

Weekly Economic Monitor

June 14, 2015

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Markets overview

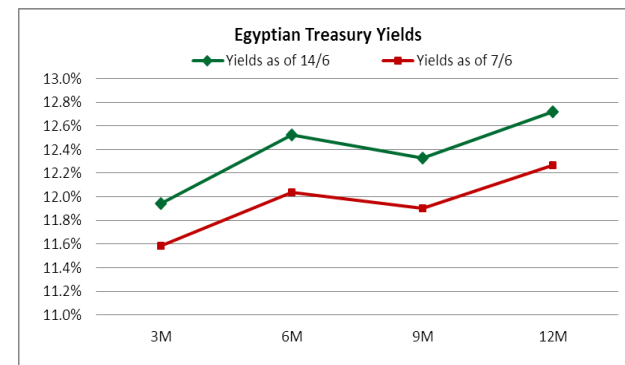
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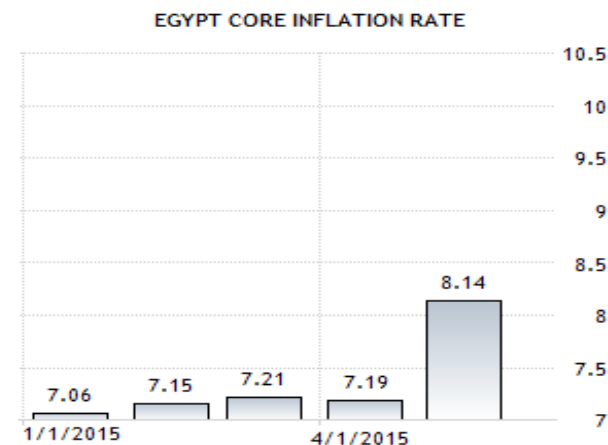
Regional

Egypt: FX reserves drop, current account deficit widens, inflation rises

- Egypt's T-bill yields rose across the board compared to last week, as FX reserves dropped to \$19.6 billion in May from \$20.53 billion in the previous month, indicating further pressure on Egypt.
- Meanwhile, Egypt's current account deficit rose to an estimated \$4.1 billion for the first three months in 2015 compared to a surplus of \$322.9 billion for the same period last year. According to the Egypt's central bank, the deficit is mainly a result of net transfers shrinking and lower export receipts, driven by a growing trade deficit and a pause in aid payments from the GCC.
- Egypt's non-oil exports have declined by more than 20% in the first three months in 2015 compared to the same period in 2014, while oil imports have more than halved over the same time period. Moreover, Gulf countries have pledged an additional \$12 billion in investments and aid in March at the international economic summit, and the amount will likely be reflected in Egypt's current account for Q2.
- In other news, Egypt is set to issue \$700 million worth of 1 year T-bills this week in domestic markets, in order to help fill its rising budget deficit.
- Core Inflation in Egypt rose by 8.14% in May from 7.19% in April, putting more pressure on the Central Bank to maintain interest rates at current levels. Inflation has risen mainly due to subsidies cuts on energy that pushed up fuel prices as much as 78%.



Source: Bloomberg

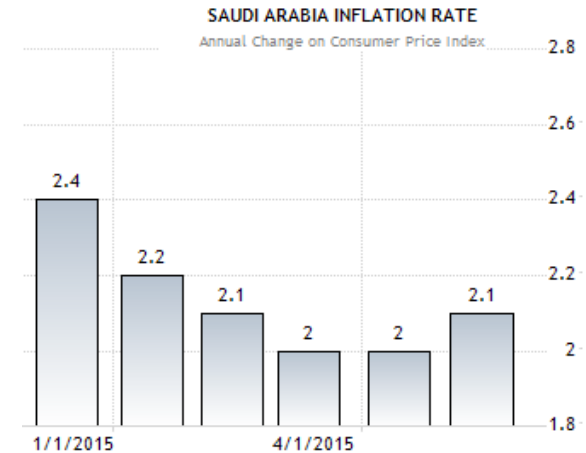


Source: Trading Economics

GCC Economic Highlights:

Saudi Arabia: Inflation rises to 2.1% in May.

- According to figures released by Saudi's Central Department of Statistics and Information, Saudi's inflation grew by 2.1% in May when compared to May 2014, up from 2% in April.
- The increase in inflation was attributed to higher prices in all commodities and services except for hotels and restaurants section which has dropped by 1.2% when compared to May 2014.
- Meanwhile, the most important commodities and services faced increases in their prices when compared to May 2014 such as food and beverages by 1.4%, cigarettes and tobacco by 2.7%, health by 2.9%, clothing and footwear by 3.2%, and entertainment and leisure by 6.9%.
- On the other hand, when compared to April, inflation has increased by 0.2% in May as a result to an increase in most commodities and services except for clothes and footwear which dropped by 0.3% when compared to April 2015, health by 0.2%, hotels and restaurants by 0.2%, and entertainment and leisure by 0.1%.
- In other news, Saudi's spending on development projects in the past five years reached SR4.4 trillion, with 30% of the amount going to capital projects. This spending is expected to result in a comprehensive economic growth during 2015 and the coming years.



Source: Trading Economics

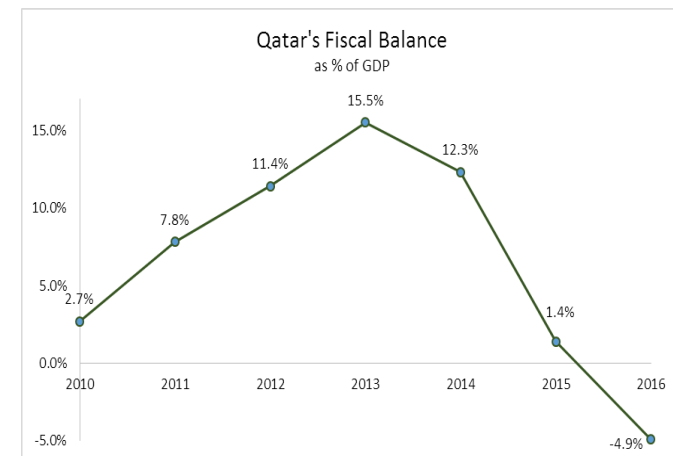
GCC Economic Highlights:

Qatar: Cuts in 2015 GDP growth forecast, and deficit is seen in 2016

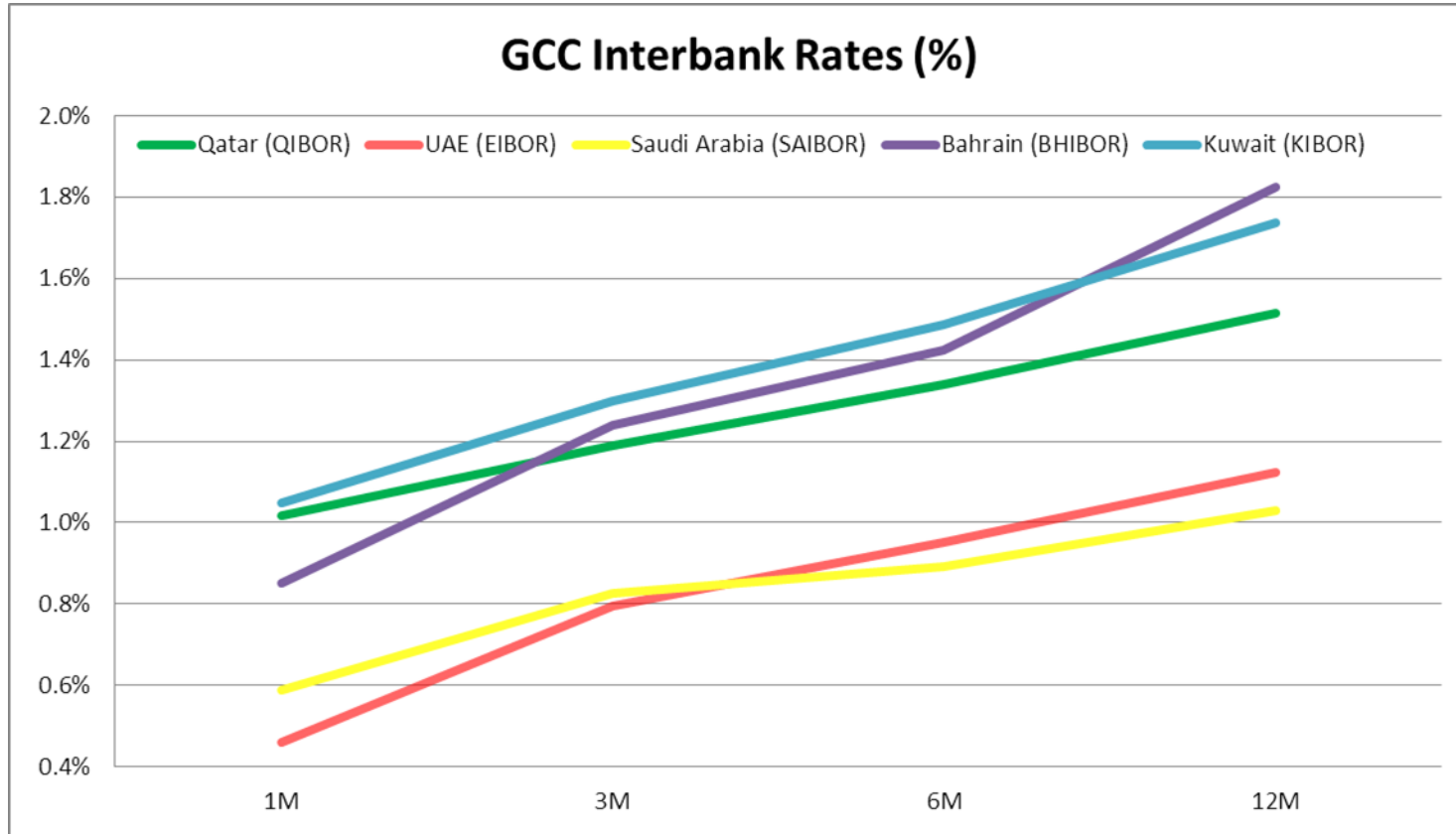
- According to Qatar's Ministry of Development Planning and Statistics, Qatar's GDP forecast growth for 2015 has been cut from 7.7% to 7.3%.
- The growth is forecasted to remain robust in the up coming two years due to expansion of non-hydrocarbon sector.
- However, the forecast still implies a pick up in real GDP growth from 6.1% in 2014, driven by high government spending.
- On the other hand, average inflation in 2015 is expected to reach 2.0% down from 3.5% in the previous forecast. This decrease in the expected inflation is due to a reduction in the weight of housing and utilities in the price index in 2015.
- The downward revision in figures comes due to a drop in oil prices and the consequent effect on Qatar's GDP.
- In other news, Qatar foresees the fiscal balance to drop to a surplus of 1.4% in 2015 before dropping to its first deficit in 15 years, of around 4.9% of GDP in 2016.



Source: Trading Economics



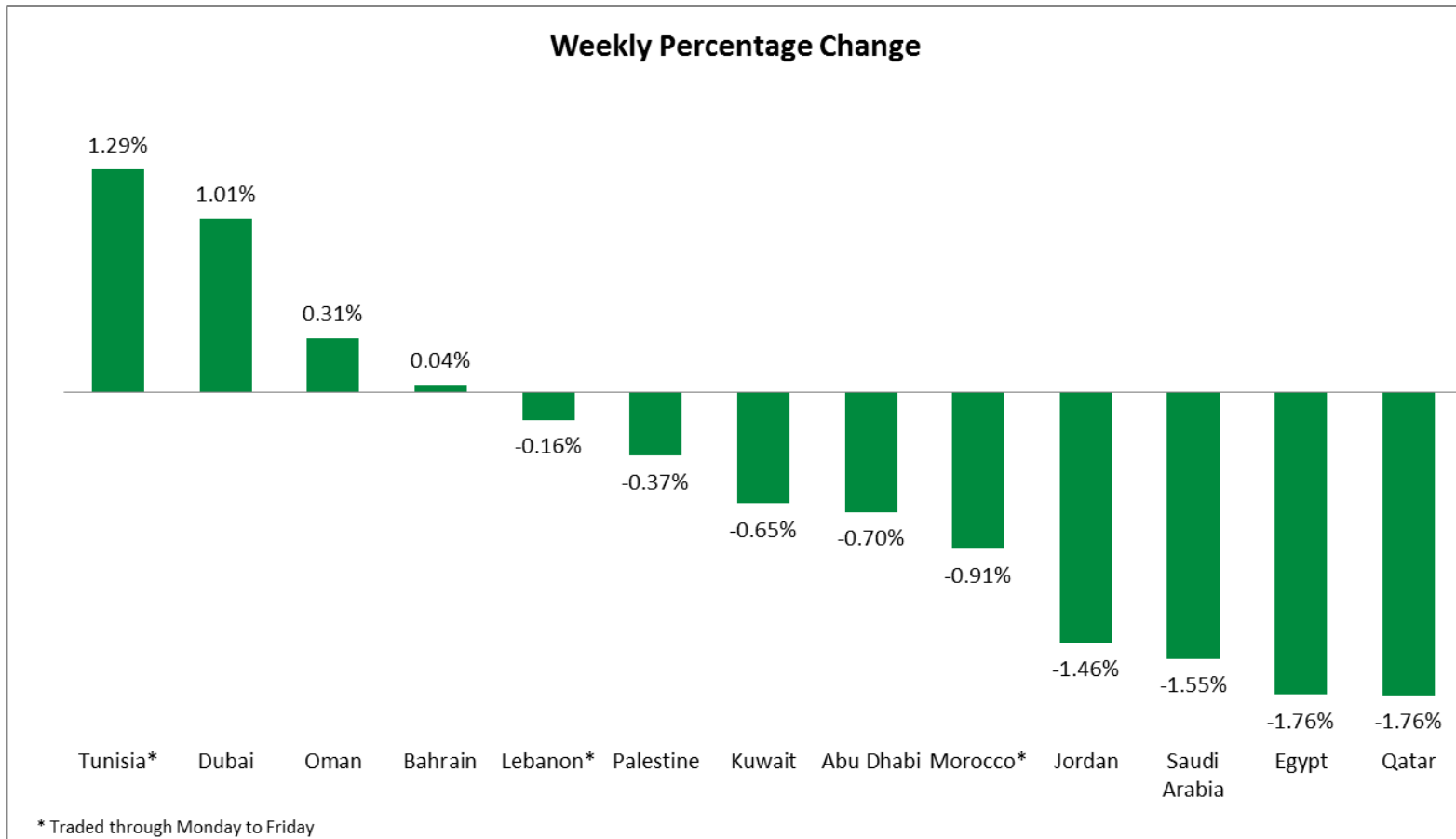
GCC interbank rates



Source: Bloomberg

Comparative MENA Markets

June 7, 2015 – June 12, 2015



Source: Bloomberg



Jordan

Budget balance improved in the first four months of 2015

- According to figures released by the Ministry of Finance, the budget balance improved in the first four months of 2015 compared to the same time period of 2014, with a surplus of JD 165 million compared to last year's deficit of JD 308 million.
- It's notable that the budget surplus for the four months includes the seasonality impact of revenue as well as revenues collected from Orange Telecommunication Company for G4 license.
- However, according to the Ministry of Finance fiscal projections indicate that the outcome of the total revenues, expenditure and deficit until the end of the year will be close to the estimated in the budget law 2015.
- Total revenues and grants increased by around JD 276 million in the first four months of 2015, as a result of an increase of JD 250 million in domestic revenues and a JD 26 million increase in foreign grants for the same period. The increase in domestic revenue was mainly a result of an increase of other revenues and an increase in tax revenues.
- Foreign grants increased by JD 26 million compared to the same time period in the previous year, though grants are usually committed towards the latter part of the year. Total expenditures decreased by around JD 197 million for the same period, due to a JD 135 million decrease in current expenditures and a decrease of JD 62 million in capital expenditures.

JD Million	Jan-Apr 2015	Jan-Apr 2014
Total Revenues and Grants	2,420.1	2,143.8
Domestic Revenue	2,173.2	1,922.9
Foreign Grants	246.9	220.9
Total Expenditures	2,255.3	2,451.8
Current Expenditures	2,081.5	2,216.3
Capital Expenditures	173.8	235.5
Fiscal Deficit/Surplus Including Grants	164.8	-308.0
Fiscal Deficit/Surplus Excluding Grants	-82.1	-528.9

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)

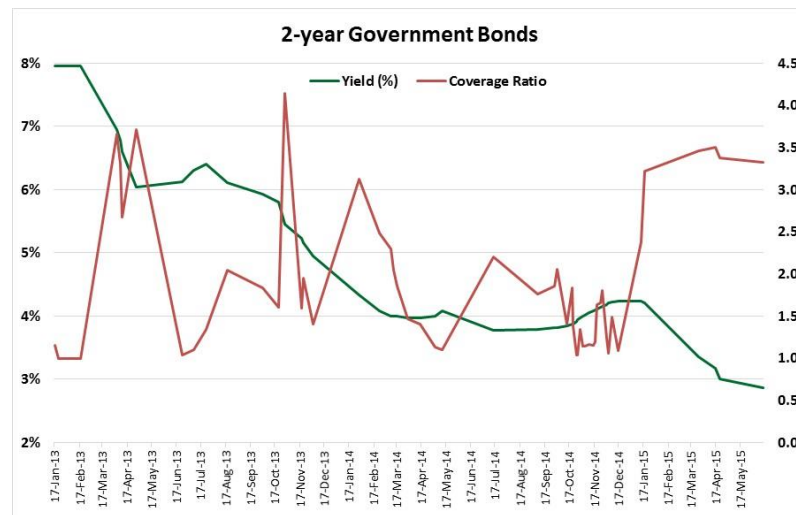
Public debt at 21.1 billion JD, around 77.8% of 2015 GDP

- Meanwhile, the fiscal balance before grants resulted in a budget deficit of JD 82 million during the first third of 2015, compared to a budget deficit of JD 529 million during the same period of last year; a drop of around JD 447 million, so far in line with budget expectations.
- The Ministry of Finance also released figures on the consolidated fiscal balance which includes National Electric Power Company (NEPCO) and Water Authority (WAJ) losses.
- Taking into consideration that NEPCO losses reached JD 142 million and WAJ losses reached JD 63 million during the first four months of 2015 ,the consolidated deficit after grants will become JD 41 million, excluding grants the consolidated deficit will reach JD 287 million at the end of the four months of this year.
- Furthermore, net public debt reached around JD 21,105.6 million in April 2015, around 77.8% of 2015 estimated GDP according to the Ministry of Finance's calculations, increasing by around JD 550 million in the first four months of the year.
- External debt increased by around JD 46 million, while net domestic debt increased by JD 504 million for the same period. The rise in public debt (domestic and external) are due to the increase in guaranteed loans for both NEPCO and water authority during the first four months of this year.

JD Million	April 2015	2014	2013
External Debt	8,076.1	8,030.1	7,234.5
Percent of GDP	29.8%	31.6%	30.3%
Internal Debt	13,029.0	12,525.0	11,862.0
Percent of GDP	48.0%	49.2%	49.7%
Public Debt	21,105.6	20,555.1	19,096.5
Percent of GDP	77.8%	80.8%	80.1%

2-year bond yields drops to below 3%

- 2-year government bond yields have dropped below 3% at the government's auction last week to reach 2.86%, while coverage ratios remained high at around 330%.
- The drop to 2.86% marks a historical low for 2-year government bond yields and highlights the significant drop in the government's need to borrow coupled with high levels of liquidity in the banking system.
- The drop in yields is mainly due to the new monetary policy framework introduced by CBJ in February, and the positive effect lower oil prices on government balances and external accounts may have.
- Meanwhile, excess liquidity levels have increased to reach 3.8 billion JD (including 1 billion JD weekly CDs), leading to downward pressure on rates.
- Looking ahead, yields could drop further, as the government is scheduled to issue a \$1.5 billion Eurobond in international markets later this month.
- Further ahead, the government is planning on issuing a \$500 million bond not guaranteed by the U.S. government, while the government is also planning on issuing Sukuks this year.



	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%	2.86%	14 th Jun	-138bp
3-year	4.74%	3.86%	19 th Mar	-88bp
5-year	5.58%	4.34%	4 th Jun	-124bp

Jordan Debt Monitor

Latest T-Bills

- As of June 14, the volume of excess reserves, including the overnight window deposits held at the CBJ JD (2,833) million.

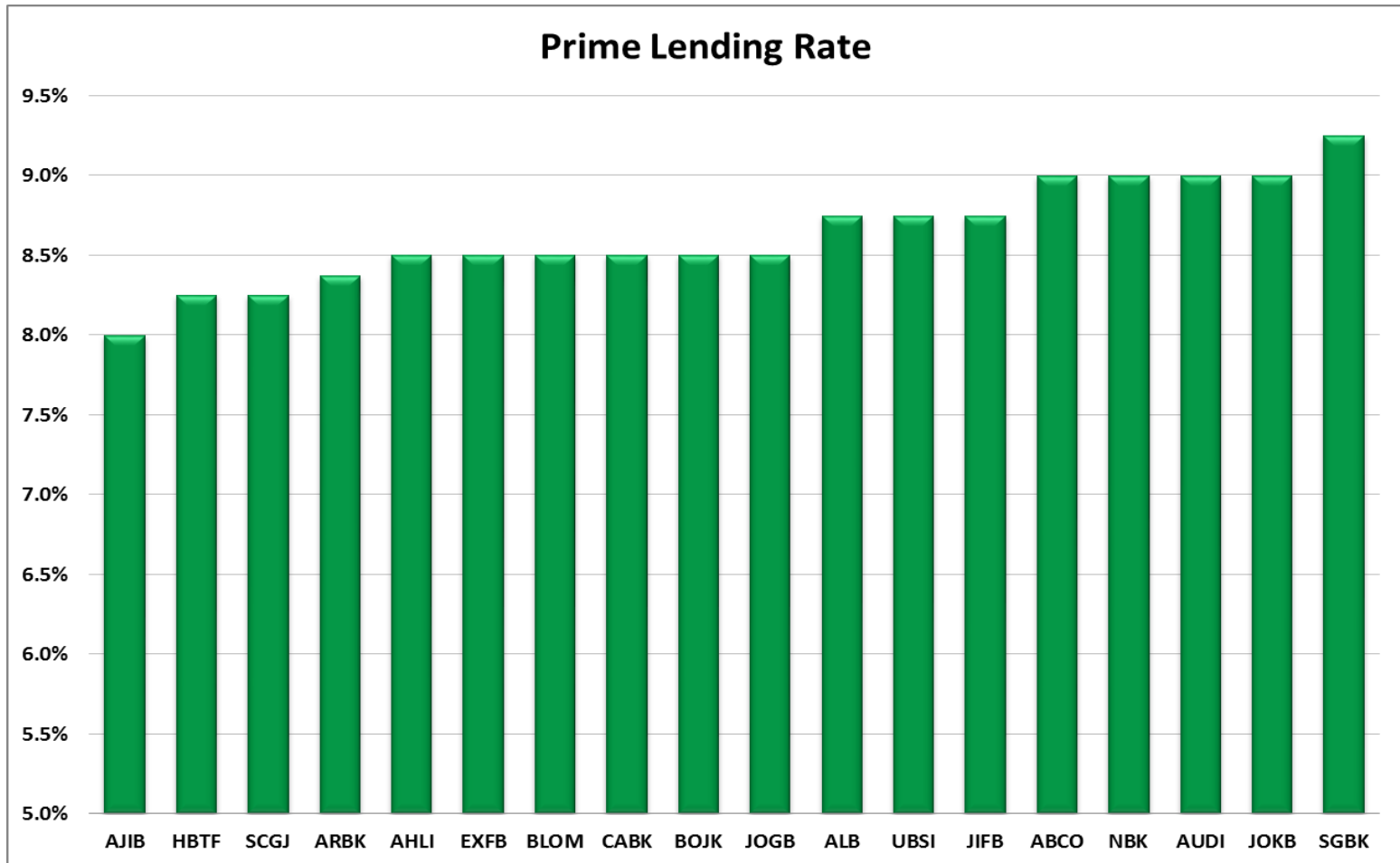
1-week CDs	Issue Date	Maturity Date	Size - million	Yield (%)
19/2015	09/06/2015	16/06/2015	1,000	2.500%
18/2015	02/06/2015	09/06/2015	1,000	2.500%
17/2015	26/05/2015	02/06/2015	1,000	2.500%
16/2015	19/05/2015	26/05/2015	1,000	2.500%
3-month T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last 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 (%)
T1515	14/06/2015	14/06/2017	75	2.860%
T1115	22/04/2015	22/04/2017	50	3.000%
T1015	16/04/2015	16/04/2017	50	3.170%
3-year T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T0715	19/03/2015	19/03/2018	75	3.856%
T0415	22/01/2015	22/01/2018	50	4.333%
T0315	20/01/2015	20/01/2018	50	4.446%
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 (%)
T1415	04/06/2015	04/06/2020	50	4.434%
T1315	21/05/2015	21/05/2020	50	4.456%
T1215	07/05/2015	07/05/2020	50	4.518%
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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