Weekly Economic Monitor

November 9, 2014

بنك القاهرة عمّان
CairoAmmanBank

Brief Overview

MENA Region

Egypt: Gulf countries renew support to Egypt; Budget deficit registers 12.8% in 2013/14 fiscal year

GCC News Highlights

GCC interbank rates

Comparative MENA Markets

Jordan Economy

News and analysis

- Preliminary 2015 Budget: optimistic assumptions with government relying on internal borrowing in 2015
- 2-year bonds break 4% resistance, net new government bonds' issuance increasing rapidly

Markets overview

- Amman Stock Exchange
- Jordan Debt Monitor
- Prime Lending Rates

Regional

Egypt: Gulf countries renew support to Egypt

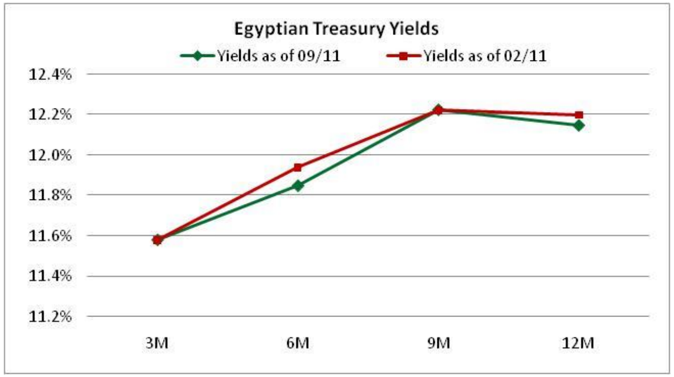
- Egypt's 6M and 12M T-bill yields continued to drop when compared to last week, as FX reserves remained largely unchanged from September to October, registering $16.91 billion.

- FX reserves have been bolstered by support from Gulf countries in the form of grants and petroleum shipments. Last week, Gulf countries renewed their support to Egypt, as Egypt received a $1 billion grant from Kuwait last week, while Kuwait also said it is ready to raise crude oil exports to Egypt to 100,000 bpd from 65,000 bpd.

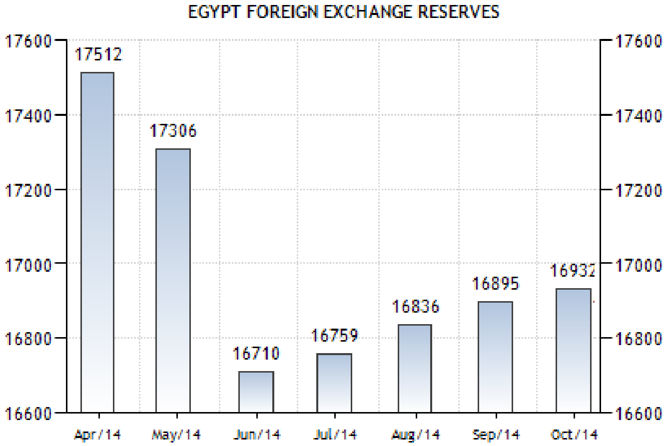
- This comes in light of Qatar asking back for a $2.5 billion deposit placed with the Central Bank of Egypt, which Egypt has said it will repay at the end of this month. With this, total deposits returned to Qatar will amount to $6 billion.

- Saudi Arabia, Kuwait, and the UAE have together provided Egypt with billion of dollars in grants, loan and petroleum products since the President Mursi was overthrown.

- Egypt's Minister of Finance recently revealed that total aid received in the 2013/14 fiscal year from Gulf countries amounted to $10.6 billion, of which $7.16 billion came in the form of petroleum products, with the remaining $2.84 billion coming as cash grants. Gulf countries had originally pledged $12 billion, though some of the funds might have been received in the 2014/15 fiscal year.



Source: Bloomberg



Source: Trading Economics

Egypt: Budget deficit registers 12.8% in 2013/14 fiscal year

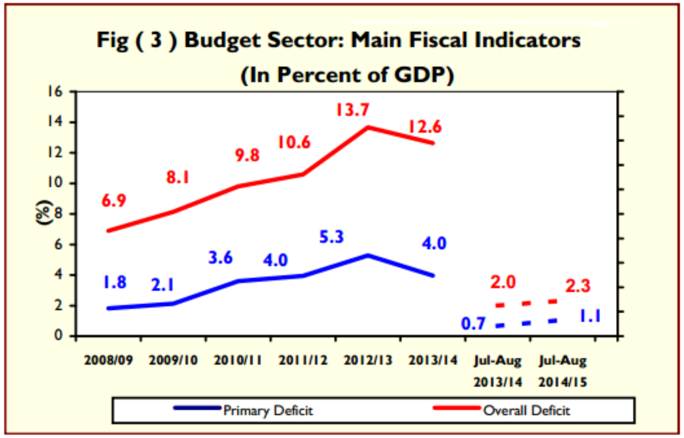
- According to final figures announced by the Finance Minister, Egypt's budget deficit registered 255.4 billion EGP, or 12.8% of GDP in the 2013/14 fiscal year. The Minister added that budget deficit did not achieve its initial target as plans for fiscal consolidation did not materialise.

- Revenues undershot what was expected in the budget by 24%, registering 456 billion EGP, due to overestimates based on unattained procedures, mainly subsidy cuts and tax reforms. The Minister said that this was covered by Gulf aid.

- Egypt received 95.9 billion EGP in aid and grants from Saudi Arabia, UAE and Kuwait following the overthrow of President Mursi. Around 74 billion EGP were in the form of petroleum products, while the remaining 21 billion EGP came as grants.

- On the other hand, total expenditures were around 701.5 billion EGP, also 10% lower than budgeted, mainly due to a 5% savings in wage expenditures compared to the budgeted figure. However, wages expenditures registered 178.5 billion EGP, representing a 24% increase from last year. Meanwhile, debt service was also 5% lower than budgeted, mainly due to lower yields on bonds.

- The government aims to cut the deficit to 10.5% - 11% in the 2014/15 fiscal year, mainly through heavy subsidy cuts and tax reforms.



Source: Initial Ministry of Finance estimates

Home

GCC Economic Highlights:

Kuwait: Budget surplus 6.1 billion KD in Q1 of 2014/15 FY – spending lags

- According to preliminary data released by Kuwait's Ministry of Finance, the government registered a budget surplus of 6.1 billion KWD ($21 billion) in Q1 of the 2014/15 fiscal year, as expected expenditures were far below the initial plan, while revenues came in over expectations.

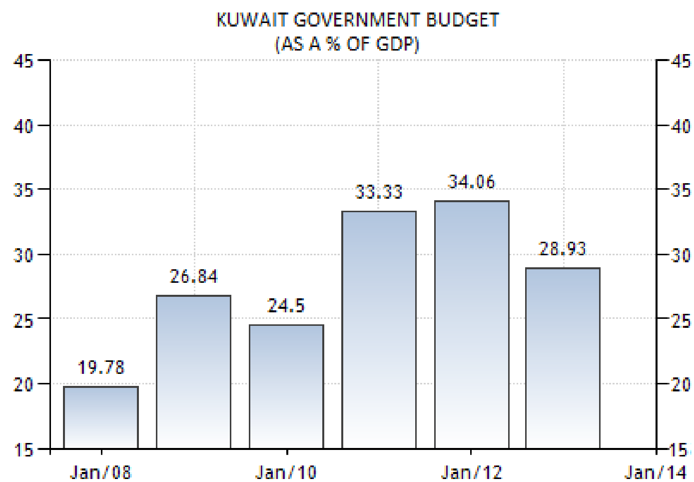
- The country's expenditures reached 1.71 billion KWD over the first quarter of the fiscal year, well below the 5.80 billion KWD originally plan for the time period.

- Total spending so far amount to 7.4% of the total fiscal year expenditures of 23.2 billion KWD. The lag in expenditures comes due to political disputes which have delayed budget approvals in parliament as well as much-needed investment spending.

- This has resulted in the government undershooting its budget plans over the past years.

- On the other hand, revenues registered 7.78 billion KWD over the same time period, well above the 5.02 billion KWD originally projected. Oil income accounted for around 93% of revenues, registering 7.22 billion KWD.

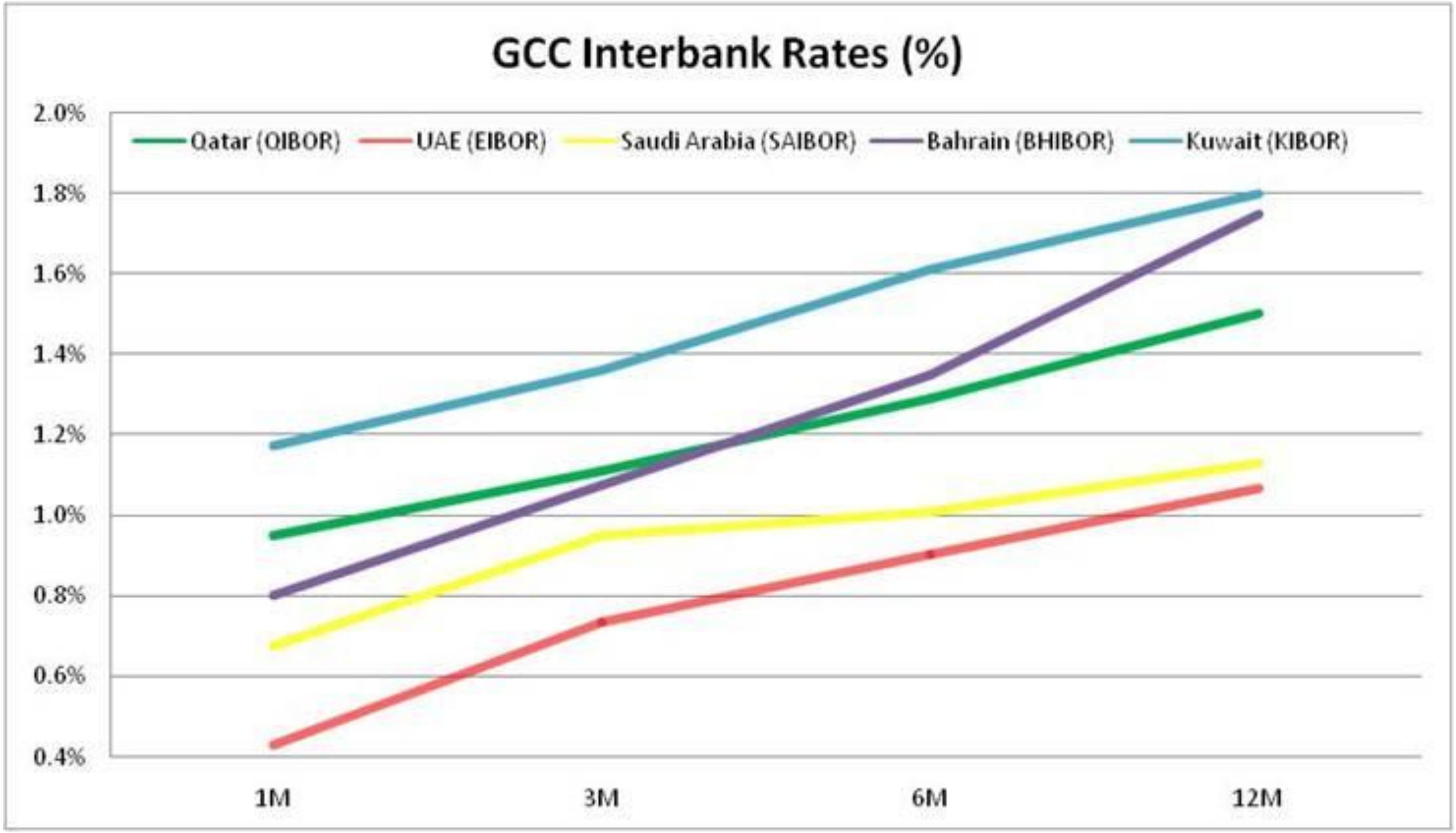
- Kuwait's heavy dependence on oil income makes its economy more vulnerable to lower oil prices, though it's fiscal position remains strong, needing an oil barrel price of $54 to breakeven.



Source: Trading Economics

Home

GCC interbank rates

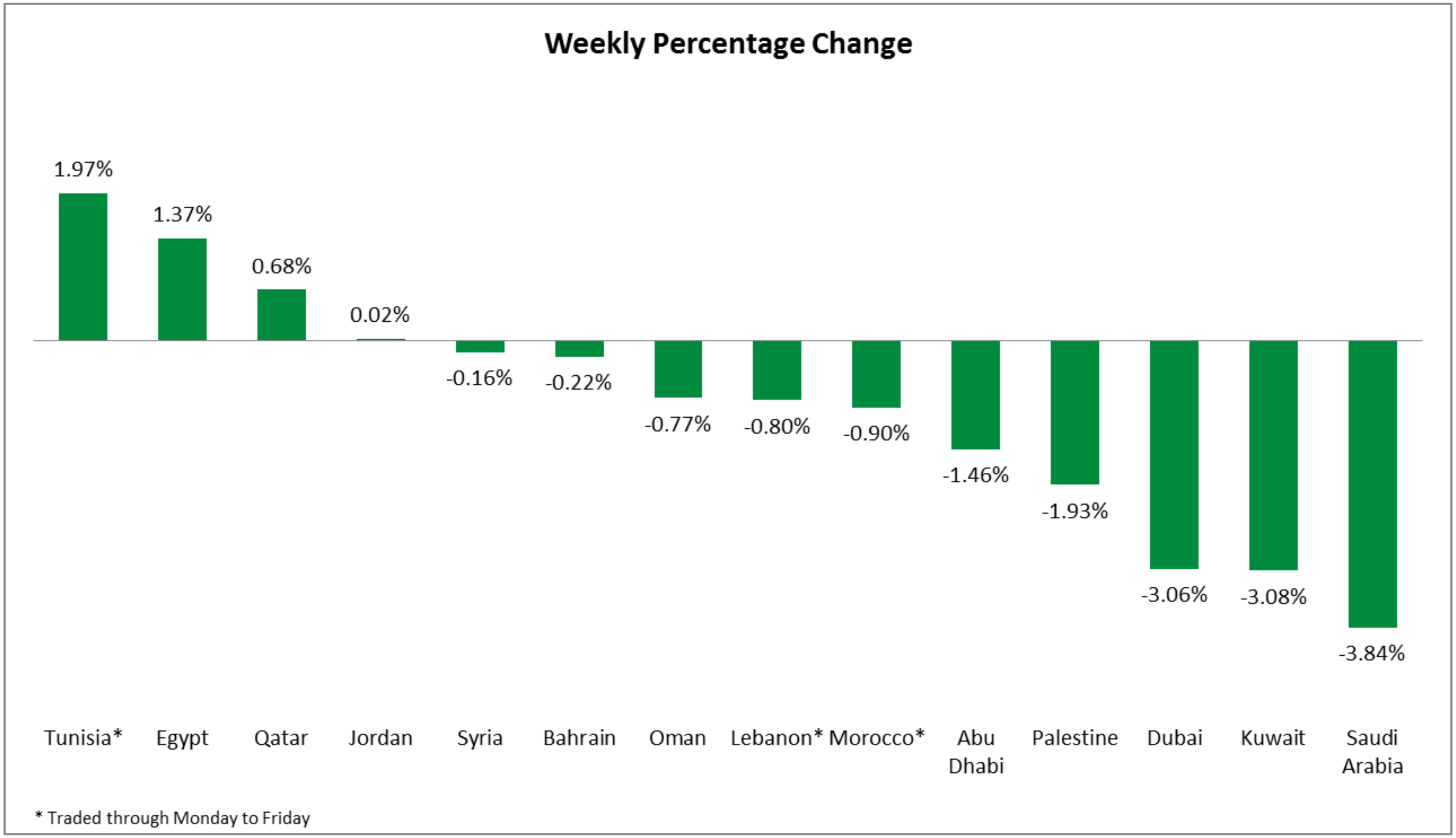


Source: Bloomberg

Home

Comparative MENA Markets

For the period November 2 – November 7



Home

Jordan

Preliminary 2015 budget law released – optimistic assumptions

- The preliminary 2015 budget draft law was released last week. Below are some of the highlights:

Central government budget:

JD Million	2014 Budget	2014 Re-estimated	2015 Budget	Expected change
Total Revenues and Grants	**6,982**	**6,933**	**7,408**	***+475***
Domestic Revenue	5,831	5,764	6,280	*+516*
Foreign Grants	1,151	1,169	1,128	*-41*
Total Expenditures	**8,096**	**7,844**	**8,096**	***+252***
Current Expenditures	6,846	6,728	6,921	*+194*
Capital Expenditures	1,250	1,116	1,175	*+59*
Fiscal Deficit Including Grants	**1,114**	**911**	**688**	*-223*
As a percent of GDP	4.3%	3.5%	2.5%	
Fiscal Deficit Excluding Grants	2,265	2,080	1,816	*-264*
As a percent of GDP	8.7%	8.1%	6.5%	

- As can be seen from the table above, current expenditures are expected to increase by JD 252 million. This is mainly due to increases in civil expenditures (JD 114 million) military expenditures (JD 79 million).

- Debt interest payments are expected to fall by JD 13 million in 2015, after a projected increase of JD 300 million in 2014. The social safety net expenditures are expected to fall from JD 210 million this year to JD 180 million in 2014, due to stronger targeting.

- Domestic revenues are projected to increase by JD 516 million, due to an increase in Income tax by JD 374 million and non-income tax by JD 141 million. It is noteworthy that non-income tax is forecast to have increased by around JD 300 million in 2014 through extraordinary measures that seem unlikely to be repeated in 2015.

- The fiscal deficit including grants is projected to narrow by JD 223 million to JD 688 million, or 2.5% of GDP. This figure seems to be somewhat optimistic.

Budget funding – government relying on internal borrowing in 2015

- Meanwhile, the government also released the sources of funding for the 2015 budget (central government and independent entities):

- Below is the calculated consolidated budget funding for 2015, showing the expected increase in domestic and external public debt next year:

Internal Borrowing (JD million)		External Borrowing (JD million)	
Sources of funding		**Sources of Funding**	
Internal Loans	6,170	External loans for developmental projects	124
		Loans by international institutions for budget support	395
		Other loans (eurobond issuuance)	1,241
Uses of Funding		**Uses of Funding**	
Governemnt bond repdemptions	4,017	Repayment of external loans	898
Payment of internal loans	646	Eurobond redemption	533
CBJ bond redemptions	80		
Net Internal Borrowing	**1,427**	**Net external Borrowing**	**329**

- The figures show that net internal borrowing in 2015 will increase by JD 1.4 billion, while net external borrowing will only increase by JD 329million. This indicates that funding the deficit through external borrowing is becoming increasingly limited, and the government will be depending on internal borrowing in the coming years.

- Accordingly, net public debt will increase by JD 1.76 billion in 2015, to JD 22.36 billion (around 80% of 2015 GDP).

2-year bonds break 4% resistance, net new government bonds' issuance increasing rapidly

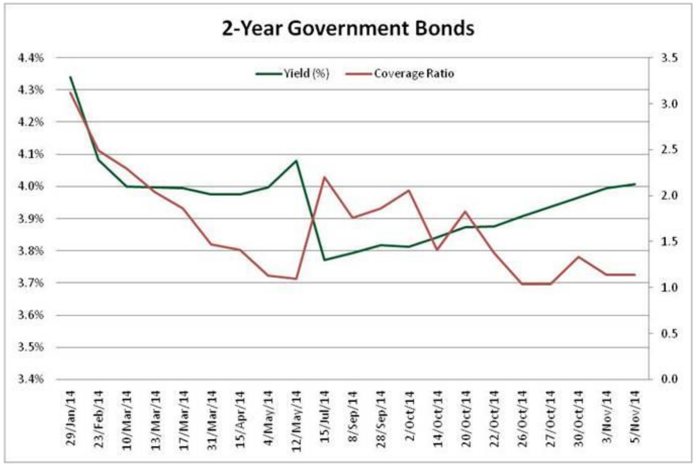
- 2-year government bond yields have been ticking upwards since the first issuance following the 50bps rate cut at the end of June, and recently broke the 4.00% resistance point, registering 4.01% at the latest issuance.

- 2-year government bond yields were at 4.08% at the latest issuance before the June rate cut, and have now crawled up to 4.01%, virtually erasing the effect of the rate cut on yields. Meanwhile, coverage ratios have dropped to just above 1.0 at the latest issuances.

- The increase in yields comes as a result of increasing government borrowing, as data shows that net new local government bonds' (including public entities) issuance has increased in 2014 up until November 6th by 1,197 million JD, which is quite significant.

- More recently, net new local government bonds' issuance is up by 692 million JD since the Eurobond issuance, accounting for around half of the overall increase in government borrowing in 2014.

- The significant increase since the beginning of the year and since the issuance of the Eurobond could be due to stagnant Egyptian gas inflows, which has forced the government to import more expensive oil products to meet electricity productions needs.



	Before Rate Cut	After Rate Cut	Current Rate
2-year government bond yields	4.08%	3.77%	4.01%

Government Bonds in JD million (up to 6th November)

Year	Sum of Redeemed	Sum of New Issuance	Net
2014	4,021	5,218	**+1,197**

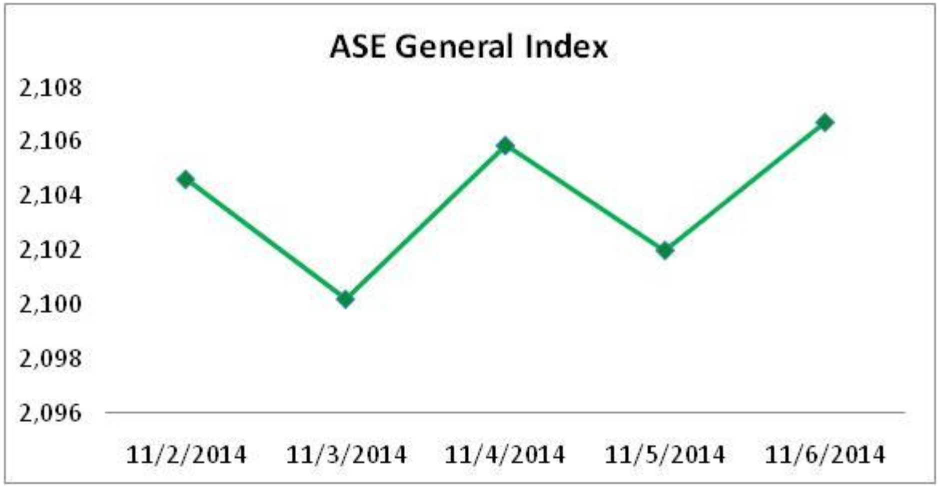
Home

Amman Stock Exchange

For the period 02/11– 06/11

ASE free float shares' price index ended the week at (2,106.7) points, compared to (2,106.1) points for the last week, posting an increase of 0.01%. The total trading volume during the week reached JD(22.1) million compared to JD(31.9) million during the last week, trading a total of (25.2) million shares through (13,186) transactions.

The shares of (172) companies were traded, the shares prices of (59) companies rose, and the shares prices of (76) declined.



Top 5 gainers for the last week

Stock	% chg
Jordan Vegetable Oil Industries	24.05%
Jordan Poultry & Marketing	13.64%
Jordan Paper and Cardboard Factories	12.90%
Alia – The Royal Jordanian Airlines Plc.	12.77%
The United Insurance	8.94%

Top 5 losers for the last week

	% chg
Pearl – Sanitary Paper Converting	(14.12%)
The Real Estate & Investment Portfolio Co.	(13.64%)
Emmar Investments & Real-estate Development	(11.76%)
Jordanian Management and Consulting Company	(10.00%)
Arab Company for Investment Projects	(8.70%)

Home

Jordan Debt Monitor

Latest T-Bills

- As of November 9, the volume of excess reserves, including the overnight window deposits held at the CBJ JD(3,543) million.

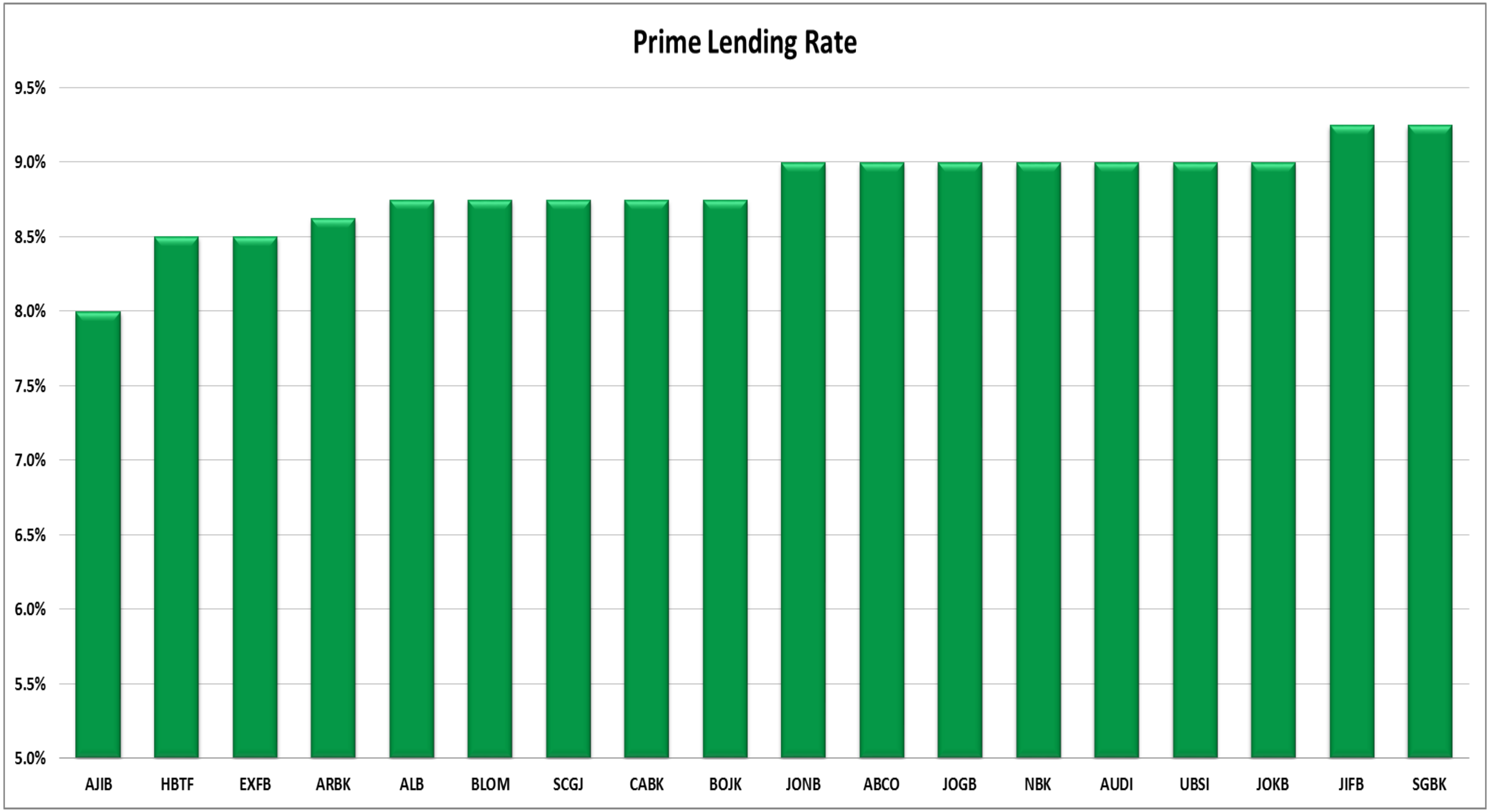
3 months T-Bills	Issue Date	Maturity Date	Size - million	Yield (%)
Last issued in December 2011	14/12/2011	14/03/2012	50	2.898%
6 months T-Bills)	**Issue Date**	**Maturity Date**	**Size - million**	**Yield (%)**
Last issued in February 2012	14/02/2012	14/08/2012	50	3.788%
9 months T-Bills	**Issue Date**	**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 (%)**
09/2014	12/10/2014	12/10/2015	100	3.270%
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

2 years T-Bonds	Issue Date	Maturity Date	Size - million	Coupon (%)
T8014	**05/11/2014**	**05/11/2016**	**50**	**4.008%**
T7914	**03/11/2014**	**03/11/2016**	**50**	**3.995%**
T7814	30/10/2014	30/10/2016	50	3.967%
3 years T-Bonds	**Issue Date**	**Maturity Date**	**Size - million**	**Coupon (%)**
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%
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 years T-Bonds	**Issue Date**	**Maturity Date**	**Size - million**	**Coupon (%)**
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%
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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