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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Competitiveness of Arab world stagnates

The World Economic Forum's Global Competitiveness Index for 2015-16 indicated that Qatar is the most competitive economy among 13 Arab countries and is the 14th most competitive among 140 countries worldwide. It was followed by the UAE in 17th place, Saudi Arabia (25th), Kuwait (34th) and Bahrain (39th) as the five most competitive Arab economies and the only ones to rank among the top 50 globally. In contrast, Algeria (87th), Tunisia (92nd), Lebanon (101st), Egypt (116th) and Mauritania (138th) were the least competitive Arab economies. The index did not provide figures for Yemen, Syria and Libya as security concerns prevented the data collection process. Further, the rankings of eight Arab countries regressed, five improved and one remained unchanged year-on-year based on the same number of countries. In parallel, the region's average score was nearly unchanged at 4.29 points relative to 4.3 points in the previous survey, and came above the global average score of 4.24 points. The GCC countries' average score decreased year-on-year to 4.83 points from 4.85 points, while the average score of non-GCC Arab countries remained unchanged at 3.83 points. The scores of seven Arab countries rose and six declined. In parallel, the Arab average score is lower than that of advanced economies (5.03 points) only, but came above that of Emerging & Developing Asia and Emerging & Developing Europe (4.2 points each), the Commonwealth of Independent States (4.17 points), Latin America & the Caribbean (3.94 points) and Sub-Saharan Africa (3.62 points).

Source: World Economic Forum, Byblos Research

Prepaid cellular package rates vary widely across the Arab world

A survey about the cellular markets in the Arab world by telecommunications research firm Arab Advisors Group indicated that the region's prepaid cellular packages cost on average $65.76 per month, with a median of $60.43 per month. The survey covered 39 cellular operators and their rates in 15 Arab countries. It ranked countries based on prevailing cellular rates, including applicable taxes, as of May 2015, and takes into consideration on-net and off-net local voice minutes and mobile Internet usage. Lebanon had the highest prepaid package cellular rate in the region at $163.15, followed by Oman ($92.9), Saudi Arabia ($91.9), Libya ($78.9) and Tunisia ($75.8). In contrast, Jordan ($19.8), Egypt ($22.1), Syria ($38.8) and Algeria ($43.4) had the least expensive cellular average package rates. Further, the average package rate in GCC countries was $70, while that in non-GCC Arab countries was $62.9. The survey also classified each country based on the average cellular package rate compared to the country's GDP per capita and to the average GDP per capita in the Arab world. As such, five Arab countries came in the "high cost" category, seven economies came in the "fair cost" segment and three countries were listed in the "low cost" category.

Source: Arab Advisors Group, Byblos Research

Equity markets down 11% in first nine months of 2015

Arab stock markets decreased by 10.9% and Gulf Cooperation Council (GCC) markets dropped by 11.1% in the first nine months of 2015 compared to increases of 21.7% and 22.8%, respectively, in the same period of 2014. Arab and GCC stock markets regressed by 1.2% and 1.3%, respectively, in September from August 2015. Activity on the Tunis equity market grew by 3.6% in the first nine months of 2015 and posted the only improvement in performance among Arab markets in the covered period. In parallel, activity on the Egyptian equity market regressed by 17.9% and posted the steepest drop among Arab markets in the first nine months of 2015. It was followed by the Khartoum bourse with a 14.4% drop, the Iraqi stock market with a 13.7% decline, the Kuwait security exchange with a 12.4% decrease, the Saudi Arabia equity market with an 11.1% retreat, the Beirut stock exchange with an 11% contraction, the Bahrain bourse with a 10.6% drop, the Oman stock market with an 8.8% decrease, the Qatar equity market with a 6.7% decline, the Damascus securities exchange with a 5.7% retreat, the Amman bourse with a 5.6% contraction, the Palestine stock exchange and the Casablanca equity market with a 5.3% decrease each, the Dubai financial market with a 4.8% decline and the Abu Dhabi equity market with a 0.6% drop. Also the Iranian stock exchange fell by 10.8% in the covered period. In comparison, global equities contracted by 8%, while emerging market equities fell by 17.6% in the first nine months of 2015.

Source: Local stock markets, Dow Jones Indices, Byblos Research

Region has low level of budget transparency

The International Budget Partnership's Open Budget Index for 2015 shows that seven out of the 11 countries in the Middle East & North Africa (MENA) region provide 'scant or no' information about their budgets. Jordan and Tunisia are the only countries in the region that provide 'limited' budgetary information, while Morocco and Yemen provide 'minimal' information about their budgets. The index covers 102 countries worldwide and measures the timeliness and comprehensiveness of publicly available budget information in eight key budget documents. The documents are the Pre-Budget Statement, the Executive Budget Proposal, the Enacted Budget, the Citizens' Budget, In-Year Reports, a Mid-Year Review, a Year-End Report and an Audit Report. It scores countries on a scale from zero to 100, with zero representing the lowest level of transparency. The MENA region's average score on the index was 19.9 points, significantly lower that the global average of 45.4 points. On a country basis, Jordan provides the highest level of budgetary information in the region with a score of 55%, followed by Tunisia (42%), Morocco (38%), Yemen (34%), Algeria with (19%), Egypt (16%), Sudan (10%), Iraq (3%), Lebanon (2%), and Qatar and Saudi Arabia (zero percent each).

Source: International Budget Partnership, Byblos Research

OUTLOOK

EMERGING MARKETS

Net private capital inflows to decrease by 53% to $484bn in 2015

The Institute of International Finance projected net non-resident private capital inflows to emerging markets (EMs) at $484bn in 2015, which would constitute a decrease of 53.1% from $1,032bn in 2014 and a drop of $497bn from a forecast in May, and would be below inflows in 2008/09. It said that, unlike the 2008 crisis, the outflows from EMs have been mainly driven by EM-specific factors that include a sustained slowdown in EM growth and rising uncertainty about China's economy and policies, in the context of continued concerns about the impact of the upcoming increase in U.S. interest rates. Also, it noted that capital outflows of residents have accelerated amid the recent turbulence in global financial markets, which has further weighed on EM reserves, exchange rates and asset prices. As such, it expected overall net capital inflows to be negative at -$540bn in 2015 for the first time since 1988. In parallel, the IIF revised downwards its May forecast for inflows to Latin America by $29bn to $239bn, to Emerging Asia by $369bn to $185bn and to the Middle East & Africa by $17bn to $79bn; while it projected capital flows in Emerging Europe to shift from net inflows of $63bn in 2014 to net outflows of $20bn. It expected capital inflows to increase modestly to $727bn in 2016.

The IIF forecast net direct investment in emerging economies at $535bn in 2015 compared to $586bn in 2014. It expected net portfolio investment to drop from $98bn in 2014 to $26bn in 2015. Also, it estimated net non-bank private lending to decline from $185bn in 2014 to $57bn in 2015, while it projected net commercial bank lending to shift from net inflows of $119bn in 2014 to net outflows of $134bn in 2015. It revised downwards by $149bn its forecast for non-bank private lending in 2015 and by $102bn for net portfolio investment; while it revised upwards by $6bn its projections for net FDI.

Source: Institute of International Finance

IRAQ

Challenging economic and fiscal outlook

Barclays Capital anticipated that Iraq's medium-term macroeconomic and fiscal outlooks would further deteriorate as the current increase in Iraqi oil exports is unlikely to be sustained, the prospects for fiscal consolidation are difficult, and the fiscal financing gap is very large with limited financing options. First, it indicated that the recent rapid growth in Iraqi oil exports is not sustainable in the medium term due to financial and infrastructural constraints. Second, it considered that the government will face significant challenges when trying to implement key fiscal reforms, such as an increase in electricity tariffs, and would instead reduce capital spending. It noted that this would weigh on non-hydrocarbon growth and, in turn, on non-oil revenues.

Third, Barclays expected Iraq's fiscal and external financing needs to remain large over the coming years, and estimated them at about $15.7bn in 2015 and $14.2bn in 2016. It said that the 2016 budget suggests financing 75% of the deficit from external sources and the balance through domestic Treasury bills issuance. But Barclays considered that the composition of the financing is unrealistic as authorities assume that Iraq will be able to issue $6bn of Eurobonds, which is difficult given market conditions and the country's macroeconomic outlook. Also, it noted that the budget assumes that around $5.1bn would be secured through a loan, without specifying the loan source. It added that the proposed financing includes an additional $1bn from the IMF and budget support from the World Bank, which would be linked to reforms. As such, it considered that resorting to domestic financing, including Central Bank monetization, is inevitable, which would further weaken the commercial banks' liquidity and undermine prospects for non-oil growth. It estimated that the financing gap could reach up to 5.7% of GDP in 2015 and 3% of GDP in 2016, and could grow further in the event of fiscal slippage. As such, it expected a combination of further borrowing, the build-up of arrears and contingent liabilities, and further Central Bank monetization of the deficit in coming months. It noted that this would increase the public debt level from 39.3% of GDP in 2014 to 75.7% of GDP in 2016. Further, it expected Iraq's external financing requirements to put pressure on foreign currency reserves, and projected them to drop from $65bn at the end of June 2015 to an estimated $50bn at the end of 2015 and to $40.2bn at end-2016.

Source: Barclays Capital

IRAN

Economic outlook dependent on lifting sanctions

The Institute of International Finance projected Iran's real GDP growth to decelerate from 3% in the fiscal year that ended in March 2015 to 2% in FY2015/16 due to tighter fiscal policy. It noted that fiscal measures consist of streamlining current spending and increasing revenues due to the rise in the value-added tax rate from 8% to 10% at the start of the current fiscal year. But it expected the fiscal deficit to widen from 1.2% of GDP in FY2014/15 to 2.9% of GDP in FY2015/16 as oil prices are expected to average $57 per barrel in FY2015/16 relative to a fiscal breakeven oil price of $103 per barrel. Further, it said that the 12-months inflation rate fell from 41% in May 2013 to 14% in August 2015 despite the significant depreciation of the official exchange rate. In addition, it noted that the spread between the official and the black market exchange rate narrowed to 9% in August 2015 from 25% a year earlier.

The IIF anticipated that the lifting of sanctions could accelerate growth to 6% in FY2016/17, driven by a surge in exports and private investment. It projected crude oil exports to rebound to their pre-sanction levels of 3.8 million barrels per day by the end of 2016 following the lifting of economic sanctions and the return of foreign expertise to the energy sector. It said that most EU and UN sanctions against Iran would be suspended under the nuclear deal. But it noted that U.S. direct sanctions would remain in force, which means that dealing with Iran within U.S. jurisdictions would remain prohibited. The IIF estimated that Iran would gain access to about $60bn out of its total frozen assets estimated at $102bn. It considered that about $20bn would be used to settle pre-existing financial obligations related to Chinese financing of Iranian projects. Also, it expected authorities to allocate another $20bn to accelerate the development of key sectors, including oil and gas, transport and the recapitalization of banks.

Source: Institute of International Finance

EGYPT

Wide fiscal deficit requires reforms

The International Monetary Fund indicated that Egypt's real GDP growth rebounded from 2.2% in the fiscal year that ended in June 2014 to 4.2% in FY2014/15, while the inflation rate declined. It noted that authorities succeeded in significantly narrowing the fiscal deficit despite a decrease in foreign grants due to the implementation of reforms, progress in containing the wage bill and the increase in tax revenues. However, the Fund indicated that the fiscal deficit is still wide and the domestic public debt is high. It welcomed the authorities' plan to pursue fiscal and structural reforms in order to put the public debt level on a downward trend, and to promote private sector credit. It added that lower fuel and electricity subsidies and the implementation of the value-added tax would strengthen the budget. In parallel, it noted that foreign currency reserves cover about three months of imports, and that net foreign exchange is in short supply. The IMF pointed out that the Central Bank of Egypt's effort to curb the parallel foreign exchange market has allowed movements in the official exchange rate and has widened the exchange-rate margin earlier this year. It considered that a gradual move toward a more flexible exchange rate policy would improve the availability of foreign currency, strengthen competitiveness, support exports and tourism, help attract FDI, and reduce financing needs.

Source: International Monetary Fund

NIGERIA

Agencies affirm ratings, have mixed outlook

Fitch Ratings affirmed Nigeria's long-term foreign and local currency Issuer Default Ratings at 'BB-' and 'BB', respectively, with a 'negative' outlook. It said that political uncertainty that preceded the 2015 elections has receded as the transition of power was peaceful. However, it noted that the extended absence of a Cabinet has delayed the implementation of economic policy, which has dented credibility at a time of significant challenges and uncertainty. Further, it noted that economic activity has significantly slowed in 2015, but it expected it to rebound during the 2016-17 period. It forecast the fiscal deficit to widen to 3.1% of GDP in 2015, but to be narrower than the median deficit of similarly-rated peers. However, it noted that some state and local governments have accumulated arrears that are being addressed by a rescheduling program. The agency indicated that rebuilding foreign currency reserves, which fell by 30% in the first half of 2015, would pose challenges in the absence of an exchange rate adjustment and in the context of a widening current account deficit. In parallel, Standard & Poor's affirmed Nigeria's long-term foreign and local currency sovereign credit ratings at 'B+' with a 'stable' outlook. It said that the ratings are constrained by a low level of development outside the oil sector, significant infrastructure deficiencies, internal political tensions and weak public institutions. But it noted that the ratings are supported by relatively low public and external debt levels and substantial oil reserves. It said that the 'stable' outlook reflects the agency's expectations that the non-hydrocarbon economy would continue to support economic growth, and that external and fiscal deficits would not exceed projections. It expected the naira to be further devalued in 2015 and 2016 mainly due to lower oil prices.

Source: Fitch Ratings, Standard & Poor's

ANGOLA

Ratings downgraded to 'B+', outlook 'stable'

Fitch Ratings downgraded Angola's long-term foreign and local currency Issuer Default Ratings (IDRs) to 'B+' from 'BB-', with a 'stable' outlook. It also lowered the Country Ceiling to 'B+'. It attributed the downgrades to the rising public debt level, falling foreign currency reserves and a slowdown in economic activity. However, it noted that the authorities have quickly responded to the drop in oil prices by tightening monetary and fiscal policy and by allowing the exchange rate to depreciate by 25% since January 2015, which supported the 'stable' outlook on the ratings. It noted that the net government debt of 22.1% of GDP is less than half the median ratio of 'B'-rated sovereigns, which provides a significant fiscal buffer and supports the ratings at the current level. In parallel, the agency forecast the current account balance to post a deficit of 7.7% of GDP in 2015, the first such deficit since 2009, due to lower hydrocarbon receipts. It noted that the current account deficit plus net FDI is at -9.8% of GDP, which constitutes a significant source of vulnerability. It cautioned that closing the gap on the balance of payments could be costly if oil prices remain at low levels over a long period of time and especially if authorities chose to limit the drawdown of foreign currency reserves. It expected the continued shortage of US dollars from a wide balance-of-payments deficit to maintain the pressure on the currency and on foreign currency reserves.

Source: Fitch Ratings

GHANA

Sovereign ratings affirmed, outlook 'negative'

Fitch Ratings affirmed Ghana's long-term foreign and local currency Issuer Default Ratings at 'B' and maintained the 'negative' outlook on the ratings. It said that the ratings reflect the country's elevated fiscal and external risks amid a slowdown in economic activity and low commodity prices. It said that the IMF agreement reached earlier this year has improved policy credibility and access to external financing, and demonstrated commitment to fiscal reforms. It projected the fiscal deficit to narrow from 10.2% of GDP in 2014 to 7.8% of GDP in 2015. However, it noted that there is a high degree of uncertainty ahead of parliamentary and presidential elections due in late 2016, which could lead to renewed pressure on spending. It added that the share of foreign currency debt increased from less than 50% of total debt in 2011 to 60% currently, mainly due to growing non-concessional financing, which exposes the country to a weaker exchange rate. It noted that high domestic yields and a 60% depreciation of the Ghanaian cedi since 2012 have increased borrowing costs, with interest payments absorbing one-third of government revenues, the highest share among Fitch-rated sovereigns in Sub-Saharan African. It expected the financing of the deficit to remain a challenge, especially that the IMF program prohibits the Central Bank from financing the fiscal deficit in 2016. Further, it noted that Ghana's external position is vulnerable and forecast the current account deficit to slightly narrow from 10% of GDP in 2014 to 8.4% of GDP in 2015. It noted that foreign currency reserves fell by $1.3bn in the first half of 2015 to $4.5bn, or 2.9 months of current account payments (CAP). But it expected the reserve coverage to rise to 3.7 months of CAP at the end of 2015 supported by a cocoa-related Eurobond and donor inflows.

Source: Fitch Ratings

BANKING

GCC

Growth in banks' earning to decelerate in 2015-16

Standard & Poor's indicated that the 26 rated banks in the Gulf Cooperation Council (GCC) countries posted good earnings in the first half of 2015, supported by declining provisions. It noted that provisions declined by 9% year-on-year in the first half of 2015 and helped offset the slower growth in the banks' operating income. It added that net income grew by 4% year-on-year in the second quarter of 2015 relative to a 7% increase in the first quarter and to a more than 10% growth in the preceding three quarters. Further, it said that banks have adopted a more conservative approach in terms of asset growth, given the drop in oil prices and its impact on the region's economic outlook. It added that the deleveraging of government-related entities in Qatar, tighter mortgage regulations in Saudi Arabia and a drop in real estate transactions in the UAE held back asset growth. Also, it noted that customer deposits have lost momentum in the first half of the year, with six out of the 26 banks reporting negative deposit growth in the second quarter. In parallel, S&P expected credit losses for GCC banks to start increasing in the fourth quarter of 2015 after five years of decline, as the non-performing loans ratio rise to more than 3%. It anticipated that banks will face a gradual slowdown in their balance sheet growth, which would weigh on their revenues in the coming two years. As such, it forecast the rated banks' net income growth to decelerate to below 10% in 2015 and to slow down further in 2016.

Source: Standard & Poor's

JORDAN

Economic and industry risks remain

Standard & Poor's maintained Jordan's Banking Industry Country Risk Assessment (BICRA) at 'Group 7', and each of its economic and industry risks' scores at '7'. The BICRA framework evaluates and compares global banking systems, and covers a country's rated and unrated financial institutions. It assigns scores to banking systems on a scale from one to 10, with 'Group 10' including the most risky banking sectors. The agency noted that other countries in 'Group 7' include Bulgaria, El Salvador, Indonesia, Morocco, Portugal and the Philippines. Further, it indicated that Jordan's economic risk score reflects "very high risks" in economic resilience and in credit risks, and "intermediate risks" in economic imbalances. It noted that banks' cost of risk reflects the vulnerability of the country's growth prospects to the global economy, to fluctuation in global oil prices, to donors' willingness to provide financial support and to regional political instability. The agency indicated that the trend for the country's economic risk is 'stable', as it considered that authorities have maintained stability and continue to make efforts to improve and diversify economic activity. But it noted that it would lower its economic risk assessment if the customers' repayment ability deteriorates. In parallel, S&P said that the industry score indicates that the country faces "high risks" in each of its institutional framework, competitive dynamics and system-wide funding. It expected banks to continue to generate sufficient profitability to absorb the elevated costs of risk. It added that the trend for the banking sector's industry risk is 'stable', but it noted that the industry risk increased due to banks' high sovereign exposure.

Source: Standard & Poor's

EGYPT

Agencies affirm ratings on four banks

Capital Intelligence affirmed at 'B-/B' the long- and short-term foreign currency ratings (FCRs) of Bank of Alexandria (BoA) and Arab International Bank (AIB) with a 'stable' outlook. It noted that the banks' FCRs are restrained by the sovereign ratings and reflect significant credit risks, as the banks' ability to fulfill their financial obligations on time is very vulnerable to adverse changes in domestic and external conditions. In parallel, the agency maintained the Financial Strength Rating (FSR) of BoA and AIB at 'BB', with a 'stable' outlook. It noted that both banks' FSRs are constrained by high sovereign risk factors related to the balance of payments and pressure on the exchange rate, relatively high non-performing loan (NPL) ratios, concentration risk in their exposure to the government, and the difficult operating and economic environment. In parallel, Standard & Poor's affirmed the 'B-/C' long- and short-term counterparty credit ratings of the National Bank of Egypt and Banque Misr, with a 'positive' outlook. It noted that the ratings reflect the banks' strong positions in Egypt, very weak capitalization levels and a high level of sovereign exposure. It added that the outlook mirrors that on the sovereign. Further, the agency revised the likelihood that Egypt would provide timely and sufficient extraordinary government support to the banks to 'moderate' from 'very high', due to uncertainty in the government's financial capacity to provide such support.

Source: Capital Intelligence, Standard & Poor's

NIGERIA

Tight foreign currency liquidity at banks to persist

Fitch Ratings considered that lower reserve requirements on banks' local-currency deposits would not offset tighter foreign currency liquidity at banks in Nigeria. It considered that the Central Bank of Nigeria's decision to reduce mandatory reserve requirements on local-currency deposits from 31% to 25% would not add liquidity to the Nigerian banking sector because it does not release additional foreign currency. It noted that about NGN1.3 trillion, or $6.5bn in deposits were withdrawn from the banking system in September following the government's decision to move all public-sector deposits from commercial banks to a centralized Treasury Single Account (TSA). It added that public-sector deposits have historically accounted for around 10% of the banking sector's aggregate deposits, with a substantial share in foreign currency. As such, it said that commercial banks are facing increasing difficulties to meet customer demand for foreign currency following the government's decision. In parallel, Fitch expected the banks' key financial metrics to continue to weaken during the remainder of 2015. It noted that impaired loans have been rising over the past 12 months, and expected them to exceed the CBN's informal cap of 5% of total loans, but to remain below 10% at the end of 2015. It indicated that pressure is increasing on the banks' regulatory capital ratios. It projected the Tier One capital ratio of many banks to fall below 15%, a level considered low by Nigerian standards. Further, it forecast lending to grow by 5% in 2015, which is low compared to historical levels, due to the deteriorating operating environment.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oversupply in oil market to narrow from second half of 2016 onwards

ICE Brent crude oil prices regressed by about 57% from the end of June 2014 to close at $47.2 per barrel (p/b) on September 30th, and averaged $55.4 p/b during the first nine months of 2015. The significant drop in prices was mainly due to an oversupply in the market that began in 2014, among other factors. However, crude oil production in the United States has started to decline at a faster pace than previously anticipated. As such, the growth in oil supply from non-Organization of the Petroleum Exporting Countries would contract in 2016 for the first time since 2008. The market oversupply is expected to narrow from an annual average of 1.3 million barrels per day (b/d) in 2015 to 370,000 b/d next year. The market balance in 2016 is projected to be oversupplied by one million b/d in the first half of 2016 and to be undersupplied by 310,000 b/d in the second half of the year. As such, crude oil prices are projected to increase gradually from the second half of 2016 onwards. ICE Brent crude oil prices are forecast to average $53 p/b in the fourth quarter of 2015 and to rise to $55 p/b in the first quarter of 2016; while WTI oil prices are expected to average $48 p/b in the fourth quarter and to increase to $50 p/b in the first quarter of next year.

Source: Deutsche Bank, Byblos Research

OPEC production nearly unchanged in September

Preliminary figures show that the Organization of Petroleum Exporting Countries' (OPEC) output reached 31.68 million barrels per day (b/d) in September 2015, up by 0.3% from 31.57 million b/d in August. The rise in production was mainly driven by the recovery in Iraq's exports from the northern port of Ceyhan. Further, the figures show that output from Angola, Iran, Nigeria, Qatar and the UAE increased in September, while those from Libya decreased month-on-month. Overall, OPEC's production rose by almost 1.5 million b/d since it decided to defend its market share in November 2014.

Source: Thomson Reuters

ME&A's steel output to rise by 6.7% in 2015

The Middle East & Africa (ME&A) region's crude steel production is forecast at 46 million tons in 2015, which would reflect a rise of 6.7% from 43.1 million tons in 2014. It would account for 2.8% of global steel production this year, up from 2.7% last year. In parallel, demand for steel in the ME&A is expected at 120 million tons this year, which would constitute an increase of 4.4% from 2014 and would account for 7.3% of global consumption. Benchmark EU steel hot-rolled coil prices are forecast to average $440 per ton, which would reflect a drop of 23% from 2014 due in part to lower raw material prices.

Source: Economist Intelligence Unit, Byblos Research

ME&A's crude oil demand to rise by 2% in 2015

Crude oil consumption in the Middle East & Africa region is expected to average 12.2 million barrels per day (b/d) in 2015, which would reflect a rise of 2.4% from 11.9 million b/d in 2014. The region's demand for oil would account for about 40% of developing countries' demand this year and for about 13.2% of global consumption.

Source: OPEC, Byblos Research

Base Metals: Copper prices up 2% in September

The LME cash price of copper averaged $5,720 per ton in the first nine months of 2015, trading at a low of $4,963 per ton and a high of $6,482 per ton so far this year. It averaged $5,217 per ton in September 2015, up by 1.7% from $5,128 in August 2015, but down by 24% from $6,863 per ton in 2014. Copper prices are forecast to average $5,925 per ton in the fourth quarter of the year, $5,875 per ton in the first quarter and $6,125 per ton in the second quarter of 2016. Overall the metal's price is projected to average $5,875 per ton in 2015 and to rise to $6,175 per ton in 2016. In parallel, the refined copper balance posted a production surplus of 19,000 tons in the first half of 2015 relative to a deficit of 576,000 tons in the same period of 2014. Demand for global refined copper is estimated to have decreased by 2.2% year-on-year to 11.19 million tons in the first half of the year. Demand for refined copper in Russia regressed by 53% in the covered period, contributing the most to the drop in global copper consumption.

Source: International Copper Study Group, BNP Paribas, Byblos Research

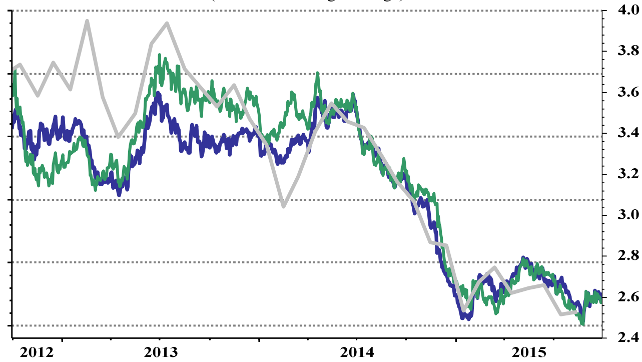
Precious Stones: Rough diamond prices to rise by 1% in 2015

Rough diamond prices averaged $224 per carat in 2014, reflecting a drop of 2.6% from $230 per carat in 2013. Downward pressures on rough diamond prices included slower Chinese economic activity, pressure from deflation in Japan and the EU, tighter bank credit to the industry and other geopolitical developments. Diamond prices remained subdued in the first quarter of 2015 due to tighter credit and the continued strengthening of the US dollar, which made diamonds costlier for buyers in Japan, the EU and Russia and, in turn, resulted in lower global demand. Prices of rough diamond are projected to rise by about 1% to an average of $227 per carat in 2015. Prices are likely to improve gradually, given rising demand from China and India. In parallel, rough diamond supply is forecast to grow by 2.6% to $19.5bn in 2015, as new diamond mines are expected to start production. The diamond market is the most concentrated commodity market with two major producers, DeBeers and Alrosa, accounting for about 52% of global supply. Further, polished diamond prices are forecast to average $134 per carat in 2015, which would reflect a drop of 7.6% from $145 per carat in 2014. Demand for polished diamonds is expected to increase from $22bn in 2015 to about $29bn in 2019, driven in part by the growing middle class in emerging markets.

Source: KPMG

Crude Oil Prices vs. World Inflation

(Annual Percentage Change)



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

**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-Sep-15	No change	28-Oct-15
Eurozone	Refi Rate	0.05	03-Sep-15	No change	22-Oct-15
UK	Bank Rate	0.50	10-Sep-15	No change	08-Oct-15
Japan	O/N Call Rate	0.00-0.10	15-Sep-15	No change	07-Oct-15
Australia	Cash Rate	2.00	01-Sep-15	No change	06-Oct-15
New Zealand	Cash Rate	2.75	10-Sep-15	Cut 25 bps	29-Oct-15
Switzerland	3 month Libor target	-1.25-(-0.25)	17-Sep-15	No change	15-Dec-15
Canada	Overnight rate	0.50	09-Sep-15	No change	21-Oct-15
Emerging Markets					
China	One-year lending rate	4.60	25-Aug-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.50	17-Sep-15	No change	28-Oct-15
Taiwan	Discount Rate	1.75	24-Sep-15	Cut 12,5bps	Dec-15
South Korea	Base Rate	1.50	11-Sep-15	No change	15-Oct-15
Malaysia	O/N Policy Rate	3.25	11-Sep-15	No change	05-Nov-15
Thailand	1D Repo	1.50	16-Sep-15	No change	04-Nov-15
India	Reverse repo rate	6.75	29-Sep-15	Cut 50bps	01-Dec-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	17-Sep-15	No change	29-Oct-15
Turkey	Base Rate	7.50	22-Sep-15	No change	01-Oct-15
South Africa	Repo rate	6.00	23-Sep-15	No change	19-Nov-15
Kenya	Central Bank Rate	11.50	05-Aug-15	Raised 150bps	02-Nov-15
Nigeria	Monetary Policy Rate	13.00	21-Sep-15	No change	24-Nov-15
Ghana	Prime Rate	22.00	16-Sep-15	Raised 100bps	16-Nov-15
Angola	Base rate	10.50	29-Sep-15	No change	27-Oct-15
Mexico	Target Rate	3.00	21-Sep-15	No change	29-Oct-15
Brazil	Selic Rate	14.25	02-Sep-15	No change	21-Oct-15
Armenia	Refi Rate	10.25	22-Sep-15	No change	10-Nov-15
Romania	Policy Rate	1.75	30-Sep-15	No change	05-Nov-15
Bulgaria	Base Interest	0.01	30-Sep-15	No change	N/A
Kazakhstan	Repo Rate	12.00	02-Sep-15	No change	N/A
Ukraine	Discount Rate	22.00	24-Sep-15	Cut 500bps	N/A
Russia	Refi Rate	11.00	11-Sep-15	No change	30-Oct-15

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