



المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies



Our Economy and The World

The Weekly Report

Issue: 67 Date: 20 August 2017

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

- [Key Global and Regional Developments over the Past Week](#)
- [Special Analysis: OECD, Employment Outlook 2017](#)
- [Recent Developments in Financial and Commodity Markets](#)

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The Weekly Report

Key Global and Regional Developments over the Past Week

U.S, China and North Korea

[Trump signs measure on Chinese trade practices, says it's 'just the beginning'](#)

CNBC

The measure directs U.S. Trade Representative Robert Lighthizer to look into options to protect U.S. intellectual property. It does not take any specific action against China at this point. “We will safeguard the copyrights, patents, trademarks, trade secrets and other intellectual property that is so vital to our security and to our prosperity.” Trump said. He added, “This is just the beginning.” The move comes as Trump aims to leverage China – North Korea’s only major ally – to apply more economic pressure on Pyongyang to deter its nuclear and missile programs.

[Read the full article](#)

[China says it will defend interests if U.S. harms trade ties](#)

Reuters

China will take action to defend its interests if the United States damages trade ties, the Ministry of Commerce said on Tuesday, after U.S. President Donald Trump authorized an inquiry into China’s alleged theft of intellectual property. Trump’s move, the first direct trade measure by his administration against China, comes at a time of heightened tension over North Korea’s nuclear ambitions, though it is unlikely to prompt near-term change in commercial ties.

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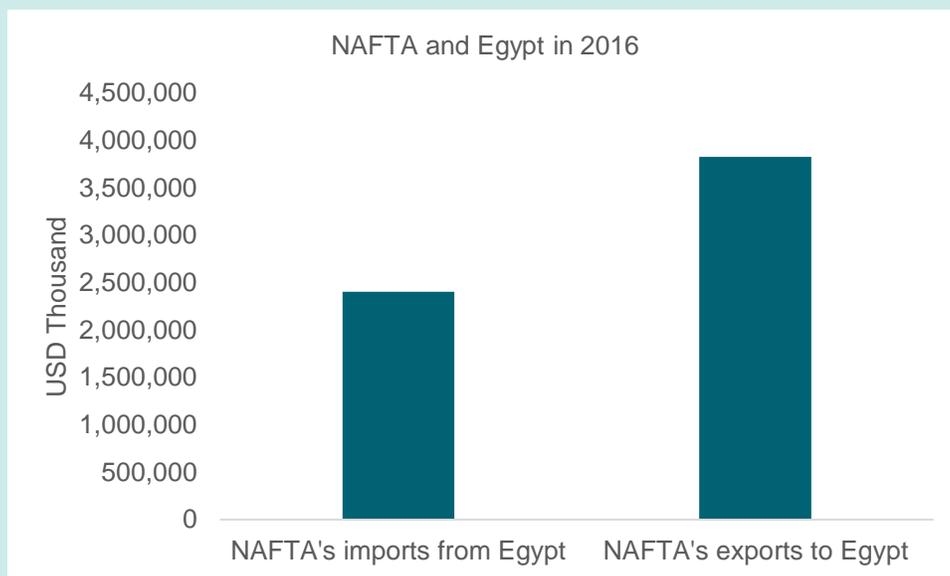
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As NAFTA talks begin, Trump's 'American First' agenda looms large

Reuters

As the United States, Canada and Mexico kick off negotiations on Wednesday to modernize the North American Free Trade Agreement, the biggest uncertainty is whether a deal can pass President Donald Trump's "America First" test. Trump has blamed NAFTA for shuttering U.S. factories and sending U.S. jobs to low-wage Mexico. The test will be whether negotiators can prove that a new NAFTA agreement can alter that course. The call from the U.S. business community in the run-up to the talks has been "do no harm" amid concerns that a new agreement will unravel a complex North American network of manufacturing suppliers built around NAFTA.

[Read the full article](#)



Source: Trade Map ITC

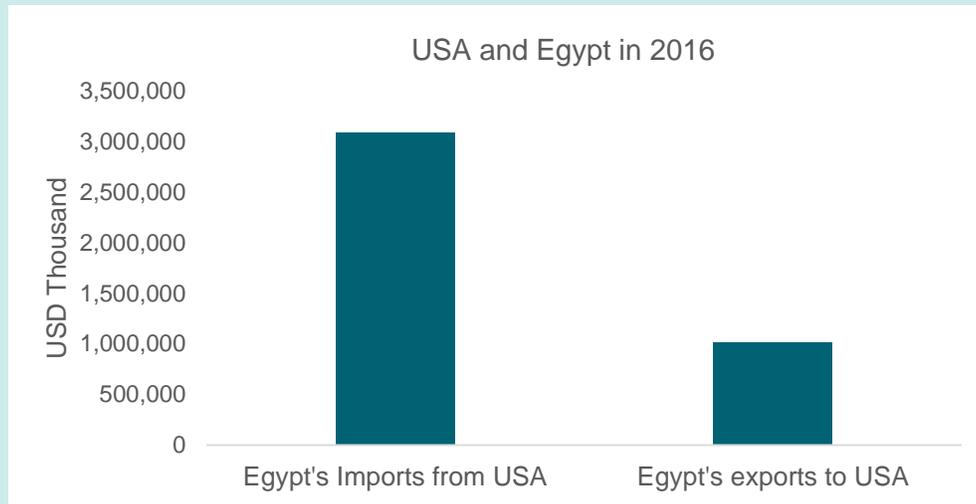
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Source: Trade Map ITC

Americans' debt level notches a new record high

Reuters

Americans' debt level notched another record high in the second quarter, after having earlier in the year surpassed its pre-crisis peak, on the back of modest rises in mortgage, auto and credit card debt, where delinquencies jumped. Total U.S. household debt was \$12.84 trillion in the three months to June, up \$552 billion from a year ago, according to a Federal Reserve Bank of New York report published on Tuesday. The proportion of overall debt that was delinquent, at 4.8 percent, was on par with the previous quarter. However, a red flag was raised over the transitions of credit card balances into delinquency, which the New York Fed said "ticked up notably."

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[Egyptian-African trade volume jumps to \\$4.8 billion in 2016](#)

Amwal Alghad

Commercial ties between Egypt and African nations viewed an increase in 2016, while trade volume reached to almost US\$4.8 billion against US\$4.5 billion in 2015. Accordingly, the increase in Egyptian exports was the major substance for the rise in the volume of trade exchange. The coming African tour of President al-Sisi to the nations of Tanzania, Rwanda, Chad, and Gabon will show an important step toward the increase of strategic ties between both sides.

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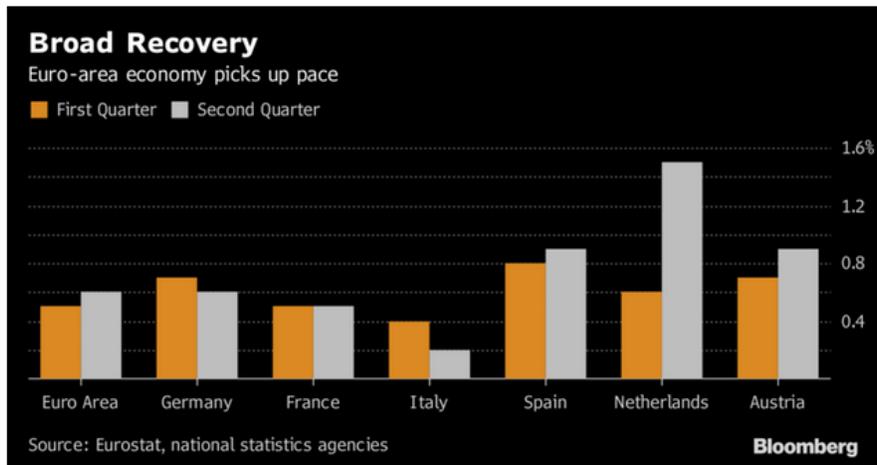
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More countries join the euro-area recovery bandwagon

Bloomberg

The euro-area economy gathered pace in the second quarter as more nations joined the recovery. The 0.6 percent expansion matched an Aug. 1 estimate and was supported by continued growth in Germany, the region's largest economy, and the strongest Spanish performance in almost two years. But after years of unprecedented stimulus, the upswing is finally starting to spread across the 19-nation region.



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[U.K. wage growth beats forecasts but still lags inflation](#)

Bloomberg

The squeeze on U.K. consumers continued in the second quarter, when the fastest inflation in four years ate into workers' income. Basic wages rose an annual 2.1 percent in the three months, lagging behind a surge in price growth driven by the pound's decline in the wake of the Brexit vote. That left real incomes down 0.5 percent year-on-year, the Office for National Statistics said on Wednesday.



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Special Analysis: OECD, Employment Outlook 2017

Global growth is set to improve modestly thanks to an upturn in investment, trade and manufacturing output. After having averaged only about 3% per year during 2012-16, real global GDP growth is projected to pick up modestly to 3.6% in 2018, mostly due to improving growth prospects of several non-OECD 20 countries, including Brazil and Russia. Real GDP in the OECD area was just 1.8% in 2016 and is projected to rise only to 2.1% in 2018. While this modest recovery remains vulnerable to financial risks and policy uncertainty, the baseline OECD projection implies a continuation of the slow improving trend in labor market conditions, albeit with considerable variation across countries.

The broad-based, but slow, economic recovery was reflected in employment growth in 2016 of 1.6% for the OECD area and somewhat more rapid growth of 1.8% in the euro area. The employed share of the population aged 15 to 74 years rose for the third consecutive year in 2016, reaching 61% in the fourth quarter of 2016, placing it above its business-cycle peak in Q4 2007 (60.8%). It is expected to increase further over the next two years to reach 61.8% by Q3 2018. Employment rates range from below 55% in Greece, Italy, Spain and Turkey to more than 70% in Iceland, New Zealand and Switzerland – and these differences are not projected to diminish much in the next two years.

Another indication of improving labor market conditions is the decline in the OECD average unemployment rate to 6.2% in the fourth quarter of 2016, corresponding to 39 million unemployed persons. Unemployment rates were below 4% in the Czech Republic, Iceland, Japan, Korea and Mexico, and below 5% in a further eight OECD countries. By contrast, the unemployment rate was 23.4% in Greece and 18.7% in Spain, and also exceeded 10% in Italy, Portugal and Turkey, although it has been falling in all of these countries except Turkey. The OECD average unemployment rate is projected to decline further to 5.7% by the last quarter of 2018. Which is slightly above its value in Q4 2007 (5.6%). The improving unemployment situation is likely to lead to a reduction in the incidence of long-term unemployment, which still represented nearly one in three unemployed persons in the OECD area the fourth quarter of 2016.

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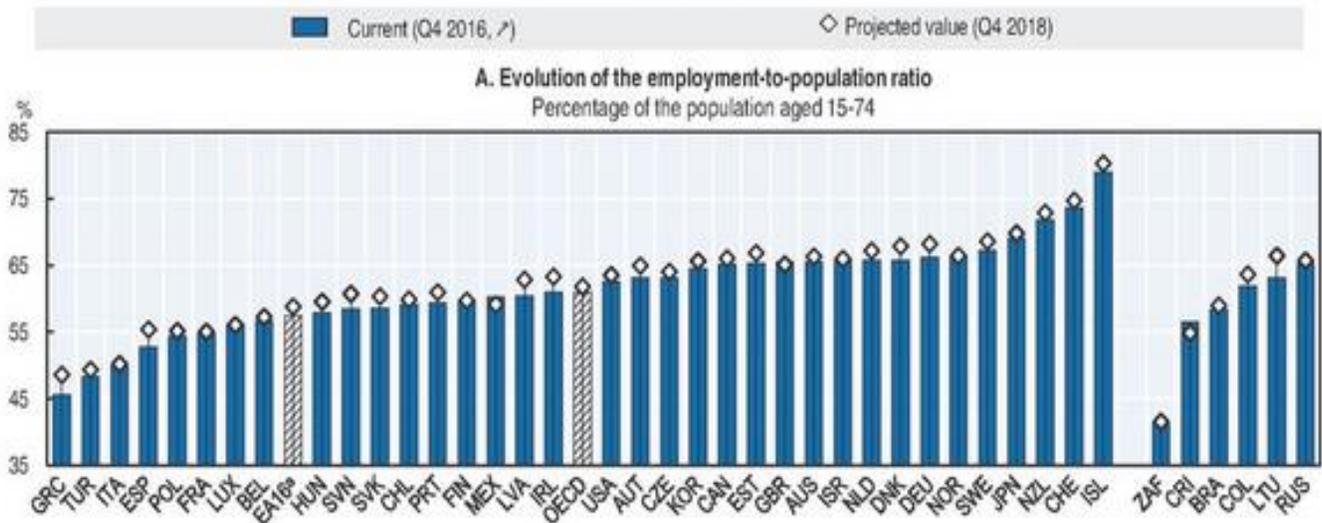


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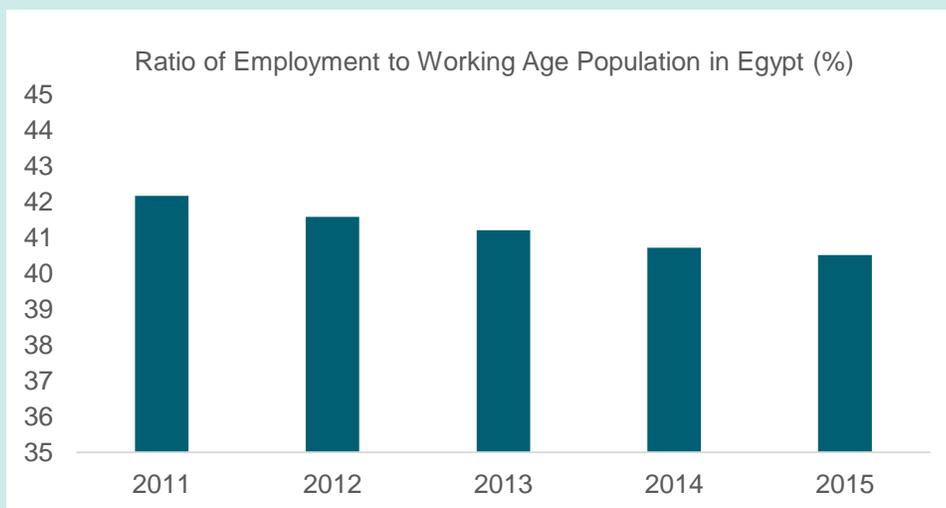
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Figure 1.1. The slow improvement of labour market conditions is projected to continue in a large number of OECD countries

Employment and unemployment rates, Q4 2016 and Q4 2018



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Source: CAPMAS

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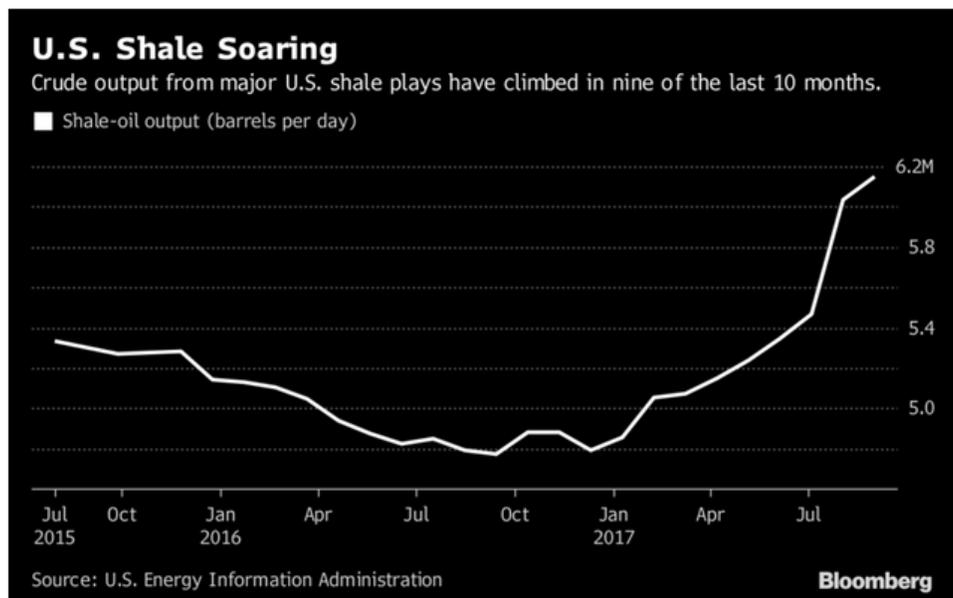


Recent Developments in Financial and Commodity Markets

U.S. oil drillers keep pressure on OPEC with record shale output

Bloomberg

Oil output from major U.S. shale plays is poised to reach a fresh record next month, further complicating OPEC's efforts to support prices. The gain is being led by the oil-rich Permian basin of Texas and New Mexico, where production has risen steadily over the past two years. The Energy Information Administration projects Permian output to rise by 64,000 barrels in September, reaching a record of 2.6 million barrels a day.



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

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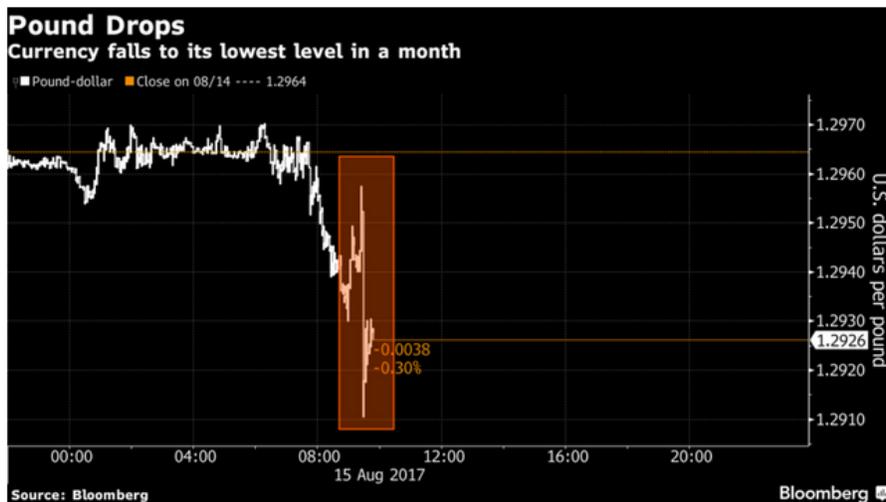
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Pound extends losses after weaker than estimated inflation data

Bloomberg

The pound extended losses and fell to its lowest level in a month versus the dollar after data showed inflation was weaker than forecast, reducing expectations of a rate increase by the Bank of England. Sterling dropped for a second day and was lower against all but one of its major peers after consumer prices rose 2.6 percent in July from a year earlier, compared with the median economist forecast for a reading of 2.7 percent. Core inflation -- which excludes volatile food and energy prices -- was unchanged at 2.4 percent, also below what economists predicted.



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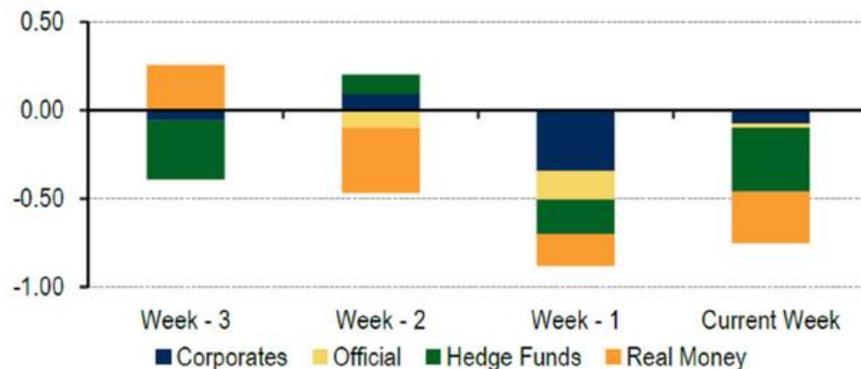
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Everyone’s dumping the pound and real money’s just getting started

Bloomberg

The pound remains unloved across investor groups, with real-money sales of the U.K. currency only just getting started, data from Bank of America Corp. show. All client types -- corporate accounts, reserve managers, hedge funds and institutional accounts, like mutual funds, pensions and endowments -- have dumped sterling over the past two weeks, according to the U.S. bank’s analysis of flow data. “The overall GBP market position is neutral, but real money is long, suggesting downside risks as they have been selling in the last three weeks,” quantitative strategists Myria Kyriacou and Athanasios Vamvakidis wrote in a note Monday.

Chart 5: Weekly indexed proprietary GBP flows by client type



Source: BofA Merrill Lynch Global Research.

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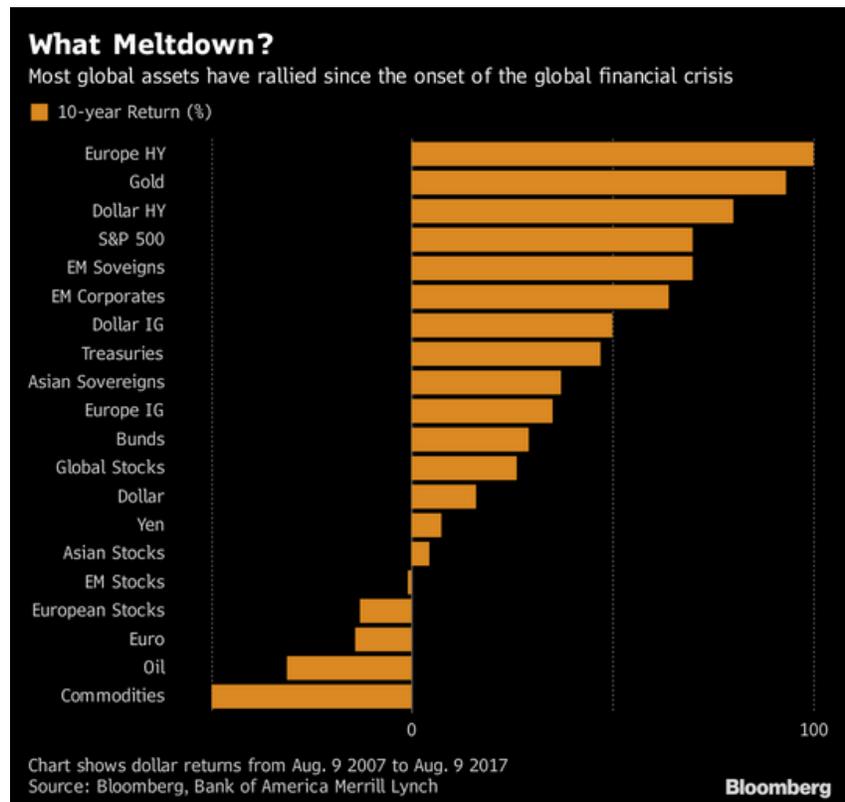
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Junk bonds of the financial crisis were the decade's biggest winners

Bloomberg

If you'd bought European high-yield bonds the day the global financial crisis erupted, closed your eyes and held onto them through the unprecedented events of the following decade, you would now be sitting on a 100 percent return. On the other hand, if you'd put your money in most major commodities, other than gold, you would have lost 50 percent. The euro and European stocks would have handed you a loss, but most bond markets, U.S. stocks and the dollar would have been a good bet.



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