

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Investment banking fees down 10% to \$65bn in first nine months of 2015

Global investment banking fees totaled \$64.5bn in the first nine months of 2015 and constituted a decrease of 9.8% from \$71.5bn in the same period of 2014. The financial sector accounted for \$19.1bn or 29.6% of total fees in the covered period, followed by healthcare with \$6.9bn (10.7%), energy & power with \$6.7bn (10.3%), industrial with \$5.8bn (9.1%) and high technology with \$4.9bn (7.5%). On a regional basis, the Americas accounted for 57.5% of total fees generated in the covered period, followed by Europe (22.4%), the Asia-Pacific region excluding Japan (14.6%), Japan (4%) and the Middle East & Africa region (1.6%). In parallel, fees from equity capital markets totaled \$16bn in the first nine months of the year, down by 13.3% year-on-year. Fees from follow-on offerings reached \$10.1bn in the covered period and represented 63.4% of total equity markets' fees, followed by those from IPOs at \$4.5bn (28.1%) and fees from convertibles at \$1.4bn (8.5%). Fees from IPOs dropped by 29.8% year-on-year in the first nine months of 2015, those from convertible equities declined by 18.8% and fees from follow-on offerings decreased by 2.3%. In parallel, M&A advisory fees rose by 7.7% to \$18.6bn in the covered period; while debt capital markets' fees decreased by 14.8% to \$16.8bn and syndicated lending fees declined by 18.5% to \$13.1bn.

Source: Thomson Reuters

EMERGING MARKETS

Speculative-grade ratings at 53% of total corporate ratings at end-June 2015

Standard & Poor's indicated that it rated 1,505 corporate entities from emerging markets (EMs) as at the end of June 2015, which is equivalent to 21.6% of rated corporates worldwide. It said that 792 EM entities have speculative-grade ratings, and 713 entities have an investment-grade rating. It noted that speculative-grade ratings accounted for 52.6% of total EM ratings at end-June 2015 compared to a share of 49.5% worldwide. It indicated that non-financial entities represented 56.1% of EM issuers and 60.9% of EM speculative-grade issuers, while financial issuers accounted for 49.1% of investment-grade companies in the region. It said that corporate issuers from Brazil represented 13% of total rated EM issuers as of end-June 2015, followed by those from Mexico (11%), Russia (8%), Israel and China (7% each), Hong Kong (5%) and South Korea (4%). In parallel, S&P noted that it downgraded 3.23% of EM corporate entities and upgraded 2.27% during the second quarter of 2015, while it withdrew the ratings of 2.5% of EM corporates. It said that the EM corporates' down-grade-to-upgrade ratio stood at 1.42% at the end of June 2015 compared to the global ratio of 1.3%. The agency indicated that the EM median rating is 'BB+' relative to the global median of 'BBB-'. The ratings distribution of EM issuers shows that 30.7% of EM issuers are in the 'BBB' range, 27.4% belong to the 'BB' category, 21.5% are in the 'B' range, 13.8% are rated in the 'A' category, 2.4% in the 'AA' range, and 0.5% in the 'AAA' range, while 3.7% of EM firms are rated 'CCC' or lower.

Source: Standard & Poor's

MENA

Country risk level in Arab world nearly unchanged in third quarter of 2015

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world was nearly unchanged in the third quarter of 2015, as the average score of 19 Arab economies was 40.9 points in the covered quarter compared to 40.8 points in the second quarter of 2015. The region's risk level remains higher than the global risk level that averaged 42.7 points in the third quarter of the year. The GCC countries' average score improved to 65.29 points from 65.21 points in the preceding quarter, which reflects a slight decrease in the region's risk level, while the average score of non-GCC Arab countries marginally increased to 29.64 points from 29.48 points in the second quarter of 2015. The Arab world's Political Risks level stood at 11.83 points, which was riskier than the global average of 13.74 points; while the Economic Performance score was 13.15 points compared to the global average of 13.36 points. Further, the region's Credit Ratings averaged 2.98 points relative to the global average of 3.14 points; while the Access to Bank Finance & Capital Markets score was 3.58 points, worse than the global average of 3.88 points. Qatar has the best country risk rating in the Arab world and the 17th best globally, followed by Kuwait (24th), the UAE (27th), Oman (33rd) and Saudi Arabia (35th); while the lowest-ranked countries in the region are Yemen that came in 159th place, followed by Sudan (162nd), Mauritania (163rd), Syria (169th) and Djibouti (183rd).

Source: Euromoney, Byblos Research

Youth unemployment rate to reach 29% in Middle East and 31% in North Africa in 2015

The International Labor Organization projected the youth unemployment rate in the Middle East at 28.7% in 2015, with a rate of 46.2% for females and 24% for males. It also projected the youth unemployment rate in North Africa at 30.6% in 2015, with a rate of 44.8% for females and 24.9% for males. It said that the youth unemployment rates in each of the Middle East and North Africa regions will be by far the highest worldwide this year compared to a global rate of 13.1%. It expected the unemployment rate for youth in the Middle East to increase to 29.1% by 2019, and that in North Africa to rise to 30.7%. It noted that the youth unemployment rate in North Africa increased by 5.3 percentage points between 2007 and 2014, while that in Middle Eastern countries rose by 4.4 percentage points, constituting the largest two increases worldwide. It said that economies in the Middle East & North Africa suffer from a mismatch between employers' needs in terms of skills and education and what the market is offering, as only 46.5% of the youth have an education level that is well-matched with the work they want to do; while 41.8% are under-educated and 11.7% are over-educated for the work they do. It added that the unemployment rate among youth that have completed primary education or less was 21.9%, that among youth with secondary education was 25.1% and the unemployment rate for youth with tertiary education was 39.5%.

Source: International Labor Organization

OUTLOOK

MENA

Growth to pick up to 4% in 2016 in oil-importing economies

The International Monetary Fund projected real GDP growth in the oil-importing economies of the Middle East & North Africa region to accelerate from 2.4% in 2014 to 3.8% in 2015 and 4% in 2016. It said that progress towards political stability, economic reforms and lower global oil prices, as well as improving economic activity in the Eurozone, have started to support confidence, investment and exports. It noted that remittance inflows and a large public wage bill continue to support consumption, the main driver of economic growth in oil-importing countries. The Fund considered that spillovers from the conflicts in Iraq, Libya and Syria are holding back a stronger recovery in investment, trade and tourism activity. It also noted that supply-side bottlenecks, especially disruptions of electricity supply and strong currency valuations are hampering competitiveness and productivity growth among oil-importers.

The Fund indicated that the improvement in confidence reflects a reduction of fiscal vulnerabilities, progress in the business environment and the easing of financing constraints. It noted that most oil-importers are containing their fiscal deficits, and projected their aggregate deficit to narrow from 9.7% of GDP in 2014 to 8.6% of GDP in 2015 and 6.9% of GDP in 2016. It added that this would stabilize the aggregate government debt level at 83.4% of GDP in 2015-16, nearly unchanged from 2013.

The IMF pointed out that risks to the outlook are tilted to the downside. It cautioned that security and social tensions, as well as setbacks in political transitions and reforms, could undermine trade, tourism, confidence and macroeconomic stability. It added that spillovers from the slowdown in China's economic activity to other emerging markets, including GCC economies, and to the Eurozone could have a larger impact on oil-importers though lower export receipts, tourism activity, remittance inflows and financing support. It noted that increased risk aversion and volatility in global financial markets could raise external borrowing costs and lead to higher interest rates.

Source: International Monetary Fund

GCC

Low oil prices to increasingly affect fiscal and current account balances

Moody's Investors Service anticipated that the persistently low global oil prices would continue to weigh on the fiscal and current account balances of the Gulf Cooperation Council (GCC) countries. It noted that the adverse impact of lower hydrocarbon revenues on GCC public finances would spur policy adjustments in 2016, including energy subsidy reforms and measures to broaden the non-hydrocarbon revenue base. It added that Bahrain and Oman would likely implement energy subsidy reforms as they are facing the greatest fiscal challenges.

Moody's projected the consolidated fiscal balance of the GCC economies to post an aggregate deficit of close to 10% of GDP in each of 2015 and 2016 compared to an average surplus of about 9% of GDP during the 2010-14 period. Also, it anticipated

the aggregate borrowing needs of GCC governments at about 12.5% of GDP, or around \$180bn per year in 2015 and 2016. It anticipated all GCC economies to post fiscal deficits in 2016 except for Kuwait that would post surpluses of 1.4% of GDP in 2015 and 2.1% of GDP in 2016. It forecast Saudi Arabia's fiscal deficit to widen to about 17% of GDP in 2015, and for Oman's deficit to average about 12% of GDP annually between 2015 and 2016. It also projected Bahrain's fiscal deficit at about 11.5% of GDP during the 2015-16 period. It expected the UAE's fiscal balance to shift from a surplus of 7% of GDP in 2014 to deficits of 4.1% of GDP in 2015 and 2% of GDP in 2016. It anticipated Qatar's fiscal surplus to narrow from 17% of GDP in 2014 to 0.6% of GDP in 2015 and to shift to a deficit of 7% of GDP in 2016 as liquefied natural gas prices adjust to oil prices with a lag.

The agency pointed out that Bahrain and Oman are the most vulnerable to the downturn in oil prices because of their very high fiscal breakeven oil prices. It added that government financial assets would fund less than two years of public spending in Oman and less than one year in Bahrain. Further, it noted that the lack of fiscal consolidation would be credit negative for Saudi Arabia, even though it has room to issue debt. It expected Kuwait's credit profile to remain the most resilient in the GCC, followed by Qatar and the UAE, supported by their stronger external and domestic positions and by very large holdings of financial assets.

Source: Moody's Investors Service

ARMENIA

Real GDP to grow by 2.4%, current account deficit at 6.2% of GDP in 2015-16

The International Monetary Fund projected Armenia's real GDP to grow by 2.5% in 2015 and by 2.2% in 2016, compared to a growth rate of 3.4% in 2014. It estimated the country's nominal GDP at \$10.6bn in 2015 and at \$10.7bn in 2016. It forecast the annual average inflation rate at 4.3% in 2015 and at 3.4% in 2016 relative to an average rate of 3% in 2014. Also, it forecast broad money to grow by 6.5% in 2015 and by 7.1% in 2016, compared to a growth rate of 8.9% in 2014.

In parallel, the Fund projected the fiscal deficit to widen from 1.9% of GDP in 2014 to 4% of GDP in 2015 and 3.5% of GDP in 2016. It estimated government revenues, excluding grants, at 20.9% of GDP in 2015 and 21.1% of GDP in 2016 relative to 21.7% of GDP in 2014, and total expenditures at 26.8% of GDP in 2015 and 26.3% of GDP in 2016 compared to 25.1% of GDP last year. It expected the gross public debt level to rise from 41.3% of GDP at end-2014 to 46.1% of GDP at end-2015 and 48.3% of GDP at end-2016. It also forecast total gross external debt to increase from 71.3% of GDP at the end of 2014 to 80.6% of GDP at end-2015 and 81.6% of GDP at end-2016.

Further, the IMF estimated Armenia's exports of goods & services to drop from \$3.3bn in 2014 to \$3.1bn in each of 2015 and 2016, and for imports of goods & services to regress from \$5.5bn in 2014 to \$4.6bn in each of 2015 and 2016. It projected the country's current account deficit to narrow from 7.3% of GDP in 2014 to 5.9% of GDP in 2015 and 6.4% of GDP in 2016. The Fund forecast the country's gross official reserves at \$1.7bn at end-2015 and \$1.8bn at end-2016, up from \$1.5bn at end-2014.

Source: International Monetary Fund



ECONOMY & TRADE

GCC

Insurance premiums to reach \$62bn in 2020

Alpen Capital projected total insurance premiums generated in the Gulf Cooperation Council (GCC) countries to reach \$62.1bn in 2020 and to post a compound annual growth rate (CAGR) of 18.7% during the 2014-20 period. It also forecast aggregate insurance premiums in the GCC at \$25bn in 2015, \$29.6bn in 2016 and \$35.5bn in 2017 relative to \$22.2bn in 2014. It projected premiums generated in Saudi Arabia to post a CAGR of 25.6% during the 2014-20 period, followed by Qatar at 17.8%, Oman at 15.2%, the UAE at 13.4%, Bahrain at 7.8% and Kuwait at 5.8%. It forecast non-life insurance premiums in the GCC to reach \$57.9bn in 2020 and to grow at a CAGR of 20.7%, and for life premiums to total \$4.2bn and to expand at a CAGR of 6% during the 2014-20 period. Further, it expected the non-life segment to account for about 93.3% of total premiums in 2020 compared to 86.6% in 2014. It projected the penetration rate of non-life insurance to increase from 1.2% of GDP in 2014 to 3.1% of GDP in 2020, and for life insurance penetration to remain nearly unchanged at around 0.2% of GDP in 2020. Also, it expected non-life insurance density, or premiums per capita, to increase from \$375 in 2014 to \$978 in 2020; while it forecast that of the life insurance segment to rise from \$58 in 2014 to \$71 in 2020.

Source: *Alpen Capital*

KUWAIT

Fiscal balance to post deficit of 6% of GDP in 2015 when excluding investment income

The Institute of International Finance projected Kuwait's real GDP to grow by 1% in 2015 following a contraction of 1.6% in 2014. It expected the non-hydrocarbon sector to expand by about 3% in 2015, and for hydrocarbon output to be broadly flat. It said that the government is proceeding with the key infrastructure projects stipulated in the \$130bn five-year development plan and is gradually increasing capital spending, but it noted that the pace of implementation has been slow. Further, the IIF projected the fiscal surplus to narrow from 20.9% of GDP in 2014 to 7.8% of GDP in 2015. But it noted that the surplus would shift into a deficit of about 6% of GDP this year when excluding investment income. It said that authorities are considering measures to reduce government expenditures and to raise revenues. It anticipated government spending to drop by 11% in the fiscal year ending in March 2016, mainly due to lower fuel subsidy costs and to savings from one-off spending items in the preceding fiscal year. It noted that authorities could cut subsidies, which are estimated at about 12.6% of GDP in 2015, by raising fuel and utility prices. Further, it indicated that the imposition of income tax on domestic firms and the harmonization of various corporate levies should yield an additional 2% of GDP in revenues when implemented. Further, it said that authorities have announced plans to issue domestic debt and could resort to external borrowing in order to prevent the crowding out of private sector lending and to limit withdrawals from their foreign assets. In parallel, it indicated that prospects for FDI inflows are poor, with restrictions and low energy prices limiting inflows to the energy and real estate sectors.

Source: *Institute of International Finance*

MOROCCO

Insurance sector faces moderate industry and country risks

Standard & Poor's assessed the industry and country risk for the property and casualty (P/C) insurance sector in Morocco as "moderate", reflecting a "moderate" country risk and an "intermediate" industry risk for the P/C insurance sector. The risk scale ranges between "low", "intermediate", "moderate" and "high". S&P indicated that the country risk assessment reflects economic, political and financial system risks, as well as the payment culture and rule of law. It noted that Morocco's income levels are low, its economic performance depends on highly volatile agricultural output and external demand from Europe, and its monetary flexibility is limited. It added that risks in the financial system have stabilized in 2014, despite a greater risk appetite within the banking sector. Also, it considered the payment culture and rule of law in Morocco to be weak. In parallel, it said that the industry risk assessment takes into account several insurance-specific factors. First, it said that the historical and prospective profitability of the Moroccan P/C insurance market is "positive". It expected the sector's combined ratio to range between 95% and 100% in coming years, and for the return on revenue (RoR) to remain stable at about 13%. Second, it considered as "neutral" the potential for product risks to trigger RoR volatility, reflecting the sector's moderate exposure to P/C natural catastrophe claims, unpredictable settlement risks and low other product risks. Third, it viewed the P/C insurance penetration trend in Morocco as "neutral", and expected premiums to grow by about 8% to 10% over the next three years. Finally, it assessed the development of the sector's institutional framework as "intermediate".

Source: *Standard & Poor's*

DEM REP CONGO

Economic diversification faces challenges

The International Monetary Fund indicated that the Democratic Republic of Congo (DRC) faces significant challenges to diversify its exports and domestic production. It noted that the DRC's exports are concentrated on minerals. It added that overall export diversification has slightly improved in the last decade as the country started to develop other minerals. But it said that diversification is still low relative to non-oil resource intensive countries in Sub-Saharan Africa. It anticipated that product diversification could yield higher growth rates, while export diversification could help reduce growth volatility. The Fund pointed out that structural bottlenecks, a challenging business environment, low productivity and weak human capital weigh substantially on the DRC's competitiveness. It considered that additional improvements in the business environment, especially by addressing electricity shortages, could yield significant benefits. It said that developing the country's human capital could ease production constraints, improve investment, benefit economic diversification and support high growth rates in the DRC. It added that policy changes could have a positive impact on the informal economy that is half the size of the economy. In addition, it noted that the quality of exports in the DRC is relatively poor, which means that improving the exports' quality could constitute an alternative for diversification and could increase export receipts.

Source: *International Monetary Fund*



BANKING

UAE

Banking sector resilient to low oil prices

The Institute of International Finance expected UAE banks to remain sound due to their strong initial financing position and the anticipated resilience of the local economy. It noted that UAE banks posted double-digit growth rates in net profits in the first half of 2015, maintained healthy capital adequacy ratios and have high provisions on bad loans. It forecast the risk-weighted capital adequacy ratio (CAR) of banks operating in the UAE at 18.2% at the end of 2015 and their Tier-One capital ratio at 16.2%. Further, it noted that public sector deposits, which account for about 25% of total deposits at commercial banks, fell by 18% year-on-year in August 2015, while lending growth has remained robust at 8.6%. It noted that this has increased the loan-to-deposit ratio, which it projected at 105% at the end of 2015 relative to 97% at the end of 2014. Further, it anticipated that lower deposits from the public sector could constrain lending growth in the near term and encourage local banks to resort to the more costly wholesale funding markets. It also noted that authorities have substantial capacity to address any liquidity or funding issues in the banking sector. In parallel, it noted that the sector's non-performing loans (NPL) ratio is high and projected it at 6.8% at end the end of 2015 relative to 7% at end-2014. But it added that total provisions cover NPLs in full. It cautioned that the banks' asset quality would deteriorate and their profits would be squeezed if real estate prices further decline.

Source: *Institute of International Finance*

IRAN

Banking sector to benefit from the lifting of sanctions, challenges to remain

BMI Research anticipated that Iran's banking sector would benefit from an easing of economic and financial sanctions on the country. It noted that the lifting of sanctions would restore the banks' access to the global financial transfer system SWIFT. It added that Iranian banks would have access to non-US dollar denominated SWIFT transactions at a first stage, as US dollar transactions would follow later on. But it expected the impact of sanction relief to be limited over the short-term and for the banking sector to remain in a state of near-crisis over the coming quarters. It considered that a surge in lending and deposit growth would take a long period of time to materialize. It projected bank deposits to grow by 3% in real terms in the fiscal year that ends in March 2016 and by an additional 5% in FY2016/17, while it forecast lending growth at 4.2% in FY2016/17 as economic activity accelerates. But it noted that banks continue to suffer from high non-performing loans (NPL). It said that the NPL ratio at commercial banks stands currently at 15.6% due to the depreciation of the rial in 2014 and the government's directives to support failing enterprises. It noted that capital injections by the Central Bank of Iran would help reduce systemic risks in the sector. In parallel, BMI Research expected the profitability of commercial banks to remain subdued in the coming two years as banks would have to accumulate provisions to hedge against the risk of non-repayment of loans, while the dominance of state-owned banks in the financial system would reduce the possibility for restructuring and diversifying income streams.

Source: *BMI Research*

QATAR

Private sector driving banking growth

Commerzbank indicated that the Qatari banking system has posted divergent growth trends in recent months. It noted that the growth in the public sector's loans and deposits has regressed significantly, while the private sector's dynamics remain strong. It said that public sector deposits contracted by 12% year-on-year in August 2015, reflecting mainly a 51% drop in government deposits and a softer decline in the deposits of government-related entities as a result of lower oil prices. It added that the share of public sector deposits has been falling from 42% of total deposits at the end of 2013 to 33% at end-August 2015, and expected it to further drop in the near term. In contrast, it noted that private sector deposits grew by 10% annually in August 2015, and expected the sector's total deposits to expand by less than 10% in 2015, driven by private sector deposits. Further, it indicated that lending grew by 18% year-on-year in August 2015, supported by a 26% increase in private sector lending, mainly to the construction and real estate sectors. In contrast, it noted that credit to the public sector decelerated significantly due to the streamlining of large government-related loans and to some uncertainty about the World Cup 2022 projects. In parallel, it noted that asset quality continues to improve, while capitalization remains strong. It added that strong government support and the progress on Basel III regulatory reforms reduce systemic risks. It noted that the main risks stem from weaker liquidity conditions that are starting to build across the GCC region.

Source: *Commerzbank*

TURKEY

Agencies take rating actions on large banks

Fitch Ratings affirmed the long-term foreign currency Issuer Default Ratings of state-owned T.C. Ziraat Bankasi, Türkiye Halk Bankasi and Türkiye Vakiflar Bankasi at 'BBB-' with a 'stable' outlook. Also, it affirmed the Viability Ratings of the three banks at 'bbb-'. The three banks account for 29% of the banking sector's assets. Fitch indicated that the banks' ratings reflect their reasonable profitability, asset quality and capitalization. It added that the ratings take into account the banks' adequate foreign currency liquidity positions, with a broadly good coverage of short-term liabilities by liquid assets. It said that the three banks' capital levels are sufficient to absorb the expected moderate increase in credit losses from the slowdown in economic activity. However, it noted that the banks' capital buffers are less robust than in previous years, given that internal capital generation capacity across the banking sector is under pressure. In parallel, Capital Intelligence affirmed the long-term foreign currency rating of Türk Eximbank (Exim), DenizBank (DZB), Finansbank (FB), Türk Ekonomi Bankasi (TEB), Akbank and Türkiye Garanti Bankasi (Garanti) at 'BB' with a 'stable' outlook. Also, it affirmed the Financial Strength Rating (FSR) of Garanti and Exim at 'BBB+', that of DZB at 'BB+', while it lowered the FSR of FB and Akbank to 'BBB' from 'BBB+' and that of TEB to 'BBB-' from 'BBB'. It revised the outlook on Exim's FSR to 'negative' from 'stable' due to the sustained deterioration in liquidity, and that on DZB to 'positive' from 'stable' due to its improved asset quality. It noted that the remaining four banks have a 'stable' outlook on their FSR.

Source: *Fitch Ratings, Capital Intelligence*



ENERGY / COMMODITIES

Oversupply in oil market to persist in 2016

Crude oil prices averaged \$48.8 per barrel (p/b) in the third quarter of 2015, constituting a decrease of 19.3% from \$60.5 p/b in the previous quarter. The decline in prices was driven by expectations of subdued global economic growth, mainly in China and emerging markets, high crude oil inventories worldwide, resilient non-OPEC output and an anticipated increase in Iran's oil supply. In parallel, the global oil market is forecast to remain oversupplied for the remainder of 2015 and through 2016, as OPEC output remains elevated and as higher oil exports materialize once the international sanctions on Iran are lifted. However, U.S. crude oil production is expected to continue to decline moderately into next year due to lower investment and drilling activity, which would help rebalance the market and reduce the large inventory overhang in 2016. Overall, crude oil prices are forecast to average \$52.5 p/b in 2015 and \$51.4 p/b in 2016. Upside risks to the price outlook include stronger consumer demand for oil, further decline in non-OPEC output, delayed implementation of the Iran nuclear deal, and supply disruptions in Nigeria and Iraq. In contrast, a higher-than-expected output from OPEC producers, a sustained fall in U.S. shale oil costs, slowing global demand and high stocks would add downward pressure on oil prices.

Source: World Bank Group, Byblos Research

Kurdish oil exports up 31% in September 2015

The Kurdistan Regional Government's (KRG) crude oil exports averaged 620,478 barrels per day (b/d) in September 2015, up by 31.2% from 472,832 b/d in the preceding month. About 74.7% of crude oil exports were extracted from fields operated by the KRG, while the remaining 25.3% came from fields operated by Iraq's North Oil Company. The KRG said that it did not transfer oil to the Iraq's State Organization for Marketing of Oil in September 2015 and continued its direct oil sales from the port of Ceyhan to compensate for the lack of budget transfers from the Iraqi federal government. Export activity improved as the Ceyhan pipeline was closed for two days in September relative to nine days in August.

Source: KRG Ministry of Natural Resources, Thomson Reuters

OPEC's oil output at 31.6 million b/d in September

The Organization of the Petroleum Exporting Countries' (OPEC) crude oil production averaged 31.57 million barrels per day (b/d) in September 2015, up by 0.4% from 31.46 million b/d in the preceding month. Saudi Arabia produced 10.2 million b/d in September 2015, equivalent to 32.4% of OPEC's total oil output. It was followed by Iraq with 4.1 million b/d (13.1%), the UAE with 2.9 million b/d (9.2%), Iran with 2.85 million b/d (9%) and Kuwait with 2.7 million b/d (8.6%).

Source: OPEC, Byblos Research

Nigeria's hydrocarbon export receipts down 46% in August 2015

Nigeria's crude oil & condensate export receipts totaled \$3.4bn in the first eight months of 2015, of which \$2.2bn were generated from crude oil exports and \$1bn were in gas export receipts. Hydrocarbon receipts totaled \$225.7m in August 2015, down by 46.2% from \$419.4m in July and by about 67% from the September 2014 peak. In parallel, a total of \$607.8m of oil & gas exports has been transferred to the Treasury in the first quarter of 2015, relative to no transfers between April and August.

Source: Nigerian National Petroleum Corporation

Base Metals: Copper prices to rise by 4% in 2016

The London Metal Exchange three-month copper future prices decreased by 17.9% from the end of 2014 to close at \$5,175 a ton on October 21st, partly due to a persistent market oversupply, a stronger US dollar and a weaker demand for the metal. Copper prices are expected to remain volatile in the short to medium term as the elevated risk of a broader global economic slowdown and the timing of interest rate hikes in the United States create uncertainty among investors. The metal's average price is forecast to drop by 17.7% to \$5,622 a ton in 2015 and to increase by 4.1% to \$5,850 a ton in 2016. Global refined copper demand is expected to rise by 2.2% to 21.96 million tons in 2015 and by 3.2% to 22.67 million tons in 2016, relative to a growth rate of 4.1% in 2014, partly due to a recovery in Chinese demand. Also, global refined copper supply is forecast to rise by 2.5% to 22.31 million tons in 2015 and by 2.1% year-on-year to 22.79 million tons next year, compared to a growth rate of 5.3% in 2014, as miners continue to react to current weak prices. As such, the copper market surplus is forecast to narrow by 66% to 119,000 tons in 2016 as growth in the metal's demand outweighs growth in supply.

Source: Thomson GFMS, Byblos Research

Precious Metals: Silver prices to average \$15 a troy ounce in 2016

Silver prices averaged \$16 a troy ounce in the first nine months of 2015, constituting a drop of 19.7% from the same period last year. The metal traded at a low of \$14.1 an ounce and a high of \$18.4 an ounce so far this year. Silver prices averaged \$16.8 an ounce in the first quarter, and declined to \$16.4 an ounce in the second quarter and \$14.9 an ounce in the third quarter of 2015. The drop in silver prices was due in part to a continuous oversupply in the market. In fact, reduced silver usage in the electronic and photovoltaic sectors, and declining trends in photographic applications, contributed to lower industrial demand for the metal this year. Further, mine supply expanded over the year, mainly in the Americas and Asia. Silver prices are projected to average \$15.14 an ounce in 2015 and to drop by 1.2% to \$14.96 an ounce in 2016. Downside pressure on prices include stronger-than-expected monetary tightening in the U.S. and a strengthening of the US dollar, while upside pressure on the forecast includes significantly weaker U.S. economic data. In parallel, the Bloomberg Silver Total Return Sub-Index regressed by 0.5% in September and by 8% in the first nine months of the year.

Source: World Bank Group, Bloomberg Indexes, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BB	-12.9	13.6	2.0	5.7	1.2	-	-15.7	-
Angola	B+	Ba2	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
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-	(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								
Asia													
Armenia	-	Ba3	B+	-	-	-4.5	53.1	92.6	298.8	21.9	431.8	-8.6	4.1
	-	Negative	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-1.9	43.5	10.2	-	2.7	25.1	3.2	1.5
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-7.2	62.6	23.6	101.9	5.6	158.2	-1.3	1.1
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	-3.3	14.3	72.9	195.4	17.3	787.9	-4.1	3.6
	Stable	Positive	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BB	-3.0	28.9	90.0	122.3	20.2	261.1	0.2	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-1.8	40.5	54.7	132.5	19.4	249.2	-1.1	2.1
	Stable	Negative	Stable	-	Stable								
Russia	BB+	Baa3	BBB-	-	BBB	-3.7	18.8	52.7	133.7	29.1	195.0	5.4	-1.2
	Negative	-	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.8	33.4	55.8	181.2	23.2	376.5	-4.2	1.7
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-4.2	94.1	158.4	189.9	32.0	978.3	-1.4	2.5
	Negative	Negative	-	-	Stable								

*to official creditors

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



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	17-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	20-Oct-15	No change	03-Nov-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	02-Dec-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	01-Dec-15
South Korea	Base Rate	1.50	15-Oct-15	No change	12-Nov-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	22-Nov-15
Nigeria	Monetary Policy Rate	13.00	21-Sep-15	No change	24-Nov-15
Ghana	Prime Rate	25.00	14-Sep-15	Raised 300bps	16-Nov-15
Angola	Base rate	10.50	29-Sep-15	No change	28-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	02-Nov-15
Kazakhstan	Repo Rate	16.00	02-Sep-15	Raised 400bps	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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