



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: UNIDO - Industrial Development Report 2018](#)
- [Recent Developments in Financial and Commodity Markets](#)

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Key Global and Regional Developments over the Past Week

World Bank: World Bank approves US\$1.5 billion loan to Egypt to boost economy, create jobs

The World Bank's Board of Executive Directors today approved US\$1.15 billion in a development policy financing loan to support Egypt's economic reform program. This loan is the last in the series of three annual loans—called the Fiscal Consolidation, Sustainable Energy, and Competitiveness Development Policy Financing loans - worth a total of US\$3.15 billion. These loans were provided over 2015 to 2017. [Read the full article](#)

Bloomberg: Greece just witnessed something it hasn't seen since 2006

Greece's economy expanded for a third straight quarter for the first time in more than a decade, providing a foundation for the country's attempts to exit its bailout program next year. Gross domestic product grew 0.3 percent in the three months through September after expanding a revised 0.8 percent in the previous quarter, the Hellenic Statistical Authority said in a statement on Monday. From a year earlier, GDP grew 1.3 percent.



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Reuters: China says 2018 growth target to reflect new changes in economy

China's economic growth target for 2018 will reflect new changes in the economy as the government put more emphasis on higher quality development, the State Council Information Office said on Monday. The government will set its key targets for 2018 "after earnestly studying new performance, new situations and new problems", the office, the government's public relations arm, said in a statement in response to Reuters' requests for comment on a source-based story.

[Read the full article](#)

Bloomberg: Canada, China fail to reach agreement on starting trade talks

Canada and China stopped short of launching free trade negotiations, agreeing instead to extend exploratory talks toward a deal. Prime Minister Justin Trudeau and Premier Li Keqiang canceled a joint press conference Monday, with each leader making a brief statement instead in which they pledged cooperation on climate change and clean growth. The two countries had been expected to kick off formal talks toward a free trade agreement, though officials had said right up until the last minute no decision had been made.

[Read the full article](#)

Reuters: Uber joins forces with global public transport association

Ride-hailing app Uber [UBER.UL] said on Monday it was joining a global public transport association to improve mobility in the cities it operates in. Uber also said it was joining the International Association of Public Transportation (UITP) to connect more people to public transport. Andrew Salzberg, Uber's head of transportation policy and research, said aligning the company with public transport authorities was a good way to make Uber a better partner for cities.

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Special Analysis: UNIDO – Industrial Development Report 2018

Key messages

Spinning the “virtuous circle”

Industrial development has typically been studied from a supply-side perspective, ignoring the importance of demand. The initiation of industrial development, however, requires a critical mass of demand for manufactures. With the right set of conditions, the consumption of manufactures can set in motion a virtuous circle of industrial development comprising income creation, demand diversification and massification of consumption (Figure 1).

Initially, as income grows, demand shifts from necessities to more sophisticated goods. If enough industrial capabilities are in place, this diversification can be a powerful driver of industrial development through the emergence of new industries. The expansion and consolidation of manufacturing industries, in turn, lead to increases in production efficiency and reduction in prices, which enable a broad-based diffusion of manufactures through mass markets. Further increases in production efficiency improve the purchasing power of all consumers, which create new disposable incomes—and keep the circle turning. Around this circle, industries emerge and disappear, and new sources of income are created for consumers, workers and entrepreneurs.

Capturing income from domestic and foreign demand

For the virtuous circle to work, a critical mass of income needs to be generated within individual economies—and this income should be well distributed. Gains going to the top 1 percent will not keep the circle virtuous. In a globalized economy the income generated depends on who serves the final demand for manufactures and how. To benefit from the circle, countries need to capture income from both domestic and foreign demand. Another critical mass—of industrial capabilities— needs to be reached so that domestic producers can serve increasingly sophisticated demand from consumers, nationally and globally. The upshot? Prices for new varieties of manufactures decline as production efficiency increases.

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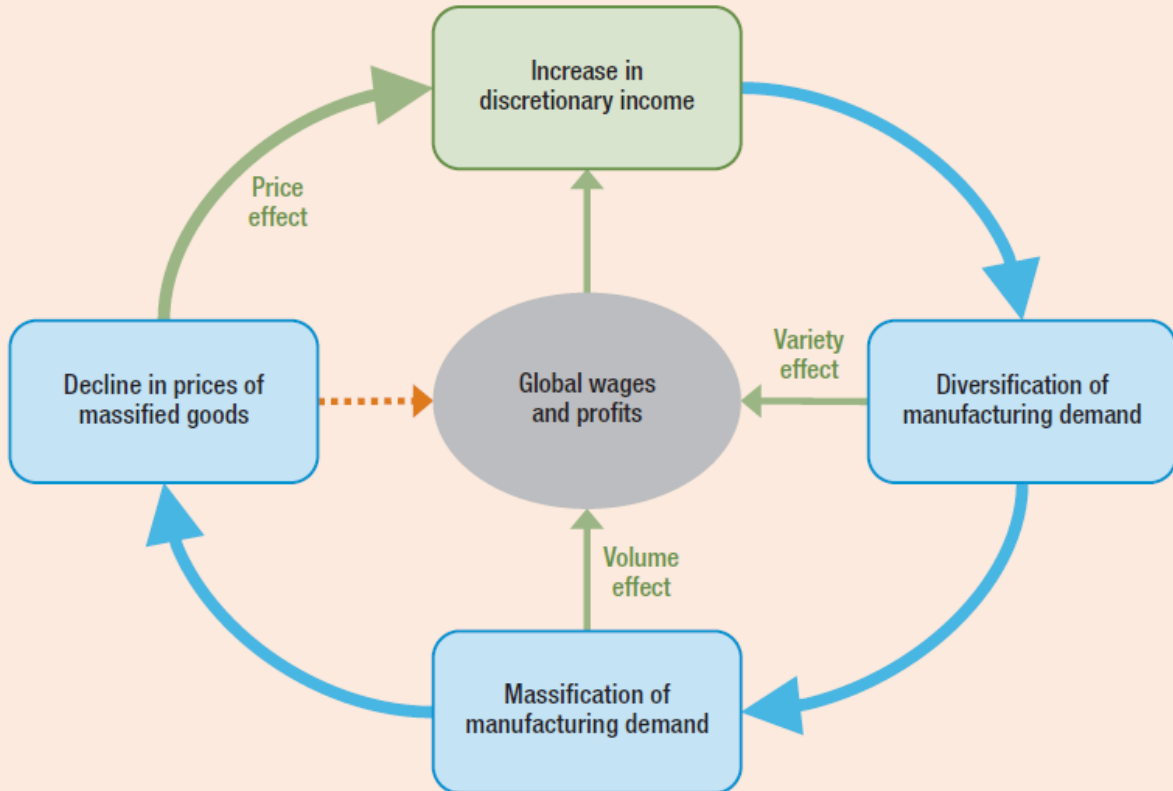


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Figure 1

A virtuous circle of manufacturing consumption and industrial development



Source: UNIDO elaboration.

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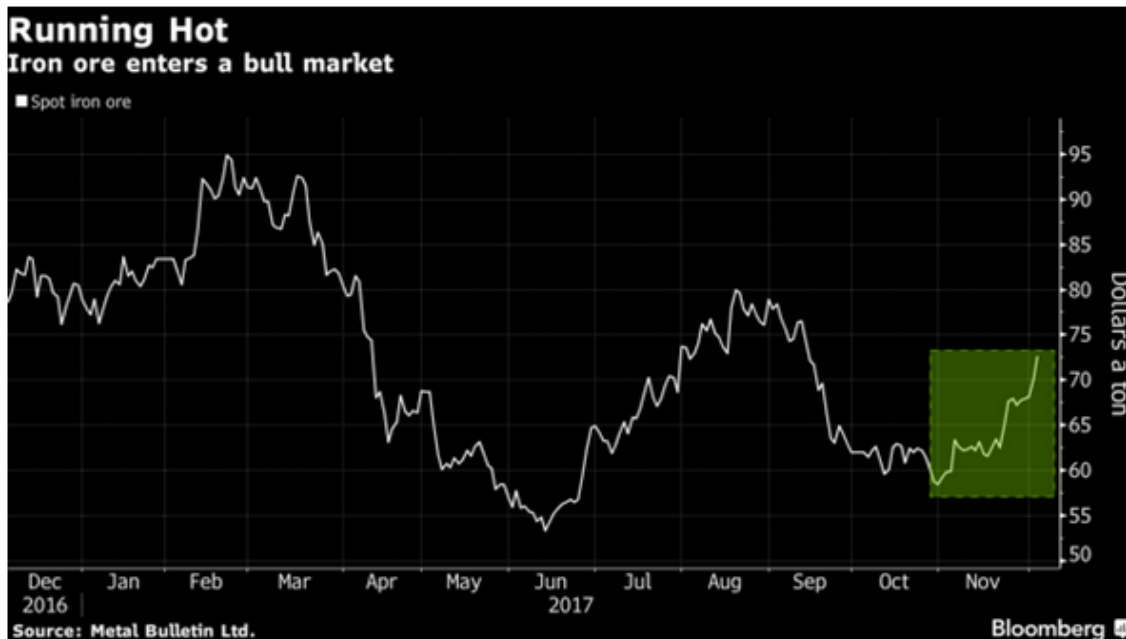
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Recent Developments in Financial and Commodity Markets

Bloomberg: Iron ore enters bull market as China's curbs supercharge steel

Iron ore has rallied back into a bull market. Prices are surging as China's crackdown on steel output this winter runs down inventories, helping mills' profitability and stoking demand for high-grade ore even as investors discount signs of ample supply. Spot ore with 62 percent iron content jumped 3.7 percent to \$72.68 a metric ton, the highest since Sept. 14, according to Metal Bulletin Ltd. That's more than 20 percent up from the low hit in late October, meeting the common bull-market definition. Earlier, on Monday, futures in Asia rallied, with the SGX AsiaClear prices rising 2.9 percent to \$71.29 a ton.



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[Reuters: UK pushing to include Bitcoin under money-laundering rules](#)

Britain wants to increase regulation of Bitcoin and other digital currencies by expanding the reach of European Union anti-money-laundering rules that force traders to disclose their identities and report suspicious activity. With demand for Bitcoin surging, fuelling a 1,000 percent rally in its value so far this year, the British finance ministry said it expected negotiations over changes to the EU rules would conclude later this year or in early 2018.

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