



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: World Inequality Lab – World Inequality Report 2018
- Recent Developments in Financial and Commodity Markets

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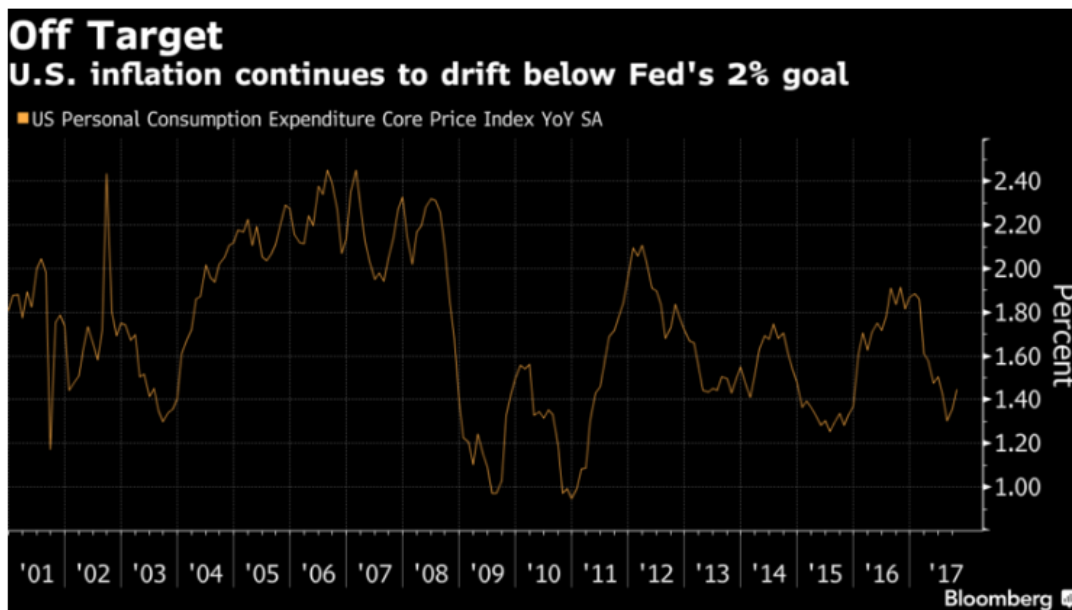
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The Weekly Report

Key Global and Regional Developments over the Past Week

[Bloomberg: Goldman says growth is bigger fed-hike factor than market thinks](#)

Investors have been underestimating the importance of U.S. economic growth for Federal Reserve policy, and giving too much relative emphasis to inflation and wage data that have tended to disappoint expectations, according to Goldman Sachs Group Inc. If it starts looking more likely that U.S. growth will stay above its potential rate, that could boost the chances of a labor-market overheating that quickens the pace of Fed rate increases, Goldman economists led by Jan Hatzius wrote in a Dec. 17 note.



[Read the full article](#)

[Reuters: Japan exports boom, but inflation not following script blow to Bank of Japan exit plan](#)

Japanese exports accelerated sharply in November, yet again pointing to growing momentum in the world's third-biggest economy. There was just one catch: inflation remained stubbornly low and well off the central bank's 2 percent target. The combination of steady growth and benign consumer prices mean the Bank of Japan will lag other major central banks in exiting crisis-era monetary stimulus, with analysts widely expecting BOJ Governor Haruhiko Kuroda to keep the liquidity tap wide open at a meeting later this week.

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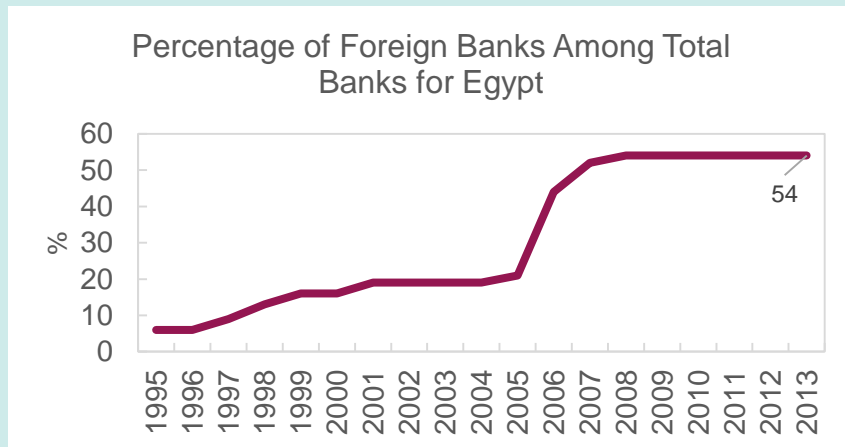
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Bloomberg: Kuwait's largest lender plans Saudi Arabia, Egypt expansion

National Bank of Kuwait, the country's largest lender, plans to hire hundreds of people and open more branches in Saudi Arabia and Egypt as it targets growth in the Middle East's biggest markets. NBK, as the bank is known, will open in Riyadh and Dammam by the end of next year after opening its first branch in Saudi Arabia in 2006. The bank's Egyptian unit also aims to have 60 branches in the most populous Arab country by 2020, up from 43 currently, and will open four or five next year.

[Read the full article](#)



Source: FRED, Federal Reserve Bank of St. Louis
<https://fred.stlouisfed.org/series/DDO113EGA156NWDB>

Bloomberg: Saudi budget gap falls below 10% in 2017, Finance Ministry says

Saudi Arabia's budget deficit narrowed in 2017 to below 10 percent of economic output for the first time since the collapse in oil prices battered public finances, as the kingdom prepared to unveil what is expected to be an expansionary budget for next year. The shortfall dropped to 8.9 percent of gross domestic product from almost 13 percent in 2016, the official Saudi Press Agency reported late on Monday, citing Finance Ministry official Yarub al-Thunyan. The decline is in line with the median estimate of 11 economists surveyed by Bloomberg.

[Read the full article](#)

Saudi Arabia's economy has been heavily reliant on Oil; as such it witnessed its revenues dwindle as oil prices dropped starting mid- 2014. Egypt should not rely on its natural resources exports (for example, Zohr gas field).

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Special Analysis:

World Inequality Lab - World Inequality Report 2018

- We show that income inequality has increased in nearly all world regions in recent decades, but at different speeds. The fact that inequality levels are so different among countries, even when countries share similar levels of development, highlights the important roles that national policies and institutions play in shaping inequality.
- How has inequality evolved in recent decades among global citizens? We provide the first estimates of how the growth in global income since 1980 has been distributed across the totality of the world population. The global top 1% earners has captured twice as much of that growth as the 50% poorest individuals. The bottom 50% has nevertheless enjoyed important growth rates. The global middle class (which contains all of the poorest 90% income groups in the EU and the United States) has been squeezed.
- Economic inequality is largely driven by the unequal ownership of capital, which can be either privately or public owned. We show that since 1980, very large transfers of public to private wealth occurred in nearly all countries, whether rich or emerging. While national wealth has substantially increased, public wealth is now negative or close to zero in rich countries. Arguably this limits the ability of governments to tackle inequality; certainly, it has important implications for wealth inequality among individuals.
- The combination of large privatizations and increasing income inequality within countries has fueled the rise of wealth inequality among individuals. In Russia and the United States, the rise in wealth inequality has been extreme, whereas in Europe it has been more moderate. Wealth inequality has not yet returned to its extremely high early-twentieth-century level in rich countries.
- We project income and wealth inequality up to 2050 under different scenarios. In a future in which “business as usual” continues, global inequality will further increase. Alternatively, if in the coming decades all countries follow the moderate inequality trajectory of Europe over the past decades, global income inequality can be reduced—in which case there can also be substantial progress in eradicating global poverty
- Tackling global income and wealth inequality requires important shifts in national and global tax policies. Educational policies, corporate governance, and wage-setting policies need to be reassessed in many countries. Data transparency is also key.

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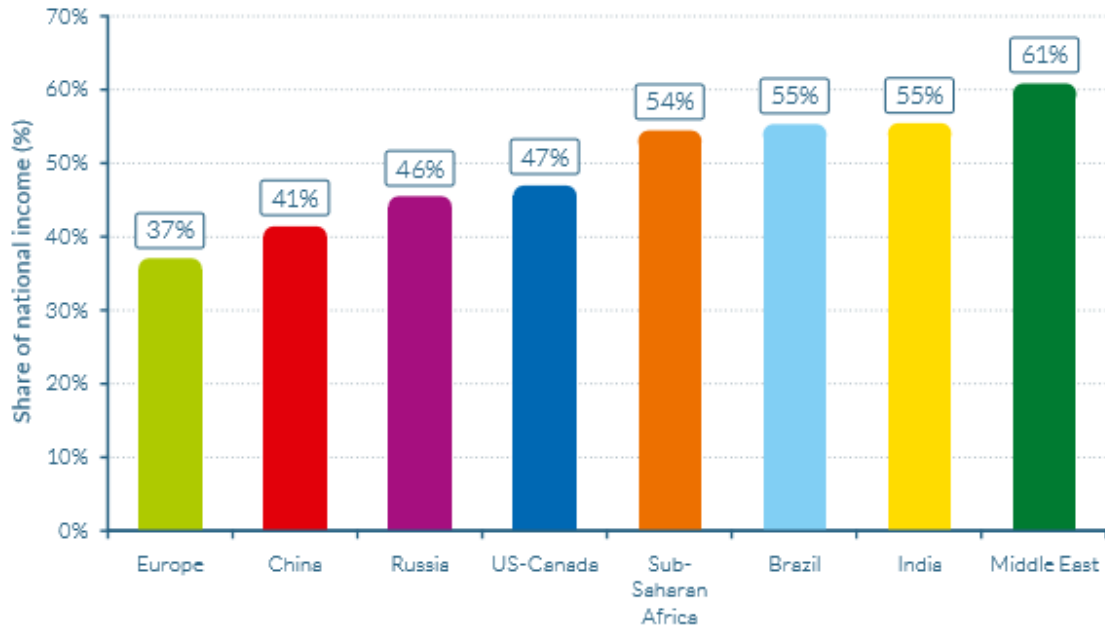


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Figure E1

Top 10% national income share across the world, 2016



Source: WID.world (2017). See [wir2019.wid.world](#) for data series and notes.

In 2016, 37% of national income was received by the Top 10% in Europe against 61% in the Middle-East.

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- **Egypt's GINI index (World Bank estimate) is 31.8 for year 2015***
- **ECES plans in its 2018 agenda to prepare a social justice index; which is to be updated regularly.**

Source: World Bank Data Bank, World Development Indicators.

Note: World Bank's definition of Gini index

"it 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

Reuters: Growth in global coal demand subdued over next five years: IEA

Global coal demand will be subdued over the next five years, growing at just 0.5 percent a year, marginally higher than current levels, due to lower consumption in China, the International Energy Agency (IEA) said on Monday. Coal consumption fell last year by 1.9 percent to 5.357 billion tonnes from a year earlier as lower gas prices, a surge in renewables and efficiency improvements dampened demand, the IEA said in its annual coal market report.

[Read the full article](#)

Reuters: Oil prices rise on ongoing North Sea outage, Nigeria strike

Oil prices rose on Monday amid an ongoing North Sea pipeline outage and because a strike by Nigerian oil workers threatened its crude exports. Signs that booming U.S. crude output growth may be slowing also supported crude prices, although the 2018 outlook still points to ample supply despite production cuts led by OPEC. Brent crude futures LCOc1, the international benchmark for oil prices, were at \$63.72 a barrel at 0821 GMT, up 49 cents, or 0.8 percent, from their last close.

[Read the full article](#)

Bloomberg: Iron ore powers higher as China's clean-air push boosts demand

Iron ore's in the ascendant as an environmental cleanup in China tightens the supply of higher-grade material that's less polluting and allows steelmakers to maximize production. Futures on the Dalian Commodity Exchange surged 5.5 percent, the most in a month, while the most active SGX AsiaClear contract headed for a three-month high, rising 3.8 percent to \$71.85 a metric ton by 4:18 p.m. in Singapore. The benchmark price for spot ore with 62 percent content delivered to Qingdao increased 3.1 percent last week to \$71.50, according to Metal Bulletin Ltd.

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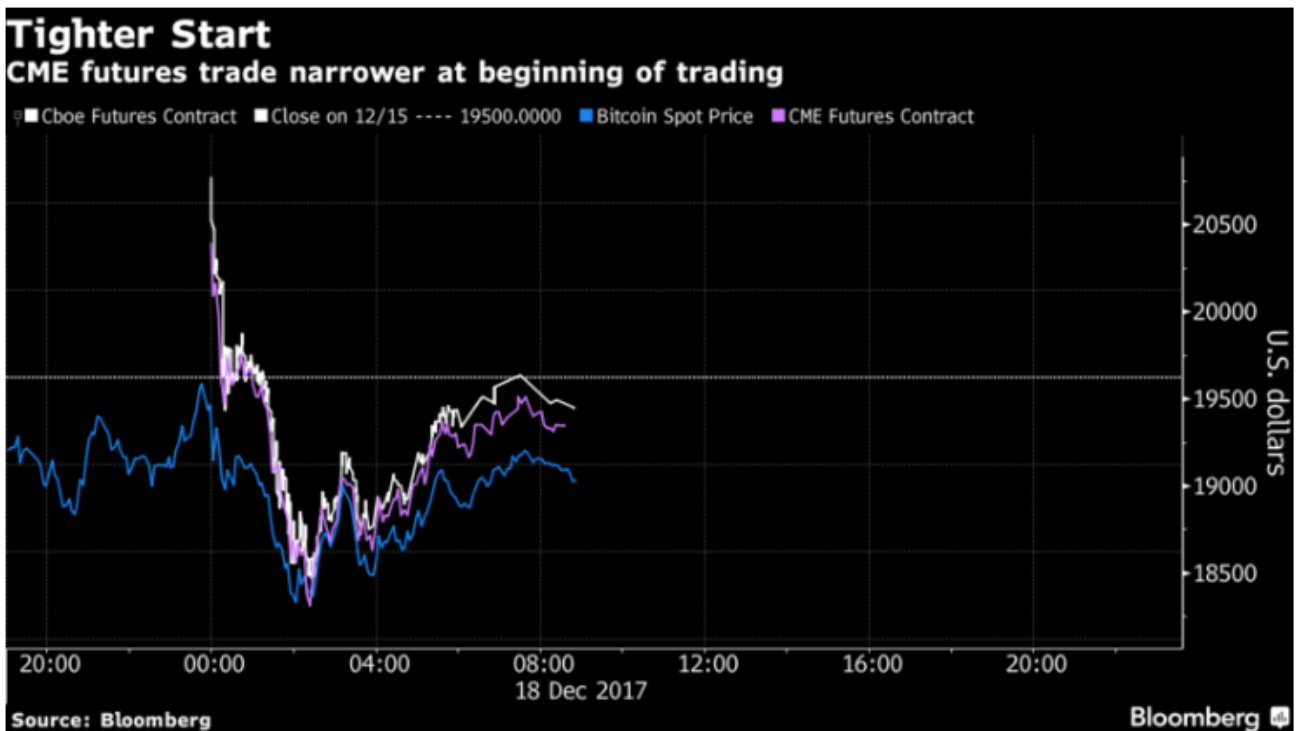


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Bloomberg: Bitcoin takes bigger Wall Street stage with smooth CME debut

The world's biggest exchange just joined the bitcoin revolution. Bitcoin futures started trading Sunday night at CME Group Inc.'s venue, a week after Chicago rival Cboe Global Markets Inc. introduced similar derivatives on the volatile cryptocurrency. CME is a much bigger player in futures, so many traders expected it to make a bigger splash in the nascent space. CME got off to a faster start with more efficient pricing. Its most-active contract changed hands 221 times in the first hour versus 570 during Cboe's debut. But that's a win because CME's contracts are five times more valuable -- they're tied to five bitcoins compared with only one with Cboe's futures.



[Read the full article](#)

- Bitcoin needs to be carefully studied as it is expanding globally.

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