The Egyptian Center for Economic Studies

Our Economy and The World

The Weekly Report

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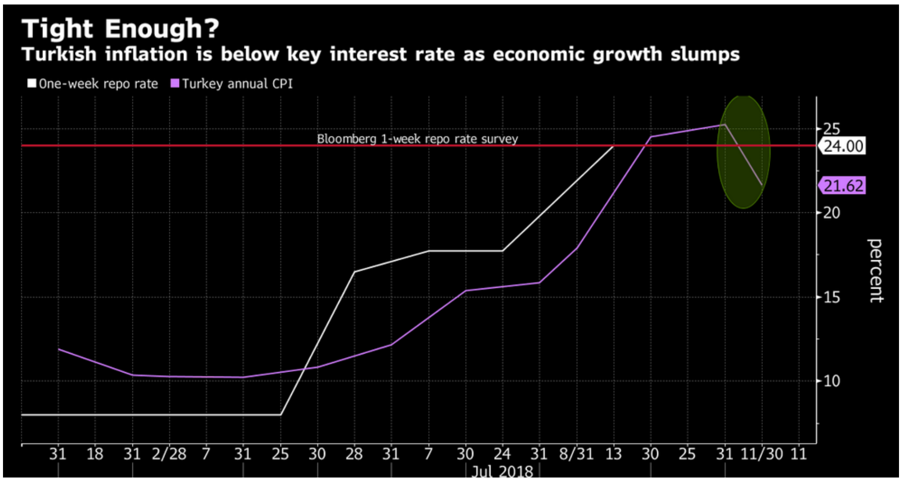
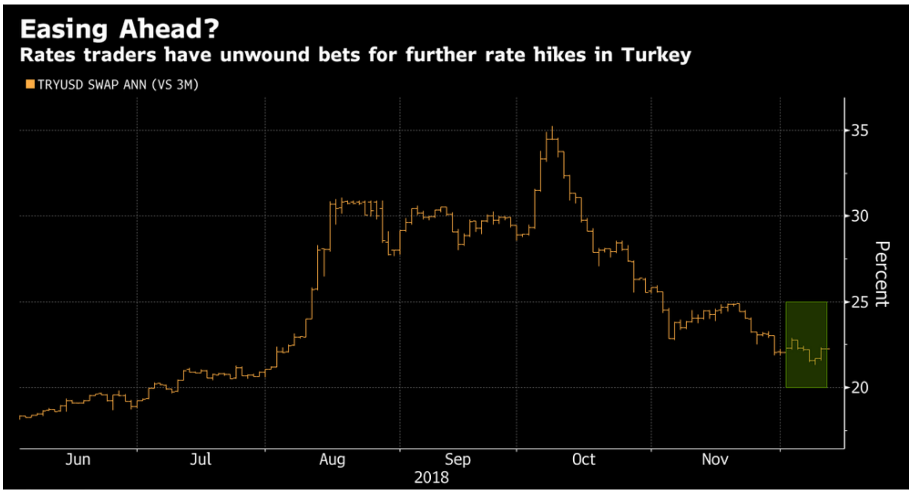
This week's issue of "Our Economy and the World" includes:

Key Global and Regional Developments over the Past Week

Bloomberg: 'Premature' Turkey rate cut haunts market after belated hike

President Recep Tayyip Erdogan's silence on interest rates is doing little to soothe market worry that Turkey's central bank could act too soon to loosen policy. Long known for his unorthodox view that rate hikes only lead to faster price gains, Erdogan has mostly kept mum since warning after an emergency increase in September that "there is a limit" to his patience. But the combination of a sharp economic slowdown last quarter and the strain of corporate debt is fueling bets for monetary easing before local elections in March.





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Reuters: UAE, Saudi Arabia using fintech for cross-border settlements

The United Arab Emirates and Saudi Arabia have started using fintech for cross-border settlements, including a digital currency which they jointly developed for that purpose, the UAE's central bank governor said on Wednesday. Mubarak Rashed al-Mansouri, speaking at a financial technology conference in Abu Dhabi, also said the UAE central bank was working on a strategic plan to develop fintech which would be supported by a legislative and regulatory framework.
Read the full article

Reuters: Japan opens door wider to foreign blue-collar workers despite criticism

Japan, in a major policy shift, enacted on Saturday a law to let in more foreign, blue-collar workers to ease a labor shortage, despite criticism it was too hastily crafted and risked exposing the workers to exploitation. Immigration has long been taboo in a country where many prize ethnic homogeneity, but the shrinking, aging population has increased pressure to relax strict controls on foreign workers.
Read the full article

Reuters: Brexit Britain's financial sector faces 'slow puncture'

Life in London's financial district will appear little changed when Britain leaves the European Union on March 29, defying predictions of an exodus of high-flyers to rival centres like Paris, Frankfurt and Dublin. But as chaos reigns in Westminster, the mood in the capital's historic "Square Mile" and Canary Wharf's gleaming towers is one of resignation and regret. Without meaningful access to the EU's single market, the financial services sector is braced for a long goodbye to its status as the world's international trade and banking hub, more than a dozen senior industry players told Reuters.
Read the full article

Special Analysis: IMF
A New Social Contact – Nemat Shafik

Overcoming fears of technology and globalization means rethinking the rights and obligations of citizenship. We are living in an age of insecurity. Increasingly, the values of liberal democracy, liberal economies, and a rules-based international system are being repudiated—even though they have delivered progress for the vast majority of people. Discontent has been fed by fears over slowing economic progress, especially in advanced economies, flatlining productivity and social mobility, and concerns about the future brought on by shifts in demography and technology.

We see this expressed in our politics. Popular anger and distrust of elites, compounded by the financial crisis, have led to growing support for nationalist and illiberal politicians. We see it in the mounting evidence of declining perceptions of well-being and trust in many countries. While the causes of our discontent vary, they all point to the need to revitalize our politics, economics, and social contract to provide citizens with a greater sense of security and confidence in the face of impending changes.

Why are so many people in some of the more successful countries in the world so unhappy? Inequality is a major cause, as is fear about future prospects caused by automation and aging. While the world has become more equal between countries, there have been different effects on income distribution within countries. The middle class in emerging markets and the richest 1 percent globally have benefited enormously, while the middle class in advanced economies has suffered. And parents in many countries worry about their children's prospects in the face of the high costs of education and housing, alongside low-quality jobs with poor benefits.

Read the full article

Recent Developments in Financial and Commodity Markets

Reuters: Oil rises to $61 on Libyan supply cut, U.S. inventories

Oil rose to about $61 a barrel on Wednesday, supported by an industry report showing a drop in U.S. crude inventories, a cut in Libyan exports and an OPEC-led deal to trim output. The American Petroleum Institute (API) said on Tuesday that U.S. crude inventories dropped by 10.2 million barrels last week, more than analysts had forecast. Official inventory figures are due later on Wednesday.

Read the full article

Reuters: Britain's credit default swaps hit highest since 2016 Brexit vote

News of a vote of no confidence against Britain's Prime Minister Theresa May on Wednesday pushed the cost of insuring UK government debt against default to its highest since the country's 2016 vote to leave the European Union. Confirmation of the vote lifted 5-year UK Credit Default Swaps, which traders use as a hedge against uncertainty, to 40 basis points and up from around 31 basis points at the start of December, data from Markit showed.

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