



Our Economy and The World

The Weekly Report

Issue: 264 Date: 27th February 2022

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Key Global and Regional Developments over the Past Week

Bloomberg: U.S. Eyes Oil Reserves Release as Prices Rise on Ukraine

The Biden administration is considering tapping its emergency supply of oil again in coordination with allies to counter a surge in prices brought on by Russia's moves against Ukraine, according to two people familiar with the matter. While no decision has been made, "robust conversations" within the administration are underway, including on potential price point triggers and how to coordinate a release from the reserve with other nations, said the people, who asked not to be identified discussing non-public government deliberations. Modeling is being done to ascertain size and scope of any potential release, they said.

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The Guardian: Russian Central Bank Buys up Roubles to Avert Stock Market Collapse

The Russian central bank has purchased millions of roubles to prevent the collapse of the Moscow stock exchange and prop up the currency after it plunged to an all-time low of 89.60 against the dollar. In a scramble to prevent the invasion of Ukraine pushing Russia's financial system into meltdown, officials in Moscow closed the stock exchange while the Bank of Russia mounted a rescue operation to put a floor under the skidding rouble.

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Bloomberg: U.S. Consumer Confidence Drops to Five-Month Low in February

U.S. consumer confidence fell in February to the lowest since September as expectations for growth and financial prospects softened amid decades-high inflation. The Conference Board's index decreased to 110.5 from a downwardly revised 111.1 reading in January, according to the group's report Tuesday. Economists in a Bloomberg survey had called for a reading of 110.

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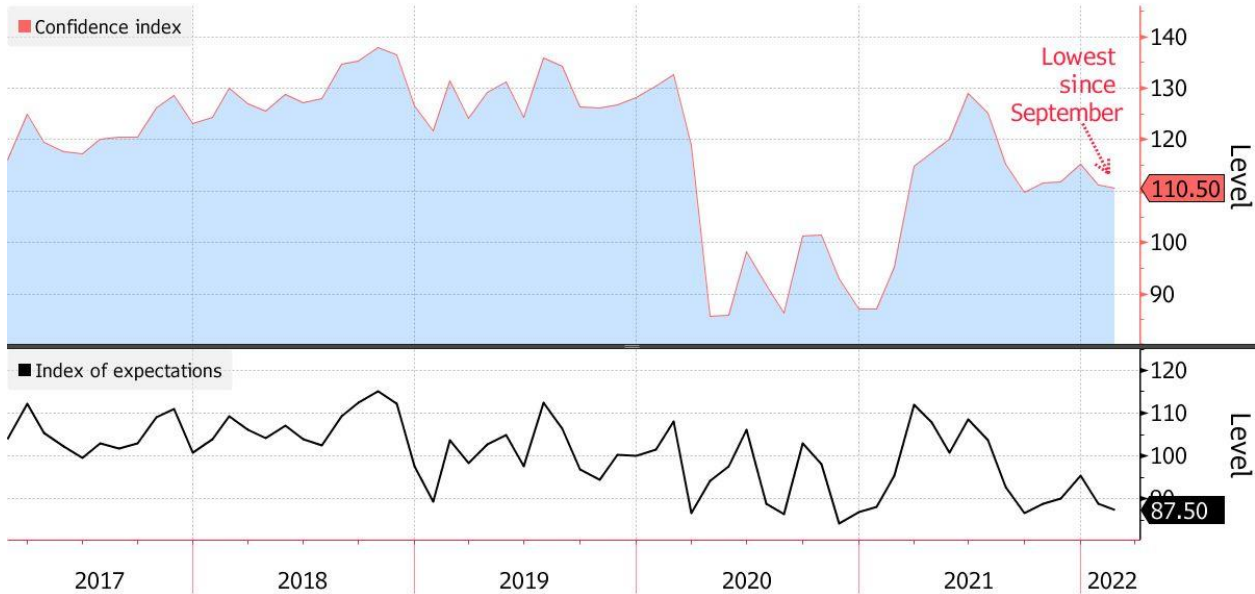


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Confidence Softens

U.S. consumer sentiment fell to a five-month low amid inflation concerns



Source: Conference Board

Bloomberg

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[Reuters: German Yields Rise, Focus on ECB Despite Concerns over Ukraine](#)

German government bond yields hit a one-week high on Tuesday after falling earlier in the session as investors' focus shifted to monetary policy tightening expectations from concerns about the escalating crisis over Ukraine. Euro zone money markets priced in a 10 basis point (bps) rate hike in July and an 85% chance of rate hikes worth 50 bps by year-end. Until last week and following the ECB's Feb. 3 meeting, money markets were fully pricing in a 10 bps rate hike by June and 50 bps worth of hikes by December.

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[Bloomberg: Fed's Daly Backs March Liftoff Despite Tension Over Ukraine](#)

Federal Reserve Bank of San Francisco President Mary Daly said she is watching geopolitical developments but has not seen anything so far that would persuade her not to back raising interest rates next month. "I don't see anything right now that would disrupt our plans to move the rate up," she said Wednesday during a discussion on the economy during a town hall hosted by the Los Angeles World Affairs Council. "I see the geopolitical situation, unless it would deteriorate substantially, as part of the larger uncertainty that we face in the United States and our U.S. economy and we'll have to navigate that as we go forward."

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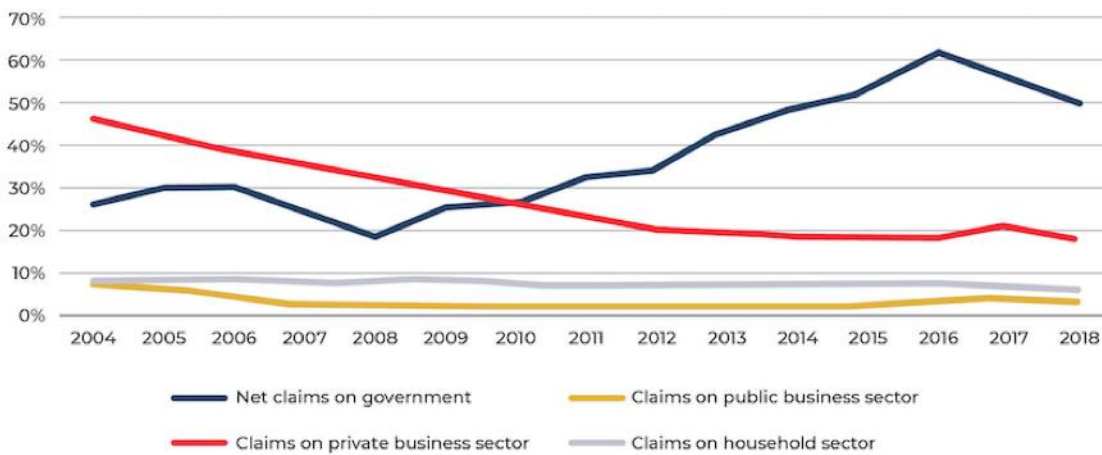
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Eye on Egypt

American University in Cairo - Alternative Policy Solutions: Why Hasn't Egypt's Economy Managed to Create Enough Jobs?

Since 2016, the Government of Egypt has focused on its macroeconomic stabilization. In 2011, Egypt suffered from political unrest that has led to several macroeconomic internal and external imbalances (rising budget and current account deficits, increasing internal and external public debts, widening gap between official and parallel exchange rates). These economic imbalances alienated foreign direct investment and reduced foreign reserves to a critical level, which in turn has hit economic growth. Consequently, Egypt has embarked on a stabilization program with the International Monetary Fund (IMF) and the World Bank to rectify these chronic imbalances and stimulate sustained economic growth; this includes the signing of a three-year extended arrangement under the Extended Fund Facility (EFF) with the IMF in November 2016. This reform program mainly included the following measures: floating the currency, replacing the sales tax by a value-added tax (VAT), removing subsidies and freezing public hiring.



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Special Analysis

International Chamber of Commerce: The Economic Impacts of Counterfeiting and Piracy

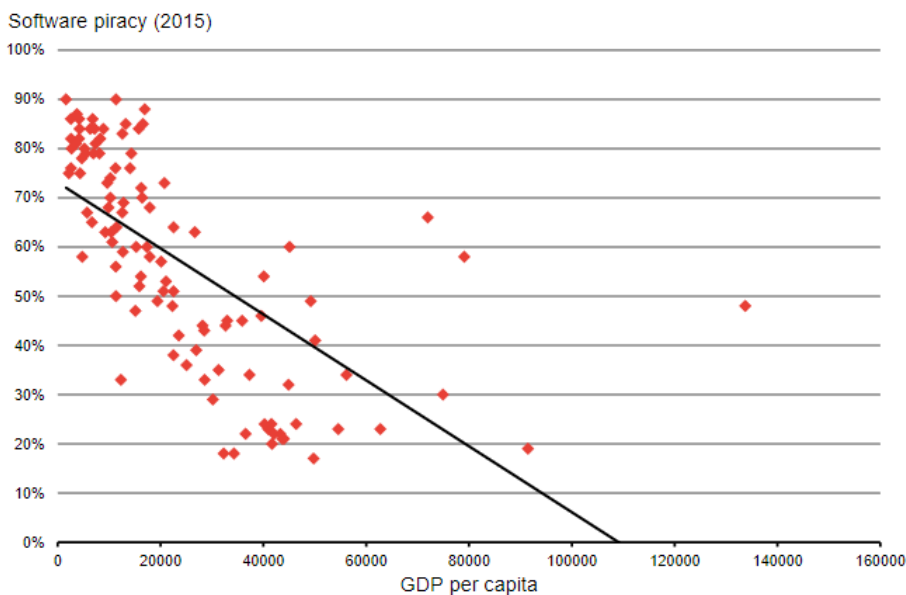
Our analysis shows that the scale of counterfeiting and piracy globally is large, that it has grown since previous estimates, and that this growth is expected to continue. Our estimates of these values across all four quadrants are shown in the figure below.

We estimate that the value of international and domestic trade in counterfeit and pirated goods in 2013 was \$710 - \$917 Billion. We estimate that, in addition to this, the global value of digital piracy in movies, music and software in 2015 was \$213 Billion. We estimated wider economic costs associated with the effects of counterfeiting and piracy on the displacement of legitimate economic activity. This estimate also provides a starting point for inferring fiscal losses.

We also estimated the effects of counterfeiting and piracy on Foreign Direct Investment (FDI) and crime.

We find significant effects on the job market through the displacement of legitimate economic activity by counterfeiting and piracy. We estimate net job losses in 2013 to lie, globally, between 2 and 2.6 million, and we project net job losses of 4.2 to 5.4 million by 2022.

Figure 4. Piracy and GDP correlation



Source: Frontier analysis of BSA and World Bank data

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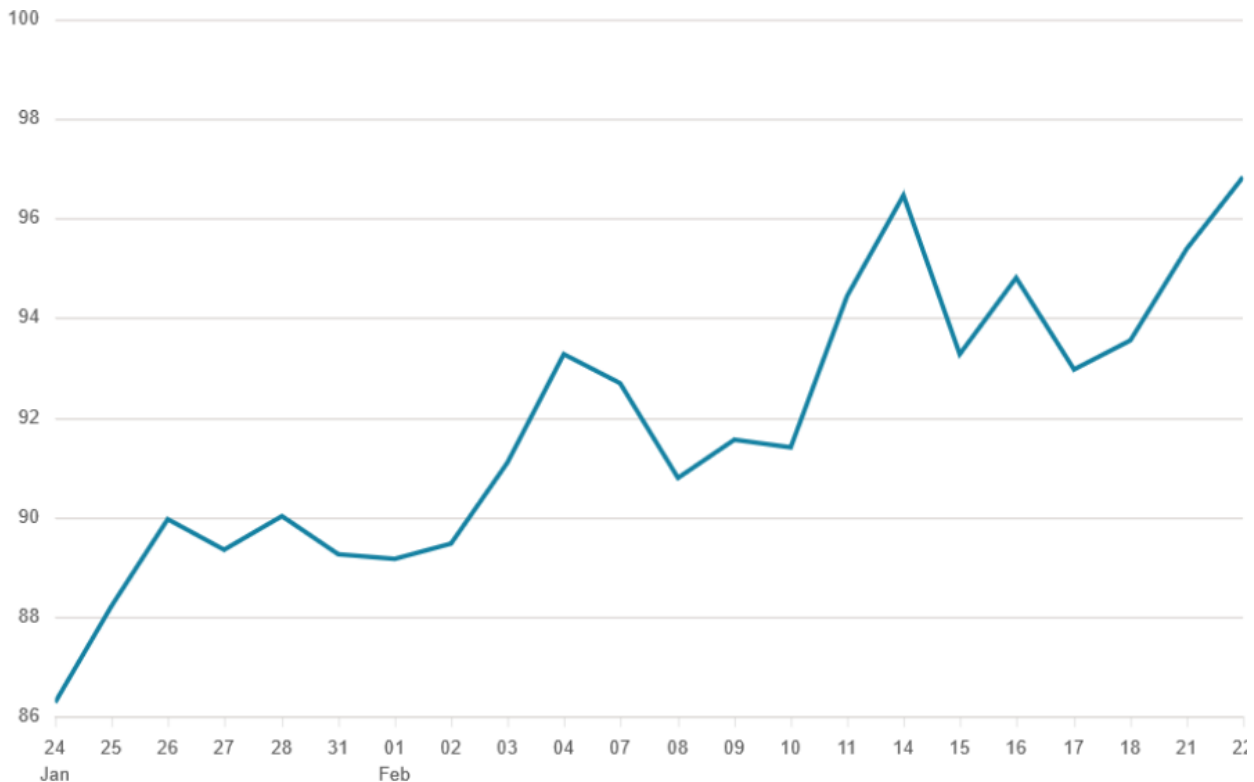
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Developments in Financial and Commodity Markets in the Past Week

BBC: Ukraine-Russia tensions - Oil surges on supply fears

Oil and gas prices climbed on Tuesday on fears the Ukraine-Russia crisis will disrupt supplies across the world. The price of Brent crude oil, an international benchmark, touched a seven-year high of more than \$99 (£73) a barrel after President Vladimir Putin ordered troops into Ukraine's east. But prices later moderated, despite Western countries responding with economic sanctions and moves to block a key Russian gas pipeline. After falling more than 1.5% in early trade on Tuesday, Wall Street turned up following remarks by US President Joe Biden outlining the US response. The Dow closed down 1.4%, however, while the wider S&P 500 slumped 1% and the Nasdaq fell 1.2%.



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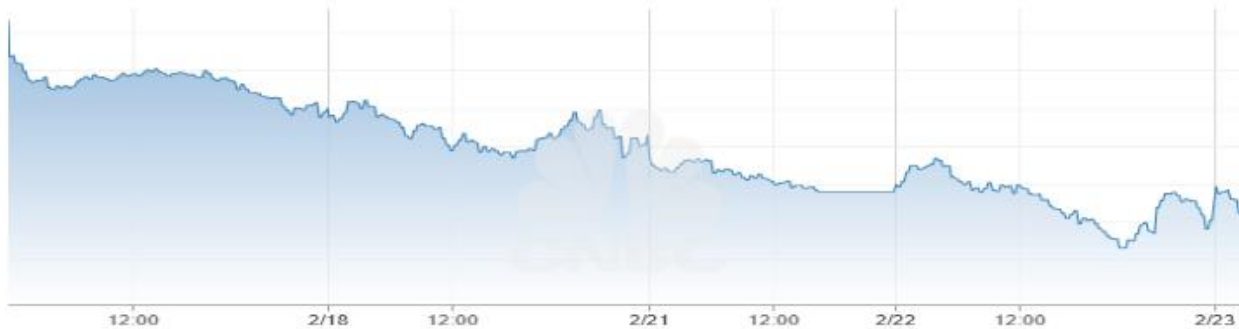
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CNBC: Stock futures are little changed after Dow sinks to its lowest level of the year amid Ukraine crisis

U.S. stock futures were little changed Wednesday evening after the Dow Jones Industrial Average closed at its lowest level of the year amid escalating tensions between Russia and Ukraine. Dow futures rose 0.08%, while futures tied to the S&P 500 were unchanged and Nasdaq 100 futures added 0.01%.

Dow Jones Fut (Mar'22) (@DJ.1:Chicago Board of Trade)

USD
Last | 6:53 PM EST
33,072.00 +6.00 (0.02%
5 Day



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Bloomberg: Wheat hits nine-year high on supply fears, raising bread costs

Wheat climbed to a nine-year high in Chicago on worries about potential supply disruptions in the Black Sea region, further buoying costs of food staples around the world. The escalating crisis over Ukraine has sparked fears that shipments could be affected from the country and Russia, which are heavyweights of global grains trade. Any restrictions could threaten a vital source of supply at a time when unfavorable weather and robust demand have already reduced crop stockpiles.

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Wheat Soars

Chicago futures climb to the highest since 2012



Source: CBOT

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Bloomberg 

[Bloomberg: European currencies plummet as Ukraine invasion sows crisis](#)

Europe's currencies slid after Russia's invasion of Ukraine plunged the continent into its biggest security crisis since World War II. The euro dropped to a nearly seven-year low against the Swiss franc as investors flocked to haven assets. The pair dropped as much as 1%, the largest slide in more than two years, before rebounding slightly. The common currency posted an even bigger decline against the greenback, falling about 1.4% to 1.1147, its lowest level this month. The rush into the dollar's safety dragged down other European currencies. The Swedish krona and Norwegian krone both saw declines of around 2%, while their Danish counterpart fell 1.5%. Even the Swiss franc, a traditional haven, lost ground against the dollar as Russian tanks moved into Ukraine.

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