

Weekly Economic Monitor

August 31, 2014

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MENA Region



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Markets overview

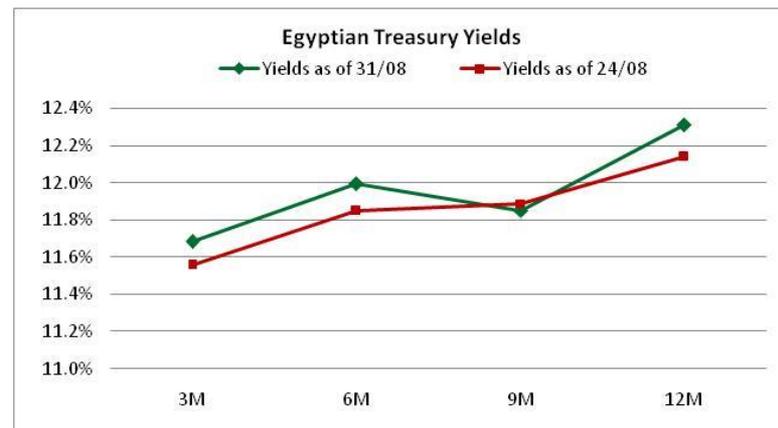
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Regional

Egypt: Borrowing costs up, FX reserves under pressure

- Egypt's T-bill yields rose when compared to last week, while the Egyptian government scrapped a bond auction for the first time this quarter probably due to yields being too high.
- Moreover, there are concerns that banks would drive up borrowing costs as government certificates financing the Suez Canal's expansions provide alternative investments to banks at a fixed annual rate of 12%.
- One analyst added that banks "are adjusting to the risk of increase in their cost of funding as the proposed Suez Canal CDs enter the market."
- In other news, Qatar has requested that Egypt return its \$2.5 billion deposit at the Central Bank of Egypt. Egypt's central bank governor said the central bank will settle \$500 million at the beginning of October and another \$2 billion at the beginning of November.
- Foreign reserves are currently at low levels of around \$16.74 billion in July, which covers less than 3 months of imports.
- However, Egypt might find new sources of funds to help replenish FX reserves, as talks with the IMF might resume while the EU's 500 million EUR is still pending.



Source: Bloomberg

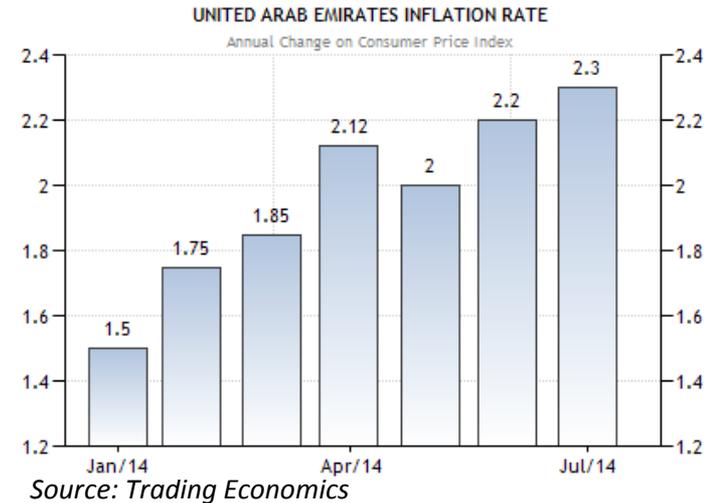


Source: Trading Economics

GCC Economic Highlights:

UAE: Inflation up to 2.3% in July

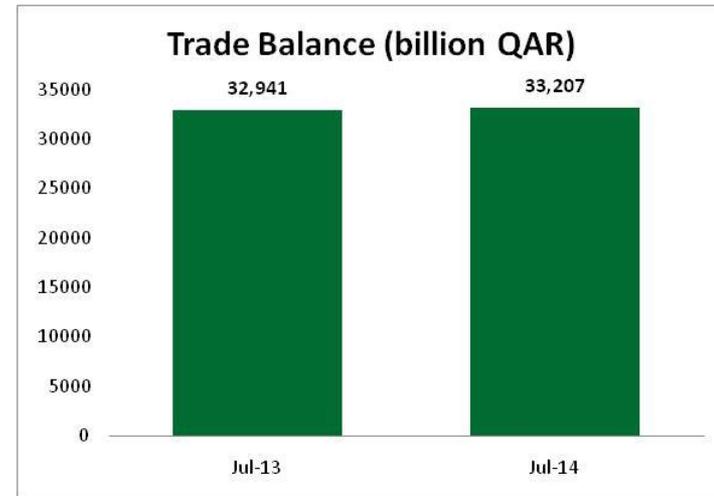
- Data released by the UAE's National Bureau of Statistics show that inflation in the UAE reached 2.3% in July 2014 when compared to July 2013, surpassing the 5 year high of 2.2% that was registered in June. Meanwhile, inflation rose by 0.09% on a monthly basis.
- Housing and utility costs, which make up more than 39% of consumer expenses were up by 2.74% when compared to July of 2013. Meanwhile, furniture and household goods price rose by 4.61%.
- At earlier reports, analysts had pointed out that rising housing costs are having a big effect on inflation, but reports released recently have showed that residential rents have begun to moderate and inflationary pressures are slightly easing in some emirates when compared to previous months this year.
- Moreover, food prices went up by 1.42%, while beverages and tobacco prices went up 4.85% during the holy month of Ramadan.
- Miscellaneous goods and services prices rose the most as they grew by 5.64%, while education prices rose by 4.55% over the same time period.
- The IMF expects inflation to reach 2.2% in 2014 in the UAE.



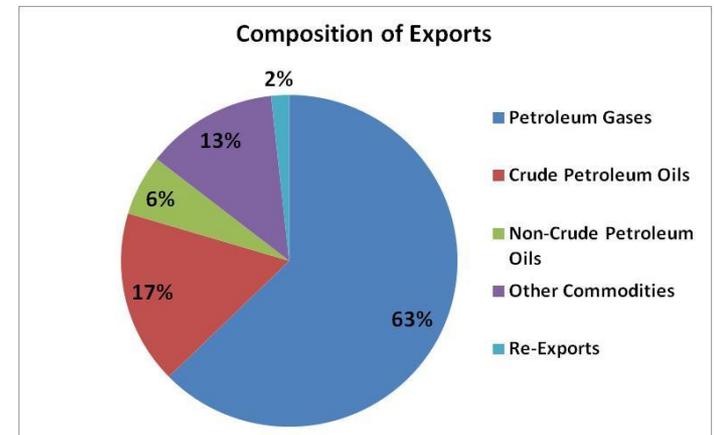
GCC Economic Highlights:

Qatar: Trade surplus up 0.8% to reach 33.21 billion QAR in July

- According to data released by the Qatar's Ministry of Development Planning and Statistics, Qatar's trade balance increased by 0.8% or QAR 0.3 billion in July of 2014 when compared to July of 2013.
- The trade surplus reached 33.21 billion QAR in July of 2014 compared to 32.94 billion QAR in July of 2013.
- The rise in the trade balance is due to exports rising by 0.6% when compared to July of 2013, while imports dropped by 0.3% over the same time period.
- Total exports reached 41.48 billion QAR, as exports of petroleum gases, which make up 63% of exports, were up 1.2% in July of 2014, following previous months of higher growth levels. Meanwhile, crude oil exports dropped 13.8% when compared to June 2013 due to a drastic fall in crude cargoes.
- On the other hand, imports dropped to 8.28 billion QAR from 8.30 billion QAR in July 2013.
- The drop came due to a 1.4% drop in other commodities imports, which make up 84% of imports. However, aircraft spare parts imports and motor cars imports continued rising, as they were up 6.1% and 2.1%, respectively.

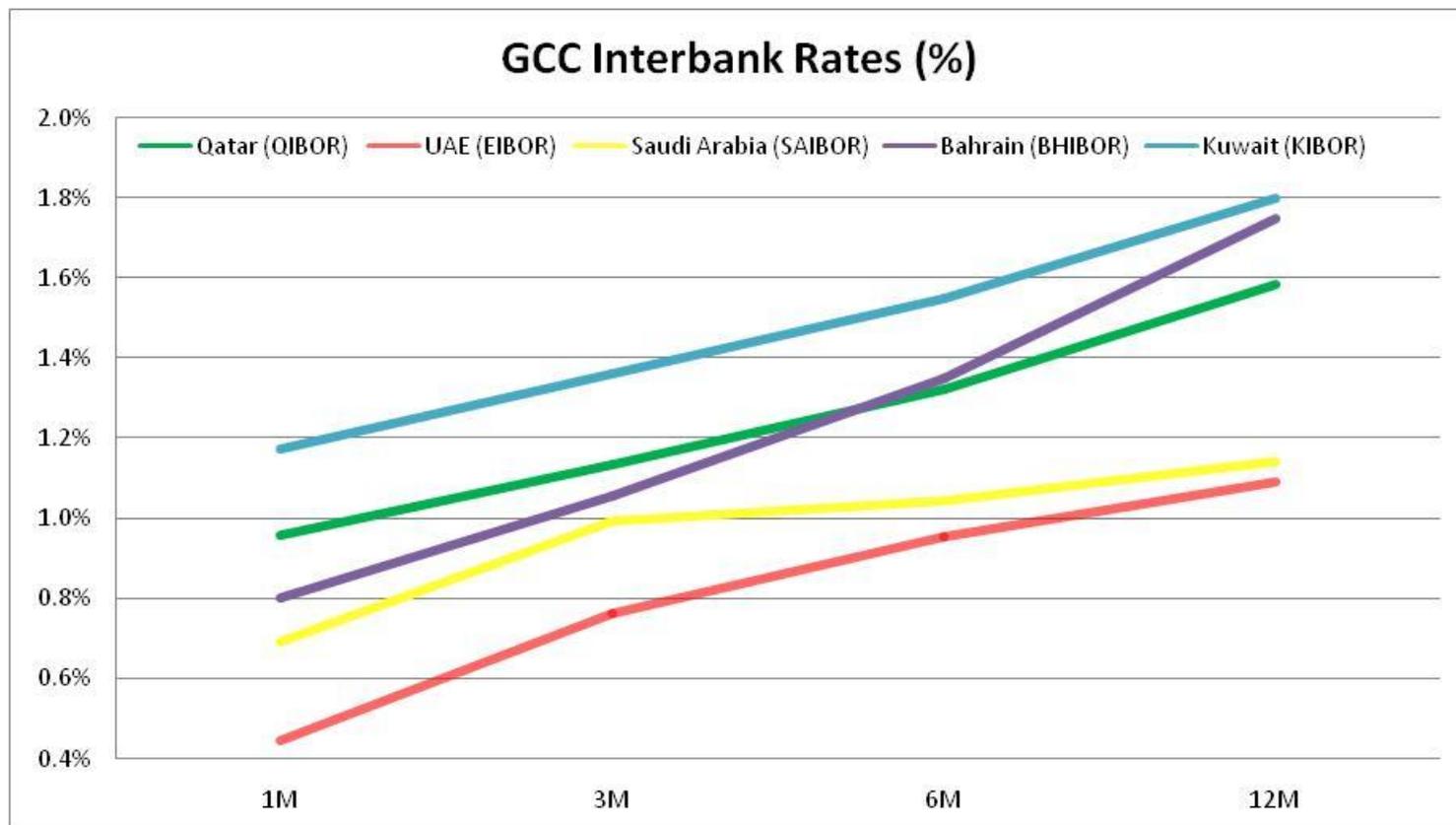


Source: Qatar's Department of Statistics



Source: Qatar's Department of Statistics

GCC interbank rates

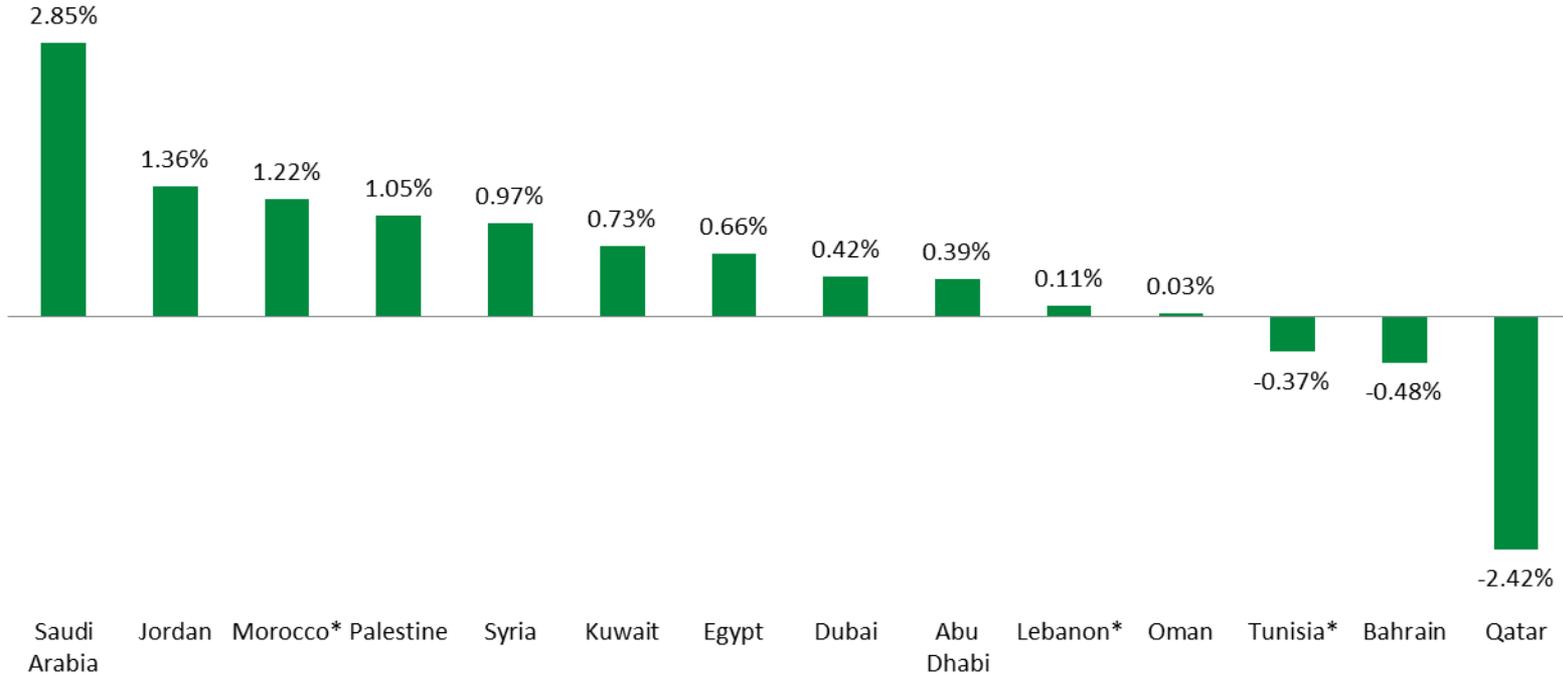


Source: Bloomberg

Comparative MENA Markets

For the period August 24 – August 29

Weekly Percentage Change



* Traded through Monday to Friday



Jordan

Budget deficit widens in first half of year due to sluggish grants

- The budget balance deteriorated slightly in the first half of the year compared to the same period the previous year, with a deficit of JD 354 million compared to last year's deficit of JD 309 million.
- The JD 45 million increase in the budget deficit was a result of a JD 361 million increase in total expenditure which offset a JD 316 million increase in total revenues and grants.
- The deficit figures seem 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 second half of the year, as foreign grants are committed, though it is better to remain cautious seeing that it is the norm for the budget balance to do well in the first few months of the year, and then deteriorate further towards the end.
- Total revenues and grants increased by around JD 316 million in the first half of the year, as a result of an increase of JD 458 million in domestic revenues and a JD 142 million decrease in foreign grants for the same period. The rise in domestic revenue was mainly a result of an increase in non-tax revenue, and "tax on goods and services".
- Total expenditures increased by around JD 361 million for the same period, due to a JD 298 million increase in current expenditures (mainly from increases in interest payments and military expenditures), and an increase of JD 63 million in capital expenditures.

JD Million	Jan - Jun 2014	Jan - Jun 2013
Total Revenues and Grants	3,293.8	2,978.0
Domestic Revenue	3,002.6	2,544.7
Foreign Grants	291.2	433.3
Total Expenditures	3,647.9	3,287.1
Current Expenditures	3,260.6	2,963.1
Capital Expenditures	387.3	324.0
Fiscal Deficit/Surplus Including Grants	-354.1	-309.1
Fiscal Deficit/Surplus Excluding Grants	-645.3	-742.4

Source: Ministry of Finance

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

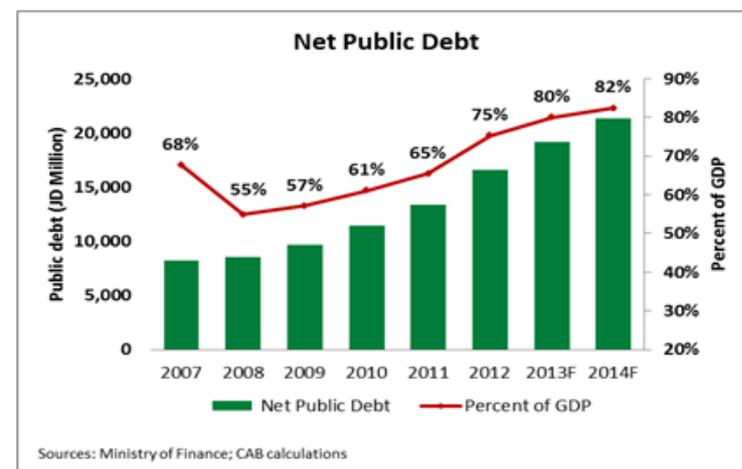
Source: Ministry of Finance

Net public debt at around JD 20.1 billion

- Meanwhile, the fiscal balance before grants resulted in a budget deficit of JD 645 million during the first half of 2014, compared to a budget deficit of JD 742 million during the same period of last year; a drop of around JD 97 million.
- The narrowing deficit in this case seems to signal that the fiscal balance so far is performing better than official forecasts for the 2014 budget.
- Furthermore, net public debt reached around JD 20.1 billion by the end of the first half of this year, around 78.5% of 2014 GDP according to the Ministry of Finance's calculations, increasing by around JD 996 million.
- External debt increased by around JD 1,150 million, while net domestic debt increased by around JD 155 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 82% by end of 2014.

JD Million	Jun 2014	2013	2012
External Debt	8,384.5	7,234.5	4,932.4
Percent of GDP	32.8%	30.3%	22.5%
Internal Debt	11,708.0	11,862.0	11,648.0
Percent of GDP	45.8%	49.7%	53.0%
Public Debt	20,092.5	19,096.5	16,581.0
Percent of GDP	78.5%	80.1%	75.5%

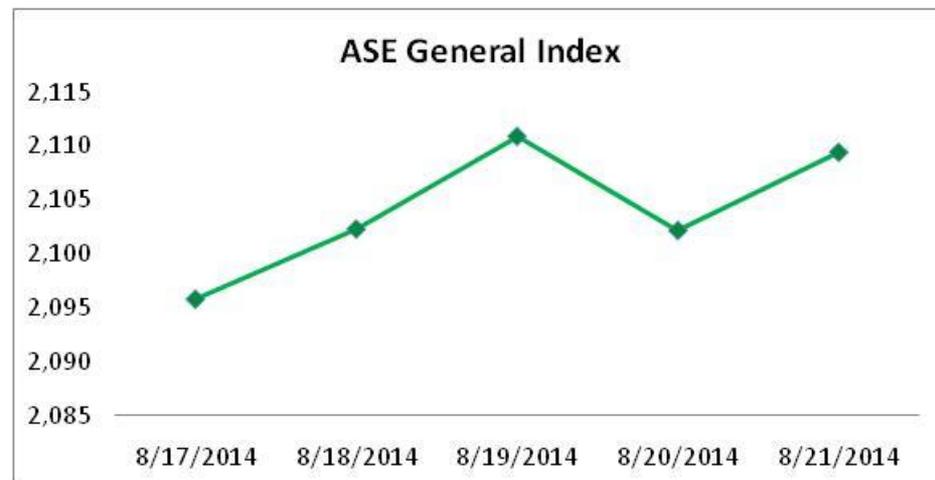
Source: Ministry of Finance



Amman Stock Exchange

For the period 24/08– 28/08

ASE free float shares' price index ended the week at (2,138.2) points, compared to (2,109.4) points for the last week, posting an increase of 1.36%. The total trading volume during the week reached JD(37.1) million compared to JD(25.6) million during the last week, trading a total of (35.7) million shares through (19,548) transactions. The shares of (182) companies were traded, the shares prices of (108) companies rose, and the shares prices of (35) declined.



Top 5 gainers for the last week

Stock	% chg
Jordan Emirates Insurance Company P.s.c	29.63%
Jordan Steel	27.45%
The Jordan Cement Factories	25.38%
Jordan Dubai Islamic Bank	22.37%
Jordan French Insurance	20.00%

Top 5 losers for the last week

	% chg
Arab Center for Pharm & Chemicals	(27.64%)
Alshamekha for Realestate and Financial Investments	(14.79%)
Al-Bilad Medical Services	(6.21%)
Arab Aluminum Industry	(5.88%)
The Arab Potash	(5.82%)

Jordan Debt Monitor

Latest T-Bills

- As of August 31, the volume of excess reserves, including the overnight window deposits held at the CBI JD(3,462) million.

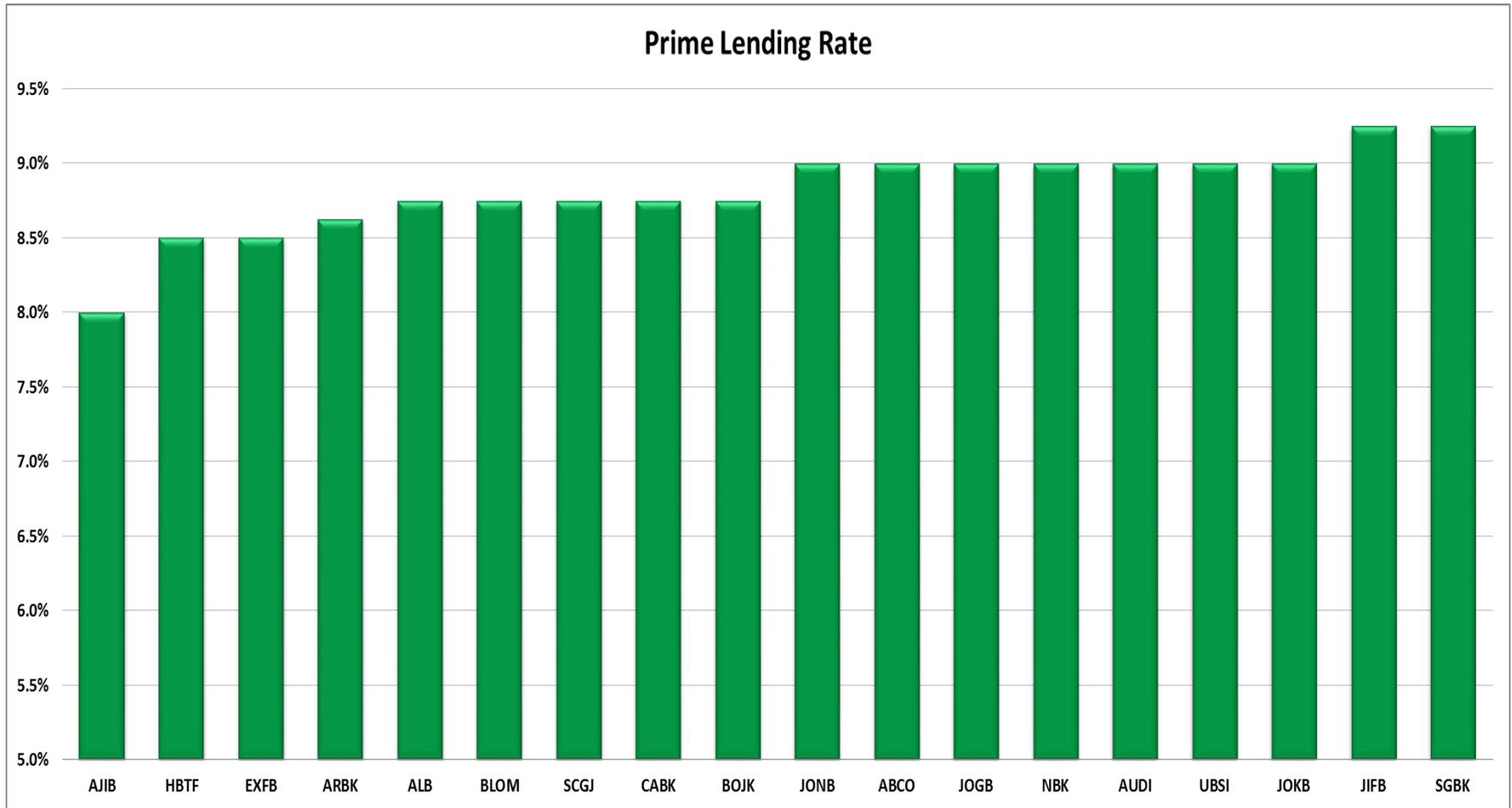
3 months T-Bills (no new issuance)	Issue Date	Maturity Date	Size - million	Yield (%)
29/2011	14/12/2011	14/03/2012	50	2.898%
28/2011	12/12/2011	12/03/2012	50	2.844%
6 months T-Bills (no new issuance)	Issue Date	Maturity Date	Size - million	Yield (%)
02/2012	14/02/2012	14/08/2012	50	3.788%
01/2012	23/01/2012	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 (%)
T6014	31/08/2014	31/08/2017	75	4.260%
T5814	21/08/2014	21/08/2017	75	4.248%
T5714	15/08/2014	15/08/2017	75	4.249%
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 (%)
T5914	27/08/2014	27/08/2019	100	5.454%
T5514	11/08/2014	11/08/2019	75	5.438%
T5414	07/08/2014	07/08/2019	50	5.420%
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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