

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Companies optimistic about M&A activity in coming 12 months

EY's Global Capital Confidence Barometer indicated that 83% of respondents expect global mergers and acquisitions (M&A) activity to improve over the next 12 months, while 15% of participants said that it will remain the same. Also, 59% of executives acknowledged that they will pursue an acquisition in the coming 12 months relative to 40% of participants in the October 2014 survey. Also, 48% of companies intend to pursue acquisitions outside their own sector, while 55% of firms currently have three or more deals in their pipelines. The survey cited the United States, the United Kingdom, China, India and Germany as the top five destinations for M&A in coming months. Further, survey participants cited integration and poor operating cost assumptions as the most significant challenges toward the success of the deal, followed by sales price and margin deterioration, failure to achieve synergies, loss of customers and overestimation of strategic value. In parallel, 29% of respondents said that increased global and regional political instability is the greatest risk to their business over the next six to 12 months, followed by growing volatility in commodities and currencies (24% of participants), the economic and political situation in the Eurozone (23% of respondents), slowing economic growth in key emerging markets (18% of participants), and timing and pace of the U.S. interest rate hike (6% of respondents). The survey's results are based on interviews with more than 1,600 executives in 53 countries between August and September 2015.

Source: EY

Stronger customer loyalty through mobile banking

Bain & Company indicated that 26% of banks' clients worldwide use mobile channels to research or purchase banking products. The survey shows that 20% of customers in China buy bank products through mobile channels, followed by the United Kingdom (18% of respondents) and Hong Kong and South Korea (17% of clients each). The survey shows that for every 100 mobile interactions, on average, there's a decline of only about 16 interactions at the branch. It said that experiences that are easy, reliable and efficient create stronger customer loyalty. It added that mobile bank applications, especially for routine transactions, are more likely to satisfy customers than branch or phone experiences. It pointed out that bank clients who use branches frequently are almost three times more likely to switch banks. Bain indicated that banks have been trying to shift their branches away from routine transactions such as deposits, payments and cash withdrawals into digital self-service channels. But it noted that the progress in making that shift has varied widely, with the Netherlands leading and Mexico lagging. The survey's results are based on interviews with 114,696 consumers of national branch network banks, regional banks, private banks, direct banks, community banks and credit unions in 17 countries between July and September 2015.

Source: Bain & Company

EMERGING MARKETS

Trading in Credit Default Swaps up 37% to \$376bn in third quarter of 2015

Trading in emerging markets Credit Default Swaps (CDS) reached \$376bn in the third quarter of 2015, constituting an increase of 37% from \$275bn in the preceding quarter and nearly unchanged from the same quarter of 2014. The most frequently-traded sovereign CDS contracts in the third quarter of 2015 were those of Brazil at \$65bn, followed by Turkey at \$46bn and Russia at \$35bn. The most frequently-traded corporate CDS contracts in the covered quarter were those of Mexico's Pemex at \$4bn, followed by Russia's Gazprom at \$2.6bn and Brazil's Petrobras at \$2.4bn. The survey covered data on CDS contracts for 21 emerging economies and nine emerging market corporate issuers from 13 major international banks and broker-dealers.

Source: EMTA

MENA

Ease of paying taxes varies across the Arab world

The PricewaterhouseCoopers/World Bank Paying Taxes survey for 2016 included 20 Arab countries, with six countries ranking among the top 15 worldwide. The ease of paying taxes rankings in the 2015 and 2016 surveys are based on the distance to frontier score, which measures how far economies have progressed towards the best performer around the world on each sub-indicator, rather than simply looking at how they compare to other economies. The UAE tied with Qatar in first place globally, followed by Saudi Arabia (3rd), Bahrain (8th), Oman (10th) and Kuwait (11th) as the top ranked Arab countries; while Libya (160th), Algeria (169th) and Mauritania (187th) ranked last. The average number of tax payments per year in non-GCC Arab countries is 1.7 times for corporate taxes, 12.4 times for labor taxes and 12.1 times for other mandatory taxes, compared to averages of 0.5, 6.5 and 1.3, respectively in GCC economies and to global averages of 3.2 times, 10.1 times and 12.3 times, respectively. Also, it takes a standard medium-size firm in non-GCC Arab countries 121.4 hours to prepare, file and pay its corporate taxes, 105.6 hours for its labor taxes and 87.9 hours for its consumption taxes, compared to global averages of 69 hours, 93 hours and 99 hours, respectively. In addition, it takes a standard medium-size firm in GCC economies 15.2 hours on average to prepare, file and pay its corporate taxes and 42 hours for its labor taxes. In parallel, the tax rate as a percentage of commercial profits at a standard firm in non-GCC Arab countries is 13.5% for corporate tax, 19.2% for labor tax and 9.7% for non-corporate tax, compared to averages of 4.7%, 10.4% and 0.1%, respectively, for firms in GCC countries and to global averages of 16.2%, 16.2% and 8.4%, respectively.

Source: PricewaterhouseCoopers, Byblos Research

OUTLOOK

MENA

Economic activity to vary across oil-importing economies, reforms needed

The Institute of International Finance projected real GDP growth in the Arab oil-importing economies to accelerate from 2.4% in 2015 to 3.5% in 2016, driven by consumption and public investment in Egypt and by a strong rebound in agricultural production in Morocco. It noted that the drop in oil and non-fuel commodity prices is providing more space for supportive fiscal and monetary policies. However, it said that spillovers from regional conflicts, security concerns, and the slow pace of reforms continue to weigh on confidence. The IIF considered the projected growth level to be too weak to effectively address the persistently high unemployment rates in the region. It added that supply bottlenecks and the recent sharp appreciation of currencies in real effective terms continue to deter competitiveness and productivity. It considered that a return to trend growth for oil-importers of about 5% to 6% over the medium term is contingent on reducing geopolitical risks, achieving political stability and implementing structural reforms.

In parallel, the IIF pointed out that economic performance varies significantly among the five oil-importing economies. It forecast Morocco's real GDP growth at 4.7% in 2015 and 3.3% in 2016; at 3.2% in the fiscal year that ends in June 2016 in Egypt, and at 3% in 2015 and 3.6% in 2016 in Jordan. Also, it expected economic activity to expand by 1.2% in 2015 and 2.5% in 2016 in Lebanon, and by 0.7% and 3%, respectively, in Tunisia.

In parallel, the IIF indicated that the drop in global oil prices strengthens the current account and fiscal balances for oil-importers. It added that the drop in oil prices has provided an opportunity to remove or reduce fuel subsidies at lower political costs. But it noted that public debt levels will remain high, particularly in Lebanon, Egypt and Jordan.

Source: Institute of International Finance

EGYPT

Outlook dependent on fiscal and monetary reforms

The Institute of International Finance projected Egypt's real GDP growth rate to decelerate from 4.1% in the fiscal year that ended in June 2015 to 3.2% in FY2015/16 due to the expected sharp fall in tourist arrivals following the recent security breach in Sharm el-Sheikh. But it said that private-sector confidence is gradually strengthening, while the opening of the expanded Suez Canal and the major offshore gas discovery bode well for the country's medium-term outlook. It noted that these developments, along with progress in structural reforms, would increase Egypt's growth potential beyond the near term. It expected inflationary pressures to subside if authorities maintain the current adequate monetary stance and if the government restrains public spending. It projected the inflation rate to average 8.6% in FY2015/16 relative to 10.9% in FY2014/15.

In parallel, the IIF forecast the fiscal deficit to narrow from 11.5% of GDP in FY2014/15 to 10.8% of GDP in FY2015/16, due to lower fuel subsidies. It anticipated the public debt level to regress from 90.4% of GDP in FY2014/15 to 89.8% of GDP in

FY2015/16. Further, it projected the current account deficit, excluding grants, to widen to 5% of GDP in FY2015/16, mainly due to a drop in exports and to a lower-than-expected increase in FDI inflows. It noted that most of the non-binding agreements signed at the March 2015 conference have yet to result in major capital inflows. It forecast foreign currency reserves to cover three months of imports in FY2015/16 relative to 3.4 months of imports in FY2014/15. The IIF considered that financial support from donors and FDI inflows could be insufficient to meet the country's external financing needs, especially if financial support from GCC economies declines. It said that authorities are negotiating a \$3bn loan from the World Bank, but it noted that the country's financing needs significantly exceeds this amount given the projected large current account and fiscal deficits.

In parallel, the IIF indicated that the fundamentals of the Egyptian economy point to a need for a significant depreciation of the Egyptian pound, which would make exports more competitive and reduce pressure on foreign currency reserves. It noted that the depreciation of the currency would need to be accompanied by a tighter fiscal policy, as well as by deeper reforms to reduce financing needs and address the economy's structural imbalances. It added that reforms include lower fuel and electricity subsidies, the introduction of the value-added tax and addressing the challenges in the energy sector.

Source: Institute of International Finance

NIGERIA

Non-oil GDP growth to average 5.1% in 2015-16

The International Monetary Fund projected Nigeria's real GDP growth rate at 4% in 2015 and 4.3% in 2016. In parallel, it forecast growth at 3.8% in 2015 and 4.3% in 2016 for Sub-Saharan Africa (SSA), and at 3.6% in 2015 and 4.2% in 2016 for the region's oil-exporting countries. It expected the country's real non-oil GDP to grow by 5% in 2015 and by 5.1% in 2016, down from 7.3% in 2014, and relative to growth rates of 4.4% in oil-exporting countries this year and 4.7% next year. The Fund forecast the country's annual average inflation rate at 9.1% in 2015 and 9.7% in 2016 relative to 8.1% in 2014. It projected Nigeria's real per capita GDP to grow by 1.2% in 2015 and by 1.5% in 2016. Further, it anticipated broad money to expand by 9.6% in 2015 and by 12.7% in 2016.

In parallel, the Fund projected the fiscal deficit to widen from 2% of GDP in 2014 to 3.9% of GDP in 2015 and 3.2% of GDP in 2016. It forecast government revenues, excluding grants, at 7.5% of GDP in 2015 and 7.6% of GDP in 2016, and total expenditures at 11.3% of GDP in 2015 and 10.7% of GDP in 2016. The IMF projected total investment at 17.4% of GDP in 2015 and 16.5% of GDP in 2015, relative to 15.8% of GDP in 2014. It forecast net FDI at 0.4% of GDP in 2015 and at 0.6% of GDP in 2016 relative to 0.5% of GDP in 2014. The IMF projected the external debt to official creditors at 2% of GDP in 2015 and 2.3% of GDP in 2016. Further, it expected the current account balance to shift from a surplus of 0.4% of GDP in 2014 to deficits of 1.8% of GDP in 2015 and 1.2% of GDP in 2016. The Fund forecast the country's gross official reserves at 5.4 months of import cover at the end of 2015 and at 4.4 months of import cover at end-2016, down from 6.2 months of import cover at end-2014.

Source: International Monetary Fund



ECONOMY & TRADE

JORDAN

Economic growth to average 2.8% in 2015-16, reforms remain essential

The International Monetary Fund indicated that Jordan's economy remains resilient even though the conflicts in Iraq and Syria are affecting trade, tourism, and investor confidence. It projected Jordan's real GDP growth to reach 2.5% in 2015 and to exceed 3% in 2016. Also, it forecast the average inflation rate at -0.7% in 2015 due to sharp declines in fuel and transportation prices, and expected it to recover to about 2% in 2016 as fuel prices stabilize. It projected the current account deficit to reach about 11.5% of GDP in 2015 and to remain broadly at this level in 2016. Further, the Fund pointed out that the combined deficit of the central government and the national electricity company (NEPCO) amounted to 2.8% of GDP in the first nine months of the year, reflecting a drop of 1.3% of GDP in central government revenues that was partly offset by spending controls. It indicated that NEPCO's budget is close to being balanced due to declines in the prices of petroleum products and to the increased usage of liquid natural gas for electricity production. In addition, the Fund indicated that Jordan's foreign currency reserves are at an adequate level, the banking sector is sound and credit to the private sector continues to expand. In parallel, the IMF encouraged authorities to implement both structural reforms to boost jobs and growth, and fiscal adjustment to reduce the debt level to sustainable levels. It noted that structural reforms are needed to improve Jordan's business environment and competitiveness, strengthen governance and public institutions, and address imbalances in the labor market. Also, it said that fiscal adjustment must allow for a gradual clearance of arrears, and must create room for growth-enhancing measures, such as increasing capital spending.

Source: International Monetary Fund

SAUDI ARABIA

Fiscal deficits to lead to higher debt issuance, decline in expenditures

Moody's Investors Service expected lower hydrocarbon revenues to result in sustained wide fiscal deficits in Saudi Arabia, a draw-down of foreign currency reserves and increased sovereign debt issuance. It estimated the fiscal deficit at about \$110bn, or 17% of GDP in 2015, and forecast the government debt level to rise from 1.6% of GDP at the end of 2014 to 6.4% of GDP at end-2015. It expected authorities to further cut spending in order to address the sustained fiscal deficits in coming years. It noted that the slowdown in capital spending would negatively impact economic activity. It projected real GDP growth at between 2.5% and 3% over the next two years, as the government adapts to lower hydrocarbon revenues and as some government-financed projects are completed. It added that Saudi Arabia is vulnerable to regional geopolitical developments, which exposes the country to moderate political risks. Overall, Moody's indicated that Saudi Arabia's fiscal position is weakening but remains relatively strong. It said that the government's substantial financial reserves accumulated before the drop in oil prices provide a solid buffer, which would allow authorities to finance the wide fiscal deficits without undermining the fiscal strength over the near term.

Source: Moody's Investors Service

OMAN

Sovereign ratings downgraded due to weakening fiscal and external positions

Standard & Poor's downgraded Oman's long-term local and foreign currency sovereign credit ratings from 'A-' to 'BBB+' with a 'negative' outlook. Also, it revised the transfer & convertibility assessment from 'A' to 'A-' and affirmed at 'A-2' the short-term ratings. It attributed the downgrades to a steeper-than-expected deterioration in the country's fiscal and external balances in coming years, as well as to significantly lower real per capita GDP growth rates than peers. It said that the deterioration in the fiscal and external positions could be worse-than-expected over the next two years, which reflects the 'negative' outlook on the long-term ratings. S&P forecast the fiscal deficit to average about 12% of GDP during the 2015-18 period, and expected the government debt level to rise by 3% of GDP annually over the same period. It said that the government has limited room to cut spending, given that nearly 50% of expenditures are allocated to public-sector wages, subsidies and exemptions. It projected the government's net asset position to regress from 59% of GDP in 2015 to 19% of GDP in 2018. As such, it revised its assessment for Oman's fiscal flexibility and performance from 'strength' to 'neutral'. Further, the agency forecast the current account deficit at about 14% of GDP in 2015, and expected the deficits to remain in double digits in coming years. It anticipated the country's external position to shift from a creditor position of about 56% of current account receipts (CARs) in 2015 to a small debtor position of 4% of CARs by 2018.

Source: Standard & Poor's

ETHIOPIA

Sovereign ratings affirmed, outlook 'stable'

Standard & Poor's affirmed Ethiopia's long- and short-term foreign and local currency sovereign credit ratings at 'B' with a 'stable' outlook. It indicated that the ratings are supported by strong economic growth and domestic political stability. But it said that the ratings are constrained by low GDP per capita, lack of monetary policy flexibility, and the rapid accumulation of debt by state-owned enterprises (SOEs). Further, it noted that the current account balance has widened in 2014 and 2015 as both capital and service imports related to capital projects have increased faster than exports. It projected the current account deficit at around 10% of GDP over the next three years. Also, it forecast the net external debt to increase from 89% of current account receipts (CARs) in 2014 to about 115% over the 2015-18 period. It projected the country's gross external financing needs to average 150% of CARs and usable reserves over the same period. Further, it expected foreign currency reserves to remain low at 1.9 months of current account payments (CAPs) in 2015 and to drop to 1.5 months of CAPs by 2018. Further, the agency forecast the fiscal deficit to average 2.8% of GDP between 2015 and 2018, but it projected the government debt level, which takes into account the financing of off-budget items to increase by 4.3% of GDP per year over the same period. Also, it expected the net general government debt at 24% of GDP in 2015, but it estimated the SOE's debt at about 17% of GDP, which would bring the public sector debt level to about 45% of GDP this year.

Source: Standard & Poor's



BANKING

MENA

Bank lending conditions tighten in third quarter

The Emerging Markets Lending Conditions Index for the MENA region declined to 45.8 in the third quarter of 2015 from 49.2 in the second quarter of the year. Bank lending conditions in the MENA region constituted their lowest level since the fourth quarter of 2011, reflecting the impact of weaker trade and commodity prices, and due to tighter funding conditions. Still, the region had the third most favorable lending conditions among emerging markets, behind Emerging Europe (46.9) and Sub-Saharan Africa (46). The region's Trade Finance Index dropped to 51.8 in the third quarter of 2015 from 53.6 in the preceding quarter. Further, the Non-Performing Loans Index decreased to 46.4 in the third quarter of 2015 from 47.6 in the second quarter of the year, which reflects a rise in NPLs at MENA banks. Also, around 75% of banks in the MENA region expected NPLs to rise going forward due to weaker growth prospects. Also, the Demand for Loans Index decreased to 46.1 in the third quarter from 50.4 in the previous quarter, as demand for corporate loans declined for the first time since the fourth quarter of 2012 and demand for commercial real estate loans contracted further. Also, the Credit Standards Index fell to 44.1 in the third quarter of 2015 from 47.9 in the preceding quarter. In addition, the Funding Conditions Index regressed to 42.1 in the second quarter of 2015 from 46.7 in the preceding quarter as the index for domestic funding conditions fell 2.3 points to a record low of 43.5 and the index for international funding conditions dropped by 6.8 points to 40.7.

Source: *Institute of International Finance*

JORDAN

Construction and trade account for 41% of overall lending in September 2015

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD20.8bn, or \$29.4bn, at the end of September 2015, constituting an increase of 8.1% from JD19.3bn at end-2014 and a rise of 7.5% from JD19.4bn at end-September 2014. Credit in foreign currency accounted for 14.7% of the total at the end of September 2015, relative to 14.4% a year earlier. The resident private sector accounted for 85.5% of total credit relative to 90.1% at end-September 2014, followed by the central government with 10.6%, up from 5.5% a year earlier; the non-resident private sector with 2.3%, and public entities with 1.6%. The distribution of credit by sector shows that construction represented JD4.8bn or 23.1% of the total at end-September 2015, up from 21.9% a year earlier; while general trade represented JD3.8bn or 18% of the total relative to 18.8% a year earlier. They were followed by public services & utilities with JD3.2bn or 15.2% of the total; industry with JD2.2bn (10.8%); tourism, hotels & restaurants with JD598.7m (2.9%); financial services with JD533.7m (2.6%); transportation services with JD268.5m (1.3%); agriculture with JD256.5m (1.2%) and mining with JD196.5m (0.9%). Further, other sectors accounted for JD5bn, or 24% of total credit, of which JD169.6m were extended to buy shares. In parallel, loans & advances reached JD13.8bn at end-September 2015, followed by Islamic banks' receivables with JD4.5bn, overdrafts with JD2.2bn and discounted bills with JD234m.

Source: *Central Bank of Jordan, Byblos Research*

EGYPT

Outlook on banks' ratings revised to 'stable'

Standard & Poor's revised the outlook from 'positive' to 'stable' on the 'B-' long-term counterparty credit rating of National Bank of Egypt (NBE), Banque Misr (BM) and Commercial International Bank (CIB). It attributed the outlook revision to its similar action on Egypt's sovereign ratings. It indicated that the three banks face significant risks due to their substantial holding of government bonds relative to their equity base and earnings capacity. It noted that NBE's holdings of government debt was equivalent to 9.6 times its total equity at the end of 2014 and BM's exposure to the sovereign was at 7.1 times its equity base at the end of June 2014, while CIB's holding of government securities was equivalent to 5.4 times its total equity at the end of September 2015. It considered that the banks are unlikely to withstand a scenario where the sovereign defaults on its debt obligations. It added that it would reassess the banks' credit rating in the event of a similar action on the sovereign. Further, S&P maintained at 'b-' the stand-alone credit profile (SACP) of BM and NBE and at 'b' that of CIB. It noted that CIB's SACP has a one-notch negative adjustment to align it with the sovereign rating.

Source: *Standard & Poor's*

UAE

Earnings growth slows in third quarter of 2015

The net profits of nine listed banks in the UAE totaled AED25bn, or \$6.8bn, in the first nine months of 2015, constituting a rise of 13.4% from AED22.1bn in the same period of 2014. The increase in profits in the first nine months of the year reflects a 9.1% year-on-year rise in interest income and a 16.9% drop in provisions. Also, total operating expenses rose by 12.1% to AED16.1bn, or \$4.4bn, in the first nine months of 2015. Aggregate net profits rose by 20.6% annually to AED8.3bn (\$2.26bn) in the first quarter of the year, by 13.9% to AED8.5bn (\$2.31bn) in the second quarter and by 6.5% year-on-year to AED8.3bn (\$2.25bn) in the third quarter of 2015. The slowdown in the banks' earnings growth in the third quarter reflects lower non-interest income that contracted by 7.2% year-on-year and by 9% quarter-on-quarter. As such, banks have started to control cost with operating expenses growing by 9% year-on-year in the third quarter of 2015 relative to growth of 13% in the second quarter of 2015 and 15% in the first quarter. In parallel, total assets reached AED1,693bn, or \$461.4bn, at the end of September 2015, constituting a drop of 7.8% from end-September 2014. Net loans grew by 10.9% year-on-year to AED1,084bn, or \$295.3bn, at the end of September 2015. Further, the banks' liquidity continues to tighten as deposit growth, particularly at Abu Dhabi banks, weakened. Aggregate customer deposits reached AED1,112bn, or \$303bn, at the end of September 2015 and increased by 3.1% from end-September 2014 relative to an annual rise of 6.1% at the end of June 2015. But the pace of tightening has eased relative to the second quarter as the loans-to-deposits ratio rose by 170 basis points from end-June to 97.5% at end-September 2015, while it rose by 430 basis points in the second quarter of the year.

Source: *EFG Hermes*



ENERGY / COMMODITIES

Oil market oversupply to narrow in 2016

Crude oil prices rose slightly in the fourth week of November to close near \$43 per barrel (p/b), as geopolitical tensions in the Middle East increased following Turkey's downing of a Russian warplane that breached the Turkish airspace. But prices continue to trade at low levels relative to last year's average price of about \$96 p/b due in part to a stronger US dollar and to persistent market oversupply. In parallel, global demand for petroleum and other liquids is projected to grow by 1.5% in each of 2015 and 2016 relative to a growth rate of 1.3% in 2014, while global production is forecast to rise by 2.4% in 2015 and 0.2% in 2016 compared to 2.7% last year. As such, the oil market oversupply is expected to slow to about 1.2 million b/d in the fourth quarter of 2015 and to narrow further to an average of 0.4 million b/d in 2016. The fall in market oversupply would support oil prices in the coming months. As such, Brent oil spot prices are forecast to average \$49.5 p/b in the fourth quarter of 2015 and to rise to \$52 p/b in the first quarter of next year, while WTI oil prices are projected to average \$46.7 p/b in the fourth quarter of this year and to increase to \$47.4 p/b in the first quarter of 2016. Overall, Brent prices are forecast to average \$53.8 p/b in 2015 and \$56.2 p/b next year; while WTI prices are expected to average \$49.9 p/b this year and \$51.3 p/b in 2016.

Source: U.S. Energy Information Administration, Byblos Research

Middle East's bar and coin demand up 18% year-on-year in third quarter of 2015

The Middle East region's demand for gold bars & coins reached 15 tons in the third quarter of 2015, reflecting an increase of 34% from the preceding quarter, and accounting for 5.1% of global demand for bars & coins. Iran's demand for gold bars & coins was 7.3 tons in the third quarter and represented 48.7% of the region's total demand. It was followed by Saudi Arabia with 3.6 tons (24%) and the UAE with 1.8 tons (12%).

Source: World Gold Council, Byblos Research

GCC petrochemicals output posts a CAGR of 10% between 2004 and 2014

The Gulf Cooperation Council's (GCC) petrochemicals output reached 136.2 million tons in 2014, up by 8.3% from 2013. Production increased at a compound annual growth rate (CAGR) of 10% between 2004 and 2014. The GCC currently accounts for 13% of the world's petrochemical output. In parallel, the GCC exported 80% of its total petrochemical production in 2014, with such exports generating \$87.4bn in revenues. The global petrochemicals industry's outlook remains positive due to attractive investment environments, government commitment and future demand. Also, global demand for petrochemicals is expected to grow by an average of 4% per year over the next 10 years.

Source: Gulf Petrochemicals & Chemicals Association

ME&A's oil demand to rise in first quarter of 2016

Crude oil consumption in the Middle East & Africa (ME&A) region is expected to average 12.4 million barrels per day (b/d) in the first quarter of 2016, which would reflect a rise of 2.5% from 12.1 million b/d in the same quarter of 2015. The region's demand for oil would account for about 13.3% of global consumption in the covered quarter. In parallel, the ME&A's non-OPEC oil supply is forecast to drop by 4.3% year-on-year to an average of 3.54 million b/d in the first quarter of next year.

Source: OPEC, Byblos Research

COUNTRY RISK WEEKLY BULLETIN

Base Metals: Copper prices subdued in 2015

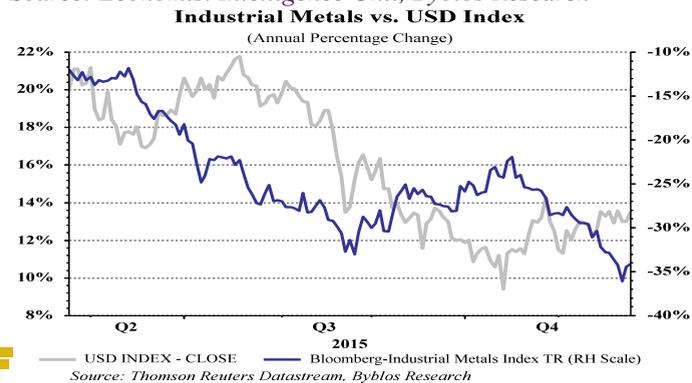
The LME cash price of copper has averaged \$5,605 per ton so far 2015, down by 18.8% from the first 11 months of 2014, partly due to a stronger US dollar and to growing concerns about a Chinese economic slowdown. The price of copper closed at \$4,561.5 per ton on November 25th, its second-lowest level this year. Investor sentiment towards Chinese copper demand has deteriorated in recent months as chances of a large-scale stimulus in China fade. Prices closed at a low of \$4,512 per ton and a high of \$6,482 per ton so far in 2015, and are forecast to average \$5,540 per ton for the full year. In parallel, global demand for refined copper is estimated to have decreased by 2% year-on-year to 14,862 thousand tons in the first eight months of 2015. On a regional basis, demand for refined copper rose by about 2% in each of Africa and the Americas, while it declined by 63% in Oceania and by 11% in Europe, and was nearly unchanged in Asia. The metal's global refined production rose by 1.6% to 14,931 thousand metric tons in the first eight months of the year. China was the main contributor to the growth in refined supply during the covered period, followed by the Philippines and Indonesia. The refined copper balance posted a production surplus of 69,000 metric tons in the first eight months of 2015 relative to a deficit of 461,000 tons in the same period of 2014.

Source: International Copper Study Group, Byblos Research

Precious Metals: Gold prices to ease in 2016

Gold prices are forecast to average \$1,120 a troy ounce in the fourth quarter of 2015, down from averages of \$1,219 a troy ounce in the first quarter, \$1,193 an ounce in the second quarter and \$1,124 a troy ounce in the third quarter of the year. Gold prices are projected to remain low and volatile in the near term, with wide short-term fluctuations determined by rapidly changing over-the-counter investor demand. Prices are expected to rise modestly from the second half of 2016 until the second half of 2017 as supply tightens, and as jewelry demand remains robust and investment stabilizes. But this will not prevent a decrease in gold's annual average price next year. The metal's average price is forecast to drop by 8.1% to \$1,164 a troy ounce in 2015 and by an additional 2.9% to \$1,130 a troy ounce in 2016. The main drivers behind the projected drop in prices include a stronger US dollar and subdued inflationary pressures amid a low oil price environment. Also, higher interest rates in the United States would reduce the appeal of gold as an investment asset. Upward potential for gold prices exist, but would be short-lived, in case geopolitical tensions persist and global market uncertainty remains high. Larger price increases would be contingent on investors regaining appetite for the metal as a safe haven asset.

Source: Economist Intelligence Unit, 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	-	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
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	BBB+	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								
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	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
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	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	24-Nov-15	No change	22-Dec-15
South Africa	Repo rate	6.25	19-Nov-15	Raised 25bps	28-Jan-16
Kenya	Central Bank Rate	11.50	22-Nov-15	No change	Jan-16
Nigeria	Monetary Policy Rate	11.00	24-Nov-15	Cut 200bps	N/A
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



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

