

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Risk management frameworks improve at firms**

EY's global governance, risk and compliance survey of 2015 indicated that organizations worldwide are making progress in managing risk, but that opportunities still exist to improve the method they identify, manage and respond to risk events. Respondents identified financial, operational, regulatory, cybersecurity and reputational risks as the top five risks that companies face. They also cited geopolitical crises, natural disasters, data privacy, R&D and product development, as well as mergers and acquisitions, as the bottom five risks. The survey shows that 77% of respondents worldwide evaluate their organization's risk profile on an annual basis, which limits their ability to adjust their business strategy based on changes to their risk landscape. Respondents noted that the top opportunities to enhance the way their company manages risk include the alignment of risk objectives with business objectives, clearer risk ownership processes and operating model, and an improved ability to provide a comprehensive view of risk, among others. Further, respondents indicated that risk management, business strategy, critical and analytical thinking, regulatory compliance and process improvement are the most important skills or experiences required to enhance their risk functions. The survey's results are based on face-to-face and online interviews with 1,196 board members, risk, audit and finance executives in 63 countries between February and March 2015.

Source: EY

#### EMERGING MARKETS

##### **Lending conditions remain under pressure in third quarter of 2015**

The Emerging Markets Lending Conditions Index decreased to 45 in the third quarter of 2015 from 49 in the preceding quarter and remained below the 50 mark, which reflects further tightening in overall bank lending. The Demand for Loans Index dropped to 47.1 in the third quarter of 2015 from 53.2 in the preceding quarter, while the Trade Finance Index decreased to 46.6 in the third quarter from 50.6 in the previous quarter. Further, the Credit Standards Index regressed to 44.4 in the third quarter of 2015 from 47.7 in the preceding quarter, while the Non-Performing Loans (NPLs) Index dropped to 43.2 in the covered quarter from 45.4 in the second quarter of 2015, with most banks expecting a further increase in NPLs in the fourth quarter of the year. Also, the Funding Conditions Index regressed to 42 in the third quarter of 2015 from 45.4 in the second quarter. The Lending Conditions Index in Emerging Europe was the highest globally at 46.9 compared to 53.3 in the second quarter of 2015, while it regressed in Sub-Saharan Africa to 46 in the third quarter from 50 in the preceding quarter. Also, the Lending Conditions Index for the MENA region dropped from 49.2 in the second quarter of 2015 to 45.8 in the third quarter; that for Latin America decreased to 44.5 in the third quarter of 2015 from 45.9 in the preceding quarter and that for Emerging Asia regressed to 42.7 in the third quarter from 47.3 in the second quarter of 2015.

Source: Institute of International Finance

#### MENA

##### **Vast disparities in region's prosperity levels**

The Legatum Institute's Prosperity Index for 2015 indicated that only one Arab country has a high level of prosperity, eight states have an average prosperity level, and six countries have a weak level of prosperity. The UAE is the highest ranked Arab country and came in 30th place globally among 142 countries. It was followed by Kuwait (36th), Saudi Arabia (42nd), Morocco (79th) and Jordan (88th) as the most prosperous Arab countries; while Sudan (134th), Yemen (135th) and Syria (136th) were the least prosperous ones. The index uses a broad definition of prosperity to include both material wealth and quality of life, and covers 89 variables grouped into eight sub-indices. The rankings of eight countries improved with Egypt and Morocco posting the largest increases in rankings (+6 spots each), followed by Saudi Arabia and Iraq (+5 spots each), Lebanon, Mauritania and Yemen (+3 spots each), and Algeria (+1 spot). Also, the rankings of six Arab countries regressed year-on-year with Syria posting the steepest decline of 7 spots, followed by Jordan (-6 spots), Tunisia (-5 spots), Sudan (-4 spots), the UAE (-2 spots) and Djibouti (-1 spot); while the ranking of Kuwait remained unchanged year-on-year. The UAE ranked first on the Entrepreneurship & Opportunity, Governance, Health, Personal Freedom and Safety & Security sub-indices, Saudi Arabia ranked first on the Social Capital and Education sub-indices, while Kuwait ranked first on the Economy sub-index.

Source: Legatum Institute, Byblos Research

##### **Value of announced M&A deals down 37% to \$5.4bn in third quarter of 2015**

Figures released by EY show that a total of 91 mergers & acquisitions (M&A) deals were announced in the Middle East & North Africa (MENA) region in the third quarter of 2015, constituting a decrease of 12.5% from 104 deals in the same quarter of 2014. Cross-border M&A activity in the region increased by 40% to 63 deals, while domestic activity decreased by 52.5% to 28 deals in the third quarter of the year. EY noted that the main sectors for cross-border deals during the covered quarter were chemicals, consumer products and healthcare. It indicated that the aggregate value of announced M&A deals in the MENA region reached \$5.4bn in the third quarter and declined by 36.5% from \$8.5bn in the third quarter of last year. It noted that the largest M&A transaction in the third quarter of 2015 was the Saudi Arabian Oil Company's \$1.7bn acquisition of a 50% stake in Lanxess AG, a synthetic rubber company in Germany. It added that Egypt has emerged as an attractive destination for foreign investors in the first nine months of 2015, with U.S.-based Kellogg Company acquiring two Egyptian companies, the biscuit maker Bisco Misr in January and cereal producer Mass Food Group in September. It said that the region's M&A market continues to show resilience despite the downward pressure on global oil prices. It expected the pipeline of M&A deals to rebound in 2016.

Source: EY

# OUTLOOK

## GCC

### Gulf economies to adjust to new environment

The Institute of International Finance projected real GDP growth in the economies of the Gulf Cooperation Council (GCC) to decelerate from 3.3% in 2014 to 3.1% in 2015 and 2.3% in 2016. It forecast non-hydrocarbon growth at 4.1% in 2015 and 2.7% in 2016, and hydrocarbon growth at 2.6% in 2015 and 2% in 2016. It forecast Qatar's non-hydrocarbon GDP growth at 9% in 2015 and 7.7% in 2016; at 4.8% and 4.6%, respectively, in Oman, and at 4.5% in 2015 and 3.5% in 2016 in Bahrain. Also, it expected the non-oil sector to grow by 3.6% in 2015 and 2.9% in 2016 in the UAE; by 3.2% and 0.9%, respectively, in Saudi Arabia, and by 2% in 2015 and 3% in 2016 in Kuwait. It attributed the slow-down in non-oil growth to tighter fiscal conditions across most countries.

The IIF indicated that the scale of fiscal adjustment facing the GCC economies varies from country to country. It expected the aggregate government spending in the GCC to decline by an annual average of 2% during the 2015-16 period relative to an annual growth of 15.5% between 2004 and 2014. It noted that the structure of the budget in the region is difficult to change, given that about two thirds of the increase in spending in GCC economies during the past decade were in the form of wages and social transfers. Also, it anticipated authorities to introduce several tax and non-tax measures, including a value-added tax and lower fuel subsidies, if low oil prices persist in 2016. Overall, it projected the consolidated fiscal balance of the GCC countries to shift from a surplus of 3.7% of GDP in 2014 to deficits of 9.8% of GDP in 2015 and 7.2% of GDP in 2016. It anticipated that Saudi Arabia would post the widest fiscal deficit among GCC economies at 19.7% of GDP in 2015-16, followed by Oman (15.1% of GDP), Bahrain (12% of GDP) and the UAE (3.1% of GDP). It expected Kuwait and Qatar to post fiscal surpluses of 8.8% of GDP and 1.7% of GDP during the 2015-16 period, and to register deficits during the same period when excluding investment income from their budget revenues.

In parallel, the IIF projected the GCC's aggregate current account surplus to fall from \$240bn, or 14.7% of GDP, in 2014 to about \$2bn or 0.1% of GDP in 2015, and to shift to a deficit of \$26bn or 1.8% of GDP in 2016. It forecast the GCC's net foreign assets at 160% of GDP in 2015 and 147% of GDP in 2016, relative to 152% of GDP in 2014.

Source: *Institute of International Finance*

## ARMENIA

### Economic growth to average 2.4% in 2015-16, reforms required for stabilization

The International Monetary Fund indicated that the policy actions taken by Armenian authorities have helped maintain stability and economic growth in the context of weaker-than-expected external conditions. It projected Armenia's real GDP to grow by 2.5% in 2015 and by 2.2% in 2016. It forecast the inflation rate to average 3.4% in 2015 and 4% in 2016. It considered that the Central Bank of Armenia's monetary policy should be well-calibrated to maintain price stability.

In parallel, the Fund indicated that authorities need to implement fiscal consolidation to ensure debt sustainability, following a period of fiscal easing that was needed to support activity. It noted that the new tax code would broaden the tax base by eliminating exemptions and addressing gaps, which would support consolidation and increase growth-enhancing spending. It projected the fiscal deficit to widen from 2.1% of GDP in 2014 to 3.9% of GDP in 2015, but to subsequently narrow to 3.5% of GDP in 2016 and 2.5% of GDP in 2017. It expected the public debt level to rise by 5.1 percentage points to 48.2% of GDP in 2015, and to slightly increase to 50.6% of GDP in 2016 and 51.6% of GDP in 2017.

Further, the IMF called on the Central Bank of Armenia to resort to greater exchange rate flexibility, and to limit its interventions in the currency market in order to preserve and strengthen buffers and support external adjustment. It projected the country's current account deficit to narrow from 7.3% of GDP in 2014 to 4.9% of GDP in 2015 and 5.8% of GDP in 2016. It forecast the country's gross official reserves at \$1.7bn, equivalent to 4.4 months of imports cover at end-2015; and at \$1.8bn, or 4.5 months of imports at the end of 2016.

Source: *International Monetary Fund*

## IRAN

### Lifting of sanctions to change economic outlook

The Institute of International Finance projected Iran's real GDP growth to accelerate from 1.4% in the fiscal year that ends in March 2016 to 5.8% in FY2016/17 from the lifting of sanctions, and to be driven by a surge in exports and private investment. It forecast non-hydrocarbon real GDP to grow by 3.7% in FY2016/17, relative to an estimated growth rate of 1.6% in FY2015/16; while it expected hydrocarbon output to expand by 18% in FY2016/17 relative to a growth rate of 0.4% in FY2015/16. It noted that, in case sanctions are lifted, Iran will gain access to about \$60bn in frozen assets, will be able to sell more oil on international markets and will regain access to the global financial transfer system SWIFT. It anticipated that crude oil exports would rebound to their pre-sanction levels of 3.8 million barrels per day by the end of 2016 following the lifting of economic sanctions and the return of foreign expertise to the energy sector. However, it noted that the energy sector requires at least \$100bn in investments over the next five years in order to make up for under-investments during the past decade. It cautioned that the sanctions could be reinstated if Iran violates the terms of the nuclear deal, which creates uncertainties for investors.

Further, the IIF said that the 12-month inflation rate fell from 41% in May 2013 to 11.7% in September 2015 despite the significant depreciation of the official exchange rate. In addition, it noted that the spread between the official and the black market exchange rates narrowed from 24% in September 2014 to 9% in September 2015. It anticipated that the wide spread could be eliminated once the sanctions are lifted. The IIF projected the fiscal deficit to narrow from 3.1% of GDP in FY2015/16 to 2.8% of GDP in FY2016/17 despite the low oil price environment. It forecast Iran's breakeven oil price to drop from \$93 per barrel in FY2015/16 to \$69 p/b in FY2016/17.

Source: *Institute of International Finance*



# ECONOMY & TRADE

## IRAQ

### Economy facing significant challenges

The International Monetary Fund indicated that Iraq continues to face a number of challenges that include the drop in global oil prices and the ongoing conflict with Islamic State (IS) militants that is constraining domestic resources. It added that lower oil prices have adversely affected Iraq's balance-of-payments and fiscal revenues, which depend mainly on hydrocarbon receipts. The Fund estimated that Iraq's real GDP would grow by 1.5% in 2015, due to the increase in oil output from areas under the control of the Iraqi government and the Kurdistan Regional Government. Also, it forecast the current account deficit to reach 7% of GDP in 2015 and for foreign currency reserves to decline from \$59bn at end-October 2015, but to continue to cover nine months of imports at the end of 2015. Further, the IMF pointed out that the Iraqi authorities are committed to addressing the fiscal pressures caused by the dual shocks related to oil prices and the IS insurgency. As such, it said that authorities have reached a staff-level agreement with the IMF on a Staff-Monitored Program (SMP). It added that under the SMP, the Iraqi authorities would implement fiscal consolidation measures that would contain public spending, in line with available revenues and financing, and would aim to reduce the non-oil primary deficit by 4% of non-oil GDP by 2016. Also, it indicated that the SMP includes measures to strengthen the management of public finances, the anti-money laundering and countering the financing of terrorism framework, and the stability of the financial sector.

*Source: International Monetary Fund*

## EGYPT

### Outlook revised to 'stable' on persisting vulnerabilities

Standard & Poor's affirmed Egypt's 'B-/B' long- and short-term foreign and local currency sovereign credit ratings, and revised the outlook on the long-term ratings from 'positive' to 'stable'. It said that the 'stable' outlook reflects its expectations that Egypt will largely remain politically stable, its economy will continue to progressively grow in the face of important macroeconomic headwinds, and that the fiscal deficit will narrow but will remain at high levels. It considered that the economic recovery will depend on maintaining security and sociopolitical stability, on implementing new economic and fiscal measures, as well as on addressing structural shortcomings in the energy and foreign currency markets. Further, S&P expected Egypt's external imbalances to persist, with gross external financing needs exceeding 100% of current account receipts and usable reserves in the next few years. It noted that the strong external support that the country received in the past few years could be affected by fiscal pressures in GCC economies. It indicated that Egypt's foreign currency reserves fell from \$20bn at end-June 2015 to \$16bn currently due to the redemption of \$2.3bn in external debt. It considered that the current level of foreign reserves represents a limited buffer to absorb any additional downward pressure on the pound. In parallel, S&P said that the ratings are mainly constrained by a wide fiscal deficit that is projected to average 9.5% of GDP during the 2015-18 period and a high net government debt level that will average about 81% of GDP in same period.

*Source: Standard & Poor's*

## CÔTE D'IVOIRE

### Ratings upgraded to 'Ba3', outlook 'stable'

Moody's Investors Service upgraded Côte d'Ivoire's long-term local and foreign currency issuer ratings to 'Ba3' from 'B1' with a 'stable' outlook. It also affirmed the short-term issuer ratings at 'Not Prime', the ceilings for foreign currency bonds and bank deposits at 'Baa3/P-3' and the ceilings for local currency bonds and bank deposits at 'Baa3'. The agency attributed the upgrade to reduced political uncertainty following the successful presidential election that was held in October 2015, improving public finances, as well as to better governance and institutions. It said that the fiscal deficit averaged 2.9% of GDP between 2011 and 2015, despite the significant increase in capital expenditures from 2.5% of GDP in 2011 to 7.9% of GDP in 2015. It said that the fiscal discipline reflects a favorable external environment, rising revenues and better budget execution. Also, it noted that the public debt rose slightly from 34.2% of GDP in 2012 to 37.5% of GDP in 2015, in contrast to many regional economies that posted significant increases in their debt levels, due in part to the sustained high double-digit growth in fiscal revenues. It forecast the public debt level at between 40% and 45% of GDP in the coming few years. In addition, it pointed out that Côte d'Ivoire's real GDP grew at an average rate of 9.2% between 2012 and 2015, one of the fastest growing economies in the world, and expected growth to average 8% annually over the medium term. It anticipated that the country's strong growth prospects would be supported by the implementation of the updated National Development Plan for the 2016-20 period, and would continue to drive the positive trend in the fiscal accounts.

*Source: Moody's Investors Service*

## GHANA

### Economic stability contingent on fiscal reforms

The International Monetary Fund projected Ghana's fiscal deficit to narrow from 10.2% of GDP in 2014 to 7.3% of GDP in 2015, in line with the country's financial and economic program that is supported by the IMF's Extended Credit Facility. It noted that authorities made progress in implementing fiscal structural reforms, but at a slower pace than expected in some areas. It welcomed the government's efforts to address payroll irregularities and advance public financial management reforms. It anticipated the planned fiscal adjustment under the program to strengthen in 2016, given the high level of public debt and financing constraints. It noted that the budget would face additional spending needs in 2016 from the one-off costs related to next year's elections and from a higher-than-expected increase in the public-sector wage bill. It added that revenues earmarked for statutory funds continue to reduce the budget's flexibility. As such, it said that the authorities prepared a package of revenue and spending measures for the 2016 budget that would target a fiscal deficit of 5.3% of GDP in 2016. It added that measures to contain losses at state-owned enterprises would be crucial to prevent additional fiscal pressures. Overall, it considered that further fiscal adjustment, along with tight monetary policy should help restore macroeconomic stability. It noted that this, along with the recent build-up of foreign exchange reserves, would help reduce the volatility of the Ghanaian cedi.

*Source: International Monetary Fund*



# BANKING

## JORDAN

### Resident private sector lending up 3% in first nine months of 2015

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD46.9bn or \$66.2bn at the end of September 2015, constituting a rise of 4.6% from the end of 2014 and an increase of 5.6% from end-September 2014. Resident private sector claims grew by 3.1% from end-2014 to JD18.4bn, while credit facilities to the non-resident private sector regressed by 0.5% to JD479.3m, leading to an increase of 3% in overall private sector credit facilities in the first nine months of 2015. Lending to the resident private sector accounted for 39.2% of total assets at end-September 2015 relative to 40.5% a year earlier. In parallel, resident private sector deposits reached JD25.2bn at end-September, constituting an increase of 5.2% from the end of 2014 and a rise of 5.7% from a year earlier. Also, deposits of non-bank financial institutions rose by 21.4% from end-2014 to JD437.7m. The government's deposits totaled JD1.3bn, down by 3.9% from end-2014, while those of public non-financial institutions increased by 36% to JD334.2m. Further, claims on the public sector rose by 5.1% to JD11.6bn in the first nine months of 2015, with claims on the central government accounting for 96.8% of the total. Claims on the public sector accounted for 24.7% of total assets at end-September 2015 compared to 23.7% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD7.7bn or \$10.9bn, up by 12.8% from JD6.9bn at end-2014. Also, deposits with foreign banks reached JD3.1bn or \$4.3bn at the end of September 2015, down by 7.2% from end-2014, while the sector's foreign liabilities grew by 5.7% from end-2014 to JD7.1bn.

Source: Central Bank of Jordan, Byblos Research

## KUWAIT

### Ratings on banks affirmed, outlook 'stable'

Fitch Ratings affirmed at 'AA-' the long-term Issuer Default Rating of National Bank of Kuwait (NBK) and at 'A+' that of Kuwait Finance House (KFH), Gulf Bank (GB), Commercial Bank of Kuwait (CBK), Al Ahli Bank of Kuwait (ABK), Ahli United Bank (Kuwait) (AUBK), Kuwait International Bank (KIB), Industrial Bank of Kuwait (IBK) and Boubyan Bank, with a 'stable' outlook. Fitch indicated that the ratings reflect the extremely high probability of support from the Kuwaiti authorities to all domestic banks in case of need, irrespective of their size, franchise, funding structure and their level of government ownership. It said that the high contagion risk among domestic banks in Kuwait provides an incentive for authorities to provide support to any Kuwaiti bank if needed, in order to maintain market confidence and stability. It noted that the Central Bank of Kuwait operates a strict regime with hands-on monitoring to ensure the viability of the banks. In parallel, Fitch affirmed the viability rating (VR) of NBK at 'a', that of AUBK at 'bbb-', the VR of Boubyan Bank, IBK and ABK at 'bb+', that of KFH at 'bb', the VR of CBK at 'bb-' and that of KIB at 'b+'; while it upgraded the VR of Gulf Bank to 'bb' from 'bb-' due to its improved financial profile. The agency indicated that all Kuwaiti banks benefit from a stable operating environment, and expected the government's capital spending plans to partially offset the pressure on banks from lower global oil prices. It noted that the banks' significant loan concentration by sector and borrower constitutes the main threat to asset quality.

Source: Fitch Ratings

## SAUDI ARABIA

### Banking sector to be affected by adverse conditions

Standard & Poor's downgraded Saudi Arabia's banking sector from 'Group 2' to 'Group 3' under its Banking Industry Country Risk Assessment (BICRA), as it reassessed the economic risk score from '3' to '4' and maintained the industry risk score at '2'. 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 systems. S&P said that the BICRA revision for the Saudi banking sector follows its earlier downgrade of Saudi Arabia's sovereign ratings. It attributed the increase in economic risks to the significant deterioration in Saudi Arabia's fiscal balance and its adverse effect on economic activity and domestic banks. It noted that domestic lending opportunities for banks will be limited given the cuts in government spending. It anticipated the banks' asset quality and cost of risk to come under pressure, but it expected the deterioration in asset quality to be broadly moderate in the coming few years due to the banks' good capital cushions. It considered that banks would continue to have good financial profiles, but that their profitability could weaken slightly. It indicated that the trends in economic and industry risks are negative. In parallel, S&P lowered from 'A+' to 'A' the long-term issuer credit rating of Al Rajhi Bank, Riyad Bank, Samba Financial Group and the National Commercial Bank; and reduced from 'A-' to 'BBB+' that of the Saudi Investment Bank. Also, it affirmed at 'A' the ratings of the Saudi British Bank, Arab National Bank and Banque Saudi Fransi. It noted that all banks have a 'negative' outlook, in line with that on the sovereign rating.

Source: Standard & Poor's

## NIGERIA

### Banking sector's liquidity tightens

Moody's Investors Service indicated that the liquidity ratio of Nigerian banks fell from 46% at the end of 2014 to 39% at the end of June 2015. It noted that the liquidity ratio, which measures the banks' capacity to meet short-term obligations, exceeded 40% at 12 Nigerian banks at the end of June 2015, down from 18 banks at end-2014. It added that two banks failed to meet the 30% minimum regulatory requirement. It said that the Central Bank of Nigeria (CBN) attributed the decline in liquidity to its tight monetary policy, as it increased the cash reserve ratio for private deposits from 15% to 20% in November 2014 and to 31% in May 2015. Moody's considered that Nigerian banks have currently less liquid assets and protection against funding challenges that could arise, which would leave them with a thinner cushion and a narrow margin to stay within the regulatory requirements. It anticipated that tighter liquidity conditions would lead to stronger competition among banks to attract deposits, which would increase their funding costs and put pressure on their interest margins. In parallel, the agency indicated that the CBN reduced the cash reserve ratio to 25% in September 2015 from 31% in May. But it anticipated that the CBN's decision would offset only in part the liquidity withdrawals that resulted from the previous increases in the reserve ratio. As such, it noted that the net effect of the adjustments in the cash reserve ratio is negative.

Source: Moody's Investors Service



# ENERGY / COMMODITIES

## Crude oil prices to remain low in 2016

Crude oil prices are expected to remain low and to trade at \$45 per barrel (p/b) to \$65 p/b for the rest of 2015 and 2016 due to a sustained oversupply in the oil market. ICE Brent prices are forecast to average \$55 p/b in 2015, in line with Bloomberg's consensus price, and to increase to \$61 p/b in 2016; while WTI crude oil prices are forecast to average \$50 p/b, below Bloomberg's consensus of \$50.4 p/b, and to increase to \$57 p/b next year. Demand in the northern hemisphere is expected to slow down as refineries go through maintenance and reduce crude oil purchases. However, demand from China is projected to more than offset the decrease from the northern hemisphere. China aims to reach a total storage capacity of 500 million barrels by 2020, up from an unofficial estimate of 250 million barrels currently. As such, China is anticipated to remain a safety net for global crude oil demand as it continues to stockpile oil at bargain prices. Upside risks to the price outlook include a sharp decline in U.S. shale oil production, OPEC's potential decision to reduce its oil production quota in December 2015 and a stronger-than-expected increase in demand for oil amid low prices. In contrast, downside risks include the return of Libyan and Iranian oil to the market and stronger-than-expected Chinese economic slowdown.

Source: BMI Research

## Middle East's jewelry demand up 8% year-on-year in third quarter of 2015

The Middle East region's demand for jewelry reached 55.5 tons in the third quarter of 2015, reflecting increases of 3.7% from the preceding quarter and of 8% from the third quarter of 2014. The region accounted for 8.8% of global jewelry demand. Consumption of gold jewelry in Saudi Arabia reached 15.8 tons in the third quarter and accounted for 28.5% of the region's total demand. It was followed by Iran with 12.8 tons (23.1%), Egypt with 11.8 tons (21.3%) and the UAE with 9.9 tons (17.8%).

Source: World Gold Council, Byblos Research

## DRC's copper supply to drop by 5% in 2015

Copper production in the Democratic Republic of Congo (DRC) reached 252,057 tons in the third quarter of 2015, constituting a decrease of 8.2% from the same quarter of 2014. The drop was due to power shortages and low metal prices. The DRC expects its copper output to drop by about 5% to 980,000 tons in 2015. In parallel, the country's gold production rose by 27% year-on-year in the third quarter of 2015. The DRC forecast its gold output to exceed 26 tons in 2015, which would reflect a 33% increase from 2014. The mining sector in the DRC accounts for about 20% of GDP.

Source: Thomson Reuters

## OPEC's oil basket price nearly unchanged in October 2015

The Organization of the Petroleum Exporting Countries' oil reference basket price reached \$45 per barrel (p/b) in October 2015, constituting an increase of 0.2% from \$44.8 p/b in the preceding month. Algeria's Saharan Blend crude oil posted the highest price among the basket's components at \$49.51p/b in October, followed by Abu Dhabi's Murban at \$48.48 p/b and Nigeria's Bonny Light at \$49.16 p/b. In parallel, eight out of 12 prices included in the OPEC reference basket increased last month.

Source: OPEC, Byblos Research

## Base Metals: Copper price to drop by 18% in 2015

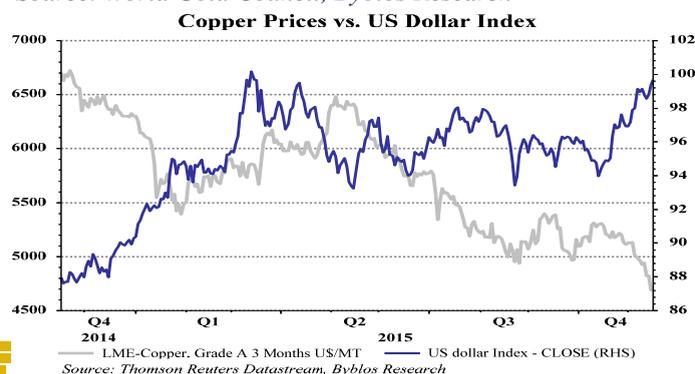
The LME cash price of copper reached its lowest level in more than six years in the third week of November, as the terrorist attacks in Paris added to investors' concerns about global economic activity. In addition, a strong US dollar and concerns about the Chinese economic slowdown have weighed on copper prices in 2015. Prices fell by 9.7% since the end of October 2015 and by 27.2% since end-2014 to close at \$4,633 per metric ton on November 18, 2015. Prices are projected to remain subdued for the rest of 2015 and into 2016. The cash price of LME copper is forecast to average \$5,250 a ton in the fourth quarter of 2015, the lowest quarterly average price for the year. Also, the metal's average annual price is expected at \$5,602 a ton, which would reflect a drop of 18.4% from \$6,863 a ton in 2014. In parallel, global refined copper production is projected to grow by 1.2% in 2015, down from a growth rate of 7.7% in 2014; while the metal's global demand is forecast to rise by 2.1% in 2015 relative to 7.7% in 2014. The refined copper market is expected to be oversupplied in 2015, posting a surplus of 86,000 tons, but could shift to a deficit of 247,000 tons in 2016 as miners' production cuts will moderate the pace of increase in refined copper output.

Source: Economist Intelligence Unit, Byblos Research

## Precious Metals: Gold prices down 12% in third quarter of 2015, global demand at \$40.5bn

Gold prices regressed to near-six year lows of \$1,069 per troy ounce in the third week of November as the US dollar strengthened and as investors returned into riskier assets, days after the Paris terrorist attacks. Prices averaged \$1,124.3 per troy ounce in the third quarter of 2015, down by 12.3% from the same quarter of 2014. Prices averaged \$1,218.5 per troy ounce in the first quarter and \$1,192.4 per troy ounce in the second quarter of 2015. Global gold supply increased by 0.7% year-on-year in the third quarter of 2015 to 1,100.1 tons, with mine production accounting for about 75% of the total. Mine production contracted by 1% and recycling declined by 5.9% in the third quarter of the year, and were more than offset by new hedging from producers. In parallel, global gold demand rose by 7.6% year-on-year to 1,120.9 tons, equivalent to \$40.5bn, in the third quarter of 2015. Demand for gold jewelry totaled 631.9 tons, equivalent to \$22.8bn, in the third quarter and constituted an increase of 6.4% from the same quarter last year. It was followed by gold bar and coin investments with 295.7 tons (\$10.7bn), the highest level in nearly two years, and demand from the technology sector with 84.3 tons (\$3bn). In addition, central banks have been net purchasers of gold for the 19th consecutive quarter, with total net purchases amounting to 425.8 tons during the first nine months of 2015.

Source: World Gold Council, 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								
<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	-	Ba3	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	A+	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	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	05-Nov-15	No change	10-Dec-15
Japan	O/N Call Rate	0.00-0.10	19-Nov-15	No change	18-Dec-15
Australia	Cash Rate	2.00	03-Nov-15	No change	01-Dec-15
New Zealand	Cash Rate	2.75	29-Oct-15	Cut 25 bps	10-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
<b>Emerging Markets</b>					
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	12-Nov-15	No change	10-Dec-15
Malaysia	O/N Policy Rate	3.25	05-Nov-15	No change	21-Jan-16
Thailand	1D Repo	1.50	04-Nov-15	No change	16-Dec-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	29-Oct-15	No change	17-Dec-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	26.00	16-Nov-15	Raised 100bps	25-Jan-16
Angola	Base rate	10.50	28-Oct-15	No change	30-Nov-15
Mexico	Target Rate	3.00	29-Oct-15	No change	17-Dec-15
Brazil	Selic Rate	14.25	21-Oct-15	No change	25-Nov-15
Armenia	Refi Rate	9.75	10-Nov-15	Cut 50bps	08-Dec-15
Romania	Policy Rate	1.75	05-Nov-15	No change	N/A
Bulgaria	Base Interest	0.01	02-Nov-15	No change	01-Dec-15
Kazakhstan	Repo Rate	16.00	02-Sep-15	Raised 400bps	N/A
Ukraine	Discount Rate	22.00	24-Sep-15	Cut 500bps	17-Dec-15
Russia	Refi Rate	11.00	30-Oct-15	No change	11-Dec-15



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