



Our Economy and The World

The Weekly Report

Issue: 261 Date: 6 February 2022

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

- **Key Global and Regional Developments over the Past Week**
 - Reuters: Omicron restrains U.S. manufacturing; supply bottlenecks slowly easing
 - Reuters: China dominates flows in January, rest of EM sees net outflows -IIF
 - Bloomberg: U.K. Wants to Renew Push for U.S. Trade Deal After Midterms
 - Financial Times: Eurozone inflation hits record 5.1% in January
 - CNBC: OPEC+ agrees on March output rise amid oil price rally, defying pressure from U.S., India
- **Special Analysis**
 - IMF: Rising Caseloads, A Disrupted Recovery, and Higher Inflation
- **Eye on Egypt**
 - EBRD: Transition Report 2011-22 (Egypt)
- **Developments in Financial and Commodity Markets in the past week**
 - CNBC: S&P 500 closes lower, gives up earlier gains as volatility continues
 - Bloomberg: Oil Holds Near 2014 High as OPEC+ Sticks to Measured Hikes

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Our Economy and The World

The Weekly Report

Key Global and Regional Developments over the Past Week

Reuters: Omicron restrains U.S. manufacturing; supply bottlenecks slowly easing

A measure of U.S. manufacturing activity fell to a 14-month low in January amid an outbreak of COVID-19 cases, supporting the view that economic growth lost steam at the start of the year. But the survey from the Institute for Supply Management (ISM) on Tuesday marked the third straight month of signs of improvements in labor and supplier delivery performance. Unfinished work increased at its slowest pace in 15 months and manufacturers remained upbeat on demand.

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Reuters: China dominates flows in January, rest of EM sees net outflows -IIF

The China versus rest of emerging markets divide in foreign portfolio flows continued in January as \$8.8 billion net flows to the world's second-largest economy contrasted with the \$7.7 billion in outflows from the rest of EM. Foreign net portfolio inflows to emerging markets in January were at \$1.1 billion, the lowest since last March, data from the Institute of International Finance showed. The figure compares to inflows of \$79.7 billion in January 2021 and \$15.8 billion in December.

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Our Economy and The World

The Weekly Report

Bloomberg: U.K. Wants to Renew Push for U.S. Trade Deal After Midterms

The U.K. is hoping to resume its free-trade negotiations with the Biden administration after the U.S. midterm elections later this year, the minister leading the push said Wednesday. With talks halted since Joe Biden took office last year, the U.K. is for now focusing on state-level negotiations, laying the regulatory groundwork for a future bilateral trade agreement, Secretary of State for International Trade Anne-Marie Trevelyan said in an interview in Jerusalem.

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Financial Times: Eurozone inflation hits record 5.1% in January

Consumer prices in the eurozone rose by a record 5.1 per cent in January piling more pressure on the European Central Bank to respond with tighter monetary policy. The new figure defied expectations of a fall in inflation, with economists polled by Reuters expecting a rate of 4.4 per cent. Steeper increases in the price of energy and food were only partly offset by slower growth in prices of manufactured goods, which meant annual inflation rose from its previous eurozone record of 5 per cent in December, Eurostat said.

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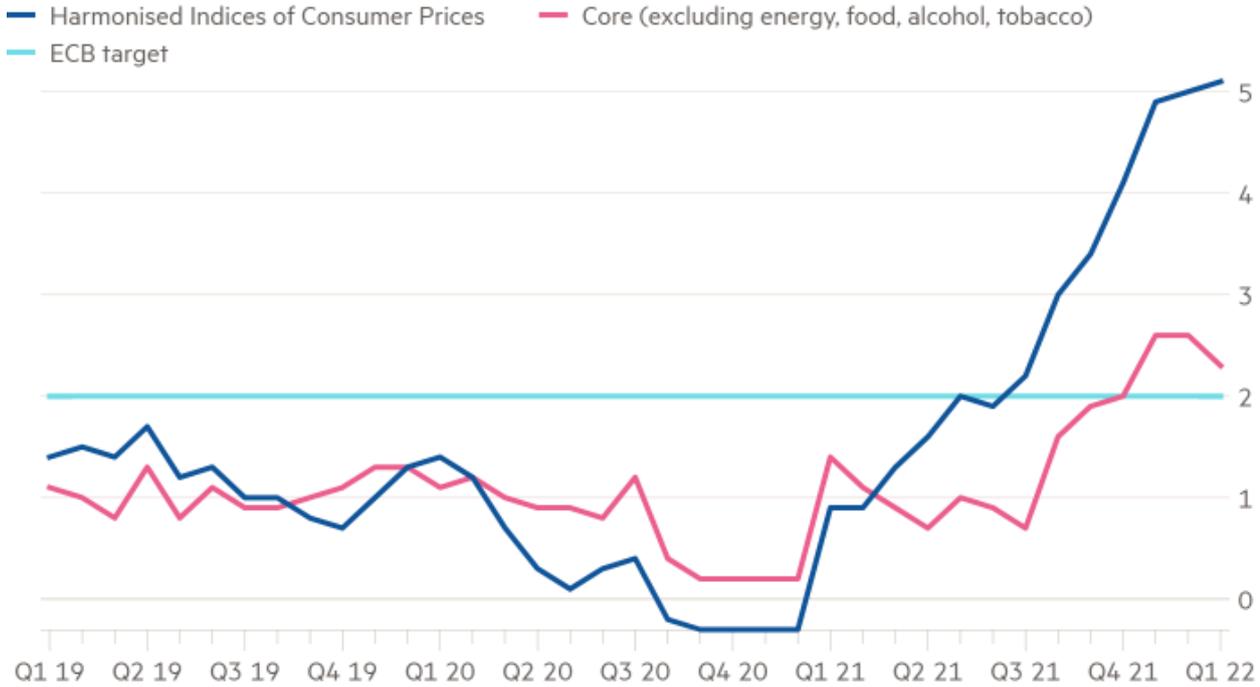
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Our Economy and The World

The Weekly Report

Eurozone inflation hits record high



Source: Eurostat
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CNBC: OPEC+ agrees on March output rise amid oil price rally, defying pressure from U.S., India

A group of some of the world's most powerful oil producers agreed on Wednesday to a further planned increase in output, even as crude prices trade near record levels amid geopolitical tensions. OPEC and non-OPEC partners, an influential energy alliance known as OPEC+, swiftly decided to green-light the return of 400,000 barrels per day for March.

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Our Economy and The World

The Weekly Report

Special Analysis

IMF: Rising Caseloads, A Disrupted Recovery, and Higher Inflation

The global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies. The ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects.

Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022—half a percentage point lower for 2022 than in the October World Economic Outlook (WEO), largely reflecting forecast markdowns in the two largest economies. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages produced a downward 1.2 percentage-points revision for the United States. In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downgrade. Global growth is expected to slow to 3.8 percent in 2023. Although this is 0.2 percentage point higher than in the previous forecast, the upgrade largely reflects a mechanical pickup after current drags on growth dissipate in the second half of 2022. The forecast is conditional on adverse health outcomes declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide and therapies become more effective.

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Our Economy and The World

The Weekly Report



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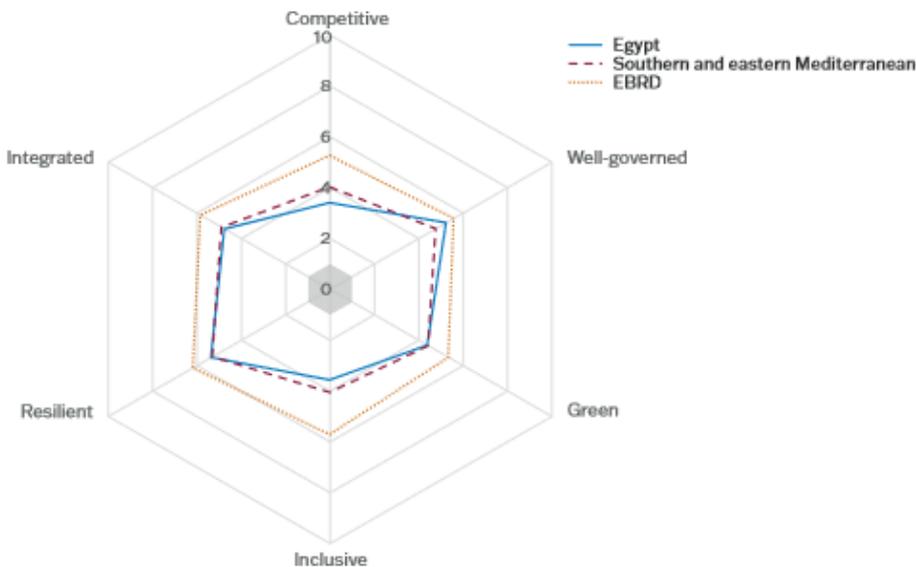
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Eye on Egypt

EBRD: Eye on Egypt: Transition Report 2011-22 (Egypt)

Macro and socio-economic conditions continued to improve. The economy grew at 3.3 per cent in fiscal year 2020-21 (slightly below the previous year's growth rate), unemployment fell, inflation is low, a primary fiscal surplus was achieved and foreign exchange reserves are accumulating. The government extended some Covid-19 response measures and provided support to certain sectors. The initiative to support the tourism sector was extended for an additional year until the end of 2021 and the Central Bank of Egypt (CBE) directed commercial banks to increase their financing for micro, small and medium-sized enterprises (MSMEs) from 20 to 25 per cent of their credit facilities portfolio.

Assessment of transition qualities (1-10)



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The Weekly Report

Recent Developments in Financial and Commodity Markets

CNBC: S&P 500 closes lower, gives up earlier gains as volatility continues

Stocks whipsawed in volatile trading Thursday as investors mulled over an update from the Federal Reserve, the latest GDP report and corporate earnings. The Dow Jones Industrial Average closed little changed at 34,160.78. The blue-chip average was up more than 600 points at its highs. The S&P 500 ticked down 0.5% to 4,326.51, and the Nasdaq Composite fell 1.4% to 13,352.78. Both indexes traded in positive territory earlier in the session.

Dow Jones Industrial Average

WATCHLIST +

Week-to-date performance



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Our Economy and The World

The Weekly Report

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Bloomberg: Oil Holds Near 2014 High as OPEC+ Sticks to Measured Hikes

Oil held near a fresh seven-year high as OPEC+ agreed to another modest increase in output while continuing tension along the Russia-Ukraine raised geopolitical concerns. West Texas Intermediate edged higher, settling above \$88 a barrel after touching a fresh high since 2014 earlier in the session. Crude's rally comes as heightened geopolitical risks are driven by fears that Russian forces may invade Ukraine, which could spark retaliatory sanctions by the U.S.

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