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The Egyptian Center for Economic Studies

Our Economy and The World

The Weekly Report

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

Key Global and Regional Developments over the Past Week

Bloomberg: Fed's Bullard Sees 3.5% Rates Setting Up Cuts in 2023 or '24

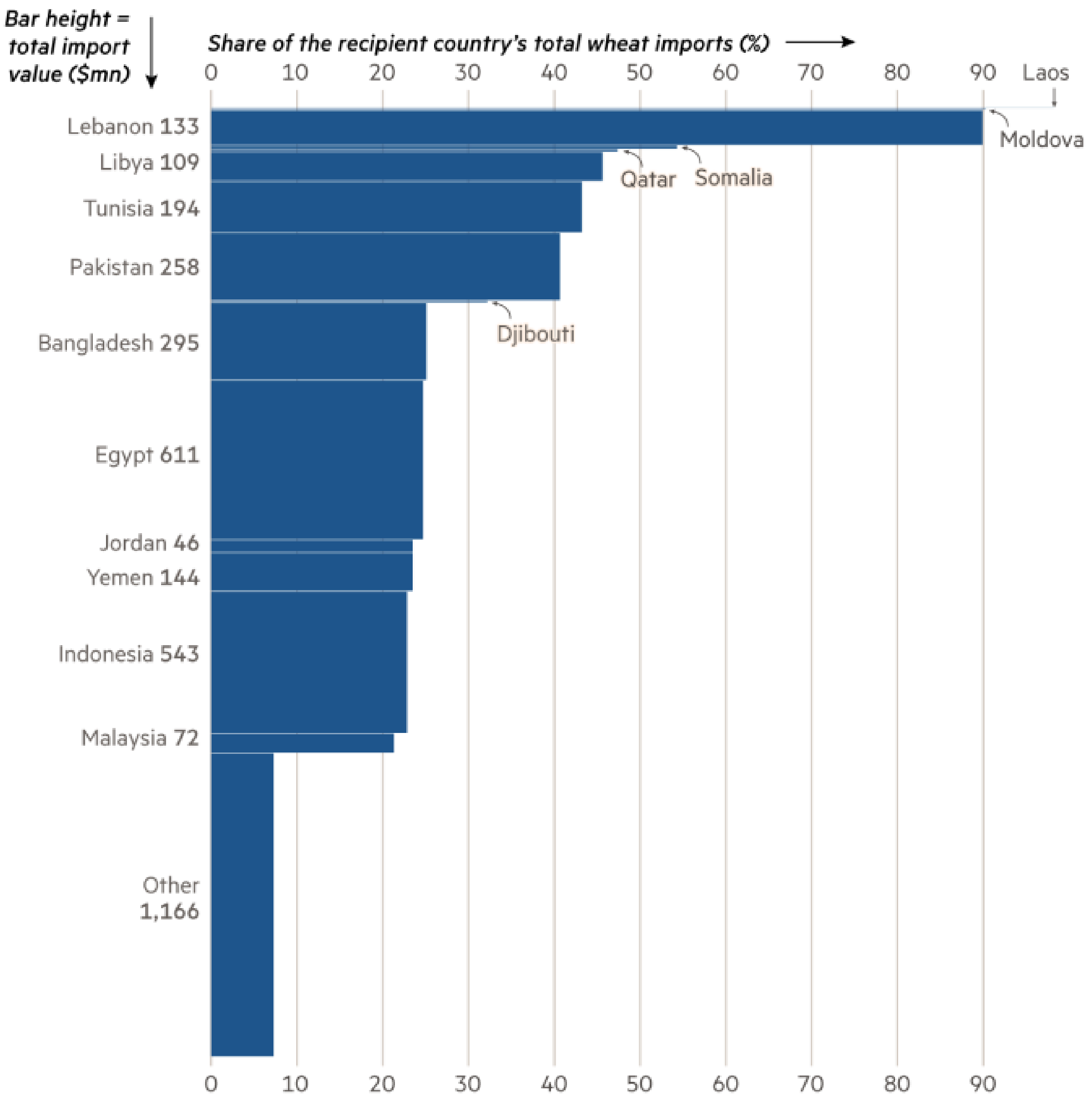
Federal Reserve Bank of St. Louis President James Bullard urged policy makers to raise interest rates to 3.5% this year to bring inflation down from near a four-decade high, adding that some of those hikes could be reversed late next year or in 2024. Bullard reminded the Economic Club of Memphis on Wednesday that in late 2019, prior to the Covid-19 pandemic, Fed rates were 1.55%, the 10-year Treasury yield was 1.86% and mortgage rates were below 4%.

(Read Full Article)

FT: EU Steps up Effort to Bring Millions of Tonnes of Grain out of Ukraine

European leaders will intensify efforts to get food out of Ukraine by land as a Russian blockade of the country's ports threatens tens of millions of people across the world with starvation. An EU summit finishing on Tuesday will pledge to improve attempts to find alternative routes to bring out millions of tonnes of grain over the next three months and free Ukraine's warehouses for the coming harvest, according to draft conclusions seen by the Financial Times. Dozens of countries rely on cereals from Ukraine, mostly exported via its Black Sea ports, which are now either in Russian hands or blockaded by warships.

Countries most dependent on Ukrainian wheat exports



Source: International Trade Centre
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Bloomberg: Half-Point ECB Hike Needed After Inflation Record, Holzmann Says

The latest all-time high for euro-zone inflation strengthens the case for the European Central Bank to lift interest rates by a half-point in July, according to Governing Council member Robert Holzmann. The Austrian central bank chief, a top ECB hawk who'd already been urging a hike of that size, said a lack of "decisive action" now would risk expectations about the path for consumer prices becoming unanchored, requiring tougher measures later on that could trigger a recession.

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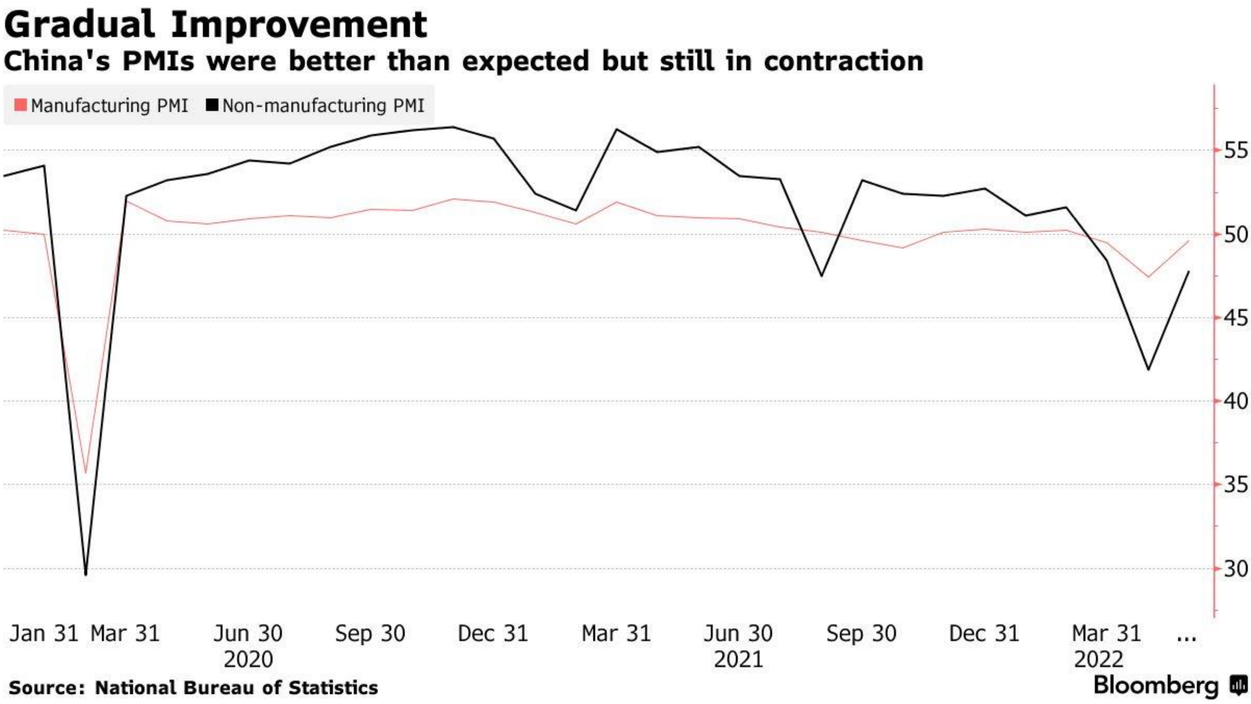
Bloomberg: China Factory Activity Gradually Improves as Lockdowns Ease

China's factories still struggled in May, but the slower pace of contraction suggests that the worst of the current economic fallout may be coming to an end as the country starts to ease up on its tough lockdowns. The official manufacturing purchasing managers index rose to 49.6 from 47.4 in April, according to data released by the National Bureau of Statistics on Tuesday. A reading below 50 still indicates a contraction, but the gauge was better than the median estimate of 49 in a Bloomberg survey of economists.



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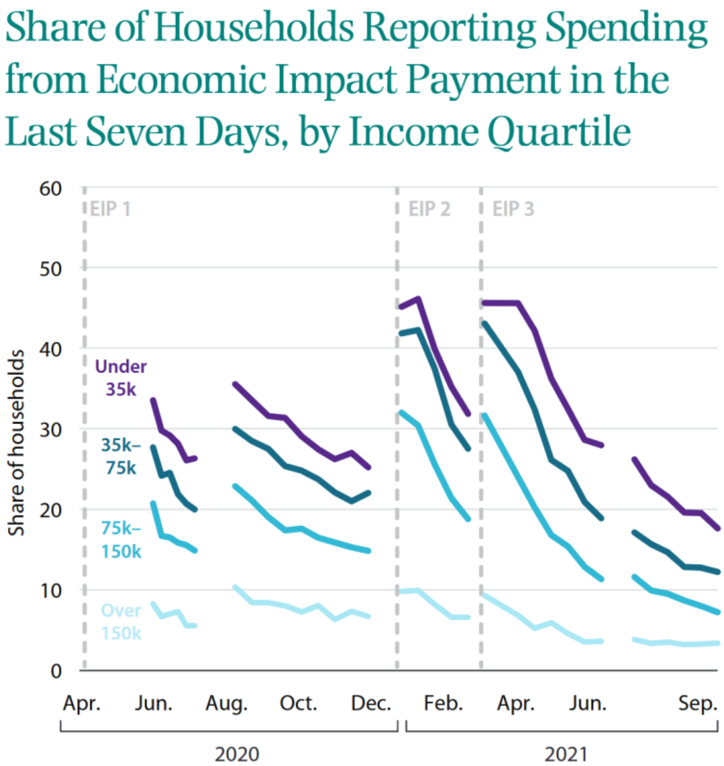
Special Analysis

Brookings: How did COVID-19 Economic Impact Payments affect households and the economy?

The federal government provided three rounds of economic impact payments during COVID-19, sometimes called stimulus checks, more than $800 billion in all, by far the largest such attempt to help American households during a recession. Over roughly a year, a family of four with income below $150,000 received $11,400 in stimulus payments. The scope of these payments, the number of people who are [eligible], the speed with which the government delivered them, made this one of the main ways the government quickly got aid to households to protect them against the economic damage that the pandemic threatened to provide.

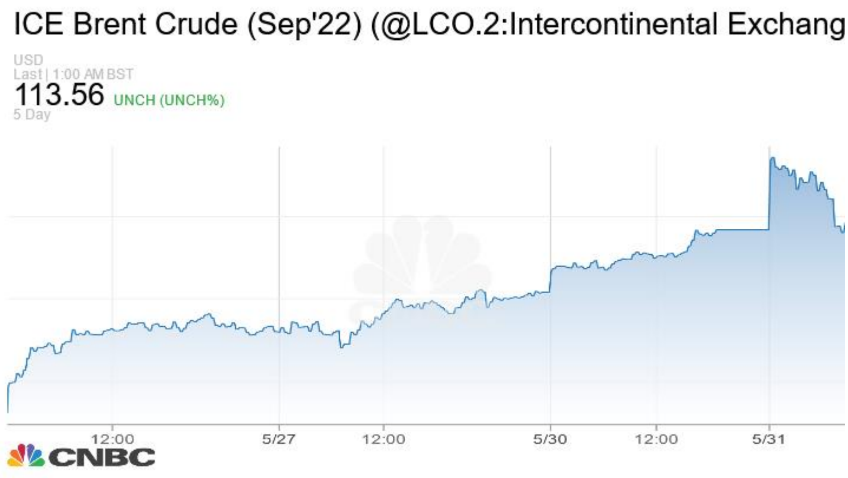


(Read Full Report and Transcript)

Developments in Financial and Commodity Markets in the Past Week

CNBC: Oil prices jump after EU leaders agree to ban most Russian crude imports

Oil prices surged on Tuesday after EU leaders reached an agreement to ban 90% of Russian crude by the end of the year. However, prices reversed course around 2 p.m. ET Tuesday following a report from the Wall Street Journal that OPEC is considering suspending Russia from the group's output agreement. "It could certainly facilitate an early end to the current production agreement and a Saudi/UAE ramp up," said Helima Croft, managing director and head of global commodity strategy at RBC. "However in most cases it is the actual stressed producer that asks for the exemption. An involuntary exemption might mean the breakup of OPEC+," she added.



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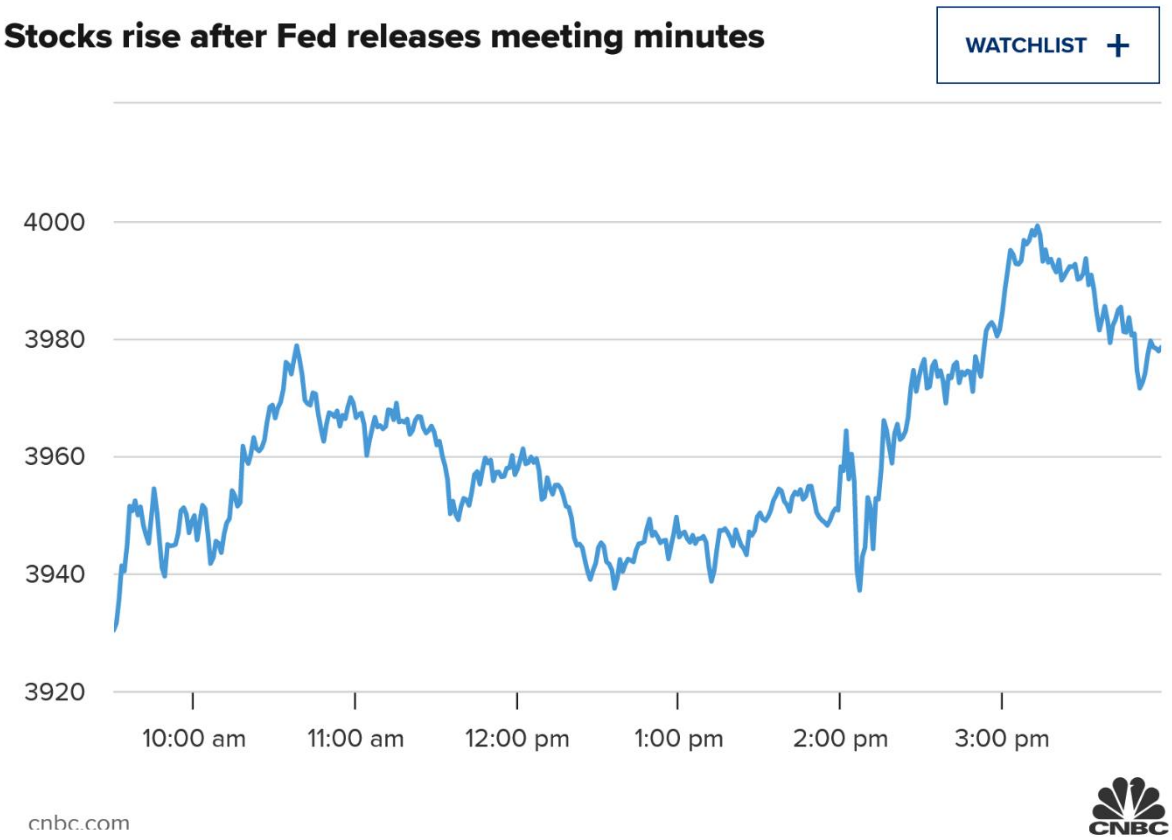
CNBC: Stocks rise after Fed signals further rate hikes, Dow jumps nearly 200 points

Stocks rose on Wednesday after the minutes of the Federal Reserve's May policy meeting showed the central bank is prepared to raise rates further than the market had anticipated. The Dow Jones Industrial Average jumped 191.66 points, or 0.6%, to 32,120.28. The S&P 500 climbed 0.9% to 3,978.73, and the Nasdaq Composite advanced 1.5% to 11,434.74. All of the major averages are currently on pace for a winning week. The minutes from the Fed's May 3-4 meeting showed officials saw the need to raise rates quickly, and possibly more than the market has priced in, to quell the recent inflationary pressures.



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