



Our Economy and The World

The Weekly Report

Issue: 268 Date: 27th March 2022

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Key Global and Regional Developments over the Past Week

[BBC: Ukraine war could hit global growth, OECD warns](#)

The war in Ukraine could cut global economic growth by more than one percentage point in the first year after the invasion, a report suggests. The Organisation for Economic Development (OECD) said the impact could also cause a "deep recession" in Russia if it is sustained. It also warned that the conflict could push up prices globally by about 2.5%. The organisation called for targeted financial support for those on the lowest incomes in response. Costs were already going up due to increased demand as Covid restrictions ease.

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[Financial Times: Russia to switch gas invoicing to roubles for European buyers](#)

Russia will begin to invoice European gas buyers in roubles, President Vladimir Putin said on Wednesday, in a move that lifted natural gas prices and boosted the Russian currency. "The collective west has killed all trust in their currencies," Putin added as he announced the move. Moscow would "in the shortest possible time" implement measures to transfer invoicing for natural gas supplies into roubles for "so-called unfriendly countries", he said. Gas futures tied to TTF, Europe's wholesale gas price, closed about 9 percent higher on Wednesday at €107 per megawatt hour, after jumping as high as €132. Prices are six times higher than a year ago.

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[Bloomberg: Euro-Zone Consumer Confidence Plunges on Russia's War in Ukraine](#)

Euro-area consumer confidence slumped to its lowest level since the early months of the pandemic as Russia's invasion of Ukraine pushed up energy prices and threatened to exacerbate already-record inflation. A monthly gauge from the European Commission showed a reading of -18.7 in March -- down from -8.8 in February and worse than all but one prediction in a Bloomberg survey of 25 economists.

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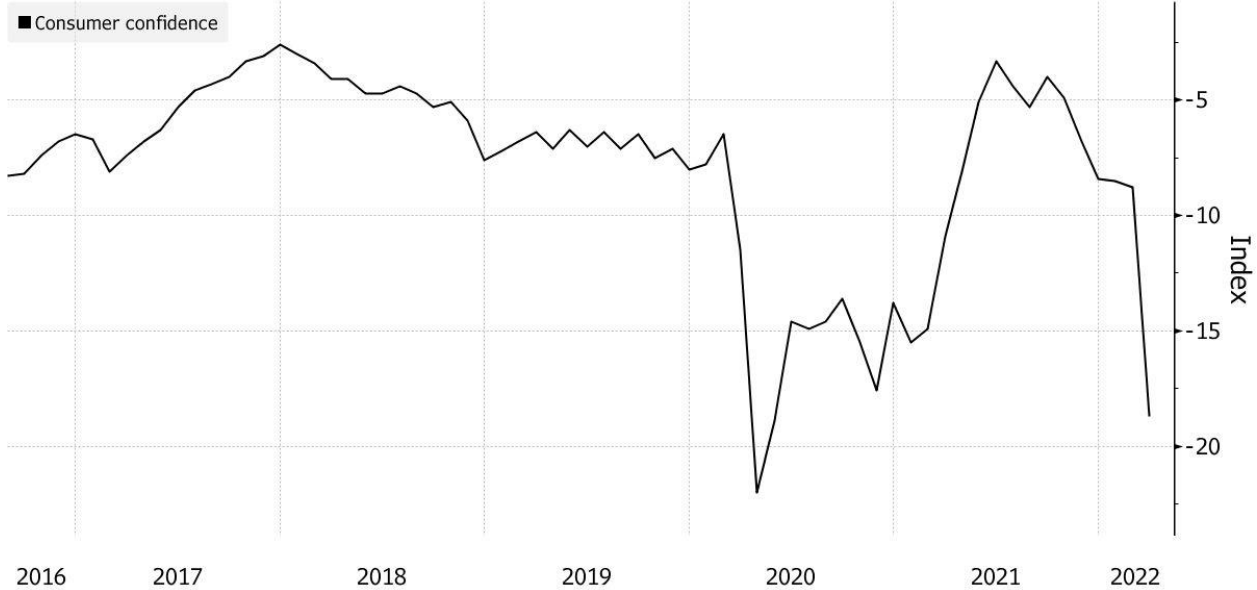


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Confidence Dive

Euro-area consumer sentiment drops to lowest level in almost two years



Source: European Commission

Bloomberg 

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[Bloomberg: Daly Sees Possible Need for Half-Point Fed Rate Hike in May](#)

Federal Reserve Bank of San Francisco President Mary Daly said she has “everything on the table” for the next policy meeting in May, as both a 50 basis-point interest-rate hike and a decision to shrink the balance sheet could be warranted depending on economic data in coming weeks. “If we need to do 50, that is what we’ll do,” Daly said Wednesday in an interview with Michael McKee during the Bloomberg Equality Summit. She said she could also potentially support a 25 basis-point hike. “We’re prepared to do whatever it takes to ensure that we get price stability, which clearly no one thinks we have right now.”

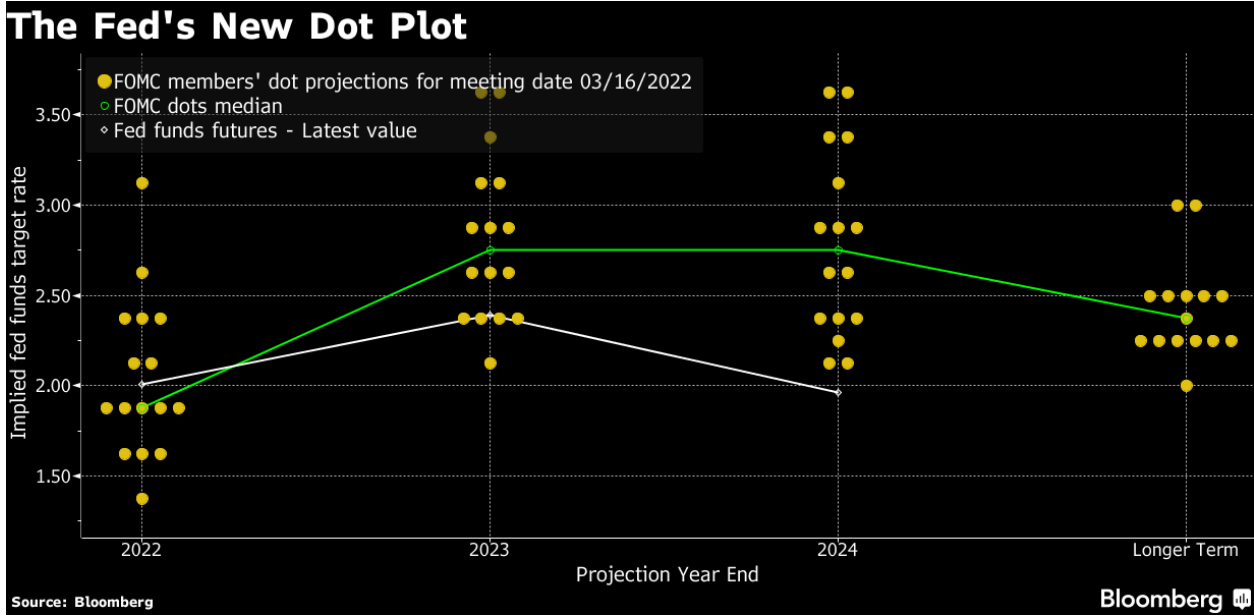
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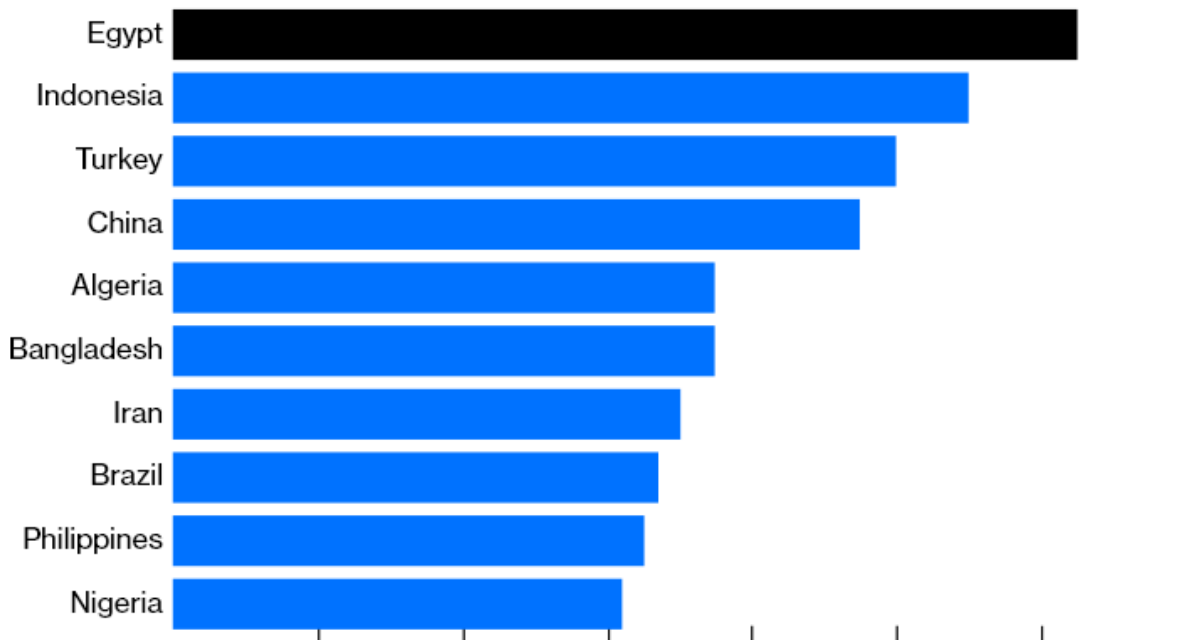
Eye on Egypt

Bloomberg: Ukraine War Gives Egypt a Wheat Crisis Only China Can Solve

Few non-combatant countries face a more direct hit to their living standards from Russia's war in Ukraine than Egypt.

Cheap bread is as central to the legitimacy of the modern Egyptian state as it was to Rome in the days when the empire was fed with the grain exports of the Nile delta. Attempts to reform the subsidy regime that ensures flatbread loaves can be bought for as little as a third of a cent each led to riots in 1977, while the strain of rising food prices also helped spark the country's Arab Spring protests in 2011.

That makes the current conflict a political risk in North Africa. Egypt is the world's biggest wheat importer, and close to half of the flour it consumed in 2020 came from Russia and Ukraine. While the government says it has sufficient stockpiles to see it through to the end of the year, it could rapidly become an existential issue if the war drags on and disrupts planting.



Source: U.S. Department of Agriculture

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IMF: International Monetary Fund Statement on Egypt

The rapidly changing global environment and spillovers related to the war in Ukraine are posing important challenges for countries around the world, including Egypt. In that context, the Egyptian authorities have requested the International Monetary Fund's (IMF) support to implement their comprehensive economic program.

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Special Analysis

OECD: Riding the waves: Adjusting job retention schemes through the COVID-19 crisis

This document provides an update on the use of job retention (JR) schemes during the COVID-19 crisis until the end of 2021 and takes stock of the different strategies employed by OECD governments to adjust them as the crisis evolved. It provides three key insights. First, since reaching a peak of 20% of employment in April/May 2020 on average across OECD countries, the use of JR support has declined to 1.3% in November/December 2021. Second, countries have used different approaches to adjust temporary JR provisions during the course of the crisis, with some phasing them out, some providing increasingly targeted support and others keeping temporary measures unchanged. Third, JR schemes have tended to become more targeted by directing support towards jobs in firms that had been affected most by the pandemic, but remained viable in the medium term. A majority of countries now require co-financing by firms for hours not worked under these schemes in contrast to the start of the crisis when most countries exempted firms from subsidising the costs associated with hours not worked.

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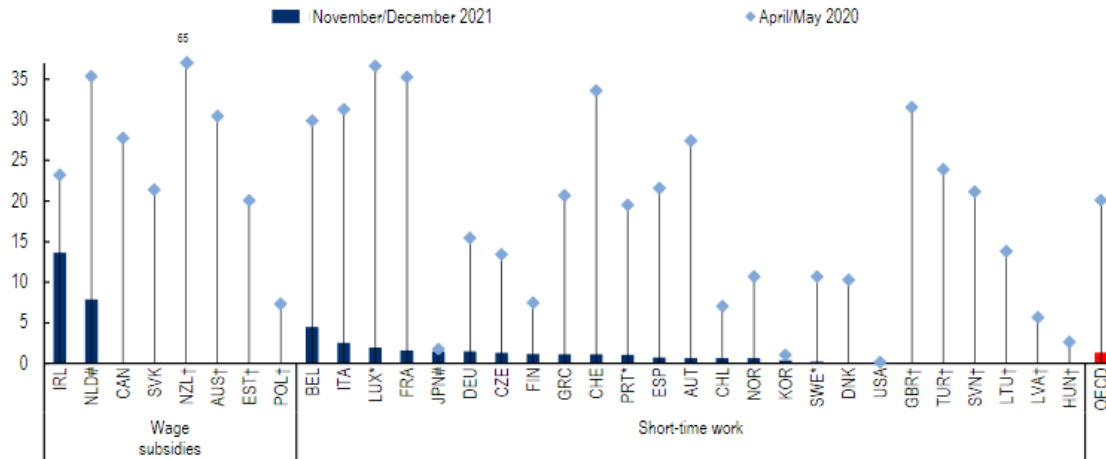


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Figure 1. The use of job retention support has declined significantly but remains elevated in some countries

Percentage of dependent employment



Note: Take-up rates are calculated as a percentage of all dependent employees in 2020 Q1. *Latest data refer to October 2021 (Luxembourg), August 2021 (Portugal) and September 2021 (Sweden). † Australia, Estonia, Hungary, Latvia, Lithuania, New Zealand, Poland, Slovenia, United Kingdom and Turkey: Scheme no longer operational or not widely available. #Japan, the Netherlands: estimates based on the total use during the reference period and the assumption that support is provided for no more than three months during this period. # Italy: latest data is estimated based on the number of authorised hours. The United States: Refer to short-time compensation benefits. No information on take-up available for Colombia, Israel and Iceland. No scheme present in Costa Rica and Mexico. Sorted by latest available data.
Source: National sources.

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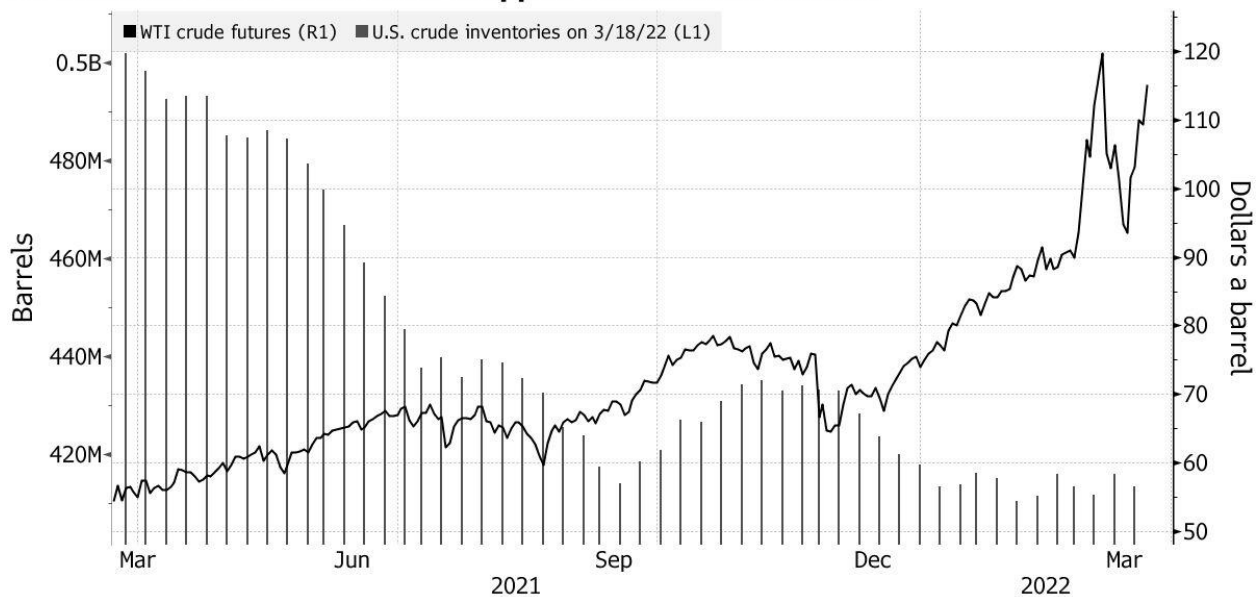
Developments in Financial and Commodity Markets in the Past Week

Bloomberg: Oil Rallies as U.S. Stockpiles Shrink, Black Sea Terminal Shuts

Oil pushed higher after a government report showed U.S. crude inventories dropped, while storm damage to a vital Black Sea export terminal worsened supply risks. West Texas Intermediate rose more than \$5 a barrel to settle close to \$115 on Wednesday. Markets rallied on news that a major Black Sea oil export terminal halted loadings and faces weeks of disruption. Exports could be curtailed by 1 million barrels a day, further depriving the European market. Further bullish signals came as U.S. crude stockpiles fell 2.51 million barrels last week, according to an Energy Information Administration report.

Inventories and Prices

Oil rallied as U.S. inventories dropped 2.51 million barrels



Source: EIA, Nymex

Bloomberg 

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Financial Post: London aluminum prices rebound on Russian supply concerns

London aluminum prices rose on Wednesday, recouping losses from the previous session, as risks of supply shortages amid the heightened Russia-Ukraine conflict underpinned the market. The benchmark London Metal Exchange (LME) aluminum climbed 0.8% to \$3,531.50 a tonne by 0704 GMT. Shanghai aluminum gained 0.3% to 23,085 yuan (\$3,623.22) a tonne. "The ban on Australian sales of alumina to Russia could see production of aluminum suffer," ANZ said in a

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note. “Australian imports make up 20% of Russia’s total alumina imports. The threat of disruption across the rest of the base metals is also rising.”

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