

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Insurers' losses from natural and man-made disasters at \$34bn in 2014

Global re-insurer Swiss Re estimated the total economic losses from natural catastrophes and man-made disasters at \$113bn in 2014, constituting a decrease of 16.3% from \$135bn in 2013 and well below the 10-year annual average losses of \$200bn. Total economic losses include insured and uninsured catastrophe losses. It noted that total losses from natural catastrophes reached \$106bn in 2014, down by 16% from \$126bn in 2013 and significantly below the average losses of \$188bn in the last 10 years. It indicated that losses from natural catastrophes represented 93.8% of total losses, while those from man-made disasters reached \$7bn and accounted for 6.2% of the total. In parallel, it said that insurers' overall losses totaled \$34bn in 2014, down 24.4% from \$45bn in 2013, and were lower than the annual average losses of \$64bn in the previous 10 years. As such, it noted that the global insurance industry covered 30% of total losses in 2014. It pointed out that insurers' losses from natural catastrophes fell by 21.6% to \$29bn in 2014 and were below the average losses of \$57bn in the previous 10 years. It noted that insurers' losses from natural catastrophes accounted for 85.3% of the insurance industry's total losses, while claims from man-made disasters represented 14.7% of total insurers' losses.

Source: Swiss Re

Corporate bond issuance at \$3.2 trillion in first 11 months of 2014

Standard & Poor's indicated that global new corporate bond issuance totaled \$3.2 trillion in the first 11 months of 2014 and exceeded the all-time high reached during the same period of 2009. Issuance by financial institutions totaled \$1.8 trillion or 55% of total issuance in the first 11 months of 2014, while non-financial firms issued \$1.5 trillion or 45% of the total. The issuance included \$1.8 trillion in investment grade bonds that accounted for 55.5% of total issuance, \$461bn (14.3%) in speculative grade bonds and \$978bn (30.2%) in unrated bonds. Bond issuance in Europe totaled \$1.3 trillion in the first 11 months of the year and represented 39% of global bond issues, followed by the U.S. with \$1.1 trillion (33.8%) emerging markets with \$553bn (17.1%) and other developed economies with \$330bn (10.2%). Further, financial companies in Europe issued \$826bn and represented 46.5% of global financial institutions' issuance, followed by those in the U.S. with \$438bn (24.7%), in emerging markets with \$290bn (16.3%) and in other developed economies with \$220bn (12.4%). Issuance by non-financial firms in the U.S. totaled \$655bn and accounted for 44.9% of global corporate bond issuance, followed by those in Europe with \$431bn (29.5%), issuance in emerging markets with \$262bn (18%) and those in other developed economies with \$111bn (7.6%). In parallel, S&P estimated that about \$8.8 trillion of rated corporate debt is scheduled to mature between 2015 and 2019. A total of \$1.8 trillion will be due in 2015, \$1.9 trillion will mature in each of 2016 and 2017, \$1.8 trillion is due in 2018 and \$1.5 trillion will mature in 2019.

Source: Standard & Poor's

MENA

Economic growth environment unchanged in region in 2014

Goldman Sachs' Growth Environment Scores for 2014 show that the growth environment in the Middle East & North Africa region was almost unchanged year-on-year, as the region's average numerical score reached 5.52 points compared to 5.53 points in 2013, and relative to 5.13 points in 2007 and 4.35 points in 1997. The GES is a composite measure of economic growth conditions in more than 180 countries that summarizes the overall growth environment and that ranks countries according to their ability to achieve their growth potential. The GES consists of six broad categories of growth criteria that are Macroeconomic Stability, Macroeconomic Conditions, Political Conditions, Human Capital, Technological Capabilities and the Microeconomic Environment. The region's score was better than the average score of Latin America (5.36 points) and Africa (4.25 points). It was better than the global average score of 5.36 points and the emerging markets' average score of 5.08 points, while it was lower than the average score in developed markets (6.88 points). The MENA region posted the second worst performance on the Political Conditions category among seven regions globally and the third lowest score on the Technological Capabilities category, but it posted the highest score on the Macroeconomic Stability category, the third best performance on the Microeconomic Environment category, and the fourth highest score on the Macroeconomic Conditions and Human Capital categories.

Source: Goldman Sachs, Byblos Research

Region's gender gap widest globally

The World Economic Forum's Global Gender Gap Index for 2014 shows that Arab countries continue to have the widest gender gap in the world, as their average score of 0.599 points came below the average scores of all other regions worldwide. The index is based on four sub-indices that measure Economic Participation & Opportunity, Educational Attainment, Health & Survival, and Political Attainment. The index included 15 Arab countries, with Kuwait ranking in 113th place, highest in the region. It was followed by the UAE in 115th place, Qatar (116th), Tunisia (123rd), Bahrain (124th), Algeria (126th), Oman (128th), Egypt (125th), Saudi Arabia (130th), Mauritania (131st), Morocco (133rd), Jordan (134th), Lebanon (135th), Syria (139th) and Yemen (136th). The scores of 11 Arab countries improved and those of the other three countries regressed from the 2013 index. Also, the rankings of two countries improved and those of 12 countries regressed, while Tunisia was re-included in the index. The MENA region continues to rank last on the Economic Participation & Opportunity and on the Political Attainment sub-indices. The survey said that the highest-ranking economies of the region have invested significant resources in increasing women's education levels in the last decades. But it noted that these countries had varying degrees of success at integrating women into the economy in order to reap the benefits of this investment.

Source: World Economic Forum, Byblos Research

OUTLOOK

MENA

Five trends for the region in 2015

Citigroup identified five trends for the Middle East & North Africa region in 2015 and beyond, which consist of lower global oil prices, rising sovereign issuance by the region's oil exporters, economic diversification in oil-exporting economies, uncertainty from geopolitical conditions and the possibility of a nuclear agreement with Iran.

First, Citigroup expected lower global oil prices to reduce public spending in the region's oil exporters, which would lead to lower non-hydrocarbon growth. It forecast growth in public spending to decelerate from an annual average of 13% during the 2010-14 period to about 5% between 2015 and 2018. It noted that this would slow down non-hydrocarbon growth from about 6% annually during the 2010-14 period to an average rate of 3% in coming years. Further, it said that oil importers would benefit in the near term from lower global oil prices through lower subsidy and import bills. But it considered that the risk to financial flows from GCC countries, mainly remittance inflows, FDI and financial support, outweigh these benefits.

Second, Citigroup expected the sovereign financing requirements of oil exporters to rise in coming years. It estimated the financing requirements for oil exporters at \$195.2bn between 2015 and 2018, assuming that oil prices average about \$80 per barrel. It noted that increased issuance would drain liquidity and limit the availability of financing for the private sector.

Third, Citigroup anticipated that oil exporters in the region would accelerate the implementation of structural reforms to promote the private sector, reduce their budgets' vulnerabilities to oil prices and promote local employment. Fourth, it expected geopolitical risks to continue to be a source of uncertainty in the Middle East in coming years. Finally, it considered that a nuclear deal with Iran would mainly increase economic risks of the region's oil exporters. But it noted that a failure to reach a nuclear agreement would increase regional uncertainties.

Source: Citigroup

ALGERIA

Real GDP to average 4% in 2014-15, risks to macroeconomic stability on the rise

The International Monetary Fund projected Algeria's real GDP growth to accelerate from 2.8% of GDP in 2013 to 4% in 2014. It expected hydrocarbon output to expand by 0.4% in 2014, the first positive growth in nine years. It noted that the non-hydrocarbon sector would continue to support overall economic activity, but it forecast real non-hydrocarbon growth to decelerate from 7.1% in 2013 to 5.5% this year, reflecting poor wheat harvest and a slowdown in industrial activity. It projected real GDP to grow by 3.9% in 2015, with hydrocarbon output expanding by 1.3% and non-hydrocarbon sector activity growing by 5%.

In parallel, the IMF considered that threats to macroeconomic stability are growing despite substantial external and fiscal buffers. It forecast the current account balance to shift from a surplus of 0.4% of GDP in 2013 to a deficit of 4% in 2014, constituting the first such deficit since 1999. It expected the deficit

to widen to 7.7% of GDP in 2015, as strong domestic energy consumption and lower global oil prices weigh on exports, and given the growth in imports. It forecast foreign currency reserves to fall from \$187.6bn or 32.3 months of imports in 2014 to \$172.6bn or 28.3 months of imports in 2015. It anticipated that import coverage would fall to 17 months over the medium term, as low levels of capital inflows would be insufficient to finance the current account deficits. Further, the IMF forecast the fiscal deficit to widen from 1.5% of GDP last year to 7% of GDP in 2014, reflecting lower hydrocarbon and customs revenues, a sharp increase in capital spending and sustained high current expenditures. It noted that the fiscal deficit would widen to 9.5% of GDP in 2015 due to weaker hydrocarbon revenues. It anticipated that the government would finance the deficit by drawing down reserves from the oil savings fund, which are projected to decline from 31.6% of GDP in 2013 to 27% of GDP in each of 2014 and 2015. The Fund considered that risks to Algeria's outlook are mainly tilted to the downside, as slower-than-projected growth in Europe and emerging markets, or a sustained decline in hydrocarbon prices would worsen its external and fiscal balances.

Source: International Monetary Fund

GHANA

Public finance metrics to deteriorate on lower commodity prices

Merrill Lynch identified three scenarios for Ghana's economy based on gold and oil prices. First, it projected Ghana's real GDP growth at 3.9% in 2015, its fiscal deficit at 9.4% of GDP, its current account deficit at 10.5% of GDP and its foreign currency reserves at \$5.1bn, when assuming an average oil price of \$75 per barrel (p/b) and an average gold price of \$1,150 per ounce in 2015. It said that the government expects new tax measures in the real estate sector, as well as on petroleum products, financial services, imports and salaries to increase tax revenues by 31% to GHC25bn, equivalent to 19% of GDP in 2015. But it noted that such an increase would be challenging to achieve in the context of an economic slowdown. Further, it anticipated that lower global gold and oil prices would significantly weigh on Ghana's fiscal and external balances and would derail its fiscal consolidation plans. However, it noted that a fall in gold prices would have a more pronounced impact on Ghana than a drop in oil prices, given that Ghana is among the world's largest gold producers, with gold generating 14% of public revenues and 36% of export receipts.

Second, Merrill Lynch forecast real GDP growth to decelerate to 2.8% and the fiscal and current account deficits to widen to 10% of GDP and 12.6% of GDP, respectively, in 2015, if the average oil price falls to \$65 p/b and gold prices average \$1,000 per ounce. It also projected foreign reserves at \$3.4bn at the end of 2015. Third, it expected real GDP growth to further decelerate to 2%, the fiscal deficit to widen to 10.8% of GDP, the current account deficit to deteriorate to 14% of GDP and foreign currency reserves at \$2.4bn, if oil prices fall to \$60 p/b and gold prices drop to \$900 per ounce. It also projected foreign currency reserves at \$3.4bn. Merrill Lynch considered that the fall in commodity prices would raise the bar for fiscal consolidation and would delay an agreement with the IMF to February 2015.

Source: Merrill Lynch

ECONOMY & TRADE

GCC

Economies to withstand lower global oil prices, Bahrain and Oman most vulnerable

Moody's Investors Service anticipated that the six member countries of the Gulf Cooperation Council would withstand the pressure from an average oil price of between \$80 and \$85 per barrels in 2015. It indicated that Kuwait and Qatar are the most resilient to lower global oil prices due to their very low fiscal and external breakeven oil prices, as well as their large foreign currency reserves. It said that Saudi Arabia and the UAE have slightly weaker fiscal fundamentals and higher external breakeven oil prices. But it noted that large non-hydrocarbon sectors and substantial reserves in Saudi Arabia and the UAE offset these weaknesses. As such, it considered that the four economies have similar shock absorption capacities. However, it pointed out that the credit profile of Bahrain and Oman would be the most adversely affected given their high fiscal breakeven oil prices and low reserve buffers. The agency forecast Saudi Arabia's fiscal balance to shift to a deficit in 2015, while it projected the deficit to exceed 7% of GDP in each of Bahrain and Oman next year. It anticipated that all GCC countries except Oman would post current account surpluses in 2015. It forecast the public debt level to increase in Bahrain and Oman in 2015, as authorities would finance the widening of the deficit through sovereign debt issuance. It added that Saudi Arabia would use its reserves buffer to finance its deficit. In parallel, Standard & Poor's revised the outlook to 'negative' from 'stable' on Bahrain's 'BBB' and Oman's 'A' long-term foreign and local currency sovereign ratings on fiscal vulnerabilities from lower global oil prices.

Source: Moody's Investors Service, Standard & Poor's

TUNISIA

Slow pace of reforms keeps economic risks high

The International Monetary Fund indicated that the implementation of structural reforms in Tunisia has been slow, with significant delays in the recapitalization and restructuring of state-owned banks. It considered that it is crucial to recapitalize and restructure state-owned banks, given the rise in financial sector vulnerabilities and to allow banks to support economic activity. In parallel, the Fund welcomed additional cuts in energy subsidies and the strict control of the public sector's wage bill in the 2015 budget, as the authorities aim to benefit from lower global oil prices. It considered that growth-enhancing reforms, such as reforming public enterprises, the pension system and the tax administration would improve absorptive capacity, efficiency and risk management. Further, it pointed out that tighter monetary policy would contain inflationary pressures, reduce exchange rate pressures and result in positive real interest rates. It noted that greater exchange rate flexibility, mainly through limited interventions in the foreign exchange market, would strengthen foreign currency reserves and correct the large external imbalances. The IMF called for accelerating the implementation of structural reforms to improve the investment climate and generate stronger and more inclusive growth. It urged authorities to ratify the bankruptcy, competition and public-private partnership laws.

Source: International Monetary Fund

DEM REP CONGO

Economy vulnerable to drop in global commodity prices

The International Monetary Fund indicated that the Democratic Republic of Congo's macroeconomic performance continues to be resilient despite the challenging external and domestic environments. It projected the country's real GDP growth to reach 9% in 2014, driven by high output levels in the mining and agricultural sectors. It anticipated that the sustained expansion of these sectors would continue to support economic activity in 2015. But it noted that the economy remains highly dependent on the mining sector, with copper and cobalt generating about 98% of export receipts and accounting for 44% of nominal GDP. As such, it cautioned that a drop in global copper and cobalt prices represents the main risk to the country's economic outlook. It forecast the current account deficit to narrow from 11% of GDP to 8.9% of GDP in 2014, and for foreign currency reserves to remain stagnant at their relatively low levels of about two months of import cover. Further, it expected the fiscal balance to shift from a surplus of 0.3% of GDP in 2013 to a deficit of 1.3% of GDP in 2014, mainly due to a marginal decline in tax revenues and stagnant public spending. The Fund considered that authorities need to maintain a sound and stable macroeconomic framework that should be based on a balanced and credible budget. Further, it noted that authorities implemented several initiatives to start the de-dollarization process of the economy. It called on authorities to recapitalize the Banque Centrale du Congo in the coming months in accordance with international standards, and to develop the financial sector.

Source: International Monetary Fund

SOUTH SUDAN

Economy facing significant challenges

The International Monetary Fund projected real GDP in South Sudan to contract by 7.5% in the fiscal year ending in June 2015 relative to a growth rate of 30.7% in FY2013/14, reflecting constrained oil production and an expected fall in agricultural output because of the ongoing war. It indicated that South Sudan faces substantial near-term challenges from the ongoing domestic conflict, volatile relations with Sudan, large fluctuations in oil production and prices, distortions in the foreign exchange market and in budget execution, as well as weak institutions and governance. In parallel, the IMF projected the fiscal deficit to widen from 3% of GDP in FY2013/14 to 10.7% of GDP in FY2014/15 due to the fall in oil production and the recent decline in global oil prices. It noted that extra budgetary expenditures and financing shortfalls led to the accumulation of domestic arrears equivalent to 12% of GDP. It anticipated that authorities would face difficulties in financing the fiscal deficit, as government deposits and foreign currency reserves have reached all-time lows, and given that the availability of external financing has been limited due to the high level of country risk. It forecast the Central Bank of South Sudan's (CBSS) net foreign assets to cover about 0.5 months of imports in FY2014/15. It cautioned from the reliance on the CBSS to finance the fiscal deficit, as this would stimulate inflation and further weaken the South Sudanese pound.

Source: International Monetary Fund



BANKING

MOROCCO

Pressure on asset quality to remain

Fitch Ratings anticipated that the asset quality of Morocco's largest five banks would remain under pressure in 2015, given their significant exposure to domestic corporates and small- and medium-sized enterprises (SMEs) whose performance is sensitive to the performance of the Moroccan economy. Attijariwafa Bank, Groupe Banque Centrale Populaire, BMCE Bank, Société Générale Marocaine de Banques and Banque Marocaine pour le Commerce et l'Industrie account for about 80% of the sector's assets and customer deposits. It noted that the five banks' asset quality ratios would remain at manageable levels as the solid growth in the non-agricultural sector would support the performance of corporates and SMEs. Further, it said that the banks' substantial exposure to volatile operating environments, such as Sub-Saharan African (SSA) countries or Tunisia, poses credit risks. It added that high levels of concentration in the banks' loan portfolios expose them to heightened credit risk in adverse economic conditions. It pointed out that the banks' reserve coverage ratios are adequate due to the insufficient coverage of impaired loans in SSA, significant exposure to vulnerable domestic corporate and SMEs, and uncertainties on collateral valuation. In parallel, it said that the funding profile of the five banks is sound, with retail customer deposits constituting the bulk of their funding. It added that the banking system's liquidity remains tight, but it noted that the active support from Bank Al-Maghrib mitigates liquidity risks at most banks. Fitch considered that the capital buffer against unexpected losses to be modest, but it noted that capital ratios have increased at most banks due to the new regulatory minimum ratios introduced in January 2014.

Source: Fitch Ratings

SAUDI ARABIA

Outlook on banks revised to 'stable'

Standard & Poor's revised the outlook to 'stable' from 'positive' on the 'A' long-term counterparty credit rating of Arab National Bank (ANB), Banque Saudi Fransi (BSF), and the Saudi British Bank (SABB). It attributed the outlook revision to its similar action on Saudi Arabia's sovereign ratings. The agency did not expect an increase of potential extraordinary government support for these three banks or a sustainable improvement in the banks' capitalization level. It considered that the 'stable' outlook on the banks' ratings balances their good earnings capacity, adequate funding and liquidity, and strong capitalization level, with risks from their concentrated loan books. It anticipated the growth in lending at the three banks to range between 8% and 14% during the 2015-16 period. It noted that the risk premium would increase by about 40 to 55 basis points as the decline in global oil prices would test borrowers' creditworthiness. It forecast the dividend payout ratios to range between 30% and 35%, which does not support capital build-up. It projected the risk-adjusted capital ratios for the three banks to remain close to 15% over the next 18 to 24 months.

Source: Standard & Poor's

ARMENIA

Lending up 9% in first 10 months of 2014, foreign currency loans at 63% of total lending

Figures released by the Central Bank of Armenia show that the banking sector's loans stood at AMD1,961bn, equivalent to \$4.8bn, at the end of October 2014, constituting an increase of 9% from end-2013 and of 14.4% from a year earlier. Loans in foreign currency accounted for 62.7% of total loans at end-October 2014 relative to 62.2% at end-2013 and 62.9% a year earlier; while loans to non-residents amounted to 3.3% of total loans. The distribution of lending by sector shows that consumer loans accounted for 23.2% of overall lending to residents, followed by industry (21.2%), trade (19.9%), mortgages (8.6%), construction and agriculture (6.4% each), services (6.1%) and communications (2.1%); while loans to other sectors represented the remaining 6.1%. Further, deposits excluding accrued interest totaled AMD1,675bn, or \$4.1bn at end-October 2014. They increased by 3.9% from end-2013 and by 15% from a year earlier. Deposits in foreign currency accounted for 67.6% of total deposits at end-October 2014, while non-resident deposits represented 24% of the total. The loan-to-deposit ratio in foreign currency stood at 108.6%, up from 105% at end-October 2013, while the same ratio in local currency was 134.6% relative to 148% a year earlier. The total loan-to-deposit ratio stood at 117% at the end of October 2014 compared to 117.7% a year earlier. In parallel, the Armenian dram was trading at AMD527.2 against the US dollar on December 17, constituting a 30% loss in its value since the start of the year and a depreciation of 26% since November 11.

Source: Central Bank of Armenia, Byblos Research

TURKEY

Banks' operating environment to become more challenging in 2015

Fitch Ratings maintained its stable outlook on Turkey's banking sector despite the challenging operating environment. It indicated that the banks' lending growth decelerated to 13% in the first nine months of 2014 from 30% in the same period last year, which reflects the slowdown in economic activity, the introduction of regulatory measures to restrain consumer loans, and the weaker investment sentiment. It expected asset quality to moderately deteriorate in 2015, due to portfolio seasoning and the slower economic growth. It added that the depreciation of the Turkish lira could weaken the debt servicing capability of borrowers in foreign currency, as foreign currency loans account for 28% of total lending. Further, it indicated that Turkish banks' foreign liabilities are significant and are short-term in nature, which exposes banks to refinancing risks. But it expected banks to continue to have access to international capital markets. In parallel, the agency expected Turkish banks' performance indicators to be moderately weaker in 2015, as high interest rates and strong competition for deposits increase funding costs. But it considered that the sector's profitability is sufficiently high to absorb the expected rise in impairment charges. It added that pre-impairment profits are healthy, which increases the banks' capacity to build up capital through retained earnings.

Source: Fitch Ratings



ENERGY / COMMODITIES

Near-term outlook on crude oil prices uncertain

Crude oil prices traded at their lowest levels in more than five years in mid-December due to persistent concerns of a widening oversupply in the global market. Brent oil prices regressed by about 44% from end-2013 to \$62 per barrel on December 18, 2014; while WTI prices dropped by about 41% to \$58 per barrel in the covered period. The Organization of the Petroleum Exporting Countries' (OPEC) reluctance to reduce supply from the global market and to tighten compliance with the 30 million b/d quota has created significant uncertainties over the trajectory of oil prices in the near term. Oil prices are expected to remain under pressure during the first half of 2015 in the absence of an OPEC production cut. The degree of mismatch between global oil supply and demand in the first half of 2015 is forecast to reach its highest level since 1998 when crude oil prices decreased by about 30%. Historically, a decrease in OPEC output outside of a recessionary environment, raised crude oil prices by an average of 8.5% within three months of the quota reduction. In parallel, Brent crude oil prices are forecast to average \$68.1 per barrel in 2015, while WTI oil prices would average \$62.8 per barrel.

Source: Deutsche Bank, U.S. EIA, Byblos Research

Total losses of Syria's electricity sector at \$7bn

The Syrian regime estimated the total losses of the country's electricity sector from the ongoing conflict at SYP1,268bn, or \$7.2bn at the current exchange rate. It said that direct losses amounted to SYP268bn or \$1.5bn, and indirect damages totaled SYP1,000bn or \$5.7bn. The sector's aggregate losses since the beginning of the conflict resulted from damages to energy infrastructure, including hydrocarbon sources, natural gas pipelines and electricity transmission networks. The regime indicated that over 90% of the country's natural gas production went to the electricity sector in 2013.

Source: Syrian Telegraph, U.S. EIA

Kurdish oil exports to rise in early 2015

The Kurdistan Regional Government (KRG) expects its oil exports to rise to 800,000 barrels per day (b/d) in early 2015, including 550,000 b/d to be marketed by Iraq's State Organization for Marketing of Oil under the deal reached with Baghdad earlier this month. It said that the rise in oil exports would take it closer towards economic self-sufficiency. Further, the KRG indicated that it will fully participate in helping Iraq meet its energy export targets in 2015, and would continue to independently sell a portion of its oil during the negotiations on a final oil deal with Baghdad.

Source: Thomson Reuters

EU imposes export ban on jet fuels to Syria

The Council of the European Union agreed to impose an export ban on jet fuels and relevant additives supplied to Syria. The decision came in an attempt to restrict the Syrian regime's air force from conducting indiscriminate air attacks against civilians. The EU also prohibited the financing, insurance and reinsurance services related to such exports to Syria. In parallel, the Syrian government took steps to ensure oil imports from Iran will continue to meet its energy needs during the winter season.

Source: Council of the European Union, NASDAQ

Base Metals: Copper prices to drop by 3% in 2015

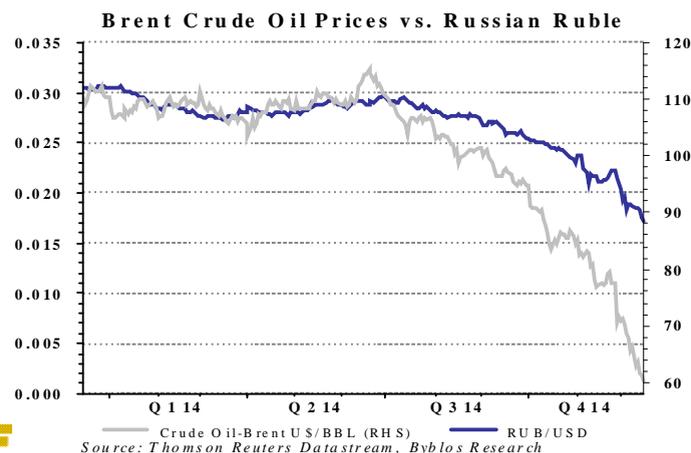
Copper prices are anticipated to underperform other base metals in coming months, given the downside risks from the Chinese property market, the surplus in the market and the decrease in oil prices. Copper mining and processing costs have a 15% to 20% exposure to the price of oil. As such, weaker oil prices will lead to a decline in the metal's marginal production costs and, in turn, would push copper prices downwards in a well-supplied market. The copper market is forecast to be oversupplied during the 2015-16 period, which would place further downward pressure on the metal's price. LME copper's cash price is forecast to average \$6,625 a ton in 2015, reflecting a drop of 3.1% from \$6,838 a ton in 2014, and to decrease by an additional 3.6% to \$6,388 a ton on average in 2016. In parallel, the Bloomberg Industrial Metals Total Return Sub-Index regressed by 3.4% month-on-month in November and by 2.7% in the first 11 months of 2014, while the Copper Sub-Index declined by 6.4% last month and by 16% from end-2013.

Source: Deutsche Bank, Bloomberg Indexes, Byblos Research

Precious Metals: Silver demand in other industrial sectors to rise at a CAGR of 4.5% over 2013-18

Global silver industrial demand is forecast to grow by 142 million ounces or by 26.5% between 2013 and 2018 to 677 million ounces. The electrical and electronics sector would contribute to about 46.5% of the growth in silver industrial demand through 2018, while the remaining growth would be driven by the metal's other industrial applications. Silver consumption in other industrial sectors, which include automotives, batteries, brazing & alloys and photovoltaic (PV) is forecast to post a compound annual growth rate (CAGR) of 4.5% to 386 million ounces during the 2013-18 period. Silver demand in the automotive industry is projected to increase by a CAGR of 4.9% from 56 million ounces in 2013 to 71 million ounces by 2018, mainly due to rising automotive production in China and India. In addition, consumption of the metal in the PV industry is projected to rise by a CAGR of 4.4% to 109 million ounces over the 2013-18 period. PV is a method used to convert solar energy into direct current electricity. The unique properties of silver make it essential in many industrial uses; and applications for silver are increasingly being invented, discovered and commercialized. In parallel, the Bloomberg Silver Total Return Sub-Index dropped by 3.7% month-on-month in November and by 20.7% in the first 11 months of 2014.

Source: The Silver Institute, CRU Consulting, Bloomberg



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	-1.9	9.7	1.5	9.4	1.1	-	0.5	-
Angola	BB- Stable	Ba2 Stable	BB- Stable	-	BB Stable	-2.0	29.2	9.4	-	1.9	79.0	2.2	-1.4
Egypt	B- Stable	Caa1 Stable	B- Stable	B- Stable	CCC Stable	-11.1	91.3	16.4	127.5	7.5	286.8	-1.3	1.3
Ethiopia	B Stable	B1 Stable	B Stable	-	CCC Stable	-3.0	23.5	21.1	116.3	-	-	-5.4	2.8
Ghana	B- Stable	B2 Negative	B Negative	-	B Stable	-7.5	66.5	32.3	73.4	3.4	239.1	-10.6	7.5
Ivory Coast	-	B1 Positive	B Positive	-	B Stable	-2.8	40.4	15.8	62.7	6.3	-	-2.2	2.9
Libya	-	-	B Stable	-	B Stable	-30.4	1.6	9.5	10.9	3.4	-	-27.7	-
Dem Rep Congo	B- Stable	B3 Stable	-	-	-	-2.1	23.4	12.3	45.1	1.4	5.4	-7.9	6.9
Morocco	BBB- Stable	Ba1 Stable	BBB- Stable	-	B Stable	-4.9	62.7	31.5	115.4	17.2	270.2	-6.6	2.9
Nigeria	BB- Negative	Ba3 Stable	BB- Stable	-	B Stable	-1.8	2.0	3.2	42.0	0.3	34.3	4.9	2.7
Sudan	-	-	-	-	C Stable	-1.3	89.3	74.0	-	-	-	-8.2	-
Tunisia	-	Ba3 Negative	BB- Negative	-	CCC Stable	-6.8	50.9	59.1	127.6	10.9	360.6	-6.7	3.0
Burkina Faso	B Stable	-	-	-	-	-3.9	32.1	25.9	143.5	-	-	-7.3	0.4
Rwanda	B Positive	-	B Positive	-	-	-3.1	28.8	21.5	253.7	-	153.6	-11.5	3.5
Middle East													
Bahrain	BBB Negative	Baa2 Negative	BBB Stable	BBB Stable	BB Stable	-4.3	45.8	134.4	423.5	16.6	506.6	10.4	0.2
Iran	-	-	-	B Stable	CCC Stable	-2.5	10.8	1.8	13.9	1.3	15.4	5.2	-
Iraq	-	-	-	-	CCC Stable	-2.0	16.3	10.7	69.5	-	-	1.0	-
Jordan	BB- Stable	B1 Stable	-	BB- Stable	CCC Stable	-8.3	91.3	26.0	154.2	14.9	225.4	-12.9	6.3
Kuwait	AA Stable	Aa2 Stable	AA Stable	AA- Stable	A Stable	25.2	2.4	20.4	25.5	7.0	108.4	37.4	-4.7
Lebanon	B- Stable	B2 Negative	B Negative	B Stable	CCC Stable	-11.5	147.6	179.6	162.8	16.4	126.8	-15.8	6.0
Oman	A Negative	A1 Stable	-	A Stable	A Stable	0.6	8.0	12.0	25.0	3.8	105.3	7.8	0.6
Qatar	AA Stable	Aa2 Stable	-	AA- Stable	AA Stable	7.7	25.7	75.6	123.9	14.3	477.0	25.4	-0.4
Saudi Arabia	AA- Stable	Aa3 Stable	AA Stable	AA- Stable	A Stable	7.1	2.6	11.8	24.3	1.9	11.4	15.8	0.6
Syria	-	-	-	-	C Negative	-12.0	65.0	27.4	-	-	-	-3.7	-
UAE	-	Aa2 Stable	-	AA- Stable	BB Stable	7.9	12.3	38.0	38.0	4.0	330.2	13.3	2.1
Yemen	-	-	-	-	CC Stable	-6.7	51.4	15.0	51.8	-	-	-1.5	-



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	-	Ba2	BB-	-	-	-2.3	42.1	77.0	109.2	17.9	543.0	-7.2	4.0
	-	Stable	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-2.1	27.2	7.9	29.8	1.5	21.1	2.2	1.0
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-4.5	67.8	21.3	83.6	5.2	188.9	-2.1	1.2
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	4.2	13.3	70.7	131.2	13.7	544.2	1.9	5.6
	Stable	Positive	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BB	-2.6	17.6	89.0	131.2	23.2	272.4	-0.4	3.0
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-2.9	39.7	66.5	153.9	20.0	257.6	-1.7	1.4
	Stable	Negative	Stable	-	Stable								
Russia	BBB-	Baa1	BBB	-	BBB	-0.5	11.6	36.7	109.4	15.0	134.9	3.0	-0.9
	Negative	Negative	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-2.0	35.9	47.2	107.5	25.1	343.0	-6.3	1.3
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-5.2	48.3	85.4	138.4	20.5	957.4	-6.7	2.2
	Negative	Negative	-	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are forecasts for 2014



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	17-Dec-14	No change	N/A
Eurozone	Refi Rate	0.05	04-Dec-14	No change	22-Jan-15
UK	Bank Rate	0.50	04-Dec-14	No change	08-Jan-15
Japan	O/N Call Rate	0-0.10	19-Nov-14	No change	19-Dec-14
Australia	Cash Rate	2.50	02-Dec-14	No change	03-Feb-15
New Zealand	Cash Rate	3.50	11-Dec-14	No change	29-Jan-15
Switzerland	3 month Libor target	0.00-0.25	11-Dec-14	No change	19-Mar-15
Canada	Overnight rate	1.00	03-Dec-14	No change	21-Jan-15
Emerging Markets					
China	One-year lending rate	5.60	21-Nov-14	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	29-Oct-14	No change	17-Dec-14
Taiwan	Discount Rate	1.875	25-Sept-14	No change	18-Dec-14
South Korea	Base Rate	2.00	11-Dec-14	No change	15-Jan-15
Malaysia	O/N Policy Rate	3.25	06-Nov-14	No change	28-Jan-15
Thailand	1D Repo	2.00	17-Dec-14	No change	N/A
India	Reverse repo rate	8.00	02-Dec-14	No change	03-Feb-15
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-June-09	Cut 25bps	N/A
Egypt	Overnight Deposit	9.25	20-July-14	Raised 100bps	N/A
Turkey	Base Rate	8.25	20-Nov-14	No change	24-Dec-14
South Africa	Repo rate	5.75	19-Nov-14	No change	27-Jan-15
Kenya	Central Bank Rate	8.50	04-Nov-14	No change	04-Feb-15
Nigeria	Monetary Policy Rate	13.00	25-Nov-14	Raised 100bps	13-Jan-15
Ghana	Prime Rate	21.00	12-Nov-14	Raised 200bps	9-Jan-15
Angola	Base rate	9.00	24-Nov-14	No change	22-Dec-14
Mexico	Target Rate	3.00	05-Sept-14	No change	29-Jan-15
Brazil	Selic Rate	11.75	03-Dec-14	Raised 50bps	21-Jan-15
Armenia	Refi Rate	6.75	23-Sept-14	No change	N/A
Romania	Policy Rate	2.75	05-Nov-14	Cut 25bps	07-Jan-15
Bulgaria	Base Interest	0.02	01-Nov-14	Cut 1bps	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	14.0	13-Nov-14	Raised 150bps	N/A
Russia	Refi Rate	17.0	15-Dec-14	Raised 650bps	N/A



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