Weekly Economic Monitor

March 8, 2015

بنك القاهرة عمّان
CairoAmmanBank

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Egypt: FX reserves rise in February, expected improvement in external balances

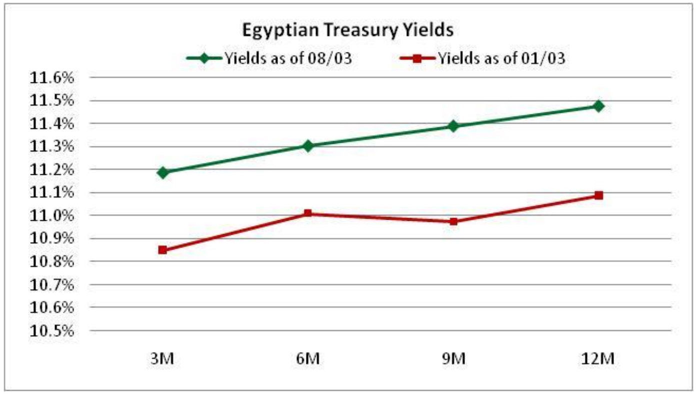
- Egypt's T-bill yields rose across all durations, probably driven by the recent political unrest in the region, especially with Libya. In other news, Egypt's FX reserves rose to $15.46 billion at the end of February from $15.43 billion in January.

- Meanwhile, Egypt's Investment Minister announced it plans to issue a $1.5 billion Eurobond in June in its first tranche, seeking funding from GCC countries, while he also announced another sovereign bond issue in September, though he did not specify the size of this issue.

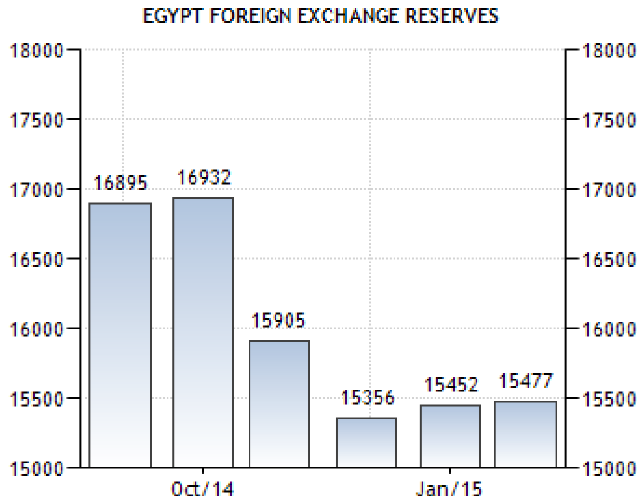
- Another report showed that Egypt received $23 billion in aid from the Gulf in 18 months in the form of oil shipments, cash grants and deposits in Egypt's central bank, which helped support FX reserves.

- Egypt's external balance has been struggling over the past 3 years due to the political unrest. However, Egypt's Investment Minister expects to attract $8 billion of FDI in the current fiscal year (ends June), up from $4 billion last year.

- In recent weeks, in order to help support FX reserves, the central bank allowed EGP to drop to around 7.63 from 7.15 against the U.S dollar. Last week, Egypt's central bank sold around $420 million in the interbank market, as the sale was made to meet outstanding demand for imports.



Source: Bloomberg



Source: Trading Economics

Egypt: GDP grew 4.3% in Q4 of 2014, fiscal deficit widens in first 7 months of fiscal year

- Meanwhile, Egypt has decided to delay the repayment of $3.1 billion of debt to foreign oil and gas companies to mid-2016, around a year later than previously indicated, indicating that they plan to rebuild FX reserves for the time being, with the help of the other factors mentioned earlier.

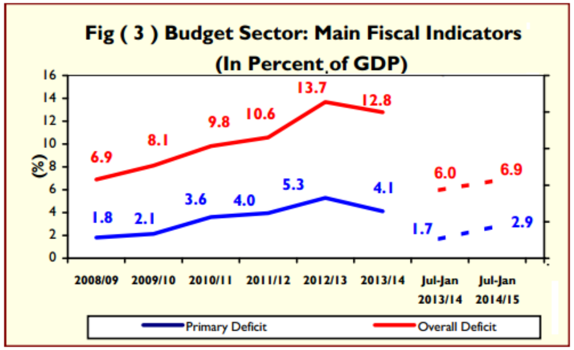
- Egypt's Planning Minister announced that Egypt's economy grew 4.3% in the quarter ending in December 2014, compared with 1.4% during the same period last year. He added that GDP grew 5.6% in the first half of the 2014/15 fiscal year, versus 1.2% in the same period last fiscal year.

- In other news, Egypt's budget deficit widened during the first 7 months of the 2014/15 fiscal year (starting June) to 6.9% or 159 billion EGP, compared to 119.6 billion EGP, or 6% of GDP a year earlier. The rise is mainly due to a decline in grants and taxes on corporate profits which dropped revenues to 186.7 billion EGP, down 14.3%.

- Grants dropped to 7.9 billion EGP over the time period, compared to 37.3 billion EGP a year earlier. Meanwhile, revenues from taxes dropped 14.3%, mainly due to corporate profits taxes as no petroleum company tax settlements were made during the period.

- Expenditures rose 1% to reach 337 billion EGP, driven mainly by spending on social programs, the minimum wage increase and efforts to increase public investment to develop and modernise infrastructure. The government aims to drop deficit to 10% of GDP, compared to 15% of GDP last year.

Source: Trading Economics



Source: Egypt's Ministry of Finance

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GCC Economic Highlights:

Qatar: Trade surplus shrinks 48.3% in January 2015

- According to data released by the Qatar's Ministry of Development Planning and Statistics, Qatar's trade surplus dropped by 48.3% in January 2015 compared to January 2014, and down by 18.4% from December 2014.

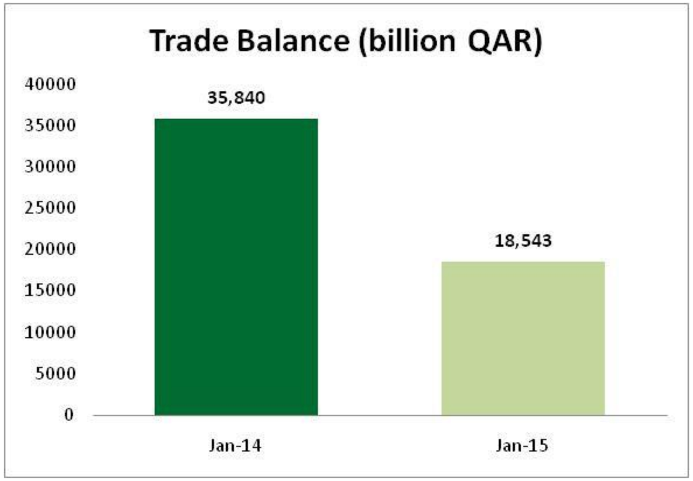
- The trade surplus dropped to 18.54 billion QAR in January 2015 compared to 35.84 billion QAR in January 2014.

- The drop in the trade balance is due to 36.7% drop in exports when compared to January 2014, while imports rose by 10.2% over the same time period.

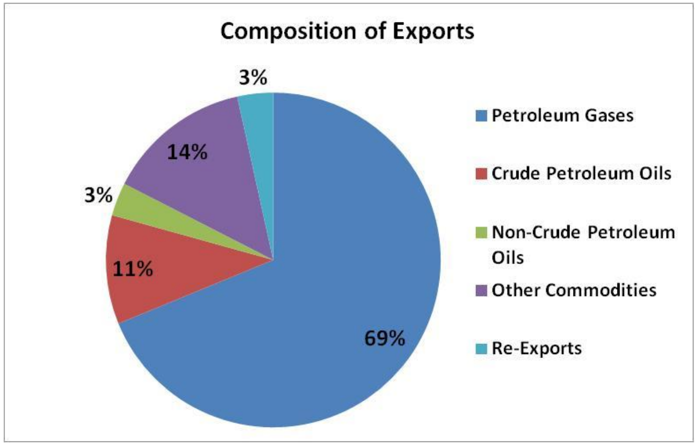
- Total exports dropped to 28.25 billion QAR, as exports of petroleum gases, which make up 69% of exports, dropped by 37.5%, while crude oil exports dropped 58.8% and non-crude oil exports dropped 38.4%.

- The drop can be attributed to a significant drop in oil prices when compared to January 2014, which has reflected on Qatar's crude oil and gas exports.

- On the other hand, imports rose to 9.7 billion QAR from 8.8 billion QAR in January 2014. The rise is a result of a 165.7% rise in iron ores imports, 11.1% rise in motor cars imports, and 13.6% rise in other imports (which make up around 85% of imports).



Source: Qatar's Ministry of Statistics



Source: Qatar's Ministry of Statistics

GCC Economic Highlights:
Moody's: Low oil prices to slowdown GCC bank deposits growth

- According to rating agency Moody's Investor Service, the drop in oil prices is expected to reflect on lower public spending and will result in reduced bank system liquidity in the region, with secondary effect on credit growth and profitability.

- According to Moody's, the impact of oil prices on the banking sector is not due to the direct exposure to the oil sector, but rather due to the expected reduction in government-related deposits and the heavy reliance of the economy on public spending. The cumulative impact of low oil prices is expected to impact banks' loan growth and therefore profitability, mainly due to weaker deposit inflows and weaker economic activity.

- In the GCC, government play a dominant role in their domestic banking systems, as they are often simultaneously the biggest borrower, depositor and shareholder. Meanwhile, banks play a vital role in directing oil surpluses resulting from government deposits into the local economy.

- Governments, related entities, and national oil companies of each country are among the largest depositors in the banks with balances that provide around 10% to 35% of non-equity banking funding. Consequently, a substantial reduction in oil-related earnings will translate to lower government deposits and therefore leading to a reduction in banking system liquidity.

- However, Moody's noted that GCC banks' stock of liquid assets remain healthy and are expected to remain resilient in their fundamental credit profiles.

- The rating agency said that Kuwait, Qatar, Saudi Arabia and the UAE are able to better support their economies and banking systems due to sizeable reserves, while Bahrain and Oman remain more vulnerable.

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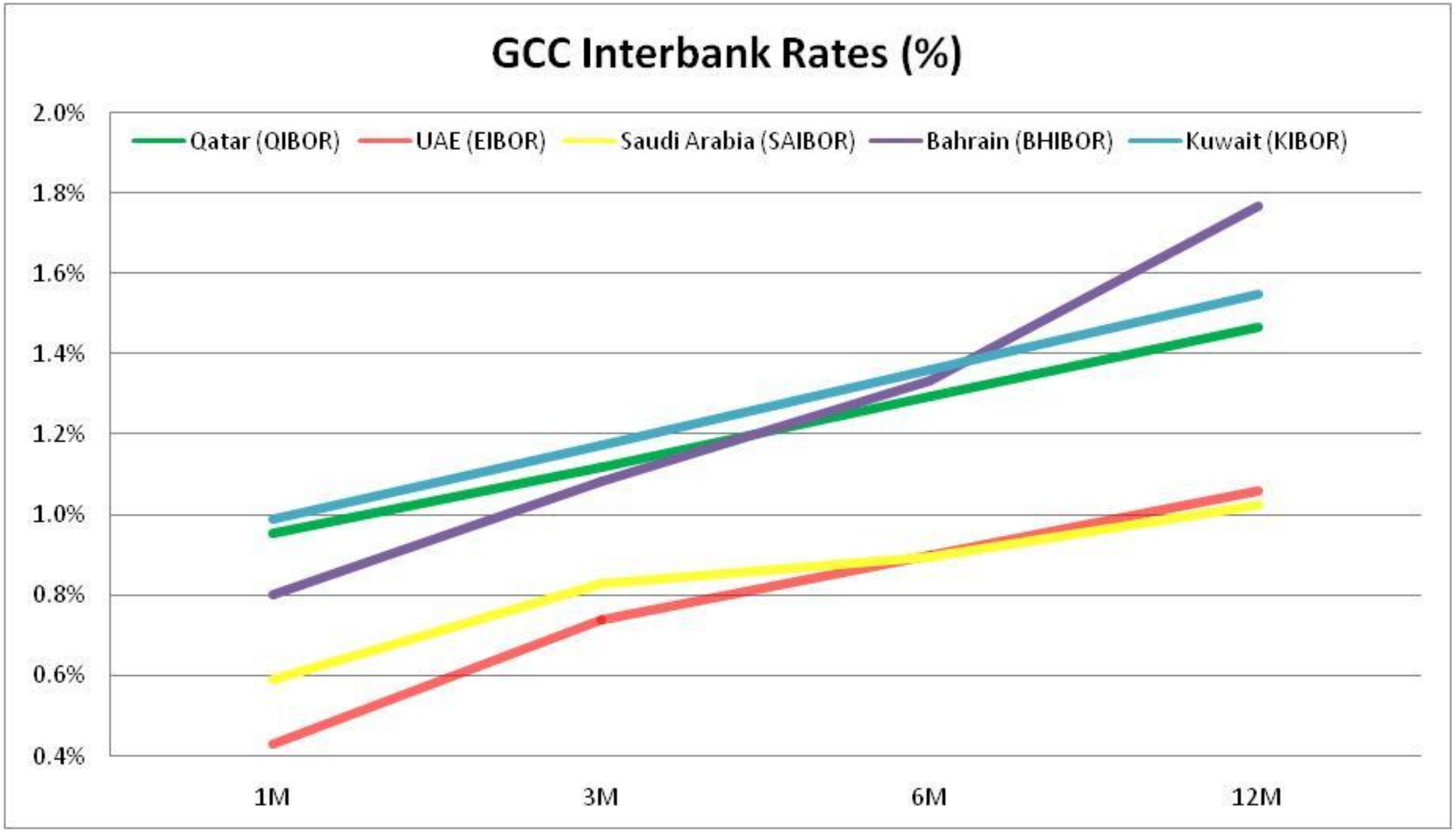
GCC interbank rates



Source: Bloomberg

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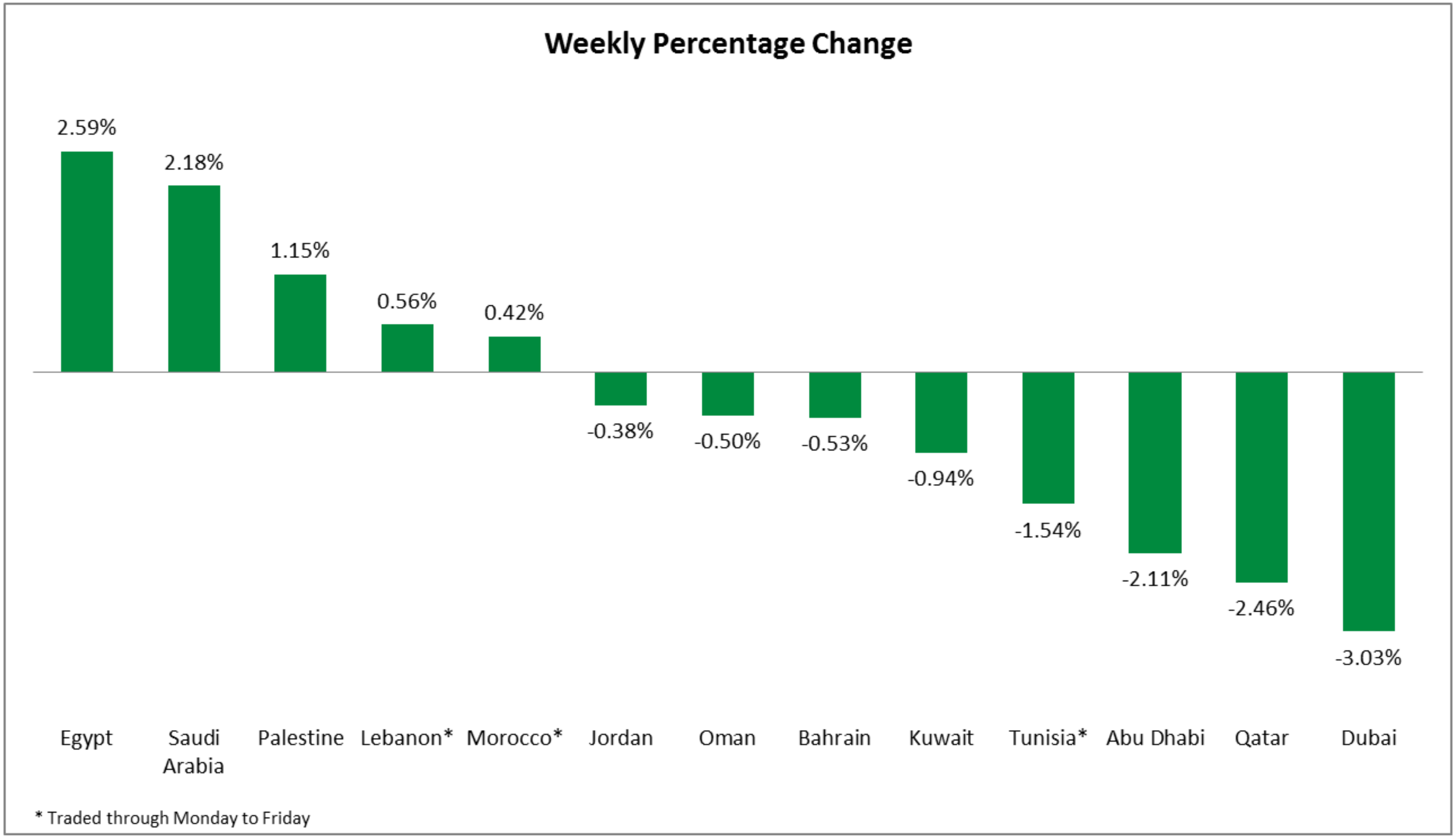
Comparative MENA Markets

March 1, 2015 – March 6, 2015



Source: Bloomberg

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Jordan

IMF revisiting the Jordanian economy

- The IMF is currently in the process of revisiting the Jordanian economy as part of the Economic Reform Program which will be concluded in September of this year.

- On the recent developments, the head of the IMF team for Jordan Ms. Kristina Kostial said that the government should not take any long-term decisions based on the recent drop in international oil prices since the drop might be temporary.

- She added that the drop in oil prices has both advantages and disadvantages to the Jordanian economy in the short-term, but might have a more positive effect over the medium term, especially on NEPCO's losses.

- She said the drop in oil prices will allow consumers to save or consume more, while on the other hand, government revenues from sales tax revenues on oil products will drop, while external trade with GCC will be effected negatively, which will translate to lower FDIs and tourism from GCC countries.

- Ms. Kostial added that the country still needs structural reforms that enhances the investment environment and ensures high value growth that will translate to job creation, given the large number of expected entrants to the job market over the medium-term.

- Specifically, she noted the new Investment Law, improving government procedures, improving the cooperation between the public and private sector, providing cheap funding through CBJ, and improving access to finance.

- The IMF expects GDP to grow by 3.6% in 2015, while it expects inflation to register 2.4% in 2015 and the current account deficit to reach 8.1% of GDP.

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(2,763) million.

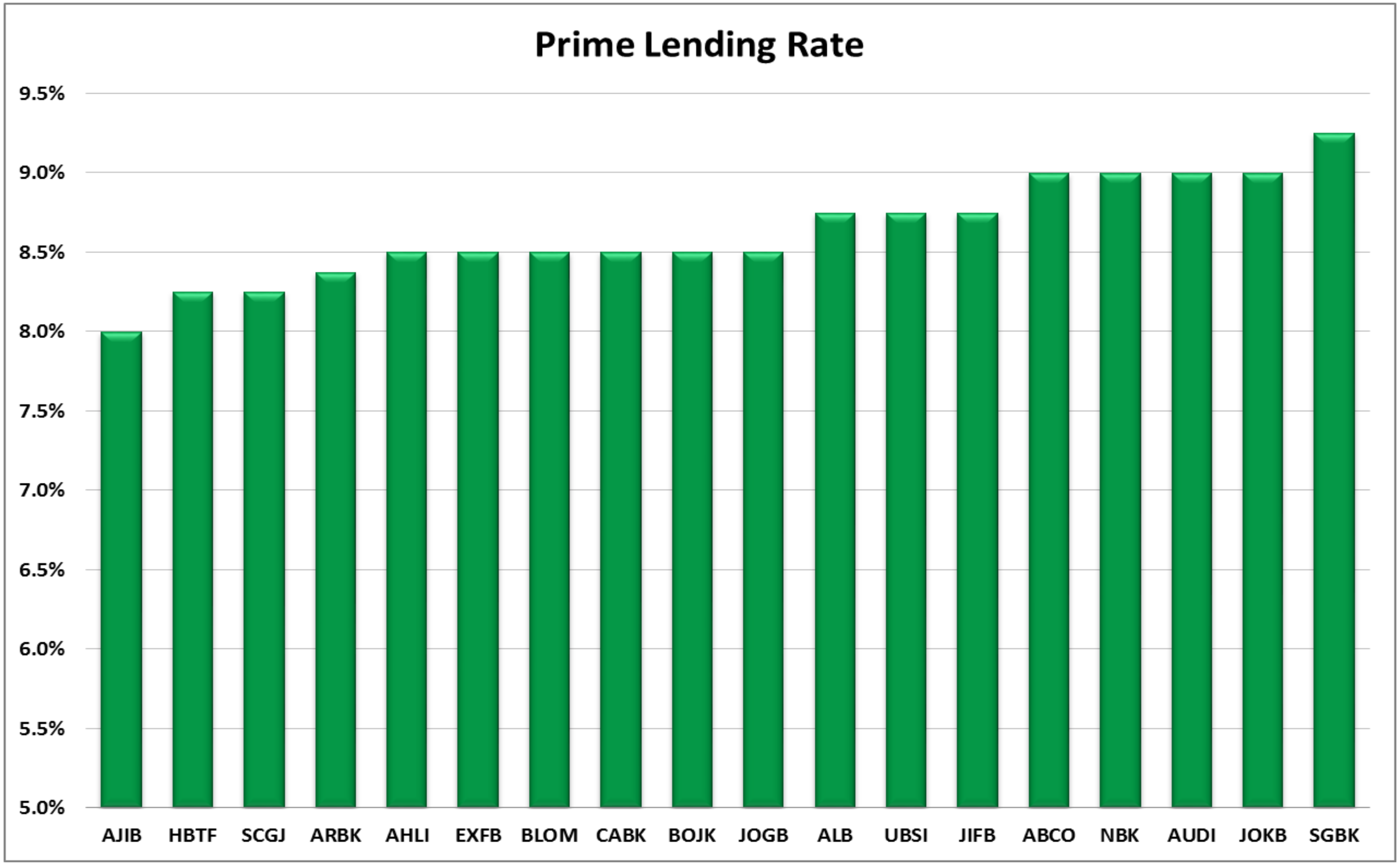
1-week CDs	Issue Date	Maturity Date	Size - million	Yield (%)
05/2015	**03/03/2015**	**10/03/2015**	**1,000**	**2.500%**
04/2015	24/02/2015	03/03/2015	1,000	2.500%
03/2015	17/02/2015	24/02/2015	1,000	2.500%
02/2015	10/02/2015	17/02/2015	1,000	2.500%
3-month T-Bills	**Issue Date**	**Maturity Date**	**Size - 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 (%)**
T0615	**26/02/2015**	**26/02/2020**	**75**	**4.725%**
T0515	16/01/2015	16/01/2020	100	5.132%
T8214	12/11/2014	12/11/2019	50	5.581%
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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