



المركز المصري للدراسات الاقتصادية  
The Egyptian Center for Economic Studies



# Our Economy and The World

## The Weekly Report

Issue: 109 Date: 29<sup>th</sup> July 2018

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

- **Key Global and Regional Developments over the Past Week**
  - Bloomberg: Venezuela's inflation to reach 1 million percent, IMF forecasts
  - CNBC: The world's major emerging economies could end up benefiting from global trade tensions
  - Bloomberg: Saudis load up on debt as government's austerity program bites
- **Special Analysis: World Bank - Global Economic Prospects, June 2018**
- **Recent Developments in Financial and Commodity Markets**
  - Bloomberg: Oil gains with U.S. inventory data set to show sliding supplies
  - Bloomberg: Lira plunges after Turkish central bank unexpectedly holds rates

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#### Disclaimer

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## Our Economy and The World

### The Weekly Report

## Key Global and Regional Developments over the Past Week

### **Bloomberg: Venezuela's inflation to reach 1 million percent, IMF forecasts**

Venezuela's inflation will skyrocket to 1 million percent by the end of the year as the government continues to print money to cover a growing budget hole, the International Monetary Fund predicted on Monday. The crisis is comparable to that of Germany in 1923 or Zimbabwe in the late 2000s, said Alejandro Werner, head of the IMF's Western Hemisphere department. He forecast the economy to shrink 18 percent in 2018 -- the third consecutive year of double-digit contractions -- as oil production falls significantly.



[Read the full article](#)

### **CNBC: The world's major emerging economies could end up benefiting from global trade tensions**

The bloc of emerging economies known as BRICS have long struggled to establish a unified voice on the international stage, but U.S. President Donald Trump may be providing them with an unlikely boost. As the leaders of Brazil, Russia, India, China and South Africa gather in Johannesburg on Wednesday for their annual meeting, the issue of trade protectionism is set to dominate talks amid Trump's proposed tariffs on the European Union and Beijing. If the five-member group plays its cards right, it can use the matter to push forward the nations' own trade agendas.

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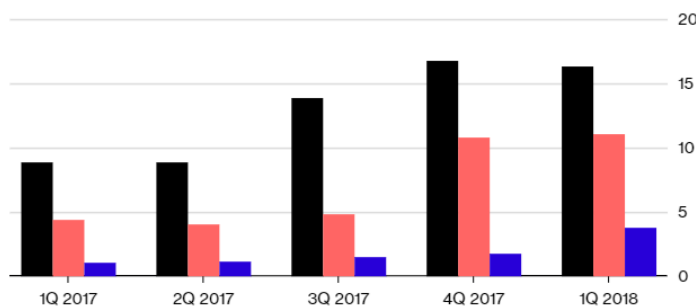
#### Bloomberg: Saudis load up on debt as government's austerity program bites

Saudi nationals are borrowing two to three times more money than last year as government moves to shore up public finances push living costs through the roof. Since the beginning of 2018, the government has raised fuel and utility prices, introduced value added tax and imposed a levy on some temporary foreign workers not under an employer's sponsorship. But while the authorities' aim is to boost revenue without snuffing out economic growth, the latest official loan data suggest the policy is hitting ordinary citizens in their wallets.

#### Rising Trend

Consumer and credit card loans in Saudi Arabia, in billion riyals

■ Vehicles ■ Furniture ■ Education

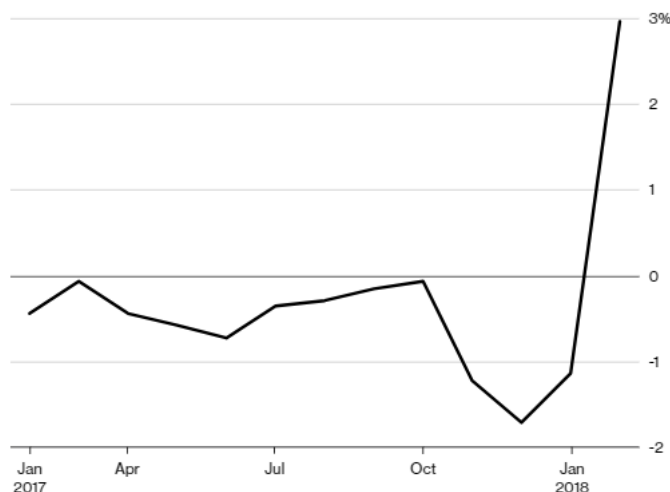


Source: Saudi Arabian Monetary Authority

#### Shooting Up

Saudi inflation accelerates on government fiscal reform

— Saudi Arabia annual inflation



Source: General Authority for Statistics

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## Special Analysis: World Bank Global Economic Prospects, June 2018

Despite recent softening, global economic growth will remain robust at 3.1 percent in 2018 before slowing gradually over the next two years, as advanced-economy growth decelerates and the recovery in major commodity-exporting emerging market and developing economies levels off, the World Bank said on Tuesday.

“If it can be sustained, the robust economic growth that we have seen this year could help lift millions out of poverty, particularly in the fast-growing economies of South Asia,” **World Bank Group President Jim Yong Kim** said. “But growth alone won’t be enough to address pockets of extreme poverty in other parts of the world. Policymakers need to focus on ways to support growth over the longer run—by boosting productivity and labor force participation—in order to accelerate progress toward ending poverty and boosting shared prosperity.”

Activity in advanced economies is expected to grow 2.2 percent in 2018 before easing to a 2 percent rate of expansion next year, as central banks gradually remove monetary stimulus, the June 2018 *Global Economic Prospects* says. Growth in emerging market and developing economies overall is projected to strengthen to 4.5 percent in 2018, before reaching 4.7 percent in 2019 as the recovery in commodity exporters matures and commodity prices level off following this year’s increase.

This outlook is subject to considerable downside risks. The possibility of disorderly financial market volatility has increased, and the vulnerability of some emerging market and developing economies to such disruption has risen. Trade protectionist sentiment has also mounted, while policy uncertainty and geopolitical risks remain elevated.

[Press release](#)

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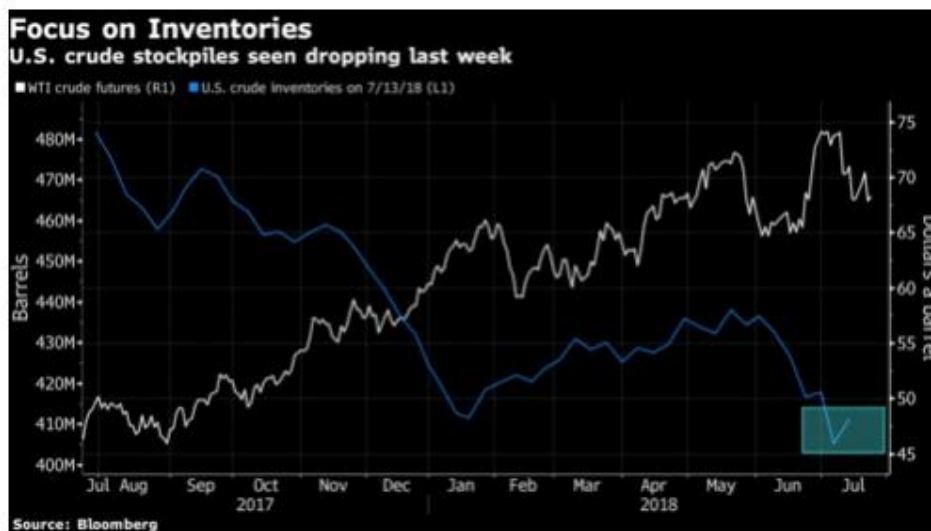
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## Recent Developments in Financial and Commodity Markets

### Bloomberg: Oil gains with U.S. inventory data set to show sliding supplies

Oil extended gains as U.S. industry data showed a decline in crude and fuel stockpiles ahead of government figures due later Wednesday. Futures rose as much as 0.6 percent in New York after adding 0.9 percent on Tuesday. U.S. inventories of crude, gasoline and distillates fell last week, the American Petroleum Institute was said to report. Meanwhile, China announced a package of policies to spur domestic growth in the face of rising trade frictions with the U.S.



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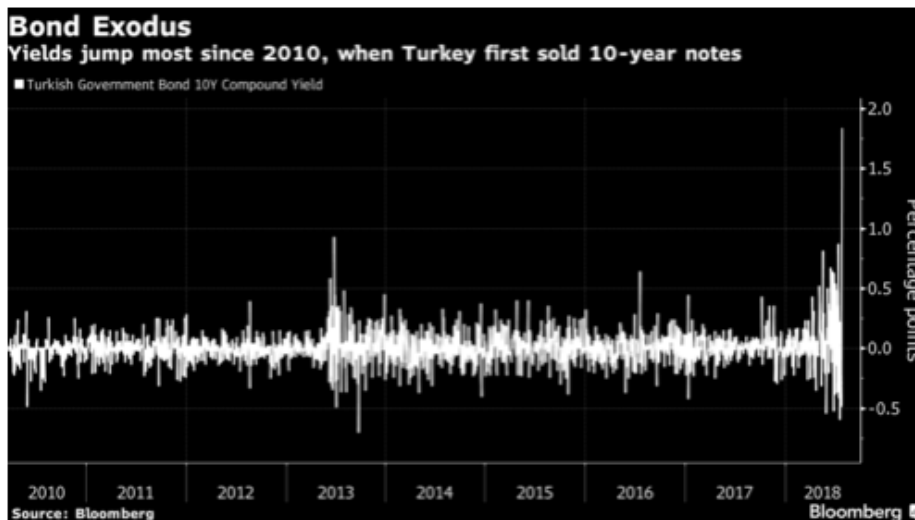


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#### **Bloomberg: Lira plunges after Turkish central bank unexpectedly holds rates**

Turkish policy makers failed to give the market what it wanted, and investors are punishing them for it. They dumped the nation's bonds, pushing the yield on the 10-year government note up by the most on record after the central bank unexpectedly held a key interest rate, diminishing confidence in its resolve to quell inflation. The lira slumped toward a record low.



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