



المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies



Our Economy and The World

The Weekly Report

Issue: 65 Date: 6 August 2017

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

- [Key Global and Regional Developments over the Past Week](#)
- [Special Analysis: IMF, World Economic Outlook Update, July 2017](#)
- [Recent Developments in Financial and Commodity Markets](#)

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Key Global and Regional Developments over the Past Week

U.S. considering some sanctions on Venezuela oil sector

Reuters

The Trump administration is considering imposing U.S. sanctions on Venezuela's vital oil sector in response to Sunday's election of a constitutional super-body that Washington has already denounced as a "sham" vote, U.S. officials said. The measures, which could be announced as early as Monday, are not expected to include a ban on Venezuelan oil shipments to the United States -- one of the harshest options -- but could block sale of lighter U.S. crude that Venezuela mixes with its heavy crude and then exports, the officials told Reuters.

Read the full article at <https://www.reuters.com/article/us-venezuela-politics-sanctions-idUSKBN1AF0Y0>

Trump close to decision on addressing Chinese trade practices

Reuters

U.S. President Donald Trump is close to a decision on how to respond to what he considers China's unfair trade practices, a senior Trump administration official said on Tuesday. Trump is considering encouraging U.S. Trade Representative Robert Lighthizer to initiate an investigation of Chinese trade practices under the 1974 Trade Act's section 301, the official said. Section 301 of the Trade Act of 1974 allows the president to unilaterally impose tariffs or other trade restrictions to protect U.S. industries from "unfair trade practices" of foreign countries, such as trade agreement violations, or "discriminatory" actions that burden U.S. commerce. The United States has a long list of grievances about China on trade, including accusations of steel dumping and theft of U.S. intellectual property.

Read the full article at <http://uk.reuters.com/article/uk-usa-trump-trade-china-idUKKBN1AH5HP>

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U.S. dollar index hits 15-month low on Fed, political uncertainty

Reuters

The U.S. dollar briefly touched a 15-month low against a basket of major currencies on Tuesday on political turmoil in Washington and weak U.S. economic data that kept the Federal Reserve's policy outlook uncertain. The dollar was last higher on the day as investors consolidated positions, but it was still not far from its lowest in more than a year against major rivals as political uncertainty was expected to continue weighing on the greenback following President Donald Trump's ouster of White House communications chief Anthony Scaramucci on Monday. Market concerns also persisted about whether the Fed would raise interest rates again this year. Traders' bets last reflected a roughly 46 percent chance of a Fed rate hike in December, according to CME Group's FedWatch tool.

Read the full article at <http://uk.reuters.com/article/us-global-forex-idUKKBN1AH2TA>

India cuts rates as Patel seizes last chance to spur growth

Bloomberg

India cut interest rates to the lowest since 2010 to boost an economy struggling to recover from Prime Minister Narendra Modi's cash clampdown. The benchmark repurchase rate was lowered to 6 percent from 6.25 percent, the Reserve Bank of India said in a statement in Mumbai on Wednesday. The move was predicted by 41 of 57 economists in a Bloomberg survey with the rest seeing no change. It retained its neutral policy stance.

Read the full article at <https://www.bloomberg.com/news/articles/2017-08-02/india-cuts-rates-with-patel-seizing-last-chance-to-spur-growth>

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U.S. officials discussing withholding some aid to Egypt over NGO law

Reuters

U.S. officials are discussing whether to withhold a portion of U.S. assistance to Egypt to protest Egyptian passage of a law that imposes restrictions on non-governmental organizations, a senior administration official said on Wednesday. Officials have not reached an agreement on whether to proceed with a recommendation to President Donald Trump and his senior leadership, but there is a feeling that some action is necessary in reaction to the move by Egypt, the official told Reuters.

Read the full article at <https://www.reuters.com/article/us-usa-egypt-idUSKBN1AB33T>

Egypt, Jordan signs MoU to support small projects

Egypt Today

Egypt and Jordan signed a memorandum of understanding (MoU) to develop micro, small and medium enterprises (MSMEs), Minister of Industry and Foreign Trade Tarek Kabil said Thursday. The agreement aims to increase cooperation between the newly-founded micro, small- and medium-sized enterprises (SMEs) agency in Egypt and Jordan Enterprise Development Corporation (JEDCO) to develop economic and investment activities between both countries, Kabil said in a statement.

Read the full article at <https://www.egypttoday.com/Article/3/14134/Egypt-Jordan-sign-MoU-to-support-small-projects>

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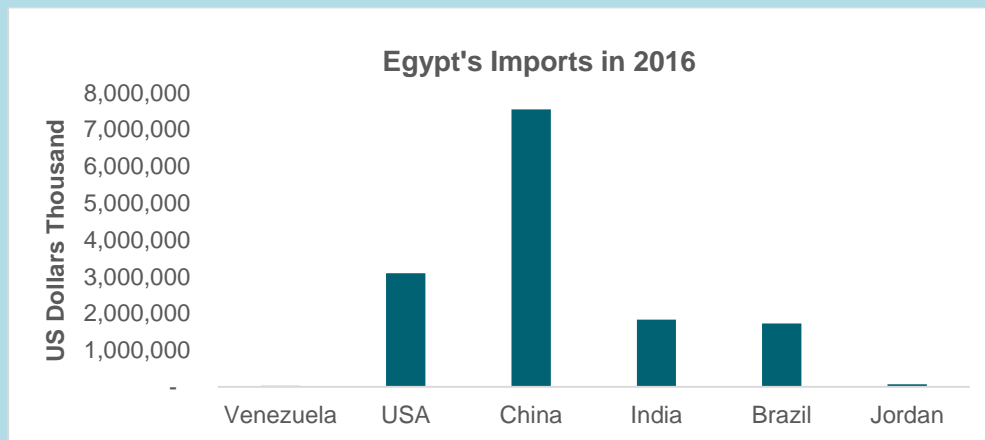
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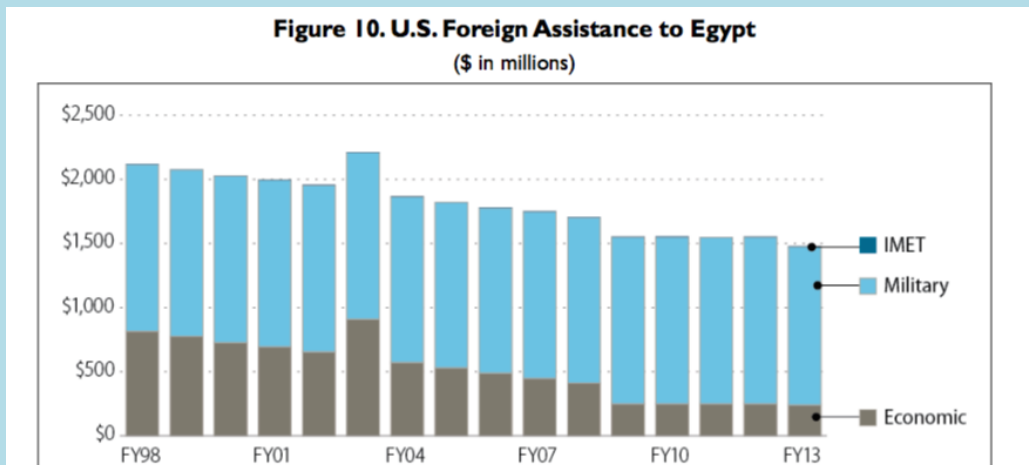
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Egypt's Economic Relations to NEWS Countries



source: Trade Map, ITC



Read the full report at <https://fas.org/sgp/crs/mideast/RL33003.pdf>

IMET: International Military Education and Training

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Special Analysis: IMF, World Economic Outlook Update, July 2017

The pickup in global growth anticipated in the April World Economic Outlook remains on track, with global output projected to grow by 3.5 percent in 2017 and 3.6 percent in 2018. The unchanged global growth projections mask somewhat different contributions at the country level. U.S. growth projections are lower than in April, primarily reflecting the assumption that fiscal policy will be less expansionary going forward than previously anticipated. Growth has been revised up for Japan and especially the euro area, where positive surprises to activity in late 2016 and early 2017 point to solid momentum. China's growth projections have also been revised up, reflecting a strong first quarter of 2017 and expectations of continued fiscal support. Inflation in advanced economies remains subdued and generally below targets; it has also been declining in several emerging economies, such as Brazil, India, and Russia.

While risks around the global growth forecast appear broadly balanced in the near term, they remain skewed to the downside over the medium term. On the upside, the cyclical rebound could be stronger and more sustained in Europe, where political risk has diminished. On the downside, rich market valuations and very low volatility in an environment of high policy uncertainty raise the likelihood of a market correction, which could dampen growth and confidence. The more supportive policy tilt in China, especially strong credit growth, comes with rising downside risks to medium-term growth. Monetary policy normalization in some advanced economies, notably the United States, could trigger a faster-than-anticipated tightening in global financial conditions. And other risks discussed in the April 2017 WEO, including a turn toward inward-looking policies and geopolitical risks, remain salient.

Projected global growth rates for 2017–18, though higher than the 3.2 percent estimated for 2016, are below pre-crisis averages, especially for most advanced economies and for commodity-exporting emerging and developing economies. Among the former, many face excess capacity as well as headwinds to potential growth from aging populations, weak investment, and slowly advancing productivity. In view of weak core inflation and muted wage pressures, policy settings should remain consistent with lifting inflation expectations in line with targets, closing output gaps, and—where appropriate—external rebalancing. Reforms to boost potential output are of the essence, and slow aggregate output growth makes it even more important that gains are shared widely across the income distribution. Financial stability risks need close monitoring in many emerging economies. Commodity exporters should continue adjusting to lower revenues, while diversifying their sources of growth over time.

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WEO Update, July 2017

Table 1. Overview of the World Economic Outlook Projections
(Percent change unless noted otherwise)

| | Year over Year | | | | | | Q4 over Q4 2/ | | |
|---|----------------|-------|-------------|------|---|------|---------------|-------------|------|
| | Estimate | | Projections | | Difference from April 2017 WEO Projections 1/ | | Estimate | Projections | |
| | 2015 | 2016 | 2017 | 2018 | 2017 | 2018 | 2016 | 2017 | 2018 |
| World Output | 3.4 | 3.2 | 3.5 | 3.6 | 0.0 | 0.0 | 3.2 | 3.5 | 3.7 |
| Advanced Economies | 2.1 | 1.7 | 2.0 | 1.9 | 0.0 | -0.1 | 2.0 | 1.9 | 1.9 |
| United States | 2.6 | 1.6 | 2.1 | 2.1 | -0.2 | -0.4 | 2.0 | 2.0 | 2.3 |
| Euro Area | 2.0 | 1.8 | 1.9 | 1.7 | 0.2 | 0.1 | 1.8 | 1.9 | 1.7 |
| Germany | 1.5 | 1.8 | 1.8 | 1.6 | 0.2 | 0.1 | 1.8 | 1.9 | 1.5 |
| France | 1.1 | 1.2 | 1.5 | 1.7 | 0.1 | 0.1 | 1.2 | 1.7 | 1.5 |
| Italy | 0.8 | 0.9 | 1.3 | 1.0 | 0.5 | 0.2 | 1.1 | 1.1 | 1.0 |
| Spain | 3.2 | 3.2 | 3.1 | 2.4 | 0.5 | 0.3 | 3.0 | 3.0 | 2.1 |
| Japan | 1.1 | 1.0 | 1.3 | 0.6 | 0.1 | 0.0 | 1.6 | 1.2 | 0.5 |
| United Kingdom | 2.2 | 1.8 | 1.7 | 1.5 | -0.3 | 0.0 | 1.9 | 1.4 | 1.4 |
| Canada | 0.9 | 1.5 | 2.5 | 1.9 | 0.6 | -0.1 | 2.0 | 2.3 | 2.0 |
| Other Advanced Economies 3/ | 2.0 | 2.2 | 2.3 | 2.4 | 0.0 | 0.0 | 2.5 | 2.1 | 2.7 |
| Emerging Market and Developing Economies | 4.3 | 4.3 | 4.6 | 4.8 | 0.1 | 0.0 | 4.2 | 4.9 | 5.2 |
| Commonwealth of Independent States | -2.2 | 0.4 | 1.7 | 2.1 | 0.0 | 0.0 | 0.6 | 1.5 | 2.0 |
| Russia | -2.8 | -0.2 | 1.4 | 1.4 | 0.0 | 0.0 | 0.3 | 1.5 | 1.8 |
| Excluding Russia | -0.5 | 1.8 | 2.5 | 3.5 | 0.0 | 0.0 | ... | ... | ... |
| Emerging and Developing Asia | 6.8 | 6.4 | 6.5 | 6.5 | 0.1 | 0.1 | 6.3 | 6.6 | 6.5 |
| China | 6.9 | 6.7 | 6.7 | 6.4 | 0.1 | 0.2 | 6.8 | 6.4 | 6.4 |
| India 4/ | 8.0 | 7.1 | 7.2 | 7.7 | 0.0 | 0.0 | 6.0 | 8.0 | 7.6 |
| ASEAN-5 5/ | 4.9 | 4.9 | 5.1 | 5.2 | 0.1 | 0.0 | 4.8 | 5.2 | 5.2 |
| Emerging and Developing Europe | 4.7 | 3.0 | 3.5 | 3.2 | 0.5 | -0.1 | 3.3 | 2.0 | 4.2 |
| Latin America and the Caribbean | 0.1 | -1.0 | 1.0 | 1.9 | -0.1 | -0.1 | -1.3 | 1.6 | 2.1 |
| Brazil | -3.8 | -3.6 | 0.3 | 1.3 | 0.1 | -0.4 | -2.5 | 1.5 | 1.7 |
| Mexico | 2.6 | 2.3 | 1.9 | 2.0 | 0.2 | 0.0 | 2.3 | 0.9 | 3.2 |
| Middle East, North Africa, Afghanistan, and Pakistan | 2.7 | 5.0 | 2.6 | 3.3 | 0.0 | -0.1 | ... | ... | ... |
| Saudi Arabia | 4.1 | 1.7 | 0.1 | 1.1 | -0.3 | -0.2 | 2.2 | 0.6 | 1.4 |
| Sub-Saharan Africa | 3.4 | 1.3 | 2.7 | 3.5 | 0.1 | 0.0 | ... | ... | ... |
| Nigeria | 2.7 | -1.6 | 0.8 | 1.9 | 0.0 | 0.0 | ... | ... | ... |
| South Africa | 1.3 | 0.3 | 1.0 | 1.2 | 0.2 | -0.4 | 0.4 | 1.3 | 1.1 |
| Memorandum | | | | | | | | | |
| Low-Income Developing Countries | 4.6 | 3.6 | 4.6 | 5.2 | -0.1 | -0.1 | ... | ... | ... |
| World Growth Based on Market Exchange Rates | 2.7 | 2.5 | 2.9 | 3.0 | 0.0 | 0.0 | 2.6 | 2.8 | 3.0 |
| World Trade Volume (goods and services) 6/ | 2.6 | 2.3 | 4.0 | 3.9 | 0.2 | 0.0 | ... | ... | ... |
| Advanced Economies | 4.0 | 2.3 | 3.9 | 3.5 | 0.2 | -0.1 | ... | ... | ... |
| Emerging Market and Developing Economies | 0.3 | 2.2 | 4.1 | 4.6 | 0.1 | 0.3 | ... | ... | ... |
| Commodity Prices (U.S. dollars) | | | | | | | | | |
| Oil 7/ | -47.2 | -15.7 | 21.2 | 0.1 | -7.7 | 0.4 | 16.2 | 6.2 | -0.8 |
| Nonfuel (average based on world commodity export weights) | -17.5 | -1.8 | 5.4 | -1.4 | -3.1 | -0.1 | 9.9 | 0.1 | 0.1 |
| Consumer Prices | | | | | | | | | |
| Advanced Economies | 0.3 | 0.8 | 1.9 | 1.8 | -0.1 | -0.1 | 1.2 | 1.7 | 2.0 |
| Emerging Market and Developing Economies 8/ | 4.7 | 4.3 | 4.5 | 4.6 | -0.2 | 0.2 | 3.7 | 4.0 | 3.9 |
| London Interbank Offered Rate (percent) | | | | | | | | | |
| On U.S. Dollar Deposits (six month) | 0.5 | 1.1 | 1.6 | 2.2 | -0.1 | -0.6 | ... | ... | ... |
| On Euro Deposits (three month) | -0.0 | -0.3 | -0.3 | -0.2 | 0.0 | 0.0 | ... | ... | ... |
| On Japanese Yen Deposits (six month) | 0.1 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 | ... | ... | ... |

Read the full report at <https://www.imf.org/en/Publications/WEO/Issues/2017/07/07/world-economic-outlook-update-july-2017>

Egypt's Real GDP percentage growth projections are 3.5 and 4.5 for 2017 and 2018 respectively, as of April 2017 WEO

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Recent Developments in Financial and Commodity Markets

The great corn clash is coming as U.S., Brazil farmers face off

Bloomberg

The world's biggest corn exporters are preparing for a showdown. Brazilian farmers are in the midst of collecting their biggest corn harvest ever and American supplies are also plentiful -- setting the stage for a stiff battle to win world buyers in the second half of the year. It's a turnaround from just a year ago when U.S. exporters were seeing sales boom as a drought plagued Brazil's fields. This year, the South American growers enjoyed much better weather and crop supplies have gotten so big that farmers are already short on storage after collecting a massive soybean harvest just a few months earlier. That's giving exporters incentive to push corn shipments out quickly and could mean a squeeze for hedge funds that are betting on a price rally.

Read the full article at <https://www.bloomberg.com/news/articles/2017-07-30/the-great-corn-clash-is-coming-as-u-s-brazil-farmers-face-off>

Egypt to cut corn imports amid higher local production

(Reuters)

Egypt expects to cut imports of yellow corn to 7 million tonnes during 2017-18 fiscal year beginning in July from 8.5 million tonnes the year before due to higher local production, Agriculture Minister Abdel Moneim Al-Banna said.

Read the full article at <http://af.reuters.com/article/africaTech/idAFL8N1JW4CD>

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Dow tops 22,000 as Apple rallies; Euro strengthens: markets wrap

Bloomberg

The Dow Jones Industrial Average rose past 22,000 for the first time as Apple Inc. pushed to a record, while renewed strength in the euro dragged down European equities. Oil fluctuated after retreating from its brief rise above \$50 a barrel. The Nasdaq 100 Index jumped as Apple's market cap rose above \$800 billion after its sales forecast revived optimism over the iPhone. Rio Tinto Plc led the drop among basic resources shares after first-half profit missed estimates. The euro, coming off its best month since March 2016, reached a new 2 1/2-year high against the ailing dollar.

Read the full article at https://www.bloomberg.com/news/articles/2017-08-01/global-equity-gains-extend-on-earnings-results-markets-wrap?cmpid=BBD080217_MKT&utm_medium=email&utm_source=newsletter&utm_term=170802&utm_campaign=markets

| Index | Value* | |
|------------------------------|----------|---|
| EGX30 | 13,413 | ● |
| Dow Jones Industrial Average | 22,016 | ● |
| S&P 500 | 2,477.57 | ● |
| Nasdaq 100 | 5,914 | ● |
| FTSE 100 | 7,473 | ● |
| Nikkei 225 | 20,029 | ● |
| TASI | 7,085 | ● |
| ADI | 4,596 | ● |

* The index value is as of Thursday 3rd of August, 2017

source: Bloomberg

N.B. green color denotes an increase in value while a red color denotes a decrease in value

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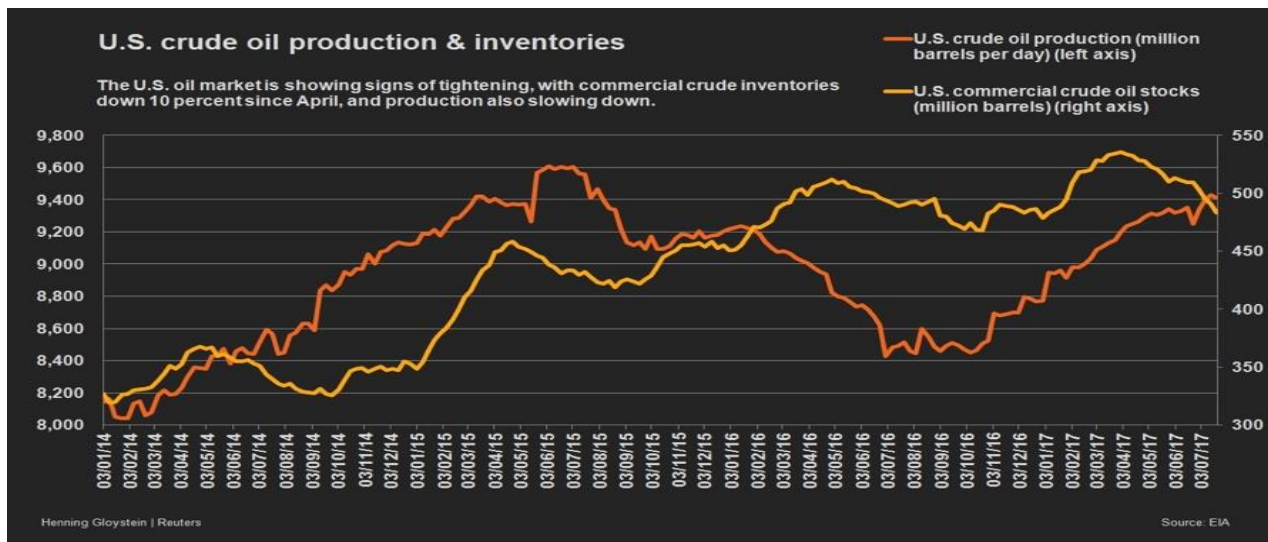
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Oil at two-month high, ends above \$50 a barrel

Reuters

Oil prices rose to two-month highs on Monday, ending the strongest month of the year for crude futures, boosted in part by expectations of U.S. sanctions against Venezuela's oil sector and as supply concerns have waned in recent weeks. During the trading day, chatter centered around potential U.S. Treasury sanctions targeting the country's oil sector in response to Venezuela's Sunday election which Washington denounced as a "sham."



Read the full article at <http://www.reuters.com/article/us-global-oil-idUSKBN1AG014?il=0>

\$55 per barrel is the price of oil used in Egypt's government budget 2017/2018

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