

Weekly Economic Monitor

August 24, 2014

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News and analysis

- [Jordan's trade deficit up 10.5% during first half of 2014, while oil bill pressures continue to rise](#)



Markets overview

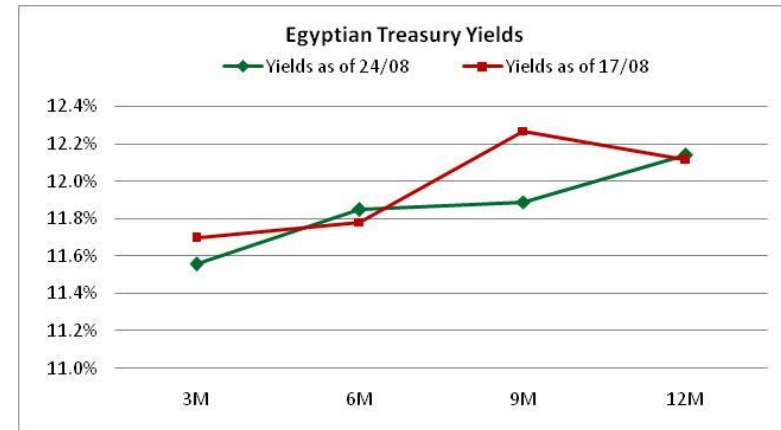
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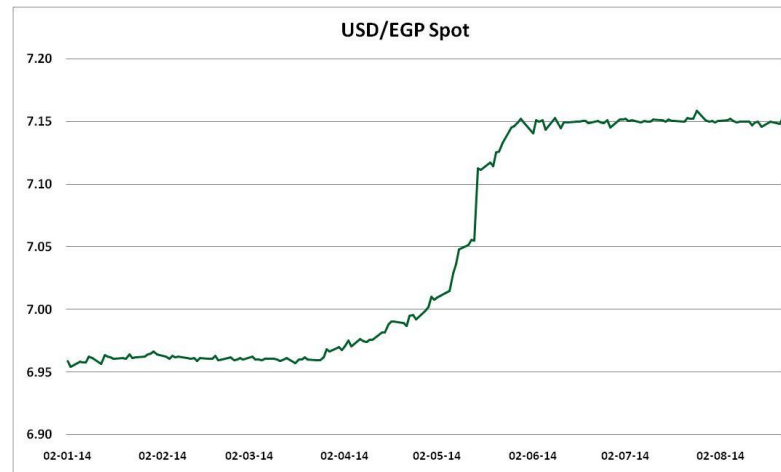
Regional

Egypt: Egyptian pound stable in market

- Egypt's T-bill yields took a flatter shape from the last week, indicating that the Egyptian economy might be in a transitional period and therefore investors are uncertain of the movements of interest rates.
- In other news, the Egyptian Pound remained stable at a dollar sale by the central bank last week at around 7.14 EGP/USD and also remained stable in the black market at around 7.38 EGP/USD.
- The pound witnessed a significant depreciation since the beginning of the year due to lower FX reserves brought on by lower tourism receipts and FDI levels. This created a black market where the pound was sold at even lower levels.
- However, the rate for dollar sales has stayed in a tighter range since the beginning of June, as the central bank allowed the pound to weaken in May.
- Moreover, the rate at which banks are allowed to trade dollars is determined by the sale price carried out by the central bank, effectively giving the central bank control over exchange rates.
- Meanwhile, FX reserves are currently at around \$16.74 billion.



Source: Bloomberg

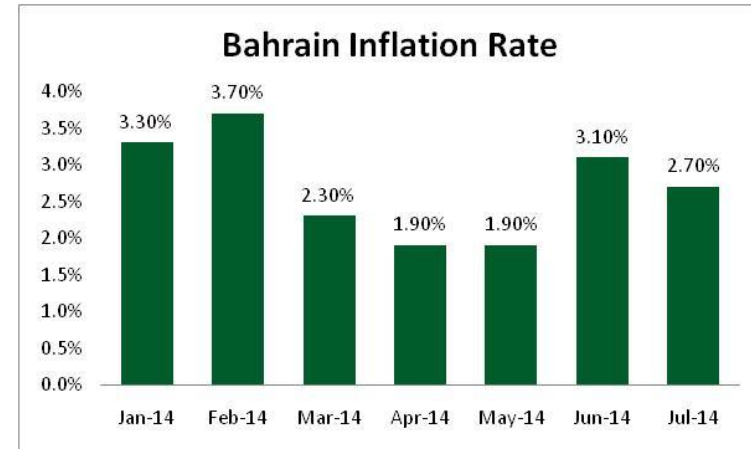


Source: Bloomberg

GCC Economic Highlights:

Bahrain: Inflation down to 2.7% in July

- According to figures, Bahrain's Central Informatics Organization, the consumer price index increased by 2.7% in July 2014 when compared to the same time period in 2013.
- Housing, water, electricity, gas, and other fuels group prices led the increase as they grew by 5.4% over the time period, followed by education prices which grew by 5.0%.
- Inflation throughout the GCC has been driven by increasing house prices, while Bahrain registered the highest inflation level during the first half of 2014.
- Meanwhile, transport group prices rose by 4.1%, while miscellaneous goods and services group prices rose by 4.8%.
- Moreover, the CPI increased by 0.3% in July 2014, compared with June 2014.
- Inflation on a monthly basis was driven by an increase in food and non-alcoholic beverages group prices, up 2.1%, probably due to the abnormal demand due to the holy month of Ramadan.
- The IMF expects inflation to reach around 2.5% in 2014.



Source: Bahrain's Central Informatics Organization

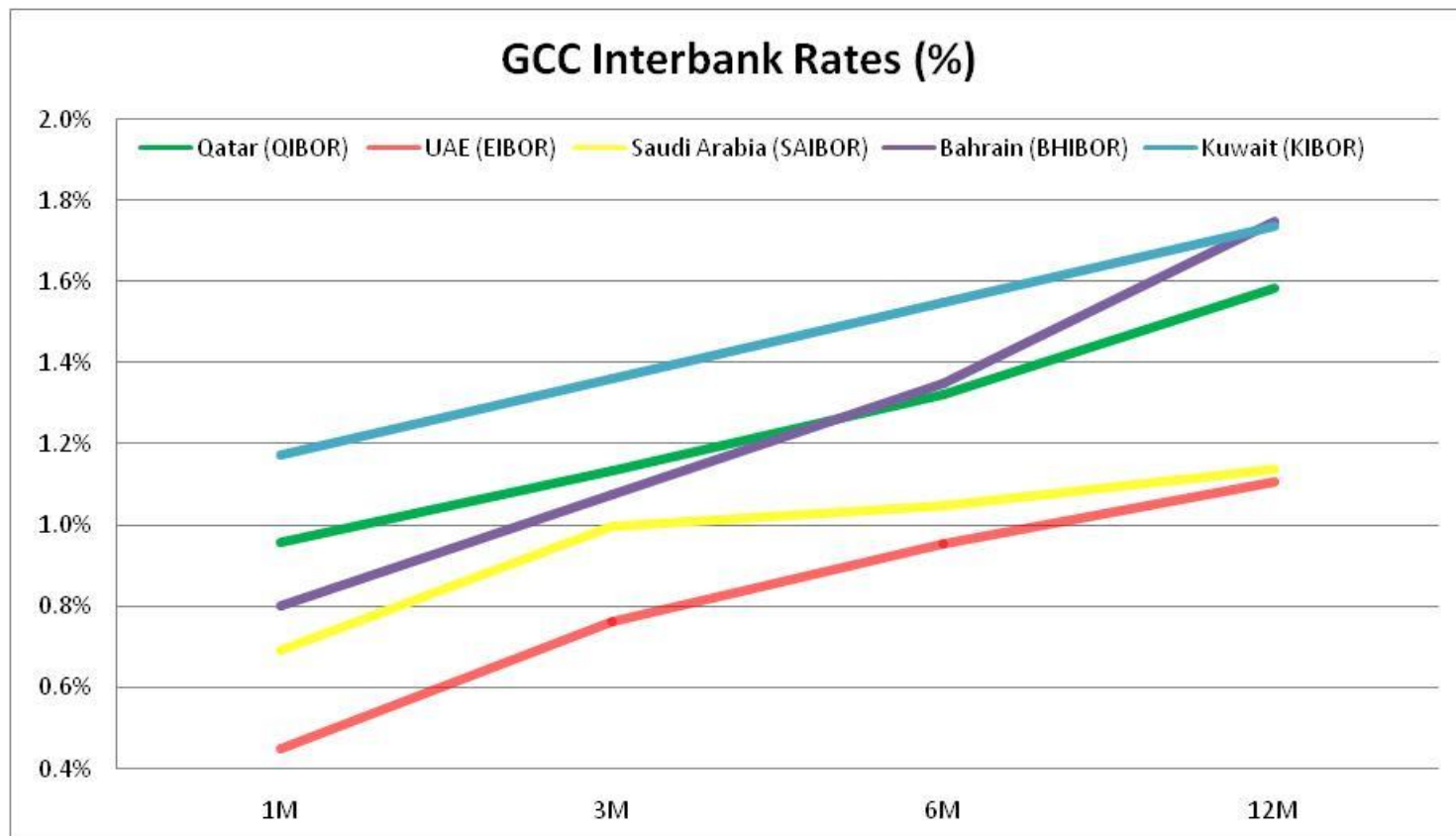
GCC Economic Highlights:

Kuwait: S&P affirms Kuwait's credit rating at AA/A-1+

- S&P's affirmed Kuwait's credit rating at AA/A-1+ for both its short-term foreign and local currency sovereign credit rating with a stable outlook.
- S&P cited Kuwait's rich oil and gas endowment, which has made the country wealthy and thereby enabling to build strong external and fiscal balances.
- However, the ratings remained constrained by geopolitical tensions in the region, and Kuwait's "unpredictable and undiversified" economy.
- The general government budget has shown a surplus of at least 10% of GDP over the past decade, and S&P predicts the budget surplus will register about 20% of GDP over the next four years, while it expected the surplus to register about 30% of GDP for the budget year ending March 2015.
- The agency added that the country is susceptible to any future sharp and sustained decline in oil prices, as the oil sector accounts for 60% of nominal GDP, 90% of exports, and around 80% of the general government revenues.

Moody's		S&P		Fitch				
Long Term	Short Term	Long Term	Short Term	Long Term	Short Term			
Aaa	P-1	AAA	A-1+	AAA	A1+	Prime		
Aa1		AA+		AA+		High grade		
Aa2		AA		AA				
Aa3		AA-		AA-				
A1		A+		A+				
A2	P-2	A	A-1	A	A1	Upper medium grade		
A3		A-		A-				
Baa1		BBB+		BBB+		A2		
Baa2	P-3	BBB	A-2	BBB	A3	Lower medium grade		
Baa3		BBB-		BBB-				
Ba1		BB+		BB+				
Ba2	Not Prime	BB	B	BB	B	Non Investment grade speculative		
Ba3		BB-		BB-				
B1		B+		B+				
B2		B		B		Highly Speculative		
B3		B-		B-				
Caa1		CCC+		C		CCC	C	Substantial risks
Caa2		CCC						Extremely speculative
Caa3	CCC-	In default with little prospect for recovery						
Ca	CC				In default with little prospect for recovery			
/		D	/	DDD	/	In default		
/				DD				
/				D				

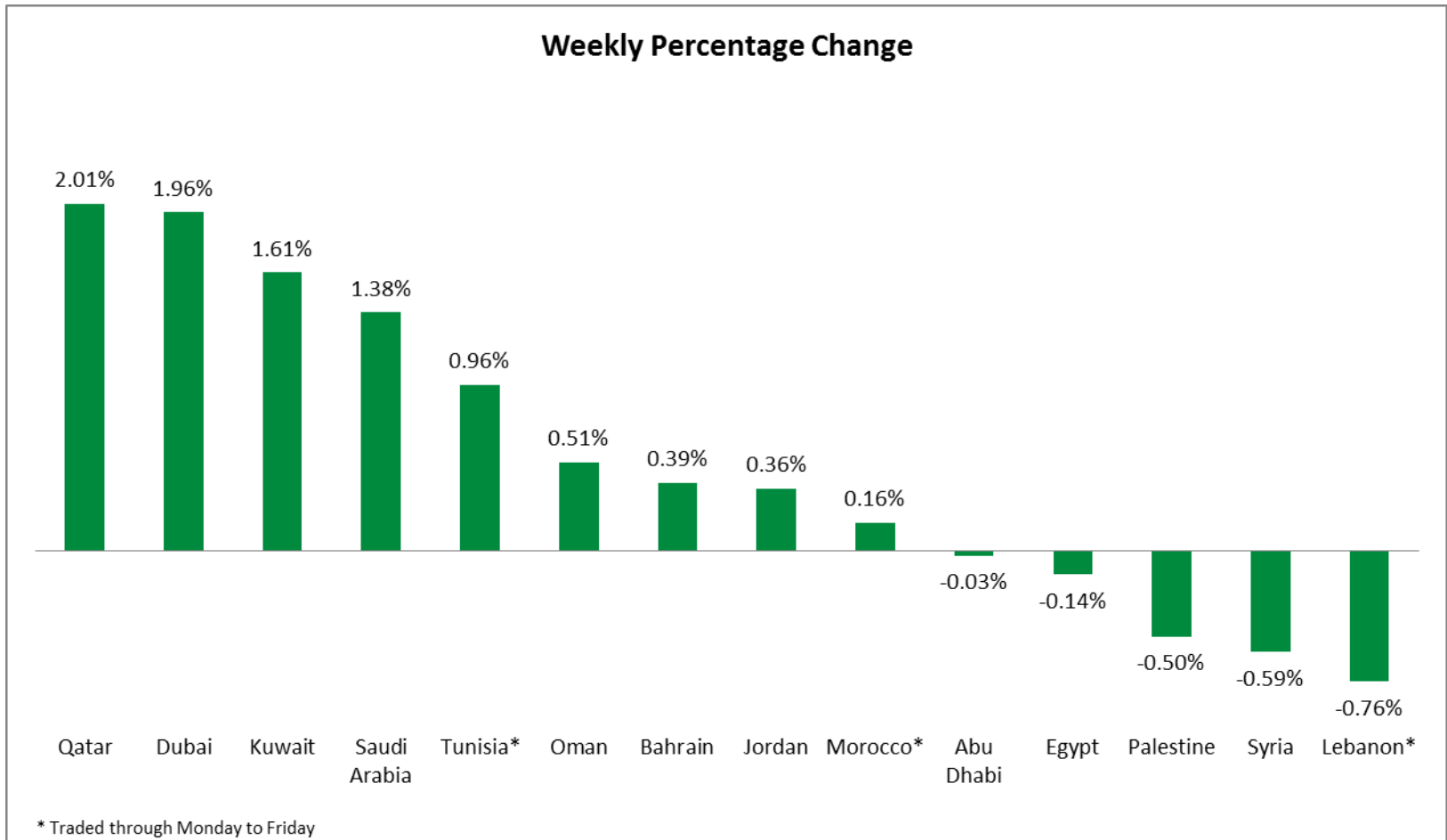
GCC interbank rates



Source: Bloomberg

Comparative MENA Markets

For the period August 17 – August 22

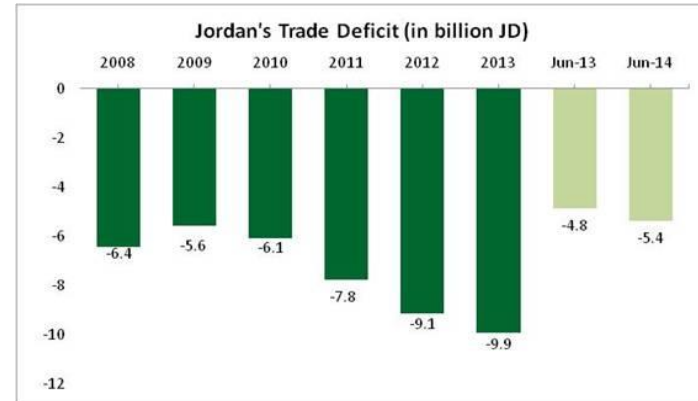




Jordan

Trade deficit up 10.5% YoY during first half of 2014

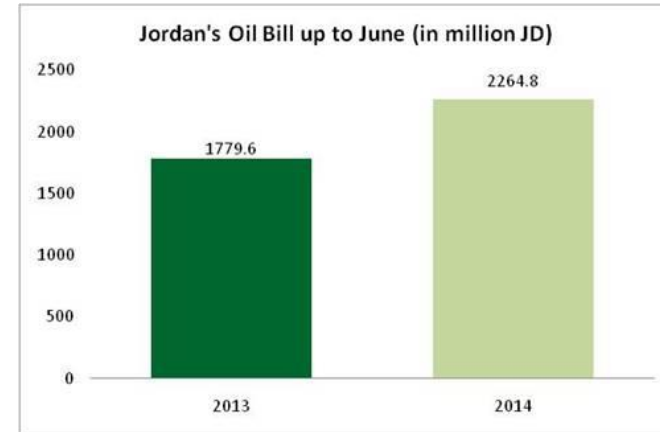
- Jordan's trade deficit increased by JD 510 million or 10.5% during the first half of 2014 to reach JD 5,356.3 million, compared to JD 4,846.8 million for the same time period in 2013.
- Both exports and imports grew over the same time period, as exports grew by 6.8% while imports grew at a faster pace of 9.2%. It is important to note that national exports actually grew by 8.6% over the same time period and re-exports dropped by 3.4%.
- Total exports grew to JD 2,946.2 million from JD 2,338.3 million for the time period, as fertilizer exports continued growing this year, up by 46.7% following sluggish export levels in 2013, fruit and vegetable exports grew 38.6%, pharmaceutical exports grew by 6.6%, and clothes exports grew 12.3%.
- Meanwhile, phosphate exports decreased by 3.8% over the time period, after showing positive growth levels during the first few months of the year. On the other hand, potash exports continued declining as they dropped by 20%, following already low levels of exports in 2013.
- Meanwhile, imports grew to reach JD 8,302.5 million from JD 7,605.2 million for the same time period. The increase is a result of an increase in machinery and machinery equipment imports by 18.1%, and vehicles and motorcycles imports grew by 22.3%. On the other hand, electronics imports plummeted by 34.6% after they witnessed huge import levels in 2013, while metal and its products imports dropped 18.3%.



Source: Department of Statistics/Central Bank of Jordan

Oil bill continues pushing import bill up

- Most significantly, crude oil imports, which make up more than one quarter of total imports, increased by 27.3% to reach JD 2,264.8 million from JD 1,779.6 million over the time periods.
- A more detailed look at Jordan's monthly oil bill reveals that oil imports in June 2014 were up by almost 70% when compared to June 2013, while international oil prices were up by only 8.4% over the same time period, which could indicate lower levels of Egyptian gas inflows from Egypt for the month of June. This follows May's oil bill which witnessed a 48% increase in oil imports.
- Jordan's oil bill had decreased significantly during the first half of 2013 as a result of the increased inflow of Egyptian gas, but Egyptian gas supply has since returned to inconsistent inflows due to the political instability in Egypt. Jordan relies on the gas to generate electricity, and if supply is cut off, the Jordanian government resorts to oil to generate electricity, pushing the oil bill up.
- The oil bill fell by around JD 545 million in 2013, mostly due to strong Egyptian gas supply in the first half of the year, but if the Egyptian gas supply remains inconsistent, it is anticipated that the oil bill will reverse the 2013 trend and instead grow in 2014.
- In addition, and with the continuous influx of Syrian refugees, it is expected that the trade deficit will remain at high levels witnessed in 2013.



Source: Department of Statistics

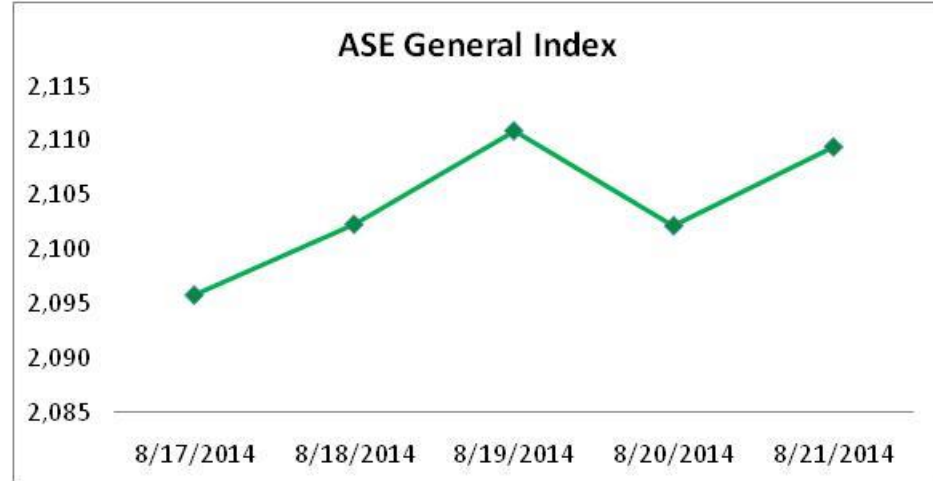
A breakdown of Jordan's monthly oil bill in million JD

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
Total	1,779.6	2,264.8	+485.2

Amman Stock Exchange

For the period 17/08 – 21/08

ASE free float shares' price index ended the week at (2,109.4) points, compared to (2,101.8) points for the last week, posting an increase of 0.36%. The total trading volume during the week reached JD(25.6) million compared to JD(28.1) million during the last week, trading a total of (23.5) million shares through (13,873) transactions. The shares of (182) companies were traded, the shares prices of (63) companies rose, and the shares prices of (73) declined.



Top 5 gainers for the last week

Stock	% chg
Al-Manara Insurance Plc. Co.	27.27%
Akary for Industries and Real Estate Investments	22.47%
Jordan Vegetable Oil Industries	13.24%
First Finance	10.71%
Comprehensive Multiple Project Company	9.35%

Top 5 losers for the last week

	% chg
South Electronics	(14.29%)
Jordan Steel	(10.53%)
The Jordan Cement Factories	(8.45%)
International Cards Company	(8.33%)
Arab Union International Insurance	(8.00%)

Jordan Debt Monitor

Latest T-Bills

- As of August 24, the volume of excess reserves, including the overnight window deposits held at the CBI JD(3,531) million.

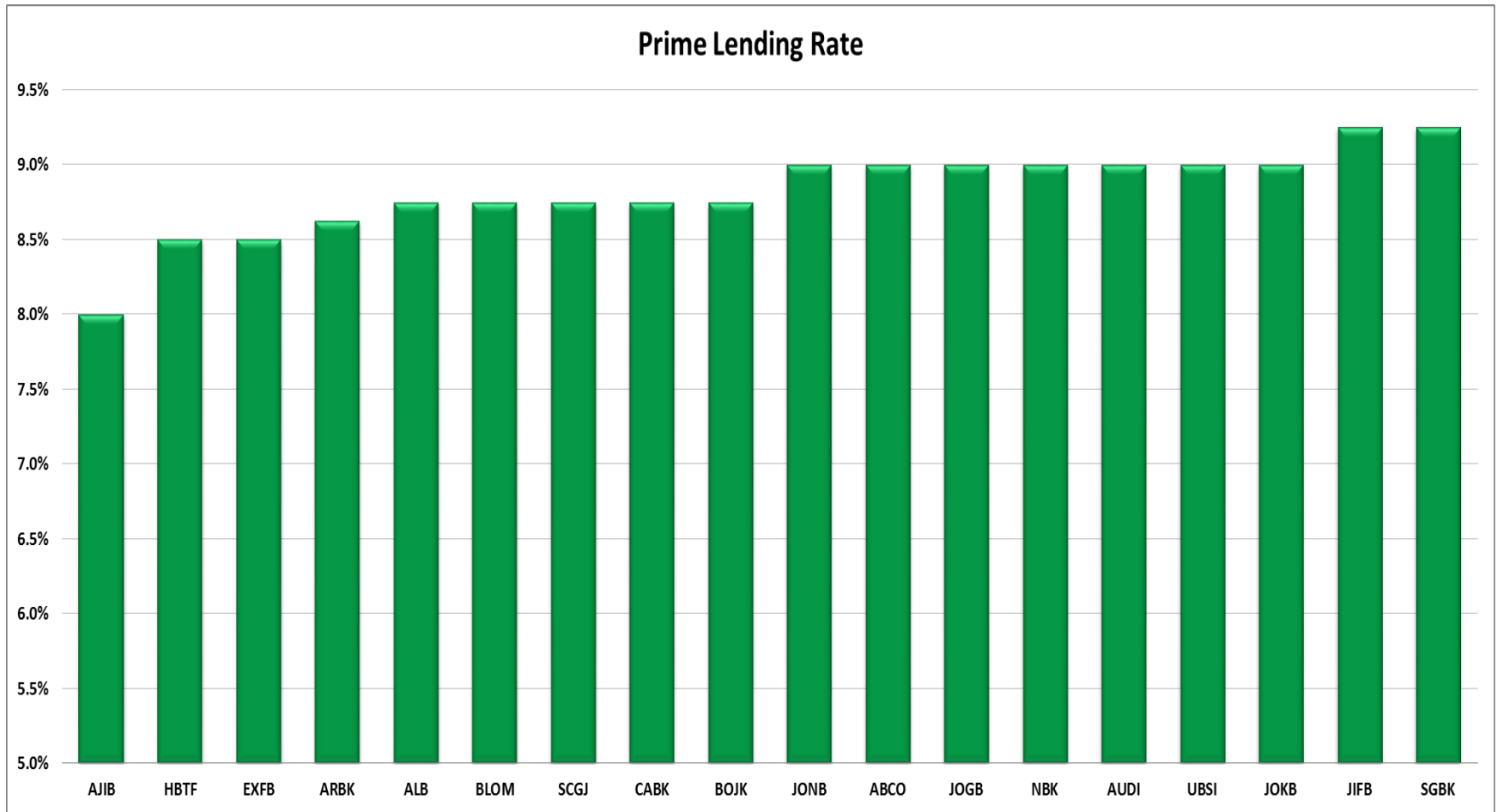
3 months T-Bills (no new issuance)	Issue Date	Maturity Date	Size - million	Yield (%)
29/2011	14/12/2011	14/03/2012	50	2.898%
28/2011	12/12/2011	12/03/2012	50	2.844%
6 months T-Bills (no new issuance)	Issue Date	Maturity Date	Size - million	Yield (%)
02/2012	14/02/2012	14/08/2012	50	3.788%
01/2012	23/01/2012	23/07/2012	50	3.433%
9 months T-Bills (no new issuance)	Issue Date	Maturity Date	Size - million	Yield (%)
05/2012	04/03/2012	04/12/2012	75	4.285%
04/2012	29/02/2012	29/11/2012	75	4.229%
1 year T-Bills	Issue Date	Maturity Date	Size - Million	Coupon (%)
06/2014	03/07/2014	03/07/2015	50	3.297%
05/2014	09/06/2014	09/06/2015	50	3.797%
04/2014	03/04/2014	03/04/2015	50	3.652%
03/2014	20/03/2014	20/03/2015	50	3.612%

Jordan Debt Monitor

Latest T-Bonds Issues

2 years T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T4814	15/07/2014	15/07/2016	50	3.772%
T3514	12/05/2014	12/05/2016	50	4.076%
T3214	04/05/2014	04/05/2016	75	3.999%
3 years T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T5814	21/08/2014	21/08/2017	75	4.248%
T5714	15/08/2014	15/08/2017	75	4.249%
T5614	13/08/2014	13/08/2017	75	4.235%
4 year T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T0312	15/01/2012	15/01/2016	37.5	7.246%
5 years T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T5514	11/08/2014	11/08/2019	75	5.438%
T5414	07/08/2014	07/08/2019	50	5.420%
T5214	27/07/2014	27/07/2019	50	5.438%
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%
PB62 (Water Authority)	10/11/2013	10/11/2016	43	5.715%

Prime Lending Rates



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