



Our Economy and The World

The Weekly Report

Issue: 283 Date: 14th August 2022

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 - CNBC: Stock futures tick up as investors brace for July inflation report
 - Bloomberg: Oil Edges lower as Russian flows halted via key pipe to Europe

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Key Global and Regional Developments over the Past Week

[Bloomberg: JPMorgan Says: US inflation act will hardly curb inflation](#)

JPMorgan Chase & Co. economists said the Inflation Reduction Act will have “almost no effect” on price growth that’s currently running at the fastest pace in four decades. The landmark tax, climate and health-care bill, which passed the Senate on Sunday and is headed for the House on Friday, puts a slimmed-down version of President Joe Biden’s domestic agenda on a path to becoming law after a year of Democratic infighting that the White House was unable to control.

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[CNBC: Slowing demand in the U.S., Europe and China could hurt Asian exporters, HSBC says](#)

Asian exporters will face significant challenges as demand from major markets like the U.S., Europe and China slows down in the coming months, according to the chief Asia economist of HSBC. Manufacturers in Europe are already pulling back quite significantly, namely in Germany, Frederic Neumann told CNBC’s “Squawk Box Asia” on Monday.

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[Reuters: U.S. productivity posts biggest ever annual drop in second quarter](#)

U.S. worker productivity in the second quarter fell at its steepest pace on an annual basis since 1948 when the Labor Department began tracking it, while growth in unit labor costs accelerated, suggesting strong wage pressures will continue to help keep inflation elevated. Nonfarm productivity, which measures hourly output per worker, fell at a 2.5% pace from a year ago, the department said on Tuesday. It also declined sharply in the second quarter at a 4.6% annualized rate, after having declined by an upwardly revised 7.4% in the first three months of the year.

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[BBC: Bank of England warns the UK will fall into recession this year](#)

The Bank of England has warned the UK will fall into recession as it raised interest rates by the most in 27 years. The economy is forecast to shrink in the last three months of this year and keep shrinking until the end of 2023. Interest rates rose to 1.75% as the Bank battles to stem soaring prices, with inflation now set to hit over 13%. Governor Andrew Bailey said he knew the cost of living squeeze was difficult but if it didn't raise interest rates it would get "even worse".

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Eye on Egypt

Bloomberg: Egypt Dims Lights to Free Up More Natural Gas for Export

Egypt is curbing some electricity use to free up for export more of the natural gas that feeds its power plants, helping generate much-needed foreign currency, Prime Minister Mostafa Madbouly said. Lighting in streets, public squares and larger sports facilities will all be reduced and illuminations outside government buildings switched off after working hours, Madbouly said Tuesday in a press conference. The belt-tightening is a sign of the lengths Egypt is going to earn more hard currency as it copes with the effects of the Russian invasion of Ukraine on the Arab world's most populous nation. The conflict has sent Egypt's wheat and fuel bills soaring, put pressure on its currency and led to Gulf allies pledging more than \$20 billion in support.

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Fitch Solutions: Egypt Country Risk Report

Egypt has a large pool of labour relative to regional counterparts owing to its large population, boosted by high growth potential and the sheer number of people completing various levels of education. However, various salient factors such as the significant spatial and income disparities in access to quality education converge to restrict the variety of recruitment options for businesses in Egypt over the medium term. While there is a high supply of labour, many students are unprepared for additional education or the demands of the job market, such that businesses face a shortage of skilled workers, necessitating extensive training and the costly import of foreign workers. Investors face additional challenges due to rigid labour regulations in a highly unionised labour market. The impact of Covid-19 further complicates labour mobility and productivity.

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Special Analysis

IMF: Pandemic, War, and Global Imbalances

Global current account balances—the overall size of current account deficits and surpluses—continued to widen in 2021 to 3.5 percent of world GDP, and are expected to widen again this year. The IMF’s multilateral approach suggests that global excess balances narrowed to 0.9 percent of world GDP in 2021 compared with 1.2 percent of world GDP in 2020.

The pandemic has continued to affect economies’ current account balances unevenly through the travel and transportation sectors as well as a shift from services to goods consumption. Commodity prices recovered from the COVID-19 shock and started rising in 2021 with opposite effects on the external position of exporters and importers, a trend that the war in Ukraine is exacerbating in 2022.

The medium-term outlook for global current account balances is a gradual narrowing as the impact of the pandemic fades away, commodity prices normalize, and fiscal consolidation in current account deficit economies progresses. However, this outlook is highly uncertain and subject to several risks. Policies to promote external rebalancing differ with positions and needs of individual economies.

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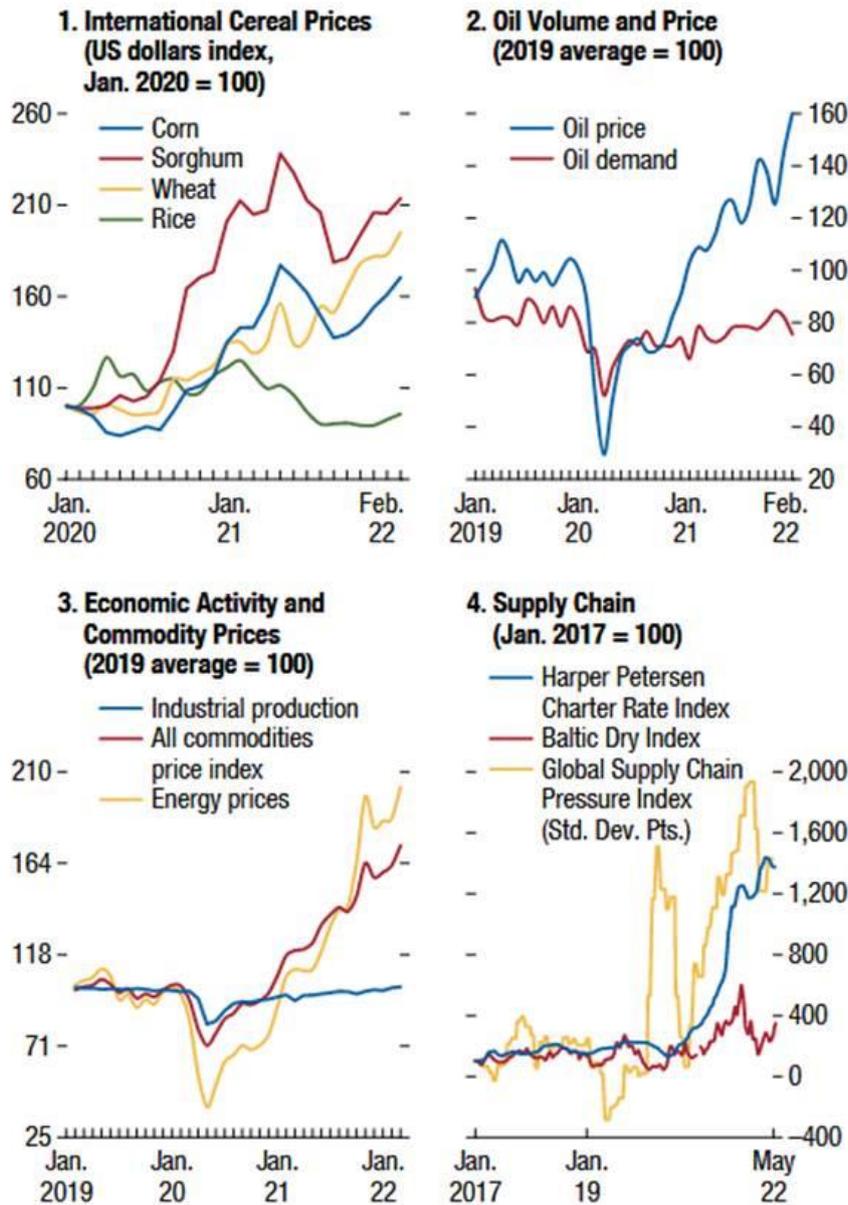
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Figure 1.1. The COVID-19 Crisis and the War in Ukraine



Sources: CEIC Global Economic Data; Haver Analytics; IMF, Primary Commodity Price System; Joint Organisations Data Initiative.
Note: Global imports in volumes.

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Developments in Financial and Commodity Markets

CNBC: Food prices fell sharply in July — but the respite may not last

Food prices dropped significantly in July from the previous month, particularly the costs of wheat and vegetable oil, according to the latest figures from the United Nations' Food and Agriculture Organization. But the FAO said that while the drop in food prices “from very high levels” is “welcome,” there are doubts over whether the good news will last.



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CNBC: Stock futures tick up as investors brace for July inflation report

Stock futures rose Tuesday as investors looked ahead to a key inflation report set to be released Wednesday. Dow Jones Industrial Average futures rose by 20 points, or 0.06%. S&P 500 and Nasdaq 100 futures climbed 0.05% and 0.09%, respectively. The moves come after the S&P 500 and Nasdaq fell for a third straight day on Tuesday. The Nasdaq Composite led the declines, falling 1.19% after Micron, Novavax and Upstart warned that future earnings and revenue may come in lower than previously thought. The S&P 500 fell 0.42%, and the Dow Jones Industrial Average shed 0.18%.

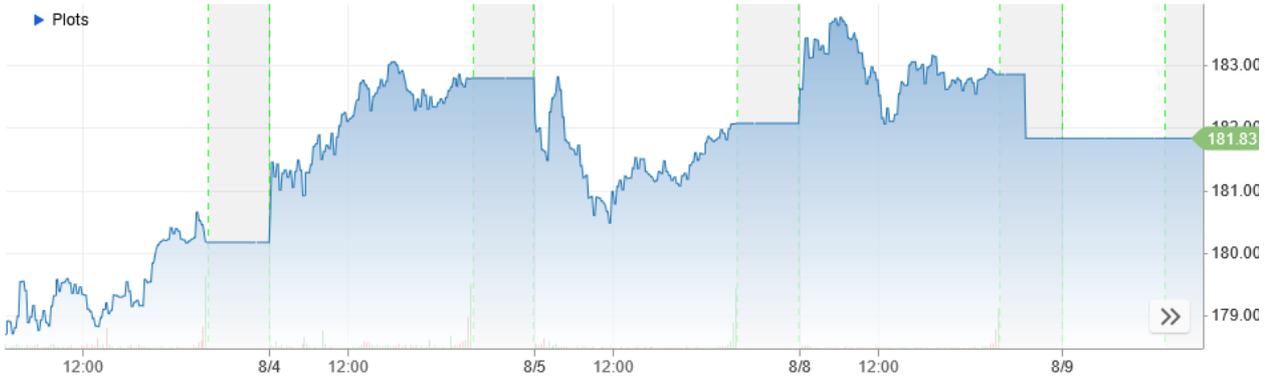
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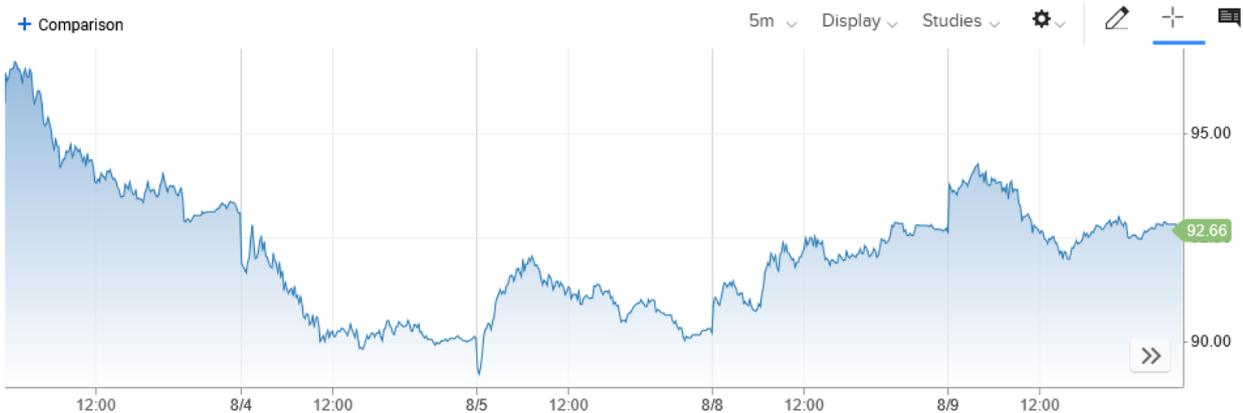
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Bloomberg: Oil edges lower as Russian flows halted via key pipe to Europe

Oil futures ended slightly lower Tuesday, reversing earlier gains, on indications that Russian crude shipments via the southern leg of a major pipeline to Europe may resume in a few days after being suspended. Benchmarks Brent and West Texas Intermediate crude slipped after swinging about 2% in each direction earlier in the session. Russia's Transneft said Ukraine halted flows through its Druzhba pipeline toward Hungary, the Czech Republic and Slovakia on Aug. 4 as sanctions blocked payment of Moscow's transit fee. That section of the network usually carries about 250,000 barrels a day, Transneft data show.



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