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Our Economy and the World

Issue: 321

Date: 4th June 2023

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Our Economy and the World

Key Global and Regional Developments over the Past Week

[AP: House OKs debt ceiling bill to avoid default, sends Biden-McCarthy deal to Senate](#)

Veering away from a default crisis, the House approved a debt ceiling and budget cuts package late Wednesday, as President Joe Biden and Speaker Kevin McCarthy assembled a bipartisan coalition of centrist Democrats and Republicans against fierce conservative blowback and progressive dissent. The hard-fought deal pleased few, but lawmakers assessed it was better than the alternative – a devastating economic upheaval if Congress failed to act.

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[Reuters: China's factory activity falls faster than expected as recovery stumbles](#)

China's factory activity shrank faster than expected in May on weakening demand, heaping pressure on policymakers to shore up a patchy economic recovery and knocking Asian financial markets lower. The official manufacturing purchasing managers' index (PMI) fell to a five-month low of 48.8, the National Bureau of Statistics (NBS) said on Wednesday, down from 49.2 in April and below the 50-point mark that separates expansion from contraction. The PMI also dashed forecasts for an increase to 49.4.

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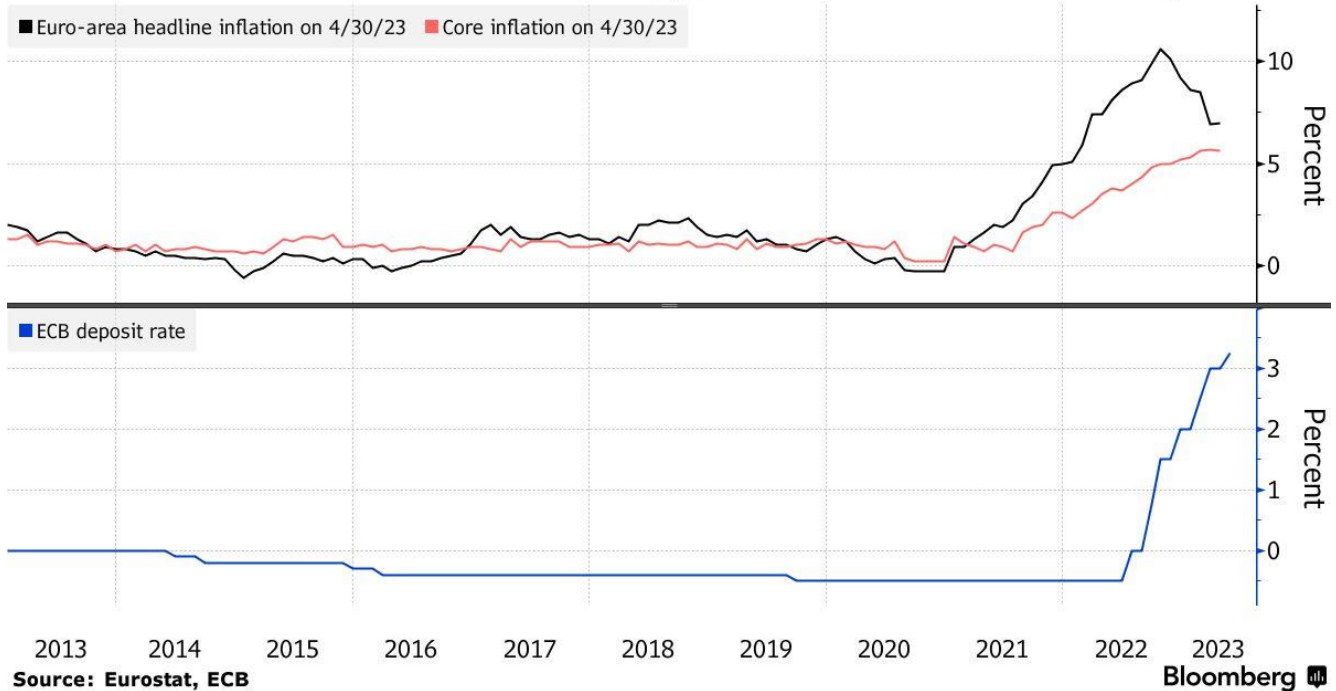
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[Bloomberg: ECB warns rate hikes are putting market stability at risk](#)

The European Central Bank said that financial markets will be vulnerable to negative shocks as it continues the fight against inflation, with real estate among the sectors at risk. Higher interest rates are testing the resilience of households, companies, governments and property markets, the institution said Wednesday in its biannual Financial Stability Review. That leaves investors potentially exposed to disorderly adjustments, it cautioned.

Record Euro-Zone Inflation Triggered Historic ECB Response



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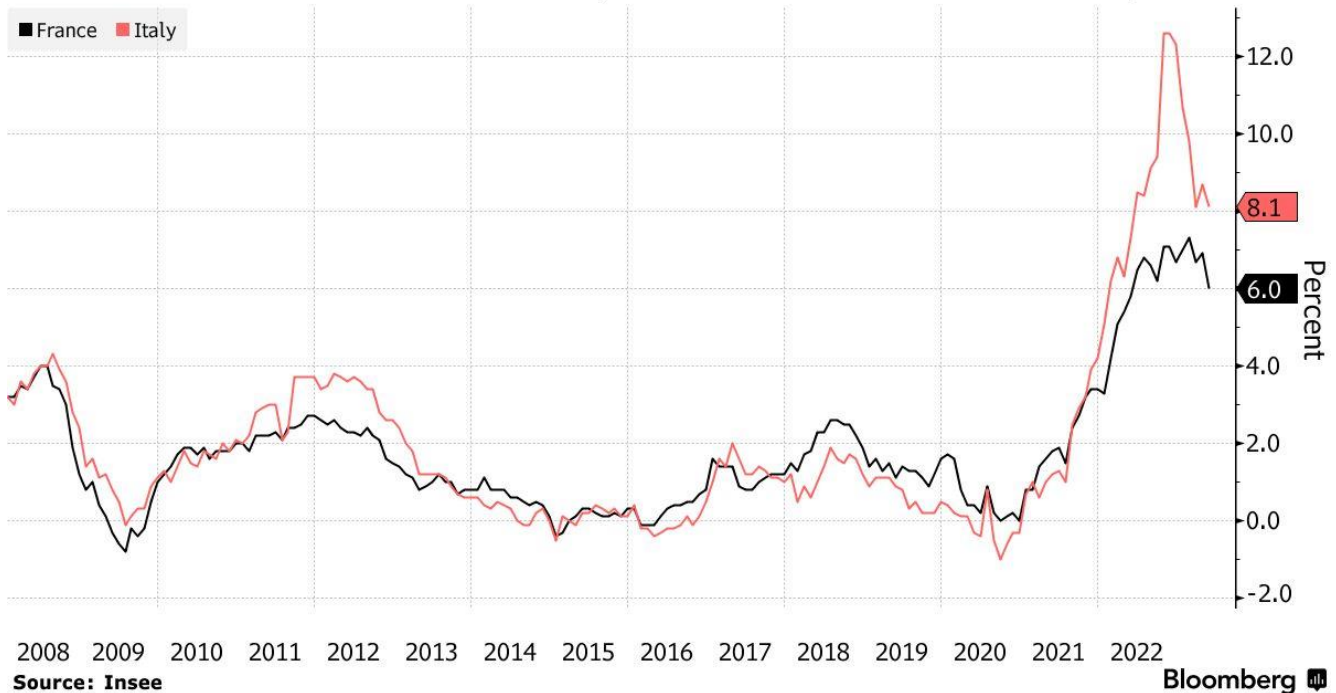
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Bloomberg: French inflation slows to weakest in a year but Italy overshoots

French inflation eased to its lowest level in a year, though Italy overshoot analyst expectations, underlining the challenge for the European Central Bank as it nears the end of its unprecedented campaign of interest-rate hikes. Consumer prices in France rose by 6% from a year ago in May—down from 6.9% in April and way below the 6.4% gain economists surveyed by Bloomberg had predicted, data Wednesday showed.

French Inflation Slows More, Italian Less Than Anticipated



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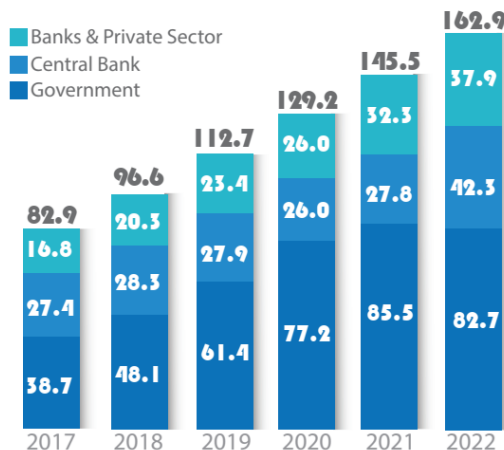
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Eye on Egypt

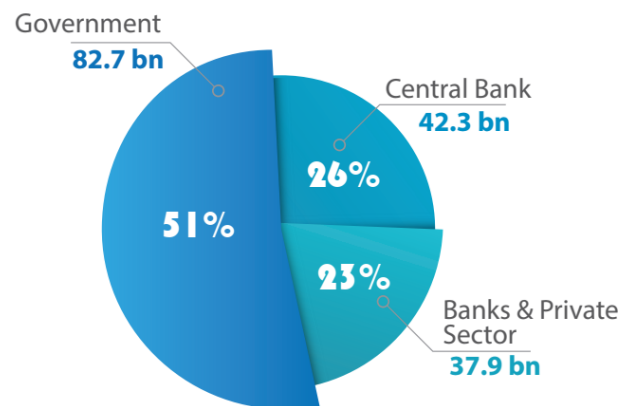
Dcode: Decoding Egypt's External Debt

- Egypt's total external debt almost doubled in 5 years with the increase in 2022 mainly driven by the USD 13.2 bn GCC deposits in the CBE. The government accounts for more than half of the current external debt stock.
- Long-term debt dominates but short-term debt increased considerably in 2022 driven by fresh USD 13.2 bn GCC deposits in the CBE
- Multilateral institutions (led by the IMF) are the biggest creditors along with Gulf countries with more than two-thirds of the external debt is in USD
- External debt service has been on the rise and due payments are still elevated even after GCC deposits were rescheduled

Egypt's External Debt Stock by Debtor
End of Year - USD bn



Distribution of External Debt Stock by Debtor
(End of September 2022) - USD bn, %



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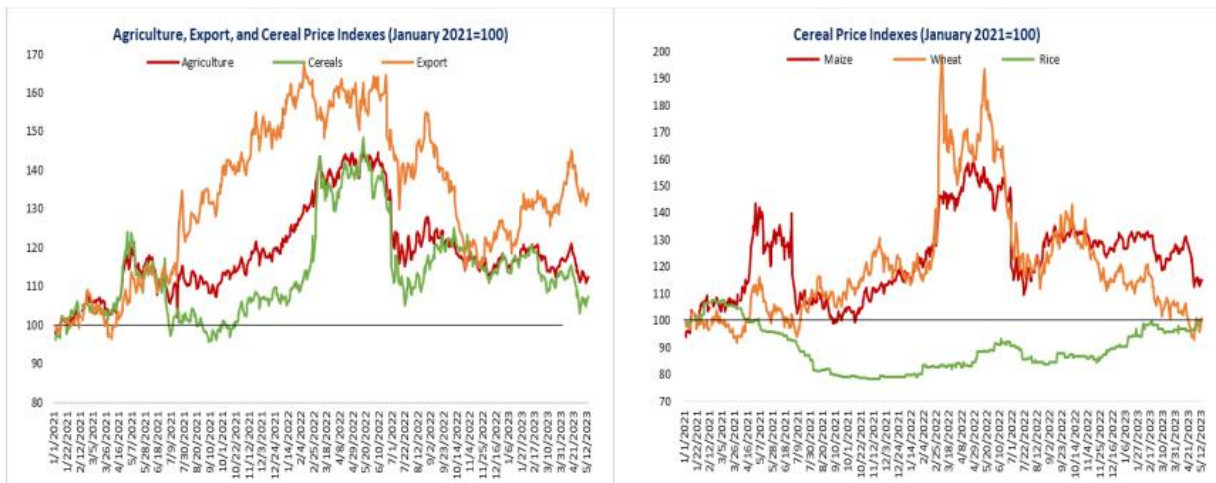
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Special Analysis

World Bank: Food Security Update - World Bank Response to Rising Food Insecurity

Domestic food price inflation remains high around the world. Information from the latest month between January 2023 and April 2023 for which food price inflation data are available shows high inflation in most low- and middle-income countries, with inflation higher than 5% in 64.7% of low-income countries, 81.4% of lower-middle-income countries, and 84% of upper-middle-income countries and many experiencing double-digit inflation; 78.6% of high-income countries are experiencing high food price inflation. The most-affected countries are in Africa, North America, Latin America, South Asia, Europe, and Central Asia.

Figure 1: Agricultural and Cereal Price Trends (Nominal Indexes)



Source: World Bank commodity price data.

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Developments in Financial and Commodity Markets in the Past Week

[Reuters: Oil falls on weak China data, stronger U.S. dollar](#)

Oil prices fell on Wednesday on a stronger U.S. dollar and as weak data from top oil importer China raised demand fears. Brent crude futures for August delivery were down \$1.29, or 1.75%, to \$72.42 a barrel at 1013 GMT. U.S. West Texas Intermediate crude (WTI) fell \$1.28, or 1.84%, to \$68.18. Both benchmarks fell by more than 4% on Tuesday.

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[Reuters: European stocks hit two-month low on weak China data, log monthly drop](#)

European shares hit a two-month low on Wednesday as concerns about a global slowdown on China's weak economic data and uncertainty around the U.S. debt ceiling outpaced optimism from signs of easing inflation in some major euro zone economies. The pan-European STOXX 600 index (.STOXX) closed 1.1% lower, after hitting its lowest level since March 30.

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