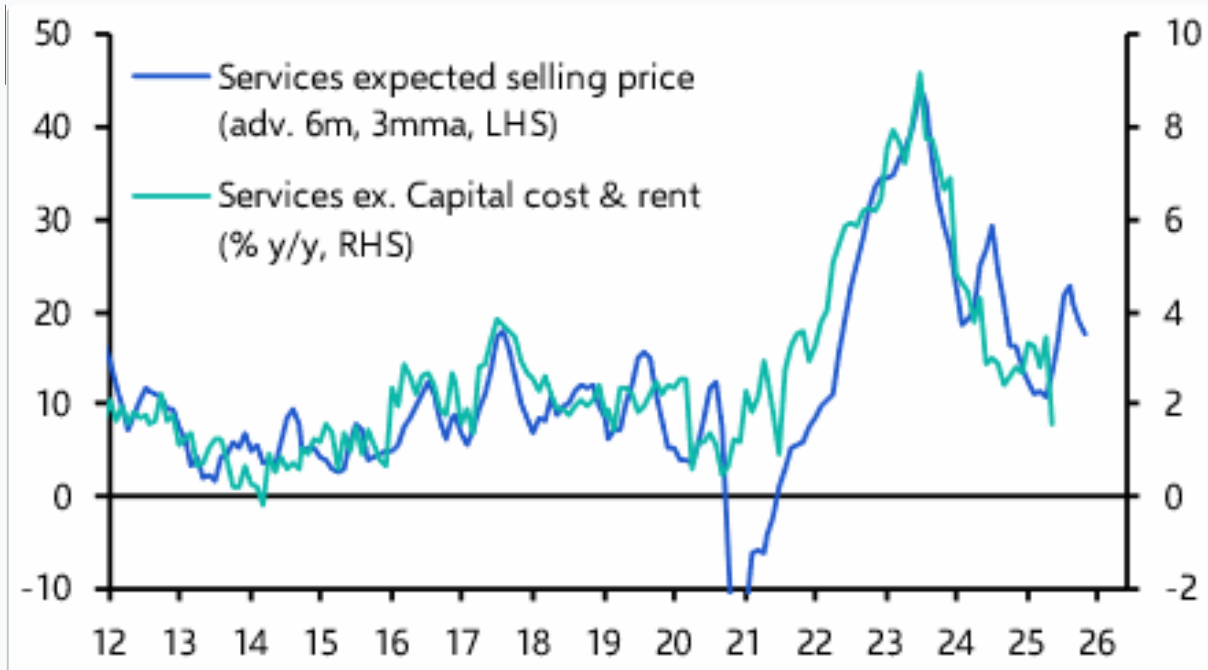


AFRICA RAPID RESPONSE

South Africa Consumer Prices (May' 25.)

The fact that South Africa's headline inflation was unchanged at 2.8% y/y in May, lends more evidence that the SARB should be unworried about underlying price pressures in the economy. Coming...

18th June 2025 · 2 mins read



EUROPE RAPID RESPONSE

Riksbank Policy Announcement (June 2025)

While the Riksbank cut its policy rate by 25bp this morning and suggested there was a reasonable chance of a further cut this year, the outlook is uncertain and underlying economic conditions aren't...

18th June 2025 · 2 mins read

