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The Egyptian Center for Economic Studies

Our Economy and The World

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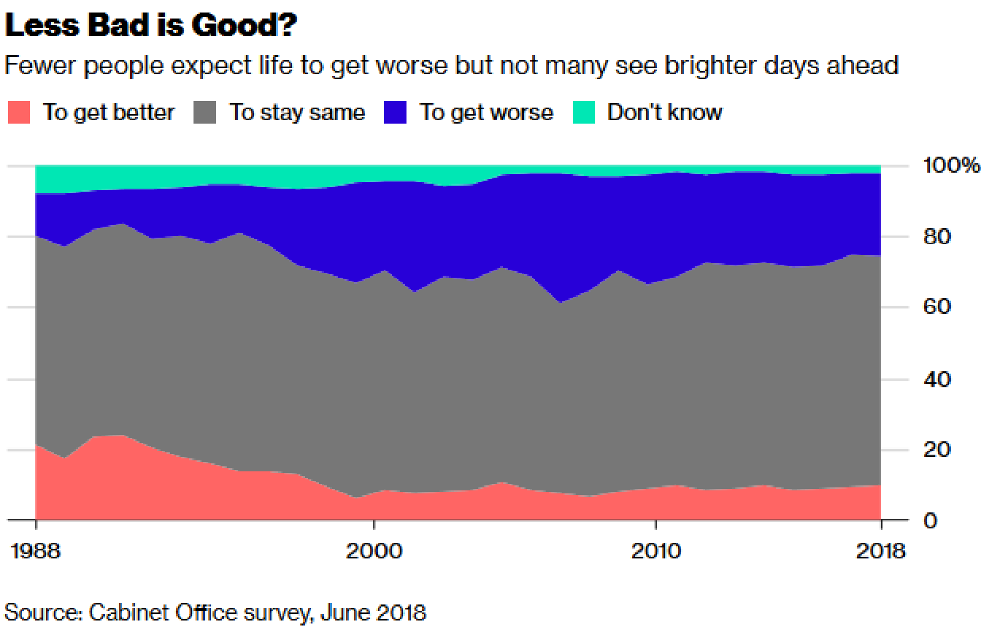
This week's issue of "Our Economy and the World" includes:

Key Global and Regional Developments over the Past Week

Bloomberg: $3.5 Trillion Cash Injection Changes Little for Ordinary Japanese

It's been the most radical cash injection in history -- a staggering $3.5 trillion, pumped into Japan's economy over more than five years to slay deflation and kick growth into higher gear. That's still not enough to save Tomoaki Nagai's metal parts factory near Osaka and it's a similar story throughout the world's third-largest economy.



Read the full article

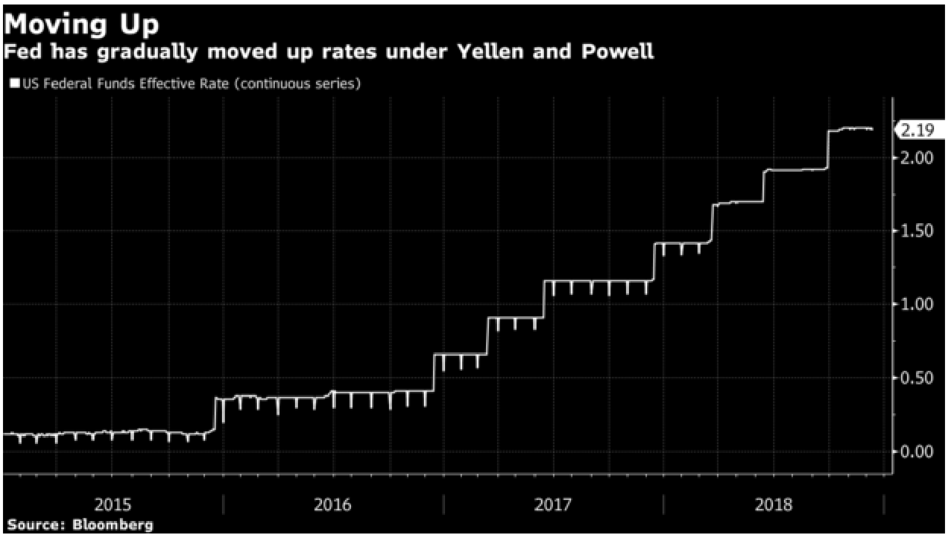
Reuters: Saudi 2019 budget boosts spending in bid to spur sluggish economy

Saudi Arabia plans to increase state spending by more than 7 percent next year in an effort to spur economic growth, which has been hurt by low oil prices, according to a 2019 budget released by the finance ministry on Tuesday. Spending is projected to rise to 1.106 trillion riyals ($295 billion) next year, up from an actual 1.030 trillion riyals this year, Saudi state television quoted the budget as saying.

Read the full article

Bloomberg: Trump Attacks on Fed Could Backfire, Boosting Powell's Support

President Donald Trump's attacks on the Federal Reserve may hold a silver lining for Chairman Jerome Powell: preserving unity among colleagues who can sometimes go rogue. America's central bankers have a strong culture of closing ranks during times of strain to defend the chair and preserve institutional independence. Even though there's an argument for holding interest rates steady, Trump's pressure may make any dissent less likely at the Dec. 18-19 meeting when a fourth quarter-point increase this year is widely expected.



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Reuters: ECB hopeful Rehn urges review of crisis-busting tools

The European Central Bank should review its policy tools, such as bond purchases and negative interest rates, so they reflect the changed economic environment since the financial crisis, ECB rate setter Olli Rehn said on Tuesday. The ECB has credited its 2.6 trillion euro ($2.96 trillion) money-printing scheme, sub-zero rates and policy guidance for staving off the threat of a prolonged fall in prices in the euro zone in the past few years.

Read the full article

Special Analysis: Economist Intelligence Unit Creative Disruption – Asia's Winners in the US-China Trade War

The US and China are rapidly discovering how wrong Donald Trump was when he said that trade wars are good and easy to win. The two countries have so far imposed tariffs covering roughly US$360bn of merchandise trade between them. A breakdown in negotiations suggests that neither side is yet seriously looking for an "off ramp" in the dispute. The Economist Intelligence Unit expects that by early 2019 tariffs will have been introduced on the vast majority of US-China merchandise trade.

The US-China trade war will have a significant adverse impact on the world economy. By distorting global trade flows, the conflict will push production to more expensive locations, forcing up prices and reducing efficiency. The end-price of products will be higher than it would have been otherwise, adding to inflation and potentially forcing faster tightening of monetary policy in many markets. Global trade flows are also set to slow, particularly in the short term, as mounting US-China tensions disrupt existing supply chains and dampen investor confidence. The greatest impact will of course be felt in the US and China, but many other economies are likely to experience collateral damage.

Still, there will be winners as well as losers. Tariffs tend to shift trade more than they reduce it and, as importers in China and the US look for alternative suppliers, new opportunities will open up for exporters in third-party markets. Some of those beneficiaries will be in countries such as Mexico (where the US-Mexico-Canada Agreement may facilitate auto parts imports to the US) or Europe (whose agricultural exporters should benefit as US produce becomes more expensive in China). However, the lion's share of the gains from the trade war will fall to countries in Asia.

Using our world-leading expertise in economic forecasting and analysis, and leveraging our team of country and industry analysts across Asia, we have produced a report that examines which countries in the region will emerge as the key winners from the supply chain shifts caused by the trade war. We focus in particular on the impact on three important sectors: information and communications technology (ICT) products; automotive and automotive parts; and apparel and readymade garments (RMGs).

Read the full report

Recent Developments in Financial and Commodity Markets

Bloomberg: Foreigners Can't Stop Selling in the Worst Stock Market of 2018

Foreigners don't seem to want to enter the new year holding shares in the worst performing market of 2018. Overseas investors in Dubai's main stock exchange were net sellers of 853 million dirhams ($232 million) of shares as of the end of last week, the most for a single year since the data started being provided. The category excludes investors from the six-nation Gulf Cooperation Council and other Arab countries.

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Reuters: Oil drops 4 percent on oversupply, equities sell-off

Oil prices fell 4 percent on Tuesday after reports of swelling inventories and forecasts of record U.S. and Russian output combined with a sharp sell-off in stock markets as the outlook for global growth deteriorated. U.S. crude oil dropped $2.04, or 4.1 percent, to a low of $47.84, its weakest since September 2017, before recovering to around $48.55 by 1140 GMT. North Sea Brent crude lost $2.41, or 4.0 percent, to $57.20, a 14-month low. It last traded around $58.21, down $1.40. Both crude oil benchmarks have shed more than 30 percent since early October due to swelling global inventories.

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