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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Fixed income trading volume up 6% to $5,922bn in 2014

Trading in emerging markets (EM) debt instruments totaled $5,922bn in 2014, constituting a rise of 6% from $5,571bn in 2013. Further, turnover in local-currency instruments reached $3,558bn in 2014, down 3% from $3,654bn in 2013, and accounted for 60% of total EM debt trades last year. The most frequently-traded instruments in local markets debt in 2014 were those of Mexico with $810bn or 22.8% of the total, followed by Brazil with $432bn (12.1%), India with $364bn (10.2%), South Africa with $267bn (7.5%) and Singapore with $198bn (5.6%). In parallel, sovereign and corporate Eurobonds' trading volume stood at $2,344bn in 2014, and rose by 24% from $1,890bn in 2013. The volume of traded sovereign Eurobonds totaled $1,145bn in 2014, while the volume of traded corporate Eurobonds reached $1,104bn. Sovereign debt accounted for 19.3% of total debt trading in 2014, while corporate Eurobonds represented 18.6% of the total. The most frequently traded EM Eurobond in 2014 was Russia's 2030 bond at an annual turnover of $83bn, followed by Argentina's USD Discount bond at $23bn and its USD Par bond at $19bn, Brazil's 2025 bond at $17bn and Ukraine's 2017 bond at $12bn. Overall, the most frequently traded instruments in 2014 were Mexican fixed income assets with a turnover of $983bn or 16.6% of the total, followed by Brazilian instruments with $682bn (11.5%), Russian debt securities with $452bn (7.6%), Indian instruments with $411bn (6.9%) and assets from South Africa with $326bn (5.5%).

Source: EMTA

AFRICA

Sub-Saharan Africa's sovereign borrowing from commercial sources at $56bn in 2015

Standard & Poor's projected the aggregate long-term sovereign borrowing from commercial sources by the 18 countries that it rates in Sub-Saharan Africa at $56bn in 2015, which would reflect a decrease of 9.7% from $62bn in 2014. South Africa would account for 31.8% of total commercial long-term borrowing in 2015, followed by Angola (23%), Nigeria with (20%) and Ghana with (9%). S&P said that $17bn, or about 30% of total sovereign borrowing, would be to refinance maturing long-term debt, which would result in net borrowing requirements of $40bn in 2015. In parallel, S&P forecast the total sovereign commercial debt stock of the 18 countries at $298bn at the end of 2015 relative to $278bn at end-2014, which would consist of $247bn in medium- and long-term debt and $51bn in short-term debt. South Africa would account for the highest share of the commercial debt stock at 50.5%, followed by Nigeria (15.9%), Angola (11.5%) and Kenya (8.3%). Further, gross long-term sovereign commercial borrowing would be equivalent to 4.3% of aggregate GDP of the 18 economies this year, while the total commercial debt stock would be equivalent to 22.5% of their GDP.

Source: Standard & Poor's

MENA

Quality of living varies across region

The 2015 Mercer survey on the quality of living in 230 cities around the world included 24 cities in the Middle East & North Africa region. The study evaluates the cities on the basis of 39 key quality-of-living determinants grouped in 10 categories that include political, economic and socio-cultural factors, in addition to healthcare & sanitation, schools & education, public services & transportation, recreation, consumer goods, housing, and the natural environment. Dubai remains the best city for overall quality of living in the MENA region, ranking in 73rd place globally. It is followed by Abu Dhabi (77th), Muscat (104th) and Doha (108th) as the best cities for overall quality of living in the region; while Nouakchott (221st), Sana'a (225th), Khartoum (227th) and Baghdad (230th) are the region's least appealing cities. Based on the 220 cities that were included in both the 2010 and 2015 surveys, the rankings of nine cities in the MENA region improved, 10 declined and five were unchanged from the 2010 survey. Doha and Abu Dhabi's ranks rose by six spots each and constituted the best improvement regionally. In contrast, the ranks of Tripoli and Damascus fell by 40 spots and 38 spots, respectively, representing the steepest and second-steepest declines in the world. Also, 13 cities in the MENA region ranked in the bottom third globally in 2015 and six cities ranked among the bottom 20 cities worldwide.

Source: Mercer, Byblos Research

GCC

Strong competition to weigh on reinsurers' underwriting margins

Moody's Investors Service anticipated that overcapacity in the Gulf Cooperation Council's (GCC) reinsurance market would continue to weigh on the financial profiles of reinsurers in the region. It noted that the ongoing softening of the primary insurance rates, along with overcapacity in the global reinsurance market, would put downward pressure on reinsurance rates in the GCC. It said that the reduction in rates, combined with a loosening of terms and conditions, would further weigh on profitability over time. It noted that increased competition could lead to further pressure on the already declining reinsurance rates in the region and on the prevailing overcapacity. It anticipated that the local reinsurance market would expand over time, as the majority of international reinsurers primarily focus on conventional reinsurance, on underwriting larger commercial risks, and on providing expertise and capital to enable local insurers to effectively act as fronting agents. Moody's indicated that the use of reinsurance in GCC countries is generally significant, with premium retention levels by insurers in the Middle East often low due to the provision of insurance coverage to large hydrocarbon-related companies. It noted that the average premium retention level for insurers in the Middle East is 63% compared with around 90% for some of the largest global insurers. It pointed out that lower global oil prices could lead to lower investment in new commercial projects, which in turn would reduce demand for reinsurance coverage.

Source: Moody's Investors Service

OUTLOOK

IRAN

Growth prospects depend on reaching permanent agreement on nuclear program

The Institute of International Finance projected economic output in Iran to range between a contraction of 1.2% and a growth rate of 5% in FY2015/16, and between a contraction of 1.6% and an expansion of 6.2% in FY2016/17, depending on the unfolding scenarios.

The IIF's first scenario projects real GDP growth at 5% in FY2015/16 and at 6.2% in FY2016/17 if Iran and the five permanent members of the UN Security Council plus Germany (P5+1) reach an agreement on the nuclear program by June 2015. Under this scenario, it considered that existing sanctions would be gradually lifted, which would increase crude oil exports from 1.3 million barrels per day currently to 2.2 million b/d by mid-2017 and would restore Iran's access to the global financial system. It forecast hydrocarbon output to increase by 11.5% in FY2015/16 and by an additional 14% in FY2016/17, and for the non-hydrocarbon sector to expand by 3.6% in FY2015/16 and by 4.5% in FY2016/17. It anticipated that sustained high growth over the medium term would depend on implementing structural reforms, especially to the business environment. It forecast the current account surplus to rise from 2.1% of GDP in FY2015/16 to 5.9% of GDP in FY2016/17.

The IIF's second scenario projects real GDP to contract by 1.2% in FY2015/16 and by 1.6% in FY2016/17 in case Iran and the P5+1 countries fail to reach a permanent agreement on the nuclear program by June 2015. Under this scenario, it forecast hydrocarbon output to contract by 1% in FY2015/16 and by an additional 2% in FY2016/17, and for the non-hydrocarbon sector to shrink by 1.2% in FY2015/16 and by 1.5% in FY2016/17. Also, it projected the current account surplus to fall to 0.5% of GDP in FY2015/16 and to 0.9% of GDP in FY2016/17.
Source: Institute of International Finance

IRAQ

Real GDP growth at 1%, fiscal deficit at 12% of GDP in 2015

The International Monetary Fund estimated Iraq's real GDP to have contracted by about 2% in 2014, reflecting stagnant public spending and the slowdown in activity in areas occupied by Islamic State militants. It projected real GDP growth at about 1% in 2015. It expected oil exports to rise from 2.5 million barrels per day last year to 3.1 million b/d in 2015, supported by the oil agreement with the Kurdistan Regional Government (KRG).

Further, the Fund estimated the budget deficit to have narrowed from 6% of GDP in 2013 to about 3% of GDP in 2014, partly due to the postponement in investment spending, the suspension of budget transfers to the KRG and delays in payments to international oil companies. It noted that the deficit has been mostly financed by domestic borrowing from state-owned banks. The IMF indicated that the 2015 budget assumes oil exports of 3.3 million b/d and an average oil price of $56 per barrel, and includes increases in non-oil tax rates and efforts to contain spending. It said that authorities are targeting a fiscal deficit of about 12% of GDP in 2015, but that the deficit could be much wider when taking into account more conservative oil revenue assumptions and unbudgeted payments to oil companies. The Fund considered that authorities need to adopt additional fiscal consolidation measures to contain the deficit at a level consistent with financing constraints and to alleviate pressure on the domestic banking system in order to limit the depletion of foreign currency reserves. It indicated that Iraq's foreign currency reserves fell from $78bn at end-2013 to $66bn at end-2014, reflecting lower oil revenues and high imports. It noted that Iraq's total foreign assets fell from $84.3bn to $66bn when including the assets of the Development Fund of Iraq, which were transferred to the Central Bank of Iraq (CBI).

The IMF called on authorities to reconsider the caps on the CBI foreign exchange sales and the collection of custom duties through banks. It noted that these measures are restricting the supply of foreign currency to the economy and have increased the parallel market rate to record levels in past weeks.
Source: International Monetary Fund

NIGERIA

Economic activity to slow down on low oil prices

Credit Suisse projected Nigeria's real GDP growth to decelerate to 4.9% in 2015 from 6.2% in 2014 based on an average global oil price of $59.1 per barrel. It expected the volume of net exports to contract in 2015, as the expected deceleration in import growth would not offset lower export volumes. It anticipated that fixed investments could be delayed due to lower oil prices, policy uncertainty, market volatility and higher financing costs. It forecast income growth to decelerate, which would reduce the purchasing power of households and the associated real spending. It considered that the slowdown in real household spending, which represents more than 60% of GDP in constant prices, would be the key driver of the deceleration in overall activity. It pointed out that the uncertain security outlook and political developments present downside risks.

Credit Suisse projected the fiscal deficit to widen from an estimated 0.7% of GDP in 2014 to 1.3% of GDP in 2015, reflecting the decline in oil revenues. It considered that lower spending on fuel subsidies would have a marginally positive impact on the fiscal balance. It noted that reserves in the Excess Crude Account fell to $2.1bn in January 2015 from $3.1bn in December 2014, which means that the government would have to issue debt securities to finance the fiscal deficit. However, it pointed out that the cost of financing on the international market has increased due to market uncertainty. It expected weaker macroeconomic fundamentals to pose a risk to the sovereign's ability to issue debt. It estimated the government's borrowing requirements at $37.1bn, which is equivalent to 7.4% of GDP in 2015, compared to $23.5bn or 4.3% of GDP in 2014.

In parallel, Credit Suisse anticipated that a 10% drop in oil prices would decelerate real GDP growth by 0.6 percentage points, while the current account balance would worsen by 0.5 percentage points and the fiscal deficit would widen by 0.1 percentage points. It noted that the assessment reflects the direct impact of lower oil prices and cautioned that indirect and/or second-round effects present more significant risks to the outlook.
Source: Credit Suisse

SYRIA

Size of economy to shrink to 1992 level by 2016

BMI Research projected Syria's real GDP to contract by 11.7% in 2015 and by an additional 8.5% in 2016 compared to contractions of 17% in 2014, 20.6% in 2013 and 19.5% in 2012. It forecast the GDP in constant prices to reach SYP1,156bn in 2016 and to be slightly below the 1992 GDP of SYP1,191bn. It indicated that the conflict has destroyed key infrastructure and resulted in the steady collapse of living standards. It anticipated economic conditions in regime-held regions to be relatively better than those in the other parts of the country due to the resilience of state institutions, as well as to external financial support from Iran and Russia. But it said that households in regime-held areas would be hit hard by extensive subsidy cuts, continued depreciation of the Syrian pound and worsening electricity cuts. It expected private consumption to contract by 14% in real terms in 2015 relative to a contraction of 15% in 2014.

Further, BMI pointed out that falling foreign currency reserves and the ongoing conflict are weighing on the currency. It forecast the pound to trade on the official market at SYP220 against the US dollar in 2015 compared to an average of SYP154 per dollar in 2014. It indicated that the government is trying to limit imports in order to reduce demand for foreign currency. But it considered that plans to limit imports would be ineffective over the long term, as the regime has to meet the demand for hydrocarbon products through imports given the loss of most oil fields. In parallel, BMI projected government spending to contract by 7% in real terms in 2015, similar to the pace of contraction last year. It expected fixed investment to drop by 15% in 2015 relative to a contraction of 25% in 2014.

Source: BMI Research

QATAR

Profits of listed companies up 7% to $12bn in 2014

The net income of companies listed on the Qatar stock exchange totaled QAR44.2bn or $12.1bn in 2014, constituting an increase of 7.4% from QAR41.1bn or $11.3bn in 2013. Companies providing banking & financial services generated net profits of QAR19.4bn and accounted for 44% of total earnings of publicly-listed firms. They were followed by industrial organizations with QAR12.1bn or 27.3% of the total, real estate firms with QAR4.8bn (10.8%), insurance institutions with QAR2.1bn (4.9%), transportation firms with QAR2.08bn (4.7%), telecommunication companies with QAR2bn (4.5%) and consumer goods & services corporates with QAR1.7bn (3.8%). Net earnings of listed real estate companies rose by 72% in 2014, followed by transportation (+17%), banking & financial services (+11.8%) and consumer goods & services (+6.5%); while the net profits of listed insurance companies regressed by 30.5% from 2013, followed by telecoms (-16.1%) and industrials (-0.7%).

Source: KAMCO

JORDAN

Deep reforms essential for high growth rates

The International Monetary Fund expected Jordan's economy to benefit from lower global oil prices in 2015. It projected real GDP growth at about 4% in 2015 compared to an estimated growth rate of 3.1% in 2014, as savings from lower spending on oil products would support domestic demand. It forecast the current account deficit, excluding grants, to narrow from 12.1% of GDP in 2014 to 10.6% of GDP in 2015, reflecting a lower energy import bill. It pointed out that lower oil prices would narrow the fiscal deficit and would reduce losses at the state-owned National Electric Power Company. It anticipated that lower oil prices, a prudent 2015 budget and the recently approved income tax law, among other measures, would put the public debt level on a downward trend from 2016 onward. In addition, it called on authorities to execute the planned public adjustments given the country's elevated public debt level, including continued tax reforms and the sustained implementation of the medium-term energy strategy. In parallel, the Fund indicated that authorities need to have a more ambitious structural reforms agenda in order to promote stronger growth and reduce the high unemployment rate. It noted that policy changes must improve the business environment and strengthen public institutions, including through better tax administration and public financial management. It expected foreign currency reserves to remain at comfortable levels in coming years.

Source: International Monetary Fund

RWANDA

Sovereign ratings upgraded, outlook 'stable'

Standard & Poor's upgraded Rwanda's long-term foreign and local currency sovereign credit ratings from 'B' to 'B+', with a 'stable' outlook. It attributed the upgrade to the country's improving external position, as risks related to the heavy reliance on donor support and to the refinancing of the growing external debt stock have receded. It noted that donor inflows have resumed in 2013 and the government issued a $400m Eurobond. However, the agency projected the current account deficit to average 9.5% of GDP annually during the 2015-18 period, mainly due to high demand for imports. As such, it forecast the country's external financing needs to average about 100% of current account receipts (CARs) and usable reserves between 2015 and 2018. It estimated the external debt level at more than 50% of CARs in the coming three years. In parallel, the agency projected real GDP growth to average about 7.2% annually during the 2015-18 period, driven by donor inflows and public capital spending. The agency considered that Rwanda's fiscal consolidation plan is on track after the resumption of donor support and the near completion of financing of capital expenditures through the Eurobond. As such, it projected the fiscal deficit to narrow to an average of 3% of GDP in the next three years. It anticipated that the authorities' focus on tax policy would lead to an increase in tax revenues and gradually reduce the dependence on aid. It expected the public debt to average 30% of GDP during the 2015-18 period, which would continue to support the ratings.

Source: Standard & Poor's

BANKING

EGYPT

Banks' exposure to government debt up 25% in 2014, equivalent to 43% of assets

Figures issued by the Central Bank of Egypt show that total assets of banks operating in Egypt reached EGP1,968.4bn, equivalent to $275bn at the end of 2014, constituting an increase of 17% from end-2013 and relative to a growth rate of 16.9% in 2013. Lending to the private sector reached EGP577.6bn or $80.7bn, and rose by 14.4% from end-2013, compared to an increase of 5.7% in 2013. Banks' exposure to government securities totaled EGP842.7bn, or $117.7bn, at the end of 2014, and rose by 25.4% from end-2013. Banks' sovereign exposure in local currency stood at EGP758.4bn, or $105.9bn, and increased by 28.4% year-on-year; while their exposure in foreign currency reached EGP84.3bn, or $11.8bn, and grew by 3.9% from end-2013. Further, total deposits reached EGP1,559.8bn or $217.8bn at end-2014, constituting an increase of 18.5% from end-2013. Private sector deposits totaled EGP1,340.4bn, or $187.2bn and rose by 17% year-on-year. Private sector deposits in foreign currency grew by 6.9% to $33bn at the end of 2014; while those in local currency rose by 19.5% year-on-year to EGP1,104.3bn or $154.2bn. The dollarization rate of private sector deposits reached 17.6% at end-2014 relative to 19.3% a year earlier. The private sector loan-to-deposit ratio was 43.1% relative to 44.1% at end-2013. Total assets were equivalent to 96% of GDP, private sector loans to 28.2% of GDP and private sector deposits to 65.4% of GDP in 2014.

Source: Central Bank of Egypt, Byblos Research

JORDAN

Agencies affirm banks' ratings

Fitch Ratings revised the outlook to 'stable' from 'negative' on the 'BB-' long-term Issuer Default Ratings (IDRs) of Jordan Islamic Bank and Bank of Jordan. It attributed the outlook revision to the stabilization of the domestic operating environment following the implementation of an IMF program, the rebuilding of foreign currency reserves, a narrower fiscal deficit and a modest improvement in growth prospects. It indicated that the ratings reflect asset quality risks, which are mainly driven by the banks' exposure to the Jordanian operating environment. It added that the ratings reflect well-established domestic franchises, solid funding bases, adequate capitalization, sound liquidity and healthy profitability. In parallel, Capital Intelligence affirmed at 'BBB-' the Financial Strength Rating (FSR) of Capital Bank of Jordan, at 'BBB' the FSRs of Arab Jordan Investment Bank and of Jordan Kuwait Bank, and at 'BB+' the FSR of Investbank. It also affirmed the four banks' long-term foreign currency ratings at 'BB-'. It indicated that all banks' ratings have a 'stable' outlook. It pointed out that Jordan Kuwait Bank's FSR reflects its solid capital, substantial liquidity and high profitability. But it noted that the FSR is constrained by the relatively high non-performing loans (NPLs) ratio, the high exposure to government securities and government-related entities and the challenging economic conditions. Further, it indicated that Capital Bank of Jordan's FSR reflects its strong liquidity, solid capital adequacy ratio, and the strong rebound in its profitability, but it is constrained by the high level of NPLs.

Source: Fitch Ratings, Capital Intelligence

NIGERIA

Banks face rising uncertainties in 2015

Standard & Poor's anticipated that the drop in oil prices, the depreciation of the Nigerian naira, the delayed presidential election and ongoing instability in the northeast of the country would increase banks' credit risks and growth opportunities. It projected asset quality to deteriorate this year, in line with the expected slowdown in economic activity and the potential cash-flow issues from lower oil prices. It estimated credit losses to increase to about 2.5% across the banking sector. It pointed out that lending to the oil & gas sector, which represents about 25% of the sector's loans, is a key risk for banks as lower oil prices could weaken the borrowers' profile. But it did not expect oil sector-related loans to represent a systemic risk to the banking sector. In addition, it anticipated that the depreciation of the naira could increase non-payment risk in foreign currency loans if these loans are not backed by receivables in US dollars from the hydrocarbon sector. Further, it indicated that liquidity in foreign currency is not well managed across the sector, with many banks relying on credit lines from the Central Bank of Nigeria and from foreign banks in case of need. It considered that this risk may affect banks' ability to repay their liabilities in US dollars. In parallel, S&P forecast the banking system's interest margin to continue to weaken this year and projected earnings to remain under pressure, reflecting an expected slowdown in lending growth to about 10% to 15%, a higher cost of funds and an increase in impairment charges.

Source: Standard & Poor's

CHINA

Credit conditions to deteriorate in 2015

Standard & Poor's expected the credit downturn in China's banking sector to deepen in 2015 for the third consecutive year, and considered that the bottom of the cycle could take another two to three years to materialize. It said that loan growth is moderating, credit losses are rising and interest margins are narrowing, as financial reforms accelerate and monetary policy eases. It expected credit conditions to deteriorate rapidly this year, as signs of credit distress have spread to include large manufacturers that face severe overcapacity. However, it expected the banking sector's non-performing loans ratio to remain below 3% by the end of 2015 due to strong economic activity and supportive government policies. It considered that the property sector and local government financing vehicles represent severe risks for banks. But it anticipated that authorities would address any credit or liquidity crunch in these segments. Further, S&P expected the banking sector's profitability to significantly drop this year. It expects the return on average assets to fall to between 0.9% and 1%, from 1.23% in 2014. It added that interest margins could narrow by about 20 to 30 basis points, reflecting the cumulative impact of consecutive interest cuts. In parallel, the agency projected lending growth to decelerate to 12% in 2015 from 13.3% in 2014. Overall, S&P considered that a drastic deterioration in banks' credit profiles is unlikely to materialize unless the property market declines sharply, given the significant buffers in the economy, favorable government policies and the financial flexibility of major banks.

Source: Standard & Poor's

ENERGY / COMMODITIES

Volatility in oil prices to persist in coming months

Crude oil prices have decreased by more than 50% since the end of June 2014, partly due to persistent growth in U.S. shale oil supply, to weaker global demand and to a stronger US dollar. But oil prices are anticipated to rise above $60 per barrel (p/b) in the near term from about $53 p/b, supported by a slowdown in shale oil output and by stronger cyclical oil demand. However, uncertainty about the U.S. shale industry's responsiveness to lower prices would sustain high volatilty in oil prices in coming months. Oil prices are forecast to remain at low levels for a long period of time, while triple-digit prices are very unlikely to return in the coming years. Brent oil prices are forecast to average $65 p/b during the coming 12 months; while WTI oil prices are expected to average $60 p/b over the same period. The main downside risk to prices in the long term would be the completion of a nuclear deal between the West and Iran, which could ease the embargo on Tehran and increase the level of its oil supply to the market.

Source: Julius Baer

Armenia's gold exports up 32% in 2014

Armenia's gold exports reached 3,620 kilograms (kg) in 2014, constituting an increase of 31.8% from 2,747 kg in 2013. Gold export receipts totaled $82m last year, and rose by 11.3% from $73.6m in 2013. Canada was the main export destination of Armenian gold, and accounted for 99.7% of the total. Armenia exports doré gold bars, which generally contain up to 92% of pure gold and weigh as much as 25 kg. In parallel, Armenia imported a total of 3,553 kg of gold worth $145m in 2014, reflecting a decrease of 5.8% from 3,773 kg in 2013.

Source: Customs Service of Armenia, Byblos Research

Egypt on track towards renewable energy

Canada-based SkyPower Global and Middle Eastern infrastructure specialist International Gulf Development signed a deal with the Egyptian government to develop 3,000 megawatts (MW) of utility-scale solar photovoltaic projects. The deal includes the establishment of 600 MW of fabrication and assembly facilities in the country. The $5bn four-year projects are in line with Egypt's strategic plan to develop a sustainable renewable energy industry. They would allow Egypt to reach its goal of producing 20% of energy from renewables by 2020.

Source: SkyPower Global

M&A activity in Africa's oil & gas sector down 35% in 2014

There were 95 M&A transactions, including license awards and relinquishments, in Africa's oil & gas sector in 2014, down by 35% from 146 deals in 2013. The reported value of deals regressed by 60.8% to $8.7bn in 2014. The market saw a large number of sellers looking for Joint Venture partners, outright buyers or funders of assets in 2014. But the most significant challenge for sellers was to successfully complete deals amid the large number of investment opportunities available to potential buyers. Also, the substantial drop in oil prices in the second half of 2014 adversely impacted investment decisions. In parallel, deal activity in North Africa improved last year, as investments returned to the Egyptian market and as Morocco continued to attract explorers.

Source: EY, Byblos Research

Base Metals: Copper prices to drop in 2015

The cash price LME copper decreased by 19.1% from the end of June 2014 to $5,696 a ton on March 18, 2015. The drop in prices was due in part to a relatively stronger US dollar, to speculation that lower oil prices would encourage mining companies to increase production, and to a drop in Chinese demand for the metal. The metal's price is projected to average $5,731.2 per metric ton in the first quarter, $5,622.7 a ton in the second quarter, $5,614.5 per ton in the third quarter and $5,607.5 a metric ton in the fourth quarter of 2015. Overall, copper prices are forecast to average $5,644 a ton in 2015, reflecting a decrease of 17.8% from $6,863.4 a ton in 2014. According to the International Monetary Fund, the probability of the 12-month forward copper prices dropping below $5,512 per ton was 53.5% as at mid-March 2015, while the risk of prices rising above $6,614 a ton was 15.6%.

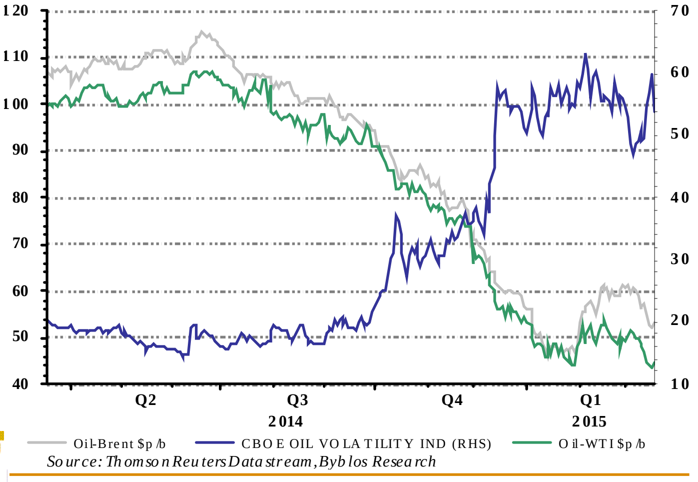
Source: International Monetary Fund, Byblos Research

Precious Metals: Gold recycling at seven-year low in 2014

Gold recycling reached its lowest level since 2007 at 1,122 metric tons in 2014 and is expected to remain low during 2015. The drop in the recycled-gold level last year was due to a decline in gold prices and to the start of a recovery in global economic activity. Indeed, gold prices averaged $1,266.4 a troy ounce in 2014, down by 10.3% from 2013. In general, the level of gold recycling increases in case of a financial crisis and/or higher gold prices. Gold recycling accounted for about one third of total gold production, on average, between 1995 and 2014. It represented 26% of total gold supply in 2014, down from 30% in 2013 and 37% in each of 2011 and 2012. Gold recycling is the most dynamic element of global gold supply and helps balance the market. The gold-recycling industry consists of two main components, with high-value recycled gold,mainly jewelry, gold bars and coins, representing 90% of total supply; and the industrial recycled gold accounting for 10%. The concentration of gold recycling is expected to shift from the West to the East side of the world, as Asia's stock of gold keeps growing. In parallel, gold prices regressed by 12.5% from end-June 2014 to $1,152.5 an ounce on March 18, 2015 due in part to a stronger US dollar. The Bloomberg Gold Total Return Sub-Index improved by 2.4% in the first two months of 2015.

Source: World Gold Council, Boston Consulting Group, Bloomberg Indexes, Byblos Research

Crude Oil Prices vs. Crude Oil Volatility Index



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 (%)
Africa													
Algeria	- -	- -	- -	- -	BB Stable	-1.9	9.7	1.5	9.4	1.1	-	0.5	-
Angola	B+ Stable	Ba2 Negative	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+ Stable	- -	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	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	18-Mar-15	No change	28-Apr-15
Eurozone	Refi Rate	0.05	05-Mar-15	No change	15-Apr-15
UK	Bank Rate	0.50	05-Mar-15	No change	09-Apr-15
Japan	O/N Call Rate	0.00-0.10	17-Mar-15	No change	07-Apr-15
Australia	Cash Rate	2.25	03-Mar-15	No change	07-Apr-15
New Zealand	Cash Rate	3.50	12-Mar-15	No change	30-Apr-15
Switzerland	3 month Libor target	-1.25-(-0.25)	11-Dec-14	Cut 50bps	19-Mar-15
Canada	Overnight rate	0.75	04-Mar-15	Cut 25bps	15-Apr-15
Emerging Markets					
China	One-year lending rate	5.35	01-Mar-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.50	18-Mar-15	No change	N/A
Taiwan	Discount Rate	1.875	18-Dec-14	No change	26-Mar-15
South Korea	Base Rate	1.75	12-Mar-15	Cut 25bps	N/A
Malaysia	O/N Policy Rate	3.25	05-Mar-15	No change	07-May-15
Thailand	1D Repo	1.75	11-Mar-15	Cut 25bps	29-Apr-15
India	Reverse repo rate	7.50	04-Mar-15	Cut 25bps	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	7.50	24-Feb-15	Cut 25bps	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-May-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	13-May-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	12.75	04-Mar-15	Raised 50bps	29-Apr-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	30.0	03-Mar-15	Raised 1050bps	N/A
Russia	Refi Rate	14.0	13-Mar-15	Cut 100bps	30-Apr-15

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (961) 338 100
Fax: (961) 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

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