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The Egyptian Center for Economic Studies

Our Economy and The World

The Weekly Report

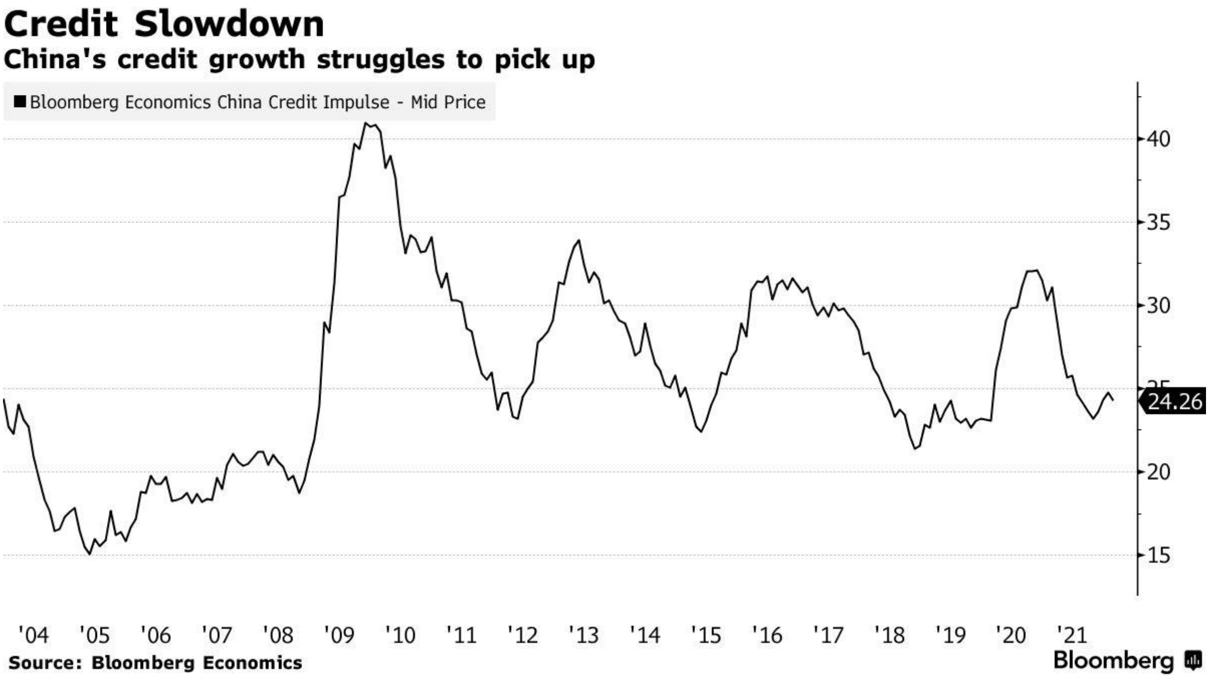
Issue: 270 Date: 17th April, 2022

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

Key Global and Regional Developments over the Past Week

[Bloomberg: China's COVID outbreak highlights weak lending as borrowers hold back]

China's central bank is struggling to drive up lending in the economy despite cutting interest rates and giving banks a cash boost. With a worsening COVID outbreak locking down mega cities Shanghai and Shenzhen, worries about jobs and incomes mean businesses and consumers are unwilling to take on more debt. Banks are reluctant to extend more loans too as a property downturn drives up bad debts and squeezes profits.



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Bloomberg: EU warns Putin's rubles-for-gas demand would breach sanctions

The European Union has warned member states that President Vladimir Putin's demand that "unfriendly countries" effectively pay for Russian gas in rubles would violate existing sanctions the bloc imposed on Moscow following its invasion of Ukraine. The European Commission, the EU's executive arm, presented the analysis of Putin's decree to the member nations, according to a person familiar with the matter. The Commission's assessment raises the stakes for Europe's energy security since Putin threatened to halt gas supplies to buyers that don't comply with the edict.

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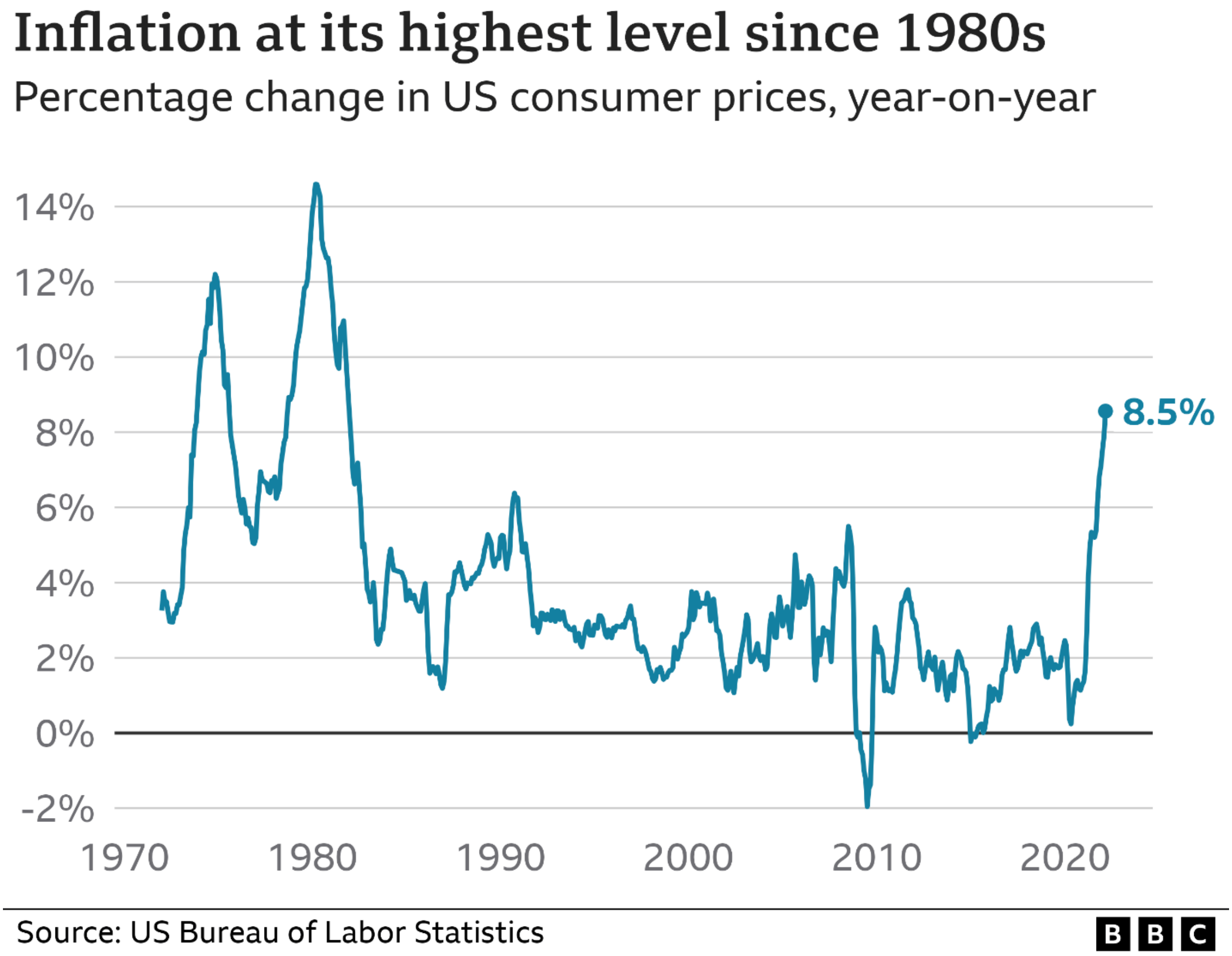
[BBC: Soaring petrol prices send US inflation to 40-year high]

The US inflation rate hit a fresh 40-year high in the year to March after fuel prices soared during the first full month of the Ukraine war. Consumer prices surged by 8.5% - the largest annual gain since December 1981 - following a double-digit rise in energy prices. Last month, President Joe Biden banned all imports of oil and gas from Russia following the invasion of Ukraine. At the same time, US fuel prices reached new records.



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FT: EU seeks protected status for goods such as Donegal tweed and Limoges porcelain

Brussels is widening the number of European goods with protected status, from food and drink — including the likes of parmesan cheese and Parma ham — to products such as Donegal tweed and Limoges porcelain. The new rules would mean only producers in specific regions using agreed processes could sell goods across the EU by the protected name to avoid cheap competition.

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Reuters: Key market euro zone inflation gauge hits highest since 2012

A key market gauge of long-term euro zone inflation expectations briefly rose above 2.40% on Wednesday, scaling a 10-year peak with a higher-than-expected inflation reading in Britain adding to signs of persisting price pressures. It is the highest the five-year breakeven forward has risen since 2012, according to data from the European Central Bank, and far above the 2% target of the bank, which meets on Thursday.

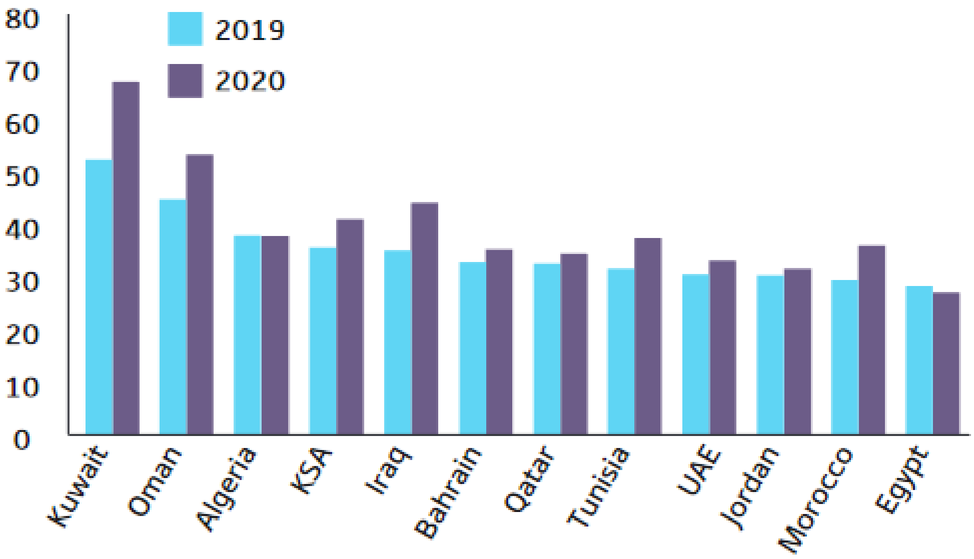
(Read Full Article)

Eye on Egypt

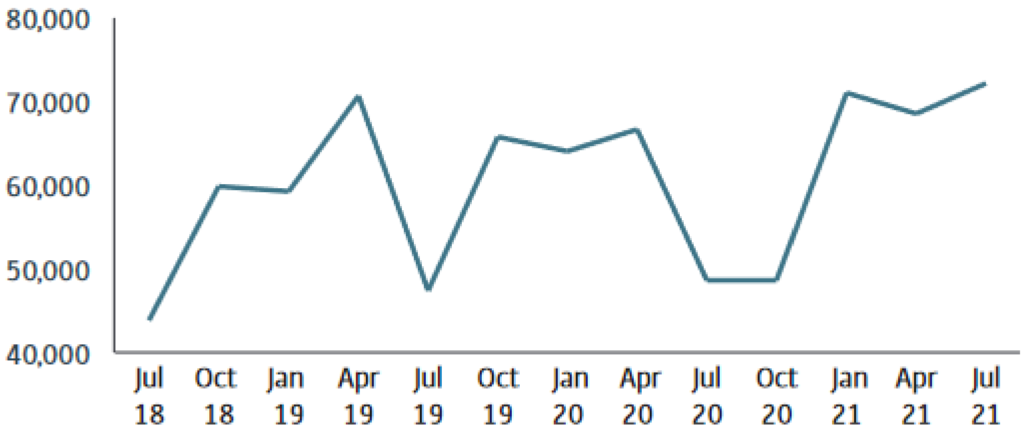
Oxford Business Group: How Egypt's infrastructure agenda is driving sophistication in the construction sector

Prior to the outbreak of COVID-19 in early 2020, Egypt had one of the best-performing economies in the MENA region and, despite the disruptive effects of the pandemic, this trend looks set to continue. Egypt's resilient economy can in part be attributed to a series of government-implemented structural reforms, backed by a $12bn IMF loan released in five tranches, the last of which was received in May 2019. The country's post- COVID-19 recovery will be guided by the Egypt Vision 2030 strategy, which identifies nearly 80 programmes and projects, including the development of river transport, entrepreneurship programmes, logistics centres and environmental projects. Meanwhile, continued reform to the financial and insurance sectors is designed to attract greater capital to the country and support growth in other industries such as real estate, oil and gas, petrochemicals, transport and textiles.

Egyptian government expenditure compared to other markets in MENA (% of GDP)



Total economic output contributed by Egypt's construction sector (LE m)



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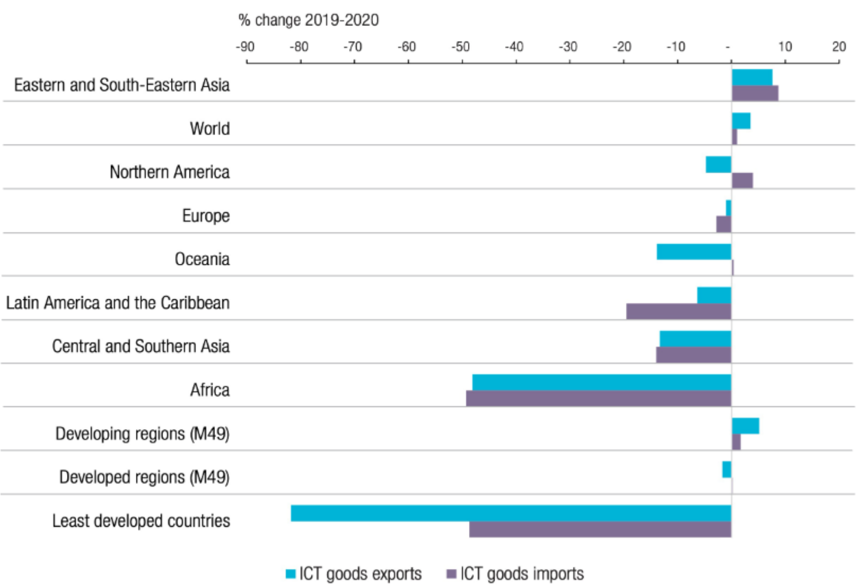
Special Analysis

UNCTAD: E-commerce and the digital economy in LDCs: At breaking point in COVID-19 times

Two years have passed since the beginning of the COVID-19 pandemic. As the economic fall-out is still being felt all around the globe, its impacts are not fully captured. In particular, the accelerated digital transformation, with digital solutions developed and used to facilitate economic and social activities from a distance, has been accompanied by a surge in e-commerce, with potentially long-lasting effects. It has also revealed wide gaps in digital readiness, especially in the most vulnerable economies. UNCTAD's research has shown that the pandemic has further exposed gaps in policy areas central to improving digital readiness in least developed countries (LDCs).

Many LDCs are being challenged by the fast transition needed but have realized the vital importance to develop digital infrastructures and policies to support e-commerce and the digital economy, as well as the education and health sectors. Both the public and private sectors have important roles to play in creating an enabling environment for the creation of jobs through ongoing digital innovation that is changing our economies - producing new products and services for national, regional and international markets. It is now more urgent than ever to ensure that those trailing in digital readiness can catch-up. The alternative is even greater inequalities.

Figure 1 Change in ICT goods exports and imports, 2019-2020



Note: Not adjusted for re-exports/re-imports due to data availability. Changes calculated in current prices.
Source: UNCTAD based on UNCTAD digital economy statistics (unctadstat.unctad.org).

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Developments in Financial and Commodity Markets in the Past Week

Reuters: Oil prices settle up 4% despite big U.S. crude inventory build

Oil prices jumped on Wednesday, as a large increase in U.S. crude inventories failed to soothe worries about tight global supply, with major oil traders expected to shun Russian barrels. Brent crude settled up $4.14, or 4%, to $108.78. U.S. West Texas Intermediate (WTI) crude futures ended up $3.65, or 3.7%, to $104.25. The gains came a day after both benchmarks climbed more than 6%. The oil market has swung wildly as end-users and traders have tried to quantify the disruption in Russia's daily exports following its invasion of Ukraine. Most estimates range from 1 million to 3 million barrels per day.

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CNBC: Stock futures are little changed ahead of major bank earnings Thursday

Stock futures were little changed Wednesday evening as investors awaited quarterly earnings results from the biggest U.S. banks. Dow Jones Industrial Average futures and S&P 500 futures inched higher by 0.01%. Nasdaq 100 futures added 0.09%. In regular trading the Dow advanced about 344 points, or 1%. The S&P 500 and Nasdaq Composite advanced 1% and 2%, respectively, each snapping a three-day losing streak as investors shrugged off the latest CPI report, which showed inflation levels not seen since 1981.

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CNBC: European stocks close mixed after inflation data; ECB meeting on horizon

The pan-European Stoxx 600 provisionally ended down 0.1%, with food and beverages stocks dipping 0.7% to lead losses. In terms of individual share price movement, Britain's largest retailer Tesco fell 2% after warning of a fall in full-year profit for 2022 caused by tough U.K. economic conditions. U.K. inflation came in at an annual 7% in March, its highest since for 30 years, driven by soaring food and energy prices. Consumer prices rose by 1.1% month-on-month, outstripping expectations for a 0.7% climb in a Reuters poll of economists, which had projected a 6.7% annual increase.

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