



Our Economy and The World

The Weekly Report

Issue: 112 Date: 2nd September 2018

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Key Global and Regional Developments over the Past Week

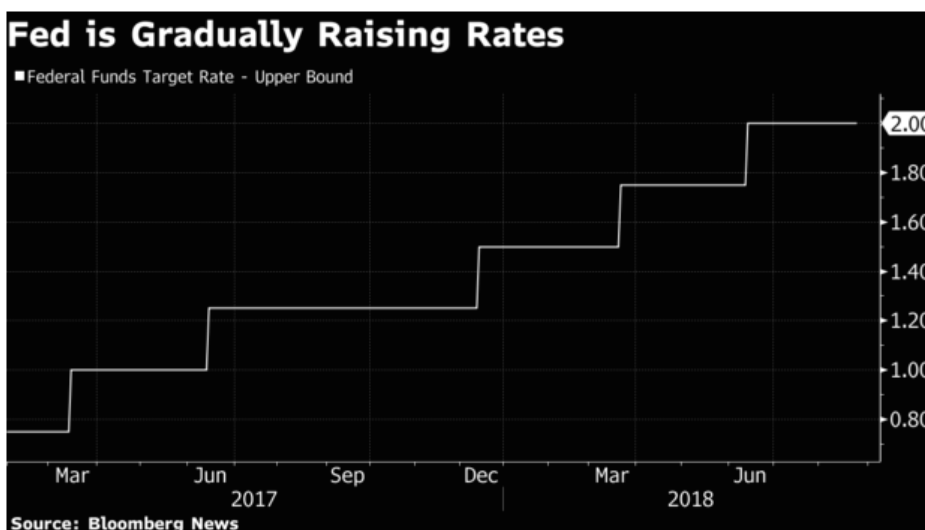
Bloomberg: Canada, U.K. should fear this indicator flashing red, Glodman Says

One under-appreciated indicator is flashing red for some developed markets, Goldman Sachs analysts say. The private-sector financial balance -- an economy's total income minus the spending of all households and businesses -- has proven more powerful in predicting crises than the current-account balance, Goldman analysts led by Jan Hatzius, the bank's global head of economics, wrote in an Aug. 23 research note.

[Read the full article](#)

Bloomberg: Fed keeps its cool at Jackson Hole despite pressure from Trump

Federal Reserve officials are trying hard to ignore President Donald Trump, and they're going to keep doing that even if he continues to put pressure on the central bank to slow down or stop its gradual increases in interest rates. At the Kansas City Fed's annual symposium in Jackson Hole, Wyoming, several policy makers responded to questions about recent remarks by Trump with straightforward comments that their rate decisions won't be affected.



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Bloomberg: Four Fed rate hikes this year isn't set in stone – Mohamed A. El-Erian

Remarks by Fed officials late last week at the symposium in Jackson Hole, Wyoming, confirmed the consensus market expectation that the U.S. central bank will hike interest rates two more times this year, delivering the biggest annual tightening in more than a decade. The increases would be carried out even as the Fed is reducing the size of its \$4 trillion balance sheets. Yet, judging from the most important signal, the headline speech by Chairman Jerome Powell, this path may be far from set in stone.

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Reuters: Britain will use aid budget to boost trade in Africa-PM May to say

Britain will use its international aid budget to boost its national interest and deepen trade ties with Africa, Prime Minister Theresa May will tell an audience in South Africa on Tuesday. May, battling to unite her divided party over her plan to take Britain out of the European Union, will also visit Nigeria and Kenya as part of a three-day visit to Africa alongside a group of business delegates. She is expected to recommit to maintaining the overall British aid budget at 0.7 percent of economic output but will add that she will be “unashamed” to use it in a way that helps Britain.

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Special Analysis: World Bank

The Arab World Competitiveness Report 2018

The Arab world is undergoing an uncertain transition. In the past, most states in the region offered a social contract where citizens received stability and security in return for limits on individual economic opportunity. This system, largely financed by exports of natural resources and foreign assistance, permitted expansive employment in the public sector, widespread subsidies, and government control over large parts of the economy. Unfortunately, this approach is proving increasingly unable to provide the number of jobs needed for the region's growing populations and has resulted in very high rates of youth unemployment, low rates of female labor force participation, and widespread social frustration. Addressing these challenges will require implementing a new social contract that focuses on offering opportunities for the region's youth and future generations.

The region's growing young, educated, and technologically connected population presents an unprecedented opportunity to foster development. Yet challenges to achieving it remain. Most economies in the region still need to implement a range of reforms to encourage the development of a more dynamic and sophisticated private sector. Moreover, they do not enjoy the luxury of a long timeframe to develop plans for addressing these challenges. The increasing size of the youth population and the low rate of labor force participation in the Arab world are already causing significant economic and social stresses. In addition, job creation in the context of high global economic integration and rapid technological change requires both governments and the private sector to make continued investments in education, innovation, and connectivity.

The development of a new social contract in the Arab world through reforms leading to better institutional frameworks, including appropriate macroeconomic, trade, and investment policies and more enabling business environments, would allow key productive investments in technology, education, and financial sector development to take place, offering the prospect of transforming the region's economies. The analyses in the *Arab World Competitiveness Report 2018* aim to shed light on these opportunities and to identify the changes needed to create more competitive, open, diverse, and entrepreneurial private sectors in the region.

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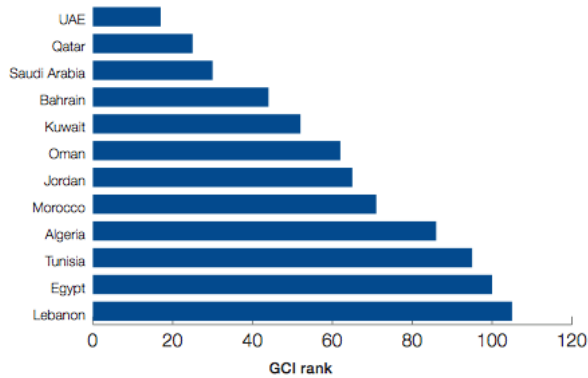
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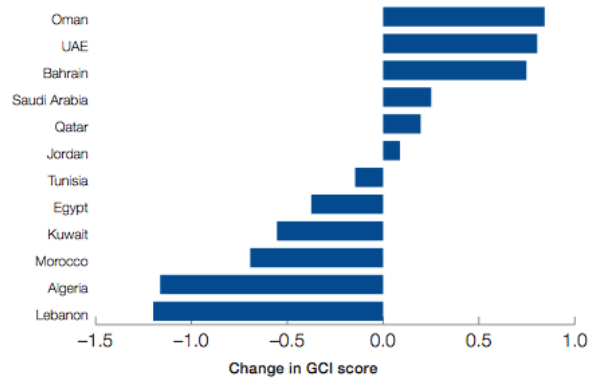
Figure 1: Arab world country rankings, Global Competitiveness Index 2017–2018



Source: World Economic Forum, Global Competitiveness Index 2017–2018, available at www.wef.ch/gcr.

Note: GCI = Global Competitiveness Index; UAE = United Arab Emirates.

Figure 2: Change in competitiveness in the Arab world, 2007–17



Source: World Economic Forum, Global Competitiveness Index 2007–2008 and 2017–2018, available at www.wef.ch/gcr.

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Recent Developments in Financial and Commodity Markets

Reuters: Turkish Lira weakens against dollar, minister warns on sanctions

The Turkish lira weakened on Tuesday as investors weighed up Turkey's efforts to manage its rift with the United States after Finance Minister Berat Albayrak warned that U.S. trade sanctions against Ankara could destabilise the Middle East. The row with Washington over an American evangelical Christian pastor detained in Turkey on terrorism charges has accelerated losses in the lira, which is down about 38 percent against the dollar this year.

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Reuters: Saudi king tipped the scale against Aramco IPO plans

The King spoke, and a \$2 trillion dream went up in smoke. For the past two years, Saudi Arabia has prepared to place up to 5 percent of its national oil company on the stock market. Officials talked up the Saudi Aramco initial public offering (IPO) with international exchanges, global banks and U.S. President Donald Trump. The planned listing was to be the cornerstone of the kingdom's promised economic overhaul and, at a targeted \$100 billion, the biggest IPO ever. It was the brainchild of 32-year-old Crown Prince Mohammed bin Salman, heir apparent of the world's largest oil exporter. But after months of setbacks, the international and domestic legs of the IPO were pulled. The reason: the prince's father King Salman stepped in to shelve it, three sources with ties to government insiders told Reuters.

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