

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Business confidence regresses in second quarter of 2015

The Young Presidents' Organization's (YPO) Global Pulse Business Confidence Index reached 60.9 points in the second quarter of 2015, down from 61.5 points in the preceding quarter and 64 points in the same quarter of 2014. The Global Pulse survey, which is conducted on a quarterly basis, reflects the opinions of 2,127 CEOs in more than 130 countries about the current and future economic environment that affects their businesses. The index measures the overall economic confidence of the surveyed participants on a scale of zero to 100, with a score below 50 indicating a negative outlook. It combines surveyed CEOs' projections for sales, employee count, fixed investment and business conditions. The survey noted that global economic confidence declined slightly in the second quarter, but remained positive despite the Greek bailout negotiations and the meltdown of China's equity market. It added that the continued drop in global oil prices, China's reorientation of its economic structure and the prevailing loose monetary policies constitute key factors that are affecting economic conditions in a large number of countries. The YPO Global Pulse Index for the United States reached 62.8 points in the second quarter of 2015, the highest level of optimism globally. It was followed by Asia (62 points), the European Union (61.6 points), Australasia (61.4 points), the MENA region (60.8 points), Canada (60 points), non-EU countries (57.7 points), Africa (57.4 points) and Latin America (50.1 points). YPO is a non-profit, global network of young chief executives around the world.

Source: Young Presidents' Organization

EMERGING MARKETS

Trading in Credit Default Swaps down 29% to \$275bn in second quarter of 2015

Trading in emerging markets Credit Default Swaps (CDS) reached \$275bn in the second quarter of 2015, constituting a decline of 28% from \$383bn in the preceding quarter and a drop of 29% from \$389bn in the same quarter of 2014. Overall CDS activity fell to its lowest quarterly level since the fourth quarter of 2013. However, trading volumes are expected to rebound due to investors' increased interest to hedge their exposures, given the deteriorating credit fundamentals in emerging markets. The most frequently-traded sovereign CDS contracts in the second quarter of 2015 were those of Brazil at \$55bn, followed by Russia at \$34bn and Turkey at \$30bn. The most frequently-traded corporate CDS contracts in the covered quarter were those of Russia's Gazprom at \$2bn, followed by Mexico's Pemex at \$1.9bn and Brazil's Petrobras at \$1.4bn. The survey covered data on CDS contracts for 21 emerging economies and nine emerging market corporate issuers from 12 major international banks and broker-dealers.

Source: EMTA

Lending conditions remain under pressure in second quarter of 2015

The Emerging Markets Lending Conditions Index increased to 49 in the second quarter of 2015 from 48.1 in the preceding quarter; but remained below the 50 mark, which still reflects tightening in overall bank lending conditions. The Demand for Loans Index rose to 53.2 in the second quarter of 2015 from 48 in the preceding quarter, while the Trade Finance Index increased to 50.6 in the second quarter from 49.6 in the previous quarter. Further, the Credit Standards Index improved to 47.7 in the second quarter of 2015 from 46.9 in the preceding quarter, while the Funding Conditions Index dropped to 45.4 in the covered quarter from 49 in the first quarter of 2015. Also, the Non-Performing Loans (NPLs) Index regressed to 45.4 in the second quarter of 2015 from 48.2 in the first quarter, with most banks expecting a further increase in NPLs in the third quarter of 2015. The Lending Conditions Index in Emerging Europe was the highest globally at 53.3 compared to 49.6 in the first quarter of 2015, while it regressed in Sub-Saharan Africa to 50 in the second quarter from 51.2 in the preceding quarter. In contrast, the Lending Conditions Index for the MENA region dropped from 50.9 in the first quarter of 2015 to 49.2 in the second quarter; that for Emerging Asia increased to 47.3 in the second quarter of 2015 from 46 in the preceding quarter and that for Latin America improved marginally to 45.9 in the second quarter from 45.7 in the first quarter of 2015.

Source: Institute of International Finance

MENA

Arab world outperforms developing economies in mobile cellular penetration

Figures released by the International Telecommunication Union (ITU) indicate that the penetration rate of mobile cellular lines in Arab states reached 109.7 lines per 100 inhabitants at the end of 2014, down from 110.4% at end-2013, and relative to 91.1% in developing economies. The Arab states' average mobile cellular penetration rate was higher than that in the Americas (108.2%), Asia & Pacific (90.6%) and Africa (71.2%), while it was lower than that in the Commonwealth of Independent States (137.7%) and Europe (120.5%). The total number of mobile cellular subscriptions in Arab states reached 408.7 million at end-2014 and accounted for 7.5% of subscriptions in developing economies. Further, the ITU estimated the penetration rate of fixed telephone lines in the Arab world at 8.1 lines per 100 inhabitants at the end of 2014, down from 8.9% at end-2013 and 9.4% at end-2005, and compared to 10% in developing economies. The Arab states' average fixed telephone lines penetration rate was higher than that in Africa (1.2%), while it was lower than that in Europe (38.3%), the Americas (26.2%), the Commonwealth of Independent States (23.9%) and Asia & Pacific (11.9%). The total number of fixed telephone lines in Arab states reached 30.1 million at the end of 2014 and accounted for 5% of subscriptions in developing economies.

Source: International Telecommunication Union, Byblos Research

OUTLOOK

IRAN

Economic prospects on the upside

The World Bank projected Iran's real GDP growth to accelerate from an expected rate of 3.3% in the fiscal year that will end in March 2016 to 5.1% in FY2016/17 and 5.5% in FY2017/18, assuming all international sanctions on Iran are removed and based on the implementation of sound macroeconomic policies. It said that increased oil production and exports, higher auto production and the expansion of trade would drive economic activity. It noted that higher Iranian oil exports would weigh on global oil prices, but it considered Iran to be the least affected oil-exporting country, as the additional revenues from increased oil exports would outweigh the negative impact of falling oil prices. It added that the removal of sanctions would result in additional oil export earnings of \$15bn, or 3.5% of GDP, in the first year of post-sanctions, which would provide the government with ample fiscal space for capital spending. Also, the relief from sanctions would reduce foreign trade costs for Iran, which could stimulate exports and reduce import costs. It anticipated that all economic sectors would benefit from an opening up of the economy, with the automotive and pharmaceuticals benefiting the most. It estimated that auto production would reach its pre-sanctions level of 1.6 million cars within two years after the lifting of sanctions. It expected production in pharmaceutical industries to increase, as firms would be able to import parts and machineries that were under sanctions in the past two years.

In parallel, the Bank estimated FDI inflows to Iran at between \$3bn and \$3.2bn in each of 2016 and 2017, which would be twice the amount of inflows in 2015 and one-third of the peak in 2003. It expected most FDI inflows to target mainly the oil and gas sector, as well as the automobile and pharmaceutical industries in the manufacturing sector. In parallel, the Bank indicated that the new administration has taken some steps recently to tighten fiscal and monetary policies, which reduced the inflation rate and increased capital investment. But it noted that the government's macroeconomic policy changes frequently, and is often difficult to predict, which weighs on private sector activity and keeps growth below potential.

Source: World Bank

SAUDI ARABIA

Economy to feel impact of low oil prices

The International Monetary Fund indicated that the impact of the 50% drop in global oil prices is likely to dampen Saudi Arabia's economic activity during the 2015-16 period. It projected real GDP growth to decelerate from 3.5% in 2014 to 2.8% in 2015 and to 2.4% in 2016, as government spending starts to adjust to the lower oil price environment. It forecast real non-oil GDP to decelerate from a growth rate of 5% in 2014 to 3.1% in 2015. The Fund projected Saudi Arabia's fiscal deficit to widen from 3.5% of GDP in 2014 to 19.5% of GDP in 2015 due to substantially lower fiscal revenues and strong government spending. The Fund expected the fiscal deficit to narrow from 2016 onwards, as one-off spending ends and large investment projects are completed. But it expected the deficit to remain wide over the medium term. It noted that the issuance of government debt to finance part of the deficit is appropriate and would help develop

the local debt market. The Fund considered that the main risks to the outlook are the uncertainties about future global oil prices and the possible escalation of regional tensions. It noted that the decline in oil prices has increased the importance of structural reforms to diversify the engine of growth away from the public sector towards the private sector.

In parallel, the IMF considered that authorities need to implement sizeable fiscal consolidation over the next few years in order to narrow the fiscal deficit. It called on authorities to improve government spending efficiency, implement comprehensive energy price reforms, limit the public sector wage bill, and expand non-hydrocarbon revenues. It expected the current account balance to shift from a surplus of 10.9% of GDP in 2014 to a deficit of 0.9% of GDP in 2015, but it projected the current account balance to return to a surplus over the 2016-20 period. The Fund indicated that deposit inflows to commercial banks and lending to the private sector have slowed in recent months, but that the banking sector is well positioned to withstand the slowdown in growth and lower oil prices.

Source: International Monetary Fund

IRAQ

Economic and fiscal risks on the rise

The International Monetary Fund estimated Iraq's real GDP to have contracted by 2.1% in 2014, mainly due to the conflict with Islamic State militants and the sharp decline in global oil prices. It projected economic activity to modestly recover in 2015 and to grow by a real rate of 0.5%, driven by developments in the hydrocarbon sector. It expected non-hydrocarbon sector activity to further contract by 11.2% this year relative to a contraction of 8.8% in 2014. The IMF considered that Iraq's macroeconomic growth prospects remain positive for the medium term, but less favorable than pre-conflict levels, driven by the anticipated rise in oil production and the rebound of non-hydrocarbon activity. It forecast Iraq's oil production to increase from 3.1 million b/d in 2014 to 3.4 million barrels per day (b/d) this year, and for oil exports to rise from 2.5 million b/d last year to 3.1 million b/d in 2015.

The IMF noted that risks to Iraq's outlook remain high and include weak policy implementation and further deterioration of the political and security situation. The Fund pointed out that the steep decline in oil prices led Iraq's gross foreign currency reserves to decline from \$77.8bn at end-2013 to \$66.7bn at the end of 2014, and expected reserves to further drop to \$50.4bn at end-2015 and \$41.5bn at the end of 2016. It noted that fiscal pressures are intensifying, and expected the budget deficit to widen from 5.3% of GDP last year to 18.4% of GDP in 2015 due to sustained weak oil prices and rising humanitarian and security spending. The IMF considered that indirect central bank financing of the government is currently necessary, given the lack of other sources of financing, but stressed that this should not become a recurring source of financing. The Fund stressed on the importance of implementing reforms and on the need to diversify the economy. It expressed concerns about the impact of the crisis on the assets and activity of private banks, and the increasing role of state-owned banks in financing the government.

Source: International Monetary Fund



ECONOMY & TRADE

IRAQ

First sovereign ratings assigned

Fitch Ratings assigned to Iraq a long-term foreign currency Issuer Default Rating (IDR) of 'B-' with a 'stable' outlook, which is five notches below investment grade. It also assigned a short-term foreign currency IDR of 'B' and a Country Ceiling of 'B-'. It said that the ratings reflect the country's political risks and insecurity, which are the highest of any Fitch-rated sovereign, and take into account the country's large oil and gas reserves. Further, it said that Iraq's fiscal position has deteriorated rapidly since 2013, and projected the country to post a double-digit deficit in 2015, driven by lower global oil prices, higher military spending and costs associated with the ongoing conflict. It noted that the limited economic policy complicates the response to oil price volatility. It expected authorities to finance the deficit through debt, such as Eurobond issuance, or from funding extended under the IMF's Rapid Financing Instrument, given that the country's savings buffers have been largely eroded. Further, the agency projected the public debt at 51% of GDP at the end of 2015, which would reflect a significant rise from 2014, but would be in line with the median of 'B'-rated countries. It said that the debt stock reflects the inclusion of funds and accumulated interest rates provided by GCC countries during the 1980-88 Iran-Iraq war that are equivalent to 22% of GDP in 2015. Further, the agency estimated non-hydrocarbon output to have contracted by 9% in 2014 and expected it to further contract in 2015 due to the country's political instability. Fitch indicated that its ratings on Iraq incorporate a deteriorating external position and a weak banking sector.

Source: Fitch Ratings

SAUDI ARABIA

Bond issuance could tighten domestic liquidity

Merrill Lynch indicated that a domestic bond program in Saudi Arabia would likely slow down the drawdown of foreign currency reserves and modestly tighten domestic liquidity. It noted that authorities could issue between SAR15bn and SAR20bn per month during the second half of 2015, which means that the program's total size would range between SAR75bn and SAR100bn in the covered period. As such, it said that total bond issuance to domestic banks could range between SAR90bn and SAR115bn in the covered period, as the Saudi Arabian Monetary Authority (SAMA) issued SAR15bn in July. It estimated that the full implementation of the proposed issuance program would increase the government's debt level from 1.6% of GDP in 2014 to about 7% of GDP in 2015. It considered that regular bond issuance is likely to contribute to tighter domestic liquidity conditions, but it noted that the banks' excess deposits at SAMA, lower weekly issuance of Treasury bills from SAMA and lower reserve requirement ratios could mitigate the liquidity impact. It noted that Saudi Arabian banks have enough room to provide adequate lending to the government in 2015 without crowding out private sector credit growth. Further, it said that SAMA's net foreign assets fell by \$52bn in the first five months of the year, while the government's deposits at SAMA decreased by \$79.3bn during the same period. It noted that the drop in the government's deposits at SAMA is in line with the projected fiscal deficit for the year of about 19% of GDP.

Source: Merrill Lynch

ANGOLA

Outlook on sovereign ratings revised to 'negative'

Standard & Poor's affirmed Angola's long- and short-term foreign and local currency sovereign credit ratings at 'B+/B', and revised the outlook on the long-term ratings to 'negative' from 'stable'. It attributed the outlook revision to the continued widening of Angola's fiscal and external deficits amid lower global oil prices. It noted that authorities have responded to the drop in oil prices by adjusting the 2015 budgeted oil price assumption downwards to \$40 per barrel, by cutting expenditures and by gradually reducing fuel subsidies. But it said that these measures are insufficient to narrow the fiscal deficit, given that oil-related revenues account for more than 75% of the country's fiscal receipts. It forecast the deficit to widen from 5.5% of GDP in 2014 to 7% of GDP in 2015. As such, the agency projected the government debt level to rise from 24.2% of GDP in 2014 to 34.2% of GDP in 2015. Also, it projected the current account deficit to widen from 2.5% of GDP in 2014 to 6.7% of GDP in 2015 as oil export revenues decreased while imports remain high. S&P pointed out that the Banco Nacional de Angola (BNA) devalued the Kwanza by 5% in June 2015, after the currency depreciated by at least 20% over the past 12 months. It considered that the BNA's decision to prioritize access to foreign currency among market participants would help moderate the Kwanza's depreciation and enable the BNA to preserve its level of foreign reserves. It projected Angola's gross external financing needs to exceed 100% of current account receipts during the 2015-17 period.

Source: Standard & Poor's

DEM REP CONGO

Sovereign ratings affirmed, outlook 'stable'

Standard & Poor's affirmed the Democratic Republic of Congo's (DRC) long-term foreign and local currency sovereign credit ratings at 'B-' with a 'stable' outlook. The agency indicated that the ratings are constrained by weak institutions, poor governance, continuing conflict in the eastern parts of the country, extremely low income levels, high dependence on FDI inflows, and limited economic policy flexibility. But it noted that the ratings are supported by a low public debt level that is expected to decline from 17.3% of GDP in 2014 to 11.7% of GDP in 2018, and by rapid economic growth. S&P noted that election delays, or claims of electoral fraud in the upcoming presidential and parliamentary elections in 2016, would strain ties with international donors. It expected net FDI inflows to remain high during the coming years and to constitute a key source of external financing. But it cautioned from the adverse impact of political instability and volatility of global commodity prices on such inflows. It said that the economy is vulnerable to a downturn in copper prices, especially given the economic slowdown in China, which is the world's largest consumer of the metal and the DRC's major trading partner. The agency expects the country's current account deficit to remain wide at an average of 9% of GDP during the 2015-18 period. As such, it expected the financing of the deficit to lead to a rise of the net external liabilities from 29.7% of current account receipts (CARs) in 2014 to 60.1% of CARs in 2015 and 97% of CARs by 2018.

Source: Standard & Poor's



BANKING

MENA

Region lags developing economies in saving money at financial institutions

Figures issued by the World Bank show that 4% of adults above 15 years old in the developing countries of the Middle East & North Africa (MENA) region saved or set aside money at a financial institution in 2014, up from 2.7% of adults in 2011, but lower than the global average of 27.4%. The Bank defines a formal financial institution as a commercial bank, credit union, cooperative, post office or microfinance institution. The developing MENA region's share of adults who saved money at banks or other financial institutions in 2014 was lower than that of the Euro zone (47.6%), developing countries in East Asia & the Pacific (36.5%), developing countries in Sub-Saharan Africa (15.9%), developing countries in Latin America & the Caribbean (13.5%), South Asia (12.7%) and developing countries in Europe & Central Asia (8.4%). On a country basis, 21.6% of adults in Iran saved money at banks or other financial institutions last year, reflecting the highest share among nine developing countries in the MENA region. Lebanon followed with a 17.5% share of adults, then Algeria (13.8%), Tunisia (10.3%), the West Bank & Gaza (5.1%), Egypt (4.1%), Jordan (3.8%), Iraq (3.5%) and Yemen (0.9%). On a gender basis, 4.8% of males and 3.2% of females in the developing countries of the MENA region saved money at banks or other financial institutions at the end of 2014, relative to 3.7% and 1.7%, respectively, at the end of 2011.

Source: World Bank

UAE

Ratings on nine banks affirmed, outlook 'stable'

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDRs) of Abu Dhabi Islamic Bank (ADIB) and Al Hilal Bank (AHB) at 'A+', that of Dubai Islamic Bank (DIB) and Mashreqbank (Mashreq) at 'A', the IDR of Commercial Bank of Dubai (CBD) and Noor Bank (NB) at 'A-', and that of National Bank of Ras Al Khaimah (RAKBANK), Bank of Sharjah (BOS) and Sharjah Islamic Bank (SIB) at 'BBB+'. It noted that all banks' ratings have a 'stable' outlook. Further, the agency maintained the Viability Ratings (VR) of Mashreq, CBD, RAKBANK and SIB at 'bb+', that of ADIB, AHB, DIB and BOS at 'bb', and the VR of NB at 'b+'. Fitch indicated that the banks' long-term IDRs reflect the ability and willingness of the authorities to support the banking sector, given the government's stake in a number of banks, its long track record of support, the large sovereign wealth funds and the moderate size of the sector relative to the country's GDP. Further, the agency pointed out that banks benefit from a solid operating environment and have sound levels of liquidity, capital and pre-impairment operating profits. Also, it said that asset quality metrics continue to improve, especially at Dubai's banks, but it noted that most of the improvement is due to strong loan growth. It indicated that high loan and deposit concentration constrains the banks' Viability Ratings.

Source: Fitch Ratings

JORDAN

Resident private sector lending up 1% in first half of 2015

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD46.4bn or \$65.5bn at the end of June 2015, constituting a rise of 3.4% from the end of 2014 and an increase of 5.3% from end-June 2014. Resident private sector claims grew by 1.2% from end-2014 to JD18bn, while credit facilities to the non-resident private sector dropped by 1.5% to JD474.6m, leading to an increase of 1.1% in overall private sector credit facilities in the first half of 2015. Lending to the resident private sector accounted for 38.9% of total assets at end-June 2015 relative to 40.1% a year earlier. In parallel, resident private sector deposits reached JD24.9bn at end-June, constituting an increase of 3.9% from the end of 2014 and a rise of 6.5% from a year earlier. Also, deposits of non-bank financial institutions rose by 6.4% from end-2014 to JD383.6m. The government's deposits totaled JD1.4bn, down 0.8% from end-2014, while those of public non-financial institutions increased by 20.9% to JD297.5m. Further, claims on the public sector rose by 6.5% to JD11.7bn in the first half of 2015, with claims on the central government accounting for 96.7% of lending to the public sector. Claims on the public sector accounted for 25.3% of total assets at end-June 2015 compared to 23.5% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD7.2bn or \$10.2bn, up 4.5% from JD6.9bn at end-2014; while capital accounts and allowances stood at JD6.75bn, nearly unchanged from end-2014. Deposits with foreign banks reached JD3.1bn or \$4.4bn at the end of June 2015, down by 5.8% from end-2014, while the sector's foreign liabilities grew by 4.7% to JD7.1bn.

Source: Central Bank of Jordan, Byblos Research

SYRIA

FATF unable to assess anti-money laundering measures

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Syria has made progress to improve its AML/CFT regime since February 2010, when it made a high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF to address its strategic AML/CFT deficiencies. It noted that Syria has substantially addressed its action plan at a technical level, including by criminalizing terrorist financing and by establishing procedures for freezing terrorist assets. It considered that Syria has completed its action plan agreed upon with the FATF. But the FATF indicated that, due to the prevailing security conditions, it has not been able to conduct an on-site visit to assess if the process of implementing the required reforms and actions has addressed the deficiencies that it previously identified. The FATF noted that it will continue to monitor the situation in Syria, and will conduct an on-site visit at the earliest possible date.

Source: Financial Action Task Force



ENERGY / COMMODITIES

Oil prices to remain at low levels until early 2016

ICE Brent crude oil futures prices closed at \$46 per barrel (p/b) on August 19, 2015, down by 12.2% from the end of July 2015. The drop in oil prices was mainly speculative, and was attributed to the economic uncertainties surrounding China and the Iranian nuclear accord. In parallel, WTI oil prices closed at their lowest level in more than six years at \$40.8 p/b on August 19th, after an unexpected rise in U.S. crude oil stockpiles. Oil prices are forecast to recover modestly towards the fourth quarter of 2015 due to sustained demand of crude oil from China and declining U.S. shale oil production. But the price recovery will be capped by market oversupply and by the continued strength of the US dollar. In addition, the anticipated removal of the international sanctions on Iran is expected to add another 365,000 b/d to the market from the first quarter of 2016 onwards, which would add downward pressures on prices. As such, Brent crude oil prices are forecast to average \$57 p/b in 2015 and \$56 p/b in 2016, while WTI crude oil prices are projected to average \$51 p/b this year and \$53 p/b next year. Upside risks to the price outlook include a quota reduction by the Organization of the Petroleum Exporting Countries in November 2015, a breakdown of the Iranian nuclear agreement and a depreciation of the US dollar. In contrast, downside risks include the sustained return of Libyan oil production to the market and a sharper-than-anticipated economic slowdown in China.

Source: BMI Research, Byblos Research

Middle East's jewelry demand down 20% year-on-year in second quarter of 2015

The Middle East region's demand for jewelry reached 52.5 tons in the second quarter of 2015, reflecting a drop of 15.3% from the preceding quarter and a decline of 20.2% from the second quarter of 2014. The region accounted for 10.2% of global jewelry demand. Consumption of gold jewelry in Saudi Arabia reached 17 tons in the second quarter and accounted for 32.4% of the region's total demand. It was followed by the UAE with 13.3 tons (25.3%), Egypt with eight tons (15.2%) and Iran with 7.1 tons (13.5%).

Source: World Gold Council, Byblos Research

Iran to raise oil output after removal of sanctions

The International Energy Agency indicated that Iran could raise its oil production by up to 730,000 barrels per day (b/d) from 2.9 million b/d currently, following the anticipated removal of international sanctions in 2016. It expected Iran's oil production to rise to between 3.4 and 3.6 million b/d, on average, within months after the lifting of sanctions. But it noted that Tehran would require massive investments in its oil and gas sector to be able to raise its output capacity. Further, Iran noted that it hopes to secure about \$200bn worth of oil and gas projects with international oil companies by 2020. But it indicated that it still needs to comply with the terms of the July 2015 nuclear agreement with the UN Security Council's permanent members plus Germany.

Source: International Energy Agency, Thomson Reuters

OPEC's oil basket price down 10% in July 2015

The Organization of the Petroleum Exporting Countries' oil reference basket price reached \$54.2 per barrel (p/b) in July 2015, constituting a drop of 10% from \$60.2 p/b in the preceding month. Abu Dhabi's Murban crude oil posted the highest price among the basket's components at \$57.6p/b in July, followed by Nigeria's Bonny Light at \$56.77 p/b and Angola's Girassol at \$56.46 p/b.

Source: OPEC, Byblos Research

Base Metals: Copper prices at six-year low

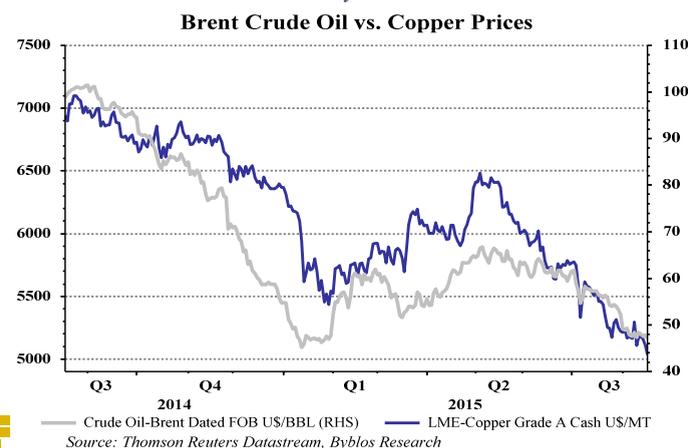
The LME cash price of copper reached its lowest level in more than six years in the third week of August, partly due to the ongoing economic slowdown in China, the world's largest consumer of the metal. Prices fell by 17% since early June 2015 and by 21.6% since end-2014 to close at \$4,996 per metric ton on August 19, 2015. A strong US dollar, market oversupply and persistent concerns about the health of the Chinese economy are expected to continue to weigh on the metal's price in the near term. Further, the slow pace of recovery in crude oil prices is likely to negatively affect investors' sentiment towards the metal. Copper prices are forecast to trade at between \$5,150 per metric ton and \$5,750 per metric ton in the third quarter of 2015, and to average \$5,800 in full year 2015. In parallel, the Bloomberg Industrial Metals Total Return Sub-Index decreased by 17% in the first seven months of 2015, while the Copper Total Return Sub-Index declined by 9.6% from end-2014.

Source: Sueden Financials, Bloomberg indexes, Byblos Research

Precious Metals: Gold prices down 7% in second quarter of 2015, global demand at \$35bn

Gold prices averaged \$1,192.4 in the second quarter of 2015, down by 2.1% from the first quarter of 2015 and by 7.5% from the same quarter of 2014. Global gold supply regressed by 5% year-on-year in the second quarter of 2015 to 1,032.6 tons, with mine production accounting for 76.2% of the total. In parallel, global gold demand dropped by 12% year-on-year to a six-year low of 914.9 tons, equivalent to \$35.1bn, in the second quarter of 2015. The drop was due in part to decreases in jewelry consumption in India (-22.7%) and China (-5.5%). Gold jewelry demand totaled 513.5 tons, equivalent to \$19.7bn, in the second quarter of the year and constituted a decrease of 13.6% from the same quarter last year. It was followed by gold bar and coin investments with 201.4 tons (\$7.7bn) and demand from the technology sector with 85.5 tons (\$3.3bn). European investors increased their gold holdings in the second quarter, on concerns that they would be directly affected by the Greek crisis and the instability of the Eurozone; while investors in other markets did not see the crisis as a systemic risk. Consumers in several regions were reluctant to buy gold in the second quarter, as they sought to purchase the metal at lower prices. In addition, central banks continued to be net purchasers of gold for the 18th 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.

Source: World Gold Council, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
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-July-15	No change	17-Sep-15
Eurozone	Refi Rate	0.05	16-July-15	No change	02-Sep-15
UK	Bank Rate	0.50	06-Aug-15	No change	10-Sep-15
Japan	O/N Call Rate	0.00-0.10	07-Aug-15	No change	15-Sep-15
Australia	Cash Rate	2.00	04-Aug-15	No change	01-Sep-15
New Zealand	Cash Rate	3.00	23-July-15	Cut 25 bps	10-Sep-15
Switzerland	3 month Libor target	-1.25-(-0.25)	18-Jun-15	No change	17-Sep-15
Canada	Overnight rate	0.50	15-July-15	Cut 25 bps	09-Sep-15
Emerging Markets					
China	One-year lending rate	4.85	27-Jun-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.50	30-July-15	No change	17-Sep-15
Taiwan	Discount Rate	1.875	25-Jun-15	No change	24-Sep-15
South Korea	Base Rate	1.50	13-Aug-15	Cut 25bps	11-Sep-15
Malaysia	O/N Policy Rate	3.25	09-July-15	No change	11-Sep-15
Thailand	1D Repo	1.50	05-Aug-15	No change	16-Sep-15
India	Reverse repo rate	7.25	04-Aug-15	Cut 25bps	29-Sep-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	30-July-15	No change	17-Sep-15
Turkey	Base Rate	7.50	18-Aug-15	No change	22-Sep-15
South Africa	Repo rate	6.00	23-July-15	Raised 25bps	23-Sep-15
Kenya	Central Bank Rate	11.50	05-Aug-15	Raised 150bps	02-Nov-15
Nigeria	Monetary Policy Rate	13.00	24-July-15	No change	21-Sep-15
Ghana	Prime Rate	22.00	15-July-15	No change	16-Sep-15
Angola	Base rate	9.75	27-July-15	Raised 50bps	28-Aug-15
Mexico	Target Rate	3.00	23-July-15	No change	21-Sep-15
Brazil	Selic Rate	14.25	29-July-15	Raised 50bps	02-Sep-15
Armenia	Refi Rate	10.25	11-Aug-15	Cut 25bps	22-Sep-15
Romania	Policy Rate	1.75	04-Aug-15	Cut 25bps	30-Sep-15
Bulgaria	Base Interest	0.01	31-July-15	Cut 1bp	01-Sep-15
Kazakhstan	Refi Rate	5.50	02-Aug-15	No change	N/A
Ukraine	Discount Rate	30.0	30-July-15	No change	27-Aug-15
Russia	Refi Rate	11.00	31-July-15	Cut 50bps	11-Sep-15



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (961) 338 100
Fax: (961) 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

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BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A.
Damascus Head Office
Al Chaalan - Amine Loutfi Hafez Street
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4
Fax: (+ 963) 11 3348205
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362
Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 8518 8100
Fax: (+ 44) 20 8518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa
Khartoum Head Office
Intersection of Mac Nimer and Baladiyya Streets
P.O.Box: 8121 - Khartoum - Sudan
Phone: (+ 249) 1 56 552 222
Fax: (+ 249) 1 56 552 220
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC S.A.R.L
Avenue du Marché No. 4
Kinshasa-Gombe, Democratic Republic of Congo
Phone: (+ 243) 81 7070701
(+ 243) 99 1009001
E-mail: byblosbankrdc@byblosbank.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293

