المركز المصري للدراسات الاقتصادية

The Egyptian Center for Economic Studies

Our Economy and The World

The Weekly Report

Issue: 102   Date: 20th May 2018

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

Key Global and Regional Developments over the Past Week

Bloomberg: Germany blames trade as pace of economic growth slows by half

Germany's economy grew at the weakest pace in more than a year at the start of 2018, part of a slowdown across the euro area that the European Central Bank says may prove temporary. The 0.3 percent expansion in the first quarter was softer than economists had forecast and just half the pace seen in the final three months of 2017. The statistics office said growth was driven by domestic demand, while trade lost momentum. From a year earlier, adjusted gross domestic product rose 2.3 percent.

Read the full article

Bloomberg: China data shows a hint of slowdown while factories still hum

China's economic momentum broadly held up in April with industrial production exceeding forecasts, though slowing investment signaled a moderation in the coming months. Industrial output rose 7 percent in April from a year earlier, the statistics bureau said Tuesday, versus a projected 6.4 percent in a Bloomberg survey and 6 percent in March. Retail sales expanded 9.4 percent from a year earlier, versus a forecast 10 percent, fixed-asset investment rose 7 percent year- on-year in the first four months, compared with an estimated 7.4 percent.

Read the full article

Project Syndicate: Managing the risks of a rising dollars

Some may view the US dollar's appreciation as consistent with a longer-term rebalancing of the global economy. But, as Argentina's recent request for IMF financing starkly demonstrates, a sharp and sudden dollar appreciation risks unbalancing things elsewhere. Argentinian President Mauricio Macri's government has asked the International Monetary Fund for a loan that it hopes can stem a peso rout that has driven up interest rates, will slow the economy, and threatens the reform program. This reversal of fortune for the economy partly, though far from fully, reflects broader pressure created by the US dollar's recent appreciation – a process that is set to accelerate, because both monetary-policy and growth differentials are now favoring the United States.

Read the full article

Special Analysis

World Bank: Commodity Markets Outlook April 2018

Executive summary

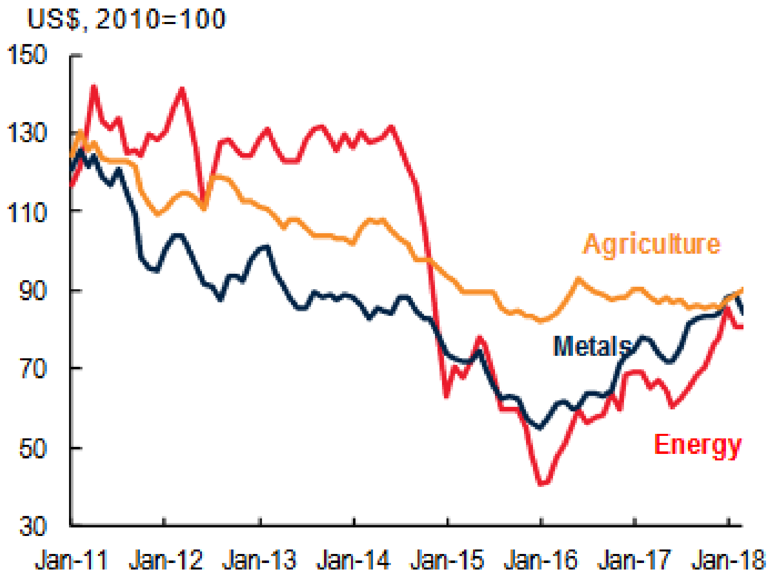
Commodity prices strengthened in the first quarter of 2018. Broad-based price increases were supported by both demand and supply factors. Accelerating global growth lifted demand for commodities, while a number of commodities faced supply constraints. For oil and precious metals, concerns about mounting geopolitical risk also supported prices. Crude oil prices are expected to average $65 per barrel (bbl) in 2018 (up from $53/bbl in 2017) and remain at $65/bbl in 2019—an upward revision from the October 2017 forecast. Metals prices are expected to increase 9 percent in 2018 and, following three years of relative stability, agricultural prices are expected to gain 2 percent in 2018. Looking ahead, policy actions currently under discussion, such as additional tariffs, production cuts, and sanctions, present risks to the short-term outlook. This edition also analyzes the policies of oil exporting economies in response to the 2014 oil price collapse. It concludes that oil exporters with flexible currency regimes, larger fiscal buffers, and more diversified economies fared better than others. The experience of the past four years is a reminder of the urgent need for greater economic diversification and stronger monetary and fiscal policy frameworks in oil exporters.

Recent trends: Backdrop

Commodity prices strengthened in three quarters of commodities in the first quarter of 2018, but prices of more than four-fifths of commodities remained below their 2011 peaks (Figure 1). Prices continue to be supported by a broad-based global recovery, with global GDP growth increasing to 3.1 percent in 2017, from 2.4 percent in 2016. Meanwhile, production has been held back for several commodity-specific reasons, including continued OPEC and non-OPEC oil production restraint, measures by China to reduce polluting metals and energy production, and lower grain planting intentions in the United States. Concerns about mounting geopolitical tensions have lifted oil and some precious metals prices. Several newly enacted or prospective policy actions have contributed to sharp movements in metals prices (e.g. U.S. import tariffs on aluminum and steel; U.S. sanctions on Russian commodity producers). Short-lived volatility on soybean prices was triggered by the discussion of the possibility of higher tariffs on imports to China.

1 Commodity price indexes, monthly

Commodity prices strengthened in the first quarter of 2018. Broad-based price increases were supported by both demand and supply factors.



Source: World Bank.
Note: Last observation is March 2018.

Read the full report

Recent Developments in Financial and Commodity Markets

Reuters: 'Disbelief' – Investors in Turkey stunned by Erdogan's fight with markets

"Shock and disbelief" - that's how global money managers reacted to an attempt by Turkish President Tayyip Erdogan to re-assure foreign investors about his economic management as the lira went into tailspin. Fund managers who met Erdogan and his delegation in London on Monday, part of a three-day visit to Britain, were baffled about how he plans to tame rising inflation and a currency in freefall - while simultaneously seeking lower interest rates. Some said that while Erdogan has crushed his domestic enemies, he would find taking on international financial markets with policies that defy economic orthodoxy much tougher.

Read the full article

Reuters: Oil dips on signs of ample supply despite OPEC cuts, Iran sanctions

Oil prices fell on Wednesday, weighed down by ample supplies despite ongoing output cuts by producer cartel OPEC and looming U.S. sanctions against major crude exporter Iran. Brent crude futures were at $78.22 per barrel at 0644 GMT, down 21 cents, or 0.3 percent, from their last close. U.S. West Texas Intermediate (WTI) crude futures were at $71.03 a barrel, down 28 cents, or 0.4 percent, from their last settlement. Despite the dips, both financial oil benchmarks remained close to their November 2014 highs of $79.47 and $71.92 a barrel respectively, reached the previous day. But there are signs in physical crude markets that may give pause to financial investors. There are also signs that oil production will rise, especially at majors like ExxonMobil, Royal Dutch Shell, Chevron, BP and Total.

Read the full article