

Weekly Economic Monitor

June 28, 2015

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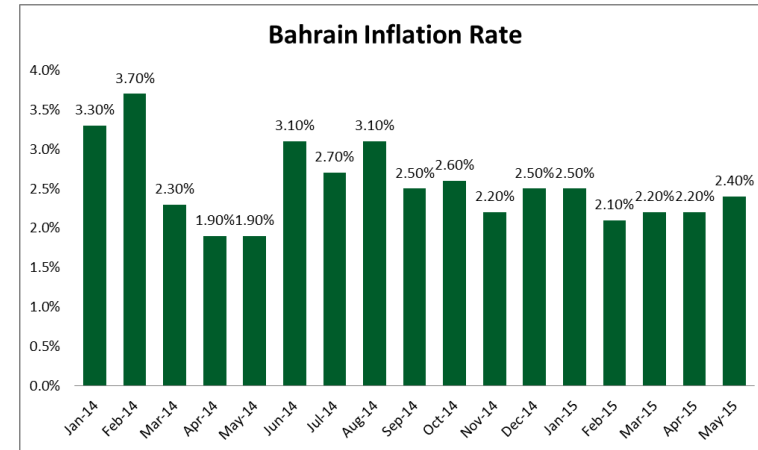


Regional

GCC Economic Highlights:

Bahrain: Inflation registers 2.4% in May

- According to figures released by the Central Informatics Organization, the inflation rate grew by 2.4% in May 2015 when compared to May 2014, up from 2.2% in April.
- The increase in inflation was attributed to higher prices in most commodities and services except for transport group prices and recreation and culture group prices, which dropped by 0.1% and 2.5% respectively.
- Meanwhile, the most important commodities and services faced increase in their prices such as housing, water, electricity, gas, and other fuels by 7.7%, food and non-alcoholic beverages 2.9%, alcoholic beverages 6.6%, and health care services 4.8%.
- On the other hand, when compared to April, inflation increase by 0.2%, mainly as a result of an increase in food and non-alcoholic beverage prices by 1.5%.
- Throughout the GCC, it seems that a stronger U.S. dollar is helping place downward pressure on inflation.
- This along with the drop in oil prices should push government to introduce needed energy reforms.

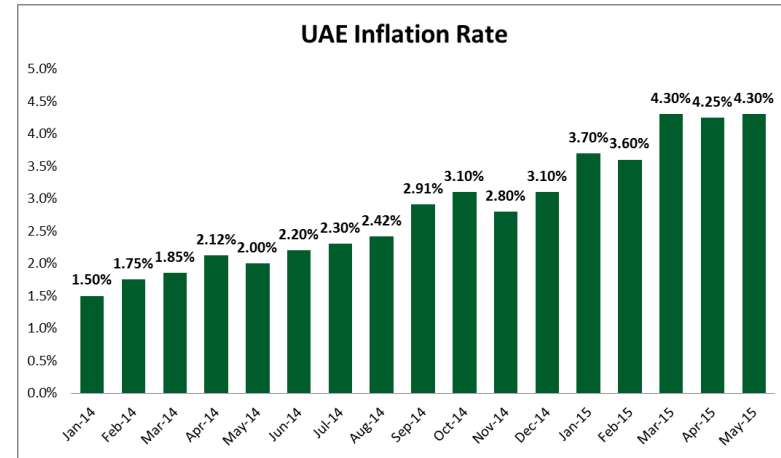


Source: Trading Economics

GCC Economic Highlights:

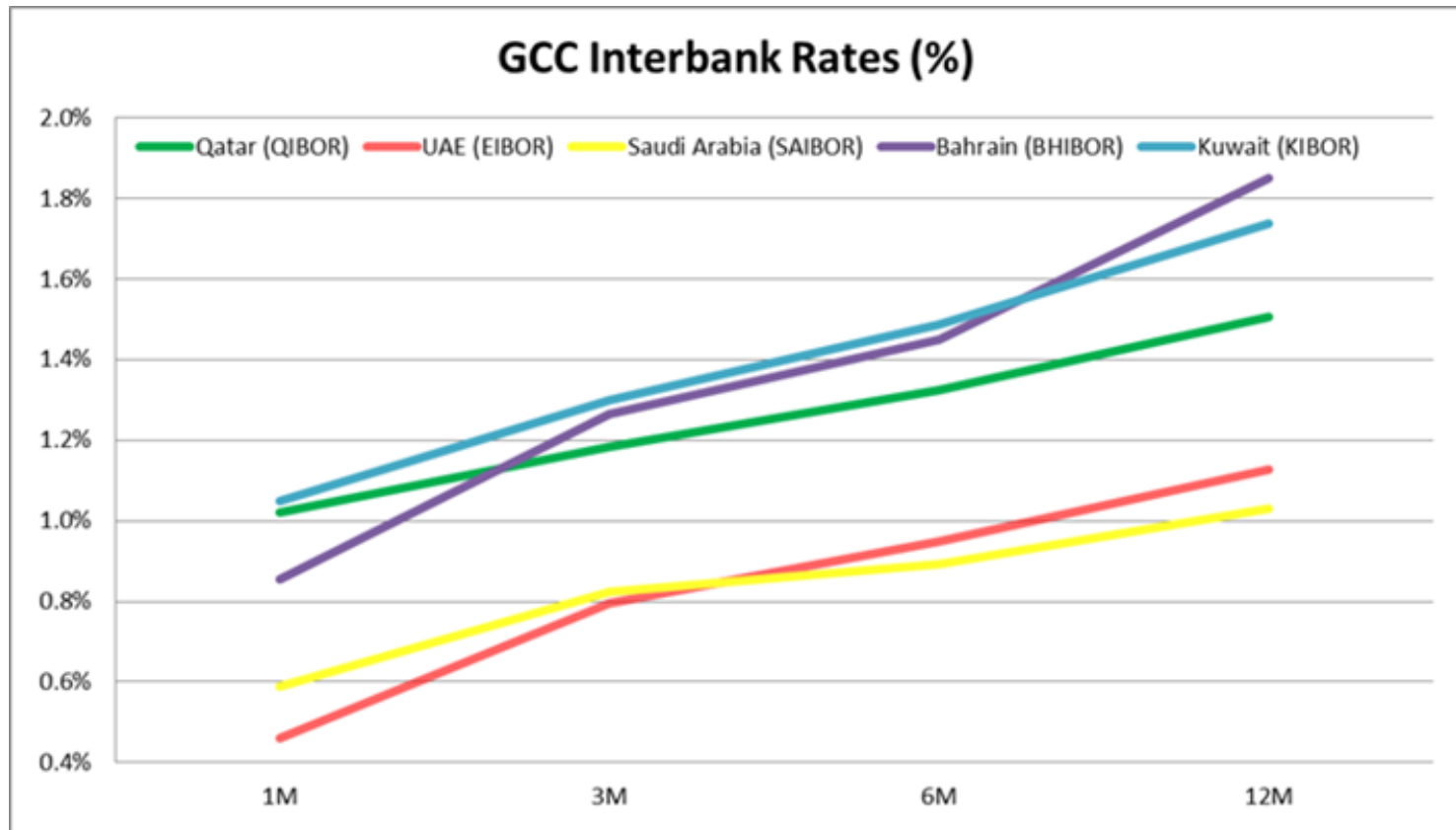
UAE: Non-oil exports and imports retreat in April

- According to figures released by the UAE's National Bureau of Statistics, the inflation rate grew by 4.3% in May 2015 when compared to May 2014, up from 4.25% in April.
- The increase in inflation was attributed to higher prices in all commodities and services except for communications, textiles clothing and footwear, and recreation and culture groups, whose prices dropped 0.07%, 2.38% and 0.19%, respectively.
- Meanwhile, housing prices rose by 9.38% when compared to May 2014, while furniture and household goods prices rose 2.5%. Beverage and tobacco prices rose 3.3% over the same time period, while food prices rose 1.43%.
- Experts said that the removal of the rental cap in November 2013 pushed many residents to start purchasing property rather than renting, therefore boosting the sales segment. This has helped cancel out the recent impact of falling oil prices on inflation.
- Meanwhile, the expectations regarding the real-estate sector is that the overall volume of business is going to grow by 10%-20% compared to last year, which will keep upward pressure on inflation.



Source: Trading Economics

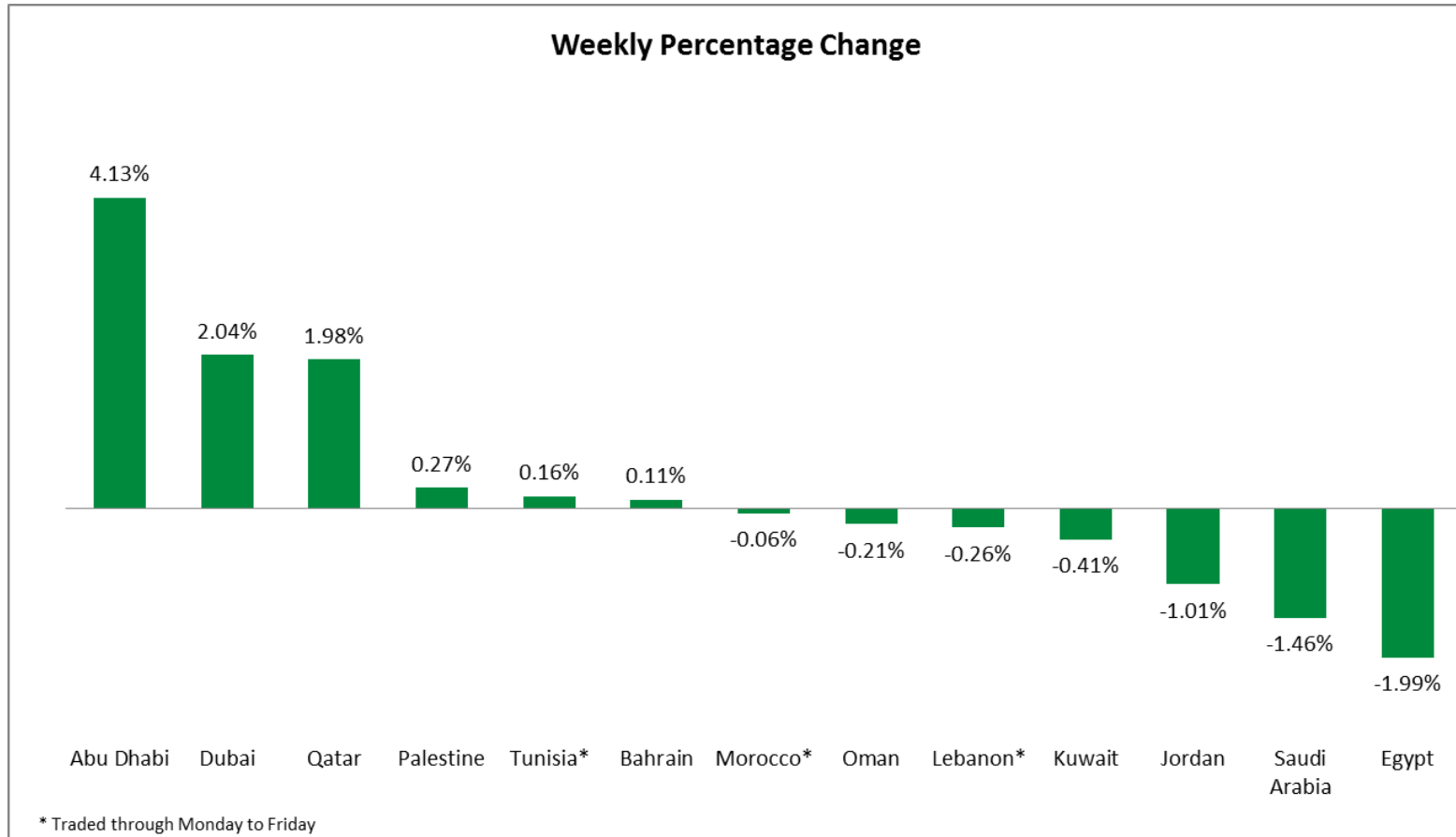
GCC interbank rates



Source: Bloomberg

Comparative MENA Markets

June 21, 2015 – June 26, 2015



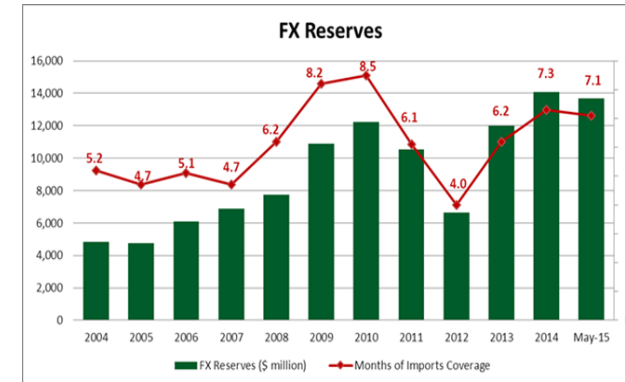
Source: Bloomberg



Jordan

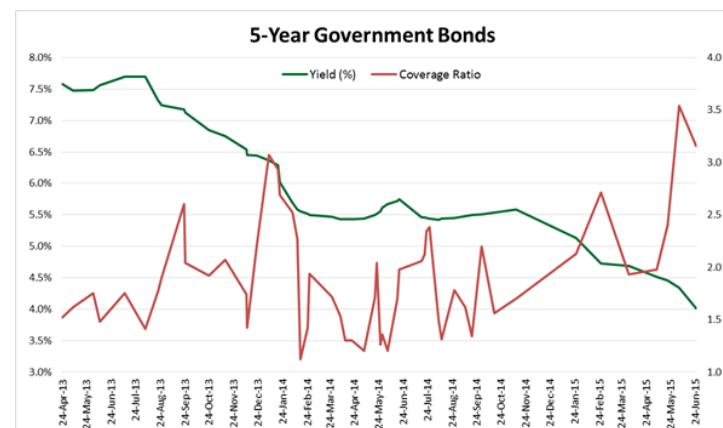
Jordan successfully issues \$1.5 billion Eurobond

- On Thursday, the Jordanian government was successful in issuing a total of \$1.5 billion in Eurobonds in international markets under the U.S. government guarantee at around 25-50 basis points above U.S. Treasuries.
- Jordan issued a \$1 billion 7-year bond at 2.58% and \$0.5 billion 10-year bond at 3.00%, both garnering a coverage ratio of above 300%, indicating high appetite in international markets.
- The latest issuances are expected to boost FX reserves by the same amount of \$1.5 billion. FX reserves registered \$13.7 billion at the end of May of this year, enough to cover more than 7 months of imports.
- The Eurobond is expected to boost excess liquidity levels in the banking system, which is already at high levels of around 3.9 billion JD. Meanwhile, the issuance will provide cheap external funding to the government, meaning that the government will not need to borrow heavily from domestic sources during the remainder of the year.
- All of the factors above are expected to add to downside pressure on interest rates.
- The government is expecting other inflows over the short-term such as the IMF loan of \$400 million. Meanwhile, the government is also expected to issue a \$500 million non-guaranteed bond in Q4 of this year in international markets, though this has still not been confirmed. On the other hand, a \$750 million Eurobond issued 5-years ago matures in November of this year.



Bond yields continue to drop, across all durations

- Jordanian government bond yields continued to drop, as 3-year government bond yields dropped to reach 3.197% and 5-year government bond yields dropped to 4.014%. Meanwhile, coverage ratios for all government bonds remained high above 250%.
- The significant drop highlights the drop in the government's need to borrow coupled with high levels of liquidity in the banking system, and indicates a low interest rate environment with historically low yields.
- 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 3.9 billion JD (including 1 billion JD weekly CDs), leading to downward pressure on rates.
- Looking ahead, yields could drop further, as the government issued a \$1.5 billion Eurobond in international markets on Thursday. 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.



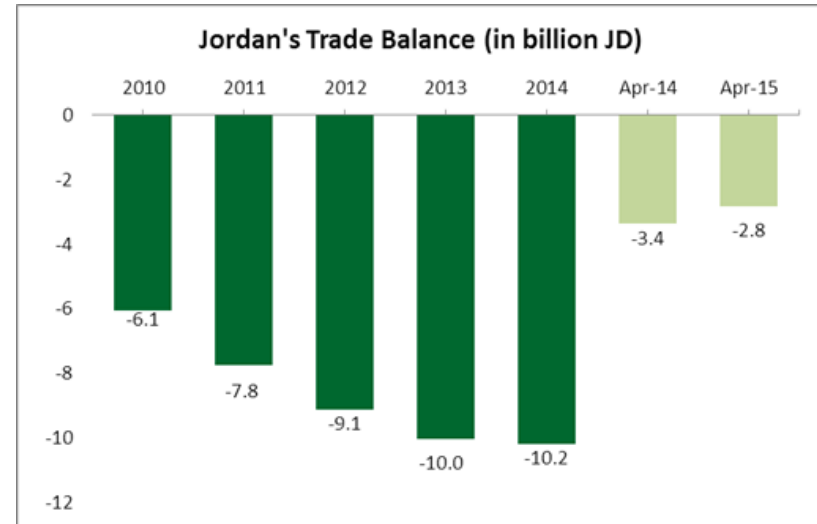
	Rate at end of 2014	Current rate	Latest Issuance	Change during 2015
1-year	3.45%	2.75%	5 th Feb	-70bp
2-year	4.24%	2.75%	18 th Jun	-149bp
3-year	4.74%	3.20%	23 rd Jun	-154bp
5-year	5.58%	4.01%	25 th Jun	-157bp

IMF releases review of Jordanian economy

- The IMF released its seventh and final-review under the stand-by arrangement with Jordan, which makes available \$400 million of a \$2 billion total under the agreement.
- In the report, the IMF acknowledged that Jordan is operating in a difficult regional environment, especially in Syria and Iraq, which is resulting in disruptions to trade routes, less tourism, and a hesitant investment sentiment.
- The IMF noted that since the program started three years ago, the government has implemented macroeconomic policies that have contributed to stabilizing the economy and help it sustain severe external shocks and rebuilt international reserves to an adequate level.
- It added that growth is gradually picking up, inflation is contained and the current account deficit is narrowing. Meanwhile, a fuel subsidy reform as well as energy and water sector reforms contributed to a substantial decline in fiscal imbalances, ensuring that public debt will stabilize this year and start declining in 2016.
- For 2015, the IMF pointed out that intensified regional conflicts have affected exports, tourism, and investor sentiment and could slow economic growth. Meanwhile, the combined public deficit is projected at 3.5% of GDP, the current account deficit at 7.6% of GDP, and reserves at 7 months of imports.
- The IMF expects GDP to grow by 3.5% in 2015, down from 3.8% forecast in April, and said it could be closer to 3% if the recovery in confidence and tourism takes more time than anticipated.

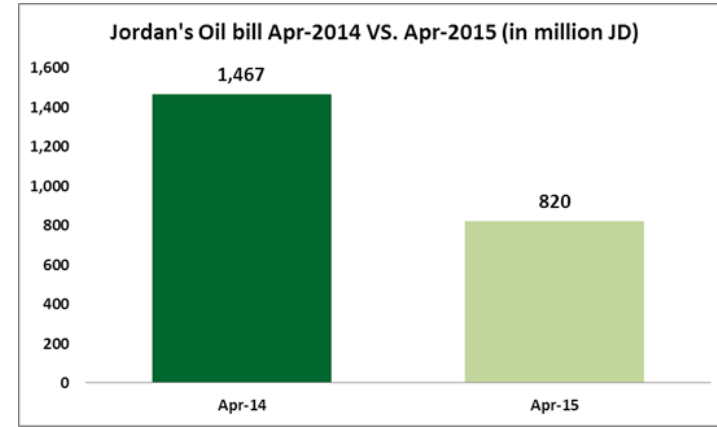
Trade deficit narrowed by 15.7% in the first four months of 2015

- The Department of Statistics released figures showing that Jordan's trade deficit narrowed by JD 526 million or 15.7% during the first third of 2015 to reach JD -2,835 million compared to JD -3,361 for the same period in 2014.
- All exports, imports, and re-exports decreased over the same time period, as national exports decreased by 13.7% and imports decreased by 14.3%, while re-exports decreased by 2.2%.
- Total exports decreased to JD 1,718.0 million in the first third of 2015 from JD 1,954.9 million for the same period in 2014, as intensifying political instability in the region weighs further on Jordan's main exports.
- Fertilizer exports decreased sharply by 45 %, fruit and vegetable exports decreased by 37.1%, potash exports decreased by 14.7%, phosphate exports decreased by 10.7%, and pharmaceutical exports decreased by 19.7%. Meanwhile, clothes exports increased by 11.1%.



Oil imports down 44% during first four months of 2015

- On the other hand, imports decreased to reach JD 4,553.5 million in the first third of 2015 from JD 5,315.9 million for the same time period in 2014.
- The decrease is a result of a decrease in metal and its products imports by 16.6 %, a decrease in plastic imports by 9.3%, while machinery and machinery equipment imports rose 18.5%, vehicle imports rose by 12.3%, and electrical machinery and their parts rose by 3.4% .
- Most significantly, crude oil imports have decreased by 44 % to reach JD 820 during the same period from JD 1,466.7 million over the same time period in the previous year, likely due to a drop in international oil prices over the same time period.
- A more detailed look at Jordan's monthly oil bill reveals that oil imports in April 2015 were down by 61% when compared to March 2014:
- Looking ahead, the sustained drop in oil prices is expected to continue to reflect positively on the trade balance in 2015, which will help offset the significant drop in exports.



Jordan Debt Monitor

Latest T-Bills

- As of June 28, the volume of excess reserves, including the overnight window deposits held at the CBJ JD (2914) million.

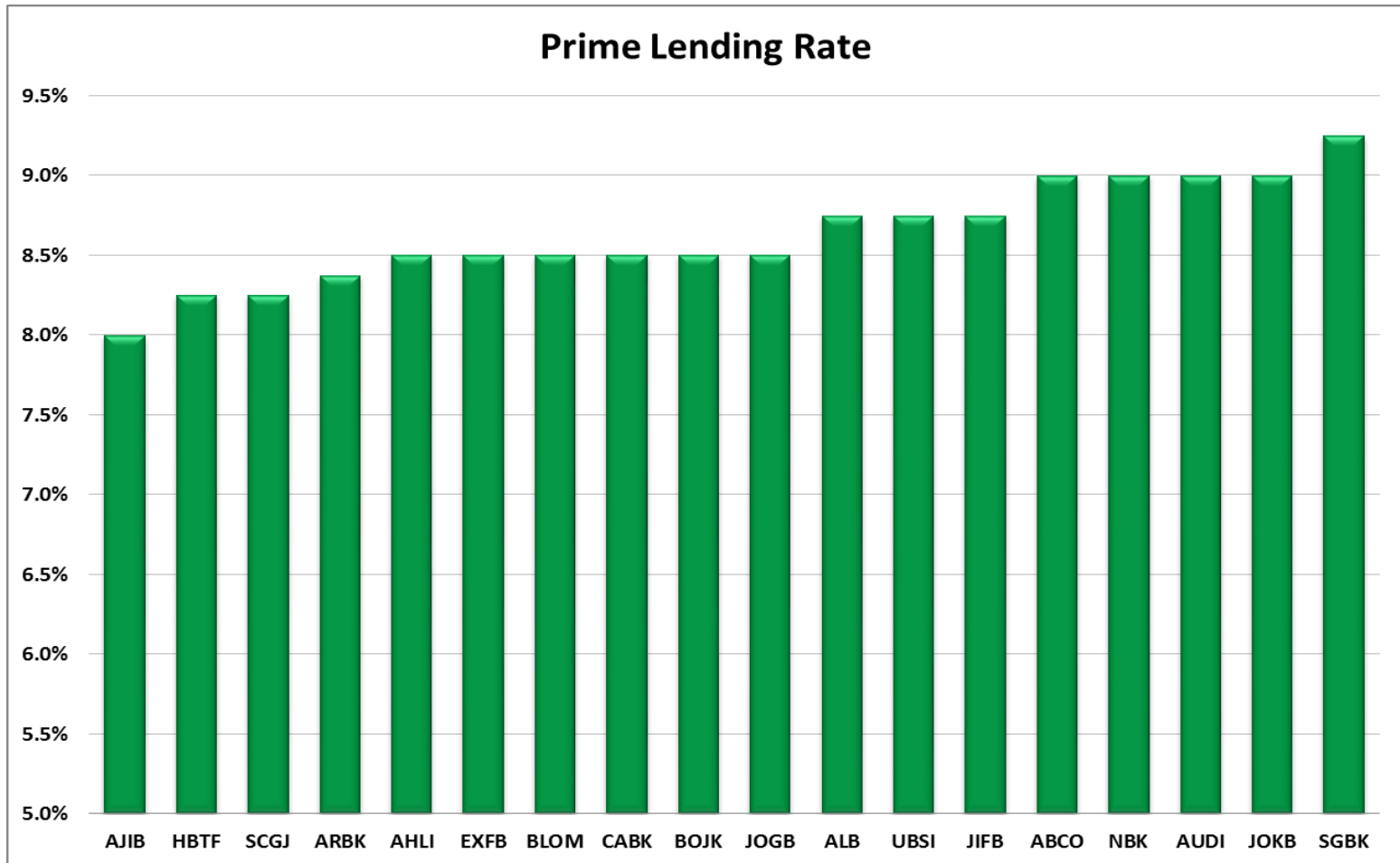
1-week CDs	Issue Date	Maturity Date	Size - million	Yield (%)
21/2015	23/06/2015	30/06/2015	1,000	2.500%
20/2015	16/06/2015	23/06/2015	1,000	2.500%
19/2015	09/06/2015	16/06/2015	1,000	2.500%
18/2015	02/06/2015	09/06/2015	1,000	2.500%
3-month T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last 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 (%)
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 (%)
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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