

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Value of private equity-backed exits up 30% to \$428bn in 2014**

Figures issued by research provider Preqin show that the aggregate value of exits from private equity-backed portfolio companies reached a record-high of \$428bn in 2014, reflecting a rise of 29.7% from \$330bn in 2013. Buyout funds exited 1,604 investments in 2014, up by 3.5% from 1,550 exits in 2013. The exit activity was significant last year, as many fund managers needed to exit deals done in the pre-crisis years and have been waiting for market conditions to improve. Buyout funds divested 803 investments through trade sales in 2014, equivalent to 50.1% of the aggregate number of exits, followed by secondary sales to another General Partner with 480 (29.9%) and initial public offerings with 276 (17.2%). Also, buyout funds distributed \$224bn to investors as of end-June 2014 relative to a total capital distribution of \$226bn in full year 2013. In parallel, there were 3,423 private equity-backed buyout deals announced globally in 2014, up by 5% from 3,260 deals in 2013. Private equity-backed buyout deals announced in 2014 totaled \$332bn, up by 10% from 2013 and the highest aggregate deal value since 2007. The consumer & retail sector accounted for 20% of total deal value in 2014, followed by the industrial sector with 19%, the information technology sector (13%), the healthcare sector (12%), and the business services and energy & utilities industries (11% each). In parallel, leveraged buyout transactions accounted for 57% of the aggregate value of private equity-backed deals in 2014, while add-on represented 19% of the total value.

Source: Preqin

#### EMERGING MARKETS

##### **Fixed income trading volume up 47% to \$1,560bn in 2014**

Trading in emerging markets debt instruments totaled \$1,560bn in 2014, constituting a rise of 46.6% from \$1,064bn in 2013. CDS trading reached \$385bn in the fourth quarter of 2014, up by 2% from \$377bn in the third quarter of 2014 and by 39% from \$276bn in the fourth quarter of 2013. The most frequently-traded sovereign CDS contracts in the fourth quarter of 2014 were those of Brazil at \$68bn, which fell by 30% quarter-on-quarter and rose by 112% year-on-year. They were followed by CDS contracts on Russia with \$47bn, as well as on Turkey and Mexico at \$36bn each. The most frequently-traded corporate CDS contracts in the covered quarter were those on Brazil's Petrobras at \$6bn, which rose by more than threefold year-on-year. Also, corporate CDS contracts on Russia's Gazprom totaled about \$4bn and those on Mexico's Pemex reached at \$2bn in the fourth quarter of 2014. The survey covered data on CDS contracts for 21 emerging economies and nine emerging market corporate issuers from 13 major international banks and broker-dealers.

Source: EMTA

#### MENA

##### **Country risk level in Arab world deteriorates in fourth quarter of 2014**

*Euromoney* magazine's quarterly survey on global country risk shows that the risk level in the Arab world deteriorated in the fourth quarter of 2014, as the average score of 19 Arab economies reached 40.8 points in the covered quarter compared to 41.27 points in the third quarter of the year. The region's risk level remains higher than the global risk level that averaged 42.51 points in the fourth quarter of the year. The GCC countries' risk level dropped to 65.69 points from 66.13 points in the preceding quarter, while the average score of non-GCC Arab countries slightly decreased to 29.31 points from 29.79 points in the third quarter of 2014. The Arab world's Political Risks level stood at 12 points, which is riskier than the global average of 13.79 points in the fourth quarter of 2014; while the Economic Performance score was 13.5 points, which is slightly better than the global average of 13.48 points. Further, the region's Credit Ratings averaged 3 points relative to the global average of 3.14 points; while the Access to Bank Finance & Capital Markets score reached 2.9 points, below the global average of 3.49 points. Qatar is the country with the best risk ratings in the Arab world and ranked in 18th place globally, followed by the UAE (24th), Kuwait (25th), and Oman (31st); while the lowest-ranked countries in the region are Sudan that came in 161st place, Mauritania (162nd), Syria (168th) and Djibouti (183rd).  
 Source: *Euromoney*, *Byblos Research*

##### **M&A activity down by 11% to \$45bn in 2014**

Figures released by EY show that a total of 468 merger & acquisition deals were announced in the Middle East & North Africa region in 2014, constituting a rise of 6% from 442 deals in 2013. The aggregate value of M&A deals in the region reached \$44.9bn last year and decreased by 11% from \$50.7bn in 2013. The number of announced M&A deals rose by 26% year-on-year to 150 transactions in the fourth quarter of 2014, while the value of M&A deals increased by twofold to \$16.2bn. EY indicated that the MENA M&A market performed well in 2014 and that regional markets were resilient to the drop in global oil prices. It attributed the decrease in the value of M&A deals to large transactions executed in 2013. It expected the region's M&A market to continue to grow in 2015, as most of the M&A transactions usually occur in consumption-led sectors such as food & beverage, retail, healthcare and education, which have little correlation to economic activity and changes in oil prices. The value of outbound deals stood at \$22bn in 2014 relative to \$18.5bn in 2013 and accounted for about half of M&A deals last year. Also, the value of domestic and inbound deals decreased by 31% and 24%, respectively, in 2014. The UAE had the largest aggregate value and number of inbound deals in the MENA region. EY expected investors to continue looking outside the MENA region for investment in 2015, especially in the real estate and oil & gas sectors.

Source: EY

# OUTLOOK

## EGYPT

### Economy still highly vulnerable to shocks

The International Monetary Fund projected Egypt's real GDP growth rate to accelerate from 2.2% in the fiscal year that ended in June 2014 to 3.8% in FY2014/15 and to 4.3% in FY2015/16. It said that the improvement in the economic outlook reflects the implementation of measures to strengthen economic activity and restore macroeconomic stability. It noted that these measures include structural reforms, promoting investment, fiscal adjustment and tight monetary policy to contain inflationary pressures. It forecast the inflation rate to average 9.7% in FY2014/15 and 9.9% in FY2015/16, relative to 10.1% in FY2013/14.

The Fund projected the fiscal deficit to narrow from 13.6% of GDP in FY2013/14 to 11% of GDP in FY2014/15 and 8.5% of GDP in FY2015/16, supported by fiscal consolidation efforts. It indicated that fiscal reforms are crucial for macroeconomic stability and for medium-term sustainability. It encouraged the authorities to broaden tax revenues and to control spending, as well as to introduce the value-added tax and to continue the reforms of fuel subsidies and of the public sector wage bill. It considered that lower global oil prices would improve Egypt's overall prospects, but they could lead to lower official transfers and remittance inflows from GCC countries. It added that the impact of lower oil prices on the balance of payments is minimal given the country's almost balanced energy position.

Further, the IMF indicated that domestic demand and limited competitiveness would keep the trade and current account deficits elevated despite the expected rebound in tourism activity, FDI inflows and portfolio investment. As such, it forecast the current account deficit to widen from 0.8% of GDP in FY2013/14 to 3.4% of GDP in FY2014/15 and 4.3% of GDP in FY2015/16. In parallel, the Fund considered that Egypt is highly vulnerable to global, regional, and domestic shocks and to possible policy slippages, given that the economy is in the early stages of recovery and has a fragile external reserves position.

*Source: International Monetary Fund*

## JORDAN

### GDP growth at 3.8% in 2015 and 4.5% in 2016

The International Monetary Fund projected Jordan's real GDP growth to pick up to 3.8% in 2015 and 4.5% in 2016, from 3.1% in 2014. In comparison, it forecast growth at 3.2% in 2015 and at 3.8% in 2016 for the Middle East & North Africa economies and at 3.9% in 2015 and at 4.5% in 2016 for the region's oil importers. It expected the country's nominal GDP to reach \$38.6bn in 2015 and \$41.5bn in 2016. It forecast Jordan's annual average inflation rate at 1.8% in 2015 and 2.1% in 2016. It also expected broad money to grow by 9.2% in each of 2015 and 2016. The Fund projected the government's fiscal balance to post deficits of 6.5% of GDP in 2015 and of 3.3% of GDP in 2016, compared to deficits of 6.9% of GDP in 2015 and of 5.5% of GDP in 2016 in oil-importing economies. It estimated public revenues at 23.5% of GDP in 2015, up from 23.1% of GDP last year, and total expenditures at 30.1% of GDP this year, down from 31.1% of GDP in 2014.

The IMF projected Jordan's public debt to reach 92.6% of GDP at end-2015 and 90.7% of GDP at end-2016, relative to 91.1% of GDP at end-2014. It also forecast total gross external debt at 31.4% of GDP this year and at 29.9% of GDP next year. Further, the Fund estimated Jordan's exports of goods & services at \$13.4bn in 2015 and at \$14.1bn in 2016, and forecast imports of goods & services at \$21.8bn in 2015 and at \$21.7bn in 2016. It also projected the current account deficit to narrow from 7.9% of GDP in 2014 to 5.9% of GDP in 2015 and to 3.9% of GDP in 2016, compared to deficits of 3.5% of GDP in 2015 and 3.9% of GDP in 2016 for oil-importers. It indicated that the drop in global oil prices would result in net external gains equivalent to about 2% of GDP for Jordan this year. Further, it expected the country's gross official foreign currency reserves to grow from \$15.8bn at end-2014 to \$17bn at end-2015 and \$18.1bn at end-2016.

*Source: International Monetary Fund*

## GHANA

### Outlook dependent on reaching a deal with IMF

Business Monitor International projected Ghana's real GDP growth to accelerate from 4.3% in 2014 to 5.8% of GDP in 2015, supported by rising hydrocarbon production and investment inflows. It noted that weak commodity prices of Ghana's key exports, which are cocoa, gold and oil, would prevent a stronger recovery in economic activity. It forecast real GDP growth to average 7.3% during the 2016-19 period, driven by additional increases in oil production, rising gas production and strong foreign investment. However, it indicated that it based its forecast on the assumption that an arrangement is reached between the Ghanaian authorities and the International Monetary Fund, and that lower global oil prices would not have a significant impact on domestic production of oil and gas. It anticipated that authorities would have to make concessions in order to secure the needed financial assistance from the Fund. It cautioned that a failure to reach a deal with the IMF would renew concerns over debt and fiscal sustainability, which would lead to currency depreciation pressures, rising bond yields and lower foreign investments.

In parallel, BMI forecast private consumption to slowly recover in coming years and to expand by 5% in real terms in 2015 and by 6% annually between 2016 and 2019 compared to a rise of 2.8% in 2014. It expected consumer confidence to strengthen due to receding currency depreciation pressures, falling fuel costs, improving power supply next year and rising foreign direct investments, in case a deal with the IMF materializes. Further, it considered that an IMF deal would strengthen investor confidence as it would provide reassurance that the fiscal and debt dynamics would be adequately monitored and controlled. It added that government spending would be subject to greater control, given that the budget has been a key cause of the ongoing economic problems. It projected the fiscal deficit to narrow from 9.3% of GDP in 2014 to 7.4% of GDP in 2015. It forecast fixed capital formation to grow by 7.5% in real terms in 2015 relative to a contraction of 20.7% in 2014, and to expand by an annual average growth rate of 8.3% between 2016 and 2019, supported by a stable domestic political climate, abundant natural resources and a broadly favorable business environment.

*Source: Business Monitor International*

# ECONOMY & TRADE

## GCC

### Agency takes rating actions on sovereigns

Standard & Poor's downgraded Bahrain's long- and short-term foreign and local currency sovereign credit ratings to 'BBB-/A-3' from 'BBB/A-2', with a 'negative' outlook on the long-term ratings. It also downgraded Oman's long- and short-term local and foreign currency ratings to 'A-/A-2' from 'A/A-1' with a 'stable' outlook. It attributed the downgrades to the negative impact of the drop in global oil prices on economic activity, fiscal position and current account balance of each country. The agency indicated that the 'negative' outlook on Bahrain's ratings reflects its weakening fiscal profile and uncertain policy response. It noted that Bahrain's fiscal breakeven oil price of \$125 per barrel (p/b) in 2014 was the highest among GCC countries. It added that subsidies and the public sector wage bill absorbed about 72% of total spending in 2014 and are difficult to cut. It forecast the fiscal deficit to widen from 3.3% of GDP in 2014 to 8% of GDP in 2015, and for the public debt level to rise from 42.6% of GDP in 2014 to 53.8% of GDP in 2015. Further, S&P forecast Oman's fiscal balance to shift from a surplus of 2.8% of GDP in 2014 to a deficit of 4% of GDP in 2015, and for the current account balance to shift from a surplus of 5.3% of GDP in 2014 to a deficit of 4.8% of GDP in 2015. It anticipated that the government's net external creditor position would decline from an estimated 62% of current account receipts (CARs) to 30% of CARs by 2018. In parallel, S&P affirmed at 'AA/A-1+' the long- and short-term local and foreign currency ratings of Qatar and Abu Dhabi, with 'stable' outlooks, as their fiscal and external buffers are strong enough to withstand lower global oil prices.

Source: Standard & Poor's

## IRAQ

### Lower oil prices affecting public finances

Merrill Lynch indicated that the drop in global oil prices has put substantial pressure on the Iraqi government to seek financing for the budget other than from the sovereign wealth fund and domestic banks. It estimated the government's financing requirements at more than \$23bn in 2015 despite significant cuts in public spending. It noted that the reserves at the Development Fund of Iraq have been depleted. Further, it estimated that the banking sector has about \$30bn to \$35bn in spare liquidity, but noted that banks need to maintain a minimum level of liquidity for operating purposes, which means that they will not use the liquidity in full to finance the fiscal deficit. In addition, it expected the government's cumulative financing requirements to double over the next four years, which would require other sources of financing such as the Central Bank of Iraq (CBI). Merrill Lynch indicated that the CBI would start purchasing government bonds from commercial banks, given that Iraqi law prohibits direct lending to the government by the CBI. However, it considered the main risks of this policy to be the depletion of foreign currency reserves if the CBI purchases government bonds in foreign currency. It noted that this would question the stability of the Iraqi dinar peg to the US dollar. It said that other risks include the potential surge of the government's debt stock, possible inflationary pressure and the risks related to the reversal of asset purchases in the future.

Source: Merrill Lynch

## SAUDI ARABIA

### Outlook revised to 'negative' on weakening fiscal position from lower global oil prices

Standard & Poor's revised the outlook to 'negative' from 'stable' on Saudi Arabia's 'AA-' long-term foreign and local currency sovereign credit ratings due to the weakening of the fiscal position from lower global oil prices. It said that the economy is vulnerable to a steep and sustained decline in global oil prices, given that the hydrocarbon sector represents about 40% of the country's GDP, 90% of government revenues and 85% of exports receipts. It noted that the economy is not diversified and that the non-hydrocarbon sector is dependent to a large extent on government spending and on downstream hydrocarbon activities. Further, it projected the fiscal deficit to widen from 1.3% of GDP in 2014 to 6% of GDP in 2015 and anticipated the fiscal balance to remain in deficit during the 2015-18 period. It added that the recently announced off-budgetary spending package of \$29bn, or 4.5% of GDP, would be disbursed over the 2015-17 period. It pointed out that financing the fiscal deficit along with off-budgetary expenditures would reduce the government's net asset position or would increase its public debt level. It forecast the government's liquid assets to average about 111% of GDP annually during the 2015-18 period, a level that would significantly offset the concentration of risks related to the dependence on the hydrocarbon sector. Also, it expected the country's net liquid external assets to remain strong and to average about 200% of current account receipts (CARs) during the 2015-18 period. It forecast gross financing needs to average 90% of usable reserves and CARs between 2015 and 2018.

Source: Standard & Poor's

## ARMENIA

### Economic uncertainties on the rise

Merrill Lynch projected Armenia's economy to stagnate in 2015 relative to an annual average growth rate of 3.4% during the 2013-14 period, reflecting spillovers from the recession in Russia. It anticipated that weakening export demand in Armenia's key trading partners would weigh on the Armenian dram. It forecast the dram to average AMD490 per US dollar in 2015 compared to an average of AMD416.5 per dollar in 2014, and to trade at AMD500 against the dollar at the end of 2015. It considered that a weakening currency would offset in part the adverse impact of the deteriorating trade balance, but would have an overall negative impact on the economy given the prevailing macroeconomic conditions. It forecast the inflation rate to average 7% in 2015 relative to an average rate of 3.5% in 2015. In parallel, Merrill Lynch expected the fiscal deficit to remain stable at about 3% of GDP in 2015 in order to comply with the fiscal criteria under the arrangement with the International Monetary Fund. It anticipated that Russia would provide Armenia with additional financial support following the latter's adherence to the Eurasian Economic Union this year, and given Armenia's strategic importance to Russia. It expected authorities to issue a 10-year Eurobond for up to \$1bn in the near future. It projected the yield on a 10-year bond at between 7.25% and 7.75% as the conflict with Azerbaijan has pushed up Armenia's yields, and as the recession in Russia creates risks.

Source: Merrill Lynch



# BANKING

## EMERGING MARKETS

### Outlook 'stable' on 74% of bank ratings

Fitch Ratings indicated that it upgraded 13 banks globally in the fourth quarter of 2014, of which 62% were in emerging markets; while it downgraded 16 banks worldwide, of which 88% were in emerging economies. It said that there were 70 'negative' outlooks on the ratings of emerging market banks in the fourth quarter of 2014 compared to 57 in the third quarter, 59 in the second quarter and 52 in the first quarter of 2014. In parallel, the number of 'positive' outlooks totaled 14 in the fourth quarter of 2014, up from 12 in the third quarter, 13 in the second quarter and 12 in the first quarter of the year. Also, the number of 'stable' outlooks decreased to 253 in the fourth quarter of 2014 from 275 in the preceding quarter, 277 in the second quarter and 287 in the first quarter of 2014. Overall, 73.8% of bank outlooks in emerging markets are 'stable', 20.4% are 'negative' and 4.1% are 'positive'. In parallel, 91.5% of outlooks in Emerging Asia are 'stable', 6.8% are 'negative' and 1.7% are 'positive'; while 82.7% of outlooks in the Middle East & Africa are 'stable' and 15.4% are 'negative'. Also, 83.8% of outlooks in Emerging Americas are 'stable', 11.8% are 'positive' and 4.4% are 'negative'; while 50% of outlooks in Emerging Europe are 'stable', 42% are 'negative' and 4.5% are 'positive'. Further, Fitch has 0.9% of bank ratings in emerging markets on 'positive watch' and 0.6% on 'negative watch'.

Source: Fitch Ratings

## INDIA

### Capital raising for state-owned banks more challenging than for private banks

Fitch Ratings indicated that state-owned Indian banks continue to be largely dependent on capital injections by the government for their equity needs, while large privately-owned banks are in a strong position to raise core equity capital directly from the markets. It noted that the Indian government is planning to inject about \$1.1bn in State Bank of India, Bank of Baroda and Punjab National Bank, as well as in six other state-owned banks. It added that the capital injection in the nine state-owned banks is part of a \$1.8bn budget allocation for banks in the fiscal year that ends in March 2015. The agency considered that capital shortfalls and challenges for state-owned banks would continue after the planned capital injection. It estimated that state-owned banks represent 85% of the banking sector's needs of \$200bn in new capital over the next five years in order to fully meet Basel III capital requirements by March 2019. It considered that state-owned banks' ability to raise core equity Tier One capital in the market is limited due to their poor asset quality and earnings, as well as to their below-book valuations. As such, it anticipated that state-owned banks would have to rely on the issuance of Additional Tier One hybrid instruments and on government capital injections to strengthen their capitalization in the short term. In parallel, the agency said that privately-owned banks maintain relatively healthy capitalization levels. It added that the shares of private banks are trading above book value and benefit from a high level of investor confidence, given the banks' good earnings and asset quality.

Source: Fitch Ratings

## GCC

### Qatari banking sector more resilient than peers to lower oil prices

NBK Capital indicated that Qatar's banking sector is more immune to lower global oil prices than the banking sectors of Saudi Arabia and the UAE, as the Qatari economy would be less affected by the drop in oil prices. It projected non-hydrocarbon sector growth, which is an indicator of private sector activity, at 10% in Qatar in FY2014/15, relative to growth rates of 5.5% in each of the UAE and Saudi Arabia. As such, it noted that higher non-hydrocarbon sector growth in Qatar would be more conducive to private sector lending activity. Further, it considered that Qatar's public finances are more resilient to a drop in global oil prices than the UAE and Saudi Arabia, which would support higher public spending. It anticipated that government spending in Qatar would grow by 13.1% in FY2014/15, relative to increases of 4% in the UAE and 1% in Saudi Arabia. It noted that spending on projects in Qatar, which is forecast at \$45bn in each of 2015 and 2016, would be a positive driver of loan growth for the banking sector. In parallel, NBK Capital indicated that public sector deposits account for 41% of total deposits in Qatar, 31% in the UAE and 22% in Saudi Arabia, which means that Qatari banks are the most exposed to a draw down of public sector deposits in case of need. However, it considered that liquidity in Qatar's banking sector would only slightly weaken, based on historical precedents and given the state's elevated financial reserves.

Source: NBK Capital

## AFRICA

### Banks' regional expansion increases systemic risks

The International Monetary Fund indicated that the rapid expansion of cross-border banking across Africa in recent years poses regulatory and supervisory challenges that could increase systemic and spillover risks. It noted that supervisory challenges include licensing and ownership structure, differences in accounting and data standards, consolidated bank supervision, and home-host issues that include cross-border coordination and information sharing. It noted that significant supervision gaps, governance issues, and difficulties with cross-border resolution have emerged. It added that countries are on different levels of implementing international standards, mainly Basel requirements. Further, it indicated that the expansion of pan African banks could increase the risk of contagion and raises concerns about financial stability in Africa. It pointed out that cross-border expansion has created a network of systemically important banks whose financial health might not be known, due in part to a nascent consolidated supervision. It said that pan African banks could lead to contagion across borders, especially for countries without adequate financial safety nets. It considered that the channels of contagion could run both ways from the parent bank to the subsidiary and from the subsidiary to the parent bank, as well as across subsidiaries of the same group. The IMF called on authorities to strengthen and intensify oversight, even though supervisory capacity is already constrained in most of African countries.

Source: International Monetary Fund



# ENERGY / COMMODITIES

## Drop in oil prices to moderately affect demand

The International Energy Agency (IEA) expected the drop of oil prices in recent months to have a marginal impact on global oil demand during the 2015-20 period. Oil exporting economies, which were a driving force behind oil demand growth in recent years, would be adversely affected by the fall in oil prices, with the exception of Gulf Cooperation Council countries. The IEA indicated that the world has generally become less oil-dependent, partly due to the legacy of years of sustained record-high oil prices, with the share of oil in the fuel mix eroding. It projected countries of the Organization for Economic Co-operation and Development to post a sustained contraction in oil demand during the 2015-20 period, in line with earlier trends. Also, the IEA noted that renewable energy and natural gas are increasingly price-competitive relative to oil in emerging markets and would continue to influence oil consumption. Global demand is projected to increase by 1% to 93.34 million barrels per day (b/d) in 2015 and to rise to 99 million b/d by 2020. In parallel, global oil output is expected to increase to 103.2 million b/d by 2020, despite the significant drop in oil prices and investment cuts. The IEA's oil price assumptions were at about \$55 per barrel (p/b) for 2015 and gradually increased to \$73 p/b in 2020.

Source: International Energy Agency

## KRG's oil output to rise by at least 50% by end-2015

The Kurdistan Regional Government intends to increase oil production to between 700,000 b/d and 750,000 b/d by the end of 2015, reflecting a rise of at least 50% from current production levels of 450,000 b/d to 500,000 b/d. Crude oil exports from the Iraqi Kurdistan region is expected to reach more than 650,000 b/d by the end of 2015, up by about 73% from current exports of 375,000 b/d. In parallel, the KRG is currently exporting as much as 200,000 b/d independently without passing through Iraq's State Organization for the Marketing of Oil. This is helping the KRG pay the \$4bn to \$5bn it owes to international oil companies operating in the Kurdish region.

Source: Gulf Times

## MENA countries to expand electricity production capacity over the 2015-19 period

The Middle East & North Africa region is expected to expand its electricity production capacity by 156 gigawatts (GW) during the 2015-19 period. The decision was mainly due to the fast-growing demand for electricity and to lagging supply. GCC countries are projected to generate an additional 68.5 GW during the covered period, or 43.9% of the total, followed by Mashreq countries with 42.9 GW (27.5%), Iran with 25.2 GW (16.2%) and Maghreb states with 17.7 GW (11.3%).

Source: Arab Petroleum Investments Corporation

## OPEC's basket price down 15% in January 2015

The Organization of the Petroleum Exporting Countries' oil reference basket price reached \$44.38 per barrel (p/b) in January 2015, constituting a drop of 15.1% from \$59.46 p/b in the preceding month. Nigeria's Bonny Light crude oil posted the highest price among the basket's components at \$48.51 p/b in January, followed by Abu Dhabi's Murban crude oil at \$48.4 p/b and Angola's Girassol at \$47.98 p/b. All prices included in the basket posted decreases of 11.6% to 16.2% in January 2015.

Source: OPEC, Byblos Research

## Base Metals: Average aluminium cash price to rise by 13% in first quarter of 2015

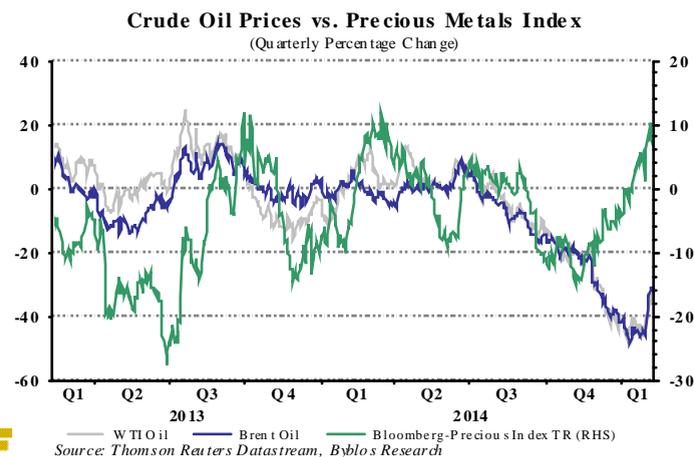
Global aluminium consumption is expected to reach 56 million tons in 2015, constituting a rise of 6.1% from 2014, partly due to lower oil prices. In addition, the metal's demand would strengthen in 2015 as substitution trends, due to aluminium's lighter weight relative to steel or to its lower cost compared to copper, would continue to gain momentum. In parallel, global aluminium production would rise by 5.9% to 55.9 million tons in 2015. The global aluminium market is projected to be undersupplied in 2015, posting a deficit of 104,000 tons, partly due to the metal's higher demand in China. LME aluminium cash price is forecast to average \$1,925 a ton in the first quarter, reflecting a rise of 12.7% from the same quarter of 2014, and to increase to \$2,050 a ton in the second quarter of 2015. In parallel, the Bloomberg Aluminium Total Return Sub-Index increased by 0.5% month-on-month in January 2015.

Source: Economist Intelligence Unit, Bloomberg Indexes

## Precious Metals: Gold prices to drop by 2% in 2015

Global gold consumption is expected to rise during the 2015-16 period, following a decline of the metal's demand for three consecutive years. The rebound in gold consumption would be mainly driven by strong demand for gold jewelry amid rising income levels in developing economies, by the metal's relatively low price environment and by more favorable gold import policies in India. The rise in jewelry consumption would offset investors' subdued interest in the precious metal and the material decline in industrial consumption of gold. In parallel, the global supply of gold is projected to decline by an average of 0.9% per year during the 2015-16 period due to a decrease in mining supply, as a growing number of gold miners would find it difficult to maintain output levels amid an unfavorable price environment. The deficit in the gold market is expected to widen during the 2015-16 period as stagnating gold supply fails to keep up with rising demand amid resilient jewelry consumption and a stabilizing ETF market. Gold prices are forecast to average \$1,270 a troy ounce in the first quarter and to decrease to \$1,250 an ounce in the second quarter, to \$1,230 an ounce in the third quarter and to \$1,210 an ounce in the fourth quarter of 2015. The metal's average price is expected to decrease by 2.1% to \$1,240 a troy ounce in 2015. In parallel, the Bloomberg Gold Total Return Sub-Index increased by 8% in January 2015.

Source: Economist Intelligence Unit, Bloomberg Indexes



# 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								
<b>Africa</b>													
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	-	-								
<b>Middle East</b>													
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
	Stable	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
	Negative	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								
<b>Asia</b>													
Armenia	-	Ba3	B+	-	-	-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								
<b>Central &amp; Eastern Europe</b>													
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	BB+	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	28-Jan-15	No change	18-Mar-15
Eurozone	Refi Rate	0.05	22-Jan-15	No change	05-Mar-15
UK	Bank Rate	0.50	05-Feb-15	No change	05-Mar-15
Japan	O/N Call Rate	0.00-0.10	21-Jan-15	No change	18-Feb-15
Australia	Cash Rate	2.25	03-Feb-15	Cut 25bps	03-Mar-15
New Zealand	Cash Rate	3.50	29-Jan-15	No change	12-Mar-15
Switzerland	3 month Libor target	-1.25-(-0.25)	11-Dec-14	Cut 50bps	19-Mar-15
Canada	Overnight rate	1.00	21-Jan-15	No change	04-Mar-15
<b>Emerging Markets</b>					
China	One-year lending rate	5.60	21-Nov-14	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	28-Jan-15	No change	18-Mar-15
Taiwan	Discount Rate	1.875	18-Dec-14	No change	26-Mar-15
South Korea	Base Rate	2.00	15-Jan-15	No change	17-Feb-15
Malaysia	O/N Policy Rate	3.25	28-Jan-15	No change	05-Mar-15
Thailand	1D Repo	2.00	28-Jan-15	No change	11-Mar-15
India	Reverse repo rate	7.75	03-Feb-15	No change	07-Apr-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	7.75	20-Jan-15	Cut 50bps	24-Feb-15
South Africa	Repo rate	5.75	27-Jan-15	No change	26-Mar-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	18-Feb-15
Angola	Base rate	9.00	02-Feb-15	No change	N/A
Mexico	Target Rate	3.00	29-Jan-15	No change	26-Mar-15
Brazil	Selic Rate	12.25	03-Dec-14	Raised 50bps	04-Mar-15
Armenia	Refi Rate	9.50	21-Jan-15	Raised 100bps	N/A
Romania	Policy Rate	2.25	04-Feb-15	Cut 25bps	N/A
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	19.5	05-Feb-15	Raised 550bps	N/A
Russia	Refi Rate	15.0	30-Jan-15	Cut 200bps	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](mailto:research@byblosbank.com.lb)  
[www.byblosbank.com](http://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 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

