



المركز المصري للدراسات الاقتصادية  
The Egyptian Center for Economic Studies



# Our Economy and The World

The Weekly Report

Issue: 70 Date: 17 September 2017

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

- Key Global and Regional Developments over the Past Week
- Special Analysis: The World Bank, World Development Report 2017: Governance and the law
- Recent Developments in Financial and Commodity Markets

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## Our Economy and The World

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# Key Global and Regional Developments over the Past Week

### Bloomberg: Goldman Sachs lowers U.S. third-quarter GDP forecast after Harvey, Irma

Goldman Sachs economists lowered their forecast for U.S. economic growth in the third quarter by 0.8 percentage point to 2.0 percent, based on an expected slowdown in business activity due to damage from Hurricanes Harvey and Irma. "If damages are significantly higher — or if Florida flooding continues to weigh on consumer spending and housing/investment activity into late September and October — we would expect additional downside to near-term growth," they wrote in a research note released late on Monday.

[Read the full article](#)



### Reuters: UK inflation jump puts Bank of England back in spotlight on rates

British inflation hit its joint highest level in more than five years in August, complicating the Bank of England's job this week of explaining why it is not raising interest rates. The fall in the value of the pound since last year's vote to leave the European Union helped drive the biggest rise in clothing prices since the consumer price index was launched in 1997 and rising global oil costs also had an impact. Consumer prices overall increased by 2.9 percent compared with a year earlier, the Office for National Statistics said, up

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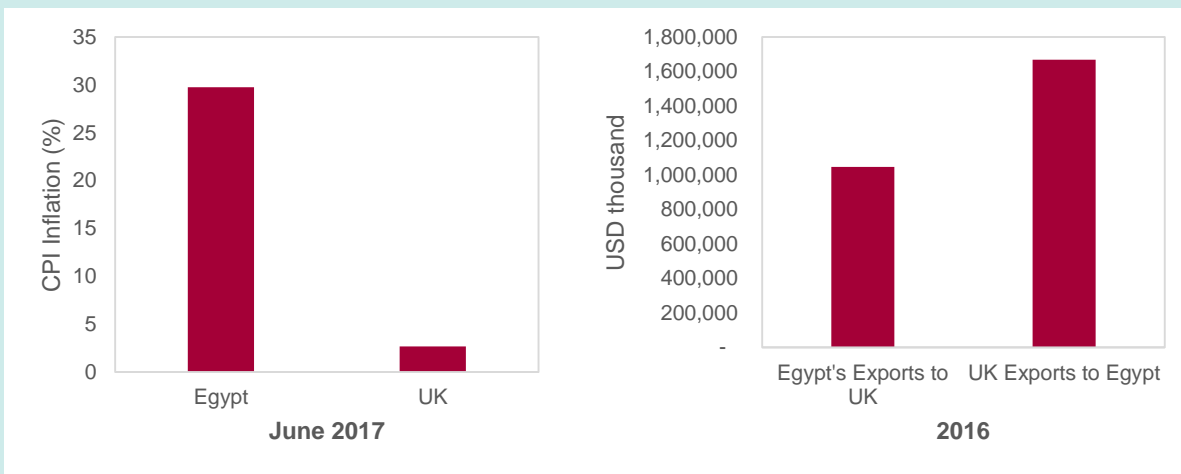


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from 2.6 percent in July and above the median forecast in a Reuters poll of economists for a rise of 2.8 percent.

[Read the full article](#)



Source(s): Trademap, ITC; Central Bank of Egypt, *Monthly Statistical Bulletin*; International Financial Statistics, IMF

### [Reuters: Bubble-spotting in Europe](#)

European Central Bank chief Mario Draghi said last week he saw no bubbles in European asset prices, only a day after Deutsche Bank chief executive John Cryan insisted there were “signs of bubbles” building in the region’s capital markets. Who’s right? A glance across Europe’s markets suggests some froth forming in certain corners at least. After years of volatility surrounding the global banking crash and subsequent euro debt crisis, the European Central Bank’s remedy was to flood the bloc with cheap cash and directly support lending and bond markets via massive asset purchases.

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### [CNBC: China's biggest banks ban new North Korean accounts](#)

China's biggest banks have banned North Koreans from opening new accounts in an unprecedented move to clamp down on financial flows with the country's unruly neighbour. Multiple bank branches, including those of the country's top four lenders, told the Financial Times they had imposed a freeze on new accounts for North Korean people and companies. Some are going even further, saying they are "cleaning out" — existing accounts held by North Koreans by forbidding new deposits.

[Read the full article](#)

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# Special Analysis: The World Bank, World Development Report 2017: Governance and the law

The past 20 years have seen enormous progress around the world in socioeconomic indicators. The rapid diffusion of technology and greater access to capital and world markets have enabled economic growth rates that were previously unfathomable, and they have helped lift over 1 billion people out of poverty. And yet increased flows have also led to rising inequality, both within and across borders, and to greater vulnerability to global economic trends and cycles. Indeed, although the global spread of capital, technology, ideas, and people has helped many countries and people move forward, other regions and populations appear to have been left behind, and they are still facing violence, slow growth, and limited opportunities for advancement. As ideas and resources spread at an increasingly rapid rate across countries, policy solutions to promote further progress abound. However, policies that should be effective in generating positive development outcomes are often not adopted, are poorly implemented, or end up backfiring over time. Although the development community has focused a great deal of attention on learning *what* policies and interventions are needed to generate better outcomes, it has paid much less attention to learning *why* those approaches succeed so well in some contexts but fail to generate positive results in others. Ultimately, confronting the challenges faced by today's developing countries—poor service delivery, violence, slowing growth, corruption, and the “natural resource curse,” to name a few—requires rethinking the process by which state and non-state actors interact to design and implement policies, or what this Report calls governance (Table O.1).

### Underlying Determinants of Policy Effectiveness

**Table O.1** Three institutional functions—commitment, coordination, and cooperation—are essential to the effectiveness of policies

Function	Examples of why these functions matter
Commitment	<ul style="list-style-type: none"> <li>Decision makers may want to spend windfall revenues now instead of saving them for others to spend in the future.</li> <li>Politicians may resist continuing policies that have been working and prefer to pursue others that are associated with their political group.</li> <li>Public service providers may push to renegotiate the terms of their contracts to their benefit when they know that the political cost of suspending service is high.</li> </ul>
Coordination	<ul style="list-style-type: none"> <li>Investment and innovation are induced when individuals believe others will also invest.</li> <li>Financial stability depends on beliefs about the credibility of policies; failures involve, for example, bank runs, where everyone believes the rest will rush to withdraw deposits.</li> <li>Laws serve as a focal point for individuals to behave in certain ways, such as the convention of driving on the right side of the road.</li> </ul>
Cooperation	<ul style="list-style-type: none"> <li>People have incentives to free-ride or to behave opportunistically—for example, by not paying taxes while enjoying the public services that other (tax-paying) individuals are funding.</li> <li>Some actors potentially affected by policies may be excluded from their design, which weakens compliance and leads to fragmentation.</li> </ul>

Source: WDR 2017 team.

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Governance is about the role of the government and its relationships to stakeholders in society –citizens, public, private and people sectors. Egypt is in bad need to improve governance. We need less government and more governance. Better organization, proper coordination as well as a transparent relation between the government and private sector.

[Read the full report](#)

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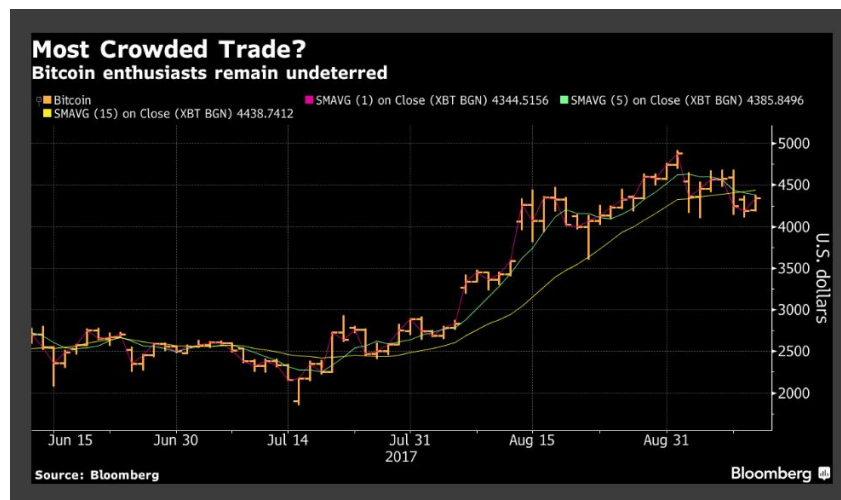
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## Recent Developments in Financial and Commodity Markets

### Bloomberg: Investors say being long Bitcoin is now the most crowded trade

Chinese regulators aren't the only ones getting nervous about the astronomical rally in bitcoin. Bullish bets on the cryptocurrency are now considered the most crowded trade in financial markets, according to fund managers surveyed by Bank of America Merrill Lynch. Twenty-six percent cited bitcoin, surpassing the 22 percent who considered the most overheated wager to be the long trade on the Nasdaq Composite Index. Shorting the dollar was third, at 21 percent.



[Read the full article](#)

### Mubasher: Egypt banking sector not to deal with Bitcoin – CBE

The Central Bank of Egypt (CBE) denied which was published recently about its start to start trading with the Bitcoin during August. No instructions were issued to the Egyptian banking sector to start trading with the Bitcoin, and the trading activities are still implemented in the official currencies only, a source in the CBE said in a statement. The Bitcoin is not guaranteed from Egypt's banking sector or from the CBE, the source concluded. [Read the full article](#)

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#### [Reuters: Oil edges up as IEA sees higher oil demand, shrinking inventories](#)

Oil prices ticked higher on Wednesday after the International Energy Agency said the global oil surplus was starting to shrink due to robust global demand and an output drop from OPEC and other producers. U.S. West Texas Intermediate (WTI) CLc1 was up 11 cents, or 0.2 percent, at \$48.34 a barrel at 0944 GMT after dropping earlier in the day. International benchmark Brent crude LCOc1 was up 13 cents, or 0.2 percent, at \$54.40 a barrel.

[Read the full article](#)

#### [Reuters: Precious-Gold turns up as dollar falls from its highs](#)

Gold bounced up from the lowest level in more than a week on Tuesday as the dollar pared gains and U.S. President Donald Trump said U.N. sanctions on North Korea are "nothing compared to what ultimately will have to happen." Spot gold hit its lowest since Sept. 1 at \$1,322.15 an ounce in early trade and was up 0.3 percent at \$1,330.68 an ounce by 2:37 p.m. EDT (1837 GMT). U.S. gold futures settled down 0.2 percent at \$1,332.70.

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Egypt's exports of gold in 2016/17 Q3 is \$515.4 million, according to the Central Bank of Egypt

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