

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Post-tax energy subsidies at 6.5% of GDP

The International Monetary Fund projected pre-tax energy subsidies to decline from 0.7% of global GDP in each of 2011 and 2013 to 0.4% of global GDP in 2015 due to lower global energy prices and given that several country will partially pass-through the drop in prices to consumers. It estimated pre-tax subsidies for petroleum at 0.2% of GDP in 2015 compared to 0.4% of GDP in 2013, and for natural gas at 0.1% of GDP each in 2015 relative to 0.2% of GDP each in 2013. It noted that the pre-tax subsidies for coal have been negligible. However, the IMF said that post-tax subsidies remain high despite the drop in energy prices due to the high growth in energy consumption. It noted that post-tax subsidies are large and prevalent in both advanced and developing economies, and among oil-producing and non-oil producing countries alike. It forecast post-tax subsidies at 6.5% of GDP in 2015, unchanged from 2013 and up from 5.8% of GDP in 2011. In nominal terms, it expected post-tax subsidies to rise from \$4.9 trillion in 2013 to \$5.3 trillion in 2015. It projected post-tax subsidies for coal at 3.9% of GDP in 2015 relative to 3.4% of GDP in 2013; for petroleum at 1.8% of GDP down from 2.2% of GDP in 2013; for natural gas at 0.6% of GDP, unchanged since 2011 and for electricity at 0.2% of GDP in 2015 relative to 0.3% of GDP in 2013. The Fund estimated that eliminating post-tax subsidies in 2015 could raise government revenues by \$2.9 trillion, equivalent to 3.6% of global GDP.

Source: *International Monetary Fund*

Compliance challenges to increase

A survey of about 600 compliance professionals from financial services firms across the world about the cost of compliance and the challenges firms expect to face this year shows that 70% of respondents anticipate regulators to publish more information over the next 12 months. It noted that 39% of compliance teams spend between one to three hours on average per week amending policies and procedures to reflect the latest regulatory rules. Further, it said that interaction and alignment between control functions lack coordination. It noted that 35% of compliance teams spend one to three hours on average per week consulting with the legal unit and 37% of them spend the same amount of time consulting with the risk functions; while 48% of compliance teams spend less than one hour consulting with the audit unit. In addition, 62% of respondents expect to spend more time over the next 12 months to communicate with regulators. It pointed out that global regulatory changes are a challenge for compliance units due to their inconsistency, overlap and short timeframe. It added that understanding regulators' expectations and requirements, as well as the ability to interpret and apply them are another challenge for compliance professionals. Further, 75% of participants expect the focus on managing regulatory risk to increase in 2015, due to the greater regulatory focus on conduct risk. The survey showed that compliance budgets and the availability of skilled resources is not keeping pace with the level and depth of the current compliance challenges.

Source: *Thomson Reuters*

EMERGING MARKETS

Sovereign and corporate debt issuance at \$135bn in first four months of 2015

The aggregate sovereign and corporate bond issuance in emerging markets totaled \$135.3bn in the first four months of 2015. Issuance in Asia reached \$64.2bn or 47.5% of the total, followed by Latin America with \$34.6bn (25.6%), Emerging Europe, the Middle East & Africa (EEMEA) with \$28bn (20.7%), and Gulf Cooperation Council (GCC) countries with \$8.5bn (6.3%). Further, corporate bond issuance in emerging markets totaled \$97.7bn or 72.2% of total sovereign and corporate bond issuance in the first four months of the year. Issuance in Asia reached \$58bn or 59.4% of total corporate issuance, followed by Latin America with \$19.3bn (19.8%), the EEMEA with \$12.9bn (13.2%) and GCC countries with \$7.5bn (7.7%). In parallel, sovereign issuance totaled \$37.7bn or 27.9% of total sovereign and corporate bond issuance in the covered period. Sovereign issuance in Latin America reached \$15.3bn or 40.6% of total sovereign issuance, followed by the EEMEA region with \$15.1bn (40.1%), Asia with \$6.2bn (16.4%) and GCC economies with \$1bn (2.7%). Merrill Lynch projected sovereign bond issuance in emerging markets at \$76bn in 2015, and expected the EEMEA region to issue \$30.2bn, followed by Latin America at \$18.7bn, Asia at \$12.6bn and GCC countries at \$3.3bn.

Source: *Merrill Lynch*

MENA

M&A in insurance sector to pick up

Rating agency A.M. Best indicated that merger & acquisitions activity and stakebuilding are gaining momentum in the Middle East insurance market, as financially strong and profitable insurers seek to deploy surplus capital to broaden their profiles and satisfy shareholders' expectations. It said that domestic insurers in the region have strengthened their profiles through acquisitions and increased participation in selected companies, while foreign insurers' interest in the region has remained subdued in the past few months. However, it considered that M&A insurance deals face challenges, given that many insurers in the region are family-owned and are reluctant to relinquish control of their companies. It added that government ownership in several insurance companies prevent them from being an acquisition target. Also, it noted that the key challenge is to successfully integrate the acquired insurance firm and generate sufficient synergies to create a stronger entity. A.M. Best considered consolidation to be beneficial to the market, as it would reduce competition and raise rates over the short term. It added that the removal of small unprofitable players would generate greater market discipline. It pointed out that the current fragmented domestic insurance market is conducive to industry consolidation. It noted that insurers will be forced to further consolidate over time, as some insurers are unable to create economies of scale. Also, it said that many companies are struggling to generate adequate capital returns due to pricing pressure and their inability to attain sufficient scale to offset their expense bases. It noted that such companies would seek to merge with other companies to enhance their profiles.

Source: *A.M. Best*

OUTLOOK

EGYPT

Positive economic prospects, risks persist

Deutsche Bank expected Egypt's real GDP growth to significantly accelerate in the fiscal year that ends in June 2015 and in FY2015/16. It indicated that optimism about economic prospects is high, supported by improving security conditions, a stable political situation and the implementation of reforms. It noted that the better operating environment would revive investment activity and lead to a recovery in the manufacturing, tourism and construction sectors. It said that risks to the outlook include a deterioration in security conditions that would stall any recovery in tourism activity and foreign investment, and high expectations of an immediate improvement in living conditions that could renew social tensions. It added that providing sufficient jobs for the 2.5 million people that enter the labor force every year is the main challenge over the medium- to long-term.

In parallel, Deutsche Bank indicated that fiscal policy would focus on reprioritizing public spending. It estimated that energy subsidy reforms and lower oil prices would reduce the subsidy bill by about 20% to the equivalent of 4.3% of GDP in FY2014/15. But it noted that fuel and energy prices are still below production costs and continue to absorb a large share of public spending. It pointed out that the announced consolidation measures aim to narrow the fiscal deficit from 10.5% of GDP in FY2014/15 to about 8% of GDP by FY2018/19. But it said that the public debt level would remain at about 85% of GDP in FY2018/19 relative to 95% of GDP in FY2014/15.

In parallel, Deutsche Bank indicated that the 6.3% depreciation of the Egyptian pound in January 2015, along with the introduction of regulatory limits on deposits in foreign currency, narrowed the gap between the official and black market exchange rates from 10% in early 2015 to less than 1% currently. It said that foreign currency reserves rose to \$20.5bn, the highest level since late 2011, following the \$6bn in deposits at the Central Bank of Egypt by Gulf countries. It noted that authorities expect the reliance on Gulf support to decline, as tourism, Suez Canal revenues and capital inflows pick up. It added that improvement in the balance of payments would mitigate the pressure on the pound and prevent a renewed drop in foreign currency reserves.

Source: Deutsche Bank

IRAQ

Economic growth at 1.3% in 2015

The International Monetary Fund projected Iraq's real GDP to expand by 1.3% in 2015 and by 7.6% in 2016, relative to a contraction of 2.4% in 2014, and compared to growth rates of 2.4% in 2015 and 3.5% in 2016 for Middle Eastern oil exporting countries. It forecast the country's real non-oil GDP contraction to regress from 9.3% in 2014 to 7.9% in 2015 and to post a growth rate of 2% in 2016. It also projected Iraq's oil GDP to grow by 9.3% in 2015 and by 11.8% in 2016. It expected the country's annual average inflation rate at 3% in each of 2015 and 2016. Also, it anticipated broad money to grow by 6.7% this year and by 9.5% next year. The Fund projected the fiscal deficit to widen from 3% of GDP in 2014 to 10% of GDP in 2015 and to 6.3% of GDP in 2016. It forecast the fiscal breakeven oil price at \$70.9

per barrel (p/b) in 2015 and at \$75.3 p/b in 2016 relative to \$107.4 p/b in 2014. Also, it expected the non-oil fiscal deficit to narrow from 62% of non-oil GDP last year to 55.8% of non-oil GDP in 2015 and 58.3% of non-oil GDP in 2016. It estimated overall government revenues, excluding grants, at 40.9% of GDP in 2015 and 44.3% of GDP next year; and expenditures & net lending at 50.9% of GDP this year and 50.6% of GDP in 2016.

The IMF projected Iraq's government debt to rise from 37% of GDP at end-2014 to 55.6% of GDP at the end of 2015 and to 56.2% of GDP at end-2016. It also forecast total gross external debt at 33.6% of GDP this year and 28.5% of GDP next year. Further, the Fund estimated Iraq's exports of goods & services at \$63.7bn in 2015 and \$79.8bn in 2016, and imports of goods & services at \$80bn in 2015 and \$82.2bn in 2016. It forecast the current account to post deficits of \$16.6bn or 9.6% of GDP in 2015 and \$7.3bn or 3.6% of GDP in 2016. It expected the country's gross official foreign currency reserves to drop from \$66bn at end-2014 to \$45.3bn at end-2015 and \$36.3bn at end-2016. The Fund anticipated Iraq's oil production to increase from 3.11 million barrels per day in 2014 to 3.4 million b/d this year, and for oil exports to rise from 2.35 million b/d last year to 3.05 million b/d in 2015.

Source: International Monetary Fund

ALGERIA

Non-oil GDP growth at 4.8% in 2015 and 4.4% in 2016

The International Monetary Fund projected Algeria's real GDP growth at 2.6% in 2015 and 3.9% in 2016, compared to a growth rate of 4.1% in 2014. In parallel, it forecast growth at 2.7% in 2015 and at 3.7% in 2016 for the MENA economies, and at 2.4% in 2015 and at 3.5% in 2016 for the region's oil exporters. It also forecast non-oil GDP to grow by 4.8% in 2015 and by 4.4% in 2016, down from 5.1% last year. It expected the country's nominal GDP to reach \$187.2bn in 2015 and \$197.5bn in 2016. It forecast Algeria's annual average inflation rate at 4% in each of 2015 and 2016, compared to 2.9% in 2014. It anticipated broad money to grow by 3.7% in 2015 and by 5.7% in 2016 relative to a growth rate of 14.5% last year. The Fund projected the central government's fiscal balance to post deficits of 12.9% of GDP in 2015 and 10% of GDP in 2016. It estimated public revenues at 30% of GDP in 2015, down from 33.2% of GDP last year, and total expenditures and net lending at 43% of GDP this year, up from 40.1% of GDP in 2014.

The IMF projected Algeria's public debt to reach 13.6% of GDP at end-2015 and 15.4% of GDP at end-2016, relative to 8.8% of GDP at end-2014. It also forecast total gross external debt at 2% of GDP this year and 1.8% of GDP next year. Further, the Fund estimated Algeria's exports of goods & services at \$39.4bn in 2015 and at \$44.2bn in 2016 relative to \$63.4bn in 2014, and forecast imports of goods & services at \$67.2bn in 2015 and at \$70.1bn in 2016 compared to \$71.1bn in 2014. It also anticipated the current account deficit to widen from \$9.3bn, or 4.3% of GDP in 2014 to \$29.4bn, or 15.7% of GDP in 2015 and to \$26bn, or 13.2% of GDP in 2016, compared to a deficit of 1% of GDP in 2015 and a surplus of 1.7% of GDP in 2016 for oil-exporters.

Source: International Monetary Fund



EMERGING MARKETS

Oil producers feeling the impact of low oil prices

Deutsche Bank indicated that several oil producing countries have started to restrain their public spending and/or to allow their currencies to depreciate, such as in Nigeria, Russia and Venezuela, which reduced their fiscal breakeven oil prices. It considered that additional exchange rate adjustments would be necessary in Nigeria to avoid an excessive reduction in public spending, and in Venezuela to avoid default. It did not expect the Russian ruble to further depreciate at current oil prices, and added that the Central Bank of Russia would try to limit any upward pressure on the currency. It noted that fiscal breakeven oil prices remain elevated in other oil producers, especially in Saudi Arabia, as these economies have absorbed the shock to oil prices by drawing down accumulated oil savings. It considered that Gulf Cooperation Council (GCC) economies, except for Bahrain and Oman, can afford to adjust to lower oil prices more slowly than other oil producers due to their large buffers and to relatively low breakeven oil prices in the case of Kuwait, Qatar and the UAE. It expected Saudi Arabia's government to start reducing spending next year, mainly through cuts in capital expenditures. Deutsche Bank projected the fiscal breakeven Brent oil price of Bahrain at \$118.7 per barrel (p/b) in 2015, the highest among emerging market oil producers, followed by Saudi Arabia at \$136.2 p/b, Oman at \$90.7 p/b, Venezuela at \$89 p/b, Nigeria at \$87.9 p/b, Kazakhstan at \$81.6 p/b, Russia at \$78 p/b, the UAE at \$65.5 p/b, Qatar at \$52.7 p/b and Kuwait at \$47.9 p/b. It expected Qatar and Kuwait to post fiscal surpluses this year, and for the remaining oil producers to register fiscal deficits.

Source: Deutsche Bank

AFRICA

Stable outlook for SSA sovereigns

Moody's Investors Service anticipated that strong infrastructure investment, structural reforms and competitiveness gains from currency depreciation would support the credit quality of sovereigns in Sub-Saharan Africa (SSA) over the next 12 to 18 months. However, it noted that lower global oil and other commodity prices, uneven global growth, sustained political risks and tighter external financing conditions pose challenges of varying degrees to SSA economies. It projected the region's real GDP growth at about 4.5% to 4.75% in 2015, the second consecutive annual deceleration in activity. But it noted that SSA would remain the second-fastest growing region in the world this year after developing Asia, and would exceed the global average growth rate of about 3%. It pointed out that fluctuations in commodity prices strongly affect almost all SSA countries due to the latter's heavy dependence on commodities and natural resources, and given that oil exporters contributed about half of the region's total GDP in 2014. It projected fiscal deficits in SSA countries to widen this year, which would lead to higher public debt burdens. It noted that tighter external financing conditions would constrain alternatives to budget consolidation. In parallel, Moody's indicated that the stable SSA sovereign rating outlooks balance negative factors, such as weaker commodity prices and tighter external financing conditions, against positive drivers that include infrastructure spending, ongoing reforms and rising domestic demand.

Source: Moody's Investors Service

EGYPT

Outlook revised to 'positive' on economic recovery and reforms

Standard & Poor's revised the outlook from 'stable' to 'positive' on Egypt's 'B-/B' long- and short-term foreign and local currency sovereign credit ratings. It attributed the outlook revision to the gradual recovery in Egypt's economic activity, supported by improving political stability, the implementation of fiscal and economic reforms, and sustained support from Gulf countries. It projected real GDP growth to average 4.3% annually during the 2015-18 period, due to the expected FDI inflows of more than \$10bn per year during the covered period. It said that Saudi Arabia, the UAE and Qatar pledged in early 2015 an additional \$12.5bn in economic and financial assistance to Egypt. It noted that the Central Bank of Egypt received \$6bn in deposits from the three economies at the end of April 2015, which increased the country's foreign currency reserves to \$20.5bn. The agency indicated that Egypt's persisting wide fiscal deficits, elevated domestic debt, low income levels, as well as institutional and social fragility constrain the ratings. It forecast the fiscal deficit to stabilize at about 10% of GDP between 2015 and 2018 given the government's limited ability to significantly cut spending. It expected the net public debt level to rise from an average of 73% of GDP in the past four years to 82% of GDP during the 2015-18 period, and for debt servicing to absorb about 34% of public revenues during the covered period, relative to 27% between 2010 and 2014. S&P projected the country's overall net external liabilities at 125% of current account receipts (CARs) in 2015 and at 158% of CARs in 2018.

Source: Standard & Poor's

DEM REP CONGO

Ratings constrained by fragile economic fundamentals and weak institutions

Moody's Investors Service indicated that the Democratic Republic of Congo's (DRC) 'B3' sovereign rating reflects the fragile state of the economy, as well as the country's very low per capita income and institutional strength. However, it indicated that these weaknesses are offset in part by the country's robust growth prospects and by a gradual improvement in governance indicators over the past 10 years. It added that authorities implemented a series of reforms to enhance transparency and improve the business climate. It forecast the DRC's real GDP growth rate to average 10.2% over the next two years, which would exceed the average growth rate of the past 10 years by 3.4 percentage points. It expected substantial foreign investment inflows into the mining sector to support economic activity, and forecast a rise in domestic consumption as the economy recovers from past domestic conflicts. The agency has a 'stable' outlook on the DRC's sovereign ratings. It pointed out that a decline in global commodity prices, a rapid depreciation of the Congolese franc, a large deterioration in the fiscal balance, or an increase in instability in the eastern parts of the country would lead to downward pressure on the sovereign rating.

Source: Moody's Investors Service



BANKING

JORDAN

Construction and trade account for 42% of overall lending at end-March 2015

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD19.8bn or \$27.9bn at the end of March 2015, constituting an increase of 2.6% from JD19.3bn at end-2014 and a rise of 5.9% from JD18.7bn end-March 2014. Credit in foreign currency accounted for 13.5% of the total at end-March 2015, down from 14.2% a year earlier. The resident private sector accounted for 87.1% of total credit relative to 89.7% at end-March 2014, followed by the central government with 8.5%, up from 6.3% a year earlier; the non-resident private sector with 2.5% relative to 2.3% at end-March 2014 and public entities with 1.8%, up from 1.7% a year earlier. The distribution of credit by sector shows that construction represented JD4.5bn or 22.7% of the total at end-March 2015, up from 22.4% a year earlier; while general trade represented JD3.8bn or 19.1% of the total relative to 18.9% a year earlier. They were followed by public services & utilities with JD2.6bn or 13.2% of the total; industry with JD2.4bn (12.2%); tourism, hotels & restaurants with JD596.4m (3%); financial services with JD543.3m (2.7%); transportation services with JD258.3m (1.3%); agriculture with JD254.6m (1.3%), and mining with JD163.7m (0.8%). Further, other sectors accounted for JD4.7bn, or 23.7% of total credit, of which JD198.2m were extended to buy shares. In parallel, loans & advances reached JD12.9bn of overall credit at end-March 2015, followed by Islamic banks receivables with JD4.3bn, overdrafts with JD2.2bn and discounted bills with JD258.1m.

Source: Central Bank of Jordan, Byblos Research

SYRIA

Currency to remain under pressure

BMI Research anticipated the Syrian pound to remain under significant pressure over the coming quarters, despite the financial support from Iran and the government's attempt to stabilize the currency. It said that the pound has depreciated at a rapid pace since the end of 2014, reflecting worsening economic and trade fundamentals, as well as the regime's limited ability to collect foreign currency earnings and military losses. It pointed out that the pound was trading at SYP246.3 against the US dollar on the official market as of mid-May 2015, reflecting a 60.1% loss from an average of SYP153.8 per dollar in 2014. Further, it indicated that the pound was extremely volatile in recent weeks, and briefly reached a record low of SYP340 per dollar on the black market at the end of April following strategic wins by rebels. It expected the rebels' capture of Syria's last crossing border with Jordan in April 2015 to put further pressure on the regime's export earnings and income from transit fees. It considered that the Central Bank of Syria's efforts to defend the pound would provide temporary support to the currency in the absence of larger foreign currency inflows. It estimated that Syria's foreign currency reserves have dropped from \$16.7bn in mid-2011 to about \$5.5bn currently. It expected the pound's depreciation to slow down in the second half of 2015, following a \$1bn credit line from Iran. It forecast the pound to trade at an average of SYP250 against the US dollar on the official market in 2015.

Source: BMI Research

QATAR

Banking sector assessment maintained

Standard & Poor's maintained Qatar's Banking Industry Country Risk Assessment (BICRA) in 'Group 4', as well as its economic risk score at '4' and industry risk score at '5'. 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 noted that other countries in BICRA's 'Group 4' include the Czech Republic, Kuwait, Malaysia, Mexico, Oman, Slovakia and Taiwan. Further, it indicated that Qatar's economic risk score reflects "low risks" in economic resilience, "intermediate risks" in credit risk in the economy and "high risks" in economic imbalances. It forecast credit growth to average about 9% annually during the 2015-17 period, significantly slower than the average growth rate of 25% during the 2002-12 period due to a deleveraging in government-related entities. It considered that the high lending concentration in the real estate and construction sectors constitutes one of the main risks to the banking sector. In parallel, it said that its industry score indicates that the country faces "intermediate risks" in its institutional framework and system-wide funding, and "high risks" in its competitive dynamics. It noted that Qatari banks have not faced major challenges when dealing with the introduction of Basel III rules. But it indicated that banks' risk appetite remains elevated, with very limited experience abroad. It expected government and public-sector deposits to slow down in 2015 and for the cost of funding to increase. It said that the trend for economic and industry risks is "stable".

Source: Standard & Poor's

TURKEY

Currency depreciation to hurt banks' asset quality

Moody's Investors Service expected the steep depreciation of the Turkish lira in recent months to worsen the asset quality of Turkish banks and to increase their risk-weighted assets. First, it anticipated the depreciation of the lira to increase the value of foreign currency-denominated loans that account for about 30% of total loans, which would increase delinquencies. It noted that this would raise the sector's non-performing loans ratio to between 3.5% to 4% in 2015 from 2.8% at the end of 2014. Second, it expected the growth in risk-weighted assets to adversely affect banks' capitalization levels, as it would increase the risk weight of foreign-currency loans relative to Core Tier One capital, which is mostly held in local currency. It estimated that a 5% depreciation of the lira would lower Core Tier One capital by about 15 basis points on average, with the impact ranging between five and 25 basis points, depending on each bank. In parallel, Moody's expected the risk premium that Turkish banks have to pay on their external borrowing over the coming 12 to 18 months to increase due to worsening trends and high dependence on external wholesale funding. But it indicated that the pressure on re-financing needs would vary across banks, as some leading banks have comfortable liquidity resources to weather this pressure. However, it considered that the overall impact of rising external borrowing cost on the banking sector would be negative and would make the operating environment more challenging.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Oil prices to average \$53 p/b in 2015

The World Bank projected its Energy Price Index to fall by 41.7% in 2015, which would mainly reflect a 44.7% annual drop in North Sea Brent oil prices to an average of \$53.2 per barrel (p/b). It indicated that most of the decline in prices has already materialized, which means that oil prices would remain nearly flat for the rest of 2015. It expected oil prices to recover modestly in 2016, and to rise by 7.5% year-on-year to an average of \$57.2 p/b, as supply in the market remains abundant. Further, the World Bank forecast natural gas prices to decline significantly this year, especially for European gas (-16%) and Japanese liquefied natural gas (-25%), reflecting in part the drop in oil prices. It projected U.S. natural gas prices to fall by 15% to an average of \$3 per million British thermal units in 2015 amid continued growth in shale gas production. It said that downside pressure on energy prices include higher-than-expected production as a result of falling costs. It added that another downside risk is a potential agreement between Iran and the UN Security Council's permanent members plus Germany on Tehran's nuclear program in exchange for the removal of sanctions. The World Bank noted that upside risks to the price outlook include an earlier-than-expected closure of high-cost operations, supply restraint by major producers, and unexpected disruptions to supply from geopolitical factors.

Source: *The World Bank Group*

Natural gas production in MENA to remain nearly unchanged in 2015

Natural gas production in the Middle East & North Africa region is forecast to average 13.12 million barrels of oil equivalent per day (boe/d) in 2015, which would constitute a marginal increase of 0.4% from 2014. The Gulf Cooperation Council countries' gas production is expected to account for 67.5% of the region's gas supply in 2015. Qatar's natural gas output is projected at 4.12 million boe/d in 2015, equivalent to about 31.4% of the region's gas production. It would be followed by Iran at 2.8 million boe/d (21.2%) and Saudi Arabia at 2.2 million boe/d (16.4%).

Source: *International Monetary Fund, Byblos Research*

Global production of petroleum and other liquids up 2% in 2014

The production of global petroleum and other liquids averaged 92.2 million barrels per day (b/d) in 2014, reflecting an increase of 2.3% from 90.1 million b/d in 2013. Petroleum and other liquids include crude oil and products of petroleum refining, natural gas liquids, biofuels, and liquids derived from other hydrocarbon sources. The U.S. remained the world's largest producer of petroleum and other liquids in 2014, with an average output of 14 million b/d, and accounted for 15.2% of global production. It was followed by Saudi Arabia with 11.6 million b/d (12.6%) and Russia with 10.9 million b/d (11.8%).

Source: *U.S. Energy Information Administration*

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

Crude oil consumption in the Middle East & Africa region is expected to average 12.15 million barrels per day (b/d) in 2015, which would constitute a rise of 2.6% from 11.84 million b/d in 2014. The region's demand for oil would account for 13.1% of global consumption this year. In parallel, the region's non-OPEC oil supply is forecast to drop by 2.4% to 3.67 million b/d in 2015.

Source: *OPEC, Byblos Research*

Base Metals: Zinc prices to drop by 1% in 2015

Zinc prices rose by 1% from the end of 2014 to \$2,190 a ton on May 21, 2015 partly due to falling LME inventories. Prices are projected to decrease by 1.4% year-on-year to an average of \$2,135 a ton in 2015 due in part to weak growth in galvanized steel sheet production, which accounts for about half of global zinc consumption, as well as to robust mine supply and a strong US dollar. LME zinc prices averaged \$2,092 per ton in the first quarter of 2015 and are forecast at \$2,120 a ton in the second quarter, \$2,150 a ton in the third quarter and \$2,170 per ton in the fourth quarter. The zinc market is facing supply constraints from the closure of several large mines. But the metal's mine supply is expected to rise by 3% year-on-year to 13.8 million tons in 2015. In parallel, the Bloomberg Industrial Metals Total Return Sub-Index rose by 7.8% in April and by 2.1% in the first four months of 2015, while the Zinc Sub-Index rose by 12.9% last month and by 7.4% from end-2014.

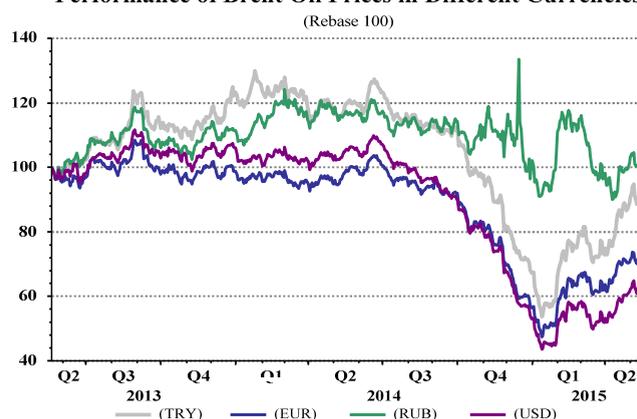
Source: *Citi Research, Bloomberg Indexes*

Precious Metals: Gold prices down 6% in first quarter of 2015, global consumption at \$42bn

Gold prices averaged \$1,218.5 a troy ounce in the first quarter of 2015, up by 1.4% from the preceding quarter but down by 5.8% from the same quarter of 2014. Global gold consumption reached 1,079.3 tons in the first quarter of 2015, equivalent to \$42.3bn, and reflected a decrease of 1% from 1,090 tons in the same quarter of 2014. The drop in demand was mainly due to a lack of consensus over the outlook of gold prices. Gold jewelry demand totaled 600.8 tons in the first quarter, equivalent to \$23.5bn, and constituted a decrease of 3.1% from 620.2 tons in the same quarter last year. It was followed by gold bar and coin investments with 253.1 tons (\$9.9bn) and demand in the technology sector with 80.4 tons (\$3.1bn). Jewelry demand responded in varying degrees to economic growth and price movements, depending on specific local market conditions. In addition, central banks continued to be net purchasers of gold for the 17th consecutive quarter. Many central banks remain exposed to a small number of key reserve currencies and are resorting to gold as a hedge against volatile currency movements. In parallel, global gold supply regressed by 0.4% year-on-year in the first quarter of 2015 to 1,089.2 tons, of which mine production accounted for 67.4%. The Bloomberg Precious Metals Total Return Sub-Index rose by 0.4% in the first four months of 2015, while the Gold Sub-Index dropped by 0.3% from end-2014.

Source: *World Gold Council, Bloomberg Indexes*

Performance of Brent Oil Prices in Different Currencies



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	-12.9	13.6	2.0	5.7	1.2	-	-15.7	-
Angola	B+	Ba2	BB-	-	BB	-4.7	47.5	27.0*	56.0	15.4	57.6	-6.3	-0.2
Egypt	B-	B3	B	B-	CCC	-11.8	90.5	14.6	124.6	8.2	467.5	-3.3	-1.3
Ethiopia	B	B1	B	-	CCC	-2.9	21.7	25.4*	135.9	4.4	591.0	-6.6	2.4
Ghana	B-	B3	B	-	B	-6.3	69.6	36.4*	77.3	4.5	376.2	-7.0	7.5
Ivory Coast	-	B1	B	-	B	-3.2	37.4	12.6*	-	9.4	198.2	-2.3	2.9
Libya	-	-	B	-	B	-68.2	43.9	16.3	-	7.5	-	-52.8	-
Dem Rep Congo	B-	B3	-	-	-	1.6	20.5	12.4*	32.0	2.3	5.5	-10.7	4.5
Morocco	BBB-	Ba1	BBB-	-	B	-4.3	65.5	33.2	96.6	11.7	249.1	-4.2	2.7
Nigeria	B+	Ba3	BB-	-	B	-2.0	11.5	2.0*	11.1	0.4	43.8	0.7	0.4
Sudan	-	-	-	-	C	-1.5	78.5	63.2	-	-	-	-4.0	3.3
Tunisia	-	Ba3	BB-	-	CCC	-5.1	53.8	61.3	100.9	8.5	367.9	-6.4	3.7
Burkina Faso	B	-	-	-	-	-2.6	30.6	21.6*	-	-	-	-8.1	1.1
Rwanda	B+	-	B	-	-	-2.0	29.1	23.5*	-	11.8	-	-10.5	2.9
Middle East													
Bahrain	BBB-	Baa3	BBB	BBB	BB	-9.9	54.0	158.3	-	17.5	721.6	-2.1	0.4
Iran	-	-	-	B	CCC	-2.7	11.9	2.5	-	-	-	0.8	-
Iraq	-	-	-	-	CCC	-10.0	55.6	33.6	-	-	-	-9.6	-
Jordan	BB-	B1	-	BB-	CCC	-2.9	90.7	32.7	-	9.6	205.3	-7.6	5.3
Kuwait	AA	Aa2	AA	AA-	A	6.2	4.4	26.2	-	1.2	87.5	15.7	-6.1
Lebanon	B-	B2	B	B	CCC	-9.1	131.8	161.4	-	17.7	160.8	-22.2	7.7
Oman	A-	A1	-	A	A	-14.8	8.6	13.6	-	3.7	81.8	-15.0	0.4
Qatar	AA	Aa2	AA	AA-	AA	5.6	28.9	79.1	-	18.0	360.3	8.4	-2.4
Saudi Arabia	AA-	Aa3	AA	AA-	A	-14.2	1.8	13.0	-	4.7	13.7	-1.0	1.0
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	BB	-3.0	14.7	51.5	-	4.2	488.6	5.3	1.8
Yemen	-	-	-	-	CC	-5.3	53.7	14.6	-	-	-	-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								
Asia													
Armenia	-	Ba3	B+	-	-	-4.5	53.1	92.6	298.8	21.9	431.8	-8.6	4.1
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-1.9	43.5	10.2	-	2.7	25.1	3.2	1.5
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-7.2	62.6	23.6	101.9	5.6	158.2	-1.3	1.1
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	-3.3	14.3	72.9	195.4	17.3	787.9	-4.1	3.6
	Stable	Positive	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BB	-3.0	28.9	90.0	122.3	20.2	261.1	0.2	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-1.8	40.5	54.7	132.5	19.4	249.2	-1.1	2.1
	Stable	Negative	Stable	-	Stable								
Russia	BB+	Baa3	BBB-	-	BBB	-3.7	18.8	52.7	133.7	29.1	195.0	5.4	-1.2
	Negative	-	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.8	33.4	55.8	181.2	23.2	376.5	-4.2	1.7
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-4.2	94.1	158.4	189.9	32.0	978.3	-1.4	2.5
	Negative	Negative	-	-	Stable								

*to official creditors

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	29-Apr-15	No change	17-Jun-15
Eurozone	Refi Rate	0.05	15-Apr-15	No change	03-Jun-15
UK	Bank Rate	0.50	11-May-15	No change	4-Jun-15
Japan	O/N Call Rate	0.00-0.10	30-Apr-15	No change	22-May-15
Australia	Cash Rate	2.00	05-May-15	Cut 25bps	2-Jun-15
New Zealand	Cash Rate	3.50	30-Apr-15	No change	11-Jun-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	No change	27-May-15
Emerging Markets					
China	One-year lending rate	5.10	10-May-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.50	29-Apr-15	No change	17-Jun-15
Taiwan	Discount Rate	1.875	26-Mar-15	No change	30-Jun-15
South Korea	Base Rate	1.75	15-May-15	No change	11-Jun-15
Malaysia	O/N Policy Rate	3.25	05-Mar-15	No change	09-July-15
Thailand	1D Repo	1.50	29-Apr-15	Cut 25bps	10-Jun-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	23-Apr-15	No change	11-Jun-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	06-May-15	No change	1-July-15
Nigeria	Monetary Policy Rate	13.00	24-Mar-15	No change	19-May-15
Ghana	Prime Rate	22.00	13-May-15	Raised 100bps	15-July-15
Angola	Base rate	9.25	30-Mar-15	Raised 25bps	N/A
Mexico	Target Rate	3.00	30-Apr-15	No change	4-Jun-15
Brazil	Selic Rate	13.25	29-Apr-15	Raised 50bps	3-Jun-15
Armenia	Refi Rate	10.50	10-Feb-15	Raised 100bps	N/A
Romania	Policy Rate	1.75	06-May-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	28-May-15
Russia	Refi Rate	12.50	30-Apr-15	Cut 150bps	15-Jun-15



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