

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global financial assets at \$294 trillion at end-2014

The stock of global financial assets reached \$294 trillion at the end of 2014 constituting an increase of 3.2% from \$285 trillion at end-2013, and posting a compound annual growth rate (CAGR) of 2.8% between 2007 and 2014. Stock market capitalization accounted for \$69 trillion or 23.5% of global financial assets at the end of 2014, followed by non-securitized loans with \$62 trillion (21.1%), financial institutions' bonds with \$60 trillion (20.4%), public debt securities with \$58 trillion (19.7%), non-financial corporate bonds with \$31 trillion (10.5%) and securitized loans with \$14 trillion (4.8%). Also, public debt securities grew at a CAGR of 8.4% during the 2007-14 period, followed by non-securitized loans with a growth rate of 3.1%, non-financial corporate bonds with a CAGR of 2.5%, financial institutions' bonds with a rate of 1.3% and stock market capitalization with a CAGR of 0.9%; while securitized loans remained unchanged at end-2014 compared to end-2007. Further, aggregate financial assets were equivalent to 378% of global GDP in 2014, down from 381% of GDP in 2013. Stock market capitalization was equivalent to 89% of global GDP in 2014, followed by non-securitized loans at 80% of global GDP, financial institutions' bonds at 78% of global GDP, public debt securities at 75% of worldwide GDP, non-financial corporate bonds at 40% of GDP and securitized loans at 18% of the world's GDP.

Source: Deutsche Bank, Byblos Research

EMERGING MARKETS

Corporate debt maturing in 2015-19 totals \$578bn

Standard & Poor's projected that \$578.3bn in emerging markets' (EM) corporate debt would mature between 2015 and 2019, with \$93.6bn due in 2015, \$106.7bn in 2016, \$140.8bn in 2017, \$115.3bn in 2018 and \$121.9bn in 2019. Emerging Asia has \$257.1bn in maturing debt during the covered period, or 44.5% of the maturing EM corporate debt; followed by Latin America with \$188.5bn (32.6%) and Eastern Europe, the Middle East & Africa with \$132.78bn (23%). In parallel, non-financial corporate debt that matures during the 2015-19 period in EM totals \$382.1bn and accounts for 66.1% of the region's total corporate debt that matures during the covered period, while maturing financial corporate debt amounts to \$196.3bn or 33.9% of the total. Further, investment grade corporate debt in EM totals \$460.2bn or 79.6% of the region's corporate debt maturing during the covered period; while speculative-grade corporate debt amounts to \$118.1bn or 20.4% of the total. Maturing corporate debt in the oil & gas sector totals \$118.2bn and accounts for 30.9% of the total EM non-financial maturing corporate debt, followed by the telecommunications sector with \$47.8bn (12.5%), homebuilders & real estate companies with \$32.5bn (8.5%), the metals, mining & steel sector with \$28.5bn (7.5%), finance companies with \$26.1bn (6.8%) and the forest products & building materials sector with \$14.6bn (3.8%).

Source: Standard & Poor's

MENA

Retirement environment varies across region

The Natixis Global Retirement Index (GRI) for 2015 shows that the retirement environment in the Middle East & North Africa region regressed year-on-year, as the region's average score reached 50% compared to 54% in each of the 2013 and 2014 surveys. Qatar is ranked as the best country for retirement among 21 countries in the MENA region and the 21st most favorable destination for retirees among 150 countries worldwide, followed by Israel (23rd) and the UAE (25th); while the lowest-ranked countries in the region are Djibouti that came in 132nd place, Sudan (134th) and Mauritania (140th). The GRI covers key aspects for welfare in retirement that are access to quality health services, having enough material means to live a comfortable life, having access to quality financial services, and living in a clean and safe environment. Countries with the highest rankings and scores have a better retirement climate. The region's retirement environment was better than that of Sub-Saharan Africa (36%), but less favorable than that of North America (72%), Western Europe (70%), Latin America & the Caribbean (60%), Eastern Europe & Central Asia (58%) and Asia Pacific (54%). The MENA region posted the worst performance on the Finances Sub-Index globally, the third lowest score on the Material Well-Being Sub-Index, as well as the second weakest performance on each of the Health Sub-Index and the Quality of Life Sub-Index.

Source: Natixis, Byblos Research

GCC countries have best entrepreneurial ecosystem in the region

The 2015 Global Entrepreneurship Index (GEI), issued by the Global Entrepreneurship Development Institute (GEDI), indicated that the UAE has the most favorable entrepreneurial ecosystem among 15 countries in the Middle East & North Africa region and ranks in 20th place among 130 countries around the world. It is followed by Israel (22nd), Qatar (24th), Saudi Arabia (31st) and Kuwait (37th). In contrast, Libya (73rd), Algeria (79th), Morocco (82nd), Egypt (91st) and Iran (94th) have the least favorable entrepreneurial ecosystem in the region. The entrepreneurial ecosystem in Gulf Cooperation Council (GCC) countries is better than that of non-GCC Arab countries, with average scores of 51.3 points and 33.7 points, respectively. The MENA region received an average score of 41.5 points in 2015 compared to the global average of 39.1 points. The GEI measures the quality and dynamics of a country's entrepreneurship environment by taking into account the micro and macro aspects of the ecosystem. It assesses the efficiency of start-ups' ecosystems and attempts to highlight the bottlenecks that erode the competitive advantages for start-up firms. The MENA region's entrepreneurial ecosystem is better than that of Sub-Saharan Africa (24.1 points), South & Central America & the Caribbean (32.5 points) and Asia-Pacific (37.5 points), while it is worse than that of North America (65.7 points) and Europe (51.9 points).

Source: GEDI

OUTLOOK

GCC

Challenging outlook for GCC economies

Regional investment bank EFG Hermes anticipated that the economies of the Gulf Cooperation Council (GCC) would face challenges in 2015 as global oil prices are expected to remain at low levels. But it considered that GCC countries' counter measures for the decline in oil prices would be similar to those in 2009. It expected authorities in most GCC economies to resort to fiscal stimulus and to maintain spending in order to help sustain confidence in the economy. It noted that Kuwait, Qatar, Saudi Arabia and the UAE would be able to maintain high spending levels because of their significant external financial buffers and their ability to borrow. But it said that continuous public spending would not fully offset the negative impact of lower oil prices on non-hydrocarbon growth. It projected the GCC's weighed real GDP growth to decelerate from 4.5% in 2014 to 3.1% in 2015 and to be driven by the non-hydrocarbon sector, as oil production in all GCC countries is expected to remain broadly flat. It forecast non-hydrocarbon real GDP growth to decelerate to 4.8% in 2015 from 5.7% in 2014. It considered that the true test for GCC economies would come in 2016 if oil prices stay low. It said that the implementation of structural reforms in GCC countries is crucial to reduce their economy's dependence on oil, as well as to diversify their revenue sources and to improve private sector activity.

In parallel, EFG Hermes anticipated that all GCC economies would post fiscal deficits in 2015 as the fiscal breakeven oil price in each country would exceed the projected average global oil price of \$55 per barrel for this year. It expected Oman to post the widest fiscal deficit this year at 18.7% of GDP, followed by Bahrain (15.3% of GDP), Saudi Arabia (14% of GDP), the UAE and Kuwait (4.5% of GDP each) and Qatar (2.6% of GDP). It projected the overall current account surplus to fall from \$264.7bn or about 16% of GDP in 2014, to \$15.3bn or 1% of GDP in 2015. It estimated the region's foreign currency reserves at \$2.3 trillion, including official reserves and sovereign wealth fund assets. It added that the UAE and Saudi Arabia account for 33.3% and 31.5% of the region's foreign reserves, respectively. It estimated that the UAE's foreign reserves would be depleted in 172 years based on an annual deficit at the 2015 level, followed by Kuwait (84 years), Qatar (67 years), Saudi Arabia (eight years) and Oman (four years).

Source: EFG Hermes

SYRIA

Fiscal pressures mounting

Business Monitor International anticipated that the Syrian government's decision to cut energy and bread subsidies would increase the inflation level and would put additional pressure on the purchasing power of households living in regime-held regions. It noted that the price of diesel, which is used for public heating and transport, increased to SYP125 per liter from SYP80 per liter previously, and compared to SYP7 per liter prior to the start of the conflict in March 2011. It added that the price of fuel oil, which is used for heavy machinery, increased by 70%, while the price of cooking gas rose by 36% and the price of bread surged by 40%.

BMI attributed the cut in subsidies to growing fiscal pressure and to concerns over the corruption and smuggling prompted by the subsidized prices. It noted that the regime's ability to collect tax revenues has gradually receded, while receipts from oil sales and tourism activity have collapsed. It added that most of Syria's oil fields are destroyed or outside regime-held regions. As such, it indicated that the demand for gasoline, liquefied petroleum gas and diesel has been met almost entirely through imports, which have become expensive as the Syrian pound has weakened. In addition, it pointed out that the government's subsidies have resulted in a two-tiered pricing system, with well-connected businessmen buying fuel at subsidized prices and reselling it at a large premium in the black market. BMI considered that the cut in subsidies would fail to address the prevailing supply shortages or to curtail activity in the black market.

Source: Business Monitor International

IRAQ

Kurdistan in need of \$1.5bn to \$2.5bn in 2015 to address refugee inflows

The World Bank estimated that the Kurdistan Regional Government (KRG) would need between \$1.4bn and \$2.5bn in stabilization costs from the inflows of internally displaced Iraqis and of Syrian refugees, depending on the unfolding scenarios.

The Bank's baseline scenario projects the overall stabilization cost from the inflows of refugees and of internally displaced persons at about \$1.4bn in 2015, equivalent to 5.6% of KRG's non-oil GDP. Under this scenario, the Bank assumes that the number of displaced persons and refugees would stabilize. It anticipated that \$833.6m, or 61% of the total cost, would be needed for healthcare, education, food security and agriculture, poverty and shelter; while the remaining \$535.6m, or 39%, would be needed for infrastructure development that includes electricity, transport, solid waste management and water.

The Bank's second scenario estimated the overall stabilization cost to rise to \$1.8bn in 2015, assuming an additional influx of 250,000 internally displaced Iraqis and of 30,000 Syrian refugees. Under this scenario, it projected spending on human development at \$1.1bn and on infrastructure at \$693m. The Bank's third scenario expected the overall stabilization cost to reach \$2.5bn this year if the number of internally displaced Iraqis expands by 500,000 and the number of Syrian refugees increases by 100,000. As such, it expected spending needs on human development at \$1.5bn and on infrastructure development at \$933.8m.

The Bank indicated that the influx of displaced Iraqis and of refugees have increased the stress on Kurdistan region's infrastructure, which was already facing challenges before the crisis. It estimated the stabilization cost for the electricity sector to range between a minimum of \$275m under the baseline scenario and a maximum of \$517m under the worst case scenario in 2015. It projected the stabilization cost for the water sector at between \$214m and \$348m this year. It noted that the stabilization costs for both the water and electricity sectors would absorb more than 90% of total spending required on infrastructure projects under any of the three scenarios.

Source: World Bank



ECONOMY & TRADE

UAE

Abu Dhabi ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Abu Dhabi's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'AA', with a 'stable' outlook. It also maintained the short-term foreign currency IDR at 'F1+' and the UAE Country Ceiling at 'AA+'. It said that Abu Dhabi's substantial buffers provide resilience to the fall in global oil prices. It noted that the emirate's external sovereign balance sheet is the second-strongest among Fitch-rated sovereigns after Kuwait. It forecast Abu Dhabi's sovereign net foreign assets at 184% of GDP at the end of 2016 based on conservative assumptions for investment performance. Also, it projected the current account surplus at about 10% of GDP in 2015 and 2016. Further, Fitch indicated that the authorities have reduced spending in response to lower global oil prices, which would keep the fiscal balance in surplus in coming years. It projected Abu Dhabi's non-hydrocarbon growth to decelerate from around 7% in 2014 to about 4% by 2016, reflecting the expected cut in government spending and slowdown in Dubai's economic activity. In parallel, it said that the debt of government-related entities (GREs) and state-owned enterprises (SOEs) fell to an estimated 34.5% of GDP at end-2014, reflecting the authorities' commitment to contain indebtedness. It noted that explicit contingent liabilities are clearly delineated and the supervision of the borrowing plans of GREs and SOEs has been tightened.

Source: Fitch Ratings

ANGOLA

Ratings downgraded on deteriorating external position and widening fiscal deficit

Standard & Poor's downgraded by one notch Angola's long- and short-term foreign and local currency sovereign credit ratings to 'B+/B' from 'BB-/B' with a 'stable' outlook. The agency attributed the downgrade to the negative impact of lower global oil prices on Angola's economic activity, public finances and current account balance, given its high dependence on the hydrocarbon sector. It forecast the fiscal deficit to widen from 1% of GDP in 2014 to 8% of GDP in 2015. It anticipated that authorities would revise the 2015 budget, and would base it on an average global oil price of \$40 per barrel. It expected authorities to cut capital spending, subsidies and purchases of goods and services by up to 60% each, and to implement revenue-enhancing measures in order to offset the estimated 30% drop in public revenues. However, it anticipated the government to proceed with the 15% planned increase in public sector wages this year. In parallel, it projected the current account balance to shift from a surplus of 3.7% of GDP in 2014 to a deficit of 7.5% of GDP in 2015. Also, it considered that repatriating foreign exchange has become a lot more difficult, as the Banco Nacional de Angola (BNA) imposed restrictive measures. It added that the parallel exchange rate is about 30% weaker than the official rate. It expected the BNA to intervene to limit the depreciation of the currency to about 10% during the 2015-16 period. It forecast foreign currency reserves to fall from a healthy level of 25% of GDP at the end of 2014 to an adequate level of 15% of GDP by the end of 2016. It considered that Angola has substantial buffers to control the impact of sustained lower oil prices.

Source: Standard & Poor's

NIGERIA

Ratings placed on CreditWatch negative

Standard & Poor's placed Nigeria's 'BB-' long-term foreign and local currency sovereign credit ratings on CreditWatch with negative implications, following the sharp decline in global oil prices. It said that the drop in oil prices has a significant negative impact on Nigeria's external position. It forecast the current account deficit to average 1.8% of GDP yearly during the 2015-17 period relative to a September forecast of an average surplus of 3.3% of GDP during the covered period. It changed its forecast for the country's external position to an annual average narrow net external debt of 9% of current account receipts (CARs) between 2015 and 2017 from a September forecast of a narrow net external creditor position of 32% of CARs during the covered period. It expected Nigeria's gross external financing needs to average 124% of CARs during the 2015-17 period, up from a September forecast of 86% of CARs. It said that the exchange rate and monetary policy could come under further pressure due to the fall in oil prices or changes in investor risk appetite. It noted that authorities revised the 2015 budget to take into account lower global prices, and included significant cuts in capital and recurrent expenditures. It added that political risks remain significant given the upcoming elections and the militant attacks in the northeast of the country.

Source: Standard & Poor's

DEM REP CONGO

Sovereign ratings affirmed, outlook 'stable'

Standard & Poor's affirmed the Democratic Republic of Congo's (DRC) long-term foreign and local currency sovereign credit ratings at 'B-' with a 'stable' outlook. The agency indicated that the ratings are constrained by weak institutions, poor governance, continuing conflict in the eastern parts of the country, extremely low income levels, high dependence on FDI inflows, and limited economic policy flexibility. But it noted that the ratings are supported by a low public debt level that is expected to decline from 18.3% of GDP in 2014 to 12.6% of GDP in 2018, and by a narrow fiscal deficit that would fluctuate between 1% and 1.5% of GDP in coming years. It said that the economy is vulnerable to a downturn in global commodity prices, mainly copper, given that mining and mining-related investments remain key growth drivers. It projected real GDP growth to decelerate to an average of 7.3% annually during the 2015-18 period, and for the current account deficit to average to about 9% of GDP annually during the covered period. It anticipated the net external debt level to rise from 48.7% of current account receipts (CARs) in 2014 to 55% of CARs in 2015 and to reach 78.1% of CARs by 2018. It projected the DRC's gross external financing needs to average 129% of CARs plus usable reserves during the 2015-18 period. It expected net FDI inflows to remain high during the coming years and to constitute a key source of external financing. But it cautioned from the adverse impact of political instability and the volatility of global commodity prices on such inflows. It indicated that the public debt level is subject to currency risks, given that 75% of the debt stock is denominated in foreign currency and that foreigners hold most of the government's commercial debt.

Source: Standard & Poor's



BANKING

UAE

Low oil prices to affect banks' performance

Standard & Poor's anticipated that UAE banks are well-positioned to face the changes in operating conditions following the drop in global oil prices. It expected credit growth to decelerate in 2015, reflecting the slowdown in domestic economic activity. It anticipated that banks in the UAE would adopt a more conservative approach towards lending to the private sector, especially to retail, but it considered that lending to government-related projects would remain robust. Further, it expected residential real estate prices to decrease this year. However, it pointed out that a potential price correction of the UAE's real estate markets would have a limited impact on banks, as price declines are unlikely to be as steep as they were in 2009. Also, it noted that key UAE developers have stronger balance sheets and the Central Bank is adequately regulating residential mortgages. However, it anticipated non-performing loans in the corporate segment to increase in the context of weaker economic activity and the expected correction in real estate prices. But it said that UAE companies have stronger balance sheets, which would help the banking sector avoid a pronounced deterioration in asset quality over the next two years. Further, it forecast deposit growth to significantly slow down in 2015 and 2016 due to a drop in government and public deposits. But it noted that the banks' funding profile improved significantly since 2009, which would provide them with a solid cushion to weather the challenging operating environment in 2015 and 2016. S&P anticipated that the deceleration in credit and deposit growth in 2015, as well as the relatively higher credit losses would limit growth in earnings.

Source: Standard & Poor's

EGYPT

Banks' exposure to government debt up 28% at end-November, equivalent to 41.5% of assets

Figures issued by the Central Bank of Egypt show that total assets of banks operating in Egypt reached EGP1,981bn, equivalent to \$276.6bn at the end of November 2014, constituting an increase of 17.6% from the end of 2013. Lending to the private sector reached EGP569.5bn or \$79.5bn, and rose by 12.8% from end-2013. Banks' exposure to government securities totaled EGP822.6bn at the end of November 2014, equivalent to \$114.9bn, and rose by 22.4% from end-2013 and by 28.2% from a year earlier. Banks' sovereign exposure in local currency stood at EGP738.6bn and increased by 25% from end-2013 and by 27% year-on-year; while their exposure in foreign currency reached EGP84bn and rose by 3.5% from end-2013 and by 40.5% from a year earlier. In US dollar terms, banks' sovereign exposure in local currency stood at \$103.1bn, while their exposure in foreign currency reached \$11.7bn. Further, total deposits reached EGP1,523bn or \$212.7bn, constituting an increase of 15.8% from end-2013. Private sector deposits totaled EGP1,308bn or \$182.7bn at end-November 2014, and rose by 14.2% from end-2013. Private sector deposits in foreign currency grew by 8.4% from end-2013 to EGP239.5bn or \$33.4bn at the end of November 2014; while those in local currency rose by 15.6% from end-2013 to EGP1,069bn or \$149.3bn.

Source: Central Bank of Egypt, Byblos Research

SAUDI ARABIA

Outlook on banks revised to 'negative'

Standard & Poor's revised the outlook to 'negative' from 'stable' on the 'A+' long-term counterparty credit rating of Al Rajhi Bank, the National Commercial Bank, Riyadh Bank and Samba Financial Group. It attributed the outlook revision to its similar action on Saudi Arabia's sovereign ratings. It considered the four banks to be highly systemically important in Saudi Arabia and that the government is highly supportive of the banking system. It added that there is a "high" likelihood that the banks would benefit from extraordinary government support in case of need. As such, it indicated that the long-term ratings on the four banks continue to include a one notch uplift to reflect potential extraordinary government support. However, it pointed out that a possible downgrade of Saudi Arabia's ratings would prompt a revision of the extraordinary government support for these banks, which would lower the four banks' ratings. In parallel, S&P maintained its assessment of the four banks' stand-alone credit profiles at 'a', reflecting bank-specific factors, as well as the assessment of the industry and economic risks in Saudi Arabia.

Source: Standard & Poor's

ARMENIA

Banking sector's net profits down 44% in 2014

The Armenian banking sector's net profits totaled AMD21.2bn in 2014, equivalent to \$50.9m, constituting a drop of 44.1% from net earnings of AMD37.9bn or \$92.6m in 2013. Total assets reached AMD3,411bn, equivalent to \$7.2bn at the end of 2014, and increased by 15.9% from end-2013 compared to a rise of 19.1% in 2013. Total loans stood at AMD2,193bn or \$4.6bn at end-2014, up by 22% from the end of 2013 and compared to a 12% increase in 2013. Loans in foreign currency accounted for 66.5% of total loans at end-2014 relative to 62.2% at end-2013; while loans to non-residents represented 4.4% of aggregate loans at end-2014 compared to 3% at the end of 2013. Deposits totaled AMD1,758bn, equivalent to \$3.7bn at end-2014, constituting an increase of 9% from end-2013 and relative to a rise of 33% in 2013. Deposits in foreign currency accounted for 71.6% of total deposits, up from 70.2% at end-2013. Non-resident deposits represented 25% of total deposits at the end of 2014 relative to 28.8% at end-2013. In parallel, the sector's risk-weighted capital adequacy ratio was 14.5% at the end of 2014, down from 16.7% a year earlier. The sector's liquid assets were equivalent to 25.1% of total assets at end-2014 relative to 29.1% a year earlier; while they represented 129.4% of short-term liabilities compared to 142.3% in December 2013. The loans-to-deposits ratio in foreign currency stood at 115.9%, up from 98.7% a year earlier, while the same ratio in local currency was 147.2% relative to 141.7% at the end of 2013. The total loans-to-deposits ratio stood at 124.8% at the end of 2014, up from 111.5% at end-2013. In parallel, the Armenian dram lost 17% of its value against the US dollar in 2014, which affected the banking sector's figures given that the Central Bank of Armenia reports them in dram.

Source: Central Bank of Armenia, Byblos Research



ENERGY / COMMODITIES

Global energy consumption to grow by 1.4% per year between 2013 and 2035

BP projected demand for global energy to increase by an annual average rate of 1.4% during the 2013-35 period, with about 96% of this growth coming from non-members of the Organization for Economic Cooperation and Development economies, especially from China and India. The main drivers behind the growing demand for energy would be population growth and increases in income per capita. BP expected the consumption of renewable energy to grow by an annual average rate of 6.3% during the 2013-35 period, reflecting the fastest growth rate among all types of fuel. Renewables, including bio-fuels, would account for 8% of total energy consumption in 2035 relative to a 3% share currently. BP projected natural gas consumption to grow by an annual average growth rate of 1.9% during the 2013-35 period, the fastest growth rate among fossil fuels. Also, it forecast coal consumption to expand by 0.8% per year during the covered period, the slowest growth among fossil fuels. It said that the aggregate share of fossil fuels from total energy consumption would decrease from 86% in 2013 to 81% by 2035. In parallel, BP expected China to become the world's largest energy-importing country by 2025, surpassing the European Union.

Source: BP

Iraq unable to fulfill payment to KRG

Talks between the central government of Iraq and the Kurdistan Regional Government (KRG) to reach a permanent agreement over oil exports were delayed, as Baghdad did not deliver the payments owed to Erbil. The KRG indicated that it is fully committed to the temporary oil export agreement reached with Baghdad in December 2014. But it noted that it would stop oil exports through Iraq's State Organization for Marketing of Oil (SOMO) in case the central government fails to pay its dues. The December deal stipulated that the KRG would export 550,000 barrels per day through SOMO. In return, the central government would resume payments of a 17% share of the national budget to the KRG and would disburse about \$1bn towards salaries and equipments to the KRG.

Source: Thomson Reuters, Business Monitor International

OPEC's oil output flat in January 2015

The Organization of the Petroleum Exporting Countries' (OPEC) crude oil production averaged 30.15 million barrels per day (b/d) in January 2015, down by 0.2% from December 2014. Saudi Arabia produced 9.68 million b/d in January, equivalent to about 32.1% of OPEC's total oil output.

Source: OPEC, Byblos Research

Middle East's energy consumption to post a CAGR of 2% over 2013-35 period

The Middle East region's energy consumption is expected to increase by a compound annual growth rate of 2.3% between 2013 and 2035. Natural gas would constitute 54.1% of the region's energy mix, followed by liquid fuels (42.6%), renewables (1.4%), hydroelectricity (0.7%), coal (0.6%) and nuclear energy (0.5%). The industrial sector is expected to remain the region's main consumer of primary energy in 2035 with a share of 38.6%, followed by the power sector (34.4%), the transport sector (19.7%) and other sectors (7.3%).

Source: BP, Byblos Research

Base Metals: Copper price to drop by 8% in 2015

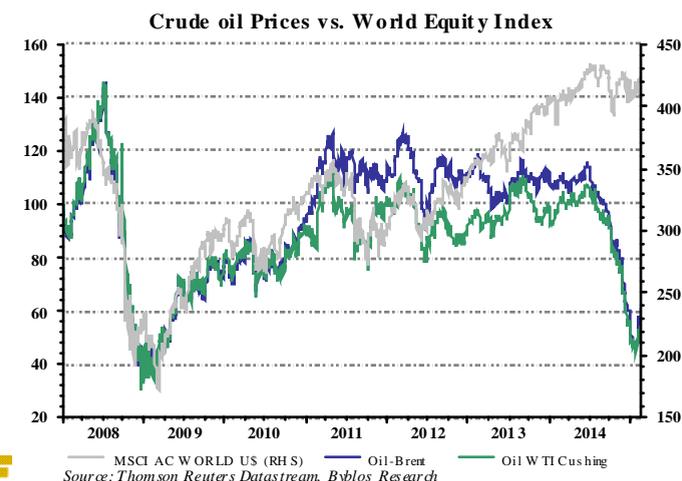
Global refined copper production is projected to grow by 4.4% in 2015, down from a growth rate of 7.5% in 2014. Chinese output would remain the main driver of growth, expanding by 9% this year as smelters in the country respond to the metal's strong demand. Global copper consumption is forecast to rise by 4.6% in 2015 relative to a growth rate of 9.7% in 2014. The global refined copper market is expected to be undersupplied in 2015, posting a deficit of 190,000 tons, but would shift to a surplus in 2016 as new mining capacity comes online. The cash price of LME copper is forecast to average \$5,890 a ton in the first quarter, \$6,075 a ton in the second quarter, \$6,500 a ton in the third quarter and \$6,900 a ton in the fourth quarter of 2015. The metal's annual price would average \$6,341 a ton, which would reflect a drop of 7.6% from \$6,859 a ton in 2014.

Source: Economist Intelligence Unit

Precious Metals: Gold prices down 10% in 2014, global consumption at \$159.8bn

Gold prices averaged \$1,266.4 a troy ounce in 2014, down by 10.3% from \$1,411.2 an ounce in 2013. The metal's price averaged \$1,293.1 a troy ounce in the first quarter, \$1,288.4 an ounce in the second quarter, \$1,281.9 a troy ounce in the third quarter and \$1,201.4 an ounce in the fourth quarter of 2014. In parallel, global gold consumption reached 3,923.7 tons in 2014, equivalent to \$159.8bn, and constituted a decrease of 4% from 4,087.5 tons in 2013. Demand for gold jewelry totaled 2,152.9 tons last year, equivalent to \$87.7bn, and reflected a decrease of 9.7% from 2,384.6 tons in 2013. It was followed by gold bar & coin investments with 1,064 tons (\$43.3bn), purchases from central banks with 477.2 tons (\$19.4bn) and demand in the technology sector with 389 tons (\$15.8bn). Central banks remained net purchasers of gold for the fifth consecutive year in 2014, as they continue to diversify away from the US dollar. Outflows from gold-backed ETFs decreased to 159 tons in 2014 from outflows of 880 tons in 2013 due to the strength of the US dollar, to continued improvement in the U.S. economy and to the relatively stable gold price environment. In parallel, global gold supply was nearly unchanged in 2014 at 4,278.2 tons, of which mine production accounted for 73.8%. Gold recycling reached a seven-year low of 1,121.7 tons in 2014, down 11% from 2013; while mine production grew for the sixth consecutive year to a record-high of 3,114.4 tons.

Source: World Gold Council, 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	B+	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
	-	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
	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								
Asia													
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								
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	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	18-Feb-15	No change	17-Mar-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
Emerging Markets					
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	17-Feb-15	No change	N/A
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	18-Feb-15	Raised 200bps	N/A
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	10.50	10-Feb-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



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