



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:
  - A. World Bank - Doing Business Report 2018
  - B. World Bank - Uncharted waters: the new economics of water scarcity and variability
- 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: Here are the stocks and ETF to watch after Saudi arrests

A procession of shocking news out of Saudi Arabia, including the arrests of dozens of high-profile nationals, sparked two whipsaw sessions in the country's stock market, which has rallied almost 3 percent from its intraday lows on Sunday. The volatility may carry over to other equities. BlackRock's iShares MSCI Saudi Arabia Capped ETF, ticker is KSA, is the sole U.S.-listed exchange-traded fund that aims to track an index of stocks from that country, such as the top-weighted chemicals company Saudi Basic Industries. While the ETF may see interest in Monday's trading, it's small, with assets of just \$17.6 million. An average of about 10,600 shares have traded daily in the security this year, compared with 69.6 million in the SPDR S&P 500 ETF. Most of the potential stock movers are directly related to investments by billionaire Prince Alwaleed bin Talal, who was among the arrested.

[Read the full article](#)

- Not only the Saudi stock market but also investments and oil prices may be affected by the recent arrests
- According to the Central Bank of Egypt (CBE), Saudi Arabia's foreign direct investment in Egypt in 2016/17\* is \$343.7 Mn.
- According to CBE, Egypt's volume of trade with Saudi Arabia is \$3,910.6 Mn in 2016/17\*

\*Provisional.

### Bloomberg: Powell brings continuity and experience

President Donald Trump's choice of Jerome Powell to lead the Federal Reserve is a very wise decision that will be welcomed by markets. It brings a highly respected, well-informed and experienced professional to the helm of the world's most powerful central bank. And while Fed policy is essentially on automatic pilot for the next few months, Powell's Senate confirmation would need to be followed by a rounding out of the Fed's leadership, including the nomination of a vice chair after the departure of Stanley Fischer, to ensure that the institution continues to function well at the intersection of economics, finance, policy and market technicals, both domestically and around the world.

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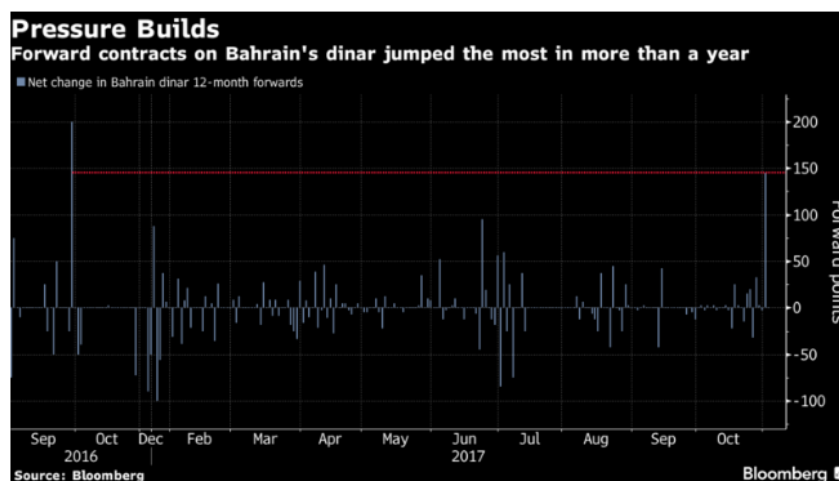


## Our Economy and The World

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#### **Bloomberg: Even the smallest gulf economy is too big to fail**

Its economy is 5 percent the size of Saudi Arabia's, but analysts are betting the kingdom won't let its neighbor's financial woes morph into a Gulf crisis. Bahrain, one of the most vulnerable economies in the Gulf Cooperation Council to political instability and oil-price swings, sought financial support from Saudi Arabia and the United Arab Emirates to replenish its foreign reserves and avert a currency devaluation, according to two people with knowledge of the issue. A third person said Kuwait was also approached.



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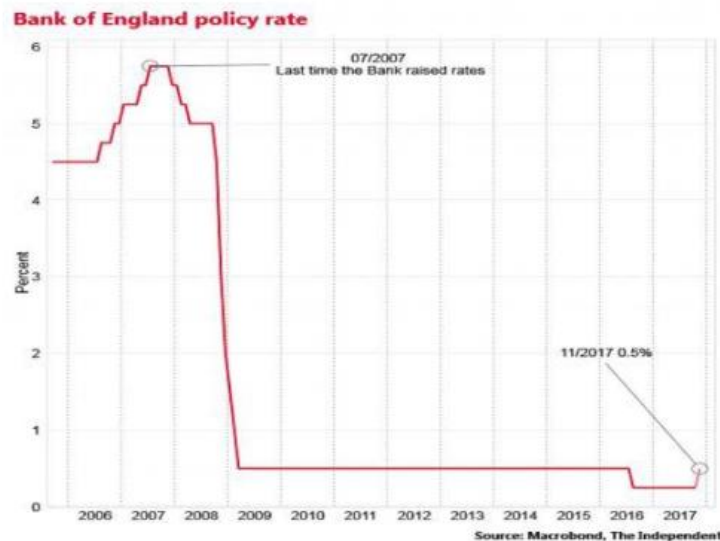


## Our Economy and The World

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#### Independent: UK interest rates: Bank of England shrugs off Brexit nerves to launch first hike in over a decade

Interest rates have been hiked by the Bank of England for the first time in more than a decade, even as wages are growing weakly and the country faces the growing threat of a disastrous 'no deal' Brexit in March 2019. The Bank's Governor, Mark Carney, has also strongly signalled that at least a further two rate rises will be needed by 2020, something that will concern millions of Britons with floating-rate mortgages. The Bank's nine-person Monetary Policy Committee voted by a margin of 7 to 2 to increase rates from their historic low of 0.25 per cent to 0.5 per cent.



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# Our Economy and The World

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## Special Analysis

### A. World Bank - Doing Business Report 2018

#### Which economies improved the most in *DOING BUSINESS* 2018?

Doing Business 2018 captures 264 business regulation reforms across the 10 measured indicator sets. As in previous years, Sub-Saharan Africa is the region with the highest number of reforms (83 in total), followed by East Asia and the Pacific (45) and Europe and Central Asia (44). The regions with the highest share of reforming economies are Europe and Central Asia (79%), South Asia (75%) and Sub-Saharan Africa (79%), while the OECD high-income group has the lowest share (46%). The indicator sets for starting a business and getting credit record the highest number of reforms (38 each) in 2016/17. They are closely followed by the trading across borders indicator set with 33 reforms. The least-reformed areas as captured by Doing Business continue to be the indicators with a legal focus—for example, resolving insolvency (13 reforms) and enforcing contracts (20). Legal reforms are typically slow to advance, mainly because they require long-term political commitments, substantial resources and close collaboration between multiple regulatory agencies and rulemaking institutions.

EGYPT, ARAB REP.		Middle East & North Africa		GNI per capita (US\$)	
Ease of doing business rank (1–190)		Overall distance to frontier (DTF) score (0–100)		Population	
				3,460	
				95,688,681	
<b>Starting a business</b> (rank)		<b>Getting credit</b> (rank)		<b>Trading across borders</b> (rank)	
DTF score for starting a business (0–100)		DTF score for getting credit (0–100)		DTF score for trading across borders (0–100)	
Procedures (number)		Strength of legal rights index (0–12)		Time to export	
Time (days)		Depth of credit information index (0–8)		Documentary compliance (hours)	
Cost (% of income per capita)		Credit bureau coverage (% of adults)		Border compliance (hours)	
Minimum capital (% of income per capita)		Credit registry coverage (% of adults)		Cost to export	
				Documentary compliance (US\$)	
<b>Dealing with construction permits</b> (rank)		<b>Protecting minority investors</b> (rank)		Border compliance (US\$)	
DTF score for dealing with construction permits (0–100)		DTF score for protecting minority investors (0–100)		Time to import	
Procedures (number)		Extent of disclosure index (0–10)		Documentary compliance (hours)	
Time (days)		Extent of director liability index (0–10)		Border compliance (hours)	
Cost (% of warehouse value)		Ease of shareholder suits index (0–10)		Cost to import	
Building quality control index (0–15)		Extent of shareholder rights index (0–10)		Documentary compliance (US\$)	
		Extent of ownership and control index (0–10)		Border compliance (US\$)	
		Extent of corporate transparency index (0–10)			
<b>Getting electricity</b> (rank)		<b>Paying taxes</b> (rank)		<b>Enforcing contracts</b> (rank)	
DTF score for getting electricity (0–100)		DTF score for paying taxes (0–100)		DTF score for enforcing contracts (0–100)	
Procedures (number)		Payments (number per year)		Time (days)	
Time (days)		Time (hours per year)		Cost (% of claim)	
Cost (% of income per capita)		Total tax and contribution rate (% of profit)		Quality of judicial processes index (0–18)	
Reliability of supply and transparency of tariffs index (0–8)		Postfiling index (0–100)			
<b>Registering property</b> (rank)				<b>Resolving insolvency</b> (rank)	
DTF score for registering property (0–100)				DTF score for resolving insolvency (0–100)	
Procedures (number)				Time (years)	
Time (days)				Cost (% of estate)	
Cost (% of property value)				Recovery rate (cents on the dollar)	
Quality of land administration index (0–30)				Strength of insolvency framework index (0–16)	

Note: Most indicator sets refer to a case scenario in the largest business city of an economy, though for 11 economies the data are a population-weighted average for the two largest business cities. For some indicators a result of "no practice" may be recorded for an economy; see the data notes for more details. In starting a business, procedures (number), time (days) and cost (% of income per capita) are calculated as the average of both men and women. For the postfiling index, a result of "not applicable" may be recorded for an economy.

### Read the full report

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EGYPT, ARAB REP.		Middle East & North Africa		GNI per capita (US\$)	
Ease of doing business rank (1–190)		Overall distance to frontier (DTF) score (0–100)		Population	
				3,340	
				91,508,084	
<b>Starting a business</b> (rank)		<b>Getting credit</b> (rank)		<b>Trading across borders</b> (rank)	
DTF score for starting a business (0–100)		DTF score for getting credit (0–100)		DTF score for trading across borders (0–100)	
Procedures (number)		Strength of legal rights index (0–12)		Time to export	
Time (days)		Depth of credit information index (0–8)		Documentary compliance (hours)	
Cost (% of income per capita)		Credit bureau coverage (% of adults)		Border compliance (hours)	
Minimum capital (% of income per capita)		Credit registry coverage (% of adults)		Cost to export	
				Documentary compliance (US\$)	
<b>Dealing with construction permits</b> (rank)		<b>Protecting minority investors</b> (rank)		Border compliance (US\$)	
DTF score for dealing with construction permits (0–100)		DTF score for protecting minority investors (0–100)		Time to import	
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Time (days)		Extent of director liability index (0–10)		Border compliance (hours)	
Cost (% of warehouse value)		Ease of shareholder suits index (0–10)		Cost to import	
Building quality control index (0–15)		Extent of shareholder rights index (0–10)		Documentary compliance (US\$)	
		Extent of ownership and control index (0–10)		Border compliance (US\$)	
		Extent of corporate transparency index (0–10)			
<b>Getting electricity</b> (rank)		<b>Paying taxes</b> (rank)		<b>Enforcing contracts</b> (rank)	
DTF score for getting electricity (0–100)		DTF score for paying taxes (0–100)		DTF score for enforcing contracts (0–100)	
Procedures (number)		Payments (number per year)		Time (days)	
Time (days)		Time (hours per year)		Cost (% of claim)	
Cost (% of income per capita)		Total tax rate (% of profit)		Quality of judicial processes index (0–18)	
Reliability of supply and transparency of tariffs index (0–8)		Postfiling index (0–100)			
				<b>Resolving insolvency</b> (rank)	
<b>Registering property</b> (rank)				DTF score for resolving insolvency (0–100)	
DTF score for registering property (0–100)				Time (years)	
Procedures (number)				Cost (% of estate)	
Time (days)				Recovery rate (cents on the dollar)	
Cost (% of property value)				Strength of insolvency framework index (0–16)	
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Note: Most indicator sets refer to a case scenario in the largest business city of an economy, though for 11 economies the data are a population-weighted average for the two largest business cities. For some indicators a result of "no practice" may be recorded for an economy; see the data notes for more details. In starting a business, procedures (number), time (days) and cost (% of income per capita) are calculated as the average of both men and women. For the postfiling index, a result of "not applicable" may be recorded for an economy.

Source: World Bank, *Doing Business Report 2017*

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#### **B. World Bank - *Uncharted waters: the new economics of water scarcity***

When the rains withered and the forests turned into parched savannahs, the earliest humans drifted out of Africa in their quest for water. Farms, settlements, and eventually cities clustered along riverbanks and gave rise to great civilizations. Now, as then, economic activity remains tied to water availability. But this relationship will undergo unprecedented pressures, as the 21st century witnesses the collision of two powerful forces—burgeoning population growth, together with a changing climate. With population growth, water scarcity will proliferate to new areas across the globe. And with climate change, rainfall will become more fickle, with longer and deeper periods of droughts and deluges.

Erratic rains weigh heavily on communities and economies. Floods are so powerful a metaphor of the human experience that nearly every civilization— from classical antiquity, to the Abrahamic religions, to ancient Mesopotamia—tells of a deluge epic that changed the world. Although it is debated whether these myths have a basis in historical events, extreme weather events still reshape societies and permanently mark the lives of those who experience them. Over the past two decades, extreme rainfall events have affected about 300 million people on average every year. With climate change, such extreme episodes of rainfall are expected to increase in frequency. Adapting to changing trends in rainfall, although difficult in its own right, is a gradual and predictable process. Knowing how to address unpredictable rainfall shocks, of uncertain frequency and unknowable magnitude, presents an additional challenge brought by climate change.

Whereas floods are spectacular weather events that cause sensational damage, droughts are misery in slow motion with impacts that are deeper and longer lasting than previously believed. Although over- flowing riverbanks and storm surges certainly pose major economic threats, this book demonstrates that the impacts of water scarcity and drought may be even greater, causing long-term harm in ways that are poorly understood and inadequately documented. Droughts can have health impacts, hamper firm productivity, accelerate the destruction of forests, and compromise agricultural systems.

This book presents new evidence to advance understanding on how rainfall shocks coupled with water scarcity impact farms, firms, and families. On farms, the largest consumers of water in the world, impacts are channeled from declining yields to changing landscapes. In cities, water extremes, especially when combined with unreliable infrastructure, can stall firm production, sales, and revenue. At the center of this are families, who feel the effects of this uncertainty on their incomes, jobs, and long-term health and welfare (figure 1).

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FIGURE 1 Some Results at a Glance

### UNCHARTED WATERS

With population growth the **demand for water is accelerating** and with climate change **rainfall has become more erratic**

**Rainfall shocks** affect about **25%** of humanity each year

**Impacts ripple** across farms, firms, and families



#### FARMS

Dry shocks reduce yields and cause annual losses that could feed 81 million people, the population of Germany. Dry shocks push farmers to expand agriculture into forests, worsening climate change and threatening water supplies



#### FIRMS

For firms and cities, the cost of dry shocks are four times greater than wet shocks. Without sufficient water, economies slow down with impacts on health, labor incomes, and firm sales



#### FAMILIES

A dry shock in infancy can become destiny, with lasting effects on health and wealth, trapping subsequent generations in poverty and malnutrition

**Dry shocks are misery in slow motion**

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## Our Economy and The World

### The Weekly Report

# Recent Developments in Financial and Commodity Markets

### Financial Times: Brent oil holds highest level since July 2015

Brent crude is holding above a more than two-year high of \$59 a barrel, lifted by fast-growing demand and a threat to Iraqi Kurdistan's crude exports as the autonomous region holds a referendum on independence. The international oil benchmark was at \$59.04 a barrel in early London trading on Tuesday after a steep rise on Monday propelled it to its highest point since July 2015. Brent has gained more than 30 per cent since June as global stockpiles have tightened, with demand in industrialised countries expanding alongside emerging markets for the first time in almost a decade.



[Read the full article](#)

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