

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

TFA to boost global exports and GDP growth

The World Trade Organization (WTO) estimated that the implementation of the WTO's Trade Facilitation Agreement (TFA) would increase global merchandise exports by between \$750bn and \$1 trillion per year, depending on the implementation time-frame and coverage. It expected the implementation of the TFA to increase the growth of world exports by about 2.7 percentage points per year during the 2015-30 period, and world GDP growth by more than 0.5 percentage points per year. It noted that the TFA has the potential to reduce trade costs by about 14.3%, which, in turn, would increase both global trade and output. It forecast developing countries' exports to increase by between \$170bn and \$730bn per year following the implementation of the TFA, and for developed economies' exports to rise by between \$170bn and \$730bn annually. As such, it noted that developing countries have the most to gain from the swift and full implementation of the TFA, as both their exports and real GDP would post larger growth rates than in developed countries. The WTO members agreed on the TFA in December 2013, which will enter into force once two-thirds of members have ratified it. The TFA contains provisions for expediting the movement, release and clearance of goods, and sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues.

Source: World Trade Organization

EMERGING MARKETS

Remittance inflows to rise by 2% to \$435bn in 2015

The World Bank projected remittance inflows to developing economies at \$435bn in 2015, which would constitute an increase of 2% from \$427bn in 2014. It expected remittance inflows to developing economies to increase by 3.9% to \$453bn in 2016, by 4.1% to \$471bn in 2017 and by 4.7% to \$493bn in 2018. It said that inflows to developing economies would account for 74% of global remittance flows in 2015, up from 73.6% in 2014. It forecast inflows to the East Asia & Pacific region to reach \$126bn in 2015 and to account for 29% of remittance flows to developing economies, followed by South Asia with \$123bn (28.3%), Latin America & the Caribbean with \$67bn (15.4%), the Middle East & North Africa region with \$51bn (11.7%), Europe & Central Asia with \$36bn (8.3%) and Sub-Saharan Africa with \$33bn (7.6%). Also, it forecast the growth rate of remittance inflows to South Asia at 5.7% in 2015, followed by Latin America & the Caribbean at 5.2%, East Asia & Pacific at 4.8%, the Middle East & North Africa region at 1.6% and Sub-Saharan Africa at 0.9%; while it projected remittance flows to Europe & Central Asia to drop by 18.3% from 2014. In parallel, the World Bank projected remittance inflows to middle-income countries at \$420bn in 2015, up by 1.7% from \$413bn in the previous year, and those to low-income economies at \$15bn in 2015, up by 10.2% from 2014. Inflows to middle-income countries would account for 96.6% of remittances to developing economies in 2015.

Source: World Bank, Byblos Research

MENA

Private net wealth in Arab world at \$3.2 trillion at end of June 2015

Global investment bank Credit Suisse estimated the aggregate net wealth of Arab citizens at \$3,207bn at the end of June 2015, constituting a decrease of 3.1% from \$3,309bn at end-June 2014 and accounting for 1.2% of global net wealth in the covered period. Credit Suisse defines a country's net wealth as the sum of its population's marketable value of financial and non-financial assets, with the latter including mainly real estate holdings, less aggregate personal debt. It excludes a country's stock of human capital as well as its stock of public assets and liabilities, such as the public debt. Arab nationals' aggregate net wealth included \$1,520bn in financial wealth, \$2,224bn in non-financial wealth and \$537bn in personal debt at the end of June 2015. Citizens of Saudi Arabia accumulated the most wealth in the Arab world at \$687.3bn as at June 2015, followed by those of the UAE (\$559.7bn) and of Egypt (\$379.4bn). In contrast, citizens of Djibouti had \$2bn in net wealth as at June 2015, the lowest in the Arab world, relative to \$3.9bn in Mauritania and \$13.4bn in the West Bank & Gaza. In parallel, Qatar has the highest net wealth per adult among Arab countries at \$156,986 as at end June 2015, followed by the UAE (\$144,377) and Kuwait (\$113,419); while Mauritania (\$2,038), Syria (\$1,775) and Sudan (\$1,018) have the lowest net wealth per adult among Arab countries.

Source: Credit Suisse, Byblos Research

Public governance in Arab world regresses

The World Bank's annual World Governance Indicators for 2014 show that the scores of 20 Arab countries regressed on four out of six governance indicators included in the survey and improved on just two. The indicators cover 215 countries and territories worldwide and are rated on a scale of -2.5 to +2.5, with higher values corresponding to better governance outcomes. Arab countries posted an average score of -0.41 points on the Government Effectiveness indicator, nearly unchanged from -0.42 points in 2013. The indicator evaluates the quality of public services and the degree of their independence from political pressure, as well as the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The region's score was lower than that of North America (1.38 points), Europe & Central Asia (0.71 points), East Asia & Pacific (0.13 points) and Latin America & the Caribbean (0.03 points), but better than that of South Asia (-0.49 points) and Sub-Saharan Africa (SSA) (-0.8 points). The UAE had the most effective government among Arab countries with a score of 1.48 points, followed by Qatar (0.99 points) and Bahrain (0.59 points), while Syria (-1.44 points), Sudan (-1.61 points) and Libya (-1.64 points) came last. In parallel, Arab countries received a score of -0.46 points on the Control of Corruption indicator, down from -0.4 points in 2013. The region's average score was only better than that of SSA (-0.66 points). The UAE, Qatar, and Bahrain are the least corrupt countries, while Syria, Yemen and Libya are the most corrupt in the Arab region.

Sources: World Bank, Byblos Research

OUTLOOK

MENA

Low oil prices to lead to wide fiscal deficits in oil exporters

The International Monetary Fund indicated that fiscal consolidation due to lower global oil prices, and regional conflicts are weighing on the oil-exporting economies of the Middle East & North Africa region. It projected growth in Gulf Cooperation Council (GCC) countries to decelerate from 3.4% in 2014 to 3.3% in 2015 and 2.8% in 2016, as higher oil production would partly offset the slowdown in non-hydrocarbon activity from lower government spending. It forecast the non-hydrocarbon sector to expand by 3.8% in 2015 and 2016 down from a growth rate of 5.5% in 2014. Further, it anticipated non-GCC oil exporters in the MENA region to post flat economic growth in 2015 compared to a growth rate of 1.7% in 2014 due to the adverse impact of the conflict in Yemen and the fading positive effects on the Iranian economy of the interim nuclear agreement. It assumed that the normalization of the security conditions in conflict countries would help economic growth recover to 4.9% in 2016. It forecast the non-hydrocarbon sector in non-GCC oil exporters to contract by 1.7% in 2015 and to grow by 2.7% in 2016.

The Fund indicated that the growth projections are subject to large uncertainties, especially about the future path of oil prices, as additional declines in prices would accelerate fiscal adjustment with negative implications on economic growth. It noted that longer-than-expected conflicts in Yemen, Iraq and Libya could spill over to neighboring countries.

In parallel, the IMF forecast the GCC's aggregate fiscal balance to shift from a surplus of 1.4% of GDP in 2014 to deficits of 12.5% of GDP in 2015 and 12.2% of GDP in 2016. Also, it expected the fiscal deficit in non-GCC oil exporters to widen from 4.9% of GDP in 2014 to 12.1% of GDP in 2015 and 9.3% of GDP in 2016. It called on the region's oil exporters to adjust their spending and revenue policies in order to ensure fiscal sustainability and rebuild fiscal buffers. It considered that the planned fiscal measures in most oil-exporters in the MENA would not achieve the needed medium-term fiscal consolidation. It estimated that, under current policies, oil-exporters except Kuwait, Qatar and the UAE would run out of buffers in less than five years because of wide fiscal deficits. Further, it forecast the GCC's aggregate current account balance to post deficits of 0.2% of GDP in 2015 and 2.5% of GDP in 2016, and expected that of non-GCC oil-exporters to register deficits of 8.8% of GDP in 2015 and 7.2% of GDP in 2016.

Source: International Monetary Fund

SUDAN

Average inflation rate at 19.8%, government debt to reach 71.5% of GDP in 2015

The International Monetary Fund projected real GDP in Sudan to grow by 3.5% in 2015 and by 4% in 2016, relative to a growth rate of 3.6% in 2014, and compared to growth of 3.8% and 4% in 2015 and 2016, respectively, for oil-importers in the MENA region. It estimated the country's nominal GDP at \$84.3bn in 2015 and at \$85.2bn in 2016. It forecast Sudan's inflation rate to average 19.8% in 2015 and 12.7% in 2016. Also, it expected

broad money to grow by 18% this year and by 17.3% in 2016. In parallel, the Fund projected the fiscal deficit to widen from 1.1% of GDP in 2014 to 1.8% of GDP in 2015 and 1.3% of GDP in 2016. It anticipated government revenues, excluding grants, to drop from 11% of GDP in 2014 to 9.4% of GDP in 2015 and 9.7% of GDP in 2016; and for total expenditures and net lending to regress from 12.7% of GDP in 2014 to 11.6% of GDP in each of 2015 and 2016. The IMF expected the government's gross debt level to reach 71.5% of GDP at the end of 2015 and 74% of GDP at end-2016. It also forecast total gross external debt to regress from 63% of GDP in 2014 to 57.8% of GDP in 2015 and 59.2% of GDP in 2016. Further, the Fund estimated Sudan's exports of goods & services at \$6.7bn in 2015 and at \$7.1bn in 2016 compared to \$7.2bn in 2014; and its imports of goods & services to reach \$9.7bn in 2015 and \$10bn in 2016, relative to \$10.7bn in 2014. It forecast the country's current account balance to post deficits of \$4.9bn in 2015 and \$4.8bn in 2016, equivalent to 5.8% of GDP and 5.6% of GDP, respectively, and relative to a deficit of \$5.7bn or 7.7% of GDP in 2014. It expected gross official reserves to rise from \$1.5bn at end-2014 to \$1.7bn at end-2015 and \$1.9bn at the end of 2016.

Source: International Monetary Fund

ANGOLA

Non-oil GDP growth at 3.5%, current account deficit at 6.6% of GDP in 2015-16

The International Monetary Fund projected economic growth in Angola at 3.5% in each of 2015 and 2016, compared to growth rates of 3.6% in 2015 and 4.2% in 2016 in Sub-Saharan Africa's oil-exporting countries. It expected the country's non-oil GDP to grow by a real rate of 2.1% in 2015 and 3.4% in 2016, compared to growth rates of 4.4% and 4.7% in 2015 and 2016, respectively, for the region's oil-exporting economies. The Fund forecast Angola's annual average inflation rate at 10.3% in 2015 and 14.2% in 2016, compared to inflation rates of 8.7% and 9.3% in 2015 and 2016, respectively, for SSA's oil-exporting economies. It estimated total investment at 10.4% of GDP in 2015 and 11.3% of GDP in 2016. It also expected broad money to grow by 11.5% this year and by 16.9% in 2016. It added that claims on the non-financial private sector grew by 15% and by 1.1% in 2013 and 2014, respectively.

In parallel, the Fund projected the government's fiscal balance to post deficits of 3.5% of GDP in 2015 and 1.4% of GDP in 2016. It estimated government revenues, excluding grants, at 27.4% of GDP this year and at 27.6% of GDP in 2016, and total expenditures at 30.9% of GDP in 2015 and at 29% of GDP next year. The IMF projected the government's debt at 57.4% of GDP in 2015 and 53% of GDP in 2016, up from 42.2% of GDP last year. It also forecast total gross external debt to increase from 25.5% of GDP at the end of 2014 to 38.3% of GDP at end-2015 and 36.4% of GDP at end-2016. Further, it expected the current account deficit to widen from 1.5% of GDP in 2014 to 7.6% of GDP in 2015 and 5.6% of GDP in 2016. In comparison, it forecast oil-exporting countries in SSA to post current account deficits of 3.4% of GDP in 2015 and 2.5% of GDP in 2016. It projected Angola's gross official reserves to reach 6.7 months of import cover in 2015 and 5.6 months of import cover in 2016, down from 8.4 months of import cover at end-2014.

Source: International Monetary Fund



ECONOMY & TRADE

GCC

Insurance market to post double-digit growth rates in 2016-18

Moody's Investors Service anticipated that the positive economic growth outlook for Gulf Cooperation Council (GCC) economies would continue to encourage domestic and foreign insurers to invest in the GCC insurance market. It indicated that insurance premiums generated in the GCC rose from \$6.4bn in 2006 to \$22.2bn in 2014, equivalent to a compound annual growth rate (CAGR) of 16.8% during the 2006-14 period. It noted that insurance premiums' CAGRs varied across GCC markets between a low of 6.4% in Kuwait and a high of 20.7% in Qatar. It expected the GCC insurance industry to continue to grow at similarly strong rates during the 2016-18 period, supported by increased economic wealth in the region and rising insurance penetration, among other factors. It noted that the insurance penetration rate is currently well below 2% of GDP in GCC economies, with the exception of the UAE and Bahrain. Also, it noted that governments are requiring that an increasing number of insurance products become compulsory, which would support the sector's growth. Further, it anticipated that better regulations and the implied additional cost of monitoring, managing and reporting could encourage consolidation among some smaller market players, which would reduce competitive pressures and support market stability. However, Moody's indicated that the rising number of insurers would likely increase competition and put additional pressure on the sector's already weak to average profitability. The agency considered that the insurance sector's common weaknesses include weak to average profitability, geographic and business lines concentration, and high risk investment portfolios.

Source: Moody's Investors Service

IRAQ

Economy faces challenging near term prospects

The World Bank indicated that Iraq's economic conditions are weak due to lower global oil prices and the ongoing domestic instability from the Islamic State insurgency. It projected Iraq's real GDP to grow by 0.5% in 2015 following a 2.4% contraction in 2014. It estimated non-hydrocarbon sector activity to have contracted by 7% in 2014 and expected it to shrink by an additional 7% in 2015 due to the prevailing insecurity that destroyed infrastructure, impeded access to fuel and electricity, weakened business confidence and disrupted internal trade and transport. It forecast real GDP to grow by 3.1% in 2016 assuming a modest recovery in oil prices, a significant increase in oil production and receding spillovers on the non-oil economy from the war with the Islamic State. It said that Iraq's near-term prospects are subject to major risks, including further declines in oil prices and an intensification of the ongoing war with the Islamic State and of other political tensions. Further, the Bank expected the current account deficit to widen from 2.9% of GDP in 2014 to more than 7% of GDP in 2015. It estimated that receipts from oil exports would drop from \$83bn in 2014 to \$63bn in 2015 despite that oil production rose to an average of 3.45 million b/d. In addition, the Bank expected the fiscal deficit to widen from 5.3% of GDP in 2014 to 16.2% of GDP in 2015.

Source: World Bank

JORDAN

Sovereign ratings affirmed, outlook 'stable'

Standard & Poor's affirmed Jordan's long- and short-term foreign and local currency sovereign credit ratings at 'BB-/B', with a 'stable' outlook. It indicated that regional instability from the ongoing conflicts in Iraq and Syria are affecting Jordan's key credit metrics. It noted that spillovers from the regional turmoil would continue to suppress key growth factors such as investment, tourism and trade activity. It anticipated that low oil prices and some upside potential for foreign investment would support the country's medium-term growth prospects. It did not expect economic growth to reach pre-2010 levels in coming years due to regional instability, domestic growth bottlenecks, high unemployment and a challenging business environment. Further, it expected the government to make additional progress on fiscal consolidation, and anticipated that lower global oil prices would support the country's fiscal and external performance in coming years. It projected the fiscal deficit to narrow from 5.1% of GDP in 2014 to 4.5% of GDP in 2015 and 4% of GDP in 2016, due to reduced transfers to the state-owned National Electric Power Company. In parallel, the agency indicated that the ratings remain constrained by the elevated government debt level and external imbalances. It said that lower exports to Iraq, a weaker services surplus and lower official transfers have offset the positive effect of lower oil prices on the trade balance. It anticipated that foreign currency inflows from public sector borrowings, grants, remittance inflows, and a potential increase in investment would moderately improve external imbalances over the medium-term. Further, it expected the country's gross external financing needs to average 102% annually during the 2015-18 period.

Source: Standard and Poor's

GHANA

Ratings affirmed, outlook 'stable'

Standard & Poor's affirmed Ghana's long-term foreign and local currency sovereign credit ratings at 'B-/B', with a 'stable' outlook. It said that the ratings reflect Ghana's wide fiscal and external deficits, along with other economic risks such as a double-digit inflation rate and the 30% depreciation of the Ghanaian cedi between June 2014 and June 2015. It considered that the new IMF program would help address fiscal and external imbalances and could improve budgetary discipline. But it cautioned that delays in the implementation of the program would constrain financial support from official creditors. It projected the fiscal deficit to narrow from 8% of GDP in 2015 to 5% of GDP by 2018, while it forecast the public debt level to average 71.3% of GDP annually during the 2015-18 period, up from 40% of GDP in 2011. It expected debt servicing to absorb about 33% of public revenues annually between 2015 and 2018. It cautioned that any additional weakening of the cedi would exert more pressure on the country's debt stock, given that 62% of the government's outstanding debt was denominated in foreign currency at the end of June 2015. It considered the country's external position to be weak, with gross external financing needs at 127% of current account receipts plus usable reserves in 2015, and usable reserves covering 2.6 months of current account payments. It forecast the current account deficit to average 8.3% of GDP annually between 2015 and 2018.

Source: Standard and Poor's



BANKING

MENA

Tier One capital of top 100 Arab banks up 11% to \$263bn at end-2014

The Banker magazine's annual survey of the Top 100 Arab banks by Tier One capital included 21 banks from the UAE, 12 banks from Saudi Arabia, 11 banks from Bahrain, 10 from each of Lebanon and Qatar, nine from each of Egypt and Kuwait, seven from each of Morocco and Oman, three from Jordan and one bank from Libya. Banks in Saudi Arabia accounted for 29% of the aggregate Tier One capital of the top 100 Arab banks. They were followed by UAE banks with 26%, banks in Qatar with 12%, in Kuwait with 9%, in Bahrain with 6%, in Lebanon and Morocco with 5% each, in Egypt with 4%, in Oman with 3% and in Jordan with 2%. *The Banker* magazine indicated that the aggregate Tier One capital of the Top 100 Arab banks reached \$263.2bn at the end of 2014, reflecting an 11.1% increase from a year earlier. Also, the Arab banks' total assets reached \$2,388bn at end-2014, up 10.5% year-on-year. Further, the banks' pre-tax profits grew by 13.5% to \$42.6bn in 2014, compared to a 10.9% growth in 2013. Overall, the banks' return on capital stood at 16.17% in 2014, their return on assets was 1.78% and their average capital adequacy ratio was 11.02%. National Commercial Bank of Saudi Arabia retained its top ranking with a Tier One capital of \$12.3bn at end-2014, equivalent to 4.7% of the 100 banks' aggregate Tier One capital.

Source: *The Banker Magazine*

Impact of low oil prices on banking sectors varies by country

The International Monetary Fund indicated that the banking systems in the Middle East & North Africa region are generally well-positioned to withstand the adverse effects of lower global oil prices. However, it said that the banking sectors' performance and vulnerabilities vary significantly across countries. First, it noted that banking sectors in Gulf Cooperation Council (GCC) countries have continued to perform strongly, reflecting solid economic fundamentals and low bank vulnerabilities. But it cautioned that sustained low oil prices could increase the risks to financial stability if public investment is scaled back sharply or if real estate prices decline. It added that tighter liquidity could constrain private sector lending. Second, the IMF said that the banks' performance in non-GCC oil-exporters has been mixed, reflecting structural vulnerabilities that predate the oil price shock. It noted that macro-financial risks in Algeria and Iraq have increased due to the banks' reliance on oil-related deposits and exposure to state-owned enterprises whose performance is driven by oil. It added that the cap on trade finance in Algeria could weigh on the banks' profitability, while the rising fiscal pressures in Iraq and Yemen have increased financial stability risks due to the banks' exposure to their respective sovereigns. In addition, it noted that Iranian banks suffer from weak asset quality and thin capitalization. Third, the Fund said that slower growth in GCC economies could affect remittance inflows and bank deposits in oil-importers, with spillovers to bank credit and foreign currency markets.

Source: *International Monetary Fund*

EGYPT

Forward looking exchange rate points to 25% currency depreciation within 12 months

The Institute of International Finance expected the new Governor of the Central Bank of Egypt to increase the flexibility of the exchange rate, to loosen capital controls and to maintain a relatively tight monetary policy. It noted that the overvaluation of the Egyptian pound has hurt the economy's competitiveness and has discouraged investment; while capital controls have led to a shortage of foreign currency that has made it difficult to finance imports. It indicated that the pound has depreciated by 10% so far this year due to the authorities' intervention, and that the current official exchange rate of about EGP8.03 per dollar is still far from its equilibrium value of between EGP8.9 and EGP9.3 per dollar. It noted that forward-looking exchange rates reflect investors' expectations of a 25% currency depreciation within 12 months to about EGP10 per dollar. It added that the pound is currently trading at EGP8.45 against the dollar on the black market, reflecting a 6.5% spread with the official rate. It cautioned that the failure to address the current misalignment of the exchange rate would prevent the implementation of the country's investment plans, as potential investors are waiting for the pound to approach its equilibrium value to avoid being exposed to further depreciation risks. In parallel, the IIF indicated that the fundamentals of the Egyptian economy point to a need for significant currency depreciation to improve competitiveness, restore macro-economic stability and reduced the pressure on foreign reserves.

Source: *Institute of International Finance*

NIGERIA

Tier One capital of top 13 banks at \$16bn at end-2014

In its 2015 survey of the Top 1000 commercial banks in the world, *The Banker* magazine included 13 banks operating in Nigeria on the list, of which eight were ranked among the top 25 banks in Africa. The rankings are based on Tier One capital at year-end 2014. *The Banker* indicated that it changed its methodology this year and started to use the disclosed Tier One capital for banks that began implementing the Basel III framework. It noted that Basel III has clarified the rules about capital calculations, which previously varied widely across banks and jurisdictions. The aggregate assets of the 13 banks reached \$151.5bn at the end of 2014 and accounted for 17.4% of the aggregate assets of banks in Africa. Also, the aggregate Tier One capital of the banks totaled \$15.91bn at the end of 2014 and accounted for 23.4% of the Tier One capital of banks in Africa. As such, Nigerian banks' combined Tier One capital-to-assets ratio was 10.5% at end-2014 and outperformed the ratio of 7.8% of banks in Africa and the Top 1000 banks' aggregate ratio of 6.1%. Also, the cumulative pre-tax profits of the 13 banks reached \$3.72bn in 2014. The ratio of pre-tax profits-to-Tier One capital of Nigerian banks reached 23.4% in 2014 compared to 14.37% for the Top 1000 banks. The 13 Nigerian banks accounted for 0.23% of the Tier One capital of the Top 1000 banks, for 0.13% of their total assets and for 0.38% of their pre-tax profits.

Source: *The Banker Magazine*



ENERGY / COMMODITIES

Oil prices to average \$61 per barrel in 2016

ICE Brent crude oil prices reached their lowest level in two months at \$46.1 per barrel (p/b) on October 27th amid growing concerns that China might fail to reach its GDP growth target of 7% this year. Oil prices averaged \$50 p/b in the third quarter of 2015, down by 18% from \$61 p/b in the previous quarter. The drop in oil prices was driven by a slowdown in global economic growth, mainly in China and emerging markets, as well as by high global crude oil inventories, an increase in the Organization of Petroleum Exporting Countries' (OPEC) production, and resilient non-OPEC output. Oil prices are forecast to remain subdued in the fourth quarter of 2015 and into 2016 due to the continued oversupply in the market. Global crude oil production is expected to grow by 1.6% in 2015, with OPEC's output projected to remain elevated at about 32 million barrels per day in 2015 and 2016, as OPEC countries continue to fight for market share. In contrast, U.S. crude oil output growth is forecast to decelerate in the last quarter of 2015 and to contract in 2016 as low oil prices would start to adversely impact U.S. shale production. In parallel, global crude oil demand is expected to grow by 1.4% in 2015 despite the fragile state of the Chinese economy, and by a similar growth rate in 2016. As such, oil prices are forecast to average \$56 p/b in 2015 and to recover to \$61 p/b in 2016.

Source: Jadwa Investment, Byblos Research

M&A deals up 38% in MENA region's oil & gas sector in first 10 months of 2015

The aggregate declared value of completed mergers & acquisition deals in the Middle East & North Africa region's oil & gas sector was \$826.6m in the first 10 months of 2015, up by 38.3% from \$597.8m in the same period last year. There were three completed deals during the covered period, down from eight transactions in the first 10 months of 2014. One deal was executed in each of the UAE (\$676m), Qatar (\$136.1m) and Egypt (\$14.5m).

Source: Zawya M&A Monitor, Byblos Research

ME&A's oil demand to rise by 2.5% in 2016

Crude oil consumption in the Middle East & Africa region is expected to average 12.51 million barrels per day (b/d) in 2016, which would reflect a rise of 2.5% from 12.21 million b/d in 2015. The region's demand for oil would account for about 13.3% of global consumption next year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 3.53 million b/d in 2016, which would reflect a drop of 1.7% from 3.59 million b/d in 2015. It would account for 6.2% of global non-OPEC oil supply in 2016.

Source: OPEC, Byblos Research

Qatar's LNG exports at 4.3 tcf in 2014

Qatar's crude oil exports averaged 595,000 barrels per day (b/d), while its exports of refined petroleum products reached 552,000 b/d in 2014. Qatar was the world's largest exporter of liquefied natural gas last year, with exports of 4.3 trillion cubic feet (tcf), equivalent to 32% of global natural gas exports. Further, the \$10.4bn Barzan Gas project is expected to boost Qatar's natural gas production from the North field in the near term and will be capable of processing 1.4 billion cubic feet per day of natural gas. The project is scheduled to come online in 2016 and to reach maximum production capacity in 2017.

Source: U.S. EIA, Byblos Research

Base Metals: Aluminium prices to fall by 4% in 2016

The London Metal Exchange three-month aluminium future prices averaged \$1,768 a ton in the first nine months of 2015, down by 19.7% from the same period of 2014. The downside pressure on prices was due in part to slowing global demand for the metal and to continued strong growth in China's smelting capacity. Aluminium prices reached their lowest levels since 2009 and closed at \$1,480 a ton on October 28th. In parallel, global aluminium demand is expected to rise by 5% to 56.4 million tons in 2015 and by 4.8% to 59.1 million tons in 2016, relative to a growth rate of 7.2% in 2014. Also, the metal's global supply is forecast to rise by 7.4% to 57.5 million tons in 2015 and by 3.6% year-on-year to 59.6 million tons next year, compared to a growth rate of 5.9% in 2014. The aluminium market balance is forecast to shift from a deficit of 94,000 tons in 2014 to surpluses of 1.16 million tons in 2015 and of 0.5 million tons in 2016. As such, the metal's average price is forecast to regress by 10% to \$1,705 a ton in 2015 and to fall further by 4% to \$1,639 a ton in 2016. The narrowing surplus next year, which is projected to support prices in the second half of 2016, would result from better global economic prospects rather than significant production cuts.

Source: Thomson GFMS, Byblos Research

Precious Metals: Gold prices to remain volatile

Gold prices averaged \$1,124 a troy ounce in the third quarter of 2015, down by 12.3% from \$1,282 in the same quarter of 2014. The drop in prices was mainly driven by investors' uncertainty regarding the timing of the increase in U.S. interest rates. However, concerns that slowing economic activity in emerging markets would dampen recovery in industrialized economies, along with persistent disinflationary trends, pushed back the expectations of an interest rate increase in the U.S. and provided a temporary boost to gold prices. The metal's price dropped by 1.6% from the end of 2014 but rose by 5.9% since the end of September to close at \$1,180 a troy ounce on October 28, 2015. The metal's global physical demand rose by 6.6% year-on-year to 1,074 tons in the third quarter of 2015 due to accelerated central bank purchases, rising demand for gold bars and coins, and increased volatility in the financial and equity markets. In parallel, global gold output rose by 1.2% annually to 1,125 tons in the third quarter of 2015. Overall, the metal's average price is forecast to reach \$1,100 a troy ounce in the fourth quarter of 2015, its lowest quarterly level this year, and to average \$1,159 a troy ounce in 2015.

Source: Thomson GFMS, 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								
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	28-Oct-15	No change	16-Dec-15
Eurozone	Refi Rate	0.05	22-Oct-15	No change	03-Dec-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	29-Oct-15	Cut 25 bps	09-Dec-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	4.35	23-Oct-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.50	28-Oct-15	No change	N/A
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	21-Oct-15	No change	24-Nov-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	28-Oct-15	No change	30-Nov-15
Mexico	Target Rate	3.00	21-Sep-15	No change	29-Oct-15
Brazil	Selic Rate	14.25	21-Oct-15	No change	25-Nov-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



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

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BYBLOS BANK GROUP

LEBANON

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

SYRIA

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

IRAQ

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

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

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

UNITED ARAB EMIRATES

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

ARMENIA

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

CYPRUS

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

SUDAN

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

NIGERIA

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

DEMOCRATIC REPUBLIC OF CONGO

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

ADIR INSURANCE

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

