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ECES
The Egyptian Center for Economic Studies

Our Economy & the World

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

- Key Global Developments Over the Past Week
- From the International Press: The World is Drowning in Debt … $152 Trillion
- Special Analysis: How Much do Countries Spend to Get you to Show Up?
- An Analysis of Global Financial Market Performance and Changes in Prices of Goods and Raw Materials

Key Global Developments

Birol: We'll See abundance of North American Oil Production with Prices Reaching $60

Argaam

Executive Director of the International Energy Agency, Fatih Birol, said that the rise in oil prices to $60 may likely lead to increased production in North America in conjunction with the slowdown in global demand growth.

This is part of his statements to "Bloomberg" TV on the sidelines of the World Energy Conference in Istanbul. He said "We maybe see in a short period of time a strong growth in the production of North America and other regions, while prices at around $60 will be sufficient to achieve this.

He stressed that top producers will face "serious challenges" due to the negative impact of falling prices on their economies; however, he pointed to the need to determine prices through fundamentals (supply and demand) rather than by intervening directly in the market.

Oil prices have dropped from above $100 a barrel since mid-2014 to below $30 in January 2016.

Worldsteel: Global Steel Demand to Grow 0.5 percent in 2017

Reuters

The World Steel Association (Worldsteel) told its conference in Dubai that it expects global steel demand to grow by 0.5 percent year on year to 1.510 billion tonnes in 2017.

It added that demand this year is up 0.2 percent to 1.501 billion tonnes.

Moody's: GCC Countries Favored Conventional Structures over Sovereign Sukuk

Kuwaiti AlAnba

Moody's says Gulf Cooperation Council (GCC) countries have favored conventional structures over sovereign sukuk to finance the deficit in their budgets.

Moody's report said that the issuance of long-term sovereign sukuks is continuing regularly in many countries, pointing out that the size of issuances is approaching $28 billion by the end of this year.

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The report noted that the size of issuances remain primarily supported by regular issuers such as Turkey, Indonesia, and Malaysia. The annual borrowing requirements of these countries have included for several years debt instruments compliant with the Islamic sharia' (law).

The report added that Qatar is still in control of the GCC sovereign sukuk market, and got Aa2 with a negative outlook, and that it is the most active and systematic issuer of long-term sovereign Sukuk among GCC countries.

The report highlighted the decline in oil prices and increasing deficits in the Gulf Cooperation Council countries, pointing out that they prefer conventional structures in Sukuk issuance. The Omani government reached the point of Baa1, which is its first Sukuk issuance, with a stable outlook. Sharjah sukuks got A3 with a stable outlook.

"The robust pipeline of issuances planned for the rest of 2016 points to a stable flow of sovereign sukuk this year," says Mathias Angonin, an Analyst at Moody's.

China Banks May Need $1.7 trillion Injection to Avoid Bad Credit Crisis: S&P

Argaam

S&P Global said in reports that China's banks may need to raise as much as $1.7 trillion in capital to cover a likely surge in bad loans.

Rising debt levels will worsen the credit profiles of China's top 200 companies this year, noting that the possible cost could reach nearly 16 percent of China's nominal GDP last year.

The study sees little scope for improvement in 2017 amid worsening leverage and excess capacity in almost all sectors.

Debt has emerged as one of China's biggest challenges, with the country's debt load rising to 250 percent of gross domestic product (GDP).

Excessive credit growth is signaling an increasing risk of a banking crisis in the next three years, the Bank of International Settlements (BIS) warned recently.

Report: Middle East has 47 percent of Global Natural Gas Reserves

Mubasher

The Arab Petroleum Investments Corporation (APICORP) predicted a 10 percent rise in ME production of natural gas to reach 756 billion cubic meters annually by 2021.

APICORP said in its report issued that the Middle East has 47 percent of the natural gas reserves in the world, mainly concentrated in Iran and Qatar.

The report also pointed out that the International Energy Agency's expectations for ME exports of natural gas indicated a possible decline by about 50 billion cubic meters in 2025.

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The report highlighted a decline in liquefied natural gas (LNG) volumes exported from Oman, UAE, Egypt, and Yemen, their halt in some countries, and high imports of LNG in the region in general, to meet the domestic demand.

Globally, the report pointed out that despite the large gas reserves, the ME supply of natural gas is decreasing, which opens the door to new sources of gas exports; forcing ME exporters to adjust export strategies to maintain their market share in Europe and Asia.

Britain's Economy Could Shrink by 9.5 percent if it Leaves the EU

Argaam

The United Kingdom could lose up to 66 billion pounds a year under a "hard Brexit," *The Times* (London) reported citing leaked government papers.

GDP could fall by as much 9.5 percent if Britain leaves the European Union compared with if it stays within the union, *The Times* reported.

The 66-billion-pound figure was in a draft cabinet committee paper, which was seen by *The Times*.

A report by consultancy firm Oliver Wyman earlier said Britain's financial industry could lose up to 38 billion pounds in revenue in a 'hard Brexit'.

British Economy Losing Steam as Business Investment Wilts
Reuters

Britain's economy appears to be losing steam, with major business surveys showing a marked slowdown in the services sector and boardrooms beset by doubt about the future following the country's vote to leave the European Union.

While the economy has performed better than expected by most economists since the vote on Brexit in June, thanks to consumer optimism, the surveys released will heighten concerns about the longer-term prospects of the economy. Business investment and turnover confidence hit four-year lows in the third quarter, the British Chambers of Commerce (BCC) said in a quarterly survey of 7,000 businesses, the largest of its kind.

Separately, chief financial officers in major British firms reported only a partial rebound in business morale after a post-Brexit vote nosedive, accountants Deloitte reported.

The confusion compounded worries among investors about the degree of access British exporters will have to the EU. Fears about a so-called "hard Brexit" without free access helped pushed sterling to a fresh 31-year low against the dollar last week.

The Federation of British Industries and other government groups called for excluding the worst trade-related actual options to free halted investments, because of fears that the government will put other goals as a priority in the Brexit talks.

The British Chambers of Commerce survey showed some signs that the decline in the sterling pound strengthened industrial exports. However, it pointed to a marked slowdown among services companies, which form the backbone of the British economy. "The slowdown in services is concerning because it

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obviously is the dominant sector in the UK economy, they slowed down to levels not seen in several years," Adam Marshall, the BCC's acting director general, told Reuters.

He added that it is important not to exaggerate the interpretation of one-quarter data, indicating that slowing growth appeared before the referendum. Investors have become more doubtful that the Bank of England will cut interest rates again this year given the strength of consumer spending, and a renewed decline in the sterling pound.

But policy-makers will look to the surveys of the Federation of British Chambers of Commerce (BCC) and Deloitte, in line with their view that the economy will slow significantly next year.

The BCC said that its last survey, which was conducted between August 22 and September 12, is in line with expectations that economic growth in 2017 will reach one percent only, representing half the average growth rate since the recession between 2008 and 2009.

The Deloitte survey, which was conducted on 124 large companies, noted that expectations of capital spending and employment improved in the third quarter compared with the previous financial managers' survey conducted in the wake of the Brexit vote.

Implications for Egypt:

Recent global economic volatility points to escalating pressures on global economic growth opportunities. This requires Egypt to enhance measures taken to increase economic growth, such as the promotion of domestic production, especially among SMEs, in light of the expected recession in Britain and shifts in movement of global investment flows worldwide as well as the emergence of an escalating trade war between the US and China amid slow global economic growth. Against this backdrop, Egypt has to move more quickly to encourage domestic consumption while supporting its presence in the Arab and African regional markets in order to capture larger market shares in the medium term and to benefit from trade agreements with these countries.

Attention should be also be given to the Gulf-Egyptian economic and commercial relations, which are strategic. This requires developing the concept of integration and going beyond the status quo. The establishment of joint economic zones, expanding the scope of bilateral trade agreements and the introduction of new sectors therein such as services, and the establishment of joint industries that are directed to import substitution and dependent on Gulf-Egyptian raw materials will be a basis for developing trade and economic relations over the coming period.

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Our Economy & the World

From the International Press

The World is drowning in Debt … $152 Trillion
Al-Sharq Al-Awsat

Loans, bonds, issuing debt securities to settle dues, securitization, commercial papers, instruments, Treasury bills are terms that spread strongly recently as a result of governments' desire to increase growth rates in their countries, in the light of the repercussions of the 2008 global financial crisis, bringing the of the global volume of debt to $152 trillion, representing 225 percent of the world economic output last year.

Increased global debt is attributed to the fact that most countries follow the economic principle that "trading in debts is better than the use of own capital .. due to the low cost". This raised the debt volume in light of the current global economic slowdown, which forced the IMF to reconsider its financial policy, and required central banks to reconsider their monetary policies, with poverty rates increasing around the world.

The International Monetary Fund said that the world was floating in debts amounting to $152 trillion at the end of last year. However, the IMF encouraged some countries to increase spending to boost growth.

The IMF said in a report that public and private global debts amounted to 225 percent of global economic output last year, up from around 200 percent in 2002. About two-thirds of total debts in 2015, or about $100 billion, are owed by borrowers in the private sector, warning that the growing private debt usually leads to financial crises.

According to the Institute of International Finance, global debts, whether consumer or government debts, or debts of financial and non-financial companies increased by more than $10 trillion in the first half of 2016, to exceed $216 trillion, equivalent to 327 percent of the world economic output.

The increase was significant particularly in the non-financial corporate sector, where debts increased $3.3 trillion to more than $63 trillion, and in the government sector, where issuances also increased by $3.3 trillion to $59 trillion.

Debts of the developed markets are rapidly approaching 400 percent of gross domestic product. Total debt issuances increased in all sectors of the developed markets by $8 trillion to more than $163 trillion in the first half of the year.

Thus, the level of debt reaches 393 percent of economic output in developed markets, up by more than 50 percentage points compare to its level ten years ago.

Despite the IMF's warning of possible financial crises, the Fund's Managing Director Christine Lagarde urged the governments that are able to borrow and spend more, to do so in order to boost growth, which suffers from persistent weakness.

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Osama El-Ansari, a professor of finance and banking at Cairo University, said that the level and volume of global debts pose a risk in its entirety, but differ from one country to another, and are not big enough to bring about a global financial crisis. He added that financing through global debt markets is much better than using domestic wealth, due to its low cost for countries that have high export capacity.

El-Ansari told Al-Sharq Al-Awsat that countries usually offer long-term bonds for a period ranging from 20 to 40 years, during which they invest the raised funds in projects that yield returns larger than the paid-up amounts in domestic debt instruments. He warned of the dangers of borrowing for countries with weak exports, which usually run a trade balance deficit.

Debts of non-financial companies in emerging markets

According to a survey released on Sept. 26, the debts of non-financial companies in emerging markets rose to more than $26 trillion in the first half of this year to exceed the size of the sector's total output.

According to the IIF, corporate debt issuances in emerging markets increased by $1.6 trillion in the first half, and companies continued to take advantage of the growing appetite for debts of those markets, which generate generally higher revenues than corporate debts in developed markets.

It is estimated that the adult per capita debt in emerging markets is about 60 percent more than its level in 2010, and that China, Thailand and Korea are experiencing the largest increase in per capita consumer debt since 2010.

The most significant increase in issuances was in Poland, while Brazil, Hungary and Russia recorded the largest declines.

According to the IIF, in addition to well-known risks to the financial stability, the continuous rise in debts with weak investment spending, raises concerns about possible poor distribution of resources. A growing share of new borrowing proceeds was used in sectors that already have excess production capacity, especially in China.

China’s Debts

China’s outstanding foreign debts amounted to about $1.39 trillion at the end of the second quarter of 2016, compared with $1.36 trillion at the end of March.

According to the regulatory authority of the foreign exchange market in China, which made it clear last month that the external short-term debt amounted to $867.3 billion at the end of the second quarter, up from $849.1 billion by the end of the first quarter. Foreign short-term debts represented 62 percent of total debts by the end of the second quarter, while medium- and long- term debts represented 38 percent of total debts.

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Prospects for the global economy in light of the debt volume

The IMF noted high private debt in advanced economies and in a few emerging markets that are systemically important. But it said recently that the general trends are highly variable since 2008.

The Fund said in a report on the prospects for the global economy that in advanced economies - epicenter of the crisis - the reduction of leverage was unbalanced, and private debts continued to rise in many cases. Public debt levels also rose, partly due to private sector commitments through bank bailouts.

Availing funds in various parts of the world led to a boom in credit to the private sector in some emerging economies, notably China.

In low-income countries, public and private debt levels rose thanks to increased availability of financial services, as well as improved market access opportunities, though debt ratios to GDP are still generally low.

The IMF summed up that the solution is in "growth," saying that everything ends in growth. Therefore, it called on countries to increase spending. It added that the reduction in leverage ratios is still slow in the heavily indebted developed economies. This is mostly due to the current environment of low growth and inflation. Reduced leverage ratios could exacerbate matters by placing another obstacle before economic activity. High debt could slow down the pace of economic recovery for a number of reasons:

First, higher private debt boosts the probability of financial crises, which is usually coupled with economic slowdown that is deeper and longer than the slowdown that accompanies usual recessions. Risks are not limited to private debt, since the occurrence of a financial crisis with high public debt exacerbates its effects, which happens in emerging markets more often than in developed economies.

Second, excessive debt levels could burden the economic growth even in the absence of financial crises, where debt-ridden borrowers end up reducing investment and consumption.

Evidence suggests the need to restore strong growth and a return to normal inflation levels so as to bring about a significant reduction in leverage ratios

The IMF wondered what could be done in a world where policies are subject to restrictions imposed by either limited resources or inability of policy levers (e.g., interest rates) to take additional steps?

It added that at the fiscal front, targeted interventions such as programs sponsored by the government to assist in the restructuring of private debt, and government support for restructuring the current financial sector are very effective in reducing output losses, which are generally linked to reducing leverage ratios in the private sector.

The Fund revealed that fiscal policy alone could not solve the debt problem. Due to the tight space for policy action, it is necessary to take advantage of all synergies between different policy tools, such as monetary, fiscal and structural, to achieve greater benefit from financial interventions.

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The recent global financial crisis left a legacy of enormous challenges to developed economies, and lowered bank interest rate to “zero” in some countries and negative in others. Most governments resorted to the quantitative easing program (asset purchase program) as an easy measure to inject new liquidity in the markets. Sovereign debts also rose around the world as a result of higher return on bonds and Treasury bills, as well as loans in which most countries have expanded to attract new liquidity.

Accordingly, risks to global financial stability increased and the expected growth prospects in developed and emerging economies fell, resulting in a liquidity crisis that hit some markets, causing a drop in the value of assets that is commensurate with macroeconomic fundamentals.

The global economy reached the slowdown phase and even recession in some countries, because of accumulation of these indicators, resulting from the global financial crisis and new developments such as the decline in oil and commodity prices, leading to a decrease in inflation in some countries to less than the targeted level, such as in the US and the Eurozone.

More recently, the IMF said that it was willing to reconsider its economic thinking and financial policies. IMF senior economist Maurice Obstfeld said that the shock of the global financial crisis led the academic community concerned with policies around the world to conduct an extensive reconsideration of the macro-economic and financial policy. Given the effects of its decisions on the member states and the global economic system, the IMF feels it is extremely important to continue to conduct a re-evaluation of the thinking it adopts in light of new evidence.

He added that the declines in oil and commodity prices led the high risks to continue in emerging economies. High uncertainty about the transformation in the Chinese growth model increased the pass-through effect to world markets. These developments further tightened financial conditions, reduced risk tolerance, increased credit risks, and delayed addressing budget imbalances, affecting financial stability.

A New wave of debts

The debt markets of emerging countries are heading to a record year. The lure of cheap financing options attracts more countries to the market, and encourages experienced borrowers to refinance due and existing bonds. The emerging markets, their companies and investors are awaiting a wave of debt issuance that may approach $100 billion over the next two months.

The motivation here is meagre interest rates in developed markets, forcing investors to look elsewhere, as well as the recovery in commodity prices. About $10 billion will be looking for a new destination by the time of maturity of a number of sovereign bonds this month.

Nancy Al-Maghraby, an Egyptian macroeconomics expert and businesswoman, says that the volume of global debts is no doubt large, but the market is self-correcting, the greater the risk becomes, referring to the financial crises that occurred over the past decades. She told Al-Sharq Al-Awsat that the economy is a cycle of capital. It must experience changes that are sometimes high and at other times low. If the global market prevents bubbles that induce crises, this level of debt will not be a high risk to the global economy. In its new forecasts

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published last Tuesday, the IMF noted that growing pressures towards taking closure measures represent an extraordinary threat to global growth.

With the exclusion of any imminent economic disasters on the horizon, the Fund kept its forecast for global economic growth unchanged this year at 3.1 percent, as well as for 2017, at 3.4 percent, thus re-emphasizing its assessment issued in July. However, the Fund said that the global economy six years after the financial crisis still shows signs of great fragility, and does not seem close to restoring the good results experienced at the beginning of the third millennium of 5.6 percent in 2007. It pointed out that the slow growth combined with continued unemployment, stagnant wages and growing inequality, led so far to fueling the speech accusing globalization of being the cause of all evils and calling for a closed economy.

IMF senior economist Maurice Obstfeld said that ignoring trade would only aggravate and prolong the current recession in the global economy. The IMF Managing Director Christine Lagarde went even further last week, saying that protectionism is an economically serious mistake.

Implications for Egypt:

Egypt should pay attention to the size of domestic debt and its servicing burden compared to external debt, which represents a smaller percentage of GDP relative to the regional average. The size of the debt cannot be controlled without addressing the chronic budget deficit Egypt has been suffering from over the years, especially during the last four years in which revenues declined and expenses increased steadily. The burden of debt service can be reduced through the prudent management of the portfolio of government debt.

There is currently a need to adopt “sukuks” as a financial instrument, which will attract Gulf Arab investments to the debt market, raising dollar receipts and reducing the burden on local banks. This will also widen the financing alternatives available. There is a need to take advantage of this instrument in the context of the country’s plan to develop and diversify financial instruments to increase the ability of companies, government and other legal entities in obtaining funding, with positive implications for the size of investments and employment at the national economy. This will enable these entities to diversify their funding sources.

In recent years, domestic debt instruments have represented a rising share of bank deposits, at a time loan-to-deposit ratios are declining at the sector’s level. The main role of banks as a financial intermediary is to employ deposits in projects that generate value-added to the economy. Therefore, a maximum cap should be placed on domestic borrowing and the size of securities issuances from total bank deposits. Also, Egypt should have an index linking bank investment portfolio in debt instruments to total available deposits with banks, if it truly wants to revive markets and fight economic recession. Therefore, the Ministry of Finance will have to reduce the size of issuances for a while, until the index is back to safe limits that allow the government to resume borrowing. This will push banks to exert more efforts in looking for alternative channels to employ their liquidity and direct it to the right channels by pumping it in the loans market and granting credit facilities to companies and entrepreneurs.

The Ministry of Finance continues to increase medium-term bonds compared to Treasury bills with short-term maturities, and to build a yield curve for government issuances, through regular issuances of 1.5, 3, 5,

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7, 10 year maturities and re-issuing them to create liquidity on the bond supply side. However, the secondary market for Treasury bonds is still weak, accounting for 1.1 percent of the total issuance, even in light of the growing supply of issuances in addition to more investor concentration in Treasury bonds. Therefore, there is a need to expedite the activation of the secondary bond market at the Egyptian Stock Exchange, as this market is still weak, non-deep, and dominated by banks in contrast to other markets globally, which are characterized by active secondary markets, allowing for medium and long-term financing for businesses.

This requires taking a set of integrated measures to boost the secondary market for Treasury bonds. This includes increasing the investor base; introducing mechanisms such as bond sale and repurchase arrangements; consolidating the clearing of bills & bonds with a view to activating lending mechanisms of government securities; maintaining regular issuances; creating reference points in both the issuance and trading markets; and finally consolidating the government securities clearing system to boost bond liquidity. The liquidity of the secondary market contributes to lowering the cost of these securities through reduction of issuance yield. The tendering (Uniform vs. Competitive auctions) and secondary market trading systems should also be reconsidered.

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Special Analysis

How Much do Countries Spend to Get you to Show Up?
Argaam

Total government spending on just tourism marketing, promotion and visitor-related infrastructure is expected to top $413 billion this year, according to the World Travel and Tourism Council. That's up 10 percent from five years ago, and it's expected to increase another 29 percent over the next decade.

The Seychelles, an archipelago northeast of Madagascar, spends more than 22 percent of its budget — excluding defense and welfare costs — on total travel and tourism expenditures, according to WTTC figures reported by the World Economic Forum. The Dominican Republic and Jamaica also spend a hefty portion of their national budget on tourism, 22 and 17 percent, respectively. Jordan, Iceland and Singapore spend more than 10 percent.

Government Spending on Tourism as a Percentage of Government spending Excluding Defense and Welfare Spending, 2013

Country	Spending (%)
1. Seychelles	22.4
2. Dominican Republic	21.8
3. Jamaica	17.1
4. Mauritius	16.4
5. Barbados	16.1
6. Malta	11.4
7. Jordan	10.6
8. Iceland	10.3
9. United States	5.2

Spending millions on marketing campaigns makes sense for many countries, which rely on tourists for a significant share of their GDPs. A modest investment can also yield a solid return: The Visit Denmark campaign reported a return of $16 in revenue for each dollar spent, while Tourism Ireland found a return of 10 percent for its television and online advertising, according to a WTTC report.

Smaller nations may have little choice if they want to keep their economies working. Countries like Seychelles (21 percent of GDP comes from tourism), Malta (14 percent), Mauritius (11 percent) and

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Barbados (11 percent) are especially reliant on foreign visitors. Cape Verde, Croatia and Cambodia are also dependent for more than 10 percent.

"For many of these countries, if they didn't have travel and tourism, they wouldn't have the GDP or economies that they have," said Rochelle Turner, director of research at WTTC. "It's key to many small island states around the world. It's so important and so integral."

Travel and Tourism Industry as a Percentage of Gross Domestic Product, 2013	
Country	**%**
1. Seychelles	**21.2%**
2. Cape Verde	**16.2%**
3. Malta Islands	**13.6%**
4. Croatia	**12.1%**
5. Mauritius	**11.3%**
6. Barbados	**10.9%**
7. Cambodia	**10.4%**
8. Montenegro	**9.8%**
9. United States	**2.7%**

Many ad campaigns target the large, rich populations of places like the United States and Germany, but on average Americans don't spend as much per capita outside the country as people in other developed nations do. People from Luxembourg, for example, spend an average of $7,000 outside the country. Residents of Singapore spend an average of over $4,000 each every year on travel and tourism, far more than the global average of around $450. Norway, Kuwait, Qatar and Hong Kong are also at the top for per-capita travel spending.

Average National Spending Outside the Country, Per capita, 2013	
Country	**Spending (in USD)**
1. Luxembourg	**7000**
2. Singapore	**4550**
3. Norway	**3640**
4. Kuwait	**3060**

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5. Qatar	**3050**
6. Hong Kong	**2950**
7. Iceland	**2620**
8. Switzerland	**1990**
9. United States	**330**

Overall spending on tourism and travel by governments has recently recovered since the global recession started in 2008. But governments are now more careful about how that money is being spent.

Competition is heating up, said Turner. European governments have long assumed that travelers will remember to stop by the Eiffel Tower or the Tower of London. But with so many other travel destinations available, they're going to have to work harder to keep travelers from heading to a blue-watered Caribbean beach or remote Malaysian resort instead.

Implications for Egypt:

There is a need to promote non-traditional tourism in Egypt, either via the Internet or through presence in non-traditional places such as specialized museums in Europe or the US. There is also a need to reconsider management and logistics methods in tourist areas, especially ancient sites to highlight Egyptian culture, and to organize incentive packages to Japan, China and South American countries (Argentina and Brazil) via long, direct charter flights after the successful experience of China in February 2015. Attention should also be paid to encouraging new types of tourism such as conference, environmental, and incentives tourism.

Encouraging roots tourism and developing a program for new ideas to attract Egyptian migrants in cooperation with the Ministry of Immigration is one way to boost tourism in Egypt. There should also be a focus on attracting more Arab tourists, especially in light of high tourist spending by Arab tourists compared to other foreign tourists. It is also important to diversify the tourism product (hospitality, eco-lodge, safari, yachts, golf courses, conferences, etc.) and to develop recreational tourism and beaches, and to tighten security on tourism establishments, which would encourage foreign tourists to travel to Egypt.

We should look at the tourism product as a promotional item within the economic value chain, in order to encourage other products such as furniture, textiles, traditional goods, etc.

Meanwhile, it is important to adjust the current institutional setup and reform the tourism infrastructure by increasing tourism promotional activities, raising the efficiency of tourist offices abroad, and taking advantage of the Egyptian embassies in tourism promotion. The objective is to attract more tourists, especially from emerging markets—such as Azerbaijan, Central Asia, Bulgaria, Hungary, and Central Europe—in coordination with the concerned parties such as the aviation sector.

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Global Financial Market Performance

Reuters/ Argaam

Chinese stock indices closed Friday's trading marginally higher, following the release of economic data that showed improvement in inflation rates.

The Chinese Bureau of Statistics said that the PPI rose by 0.1 percent during September, the first increase in more than four years. The consumer price index also rose by 1.9 percent year-on-year.

The "Sinochem" share rose by 10 percent to 10.57 yuan at the close of trading, after news about the company's talks to merge with "ChemChina," in a deal that may result in a larger entity with an asset value reaching up to $100 billion**.**

At the end of trading, the "Shanghai" Composite index rose by 0.1 percent to 3,063 points.

The Japanese stock indices rose at the close of Friday trading, supported by lower value of the yen against the US dollar and gains of energy companies that benefited from rising oil prices.

At the end of trading, the Japanese "Nikki" index rose by 0.5 percent to 16,856 points, and the "TOPIX" Index rose by 0.35 percent to 1,347 points.

US stocks rose during Friday trading supported by banking sector shares, and trimmed their gains in conjunction with the downward shift in oil prices, but major indices posted losses for the second week in a row**.**

The "Dow Jones" industrial index increased by 39.4 points to 18,138 points, after gains earlier in the session of more than 160 points. The "Nasdaq" index rose (by about one point) to 5,214 points, while the "S & P 500" index rose (by 0.4 points) to 2,133 points.

On a weekly level, the "Dow Jones" posted losses of 0.6 percent, while "Nasdaq" registered losses of 1.5 percent, and the broader "S & P 500" posted weekly losses of 1 percent.

The "JPMorgan" share closed lower by 0.3 percent to $67.5, although the bank announced a decline in its profits by 7.6 percent to $6.29 billion, or $1.58 per share in the third quarter, while expectations pointed to a gain of $1.39 per share.

In the European markets, "Stoxx Europe 600" rose by 1.3 percent or by 4.3 points to 340 points, and achieved a weekly gain of 0.1 percent.

The British "FTSE 100" Index rose by 36 points to 7013.5 points, the German "DAX" index rose by 166 points to 10,580 points, and the French "CAC" index rose by 65.7 points to 4,471 points.

Meanwhile, gold futures for December delivery settled lower by 0.2 percent or $2.10 to $1255.50 an ounce. The yellow metal made weekly gains of about 0.3 percent.

In the oil markets, US "NYMEX" fell by 0.2 percent or by 9 cents, closing at $50.35 a barrel, and achieved a weekly gain of 1.1 percent. "Brent" fell by 0.2 percent, or by eight cents, closing at $51.95 a barrel, posting weekly gains of less than 0.1 percent.

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With respect to economic data, US retail sales rose in September by 0.6 percent, the largest monthly rise in three months, while the Michigan/Reuters consumer sentiment index fell to 87.9, its lowest level in 13 months**.**

Implications for Egypt:

Despite the declines witnessed by a number of global financial markets and some Arab markets throughout the week, the performance of the Egyptian Stock Exchange continued for the seventh consecutive week to perform consistently with internal factors, especially in light of speculation about the exchange rate over the coming period as part of Egypt's economic reform program and the positive impact of the Saudi deposit on the Egyptian economy.

Estimates indicate the Egyptian Stock Exchange continues to interact positively with positive reform developments in the Egyptian economic structure, especially that the volume of trading still indicates the presence of idle liquidity that is willing to invest in the stock market if conditions improve over the coming period. Moreover, global capital markets are still experiencing sharp fluctuations, resulting mainly from continued pressure on economic indicators and the escalation of the debt crisis in most countries, especially sovereign debt. There is also a notable decline in liquidity in the US bond market, and a rising tendency recently to invest in safe assets compared with rates of investment in the stock markets.

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