



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, Beyond Scarcity: Water Security in the Middle East and North Africa
- Recent Developments in Financial and Commodity Markets

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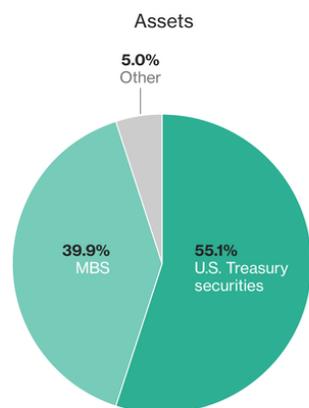


Key Global and Regional Developments over the Past Week

Bloomberg: Yellen sees QE (quantitative easing) as a tool of the future but her successor may not

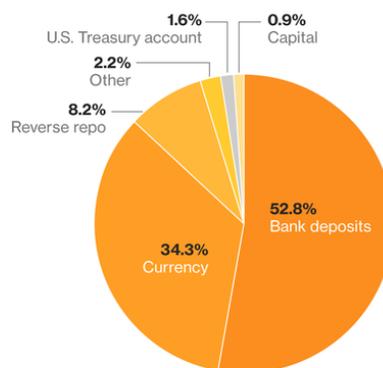
A decade after the financial crisis first flickered, the U.S. is set this week to lead the developed world in exiting unconventional policies that central banks unleashed to save the global economy. And while it will take years to complete, dismantling the politically controversial quantitative easing program is being welcomed by supporters and critics alike as an important marker on the road to normalcy after the ravages of the Great Recession. Left unanswered is what comes afterward. Will the once unconventional become more conventional and end up being a trusted part of the Federal Reserve's tool kit when the next recession hits, as the current crop of central bankers led by Chair Janet Yellen seems to believe? Or will QE be relegated to a rarely used instrument that is only turned to in the deepest of crises, as some of President Donald Trump's presumed monetary policy makers in waiting appear to advocate?

Federal Reserve Balance Sheet



Source: Federal Reserve

Liabilities



Bloomberg

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[Reuters: Jordan, Iraq to build joint industrial zone at common border – newspaper](#)

Jordan and Iraq have agreed to build a common industrial zone at their border to increase trade, set up joint projects and contribute to post-war reconstruction in Iraq, a Jordanian newspaper has reported.

[Read the full article](#)

Egypt needs to study the trade creation and trade diversion effects of the creation of this zone. This is an innovative initiative that will ease and boost trade between the two countries. Egypt needs to enhance the efficiency of the existing industrial zones and to start looking beyond zones in its development strategy. Benefiting from this experience, we need to study potential similar opportunities with neighboring countries.

[Bloomberg: Saudi Arabia to seek bidders for 1,000-mile read sea-gulf railway](#)

Saudi Arabia plans to seek bidders for the construction of a 1,000-mile (1,600-kilometer) railroad linking the Red Sea with the Persian Gulf as early as the end of this year, signaling the go ahead for a long-delayed project seen as vital to reducing the economy's dependence on oil. The so-called Land Bridge line will shave around three days off the current five-day journey time for shipping seaborne freight around the Saudi coast, while improving links to Riyadh, and Jeddah, the nation's two biggest cities.

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This project presents an opportunity for the construction sector to subcontract part of the activities in Saudi Arabia. A political support from the Egyptian government is needed for such role.

[Bloomberg: Bahrain refuses Qatari bond investors in record sale](#)

Bahrain refused to process bids by Qatari investors for its largest-ever bond offering after cutting ties with the gas-rich Gulf state in June, according to two people familiar with the matter. Doha-based companies that submitted bids for Bahrain's \$3 billion debt sale last week weren't given allocations because the island state, along with other Gulf economies, are cutting their financial exposure to Qatar, the people said, asking not to be identified because the matter is private. The Bahraini government didn't send a formal directive to arrangers about Qatari bids, a third person said.

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Special Analysis

World Bank, Beyond Scarcity: Water Security in the Middle East and North Africa

Water security is a central challenge for the development and stability of the Middle East and North Africa Region—a challenge of interest far beyond the water sector. That is why we hope that the findings from this report will spark discussion not just among a technical audience, but also among a range of regional actors and policy makers, including representatives from governments, the private sector, civil society, and utilities. Given its relative scarcity, water has always been a source of opportunities and risks in the Middle East and North Africa region. For millennia, investments and innovations in water management have contributed to social and economic development and to extraordinary accomplishments, facilitated by secure water supplies and irrigated agriculture. One might wonder: what makes today's water challenges different from a decade or even a century ago? And how can water security contribute to the region's economic, social, and environmental well-being, and its path to peace and stability? The answer to these questions lies in the rapid evolution of the Middle East and North Africa's socioeconomic, environmental, and political context. This context is characterized by high rates of population growth, about 2 percent annually, and particularly the expansion of cities, with the region's urban population expected to double by 2050, to nearly 400 million. Increasing consumption, paired with undervalued water, inadequate governance arrangements, and weak enforcement is leading to the depletion of water resources — especially groundwater—at an unprecedented rate. Unmanaged trade-offs in the water-energy-food nexus are also contributing to an overexploitation of water resources While the resource challenges will remain daunting, the Middle East and North Africa has an opportunity to expand the use of innovations in institutions and technology. As highlighted in this report, improved water resource assessment and allocation mechanisms have demonstrated more productive use of water in many parts of the world, yet they remain relatively underused in the region. The Middle East and North Africa could overcome scarcity as a constraint on growth and well-being, and increase its ability to withstand shocks and protracted crises, such as climate variability and drought or a refugee influx, while also addressing immediate humanitarian needs such as water and food security.

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The Middle East and North Africa Region



Source: World Bank.

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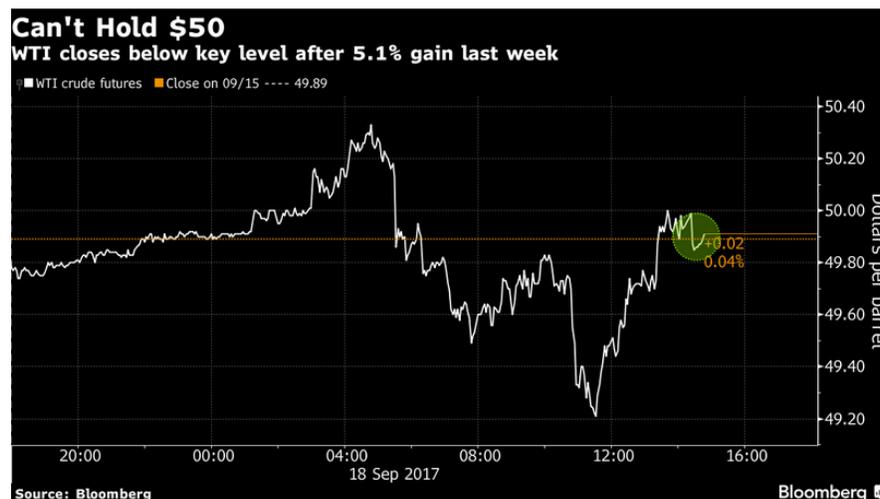
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Recent Developments in Financial and Commodity Markets

Bloomberg: Oil lingers below \$50 with refiners slowing, producers hedging

Oil hit a wall again, failing to sustain a rally above \$50 a barrel for a third straight session. That's partly because demand typically drops this time of year as many crude-processing plants shut down in the fall for maintenance. But it's also because producers are coming to the futures market whenever West Texas Intermediate prices approach \$50 to lock in profits. While that protects them against a slump, it also makes it more difficult for futures to rise further. Meanwhile, for the third time this month, a hurricane is heading toward the Caribbean.



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

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[Reuters: Bitcoin slides on 'fraud' warning from JPMorgan's Dimon](#)

Bitcoin slid by more than 10 percent on Wednesday, as investors sold the cryptocurrency after a warning by JPMorgan (JPM.N) Chief Executive Jamie Dimon that it "is a fraud" and will eventually "blow up". Bitcoin, the original and still the biggest cryptocurrency, has been on a tear in recent months, hitting a record high just below \$5,000 at the start of September after a more than fivefold increase in price since the start of the year.

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[Reuters: Sterling soars to highest since Brexit vote result](#)

Britain's pound surged above \$1.36 on Friday to its highest level since the results of last June's vote to leave the European Union, putting it on track for its best week against the dollar since October 2009. Sterling strengthened by more than 1.6 percent on the day to hit \$1.3616, its highest since June 24, 2016. It also climbed 1.3 percent against the euro. The pound had already recorded its best day since April on Thursday, after investors brought forward their bets on when the Bank of England would raise interest rates after it signalled it would do so in the "coming months".

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[Reuters: Euro crisis over, Portugal's investment-grade comeback cuts bond yields](#)

Portugal's 10-year bond yield hit its lowest level since January 2016 on Monday, driven by the country regaining an investment-grade credit rating after 5 1/2 years, effectively drawing a line under its debt crisis. Standard & Poor's on Friday became the first of the big three credit-rating agencies to lift Portugal back to investment grade, citing its improving economy and public finances. It raised its rating to BBB-, the lowest investment grade, with a stable outlook, from BB+, with a stable outlook. Portugal lost the investment-grade rating, which widens the investor base for a country's bonds, at the height of its debt crisis in January 2012.

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