

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Fixed income trading volume down 27% to \$1,211bn in second quarter of 2015

Trading in emerging markets (EM) debt instruments totaled \$1,211bn in the second quarter of 2015, constituting a decrease of 1.2% from \$1,226bn in the first quarter of 2015 and a drop of 27.4% from \$1,668bn in the second quarter of 2014. Further, turnover in local-currency instruments reached \$721bn in the second quarter of 2015, up by 10.6% from \$652bn in the first quarter of 2015 and down by 30.2% from \$1,033bn in the second quarter of last year. Mexico's domestic debt was the most frequently-traded local currency debt in the second quarter with \$219bn, followed by Brazil with a turnover of \$93bn, South Africa (\$82bn), India (\$69bn), and South Korea (\$38bn). In parallel, sovereign and corporate Eurobond trading stood at \$487bn in the second quarter of 2015, dropping by 14.7% from \$571bn in the first quarter of 2015 and by 23% from \$632bn in the second quarter of 2014. The volume of traded sovereign Eurobonds reached \$249bn and accounted for 51.1% of the total debt traded in the covered quarter; while the volume of traded corporate Eurobonds reached \$223bn in the second quarter of 2015, or 45.8% of the total. Russia's 2030 bond was the most frequently traded EM Eurobond in the second quarter with a turnover of \$8bn. Overall, the most frequently traded instruments in the second quarter of 2015 were Mexican fixed income assets with a turnover of \$266bn, or 22% of the total, followed by Brazilian instruments with \$159bn (13.1%), assets from South Africa with \$92bn (7.6%), Indian debt securities with \$76bn (6.3%) and Russian instruments with \$54bn (4.5%).

Source: EMTA

GCC to lose \$248bn in oil revenues in 2015

The Institute of International Finance indicated that the shift in Saudi Arabia and the Organization of Petroleum Exporting Countries' oil market strategy since 2014 would lead to oil export revenue losses among oil producers worldwide in 2015. It noted that the OPEC's policy shift from defending oil prices to preserving market share led to the substantial and extended drop in global oil prices. As such, the IIF expected hydrocarbon export receipts of oil producers in the Gulf Cooperation Council to drop from \$673bn in 2014 to \$425bn in 2015, which would imply oil revenue losses of \$248bn this year. It said that Saudi Arabia would incur the largest annual decline in oil export receipts among oil producing countries at \$111bn in 2015, followed by the UAE (-\$45bn) and Kuwait (-\$38bn). In addition, it projected Venezuela's oil revenue losses at \$28bn in 2015, followed by Nigeria (-\$26bn), Iraq (-\$16.2bn), Libya (-\$6.3bn) and Algeria (-\$4.4bn), among other OPEC producers. The IIF indicated that the goal of the OPEC strategy is to narrow the long-standing oversupply in the oil market while preserving its market share through forcing high-cost producers, mainly the U.S. and Canada, to cut their production amid low market oil prices. It noted that OPEC's current strategy seems to be effective so far but is moving at a slower pace than initially anticipated.

Source: Institute of International Finance

MENA

Greenfield FDI to Arab countries at \$1,020bn between January 2003 and May 2015

Figures released by fDi Markets show that the cumulative value of inward greenfield foreign direct investment (FDI) in Arab economies totaled \$1,020bn between January 2003 and May 2015. Saudi Arabia was the largest recipient of greenfield FDI in nominal terms among 21 Arab countries during the covered period with \$153.1bn and accounted for 15% of the total. It was followed by the UAE with \$142.3bn (13.9%), Egypt with \$121.3bn (11.9%), Qatar with \$109.7bn (10.8%), Iraq with \$81.2bn (8%), Algeria with \$68bn (6.7%), Morocco with \$55.8bn (5.5%), Jordan with \$43.5bn (4.3%), Tunisia with \$40.9bn (4%) and Oman with \$39.1bn (3.8%) as the top 10 Arab recipients. Further, Arab countries attracted 10,700 greenfield FDI projects from 8,690 regional and international companies between January 2003 and May 2015. The UAE attracted 3,880 projects from 3,219 companies; followed by Saudi Arabia with 1,184 projects (886), Egypt with 740 projects (550), Morocco with 728 projects (582), Qatar with 701 projects (602), Bahrain with 567 projects (472), Oman with 496 projects (372), Tunisia with 379 projects (312), Algeria with 375 projects (306) and Jordan with 307 projects (245). The FDI figures cover cross-border greenfield projects that lead to the direct creation of jobs and capital investment. They include joint ventures when these transactions lead to a new physical greenfield operation, but exclude mergers and acquisitions and other equity investments.

Source: fDi Markets, Byblos Research

Arab world outperforms developing economies in Internet penetration

Figures released by the International Telecommunication Union (ITU) indicate that the Arab states' internet penetration rate reached 34.7 users per 100 inhabitants at the end of 2014, up from 32.2% at end-2013, and compared to a rate of 32.4% in developing countries. The Arab states' average internet penetration rate was higher than that in Asia & Pacific (33.8%) and Africa (18.9%), while it was lower than that in Europe (74.5%), the Americas (63.1%) and the Commonwealth of Independent States (57.4%). The number of Internet users in the Arab world stood at 129.1 million at the end of 2014 and accounted for 6.7% of Internet users in developing economies. Further, mobile broadband penetration in the Arab world reached 36.1 users per 100 inhabitants at end-2014 relative to 27.3% at end-2013 and compared to 27.9% in developing economies. The number of mobile broadband subscriptions in Arab countries was 134.4 million at the end of 2014, up from 100 million at end-2013, and accounted for 8.1% of subscriptions in developing economies. In addition, the fixed broadband penetration in Arab states was 3.4 users per 100 inhabitants at end-2014, up from 3.2% at end-2013 and relative to 6.6% in developing economies. The number of fixed broadband subscriptions in Arab economies reached 12.8 million at the end of 2014, up from 11.6 million at end-2013, and represented 3.2% of subscriptions in developing economies.

Source: International Telecommunication Union, Byblos Research

OUTLOOK

GCC

Low oil prices to weigh on fiscal balances in 2015

Regional investment bank EFG Hermes expected the six economies of the Gulf Cooperation Council (GCC) to post fiscal deficits in 2015, given that their fiscal breakeven oil price significantly exceeds the projected average oil price of \$55 per barrel this year. It expected Saudi Arabia to post the widest fiscal deficit of 18.2% of GDP in 2015, followed by Oman (-16.8% of GDP), Bahrain (-13.2% of GDP), Kuwait (-4.3% of GDP), the UAE (-3.9% of GDP) and Qatar (-1.5% of GDP). It considered that there is an urgent need for GCC countries to reconsider their fiscal policy stance and diversify their revenue sources away from the hydrocarbon sector. It added that these countries need to limit their unproductive and recurrent spending, including those on subsidies, to improve budget flexibility and ensure longer term fiscal sustainability. But it noted that most GCC countries are not making concrete efforts in this regard, mainly due to socio-political reasons as cutting spending on wages, benefits, and subsidies remains politically difficult. It said that the region must get used to volatile oil revenue, as conditions in the oil market have become more uncertain.

EFG Hermes indicated that GCC governments lack the institutional setup and are less inclined to raise non-oil revenues, given their reluctance to impose additional taxes or raise existing ones. It said that GCC countries need to consider ways to retain their financial buffers and to avoid drawing down their financial reserves for current spending. It expected GCC economies to increasingly tap local and international debt markets to help finance their budget shortfalls. It added that government borrowing would not crowd out the private sector in the near term, given the excess liquidity in the GCC banking system. It said that new government debt issuance would establish a domestic currency yield curve, strengthen debt capital markets, and diversify longer term sources of funding.

Source: EFG Hermes

ANGOLA

Economic activity to slow down in 2015 and 2016

The International Monetary Fund expected economic activity in Angola to slow down amid a low oil price environment, given that oil accounts for over 95% of the country's exports and for about 75% of its fiscal revenues. It projected real GDP to grow at an average rate of 3.5% per year during the 2015-16 period, as the industrial, construction and services sectors adjust to the decreases in private consumption and public investment. The Fund expected the country's inflation rate to peak by the end of 2015, reflecting the depreciation of the kwanza and loose monetary conditions. But it projected inflationary pressures to gradually ease from 2016 onwards. It emphasized the need for economic diversification through implementing structural reforms and preserving macroeconomic stability.

The IMF noted that preserving the health of the banking sector is essential to allow the economy to recover from its current slow-down. It considered that the main downside risk to the outlook is a further decline in global oil prices. It also said that Angola's external accounts are deteriorating in part due to the substantial

drop in oil export receipts, but expected them to recover from 2017 onwards. The IMF expected the fiscal deficit to narrow from 6.5% of GDP in 2014 to 3.5% of GDP in 2015, due to the authorities' timely revision of the 2015 budget following the steep decline in oil prices. It projected the country's public debt to significantly rise to about 57% of GDP by the end of 2015, of which 14% of GDP corresponds to Sonangol. The Fund considered that Angolan authorities need to increase non-oil revenues by reducing tax incentives and strengthening the newly-created tax administration agency. It noted that an adequate level of foreign currency reserves led Angola to better deal with the ongoing oil price shock, compared to when oil prices dropped in 2008.

The IMF noted that the aim of Banco Nacional de Angola's (BNA) monetary and exchange rate policies should be to contain inflation and preserve an adequate level of foreign currency reserves. It indicated that the BNA's interventions in the foreign exchange market have allowed for an orderly depreciation of the kwanza. But the Fund pointed out that the wide and volatile spread between the parallel and official market exchange rates, as well as the accumulation of foreign exchange buying orders at commercial banks, are indications of market imbalance

Source: International Monetary Fund

NIGERIA

External accounts highly dependent on oil prices

Credit Suisse considered that lower oil prices would negatively affect Nigeria's external balances, given that oil receipts account for more than 85% of the country's merchandise export revenues. It assumed several possible scenarios based on different oil price levels, as well as oil exports of 1.7 million barrels per day in 2015. The first scenario assumes that Nigeria's Bonny Light oil price would remain at \$50 per barrel (p/b) through the second half of 2015 and would average \$55 p/b for the year. Under this scenario, it forecast the current account deficit to be wider than 1.5% of GDP in 2015, and for foreign currency reserves to drop to \$24.5bn at the end of 2015, equivalent to 4.3 months of next year's imports.

Second, Credit Suisse's base case scenario assumes that the price of oil would recover to an average of \$67.5 p/b through the second half and would average \$63 p/b in 2015. In this case, it expects the current account balance to shift from a surplus of 0.1% of GDP in 2014 to a deficit of 0.5% of GDP this year, and for foreign currency reserves to reach \$29.5bn and cover 5.2 months of next year's imports.

In a third scenario, it anticipated oil prices to average \$70 p/b in 2015, but indicated that such an event is highly unlikely to materialize. Under this scenario, it expected the current account balance to post a surplus of 0.4% of GDP in 2015, while the level of Nigeria's foreign reserves would reach \$33.8bn, covering 5.9 months of next year's imports at the end of 2015. Under a fourth scenario where the price of oil would average \$50 p/b in 2015, Credit Suisse estimated the current account deficit at 2.2% of GDP and foreign reserves at \$21.4bn, or 3.8 months of import coverage. It considered that market-implied probabilities are skewed in favor of oil prices remaining low for a long period of time.

Source: Credit Suisse



ECONOMY & TRADE

UAE

Agencies affirm Abu Dhabi ratings

Standard & Poor's affirmed Abu Dhabi's long- and short-term sovereign credit ratings at 'AA/A-1+', with a 'stable' outlook on the long-term rating. It said that Abu Dhabi's ratings are supported by its strong fiscal and external positions, which offer fiscal policy flexibility. It added that the Emirate's net asset position provides a buffer to counter the negative impact of oil price volatility on economic growth, on government revenues and on external accounts. It forecast Abu Dhabi's net fiscal asset position to average 280% of GDP annually between 2015 and 2018. Further, it said that the electricity and subsidy reforms could lower the subsidy bill by 0.5% of GDP in 2015, while changes to the policy of fixed fuel prices would yield indirect impact on the budget through higher dividends paid to the government by ADNOC. It projected the fiscal deficit to average about 1.5% of GDP annually during the 2015-18 period, due to lower government revenues and despite cuts in Abu Dhabi's contribution to the federal government and in aid payments and grants. In parallel, Fitch Ratings affirmed Abu Dhabi's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'AA', with a 'stable' outlook. It also maintained the short-term foreign currency IDR at 'F1+' and the UAE Country Ceiling at 'AA+'. It said that Abu Dhabi's substantial buffers provide resilience to the fall in global oil prices. It estimated Abu Dhabi's sovereign net foreign assets at 181% of GDP at the end of 2014, and forecast them at 178% of GDP at the end of 2016 based on conservative assumptions for investment performance.

Source: Standard & Poor's, Fitch Ratings

SAUDI ARABIA

Outlook on sovereign ratings revised to 'negative'

Fitch Ratings revised the outlook to 'negative' from 'stable' on Saudi Arabia's 'AA' long-term foreign and local currency Issuer Default Ratings (IDRs). It attributed the outlook revision to the significant deterioration of the country's fiscal position and to the gradual depletion of fiscal buffers. It expected the general government deficit to widen to 14.4% of GDP in 2015 due to lower global oil prices and increased spending. It considered the authorities' policy response to be limited and to have mainly consisted of a reduction in capital spending, which would take some time to fully materialize. The agency projected the fiscal deficit to narrow in 2016 and 2017, due in part to reduced capital spending and a gradual recovery in oil prices. The agency noted that the majority of deficit financing so far in 2015 was through drawing down government deposits at the Central Bank. Fitch forecast the government's net creditor position to drop from 54.2% of GDP at end-2014 to 36.4% of GDP at the end of 2017. It expected sovereign net foreign assets to reach 84% of GDP at end-2017, well above the median of similarly rated peers, but below the average of 191% of GDP for other 'AA'-rated GCC peers. Fitch projected the current account balance to shift to a deficit in 2015 for the first time since 1998 due to lower oil prices. But it expected the current account to shift back to a surplus in 2016 amid higher oil prices and spending adjustments. It expected the exchange rate peg to the US dollar to remain in place, which provides a key policy anchor but constrains policy flexibility.

Source: Fitch Ratings

TURKEY

Lira depreciation weighs on economic activity

Standard & Poor's indicated that the sharp depreciation of the Turkish lira, and the rising domestic political and geopolitical uncertainties, could weigh on economic activity in Turkey. It noted that the depreciation of the lira by more than 25% against the US dollar since the beginning of 2015 would negatively affect consumer confidence and inflation, and would reduce investors' appetite for Turkish assets. It added that this would be accentuated by the current broader sell-off of emerging market assets, following the devaluation of the Chinese renminbi and the expected tightening in U.S. monetary policy by the end of 2015. S&P expected Turkey to be more vulnerable to capital outflows than other emerging markets due to the country's weaker external position, given its high external financing needs, large external indebtedness, and high proportion of short-term external debt relative to usable reserves. It forecast Turkey's gross external financing needs at 179% of current account receipts (CARs) plus usable reserves in 2015. The agency said that an increase in the risk perception of Turkey could lead to a slowdown or reversal of foreign inflows, which currently finance the current account deficit. It said that the weakening of the lira has not offset the slowdown in Turkish exports due to weak demand from the country's main EU trading partners and to falling exports to Russia, Iraq and Syria. S&P pointed out that the financing needs of corporations and banks in Turkey is mainly in US dollars, while the level of external debt in the Turkish banking sector is high with short-term maturities. It noted that the banking sector's net external debt increased from about \$8bn, or 1% of GDP, in 2008 to \$172bn, or 23% of GDP, by July 2015.

Source: Standard & Poor's

TUNISIA

Slow progress in structural reforms

The International Monetary Fund indicated that Tunisia's economy has been resilient in recent years despite the difficult global economic environment, spillovers from regional conflicts, increased security risks, and high social tensions. But it expected economic growth to decelerate from a real rate of 2.4% in 2014 to 1% in 2015 as terrorist attacks and persistent social tensions outweigh the benefits of lower global oil prices and the Eurozone's recovery. It said that the country's foreign currency reserves are at an adequate level of 4 months of import coverage, which is necessary to strengthen external buffers and reduce vulnerabilities. The Fund projected inflationary pressures to remain contained, supported by lower energy and food prices, and a prudent monetary policy. It noted that the implementation of structural reforms has been slow, but that reforms picked up in the banking sector recently. The IMF called on authorities to contain the growing public sector wage bill and allocate more capital towards productive sectors. It considered that it is crucial to reform the banking sector and to recapitalize state-owned banks. It added that authorities need to adopt a new banking law and to further strengthen the supervisory and regulatory framework, in order to modernize the banking sector and facilitate financial sector intermediation.

Source: International Monetary Fund



BANKING

EMERGING MARKETS

Bank lending conditions tighten in second quarter of 2015

The Emerging Markets Lending Conditions Index for the Middle East & North Africa (MENA) region declined to 49.2 in the second quarter of 2015 from 50.9 in the first quarter of the year. Bank lending conditions in the MENA region tightened for the first time since the fourth quarter of 2012, reflecting the impact of lower oil prices on the region. The region had the third most favorable lending conditions among emerging markets, behind Emerging Europe that had an index value of 53.3 and Sub-Saharan Africa whose index value reached 50 in the covered quarter. The region's Trade Finance Index dropped to 53.6 in the second quarter of 2015 from 54 in the preceding quarter. Also, the Demand for Loans Index decreased to 50.4 in the second quarter from 52.6 in the previous quarter, as demand for consumer loans decelerated substantially and as demand for residential and commercial real estate loans declined. Also, the Credit Standards Index fell to 47.9 in the second quarter of 2015 compared to 49.4 in the preceding quarter, as banks in the MENA region tightened their credit standards for housing, corporate and commercial real estate loans. Further, the Non-Performing Loans Index decreased to 47.6 in the second quarter of 2015 from 50.4 in the first quarter of the year, with MENA banks expecting NPLs to moderate in the third quarter of 2015. In addition, the Funding Conditions Index regressed to 46.7 in the second quarter of 2015 from 47.8 in the preceding quarter, as domestic funding conditions tightened to levels not seen since the fourth quarter of 2011 and as international funding conditions continued to worsen.

Source: *Institute of International Finance*

OMAN

Ratings on five banks downgraded

Fitch Ratings downgraded the long-term Issuer Default Rating (IDR) of Bank Muscat (BM) to 'BBB+' from 'A-', and that of National Bank of Oman (NBO), and Bank Dhofar, Bank Sohar and Ahli Bank (ABO) to 'BBB' from 'BBB+'; while it maintained a 'stable' outlook on the five banks' long-term IDRs. It attributed the rating downgrades to the sovereign's weaker ability to support the banking sector, as lower oil prices and higher-than-budgeted government expenditures have led Oman's fiscal position to deteriorate significantly. But it noted that the probability of support from the Omani authorities to domestic banks is not likely to diminish significantly over the medium term. It said that the government's ability to implement major reforms to narrow the budget deficit in the medium term remains untested. It added that Oman's sovereign balance sheet is strong, which mitigates pressure from lower oil prices. But it expected this position to deteriorate as authorities draw down sovereign wealth funds to finance the deficits. In parallel, Fitch Ratings affirmed at 'A+' the long-term IDR of HSBC Bank Oman (HBON). It noted that HBON's IDR reflects the extremely high probability of support from its parent, HSBC Holdings PLC, given its importance to the group's regional strategy and franchise. But the agency revised the outlook of HBON to 'negative' from 'stable', given that an increase in perceived country risks would cap HSBC's support by Oman's transfer and convertibility risk.

Source: *Fitch Ratings*

JORDAN

Construction and trade account for 41% of overall lending in June 2015

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks operating in Jordan totaled JD20.3bn, or \$28.6bn, at the end of June 2015, constituting an increase of 5.1% from JD19.3bn at end-2014 and a rise of 6.3% from JD19bn at end-June 2014. Credit in foreign currency accounted for 14.2% of the total at the end of June 2015, up from 13.9% a year earlier. The resident private sector accounted for 86.3% of total credit relative to 89.9% at end-June 2014, followed by the central government with 9.6%, up from 5.9% a year earlier; the non-resident private sector with 2.3%, unchanged from a year earlier, and public entities with 1.7%, down from 1.8% a year earlier. The distribution of credit by sector shows that construction represented JD4.6bn or 22.8% of the total at end-June 2015, up from 22% a year earlier; while general trade represented JD3.7bn or 18.5% of the total relative to 18.2% a year earlier. They were followed by public services & utilities with JD3bn or 14.8% of the total; industry with JD2.1bn (10.6%); tourism, hotels & restaurants with JD590.6m (2.9%); financial services with JD514.2m (2.5%); agriculture with JD270.5m and transportation services with JD258.3m (1.3% each), and mining with JD185.1m (0.9%). Further, other sectors accounted for JD4.9bn, or 24.4% of total credit, of which JD161.4m were extended to buy shares. In parallel, loans & advances reached JD13.3bn at end-June 2015, followed by Islamic banks' receivables with JD4.3bn, overdrafts with JD2.3bn and discounted bills with JD246.6m.

Source: *Central Bank of Jordan, Byblos Research*

ALGERIA

Anti-money laundering deficiencies remain

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 Algeria has taken steps to improve its AML/CFT regime, including by issuing regulations on freezing terrorist assets. But it noted that the country remains one of the jurisdictions with strategic AML/CFT deficiencies or that have not committed to an action plan with the FATF to address deficiencies. The FATF indicated that it has not yet assessed Algeria's new measures for freezing terrorist assets due to their recent nature. The FATF added that it has not yet determined the extent to which authorities need to address the earlier identified deficiency regarding to the establishment and implementation of an adequate legal framework for identifying, tracing and freezing terrorist assets. It encouraged Algerian authorities to continue implementing their action plan.

Source: *Financial Action Task Force*



Oil prices to drop in third quarter of 2015

Crude oil prices are expected to remain at low levels in the second half of 2015 due in part to sustained market oversupply, including an expected increase in supply from the Organization of Petroleum Exporting Countries and to weak demand growth in China and other emerging markets. ICE Brent crude oil futures prices averaged \$64 per barrel (p/b) in the second quarter of 2015, and are forecast to average \$50 p/b in the third quarter and \$47 p/b in the fourth quarter of the year. In parallel, WTI crude oil prices averaged \$58 p/b in the second quarter and are expected to decrease to \$45 p/b in the third quarter and to \$39 p/b in the fourth quarter of the year. Overall, Brent oil prices are forecast to average \$54 p/b in 2015 and \$53 p/b in 2016, while WTI crude oil prices are projected to average \$48 p/b during the 2015-16 period. Upside risks to the price outlook include supply disruptions from Nigeria and Venezuela, and a further decrease in U.S. oil drilling activity. In parallel, the anticipated lifting of the international sanctions on Iran is likely to add the supply of crude oil to the market starting in the first quarter of 2016, which would add to the downward pressure on prices.

Source: Citi Research, Byblos Research

Iraqi oil exports down 3% in July 2015

Figures released by the State Oil Marketing Organization (SOMO) show that Iraqi crude oil exports averaged 3.1 million barrels per day (b/d) in July 2015, down by 2.5% from 3.2 million b/d in June. Iraqi oil exports reached 96.3 million barrels in July, up by 0.7% from 95.6 million b/d in June, and generated \$4.8bn in revenues. Exports from the southern port of Basra stood at 95 million b/d and accounted for 98.7% of total Iraqi oil exports, while exports from the Port of Ceyhan reached 1.3 million b/d and represented the balance of 1.4%.

Source: State Oil Marketing Organization

Middle East's bar and coin demand down 37% year-on-year in second quarter of 2015

The Middle East region's demand for bars & coins reached 11 tons in the second quarter of 2015, reflecting a drop of 42.1% from 19 tons in the preceding quarter and of 37.1% from 17.5 tons in the second quarter of 2014. The region accounted for 5.5% of global bar and coin demand. Iran's bar and coin consumption totaled 4.1 tons in the covered quarter and accounted for 37.3% of the region's total demand. It was followed by Saudi Arabia with 3.1 tons (28.2%), the UAE with two tons (18.2%), Egypt with 0.9 tons (8.2%) and Kuwait with 0.2 tons (1.8%); while demand in other Middle Eastern countries was 0.7 tons or 6.4% of the total.

Source: World Gold Council, Byblos Research

OPEC's oil production nearly unchanged in July

The Organization of the Petroleum Exporting Countries' (OPEC) crude oil production averaged 31.5 million barrels per day (b/d) in July 2015, up by 0.3% from the preceding month. Saudi Arabia produced 10.4 million b/d in July 2015, equivalent to about 32.8% of OPEC's total oil output. It was followed by Iraq with 4.1 million b/d (12.9%), the UAE and Iran with 2.86 million b/d each (9.1% each) and Kuwait with 2.7 million b/d (8.6%). Overall, crude oil output from Libya, Nigeria, Qatar, Ecuador and Venezuela fell last month, while production from the remaining OPEC members increased.

Source: OPEC, Byblos Research

Base Metals: Copper prices down 7% in July 2015

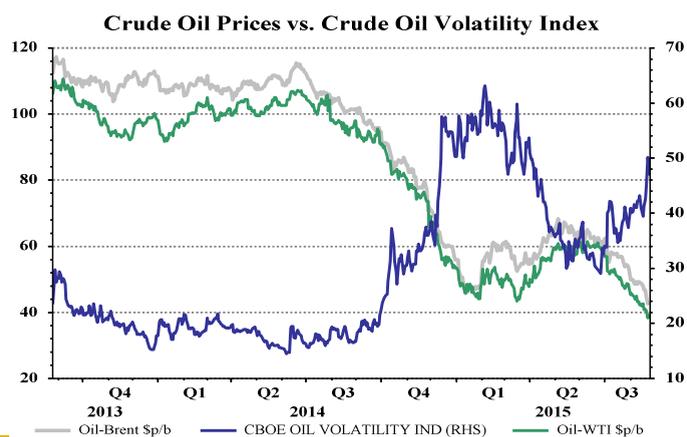
The LME cash price of copper averaged \$5,855 per ton in the first seven months of 2015, trading at a low of \$5,190.5 per ton and a high of \$6,448 per ton so far this year. It averaged \$5,457 per ton in July 2015, down by 6.5% from \$5,833.6 in June 2015 and by 20.5% from \$6,862 per ton in 2014. In parallel, the refined copper balance posted a production surplus of 4,000 tons in the first five months of 2015 relative to a deficit of 537,000 tons in the same period of 2014. Demand for global refined copper is estimated to have decreased by 3% year-on-year to 9.3 million tons in the first five months of the year. Demand for refined copper in Russia regressed by 45% in the covered period, contributing the most to the overall drop in global copper consumption. In parallel, the metal's refined production increased by 2.9% year-on-year to 9.3 million tons in the first five months of 2015. China was the main contributor to the growth in refined supply during the first five months of the year, followed by the Philippines and Indonesia. On a regional basis, Africa's refined copper production rose by 7%, followed by Asia (+6%); while the metal's refined output declined by 23% in Oceania and by 1% in the Americas, and was nearly unchanged in Europe. Also, global mine production rose by 3.6% due to output recovery at Indonesian and Chilean mines.

Source: International Copper Study Group

Precious Metals: Gold prices to ease in 2015

Gold prices traded at a narrow range between \$1,090 and \$1,160 a troy ounce so far in August 2015, despite major recent economic and geopolitical events. Gold prices declined by 5.3% from end-2014 but rose by 2.7% since the beginning of August to close at \$1,123.8 a troy ounce on August 26, 2015. The metal's price increase was partly due to investors' expectations that the increase in U.S. interest rates would materialize later than previously expected. The average price of gold is forecast at \$1,140 a troy ounce in 2015, which would reflect a drop of 10% from \$1,266 an ounce in 2014, and to further decline to \$1,050 a troy ounce in 2016. Gold prices averaged \$1,220 a troy ounce in the first quarter and \$1,194 an ounce in the second quarter, and are expected to remain nearly unchanged at \$1,090 a troy ounce in the third quarter and at \$1,050 a troy ounce in the fourth quarter of 2015. According to the International Monetary Fund, the probability of the 12-month forward gold prices dropping below \$900 a troy ounce rose to 15.2% from 8% in July; while the probability of gold prices rising above \$1,400 a troy ounce dropped to 4.4% from 7% previously, reflecting a downward shift in price uncertainty.

Source: Citi Research, International Monetary Fund



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	-	-	B-	-	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	03-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	4.60	25-Aug-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	27-Aug-15	No change	N/A
Russia	Refi Rate	11.00	31-July-15	Cut 50bps	11-Sep-15



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