

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### GCC

##### Assets in mutual fund at \$36bn and at \$397bn in public pension funds

Mutual funds in Gulf Cooperation Council (GCC) countries held about \$36bn in assets across 375 funds as at July 2015. Saudi Arabia accounted for \$28.8bn or 80% of total assets and was distantly followed by Kuwait with \$5.1bn (14.2%), Bahrain and the UAE with \$1.3bn each (3.6% each), Qatar with \$0.3bn (0.8%) and Oman with \$0.2bn (0.6%). Further, mutual fund assets in GCC countries are equivalent to less than 4% of GDP, relative to 40.1% of GDP in the United Kingdom and 1.9% of GDP in Turkey. Also, 33% of mutual fund assets in GCC countries are invested in money market funds, 32% in equity funds, 19% in commodity mutual funds, 6% in fixed income funds and 4% in real estate mutual funds, while the remaining 6% of the assets are in mixed allocation funds. In parallel, assets held at public pension funds in the GCC are estimated at \$397bn as at end-June 2015, of which 21% are invested in local equities. Saudi Arabia accounted for \$270bn or 68% of the GCC's public pension funds' assets, followed by Kuwait with \$65bn (16.4%), the UAE with \$25bn (6.3%), Qatar with \$14bn (3.5%), Oman with \$12bn (3%) and Bahrain with \$11bn (2.8%). In parallel, the level of state wealth invested through sovereign wealth funds (SWFs) in GCC countries is estimated at about \$3 trillion.

Source: EY

#### MENA

##### Region's creditworthiness regresses

*Institutional Investor* magazine's semi-annual Country Credit survey shows that creditworthiness in the Arab region regressed in September 2015 from March 2015 as well as from September 2014. The average rating score of 19 Arab countries reached 41.5 points in the September 2015 survey, decreasing from 42.9 points in the March 2015 survey and from 43.5 points in September 2014. Also, it came below the global average of 44.1 points. The Arab region's creditworthiness was better than that of South & East Asia-Pacific (34.9 points) and Sub-Saharan Africa (25 points), while it was worse than that of North America (93.6 points), Asia-Pacific Far-East (84 points), Western Europe (78.6 points), Eastern Europe & Central Asia (47.3 points) and Latin America & the Caribbean (42.7 points). In parallel, Gulf Cooperation Council (GCC) countries' average credit score regressed to 70 points in September 2015 from 72.2 points in the March 2015 survey, while the average score of non-GCC Arab countries decreased to 28.3 points from 29.4 points six months earlier. The rankings of 12 Arab countries regressed, six improved and one was unchanged, while the scores of 15 countries dropped and four improved from the March 2015 survey. Qatar is the country with the best creditworthiness in the region and ranked in 24th place worldwide, followed by Kuwait (27th), the UAE (28th) and Saudi Arabia (30th); while Mauritania (160th), Yemen (169th), Syria (173rd) and Sudan (174th) had the highest probability of default regionally.

Source: *Institutional Investor*, *Byblos Research*

##### Region's level of economic freedom regresses

The Fraser Institute's Index of Economic Freedom for 2015, a broad indicator of economic freedom in 157 countries, shows that the level of economic freedom among Arab countries regressed to an average score of 6.78 points from an average of 6.82 points in the 2014 survey. The level of economic freedom in the region came below the global level of 6.84 points. In comparison, GCC economies had an average score of 7.52 points, significantly higher than the average score of non-GCC Arab countries of 6.29 points. The index measures on a scale of zero to 10 the extent that a country's policies and institutions are supportive of economic freedom. It evaluates individual economies on the basis of 42 variables that are divided into five broad factors of economic freedom that measure the Size of Government, the Legal System & Property Rights, Access to Sound Money, Freedom to Trade Internationally, and the Regulation of Credit, Labor & Business. The rankings of seven Arab countries improved, seven regressed and one was unchanged based on the same number of countries included in the 2014 and 2015 surveys. Libya was included for the first time in the 2015 survey. Also, the level of economic freedom improved in eight countries and regressed in seven economies. The UAE continues to have the highest level of economic freedom among Arab countries and the fifth highest in the world, followed by Jordan (7th), Qatar (14th), Bahrain (24th) and Kuwait (31st); while Mauritania (137th), Algeria (148th) and Syria (150th) are the least free economies in the region.

Source: *Fraser Institute*, *Byblos Research*

##### M&A deals down 51% to \$17bn in first nine months of 2015

The value of completed mergers & acquisitions (M&A) deals in the Middle East & North Africa (MENA) totaled \$17bn in the first nine months of 2015, constituting a drop of 51.4% from \$35bn in the same period of 2014. The slow activity in the M&A market reflects the regional political turmoil and the economic spillover effects of the drop in oil prices, which are weighing on investor confidence in the MENA region. The banking sector had the largest number of completed M&A deals during the first nine months of the year, followed by the construction sector, chemicals, trade, food & beverages, insurance, machineries, hospitality, education & health, and agriculture. Also, foreign acquirers accounted for 52% of the total number of completed deals during the first nine months of 2015 relative to 54% in 2014 and 51% in 2013. The value of M&A deals in the region dropped from \$3bn in the second quarter of the year to \$2.7bn in the third quarter of 2015; while deal volume increased from 129 transactions in the second quarter to 163 in the third quarter of 2015. As such, the average size of completed M&A deals in the region dropped from about \$30m in the second quarter to \$19m in the third quarter of the year. In parallel, Gulf Cooperation Council countries attracted 45% of the announced value and 44% of the volume of completed M&A deals in the third quarter of 2015, below the historical levels of around 63% of the total value and 36% of the total volume of deals in the region.

Source: *Zephyr*, *Bureau van Dijk*, *MENA Research Partners*

# OUTLOOK

## GCC

### **Governments to maintain capital spending despite fiscal pressure**

Standard & Poor's anticipated that capital spending in Gulf Cooperation Council (GCC) economies would continue to account for a large share of total government spending, even though capital expenditures fell in nominal terms. It noted that GCC countries would maintain capital spending in an attempt to support economic activity despite rising fiscal pressures from falling oil prices. It projected real GDP growth to average 4.4% annually in Qatar during the 2015-18 period, 3.4% in Oman, 2.9% in Saudi Arabia, 2.8% in Bahrain, 2.5% in Abu Dhabi and 2.1% in Kuwait. It noted that this would constitute a slowdown in the pace of growth from the 2011-14 period. It added that real GDP growth averaged 7.9% annually in Qatar between 2011 and 2014, 5.9% in Abu Dhabi, 5.4% in Saudi Arabia, 4.9% in Kuwait, 3.9% in Bahrain and 3.4% in Oman.

It considered that GCC governments would increasingly reduce investment spending if oil prices fall further and if they lead to an additional weakening of the governments' balance sheets. It noted that this would further weaken the region's already subdued growth prospects. Further, it indicated that non-government capital spending is weakening, especially by oil & gas exploration companies, and expected it to remain under pressure if oil prices remain at low levels.

In parallel, S&P projected Kuwait's fiscal surplus to narrow from an annual average of 35.5% of GDP during the 2011-14 period to 13.5% between 2015 and 2018, and to be the only GCC economy with a positive fiscal balance. In contrast, it forecast the fiscal deficit at 6% annually in Saudi Arabia, at 5.6% of GDP in Bahrain, at 2.5% of GDP in Oman, at 1.9% of GDP in Qatar and at 1.5% of GDP in Abu Dhabi during the 2015-18 period. It anticipated that GCC governments could resort to domestic and international capital markets to diversify their funding sources, as well as to slow the depletion of their asset positions.

*Source: Standard & Poor's*

## UAE

### **Non-oil growth to be affected by low oil prices and strong US dollar**

The Institute of International Finance projected real GDP growth in the UAE to slow down to 3.3% in 2015 from 4.6% in 2014 due to lower oil prices that led to a slowdown in public spending, as well as to some loss in competitiveness from a strong US dollar. It forecast hydrocarbon output to expand by 3.6% in 2015 compared to a growth rate of 4% last year, and for non-hydrocarbon growth to decelerate from 4.8% in 2014 to 3.2% in 2015. However, it expected most of the planned megaprojects in the run-up to the Expo 2020 to be implemented and to be increasingly financed by the private sector. Also, it estimated that the lifting of sanctions on Iran could add 0.7 percentage points to the UAE's real GDP growth in 2016 due to rising Iranian demand for UAE export services. As such, it projected the UAE's economic growth to accelerate to 3.7% in 2016, with non-hydrocarbon sector activity expanding by 3.9% and hydrocarbon output rising by 3.5%. It forecast the inflation rate to rise from 2.3% in 2014 to

4.4% in 2015 due to one-off factors, including a rise in housing and transportation costs, and to regress to 2.9% in 2016. The IIF said that downside risks to the UAE's outlook include low oil prices over a long period of time that would lead to additional cuts in public spending, as well as tighter-than-expected U.S. monetary policy that could lead to a stronger US dollar and a further loss in competitiveness. Also, it noted that Dubai could face difficulties in servicing its debt over the medium term, especially if oil prices remain at low levels over a prolonged period of time.

The IIF projected the UAE's fiscal balance to shift from a surplus of 5% of GDP in 2014 to a deficit of 4.2% of GDP in 2015 and 1.8% of GDP in 2016, assuming an average oil price of \$55 p/b in both years. It noted that the sharp fall in oil prices would more than offset the savings in spending. It indicated that authorities have recently implemented measures to contain public spending in order to reduce fiscal vulnerabilities. It noted that measures targeted energy subsidies and capital transfers to government-related entities. The IIF considered that the UAE would be able to finance modest fiscal deficits over the medium term through its substantial foreign assets and low public debt level. Further, it forecast the current account surplus to narrow from 13.6% of GDP in 2014 to 3% of GDP in 2015 and 3.3% of GDP in 2016; and for net external assets to increase from \$570bn, or 143% of GDP, in 2014 to \$574bn, or 160% of GDP, in 2015.

*Source: Institute of International Finance*

## TURKEY

### **External and domestic challenges to weigh on economic activity in 2016**

Standard & Poor's projected Turkey's real GDP growth at 3.1% in 2015, slightly up from an earlier forecast of 3% and relative to a growth rate of 2.9% in 2014. It noted that the change reflects stronger-than-expected growth in the first half of 2015 that resulted from lower oil prices and robust credit expansion, as well as from a rise in pre-election spending and an unexpected surge in private investment in the second quarter. However, it did not expect the strong economic performance to continue in the second half of the year, as external and domestic challenges are intensifying. As such, it revised downward its forecast for Turkey's real GDP growth to 2.8% in 2016 from 3.2% previously.

S&P indicated that the rise in global risk aversion has intensified the pre-existing pressure on the Turkish lira and bond markets from the anticipated tightening in U.S. monetary policy. It added that Turkey is vulnerable to these pressures due to its weak external position. It pointed out that the Turkish lira has depreciated by 12% between July and September 2015 and by 23% in the first nine months of the year, while the yields on 10-year lira-denominated government bonds widened from 7.86% at the beginning of the year to 10.74% at end-September 2015.

Further, it indicated that the inflation rate rose to 8% in September 2015, as the currency depreciation has offset the disinflationary impact of lower oil prices, which has negatively affected real household income. It anticipated that the Central Bank of Turkey would gradually tighten monetary policy, and would raise the key rate from 7.5% currently to 8.5% by the end of 2016.

*Source: Standard & Poor's*



# ECONOMY & TRADE

## GCC

### Authorities upgrading insurance regulatory frameworks

Standard & Poor's indicated that insurance regulators in Gulf Cooperation Council (GCC) countries have introduced or are introducing new regulations for their insurance sectors. It said that GCC insurance regulators are following international best practices by moving toward risk-based solvency capital regimes. It noted that the regulators in the UAE and Qatar are introducing more comprehensive regulations, while those in Bahrain, Kuwait and Oman are currently focusing on specific aspects, such as an increase in capital requirements, as well as improvements in asset quality and reporting requirements for both conventional and Islamic insurers. S&P considered that better capital management and optimized operational controls would provide more cushion to the financial soundness of the industry in the long run, which would result in better protection of policyholders and improved credit profiles of insurers. However, the agency anticipated that the cost of regulatory compliance would rise in the short term, as insurers would need to add expertise and improve their systems to meet the new regulatory demands. It noted that smaller and not well-capitalized insurers would find the new regulations challenging, while large insurance companies would be able to cope with the additional demands. In parallel, S&P pointed out that GCC regulators have a mixed track record in enforcing regulations. It considered the effectiveness of the new regulations to be contingent on the regulators' determination to ensure enforcement. It expected the full effect of the new regulations to take some time to materialize, given the grace periods for insurers to implement them.

Source: Standard & Poor's

## TUNISIA

### Structural reforms needed for economic growth

The International Monetary Fund indicated that Tunisia's economy has been resilient amid the prolonged domestic political transition and the difficult global economic environment. It encouraged authorities to rapidly implement the structural reforms agenda in order to improve the investment climate and the labor market and to stimulate economic growth. It considered that the successful completion of the political transition represents a good opportunity to speed up the implementation of reforms, especially in the banking and fiscal areas where progress has been challenging. It pointed out that the current fiscal position is appropriate to mitigate the negative repercussions of the recent terrorist attacks. But it urged authorities to resume fiscal consolidation as of next year in order to reduce vulnerabilities. It called for a better budget composition by containing the public-sector wage bill, reforming the energy subsidy system and implementing a more efficient tax policy, in order to create the fiscal space needed for priority investments. Further, the Fund said that a prudent monetary policy would focus on containing inflationary pressure, preserving positive real interest rates and reducing exchange rate pressures. It indicated that greater exchange rate flexibility, mainly through limited interventions in the foreign exchange market, would strengthen foreign currency reserves and correct the external imbalances.

Source: International Monetary Fund

## MOROCCO

### Sovereign ratings affirmed, outlook 'stable'

Standard & Poor's affirmed Morocco's long- and short-term foreign and local currency sovereign credit ratings at 'BBB-/A-3' with a 'stable' outlook on the long-term ratings. It noted that the ratings are supported by political and social stability, economic growth prospects, and a moderate government debt burden. However, it indicated that low income levels, and high social needs, a relatively high external liability position and the deterioration in external and fiscal debt stocks continue to weigh on the ratings. It expected economic activity to remain vulnerable to volatility in the agricultural sector and to external demand fluctuations. Further, it projected the fiscal deficit to narrow from 4.9% of GDP in 2014 to 4.3% of GDP in 2015 due to subsidy and wage reforms, and to meet the government's fiscal target of 3% of GDP by 2017. But it noted that the fiscal outlook is subject to fiscal slippages. Further, it forecast the current account deficit to gradually narrow from 5.8% of GDP in 2014 to 2.1% of GDP in 2018 due to rising exports from new sectors and a reduced import bill from lower oil prices. It expected FDI inflows to rise and to finance a growing share of the current account deficit, while external borrowing would cover the rest. It projected the narrow net external debt to slowly drop from an estimated 37% of current account receipts (CARs) in 2015 to 26% of CARs in 2018, while it anticipated that the country's gross external financing requirements would be covered by its CARs between 2015 and 2018.

Source: Standard & Poor's

## ETHIOPIA

### Ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Ethiopia's long-term foreign and local currency Issuer Default Ratings at 'B' with a 'stable' outlook. It indicated that the ratings reflect a rising public debt level, a widening current account deficit and low foreign currency reserves that cover about two months of current account payments. It added that the ratings take into account persistent domestic vulnerabilities, including a high and volatile inflation that reached 11.4% in August and rapid credit growth, mainly to state-owned enterprises (SOEs). It indicated that real GDP growth averaged 10% during the past five fiscal years, supported by massive investment by the government and SOEs. But it noted that the growth model resulted in a rise in indebtedness across the broader public sector. It said that the authorities' cautious fiscal stance contained the fiscal deficit at 2.7% of GDP in FY2014/15 and the government debt level at 26.3% of GDP. But it estimated the SOEs' debt level to have increased to about 25.6% of GDP, of which a large part is on a concessional basis. It noted that this would result in an overall public debt level of 52% of GDP in FY2014/15, with the external debt accounting for 55% of the total debt stock. In parallel, Fitch estimated the current account deficit to have widened from 8.6% of GDP in FY2013/2014 to 13% of GDP in FY2014/15, driven by a 6.6% decline in exports of goods & services and sustained imports of capital goods. It noted that this has increased the net external debt from 12.1% of GDP in FY2009/10 to 25% of GDP in FY2014/15. It added that the low level of foreign currency reserves, along with the rise in external debt and the overvalued currency, increase the risk of an exchange rate adjustment.

Source: Fitch Ratings



# BANKING

## EGYPT

### High banking sector risk due to sovereign exposure

Standard & Poor's maintained Egypt's Banking Industry Country Risk Assessment (BICRA) in 'Group 10', and its industry and economic risk scores at '8' and '10', respectively. 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 1' including the least risky banking sectors. The agency noted that other countries in BICRA's 'Group 10' include Belarus, Greece and Ukraine. S&P attributed its decision to maintain the Egyptian banking sector in the most risky group to the banks' very large exposure to the weak sovereign creditworthiness. It said that the banks' holdings of sovereign debt has increased continuously compared with their equity bases and stood at 42% of the banks' aggregate assets at the end of June 2015. It noted that the high yields on government debt have helped banks to compensate for the subdued private sector credit growth in past years. But it expected lending to grow by about 15% over the next 18 to 24 months and for the banks' asset quality to gradually improve. It noted that political tensions remain a threat to economic growth and would increase credit risks for banks. Overall, the agency indicated that the economic risk score reflects "extremely high risks" in economic resilience and in credit risks, and "high risks" in economic imbalances. Further, it pointed out that the industry score indicates that the country faces "very high risks" in its institutional framework and its system wide funding, and "high risks" in its competitive dynamics. It said that the trend for the economic risk is 'positive' and that of the banking sector's industry risk is 'stable'.

Source: Standard & Poor's

## UAE

### Agency takes rating actions on 14 banks

Capital Intelligence affirmed the long-term foreign currency rating of National Bank of Abu Dhabi (NBAD) at 'AA-', that of Union National Bank (UNB) and First Gulf Bank (FGB) at 'A+'; that of Emirates NBD at 'A', that of National Bank of Fujairah (NBF), National Bank of Ras Al- Khaimah (Rakbank), Bank of Sharjah (BOS), Sharjah Islamic Bank (SIB), Commercial Bank of Dubai (CBD) and Mashreqbank (MB) at 'A-', that of National Bank of Umm Al Qaiwain (NBQ) and United Arab Bank (UAB) at 'BBB+', and that of Invest Bank (IB) at 'BBB'. It also upgraded Arab Bank for Investment and Foreign Trade's (Al Masraf) long-term foreign currency rating from 'BBB' to 'BBB+' to reflect the improvement in the bank's asset quality. It said that all banks' long-term foreign currency ratings have a 'stable' outlook. In parallel, it maintained the Financial Strength Rating (FSR) of NBAD, UNB and FGB at 'A+', that of Emirates NBD, NBF, BOS, SIB, UAB and CBD at 'BBB+', and that of NBQ and IB at 'BBB'. Also, it upgraded the FSR of Al Masraf from 'BBB-', to 'BBB' and of Rakbank and Mashreqbank from 'BBB+' to 'A-'. It revised the outlook from 'stable' to 'positive' on the FSR of Emirates NBD and BOS, and indicated that the remaining banks' FSR have a 'stable' outlook.

Source: Capital Intelligence

## SAUDI ARABIA

### Net interest income drives profit growth in first nine months of 2015

The net profits of 12 listed banks in Saudi Arabia totaled SAR33.1bn, equivalent to \$8.8bn, in the first nine months of 2015, constituting a rise of 4.1% from SAR31.8bn in the same period of 2014. The increase in profits in the first nine months of the year reflects a 7.6% year-on-year rise in net interest income and a 3.8% drop in provisions, while non-interest income was flat year-on-year. The banks' aggregate net profits rose by 5.4% year-on-year to \$3bn, in the first quarter of 2015, by 2.7% to \$3.04bn in the second quarter and by 4.3% to \$2.8bn in the third quarter of the year. Also, the banks' net earnings dropped by 8% quarter-on-quarter in the third quarter of 2015 due to a 15% contraction in non-interest income, and lower investment and foreign exchange income. In parallel, the banks' total assets reached SAR2,195bn, equivalent to \$585.3bn, at the end of September 2015, constituting a rise of 6.9% from end-September 2014. Net loans totaled SAR1,337bn, or \$356.3bn, at the end of September 2015 and rose by 7.1% year-on-year. Lending growth has continued to decelerate since the first quarter of 2013. Further, aggregate customer deposits reached SAR1,702bn or \$454bn, at the end of September 2015 and increased by 6.7% from end-September 2014. The loans-to-deposits ratio was 78.5% at end-September 2015 relative to 78.2% at the end of September 2014.

Source: EFG Hermes

## DEM REP CONGO

### Banking sector vulnerable to shocks

The International Monetary Fund indicated that the risk-weighted capital adequacy ratio of banks operating in the Democratic Republic of Congo (DRC) reached 24.5% at the end of 2014, up from 23.5% at the end of the previous year; while the Tier-One capital ratio was 18.5% at the end of 2014, up from 16.7% a year earlier. Also, the sector's liquid assets were equivalent to 56.4% of total assets and to 124% of total short-term liabilities at the end of 2014. Further, the sector's non-performing loans (NPL) ratio rose from 5.4% at the end of 2013 to 6.9% of total loans at the end of 2014, while the ratio of NPLs net of provision to capital increased from 14.6% at end-2013 to 21.5% at end-2014. In parallel, the banks' return on assets reached 1.7% in 2014 relative to 1.6% in 2013; while their return on equity was 23.2% in 2014 compared to 20.6% in 2013. The sector's non-interest expenses were equivalent to 80.8% of gross income at end-2014 compared to 81.4% at end-2013. In parallel, the Fund indicated that foreign currency denominated liabilities constituted 82.8% of total liabilities at end 2014, while foreign currency denominated loans represented 79.3% of total loans at the end of 2014. The IMF indicated that the DRC's financial system is vulnerable to shocks and suffers from the lack of a risk-based supervision and an inconsistent monitoring process. As such, it called on authorities to adopt the Commercial Bank Law, implement a risk-based monitoring system and finalize the guidelines for the strengthening of regulations on provisioning and classification of NPLs. Also, it urged authorities to immediately finalize the recapitalization process of the Banque Centrale du Congo, and to adopt the draft legislation on the statute of the Bank.

Source: International Monetary Fund



# ENERGY / COMMODITIES

## Oversupply in oil market to persist in 2016

The International Energy Agency (IEA) expected the global oil market to remain oversupplied in 2016 as demand for oil slows down amid weaker global economic activity, and as oil output from the Organization of the Petroleum Exporting Countries (OPEC) increases. It noted that this would occur even though lower oil prices and steep spending cuts would reduce non-OPEC output by nearly 0.5 million b/d in 2016. The IEA said that Iran's oil production could rise from 2.9 million barrels per day (b/d) currently to 3.6 million b/d if international sanctions are lifted in early 2016. It forecast the rise in global oil demand to slow from a five-year high of 1.8 million b/d in 2015 to 1.2 million b/d in 2016. The IEA pointed out that the largest OPEC countries are slowly succeeding in taking back market share from higher cost producers like the U.S. amid the drop in oil prices. In parallel, ICE Brent crude oil prices are forecast to average \$54 per barrel (p/b) in 2015 and \$58.6 p/b in 2016; while WTI oil prices are expected to average \$49.5 p/b this year and \$53.6 p/b next year. The Bloomberg WTI Crude Oil Total Return Sub-Index declined by 27.3% in the first nine months of the year, while the Brent Oil Sub-Index fell by 26% from end-2014.

Source: IEA, U.S. EIA, Bloomberg Indexes

## GCC's expansion of oil refining capacity slows

The cumulative oil refining capacity of the Gulf Cooperation Council (GCC) is currently estimated at 5.1 million barrels per day (b/d), and is forecast to gradually rise to 6.3 million b/d by 2020. Many governments in the Middle East have been building new refineries and expanding the capacity of existing ones due to the rapid increase in domestic oil demand. But the steep drop in oil prices since mid-2014 has curtailed medium-term investments in the GCC, with some projects being delayed and others canceled. Some of the ongoing projects are expected to come online within, or shortly after, their targeted completion date.

Source: APICORP Energy Research, Byblos Research

## OPEC's oil basket price down 1.4% in September

The Organization of the Petroleum Exporting Countries' oil reference basket price reached \$44.8 per barrel (p/b) in September 2015, constituting a drop of 1.4% from \$45.5 p/b in the preceding month. Abu Dhabi's Murban crude oil posted the highest price among the basket's components at \$48.88p/b in September, followed by Algeria's Saharan Blend at \$48.36 p/b and Nigeria's Bonny Light at \$48.01 p/b each. In parallel, six out of 12 prices included in the OPEC reference basket dropped last month.

Source: OPEC, Byblos Research

## Global consumption of petroleum and other liquids to rise by 1.4% in 2015

The consumption of global petroleum and other liquids is forecast to average 93.8 million barrels per day (b/d) in 2015, which would constitute an increase of 1.4% from 92.5 million b/d in 2014. Petroleum and other liquids include crude oil, natural gas liquids, biofuels, and liquids derived from other hydrocarbon sources. The United States is forecast to account for 20.7% of global demand, the highest such share worldwide. On a regional level, Asia & Oceania is forecast to account for 33.2% of global petroleum and other liquids demand, followed by North America (25.3%), Europe (15.3%) and the Middle East (9.1%).

Source: U.S. Energy Information Administration

## Base Metals: Steel prices down 34% in first nine months of 2015

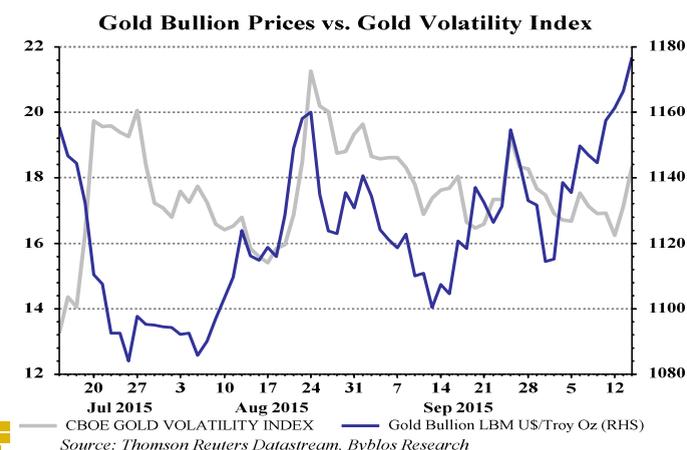
The London Metal Exchange steel cash price averaged \$257.3 per ton in the first nine months of 2015, down by 34.2% from the same period of 2014. In parallel, global crude steel output reached 1.08 billion tons in the first eight months of 2015, down by 2.3% from 1.11 billion tons in the first eight months last year. China's crude steel production totaled 543 million tons, or 50.3% of global crude steel output, in the first eight months of 2015, a decrease of 2% from the same period last year. It was followed by Japan with 70.2 million tons (6.5%), India with 60.5 million tons (5.6%), the U.S. with 54 million tons (5%) and Russia with 47.8 million tons (4.4%). On a regional level, steel output in Asia totaled 737.7 million tons and accounted for 68.3% of global production in the first eight months of the year, followed by the EU with 113.8 million tons (10.5%), North America with 75.5 million tons (7%), the Commonwealth of Independent States with 67.8 million tons (6.3%) and South America with 29.8 million tons (2.8%). The metal's production in the EU was nearly unchanged in the first eight months, that of North America contracted by 7% year-on-year and posted the steepest decline among regions, while output in Asia declined by 2%. The figures are based on 65 producing countries that account for about 98% of global crude steel supply.

Source: World Steel Association, Byblos Research

## Precious Metals: Gold prices at highest level in three months

Gold prices rose to their highest level in more than three months to close at \$1,176.8 a troy ounce on October 14, 2015 due to investors' belief that the U.S. Federal Reserve will delay its interest rate hike into 2016. Also, prices were supported by stronger Chinese purchases of safe-haven assets such as gold. Prices are expected to remain volatile in the near term, due in part to fluctuations in the US dollar and to investors' uncertainty regarding the timing of the increase in U.S. interest rates. Gold prices are projected to average \$1,150 a troy ounce in the fourth quarter of 2015 and could drop to as low as \$1,050 an ounce in the next 12 months. Overall, prices are forecast to average \$1,175 a troy ounce in 2015 and \$1,150 a troy ounce in 2016. In parallel, the Bloomberg Precious Metals Total Return Sub-Index decreased by 1.3% in September and by 6.8% in the first nine months of 2015, while the Gold Sub-Index dropped by 1.5% last month and by 6.2% from end-2014.

Source: Goldman Sachs, Bloomberg Indexes, Byblos Research



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
<b>Africa</b>													
Algeria	-	-	-	-	BB	-12.9	13.6	2.0	5.7	1.2	-	-15.7	-
Angola	B+	Ba2	B+	-	CCC	-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
<b>Middle East</b>													
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-	(P)Caa1	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								
<b>Asia</b>													
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								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB	Baa2	BBB-	-	BB	-3.0	28.9	90.0	122.3	20.2	261.1	0.2	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-1.8	40.5	54.7	132.5	19.4	249.2	-1.1	2.1
	Stable	Negative	Stable	-	Stable								
Russia	BB+	Baa3	BBB-	-	BBB	-3.7	18.8	52.7	133.7	29.1	195.0	5.4	-1.2
	Negative	-	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.8	33.4	55.8	181.2	23.2	376.5	-4.2	1.7
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-4.2	94.1	158.4	189.9	32.0	978.3	-1.4	2.5
	Negative	Negative	-	-	Stable								

\*to official creditors

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are forecasts for 2015



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	17-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	08-Oct-15	No change	05-Nov-15
Japan	O/N Call Rate	0.00-0.10	07-Oct-15	No change	30-Oct-15
Australia	Cash Rate	2.00	06-Oct-15	No change	20-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
<b>Emerging Markets</b>					
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	01-Oct-15	No change	21-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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