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The Egyptian Center
for Economic Studies

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Our Economy and the World

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

Key Global and Regional Developments over the Past Week

[Bloomberg: German inflation unexpectedly quickens in fresh blow for ECB]

German inflation surprisingly accelerated in February, further complicating the European Central Bank's task after overshoots this week in other parts of the continent. Consumer prices advanced 9.3% from a year ago, up from January's 9.2% gain, driven by services and food costs. The move came even as Germany moved to limit household heating bills that rocketed because of Russia's war in Ukraine.

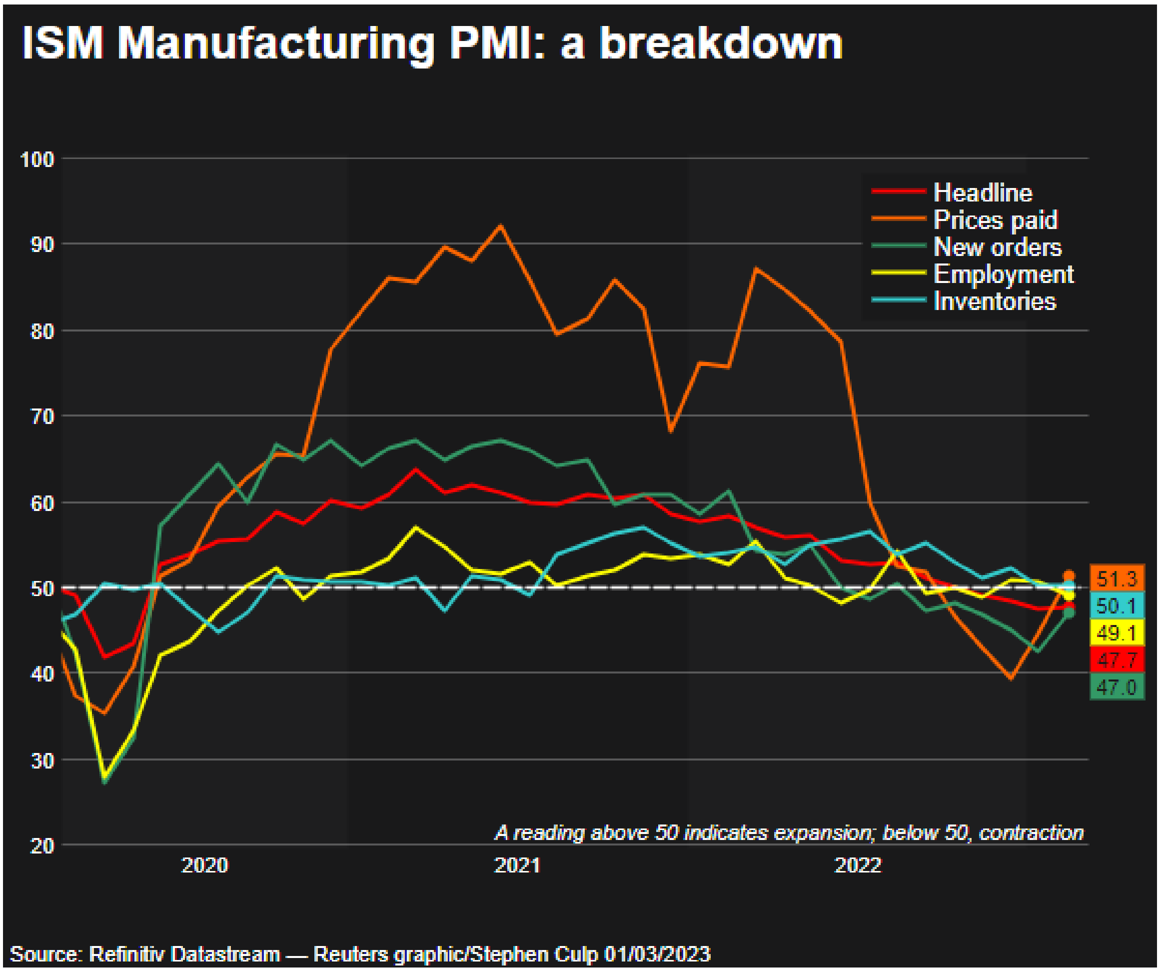
German Inflation Unexpectedly Accelerated in February

Source: German statistics office
Bloomberg

[(Read Full Article)]

Reuters: US manufacturing sector still shrinking; raw material prices rebound

U.S. manufacturing contracted for a fourth straight month in February, but there were signs that factory activity was starting to stabilize, with a measure of new orders pulling back from a more than 2-1/2-year low. The Institute for Supply Management survey on Wednesday also showed prices for raw materials increasing last month, which the ISM partly attributed to "a return to more balanced supplier-buyer relationships, as sellers are more interested in filling order books and buyers now see the need to reorder."



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CNBC: China's factory activity grows further, marks its highest reading in nearly 11 years

China's factory activity for February bounced further into expansion territory, according to data from the National Bureau of Statistics. The official manufacturing purchasing managers' index rose to 52.6 in February – above the 50-point mark that separates growth from contraction. That marks the highest reading since April 2012, when it hit 53.5. February's PMI reading is also higher than the 50.1 reported for January and above expectations of 50.5, according to economists surveyed by Reuters.

(Read Full Article)

Bloomberg: Japan firms boost spending despite global economic slowdown

Japan's businesses continued to increase spending for five straight quarters despite headwinds including a global economic slowdown and a weaker yen, an outcome that could help revise up last quarter's growth figures. Capital expenditure excluding software rose 0.3% in the three months through December from the previous quarter, the finance ministry reported Thursday. Manufacturers increased spending by 1.1%, while service sector firms decreased by 0.1%.

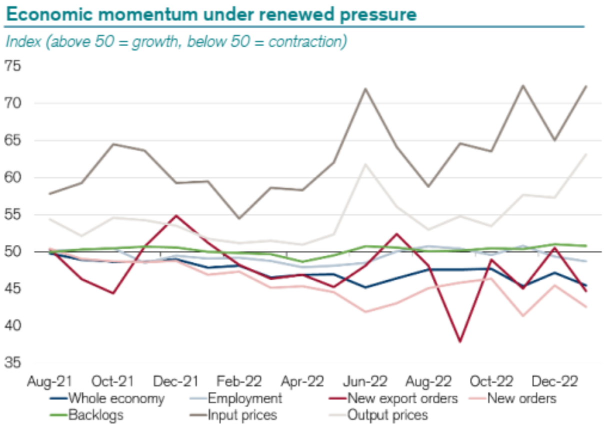
(Read Full Article)

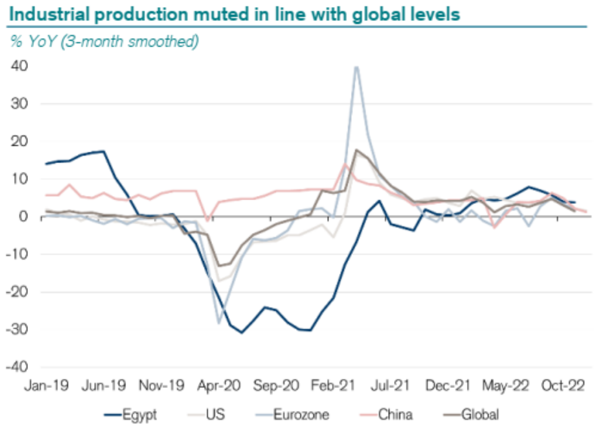
Eye on Egypt

Credit Suisse: Egypt Quarterly Outlook

The IMF program announcement in late October 2021 left us feeling highly optimistic over Egypt's economic outlook. But our expectations faded quickly on the lack of progress on implementing EGP flexibility and selling of state-owned enterprises (SOEs). Our concerns were exacerbated when the central bank kept rates on hold in February 2022 in the face of accelerating inflation. The government has recently announced plans to sell stakes in 32 SOEs, but details are still lacking and a disappointing track record in recent years keeps expectations very low.

We closed our positive view on Egypt equities and T-bills on 15 December (capturing the first leg of the local currency equity re-rating and all of the USD adjusted rally) and highlighted the risk of near-term devaluation. The EGP subsequently fell 17%, only stabilizing through 5 days of FX inflows reported to be USD 915 m. However, the source of these inflows remains unclear. In our view, it is unlikely foreign investors were responsible and the coincident deterioration in the banking sector's net foreign asset position has not gone unnoticed by the market.





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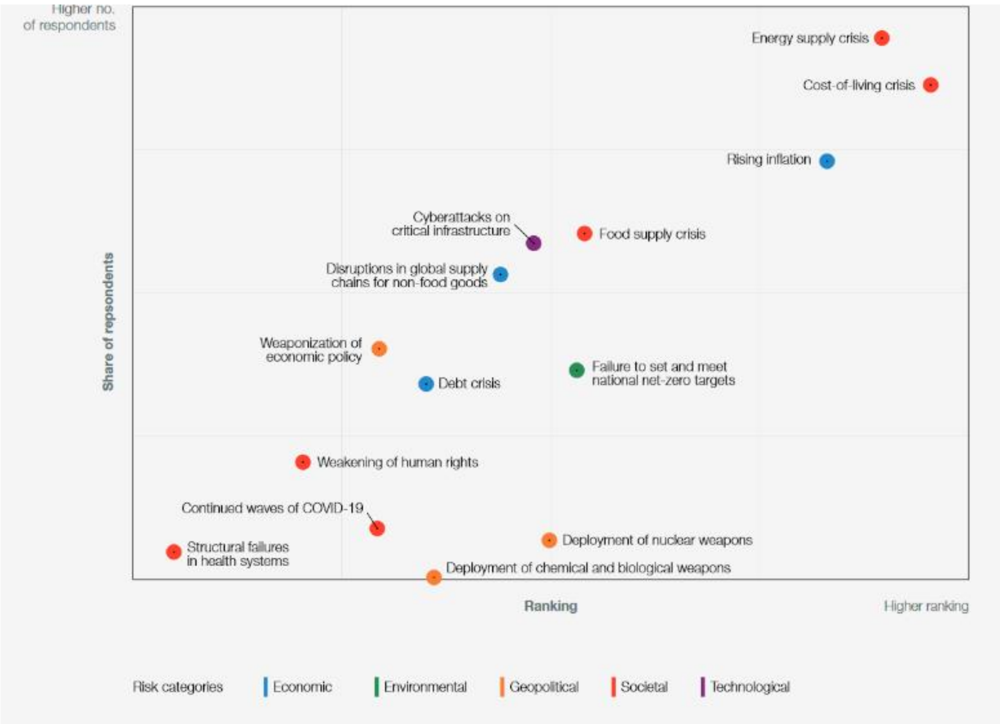
Special Analysis

World Economic Forum: Global Risks Report 2023

The first years of this decade have heralded a particularly disruptive period in human history. The return to a "new normal" following the COVID-19 pandemic was quickly disrupted by the outbreak of war in Ukraine, ushering in a fresh series of crises in food and energy – triggering problems that decades of progress had sought to solve.

As 2023 begins, the world is facing a set of risks that feel both wholly new and eerily familiar. We have seen a return of "older" risks – inflation, cost-of-living crises, trade wars, capital outflows from emerging markets, widespread social unrest, geopolitical confrontation, and the spectre of nuclear warfare – which few of this generation's business leaders and public policymakers have experienced. These are being amplified by comparatively new developments in the global risks landscape, including unsustainable levels of debt, a new era of low growth, low global investment and de-globalization, a decline in human development after decades of progress, rapid and unconstrained development of dual-use (civilian and military) technologies, and the growing pressure of climate change impacts and ambitions in an ever-shrinking window for transition to a 1.5°C world. Together, these are converging to shape a unique, uncertain, and turbulent decade to come.



[(Read Full Report)]

Developments in Financial and Commodity Markets in the Past Week

Reuters: Gold scales 1-week peak as dollar slides on robust China data

Gold prices gained 1% on Wednesday as strong Chinese economic data dented the dollar and drove some bets for better physical demand from the top bullion consumer, although the risk of rising U.S. interest rates capped gains. Spot gold was up 0.6% at $1,838.20 per ounce by 02:05 p.m. ET (1906 GMT), rising to $1,844.5 earlier, their highest in a week.

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CNBC: European markets close lower; German inflation accelerated in February

European markets closed lower Wednesday after data showed an increase in German harmonized inflation in February. The Stoxx 600 index closed 0.7% lower after trading slightly higher through the morning. Mining stocks powered ahead, up 2.2%, while utilities dropped 2.6%.

CNBC

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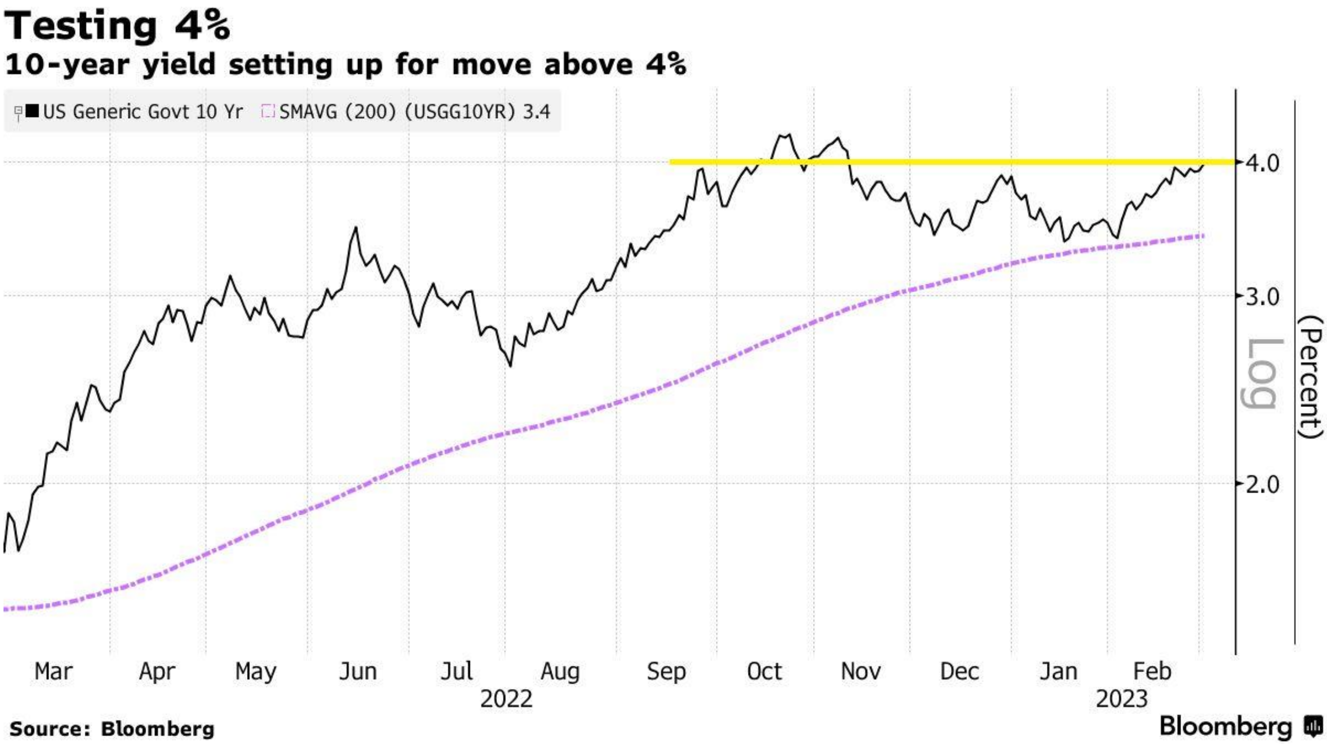
Bloomberg: Asian stocks face pressure as yields move higher

Asian stocks faced downward pressure Thursday as investors positioned for a higher peak in interest rates following another round of hawkish comments from Federal Reserve officials. Equity futures for benchmarks in Japan and Hong Kong fell while Australian shares edged higher. The headwinds for Asia come after the S&P 500 closed near the lowest in six weeks and Treasury yields climbed, with the 10-year rate piercing the closely watched 4% level.



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