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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: Global Slowdown Looks More Likely in Trade Turmoil*
  - *Bloomberg: Mexico Hikes Interest Rate, Citing Peso Pressure from AMLO*
  - *Bloomberg: Indonesia Surprises with Rate Hike After Trade Gap Widens*
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  - *Reuter: Harvesting in a trade war: U.S. crops rot as storage costs soar*
  - *Reuters: Asia stocks slip as growth worries grip global markets*

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# Our Economy and The World

## The Weekly Report

### Key Global and Regional Developments over the Past Week

#### Bloomberg: Global Slowdown Looks More Likely in Trade Turmoil

The global economy took another blow this week, with Germany and Japan – the world’s third- and fourth-largest economies – both showing contractions in the third quarter and renewing fears of a synchronized slowdown. Trade wars are dragging on, the falling oil price opened a new front of concern and Asian leaders are worried that the region is doing the heavy lifting on global economic growth.



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#### **Bloomberg: Mexico Hikes Interest Rate, Citing Peso Pressure from AMLO**

Mexico's central bank raised its key interest rate Thursday, saying President-elect Andres Manuel Lopez Obrador's decision to cancel a \$13 billion airport and broader policy uncertainty with the new administration have worsened the inflation outlook by weakening the peso. Policy makers led by Alejandro Diaz de Leon lifted borrowing costs, already at the highest level in almost a decade, by a quarter point to 8 percent. The increase was anticipated by 20 economists surveyed by Bloomberg, while six projected it to remain unchanged. One board member voted for a half-point hike, making it the second split decision in as many months.

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#### **Bloomberg: Indonesia Surprises with Rate Hike After Trade Gap Widens**

Indonesia's central bank unexpectedly raised its benchmark interest rate for a sixth time this year to help rein in a widening trade deficit and bolster the currency. The seven-day reverse repurchase rate was raised by 25 basis points to 6 percent on Thursday, surprising most economists who had predicted no change. That takes the cumulative rate hikes since May to 175 basis points, making Bank Indonesia one of the most aggressive central banks in Asia this year.



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#### [Reuters: Japan inflation lacks momentum, keeps BOJ's target elusive](#)

Japan's annual core consumer inflation was unchanged in October from the previous month as soft household spending kept firms from hiking prices, a sign the economy lacks the momentum needed to achieve the central bank's 2 percent target. The nationwide core consumer price index (CPI), which strips away the effect of volatile food costs, rose 1.0 percent in October from a year earlier, government data showed on Thursday, matching a median market forecast. With half of the gain due to higher energy costs, the Bank of Japan may face increasing difficulty achieving consistent price growth as global trade frictions and slowing Chinese demand cloud the outlook for the export-reliant economy.

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# Special Analysis: World Bank International Debt Statistics 2019

International Debt Statistics 2019 is the World Bank's compilation of statistics covering external debt and financial flows of 121 low- and middle-income countries during 2017 and an analysis of these data. The information is drawn from the World Bank's Debtor Reporting System (DRS), which was established in 1951. World Debt Tables, the first publication that included DRS external debt data, was launched in 1973. International Debt Statistics 2019 presents comprehensive stock and flow data for individual countries and for regional and analytical groupings. The data include:

- Borrower composition: public and publicly guaranteed debt owed by, or guaranteed by, the government;
- Private non-guaranteed debt owed by private sector borrowers;
- Creditor composition: official bilateral and multilateral creditors;
- Private creditors, including banks, bondholders, suppliers' credits, and other private entities; and
- Loan terms and conditions: volume, maturity, and interest rate for public and publicly guaranteed loans.

Among key developments shown in the data:

- Net financial flows (debt and equity) to low- and middle-income countries rose 61 percent in 2017 to the highest level in three years, driven by a rebound in net debt inflows. Net financial flows climbed to \$1.1 trillion in 2017, a level last seen in 2014. Net debt inflows (loan disbursements minus principal repayments) spurred the increase, more than tripling to \$607 billion from \$181 billion in 2016 and surpassing net equity flows for the first time since 2013. Contributing to this rise was a \$297 billion inflow of short-term debt in 2017 after a combined outflow of \$532 billion in 2015 and 2016.
- Long-term debt inflows increased by 58 percent in 2017 to \$309 billion as a result of a rise in bond issuance. The jump in long-term debt inflows in 2017 was fueled by widespread new bond issuance by both public and private sector entities in low- and middle-income countries and purchases of domestically issued sovereign bonds by non-residents. New bond issuance in 2017 reached a record high of \$355 billion pushing net inflows (new issuance minus redemptions i.e. principal payments) to \$262 billion, or 85 percent of net long-term debt inflows, almost twice the comparable share in 2016. The remaining 15 percent of inflows were from official bilateral and multilateral creditors.

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## Recent Developments in Financial and Commodity Markets

### [Reuters: Harvesting in a trade war: U.S. crops rot as storage costs soar](#)

U.S. farmers finishing their harvests are facing a big problem - where to put the mountain of grain they cannot sell to Chinese buyers. For Louisiana farmer Richard Fontenot and his neighbors, the solution was a costly one: Let the crops rot. Fontenot plowed under 1,000 of his 1,700 soybean acres this fall, chopping plants into the dirt instead of harvesting more than \$300,000 worth of beans. His beans were damaged by bad weather, made worse by a wet harvest. Normally, he could sell them anyway to a local elevator - giant silos usually run by international grains merchants that store grain. But this year they aren't buying as much damaged grain. The elevators are already chock full.

[Read the full article](#)

### [Reuters: Asia stocks slip as growth worries grip global markets](#)

Asian stocks slipped on Wednesday as intensifying concerns about global economic growth gripped financial markets, sending Wall Street shares tumbling and driving the safe haven dollar up from a two-week low. Spread betters expected European stocks to open slightly higher on bargain hunting after several days of losses, with Britain's FTSE edging up 0.15 percent, Germany's DAX gaining 0.3 percent and France's CAC rising 0.25 percent.

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