

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Sovereign borrowing from commercial sources at \$6.7 trillion in 2015**

Standard & Poor's projected the aggregate long-term sovereign borrowing from commercial sources by 129 rated countries at \$6.7 trillion in 2015, which would reflect a decrease of 5.7% from \$7.1 trillion in 2014. The Asia-Pacific region would account for 38.3% of total commercial long-term borrowing in 2015, followed by North America (33%), Europe (21.9%), Latin America (4.9%), the Middle East & North Africa region (1%) and Sub-Saharan Africa (0.8%). S&P said that \$4.5 trillion, or 67% of total sovereign borrowing would go towards refinancing maturing long-term debt, which would result in net borrowing requirements of \$2.2 trillion in 2015. In parallel, S&P forecast the total sovereign commercial debt stock of the 129 countries at \$44.3 trillion at the end of 2015 relative to \$43.7 trillion at end-2014, and would consist of \$38.9 trillion in medium- and long-term debt and \$5.4 trillion in short-term debt. The Asia-Pacific region would account for the highest share of the commercial debt stock at 37.1%, followed by North America (30.8%), Europe (26.2%), Latin America (4.1%), the MENA region (1.2%) and Sub-Saharan Africa (0.7%). Further, gross long-term sovereign commercial borrowing would be equivalent to 8.9% of the aggregate GDP of the 129 economies this year, while the total commercial debt stock would be equivalent to 59.1% of their GDP.

Source: Standard & Poor's

##### **Insurers' losses from natural and man-made disasters at \$35bn in 2014**

Reinsurer Swiss Re estimated the global economic losses from natural catastrophes and man-made disasters at \$110bn in 2014, constituting a decrease of 20.3% from \$138bn in 2013 and well below the 10-year annual average losses of \$200bn. Total economic losses include insured and uninsured catastrophe losses. Losses from natural catastrophes reached \$101bn in 2014 and represented 91.8% of total losses, while those from man-made disasters reached \$9bn and accounted for 8.2% of the total. Economic losses in Asia amounted to \$52bn and were equivalent to 0.21% of the region's GDP, followed by North America with \$29bn (0.15% of GDP), Europe with \$16bn (0.07% of GDP), Latin America & the Caribbean with \$8bn (0.15% of GDP), Oceania & Australia with \$2bn (0.14% of GDP) and Africa with \$1bn (0.06% of GDP). Also, total economic losses in Seas & Space stood at about \$2bn in 2014. In parallel, insurers' overall losses totaled \$35bn in 2014, down 20.5% from \$44bn in 2013, lower than the annual average losses of \$64bn in the previous 10 years. Insurers' losses from natural catastrophes and man-made disasters in North America reached \$17.5bn and accounted for 50.4% of the total, followed by Europe with \$6.6bn (19.1%) and Asia with \$5.2bn (15%). In addition, insurers' losses from natural catastrophes amounted to \$28bn in 2014, constituting their lowest level since 2009 and were below the average losses of \$58bn in the previous 10 years.

Source: Swiss Re

#### MENA

##### **Equity markets down 1% in first quarter of 2015**

Arab stock markets decreased by 0.8% and GCC markets regressed by 0.3% in the first quarter of 2015 compared to increases of 10.6% and 10.5%, respectively, in the same quarter of 2014. Arab and GCC stock markets regressed by 6.1% and 7.1%, respectively, in March 2015 from February 2015. Activity on the Casablanca stock exchange grew by 6.8% in the first quarter of 2015 and posted the best performance among Arab markets in the covered period. It was followed by the Saudi Arabia equity market with a 5.3% increase, the Tunis stock exchange with a 4.4% rise, the Egyptian equity market with a 2.3% growth, the Bahrain bourse with a 1.6% improvement and the Beirut stock exchange with a 0.5% increase. In parallel, activity on the Iraqi stock market declined by 20.8% and posted the weakest performance among Arab markets in the first quarter of 2015. It was followed by the Khartoum bourse with a 10.5% decrease, the Palestine stock exchange with a 7.2% drop, the Dubai financial market with a 6.9% decline, the Qatar stock exchange with a 4.7% contraction, the Kuwait equity market with a 3.9% fall, the Damascus securities exchange with a 2.3% decrease, the Oman equity market with a 1.7% drop, the Amman bourse with a 1.4% decline and the Abu Dhabi securities market with a drop of 1.3%. In comparison, global equities rose by 2%, while emerging market equities grew by 1.4% in the first quarter of 2015.

Source: Local stock markets, Dow Jones Indices, Byblos Research

##### **Tourism sector to account for 7.7% of GDP in 2015**

The World Travel & Tourism Council expected the Middle East's tourism sector to account for 7.7% of GDP in 2015 and to rise to 8.3% of GDP in 2025. It forecast the broad tourism & travel (T&T) economy to generate demand of \$210bn in 2015, and to grow to \$328bn in constant 2014 prices by 2025. It projected the sector's real growth rate at 4.6% in 2015 and to average a real expansion rate of 4.6% annually during the 2015-25 period. The WTTC forecast leisure travel spending to total \$114bn in 2015 and to grow by a real yearly average rate of 4.5% to \$178bn in constant prices by 2025. It also forecast business travel spending to reach \$25.6bn this year, and to grow by a real rate of 3.8% annually to \$37.1bn in constant prices by 2025. It estimated capital investment in the T&T economy at \$46.7bn in 2015 and at \$75.6bn in constant 2014 prices within 10 years. Further, it forecast the export of tourism services at \$70bn this year and at \$109bn in constant 2014 prices by 2025, which would account for about 5.3% of the region's total exports in 2015 and for 4.6% of exports in 2025. It said the T&T industry will provide jobs to 5.6 million people, or 7.8% of the region's total employment in 2015, with the figure rising to 7.6 million jobs or 8.2% of employment by 2025.

Source: World Travel & Tourism Council

# OUTLOOK

## GCC

### Non-hydrocarbon growth at 5.4% in 2015

The Institute of International Finance projected real GDP growth in the economies of the Gulf Cooperation Council at 3.6% in 2015, under its baseline scenario that assumes an average global oil price of \$60 per barrel (p/b) for the year. It noted that GCC economies are much better positioned to deal with the drop in oil prices than they were during previous prolonged periods of low hydrocarbon prices. It expected GCC governments to continue to increase public spending due to their large net foreign assets and low government debt level, but at a slower pace than in recent years. As such, it forecast the non-hydrocarbon sector's growth to decelerate from 6.2% in 2014 to 5.4% in 2015. It forecast non-oil GDP growth at 9.9% in Qatar, at 4.9% in each of the UAE and Saudi Arabia, at 4.8% for Oman, and at 4% for each of Bahrain and Kuwait.

The IIF projected the consolidated fiscal balance of the GCC countries to shift from a surplus of 4.8% of GDP in 2014 to a deficit of 7.5% of GDP in 2015, reflecting significantly lower hydrocarbon revenues and sustained growth in public spending. It anticipated that Saudi Arabia would post the widest fiscal deficit among GCC economies at 14.2% of GDP in 2015, followed by Oman (13.1% of GDP), Bahrain (12.5% of GDP) and the UAE (4.3% of GDP); while it expected the fiscal surpluses in Kuwait and Qatar to narrow to 8.8% of GDP and to 1.4% of GDP, respectively, this year. It projected the aggregate current account surplus to fall from \$265bn or 16.2% of GDP in 2014 to about \$31bn or 2.1% of GDP in 2015. It expected the region's net foreign assets to decline from \$2.5 trillion at the end of 2014 to \$2.3 trillion by the end of 2016, as authorities would draw-down from these assets to finance public spending.

*Source: Institute of International Finance*

## EGYPT

### Outlook improves on further GCC support

Barclays Capital projected Egypt's real GDP to accelerate to 4.7% in fiscal year 2015/16 that ends in June 2016 from 4% FY2014/15, driven by rising investments following the March Economic Development Conference. It noted that Gulf countries pledged \$12.5bn in aid, including \$6.25bn in deposits at the Central Bank of Egypt (CBE) and \$6.25bn in soft loans. It added that authorities signed deals worth \$38.2bn with GCC economies, including \$5.2bn in loans and \$33bn in investment deals, and signed agreements for potential deals worth \$98bn. However, it considered that these investments are unlikely to materialize in the current fiscal year, and expected the \$6.25bn in deposits at the CBE to be immediately disbursed. It noted that the timetable and modalities for implementing the proposed investments remain unclear, and that the pace of execution of these investments is contingent on the swift and consistent implementation of structural reforms.

Barclays indicated that the GCC countries' pledge of further support would anchor Egypt's external position in the coming 12 months. It noted that the \$6.25bn deposits at the CBE would complement the underlying improvements in the current account deficit and would address the country's external financ-

ing needs until FDI inflows start to materialize. But it added that Egypt's growing import needs, mainly energy imports, would remain a drag on its trade balance and foreign currency reserves. As such, it forecast the current account deficit to widen to 1.9% of GDP in FY2015/16 from 0.8% of GDP in FY2014/15. It anticipated that Egypt would meet its external financing needs for 2015 through net FDI inflows and the issuance of about \$1.25bn in Eurobonds, which would maintain foreign currency reserves at about \$14.5bn at the end of June 2015 and into the second half of the year. As such, it pointed out that the Egyptian pound could remain stable throughout the second quarter, but that the continuous strengthening of the US dollar could force the CBE to devalue the currency.

Further, Barclays projected the fiscal deficit to narrow from 10.7% of GDP in FY2014/15 to 10% of GDP in FY2015/16, and that it could shrink further if GCC grants are transferred to the Treasury. It expected the primary budget deficit to narrow from 4.1% of GDP in FY2013/14 to 2.2% of GDP FY2014/15, which would reduce the public debt level to about 94% of GDP by the end of June 2015.

*Source: Barclays Capital*

## JORDAN

### Activity supported by reforms and foreign aid

The Institute of International Finance projected Jordan's real GDP growth to accelerate from an estimated 3.1% in 2014 to 3.8% in 2015, driven by the implementation of reforms and the sustained aid from Gulf economies and the International Monetary Fund. It noted that the strong regional and international support and the implementation of reforms have rebuilt the country's foreign currency reserves, reestablished confidence in the dinar's peg to the US dollar, and have led to lower inflation rates. But it noted that real GDP growth remains below the country's long-term trend growth rate of between 4% and 5%. It added that the ongoing conflicts in Syria and Iraq have undermined business sentiment, created a significant fiscal burden from the influx of a large number of refugees, and disrupted trade, tourism and investment flows.

The IIF said that the sharp decline in oil prices has improved the external and fiscal deficits, which allowed the Central Bank of Jordan (CBJ) to ease its monetary policy in order to stimulate economic activity. But it did not expect additional easing, as the CBJ would wait to see if the lower interest rates accelerated credit and economic growth. It forecast the current account deficit to narrow from 7.7% of GDP in 2014 to 4.1% of GDP in 2015 due to lower oil prices. It projected foreign currency reserves to rise from \$15.3bn, equivalent to 7 months of imports in 2014 to \$17.1bn or 7.9 months of imports in 2015.

The IIF forecast the fiscal deficit to narrow from 4.3% of GDP in 2014 to 3.2% of GDP in 2015, reflecting reduced losses at the national electricity company, as the latter has increased electricity tariffs and benefited from lower imported energy prices. It noted that the public debt level remains high, but is expected to peak at 90.7% of GDP in 2015 and to drop to 88.8% of GDP in 2016. It indicated that an acceleration in real GDP growth is critical to reduce the debt-to-GDP ratio.

*Source: Institute of International Finance*



# ECONOMY & TRADE

## IRAQ

### Low oil prices and reduced oil production affecting fiscal and external accounts

Merrill Lynch indicated that lower global oil prices and below-target oil production in Iraq are weighing on the country's fiscal and external accounts. It noted that oil exports fell from 2.9 million barrels per day (b/d) in December 2014 due to technical issues, bad weather and bottlenecks. It added that oil exports stagnated at 2.6 million b/d in February relative to a target of 3.3 million b/d for 2015. It said that oil production in northern fields is being negatively affected by ongoing disputes between the Central Government and the Kurdistan Regional Government, while production in the south is unlikely to significantly increase due to debt arrears to oil companies. Further, it considered that external borrowing is difficult to secure under the prevailing circumstances, unless it could be securitized against oil proceeds. It added that domestic borrowing to repay debt arrears to oil companies would pressure foreign currency reserves at the Central Bank of Iraq. It noted that the budget provides the scope to borrow up to \$12bn to repay arrears to oil companies, while debt arrears totaled \$9bn in 2014 and payments to oil companies are expected at \$18bn in 2015. It indicated that authorities are negotiating contract changes with oil firms in order to increase the government's share in projects to about 20% to 25%, which could help settle payments to oil companies. In parallel, Merrill Lynch cautioned from the rapid depletion of foreign currency reserves that still cover more than 10 months of imports. It noted that Iraq's foreign assets fell from \$84bn at end-2013 to \$66bn at the end of 2014 and to \$62bn at end-January.

Source: Merrill Lynch

## BAHRAIN

### Outlook revised to 'negative' on weakening public finances and external position

Capital Intelligence affirmed Bahrain's long-term foreign and local currency ratings at 'BBB' and revised the outlook to 'negative' from 'stable'. It attributed the revision to the significant deterioration in public finances and external balances, which limits the country's shock absorption capacity and would trigger higher debt levels. It forecast the fiscal deficit to widen from 6.8% of GDP in 2014 to more than 12% of GDP in coming years, based on an average oil price of \$50 per barrel during the 2015-16 period and assuming key policies are unchanged. It noted that the government's budget structure is weak as oil revenues account for 98% of government receipts, and because of the lack of political consensus that prevents the implementation of fiscal consolidation measures. It projected the government debt level to rise from 21.4% of GDP in 2009 to 69.2% of GDP in 2016. Further, the agency anticipated the current account balance to break even this year compared to a surplus of 6.6% of GDP in 2014 due to lower receipts from oil exports. It noted that the deterioration in the external balance would significantly weigh on the country's limited reserve buffers of \$5.5bn, which are equivalent to 16% of GDP and to 4.5 months of imports. In parallel, the agency indicated that the investment-grade ratings are supported by a high income level, a relatively diversified economy and by financial support from other GCC economies.

Source: Capital Intelligence

## ANGOLA

### Outlook revised to 'negative' on sustained vulnerabilities to low oil prices

Fitch Ratings revised the outlook to 'negative' from 'stable' on Angola's 'BB-' long-term foreign and local currency Issuer Default Ratings. It attributed the outlook revision to the expected slowdown in economic activity, the sharp drop in foreign currency reserves and the rise in the public debt level as a result of lower oil prices. But it noted that authorities have quickly responded to the drop in oil prices by significantly cutting expenditures and by allowing the exchange rate to depreciate, as opposed to their delayed policy response when oil prices fell in 2008. It projected the government debt level to rise from 33% of GDP in 2014 to 39% of GDP in 2015. It cautioned that a sharp depreciation of the Angolan kwanza or increased borrowing to support the balance of payments would result in a debt ratio of more than 40% of GDP. But it noted that the net government debt of 18% of GDP is well below the 34% of GDP median ratio of 'BB'-rated sovereigns, which supports the ratings at the current level. It forecast the current account balance to post a deficit of 7% of GDP in 2015 for the first time since 2009. The agency indicated that a sharp fall in foreign currency reserves from a wide balance-of-payments deficit is a significant risk to the ratings. It said that the Banco Nacional de Angola (BNA) expected its foreign reserves to drop by \$8bn to \$19bn by the end of the year. But Fitch anticipated the decline to be less pronounced, as reduced oil revenues limits the scope for oil companies to repatriate corporate savings abroad. It added that the BNA aims to maintain its foreign reserves coverage at six months of imports, which means that it would allow the currency to depreciate in order to maintain this objective.

Source: Fitch Ratings

## UAE

### Profits of listed companies up 8% to \$8bn in 2014

The net income of companies listed on the Abu Dhabi stock exchange totaled AED29.7bn, or \$8.1bn in 2014, constituting an increase of 8.4% from AED27.4bn or \$7.5bn in 2013. Listed banks generated net profits of AED23.1bn and accounted for 78% of the total earnings of publicly-listed firms. They were followed by real estate firms with AED2.4bn (8.1%), telecommunication companies with AED2.2bn (7.3%), services companies with AED690.3m (2.3%), energy firms with AED457m (1.5%), industrial organizations with AED412.5m (1.4%), consumer goods firms with AED300.2m (1%), insurers with AED106.2m (0.4%) and investment & financial services companies with AED4.8m (0.02%). Net earnings of listed banks rose by 15.4% and those of services companies increased by 10.8% in 2014, while the net profits of listed investment & financial services firms regressed by 83.6%, followed by insurers (-81.7%), industrial organizations (-25.6%), energy companies (-20%), telecommunication firms (-17.2%) and real estate companies (-0.3%). Also, the net earnings of consumer goods firms shifted from net losses of AED43.4m to profits of AED412.5m.

Source: KAMCO



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# BANKING

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## WORLD

### Revised Basel approach for credit risk may not improve standards

Standard & Poor's indicated that the Basel Committee on Banking Supervision's (BCBS) proposed revision to the standardized approach for credit risk, such as increasing the comparability of regulatory capital requirements between the different approaches and recalibrating the risk weights, may not necessarily improve the approach's risk sensitivity. However, it noted that combining the revision with other ongoing regulatory initiatives, such as reducing national discretion over the risk weights applied on certain credit exposures and reducing inconsistencies between the standardized approach and internal model-based approaches, could help alleviate certain shortcomings of the current regulatory bank capital metrics. S&P said that the proposal increases the framework's reliance on metrics that are not always publicly available in a timely manner and could be measured inconsistently. It expected the overall impact of the revision on bank ratings to be limited. It said that the regulatory risk-weighted assets of banks with large mortgage portfolios and with relatively high loan-to-value ratios could increase significantly. It considered that the potential volatility of the risk-weighted assets could reduce investors' appetite for certain subordinated instruments, at a time when banks need to issue these instruments to meet regulatory requirements.

*Source: Standard & Poor's*

## TURKEY

### Negative outlook on banking sector persists

Moody's Investors Service maintained its negative outlook on the Turkish banking system due to currency volatility and subdued economic activity, which would reduce growth opportunities for banks and weaken borrowers' ability to service their loans. It expected problem loans to rise, with consumers and small- and medium-sized enterprises (SME) being affected the most. It added that corporate loans have so far been resilient to the economic slowdown, but they remain vulnerable to currency volatility due to their high level of foreign currency lending. Moody's anticipated these challenges to weigh on the banks' asset quality and profitability in coming months, and forecast problem loans to be equivalent to about 3% to 4% of the banking sector's assets. But it said that banks are well capitalized, with the sector's Tier-One capital ratio at 14% at the end of 2014. However, it noted that the high capitalization is in the context of a slowing lending growth and high inflation levels that have started to weaken the banks' net earnings. It forecast credit growth at between 14% and 17% in 2015 relative to growth rates of ranging from 20% to 30% during the 2011-14 period. In parallel, Moody's indicated that the banking sector is heavily reliant on funding from capital markets, which exposes it to fluctuations in international investor confidence and to potential increases in funding costs, given the upward pressure on U.S. interest rates. It expected Turkish banks to face pressures from narrowing net interest margins due to rising borrowing costs in capital markets and to the short-term nature of their liabilities. It added that short-term liabilities would require frequent refinancing that could be on less favorable terms. It indicated that the banking sector's funding structure and vulnerabil-

ity to shifts in global investor sentiments are increasingly weighing on its risk profile, especially in the context of slowing demand for banking services and moderate credit growth.

*Source: Moody's Investors Service*

## NIGERIA

### Capital adequacy ratio at 16.4%, NPLs at 3.7%

The risk-weighted capital adequacy ratio of banks operating in Nigeria reached 16.4% at the end of June 2014, constituting a decline from 18.9% at end-June 2013. Also, the sector's Tier-One capital ratio stood at 16.1% at end-June 2014 compared to 18.5% at end-June 2013. The International Monetary Fund indicated that capital ratios have varied across the sector, with medium and small banks underperforming larger banks, and two smaller banks required some recapitalization in the second half of 2014 after falling below the 10% minimum requirement. The sector's liquid assets reached 11.7% of total assets at end-June 2014, and regressed from 13.7% at end-June 2013; while they were equivalent to 16.6% of total short-term liabilities at end-June compared to 19% at end-June 2013. Further, the sector's non-performing loans (NPLs) reached 3.7% of total loans at end-June 2014, down from 3.9% at end-June 2013. The banks' NPLs net of provisions were equivalent to 5.6% of capital at end-June 2014. The IMF noted that the risk profile of banks has evolved with increased foreign currency exposures, but the net open foreign exchange position remains small at about 6% of total capital.

*Source: International Monetary Fund*

## TUNISIA

### Banking sector's industry risks on the rise

Standard & Poor's revised Tunisia's Banking Industry Country Risk Assessment (BICRA) from 'Group 8' to 'Group 9' due to rising industry risks. The BICRA framework evaluates and compares global banking systems and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 1' including the least risky banking sectors. S&P indicated that the industry risk in Tunisia's banking system increased due to delays in implementing reforms, especially the recapitalization of state-owned banks and the creation of an asset management company. It noted that these delays resulted in the revision of the regulatory track record assessment to 'weak' from 'intermediate'. It added that regulators in Tunisia are more reactive than proactive, and that the Central Bank authorized state-owned banks to continue operations despite the protracted breach of the minimum capital requirement. Further, S&P revised the industry risk trend to 'stable' from 'negative' as it expected such risks to remain stable over the coming 12 months. Also, it revised the economic risk trend to 'stable' from 'negative' due to the improving operating environment. In parallel, the agency affirmed the ratings on Banque de l'Habitat, Banque Tuniso-Koweitienne, Banque de Tunisie et des Emirats and Arab Tunisian Bank, given that it did not change its assessments of the standalone credit profiles for the four banks. It noted that these assessments take into account the lowering of the BICRA and the resulting revision of the anchor rating for Tunisian banks to 'b+' from 'bb'.

*Source: Standard & Poor's*



# ENERGY / COMMODITIES

## Crude oil prices to recover from second half of 2015 onwards

Crude oil prices regressed by more than 50% since the end of June 2014, mainly due to market oversupply and a strong US dollar. Prices are expected to begin to stabilize and recover through the end of 2016 as the oil market starts to balance from the second half of 2015 onwards. Brent oil prices are forecast to drop by 41% to an average of \$58.7 per barrel (p/b) in 2015 and to rise by 19.3% to \$70 p/b in 2016, while WTI prices are projected to decline by 44% to \$52.2 p/b this year and to increase by 24.5% to \$65 p/b in 2016. The average price of Brent is forecast at \$57.5 p/b in the second quarter, \$60 p/b in the third quarter and \$62.5 p/b in the fourth quarter of 2015; while the average WTI price is anticipated at \$47.5 p/b in the second quarter, \$55 p/b in the third quarter and \$57.5 p/b in the fourth quarter of the year. The main risks that could affect oil prices in 2015 include the escalation of the military conflict in Yemen, especially if chaos spreads to the Southern Bab-al-Mandeb Strait; the outcome of Iran's nuclear program negotiations and the pace of U.S. oil production cuts, among other factors. Brent oil prices fell by 2.3% in the first quarter of 2015 and by 10.6% month-on-month in March, while WTI oil prices decreased by 10.7% from end-2014 and by 4.3% last month.

Source: Deutsche Bank, Byblos Research

## Libya's oil production at 35% of normal capacity

Libya's oil production is currently at 564,000 barrels per day (b/d), or at about 35.3% of the country's normal supply level prior to the 2011 revolution. The country's crude oil output has been negatively affected by the ongoing fighting between two rival governments battling to control the country. In parallel, Libya's two biggest oil export ports, Ras Lanuf and Es Sider, are expected to reopen as forces backing the country's rival government left the area after months of fighting. The two ports, which can handle a combined 600,000 b/d, are currently under the control of forces loyal to the internationally-recognized government that is based in the east of the country.

Source: Thomson Reuters, Trade Arabia

## Iraqi oil exports up by 15% in March 2015

Iraqi crude oil exports averaged 2.98 million barrels per day (b/d) in March 2015, up by 14.7% from 2.597 million b/d in the preceding month. Exports of 2.712 million b/d, or 91% of the total, were shipped from southern oil terminals, and the remaining 268,000 b/d were exported from the north via the Kurdistan pipeline. Iraq generated \$4.46bn in revenues from the March 2015 shipments. The country sold its crude oil for \$48.24 per barrel. Iraqi production is currently at a record high of 3.7 million b/d, and accounts for about 12% of total OPEC output.

Source: Thomson Reuters, Emirates NBD

## OPEC's oil output up 2% in March 2015

The Organization of the Petroleum Exporting Countries' (OPEC) crude oil production reached a 19-month high of 31.02 million barrels per day (b/d) in March 2015, and rose by 481,000 b/d or 1.6% from the preceding month. The rise in oil supply was mainly due to OPEC's 'Wild Card' producers, as the combined output from Iran, Iraq and Libya grew by 595,000 b/d during the covered month.

Source: Emirates NBD

## Base Metals: Steel market to nearly balance in 2015

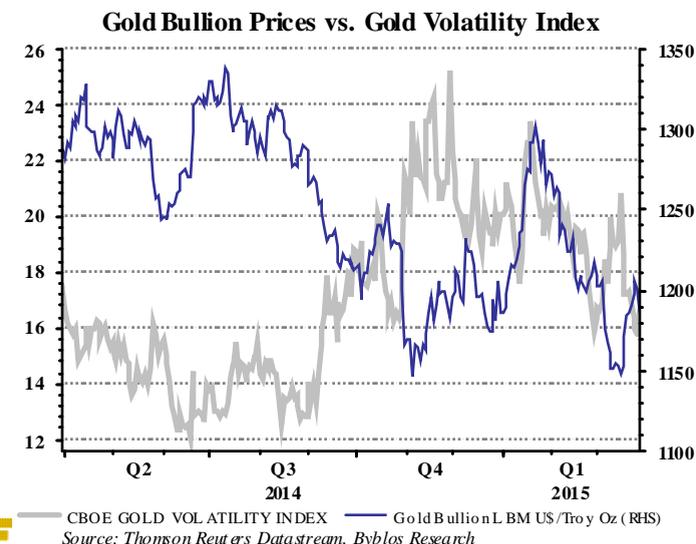
EU hot rolled coil steel prices are forecast to average \$493 a ton in the second quarter of 2015, which would reflect an increase of 7.9% from the preceding quarter and a decline of 16.5% from the same quarter of 2014. Steel prices are projected to decrease by more than 10% in 2015, given further weaknesses in the price of raw materials and in the value of the euro. The depreciation of currencies against the US dollar in steel-producing emerging markets, such as those of Russia, Ukraine, Brazil and South Africa, is likely to result in rising exports of steel that will depress the international market in 2015. Steel prices in Asia remain the lowest among other regions, mainly due to the metal's excess supply in the region. The steel market is expected to post a nearly balanced position in 2015. Global crude steel consumption is expected to grow by 3.3% to 1,701 million tons in 2015 as activity stabilizes in mature economies and accelerates in emerging markets. In parallel, global crude steel output is projected to increase by 2.6% to 1,702.8 million tons in 2015.

Source: Economist Intelligence Unit, Byblos Research

## Precious Metals: Gold prices to weaken in third quarter of 2015 if U.S. tightens monetary policy

Commodities have maintained their status as the world's worst performing asset class so far in 2015, while gold has been one of the worst performers among precious metals. Gold prices remained nearly unchanged from end-2014 and decreased by 2.4% month-on-month to close at \$1,188 a troy ounce on March 31, 2015. The price of gold is expected to remain stable in the second quarter of 2015 but it would weaken into the third quarter if the U.S. Federal Reserve starts raising the policy rate. Gold prices are forecast to average \$1,170 a troy ounce in the second quarter and to decrease to \$1,150 an ounce in the third quarter and to \$1,125 a troy ounce in the fourth quarter of 2015. The metal's average price is expected to decrease by 8.1% to \$1,165 a troy ounce in 2015 as the US dollar strengthens and as US long term yields increase. The outlook for gold prices in coming months depends on the pace of U.S. economic growth, the course of the U.S. Federal Reserve's policy, as well as the developments in U.S. long term real yields, the US dollar and the U.S. equity risk premium.

Source: Deutsche Bank, 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								
<b>Africa</b>													
Algeria	-	-	-	-	BB								
	-	-	-	-	Stable	-9.5	9.0	1.4	5.7	1.2	-	-7.7	-
Angola	B+	Ba2	BB-	-	BB								
	Stable	Negative	Negative	-	Stable	-4.2	38.8	27.0	56.0	15.4	57.6	2.0	-4.7
Egypt	B-	Caa1	B	B-	CCC								
	Stable	Stable	Stable	Stable	Stable	-8.5	92.6	17.3	124.6	8.2	467.5	-1.1	-1.3
Ethiopia	B	B1	B	-	CCC								
	Stable	Stable	Stable	-	Stable	-2.9	54.3	28.9	135.9	4.4	591.0	-4.07	-3.1
Ghana	B-	B3	B	-	B								
	Stable	Negative	Negative	-	Stable	-9.2	67.2	33.8	77.3	4.5	376.2	-7.8	7.5
Ivory Coast	-	B1	B	-	B								
	-	Positive	Positive	-	Stable	-2.7	50.3	29.2	-	9.4	198.2	-5.3	2.6
Libya	-	-	B	-	B								
	-	-	Stable	-	Stable	-14.9	6.2	9.9	-	7.5	-	-20.5	-
Dem Rep Congo	B-	B3	-	-	-								
	Stable	Stable	-	-	-	-1.7	21.7	29.2	32.0	2.3	5.5	-8.8	6.9
Morocco	BBB-	Ba1	BBB-	-	B								
	Stable	Stable	Stable	-	Stable	-4.3	68.0	32.9	96.6	11.7	249.1	-3.7	2.7
Nigeria	B+	Ba3	BB-	-	B								
	Stable	Stable	Negative	-	Stable	-2.8	20.2	3.4	11.1	0.4	43.8	0.2	2.0
Sudan	-	-	-	-	C								
	-	-	-	-	Stable	-1.2	87.6	77.9	-	-	-	-6.3	3.3
Tunisia	-	Ba3	BB-	-	CCC								
	-	Negative	Stable	-	Stable	-3.3	49.9	55.1	100.9	8.5	367.9	-5.5	3.7
Burkina Faso	B	-	-	-	-								
	Stable	-	-	-	-	-3.1	21.9	21.9	-	-	-	-7.0	-
Rwanda	B+	-	B	-	-								
	Stable	-	Positive	-	-	-4.2	33.5	30.9	-	11.8	-	-11.0	2.9
<b>Middle East</b>													
Bahrain	BBB-	Baa2	BBB	BBB	BB								
	Negative	Negative	Stable	Negative	Stable	-12.5	60.8	118.6	-	17.5	721.6	0.1	0.4
Iran	-	-	-	B	CCC								
	-	-	-	Stable	Stable	-3.1	12.5	1.7	-	-	-	2.2	-
Iraq	-	-	-	-	CCC								
	-	-	-	-	Stable	-8.7	-	-	-	-	-	-6.5	-
Jordan	BB-	B1	-	BB-	CCC								
	Stable	Stable	-	Stable	Stable	-3.2	90.7	73.3	-	9.6	205.3	-4.1	5.3
Kuwait	AA	Aa2	AA	AA-	A								
	Stable	Stable	Stable	Stable	Stable	8.8	8.4	20.0	-	1.2	87.5	15.2	-6.1
Lebanon	B-	B2	B	B	CCC								
	Stable	Negative	Negative	Stable	Stable	-8.1	143.2	110.7	-	17.7	160.8	-15.3	7.7
Oman	A-	A1	-	A	A								
	Stable	Negative	-	Stable	Stable	-13.1	9.5	17.6	-	3.7	81.8	-3.7	0.4
Qatar	AA	Aa2	AA	AA-	AA								
	Stable	Stable	Stable	Stable	Stable	1.4	24.4	64.2	-	18.0	360.3	3.6	-2.4
Saudi Arabia	AA-	Aa3	AA	AA-	A								
	Negative	Stable	Stable	Stable	Stable	-14.2	8.9	12.4	-	4.7	13.7	-1.4	1.0
Syria	-	-	-	-	C								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	BB								
	-	Stable	-	Stable	Stable	-4.3	25.0	26.8	-	4.2	488.6	4.0	1.8
Yemen	-	-	-	-	CC								
	-	-	-	-	Stable	-5.0	47.4	13.2	-	-	-	-1.1	2.3

# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
<b>Asia</b>													
Armenia	-	Ba3	B+	-	-	-2.3	44.8	81.8	137.7	21.9	431.8	-7.3	4.1
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-2.0	42.2	10.2	-	2.7	25.1	2.0	1.5
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-4.1	66.3	19.6	-	6.2	158.2	-3.0	1.1
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	-2.3	15.1	73.9	-	17.3	787.9	-4.1	3.6
	Stable	Positive	Stable	-	Stable								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB	Baa2	BBB-	-	BB	-3.7	26.8	89.9	-	20.2	261.1	-2.3	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-1.9	39.1	65.3	-	19.4	249.2	-0.8	2.1
	Stable	Negative	Stable	-	Stable								
Russia	BB+	Baa3	BBB-	-	BBB	-1.9	16.2	39.0	-	29.1	195.0	2.4	-1.2
	Negative	-	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.7	32.4	49.0	181.2	23.2	376.5	-6.0	1.7
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-6.1	73.4	99.3	-	32.0	978.3	-2.5	2.5
	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 2015



## 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
<b>Emerging Markets</b>					
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	26-Mar-15	No change	30-Jun-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	17-Mar-15	No change	22-Apr-15
South Africa	Repo rate	5.75	26-Mar-15	No change	21-May-15
Kenya	Central Bank Rate	8.50	04-Feb-15	No change	01-May-15
Nigeria	Monetary Policy Rate	13.00	24-Mar-15	No change	19-May-15
Ghana	Prime Rate	21.00	18-Feb-15	Raised 200bps	13-May-15
Angola	Base rate	9.25	30-Mar-15	Raised 25bps	N/A
Mexico	Target Rate	3.00	26-Mar-15	No change	30-Apr-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	2.00	01-Apr-15	Cut 25bps	N/A
Bulgaria	Base Interest	0.01	01-Apr-15	No change	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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