Economists split about Egypt's rate decision

Consumer price inflation jumps to 12.3% in May

CAIRO: Economists are roughly evenly split on whether Egypt's central bank will raise interest rates at its monetary policy committee (MPC) meeting on June 16, after a jump in inflation in May. Six out of 11 economists in the Reuters poll expect the bank to hold rates while five expect a hike ranging from 25 basis points to a full percentage point.

"Whilst a rise in interest rates might, in other scenarios, prove an efficient policy response, at the moment, given the increasingly heavy burden on the budget from rising debt payments, we do not expect a rise in interest rates this month," Cairo-based think-tank Signet Institute's head, Angus Blair, said. Urban consumer price inflation jumped two percentage points to 12.3 percent in May, and core inflation - excluding items with volatile prices, such as fruit and vegetables - rose to a yearly 12.23 percent last month, up from 9.51 percent in April. The central bank kept its overnight deposit rate at 10.75 percent at its last meeting on April 28 and held the overnight lending rate at 11.75 percent.

One economist expected the central bank to hike rates by 25 basis points tomorrow, three others expected a 50-basis-point hike and one expected a 100-basis-point hike.

"Given the rapid rise in core inflation since the last MPC meeting, we think it will be hard for the central bank to keep a lid on inflation expectations without enacting at least a token interest rate hike", Exotix's Alan Cameron said. He expects a 50-basis-point hike.

Economic and political instability since the popular uprising in 2011 that toppled Hosni Mubarak contributed to comparatively slow growth of about 4.2 percent in the last fiscal year. The government expects growth of about 5 percent this fiscal year. Egypt has had foreign currency shortages since the uprising drove away tourists and foreign investors, and it devalued the pound to 8.78 per dollar in March then hiked interest rates by 150 basis points just days later, to control inflation.

President Abdel Fattah Al-Sisi is under increasing pressure to revive the economy and keep prices under control to avoid any backlash from the public whose mantras in the revolution included "bread, freedom and social justice". "With May inflation numbers showing headline inflation at a year high and more importantly core inflation at seven-year high, we see the situation warranting a rate hike by the central bank," EFG-Hermes economist, Mohamed Abu Basha, said. He expects a 25-basis-point hike. —Reuters

LAGOS: A vendor holding a tray of tomatoes for sale in the Obalende district of Lagos. Inflation in Nigeria rose to a more than six-year high in May, hitting 15.6 percent, the National Bureau of Statistics said yesterday. —AFP

Nigeria inflation hits six-year high

ABUJA: Inflation in Nigeria rose to a more than six-year high in May, hitting 15.6 percent, the National Bureau of Statistics said yesterday. The rise in the headline consumer price index, which measures inflation, accelerated by 1.9 points from its April year-on-year level of 13.7 percent, the NBS said in an emailed statement.

The rate is the highest since February 2010, when inflation also stood at 15.6 percent, according to the Central Bank of Nigeria (CBN). The NBS attributed the rise to "an overall increase in general price level across the economy", which has been battered by the global fall in oil prices since mid-2014.

Food continued to be more expensive, with overall prices rising 14.9 percent year-on-year from 13.2 percent in April. The NBS blamed "a drawdown of inventories across the country".

Imported food was up 18.6 percent, indicating persistent difficulties for importers to source foreign exchange because of the weak naira. The CBN has pegged the naira at 199 to the US dollar since March last year but has come under pressure to devalue the currency further.

Black market rates have seen the naira slump to as low as 365 to the dollar this week. A decision on a possible dual exchange-rate system is expected in the coming days.

Yesterday, President Muhammadu Buhari said he backed the move to "greater flexibility" in forex policy, calling it "a down payment on our people's ability to succeed".

He is keen to wean Nigeria off its dependency on oil, which normally accounts for 70 percent of government revenue, as well as imports. But with the CBN governor Godwin Emefiele warning of an imminent recession and crude production hit by militancy in the Niger delta, he faces a challenge to get the economy moving again. -—AFP

Abu Dhabi seeks $6.5bn in row with Malaysia's 1MDB

KUALA LUMPUR: Abu Dhabi's sovereign wealth fund is seeking $6.5 billion from Malaysia's troubled state investment vehicle 1MDB, as it moves to settle a debt dispute through international arbitration.

The fund, International Petroleum Investment Co (IPIC), yesterday said it had submitted its request to the London Court of International Arbitration. In April, 1MDB, or 1Malaysia Development Berhad, defaulted on $1.75 billion in company bonds after missing an interest payment of $50 million.

1MDB and Malaysian Prime Minister Najib Razak are battling allegations that billions were looted from the company in complex overseas deals that are being investigated by authorities in several countries.

IPIC has accused 1MDB of failing to pay back a $1 billion loan from the Abu Dhabi fund. IPIC's arbitration request accuses 1MDB and Malaysia's finance ministry-Najib is also finance minister-of failing to stick to its financial agreements with IPIC. "The failure of 1MDB and (Malaysia's finance ministry) to perform their obligations, cure their defaults or put forward acceptable proposals has left IPIC in the position where it must pursue its claims in arbitration," IPIC said in a filing to the London Stock Exchange.

1MDB insists it repaid the loan but IPIC says the money instead went to a company with which it has no relations. IPIC is refusing to guarantee the bonds until the loan is repaid.

Malaysia's finance ministry took over 1MDB's assets recently after dissolving the board of advisors. 1MDB said it will "review the request for arbitration once it has been served with a copy".

Both 1MDB and Najib, who launched the company in 2009, vehemently deny wrongdoing. In April, a Malaysian parliamentary committee said at least $4.2 billion in questionable overseas money transfers were made by 1MDB.

Najib was plunged into the crisis last year when it was revealed that $681 million in transfers were made to his personal bank accounts in 2013. In May, Swiss financial regulators approved the dissolution of Switzerland-based BSI Bank over "serious breaches" of money-laundering regulations in its dealings with 1MDB. —AFP

News in brief

Kuwait oil price down $1.03 to $44.72 pb

KUWAIT: The price of Kuwait oil went down $1.03 to settle at $44.72 per barrel (pb) on Monday as against $45.75 pb last Friday, said Kuwait Petroleum Corporation (KPC) yesterday. Meanwhile, the Organization of the Petroleum Exporting Countries (OPEC) said yesterday that its basket price stood at $46.25 a barrel Monday, compared with $47.05 the previous Friday. Meanwhile, the annual rate of the basket was recorded at $49.64 pb in 2015. Last Thursday, OPEC ministers agreed to keep the production rate stable at 32 million barrel per day, without imposing any production limit on member countries. The new OPEC Reference Basket of Crudes (ORB) is made up of the following: Saharan Blend (Algeria), Girassol (Angola), Oriente (Ecuador), Iran Heavy (Islamic Republic of Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (Libya), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (UAE) and Merey (Venezuela).

ENOC secures $230m loan from China's ICBC

DUBAI: Emirates National Oil Company (ENOC) has secured a $230 million unsecured loan from Industrial and Commercial Bank of China, it said yesterday. The five-year loan will help ENOC fund new projects and expansion plans, it said in a statement. ENOC, a downstream-focused firm owned by sovereign fund Investment Corporation of Dubai, operates service stations, fuel terminals and oil tankers and operates in the Middle East, North Africa and Asia.

Emirates NBD set to sign increased $1.25bn loan

LONDON: Dubai's largest bank, Emirates NBD, is expected to sign a three-year syndicated loan next week, banking sources said. The loan, arranged by Bank of America Merrill Lynch and Emirates NBD Capital, launched at $1.25 billion but could be increased to as much as $1.5 billion, the sources said. Proceeds of the deal will refinance an existing $800m loan that matures in December. That deal was signed in December 2013 and priced at 140bp over Libor, according to Thomson Reuters LPC data. The bank group for the deal comprised Bank of America Merrill Lynch, BNP Paribas, Commerzbank, Deutsche Bank. HSBC, ING, Societe Generale and Standard Chartered. Emirates NBD did not immediately respond to a request for comment.

Egypt's EGAS wins case over gas cuts

CAIRO: The Paris-based International Court of Arbitration has ruled that Egypt's state gas board EGAS will not have to pay a $270 fine related to gas cuts at its foreign-owned liquefied natural gas (LNG) plant, the petroleum ministry said yesterday. The Damietta LNG plant filed a complaint with the International Chamber of Commerce in 2013 alleging that its state partner had failed to comply with contracts by halting gas supplies in 2012 and not making payments. The plant was demanding EGAS pay $270 million plus interest for contracted LNG capacity. The plant, which is 80 percent-owned by Union Fenosa Gas(UFG), a joint venture between Spain's Gas Natural and Italy's Eni. The remaining 20 percent is split evenly between state-owned companies EGAS and EGPC.

Oil declines as Brexit threat rattles markets

LONDON: Oil fell yesterday, as investor nervousness over next week's vote on Britain's possible European Union exit swept financial markets, eclipsing signs of a return to health for crude prices. Perceived safe-haven assets such as the Swiss franc and German Bunds rallied, while industrial commodities and equity markets, seen as more vulnerable to economic risk, fell after polls showed Britain's "Leave" campaign leading before a referendum on EU membership. This overshadowed a more upbeat forecast for oil demand growth from the International Energy Agency, which said the oil market is essentially balanced after two years of surpluses. Brent crude oil futures fell by 66 cents to $49.69 a barrel by 1039 GMT, dropping for a fourth day in a row, while U.S. crude futures dropped 65 cents to $48.23 a barrel. "Basically, safe havens are back in fashion," PVM Oil Associates analyst Tamas Varga said. "The thought process is that if the UK leaves the EU, then the EU might slip back into recession and ... that might negatively impact oil demand," he said.

Britain's "Out" campaign has increased its lead over the "In" camp before the June 23 referendum, according to two opinion polls published by ICM on Monday. "The risk-off mood that has been pervasive in the markets in the last few days has taken hold of oil prices, with weakness in Asian markets and a strong dollar contributing to Brent crude dripping back below $50," said Mihir Kapadia, CEO at Sun Global Investments, which has assets under management totalling $500 million. —Reuters

EXCHANGE RATES

Al-Muzaini Exchange Co.

CURRENCY	BUY	SELL
ASIAN COUNTRIES		
Japanese Yen	2.825	
Indian Rupees	4.513	
Pakistani Rupees	2.885	
Srilankan Rupees	2.051	
Nepali Rupees	2.826	
Singapore Dollar	222.820	
Hongkong Dollar	38.900	
Bangladesh Taka	3.852	
Philippine Peso	6.540	
Thai Baht	8.553	
GCC COUNTRIES		
Saudi Riyal	80.616	
Qatari Riyal	83.042	
ani Riyal	785.213	
Bahraini Dinar	802.840	
UAE Dirham	82.307	
ARAB COUNTRIES		
Egyptian Pound - Cash	31.900	
Egyptian Pound - Transfer	34.416	
Yemen Riyal/for 1000	1.214	
Tunisian Dinar	143.200	
Jordanian Dinar	425.890	
Lebanese Lira/for 1000	2.014	
Syrian Lira	2.154	
Morocco Dirham	31.805	
EUROPEAN & AMERICAN COUNTRIES		
US Dollar Transfer	302.150	
Euro	344.450	
Sterling Pound	436.610	
Canadian dollar	234.040	
Turkish lira	104.730	
Swiss Franc	310.850	
Australian Dollar	222.680	
US Dollar Buying	300.950	
GOLD		
20 Gram	250.790	
10 Gram	128.310	
5 Gram	65.000	

Dollarco Exchange Co. Ltd

Rate for Transfer	Selling Rate
US Dollar	302.500
Canadian Dollar	236.915
Sterling Pound	431.760
Euro	341.250
Swiss Frank	292.710
Bahrain Dinar	800.270
UAE Dirhams	82.600
Qatari Riyals	83.815
Saudi Riyals	81.345
Jordanian Dinar	426.130
Egyptian Pound	33.968
Sri Lankan Rupees	2.092
Indian Rupees	4.508
Pakistani Rupees	2.894
Bangladesh Taka	3.849
Philippines Pesso	6.555
Cyprus pound	576.165
Japanese Yen	3.830
Syrian Pound	2.375
Nepalese Rupees	3.825
Malaysian Ringgit	74.720
Chinese Yuan Renminbi	46.460
Thai Bhat	9.555
Turkish Lira	103.405

Bahrain Exchange Company

CURRENCY	BUY	SELL
Europe		
British Pound	0.431464	0.441464
Czech Korune	0.004674	0.016674
Danish Krone	0.042045	0.047045
Euro	0.0337538	0.0346538
Norwegian Krone	0.032900	0.038100
Romanian Leu	0.075871	0.075871
Slovakia	0.008995	0.018995
Swedish Krona	0.033074	0.038074
Swiss Franc	0.304581	0.315581
Turkish Lira	0.098508	0.108808
Australasia		
Australian Dollar	0.216219	0.228219
New Zealand Dollar	0.202875	0.212375
America		
Canadian Dollar	0.2230251	0.239251
US Dollars	0.298050	0.302750
US Dollars Mint	0.298550	0.302750
Asia		
Bangladesh Taka	0.003404	0.003988
Chinese Yuan	0.044523	0.0478023
Hong Kong Dollar	0.036809	0.039559
Indian Rupee	0.004192	0.004602
Indonesian Rupiah	0.000018	0.000024
Japanese Yen	0.002721	0.002901
Kenyan Shilling	0.002979	0.002979
Korean Won	0.000249	0.000264
Malaysian Ringgit	0.070066	0.076066
Nepalese Rupee	0.002879	0.003049
Pakistan Rupee	0.002709	0.002999
Philippine Peso	0.006387	0.006687
Sierra Leone	0.000073	0.000079
Singapore Dollar	0.217112	0.227112
South African Rand	0.014171	0.022671
Sri Lankan Rupee	0.001669	0.002249
Taiwan	0.009233	0.009413
Thai Baht	0.008206	0.008756
Arab		
Bahraini Dinar	0.794890	0.803390
Egyptian Pound	0.027923	0.033041
Iranian Riyal	0.000084	0.000085
Iraqi Dinar	0.000190	0.000250
Jordanian Dinar	0.422155	0.431155
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000150	0.000250
Moroccan Dirhams	0.020069	0.044069
Nigerian Naira	0.001245	0.001880
Omani Riyal	0.778385	0.784065
Qatar Riyal	0.082182	0.083632
Saudi Riyal	0.079487	0.080787
Syrian Pound	0.001280	0.001500
Tunisian Dinar	0.139062	0.147062
Turkish Lira	0.098508	0.108808
UAE Dirhams	0.080839	0.082539
Yemeni Riyal	0.001365	0.001445