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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate debt maturing in 2015-19 totals $8.9 trillion

Standard & Poor's projected that $8,879bn in corporate debt worldwide would mature between 2015 and 2019, with $1,610bn due in 2015, $1,753bn in 2016, $1,894bn in 2017, $1,714bn in 2018 and $1,908bn in 2019. The U.S. has $3,700bn in maturing debt during the covered period or 41.7% of the global maturing debt; followed by Europe with $3,631bn (40.9%), other developed countries with $969bn (10.9%) and emerging markets with $578bn (6.5%). In parallel, non-financial corporate debt that matures during the 2015-19 period totals $4,925bn and accounts for 55.5% of corporate debt that matures during the covered period, while maturing financial corporate debt amounts to $3,954bn or 44.5% of the total. Further, investment grade corporate debt totals $6,861bn or 77.3% of corporate debt that matures during the covered period; while speculative grade corporate debt amounts to $2,017bn or 22.7% of the total. Maturing corporate debt in the telecommunications sector totals $549bn and accounts for 11.1% of total non-financial maturing corporate debt, followed by the oil & gas sector with $483bn (9.8%), the healthcare sector with $436bn (8.9%), consumer products with $430bn (8.7%) and utilities with $369bn (7.5%).

Source: Standard & Poor's

EMERGING MARKETS

Private medical insurance premiums to post a CAGR of 10% in 2013-20 and reach $79bn by 2020

Global re-insurer Swiss Re projected private medical insurance (PMI) premiums in emerging markets to rise from $36bn in 2013 to $78.8bn in 2020, constituting a compound annual growth rate (CAGR) of 9.6% between 2013 and 2020 and compared to a CAGR of 11.2% during the 2003-13 period. In comparison, it forecast global PMI premiums to rise by a CAGR of 3.2% during the covered period relative to a CAGR of 3.5% during the 2003-13 period. It anticipated that PMI premiums in emerging markets would account for 5.3% of global PMI premiums by 2020 relative to a share of 3.6% in 2013. It projected PMI premiums to reach $31.8bn in Emerging Asia (EA) by 2020, which would account for 40.4% of total PMI premiums in emerging markets; followed by Latin America (LA) at $25.3bn (32.1%); the Middle East & North Africa region (MENA) at $15.6bn (19.8%); and Central & Eastern Europe (C&EE) at $6.2bn (7.9%). In comparison, LA accounted for 41.4% of total PMI premiums in emerging markets in 2013, followed by EA (26.1%), the MENA region (20.6%) and C&EE (11.9%). Further, Swiss Re expected PMI premiums in Emerging Asia (EA) to rise by a CAGR of 15.4% between 2013 and 2020, followed by the MENA region (+9.7%), LA (+6.2%) and C&EE (+5%).

Source: Swiss Re

MENA

Sovereign creditworthiness deteriorates

Standard & Poor's indicated that overall sovereign creditworthiness in the Middle East & North Africa (MENA) region has deteriorated since June 2014. It said that the sharp drop in global oil prices since mid-2014 would weaken the region's economic, external and fiscal profiles, especially for the Gulf Cooperation Council (GCC) economies. However, it noted that it only lowered the ratings on Bahrain and Oman since June 2014. It considered that the region's rated net hydrocarbon importers, which include Egypt, Morocco, Jordan and Lebanon, would benefit from a modest improvement in their macroeconomic indicators as a result of lower oil prices. But it noted that the improvements would not be significant enough to lead to positive rating actions. It pointed out that the region's average sovereign rating is currently at 'BBB+', with nine out of the 12 rated sovereigns in the MENA region having a rating in the 'BBB' category or above. It said that the average sovereign rating becomes closer to 'A' when the ratings are weighted by nominal GDP, indicating that larger MENA economies have higher ratings than the smaller ones. Further, it said that the average sovereign rating of the region's hydrocarbon exporters is currently close to 'A+', while the rating of hydrocarbon importers is below investment grade and stands close to 'BB+'. The agency indicated that 10 out of the 12 rated sovereigns have a 'stable' outlook despite the challenging environment in the region.

Source: Standard & Poor's

Logistics environment varies in Arab region

Transport International's 2015 Agility Emerging Markets Logistics Index indicated that Saudi Arabia has the most attractive market for the logistics industry among 13 Arab countries and ranks in second place among 45 emerging countries. It is followed by the UAE (6th), Qatar (12th) and Oman (13th). In contrast, Tunisia (35th), Libya (40th) and Lebanon (42nd) have the least favorable market conditions for the logistics industry in the region. The Index ranks emerging markets based on the size of their economy, business conditions, infrastructure and other factors that make them attractive for logistics companies, air cargo carriers, shipping lines, freight forwarders and distribution companies. The index is a weighted average of three sub-indices that are Market Size & Growth Attractiveness, Market Compatibility and Market Connectedness. The Arab region's average score stood at 4.91 points, down from 5.02 points in the 2014 index, and below the global average of 5 points. Also, GCC and non-GCC Arab countries had average scores of 5.78 points and 4.16 points, respectively. The scores of seven Arab countries regressed, two improved and four remained unchanged from the previous survey. Saudi Arabia (7th), Egypt (20th) and Qatar (21st) were the top ranked Arab countries on the Market Size & Growth Attractiveness. Further, the UAE (1st), Qatar (2nd) and Oman (3rd) led emerging markets on the Market Compatibility Sub-Index; while the UAE (1st), Oman (4th) and Saudi Arabia (5th) were the top ranked Arab countries on the Market Connectedness Sub-Index.

Source: Transport International, Byblos Research

OUTLOOK

MOROCCO

Outlook improves, external risks remain

The International Monetary Fund projected Morocco's real GDP growth to rebound to 4.4% in 2015 from 2.9% in 2014, supported by improved external demand, strengthened domestic confidence and normalized agricultural output. It expected real GDP growth to average more than 5% annually over the medium term, reflecting the ongoing modernization of the agriculture sector, the continued expansion of Moroccan firms in new markets, the growing importance of newly developed sectors, as well as higher investment in infrastructure and human capital. It forecast the inflation rate to average 1.5% in 2015 and to stabilize at 2% over the medium term.

The Fund indicated that downside risks have receded but remain substantial. First, it said that a protracted period of slow growth in Europe would affect the economy through exports receipts, FDI and remittance inflows. Second, it indicated that an increase in global energy prices would widen Morocco's current account deficit. Third, it pointed out that a sudden surge in global financial market volatility would increase interest rates and raise the cost of financing, and would indirectly affect external demand and FDI inflows. The IMF welcomed the authorities' progress in fiscal consolidation, such as the removal of subsidies on liquid petroleum products. It forecast the fiscal deficit to narrow from 4.9% of GDP in 2014 to 4.3% of GDP in 2015, and for the public debt level to peak at 68% of GDP in 2015.

The Fund anticipated that Morocco's external position would benefit from the growth in newly-developed export sectors and lower global oil prices. It forecast the current account deficit to narrow from 5.8% of GDP in 2014 to about 3.3% of GDP in each of 2015 and 2016. It expected foreign currency reserves to rise from $20.4bn or 5.3 months of imports cover in 2014 to $23.2bn or 5.6 months of imports in 2015. It projected the external debt level at 32.9% of GDP in 2015 and expected it to stabilize around this level over the medium term. However, it cautioned that a 30% exchange rate depreciation or a shock to the non-interest current account would result in a significant increase in the external debt level.

Source: International Monetary Fund

TURKEY

Global trends to benefit economic recovery

Business Monitor International projected Turkey's real GDP growth to accelerate from 2.7% in 2014 to 3.5% in 2015 and 3.8% in 2016. It said that lower global oil prices and the European Central Bank's (ECB) launching of its Quantitative Easing (QE) program improved Turkey's macroeconomic outlook. First, it considered that lower global oil prices would help ease the country's wide current account deficit and persistently elevated inflation rates. It noted that a shrinking energy bill would narrow the current account deficit despite the acceleration in economic activity, which would reduce sovereign risks and support stability in the financial account. It added that lower energy costs would maintain household's purchasing power and would provide scope for monetary easing this year as inflationary pressures abate. Second, it pointed out that the ECB's QE program would prevent a more significant tightening of global liquidity conditions. It considered that this would help mitigate the negative impact of a stronger US dollar and the expected increase in U.S. interest rates on highly leveraged emerging economies such as Turkey.

However, BMI indicated that significant challenges remain. It expected external demand from key export markets, such a Russia and Iraq, to stagnate or to contract in coming quarters. Also, it pointed out that business and consumer confidence remains subdued, partly on the back of domestic and geopolitical tensions. Further, it said that Turkey remains vulnerable to a strengthening US dollar through a highly indebted corporate sector and rising short-term external debt. BMI anticipated that domestic interest rate cuts would undermine the benefit of falling oil prices on inflation, while the increasingly politicized nature of monetary easing in Turkey would have a similar impact on investor confidence. BMI considered that lower foreign capital inflows, rising debt servicing costs and a much slower pace of household credit expansion would prevent a stronger economic recovery. However, it noted that economic growth would be more balanced with a positive contribution from domestic demand and net exports.

Source: Business Monitor International

NIGERIA

External shocks raise economic vulnerabilities

Merrill Lynch projected Nigeria's real GDP growth to decelerate to 3.5% in 2015 from an average annual growth rate of 5% between 2011 and 2014, due to the large terms of trade shock that has resulted from lower global oil prices. It said that the depreciation of the Nigerian naira would increase inflationary pressure and would weigh on domestic consumption that is heavily dependent on imports. It forecast the inflation rate to average 11.5% in 2015 relative to an average rate of 8.1% in 2014. It noted that the hydrocarbon sector would be directly affected by lower oil prices, and that the non-hydrocarbon sectors would be impacted by the depreciation of the naira as the cost of imports would increase.

Merrill Lynch said that lower oil prices are weighing on the naira, which was trading at an average rate of NGN182 against the US dollar in 2014 relative to NGN160.3 per dollar in 2013. It noted that the Central Bank of Nigeria (CBN) took several measures to stop the depreciation of the currency and considered these measures to be positive. But it expected the naira to remain under pressure due to lower oil prices and to political risks. It forecast the naira to trade at an average rate of NGN204 per dollar in 2015. As such, it anticipated that the CBN's foreign currency reserves would continue to decline from $42.8bn in 2013 and $35.4bn in 2014 to $26bn at the end of 2015. It said that the CBN's foreign currency reserves are currently 25% below the minimum adequacy level, which means that Nigeria remains highly vulnerable to sudden capital outflows from further drops in oil prices or from political instability.

Merrill Lynch projected Nigeria's fiscal deficit to widen from 1.9% of GDP in 2014 to 3.5% of GDP in 2015. It expected the current account balance to shift from a surplus of 1.3% of GDP in 2014 to a deficit of 1.4% of GDP in 2015.

Source: Merrill Lynch

ECONOMY & TRADE

GCC

New projects up 6% to $172bn in 2014

The aggregate value of construction and infrastructure projects awarded in the Gulf Cooperation Council countries reached $172bn in 2014, constituting a rise of 6.3% from 2013. The value of projects awarded reached $108bn in the first half of 2014 and $64bn in the second half of the year. Further, the number of awarded projects rose by 26% to more than 2,500 projects in 2014. All GCC countries posted an increase in the value of awarded projects in 2014, except for Saudi Arabia, where the value of such projects fell by 36.7%. The drop in awarded projects in Saudi Arabia reflects the significant rise in such projects in 2013 from the one-off awarding of the Riyadh Metro projects. The value of projects in Kuwait rose by 188% in 2014, the highest growth rate among GCC countries, while the value of projects awarded in Oman rose by 72.8% last year. Further, the GCC construction sector received 41% of projects awarded in 2014, followed by the transport sector with a 21% share, the oil sector with about 17% and the power sector with nearly 12% of the total. In parallel, the value of projects awarded in the fourth quarter of last year rose by 21% from the third quarter of 2014. The construction sector received 41.5% of the total value of projects, followed by the transport sector (20.2%) and the oil sector (14.7%). The UAE had the biggest share of awarded projects in the construction, oil and industrial sectors; while Saudi Arabia had the largest share in transport, water and gas.

Source: EFG Hermes, Byblos Research

IRAQ

Kurdistan's economy negatively affected by recent developments

The World Bank estimated the Iraqi Kurdistan region's real GDP growth to have decelerated from 8% in 2013 to 3% in 2014 due to the loss of fiscal transfers from the Iraqi central government, as well as from the impact of inflows of internally displaced Iraqis and of Syrian refugees. It indicated that the rise of the Islamic State disrupted trade activity, led to shortages in refined petroleum products, and weakened investor confidence. It said that the Kurdistan Regional Government (KRG) received about $1.1bn from the Iraqi central government in 2014 out of an expected $12bn. As such, it noted that both public revenues and expenditures significantly decreased and that the KRG has accumulated large wages and salary arrears. It added that the government has put on hold the execution of the investment budget and that payments to many contractors were delayed. It pointed out that the construction sector has been particularly affected, with small companies going bankrupt. It added that demand continues to be restrained and that public and private spending have been on a downward trend. The Bank indicated that the KRG's Ministry of Natural Resources has been providing support to the economy. It said that the ministry has borrowed about $1.5bn from the domestic private sector and another $1.5bn from international companies and suppliers by selling its future oil output. It noted that resources borrowed by the ministry are equivalent to about 12% of GDP and are a quasi-fiscal activity of the public sector that should be included in the fiscal deficit. As such, it estimated the KRG's fiscal deficit at about 14% to 15% of GDP in 2014.

Source: World Bank

OMAN

Outlook revised to 'negative' on lower oil prices

Moody's Investors Service revised the outlook on Oman's 'A1' government bond to 'negative' from 'stable'. It attributed the outlook revision to uncertainty about the effectiveness of the government's policy response to low global oil prices. It noted that lower oil prices would weigh on economic activity, public finances and the external current account. It added that the 'negative' outlook takes into account the possibility of a further decline in global oil prices. It forecast the fiscal balance to shift from an average surplus of more than 5% of GDP between 2009 and 2013 to a deficit of 11% of GDP in 2015. It pointed out that authorities plan to streamline current spending, to prioritize capital expenditures, as well as to assess tax holidays for corporations, among other measures. However, it considered that the measures would not allow the government to meet its target deficit of 8% of GDP, adding that the budget was drafted based on an average oil price of $75 per barrel in 2015 compared to an expected price of $55 per barrel. It expected the government debt level to exceed 20% of GDP by the end of 2016 relative to an estimated debt level of 8% of GDP in 2013. Further, it projected the current account deficit at 14% of GDP in 2015 relative to an average current account surplus of 7.5% of GDP during the 2009-13 period. It estimated that government assets were equivalent to about 80% of GDP in 2013 and to around 900% of outstanding government debt.

Source: Moody's Investors Service

AFRICA

CFA franc peg to Euro sustainable

Standard Chartered Bank considered that a devaluation of the West African CFA franc and the Central African CFA franc, which are both pegged to the Euro, is not likely in the near term. The CFA franc is the common currency of the West African Economic & Monetary Union and the Central African Economic & Monetary Community. First, it anticipated that the depreciation of the Euro against the US dollar would benefit the CFA franc zones as it would improve their competitiveness and raise the value of their commodity exports that are priced in US dollars. It said that a weak Euro would lead to inflationary pressure, but it noted that this pressure is mitigated by the fact that a large share of the CFA franc zones' imports are from the Eurozone, and food and oil prices are at low levels. Second, it said that foreign currency reserves have declined, but not to a point that would trigger a devaluation. Third, it pointed out that liquidity indicators could deteriorate due to lower commodity prices, but not enough to question the CFA franc's peg sustainability, given that the currency's convertibility is guaranteed by the French Treasury. It added that the competitiveness benefits of a weaker Euro could offset the increased pressure on external liquidity. In parallel, Standard Chartered considered that Greece's potential exist from the Eurozone is unlikely to affect the CFA franc's peg to the Euro. It pointed out that the 'fear of floating' would prevent authorities from considering a flexible exchange rate, while a peg to a basket of currencies would imply the loss of the French Treasury guarantee that anchors the credibility of the current peg.

Source: Standard Chartered Bank

JORDAN

Resident private sector lending up 4% in 2014

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD44.9bn or $63.3bn at the end of 2014, constituting a rise of 4.8% from the end of 2013 and compared to a growth rate of 9% in 2013. Resident private sector loans grew by 3.7% from end-2013 to JD17.8bn, and credit facilities to the non-resident private sector fell by 41.1% to JD482m, leading to an increase of 1.6% in overall private sector lending in 2014. Lending to the resident private sector accounted for 39.7% of total assets at end-2014 relative to 40.2% at end-2013. In parallel, resident private sector deposits reached JD24bn, constituting an increase of 8% from the end of 2013 and relative to a rise of 8.9% in 2013. Also, deposits of non-bank financial institutions rose by 29.7% from end-2013 to JD360.4m. The government's deposits totaled JD1.4bn, up 85.5% from end-2013, while those of public non-financial institutions dropped by 30% to JD246m. Further, claims on the public sector rose by 5.3% to JD11bn in 2014. Claims on the public sector accounted for 24.6% of total assets at end-2014. Further, the banks' reserves at the Central Bank of Jordan totaled JD6.9bn, up 19.4% from JD5.7bn at end-2013; while capital accounts and allowances rose by 10.2% from end-2013 to JD6.8bn. Deposits with foreign banks reached JD3.3bn at the end of 2014, down 1.7% from end-2013, and the sector's foreign liabilities stood at JD6.7bn. Total assets were equivalent to 175.8% of GDP, private sector loans were at 71.7% of GDP and private sector deposits were at 109% of GDP in 2014.

Source: Central Bank of Jordan, Byblos Research

EGYPT

Banks to benefit from improved environment

Business Monitor International anticipated the Egyptian banking sector to benefit from the continuous improvements in domestic economic activity and political conditions. It said that reforms to the fuel subsidy system, in addition to lower global oil prices, would improve the fiscal outlook and reduce the financing needs of the government, which would encourage lending to the private sector. Further, it indicated that banks in Egypt have subscribed excessively to high-yielding government debt instruments to support their profitability. It noted that banks' holdings of government securities were equivalent to 41.4% of their assets at the end of November 2014, the highest level in recent years. But it considered that the gradual reassessment of rate expectations on government securities and the decrease in yields on bonds would encourage banks to shift away from Treasury bills towards lending to the private sector. It pointed out that low statistical base effects, reduced risks of dollarization, a positive macroeconomic environment and lower global oil prices would strengthen customer deposits and would support credit growth. It forecast lending to grow by 9% and for customer deposits to increase by 14.2% in 2015. However, it did not anticipate non-performing loans (NPLs) to significantly drop in coming months. It noted that the expiry of loan repayment facilities to corporates, which have been crucial in limiting the rise in NPLs, would offset the positive impact of a better operating environment.

Source: Business Monitor International

SAUDI ARABIA

Ratings on major banks affirmed

Capital Intelligence affirmed the Financial Strength Rating (FSR) and the long-term foreign currency rating at 'AA-' of National Commercial Bank (NCB), Al Rajhi Banking & Investment Corporation (ARB), Riyad Bank and Samba Financial Group (SAMBA). It maintained the short-term foreign currency rating of ARB and SAMBA at 'A1' and that of NCB and Riyad Bank at 'A1+'. It kept the 'stable' outlook on all banks' ratings. The agency said that NCB's FSR is supported by its strong liquidity, sound asset quality and steady profitability, but is constrained by its relatively higher-than-peers cost structure, capital ratios and levels of concentration in its loans and funding. Further, it indicated that ARB's FSR reflects its strong capital ratios, robust profitability, strong customer deposit base and solid liquidity levels. But it noted that ARB's FSR is constrained by the continued increase in non-performing Islamic finance facilities, low rate of internal capital generation and the downward trend in its profitability. Also, it said that Riyad Bank's FSR is supported by its improved asset quality and profitability, by its reduced loans and deposits concentration, and by its very sound capital profile. But it noted that the FSR is constrained by lower-than-peers customer deposits, by relatively tight liquidity ratios, as well as by the high level of related-party exposure. In parallel, it indicated that SAMBA's FSR reflects its very strong capital ratios, solid liquidity level and improving asset quality, but that the FSR is constrained by the bank's relatively weak operating profitability.

Source: Capital Intelligence

NIGERIA

Bank ratings placed on CreditWatch negative

Standard & Poor's placed the 'BB-' long-term issuer credit rating on Access Bank, First Bank of Nigeria, Guaranty Trust Bank, Stanbic IBTC Bank and Zenith Bank on CreditWatch with negative implications, following similar action on Nigeria's sovereign ratings. It expected the Nigerian banking sector to face difficulties in 2015. It said that low global oil prices, the pressure on the Nigerian naira, the upcoming presidential elections and the regulatory changes are raising credit risks, are slowing growth opportunities and are weighing on profitability. But it noted that these risks are mitigated, for most banks, by their improved asset quality in 2014 compared with 2010, by better regulatory oversight and by improvements in risk management at local banks over the past few years. As such, it did not expect an asset quality crisis similar to the 2009 crisis. In parallel, S&P indicated that its general outlook for the Nigerian banks remains negative, reflecting the combined pressures on banks' capital, earnings and asset quality in 2015. It considered that banks with larger capital cushions and a history of low credit losses are more stable. It said that top tier banks are better placed to absorb economic disruption and to maintain their financial profiles. It noted that these banks benefit from access to low-cost funding, from their well-established corporate franchises, as well as from their stronger underwriting skills. It added that these factors allow top-tier banks to operate without an increase in credit losses and with stronger margins.

Source: Standard & Poor's

Brent oil prices to exceed $60 p/b in second half of 2015

Crude oil prices showed some signs of a rebound in recent weeks, as North Sea Brent prices grew by 25.3% from the end of January 2015 to $59.4 per barrel on February 25, 2015. The oil market is expected to remain highly volatile through the first half of 2015 as markets continue to digest reports about the evolution of the current global production surplus. The oil market is expected to stabilize in the second half of 2015, with prices rising towards the end of the year, as the decrease in production by U.S. producers and by other high-cost operators materializes. In addition, oil prices would be supported by receding geopolitical risks in various countries and by rising global economic growth. Brent oil prices are forecast to average in the mid- to-high $50s per barrel (p/b) in the first half of 2015 and to rise to $60 p/b in the third quarter and to $68 p/b in the fourth quarter of the year. In parallel, the U.S. is projected to maintain its position as one of the world's three largest crude oil producers, along with Russia and Saudi Arabia, although the annual incremental increases in U.S. oil supply would remain modest.
Source: Institute of International Finance, Byblos Research

Energy production in Middle East to post a CAGR of 1.3% over 2013-35 period

The Middle East region's energy production is expected to grow by a compound annual growth rate of 1.3% during the 2013-35 period. The Middle East would remain the world's largest oil producer during the covered period, with a 32% share of global supply in 2035. Oil production would account for 64.4% of the region's aggregate energy output in 2035, followed by natural gas (34.2%), renewables (0.8%), hydroelectricity (0.4%) and nuclear energy (0.3%). The Middle East is anticipated to remain the largest net energy exporter, but its share would fall from 46% in 2013 to 36% in 2035.
Source: BP, Byblos Research

Iran to invest $4.8bn in oil & gas sector

Iran's Parliament approved the withdrawal of up to $4.8bn from its National Development Fund (NDF), the country's sovereign wealth fund, to modernize its ageing oil & gas fields and energy infrastructure. The funds would be spent as part of the budget for next fiscal year starting on March 21, 2015. The decision to tap the NDF underlines the financial pressure that Iran faces from a low oil price environment and from international sanctions over its disputed nuclear program. The NDF's assets currently stand at about $62bn.
Source: Thomson Reuters

ME&A's oil demand to rise by 3% in 2015

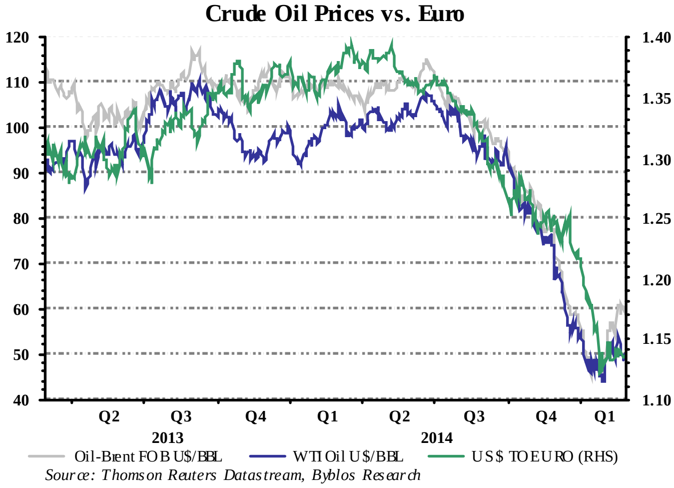
Crude oil consumption in the Middle East & Africa region is expected to average 12.17 million barrels per day (b/d) in 2015, constituting a rise of 3.1% from 11.8 million b/d in 2014. The region's demand for oil would account for about 13.2% of global consumption this year. In parallel, the region's non-OPEC oil supply is forecast at 3.69 million b/d in 2015, reflecting a drop of 1.6% from 2014. The ME&A's non-OPEC oil production would account for 6.5% of global non-OPEC oil supply in 2015.
Source: OPEC, Byblos Research

Base Metals: Average copper price down 10% in January 2015

The average LME copper cash price was $5,815.8 per ton in January 2015, down by 9.5% from December 2014. Copper prices traded at a low of $5,390.5 per ton and at a high of $6,309 per ton in January 2015. In parallel, global refined copper demand is estimated to have increased by about 9.8% year-on-year in the first 11 months of 2014, partly supported by strong demand in China; while the metal's refined production increased by around 8.1% in the covered period. China was the main contributor to growth of refined supply in the first 11 months of 2014, followed by India, the DRC, Japan and the United States. On a regional basis, the metal's refined production increased by 14% in Asia, followed by Oceania (+10%), North America and Africa (+7% each) and Europe (+3%); while refined output declined by 1.5% in South America. The refined copper balance posted a production deficit of 640,000 tons the first 11 months of 2014 relative to a deficit of 278,000 tons in the same period of 2013. The average world refinery capacity utilization rate for the first 11 months of 2014 increased to 83.1% from 79.6% in the same period of 2013. Global mine production of the metal increased by about 1.5% year-on-year in the covered period.
Source: International Copper Study Group

Precious Metals: Gold price to drop by 3% in 2015

The price of gold is forecast to average $1,227.6 a troy ounce in 2015, which would reflect a drop of 3.1% from $1,266.4 an ounce in 2014. The metal's price is projected to average $1,227 a troy ounce in the first quarter, $1,210 an ounce in the second quarter, $1,220 a troy ounce in the third quarter and $1,241.4 an ounce in the fourth quarter of 2015. The main drivers for the sustained weakness in the price of gold include a stronger US dollar and a greater perceived risk-reward ratio from other asset classes in a low inflationary environment. The physical gold surplus is forecast to narrow to 91 tons in 2015 from 195.5 tons in 2014. The metal's global physical demand is expected to increase by 1.9% to 4,161.6 tons this year, with jewelry consumption rising by 11.7% year-on-year. The increase in jewelry demand in 2015 would be offset by lower investments in bar & coin. In parallel, global gold production is projected to decrease by 0.6% in 2015, with mine production rising slightly by 0.5% and supply of gold from scrap dropping by 7.3% year-on-year.
Source: Thomson Reuters GFMS, Byblos Research



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

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	EIU	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 (%)
Asia													
Armenia	-	Ba3	B+	-	-								
	-	Negative	Stable	-	-	-2.3	42.1	77.0	109.2	17.9	543.0	-7.2	4.0
China	AA-	Aa3	A+	-	BBB								
	Stable	Stable	Stable	-	Stable	-2.1	27.2	7.9	29.8	1.5	21.1	2.2	1.0
India	BBB-	Baa3	BBB-	-	BB								
	Stable	Stable	Stable	-	Stable	-4.5	67.8	21.3	83.6	5.2	188.9	-2.1	1.2
Kazakhstan	BBB+	Baa2	BBB+	-	BB								
	Stable	Positive	Stable	-	Stable	4.2	13.3	70.7	131.2	13.7	544.2	1.9	5.6
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BB								
	Negative	Stable	Stable	-	Stable	-2.6	17.6	89.0	131.2	23.2	272.4	-0.4	3.0
Romania	BBB-	Baa3	BBB-	-	B								
	Stable	Negative	Stable	-	Stable	-2.9	39.7	66.5	153.9	20.0	257.6	-1.7	1.4
Russia	BB+	Baa3	BBB-	-	BBB								
	Negative	-	Negative	-	Stable	-0.5	11.6	36.7	109.4	15.0	134.9	3.0	-0.9
Turkey	BB+	Baa3	BBB-	BB+	B								
	Negative	Negative	Stable	Stable	Stable	-2.0	35.9	47.2	107.5	25.1	343.0	-6.3	1.3
Ukraine	CCC	Caa3	CCC	-	CC								
	Negative	Negative	-	-	Stable	-5.2	48.3	85.4	138.4	20.5	957.4	-6.7	2.2

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	12-Mar-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	26-Feb-15	No change	23-Apr-15
Turkey	Base Rate	7.75	24-Feb-15	No change	17-Mar-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	01-Apr-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	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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