

News

in brief

US dollar stable against KD at 0.301

**KUWAIT:** Exchange rate of the US dollar against the Kuwaiti dinar stabilized at KD 0.301, as well as the euro which stood at KD 0.343 yesterday compared to the exchange rates for Monday, said a statement by the Central Bank of Kuwait (CBK) yesterday. According to the CBK, the exchange rate of the sterling pound went up to KD 0.429 while the Swiss franc went down to KD 0.315. Exchange rate of the Japanese yen remained unchanged at KD 0.002.

Kuwaiti oil barrel up to \$35.02

**KUWAIT:** The price of Kuwaiti oil barrel rose \$1.02 reaching \$35.02 on Monday, compared to \$34.00 per barrel last Friday, said Kuwait Petroleum Corporation (KPC) yesterday. Meanwhile, oil prices went up in international markets, buoyed by basic commodities markets and expectations of a drop in US shale oil production for the seventh consecutive month. Brent crude oil rose 89 cents reaching \$42.93 upon settlement yesterday, while the US crude oil barrel went up by 64 cents to reach \$40.36.

Saudi Arabia lifts cement export ban

**KHOBAR:** Saudi Arabia has lifted a ban on exporting cement, the deputy head of the Saudi national committee of cement companies was quoted as saying by a local newspaper yesterday. Ahmed bin Abdulh Zugaib, who is also the chief executive of Yanbu Cement Co, told the Al Riyadh newspaper that cement companies welcomed the move but were awaiting details of the new rules from the Ministry of Commerce. The ministry was not immediately reachable for comment. Shares in cement companies jumped on the news, with the cement index trading 5.1 percent higher at 1010 GMT. Southern Province Cement Company and Saudi Cement, the two largest cement firms by market value, were up 6.1 percent and 4.9 percent respectively.

Ezdan Holding gets nod to raise \$2bn through sukuk

**DUBAI:** Qatar's Ezdan Holding said yesterday it received shareholder approval to raise \$2 billion through the issuance of sukuk. A real estate developer founded by members of the ruling al-Thani family, Ezdan could issue in dollars or in other currencies and the offering could be through one or a series of Islamic bonds, it said in a bourse filing. The developer did not elaborate on the tenure or timeframe of the sukuk issue. In October, it was announced the firm had raised \$500 million through a sharia-compliant loan of five years duration.

Qatar's Ahli Bank completes \$500m debut bond transaction

**DUBAI:** Qatar's Ahli Bank said yesterday it had completed a \$500 million debut bond issue. The tenure of the issue would be five years, the bank said in the statement, without elaborating. The lender, rated A+ by Fitch and A2 by Moody's, set the final spread at 260 basis points over midswaps, tighter than initial guidance in the area of 275 bps over the same benchmark, Reuters reported last week.

OIL HOLDS ABOVE \$40 BEFORE DOHA SUMMIT

**LONDON:** Crude prices rose yesterday after traders awaited this weekend's summit of key oil producers to discuss freeing output levels and easing the supply glut.

At around 1100 GMT US benchmark West Texas Intermediate for delivery in May was up 28 cents at \$40.64 per barrel, having earlier touched a three-week high at \$40.91. Brent crude for June delivery was trading 48 cents higher at \$43.31 a barrel. The contract had earlier forged a 4.5-month peak at \$43.58. The oil market had also risen on Monday after soaring eight percent or more last week.

"Market participants are viewing (recent) price falls as a good opportunity to buy," said Commerzbank analyst Carsten Fritsch. "The expectation that oil producers will agree on production caps at their meeting in Doha this Sunday is also bound to be playing its part," he added.

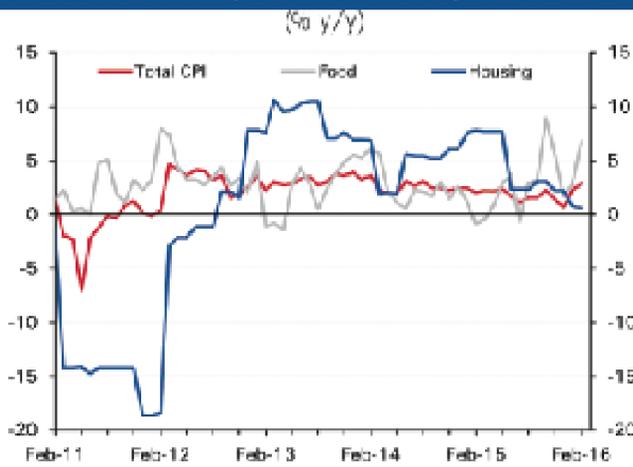
A chronic worldwide supply glut sent oil prices collapsing by three quarters in value between August 2014 and February this year, when they struck near 13-year low points. Analysts expect prices to see-saw before Sunday's meeting in the Qatari capital Doha that will bring together both OPEC producers led by Saudi Arabia and non-OPEC members such as Russia. A major topic is a proposal to freeze output at January levels to try to ease oversupply.

Oanda analyst Craig Erlam said traders were meanwhile awaiting weekly US inventories data due from industry body the American Petroleum Institute (API). "This week oil traders will primarily be focused on the meeting of oil producers in Doha, but another drawdown today could spur another rally in the meantime," Erlam said. — AFP

BAHRAIN'S GDP GROWTH MAY SLOW DUE TO LOW OIL PRICES

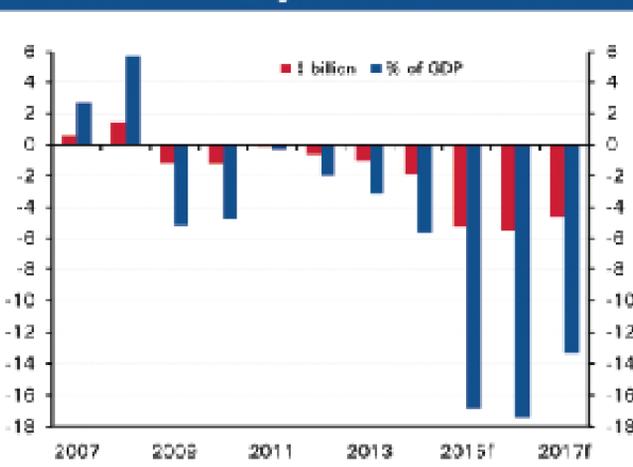
NBK ECONOMIC OVERVIEW ON BAHRAIN

Consumer price inflation by sector



Source: Central Information Organization

Budget balance



**KUWAIT:** Economic growth is expected to slow in 2016 as real growth in the oil sector receded amid a low oil price environment. We expect growth in real GDP to slow from an estimated 1.6 percent in 2015 to around 1.1 percent year-on-year (y/y) in 2016, before recovering slightly in 2017. Non-oil GDP is expected to decelerate to around 1.4 percent y/y in 2016 on weaker investor sentiment, before picking up to around 3.2 percent y/y in 2017 on stronger growth in government spending and official GCC grants targeting housing and infrastructure developments.

Non-oil growth is expected to receive a healthy boost from investment in the coming years. The GCC has pledged \$10 billion in investment over ten years. Indeed, the airport expansion project is being launched with a Dhs 3.4 billion grant from the UAE. In addition to this, Bahrain's Economic Development Board (EDB) plans to invest over \$20 billion in industrial and infrastructure projects over the coming years.

Nonetheless, the strength of non-oil GDP growth remains vulnerable to some internal concerns, which have dampened business optimism in recent years. While these concerns have mostly subsided, they continue to affect investor sentiment and limit gains in the financial services sector, construction and tourism sectors.

Consumer price inflation

Headline inflation accelerated towards the end of 2015 mainly on the back of stronger gains in food inflation, following the cuts in subsidies on meat products in September of 2015.

Despite this, average inflation slowed to 2.3 percent y/y in 2015 compared to a 2.7 percent average in 2014; this was primarily due to a moderation in housing inflation in the second half of 2015. We expect inflation to edge slightly higher to average around 2.5 percent in 2016 on further subsidy cuts.

Budget deficit

Bahrain is forecast to log in one of the largest budget deficits in the GCC region. With the breakeven oil price estimated at around \$120 per barrel and oil prices remaining low, we expect the budget deficit to widen and come above 17 percent of GDP in 2016 before narrowing slightly to around 13 percent of GDP in 2017.

Bahrain has vowed to embark on austerity measures in line with the IMF's recommendations to help plug its public deficit. Thus far, it has approved a plan to reduce government spending by 30 percent. Spending cuts have been concentrated

on subsidies, while maintaining planned spending on infrastructure and development projects. In August 2015, the government lifted subsidies on meat products. In December 2015, the cabinet approved a new pricing system for diesel, kerosene and jet fuel that will lower subsidy costs and better reflect price increases in other GCC states. In March 2016, it is scheduled to remove subsidies on utilities.

However, engaging in any further significant cuts in public spending will be a challenge, especially since the two politically sensitive areas of spending, subsidi-

es and public wages make up two-thirds of total government spending. Any major cuts in these two areas could be problematic.

Given that the budget deficit is expected to remain high in spite of recent and potential subsidy cuts, Bahrain will continue to tap into international bond markets in 2016 to help finance its deficit. In 2015, Bahrain raised \$1.5 billion in bonds. However, the recent downgrades of Bahrain's long-term credit rating to BB by S&P and to Ba1 by Moody's are likely to make issuance more challenging.

Banking sector liquidity

Credit growth portrayed a mixed picture in the first half of 2015: whilst personal lending growth remained rather resilient in the face of lower oil prices, growth in business loans appears to have eased. It is important to note that credit growth data has been distorted and more difficult to interpret ever since the Central Bank of Bahrain reclassified some of its financial institutions in May of 2014.

Business loan growth, relative to the growth in personal loans, was more affected by the central bank's reclassification. Adjusting for the reclassification (dotted red line on chart 5), business loan growth slowed to 2.5 percent y/y in June 2015, whilst personal loan growth edged up to 13.8 percent y/y. However, personal lending growth is also forecast to ease in the near- to medium-term amid new liquidity conditions.

Deposit growth trended lower in 1H15, mainly due to a slowdown in government deposit growth. After a short-lived recovery in May 2015, government deposit growth slipped back into negative territory in June, declining by 3.4 percent y/y. Government deposits are being sapped by high levels of fiscal spending and lower oil revenues.

Growth in the broad M2 money supply measure has been gradually trending lower since the end of 2014, on the back of lower oil prices. Recently, this has helped push interbank rates higher. In June 2015, M2 money supply growth came in at 6.5 percent y/y. Bahrain's one-month and three-month interbank rates witnessed steep increases at the end of 2015 and at the start of 2016. Both rates are due to continue to rise in 2016 on the back of slower deposit growth.

Bank asset growth remained lackluster; total commercial bank asset growth slid deeper into negative territory after declining by 2.1 percent y/y in June. Total bank assets were shepherded lower mainly by losses in the wholesale sector. Growth in wholesale bank assets, which make up around 60 percent of total assets (as of 2014), contracted by almost 4 percent y/y in June. Asset growth among the more domestically-focused retail banks has been on a downward trend since the beginning of this year. In June, it slowed from 2.9 percent y/y in May to 0.5 percent y/y.

Stock market retreats

The Bahrain All Share Index's performance has retreated thus far in 2016 in-line with GCC and global markets. And the weaker oil price environment is expected to continue to apply pressure on investor sentiment in 2016.

SUMED-ARAMCO DEAL TO BOOST SAUDI OIL PIPED ACROSS EGYPT

**CAIRO:** A deal between Saudi Arabia's Aramco and Egypt's SUMED pipeline operator could turn the Sidi Kerir port on the Mediterranean coast into a regional hub for the sale of Saudi crude to Europe, Egypt's Oil Ministry said in a statement yesterday. The memorandum of understanding, signed during a five-day visit by Saudi's King Salman, will increase the volume of Saudi oil pumped through the SUMED pipeline running from the Ain Sukhna terminal on Egypt's Red Sea coast to Aramco's customers in Europe and will look into Aramco using SUMED's facilities to store Saudi oil.

The ministry did not disclose current or future volumes, and gave no financial details. It also gave no timeline for the project. "Any country that is able to use the SUMED pipeline will have a cost advantage in supplying oil to Europe," said Sadad Al-Husseini, a consultant and former senior executive at Saudi Aramco.

SUMED, which owns and operates Sidi Kerir, is half owned by state-run oil company Egyptian General Petroleum Corp. Saudi Arabia, Kuwait, the United Arab Emirates and Qatar own the rest.

The 200-mile (320-km) SUMED pipeline runs from the Red Sea to the port west of

Alexandria. The deal could see Aramco using SUMED's storage facilities to store Saudi petrol, the statement said, as well as looking into using its new storage projects as a distribution point for Aramco's butane gas sales in Egypt and neighboring countries.

The move to increase Saudi Arabia's storage capacity could frustrate Iran, whose oil flows to Europe have begun to pick up from a slow start since sanctions were lifted in January. The Oil Ministry also said Egypt is implementing several projects including building warehouses in Ain Sukhna in order to trade butane gas and fuel oil, as well as building a maritime quay to receive

LNG carriers and tankers of liquefied petroleum gas.

Saudi Arabia, along with other Gulf oil producers, has pumped billions of dollars, including grants, into Egypt's flagging economy since the army toppled President Mohamed Morsi of the Muslim Brotherhood in 2013 after mass protests against his rule. On Saturday, the two countries signed an agreement to set up a 60 billion Saudi riyal (\$16 billion) investment fund among other investment agreements, including an economic free-zone to develop Egypt's Sinai region, Egyptian state television reported. — Reuters

EXCHANGE RATES

AL-MUZAINI EXCHANGE CO.

ASIAN COUNTRIES

Japanese Yen	2.793
Indian Rupees	4.559
Pakistani Rupees	2.885
Sri Lankan Rupees	2.091
Nepali Rupees	2.846
Singapore Dollar	225.450
Hongkong Dollar	38.950
Bangladesh Taka	3.851
Philippine Peso	6.558
Thai Baht	8.638

GCC COUNTRIES

Saudi Riyal	80.603
Qatari Riyal	83.029
Omani Riyal	785.083
Bahraini Dinar	802.710
UAE Dirham	82.294

ARAB COUNTRIES

Egyptian Pound - Cash	33.500
Egyptian Pound - Transfer	34.410
Yemen Riyal/for 1000	1.410
Tunisian Dinar	151.620
Jordanian Dinar	425.880
Lebanese Lira/for 1000	2.014
Syrian Lira	2.154
Morocco Dirham	31.867

EUROPEAN & AMERICAN COUNTRIES

US Dollar Transfer	302.100
Euro	346.360
Sterling Pound	431.550

Canadian dollar	235.280
Turkish lira	107.510
Swiss Franc	318.340
Australian Dollar	232.160
US Dollar Buying	300.900

GOLD

20 Gram	252.300
10 Gram	129.070
5 Gram	65.380

DOLLARCO EXCHANGE CO. LTD

Rate for Transfer

US Dollar	302.350
Canadian Dollar	236.400
Sterling Pound	431.575
Euro	345.995
Swiss Frank	299.540
Bahrain Dinar	799.875
UAE Dirhams	82.560
Qatari Riyals	83.770
Saudi Riyals	81.305
Jordanian Dinar	425.915
Egyptian Pound	33.951
Sri Lankan Rupees	2.093
Indian Rupees	4.540
Pakistani Rupees	2.881
Bangladesh Taka	3.846
Philippines Peso	6.553
Cyprus pound	575.880
Japanese Yen	3.790
Syrian Pound	2.375
Nepalese Rupees	3.845

Malaysian Ringgit	78.470
Chinese Yuan Renminbi	47.005
Thai Baht	9.570
Turkish Lira	107.365

BAHRAIN EXCHANGE COMPANY

COUNTRY SELL CASH SELLDRAFT

COUNTRY	SELL CASH	SELLDRAFT
British Pound	0.423133	0.432133
Czech Korune	0.004723	0.016723
Danish Krone	0.042186	0.047186
Euro	0.033867	0.034687
Norwegian Krone	0.032758	0.037958
Romanian Leu	0.076956	0.076956
Slovakia	0.008993	0.018993
Slovenian Krona	0.033136	0.038136
Swiss Franc	0.309834	0.320034
Turkish Lira	0.101460	0.111760
Australasia		
Australian Dollar	0.222179	0.233679
New Zealand Dollar	0.201454	0.210954
America		
Canadian Dollar	0.228698	0.237198
US Dollars	0.298000	0.302500
US Dollars Mint	0.298500	0.302500
Asia		
Bangladesh Taka	0.003433	0.004007
Chinese Yuan	0.045229	0.048729
Hong Kong Dollar	0.036864	0.039614

Indian Rupee	0.004326	0.004716
Indonesian Rupiah	0.000018	0.000024
Japanese Yen	0.002703	0.002883
Kenyan Shilling	0.002980	0.002980
Korean Won	0.000254	0.000269
Malaysian Ringgit	0.073680	0.079680
Nepalese Rupee	0.002879	0.003049
Pakistan Rupee	0.002663	0.002943
Philippine Peso	0.006461	0.006741
Sierra Leone	0.000073	0.000079
Singapore Dollar	0.221173	0.227173
South African Rand	0.014489	0.022989
Sri Lankan Rupee	0.001692	0.002272
Taiwan	0.009205	0.009385
Thai Baht	0.008288	0.008838

Arab

Bahraini Dinar	0.794757	0.802757
Egyptian Pound	0.030630	0.035748
Iranian Riyal	0.000084	0.000085
Iraqi Dinar	0.000191	0.000251
Jordanian Dinar	0.422084	0.429584
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000150	0.000250
Moroccan Dirhams	0.020584	0.044584
Nigerian Naira	0.000914	0.001549
Omani Riyal	0.778255	0.783935
Qatar Riyal	0.082268	0.083481
Saudi Riyal	0.079673	0.080623
Syrian Pound	0.001280	0.001500
Tunisian Dinar	0.148384	0.156384
Turkish Lira	0.101460	0.111760
UAE Dirhams	0.081269	0.082418
Yemeni Riyal	0.001365	0.001445