

Weekly Economic Monitor

February 22, 2015

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Markets overview

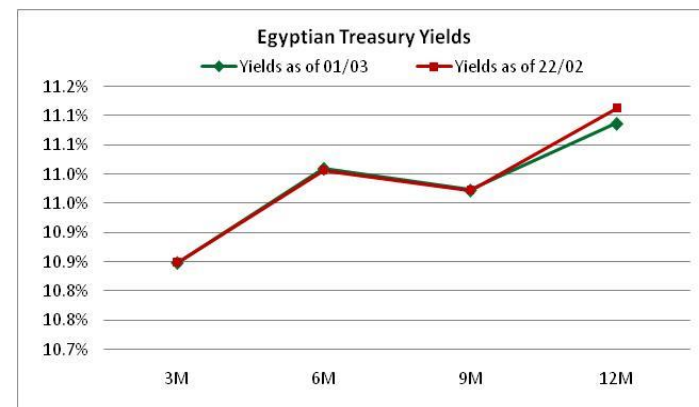
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Regional

Egypt: CBE refrains from rate cut, Egypt looking at \$2 bln Eurobond

- Egypt's T-bill yields remained largely unchanged from last week, as the Central Bank of Egypt refrained from changing its main rate at its monetary policy committee meeting last week.
- Egypt's Central Bank kept its benchmark interest rates unchanged at its monetary policy meeting last week, leaving the overnight deposit rate at 8.75% and the overnight lending rate at 9.75% as it said it needs to balance the need to manage high inflation with encouraging economic growth.
- A central bank official noted that GDP growth had quickened and annual inflation rates were easing, indicating that for now the CBE does not see a need to cut rates given that the economy is moving in their favour.
- The bank had surprised the market with a 50 bps cut last month, after holding rates steady since July, when it hiked benchmark rates by 100 basis points and introduced heavy subsidy cuts.
- Analysts expect the next rate cut to come in Q3, when the effect of last year's energy hike prices fall out of the inflation data.
- In other news, Egypt's Finance Minister said that Egypt could raise as much as \$2 billion through a Eurobond this year, noting that it will be issued by June at the latest for duration of 3,5, or 7 years.



Source: Bloomberg

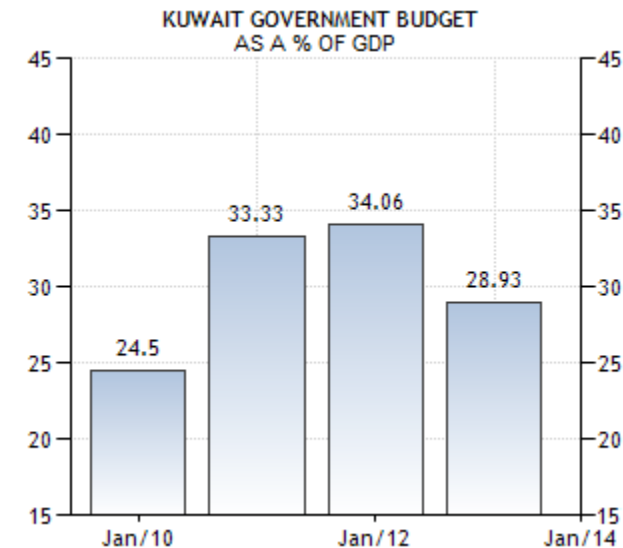


Source: Trading Economics

GCC Economic Highlights:

Kuwait: 9-month budget surplus down 26% due to drop in oil

- According to a report using Ministry of Finance data, Kuwait's government budget surplus shrank 26% in the first 9 months of this fiscal year (2014/15) as lower international oil prices result in a significant drop in revenues.
- The surplus dropped to 10.6 billion KWD between April and December of 2014/15, compared to 14.3 billion KWD for the same time period in the 2013/14 fiscal year.
- Breaking down the drop, government spending rose 10% to 10.6 billion KWD over the same time period, as capital spending grew by 31% to register 900 million KWD.
- However, capital spending remains well below what was allocated in the budget, accounting for only 39% of budgeted capital expenditures. Actual expenditure has repeatedly fallen below budget plans as political disputes have delayed the implementation of projects.
- On the other hand, government revenue dropped 12% to 21.2 billion KWD over the same time period. Oil revenue, which accounts for 90% of revenue, fell 13%.
- Studies predict the full year budget balance to fall to 4.1 billion KWD, the smallest surplus in six year, though still high by international standards at 8.7% of GDP. The next fiscal year budget shows a deficit of 8.2 billion KWD, assuming an average oil price of \$45.

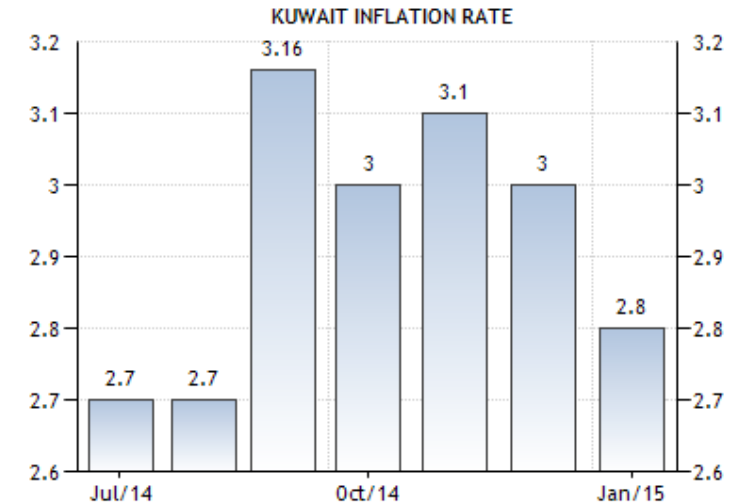


Source: Trading Economics

GCC Economic Highlights:

Kuwait: Inflation rate up 2.81% in January

- According to data released by Kuwait's Central Statistical Bureau, the inflation rate grew by 2.81% in January of 2015 when compared January 2014, down from 3% in December of 2014.
- Meanwhile, data showed that the inflation rate dropped 0.07% from December of 2014 mainly due to a drop in food and beverage prices, clothing and footwear prices, communication and recreation and culture prices.
- On an annual basis, food and beverages prices rose by 1.45% in January of 2015 compared to January of 2014.
- Tobacco & narcotics prices rose by 11.56% over the same time period, while housing services rose by 5.03%. Health prices rose by 1.11%, and education prices rose by 6.57% over the same time period.
- On the other hand, the only group to register a drop in prices compared to January of 2014 was the communication group prices which dropped by 0.20%
- For 2015, the IMF expects inflation to register 3.5%.

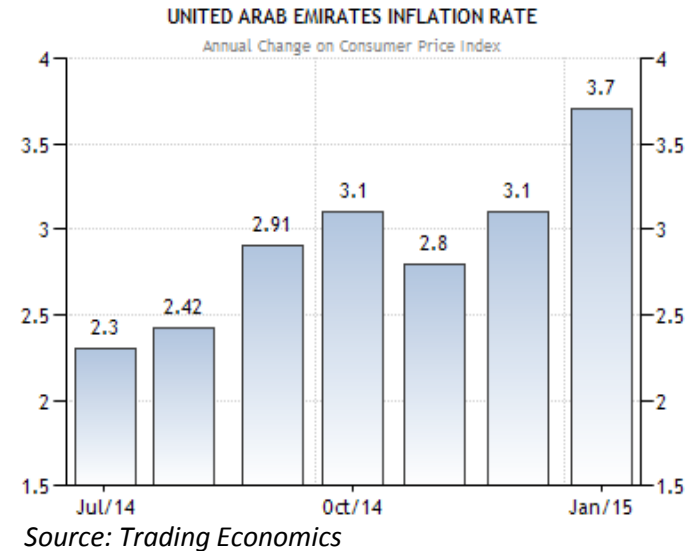


Source: Trading Economics

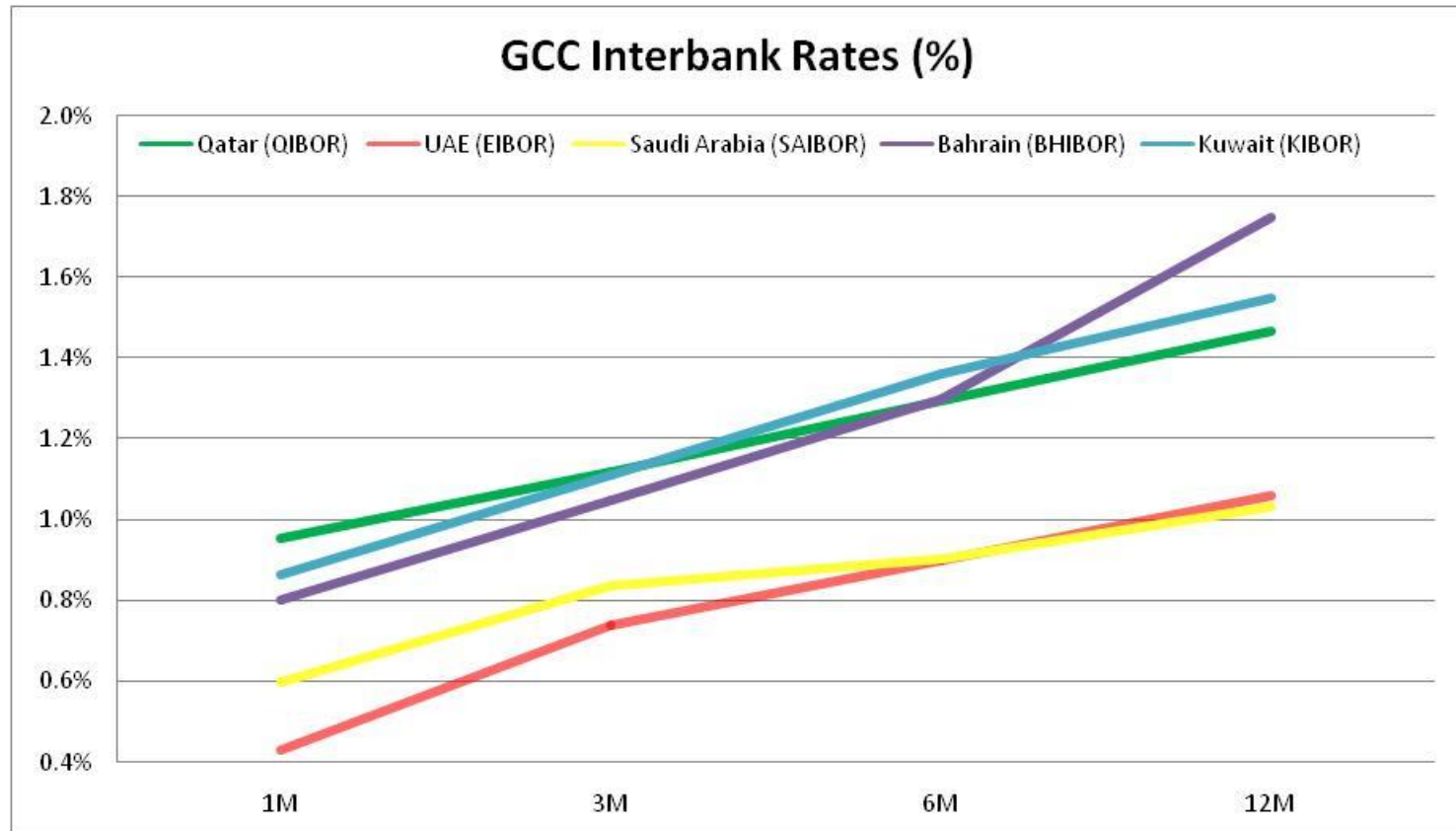
GCC Economic Highlights:

UAE: Inflation rate up 3.7% in January

- According to figures released by the UAE's National Bureau of Statistics, the inflation rate grew by 3.7% in January 2015 when compared to January 2014, up from 3.1% in December, and is the highest level of inflation since 2009. Inflation grew by 0.7% when compared to December 2014.
- Inflation was driven by the effect of the energy subsidy reform in Abu Dhabi while school fees continued to rise.
- Soaring housing and utility costs which account for over 39% of the CPI basket, grew by 7.4% from January 2014. Householder in Abu Dhabi have seen larger utility bills since the beginning of the year, after a cut in government subsidies in the Emirate.
- On the other hand, falling oil prices, a stronger currency and a moderation in Dubai's housing market are likely to place some downward pressure on prices.
- Meanwhile, education prices rose by 4% from January 2014, as a shortage of available primary and secondary schools pushed prices up, while food prices rose by 0.1%, due to lower import costs and the government freezing prices on key items.
- The IMF expects inflation to register 2.5% in 2015 in the UAE.



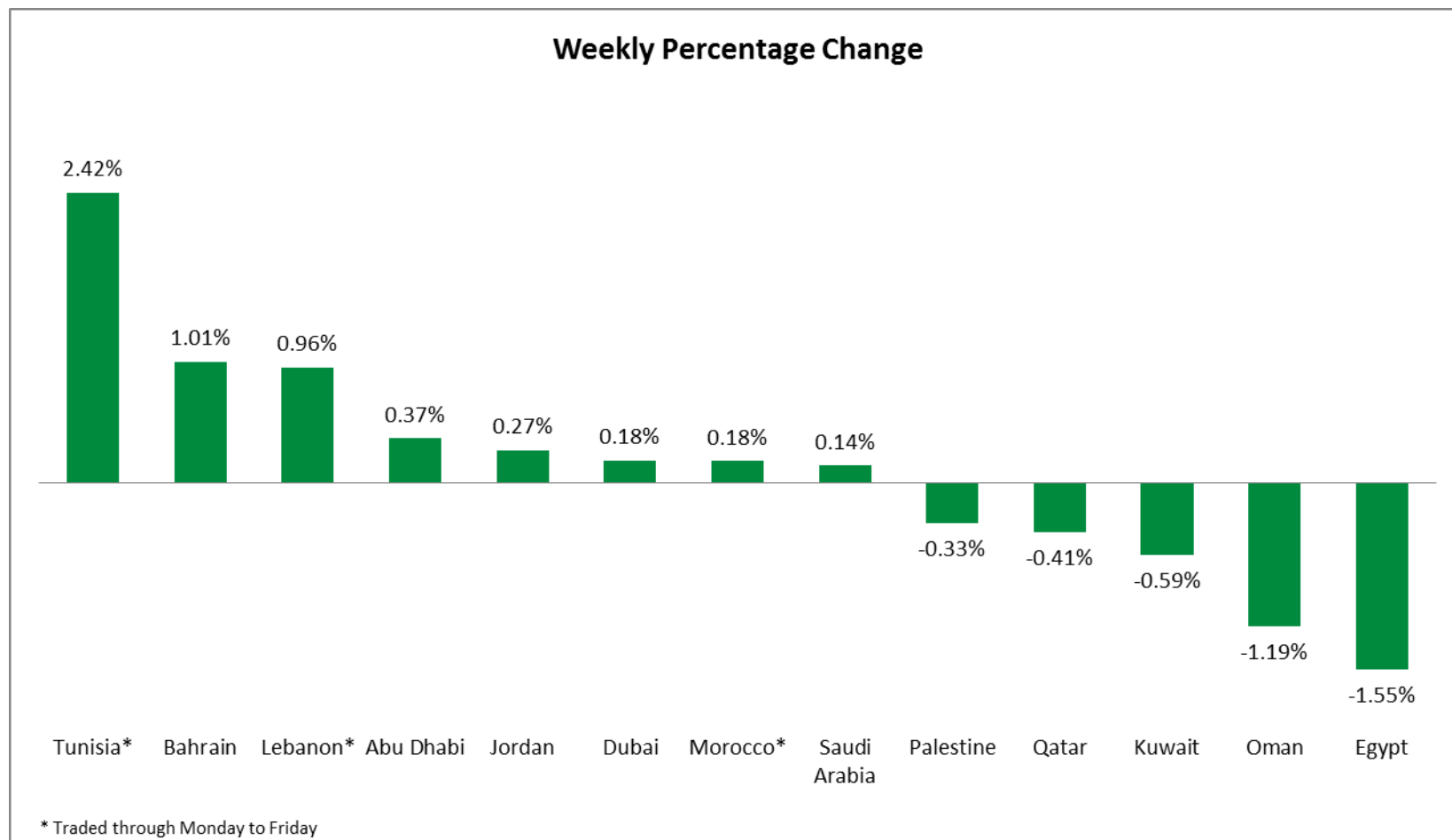
GCC interbank rates



Source: Bloomberg

Comparative MENA Markets

February 22, 2015 – February 27, 2015



Source: Bloomberg

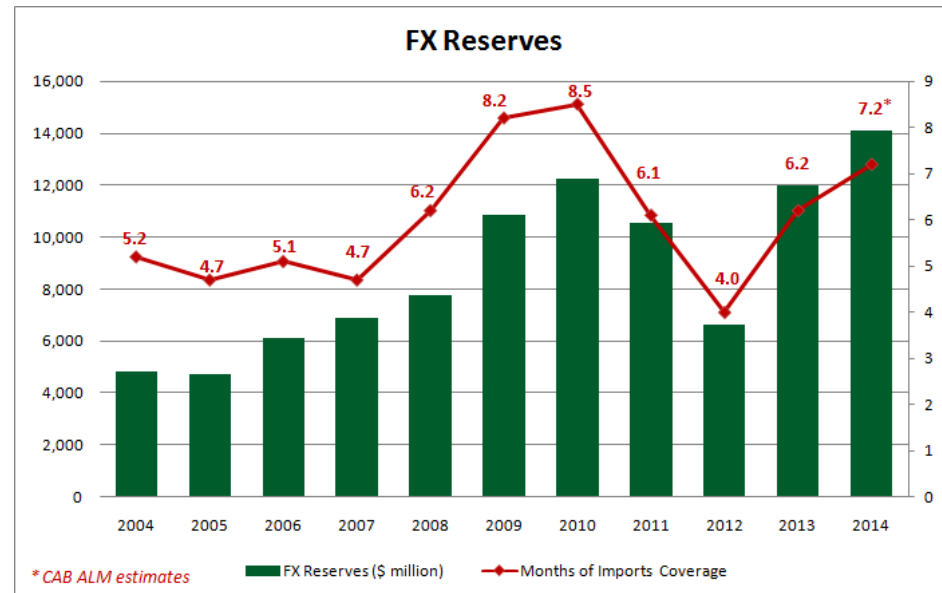
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Jordan

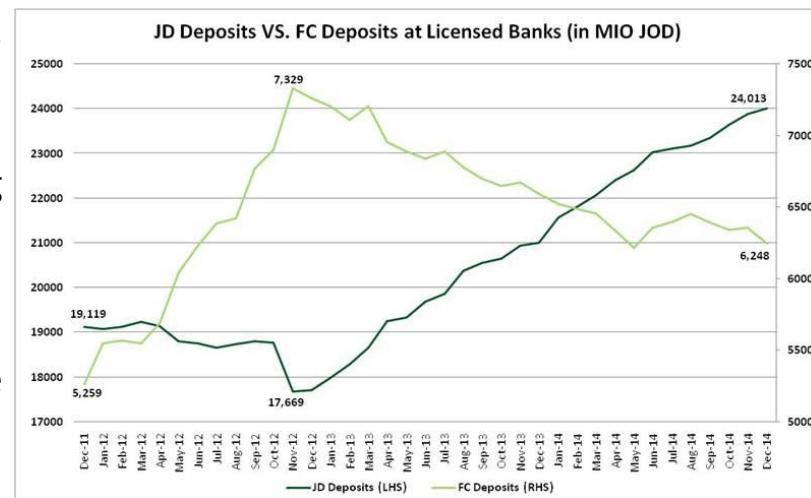
FX Reserves up \$2.1 billion in 2014

- FX reserves were stable in December, as levels remained at a high of \$14.1 billion; covering above 7 months of imports. FX reserves grew by \$2.1 billion in 2014.
- FX reserves are expected to remain at high levels in 2015, as the IMF expects the government to receive \$3.5 billion in external funding during the year.
- This includes a \$1.75 billion Eurobond to be issued during 2015, and around \$1.4 billion in GCC capital grants.
- On the other hand, the government has a \$750 million Eurobond that will mature in November of this year.
- Meanwhile, the drop in oil prices is likely to reduce pressure on foreign reserves demand, helping to keep FX reserves stable.



JD deposits grew by 3 billion JD in 2014

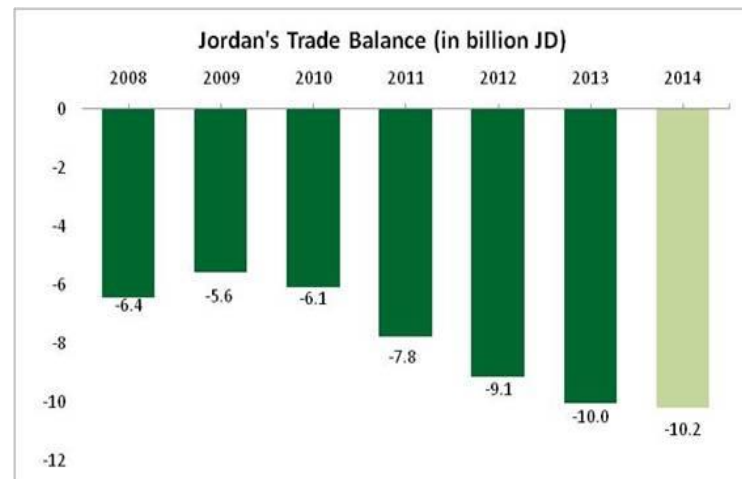
- In December of 2014, JD deposits at banks increased by 133 million JD to reach 24.01 billion JD.
- The increase in deposits had slowed down significantly during the months of July and August, but picked up again at the end of the year.
- The continued increases indicate better stability in the Jordanian economy.
- As a result, deposits grew by 3.0 billion JD in 2014, compared to growth of 3.3 billion JD in 2013.
- Meanwhile, foreign currency deposits decreased by approximately \$150 million in December from November.
- The recent monthly changes in foreign currency deposits suggests that de-dollarization is mostly coming to an end, as some months witnessed increases.
- In 2014, foreign currency deposits dropped by \$482 million, compared to a drop of \$943 million in 2013. Foreign currency deposits are currently around \$8.81 billion (6.25 billion JD).



Month	Change in JD deposits (million JD)	Change in FC deposits (million JD)
Dec-13	62.9	-83.4
Jan-14	567.2	-69.7
Feb-14	240.2	-36.3
Mar-14	259.4	-29.6
Apr-14	326.9	-116.2
May-14	233.0	-125.2
Jun-14	403.7	141.4
Jul-14	72.5	41.9
Aug-14	67.2	54.9
Sep-14	181.2	-59.4
Oct-14	280.0	-40.1
Nov-14	245.7	11.0
Dec-14	133.1	-106.0

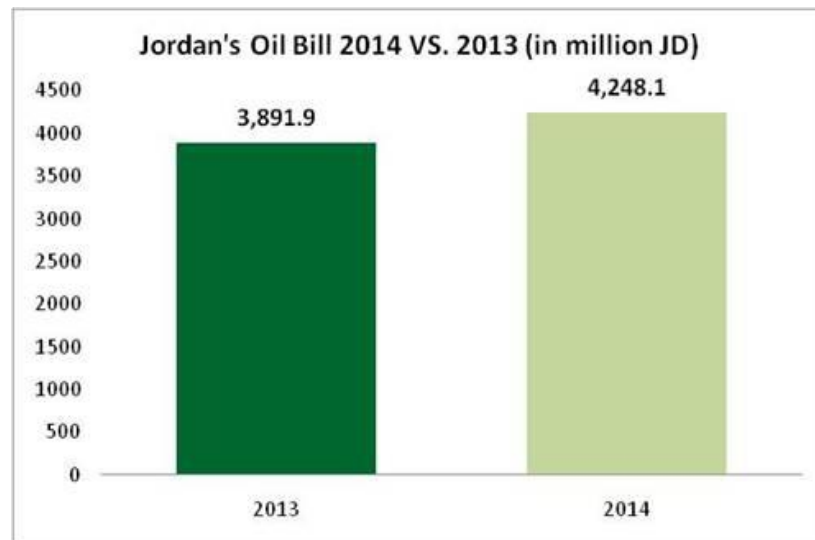
Trade deficit up 1.4% in 2014

- Jordan's trade deficit increased by JD 143 million to reach JD 10,192.3 million in 2014, up 1.4% compared to 2013.
- Both exports and imports grew over the same time period, as exports grew by 6.0% while imports grew at a similar pace of 3.1%.
- It is important to note that national exports actually grew by 7.5% over the same time period and re-exports dropped by 2.8%.
- Total exports grew to JD 5,953.6 million from JD 5,618.0 million for the time period, as fertilizer exports grew in 2014, up by 28.8% following sluggish export levels in 2013, fruit and vegetable exports grew 12.8%, and clothes exports grew 12.1%.
- Meanwhile, phosphate exports increased by 24.7% over the time period, after fluctuating during the beginning of the year. Moreover, potash exports increased marginally by 0.9%, while pharmaceutical exports dropped 3.2%.
- Meanwhile, imports grew to reach JD 16,145.9 million from JD 15,667.3 million for the same time period. The increase is partially a result of an increase in machinery and machinery equipment imports by 13.2%, and vehicles and motorcycles imports grew by 20.8%.



Oil imports up 9.2% in 2014

- On the other hand, electronics imports plummeted by 29.5% after they witnessed high import levels in 2013, while metal and its products imports dropped 19.4%.
- Most significantly, crude oil imports, which make up more than one quarter of total imports, increased by 9.2% to reach JD 4,248.1 million from JD 3,891.9 million over the time periods.
- A more detailed look at Jordan's monthly oil bill reveals that oil imports in December 2014 were down by 34.7% when compared to December 2013, while international oil prices were down by around 42.8% over the same time period, which could indicate the drop in oil imports is mainly due to a drop in oil prices.
- As expected, the trade balance remained largely unchanged in 2014 from 2013. Looking ahead, if oil prices sustain their low levels in 2015, it is expected that the trade balance will improve, given that oil imports account for 25% of imports.



A breakdown of Jordan's monthly oil bill in million JD

Month	2013	2014	Nominal Change
January	262.8	404.6	+141.8
February	416.9	264.4	-152.5
March	359.5	319.1	-40.4
April	238.9	478.6	+239.7
May	250.1	370.6	+120.5
June	251.4	427.5	+176.1
July	424.0	365.3	-58.7
August	342.3	392.7	+50.4
September	354.6	279.6	-75.0
October	347.0	404.3	+57.3
November	255.4	287.4	+32.0
December	389.0	254.0	-135.0
Total	3,891.9	4,248.1	+356.2

Jordan Debt Monitor

Latest T-Bills

- As of March 1, the volume of excess reserves, including the overnight window deposits held at the CBJ JD(2,816) million.

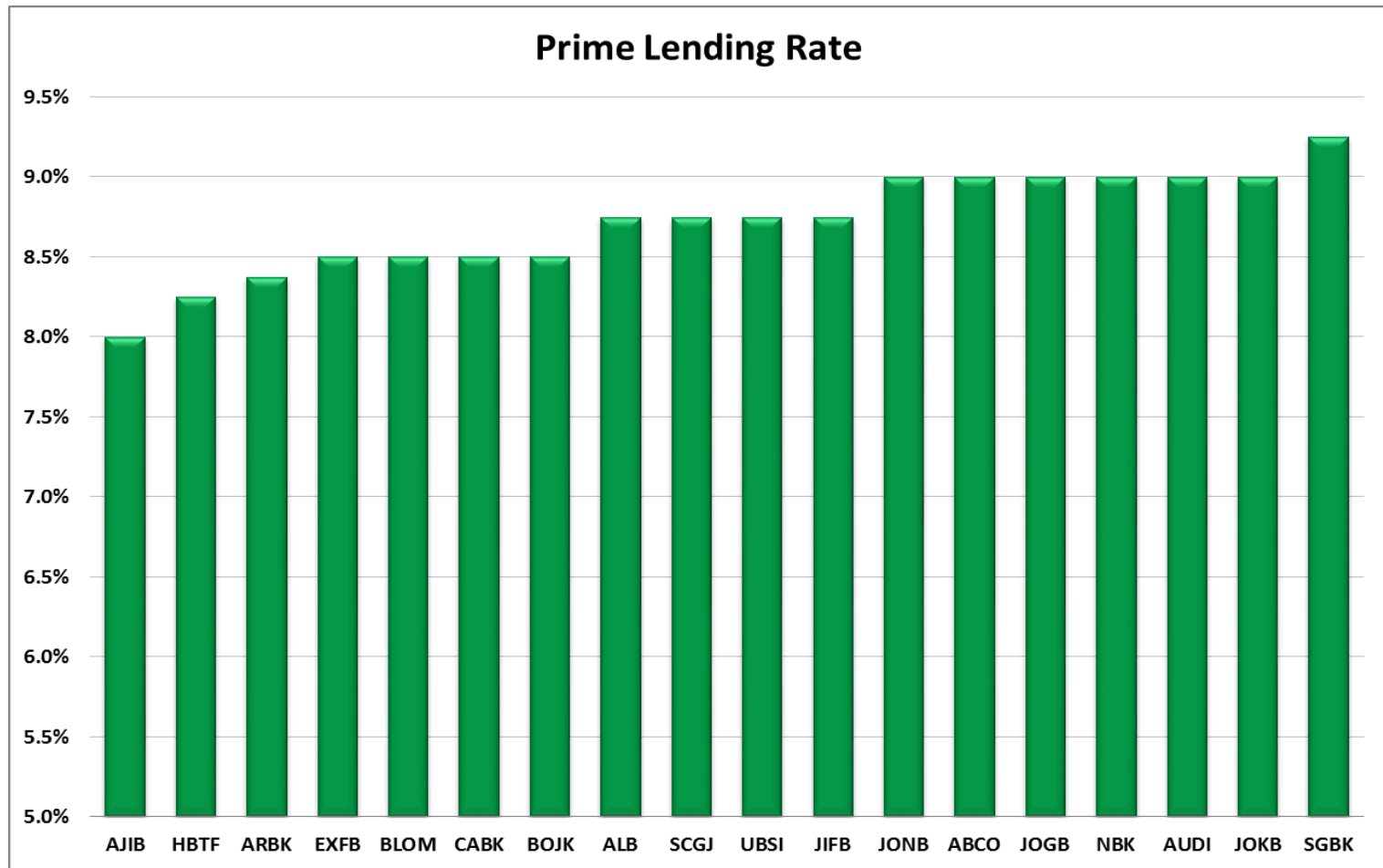
1-week CDs	Issue Date	Maturity Date	Size - million	Yield (%)
04/2015	24/02/2015	03/03/2015	1,000	2.500%
03/2015	17/02/2015	24/02/2015	1,000	2.500%
02/2015	10/02/2015	17/02/2015	1,000	2.500%
01/2015	03/02/2015	10/02/2015	1,000	2.500%
3-month T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last issued in December 2011	14/12/2011	14/03/2012	50	2.898%
6-month T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last issued in February 2012	14/02/2012	14/08/2012	50	3.788%
9-month T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last issued in March 2012	04/03/2012	04/12/2012	75	4.285%
1-year T-Bills	Issue Date	Maturity Date	Size - Million	Coupon (%)
01/2015	05/02/2015	05/02/2016	75	2.750%
10/2014	18/11/2014	18/11/2015	50	3.450%
09/2014	12/10/2014	12/10/2015	100	3.270%
08/2014	24/09/2014	24/09/2015	75	3.279%

Jordan Debt Monitor

Latest T-Bonds Issues

2-year T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T0215	18/01/2015	18/01/2017	50	4.202%
T0115	14/01/2015	14/01/2017	100	4.238%
T9214	16/12/2014	16/12/2016	50	4.239%
3-year T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T0415	22/01/2015	22/01/2018	50	4.333%
T0315	20/01/2015	20/01/2018	50	4.446%
T9114	11/12/2014	11/12/2017	50	4.735%
4-year T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
Last issued in January 2012	15/01/2012	15/01/2016	37.5	7.246%
5-year T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T0515	16/01/2015	16/01/2020	100	5.132%
T8214	12/11/2014	12/11/2019	50	5.581%
T7314	16/10/2014	16/10/2019	75	5.533%
Public Utility Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
PB65 (Water Authority)	19/08/2014	19/08/2017	30	4.263%
PB64 (Water Authority)	01/07/2014	01/07/2019	32.5	5.583%
PB63 (Water Authority)	30/01/2014	30/01/2019	22	5.850%

Prime Lending Rates



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