

# Weekly Economic Monitor

February 15, 2015

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- [Net new government bonds issuance down 20 million JD in 2015 so far](#)



### Markets overview

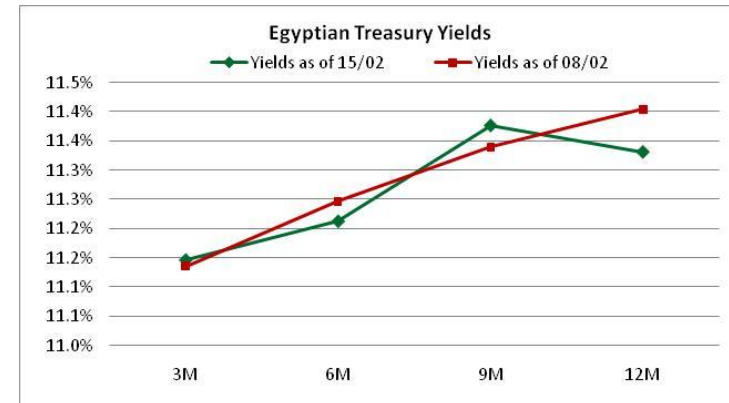
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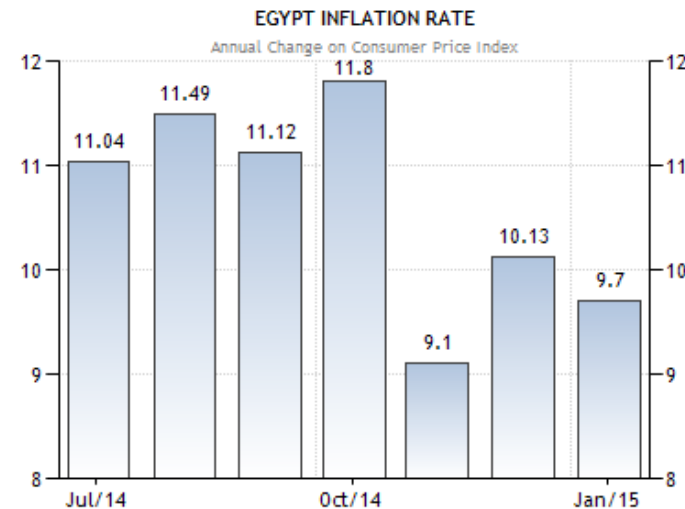
**Regional**

# Egypt: Inflation drops, CBE to issue \$1 billion dollar T-bill

- Egypt's 3M and 9M T-bill yields rose, while 6M and 12M yields dropped, as inflation dropped to 9.7% in January from 10.1% in December. Meanwhile, core inflation dropped to 7.1% from 7.7% over the same time period.
- The drop in inflation will give room for the CBE to cut rates further, after it cut rates by 50 basis points last month, citing an easing inflation outlook. However, the recent deliberate depreciation of the Egyptian Pound by the CBE might place some upward pressure on inflation.
- In other news, Egypt is planning on issuing a \$1 billion 1-year dollar T-bill, which will provide cheaper funding to the government, boost EGP liquidity levels in the market, and FX reserves by the same amount.
- Meanwhile, the IMF said that Egypt's reforms are starting to spur a turnaround in the economy ahead of the investment summit in March. The IMF said Egypt needs to concentrate on creating jobs, reducing the budget deficit, and maintaining FX reserves, while it expects growth to register 3.8% in 2014/15 compared to an estimate of 4% by Egypt's Prime Minister.
- Egypt's Finance Minister also dismissed talks of a loan with the IMF for the time being.



Source: Bloomberg

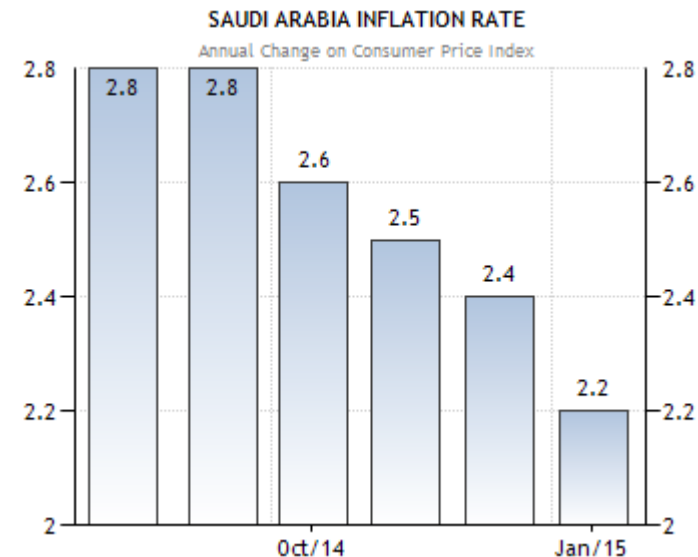


Source: Trading Economics

# GCC Economic Highlights:

## *Saudi Arabia: Inflation drops to 2.2% in January – lowest level since 2012*

- According to figures released by the Central Department of Statistics & Information, the inflation rate grew by 2.2% in January of 2015 when compared to January 2014, down from 2.4% in December and the lowest level since September 2012.
- Prices of housing and utilities increased by 2.7% from January 2014, while food and beverages prices rose 2.1% over the same time period.
- According to studies, the strengthening of the dollar is a key factor in lowering imported inflation which increased the purchasing power of the Saudi Riyal.
- The study also shows that housing and utility prices are downward trending, recording the lowest levels since December 2011, mainly due to a 11% decline in water prices, while housing rentals also moderated.
- Separately, the Saudi Central Bank SAMA, said it predicts inflation to remain stable in the first quarter of the year. The bank said that despite some internal inflationary pressures, projections show “a stable domestic inflation rate as a result of the global decrease in commodity prices.”
- Meanwhile, the IMF expects inflation to register 3.2% in 2015.



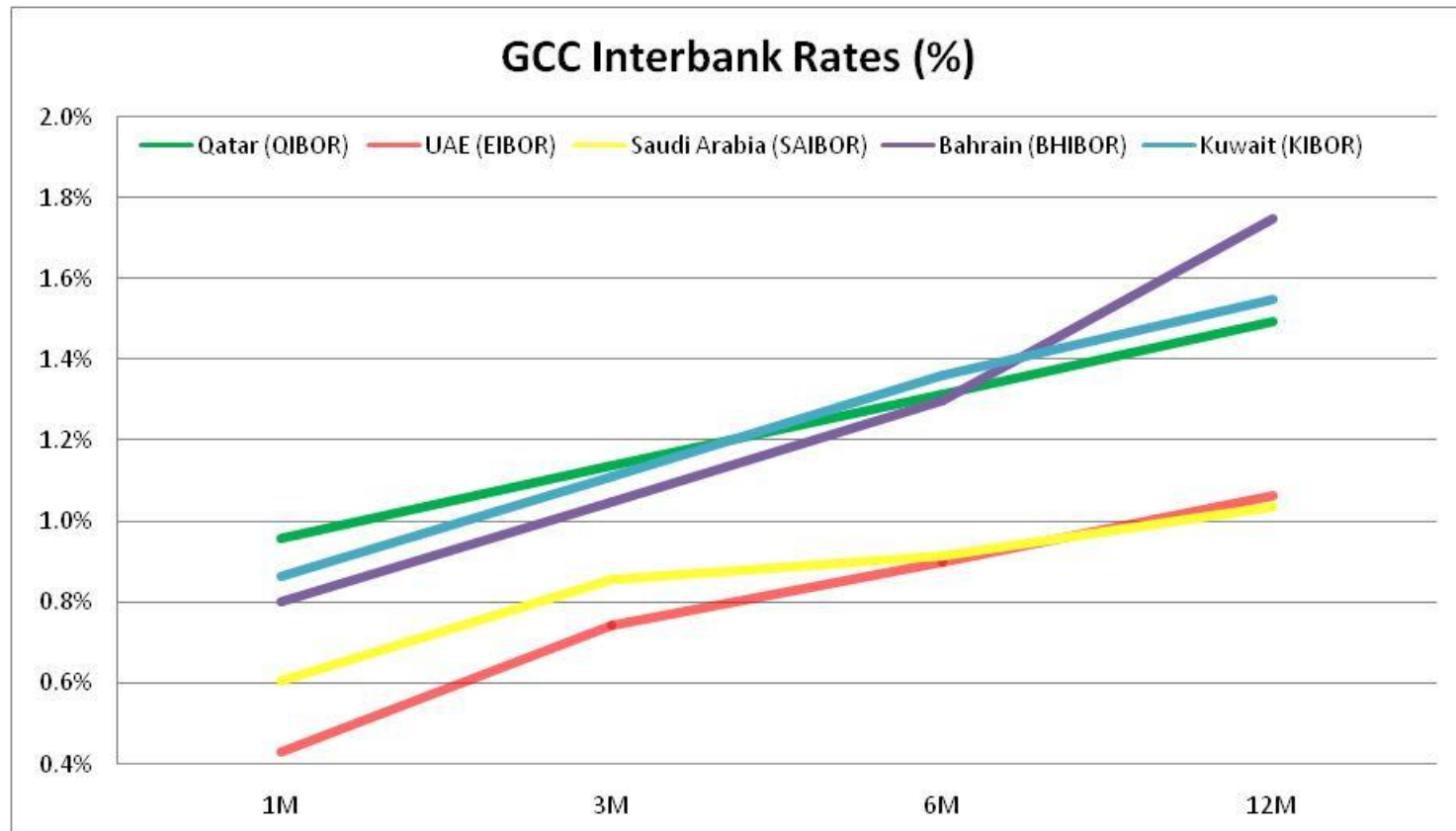
# GCC Economic Highlights:

## *Saudi Arabia: S&P lowers outlook to negative due to plunge in oil prices*

- S&P decided to lower its outlook on Saudi Arabia's credit grade from stable to negative as a result of the steep decline in oil prices adding that the country's fiscal position could weaken as a result of the dependence on oil revenues.
- The rating agency added that it will consider lowering the Kingdom's AA-credit ranking if in two years its liquid assets decline or its fiscal position weakens.
- Saudi Arabia relies on oil and gas for about 90% of government revenue and 85% of its exports. The rating agency said that the country may face sustained budget deficit over the next few year if low oil prices persist.
- Meanwhile, last week, Saudi Arabia's Central Bank Chief called for energy subsidy reforms which drain billion of dollars from the state budget and encourage waste by keeping down prices for consumers.
- A subsidy reforms is highly politically sensitive, so authorities have held back from introducing reforms for years. However, given the significant drop in oil prices and the expected \$39 billion deficit for 2015, it might be the right time for the government to introduce reforms.
- The chief said that the country was considering to cover the deficit by using the huge fiscal reserves or borrowing from the domestic financial market, or a combination of both.

Moody's		S&P		Fitch					
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term				
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime			
Aa1		AA+		AA+		High grade			
Aa2		AA		AA					
Aa3		AA-		AA-					
A1		A+	A-1	A+	F1	Upper medium grade			
A2	A	A							
A3	A-	A-							
Baa1	P-2	BBB+	A-2	BBB+	F2	Lower medium grade			
Baa2	P-3	BBB	A-3	BBB	F3				
Baa3		BBB-		BBB-					
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative			
Ba2		BB		BB					
Ba3		BB-		BB-					
B1		B+		B+					
B2		B		B					
B3		B-	B-						
Caa1		Not prime	CCC+	C	CCC	C	Substantial risks		
Caa2			CCC				Extremely speculative		
Caa3			CCC-				Default imminent with little prospect for recovery		
Ca			CC						
C	Not prime	C	D	DDD	D	In default			
/		D					/	DD	/
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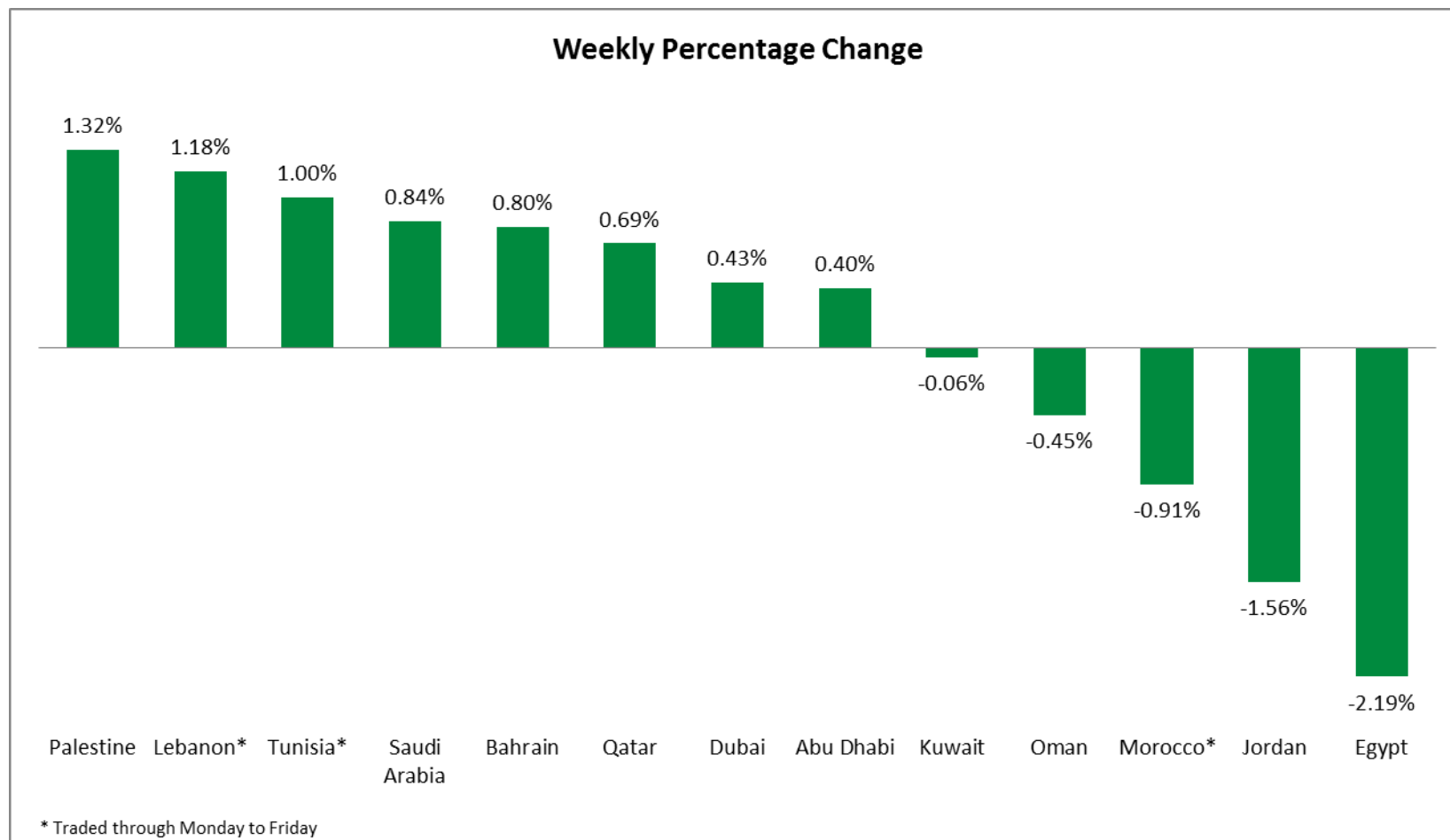
# GCC interbank rates



Source: Bloomberg

# Comparative MENA Markets

February 8, 2015 – February 13, 2015



Source: Bloomberg

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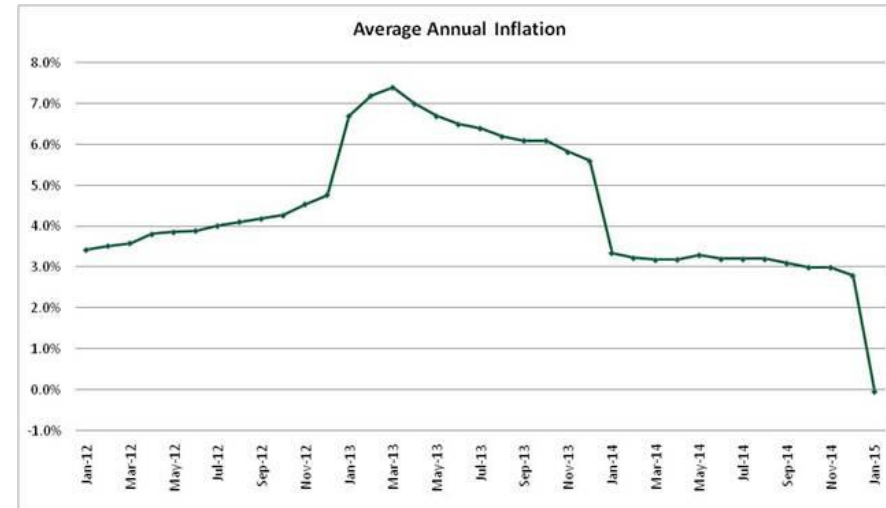




**Jordan**

# Inflation down by 0.04% in January 2015

- According to figures released by the Department of Statistics, the inflation rate contracted by 0.04% during the first month of 2015, compared to the same time period in 2014.
- Inflation figures for 2014 came below forecast expectations of 3%, helped by a rapid decline in oil prices. Looking ahead, the IMF forecasts inflation to grow by 2.6% in 2015.
- The report said that the drop in inflation was attributed mainly to lower prices in the following main commodities and services: transportation (down 16.2%), fuel and electricity (down 10.3%), vegetables (down 10.8%), drinks (down 1.2%), and personal items (down 1.0%).
- On the other hand, prices of other commodity groups rose for the same time period: rents (up 5.8%), tobacco (up 13.6%), fruits and nuts (up 14.6%), and meat and poultry (up 2.8%)
- On a monthly basis, inflation dropped by 1.2% in January compared to December, mainly due to a drop in transport and fuel prices, indicating low inflationary pressures for the time being.



# Net new government bonds issuance down 20 million JD in 2015 so far

- According to data collected by CAB, net new government debt through bonds issuances is down by 20 million JD so far in 2015.
- Meanwhile, net new government debt for the same time period in 2014 show an increase by 268 million JD, highlighting the significant change in the government's need to borrow this year.
- Part of the drop comes due to the government entities such as the electricity or water company resorting to borrowing directly through banks and targeting Islamic banks excess liquidity.
- On the other hand, the government's need to borrow also dropped due to the drop in oil prices that reflects positively on the electricity company's losses.

up to 15<sup>th</sup> February

in million JD	2014	2015
<b>Sum of New Issuances</b>	645	425
<b>Sum of Redeemed</b>	377	445
<b>Net New Internal Debt</b>	<b>268</b>	<b>-20</b>

\* these figures only include government bonds

# Jordan Debt Monitor

## Latest T-Bills

- ❑ As of February 15, the volume of excess reserves, including the overnight window deposits held at the CBJ JD(2,483) million.

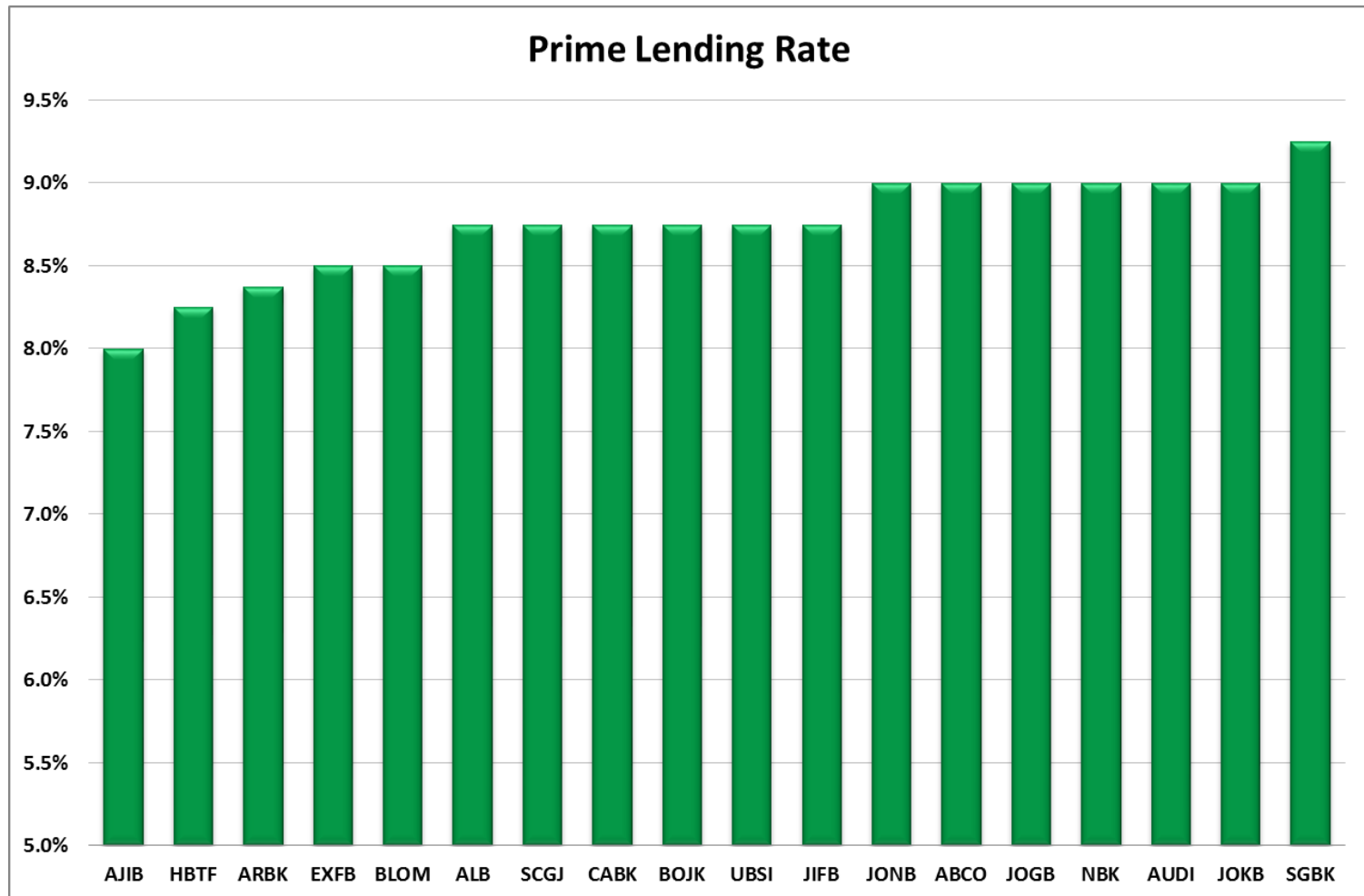
1-week CDs	Issue Date	Maturity Date	Size - million	Yield (%)
02/2015	10/02/2015	17/02/2015	1,000	2.500%
01/2015	03/02/2015	10/02/2015	1,000	2.500%
3-month T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last issued in December 2011	14/12/2011	14/03/2012	50	2.898%
6-month T-Bills	Issue Date	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 (%)
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-year 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-year T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T0515	16/01/2015	16/01/2020	100	5.132%
T8214	12/11/2014	12/11/2019	50	5.581%
T7314	16/10/2014	16/10/2019	75	5.533%
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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