

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Basel III requirements positive for banks

Moody's Investors Service anticipated that the liquidity coverage and net stable funding requirements that were introduced as part of the Basel III capital framework would be credit positive for banks and their creditors, especially retail banks and other deposit-funded institutions. It said that the new requirements stipulate that banks should hold higher balances of more-liquid assets and should fund less liquid assets with more stable funding, in order to be prepared to face one-off or market-based liquidity shocks. As such, it pointed out that banks are trying to minimize their reliance on uninsured financial liabilities, such as interbank and short-term money market sources, and are enhancing the stability and duration of their funding to better match long-term and less-liquid assets such as loans. Also, it said that banks are considering retail deposits to fund lending growth, adding that competition for such deposits is already intensifying. However, Moody's indicated that the emphasis on funding stability and asset liquidity could hurt banks' profitability as a result of holding lower yielding liquid assets and extending out funding maturity profiles. It said that higher funding costs and lower asset yields would erode profitability if banks cannot compensate by re-pricing products or cutting costs. It anticipated the banks' returns on investment portfolios to decline because of the need to hold more qualifying high-quality liquid assets with lower yields. It considered that some institutions, especially those that are more focused on corporate and institutional clients, could find compliance more difficult and would have to implement costly initiatives to comply with the ratios.

Source: *Moody's Investors Service*

EMERGING MARKETS

Private equity investments up 25% to \$8bn in first quarter of 2015

Private equity funds that mainly invest in emerging markets raised \$8.1bn in the first quarter of 2015 through 44 funds, constituting an increase of 25% from \$6.5bn through 41 funds in the same quarter of 2014. Each fund raised about \$184m on average in the first quarter of the year, relative to \$157.4m in the same quarter last year. Emerging Asia funds raised \$4.4bn through 22 funds, followed by Sub-Saharan Africa funds with \$1.9bn through nine funds, Latin America & the Caribbean funds with \$1.3bn through seven funds, MENA funds with \$351m through two funds and CEE & CIS funds with \$123m through four funds. In parallel, private equity investments in emerging markets totaled \$5.6bn in the first quarter of 2015, unchanged from the same quarter of 2014. The number of transactions reached 316 deals in the covered quarter compared to 242 deals in the first quarter of 2014. The average investment deal was worth about \$23m in the first quarter of the year, similar to the average investment size in the same quarter last year. Emerging Asia attracted 80.4% of private equity investments in value terms, followed by Latin America & the Caribbean with 8.1%, Sub-Saharan Africa with 5.5%, the CEE & CIS with 3.1% and the MENA region with 2.9%.

Source: *Emerging Markets Private Equity Association*

MENA

Arab economies trail most of the world in level of human capital

The World Economic Forum included 11 Arab countries in its Human Capital Index for 2015 that covered 124 countries from around the world. The index measures countries' ability to maximize and leverage their human capital endowment. It assesses learning and employment outcomes across five age groups, on a scale from zero to 100, with zero reflecting the worst outcome. The UAE came in 54th place globally and was the top-ranked Arab country, followed by Qatar in 56th place, Jordan (76th), Egypt (84th), Saudi Arabia (85th), Kuwait (93rd), Morocco (95th), Tunisia (98th), Algeria (114th), Mauritania (122nd) and Yemen (124th). In parallel, the Middle East & North Africa region, which includes the 11 Arab countries plus Israel, received an average score of 60.5 points, well below the global average of about 67 points. The region's average score masks significant differences in countries' human capital performance, as the average score of Gulf Cooperation Council countries was 64.78 points, while that of non-GCC Arab countries stood at 54.2 points. The MENA region's average score was lower than that of North America (81.26 points), Europe & Central Asia (77.06 points), Asia & the Pacific (67.83 points), and Latin America & the Caribbean (66.46 points); and was better than only Sub-Saharan Africa's average score of 54.46 points.

Source: *World Economic Forum, Byblos Research*

Food security level better than global average

The Economist Intelligence Unit's 2015 Global Food Security Index indicates that the UAE has the highest level of food security among 11 Arab countries and the 23rd highest level among 109 countries globally. Kuwait came in 24th place and was followed by Saudi Arabia (30th), Egypt (47th), Tunisia (51st), Jordan (55th), Morocco (62nd), Algeria (68th), Syria (84th), Yemen (90th) and Sudan (92nd). The index aims to determine which countries are most and least vulnerable to food insecurity. It is a composite of three categories that cover food affordability, food availability, and nutritional quality & food safety. The rankings are based on scores that range from zero to 100, with zero reflecting economies with the lowest level of food security. The MENA region, which includes the 11 Arab countries plus Israel and Turkey, received an average score of 61 points on the index, higher than the global average of 57.9 points. The region's average score was higher than the average score of Sub-Saharan Africa (37.8 points), Asia & Pacific (57.3 points) and Central & South America (58 points); but lower than the average scores of Europe (75.7 points) and North America (80.6 points). In comparison, GCC countries received an average score of 74.6 points, while non-GCC Arab countries had an average score of 50 points. In parallel, the MENA region's score rose by 2.4 points, the largest among all regions, due to increased food affordability, as household expenditures on food fell and GDP per capita rose. Also, the improvement in the region's political environment and decreases in food losses resulted in a better food availability, and nutritional quality & food safety.

Source: *Economist Intelligence Unit, Byblos Research*

OUTLOOK

WORLD

Insurance sector faces three main risks with high impact over the short term

Reinsurer Swiss Re identified 23 risks that could emerge in coming years and that could affect the global insurance market. It said that risks with a high potential impact and that could materialize over the coming three years consist of de-globalization, the great monetary experiment and super natural catastrophes. First, it said that de-globalization reflects rising government influence and regulations, the introduction of sanctions and other interventionist policies that would limit trade and capital flows, as well as the increasing influence of populist and nationalist parties that intensify the threat of more protectionist regulations and legislations. It indicated that the materialization of de-globalization would lead to lower insurance premium volumes and reduced return on investment, and would make asset management more challenging. Second, it pointed out that untraditional monetary policies would result in continuous low interest rates that would strongly impact insurers' balance sheet, especially life insurers. It noted that low levels of economic activity limit the growth prospects of insurers. It added that the surplus in capital is channeled to the reinsurance market for higher returns, which is depressing reinsurance rates. Third, it said that atmospheric river events and volcanic eruptions may both lead to significant property damage and business interruption.

In parallel, Swiss Re indicated that the challenges of the Internet of Things is a potential risk that could materialize beyond the coming three years and that would have a high impact. The Internet of Things is a proposed development of the Internet where everyday objects have network connectivity that allow them to send and receive data. Swiss Re said that new data streams may introduce new sources of information asymmetry between insurers and consumers, while hacking and malfunctions could have a significant impact on insurance policies. It added that the regulations addressing data availability, usability and privacy could make the handling of claims more difficult.

Source: Swiss Re

EMERGING MARKETS

Net private capital inflows to decrease by 6% to \$981bn in 2015

The Institute of International Finance projected net private capital inflows to emerging markets at \$981bn in 2015, which would constitute a decrease of 6.4% from \$1,048bn in 2014 and a drop of \$83bn from its forecast in January, and would be the lowest level since the global financial crisis. It attributed the decline to disappointing growth in emerging economies, a challenging global interest rate outlook, and country-specific factors such as the Russia-Ukraine conflict. It revised upwards its January forecast for inflows to Latin America by \$22bn to \$268bn and to the Middle East & Africa by \$3bn to \$96bn; while it revised downwards its inflows projections to Emerging Asia by \$102bn to \$544bn and to Emerging Europe by \$6bn to \$63bn for 2015. It expected capital inflows to emerging markets to pick up to \$1,158bn in 2016, assuming a gradual increase in U.S. interest rates, a recovery in economic activity in emerging markets, and reduced political uncertainties. It said that downside risks to the

outlook include a continued stagnation in global growth and a more aggressive rate increase by the U.S. Federal Reserve. It noted that the materialization of these risks would result in lower-than-projected capital inflows in 2015, and would prevent a rebound in inflows in 2016.

The IIF forecast net direct investment in emerging economies at \$529bn in 2015 compared to \$586bn in 2014. It expected net portfolio investment to increase from \$101bn in 2014 to \$128bn in 2015. Also, it projected net commercial bank lending to decrease to \$119bn in 2015 from \$175bn in 2014, while it estimated net non-bank private lending to rise from \$186bn in 2014 to \$206bn in 2015. It revised downwards its forecast by \$50bn for net commercial bank lending in 2015 and by \$41bn for non-bank private lending; while it revised upwards by \$9bn its projections for net portfolio investment. Its projections for net FDI were unchanged from the January forecast.

Source: Institute of International Finance

IRAN

Economic activity to grow by 1.3%, inflation to reach 17% in FY2015/16

The International Monetary Fund projected economic growth in Iran at 1.3% in the fiscal year ending in March 2016, relative to a growth rate of 0.6% in FY2014/15. It forecast non-hydrocarbon real GDP to grow by 1.5% in FY2015/16, relative to a growth rate of 0.9% in FY2014/15; while it projected hydrocarbon growth to contract by 1% in FY2015/16 following a contraction of 2.7% in FY2014/15. It anticipated the annual average inflation rate at 17% in FY2015/16, relative to 16.5% in FY2014/15. Also, it expected broad money to grow by 18.2% in FY2015/16, compared to 20.1% in FY2014/15. The Fund projected the fiscal deficit to narrow from 2.7% of GDP in FY2014/15 to 2.3% of GDP in FY2015/16. It also forecast the government's non-oil fiscal deficit to narrow marginally from 7.7% of non-oil GDP in FY2014/15 to 7.6% of non-oil GDP in FY2015/16. It anticipated the fiscal breakeven oil price at \$98 per barrel (p/b) in FY2015/16, up from \$92.5 p/b in FY2014/15. It estimated government revenues at 13.3% of GDP and expenditures at 15.7% of GDP in FY2015/16.

The IMF projected Iran's gross government debt at 11.9% of GDP in FY2015/16, unchanged from FY2014/15. It also forecast total gross external debt to drop from 2.5% of GDP in FY2014/15 to 2.4% of GDP in FY2015/16. Further, the Fund estimated Iran's exports of goods & services at \$77.2bn in FY2015/16, up from \$75.7bn in FY2014/15; and imports of goods & services at \$77.4bn in FY2015/16, up from \$76.1bn in FY2014/15. It forecast the country's current account surplus to widen from \$3.1bn, or 0.8% of GDP in FY2014/15 to \$5bn or 1.2% of GDP in FY2015/16. The Fund projected Iran's external breakeven oil price at \$47.5 p/b in FY2015/16, up from \$42.7 p/b in FY2014/15. Also, it expected the country's gross official reserves to increase from \$130.4bn at end-March 2015 to \$132.5bn at end-March 2016. The Fund anticipated Iran's oil production to drop from 2.91 million barrels per day (b/d) in FY2014/15 to 2.82 million b/d in FY2015/16, and for oil exports to regress from 1.15 million b/d in FY2014/15 to 1.07 million b/d in FY2015/16.

Source: International Monetary Fund



ECONOMY & TRADE

AFRICA

Sub-Saharan Africa exposed to China-related risks

Standard & Poor's indicated that Sub-Saharan Africa's (SSA) vulnerabilities to China and to China-related shocks have increased. It said that the risk of SSA's over-exposure and over-reliance on China has been exacerbated by recent signs of a slowing Chinese economy. It noted that China's trade with the 18 rated SSA sovereigns rose from \$5bn in 2001 to \$133bn in 2013, while Chinese loans and FDI have become a significant source of external funding for rated SSA economies as FDI inflows from China to rated SSA economies rose from \$145m in 2005 to \$1.6bn in 2013. It pointed out that the slowdown in China's economic activity has led to lower prices of some commodities that are key exports of several SSA countries. It added that the deceleration in the Chinese economy could adversely affect SSA economies through the financing channel. It indicated that the average debt-to-GDP ratio of the 18 rated SSA sovereigns has increased over the last five years, partly due to available financing from China. It noted that lower commodity prices followed by weaker economic activity, fiscal revenues, export receipts, as well as depreciating currencies could reduce SSA countries' ability to service Chinese loans. It added that some borrowers could find redemption at maturity more challenging. However, S&P expected the relationship between China and Africa to deepen further in the medium term despite the risks and potential vulnerabilities. It noted that China is entering a new phase of growth that is driven by outbound investment rather than by exports.

Source: Standard & Poor's

SAUDI ARABIA

Foreign access to equity market to reduce volatility and improve market efficiency and transparency

The Institute of International Finance indicated that the Saudi Arabia Capital Market Authority's decision to allow direct ownership of shares listed on the stock market by Qualified Foreign Financial Institutions (QFI) marks an important step to open the Saudi economy to foreign equity investors. It noted that foreign portfolio investment inflows were equivalent to just 0.3% of GDP in 2014 due to restrictions on market access and limited bond issuance. It said that eligible QFI need to meet specific criteria, including to have assets under management of SAR18.75bn (\$5bn) or more. It noted that this will not be an impediment for major global asset managers, but considered that most asset managers in the MENA region will fall short of this threshold. It added that GCC resident entities have already been allowed direct access to the Saudi market since 2007. It said that each QFI will be restricted to a maximum 5% ownership of a listed company's outstanding shares, which means that foreign investors will remain portfolio investors without managerial control. The IIF expected foreign equity investment to gradually increase starting from mid-June 2015, when the regulations come into effect. It anticipated that, under the new rules, the Saudi stock market would be eligible for the inclusion in the MSCI Emerging Market Index. It considered that the opening of the market to foreign institutional investors could reduce market volatility and improve market sophistication, efficiency and transparency.

Source: Institute of International Finance

TUNISIA

Outlook revised to 'stable' on political stability and fiscal consolidation

Moody's Investors Service revised the outlook to 'stable' from 'negative' on Tunisia's 'Ba3' government issuer rating. It also upgraded the local-currency bond and deposit ceilings to 'Baa2' from 'Baa3' to reflect improved economic and institutional strength, while it affirmed the foreign-currency bond and deposit ceilings at 'Ba1'. It attributed the outlook revision to receding political risks, reduced external funding challenges and the gradual reduction in fiscal and external imbalances. It said that the country's improved access to external funding through the extension of the IMF Stand-By Arrangement, and the multilateral and bilateral funding commitments have reduced the government's external liquidity risks. Further, Moody's projected the fiscal deficit to narrow from 5.3% of GDP in 2015 to 4.2% of GDP in 2016 due to better growth prospects. It said that fiscal consolidation is supported by both revenue measures and spending restraint, but it noted that the public-sector wage bill remains elevated at over 12% of GDP. Also, it projected the current account deficit to narrow due to higher external demand from the EU, lower oil prices and increased food exports. It expected FDI inflows to resume and for tourism activity to gradually recover, which would support the country's foreign currency reserves. It noted that the reserve position improved from 100 days of imports cover in the first quarter of 2014 to 127 days in the first quarter of this year. It considered that an adequate reserve buffer is crucial, given that foreign-currency debt represents more than 60% of total debt.

Source: Moody's Investors Service

UAE

Low oil prices affecting economic activity

Merrill Lynch anticipated Dubai's economic activity to decelerate in 2015. It said that non-hydrocarbon growth is still robust, but has been on a downward trend since the start of the year. It noted that real estate prices have decreased but it expected the correction in prices to be modest. It added that tourist arrivals have declined, especially from Russia, while the hotel occupancy rates at Dubai hotels have eased but remained at a sound level. It pointed out that the banking sector's liquidity has tightened modestly, but that ample capital position and a decrease in vulnerability to foreign funding provide solid buffers. Further, it said that Dubai's 2015 budget targets a balanced budget, with spending forecast to rise by 9% year-on-year and revenues to increase by 11% to AED41bn in 2015. It indicated that Dubai covered its maturing debt for 2015 following the Dubai World agreement with creditors and the pre-payment of its 2015 maturity. But it noted that paying maturing debt next year would be more challenging due to tighter regional liquidity. It estimated that Dubai has about \$6bn in restructured debt coming due in 2016. It considered that the planned sale of additional assets owned by the Dubai International Capital would help meet the 2016 maturities. In parallel, Merrill Lynch indicated that the Abu Dhabi government is in the process of modestly rationalizing spending. It said that authorities would proceed with strategic projects, which would support non-hydrocarbon activity, but they would reduce non-essential spending, such as foreign grants, and federal transfers.

Source: Merrill Lynch



BANKING

EGYPT

Outlook on bank ratings revised to 'positive'

Standard & Poor's affirmed the 'B-' long-term counterparty credit rating and the 'C' short-term rating on National Bank of Egypt (NBE), Banque Misr (BM) and Commercial International Bank (CIB), and revised the outlook on the long-term ratings to 'positive' from 'stable'. It attributed the outlook revision to its similar action on Egypt's sovereign ratings. It assessed the three banks' risk position as "moderate", mainly due to their substantial holding of government bonds. It noted that NBE's holdings of government debt was equivalent to 9.6 times its total equity and BM's exposure to the sovereign was at 7.1 times its equity base at the end of June 2014, while CIB's holding of government securities was equivalent to 4.6 times its total equity at the end of 2014. It added that sovereign creditworthiness represented the largest source of risk for Egyptian banks, and indicated that it would reassess the three banks' risk position as "adequate" in the event of an upgrade of the sovereign ratings. Further, the agency maintained the stand-alone credit profile of CIB at 'b' and that of BM and NBE at 'b-'. It noted that CIB's stand-alone credit profile has a one-notch negative adjustment, as it assumed that the bank would not withstand a sovereign default.

Source: Standard & Poor's

ARMENIA

Banking sector posts net losses of \$8.2m in first quarter of 2015, liquidity tightens

The Armenian banking sector posted net losses of AMD3.9bn in the first quarter of 2015, equivalent to \$8.2m, relative to net profits of AMD7.8bn or \$19m in the same quarter of 2014. Total assets reached AMD3,265bn, equivalent to \$6.9bn at the end of March 2015, constituting a decrease of 4.3% from end-2014 and an increase of 11.6% from end-March 2014. Total loans stood at AMD2,093bn or \$4.4bn at end-March 2015, down by 4.3% from the end of 2014 and up by 14.2% from end-March 2014. Loans in foreign currency accounted for 66.6% of total loans at the end of March 2015, unchanged from a year earlier; while loans to non-residents represented 3.7% of aggregate loans at end-March compared to 4.4% at the end of 2014. Deposits totaled AMD1,711bn, equivalent to \$3.6bn at end-March 2015, constituting a decline of 2.6% from end-2014 and a rise of 3.8% from end-March 2014. Deposits in foreign currency accounted for 70% of total deposits, down from 71.6% at end-2014. Non-resident deposits represented 23.1% of total deposits at the end of March 2015 relative to 25% at end-2014. In parallel, the sector's risk-weighted capital adequacy ratio was 15.1% at the end of March 2015, down from 16.4% a year earlier. The sector's liquid assets were equivalent to 24.1% of total assets at end-March 2015 relative to 29.6% a year earlier; while they represented 137.1% of short-term liabilities compared to 145.6% in March 2014. The loans-to-deposits ratio in foreign currency stood at 116.5%, up from 98.6% a year earlier, while the same ratio in local currency was 135.8% relative to 142% at the end of March 2014. The total loans-to-deposits ratio stood at 122.3% at the end of March 2015, up from 111.3% at end-March 2014.

Source: Central Bank of Armenia, Byblos Research

LIBYA

Banking sector's profits down 45% in 2014

The Libyan banking sector's pre-tax profits reached LYD284.3m, or \$229.6m in 2014, constituting a drop of 44.6% from pre-tax earnings of LYD513.3m in 2013. Total assets reached LYD94.8bn, or \$71bn at the end of 2014, constituting a decrease of 3.7% from the end of 2013. Liquid assets rose by 7.9% to LYD64.3bn, or \$48.2bn at end-2014; while they accounted for 67.9% of total assets at end-2014, down from 71% at end-2013. Commercial banks' lending reached LYD20bn, or \$15bn at end-2014, up by 9.5% from a year earlier. Total loans accounted for 21.1% of aggregate assets at end-2014, relative to 18.5% a year earlier. In parallel, commercial banks' aggregate deposits totaled LYD78.5bn, or \$58.8bn at the end of 2014, reflecting a decrease of 6.1% from the end of 2013. Demand deposits represented 71.2% of total deposits at end-2014, followed by time deposits (28%) and savings deposits (0.8%). Total deposits accounted for 82.8% of aggregate liabilities at end-2014 relative to 85% at end-2013. The loans-to-deposits ratio increased from 21.8% at the end of 2013 to 23.1% at end-2014. Also, the banks' aggregate pre-tax return on equity reached 0.3% in 2014 compared to 0.5% in 2013; while their pre-tax return on assets was 6.1% in 2014 relative to 12% in 2013.

Source: Central Bank of Libya, Byblos Research

GHANA

Currency to continue to depreciate in 2015 despite policy rate increase

BMI Research anticipated that the Bank of Ghana's (BoG) decision to increase its policy rate by 100 basis points to 22% would reassure investors and demonstrate its commitment to the agreement with the International Monetary Fund. It noted that the BoG based its decision on elevated inflation rates as well as on inflation expectations from the ongoing electricity crisis and the currency depreciation. It expected the increase in the policy rate to slow down the depreciation of the Ghanaian cedi over the near term, but it forecast the currency to continue to depreciate this year. It projected the cedi to trade at GHS4.073 against the US dollar by the end of 2015 relative to GHS3.915 per dollar currently, and expected the cedi to lose 21% of its value in 2015. It attributed the sustained depreciation of the cedi to a strong US dollar and limited improvement in the country's external and fiscal positions in 2015. It considered that authorities need to narrow the fiscal and external deficits in order to completely stop the depreciation of the currency. Further, it expected the increase in the policy rate to weigh on economic activity in the short term. It revised downward its forecast for real GDP growth to 4.1% for 2015 from 4.5% previously. In parallel, BMI expected the BoG to maintain the policy rate at its current level during the remainder of 2015 before reducing it by a cumulative 100 basis points in 2016. It projected the average inflation rate to drop from expected 16% in 2015 to 14.4% in 2016, which would allow the BoG to begin the normalization of monetary policy.

Source: BMI Research



ENERGY / COMMODITIES

Oil prices still 42% below June 2014 peak, rebound underway

North Sea Brent oil prices grew by about 13% from the end of 2014 to \$61.8 per barrel on May 27, 2015. Barclays Bank noted that oil prices are still about 42% below the average levels of the June 2014 peak, and that market fundamentals are still weak. It said that only during the 1986 and 2008 oil price collapses that prices were at lower levels at this current stage of the rebound. It indicated that sustained lower oil prices could help support consumption and trade, and that the adjustment in the global oil market balance was faster than expected. Stock build-ups are still expected in coming months but at a lower rate. In its assessment of the main drivers of the recent oil rally, Barclays estimated that narrowing supply imbalances so far in 2015 contributed to an 18% rise in oil prices. It added that the weakening of the US dollar led oil prices to increase by 6%, while the rise in speculative oil positions at the Commodity Futures Trading Commission relative to the July 2014 levels explains another 4.7% of the rise in prices. Finally, Barclays noted that the increase in OPEC's market share supported prices by another 3.7%.

Source: Barclays, Byblos Research

Middle East's jewelry demand down 10% in first quarter of 2015

The Middle East region's jewelry demand reached 64.7 tons in the first quarter of 2015, reflecting a rise of 22.5% from the preceding quarter but a drop of 10% from the first quarter of 2014. The region also accounted for 10.8% of global jewelry consumption. Saudi Arabia's jewelry demand totaled 17.3 tons in the covered quarter and accounted for 26.7% of the region's total consumption. It was followed by the UAE with 16.5 tons (25.5%), Iran with 9.8 tons (15.2%), Egypt with 9 tons (14%) and Kuwait with 5 tons (7.7%); while demand in other Middle Eastern countries reached 7.1 tons or 11% of the total.

Source: World Gold Council, Byblos Research

South Sudan's oil output drops in mid-May 2015

South Sudan's oil production averaged about 165,000 barrels per day (b/d) in the first three weeks of May 2015, constituting a drop of 2.1% from an average of 168,500 b/d in January 2015. The decrease in output was attributed to technical reasons rather than to fighting in oil producing areas. Crude oil production decreased by about 33% from an average of 245,000 b/d before fighting erupted in December 2013 between government forces and rebels loyal to former Vice President Riek Machar. South Sudan is highly dependent on oil revenues to finance its imports.

Source: Thomson Reuters

MENA's crude oil exports to rise by 1% in 2015

The Middle East & North Africa region's crude oil exports are forecast to average 17.95 million barrels per day (b/d) in 2015, which would constitute an increase of 0.7% from 17.83 million b/d in 2014. The Gulf Cooperation Council (GCC) countries' crude oil exports would account for 71.4% of the region's oil exports in 2015, while non-GCC oil exporters would represent the remaining balance of 28.6%. Saudi Arabia's crude oil exports are projected to average 6.96 million b/d in 2015, equivalent to about 38.8% of the region's oil exports. Iraq would follow with 3.05 million b/d (17%), then the UAE with 2.28 million b/d (12.7%) and Kuwait with 1.98 million b/d (11%).

Source: International Monetary Fund, Byblos Research

Base Metals: Copper prices up 2% in April 2015

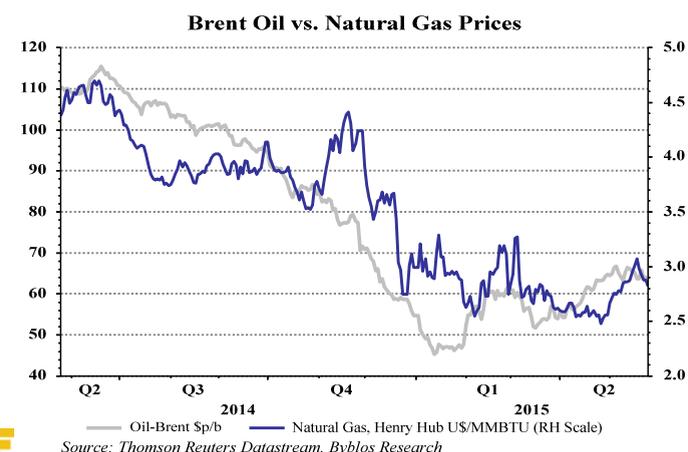
Copper prices averaged \$5,868.8 per ton in the first four months of 2015, trading at a low of \$5,390.5 per ton and at a high of \$6,309 per ton. The LME cash price of copper averaged \$6,028.5 per ton in April 2015, up by 1.7% from \$5,926 in March 2015 but down by 12.2% from \$6,862 per ton in full year 2014. In parallel, the refined copper balance posted a production surplus of 153,000 tons in the first two months of 2015 relative to a deficit of 148,000 tons in the same period of 2014. Global refined copper demand is estimated to have decreased by 3.5% year-on-year to 3.5 million tons in the first two months of 2015. Russia's refined copper demand regressed by 42% in the covered period, contributing the most to the overall drop in global copper consumption. The metal's refined production increased by 5% year-on-year to 3.65 million tons in the first two months of 2015. China was the main contributor to growth of refined supply in the first two months of the year, followed by the Philippines, Indonesia, and the DRC. On a regional basis, Asia's refined copper production rose by 10%, followed by Africa (+9%) and Oceania (+2%); while refined output declined by 2% in North America and was nearly unchanged in Europe. Also, global mine production rose by 2.2% year-on-year in the first two months of 2015, due to a recovery in output levels at Indonesian and Chilean mines.

Source: International Copper Study Group

Precious Metals: Silver prices subdued over next 12 months

Silver prices are forecast to average \$16 a troy ounce over the coming three months and to decline to \$15.5 a troy ounce on average in the coming 12 months. The main risk factors to the price outlook, both to the upside and to the downside, include US dollar fluctuations, changes in market sentiment as well as significant shifts in investment demand. The silver market is forecast to remain oversupplied in 2015 as industrial demand continues to weaken. The metal's global supply is expected to decline in coming months due to a lack of new mines coming online, and as scrap volumes remain depressed amid the subdued price environment. Silver mine production rose to a new record in 2014 but is expected to decline in coming quarters as production from new or expanding mines is unlikely to offset the falling production from existing mines. In parallel, the metal's investment demand is insufficient to make up for weakening industrial demand, which means that silver is unlikely to develop its own dynamics and diverge from the close relationship with gold.

Source: Julius Baer, 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								
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	22-May-15	No change	19-Jun-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	20-May-15	No change	23-Jun-15
South Africa	Repo rate	5.75	21-May-15	No change	23-July-15
Kenya	Central Bank Rate	8.50	06-May-15	No change	1-July-15
Nigeria	Monetary Policy Rate	13.00	19-May-15	No change	21-July-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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