المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies

Our Economy and The World

The Weekly Report

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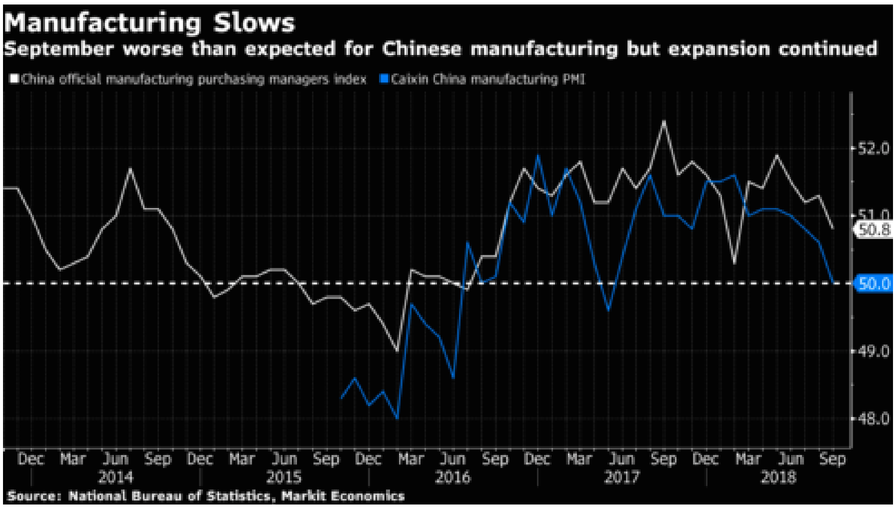
This week's issue of "Our Economy and the World" includes:

Key Global and Regional Developments over the Past Week

Bloomberg: China’s manufacturers slow in September as trade war worsens

Two gauges of activity in China’s manufacturing sector worsened in September, reflecting the nation’s economic slowdown and fallout from the trade war with the U.S. The official manufacturing purchasing managers index stood at 50.8 in September versus 51.3 in August, lower than the median estimate of 51.2 in a Bloomberg survey of economists. Meanwhile, the Caixin manufacturing PMI, which better reflects sentiment among smaller, private firms, declined to 50 from 50.6, the lowest since May 2017. A reading of 50 is the dividing line between expansion and contraction.



Read the full article

Bloomberg: Saudi Arabia plans to increase spending to boost growth

Saudi Arabia plans to increase spending next year more than initially forecast as authorities take advantage of higher oil prices to spur economic growth and reduce unemployment. Public spending is expected to reach 1.106 trillion riyals ($295 billion) in 2019, 100 billion riyals more than the government had projected last year, Finance Minister Mohammed Al-Jadaan said on Sunday. Authorities expect spending to rise to 1.170 trillion riyals by 2021, he said, citing initial estimates.

Read the full article

Reuters: IMF lifts UAE growth forecasts on oil, state spending

The International Monetary Fund lifted its forecasts for economic growth in the United Arab Emirates because of expectations that oil production and state spending will rise. The Arab world's second biggest economy is now likely to expand 2.9 percent this year and 3.7 percent next year, Natalia Tamirisa, IMF mission chief to the country, said late on Sunday. Gross domestic product grew 0.8 percent in 2017, preliminary UAE data shows.

Read the full article

Reuters: Italy targets budget deficit falling to 2.2 percent of GDP in 2020, 2 percent in 2021

Italy's government targets for the budget deficit to fall to 2.2 percent of gross domestic product in 2020 and to 2 percent in 2021 from an expected 2.4 percent next year, a government source from the right-wing League party said on Wednesday. The 2020-2021 numbers were first reported by daily Corriere della Sera and La Repubblica. Prime Minister Giuseppe Conte said late on Tuesday that Rome aimed to "accelerate the decline in the debt-GDP ratio in a consistent fashion over a three-year period", without giving any numbers.

Read the full article

Special Analysis: OECD Opportunities for All 2018

Inclusive Growth Initiative Policy Brief

- Globalisation and digitalisation present opportunities as well as challenges for people, firms and public authorities.
- Inequalities have widened in terms of income, wealth and opportunities.
- Focusing only on economic growth without giving everyone a stake in that growth has left too many people from poor and middle-class backgrounds behind.
- The OECD's *Framework for Policy Action on Inclusive Growth* moves beyond GDP metrics and statistical averages to focus on equity, people and well-being, and emphasizes the distribution of opportunities and outcomes in order to create sustainable growth.
- The Framework recommends investing in people and places, supporting business dynamism, and creating more inclusive labor markets, which will contribute to rebuilding trust and strengthening social cohesion. This will not only address concerns related to inclusiveness, but will also lay foundations for more sustainable growth, in line with the OECD's Productivity-Inclusiveness Nexus.
- Governments can do more to empower citizens and communities to help them shape policies for people, thriving businesses, shared prosperity and a sustainable planet.

The global economy is finally recovering from the crisis of 2007-08, with growth rates comparable to the pre-crisis period, but deep scars remain. Inequality is at its highest point in many OECD countries in 30 years. Today, the average disposable income of the richest 10% of the population is around ten times that of the poorest 10% across the OECD, up from seven times since the mid-1980s. The picture is even more troubling in terms of wealth: the richest 10% in wealth terms own around 50% of all household assets, while the bottom 40% own barely 3%. Though poorer people and places bore the brunt of the crisis and its aftermath, higher labor productivity has not always led to higher incomes for middle-classes either. Disadvantages compound each other, as low household income can lead to low quality education and precarious jobs, hindering socio-economic and intergenerational mobility.

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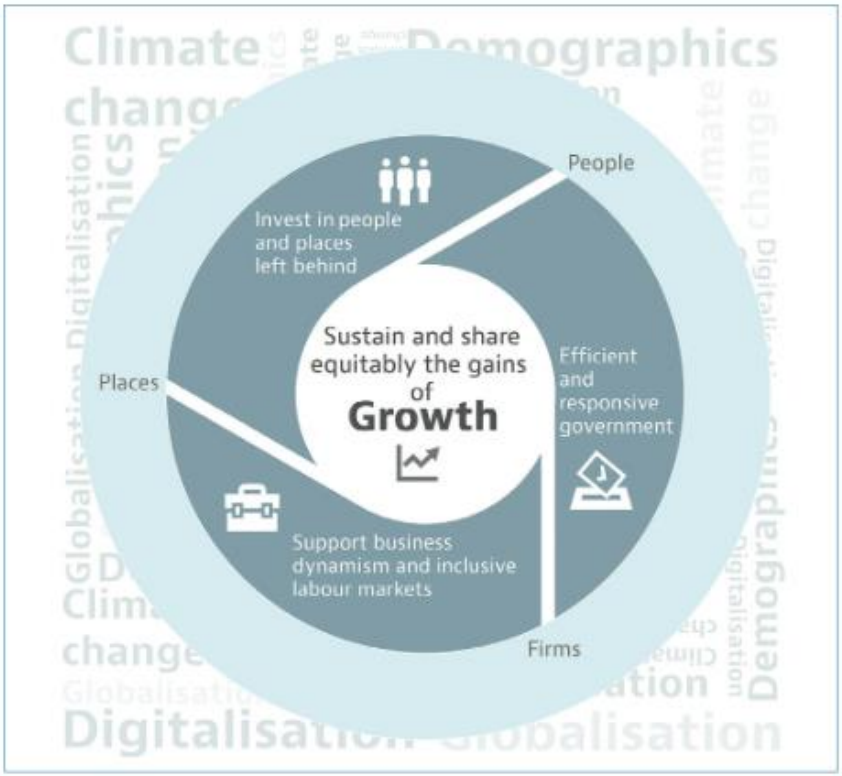

The Framework for Policy Action on Inclusive Growth

Read the full report

Recent Developments in Financial and Commodity Markets

Reuters: Lebanon bond rout ramps up currency concerns, pressure for fiscal reform

Lebanon's worst bond market shock in a decade has raised doubts about whether the country's banks are willing and able to continue to bankroll the government, raising pressure on Beirut to step up reforms or risk a destabilizing currency crisis. In September the cost of insuring Lebanese sovereign debt against default LBGV5YUSAC=MG soared to its highest level since the global financial crisis of 2008, implying a more than 40 percent chance of default in the next five years. Many of the government's dollar-denominated bonds hit record lows, while yield spreads over U.S. Treasury debt scaled historic peaks.

Read the full article

Reuters: Oil rises to 2014 highs on Iran sanctions, NAFTA deal

Oil futures jumped more than $2 a barrel Monday, rising to levels not seen since November 2014, as U.S. sanctions on Iran loom and a North American trade deal fosters growth. Brent futures LCOc1 settled at $84.98 a barrel, up $2.25, or 2.7 percent. In post-settlement trade, the contract continued to strengthen, rising to $85.45 a barrel, the first trade above $85 since November 2014. U.S. light crude futures CLc1 were up $2.05 a barrel at $75.30, the highest since November 2014. The United States and Canada forged a deal on Sunday to salvage the North American Free Trade Agreement (NAFTA), a trilateral pact with Mexico.

Read the full article