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EEC WEEKLY -for Middle East

Key Highlights

- The data from the United States calmed down the markets last week.
- Last week was also the week of PMI releases. PMI data in the Middle East gave a mixed picture.
- Iran deal is expected to pressure Gulf markets, yet some sectors are expected to benefit.
- In Turkey, the elections are on June 7 but the political parties should give their MP lists for elections before April 7. The HDP has a risky election strategy. First time they will enter to the elections as a party. If their vote base stays below the 10 per cent threshold they will lose all power in the Parliament. We wonder whether they will insist on entering to the elections as a party and not as independent candidates.
- Bank of Israel Governor Flug said that given the state of the world economy and uncertainty about future developments the bank is prepared to use unconventional policy tools.

EGYPT

Egypt's PMI data showed that non-oil private sector shrunk in March for the third month in a row. Egypt Bourse stated that it will be close on April 12-13 marking Eastern Easter holiday. Trading will resume on Tuesday April 14. Egypt's central bank sold \$281 million in the interbank market to meet outstanding demand for stable commodities. The bank sold \$420 million last month in the interbank market to meet similar demand for dollars.

IRAQ

Iraq's Kurdistan region has received a \$455million budget payment from Baghdad for March. Iraq's oil exports rose in March to a record 2.98 million barrel per day from 2.597 barrel per day in the previous month.

Iraq's oil minister Mehdi predicted world oil prices could reach \$70 a barrel by the end of 2015 and played however the Minister did not exaggerate the impact of the emerging conflict in Yemen on prices. A global slump in oil prices has slashed government revenue in Iraq.

QATAR

Bank credit growth in Qatar slowed to an annual 5.1 per cent in February from 5.3 per cent in January. The figure in February was the lowest rate since at least 2007. Qatari foreign trade surplus shrank \$5 billion from a year earlier because of falling oil and natural gas prices. Especially exports of petroleum gases and hydrocarbons fell in February.

The rating agency Standard & Poors affirmed the AA/A-1+ rating of Qatar on medium-term growth expectations with a stable outlook. S&P projects real economic growth in Qatar to average about 4 per cent annually in 2015-2018. S&P also assumes that Qatar's oil production will decline as output from maturing field's contracts.

TURKEY

Last week was politically very chaotic for Turkey. April 7 is the last day for the members of the political parties to give their names for the electoral ballots.

A top Turkish judge who was working on a serious political case in Turkey has been killed. The news increased the speculations and chaotic environment in Turkey.

Rising food prices in Turkey increased Turkey's consumer prices sharply higher in March. The consumer prices jumped 1.19 per cent on a month-on-month basis. This has brought the annual inflation up to 7.6 per cent in February to 7.5 per cent in March. Because of this unexpected rise in the inflation figures eyes will be on the Central Bank's monetary policy meeting on March 22.

On the other side, Turkey's growth profile is also deteriorating; the exports fell 13.4 per cent year-on-year in March to \$11.2 billion. The official export figures in Turkey are falling on an annual basis since the beginning of the year.

One other weak growth picture appeared in the PMI figures. The PMI figure in Turkey fell to a six-year low (since April 2009) in March to 48 from 49.6. Yet, the Finance Minister Simsek still expects the growth to pick up after election.

ISRAEL

The Bank of Israel said that Israel received \$870 million worth of foreign direct investment through local banks in February, up from \$734 million in January. Most foreign direct investments in February was concentrated in the information, communications and high-tech industries.

PM Netanyahu has signed a letter of application for Israel to join the China-led Asian Infrastructure Investment Bank. We think this is a very important development as more than 40 countries (including Australia, South Korea, Britain, France, Germany, Italy) have said they would sign up to the AIIB, with Japan and the United States the two notable absentees. China has previously set a March 31 deadline to become a founding member of the AIIB.

Bank of Israel Governor Flug said that given the state of the world economy and uncertainty about future developments the bank is prepared to use unconventional policy tools.

On the political front, PM Netanyahu demanded that any final agreement with Iran will include a clear and unambiguous Iranian commitment of Israel's right to exist.

SAUDI ARABIA

It seems that low oil prices did not affect much the economy of Saudi Arabia. A survey of business in Saudi Arabia showed that growth in Saudi Arabia's non-oil private sector accelerated to a six-month high. The seasonally adjusted PMI rose to 60.1 in March from 58.5 in February. Moody's affirmed Saudi Arabia's Aa3 rating for its strong fiscal performance.

UNITED ARAB EMIRATES

The PMI index showed that business activity growth in the United Arab Emirates' non-oil private sector slowed to a 17-month low in March because both output and new orders eased. The seasonally PMI fell to 56.3 points last month from 58.1 in February.

What to follow this week?

DATA	DATE	EXPECTATION	PREVIOUS
Israel Passover	5-10 April		
Turkey Industrial Production (Feb)	8 Apr	-0.5%	-2.2%
Turkey Exports (Mar)	01 Apr		10.5billion
Turkey Current Account Balance (\$, Feb)	10 Apr	-2,8 billion	-2,0 billion

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