

Weekly Economic Monitor

July 12, 2015

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MENA Region



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Markets overview

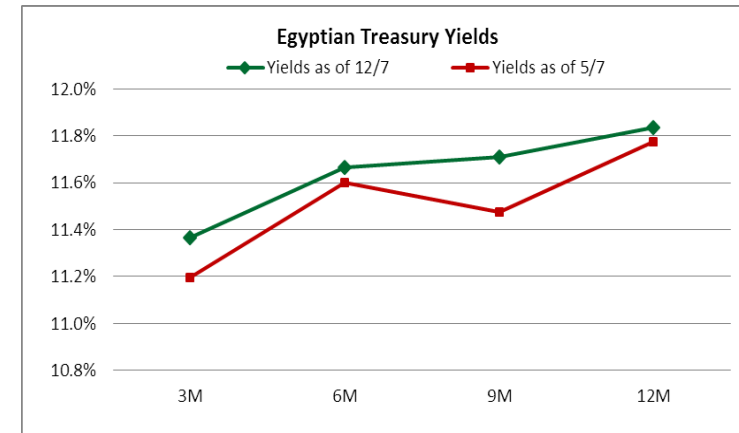
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Regional

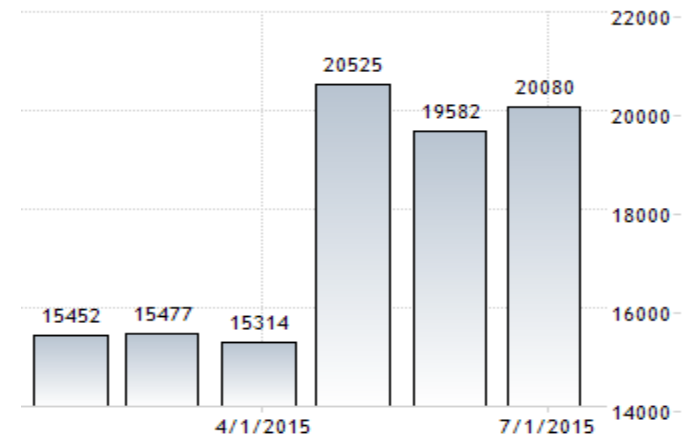
Egypt: Foreign reserves rises to \$20 billion, inflation dropped in June, domestic debt reached \$261 billion by the End of March

- Egypt's T-bill yields rose across all durations this week when compared to the week before, despite FX reserves rising in June.
- Egypt's foreign currency reserves rose by 2.66% to amount \$20.08 billion at the end of June from \$19.56 billion in May, while the country is expecting huge inflows from GCC aid.
- Meanwhile, Egypt's core and urban inflation dropped in May to 8.07% and 11.4%, from 8.14% and 13.1%, respectively. This drop is a result of slower growth in food prices.
- Analysts expect June's inflation to drop into single digits during July. The drop in inflation along with higher FX reserves will raise the scope for the Central Bank of Egypt to cut rates to stimulate growth while maintaining liquidity levels at banks.
- In other news, domestic debt reached \$261 billion by the end of March (in Q3), reflecting the government's reliance on domestic borrowing to finance its deficit, mostly banks.
- Meanwhile, Egypt's external debt dropped during the same period to \$39.9 billion, down from \$45.3 billion.



Source: Bloomberg

EGYPT FOREIGN EXCHANGE RESERVES

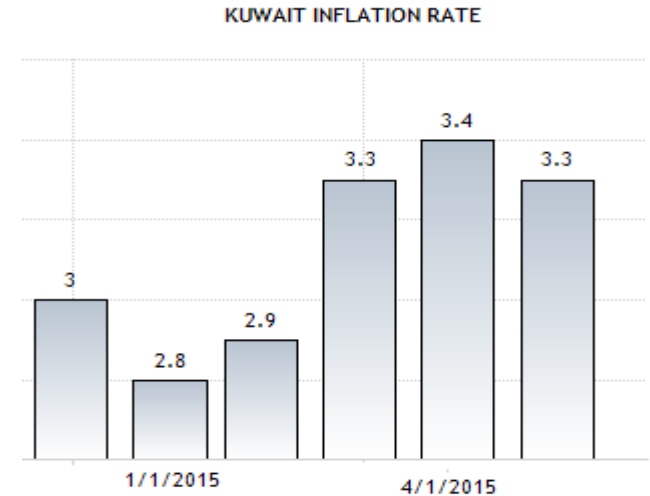


Source: Trading Economics

GCC Economic Highlights:

Kuwait: Inflation increased by 3.32% in May.

- According to figures released by Kuwait's Central Statistics Bureau, Inflation has increased by 3.3% in May when compared to the same period last year, down from 3.4% in April.
- The increase in inflation is attributed to a higher prices in some groups such as entertainment, by 6.9%, clothing and footwear by 3.9%, furniture and home appliances by 3.2%, utilities by 3.0%, health by 2.8%, tobacco by 2.4%, food and beverage by 2.2, communications by 1.1%, transportation by 0.50%, education by 0.50%, and miscellaneous goods and services by 0.06%
- On the other hand, prices of some groups have dropped when compared to May 2014 such as recreational and cultural price by 0.31%, and clothing and footwear by 0.92%.
- Meanwhile, the inflation rose by 0.07% in May 2015 when compared to April 2015. This increase is due to higher prices in the following categories; food and beverages by 0.34%, tobacco & narcotics by 0.07%, health by 0.08%, and miscellaneous goods and services by 0.08%.

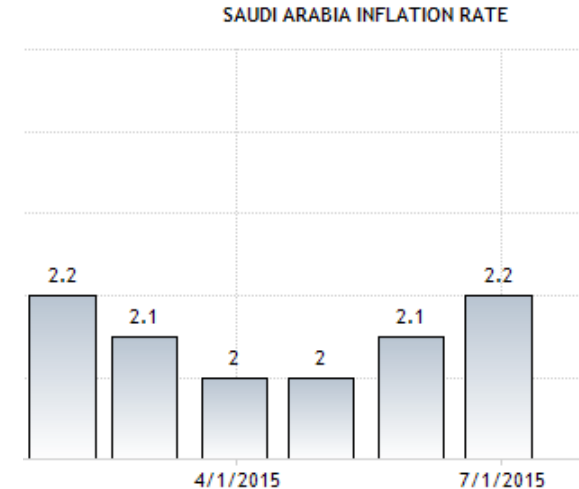


Source: Trading Economics

GCC Economic Highlights:

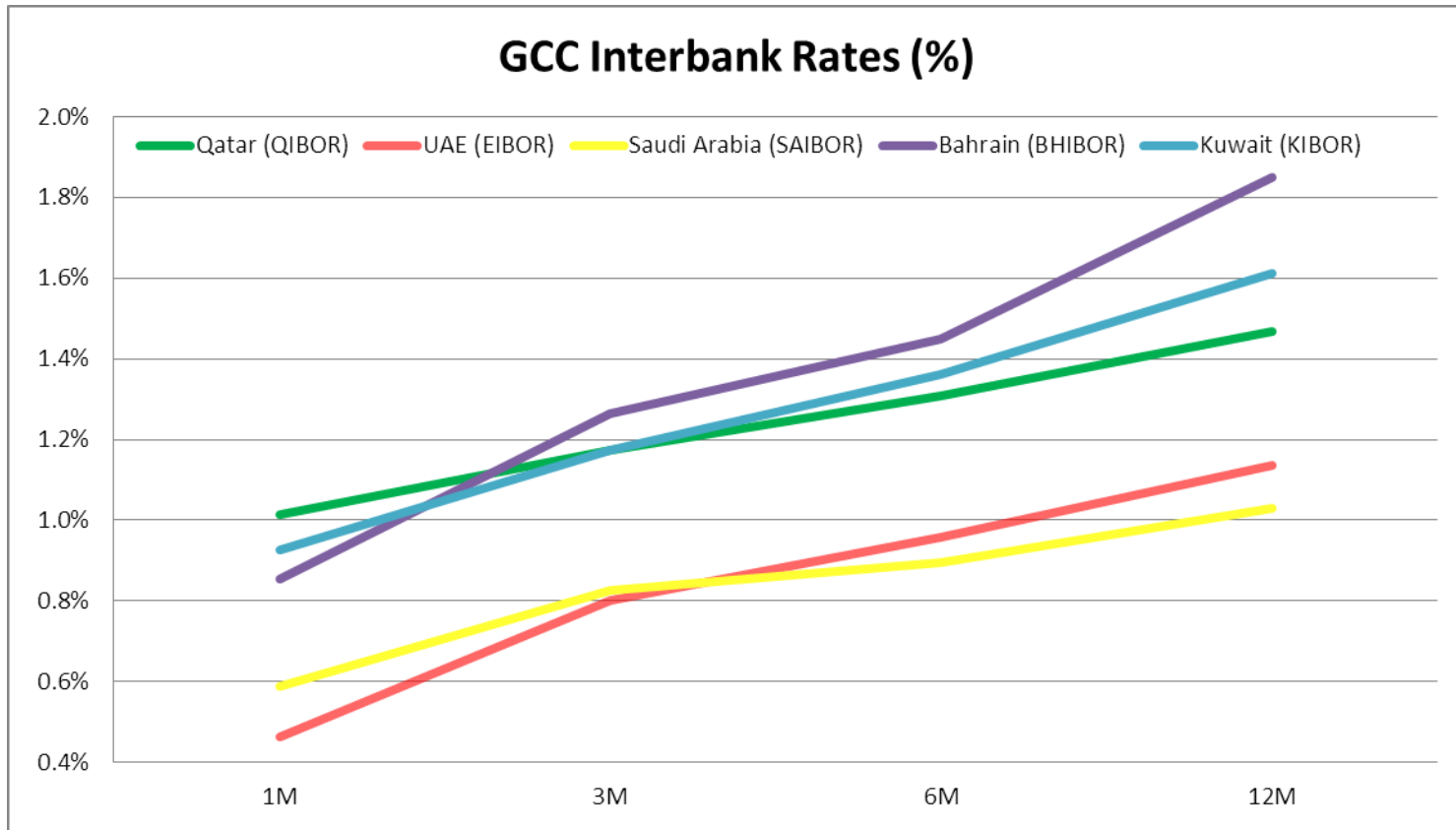
Saudi Arabia: Inflation increased by 2.2% in June, Saudi issues sovereign bonds.

- According to figures released by Central Department of Statistics and Information, inflation has increased by 2.2% in June when compared to the same period last year.
- The increase in inflation is attributed to a higher prices in some groups such as; tobacco & narcotics by 12.09%, home furnishings and equipment maintenance by 3.57%, health by 1.99%, food and beverages by 2.61%, transport by 0.64%, communication by 0.30%, education by 5.23%, restaurants and hotels by 5.12%, and miscellaneous goods and services by 2.43%.
- Inflation in the Saudi Arabia has been kept down due to a stronger dollar. Analysts predict that the timing is right for GCC governments to introduce energy subsidy reforms given low inflation figures and low oil prices.
- In other news, Saudi Arabia issues sovereign bonds for the first time since 2007 to cover for a budget deficit that is caused by low oil prices. The government has already sold \$4 billion worth bonds to local banks, indicating the extent of the government's dependence on oil revenues to meet expenditures.



Source: Trading Economics

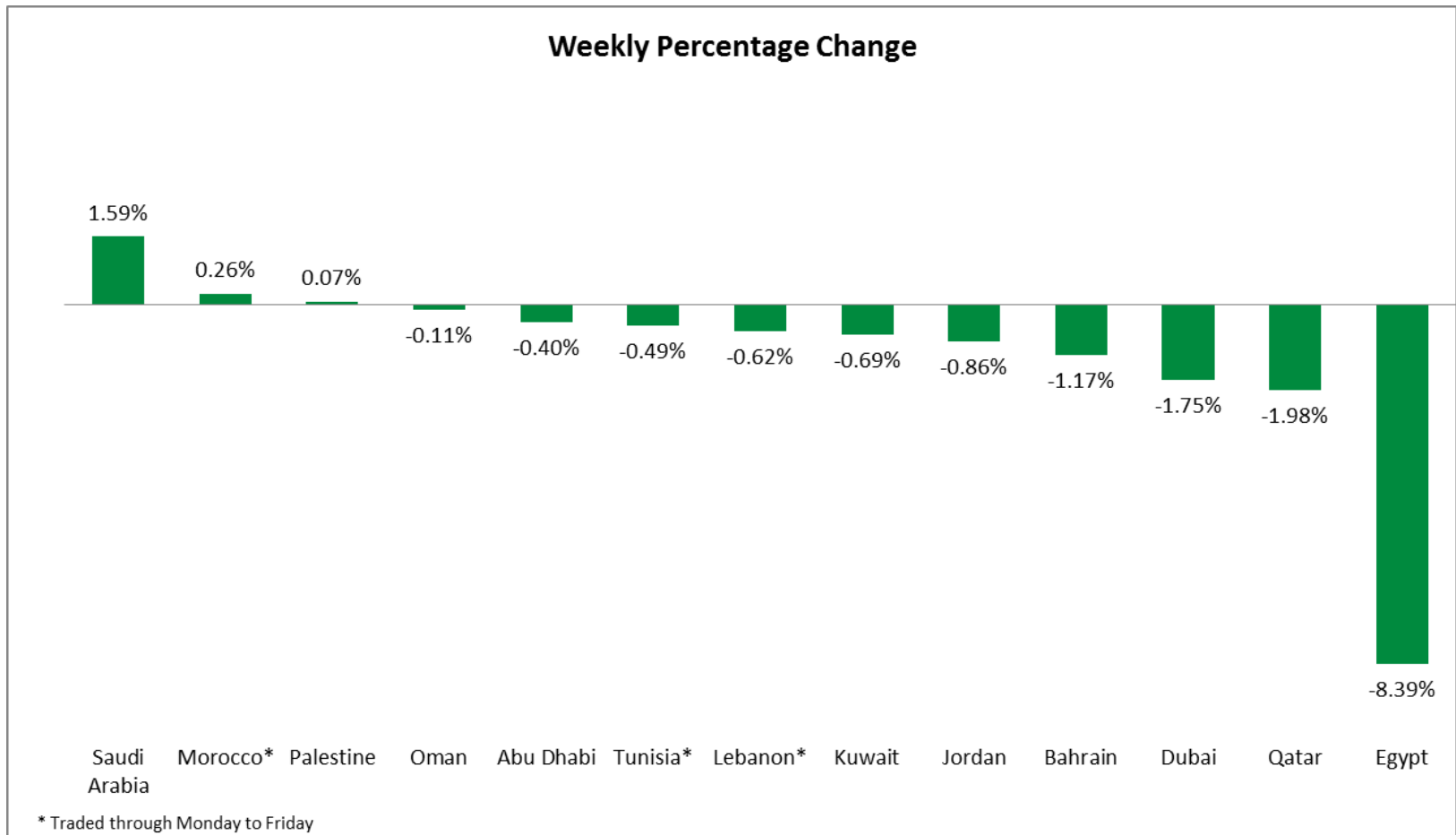
GCC interbank rates



Source: Bloomberg

Comparative MENA Markets

July 5, 2015 – July 10, 2015



Source: Bloomberg



Jordan

CBJ cuts rates by 25 basis points

- The CBJ cut its main policy rates 25 basis points across the board, effective July 9, just a few weeks after the issuance of a \$1.5 billion Eurobond and data showing that quarterly GDP growth has dipped to the lowest level since Q2 of 2010.
- Based on the changes made by the CBJ to the interest rates structure, it seems that the CBJ is comfortable with the economic and political outlook of Jordan.
- Moreover, it seems that the CBJ is adopting an expansive monetary policy stance and is indicating that banks should become more active in lending to the private sector and allocate liquidity more efficiently.
- However, since the new monetary policy framework was announced in February of this year, credit growth has been minimal. Credit facilities have grown by 622 million JD in the first 4 months of the year, up by 3.2%.
- It is important to note that excess liquidity levels are currently around 4 billion JD (including weekly CDs).
- Interest rates are expected to drop in the coming months due to higher excess liquidity in the market and the new rate cut.

The CBJ changed main interest rates as of July 9th as follows:

Instrument	Old Rate	New Rate
Rediscount Rate	4.00%	3.75%
O/N Repo	3.75%	3.50%
Weekly Repo ("CBJ Main Rate")	2.75%	2.50%
CD's	2.50% - 2.75%	2.25% - 2.50%
Window Rate	1.75%	1.50%

Meanwhile, latest government bond yields are as follows:

	Rate at end of 2014	Current rate	Latest Issuance	Change during 2015
1-year	3.45%	2.75%	5 th Feb	-70bp
2-year	4.24%	2.75%	18 th Jun	-149bp
3-year	4.74%	3.20%	23 rd Jun	-154bp
5-year	5.58%	4.01%	25 th Jun	-157bp

Budget deficit narrowed in the first five months of 2015, despite drop in total revenues and grants

- The Ministry of Finance released government budget figures for May 2015, which showed that the budget balance improved in the first five months of 2015 compared to the same time period of 2014, with a deficit of JD 95 million compared to last year's deficit of JD 206 million.
- The JD 111 million improvement in the budget balance was a result of a JD 116 million decrease in total expenditures, which offset a drop of JD 5 million in total revenues and grants.
- Total revenues and grants fell by around JD 5 million in the first five months of 2015, as a JD 2 million increase in domestic revenues failed to offset a JD 7 million decrease in foreign grants for the same period. The moderate increase in domestic revenue was mainly a result of a decline in other revenues especially property income, that mostly offset the increase in tax revenue.
- Foreign grants declined by JD 7 million compared to the same time period in the previous year, which is disappointing signaling less foreign grants this year. However, grants are usually committed towards the latter part of the year, and we expect this figure to increase in the coming months.
- Total expenditures decreased by around JD 116 million for the same period, due to a JD 107 million decrease in current expenditures and a decrease of JD 9 million in capital expenditures.

JD Million	Jan-May 2015	Jan-May 2014
Total Revenues and Grants	2,862.3	2,867.3
Domestic Revenue	2,593.8	2,592.0
Foreign Grants	268.5	275.3
Total Expenditures	2,957.1	3,073.0
Current Expenditures	2,656.4	2,763.7
Capital Expenditures	300.7	309.3
Fiscal Deficit/Surplus Including Grants	-94.8	-205.7
Fiscal Deficit/Surplus Excluding Grants	-363.3	-481.0

JD Million	2015 Budget	2014 Preliminary
Total Revenues and Grants	7,408.0	7,267.6
Domestic Revenue	6,280.0	6,031.1
Foreign Grants	1,128.0	1,236.5
Total Expenditures	7,876.4	7,852.9
Current Expenditures	6,701.5	6,716.6
Capital Expenditures	1,174.9	1,136.3
Fiscal Deficit/Surplus Including Grants	-468.4	-585.3
	(-1.7% of GDP)	(-2.3% of GDP)
Fiscal Deficit/Surplus Excluding Grants	-1,596.4	-1,821.8
	(-5.9% of GDP)	(-7.2% of GDP)

Public debt at 78.1% of GDP, 21.2 billion JD

- Meanwhile, the fiscal balance before grants resulted in a budget deficit of JD 363 million during the first five months of 2015, compared to a budget deficit of JD 481 million during the same period of last year; a drop of around JD 118 million, so far in line with budget expectations.
- Furthermore, net public debt reached around JD 21,205 million in May 2015, around 78.1% of 2015 estimated GDP according to the Ministry of Finance's calculations, increasing by around JD 649 million in the first five months of the year.
- External debt fell by around JD 8 million, while net domestic debt increased by JD 657 million for the same period.
- The rise in public debt are due to the increase in guaranteed loans for both NEPCO and water authority during the first five months of this year.
- It is noteworthy that gross public debt reached around JD 23.4 billion in May, around 86.4% of GDP, increasing by around JD 438 million in the first five months of the year due to an increase in outstanding debt of own-budget agencies.

JD Million	May 2015	2014	2013
External Debt	8,022.0	8,030.1	7,234.5
Percent of GDP	29.6%	31.6%	30.3%
Internal Debt	13,182.0	12,525.0	11,862.0
Percent of GDP	48.6%	49.2%	49.7%
Public Debt	21,204.5	20,555.1	19,096.5
Percent of GDP	78.1%	80.8%	80.1%

Jordan Debt Monitor

Latest T-Bills

- As of July 12, the volume of excess reserves, including the overnight window deposits held at the CBJ JD (3,031) million.

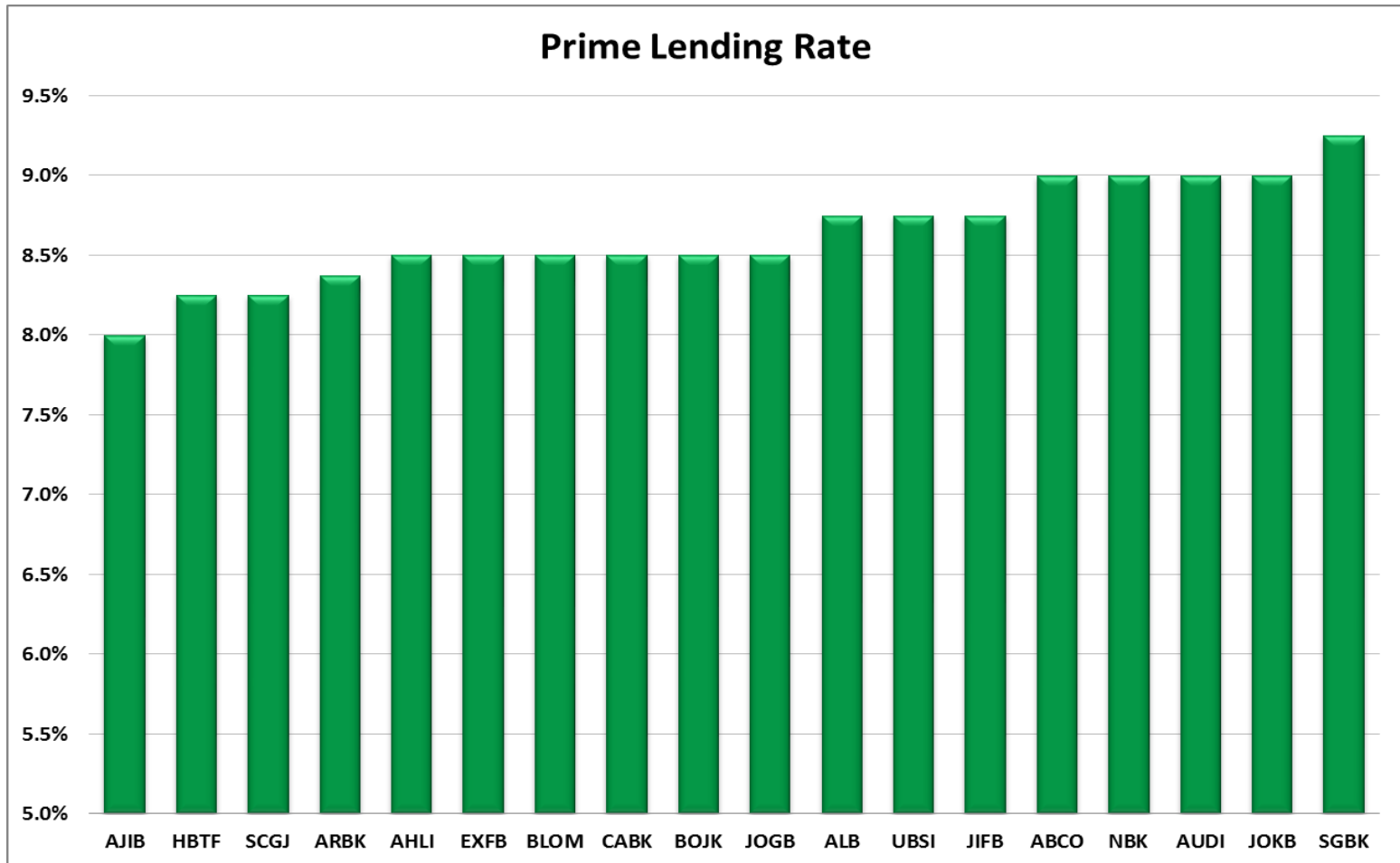
1-week CDs	Issue Date	Maturity Date	Size - million	Yield (%)
23/2015	07/07/2015	14/07/2015	1,000	2.500%
22/2015	30/06/2015	07/07/2015	1,000	2.500%
21/2015	23/06/2015	30/06/2015	1,000	2.500%
20/2015	16/06/2015	23/06/2015	1,000	2.500%
3-month T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last 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 (%)
02/2015	13/07/2015	13/07/2016	50	2.213%
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%

Jordan Debt Monitor

Latest T-Bonds Issues

2-year T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T1715	18/06/2015	18/06/2017	75	2.750%
T1615	16/06/2015	16/06/2017	75	2.750%
T1515	14/06/2015	14/06/2017	75	2.860%
3-year T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T1815	23/06/2015	23/06/2018	75	3.197%
T0715	19/03/2015	19/03/2018	75	3.856%
T0415	22/01/2015	22/01/2018	50	4.333%
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 (%)
T1915	25/06/2015	25/06/2020	50	4.014%
T1415	04/06/2015	04/06/2020	50	4.434%
T1315	21/05/2015	21/05/2020	50	4.456%
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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