Weekly Economic Monitor

March 22, 2015

بنك القاهرة عمّان
CairoAmmanBank

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Regional

Egypt: Current account widens in Q4 of 2014, CBE deposits from Gulf to arrive soon

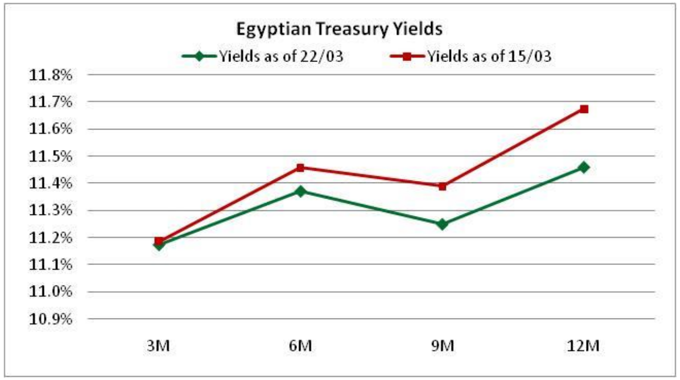
- Egypt's T-bill yields dropped by as much as 22 basis points last week, helped by the large amount of investments pledged to be invested in Egypt, in addition to deposits placed by GCC countries with the CBE.

- Egypt's Central Bank Governor said that amounts pledged by the Gulf countries to be placed with the CBE to help bolster FX reserves will arrive in the country within days last week.

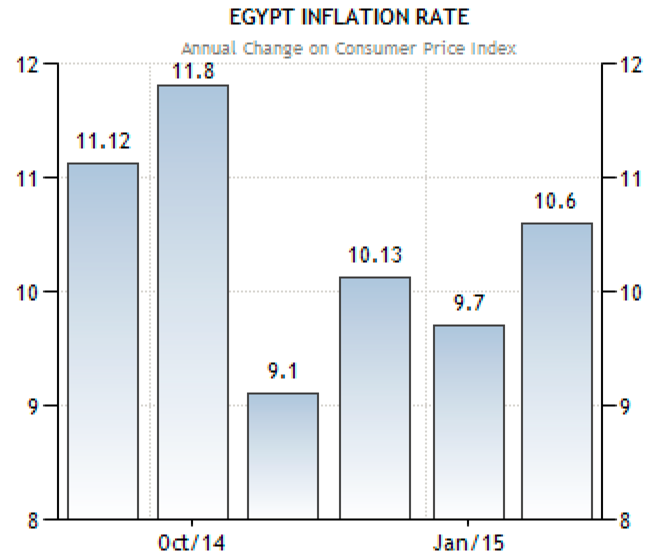
- Kuwait, Saudi Arabia and the UAE each offered $4 billion each at the investment summit held 2 weeks ago, some of which will be in the form of deposits with the CBE.

- In other news, Egypt's current account deficit widened to $2.9 billion in Q4 of 2014, compared to $1.4 billion for the same time period a year ago, up by 107%. Meanwhile, the deficit stood at $4.3 billion in the second half of 2014, compared to $886 million deficit in the same time period in 2013.

- The deficit was driven by a wider trade gap and a contraction in net transfers. Imports grew to reach $16.2 billion from $14.5 billion over the same time period, while exports dropped to $5.8 billion from $7 billion. Meanwhile, official transfers fell to $1.1 billion from $1.9 billion a year earlier. The deficit was partly offset by a rise in tourism receipts to $1.92 billion from $947 million over the same time periods.



Source: Bloomberg



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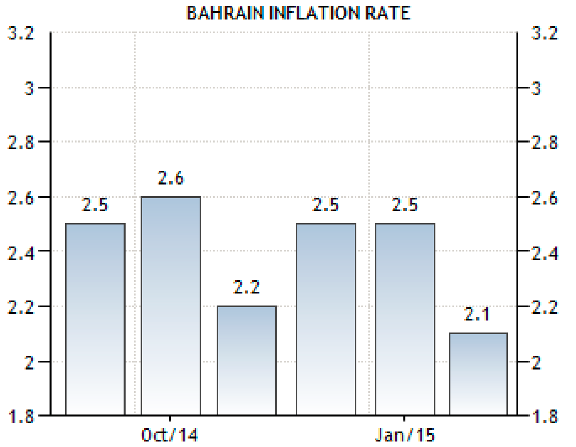
GCC Economic Highlights:
Bahrain: Inflation up by 2.1% in February 2015

- According to figures released by the Central Informatics Organization, the inflation rate grew by 2.1% in February 2015 when compared to February 2014, down from 2.5% in January 2015.
- Inflation was driven by an increase in the prices of housing and utility, health, and education.
- Housing, water, electricity, gas, and other fuels group prices rose by 7.8% from February 2014, while health care services prices rose by 8%.
- Meanwhile, education prices rose by 3.2% over the same time period.
- Other groups which witnessed large increase in prices were alcoholic beverage & tobacco (up 6.5%) and clothing and footwear (up 1.1%)
- On the other hand, the prices of food and non-alcoholic beverage dropped by 0.9%, while transport and communication prices were down by 0.1% and 0.2% respectively.
- Throughout the GCC, it seems that a stronger U.S. dollar is helping placing downward pressure inflation, especially as most of the GCC currencies are pegged to the dollar.
- The IMF expects inflation to drop to 2.4% in 2015, compared to 2.6% in 2014.



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GCC Economic Highlights:

Bahrain: GDP grew by 4.5% in 2014

- According to data released by Bahrain's Central Informatics Organization, Bahrain's GDP grew by 4% in Q4 of 2014 when compared to Q4 of 2013, down from 5.1% in Q3 of 2014. As a result, GDP grew by 4.5% in 2014, down form 5.3% in 2013.

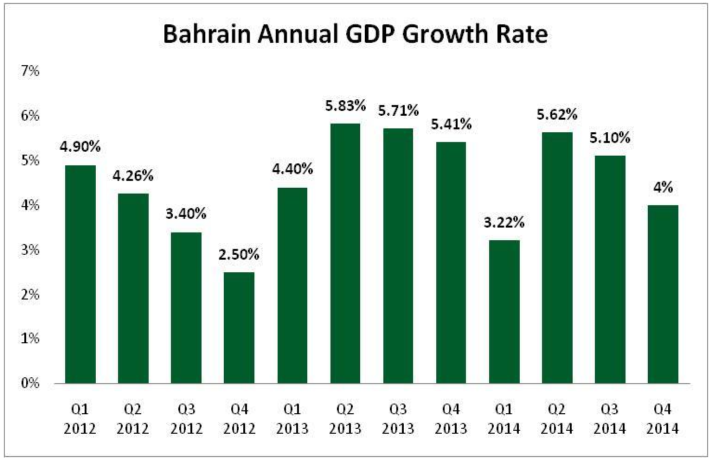
- GDP contracted by 0.3% when compared to Q3 of 2014 as the oil sector contracted by 7.7%, while the non-oil sector grew 1.6%.

- Comparing to Q4 of 2013, the oil sector contracted by 5.9%, highlighting the drop of oil prices on the performance of this sector, while the non-oil sector grew by 6.7% over the same time period.

- Of the non-oil sector, the quarrying sector registered the highest growth level when compared to Q3 of 2013, up by 9.41%, while the financial sector grew by 4.1%, construction grew by 3.5%, and utilities contracted by 10.28%.

- In the entire year of 2014, the oil sector grew by 2.99%, quarrying grew by 32.26%, the hotels & restaurants sector grew by 9.86%, and the construction sector grew by 7.31%.

- Looking ahead, the oil sector will continue to weigh in on overall growth in the Kingdom if oil prices remain consistently low. However, the IMF expects Bahrain to grow by 3.9% in 2014.



Source: Trading Economics

GCC Economic Highlights:

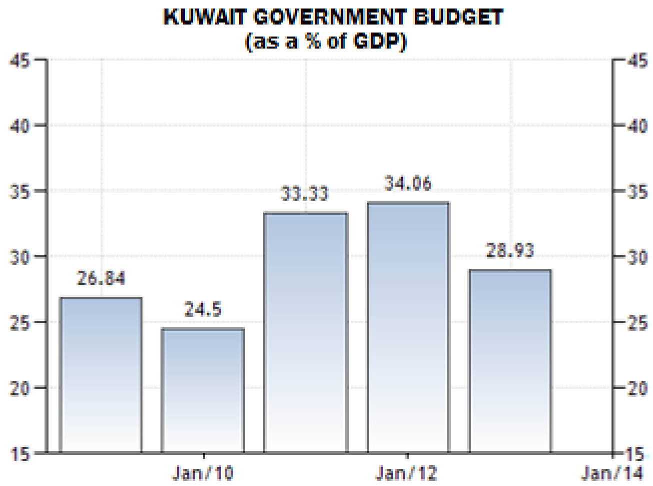
Kuwait: Public spending remains high despite lower oil revenues

- Kuwait's government spending remained solid during the first 10 months of the 2014/15 fiscal year (ending March) even though revenues fell, signaling the government's intent to increase spending. Government spending was up 12.6% y-o-y to reach 11.9 billion KWD, while total revenues fell by 16% to reach 22.4 billion KWD.

- Current expenditures grew 11.2% during the first 10 months to register 10.8 billion KWD, driven by increase in miscellaneous expenditures (which include military salaries) up by 8.9% to reach 5.7 billion KWD, wages which grew by 6.7% to reach 3.0 billion KWD, and spending on goods & services which was up by 26% to reach 2.1 billion KWD.

- Meanwhile, although capital expenditures remain only a small portion of total expenditures, they grew by 29% to register 1.1 billion KWD thanks to greater progress on project executions, the main reason most of capital spending does not take place. However, this figure still is 46% of the full-year budgeted capital expenditures.

- Revenues dropped by 16% mainly due to 17.3% drop in oil revenues due to a drop in oil prices and oil production. However, the surplus so far stands at 10.4 billion KWD, considerably lower than 16.0 billion KWD witnessed during the same time period a year ago. It is expected that the surplus will end up dropping by 4.1 billion KWD compared to the surplus of the previous fiscal year, which will be the smallest surplus in six years.



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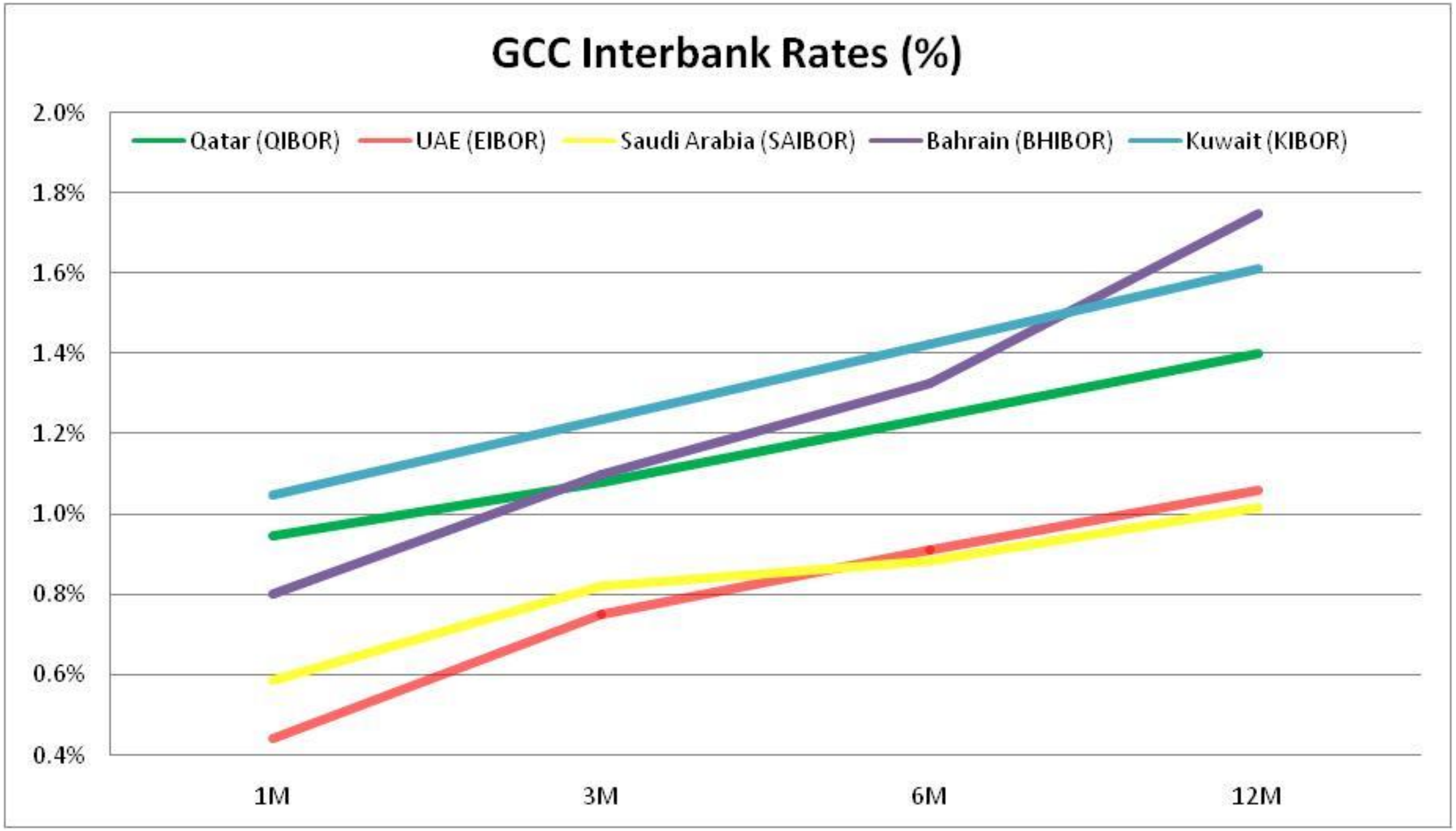
GCC interbank rates



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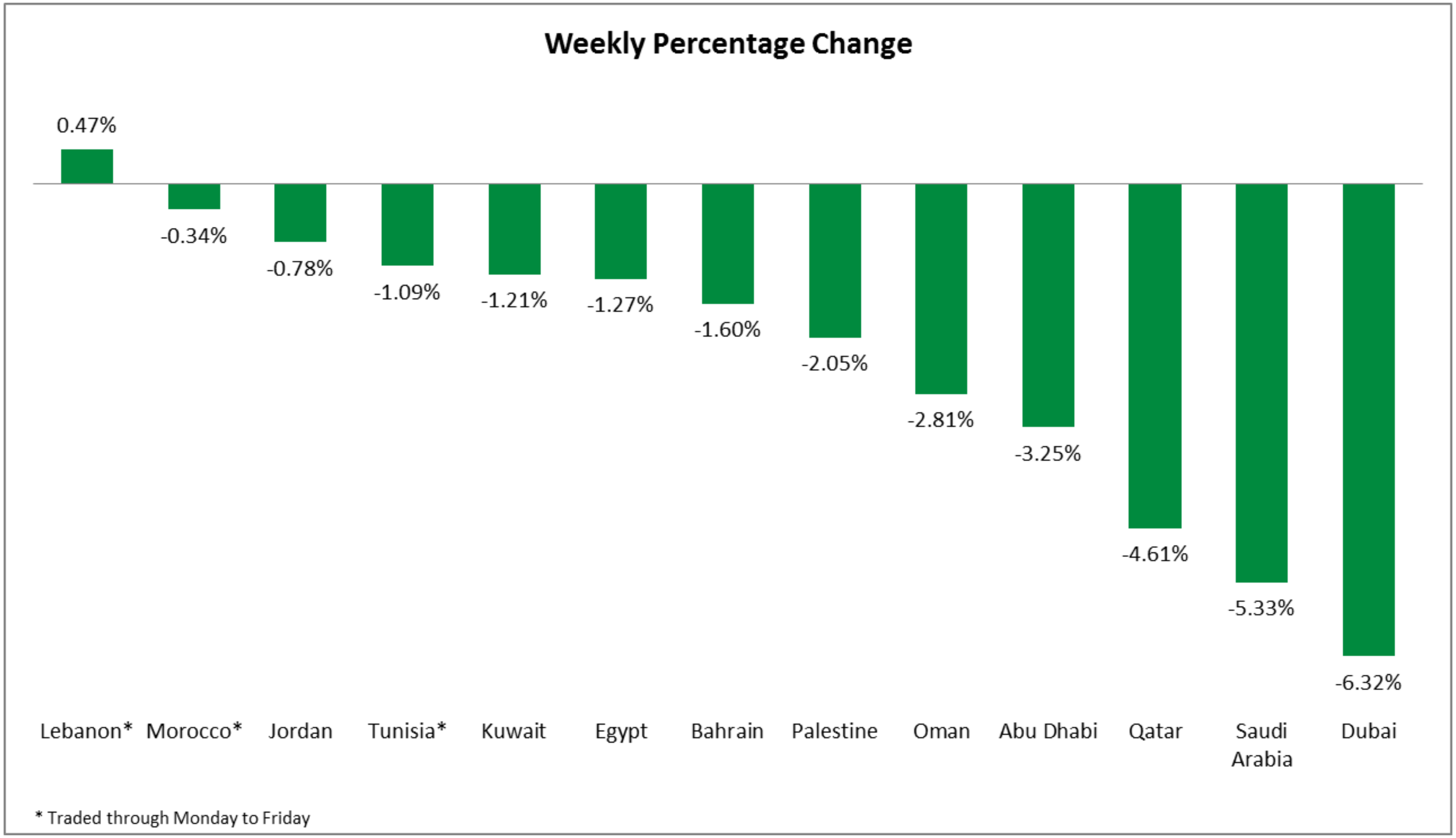
Comparative MENA Markets
March 15, 2015 – March 20, 2015



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Jordan

3-year bonds drops 47bps at first auction since new CBJ monetary policy

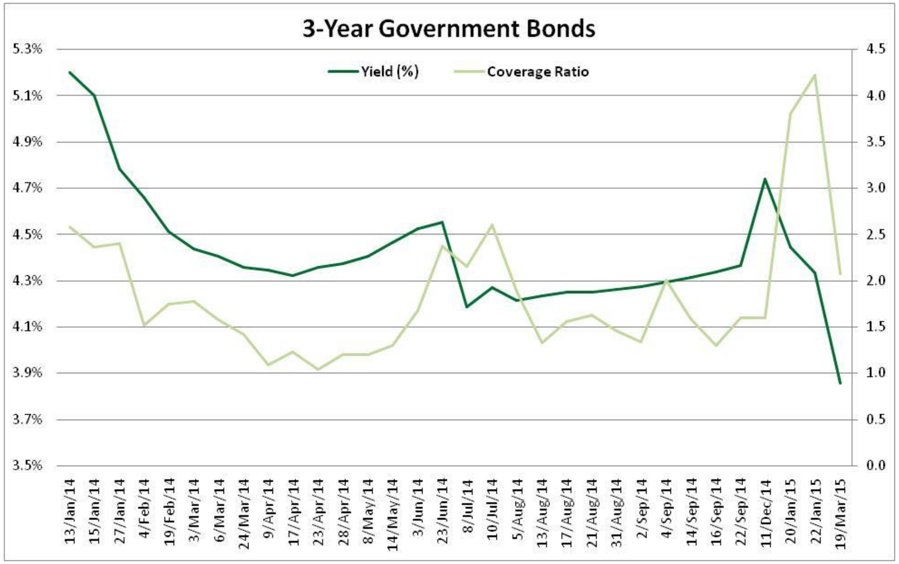
- 3-year bond yields dropped 47 basis points at the first auction since the new CBJ monetary policy framework was introduced at the beginning of February.

- 3-year bond yields dropped to reach 3.86% last week, from 4.33%.

- The auction carried out last week was the first government bond auction since the government held a 5-year bond auction 3 weeks ago, highlighting the government's low needs of internal borrowing to meet financing needs.

- The government's low financing needs has reflected on pushing yields lower than expected, as competition remains high with high levels of excess liquidity of 3.8 billion JD.

- Meanwhile, net new government debt through bonds issuance is down by 50 million JD so far in 2015, while in comparison with the same time period in 2014, the government had a net new internal debt of 503 million JD, further stressing that the government's borrowing needs have dropped so far in 2015.



Up to 22nd March

in million JD	2014	2015
Sum of New Issuances	1,220	575
Sum of Redeemed	747	625
Net New Internal Debt	**+503**	**-50**

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Jordan Debt Monitor

Latest T-Bills

- As of March 22, the volume of excess reserves, including the overnight window deposits held at the CBJ JD(2,873) million.

1-week CDs	Issue Date	Maturity Date	Size - million	Yield (%)
07/2015	**17/03/2015**	**24/03/2015**	**1,000**	**2.500%**
06/2015	10/03/2015	17/03/2015	1,000	2.500%
05/2015	03/03/2015	10/03/2015	1,000	2.500%
04/2015	24/02/2015	03/03/2015	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 (%)**
T0715	**19/03/2015**	**19/03/2018**	**75**	**3.856%**
T0415	22/01/2015	22/01/2018	50	4.333%
T0315	20/01/2015	20/01/2018	50	4.446%
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 (%)**
T0615	26/02/2015	26/02/2020	75	4.725%
T0515	16/01/2015	16/01/2020	100	5.132%
T8214	12/11/2014	12/11/2019	50	5.581%
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%

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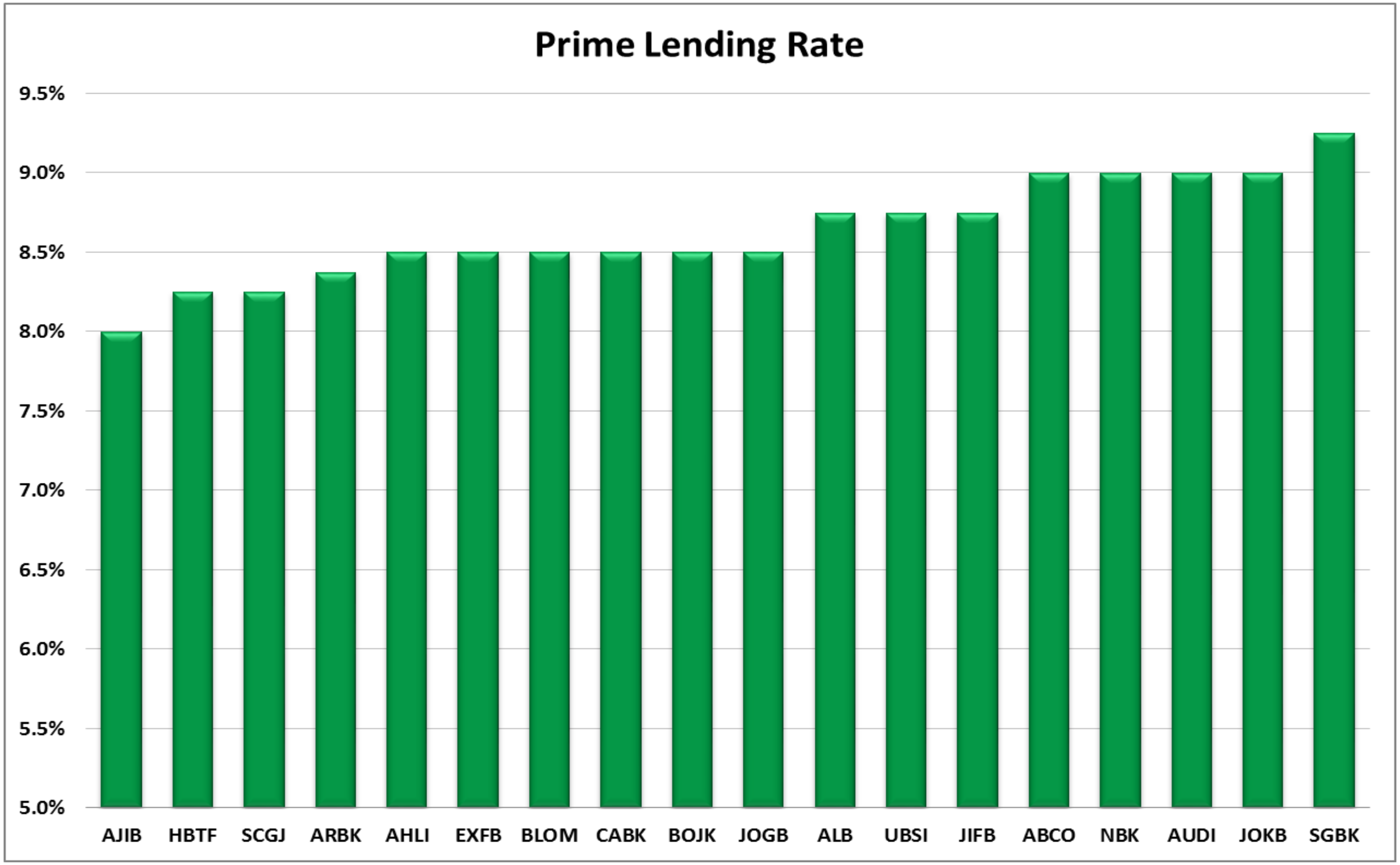
Prime Lending Rates



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