المركز المصري للدراسات الاقتصادية
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

Reuters: China's economy loses momentum as COVID curbs hit factories, consumers

China's economy suffered a broad slowdown in October as factory output grew more slowly than expected and retail sales fell for the first time in five months, underscoring faltering demand at home and abroad. The world's second-largest economy is facing a series of headwinds including protracted COVID-19 curbs, global recession risks and a property downturn. In a sign of persistent weakness in sector, data on Tuesday also showed property investment falling at its fastest pace since early 2020 in October.

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Bloomberg: ECB warns record inflation spells trouble for banks, states

The European Central Bank warned of rising stability risks for everyone from lenders to governments and households as the economic outlook darkens and officials battle record inflation. The cost-of-living squeeze is hurting people's ability to service debts, while Europe's worsening growth prospects threaten corporate profits, the ECB said Wednesday in its Financial Stability Review. It also flagged potential dangers to public finances as governments borrow to cushion the impact of the energy crisis, further downward pressure on equities and said house prices may be peaking after a yearslong advance.

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Bloomberg: PBOC sees risk of rising inflation, vows to keep economy stable

The People's Bank of China warned the nation may see inflation accelerate due to changes in the economy's overall demand and pledged to balance supporting growth and maintaining stable prices. The central bank "will pay serious attention to the underlying possibility of rising inflation, especially changes in the demand side," it said in its quarterly monetary policy report released Wednesday. At the same time, the Chinese central bank added it will increase support for the economy and keep liquidity reasonably ample.

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BBC: Cost of living - Japan economy unexpectedly shrinks after yen slide

Japan's economy has unexpectedly shrunk for the first time in a year as the rising cost of living hit consumer spending growth. Gross domestic product (GDP) fell by an annualised 1.2% in the three months to the end of September. People reined in spending amid fears of a global slowdown and as the weak yen made imports more expensive. However, economists expect the world's third biggest economy to avoid recession as it bounces back this year.

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Reuters: German bond yields struggle for direction, curve inverts further

German yields struggled for direction on Wednesday as investors see their current levels fairly pricing the European Central Bank policy tightening path, including a slowdown in 2023. Analysts expect the ECB to raise rates by 50/75 basis points (bps) in December and to ease its policy stance early next year. Markets were cautious after a missile strike in eastern Poland close to the Ukrainian border killed two people.

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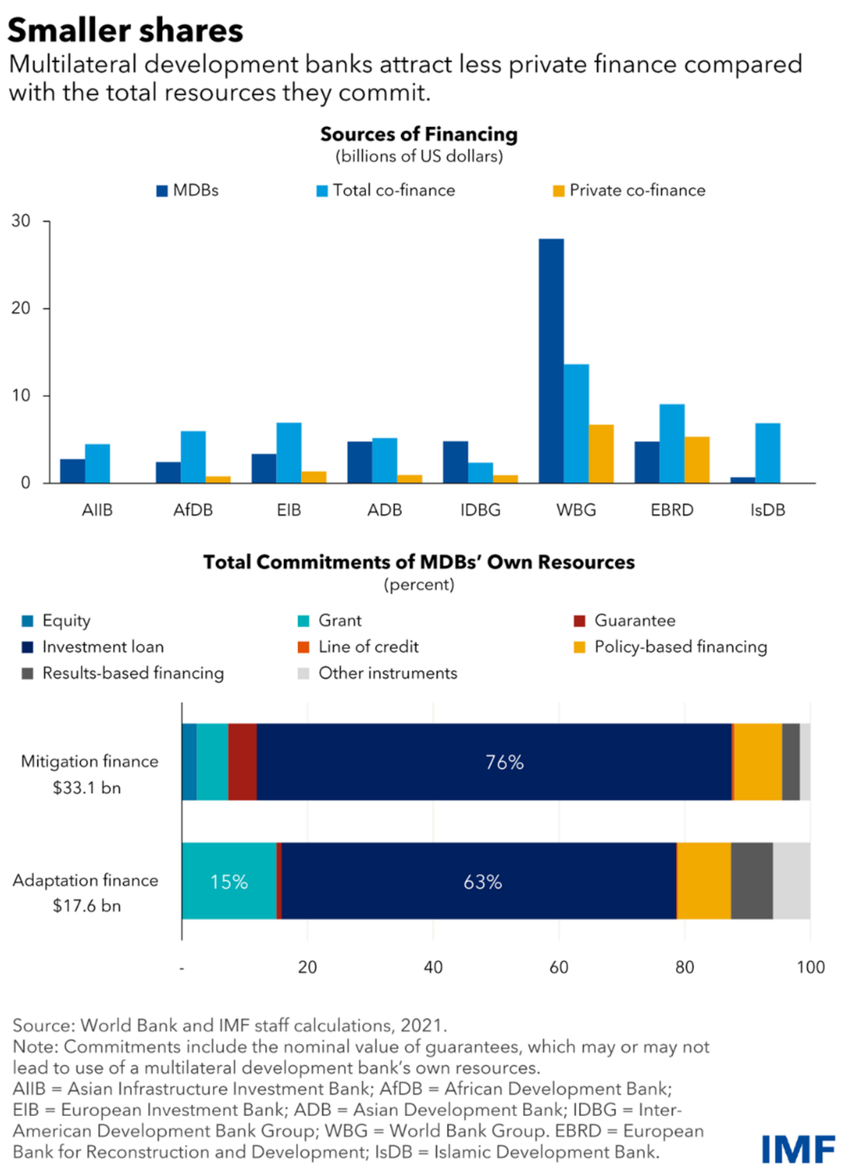
Special Analysis

IMF: How Blended Finance Can Support Climate Transition in Emerging and Developing Economies

Emerging market and developing economies account for two-thirds of global greenhouse gas emissions, and many are highly vulnerable to climate hazards. These economies will need significant financing in coming years to reduce emissions and adapt to the physical effects of climate change. Many also have high debt and constrained budgets because of the pandemic and face higher government borrowing costs amid rising interest rates around the world, making it especially difficult for public finance to meet pressing climate financing needs. These factors mean mobilizing private capital on a large scale will be key to achieving their climate objectives. Financial markets alone can't do the job, but combining public and private capital offers unique advantages by reducing investment risk and attracting greater funding. Multilateral development banks and international financial institutions can provide support through creating blended financing structures to alter the risk-return profile for the climate transition in emerging economies.



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Developments in Financial and Commodity Markets over the Past Week

Reuters: Oil falls as Druzhba pipeline reopens, China COVID worries stay at the fore

Oil prices settled more than a dollar lower on Wednesday after Russian oil shipments via the Druzhba pipeline to Hungary restarted and as rising COVID-19 cases in China weighed on sentiment. Brent crude futures settled a dollar lower at $92.86 a barrel, down 1.1%. U.S. West Texas Intermediate (WTI) crude futures slid by $1.33, or 1.5%, to settle at $85.59 a barrel.

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CNBC: European markets close 1% lower as geopolitical tensions rise after Poland missile incident

European markets closed lower on Wednesday as political instability gripped the region after a missile hit Polish territory, raising tensions between Russia and NATO. The pan-European Stoxx 600 provisionally closed down 1%, with retail and autos both shedding 3.5% to lead losses. The food and beverages and insurance sectors posted 0.2% gains.

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