



Our Economy and The World

The Weekly Report

Issue: 97 Date: 15th April 2018

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Key Global and Regional Developments over the Past Week

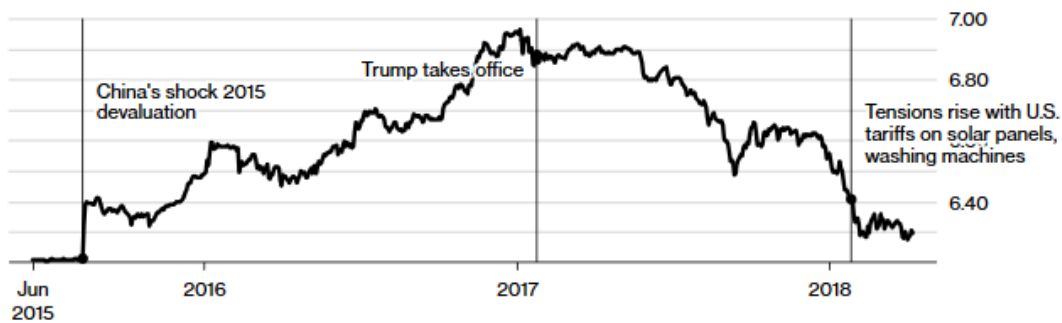
Bloomberg: China is studying Yuan devaluation as a tool in trade spat

China is evaluating the potential impact of a gradual yuan depreciation, people familiar with the matter said, as the country's leaders weigh their options in a trade spat with U.S. President Donald Trump that has roiled financial markets worldwide. Senior Chinese officials are studying a two-pronged analysis of the yuan that was prepared by the government, the people said. One part looks at the effect of using the currency as a tool in trade negotiations with the U.S., while a second part examines what would happen if China devalues the yuan to offset the impact of any trade deal that curbs exports.

Yuan in Play?

China is said to evaluate the potential impact of a gradual yuan depreciation

■ Onshore yuan versus dollar



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Reuters: ECB can lift deposit rate to get hikes rolling

The European Central Bank could stagger the process of raising euro zone interest rates by first lifting its sub-zero deposit rate back toward positive territory, one of its longest-standing policymakers, Ewald Nowotny, said on Tuesday. Nowotny told Reuters in an interview that the ECB's 2.55 trillion euro (\$3.1 trillion) bond-buying programme would be wound down by the end of this year, which would then pave the way for the first rate rise since a fumbled move in 2011.

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[Bloomberg: Vow to end Iran's black market spurs rush for dollars in Tehran](#)

Iranians flocked to foreign-exchange houses after authorities vowed to halt a currency slump by eliminating black-market rates, only to be turned away by currency traders awaiting instructions from the central bank. Street dealers usually provide an alternative to Iran's registered banks for Iranians looking to buy and sell dollars or euros. But they were absent from their usual corners in downtown Tehran on Tuesday after the government warned it would prosecute anyone who violated new rules setting the exchange rate at 42,000 rials to the dollar. The currency had weakened to 60,000 rials on the unregulated market this week, a record low.

[Read the full article](#)

[Bloomberg: U.A.E. cabinet passes equal-pay legislation to close gender gap](#)

The United Arab Emirates' cabinet approved a bill guaranteeing equal pay for men and women as the Gulf nation strives to bring more females into its workforce. "We don't want any exceptions to equal opportunities between the sexes," U.A.E. Prime Minister and Dubai ruler Sheikh Mohammed bin Rashid Al Maktoum said on Twitter. He didn't say when the bill would be presented to the country's advisory federal national council for final approval.

[Read the full article](#)

[Reuters: Saudi Arabia and France sign deals worth \\$18 billion: Al Arabiya TV](#)

Saudi Arabia and France signed 20 economic deals worth more than \$18 billion, Al Arabiya TV said on Tuesday as Saudi Crown Prince Mohammed bin Salman visits Paris, without specifying whether they were full contracts or memorandums of understanding.

[Read the full article](#)

[Financial Times: Trump calls WTO 'unfair' to U.S. in latest trade barb](#)

US President Donald Trump is doubling down on his tough trade talk on Friday morning, saying in a tweet that China has the upper hand at the World Trade Organization, where Beijing has opened a challenge against the president's latest tariff proposal.

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Special Analysis: World Bank The State of Social Safety Nets 2018

Key Findings

Among the very poor who received safety net benefits, 36% escaped extreme poverty, providing clear evidence that social safety net programs are making a substantial impact in the global fight against poverty, says a new World Bank Group report. The impact of social safety nets on poverty is measured based on available household data from 79 countries by comparing the welfare of the safety nets beneficiaries to what it would have been had they not received such support.

Data from the State of the Social Safety Nets 2018 report shows that safety nets—which include cash, in-kind transfers, social pensions, public works, and school feeding programs targeted to poor and vulnerable households—also lower inequality, and reduce the poverty gap by about 45 percent, even if they do not emerge from poverty. These positive effects of safety net transfers hold true for low and middle-income countries alike.

Despite the increased adoption of safety net programs by countries in recent years, global coverage of poor and vulnerable people remains inadequate. About 2.5 billion people worldwide are covered by a social safety net, of which 650 million are in the poorest 20 percent. However, only one out of five persons living in a low-income country is covered by a social safety net. Furthermore, countries at high risk of natural disasters often have lower safety net coverage.

The report also looks at two thematic areas pertinent to managing risk and vulnerability, namely social assistance and aging, which looks specifically into the role of old-age social pensions, and adaptive social protection, which discusses shocks and how social safety net programs can be adapted to better respond to them.

In terms of social pensions, the report shows that old-age pensions have helped the elderly reduce or altogether escape poverty, and that elderly people in the poorest quintile have benefited the most, no matter the program design. Europe and Central Asia region currently has the largest percentage of elderly people; in the long term, Latin America and the Caribbean, South Asia, and East Asia and Pacific will experience the biggest increase.

Despite the evident aging trend, most countries do not have systems and benefits that can fully cover elderly people or their special needs. While nearly 90 percent of Organization for Economic Co-operation and Development (OECD) economies have old age social pensions, only 70 percent of Latin America and the Caribbean economies, and nearly 65 percent of Europe and Central Asian do.

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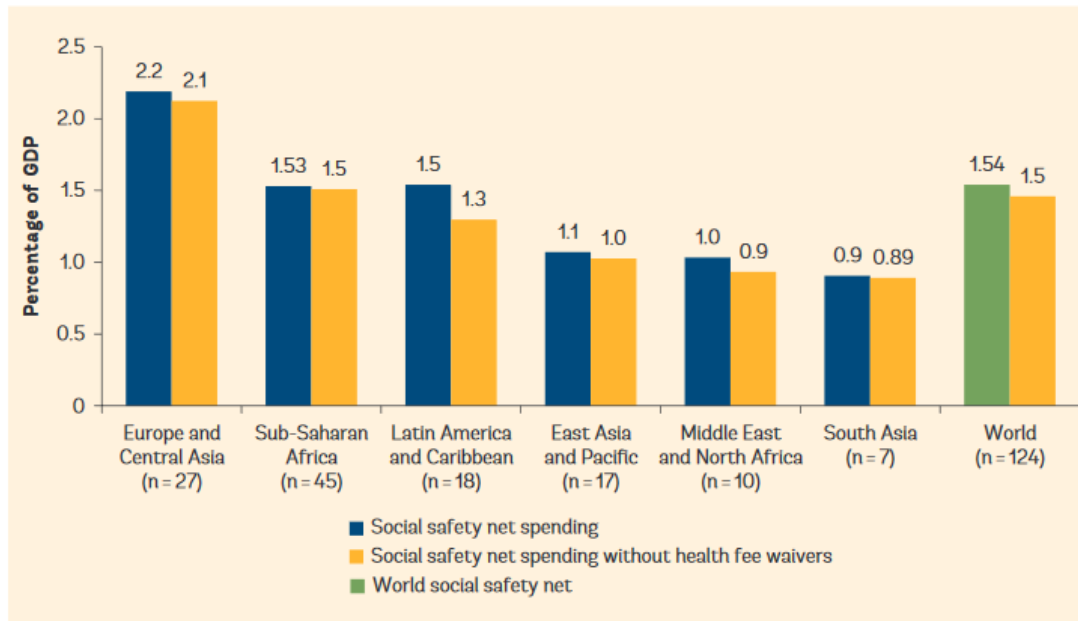


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The report is the third in a series of studies that monitor and report on the growth and coverage of social safety nets in the developing world, and helps benchmark where individual countries and regions stand in terms of social safety net spending, key performance indicators, and the impact on reducing poverty and inequality. The analysis presented in the report uses administrative data for 142 countries and household survey data for 96 countries from the ASPIRE database, and provides much needed empirical evidence in the context of an increasing global focus on social protection, as evident in the SDGs.

FIGURE 0.1 Average Global and Regional Spending on Social Safety Nets



Source: ASPIRE database.

Note: The number of countries in each region appears in parentheses. The difference in regional average for Africa in this report as opposed to the Africa regional report (Beegle et al. forthcoming) is that in the regional report, average social safety net spending (1.3 percent of GDP) does not include South Sudan as an outlier in terms of spending. The regional numbers presented in this figure are simple averages across countries. See appendix B for details. The conceptual treatment of health fee waivers is not straightforward because it depends on how countries arrange and report their provision of health care. Although in some cases the health fee waivers are reported under public health expenditures, in other cases they are counted under social protection expenditures. ASPIRE = Atlas of Social Protection: Indicators of Resilience and Equity.

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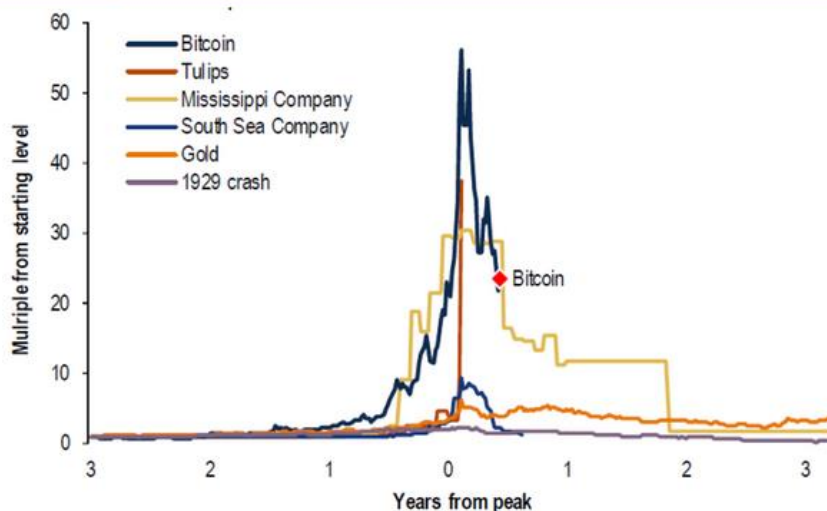


Recent Developments in Financial and Commodity Markets

Bloomberg: Bitcoin, the biggest bubble in history, is popping

The greatest bubble in history is popping, according to Bank of America Corp. The cryptocurrency is tracking the downfalls of the other massive asset-price bubbles in history less than one year out from its record, analysts led by Chief Investment Strategist Michael Hartnett wrote in a note Sunday. The cryptocurrency has fallen more than 65 percent since peaking in December at \$19,511. Bitcoin rose 2.2 percent to \$6,750 on Monday.

Chart 2: The greatest asset price bubbles in history



Source: BofA Merrill Lynch Global Investment Strategy, Global Financial Data, Garber (2000), Frehen (2012), Bloomberg

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Bloomberg: Investors bet against Turkey banks as debt wave gains force

Investors are bracing for trouble at Turkey's banks as some of the nation's biggest conglomerates struggle to repay their debts. The Borsa Istanbul Banks Index, which comprises 13 lenders, underperformed the Borsa Istanbul 100 by 20 percent over the past year. Valuations dropped to a nine-year low in November, and have remained there. The banks index trades at 4.9 times estimated earnings, compared with 7.6 times for the broader market. While financial institutions were once the driver of the market, accounting for almost half its value, today they account for less than a third.

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Bloomberg: Saudi Arabia signals ambition for \$80 oil price

Saudi Arabia wants to get oil prices near \$80 a barrel to pay for the government’s crowded policy agenda and support the valuation of state energy giant Aramco before an initial public offering. In conversations with OPEC delegates and oil market participants, Saudi officials had been careful to avoid pinpointing an exact price target. Yet people who have spoken to them said the inescapable conclusion from the conversations was that Riyadh is aiming for \$80.



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