



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: IMF Fiscal Monitor - Tackling Inequality, October 2017](#)
- [Recent Developments in Financial and Commodity Markets](#)

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Our Economy and The World

The Weekly Report

Key Global and Regional Developments over the Past Week

Bloomberg: How Saudi Arabia is building its \$2 trillion fund

Saudi Arabia is stepping up plans to turn its sovereign wealth fund into a global giant. This week, it's holding a coming-out party of sorts for the Public Investment Fund, which is central to the government's effort to diversify the economy away from oil, under a plan known as Vision 2030. The Saudis are hosting the titans of investing and finance at a summit that aims to raise the profile of the PIF, which could eventually control more than \$2 trillion, according to Crown Prince Mohammed bin Salman. That explains why many eyes will be on -- and private jets winging toward -- the Saudi capital.

Biggest Wealth Fund

Transferring Saudi Aramco to the PIF will make it the world's biggest sovereign wealth fund



Sources: SWF Institute, Bloomberg
PIF assets will depend on valuation of Aramco once ownership is transferred to the fund



[Read the full article](#)

Reuters: UK businesses urge government to reach Brexit transition deal

The British government must act urgently to secure a Brexit transition deal or risk losing jobs and investment in the country, business leaders representing millions of workers are due to warn. In a draft letter due to be sent to Brexit minister David Davis, Britain's five leading business organizations said a deal to provide a status quo transition was needed as soon as possible, as companies prepare to make their investment decisions in early 2018.

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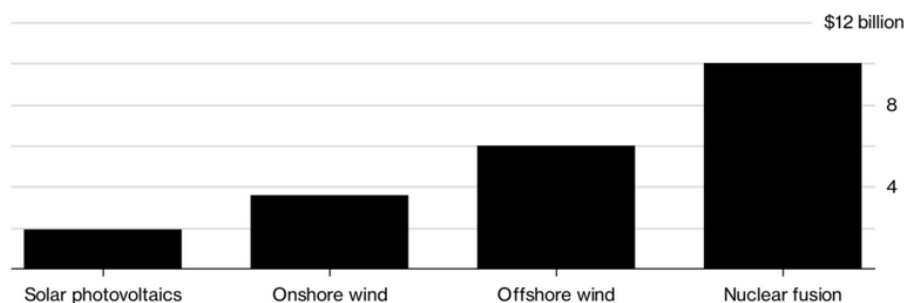
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Bloomberg: Renewable energy threatens the world's biggest science project

Inside the \$24 billion long bet on fusion power in France. The world's biggest scientific experiment is on course to become the most expensive source of surplus power. Components of the 20 billion-euro (\$24 billion) project are already starting to pile up at a construction site in the south of France, where about 800 scientists plan to test whether they can harness the power that makes stars shine. Assembly of the machine will start in May. Unlike traditional nuclear plants that split atoms, the so-called ITER reactor will fuse them together at temperatures 10-times hotter than the Sun — 150 million degrees Celsius (270 million Fahrenheit).

Pricy Fusion

The cost of a 2-gigawatt power plant from each technology



Note: Renewables estimates are global averages in 2017, fusion estimate is for 2100
Sources: ITER estimates for commercial fusion plant, Bloomberg New Energy Finance

Bloomberg

[Read the full article](#)

Reuters: Tesla reaffirms effort to build cars in China; mum on deal report

Electric car maker Tesla Inc ([TSLA.O](#)) reaffirmed on Sunday it is talking with the Shanghai municipal government to set up a factory in the region and expects to agree on a plan by the end of the year, but declined to comment on a report that a deal has been reached. China levies a 25 percent duty on sales of imported vehicles and has not allowed foreign automakers to establish wholly owned factories in the country, the world's largest auto market. Those are problems for Tesla, which wants to expand its presence in China's growing electric vehicle market without compromising its independence or intellectual property.

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Reuters: Saudi Arabia seeks new economy with \$500 billion business zone with Jordan, Egypt

Saudi Arabia, seeking to free itself from dependence on oil exports, announced on Tuesday a \$500 billion (£380.5 billion) plan to build a business and industrial zone extending into Jordan and Egypt. The 26,500 square km (10,230 square mile) zone, known as NEOM, to be powered entirely by renewable energy, will focus on industries including energy and water, biotechnology, food, advanced manufacturing and entertainment, Saudi Crown Prince Mohammed bin Salman said.

[Read the full article](#)

“Our vision: Saudi Arabia .. the heart of the Arab and Islamic worlds, the investment powerhouse, and the hub connecting three continents.” Kingdom of Saudi Arabia - Vision 2030

*<http://vision2030.gov.sa/en>

DEVELOPMENT

NEOM will start now. This interactive map will show all the latest developments as they happen. Literally, a new kind of tomorrow in the making. Please keep on visiting us and witness the realization of our ambitious dream.



Screenshot from <http://discoverneom.com/>

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Special Analysis: IMF Fiscal Monitor— Tackling Inequality, October 2017

Rising inequality and slow economic growth in many countries have focused attention on policies to support inclusive growth. While some inequality is inevitable in a market based economic system, excessive inequality can erode social cohesion, lead to political polarization, and ultimately lower economic growth. This Fiscal Monitor discusses how fiscal policies can help achieve redistributive objectives. It focuses on three salient policy debates: tax rates at the top of the income distribution, the introduction of a universal basic income, and the role of public spending on education and health.

Inequality, Growth, and Fiscal Redistribution

Global inequality—measured across all citizens of the world by abstracting from national borders—has been declining in recent decades, reflecting strong income growth in some large emerging market economies such as China and India. However, the picture of inequality within countries is mixed: while income inequality has increased in most advanced economies, trends in other economic groups have been more varied. In fact, inequality has declined in almost half the countries for which data are available. The forces underlying rising inequality also vary across time and regions. A key source has been technological change favoring higher skills.

Economic growth is fundamental. In many countries, growth has ensured that increases in inequality are compatible with improving living standards for households across all deciles of the income distribution, although there are significant differences across countries regarding the extent to which growth has been inclusive. This diversity of experiences and empirical analysis suggest that there is no systematic adverse trade-off between increasing growth and decreasing inequality. A substantial share of the differences in inequality across economic groups and over time can be attributed to differences in redistributive fiscal policies. In advanced economies, direct taxes and transfers reduce income inequality on average by about one-third, with three-quarters of this reduction achieved through transfers. In developing economies, fiscal redistribution is much more limited, reflecting lower and less progressive taxation and spending and greater reliance on regressive indirect taxes.

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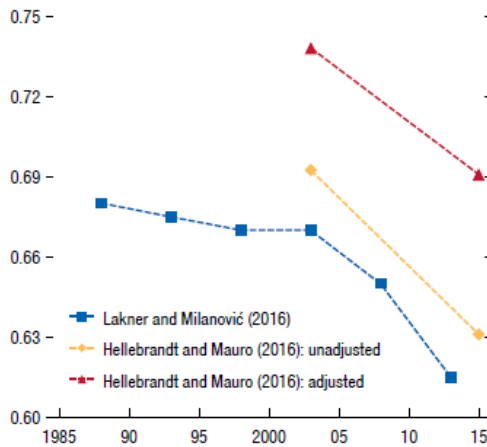
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Progressivity of Income Taxes and Transfers

Progressive taxation and transfers are key components of efficient fiscal redistribution. At the top of the income distribution, marginal income tax rates that increase with income levels can achieve greater progressivity. While various instruments can enhance progressivity at the bottom of the income distribution, this Fiscal Monitor focuses on the universal basic income (UBI)—an identical transfer to the entire population—a proposal that has been widely debated recently and is being tested in several countries. Overall, the appropriate combination of progressive tax and transfer instruments should reflect country-specific circumstances, including administrative capacity, the performance of the existing safety net, underlying fiscal pressures, and social preferences.

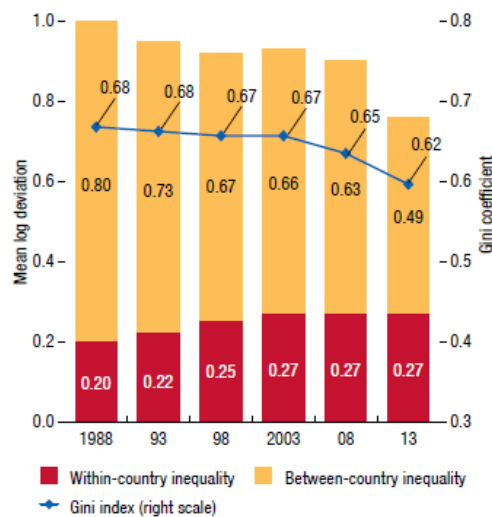
Figure 1.1. Global Income Inequality: Gini Coefficient, 1988–2015



Sources: Hellebrandt and Mauro 2016; Lakner and Milanović 2016; and World Bank 2016.

Note: "Adjusted" refers to adjustment carried out by Hellebrandt and Mauro (2016), which increases self-employment income and income from top earners to reconcile differences between income and consumption data from household surveys and mean values from national accounts.

Figure 1.2. Decomposition of Global Income Inequality, 1988–2013



Sources: Lakner and Milanović 2016; Milanović 2016; and World Bank 2016.

Note: Bar height indicates level of global inequality as measured by mean log deviation. Red bars show corresponding level of population-weighted inequality within countries; yellow bars show level of between-country inequality, which captures differences in average income across countries.

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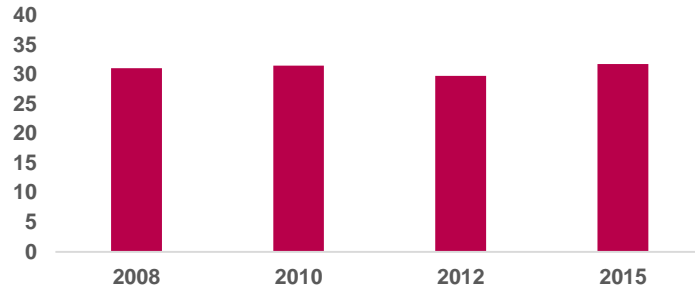
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Egypt's GINI index* (World Bank estimate)



Source: World Bank, World Development indicators

*The World Bank definition of Gini Index: Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.

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Recent Developments in Financial and Commodity Markets

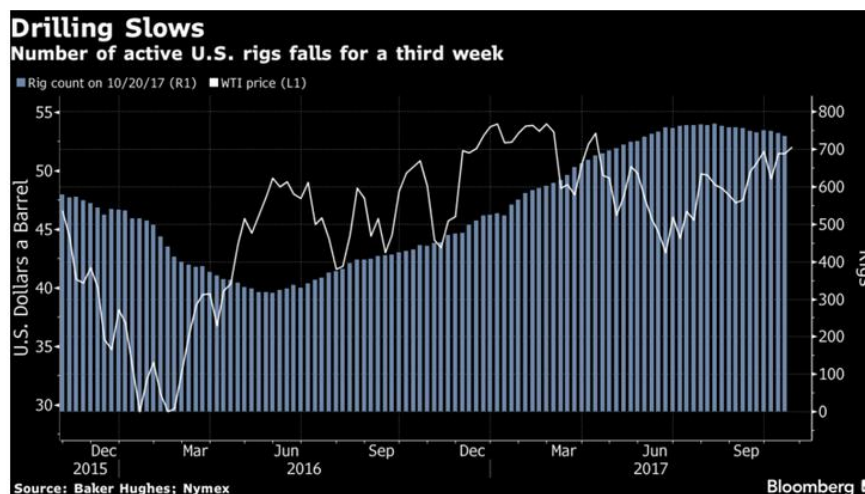
[Bloomberg: Jewel in Dubai's property crown set to end U.A.E.'s IPO drought](#)

The company that helped build entire neighborhoods in Dubai plans to sell part of its business in the United Arab Emirates in an initial public offering. Emaar Properties PJSC, which spearheaded a building boom in the emirate over the past 15 years and built the world's tallest skyscraper in Dubai, will sell 20 percent of its real-estate development business, according to emailed statement on Sunday. Emaar Development is targeting the distribution of aggregate dividends of no less than \$1.7 billion, to be paid over the next three financial years ending Dec. 2020.

[Read the full article](#)

[Bloomberg: Oil extends gains as OPEC says all options open on re-balancing](#)

Oil extended gains as OPEC and its allies reiterated that all options are open to re-balance the market. December futures increased as much as 0.8 percent in New York. OPEC and its partners including Russia achieved a record-high level of compliance to output cuts during September, according to a statement Saturday from the committee responsible for monitoring the agreement. In the U.S., drillers reduced the rig count a third week to the lowest since June, according to Baker Hughes.



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