

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Downgrades outpace upgrades in first quarter of 2015**

Standard & Poor's indicated that it downgraded 194 issuers worth \$2,427bn in rated debt and upgraded 77 issuers worth \$257.7bn in rated debt globally in the first quarter of 2015. It noted that the global downgrade ratio, which is the proportion of downgrades to total rating actions, stood at 72% in the first quarter of 2015 compared to the historical average of 62% since 1995. In parallel, S&P downgraded 182 corporate issuers, representing \$1,285bn in rated debt in the first quarter of the year, while it upgraded 75 corporate issuers worth \$199bn. The U.S. had 79 corporate downgrades worth a total of \$329bn and 49 corporate upgrades representing \$125bn; followed by Europe with 36 downgrades (\$665bn) and 14 upgrades (\$52bn), Eastern Europe, the Middle East & Africa (EEMEA) with 28 downgrades (\$171bn), other developed economies with 22 downgrades (\$64bn) and six upgrades (\$5bn), Latin America with 14 downgrades (\$54bn) and two upgrades (\$1bn), and Asia-Pacific with three downgrades (\$2bn) and four upgrades (\$16bn). Further, the agency downgraded 12 sovereigns representing \$1,142bn in rated debt in the first quarter of 2015, while it upgraded two sovereigns worth \$59bn. There were nine sovereign downgrades in emerging economies worth a total of \$997bn and one upgrade representing \$0.1bn; while Europe had three downgrades (\$144bn) and one upgrade (\$59bn).

Source: Standard & Poor's

##### **Corporate default rate at 2.3% at end-March 2015**

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.3% at the end of March 2015, up from 2.1% at the end of 2014 and unchanged from end-March 2014. It noted that 16 rated corporate debt issuers defaulted in the first quarter of 2015, of which 10 were from the U.S. and three from each of Europe and Latin America. It forecast the global speculative-grade default rate to rise slightly to 2.6% by the end of 2015, and to reach 2.7% in the U.S. and 2.4% in Europe. Moody's expected the pace of corporate defaults to remain low and steady in the near term, supported by ample liquidity and the improvement in the U.S. economy. On a sectoral basis, the agency anticipated default rates to be the highest in the metals and mining sectors in the United States, and in the aerospace and defense sectors in Europe over the next 12 months. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 2.7% at the end of March 2015, up from 1.8% at the end of 2014 and from 0.9% at end-March 2014. Moody's added that its speculative-grade corporate distress index, which measures the percentage of high yield issuers that have debt trading at distressed levels, stood at 16.4% at the end of March 2015 relative to 18.1% at the end of 2014 and to 7.1% at end-March 2014.

Source: Moody's Investors Service

##### **Global trade to grow by 3% in 2015**

The World Trade Organization projected world trade to grow by 3.3% in real terms in 2015 compared to a growth rate of 2.8% in 2014, but to remain well below the annual average growth rate of 5.1% posted since 1990. It attributed the modest acceleration in world trade growth to a slight pick up in economic activity in both developed and advanced economies. It expected trade growth to accelerate to 4% in 2016, but to remain well below the pre-financial crisis average growth rate of 6% and the historical average levels. It noted that the fragile recovery in global economic growth and continuous geopolitical tensions could put at risk the slow recovery in global trade. It added that the divergence of monetary policies in the U.S. and the Eurozone, rising concerns about the debt crisis in the Euro area and a stronger-than-expected slowdown in emerging markets are downside risks to the trade outlook. In parallel, the WTO anticipated exports from developed economies to rise by 3.2% in real terms and those from emerging & developing countries to increase by 3.6% in 2015. It forecast imports to developed economies to rise by 3.2% in real terms in 2015 and those to emerging & developing countries to expand by 3.7%. The WTO expected exports from Asia to expand by 5% in 2015, followed by North America with 4.5%, Europe with 3% and South & Central America with 0.2%. Also, it projected imports to Asia to rise by 5.1%, those to North America to increase by 4.9% and those to Europe to grow by 2.7%; while it forecast imports to South & Central America to contract by 0.5% in 2015.

Source: World Trade Organization

#### MENA

##### **ICT readiness lags global trends**

The World Economic Forum/INSEAD Business School's Network Readiness Index for 2015 shows that the average score for the 16 countries of the Middle East & North Africa (MENA) region included in the survey reached 3.91 points, nearly unchanged from 3.89 points in the 2014 survey and below the global average score of 4.1 points. The index reflects the factors driving networked readiness, which is the capacity of countries to fully benefit from new information and communication technologies (ICT) in their competitiveness strategies and their citizens' daily lives. The region's average score came below that of Emerging & Developing Europe (4.26 points) and the Commonwealth of Independent States (4.04 points), while it was above the average scores of Latin America & the Caribbean (3.76 points), Emerging & Developing Asia (3.68 points) and Sub-Saharan Africa (3.18 points). In comparison, the average score of the 15 Arab countries included in the survey was 3.93 points, with an average score of 4.75 points for Gulf Cooperation Council (GCC) countries and of 3.38 points for non-GCC Arab countries. The UAE was the region's top-ranked country and came in 23rd place globally, followed by Qatar (27th place) and Bahrain (30th) as the only Arab countries to rank among the top 30 worldwide. In contrast, Libya (131st), Yemen (136th) and Mauritania (138th) were the lowest-ranked Arab economies in terms of network readiness.

Source: World Economic Forum, Byblos Research

# OUTLOOK

## EMERGING MARKETS

### Economic growth to decelerate to 4.3% in 2015, downside risks persist

The International Monetary Fund projected real GDP growth in emerging markets and developing economies at 4.3% in 2015, unchanged from January but down from an October 2014 forecast of 5%. It pointed out that economic growth in emerging markets and developing economies would decelerate from 4.6% in 2014, the fifth consecutive annual slowdown in economic activity. It attributed the expected deceleration in activity this year to the adverse impact of lower global oil prices on oil-exporting economies, a slowdown in the Chinese economy, and a weaker outlook on Latin America from a softening of other commodity prices. It added that a more limited pass-through to consumers of lower oil prices would constrain real GDP growth in oil-importing economies. The Fund revised upwards its growth projections for Emerging & Developing Asia to 6.6% from the January figure of 6.4% for 2015, while it maintained its growth projections for Emerging & Developing Europe at 2.9% in 2015. It reduced its forecast to 4.5% in 2015 from 4.9% for Sub-Saharan Africa, lowered its projection to 2.7% from 3.2% for the MENA region and downgraded its growth forecast to 0.9% from 1.3% for Latin America & the Caribbean. Also, it expected economic activity in CIS countries to contract by 2.6% in 2015 compared to a contraction of 1.4% previously.

In parallel, the IMF considered that risks to global growth are currently more balanced relative to six months ago, but that they remain tilted to the downside. It said that immediate and short-term risks consist of a faster-than-expected rebound in global oil prices, disruptive asset-price shifts and financial market turmoil, an additional strengthening of the US dollar, geopolitical risks, and near-term growth risks in China. It added that medium-term risks include low potential growth in emerging markets and a hard landing in China.

*Source: International Monetary Fund*

## AFRICA

### WAEMU economies to grow by 6% in 2015

The International Monetary Fund projected real GDP growth in the eight member countries of the West African Economic and Monetary Union (WAEMU) at 6% in 2015, nearly unchanged from 6.1% in 2014. It said that growth would be supported by sustained public and private sector investment, the weakening of the Euro to which the CFA franc is pegged, and lower global oil prices. It forecast the annual average inflation rate in WAEMU economies at 1.5% in 2015 and at about 2% in coming years.

In parallel, the Fund projected the region's overall fiscal deficit, including grants, to narrow from 4.6% of GDP in 2014 to 4.1% of GDP in 2015 and to decline to less than 3% of GDP by 2019 due to fiscal consolidation efforts. It said that the fiscal deficit widened to a 20-year high last year due to rising capital expenditures, especially in Burkina Faso, Côte d'Ivoire, Mali and Niger. It noted that countries increasingly tapped the financial markets, but faced more difficulties last year when bonds issued by Côte d'Ivoire, Niger and Togo were not subscribed in full. It expected the Union's overall public debt level to rise from 38.4%

of GDP in 2014 to 41.3% of GDP in 2015 and to stabilize at about 40% of GDP over the medium term. Further, it forecast the Union's current account deficit, including grants, at 7.3% of GDP in 2015, unchanged from the preceding year, but to gradually narrow to 6.9% of GDP by 2019 due to lower oil prices and to fiscal consolidation. It projected foreign exchange reserves, excluding intra-WAEMU trade, at 4.3 months of import cover at the end of 2015 relative to 4.6 months of imports at end-2014. It noted that the reserve coverage would remain at about four months of imports over the medium-term.

In parallel, the IMF said that the region's outlook is subject to downside risks. It considered that a decrease in the prices of non-oil commodities from a slowdown of growth in advanced and emerging economies would negatively impact the external accounts of commodity-exporters such as Burkina Faso, Mali and Niger. It pointed out that tighter external financing conditions due to the normalization of monetary policy in advanced countries could increase the cost of financing for countries with access to international markets like Côte d'Ivoire and Senegal. Further, it said that delays in fiscal consolidation and a slow implementation of structural reform would reduce growth and worsen the region's external and fiscal positions.

*Source: International Monetary Fund*

## EGYPT

### Pressure on external accounts to persist

BNP Paribas projected Egypt's real GDP to accelerate from an estimated 3.7% in the fiscal year that ends in June 2015 to 4.3% in FY2015/16. But it anticipated the pressure on Egypt's external account to persist in the coming two years despite improving economic prospects, given the rising imports bill and debt financing costs. It forecast the current account deficit to widen from an estimated 2.3% of GDP in FY2014/15 to 4.8% of GDP in FY2015/16. It noted that Egypt has become a net hydrocarbon importer since 2014 due to the constant increase in domestic consumption and the slowdown in investments in the hydrocarbon sector. It said that authorities announced that they would completely stop natural gas exports in 2015, and that they reached a \$2.2bn agreement with international operators for natural gas supplies over the next two years. It anticipated that the gain of about \$0.2bn in FY2014/15 from the decline in oil prices would have a negligible impact on the energy trade balance, and projected the energy trade deficit to exceed \$2.4bn in FY2014/15. It indicated that additional FDI inflows would partially offset the expected deterioration in the current account balance. It forecast the external debt to rise from 16% of GDP in FY2014/15 to 17% of GDP in FY2015/16. However, it considered that investors would return to the hydrocarbon sector due to an improved economic environment, the payment of arrears to oil companies and a better selling price for gas producing companies.

In parallel, BNP Paribas projected Egypt's fiscal deficit to narrow from 11% of GDP in FY2014/15 to 9.7% of GDP in FY2015/16. It forecast the public debt level to regress from 88% of GDP in FY2014/15 to 84% of GDP in FY2015/16. But it considered that the gradual payback of arrears to oil companies and the increase in the purchasing price of natural gas would negatively affect public finances.

*Source: BNP Paribas*



# ECONOMY & TRADE

## WORLD

### Low oil prices to benefit global growth

The International Monetary Fund conducted two simulations to identify the impact of the decline in global oil prices since August 2014 on global economic activity. It noted that the simulations do not take into account the impact of lower demand on prices. The IMF's first simulation assumes that the decline in oil prices is passed on fully to households and firms in all countries. Under this assumption, the IMF's model estimates that global GDP, excluding countries where oil supply is increasing, would rise by an additional 1% by 2016. In parallel, the IMF's second simulation assumes that domestic oil prices are managed in some countries such as Brazil, China, India and Russia, which means that the decline in oil prices would not be fully passed through to consumers and that the resulting increase in fiscal revenues would be saved. Under these assumptions, the IMF estimated that the increase in global GDP would be reduced by half to about 0.5% by 2016. The Fund estimated that the impact of a more limited pass-through on output in advanced economies with market-based oil prices, such as the United States and the Eurozone, would be limited to the spillovers from weaker activity in countries with managed prices. It added that a more limited pass-through would moderate the impact of the decline in oil prices on global inflation. The IMF indicated that its projections for global oil prices in 2015 are 40% lower than its forecast was in October 2014.

Source: *International Monetary Fund*

## MOROCCO

### Sovereign ratings affirmed, outlook 'stable'

Standard & Poor's affirmed Morocco's long- and short-term foreign and local currency sovereign credit ratings at 'BBB-/A-3' with a 'stable' outlook on the long-term ratings. It said that the 'stable' outlook reflects the continuous consolidation of the fiscal and current account deficits in the coming few years, as well as the acceleration of economic growth. It forecast real GDP to gradually grow from 3% in 2014 to 5% in 2018, driven by new sectors such as automotives, aeronautics and electronics, as well as by the ongoing recovery in the tourism sector and the rise in phosphate output. It projected the current account deficit to narrow from 5.7% of GDP in 2014 to 2.3% of GDP in 2018, reflecting lower global oil prices, rising tourism receipts, higher car exports, increased phosphate production, as well as the recovery in key European trade, investment and tourism markets. It anticipated Morocco's gross external financing requirements to be covered in full by current account receipts during the 2015-18 period, and projected reserve coverage at about five months of current account payments. Further, S&P expected the fiscal deficit to narrow from 3.3% of GDP in 2014 to 2.6% of GDP in 2018, reflecting the cut in fuel subsidies and in other current spending, such as in the public-sector wage bill. It considered that the renewed Precautionary Liquidity Line of up to \$5bn with the International Monetary Fund would provide a significant buffer during stress periods, while the pledged grants from GCC countries of about \$1bn annually during the 2013-17 period would support the country's external position.

Source: *Standard & Poor's*

## ALGERIA

### Economic prospects worsening

The Institute of International Finance indicated that Algeria's prospects for strong growth have been set back by the drop in global oil prices, the prevailing difficult business environment, bureaucracy and security concerns. It forecast real GDP growth to decelerate from 4.5% in 2014 to 3.6% in 2015 and 3.3% in 2016. It noted that oil production continued to decline for the ninth consecutive year in 2014, and did not expect this trend to reverse in coming years despite Sonatrach's investment plans. It expected hydrocarbon output growth to decelerate from 2% in 2014 to 1.5% in each of 2015 and 2016, and for the non-hydrocarbon sector growth to slow down from 5% in 2014 to 4.5% in 2015 and 4% in 2016. Further, it said that the current account balance shifted to a deficit of 4.4% in 2014 and expected it to reach 14.8% of GDP in 2015 and 10.4% of GDP in 2016. It projected the fiscal deficit to widen from 7.1% of GDP in 2014 to 14.8% of GDP in 2015 and 10.4% of GDP in 2016 due to the government's ambitious public investment program and lower oil prices. It noted that authorities need to address the large subsidy bill estimated at 8% of GDP in 2015. It considered that the country's large financial buffers provide short-term protection, but that a steady decline in official reserves could be a risk to financial stability over the medium term. It pointed out that official reserves fell by 6% between June and December 2014 and expected them to further drop from \$179bn at end-2014 to \$156.3bn at end-2015 and \$140.8bn at end-2016.

Source: *Institute of International Finance*

## DEM REP CONGO

### Improvement of investment climate faces constraints

BMI Research indicated that the Democratic Republic of Congo's (DRC) attractiveness as an investment destination is constrained by the country's over-reliance on primary exports, which exposes it to fluctuations in commodity prices and global demand. It expected the growth in exports to decelerate during the 2015-18 period due to slowing copper production, as well as to lower commodity prices that would reduce investors' interest in the high-risk market. It added that trade is constrained by the country's rural population, landlocked status, poor domestic security conditions and weak infrastructure. It forecast the DRC's exports to rise by 7.3% annually between 2015 and 2018 relative to an increase of 8% in 2013, with copper production expanding by 4.7% during the covered period compared to a growth peak of 106% in 2013. Further, it anticipated economic activity to decelerate in coming years due to weaker export and investment growth. It estimated that imports would grow by 12.4% annually between 2015 and 2019, almost half the growth levels reached in previous years, but would be the second fastest growth rate in Sub-Saharan Africa. It projected real GDP to grow by 7.1% annually during the 2015-19 period, down from an average growth rate of 7.7% between 2010 and 2014. It cautioned that the country's high dependence on commodity exports is a major source of risk for foreign businesses and investors.

Source: *BMI Research*



# BANKING

## BAHRAIN

### **Banks' ratings downgraded, outlook 'negative'**

Moody's Investors Service downgraded to 'Baa3/Prime-3' from 'Baa2/Prime-2' the long-term deposit ratings of BBK Bank and the National Bank of Bahrain (NBB), and the issuer ratings of Bahrain Development Bank. It also affirmed the issuer ratings of Bahrain Islamic Bank (BIB) at 'Ba3/Not Prime'. It said that all the banks' long-term ratings have a 'negative' outlook, which reflects the risk of a further decline in the authorities' capacity to support the banking sector. The agency's decision follows a similar action on the sovereign ratings and reflects the government's reduced capacity to support the banks in case of need, and the challenges that the banks face in the context of weaker domestic economic activity. In parallel, the agency downgraded the baseline credit assessment (BCA) of BBK and NBB to 'ba1' from 'baa3', while it affirmed that of BIB at 'caa1'. It attributed the downgrade of the banks' BCA to the drop in global oil prices and the worsening of the government's finances, which would weigh on the banks' standalone credit profiles. It expected the gradual weakening in the operating environment to reduce the banking system's liquidity and credit growth, which would eventually weaken the banks' profitability and asset quality.

*Source: Moody's Investors Service*

## NIGERIA

### **Banking sector faces rising economic risks**

Standard & Poor's revised Nigeria's Banking Industry Country Risk Assessment (BICRA) from 'Group 8' to 'Group 9' due to rising economic 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 economic risk for Nigeria's banking system increased due to lower global oil prices that have adversely affected the country's external position. It added that lower oil prices would lead to lower government spending and continuous depreciation of the Nigerian naira, which would weigh on economic activity and increase credit risks for banks. It expected lending growth to decelerate and asset quality to deteriorate over the next two years due to the slowdown in economic activity and to tighter monetary policy. It indicated that Nigeria's economic risks score reflects the rise in economic imbalances from "intermediate risks" to "very high risks", as well as "very high risks" in economic resilience and "extremely high risks" related to credit risks in the economy. It revised the economic risk trend to 'stable' from 'negative'. In parallel, it said that its industry score reflects "extremely high risks" in its institutional framework, while it improved the assessment of competitive dynamics from "very high risks" to "high risks" due to better stability in the sector. It also revised its assessment of system-wide funding from "intermediate risks" to "high risks" due to rising risks from currency mismatches at banks and the pressure on US dollar funding. It said that the trend for industry risks is 'stable'. In parallel, S&P revised the anchor for banks operating in Nigeria to 'b+' from 'bb-', with a limited negative impact on the ratings of Nigeria's largest banks.

*Source: Standard & Poor's*

## IRAN

### **Banking sector to benefit from the lifting of sanctions**

BMI Research anticipated that Iran's banking sector would benefit from an easing of economic and financial sanctions on the country. It noted that the removal of international sanctions would help stabilize the banking sector, but it considered that a surge in lending and deposit growth would take a long period of time to materialize. It expected the impact of sanction relief over the short-term to be limited due to elevated systemic risks. It projected bank deposits to grow by 3% in real terms in the fiscal year that ends in March 2016 and by an additional 5% in FY2016/17, as high statistical base effects and price pressures would weigh on deposit growth over the coming quarters. It forecast lending growth at 4.2% in FY2016/17 as economic activity accelerates. But it noted that banks continue to suffer from high non-performing loans (NPL). It added that the NPL ratio at commercial banks stands currently at 15.6% due to the depreciation of the rial in 2014 and the government's directives to support failing enterprises. It noted that capital injections by the Central Bank of Iran would contribute to reducing systemic risks in the sector. In parallel, BMI Research expected the profitability of commercial banks to remain subdued in the coming two years, given the systemic risks in the sector. It said that banks would have to accumulate provisions to hedge against the risk of non-repayment of loans, while the dominance of state-owned banks in the financial system would reduce the possibility for restructuring and diversifying income streams.

*Source: BMI Research*

## GHANA

### **Currency to continue to depreciate in 2015**

BMI Research anticipated that the Ghanaian cedi would continue to depreciate against the US dollar despite the agreement between the International Monetary Fund and the Ghanaian authorities. It expected the cedi to trade at GHS4.23 per dollar at the end of 2015, reflecting a depreciation of 24% from end-2014 and compared to a 26.2% loss in value in 2014. It pointed out that the finalization of the deal with the IMF towards the end of March 2015 stabilized the value of the cedi, as opposed to the cedi's appreciation after the authorities announced in August 2014 that they intend to initiate talks with the Fund. It considered that any positive outcome from the talks with the IMF was already priced in, and that the country's macroeconomic imbalances persist. Further, it said that the cedi would be negatively affected this year by a strong US dollar. It considered that authorities would be reluctant to increase interest rates and would allow the cedi to further depreciate as they cannot afford to run down their foreign currency reserves to support the exchange rate. In addition, it noted that the inflationary impact of a depreciating currency would be offset by the significant drop in global oil prices. As such, it expected the Bank of Ghana to cut interest rates by 300 basis points in 2015 as it aims to normalize its monetary policy, following an increase of 500 basis points in 2014. In parallel, BMI Research expected the improvement in Ghana's imbalances to be limited this year. It forecast the current account to widen in 2015 and for fiscal consolidation to be slow.

*Source: Fitch Ratings*



## Oil market rebalancing to accelerate from second quarter of 2015 onwards

J.P. Morgan considered that crude oil prices have stabilized following wide and volatile trading, with prices ranging between \$45 per barrel (p/b) and \$115 p/b since July 2014. It noted that oil prices have bottomed-out more quickly than anticipated in the first quarter of 2015, driven by shortfalls in Iraqi oil production, by stronger-than-expected refinery runs that absorbed some of the surplus in the market, and by rising geopolitical tensions in the Middle East. It noted that the medium-term outlook for oil prices has improved substantially since the beginning of 2015. It expected the rebalancing in the oil market to accelerate from the second quarter of 2015 onwards. This is due to greater-than-expected cuts in capital expenditure plans from U.S. oil producers and to an unprecedented drop in U.S. rig count that would slow non-OPEC supply growth. As such, J.P. Morgan raised its average WTI oil price forecasts to \$52 p/b in 2015 and to \$54 p/b in 2016. It anticipated the growth in oil demand to strengthen in the coming months. It noted that price volatility could persist in the near term as supply from the Middle East is expected to remain high, with Saudi Arabia and Iraqi production on the rise.

Source: J.P. Morgan, Barron's

## Abu Dhabi to invest \$25bn to develop offshore oil production by 2020

The Abu Dhabi National Oil Company (ADNOC) announced plans to invest \$25bn in the next five years to increase its oil production capacity from offshore fields. The plan is part of the UAE's strategy to increase its crude oil output potential to 3.5 million barrels per day (b/d) by 2017-18 from a current production level of about 2.8 million b/d. The plan allocates \$2.5 billion per year for offshore drilling activities. ADNOC aims to drill 160 offshore wells per year over the next two years.

Source: Thomson Reuters

## BP signs \$12bn deal to develop Egyptian gas field

Egypt and the British multinational oil & gas company, BP, signed in March 2015 the final agreements of the \$12bn West Nile Delta (WND) project. The WND project includes the development of 5 trillion cubic feet of gas resources and 55 million barrels of condensates. Gas production from the WND is expected to start in 2017 and to reach up to 1.2 billion cubic feet a day (bcf/d), equivalent to about 25% of Egypt's current gas production. All the produced gas will be fed into the country's national gas grid, which would help Egypt meet the anticipated growth in local demand for energy. The country's demand for natural gas in FY2015/16, ending on June 30, is expected to reach between 6 and 6.5 bcf/d. BP, one of the largest foreign investors in Egypt, has about 65% equity in the WND project.

Source: BP

## OPEC's basket price down 3% in March 2015

The Organization of the Petroleum Exporting Countries' oil reference basket price reached \$52.46 per barrel (p/b) in March 2015, constituting a drop of 3% from \$54.06 p/b in the preceding month. Abu Dhabi's Murban crude oil posted the highest price among the basket's components at \$57.41 p/b in March, followed by Algeria's Saharan Blend at \$56.93 p/b and Angola's Girassol at \$56.86 p/b. All prices included in the basket posted monthly decreases of 2% to 5.4% in March 2015.

Source: OPEC, Byblos Research

## Base Metals: Copper prices to drop by 6% in 2015 and to gradually recover through 2018

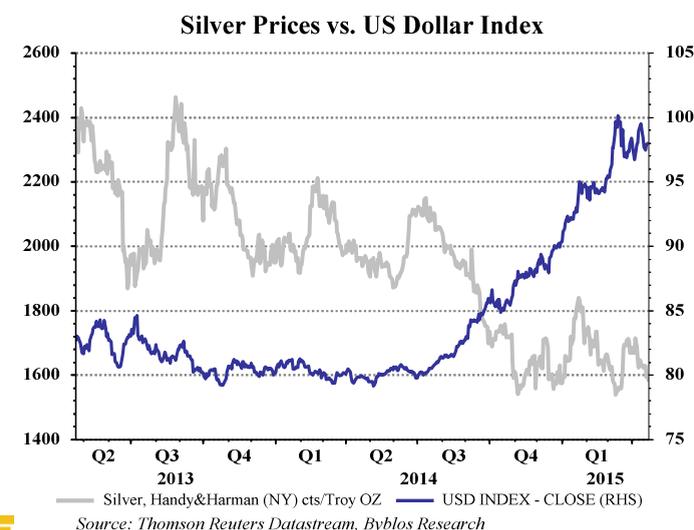
Copper prices are expected to gradually recover during 2015, supported by weaker supply growth and higher Chinese demand for the metal. The average cash price of LME copper was \$5,790 per ton in the first quarter, and is forecast to rise to \$6,300 per ton in the second quarter, to \$6,600 a ton in the third quarter and to \$7,000 per ton in the fourth quarter of 2015. The copper market is forecast to be undersupplied in the coming three years, which would place upward pressure on the metal's price. The LME copper price is forecast to drop by 5.9% to an average of \$6,425 a ton in 2015 and to gradually rise towards \$9,000 a ton by 2018. Global copper consumption is projected to grow by 3.5% in 2015, while the metal's refined supply is expected to rise by 3%. The Chinese State Reserves Bureau (SRB), which manages the country's strategic material reserves such as copper and is the world's main buyer of copper, is expected to increase its holdings of copper stocks by at least 200,000 tons in 2015 in order to achieve its two million tons holding target. As a result, the SRB's plan would put pressure on demand in 2015. In addition, China's \$1.1 trillion plan to implement infrastructure-related projects is expected to support copper demand in the second half of 2015.

Source: Citi Research, Byblos Research

## Precious Metals: Silver prices on downward trend during 2015

Silver prices grew by 6.1% in the first quarter of 2015 to close at \$16.7 a troy ounce on March 31st, but declined afterwards by 4.8% to close at \$15.8 an ounce on April 22nd. The drop in prices is mainly due to a stronger US dollar and to the ongoing concerns of a Chinese economic slowdown. Downward pressure on silver prices is projected to persist in 2015 due to weak global retail demand and strong growth in mine supply that would cap gains for the remainder of the year. Silver prices averaged \$16.7 a troy ounce in the first quarter of 2015, and are forecast to drop to an average of \$16.2 a troy ounce in each of the second and third quarters, and to \$15.8 a troy ounce in the fourth quarter of 2015. Overall, the metal's average price is projected at \$16.2 a troy ounce in 2015, which would reflect a decrease of 15.2% from \$19.1 an ounce in 2014. But prices are forecast to gradually recover from 2016 onwards.

Source: Citi Research, Byblos Research



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central govt. 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	-9.5	9.0	1.4	5.7	1.2	-	-15.7	-
Angola	B+	Ba2	BB-	-	BB	-4.2	38.8	27.0	56.0	15.4	57.6	-6.3	-4.7
Egypt	B-	B3	B	B-	CCC	-8.5	92.6	17.3	124.6	8.2	467.5	-3.3	-1.3
Ethiopia	B	B1	B	-	CCC	-2.9	54.3	28.9	135.9	4.4	591.0	-6.6	-3.1
Ghana	B-	B3	B	-	B	-9.2	67.2	33.8	77.3	4.5	376.2	-7.0	7.5
Ivory Coast	-	B1	B	-	B	-2.7	50.3	29.2	-	9.4	198.2	-2.3	2.6
Libya	-	-	B	-	B	-14.9	6.2	9.9	-	7.5	-	-52.8	-
Dem Rep Congo	B-	B3	-	-	-	-1.7	21.7	29.2	32.0	2.3	5.5	-10.7	6.9
Morocco	BBB-	Ba1	BBB-	-	B	-4.3	68.0	32.9	96.6	11.7	249.1	-3.4	2.7
Nigeria	B+	Ba3	BB-	-	B	-2.8	20.2	3.4	11.1	0.4	43.8	0.7	2.0
Sudan	-	-	-	-	C	-1.2	87.6	77.9	-	-	-	-4.2	3.3
Tunisia	-	Ba3	BB-	-	CCC	-3.3	49.9	55.1	100.9	8.5	367.9	-6.4	3.7
Burkina Faso	B	-	-	-	-	-3.1	21.9	21.9	-	-	-	-8.1	-
Rwanda	B+	-	B	-	-	-4.2	33.5	30.9	-	11.8	-	-10.5	2.9
<b>Middle East</b>													
Bahrain	BBB-	Baa3	BBB	BBB	BB	-12.5	60.8	118.6	-	17.5	721.6	-2.1	0.4
Iran	-	-	-	B	CCC	-3.1	12.5	1.7	-	-	-	0.8	-
Iraq	-	-	-	-	CCC	-8.7	-	-	-	-	-	-9.6	-
Jordan	BB-	B1	-	BB-	CCC	-3.2	90.7	73.3	-	9.6	205.3	-7.6	5.3
Kuwait	AA	Aa2	AA	AA-	A	8.8	8.4	20.0	-	1.2	87.5	15.7	-6.1
Lebanon	B-	B2	B	B	CCC	-8.1	143.2	110.7	-	17.7	160.8	-22.2	7.7
Oman	A-	A1	-	A	A	-13.1	9.5	17.6	-	3.7	81.8	-15	0.4
Qatar	AA	Aa2	AA	AA-	AA	1.4	24.4	64.2	-	18.0	360.3	8.4	-2.4
Saudi Arabia	AA-	Aa3	AA	AA-	A	-14.2	8.9	12.4	-	4.7	13.7	-1.0	1.0
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	BB	-4.3	25.0	26.8	-	4.2	488.6	5.3	1.8
Yemen	-	-	-	-	CC	-5.0	47.4	13.2	-	-	-	-2.2	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	298.8	21.9	431.8	-8.6	4.1
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-2.0	41.9	10.2	-	2.7	25.1	3.2	1.5
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-4.1	62.6	23.6	101.9	5.6	158.2	-1.3	1.1
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	4.1	14.3	74.3	195.4	17.3	787.9	-4.1	3.6
	Stable	Positive	Stable	-	Stable								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB	Baa2	BBB-	-	BB	-1.1	20.5	87.3	122.3	20.2	261.1	0.2	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-1.8	40.5	54.3	132.5	19.4	249.2	-1.1	2.1
	Stable	Negative	Stable	-	Stable								
Russia	BB+	Baa3	BBB-	-	BBB	-1.9	16.2	39.0	133.7	29.1	195.0	5.4	-1.2
	Negative	-	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.7	32.4	49.0	181.2	23.2	376.5	-4.2	1.7
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-7.5	70.6	114.6	189.9	32.0	978.3	-1.4	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	15-Apr-15	No change	03-Jun-15
UK	Bank Rate	0.50	09-Apr-15	No change	11-May-15
Japan	O/N Call Rate	0.00-0.10	08-Apr-15	No change	30-Apr-15
Australia	Cash Rate	2.25	07-Apr-15	No change	05-May-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	15-Apr-15	Cut 25bps	15-Jul-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	09-Apr-15	No change	15-May-15
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	07-Apr-15	No change	02-Jun-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	22-Apr-15	No change	20-May-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



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](mailto:research@byblosbank.com.lb)

[www.byblosbank.com](http://www.byblosbank.com)

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# 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

