



المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies



Our Economy and The World

The Weekly Report

Issue: 80 Date: 26th November 2017

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

- [Key Global and Regional Developments over the Past Week](#)
- [Special Analysis: World Bank - International Debt Statistics 2018](#)
- [Recent Developments in Financial and Commodity Markets](#)

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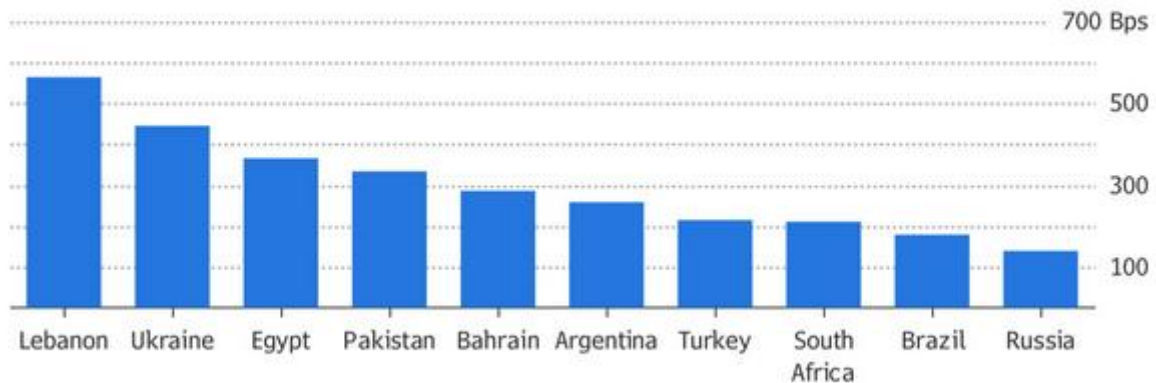
Key Global and Regional Developments over the Past Week

Bloomberg: Wall Street is watching these hotspots after Venezuela default

After Venezuela was declared in default by credit-rating companies this week, emerging-market money managers are looking to identify countries that might run into trouble down the road. None are nearly as badly off as Venezuela, where a combination of low oil prices, economic mismanagement and U.S. sanctions did the country in. It's worth noting that of the riskiest nations, four -- Lebanon, Egypt, Pakistan and Bahrain -- haven't recorded a default event since their independence.

Who's Next?

Widest credit-default swap spreads after Venezuela include Lebanon, Ukraine and Egypt



Source: Bloomberg

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Reuters: Big insurers welcome regulators' rethink of sector risk

Global regulators are rethinking how to assess risks in big insurance companies, marking a shift that could make life easier for the industry. The Financial Stability Board said on Tuesday it could take a different approach to assessing risk which would change the way it compiles a list of “systemically” important insurers that must comply with tough rules to cushion them against losses. Reuters reported the rethink earlier this month, marking a victory for insurers following pressure from the U.S. Treasury. The FSB, which coordinates financial rules across the Group of 20 (G20) economies, first created its list of globally systemic insurers in 2013 and updates it each November.

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Reuters: Saudi billionaires look for ways to protect assets from any government purge

Wealthy Saudis are seeking to restructure their businesses to ring fence assets in case authorities widen their declared crackdown on corruption, according to three people with knowledge of the matter. Several family groups and businessmen who aren't implicated in the purge are talking to local banks and international law firms about how to structure their companies to make it harder for the kingdom to confiscate or seize assets, the people said, asking not to be identified because the discussions are private.

[Read the full article](#)

Reuters: China to step up property market regulation to avoid bubble risk

China will step up financial regulation and crack down on speculation in the property market to stabilize prices and fend off bubble risks, state television CCTV reported on Tuesday, signaling renewed efforts to rein in risks from a rapid build-up in debt in the economy. The remarks from regulators at the People's Bank of China (PBOC), the Ministry of Housing and Urban-Rural Development (MHURD) and the Ministry of Land and Resources (MLR) during a joint work meeting in central China's Wuhan laid out short-term tasks to be achieved in real estate, CCTV said.

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Special Analysis

World Bank – International Debt Statistics 2018

The main messages from International Debt Statistics 2018 are:

- Net financial (debt and equity) flows to low- and middle-income countries rebounded in 2016. Net financial inflows rose to \$773 billion, a more than threefold increase over their 2015 level but still down markedly from the comparable figure for 2012–2014. Renewed net long-term debt inflows (loan disbursements minus principal payments), which climbed to \$264 billion, and a reversal in short-term debt flows, drove the rebound and offset a 6 percent fall in net equity inflows.
- External debt stocks rose moderately (4.1 percent) in 2016 but external debt ratios are on a deteriorating trajectory. Although the average ratio of 2016 external debt-to-GNI and to export earnings for low- and middle-income countries remains moderate, 26 percent and 107 percent, respectively, there is wide divergence: 25 percent of low- and middle-income countries had a ratio of external debt-to-GNI above 60 percent at end 2016 and in 44 percent of countries the debt-to exports ratio surpassed 150 percent.
- The rebound in net debt inflows to low- and middle-income countries in 2016 did not extend to IDA-only countries. Net debt inflows to IDA only countries fell 34 percent in 2016 to \$17.6 billion, their lowest level since 2011, driven by a downturn in inflows from bilateral creditors, stagnating multilateral inflows, and a collapse in inflows from private creditors.
- New loan commitments from bilateral creditors more than doubled in 2016 to \$84 billion. The surge in new bilateral loan commitments was driven by financing from other low- and middle-income countries, primarily the BRICs and notably China in the context of the ‘One Belt One Road’ initiative, launched in 2013, to build an integrated international economic corridor.
- FDI contracted for the first time in seven years. Traditionally, the least volatile of external financial flows to low- and middle-income countries Foreign Direct Investment (FDI) proved not to be immune to adverse developments in the global economy. It fell 10 percent in 2016 to \$481 billion, a level not seen since 2009.

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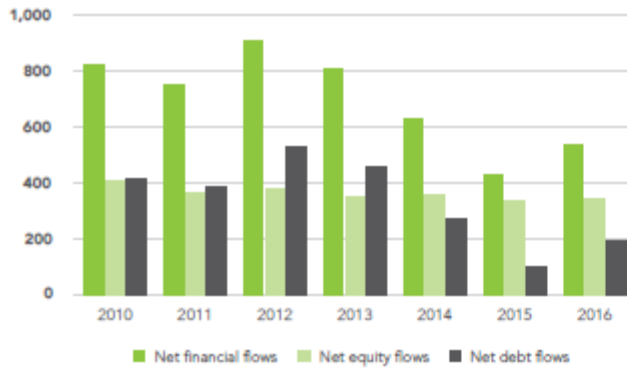
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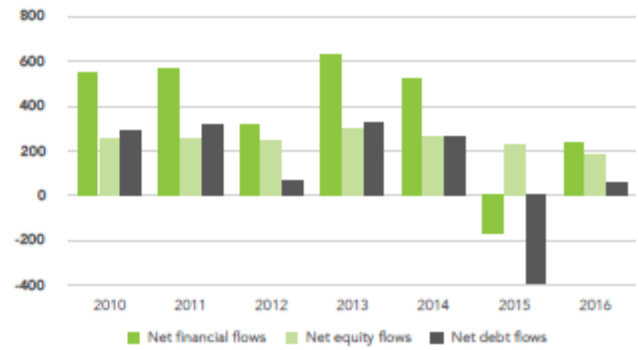
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Figure O.1 Net Financial Flows to Low- and Middle-Income Countries, excluding China, 2010–2016
\$ billion



Sources: World Bank Debtor Reporting System, International Monetary Fund, and Bank for International Settlements.

Figure O.2 Net Financial Flows to China, 2010–2016
\$ billion



Sources: World Bank Debtor Reporting System, International Monetary Fund, and Bank for International Settlements.

External debt (% of GDP) reached 33.6% (US\$ 79 Bn) in June 2017 from 16.6% (US\$ 55.8 Bn) in June 2016

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Recent Developments in Financial and Commodity Markets

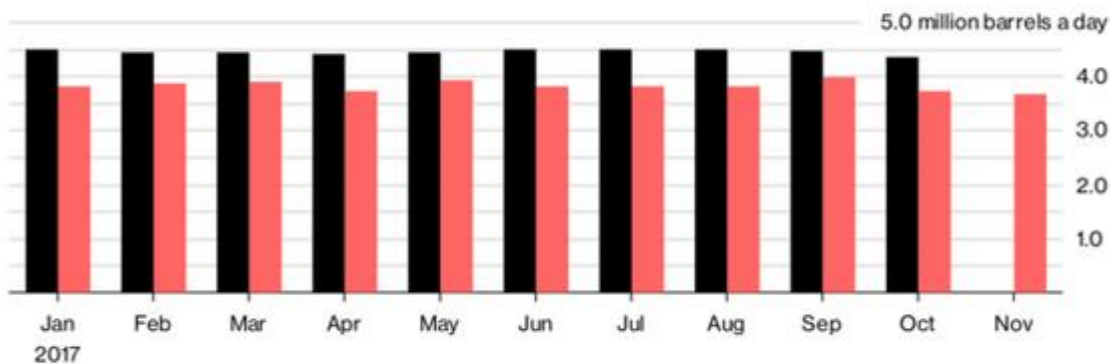
Bloomberg: Iraq is giving OPEC a headache

OPEC has an Iraq problem: the group's second-biggest exporter is lurching between quota busting and production-crimping crisis, clouding the policy-making picture as ministers decide how long they need to extend output curbs. After consistently exceeding its output quota all year, Iraqi production plunged in October when clashes between the federal army and fighters from the semi-autonomous Kurdish region disrupted fields in the disputed Kirkuk province. While the conflict has calmed, exports from Iraq's northern fields remained 40 percent lower in the first half of November than before the fighting, tanker tracking data show.

Iraq Oil Slips

Output and sales are declining as dispute over northern regions disrupts fields

■ Production ■ Exports



Note: November export data is for first half of month; production figures not available
Source: Data compiled by Bloomberg and tanker tracking

Bloomberg

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Reuters: Bitcoin hits record high after smashing through \$8,000 for first time

Bitcoin hit a new record high on Monday after smashing through the \$8,000 (£6,043.6) level for the first time over the weekend, marking an almost 50 percent climb in just eight days. The new high came after leading U.S. payments company Square Inc said late last week that it had started allowing select customers to buy and sell bitcoins on its Cash app. Bitcoin traded as high as \$8,197.81 on the Luxembourg-based Bitstamp exchange, up over 2 percent on the day and around 48 percent up since dipping to \$5,555 on Nov. 12.

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