



Our Economy and The World

The Weekly Report

Issue: 123 Date: 18th November 2018

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Key Global and Regional Developments over the Past Week

[Reuters: Tunisia must control wage bill, IMF warns after deal with union](#)

Tunisia must keep its public sector wage bill under control to avoid severe debt problems, a senior International Monetary Fund official warned after the government agreed to raise wages of about 150,000 employees of state companies. Late last month, Tunisia's UGTT union canceled a nationwide strike by public sector workers after the government agreed to raise wages and not to sell state companies.

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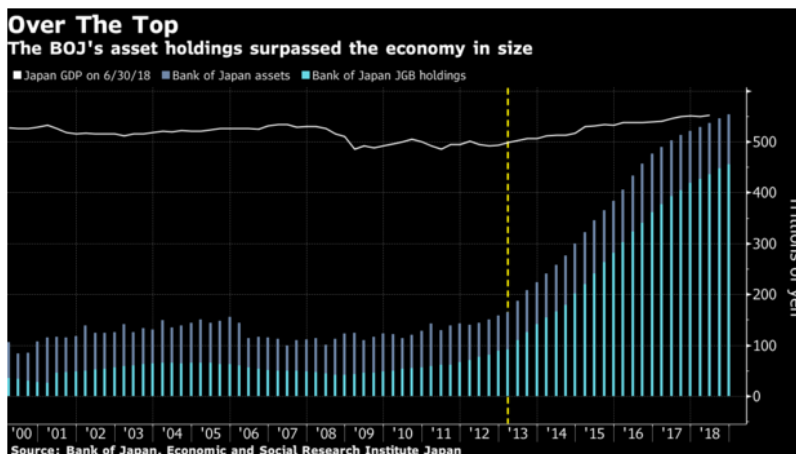
[Reuters: China calls for open world economy but work remains on landmark trade pact](#)

China will further open its economy in the face of rising protectionism, Premier Li Keqiang said as he arrived in Singapore on Monday for meetings with Asia-Pacific leaders that will focus on speeding up work on a major new trade pact. Li's remarks in an article in Singapore's Straits Times newspaper came as Singapore's Prime Minister Lee Hsien Loong called for more regional integration, saying multilateralism was under threat from political pressures.

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[Bloomberg: Bank of Japan's hoard of assets is now bigger than the economy](#)

The Bank of Japan's massive asset purchase program has taken it into uncharted territory, with its ballooning holdings now larger than the country's annual economic output. Its hoard reached a staggering 553.6 trillion yen (\$4.9 trillion), figures released Tuesday show, compared with nominal gross domestic product of 552.8 trillion yen at the end of June



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[Reuters: German economy contracts on weak foreign trade, auto bottleneck](#)

The German economy contracted for the first time since 2015 in the third quarter as global trade disputes swung the traditional export growth engine of Europe's largest economy into reverse, raising concerns that a near-decade-long expansion is faltering. Gross domestic product (GDP) in Europe's biggest economy contracted by 0.2 percent quarter-on-quarter, the Federal Statistics Office said on Wednesday. That compared with a Reuters forecast for a contraction of 0.1 percent.

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Special Analysis: World Bank Expectations and Aspirations

Education has a large untapped potential to contribute to human capital, well-being, and wealth in the Middle East and North Africa region (MENA). In fact, it has been at the heart of the region's history and civilizations for centuries. In the 20th century, education was central to countries' struggles for independence, to building modern states and economies, and to defining national identities. Today, MENA has the lowest share of human capital in total wealth globally (Lange, Wodon, and Carey 2018). While the region's young people have attained higher educational levels than their parents, they were not able to translate their educational attainment to greater income opportunities (Narayan et al. 2018). That is, while MENA has the highest absolute intergenerational education mobility compared to other regions in the world, it also has low intergenerational income mobility. In most other regions, educational attainment and income mobility are well correlated (Narayan et al. 2018).

The 435 million residents of MENA are enduring a period of pronounced hardship. Ongoing threats to peace and economic stability are contributing to challenges across numerous sectors. Economic growth has remained persistently low in the aftermath of the Arab Spring (World Bank 2015a), youth unemployment rates have risen, and the quality of public services has deteriorated (Brixi, Lust, and Woolcock 2015; World Bank 2013a). Even in relatively stable countries, labor market outcomes for the educated have worsened (El-Araby 2013; Krafft 2013; Rizk 2016; Salehi-Isfahani, Tunali, and Assaad 2009; Tzannatos, Diwan, and Ahad 2016). Exacerbating these challenges was the substantial downturn in the global oil market, which has placed more pressure on resource-rich countries (IMF 2017) and created an even more urgent need to push for human capital development across MENA. Despite large investments in education over the last 50 years, impressive growth in enrollment rates, and gender parity at almost all levels of education, MENA has not been able to fully reap the personal, social, and economic benefits of education. During these same 50 years, the Republic of Korea also invested in its human capital and succeeded in moving from a developing country in the early 1960s to one of the top 20 economies in the world today. Korea established a world class education system, and its students consistently rank among the top in international learning assessments.

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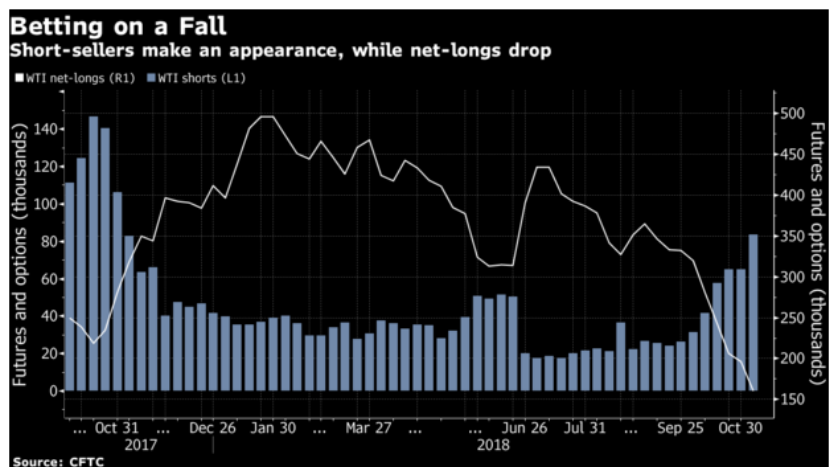
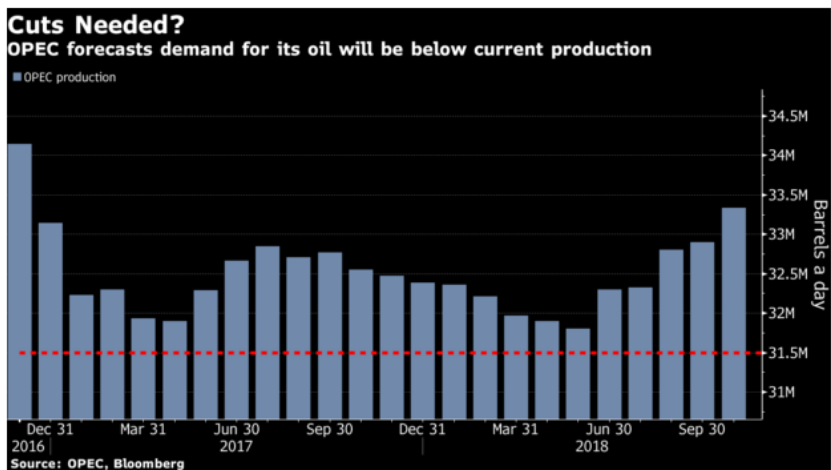
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Recent Developments in Financial and Commodity Markets

Bloomberg: Oil drops most in 3 years as investors flee darkening outlook

Oil was showing little sign of recovering from its unprecedented decline as investors flee a market hammered by swelling supplies and a darkening demand outlook. New York futures were little changed on Wednesday in Asia after plunging 7.1 percent in the previous session for the biggest one-day drop in three years. OPEC has given a dire forecast for 2019 demand just as American production and stockpiles steadily increase. Meanwhile, U.S. President Donald Trump’s Twitter critique of Saudi Arabia’s plan to curb output may dissuade other cartel members from similar moves, given the influence his past comments have had on OPEC actions.



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Reuters: Italian bond yields jump as Rome sticks to deficit target

Italian bond yields hit three-week highs on Wednesday, widening the gap over top-rated German peers, after Italy re-submitted its 2019 budget to the European Commission with unchanged growth and budget deficit assumptions but falling debt targets. Yields on higher-rated bonds in the euro zone fell on renewed volatility in Italy, a slide in oil prices and news that Germany's economy contracted for the first time since 2015 in the third quarter.

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