المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies

Our Economy and The World

The Weekly Report

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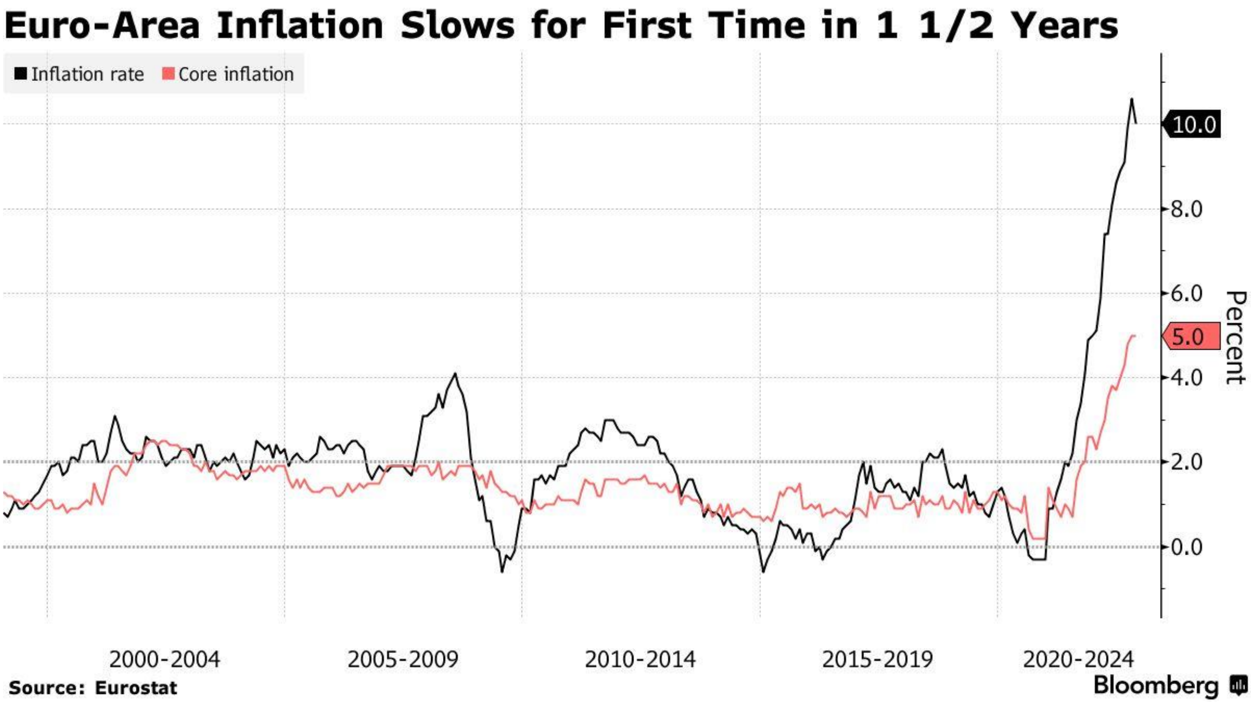
This week's issue of "Our Economy and the World" includes:

Key Global and Regional Developments over the Past Week

Bloombereg: ECB's Kazimir says 10% inflation is no reason to slow rate hikes

European Central Bank Governing Council member Peter Kazimir signaled support for a third straight 75 basis-point interest-rate increase next week—even after inflation in the currency bloc cooled for the first time in 1 1/2 years. While November's slowdown to 10% was welcome, it's too early to declare that the worst of the unprecedented spike in prices is over, Kazimir said in an interview. With any euro-area recession likely to be short-lived and inflation to stay above-target even in 2025, officials should quickly raise rates to a level that brakes economic activity, he said.



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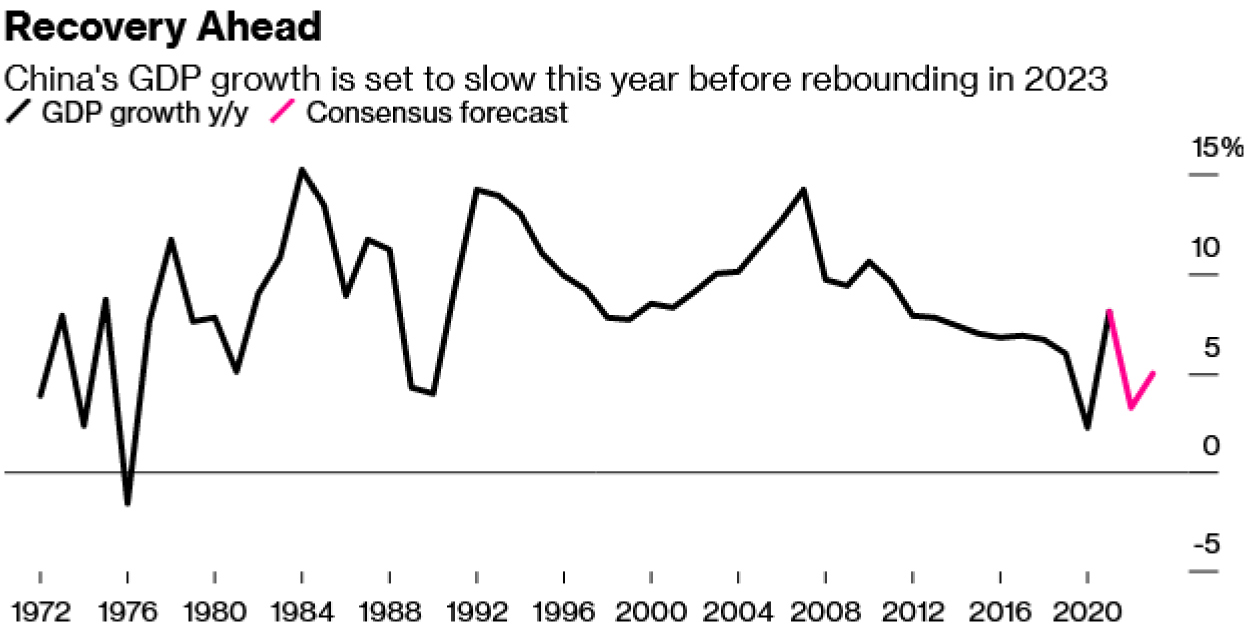
Bloomberg: China considers GDP target of about 5% in pro-growth shift

Senior Chinese officials are debating an economic growth target for next year of around 5%, according to people familiar with the discussion, as Beijing shifts gears toward bolstering the recovery. Some officials argue that setting a goal at a relatively high level would help local governments shift the focus of their work away from Covid controls to boosting the economy, the people said, asking not to be identified because the discussions are private. Other officials are concerned a target of around 5% could be too ambitious, they said.



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Reuters: Euro zone yields hit multi-week lows amid mixed signals on inflation

Euro zone government bond yields hit fresh multi-week lows in a volatile session on Wednesday amid conflicting signals about when inflation will peak. An ECB survey showed rising inflation expectations for the year ahead but for three years out it held steady at a rate well above the European Central Bank's (ECB) 2% target. However, ECB chief economist Philip Lane had argued on Tuesday a peak in inflation was probably close.

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BBC: UK aims to double US gas imports under new deal

The UK has agreed to double imports of US gas over the next year as it tries to stabilise soaring energy prices. Prime Minister Rishi Sunak said the plan would "bring down prices for British consumers and help end Europe's dependence on Russian energy". Russia has cut off the majority of its gas supplies to Europe over the past year after its invasion of Ukraine.

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Eye on Egypt

Moody's: Government of Egypt – B2 negative

Egypt's credit profile reflects a narrowing foreign exchange reserve buffer to meet upcoming external debt service payments amid non-resident capital outflows and tightening global financing conditions. The already large interest bill and gross borrowing requirements at over 30% of GDP underpin its sensitivity to tightening funding conditions. The credit profile remains supported by the government's track record of economic and fiscal reform implementation, solid trend growth and a large and dedicated domestic funding base to meet the government's funding needs. Primary budget surpluses had been restored before the pandemic and are likely to be maintained, supporting a renewed reduction in the debt GDP ratio starting fiscal 2024.

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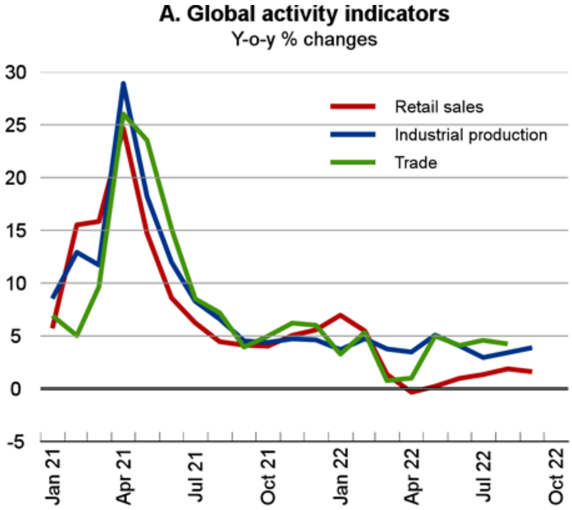
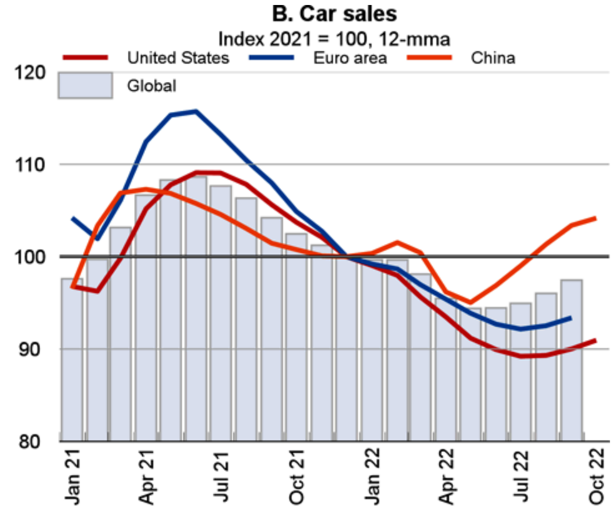
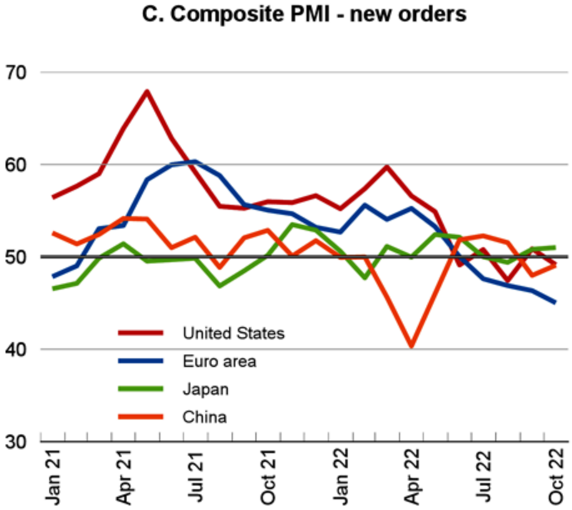
Special Analysis

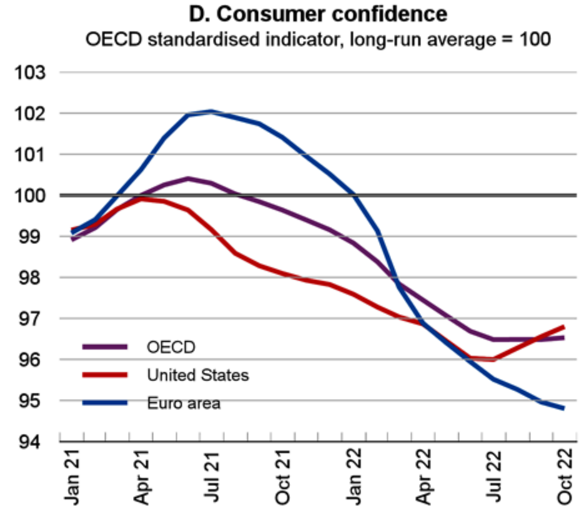
OECD: Confronting the Crisis

The global economy is facing significant challenges. Growth has lost momentum, high inflation has broadened out across countries and products, and is proving persistent. Risks are skewed to the downside. Energy supply shortages could push prices higher. Interest rate increases, necessary to curb inflation, heighten financial vulnerabilities. Russia's war in Ukraine is increasing the risks of debt distress in low income countries and food insecurity.









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Developments in Financial and Commodity Markets over the Past Week

Reuters: Oil prices fall on relaxed Russia price cap

Oil prices have slumped since early November as traders concluded the price cap on Russia's exports introduced by the United States, the European Union and their allies will have little impact on crude availability. Earlier fears the cap would disrupt crude flows boosted Brent prices and calendar spreads throughout October - even as the outlook for the global economy and oil consumption deteriorated. Front-month Brent futures closed at almost $97 per barrel on Oct. 27, up from $84 a month earlier, well above the long-term inflation-adjusted average of $60 since 1990.

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CNBC: European markets close lower as global sentiment wavers on recession fears

The pan-European Stoxx 600 ended 0.6% lower, with the oil and gas sector down 2% to lead losses. Mining stocks followed, down 1.7%, while health care stocks added 0.7%. Meanwhile, U.S. stocks moved lower as traders considered the possibility of a recession and the likelihood of a lengthy cycle of hikes from the Federal Reserve.

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