



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: Japan is growing but wages have barely budged. Why?
 - Reuters: Asia may face steel, aluminum glut with Trump's tariff plan
 - Reuters: WTO chief urges states to stop first dominoes of trade war
 - Bloomberg: It could be crunch time for world's third most-indebted country
- **Special Analysis: World Economic Forum - The Inclusive Development Index 2018**
- **Recent Developments in Financial and Commodity Markets**
 - Reuters: Oil inches up on strong demand forecasts, OPEC-led output cuts
 - Bloomberg: Asia's biggest currency gain in 20 years may be about to end

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Key Global and Regional Developments over the Past Week

Bloomberg: Japan is growing but wages have barely budged. Why?

For Japan's mission to revitalize its once roaring economy, getting wages to rise is crucial. Conditions appear ripe for fatter paychecks: the tightest labor market since the 1970s, eight straight quarters of economic growth and record profits for Japan Inc. Yet economists expect only a 1 percent pay rise this year. This would be the biggest since 1997, but hardly enough to power a consumption boost to sustain stronger economic expansion. So why does Japan so badly trail the U.S.'s latest 2.9 percent increase in salaries and the Eurozone's 1.6 percent rise?

Little Wage Impact (Yet) from Abenomics



Source: Ministry of Health, Labour and Welfare

Average monthly pay (bonuses averaged across a whole year)

[Read the full article](#)

Reuters: Asia may face steel, aluminum glut with Trump's tariff plan

U.S. President Donald Trump's plan to slap hefty tariffs on steel and aluminum imports will likely make Southeast Asia the new hunting ground for global exporters seeking buyers, creating a glut that could depress prices and prompt some producers to close. More of China's steel may find its way into developing countries such as the Philippines and Vietnam, but it could face competition from Russia, Ukraine and Turkey, industry officials and traders said.

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Reuters: WTO chief urges states to stop first dominoes of trade war

The head of the World Trade Organization told member states on Monday they must prevent “the fall of the first dominoes” in a trade war and warned of a real risk of triggering an escalation of global trade barriers and a deep recession. World trade policy is in turmoil because of U.S. President Donald Trump’s announcement last week that he planned to put controversial tariffs on steel and aluminum, prompting threats of tit-for-tat actions and concerns for the trade system itself.

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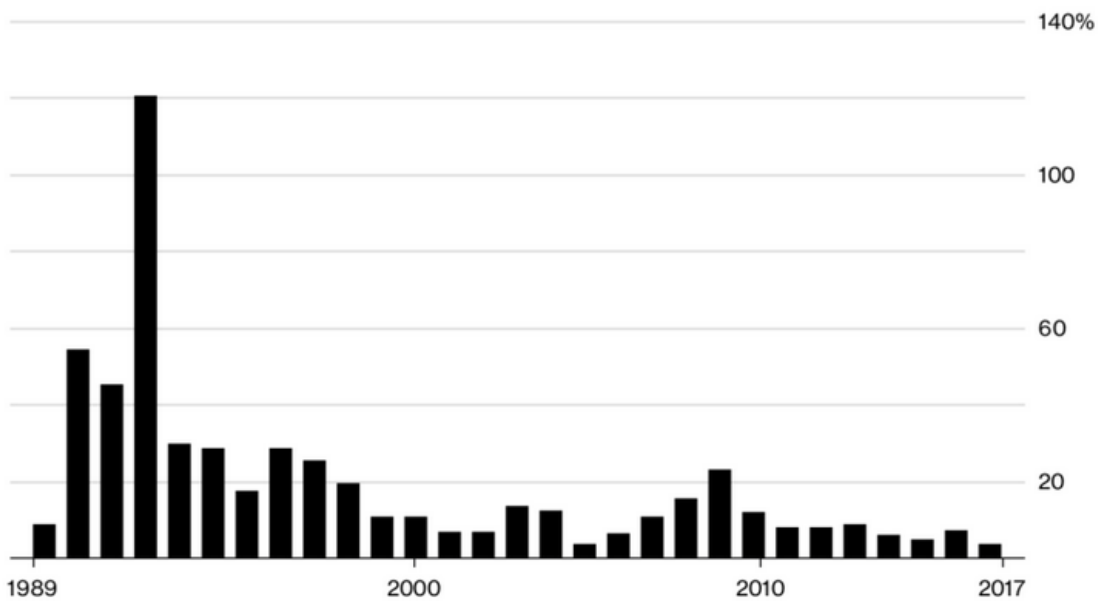
Bloomberg: It could be crunch time for world’s third most-indebted country

The problem for Lebanon, the world’s third most-indebted country, is that it’s starting to look more like Greece financially. And if Greece’s survival as part of the euro was crucial to the European project, Lebanon is key to keeping what’s left of peace in the Middle East. “I don’t think the gravity of the situation is understood by everyone,” deputy Prime Minister Ghassan Hasbani said in his office in Beirut. The time has come for an international aid package that will force Lebanon to reform, “the same way that Greece was salvaged, but before it’s too late,” he said.

Money Issues

Lebanese banks see capital inflows slow amid uncertainty

■ Private sector deposit growth



Source: Lebanon’s Central Bank

Bloomberg

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Special Analysis: World Economic Forum The Inclusive Development Index 2018

Slow progress in living standards and widening inequality have contributed to political polarization and erosion of social cohesion in many advanced and emerging economies. This has led to the emergence of a worldwide consensus on the need for a more inclusive and sustainable model of growth and development that promotes high living standards for all. To help narrow the gap between aspiration and action, the World Economic Forum System Initiative on Shaping the Future of Economic Progress last year introduced a new economic policy framework and performance metric in its Inclusive Growth and Development Report 2017. The framework identifies 15 areas of structural economic policy and institutional strength that have the potential to contribute simultaneously to higher growth and wider social participation in the process and benefits of such growth. The structural policies and institutions in these domains collectively represent the system through which modern market economies diffuse gains in living standards. Governments often fail to appreciate the potential of policy in these areas to increase the rate of growth and spread its benefits more widely, particularly in demand-constrained and low-productivity contexts. Under-emphasis of these policies relative to macroeconomic, trade, and financial stability policies is a key reason for many governments' failure in recent decades to mobilize a more effective response to widening inequality and stagnating median income as technological change and globalization have gathered force.

This policy imbalance is reinforced by the prevailing metric of national economic performance, the gross domestic product (GDP), which measures the aggregate amount of goods and services produced in an economy. Most citizens evaluate their respective countries' economic progress not by published GDP growth statistics but by changes in their households' standard of living — a multidimensional phenomenon that encompasses income, employment opportunity, economic security, and quality of life. And yet, GDP growth remains the primary focus of both policymakers and the media, and is still the standard measure of economic success. What gets measured gets managed, and the primacy of GDP statistics tends to reinforce the amount of attention paid by political and business leaders to macroeconomic and financial stability policies, which influence the overall level of economic activity, relative to that paid to the strength and equity of institutions and policy incentives in such areas as skills development, labor markets, competition and rents, investor and corporate governance, social protection, infrastructure, and basic services. These play an important role in shaping the pattern of economic activity and particularly the breadth of social participation in the process and benefits of growth.

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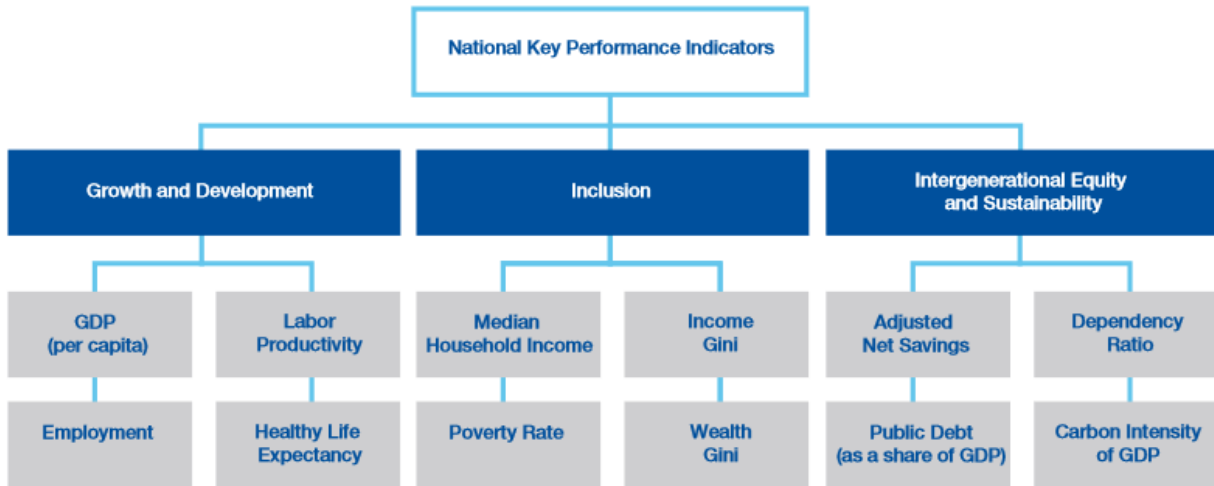
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Figure 1: Inclusive Growth and Development Key Performance Indicators



Source: World Economic Forum, *The Inclusive Growth and Development Report 2017*

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The Weekly Report

Recent Developments in Financial and Commodity Markets

Reuters: Oil inches up on strong demand forecasts, OPEC-led output cuts

Oil futures rose on Tuesday for a third session, underpinned by robust demand forecasts and as ministers from OPEC touted the strength of its agreement to cut output to bolster prices. International benchmark Brent crude futures LCOc1 were at \$65.67 per barrel at 0743 GMT, up 8 cents, or 0.12 percent. U.S. West Texas Intermediate (WTI) crude futures CLc1 were at \$62.68 a barrel, up 11 cents, or 0.18 percent. The International Energy Agency (IEA) said on Monday that global oil demand was expected to grow over the next five years, while output from producers in the Organization of the Petroleum Exporting Countries (OPEC) would rise at a much slower pace.

[Read the full article](#)

Bloomberg: Asia's biggest currency gain in 20 years may be about to end

Asian currencies may be on the verge of a correction after completing the best year in at least two decades. The warning sign? Indonesia's rupiah slumped to a two-year low last week. The rupiah is seen as a bellwether of sorts for Asia given the high foreign ownership of the nation's bonds. The currency is typically among the first in the region to be sold when sentiment sours, and this often heralds a broader decline among its peers.



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