



Our Economy and The World

The Weekly Report

Issue: 263 Date: 20th February 2022

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 - Bloomberg: U.S. Retail Sales Rise Most in 10 Months in Broad-Based Rebound
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 - CNBC: European Markets Close Mixed as Russia-Ukraine Concerns Linger; Ericsson Down 14%

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Key Global and Regional Developments over the Past Week

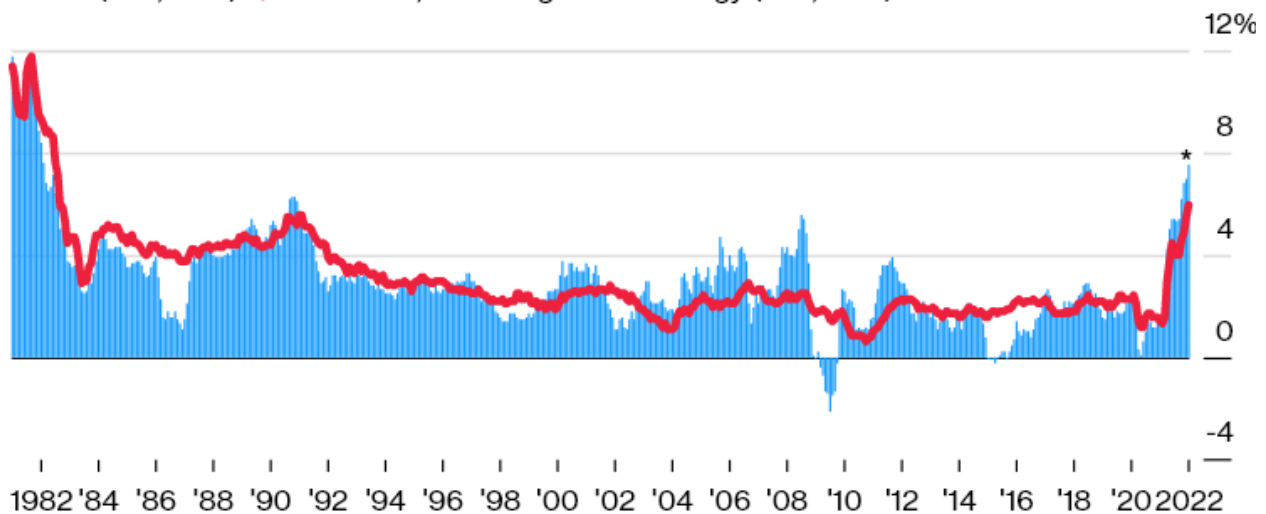
Bloomberg: Fed Eyes Rate Hike Soon and Faster Tightening Pace If Needed

Federal Reserve officials concluded at their January meeting that inflation was running too high, warranting a hike in the benchmark interest rate soon and potentially justifying a faster pace of tightening. "Most participants noted that, if inflation does not move down as they expect, it would be appropriate for the Committee to remove policy accommodation at a faster pace than they currently anticipate," minutes of the Jan. 25-26 Federal Open Market Committee meeting said.

Hottest Inflation Since 1982

U.S. headline and core CPI both rose more than forecast in January

■ CPI (YoY, NSA) / Core CPI, excluding food & energy (YoY, NSA)



* Headline est. = 7.3% Core est. = 5.9%

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Bloomberg: U.S. Retail Sales Rise Most in 10 Months in Broad-Based Rebound

U.S. retail spending roared back to life at the start of the year, surging by the most in 10 months and highlighting a steady appetite for merchandise like cars and furniture. The value of overall purchases rose 3.8% in January after a downwardly revised 2.5% drop in the prior month, Commerce Department figures showed Wednesday. The advance was nearly double the median estimate of 2%.

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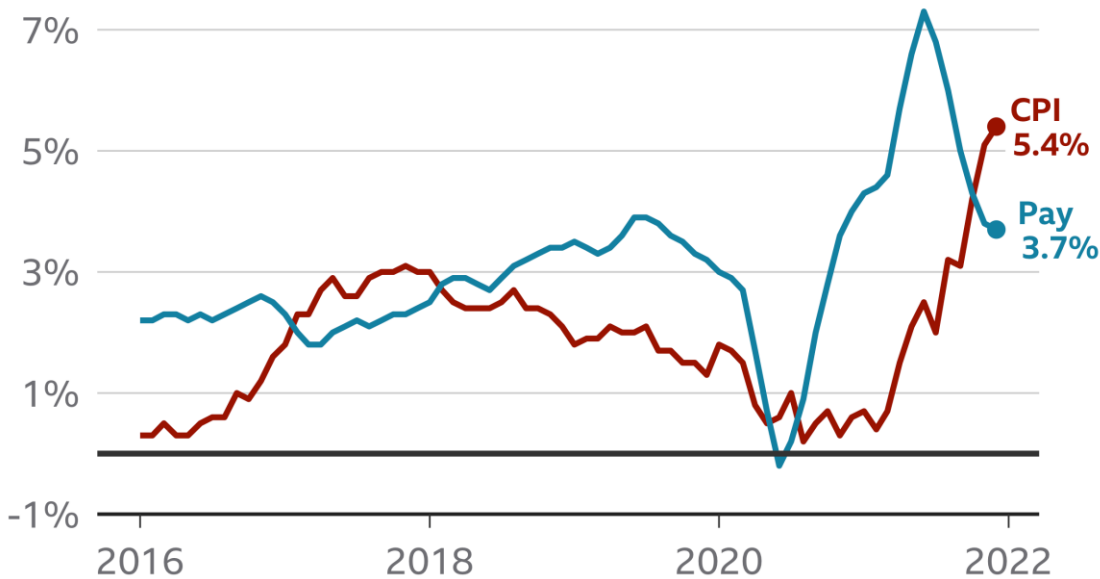
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BBC: UK Wage Growth Lags Rising Cost of Living

UK wage growth continued to lag behind the rising cost of living between October and December, figures show. Wages rose, but when taking inflation into account, pay showed a 0.8% fall from a year earlier, said the Office for National Statistics (ONS). Latest figures also show that the unemployment rate fell to 4.1% while job vacancies hit a fresh record high. There are signs that these pressures might feed through to faster wage growth in the coming months.

UK wage growth continues to lag inflation

Regular pay excluding bonuses and CPI since 2016



Figures for regular pay are quarterly. Figures for CPI are monthly.

Source: Office for National Statistics



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Bloomberg: China's Inflation Slows, Giving Central Bank Room to Ease

China's inflation eased in January as food and energy prices weakened, providing Beijing with more leeway to shore up a slowing economy ahead of a key political leadership meeting later this year. The producer price index rose 9.1% from a year earlier, official data showed Wednesday, down from 10.3% in December, while consumer-price growth slowed to 0.9%. Both gauges were below the median forecasts by economists in a Bloomberg survey.

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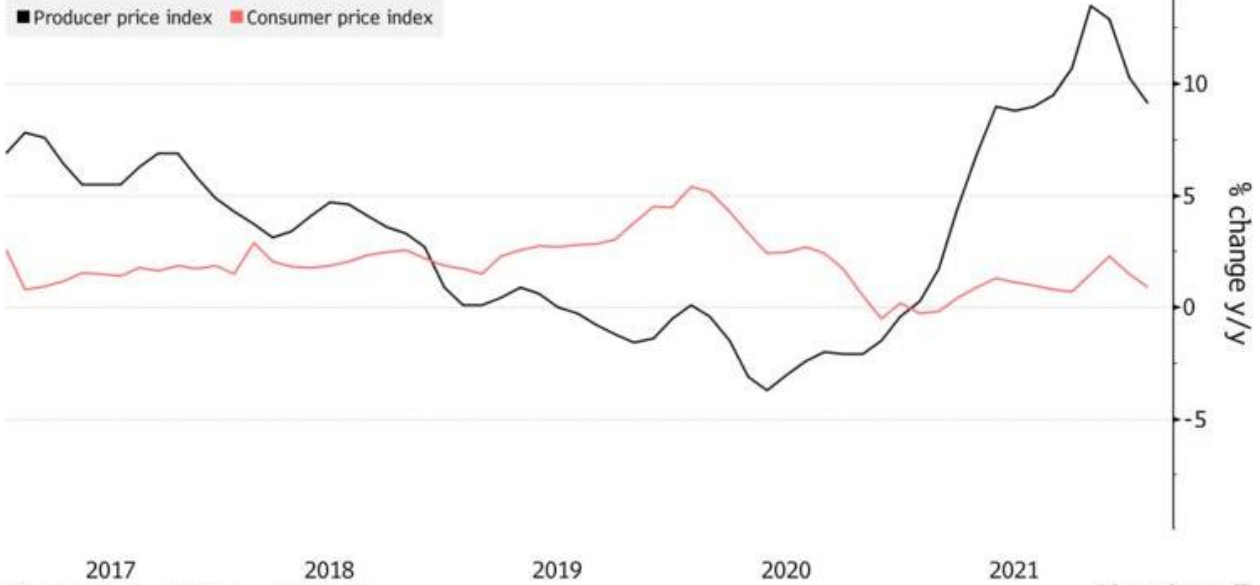


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Slowing Inflation

Consumer and producer price rises both moderate



Source: National Bureau of Statistics

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Bloomberg 

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Eye on Egypt

[American University in Cairo - Alternative Policy Solutions: A Package of Labor Market Policies Amid the COVID-19 Pandemic in Egypt](#)

This policy paper aims to formulate a package of labor market policies in Egypt to foster higher productivity employment (rather than simply labor absorption) in the formal private sector. This is an attempt to boost employment in general and in particular during the COVID-19 pandemic. The paper offers theoretical simulations and empirical evidence using pre- and post-COVID-19 data to show the impact of wage and hiring subsidies on labor market outcomes, particularly job creation. Wage subsidies prove to be effective but expensive, while hiring subsidies are shown to be affordable but slow acting. The policy package therefore includes an essential combination of temporary wage and hiring subsidies, which should phase out progressively with a well-defined exit strategy. This will enable the creation of good quality, formal jobs with flexible work arrangements (i.e., potentially low-cost jobs for the employer), in order to bridge the gap between the labor supply's job preferences (especially after the new pandemic-inspired work norms) and lackluster labor demand in the private sector. A business environment conducive to the growth of the formal private sector is, however, a necessary complement to these labor market policies. The subsidies should exclusively target: (i) formal private sector industries that have been substantially impacted by the COVID-19 crisis (manufacturing, wholesale and retail, accommodation and food services, arts and entertainment, and information and communication) and (ii) created jobs with flexible work arrangements. Promoting a package of non-wage job benefits in the formal private sector can increase the sector's competitiveness as an employer in Egypt.

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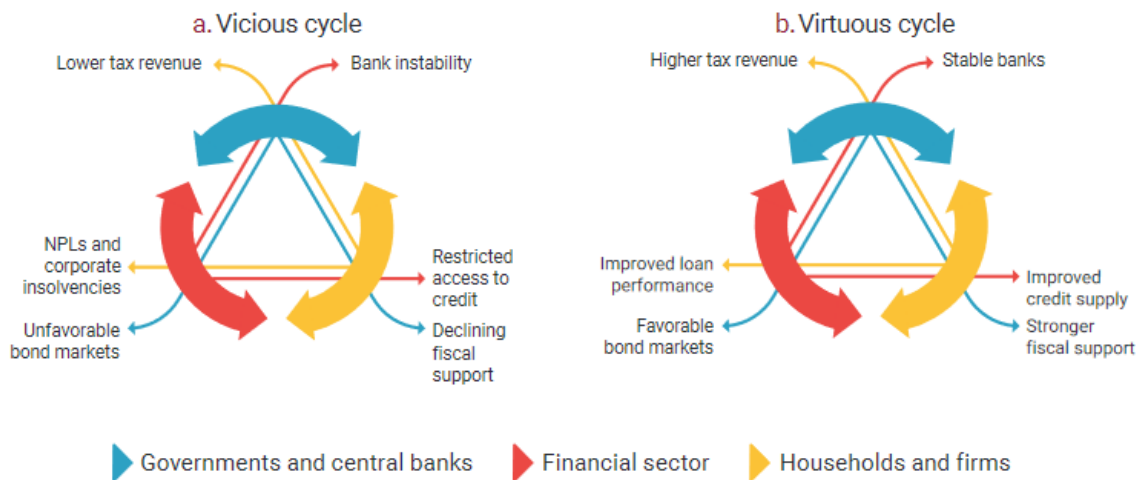
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Special Analysis

World Bank: World Development Report 2022 - Finance for an Equitable Economy

The COVID-19 pandemic triggered the largest global economic crisis in more than a century. In 2020, economic activity contracted in 90 percent of countries, the world economy shrank by about 3 percent, and global poverty increased for the first time in a generation. Governments enacted a swift and encompassing policy response that alleviated the worst immediate economic impacts of the crisis. However, the government response also exacerbated a number of economic fragilities. World Development Report 2022: Finance for an Equitable Recovery examines the central role of finance in the economic recovery from the pandemic. It highlights the consequences of the crisis most likely to affect emerging economies, and advocates a set of policies to mitigate the interconnected financial risks stemming from the pandemic and steer economies toward a sustainable and equitable recovery.

Figure 0.3 Conceptual framework: Vicious and virtuous cycles



Source: WDR 2022 team, based on Schnabel (2021).

Note: NPLs = nonperforming loans.

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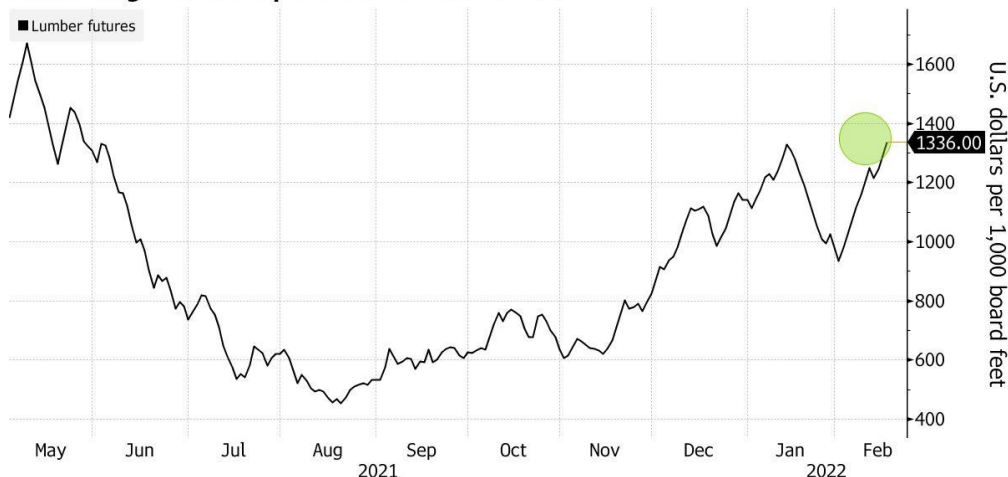
Recent Developments in Financial and Commodity Markets

Bloomberg: Lumber Extends Rally on Supply, 'Unprecedented' Transport Snags

Lumber futures rose to the highest in a month as some of Canada's biggest producers reduce output and transportation snags disrupt shipments to customers. March futures rose by the exchange limit of \$45 Wednesday to \$1,336 per \$1,000 board feet in Chicago before paring gains. The surge comes as firms such as Canfor Corp. announce supply cuts in British Columbia, while port congestion and a lack of rail cars and trucks make it harder for Canadian companies to get timber to buyers.

Lumber Catches Fire

Prices surge ahead of peak construction season



[\(Read Full Article\)](#)

Reuters: Oil Resumes Rally as Russia-Ukraine Tensions Stay High

Oil prices rose more than 1% on Wednesday as investors weighed conflicting statements on the possible withdrawal of some Russian troops from around Ukraine. Futures fell after the settlement, however, after U.S. and Iranian officials said they were much closer to an agreement on the latter's nuclear weapons development that would allow it to ramp up global oil sales. Russia's threatening posture toward Ukraine has dominated oil markets for several weeks, with concerns that supply disruptions from the major producer in a tight global market could push oil prices to \$100 a barrel.

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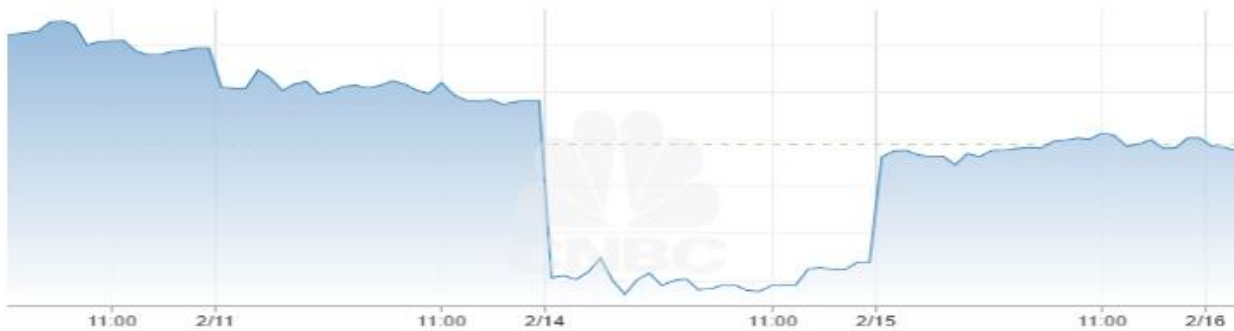
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CNBC: European Markets Close Mixed as Russia-Ukraine Concerns Linger; Ericsson Down 14%

European markets closed mixed on Wednesday as investors assessed the geopolitical outlook following Russia's claimed partial withdrawal from the Ukrainian border, while corporate earnings season rumbles on. The pan-European Stoxx 600 index provisionally ended 0.05% higher, with most sectors pointing in opposite directions. Oil and gas stocks led the gains, up 1.5%, while telecoms stocks slipped 1.2%. Energy prices in Europe could increase if Western countries impose sanctions on Russia, with U.S. President Joe Biden saying on Tuesday that a sanctions package would include reducing European consumption of Russian gas.

Europe Stoxx 600 (.STOXX:STOXX)

EUR
Last | 1:12 PM GMT
467.23 -0.33 (0.07%)
5 Day



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