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EEC WEEKLY -for Middle East

Key Highlights

- Oil stumbled again from \$59.5 to \$54.5, putting fresh pressure the Middle East markets on Sunday. This was a month low and a 9 per cent fall in the week which was renewed by the rally in the US Dollar. One other reason of the fall was the warning of the International Energy Agency about the growing oil glut. Moreover there are prospects for Iran to export more crude after June because of a possible deal in partial nuclear with world powers by the end of March and a full agreement by June.
- US Secretary Kerry spelled his hopes for an interim deal with Iran “in the next days” if Tehran show that its nuclear power program is for peaceful purposes only.
- Kerry also urged business executives to invest in Egypt, praising the government of Sisi for bold economic reforms aimed at restoring investor confidence.
- Oil prices directly affected markets this week. Egypt was an exception as Gulf Arab allies pledged a further \$12 billion of investments and central bank deposits for Cairo at an international summit.

EGYPT

Gulf Arab allies pledged a further \$12 billion of investments and central bank deposits for Egypt at an international summit in the Red Sea resort of Sharm El-Sheikh on Friday. This is a big boost to President Sisi as he tries to reform the economy and seeks to improve the investment climate after four years of political upheaval.

Kuwait, Saudi Arabia and United Arab Emirates (UAE) each offered \$4 billion to Egypt. The UAE would deposit \$2 billion of its pledge in the Egyptian central bank while \$1 billion of Saudi Arabia’s pledge would go to the bank. On the other side, Oman said it would give \$500 million to Egypt in grants and investment over the next five years. Saudi Arabia, Kuwait and UAE backs Sis-

led army overthrow of Islamist Mursi in July 2013 and the conference shaped as an important test of Egypt's reform agenda.

President Sisi told in the conference that Egypt is targeting economic growth of 6 per cent over the next five years and decrease in the unemployment rate to 10 per cent over the same period. It is expected that GDP would grow 4 per cent in the fiscal year ending in June up from 2.2 per cent last year. Unemployment is currently at around 13 per cent.

IRAQ

It is confirmed by oil minister Mahdi that the country's oil exports would reach 3 million barrel per day on average in March. This is assuming that the weather in the Gulf is good and that Iraqi Kurdistan exports the quantities of crude oil agreed with Baghdad.

On the other side it was announced that Iran could begin natural gas exports to Iraq in May if security conditions improve.

Iraq is seeking to stem losses from falling oil prices. Low oil prices and its fight against Islamic State had made payments difficult so oil companies offered to cut 2015 spending in Iraq.

QATAR

Qatar's economic growth is expected to rise to 7 per cent this year from 6 per cent in 2014. This was announced by the Prime Minister Nasser al-Thani on economic conference today. He also said inflation this year was expected to be 3 per cent. It was 2.7 per cent in the year to December.

TURKEY

The big tension between the President Erdogan and the Central Bank of Turkey governor Basci eased after the meeting at the presidential palace on Wednesday evening. Mr. Basci gave the President a 130-page presentation about the interest rates and restoring confidence to the economy. The meeting signaled a shift in the debate between the President and the Bank, the Turkish lira strengthened back to 2.58 against US Dollar. However, with increasing

tension in the global markets Turkish lira fell again on Friday, testing 2.65 against US Dollar.

Both Deputy PM Babacan and Finance Minister Simsek back the Central Bank of Turkey. The Finance Minister Simsek said yesterday that the Central Bank of Turkey's hand must be strengthened by increasing its credibility.

The Central Bank of Turkey will meet this week on Tuesday for its monetary policy decision of the month. It is expected to resist political pressure for a rate cut this week. Surveys show inflation expectations are worsening and expectations for rates are on hold for this Tuesday. Year-end inflation expectations rose to 7 per cent at the Central Bank's latest monthly survey from 6.77 per cent a month ago.

ISRAEL

The inflation figures for February were released today. According to data, Israeli deflation persisted for a sixth straight month in February. The consumer price index fell 1 per cent from a year earlier for its lowest rate since May 2007. Israel's inflation rate had turned negative in September 2014 for the first time since 2007. On a monthly basis the consumer price index fell 0.7 per cent in February, citing declines in electricity, clothing and fuel prices.

Expectations that inflation will stay below the government's annual 1-3 per cent range in the near term helped to lead the Bank of Israel to a surprise rate cut on February 23, when it lowered its benchmark rate to 0.1 per cent from 0.25 per cent. It was the first cut since reductions last July and August. Part of the fall is due to falling global oil and other commodity prices and the Central Bank is well aware of this. The next interest rate decision is scheduled for March 23.

Tuesday is the Election Day in Israel. Former ambassador Oren, a centrist party candidate said that Israel must try to repair relations with the United States no matter who wins Tuesday's election. He is a potential foreign minister if his party joins the government.

SAUDI ARABIA

Saudi Arabia's Central Department of Statistics released February consumer prices inflation data, showing inflation at its lowest since at least September 2012 when the current data series began. In February consumer prices did not rise on monthly basis and showed 2.1 per cent in year-on year basis.

Separately, oil prices had the biggest direct impact on corporate earnings in Saudi Arabia.

What to follow this week?

DATA	DATE	EXPECTATION	PREVIOUS
Israel CPI (%mom)	15 Mar	-0.7% (announced)	-0.9%
Israel CPI (%yoy)	15 Mar	-1% (announced)	-0.5%
Turkey Unemployment Rate	16 Mar		10.7%
Turkey Budget Balance	16 Mar		3,8 billion
Turkey interest rate decision	17 Mar	7.5%	7.5%
Israel Money Supply (Feb)	18 Mar		40.1%
Turkey Debt Stock (Feb)	20 Mar		621,2 billion

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