



# Our Economy and The World

## The Weekly Report

Issue: 267 Date: 20<sup>th</sup> March 2022

This week's issue of "Our Economy and the World" includes:

- **Key Global and Regional Developments over the Past Week**
  - Bloomberg: Fed Lifts Rates a Quarter Point and Signals More Hikes to Come
  - Bloomberg: World Bank's Reinhart Sees Russia Debt-Default Contagion Risks
  - Reuters: Russian inflation accelerates to 12.5%, highest since 2015
  - Reuters: Euro zone yields rise as hopes on peace talks boost risk sentiment
- **Eye on Egypt**
  - International Food Policy Research Institute: The Russia-Ukraine crisis poses a serious food security threat for Egypt
- **Special Analysis**
  - Peterson Institute for International Economics: Europe's economic response to the Russia-Ukraine war will redefine its priorities and future
  - UNCTAD :The impact on trade and development of the war in Ukraine
- **Developments in Financial and Commodity Markets in the past week**
  - Reuters: Oil price benchmarks fall below \$100, first time in weeks
  - CNBC: Dow jumps more than 500 points in relief rally after Fed announces first rate hike since 2018

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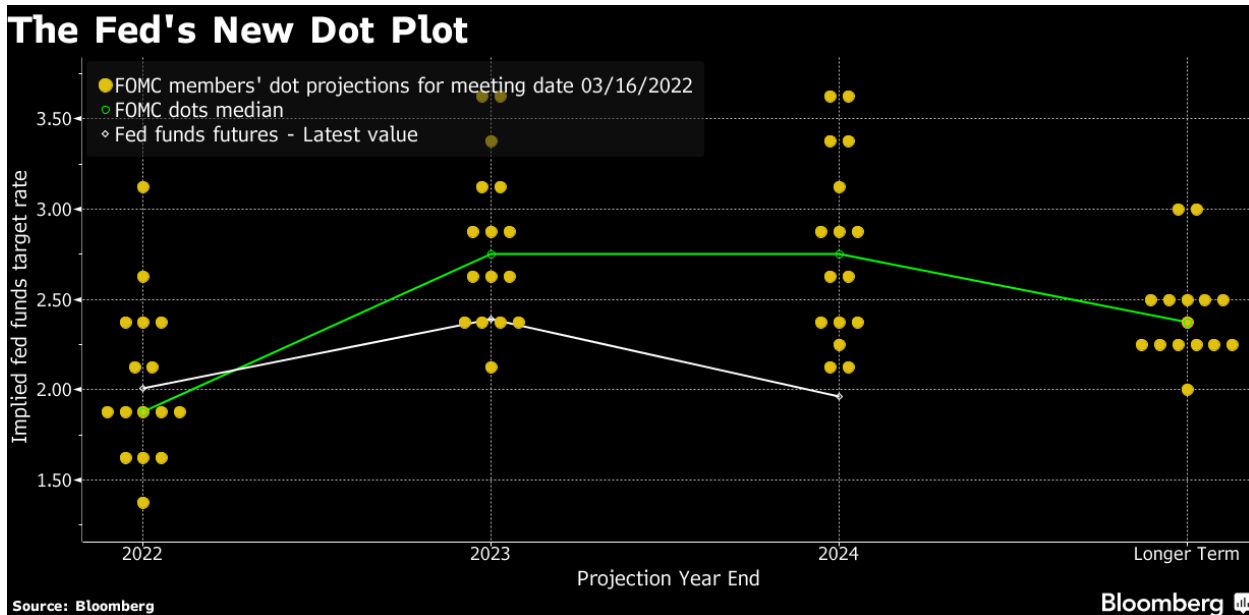
# Our Economy and The World

## The Weekly Report

### Key Global and Regional Developments over the Past Week

#### [Bloomberg: Fed Lifts Rates a Quarter Point and Signals More Hikes to Come](#)

The Federal Reserve raised interest rates by a quarter percentage point and signaled hikes at all six remaining meetings this year, launching a campaign to tackle the fastest inflation in four decades even as risks to economic growth mount. Policy makers led by Chair Jerome Powell voted 8-1 to lift their key rate to a target range of 0.25% to 0.5%, the first increase since 2018, after two years of holding borrowing costs near zero to insulate the economy from the pandemic.



[\(Read Full Article\)](#)

#### [Bloomberg: World Bank's Reinhart Sees Russia Debt-Default Contagion Risks](#)

Russia's likely debt default runs the risk of contaminating other emerging markets and financial institutions in ways that are hard to predict, with the example of hedge fund Long-Term Capital Management LP two decades ago serving as an example, the World Bank's chief economist warned. Even though Russia only accounts for 3% of global gross domestic product, it's hard to know who has investment and exposure, Carmen Reinhart said in interview on Tuesday.

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#### **Reuters: Russian inflation accelerates to 12.5%, highest since 2015**

Annual inflation in Russia accelerated to 12.54% as of March 11, its highest since late 2015 and up from 10.42% a week earlier, the economy ministry said on Wednesday, with weakening rouble sending prices soaring amid unprecedented Western sanctions. Inflation accelerated sharply as the currency fell to an all-time low and amid signs of increased demand for a wide range of goods, from food staples to cars, on expectations that their prices will rise further.

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#### **Reuters: Euro zone yields rise as hopes on peace talks boost risk sentiment**

Euro zone government bond yields rose on Wednesday on hopes of progress in peace talks over Ukraine while markets waited for the outcome of the Federal Reserve policy meeting. Risky assets jumped on rising hopes Beijing will roll out more economic stimulus, while investors continued to watch Ukraine-Russia peace talks and the Fed. Analysts said the rise in yields was more related to the news coming from Ukraine, which has boosted risk sentiment. Markets believe peace is possible as there seems to be better communication, and both sides seem to be willing to negotiate.

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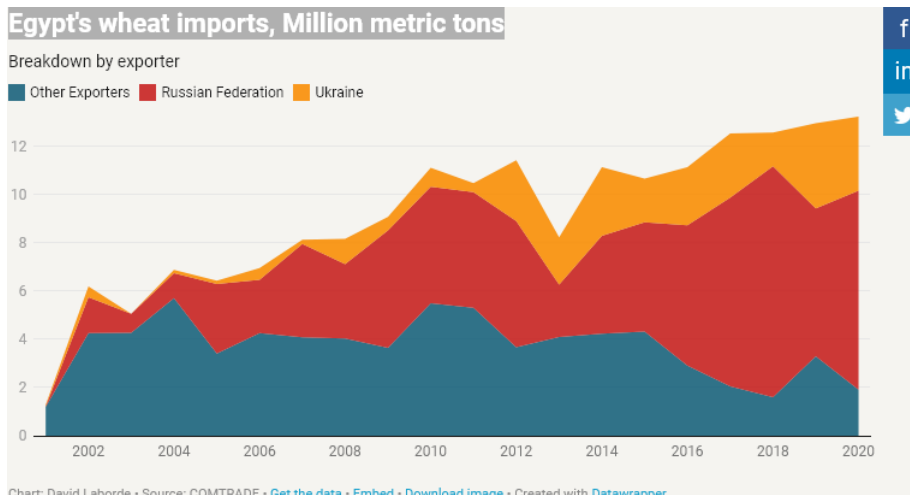
## The Weekly Report

### Eye on Egypt

#### [International Food Policy Research Institute: The Russia-Ukraine crisis poses a serious food security threat for Egypt](#)

Russia's invasion of Ukraine has imperiled global food security—creating suffering within Ukraine and displacing millions, while disrupting agricultural production and trade from one of the world's major exporting regions. The latter threatens to drive rising food prices still higher and create scarcity, especially for regions most dependent on exports from Russia and Ukraine—particularly the Middle East and North Africa.

In this post, we consider the impacts of the war on the wheat market, focusing on Egypt. Wheat is a key food item for this country, representing between 35% and 39% of caloric intake per person in the last few years. Wheat imports usually account for about 62% of total wheat use in the country. We conclude by listing a number of key policy actions aimed at diversifying imports in the short term and helping Egypt's agrifood system transformation to become fairer and more resilient. The latter is an absolute necessity in the context of looming threats from climate change and water scarcity.



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### Special Analysis

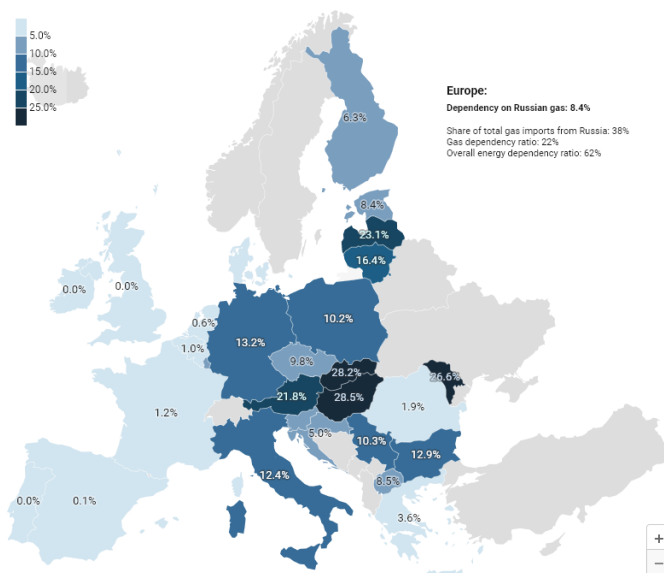
#### Peterson Institute for International Economics: Europe's economic response to the Russia-Ukraine war will redefine its priorities and future

The Russia-Ukraine war is bound to deliver an economic blow to the European Union (EU) and its member states and to require a rethink of a range of economic policies.[1]

The EU has responded with exceptional unity, resolve, and speed to the war, the influx of refugees, and the concern about disruption of energy supplies. But Russia's invasion of Ukraine will leave a long-lasting legacy shaping Europe's priorities and policy choices for years and decades to come.

The main immediate risks to the European economy arise from the supply shock triggered by the increase in oil and gas prices, from Europe's dependence on Russian energy, and from the impact of geopolitical threats on household confidence and investor sentiment. Europe also has the duty to welcome millions of war refugees and provide them with emergency assistance. In 2022 already, the direct budgetary impact of the corresponding decisions could amount to €175 billion, or 1¼ percent of EU GDP, if not more. In the longer term, the EU confronts the necessity to boost defense spending in response to aggravated security threats and to rethink its energy system.

Russian gas dependency ratio by country



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UNCTAD :The impact on trade and development of the war in Ukraine

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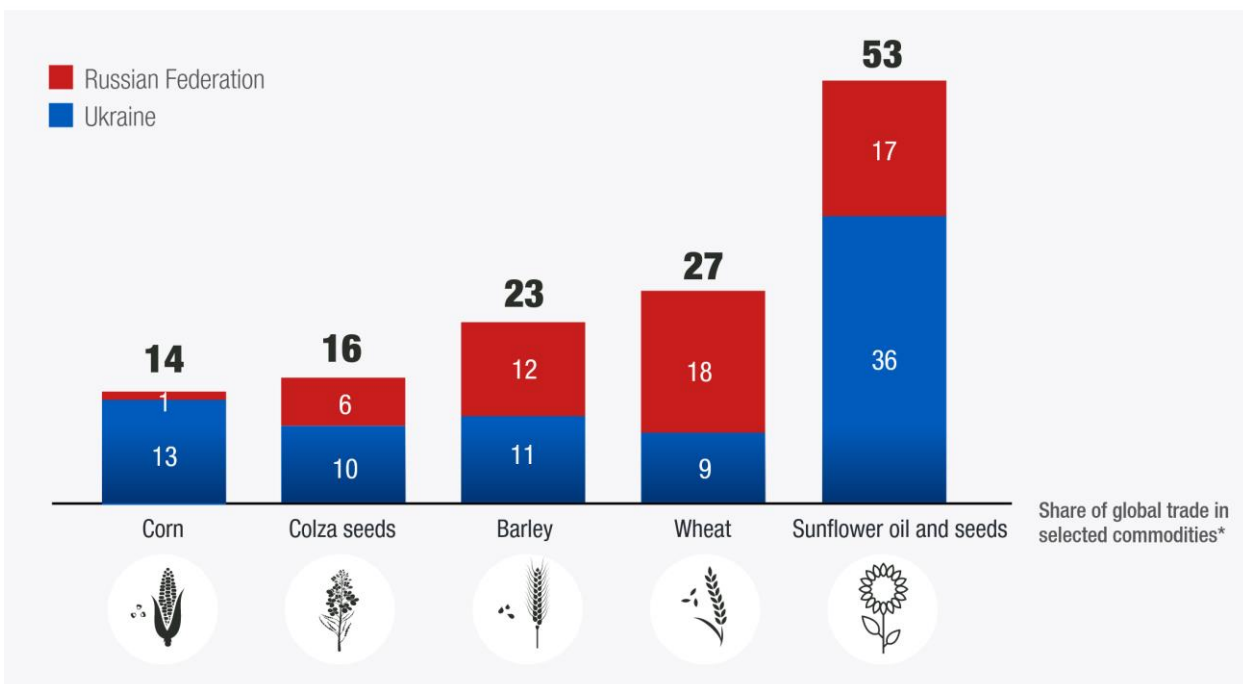
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UNCTAD has prepared a rapid assessment of the impact of war in Ukraine on trade and development, and interrelated issues in the areas of finance, technology, investment and sustainable development. The results confirm a rapidly worsening outlook for the world economy, underpinned by rising food, fuel and fertilizer prices, heightened financial volatility, sustainable development divestment, complex global supply chain reconfigurations and mounting trade costs.

This rapidly evolving situation is alarming for developing countries, and especially for African and least developed countries, some of which are particularly exposed to the war in Ukraine and its effect on trade costs, commodity prices and financial markets. The risk of civil unrest, food shortages and inflation-induced recessions cannot be discounted, particularly given the fragile state of the global economy and the developing world as a result of the COVID-19 (coronavirus disease) pandemic.

**Figure 1. Russian Federation and Ukraine: Global players in agrifood markets**  
(Percentage)



Source: UNCTAD calculations, based on 2020 data from United Nations Comtrade Database.

\* Harmonized System codes are 1001 (wheat), 1003, (barley) 1005 (corn), 120510 (colza seeds) and 120600 and 151211 (sunflower seeds and oil).

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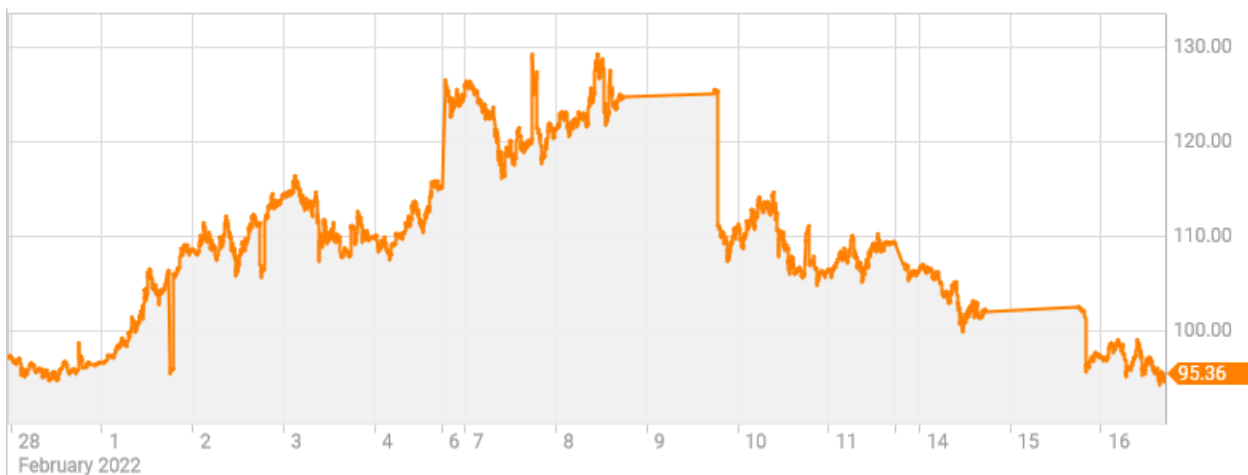
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### The Weekly Report

## Recent Developments in Financial and Commodity Markets

### Reuters: Oil price benchmarks fall below \$100, first time in weeks

Oil prices tumbled more than 6% on Tuesday to their lowest in almost three weeks, as Russia suggested it would allow a revival of the Iran nuclear deal to go forward and as traders worried growing pandemic lockdowns in China could dent demand. Both Brent and U.S. crude futures benchmarks settled below \$100 per barrel for the first time since late February. Since reaching 14-year highs on March 7, Brent has slid nearly \$40 and WTI more than \$30. Trading has been extremely volatile since Russia invaded Ukraine more than two weeks ago.



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### CNBC: Dow jumps more than 500 points in relief rally after Fed announces first rate hike since 2018

Stocks rallied in a wild session after the Federal Reserve raised rates and said it would hike another six times this year. The Dow Jones Industrial Average rose 518.76 points, or 1.5%, to 34,063.10 after turning red initially following the release of the Fed's statement. It swung within a 576-point range on the session. The S&P 500 added 2.2% to 4,357.86, and the Nasdaq Composite gained 3.7% to 13,436.55.

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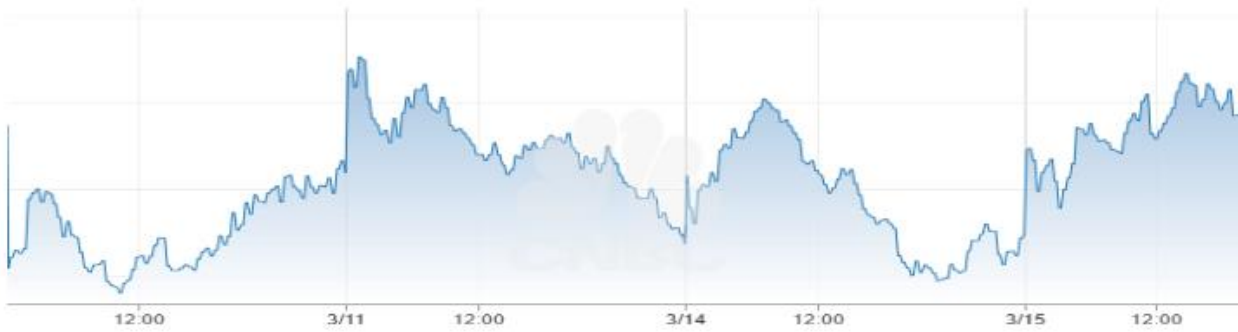


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### The Weekly Report

#### Dow Jones Fut (Jun'22) (@DJ.1:Chicago Board of Trade)

USD  
Last | 4:59 PM EDT  
**34,032.00** +605.00 (1.81%  
5 Day



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