

Weekly Economic Monitor

March 15, 2015

Brief Overview

MENA Region



[Egypt: Inflation rises, Investment Summit attracts large investments](#)



[GCC News Highlights](#)



[GCC interbank rates](#)



[Comparative MENA Markets](#)

Jordan Economy



News and analysis

- [Inflation has dropped by 0.8% in first two months of 2015](#)
- [Net new government debt down JD 75 million](#)



Markets overview

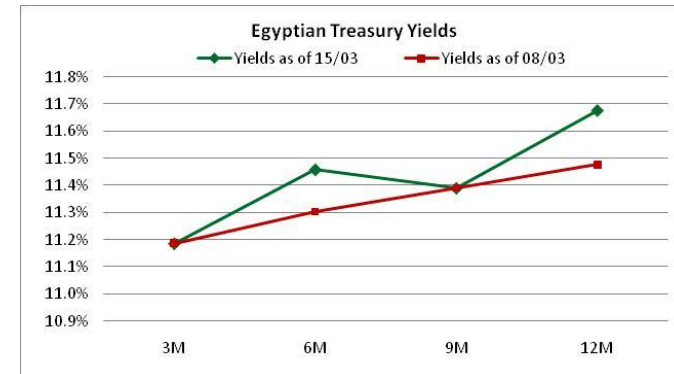
- [Jordan Debt Monitor](#)
- [Prime Lending Rates](#)



Regional

Egypt: Inflation rises, Investment Summit attracts large investments

- Egypt's 6M and 12M yields rose compared to last week, as data showed inflation rose to 10.6% in February from 9.7% in January, placing upward pressure on interest rates, and likely restricting the CBE's space to cut rates further after cutting rates by 50 basis points in January.
- The government efforts to balance economic growth and price stability are not working as well as hoped, and the rise in inflation could be attributed to the deliberate depreciation of the Egyptian Pound by the CBE last month.
- In other news, Egypt held its Investment Summit late last week which aimed at attracting foreign investment by projecting an image of stability after four year of political and economic turmoil.
- Most notably, Saudi Arabia, Kuwait and the UAE each pledged \$4 billion of investment in Egypt. UAE said \$2 billion would be placed with the CBE and the other \$2 billion in the economy, while Saudi Arabia said it will place \$1billion with the CBE.
- Meanwhile, the IMF said Egypt is on the right track as the government is taking steps to meet the economic needs of the country. On the other hand, the IFC said Egypt's reforms are positive but "a lot more work needs to be done" in regards to improving the investment climate in the country.



Source: Bloomberg

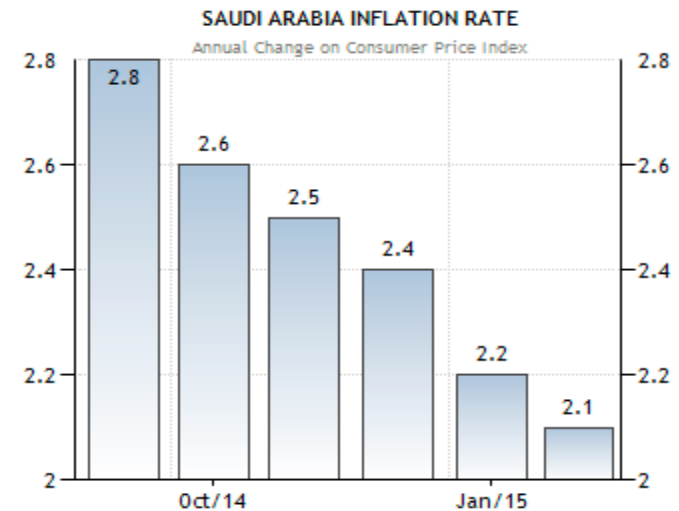


Source: Trading Economics

GCC Economic Highlights:

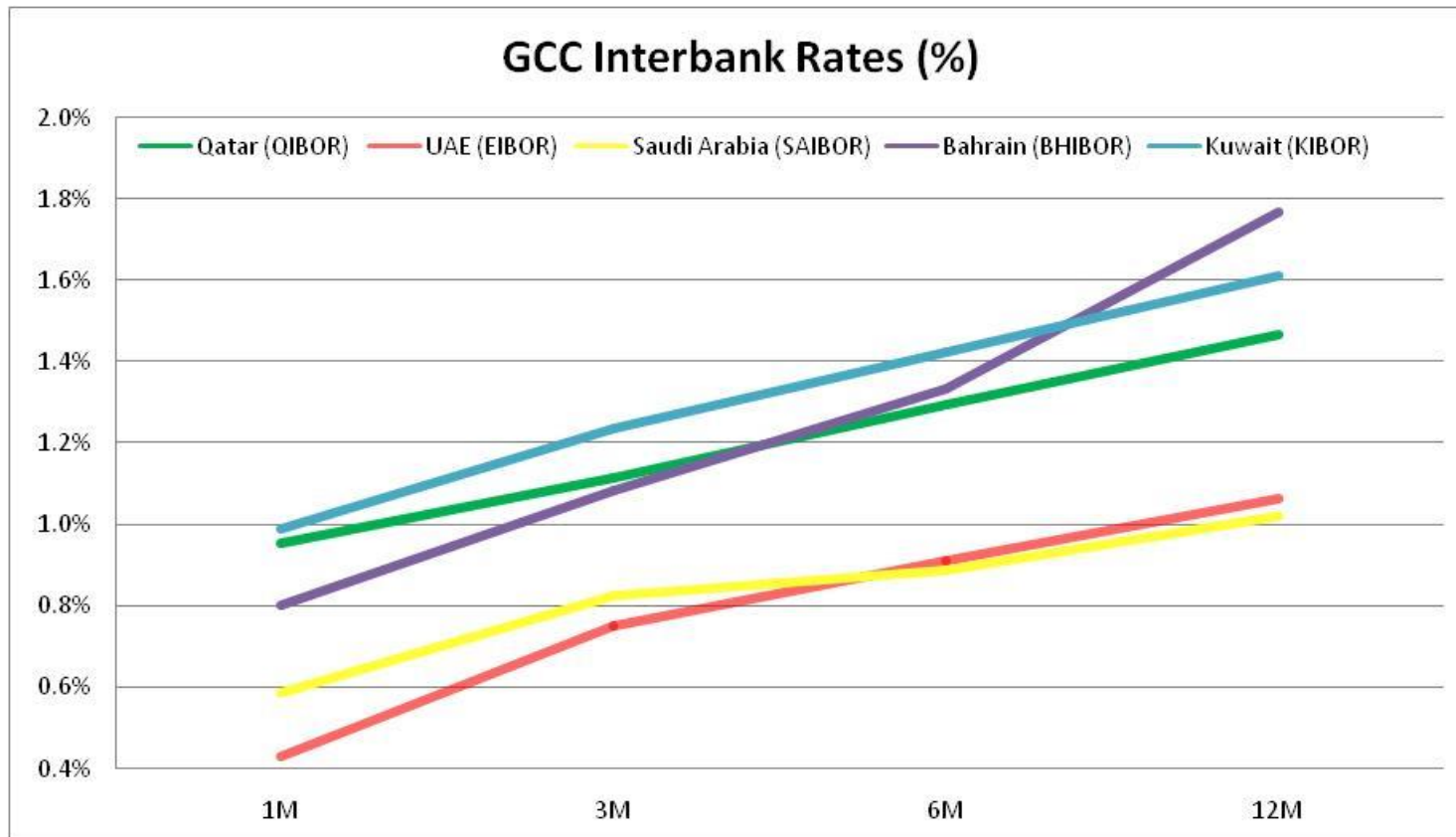
Saudi Arabia: Inflation drops to 2.1% in February – lowest level since 2006

- According to figures released by the Central Department of Statistics & Information, the inflation rate grew by 2.1% in February of 2015 when compared to February 2014, down from 2.2% in January and the lowest level since 2006, driven by a strengthening Dollar and a global dip in food prices.
- According to studies, the strengthening of the dollar is a key factor in lowering imported inflation which increased the purchasing power of the Saudi Riyal.
- Prices of housing and utilities increased by 2.8% from February 2014, while food and beverages prices rose 1.7% over the same time period.
- On the other hand, rising house prices and subsidy reforms could push prices higher later in the year. Meanwhile, The Food and Agriculture Organization's food price index indicate that global food inflation is at its lowest level since July 2010.
- The low levels of inflation could be the right time for the government to make heavy cuts to generous government subsidies on fuel and electricity.
- Separately, the Saudi Central Bank SAMA, said it predicts inflation to remain stable in the first quarter of the year. Meanwhile, the IMF expects inflation to register 3.2% in 2015.



Source: Trading Economics

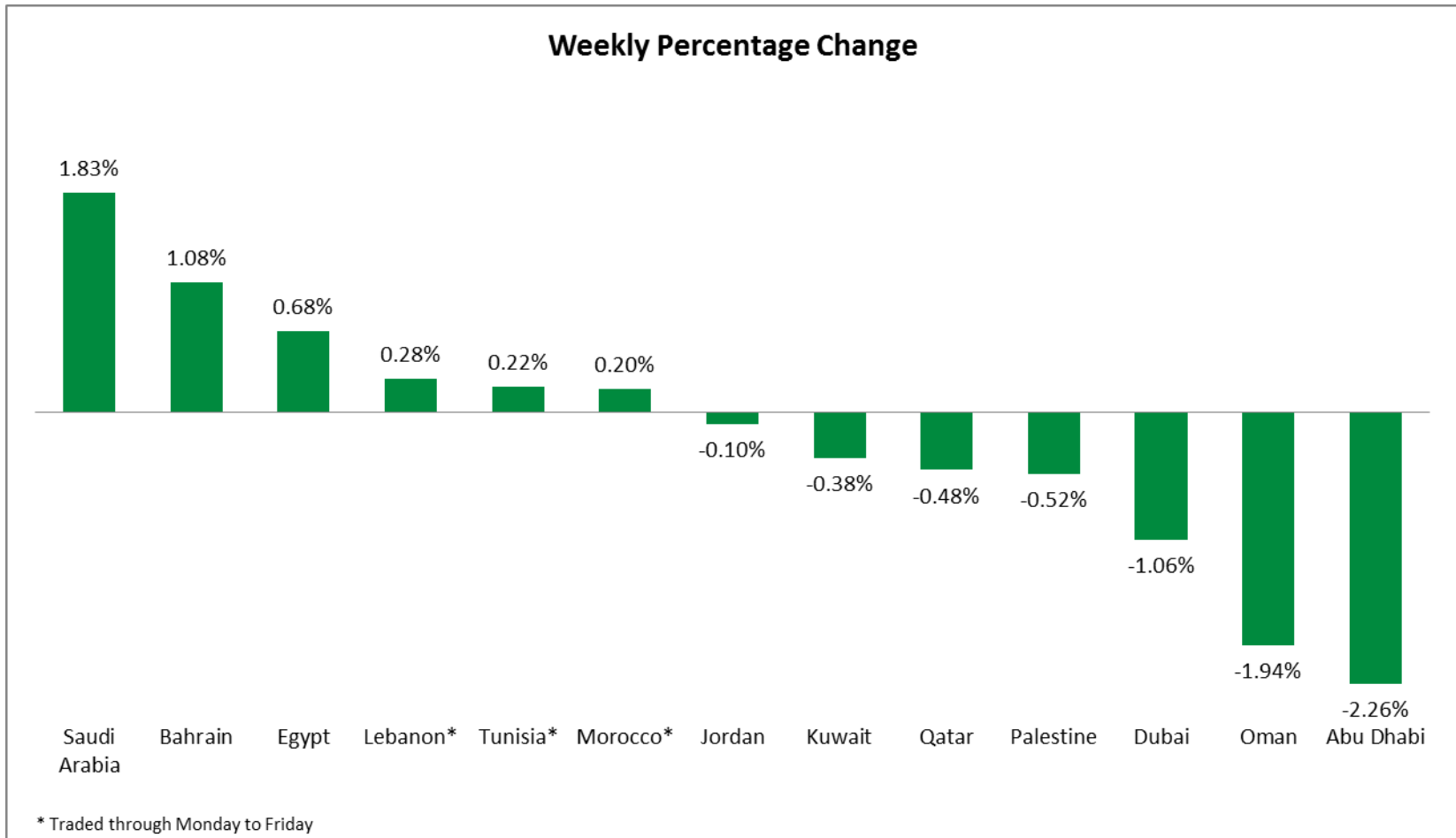
GCC interbank rates



Source: Bloomberg

Comparative MENA Markets

March 8, 2015 – March 13, 2015



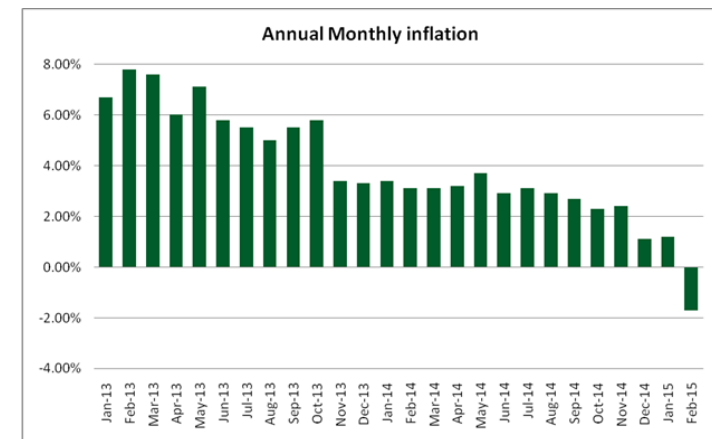
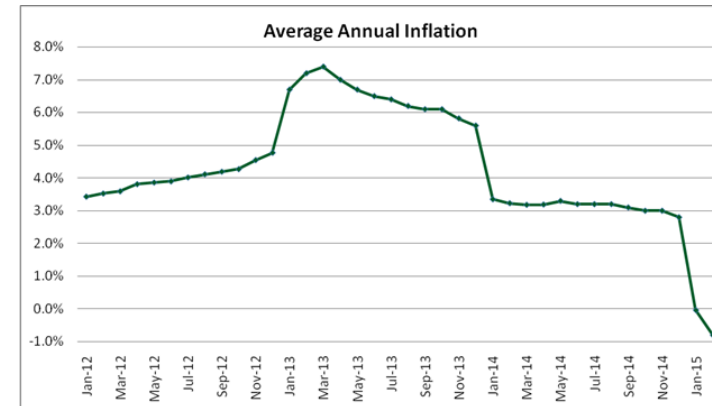
Source: Bloomberg



Jordan

Inflation has dropped by 0.8% in first two months of 2015

- The inflation rate has dropped by 0.8% during the first two months in 2015, in comparison with the same period in 2014, indicating that inflation is falling further into negative territory. Nevertheless, the IMF forecasts inflation to grow 2.6% in 2015.
- The report said that the drop in inflation was attributed mainly to lower prices in the following main commodities and services: transport (down 16.5%), fuel and electricity (down 11.3%), vegetables (down 8.0%), drinks and beverages (down 1.1%), and meat and poultry (down 0.6%).
- On the other hand, prices of other commodity groups increased for the same time period: rents (up 5.8%); tobacco (up 8.2%); fruits (up 12.6.); education (up 3.7).
- Comparing February of this year to February of 2014, inflation has dropped by 1.7%. The inflation was attributed mainly to lower prices in the following main commodities and services: transport (down 18.9%), fuel and electricity (down 13.1%), meat and poultry (down 3.5%), vegetables (down 4.7%), and drinks and beverages (down 1.3%).
- Meanwhile, prices of other commodity groups increased for the same time period: rents (up 5.8%); fruits (up 10.3%); education (up 3.7%); clothes (up 6.2%).



Net new government bonds' issuance down 75 million JD

- According to data collected by CAB Research Team, net new government debt through bonds issuances is down by 75 million JD so far in 2015, while in comparison with the same period in 2014, the government had a net new internal debt of 448 million JD, highlighting the significant change in the government's need to borrow this year.
- Part of the drop comes due to the government entities such as the electricity or water company resorting to borrowing directly through banks and targeting Islamic banks excess liquidity.
- On the other hand, the government's need to borrow also dropped due to the drop in oil prices that reflects positively on the electricity company's losses.
- Meanwhile, the last government bond issued was on February 26. The yield on the 5-year government bond fell 40bp to 4.725%, from the previous months, while the coverage ratio was up to 271%.
- Government bond yields have dropped significantly since the introduction of the new monetary framework by CBJ, while the coverage ratio has jumped to high levels of around 300%, indicating high demand on government bonds and high level of JD liquidity.

Up to 9th March

| in million JD | 2014 | 2015 |
|------------------------------|------------|------------|
| Sum of New Issuances | 1020 | 500 |
| Sum of Redeemed | 572 | 575 |
| Net New Internal Debt | 448 | -75 |

Government Bonds Rates :

| | Rate at end of 2014 | Current rate | Change during 2015 |
|--------|---------------------|--------------|--------------------|
| 1-year | 3.45% | 2.75% | -70bp |
| 2-year | 4.24% | 4.20% | -4bp |
| 3-year | 4.74% | 4.33% | -41bp |
| 5-year | 5.58% | 4.73% | -85bp |

Jordan Debt Monitor

Latest T-Bills

- As of March 15, the volume of excess reserves, including the overnight window deposits held at the CBJ JD(2,690) million.

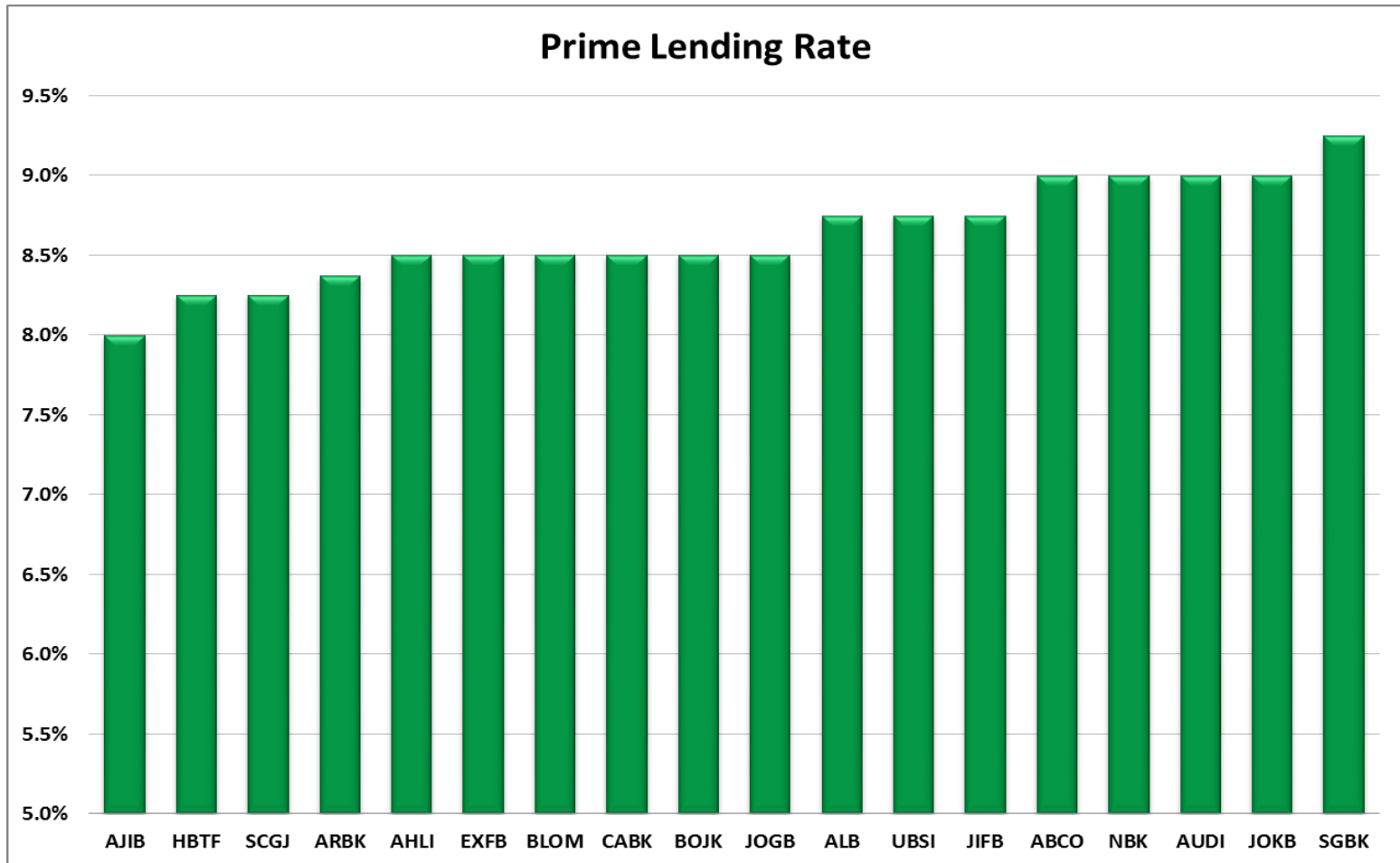
| 1-week CDs | Issue Date | Maturity Date | Size - million | Yield (%) |
|------------------------------|-------------------|----------------------|-----------------------|-------------------|
| 06/2015 | 10/03/2015 | 17/03/2015 | 1,000 | 2.500% |
| 05/2015 | 03/03/2015 | 10/03/2015 | 1,000 | 2.500% |
| 04/2015 | 24/02/2015 | 03/03/2015 | 1,000 | 2.500% |
| 03/2015 | 17/02/2015 | 24/02/2015 | 1,000 | 2.500% |
| 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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