



Our Economy and The World

The Weekly Report

Issue: 273 Date: 22nd May 2022

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Key Global and Regional Developments over the Past Week

[Bloomberg: Biden to Launch Indo-Pacific Economic Plan in Next Days in Japan](#)

President Joe Biden will launch a long-awaited economic initiative for increasing US involvement in Asia in the coming days during his trip to the region, according to one of the cabinet officials leading the initiative. The US and its partners will kick off the Indo-Pacific Economic Framework when Biden visits Japan on a May 20-24 trip that also will take him to South Korea, Commerce Secretary Gina Raimondo said. President Yoon Suk Yeol has shown support for the grouping and is expected to announce his government's intention to join the framework when he speaks with Biden in Seoul on Saturday, the Chosun Ilbo newspaper reported.

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

[BBC: Bank Governor in 'Apocalyptic' Warning over Rising Food Prices](#)

The possibility of more rises in food prices is a "major worry" for the UK and other countries, the Bank of England governor has warned. Apologising for sounding "apocalyptic", Andrew Bailey said the war in Ukraine was affecting food supplies. Mr. Bailey also defended the Bank's performance following criticism it has not done enough to try to rein in rising prices.

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[Bloomberg: Powell Says Fed Will 'Keep Pushing' Until Inflation Comes Down](#)

Federal Reserve Chair Jerome Powell, in his most hawkish remarks to date, said the US central bank will keep raising interest rates until there is "clear and convincing" evidence that inflation is in retreat.

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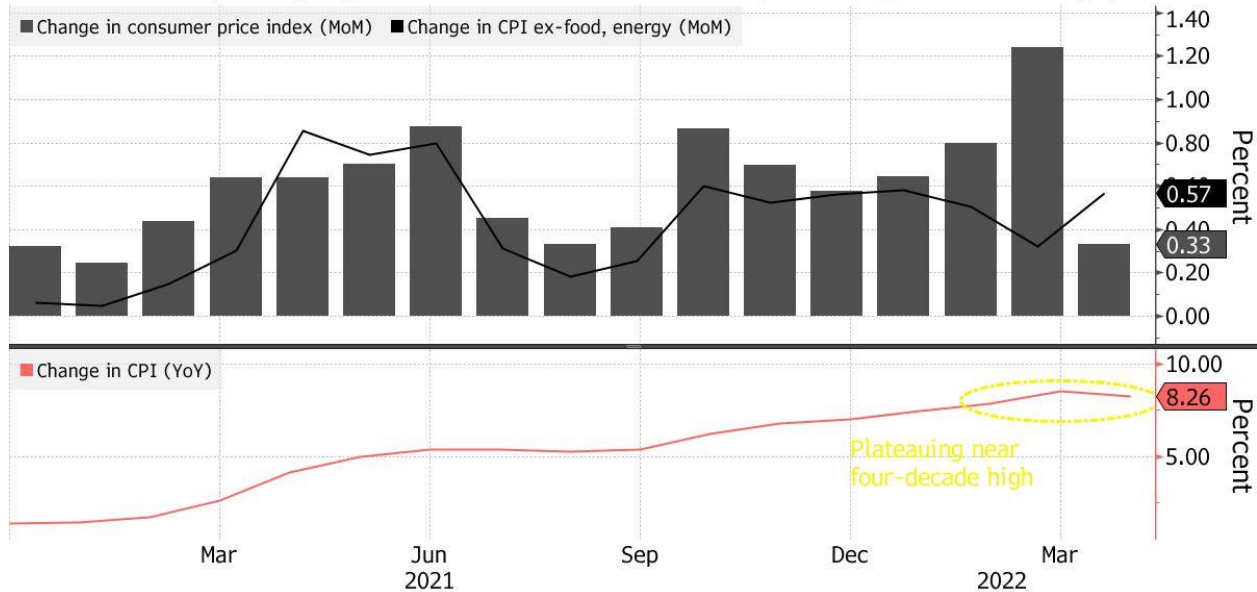


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Inflation Persists

US consumer price gauges exceeded estimates in April in sign of enduring pressures



Source: Bureau of Labor Statistics

Bloomberg

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Reuters: Euro Zone Bond Yields Fall, German 2-Year Hits 2011 High

Euro zone bond yields fell on Wednesday having jumped the previous day after hawkish comments from the European Central Bank increased market bets on rate hikes. The German 2-year yield, more sensitive to interest rate hikes, was down 1.5 basis points (bps) at 0.365%, but after hitting its highest since November 2011 at 0.444% earlier in the session.

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

Bloomberg: Britain's Inflation Rate Surges to a 40-Year High of 9%

UK inflation rose to its highest level since Margaret Thatcher was prime minister 40 years ago, adding to pressure for action from the government and central bank. Consumer prices surged 9% in the year through April, the fastest rate since March 1982, the Office for National Statistics said Wednesday in a report that marked a bleak moment for living standards. The leap from 7% in March came from an increase in energy prices, reflecting a surge in wholesale markets that drove a 54% in consumer bills in April. Fuel prices also contributed, reflecting higher oil prices after the war in Ukraine. Both petrol and diesel prices in April rose to a record.

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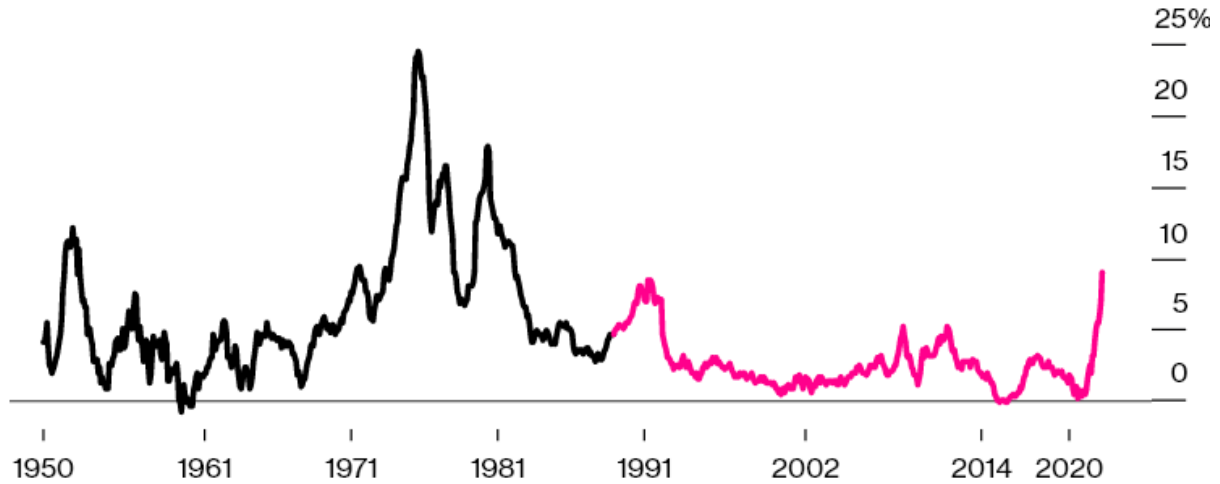
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9% and Rising

The UK has recorded its fastest inflation rate in 40 years

↙ CPI inflation rate (remodelled series 1950 to 1989) ↘ CPI (official series)



Source: Office for National Statistics

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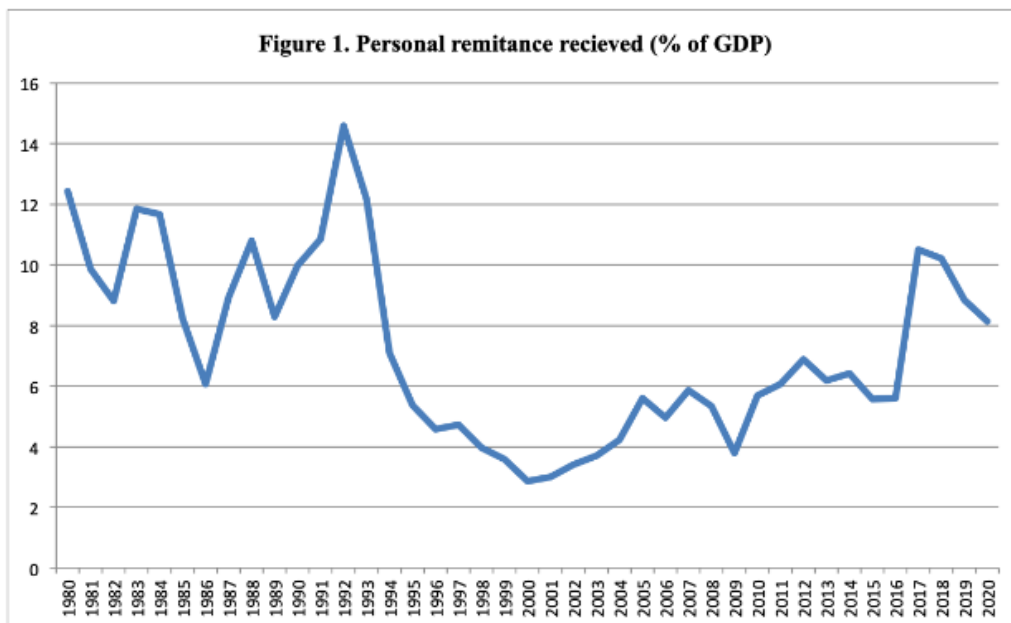
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Eye on Egypt

Economic Research Forum: The Threshold Impact of Remittances on Financial Development: New Evidence from Egypt

This study examines the nonlinear impact of remittances on financial development (FD) in Egypt over the period 1980-2019 while controlling for other key determinants of FD. The paper utilizes a recently developed comprehensive index of FD and uses an Autoregressive Distributed lag (ARDL) bounds testing approach to cointegration and a vector error-correction model to estimate the short- and long-run parameters of equilibrium dynamics. We find support for the complementarity hypothesis in the short run in which remittances have a statistically significant positive impact on FD. However, the results show that remittances have an inverted U-shaped impact on FD in the long run. In particular, remittances complement (substitute) FD below (above) a remittance-to-GDP ratio of 7.28 percent. This implies that in the long run remittances to Egypt hinder FD when received in large quantities. We also found that financial openness has a statistically significant positive impact on FD in the long run, while inflation impedes FD. Policies aimed at increasing the flows of remittances to Egypt should mitigate its potential adverse impact on financial development.



Source: World Development Indicators (World Bank 2020)

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Reuters: Egypt Faces Sharp Rise in Costs to Finance Proposed \$30 Billion Deficit

Higher interest rates, a weak currency and broader investor wariness of emerging markets suggest Egypt could pay steeply to finance a projected \$30 billion budget deficit for the financial year starting in July.

Even before U.S. Federal Reserve rate hikes that started in March and Russia's invasion of Ukraine, Egypt had been struggling to sustain appetite for its local and foreign borrowing to plug current account and budget deficits and fend off pressure to let its currency weaken, analysts say.

As well as the two events sparking a portfolio investment outflow calculated at \$20 billion by the country's prime minister, the Ukraine war delivered a new shock to Egypt's tourism sector - an important earner of foreign currency - as well as driving up the price of wheat and other key commodities required for the government's vast food subsidy programme.

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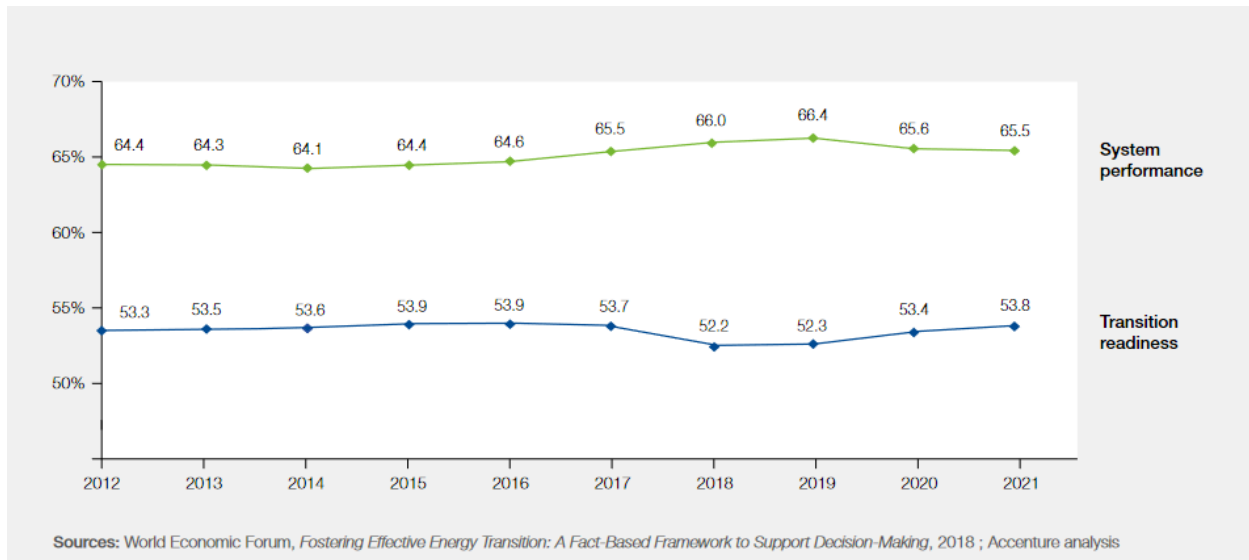
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Special Analysis

World Economic Forum: Fostering Effective Energy Transition 2022

The COVID-19 pandemic, the war in Ukraine and collateral turmoil in the energy markets make clear the need for the global energy transition to simultaneously address the imperatives of economic development and growth, energy security and access, and environmental sustainability. Imbalances will continue to impede efforts to reach the pace required to limit warming to 1.5°C.



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Recent Developments in Financial and Commodity Markets

Bloomberg: Stocks Suffer Steepest Rout in Almost Two Years

US stocks posted the biggest daily drop in almost two years as investors assess the impact of higher prices on earnings and prospects for monetary policy tightening on economic growth. The dollar and Treasuries gained amid a pickup in haven bids. The selloff sent the S&P 500 down 4%, the most since June 2020, with the plunge in consumer shares surpassing 6%. Target Corp. tumbled more than 20% in its worst rout since 1987, after trimming its profit forecast due to a surge in costs.

Back to Square One

Global technology stocks are now valued like staples peers



Source: Bloomberg
([Read Full Article](#))

Bloomberg 

Reuters: Surging Natural Gas Prices Squeeze U.S. Industrial Sector

Skyrocketing natural gas prices have raised manufacturing and transportation costs across many U.S. industries, and the situation should persist as the United States exports more gas to Europe to make up for Russian supplies lost to sanctions. U.S. natural gas futures have doubled this year, far more than the increases in retail gasoline and diesel that have made Americans angry at the U.S. energy industry and the government.

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