

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

ETFs and ETPs assets at \$2.63 trillion at end-September 2014

Assets of global Exchange Traded Funds (ETFs) and Exchange Traded Products (ETPs) reached \$2,625bn at the end of September 2014, constituting an increase of 9.5% from \$2,398bn at end-2013. ETFs are open-ended, index-based equity funds. ETFs and ETPs attracted \$14.8bn in equity ETFs and ETPs in September 2014, which were offset by outflows of \$1.5bn from commodity ETFs and ETPs and of \$449m from fixed income ETFs and ETPs. Global ETFs' assets stood at \$2,478bn, while those of ETPs totaled \$147bn at end-September 2014. Also, ETFs' assets grew by 9.9%, while those of ETPs rose by 2.1% from end-2013. The U.S. ETF and ETP industry had assets of \$1,862bn and accounted for 70.9% of total assets invested in both ETFs and ETPs, followed by the European industry with \$456bn (17.4%), Asia-Pacific excluding Japan with \$103bn (3.9%), Japanese ETFs and ETPs with \$89bn (3.4%), the Canadian industry with \$65bn (2.5%), and Latin American ETFs and ETPs with \$8bn (0.3%). The U.S. ETF industry represented 71.6% of global ETFs, followed by European ETFs with 17.5%, Asia-Pacific ex-Japan with 4.1% and the Japanese ETF industry with 3.6% of the total. Further, the number of ETFs and ETPs reached 5,463 at the end of September, with ETFs accounting for 70.8% of the total.

Source : *ETFGI, Byblos Research*

EMERGING MARKETS

Remittance inflows to increase by 5% to \$435bn in 2014

The World Bank projected remittance inflows to developing economies at \$435bn in 2014, constituting an increase of 5.1% from \$414bn in 2013. It expected remittance inflows to developing economies to increase by 4.4% to \$454bn in 2015 and by 4.6% to \$475bn in 2016. It said that the inflows would account for 74.7% of global remittance flows in 2014, slightly down from 75.1% in 2013. It forecast inflows to the East Asia & Pacific region to reach \$122bn in 2014 and to account for 28% of remittances to developing economies, followed by South Asia with \$117bn (26.9%), Latin America & the Caribbean with \$64bn (14.7%), the Middle East & North Africa with \$51bn (11.7%), Europe & Central Asia with \$49bn (11.3%), and Sub-Saharan Africa with \$33bn (7.6%). Also, it forecast the growth rate of remittance inflows to East Asia & Pacific at 7% in 2014, followed by South Asia at 5.5%, Latin America & the Caribbean at 5%, Sub-Saharan Africa at 3.2%, the Middle-East & North Africa at 2.9% and Europe & Central Asia at 2.2%. In parallel, the World Bank projected remittance inflows to middle-income countries at \$398bn and to low-income countries at \$37bn in 2014, compared to \$380bn and \$34bn in 2013, respectively. Inflows to middle-income countries would account for 91.5% of remittances to developing economies in 2014.

Source: *World Bank, Byblos Research*

Capital markets equivalent to 188% of GDP

The total size of capital markets in emerging market (EM) economies stood at \$54,242bn at the end of 2013, with bank assets accounting for 58.6%, and equities and debt securities representing 20.7% each of the total. EM capital markets were equivalent to 187.6% of the region's GDP. Asia accounted for \$34,434bn or 63.5% of total bonds, equities and bank assets in EM economies; followed by Latin America & the Caribbean (LAC) with \$9,510bn (17.5%), Emerging Europe (EE) with \$5,587bn (10.3%), the Middle East & North Africa with \$3,278bn (6%), and Sub-Saharan Africa (SSA) with \$1,433bn (2.6%). Further, assets of banks in Asia totaled \$22,612bn and accounted for 71.1% of EM bank assets, followed by LAC with \$3,761bn (11.8%), EE with \$2,902bn (9.1%), the MENA region with \$1,928bn (6.1%), and SSA with \$580bn (1.8%). Also, the stock market capitalization in Asia stood at \$6,025bn and accounted for 53.6% of EM market capitalization, followed by LAC with \$2,184bn (19.4%), EE with \$1,301bn (11.6%), the MENA region with \$1,114bn (9.9%) and SSA with \$609bn (5.4%). Also, debt securities in Asia reached \$5,797bn and accounted for 51.6% of EM market capitalization, followed by LAC with \$3,565bn (31.8%), EE with \$1,384bn (12.3%), SSA with \$245bn (2.2%) and the MENA region with \$237bn (2.1%). The size of capital markets in emerging economies represented 19.2% of global capital markets. EM accounted for 26.4% of global bank assets, 18% of global stock market capitalization, and 11.3% of fixed income markets in the world.

Source: *International Monetary Fund, Byblos Research*

MENA

Cellular competitiveness deteriorates

The Cellular Competition Intensity Index for 2014 indicated that the level of competitiveness in cellular markets in Arab countries regressed, as the average score of the 19 Arab countries included in the index reached 56.9%, down from 58.9% in 2013 and 57.1% in 2012. The index measures the intensity level of competition in the region's cellular markets by comparing the state of every market relative to the other markets. The cellular market in Saudi Arabia remained the most competitive in the Arab world for the fourth consecutive year with a score of 75.9%. It was followed by Jordan (73.2%), Palestine (71.3%) and Iraq (66.7%). In contrast, Lebanon (40.8%), Syria (34.5%) and Libya (31.1%) had the least competitive markets in the region. Further, the average score in GCC countries fell by 2.82 percentage points to 53.21% in 2014, while that in non-GCC Arab countries dropped by 2.86 percentage points to 54.78%. Also, the scores of six Arab countries improved with Kuwait posting the largest improvement of 2.36 percentage points, while the scores of 13 economies deteriorated as Libya posted the steepest drop of 10.46 percentage points. The rankings of seven Arab countries improved, seven declined and five remained unchanged year-on-year. Kuwait's rank rose by three spots, the highest improvement regionally, while the ranks of Oman and Mauritania regressed by three spots each, the steepest declines in the region.

Source: *Arab Advisors Group, Byblos Research*

OUTLOOK

GCC

Fiscal balance to deteriorate in 2014-15, breakeven oil price to continue increasing

The Institute of International Finance projected the consolidated fiscal surplus of the six GCC countries to narrow from 9.8% of GDP in 2013 to 6.3% of GDP in 2014 and 2.6% of GDP in 2015, reflecting lower oil revenues and higher public spending. It forecast the fiscal surplus in Kuwait to narrow from 22.9% of GDP in 2014 to 18.2% of GDP in 2015, that in the UAE to deteriorate from 8.6% of GDP in 2014 to 6.4% of GDP next year, and the surplus in Qatar to decrease from 8.2% of GDP in 2014 to 5.5% of GDP in 2015. It also expected the fiscal balance in Saudi Arabia to shift from a surplus of 1.7% of GDP in 2014 to a deficit of 3.3% of GDP in 2015 and that in Oman to post a surplus of 1% of GDP in 2014 and a deficit of 0.6% of GDP in 2015. It noted that the fiscal deficit in Bahrain would widen from 3.8% of GDP in 2014 to 5.1% of GDP in 2015.

The IIF said that the fiscal breakeven Brent oil price in GCC countries continues to rise due to high subsidies, fluctuating hydrocarbon production and higher public expenditures. It projected the fiscal breakeven oil price in Bahrain at \$126.4 per barrel (p/b) in 2014 and \$130.2 p/b in 2015, the highest level among GCC countries; followed by Oman at \$107.5 p/b and \$113.2 p/b, respectively; Saudi Arabia at \$98.9 p/b in 2014 and \$109.4 p/b next year; the UAE at \$69.6 p/b and \$73.6 p/b, respectively; Qatar at \$58.5 p/b in 2014 and \$65.3 p/b in 2015; and Kuwait at \$56.4 p/b this year and \$62.8 p/b in 2015. The IIF considered that a drop in global oil prices to below \$80 p/b would weigh on public finances if authorities do not contain public spending. It projected the region's overall current account balance to fall from \$299bn or 9.1% of GDP in 2014, to \$232bn or 6.3% of GDP in 2015; and for the region's net foreign assets to reach \$2.3 trillion, equivalent to 132.2% of GDP in 2014, and \$2.4 trillion or 134.3% of GDP in 2015.

Source: Institute of International Finance

SUDAN

Real GDP growth to accelerate to 3.8% in 2015 but to remain below potential

Business Monitor International estimated Sudan's economic growth to slow down to 2.6% in 2014 from 2.9% in 2013, reflecting the impact of the currency devaluation in September 2013, restrained government spending and a weak security environment. It expected real GDP growth to accelerate to 3.8% in 2015 due in part to easing inflationary pressures, as authorities would keep monetary and fiscal policies tight. But it considered that the economy would continue to operate below potential due to restrained public spending, an unfavorable investment climate and unstable domestic and regional conditions.

BMI forecast private consumption to increase by 3.5% in real terms in 2015 compared to an estimated growth rate of 2.6% in 2014. It said that the high inflation rates have significantly eroded consumers' purchasing power so far in 2014. But it noted that the expected easing in inflationary pressure next year would provide some support to consumers. However, it pointed out that the growth in private consumption remains well below historical trends due to the highly challenging environment and

still elevated domestic prices. It added that the government's ongoing fiscal reform efforts would constrain domestic demand, mainly through higher taxes and restrained public spending. Further, it anticipated government spending to expand by 3% in real terms in 2015 compared to an estimated growth rate of 2% in 2014. But it noted that a deterioration in domestic security conditions could lead to additional public spending.

In parallel, BMI forecast investment spending to increase by 4% in real terms in 2015 compared to an estimated growth rate of 2% in 2014, reflecting the prevailing security risks and the uncertain and fragile political environment. Further, BMI considered that authorities would face significant challenges in building up the domestic oil sector, given the international sanctions on the country that limit the flow of essential foreign capital. But it expected oil production to increase when a new oil field in North Darfur comes online in the coming months.

Source: Business Monitor International

IRAN

Non-hydrocarbon growth at 1.6%, inflation to average 14.6% in current fiscal year

The Institute of International Finance projected Iran's real GDP to grow by 1.7% in fiscal year 2014/15 ending in March 2015 relative to an estimated growth rate of 1.5% in FY2013/14. It forecast hydrocarbon output to expand by 3% in FY2014/15 relative to a growth rate of 2% in the preceding fiscal year, and for the non-hydrocarbon sector to grow by 1.6% in the current fiscal year following a growth rate of 1.4% in FY2014/15. It attributed the acceleration in economic activity to improved policy-making, but it noted that the country's prospects remain weak due to existing sanctions. It estimated the total output losses from international sanctions at \$272.1bn during the 2012-14 period, equivalent to 14.3% of the country's cumulative GDP during the covered period.

Further, the IIF indicated that the year-on-year inflation rate fell to 14% in August 2014 from 30% in December 2013, reflecting tighter credit conditions and the stabilization of the official and black market exchange rates. It forecast the inflation rate to average 14.6% in FY2014/15 compared to an average rate of 15.8% in FY2013/14. It projected the government's fiscal deficit to narrow from 1.8% of GDP in FY2013/14 to 0.1% of GDP in FY2014/15. But it expected the fiscal breakeven oil price to rise from \$136.3 per barrel (p/b) in 2014 to \$137.2 p/b in 2015, the second highest such level among MENA oil exporters. Also, it forecast the current account surplus to narrow from 6.1% of GDP in FY2013/14 to 5.8% of GDP in FY2014/15. It anticipated official reserves at \$80bn in the current fiscal year, unchanged from the preceding year.

In parallel, the IIF considered that a comprehensive nuclear agreement between Iran and the five permanent members of the UN Security Council plus Germany would lead to a rebound in crude oil exports to 2.2 million barrels per day from 1.3 million barrels per day currently, and would restore Iran's access to the global financial system. It pointed out that the Iranian economy could strongly recover even if the involved parties agree to extend the negotiations on Iran's nuclear program.

Source: Institute of International Finance



ECONOMY & TRADE

GCC

Hospitality market to reach \$36bn by 2018

Alpen Capital projected the size of the hospitality industry in the Gulf Cooperation Council (GCC) countries to reach \$35.9bn in 2018 and to post a compound annual growth rate (CAGR) of 9.5% during the 2013-18 period. The market size covers hotel room revenues and income from serviced apartments. It also forecast the size of the hospitality industry at \$25.8bn in 2014, \$28.9bn in 2015, \$31.3bn in 2016 and \$33.6bn in 2017 relative to \$22.8bn in 2013. It attributed the continuous growth in the GCC hospitality industry to an increase in religious, leisure, and business travel. It anticipated the hotel room market in the GCC to reach \$29.4bn in 2018 and to grow at a CAGR of 10.3% during the 2013-18 period, and forecast the serviced apartments market to total \$6.4bn by 2018 and to expand at a CAGR of 6.4% during the covered period. It expected the hotel room market to account for about 82.1% of the total hospitality market in 2018, compared to a 79.3% share in 2013. Further, it projected the hospitality industry in Qatar to post a CAGR of 15.4% during the 2013-18 period, followed by Bahrain (+14.7%), Oman (+12.1%), the UAE (+10.1%), Kuwait (+8.7%) and Saudi Arabia (+8.6%). It forecast Saudi Arabia's hospitality industry to account for 62.7% of the GCC's total hospitality industry in 2018 compared to a share of 65.2% in 2013, the UAE's market share to rise to 24.5% from 23.8%, that in Qatar to grow to 4.7% from 3.5%, that in Oman and Bahrain to expand each to 3.1% from 2.6% and that in Kuwait to decrease to 1.9% from 2.2%.

Source: Alpen Capital

LIBYA

Real GDP to contract by 28% in 2014, fiscal deficit at 22.3% of GDP

The World Bank projected Libya's real GDP to contract by 27.8% in 2014 following a contraction of 10.9% in 2014 and relative to a growth rate of 3% in the Middle East & North Africa region. Libya's economy would post the worst performance in the region this year and would be, along with Iraq (-2.7%) and the West Bank & Gaza (-3.7%), the only economy to shrink in real terms. The Bank attributed the contraction in economic activity in the past two years to the collapse in oil production and exports between July 2013 and June 2014, and to unstable domestic political and security environments. It noted that oil production and exports resumed since June 2014, but have remained significantly below pre-2011 levels due to the continued security problems and technical difficulties from the extended shutdown of equipment and pipelines. It forecast the inflation rate at 5% in each of 2014 and 2015 relative to 2.6% in 2013. It projected the fiscal deficit to significantly widen from 3.6% of GDP in 2013 to 22.3% of GDP in 2014 and for the current account deficit to substantially deteriorate from 3.5% of GDP in 2013 to 29.6% of GDP in 2014. But it expected the fiscal deficit to improve to 5% of GDP and the current account deficit to narrow to 0.5% of GDP in 2015. The Bank indicated that Libya faces serious political and economic challenges. It noted that sustainable progress towards political and economic stability is contingent on the restoration of a stable security environment.

Source: World Bank

TURKEY

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Turkey's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BBB-' and 'BBB', respectively, with a 'stable' outlook. It maintained the short-term foreign currency IDR at 'F3' and the Country Ceiling at 'BBB'. It also affirmed the country's senior unsecured foreign and local currency bonds at 'BBB-' and 'BBB', respectively. It said that the economy continues to show signs of economic rebalancing, through the narrowing of the current account deficit and the slowdown in credit growth. It noted that the deceleration in credit growth reflects monetary tightening and strong macroprudential measures, and that half of the narrowing in the current account deficit is due to net gains in gold trade. Fitch said that the country's buffers against potential volatility in global investor risk appetite remain relatively thin given the potential reversals in domestic policies, uncertainty over the sustainability of economic rebalancing, and rising geopolitical risks. It considered the credibility and coherence of policy-making in Turkey to be weaker than those in similarly-rated peers. It noted that the Central Bank of Turkey (CBoT) has cut interest rates by 175 basis points since May 2014 despite the continuous rise in the inflation rate. It anticipated that the CBoT would remain under pressure to adopt a more expansionary monetary policy. It added that rising gross external financing needs of 12% of GDP and the wide current account deficit constitute main credit weaknesses.

Source: Fitch Ratings

ANGOLA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Angola's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BB-' with a 'stable' outlook. It also maintained the short-term foreign currency IDR at 'B' and the Country Ceiling at 'BB-'. It said that the ratings reflect a slowdown in economic activity, deteriorating public finances and a narrowing current account surplus. It projected real GDP growth to decelerate from 6.8% in 2013 to 4.2% in 2014 compared to an annual average growth rate of 10% over the past decade, reflecting a contraction in the hydrocarbon sector. It forecast the fiscal balance to post a deficit of 4.3% of GDP in 2014 relative to an annual average surplus of 6.4% of GDP during the 2010-13 period, as hydrocarbon revenues would deteriorate from 39% of GDP in 2011 to 25% of GDP in 2014 due to stagnant oil production and falling global oil prices. It pointed out that authorities borrowed \$6.5bn from external sources in early 2014 due to lower-than-expected revenues, and agreed on additional credit facilities afterwards. Further, it expected the current account surplus to narrow from 5.5% of GDP in 2013 to 3.4% of GDP in 2014 due to falling hydrocarbon exports. However, the agency considered that the deterioration in the sovereign balance sheet does not put at risk the current ratings due to the country's low public debt level of 26.7% of GDP in 2014. It noted that foreign currency reserves fell from \$34.4bn in May 2013 to \$28.7bn or 5.3 months of current external payments due to the narrowing current account surplus and to the transfer of \$5bn to the new sovereign wealth fund.

Source: Fitch Ratings



BANKING

GCC

Extended drop in oil prices to affect banks

Fitch Ratings indicated that the recent fall in global oil prices is likely to have a subdued impact on banks in the Gulf Cooperation Council (GCC) economies in the short-term. It said that oil price shocks have a lagged effect on banks' profitability and asset quality, which occurs after the shock filters through the domestic economy. However, the agency considered that a drop in global oil prices over an extended period of time would result in weaker profits at most GCC banks, especially if it is accompanied by a significant decrease in public spending. It pointed out that delays in infrastructure projects and payments to contractors would weigh on banks' revenues and asset quality. It said that financial benefits to nationals in the form of higher salaries and subsidies could also be affected, which would reduce consumers' ability to service their debt. It noted that lower global oil prices also influence domestic stock markets, which is a risk for banks that are exposed to equities through share lending or investment companies. Further, Fitch indicated that there is a high degree of interconnectedness between the sovereigns and the banks in GCC countries, given that authorities hold significant stakes in the banks and place substantial deposits with them. As such, it noted that any deterioration of sovereign credit quality would affect the banks' intrinsic strength.

Source: Fitch Ratings

DEM REP CONGO

Financial soundness indicators do not reflect existing weaknesses

The International Monetary Fund indicated that the financial soundness indicators of the banking sector in the Democratic Republic of Congo (DRC) mask important weaknesses. The risk-weighted capital adequacy ratio of banks operating in the DRC reached 24.5% at the end of 2013, while the Tier-One capital ratio was 17% at the end of 2013. Also, the sector's liquid assets were equivalent to 122% of total short-term liabilities at the end of 2013. But the IMF said that buffers are in local currency although banks' balance sheets are predominantly denominated in US dollars. Also, the sector's non-performing loans (NPL) ratio rose from 6.3% at the end of 2012 to 7.2% of total loans at the end of 2013, while the ratio of NPLs net of provision to capital fell from 8.3% at end-2012 to 7% at end-2013. The Fund considered NPLs to be substantially underestimated due to the large segment of overdraft loans that do not have maturities. It pointed out that provisions are calculated on the basis of recorded unpaid balances rather than on the basis of risk profiles and only cover the unpaid amounts. In parallel, the banks' return on assets reached 0.9% in 2013 relative to 0.2% in 2012; while their return on equity reached 5.1% in 2013 compared to 6.2% in 2012. The IMF said that the low levels of profitability and earnings reflect high operational and foreign exchange transaction costs. The sector's non-interest expenses were equivalent to 74% of gross income at end-2013 compared to 73.1% at end-2012. In parallel, the Fund indicated that stress tests show that the sector is vulnerable to liquidity shocks, given the lack of risk-based supervision, inadequate regulation, and negligent implementation of banking regulations.

Source: International Monetary Fund

MOROCCO

Banking sector faces intermediate economic risks

Standard & Poor's maintained Morocco's Banking Industry Country Risk Assessment (BICRA) in 'Group 7' and its industry and economic risk scores at '6' and '7', respectively. S&P noted that other countries in BICRA's 'Group 7' include El Salvador, Indonesia, Jordan, Portugal and Russia. Further, it said that Morocco's economic risk score indicates that its economic resilience and credit risk in the economy are at "very high risks" and its economic imbalances at "intermediate risks". It pointed out that the economic risks for Morocco's banking sector remain high compared to global risks. It noted that economic risks include the country's low-middle GDP per capita and the concentration of economic activity in some cyclical sectors, such as agriculture, tourism and real estate, which leaves the economy vulnerable to external factors. It expected banks' credit growth and asset quality to slightly weaken in the next 12 months. In parallel, it pointed out that its industry score indicates that the country faces "high risks" in its institutional framework and in its system-wide funding, and "intermediate risks" in its competitive dynamics. It noted that industry risks significantly increased since 2012 due to banks' risk appetite and system-wide funding. It considered that banks' risk appetite is above average given their rapid expansion, mainly in riskier African countries. It noted that banks' increasing funding needs and heavy reliance on funding from Bank Al-Maghrib is a weakness. It added that banks' liquidity has deteriorated and funding diversification has been low in recent years.

Source: Standard & Poor's

NIGERIA

Banks' performance to moderate in coming months

Fitch Ratings anticipated that the performance and growth of Nigerian banks would moderate over the next 18 months, following the Central Bank of Nigeria's (CBN) tight monetary policy actions and new banking regulations. It said the CBN's decision to revise the rules on banking charges to consumers in 2013 has led to weaker profitability and credit growth in the first half of 2014, and expected this trend to continue in 2015. It added that the pressure on banks' earnings increased due to high operating costs from a rise in the levy for the Asset Management Corporation of Nigeria (AMCON) and from network expansion strategies. Further, it pointed out that banks' asset quality is deteriorating with rising non-performing loans (NPL) from the fast lending growth since 2011. It noted that most banks' NPL ratios remain below 5%, but it considered this level to be unsustainable in the long term. It added that the very high lending concentration level exposes banks to significant event risks. In parallel, it said that banks are suffering from moderate liquidity pressure, given the rise in the loan-to-deposit ratios. It indicated that several banks have tapped the Eurobond market to meet the strong demand for loans in foreign currency from major corporates, which exposes the banks to foreign currency-related risks. Further, Fitch expected bank capitalization to come under pressure following the implementation of Basel II in 2014 and the proposal of new regulatory capital computation rules.

Source: Fitch Ratings



ENERGY / COMMODITIES

Global oil & gas M&A deals up 38% to \$141bn in first half of 2014

Global merger & acquisition deals in the oil & gas sector totaled 299 in the first half of 2014, reflecting a decrease of 0.3% from 300 completed deals in the same period last year. The aggregate value of global deals rose by 38% year-on-year to \$141bn. The first-half results ended with signs that deal activity could accelerate in the second half of 2014, mainly due to the completion of large transactions in June. Private equity continues to target oil & gas investments, mainly in the oilfield services and midstream sectors. The U.S. and Canada accounted for 61% of all deal activity in the first half relative to 67% in full year 2012. The number of deals in Asia and South America rose annually by about 20% and 50%, respectively, in the first half of 2014, while the number of U.S. transactions declined by 10.3% in the covered period. In parallel, the number of transactions in the exploration and production (E&P) industry grew by 12.7% to 231 deals in the first half of 2014 from 205 deals in the same period last year. E&P deal values rose by more than 90% year-on-year to about \$100bn in the first half. Also, in the U.S. and Canada, unconventional assets made up 47% of all E&P transactions. The midstream sector, which includes the transportation, storage, and wholesale marketing of petroleum products, recorded the most significant slowdown in deal activity during the first half of 2014.

Source: Deloitte

Oil prices could drop to \$80 a barrel

Oil prices fell for the third consecutive month in September 2014. Brent crude oil prices reached a four-year low of about \$88 per barrel in mid-October, mainly due to excess oil supply, slowing demand and a stronger US dollar. WTI crude prices fell below \$90 a barrel in October for the first time since 2012. Brent prices could drop to as low as \$80 a barrel in the short run, but would then recover if shale-oil drillers reduce their investment in new wells. Also, oil prices could improve in the short term if production disruptions reemerge.

Source: International Energy Agency, Fitch Ratings

Developing countries' crude oil demand to rise by 3% in 2015

Crude oil consumption in developing countries (DCs) is forecast to average 30.69 million barrels per day (b/d) in 2015, equivalent to 33.2% of the world's oil demand, and constituting a rise of 2.8% from 29.85 million b/d in 2014. Oil demand in Asian countries, excluding China, would average 11.52 million b/d or 37.5% of DCs' total consumption in 2015. It would be followed by the Middle East with 8.41 million b/d (27.4%) and Latin America with 6.95 million b/d (22.6%).

Source: OPEC, Byblos Research

OPEC's basket price down 5% in September 2014

The Organization of the Petroleum Exporting Countries' oil reference basket price reached \$95.98 a barrel in September 2014, constituting a decrease of 4.7% from \$100.75 a barrel in the preceding month. Abu Dhabi's Murban crude oil posted the highest price among the basket's components as it reached \$98.93 per barrel (p/b) in September, followed by Nigeria's Bonny Light at \$98.07 p/b. All prices included in the basket posted decreases of 2.3% to 5.5% in September 2014.

Source: OPEC, Byblos Research

Base Metals: Downward pressure on aluminium price as US dollar appreciates

London Metal Exchange aluminium price extended its downward trend since the middle of September. The metal's price is projected to decrease in the short term due to higher expectations of an increase in U.S. interest rates and as the US dollar strengthens. LME aluminium prices are forecast to average \$1,950 a metric ton in the fourth quarter of 2014, reflecting a decrease of 3% from the preceding quarter, and to trade at the same level in the first quarter of 2015. The metal's average price is projected to remain nearly unchanged from last year at \$1,885 a ton in 2014, and to grow by 5.8% to \$1,995 a ton in 2015. In parallel, global aluminium refined production is expected to reach 56.7 million tons in 2015, constituting a rise of 6% from 53.5 million tons in 2014; while the metal's global consumption would grow by 6% to 56.1 million tons in 2015. The global aluminium market would remain in surplus during the 2014-15 period with non-LME financing tying up large volumes of the metal. But the market surplus is projected to gradually reverse as borrowing costs start rising into 2015. In parallel, the Bloomberg Aluminium Total Return Sub-Index regressed by 7.1% in September and increased by 3.5% in the first nine months of 2014.

Source: Citigroup, Bloomberg Indexes

Precious Metals: Silver prices to ease in short term

Silver prices have been on a downward trend since early September and are projected to continue to decrease in the coming six months, driven by expectations of a rise in U.S. interest rates in 2015 and a stronger US dollar. The metal's price is forecast to average \$18.4 a troy ounce in the fourth quarter of 2014, constituting a decrease of 8% from the preceding quarter, and to drop to \$18.2 an ounce on average in the first quarter of 2015. The metal's price is projected to average \$19.6 an ounce in 2014, reflecting a decrease of 18.3% from last year, and to decline by an additional 4.6% to an average of \$18.7 a troy ounce in 2015. Silver prices, which had been closely correlated to gold through June and July, drifted apart during August 2014 as money managers liquidated their net long positions due to growing concerns over the health of the Chinese economy. But the two precious metals have re-correlated in September as the US dollar strengthened. In parallel, the Bloomberg Silver Total Return Sub-Index dropped by 12.5% in September and by 12.7% in the first nine months of 2014.

Source: Citigroup, Bloomberg Indexes, Byblos Research

Gold Prices vs. Silver Prices
(Rebase 100)



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BB	-1.9	9.7	1.5	9.4	1.1	-	0.5	-
	-	-	-	-	Stable								
Angola	BB-	Ba2	BB-	-	BB	-2.0	29.2	9.4	-	1.9	79.0	2.2	-1.4
	Stable	Stable	Stable	-	Stable								
Egypt	B-	Caa1	B-	B-	CCC	-11.1	91.3	16.4	127.5	7.5	286.8	-1.3	1.3
	Stable	Negative	Stable	Stable	Stable								
Ethiopia	B	B1	B	-	CCC	-3.0	23.5	21.1	116.3	-	-	-5.4	2.8
	Stable	Stable	Stable	-	Stable								
Ghana	B	B2	B	-	B	-7.5	66.5	32.3	73.4	3.4	239.1	-10.6	7.5
	Negative	Negative	Negative	-	Stable								
Ivory Coast	-	B1	B	-	B	-2.8	40.4	15.8	62.7	6.3	-	-2.2	2.9
	-	Positive	Positive	-	Stable								
Libya	-	-	B	-	B	-30.4	1.6	9.5	10.9	3.4	-	-27.7	-
	-	-	Stable	-	Stable								
Dem Rep Congo	B-	B3	-	-	-	-2.1	23.4	12.3	45.1	1.4	5.4	-7.9	6.9
	Stable	Stable	-	-	-								
Morocco	BBB-	Ba1	BBB-	-	B	-4.9	62.7	31.5	115.4	17.2	270.2	-6.6	2.9
	Stable	Stable	Stable	-	Stable								
Nigeria	BB-	Ba3	BB-	-	B	-1.8	2.0	3.2	42.0	0.3	34.3	4.9	2.7
	Negative	Stable	Stable	-	Stable								
Sudan	-	-	-	-	C	-1.3	89.3	74.0	-	-	-	-8.2	-
	-	-	-	-	Stable								
Tunisia	-	Ba3	BB-	-	CCC	-6.8	50.9	59.1	127.6	10.9	360.6	-6.7	3.0
	-	Negative	Negative	-	Stable								
Burkina Faso	B	-	-	-	-	-3.9	32.1	25.9	143.5	-	-	-7.3	0.4
	Stable	-	-	-	-								
Rwanda	B	-	B	-	-	-3.1	28.8	21.5	253.7	-	153.6	-11.5	3.5
	Positive	-	Positive	-	-								
Middle East													
Bahrain	BBB	Baa2	BBB	BBB	BB	-4.3	45.8	134.4	423.5	16.6	506.6	10.4	0.2
	Stable	Negative	Stable	Stable	Stable								
Iran	-	-	-	B	CCC	-2.5	10.8	1.8	13.9	1.3	15.4	5.2	-
	-	-	-	Stable	Stable								
Iraq	-	-	-	-	CCC	-2.0	16.3	10.7	69.5	-	-	1.0	-
	-	-	-	-	Stable								
Jordan	BB-	B1	-	BB-	CCC	-8.3	91.3	26.0	154.2	14.9	225.4	-12.9	6.3
	Negative	Stable	-	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	A	25.2	2.4	20.4	25.5	7.0	108.4	37.4	-4.7
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	B1	B	B	CCC	-11.5	147.6	179.6	162.8	16.4	126.8	-15.8	6.0
	Stable	Negative	Negative	Stable	Stable								
Oman	A	A1	-	A	A	0.6	8.0	12.0	25.0	3.8	105.3	7.8	0.6
	Stable	Stable	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	7.7	25.7	75.6	123.9	14.3	477.0	25.4	-0.4
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA	AA-	A	7.1	2.6	11.8	24.3	1.9	11.4	15.8	0.6
	Positive	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-12.0	65.0	27.4	-	-	-	-3.7	-
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	7.9	12.3	38.0	38.0	4.0	330.2	13.3	2.1
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-6.7	51.4	15.0	51.8	-	-	-1.5	-
	-	-	-	-	Stable								



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	-	Ba2	BB-	-	-	-2.3	42.1	77.0	109.2	17.9	543.0	-7.2	4.0
	-	Stable	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-2.1	27.2	7.9	29.8	1.5	21.1	2.2	1.0
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BB	-4.5	67.8	21.3	83.6	5.2	188.9	-2.1	1.2
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BB	4.2	13.3	70.7	131.2	13.7	544.2	1.9	5.6
	Stable	Positive	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BB	-2.6	17.6	89.0	131.2	23.2	272.4	-0.4	3.0
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	B	-2.9	39.7	66.5	153.9	20.0	257.6	-1.7	1.4
	Stable	Negative	Stable	-	Stable								
Russia	BBB-	Baa1	BBB	-	BBB	-0.5	11.6	36.7	109.4	15.0	134.9	3.0	-0.9
	Negative	Negative	Negative	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-2.0	35.9	47.2	107.5	25.1	343.0	-6.3	1.3
	Negative	Negative	Stable	Stable	Stable								
Ukraine	CCC	Caa3	CCC	-	CC	-5.2	48.3	85.4	138.4	20.5	957.4	-6.7	2.2
	Negative	Negative	-	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are forecasts for 2014



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	17-Sept-14	No change	29-Oct-14
Eurozone	Refi Rate	0.05	02-Oct-14	No change	06-Nov-14
UK	Bank Rate	0.50	09-Oct-14	No change	06-Nov-14
Japan	O/N Call Rate	0-0.10	07-Oct-14	No change	31-Oct-14
Australia	Cash Rate	2.50	07-Oct-14	No change	04-Nov-14
New Zealand	Cash Rate	3.50	11-Sept-14	No change	30-Oct-14
Switzerland	3 month Libor target	0.00-0.25	18-Sept-14	No change	11-Dec-14
Canada	Overnight rate	1.00	03-Sept-14	No change	22-Oct-14
Emerging Markets					
China	One-year lending rate	6.00	06-July-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	17-Sept-14	No change	29-Oct-14
Taiwan	Discount Rate	1.875	25-Sept-14	No change	25-Dec-14
South Korea	Base Rate	2.00	15-Oct-14	Cut 25bps	N/A
Malaysia	O/N Policy Rate	3.25	18-Sept-14	No change	06-Nov-14
Thailand	1D Repo	2.00	17-Sept-14	No change	05-Nov-14
India	Reverse repo rate	8.00	30-Sep-14	No change	02-Dec-14
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-June-09	Cut 25bps	N/A
Egypt	Overnight Deposit	9.25	20-July-14	Raise 100bps	N/A
Turkey	Base Rate	8.25	25-Sept-14	No change	23-Oct-14
South Africa	Repo rate	5.75	17-Sept-14	No change	19-Nov-14
Kenya	Central Bank Rate	8.50	03-Sept-14	No change	05-Nov-14
Nigeria	Monetary Policy Rate	12.00	19-Sept-14	No change	25-Nov-14
Ghana	Prime Rate	19.00	17-Sept-14	No change	03-Nov-14
Angola	Base rate	8.75	28-July-14	Cut 50bps	N/A
Mexico	Target Rate	3.00	05-Sept-14	No change	31-Oct-14
Brazil	Selic Rate	11.00	03-Sept-14	No change	29-Oct-14
Armenia	Refi Rate	6.75	23-Sept-14	No change	N/A
Romania	Policy Rate	3.00	01-Oct-14	Cut 25bps	N/A
Bulgaria	Base Interest	0.03	01-Oct-14	Cut 1bps	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	12.5	17-July-14	Raise 300bps	N/A
Russia	Refi Rate	8.25	13-Dec-13	No change	N/A



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 Amiryman 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

