



المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies



Our Economy and The World

The Weekly Report

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

- Key Global and Regional Developments over the Past Week
- Special Analysis: World Bank, Debt Dynamics in Emerging Market and Developing Economies, June 2017
- Recent Developments in Financial and Commodity Markets

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Key Global and Regional Developments over the Past Week

Bloomberg: “Yellen, Draghi head to Jackson Hole amid inflation unease”

As the world’s top central bankers gather in Wyoming this week, their relief about a stronger global economy will be tempered by a growing unease that inflation remains inexplicably low. Federal Reserve Chair Janet Yellen and European Central Bank President Mario Draghi will be among the officials addressing this year’s installment of the annual conference hosted by the Kansas City Fed. The summit, held at a Jackson Hole mountain retreat, comes as central banks in advanced economies creep toward the policy exit after years of unprecedented easing, even with outlooks are clouded by stubbornly tepid inflation.

[Read the full article](#)

Reuters: “Big FX bets bunched around Jackson Hole meeting next week”

About \$45 billion of currency options on the euro-dollar exchange rate are expiring in the three days leading up to the annual central banking symposium in Jackson Hole next week. While the spike in the quantum of options struck is not unusual by this year's standards with \$23 billion of currency options alone expiring on Thursday, it is certainly unusual by August standards on a historical basis, according to Thomson Reuters data stretching back for the last two years.

[Read the full article](#)

Bloomberg: “Global economy looks set for a year of faster, firmer growth”

The world economy looks well on its way to a year of faster, firmer growth after rising at its most rapid pace in 2 1/2 years in the second quarter. The expansion is broad based as long-time laggards Japan and the euro area perk up. Even more encouraging: The gains look sustainable because they’re not generating much in the way of inflation or other excesses that frequently presage a downturn, economists said. “The global economy is in better shape than it has been in several years,” said Torsten Slok, chief international economist at Deutsche Bank AG in New York. “We just don’t see what would be a trigger for a recession.”

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Reuters: “Funding squeeze hastens take-off of non-bank lending in Middle East”

Middle East investment companies are ramping up their lending to businesses, providing a lifeline for small and medium-sized firms struggling to secure finance from banks that tightened credit after a suffering rise in bad loans. Industry participants estimate non-bank lenders in the region could provide around \$1 billion over the next three to five years, including secured loans, mezzanine debt, preferred shares and convertible loans and bonds.

[Read the full article](#)

Reuters: “Federal reserve swaps with foreign central banks total \$36 million in latest week”

The Federal Reserve provided \$36 million of liquidity to foreign central banks in the latest week via its swap lines for foreign central banks, the New York Fed said on Thursday. The European Central Bank swapped \$35 million with a term of 7 days and a rate of 1.66 percent. The Bank of Japan swapped \$1 million with a term of 7 days and a rate of 1.66 percent.

[Read the full article](#)

Reuters: Bahrain may need to boost interest rates to protect currency, IMF warns

Bahrain may need to raise its market interest rates to protect its currency and must refrain from having its central bank lend money to cover the government's budget deficit, the International Monetary Fund said on Monday. In a statement released after annual consultations with the Bahraini government, the IMF repeated earlier warnings that more steps by Bahrain to cut its deficit were "urgently needed" to stabilize state finances and support the Bahraini dinar's BHD= peg to the U.S. dollar.

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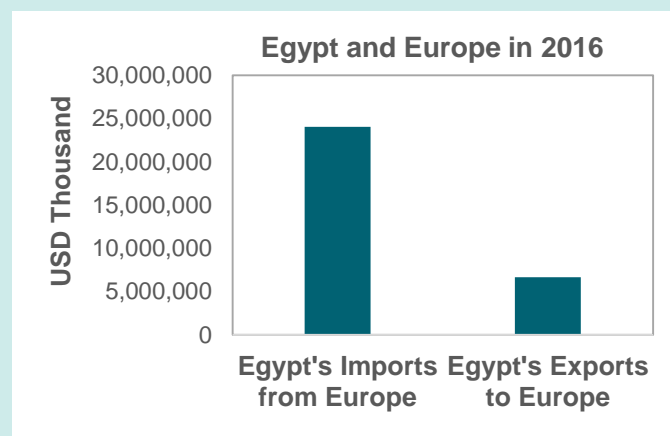
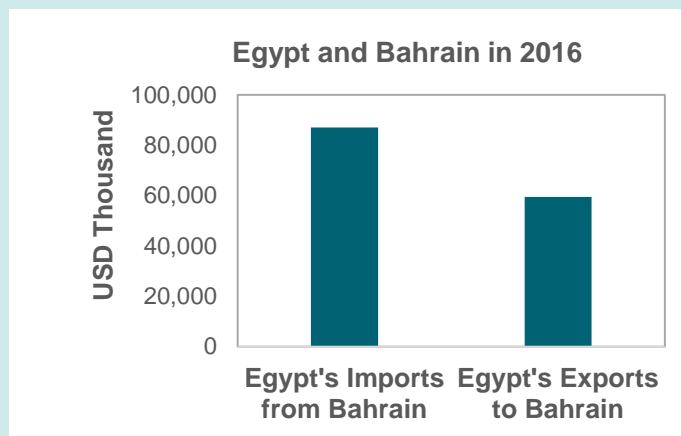
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Egypt's Relation to News Countries



Source: Trade map, ITC

Date	Decisions of the Central Bank of Egypt
March 2016	Monetary Policy Committee (MPC) increases the policy rates by 1.5%
June 2016	MPC increases the policy rates by 1%
November 2016	Floatation of the Egyptian Pound
November 2016	MPC increases the policy rates by 3%
May 2017	MPC increases the policy rates by 2%
July 2017	MPC increases the policy rates by 2%

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Special Analysis: World Bank, Debt Dynamics in Emerging Markets and Developing Economies, June 2017

Since the global financial crisis, rising private sector debt and deteriorating government debt dynamics have made some emerging market and developing economies (EMDEs) more vulnerable to financing shocks. Specifically, at end-2016, government debt exceeded its 2007 level by more than 10 percentage points of GDP in more than half of EMDEs and the fiscal balance worsened from its 2007 level by more than 5 percentage points of GDP in one-third of EMDEs. Although many EMDEs have strengthened their monetary policy frameworks and accumulated significant reserve buffers over the past two decades, they now need to shore up their fiscal positions to prevent sudden spikes in financing cost from forcing them into fiscal tightening.

As growth becomes more durable and inflation rates get closer to central banks' targets, monetary policy in advanced economies is expected to normalize. While this normalization is likely to proceed smoothly, there is a possibility that it could stir financial market volatility with adverse implications for EMDEs, both public and private sector vulnerability to financing cost spikes has risen since the global financial crisis. Government debt dynamics in EMDEs have deteriorated since the global financial crisis. On average across EMDEs, government debt has risen by 12 percentage points of GDP since 2007 to 47 percent of GDP by 2016, and fiscal deficits have widened to about 5 percent of GDP in 2016 from a surplus of roughly 1 percent of GDP in 2007. At end-2016, government debt exceeded its 2007 level by more than 10 percentage points of GDP in more than half of EMDEs. In addition, the fiscal balance worsened from 2007 levels by more than 5 percentage points of GDP in one-third of EMDEs.

Benign financing conditions have contributed to shifts in the composition of government balance sheets, but not always to strengthen its resilience. In the median EMDE, for example, the share of short-term components of debt securities held by nonresidents has been smaller since 2007. However, the share of nonresident-held debt itself has risen and the maturity of government debt has been on a declining path. The share of government debt in foreign currency has increased in the median EMDE since the late 2000s.

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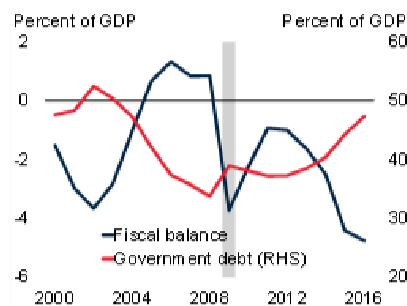
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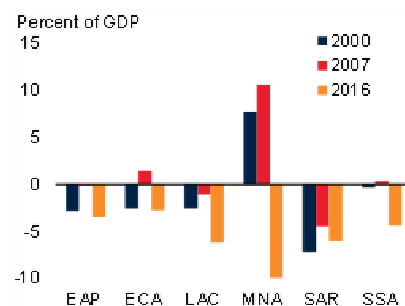
FIGURE SF1.1 Evolution of fiscal space in EMDEs

In many EMDEs, both government and private sector debt has risen sharply since the global financial crisis. During periods of severe financial stress, private sector debt can burden public balance sheets.

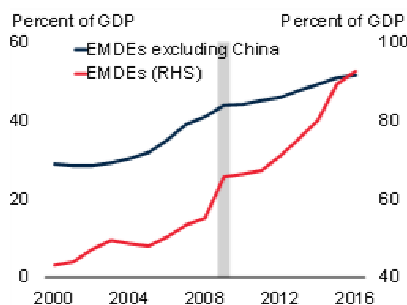
A. Overall fiscal balance and government gross debt in EMDEs



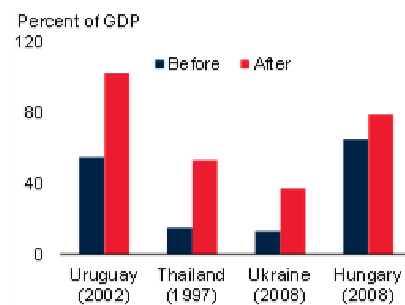
B. Overall fiscal balance, by EMDE region



C. Credit to the private sector in EMDEs



D. Government gross debt in selected banking crises in EMDEs



Sources: International Monetary Fund, World Bank.

A.-C. GDP-weighted averages.

A.C. The year of global recession (2009) is shaded in gray.

B. EAP, ECA, LAC, MNA, SAR, and SSA stand for, respectively, East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa.

D. The year of the onset of banking crises is in parentheses. Bars show average general government gross debt-to-GDP ratios in the two years before and the two years after the onset of crises.

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Recent Developments in Financial and Commodity Markets

[Reuters: Oil prices fall on concerns of oversupply, low investment](#)

Oil prices fell early on Wednesday, squeezed between concerns of oversupply, sparked by rising Libya output, and fears of reduced future investment in the industry. Brent crude futures, LCOc1 the international benchmark for oil prices, were at \$51.61 per barrel at 0105 GMT, down 26 cents, or 0.5 percent, from their last close. U.S. West Texas Intermediate (WTI) crude futures CLc1 were at \$47.63 a barrel, down 20 cents, or 0.4 percent.

[Read the full article](#)

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

[Reuters: Sterling sinks to 8-week low vs. dollar](#)

Broad gains for the dollar pushed sterling back towards lows from early July on Tuesday, the British currency weighed down by an uncertain economic outlook that has quashed expectations of a rise in Bank of England interest rates. The pound has fallen almost 4 percent since the start of August, driven by a perceived change in tack at the Bank's latest policy meeting and a broader recovery for the U.S. currency.

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