



المركز المصري للدراسات الاقتصادية

The Egyptian Center for Economic Studies



Our Economy and The World

The Weekly Report

Issue: 260 Date: 30th January 2022

This week's issue of "Our Economy and the World" includes:

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 - Bloomberg: German Businesses More Optimistic as Supply Bottlenecks Ease
 - Bloomberg: IMF Cuts 2022 World Economic Growth Forecast to 4.4% on Weaker U.S., China Outlooks
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 - CNBC: Dow falls more than 200 points, Nasdaq sheds 2.6% as January wild trading continues
 - CNBC: Investors fear 'crypto winter' is coming as bitcoin falls 50% from record highs

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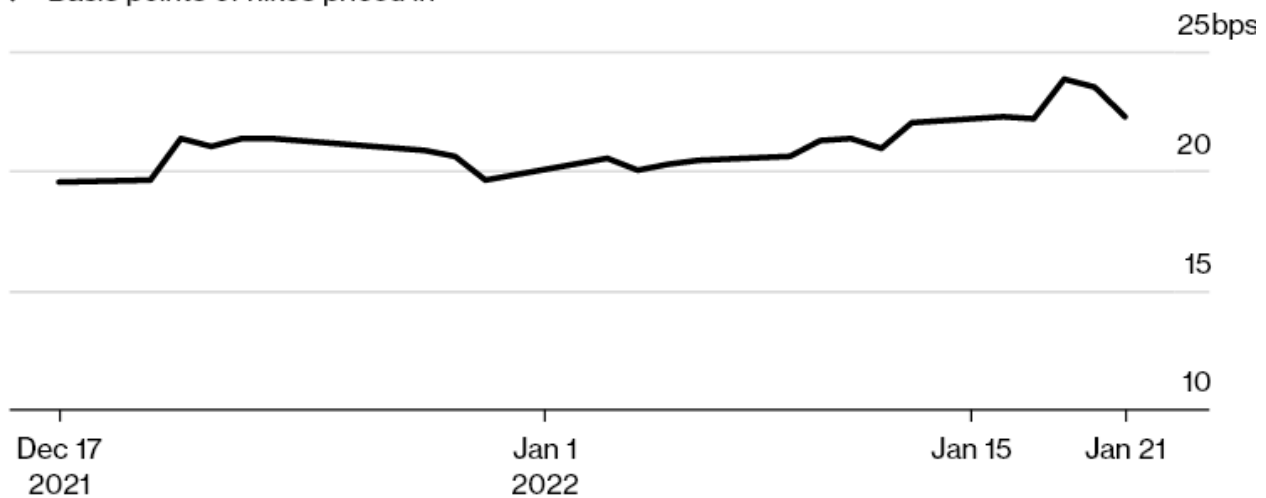
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Key Global and Regional Developments over the Past Week

Bloomberg: BOE Silence Leaves Investors Seeing Signal for Action on Rates

Bank of England officials have largely decided to keep quiet in the run-up to February’s crunch meeting, allowing expectations to solidify for another interest rate increase. Since the bank hiked rates in December, few of the nine-member Monetary Policy Committee have spoken, and none are scheduled to before their next meeting. That’s despite increasing market bets that another increase will come on Feb. 3. The relative silence breaks from the effusive commentary made ahead of the November and December decisions. It also diverges from other central banks around the world, notably the U.S. Federal Reserve, which has stepped up hawkish rhetoric in response to inflation.

✓ Basis points of hikes priced in



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Bloomberg: German Businesses More Optimistic as Supply Bottlenecks Ease

Confidence in Germany’s near-term outlook improved in January as supply bottlenecks ease and the latest virus wave is only seen as a temporary setback for the recovery. A business expectations gauge compiled by the Munich-based Ifo Institute rose to 95.2, more than economists predicted. Both manufacturers and service providers were optimistic about the future -- despite ongoing curbs on activity -- though the latter said they are still struggling with present conditions.

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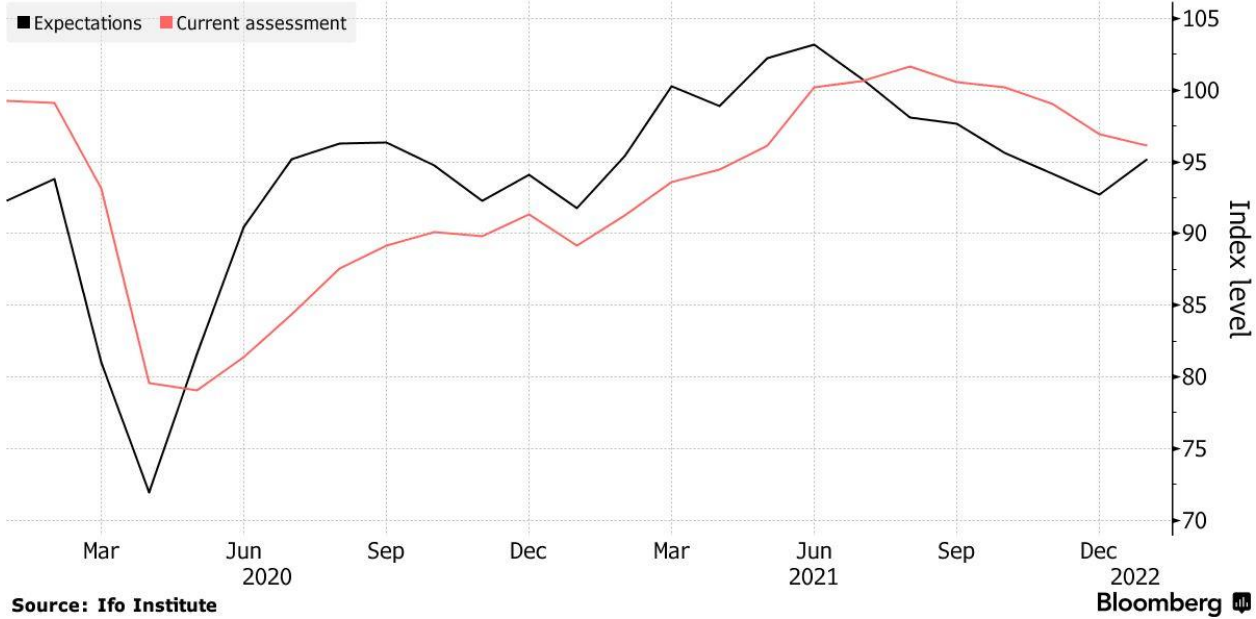


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German Resilience

Business expectations rise for the first time since June



Source: Ifo Institute
([Read Full Article](#))

Bloomberg 

[Bloomberg: IMF Cuts 2022 World Economic Growth Forecast to 4.4% on Weaker U.S., China Outlooks](#)

The International Monetary Fund cut its world economic growth forecast for 2022 as the Covid-19 pandemic enters its third year, citing weaker prospects for the U.S. and China along with persistent inflation. The global economy will expand 4.4% this year, down from an estimate of 4.9% in October, the Washington-based IMF said in its World Economic Outlook on Tuesday. The fund forecast 3.8% growth for 2023, up from the prior projection, but cumulative expansion for the two years will still be 0.3 percentage point less than previously forecast.

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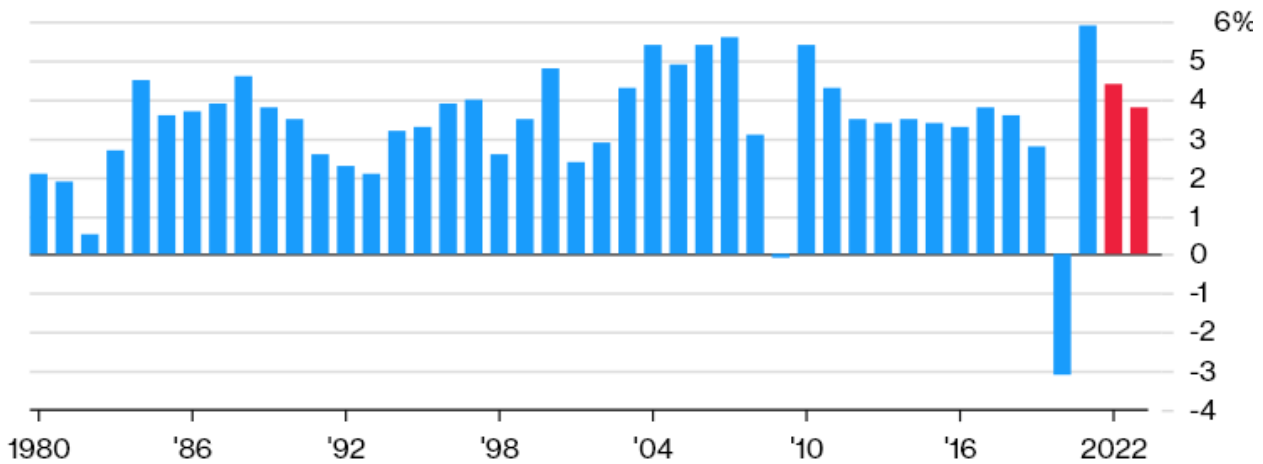
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Global Rebound

The IMF predicts that global growth will moderate in 2022 and 2023.

■ Annual GDP (YoY) ■ Forecast



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Reuters: U.S. Consumer Confidence dips in January; Spending Intentions Strong

U.S. consumer confidence ebbed slightly in January, with more consumers planning to purchase homes, automobiles and other big ticket items even as they grew less optimistic about business and labor market conditions in the near term. The Conference Board said on Tuesday its consumer confidence index slipped to a reading of 113.8 this month from a slightly downwardly revised 115.2 in December. Economists polled by Reuters had forecast the index declining to 111.8 from the previously reported reading of 115.8 in December.

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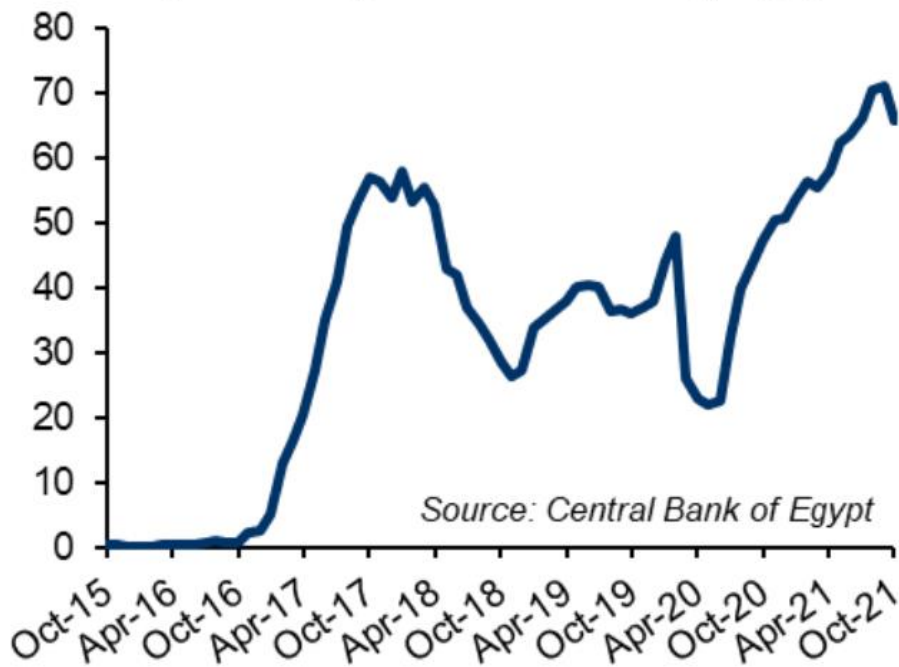
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Eye on Egypt

Oxford Economics: Egypt - When hot money is not so hot

Egypt has become a bit too reliant on portfolio inflows to keep its external position afloat. This is a vulnerable position to be in, and a sudden shift in emerging market sentiment could see capital inflows reverse – posing a serious threat to foreign reserves. With the net FDI position facing increasing pressure and surging commodity prices driving the current account deeper into deficit territory, it would not take much for foreign reserves to drop to levels previously seen during the 2015-16 period – right before the IMF intervened. If this were to occur, taking on more debt might be the only option, but Egypt already has hefty external debt repayments looming over the medium term.

T-Bills held by foreign customers as a percentage of forex holdings (%)



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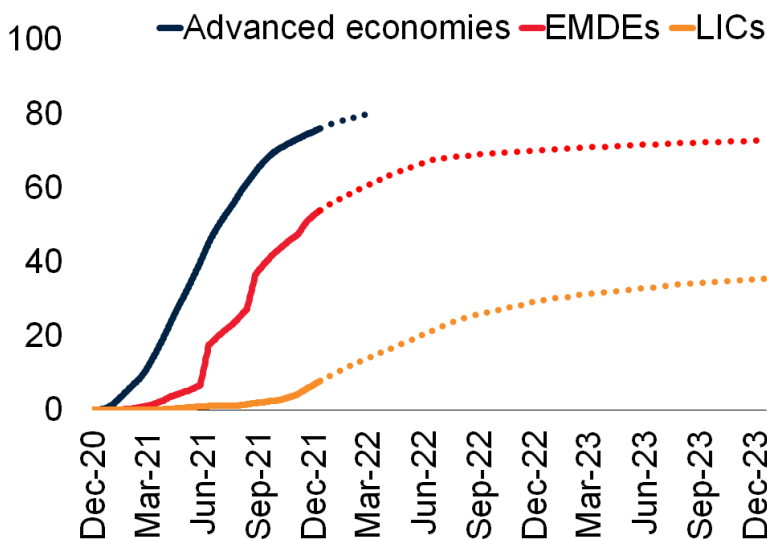
Special Analysis

Global Economic Prospects – January 2022

Global growth is estimated to have surged to 5.5 percent in 2021—its strongest post-recession pace in 80 years, as a relaxation of pandemic-related lockdowns in many countries helped boost demand. Notwithstanding this annual increase, resurgences of the COVID-19 pandemic and widespread supply bottlenecks weighed appreciably on global activity in the second half of last year. Moreover, emerging market and developing economies (EMDEs) are experiencing notably weaker and more fragile recoveries compared to those in advanced economies as a result of slower vaccination progress, a more limited policy response, and the pandemic’s scarring effects. In particular, these scarring effects on potential output reflect the pandemic’s adverse impact on EMDE physical and human capital. Among the most vulnerable countries, the impact of the pandemic will reverse several years of income gains.

Global COVID-19 infection rates have soared, driven by the rapid spread of the Omicron variant. Advanced economies and a growing number of EMDEs have fully vaccinated a majority of their populations. But despite expansive vaccine coverage, some countries have been forced to reintroduce strict lockdown measures recently to alleviate acute pressures on their health systems. Vaccine coverage remains highly uneven around the world, and stubbornly limited across low-income countries (LICs). At recent vaccination rates, only about a third of the LIC population will have received even one vaccine dose by the end of 2023.

Per 100 people



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Recent Developments in Financial and Commodity Markets

CNBC: Dow falls more than 200 points, Nasdaq sheds 2.6% as January wild trading continues

U.S. stocks fell Tuesday, a day after one of the biggest comebacks on record for the major averages. The Dow Jones Industrial Average lost about 260 points, or 0.8%. The blue-chip average shed more than 800 points at its lows of the session. The S&P 500 dropped 1.6%, while the tech-heavy Nasdaq Composite fell 2.6%.

Market's wild week

WATCHLIST +

Nasdaq Composite - 5 days



cnbc.com



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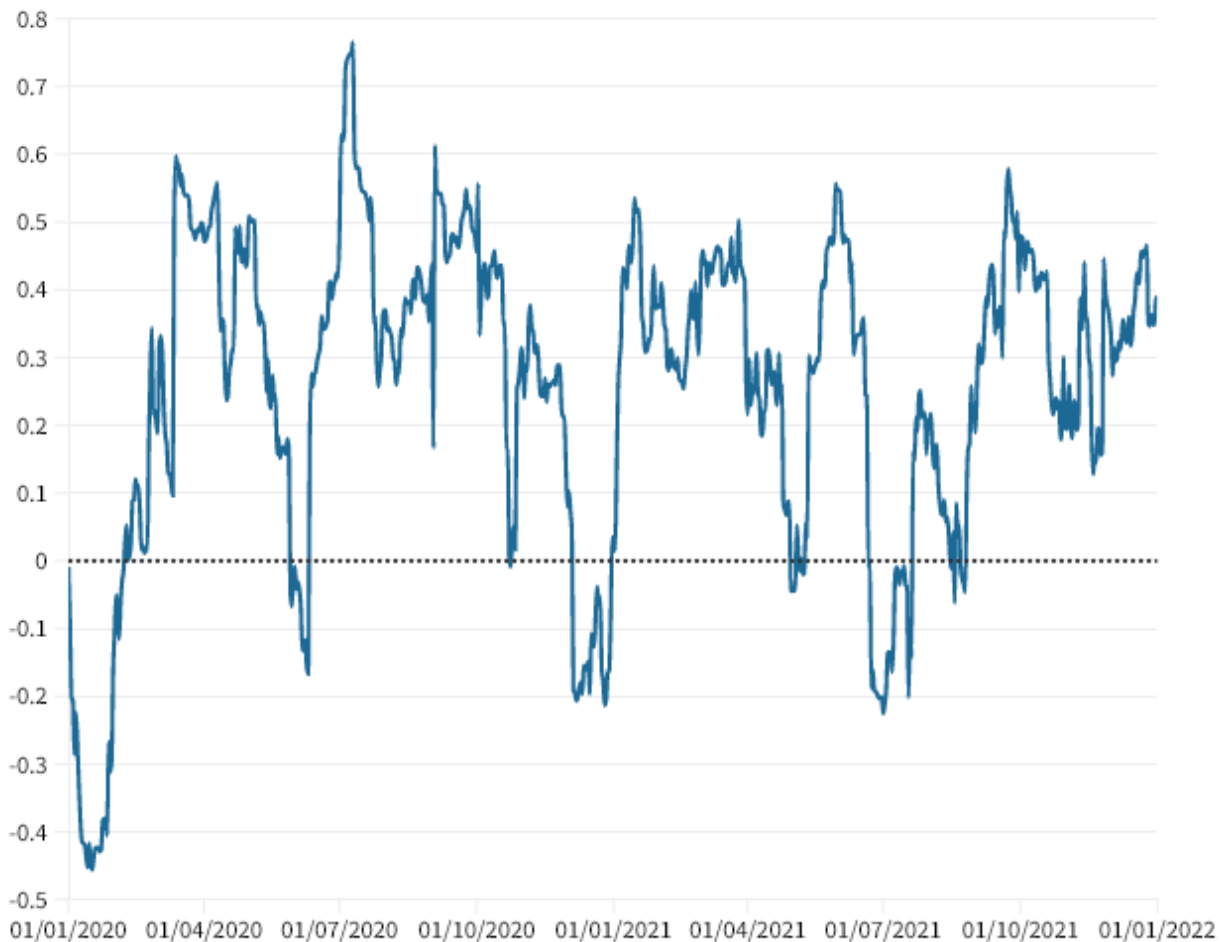
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CNBC: Investors fear 'crypto winter' is coming as bitcoin falls 50% from record highs

As cryptocurrency investors reel from the sharp sell-off in bitcoin and other digital currencies, some fear the worst is yet to come. Bitcoin, the world's largest virtual currency, briefly plunged below \$33,000 Monday to its lowest level since July. It's since recovered back above the \$36,000 mark, but is still down almost 50% from a record high of nearly \$69,000 in November.

SP500 vs BTC Correlation

(30 day moving average)



Source: CryptoCompare

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