

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

G-20 economies continue to adopt restrictive trade measures

The World Trade Organization indicated that the Group of 20 major economies have put in place 119 new trade-restrictive measures between mid-October 2014 and mid-May 2015. It noted that G20 members introduced on average 17 trade-restrictive measures per month during the covered period, the lowest monthly level since mid-2013. The distribution of new trade-restrictive measures shows that trade remedies accounted for 59.7% of total restrictive measures during the seven-month period, followed by import-related restrictions (26.9%), export-related restrictions (8.4%) and other restrictions (5%). The WTO noted that the new restrictive measures applied by G-20 members during the covered period affect 0.7% of world merchandise imports, and 0.9% of G-20 merchandise imports. Further, it indicated that G-20 members imposed 1,360 restrictive measures since October 2008, of which 329 measures, or 24.2% of the total, were removed by mid-May 2015. As such, a total of 1,031 trade-restrictive measures that were introduced since October 2008 remain in place as of May 2015. It estimated that import-restrictive measures cover around 4.6% of world merchandise imports and about 5.9% of G-20 imports. In parallel, the WTO indicated that G-20 members also introduced 112 new trade liberalizing or facilitating measures between mid-October 2014 and mid-May 2015.

Source: World Trade Organization, Byblos Research

Corporate bond issuance at \$1.6 trillion in first five months of 2015

Standard & Poor's indicated that new global corporate bond issuance totaled \$1.6 trillion in the first five months of 2015. Issuance by financial institutions reached \$777bn or 50.1% of aggregate issuance in the first five months of 2015, while non-financial firms issued \$775bn or 49.9% of the total. The issuance included \$1.03 trillion in investment grade bonds that accounted for 66.6% of the total, \$220bn (14.2%) in speculative grade bonds and \$299bn (19.3%) in unrated bonds. Bond issuance in the U.S. totaled \$655bn in the first five months of the year and represented 42.2% of global bond issues, followed by Europe with \$581bn (37.4%), emerging markets with \$166bn (10.7%) and other developed economies with \$150bn (9.7%). Further, financial companies in Europe issued \$373bn and represented 48% of global financial institutions' issuance in the first five months of 2015, followed by financial institutions in the U.S. with \$229bn (29.5%), those in other developed economies with \$99bn (12.7%) and those in emerging markets with \$76bn (9.8%). Issuance by non-financial firms in the U.S. totaled \$426bn and accounted for 55% of global corporate bond issuance, followed by those in Europe with \$208bn (26.8%), issuance in emerging markets with \$90bn (11.6%) and those in other developed economies with \$51bn (6.6%). S&P noted that new bond issuance growth remained subdued outside the U.S. market, mainly due to diminishing investor confidence in other markets amid heightened geopolitical risks, volatile commodity prices and a slowing Chinese economy.

Source: Standard & Poor's

EMERGING MARKETS

Fixed income trading volume down 23% to \$1,226bn in first quarter of 2015

Trading in emerging markets (EM) debt instruments totaled \$1,226bn in the first quarter of 2015, constituting a rise of 1.3% from \$1,210bn in the fourth quarter of 2014 and a drop of 22.8% from \$1,589bn in the first quarter of 2014. Further, turnover in local-currency instruments reached \$652bn in the first quarter of 2015, down by 5.2% from \$688bn in the fourth quarter of 2014 and by 33.7% from \$984bn in the first quarter of last year. Mexico's domestic debt was the most frequently-traded local currency debt in the first quarter with \$201bn, or 16.4% of the total, followed by Brazil with a turnover of \$109bn (8.9%), South Africa with \$74bn (6%), India with \$38bn (3.1%) and South Korea with \$32bn (2.6%). In parallel, sovereign and corporate Eurobonds' trading volume stood at \$571bn in the first quarter of 2015, rising by 10% from \$519bn in the fourth quarter of 2014 and dropping by 4.2% from \$596bn in the first quarter of 2014. The volume of traded sovereign Eurobonds reached \$319bn and accounted for 56% of the total debt traded in the covered quarter; while the volume of traded corporate Eurobonds reached \$241bn in the first quarter of 2015 or 42.2% of the total. Russia's 2030 bond was the most frequently traded EM Eurobond in the first quarter with a turnover of \$28bn. Overall, the most frequently traded instruments in the first quarter of 2015 were Mexican fixed income assets with a turnover of \$264bn, or 21.5% of the total, followed by Brazilian instruments with \$188bn (15.3%), assets from South Africa with \$90bn (7.3%), Russian debt securities with \$83bn (6.8%) and Turkish assets with \$48bn (3.9%).

Source: EMTA

Infrastructure projects with private participation up 6% to \$108bn in 2014

Figures released by the World Bank show that the total value of infrastructure projects with private participation in 139 emerging economies reached \$107.5bn in 2014, the fourth highest value on record, and constituting an increase of 5.5% from \$101.9bn in 2013. Infrastructure investments cover projects in the energy, transport and water sectors. A total of 239 projects reached financial closure in 2014, which represents the lowest number since 2004; while the average project size stood at a record high of \$419m. The value of transportation projects with private participation reached \$55.3bn in 2014 or 51.4% of total infrastructure projects with private participation, followed by the energy sector with \$48.2bn (44.8%) and the water & sewage sector with \$4.1bn (3.8%). Regionally, Latin America & the Caribbean had \$69.1bn or 64.3% of global infrastructure projects with private participation, followed by Europe & Central Asia with \$14.3bn (13.3%), the East Asia & Pacific region with \$11.5bn (10.7%), South Asia with \$6.7bn (6.2%), the MENA region with \$3.3bn (3.1%) and Sub-Saharan Africa with \$2.6bn (2.4%). On a country level, Brazil had \$44.2bn or 41.1% of infrastructure projects with private participation, followed by Turkey with \$12.5bn (11.6%), Peru with \$8.1bn (7.5%), Columbia with \$7bn (6.5%) and India \$6.2bn (5.8%).

Source: World Bank, Byblos Research

OUTLOOK

TUNISIA

Economic rebound dependent on reforms, pickup in Eurozone, and better security conditions

The Institute of International Finance projected Tunisia's real GDP growth to improve from 2.3% in 2014 to 2.6% in 2015, driven by investments and exports. It expected tourist arrivals to decline following the March terrorist attack at the Bardo Museum in Tunis, which would keep economic activity at subdued levels. It forecast non-agricultural output to expand by 2.5% in 2015 compared to a growth rate of 2.2% in 2014, and for agricultural output to grow by 3.4% this year relative to a growth rate of 2.8% in 2014. It considered that a stronger economic rebound is contingent on further improvement in security conditions, faster economic recovery in the Eurozone and significant progress in reforms. It estimated that the Tunisian economy needs to grow by 5% a year in order to create enough jobs to reduce the high unemployment rate of 16% and the youth unemployment rate of around 30%. The IIF indicated that regional and domestic security tensions constitute the main risks to the outlook. It added that delays in reforming the banking sector, shortfalls in private external funding or a delayed economic recovery in the Eurozone would keep the economy weak.

In parallel, the IIF estimated the fiscal deficit to have narrowed from 6% of GDP in 2013 to 4.5% of GDP in 2014 due to strong tax collection, delayed usage of the allocated \$1bn, or 0.6% of GDP for banks' recapitalization, and weak execution of capital spending. But it expected the fiscal deficit to widen to 5.1% of GDP in 2015 due to the anticipated recapitalization of banks and a significant increase in capital spending in poor regions. Further, it projected the current account deficit to narrow from a peak of 9.2% of GDP in 2014 to 7.5% of GDP in 2015, reflecting lower commodity prices and stronger demand from the Eurozone for Tunisian manufacturing goods. It expected the government to meet half of its external financing needs for 2015 from multiple sources, including the International Monetary Fund and the African Development Bank, and to cover the balance through borrowing. It noted that this would increase the external debt from 58.6% of GDP in 2014 to 65.6% of GDP in 2015, with most of the debt stock on concessional terms. It forecast official reserves to increase by about \$2bn to \$9.1bn, or 3.8 months of import cover by the end of 2015.

Source: Institute of International Finance

TURKEY

Political uncertainty to increase vulnerabilities

Deutsche Bank projected Turkey's real GDP growth at 3% in 2015, down from a previous forecast of 3.1% and relative to a growth rate of 2.9% in 2014. It attributed the revision to the limited prospects of forming a stable government anytime soon, which would complicate the country's political and economic outlook. It said that risks are tilted to the downside and are mostly related to external financing conditions, as well as to the quality and the implementation of the upcoming government's economic policy. Deutsche Bank forecast the inflation rate to reach 8% at the end of 2015 compared to 8.2% at end-2014, and to average 7.6% in 2015 relative to an average rate of 8.9% in 2014. It expected the Turkish lira to trade at TL2.79 against the US dollar

at the end of 2015 relative to a current rate of TL2.73 per dollar and of TL2.32 at the end of 2014. It anticipated that the Central Bank of Turkey (CBoT) would not change its rate strategy immediately after the elections, given that a change prior to forming a new government could alter coalition possibilities. It added that a change in the policy rate at this point could reinforce the market perception of political influence on the CBoT's decision making. It expected the policy rate to remain at 7.5% during the third quarter and to increase to 8% in the fourth quarter of 2015.

In parallel, Deutsche Bank indicated that Turkey is the fifth most vulnerable emerging economy to external shocks due to below-trend growth level, an elevated inflation rate, high credit growth, large external financing requirements of about 23% of GDP and low reserve coverage ratio. It cautioned that political instability could make the Turkish economy increasingly exposed to external shocks. It forecast the current account deficit to narrow from 5.8% of GDP in 2014 to 5.1% of GDP in 2015, mainly due to a lower energy bill. It projected foreign currency reserves to drop from \$107bn at the end of 2014 to \$100bn at the end of 2015. It expected the external public debt to rise from 50.5% of GDP in 2014 to 57.5% of GDP in 2015.

Source: Deutsche Bank

IRAN

Exports and fixed investment to lead growth

BMI Research forecast Iran's economy to grow by 1% in 2015 compared to zero growth in 2014 and to contractions of 6.6% in 2012 and 1.9% in 2013. It attributed the growth in 2015 to the expected easing of international sanctions starting in the third quarter. But it said that the impact of the sanctions' easing would be limited by the growth in imports and by lower global oil prices, and because sanctions on key oil sectors would not lead to a significant pickup in exports until at least 2016. It expected growth to be limited to about 4% in coming years due to years of underinvestment in all sectors.

BMI anticipated subsidy cuts, elevated inflation rates and a depreciating rial to weigh on consumer demand in coming quarters, and in turn on economic activity. It forecast private consumption to grow by only 2% in real terms in 2015, as the positive impact of the sanctions' easing is unlikely to be felt until 2016. It indicated that the growth in private consumption would remain at about 4% during the 2016-19 period. Further, it projected the fiscal deficit to average 4% of GDP over the coming three years due to lower oil prices. It expected authorities to accelerate subsidy reforms and privatization plans in response to the low oil price environment, but it considered this to be insufficient to prevent sustained fiscal deficits in coming years. It forecast government spending to remain subdued, as it projected it to contract by 3% in real terms in 2015 and to expand by 1% in 2016.

Further, BMI expected fixed investments and exports to become increasingly important growth drivers in coming years. But it noted that the rise in fixed investments and exports would be gradual and not immediate once the sanctions are eased. It forecast fixed investment to rise by 1% in real terms in 2015 and to average 4.6% annually during the 2016-19 period.

Source: BMI Research



ECONOMY & TRADE

UAE

Economic activity to moderate in 2015

The International Monetary Fund anticipated economic activity in the UAE to moderate this year as a result of low global oil prices. It projected non-hydrocarbon growth at 3.4% in 2015 given the low oil price environment and a stronger US dollar. It forecast the inflation rate to average 3.8% in 2015, as increases in rents would more than offset the impact of a strong US dollar on the import bill. It expected the fiscal balance to post a deficit of 2.3% of GDP in 2015, which would be the first such deficit since 2009. Also, it projected the current account surplus to narrow to 4.1% of GDP this year due to lower hydrocarbon receipts. It said that rising government spending over the past few years has increased vulnerabilities to lower oil prices, but it noted that the UAE has substantial large external and fiscal buffers. The Fund considered that fiscal consolidation should be gradual given the country's large buffers, and should be planned to minimize the adverse impact on economic activity. As such, it called on authorities to maintain investment spending, control the public-sector wage bill, phase out subsidies, reduce transfers to government-related entities and mobilize additional non-hydrocarbon revenues. Overall, the IMF considered that the country's macroeconomic policy mix should focus on fiscal consolidation, while maintaining the dirham's peg to the US dollar and supporting conditions for credit growth. In parallel, the Fund pointed out that structural reforms should improve the business environment, further open up the economy to foreign direct investment and create the right incentives for entrepreneurship, among other.

Source: International Monetary Fund

MOROCCO

Growth to pick up to 5% in 2015

The International Monetary Fund indicated that Morocco's economy is recovering and its macroeconomic prospects are favorable. It projected real GDP growth to accelerate to about 5% in 2015, supported by good agricultural output and a gradual improvement in activity in non-agricultural sectors. However, it considered that the economy still faces important downside external risks, including an extended period of slow growth in advanced economies, increased market volatility and high global oil prices. As such, it called on authorities to continue their efforts to strengthen the resilience of the economy. It anticipated that higher growth levels over the medium term are contingent on better external conditions and on the implementation of reforms. Further, the Fund pointed out that the fiscal deficit has improved due to reduced public spending, while the public debt has increased but remained at sustainable levels. It noted that authorities made significant progress in reforming the subsidy system, which reduced the cost of the subsidy bill and the related fiscal risks. It considered that the adoption of a new organic budget law in May 2015 is an important step to improve the fiscal framework. It called on authorities to reform the pension system in order to ensure its viability and extend its coverage. In parallel, it said that the country's external position has improved due to lower global oil prices and the strong exports from newly developed industries. It expected the current account deficit to narrow from 5.6% of GDP in 2014 to about 3% of GDP in 2015.

Source: International Monetary Fund

SYRIA

Economy to shrink by 6.4% annually in 2015-19

BMI Research projected Syria's economy to shrink by 6.4% annually during the 2015-19 period. It indicated that the conflict has destroyed key infrastructure and resulted in the steady collapse of living standards. It anticipated economic conditions in regime-held regions to be relatively better than those in the other parts of the country due to the resilience of state institutions, as well as to external financial support from Iran and Russia. However, it said that households in regime-held areas have been hit hard by extensive subsidy cuts, food shortages, the continued depreciation of the Syrian pound and worsening electricity rationing. It said that the regime raised gasoline prices to SYP150 per liter in May 2015 compared to SYP120 in September 2014 and SYP20 prior to the conflict. Also, it indicated that the capture of the town of Palmyra by Islamic State militants in May 2015 resulted in the loss of the surrounding gas fields that have supplied most of the electricity to regime-held areas. Further, BMI said that the government's revenue sources and its ability to collect foreign exchange earnings from exports, oil sales and tourism have collapsed. It noted that this resulted in the steady depreciation of the Syrian pound that was trading at SYP271.2 against the US dollar on June 3 on the official market, relative to an average rate of SYP154 per dollar in 2014. It forecast the pound to trade on the official market at SYP250 per dollar in 2015, with financial support from Iran limiting the risk of a currency collapse and allowing the regime to finance its imports.

Source: BMI Research

GHANA

Creditworthiness constrained by high public debt and external vulnerability

Moody's Investors Service indicated that Ghana's 'B3' sovereign rating, with a 'negative' outlook, is constrained by the country's high debt burden, reduced debt affordability and large gross borrowing requirements. It expected the country's adverse debt dynamics to persist in the context of a challenging economic environment, lower prices of commodity exports and the sustained depreciation of the Ghanaian cedi against the US dollar. It said that debt servicing absorbed almost one third of public revenues in 2014, making the country's debt affordability among the weakest of all Moody's-rated sovereigns. It added that fiscal consolidation efforts are taking place in the context of a slow-growth environment, which reduces the country's revenue generation capacity. Also, it estimated the government debt level to have increased from 54.8% of GDP in 2013 to 67.7% of GDP in 2014, reflecting a fiscal deficit of 9.4% of GDP in 2014, elevated domestic interest rates and a weaker currency. Further, it expected Ghana's real GDP growth to remain below potential until 2017 and to pick up going forward, as new oil fields come online and as the government addresses structural imbalances under its arrangement with the International Monetary Fund. In parallel, the agency indicated that downward pressure on Ghana's rating include delays in fiscal consolidation, a sustained drop in oil or gold prices, failure to resolve the country's ongoing energy shortages and a sustained loss of market access.

Source: Moody's Investors Service



BANKING

MENA

Increase in U.S. interest rates to support banks' earnings

Regional investment bank EFG Hermes considered that an increase in U.S. interest rates would be positive for the earnings of banks in the Middle East & North Africa region. It estimated that a 50 basis points increase in benchmark U.S. rates would lead to an average rise of 5% in earnings across MENA banks. It considered that the positive impact on earnings for MENA banks, especially for GCC banks, will come from higher loan spreads, from the re-pricing of the investment books, and from the re-pricing of interbank placements and non-statutory deposits with central banks. It expected the spreads among corporate-focused banks to increase before those at retail-focused peers. It noted that retail loans in most GCC banks usually have fixed rates for the loan duration, which means that the re-pricing is likely to take a long period of time. In addition, it anticipated that banks with a larger low-cost deposit base would benefit from the lower funding cost when interest rates rise. Further, it noted that the banks' net interest spreads are strongly linked to short-term rates and that the majority of the banks in the GCC have short-term duration investment books, which should lead to a quick re-pricing of the investments. EFG Hermes anticipated that the impact of higher interest rates on earnings would vary across banks in the region, with banks in Saudi Arabia, Lebanon and Dubai relatively better positioned to benefit from such a rise. However, it cautioned that a steeper increase in interest rates could pose a threat to the banks' asset quality, especially to banks with higher exposure to small- and medium-sized enterprises.

Source: EFG Hermes

ANGOLA

Currency to continue to depreciate

BMI Research considered that the Banco Nacional de Angola's (BNA) decision to devalue the kwanza by 6% on June 5, 2015 would not stop additional losses in the currency's value. It noted that the currency closed at kz117.29 against the US dollar on June 4 relative to kz110.52 per dollar at the closing of the preceding day. It considered that the devalued rate is not low enough to satisfy the built up demand for foreign currency. It noted that the spread between the official and black market rates remains substantial, with the kwanza reportedly trading at between Kz180 and kz200 per dollar on the black market. It forecast the kwanza to trade at 124 against the US dollar at the end of 2015, constituting a 5.6% depreciation from current levels and relative to kz102.84 per dollar at the end of 2014. Also, it expected the kwanza to average 113.43 against the dollar this year compared to an average of kz98.42 per dollar in 2014. It said that the sustained depreciation of the kwanza reflects the wide current account deficit, falling foreign currency reserves and weak foreign investment inflows. It noted that foreign reserves stood at \$26.2bn at the end of May 2015 and fell by 13% from the preceding month, which reduced the BNA's ability to defend the currency. BMI considered that authorities would continue to let the currency fall in order to bring the official exchange rate in line with the black market rate.

Source: BMI Research

TURKEY

Banks facing risks from political uncertainties

Fitch Ratings indicated that prolonged political uncertainties in Turkey could increase tensions over economic policy, which would create additional risks for Turkish banks. It noted that a slowdown in economic activity, the depreciation of the Turkish lira, elevated interest rates and weaker investor sentiment could all weigh on the banks' credit profiles. It added that the lira has lost 15% of its value against the US dollar and 9% against the euro so far this year. It noted that the banking sector's core and total capital ratios were sound at 12.9% and 15.1%, respectively, at the end of April 2015, but that they have decreased since then due to the lira depreciation. However, it indicated that the capital ratios would only come under substantial pressure in the event of significant loan losses. Further, Fitch said that foreign-currency loans represent 31% of the sector's total lending, which constitutes a considerable risk given the possibility of further currency depreciation. It expected losses from the banks' exposure to foreign-currency lending to increase, especially on loans to companies without access to foreign currency earnings, such as firms in the construction and energy sectors. But it estimated that losses on loans to such borrowers would be slow to materialize, as most of their credit facilities are long term, and borrowers usually take out short-term currency hedges to support upcoming payments. Further, it said that lira weaknesses could lead to a rise in interest rates, which would negatively affect banks' margins and capital. But it noted that narrower margins are relatively short-lived in Turkey as lira loans re-price quickly, while the impact of rates on securities books is softened by banks' large holdings of floating-rate and inflation-linked bonds

Source: Fitch Ratings

CÔTE D'IVOIRE

NPL ratio at 10%, provisions at 77%

Preliminary figures released by the International Monetary Fund indicate that the risk-weighted capital adequacy ratio (CAR) of banks operating in Côte d'Ivoire reached 10.1% at the end of 2014 relative to 9.2% at the end of 2013 and 8.6% at end-2012. But the IMF did not consider this ratio to be excessively high, given the rapid credit growth. It noted that credit to the economy increased by 21.7% in 2014, in line with the robust growth in the agriculture and services sectors. The banking sector's liquid assets accounted for 49.8% of total assets at the end of 2014, up from 37.1% at end-2013, while they represented 67.5% of total deposits at end-2014 relative to 50% at end-2013. Also, the banks' loans were equivalent to 58.3% of their total assets at the end of 2014 compared to 55.4% at the end of 2013 and 52.1% at the end of 2012. The sector's loans-to-deposits ratio stood at 79% at the end of 2014 relative to 82% at the end of 2013. The sector's non-performing loans (NPLs) reached 10.4% of total loans at the end of 2014, down from 12.3% at end-2013 and 15.5% at end-2012. Also, the banks' provisions-to-NPLs ratio stood at 77.1% at end-2014 compared to 73.6% at end-2013. The Fund estimated that the elevated NPL ratio does not represent significant financial stability risks, as the banks' NPLs net of provisions were equivalent to 2.65% of total, and to 28.2% of capital at the end of 2014, down from 49% at end-2013.

Source: International Monetary Fund



ENERGY / COMMODITIES

Oil market to remain oversupplied in 2015

Crude oil demand is anticipated to grow by 1.3% to 93.73 million barrels per day (b/d) in 2015, due to strengthening global economic prospects, mainly those of non-OECD economies. Also, global oil output is projected to increase by 1.1% to 94.63 million b/d as the U.S. and Saudi Arabia maintain high production levels. In addition, the anticipated nuclear agreement between Iran and the UN Security Council's permanent members plus Germany (P5+1) would further increase oil output levels. As such, the crude oil market is projected to remain well-supplied in 2015, with a market surplus of 900,000 b/d. The oversupply in the market is expected to prevent a significant price recovery in 2015, while prices are forecast to remain highly volatile this year. Brent oil prices are forecast to increase from an average of \$54 p/b in the first quarter to \$62.8 p/b in the second quarter, \$60.9 p/b in the third quarter and to \$63.3 p/b in the fourth quarter of 2015; while WTI oil price are projected to rise from an average of \$48.6 p/b in the first quarter of 2015 to \$55.9 p/b in the second quarter, \$54.2 p/b in the third quarter and \$56.9 p/b in the fourth quarter.

Source: *Economist Intelligence Unit, Thomson Reuters*

MENA's natural gas exports to drop by 2% in 2015

The Middle East & North Africa region's natural gas exports are forecast to average 4.67 million barrels of oil equivalent per day (boe/d) in 2015, which would constitute a decrease of 2.1% from 4.77 million b/d in 2014. The Gulf Cooperation Council (GCC) countries' natural gas exports would account for 75.8% of the region's gas exports in 2015, while non-GCC exporters would represent the remaining balance of 24.2%. Qatar's natural gas exports are projected at 2.71 million boe/d in 2015, equivalent to 58% of the region's gas exports, followed by Algeria with 0.78 million boe/d (16.7%) and the UAE with 0.47 million boe/d (10.1%).

Source: *International Monetary Fund, Byblos Research*

OPEC's oil output at highest monthly level since end-October 2012

The Organization of the Petroleum Exporting Countries' (OPEC) crude oil production totaled 31.11 million barrels per day (b/d) in May 2015, reflecting its highest monthly volume since October 2012. Saudi Arabia, Angola and Iraq were the main contributors to output growth, while Libya's oil production dropped by 90,000 b/d in May due to persistent political instability. Oversupply in the global oil market is projected to ease in coming months, supported by an expected rise in oil demand and a decline in non-OPEC supply in the second half of the year.

Source: *Platts*

Top 10 oil producers to account for 68.7% of global oil production in 2015

The United States is projected to lead global crude oil production in 2015, with total output reaching 13.6 million barrels per day (b/d). It would be followed by Saudi Arabia (12 million b/d), Russia (11 million b/d), Canada (4.5 million b/d) and China (4.3 million b/d). The world's largest 10 producers would account for 68.7% of global output in 2015 relative to a share of 63.4% in 2005, and would reach 69.6% of aggregate output by 2024. The United States is expected to remain the world's largest oil producer in 2024, with aggregate output at 15.8 million b/d. It would be followed by Saudi Arabia (12.8 million b/d), Russia (10.9 million b/d), Canada (5.4 million b/d) and Iraq (4.2 million b/d).

Source: *BMI Research, Byblos research*

Base Metals: Aluminium prices to drop by 2.4% in 2015

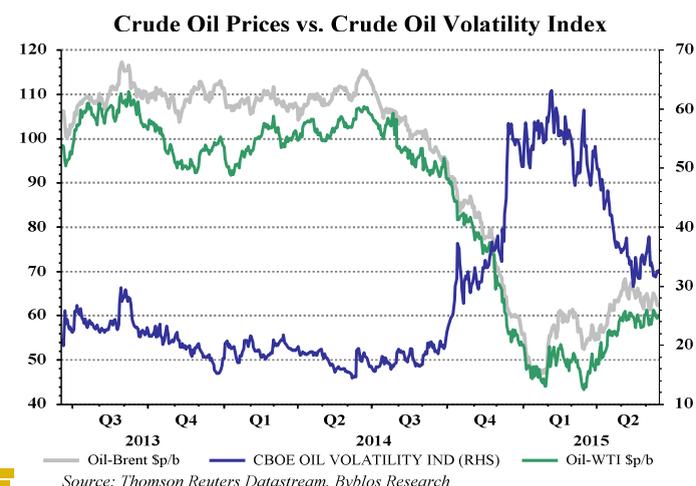
LME Aluminium 3-month future prices are forecast to average \$1,850 a metric ton in 2015, which would constitute a drop of 2.4% from \$1,895 a metric ton in 2014. Aluminium prices are expected to bottom out in the second quarter of 2015, as the downward pressure on prices would ease from weakening supply growth. Exports of aluminium products from China are expected to slow down in coming months, while production outside of China and the GCC economies is forecast to decrease. The aluminium market is forecast to remain oversupplied in 2015, with global aluminium production rising by 4.5% year-on-year to 51.5 million tons and global demand increasing by 4% to 51.1 million tons. The metal's price is projected to recover in coming years but at a slow pace due to stronger Chinese exports, as well as to a sustained growth in the metal's production in the GCC economies. Also, aluminium demand in China, the world's largest consumer of the metal, is expected to slow down due to a deceleration in fixed asset investments. However, stronger demand from the automotive sector would partially offset the decline in the metal's consumption growth in major markets such as the U.S., Europe and Japan. In parallel, the Bloomberg Aluminium Total Return Sub-Index decreased by 10.7% in May and by 7.9% in the first five months of 2015.

Source: *BMI Research, Byblos Research*

Precious Metals: Silver prices to drop by 8.3% in 2015

Silver prices are forecast to average \$17.5 a troy ounce in 2015, constituting a drop of 8.3% from \$19.08 a troy ounce in 2014. Jewelry and investment-related demand is expected to support silver prices. However, the strengthening of the US dollar and the prospects of higher U.S. interest rates later this year would weigh on industrial demand. On the supply side, silver continues to face mounting pressure as global mine production increased by 3.2% in 2014, and is expected to expand further in 2015. Global silver supply is projected to drop by 0.7% to 31,850 tons, while the metal's demand is forecast to rise by 1.8% to 32,455 tons this year. As such, the market is expected to shift to a deficit of 605 tons in 2015 from a surplus of 190 tons in 2014. In parallel, the metal's price averaged \$16.7 a troy ounce in the first quarter of 2015, reflecting a 5.7% increase from end-2014. Silver is forecast to trade between \$16 and \$18.5 in the second quarter of the year.

Source: *Sucden Financials, Thomson Reuters, Byblos Research*



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BB	-12.9	13.6	2.0	5.7	1.2	-	-15.7	-
Angola	B+	Ba2	BB-	-	BB	-4.7	47.5	27.0*	56.0	15.4	57.6	-6.3	-0.2
Egypt	B-	B3	B	B-	CCC	-11.8	90.5	14.6	124.6	8.2	467.5	-3.3	-1.3
Ethiopia	B	B1	B	-	CCC	-2.9	21.7	25.4*	135.9	4.4	591.0	-6.6	2.4
Ghana	B-	B3	B	-	B	-6.3	69.6	36.4*	77.3	4.5	376.2	-7.0	7.5
Ivory Coast	-	B1	B	-	B	-3.2	37.4	12.6*	-	9.4	198.2	-2.3	2.9
Libya	-	-	B	-	B	-68.2	43.9	16.3	-	7.5	-	-52.8	-
Dem Rep Congo	B-	B3	-	-	-	1.6	20.5	12.4*	32.0	2.3	5.5	-10.7	4.5
Morocco	BBB-	Ba1	BBB-	-	B	-4.3	65.5	33.2	96.6	11.7	249.1	-4.2	2.7
Nigeria	B+	Ba3	BB-	-	B	-2.0	11.5	2.0*	11.1	0.4	43.8	0.7	0.4
Sudan	-	-	-	-	C	-1.5	78.5	63.2	-	-	-	-4.0	3.3
Tunisia	-	Ba3	BB-	-	CCC	-5.1	53.8	61.3	100.9	8.5	367.9	-6.4	3.7
Burkina Faso	B	-	-	-	-	-2.6	30.6	21.6*	-	-	-	-8.1	1.1
Rwanda	B+	-	B	-	-	-2.0	29.1	23.5*	-	11.8	-	-10.5	2.9
Middle East													
Bahrain	BBB-	Baa3	BBB-	BBB	BB	-9.9	54.0	158.3	-	17.5	721.6	-2.1	0.4
Iran	-	-	-	B	CCC	-2.7	11.9	2.5	-	-	-	0.8	-
Iraq	-	-	-	-	CCC	-10.0	55.6	33.6	-	-	-	-9.6	-
Jordan	BB-	B1	-	BB-	CCC	-2.9	90.7	32.7	-	9.6	205.3	-7.6	5.3
Kuwait	AA	Aa2	AA	AA-	A	6.2	4.4	26.2	-	1.2	87.5	15.7	-6.1
Lebanon	B-	B2	B	B	CCC	-9.1	131.8	161.4	-	17.7	160.8	-22.2	7.7
Oman	A-	A1	-	A	A	-14.8	8.6	13.6	-	3.7	81.8	-15.0	0.4
Qatar	AA	Aa2	AA	AA-	AA	5.6	28.9	79.1	-	18.0	360.3	8.4	-2.4
Saudi Arabia	AA-	Aa3	AA	AA-	A	-14.2	1.8	13.0	-	4.7	13.7	-1.0	1.0
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	BB	-3.0	14.7	51.5	-	4.2	488.6	5.3	1.8
Yemen	-	-	-	-	CC	-5.3	53.7	14.6	-	-	-	-2.2	2.3

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Asia													
Armenia	-	Ba3	B+	-	-	-4.5	53.1	92.6	298.8	21.9	431.8	-8.6	4.1
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-1.9	43.5	10.2	-	2.7	25.1	3.2	1.5
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-7.2	62.6	23.6	101.9	5.6	158.2	-1.3	1.1
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	-3.3	14.3	72.9	195.4	17.3	787.9	-4.1	3.6
	Stable	Positive	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BB	-3.0	28.9	90.0	122.3	20.2	261.1	0.2	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-1.8	40.5	54.7	132.5	19.4	249.2	-1.1	2.1
	Stable	Negative	Stable	-	Stable								
Russia	BB+	Baa3	BBB-	-	BBB	-3.7	18.8	52.7	133.7	29.1	195.0	5.4	-1.2
	Negative	-	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.8	33.4	55.8	181.2	23.2	376.5	-4.2	1.7
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-4.2	94.1	158.4	189.9	32.0	978.3	-1.4	2.5
	Negative	Negative	-	-	Stable								

*to official creditors

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are forecasts for 2015



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	17-Jun-15	No change	29-July-15
Eurozone	Refi Rate	0.05	03-Jun-15	No change	16-July-15
UK	Bank Rate	0.50	04-Jun-15	No change	09-July-15
Japan	O/N Call Rate	0.00-0.10	22-May-15	No change	19-Jun-15
Australia	Cash Rate	2.00	16-Jun-15	No change	07-July-15
New Zealand	Cash Rate	3.25	11-Jun-15	Cut 25 bps	23-July-15
Switzerland	3 month Libor target	-1.25(-0.25)	18-Jun-15	No change	17-Sep-15
Canada	Overnight rate	0.75	27-May-15	No change	15-July-15
Emerging Markets					
China	One-year lending rate	5.10	10-May-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.50	17-Jun-15	No change	N/A
Taiwan	Discount Rate	1.875	26-Mar-15	No change	25-Jun-15
South Korea	Base Rate	1.50	11-Jun-15	Cut 25bps	09-July-15
Malaysia	O/N Policy Rate	3.25	05-Mar-15	No change	09-July-15
Thailand	1D Repo	1.50	10-Jun-15	No change	05-Aug-15
India	Reverse repo rate	7.25	02-Jun-15	Cut 25bps	04-Aug-15
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	2.00	16-June-09	No change	N/A
Egypt	Overnight Deposit	8.75	11-Jun-15	No change	17-July-15
Turkey	Base Rate	7.50	20-May-15	No change	23-Jun-15
South Africa	Repo rate	5.75	21-May-15	No change	23-July-15
Kenya	Central Bank Rate	10.00	09-Jun-15	Raised 150bps	N/A
Nigeria	Monetary Policy Rate	13.00	19-May-15	No change	21-July-15
Ghana	Prime Rate	22.00	13-May-15	Raised 100bps	15-July-15
Angola	Base rate	9.25	30-Mar-15	Raised 25bps	N/A
Mexico	Target Rate	3.00	04-Jun-15	No change	23-July-15
Brazil	Selic Rate	13.75	03-Jun-15	Raised 50bps	29-July-15
Armenia	Refi Rate	10.50	10-Feb-15	Raised 100bps	N/A
Romania	Policy Rate	1.75	06-May-15	Cut 25bps	04-Aug-15
Bulgaria	Base Interest	0.02	03-Jun-15	Raised 1bp	01-July-15
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	30.0	28-May-15	No change	25-Jun-15
Russia	Refi Rate	11.50	15-Jun-15	Cut 100bps	31-July-15



Economic Research & Analysis Department

Byblos Bank Group

P.O. Box 11-5605

Beirut - Lebanon

Tel: (961) 338 100

Fax: (961) 217 774

E-mail: research@byblosbank.com.lb

www.byblosbank.com

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A.
Damascus Head Office
Al Chaalan - Amine Loutfi Hafez Street
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4
Fax: (+ 963) 11 3348205
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362
Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 8518 8100
Fax: (+ 44) 20 8518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa
Khartoum Head Office
Intersection of Mac Nimer and Baladiyya Streets
P.O.Box: 8121 - Khartoum - Sudan
Phone: (+ 249) 1 56 552 222
Fax: (+ 249) 1 56 552 220
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC S.A.R.L
Avenue du Marché No. 4
Kinshasa-Gombe, Democratic Republic of Congo
Phone: (+ 243) 81 7070701
(+ 243) 99 1009001
E-mail: byblosbankrdc@byblosbank.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293

