



المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies



Our Economy and The World

The Weekly Report

Issue: 66 Date: 13 August 2017

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

- [Key Global and Regional Developments over the Past Week](#)
- [Special Analysis: 2017 External Sector Report, IMF](#)
- [Recent Developments in Financial and Commodity Markets](#)

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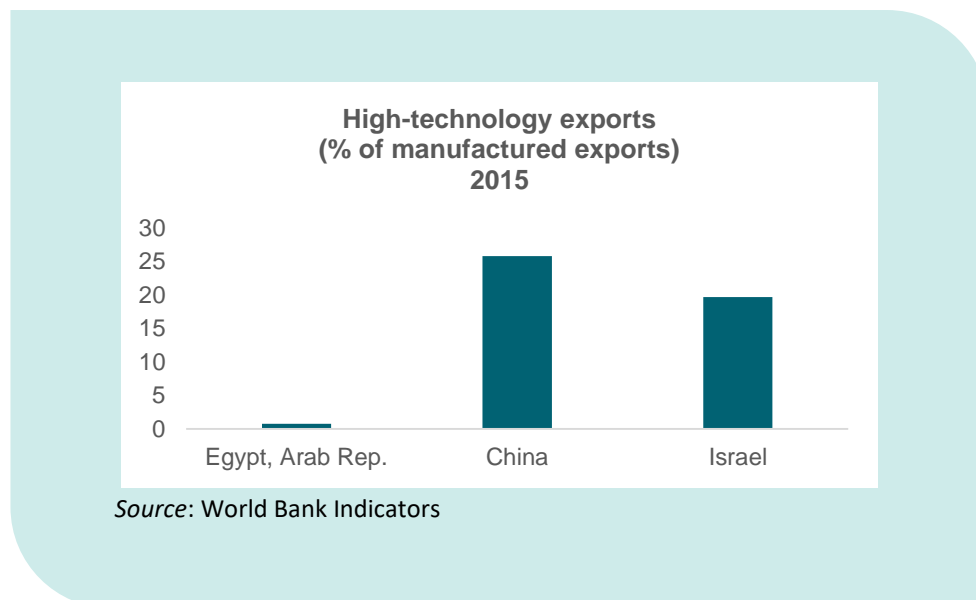
Key Global and Regional Developments over the Past Week

China is increasingly becoming key for Israel's high-tech industry

CNBC

China's investors and markets are becoming increasingly important to Israel's economy, and in particular to its booming high-tech industry. The first IPO (initial public offering) of an Israeli high-tech company on a Chinese stock exchange, Hong Kong, is expected within the year and Chinese investments in Israeli high-tech venture capital approached \$1 billion in 2016, industry experts say. "The Chinese stock exchange market will become another very viable option for Israeli companies looking for public funding," if the first IPO goes off successfully, Eli Tidhar of Deloitte Israel, told CNBC.

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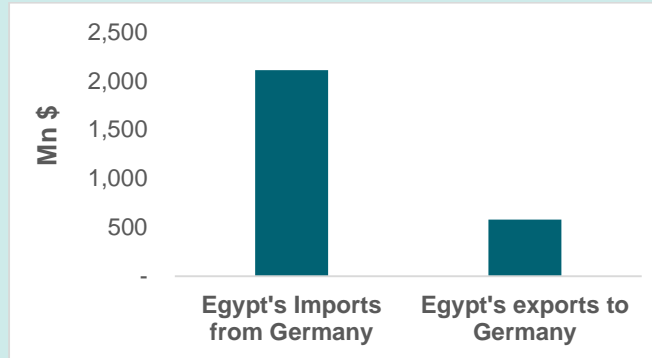
German June exports post sharpest fall in two years

Reuters

German exports fell more than expected in June and imports sank even more sharply, widening the trade surplus in Europe's biggest economy, data showed on Tuesday.

Seasonally adjusted exports dropped by 2.8 percent, the sharpest fall since August 2015 that ended five consecutive months of growth. Imports were down 4.5 percent, the biggest drop since January 2009, data from the Federal Statistics Office showed.

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*Data as of Mar/Jul 2016/17

**Source: Central Bank of Egypt.

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Trump appears to grant China banks sanctions reprieve after U.N. deal

Reuters

The Trump administration appears to be granting Chinese banks dealing with North Korea a temporary reprieve from threatened U.S. sanctions to give Beijing time to show it is serious about enforcing new U.N. steps against Pyongyang, U.S. officials said. The White House has also held off on much-anticipated trade action against China after Beijing backed U.N. Security Council sanctions passed on Saturday, although it is unclear how long President Donald Trump will delay this given domestic pressures to make good on campaign promises to crack down on unfair trade practices.

[Read the full article](#)

Egypt aims to reverse bans on agricultural exports

Reuters

Egypt is looking to reverse a series of bans on its agricultural products that has hit one of its most promising export sectors, Abdel Hamid al-Demerdash, the head of Egypt's Agriculture Export Council told Reuters. Egyptian crops from strawberries to peppers have been hit by temporary bans in Saudi Arabia and the United Arab Emirates on concerns over pesticides residues. Sudan introduced a blanket ban in May on agricultural products from Egypt. Agricultural exports were expected to increase significantly this year after Egypt floated its pound currency in November, roughly halving its value and making goods relatively cheap for foreign buyers.

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Since the Egyptian Food Safety Authority has been established recently, it is expected that it will contribute to resolving this problem along others impacting the reputation of Egyptian exports.

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Saudi Aramco awards first contract for planned shipyard complex

Reuters

Saudi Aramco said it has awarded the first major contract in the planned construction of a \$5.2 billion shipyard complex designed to reduce Saudi Arabia's dependence on oil exports. The national oil company said on Tuesday it awarded the contract for dredging, reclamation and marine structures to a consortium comprising Saudi Archirodon Co and Huta Hegerfeld AG Saudia Co.

[Read the full article](#)

Top-performing Arab economy balks at currency float on Egypt

Bloomberg

“For the first time in our history, we started to hedge” in the currency market, said Benmoussa, managing director at Casablanca-based Grillages Marocains. Across Morocco, fears of a weaker dirham triggered a rush for dollars and euros, causing a \$3 billion drop in its reserves in just three months this year.



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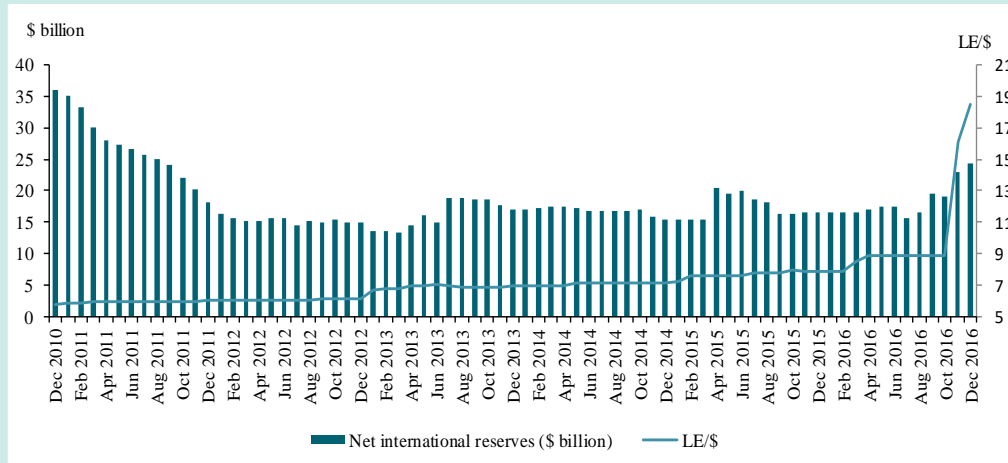
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EGP/USD Exchange rate and Net International Reserves (case of Egypt)



Source: Central Bank of Egypt

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Special Analysis: 2017 External Sector Report, IMF

Global current account imbalances were broadly unchanged in 2016, with minor shifts adding to the reconfiguration under way since 2013. The fall in commodity prices, uneven cyclical recoveries in systemic economies, and differences in policy responses contributed to the rotation of imbalances. Current account surpluses of oil-exporting economies, as a group, shifted from large surpluses to small deficits, while deficits in emerging and developing economies narrowed markedly. At the same time, surpluses and deficits in key advanced economies widened. These trends were generally supported by real exchange rate movements.

Overall excess current account imbalances (i.e., deficits or surpluses that deviate from desirable levels) represented about one-third of total global imbalances in 2016, remaining broadly unchanged since 2013, although increasingly concentrated in advanced economies. In particular, excess imbalances narrowed in emerging and developing economies, led by a smaller excess surplus in China and smaller excess deficits in others (Brazil, Indonesia, South Africa, Turkey). This narrowing, however, was accompanied by a widening of excess imbalances in some advanced economies. The persistence of large excess surpluses in several advanced economies (e.g. Germany, Korea, the Netherlands, Singapore, Sweden) remains a distinguishing feature of the constellation of imbalances, an issue that is explored in greater detail in this year's report.

Persistent global excess imbalances suggest that automatic adjustment mechanisms are weak. While the rotation of excess imbalances toward advanced economies—with deficits increasingly concentrated in the United States and United Kingdom—likely entails lower deficit-financing risks in the near term, the increased concentration of deficits in a few economies carries greater risks of disruptive trade policy actions. Diverging stock positions coupled with continued overreliance on demand from debtor countries could also pose risks to global growth and raise the likelihood of disruptive adjustments down the road.

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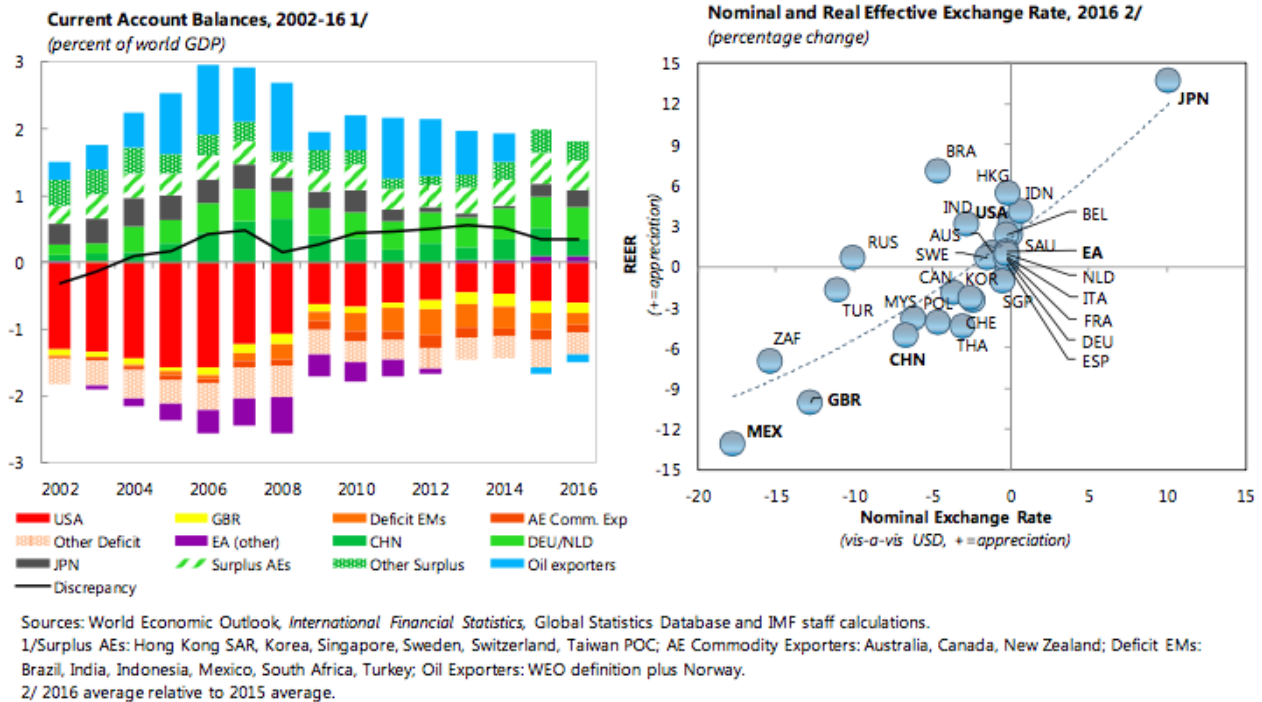
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Figure 1. Evolution of Global Current Account Balances and Exchange Rates, 2002-16



[Read the full report](#)

Countries with current account surpluses, such as China, are those having high saving rate. Egypt has a persistent low saving rate as well as a persistent current account deficit. There are also delays in key real economy reforms that would increase our exports and reduce our imports because of low local investments in import substitutes for components we typically import.

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Recent Developments in Financial and Commodity Markets

EIA cuts U.S. oil production growth forecast for 2018

Reuters

The U.S. Energy Information Administration said on Tuesday it expects U.S. crude oil production in 2018 to rise by less than previously expected. The agency forecast that 2018 crude oil output will rise by 560,000 barrels per day to 9.91 million bpd. Last month, it expected a 570,000 bpd year-over-year increase to 9.9 million bpd. For 2017, it forecast a rise of 500,000 bpd to 9.35 million bpd. Last month, it expected a 460,000 bpd increase to 9.33 million bpd, according to the EIA's monthly short-term energy outlook.

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Oil gains as market weighs crude supply drop, gasoline build

Bloomberg

Oil has fluctuated around \$49 this month in New York as investors assess rising global supplies against output reductions from the Organization of Petroleum Exporting Countries and its allies. OPEC said Tuesday that Iraq, the United Arab Emirates and Kazakhstan, which have lagged behind in their pledged curbs, reaffirmed their commitment to the cuts at a meeting in Abu Dhabi.

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

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The worst S&P500 drop in a month is just a 0.2% move

Bloomberg

Donald Trump's words of "fire and fury" sent the S&P 500 Index to its biggest slide in a month on Tuesday. That is a 0.2 percent drop. Of course, August 2017 is still young and things could grow more tense -- a looming deadline on the U.S. debt ceiling, the Federal Reserve's September meeting and the annual gathering of policymakers at Jackson Hole are just a few of the events that strategists say could lead to more jitters. And today could yet see more losses, with markets in Asia and Europe falling and S&P 500 futures down 0.4 percent.



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