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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:

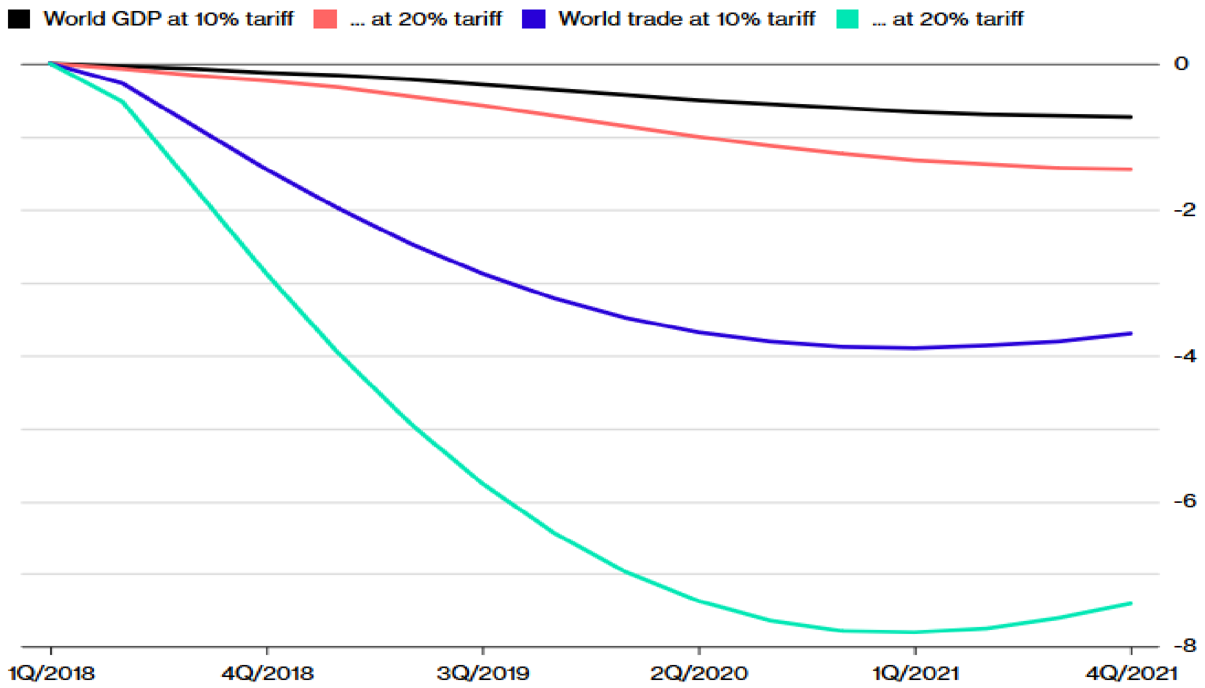
Key Global and Regional Developments over the Past Week

Bloomberg: Trump's trade war and the $470 billion hit to the global economy

A full-blown trade war could cost the global economy $470 billion, according to Bloomberg Economics. The U.S. decision to slap tariffs on steel and aluminum may just be the beginning, with President Donald Trump warning of more levies and other economies promising to respond. Cecilia Malmstrom, the European Union's trade chief, vowed on Monday to "stand up to bullies."

Bilateral Tariffs

A Trump trade war may cost $470 billion by 2020



Source: Bloomberg Economics
Note: Y-axis shows deviation from baseline in percent

Read the full article

Bloomberg: U.S. posts biggest budget deficit since 2012

The U.S. recorded a $215 billion budget deficit in February -- its biggest in six years -- as revenue declined. Fiscal income dropped to $156 billion, down 9 percent from a year earlier, while spending rose 2 percent to $371 billion, the Treasury Department said on Monday. The deficit for the fiscal year that began in October widened to $391 billion, compared with a $351 billion shortfall the same period a year earlier, according to the Treasury report.

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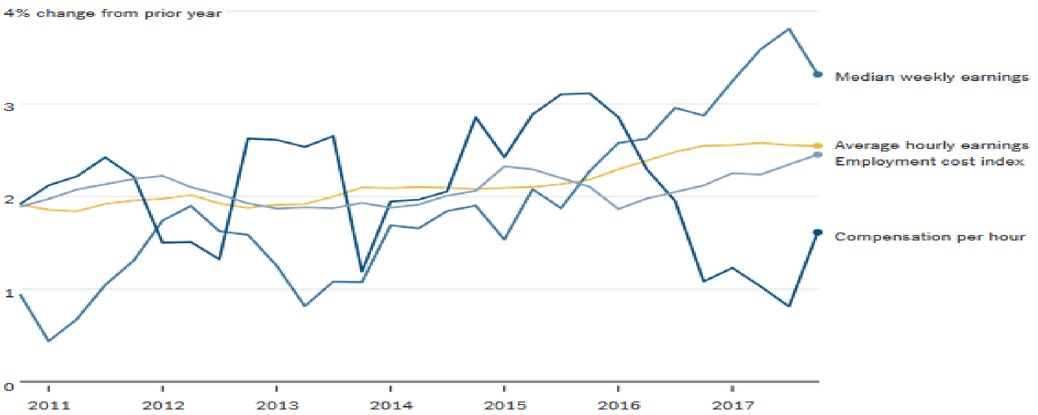
The New York Times: Are wage gains picking up? Stalling? Questionable data makes it hard to say?

When the Labor Department reported last month that average hourly earnings had jumped 2.9 percent in January, it looked as though the long, steady recovery in the American job market might at last be translating into faster wage gains for the nation's workers. Then came Friday and the latest jobs report, which showed that wage growth was weaker in January than initially reported and that the gains in February were weaker still, up just 2.6 percent from a year earlier. The muddled data on wages was a potent reminder that even the strongest job market in a generation has not been robust enough to reverse a longstanding pattern of lagging pay.



Measures of wage growth have diverged sharply in recent years, making it hard to know how pay is responding amid a tightening labor market.

Note: Data is shown as a 12-month (for monthly data) or four-quarter (for quarterly data) rolling average. Source: Federal Reserve Bank of St. Louis.

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Bloomberg: China banking crisis warning signal still flashing, BIS says

China, Canada and Hong Kong are among the economies most at risk of a banking crisis, according to early-warning indicators compiled by the Bank for International Settlements. Canada -- whose economy grew last year at the fastest pace since 2011 -- was flagged thanks to its households' maxed-out credit cards and high debt levels in the wider economy. Household borrowing is also seen as a risk factor for China and Hong Kong, according to the study.

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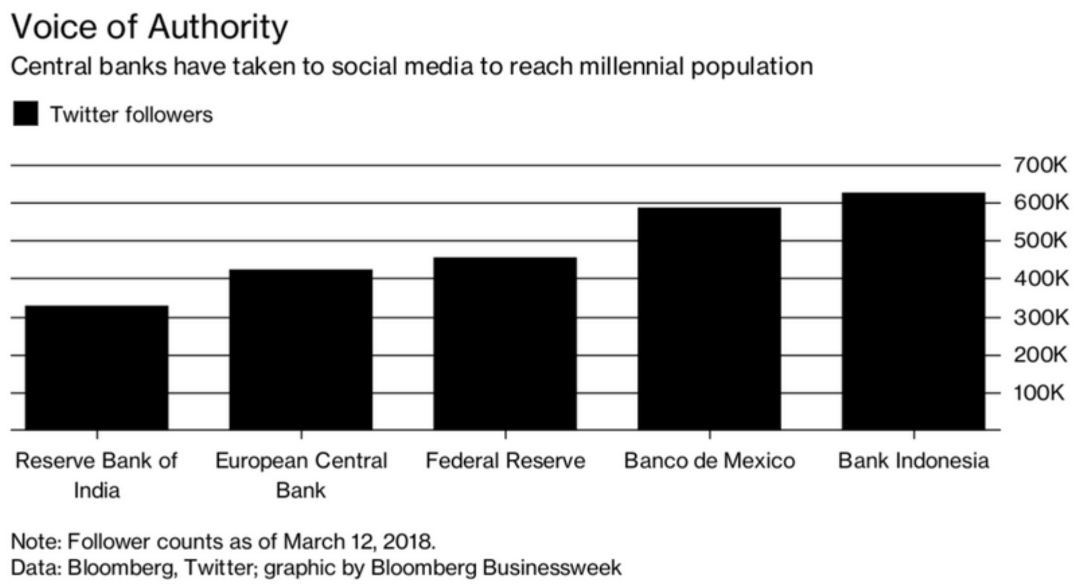
Bloomberg: Central banks are turning to twitter

Indonesia's central bank has more followers on Twitter than any other monetary authority, beating out the Banco de Mexico, Federal Reserve, European Central Bank and Reserve Bank of India.



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Special Analysis
OECD - Interim Economic Outlook
March 2018

Summary

• The world economy will continue to strengthen in 2018 and 2019, with global GDP growth projected to rise to about 4%, from 3.7% in 2017.

• Stronger investment, the rebound in global trade and higher employment are helping to make the recovery increasingly broad-based.

• New tax reductions and spending increases in the United States and additional fiscal stimulus in Germany are key factors behind the upward revision to global growth prospects in 2018 and 2019.

• Inflation remains low, but is likely to rise modestly.

• Still elevated risk taking and high debt levels in many countries raise financial vulnerabilities. Monetary policy normalization could also result in greater volatility of exchange rates and capital flows, particularly in emerging market economies.

• Medium-term growth prospects remain much weaker than prior to the financial crisis, reflecting less favorable demographic trends and a decade of sub-par investment and productivity.

• Economic policies face several challenges:

  – A gradual normalization of monetary policy is needed, but to a varying degree across the major economies. Continued clear communication about the path to normalization is essential to minimize the risk of financial market disruptions.

  – Fiscal policy choices should avoid being excessively pro-cyclical and be clearly focused on measures that strengthen the prospects for sustainable and more inclusive medium-term growth.

  – Structural reform efforts should be revived, seizing the opportunity of the stronger economy to help secure a more robust recovery of productivity, investment and living standards.

• Safeguarding the rules based international trading system will help to support growth and jobs.

• Governments should avoid escalation and rely on global solutions to resolve excess capacity in the global steel industry.

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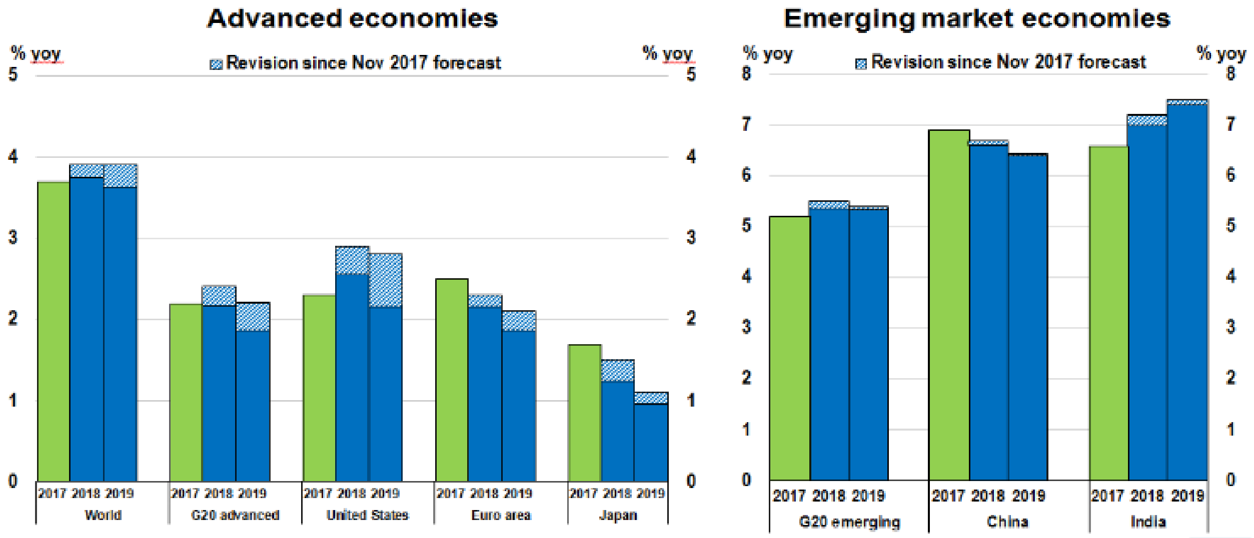
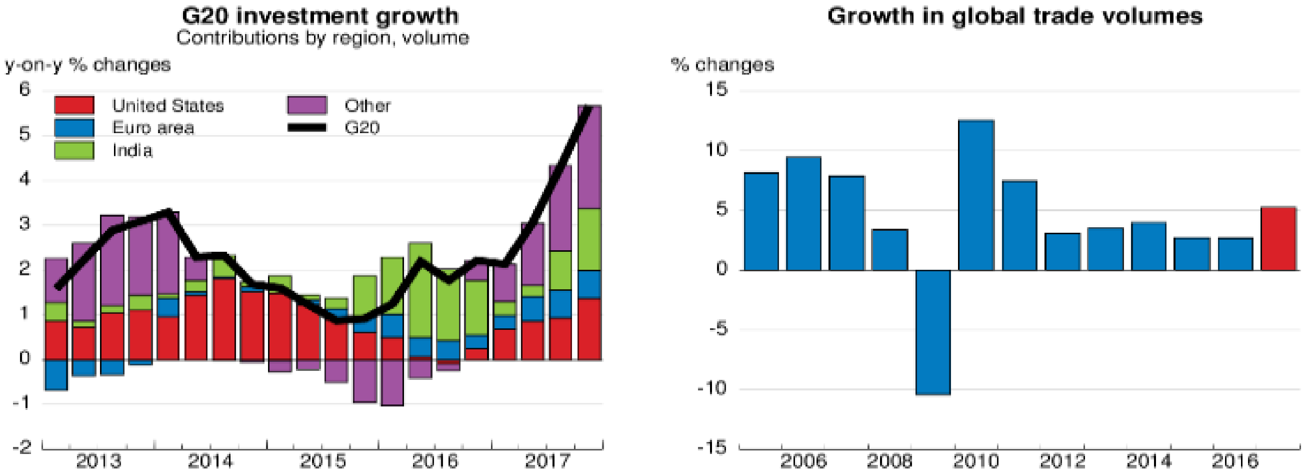
GDP growth prospects have been revised up in advanced and emerging economies



Note: GDP in constant prices. Fiscal year data for India. The G20 aggregate does not include the European Union countries who are not members in their own right. G20 emerging economies include Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, Turkey and South Africa.

Source: OECD Economic Outlook database.

Investment and trade growth have rebounded



Note: G20 investment aggregate excludes China and Saudi Arabia due to data unavailability. The euro area aggregate includes only Germany, France and Italy. World trade is measured as goods and services trade volumes in constant US dollars.

Source: OECD Economic Outlook Database; and OECD calculations.

Read the full report

Recent Developments in Financial and Commodity Markets

Bloomberg: Qatar wealth fund to sell entire Veolia stake worth $640 million

Qatar's sovereign wealth fund is selling a stake worth about $640 million in Veolia Environment SA, months after it reduced holdings in Tiffany & Co. and Credit Suisse Group AG. Qatari Diar Real Estate Investment Co., the property arm of Qatar Investment Authority, will sell about 26.1 million shares in the French utility, or around 4.6 percent of share capital, according to a statement from the Doha-based firm. Veolia's shares closed at 19.91 euros in Paris trading on Monday.

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Reuters: Japan to urge G20 for steps to prevent cryptocurrency use for money laundering

Japan will urge its G20 counterparts at a meeting next week to beef up efforts to prevent cryptocurrencies from being used for money laundering, a government official with direct knowledge of the matter said. But the prospects for the G20 finance leaders to agree on specific global rules and mention them in a joint communique are low, given differences in each country's approach, the official said, a view echoed by another official involved in G20 talks. "Discussions will focus on anti-money laundering steps and consumer protection, rather than how cryptocurrency trading could affect the banking system," one of the officials said.

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Reuters: Oil prices dip on relentless rise in U.S. crude output

Oil prices dipped on Tuesday, extending losses from the previous session, as the inexorable rise in U.S. crude output weighed on markets. U.S. West Texas Intermediate (WTI) crude futures were at $61.18 a barrel at 0747 GMT, down 18 cents, or 0.3 percent, from their previous close. Brent crude futures were at $64.77 per barrel, down 18 cents, or 0.3 percent. Both crude benchmarks dropped by around 1 percent in their Monday sessions. “Oil prices fell on the back of concerns that surging U.S. production ... could push inventories in the U.S. higher,” ANZ bank said on Tuesday.

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