



المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies



Our Economy and The World

The Weekly Report

Issue: 74 Date: 15 October 2017

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

- Key Global and Regional Developments over the Past Week
- Special Analysis: IMF World Economic Outlook, October 2017
- Recent Developments in Financial and Commodity Markets

Disclaimer

The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.



Our Economy and The World

The Weekly Report

Key Global and Regional Developments over the Past Week

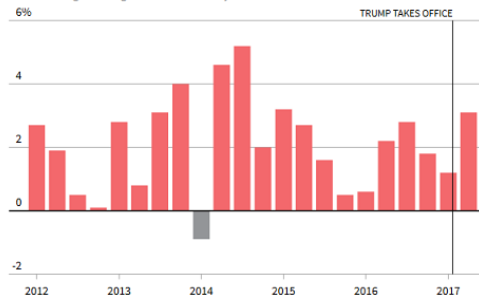
Reuters: Tracking the U.S. economy under Trump in seven charts

U.S. President Donald Trump has set many specific and general goals for his administration’s management of the economy, like raising growth to 3 percent and eliminating the country’s trade deficit. The charts below show how key indicators performed during former President Barack Obama’s second term and how they are performing since Trump took office in January.

GDP GROWTH

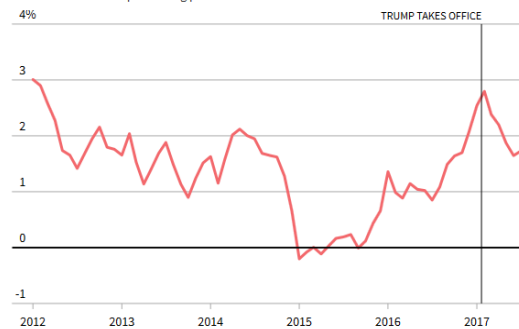
"We're saying 3 (percent) ... There's no reason we shouldn't be able to get at some point into the future to 5 and above."

Trump has pledged to deliver 3 percent annual growth in gross domestic product. The figures jump around a lot quarter to quarter. But absent a change in population demographics or productivity, many economists feel current annual trend growth in the U.S. is around 2 percent, which is roughly what it averaged through Obama's last four years.

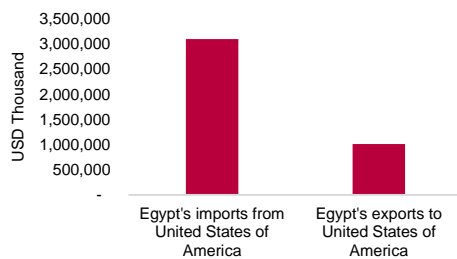


CONSUMER PRICE INDEX

The U.S. has enjoyed tame inflation since the 1990s. Trump has not focused on the issue, but some economists worry that his combination of proposals, if enacted, could lead to faster rising prices. High inflation, particularly without rising wages, is often difficult for politicians blamed for the erosion in household purchasing power.



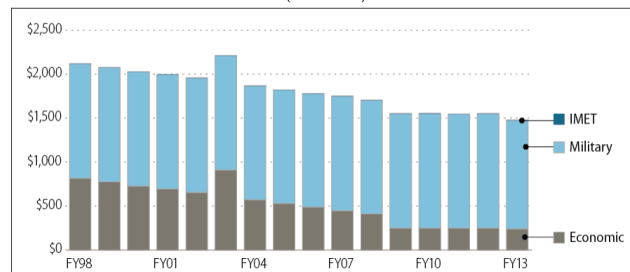
Trade between Egypt and USA in 2016



Sources: * Trademap, ITC

**Economic, Military and IMET assistance: <https://www.usaid.gov/press-releases/2017/02/2017-02-16>

Figure 10. U.S. Foreign Assistance to Egypt (\$ in millions)



[Read the full article](#)

Reuters: ECB still concerned about existing stock of bank bad loans: Mersch

The European Central Bank is still concerned with the stock of bad loans clogging up bank balance sheets in the euro zone, ECB Executive Board member Yves Mersch said on Monday. The ECB last week issued new

Disclaimer

The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.



Our Economy and The World

The Weekly Report

proposals that will force banks from 2018 to set aside more cash to cover newly classified bad debts and may also present additional measures to tackle the sector's huge stock of soured debt.

[Read the full article](#)

[Bloomberg: Richard Thaler, famed for 'Nudge' theory, wins Noble economics prize](#)

University of Chicago's Richard H. Thaler, one of the founders of behavioral economics and finance, was awarded the 2017 Nobel Prize in Economics for shedding light on how human weaknesses such as a lack of rationality and self-control can ultimately affect markets. The 72-year-old, co-author of the 2008 best-seller "Nudge," has "built a bridge between the economic and psychological analyses of individual decision-making," the Royal Swedish Academy of Sciences said Monday.

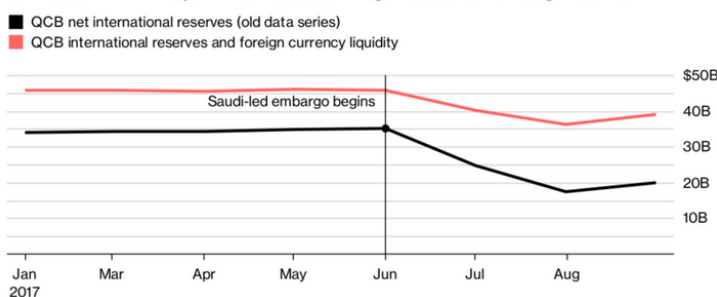
[Read the full article](#)

[Bloomberg: Qatar central bank FX holdings cushioned by IMF accounting tip](#)

Qatar's central bank has added the equivalent of about \$19 billion of previously unreported foreign-currency assets to its total reserves in August based on an International Monetary Fund recommendation, a move that helps offset the impact of the Saudi-led embargo. By adding "other liquid assets in foreign currencies," the central bank's total holdings show a decline of 15 percent to 141.84 billion riyals (\$39 billion) compared with May, a month before Saudi Arabia, the United Arab Emirates, Bahrain and Egypt severed diplomatic and transport links with Qatar. Total holdings under the previous method referred only to net international reserves, which have dropped more than 40 percent in the same period to \$19.8 billion, the data show.

Qatar's Insta-Reserves

Qatar's Central Bank says IMF-advised accounting rule boosted its foreign reserves.



Source: Qatar Central Bank, Bloomberg

Bloomberg

It is worth noting that the Qatar Investment Authority (Qatar's sovereign wealth funds) has accumulated savings from natural gas exports which amounted to USD 320 Bn in end of July 2017

[Read the full article](#)

[Bloomberg: Forget oil. Religion is big business in Saudi Arabia](#)

Disclaimer

The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.



المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies



Our Economy and The World

The Weekly Report

The kingdom is counting on a surge in Muslim pilgrims to help drive economic growth. Saudi Arabia may be best known for its vast supply of oil, but outside of that industry, Islamic tourism is one of the kingdom's biggest businesses. Hajj, the annual Muslim pilgrimage to Mecca, as well as other Muslim pilgrimages throughout the year, have been driving growth in tourism, with a building boom to match. The country is seeking to remain a destination, while liberalizing its ultra-conservative rules such as the ban on female drivers.

[Listen to the Interview](#)

Disclaimer

The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.



Our Economy and The World

The Weekly Report

Special Analysis: IMF World Economic Outlook, October 2017

The pickup in growth projected in the April 2017 World Economic Outlook (WEO) is strengthening. The global growth forecast for 2017 and 2018—3.6 percent and 3.7 percent, respectively—is 0.1 percentage point higher in both years than in the April and July forecasts. Notable pickups in investment, trade, and industrial production, coupled with strengthening business and consumer confidence, are supporting the recovery. With growth outcomes in the first half of 2017 generally stronger than expected, upward revisions to growth are broad based, including for the euro area, Japan, China, emerging Europe, and Russia. These more than offset downward revisions for the United States, the United Kingdom, and India.

However, the recovery is not complete: although the baseline outlook is better, growth remains weak in many countries. The outlook for advanced economies has improved, notably for the euro area, but in many countries inflation remains weak, indicating that slack has yet to be eliminated, and prospects for growth in GDP per capita are held back by weak productivity growth and rising old-age dependency ratios. Prospects for many emerging market and developing economies in sub-Saharan Africa, the Middle East, and Latin America are lackluster, with several experiencing stagnant per capita incomes. Fuel exporters are particularly hard hit by the protracted adjustment to lower commodity revenues.

Risks to the baseline are broadly balanced in the short term but skewed to the downside in the medium term. Short-term growth could increase further, as stronger confidence and favorable market conditions unleash pent-up demand, but setbacks are also possible. With high policy uncertainty, missteps—which the baseline assumes will be avoided—or other shocks could materialize, taking a toll on market confidence and asset valuations, and tightening financial conditions. Over the medium term, dealing with financial sector challenges will be essential. Minimizing the risk of a sharp slowdown in China will require the Chinese authorities to intensify their efforts to rein in the credit expansion. Many other economies need to guard against a buildup of financial stability risks in a global environment of easy finance and monitor the risks from volatility as advanced economies' central banks gradually withdraw stimulus. A decompression of risk premiums and higher long-term interest rates would expose fragilities, including by worsening public debt dynamics. Although progress has been made in addressing European banking sector issues, remaining problems need to be addressed forcefully to avoid weakening confidence and fears of adverse feedback loops between low demand, prices, and balance sheets in parts of the euro area. Persistently low inflation in advanced economies, which could ensue if domestic demand were to falter, also carries significant risks, as it could lead to lower medium-term inflation expectations and interest rates, reducing central banks' capacity to cut real interest rates in an economic downturn. Although the chances of advanced economy

Disclaimer

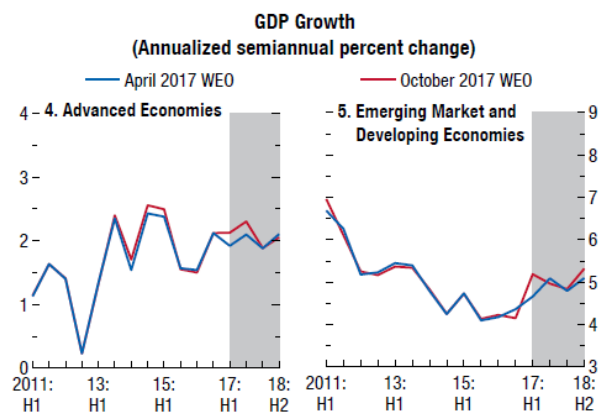
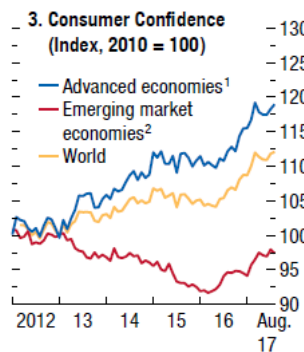
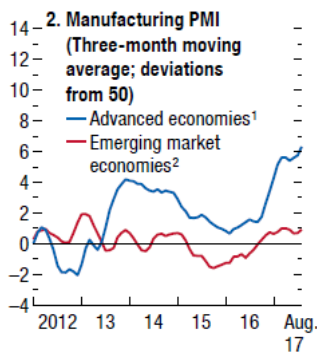
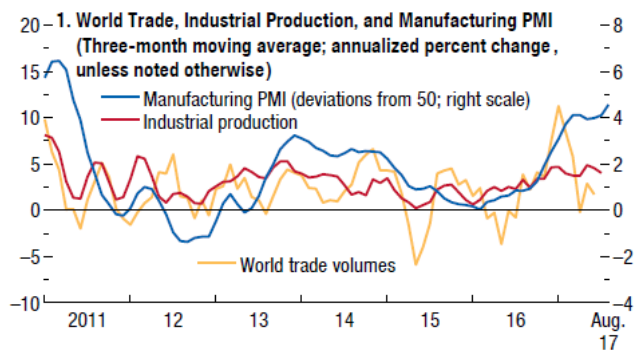
The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.



Our Economy and The World

The Weekly Report

policies turning inward appear to have diminished in the near term, pressures for increased protectionism have not disappeared and ought to be resisted. A host of noneconomic risks, including intensified conflict and geopolitical tensions, also remain salient.



Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver Analytics; Markit Economics; and IMF staff estimates.

Note: CC = consumer confidence; PMI = purchasing managers' index; WEO = *World Economic Outlook*.

¹Australia, Canada (PMI only), Czech Republic, Denmark, euro area, Hong Kong SAR (CC only), Israel, Japan, Korea, New Zealand (PMI only), Norway (CC only), Singapore (PMI only), Sweden (CC only), Switzerland, Taiwan Province of China, United Kingdom, United States.

²Argentina (CC only), Brazil, China, Colombia (CC only), Hungary, India (PMI only), Indonesia, Latvia (CC only), Malaysia (PMI only), Mexico (PMI only), Philippines (CC only), Poland, Russia, South Africa, Thailand (CC only), Turkey, Ukraine (CC only).

“In Egypt, growth was 4.1 percent in fiscal year 2017 according to preliminary estimates, and is forecast to reach 4.5 percent in 2018, supported by reforms aimed at correcting fiscal and external imbalances, restoring competitiveness, and creating jobs.”

Source: WEO October 2017

[Read the full report](#)

Disclaimer

The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.



Our Economy and The World

The Weekly Report

Recent Developments in Financial and Commodity Markets

[World Economic Forum: Dubai has its very own official cryptocurrency](#)

The government of the city of Dubai launched their own blockchain-based cryptocurrency last week. The city's economy department partnered with one of its subsidiaries called Emcredit Limited and U.K.-based Object Tech Group, Ltd. to create emCash. This new "encrypted digital currency" is a product of partnerships Dubai has cultivated through their Accelerators Initiative and brought under the umbrella of the Dubai Economy Accelerators. "A digital currency has varied advantages – faster processing, improved delivery time, less complexity and cost, to name a few," Dubai Economy deputy director general Ali Ibrahim said in a press statement. "It will change the way people live and do business in Dubai, and mark a giant leap for the city in harnessing game-changing innovations to improve ease of business and quality of life."

[Read the full article](#)

[Bloomberg: Nobel economist Thaler says he's nervous about stock market](#)

A buoyant and complacent stock market is worrying Richard H. Thaler, the University of Chicago professor who this week won the Nobel Prize in economics. "We seem to be living in the riskiest moment of our lives, and yet the stock market seems to be napping," Thaler said, speaking by phone on Bloomberg TV. "I admit to not understanding it." The S&P 500 index has been reaching repeated records since President Donald Trump's election last November amid steady growth in the U.S. economy and labor market, as well as expectations for lower taxes, though policy action in Washington has been limited. Thaler, who has made a career of studying irrational and temptation-driven actions among economic actors and won the Nobel for such contributions to behavioral economics, expressed misgivings about the low volatility and continued optimism among investors.

[Read the full article](#)

[Bloomberg: OPEC says extraordinary steps needed for stable market in 2018](#)

Oil producers are succeeding in re-balancing an oversupplied market, though they may need to take further steps to sustain the recovery into 2018, OPEC Secretary-General Mohammad Barkindo said. Saudi Arabia and Russia are currently leading consultations between the Organization of Petroleum Exporting Countries and other major suppliers about the future of their agreement to cut oil output, Barkindo said Sunday in New Delhi. The pact expires in March, and oil producers are debating whether to extend it later into the year.

[Read the full article](#)

Disclaimer

The content of this report is directly obtained from the sources indicated without an addition from the Egyptian Center for Economic Studies (ECES). ECES is not responsible for any legal or investment consequences as a result of using the information contained in this report. Any errors that may have occurred are accidental and unintentional.