

# Weekly Economic Monitor

October 26, 2014

# Brief Overview

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- [Trade deficit up 4.1% during first eight months of 2014; Oil bill up 18.7%](#)



### Markets overview

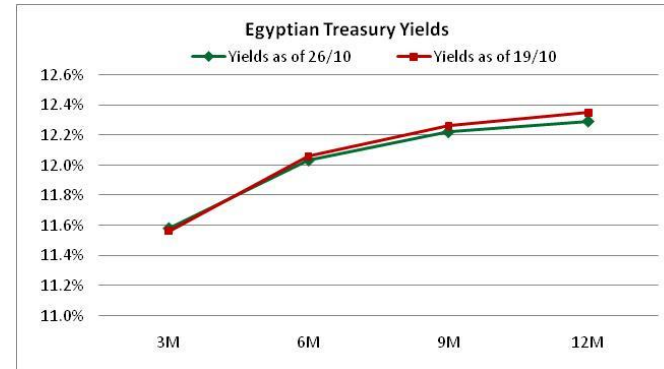
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**Regional**

# Egypt: Moody's raises Egypt's outlook to stable on political stability

- Egypt's T-bill yields remained largely unchanged last week despite Moody's raising Egypt's outlook to stable from negative on better political stability and improved growth.
- However, Moody's refrained from upgrading the credit rating, keeping it at Caa1, saying government's finances are still too weak.
- Moody's added that the government initiatives of reforms, including plans to lift fuel and electricity subsidies, and shifting to value-added tax system from a goods and services tax have helped improve the outlook.
- Meanwhile, a constitutional referendum and presidential elections held this year, and parliamentary elections likely to be held in 2015 helped improve the political outlook.
- Egypt's economy grew by 3.7% in the second quarter of this year, up from 2.5% in the previous quarter, indicating domestic investors are showing confidence in the economy.
- In other news, Egypt is starting to consider \$1.5 billion international bond in the absence of other foreign sources of funds. Egypt's Finance Minister said that the government is open to negotiate with the IMF, but said that they will first go with international markets to "test the markets".

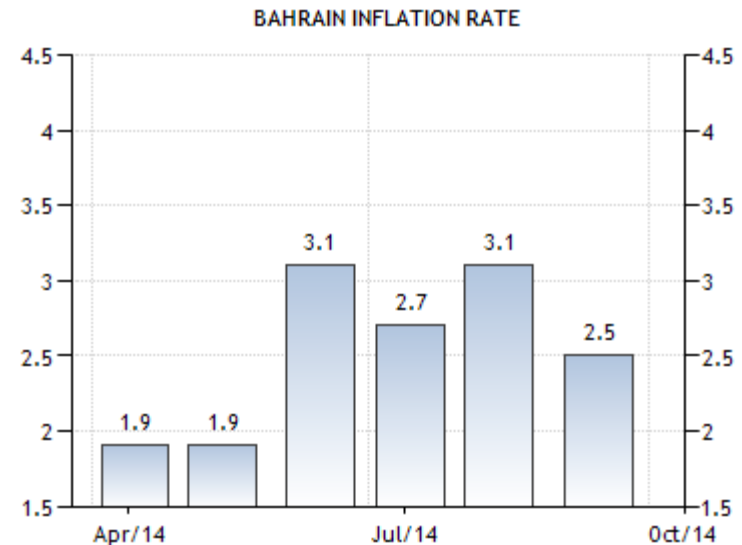


Source: Bloomberg

# GCC Economic Highlights:

## *Bahrain: Inflation down to 2.5% in September*

- According to figures, Bahrain's Central Informatics Organization, the consumer price index increased by 2.5% in September 2014 when compared to the same time period in 2013, down from 3.1% in August.
- Health care services prices led the increase in inflation as prices in this group grew by 6.6% when compared to September of 2013.
- Housing, water, electricity, gas, and other fuels group prices grew by 5.2% over the time period. Inflation throughout the GCC has been driven by increasing house prices.
- Meanwhile, price of food and non-alcoholic beverages and education prices rose by 3.2%, followed by alcoholic beverage and tobacco prices, which grew 2.9%.
- Meanwhile, transport group prices rose by 1.1%, while miscellaneous goods and services group prices rose by 1.7%.
- Moreover, the CPI increased by 0.6% in September when compared to August, driven by health care and education prices.
- The IMF expects inflation to reach around 2.5% in 2014.

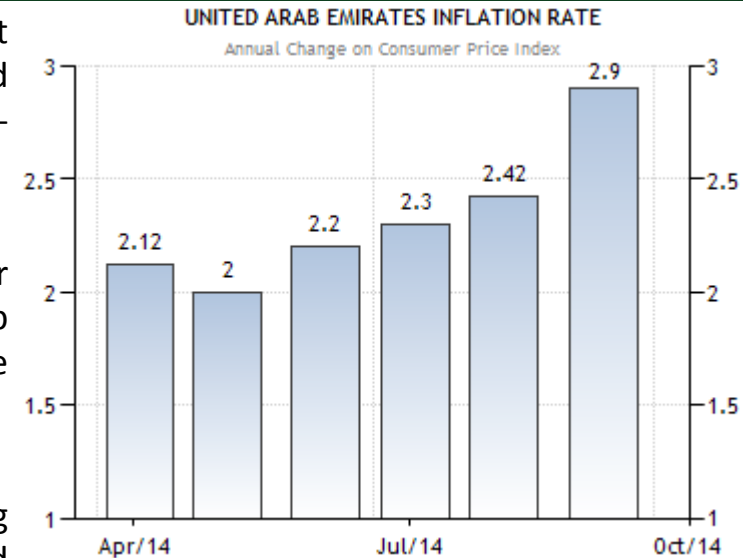


Source: Trading Economics

# GCC Economic Highlights:

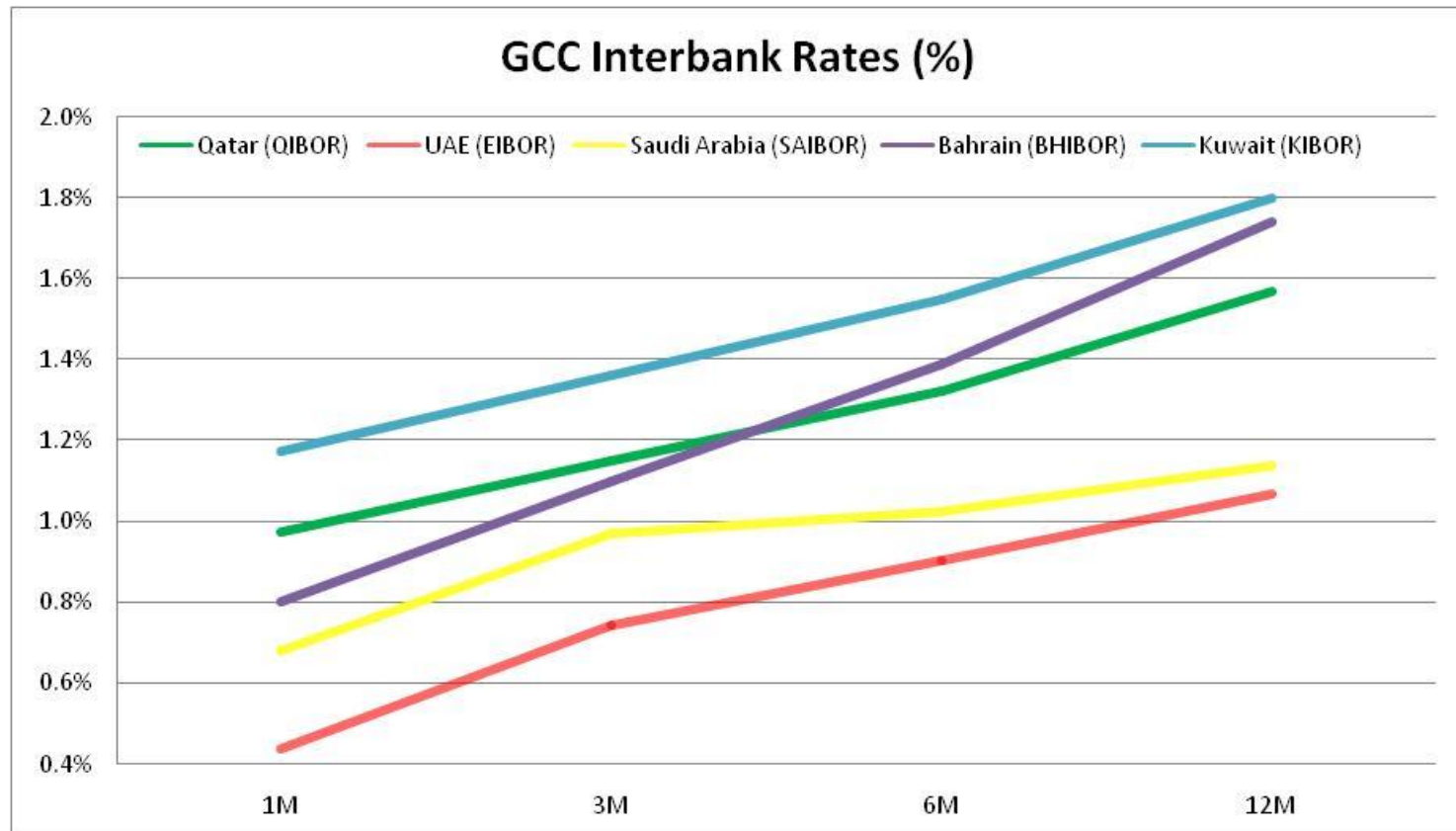
## *UAE: Inflation up to 2.9% in September – 5 year high*

- Data released by the UAE's National Bureau of Statistics show that inflation in the UAE reached 2.9% in September 2014 when compared to September 2013, steadily rising since May and registering a new 5-year high. Meanwhile, inflation rose by 0.93% on a monthly basis.
- Housing and utility costs, which make up more than 39% of consumer expenses, accounted for the majority of the price rises as they were up by 4.12% when compared to September of 2013. Meanwhile, furniture and household goods price rose by 4.76%.
- Analysts attributed the rise to housing prices is due to an increasing population and per capita income, resulting in both cost-push and demand-pull inflation. Meanwhile, the removal of a cap on annual rent increase in Abu Dhabi has also helped push housing costs up.
- Separate data showed that rental and sales prices in Dubai fell in the third quarter, though that has not been reflect in official data.
- Meanwhile, education prices were up 4.01%, while beverages and tobacco prices went up 4.79%. Food and soft drink prices were up by 2.48% when compared to the same time period last year.
- The IMF expects inflation to reach 2.2% in 2014 in the UAE, though this seems unlikely given the spike in inflation.



Source: Trading Economics

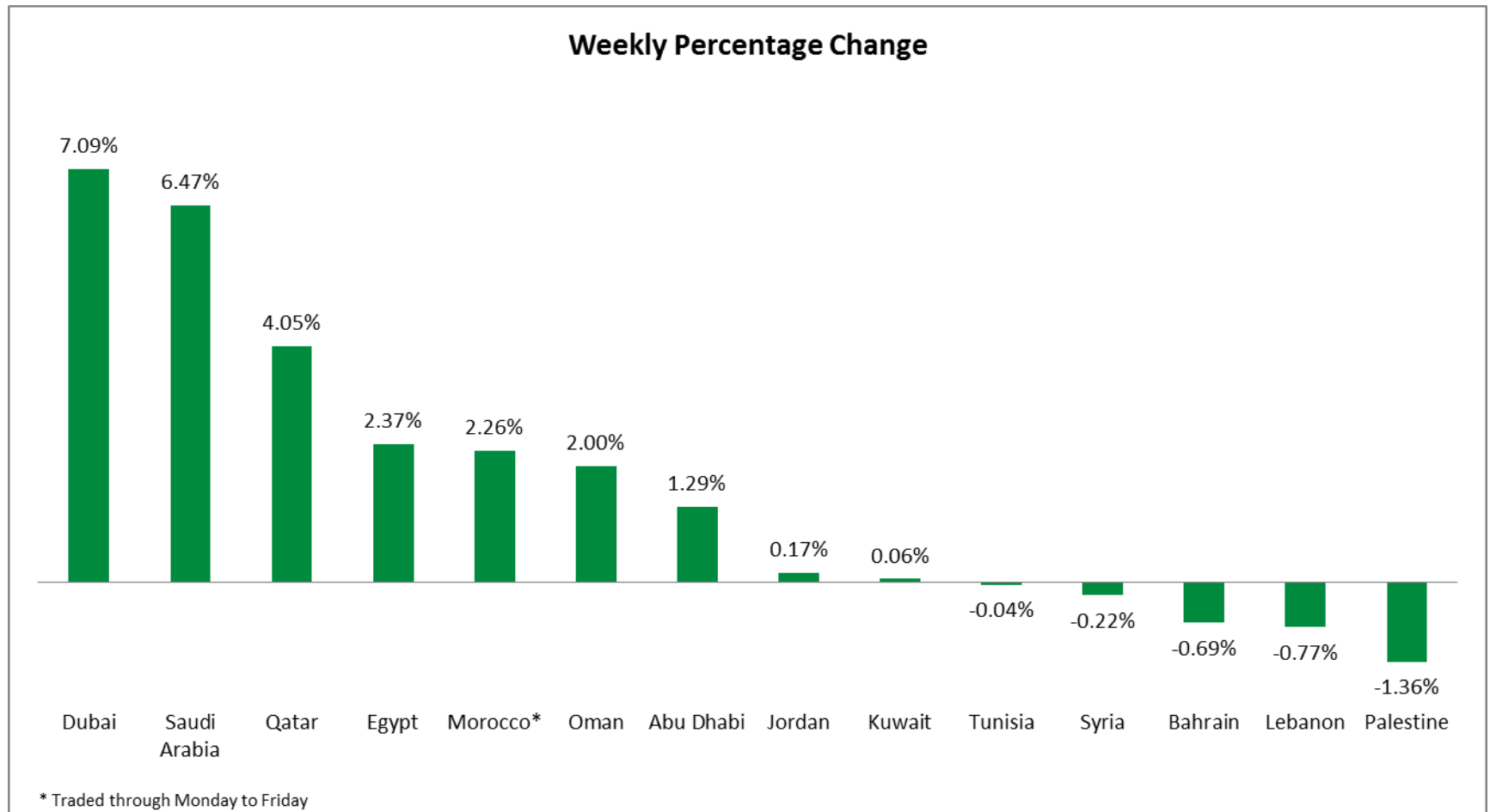
# GCC interbank rates



Source: Bloomberg

# Comparative MENA Markets

## For the period October 19 – October 24







**Jordan**

# Budget deficit widens in the first eight months of the year

- The budget balance deteriorated in the first eight months of the year compared to the same period the previous year, with a deficit of JD 591 million compared to last year's deficit of JD 492 million.
- The deficit figure seems to be underperforming official forecasts for the 2014 budget, as the fiscal deficit including grants is expected to narrow compared to the previous year.
- The deficit could narrow in the coming months as foreign grants are committed, though it is better to remain cautious seeing that it is the norm for the budget balance to deteriorate further towards the end of the year.
- Total revenues and grants increased by around JD 490 million in the first eight months of the year, as a result of an increase of JD 546 million in domestic revenues and a JD 56 million decrease in foreign grants for the same period.
- While foreign grants decreased JD 56 million compared to the previous year, grants increased by JD 139 million in August. This could indicate that more grants will be committed in the coming months.
- Total expenditures increased by around JD 589 million for the same period, due to a JD 498 million increase in current expenditures (mainly from increases in interest payments, social benefits, and military expenditures), and an increase of JD 91 million in capital expenditures.

JD Million	Jan - Aug 2014	Jan - Aug 2013
<b>Total Revenues and Grants</b>	<b>4,378.3</b>	<b>3,888.2</b>
Domestic Revenue	3,909.2	3,363.6
Foreign Grants	469.1	524.6
<b>Total Expenditures</b>	<b>4,969.3</b>	<b>4,380.6</b>
Current Expenditures	4,415.4	3,917.7
Capital Expenditures	553.9	462.9
<b>Fiscal Deficit/Surplus Including Grants</b>	<b>-591.0</b>	<b>-492.4</b>
<b>Fiscal Deficit/Surplus Excluding Grants</b>	<b>-1,060.1</b>	<b>-1,017.0</b>

Source: Ministry of Finance

JD Million	2014 Budget	2013
<b>Total Revenues and Grants</b>	<b>6,982.0</b>	<b>5,758.3</b>
Domestic Revenue	5,831.0	5,118.9
Foreign Grants	1,151.0	639.3
<b>Total Expenditures</b>	<b>8,096.4</b>	<b>7,065.0</b>
Current Expenditures	6,827.8	6,045.8
Capital Expenditures	1,268.6	1,019.0
<b>Fiscal Deficit/Surplus Including Grants</b>	<b>-1,114.4</b>	<b>-1,306.5</b>
	(-4.3% of GDP)	(-5.4% of GDP)
<b>Fiscal Deficit/Surplus Excluding Grants</b>	<b>-2,265.4</b>	<b>-1,945.8</b>
	(-8.7% of GDP)	(-8.1% of GDP)

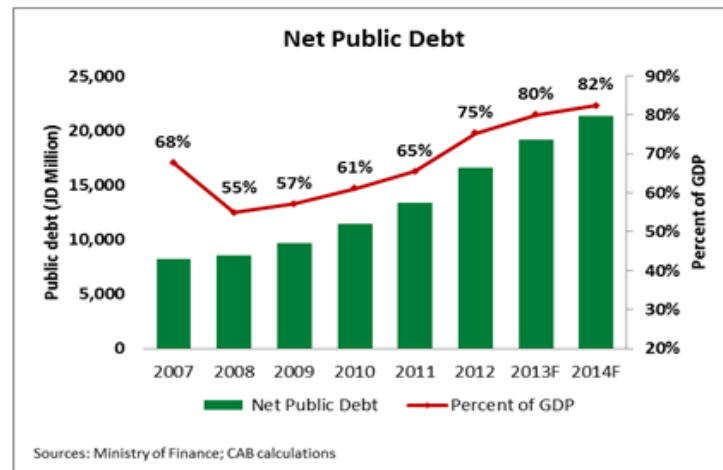
Source: Ministry of Finance/General Budget Department

# Public debt reaches 20.4 billion JD

- Meanwhile, the fiscal balance before grants resulted in a budget deficit of JD 1,060 million during the first eight months of 2014, compared to a budget deficit of JD 1,017 million during the same period of last year; an increase of around JD 43 million.
- This increase reverses the narrowing deficit trend witnessed over the past few months.
- Furthermore, net public debt reached around JD 20.4 billion by the end of August, around 79.7% of 2014 GDP according to the Ministry of Finance's calculations, increasing by around JD 1.30 billion.
- External debt increased by around JD 1.07 billion, while net domestic debt increased by around JD 232 million for the same period.
- Net public debt hit the 80% of GDP ceiling at the end of 2013, with projections that it will reach around 83% by end of 2014.

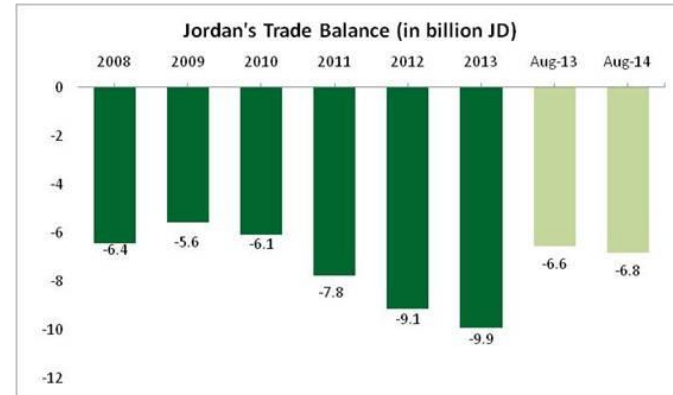
JD Million	Aug 2014	2013	2012
<b>External Debt</b>	<b>8,302.1</b>	<b>7,234.5</b>	<b>4,932.4</b>
Percent of GDP	32.4%	30.3%	22.5%
<b>Internal Debt</b>	<b>12,094.0</b>	<b>11,862.0</b>	<b>11,648.0</b>
Percent of GDP	47.3%	49.7%	53.0%
<b>Public Debt</b>	<b>20,396.1</b>	<b>19,096.5</b>	<b>16,581.0</b>
<b>Percent of GDP</b>	<b>79.7%</b>	<b>80.1%</b>	<b>75.5%</b>

Source: Ministry of Finance



# Trade deficit up 4.1% annualized during first eight months of 2014

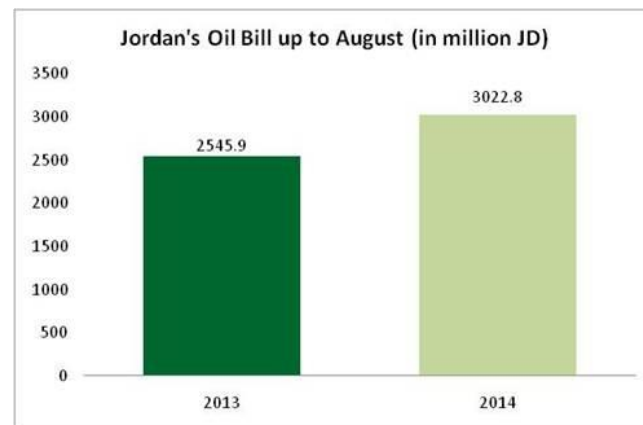
- The trade balance stands at JD -6,823.1 million for the first eight months of 2014, compared to JD -6,551.8 million for the same time period in 2013.
- Both exports and imports grew over the same time period, as exports grew by 5.9% while imports grew at a slower pace of 4.8%. It is important to note that national exports actually grew by 7.0% over the same time period and re-exports dropped by 0.1%.
- Total exports grew to JD 3,931.0 million from JD 3,711.2 million for the time period, as fertilizer exports continued growing this year, up by 37% following sluggish export levels in 2013, fruit and vegetable exports grew 15.8%, pharmaceutical exports grew by 0.3%, and clothes exports grew 13.4%.
- Meanwhile, phosphate exports increased by 9.6% over the time period, after fluctuating during the beginning of the year. On the other hand, potash exports continued declining as they dropped by 15.9%, following already low levels of exports in 2013.
- Meanwhile, imports grew to reach JD 10,754.1 million from JD 10,263.0 million for the same time period. The increase is a result of an increase in machinery and machinery equipment imports by 11.2%, and vehicles and motorcycles imports grew by 21.8%. On the other hand, electronics imports plummeted by 33.8% after they witnessed huge import levels in 2013, while metal and its products imports dropped 23.2%.



Source: Department of Statistics/Central Bank of Jordan

# Oil bill up 18.7% to reach 3.02 billion JD

- Most significantly, crude oil imports, which make up more than one quarter of total imports, increased by 18.7% to reach JD 3,022.8 million from JD 2,545.9 million over the time periods.
- A more detailed look at Jordan's monthly oil bill reveals that oil imports in August 2014 were up by almost 15% when compared to August 2013, while international oil prices were down by around 6.4% over the same time period, which could indicate persistently low levels of Egyptian gas inflows from Egypt for the month of August and since the beginning of the year.
- 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**

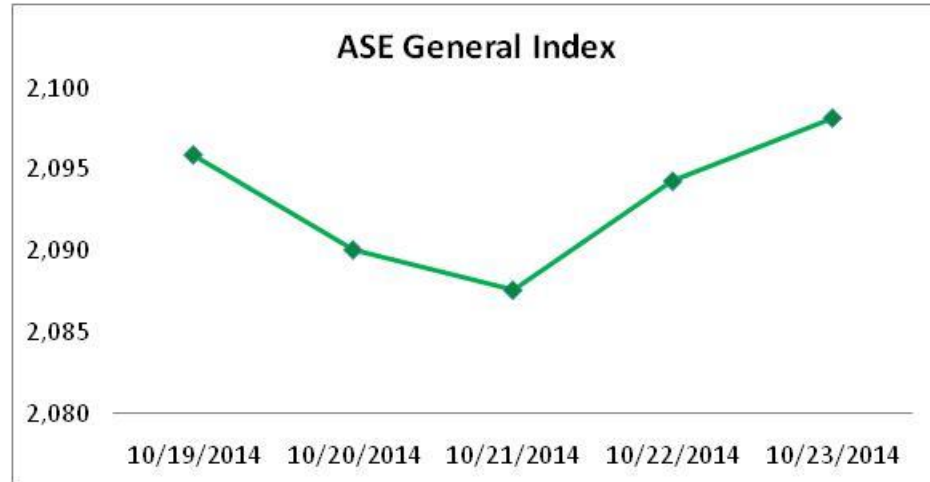
Month	2013	2014	Nominal Change
January	262.8	404.6	+141.8
February	416.9	264.4	-152.5
March	359.5	319.1	-40.4
April	238.9	478.6	+239.7
May	250.1	370.6	+120.5
June	251.4	427.5	+176.1
July	424.0	365.3	-58.7
August	342.3	392.7	+50.4
<b>Total</b>	<b>2,545.9</b>	<b>3,022.8</b>	<b>+476.9</b>

Source: Department of Statistics

# Amman Stock Exchange

For the period 19/10– 23/10

ASE free float shares' price index ended the week at (2,098.2) points, compared to (2,094.) points for the last week, posting an increase of 0.17%. The total trading volume during the week reached JD(29.6) million compared to JD(43.1) million during the last week, trading a total of (38.7) million shares through (15,751) transactions. The shares of (172) companies were traded, the shares prices of (56) companies rose, and the shares prices of (72) declined.



## Top 5 gainers for the last week

Stock	% chg
Pearl – Sanitary Paper Converting	26.32%
Deera Investment & Real Estate Development Co.	12.82%
Jordan International Investment Co.	7.02%
Union Investment Corporation	5.84%
International Cards Company	5.71%

## Top 5 losers for the last week

	% chg
Shira Real Estate Development & Investments	(12.33%)
Al-Tajamouat for Catering and Housing Co. Plc.	(10.57%)
Jordan Express Tourist Transport	(9.79%)
Specialized Jordanian Investment	(9.30%)
National Cable & Wire Manufacturing	(8.51%)

# Jordan Debt Monitor

## Latest T-Bills

- As of October 26, the volume of excess reserves, including the overnight window deposits held at the CBJ JD(3,736) million.

<b>3 months T-Bills</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Size - million</b>	<b>Yield (%)</b>
Last issued in December 2011	14/12/2011	14/03/2012	50	2.898%
<b>6 months T-Bills)</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Size - million</b>	<b>Yield (%)</b>
Last issued in February 2012	14/02/2012	14/08/2012	50	3.788%
<b>9 months T-Bills</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Size - million</b>	<b>Yield (%)</b>
Last issued in March 2012	04/03/2012	04/12/2012	75	4.285%
<b>1 year T-Bills</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Size - Million</b>	<b>Coupon (%)</b>
<b>09/2014</b>	<b>12/10/2014</b>	<b>12/10/2015</b>	<b>100</b>	<b>3.270%</b>
08/2014	24/09/2014	24/09/2015	75	3.279%
07/2014	25/08/2014	25/08/2015	75	3.257%
06/2014	03/07/2014	03/07/2015	50	3.297%

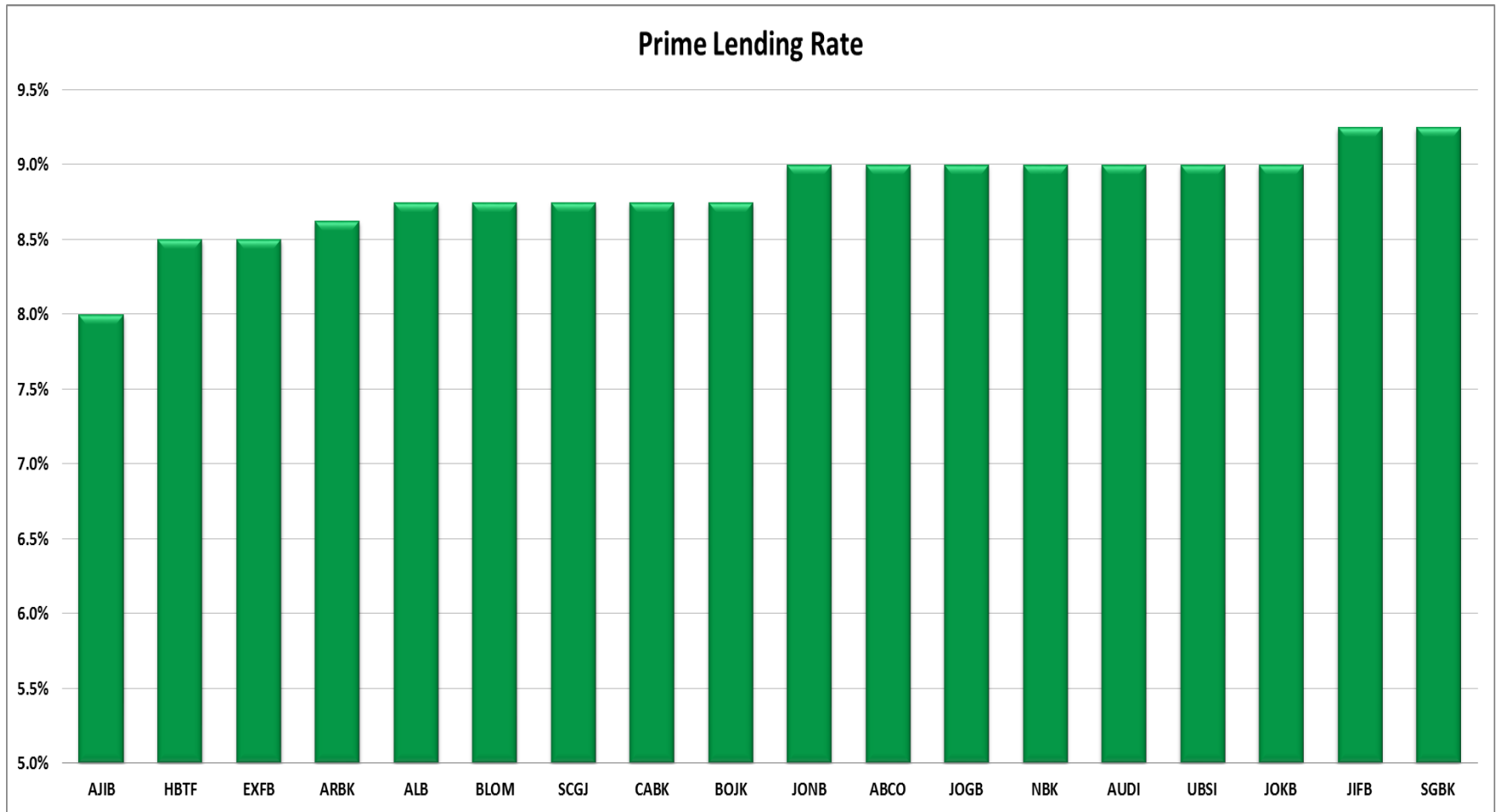
# Jordan Debt Monitor

## Latest T-Bonds Issues

<b>2 years T-Bonds</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Size - million</b>	<b>Coupon (%)</b>
T7614	26/10/2014	26/10/2016	75	3.909%
T7514	22/10/2014	22/10/2016	100	3.876%
T7414	20/10/2014	20/10/2016	75	3.875%
<b>3 years T-Bonds</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Size - million</b>	<b>Coupon (%)</b>
T6814	22/09/2014	22/09/2017	50	4.366%
T6614	16/09/2014	16/09/2017	50	4.339%
T6514	14/09/2014	14/09/2017	50	4.313%
<b>4 year T-Bonds</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Size - million</b>	<b>Coupon (%)</b>
Last issued in January 2012	15/01/2012	15/01/2016	37.5	7.246%
<b>5 years T-Bonds</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Size - million</b>	<b>Coupon (%)</b>
T7314	16/10/2014	16/10/2019	75	5.533%
T7014	30/09/2014	30/09/2019	50	5.507%
T6714	18/09/2014	18/09/2019	100	5.498%
<b>Public Utility Bonds</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Size - million</b>	<b>Coupon (%)</b>
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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