

Weekly Economic Monitor

January 25, 2015

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Markets overview

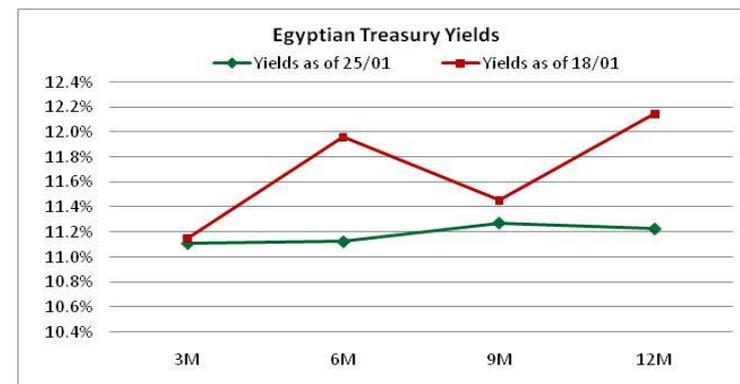
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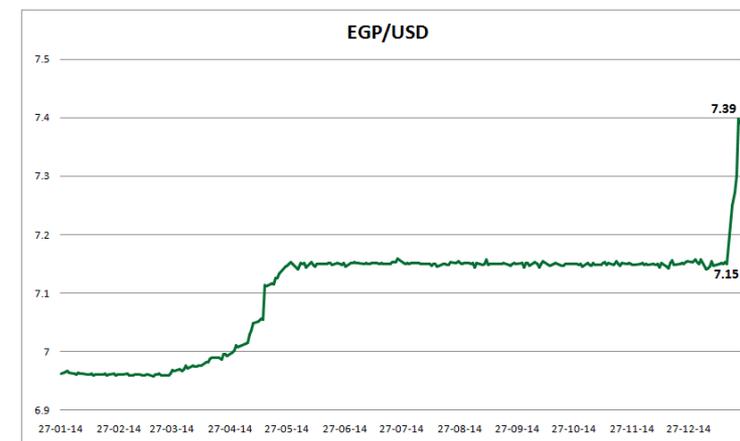
Regional

Egypt: CBE allows EGP to depreciate

- Egypt's T-bill yields took a flatter shape this week, as the uncertainty in the country continues to weigh on short-term economic expectations and forecasts.
- Meanwhile, the Egyptian Pound weakened to 7.39 per dollar from 7.19 a week ago, the weakest level it had been allowed to reach since the CBE began auctioning USD FX auction in December 2012, given low inflation pressures for the time being.
- The CBE purposefully depreciated the EGP five times last week, given it effectively controls exchange rates at the USD FX auctions. Some analysts attributed the depreciation in an effort to narrow the gap between the black market and official rate.
- Others said the move by the CBE follows their surprise 50bps rate cut and is done in an effort to eliminate currency doubts and reducing the cost of borrowing, while buffeting Egypt's reserves to convey an investor-friendly image ahead of an investment summit in March.
- Egypt FX reserves decline for two months, which economist see due to low investment and no further aid from Gulf countries.
- In other news, plummeting oil prices mean Egypt spent 30% less on energy subsidies during the H1 of the 2014/15 fiscal year



Source: Bloomberg

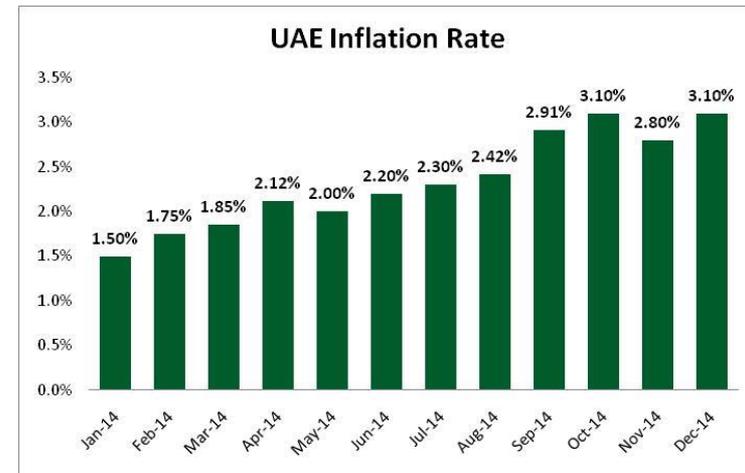


Source: Bloomberg

GCC Economic Highlights:

UAE: Inflation grew by 3.1% in December 2014

- According to figures released by the UAE's National Bureau of Statistics, the inflation rate grew by 3.1% in December 2014 when compared to December 2013, up from 2.8% in November.
- Inflation grew by 0.3% when compared to November 2014.
- Inflation was driven by soaring housing and utility costs which account for over 39% of the CPI basket, grew by 5.39% from December 2013, which drove overall inflation up to 3.1%, matching October's figure and the highest figure since February 2009.
- However, recent reports show that housing cost inflation is leveling off in certain emirates, which should place some downward pressure.
- Food and soft drink prices, which account for around 14% of the CPI basket, rose 1.3% year-on-year.
- Meanwhile, the inflation rate rose by 2.33% in 2014 when compared to 2013, also led by an increase in housing costs, up 3.13% during 2014.
- For 2015, the IMF expects inflation to register 2.5% in 2015 in the UAE.

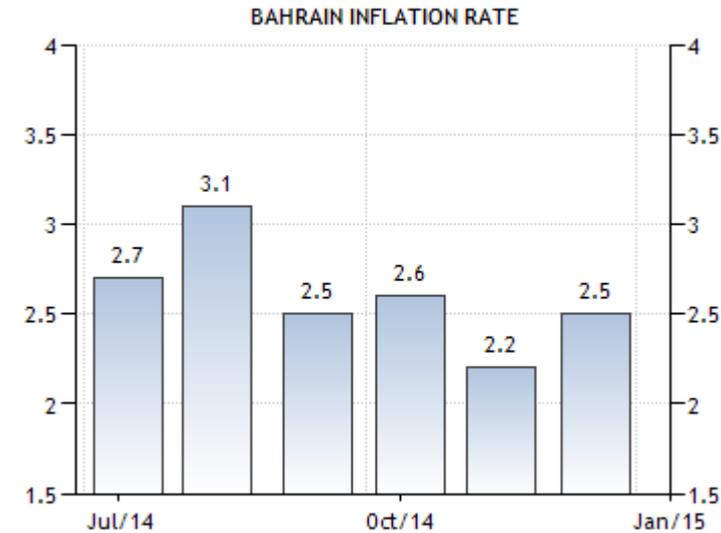


Source: Trading Economics/UAE Statistics

GCC Economic Highlights:

Bahrain: Inflation up by 2.5% in December 2014

- According to figures released by the Central Informatics Organization, the inflation rate grew by 2.5% in December 2014 when compared to December 2013, up from 2.2% in November 2014.
- All groups registered an increase in prices when compared to December of 2013, except for telecommunications, whose prices dropped 1.6%.
- Meanwhile, given their weights of the CPI basket, the housing, water, electricity, and gas, education, and food and drinks led the increase in inflation in December.
- Housing, water, electricity, gas, and other fuels group prices rose by 6.1% from December 2013, while education prices rose by 3.2% and food and drinks prices rose 2.6%
- As such, the inflation rate grew by 2.6% in 2014 when compared to 2013.
- In 2014, housing, water, electricity and gas prices rise by 4.8%, health care services prices were up 3.7%, education prices up 4.3%, and food and drinks prices were up 2.8%.
- The IMF expects inflation to drop to 2.4% in 2015, compared to 2.6% in 2014.

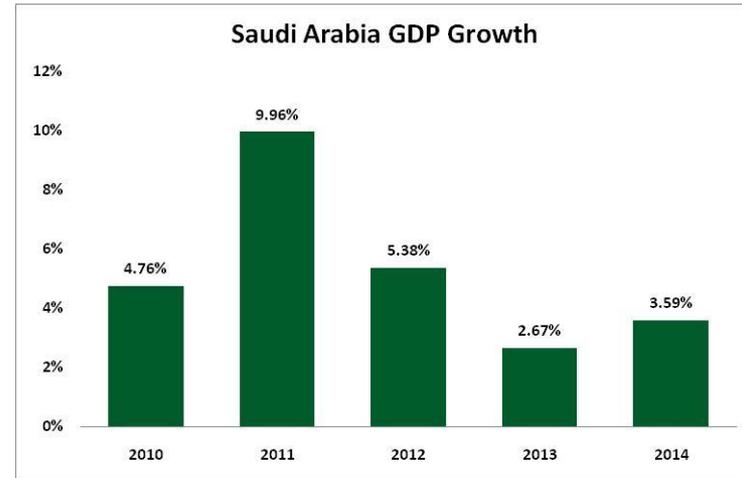


Source: Trading Economics

GCC Economic Highlights:

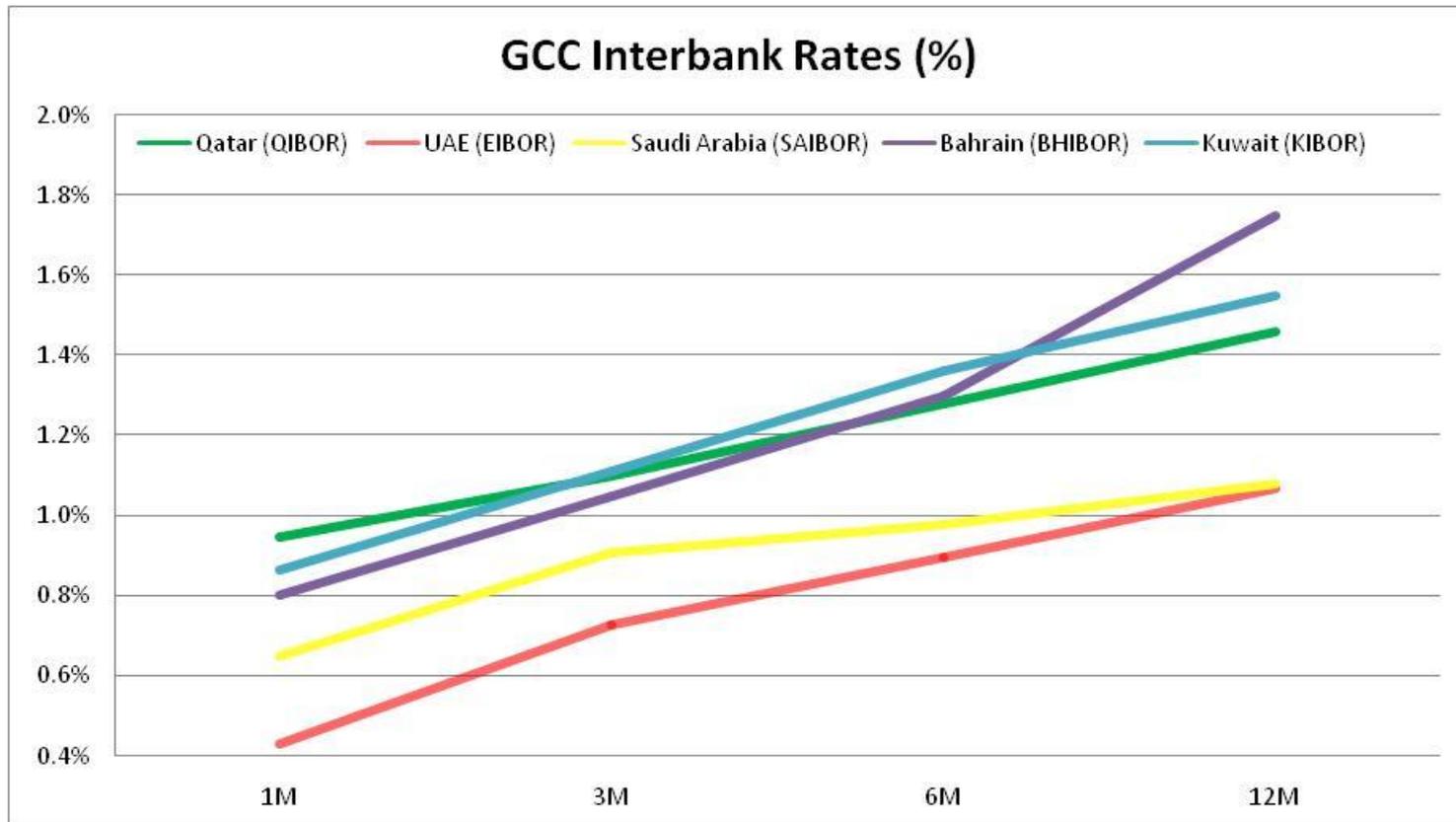
Saudi Arabia: GDP grew by 3.6% in 2014

- According to figures released by the Central Department of Statistics & Information, Saudi Arabia's GDP grew by 3.59% in 2014 from 2013, up from the 2.67% growth rate registered in 2013. GDP grew by 2% in Q4 of 2014 when compared to Q4 of 2013.
- The oil sector registered a growth level of 1.72% in 2014, up from a contraction of 1.63% in 2013. On the other hand, the non-oil sector grew by 5.07% in 2014, down from 6.38% in 2013.
- The oil sector made up around 42.7% of GDP in 2014, down from 43.5% in 2013. On the other hand, the non-oil sector makes up 56.5% of GDP in 2014, up from 55.7% of GDP in 2013.
- Of the private sector, manufacturing grew the most, up by 7.89% in 2014, followed by the construction sector which grew by 6.7%.
- Meanwhile, the transport, storage, and communication sector grew by 6.13% in 2014, while the wholesale & retail trade sector grew 5.97%.
- The IMF expects GDP growth to remain steady in 2015 despite the significant drop of oil prices, and is due to expectations of government spending remaining unchanged, which will support growth levels.



Source: Central Department of Statistics & Information

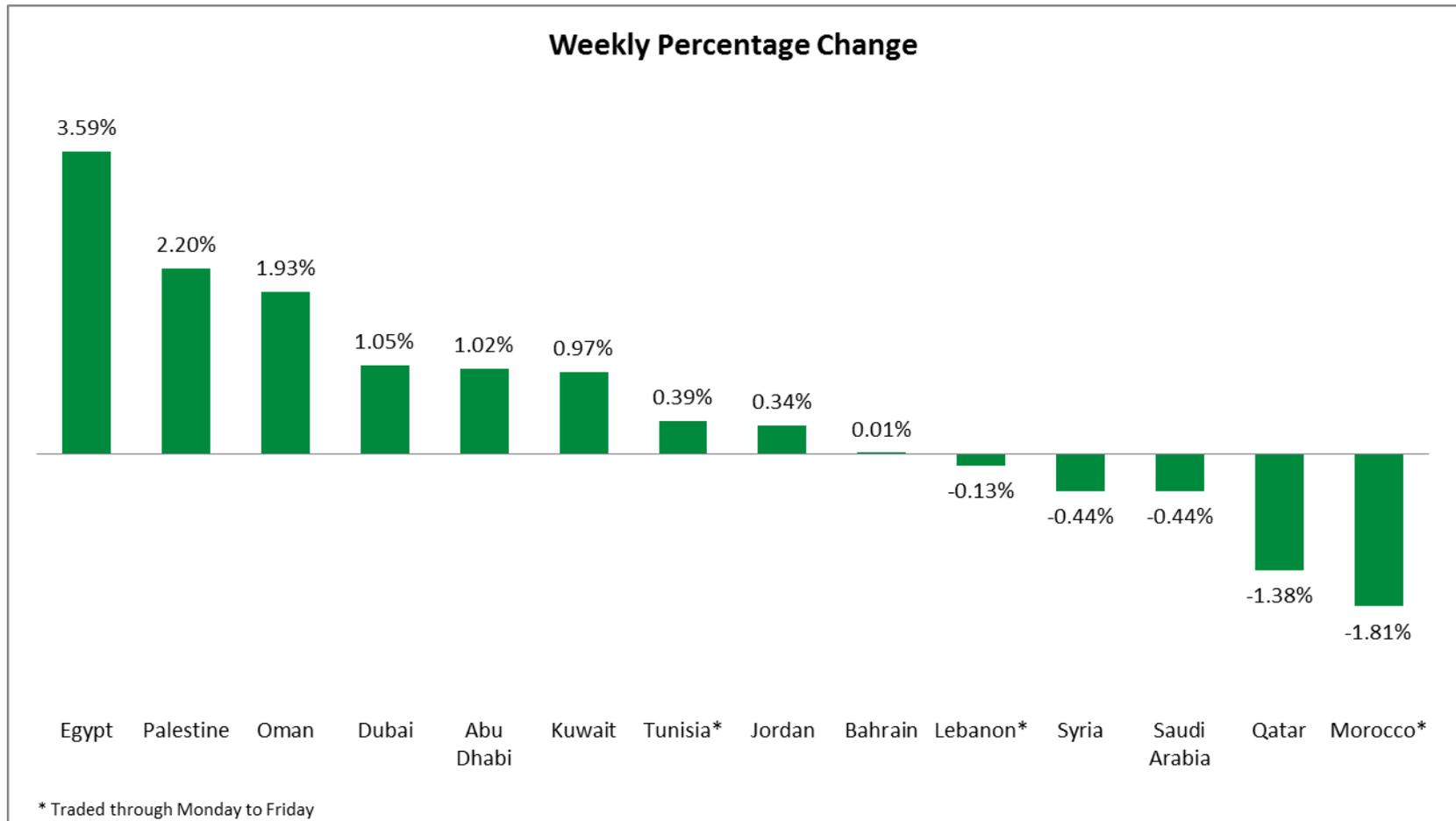
GCC interbank rates

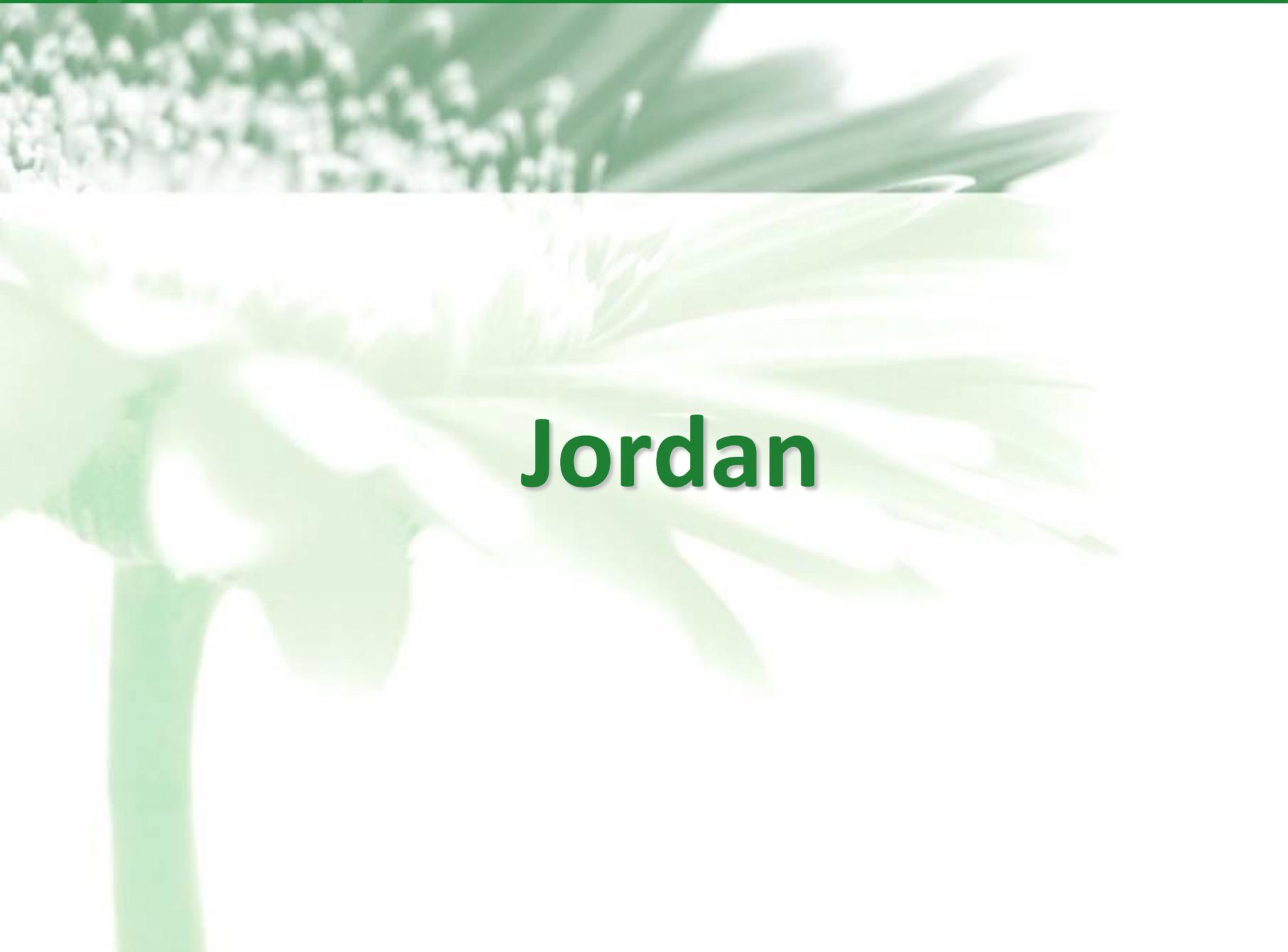


Source: Bloomberg

Comparative MENA Markets

Week starting January 18

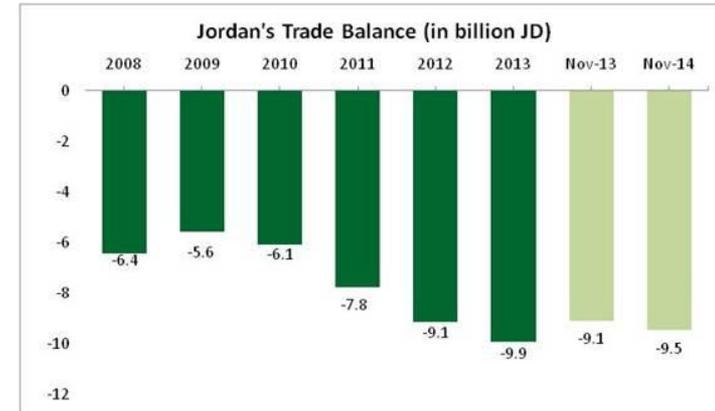




Jordan

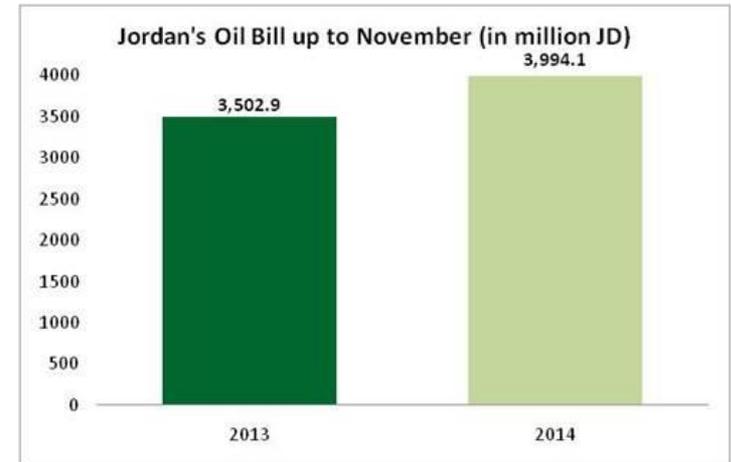
Trade deficit up 4.1% annualized during first 11 months of 2014

- Jordan's trade deficit increased by JD 370 million to reach JD 9,453.8 million for the first 11 months of 2014, up 4.1% compared to the same time period in 2014.
- Both exports and imports grew over the same time period, as exports grew by 4.6% while imports grew at a similar pace of 4.3%.
- It is important to note that national exports actually grew by 6.3% over the same time period and re-exports dropped by 5.3%.
- Total exports grew to JD 5,418.9 million from JD 5,181.9 million for the time period, as fertilizer exports continued growing this year, up by 17.5% following sluggish export levels in 2013, fruit and vegetable exports grew 14%, and clothes exports grew 11.8%.
- Meanwhile, phosphate exports increased by 15.7% over the time period, after fluctuating during the beginning of the year. Moreover, potash exports increased marginally by 0.3%, while pharmaceutical exports dropped 5.0%.
- Meanwhile, imports grew to reach JD 14,872.7 million from JD 14,266.2 million for the same time period. The increase is a result of an increase in machinery and machinery equipment imports by 14.5%, and vehicles and motorcycles imports grew by 19.2%.



Oil imports up 12.5% in November 2014

- On the other hand, electronics imports plummeted by 31.8% after they witnessed high import levels in 2013, while metal and its products imports dropped 17.7%.
- Most significantly, crude oil imports, which make up more than one quarter of total imports, increased by 14% to reach JD 3,994.1 million from JD 3,502.9 million over the time periods.
- A more detailed look at Jordan's monthly oil bill reveals that oil imports in November 2014 were up by 12.5% when compared to November 2013, while international oil prices were down by around 26.2% over the same time period, which could indicate lower levels of Egyptian gas inflows or increased demand.
- 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 since gas supply remains inconsistent through 2014, it is anticipated that the oil bill will reverse the 2013 trend and instead grow in 2014.
- However, lower oil prices are expected to reduce oil bill in coming months resulting in a narrower external deficit.



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
July	424.0	365.3	-58.7
August	342.3	392.7	+50.4
September	354.6	279.6	-75.0
October	347.0	404.3	+57.3
November	255.4	287.4	+32.0
Total	3,502.9	3,994.1	+491.2

Jordan Debt Monitor

Latest T-Bills

- As of January 25, the volume of excess reserves, including the overnight window deposits held at the CBJ JD(3,728) million.

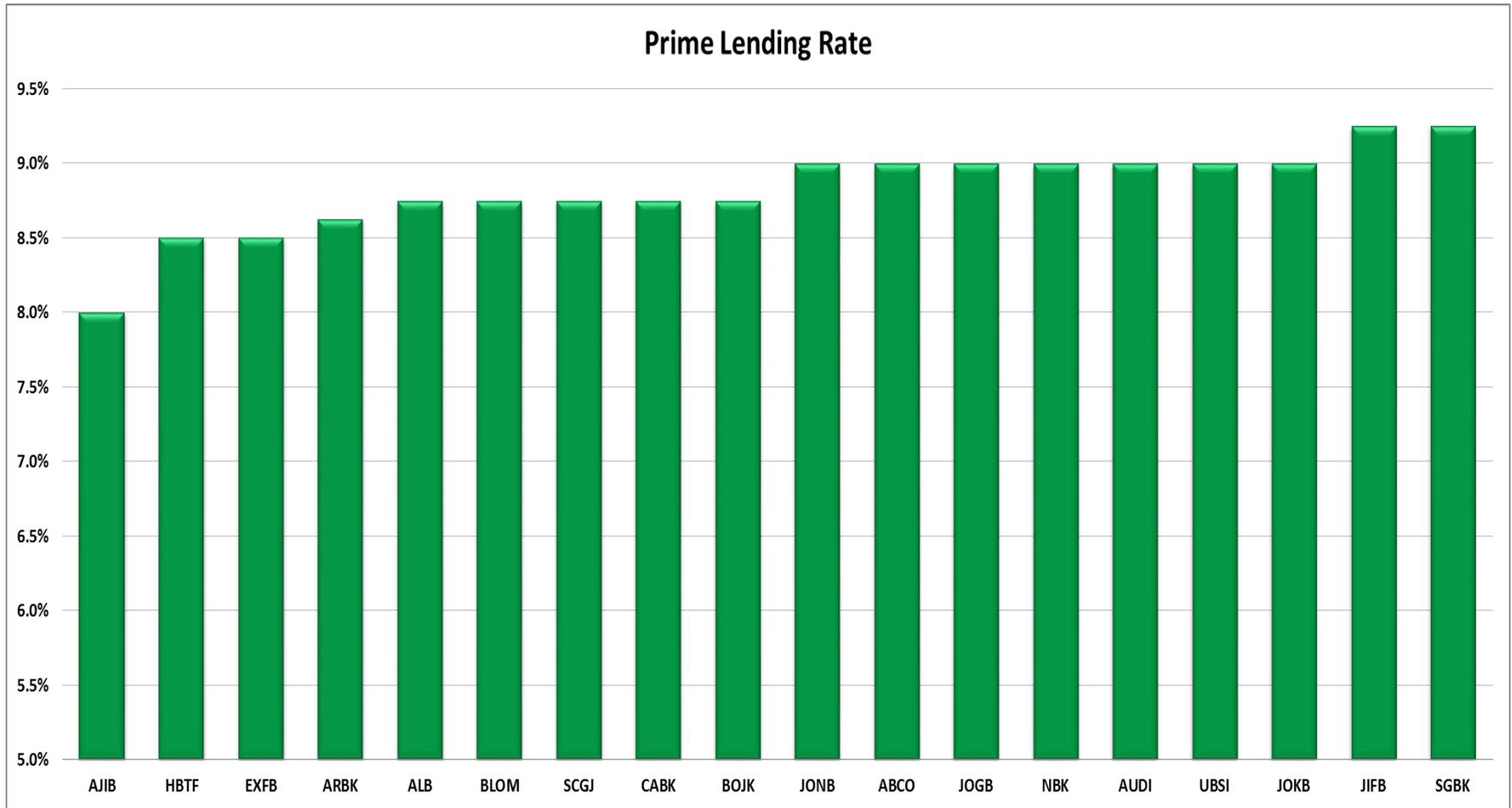
3 months T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last issued in December 2011	14/12/2011	14/03/2012	50	2.898%
6 months T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last issued in February 2012	14/02/2012	14/08/2012	50	3.788%
9 months T-Bills	Issue Date	Maturity Date	Size - 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 (%)
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%
07/2014	25/08/2014	25/08/2015	75	3.257%

Jordan Debt Monitor

Latest T-Bonds Issues

2 years 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 years 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 years T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T8214	12/11/2014	12/11/2019	50	5.581%
T7314	16/10/2014	16/10/2019	75	5.533%
T7014	30/09/2014	30/09/2019	50	5.507%
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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