

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Public commercial assets at \$75 trillion

Citi indicated that governments around the world have an estimated \$75 trillion in public commercial assets, similar to the global GDP and above the global public debt of \$54 trillion. It added that real estate accounts for the largest share of global public assets, followed by non-financial public assets and oil reserves controlled by national oil companies. But it said that public assets are frequently not included in sovereign balance sheets due to problems with accounting standards and the lack of a consolidated list of public assets. It added that subnational governments hold on average more than half of total non-financial assets. As such, it estimated that the global value of public assets is underestimated and could exceed \$75 trillion. Also, it pointed out that governments are the largest asset managers among all categories, including high-net-worth individuals, pension funds, insurance companies, central banks and sovereign wealth funds. In addition, Citi considered that public assets around the world are poorly managed. It estimated that a 1% annual increase in the return on global public assets would lead to a similar increase in global GDP and would add about \$750bn to public revenues. Also, it said that a 2% annual increase in the return on global public assets would roughly equal world spending on research & development, while a 3.5% rise in the returns would equal all global spending on basic infrastructure.

Source: Citi

GCC

New projects awarded to increase by 1% to \$173bn in 2015

The aggregate value of construction and infrastructure projects awarded in the Gulf Cooperation Council (GCC) countries totaled \$30.9bn in the first quarter of 2015. The value of awarded projects in Saudi Arabia was \$12bn in the covered quarter, equivalent to 38.7% of the total value of awarded projects in GCC economies, followed by the UAE with \$6.7bn (21.6%), Kuwait with \$5.7bn (18.3%), Qatar with \$5.4bn (17.3%), Oman with \$1.1bn (3.5%) and Bahrain with \$0.2bn (0.6%). Further, the value of projects awarded in GCC countries is projected at \$172.9bn in 2015, which would constitute a rise of 1.4% from \$170.6bn in 2014 and relative to a compound annual growth rate of 5% between 2008 and 2014. The projected figure excludes tenders that could take place in the third and fourth quarters of 2015. The value of awarded projects in Saudi Arabia would reach \$59bn in 2015, equivalent to 34.1% of the total value of awarded projects in GCC economies, followed by the UAE with \$42.5bn (24.6%), Qatar with \$28.9bn (16.7%), Kuwait with \$27.4bn (15.8%), Oman with \$13.7bn (7.9%) and Bahrain with \$1.5bn (0.9%). In parallel, the net value of planned and underway projects in GCC economies is currently estimated at \$2,751bn. Saudi Arabia accounts for 43.7% of the total, followed by the UAE (28.6%), Qatar (10.9%), Kuwait (8.5%), Oman (5.9%) and Bahrain (2.4%). Also, about \$1.1 trillion or 40% of such projects in the GCC are related to residential, leisure and hospitality buildings and to mixed-use developments.

Source: Deloitte

MENA

Private wealth to reach \$8.8 trillion by 2019

The Boston Consulting Group projected private financial wealth in the Middle East & Africa (ME&A) at \$8.8 trillion in 2019 and to expand at a compound annual growth rate (CAGR) of 9.3% between 2014 and 2019. It expected private financial wealth in Saudi Arabia to reach \$2 trillion and to account for 22.7% of projected wealth in the region in 2019, followed by Israel, Iran and the UAE with \$1 trillion each (11.4% each). It forecast the ME&A region's private wealth to account for 4% of global private financial wealth in 2019, higher than Latin America's share of 3% and Eastern Europe's share of 2.1%, but lower than the share of Asia-Pacific excluding Japan (33.8%), North America (28.1%), Western Europe (22.1%) and Japan (7%). Also, it forecast the ME&A region's private wealth to grow at a faster rate than the global CAGR of 6.2%, and the CAGR for Western Europe (+4.3%), North America (+4.2%) and Japan (+1.6%); but to expand at a slower rate than that in Latin America (+12%), Eastern Europe (10%) and Asia-Pacific excluding Japan (+9.7%). In parallel, it said that the ME&A region's private wealth grew by 9.4% to \$5.7 trillion in 2014. It said that Bahrain had the second highest density of millionaires in the world last year with 123 millionaires per 1,000 households, Qatar had the third highest density (116 millionaires) and Kuwait had the fifth highest density (99 millionaires).

Source: Boston Consulting Group

Cost of living increases in 13 Arab cities

Mercer's 2015 survey on the cost of living in 207 cities around the world showed that the cost of living in 13 out of 17 Arab cities increased in relative terms from the 2014 survey. The study measures the comparative cost of over 200 items in each location, including the cost of housing, food, clothing and household goods, as well as transportation and entertainment. Mercer indicated that it compares the cost of high-end items that are important to expatriates and their employers, such as upscale residential areas and entertainment venues. Dubai came as the most expensive Arab city and ranked 23rd globally, followed by Abu Dhabi in 33rd place, Beirut (44th), Amman (54th) and Djibouti (55th). The least costly Arab cities are Tunis (204th), Algiers (181st), Rabat (175th) and Nouakchott (173rd). The rankings of Manama, Doha, Muscat, Amman, Djibouti, Dubai, Riyadh, Abu Dhabi, Cairo, Kuwait City, Jeddah, Beirut and Nouakchott rose, reflecting a comparative increase year-on-year in the cost of living in these cities. The increase in the cities' rankings reflects the appreciation of the US dollar against major currencies, given that many currencies in the Middle East are pegged to the dollar. It is also due to the steep increase in expatriates' rental accommodations, particularly in Abu Dhabi and Dubai. Manama and Doha's rankings increased by 59 spots each, posting the highest rise in the cost of living in the region; while Algiers' rank dropped by 57 spots, registering the steepest decline in the region. The survey is conducted annually to help multinational companies fix compensation allowances for their expatriate workers.

Source: Mercer, Byblos Research

OUTLOOK

UAE

Real estate market set for a correction

Standard & Poor's anticipated a price correction in the UAE's property market in 2015 and early 2016. It said that additional supply and a relatively lower demand from non-residents would reduce prices and rents in Dubai's residential real estate market over the next 12 months. It forecast a 10% price correction for Dubai's residential market in 2015, with the drop reaching 20% in some non-prime areas. It noted that the prices in prime residential areas would decline at a slower pace than in recently developed zones. Further, it expected rents to continue to increase in Abu Dhabi due to a shortage of quality housing in the emirate. But it anticipated the increase to be at a much slower pace than the 11% rise in rent in 2014. In addition, S&P expected the gap between prime locations and lower-tier office buildings to widen in terms of rent and vacancy levels in both Abu Dhabi and Dubai.

S&P considered that the expected correction in the country's residential real estate market is different from the correction that led to the Dubai crisis in 2009. First, it pointed out that the UAE's economy has become more diversified, especially Dubai's economy that is currently less reliant on the hydrocarbon sector. Also, it noted that non-residents are active real estate investors in the UAE and, in many cases, their spending power is unaffected by the decline in oil prices. Second, it anticipated population growth in the UAE to be a fundamental support factor for real estate prices and rents over the next five years. Third, it indicated that the strong growth in tourist arrivals, especially to Dubai, should continue to benefit some real estate segments like hospitality and retail. Fourth, the agency noted that authorities have established protective measures since the last crisis. It considered that the risk of default has fallen considerably due to the implementation of the loan-to-value cap on mortgages.

Source: *Standard & Poor's*

SAUDI ARABIA

Banking activity to slow down in 2015-17 period

Goldman Sachs projected the aggregate assets of banks in Saudi Arabia to grow by an annual average rate of 9% during the 2015-17 period compared to an average growth rate of 11% between 2012 and 2014. It attributed the expected slowdown in the banks' asset growth to lower global oil prices and to regulatory changes. It anticipated the low oil price environment to weigh on economic activity, including on new projects awarded and the completion of existing ones. As such, it projected lending growth to the corporate sector to decelerate from an annual average growth rate of 10% during the 2012-14 period to an average of 9% between 2015 and 2017, with most of the corporate lending allocated to the commerce, manufacturing and construction sectors. Further, it forecast retail lending to grow by 8% annually during the 2015-17 period, significantly below the 17% annual average growth rate between 2012 and 2014, due to the introduction of the 70% loan-to-value mortgage cap and the 33% debt service burden cap. It anticipated the growth in housing loans to significantly slow down from an average annual growth rate of 27% during the 2010-14 period, given the limited availability of low-to middle-income housing, the substantial increase in land prices and the mortgage caps. Further, it expected banks' asset quality

to slightly deteriorate in coming years, as a tighter interest rate environment would increase the cost of debt servicing, while lower oil prices and a slowdown in economic activity would worsen loan impairments. But it noted that this would not translate into a significant increase in credit loss charges, as banks have sufficient provision buffers to absorb defaults.

In parallel, Goldman Sachs anticipated Saudi Arabian banks to benefit from higher global interest rates, given that non-interest bearing funding constitutes about 70% of total liabilities, while about 60% of assets would adjust to the increase in interest rates within 12 months. It expected the banks' net interest margin to increase by 30 basis points during the 2015-17 period, driven by a gradual increase in interest rates beyond the fourth quarter of 2015. It noted that this would result in a 13% annual net interest income growth and a 12% average net income rise during the covered period. Overall, it estimated that a 25 basis points increase in the net interest margin would increase net income by about 10% on average. Also, it noted that the issuance of sovereign bonds would help banks channel the excess liquidity of about \$80bn to relatively higher yielding long-term instruments.

Source: *Goldman Sachs*

BAHRAIN

Fiscal consolidation to slow growth

The Institute of International Finance projected Bahrain's real GDP growth to decelerate from 4.5% in 2014 to 3.4% in 2015 due to lower oil prices and fiscal consolidation. It expected hydrocarbon output growth to slow down from 3% in 2014 to 1.1% in 2015, and for the non-hydrocarbon sector growth to drop from 4.6% in 2014 to 4% in 2015. It noted that risks to the outlook include security concerns and an extended period of low oil prices.

In parallel, the IIF projected the fiscal deficit to widen from 4.3% of GDP in 2014 to 11.1% of GDP in 2015 due to lower oil prices. It expected the public debt level to rise from 43.8% of GDP in 2014 to 56.7% of GDP in 2015, as it anticipated authorities to finance the deficit entirely through debt issuance. It pointed out that authorities are considering measures to increase revenues and reduce expenditures. It expected the subsidy bill to fall from 7.5% of GDP in 2014 to 5.8% of GDP by 2016, and to further decline as a result of increases in the prices of fuel, electricity, water and meat. Also, it indicated that authorities are considering measures to increase revenues, such as raising fees and charges for government services. It added that authorities could introduce indirect taxation following the recent draft agreement among GCC economies on the value-added tax. Further, the IIF estimated the annual fiscal deficit at between 5% and 6% of GDP during the 2016-20 period under a scenario where oil prices gradually increase to about \$85 per barrel (p/b). It noted that the fiscal balance would remain in deficit even if oil prices average \$96 p/b. As such, it considered that additional fiscal adjustment measures are necessary to limit the continuous increase in the public debt level, given that oil prices are likely to remain low for an extended period. In parallel, the IIF projected the current account balance to post a deficit of 1.2% of GDP in 2015 relative to a surplus of 3.3% of GDP in 2014, constituting the first such deficit since 2002.

Source: *Institute of International Finance*



ECONOMY & TRADE

AFRICA

Divergent trends for budgets in East Africa

Fitch Ratings indicated that the member countries of the East African Community (ECA) have planned divergent fiscal paths for 2016. It said that Kenya and Uganda have delayed fiscal consolidation plans until after the fiscal year that ends in June 2016, as both countries have announced firmly expansionary budgets for FY2015/16. In contrast, it noted that Rwanda maintained a more cautious fiscal stance. Overall, Fitch anticipated that the continued allocation of funds in the ECA budgets to large-scale infrastructure projects would support economic growth. It said that capital spending relative to GDP would remain in double digits in Rwanda and in Kenya in FY2015/16, with real GDP growth at close to 6% and 7%, respectively. Also, it noted that Uganda's capital spending would increase from 8% of GDP in FY2014/15 to 11.3% of GDP in FY2015/16, supported by the construction of two new hydropower dams and the upgrade of the country's main international airport. The agency indicated that current spending in Uganda and Kenya would continue to increase along with capital spending. As such, it said that Uganda's fiscal deficit would widen from 4.5% of GDP in FY2014/15 to 6.9% of GDP in FY2015/16 and Kenya's deficit would increase from 7.8% of GDP in FY2014/15 to 8.7% of GDP in FY2015/16. It pointed out that Rwanda's fiscal deficit would narrow from 5.2% of GDP in FY2014/15 to 4.4% of GDP in FY2015/16. But it considered that Rwanda's deficit target of 2.4% of GDP in FY2016/17 would be challenging to achieve.

Source: Fitch Ratings

JORDAN

Ratings affirmed, outlook 'stable'

Capital Intelligence affirmed Jordan's long-term foreign currency rating at 'BB-' and its long-term local currency rating at 'BB'. It also maintained a 'stable' outlook on the long-term ratings, and affirmed at 'B' the short-term foreign and local currency ratings. It said that the ratings' affirmation reflects the recent improvement in the country's capacity to absorb economic shocks as a result of the decline in global oil prices and the gradual increase in foreign currency reserves. It noted that Jordan's foreign currency reserves currently cover almost all the external debt that matures within a year, while it estimated the current account deficit to have narrowed from 14.5% of GDP in 2013 to 9.7% of GDP in 2014. However, the agency expected balance-of-payments risks to remain relatively high and to slightly decline over the medium-term. It added that the country's gross external financing requirements stand at about 30% of GDP, but it noted that near-term risks are mitigated by the recently restored official reserve buffer and the ongoing financial support from foreign donors. Also, it said that its ratings action takes into account the authorities' commitment to structural reforms, which aim to address the economy's chronic imbalances. In parallel, the agency indicated that public finances constitute the major constraint on the ratings, given the high debt burden that would exceed 90% of GDP in 2015, and the elevated financing requirements projected at about 28% of GDP in 2015 and 2016. But it noted that near-term refinancing risks are manageable, as most of the scheduled debt repayments are in local currency.

Source: Capital Intelligence

EGYPT

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Egypt's long-term foreign and local currency Issuer Default Ratings (IDR) at 'B', with a 'stable' outlook. It also affirmed Egypt's Country Ceiling, short-term foreign currency IDR and senior unsecured bonds at 'B'. The agency indicated that the ratings are supported by the country's low external debt and the authorities' commitment to economic reforms, but are constrained by a wide fiscal deficit, elevated public debt level, low import cover and a volatile political environment. Fitch estimated the fiscal deficit to have narrowed from 12.8% of GDP in the fiscal year that ended in June 2014 to 11.1% of GDP in FY2014/15, when including grants, and to have shrunk from 17.5% of GDP in FY2013/14 to 11.6% of GDP in FY2014/15, when excluding grants. It attributed the narrowing of the deficit to fiscal consolidation, stronger economic activity and lower commodity prices. It expected authorities to introduce the value-added tax in FY2015/16 and to continue with their fiscal consolidation plans. But it anticipated the deficit to remain wide due to high spending commitments. It forecast the public debt level to regress from an estimated 89.6% of GDP at the end of June 2015 to 84.3% of GDP by the end of June 2017, reflecting a moderate narrowing of the fiscal deficit and a stronger nominal GDP growth. Further, the agency indicated that foreign currency reserves are equivalent to three months of current external payments following the deposit of \$6bn by GCC countries at the Central Bank of Egypt. It expected the balance of payments to be more stable over the coming years, but it forecast the reserve coverage to only slightly improve, as stronger inflows of foreign currency would be used to meet private sector demand.

Source: Fitch Ratings

ETHIOPIA

Favorable economic prospects for 2016

The International Monetary Fund indicated that Ethiopia's economic prospects are favorable, reflecting its significant economic potential, as well as its investment plans and reforms. It projected real GDP growth at 8.7% in the fiscal year that ends in July 2015, supported by robust public investment in infrastructure and solid performance in agriculture. It encouraged authorities to continue their cautious monetary policy as food prices are pushing the inflation rate close to 10%. It said that lower commodity prices have significantly weighed on export revenues, and that the Ebola virus has negatively affected tourism receipts. But it noted that a strong pick up in FDI inflows and foreign disbursements to state-owned enterprises have allowed foreign currency reserves to increase modestly. The Fund forecast economic growth at about 8% in FY2015/16, but it noted that authorities need to improve revenue collection and to reduce bottlenecks to doing business in order to sustain rapid and broad-based growth over the medium term. It called on authorities to improve tax revenue collection, which would provide them with a more durable source of financing for government spending. It encouraged authorities to consider other forms of financing for public investments, such as private-public partnerships, in order to preserve debt sustainability. Further, it called on authorities to improve the quality of logistics and to increase access to credit.

Source: International Monetary Fund



BANKING

WORLD

Basel III to increase banking costs for corporates

Moody's Investors Service considered that the introduction of the Basel III framework could benefit non-financial corporates, as it would create greater stability in the credit markets and would improve the banking sector's ability to absorb shocks during periods of financial and economic stress. However, it indicated that companies could face higher banking charges, as banks would increase the pricing for their services or exit unprofitable lines of business. It added that, in some cases, issuers could find it more difficult or costly to obtain debt funding. Moody's pointed out that the Basel III requirements could affect the conduct of business between companies and banks when arranging undrawn back-up lines, accessing debt capital, managing surplus liquidity, or arranging other banking products, as well as when assessing the concentration of banking relationships. It said that banks could find it more costly to provide stand-by credit facilities because of the higher capital charges and the need to maintain greater liquidity. It added that banks could become more selective in committing to corporate debt transactions in some situations. Also, it noted that companies could find that holding large cash balances has become more expensive, given that the Basel III liquidity and stable funding requirements create disincentives for banks to accept short-term wholesale deposits from corporates. However, the agency anticipated that these effects would take time to materialize because the Basel III framework will be introduced gradually and in the context of accommodative monetary policy in several countries.

Source: *Moody's Investors Service*

NIGERIA

Imports restriction to weigh on currency value

Credit Suisse indicated that the Central Bank of Nigeria's (CBN) decision to impose additional administrative controls in the foreign exchange market could reduce the pace of depletion of foreign currency reserves and protect the value of the naira. It said that the CBN banned the importers of at least 40 different items, mostly agricultural goods, from purchasing foreign currency as of June 23rd. It considered that restrictions on foreign currency purchases for imports would reduce external funding pressures on the CBN over the short term, given that foreign currency reserves fell by \$5.5bn from the end of 2014 to \$29bn currently, equivalent to about five months of imports cover. However, it considered that these restrictions would be difficult to maintain for an extended period of time, given that additional limitations on agricultural imports would further weigh on food prices. In parallel, Citi indicated that the CBN's decision would push the importers of the restricted products to the parallel or Bureau de Change (BDC) foreign exchange markets. It said that this would widen the gap between these exchange rates and the current interbank foreign exchange rate. It estimated that the BDC rate would reach between NGN230 and NGN250 per US dollar compared to a current level of around NGN220 per dollar. It noted that the CBN considered the depreciation of the naira so far this year to be a sufficient adjustment to the fall in oil prices since late 2014, while the market requires additional adjustments to the value of the naira.

Source: *Credit Suisse, Citi*

OMAN

Banks' ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'A+' the long-term Issuer Default Rating (IDR) of HSBC Bank Oman (HBON), at 'A' that of Bank Muscat, and at 'BBB+' the long-term IDR of National Bank of Oman (NBO), Bank Dhofar, Bank Sohar and Ahli Bank (ABO). It said that the six banks' long-term IDRs have a 'stable' outlook. It indicated that all banks' IDRs are supported by the extremely high probability of support from the Omani authorities in case of need, except for HBON. It noted that HBON's IDR reflects the extremely high potential support from its parent, HSBC Holdings, given its importance to the group's regional strategy and franchise. Further, Fitch upgraded the Viability Rating (VR) of HBON to 'bbb-' from 'bb+' and that of Bank Sohar to 'bb+' from 'bb', while it affirmed at 'bbb' the VR of Bank Muscat, at 'bbb-' that of NBO and ABO, and at 'bb+' the VR of Bank Dhofar. It attributed the upgrade of HBON's VR to its improving profitability and to the agency's expectations of reduced risks related to the bank's asset quality. It noted that the upgrade of Bank Sohar's VR reflects its improved capitalization level, which no longer constrains its VR. Fitch indicated that all Omani banks benefit from a stable operating environment, with the government's capital investment program driving solid economic activity and creating lending opportunities for domestic banks. However, it noted that the economy is almost entirely dependent on the hydrocarbon sector, which makes it vulnerable to sustained low oil prices.

Source: *Fitch Ratings*

TURKEY

Ratings on largest private banks affirmed

Fitch Ratings affirmed the long-term foreign and local currency IDRs of *Turkiye Is Bankasi* and *Akbank* at 'BBB-' and those of *Yapi ve Kredi Bankasi* at 'BBB', with a 'stable' outlook. It maintained the 'BBB-' long-term IDRs of *Turkiye Garanti Bankasi* on Rating Watch Positive, pending the increase in the Spanish bank *BBVA's* stake in the bank. Also, the agency affirmed the four banks' Viability Ratings at 'bbb-', which reflects their reasonable financial metrics in terms of asset quality, performance and capitalization. It expected the four banks to manage any moderate deterioration in the operating environment, as their capital and liquidity buffers would allow them to absorb mild shocks. It said that profitability ratios have remained sound despite the difficult operating environment, the pressure on margins and the negative impact of regulations on profitability. It noted that the banks' loss absorption buffers are sound, while their capital positions are supported by reasonable reserve coverage of impaired loans, and by solid internal capital generation. It expected the banks' capital ratios to slightly moderate during the year, but to further deteriorate if the Turkish lira significantly depreciates. Fitch indicated that the banks' foreign-currency liquidity risks have increased due to a significant rise in foreign currency wholesale funding since 2011, and given that most of the external funding is short term. Also, it considered that the large share of long-term lending in foreign currency, mainly to corporates, constitutes a source of potential credit risk. It anticipated that a prolonged loss of market access and increased pressure on Turkey's external finances could weigh on the banks' foreign-currency liquidity positions.

Source: *Fitch Ratings*



ENERGY / COMMODITIES

Natural gas prices to drop by 29% in 2015

Global natural gas demand is forecast to increase by 2.5% to 3,457 billion cubic meters in 2015. Gas consumption in the United States is projected at 788.2 billion cubic meters this year, equivalent to 22.8% of total demand. It would be followed by European countries in the Organization for Economic Co-operation and Development (13.5%), Russia (12%), China (5.6%) and Iran (5.1%). In parallel, global gas production is projected to rise by 3.3% to 3,571.9 billion cubic meters in 2015. The U.S. is expected to account for 21.6% of total global output, followed by Russia (16.6%), Iran (5.1%), Qatar (4.8%) and Canada (4.6%). As such, the global gas market surplus is expected to widen by 37% from 84 billion cubic meters in 2014 to 115 billion cubic meters in 2015. The U.S. Henry Hub natural gas prices are anticipated to average \$3.1 per million British thermal units (Btu) in 2015, constituting a drop of 29.5% from \$4.38 per million Btu in 2014. The U.S. Henry Hub natural gas prices are forecast to reach \$3.04 per million Btu on average in the third quarter of 2015, down 22.8% from the same quarter of last year; while they are projected to average \$3.64 per million Btu during the fourth quarter of the year, down 4.5% year-on-year.

Source: Economist Intelligence Unit, Byblos Research

OPEC to increase production by 0.5 million b/d

The Organization of the Petroleum Exporting Countries (OPEC) is anticipated to increase its production target from 30 million barrels per day (b/d) currently to 30.5 million b/d by June 2016, in light of an expected nuclear agreement between Iran and the UN Security Council's permanent members plus Germany (P5+1). The increase in OPEC's production level would consist of about 550,000 to 650,000 b/d in additional crude oil output from Iran in 2016. The return of Iranian oil output and exports to the market would not have a tangible impact on global oil volumes until 2016, as sanctions on the sector would be gradually lifted.

Source: BMI Research, Byblos Research

Middle East accounts for 48% of world's proven oil reserves

The Middle East region's proven crude oil reserves reached 810.7 billion barrels in 2014, up by 0.2% from the previous year, and equivalent to 47.7% of the world's oil proven reserves. Saudi Arabia held 267 billion barrels or 33% of total proven oil reserves in the Middle East at end-2014. It was followed by Iran with 157.8 billion barrels (19.5%), Iraq with 150 billion barrels (18.5%), Kuwait with 101.5 billion barrels (12.5%) and the UAE with 97.8 billion barrels (12.1%).

Source: BP, Byblos Research

Iraqi oil exports at record high in May 2015

Iraqi crude oil exports averaged 3.15 million barrels per day (b/d) in May 2015, constituting an increase of 2.2% from 3.08 million b/d in the preceding month. Iraqi crude oil exports reached a record high of 97.5 million barrels in May relative to 92.3 million barrels in April 2015. The country sold its crude oil for an average price of \$55.87 per barrel, generating \$5.4bn in revenues in May compared to revenues of \$4.8bn in the previous month. In addition, the Iraqi Ministry of Oil indicated that it has made special efforts to increase its exports of crude oil in order to compensate for previous loading delays from the southern ports.

Source: Zawya, Iraq's State Organization for Marketing of Oil

Base Metals: Steel market at a surplus in 2015

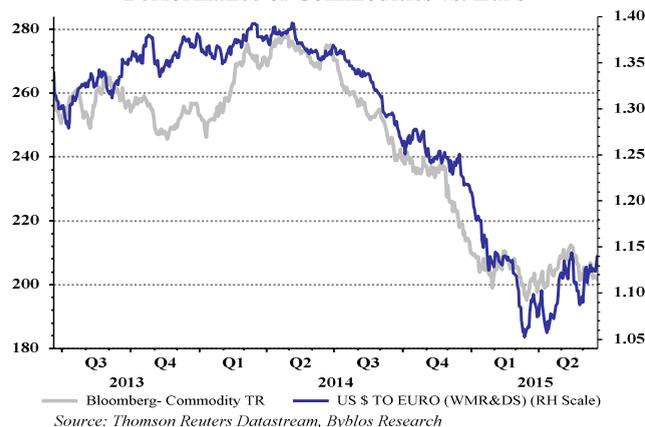
The MEPS World Carbon Steel Index is projected to drop from an average of \$699 per ton in 2014 to \$580 per ton in 2015, and to gradually recover to \$630 per ton by 2019 as China reduces its steel production. Overall, steel prices would average \$596 per ton annually during the 2015-19 period, significantly lower than the annual average of \$750 per ton between 2010 and 2014. The global steel market surplus is expected to widen from 11.1 million tons in 2014 to 29.8 million tons in 2015, but to gradually narrow and to shift to a deficit from 2018 onwards, due to lower Chinese steel production. The stocks-to-use ratio, which is the ratio of available stock ready for immediate use, is forecast to increase from 13.6% in 2015 to 15.5% in 2017, and to gradually drop to 14.4% by 2019. Global steel consumption is expected to grow by 0.6% annually between 2015 and 2019, primarily due to a 1.3% annual decrease in Chinese steel demand during the covered period. On the supply side, global steel output is expected to slow down from an annual average growth rate of 6.3% between 2010 and 2014 to an average growth rate of 0.4% during the 2015-19 period, mainly due to a 1.4% contraction of China's steel production during the covered period.

Source: BMI Research, Byblos Research

Precious Metals: A decrease in gold volatility in second quarter of 2015

Standard Chartered Bank indicated that gold prices have traded in a narrow range and with unusually low volatility in the second quarter of 2015, despite fluctuations in oil prices and in the US dollar. It said that demand for gold as a safe haven asset has kept prices above \$1,100 an ounce, amid the potential exit of Greece from the Eurozone and the persistent global geopolitical uncertainties. It expected price volatility to remain low in coming quarters, but to be higher than in the second quarter of 2015. Also, it projected the metal's price to gradually recover in the third and fourth quarters of 2015, and to reach about \$1,300 an ounce by the end of 2015. It attributed the recovery in prices to an expected increase in U.S. interest rates in the fourth quarter of the year. It said that investors in the gold market remain heavily focused on policy developments at the U.S. Federal Reserve, while investors' sentiment is becoming more bullish towards the implications of the Fed's strategy. In parallel, the probability of gold prices falling below \$900 an ounce dropped to 8% in May from 10% in the previous month, while the probability of prices rising above \$1,500 an ounce fell to 3% in May from 6% in April, reflecting a drop in price uncertainty.

Source: Standard Chartered, International Monetary Fund



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	17-Jun-15	No change	29-July-15
Eurozone	Refi Rate	0.05	03-Jun-15	No change	16-July-15
UK	Bank Rate	0.50	04-Jun-15	No change	09-July-15
Japan	O/N Call Rate	0.00-0.10	19-Jun-15	No change	15-July-15
Australia	Cash Rate	2.00	16-Jun-15	No change	07-July-15
New Zealand	Cash Rate	3.25	11-Jun-15	Cut 25 bps	23-July-15
Switzerland	3 month Libor target	-1.25(-0.25)	18-Jun-15	No change	17-Sep-15
Canada	Overnight rate	0.75	27-May-15	No change	15-July-15
Emerging Markets					
China	One-year lending rate	5.10	10-May-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.50	17-Jun-15	No change	N/A
Taiwan	Discount Rate	1.875	25-Jun-15	No change	N/A
South Korea	Base Rate	1.50	11-Jun-15	Cut 25bps	09-July-15
Malaysia	O/N Policy Rate	3.25	05-Mar-15	No change	09-July-15
Thailand	1D Repo	1.50	10-Jun-15	No change	05-Aug-15
India	Reverse repo rate	7.25	02-Jun-15	Cut 25bps	04-Aug-15
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	2.00	16-June-09	No change	N/A
Egypt	Overnight Deposit	8.75	11-Jun-15	No change	17-July-15
Turkey	Base Rate	7.50	23-Jun-15	No change	23-July-15
South Africa	Repo rate	5.75	21-May-15	No change	23-July-15
Kenya	Central Bank Rate	10.00	09-Jun-15	Raised 150bps	N/A
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	04-Jun-15	No change	23-July-15
Brazil	Selic Rate	13.75	03-Jun-15	Raised 50bps	29-July-15
Armenia	Refi Rate	10.50	10-Feb-15	Raised 100bps	N/A
Romania	Policy Rate	1.75	06-May-15	Cut 25bps	04-Aug-15
Bulgaria	Base Interest	0.02	03-Jun-15	Raised 1bp	01-July-15
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	30.0	25-Jun-15	No change	30-July-15
Russia	Refi Rate	11.50	15-Jun-15	Cut 100bps	31-July-15



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