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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:

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 - Bloomberg: Oil resumes advances amid hints that OPEC may extend output cuts

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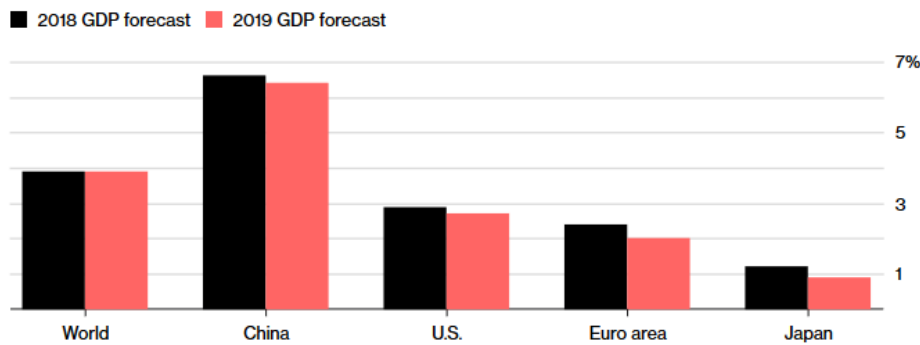
Key Global and Regional Developments over the Past Week

Bloomberg: IMF spots trouble ahead for the global economy after 2020

The International Monetary Fund predicted the world economy’s strongest upswing since 2011 will continue for the next two years, but warned the seeds of its demise may have already been planted. The fund on Tuesday left its forecasts for global growth this year and next at the 3.9 percent it estimated in January and raised its outlook for the U.S. as Republican tax cuts take effect. Beyond that horizon, it was more pessimistic, projecting global growth will fade as central banks tighten monetary policy, the U.S. fiscal stimulus subsides, and China’s gradual slowdown continues.

Solid Growth

The IMF predicts the strong economic upswing will continue for the next two years



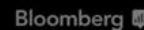
Source: International Monetary Fund

Changing the Growth Outlook

Total number of countries for which the IMF revised its GDP forecasts

Change to forecast	2018	2019	2020
Increase	95	102	93
Decrease	81	70	74
No change	16	20	25

Source: Bloomberg analysis of International Monetary Fund forecasts, October and January through April



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[Reuters: China seeks trade firewall with U.S. allies in rush of ambassador meetings](#)

China's international trade representative held a series of meetings with the ambassadors from major European nations last week to ask them to stand together with Beijing against U.S. protectionism, according to four sources familiar with the discussions. Some of the western diplomats involved in the meetings with Fu Ziying, who is also a vice-commerce minister, have viewed the approaches as a sign of how anxious Beijing is getting about the expanding conflict with Washington, the sources said.

[Read the full article](#)

[Reuters: Tech companies to be forced to give police overseas data under EU proposal](#)

Technology companies such as Google, Microsoft and Facebook will be forced to hand over users' data to European law enforcement officials even when it is stored on servers outside the bloc, under a law proposed by the EU on Tuesday. The law would allow European prosecutors to force companies to turn over data such as emails, text messages and pictures stored online in another country, within 10 days or as little as six hours in urgent cases.

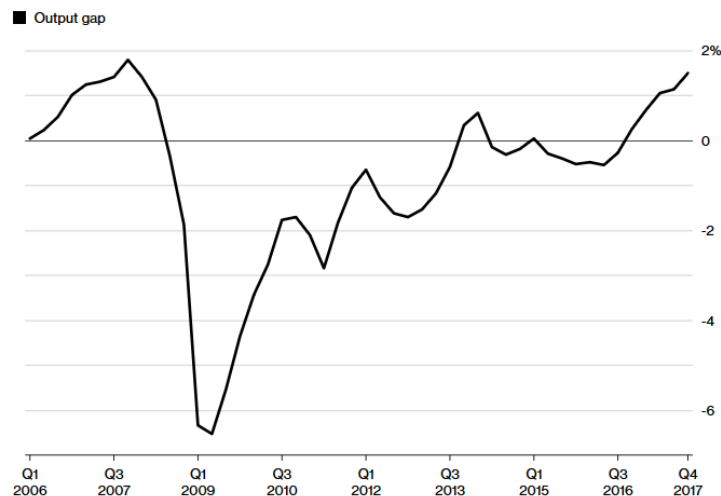
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[Bloomberg: Inflation gains footing in Japan](#)

Inflation is showing signs of taking root in Japan. With price gains halfway to the Bank of Japan's 2 percent target, domestic demand is picking up after years in which external factors such as energy prices did most of the work. As the economy continues to grow, this could open the door for the central bank to start adjusting monetary policy as soon as later this year, and put Prime Minister Shinzo Abe in a position to declare victory in Japan's long battle with deflation.

Price Pressures Rising

Japan's output gap hit the highest level since 2007 in the final quarter of last year



Source: BOJ

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Special Analysis: IMF World Economic Outlook, April 2018

The upswing in global investment and trade continued in the second half of 2017. At 3.8 percent, global growth in 2017 was the fastest since 2011. With financial conditions still supportive, **global growth is expected to tick up to a 3.9 percent rate in both 2018 and 2019**. Advanced economies will grow faster than potential this year and next; euro area economies are set to narrow excess capacity with support from accommodative monetary policy, and expansionary fiscal policy will drive the US economy above full employment. Aggregate growth in emerging market and developing economies is projected to firm further, with continued strong growth in emerging Asia and Europe and a modest upswing in commodity exporters after three years of weak performance. Global growth is projected to soften beyond the next couple of years. Once their output gaps close, most advanced economies are poised to return to potential growth rates well below pre-crisis averages, held back by aging populations and lackluster productivity. US growth will slow below potential as the expansionary impact of recent fiscal policy changes goes into reverse. **Growth is projected to remain subpar in several emerging market and developing economies, including in some commodity exporters that continue to face substantial fiscal consolidation needs.**

While upside and downside risks to the short-term outlook are broadly balanced, risks beyond the next several quarters clearly lean to the downside. Downside concerns include a possibly sharp tightening of financial conditions, waning popular support for global economic integration, growing trade tensions and risks of a shift toward protectionist policies, and geopolitical strains. The current recovery offers a window of opportunity to advance policies and reforms that secure the current upswing and raise medium-term growth to the benefit of all. Such policies should focus on strengthening the potential for higher and more inclusive growth, building buffers to deal more effectively with the next downturn, improving financial resilience to contain market risks and stability concerns, and fostering international cooperation.

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Recent Developments in Financial and Commodity Markets

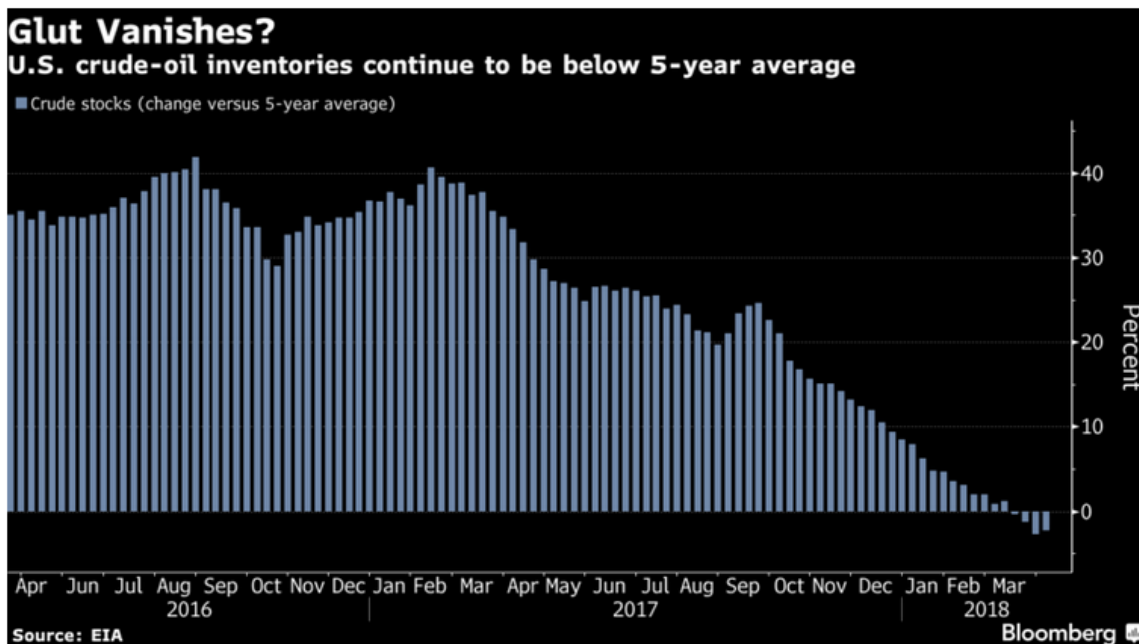
[Bloomberg: Saudi, Egypt stocks turn Mideast stars as Dubai gets ignored](#)

The rise of Saudi Arabia and Egypt as the top Middle East choices for equity investors is taking a toll on Dubai. Trading on the Dubai Financial Market dwindled to 88 million dirhams (\$24 million) on Monday, the lowest since September 2015 and about 57 percent below its 15-day average. The DFM General Index has slumped about 7 percent in 2018, while an index tracking emerging-market peers is little changed. The complaint among investors is that the banking and real estate companies that dominate Dubai's bourse offer little in the way of triggers to trade their stock, with a few exceptions.

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[Bloomberg: Oil resumes advances amid hints that OPEC may extend output cuts](#)

Oil closed above \$66, rising for the sixth time in seven sessions amid hints that OPEC may further extend its output cuts. Futures fluctuated between gains and losses during the session on Tuesday before closing higher. Geopolitical tension from Syria to Saudi Arabia, which led to a higher risk premium in the market last week, is now deflating. Investors are also gearing up for a Friday producer meeting in the midst of comments from Kuwait that OPEC and allied producers will discuss prolonging their deal to reduce output into 2019.



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