

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate default rate at 2.1% at the end of 2014

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.1% at the end of 2014, down from 2.2% at the end of September 2014 and from 2.9% at the end of 2013. It said that 54 corporate issuers have defaulted in 2014, including nine companies in the fourth quarter of 2014. It forecast the global speculative-grade default rate to rise slightly to 2.7% in 2015. Moody's anticipated that the global default rate could increase in coming months due to the widening high-yield spreads, rising geopolitical risks and weak economic growth outside the United States. But it considered that the improvement in the U.S. economy, along ample liquidity and manageable maturity profiles, would keep the default rate at a low level by historical standards. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.7% at the end of 2014, relative to 1.8% at the end of September 2014 and 1.2% at the end of 2013. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, surged to 18.1% at the end of 2014 from 8.3% at end-September and 7.4% at end-2013.

Source: Moody's Investors Service

Venture capital investments up 59% to \$87bn in 2014

Preliminary figures released by research provider Preqin indicate that investments by venture capital (VC) funds in start-up companies totaled \$86.6bn in 2014, constituting an increase of 58.6% from \$54.6bn invested in 2013. Also, a total of 7,474 VC deals were announced in 2014, down by 11.1% from 8,406 transactions in 2013. The number of VC deals in North America accounted for 61.5% of global VC transactions, followed by Europe (19%), China (6.7%), India (5.5%) and Israel (1.7%), while the rest of the world accounted for the remaining 5.6% of total transactions. VC funds in North America invested \$53.9bn in start-up companies worldwide, equivalent to 62.2% of total VC investments last year. They were followed by VC funds in China with \$12.8bn (14.8%), Europe with \$9.2bn (10.6%), and India with \$5.4bn (6.2%). In parallel, the Internet sector attracted 28% of total VC investments last year, followed by the software and telecom sectors with 17% each, and the healthcare industry with 15%. In volume terms, the Internet sector accounted for 26% of the total number of VC deals worldwide in 2014, followed by the software sector with 20%, and the telecommunications and healthcare sectors with 15% each. Preqin indicated that the VC industry's average return improved to 25.9% in the first half of 2014. Investments by VC funds in start-up companies totaled \$43.9bn in 2007, \$45.2bn in 2008, \$34bn in 2009, \$45.2bn in 2010, \$61.3bn in 2011 and \$52.7bn in 2012.

Source: Preqin

MENA

Net private capital inflows flat at \$93bn in 2015

The Institute of International Finance projected total net private capital inflows to the Middle East & Africa region at \$93.1bn in 2015, constituting a decline of 0.5% from \$93.6bn in 2014. The IIF anticipated that net private capital flows to the region would account for 8.7% of total net private inflows to emerging markets in 2015 compared to a share of 8.6% last year. It forecast net direct investment to increase from \$40bn in 2014 to \$45bn in 2015, while it projected inflows from portfolio investment to remain at \$15bn this year. Further, it forecast net commercial bank lending to reach \$21bn this year relative to \$22bn in 2014. It estimated net non-bank private lending to drop from \$17bn in 2014 to \$12bn in 2015. It also projected net lending by official creditors at \$8bn this year compared to \$7bn last year. In parallel, the IIF projected total net private capital outflows from the ME&A region to drop from \$228bn in 2014 to \$53bn in 2015, as outflows from Gulf Cooperation Council economies would be limited due to the fall in global oil prices. It expected GCC foreign assets to remain stable at about \$2.7 trillion through 2016, which would reduce capital outflows from GCC countries in the form of equity investment and FDI.

Source: Institute of International Finance, Byblos Research

Initial public offerings up 283% to \$11.5bn in 2014

EY indicated that new capital raised through initial public offerings (IPOs) in the Middle East & North Africa region totaled \$11.5bn in 2014, the highest since 2008 and exceeded by about four times the \$3bn of capital raised in 2013. The number of IPOs stood at 27 in 2014, up by 8% from 25 deals in 2013. Companies in the MENA region raised \$1.3bn of new capital through five IPOs in the first quarter, \$1.1bn through 11 transactions in the second quarter, \$1.7bn through three deals in the third quarter, and \$7.4bn through eight deals in the fourth quarter of 2014. EY indicated that investor confidence in the region remained strong in the fourth quarter last year despite the volatility in equity markets and the drop in oil prices. It pointed out that the IPO of Saudi Arabia's National Commercial Bank in November was the region's largest on record and the second largest globally in 2014. The UAE and Saudi Arabia led the MENA region with total proceeds of about \$10bn in 2014. The manufacturing sector was the most active in 2014 with five IPOs, followed by the food & beverages, oil & gas and real estate sectors with three IPOs each. EY indicated that many companies in the region decided to delay or abort their IPO plans in the fourth quarter of 2014 due to falling oil prices. It noted that companies are adopting a "wait and see" approach until markets have settled. However, it noted that several regional governments aim to diversify their economies, which would encourage companies in the non-oil sector to expand through IPOs.

Source: EY

OUTLOOK

EMERGING MARKETS

Economic growth reduced to 4.3% in 2015, downside risks persist

The International Monetary Fund reduced its projection for growth in emerging markets and developing economies to 4.3% in 2015 from an October forecast of 4.9%. It attributed the revision to lower growth in China and its negative impact on Emerging Asia, a much weaker economic outlook for Russia and its spillover on Commonwealth of Independent States (CIS), and to lower potential growth in commodity exporters. The Fund revised downward its growth projections for Emerging & Developing Asia to 6.4% from 6.6% for 2015, reduced its forecast to 4.9% from 5.8% for Sub-Saharan Africa, lowered its projection to 3.3% from 3.9% for the MENA region and downgraded its growth forecast to 1.3% from 2.2% for Latin America & the Caribbean. Also, it expected economic activity in CIS countries to contract by 1.4% in 2015 compared to a previous forecast of growth of 1.5%. It revised upwards its growth projections for Emerging & Developing Europe to 2.9% in 2015 from 2.8% previously.

In parallel, the IMF indicated that risks are tilted to the downside. It said that emerging market economies are exposed to shifts in sentiment and to volatility in global financial markets, as they could face a reversal in capital flows. It considered that, in the context of lower global oil prices, these risks have increased in oil exporting economies that suffer from rising external and balance sheet vulnerabilities. Further, it expected geopolitical risks to remain high, but it noted that the related risks of global oil market disruptions have become less pronounced in the context of large oil supply.

In parallel, the Fund indicated that policy space to support growth remains limited in many emerging market economies. It pointed out that some oil exporters with limited fiscal buffers would have to allow substantial exchange rate depreciation to cushion the impact of lower oil prices on their economies, while others would have to strengthen their monetary frameworks to prevent higher inflation rates and further currency depreciation.

Source: International Monetary Fund

MENA

Lower oil prices to negatively affect oil exporters

The International Monetary Fund revised downward its projections for growth in Gulf Cooperation Council countries to 3.4% in 2015 from an October forecast of 4.4%, while it lowered its growth figure for non-GCC oil exporters by 0.7 percentage points to 2.4% in 2015. The IMF projected losses from oil export revenues in GCC economies at \$300bn in 2015, equivalent to 21% of their GDP; and at about \$90bn, or 10% of GDP, for non-GCC oil exporters. It said that Iraq, Kuwait, Libya, Oman, Qatar and Saudi Arabia would be the most affected countries in the region. It forecast the GCC's aggregate current account balance to shift from a surplus of 16.3% of GDP in 2014 to a deficit of 1.6% of GDP in 2015. Also, it expected the current account deficit in non-GCC oil exporters to widen from 1.2% of GDP in 2014 to 5% of GDP in 2015. Further, it expected most oil exporters, except for Kuwait, to post a fiscal deficit

in 2015, given that their fiscal breakeven oil price significantly exceeds the projected average oil price of \$57 per barrel this year. It forecast the GCC's aggregate fiscal balance to shift from a surplus of 4.6% of GDP in 2014 to a deficit of 6.3% of GDP in 2015. It expected the fiscal deficit in non-GCC oil exporters to widen from 5.1% of GDP in 2014 to 8% of GDP in 2015.

The Fund considered that most of the region's oil exporters have significant fiscal buffers, which would allow them to avoid sudden cuts in spending and to cushion the impact of lower oil prices on their near-term growth and financial stability. But it noted that regional oil exporters with low buffers face more immediate adjustment needs and would suffer from a slowdown in economic growth. The IMF indicated that oil production and evolving conflicts in the region constitute important downside risks to the outlook. Also, it noted that the expected increase in U.S. interest rates would tighten financial conditions in the region, especially in GCC countries because of their exchange rate pegs, and would weaken private sector lending growth. But it anticipated that the interest rate spillovers would occur with a delay because of the slow pass-through effect.

Source: International Monetary Fund

IRAN

Growth prospects depend on reaching permanent agreement on nuclear program

The Institute of International Finance projected real GDP in Iran to grow by 2% in the fiscal year that ends in March 2015, reflecting better policy-making and the easing of international sanctions. It forecast economic output to range between a contraction of 1.2% and a growth of 5% in FY2015/16, and between a contraction of 1.6% and an expansion of 14% in FY2016/17, depending on the unfolding scenarios.

The IIF's first scenario projects economic activity to contract by 1.2% in FY2015/16 and by another 1.6% in FY2016/17 in case Iran and the five permanent members of the UN Security Council plus Germany (P5+1) fail to reach a permanent agreement on the nuclear program by June 2015. Under this scenario, it assumes that the Iranian economy would suffer from more trade and financial sanctions, an additional weakening in economic activity, rising unemployment rates, a further reduction in oil exports, a sharp depreciation of the Iranian rial on the black market and higher inflation levels. It forecast hydrocarbon output to contract by 1% in FY2015/16 and by an additional 2% in FY2016/17, and for the non-hydrocarbon sector to shrink by 1.2% in FY2015/16 and by 1.5% in FY2016/17. Also, it projected the fiscal deficit to widen from 3% of GDP in FY2014/15 to 4.8% of GDP in FY2015/16 and to 5.1% in FY2016/17.

The IIF's second scenario projects real GDP growth at 5% in FY2015/16 and at 6.2% in FY2016/17 if Iran and the P5+1 countries reach an agreement. Under this scenario, it considered that existing sanctions would be gradually lifted starting in July 2015, which would allow a rebound in oil exports to pre-sanction levels by the end of 2017 and would restore Iran's access to the global financial system. Under this scenario, it forecast Iran's fiscal deficit to narrow to 3.6% of GDP in FY2015/16 and to 1.5% of GDP in FY2016/17.

Source: Institute of International Finance



ECONOMY & TRADE

EGYPT

External financing needs at \$64bn in FY2014/15 and FY2015/16

Merrill Lynch anticipated that the recent pressure on the Egyptian pound would continue in coming months. But it expected the Central Bank of Egypt to keep the pound stable in the run-up to the March Economic Summit. It considered that the successful mobilization of international investment and of external aid from Gulf countries is crucial to support the pound, given the still large external funding needs and the upcoming parliamentary elections. It estimated Egypt's gross external financing needs at \$64bn between July 2014 and June 2016, including \$31.4bn in the fiscal year that ends in June 2015 and \$32.6bn in FY2015/16. It said that the country's external financing needs include \$29bn, or 45.3% of the total, to finance the current account deficit; \$17.3bn (27%) to fund the amortization of T-bills denominated in US dollars; \$10.8bn (16.9%) for the amortization of long-term debt; and \$6.9bn (10.8%) to finance the amortization of short-term debt. It forecast external financing flows to Egypt at \$62bn between July 2014 and June 2016, of which \$29.4bn in FY2014/15 and \$32.6bn in FY2015/16. It said that authorities need to draw down \$2bn from the Central Bank of Egypt's foreign currency reserves to cover the country's external financing needs in FY2014/15. It anticipated that Egypt's net foreign currency reserves would further fall from \$15.3bn at the end of 2014 and would reach the minimum level necessary to safeguard external payments.

Source: Merrill Lynch

UAE

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence affirmed the UAE's long-term foreign and local currency sovereign ratings at 'AA-' and its short-term foreign and local currency sovereign ratings at 'A1+', with a 'stable' outlook on the long-term ratings. It said that the ratings reflect the strength of the country's public and external finances, which support the authorities' abilities to absorb economic shocks. It added that the ratings take into account the country's moderate public debt level, generally favorable macroeconomic performance, substantial hydrocarbon reserves, as well as Abu Dhabi's ample financial assets, with the assets managed by the Abu Dhabi Investment Authority at about 160% of GDP. It forecast real GDP growth to average 4.4% during the 2015-16 period, driven by services and trade. It said that public finances remain sound, supported by prudent fiscal management and by the implementation of some fiscal consolidation measures. But it forecast the fiscal balance to shift from an estimated surplus of 8.1% of GDP in 2014 to a deficit of 2.2% of GDP in 2015, assuming an average oil price of \$60 per barrel. It estimated the public debt level at about 60% of GDP in 2014, reflecting mainly the borrowing of government-related entities (GREs), and the consolidated government debt at about 12% of GDP. But it noted that most GREs have been able to rollover or repay maturing debt obligations. Further, it indicated that the UAE's external finances are strong, while its external debt is manageable at about 44.4% of GDP or 52.2% of current account receipts in 2014.

Source: Capital Intelligence

SAUDI ARABIA

Fiscal deficit to widen to 11% of GDP in 2015

The Institute of International Finance projected Saudi Arabia's fiscal deficit at 11.2% of GDP in 2015 compared to an estimated deficit of 5.9% of GDP in the 2015 budget, based on an average oil price of \$62.5 per barrel (p/b). It expected authorities to miss their fiscal target due to difficulties in limiting public spending at the SAR860bn level in the 2015 budget. It considered that cutting spending to the budgeted level would significantly slow down economic growth, given that government spending has a substantial impact on non-hydrocarbon activity. It added that spending on public wages and on procurements account for the bulk of current spending and would be difficult to cut. But it noted that authorities could limit capital spending by postponing or scaling back projects. As such, it forecast public spending at SAR1,000bn in 2015, constituting a fall of 7.2% from realized spending last year and exceeding spending in the 2015 budget by 16.3%. Further, it forecast public revenues to fall by about 35% relative to realized revenues in 2014. It projected the fiscal breakeven oil price to decline from \$98 p/b in 2014 to about \$92 p/b in 2015. It anticipated that the public debt level would remain at around 11% of GDP and foreign currency reserves at \$643bn by the end of 2016, equivalent to 89% of GDP, if authorities covered equally the deficit through borrowing and through foreign currency reserves. However, it cautioned that a sustained period of lower oil prices would require further adjustment to avoid the depletion of foreign reserves and the increase in the public debt.

Source: Institute of International Finance

ARMENIA

Sovereign ratings downgraded, outlook 'negative'

Moody's Investors Service downgraded Armenia's government bond rating to 'Ba3' from 'Ba2' and revised the outlook to 'negative' from 'stable'. It also downgraded the local currency bond and bank deposit ceilings to 'Ba1' from 'Baa3', the foreign currency bond ceiling to 'Ba2' from 'Ba1' and the foreign currency deposit ceiling to 'B1' from 'Ba3'. The agency attributed the downgrade to the country's rising external vulnerability due to declining remittance inflows from Russia, the uncertain outlook for FDI inflows, high vulnerability to exchange rate volatility and the expected pressure on foreign currency reserves. It anticipated that reduced remittance inflows would weigh on Armenia's balance of payments and would potentially put pressure on its foreign currency reserves, which were at 4.5 months of import cover at the end of 2014. It noted that Armenia's substantial net international borrower position exposes it to elevated currency depreciation risk, given that about 83% of the public debt stock is denominated in foreign currency. It added that the currency depreciated by more than 15% since November 2014, which would put additional pressure on foreign currency reserves, as the Central Bank of Armenia intervenes on the market to counteract excessive volatility. Further, the agency indicated that the downgrade reflects the country's weakening growth prospects in the context of a slowing Russian economy, weak investment activity, and the expected constraints on trade with countries outside the Eurasian Economic Union.

Source: Moody's Investors Service



BANKING

MENA

Second-round effects of lower oil prices to hurt banks' asset quality

The International Monetary Fund anticipated the impact of lower global oil prices on banking sectors in oil exporting countries to be muted in the near term, but it expected downside risks to increase over time. It considered that second-round effects of lower global oil prices on economic activity in oil exporters would weaken the banks' asset quality, liquidity and profitability. It expected banking systems in Gulf Cooperation Council (GCC) economies to be affected by the decline in global oil prices, given the strong correlation between non-hydrocarbon growth and government spending. But it noted that GCC banks would be resilient due to their high capital buffers, low non-performing loans and high liquidity levels. Among non-GCC oil exporters, the Fund indicated that Algeria's banking system is exposed to the public banks' extensive and direct exposures to large state-owned enterprises in various industries, which are negatively affected by lower oil prices. It said that Yemen is at high risk due to its banks' large holdings of government securities in the context of a weak fiscal position and limited financing options. The Fund called on authorities in oil exporting countries to closely monitor the financial sector's vulnerability to oil price shocks given the state's involvement in the financial sector, and the strong link between oil prices, non-oil economies and the fiscal performance. In parallel, the IMF indicated that a decline in remittance inflows could lead to tighter liquidity conditions in banking sectors in oil importing countries that are reliant on such flows for liquidity.

Source: *International Monetary Fund*

YEMEN

Bank's ratings affirmed, outlook 'stable'

Capital Intelligence affirmed the long-term foreign currency ratings of Tadhamon International Islamic Bank (TIIB), International Bank of Yemen (IBY) and National Bank of Yemen (NBY) at 'C+', with a 'stable' outlook. Also, CI maintained the Financial Strength Rating (FSR) of TIIB at 'B+', that of IBY at 'B' and that of NBY at 'BB-'. It revised the outlook on IBY's FSR to 'stable' from 'positive' due to increased non-performing loans (NPLs) and lower provisioning coverage, while it maintained the 'stable' outlook on the other two banks. Further, CI assigned to the Yemen Bank for Reconstruction & Development (YBRD) a long-term foreign currency rating of 'C+' and an FSR of 'BB-', with a 'stable' outlook on both ratings. It said that TIIB's FSR is supported by its good financing provisioning, and adequate funding and capital adequacy, but is constrained by the bank's risk profile and weak profitability. It indicated that IBY's FSR is supported by its solid capital adequacy, good liquidity and elevated operating profits, but it is constrained by its weak asset quality. It pointed out that YBRD's FSR is driven by its solid capital, good liquidity and adequate profitability, but is constrained by concentration risk towards the sovereign and a high level of NPLs. In addition, CI indicated that the four banks' FSR are constrained by a very challenging and difficult operating environment, especially the severe economic weakness and the attendant risk to their financials.

Source: *Capital Intelligence*

NIGERIA

Banking sector faces high level of economic risks

Standard & Poor's classified Nigeria's Banking Industry Country Risk Assessment (BICRA) in 'Group 8', and its industry and economic risk scores at '8' each. The BICRA framework evaluates and compares global banking systems, and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky banking sectors. The agency noted that other countries in 'Group 8' include Azerbaijan, Bolivia, Georgia, Kazakhstan, Kenya, Lebanon, Sri Lanka and Uzbekistan. It indicated that Nigeria's economic risk score reflects its "very high risks" in economic resilience, "intermediate risks" in economic imbalances, and "extremely high risks" related to credit risks in the economy. It noted that the economy depends on oil proceeds and has a strong potential for future imbalances. It considered that the country's weak payment culture and rule of law, poor underwriting standards, and high credit concentrations and foreign currency lending constitute the main source of economic risks. It indicated that the trend for Nigeria's economic risks is 'negative' due to the potential increase in economic risks from lower oil prices and production, a weaker naira, and the elections in February 2015. In parallel, it said that its industry score reflects "extremely high risks" in its institutional framework, "very high risks" in its competitive dynamics, and "intermediate risks" in its system-wide funding. It noted that the trend for industry risks is 'stable'.

Source: *Standard & Poor's*

CHINA

Outlook on banking sector remains stable

Moody's Investors Service maintained its 'stable' outlook on the Chinese banking system for the coming 12 to 18 months. It assessed the banks' operating environment, asset quality and capital as "deteriorating", their funding and liquidity as "improving", and their profitability, efficiency and systemic support as "stable". First, it anticipated that the recent shift towards more accommodative monetary and credit policies would stop the decelerating trend in the credit cycle. But it noted that overall financial leverage would exceed 200% in 2015, reflecting increased repayment risks for banks. Second, it expected banks' asset quality metrics to deteriorate, in line with the slowdown in domestic economic activity. It expected problem loans to continue to originate from private sector borrowers in cyclical industries, such as manufacturing and trading, as well as from small- and medium-sized borrowers. It added that problem loans from the real estate sector could increase if the downturn in the property market continues. Third, it anticipated that banks could face a slower pace of internal capital generation due to lower lending profitability and higher credit costs, but it considered that most banks would be able to maintain their capital ratios. Fourth, it expected banks' funding and liquidity positions to improve, given the People's Bank of China's more accommodative stance on liquidity provision and the liberalization of interest rates. Fifth, it expected banks' profitability to come under pressure due to narrowing net interest margins from the interest rate cut and deregulation.

Source: *Moody's Investors Service*



ENERGY / COMMODITIES

Brent oil prices to drop by 23% in first quarter

Crude oil prices traded at their lowest levels since April 2009 as at the third week of January 2015. North Sea Brent oil prices regressed by about 58% from the end of June 2014 to \$47.5 per barrel (p/b) on January 21, 2015; while WTI oil prices dropped by about 55% to \$47.9 p/b in the covered period. The three main factors that are causing the steep decline in oil prices are the U.S. shale oil production, Saudi Arabia's refusal to relinquish market share to other producers and a slowdown in global economic activity. Global oil consumption is forecast to grow by 1.4% to 93.7 million barrels per day (b/d) in 2015, while global production would rise by 1.1% to 94.1 million b/d. As such, the oil market is forecast to remain oversupplied by 400,000 b/d this year, down from an average surplus of 700,000 b/d in 2014. Brent oil prices are forecast to average \$60 p/b in the first quarter of 2015, down by 23.1% from the preceding quarter; while WTI oil prices are projected to average \$52 p/b in the covered quarter, down by 29.7% from the fourth quarter of 2014. Overall, Brent prices are forecast to drop by 37% to \$63 p/b in 2015, and WTI prices would decline by 40.9% to \$55 p/b.

Source: Citi Research, Byblos Research

Iran's energy export receipts up 11% in first half of FY2014/15

Iran's energy export receipts, which include revenues from crude oil, oil products, natural gas, natural gas condensate and liquids, reached \$33.6bn between March 21 and September 22, 2014, up by 10.8% from \$30.4bn in the same period a year earlier. The country's energy revenues decreased from \$118bn in the fiscal year that ends in March 2012 to \$68.1bn in FY2012/13 and to \$64.8bn in FY2013/14. Iran's petroleum exports declined by 11.3% to 3.48 million b/d in FY2013/14, according to the latest available figures, and its production regressed by 6.7% during the covered period. Iran plans to increase its total crude oil and condensate production capacity to 5.7 million b/d by March 2019. It currently holds the world's fourth-largest proven oil reserves at 157 billion barrels.

Source: Central Bank of Iran, Trend News Agency

Iraqi oil output at record high in December 2014

Iraq's crude oil production averaged about 4 million barrels per day (b/d) in December 2014, up by about 21% from 3.3 million b/d in the preceding month. The country's December output level constitutes a 35-year high. In parallel, Iraq plans to export 375,000 b/d of crude oil from the northern city of Kirkuk and from Kurdish oilfields in the first quarter of 2015, and expects to increase them to 600,000 b/d as of April 2015.

Source: Thomson Reuters, OPEC

OPEC's oil output down 0.6% in 2014

The Organization of the Petroleum Exporting Countries' (OPEC) crude oil production averaged about 30 million barrels per day (b/d) in 2014, down by 0.6% from 2013. Saudi Arabia produced 9.68 million b/d last year, equivalent to about 32.2% of total OPEC oil output. It was followed by Iraq with 3.26 million b/d (10.9%) and Kuwait with 2.78 million b/d and Iran with 2.76 million b/d (9.2% each). Overall, crude oil output from Libya, Nigeria, Algeria, Qatar and Angola fell last year, while production from the remaining OPEC members increased.

Source: Organization of the Petroleum Exporting Countries

Base Metals: Average copper price at a five year low in 2014

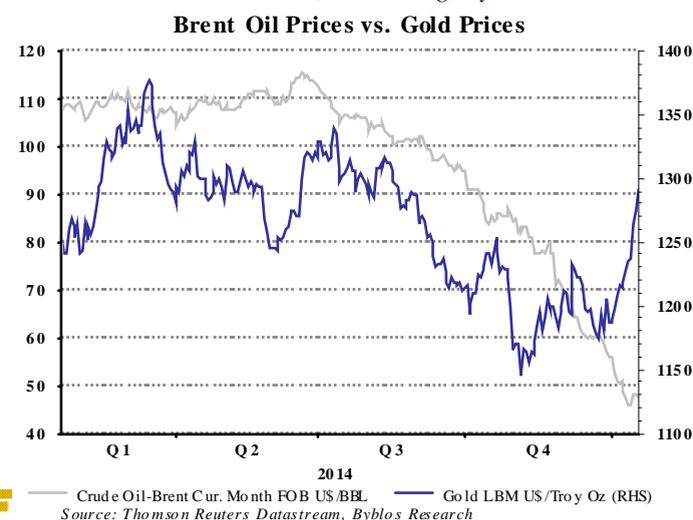
Global refined copper demand grew by about 11% year-on-year in the first 10 months of 2014, partly supported by strong demand in China; while the metal's refined production increased by around 8% in the covered period. On a regional basis, the metal's refined production increased by 13% in Asia, followed by Oceania (+12%), North America (+9%), Africa (+8%) and Europe (+3%); while refined output declined by 1% in South America. The average world refinery capacity utilization rate for the first 10 months of 2014 increased to 82.8% from 79% in the same period of 2013. Global mine production increased by about 2% year-on-year in the first 10 months of last year. All major copper-mine producing countries increased output in the covered period, with the exception of Chile, Indonesia, Zambia and Australia. The average world mine capacity utilization rate fell in the first 10 months of 2014 to 84% from 86% a year earlier. The average LME copper cash price was \$6,423 per ton in December 2014, down by 4.2% from November 2014. Copper prices traded at a low of \$6,306 per ton and at a high of \$7,439.5 per ton in 2014, while the metal's average annual price was \$6,862 per ton, the lowest annual average since 2009.

Source: International Copper Study Group

Precious Metals: Gold prices near \$1,300 an ounce for first time in five months

Gold prices increased by about 9% from the end of 2014 to \$1,291 a troy ounce on January 21, 2015, a level reached for the first time since August 2014 on speculation that slowing global economic growth would lead central banks to raise stimulus. In addition, financial markets' volatility and associated macroeconomic uncertainties earlier this year have raised the attractiveness of safe haven assets such as gold. The metal's price could reach a low of \$1,150 an ounce this year and a maximum of \$1,350 an ounce. Gold prices would gain support in the second half of 2015 if the US dollar's appreciating trend loses momentum. Gold prices are forecast to average \$1,160 a troy ounce in the first quarter and to rise to \$1,230 an ounce in the second quarter, to \$1,270 an ounce in the third quarter and to \$1,320 an ounce in the fourth quarter of 2015. The metal's average price is expected to decrease by 1.2% to \$1,245 a troy ounce in 2015 from \$1,260 an ounce in 2014.

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



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	BB-	-	-	-2.3	42.1	77.0	109.2	17.9	543.0	-7.2	4.0
	-	Negative	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-	Baa3	BBB-	-	BBB	-0.5	11.6	36.7	109.4	15.0	134.9	3.0	-0.9
	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	28-Jan-15
Eurozone	Refi Rate	0.05	04-Dec-14	No change	22-Jan-15
UK	Bank Rate	0.50	08-Jan-15	No change	05-Feb-15
Japan	O/N Call Rate	0.00-0.10	21-Jan-15	No change	17-Feb-15
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	-0.75-0.25	11-Dec-14	No change	19-Mar-15
Canada	Overnight rate	1.00	21-Jan-15	No change	N/A
Emerging Markets					
China	One-year lending rate	5.60	21-Nov-14	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	17-Dec-14	No change	28-Jan-15
Taiwan	Discount Rate	1.875	18-Dec-14	No change	01-Mar-15
South Korea	Base Rate	2.00	15-Jan-15	No change	17-Feb-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	28-Jan-15
India	Reverse repo rate	7.75	01-Jan-15	Cut 25bps	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	8.75	15-Jan-15	Cut 50bps	26-Feb-15
Turkey	Base Rate	8.25	24-Dec-14	No change	20-Jan-15
South Africa	Repo rate	5.75	19-Nov-14	No change	27-Jan-15
Kenya	Central Bank Rate	8.50	04-Feb-15	No change	01-Mar-15
Nigeria	Monetary Policy Rate	13.00	20-Jan-15	No change	24-Mar-15
Ghana	Prime Rate	21.00	12-Nov-14	Raised 200bps	16-Feb-15
Angola	Base rate	9.00	22-Dec-14	No change	N/A
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	9.50	21-Jan-15	Raised 175bps	N/A
Romania	Policy Rate	2.50	07-Jan-15	Cut 25bps	04-Feb-15
Bulgaria	Base Interest	0.01	01-Jan-15	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



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

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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 Amiryman 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

