

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Assets of sovereign wealth funds at \$7,084bn in March 2015

Figures released by the Sovereign Wealth Fund Institute show that assets under management (AUM) of sovereign wealth funds (SWFs) totaled \$7,084bn in March 2015, constituting increases of 0.4% from the end of 2014 and of 11.4% from end-March 2014. It indicated that the assets of SWFs funded by oil & gas revenues totaled \$4,263bn in March and accounted for 60.2% of overall SWFs' assets; while AUM of non-hydrocarbon SWFs reached \$2,821bn and represented the remaining 39.8%. In parallel, the world's 10 largest SWFs accounted for 76% of total AUM in March 2015. Norway's Government Pension Fund had AUM of \$863bn, or 12.2% of the total in March 2015, followed by the Abu Dhabi Investment Authority with \$773bn (10.9%), Saudi Arabia's SAMA Foreign Holdings with \$757.2bn (10.7%), the China Investment Corporation with \$652.7bn (9.2%), China's SAFE Investment Company with \$568bn (8%), the Kuwait Investment Authority with \$548bn (7.7%), the Hong Kong Monetary Authority Investment Portfolio with \$400bn (5.6%), the Government of Singapore Investment Corporation with \$320bn (4.5%), the Qatar Investment Authority with \$256bn (3.6%) and China's National Social Security Fund with \$240bn (3.4%).

Source: Sovereign Wealth Fund Institute, Byblos Research

EMERGING MARKETS

Sovereign borrowing from commercial sources at \$1,172bn in 2015

Standard & Poor's projected the sovereign borrowing from commercial sources by emerging economies at \$1,172bn in 2015, which would reflect an increase of 6.3% from \$1,103bn in 2014. The figures cover 20 emerging markets with the highest debt stock. Asia would account for 58% of total commercial long-term borrowing in 2015, followed by Latin America (25.1%) and Europe, the Middle East & Africa (16.9%). On a country level, China's gross sovereign commercial borrowing would account for 27.6% of the total, followed by India with 19% and Brazil with 16.6%. S&P indicated that \$660.4bn, or about 56.3% of total sovereign borrowing, would go towards refinancing maturing long-term debt, which would result in an estimated net borrowing requirement of \$511.9bn in 2015. In parallel, S&P forecast the total sovereign commercial debt stock of the 20 countries at \$6,290bn at the end of 2015 relative to \$5,921bn at end-2014, which would consist of \$5,789bn in medium- and long-term debt and \$501bn in short-term debt. Asia would account for the highest share of commercial debt stock at 53.8%, followed by Latin America (25.2%) and Europe, the Middle East & Africa (20.9%). China would account for 26.9% of the stock of the commercial debt at end-2015, followed by India (14.8%) and Brazil (14%). Further, gross long-term sovereign commercial borrowing would be equivalent to 4.9% of the aggregate GDP of the 20 economies this year, while the commercial debt stock would be equivalent to 26.1% of their GDP.

Source: Standard & Poor's

MENA

Region's creditworthiness regresses

Institutional Investor magazine's semi-annual Country Credit survey shows that creditworthiness in the Arab region regressed in March 2015 from September 2014 as well as from March 2014. The average rating score of 19 Arab countries reached 42.9 points in the March 2015 survey, decreasing from 43.5 points in the September 2014 survey and from 43.9 points in March 2014. The Arab region's creditworthiness was better than that of South & East Asia-Pacific (31.4 points) and Sub-Saharan Africa (25.5 points), but came below the global average of 44.1 points. The GCC countries' average credit score regressed to 72.2 points in March 2015 from 72.8 points in the September 2014 survey, while the average score of non-GCC Arab countries decreased to 29.4 points from 29.9 points six months earlier. The rankings of eight Arab countries regressed, eight improved and three remained unchanged, while the scores of 14 countries dropped and five improved from the September 2014 survey. Qatar is the country with the best creditworthiness in the region and ranked in 23rd place worldwide, followed by the UAE (25th), Kuwait (27th), Saudi Arabia (29th) and Oman (37th); while Mauritania (149th), Yemen (153rd), Syria (172nd) and Sudan (175th) had the highest probability of default regionally. Egypt's ratings increased by eight spots and Sudan's score rose by 1.9 points, highest among Arab countries. In contrast, Iraq posted the steepest decline in ratings and rankings.

Source: Institutional Investor, Byblos Research

GCC

Positive outlook for business conditions in 2015

The 2015 GCC Business Confidence and Government Reform Survey shows that 38% of business leaders in Kuwait, Qatar, Saudi Arabia and the UAE considered that current business conditions in their countries "greatly improved" from a year earlier, while another 38% said that conditions "slightly improved". The survey indicated that 93% of respondents in each of Kuwait and the UAE consider that current business conditions in their respective countries improved from a year earlier, compared to 89% of respondents in Qatar and 79% of participants in Saudi Arabia who shared similar views about conditions in their countries. The share of participants who considered that current business conditions in Kuwait improved year-on-year rose by 55 percentage points from the previous survey, followed by a rise of 33 percentage points in Qatar, 24 percentage points in Saudi Arabia and 18 percentage points in the UAE. In parallel, 48% of respondents cited capital availability as the most significant risk for their business in the next five years, 45% of participants noted that finding talented employees is the most serious issue and 38% of respondents said that insufficient infrastructure would be the most significant risk. Further, more than 50% of respondents in Saudi Arabia, Qatar and Kuwait said that internal change to their country's leadership is the biggest threat to local business conditions, while 67% of participants in the UAE cited external macroeconomic shocks as the biggest risk to business conditions in their country.

Source: Oliver Wyman, Zoghby Research Services

OUTLOOK

MENA

Fiscal and current account deficits to narrow on lower oil prices

The Institute of International Finance projected real GDP growth in the Arab oil-importing economies to accelerate from 2.2% in 2014 to 3.7% in 2015, driven by lower oil prices and a strong recovery in economic activity in Egypt and Morocco. It noted that the persistent conflict in Iraq and Syria would continue to weigh on the Lebanese and Jordanian economies. It considered that a return to trend growth for oil-importers of about 4% to 5% over the medium term is contingent on reducing geopolitical risks, achieving political stability and the implementation of structural reforms. It cautioned that a failure to reach a permanent agreement on the nuclear program between Iran and the five permanent members of the UN Security Council plus Germany by June 2015 would increase geopolitical risks and tensions in the region. It noted that this would depress economic prospects in Jordan, Lebanon and Egypt.

In parallel, the IIF indicated that the drop in global oil prices and in non-fuel commodities, as well as the strengthening of the US dollar, are providing more space for supportive fiscal and monetary policies. It noted that central banks of Jordan, Morocco, Egypt and Tunisia have reduced their key policy rates to stimulate growth. It added that the drop in oil prices has provided an opportunity to remove or reduce fuel subsidies at lower political costs. It expected the aggregate fiscal deficit of oil-importing economies to narrow from 9.2% of GDP in 2014 to 8.5% of GDP in 2015, and forecast their current account deficit to shrink from 5.3% of GDP in 2014 to 4.2% of GDP in 2015. It pointed out that oil importers in the MENA region have depended heavily on a variety of flows from Gulf countries, including FDI and official support or grants. It considered that official financial support from the Gulf Cooperation Council (GCC) economies would not be affected by the drop in oil prices due to the GCC economies' large buffers and broader strategic objectives. But it anticipated that Gulf economies could reduce grants and replace them with loans and FDI, which would affect Jordan and Egypt.

Source: Institute of International Finance

ARMENIA

Risks to the outlook on the rise in 2015

The International Monetary Fund projected economic activity in Armenia to remain subdued in 2015 and to gradually recover over the medium term due to expectations of a prolonged period of slow growth in Russia. It added that foreign and private investments in Armenia would rebound moderately over the medium term. As such, it projected real GDP growth in Armenia to accelerate from 2.6% in 2014 to 3.3% in 2015 and to 3.7% in 2016.

The Fund indicated that downside risks are significant. First, it said that a worsening in global financial conditions and protracted slow growth in advanced and emerging markets could have an adverse impact on Armenia's outlook through lower exports and higher borrowing costs. It noted that the normalization of monetary policies in key advanced economies would not have a direct impact on Armenia, given the large share of concess-

sional financing in the country's external debt and the low international integration of its banking system. However, it considered that higher global interest rates would affect domestic financing conditions and loan demand due to the high dollarization of the economy. It added that worsening global conditions could indirectly be channeled to Armenia through Russia, which is highly exposed to global financial conditions. In addition, it said that a prolonged period of economic slowdown in emerging markets could lower the prices of Armenia's mineral and metal exports that account for about 50% of its exports.

Second, the IMF pointed out that risks from the sharp slowdown in Russia's economic activity and the depreciation of the ruble are significant, given the strong links between Russia and Armenia. It noted that Russia is the largest source of FDI inflows to Armenia and buys about 25% of its exports, while Armenia receives 90% of its remittance inflows from Russia. It added that spillovers on Armenia's banking sector could be direct through Russian banks' operations in the country and indirect through confidence effects.

Source: International Monetary Fund

IRAQ

Non-hydrocarbon activity to contract by 3% in 2015

The Institute of International Finance projected Iraq's real GDP to grow by 0.7% in 2015 following a contraction of 0.3% in 2014. It said that lower oil prices have negatively affected hydrocarbon sector activity, while the intensification of fighting has weighed on the non-hydrocarbon sector. It forecast hydrocarbon output to grow by 3.8% in 2015 compared to a growth rate of 6.4% in 2014. It noted that the average crude oil production increased to 3.3 million barrels per day (b/d) in 2014, the second highest among OPEC producers, while exports rose to an average of 2.9 million b/d. It expected oil production and exports to increase further in 2015, with oil production reaching 3.65 million b/d. It expected the non-hydrocarbon sector to contract by 3% in 2015 following a contraction of 7% last year.

In parallel, the IIF forecast the fiscal deficit to widen from 4.8% of GDP in 2014 to 8.5% of GDP in 2015 due to lower global oil prices. It indicated that the 2015 budget includes a financial arrangement with the Kurdistan Regional Government. It noted that the deal stipulates that Kurdistan would export 0.55 million b/d in exchange for a 17% share of the central government's budget. It noted that public spending is relatively high at about 45% of GDP, with current spending representing 30% of GDP. It expected spending on military wages and equipment to account for 20% of total spending in 2015. It anticipated that authorities would finance the deficit through borrowing from the domestic banking system and through the country's comfortable level of foreign currency reserves. It added that the government could request an emergency loan from the IMF to finance the deficit. It expected the public debt level to rise from 33.5% of GDP in 2014 to 48.2% of GDP in 2015. It projected the current account balance to shift from a surplus of 7% of GDP in 2014 to a deficit of 5.4% of GDP in 2015. It forecast foreign exchange reserves to fall from \$64bn in 2014 to \$51bn in 2015.

Source: Institute of International Finance



ECONOMY & TRADE

SYRIA

Fiscal deficit at 21% of GDP in 2014, public debt at 147% of GDP

The Syrian Center for Policy Research estimated Syria's fiscal deficit to have widened from 8.9% of GDP in 2011 to 21% of GDP in 2014. It noted that the fiscal deficit reached 40.5% of GDP in 2014 when including off-budget subsidies of basic foodstuff, fuel and electricity. It said that the structure of the budget shifted significantly on both the expenditure and the revenue sides since the start of the conflict in March 2011. It pointed out that the ongoing conflict and international sanctions reduced oil-related revenues to the minimum, while direct and indirect tax receipts fell sharply. It estimated public revenues at 6.2% of GDP in 2014 compared to 17.3% of GDP in 2011. It indicated that oil proceeds stood at 1.9% of GDP, non-oil tax receipts were equivalent to 3.5% of GDP and non-oil non-tax revenues totaled 0.7% of GDP in 2014. Further, it estimated public spending at 27.2% of GDP in 2014 relative to 26.3% of GDP in 2011. It said that current expenditures were equivalent to 24.2% of GDP in 2014 and included spending of 18.5% of GDP on public-sector salaries and wages. In parallel, it pointed out that the public debt level rose from 34% of GDP in 2011 to 147% of GDP in 2014. Domestic debt increased from 27% of GDP in 2011 to 76% of GDP in 2014, while foreign debt rose from 7% of GDP in 2011 to 71% of GDP in 2014.

Source: Syrian Center for Policy Research

NIGERIA

Sovereign ratings downgraded on rising external vulnerabilities

Standard & Poor's downgraded Nigeria's long-term foreign and local currency sovereign credit ratings to 'B+' from 'BB-' with a 'stable' outlook. It attributed the downgrade to the deterioration in Nigeria's external position, to rising external vulnerabilities from the sharp drop in global oil prices, as well as to significant political risks. It forecast the current account to shift from an annual average surplus of 3.4% of GDP during the 2011-14 period to an average deficit of 1.8% of GDP in the 2015-18 period. It projected the country's average narrow net external debt at 23% of current account receipts (CARs) annually between 2015 and 2018. It expected Nigeria's gross external financing needs to average 129% of CARs plus usable reserves during the 2015-18 period, up from 81% during the 2012-14 period. It noted that the exchange rate and monetary policy could come under further pressure due to the fall in oil prices, political risks or changes in investor risk appetite. Also, it indicated that authorities revised the 2015 federal budget, cutting significantly capital and recurrent spending. It forecast the fiscal deficit to average 2.5% of GDP annually between 2015 and 2018. However, it considered that the upcoming general elections and the potential underperformance of oil production could threaten the implementation of fiscal consolidation plans and the external position. The agency indicated that the 'stable' outlook reflects the assumption that non-hydrocarbon growth would continue to support GDP growth that it expects to average 5% annually during the 2015-18 period; and that external and fiscal balances would not increase significantly in the coming years.

Source: Standard & Poor's

GHANA

Agencies take actions on sovereign ratings

Moody's Investors Service downgraded Ghana's sovereign rating by one notch to 'B3' from 'B2' and maintained the 'negative' outlook on the rating. Also, it lowered the foreign-currency bond ceiling to 'B1' from 'Ba3', the foreign-currency deposit ceiling to 'Caa1' from 'B3', as well as the local currency bond and deposit country ceilings to 'Ba3' from 'Ba2'. It attributed the downgrades to Ghana's deteriorating fiscal metrics and rising liquidity risks. It said that the public debt level increased significantly from 54.8% of GDP in 2013 to 67.2% of GDP in 2014, driven by the large budget deficit that reached 9.4% of GDP in 2014. It noted that the adverse debt dynamics could persist due to limited external and fiscal buffers in the context of tighter US dollar liquidity, unfavorable economic conditions and terms of trade shocks. Further, it expected fiscal consolidation in the coming two years to miss the targets of the IMF program, given the significant investment needs to solve the prevailing power crisis, in addition to the election cycle in 2016 that has historically coincided with expenditure overruns. In parallel, Moody's indicated that liquidity risks have increased, given the government's large borrowing needs amid difficult domestic and external funding conditions. But it noted that balance of payments risks are mitigated by the \$940m IMF program. It forecast foreign currency reserves to cover about 2.5 to three months of imports in the coming two years. In parallel, Fitch Ratings affirmed the long-term foreign and local currency Issuer Default Ratings at 'B' and kept the 'negative' outlook on the ratings.

Source: Moody's Investors Service, Fitch Ratings

TURKEY

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Turkey's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BBB-' and 'BBB', respectively, with a 'stable' outlook. It maintained the short-term foreign currency IDR at 'F3' and the Country Ceiling at 'BBB'. It noted that the drop in global oil prices has led to lower inflation rates and a faster narrowing of the current account deficit. It projected the current account deficit to narrow from 5.6% of GDP in 2014 to 5.1% of GDP this year, but to remain one of the highest among peers in Europe, the Middle East & Africa. Fitch pointed out that Turkey's current account deficit and the associated gross external financing needs of about \$220bn, or 31% of GDP, are a credit weakness. It added that non-debt creating flows, mainly FDI, continue to represent just 20% of overall external funding, while the net external debt ratio of 31% of GDP in 2014 is three-times higher than the median ratio of 'BBB'-rated sovereigns. Further, the agency indicated that Turkey's buffers are relatively thin against the potential change in global investors' risk appetite. It noted that risks of a renewed sell-off of Turkish financial assets from a tightening U.S. monetary policy are elevated, especially if concerns over the Central Bank of Turkey's (CBoT) credibility persist. It noted that political pressure on the CBoT to accelerate cuts in interest rates has reduced the benefits of lower oil prices and of a narrower current account deficit. It indicated that public finances are robust with no sign of fiscal slippages ahead of the June 2015 general elections.

Source: Fitch Ratings



BANKING

JORDAN

Banks to benefit from improving operating environment

BMI Research expected commercial banks operating in Jordan to benefit from an improving domestic operating environment from 2015 onward. It anticipated that lower global oil prices and higher spending on public infrastructure would support economic activity and stimulate lending. It projected credit growth to accelerate from 1.8% in 2014 to 6.5% in 2015 and forecast total assets to grow by 7.5% in 2015 compared to a growth rate of 4.8% in 2014. It expected public investments on tourism, energy and transportation to generate demand for capital expenditure loans. Also, it said that the Central Bank of Jordan reduced its benchmark lending rates by 25 basis points to 4% in February 2015 and expected it to further cut the rate this year due to lower inflation levels and higher foreign currency reserves. In addition, it noted that confidence in the Jordanian Dinar has been increasing, with the dollarization rate of deposits reaching 20.7% in December 2014, the lowest level since the 2008 financial crisis. In parallel, it expected the banks' return on equity and on assets to remain at about 8.9% and 1.1%, respectively, almost unchanged since 2009. It indicated that a rise in banks' return on equity and on assets is contingent on significant improvements in the regional environment. BMI Research considered that banks in Jordan would remain resilient to external shocks due to their high capital base and strong liquidity buffers. It added that the non-performing loans ratio has been on a downward trend and reached 7% at the end of 2014, while banks have significant capacity to increase lending without relying on external funding due to a relatively low loans-to-deposits ratio of 67.4% at end-2014.

Source: BMI Research

EGYPT

Rise in foreign reserves to ease liquidity shortages

Emirates NBD Bank anticipated that the \$6bn in pledged deposits at the Central Bank of Egypt (CBE) by Saudi Arabia, the UAE and Kuwait would increase foreign currency reserves to about \$21bn at the end of March 2015. It noted that the end-March level would be the highest since October 2011 and would cover about four months of imports. It considered that rising foreign currency reserves would reduce fears over a disorderly devaluation of the Egyptian pound and could lead to the easing of capital controls. However, it expected the pound to weaken to EGP8 against the US dollar by the end of June 2015 and to EGP8.3 per dollar by the end of the year. It considered the weakening of the pound to be necessary in order to help restore the economy's competitiveness, given the strong US dollar and the high inflation rates. It added that the dollar peg has led to a steady strengthening of the pound against the Euro in recent months, which is a concern in light of ongoing efforts to attract European tourists. In parallel, Merrill Lynch anticipated that the upcoming deposits at the CBE, as well as the forthcoming issuance of \$1.5bn in Eurobonds, would support the CBE in its efforts to preserve the value of the pound in coming months. However, it pointed out that the currency's competitiveness is concurrently getting eroded by a strong US dollar.

Source: Emirates NBD Bank, Merrill Lynch

NIGERIA

Lower oil prices and currency depreciation to pose risks for banks

Standard Chartered Bank expected Nigeria's banking sector to face challenges in 2015 and 2016, given the decline in global oil prices and the depreciation of the Nigerian naira. It pointed out that some loans to the upstream oil sector could be difficult to repay, as they were set up with oil prices significantly higher than current prices. But it expected problematic loans to be restructured rather than pushed into default. Also, it said that the downstream sector would face less pressure than in the last crisis, which means that the deterioration in asset quality of related loans could be less pronounced. It added that this sector has become better regulated, which makes it more resilient to the drop in oil prices. But it noted that smaller independent downstream companies could face cash-flow challenges. Also, it said that the exposure to foreign currency loans is a considerable risk, especially banks' exposure to unhedged importers or to the power sector. It noted that lending in foreign currency to the power sector is a concern due to foreign currency mismatches. However, Standard Chartered considered the banks to be better positioned to deal with stress than during the 2009-10 banking crisis. It noted that most banks have sufficient profitability and reserve buffers to withstand a substantial deterioration in credit quality without generating losses. It noted that the regulatory framework has improved and the downstream oil lending is less risky than in previous years. It added that banks' exposure to margin lending and financial markets is much lower.

Source: Standard Chartered Bank

QATAR

Banks' foreign currency ratings affirmed

Capital Intelligence affirmed the long-term foreign currency rating (FCR) of Qatar National Bank (QNB) at 'AA-', that of Commercial Bank of Qatar (CBQ) and Doha Bank at 'A' and that of Qatar International Islamic Bank (QIIB) at 'A-'. It maintained the outlook on the long-term FCR of QNB and CBQ at 'stable' and that of QIIB at 'positive'; while it revised the outlook on Doha Bank's FCR to 'stable' from 'positive'. It indicated that the banks' FCRs reflect the ongoing government support to the Qatari banking system and their intrinsic financial profile. It said that it revised the outlook on Doha Bank's FCR due to the pressure on its financial strength rating (FSR) as well as to the downside risks to operating conditions from lower hydrocarbon revenues and rising interest rates. In parallel, the agency affirmed the financial strength rating (FSR) of QNB at 'AA-', that of QIIB and CBQ at 'A-' and that of Doha Bank at 'A'. It said that all banks' FSR have a 'stable' outlook, while QIIB has a 'positive' outlook. The agency said that QNB's FSR reflects the bank's ownership, very good capital adequacy ratio, diversified business profile, high profitability and adequate asset quality. It indicated that CBQ's FSR is supported by a diversified franchise, the good level of non-interest income and by the sustained growth potential of the domestic economy. But it noted that the bank's refinancing risks, tight liquidity, relatively weak asset quality and still high exposure to the real estate sector constrain the rating.

Source: Capital Intelligence



ENERGY / COMMODITIES

Oil price volatility to persist in first half of 2015

Crude oil prices increased in the past week on dollar weakness, and rose by an additional 5% so far on March 26 as Saudi Arabia and its Arab allies, excluding Oman, began a military operation in Yemen. North Sea Brent oil prices rose by 2.7% since March 19 to close at \$55.2 per barrel (p/b) on March 25, 2015; while WTI crude prices increased by 10.7% to \$48.8 p/b over the same period. The strikes against Huthi rebels raised traders' concerns about the security of Middle East oil shipments and the risk of disruption of hydrocarbon exports, especially if chaos spreads to the Southern Bab-al-Mandeb Strait. The channel is a key chokepoint in international energy shipping where about 4 million barrels of crude oil pass through daily. Brent crude oil prices are forecast to average \$55 p/b in 2015, below Bloomberg's consensus price of \$61.4 p/b, while WTI oil prices are projected to average \$52 p/b, below Bloomberg's consensus of \$57.9 p/b. Also, crude oil prices are expected to remain low and volatile in the first half of 2015.

Source: Merrill Lynch, BMI Research, Byblos Research

KRG receives delayed budget payment from Iraq

Baghdad indicated that it transferred \$420m to the Kurdistan Regional Government (KRG) as part of the latter's legal monthly entitlement from the Iraqi budget, after it failed to pay its dues in February 2015. The Iraqi government said that the transfer of funds puts the December 2014 bilateral oil export agreement back on track. The deal stipulated that the KRG would export 550,000 barrels per day of oil through Iraq's State Oil Marketing Organization and, in return, the Iraqi central government would transfer 17% of the national budget to Erbil. Baghdad said that it will fulfill its share of the agreement and expected the KRG to do the same by the end of 2015, but it noted that monthly payments and export volumes could vary.

Source: Thomson Reuters

DRC to drive SSA's gold output growth

The Sub-Saharan Africa region is forecast to remain one of the world's largest gold producers in coming years, with gold mine production rising from 14.1 million ounces in 2015 to 14.6 million ounces in 2016. The Democratic Republic of Congo (DRC) is expected to drive the region's gold output growth in the covered period, with new projects coming online at lower-than-average production costs. The DRC's gold output is forecast to grow at an annual average rate of 31.6% during the 2015-16 period. In parallel, gold mine production in South Africa, the region's largest gold producer, is forecast to stagnate in coming years due in part to power shortages and spending cuts.

Source: BMI Research

Armenia's aluminum foil exports up 11% in 2014

Exports of aluminum foil from Armenia reached 29,999 tons in 2014, up by 11% from 27,061 tons in 2013. The value of such exports totaled \$88.5m last year, or about 6% of Armenia's total exports, and rose by 10.1% from \$80.4m in 2013. Armenia exported its aluminium foil to 17 countries in 2014, with the U.S. accounting for 86.5% of the total. Yerevan-based Rusal Armenal CJSC, a wholly-owned subsidiary of Russia's UC Rusal, is the sole manufacturer of aluminum foil in Armenia. Armenal's total aluminum foil production reached 29,251 tons in 2014, up by 5.5% from 27,719 tons in 2013.

Source: Customs Service of Armenia, Byblos Research

Base Metals: Copper price down 6% in 2014

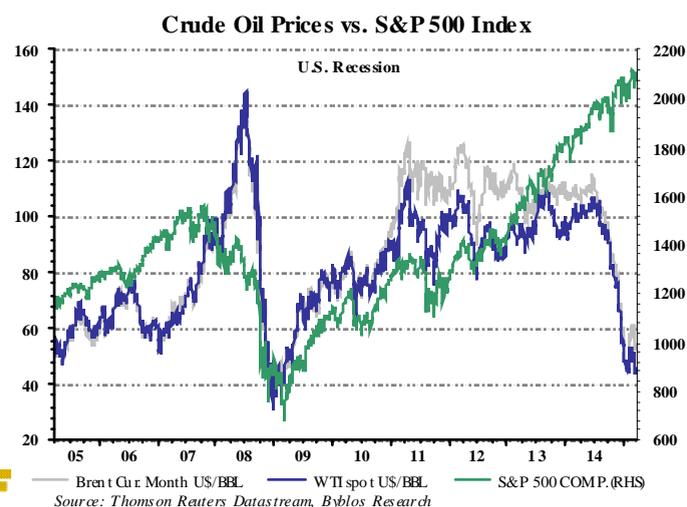
The average cash price of LME copper was \$6,862 per ton in 2014, down by 6.3% from \$7,322 per ton in 2013. The refined copper balance posted a production deficit of 475,000 tons in 2014 relative to a deficit of 270,000 tons in 2013. Global refined copper demand is estimated to have increased by about 8% to 23 million metric tons in 2014, partly supported by strong Chinese demand for the metal. Also, global refined copper production rose by 7% to 22.56 million metric tons in 2014, with mine supply accounting for 81.3% of the total. The mine capacity utilization rate dropped from 86.9% in 2013 to 84.1% in 2014. China's refined copper supply grew by 14.5% in 2014, contributing the most to the rise in global refined copper production. On a regional basis, the metal's refined production increased by 15% in Asia, followed by Africa (+7%), North America and Oceania (+6% each), and Europe (+3.5%); while the level of refined output from South America declined by 1% year-on-year.

Source: International Copper Study Group

Precious Stones: Global diamond jewelry consumption at record-high of \$81bn in 2014

Global diamond jewelry consumption reached a record high of \$81bn in 2014, reflecting a rise of 2.5% from \$79bn in 2013 and compared to diamond jewelry sales of \$76bn in 2012. Diamond jewelry sales posted a compound annual growth rate of 4.8% between 2009 and 2014. The U.S. diamond jewelry market continued to grow at a strong rate in 2014, mainly due to the economic recovery, lower unemployment rate, better-performing stock market and higher purchasing power. In local currency terms, the U.S. was the fastest growing market for diamond jewelry demand in 2014, as sales rose by 7% year-on-year. It was followed by China (+6%), India (+3%), and Japan and the Gulf Cooperation Council region (+2% each). In parallel, the U.S. remained the world's largest consumer of polished diamonds in 2014, and accounted for 42% of global polished diamond demand. It was followed by China with a 16% share of total consumption, India and the GCC with 8% each and Japan with 5%; while the rest of the world represented the balance of 22%. De Beers forecast diamond jewelry sales in local currency to grow further across the top five markets in 2015 as the macroeconomic environment and trade outlook improve. It said that lower oil prices and high consumer confidence, mainly in the U.S., could also accelerate the growth in diamond consumption this year.

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



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	18-Mar-15	No change	29-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	08-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)	19-Mar-15	No change	18-Jun-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	29-Apr-15
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	09-Apr-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	17-Mar-15	No change	22-Apr-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



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