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The Egyptian Center for Economic Studies

Our Economy and The World

The Weekly Report

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

Key Global and Regional Developments over the Past Week

BBC: US makes biggest interest rate rise in almost 30 years

The US central bank has announced its biggest interest rate rise in nearly 30 years as it ramps up its fight to rein in soaring consumer prices. The Federal Reserve said it would increase its key interest rate by three quarters of a percentage point to a range of 1.5% to 1.75%. The rise, the third since March, comes after inflation in the US surged unexpectedly last month. More hikes are expected, adding to the uncertainty facing the economy. Forecasts released after the meeting showed officials expect the rate the Fed charges banks to borrow could reach 3.4% by the end of the year, the moves rippling out to the public in the form of higher borrowing costs for mortgages, credit cards and other loans.

(Read Full Article)

Reuters: U.S. mortgage interest rates jump to highest level since 2008

The average interest rate on the most popular U.S. home loan climbed to its highest level since the 2008 financial crisis and purchase applications were down more than 15% from last year, Mortgage Bankers Association (MBA) data showed on Wednesday. Still, more homebuyers sought properties compared to a week earlier, perhaps signalling a flurry of activity before aggressive tightening by the Federal Reserve further impacts the sector.

(Read Full Article)

Bloomberg: China is walking back virus loosening weeks after reopening

China is starting to re-impose Covid-19 restrictions just weeks after major easing in key cities, raising concern the country may once again employ strict lockdowns to control its outbreak. Beijing reported 45 new local cases on Monday afternoon, after having single digit cases on most days last week. City officials said an outbreak linked to a popular bar is proving more difficult to control than previous clusters, in a weekend that saw mass testing and rising infections both in the capital and in Shanghai. A total of 37 cases were reported for Shanghai on Sunday, including five detected in the community. There was one additional community case disclosed on Monday, with the full city results still to come.

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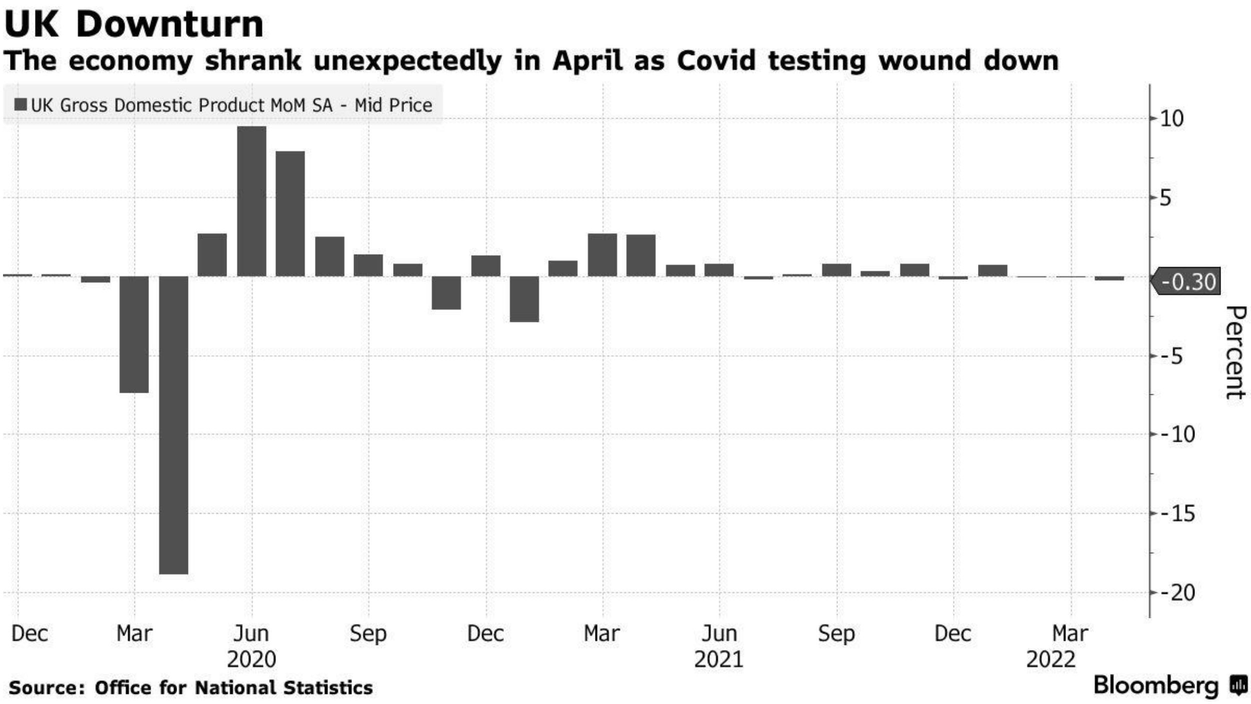
Bloomberg: UK Economy shrinks unexpectedly

The UK economy shrank in April at the sharpest pace in more than a year as the government wound down Covid testing, highlighting risks that a broader contraction is under way. Gross domestic product fell 0.3% from March when output declined 0.1%, the Office for National Statistics said Monday. A gain of 0.1% was predicted by economists. The figures underscore a dimming outlook for the UK economy, with manufacturing, services and construction all contracting together for the first time since January 2021. That may persuade the Bank of England to move cautiously in fighting inflation. It's expected to deliver a quarter-point rate rise on Thursday.



(Read Full Article)

Reuters: U.S. retail sales post first decline in five months as inflation bites

U.S. retail sales unexpectedly fell in May as motor vehicle purchases declined amid rampant shortages, and record high gasoline prices pulled spending away from other goods. The first drop in sales in five months reported by the Commerce Department on Wednesday also suggested that high inflation was starting to hurt demand. It followed in the wake of major retailers like Walmart (WMT.N) and Target (TGT.N) cutting their profit forecasts because of cost pressures.

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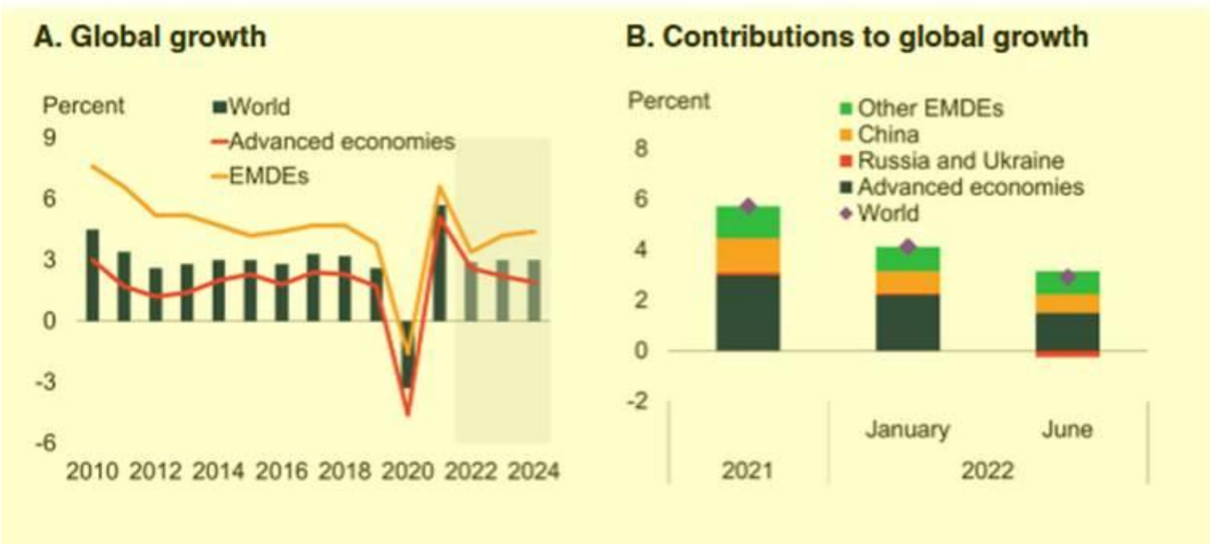
Special Analysis

World Bank: Global Economic Prospects - June 2022

The world economy continues to suffer from a series of destabilizing shocks. After more than two years of pandemic, the Russian Federation's invasion of Ukraine and its global effects on commodity markets, supply chains, inflation, and financial conditions have steepened the slowdown in global growth. In particular, the war in Ukraine is leading to soaring prices and volatility in energy markets, with improvements in activity in energy exporters more than offset by headwinds in most other economies. The invasion of Ukraine has also led to a significant increase in agricultural commodity prices, which is exacerbating food insecurity and extreme poverty in many emerging market and developing economies (EMDEs). Numerous risks could further derail what is now a precarious recovery. Among them is, in particular, the possibility of stubbornly high global inflation accompanied by tepid growth, reminiscent of the stagflation of the 1970s. This could eventually result in a sharp tightening of monetary policy in advanced economies to rein in inflation, lead to surging borrowing costs, and possibly culminate in financial stress in some EMDEs. A forceful and wideranging policy response is required by EMDE authorities and the global community to boost growth, bolster macroeconomic frameworks, reduce financial vulnerabilities, provide support to vulnerable population groups, and attenuate the long-term impacts of the global shocks of recent years.



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Developments in Financial and Commodity Markets in the Past Week

[Bloomberg: Bitcoin's Unrelenting Selloff Puts Prices on Verge of $20,000]

Bitcoin prices tumbled once again, driving the token to the brink of $20,000 on evidence of deepening stress within the crypto industry. The largest cryptocurrency sank 8% to $20,180, the lowest level since December 2020. Bitcoin has fallen for nine days, the longest losing streak since 2014. Losses continued to be widespread, with Ether plunging 10% to $1,062.

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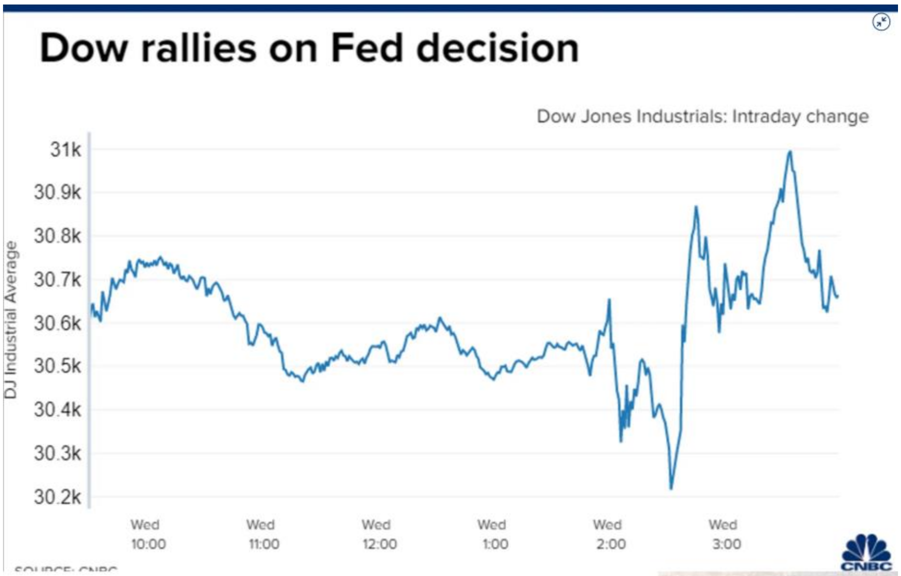
CNBC: Stocks jump after Powell signals Fed will stay tough on inflation, Dow snaps 5-day slide

Stocks rallied on Wednesday after the Federal Reserve hiked rates by 75 basis points — its largest increase since 1994 — and signaled it could raise rates by a similar magnitude in July, giving investors confidence the central bank was committed to tamping down inflation. The Dow Jones Industrial Average snapped a five-day losing streak, jumping 303.70 points, or 1%, to close at 30,668.53. The S&P 500 rose 1.46% to 3,789.99, while the Nasdaq Composite gained 2.5% to end the day at 11,099.15. Stocks were volatile after the rate hike decision but jumped to session highs as Fed Chairman Jerome Powell said during his afternoon press conference that, "either a 50 basis point or a 75 basis point increase seems most likely at our next meeting."



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