



# Our Economy and The World

## The Weekly Report

Issue: 106 Date: 24<sup>th</sup> June 2018

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

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  - *Bloomberg: Saudi dilemma: output boost could hurt its oil-based economy*
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  - *Reuters: China stocks sink as Trump's fresh trade threats herald 'darkest hour'*
  - *Reuters: Iran rules out OPEC deal as Russia, Saudi push for oil output hike*

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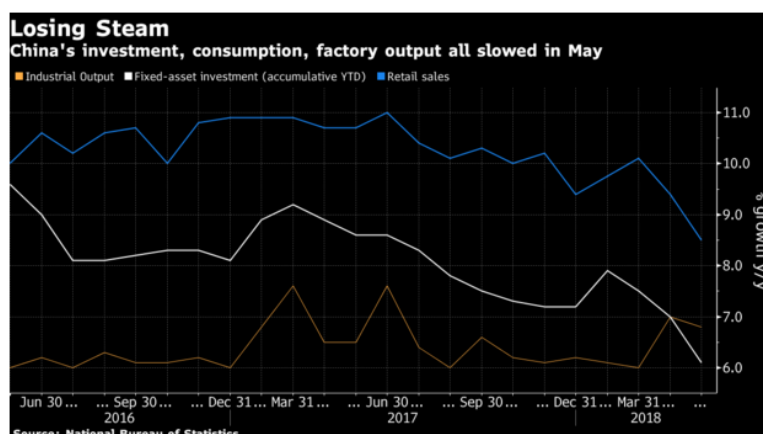
## Our Economy and The World

### The Weekly Report

## Key Global and Regional Developments over the Past Week

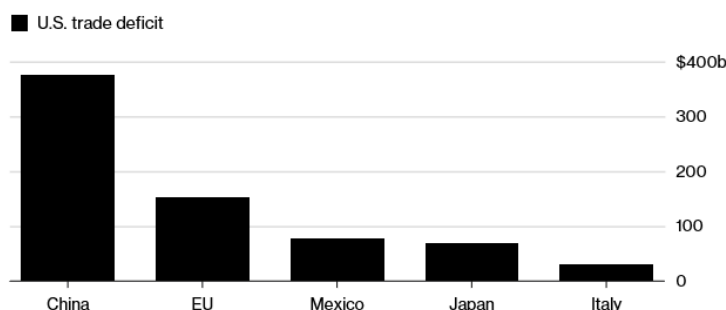
### Bloomberg: U.S., China rattle trade-war sabers in vowing harsh tariffs

The world's two biggest economies threatened punishing tariffs in the opening shots of a trade war, with Beijing vowing to retaliate "forcefully" against President Donald Trump's pledge to slap duties on another \$200 billion in Chinese imports. Global stocks declined amid little sign of negotiations to resolve the dispute. In remarks in Washington on Tuesday, Trump signaled skepticism that talks with China will work to end the disagreement. "We have to do something about it. Now, maybe something happens where they come and they say, 'we agree, it's been unfair for the last 25 years,'" he told the National Federation of Independent Business. "But somehow that doesn't seem to work so easily. But we're going, and we're going to make it fair."



### Minding the Trade Gap

America's trade gap with China eclipses its deficit with other trading partners



Source: U.S. Commerce Department

Note: Data are for 2017, goods only

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#### [Reuters: U.S. shale producers warn Chinese tariffs would hit energy exports](#)

China's proposed tariffs on U.S. petroleum imports, part of a mounting trade war between the two countries, would crimp sales to the shale industry's largest customer, adding new pressure on U.S. crude prices, energy executives and analysts said in interviews this week. China has said it would slap a 25 percent tariff on imports of U.S. crude, natural gas and coal on July 6 if Washington went ahead, as planned, with its own tariffs on Chinese goods that day. Energy would be added for the first time to a burgeoning trade dispute that has hit imports of Chinese metals and solar panels, and exports of U.S. medical equipment and soybeans.

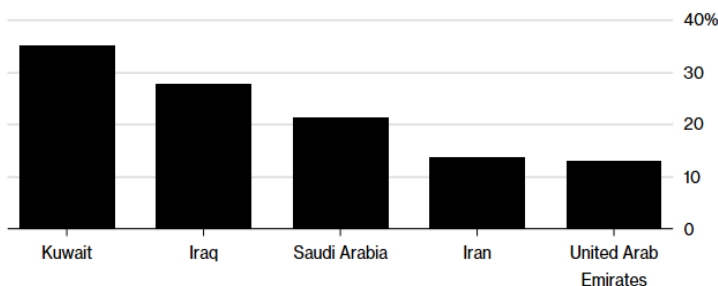
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#### [Bloomberg: Saudi dilemma: output boost could hurt its oil-based economy](#)

Saudi Arabia's plan to halt the oil-price rally could hurt its economy, depriving the kingdom of billions of dollars in income that it needs more than many other OPEC members. Although the country's economy isn't the most reliant on crude exports among the group's five biggest producers -- Kuwait gets that distinction -- Saudi Arabia is the only member that will post a significant budget deficit despite higher-than-expected oil prices this year, according to Bloomberg calculations based on International Monetary Fund data.

##### **Crude Crutch**

The contribution of oil exports to GDP for the top 5 OPEC producers



Source: Bloomberg

[Read the full article](#)

#### [Reuters: Merkel's conservatives warn euro zone budget could split EU](#)

Members of Chancellor Angela Merkel's conservative bloc opposed to larger financial contributions to the euro zone on Wednesday reacted with skepticism to her agreement with French President Emmanuel Macron to create a common budget for the currency bloc. Merkel and Macron hailed a "new chapter" for the euro zone after talks at the Meseberg retreat outside Berlin on Tuesday where they hailed the budget as a tool to strengthen economic competitiveness in the currency union. But details were scant.

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# Special Analysis: ILO World Employment Social Outlook Trends 2018

As the global economy recovers but with a growing labour force, global unemployment in 2018 is projected to remain at a similar level to last year's, says a new report by the International Labour Organization (ILO). According to the World Employment and Social Outlook: Trends 2018, the global unemployment rate has been stabilizing after a rise in 2016. It is expected to have reached 5.6 per cent in 2017, with the total number of unemployed exceeding 192 million persons. As the long-term global economic outlook remains modest despite stronger than expected growth in 2017, the report attributes the positive trend between 2017 and 2018 mainly to the strong performance of labour markets in developed countries, where the unemployment rate is projected to fall by an additional 0.2 percentage points in 2018 to reach 5.5 per cent, a rate below pre-crisis levels. In contrast, employment growth is expected to fall short of labour force growth in emerging and developing countries, but has nevertheless improved compared to 2016. "Even though global unemployment has stabilized, decent work deficits remain widespread: the global economy is still not creating enough jobs. Additional efforts need to be put in place to improve the quality of work for jobholders and to ensure that the gains of growth are shared equitably," ILO Director-General Guy Ryder said.

### **Vulnerable employment is on the rise and the pace of working poverty reduction is slowing**

The report highlights the fact that the significant progress achieved in the past in reducing vulnerable employment has essentially stalled since 2012. This means that almost 1.4 billion workers are estimated to be in vulnerable employment in 2017, and that an additional 35 million are expected to join them by 2019. In developing countries, vulnerable employment affects three out of four workers. On a more positive note, the report notes that working poverty continues to fall in emerging countries, where the number of people in extreme working poverty is expected to reach 176 million in 2018, or 7.2 per cent of all employed people. "In developing countries though, progress in reducing working poverty is too slow to keep up with the expanding labour force. The number of workers living in extreme poverty is expected to remain stubbornly above 114 million for the coming years, affecting 40 per cent of all employed people in 2018," explains ILO economist Stefan Kühn, lead author of the report.

[Press release](#)

[Read the full report](#)

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## Recent Developments in Financial and Commodity Markets

### [Reuters: China stocks sink as Trump's fresh trade threats herald 'darkest hour'](#)

Shanghai stocks tumbled nearly 4 percent on Tuesday to a two-year low, while the yuan fell to a more-than-five-month low against the dollar as Washington's fresh tariff threats against China raised the specter of a full-blown trade war. The equity slump, which comes despite a surprise liquidity injection by the central bank, risks triggering a downward spiral that could derail Beijing's bid to lure large international listings, particularly from high-tech giants.

[Read the full article](#)

### [Reuters: Iran rules out OPEC deal as Russia, Saudi push for oil output hike](#)

Iran said on Tuesday OPEC was unlikely to reach a deal on oil output this week, setting the stage for a clash with Saudi Arabia and Russia, which are pushing to raise production steeply from July to meet growing global demand. The Organization of the Petroleum Exporting Countries meets on Friday to set output policy amid calls from U.S. President Donald Trump and China to cool down oil prices and support the global economy by producing more crude. OPEC's de facto leader, Saudi Arabia, and non-member Russia have proposed gradually relaxing production cuts - in place since the start of 2017 - while OPEC members Iran, Iraq, Venezuela and Algeria have opposed such a move.

[Read the full article](#)

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