



المركز المصري للدراسات الاقتصادية
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
- Special Analysis: IMF – Egypt's 2017 Article IV Consultation (Country Report No. 18/14) – January 2018
- Recent Developments in Financial and Commodity Markets

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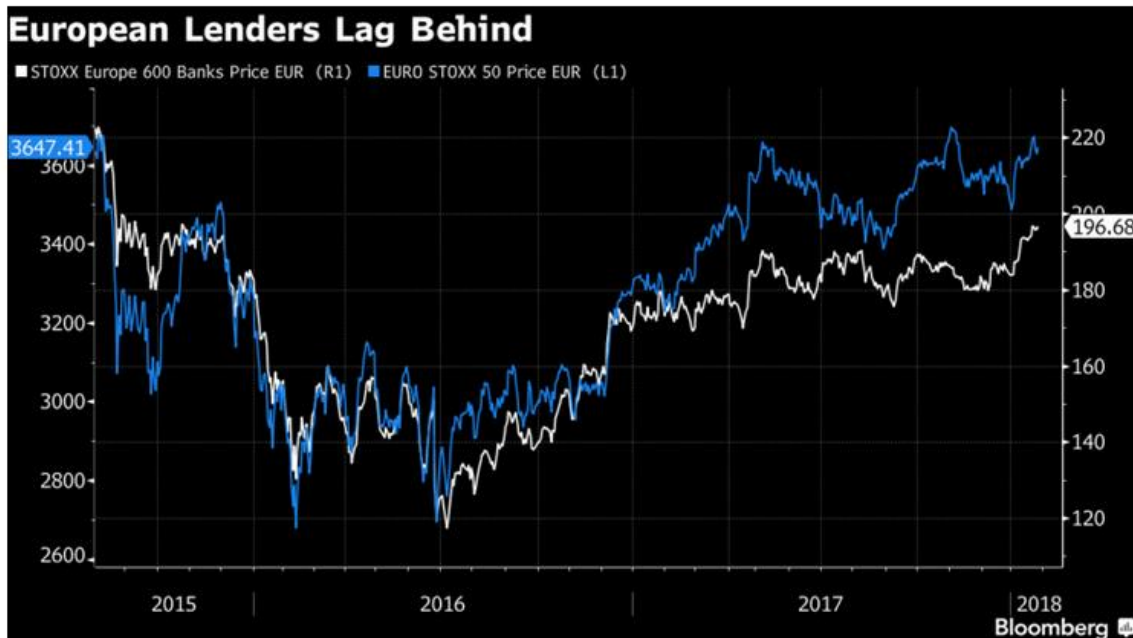
Our Economy and The World

The Weekly Report

Key Global and Regional Developments over the Past Week

[Bloomberg: Davos elite eyes M&A across Europe's struggling banking industry](#)

The rationale for merging some of Europe's biggest lenders is compelling. That's the view of many financial executives who met at the World Economic Forum in Davos, Switzerland, last week. A decade after the financial crisis, some of the region's biggest lenders are facing declining revenue as interest rates linger near record lows, while legal bills and capital demands have eroded profit.



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[Reuters: Trump administration hold off on new Russia sanctions, despite law](#)

The Trump administration said on Monday it would not immediately impose additional sanctions on Russia, despite a new law designed to punish Moscow's alleged meddling in the 2016 U.S. election, insisting the measure was already hitting Russian companies. "Today, we have informed Congress that this legislation and its implementation are deterring Russian defense sales," State Department spokeswoman Heather Nauert said in a statement. "Since the enactment of the ... legislation, we estimate that foreign governments have abandoned planned or announced purchases of several billion dollars in Russian defense acquisitions."

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[Bloomberg: Euro-area economy posts strong 2017 finish buoyed by ECB easing](#)

The euro-area economy finished off last year with another quarter of robust growth, and confidence among businesses and households suggests there's no slowdown in sight. Gross domestic product rose 0.6 percent in the three months through December, in line with forecasts and marking a 19th straight expansion. The French and Spanish economies, two of the bloc's largest, recorded similarly solid rates of growth. The strong end to the year put the euro region's 2017 expansion at 2.5 percent. That's better than anticipated by economists and the European Central Bank, and it's a pace the region hasn't seen since before the financial crisis in 2008.



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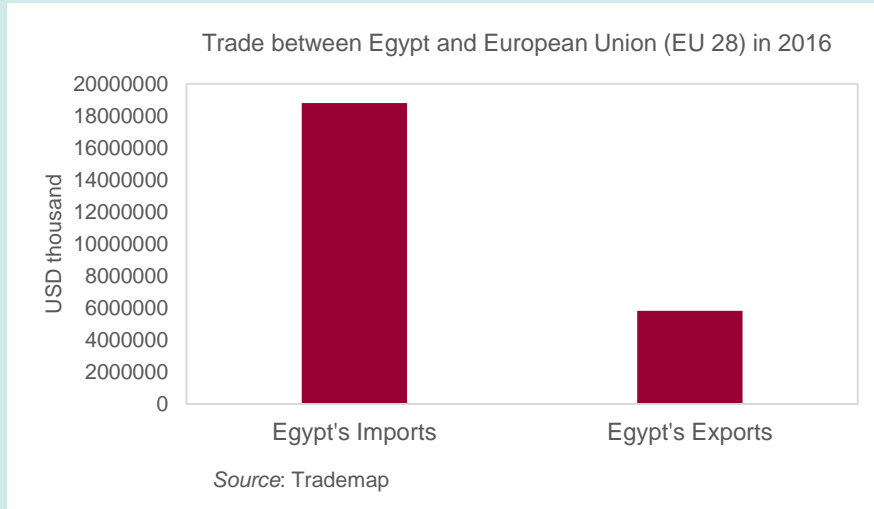
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[Bloomberg: Turkey becomes battleground for Gulf lenders seeking to expand](#)

Dubai's biggest bank is holding talks to potentially acquire Sberbank PJSC's wholly-owned Turkish unit, joining peers from Qatar and Kuwait to expand in the country. Emirates NBD PJSC started preliminary discussions for Denizbank AS, it said in a statement on Tuesday. Moscow-based Sberbank is also holding discussions with other banks from the Gulf Cooperation Council region, people familiar with the matter said, asking not to be identified because the talks are private.

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Special Analysis: IMF

Egypt's 2017 Article IV Consultation - January 2018

On December 20, 2017, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the Arab Republic of Egypt and completed the second review of Egypt's economic reform program supported by an arrangement under the Extended Fund Facility (EFF Arrangement) (see Press Release No. 17/511). Egypt's reform program, supported by the EFF Arrangement, has played a critical role in stabilizing the economy. By the end of 2015/16, a long-standing and ultimately unsustainable policy mix had resulted in low growth and investment, elevated general government debt, an overvalued exchange rate, a widening current account deficit, declining gross international reserves and severe shortages of foreign exchange. Underpinned by political and social stability, nearly one year since the launch of the authorities' ambitious economic reform program, Egypt's economy is rebounding and confidence is returning. Egypt's economic outlook is favorable, provided prudent macroeconomic policies are maintained and the scope of growth-enhancing reforms is broadened. GDP growth rebounded from 3.5 percent in 2015/16 to 4.2 percent in 2016/17, and is projected to strengthen further to 4.8 percent in 2017/18 and to 6 percent in the medium term. In July 2017, inflation peaked at 35 percent, reflecting the pass-through from the devaluation of the pound and the increases in energy prices and the VAT rate, and has started to moderate since then supported by the tightening of the monetary policy stance. Inflation is expected to decline to around 12 percent by June 2018 and to single digits by 2019. The current account deficit remained unchanged at about 6 percent of GDP in 2016/17, but with improved external competitiveness, reforms of the business environment, and a further recovery in tourism, it is expected to narrow to about 4.5 percent of GDP in 2017/18 and to about 3.5 percent of GDP by 2021/22. With the floating of the exchange rate, the parallel market disappeared, capital inflows increased and international reserves reached 5 months of imports of goods and services. The primary fiscal deficit narrowed from 3.5 percent of GDP in 2015/16 to 1.8 percent of GDP in 2016/17, and is projected to turn into a surplus of 0.2 percent of GDP in 2017/18. To sustain economic reform momentum, in the medium term, policy priorities should aim to raise potential output and promote inclusive growth to create jobs for Egypt's young and growing population. This will require the private sector to become the primary engine of growth and the state to provide a stable macroeconomic environment, a friendly business climate and efficient delivery of public goods. Strengthening social protection will also be important to shield the most vulnerable. Reforms should include modernization of the regulatory framework to create a level playing field for all; enhancing competition in input and product markets; supporting greater trade integration and the removal of non-tariff barriers; improving access to finance and land; strengthening governance, transparency, and accountability of state owned enterprises; and strengthening the labor market.

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[ECES -Egypt: A year on from the start of the economic reform program](#)

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Recent Developments in Financial and Commodity Markets

[Reuters: Why Canada is the next frontier for shale oil](#)

The revolution in U.S. shale oil has battered Canada's energy industry in recent years, ending two decades of rapid expansion and job creation in the nation's vast oil sands. Now Canada is looking to its own shale fields to repair the economic damage. Canadian producers and global oil majors are increasingly exploring the Duvernay and Montney formations, which they say could rival the most prolific U.S. shale fields. Canada is the first country outside the United States to see large-scale development of shale resources, which already account for 8 percent of total Canadian oil output. China, Russia and Argentina also have ample shale reserves but have yet to overcome the obstacles to full commercial development.

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[Reuters: Hacked Tokyo cryptocurrency exchange to repay owners \\$425 million](#)

Tokyo-based cryptocurrency exchange Coincheck Inc said on Sunday it would return about 46.3 billion yen (\$425 million) of the virtual money it lost to hackers two days ago in one of the biggest-ever thefts of digital money. That amounts to nearly 90 percent of the 58 billion yen worth of NEM coins the company lost in an attack that forced it to suspend on Friday withdrawals of all cryptocurrencies except bitcoin. Coincheck said in a statement it would repay the roughly 260,000 owners of NEM coins in Japanese yen, though it was still working on timing and method.

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